

Singapore Strategy

A fall worse than SARS



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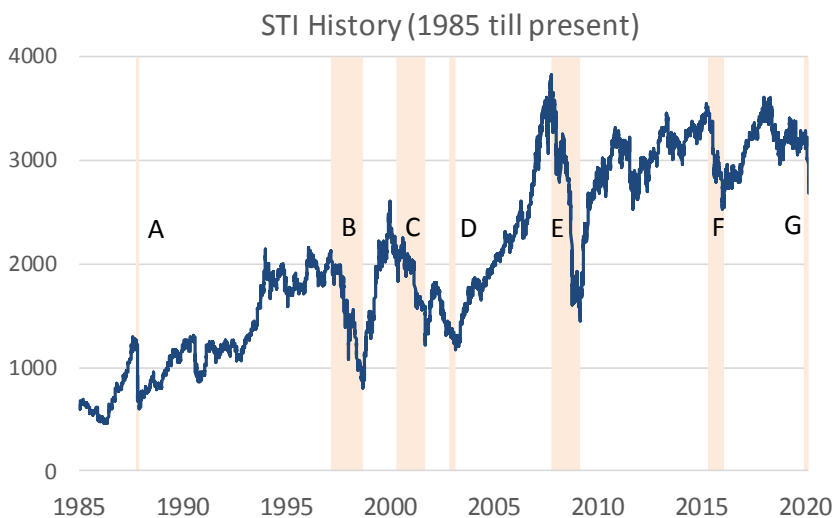
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SINGAPORE | STRATEGY SNIPPET

- Since the first reported case of Covid-19 in China on 31Dec19, STI has fallen 16.8%. Considering the time elapsed, the decline was swifter and worse than the -15.5% during the SARS outbreak in 2002/03 (Figure 2).
- To juxtapose, the most severe sell-offs during the Global and Asian Financial Crisis resulted in a 62% decline in STI from peak-to-trough.
- While it is impossible to ascertain the peak of the spread of Covid-19, some positives for the STI include record low interest rates and valuations, government stimulus globally and the dramatic reduction and containment of new Covid-19 cases in China (Figure 3).
- We remain Overweight on the banking, telecommunications and electronics sectors.

- STI fell 16.8% in the 72 days since the first case of Covid-19 in China, more pronounced compared to the 15.5% fall in the STI over the 115 day SARS period
- The most severe sell-offs in history were the 62% fall in the STI during the Global and Asian Financial Crisis, lasting 515 days and 564 days respectively.
- Silverlinings include record low interest rates and valuations, government stimulus globally and the dramatic reduction and containment of new Covid-19 cases in China

Figure 1: Shaded are some of the major sell-offs for the STI



Source: Bloomberg, PSR

Figure 2 quantifies the impact of the sell-off in the STI as identified by the shaded areas in Figure 1.

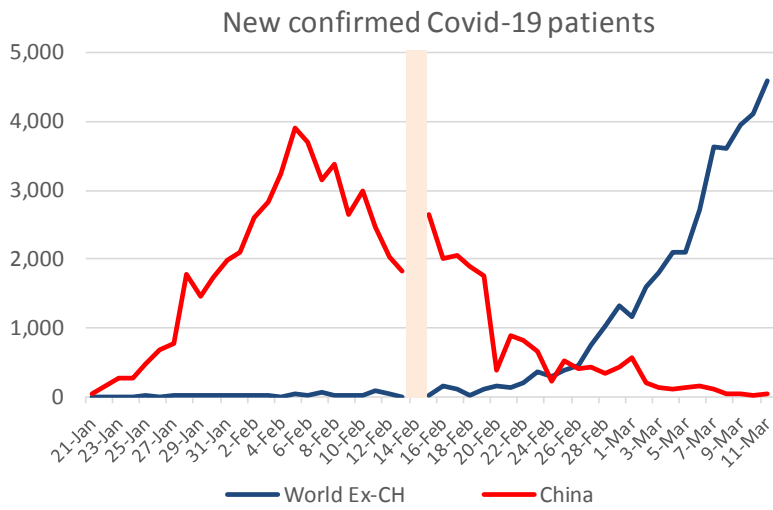
Figure 2: 50 to 60% decline in STI from peak-to-trough during periods of crisis

	Peak		Trough		% Decline	Days
	Date	STI	Date	Index		
Global Financial Crisis (E)	11-Oct-07	3831.2	9-Mar-09	1457.0	-62.0%	515
Asian Financial Crisis (B)	17-Feb-97	2129.8	4-Sep-98	805.0	-62.2%	564
1987 crash (A)	6-Oct-87	1259.6	7-Dec-87	595.8	-52.7%	62
Dot Com (C)	28-Apr-00	2176.6	21-Sep-01	1225.4	-43.7%	511
China Worry (F)	25-May-15	3460.9	11-Feb-16	2538.3	-26.7%	262
SARS (D)	15-Nov-02	1385.9	10-Mar-03	1170.9	-15.5%	115
Covid-19 (G)	31-Dec-19	3222.8	12-Mar-20	2681.3	-16.8%	72

Source: Bloomberg, PSR

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Figure 3: Dramatic collapse of new patients in China



Source: WHO, CEIC, PSR

*shaded area (14 Feb 20) highlight WHO's change in the definition of a new patient.

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