



RISKS AND FEARS OF REOPENING AFTER THE PANDEMIC

The stock market has rebounded swiftly from its coronavirus low in March as investors bet on a reopening of the economy. However, sentiment will turn sour again soon as reality sets in.

As reported by CNBC, according to Goldman Sachs, a number of red flags in the market may suggest a bearish view in the near-term, seeing the S&P 500 dropping nearly 20% in the next months.

No buybacks

For one, corporate buybacks, which have been a major source of demand for equities, is threatened amid the global pandemic. Equity investors should be concerned because buybacks have been the only source of net demand for shares in the past decade.

Dividends declining

In the same vein, dividends are also at risk due to the unprecedented uncertainties, in an effort to preserve liquidity, more than 40 stocks have suspended or reduced their dividends YTD.

Coronavirus risks

In addition, an increase in new coronavirus cases outside of New York state,

which suggests infection may accelerate as more states begin to relax shelter-in-place restrictions.

Over the weekend, South Korea warned of a new cluster of cases involving night clubs and the number of new coronavirus cases worldwide reached 4 million, Singapore and Japan also confirmed new cases.

Reopening risks

The other reason for a market correction is the reopening process could take a longer time than expected.

US political risks

On the political front, risks have also been rising with potential higher corporate taxes.

China trade deal at risk

Meanwhile, tensions between the U.S. and China escalated again recently over the origin of the coronavirus pandemic.

Top trade negotiators for the two countries agreed to work toward implementing the “phase one” trade deal the two countries signed in January.

Investors may need to contend with another twist in US-China trade/strategic development, which was at the forefront of investor concerns for much of 2019.

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