# Panic is often an unwise adviser!

With the global economy and the financial markets still grappling with the "COVID-19" epidemic as it gradually extends its hold across Europe, investors are now having to face a new shock wave. Frustrated by their failure to convince Russia to join them in reducing oil production and thereby prop up crude prices, the **Organization of Petroleum Exporting Countries (OPEC) has decided to enter into a price war**. The OPEC cartel, refusing to continue losing market share, has instead opted to increase its offer. In a context of falling oil consumption, the effect was a drastic reduction of almost 30% in the price of a barrel of Brent, dragging it below 37 dollars. This in turn led to a hike in the volume of sales on the stock markets. Global stocks have shed almost 16% (in euro) of their value since their February 20 peak. However, the stock markets are still roughly 18% higher than at their low point at the end of 2018.

This correction obviously couldn't have come at a worse time for central banks which are doing all they can to reduce the economic impact of the coronavirus epidemic and revitalize activity. If the price of black gold were to remain low for a long time, fears would mount that American shale oil and gas producers, who have high production costs, might go bankrupt which, at the same time, would put their lender banks into trouble. A further risk is that this development could cause an even greater market slump with, ultimately, an economic recession.

While this catastrophe scenario cannot be ruled out, we need to remember that the markets have experienced various episodes of sharp spikes in volatility and risk aversion since the 2008 financial crisis - currently they are at their highest levels since 2011. However, it should also be recalled that these times of stress have often proved to be short-lived, an observation encouraging us **not to give in to panic**. Especially so as we realise that central banks and governments are under significant pressure to maintain accommodative conditions and inject enough liquidity to mitigate the recession risk. Central bankers are already rising to the challenge since, after a low of $ 19.3 trillion was reached last September, the total assets now held by the Federal Reserve, the European Central Bank, the Bank of Japan and the Bank of China have grown by more than $ 630 billion.

This is the reason why we are maintaining a neutral positioning on stocks and bonds. Which means that **the current period of instability is offering buying opportunities,** especially on the stock markets, **to investors who are underweight compared to their neutral-weighted investment profile**. In order to avoid taking excessive risk, **quality equities**, i.e. those with stable sales and earnings growth and an above-average return on equity, remain the best equipped, on emerging markets in particular, to deal with the prevalent instability. In the same vein, safe havens such as **public and private bonds with a good credit rating and gold continue to be recommended**.