



**Philequity Corner (December 28, 2020)**  
**By Wilson Sy**

### **2020: The most bizarre year ever**

To say that 2020 is a strange and difficult year is an understatement. This tumultuous year was full of unprecedented twists and turns. In the past twelve months, we have witnessed a succession of once-in-a-generation events: the most devastating pandemic in 100 years, the worst recession in our lifetime, the fastest plunge into a bear market and the quickest recovery in stock market history, negative oil prices, the largest monetary stimulus by central banks ever, the climax top and subsequent collapse in the US dollar, and the approval of vaccines in record time. 2020 will go down in history as the most bizarre year ever.

### **A harbinger of things to come**

On January 12, Taal Volcano erupted. Hazardous ashfall blanketed the Tagaytay City area and reached as far as Metro Manila and Pampanga. This forced thousands to flee their homes. People had to wear masks to shield themselves from the toxic ash particles. Little did we know that these protective masks became the harbinger of things to come. As Taal quieted down towards the end of January, a new threat emerged. But this time around, people will not be fleeing their homes to escape danger. Instead of evacuating their homes, the country was ordered to shelter in place to avoid the deadly virus.

### **Outbreak becomes a pandemic**

The coronavirus COVID-19 was first detected in Wuhan, China in late-2019. What started as an isolated cluster of cases in Wuhan, China, spread quickly across the globe and was declared a pandemic by the World Health Organization (WHO) on March 11. More than 1.75 million people have since died, with 80 million infected, making it the most devastating pandemic since the 1918 Spanish flu. This pandemic may be the blackest swan in a century.

### **Lockdowns and quarantines**

As the virus snowballed into a pandemic, governments worldwide were forced to limit public movement, cancel local and international flights, and shut down factories and businesses. Italy, the center of the virus outbreak in Europe, became the first country to issue a nationwide lockdown. By mid-March, other countries followed suit. Here in the Philippines, the entire Luzon was placed under enhanced community quarantine (ECQ).

### **A drastic change in lifestyle**

We have experienced things this year that I have never seen in my whole life. People are working from home, and meetings happen via Zoom or other teleconferencing software. Schools resorted to online classes. Curfews were imposed and travel was restricted. The NBA, UAAP, PBA, and other sporting events, major concerts, and even the Olympics were postponed or canceled. The pandemic has caused a massive impact on human health, causing drastic lifestyle changes through social distancing and isolation at home.

### **Worst since The Great Depression**

Amid the global lockdown, the world economy came to a halt. The G20 area's GDP fell 9.1 percent, while the Philippine GDP plunged 14.9 percent in the 2<sup>nd</sup> quarter of 2020. Over the same period, the volume of

world merchandise trade collapsed by 14 percent, with record declines in Europe (-21%) and the US (-20%). This contraction will turn out to be the worst recession since the 1929 Great Depression.

### **Historic moves in stock markets**

The US S&P 500 registered its fastest 35 percent sell-off ever (22 days) last March, exceeding the pace of the decline in October 1987 and December 2008. Volatility in the PSE index shot to record levels as the PSE index plummeted 45 percent to a low of 4,039.

But the unprecedented plunge was followed by a remarkable recovery. The S&P 500 rallied over the next six months to record the quickest recovery from a bear market. Subsequently, the US market made new historic highs. The PSE Index has since recovered 78 percent and is now back to its pre-pandemic levels.

### **Climax top in the US dollar**

During the height of the pandemic crisis in March, the climax top in the US dollar index (DXY) above the 102-level marked the end of the dollar's run. The DXY has since declined 12 percent, enabling emerging market currencies, including the peso, to recover strongly this year.

### **Oil prices below zero**

Many investors and traders were baffled when oil futures went into negative territory in April. It fell to minus \$37.63 per barrel last April due to a combination of oversupply, low demand, and lack of storage facilities. This is the first time in history that oil futures were priced below zero as storage costs have gone up so much that sellers were willing to pay buyers to take the delivery.

### **Unprecedented fiscal & monetary stimulus**

With many businesses shut down and millions of people losing their jobs, governments and central banks worldwide responded with unparalleled solutions. They pumped trillions of dollars of fiscal and monetary stimulus in the form of economic assistance packages and crisis relief, the largest in history.

### **Triumph of science and humanity**

As we end this chaotic year and head into 2021, there is reason for hope. Never in the history of science and pharmaceutical technology has a vaccine undergone and completed a Phase 3 clinical trial nor has it ever rolled out an FDA approved vaccine for dispensing within a year. Scientists and medical professionals consider this "a historic event for humanity."

However, many challenges remain. These include: ramping up vaccine production, funding, logistics, and how to equitably distribute the vaccines worldwide, especially to poorer countries. In another twist last week, we learned about a mutation of the virus that is 40 to 70 percent more contagious. Nevertheless, we remain optimistic that science will eventually triumph over COVID-19. So long as the governments, the pharmaceutical companies, the scientists, and everyone works closely together, we believe that humanity will ultimately prevail.

*Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit [www.philequity.net](http://www.philequity.net) to learn more about Philequity's managed funds or to view previous articles. For inquiries or to send feedback, please call (02) 8250-8700 or email [ask@philequity.net](mailto:ask@philequity.net).*