



## **Coronavirus Fears Causing Global Market Volatility (2/26/2020)**

As the coronavirus outbreak has spread beyond Chinese borders—including into the rest of Asia and Europe—it is beginning to affect global financial markets as businesses in Asia have been quarantined, resulting in office and factory closures and transportation restrictions. According to U.S. Treasury Secretary Steven Mnuchin, the fast-spreading virus is a major topic among the Group of 20 (G-20) major economies, which view it as posing “a serious risk to global growth and agreed to take action should the epidemic’s impact intensify.” As of Feb. 26, more than 81,000 people globally have been infected, with more than 2,750 deaths, most of which occurred in China (according to the World Health Organization [WHO]). Fear of contagion is taking hold.

The International Monetary Fund (IMF) recently cut China’s annual growth rate prediction to 5.6% from 6%, and China accounts for one-third of the world’s gross domestic product (GDP) growth. Restrictions on Chinese manufacturers and exports could hurt global growth as many end-products worldwide depend on a “supply chain tethered to China.” Production of many Chinese-made items has halted, affecting businesses worldwide. Several U.S. companies have already warned investors that their business and financial results will be affected by the manufacturing shutdown.

### *Current Impact on Financial Markets*

Regarding global government bonds, most sovereign yields have declined, led by U.S. Treasuries. Along with gold, U.S. Treasuries are considered a haven by investors and are attractive during times of economic stress. The yield on the 10-year Treasury dropped to 1.35% on Feb. 25, close to an all-time low, due in part to expectations of slowing economic growth because of the global impact on the fast-spreading virus combined with the already low interest rate environment. The price of gold increased to a seven-year high since the end of last week.

In addition, global stocks plummeted to their lowest levels of the year as the virus has now emerged in countries outside of China at an increasing rate. The Standard & Poor’s (S&P) 500 dropped more than 200 points, or 6.4%, on Feb. 24 and Feb. 25, and the STOXX Europe 600 index also dropped by 6.1% over the two-day period. As of the morning of Feb. 26, the S&P 500 was down 1.6% year-to-date, but this follows a 29% increase in 2019. The Chicago Board Options Exchange (CBOE) Volatility Index (VIX) closed at its highest level since December 2018, suggesting investors are anticipating more related market volatility.

Oil prices have fallen as well due to anticipated dampening for crude oil demand, evidenced by a decline in the Brent crude by 1.4%, or about \$53/barrel. U.S. oil prices dropped to a 12-month low at less than \$50/barrel.

The NAIC Capital Markets Bureau will continue to monitor the status of the spread of the coronavirus and its impact on capital markets and report as deemed appropriate.

Information regarding the coronavirus may be found on the [CDC website](#), and updates on global cases as tracked by Johns Hopkins may be found via the link [COVID-19](#).

Other News Links for Feb. 26, 2020:

[Coronavirus Spreads Outside of Italy, Prompting Fresh Restrictions](#)

[The German Economy Was Faltering, Then Came the Coronavirus](#)

[Smart Travel Planning in the Time of Coronavirus](#)

[Coronavirus spread 'deeply concerning' but not a pandemic: WHO's Tedros](#)

[Coronavirus treatment: The US has started human testing of a drug to treat the novel coronavirus](#)