

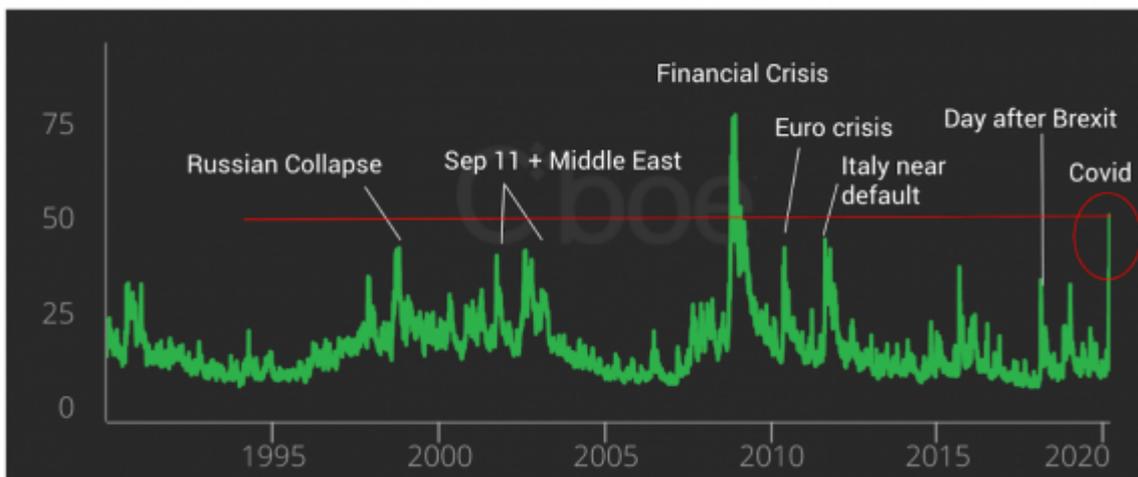
Coronavirus - Some Reassurance Based on History

We all have big concerns about the current situation. Business people worry about customers, suppliers, staff etc as well as personally thinking about families and friends.

We have seen a lot of these sort of crises in recent years, some of which, thankfully are now a distant memory. If we look at the past crises and see what happened, it does hopefully provide some reassurance. However Businesses need more significant help urgently.

The Volatility Index (VIX) was created by the Chicago Board of Options Exchange to represent the global stock market's expectation of 30-day forward-looking volatility.

As you can see below, since 1990, there has only been one period of market volatility that compares to the one we are now facing - the financial crunch of 2008. So this is a very significant event.



However please see how quickly these spikes in volatility normalise. Each of the events were clearly significant on a global basis, but the fear that came with them diminished. We have been through many meaningful crises over the last 30 years, but we do always get through them and we will again.

Whilst the short-term outlook is poor, Governments and Central Banks are now responding. We have seen the Bank of England take action. In cutting rates to all-time lows (0.25%) the bank is reducing costs and improving the availability of funds through the monetary system.

We are seeing encouraging signs from the banks. For existing bank borrowers, the messaging from Tier 1 lenders has been positive - Lloyds, Natwest and Barclays seem to be open to overdraft increases, extensions and repayment holidays. Natwest, for instance, have committed a £5b fund, whilst Lloyds have arranged £2b of finance available for SMEs up to £25m.

The Government has many tools available. From last weeks budget when they announced scrapping business rates for shops and cafes, providing access to businesses interruption loans, refunding sick pay for sub 250 employee firms, these are good first steps.

The Government is able to borrow at the cheapest levels in its history and benefits from having some of the longest duration debt (average 15yrs) in Western economies which despite rhetoric in the press about the high debt to GDP ratio, it means its own funding is more secure than the other countries.

The Government can use this finance to create huge leverage for Small and Medium Enterprises (SMEs) during this period by going much further than the steps that they have already announced. Businesses urgently need help now with their looming employment costs to prevent huge lay-offs & / or redundancies.

Greater help is needed now to benefit our SME's, the backbone of our economy.