

## VIEWS FROM OUR CEO

The global growth recovery in 2020 will be tested by the Wuhan Coronavirus outbreak. The human toll is devastating, with over 73,000 people infected and more than 1,800 fatalities reported<sup>1</sup>. Major Chinese cities are in lock-down, while travel is restricted and many businesses, schools and universities are closed.



The first case of the virus, designated as 2019-nCov, was traced back to the 1st of December 2019 in the Chinese city of Wuhan, the capital city of the province of Hubei which is a manufacturing hub<sup>2</sup>. Though the virus has since spread to 29 countries, 99% of the infections and deaths have been reported in China. 83% of infections are in the Hubei province, and most reported cases elsewhere stemmed from travel to the region<sup>3</sup>. Though nCov infections far exceed two previous Coronavirus outbreaks, the mortality rate is lower at 2.8%.

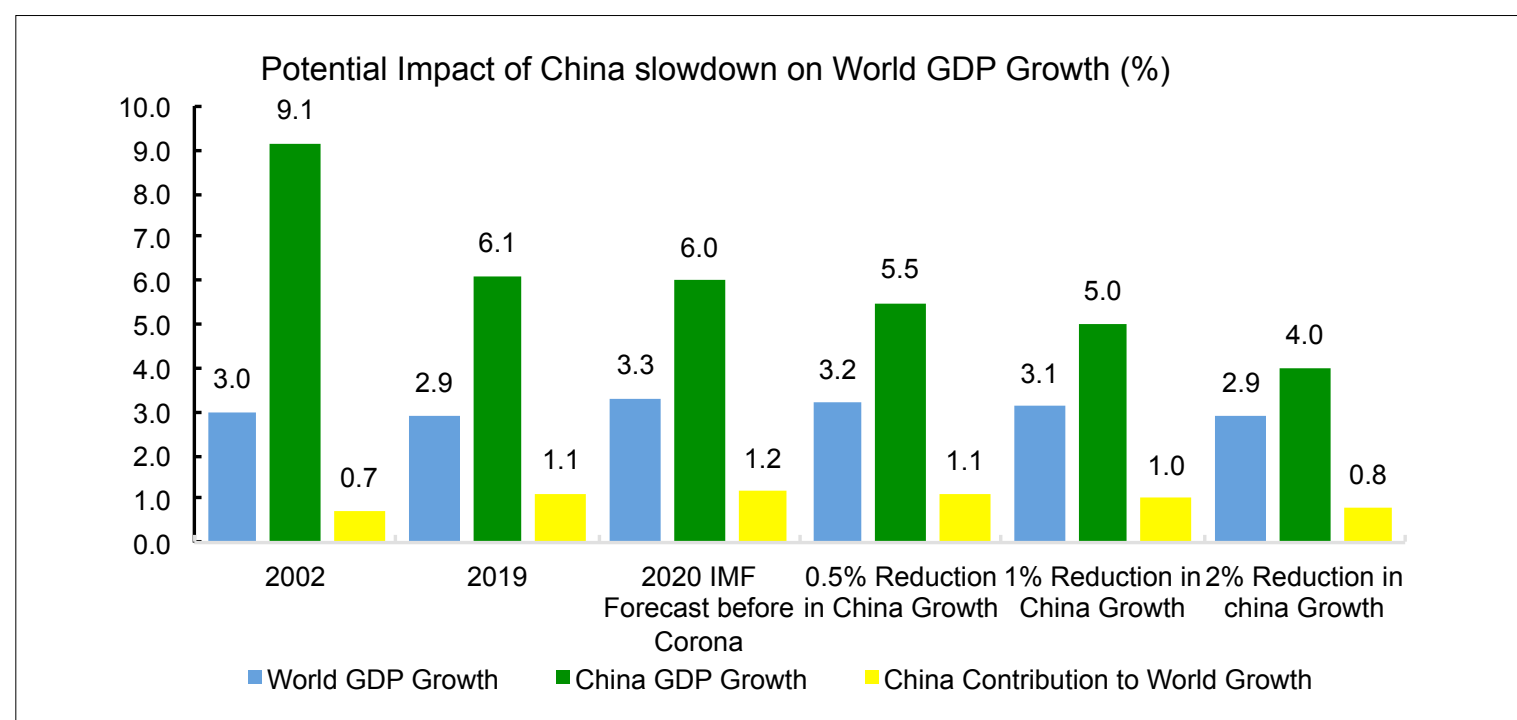
| VIRUS STRAIN | CONFIRMED CASES | DEATHS | MORTALITY RATE (%) |
|--------------|-----------------|--------|--------------------|
| SARS         | 8273            | 775    | 9.4                |
| MERS         | 1342            | 513    | 38.2               |
| 2019-nCov    | 75780           | 2130   | 2.8                |

Updated: 20 February 2020<sup>4</sup>

The near-term impact on the Chinese economy will be amplified, with a knock-on effect to global supply chains, countries that trade with China, and commodity exporters.

China has responded by injecting liquidity into its financial system through the lowering of its Required Reserve Ratio, cutting interest rates and loosening lending restrictions. Federal authorities are also encouraging firms through various tax incentives, and drawing up plans to ramp up spending<sup>5</sup>. Elsewhere, Central Banks are signalling an extended pause to interest rate hikes.

China's growth will be weak in the first quarter and it will spend the rest of 2020 clawing back lost production, but is likely to average weaker growth compared to IMF forecasts from last month. Our projections show that the Global Economic recovery will remain on track in 2020, albeit with a lower growth rate<sup>6</sup>.



IMF World Economic Outlook Update, January 2020; OASIS

China's share of World GDP has increased from 8.3% in 2002 when the SARS virus struck, to 19.3% in 2019, but its recent contribution to Global growth is capped by its lower growth trajectory. The emerging consensus is that the Coronavirus could shave between 0.5% to 1.0% off China's projected growth rate of 6.0% in 2020, which would directly reduce World growth by 0.1% to 0.2%. An extreme outcome of China's growth slowing to 4.0% would result in world growth retreating to levels consistent with 2019.

## UK ECONOMY

The British Economy began 2020 on a firm footing. The December General Election broke the political deadlock, allowing BREXIT to happen on the 31st of January and removed the uncertainty that has plagued spending decisions and contributed to lacklustre market performances. Since the election, the economy is riding a wave of much-needed certainty and confidence, with strong rebounds in activity surveys and asset prices. The Markit Economics Purchasing Managers surveys showed strong gains in private sector activity across manufacturing, services and construction, with the composite index posting a reading of 53.3, its first above-50 print since July 2019 and its strongest performance since September 2018<sup>7</sup>.

House prices reflected a similar trend, with a number of surveys showing strong January bounces, with solid performances continuing into February<sup>8</sup>. The Nationwide House Price Index grew by 1.9% yoy in September, its firmest since September 2018; the Royal Institute of Chartered Surveyors House Price Index January reading of 17.4 was the highest since May 2017; and the Rightmove House Price Index grew by 2.9% in February, also its strongest reading since July 2017.

This upward momentum should continue in coming months, bolstered by confidence, lower rates and a strong labour market. Over the longer-term, the UK economy will benefit from increased trade flexibility, a reduced regulatory burden and less bureaucracy. There will be little immediate policy change, as the UK spends 2020 negotiating a trade deal with its European counterparts. Key areas that parties need to find commonality on include Data Adequacy, Fisheries, Financial Services, and the status of Northern Ireland. A new Chancellor of the Exchequer was also appointed on the 13th of February after the incumbent Sajid Javid, announced his resignation. He was replaced by Rishi Sunak who was previously the Chief Secretary to the Treasury.

## FINANCIAL ADVISORY

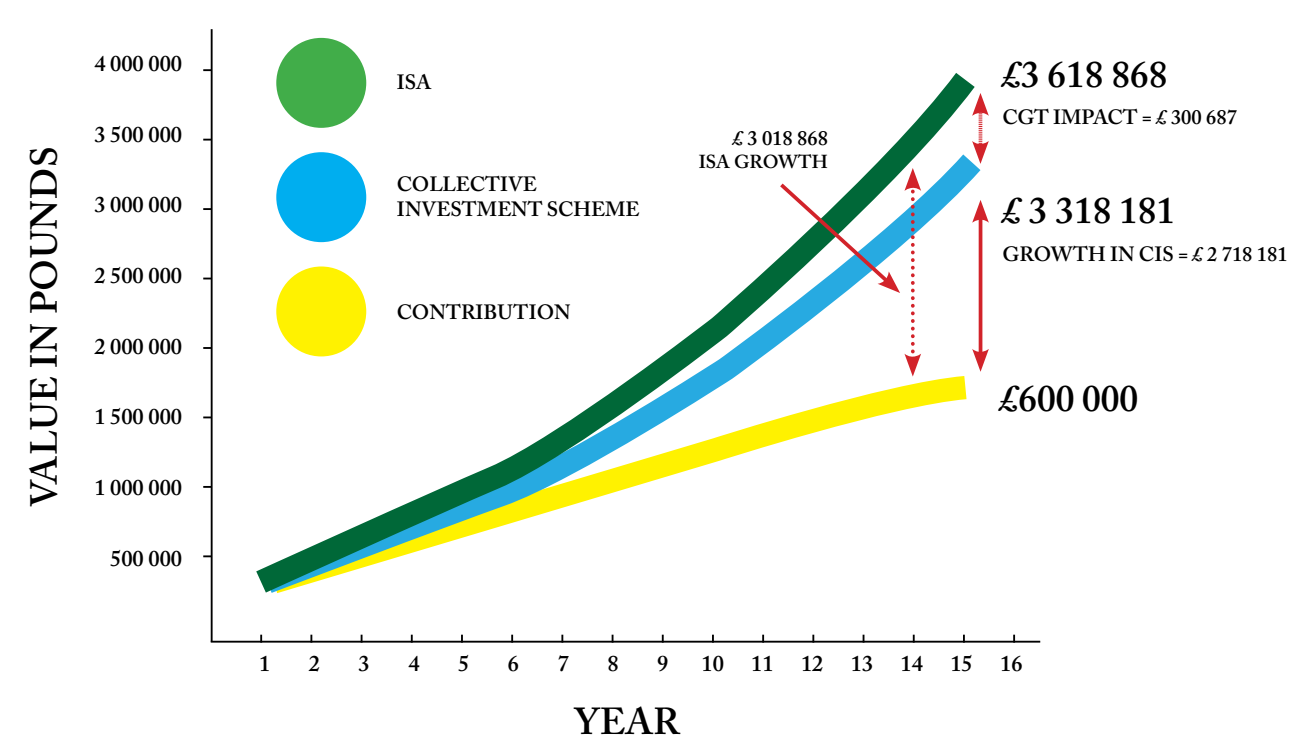
During this tax year (2019/2020), the Individual Savings Accounts (ISAs) allowance is £20,000, which ends on the 5th April 2020. While the ISA limit applies to adults (18 years old and above for stocks and shares ISA), there are also Junior ISAs available for children (below the age of 18 years old). The Junior ISA (JISA) limit for this tax year is £4,368 and represents an ideal way for households to save in a tax efficient manner. As an example, if we take a family of five (including 3 children), this would amount to £53,104 being invested for the family this tax year. Over time, this annual contribution will result in a substantial amount being saved with the effects of compounded growth and tax saving (there is no tax on income, capital gains or dividends within an ISA).

Another great way of saving and growing your money for your retirement or a savings pot towards the cost of purchasing your first home is the Lifetime Individual Savings Accounts (LISAs). LISAs allow you to contribute up until age 50 and provides a 25% bonus to be claimed on your contributions.

In an environment where tax incentives around pension contributions have declined in recent years, ISAs, JISAs and LISAs provide an important avenue for individuals in the UK to save in a tax efficient manner and have sufficient savings for their retirement years. As such, the Oasis range of products provide ethical investors with an opportunity to invest in high quality, flexible investment products in a tax efficient manner.

## Tax Free Growth - ISA vs CIS

### INVESTMENT OF £20 000 P.A. @ 10% GROWTH FOR 30 YEARS



The above are for illustrative purposes only and represent a graphical illustration in an Oasis portfolio within an ISA compared to investing in a Collective Investment Scheme and not investing your savings. The above assumes £20,000 annual contribution at the beginning of each year, for 30 years at 10% annualised growth rate. \*CGT is calculated for a base rate taxpayer at 10%.

To find out more about the Oasis product offering, contact your financial advisor or call Oasis directly on +44 0808 238 7543.

## OCAS UK Travel

Our Financial Advisors travel throughout the country on a monthly basis. **During the month of March 2020**, our advisors will be travelling to the following areas:

| DATE                                | AREA                                      |
|-------------------------------------|---|
| 9 <sup>th</sup> - 13 <sup>th</sup>  | Bristol, Devon, Wiltshire, Somerset       |
| 16 <sup>th</sup> - 20 <sup>th</sup> | Luton, Essex, Hertfordshire, Peterborough |
| 23 <sup>rd</sup> - 27 <sup>th</sup> | Bradford, Leeds, Sheffield, Newcastle     |

1 Bloomberg; <https://www.worldometers.info/coronavirus/>; 2 <https://www.caixin.com/2020-01-26/101508497.html>; 3 Bloomberg; <https://www.worldometers.info/coronavirus/>; 4 Bloomberg; OASIS; 5 Bloomberg; 6 IMF World Economic Outlook Update, January 2020; OASIS; 7 <https://www.markiteconomics.com/public>; 8 Bloomberg.

