

March 26, 2020

## Our Latest Thoughts on the Coronavirus, its Economic Implications, and Fixed Income Valuations

Newfleet Asset Management provides their most recent insights on the current market environment.

---

We know that the outbreak of the coronavirus (COVID-19) is going to disrupt supply chains, reduce demand as well as slow economic activity and growth. All of these factors will have an impact on inflation. At this juncture, it has become clear that this will be a global event with the policy response to contain the public health threat leading to declines in GDP. The severity and duration of the decline is still being assessed.

On March 12th, the World Health Organization declared Covid-19 a global pandemic. The duration and magnitude of the virus still remain unknown. Central banks have already been aggressive in their response and we expect more forceful fiscal stimulus to follow from global governments. Importantly, we expect policymakers will fine tune the response as conditions warrant.

Credit sensitive sectors with global exposure would likely be impacted more than others. In addition, certain industries within the fixed income credit markets will likely be impacted more than others. These would include energy, and travel and tourism industries such as airlines, cruise line operators, and hotels. Industries tied to public gatherings are also likely to be impacted such as restaurants, movie theaters, and casinos.

All sectors in fixed income have seen some impact, from increased volatility to declines in prices. Many of these moves, we feel, are overdone, as just about all spread sectors are trading at the widest spreads since the 2008/2009 financial crisis. However, we understand the market is adjusting to new risks. Certain e-commerce companies, like Netflix, are among those that could benefit, but overall there are no industries as a whole that would be clear winners.

We expect that growth will bounce back once the coronavirus fades, confidence returns, and central banks and central governments respond by providing liquidity to the markets. This environment should continue to be supportive for fixed income credit.

The coronavirus remains a fluid situation that Newfleet is watching closely. The coronavirus, like other events that trigger volatility in the market, can affect valuations and create opportunities that Newfleet can take advantage of in the course of implementing its multi-sector relative value approach.

---

## Special Commentary

[Newfleet March 24, 2020 Commentary](#)

## You May Also Like:

[Newfleet: Remain Focused on Valuations in an Environment of Uncertainty Created by the Coronavirus](#)

[Activate Your Fixed Income](#)

## Investment Partner



## Related Products

[Virtus Newfleet Core Plus Bond Fund](#)

[Virtus Newfleet High Yield Fund](#)

[Virtus Newfleet Low Duration Core Plus Bond Fund](#)

[Virtus Newfleet Multi-Sector Intermediate Bond Fund](#)

[Virtus Newfleet Multi-Sector Short Term Bond Fund](#)

[Virtus Newfleet Senior Floating Rate Fund](#)

[Virtus Newfleet Tax-Exempt Bond Fund](#)

---

The commentary is the opinion of the subadviser. This material has been prepared using sources of information generally believed to be reliable; however, its accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice or an offer of securities.

1761093

Mutual funds, ETFs, and Virtus Global Funds distributed by **VP Distributors, LLC**, member FINRA and subsidiary of Virtus Investment Partners, Inc.

© 2021 Virtus Investment Partners. As shown on Virtus.com.