



COVID-19, ONE YEAR LATER CAPITAL MARKETS ENTERING UNCHARTED WATERS

May 2021
Market Intelligence
Advocacy and Policy Research



CFA Institute

COVID -19 AND ITS IMPACT ON THE INVESTMENT MANAGEMENT INDUSTRY – PART II

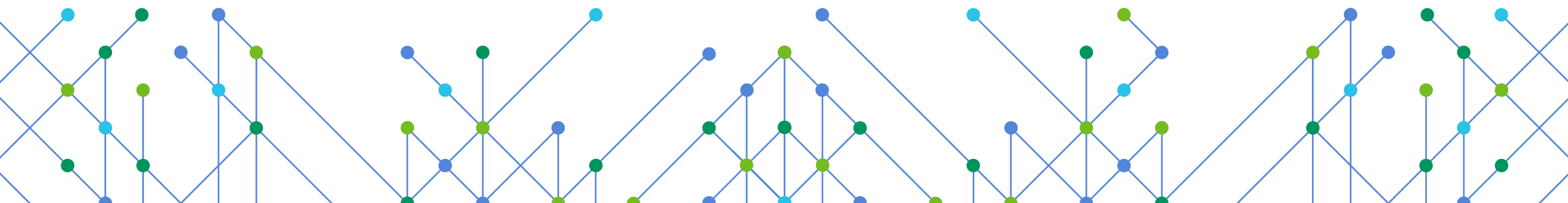
ABOUT THE SURVEY

As a follow up study to the one conducted in April 2020, CFA Institute wanted to conduct research on how the global pandemic is affecting capital markets at large, with a focus on the investment management industry and the impact of regulator' reaction.

METHODOLOGY

- An email invitation was sent to all eligible CFA Institute members.
- The survey was open from 8 March – 28 March 2021.
- Two reminders were sent to non-respondents on 12 and 24 March.

Overall Invites Sent	Overall Responses Received	Response Rate	Margin of Error
150,024	6,040	4%	±1.2%



WHY ARE WE DOING THIS RESEARCH?

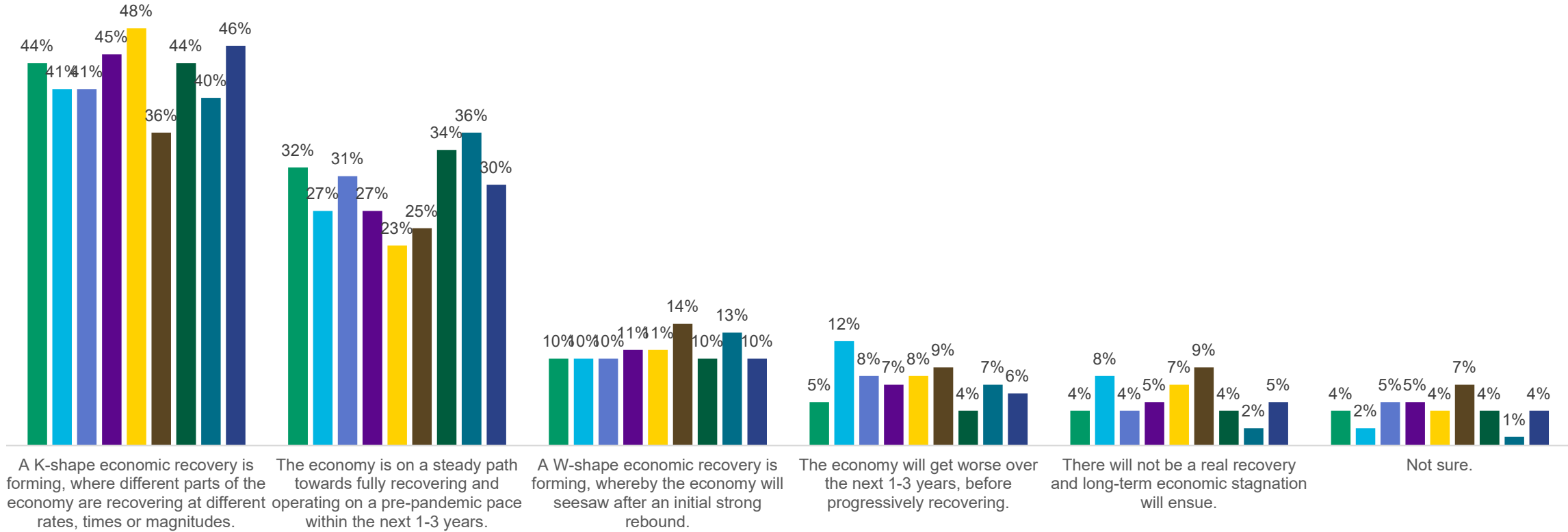
- CFA Institute continues to observe that there is a lot of noise in the comments made about the crisis. In historical terms, this period is different from previous crises as it was self-inflicted as a response to the health conditions, hence the difficulty in crafting remedial measures.
- We believe we are in a good position to propose a meaningful rationale about the impact the crisis is having on markets, the investment industry and socio-economics, thanks to the experience and expertise of our global and professional membership.
- We aim to extract from the survey results a series of viewpoints which we hope can also be useful to governments, policymakers and regulators as they consider how to react to economic crises in the future.
- One key message to highlight is that the decision to intervene made by authorities, whether the fiscal route or the monetary route, has unintended consequences to consider on current financial and socio-economic equilibriums. The double-edged sword nature of public policy should be scrutinised to avoid crystallizing the conditions for future crises.

NINE STORIES HAVE BEEN DEVELOPED ON THE DATA

1. The shape of the economic recovery
2. Equity markets and the real economy
3. Inflation may be back on the agenda
4. The structural consequences of the crisis on the economy
5. The financing of economic relief programmes
6. Monetary stimulus by central banks
7. The socio-economic consequences of the stimulus measures
8. Regulators and the crisis
9. Corporates, default risk and financial reporting issues

PLEASE CHOOSE THE STATEMENT THAT BEST CHARACTERIZES YOUR SENTIMENT ABOUT THE CURRENT ECONOMIC RECOVERY IN YOUR MARKET:

■ Global
 ■ AFRICA
 ■ EAST ASIA
 ■ EUROPE
 ■ LATIN AMERICA & CARIBBEAN
 ■ MIDDLE EAST
 ■ NORTH AMERICA
 ■ SOUTH ASIA
 ■ SOUTHEAST ASIA & OCEANIA

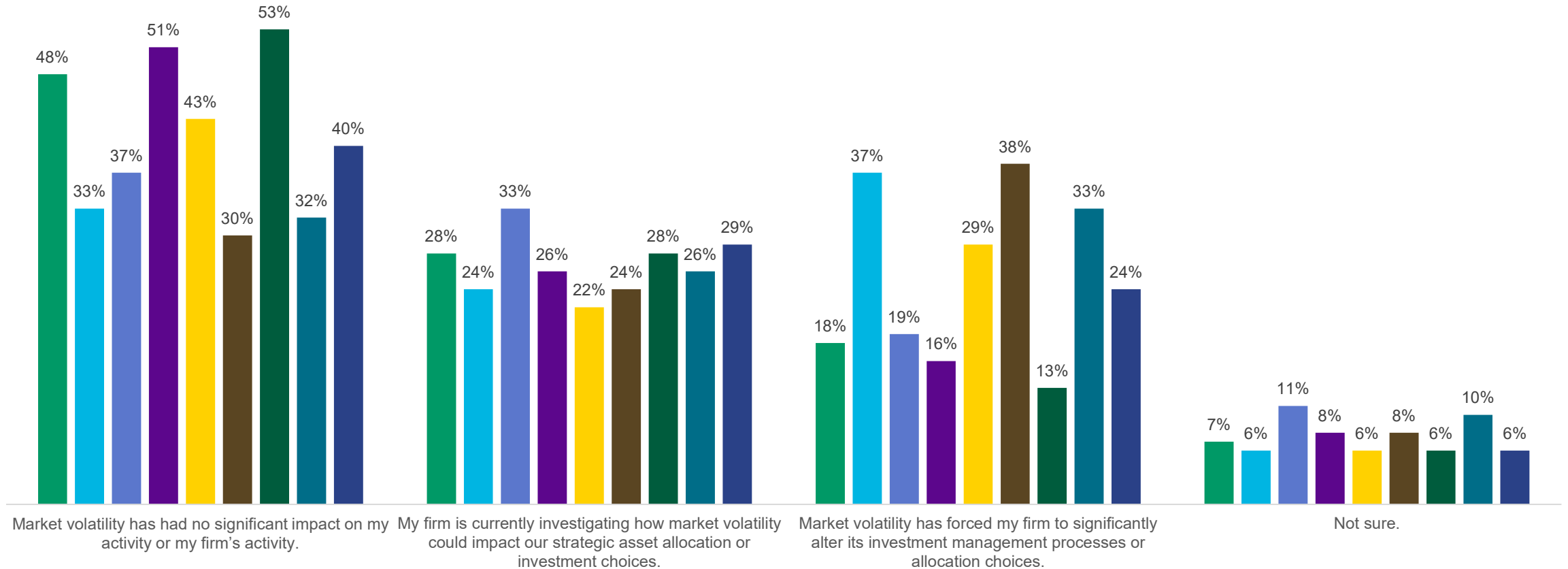


PLEASE CHOOSE THE STATEMENT THAT BEST CHARACTERIZES YOUR SENTIMENT ABOUT THE FOLLOWING EQUITY MARKETS, AFTER THE ECONOMIC SHOCK CAUSED BY COVID-19:

		Global	AFRICA	EAST ASIA	EUROPE	LATIN AMERICA & CARIBBEAN	MIDDLE EAST	NORTH AMERICA	SOUTH ASIA	SOUTHEAST ASIA & OCEANIA
Equity markets have recovered too quickly on the impulse of monetary stimulus; they are now out of pace with the real economy and a correction is to be expected within the next 1-3 years.	Equities in your market	45%	28%	42%	40%	25%	36%	50%	44%	43%
	Global developed market equities	43%	56%	57%	50%	49%	52%	34%	48%	59%
	Global emerging market equities	25%	25%	34%	29%	23%	30%	21%	37%	31%
Equity markets are correctly priced; they properly reflect fundamentals or economic expectations.	Equities in your market	7%	11%	8%	9%	16%	6%	5%	8%	7%
	Global developed market equities	7%	7%	3%	5%	4%	3%	9%	4%	2%
	Global emerging market equities	10%	8%	6%	11%	12%	9%	12%	3%	6%
Equity markets will stay on their current upward trend for a prolonged period of time as monetary stimulus is unlikely to be waned.	Equities in your market	16%	10%	16%	20%	14%	12%	17%	11%	11%
	Global developed market equities	16%	11%	16%	21%	20%	15%	15%	9%	14%
	Global emerging market equities	18%	18%	15%	19%	18%	15%	19%	11%	16%
Equity markets will gradually stabilize in line with the real economy while monetary policy progressively normalises.	Equities in your market	26%	40%	30%	23%	32%	26%	24%	35%	34%
	Global developed market equities	25%	20%	19%	18%	23%	24%	29%	29%	20%
	Global emerging market equities	26%	36%	23%	22%	34%	31%	25%	34%	29%
Not sure	Equities in your market	6%	12%	5%	8%	13%	20%	4%	3%	5%
	Global developed market equities	9%	6%	4%	5%	4%	6%	13%	9%	6%
	Global emerging market equities	21%	13%	22%	20%	12%	16%	23%	16%	17%

MARKET VOLATILITY HAS MOVED SHARPLY SINCE THE WORLDWIDE EMERGENCE OF THE COVID-19 CRISIS, FOR GLOBAL EQUITIES AND FIXED INCOME INSTRUMENTS. SELECT THE STATEMENT THAT BEST DESCRIBES HOW YOU FEEL ABOUT MARKET VOLATILITY IN YOUR LOCAL MARKET:

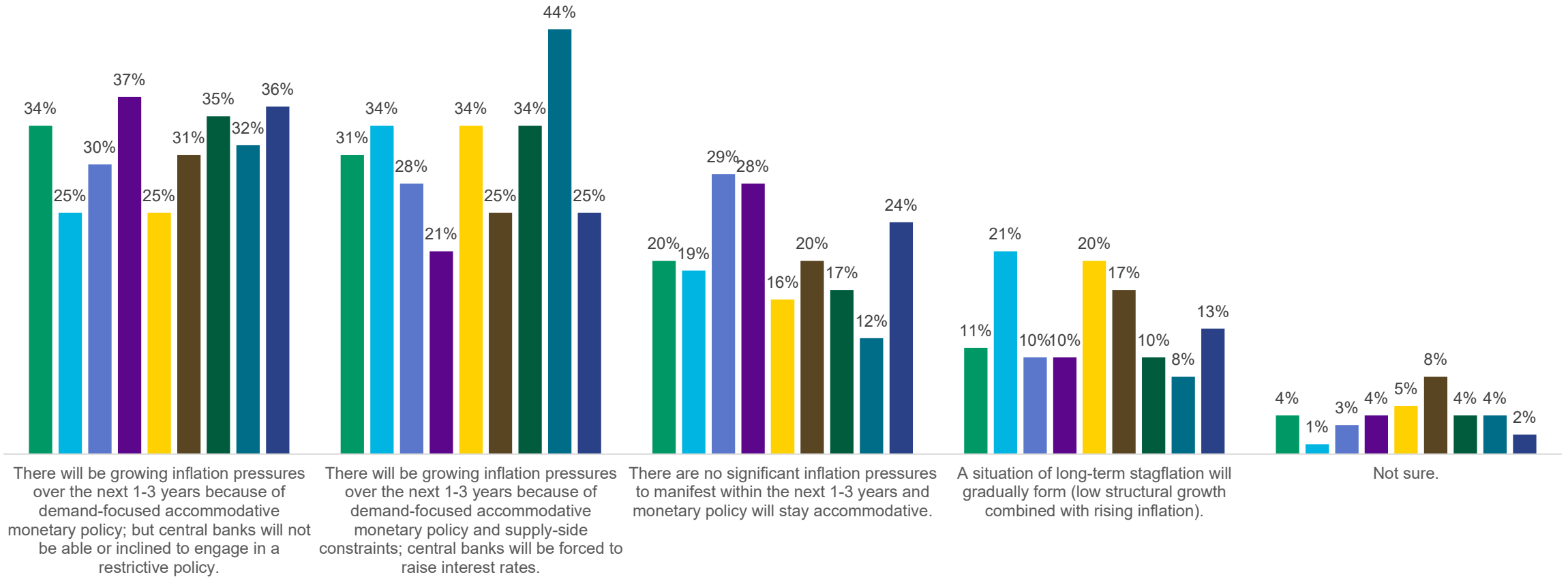
■ Global
 ■ AFRICA
 ■ EAST ASIA
 ■ EUROPE
 ■ LATIN AMERICA & CARIBBEAN
 ■ MIDDLE EAST
 ■ NORTH AMERICA
 ■ SOUTH ASIA
 ■ SOUTHEAST ASIA & OCEANIA



“Not relevant for me” response option excluded from analysis

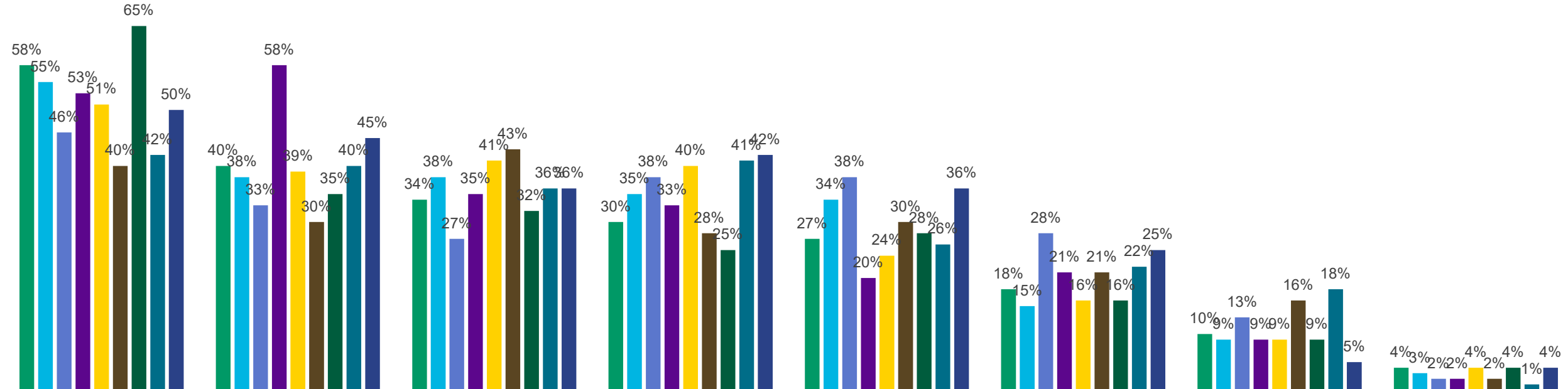
PLEASE CHOOSE THE STATEMENT THAT BEST CHARACTERIZES YOUR SENTIMENT ABOUT INFLATION EXPECTATIONS IN YOUR MARKET:

■ Global
 ■ AFRICA
 ■ EAST ASIA
 ■ EUROPE
 ■ LATIN AMERICA & CARIBBEAN
 ■ MIDDLE EAST
 ■ NORTH AMERICA
 ■ SOUTH ASIA
 ■ SOUTHEAST ASIA & OCEANIA



WHAT ARE THE MAIN STRUCTURAL CONSEQUENCES ON THE ECONOMY AND FINANCIAL MARKETS CAUSED OR INTENSIFIED BY THE COVID-19 CRISIS? (SELECT UP TO THREE)

■ Global
 ■ AFRICA
 ■ EAST ASIA
 ■ EUROPE
 ■ LATIN AMERICA & CARIBBEAN
 ■ MIDDLE EAST
 ■ NORTH AMERICA
 ■ SOUTH ASIA
 ■ SOUTHEAST ASIA & OCEANIA



The share of government spending in GDP will structurally and materially rise, as will taxes, thereby transforming the dynamic of the relationship between the agents and public authorities.

Build Back Better movement. The trend towards sustainable financial products (ESG, green bonds) is structurally strong and here to stay. ESG-compliant products will dominate the financial landscape within the next 10 years.

A growing and consolidated dominance of a small number of Big Tech stocks.

The rise and establishment of a platform economy (economic and social activity facilitated by platform business models based on network effects).

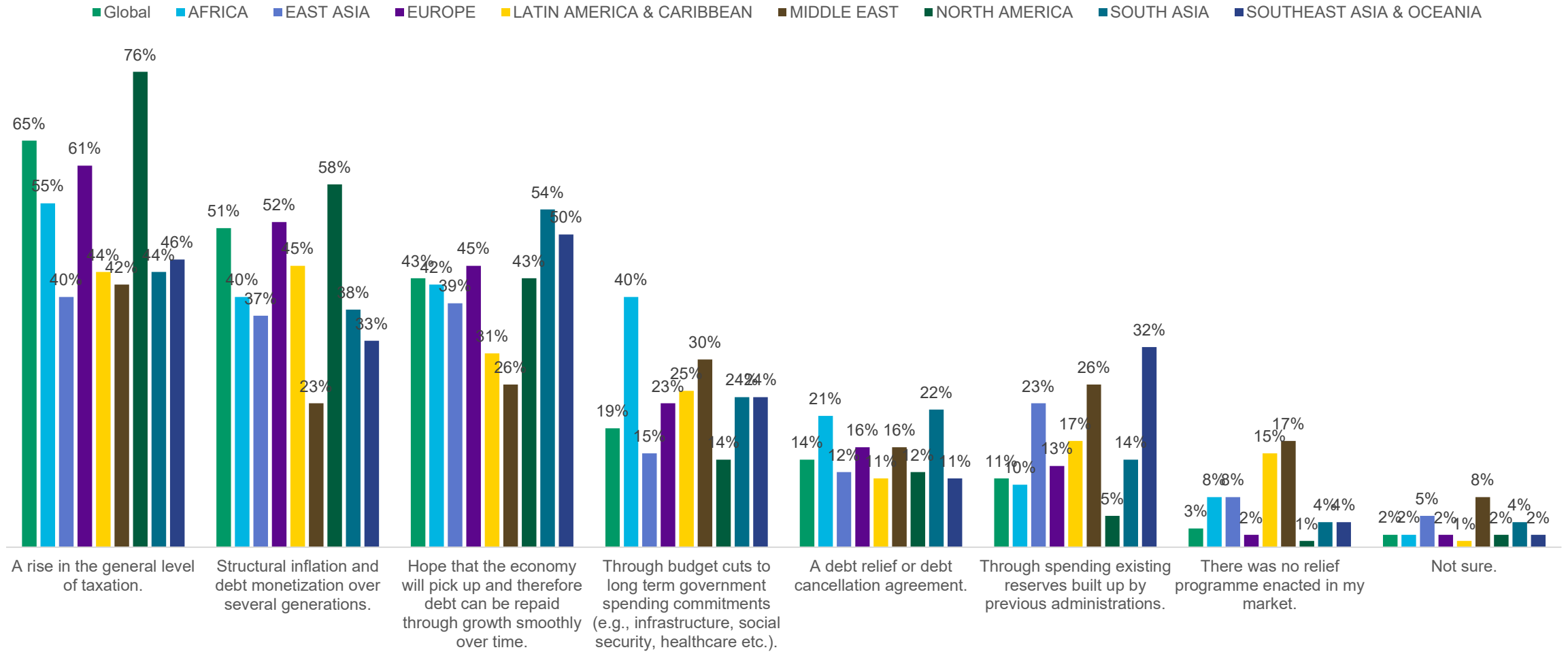
The massive monetary stimulus that has ensued has undermined the faith in fiat currencies to the benefit of crypto currencies and crypto assets. This may over time diminish the power of central governments in effectively influencing monetary policy.

Globalisation of exchanges (commercial, economic, financial, people) will slow down or even reverse over the next 10 years.

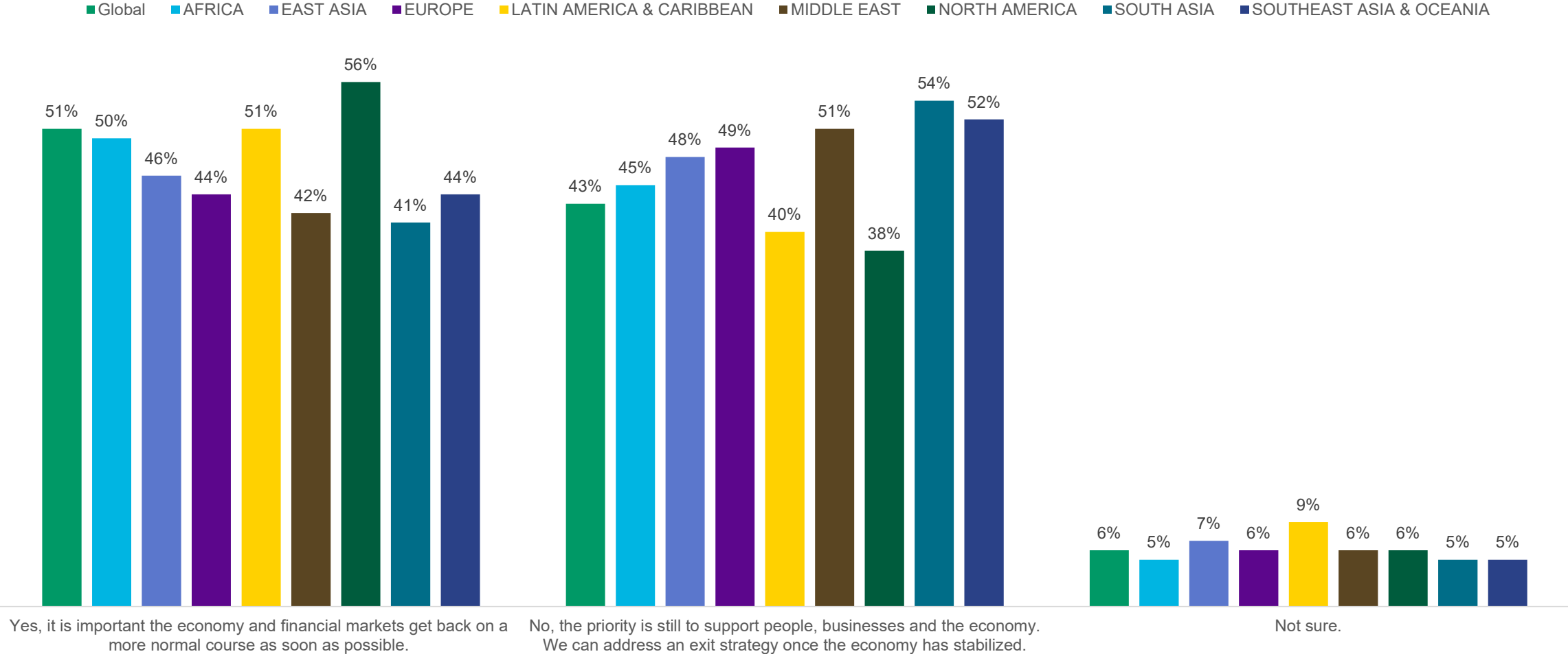
There will be no structural consequences, as economies will gradually get back to their long-term pre-pandemic course within the next three years.

Other

HOW DO YOU THINK THE ECONOMIC RELIEF PROGRAMMES ENACTED IN YOUR MARKET WILL BE PAID FOR? SELECT ALL THAT APPLY

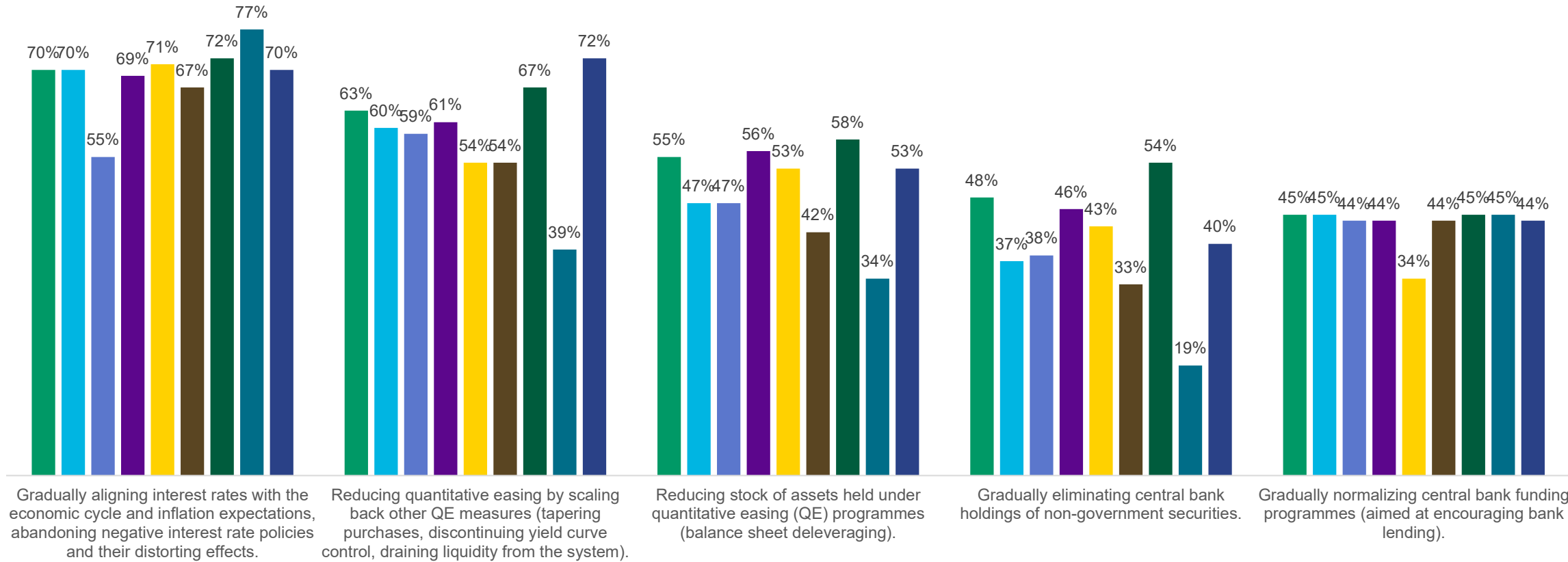


DO YOU THINK CENTRAL BANKS SHOULD NOW PRIORITISE AN EXIT STRATEGY FROM THIS UNPRECEDENTED ACCOMMODATIVE MONETARY POLICY DRIVE?



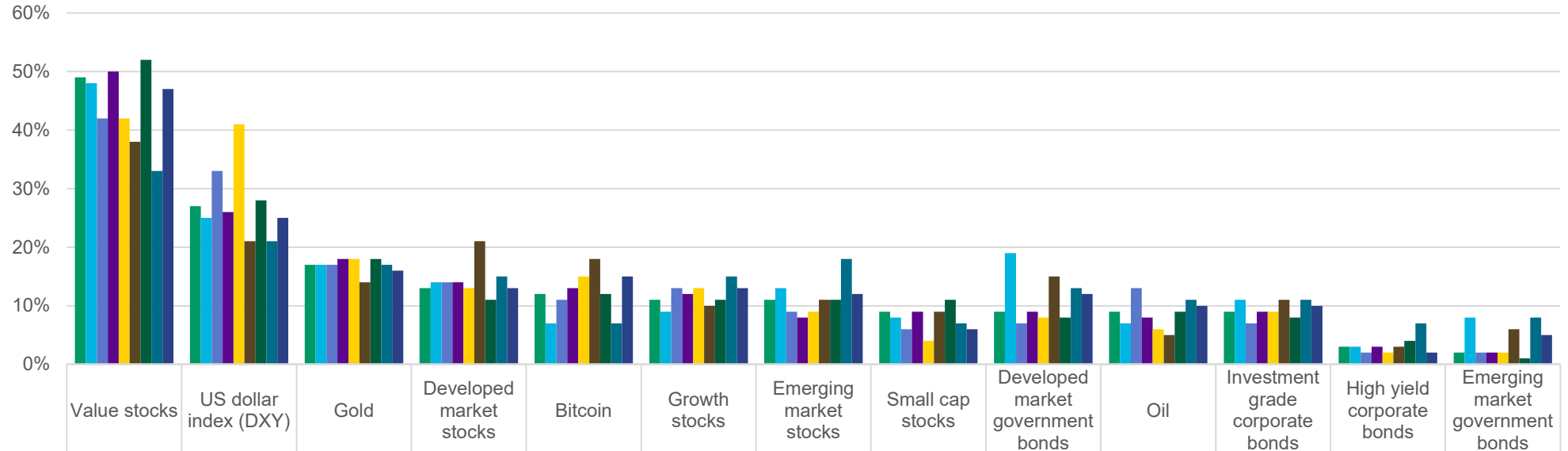
IF ENACTED, WHAT FORM(S) SHOULD EXIT PLANNING BY CENTRAL BANKS TAKE? SELECT ALL THAT APPLY

■ Global
 ■ AFRICA
 ■ EAST ASIA
 ■ EUROPE
 ■ LATIN AMERICA & CARIBBEAN
 ■ MIDDLE EAST
 ■ NORTH AMERICA
 ■ SOUTH ASIA
 ■ SOUTHEAST ASIA & OCEANIA



HOW DO YOU THINK A MONETARY POLICY REVERSAL BY THE MAJOR CENTRAL BANKS (I.E. TIGHTER POLICY) WILL AFFECT THE FOLLOWING ASSETS?

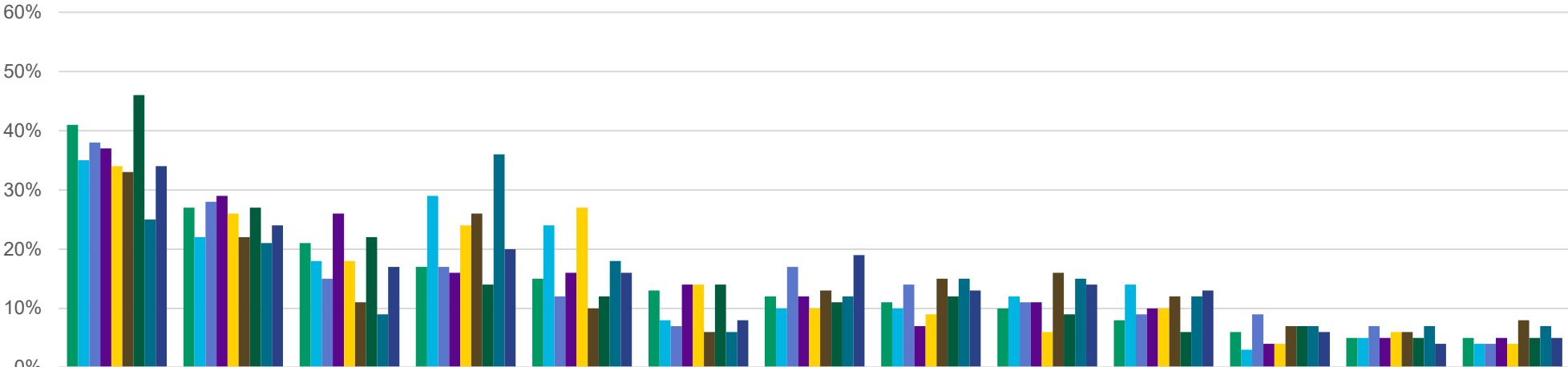
MOST POSITIVELY AFFECTED



	Value stocks	US dollar index (DXY)	Gold	Developed market stocks	Bitcoin	Growth stocks	Emerging market stocks	Small cap stocks	Developed market government bonds	Oil	Investment grade corporate bonds	High yield corporate bonds	Emerging market government bonds
Global	49%	27%	17%	13%	12%	11%	11%	9%	9%	9%	9%	3%	2%
AFRICA	48%	25%	17%	14%	7%	9%	13%	8%	19%	7%	11%	3%	8%
EAST ASIA	42%	33%	17%	14%	11%	13%	9%	6%	7%	13%	7%	2%	2%
EUROPE	50%	26%	18%	14%	13%	12%	8%	9%	9%	8%	9%	3%	2%
LATIN AMERICA & CARIBBEAN	42%	41%	18%	13%	15%	13%	9%	4%	8%	6%	9%	2%	2%
MIDDLE EAST	38%	21%	14%	21%	18%	10%	11%	9%	15%	5%	11%	3%	6%
NORTH AMERICA	52%	28%	18%	11%	12%	11%	11%	11%	8%	9%	8%	4%	1%
SOUTH ASIA	33%	21%	17%	15%	7%	15%	18%	7%	13%	11%	11%	7%	8%
SOUTHEAST ASIA & OCEANIA	47%	25%	16%	13%	15%	13%	12%	6%	12%	10%	10%	2%	5%

HOW DO YOU THINK A MONETARY POLICY REVERSAL BY THE MAJOR CENTRAL BANKS (I.E. TIGHTER POLICY) WILL AFFECT THE FOLLOWING ASSETS?

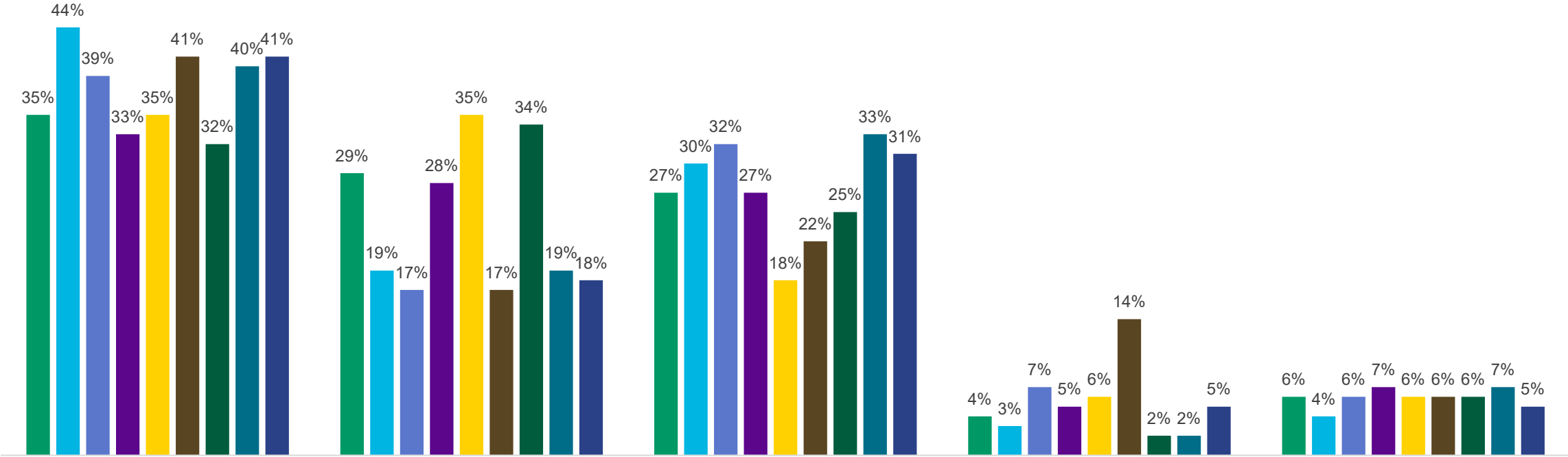
MOST **NEGATIVELY** AFFECTED



	Growth stocks	High yield corporate bonds	Developed market government bonds	Emerging market stocks	Emerging market government bonds	Investment grade corporate bonds	Bitcoin	Small cap stocks	Gold	Developed market stocks	US dollar index (DXY)	Oil	Value stocks
■ Global	41%	27%	21%	17%	15%	13%	12%	11%	10%	8%	6%	5%	5%
■ AFRICA	35%	22%	18%	29%	24%	8%	10%	10%	12%	14%	3%	5%	4%
■ EAST ASIA	38%	28%	15%	17%	12%	7%	17%	14%	11%	9%	9%	7%	4%
■ EUROPE	37%	29%	26%	16%	16%	14%	12%	7%	11%	10%	4%	5%	5%
■ LATIN AMERICA & CARIBBEAN	34%	26%	18%	24%	27%	14%	10%	9%	6%	10%	4%	6%	4%
■ MIDDLE EAST	33%	22%	11%	26%	10%	6%	13%	15%	16%	12%	7%	6%	8%
■ NORTH AMERICA	46%	27%	22%	14%	12%	14%	11%	12%	9%	6%	7%	5%	5%
■ SOUTH ASIA	25%	21%	9%	36%	18%	6%	12%	15%	15%	12%	7%	7%	7%
■ SOUTHEAST ASIA & OCEANIA	34%	24%	17%	20%	16%	8%	19%	13%	14%	13%	6%	4%	5%

WHAT DO YOU THINK OF THE IDEA THAT MONETARY POLICY AND FISCAL POLICY SHOULD BE COORDINATED TO ENACT ECONOMIC STIMULUS MEASURES?

■ Global
 ■ AFRICA
 ■ EAST ASIA
 ■ EUROPE
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It is a good thing. Coordinating monetary and fiscal policy is more effective than each working in isolation.

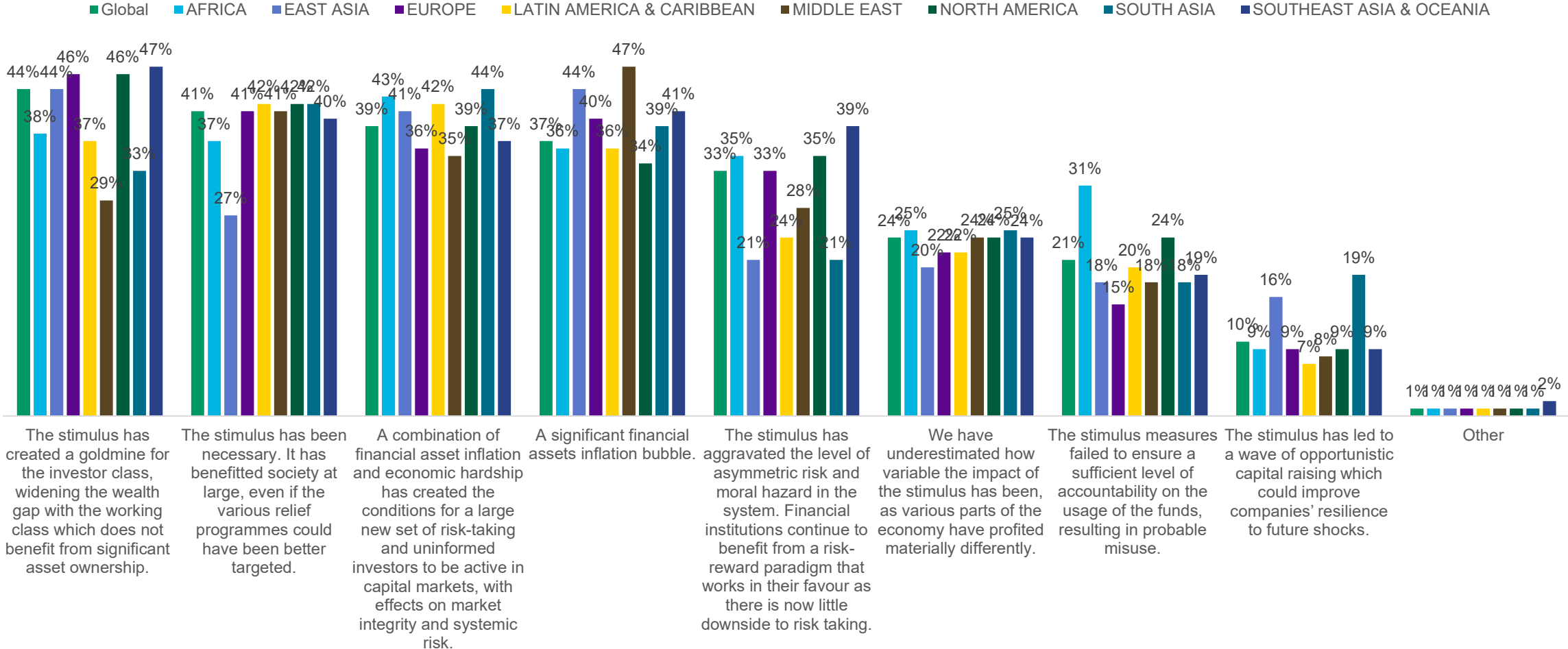
It is a bad idea. Central banks should continue to operate independently, otherwise we run the risk of undermining faith in the currency and generating uncontrollable inflation.

Central banks are no longer independent entities. Central banks and treasury departments are now basically two sides of the same government mechanism, involving a coordination of fiscal, economic and monetary strategies.

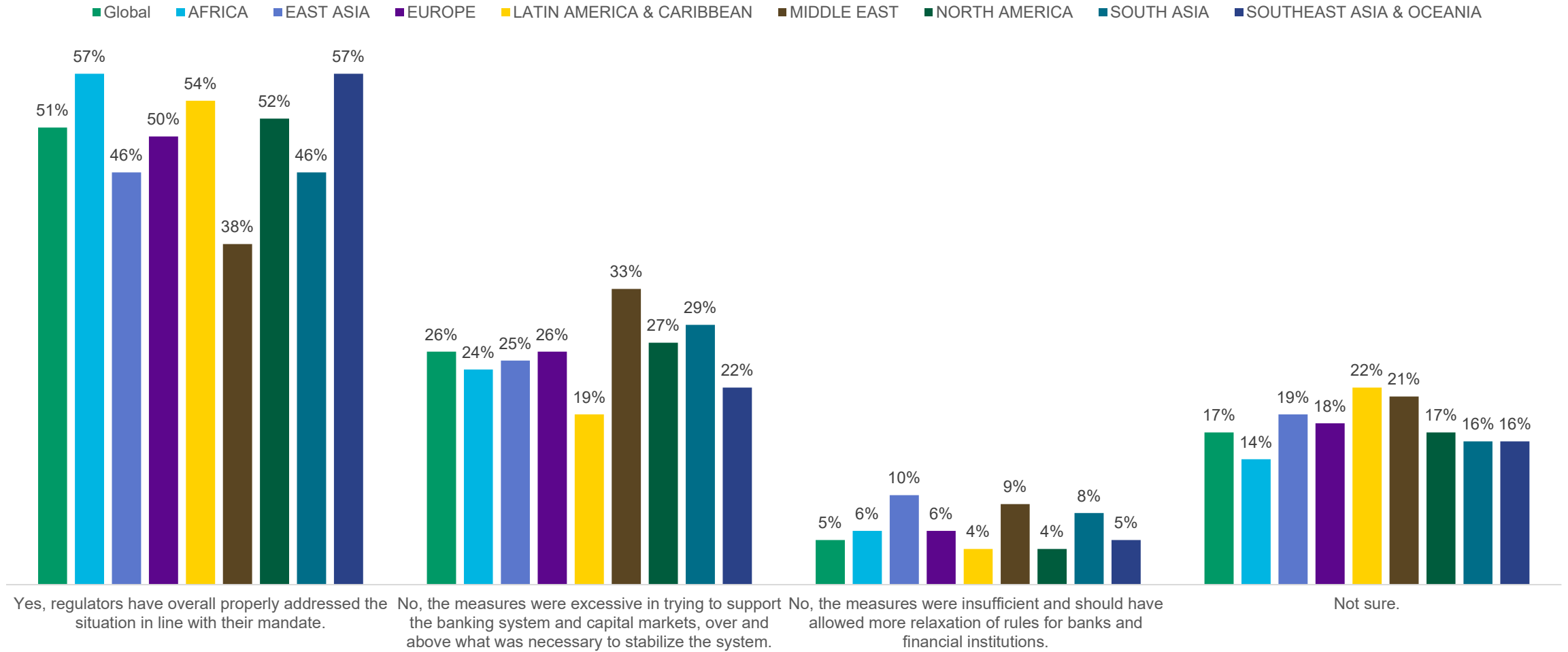
This should be done through the creation of a separate government entity or institution whose role would be to finance economic recovery programmes.

Not sure.

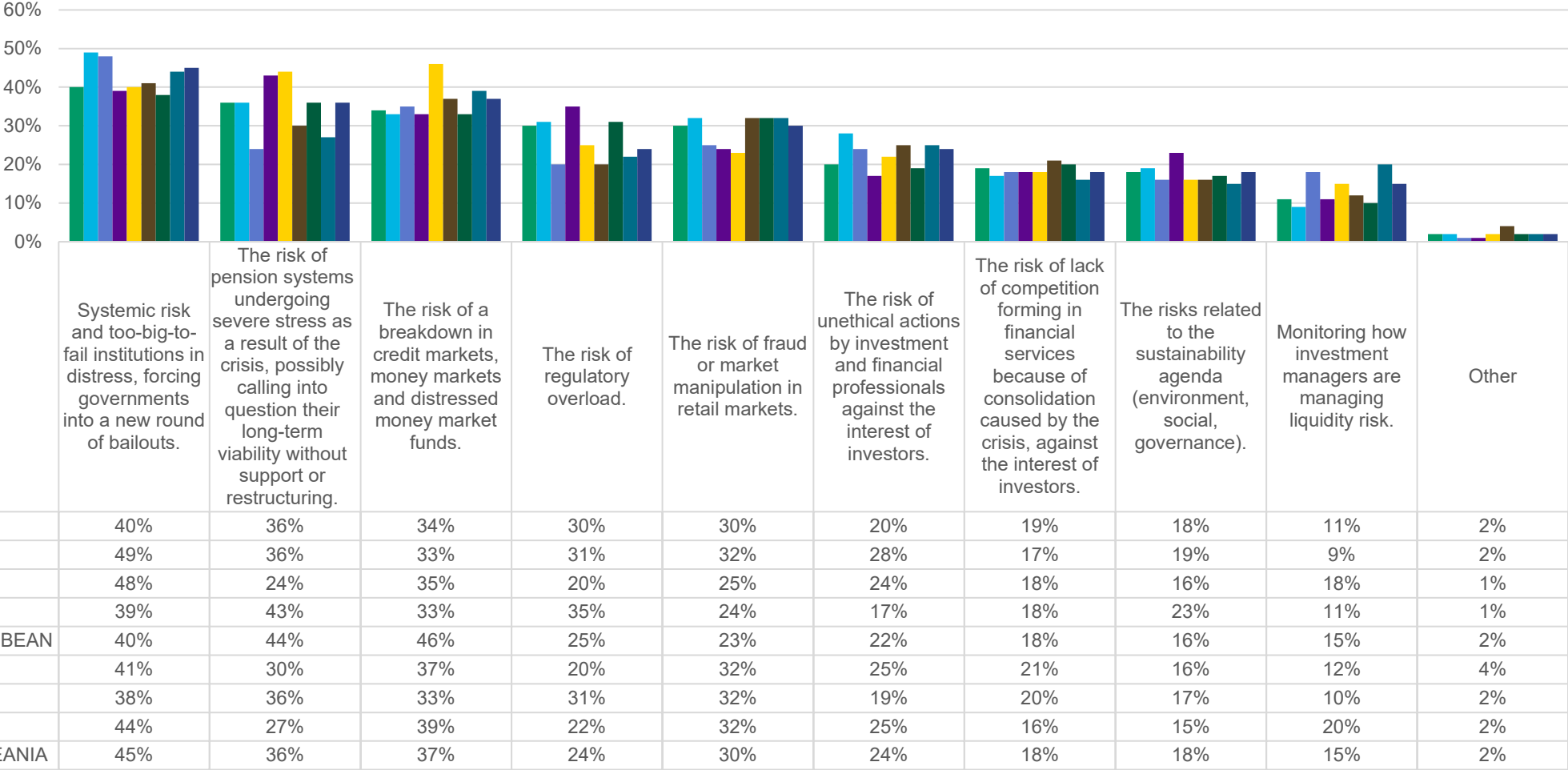
WHAT DO YOU THINK THE CONSEQUENCES OF THIS UNPRECEDENTED DRIVE OF ACCOMMODATIVE MONETARY POLICY AND FINANCIAL SUPPORT HAVE BEEN? (SELECT UP TO THREE)



PRUDENTIAL REGULATORS HAVE INCLUDED NOTABLY MONEY MARKET AND LIQUIDITY SUPPORT, TEMPORARY RELIEF ON CAPITAL REQUIREMENTS OR THE POSTPONEMENT OF STRESS TESTING, WHILE SECURITIES MARKETS REGULATORS HAVE FOCUSED ON FINANCIAL REPORTING GUIDANCE, PARTICULAR SURVEILLANCE OF FRAUD RISK OR ALSO CREDIT RATING TRENDS. DO YOU THINK THIS RESPONSE WAS APPROPRIATE?



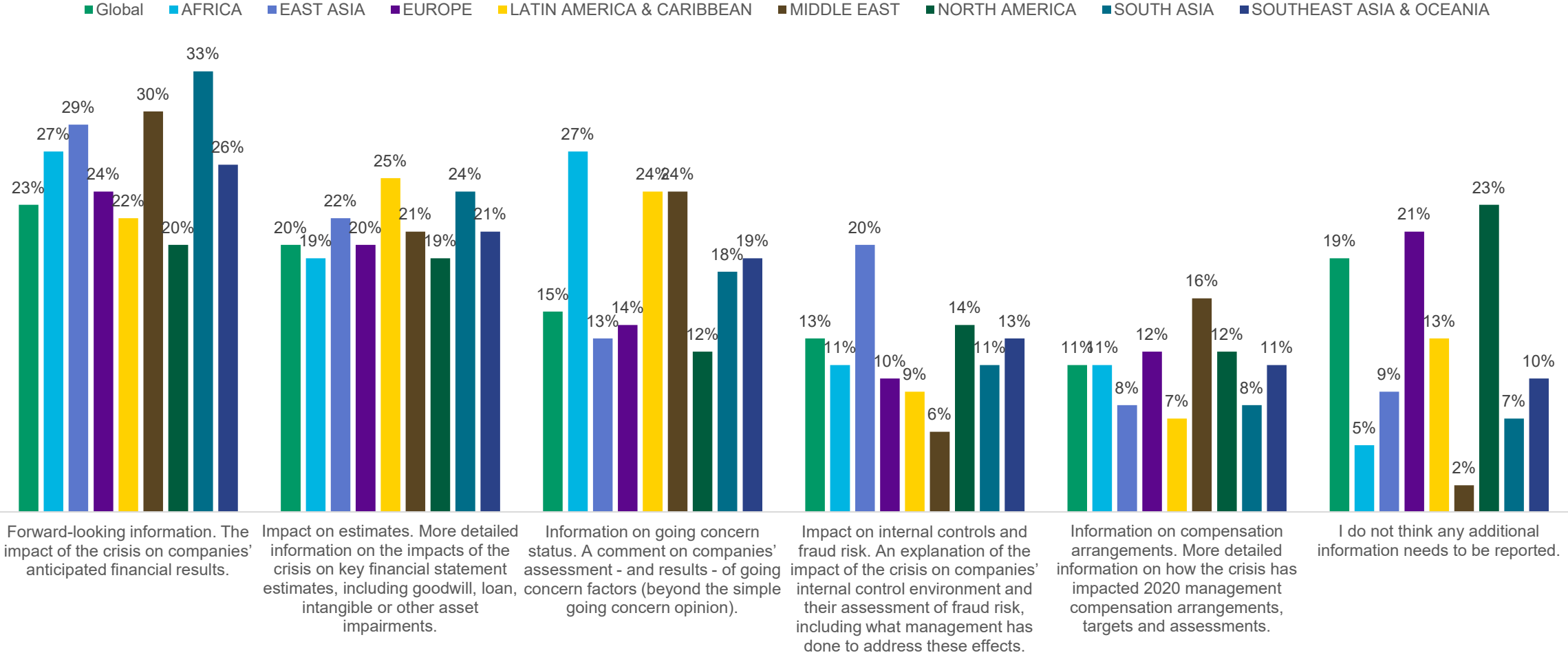
AFTER THE INITIAL RESPONSE MEASURES BY POLICYMAKERS AND REGULATORS, WHAT DO YOU THINK ARE THE KEY RISKS THE REGULATORY COMMUNITY SHOULD FOCUS ON? (SELECT UP TO THREE)

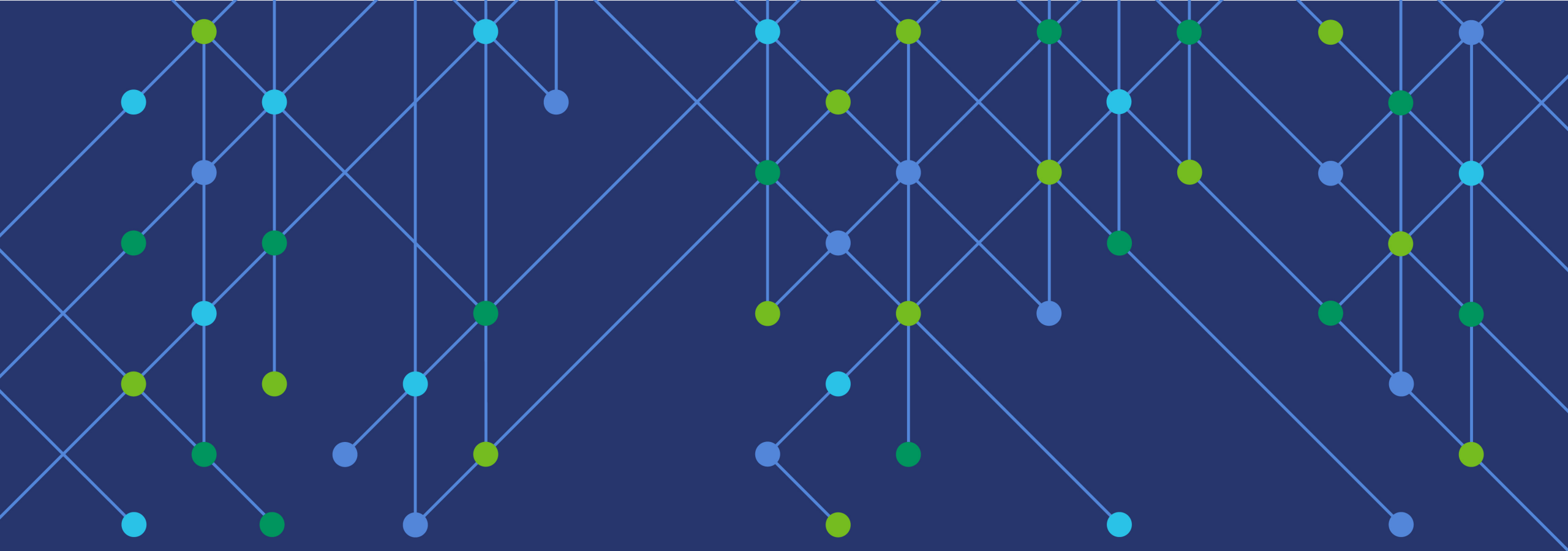


IN YOUR OPINION, WHAT HAS HAPPENED TO THE RISK OF CORPORATE CREDIT DEFAULT AT COMPANIES IN YOUR MARKET OVER THE FOLLOWING TIME PERIODS?

		Global	AFRICA	EAST ASIA	EUROPE	LATIN AMERICA & CARIBBEAN	MIDDLE EAST	NORTH AMERICA	SOUTH ASIA	SOUTHEAST ASIA & OCEANIA
Short term (1-3 years)	Increased	56%	81%	65%	69%	77%	84%	44%	72%	65%
	Stayed the same	23%	16%	22%	17%	17%	10%	27%	17%	23%
	Decreased	21%	3%	13%	14%	6%	6%	29%	11%	13%
Medium term (5 years)	Increased	43%	54%	36%	51%	53%	59%	40%	39%	37%
	Stayed the same	50%	41%	57%	45%	41%	35%	51%	55%	56%
	Decreased	7%	6%	7%	5%	6%	6%	9%	6%	7%
Long term (10 years)	Increased	32%	35%	23%	30%	33%	36%	35%	25%	21%
	Stayed the same	58%	55%	63%	62%	54%	56%	56%	62%	63%
	Decreased	10%	10%	15%	9%	13%	8%	9%	13%	17%

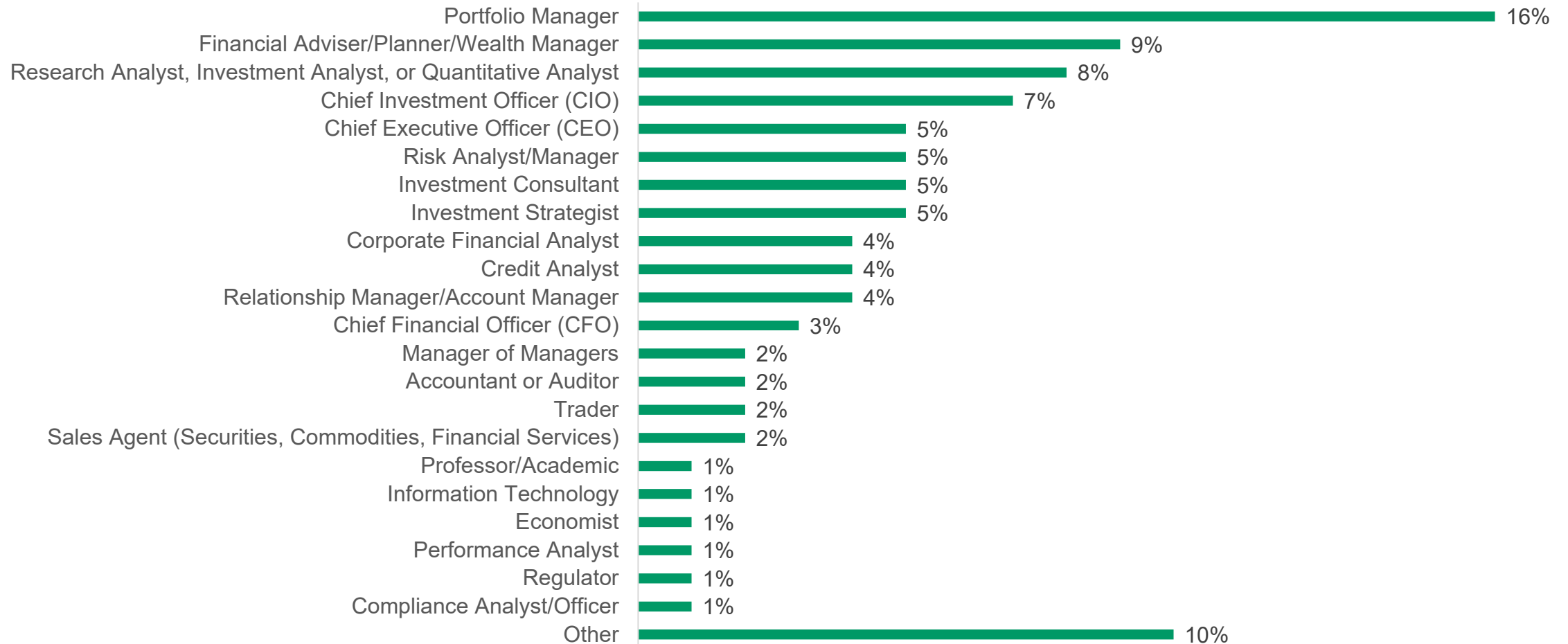
AS IT RELATES TO FINANCIAL REPORTING, GIVEN THE IMPACT OF COVID-19 AND CONSIDERING THE INFORMATION YOU HAVE SEEN REPORTED BY COMPANIES TO DATE, PLEASE SELECT THE AREA WHERE YOU THINK REGULATORS SHOULD ENCOURAGE FURTHER INFORMATION BE PROVIDED TO INVESTORS:



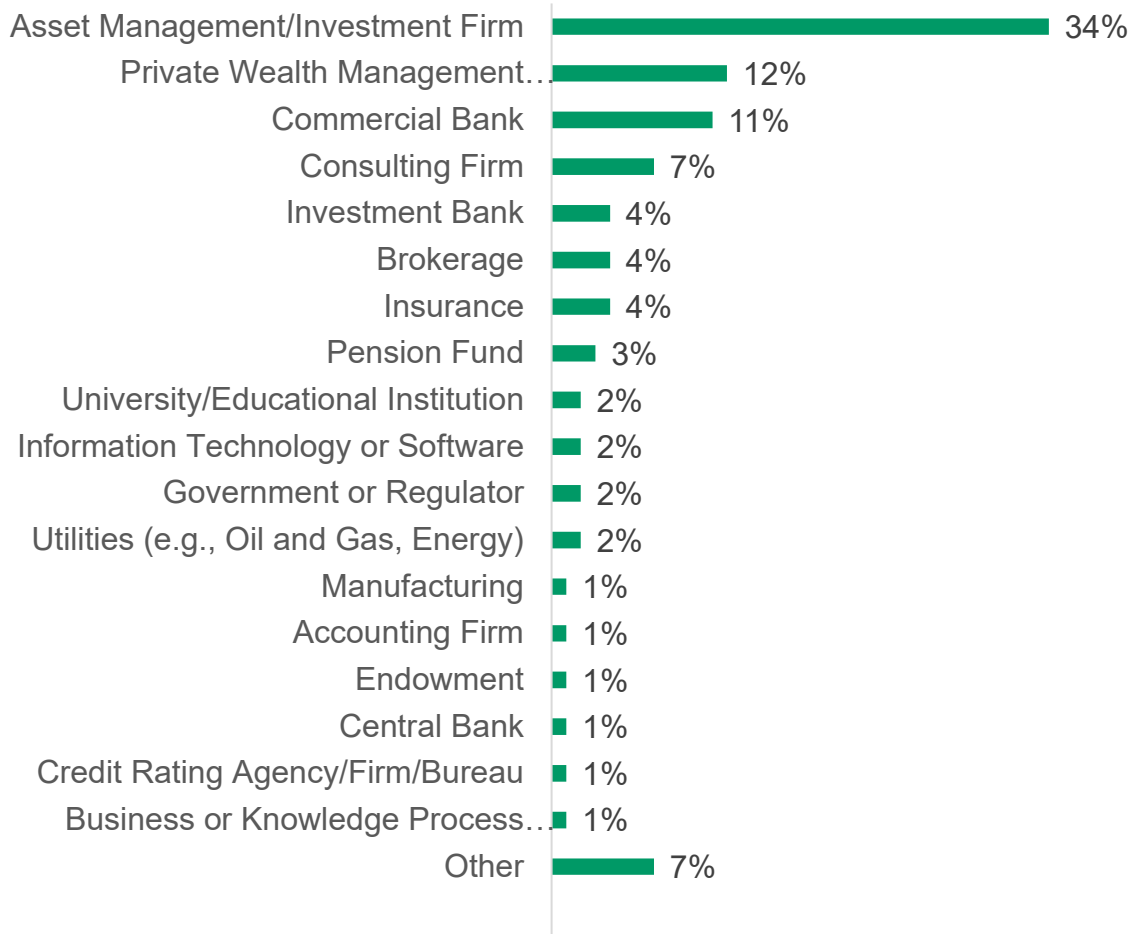


DEMOGRAPHICS

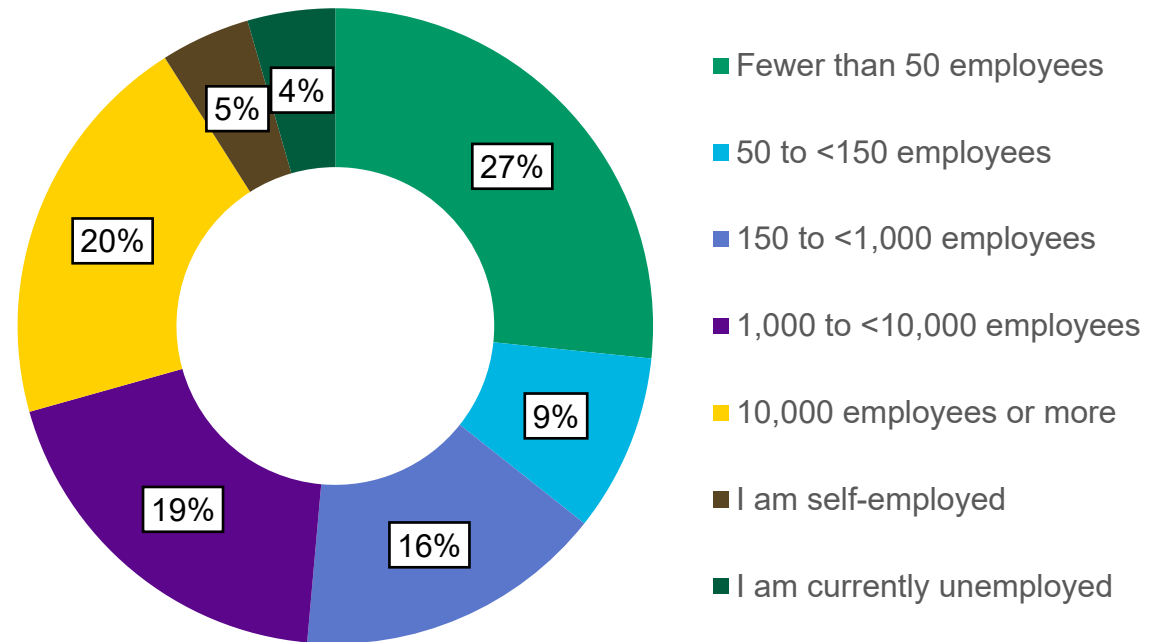
OCCUPATION



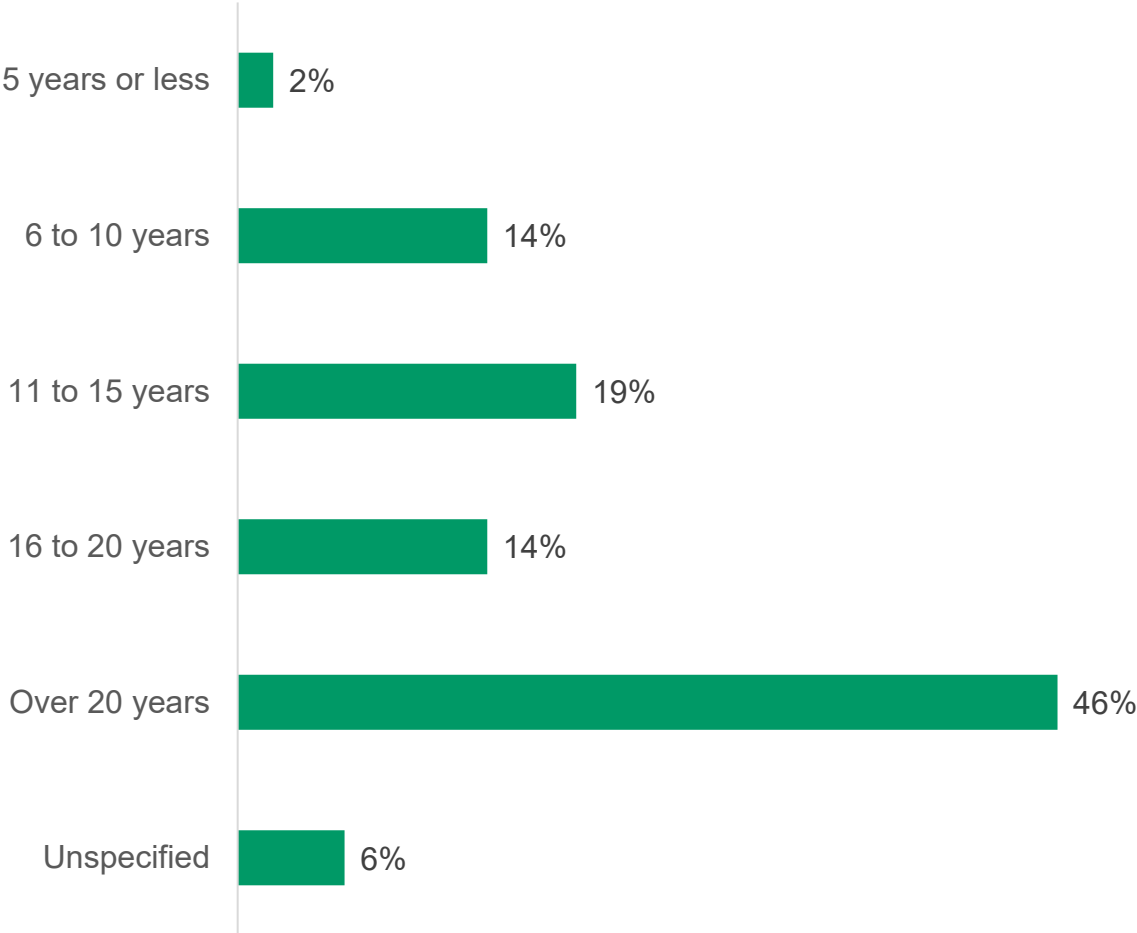
FIRM TYPE



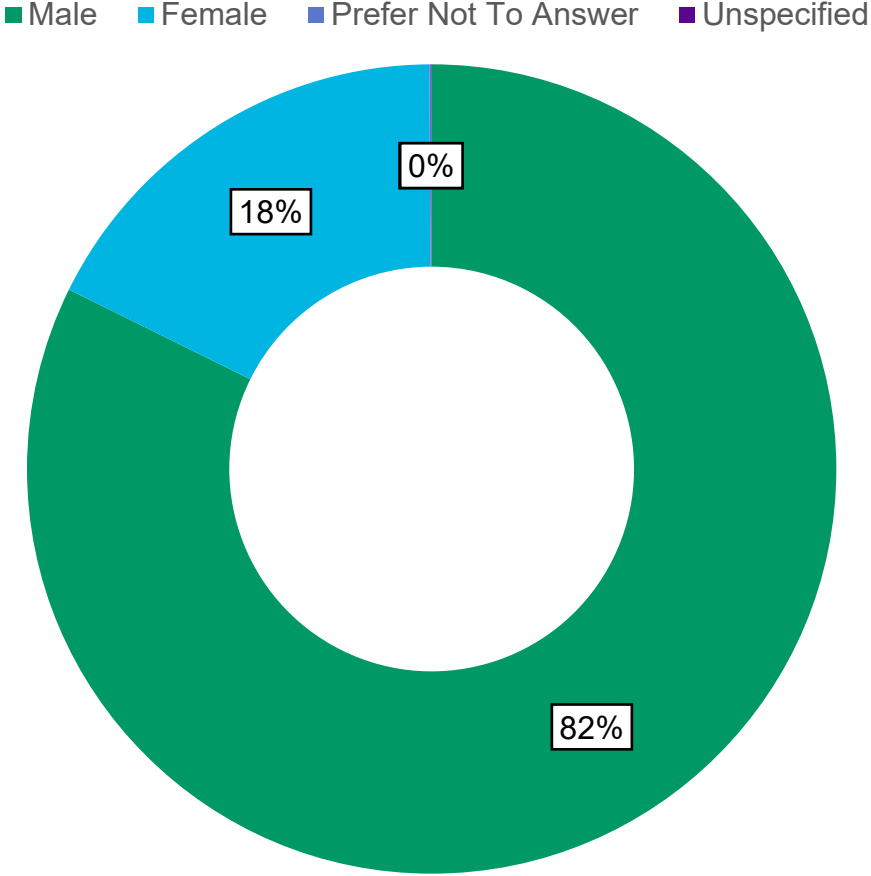
FIRM SIZE



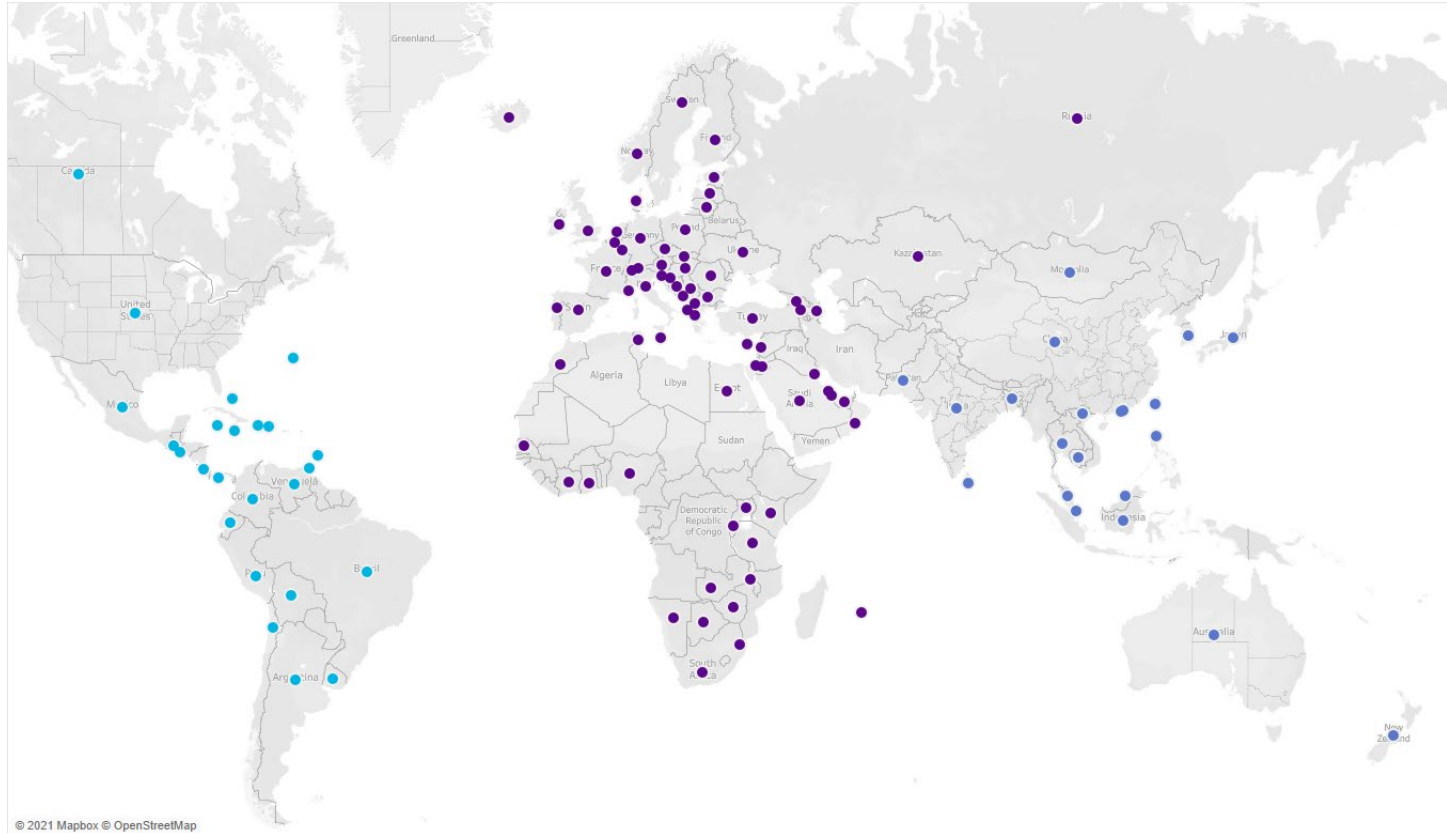
YEARS IN THE INDUSTRY



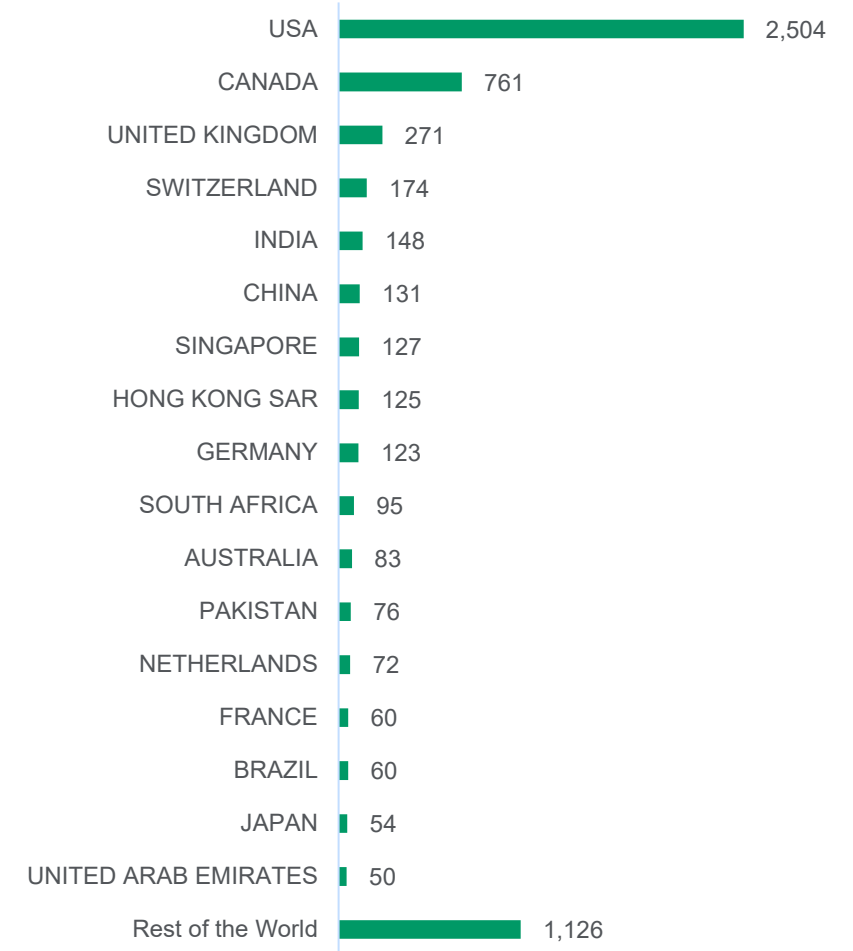
GENDER



RESPONDENT DISTRIBUTION



RESPONSES BY MARKET*



*Only displaying markets which had 50+ responses.