

## Between the lines

Week  
17



### Mayday: US oil prices turn negative

*An oversupply of oil combined with a sharp fall in demand as a result of the coronavirus global pandemic saw the price of West Texas Intermediate (WTI) US oil contracts for May fall to -\$37.63 a barrel on Monday (20 Apr).*

The historic move into negative territory – meaning producers literally had to pay people to take barrels of oil off their hands – was driven by the sharp fall in demand resulting from the global shutdown, combined with limited storage for physical oil as production continues, despite planned supply cuts in May.

The oil market is based on future prices, and with May future contracts for WTI oil due to expire on Tuesday (21 Apr), producers were keen to sell contracts as quickly as possible to avoid taking physical delivery of oil with no place to store it.

While oil prices have since recovered somewhat, Hinesh Patel, portfolio manager at Quilter Investors, says: “While lockdowns remain in place in many countries and with travel unlikely to return to previous levels anytime soon, oil demand will remain weak for the foreseeable future. At the same time, the recently agreed cuts in production will take time to implement causing further pressure on storage and transportation.

“This sharp fall was driven by the recent demand shock, and while negative oil prices are unlikely to become the norm, we should expect volatility in the sector to continue.”



Credit: Lakeview Images/Stock

### Virgin dominos start to fall..

*On Tuesday (21 April) Virgin Australia, announced in a statement to the Australian Securities Exchange that it had entered voluntary administration in the hope of emerging from the covid-19 crisis in a “stronger financial position.”*

The debt-laden company, which accounted for about a third of Australia's airline routes, owes some £2.5bn. However, Australia's government turned down Virgin Australia's recent request for a AUS\$1.4bn (£771m) loan.

The news is a blow for Richard Branson's Virgin Group which owns 10% of Virgin Australia. In an open letter to staff Mr Branson bemoaned the lack of state support. Meanwhile, his Virgin Atlantic business also hangs by a thread.

Mr Branson, a billionaire, is thought to be asking the government for a £500m bailout loan offering his private island home, Necker Island, as security.



### Quilter Market Explainer

*In response to the severe market volatility that has accompanied the outbreak of the global coronavirus pandemic, Quilter has launched the Quilter Market Explainer, a special weekly webcast for advisers and clients.*

All our previous broadcasts in this series are available on demand, please click on the play button above.

Today's *Explainer* aired at midday and featured Helen Bradshaw from Quilter Investors alongside Richard Carter and Sanjay Patel of Quilter Cheviot discussing the easing of the lockdown, what the 'new normal' might look like and whether another debt crisis is brewing in Europe.

[Click here to listen to the recording.](#)

These webcasts now run at midday every Friday throughout the virus lockdown period. See your inbox for details of how to sign up or follow us on our social media channels.



### Keep your head: the seven golden rules of investing

*In March, stock markets suffered their two biggest one-day drops since the 'Black Monday' crash in 1987. Two weeks later, the US Dow Jones index saw its biggest one-day gain since the Great Depression in 1933.*

This underlines what long-term investors already know; namely, that markets invariably recover from short-term disruptions and reward those who can ride out the bumps along the way.

Our top seven principles for keeping your head when all about you are losing theirs:

- 1** Get advice;
- 2** Make an investment plan and stick to it;
- 3** Invest as soon as possible;
- 4** Don't just invest in cash;
- 5** Diversify your investments;
- 6** Invest for the long term;
- 7** Stay invested.

**Remember:** Investing with a long-term outlook is the best way to reduce the impact of stock market fluctuations and to see out periods of volatility.

## *Important information*

***Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back any of the amount originally invested. Because of this, an investor is not certain to make a profit on an investment and may lose money. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares. Exchange rate changes may cause the value of overseas investments to rise or fall.***

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