Highlights of CFA Institute Member Survey on Covid-19

CFA Institute recently conducted a survey of its global members to assess how Covid-19 is impacting capital markets, particularly the investment management industry, and to gauge reaction to the regulatory response to the global pandemic. The survey was conducted among the entire membership of CFA charterholders across all regions and jurisdictions where the Institute is represented and took place during the period of 14 to 24 April 2020.

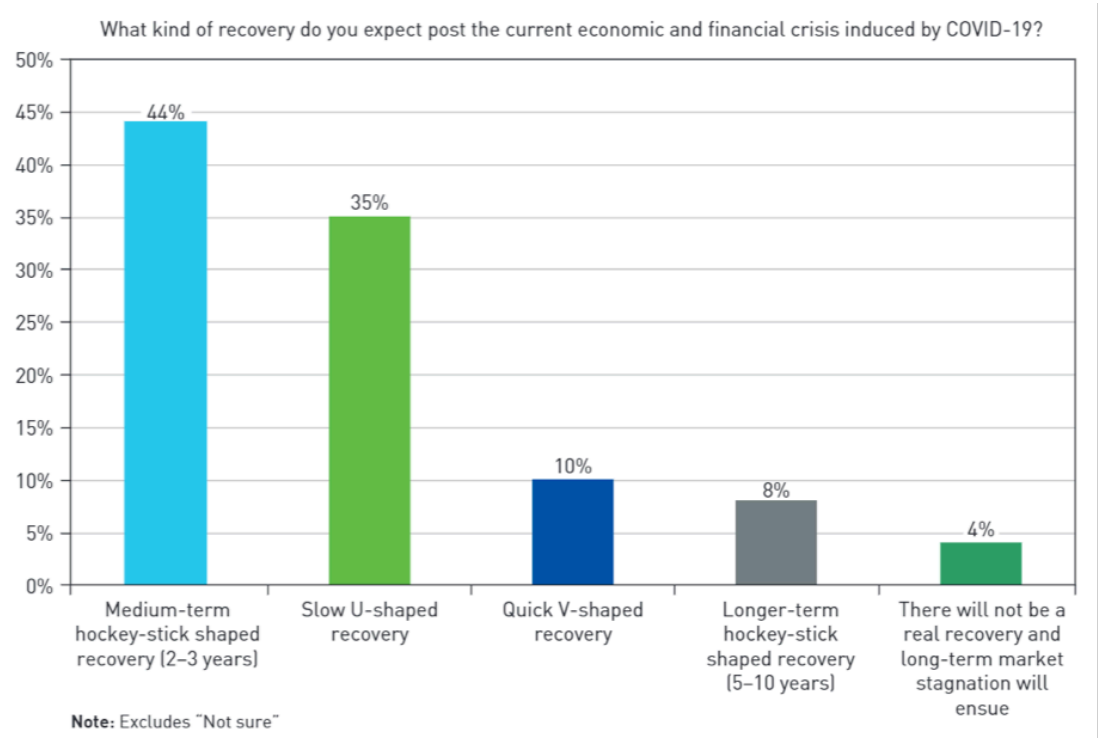
Given the uniqueness of the health crisis and the fact that most countries resorted to shutting down their own economies, the survey asked members to specifically address three key topics:

- The most likely economic recovery scenarios.
- The risk of fiscal and monetary interventions on market mispricings.
- The impact of Covid-19 on ethics.

Slower economic recovery

CFA charterholders are clearly more cautious than the current market sentiment in terms of the near-term economic outlook. A vast majority accounting for 79% of respondents expects either a medium-term hockey stick shaped recovery of 2 to 3 years or a slow U-shaped recovery. On the other hand, only 10% of participants anticipate a quick V-shaped rebound.

This more cautious forecast among CFA members strongly implies that the economic damage caused by the coronavirus will be longer lasting than the recent rally in global equity markets suggests. This more sober assessment also explains why nearly half of respondents also expect further government intervention will be needed, in terms of both fiscal and monetary measures.



Source: CFA Institute

Need for government and central bank intervention
Members were also largely supportive of the actions taken by governments and central banks in response to the pandemic in the form of massive relief programs, quantitative easing and economic stimulus. An overwhelming majority representing 96% of respondents see the current crisis increasing the likelihood of asset mispricing specifically related to the current financial duress.

In addition, 49% of participants think that swift and powerful intervention globally was necessary with even more relief needed. The same percentage agreed that the intervention provided short-term relief, but that it should stop as soon as possible. Only 28% of respondents see the deficit expenditures potentially leading to bankruptcies or requiring monetization of debts. A mere 4% think authorities should not intervene in markets even in times of crisis.

Ethical issues and regulatory responses
Another important finding of the survey is that as the pandemic becomes more prominent, there are growing concerns that the heightened stress could lead to unethical behaviors in the investment management industry. These concerns are reflected in the results with the highest support for these regulatory actions:

- Educate the public about risks of investor fraud (94%).
- Review exchange trade products to determine if they provide liquidity and price discovery or contribute to higher volatility (84%).
- Focus on market surveillance and continue enforcement actions (82%).
- Ban companies who receive emergency aid from distributing dividends, conducting share buybacks and paying executive bonuses (75%).

Likewise, the survey also showed clear opposition to government actions such as imposing market holidays (82%) and banning short-selling (83%).

Despite these ethical concerns, there is widespread recognition that markets are a vital component of economies and that regulators should continue to ensure that markets function efficiently and transparently, especially during periods of economic turbulence.

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