As you have seen in the news recently, growing fears continue regarding the coronavirus pandemic, not only the spread of the disease itself, but the effect it is having on our markets. One of the primary concerns we face as is relates to the impact on our markets is how much the coronavirus overseas could slow down world economies, accompanied by new cases outside of China in other developed areas.

The markets don't respond well to uncertainty and uncertain we are as it relates to the state and future impacts of the coronavirus, globally. In cases of health, political, or economic unknowns, uncertainty tends to lead to volatility, as seen in the swift market reaction from last week when the S&P 500 experienced the fastest market correction (down 10%) from a peak in history. This health crisis has been no exception - as of mid-day Friday, the stock market as measured by the S&P 500 has sold off almost 15% since last week. Volatile shifts like this are common, however. Last Wednesday, the S&P was up 5% for the year, and is now down almost 9%. Another example of this volatility occurred as recently as 2018, we had close to a 20% selloff in the span of 3-4 months followed by a 30%+ bounce in 2019.

Other coronavirus market impacts that we are watching include the exchange of goods and services involving overseas suppliers or customers. We could experience a delay in the delivery of these goods and services or different price levels, in turn creating lower estimated corporate profitability. In previous instances, however, pent-up demand typically results in an economic boost when the uncertainty subsides. Additionally, we should keep in mind an unrelated potential impact and political uncertainty is the possibility that a presidential candidate could enact programs which would be less market-friendly than the current administration.

It is only a matter of time before the market recovers. We can point to specific current data points as potential catalysts to spark a rebound including crude oil which is down from $62 to $45 per barrel this year, and the yield on the 10 year US treasury has fallen from 1.89% to 1.16%. Both of these events may help support the continued strong consumer which accounts for 70% of GDP. Other facilitators of a rebound include a breakthrough in virus treatments and the World banks helping with liquidity. It's also worth mentioning, 74% of the time the market bounced back and was higher 12 months after a geopolitical event.

We do not know what the overall health and economic impacts will be, but we are monitoring them and their impact on your portfolios on a daily basis. We are prepared for volatility, and our portfolios have outperformed their benchmarks. Knowing that markets are near impossible to time, our mission is to keep our clients allocated to achieve their long-term goals within the framework of their cash-flow needs, risk-tolerance and other unique circumstances. Should any of these change, we welcome a conversation to make sure that you are comfortable with your allocation and can sleep at night.

Please don't hesitate to reach out to your Relationship Manager for more information or to address any further questions.