

Thursday, March 5, 2020

Good Afternoon,

Financial markets continue to be whipsawed as panic from the coronavirus spreads across the globe. When we see moves of 3-4% each day (down and up), it is clear that emotions are influencing traders. In addition, algorithmic trading has added to volatility as selloffs and rallies trigger automated trades based on temporary momentum – accelerating both the ups and downs. While the number of cases in China appears to have leveled off, the expansion of the virus into new countries has not. Until we see the same sort of leveling off on a global scale, we feel markets will continue to experience elevated, and perhaps hyper-volatility.

It is clear now that the efforts to contain the virus (closing business and schools, travel cancellations, quarantines, etc.) will have major economic impacts which can only be measured after the fact. The Federal Reserve made an emergency reduction in the Fed Funds rate this week in their attempt to keep the US economy on track. While the initial reaction on Tuesday was positive, it quickly turned negative as elation turned to fear the Fed knows something awful that we don't. The risk that we may enter recession is elevated and will remain so as long as people are forced to consider changing their normal routines and behaviors. However, inevitable medical and virus containment progress will likely reward patient investors as the temporary economic slowdown eventually reverses course.

During the nearly 11-year bull market that began in March 2009, the S&P 500 index has had 7 separate "corrections" of at least 10%, including the current one. This is the only one of the seven caused by an epidemic. The S&P 500 now stands where it was on November 1st of last year. While that doesn't seem too dramatic, your February month-end statement will not be pretty. I suggest opening a nice bottle of wine rather than your statement. And don't forget to turn your clocks ahead one hour on Sunday. (You knew there would eventually be something useful in here!)

Please visit our website at www.canfg.com or the link below for the last Market Update from Commonwealth Financial Network® – the broker/dealer that supports us in helping you manage your financial life.

http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Have a great weekend.

Wade

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