

Coronavirus Outlook - March 12, 2020

As you may know, there is a new medical virus making its way around the world that is temporarily shutting countries down and sending our financial markets into a frenzy. I am, of course, talking about COVID-19, better known as the coronavirus. While a new virus with no cure yet can be quite scary, we are here to put things into perspective for you.

Symptoms of COVID-19 are very similar to that of the common flu: fever, cough, and shortness of breath are all common symptoms. In fact, while COVID-19 gets the headlines, the flu has actually killed more people this year. However, unlike the flu, The World Health Organization (WHO) believes this disease can be contained. It's still early in the process, but the fatality rate seems to be somewhere between 1%-4%, which is substantially lower than the previous pandemics of SARS and MERS.

So why are our financial markets being sent into a frenzy? The market hates uncertainty. Couple the fear of a virus with no known cure with the plunge in the oil market and an election year, and you get extreme bouts of volatility. It's important not to panic though. Unemployment is still at historic lows; inflation remains low and consumer confidence remains high. Interest rates are at historic lows with more cuts looming. Some even believe these low interest rates could be a nice tailwind for the economy when things settle down, and things will settle down.

Since 2003, we have had 6 worldwide virus outbreaks. How has the market performed during these times? Over the course of various diseases (SARS, Zika, Ebola, etc.) the market has been cut by 6-13%. What about when the disease finally passes? In every previous instance, the market has gained more than 10% just 12 months later.

Even with the end of the 11-year Bull market, this is no 2008. Capital liquidity is much stronger than it was then, and this pullback is not financial based. We have seen 23 corrections since WWII. The average price drop for the S&P 500? 14%, according to data from CFRA. These pullbacks have averaged on 4 and a half months in length, as well.

The market is still up since President Trump was inaugurated in Nov. 2016. The Dow was right around 18,250, the S&P roughly 2150, and the NASDAQ about 5190. As of 9:30 AM on March 12th, we are at 21,750, 2555, 7400, respectively.

We can't guarantee the worst is over but it is important to keep your goals and timeframe in mind. We will beat this disease. For those that have immediate cash needs, that money has already been raised. If you have some immediate cash needs, that we are not aware of, the cash can be still be raised. Remember, panic is not a profitable strategy.

Please let us know if you have any further questions and please stay safe.

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