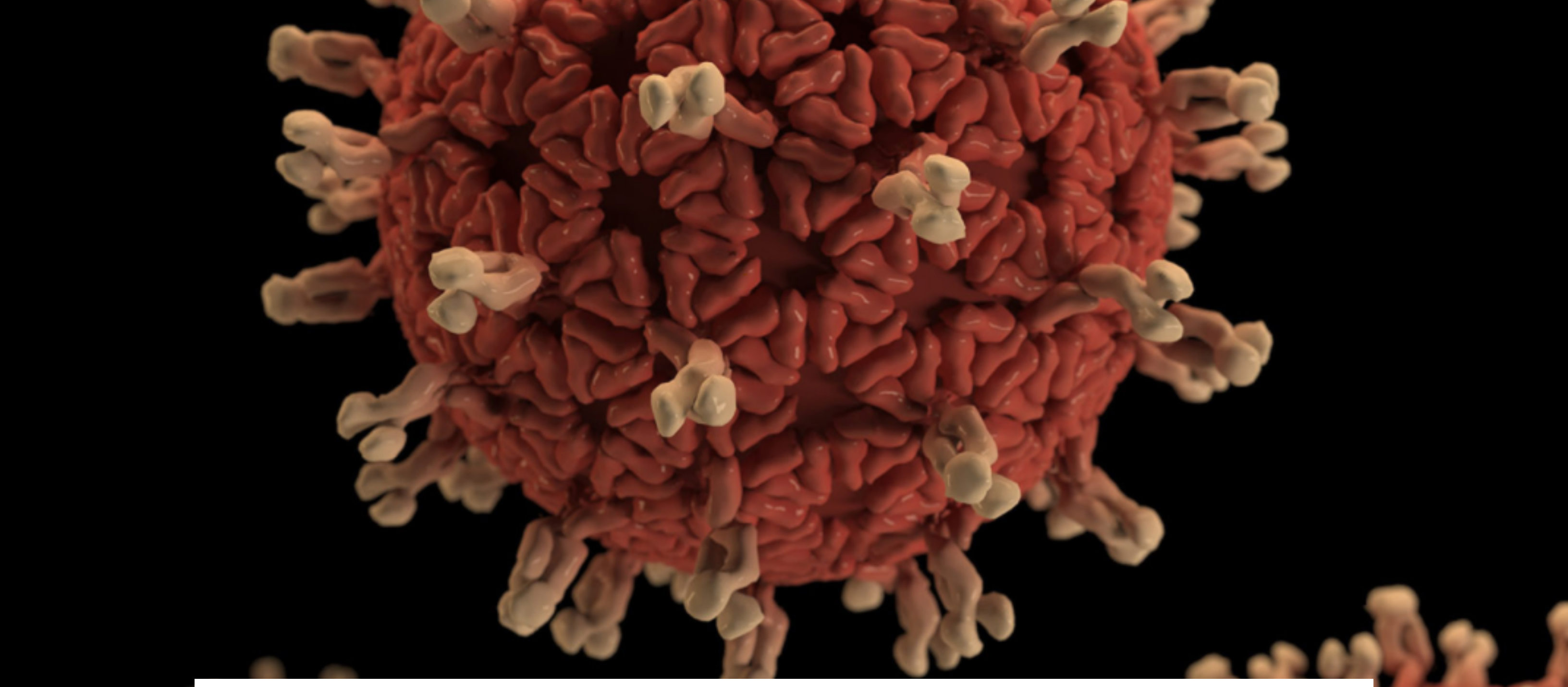

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Staying the Course – Coronavirus and Stock Market Volatility

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According to the CDC,[1] the recent coronavirus (COVID-19) outbreak has claimed almost 5,000 lives and impacted nearly 132,000 people worldwide as of March 12th, 2020 and it has also injected a sense of uncertainty into the markets. If you're invested in the stock market you may have found yourself sitting on the edge of your seat over the last few weeks as we watch market volatility increase.

We are here for you and we want to take a moment to update you on our thoughts related to the coronavirus, its impact on the financial markets, and, ultimately, on your personal financial situation.

A Brief History Lesson

The market's negative response to health crises is nothing new. The below table shows that since 2003, approximately six months after early reports of a major outbreak, the S&P 500 bounced back by an average of 10.47 percent. After 12 months, it rebounded by an average of 17.17 percent.

Epidemic	Month-end*	S&P 500 6-month performance	S&P 500 12-month performance
SARS	Apr. 2003	14.59%	20.76%
Avian (bird) flu	Jun. 2006	11.66%	18.36%
Swine flu (H1N1)	Apr. 2009	18.72%	35.96%
MERS	May 2013	10.74%	17.96%
Ebola	Mar. 2014	5.34%	10.44%
Measles/Rubeola	Dec. 2014	0.20%	-0.73%
Zika	Jan. 2016	12.03%	17.45%

Source: Dow Jones Market Data, cited on MarketWatch.com February 24, 2020.

*End of month during which early incidents of outbreak were reported

Why is it important to take a look back in time? While there are no guarantees the current situation with COVID-19 will follow a similar pattern to the above epidemics, it helps us to better understand and put into perspective that historically over long periods of time, despite an epidemic, stocks typically regain their upward trajectory.

Market Psychology

As we explored above, all assets rise and fall in value and the more extreme the swing, the stronger the sentiment. Overcoming this market psychology is no easy feat but learning how the market works can help to reduce stress and increase your ability to "stay the course."

Your investments are designed to support your long-term objectives, not today's needs. In situations like this, it is important to have perspective and remember that swift market drops are not unusual. Of course, the headlines are scary and fear of the unknown is scariest of all, but the nature of the market is that it will go up and down. That is just par for the course.

When you think about it, our emotions share a similar reaction between excitement and depression. Surges of pleasure with favorable uptrends and neurotic negatives with declines. Unfortunately, emotions can be drivers for selling early thus diminishing significant gains that can occur over the long-term.

We believe the best response is to acknowledge what you're feeling, reach out to us if that would be helpful, and have confidence that we are on top of the situation. And always keep in mind that in the short term, market movements can be heavily influenced by headlines and computerized trading, but in the long term, markets tend to reflect broader-based economic trends. One of our most important roles as your trusted advisor is to not let the difficulties of the short term prevent the reaping of potential benefits of sound, long-term investing.

What Should You Do?

The answer is simple: Don't panic.

Sure, fear is a natural emotion to encounter during turbulent times especially when a health epidemic hits like a virus that can impact both your health and your finances. When market corrections occur (classified as a drop of 10 percent or more in one of the major U.S. stock indexes) the media tends to add fuel to the fire. It's important not to make any alarm-induced moves during a correction. Instead, stay vigilant and stay the course.

Acknowledge that the market is not just about winning and losing – it's about strategy and duration. The virus and how it spreads is completely out of our control, but our reaction to the financial markets is something we can control. It's not fun seeing your portfolio drop, But at the same time, we know market volatility is normal and expected. The key is to "zoom-out" and look at the long-term big picture.

What We're Doing

What we do know for a fact is that the market will continue to do three things: It will sometimes go up, it will sometimes go down, and sometimes it will barely budge. The other absolute certainty? Your financial well-being is our number one objective.

Our team is burning the midnight oil to monitor the situation as it unfolds and recommending actions as appropriate.

And we will leave you with one final piece of good news: sometimes, situations like this can actually create opportunities. For example, as prices drop, we will also seek out any opportunities to "rebalance" and shift your asset allocation if it aligns with your long-term goals.

If you have any questions about your specific situation, please contact us. We are here to help and we are here for you. Thank you for your continued trust and confidence.

1. https://www.cdc.gov/coronavirus/2019-ncov/cases-in-us.html

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