



February 2020 Market Commentary

Given the events of this past week, both in the markets and the panic of the Coronavirus outbreak, we wanted to share our thoughts with you.

2019 was a great year for equity markets with the S&P 500 returning 28.8% for the year and 2020 started off with nearly a 5% gain. We have seen a swift downward pullback in the markets to official 'correction' territory. Market corrections can be defined as a pullback from highs of 10% or more, but less than 20% (over 20% is a "Bear" market).

In our eyes, we were moderately priced after 2019 ended based on the corporate earnings of the S&P 500 companies. However, market corrections are very normal; it is not a question of if they will happen, but when. Corrections are also a very healthy part of an upward trending (Bull) market.

The news and panic over the spread of Coronavirus was the catalyst the market needed to kick off a new correction. Although very serious and a human tragedy, our current view is that this virus is a temporary event therefore will have a temporary impact on the markets. A positive spin on the Tariff War of the past couple years is that companies realized the importance of the geographic diversification of manufacturing and had already begun to move supply chain locations to other countries.

As of noon, on Friday February 28th, the total number of COVID-19 global cases were at 83,867. Approximately 94% of all global cases have been within Mainland China (78,824) and these numbers have been tapering off rapidly through February. Approximately 44% of all confirmed cases have since become recoveries and this number is increasing exponentially with each passing day.

We will continue to monitor your investments and have updated our signals for the Sector Exchange Traded Funds (ETFs). For the individual company Stocks, we stick to our 'buy and hold' strategy because of the dividends being paid. The average stock in our stable pays a yield nearly one and one-half times that of the current thirty (30) year Treasury bond.

Markets will correct; the best bet is to have a plan and stick to it in times of panic.

Tom