



MARCH 2020

CORONAVIRUS DOMINATES MARKETS

The coronavirus dominated headlines and market action in February as all major equity indices were pulled negative for 2020 during the month. While we fully anticipate additional market volatility as the coronavirus continues to dominate headlines in March, we remind investors that while this strain of the coronavirus may be new, market volatility is not.

Remember that while in the short-term fear and headline risk will move the markets, earnings and fundamentals are what drive markets over the long term. Equity markets are resilient. Since 1981, there have been a dozen major viral outbreaks. In only two of these instances was the Standard and Poor's 500 Index negative in the following twelve months; and in both instances there were economic conditions working against the market outside of a viral outbreak (a recession during the 1981 AIDS outbreak and a collapse in commodity prices putting pressure on the energy sector during the 2014-2015 Measles outbreak).

Remember, the average intra-year decline for markets over the last 40 years is 13.8%. This means that on average, at some point in time during the calendar year, markets are down 13.8%. After a 30% return for markets in 2019, and relatively little volatility in recent years, we all need to keep a market correction in perspective.

Portfolios are constructed based on investors' goals, risk tolerance, objectives, and long-term financial plan. Investors should not make substantive changes to their overall financial plan in response to short-term market conditions. With that being said, we continue to monitor the coronavirus situation and market conditions and where and when appropriate will rebalance and derisk for clients as conditions warrant.

[Please click here to read our client letter released in the last week of February regarding the coronavirus and our thoughts on this developing situation. As always, we will remain in touch and keep our clients and friends informed as the situation develops.](#)

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LAST MONTH'S KEY ECONOMIC DATA

EMPLOYMENT

We added 273,000 private sector non-farm jobs in February and the unemployment rate was little changed at 3.5%. The number of unemployed persons is little changed at 5.8 million. The labor participation rate is up slightly at 63.4%.

FOMC/INTEREST RATES

The Fed took emergency action between meetings to cut the target range for the federal funds rate by 50 basis points, it now stands at 1.00% to 1.25%.

GDP

The second estimate of Fourth Quarter GDP showed real GDP rose at an annual rate of 2.1%. The ongoing coronavirus is expected to put stress on economic growth in coming first quarter numbers.

INFLATION AND CONSUMER SPENDING

The *Consumer Price Index* increased 0.1% in February. Over the last 12 months, CPI rose 2.3%. Core prices, which excludes food and energy prices, rose 2.4% year over year.

According to the *Producer Price Index*, the prices companies receive for goods and services fell 0.6% in February. Producer prices have decreased 0.1% in February, the first decline since June 2019. For the 12 months ended February. The rise was 1.4%.

HOUSING

Existing home sales fell 1.3% in January. Year over year, existing sales are up 9.6%. The median price for existing homes in January was \$266,300, up 6.8% from a year ago.

MANUFACTURING

Industrial production in the US dropped 0.8% year-on-year in January.

IMPORTS AND EXPORTS

The goods and services deficit was \$45.3 billion in January, down \$3.3 billion from \$48.6 billion in December, revised.

INTERNATIONAL MARKETS

International markets moved lower on the month on fears over the coronavirus spread.

CONSUMER CONFIDENCE

Consumer confidence, as measured by The Conference Board Consumer Confidence Index®, increased in February, following a moderate increase in January. The Index now stands at 130.7, up from 130.4 in January.



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Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations.