

We hope that all is well at your end.

We have entered a phase of uncertainty which leads to extreme volatility as we search for a bottom in the market. Equity prices rallied in 2019 and continued to be robust in January and peaked in mid-February. This rally was backed up by solid earnings and good economic numbers. Everything changed last week as the situation in China worsened with the COVID-19 virus. The virus also began to move beyond the Chinese borders and the term pandemic began to appear in the media, leading to a global market sell off and a flight to safety.

We have seen bond yields plummet recently as investors have flocked to perceived safety and the Global central banks have cut interest rates. The United States 10 year yield moved below 1%. This means that going forward investors will be desperate to maintain purchasing power, especially in retirement. This bodes well for conservative dividend paying equities that offer solid yields backed by strong balance sheets. The markets may remain volatile but the cash flow should remain uninterrupted providing stability as we look to the future.

Mark Twain said "*History doesn't repeat itself but it often rhymes*,". At this point what we don't know outweighs what we do and that is why we are seeing such violent swings in stock prices. What we can rely on however are the lessons of the past and what they may mean for the near and long term future. What history has revealed about viral outbreaks, is that markets have been fairly quick to price in the economic impact. It is usually the uncertainty which harms markets more than the actual facts. The initial reports spur a sell off and the news gets worse as we enter a bad news cycle with no apparent end in sight. As the uncertainty wains and the facts become clearer we have typically seen a gradual recovery over the course of a year with the markets recovering and resuming their upward bias.

We are monitoring the situation closely and taking appropriate action. As always, should you have any questions or concerns, please e-mail or give us a call.

Have a great rest of the month as we look to clearer skies and warmer weather.

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