WEEKLY MARKET COMMENTARY

For the Week of March 2, 2020

THE MARKETS

Stocks plunged Friday and closed the worst week since the financial crisis amid growing concerns about the impact of the coronavirus. The World Health Organization issued a warning that global level risks were growing as the virus continued to spread across multiple countries. Meanwhile, Fed Chairman Jerome Powell said the central bank would "act as appropriate" to support the economy. For the week, the Dow fell 12.26 percent to close at 25,409.36. The S&P lost 11.44 percent to finish at 2,954.22, and the NASDAQ dropped 10.52 percent to end the week at 8,567.37.

Returns Through 2/28/20	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	-12.26	-10.55	0.44	9.42	9.63
NASDAQ Composite (PR)	-10.52	-4.37	14.94	14.94	12.80
S&P 500 (TR)	-11.44	-8.27	8.19	9.87	9.23
Barclays US Agg Bond (TR)	1.26	3.76	11.68	5.01	3.58
MSCI EAFE (TR)	-9.56	-10.94	-0.57	3.92	1.96

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond, NASDAQ and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. (TR) indicates total return. MSCI EAFE returns stated in U.S. dollars.

One Is a Lot Bigger — Student loan debt in the U.S. was 62 percent larger than credit card debt as of Dec. 31, i.e., $1.51 trillion to $930 billion. Both totals are all-time record highs (source: Federal Reserve Bank of NY, BTN Research).

Smaller Household Size — There were 2.52 people on average living in every American household in 2019, the lowest average household size in U.S. history. There were 3.33 people on average per household in 1960 (source: Census Bureau, BTN Research).

New Homes — The construction of 888,100 new single-family homes began in 2019, the 8th consecutive year of increasing home building. In the 2010s, construction was started on 6.8 million new homes, down 44 percent from the 12.3 million new homes started in the 2000s (source: Census Bureau, BTN Research).

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WEEKLY FOCUS – How Contagious Will the Coronavirus Prove Economically?

With constant coronavirus updates in the news, it's tempting to buy surgical masks, don plastic gloves and avoid airplanes and crowded stores. Experiencing anxiety over the virus' potential economic impact is also natural. Although market volatility is inevitable, watching the value of your portfolio ricochet or plummet – even temporarily – stresses novice and experienced investors alike.

The extended impact on the U.S. economy is anyone's guess. Until the number of new cases in China drops off, the coronavirus is likely to significantly affect the country's economy, already weakened by slowing growth and the trade dispute with the U.S. A recession in China would create global ripples but not necessarily full-blown waves. The size, strength and diversity of the American economy may provide some insulation.

However, if China's manufacturing continues to slow, the rest of the world may experience supply chain disruption, challenging production elsewhere. Shortages could cause inflation to rise, although many American companies have already diversified their supply chains because of the protracted trade conflict. And should the Federal Reserve become concerned about inflation, it could cut interest rates to try to slow it down.

While emotional reactions often lead to unfavorable financial decisions, market volatility provides a good time to *objectively evaluate* your risk tolerance and asset allocation and make sure you are sensibly diversified for your present situation and long-term goals.

If current market gyrations are pushing you past your pain threshold, it may be time to consider moving part of your portfolio to safer harbors. You may need to rebalance your portfolio because recent stock gains misaligned your original allocation ratios. It's also important to ensure your investments are appropriate for your age. Perhaps you are nearing or have recently entered retirement. Withdrawing living expenses when investments are depressed can drain a portfolio quickly, and retirees don't have as much time to recoup losses.

If adrenaline is tempting you to make a decision you may regret later, please give me a call. We'd be happy to discuss concerns you may have and help you evaluate your investment program in light of today's market conditions and your individual situation.

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* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years.

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