The storm continued to rage as coronavirus fears sent the markets tumbling again as the S&P 500 fell 8.8%[1]. The Fed reacted to the decline by dropping interest rates an unprecedented 150 basis points over the weekend, bringing the federal funds rate to near 0%[2]. However, the move did not accomplish much to calm the markets as they opened Monday lower. The University of Michigan released their preliminary consumer sentiment survey showing a drop to 95.9 from 101.0 in February, the weakest showing in 5 months[3].

There is no denying the epidemic is causing panic. However, we have had epidemics in the past and have recovered (see the attached chart on past epidemics over the past 40 years). I have also attached an Economic Research Report from First Trust noting the reasons feel are positive in the coronavirus fight. The most common comment I am hearing now is, "This time it's different". I can agree there is much that is different with this one. The big differences, in my opinion, are; the speed of the government to shut down exposures (sports, concerts, religious services, travel and other social gatherings), the Fed moving on weekends to reduce rates to shore up liquidity, and medical advancements working on an immunization or treatment. We've never had such response in the past to outbreaks. Hopefully this will mean a short cycle to peak infections and a rapid recovery period. The one thing I would like you take away is to avoid panic. The economy was on stable footing prior to the virus affecting the markets. This is not a 2008/2009 downturn. I believe once we see new infections peaking, and a drop in fatalities, the markets will make some sort of recovery. As many businesses are closing down for a few weeks, I am pushing face to face meetings off until some time in April. I am available to talk via phone or web conference.

----Chuck

<u>This Week's Inspiration/Activity:</u>
The wisest rule in investment is: when others are selling, buy. When others are buying, sell. Usually, of course, we do the opposite. When everyone else is buying, we assume they know something we don't, so we buy. Then people start selling, panic sets in, and we sell too. Jonathan Sacks

Your action for this week is to remain calm and re-assess your investments after the panic passes.

<u>This Week in History</u>
March 19, 1957 – Elvis puts a down payment on Graceland -- A southern Colonial mansion on a 13.8-acre wooded estate. With a $1,000 cash deposit against a sale price of $102,500.

[1] See update below

[2] https://www.reuters.com/article/us-usa-stocks/wall-street-pounded-as-feds-shock-move-raises-virus-impact-alarm-idUSKBN2131B1

[3] https://www.marketwatch.com/story/consumer-sentiment-tumbles-in-early-march-as-coronavirus-threat-explodes-into-view-2020-03-13?mod=economic-report

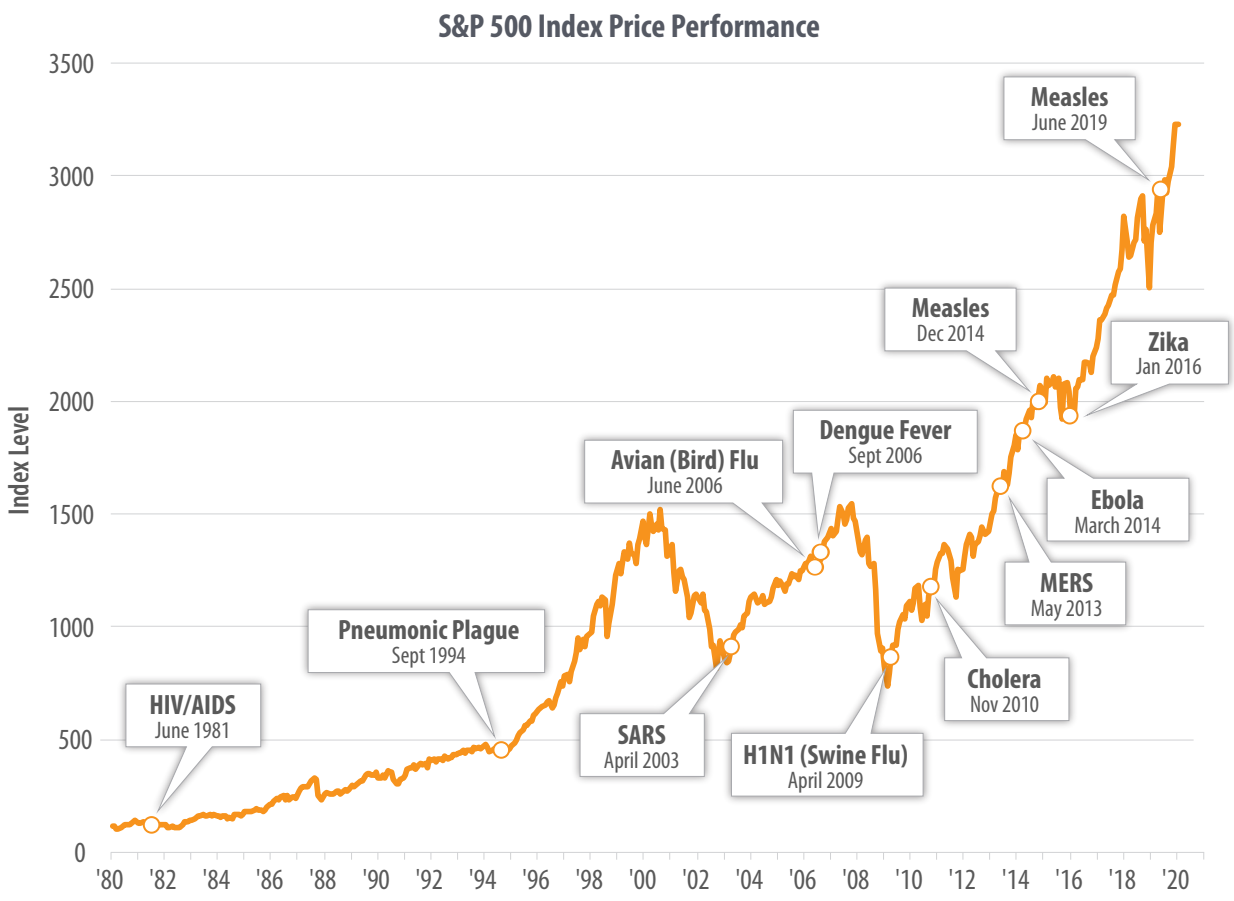
[4] https://www.history.com/this-day-in-history/elvis-presley-puts-a-down-payment-on-graceland

Epidemics and Stock Market Performance

Since 1980

First Trust

There are many factors that can impact stock market returns, but one concern of investors today is how the stock market will be impacted by a major epidemic or outbreak. Below we look at the historical performance of the S&P 500 Index during several epidemics over the past 40 years. We believe looking at the market's overall resiliency through several major epidemics can give us perspective on the benefits of investing for the long-term.



Epidemic	Date	S&P 500 6-Month % Change	S&P 500 12-Month % Change
HIV/AIDS	June 1981	-6.6%	-16.5%
Pneumonic Plague	Sept 1994	8.2%	26.3%
SARS	April 2003	14.6%	20.8%
Avian (Bird) Flu	June 2006	11.7%	18.4%
Dengue Fever	Sept 2006	6.4%	14.3%
H1N1 (Swine Flu)	April 2009	18.7%	36.0%
Cholera	Nov 2010	13.9%	5.6%
MERS	May 2013	10.7%	18.0%
Ebola	March 2014	5.3%	10.4%
Measles	Dec 2014	0.2%	-0.7%
Zika	Jan 2016	12.0%	17.5%
Measles	June 2019	9.8%	N/A*
Average Price Return		8.8%	13.6%

Observations

- **6-month** change of the S&P 500 Index following the start of the epidemic was positive in 11 of the 12 cases, with an average price return of 8.8%.
- **12-month** change of the S&P 500 Index following the start of the epidemic was positive in 9 of the 11 cases*, with an average price return of 13.6%.

Source: Bloomberg, as of 2/24/20. Month end numbers were used for the 6- and 12-month % change. *12-month data is not available for the June 2019 measles. **Past performance is no guarantee of future results.**

The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Returns are based on price only and do not include dividends. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial advisors are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

First Trust
ECONOMIC RESEARCH REPORT
Brian S. Wesbury – *Chief Economist*
Robert Stein, CFA – *Dep. Chief Economist*
Strider Elass – *Senior Economist*
Andrew Opdyke – *Economist*
Bryce Gill - *Economist*

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Reasons to Be Positive About the US Coronavirus Fight

Less than a month ago markets were at a record high, as healthy data on the US economy signaled continued growth on the horizon. Then, as Coronavirus made its way to continental Europe and the United States, markets went into a tailspin, suffering one of the fastest declines on record. The last several weeks have been characterized by extreme volatility as investors try to make heads or tails of the situation. Coverage around the virus has been almost exclusively negative, as experts extrapolate worst case scenarios to spur action. It should come as little surprise then, that fear of a recession has moved to the forefront of many minds. At times like these, we think it's crucial to look at the data and note some positive developments that aren't getting as much media coverage.

Testing Capacity is About to Rise Substantially: The initial government response to Coronavirus has been extremely disappointing. The first round of test kits sent out by the CDC were faulty, requiring a recall and costing precious time in the fight to find/quarantine those infected. Further slowing action, only the CDC was allowed to do tests at its own facilities, limiting testing capacity. Now, things are beginning to change. Many private labs have now been approved to conduct tests, and the FDA has announced that not only will high-volume testing be allowed, but that emergency approval has been given for an automated Coronavirus test that is estimated to speed up the testing process 10-fold. So not only are tests becoming more available, results will come quicker as well. Identify and contain, the proven method to-date, can be rolled out at the national level.

A Wave of Recoveries on the Horizon: The number of official infections in the United States has continued to rise at an accelerated pace over recent weeks. Meanwhile, our preferred measure of active cases (total cases minus deaths and recoveries, which gives a better picture of the number of people who are able to spread the virus further) has continued to rise consistently as well. As so often occurs during virus outbreaks, fears arise that the early pace of spread will continue, unabated, at an exponential rate. History – including the experiences of both China and South Korea with Coronavirus – shows identification and treatment leads to a slowdown in the pace of new cases, and a pickup in recoveries. Typically, it takes roughly two weeks for otherwise healthy individuals who test positive to get better and be officially moved from the "active" to the "recovered" counts. Now that we are about two weeks out from the initial surge in US cases, recoveries should begin to rise consistently. The world recovery rate currently sits at 93% right now, while in the US it is only 43%. We expect the US to move toward and then exceed the world recovery rate in the weeks ahead.

The Private US Healthcare Industry is the Best in the World: One of the biggest things overlooked (and underappreciated) in the fallout from the Coronavirus is just how fast the private US healthcare industry has responded. Moderna has already begun testing a vaccine, and many other companies have followed suit with their own treatments. Meanwhile, doctors have begun using the experimental anti-viral drug Remdesivir to treat US Coronavirus patients, with positive results. The speed with which these discoveries have been made is absolutely breathtaking, imagine how long it would take to develop effective treatments for a never-before-seen illness 50 years ago! Meanwhile, a 2013 study by the Department of Health and Human Services determined that the US has the most Intensive Care Unit beds per capita of any country at 20-32 per 100,000 people. This is far higher than China where there are only 2.8-4.6, demonstrating why they needed to build hospitals overnight. Likewise, the US far outdoes countries with socialized medical systems like Canada (13.5), Sweden (5.8-8.7), or the UK (3.5-7.4). This means the US is better suited to deal with the healthcare capacity issues that could arise with a Pandemic than virtually any other country in the world.

Put it all together, and the US is well poised to not only win its own fight against the Coronavirus, but also to export treatments that should help the rest of the world. The coming weeks will be critical as tests go out en masse and we learn more about the fight we are up against, but we are up to the task. Panic is never permanent, and as the virus response ramps up, sentiment will turn higher as well. Every day we learn more. Every day we make progress. This too shall pass.

In this week's recap: Continuing concerns over COVID-19, aided by cuts in oil production overseas, contributed to continued market volatility.

Weekly Economic Update

Presented by Charles D. Vercellone, ChFC, March 16, 2020

THE WEEK ON WALL STREET

Markets remained exceptionally volatile, buffeted by the spreading impact of coronavirus, uncertain responses from federal policymakers, and the sudden drop in oil prices.

The Dow Jones Industrial Average fell 10.36%, while the S&P 500 declined 8.79%. The Nasdaq Composite index slid 8.18% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, dropped 17.75%.[1,2]

MARKETS GRAPPLE WITH UNCERTAINTY

A dispute between Saudi Arabia and Russia over oil production cuts, mounting fears of the coronavirus, the declaration of the COVID-19 as a global pandemic by the World Health Organization, and the news of a travel ban from Europe unsettled markets throughout the week.

Stock trading was halted twice by circuit breakers, which are designed to briefly stop trading when losses in the S&P 500 reach 7%. Stocks sold off sharply Thursday before ending a tumultuous week with a strong rebound on Friday.[3]

TROUBLES IN THE OIL PATCH

The failure of Russia to join Saudi Arabia in supporting lower oil production targets left Saudi Arabia fuming. In response, Saudi Arabia announced its intention to raise oil output.

Oil prices plummeted on the news, contributing to the stock market's drop on Monday. While lower oil prices may represent a boon to consumers in the form of lower gasoline prices and relief to companies with high energy consumption (e.g., airlines, chemical), they also pose a risk to the American energy industry. If low oil prices persist, it may lead to lower capital expenditures and potential issues in the credit markets as less-well-capitalized companies struggle to manage their debt obligations.[4]

FINAL THOUGHT

The world's central bankers have already taken several steps to combat the economic impact of the coronavirus, including lowering short-term interest rates. The financial markets are now looking for a response from the U.S. government. In evaluating any actions from the federal government, investors may focus on the size and timing of policy proposals to determine if they can reduce current levels of economic uncertainty.

TIP OF THE WEEK

Are you in your fifties and providing eldercare to one or both of your parents? As you help them in their retirements, remember not to neglect your own retirement planning, as these years of your life are among the most important for that effort.

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Retail Sales, JOLTS Report (Job Openings and Labor Turnover Survey), Industrial Production
Wednesday: Housing Starts, FOMC (Federal Open Market Committee) Announcement
Thursday: Leading Economic Indicators
Friday: Existing Home Sales

Source: Econoday, March 13, 2020
The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Monday: Coupa Software (Coup)
Tuesday: FedEx Corp. (FDX), MongoDB (MDB)
Wednesday: General Mills (GIS), Ctrip.com (TCOM)
Thursday: Tencent Holdings (TCEHY), Lennar (LEN)
Friday: Tiffany & Co. (TIF), BMW (BAMXF)

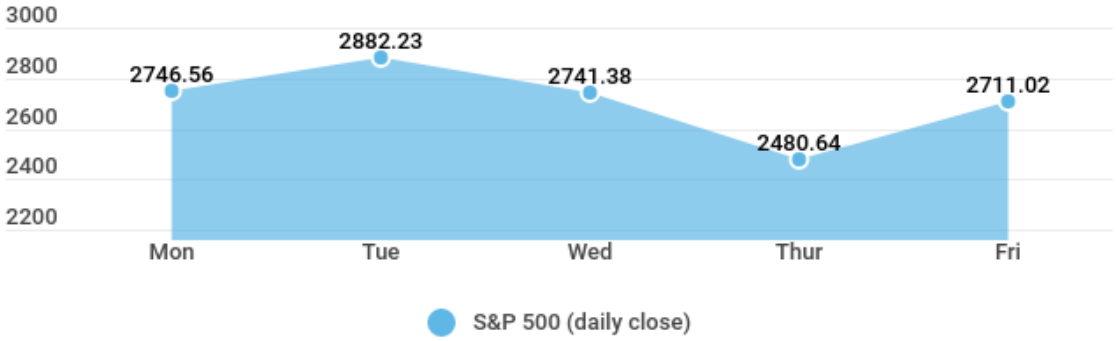
Source: Zacks, March 13, 2020
Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Any investment should be consistent with your objectives, time frame and risk tolerance. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

QUOTE OF THE WEEK

"Character is the virtue of hard times."

CHARLES DE GAULLE

Market Index	Close	Week	Y-T-D
DJIA	23,185.62	-10.36%	-18.76%
NASDAQ	7,874.23	-8.18%	-12.24%
MSCI-EAFE	1,491.75	-17.75%	-26.77%
S&P 500	2,711.02	-8.79%	-16.09%



	Treasury	Close	Week	Y-T-D
	10-Year Note	0.99%	+0.25%	-0.93%

Sources: The Wall Street Journal, March 13, 2020; Treasury.gov, March 13, 2020

The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 index, and NASDAQ Composite is measured from the close of trading on Friday, March 6 to the Friday, March 13 close. Weekly performance for the MSCI-EAFE is measured from the Friday, March 6 open to the Thursday, March 12 close. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points. International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

THE WEEKLY RIDDLE

What can fill a room, yet takes up no physical space?

LAST WEEK'S RIDDLE: A man says that where he lives, 1,500 plus 20 and 1,600 minus 40 equal the same thing, and his neighbors and coworkers all agree. Where is he living?

ANSWER: On a military base.

Know someone who could use information like this?

Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

CITATIONS:

1 – wsj.com/market-data [3/13/20]
2 – quotes.wsj.com/index/XX/990300/historical-prices [3/13/20]
3 – cnbc.com/2020/03/12/stock-futures-hit-a-limit-down-trading-halt-for-a-second-time-this-week-heres-what-that-means.html [3/12/20]
4 – cnbc.com/2020/03/09/cramer-9-or-10-oil-companies-may-go-bankrupt-amid-crude-declines.html [3/10/20]

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