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The Key to Unlocking Your Financial Future

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Recent panic caused by the spread of the coronavirus (COVID-19) has led to a stock market decline and has many investors feeling anxious. While portfolios will see ups and downs and this is a normal part of investing, the recent sell-off was sharp. It is in times like these that our team can best serve you by providing perspective on how we see these issues playing out.

Though the impact on human life is at the forefront of everyone's concerns, there are many uncertainties surrounding the potential impact of the virus to the global economy. The global economy was already fragile from the nearly two-year-long U.S.-China trade war and the spreading virus will likely impact economic growth. While more equity market weakness is possible as the virus continues to grow globally, the downside could be limited as governments and global central banks have possible tools to combat the potential death toll and economic impact.

From the human life perspective, China took severe steps to limit the spread of the virus including forced quarantines, limited social contact, and significant population testing. We expect other inflicted nations to follow suit. From an economic perspective, global central banks including the People's Bank of China and the Bank of Korea have already increased monetary stimulus or plan to do so. As we have seen in the U.S., and, specifically the U.S. housing market, over the past year, easing monetary policy can provide a potential economic stopgap. Furthermore, in the U.S., given unemployment levels near 50-year lows, the consumer, the driver of the current economic expansion, remains in good shape. We do expect market uncertainty to continue but downside may be limited. We also think the impact to markets will vary by sector. Sectors related to travel, such as cruise lines, airlines, and hotels are already taking a hit. Online entertainment companies and streaming services are performing better.

In short, we expect market fluctuations to continue to remain elevated as news related to the virus increases. Being diversified, or not putting all your eggs in one basket, is very important in times of uncertainty. This is especially significant now, as equity prices are coming off all-time highs and bond prices are also high, as their yields have fallen to all-time lows. As we have seen recently, market conditions can change quickly in both directions.

Our team will continue to monitor the spread of the virus as well as its economic and market implications. If you have any questions whatsoever, please do not hesitate to contact us. We thank you for being part of the Cardinal Wealth Family.

Sincerely,

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