

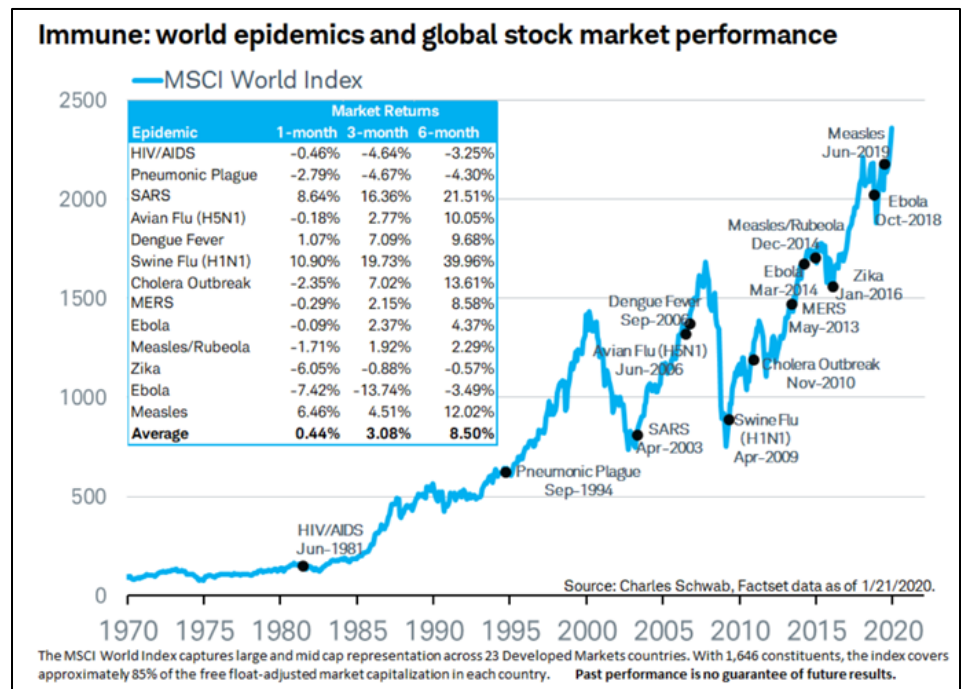
Investment Implications of Coronavirus (COVID-19)

February 25, 2020

News concerning the spread of COVID-19 continues to dominate headlines and is stoking growing fears regarding the potential scale of the human and economic impact of the virus. Although at first capital markets remained relatively sanguine regarding the potential impact of the virus (indeed, the S&P 500 recently ascended to new highs), fears regarding the economic effects of the epidemic surfaced in a big way this week with global equity markets declining sharply.

Currently, the ultimate magnitude and impact of the epidemic remains unknowable, creating potentially paralyzing uncertainty for people and businesses, especially in regions most directly affected by the virus. Beyond the human suffering, which is the greatest and most pressing challenge, the effects from efforts to contain the virus have the potential to meaningfully reduce global economic activity, especially in the near term.

The uncertainty associated with COVID-19 and its ultimately unknowable impact has the potential to weigh on global capital markets further in the weeks and months to come. This uncertainty can make it difficult for investors to calibrate in an objective and unemotional manner, so it is helpful to look to similar periods from history for insights. While past epidemics were unique and the ultimate impact was similarly unknown, the effect on the global economy and capital markets was typically short-lived (see chart).



The current environment of uncertainty around the virus is likely to result in continued volatility across global capital markets in the weeks and months ahead. However, as demonstrated in the chart above, it has historically been wise for long-term investors to stay disciplined during similar periods of fear-induced market turmoil. As always, we will continue to monitor developments closely as we endeavor to prudently manage your investments amid a dynamic global capital market environment.



Authored by the Freedom Capital Management Strategies® Investment Team | February 2020

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