

Weekly Market Commentary February 3, 2020

The Markets

Prepare yourself. There is a good chance markets will be volatile in the coming weeks.

Precautions designed to slow the spread of the coronavirus may also slow Chinese economic growth and, by extension, global economic growth.

On Thursday, the World Health Organization declared the coronavirus to be an international health emergency. The U.S. State Department issued a travel advisory for China, and major U.S. airlines suspended flights to the nation, reported *Forbes*.

In six Chinese provinces, factories and businesses are shuttered until at least February 10. The closures have created issues for global supply chains, and *Financial Times* reported, “Companies from luxury retailers to airlines and banks are reeling as the disease accelerates.”

Events sparked a bond rally as investors shifted assets into safe haven investments. *The Economist* wrote that previous viruses have not had lasting effects on economic growth. “Other recent epidemics have reinforced the impression that economists should not be overly worried, so long as good doctors are on the job. Neither avian flu in 2006 nor swine flu in 2009 dimmed the global outlook. Yet even flint-hearted investors are wondering whether the new epidemic might be worse. Stocks in Hong Kong have fallen by nearly 10 percent as reported infections have steadily increased. Tremors have also rippled through global markets.”

China’s government is prepared to step into the breach. On Saturday, *Reuters* reported, “Chinese authorities have pledged to use various monetary policy tools to ensure liquidity remains reasonably ample and to support firms affected by the virus epidemic...” The Chinese central bank is expected to begin offering support on February 3 before the Chinese stock market reopens for the first time since January 23.

The European Union may also be in need of economic stimulus. *Financial Times* reported the Eurozone economy came to a virtual standstill (up 0.1 percent) in the fourth quarter and grew just 1.2 percent during 2019. Economies in France and Italy, the second and third largest in the region, both contracted during the fourth quarter.

Major U.S. stock indices moved lower last week.

Data as of 1/31/20	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-2.1%	-0.2%	19.3%	12.3%	9.8%	11.5%
Dow Jones Global ex-U.S.	-3.1	-2.7	7.2	5.0	2.6	2.9
10-year Treasury Note (Yield Only)	1.5	NA	2.6	2.5	1.7	3.7
Gold (per ounce)	1.3	4.0	19.7	9.3	4.5	3.8
Bloomberg Commodity Index	-3.2	-7.5	-7.3	-5.1	-5.9	-5.4

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

THE THINGS WE DO FOR PETS. While there is some debate about how many American households include pets – *The Washington Post* reports estimates from the American Pet Products Association are about 11 percent higher than those of the American Veterinary Medical Association – there is little debate about how much people love their pets.

With Valentine’s Day coming up soon, you may be wondering how to show your pet you care. Here are a few ideas:

- **Doggie playlists and podcasts.** Want to make certain your pup doesn’t get lonely (or into too much trouble) when left at home alone? One major media company is making canine playlists and podcasts. *Reuters* reported the podcasts feature, “...soothing music, ‘dog-directed praise,’ stories, and messages of affirmation and reassurance narrated by actors to alleviate stress...”
- **Video chat or...bark?** Wouldn’t it be great to take a break and chat with your pet during lunch hour? One social media user, cited by *The Insider*, thought so. “I taught my dog to accept [video] calls through my laptop at home while I’m at work. Then, we just talk.”
- **Travel somewhere fun.** Millions of people travel with their pets, according to *Forbes*. One travel magazine publishes a pet-friendly article each month. The *LA Travel Magazine* archive includes titles like, ‘*TopDawg’ Resorts in the U.S.* and *The Pawfect Guide to Dog Beaches in SoCal*.
- **Just don’t supersize it.** A pet owner, cited by the *Odyssey*, occasionally indulges her pets with people food. “When we go out for [fast food] or something, my mom and I buy them each their own burger and sometimes include fries so they can have a meal.”

On Valentine’s Day, remember to do something nice for the people you love, too.

Weekly Focus – Think About It

“The more cats you have, the longer you live. If you have a hundred cats, you’ll live ten times longer than if you have ten. Someday this will be discovered, and people will have a thousand cats and live forever.”

--*Charles Bukowski, Poet and novelist*

Best regards,

Moshides Financial Group

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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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. You cannot invest directly in this index.
- * All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- * International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- * Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
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- * Past performance does not guarantee future results. Investing involves risk, including loss of principal.
- * The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.
- * There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
- * Asset allocation does not ensure a profit or protect against a loss.
- * Consult your financial professional before making any investment decision.

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