

WEEKLY MARKET UPDATE

February 24, 2020



An Update on Coronavirus and its implications

Let's take a look at the updated numbers on Coronavirus and the effects on the global stock markets and economies. Today's significant downturn in the markets was largely attributed to virus scares, so it's worth digging into the numbers once again (for our initial look at this issue, [please click here](#)).

While we don't have instantaneous information on global GDP, we can generalize that global activity is likely being affected by the coronavirus, with some estimates being revised down to below 2% global growth. While that is not good, it also is not expected to be a long-term hit to GDP.

Here are the updated numbers:

Coronavirus Cases:

79,746

[view by country](#)

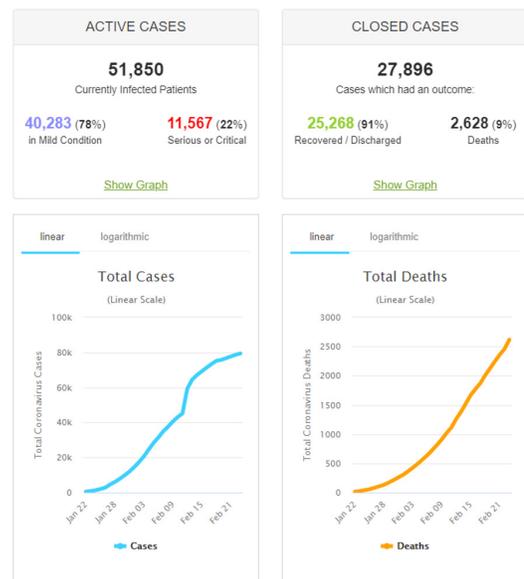
Deaths:

2,628

Recovered:

25,268

Those are good size numbers, but keep in mind that the common flu kills somewhere around 500,000 people globally per year. Right now, that number for Coronavirus is 2,628, but it seems to be garnering much of the attention at the moment. From a financial perspective, this concern isn't so much about the number of deaths (though every one should be mourned) as it is about life grinding to a halt out of fear of a further spread. When people stay home, either voluntarily or by mandate, business suffers. When business suffers, profits suffer. When profits suffer (or are anticipated to suffer), the markets suffer. However, this spiral can move in reverse quite quickly as well. More on that below, but let's first dig into the numbers a bit more.



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Of those cases that are still active, 80% of them are considered to be mild cases, while over 11,000 are either serious or critical. My guess based on these numbers is that we will see the number of deaths go up more over the next few weeks, which is of course tragic for all those involved.

That said, I would like to point out some good news from the charts above. While the total deaths are still going up linearly, we can see that the left chart of total cases has started to slow. This says to me that in another couple weeks or so, the chart on the right will likely start to show improvement and a decrease in the rate of deaths (that's a good thing).

Country, Other	Total Cases	New Cases	Total Deaths	New Deaths	Total Recovered	Serious, Critical
China	77,345	+409	2,593	+151	25,033	11,477
S. Korea	833	+231	8	+2	22	6
<i>Diamond Princess</i>	691		3		2	36
Italy	229	+72	6	+3	1	23
Japan	154	+8	1		23	7
Singapore	90	+1			49	7
Hong Kong	81	+7	2		12	6
Iran	61	+18	12	+4	3	
Thailand	35				15	2
USA	35				5	
Taiwan	30	+2	1		2	1
Australia	22				11	
Malaysia	22				17	
Germany	16				14	
Vietnam	16				15	
U.K.	13				8	
U.A.E.	13				3	2
France	12		1		10	

Above is the breakdown by country for Coronavirus. You can see that it is highly concentrated still in China and several Asian countries. The BIG news that moved the markets today is that uptick in South Korea and Iran. I'm not trying to minimize this at all, but we also don't think this represents a pandemic that is likely to wipe out 1/3 of the planet. We believe that it will likely slow global trade and certainly disrupt some supply chains, but should not be a lasting event or one that puts the world into a recession. Our hope and expectation is that a vaccine will soon be available, and that we'll either see this virus die out or that the world will adapt to living alongside it, just as we have with the common flu. I could be wrong, but that hardly ever happens (insert smiley face here!).

The markets have quickly worked off an over-bought condition and now are quickly becoming over-sold. We more look at this as an opportunity to buy quality assets at a discount. We currently have an overweight allocation to bonds/cash, as well as our gold/silver hedge. Both of these elements of the portfolio are doing exactly what they should, and can and will be used as a source of funds when this event is over.

Until then, we will be cautious as we have been and look for opportunities. We still remain **cautiously optimistic** and think there is more room to go in this cycle (after this pullback).



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