

Coronavirus and the markets



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Over the past month coronavirus fears have impacted the global economy. **The virus has spread rapidly with over 83,000 cases and approximately 2,866 deaths.**¹ As it has spread from China to Iran, South Korea, Japan, Italy, etc. and the markets have reacted negatively. As such, investors' fears about a global slowdown are mounting.

While the magnitude remains unpredictable, if the spread of the virus follows a pattern similar to outbreaks tracked in the past by the World Health Organization, the number of confirmed cases could peak at 10 weeks and then taper off.

If this occurs, a V-shaped recovery — a sharp economic downturn followed by an equally sharp upturn — becomes a likely scenario. The upturn in these types of scenarios tends to occur as pent up demand is unleashed and consumers return to their normal lives and resume spending and traveling again. Think of it as a stretched rubber-band snapping back.

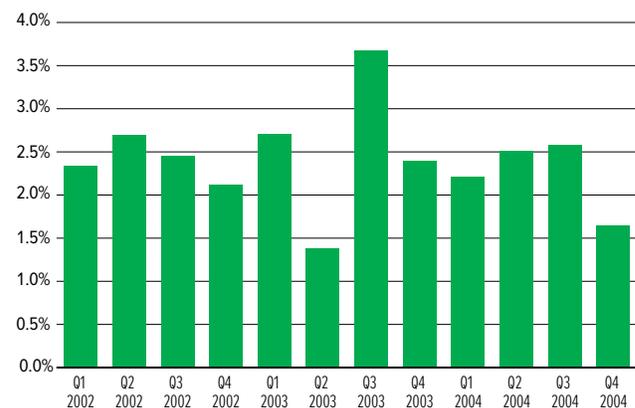
An apt comparison to consider is the SARS outbreak of late 2002 into summer 2003. In that instance, the markets very much saw a V-shaped recovery; a divot was seen in China's second quarter 2003 growth that was followed by a sharp recovery in the third quarter. However, it's important to note that China's economy is larger than it

was in 2003; and, in 2003, the U.S. was in the early stages of recovery after the tech bubble burst in the early 2000s. Regardless, if the virus is contained in its current state, the markets may follow a similar track.

While we hope the coronavirus will be contained soon, much remains unknown at this point. As such, it's wise to ensure that your portfolio is well diversified. Staying diversified can help cushion you from any further downturns that may occur but will also allow you to participate once the recovery ensues.

CHINA GDP DURING SARS OUTBREAK

Quarterly Percentage Change



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¹ www.nytimes.com/interactive/2020/world/coronavirus-maps.html

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