



EVERETT FINANCIAL GROUP

## Weekly Commentary

March 3, 2020



### The First Music Video

When MTV burst on the scene in 1981, music videos seemed like something brand-new. Actually, they had been around for nearly a century.

George Thomas was the chief electrician at the Amphion Theater in New York City when it hit him: Why not illustrate live performances of songs with a series of images projected by a magic lantern- an early prototype of the slide projector.

Thomas took dramatic photographs to illustrate a new song called "The Little Lost Child." He had them hand-painted in color and then unveiled his idea. The first performance was a disaster. The crowd booted when slides were inadvertently shown upside down. But once the glitches were straightened out, it became a huge sensation. The sheet music for the song sold more than 2 million copies.

Illustrated songs soon became a nationwide craze.

A fixture on the vaudeville circuit, they were seen in thousands of theaters. People made their reputations as "slide song singers." Many entertainers got their start posing for the pictures, including future stars Eddie Cantor and Fanny Brice.

The popularity of the phonograph and movies eventually put an end to the illustrated song business...until another generation could discover the power of music videos anew.

*By superimposing one slide over another, the magic lantern could project shots of couples floating on a cloud or a face blooming from a flower- the birth of "special effects."*

The Greatest Music Stories Never Told By Rick Beyer

## Weekly Market Commentary March 2, 2020

### The Markets

Take a deep breath.

We have experienced downturns before.

Think back to 2018. During the last quarter of the year, major stock indices in the United States suffered double-digit losses, much of it during December. What happened next? By the end of 2019, those indices had reached new highs.

The reasons for, and performance following, market downturns varies. The key is not to panic.

Last week, U.S. stock indices lost significant value when the coronavirus spread outside of China, and expectations for companies' performance in 2020 changed. At the start of the week, markets anticipated positive earnings growth (i.e., higher profits) during 2020. By the end of the week, they suspected earnings might be flat for the year.

At the end of last week, *FactSet* reported 68 companies in the Standard & Poor's 500 Index had offered negative earnings guidance for the first quarter. In other words, the companies didn't expect to be as profitable from January through March as analysts anticipated. That's fewer companies than normal, relative to the five-year average. However, the number could increase. *FactSet's* John Butters explained:

"...early in the quarter, a number of S&P 500 companies stated they were unable to quantify an impact from the coronavirus or did not include the impact from the coronavirus in their guidance. Thus, there may be an increase in the number of companies issuing negative guidance later in the first quarter as these companies gain clarity on the impact of the coronavirus on their businesses."

Changing profit expectations are one concern for investors. Another is fear. Investors are afraid the current economic expansion and bull market may end. At this point in the economic cycle, investors often are both hopeful and doubtful. *The Economist* explained:

"[Investors] hope that the good times will last, so they are reluctant to pull their

money out. They also worry that the party may suddenly end. This is the late-cycle mindset. It reacts to occasional growth scares - about trade wars or corporate debt or some other upset. But it tends not to take them seriously for long."

Currently, investors are reacting to the coronavirus. They fear it will be the catalyst that sparks recession. While that's possible, in the past, markets have responded negatively to coronaviruses and then recovered. (Keep in mind, past performance is no indication of future results.) *Barron's* cited a private wealth manager who pointed out:

"...this isn't the first time that an epidemic has rocked the stock market. The S&P 500 fell 15 percent after SARS hit the market in 2003 but was up just over 1 percent six months after the outbreak began."

No matter the reason, it is unnerving to be an investor when stock markets head south. There is nothing comfortable about watching the value of your savings and investments decline. Regardless of the discomfort, selling when markets are falling has rarely proved to be a good idea. Investors who stay the course may have opportunities to regain lost value if the market recovers, as it has before.

Investors also may have opportunities to buy shares of attractive companies at reduced prices. Warren Buffet offered this reminder last week in a *Barron's* article:

"...[the coronavirus] makes no difference in our investments. There's always going to be some news, good or bad, every day. If somebody came and told me that the global growth rate was going to be down 1 percent instead of 1/10th of a percent, I'd still buy stocks if I liked the price, and I like the prices better today than I liked them last Friday."

Until the full effect of the coronavirus is known, markets are likely to remain volatile.

Data as of 2/28/20	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-11.5%	-8.6%	6.1%	7.7%	6.9%	10.2%
Dow Jones Global ex-U.S.	-9.0	-10.6	-3.2	1.5	0.0	2.1
10-year Treasury Note (Yield Only)	1.1	NA	2.7	2.4	2.1	3.6
Gold (per ounce)	-2.0	5.7	22.0	8.6	5.8	3.8
Bloomberg Commodity Index	-6.9	-12.3	-12.8	-6.8	-7.0	-6.1

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.

**WHAT YOU SHOULD KNOW ABOUT THE CORONAVIRUS.** The coronavirus is now officially known as Coronavirus Disease 2019 or COVID-19. Last week, it spread to countries outside of China. If there is any good news about the contagious disease, it is COVID-19 may be relatively mild.

In its February 28 briefing, the Director-General of the *World Health Organization (WHO)* stated, "It also appears that COVID-19 is not as deadly as other coronaviruses including SARS

and MERS. More than 80 percent of patients have mild disease and will recover."

The Director-General identified the symptoms of COVID-19 stating, "...for most people, it starts with a fever and a dry cough, not a runny nose. Most people will have mild disease and get better without needing any special care."

Currently, more than 20 vaccines are being developed. In the meantime, there are things you can do to protect yourself. They include:

- Washing your hands with soap and water regularly or cleaning them with an alcohol-based hand sanitizer.
- Cleaning and disinfecting frequently touched objects and surfaces.
- Cover your mouth and nose with a tissue or your sleeve - not your hands - when you cough or sneeze.
- Avoiding close contact with people who are sick.
- Staying home and avoiding travel when you are sick.
- Contacting your medical professional when you experience symptoms, which include shortness of breath.

*WHO* also recommended educating yourself about the coronavirus. Make certain to gather information from reliable sources, such as *WHO* or the United States' Centers for Disease Control (CDC), and have healthy skepticism when it comes to unknown sources. Misinformation and disinformation about COVID-19 have been spreading almost as quickly as the virus itself.

The Director-General closed last week's briefing by saying, "Together, we are powerful...Our greatest enemy right now is not the virus itself. It's fear, rumors, and stigma. And, our greatest assets are facts, reason, and solidarity."

If you would like to talk about the potential economic effects, give us a call. We look forward to talking with you.

### Weekly Focus - Think About It

"The time of maximum pessimism is the best time to buy, and the time of maximum optimism is the best time to sell."

--Sir John Templeton, Investor, asset manager, philanthropist

Best Regards,



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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. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.

\* 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.

\* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

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