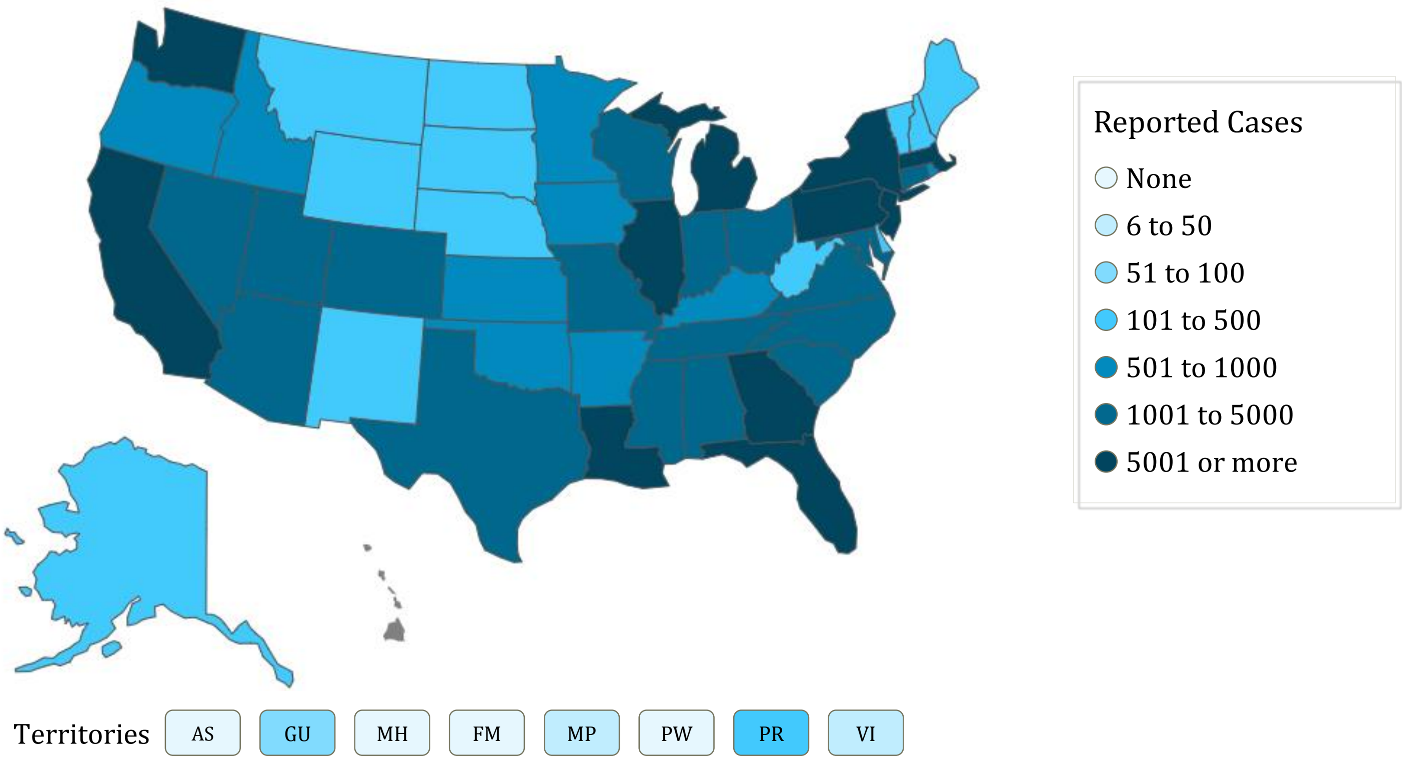
Dream boldly. Plan wisely.

Wisdom in your corner.

Coronavirus

Spread & Impact of Coronavirus

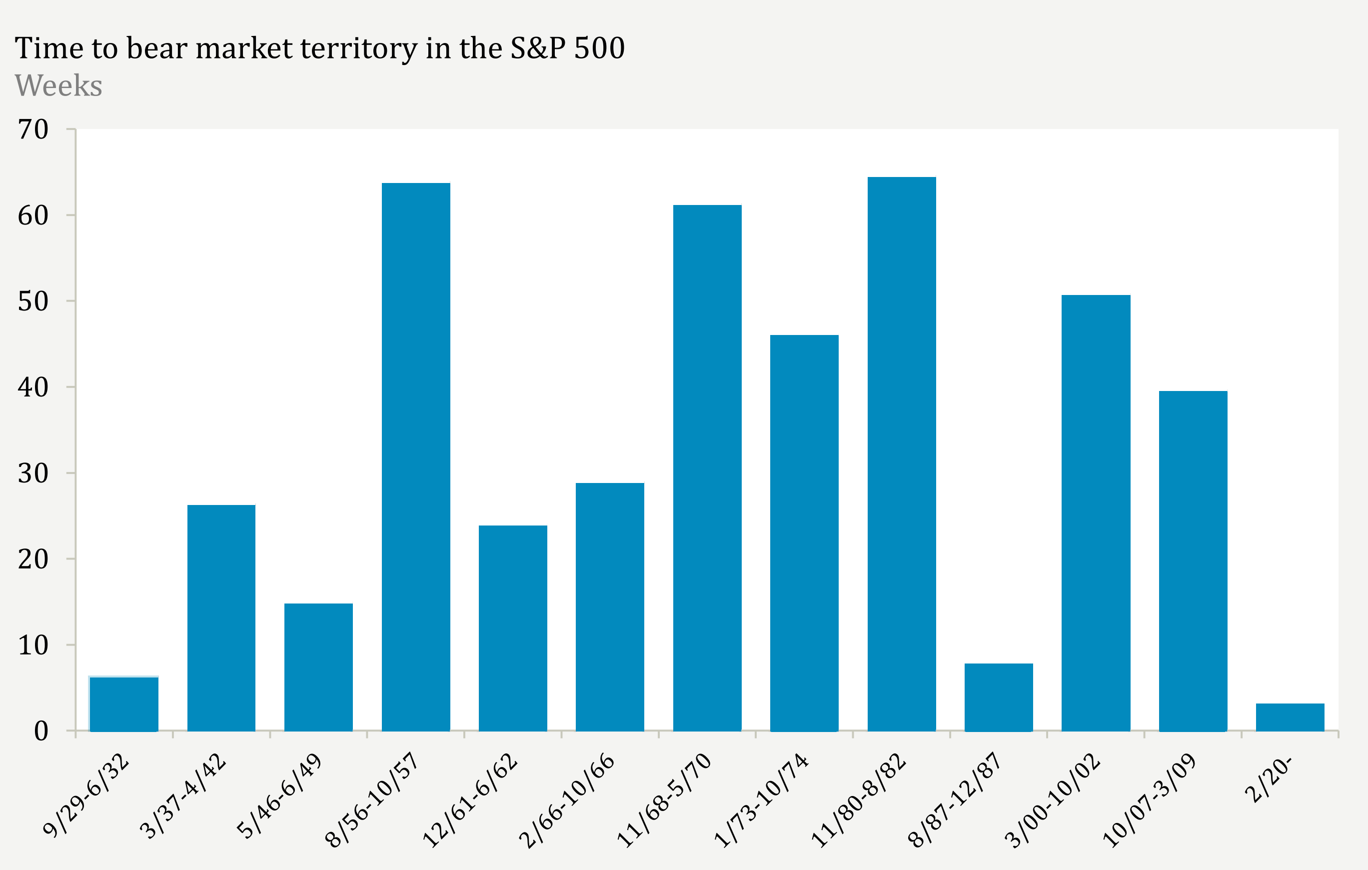
The coronavirus has spread to all 50 states since the first reported U.S. case on January 22, 2020. To slow the spread of the virus, governments around the world have enacted travel restrictions, schools have closed, large gatherings have been canceled, and in some cases, whole cities have been locked down. As a result, stock markets have moved sharply lower, driven by uncertainty around the outlook for corporate earnings growth.



Source: CDC. Data as of April 3, 2020.

An Unprecedented Descent

The S&P 500 fell by more than 20 percent in just over three weeks in the first quarter, marking the swiftest decline into a bear market in the index's history. In recent decades, at least, more rapid declines, such as those in the 1960s and in 1987, have been associated with relatively expedited recoveries.



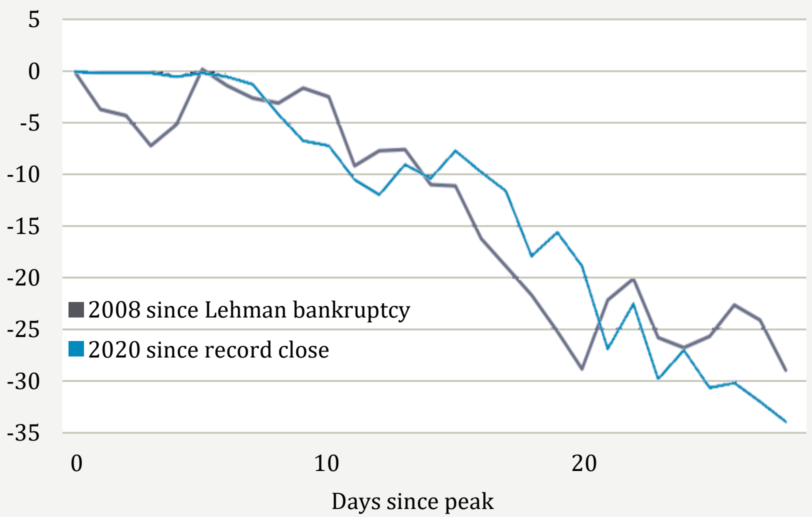
Source: Bloomberg, Nationwide. Data as of March 31, 2020.

This is Not 2008

The coronavirus shock is more like a natural disaster – not one caused by a crisis at the heart of the financial system and spreading to the rest of the economy. While the market moves are akin to 2008, we see activity returning with limited permanent damage as long as policy makers deliver a decisive response to bridge households and businesses through the shock.

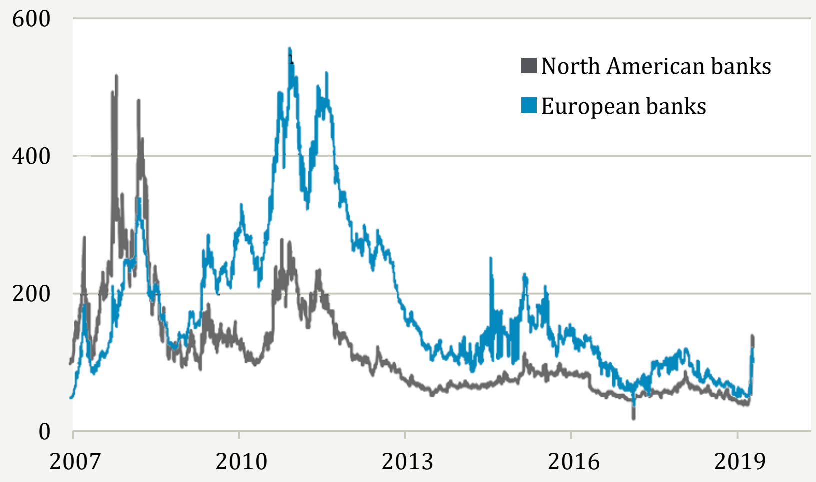
Developed market equity performance

Total return since peak (%)



Banks are not source of stress this time

Spread



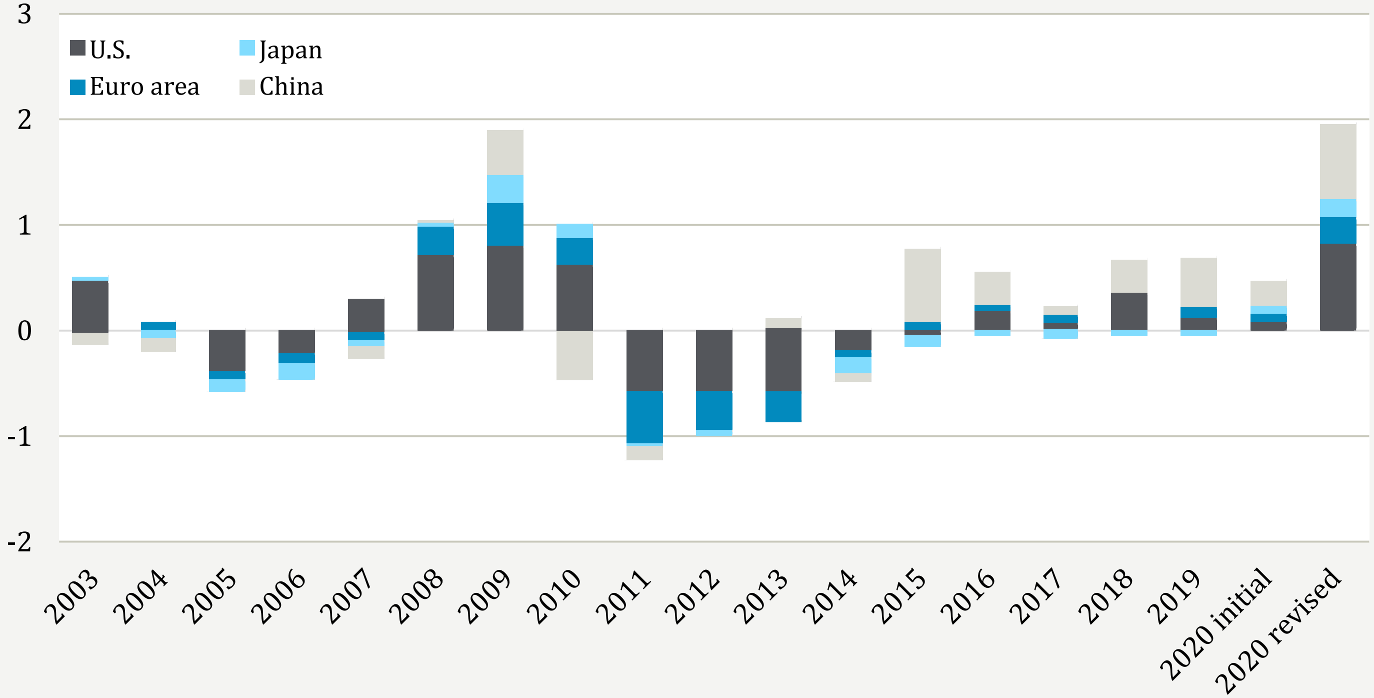
Source: BlackRock Investment Institute, with data from Refinitiv Datastream, as of March 23 2020. (Left) The blue line shows the performance of MSCI World Total Return Index since it closed at a record high on Feb. 12, 2020. The gray line shows the performance of the index over the same number of trading days since 12 Sept. 12 2008, the last trading day before Lehman Brothers declared bankruptcy. (Right) The chart shows the daily mid price of the credit default swap in the banking sector in the North American and the European market. For North America we use the DS North America Banks 5 Year Credit Default Swap Index (U.S. dollar) and for Europe we use the DS Europe Banks 5 Year Credit Default Swap Index (euro). Past performance is not a reliable indicator of future results.

Fiscal Stimulus Key to Decisive Policy Response

It is expected that governments will ramp up fiscal spending – beyond what was already estimated in 2020 – on health systems and to provide support to smaller businesses and household incomes.

Global fiscal impulse from G3 and China and estimates for this year

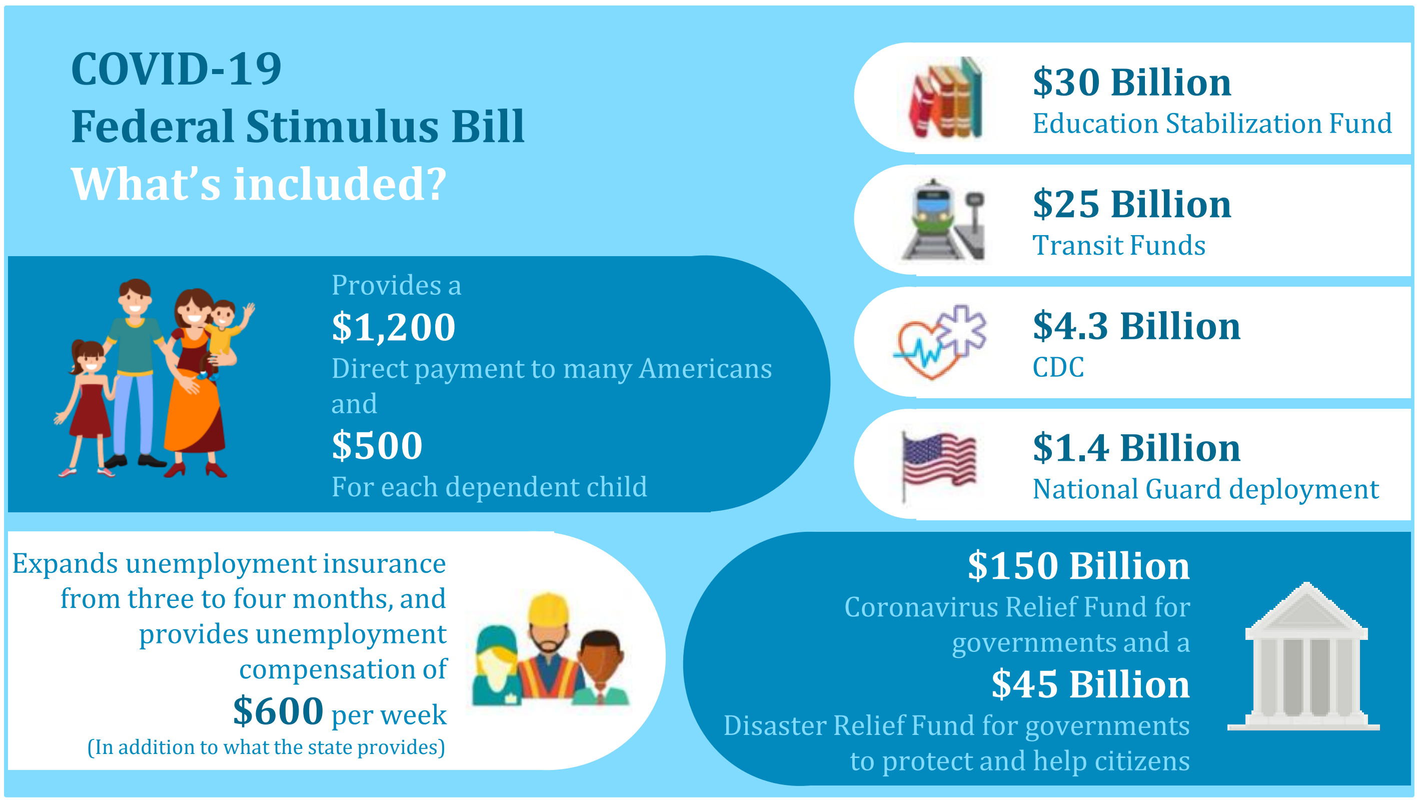
Annual change (%)



Source: BlackRock Investment Institute, IMF, OECD and the European Commission, with data from Bloomberg, March 2020. The chart shows the annual change in the cyclically adjusted government primary balance (fiscal balance net of interest payments) weighted by GDP in purchasing power parity terms. The bars show the fiscal impulse from each region relative to the size of the global economy. The 2020 estimates are for discretionary spending and do not include increasing support from various social security programs. Initial estimates are as of the start of the year. Revised estimate is as of March 19.

COVID-19 Federal Stimulus Bill

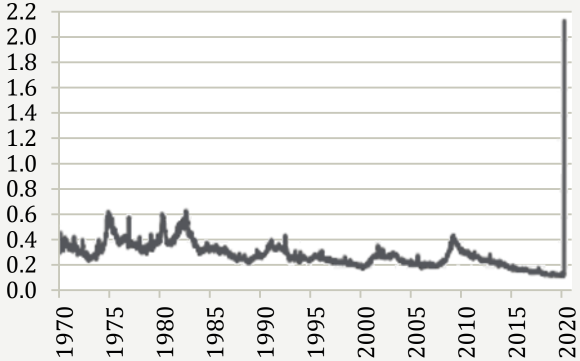
Congress has passed three bills aimed at mitigating the economic impact of COVID-19 and putting money into the economy. The most recent is the Coronavirus Aid, Relief, and Economic Security (CARES) Act. At about $2 trillion, it's the largest economic stimulus legislation in American history since the New Deal in the 1930s.



Source: H.R. 748, the CARES Act

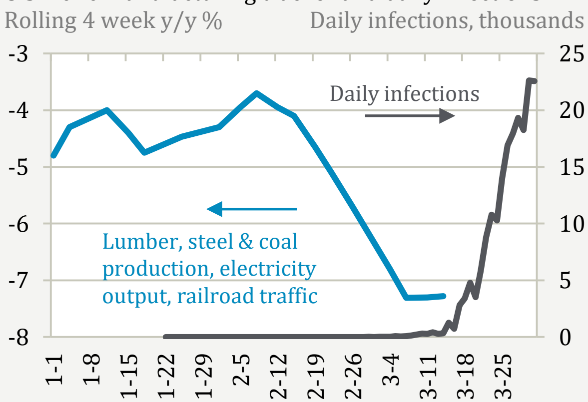
On the Jobless Claims Number

US jobless claims as % of active working population (employed + looking for work)

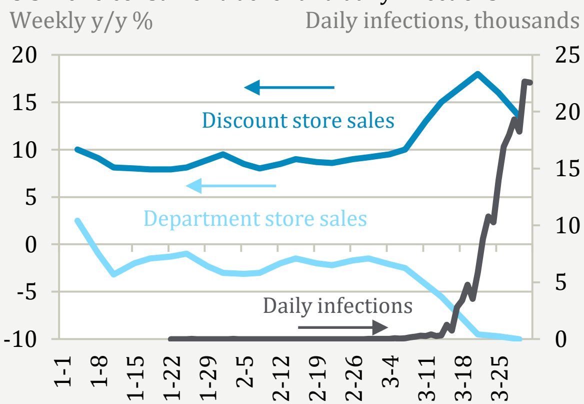


A virus-led spike in jobless claims is not quite the same as a spike in jobless claims during a demand-led recession, given the speed with which unemployed people may go back to work once lockdown provisions are lifted, and given provisions in the $2 trillion fiscal stimulus bill designed to incentivize companies to hire them back (in which case government loans could become grants).

U.S. 2020 manufacturing tracker and daily infections



U.S. 2020 consumer tracker and daily infections



Source: JPMorgan. (Top Left) Department of Labor, St. Louis Fed. Data as of March 26, 2020. (Bottom Left) WWPA, EIA, AISI, AAR, EEI, Haver, JPMAM, CDC. Data as of March 31, 2020. (Bottom Right) Redbook Research, CDC. Data as of March 31, 2020.

Market Declines Are Part of Investing

Stocks have risen steadily for most of the last decade, but history tells us that stock market declines are an inevitable part of investing. The good news is that corrections (defined as a 10 percent or more decline), bear markets (an extended 20 percent or more decline) and other challenging patches haven't lasted forever.

Market downturns happen frequently but don't last forever
S&P 500 Composite Index (1950-2019)

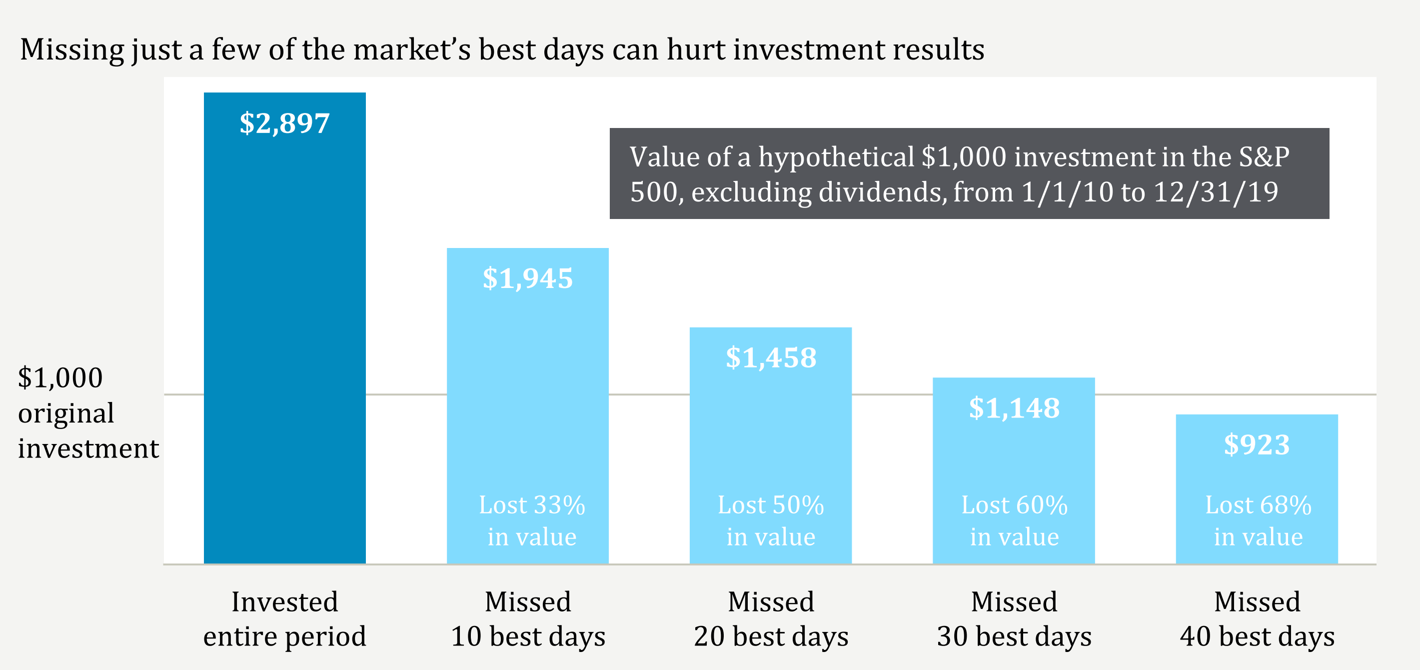
Size of decline	-5% or more	-10% or more	-15% or more	-20% or more
Average frequency*	About three times per year	About once per year	About once every four years	About once every six years
Average length**	43 days	112 days	262 days	401 days
Last occurrence	August 2019	December 2018	December 2018	December 2018

*Assumes 50% recovery of lost value
**Measures market high to market low

Source: Capital Group, Standard & Poor's

Time in the Market Matters, Not Market Timing

No one can accurately predict short-term market moves, and investors who sit on the sidelines risk losing out on periods of meaningful price appreciation that follow downturns. Every S&P 500 decline of 15 percent or more, from 1929 through 2019, has been followed by a recovery. The average return in the first year after each of these declines was 54 percent. Even missing out on just a few trading days can take a toll.



Source: RIMES, Standard & Poor's. Values in USD. Data as of December 31, 2019.

Emotional Investing Can Be Hazardous

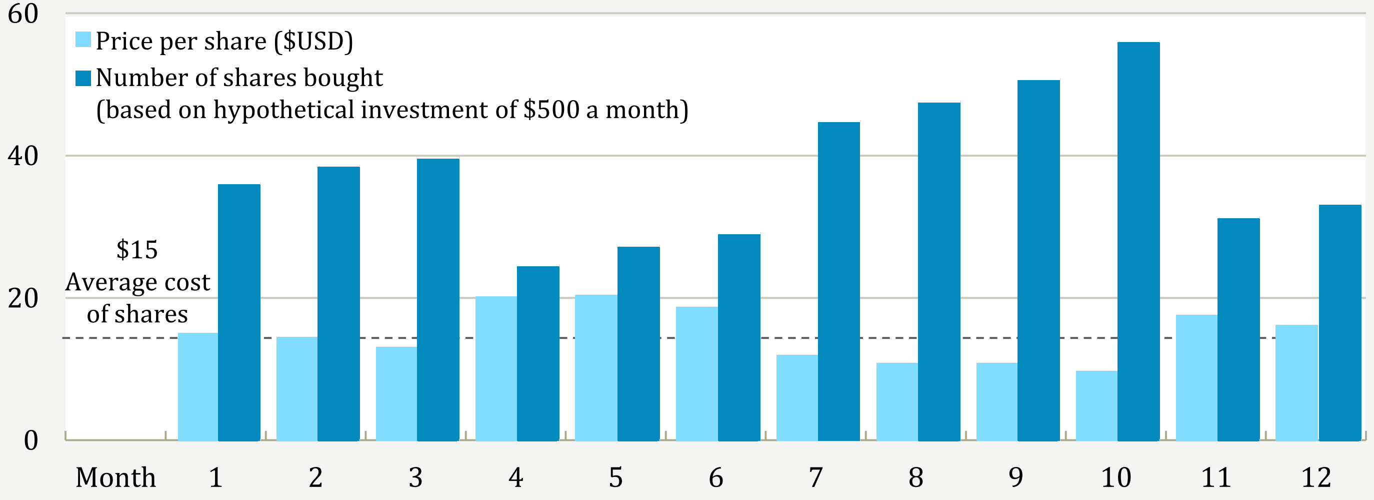
Emotional reactions to market events are perfectly normal. Investors should expect to feel nervous when markets decline, but it's the actions taken during such periods that can mean the difference between investment success and shortfall. What to do? The bad news: Few investors are good at trading around extreme market volatility. The good news: Decades of stock market history tell us "this too shall pass." This, and our own experience, suggests that the most prudent tack for a long-term investor is to stay the course — and to prepare for the opportunities that may arise as markets emerge from the turmoil.

Source: Capital Group

Make a Plan and Stick To It

Creating and adhering to a thoughtfully constructed investment plan is another way to avoid making costly investment decisions — particularly when markets move lower. The plan should take into account a number of factors, including risk tolerance and short- and long-term goals. One way to avoid the natural reaction to time the market is with dollar cost averaging, where a fixed amount of money is invested at regular intervals, regardless of market ups and downs.

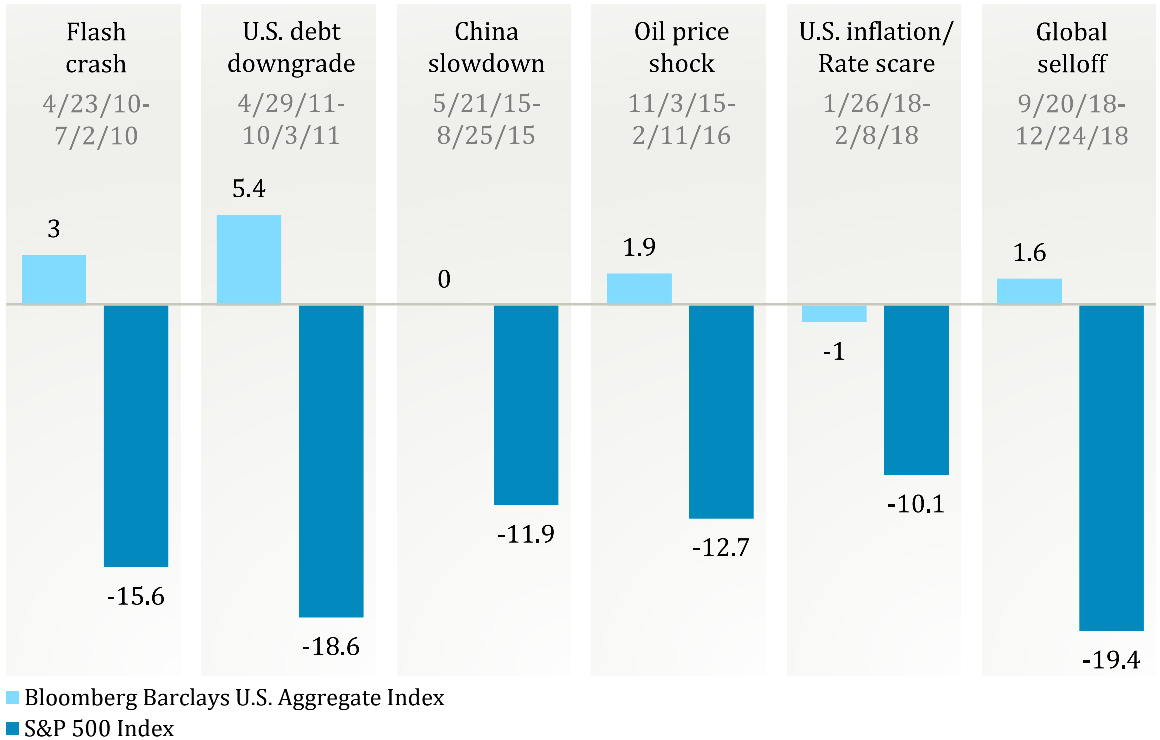
When stock prices fall, you can get more shares for the same amount of money and lower your average cost per share



Source: Capital Group. Over the 12-month period, the total amount invested was $6,000, and the total number of shares purchased was 439.94. The average price at which the shares traded was $15, and the average cost of the shares was $13.64 ($6,000/439.94). Hypothetical results are for illustrative purposes only and in no way represent the actual results of a specific investment. Regular investing does not ensure a profit or protect against loss. Investors should consider their willingness to keep investing when share prices are declining.

Fixed Income Can Help Bring Balance

Stocks are important building blocks of a diversified portfolio, but bonds can provide an essential counterbalance. That's because bonds typically have low correlation to the stock market, meaning that they have tended to zig when the stock market zagged. What's more, bonds with a low equity correlation can potentially help soften the impact of stock market losses on your overall portfolio. Though bonds may not be able to match the growth potential of stocks, they have often shown resilience in past equity declines. In five of the last six corrections, U.S. core bonds were flat or positive.



Source: Capital Group, Morningstar, RIMES, Standard & Poor's. Dates shown for market corrections are based on price declines of 10% or more (without dividends reinvested) in the unmanaged S&P 500 with at least 50% recovery persisting for more than one business day between declines. The returns are based on total returns in USD.

Diversification Matters

A diversified portfolio doesn't guarantee profits or provide assurances that investments won't decrease in value, but it does help lower risk. By spreading investments across a variety of asset classes, investors can buffer the effects of volatility on their portfolios. Overall returns won't reach the highest highs of any single investment — but they won't hit the lowest lows either. For investors who want to avoid some of the stress of downturns, diversification can help lower volatility.

Best performing assets

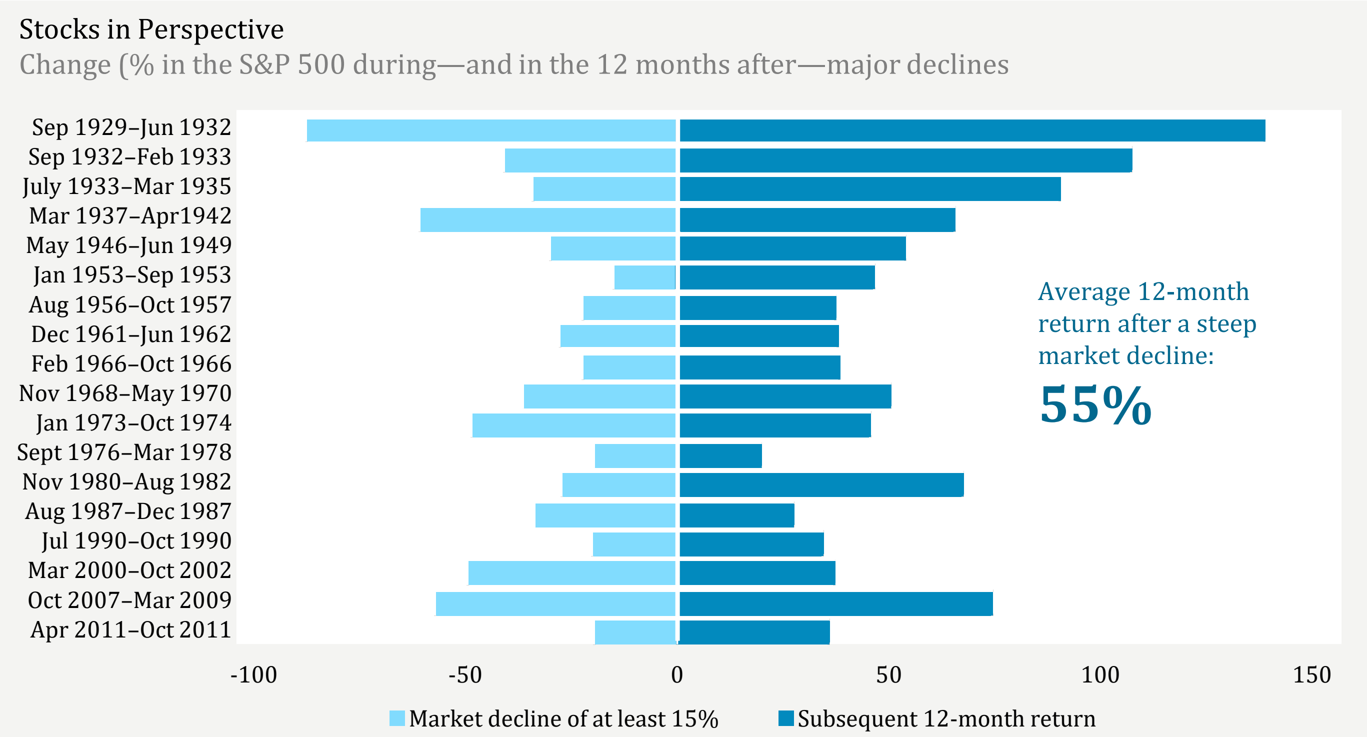
2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Global small caps	U.S. bonds	EM stocks	U.S. large caps	U.S. large caps	U.S. large caps	U.S. large caps	EM stocks	Cash	U.S. large caps
EM stocks	Intl bonds	Global small caps	Global small caps	U.S. bonds	U.S. bonds	Global small caps	Intl stocks	U.S. bonds	Global small caps
U.S. large caps	U.S. large caps	Intl stocks	Intl stocks	Global small caps	Cash	EM stocks	Global small caps	Intl bonds	Intl stocks
Intl stocks	Cash	U.S. large caps	Cash	Intl bonds	Global small caps	Intl stocks	U.S. large caps	U.S. large caps	EM stocks
U.S. bonds	Global small caps	Intl bonds	U.S. bonds	Cash	Intl bonds	U.S. bonds	Intl bonds	Intl stocks	U.S. bonds
Intl bonds	Intl stocks	U.S. bonds	Intl bonds	EM stocks	Intl stocks	Intl bonds	U.S. bonds	Global small caps	Intl bonds
Cash	EM stocks	Cash	EM stocks	Intl stocks	EM stocks	Cash	Cash	EM stocks	Cash

Worst performing assets

Source: RIMES. U.S. large-cap stocks — Standard & Poor's 500 Composite Index; Global small-cap stocks — MSCI All Country World Small Cap Index; International stocks — MSCI All Country World ex USA Index; Emerging markets stocks — MSCI Emerging Markets Index; U.S. bonds — Bloomberg Barclays U.S. Aggregate Index; International bonds — Bloomberg Barclays Global Aggregate Index; Cash — 30-day U.S. Treasury bills, as calculated by Ibbotson Associates.

The Market Tends to Reward Long-Term Investors

Is it reasonable to expect 30 percent returns every year? Of course not. And if stocks have moved lower in recent weeks, you shouldn't expect that to be the start of a long-term trend, either. Behavioral economics tells us recent events carry an outsized influence on our perceptions and decisions. It's always important to maintain a long-term perspective, but especially when markets are declining. Although stocks rise and fall in the short term, they've tended to reward investors over longer periods of time.



Source: RIMES, Standard & Poor's. Each market decline reflects a decline of at least 15% in the S&P 500's index value, without dividends reinvested.

Major Takeaways

1. The coronavirus pandemic is set to deliver a sharp and deep economic shock. Market moves are reminiscent of the darkest days of the financial crisis, but we don't think this is a repeat of 2008.

2. Bold policy actions including drastic public health care measures to stem the infection, as well as coordinated monetary and fiscal policies should help to prevent disruptions that could cause lasting economic damage.

3. It's natural for emotions to bubble up during periods of volatility. Those investors who can tune out the news and focus on their long-term goals are better positioned to plot out a wise investment strategy.

4. Markets have weathered serious disruptions over the years – and rewarded patient investors. Strong underlying economic fundamentals and policy support should aid the recovery from this episode.

Thank You!

Our team of professionals would like to thank you for the opportunity to earn your trust and confidence in the services provided by Windsor Wealth Management.

Randall D. Clark, CFP®	Channing F. Mitzell, CFP®	Robert S. Kaspar, CPA
Frank J. Esposito, CFA	Brian Shupe, CFA	Sue Hardman, CFA
Matt Ulsas, CFP®	Sandra Villiger, CFP®	Jamie Vladuchick, CFA

Windsor™
WEALTH MANAGEMENT

Dream boldly. Plan wisely.

500 E. 96th Street, Suite 450
Indianapolis, IN 46240
800.678.1078
www.windsorwealth.com