Much of the world is living in fear over the coronavirus. This virus is impacting economies across the globe and financial markets as well. We wanted to address the history of the virus, the impact of previous pandemics, and how we will approach this in your portfolio.

On December 31, 2019, China alerted the World Health Organization (WHO) about a Corona Virus. On January 30th, the WHO declared this outbreak a global health emergency. China started to quarantine whole cities of +50 million citizens. The main concerns were China’s ability to contain the epidemic, and for the rest of the world to keep the virus at bay. As the virus spread globally, fear grabbed the markets.

China was already in a difficult position economically before the virus outbreak. They were tasked with restarting their own domestic production as the trade wars with the U.S. ended. Then, the virus disrupted the country’s global supply chain. As the virus spread to other countries it exacerbated China’s problems and is weighing heavily on the global economic growth outlook. Fear over the duration and breadth of the outbreak has dragged down many major financial markets. For example, the U.S. equities were sharply lower with the Dow down by more than 9% over the last six sessions.

Some investments have done well in this environment. The flight to safety was in full swing. The 30-Year Treasury yield hit an all-time record low and Gold sits at a six-year high. Having high quality bonds has benefited our clients with balanced portfolios.

Previous studies of past outbreaks from pandemic-type events ranging from HIV/AIDS to SARS have demonstrated the stock market is quite resilient. Typically, stocks recover on average around six months after the outbreak.

We believe global economic growth will be lower, but only temporarily. Major commodity producing countries and many emerging markets will likely see the biggest negative impact until demand picks up in the major economies. We believe the U.S. economy’s fundamentals remain sound with a healthy consumer sector and an accommodating Federal Reserve.

We have been in the money management business for almost 50 years, and have seen many scares over this time. We believe this is no time for panic selling. We are considering opportunities in sectors which have low valuation multiples and have experienced significant declines.