

# Market Commentary

## A Closer Look at Recent Volatility

We've seen volatility in the stock market over the past few days as the number of coronavirus cases reported outside of China has increased, and oil has been decidedly down as supply/demand disagreements arise. After several months of relative calm in the markets, recent volatility may feel worse than it might have otherwise – but wild swings and big declines never feel good.

### Taking a Look at Other Outbreaks

Every virus outbreak is different, but looking back at other major global outbreaks over the last three decades (SARS, bird flu, swine flu, Zika, etc.), we see that the impact to the U.S. and global economies and stock market has typically been short-lived. While we recognize there is still significant uncertainty, we think the current outbreak has the potential to follow a similar path. The coronavirus has spread more quickly than SARS, the most comparable outbreak, but the policy response also has been more aggressive, and the survival rate has been higher.

### Putting the Decline Into Perspective

Even in positive years for stocks, the S&P 500 historically has experienced an average peak-to-trough intra-year decline of about 11%. In other words, the S&P 500 has risen and fallen an average of 11% within the year in most years. This latest pullback we're experiencing has reached 18% (if Monday holds its losses), and it is still well within the normal range of market volatility.

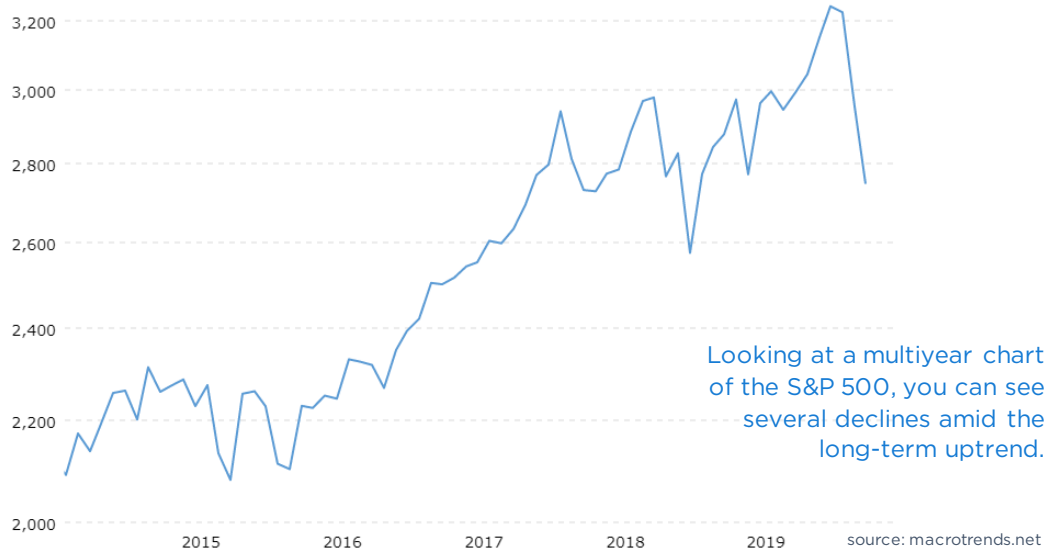
On average, the S&P 500 has experienced three to four pullbacks of around 5-10% per year. It's also important to remember that before the outbreak, the global economy started to see a pickup in momentum in late 2019/early 2020. Leading indicators of economic activity were pointing higher. Purchasing managers' surveys for the United States and Europe had improved. And corporate America delivered solid better-than-expected fourth quarter 2019 earnings results, with many companies saying good things about their 2020 outlooks.

Since hitting an all-time high near 3,400 in mid-February, U.S. stocks — as measured by the S&P 500 — are down, having followed global markets lower amid fears of coronavirus spreading.

## The History of the Dip

Big market dips, like the one that has recently hit stocks, can trigger emotions of fear and concern — particularly if they occur suddenly and over a very short period of time. However, they are not uncommon; in fact, the U.S. stock market has a proven track record of recovering from market dips over a long enough period of time.

### S&P 500



Many see the coronavirus as a delay in — as opposed to an end to — the global economic acceleration story that has been unfolding since December's U.S.-China trade deal. That momentum has put the global economy and corporations in better positions to weather the coronavirus storm.

## Long-Term Outlook

We believe we will see global economic impact from the coronavirus over the next several months, but we believe investing fundamentals make the case for a rebound in the second half of this year, potentially with some help from government stimulus. As difficult as it may be to stay the course in the face of recent market volatility, we would suggest that long-term investors consider that approach. Based on history and our belief in solid investing fundamentals, we look for a return to pre-outbreak levels of global economic growth and corporate profits within the next several months—which we think may continue to power the current bull market and economic expansion through 2020 and possibly beyond.

### Important Information

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All data is provided as of March 9, 2020.

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