

Chris & Ryan's Timely Market Dispatch:

Coronavirus Impact – The History of Market Panics and What's Different This Time

Most of our readers are no doubt fully aware of the coronavirus outbreak in China and the resulting human toll that at present is growing by the hour. First up, our hearts go out to those who have lost loved ones, have loved ones that are sick, and those that are in “lock down” mode, with all the resulting worry.

What follows is some science around viruses and how the coronavirus differs from previous ones, the market history of past panics (which we are not in yet but may be approaching), and finally, our best guess as to the overall economic impact and what we have done portfolio wise to mitigate the risks.

The science of viruses and coronavirus specifically – indicates that over time, viruses mutate and become less lethal. It seems that a virus somehow “knows” that it is not in its best interest to kill every host, as that would mean its ultimate demise. You have seen this in your lifetime with the AIDS virus.

The coronavirus is more challenging in that the symptoms are so mild in healthy people, that they do not believe they are sick and thus they keep doing the things they would normally do – go to work, socialize and ultimately infect other people. As we are only 10 days into the outbreak as I write, and given the exponential increases we are seeing in the number of confirmed cases, deaths and thankfully recoveries, it seems reasonable to assume that the outbreak will not be contained anytime soon.

https://gisanddata.maps.arcgis.com/apps/opsdashboard/index.html?fbclid=IwAR1J4cgwCJbS2PKC6e-C8VoRVE4SpNMTNqW6aFVmn0G1DcNPAMD_gCYSCQQ#/bda7594740fd40299423467b48e9ecf6

Past pandemics and other market panics – as you can see from the chart below, market panics have been great buying opportunities for those that have the courage and the cash to buy. Our sense is it is too early at this point, but please don't wait until you believe the bottom is in to send money. I can't tell you how many should of, could of, would of stories I have collected over my career. Now is the time to turn that couch upside down and start putting together the cash pile. If you are an existing client, you already have money in your “safe bucket” that will allow us to fund your spending needs, if in fact this does turn into a market panic, and thus, we won't have to sell the great companies you own in a down market.

\$SPX S&P 500 Large Cap Index INDX

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\$SPX (Monthly) 3227.69

Open 3244.87 High 3337.77 Low 3214.84 Last 3227.69 Volume 40.3B Chg -3.09 (-0.10%)

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What's different this time?

First up, we believe that the four most expensive words in the English language are, "it is different this time", so we address this topic with trepidation and a huge respect for history. That said, what is undeniable is that we came into the pre-coronavirus era on the backs of strong double digit returns for 2019, a [fear greed Index](#) that was registering extreme greed (a contrarian indicator), and when most of the major market uncertainties were resolved, i.e. China/U.S. trade, USMCA trade deal and Brexit. All of this begs the question, is all the good news priced in? The adage, "if it is in the news, it is in the stocks" seems appropriate.

Post coronavirus, the economic impact seems to be growing as quickly as the virus. Planes are grounded and major cities are locked down, which includes factories. Our leading indicator, copper, has taken a major hit, and so has oil. While the ultimate impact is unknowable, we are in the early days and it seems reasonable that most investors have not assessed the potential downturn as yet. Accordingly, we have exited the majority of our resource positions as of today, and will ultimately redeploy that cash in our stable of great "rent cheque" growers, as opportunities present.

Questions? We are here to help. Clients and those interested in our services can book time with Chris at <https://go.oncehub.com/ChrisRaper> and or reach out to our team at 250-405-2445 or toll-free at 1-877-655-5580.

Yours truly,

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