*This dispatch is broadcast in nature and is intended for participants (and interested parties) of **The Dividend Value Discipline™**.*

Chris & Ryan's Timely Market Dispatch

A World Gone Mad

As I write this morning, global markets are plunging. Investors have seemingly lost total perspective on the threat of the coronavirus. In our opinion, this is a full blown and misplaced panic, not unlike Black Monday in October 1987, which fully recovered in two years. Our best counsel? As a starting point, your best course of action is **not** to join the panic. Keep calm, assess the facts, and carry on. Below are three major points that I ask you to reflect on:

1. The coronavirus is already slowing dramatically in China. This note was received by one of our colleagues from a Chinese national (who lives in Victoria) over the weekend, "with the exception of Wuhan, the rest of China only had four new cases today, and all four are Chinese nationals returned from the Middle East. The number of new confirmed cases in Wuhan has also dropped to 36. We can confidently say that China has successfully stop the spread." Assuming it is true, this is already slowing in China (seven weeks in), where people live in much closer proximity to one another and the healthcare system is not as strong as say the G7 economies, why would we expect a far worse result here in North America?

2. The oil plunge today (West Texas Crude @ $33), which was already weak from the coronavirus effects, has everything to do with an all-out price war in the making between the Saudis and Russia. If you think this through, most of the companies we own benefit from cheaper oil/fuel prices. It is an absolute positive for the go-forward earnings picture. Ditto that for the consumer. Most readers will recall that we exited our energy-related exchange traded funds on January 31, 2020, when we saw China closing whole swaths of its economy.

3. As the stock selling stampede has mounted, there has been all out panic buying in the global government guaranteed bond market. This has pushed 10 year yields in both Canada and the US under 0.5%. This is not a misprint. The panic buyer of said bonds will get 0.5% every year for the next 10 years, and then get their money back. Alternatively, they might buy say, Johnson & Johnson, which this morning can be bought with dividend yield of 2.76% and a track record of raising that dividend every year for the last 57 years. Yes, it is down 10% off of its 52 week high, but which one would you rather own for the next 10 years? Post the panic, we expect the lower interest rates to make our dividend paying stocks worth more, not less. The dividend income of our investee companies has not changed.

Further Corona Discussion

Over the last three days I have spoken with two MD's that I have access to and have read opinions from a number of virologists. I found this one particularly helpful – virologist perspective. The people I have talked to say yes, it is coming and it is not going to be anywhere near as bad as you think. By way of example, recent data from the Center of Disease Control and Prevention noted that the infection rate in China (a population of 1.4 billion people) represents 0.005% of the population, or one twentieth of one percent. The mortality rate in China to date represents 0.0002%. If we apply those rates to United States, you would come up with less than 700 deaths projected versus ~650,000 from heart disease, and ~600,000 from cancer each year.

When You Read Your Statement or Look At Your Account Balance

I ask you to think through what those numbers represent. They are what a panicked world is willing to pay you for your companies at this point in time. It has little to do with what the future earnings and dividends of those companies will be in the post-coronavirus era. The value of our companies is ultimately based on what the future discounted cash flows are worth. Yes, those cash flows may be interrupted for a quarter or two, but I do not believe that they will be permanently impaired.

We are determined to get our clients through this panic unscathed and we need your help to do so. Please reach out of you are feeling like you are on the edge. Our relationship managers are here to help. If you would like to book some time with me (Chris) directly, you can do so here: https://go.oncehub.com/ChrisRaper.

Yours truly,

Chris Raper
Senior Vice-President | Senior Wealth Advisor

Ryan Cramp
Portfolio Manager

Chris Raper & Associates - *the most proactive wealth advisory team on planet Earth*