



Shepherd Financial **SPECIAL NEWS**

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KEEPING YOU INFORMED

Our goal at Shepherd Financial is to keep you updated on recent developments concerning volatility experienced by the financial markets.

On Monday, February 24, 2020, the S&P 500 Index fell 3.4%, its worst single-day performance since February 2018.

WHAT'S CAUSING THE VOLATILITY?

The coronavirus, a respiratory illness first identified in Wuhan, China, is now spreading globally. Beyond China, the virus has spread to nearly 40 other countries and regions. For current numbers by country, click [here](#). The airborne virus has an incubation period of up to 14 days, making policing the spread of the virus challenging. At this stage, treatment options are relatively unknown.

US equity markets appear to be paying closer attention to the new coronavirus than they did to SARS, a disease caused by a pathogen of similar origin that sickened a large number of people in China and across Asia and created a global health emergency in 2003. Since the first media reports of the latest coronavirus outbreak broke in late January, the coronavirus has been blamed for three large drawdowns in the S&P 500 Index.

Part of the increased attention comes from China's economic growth - in 2003, China accounted for only 4% of the total global economic output; today, China is the world's second largest economy and accounts for 17% of the total global economic output. Further, of particular concern to equity investors is the fact that this outbreak could prove to be particularly ill-timed, because it comes after of a long period of economic expansion when market valuations are somewhat stretched.

LOOKING FORWARD

There are plenty of reasons to think the coronavirus might not develop into the crisis that some investors worried about when they sent major US and global market indices lower in late January and February. Governments in China and across the globe appear to be applying lessons learned from the SARS epidemic to great effect: travel restrictions, information sharing, economic stimulus, and other efforts designed to limit the impacts of the disease have progressed far more rapidly this time.

The lack of an even bigger reaction by the market suggests that investors are counting on a quick and powerful return to normal after the outbreak subsides. And even if the economic costs ultimately prove to be material, recent experience also suggests that the worldwide economy should be able to bear those costs fairly easily, unless the outbreak gains significant momentum or mortality rates increase substantially.

Regardless, the best way to navigate volatility like this is to resist the temptation to panic and stay the course. Although the unfortunate reality is volatility like this may be here to stay until the coronavirus has run its course, experience has proven time and time again that cool heads typically prevail. Unless something has changed with your investment time horizon, objectives, or risk tolerance, there is no compelling reason to change your investment discipline. We believe investors who stick with their investment strategy and maintain a diversified portfolio are prepared for future market shocks and are well positioned for market hits.

Our team is always available to answer questions at 844.975.4015.

shepfinteam@shepherdfin.com

844.975.4015

www.shepherdfin.com

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S&P 500 Index is an index of 500 of the largest exchange-traded stocks in the US from a broad range of industries whose collective performance mirrors the overall stock market. Investors cannot invest directly in an index.

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