KEEPING YOU UPDATED

The coronavirus, a respiratory illness first identified in Wuhan, China, has now spread to nearly 90 countries and territories around the world. For current numbers by country, click here. Locally, Indiana officials are now monitoring a number of individuals for the coronavirus. 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.

As noted in our most recent Special News edition, US equity markets appear to be paying closer attention to the 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.

During the last week of February 2020, the S&P 500 lost 11.49% — the worst week for stocks since the 2008 financial crisis — only to jump by 4.6% on the first Monday in March.[1]

Market volatility over the coronavirus is understandable, given concerns about its impact on the global economy. Travel restrictions, temporarily shuttered factories, and supply chain disruptions appear to be affecting the Chinese economy - and, to a lesser degree, US corporations with business interests in China, as well as global trade more broadly.

For now, though, we believe the negative repercussions to US growth will be relatively minor, with recession risk remaining low.

1 Based on data reported in WSJ Market Data Center, February 28, 2020 and March 2, 2020. Performance reflects price change, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

A HISTORICAL PERSPECTIVE

Since the turn of the millennium, the market's negative response to health crises has been relatively short-lived. As this table shows, approximately six months after early reports of a major outbreak, the S&P 500 bounced back by an average of 10.47%. After 12 months, it rebounded by an average of 17.17%.

Although there are no guarantees the current situation will follow a similar pattern, it may be reassuring to know that over even longer periods of time, stocks typically regain their upward trajectory, helping long-term investors who hold steady to recoup their temporary losses, catch their breath, and go on to pursue their goals.

Epidemic	Month End*	6-Month Performance (S&P 500)	12-Month Performance (S&P 500)
SARS	April 2003	14.59%	20.76%
Avian (bird) flu	June 2006	11.66%	18.36%
Swine flu (H1N1)	April 2009**	18.72%	35.96%
MERS	May 2013	10.74%	17.96%
Ebola	March 2014	5.34%	10.44%
Measles/Rubeola	December 2014	0.20%	- 0.73%
Zika	January 2016	12.03%	17.45%

Source: Dow Jones Market Data, as cited on foxbusiness.com, January 27, 2020. Stocks are represented by the Standard & Poor's 500 price index. Returns reflect the change in price, but not the reinvestment of dividends. The S&P 500 is an unmanaged index that is generally considered to be representative of the U.S. stock market. Returns shown do not reflect taxes, fees, brokerage commissions, or other expenses typically associated with investing. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in any index. Actual results will vary.

*End of month during which early incidents of outbreak were reported.
**H1N1 occurred during the financial crisis, when, as during other periods, many different factors influenced stock market performance.

LOOKING FORWARD

It is important to recognize that much of the disruption in global economic activity ahead will not be a permanent loss; rather, business operations and consumer activity may be postponed but normalize once the outbreak is contained. As the prognosis for the virus changes and eventually improves, we expect markets will, too.

Even the best markets need a breather. While sometimes stressful, ups and downs are a normal part of the investment cycle. Remaining disciplined within an appropriate investment strategy through a downturn (in order to fully participate in the eventual recovery) typically serves investors well.

Although the unfortunate reality is volatility like this may be here to stay until the coronavirus has run its course, we believe that cool heads typically prevail. Unless something has changed with your investment time horizon, objectives, or risk tolerance, we feel 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.

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