PRATT COLLARD BUCK
ADVISORY GROUP
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MARKET EVENT HORIZON

There's an old saying on Wall Street that "markets take the stairs on the way up and the elevator on the way down." The recent sell-off has proven this musing accurate in that stocks, having climbed fairly steadily for months, have now declined into correction territory – 10% or more off recent highs – in just a matter of days. The primary culprit, as you probably know, is the uncertainty surrounding the global economic impact of the coronavirus. Computer-driven trading has perhaps made scenarios like this even more pronounced in recent years, but the outbreak happening with markets at all-time highs has likely also contributed to the severity and swiftness of the sell-off. It's too early to know how long it will take for this to play out. For some context, similar situations (e.g. most recently the Ebola virus epidemic of 2014) have impacted markets for 3-9 months on average with a market drop of 9-12% historically. We have already realized the better part of a decline of such magnitude. The other unknown which markets don't like is tied to the upcoming election and its potential impact on the economy. The outcome of the presidential election could have a material impact on financial markets and how investors allocate assets going forward. It would appear the coronavirus and the election will impact investor confidence for months to come, making it likely that markets will be much more volatile in 2020 compared to the relative stability we saw in 2019.

Rest assured that we are monitoring events as they progress and, if need be, will adjust our investment allocations accordingly. Also, the aforementioned risk factors are indeed temporary in nature and, while unsettling in the moment, should settle as things become clearer over the course of this year and investor sentiment returns to more normalized levels. The present uncertainty can create opportunities for long-term investors like us. One such potential opportunity could be in mortgages. With interest rates falling, it may be worth considering refinancing if your current mortgage interest rate is above 3.5-4%.

So while it is key to largely stay with your well-considered investment plan that's currently in place, it is our job to modify if necessary, keep our focus beyond just current circumstances, and take advantage of opportunities presented by the markets. Thank you for allowing us to be the financial stewards of your hard-earned assets.

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