



CORRIGAN FINANCIAL, INC.

### **Market Update: March 10, 2020**

Stocks took it on the chin Monday over an oil price war in addition to ongoing coronavirus concerns. The Dow Industrials dropped 7.8%, oil prices were down by 25%, and the yield on the 30-year Treasury bond fell below 1% for the first time ever. It was the Dow's biggest plunge since the Great Recession, and the oil price decline was the worst since the 1991 Gulf War.

Over the weekend, Saudi Arabia slashed crude oil prices and signaled its intention to *increase* output. That move was in reaction to Russia's rejection of a plan by the Organization of the Petroleum Exporting Countries (OPEC) to *decrease* output due to declining demand resulting from the coronavirus epidemic.

Oil and gas companies have borrowed heavily to expand their operations. Moody's Investors Service estimates that \$200 billion of debt owed by North American companies is maturing over the next four years. Banks hold more than \$100 billion on loans to energy producers through lines of credit that are based on the value of companies' oil and gas reserves.

**People are panicking.**

**Raoul LeBlanc, IHS Markit – WSJ 3/10/20**

The Trump administration is considering several measures to combat the economic impact of the coronavirus, such as a payroll tax cut and help for hourly wage earners. Last week, President Trump signed an \$8.3 billion emergency spending bill, and the Federal Reserve announced a 50-basis point cut to their benchmark federal-funds rate. Investors are expecting still another rate cut by the end of this month.

The overall government response may be helping ... as U.S. stock futures are up sharply this morning.

**You could call it a dead-cat bounce. If there's more fiscal and local economic policy by governments, that could be a good Band-Aid to staunch the bleeding.**

**Altaf Kassam, State Street Global Advisors – WSJ 3/10/20**



Consider some of the communications coming from our institutional resources:

PIMCO reminds investors to ensure they have the appropriate asset allocation and stay invested.

**Investors may make suboptimal decisions when emotions take over, tending to buy out of excitement when the market is going up and sell out of fear when the market is falling. Markets do ultimately normalize, and when they do, those who stay invested may benefit more than those who don't.**

Liz Ann Sonders, Chief Investment Strategist at Charles Schwab offered the following advice late yesterday.

**In the easiest of times (are they ever, really?) it's futile to make predictions about the market with any semblance of accuracy. Clearly, these are not the easiest of times, so the difficulty is magnified. Even with non-stop coverage of COVID-19, with every question answered, there's another question to ask.**

**In the meantime, our advice to investors hasn't changed. For the past couple of years—given our perspective that we were entering the latter stages of the cycle—we have been pounding**

**the table on diversification (across and within asset classes) as well as periodic/systematic rebalancing.**

**Those tried-and-true disciplines are the closest thing an investor can get to a “free lunch” in this crazy business.**

**Perhaps most important is that investors heed our age-old warnings:**

- **Neither “get in” nor “get out” are investment strategies ... they represent gambling on moments in time, when investing should ALWAYS be a process over time.**
- **Panic is not an investment strategy.**



Believe it or not, after days that included multiple 1,000-point swings on the Dow, U.S. stocks ended last week in positive territory. That ended yesterday, with the Dow’s historic 2,000-point slide.

**Wall Street is scrambling to price in a shock on top of a shock – a Saudi price war on oil, coming at a time when coronavirus fears are already cutting into demand for things like jet fuel. Investors are caught in a feedback loop of falling stock prices spreading pessimism, and pessimism bringing down stocks.**

**What we have now is really two epidemics. We have an epidemic of the coronavirus, but we also have an epidemic of fear ...**

**Jack Hough – Barron’s 3/9/20**

The overall global economy is extremely vulnerable. While no one knows exactly how all this will play out, we should anticipate more daily volatility. Successful investing can be painful ... this is one of those times. Hang in there, and feel free to call us if we can be of any help.

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