



CORRIGAN FINANCIAL, INC.

Market Update: March 15, 2020

Global stocks had a very rough week. In fact, it was one of the worst weeks on record and included two of the sharpest one-day falls in history. By mid-week, stocks were 20% off of their recent highs – marking the official ending of the 11-year bull market run.

What just happened? The coronavirus was declared a pandemic by the World Health Organization. Saudi Arabia announced a huge output increase, sending oil prices plunging. Forrest Gump contracted the coronavirus. There are no basketball scores to check. Baseball won't start on time this spring. And President Donald Trump declared a national emergency on Friday after announcing a European travel ban on Wednesday.

Al Root – Barron's 3/14/20

A lot can change in one week. Modest concerns over the impact of the virus seemed to turn quickly to fear and panic. Global equity prices ended the week down over 12% and are now down just shy of 20% for the year. For those of you keeping score, stocks declined over 42% in calendar year 2008 during the *Financial Crisis*.

Prior to the selloff that began in earnest the last week of February, equity markets had been discounting the outbreak being largely isolated to China, leaving a limited and temporary impact. The odds of a global pandemic appeared to be set fairly low by investors.

We cannot remember other waterfall declines coming right at new highs for the market without some notable deterioration in various indicators.

Scott Glasser - Legg Mason Global Asset Management 3/9/20

For what it's worth, the consensus suggests the pandemic will last about three months. U.S. GDP will be in negative territory for the second and third quarters of 2020 ... two consecutive negative quarters is the definition of recession. Most expect a rebound in the fourth quarter and strong growth for 2021.

Last October, Charles Schwab stopped charging commissions on most trades, and others soon followed their lead. Not surprisingly, trading volumes have surged. Active traders tend to trade too much. Studies have actually confirmed that active traders underperform the markets by as much as six full percentage points on an annual basis.

The age of free stock trading has arrived at an inauspicious time – exactly when many individual investors might have been best served to not trade at all.

Telis Demos – WSJ 3/13/20



Consider these observations from other institutional resources:

Charles Schwab & Co. – Schwab Market Perspective – 3/13/20

Although it's possible we are entering a global recession, it's too early to predict the magnitude ... The best action to take may be no action at all if you've built a portfolio that matches your time horizon and risk tolerance ... Meanwhile, if you're nearing retirement, having a financial plan is more important than ever.

GMO – Commentary 3/11/20

We do not believe that COVID-19 will materially change the long-term fair value of global equity markets. We will continue to follow our long-term, patient, valuation-sensitive process ... The opportunity set for dynamic asset allocation today remains one of

the best we have encountered ... We stand ready to capitalize on market overreactions and dislocations.

Jason Zweig – WSJ 3/13/20

Investing, now more than ever, is about controlling the controllable. You can't control the markets. You can't control the coronavirus. You can control your own behavior, although that requires making accurate, honest predictions about yourself. Your future success may depend less on what markets do – and more on spending a few quiet minutes figuring out who you are as an investor.



Tennis Balls vs. Eggs:

Tennis balls bounce, eggs splatter. Broadly diversified asset classes are tennis balls. If you invest in tennis balls, rebalancing after a market decline can be very advantageous. But it requires patience ... let the current market volatility settle down before making any adjustments.

Investors with the strength of will to ignore the volatility need only find assets where they are confident that there is little risk of permanent loss to make money in the long run.

James Mackintosh – WSJ 3/13/20

The pandemic is just getting started in the U.S. On Friday, we were given some confidence that the government and private sector were finally getting their act together. Good news for sure.

We appreciate the trust you place in us. As always, feel free to call us if you have any questions or concerns.

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