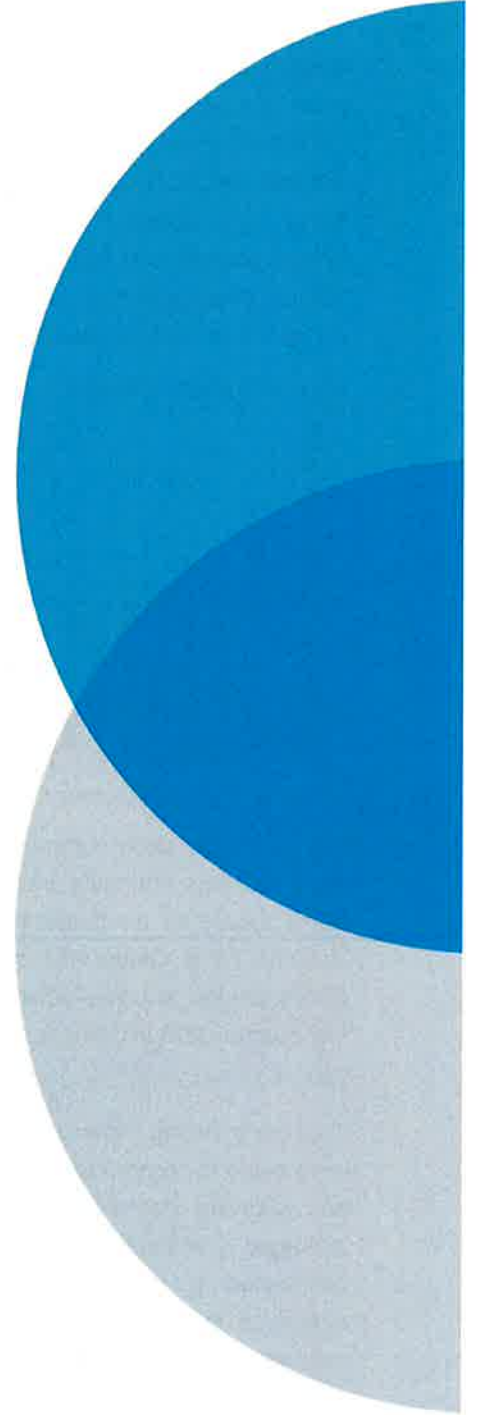


# Market & Economic Update - Coronavirus

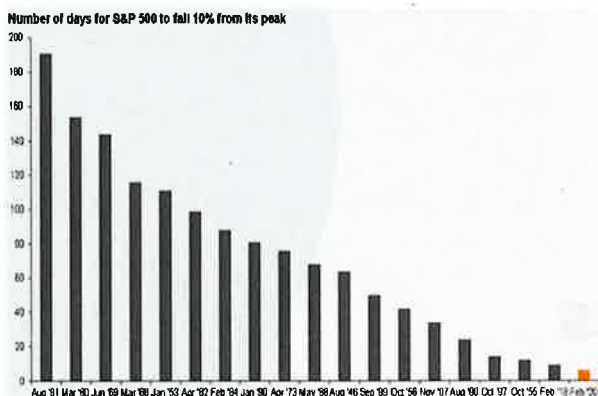
March 2020

Release Date | March 2020



## Markets in Review

Global equity markets have sold off over the past week, following news of an acceleration of new COVID-19 coronavirus cases in previously less affected countries such as Iran, Italy and South Korea. The speed of the correction (a stock market correction is defined as a fall of at least 10%) is unprecedented, falling the required 10% in just 6 days as illustrated below.



Source: JP Morgan Asset Management

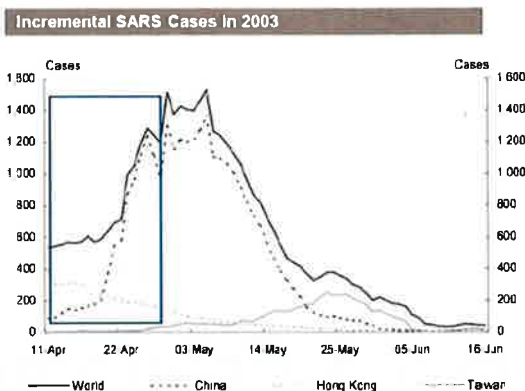
We've already seen numerous companies bring down earnings estimates, particularly those in the travel industries as businesses postpone non-essential travel. Global GDP growth estimates are also expected to come down. PIMCO estimates first quarter GDP in China to contract by 6%, [click here to view the PIMCO article.](#)

It is worth noting, however, that global equities were close to record highs just a few weeks ago and volatility has been well below historical averages. Market corrections should be considered a normal part of investing, and strategies to navigate the recent volatility are outlined in the Outlook and Portfolios section below.

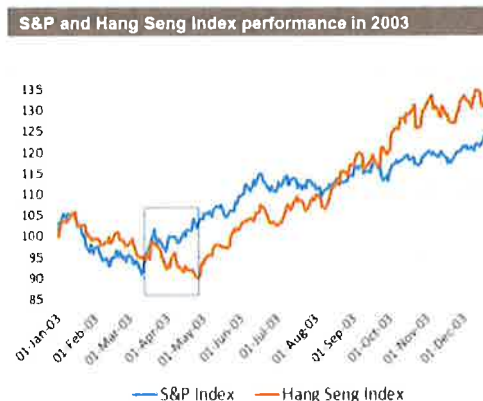
## Lessons from History

With such poor investment sentiment, it is worth looking at prior outbreaks and the effect on

markets. Although the precedents for coronavirus are limited, the lesson from SARS are that markets usually recover and will tend to bottom out around the time when peak cases start to decline. The next two charts show new global cases for SARS peaked around May 2003, and share markets bottomed around this time.



Source: JP Morgan Asset Management



Source: JP Morgan Asset Management

## Outlook and Portfolios

Despite the recent volatility and correction in equity markets, we do not recommend allocating capital away from growth assets and into cash. It is extremely difficult to time the market and taking this type of action may cost portfolios dearly over the long run.

Holding a well-diversified portfolio with allocations to investments with lower volatility, downside protection and interest rate duration can provide a smoother ride during falling equity markets.

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