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MARKET UPDATE | MARCH 2020

Market Volatility Update

Last year the majority of stock indices realized record-breaking returns. Most major markets continued to climb in January and throughout nearly all of February, with the Toronto Stock Exchange realizing a 5% increase in value from January 1st to February 20th. However, investors were still cautioned that given high market valuations, the end of the current business cycle may be approaching, and a market correction could be on the near horizon.

February – Sudden Market Reaction to Coronavirus (COVID-19)

COVID-19 was first diagnosed in Wuhan, China with several deaths occurring and it continued to spread, primarily in China. China's attempts to control the spread of the virus have contributed to the sharp slowdown in manufacturing and consumer spending there. There are concerns that COVID-19 will continue to spread globally and that other countries will face similar economic challenges.

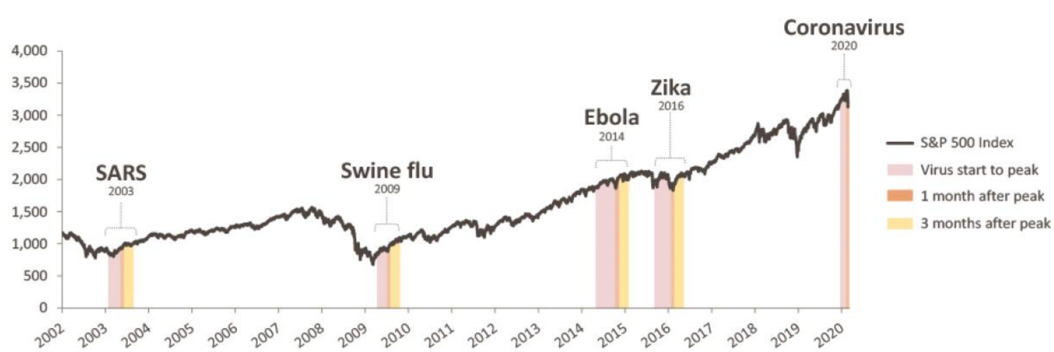
After the initial announcement and subsequent reporting from the World Health Organization on diagnosed cases and deaths from COVID-19, stock markets around the world fell significantly for several days, particularly during the last week of February. While markets have rallied periodically during the first week of March, it is unknown what the full impact of the virus will be. It is anticipated however that significant volatility will continue.

In the past, health epidemic events have caused short-term market declines, but typically markets have regained their previous levels within a few months following the peak of the epidemic.

Examples of the market's reaction to past epidemic events is reflected in the chart (right):

The market's reaction to past epidemics

In past epidemics, the market sold off sharply but then regained its previous high after the outbreak peaked. (Chart below.)



Sources: Centre for Disease Control; World Health Organization; Bloomberg. Data as of February 25, 2020.

Investor Recommendations

It is important that investors maintain a long-term focus and not react with panic during periods of market declines. Investors may not want to move out of their investments when they are down in value as this would lock in losses and prevent the opportunity for recovery and long-term gains during the next cycle of growth. However, it is prudent to periodically review your portfolio to ensure that the mix of investments you hold – and where your new contributions are being invested – still matches your tolerance for risk and timeline to retirement. Investors who are within 2-3 years of retirement may wish to contact Reuter Benefits to discuss their investment strategy.

We suggest you work with your financial advisor or Reuter Benefits' team of licensed professionals to review your investment portfolio. Reuter Benefits can be reached at 1-800-666-0142 or via email at retire@reuterbenefits.com.

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