



Perspective on 2020 Market Volatility

March 9, 2020

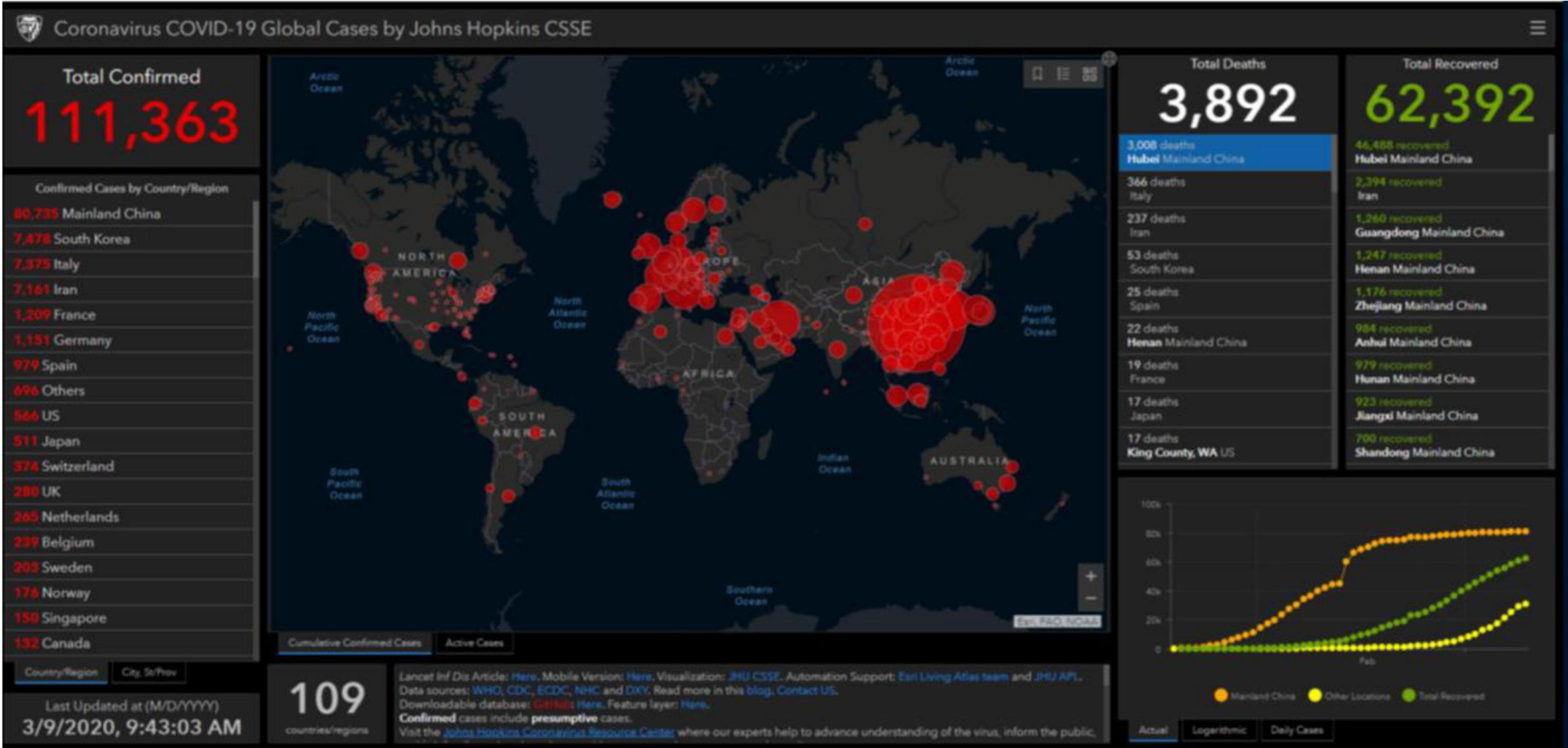


Market Perspective

- U.S. stocks began falling on Monday February 24th, joining a global equity selloff, as the spread of coronavirus beyond China raised worries that the impact to overseas economic growth could be more persistent than investors expect. The number of confirmed coronavirus cases outside of China continued to increase, sending fear across financial markets as investors were forced to reassess their view that the effect of the outbreak will be short-lived. China has reported a decline in the growth rate of confirmed cases, but South Korea, Singapore, Japan, Iran and Italy have now seen an increase in cases.
- Markets could struggle to rally due to the uncertainty surrounding the coronavirus and its impact to both human life and the economy. The world's integrated supply chains have investors worried about potential disruptions among companies based far away from the areas that have been hit hardest by the virus. The declines in stock markets around the globe reflect investors' uncertainty regarding the risks to corporate profits and economic growth posed by the virus' spread.
- Many economists and strategists believe that the coronavirus will be contained in the coming weeks and that China will put forth a plan to cushion the blow. Already, China is offering stimulus to hard-hit companies. However, if the outbreak turns into a pandemic, it could cut \$1.1 trillion from the global economy in 2020, Oxford Economics estimates.
- The consensus view among investors is that there could be a sharp downturn followed by a swift, sharp rise after the outbreak is contained. Investors believe the Federal Reserve will move faster to cut interest rates, amid growing expectations that coronavirus will slow global growth. The Fed cut rates by 50 basis points on March 3rd in advance of its March 18 FOMC meeting.
- We understand that the latest developments and high level of uncertainty surrounding the coronavirus can be unsettling. While the spread of this virus is certainly concerning, underlying economic fundamentals in the U.S. remain strong and, unless the outbreak substantially worsens, we believe that investors are likely to be well-served riding out these virus issues and remaining focused on their long-term investing strategy.
- Oil markets cratered over the weekend (March 7 & 8) on OPEC anxiety and Saudi Aramco dropping the gauntlet on a price war. Global economic uncertainty and the Saudi/Russian price war set up the biggest one-day drop since the Gulf War in 1991. The entire treasury yield curve moved below 1% for the first time in history.
- Similar to the trade war induced volatility of 2019, we believe that the financial markets will overreact to both bad news and good news and there will be additional periods of volatility in the future (the average intra-year decline since World War II exceeds 13%). Recognizing this point helps to ensure we do not make a reactionary decision in the short-term and stay focused on fundamental economic analysis, academic research and technical market analysis.

Perspective on the Coronavirus

Johns Hopkins virus tracker shows more recoveries than new cases.

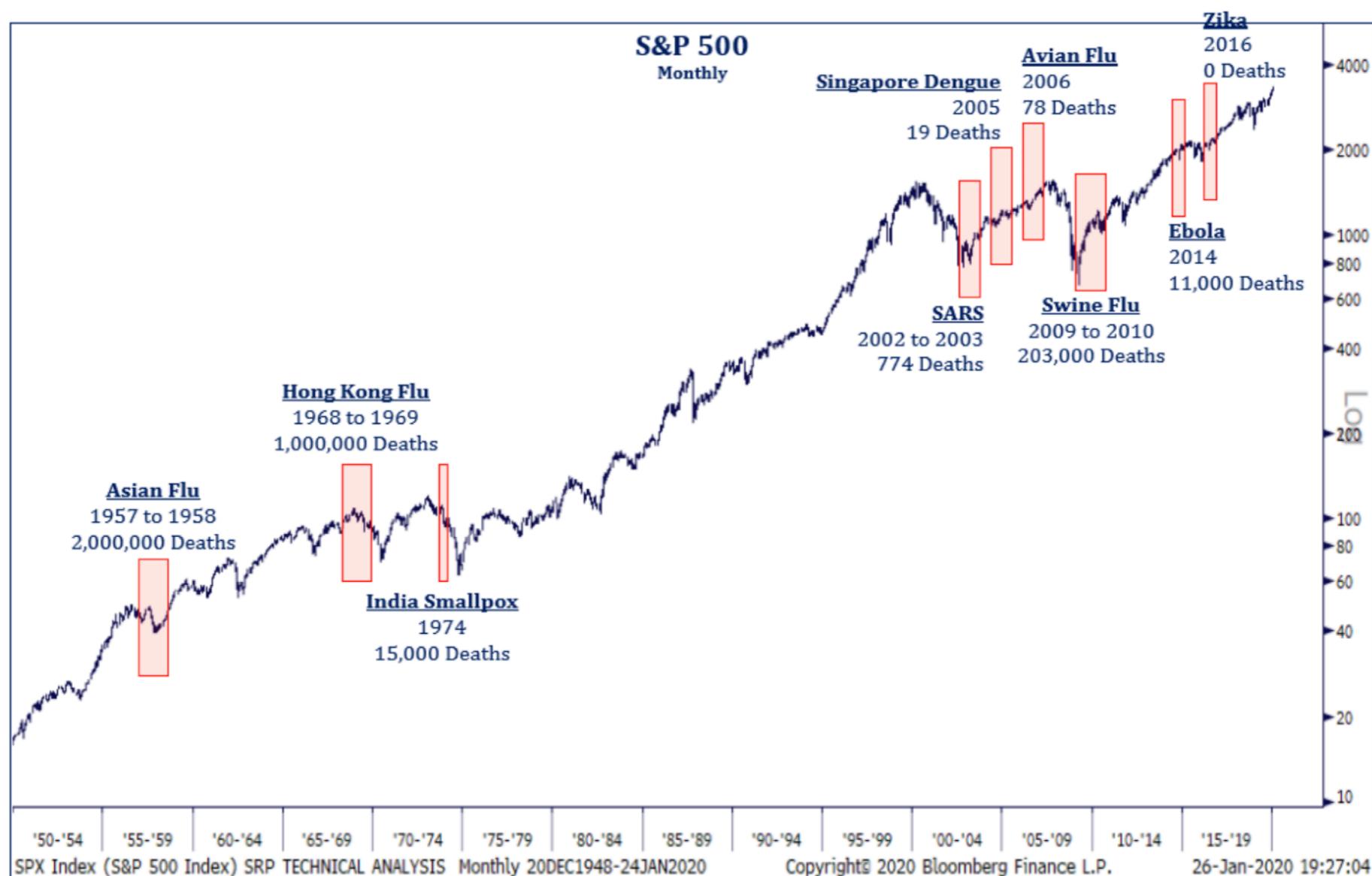


Perspective on the Coronavirus

Although there are short-term negative reactions to epidemics, ultimately, the health of the global economy and magnitude of monetary & fiscal stimulus dictate the direction of equity markets.

Both SARS and Swine flu coincided with global stimulus measures to combat recessions. As a result, markets rallied after initial volatility.

History of Epidemics / Pandemics



Perspective on the Coronavirus

Although there are short-term negative reactions to epidemics, ultimately, the health of the global economy and magnitude of monetary & fiscal stimulus dictate the direction of equity markets.



Epidemic	Month Virus First Appeared	S&P 500 Performance +1 Months	S&P 500 Performance +3 Months	S&P 500 Performance +6 Months
West Africa Ebola Virus	Mar. 2014	0.0%	5.6%	6.5%
Avian Flu (H7N9) China	Mar. 2013	1.9%	2.9%	8.3%
MERS Coronavirus	Jun. 2012	3.3%	11.7%	9.2%
Swine Flu (H1N1)	Apr. 2009	3.8%	10.1%	30.1%
SARS Coronavirus	Nov. 2002	0.2%	-7.8%	4.8%
West Nile NYC	Aug. 1999	-5.8%	3.6%	0.6%
Avian Flu (H5N1) Hong Kong	May 1997	7.4%	11.2%	11.0%

Source: Strategas Research

Perspective on the Coronavirus

COVID-19 relative to other recent pandemics—
less deadly, but more infectious.

EXHIBIT 2: CLINICAL STATISTICS ON COVID-19

COVID-19, as compared with other viruses, appears less deadly but more infectious.

Year	Virus	Main Geography	Incubation Period (days)	Mortality Rate	Mortality Susceptibility / Age	Global # Infected	U.S. # Infected	Global # Deaths	U.S. # Deaths	
2020	Coronavirus	China	1-14	~2-3%*	Older with medical comorbidities*	~90k	91**	>3k	2	
Relevant Outbreak References										
2002-03	SARS (Severe acute respiratory syndrome)	China	2-7	10%	older and medical comorbidities	~8,000	8	774	0	
2009	Swine Flu (H1N1)	U.S. (originated Mexico)	1-4	0.02%	younger than 5, older than 60	11-21% of global population	60.8 million	151,700-575,400	12,469	
2012	MERS (Middle East respiratory syndrome)	Middle East	2-14	30%	mostly men over 50	2,494	2	858	0	
2014	Ebola	West Africa	2-21	25-90%	25-34 in women, 35-44 in men	~29,000	11	~11,000	2	
Ongoing Infectious Disease References										
Annual	Measles	Rubeola	Global	10-12	15%	younger than 20	6.7 million in 2017	1,282 in 2019	140,000 in 2018	1 in 2015 (last reported death)
Annual	Seasonal flu	Influenza	Global	1-4	<1%	children and 65 and older	3-5 million severe illnesses annually	140,000-810,000 hospitalized annually	250,000-500,000 annually	12,000-61,000 annually

Updated 2/28/20

* Data 2/11/20 shows overall 2.3% mortality rate, with 1.3% for age 50-59, increasing to 14.8% at age >80, decreasing to 0.2% at age 10-19

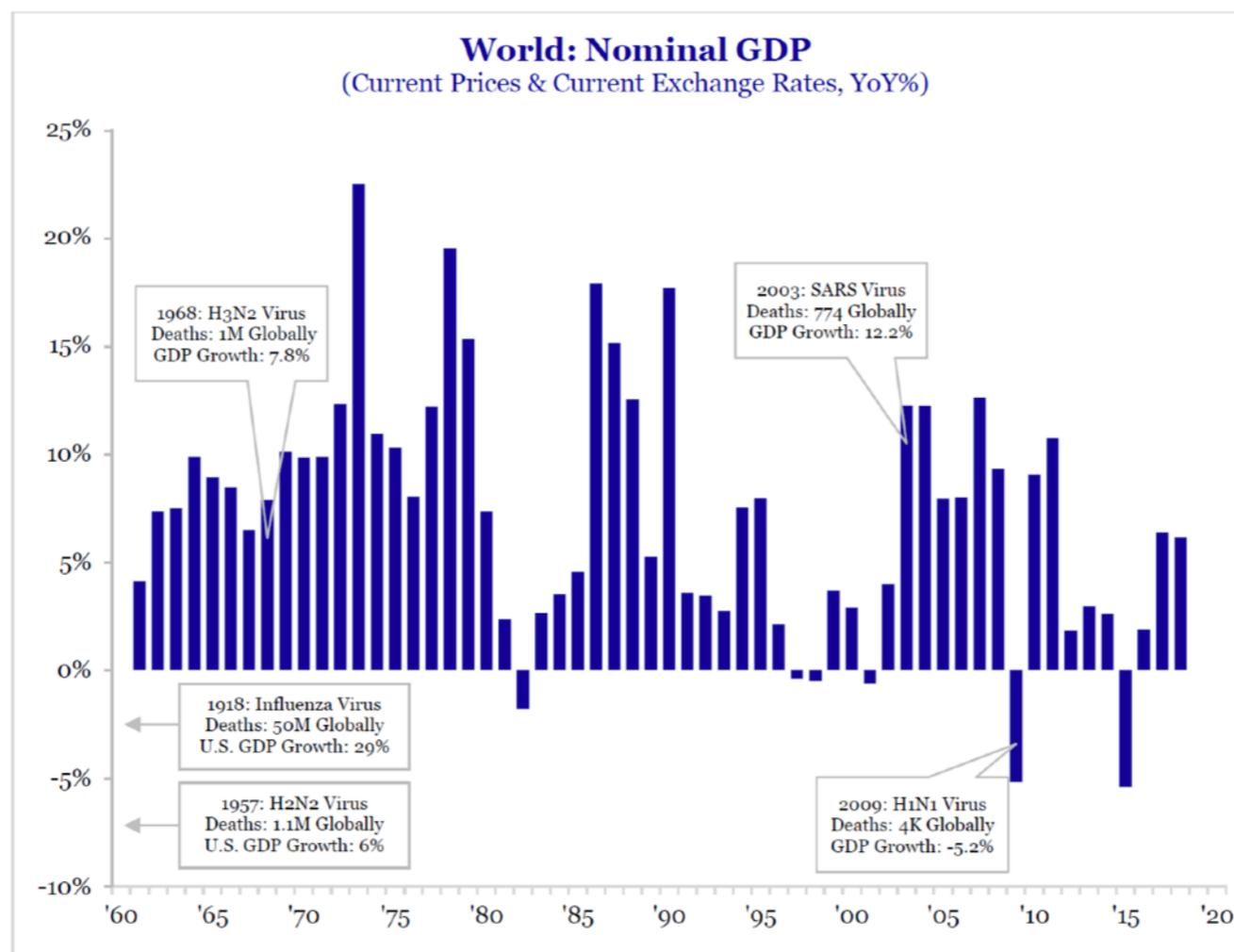
** Includes 36 people from the Diamond Princess cruise ship

*** WHO estimate of 1.4-2.5, independent analysis published 2/13/20 of 3.28 (Journal of Travel Medicine, Liu et al)

Source: Northern Trust Asset Management, CNN, CDC, WHO, The Lancet, Journal of the American Medical Association, PLoS One, BMC, NCBI.

Perspective on the Coronavirus

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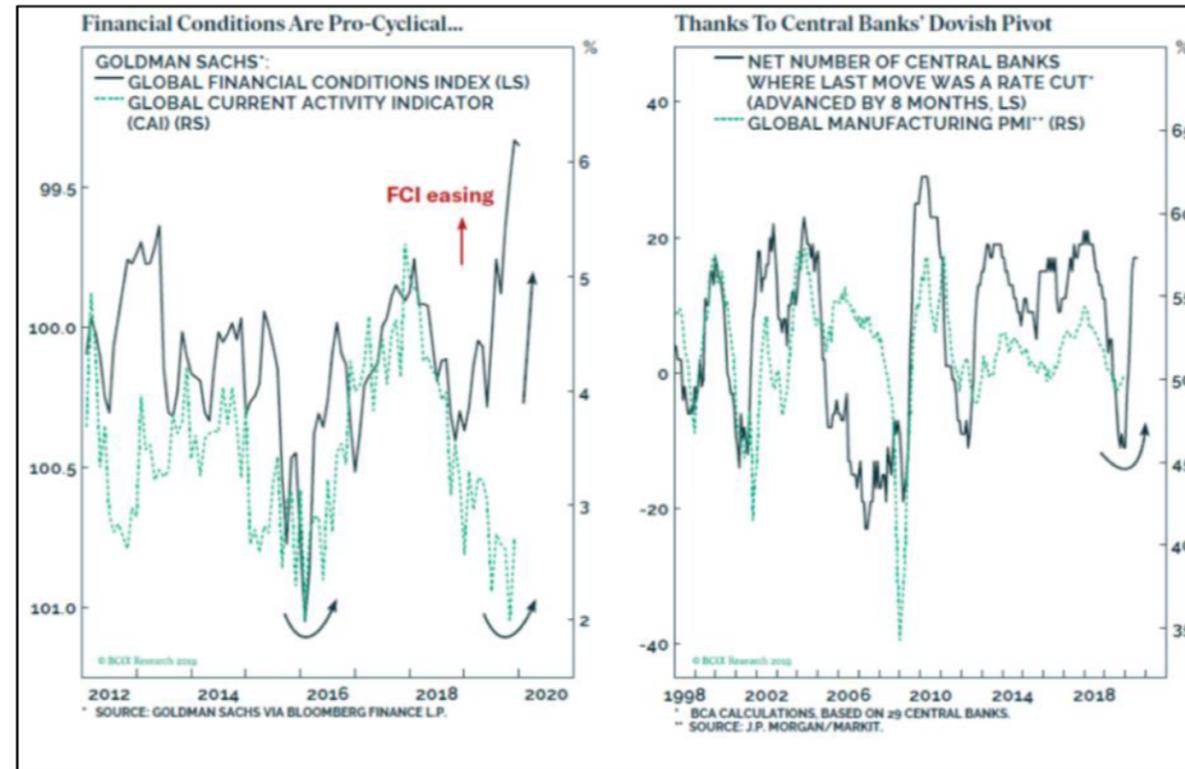
Sources: Haver, Centers for Disease Control and Prevention

Can a supply disruption cause a recession? Historical analogs suggest a low probability:

- Following the 9/11 attacks, US GDP contracted by 1.7% in the quarter and then rebounded by 1.1% in the fourth quarter of 2001 and 3.5% in the first quarter of 2002 (in the midst of a US recession).
- Major Pandemics: The Spanish Flu of 1918 caused a 4.2% decline in US GDP while the 1957 Asian Flu (2 million deaths) and Hong Kong Flu of 1968 (1 million deaths) reduced output by 1%.

Perspective on the Coronavirus

Central banks will likely provide ample liquidity in the event of worsening market conditions due to Coronavirus fears.



Interest Rates in the Developed World

As of 3/06/2020

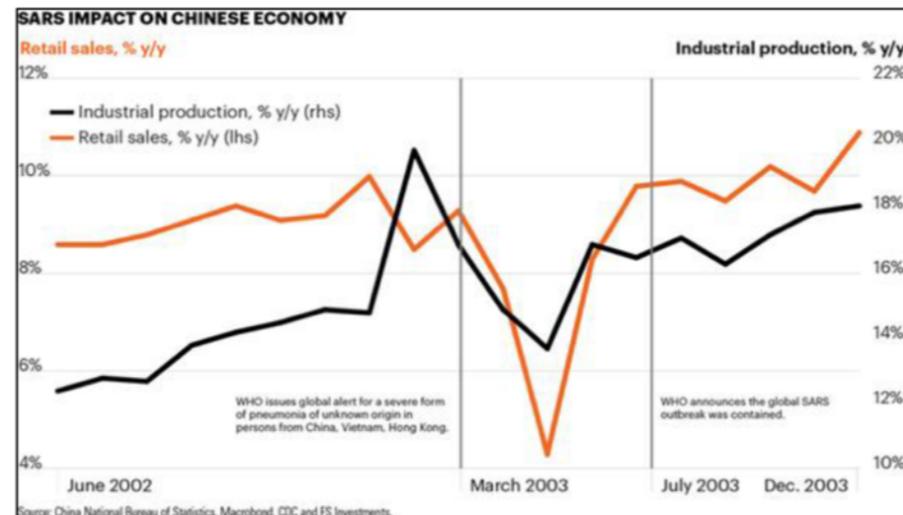
Country	Policy Rate	6-Month	1-Year	2-Year	3-Year	4-Year	5-Year	6-Year	7-Year	8-Year	9-Year	10-Year	15-Year	30-Year
Switzerland	-0.75	-0.95	-0.94	-0.96	-0.94	-0.93	-0.92	-0.91	-0.89	-0.88	-0.94	-0.86	-0.72	-0.55
Germany	-0.50	-0.69	-0.80	-0.88	-0.91	-0.89	-0.88	-0.88	-0.86	-0.82	-0.78	-0.73	-0.64	-0.30
Netherlands	-0.50	-0.69	-0.80	-0.80	-0.80	-0.82	-0.80	-0.75	-0.71	-0.67	-0.63	-0.57	-0.47	-0.24
Denmark	-0.75	-0.82	-0.89	-0.89	-0.83	-0.83	-0.83	-0.78	-0.78	-0.78	-0.70	-0.70	-0.70	-0.70
Finland	-0.50	-0.75	-0.81	-0.77	-0.76	-0.74	-0.66	-0.63	-0.54	-0.49	-0.43	-0.23	-0.03	-0.03
Austria	-0.50	-0.72	-0.77	-0.78	-0.75	-0.72	-0.65	-0.56	-0.55	-0.50	-0.45	-0.23	0.04	0.04
Japan	-0.10	-0.25	-0.26	-0.29	-0.29	-0.29	-0.27	-0.31	-0.33	-0.30	-0.23	-0.14	0.06	0.31
France	-0.50	-0.66	-0.69	-0.75	-0.74	-0.70	-0.63	-0.59	-0.53	-0.51	-0.43	-0.35	-0.13	0.34
Belgium	-0.50	-0.65	-0.69	-0.72	-0.75	-0.70	-0.63	-0.52	-0.46	-0.42	-0.36	-0.29	-0.13	0.36
Ireland	-0.50	-0.60	-0.60	-0.61	-0.55	-0.50	-0.41	0.00	0.00	0.00	0.00	-0.20	0.08	0.48
Sweden	0.00	-0.19	-0.38	-0.38	-0.59	-0.59	-0.59	-0.56	-0.51	-0.46	-0.38	-0.22	-0.22	-0.22
Spain	-0.50	-0.51	-0.51	-0.47	-0.46	-0.33	-0.23	-0.08	-0.01	0.07	0.15	0.22	0.54	0.97
Portugal	-0.50	-0.48	-0.48	-0.41	-0.29	-0.24	-0.07	-0.01	0.04	0.15	0.20	0.30	0.53	1.05
Italy	-0.50	-0.26	-0.21	-0.01	0.22	0.33	0.54	0.63	0.76	0.86	0.96	1.08	1.50	2.03
United Kingdom	0.75	0.39	0.23	0.09	0.12	0.12	0.14	0.10	0.12	0.16	0.22	0.24	0.45	0.72
Australia	0.50	0.60	0.42	0.40	0.36	0.36	0.39	0.44	0.50	0.59	0.64	0.68	0.90	1.30
New Zealand	1.00	1.73	0.55	0.55	0.70	0.70	0.85	0.85	0.94	1.36	1.36	1.36	1.36	1.36
Canada	1.25	0.92	0.83	0.66	0.64	0.62	0.60	0.63	0.63	0.68	0.68	0.68	1.00	1.00
United States	1.13	0.40	0.33	0.47	0.51	0.51	0.56	0.69	0.69	0.77	0.77	0.77	1.37	1.37

Concept courtesy of @CharlieBilello

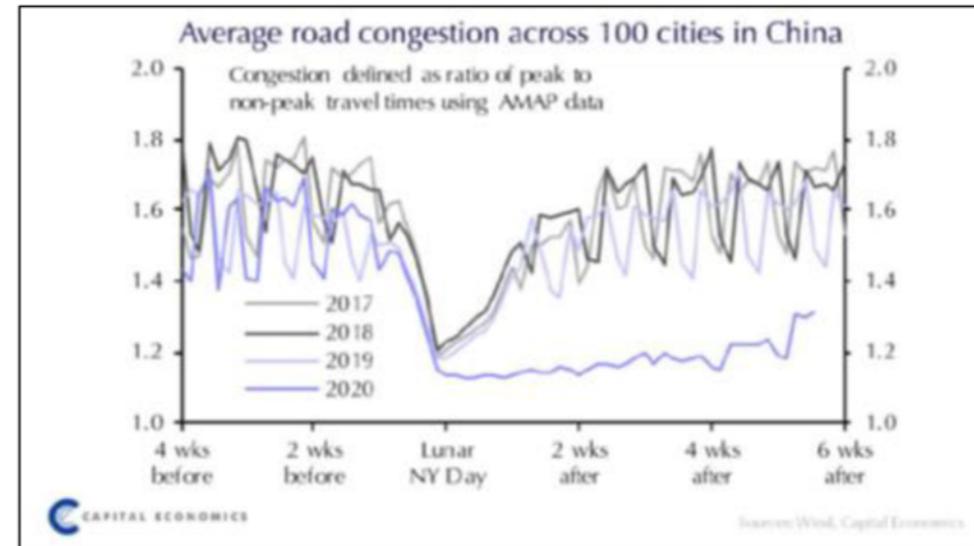
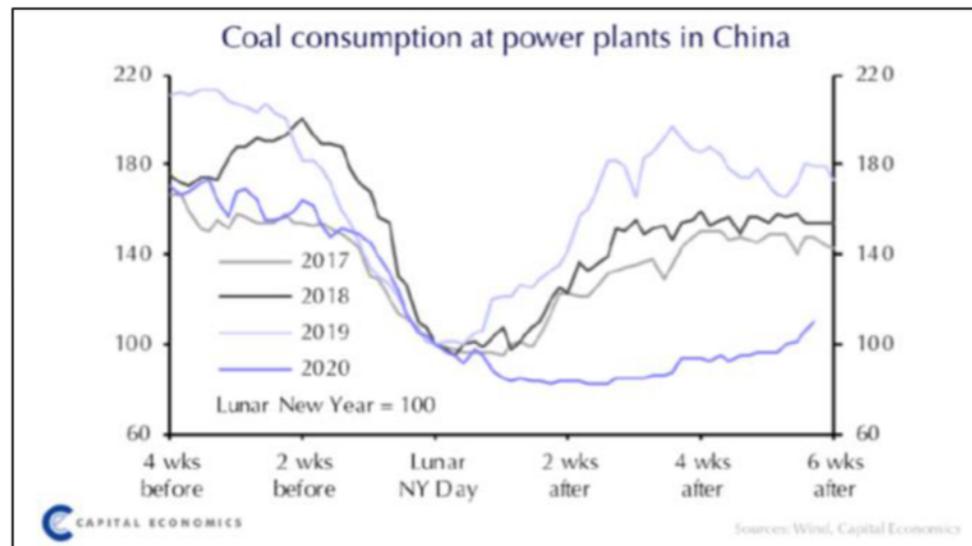
<https://www.biancoresearch.com>

Perspective on the Coronavirus

Markets have shown a tendency to overestimate the impact on GDP and global growth. Historically, markets and economies have recovered a quarter after the pandemic's growth rate slows.



Source: FS Investments, Capital Economics

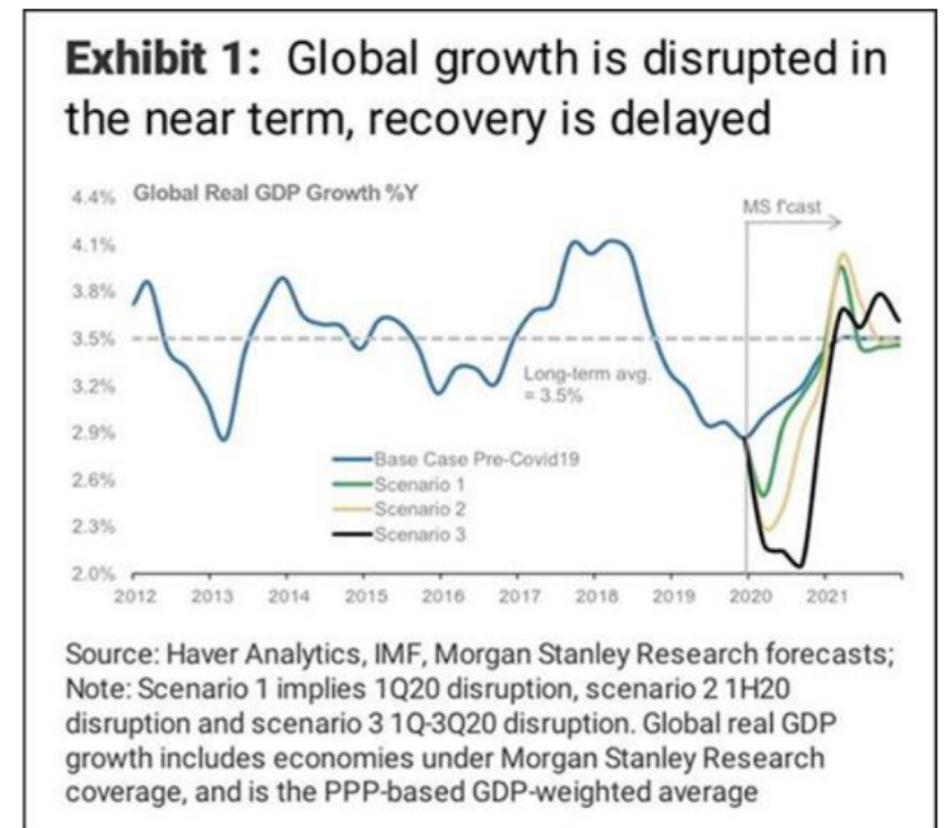
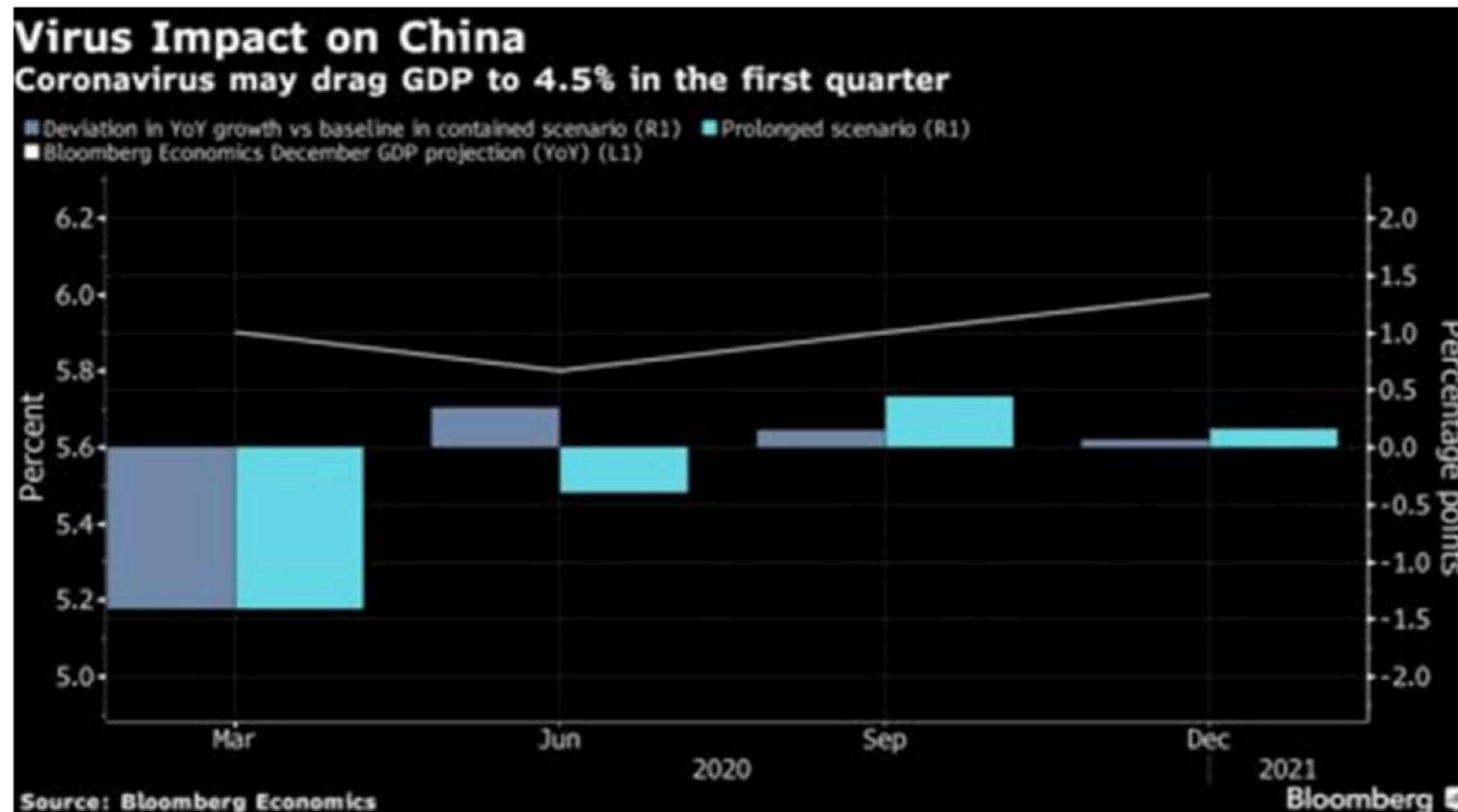


Is this time different? As of February 28:

- 85% of Starbucks 4,290 stores have reopened in China.
- Tim Cook announced Apple's China facilities are "getting back to normal."
- Coal and road congestion data improving.

Perspective on the Coronavirus

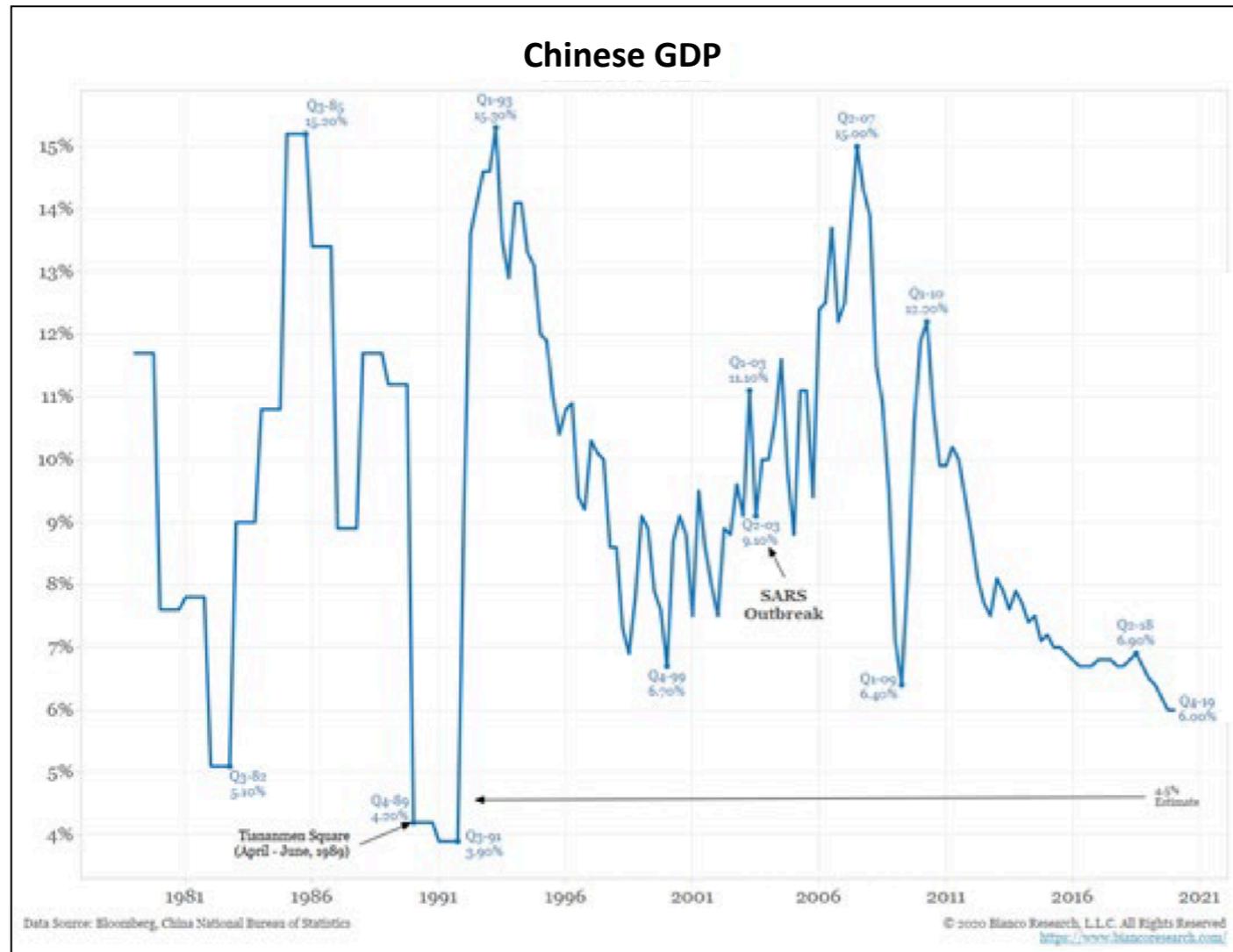
- Is this time different? Wuhan was a central rail hub during Chinese New Year festivities.
- Goldman Sachs forecasts a 0.4% drag on US GDP for a quarter and the Street is forecasting a 1.5% hit to Chinese GDP this quarter. SARS represented a similar drag on the Chinese economy.
- It is too early to tell; however, the path appears similar to SARS and MERS.
- Sources: Bloomberg, Morgan Stanley.



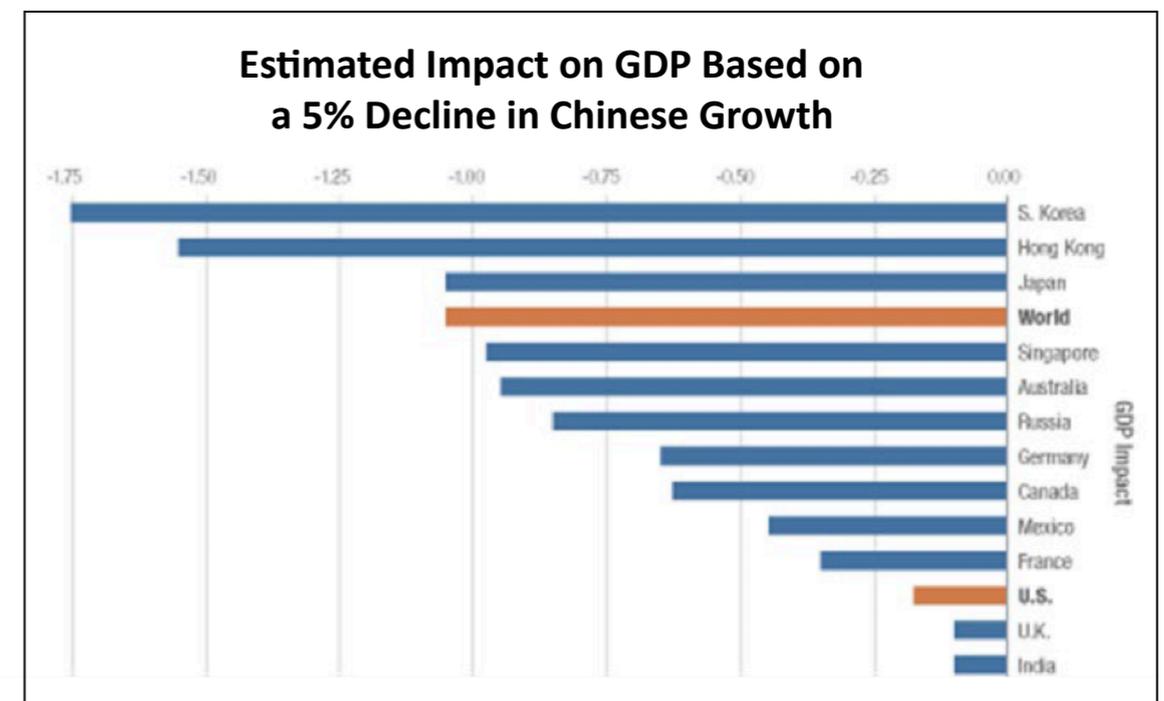
Perspective on the Coronavirus

Could this be more impactful than SARS?

China has a larger impact on the global economy today than in 2003.



Source: Bianco Research

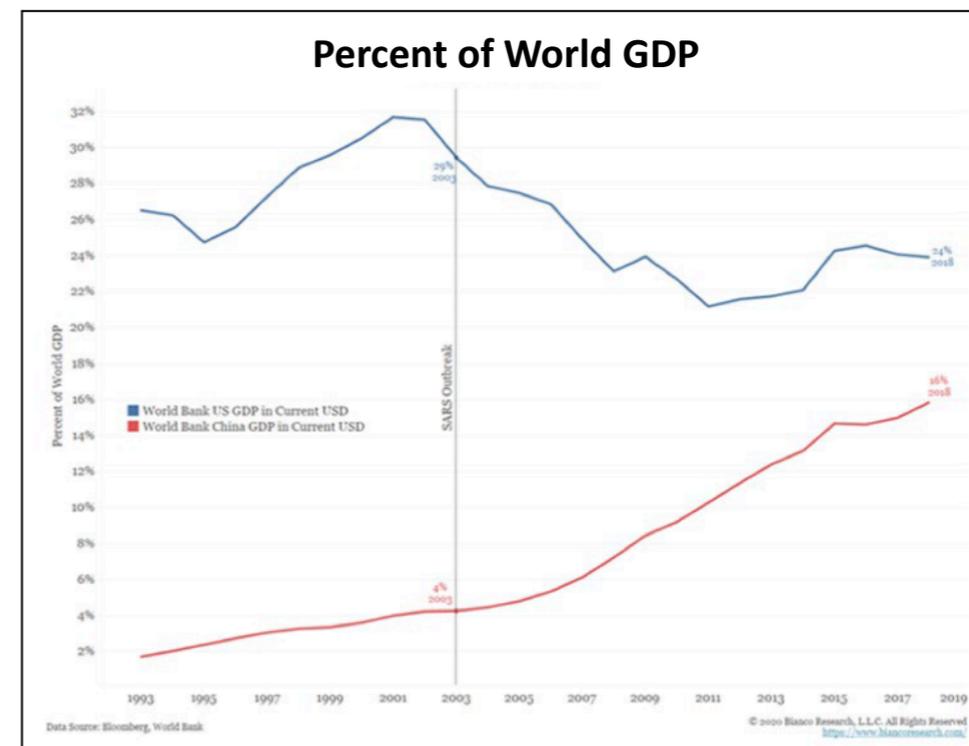


Source: International Monetary Fund (IMF), 1/31/20.

Perspective on the Coronavirus

Could this be more impactful than SARS?

- Economists' estimates currently show the coronavirus will have a smaller impact than SARS did in 2003. Many of these forecasts are predicated on the virus slowing in the next week or two.
 - ▶ It is impossible to assess the true economic impact until the growth rate begins to subside.
 - ▶ So far, the mortality rate is reported at 2%, but this is extremely premature as some existing patients may yet succumb to pneumonia or related illnesses (for reference, SARS had a 9% mortality rate). While so far this virus looks to be less fatal, it does appear to be more contagious.
- In 2003, the Chinese economy only accounted for 4% of world GDP and the US economy was 7.5x larger than China. Today China is 16% of global GDP and the US economy is only 1.5x larger.
 - ▶ China's economy was on steadier ground in 2003—unlike today.
- In 2003, global markets were in the nascent stages of recovery after a brutal recession, 50% equity decline over two years, and the aftermath of 9/11. Markets may be more vulnerable to selling pressure this time around:
 - ▶ The virus news struck after a decade without a recession and the second longest bull market in the history of the US. Further, most market indicators were well overbought after a 30% year when the virus news hit.



China's Importance Now and in 2003

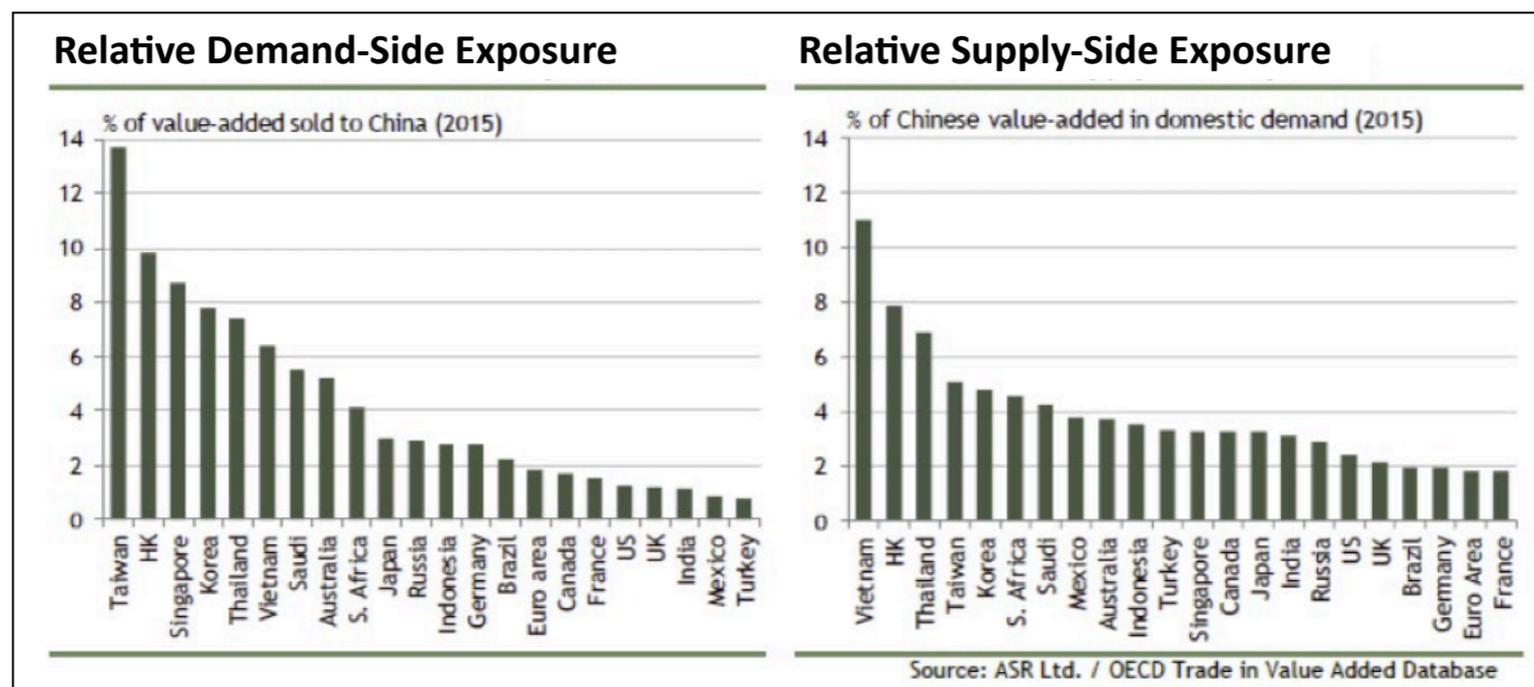
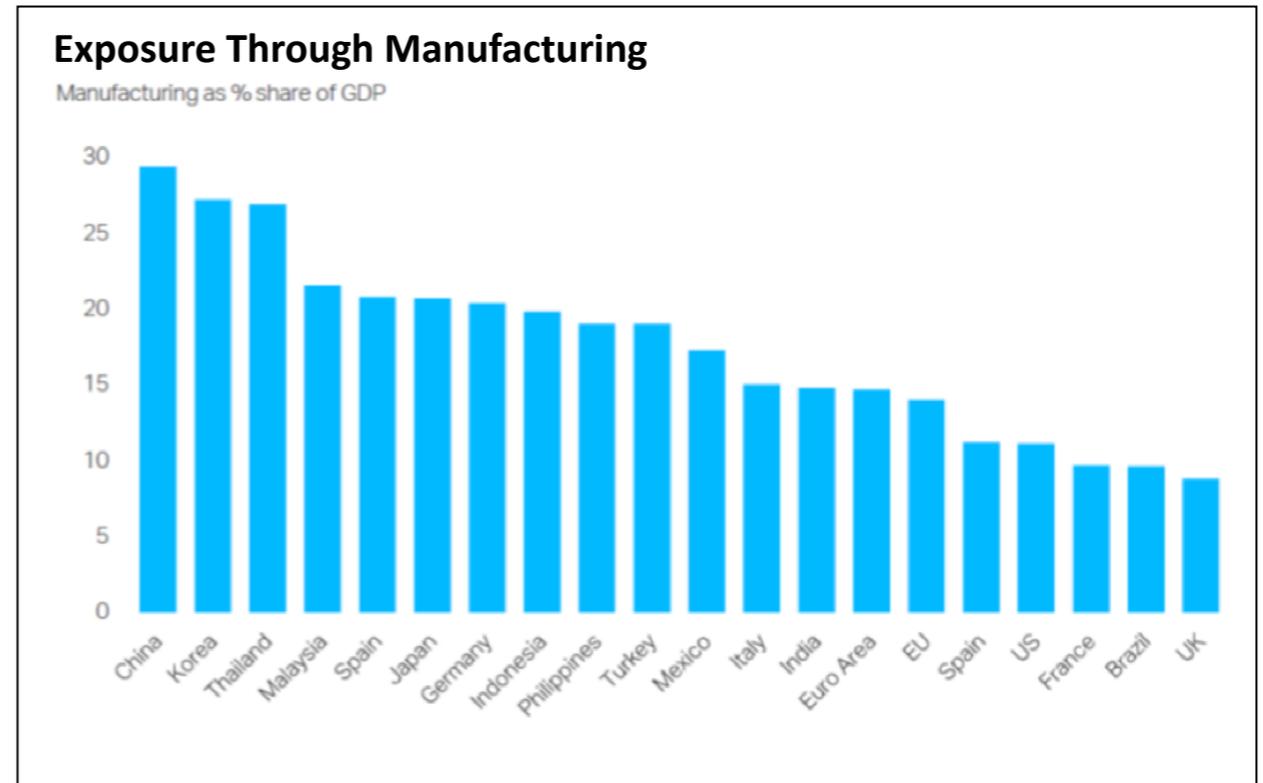
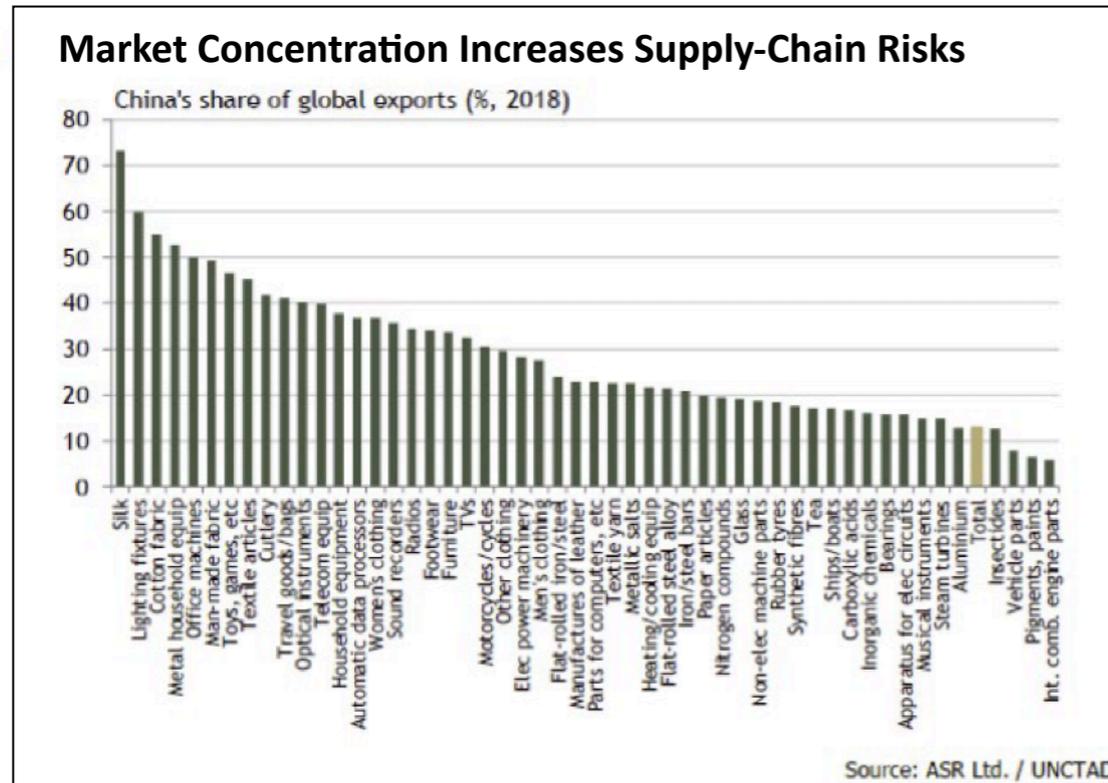
China's Annual Consumption As % Of Global		
	2002	2019
Crude Oil Consumption	6.6%	13.5%*
Crude Steel Consumption	22.6%	47.5%*
Copper Consumption	17.8%	53.3%**
Aluminum Consumption	16.5%	57.3%**
Nickel Consumption	7.2%	53.3%**
Zinc Consumption	21.0%	48.4%**
Iron Ore imports	21.0%	64.3%*
Semiconductors Sales	5.0%	34.6%**
Smartphone Sales	11.2%***	29.2%
Personal Computer Sales	2.4%	20.0%
Passenger Cars Sales	7.3%	34.5%*

*THE DATA IS FOR 2018.
 **THE DATA IS THE SUM OF DECEMBER 2018-NOVEMBER 2019.
 ***THIS WAS FOR CHINESE MOBILE PHONE SALES. NO MODERN SMARTPHONE YET IN 2002.

Perspective on the Coronavirus

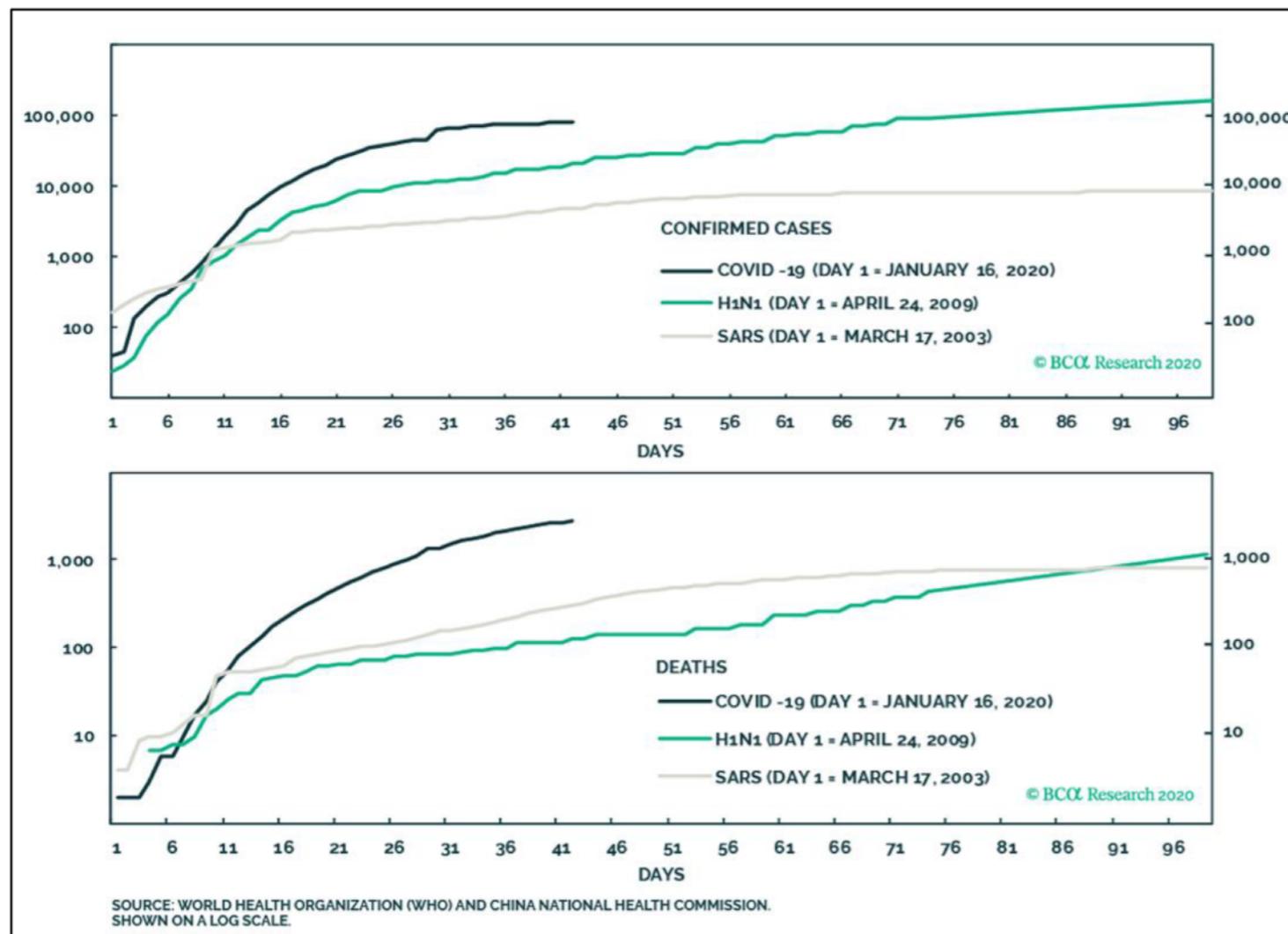
Could this be more impactful than SARS?

China is substantially larger than 2003 (SARS) or 2010 (Swine flu) and more integral to global supply chains.

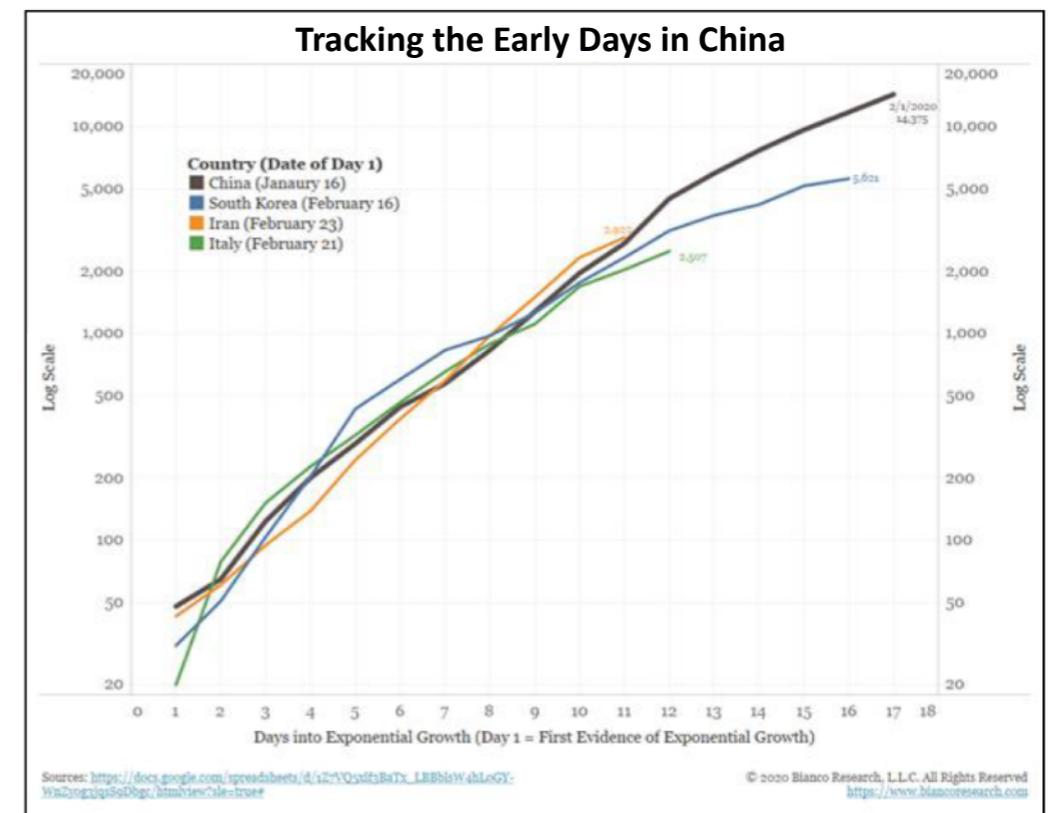


Perspective on the Coronavirus

Despite positive news from China over the weekend, markets reacted violently (-12%) to the global spread of COVID -19 in Italy, Iran, and South Korea along with a case in California of unknown origin. Through early March, global cases appear to be following the path of other pandemics. Further, the COVID-19 spread outside of China is following a similar course to the outbreak in Wuhan.



Source: BCA Research



Source: Bianco Research

Oil Market Collapse

Similar price drops occurred in 2015. The collapse in oil sparked fears of contagion risk in high yield and then equities. Despite the abrupt fall in oil prices from \$60 to \$30, systemic risks did not manifest themselves. Additionally, the fall in oil prices coincided with Fed tightening.

2015 Oil Price Collapse

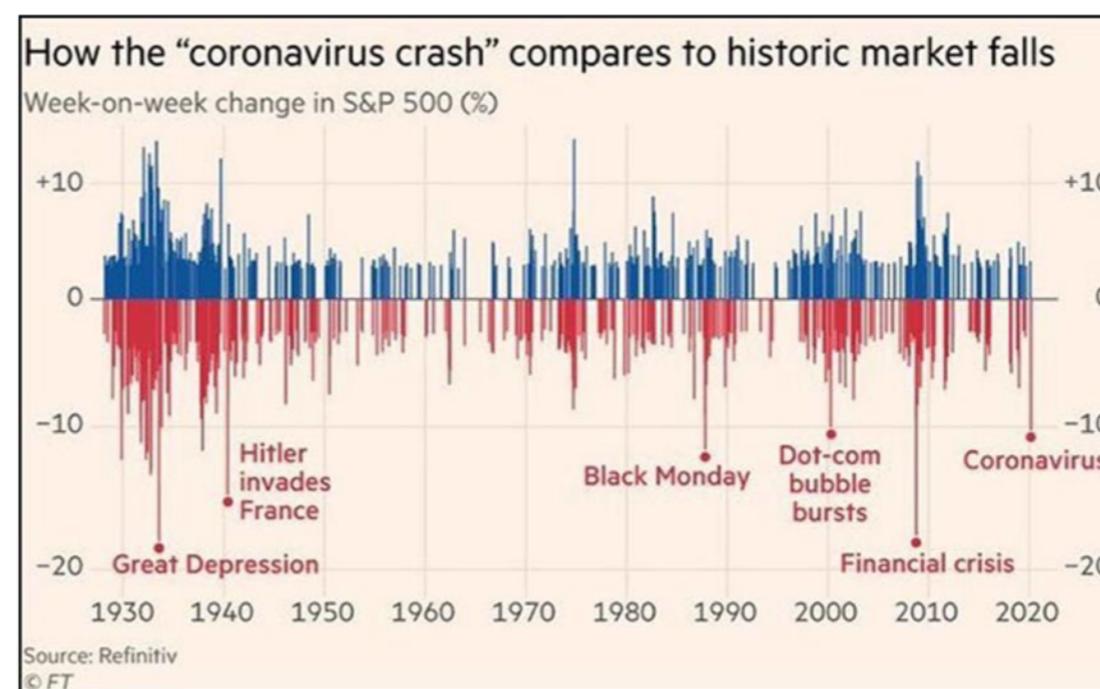
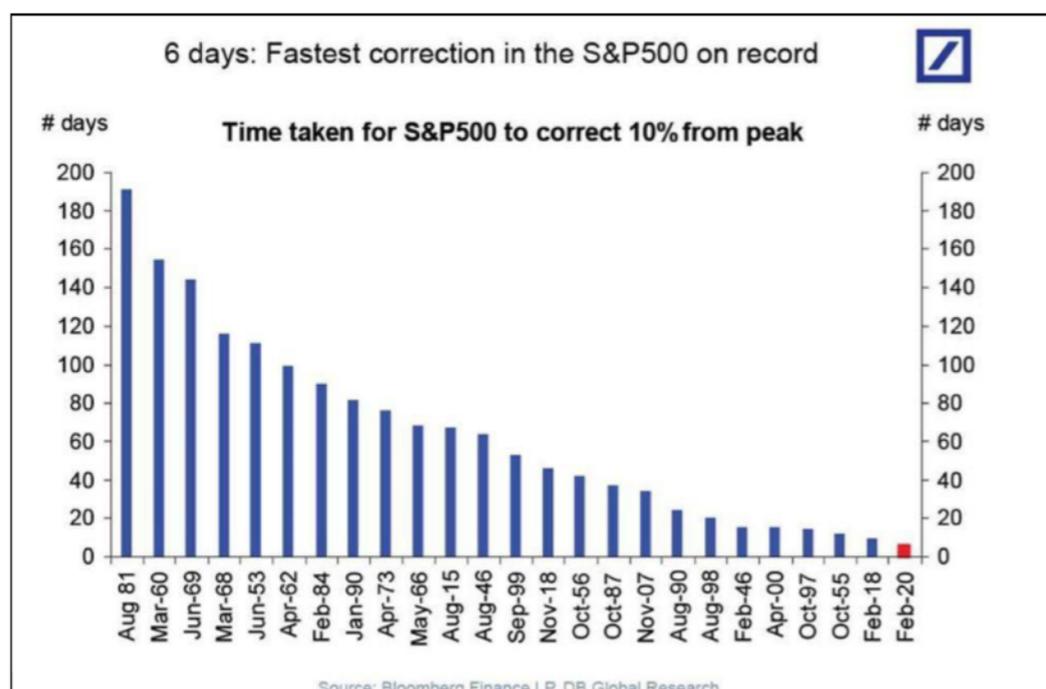


Perspective on the Coronavirus

Initial market reaction similar to 9/11 & Hitler's invasion of France.

Fastest 6 Day Drawdown From All-Time Highs In History													
Last ATH	Date of Low	High -> Low Days	Loss After 6 Days	Loss To Bottom (%)	Next ATH	Sessions	Forward Returns (%)						
							Day	Week	Month	3 Months	6 Months	Year	
2/19/2020	2/27/2020	6	-12.12	?	?	?	?	?	?	?	?	?	?
9/4/1986	9/29/1986	17	-9.12	-0.33	12/2/1986	68	0.55	0.67	2.27	7.23	26.79	36.53	
11/30/1928	12/10/1928	6	-8.11	0.00	12/31/1928	26	1.93	0.58	10.17	15.33	16.23	-6.54	
1/26/2018	2/8/2018	9	-7.79	-2.56	8/24/2018	152	1.74	0.27	2.94	0.87	7.88	3.62	
4/6/1987	5/20/1987	31	-7.55	-0.34	6/15/1987	54	1.89	2.88	5.40	12.01	6.78	-7.61	
11/28/1980	8/12/1982	430	-7.05	-21.58	11/3/1982	494	-0.10	-0.89	1.88	-0.51	2.40	-4.35	
9/23/1955	10/11/1955	12	-6.88	-3.98	11/14/1955	41	0.78	-3.15	-0.49	5.79	14.97	9.27	
3/4/1955	3/14/1955	6	-6.82	0.00	4/12/1955	32	2.15	2.83	7.87	13.19	28.69	38.99	
7/19/2007	8/15/2007	19	-6.06	-3.58	10/5/2007	61	1.03	-1.77	0.54	5.23	-7.07	-13.62	
3/15/1929	3/26/1929	7	-6.02	-0.65	5/2/1929	39	-0.65	2.69	5.06	9.75	25.87	2.45	
7/26/2019	8/14/2019	13	-5.99	-0.15	10/28/2019	71	1.30	1.37	3.27	8.21	17.61	?	
5/14/1928	6/12/1928	20	-5.28	-5.27	8/28/1928	80	2.01	2.38	-4.13	3.31	22.42	28.25	
10/9/1989	1/30/1990	78	-5.18	-5.33	5/29/1990	166	0.18	0.74	-0.18	-0.87	-1.77	-7.74	
7/16/1999	10/15/1999	64	-5.01	-7.45	11/16/1999	92	1.12	-1.46	1.17	-4.02	4.18	5.35	
8/25/1987	12/4/1987	71	-4.48	-30.39	7/26/1989	491	-0.46	-1.41	1.99	-29.99	-16.88	-17.35	
11/13/1991	11/29/1991	11	-4.37	-1.27	12/24/1991	34	-1.03	-1.27	4.41	8.00	8.45	12.93	
3/27/1986	4/7/1986	6	-4.33	0.00	4/16/1986	19	2.14	3.78	3.77	5.67	2.53	28.09	
11/17/1958	11/25/1958	6	-4.17	0.00	12/10/1958	22	1.72	2.96	7.29	9.23	14.92	14.86	
7/2/1986	7/15/1986	8	-4.15	-3.53	8/26/1986	44	-1.70	-2.42	-0.64	-2.78	7.32	29.10	
12/5/2014	12/16/2014	7	-4.13	-0.85	12/22/2014	17	-0.85	4.47	0.15	5.01	6.05	1.58	
Average		41	-6.23	-4.59		105	0.72	0.70	2.78	3.72	9.86	8.55	
Median		12	-6.00	-1.27		54	1.03	0.67	2.27	5.67	7.88	4.48	

Source: Bespoke Research

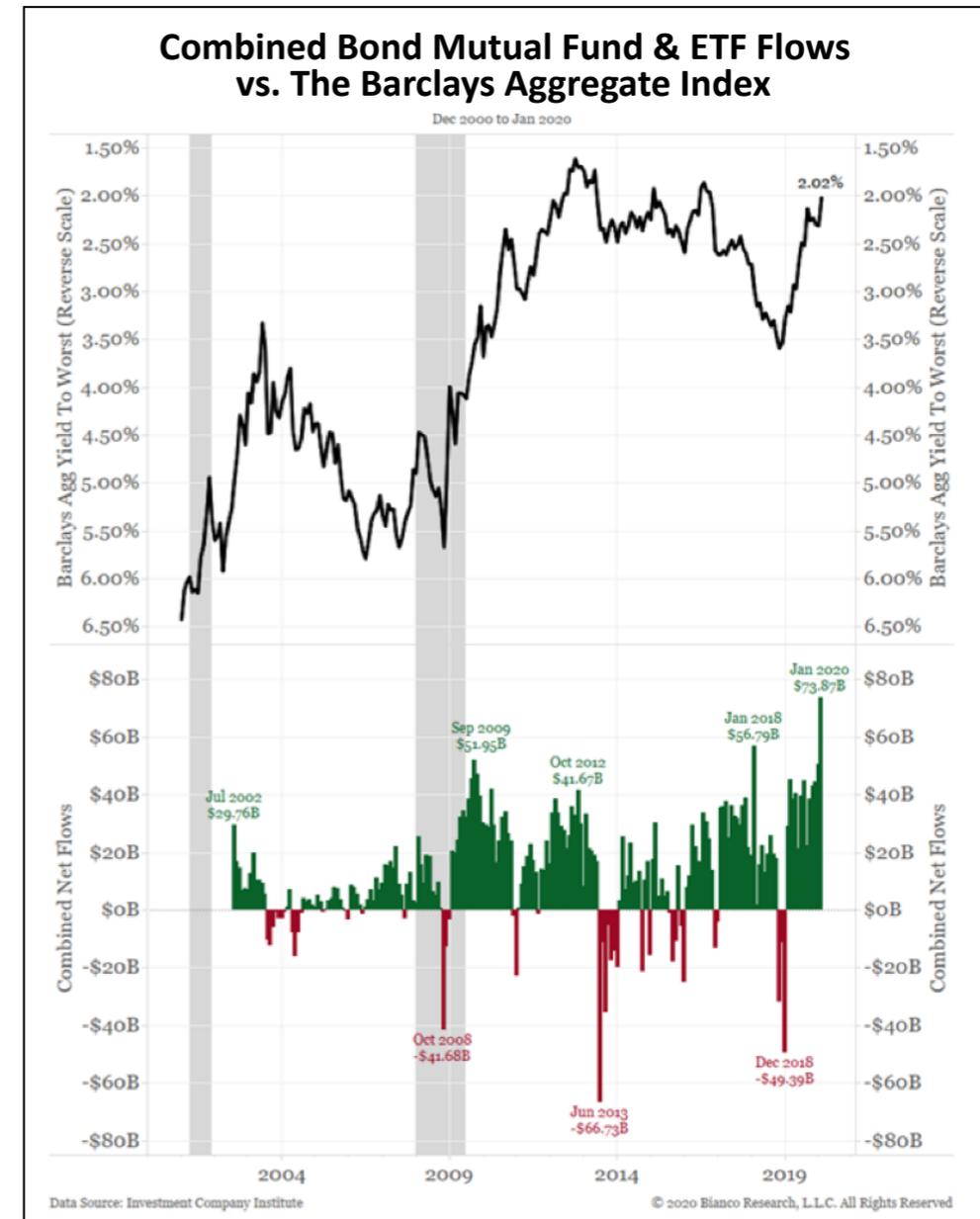
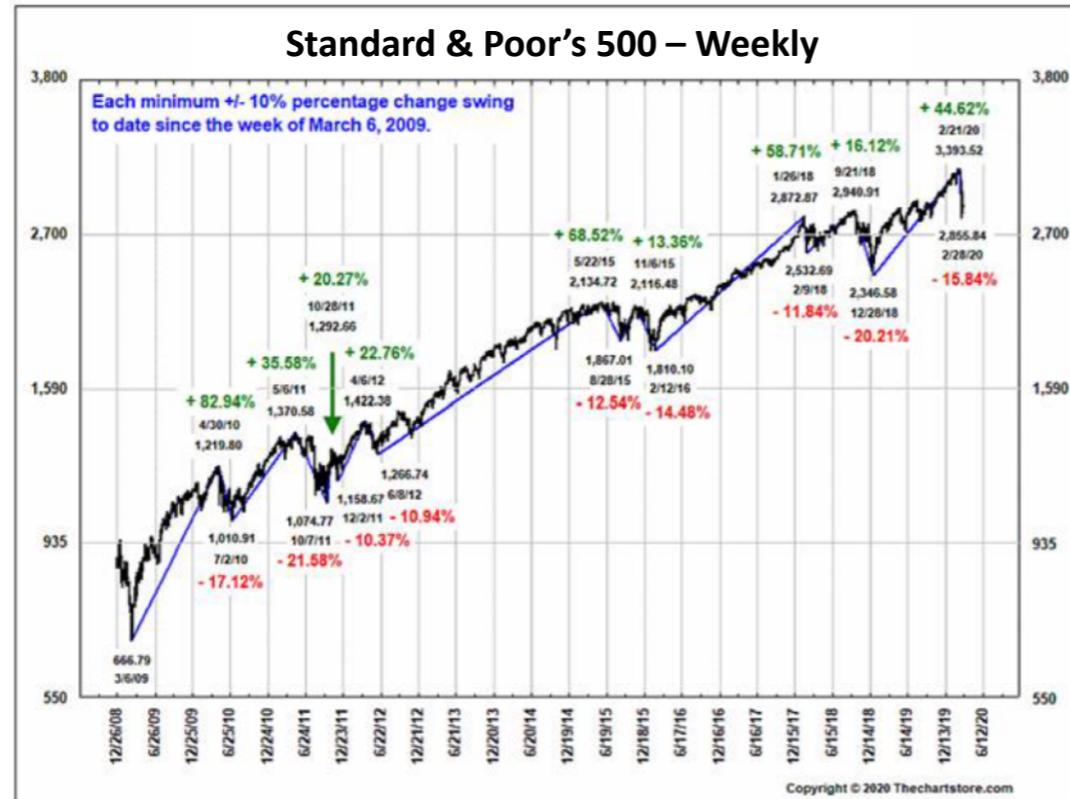


Sources: DB Research, Financial Times

Market Reaction

Biggest monthly inflow in the history of bond funds.

10-year Treasury bond yields price in a larger fear premium than World War II!



Perspective on the Coronavirus

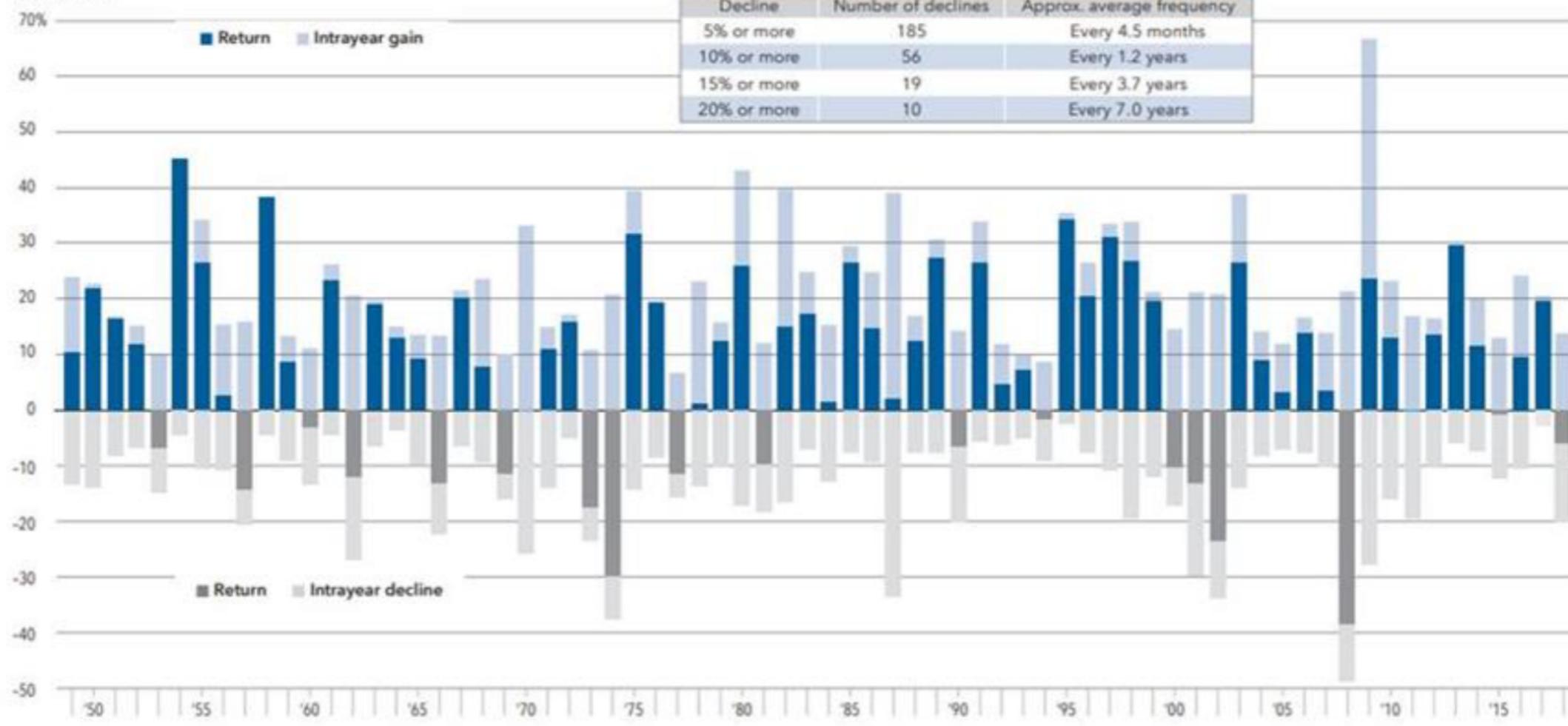


CAPITAL GROUP* | AMERICAN FUNDS*

Long-term investors can weather market declines

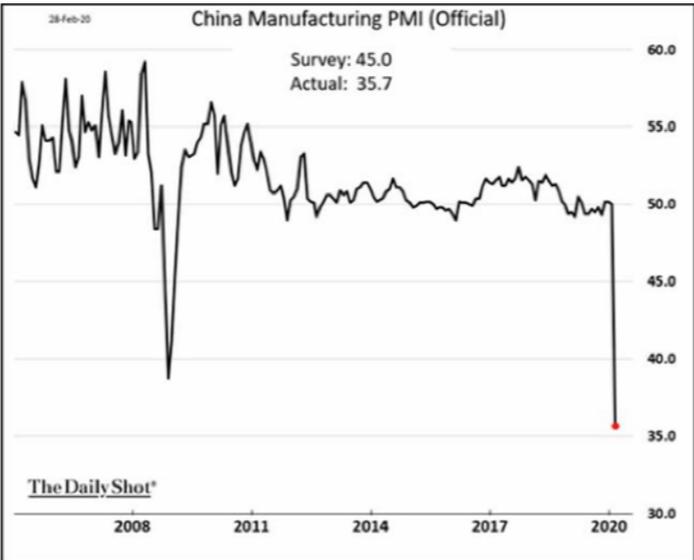
Intrayear declines in the S&P 500 have averaged 13.5% since 1949, yet annual price returns have been positive in 51 of those 70 calendar years.

S&P 500 annual price return



Perspective on the Coronavirus

Although China was the epicenter of the COVID-19 outbreak and suffered an utter collapse in manufacturing, Chinese markets do not appear to be pricing in recession (unlike the US or Europe).



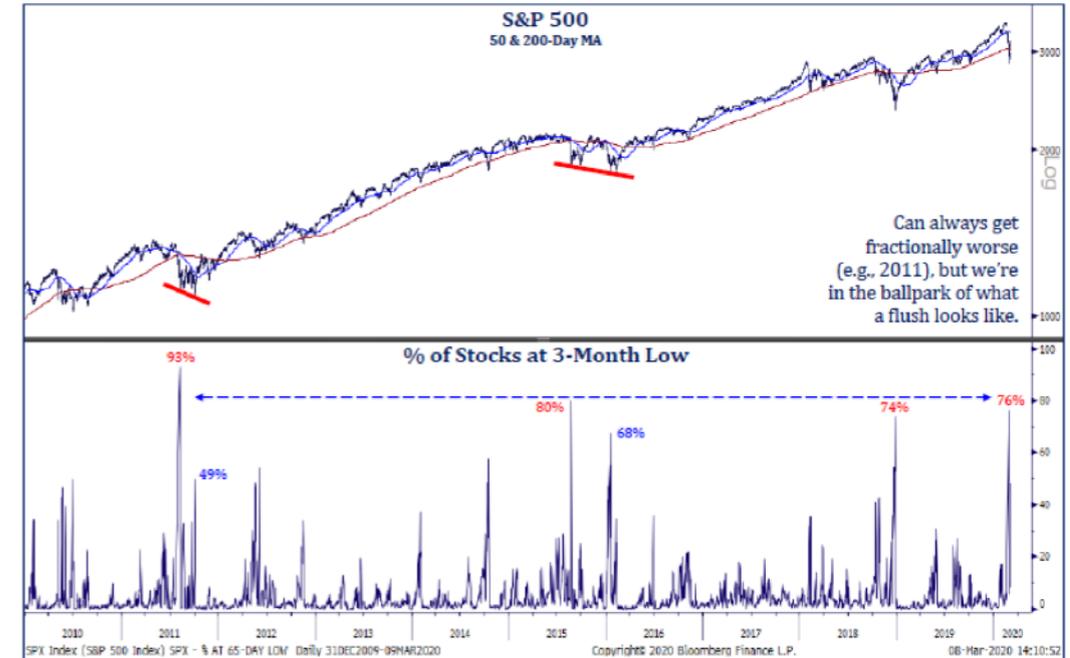
Perspective on the Coronavirus

Market Reaction—Close to a Buyable Bottom?

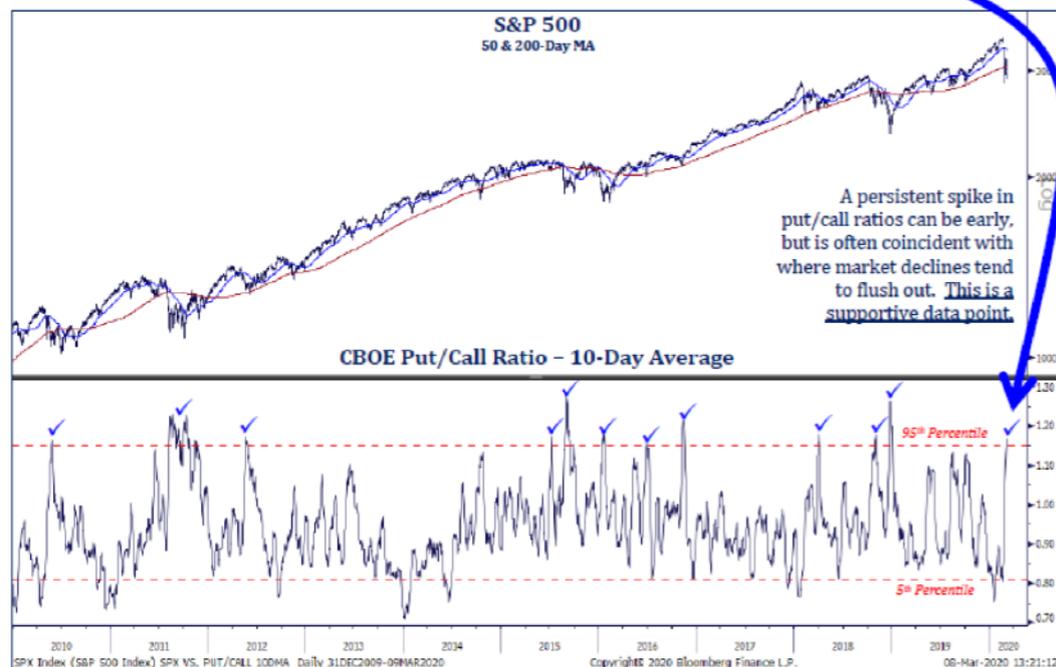
Magnitude & Speed of Decline in the Category of 1998/2011/2015



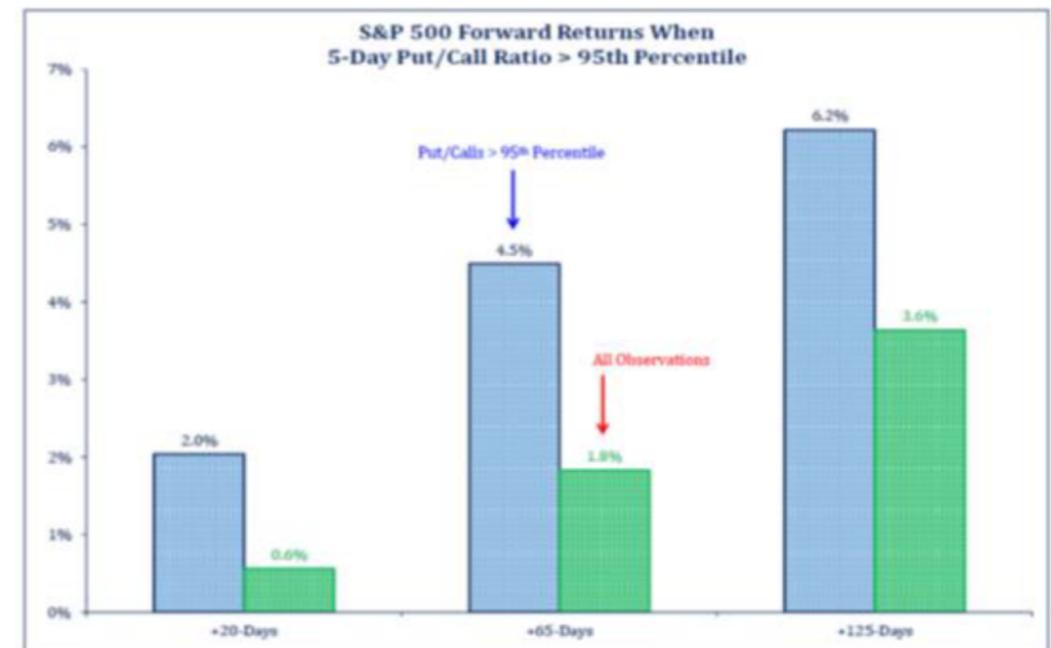
3-Month Lows Nearly Flushed



Put/Call Data Now at a Statistical Extreme



Put/Call Data Is a Very Timely Signal



Perspective on the Coronavirus

Market Reaction—Close to a Buyable Bottom?

@CharlieBilello		S&P 500 Forward Total Returns following CNBC "Markets in Turmoil" Specials						
Markets in Turmoil	S&P 500 Close	1-Week	1-Month	3-Month	6-Month	9-Month	12-Month	Cumulative
5/6/2010	1128	2.7%	-6.7%	0.3%	7.2%	17.6%	20.7%	250.7%
5/7/2010	1111	2.3%	-4.2%	1.5%	11.0%	19.8%	23.0%	256.2%
5/9/2010	1111	2.3%	-4.2%	1.5%	11.0%	19.8%	23.0%	256.2%
6/4/2010	1065	2.6%	-3.3%	2.9%	15.9%	25.9%	24.5%	270.8%
8/4/2011	1200	-2.2%	-1.9%	3.7%	13.3%	16.0%	18.5%	221.6%
8/7/2011	1199	-1.6%	-2.6%	5.7%	13.4%	16.1%	18.9%	221.8%
8/8/2011	1119	7.7%	7.3%	12.5%	21.7%	23.9%	28.0%	244.7%
8/9/2011	1173	1.8%	1.4%	8.1%	16.5%	17.5%	22.3%	229.1%
8/10/2011	1121	6.6%	3.2%	14.5%	22.0%	23.2%	28.0%	244.2%
8/11/2011	1173	-2.7%	-0.7%	5.4%	15.8%	17.3%	22.6%	228.9%
8/12/2011	1179	-4.6%	-0.3%	5.8%	16.0%	15.4%	21.8%	227.2%
8/14/2011	1179	-4.6%	-0.3%	5.8%	16.0%	15.4%	21.8%	227.2%
8/18/2011	1141	1.6%	5.8%	9.0%	20.7%	15.5%	27.1%	237.9%
9/22/2011	1130	2.8%	9.8%	10.7%	25.1%	20.2%	32.2%	240.6%
6/3/2012	1278	3.8%	7.0%	10.1%	11.5%	22.7%	28.8%	196.3%
8/23/2015	1971	0.9%	-1.3%	6.2%	-1.4%	5.7%	13.2%	79.5%
8/24/2015	1893	4.2%	2.6%	11.0%	3.1%	11.5%	18.1%	86.8%
8/25/2015	1868	2.5%	3.6%	12.3%	5.7%	13.8%	19.1%	89.4%
8/26/2015	1941	0.5%	-0.3%	8.2%	1.5%	9.5%	14.5%	82.2%
9/1/2015	1914	1.5%	0.7%	10.5%	5.4%	11.9%	16.0%	84.7%
1/18/2016	1880	-0.2%	2.7%	12.0%	16.5%	15.3%	23.3%	86.5%
2/5/2018	2649	0.3%	3.2%	1.4%	8.7%	4.3%	5.2%	26.9%
2/8/2018	2581	5.9%	8.1%	6.0%	11.6%	10.6%	7.1%	30.2%
10/11/2018	2728	1.5%	2.1%	-4.8%	7.6%	11.8%	11.0%	21.5%
10/24/2018	2656	2.1%	-0.7%	0.1%	12.0%	15.5%	16.1%	24.8%
12/27/2018	2489	1.8%	6.2%	14.5%	19.4%	20.8%	32.8%	32.6%
8/5/2019	2845	1.4%	3.5%	8.3%	17.1%	?	?	14.7%
8/14/2019	2841	-2.9%	6.1%	9.3%	19.9%	?	?	14.7%
2/24/2020	3226	?	?	?	?	?	?	?
 COMPOUND	Average	1.4%	1.7%	6.9%	13.0%	16.0%	20.7%	161.5%
	% Positive	75%	57%	96%	96%	100%	100%	100%

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Perspective on the Coronavirus

Summary

- **Although there are short term negative reactions to epidemics, ultimately, the health of the global economy and magnitude of monetary & fiscal stimulus dictate the direction of equity markets.**
- Markets have shown a **tendency to overestimate the impact on GDP and global growth**. Historically, markets and economies have recovered a quarter after the pandemic's growth rate slows. **In fact, 85% of Starbucks 4,290 stores have reopened and Tim Cook announced Apple's China facilities are "getting back to normal."**
 - ▶ Goldman Sachs forecasts a 0.4% drag on US GDP for a quarter and the Street is forecasting a 1.5% hit to Chinese GDP this quarter. SARS represented a similar drag on the Chinese economy.
 - ▶ It is too early to tell; however, the path appears similar to SARS, Swine Flu, and MERS, but could be more impactful due to China's growth in the global economy and its integral role in supply chains.
 - ▶ Economists' estimates currently show the coronavirus will have a similar impact as SARS in 2003. Many of these forecasts are predicated on the virus slowing over the coming weeks. However, it is impossible to assess the true economic impact until the epidemic begins to subside.
- So far, the mortality rate is reported at 2%, but this is extremely premature as some existing patients may yet succumb to pneumonia or related illnesses (for reference, SARS had a 9% mortality rate). While so far this virus looks to be less fatal, it does appear to be more contagious.
- In 2003, the Chinese economy only accounted for 4% of world GDP and the US economy was 7.5x larger than China. Today China is 16% of global GDP and the US economy is only 1.5x larger.
 - ▶ China's economy was on steadier ground in 2003—unlike today.
 - ▶ In 2003, global markets were in the nascent stages of recovery after a brutal recession, 50% equity decline over two years, and the aftermath of 9/11.
- The Coronavirus news has struck after a decade without a recession and in the midst of the second longest bull market in the history of the US. Further, when the virus news hit, most market indicators were well overbought after a 30% up year. As a result, markets are currently more vulnerable to selling pressure than they were in 2003 at the outbreak of SARS.
- Longer term, we believe that UST yields below 1% (free money), \$30 oil (consumer gas and industrial fuel tax cut equivalent), global fiscal stimulus, and global ZIRP will translate to a stabilization and recovery in risk markets.
 - ▶ We do not view the coronavirus outbreak or the oil price shock as systematic risks and are advising clients to rebalance portfolios in light of the sharp rally in fixed income and drawdown in equity markets. Our guidance is a partial re-risk based on policy/benchmark parameters.



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