



Viruses & Market Volatility Amid Uncertain Times

The constant turmoil we are experiencing in these hyperpolitical times have clearly hit a fever pitch with the arrival of the new virus, COVID-19, or more commonly referred to as the coronavirus. What is surprising about this new virus is that, amid the chaos we have come to expect from the current administration, it comes down to a potent virus that causes this strong bull market to pause.

Why the coronavirus?

It was only a matter of time before a stick was stuck in this market spoke. Markets don't like uncertainty under any circumstances, but they especially don't like it when they are richly valued, as they are now. In terms of market cycles, we have been due for a correction, and this little bug with all the future uncertainty it carries, is the perfect carrier to do the job. This virus has single handedly and quite abruptly brought much business to a halt. Due to businesses closing for precautionary quarantines and "social distancing" causing the cancelling of events where people gather, businesses have had a sudden and alarming halt to their earnings from supply chain components, to conferences, to the entertainment and travel industry, and just business in general, as public health is prioritized over all else. The loss of revenue will directly impact stock value, and this is what is driving the stock market down as shareholders sell to avoid losses. In addition, we now have an oil shock brought on as Russian president Putin continues to create confusion in the US economy.

Why did the Fed lower interest rates?

The Federal Reserve has basically two official mandates: to keep the economy at full employment and to provide price and interest rate stability. Clearly, this situation causes concern for both mandates. While the Fed generally considers rate changes only at their regularly scheduled meetings, they occasionally make emergency decisions when they feel it is warranted. The last time the Fed made an emergency rate cut was in the 2008 recession. The current .5% interest rate cut is an attempt to lessen the strain of the already tightening economic system by making money for those in need easier to access. Whether it will help is hard to know, but it is worth noting that the sudden increase in the markets was quickly reversed and the markets ended down for the day. This is an effective vote of no confidence by the markets that the cut will provide the necessary relief.

What to expect going forward.

We don't know at this point how this will play out. We are learning a lot about what cuts to our

federal agencies, and the pushing out of our senior expert leaders does to the uncertainty we feel when something new and unexpected happens. But in terms of the stock market, and our portfolios, we will need to take a wait and see approach. Focus on your health, and staying healthy, and don't panic. Expect the markets to continue to be volatile as this moves through our economic system. It may take awhile until we have stability, and the potential for a recession is a very real possibility. In light of that, continue your savings plan, limit accessing debt if possible, and re-check your budget to make sure you are not over spending. Check your insurance policies to ensure you are adequately covered, and pay particular attention to due dates for changes in your health insurance coverage.

What should you do?

No action is needed on your part at this time UNLESS something has changed that necessitates a review. If you are not sure, feel free to contact me to discuss if changes need to be made, or if you just need a bit more information than is offered in this newsletter. In the meantime, have faith that the planning you have done in the past will weather this current uncertainty.

One final point: don't buy in to an alarmist mentality. While the market drops feel scary, remember they are coming at a point of high returns. While the down markets may continue, all markets hit a bottom at which money on the sidelines will return, and reverse the downward trend. However, If you feel you cannot sustain a downturn in your portfolio, or feel anxious, certainly contact me soon.

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