Coronavirus and the Market

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What is the impact of Coronavirus on my investments?

The term "novel coronavirus" is so new, some people have apparently wondered whether it is related to Corona beer. (It is not; it's named after its crown-shaped particles.) And yet, how quickly it has grabbed global headlines. As the viral news has spread, so too has financial uncertainty. What's going to happen next? Will it further infect our domestic or global economies? In case it does, should you try to shift your investments to remain one step ahead?

Our advice is simple: ***Do*** try to avoid this or any other health risk through good hygiene. Wash your hands. Cover your mouth when you cough. Eat well, exercise, and get plenty of sleep.

But do not let the breaking news directly impact your investment strategy.

The keys to following an evidence-based investment strategy are …

- Having a globally diversified investment portfolio.
- Structuring your portfolio to capture a measure of the market's expected *long-term* returns.
- Tolerating a measure of this sort of risk to earn those expected *long-term* returns.
- Identifying how much market risk you must expect to endure to achieve your personal financial goals and allocating your investments accordingly.

In other words, it may feel counterintuitive, but if you have done the above you have planned for this type of contingency already. In investing, there are things that you can control, and there are things that you cannot. The impact of coronavirus to the market is something that we can't control; sticking to your plan is.

Admittedly, that's often easier said than done. Here are a few reminders on why sticking with an evidence-based investment plan remains your best financial "treatment."

"I'm assuming there will be no apocalypse. And that's almost always, if not quite always, a good assumption." — John C. Bogle

If you're not invested, your investments can't recover. Few of us make it through our days without enduring the occasional moderate to severe ailment. Once we recover, it feels so good to be "normal" again, we often experience a surge of energy. Similarly, markets are going to take a hit now and then. But with historical evidence as our guide, they'll also often recover dramatically and without warning. If you exit the market to avoid the pain, you're also quite likely to miss out on portions of the expected gain.

Markets endure. We by no means wish to downplay the socioeconomic suffering coronavirus has created. But even in relatively recent memory, we've endured similar events – from SARS, to Zika, to Ebola. Each is terrible, tragic, and frightening as it plays out. But each time, markets have moved on. Whether coronavirus spreads further or we can quickly tamp it down, **overwhelming historical evidence** suggests capital markets will once again endure.

The risk is already priced in. The latest news on coronavirus is unfolding far too fast for any one investor to react to it … but not nearly fast enough to keep up with highly efficient markets. As each new piece of news is released, markets nearly instantly reflect it in new prices. So, if you decide to sell your holdings in response to bad news, you'll do so at a price already discounted to reflect it. In short, you'll lock in a loss, rather than ride out the storm.

Bottom line, market risks come in all shapes and sizes. This includes the financial and economic repercussions of a widespread virus, be it real or virtual. While it's never fun to hunker down and tolerate risks as they play out, it likely remains your best course of action. Please let us know if we can help you maintain your investment plan at this time, or judiciously adjust your plan if you feel it no longer reflects your greater financial goals.