

A TURN FOR THE WORSE

Global equity markets, led by the US indices, were recovering nicely last week buoyed by some impressive earnings by Apple, Amazon, IBM, and even GE got into the act, and then

News emerged that the number of cases of **Coronavirus** were substantially higher than past reports, with over 9,800 cases in China, surpassing the worldwide total of the deadly SARS virus. Details that officials of Wuhan did not make a "timely disclosure" of the outbreak and delayed implementing quarantine measures only heighten the **worldwide concern**.

Major airlines suspended flights into China and the USA imposed strict entry curbs on foreign citizens. As the number of confirmed cases spread, anxiety on the length and depth of this outbreak and the ultimate effect on global growth led to **the usual knee-jerk reaction to SELL**. By the week's end, every major stock market had losses and it was the worst January since 2016 for the three major US indices. Commodities affected by economic growth were hard hit with oil falling almost 5% and copper down over 6%.

I wrote to you last week, "After the big move up in share prices over the last few weeks many equity indices, and share prices, were **"stretched"**, to say the least. The uncertainty and duration of the corona outbreak may well be the stimulus for a price pullback in the 5% to 10% range, a sell-off that RBC's and many other technical strategists, had been looking for."

I have no doubt that there will be a big "relief" rally when the outbreak appears contained, but at the moment that appears to be some way off. So, I think using the term that Doctors love **"cautious observation"** is the correct stance.

This outbreak, while worrisome, may turn out not to be as deadly or as long lasting as SARS. Worldwide cooperation amongst health agencies, advancing techniques in identifying and potentially controlling these pathogens and much better protocols in containing the spread are all positive factors.

Our investment stance – do not to make any major changes in investment strategy - but expect volatility as the situation evolves.