



Market Update

Heading into the weekend, we wanted to provide another update on our current thoughts, along with some up-to-date data on the COVID-19 situation:

COVID-19

Obviously, this has been the dominant story of the past couple of weeks, and especially now that we are starting to see Canada and the United States make some difficult decisions in order to combat the spread of this virus. The rest of the world is watching how the initially affected countries are responding to this crisis, as it can be a helpful guide for how this can be managed effectively. Below are some available facts about what we have seen in other countries so far:

-China has confirmed a total of around 81,000 cases, roughly the same as last week. The growth rate of new cases has slowed down to roughly 50/day, offering a potential good sign that the worst is over as they begin to restart their economy.

-Roughly 57,000 cases have been confirmed outside of China, with the vast majority occurring in Italy (15,000), Iran (11,000) and South Korea (8,000).

On the one end, Italy has gone into a complete lockdown to combat their spread of the virus, which is most concerning (but also likely very effective). South Korea has seen considerable drops in the amount of cases per day (now around 200/day from 600/day).

-Of these 138,000 cases, 62,000 are still active. Roughly 70,000 people have recovered, with 5,000 fatalities. The quality of health care per country appears to be a considerable factor in the survival rate, as South Korea has a death rate of less than 1%. They have the most advanced medical system among the four most affected countries, and are doing more testing than any other country.

-we will likely begin to see an increase in the amount of cases reported, as more testing is done in the US, Canada and Europe to report on existing cases, as well as new cases. This has been the pattern in the other countries as well. Would not be surprised to see number over 20K cases per day reported globally.

-much like in the initial countries, the number of cases reported will get worse before they get better.

Market activity/portfolio thoughts

Combining the COVID-19 virus with a potential oil price war has led to some pretty significant selling action in the stock market. Many businesses are not trading based on their fundamentals at the moment, but instead out of fear of the unknown. This has led to a price dislocation for many quality companies that are getting dragged down along with everything else in the market during this type of market panic. The key thing that we are focusing on is to own companies that are able to ride through any sort of crisis period, and will be well positioned to recover once this ends. If you do, then you are able to hold these companies without worrying about their viability, and maybe even add some more shares along the way with available cash.

Historically, even during times of crisis, it has paid off handsomely to stay the course with your plan and not sell into this type of market. Even during World War II, 9/11 and the 2008 financial crisis, returns over the next few years were quite positive in all time frames. There have been over 8 different declines of 20% or more since 1980.

While the natural emotional response is to view things in a negative light at the moment, we do note that there are some positive stories out there in how this virus is being controlled in some major areas. Also, with the amount of fiscal stimulus and government policy that has been announced in the last couple weeks, there is plenty of reason to believe there will be a good chance for market recovery later this year. The next couple quarters are likely to be difficult and volatile, but not unprecedented.

On another note, our offices remain open and conducting regular business. We would stress that we can function in a regular manner, even if we cannot be in the office as our systems are designed to operate remotely. If there is any change to the above due to the ongoing concerns regarding COVID-19, then we will make sure you are aware of this.

We are always available to discuss your portfolio, and hope you have a wonderful weekend.