



Our Most Recent Thoughts on COVID-19, Oil, and U.S. Primaries

With several different topics in the headlines recently, we wanted to provide you all with an update on a few in particular: COVID-19; oil markets; and the US primary election cycle. RBC Global Asset Management has released a report that digs into these stories, and provides some up-to-date numbers and facts that we think you will find informative.

On the coronavirus (COVID-19) front, while several countries are beginning to see upticks in the number of cases, there is also some positive news from the initially affected countries (China and South Korea), where transmission rates have been declining at increasingly higher rates. We understand that this story will evolve and that markets will continue to be volatile in the near term. In the majority of scenarios, any economic damage will not result in negative growth for the economy in 2020, however growth in the first two quarters this year is likely to be affected.

The oil market has been under significant pressure this week based on OPEC and Russia failing to agree on further cuts to production this year. This is problematic for oil producers (Western Canada, the US shale producers), as without cuts in production, the price of oil is more likely to remain lower for longer. However, low oil prices are

still more favourable to the overall global economy as well. On the whole, we do not invest heavily in the oil/energy market at any rate, and remain heavily underweight this sector in client portfolios.

Another big story is the comeback of Joe Biden in the US Democratic Primary. Not long ago, it was looking more likely that Bernie Sanders was going to receive the Democratic nomination, however that has flipped entirely in recent weeks. After yesterday, Biden was overwhelmingly the favorite to become the nominee. As he is the centrist candidate, this is viewed positively by market participants in the run up to the 2020 election.

While we do keep track of all of these ongoing news stories (among others), our main focus is on investing in great businesses across multiple industries that are fundamentally strong. While their stock price is subject to the ups and downs of the market, in the long run the quality of the business will be what is most important. Combining this with a focus on proper asset allocation will always be the best way to invest and will help mitigate downside risk in portfolios.

Thank you, and please contact us directly if you have any questions.