



## Market Perspective

One of my least favorite words is “unprecedented”. It’s generally overused, covering everything from sports performances to weather.

For now, it’s the only word that actually fits in my opinion. The actions taken by businesses and governments at every level are indeed unprecedented in my life and professional experience.

At times like this, I see some people at their most fearful and others at their most resilient. I would use the word “confident”, but we are not quite there yet. Someday soon, hopefully.

I have had people apologize to me for being fearful for their and our collective futures. No need to apologize. This situation concerns everyone because of the financial or societal impact, and it concerns us for the health of people we either know or know of.

People still have the 2008-09 financial meltdown very fresh in their memories. We do not yet know what the outcome will be of the coronavirus, I believe that the financial system implications will not be as long as that “Great Recession” though they will be pretty intense in the next few months.

Viruses have a lifespan and each day we move through this one we get closer to the peak, but also closer to the end of it. The medical community is working 24/7 on potential treatments to deal with this deadly disease and I believe they will be successful. I expect that the social distancing steps we are taking, including forcing businesses, to close will limit the trajectory of the spread of the disease.

As a person who cares about the welfare of our clients, my friends, family and myself, I am most concerned about getting through this health crisis as quickly as possible, but knowing that in this case, quick is probably not likely. Not years, but months perhaps before this is largely behind us.

As someone who has been handling people’s finances for 45 years, I have both the resources available as well as personal experience to give some perspective on what I think will happen, though no one really knows what will happen or when. Just my own personal observations.

We have experienced health related crises in the past. The worst one was the Spanish flu in 1918. It killed millions worldwide. This occurred before antibiotics and the difference between medical care then and now is immeasurable. We have had H1N1, Ebola, MERS, SARS, AIDS. All are or were deadly, as is the flu. In each case, we in the US have been able to treat or cure the illness and move our society and financial world forward. Without exception. I do not believe that this will be an exception.

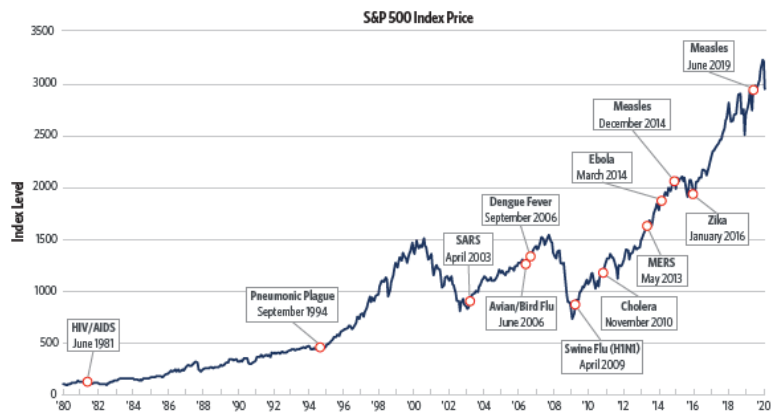
A month ago, we were at an all-time high in the US stock market, a 50-year low in unemployment, a modestly but steadily growing economy. We have taken quite a punch these last 30 days, but it’s not a knockout punch. I believe it will take time to recover, months, but not years either and we are seeing government officials come together in a more or less unified manner to address the problems.

We have seen and perhaps you have as well, a chart showing the growth in the economy overlaid against the dates of infectious diseases. It is meant to provide perspective and a sense of calm and for me it does. **See next page.** It is not a promise of success nor a time frame for this to be over, but it does show that we have had situations before, each different but similar and we persevered

## STOCK MARKET PERFORMANCE: THROUGH SICKNESS AND IN HEALTH

### SINCE 1980

Many factors can create market volatility and limit returns in the short term, including epidemics. Investing for retirement requires long-term thinking. The chart below tracks the historical performance of the S&P 500® during several epidemics over the past 40 years. Don't let emotions and knee-jerk reactions guide your investment decisions. It's important to see the big picture and understand the potential benefits of sticking with your strategy.



Source: Bloomberg, as of 2/24/20. Month end numbers were used for the 6- and 12-month % change. \*12-month data is not available for the June 2019 measles. Past performance is no guarantee of future results.

The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Returns are based on price only and do not include dividends. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future.

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Epidemic	Date	S&P 500 6-Month % Change	S&P 500 12-Month % Change
HIV/AIDS	06/81	-6.60%	-16.46%
Pneumonic Plague	09/94	8.22%	26.31%
SARS	04/03	14.59%	20.76%
Avian/Bird Flu	06/06	11.66%	18.36%
Dengue Fever	09/06	6.36%	14.29%
Swine Flu (H1N1)	04/09	18.72%	35.96%
Cholera	11/10	13.95%	5.63%
MERS	05/13	10.74%	17.96%
Ebola	03/14	5.34%	10.44%
Measles	12/14	0.20%	-0.73%
Zika	01/16	12.03%	17.45%
Measles	06/19	9.82%	-
<b>Average</b>		<b>8.75%</b>	<b>13.63%</b>

For additional resources, contact your financial professional and visit [transamerica.com](http://transamerica.com)



In speaking with not only clients, but professionals from the various investment firms that we deal with, there is the fear that one would expect at a time like this. There is also a resolve, that we will get through this, that while we won't likely ever forget the impositions of shortages and lock downs, we also will do what we have to, pay what we have to, to be better prepared next time and to resume our lives.

***As painful as it is for each of you, we feel it is our primary responsibility to keep focused on the reason people invest money for their future. It is not for a 30-day period, it's more likely for a 30-year period that could include planning for themselves, their spouse, children and grandchildren.***

People invest to meet personal, family and philanthropic goals. The guaranteed rates available today, an all-time low of just over 1% for 30-year maturity US Treasury bond, will assure that most people likely never meet those goals without the risk of owning shares of US and foreign companies. While we all wish that were not the case, it is the case. People often have a hard time owning risk assets. They don't want to, but they may need to in order to achieve what their goals are. It is not easy at times like now.

There is never a day where you could not find a reason to seek safety and abandon investing in volatile investment markets. The news is a daily reminder of the risks of life. Some, like this one, are truly frightening and seemingly a permanent threat to our individual lives and way of living.

In the past, markets that have dropped precipitously often react equally strongly on the way back up. Will that happen this time? No one knows, but unless this virus is much, much more deadly than it appears (and its plenty deadly for sure) we will develop a vaccine and other treatments.

***This virus, like others before it, will be part of our past, but not our future.***

Anticipating a market return, if you missed some of the best days, which may occur early in the recovery, you may have a less than optimum outcome. My assumption is it will be how the market recovery occurs this time as well. In March, though the Dow Jones Industrial Average has seen its 5 biggest point drop days, it has also had its 4 largest point up days.

The economy is about to contract...a lot. On an annualized basis, I have read projections as high as 30% with up to 30% unemployment both of those peaking in the 2<sup>nd</sup> quarter of the year, with recovery thereafter as the virus cases subside. Hopefully, neither unemployment nor decline in GDP will be that bad, but they might.

Normally, those numbers would frighten me a great deal. In this case, it is not a natural occurrence, but a planned one. That is a big difference.

We are going to pay people not to work in order to preserve the health of millions of citizens. We have largely shut down the economy for maybe a few months as part of that strategy. Though in the end we will call it a recession with record unemployment, to me it is neither. We have a threat, and this is how we are confronting it. Otherwise, the economy is pretty solid, banking sector is the best in many years.

There will be mistakes, maybe some big ones as the various levels of government take extraordinary steps to stop the disease. Someday, we can evaluate what worked, what didn't, who was right and who was wrong. Today is not the day for that in my opinion.

We will continue to spend our time looking for ways that our clients can participate in the recovery, reduce risk and portfolio costs and taxes where possible and keep all of those who rely on our stewardship of their assets on track to meet their goals.

Should you wish to discuss any of this with us, please call 856-845-4005 during business hours, or we can be reached on our cell phones at any time, day or night:

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Sincerely,



Paul Tully  
CERTIFIED FINANCIAL PLANNER™  
RETIREMENT INCOME CERTIFIED PROFESSIONAL®



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