Market Review
March 2, 2020

Market Commentary

We are monitoring the developments of the coronavirus outbreak. As per Christine's comments in the Globe & Mail that Wendy sent to you last week, the coronavirus will be disruptive and have a negative economic and profit impact. Nonetheless, based on prior crises, the coronavirus should eventually be contained and go away. We expect continued fiscal and monetary policy stimulus by governments and central banks around the world to buffer the impact.

Corporations are now assessing the negative financial impact on Q1/20 results - the sell off last week was reflecting this and a potentially longer impact into the first half of the year as the virus spreads to more countries. Given the strength in equity markets prior to this health event, a pullback is not surprising. Algorithmic or program trading is also magnifying stock markets on the downside.

The major stock market indices have corrected close to 20% numerous times in this current economic cycle - they are down about 13% from highs this time. It may take a few months if not longer for the coronavirus situation to resolve itself. In the meanwhile, volatility will likely remain elevated.

We encourage all of our clients to focus on the longer term. At this juncture, we do not see this event as the catalyst for a U.S. and global recession and the start of a bear market. Notwithstanding, your portfolio consists of high quality, financially sound companies that can weather the economic cycle. We expect the income stocks in your portfolio to continue to pay their dividends, providing a steady source of cash flow.

We adhere to our investment process to purchase companies at attractive prices that can generate positive total returns over the long term. As always, our objective remains to preserve and grow your capital.