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## Market Review

March 13, 2020

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### Market Commentary

Two major shocks have hit global economic growth, which earlier in the year, appeared to be gaining traction: the COVID-19 outbreak and crude oil price war.

The coronavirus contagion across the globe will be disruptive to commercial activity given the connectivity of supply chains as well as dampening consumer spending via canceled air travel, trips/conventions and social gatherings. It is difficult to forecast when the infection rate of COVID-19 cases peak but based on past health crises and the experiences in China and South Korea, the outbreak should eventually dissipate, aided by containment policies.

The crude oil price war between Saudi Arabia and Russia is an unexpected and very destabilizing development. The duration of the price war is unknown but both countries rely on crude oil exports as a source of income and longer term, require a price higher than current levels. The severe price correction not only negatively impacts energy producers but also industries that provides products and services to them. A caveat to bear in mind is that low gasoline prices are ultimately beneficial for consumers and industries whose input costs are oil based.

Monetary and fiscal policy responses will help to buffer the adverse impact of these two shocks. Economic growth will slow significantly in the first half of the year with a potential for a back half recovery assuming the coronavirus is a transitory issue.

Nonetheless, until there is more clarity on their evolution, uncertainty prevails resulting in elevated stock market volatility exacerbated by algorithmic driven trading activity. The speed and magnitude of the sell-off as well as the wide price gyrations in the broad market indices has significantly dampened investor sentiment and increased investor angst.

Attractive investment opportunities in both income and growth stocks are surfacing for long term investors.