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S. Harris Financial Group

INNOVATIVE STRATEGIES + PERSONAL FOCUS

Timely Topic

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Concern for coronavirus contributes to market volatility

Increasing concern for the seriousness of a coronavirus in China has rattled global equity markets.

Referred to as the Wuhan coronavirus for the Chinese city where it is thought to have originated, the respiratory illness has already taken a harsh toll in China. More than 80 people have died and thousands of cases have been confirmed, according to multiple news reports, although the majority of cases remain unreported, Raymond James Healthcare Policy Analyst Chris Meekins said.

While a small number of cases have been reported in the United States, the U.S. government is the global leader in infectious disease response. Through the Strategic National Stockpile, the United States has millions of masks and other critical items to mount a response, if needed.

While the primary concern is for the people whose lives are affected by this virus and containing its spread, the effects of the accompanying market drop may be troubling for you, as well. The drop represents the first notable pullback for major domestic equity indices this year.

It's important to remember that, historically, epidemics have led to increased short-term volatility – the avian flu in 1997, SARS in 2003, swine flu in 2009 and Ebola in 2014, for example – but done little to derail the long-term outlook for the market, according to Michael Gibbs, managing director of Equity Portfolio & Technical Strategy.

Travel restrictions and quarantines are in place for parts of China, and much of the disruption caused by the Wuhan coronavirus has occurred in areas of the market related to travel. That includes airlines – China is offering to refund domestic flights and train tickets nationwide – casinos, cruise companies and retail. Oil prices fell as the outbreak sparked concerns about the country's energy demand, according to Chief Investment Officer Larry Adam.

While volatility is likely to continue to weigh on these sectors in the near term until the virus is contained, overall, we remain constructive in our 2020 outlook. Moreover, some consolidation in the near term may present opportunities to accumulate favored sectors.

We'll continue to monitor data as it comes in and share any new developments with you.

As always, please reach out to us with any questions you may have.

Thank you, as always, for your continued trust in us.

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