

March 3, 2020

Last week was a wild ride in the market where we saw the largest weekly decline in the S&P 500 since 2008. Going into the weekend, there was a lot of fear in the markets, however, investors got some reassurance from central bankers around the world saying that they will be accommodating and we saw a strong recovery in the markets Monday. The shock last week was big enough that we have likely reached some sort of low - but it might take a few months to rebound.

It's normal for people to panic during events like these. Investors that sold everything last week ended up selling at the low. Temporary shocks are just that, temporary - you don't have to do anything. If anything, this presents an opportunity to rebalance for the rebound, knowing that the rebound may be a month or two away.

THE NATURE OF THE PROBLEM versus THE NATURE OF THE MARKETS:

It's crucial for opportunistic investors to properly understand the nature of this crisis and its ultimate effect on markets.

1. The U.S. bond market just hit a new all-time historical low meaning that U.S. interest rates on bonds have never been lower than today in the entire history of the markets. This is happening while the stock markets are getting attractively cheaper very quickly in some sectors and regions.
2. To stop this virus outbreak some experts say we must TEMPORARILY stop or slow the movement and gathering of people. The markets could therefore price in a TEMPORARY reduction of economic and profit growth. Fear will TEMPORARILY dominate the markets. In short, this may represent a TEMPORARY problem.
3. These factors may allow the markets to hit a bottom BEFORE the economy does. The only way to truly take advantage of any crisis is to be opportunistic during the storm, especially temporary storms such as this one. Investors that wait for this virus to be under full control may lose this window of opportunity.
4. Will it be a V-Shape or U-Shape recovery? No one really knows plus it doesn't matter if your time horizon is 24 months or more. It's hard to imagine that this virus will still dominate media headlines in 2021. Even harder to imagine in 2022.
5. This crisis, like most crises, will come and go, but high-quality growing businesses will survive and rebound from this situation with the potential of even lower interest rates than before the crisis. This is bullish for long-term investors. A good offence is your best defense.
6. I have selected group of individual stocks and mutual funds that I wish to recommend to you now that they are "on sale." If not now, very soon I will be buying these at "bargain" prices.

As always if you have concerns please call me or my assistant Chelsea Dutchak to have any questions answered. I cannot be effective answering emails. It is too time consuming and takes me away from guarding your investments and staying on top of this disruption in the markets. Please call me on the phone at 1-866-860-4190 or direct 613-491-3344.

Sincerely,

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