HEMINGTON
WEALTH MANAGEMENT

OUR MISSION IS TO CHANGE LIVES. **ONE "HEMINGTON" AT A TIME.**

HEMINGTON UPDATES

FEBRUARY 26, 2020

CORONAVIRUS AND MARKET VOLATILITY

The stock market has experienced downturns in the past few days due to concerns about the Coronavirus. We understand our clients may be feeling worried about the spread of the virus, as well as its possible impact on investment portfolios.

While our emotions may tell us to do something in reaction to the investment news, staying the course is the best strategy for long-term investors.

As the Coronavirus has spread in Asia, Europe, and the Middle East, and federal officials warn the American public to prepare that the virus will spread to communities in the United States, we understand many of our clients may be feeling worried. We share concerns for the health and welfare of people who suffer from the virus.

Some clients also may be worried about the impact the Coronavirus might have on their investment portfolios. Stocks fell on Monday and Tuesday, with the S&P 500 down more than 6% over the course of two days. While market volatility can be nerve-racking for investors, it is important to remember that volatility is a normal, albeit trying, part of investing. Our emotions may tell us to do something in reaction to investment news, but staying the course is the best strategy for long-term investors.

At Hemington, we will continue to monitor our clients' portfolios and seek out opportunities, whether the market is experiencing down days or up days. We actively trade to rebalance clients' portfolios -- another way of saying we are selling high and buying low. We "harvest losses" in our clients' non-retirement accounts to produce taxable losses that will offset future capital gains. And we already have worked with each of you to develop an appropriate mix of stocks and bonds in your investment portfolio -- stocks for possible higher returns and bonds to act as a ballast during turbulent times.

There are recent examples of increased market volatility during a virus outbreak, and each time the market's reaction was relatively short-lived. There was the SARS epidemic in 2003-04, Avian Flu in 2005-06, Swine Flu in 2009, and Ebola in 2014. What happened to the market in the long run? On January 31, 2003, when the first SARS patient checked into a hospital, the S&P 500 closed at 855 points – on Tuesday, the index closed at 3,128 points. Despite occasional sharp declines, capital markets continue to reward investors over the long term.

No one can predict market downturns in advance, just as no one can predict when the positive market swings will follow. We encourage our clients to remain calm and steady during this period of uncertainty, and reach out to your wealth advisor, if you need help.