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What is the coronavirus?

The coronavirus is a respiratory illness called Covid-19 (this piece will use the coronavirus and Covid-19 interchangeably). Coronaviruses are named for their crown-like shape and are responsible for diseases that range in severity from the common cold to MERS. According to the World Health Organization (WHO), new strains of the coronavirus emerge periodically around the globe in both humans and animals. The Covid-19 virus originated in Wuhan China in early December.

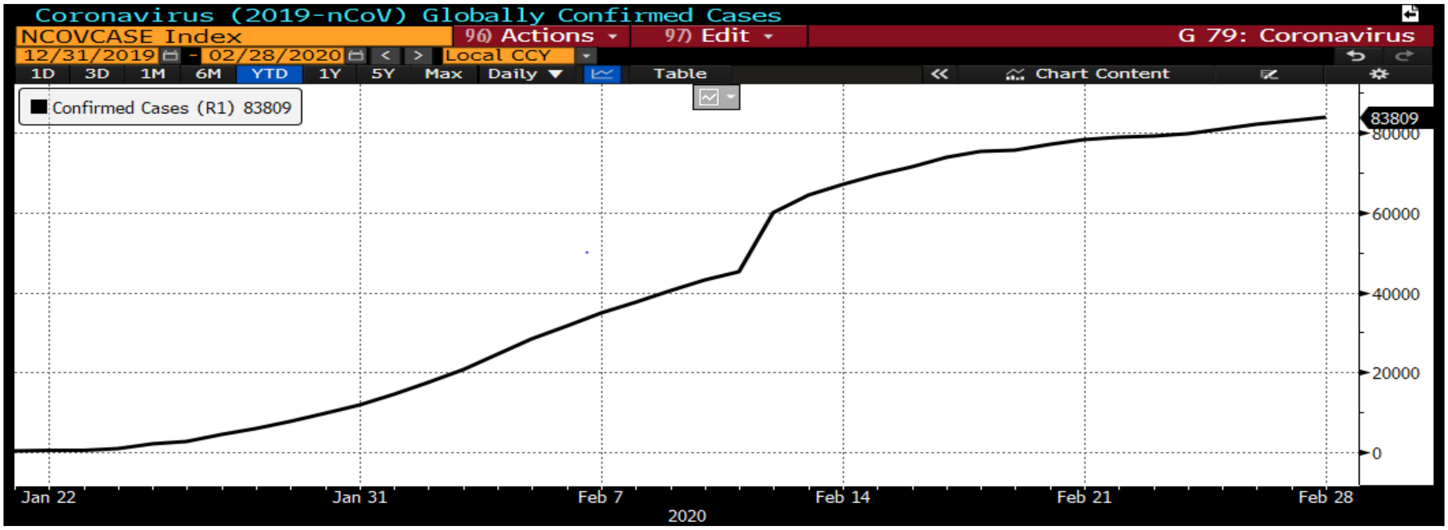
The illness appears to be more severe in older people with pre-existing conditions and milder in children and young adults. Early symptoms include fever, dry cough, and tiredness. In severe cases, the virus is similar to pneumonia with difficulty breathing and inflation in the lungs.

The coronavirus is spread when an infected person breathes, coughs, or sneezes. The virus can be transmitted directly or by surface contact. As of now, experts are unsure how long the virus can survive on surfaces but estimate that disinfectants can kill it.

How many cases have been reported?

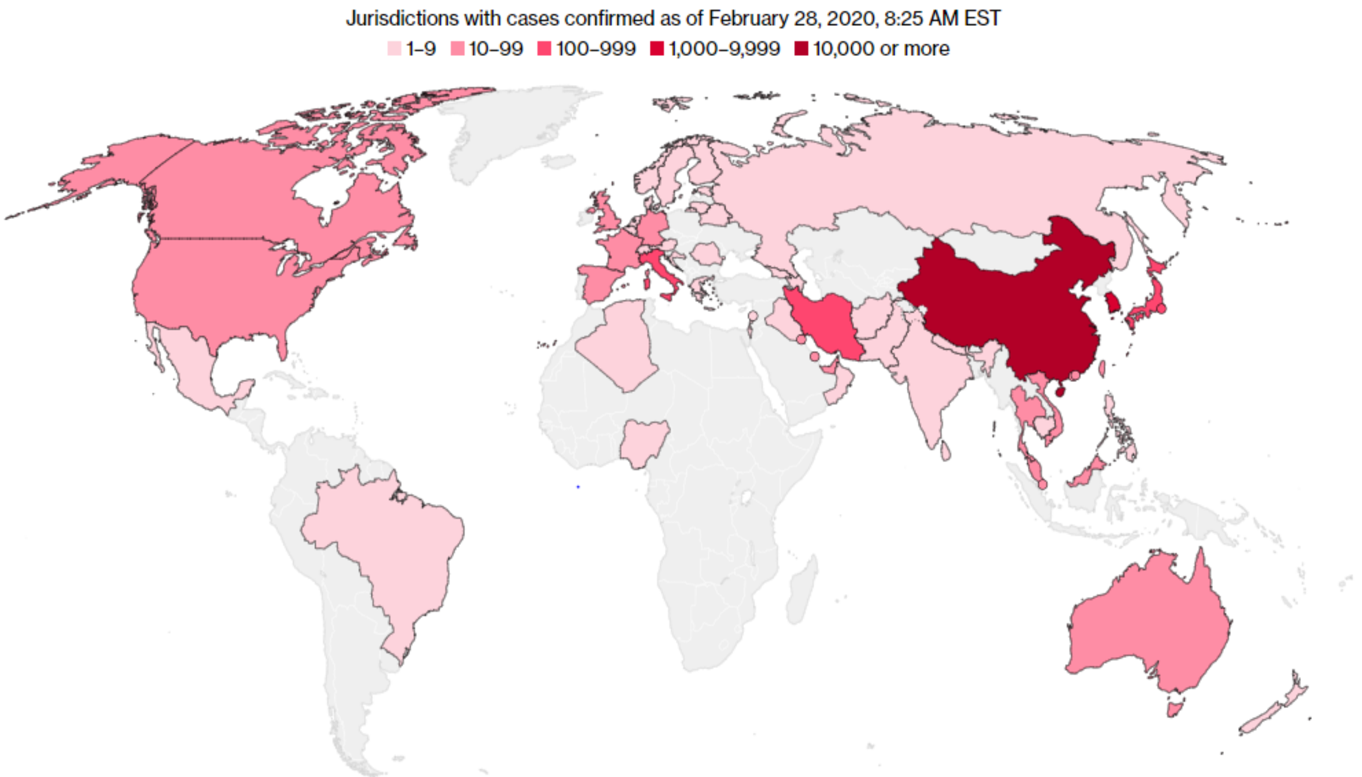
At the end of February, 83,906 cases have been reported worldwide with 2,869 casualties. Most of the cases are in China with 78,832. The disease is starting to spread to other countries with most of the new cases appearing in South Korea and Iran. The United States has had 60 confirmed cases. On the bright side, there have been 36,861 people who were treated for the illness and have since recovered.

A great resource to track the number of cases is: www.worldometers.info/coronavirus



Epidemic vs. Pandemic

The WHO defines an epidemic as a sudden increase in the number of cases of a disease. A pandemic is an epidemic that has spread over several countries or continents, affecting a large number of people. Last week, Mike Ryan, executive director of the WHO, said that it's too early to declare the coronavirus a pandemic due to the decline in cases in China. However, he added that, "we are in the phase of preparedness for a potential pandemic."



What about treatments and vaccines?

Treatments help people after they have a disease while vaccines help with prevention. Treatments for COVID-19 might be available sooner than a vaccine. Earlier this week the WHO said an experimental drug originally designed as a treatment for Ebola may be the best form of treatment. The drug has been rushed into a clinical trial in China and results could be available within weeks.

Some of the largest companies in the world are working on vaccines for the coronavirus. However, Anthony Fauci the head of the National Institute of Allergy and Infectious Diseases (NIAID) said that a possible vaccine will take a year to a year-and-a-half before it is ready.

News on treatments and vaccines will remain fluid as companies are working around the clock to develop them.

How is the United States responding?

Dr. Nancy Messonnier, director of the Centers for Disease Control and Prevention (CDC) National Center for Immunization and Respiratory Diseases said Americans should prepare for COVID-19 to spread in their communities and cause disruption. Dr. Messonnier stated that Americans should talk to their children's schools about contingency education and childcare plans and discuss working from home if the virus does spread to the US.

The US has imposed travel restrictions on China and placed Vice President Pence in charge of the federal response efforts. Vice President Pence was the governor of Indiana when the first domestic case of MERS was diagnosed there in 2014. The White House plans to spend a least \$2.5 billion to fight the coronavirus, with \$1.25 billion in new money and \$1.25 billion from existing programs. President Trump recently stated that, "I think there's a chance it could get worse, but nothing is inevitable. Whatever happens, we're prepared." Cities including New York City and San Francisco have begun preparing for possible outbreaks by working with clinics and hospitals to identify isolation rooms, screen travelers, and treat patients.

What is the potential impact to the US economy?

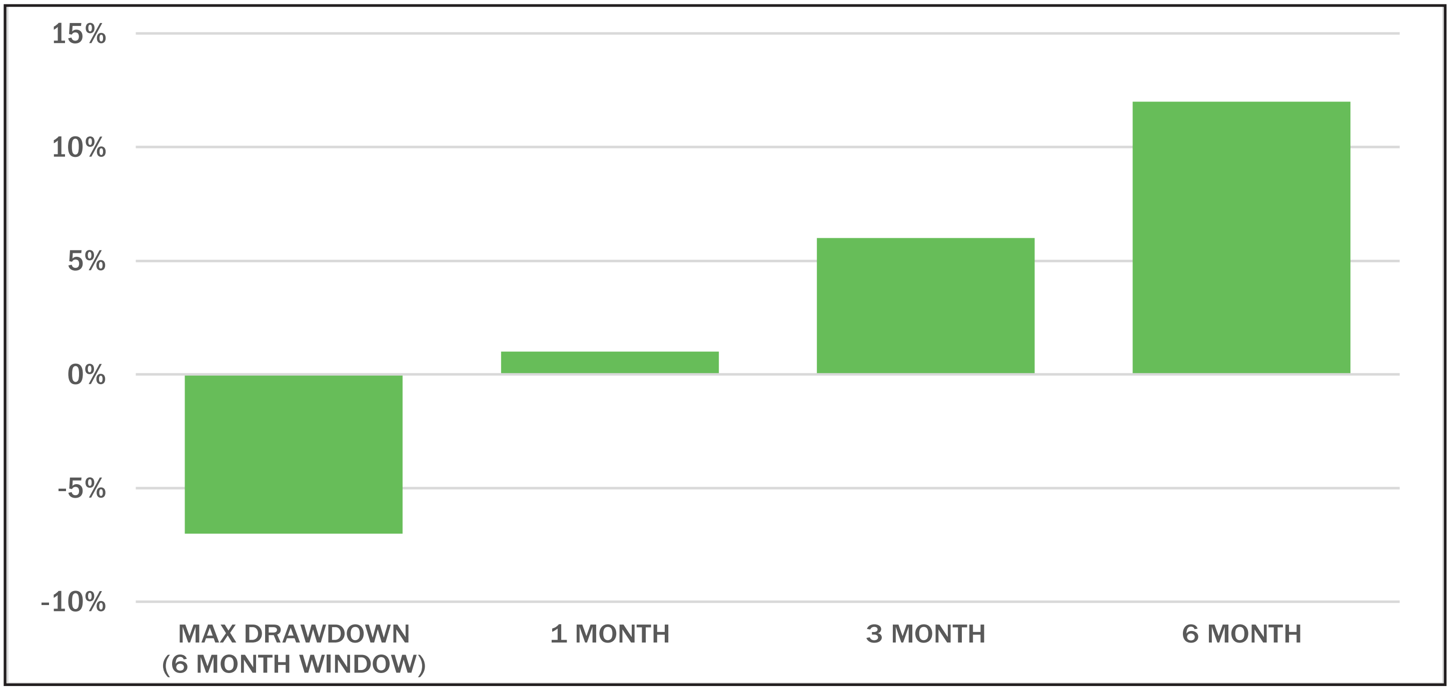
As of now, the Covid-19 virus is expected to have a negative impact on Q1 2020 GDP growth but not a lasting effect. Goldman Sachs estimates that the coronavirus will lower Q1 GDP growth by-0.8% (from +2.0% to +1.2%). The drag in first quarter growth is due to a combination weaker consumer spending, lower business investment, a decline in tourism, reduced exports, and a decline in production due to supply chain disruptions in China. The economic slowdown is expected to be temporary as the current Bloomberg consensus estimates for full-year 2020 and 2021 GDP growth are +1.8% and +2.0% respectively.

The coronavirus and subsequent economic slowdown are expected to cause the Fed to lower interest rates again. After cutting interest rates three times last year, the current federal funs rate is 1.50% to 1.75%. The Fed is expected to lower rates by 0.25% at their March 18th meeting. At Fed Chairman Powell's congressional testimony in February he stated that, "we are closely monitoring the emergence of the coronavirus, which could lead to disruptions in China that spill over to the rest of the global economy." The Fed recently stated that while a global pandemic is not their baseline case, they are willing to react if the virus causes a major hit to the US economy.

How has the US stock market reacted to previous health emergencies?

The S&P 500 declined by-13.7% from 2/19/20 to 2/28/20 due to fears surrounding the coronavirus. Recent health scares including SARS (2003), H1N1 Swine Flue (2009), H7N9 Bird Flu (2013), Ebola (2014), and MERS (2015) did not have a lasting effect on the US stock market.

Note the performance of the S&P 500 during and immediately after health emergencies:



Source: JP Morgan Asset Management

The initial drawdown can be severe, but markets have historically recovered once panic subsides and investors refocus on economic and corporate fundamentals.

Where do we go from here?

As of now, it is too early to assess the impact on global markets and economies. However, the market drawdown seems like panic selling from investors pricing in the worst-case scenario, a global recession and bear market. Our advice in volatile markets is put the environment into perspective, avoid making emotional decisions, and rely on the combination of comprehensive financial planning and investment management to help reach your long-term goals.

We highlighted some of our thoughts in our recent market **volatility piece.**

Put the current environment in perspective

The equity market has generally produced positive results over long-time periods as the S&P 500 has generated a total annualized return of +9.3% since 1928. However, the results were not linear as the equity market can be extremely volatile over short time periods. Market volatility is very common and nothing new. Since 1980, the market has averaged intra-year price declines of -13.8%. While the market goes up over time, there are always risks to investing. We remind our clients to maintain a long-term viewpoint and avoid getting caught up in the short-term noise.

> “ Warren Buffett: “In the 20th century, the United States endured two world wars, the Depression, a dozen or so recessions and financial panics, a flu epidemic, and the resignation of a disgraced president. Yet the Dow rose from 66 to 11,497.”

Avoid making emotional decisions

Market volatility is stressful and controling your emotions during these periods is critical. Market timing decisions are often emotional rather than rational and data based. Avoid the impulse to try and time the market and wait out the volatility. Making sudden large adjustments to portfolios is value destructive over time and a major reason for poor investor performance. Our investment philosophy is, never time the market.

> “ Bernard Baruch: “Don’t try to buy at the bottom and sell at the top. It can’t be done- except by liars.”

Rely on the combination of comprehensive financial planning and investment management to help reach your long-term goals

At Winthrop Wealth, we apply a total net worth approach to both comprehensive financial planning and investment management. The financial plan defines cash flow needs, optimizes account structures, considers tax minimization strategies, and determines the appropriate asset allocation based on the client’s willingness and ability to take risk. The plan provides a roadmap to the clients’ future goals and objectives, and is stress tested for many different environments including extreme volatility and market declines. Periods of market stress are exactly when you should rely on your plan (that’s what it’s there for!) rather than rip it up and make a quick emotional decision.

The investment management process is designed to provide well-diversified portfolios constructed with a methodology based on prudent risk management, asset allocation, and security selection. We help our clients get through challenging markets by making sure their upcoming cash flow needs are covered while managing their rest of the assets in a globally diversified portfolio. We can also use market volatility to our advantage by tax-loss harvesting or reallocating to more attractive securities.

We understand that market drawdowns are stressful. The right mindset combined with a comprehensive financial plan and thorough investment process can make market volatility far easier to navigate.

> “ Benjamin Graham: “The Best way to measure your investing success is not by whether you’re beating the market but by whether you’ve put in place a financial plan and behavioral discipline that are likely to get you where you want to go.”

DISCLOSURES

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

Financial planning is a tool intended to review your current financial situation, investment objectives and goals, and suggest potential planning ideas and concepts that may be of benefit. There is no guarantee that financial planning will help you reach your goals.

Likewise, it is important to remember that no investment strategy assures success or protects against loss. Asset allocation does not ensure a profit or protect against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. All investing involves risk which you should be prepared to bear.