

March 12, 2020

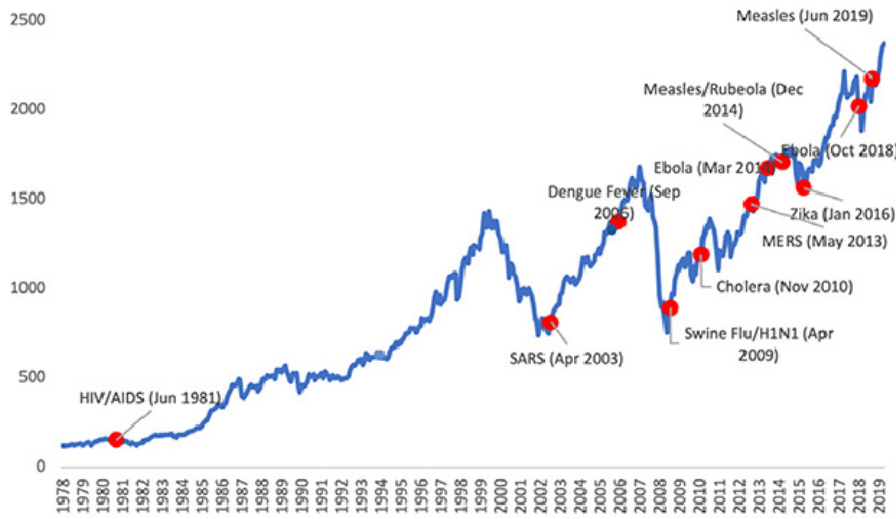
To our Wealth Management Members:

As you may be aware, markets have been more volatile than usual lately as the global economy worries about a possible recession from Covid-19. The market fluctuations were further exacerbated by a shock to oil prices as Saudi Arabia increased oil supply. This combined with already dampened oil demand pushed the oil benchmark down to \$31 on March 9, 2020. As an investor, here are some insights to questions that may be top of mind for you.

**What does the Coronavirus have to do with markets?**

With the recent outbreak and spread of the virus, it has caused a global concern among investors leading to a drop in equity markets. Since the outbreak has affected many parts of China, it has caused a disruption in global supply chains and travel. As the virus spreads, we may see more of a reduction in demand as well (trip cancellations, event cancellations, conference cancellations). These impacts will dampen economic growth in the short-term and negatively impact the markets. The following graph highlights how markets have rebounded in the past to global epidemics.

**Global epidemics v.s. MSCI World Index**



Source: Bloomberg, Data as of January 31, 2020, NEI Investment, March 2020



**What is the impact of lower oil prices?**

Lower oil prices are usually an economic stimulus for the global economy but this positive impact has been offset by the direct negative impact to North American oil producers. Lower oil prices will also push down overall price levels making high inflation a low risk. The lower oil prices will also contribute to a weaker Canadian dollar, which should help Canadian exports.

**Should I make any changes to my portfolio?**

If there are no changes to your financial goals, we do not recommend making any changes to your investment portfolio. Corrections are a natural part of the investment cycle and over the long term, investors who stay invested and do not try to time the market are usually better off. Markets typically recover quickly, and if you miss the big positive days, it can negatively affect your long-term returns. If your financial goals have changed, it is important to let us know so we can review your portfolio to make sure it is right for you.

It is likely the economic shocks associated with Covid-19 and lower oil prices are temporary in nature and unlike 2008, the financial system is sound. Central banks have signaled they will implement accommodative monetary policy such as lower interest rates to combat an economic slow-down. Similarly, we are seeing governments implementing fiscal stimulus to combat the negative impacts of Covid-19. History has shown time and time again, reactions to short-term events can carry significant implications for long-term portfolio performance. It is important to maintain your long-term financial goals plan and stay invested.

As always, please don't hesitate to reach out to your G&F advisor with any questions.

Sincerely,



Michael Atkinson  
Senior VP, Wealth and Advice

