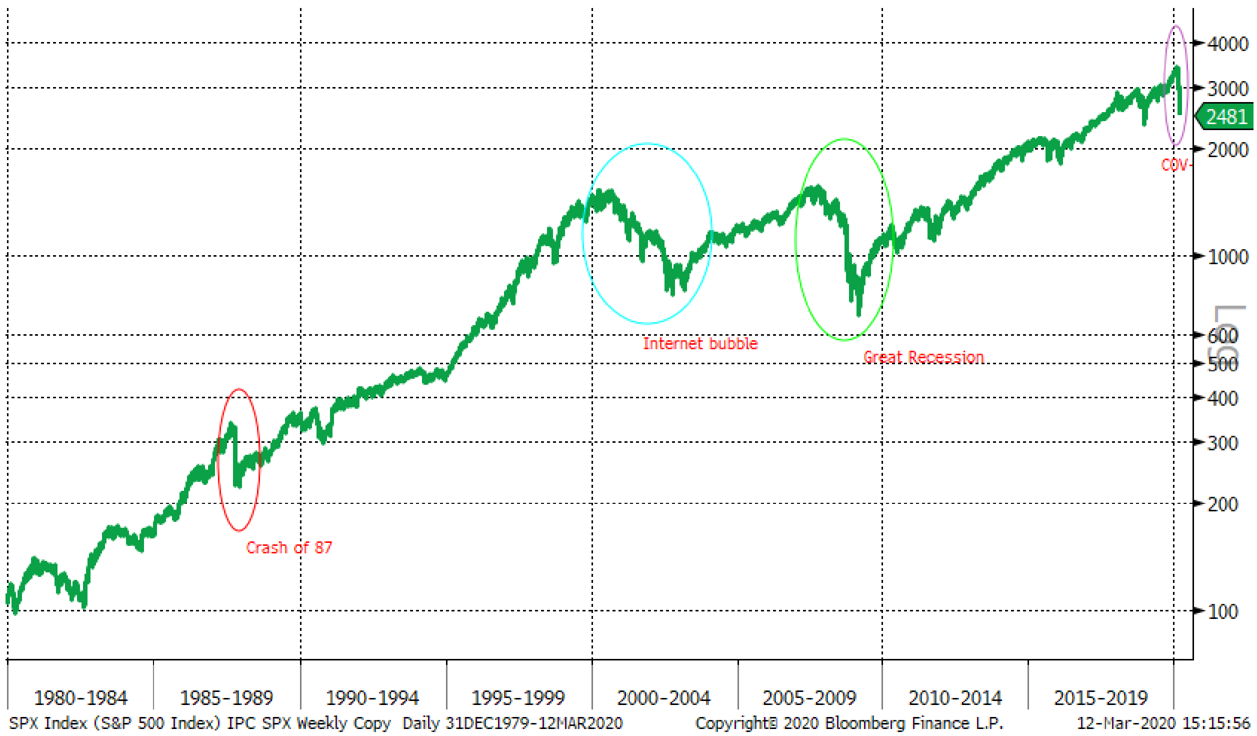
Subject: March 13 Market Reaction

As you know, the markets continue to be affected by the coronavirus pandemic. The S&P 500 fell around 9.5 percent on March 12, capping off its worst trading day since 1987. The closing price of 2480.64 comes a few weeks after the index hit an all-time high of 3386.15.

It's important now more than ever to think rationally and maintain a long-term outlook. Below is a plot of the S&P 500 Index daily values. This logarithmic scale better shows percentage returns.



Right now, the full extent and consequences of the coronavirus continue to be unknown. That uncertainty, combined with a decline in oil (due primarily to a disagreement between Russia and OPEC), has contributed to a flash market decline.

The effects are further compounded with the postponement or cancellation of large gatherings of people, including sports events, industry conferences, and more.

Why you should keep perspective

While the drop (26.8 percent) has been sharp and sudden, it's important to maintain perspective.

For comparison, the Great Recession of 2008-2009 saw the S&P drop from a high of 1565.15 to a low of 682.55, or 56.4 percent. The financial institutions seemed to be wobbling during that downturn.

While similarities exist between then and now, there are also some important differences.

Currently, it seems we're dealing with more behavioral and social issues as fear and panic are being priced into the market. Remember, the current volatility comes after a period of unprecedented growth and expansion.

The previous three slowdowns, as seen in the chart, show that these growth periods will not last forever, but they will rebound.

Investors in a well-diversified portfolio that aligns with their risk tolerance and goals should avoid making changes and overreacting to short-term market events.

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