Subject: March 9 Market Reaction

Clearly, the markets are still nervous about the Coronavirus. To compound the pressure on the markets, The Organization of the Petroleum Exporting Countries (OPEC) nations were trying to reduce production of oil due to the potential slow-down in consumption from consumers' desire to avoid the virus. However, OPEC was hoping for Russia to join the reduction strategy. When Russia refused to participate, OPEC threatened to increase production which sent the price of oil down in a panic. Normally, the markets are accustomed to equating excess oil inventory to economic slowdowns and/or recessions. It appears to be a negotiation strategy to bring Russia back to the table, as it looks irrational to increase oil production in an economic slowdown.

The result was a decline of the markets early morning on March 9. Overnight, the S&P 500 futures market declined 5% resulting in the futures trading pits to close. Shortly after opening, the S&P 500 then went down 7% which caused a "circuit breaker" to close the market for 15 minutes, allowing investors to catch their breath. While rare, the next "circuit breaker" occurs at 13% and a 20% drop in one day would cause the market to close.

In conjunction with this volatility, the flight to quality has caused the yield on the 10-year US Treasury note to move below 0.50% and the 30-year US Treasury bond to trade below 1.0%. This could cause the Federal Reserve to consider further rate cuts.

We continue to suggest focusing on your long-term goals and not making huge changes based on what appears to be emotional market actions.

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