

Holyk Doran Wealth Management Group

Market Update – February 26, 2020



A recent sell off in the stock market has unsettled some market watchers and we thought it was good timing to reach out to you with a quick communication on where we are at and how your advisory team is interpreting recent events. First, allow us to put the last five days of selling into context. We had a 2019 that was gangbusters in stocks and until recently, 2020 had been on fire as well... so to be clear, this sell off comes off all time highs in most major stock indexes. However, this sell off has been swift and fierce and has brought the major indexes into negative territory year to date.

See some examples below:

Index	YTD Return
S&P/TSX Composite	0.67%
Dow Jones Industrial Avg	-5.10%
S&P 500	-3.18%
Nasdaq	-0.01%
DAX	-3.46%
FTSE 100	-6.96%
Hang Seng	-4.60%
Nikkei	-4.44%
Gold	8.33%

* as per Thomson One data at February 25, 2020

The driving force of fear in the market right now is most definitely Corona Virus and after last weekend, when cases begin to pick up in countries outside China, the market really began to price in some global economic contraction. Our Investment Committee here conducted reviews of the SARS outbreak from 2002-2003 and its impact on equity markets. The biggest difference is that in 2002, China was only 8% of Global GDP and now they represent 20%, meaning the effects will be felt more broadly around the world. The other significant difference today is the speed of information transmission. Today, everybody has instant news in the palm of their hand and 'fear' is a powerful emotion to contend with. Having said that, the markets have already fallen further than they did over the four focal months (Jan-Apr 2002) of the SARS epidemic. We continue to place high probability that Corona is contained, and the economic impact will be short-term.

The other news item that is amplifying the sell off is the lead up to the US election and in particular the self-described 'democratic-socialist' Bernie Sanders gaining momentum. We actually view this as a more significant threat to markets in the longer term. Our Investment Committee's base case is a Trump victory in November, which is good for stock markets, but as Bernie begins to emerge as the Democratic candidate, investors grow a little more concerned about the effect of his policies on their portfolio, resulting in extra selling pressure.

Overall, we believe that 2020 will be a positive year for portfolios, but we definitely see more volatility as the year goes on. We are optimistic and believe that a little shake up is healthy for markets as nothing goes straight up forever. In terms of our portfolios, we feel we are very well positioned for this environment. At the time of writing, our own Equity Basket was up 1.60% year to date versus the mostly negative indexes listed above. Of course, our portfolios always contain some Fixed Income and Alternative Investments to further offset the stock market risk. In fact, our Balanced Model has less than 50% invested in long stocks. The other categories just help to smooth out returns and ensure greater capital preservation in challenging markets.

Of course, we remain available at any time to discuss the specifics of your portfolio or anything happening more broadly in capital markets.

Sincerely,

The Holyk Doran Wealth Management Group



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