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Dear Client,

I am writing to provide you with some perspective on the market's recent reaction to the coronavirus outbreak and what that might mean for your investments.

What is happening in the markets?
The spread of the coronavirus disease (COVID-19) and the recent growth in new cases outside of China have prompted a sharp market correction in global stock markets. Assets seen as safe havens, such as gold, increased in value. The outbreak has already had a significant effect on China, the world's second-largest economy with a key role in the global supply chain and a consumer of foreign goods. With the virus continuing to spread, markets were reacting to the outbreak's expanding potential impact on the global economy.

What should we expect to happen next?
In the short to medium term, we can expect weaker economic growth and a decrease in corporate earnings. It will take time for China to resume production and for the disruption to global supply chains to be repaired. The effect on the global economy could be worsened if the number of cases outside China continues to grow. However, other factors are supporting the markets. China is stimulating its economy with monetary and fiscal policy, and both the U.S. Federal Reserve and Bank of Canada have stepped in with a 0.5 percentage point cut to interest rates. It is likely that other governments and central banks will respond similarly, helping to stabilize the economy and the markets while this disruption runs its course.

Interest Rates
As you know, central Bank rates in the US and Canada have also moved down in part to the current risks. This will affect rates for GIC's to some degree. Maintaining your established maturity 'ladder' in your GIC portfolio is historically best. However, should you have some 'rungs' for shorter terms in your ladder it may be a good consideration to fill these in. We can help with this analysis.

What should I do?
Corrections are a natural part of the investment cycle and over the long term, investors who stay invested – rather than trying to time the markets – have been rewarded. This market decline may also represent an opportunity to buy quality companies at attractive prices. I've included the chart below to demonstrate the risk of *not* being invested and missing out on the stock market's best days, which often come after large declines like we have recently seen.

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Source: Morningstar, CI Investments. S&P 500 TR in USD from January 1, 1990 – December 31, 2019 using daily returns.

My advice is to stick with your existing long-term investment plan, which takes into account stock market volatility. Your plan was carefully constructed to reflect your personal objectives and investment time horizon.

If you have any questions about your investments, please contact me at (905) 852-3184. Once again, I thank you for your business and look forward to speaking with you soon.

Sincerely,

Brian J. Evans, CFP, RDB

SOURCES
The information in this summary is derived from various sources, including CI Investments, Signature Global Asset Management, Cambridge Global Asset Management, CI Multi-Asset Management, Globe and Mail, National Post, Bloomberg Finance L.P., Yahoo Canada Finance, and Trading Economics. Paragraph on interest rates added by Brian Evans.