



# Weekly Market Review

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## *The Week Ending February 14, 2020*

It was a quiet week from an economic data perspective, allowing the market to hit yet another all-time high. However, coronavirus fears continued, leading to a few modest down days, and companies are now beginning to highlight how it might be affecting their businesses in the months ahead. The Federal Reserve has also been back in conversation as to how they might react to a coronavirus driven slowdown.

When new information was released stating the number of coronavirus cases was understated, the stock market backed off all-time highs, much like what we experienced with trade last year. Seeing how mild the down days have been, there appears to be overall confidence the virus will be contained, and it will not have a lasting impact on companies or the economy over the long term.

Overall, the S&P 500 Index has continued its 2019 pace and is up about 5% on the year through February 14. However, there is a divergence taking place based on sales exposure in China, dating back to the trade war and now coronavirus. According to Goldman Sachs, U.S. stocks with heavy sales exposure to China are down 5% for the year, underperforming the broad market by 10%. Over the weekend, Apple was the latest company to offer caution on iPhone production and consumer demand in the Greater China region, which accounts for 20% of total company sales. Other companies, like Starbucks and McDonalds, have closed stores in an attempt to slow the spread of the virus. These actions are having a short-term negative impact on the stock price, and these companies could face more pain going forward. However, over the long term, these are still great companies, and this could be providing a buying opportunity for patient investors.

The Federal Reserve and global monetary policy are other factors supporting the stock market through coronavirus fears. The Fed has said they expect to remain on hold with interest rate policy, but the market is convinced they will step in and provide stimulus to the economy if needed. In his semi-annual testimony before Congress, Fed Chair Jerome Powell seemed to confirm this assumption when he said the Fed is “closely monitoring” the virus’ impact on China and the global economy. Just when it seemed like China had a tailwind to rebound from trade-related news, we are greeted with another risk to the economy and the fact that extra patience is needed for the China thesis to play out.



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