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Monthly Global Market Commentary
March 10, 2020

Keep Calm and Carry on – 03/09/2020
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Global markets ended the week up on very volatile trading. The S&P 500 gained 0.65% while the MSCI World Index gained 0.46%. The broader US bond market gained 1.84% as investors have been moving to perceived safe havens in the wake of the Coronavirus panic.

A Case for Optimism

On Monday of this week, fears of a global slowdown from the Covid-19 virus were compounded by Russia and Saudi Arabia positioning to flood the market with cheap oil, creating an oversupply. As of writing this newsletter, the S&P is down over 8% for the day. The US Treasury curve is getting dangerously close to 0.00% yields, and many bonds are giving negative yields (meaning you get less than a dollar for every dollar you invest.

Markets are running on fear right now. The investment community commonly uses the Chicago Board Options Exchange's (CBOE) Volatility Index to track how fearful people. Basically, it uses a combination of options (think insurance on stocks) to calibrate how risky people think the market is. As you can see in the below chart, this is the second highest volatility run in recorded history. So, yes, people are scared. When it comes to investing, that usually means it's a decent time to buy because things are cheap. There's the old Warren Buffett adage: be "Fearful when others are greedy and greedy when others are fearful."

Outside of the media reporting, there have been positive developments for markets. New hiring continues to be strong in the US. In the Democratic primaries, a surprise resurgence by former Vice President Joe Biden resulted in a rapid consolidation of the Democratic moderates, which represents a source of stability in markets. While a pandemic appears to be inevitable, governments and people are taking it seriously. There have been significant efforts to contain the spread, and President Trump signed an $8.3B emergency bill to combat the coronavirus.

Conclusion

If your job is secure and you are safe, this is an opportunity to buy stocks at a discount. You may experience losses in the short run but if history plays out the same way, markets should eventually recover and we'll get back to normal life once again. People were scared of a slowdown from the tariffs last year. No one is talking about that issue anymore. News media is heavily incentivized to report on whatever engages users, and that changes over time because we can't sustain levels of euphoria or fear over a prolonged period. This story will pass too.

If you're looking for a good source of information on the Coronavirus, check out the Johns Hopkins website. They have an interactive dashboard that tracks the outbreak. The World Health Organization is another good source of information. Stay safe.

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Stock Market Performance

	3/10/20	W-o-W	M-o-M	Y-o-Y
DJIA	24,380	-5.9%	-16.7%	-4.2%
S&P 500	2,837	-5.5%	-15.4%	3.4%
MSCI World	1,995	-8.5%	-17.3%	-2.7%
S&P/TSX	14,901	-9.3%	-16.0%	-6.8%
BSX	1,898	-2.9%	-14.8%	-19.6%
FTSE100	6,091	-9.3%	-18.2%	-14.3%
DAX	10,822	-9.7%	-19.8%	-5.5%
CAC	4,788	-11.2%	-20.4%	-8.5%
Nikkei	19,867	-5.8%	-16.1%	-5.5%
Hang Seng	25,393	-3.4%	-6.8%	-10.0%
Shanghai	2,997	0.1%	3.7%	0.9%

Key Rates and Prices

Currencies	3/10/20	Month ago	Year ago
EUR	$1.14	$1.09	$1.12
GBP	$1.30	$1.29	$1.30
JPY	¥104.29	¥109.77	¥111.17
CAD	$0.73	$0.75	$0.75
CHF	$1.07	$1.02	$0.99
AUD	$0.65	$0.67	$0.70
Fixed Income			
3M LIBOR	0.90	1.71	2.60
3M Treasury Bill	0.42	1.56	2.44
2Yr Treasury Note	0.44	1.40	2.46
10Yr Treasury Note	0.63	1.57	2.63
Fed Funds Rate	1.25	1.75	2.50
Commodities			
Gold/oz.	1,655.41	1,572.15	1,298.30
Silver/oz.	16.92	17.77	15.34
Copper/lb.	2.51	2.57	2.90
Oil	33.72	49.57	56.07

Global Economic Calendar (March 10th - March 13th)

Mon:
Tues: Redbook (US); Home Loans (AU)
Wed: MBA Mortgage Applications (US); EIA Petroleum Status Report (US); Treasury Budget (US)
Thurs: Jobless Claims (US); Money Supply (US); Fed Balance Sheet (US)
Fri: Baker-Hughes Rig Count (US); Import and Export Prices (US)