Virus-related market volatility continuing

This week started off in negative fashion in equity markets, picking up where it left off on Friday, moving lower as global reaction to the COVID-19 (coronavirus) continues to reverberate.

Global (MSCI World) and U.S. (S&P 500) equities are off about -18% and -19% from their peaks of approx. Feb. 19, while Canadian (S&P/TSX) equities are down about -19% from their Feb. 20 high point. An important benefit to being invested in a diversified portfolio, is the moderating effect of including fixed income assets. Both Canadian and U.S. bond indices (FTSE/TMX Bond Universe and Bloomberg Barclays U.S. Aggregate Float Adjusted Index) are up 3.5% and 4.0% respectively in the same time frame.

Both the U.S. Federal Reserve (Fed) and the Bank of Canada cut their policy rates by half a percentage point last week to 1.25%, showing the willingness of central banks to shore-up economic instability brought on by the outbreak. While there will be an indisputable negative impact on the global economy as a result of COVID-19, markets shrugged off the move by the Fed and continued their move lower before retrenching on Wednesday, but the slide then continued Thursday and Friday. Both Canadian and U.S. employment numbers surprised to the upside on Friday, providing some economic underpinning.

We note that there have been many market events like coronavirus since 1980 that have caused short-term volatility and uncertainty in stock markets. Historically, markets have always recovered over time. Staying invested is critical to benefiting from market rebounds.

Although unsettling, market declines are not uncommon. It's important to recognize that financial markets see a significant pullback at some point during most years while still providing positive returns over a longer time period.

- **Trigger:** The overarching theme impacting markets in the immediate term is that investors are concerned about slowing economic growth based on impacts stemming from the spread of the COVID-19 virus, which was exacerbated by oil prices falling after a spat over production between Saudi Arabia and Russia.

- **Long-Term Thinking:** Markets have experienced and endured similar events in the past. The COVID-19 issue will eventually be resolved and while economic downturns can be difficult, investing in a diversified portfolio and maintaining the discipline to stick with your longer-term plan through these periods of volatility are among the keys to investment success.

- **Logic Over Emotion:** Perspective is key. Rather than act on emotion, it's important to put these events in context. Work with your advisor to assess any potential impact on your portfolio and implement change only if any is necessary and is in line with your investment objectives.

Our Experts Say…

"When the outbreak subsides, there will be pent-up demand globally for goods and services which will result in a powerful recovery phase."

David Picton,
Picton Mahoney Asset Management
Investment Specialist Canadian Growth

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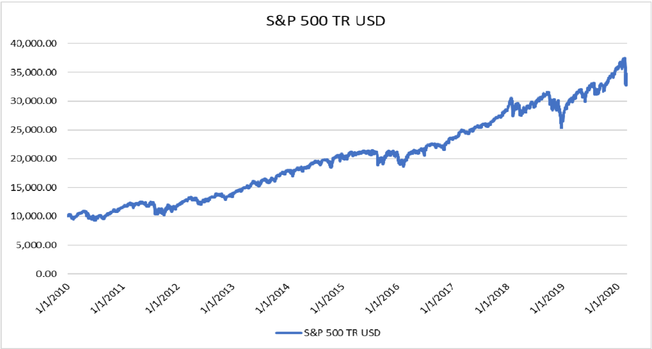
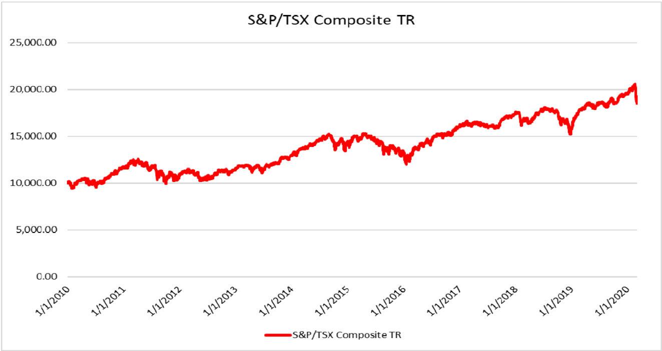
Over the past 10 years, markets have been positive. Perspective is key.





Source: Morningstar Direct Returns from January 1, 2010 to March 6, 2020 in local currency

How We Protect Against Market Volatility

- Cash position in the **Counsel Defensive Global Equity** component is up to 33%, making the effective cash positions in **Retirement Preservation** at 13.6%, **Retirement Foundation** at 13.2% and in **Retirement Accumulation** at 16.5%

- In **Counsel Strategic Portfolios** and **Private Wealth Portfolios** that include **Counsel Global Trend Strategy**, the allocation to the safety bucket of short-term U.S. bonds was up to 35.1%. For the income-oriented portfolios that hold **Counsel Retirement Income Portfolio**, the allocation to the safety bucket was up to 25.7% - remember, the bond market is benefiting from this downturn in equities so the need to be in the safety bucket is lessened.

- **IPC Private Wealth** clients have benefited from fixed income holdings which have appreciated in value over the past week. Clients with investments in our **Multi-Strategy Alternatives** mandate should also benefit from the contribution of lower-correlation strategies which should be less affected by changes in equity markets.

DID YOU KNOW?

At IPC Portfolio Services, we continue to monitor markets and will keep you up to date. We are long-term investors. While responding strategically to short-term conditions is part of our process, we are focused on managing the long-term objectives of the portfolios.

Our Experts Say…

"Overall it's important to have multiple risk-management strategies in a portfolio for different kinds of risk."

Darragh O'Dowd
Irish Life Investment Management
Investment Specialist,
Retirement Portfolios

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When markets are volatile, we know it can be challenging to keep your emotions at bay. We're here to be your guide and help you stay focused on your goals. If you have any concerns, please give us a call.

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