Coronavirus Update & Market Impact
March 24, 2020

Dear Clients,

Over the last couple of weeks, we have all had to make major adjustments to our daily lives to collectively address the societal health risk posed by the COVID-19 virus. What started as a highly localized outbreak in Wuhan, China has now developed into a truly global pandemic impacting 195 countries and nearly 400,000 people. In fact, 79% of confirmed cases of COVID-19 are now presently located outside of China.[1] Most states in the US have now instituted restrictions on public gatherings and retail store openings and hours, and unprecedented measures are being taken to increase hospital intensive-care unit (ICU) bed capacities to deal with a precipitous increase in domestic COVID-19 case counts.

Nevertheless, we are encouraged that case count growth rates in several countries, and even in certain states within the US, are slowing. This so-called "flattening of the curve" is a testament to the effectiveness of isolation and social distancing measures in controlling the spread of the virus. At this point, all eyes are on China, South Korea, and other countries that have successfully slowed the contagion as they attempt to achieve a sense of normalcy in their economies and societies. We remain optimistic that the US will benefit from the experiences of other countries as we implement our own measures to mitigate the spread and severity of COVID-19.

Global Spread of COVID-19 Slows
China's draconian COVID-19 response, which included forced quarantines of huge segments of the population, closed borders, and severely restricted travel and mobility, has succeeded in reducing the number of active COVID-19 cases from nearly 60,000 in mid-February to just over 5,000 as of March 23rd. South Korea, one of the first countries outside China to experience a dramatic acceleration in COVID-19 diagnoses, has seen a steady reduction in case counts since early March thanks largely to mass, indiscriminate testing. Even Italy, which has the most cases outside of China and the highest COVID-19 death totals of any country, has seen its new diagnoses slow in recent days after halting all commercial and many industrial activities for several weeks.

Other European countries are slowly beginning to adopt measures similar to those of China, South Korea, and Italy. The United Kingdom, for instance, issued a stay-at-home mandate on March 23rd. It is also closing all non-essential shops and community spaces and forbidding any gatherings of more than two people in public.

US Government Response
Of the ten countries with the most confirmed COVID-19 diagnoses, the United States presently has the highest new case growth rate. Federal measures to combat the spread of the virus have proven to be challenging thus far. Major efforts include foreign travel restrictions, the formation of a task force of government agencies and health care companies to ensure increased production and rapid delivery of testing kits nationwide, and an executive order that criminalizes the hoarding of medical equipment and supplies. Individual states and municipalities have taken it upon themselves to institute "social distancing" measures, some of which are somewhat controversial. An increasing number of locations are now completely restricting public gatherings, forcing businesses to temporarily close, requiring residents to stay home (with certain exceptions), and postponing court dates.

The United States Congress is presently debating a $2 trillion economic relief bill that, if passed, will include small business loan guarantees and direct cash payments to citizens. While the bill has thus far failed to gain bipartisanship support, there are signs that an agreement may be reached in the coming days. From a monetary policy perspective, the Federal Reserve (The Fed) held its third emergency meeting to determine how to best combat the effects of COVID-19, and it announced on Monday that it would buy US Treasuries, agency commercial mortgage-backed securities, and corporate bonds in the amounts needed until September 30th, 2020. The Fed's bond-buying program may also include investment-grade corporate bond exchange-traded funds (ETFs).

Optimism surrounding the prospect of additional stimulus measures helped US equity markets recover some losses on March 23rd, but the Dow Jones Industrial Average (DJIA) remains down 34% from its all-time high. As of noon Eastern time on March 24th, the DJIA has extended its rally by gaining an additional 8% on an intraday basis.[2]

Other COVID-19 Updates
The International Olympic Committee announced on March 23rd that the 2020 Tokyo Olympic Games will be postponed, likely until 2021. This marks only the fourth time that the Olympic Games have been postponed and/or cancelled, the other three being the result of war (in 1916, 1940, and 1944).

In the US, the 2019 tax payment deadline has been extended from April 15th to July 15th. President Trump also announced this week that the deadline to obtain new driver's licenses in accordance with the REAL ID Act has been extended beyond October 1st, but he did not confirm a new compliance date.

SageView's Perspective
The US federal government's response to COVID-19 has been quickly increasing after a slower ramp-up period. The government is now fast-tracking the production of face masks and testing kits. Our ability to diagnose new cases of COVID-19 will continue to increase in the coming weeks. However, challenges with coordination among US states and municipalities to address the virus in a concurrent and cohesive fashion remain a concern. Instituting a highly coordinated and aggressive response will be key in order to ensure US case counts follow a trajectory that is closer to that of South Korea than that of Italy.

We expect that stock and other financial markets will remain volatile for the foreseeable future as COVID-19 news continues to flow in. We believe that the economic impact of the virus will be extensive, particularly during the first and second quarters of 2020. What we do not know at this point is what form the recovery will take. A classic V-shaped recovery, in which economic activity snaps back in a robust fashion in the 2nd half of the year, remains possible. However, it is also very possible that we see an L-shaped recovery, which would involve an extended period following the initial drawdown where the economy regains its footing and consumer demand slowly rebuilds.

Regardless of what form the recovery from COVID-19 takes, we are confident that the economy will recover and that our daily routines will return to normal. We also remain optimistic about the long-term prospects of the financial markets, and we believe that we will look back in hindsight and recognize what a unique buying opportunity presented itself in 2020. It is difficult to see with a long-term perspective when we are in the midst of market challenges, but these are the times when it is important to keep our emotions in check so that we do not make poor investment decisions. Market prices currently reflect an extreme level of fear of the unknown, and our challenge as investors is to remain disciplined during times of difficulty.

As always, SageView will continue to monitor economic and market conditions and provide updates as appropriate. If you have questions or need additional information, please do not hesitate to contact us.

[1] Source: worldometers.info/coronavirus/
[2] Source: www.yahoofinance.com