



I hope you are doing well. I felt the current volatility in the investment markets and the news around the world warranted a response from your team here at Perler Financial Group.

What has changed since our last market update sent out on March 3rd?

- Worries around COVID-19 have increased, and cases of infection have increased outside of China (though the rate of China's increase has dramatically slowed, suggesting they may be on-top of it).
- The price of oil has fallen dramatically (roughly 30%) on an unexpected skirmish between Saudi Arabia and Russia over market supply coordination (reduced demand related to COVID-19 has not helped either).
- Interest rates have fallen substantially (the US Government will now pay you 0.7% per annum if you lend them money for 10 years, down from 1.2% just a few weeks ago).
- Stock markets have retested and/or breached recent lows, declining close to 20% from the recent highs.

What does it mean?

- No one knows for sure, but the risks of continued market turmoil are increased (but not guaranteed) due to the above. Whereas the vast majority of market 'corrections' (falls of up to 20%) are overcome relatively quickly (hence, the wisdom in not overreacting to them), every 5-10 years we get a bear market/recession (falls of more than 20% and back-to-back quarters of negative growth in the economy),

which can last anywhere from a few months to roughly a year. Unfortunately, there is no pattern that can be 'traded' where we sell now and get back in later at a better price. At the onset of every episode, the predictions by the media are uniformly dire, but the outcomes can be varied – from a quick reversal to one that is a little more prolonged.

- We must be patient, resisting the urge to believe every pundit that is given a microphone or keyboard. And rest assured that the volatility of the market won't create permanent loss of capital. These 'ups and downs' are unfortunately the 'price of admission' to the realm of earning higher returns than those of GICs or bonds.
- If the fear unfolds further and markets continue their slide, it will present a huge opportunity for portfolio managers to deploy cash and buy great companies at attractive forward earnings multiples.
- Important to remember that, for most client accounts, the portfolio is not invested 100% in stocks. Most portfolios have a sizeable allocation to cash and bonds and therefore your portfolio will be insulated to a degree from the wild market swings that are reported in the news. In fact, bond funds have generally posted positive returns during this recent patch of market turmoil.

Lastly, Guardian Capital has composed an update (a wonderful analogy about the short-term challenges of raising children vs. the long-term joy). Please [CLICK HERE](#) to read it when you can, and feel free to call or email David or me with any questions or concerns you have.

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