

March 5, 2020

It's been a tough week. Despite a slowdown in the number of coronavirus cases in China, cases have increased globally, and new cases have been confirmed in the United States. Countries are making progress with containment, but those efforts are likely to result in a reduction in economic activity, adding to market uncertainty.

Understandably, people are nervous. It's impossible to predict how many people will be affected or how containment efforts may impact the economy. Prospects for a pronounced economic slump and a wider outbreak have led many investors to sell first and ask questions later. Last week the S&P 500 Index suffered its worst weekly decline since the financial crisis in 2008, and the fastest 10% correction ever recorded from a record high. That's a fast move from a high to a low.

Uncertainty over the extent of any economic slowdown and the impact to corporate profits, a key driver of stock prices, may cause financial markets to remain volatile over the near-term. Volatility was almost non-existent from October 2019 through mid-February but has since spiked to some of its highest levels in years. Financial markets reflect a heavy dose of fear and lot of bad news is already factored into current prices and bond yields.

The Federal Reserve's (Fed) perspective on the evolving crisis has also changed quickly. Until last week, the Fed had been communicating that it expected to hold interest rates unchanged. Then on March 3, the Fed cut rates by one-half a percentage point (.5%). The rate action may help support the economy and stock prices through this near-term soft patch as efforts to contain the outbreak continue.

As you contemplate your next move, it's important to keep the following in mind:

- The U.S. economy and corporate America are resilient and adaptable. Stocks have weathered wars, natural disasters, terrorist attacks, financial crises, and many other economic and geopolitical shocks. Through it all, stocks have produced a 9% annualized return since 1929, as measured by the S&P 500 Index. (source: Bloomberg).
- Like crises in the past, this one will pass. It's difficult to see the other side of this right now but the economic impact may be temporary. Markets appear poised to eventually look forward to better days but a slowdown in the number of cases globally is likely needed before investors refocus on economic fundamentals.
- Now may be a good time for suitable investors to consider adding equity positions to their portfolios, where appropriate. We find that the best sell decisions often come when investors struggle to find reasons to sell. The best buying decisions often can be the most uncomfortable.

If you're concerned the outbreak may get much worse before it gets better, you may want to think about revisiting your long-term investing strategy. Although we do not expect it, a potential U.S. recession or a bear market cannot be ruled out. For most long-term investors, however, the best move may be no move.

Please contact a Relationship Manager with any questions or concerns.

Important Information

Trust and fiduciary services are provided by Zions Bancorporation, N.A. through its Wealth & Fiduciary Services Group. Investments are not insured by the FDIC or any federal or state government agency, are not deposits of or other obligations of, or guaranteed by, Zions Bancorporation, N.A. or its affiliates, and may be subject to investment risks, including the possible loss of principal value or amount invested. Amegy Bank, California Bank & Trust, The Commerce Bank of Oregon, The Commerce Bank of Washington, National Bank of Arizona, Nevada State Bank, Vectra Bank Colorado, Zions Bank are divisions of Zions Bancorporation, NA.

This information is not meant as a guide to investing, or as a source of specific investment recommendations, and Wealth & Fiduciary Services (WFS) make no implied or express recommendations concerning the manner in which any client's accounts should or would be handled, as appropriate investment decisions depend upon the client's investment objectives. The information is general in nature and is not intended to be, and should not be construed as, legal or tax advice. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing.

This document is prepared by LPL Research and WFS. In addition, the information is subject to change and, although based upon information that WFS, considers reliable, is not guaranteed as to accuracy or completeness. WFS makes no warranties with regard to the information or results obtained by its use and disclaims any liability arising out of your use of, or reliance on, the information. The economic forecasts set forth in the presentation may not develop as predicted.

WFS Approval ID # WFS0320-014