

Retirement Point

NEWS FOR PLAN SPONSORS AND PARTICIPANTS

March 2020

Coronavirus, Market Correction and more...

Expect volatility, but avoid letting headlines alter your plans.

THE MONTH IN BRIEF

In February, anxieties about the novel coronavirus (COVID-19) rippled through stock, bond, and commodity markets. Stories about the disease dominated the news cycle, and concerns that a pandemic might occur hurt equities. The S&P 500 slipped 8.41% for the month, and foreign stock markets also retreated. Oil tumbled below \$50. Away from the trading floors, the latest fundamental economic indicators showed manufacturing and job creation strengthening and consumer confidence at high levels. Data on home sales were mixed; home loans grew less expensive.¹

| MARKET INDEX | Y-T-D CHANGE | 1-MO CHANGE | 2019 |
|--------------|--------------|-------------|----------|
| DJIA | -10.96 | -10.07 | +22.34 |
| NASDAQ | -4.52 | -6.38 | +35.23 |
| S&P 500 | -8.56 | -8.41 | +28.88 |
| YIELD | 2/28 RATE | 1 MO AGO | 1 YR AGO |
| 10 YR NOTE | 1.13 | 1.51 | 2.73 |

Sources: wsj.com, bloomberg.com, treasury.gov - 2/28/20^{21,22,23}

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends. 10-year Treasury yield = projected return on investment, expressed as a percentage, on the U.S. government's 10-year bond.

Monthly Quote

"Let us be grateful to people who make us happy: They are the charming gardeners who make our souls blossom."

MARCEL PROUST

Tip of the Month

Delegation is a key to sustaining a small business. A business owner should try to hand off tasks that can be done easily (or better) by others.

The Monthly Riddle

What gets broken without being held?

Last month's riddle:

I am soft, and you can serve me indoors or outdoors, but you would not want to eat me. What am I?

Last month's answer:

A tennis ball

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As of February 28, 2020, global stock markets have entered "correction" territory, defined as a 10% decline from the index high. This is in large part due to the uncertainty surrounding the new coronavirus, first detected in Wuhan City, China, but now detected in 37 locations internationally, including the United States. There certainly will be an economic impact, as growth slows due to quarantines, less consumer traffic and lower factory output, but it is still to be determined its final result on global growth. Stock markets, however, do not like uncertainty. As uncertainty has grown around this new coronavirus, the resulting fear has led to a quick and notable downward movement in the market.

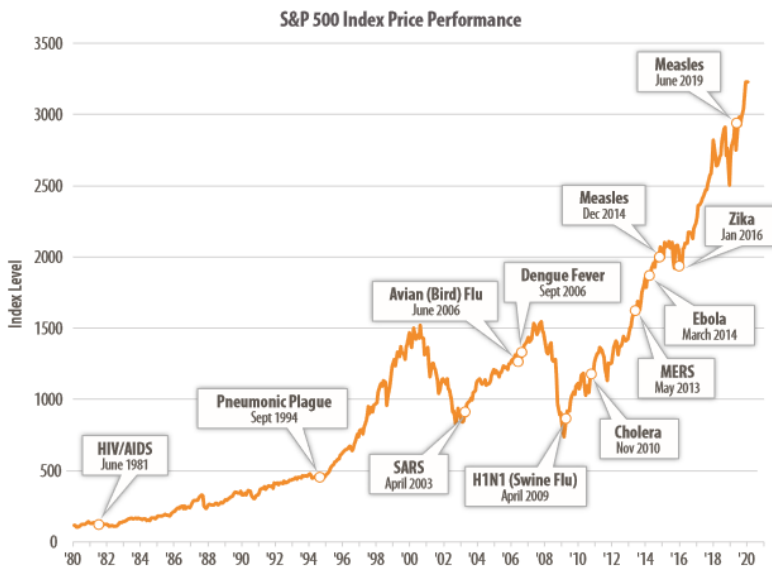
How might this affect me? When major events make headlines, it's easy to put yourself in the picture. Knowing, as well, how such events might affect the financial markets, it's also easy to wonder how your investments and retirement strategy might fare.

The truth? Political ups and downs, virus outbreaks, and other circumstances might lead to some short-term volatility on Wall Street. But it's important to remember two things: 1) Your portfolio is positioned to reflect your risk tolerance, time horizon, and goals. 2) The way we experience news has changed over the years, and not all of it for the better. As an investor and retirement saver, how much will this turmoil matter to you in the long run? Not as much as you may expect. There are many good reasons to remain in the market rather than attempting to intuit or guess when and where big shifts in fortune may arrive.

Remember that many investors come to regret emotional decisions. The average recovery time for bear markets (meaning a downward swing of 20% or more), where equities return to bull market levels? About 3.2 years (measuring each recovery since 1900). For that reason, investing with the longer term in mind, with periodic and carefully considered rebalancing (alongside your trusted financial professional), may allow you to better weather headline-induced peaks and valleys.¹

Breaking news should not dissuade you from pursuing your long-term objectives. The stock market is always dynamic. Episodes of upward and downward volatility come and go. A wise investor acknowledges that downturns are expected and has patience when they do. Decisions made during market turbulence can backfire. While some of these ups and downs may be significant enough to signal a change in your asset allocation, they need not change the fundamentals of your investment policy.

Epidemics in the past have also led to sharp pull-backs in the markets. Over the long-term, however, the stock market has weathered past epidemics. The below chart looks at the historical returns of the S&P 500 Index during multiple epidemics over the last 40 years. Over the 6 and 12 month periods following an epidemic, the S&P 500 performance has, on average, been positive.²



| Epidemic | Date | S&P 500 6-Month % Change | S&P 500 12-Month % Change |
|-----------------------------|------------|--------------------------|---------------------------|
| HIV/AIDS | June 1981 | -6.6% | -16.5% |
| Pneumonic Plague | Sept 1994 | 8.2% | 26.3% |
| SARS | April 2003 | 14.6% | 20.8% |
| Avian (Bird) Flu | June 2006 | 11.7% | 18.4% |
| Dengue Fever | Sept 2006 | 6.4% | 14.3% |
| H1N1 (Swine Flu) | April 2009 | 18.7% | 36.0% |
| Cholera | Nov 2010 | 13.9% | 5.6% |
| MERS | May 2013 | 10.7% | 18.0% |
| Ebola | March 2014 | 5.3% | 10.4% |
| Measles | Dec 2014 | 0.2% | -0.7% |
| Zika | Jan 2016 | 12.0% | 17.5% |
| Measles | June 2019 | 9.8% | N/A* |
| Average Price Return | | 8.8% | 13.6% |

Observations

- 6-month change of the S&P 500 Index following the start of the epidemic was positive in 11 of the 12 cases, with an average price return of 8.8%.
- 12-month change of the S&P 500 Index following the start of the epidemic was positive in 9 of the 11 cases*, with an average price return of 13.6%.



For more information on investment choices for your retirement plan, please call Darsh Makim at 202-618-3977 or email at dmakim@pointoak.com

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CITATIONS ECONOMIC SECTION:

- 1 - money.cnn.com/data/markets/sandp [2/28/20]
- 21 - bloomberg.com/markets/stocks [2/28/20]
- 22 - wsj.com/market-data [2/28/20]
- 23 - treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yieldAll [2/28/20]

CITATIONS FINANCIAL ARTICLE SECTION:

- 1 - marketwatch.com/story/why-retirees-shouldnt-fear-a-bear-market-2019-01-16 [1/29/19]
- 2 - ACR #342751 - Staying the Course

ACR# 343704