2019 produced the best returns in the S&P 500 since 2013 with well-below average intra-year volatility. The largest draw-down during 2019 was seven percent against 40 year average of 13.8 percent. Year-to-date the S&P 500 is down just over eight and a quarter percent, down 11.44 percent in the last week of February alone. Volatility in the market is a natural state of affairs. With the benign environment in 2019, a pick-up of volatility was natural and expected. It is usually precipitated by some kind of catalyst and the expansion of the impact of the Coronavirus was a logical factor. As a result several Wall Street firms released revised earnings estimates of little or no growth for 2020.

When we experienced sharp sell offs in the past such as in the Fall of 2018, the market generated an equally sharp recovery. Also with the recovery we saw a resumption of the previous leadership. Many of the leading companies in information technology, industrials and consumer discretionary, identified generally as growth stocks lead into the market sell off, corrected, then resumed leadership when the correction ran its course. We expect a similar type of market response. Areas that have become more attractive are the high quality companies in the traditional growth areas mentioned earlier. Also, a temporary economic slowdown is likely to produce a globally coordinated stimulus program. We are already seeing increased government spending in China and we believe that may be a catalyst for additional monetary stimulation in Southeast Asia, the Eurozone and ultimately in the United States. Longer-term the Coronavirus could be used as a catalyst for additional investment in medical research and production facilities outside of China and India. As we have started to see a reordering of the production supply lines in various types of manufacturing, that is likely to happen in the medical sector as well.

Sharp sell offs have generally been followed by sharp bounces. New highs have historically been several months away but the lows established in the Fall have proven to be durable and levels at which longer term bottoms developed. We expect to use the declines and any tests of the lows as opportunities to build positions in high quality, dividend paying stocks. This is especially true in today's environment with interest rates at historic lows.

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