MARKETS & THE CORONAVIRUS: COMMON QUESTIONS

Stock and bond markets alike have experienced remarkable levels of volatility in recent weeks as the coronavirus's impact on the global economy continues to unfold. During this time, Lenox Advisors has been steadfast in strategy and communication with clients and pleased to report on the value garnered from years of diligent planning, multi-asset solutions and protection vehicles that clientele have in place.

As of the market's close on March 12th, global stocks have receded in value to prices not seen since the beginning of 2019 (MSCI All Country World Index), and bond yields have fallen to never-before seen lows. With the coronavirus spreading at rates that span the corporate earnings season, and with ease across broad geographies, markets have been left to their own devices in estimating the equity value lost by tempered or paused corporate production. It is in these periods of uncertainty around earnings guidance that markets have understandably exhibited intermittent periods of considerable volatility.

Coupled with government warnings from the Center for Disease Control (on February 25th) that the coronavirus will almost certainly spread throughout the United States, institutional and individual investors alike have been turning to advisory support for strategy and relief. It is from those grounds that Lenox Advisors has reminded clients across the country that our multi-asset investment solutions, insurance portfolios, and annuity guarantees have been tactically implemented for such times.

Looking to history, the impact of such infections has repeatedly proven transient, with slowdowns rebounding in the quarter following an epidemic contraction's floor. Global contagions going back to the SARS virus in 2003 saw a sharp slowdown lasting about three months, followed by a sharp recovery in the subsequent three.1 One should note the historic spread between yields on domestic equities vs. US Treasuries, the relative strength of the US consumer, recent monetary stimulus from the Federal Reserve and potential for fiscal stimulus to follow. With each of these contributing factors and the fundamental contrast to the financial crisis in 2008, our models indicate the catalyst to recovery will likely come from a combination of containment and stimulus.

We're commonly asked, "Do my retirement plans still work?"

A retirement plan built with strategy and disciplined construction should be able to weather this crisis. For many investors, we foresee patience and advisory services as the pillars of long-term success.

We remain advocates of multi-asset solutions where equity exposure is maintained for long-term growth, fixed income solutions are held for defense in the wake of equity market volatility, and alternative investments have the ability to hedge risks across both.

From a high level, the technical benefits of proper investment vehicles, insurance benefits and income guarantees are not to be underestimated, but where they required patience and professional foresight in implementation, they require even more for those who are now in or nearing retirement distributions.

By leveraging advisory services and adopting a disciplined plan for reallocating and/or drawing on portfolios, we have found that retirees with a tactical diversity of solutions like those listed above have not found recent events to be of statistical significance to their overall retirement plans.

Please know the entire team at Lenox Advisors is here to serve you. We pride ourselves on being one of the nation's premier insurance and wealth advisory firms, building relationships that matter and creating clients for life.

Source: New York Times, "Wall Street Gets Worried About the Coronavirus," February 25, 2020