The Coronavirus Continues to Infect

Stock markets took a pummeling last week from investor fears regarding the coronavirus. Following all-time highs set only a few short weeks prior, market averages finished deeply in the red last week, capping a seven-day stretch of declines. The S&P 500 finished last week with a year to-date loss of roughly 8%. As a partial offset, bonds rallied sharply as yields fell.

Clearly, investors took a risk-off approach to contemplating the impact of the virus and its implications for business and social activity. At present, total cases worldwide continue to climb, now tallying about 90,000. About 3,000 persons have succumbed to the disease, with the greatest mortality occurring among older patients and those with underlying health issues. Encouragingly, the mortality rate from the disease may prove measurably lower than initial estimates, well under 1%, but this assessment is not certain.

The US has been lightly impacted so far, but coronavirus cases have surfaced in ten states and have infected forty-three persons to date. Make no mistake, the case count will continue to climb, as broader testing for the disease becomes available. Although the vast majority of persons sickened by coronavirus will survive, there is no direct cure for the disease, and a vaccine is widely believed to be more than year away at the earliest. From a public health standpoint, the greatest imperatives are informing the public of smart hygiene practices, and identifying, and segregating, infected persons.

Investment markets continue to wrestle with impacts from the coronavirus. As a general investment maxim, markets hate uncertainly, and coronavirus affords plenty. The virus has already created a "supply shock" – that's the sum of effects, not all of them understood, from the multi-week shutdown of the Chinese economy as it grappled with the initial outbreak. China lost production for several weeks across its industrial base, and its factories are still not fully back on line. We don't yet know the full impact to the global economy and to corporate earnings from this disruption, though the situation from here should be improving.

We also don't know the effect on demand from end consumers resulting from coronavirus fears. At this time, it is a safe bet that travel and tourism-related shares will suffer from lost sales. Multiple companies have scaled back large conferences and other more routine business travel activity. If public health concerns escalate, we could see further demand shifts away from restaurants, malls, and other public gathering places in favor of stay-at-home activities.

In recent days we have undertaken several portfolio actions to reposition investor capital. In our **Ascent Dividend Focus** strategy, we sold our remaining stake in a cruise company, trimmed our position in a health insurer (concerns over elevated claims), sold our lone energy company (demand destruction, weak oil prices), and sold our position in a media company that operates theme parks and cruises. We redeployed a portion of these proceeds to a technology ETF. It is our belief that, while not immune from roiled markets, technology shares are well-positioned, on balance, to weather the coronavirus storm.

In our **Ascent Global Growth** strategy, we sold our positions in a health club operator (public spaces), a beauty retailer (public spaces and potential supply chain disruption), and our holding in the aforementioned media company. We are holding proceeds in cash at this time.

In the near term, we expect the media coverage of coronavirus to remain intense, stirring investor worries. At the same time, public health authorities seem to be getting a better handle on the situation, and we expect the Federal Reserve and other central banks will be taking aggressive actions to cut rates and provide other measures to support investor confidence. On balance, we think global growth will get back on track following the ongoing uncertainty presently upon us.

Respectfully Submitted