

The Outlook: Feb. 25, 2020

***“Pandemic!” One More Line for the List of Nightmares.***

Let’s begin, this afternoon, with a glance over our shoulders at recent history:

The Outlook: Oct. 3, 2019

***Main Street versus “a Sea of Red,” as usual.***



While the market was performing its screaming 800-point cliff dive this week, the “sea of red” picture above was one of the best of the graphics which showed up next to these kinds of headlines:

***Global Stocks Sell Off as Economic Fears Mount!***

***US Jobs Outlook So Weak It Echoes Disaster Months!***

***September Job Gains Forecast at Only 130,000 as Trade Hampers Growth  
“It’s Starting to Roll into One Big Ball of Negativity!”***

***This May Be the Stock Market’s Last Stand!***

All that was less than 5 months ago . . . but except for the details (Trade War Nightmare versus Wuhan Virus Nightmare) it captures the mood, doesn’t it? Of course as we stand at 2:30 pm today, the screaming cliff dive has been 1,800 points instead of that trivial 800 points last October . . . but ***“It’s Starting to Roll into One Big Ball of Negativity!”*** still fits, perfectly.

It didn’t roll very far downhill, did it? We don’t have a crystal ball, at Outlook—but we’ll be pretty surprised if today’s “Global Pandemic!” ball of negativity rolls much farther. This is not the Black Plague or Spanish Flu, period. It’s not close.

As long as we're glancing back at history, here's a picture Outlook's clients and friends have also seen before. It's a list of the Nightmares this long Bull Market has endured.

**One More Line for the List: 2020 Feb. 24 - ??? Coronavirus Pandemic!**

S&P 500 Corrections of >5% since March 2009 Low				
Correction Period	S&P High	S&P Low	% Decline	"Stocks Fall On..."
2018: Sep 21 - Oct 24	2941	2652	-9.8%	Inflation Fears, Rising Rates, China Slowdown, Trade War/Tariffs, Housing
2018: Jan 26 - Feb 9	2873	2533	-11.8%	Inflation Fears, Rising Rates
2016: Aug 15 - Nov 4	2194	2084	-5.0%	Election Fears/Concerns/Jitters
2016: Jun 8 - Jun 27	2121	1992	-6.1%	Brexit Concerns, Pound Crashing, European Banks
2015/16: Nov 3 - Feb 11	2116	1810	-14.5%	China, EM Currencies, Falling Oil, Middle East, North Korea Nukes
2015: May 20 - Aug 24	2135	1867	-12.5%	Greece Default Concerns, China Stock Crash, EM Currency Turmoil
2014/15: Dec 29 - Feb 2	2094	1981	-5.4%	Falling Oil, Strong Dollar, Weak Earnings
2014: Dec 5 - Dec 16	2079	1973	-5.1%	Falling Oil, Strong Dollar
2014: Sep 19 - Oct 15	2019	1821	-9.8%	Ebola, Global Growth Fears, Falling Oil
2014: Jan 15 - Feb 5	1851	1738	-6.1%	Fed Taper, European Deflation Fears, EM Currency Turmoil
2013: May 22 - Jun 24	1687	1560	-7.5%	Fed Taper Fears
2012: Sep 14 - Nov 16	1475	1343	-8.9%	Fiscal Cliff Concerns, Obama's Re-Election
2012: Apr 2 - Jun 4	1422	1267	-10.9%	Europe's Debt Crisis
2011: Oct 27 - Nov 25	1293	1159	-10.4%	Europe's Debt Crisis
2011: May 2 - Oct 4	1371	1075	-21.6%	Europe's Debt Crisis, Double-Dip Recession Fears, US Debt Downgrade
2011: Feb 18 - Mar 16	1344	1249	-7.1%	Libyan Civil War, Japan Earthquake/Nuclear Disaster
2010: Aug 9 - 27	1129	1040	-7.9%	Global Growth Concerns
2010: Apr 26 - Jul 1	1220	1011	-17.1%	Europe's Debt Crisis, Flash Crash, Growth Concerns
2010: Jan 19 - Feb 5	1150	1045	-9.2%	China's Lending Curbs, Obama Bank Regulation Plan
2009: Oct 21 - Nov 2	1101	1029	-6.5%	Worries About The Recovery
2009: Sep 23 - Oct 2	1080	1020	-5.6%	Worries About The Recovery
2009: Jun 11 - Jul 7	956	869	-9.1%	World Bank Neg Growth Forecast, Fears Market Is Ahead Of Recovery
2009: May 8 - 15	930	879	-5.5%	Worries That Market Has Gotten Ahead Of Itself
Average			-9.3%	

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There is one profound lesson from that chart: ***This 11-year Bull Market has endured not just despite all those Nightmares, but because of them.*** Over and over again the market's lightning-reflexed willingness to take fright at new nightmares has stopped the long Bull Market from climbing to silly overvaluations. Main Street has trudged on through the nightmares, as usual, finding ways to blunt them or work around them; and Wall Street has eventually tired of being terrified . . . and noticed the steadily-rising cash Main Street keeps handing out to shareholders. Then each nightmare was left behind (and forgotten about!) and the market trudged ahead until it was time to pause for the next fright.

An ocean of ink has already been spilled on all the terrible consequences we can imagine the Wuhan Virus might have on the global economy and the market. Economist Brian Wesbury weighed in upon it today—and as usual, he was worth waiting for. We've attached his dose of calm good sense in the link below.

<https://www.ftportfolios.com/Commentary/EconomicResearch/2020/2/25/time-to-fear-the-coronavirus>

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