

Market Nears Correction Territory

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Financials markets moved into a “risk-off” mode beginning on Monday, February 24th with U.S. stocks trading down more than 3%. This marked the largest one day sell-off in two years as financial markets reacted to an apparent failure to contain the coronavirus. Contagion has spread to South Korea, Italy, and Iran in recent days. On Tuesday, the equity rout continued as the CDC warned that the virus was likely to spread to the U.S. at the community level and that “disruption to everyday life might be severe.”

The S&P 500 Index is now down nearly 8% from the February 19, 2020 high of 3386. Should the index trade down to the 200 day moving average of 3044, that would mark the first 10% correction since the fourth quarter of 2018. This level should offer some support, as it also corresponds to previous market highs in early 2019. If the index breaches the 200 day moving average, the next support level is likely to be near 2850. Equity investors should expect continued volatility as markets digest the economic impact of the virus over the coming weeks.



As money left stocks, it poured into the bond market pushing yields lower and once again partially inverting the yield curve, with the 3-month at 1.58% and the 5-year at 1.15%. Yields have dropped over 30 basis points in the middle part of the curve. Fed funds futures contracts are once again pricing in a potential rate cut by the middle of this year. However, the Fed will likely wait for more compelling economic data before taking any action.

We remind investors that periods of market volatility are to be expected from time to time and recommend they stay disciplined within their target allocations. For investors with excess cash, the coming weeks may present an opportunity to deploy cash into high quality investments.

We hope that we are exceeding your expectations. The best compliment we could receive would be a referral of your friends and family. Please contact Mike Miller at 513.932.1414, ext. 59101 or mmiller@LCNB.com for more information.

