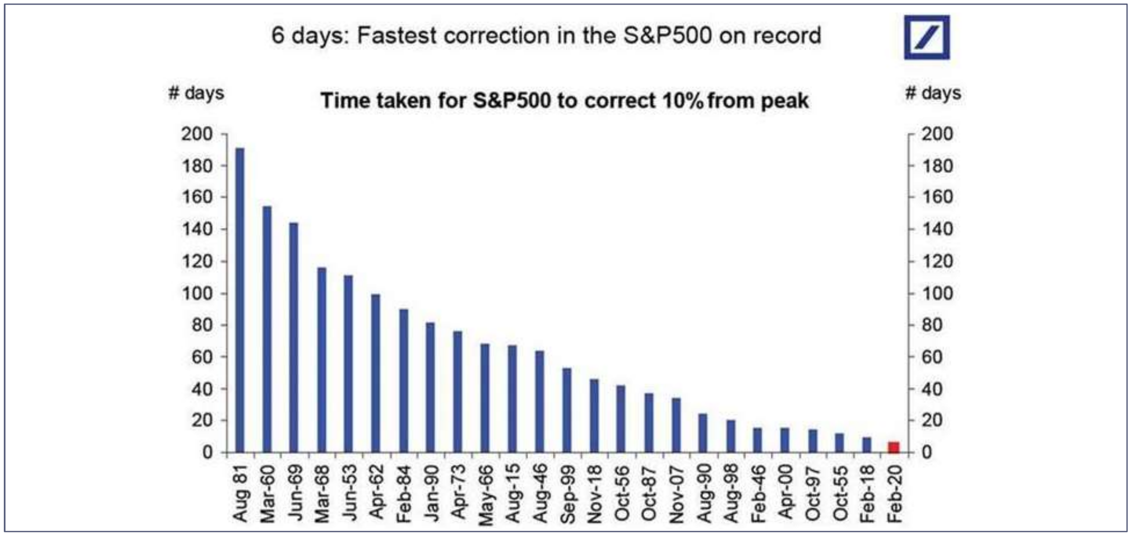
Market Recap

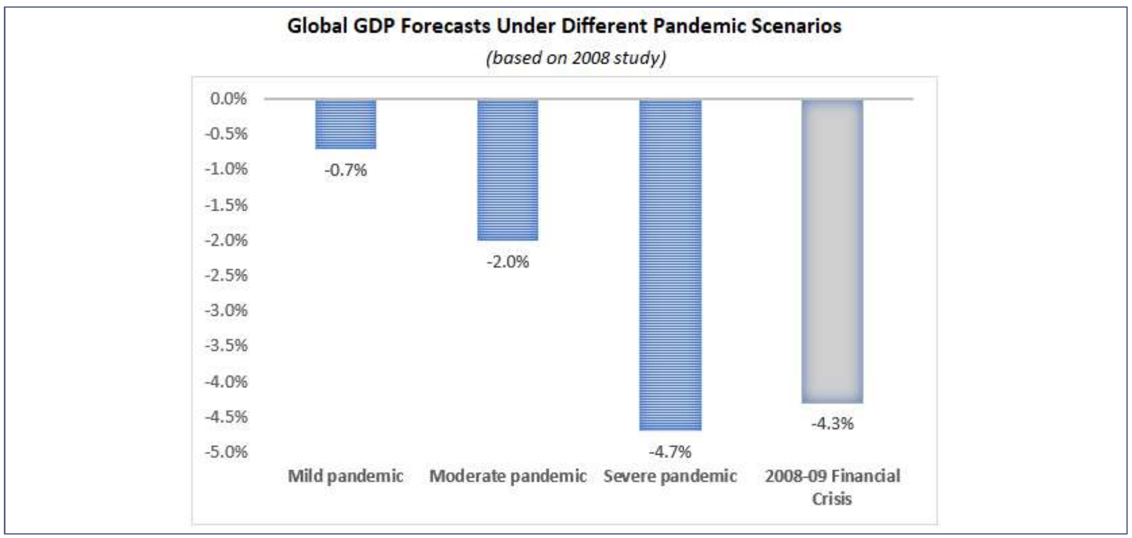
A Rather Nasty Rollercoaster Ride



Source: DB Global Research, Bloomberg Finance

Last week the S&P 500 index fell into correction territory with a decline of -10% from its recent peak. While corrections are common, this swoon was incredibly swift and occurred in a record six days. Consequently, investors should examine some of the reasons why this drop was so sudden. A rather meager outlook for earnings growth, combined with above-average valuation levels, certainly left the market vulnerable. Furthermore, although the Federal Reserve cut interest by 0.50% this week in an emergency meeting, it did little to calm anxious investors. The Federal Reserve has little ammunition left to support the economy and acknowledged as much in its recent press release. Although the coronavirus may be the headline catalyst for the market's recent pullback, there are always other factors in play.

Shock to the System



Source: Federal Reserve and World Bank

As the coronavirus pandemic continues to spread around the world, the increasing disruption to global supply chains has raised the possibility of a recession in many economies. While the numbers will continue to change as the situation unfolds, preliminary estimates suggest that the outbreak will have a modest 0.2% drag on overall U.S. GDP growth in 2020. Many early predictions assumed a short-term disruption and eventual V-shaped recovery, an outcome that is hardly a forgone conclusion. Based on a 2008 World Bank study, the severity of an outbreak would be the difference between a slowdown, a downturn, and a global recession. How successful the efforts of public health organizations are in curbing the rate of new infections (spreading them out over time) will be key.

Market Recap

Modern Skills Sets: Protecting Your Identity

Source: CentSai

Will Realtor Fees Ever Come Down?

Source: The Economist

Equifax, Home Depot, Marriott, Target, Yahoo. These prominent consumer companies (and their customers) are just a handful of the data-breach victims in recent years - a list that will undoubtedly grow in the years ahead. Unfortunately, we're all vulnerable to identity theft and there are no full-proof solutions. Indeed, one of the fundamental challenges, human nature being what it is, is that most consumers don't tend to think about such things until after their personal information has been compromised. The good news is that there are several ways to reduce your risk and resources to help (the FTC's website is a good place to start). Taking a deliberate, proactive approach is essential. While there are undoubtedly some trade-offs between security and convenience, developing this skill set will pay untold dividends.

The estimated market value of residential property in the U.S. is an astounding $34 trillion. In 2019, homes with an aggregate value of $1.5 trillion were bought and sold across America. Given the massive price tag (it's the largest transaction most people undertake in their lifetime), homeowners value the expertise of a realtor, and commission rates are typically 5-6% of the closing price on a residential property. This activity generated $75 billion of real estate agent commissions last year. As a comparison, about $40 trillion of stocks were traded but commissions totaled less than $10 billion. In recent years, technology companies have disrupted a variety of industries such as media, retail, and travel - Only time will tell whether upstart competition from companies like Redfin, Zillow and Opendoor can crack the code in a market where commissions have remained stubbornly high.

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