



March 20, 2020

SAGE Global Market Perspective: Disruption and Fear – A Process, Not an Event

Dear Clients,

Over the past three weeks, we have witnessed market volatility not seen in over a decade. As society continues to grapple with the current outbreak of the COVID-19 virus coupled with the more recent drop in oil prices, investors are quickly assessing the impact to the global economy and their portfolios. Although it is clear that disruptions to the global supply chain and overall demand will have a negative effect on the economy and that growth expectations will be revised lower, there are some positive outcomes to the market turmoil.

- The \$30 drop in oil prices over the past month should be an estimated \$140 billion benefit to consumers and businesses.*
- Nearly 13 million borrowers are now eligible for mortgage refinancing with an average savings of >75 bps, leading to an estimated \$42 billion savings for homeowners.*
- Nearly \$2.5 trillion in U.S. business loans are based on floating rates which have declined an estimated 100 bps, equating to an immediate \$25 billion annual benefit to businesses.*
- The price-to-earnings ratio of the S&P 500 has fallen from over 20x to below 17x, nearing the valuation levels recorded during the 2018 Christmas Eve selloff.*

However, economically, jobs are crucial right now, as a recessionary spiral from the virus impact could effectively negate many of the positive impacts from lower rates, energy prices, fiscal, and monetary stimulus. There are roughly 16 million workers in the crosshairs of virus disruption risk out of total employment of 161 million of U.S. workforce*, and it is these travel/hospitality/leisure industries where we suspect any logical fiscal stimulus should be targeted.

At this point we are encouraged by the coordinated efforts to attempt to contain, understand and work through this crisis. We do believe market volatility will persist until confidence in containment efforts are realized as well as meaningful measures to stem the economic fallout caused by containment efforts unfold. This will continue to be a process, not an event and will take time to work through. We will continue to monitor containment efforts, policy response as well as economic conditions and report any changes as they materialize.

Kind regards,

SAGE Private Wealth Group Investment Committee

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