

## Dow Plunges as Coronavirus Spreads to South Korea, Iran and Italy

As soon as we mentioned the first sign that the coronavirus was impacting earnings (Apple lowered forward guidance), the virus broke out of general containment in China and began rapidly spreading into South Korea, Iran and Italy. This news provided a significant psychological impetus over the weekend to sell risk assets in the belief that we have a true pandemic on our hands. This is a scary concept for us as humans, but is it going to bring down equity markets in and of itself?

No one knows for sure what the future will bring, but the simple fact is we are still in a growing economy and companies have continued to beat expectations on both earnings and revenue. The U.S. corporate earnings growth rate remains at a positive 8% year-over-year. The IMF is projecting international growth as well. This is not the data that bear markets are made of. That is not to say that a worldwide pandemic can't change these positive numbers going forward, but until they do, the bull is still in the pasture. We have had an incredible run-up in stock prices over the last 13 months. We are way overdue for some pain. The coronavirus is as good of a reason as any, if not better, for some panic-induced selling. A rapidly spreading and uncontrolled "killer virus" has real sex appeal as far as the scare factor goes. Major market indexes dropped 5% over the past two trading days, wiping out the gains we achieved since 2020 began. The VIX (fear index) broke out above 23 on the back of today's largest drop in the DOW since 2018. Bond yields collapsed even further and gold hit seven-year highs as money flowed to perceived safe havens.

We are very likely to have more volatility like we just saw before the skies clear. Investors must take it in stride and realize we are investing for the next five years, not the next five days, or even five weeks. For those of you who are just starting out on the path and are becoming "investors" for perhaps the first time in your life, welcome to the NFL. This business is not for the faint of heart.

Last week's commentary can be found [here](#).



## IMPORTANT DISCLAIMERS

This material is prepared by Cabana LLC, dba Cabana Asset Management and/or its affiliates (together “Cabana”) for informational purposes only and is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. The opinions expressed reflect the judgement of the author, are as of the date of its publication and may change as subsequent conditions vary. The information and opinions contained in this material are derived from proprietary and nonproprietary sources deemed by Cabana to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by Cabana, its officers, employees or agents.

This material may contain ‘forward looking’ information that is not purely historical in nature. Such information may include, among other things, projections and forecasts. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. All investment strategies have the potential for profit or loss. All strategies have different degrees of risk. There is no guarantee that any specific investment or strategy will be suitable or profitable for a particular client. The information provided here is neither tax nor legal advice. Investors should speak to their tax professional for specific information regarding their tax situation. Investment involves risk including possible loss of principal.

Cabana LLC, dba Cabana Asset Management (“Cabana”), is an SEC registered investment adviser with offices in Fayetteville, AR and Plano, TX. The firm only transacts business in states where it is properly registered or is exempted from registration requirements. Registration as an investment adviser is not an endorsement of the firm by securities regulators and does not mean the adviser has achieved a specific level of skill or ability. Additional information regarding Cabana, including its fees, can be found in Cabana’s Form ADV, Part 2. A copy of which is available upon request or online at [www.adviserinfo.sec.gov/](http://www.adviserinfo.sec.gov/).

The Financial Advisor Magazine 2018 Top 50 Fastest-Growing Firms ranking is not indicative of Cabana's future performance and may not be representative of actual client experiences. Cabana did not pay a fee to participate in the ranking and survey and is not affiliated with Financial Advisor magazine. RIAs were ranked based on percentage growth in year-end 2017 AUM over year-end 2016 AUM with a minimum AUM of \$250 million, assets per client, and growth in percentage assets per client. Visit [www.fa-mag.com](http://www.fa-mag.com) for more information regarding the ranking.

The Financial Advisor Magazine 2019 Top 50 Fastest-Growing Firms ranking is not indicative of Cabana’s future performance and may not be representative of actual client experiences. Cabana did not pay a fee to participate in the ranking and survey and is not affiliated with Financial Advisor Magazine. Working with a highly-rated advisor also does not ensure that a client or prospective client will experience a higher level of performance. These ratings should not be viewed as an endorsement of the advisor by any client and do not represent any specific client’s evaluation. RIAs were based on number of clients in 2018, percentage growth in total percentage assets under management from year end 2017 to 2018, and growth in percentage growth in assets per client during the same time period. Visit [www.fa-mag.com](http://www.fa-mag.com) for more information regarding the ranking.

Cabana claims compliance with the Global Investment Performance Standards (GIPS®). In addition to the firm’s third-party verification, six of Cabana’s core portfolios have been performance examined consistent with GIPS® standards. The Global Investment Performance Standards are a trademark of the CFA Institute. The CFA Institute has not been involved in the preparation or review of this report/advertisement. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm’s policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation unless an independent performance examination has been conducted for a specific time period. Past performance is not indicative of future results. Due to various factors, including changing market conditions, the portfolios may no longer be reflective of current positions.

No client should assume that the future performance of any specific investment or strategy will be profitable or equal to past performance. All investment strategies have the potential for profit or loss. All strategies have different degrees of risk. There is no guarantee that any specific investment or strategy will be suitable or profitable for any investor. Asset allocation and diversification will not necessarily improve an investor’s returns and cannot eliminate the risk of investment losses. While loss tolerance and targeted "drawdown" are identified on the front end for each portfolio, Cabana's algorithm does not take any one client's situation into account. It is the responsibility of the advisor to determine what is suitable for the client. An advisor should not simply rely on the name of any portfolio to determine what is suitable. Cabana manages assets on multiple custodial platforms. Performance results for specific investors may vary based upon differences in associated costs and asset availability.

