



Coronavirus and Recent Market Volatility

WHAT IS IT?

Coronaviruses are a category of viruses that cause respiratory illness. This includes viruses like the common cold and flu. These can originate in animals and can occasionally infect people. MERS and SARS are a couple examples of types of a coronavirus. This new specific strain, the COVID-19, was first reported in Wuhan, China in December 2019. While officials are still unsure of how the disease was spread to humans, the infection is believed to have come from wildlife that was sold at a local farmer's market. Wuhan is the 11th largest city in China and is home to more than 11 million people.

WHAT ARE THE SYMPTOMS?

According to the World Health Organization, some of the symptoms include aches and pains, fever, cough, runny nose, shortness of breath and breathing difficulties. In severe cases, infection can cause pneumonia, severe acute respiratory syndrome, kidney failure and even death.

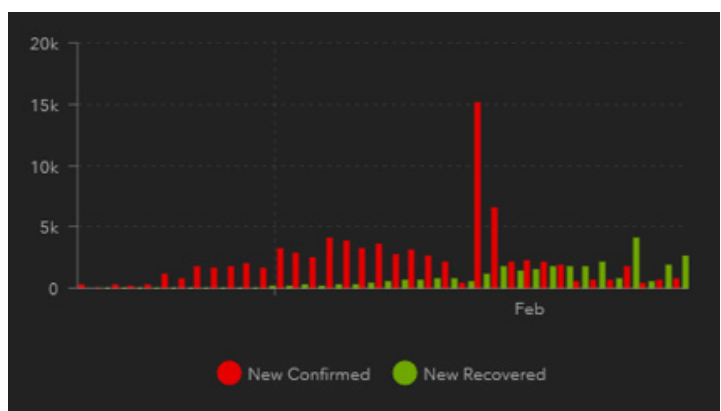
HOW BIG OF A PROBLEM IS THIS?

According to the World Health Organization, the number of people infected globally has exceeded 80,000 and the number of deaths total more than 2,700. As of February 25, the World Health Organization states that it is still too early to declare the coronavirus a pandemic. The definition of a pandemic is an epidemic that occurs over a wide geographic area and affects an exceptionally high proportion of the global population. While we are not trying to minimize the severity of this outbreak, it is important to put the magnitude of this virus into context. By comparison, the CDC estimates that in the 2018-19 flu season more than 35,500,000 people contracted the influenza in the United States alone, resulting in over 34,200 deaths.

WHERE IS IT THE MOST PREVALENT?

Currently, Mainland China is experiencing the largest impact with more than 96% of confirmed cases. The threat was thought to be contained within China, however, on Monday, February 24, 2020 reports confirmed that the virus had spread to other countries including South Korea, Italy, Germany and Iran.

Number of New Confirmed Cases Declining

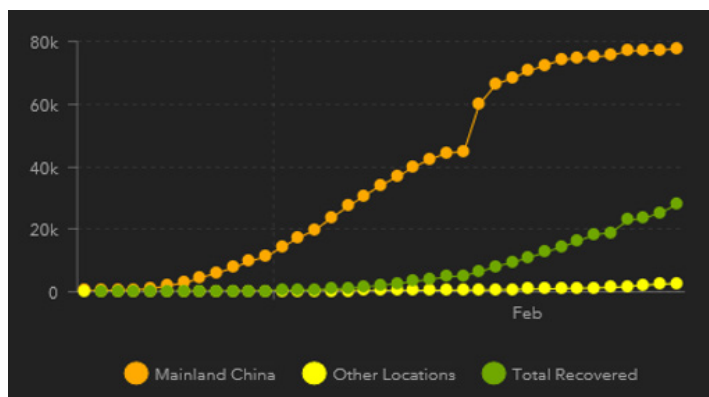


Source: Johns Hopkins Center for Systems Science and Engineering

WHAT DOES THIS MEAN FOR THE ECONOMY?

While the economic impact of the virus is still unknown, the U.S. stock market has experienced significant volatility related to uncertainty. Although China, the world's second largest economy, remains most impacted by the virus, there is concern that the global supply chain may impact businesses and the world economy. Some U.S. economists have even lowered their GDP forecast for the first quarter of 2020.

Cumulative Number of Cases



Source: Johns Hopkins Center for Systems Science and Engineering

Past Epidemics and Stock Market Returns

EPIDEMIC	MONTH END	6 MONTH % CHANGE OF S&P 500	12 MONTH % CHANGE OF S&P 500
HIV/AIDS	Jun '81	-0.20%	-10.73%
PNEUMONIC PLAGUE	Sept '94	8.22%	26.31%
SARS	Apr '03	14.59%	20.76%
AVIAN FLU	Jun '06	11.66%	18.36%
DENGUE FEVER	Sept '06	6.36%	14.29%
SWINE FLU	April '09	18.72%	35.96%
CHOLERA	Nov '10	13.95%	5.63%
MERS	May '13	10.74%	17.96%
EBOLA	Mar '14	5.34%	10.44%
MEASLES/RUBEOLA	Dec '14	0.20%	0.73%
ZIKA	Jan '16	12.03%	17.45%
MEASLES/RUBEOLA	Jun '19	9.82%	N/A
	AVERAGE	9.29%	14.29%

Source: Dow Jones Market Data

The Federal Reserve Chair Jerome Powell stated the FOMC is closely monitoring the economic impact that this virus may have in China and how that could potentially impact other parts of the global economy. Since this outbreak began, the expectations of the Fed making additional rate cuts in 2020 has increased.

While it is impossible to predict the outcome of this epidemic, there have been several outbreaks over the years that have incited panic among investors. The list above shows a list of epidemics that have occurred in the past. From the onset of an epidemic, on average, stock market returns were higher six-months following the outbreak. History has shown that often these types of outbreaks tend to delay, rather than stop, economic activity. As always, at Meeder we will continue to monitor the market utilizing our multi-discipline/multi-factor approach, which is designed to take the emotion out of the decision-making process.

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