

Investors across the globe have no doubt been anxiously following the news as reports emerge of the spread of a new coronavirus disease. Global markets at first shrugged off concerns as reports first emerged from China - the virus's epicenter - in early January. This week, however, markets were in full panic mode fearing a global pandemic, as global cases topped 80,000 and the virus spread outside of China to South Korea, Japan, Italy, and Iran. In this special market update, we will not try to predict the outcome of the coronavirus outbreak, but rather summarize where the virus currently stands as well as provide some historical context via previous epidemics such as SARS in 2003, Swine Flu in 2009, and Ebola in 2014.

As of February 28th, the S&P 500 Index is down 12.27% in the last 10 days. As a result, investors have flocked to perceived safe havens, such as U.S. Treasury bonds and gold, sending the yield on the benchmark 10-year U.S. Treasury to an all-time low of around 1.30% and gold prices to all-time highs. At this juncture it is hard to assess the true economic impact of the virus, but Bloomberg estimates that the Chinese economy is currently operating at about 50% - 60% of capacity, which is likely to have a contagion effect across the globe (China makes up almost 19% of global GDP). Within the U.S., Goldman Sachs is predicting the virus will cause American companies to have zero earnings growth for the year, but Wall Street as a whole still forecasts 7% growth. In times like this, it is imperative that investors stay the course and follow the long-term investment strategy they have in place.

What are the latest virus statistics?

The Coronavirus outbreak originated in Wuhan, China. According to the National Health Commission there are currently 78,824 confirmed cases in mainland China as of February 27th. While any loss of life is unfortunate, the death toll currently sits at 2,788, or 3.5% of confirmed cases. Exhibit 1 shows how the virus spread in China between January 10th and February 27th. Note that since February 15th the number of new confirmed cases has slowed significantly, and the number of recoveries now outpaces the number of new cases. Exhibit 2 summarizes the number of confirmed cases and deaths as of February 28th by country. South Korea is the most infected country outside of China with 2,337 reported cases, and a 0.5% death rate. Currently the United States has only 60 reported cases, with no fatalities.

Exhibit 1: Statistics from China

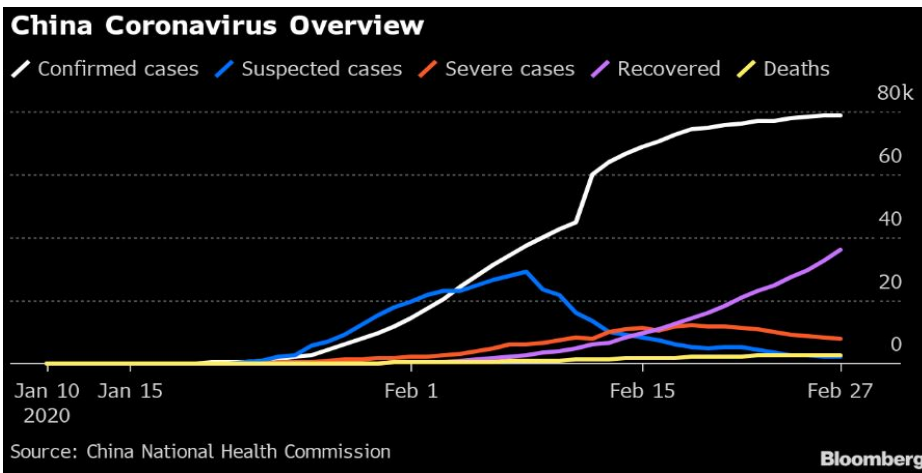
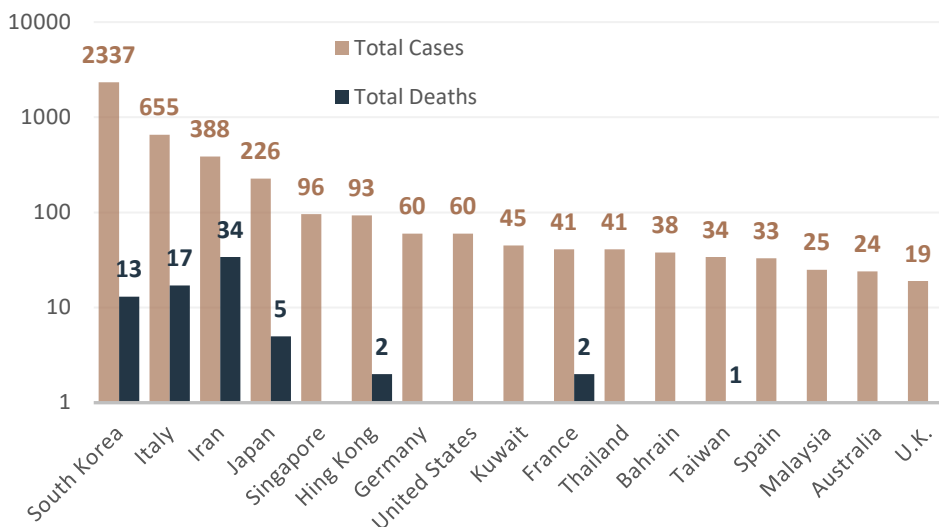


Exhibit 2: Global Statistics



Answers to common questions

- **What is a coronavirus and what are its symptoms?**

It is a novel virus, named for the crown-like spikes that protrude from its surface. Per the Centers for Disease Control and Prevention (CDC), reported symptoms include fever, cough, and shortness of breath. These symptoms range in severity from mild to severe and may even result in death.

- **How contagious is the virus?**

Per the CDC the virus spreads easily and is transmitted mainly person-to-person through sneezes, coughs and contaminated surfaces. Scientists estimate that each infected person could spread it to 1.5-3.5 people without effective containment measures.

- **How do I keep myself and others safe?**

Similar to preventing other illnesses, it is recommended you thoroughly wash your hands, avoid contact with people who are sick, and disinfect surfaces.

- **How can I prepare for a possible outbreak?**

Keep a 30-day supply of essential medicines. Possibly get a flu shot. Have a support system in place for elderly family members.

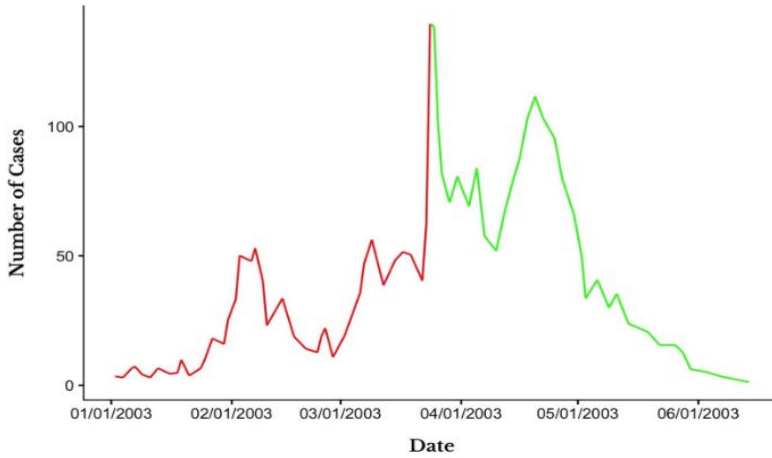
- **Who is working to contain the virus?**

World Health Organization officials have been working with Chinese officials and private companies who are testing vaccines. A vaccine could be developed within one year.

Historical virus outbreaks and their impact on the stock market

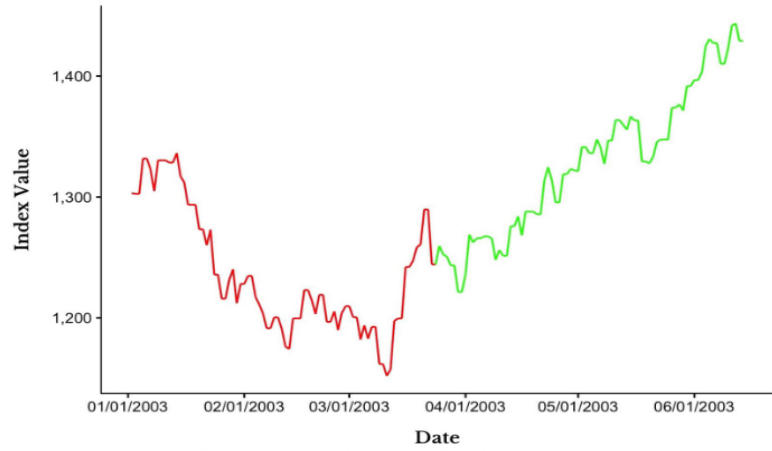
Virus outbreaks create ample uncertainty and fear in the market. While we cannot predict how the current outbreak will play out, what we can do is look to history as a guide and analyze how past outbreaks impacted the market. Take, for example, the three major virus outbreaks of the last two decades (SARs, Swine Flu, and Ebola). The below charts offer some historical context that such outbreaks typically result in sharp sell-offs as the number of cases peak, with subsequent recoveries over within a matter of weeks.

Probable Worldwide SARS Cases



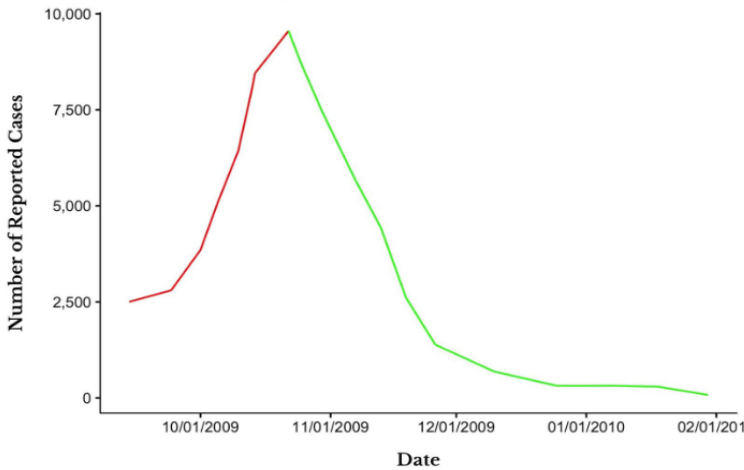
Source: World Health Organization (OfDollarsAndData.com)
Note: Days with missing data were filled using linear extrapolation. Epidemic data starts on 01/02/2003 and ends on 06/14/2003.

S&P 500 Index During SARS



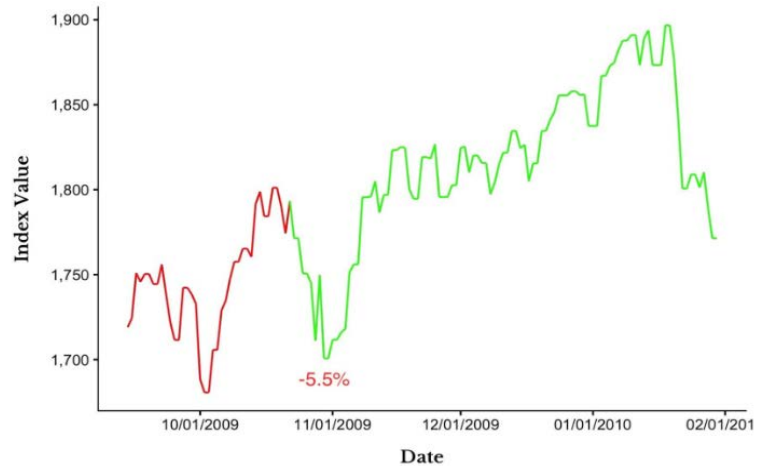
Source: World Health Organization, YCharts (OfDollarsAndData.com)
Note: Days with missing data were filled using linear extrapolation. Epidemic data starts on 01/02/2003 and ends on 06/14/2003.

Weekly Reported Swine Flu Cases



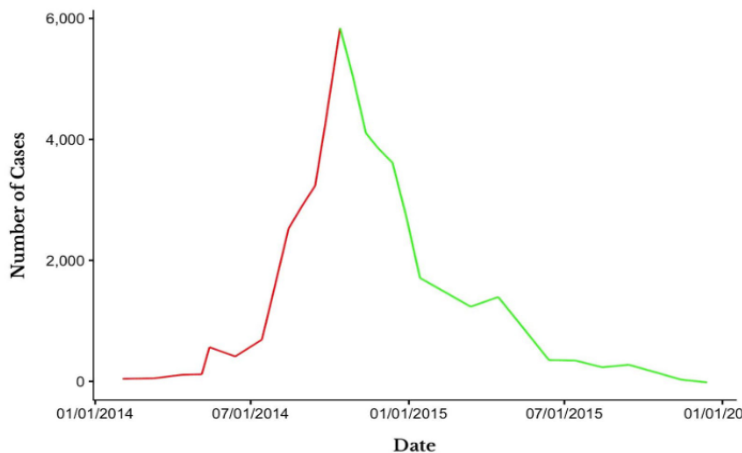
Source: Center for Disease Control and Prevention (OfDollarsAndData.com)
Note: Days with missing data were filled using linear extrapolation. Epidemic data starts on 09/14/2009 and ends on 01/30/2010.

S&P 500 Index During Swine Flu



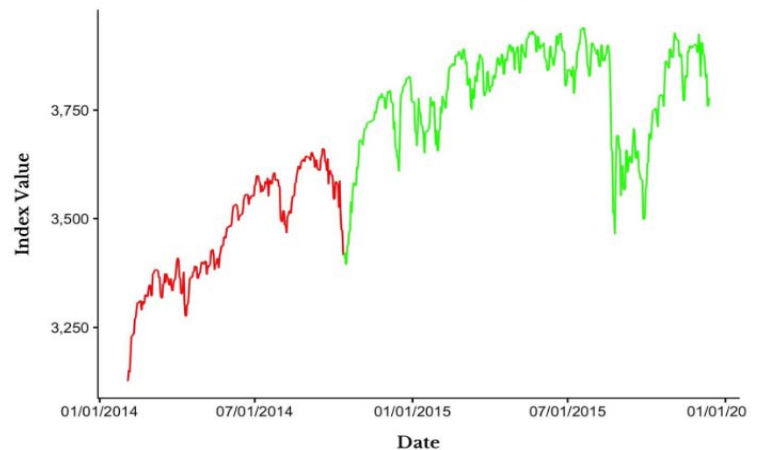
Source: Center for Disease Control and Prevention, YCharts (OfDollarsAndData.com)
Note: Days with missing data were filled using linear extrapolation. Epidemic data starts on 09/14/2009 and ends on 01/30/2010.

Total Ebola Cases in West Africa



Source: Disaster Health (OfDollarsAndData.com)
Note: Days with missing data were filled using linear extrapolation. Epidemic data starts on 02/02/2014 and ends on 12/14/2015.

S&P 500 Index During Ebola

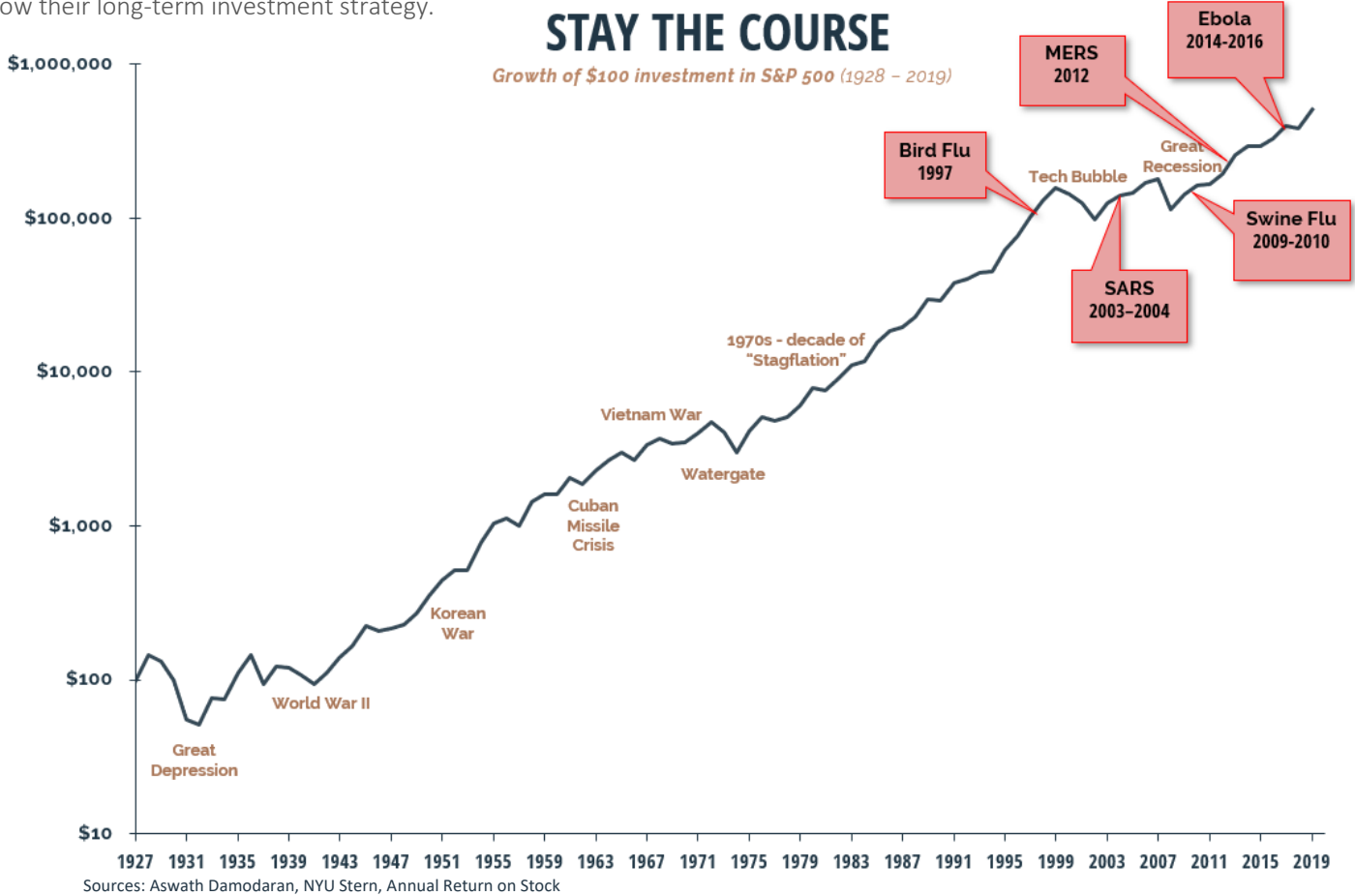


Source: Disaster Health, YCharts (OfDollarsAndData.com)
Note: Days with missing data were filled using linear extrapolation. Epidemic data starts on 02/02/2014 and ends on 12/14/2015.

Conclusion:

As it stands now the coronavirus has infected over 80,000 people worldwide, although in some regions it appears the number of new cases is slowing, and the number of recoveries is rising. As it relates to global economics, fears that the virus will impede the normal flow of business has resulted in sharp selloffs in the stock market. Within the U.S., the S&P 500 Index is down 12.27% in the last 10 days.

The final outcome of the virus remains uncertain, but if history holds true then we may experience a sharp rebound in the market sooner rather than later. Those who have followed our previous updates will recognize the below chart. We've now updated it to include previous outbreaks to show that, over time, the U.S. stock market is resilient in spite of such events. We caution investors to stay the course and follow their long-term investment strategy.


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West Texas Intermediate (WTI) crude oil is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.

The Consumer Price Index is used as a measure of Inflation. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Indexes are available for the U.S. and various geographic areas. Average price data for select utility, automotive fuel, and food items are also available.

The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The Nasdaq Stock Market. Launched in 1971, the NASDAQ Composite Index is a broad based Index. Today, the Index includes over 3,000 securities, more than most other stock market indices. The NASDAQ Composite is calculated under a market capitalization weighted methodology index. To be eligible for inclusion in the Composite the security's U.S. listing must be exclusively on the Nasdaq Stock Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained such listing), and have a security type of either: American Depositary Receipts (ADRs); Common Stock; Limited Partnership Interests; Ordinary Shares; Real Estate Investment Trusts (REITs); Shares of Beneficial Interest (SBIs); Tracking Stocks. Security types not included in the Index are closed-end funds, convertible debentures, exchange traded funds, preferred stocks, rights, warrants, units and other derivative securities. If at any time a component security no longer meets the above eligibility criteria, the security is removed from the Composite Index.

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