



MARCH 2020 MONTHLY RECAP

Tax and Financial Planning

Each year during tax time, many clients have many questions regarding deductions, and other tax related issues. BMO Private Wealth has compiled a wonderful and extremely comprehensive summary that identifies many topics including future RIF minimums, RSP over contribution rules, and Clawback or Income Level Cut-offs, to name but a very few.

The enclosed [report](#) is essential for every Canadian looking to maximize returns and minimize taxes, and is critical for anyone doing comprehensive financial planning. We hope you find it informative and educational.

March Monthly Recap: Stock Markets, Bond Yields Crash Amid Coronavirus Scare

Wall Street and global stocks plunged in the latter half of February, as investors began to price in the economic impact of coronavirus. Over the span of just six trading days, the large-cap S&P 500 Index had tumbled from record highs and into correction.¹

The sell-off culminated in the biggest weekly decline for U.S. stocks since the 2008 financial crisis.²

Global Stocks Plunge

The latter half of February was an extremely volatile period for global equity markets. In addition to the S&P 500, Dow Jones and Nasdaq, the MSCI ACWI and MSCI World Index also headed for their worst week since 2008.³

Stocks began to sell off over fears that the Wuhan coronavirus would have a material impact on global trade, consumption and economic growth. The disruption has already prompted downward revisions to Chinese economic growth, with some analysts forecasting contraction for the first time in decades.⁴



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The spread of coronavirus in China has triggered a sharp rise in inflation, a decline in manufacturing and a sudden drop in home sales.⁵ The ripple effect is already being felt globally, with U.S. services activity contracting in February for the first time since 2013.⁶

The Rush to Safe Havens

As equities sold off, investors hedged their bets with government bonds and precious metals. The benchmark 10-year U.S. Treasury yield plunged below 1% for the first time ever, with some analysts contemplating yields tumbling all the way to zero.⁷

Gold, the world's oldest haven asset, surged to seven-year highs in February. But even bullion wasn't exempt from the market turmoil. On Feb. 28, the precious commodity posted its biggest one-day drop since 2013 as margin calls forced traders to give up their positions to cover losses elsewhere.⁸

Since falling to \$1,564.00 a troy ounce, gold futures have rallied all the way back to around \$1,640 a troy ounce.

Coronavirus Approaches Pandemic Levels

While the World Health Organization (WHO) has refrained from labelling coronavirus a global pandemic, the novel disease is now present in around 70 countries. At last check, the total number of confirmed cases exceeded 95,000 with nearly 3,300 fatalities.⁹ Some researchers believe the actual infection rate is much higher than current reporting methods are able to capture.

Even the United States' Center for Disease Control believes infection rates in parts of China are "absolutely underestimated."¹⁰

The Month Ahead

March is shaping up to be another pivotal month for global finance. On Tuesday, the Federal Reserve announced an emergency interest rate cut of 50 basis points to fight coronavirus. One day later, the Bank of Canada also announced it would slash interest rates by 50 basis points to keep the economy on even keel. The Bank of Canada is keeping the door open to further rate cuts as the impact of coronavirus continues to spread.

As always, if you have any questions regarding this summary, please call us.

Sincerely,

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¹ William Watts (February 28, 2020). "S&P 500 tumbles from record finish to correction in just 6 trading days as stock-market rout accelerates." MarketWatch

² Anneken Tappe (February 28, 2020). "Stocks post worst week since the financial crisis." CNN Business

³ Elliot Smith (February 28, 2020). "Global stocks head for worst week since the financial crisis amid fears of a possible pandemic." CNBC

⁴ Laura He (March 4, 2020). "China's economy could shrink for the first time in decades because of the coronavirus." CNN Business.

⁵ Sam Bourgi (Feb. 12, 2020). "Soaring Inflation and Crashing Home Sales: Coronavirus Devastates China's Economy." CCN.com

⁶ Sam Bourgi (Feb. 21, 2020). "Coronavirus Is Grinding the U.S. Economy to a Halt – Here's the Ugly Proof." CNN.com

⁷ Colby Smith (March 4, 2020). "Investors in US Treasuries contemplate yields tumbling to zero." Financial Times.

⁸ Sam Bourgi (February 28, 2020). "Why Gold Is Suddenly Crashing Along With Stocks." CCN.com.

⁹ John Hopkins CSSE

¹⁰ William Ebbs (February 12, 2020). "Official Coronavirus Cases Near 50,000 – But the CDC Isn't Buying It." CCN.com



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