Market Commentary
As of March 16, 2020

Thanks to our ancient ancestors, we are hard-wired to run now and ask questions later. In a hostile world, whether it was just a stick, or actually a snake in the grass is irrelevant. In the immediacy of the moment, we have sharp impulses to do something – to do anything – to avoid danger.

This is top of mind as we brace for further fallout in the markets this week. In times like this, it is completely understandable, and even instinctive, to seek out safety.

In making sense of this volatility, it is important to emphasize that you are not alone. Open Access has your back. Managing your investments solely with your best interests in mind is at the core of what we do. We treat your money the same way we treat our own. In fact, Open Access employees are invested alongside you. Our accounts hold the same funds as you, and realize the same performance. That is why we empathize with how you’re feeling right now. It’s only human. With grim breaking news updates and thousand-point market swings, our “fight or flight” behavioural instincts are in high gear just like yours.

What we are not doing, however, with our retirement funds or yours, is panicking.

This is not because we are complacent. There will continue to be significant economic and market fallout from the COVID-19 outbreak. The latest economic data out this morning – some of the worst reports we’ve seen in decades – is an indication of what we can expect in the short-run. Data like this is why we reduced your exposure to stocks in favour of short-term bonds in February. We are taking actions to protect your savings as much as possible.

What is not constructive, however, is to abandon your investment strategy entirely. Yes, as humans, this goes against our natural impulses. Although, a level-headed view of current circumstances recommends that we look past volatility and keep our long term goals in mind.

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**Global Epidemics versus Global Stocks (MSCI World Index in $CAD)**

1980 - present

- **HIV/AIDS** June 1981
- **SARS** April 2003
- **Dengue Fever** Sept 2006
- **Cholera** Nov 2010
- **H1N1 Flu** April 2009
- **Zika** Jan 2016
- **Ebola** Mar 2014 & Oct 2018
- **MERS** May 2013

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Take, for example, the Fidelity study of 1.5 million clients with retirement accounts. While these accounts declined during the 2008-2009 Financial Crisis, those that maintained course had 50% greater returns over the next 10 years (or on average 5% better per year) relative to those that went to cash during the downturn.

Timing the markets is difficult. In going to 100% cash during troubling times, you have to time the markets correctly twice – deciding not only when to sell, but also determining when to get back in. The honest truth is that this is a mug’s game.

This is apparent when reviewing recent market volatility. We’ve seen wild swings to the downside...but also to the upside. This is important to note because, although on average the stock market rises by 8-10% each year, about 90% of these returns are accounted for by the 10% best trading days. In other words, missing out on just 10 or 20 of the greatest one-day gains can dramatically lower your average returns.

The challenging part is that these days tend to occur during volatile times. For example, some of the best days over the last few decades came during the Financial Crisis of 2008-2009, as well the volatile weeks we just experienced.

Research and data aside, the best reason to avoid making knee-jerk reactions today is that it creates another set of risks.

It is important to emphasize that right now, you haven’t lost any of your actual savings. Only when you sell your investments do you "lock in" losses permanently. This is exactly what we are trying to mitigate for you at Open Access.

In addition, “safe” investments today are actually quite risky. Investors today are flocking to Government Bonds that are guaranteed to return less than 1% per year over the next decade. What is worse, for these measly returns, these Bonds "rewarded" holders with their worst declines in a decade last week. Moving more of your savings into these “safe” assets is not in your best interests.

We have enough to worry about today – your investment account should not be one of them. In focusing on your end goal, rather than today’s headlines, we are confident that you will reach your goal that much faster. It is counterintuitive, but it the best way to approach the turbulent times we are in. We are in this together.

Stay well, stay safe.