



The Month in Review

February Takeaways

- *After recovering from the late January sell-off* during the first three weeks of February, the market finished the month by, for want of a better description, throwing up on itself. Investors, panicked by the headlines about a global pandemic, headed for the exits *energetically*. Time will tell how this unfolds, but I start getting suspicious of the reporting when I read about people associating Corona beer with a virus... just saying.
- There was an *interesting piece* put out by the folks at First Trust last week detailing the impact of the twelve epidemics we have seen since 1980. It is posted here (<https://www.facebook.com/265459967151906/photos/a.1071323949898833/1071323436565551/?type=3&theater>) for those interested in looking. While the *short-term impact of an epidemic is negative*, this report indicates that the *S&P 500, on average, was 8.8% higher following the start of the epidemic and 13.6% higher a year later*. There is some sober analysis out there if you are willing to look for it.
- Leaving the headlines for now, we should focus on the *economic and investing issues* that must guide us moving forward. From a technical standpoint, *many of the indicators I follow are bearish*. I will not bore you with the details. However, *one of my favorite, underfollowed indicators is telling me the market is oversold*. I have written about it in the past, but as a refresher, let us re-visit the *500 day-moving-average*.
- Most technical types look to moving averages for near-term clues regarding the direction of stock prices. All well and good. One of last week's headlines trumpeted the failure of the markets to hold their 200 day-moving-average, which poured fuel on an already burning fire. I have traditionally used the longer-term *500 day-moving-average* as an indicator that stocks are oversold *and potentially an entry point. We got there on Friday*.
- Markets historically have been able to rally from these levels. The only exceptions were during the financial crisis in 2008, when the world freaked out and briefly, in December of 2018 (remember?). While I may be premature, *the market is looking like a buy down here*. As always, time will tell.
- From an economic perspective, we expect some negative fallout from COVID-19, but as noted above, the markets and economy have historically been able to recover. *Recession fears* are back in the news but as measured by our proprietary [Recession Predictor](#), the chances of recession over the next year stand at 75.47% as of Friday's close. Remember, *panic is not an investment strategy!*

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