# More Thoughts on the Coronavirus - Transcript

**Tom Mullooly:** In episode 181, we're talking about the coronavirus. Please take a few minutes and watch this right now.

Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly, and this is episode number 181 and we're talking about the coronavirus. Again, we've talked about this on the last couple of videos. The market this week, very, very volatile. Monday, we were down a thousand points. Tuesday down almost 1000 points. Wednesday we were down during the day. Today, Thursday, as we were recording it, we're down big, a lot.

I want to be very clear. We have rules regarding how we make investment decisions regarding your money at Mullooly Asset Management. We stick to those rules. It's very important. As a reminder, in 2014, October of 2014, we had the Ebola virus scare. Now we can call it a scare. The market went down between 8 and 9% in one week, kind of similar to what we're seeing right now in the markets. I want to remind everybody that by December of that year, we were at new highs.

Now in the show notes, we're going to link to some information from Johns Hopkins. I'm linking to this because I watched this video. One of the videos that we're going to link to is an hour long. You don't need to watch it for an hour, but if you watch the first 10 minutes, first 10, 12 minutes, you are going to learn so much about what's going on with this. It put my mind at ease. I think it's going to put yours at ease also. Please watch it. There are also a couple of other links in there that I think you're going to find very helpful and it kind of takes the drama out of the headlines that we're all seeing.

Something else that I want to emphasize that is really not getting picked up by the news, Chinese are heading back to work this week, and Chinese markets are getting a literal bazooka of stimulus in their economy and in their markets. So watch for those headlines over the coming days and weeks.

The markets in general hate uncertainty, and so the markets really can't tell if this is some kind of short term interruption or is it something that's going to affect earnings of these big companies for a longer time frame. And so, the market's trying to adjust that, hey, if we see earnings getting affected for more than a quarter, we may need to bring down the price levels of the market.

Our approach to investing, as I mentioned earlier, is rules-based. So, no matter how crazy or how scary these headlines get, we're not going to panic and make radical changes in portfolios. It's totally okay to be nervous. I get nervous and I've been doing this for 33 years. It's not okay to panic. Taking drastic action or making panic moves, it's going to be a mistake.

One of the things that we remind people is, if you are panicking right now and you want to rip up the script, you probably have too much in stocks. And so, at a future point when the market does settle down, we need to have conversations about getting the right mix between stocks and bonds so that these kinds of things won't upset your apple cart.

As a reminder, we're coming off a very, very good fourth quarter and a very good 2019. The market has been long overdue for a pullback like this, and so it's not a total surprise. What surprises a lot of people is that the markets go up very slowly. If we've talked on the phone, you know I like to say the market goes up climbing the staircase, but it takes the elevator going down. We average, we, meaning the markets, average three pullbacks of 5% per year, three per year, and 5% pullbacks can happen at any time without any news. We've averaged now for more than 90 years, the market has averaged one 10% pullback per year.

And, something else I'll share with you. Since 1980, which is almost the entire time that I've been in the markets, since 1980, the average pullback that we've seen in the market has been 14%. so we get lulled to sleep when there's no volatility or low volatility like we had last year in 2019. We don't have to go that far back. We only have to go to the fourth quarter of 2018 to see what volatility can do to some of these portfolios.

So we want to get this message out to talk about this. It's frightening to see big numbers, but we also need to keep this in perspective. When you have a market that's at 25 to 30,000 like we see on the Dow Jones industrial average, a thousand points is not what it used to be. So hang in there with that. If you've got questions, reach out to us, but we wanted to put this information out so you're in the loop.

That's going to wrap up episode 181. Thanks for tuning in. Don't forget to subscribe to our channel on YouTube.