

Stop. Breathe. Take Stock.

REPEAT AFTER ME: I'm an investor, not a trader, and this too shall pass.

After hitting no fewer than 13 all-time highs this year, stocks tumbled in February's final week as concerns over the coronavirus, COVID-19, finally came to the fore. I say "finally" because Wall Street seemed almost immune to worries about the virus ever since news of its appearance came public.

Of course, the spread of cases around Europe and Asia may have been the tipping point for traders who were looking for an excuse to sell. The fear at home is that COVID-19 will spread through the U.S. The issue, as I see it, is that there is much more that we don't know about the coronavirus than we do.

First, numbers out of China, the virus epicenter, are suspect. Depending on whether the number of cases and deaths are being reported accurately, the virus could be more lethal and persistent than the flu, or not. One analysis I saw suggested that while the number of deaths is fairly straightforward and hence hard to fudge, the number of infections could well be multiples higher than has been broadcast.

If so, then COVID-19 may be more pernicious, but at the same time its fatality rate may be much, much lower than the first numbers suggest. We just don't know, and anyone who says they do is simply blowing smoke.

Second, while economic activity is slowing as a result of factory closings, curfews and in some cases lockdowns, the extent of COVID-19's impact on slowing growth can't be easily separated from, say, the impact of the Trump Administration's tariff policies or the rise of Bernie Sanders in the race for the Democratic nomination.

Some fear Sanders' call for Medicare for All and other spending programs will hurt economic growth and the stock market. My own belief is that while he may call for spending trillions, he'll have a very hard time getting Congress to give him a pass on his policies. But that's a discussion for another day.

Here's what you need to remember and be cautious of. Over the next several weeks and months, the economic data is going to look extremely choppy. It's going to be hard to discern much signal from the mass of noise in reports on everything from manufacturing activity and consumer spending to earnings projections and consumer confidence.

As always (and this is a similar refrain to what you've heard from me many, many times before), it will be in your best long-term interests to remain invested in a diversified portfolio of stocks and bonds that matches your objectives as well as your tolerance for risk, something you almost certainly put into place long before the latest coronavirus was a sniffle.

Over the last week, Jeff posted a few pieces, including the weekly Hotline, to our members-only website reminding us that buying when everyone else is selling out of panic has been a profitable strategy over time. I encourage you to check out his analysis online.

Also, don't forget that while stocks have been falling, bonds have been rising—to records. The yield on the 10-year Treasury fell to a record low 1.13% on the last trading day of the month as many investors sought shelter in government credits. There's a positive and a negative to that move.

Of course, the positive is that bond funds have been rallying—particularly those that focus on Treasuries. Extended Duration Treasury ETF is up 19.4% for the year, and Long-Term Treasury ETF is up 14.4%. Total Bond Market Index, which holds a mix of government-issue and investment-grade bonds, is up 3.9%.

The flip side is that someone who bought a 10-year Treasury on the last trading day in February is guaranteed to earn 1.13% over the next 10 years. Full stop. That's far lower than today's inflation rate and could be the ultimate loser's trade in the decade to come.

But as Jeff and I have said again and again, we don't see bonds as wealth-makers (though they've certainly done their share of wealth building over the last several years as interest rates have fallen to unprecedented lows). Bonds in a diversified portfolio are shock absorbers—providing stability in environments like the current one when stocks are falling.

In other news, Vanguard added insult to injury during the market's sell-off as their website suffered an outage early on Friday morning. While Chairman Tim Buckley says the company is spending lots of money on its technology infrastructure, I still worry that they're spending that money poorly. What else could explain the constant service problems Vanguard investors are experiencing?

Also, if you missed the story in last month's newsletter about the laggardly Managed Payout, well, Vanguard has finally pulled the plug on it. They aren't folding the fund into another fund.

Instead they are renaming it Managed Allocation, adding a new manager and giving its team of two the ability to move money amongst a veritable smorgasbord of options without any income requirements. It will go from paying income once a month to just once a year.

My question: Will Vanguard give Managed Allocation's managers access to the as-yet-to-be-revealed private equity fund planned for later this year? We shall see, but if it weren't already there, I'd be putting a big fat "sell" sign on this turkey.