

Dear Valued Customers,

Recent events caused by the spread of the coronavirus (COVID-19) have led to a stock market decline and have many investors feeling anxious. While portfolios will see ups and downs and this is a normal part of investing, the recent sell-off was sharp. It is in times like these that our team can best serve you by providing perspective on how we see these issues playing out.

Though the impact on human life is at the forefront of everyone's concerns, there are many uncertainties surrounding the potential impact of the virus to the global economy. The global economy was already fragile from the nearly two-year-long U.S.-China trade war and the spreading virus will likely impact economic growth. While more equity market weakness is possible as the virus continues to grow globally, the downside could be limited as governments and global central banks have possible tools to combat the potential death toll and economic impact.

From the human life perspective, China took severe steps to limit the spread of the virus including forced quarantines, limited social contact, and significant population testing. We expect other inflicted nations to follow suit. From an economic perspective, global central banks including the People's Bank of China and the Bank of Korea have already increased monetary stimulus or plan to do so. As we have seen in the U.S., and, specifically the U.S. housing market, over the past year, easing monetary policy can provide a potential economic stopgap. Furthermore, in the U.S., given unemployment levels near 50-year lows, the consumer, the driver of the current economic expansion, remains in good shape. We do expect market uncertainty to continue but downside may be limited. We also think the impact to markets will vary by sector. Sectors related to travel, such as cruise lines, airlines, and hotels are already taking a hit. Online entertainment companies and streaming services are performing better.

In short, we expect market fluctuations to continue to remain elevated as news related to the virus increases. Being diversified, or not putting all your eggs in one basket, is very important in times of uncertainty. This is especially significant now, as equity prices are coming off all-time highs and bond prices are also high, as their yields have fallen to all-time lows. As we have seen recently, market conditions can change quickly in both directions.

Our team will continue to monitor the spread of the virus as well as its economic and market implications. If you have any questions whatsoever, please do not hesitate to contact us.

Sincerely,



Philip Hurst
Director of Wealth Management

The views expressed in this letter are not necessarily the views of Cathay Bank or Cathay General Bancorp, its parent company. Securities and insurance products are offered by, and financial consultants are registered with Cetera Investment Services LLC (doing insurance business in CA as CFG STC Insurance Agency LLC), member FINRA/SIPC. Advisory services are offered by Cetera Investment Advisers LLC. Neither firm is affiliated with Cathay Bank or its related companies. Advisory services may only be offered by Investment Adviser Representatives. Cathay Wealth Management is located at Cathay Bank. **Securities and insurance products, with the exception of Brokerage CD's, (1) are not deposits of, obligations of, or guaranteed by the Bank or an affiliate of the Bank; (2) are not insured by the FDIC or any other agency of the United States, the Bank or, if applicable, an affiliate of the Bank; and (3) involve investment risk, including investment risk associated with the product, including possible loss of principal.** Cetera Investment Service registered office: 825 E. Valley Blvd., 2nd Floor, San Gabriel, CA 91776. Tel: 1-877-722-8429