

Here are 5 reasons stocks are tanking, and only 1 of them is the coronavirus

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Here are 5 reasons that the market is falling:

1. COVID-19

Fear of the COVID-19 disease infecting the U.S. is intensifying. The illness derived from the novel coronavirus, SARS-COV-2, which originated in Wuhan, China, late last year, is starting to affect global trade and travel and taking a bite out of confidence about earnings and economic growth.

Nancy Messonnier, director of the National Center for Immunization and Respiratory Diseases at the Centers for Disease Control and Prevention, said on Tuesday that "the disruption of daily life might be severe."

The World Health Organization hasn't declared the viral infection a pandemic, but the disease, from the family of viruses known as SARS, or severe acute respiratory syndrome, has sickened people in China, South Korea, Japan, Malaysia, Italy and Iran. And according to Reuters, Austria, Spain, Croatia and Switzerland have also confirmed their first cases.

The virus has virtually crippled swaths of manufacturing in China, the second largest economy in the world, and the country is a big buyer of products and services from other countries. U.S. technology companies such as Apple Inc. depend on Chinese supplies.

At last check, COVID-19 has sickened 81,312 cases, and claimed 2,770 lives. President Donald Trump held a news conference about the virus Wednesday evening.

Investors don't know how long the outbreak will last, and it is too early to determine to what degree it will hurt corporate earnings, but a number of companies, including Hasbro Inc. (HAS) HP Inc. (HPQ) and Mastercard Inc. (MA) have already said that they think it will.

2. The 2020 election

Uncertainty about the U.S. presidential election's outcome is also starting to drive markets, strategists and analysts argue. A number of them think that if Sen. Bernie Sanders, an independent from Vermont who characterizes himself as a democratic socialist, wins the Democratic presidential nomination, and possibly even the presidency, stocks would take a hit as he is perceived by some as an antibusiness candidate. "The risk to U.S. stocks is pretty significant if Bernie gets the nomination," said Ed Moya, a senior market analyst with OANDA.

3. Lofty valuations

Even before the market slump this week, the value of stocks has been viewed as rich.

One measure of stock-market values showed that the S&P 500 index was trading at 18.9 times the weighted aggregate consensus forward earnings estimate among analysts polled by MarketWatch. That is up from 16.2 a year ago, and, aside from a brief point early in 2018, it is the highest forward price-to-earnings ratio for the benchmark index since May 2002.

4. The bond market

Government bonds yields have been sliding steadily as investors seek safe havens, and thus drive up bond prices, amid doubts about global economic growth in the wake of the coronavirus outbreak.

The 10-year Treasury note yield fell to a record low below 1.32% earlier Tuesday, and the 30-year Treasury note rate notched its all-time low last week.

5. Recession fears

Bond investors fear that the coronavirus might result in a global economic slowdown that might wash up on U.S. shores as a full-fledged recession. MarketWatch economics writer Rex Nutting explained the potential for an uncontained outbreak of COVID-19 this way: "Much of the immediate economic impact of a pandemic can be traced to the efforts to contain it, rather than from the effects of the disease itself. As we attempt to quarantine those who might spread the disease, we shut down a lot of economic activity."

A Congressional Budget Office study found that a pandemic "could produce a short-run impact on the worldwide economy similar in depth and duration to that of an average postwar recession in the United States."