1st Quarter 2020

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Where to start? What a quarter it was. If you have been reading our near weekly update emails a lot of what is to follow will be old news. We will attempt though to throw in some additional information that we may not have mentioned.

For the Quarter (and year to date) the S&P 500 index was down roughly 22%. Markets were in good shape until late February when fears over the Coronavirus spread and the economic impact it may have kicked in. Hence, this became the fastest bear market in history in only 19 days. We faced two significant challenges in this decline. First was that many of the key points we watch were not showing signs of stress when this began (in other words this came up quickly without warning) and second, the relentless nature of the decline with routine swings in stocks at or over 5% daily did not allow for changes to be made that would not have been considered reactionary to that particular day's events.

In response to the events that took place the Federal Reserve cut interest rates to zero on March 15th and have instituted a multitude of other stimulus programs since (too many to go into here) to assist the economy and the functioning of the markets. Suffice to say, the Fed is/was on top of the liquidity and market issues much quicker than they were back in 2008, the last time similar issues had arisen. This is a good thing as it helps to settle things, but longer term may create several problems not the least of which is what happens when they eventually need to or try to raise rates and remove the stimulus? Or with all this liquidity will there be high inflation in the years to come? These are both to be determined events that we will need to consider down the line, but for now we feel the fed has done what the they needed to do to stabilize the situation.

So, where do we go from here? With the Fed doing what they have done more often than not the markets tend to respond positively. However, the range of outcomes is very wide at the moment as no one can even make an educated guess as to how long the economy will stay in recession (assuming we are officially in one which we believe we are and likely will be for at least a couple of quarters), how much corporate profits will be affected or when the virus will be contained and it will be safe enough to begin re-opening things back up.

Don't check your account balances daily and your blood pressure once per year! Constant updates make investing more emotional than it needs to be.

Perhaps surprisingly to some we made no changes to the models during the quarter after the rebalance on January 31st. Please recall that we did have 2 de-risking events over the past 2 years in anticipation of a slowing economy (clearly, we did not expect this). We are going to continue to monitor events moving forward as we always do and make changes as necessary and hopefully things will settle to allow for more objective decision making versus anything that might be reactionary in nature.

As always, feel free to reach out should you have any question or need to talk things out. Happy to revisit plans as needed.

**The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.*

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