Bills Asset Management

BAM MARKET NOTE

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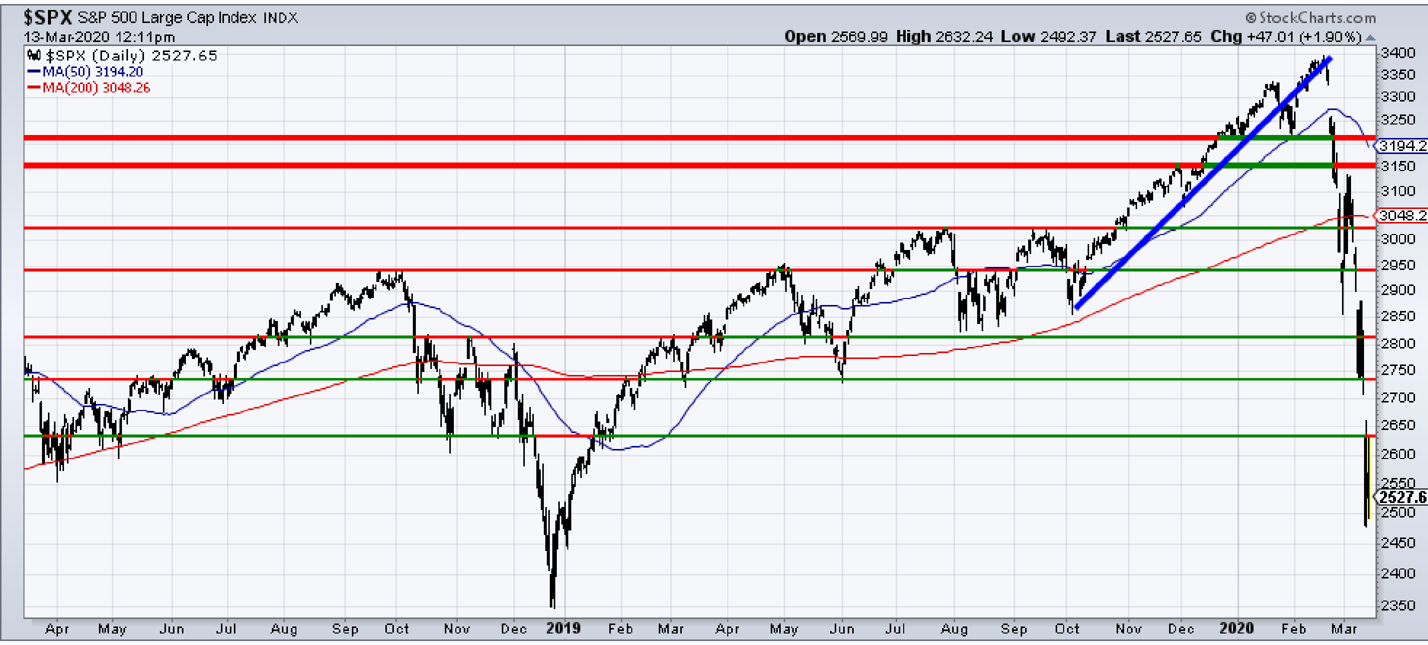

Our Point

If you had told me a week ago that March Madness would be cancelled, the NBA, NHL, Masters, spring training, et al. would all be postponed, I would have slowly backed away and told you that you were crazy. And yet, that is exactly where we find ourselves today. The fear in the markets rivals that seen during the height of the 2008 financial crisis. The panic is palpable. In 3 ½ weeks we have gone from market euphoria and no worries, to the world as we know it, is coming to an end. I have to believe the panic is overblown. That is not to minimize the coronavirus and the toll it may take on our country in terms of lives lost or sickness endured. They could be significant. By all accounts, the cancellations and suspensions of large public gatherings is prudent and should go a long way in helping to curb the spread of the virus. Things will return to normal in due time. What will take months (years) to recover from is the damage done to the US and world economies. The damage is real and the damage is notable. The lost earnings to individuals and businesses due to closings, cancellations, and people just staying at home will be felt for months to come. In Europe and other parts of the world, their economies were already much weaker and the current crisis will push them into recession. The US itself, despite its relatively healthy economy, faces the same risk. Despite all the doom and gloom (the media does make its money by making you watch – and doom and gloom sells), I have every confidence the US will come roaring back. However, I don't know if we have seen the worst. Should the virus spread and the cancellations last longer than a few weeks, our health care system will be taxed and our industries will suffer even greater losses. Technical analysis loses much of its validity in an emotional market like we have today. Support levels, trend lines, and moving averages mean little when investors just say I want out! The markets will stabilize and a bottom will be formed. Risk management demands that losses be minimized. While it is difficult in markets like these, we have done just that with our portfolios. We haven't escaped unscathed but we have limited losses to anywhere from ¼ to ½ that of the market. Any further losses from here, would have even less impact on our portfolios as we have been increasing our cash positions over the last few weeks. We currently have anywhere from 70-90% of our portfolios in cash. For those that escape the current turmoil with most of their principal intact, opportunities will be born out of events like we are witnessing. 5-10% losses are relatively easy to recover from – 20% to 30% and more losses will change your way of life and alter retirement plans. Risk management is paramount. I would caution investors from trying to catch a falling knife. Those that were convinced a bottom was in last week paid dearly. While yesterday's decline "might" have been a bottom, there will likely be a retest of those lows and some bouncing around as the markets try to stabilize. We will certainly have some large rallies over the coming days as good news is reported. We will likewise have more large down days as bad news comes. Extreme volatility is likely to continue for some time. There will be opportunities to make money in the coming weeks and months but prudent investors would be wise to focus on risk management and not profits in this emotional market. To our clients, we thank you for entrusting us with your retirement and investment funds. We will continue to work hard to employ risk management in these volatile times. To our other readers, please contact us if you are concerned about your own risk management strategies. This too shall pass. Fist bump your neighbors, wash your hands, stay out of large crowds, and enjoy your weekend. The sun will come up tomorrow.