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Our Point

First of all, I hope that all of our readers are safe and healthy. It is a crazy time and while your money is important, the health and welfare of ourselves and our families are of greater concern. As for us, we are all well. While there are many business and personal benefits of a home office, I certainly did not envision the benefits of having one in a pandemic. From a business standpoint, our operations continue without change or alteration. While meetings are a challenge during this unique time, we are always available for phone calls to address your questions or concerns. The markets continued their plunge over the last week. The S&P is now down over 30% from its highs of February 20th. It seems like a lifetime ago as so much has changed in the last 30 days with life altering news breaking daily. Unfortunately, many investors have fared much worse. The Value Line Composite index is comprised of almost 1700 companies and is more representative of the market as a whole. It is now down 40% since its peak and more closely mimics the harm most investors have had with the recent waterfall decline. I have been asked several times over the last week by non-client readers what they should do if they remain fully invested during this decline and have suffered potentially life-altering losses. It is a difficult question to answer. While it is true that the market will recover over time, there is no guarantee that we won't decline another 10, 20 or 30% before a bottom is formed. Additionally, there is no timetable for how long it will take for the markets and economy to regain its footing. The answer I have given is that each individual investor should adjust their level of risk in the market to a point that they (and they alone) are comfortable with. Make reasoned decisions and do not react emotionally. Can you afford to lose another 10, 20 or 30%? Are the positions you are invested in likely to be leaders in the recovery when it comes? With the bond market acting so strangely and with many dislocations in the credit markets, are your bond holdings as conservative as you believe them to be? To state the obvious, these are very strange times. If you need help in addressing these questions or more, please give us a call. We would be happy to give you our thoughts. Unfortunately, we are, quite literally, in the office all the time! We have also been asked a number of times if we are at or near the bottom. Honestly, we have no idea and nobody else does either. Nobody ever knows and, unfortunately, in these uncertain times the water is even murkier. We will get clues from a number of market areas – high yields, small caps, etc… None of those areas currently show any sign of a bottom. While we will likely continue to get bad news in the near-term, the markets are forward-looking and will begin its recovery before the news turns all positive. Currently, the markets are down regardless of good news or bad. When that shifts and the markets begin to move up even in the face of bad news, it will be time to begin putting some of your money to work. A bottom will come and the opportunities presented will be generational. In the meantime, be very cautious and extra vigilant. As mentioned last week, our portfolios entered the week mostly in cash and our portfolio losses, while disappointing, are a fraction of those suffered by the markets as a whole. Our remaining positions have been hedged and we are market neutral across all of our portfolios. Accordingly, future weakness should not have any material effect on your portfolios and may even produce modest gains. We are excited about the opportunities that will come out of this weakness. And make no mistake, the markets and the country we love will recover. We sincerely appreciate your trust in us during these unprecedented times. Despite the social distancing, we hope you get outside this weekend and wave to your neighbors and do what you can to help those less fortunate. Enjoy your imposed low-key weekend.