THE CURRENT VIEW

In the wake of the outbreak and escalation and spread of coronavirus illness and the resultant reaction by financial markets around the world, we want to give you our thoughts at this point.

What we don't know

The medical experts have repeatedly stated that there remain significant unknowns regarding the nature and potential adverse outcomes from this epidemic, including the mortality rates to be expected, as these seem to vary widely from country to country, the timing of when we may see an overall, worldwide peak and subsequent decline in new cases, and whether this will turn out to be a virus that may repeat in a patient rather than creating immunity.

There are just as many unknowns at this time as to the financial implications of the outbreak, so what we are focusing on is what we believe to be true based on the facts available and, from a longer term perspective, what we have learned regarding economic and financial shocks and the best way to weather them.

Aside from the aspects of the virus that remain uncertain, the scale and longevity of adverse impact on economic performance and stock and bond markets remain a question, both in the U.S. and worldwide. We might easily see an economic impact of relatively short duration, followed by a V-shaped recovery, and the same can be said of the financial markets, which have had a tendency to price the worst case scenario, only to bounce back ahead of economic improvement.

What we know

The strong likelihood is that this epidemic/pandemic will continue to expand in the short term as more testing and fuller reporting occurs across the international landscape, and this increase will impact economic performance around the globe.

We also know that the economic condition of the world's economies were in reasonably good condition going into this, albeit conditions varied considerably among various regions, with the U.S. being among the strongest.

Experience demonstrates that such health events in the last century have not led to the long term demise of the affected economies, nor the financial markets thereof.

We also know that the market sell-off over the past six days through 2/28 is the most rapid in our experience: down over 3,700 points on the Dow Industrials and about 12.5% on the S&P 500 Index. Many stocks that hit 52-week highs earlier in February reached 52-week lows only weeks later.

We know that the Federal Reserve and the U. S. government, as well as foreign governments across the globe are committed to supplying liquidity to lend short term support to their economies, irrespective of potential longer term consequences.

History of financial markets and investor experience support the wisdom of maintaining a long term investment approach that, while allowing for adjustments to recognize specific investor needs, avoids large, abrupt shifts in asset allocations.

What we advise

Communicate with your counselor if you have concerns regarding your cash position and asset allocation, but maintain a long term perspective. Where the stock market is today is about where we were last August, while corporate results have remained solid. If you know that you will need more cash than you currently have in money market funds, short term bonds, and CD's, it may be prudent to raise those funds now, just in case the markets don't rebound in the next several quarters.

If you are contributing to 529 plans for your children or grandchildren, especially pre-teenagers and younger, this might be a good time to make additions since stocks are well below their highs.

We view this as a very good time to improve the quality of your stock holdings, add names that may now be more attractively priced, or reduce concentrated stock positions since gains are probably less now. These are actions we will be focusing on as this situation plays out.

You may assume that the heightened volatility will persist until we have much clearer feedback on the breadth and depth of the virus' impact on world health and economic conditions. Although our general bias is toward buying stocks at times of extreme weakness, we expect to defer any significant additions to equity exposure until we see clearer signs of greater stability and an upturn.

We encourage you to contact us with your questions, concerns, and any new developments in your circumstances that might impact our tactics over the next few months.

Thank you for your trust in us. We value our relationship with you. If you have friends, family or colleagues that could benefit from our range of Wealth Management services, we would be honored by your referral.