

2nd Quarter Commentary 2020

The economic impact of COVID-19 has been disastrous. For the first quarter 2020, the Dow Jones Industrial Average was down 23%, the S&P 500 fell 20% and the NASDAQ depreciated 14% (Wall St. Journal April 1st 2020). Selling in the capital markets was indiscriminate, as investors liquidated assets ranging from stocks to commodities to municipal bonds, betting the global economy was headed for a sharp downturn. Activity has ground to a halt as governments have placed restrictions on travel and work to limit the contagion. The hope right now is that the virus can be contained and the market can recover in the second half of the year.

On March 12th an article in the NY Times titled "Is Obsessing Over Statistics Helpful" reported on a survey of 1257 Americans who spent time examining data about the coronavirus. The study found that respondents who scrutinize the number of infections multiple times a day are more anxious and likely to believe they will contract the virus than those who glance less often at these numbers. The authors concluded those who check regularly focus more on the "scary stuff" and less on the number of people not infected or those who were infected and survived.

Useful information provided by the government and the media such as necessary precautions to take and services available for the sick can be overshadowed by a shared tendency to issue hypotheticals: what could happen, with worst case projections receiving immediate attention. The perspective of those who subject themselves to hourly updates of new cases, deaths and prognostications may be skewed and fears exacerbated. With regards to investing, information which distorts judgement and distracts us from long term goals is referred to as noise. Noise ranges from headlines to declarations from market strategists to a friend's stock tips. Some traders use noise to profit from the volatility of the stock market, but most fail to do so. For investors with a time horizon of decades and not days, noise should be ignored as much as possible.

I can think of no greater example of noise than the March 2020 brokerage statements which will be distributed in the next week. These statements will indicate losses of a magnitude we have never experienced. Ill-defined percentages will crystallize into a concrete number. After such a precipitous fall some may be inclined to sell stocks, planning a return when "things settle down". Historic annual rates of return for the market (typically pegged at 8-9%) have not been realized by those who missed out on its best days, many of which took place unexpectedly and a short time after the worst. (Barron's March 29th 2020)

Think the current state of the market presents a buying opportunity and curious about cash on hand? Worried about your health or that of a family member? Need someone to pick up groceries or medical supplies? Call me. I am here to help.

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