“2 Cents” Flash – 3/16/2020

Dear Clients,

We promised to keep you informed about market news amidst the Corona Virus sell-off and the deterioration in the market has increased dramatically. Through the ups and downs last week, the S&P ended down another 8.8%. Today, we are down another 8%. The S&P is now down over 26% from its Feb 19 peak. We know this volatility is scary, intense, worrisome, we are feeling it too but are doing all we can to make some sense of it for you.

Travel Bans, Response Bills, School Closures

We started last week’s slide following the announcement of a 30-day travel ban from European countries that began Friday, the UK was later added to the list. Congress agreed to a Virus Response Bill, which sent the market surging Friday. Much has happened over the weekend, from nationwide school closures, working from home, bans on bars, shortages of toilet paper and basic pantry items. In California, if you’re over 65, you are not to be out. The social movement of #flattenthecurve is in full swing and the full economic impact is yet to be known.

The Fed Steps in Again

Sunday evening, the Fed dropped interest rates 100bps to zero and unveiled plans for large scale asset purchases. Rates are now 0.0-0.25%. Last week, the Fed announced an emergency bond buying program. As well as a $500B repo operation in 3-month bills and a $500B repo operation in 1-month bills, these actions will continue on a weekly basis. These moves are similar to the rate cuts and quantitative easing used during the financial crisis. The result is increased liquidity for the financial markets. It has, however, spooked the markets, as things, perhaps, weren’t expected to be this bad.

Interest Rates at Historic Lows

There is a silver lining to all this market volatility, interest rates are extremely low given recent Fed actions; now could be a great time to explore refinancing. We are happy to help you walk through this process to determine if this is a viable option.

Stay Invested!

We cannot reiterate enough, that while the future is unknown and everyday things change rapidly, many historical datapoints tell us we must stay the course and stay invested. Consider the below two graphics provided to us by BlackRock.

- The first shows several major market crises and how the market reacted 12 months later.
- The second shows that just missing 5 top performing days in the market can impact your portfolio meaningfully.

Bottom line is this: If you are thinking of pulling your money out of the market, even for a short while, understand that you would be cementing your losses and gauging when those up days occur is nearly impossible to do. We don’t know when or by how much the market could rally on any given day given this volatility, it is better to wait it out than to try and time what we cannot control.

Lastly, here’s a recent article and video from our strategist, Brent Schutte.
[How Strong Is Your Financial Plan in a Storm]

We encourage you to call us if you are concerned, we are here to listen and educate.

Keep things in perspective

To provide historical context, the table below illustrates how the stock market responded during other past growth scares and bear markets. It also shows the period of positive market performance in the 12 months that followed these crises.

Dates of S&P's biggest declines	Black Monday 8/25/87-12/4/87	Gulf War 7/16/90-10/11/90	Asia Monetary Crisis 7/17/98-8/31/98	Tech Bubble 3/27/00-10/9/02	Financial Crisis 10/9/07-3/9/09	US Credit Downgrade 3/10/11-10/3/11	Trade War 10/3/18-12/24/18
U.S. stocks	-33.5%	-19.9%	-19.3%	-49.0%	-56.8%	-19.0%	-19.6%
Next 12 months	+21.4%	+29.1%	+37.9%	+33.7%	+68.6%	+32.0%	+37.1%

Source: Morningstar as of 2/28/20. Returns are principal only not including dividends. U.S. stocks represented by the S&P 500 Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You can't invest directly in an index.

The graph below shows how a hypothetical $100,000 investment in stocks would have been affected by missing the market's top-performing days over the 20-year period from January 1, 2000 to December 31, 2019. For example, an individual who remained invested for the entire time period would have accumulated $324,019, while an investor who missed just five of the top-performing days during that period would have accumulated only $214,950.

Stay invested: Missing top-performing days can hurt your return
Hypothetical investment of $100,000 in the S&P 500 index over the last 20 years (2000-2019)

Sources: BlackRock; Bloomberg. Stocks are represented by the S&P 500 Index, an unmanaged index that is generally considered representative of the US stock market. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Please stay safe out there! We are all healthy and asymptomatic. And we hope you and your family are well and remain so.

Sending a virtual hug,
Kristin & Team