Market Thoughts During a Crazy Time

by Eve Kaplan CFP(R)

Dear Reader,

This is a letter I sent all my clients about the current market turmoil.

“We are facing a viral beast that requires many or most of us to be in lock down for some time. This is an unpleasant and worrisome time, to say the least.

On the financial front, I understand your frustrations and anxiety. If you’re looking at the news and looking at your investments, please consider the following:

1. In terms of stocks, we haven’t yet established a definitive “bottom” so it’s too early to be actively buying in order to average down or rebalance. A meaningful bottom can be established once retail investors have “thrown in the towel” and are desperate to get out of the market at any level – regardless. We’ve seen this time and again during past crises. Until we see that bottom, I’m disinclined to add much to stock holdings. I will add that we already are in “overshoot” (oversold) territory on the basis of some metrics, and many stocks are looking increasingly attractive on that basis.
2. The US economy will contract for 3-6 months. This does impact stock valuations but stocks quickly can (and will) bounce back by anticipating an economic and corporate profits recovery. We just aren’t there quite yet in terms of anticipating the recovery.
3. Bonds have provided some comfort in portfolios to date although they also can decline in value (yields

temporarily rising, prices falling) in tandem with stocks during periods of extreme stress (1987, 9/11, 2008/09 etc). That said, bonds generally have provided some degree of safety for now. Your portfolio has bond exposure and this has slowed some of the decline. Interest rates worldwide will remain low for a very long time.

How does all of this affect you, you may be asking? First of all, please avoid looking at your investments right now because things are highly volatile. Please avoid projecting a "grim future" based upon current wild market movements and current balances. We will emerge from this dark time in a few months – I believe – and markets have the capacity to quickly put stress behind them. As a reminder, stocks generally move 6-12 months in advance of events unless they are "caught by surprise" (the current severity of the virus). On that basis, stocks will anticipate a recovery and can be expected to move higher in advance of events on the ground.

In terms of your individual portfolios, I'm looking to pick up more stock positions (redeem other relatively outperforming asset classes – such as bond positions – or use cash) as we move into cheaper share price levels *and if* such a move in merited on the basis of your overall portfolio.

If your portfolio is compared to a large pie (= 100% or $1 million as an example), 1/10 of each pie slice equals $100,000. My goal is to buy oversold stocks that represent 1-2% of your portfolio during periodic sweeps through the market. Using this example of a $1 million portfolio, that means scooping up 10-20K of stocks <u>at a time</u> as part of rebalancing.

Please note I never sell positions in any investment if they collapse during a crisis. Each crisis has a different trigger but investors react similarly by showing panic, rushing to safe havens and by dumping positions. This time is no exception. Other investors may be clogging the exit doors to lock in losses, only to return to invest in markets at higher prices. I don’t work that way.

No one likes market pullbacks and volatility. Rest assured I’ve been through market turmoil crises over the decades as an equities analyst, portfolio manager and as your personal financial advisor. I do NOT feel a sense of panic and I’m here to steer you through this rough patch. Avoid spiraling into panic but please DO call or email me ANYTIME if you’d like to talk. I’ll help you walk through key ways to approach the current financial crisis. You are never bothering me when you reach out!

Warm regards, Eve”