

Building & Preserving Wealth by Design - Not by Chance

QUALITY FINANCIAL CONCEPTS

QFC's Insights

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Responses to the Coronavirus

"In the Midst of Concern – Opportunities Can be Found"

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I recognize it is difficult to watch what is going on in the markets or to even understand it. But, this is not the first pandemic the U.S. has seen in modern times. During the last few days, the indexes have shed significant values with most professionals saying it was indiscriminate selling. When looking at many individual companies, it is easier to see they are 'oversold'. For long term investors, most of these companies will recover their values and may do it in sudden and rapid moves up, making them unique opportunities.

Everywhere you may turn, someone is discussing the coronavirus or the moves in the markets. You should know every portfolio manager of each fund in your account(s) is working behind the scene to take appropriate steps to raise some cash as well as reposition some of the fund's holdings to pick up shares in companies on their wish list.

There are a lot of firsts occurring: the NBA season is suspended, many colleges are holding classes online and stopping uses of classrooms, conferences are being canceled or postponed, social distancing is encouraged, air travel to the U.S. is restricted... The common phrase is "Out of abundance of precaution..." Are these steps necessary? Maybe, maybe not. Will they assist in reducing the spread of the virus? Obviously yes. In perspective, each winter we enter "flu season"; and if we were to see these steps applied, we would see far fewer flu cases and incur less deaths. Could this become the new normal? I do not believe it will; but, clearly changes in social interaction will occur. I do not believe the future includes all NBA, NFL, MLB, or any collegiate games being played in empty stadiums or arenas and conferences become nonexistent.

I have been told the coronavirus must be different because of all the firsts that have occurred detailed above, and many more not listed. In 2009, the swine flu "pandemic" was a worldwide event with over 60 million U.S. citizens contracting the new strain of H1N1 flu virus resulting in over twelve thousand deaths in America per the CDC. I cannot explain the fear which seems to have gripped the markets today and why it is different from 2009. In 2009, we were recovering from one of the worse financial crisis in modern times, facing a new pandemic which began spreading around the world in April; and yet, the financial markets did not react similarly to what we have seen in the last few days. The same

Insights Continued:

concerns about the economic impact of the swine flu existed as with the coronavirus. Could the difference be the political environment? Or, the amount and type of media coverage? How about the size and impact of computer trading since the Dow 30® has grown 239% higher than its value on June 1, 2009? Could it be new and untested steps were not taken to stem the spread of the virus, and businesses were left to continue to operate and deal with the illnesses on their own? Or, perhaps is it the many first responses being taken now in an attempt to restrain the spread of the virus which is creating uncertainty in impact on the publicly traded companies?

Reported cases of the coronavirus around the world is nearing 140,000; clearly a large number but not in the realm of 60 million swine flu cases which occurred in the U.S. The CDC estimates worldwide deaths from the swine flu to range between 151,700 and 575,400. The total coronavirus cases has continued to increase. However, it is not the amount of known cases, it appears it is the number of undiagnosed cases creating part of the fear in the markets. Dr. Scott Gottlieb, former Food and Drug Administration commissioner and respected medical policy expert, is encouraging the U. S. to expand the number of testing, so hotspots can be identified and proper steps taken. He is also saying this will pass sooner than later. In my last market update, I indicated South Korea was one of the new hotspots around the world. The steps South Korea took appears to have helped them turn the corner on the expansion of the virus. Eventually, the same will occur in the U.S.

The coronavirus started as a health issue with its fear obviously impacting the investment markets. As many of these new actions were being taken or announced to attempt to restrain the spread, the impact to revenues and profits started to become in question. Unknowns are never liked by the investment markets, which has contributed to the recent declines. It is my opinion the markets have significantly over reacted, creating an incredible opportunity. I am not saying the wild swings are over; but as the impact becomes determinable, company and market values will restore. Timing the markets will not work consistently, but the time is now to upgrade in holdings and take advantage of the existing opportunities. Remain calm, be smart, keep your sights on long term goals, and stay well.