



Welcome to 2020

We opened the new decade with loads of enthusiasm. We had a very strong economy and China which held us back in '19 was getting solved. We had record low unemployment rates, a strong consumer, and a market hitting records in early February. Then another China effect happened. We had heard of it in China, we had seen some spread, we acted early in closing China contact, but it arrived. In the final week of February fear took hold of the prospects of the corona virus in the United States. Markets are attempting to price in the consequences and last week began pricing in a recession being caused by our response. The responses are correct since we know social distancing can slow the spread. I have to admit that I'm surprised at the cooperation between the White house and Congress in getting a bill moving. I'm also impressed with the action taken and the public / private partnership developed which will roll out this week. I'm convinced that we will conquer it because America is a fantastic country and the strength of our people will see us through.

As for markets we believe a recession is being priced in. We don't know if it's complete yet. We believe that as news unfolds daily swings in either direction may continue for a while. We believe we will beat it and look back on what low values we had to own some of the world's greatest companies. We believe the Fed, Treasury, and government will do all they can to help backstop the economy. We don't know how long all of this will take. Here what I think and what I am doing. As opportunities present themselves in the form of lower prices I am adding and may be upgrading in some portfolios. I feel the road out could be quicker than we think, a "V" shaped recovery. I feel that the first quarter and perhaps the second will give corporate America a bye on earnings, "the corona quarters." I feel we were very strong going in and that will serve us well coming out. Some industries are being priced like we will never fly or float again. I doubt that. I have been through this before and it's nowhere near as scary as 87 or 08-09. In short I have seen this movie. Although no one can predict the markets with any certainty, I believe we will come out of it and to repeat myself I think quicker than most think. So trust my judgement and let me acquire the gray hairs for you.

Sometime this year the Corona virus may become Saturday Night Live fodder and I believe we will look back on it as a blip in the long term progression of our country.

Thank you for your confidence in myself and Stifel to guide you through.

Larry Watts
Branch Manager