

## Amidst the Unknown

Pine Haven Investment Counsel, Inc. – Commentary – 1<sup>st</sup> Quarter 2020  
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Phew. Wow.

After a promising start to the new year, the economy and the markets fell off a cliff. For the US equity markets, it was the fastest drop into bear market territory ever, followed by some upward momentum. And most of America is in “Shelter at Home” mode – causing large sections of the economy to come to a near stop. Governments around the world have stepped up rescue and relief efforts. Recently, the stock markets in the US have regained some upward momentum, despite very dire unemployment numbers.

Now we wait and watch for the coronavirus to take its course. And wait for signs of how the economy will fare and marvel at the resiliency and courage of essential workers and health care personal.

By the numbers:

|                      | 1 <sup>st</sup><br>Quarter | 1 Year | 3 Year | 5 Year |
|----------------------|----------------------------|--------|--------|--------|
| US Large Stocks      | -19.6                      | -7.0   | 5.1    | 6.7    |
| International Stocks | -23.4                      | -15.6  | -1.2   | -0.6   |
| US Bonds             | 3.1                        | 8.9    | 4.8    | 3.4    |
| Real Estate (REITs)  | -24.4                      | -16.7  | -0.2   | 1.6    |

Are the numbers as grim as you feared? A diversified portfolio’s (a 60 Equity/40 Bond Mix) return for the 1<sup>st</sup> Quarter was -14.4%. Obviously, not great, yet it shows the importance of diversification. Bonds have cushioned the impact in portfolios as well as providing a place to meet short term cash needs.

With so much of our economy shut down until further notice, it is hard to imagine that we will avoid a recession in 2020 – the question now is when will we be back on our feet, how fast we can get people back to work and how will things have changed. It will be interesting to see the long-term effects that this will have on our society. Will there be changes in sick leave and work from home policies? What about changes to health care policies? Will we come together more as a country? Will countries cooperate more?

There is every reason to believe that the United States will get back to prior levels (low unemployment, strong corporate earnings, and strong economy). To help staunch the bleeding, American’s Central Bank is pouring money into the financial system and Congress has passed

the CARES act to help small businesses, local municipalities, and individuals weather the storm. And there will be other stimulus packages to come.

There are times when we all face challenges more important than the ups and downs of the markets, and this time certainly qualifies. Staying safe, staying well, staying alive and keeping our loved ones out of harm's way takes priority in this global pandemic. We are, of course, monitoring the markets. We are watching for opportunities in the markets that match your specific financial situation and goals. One challenge at the moment is valuation of stocks as previous earnings estimates are not relevant now – and stocks, in the long run, are driven by earnings.

Just like in 2007-2009, we have to believe in the resilience of capitalism to weather yet another “once in a century” storm. We must count on the value of persistence, while some investors are making decisions out of panic. Every downturn in the markets is different with different drivers and different catalysts that get the economy going again. Capitalism has proven to be resilient in the past.

We all have much to be grateful for. We look forward to a time after this pandemic has swept across the world when we have more to be grateful for, including the safety of our loved ones, and a return of value to our portfolios and to our country's economic well-being.

*"Drag your thoughts away from your troubles... by the ears, by the heels, or any other way you can manage it: - Mark Twain*