Financial Wanderings

March 2020

A masterful examination of the previous month's financial events, written by Brad Blackburn, CFP ®

(and made even awesomer by Andrea Dickerson)

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Although the commentary in this newsletter has been thoroughly researched, well-reasoned and contains many impressive multi-syllabled words, please enjoy it responsibly. There are many economic minds that are far smarter than mine—and even they can't agree on even the simplest economic questions. In other words, please enjoy this newsletter with the full understanding that it may be entirely wrong.

The Coronavirus Crisis™

After 10 years of shaking off every punch, the stock market was finally knocked down – and the longest bull market in history came to an end. It wasn't the trade wars, or the Fed, or Brexit, or the Fiscal Cliff, or Greece, or any of the things that worried the financial world over the last decade. Instead, it was the Coronavirus.

We've never seen anything like it. Whether it was SARS, the swine flu, or Ebola, none of those caused the complete shutdown of major economies across the globe.

I don't want to ignore the human toll of all of this, but from the standpoint of investors, this is as scary of a situation that we've seen since the financial crisis.

For the next few weeks, or maybe longer, there will be no public events, a lot less travel, a lot less eating out – a lot less of everything; it's a self-inflicted recession. We've never done this economic experiment before: Will it cause a short-term economic hiccup? A mild recession? A major crisis? This is the question the stock market is wrestling with.

Looking at the bigger picture, should Microsoft, or Wal-Mart, or any of our major companies be worth 30% less than they were a month ago? That seems like an overreaction by the stock market. On the other hand, the potential for bad outcomes has definitely gone up. So, maybe the stock market isn't overreacting after all.

By its nature, the Coronavirus is a temporary event. However, in the same way that falling real estate prices exposed the dysfunction and fraud in the financial world back in 2008, this shock could expose a bigger problem that we don't see right now.

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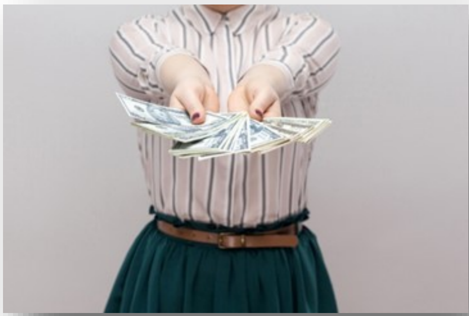
(The Coronavirus Crisis™.............Cont. from page 1)

Thankfully, our current problems weren't caused by any fundamental problem with the economy or stock market. So, unless something else breaks under the pressure, we should recover.

At this point, a record number of people have jobs, which is the most important thing for an economy. Over the coming weeks and months, new hiring will come to a screeching halt. The key thing to watch will be layoffs. If lots of people begin to lose their jobs, this could turn into a longer-term problem. However, this is one of the tightest job markets in history. All the employers I know have been working diligently to find and keep good employees. So, I expect the business world to do everything possible to avoid laying people off.



If that proves to be true, the economy should recover quickly.

After natural disasters, bad economic news is expected. So, any bad economic news in the coming weeks or months will likely be written off as the temporary result of the Coronavirus. On the other hand, any good news will be celebrated as a wonderful surprise and a sign of a recovering economy. In other words, the stock market will give the economy the benefit of the doubt for a while. So that will be something to look forward to – at least once the stock market stops falling.

Probably a mountain or a lake

This photograph was taken a few weeks ago at Hot Creek in Mammoth Lakes, CA. It was zero degrees with a minus 30 windchill, but it sure was beautiful.

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