3.16.20

THE MARKETS HAVE GONE VIRAL

We have entered a new era of historical moves by frantic central banks as well as sovereign governments. These desperate moves were unfortunately predictable in their continued recklessness to attempt to hide blatant risks in debt markets as well as to only perpetuate their previous policies that had blown the biggest financially engineered bubble in history! All to keep the elite corporate interests and their almighty stock prices from feeling no pain or having their CEOs see the cold confines of reality. Make no doubt about it, there will be only more brazen and bolder monetary promises from our Federal Reserve, as well some of the biggest national budget busters and broadest governmental subsidies seen in a decade and indeed, possibly in all of history – all for a rather pedestrian decline of just 28% in the S&P 500!

The question is will this have the desired effect of providing the high frequency trading computers with a bid to buy stocks and create demand to provide insolvent companies with loans at the lowest rates in history? We are in a historic battle between the embattled economy (weighed down by Covid-19) and the money printers. If the money printers win – it is yet another in an endless stream "stay of executions" for corporate executive malfeasance and the almighty bubble creator – the Federal Reserve. At this point the still high level of uncertainty (regardless of how many trillions will be thrown at this fire) will keep us in a position of capital preservation but with a still watchful eye on opportunities.

With numerous proactive actions in your portfolio, we have continued to weather the fierce sell-off in both stock and bond markets. You will be seeing a series of trade tickets arriving that reflect our efforts to achieve gains as well as diminish losses during enormous intraday market swings. With many market internals in not only stocks but of critical bond markets (anything other than treasuries) we moved quickly to sell many of our remaining holdings before further carnage could erase hard won gains.

With major stock markets down between 24% to 40% for the year, our portfolio is still firmly positive as the gains on the Dow Jones have evaporated going all the way back to April of 2017!

At this point in time we have moved to cash with a small position in gold. In just eighteen trading days, the S&P 500 stock index has moved into bear market territory and many pundits are tempted to catch a potential falling knife by buying beleaguered stocks for a quick and heady rally. Those bear market rallies will surely happen – some of them in just a single day or part of day. Case in point was the Friday afternoon rally of 1400 points ***in just the final closing 26 minutes of trade!*** Going further into the annals of stock market history… In 2001, buyers of a blistering 22% rally had to stick around for the 31% decline that followed. The most recent crisis from 2008 saw a ripping 19% rally in six trading days and just months later the markets fell another 31%!!! Often these temporary squeezes upwards see investors counter-intuitively chasing the industries that will continue to see extensive pain due to shutdowns and lack of demand. Of Friday's late day surge, one might think that no one would be willing to buy those companies most affected by the virus into a weekend where corona cases are still spiking as well as deep and embedded financial fissures in debt markets? Yet that is exactly what happened in a half-hour of trading on Friday, as key cruise lines that are literally shut down now for months went up 15% to 20% (after many went down as much as 70%), battered oil drilling stocks went up 20% or more, even Disney went up 12% on the eve of its theme parks and cruises being closed! Just think about the earnings season for these industries – which is just a month away and won't be a pretty picture – yet someone or something gobbled up these companies in the last minutes of trading on Friday. Those same buyers were in world of hurt on Monday – but the media doesn't mention that! Probabilities for further declines are high once these temporary bounces crest and fundamentals outweigh hopes. Our current build in cash gives us the needed flexibility to trade and rebuild a stable portfolio rather than chasing evaporating fundamentals with higher chances for longer term losses rather than trying to catch a falling knife for short term gains.

We hope that this fever will pass over the next three months, but there will be fundamental changes on how investors will view risk going forward. The hangover will last longer than people are anticipating. In the meantime, we are watching for any and all opportunities and will act accordingly. As money managers, we are being as vigilant as possible to weather this storm while sustaining and growing your portfolio.

As always, we will continue posting articles that we believe to be of great informational value on our website, under the "Great Articles" tab, which is linked here:

http://summitplan.com/cgi-bin/htmlos.cgi/great_articles.html.

Additionally, the "Summit Planning Financial Hour" will be live this week on Radio 570-WSYR at 10AM on Saturday. Don't forget to tune in for a recap of the week's events. If you cannot tune in, check out our radio show archive on our website at http://summitplan.com/cgi-bin/htmlos.cgi/radio_shows.html.

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