



April 2020 – Coronavirus

To Every Action There Is Always an Equal Reaction

- *Issac Newton*

The coronavirus is devastating to all the people on this planet. We know that as we write this, infections and deaths are increasing. Much is being done but this fight has not yet been won. For the most part the united actions that people and countries are taking give us hope. Most importantly each of us must do our part. Together we can achieve much. This victory over the virus must and will be won.

Parallels between the Coronavirus market and the Great Recession

Our January 2009 Quarterly Letter, “Recovery: How Do We Achieve It” addressed the market recovering from the Great Recession. This was well timed. The market then went on a twelve year bull run which ended this last quarter.

The following is a quote from that letter:

In May of 1932, after the stock market had fallen 85% from its high (Hopefully it won't get that bad, but we are down over 40% since October 9, 2007 – *as an aside we are currently down 24% from the highs in 2020 so far.*) Dean Witter wrote in a memorandum to his clients the following:

There are only two premises which are tenable as to the future. Either we are going to have chaos or else recover. The former theory is foolish. If chaos ensues nothing will maintain value; neither bonds nor stocks nor bank deposits nor gold will remain valuable. Real estate will be a worthless asset because titles will be insecure. No policy can be based upon this impossible contingency. Policy must therefore be predicated upon the theory of recovery.

He went on to say this was not the first really bad economic period nor would it be the last. We have many similarities today, and we believe, as Mr. Witter did in 1932, that we will recover. The timing of such recovery is very difficult to predict, but it will happen. Monetary and fiscal policies are being activated in an historic way to return the economy to more normal conditions.

We ended that letter by saying: “we believe in our great companies and our great country and its capitalistic economy. Entrepreneurship is not dead.”

We used Newton's third law of motion as our lead quote because, during the Plague in 1665, he had just received his degree from Trinity College, Cambridge and was pursuing further studies. He left the city and went to his family's farm for the better part of a year. During that time he experienced probably the greatest burst of creativity and discovery the world has ever known.

His work on mathematics, light and physics changed the world forever.



We believe that we have the potential for positive things to happen now. Hopefully many of us are not spending too much time watching Fox News, CNN or MSNBC. And certainly not watching the latest on the Kardashians and Prince Harry and Megan Markle!

This is a time for serious things. Stay in touch with friends and family. It is a time for contemplation, introspection and inspiration. Scientists are working diligently as are our manufacturing plants. On this point the world is uniting. This may lead to a second Renaissance. Hopefully many people's minds and hearts are changing.

We are blessed with great companies here and globally. Pharmaceutical companies are focused on finding cures. Manufacturing companies are making ventilators and masks. Delivery companies are performing at high levels. Food companies are assuring safe and timely deliveries. Other companies like Proctor & Gamble are working to keep us supplied with everyday necessities. Technology companies like Microsoft are helping us work efficiently. And newer companies like Zoom Video have become household names as they help us stay connected.

While we want to defeat coronavirus this is not like World War II where we focused on military equipment and munitions. The world's focus is now on saving lives and minimizing suffering.

The stock market and our portfolios will recover. But this means little if the coronavirus continues to ravage the world, and we begin to experience loss of loved ones, cherished friends, and exhaust our medical resources particularly our doctors and other medical professionals.

We always say we are grateful for your support, but now more than ever we are grateful for you. We all need to support each other. Thank you.