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A Perspective on Crises

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Having been in the investment business for nearly 40 years, meltdowns like we are currently experiencing hurt – amazingly similarly to prior crises. So let's reminisce together to hopefully mitigate our common pain.

First, all the crises below indeed felt like Armageddon – and they weren't. Each are unique in their own way in depth, duration and recovery. Kind of like comparing the maturation process of our seven children.

Our current COVID-19 crisis was hardly predictable a la all the others. Consumption is over 70% of GDP, and with no March Madness, no college in-person classes and eating peanut butter and jelly at home, anyone's estimates of GDP as well as corporate earnings is nonsense. Nobody will even guess because it's ugly. So buckle up for a while, as unfortunately this ride is going on for a little longer. We are approximately 25% off February all-time highs.

Let's revisit a few crises over the last 40 years:

- 1987 gave us a 22% decline in one day. It was caused by cheaper computer power and a revolutionary tool called portfolio insurance. We had no recession and we actually recovered all the decline in the calendar year. I'll never forget clients calling us, requesting we stay away from the windows referencing the Great Depression suicides.

- 1990 witnessed the Gulf War, and the market tanked a typical 30% associated with a recession. The two years surrounding 1990 each delivered 30%+ returns.

- After an incredible18 year bull run and the birth of the internet, 2000-2002 gave us a horrific 50%+ decline as well as a nasty recession. The recovery from the dot-com bust took many years – and just in time for another slaughtering called the Great Recession.

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- In late 2007 through (ironically) March 2009, the markets cratered 50% yet again. (Just 11 years ago.) And with much stimulus from the Fed, we slowly crawled our way back both economically and financially. A long painful recovery.

So where are we now? Sell? A "once in a generation" buying opportunity? Only the Lord knows. We probably have more downside and buying is "trying to catch a falling knife." Selling locks in losses forever.

Your risk appetite and tolerance is incorporated in your asset allocation targets. Crises scream loudly to ignore them, and the result is typically not good. Revisit your risk appetite in more normal times – NOT NOW! A reasonable target to diversifying strategies, including hedge funds and real estate, works in the long run! Through February – they did exactly what they were supposed to do. March looks more challenging.

So fire up a nice filet on your grill at home, have a cold beverage of your choice and join us on yet another long and winding road. We only wish we had better news, and thank you for being our friend.

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