



Beating the Virus

-J. Kevin Meaders, J.D., CFP®, ChFC, CLU*

I trust this letter finds you well. That is the theme of the month: stay well.

We find ourselves in a unique situation. I don't think any of us can ever remember a worldwide pandemic quite like this one. Certainly, I do not.

I know you've been stuck at home with nothing to do but watch the news. This might be good for your physical health, but it sure isn't good for your mental health. Every day seems to bring more shocking numbers from Spain and Italy, and now those numbers are coming from here--the US.

Certainly, this is distressing for everyone. And as I said in my letter last month, it will probably get worse before it gets better.

BUT--it will get better! Things will eventually get back to normal, though I will probably never pick up a gasoline handle the same way. Maybe some changes will be healthy.

In any event, there is obviously a lot of uncertainty, and the markets hate uncertainty. Everyone expects earnings to sink; everyone expects unemployment to soar.

In the midst of all this has been an oil price war between Saudi Arabia and Russia, slamming the price of oil which was already bruised because of all the lost demand from world travel. A perfect storm in the oil industry.

And I suspect there will be a one-two punch. The first punch is obviously surviving this virus, but the second punch will come once we've seen what the true financial damage has been. It can't be good.

Nevertheless, there has been a tremendous amount of activity both from the Fed and the government. You know doubt heard about the unprecedented \$2 Trillion CARES Act.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act is a sweeping package of financial assistance measures aimed at nearly every sector of the economy, including employees, individuals, and families.

Specifically, it addresses the virtual collapse of the travel and hospitality industries and direct payments to taxpayers, to stimulate the economy. Many of my clients will be interested to note the Required Minimum Distributions (RMDs) from IRAs have been suspended.

FRED — Effective Federal Funds Rate



Source: Board of Governors of the Federal Reserve System (US)

You may also have heard that the Fed dropped the Fed Funds Rate (the short-term rate set by the Fed as the basis of all other rates) back down to 65 basis points.

That's 65% of 1%. Not very far from zero. (chart to the left)

I suspect that we may be back down to zero before the year is up.

And if that were not enough, on March 13 the Fed pumped an additional \$198 Billion into the Overnight Lending Repurchase Operations. According to CNBC:

The Fed began the repo operations in September amid a shortage of liquidity that saw short-term rates briefly surge. Since then, the central bank has instituted its own repo plus a \$60 billion a month asset purchase program involving short-term Treasury bills, all of which has increased the central bank's balance sheet by nearly \$500 billion.¹

So, according to the Congressional Budget Office, the budget for 2020 is about \$4.7 Trillion, of which (they claim) we can pay \$3.6 Trillion, so we have to borrow another \$1.1 Trillion.¹

Then we have the \$2 Trillion from the CARES Act, and another \$500 Billion from REPO operations. So far this year (and it is only April) we have committed to spending at least \$3.6 Trillion of new money that we don't have. Where does this money come from?

You guessed it. It's just printed out of thin air.

I'm probably the only person in the country right now that's not worried about the virus, not worried about the stock market, not worried about the bond market, not worried about toilet paper. No, I'm worried about inflation. I'm afraid it's coming in a big way.

But that is not the immediate worry. Inflation is always something to contend with later. Something to punish our grandkids with. In any event, what choice do we have right now?

Nonetheless, I reiterate what I said in "[Calling All Cash!](#)" It may be that right now is not the time to invest more than just a little, but the time may be coming when we won't have bargain prices on quality stocks (and bonds) either.

We are watching and waiting for the other shoe to fall--that anticipated second punch. I expect that the next three months or so should provide some great investment opportunities.

BECAUSE, it may take six months, it may take a year, it may take two years, but the burgeoning appetites and pent up demand will *eventually* burst back on the world stage and those corporate earnings will be back where they once were, and from there stock prices will eventually follow. But I would only invest in the broad market, not individual companies.

Currently, individual stocks and securities are just too exposed to be safe. Every day we are learning of new credit downgrades, just as we predicted last June. We see these downgrades only increasing. For more information, see my letter "[Preparing for the Correction, Part V: Fallen Angels](#)."

In the meantime, I urge you to take good care of yourself physically, and mentally. Take a break from the news. Read a book, or several. If you've never read *Atlas Shrugged* by Ayn Rand, this is the perfect opportunity. Or perhaps a different leitmotif, such as Carl Sagan's *Cosmos*?

As always, we are just an email away. If you'd like to do a conference call, just email me and we can set something up.

Until next time... stay safe, stay well, stay sane!

Very Truly Yours,

J. Kevin Meaders, J.D. *, CFP®, ChFC, CLU

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ⁱ <https://www.forbes.com/sites/leonlabrecque/2020/03/29/the-cares-act-has-passed-here-are-the-highlights/#6a0deb5e68cd>

ⁱⁱ <https://www.cnbc.com/2020/03/12/fed-pumps-198-billion-into-short-term-repo-bank-funding-operations.html>

ⁱⁱⁱ <https://www.cbo.gov/topics/budget>

About J. Kevin Meaders

kevin@magellanplanning.com



Kevin Meaders graduated from Oglethorpe University in Atlanta with a double B.A. in Philosophy and Political Science, and then obtained a law degree from Georgia State University College of Law, focusing on estate planning and trust law. He has earned the designations of Certified Financial Planner (CFP®), Chartered Financial Consultant (ChFC) and Chartered Life Underwriter (CLU). He holds a General Securities Principal and Registered Representative registration and Investment Advisor Representative registration through Voya Financial Advisors (member SIPC).

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4170 Ashford Dunwoody Rd. NE, Suite 480
Atlanta, GA 30319
404-257-8811

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