WILLINK
ASSET MANAGEMENT LLC

March 2020: *2020 Turning into an Interesting and Unnerving Year*

For the record:

From the 1930s Great Depression that arguably ended with WWII, to the Great Recession of 2008 that taxed our nerves for almost 6 years, it never ceases to amaze us just how resilient the US economy remains. Ditto for its often wild and unpredictable travelling companion the we call the global capital markets.

Dotted between the span of years noted above there is 20% or so stock price tumble about every three years, and annual 10% drops to keep us from paying attention to the more important things in life.

Don't forget that bond markets occasionally get into the act as well. And bonds (AKA debt) may be the undoing of us all while we are distracted by headline news about stocks.

We are standing by:

The team at Willink Services has been around long enough to have accompanied our clients through many market storms to better times, dating back to the 1990s. That doesn't make us cocky. Every true crisis and every hiccup can provide the outline for a "sky is falling" scenario. While each of the more worrisome market gyrations have similarities, they each have important differences. So, you never know.

During the Great Recession, for example, colleague Russ Schmidt (principal of the complementary financial practice to Willink Asset Management LLC, Willink Financial LLC) and I wondered at times if our clients' spending needs were sufficiently insulated that we would make it through without having to sell an investment at a loss. We managed to accomplish that, with a good enough understanding of our clients' resources and tolerance for risk, among other factors—and a dose of luck. This time around we are helped by Willink Asset Management's Theo Fadel CPA, PFS.

Where to from here?

Once again, none of us can tell you exactly how this year's cocktail of corona virus, stock price volatility, Politics and Economics will spill out, or when it will be cleaned up. Last week the stock market was down about 12% from its recent high. Call it a more likely 4-8% hit on your portfolio. As this letter is written, it is clawing back some of those losses. Is it reasonable to regard that momentary recent high point as a benchmark? If so, your portfolio, for the time being, is back to where it was about six months ago. Our January 2020 and other recent commentaries called the current pullback long overdue. We certainly weren't alone in that assessment.

Where to from here? You can write your own scenario. But don't ask us to time the bottom, convinced that this is the buying opportunity of the decade, and wondering why we aren't moving money in one swoop into stocks, unless that conclusion is the result of careful and thoughtful planning with us.
Supply chains (all that stuff moving from China and elsewhere as part of the global manufacturing process and more) are stretched, torn or broken.

They won't be fixed or replaced for a while. The Fed's key fixit tool, lowering rates, has less and less impact as rates climb down toward zero, and has the side effect of crippling bond income, long-regarded as a safe investment. Consumer confidence is rattled. High-speed computer trading is a likely culprit behind the hourly swings in market prices.

This could all be over soon. But, whether it is or not, the US and its markets have proven time and again their resilience.

Fred R. Fadel, ***CFP®***

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