



Empowered Future Report

Short term thoughts about long term matters

March 9, 2020

Quote of the Day:

"It's far more important to know what person the disease has than what disease the person has." – Hippocrates

Pandemic Panic - Stock Markets Institute Trading Halt

The market reaction to Coronavirus fears along with oil price uncertainty continued today with the major stock indexes instituting temporary trading halts. I'm not sure I agree with the regulations that mandate such trading halts but they're considered "circuit breakers" to allow for a short cooling off of trading activity when you have such volatility as we've seen today. This was the first time since the financial crisis in 2008 that such trading halts have been triggered. The following are points where such halts take place:

Level 1 - (7% decline) trading is stopped for 15 minutes.

Level 2 - (13% decline) trading is stopped for another 15 minute period.

Level 3 - (20 % decline) trading is suspended for the day.

We hit Level 1 with more than 7% declines on the S&P 500 as well as the DOW Industrials, with the S&P ending the day slightly better and the Dow slightly worse. Remember that both these are un-managed stock indexes and don't necessarily reflect any individual's portfolio. Also, keep in mind that while this is one of the worst point drops - over 2000 on the Dow - it's hardly one of the worst percentage drops, which is the only rational way to measure point to point performance changes. I've often betrayed my age while promoting my experience (since most traders on Wall Street have not even seen a bear market) by recounting the fact that I was two years into my career when the Dow dropped over 25% in one day in 1987. I and the Dow recovered quite nicely from that difficult time – the lessons about risk and opportunity have stuck with me over the decades since then.

There has been a great deal of volatility in the oil/energy markets as well - much of it due to the likely drops in demand due to the economic slowing that is occurring due

to the pandemic. Oil prices are further depressed due to a "price war" with Russia pushing production levels up and consequential drops in pricing. It's very difficult to predict these complex geopolitical developments in the short term but I'm confident that the demand for energy will eventually resume with prices rising above current levels and with the need for continual production as well as pressure/innovation for alternatives.

Cure Worse Than Disease?

I have no idea when this market turmoil will calm down but, as an investor who looks out years and decades, I'm confident that 10 years from now, we'll look back at this as an opportunity. It's amazing to watch the media and politicians make such ill-informed comments about science and finance but Americans do seem to love rushing from one news frenzy to another, freaking out and then calming down...just in time to freak out about something else the next week. I'm using the term Pandemic, not to pile on to the freaking out, but because the most credible sources I've read in the medical community are themselves calling it a pandemic, though likely a mild one. If you're not tired of the coverage or don't really understand what's happening with this virus, I'd highly recommend watching [this video by Dr. Amesh Adalja](#), an immunologist and Johns Hopkins Senior Scholar who I met at a conference a few years ago. *Nothing that is said in this video is meant to make any commentary regarding investment strategy. The video link is provided purely for educational purposes about the Coronavirus (COVID-19) disease.

While the video is now a week old, I think it has some important lessons for anyone interested. One of the key things he points out is the "severity bias" where we look at early fatality rates that skews our understanding - we see extreme cases in the hospital but we don't count the child who has a mild running nose but is suffering from the same virus. This has seemed to impact policymakers two ways: we acknowledge the severity bias and realize the fatality rates will come down but also we've not been vigilant about actually testing more people to know what the actual infection rate is.

You've probably seen or heard a lot about best practices in preventing the spread of this disease, but I think it's worthwhile repeating them:

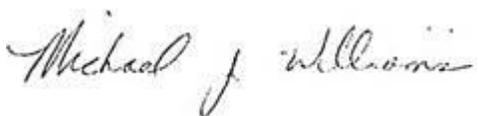
1. Thoroughly wash hands with soap & water to minimize infection risk.
2. Keep hands away from your eyes, nose, and mouth.

3. Stay away from people who are coughing or sneezing.
4. Don't shake hands with people, whether they show symptoms or not.
5. Disinfect high touch surfaces daily, using a product that kills viruses.
6. Try not to worry (especially if you're not truly at risk) and get lots of rest.

I'd like to make some similar recommendations about best financial practices/preventing panic regarding the financial fallout:

1. Stay focused on your plan and what you can control.
2. Understand that markets trade short term on emotion but long term on earnings and economic growth.
3. Assess your comfort with risk – it's amazing to me how people usually want more risk when they least can afford it and want less when the markets are offering opportunities.
4. Pay attention to news but be able to turn it off. I referred to our propensity to chase the latest hype – they're not really selling news but beer and cars and pharmaceuticals...all the things that are being advertised to keep you watching.
5. Realize we're looking to protect your long term financial health, for opportunity and remain disciplined about valuations.
6. Call or email if you have questions or concerns about how the market turmoil is affecting your portfolio and plan. We're here for you.

Lastly, I must say that I don't believe the government should be involved in managing the economic aspects of this disease and really, to a minimal degree, even the health aspects. The virus doesn't care what party you belong to and it doesn't care which industry you work in or which stock you want to invest in. I know it's tempting to believe that government can solve these problems but remember that government is merely the force of law and such force can often inhibit the scientists, healthcare providers and indeed the business people who actually must make the decisions to solve such problems. We'll get through this most effectively by having transparency and allowing the division of labor along with mutual cooperation to work as it does so well.

A handwritten signature in cursive script that reads "Michael J. Williams". The signature is written in dark ink on a white background.

Michael J. Williams, CFP
ALTIUS Financial, Inc.
michael@altiusfinancial.com
303-584-9271

www.altiusfinancial.com

* The views expressed represent the opinion of ALTIUS Financial, Inc. The views are subject to change and are not intended as a forecast or guarantee of future results. This material is for informational purposes only. It does not constitute investment advice and is not intended as an endorsement of any specific investment. Stated information is derived from proprietary and nonproprietary sources that have not been independently verified for accuracy or completeness. While ALTIUS Financial, Inc. believes the information to be accurate and reliable, we do not claim or have responsibility for its completeness, accuracy, or reliability. Statements of future expectations, estimates, projections, and other forward-looking statements are based on available information and the ALTIUS Financial, Inc.'s view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based on assumptions that may involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such statements. Past performance is not indicative of future results.