

MARKET COMMENTARY – MAY 1, 2020

*One hour of life, crowded to the full with glorious action,  
And filled with noble risks, is worth whole years of  
Those mean observances of paltry decorum. ~ Sir Walter Scott*

In varying degrees, human beings are risk averse. We like pattern, repetition, schedule, and met expectations over most forms of ambiguity, especially when such uncertainty arrives at our doorstep in a frightening, violent fashion. It goes without saying that peril most often appears in unannounced style, furthering our discomfort.

So, it might appear logical that a laudable goal would be to eliminate risk. Rest assured, rather than spend pages expanding on why such an ambition mustn't be so, we'll refer back to the writings of Scott above. He suggests there is value in risk by itself, separate even from the favorable or unfavorable outcome of the risk-taking behavior. Something tangible, as well as intangible, is gained by the very act of taking "noble" risks.

Perhaps fellow Scotsman Alexander Smith said it more succinctly than is earlier and more famous countryman. Smith says,

*Everything is sweetened by risk.*

Ironic given our current climate, Smith's laconic observation is found in an essay written in 1864 called Of Death and the Fear of Dying.

Which brings us to our topic. Risk-taking in a world of the novel coronavirus.

Financial advice and investing insight are why most all of you have come to be associated with our firm and why you read these words today. Let us begin in those arenas. When we were a youth and full of vigor, marching about the college campus, our professors dutifully explained that for U.S. investors Treasury Bills were a risk-free investment. Of course, years and experience have taught us rightly that there is no "risk-free" investment, but for our purposes today, we may assume those sages of yore were correct.

For taking “no risk” today, investors would be rewarded with less than 0.09% interest in short term Treasuries. Not only would such an investment fail to achieve any measurable growth, it would utterly fail in a world with even a modest level of inflation. Such an investment, and risk-avoidance stance, is untenable. Even conservative insurance companies do not seek to avoid risk, they seek to manage it.

We might now spend time climbing our way up the ladder, higher into the risky asset spectrum, from agency bonds to high-grade corporate bonds to junk bonds and to equities or even speculative derivatives as we assess expected returns and risks inherent in each. That would waste your time and ours. Suffice it to say that every investor must address this question (with our valued advice, we hope) to devise a plan to best meet his goals in a risk-aware manner. For many folks holding 25% of their portfolio in stocks is appropriate. For others, the number may be 75% or higher or lower.

*The point is that when we eliminate risk, we eliminate the future as well as hope in the future.*

On to stay-at-home orders and the shuttering of commerce in the name of public health. As new antibody studies and more RT-PCR viral testing becomes available, we are blessed with more data than existed in prior months. Clearly, the potential for an acute respiratory distress syndrome in certain subsets of the population is statistically significant. Therefore, reasonable measures to protect the aged or compromised populace ought to be in place.

However, ongoing shelter-in-place orders do nothing to allow the virus to spread (mostly benignly) through our young and virile fellow citizens. Eliminating the risk of spread among the healthy has cost 30 million jobs in a month. It will make the poor, poorer. It will make the merely depressed, clinically so. It has lopped off trillions of dollars of our collective net worth. It will rob our subsequent generations of wealth as they must bear the burden of appreciably higher tax rates. And even though the market has rallied off the most recent bottom, there are months more of dismal economic news coming the longer the orders remain fixed.

Therefore, it is of some benefit to us and our progeny to begin to take some noble risks – to open salons and stores and to shop in them (with the necessary precautions). All of this is a wisdom issue (taking in information and advice from physicians, generals, and CEOs, from economists and hairdressers and assimilating it into a plan of action).

It is also a liberty issue. Elon Musk, the CEO of Tesla who typically gets little love from your humble writer, summarized the situation in a profanity-laced call recently where he described lockdown orders as forcible imprisonment and fascism. For once, this fellow finds himself agreeing with Mr. Musk.

As a final way of expressing such thoughts, we'll turn from Scottish poets to an American who wrote in the Nineteenth Century. In A Fable for Critics, James Russell Lowell wrote:

*And I honor the man who is willing to sink  
Half his present repute for the freedom to think,  
And, when he has thought, be his cause strong or weak,  
Will risk t'other half for the freedom to speak.*

We understand that the previous months have been difficult for investors and human beings all over the world. And we are also fairly certain that there are more tough months to come. But we are believers in a determined American and even human spirit. As more and more of us come to grips that this is just a new virus we all must live with, we may courageously move from our homes and back into the world at large.

Stirling Bridge Wealth Partners, LLC is fortunate to count many of you as clients. In the good times and bad, we remain committed to providing customized investment solutions and robust financial planning wrapped in a package of exceptional service. We thank each of you for your dedication to us and for your trust.

Sincerely

Jason Born, CFA  
President