

MARKET COMMENTARY – MARCH 1, 2020

Wisdom Amidst the Tumult

Vices get all the attention. Every novel, TV show, movie, news story, or side conversation at work seems to gravitate toward someone doing something to someone else he ought not. It is human nature, or perhaps even original sin, that compels us to crane our necks to gawk at the latest disaster, scandal, or wayward soul. It is human nature to react, swiftly and sometimes poorly, to changing situations.

Virtues, on the other hand, receive scant attention. And of the virtues, wisdom is rewarded with the shortest of shrifts. We live in the Information Age, when accumulating facts with a swipe on a screen is easy. It is the chief way we gather so-called knowledge. But if knowledge is power, then wisdom is a Super Power.

In the first chapter of Proverbs we learn that fear of the Lord is the beginning of wisdom. I'll not argue with such a notion since it is entirely reasonable to fear a being that is from everlasting to everlasting and can create the universe with a word. But I will note that Solomon says fearing the Lord is only the *beginning* of wisdom. For us to be truly wise in a complete sense, we must do something more.

Your humble writer doesn't know what that something more actually is. But we believe it has something to do with showing discretion when necessary, being bold when it is called for, and a host of other selected behaviors. In short, we suspect that wisdom isn't possessed as much as it is demonstrated. It is knowing which one, out of a hundred possible actions, is most likely to get us closer to our goal.

Let us take COVID-19 into consideration. How might we best apply what modest wisdom we've accumulated over our career? Each day brings new worthwhile data points and a lot of unhelpful noise. One month ago, we expected Global GDP would be 0.5% lower for 2020 as a result of the virus. We projected a lower, though still-positive Global GDP for the first quarter and then a sharp recovery Q2.

Today, we've had to modify our already modified forecasts. We now expect Global GDP to be slightly negative for the first half of the 2020, with a sharp rebound in the second half. Essentially, we've pushed out our February estimate because of the

stuttering pace of renewed production and consumption taking place as China slowly comes back online. To be conservative, we assume more and larger quarantine zones in more countries outside of China and further supply disruptions into spring.

So, we are not denying the severity of COVID-19. We are attempting to exercise that flabby muscle of wisdom. In the face of panicked news commentators and high frequency traders, we aim to stay on the straight and narrow path that leads to success. Let us remember the adage: be fearful when others are brave and brave when others are fearful. Let us further remember that old adages are always better than new adages because the old ones have the benefit of being *old* and *tried* and proven *true*.

With low global interest rates and central banks the world over pledging to use all the tools at their disposal to stymie untoward economic harm, we are hopeful. With US banks in good shape versus a decade ago, we believe that a 1Q speed bump or even recession, is just that – a run-of-the-mill pause in economic growth. We also believe that even if larger swaths of workers end up staying home in the next month, work doesn't slam to a halt. Technology allows workers to be productive from home. And finally, we still believe that the most likely course is for a successful vaccine that will aid our specie's yet-nascent immunity before the Northern Hemisphere's next winter.

In short, where the sell-off has taken client accounts below their equity targets, we are slowly buying at these cheap prices. In some cases, bonds will be sold at high prices as investors have bid them to dizzying heights. This procedure has been the benefit and goal of asset allocation all along. We now see why. Setting a risk and allocation target allows us to sell over-bought assets and buy over-sold assets at the right time – without having to allow hunches and guessing and mistakes to creep into our thinking.

Baring new exogenous shocks, our optimism for 2020 has been merely tempered and pushed back a couple quarters. Wisdom, we think, is on our side.

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

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