

MARKET COMMENTARY – APRIL 1, 2020

A Lost Word

All but the most obstinate of pessimists would agree that life has become more agreeable over past centuries. Fewer people starve. Fewer folks live under despotic regimes. Society has slowly implemented improved ideas of production and governance by casting aside concepts that did not work. In the process, however, we think a few worthwhile ideas, and the words to describe them, were lost.

As part of our normal course of study, we have found ourselves reading in the book of Job. It is not our first rodeo with that poorly treated fellow. But each occasion brings new insights and deeper understanding. And at first blush, our readers might logically believe we will now spend a fair bit of time developing the main concepts of Job and applying them to the current coronavirus situation.

No. We'll leave that to you. It is a worthwhile exercise.

Instead, we were struck by the providential nature of events in our life. Providence is a lost word and idea to us. But it is one our forebears would have known well. They may have used it in everyday language. And they may have easily discerned it in everyday life. At its core, Providence is the idea that God omnisciently directs the affairs of the entire universe and mankind with wise benevolence. Providence is not miraculous. It is the idea that all things, no matter how mundane or horrific, are a small cog in the magnificent machine of unfolding creation.

On the other hand, we could logically conclude that some events are just happenstance. We just happened to be reading the story of a man wrongly abused and afflicted thousands of years ago at just the time the world was experiencing a similar episode writ large. After all, we've done so before. And traversing such a philosophical path may be fine. But it is not excellent. Setting aside Providence means that much of the poetry and wisdom buried in the grim statistics of ICU cases and respiratory complications is missed. It means not properly interpreting the epic, thunderous rebuke from God in the latter part of Job. Likewise, it means missing out on the peaceful reconciliation in the final verses and seeing it play out for us in real-time.

What we're saying in our own clunky manner is that each of us ought to find ways to benefit ourselves and others in these calamitous times. Search in the present and past for wisdom that speaks, not to just the moment, but to all times. And then put those ideals into practice, actively, in our lives. Use words of hope. And remember that the only hope that is worth anything at all, is hope found when there is no hope.

The coronavirus continues its spread as we type these thoughts. The shuttering of commerce has been much more pronounced than anything we initially predicted and so we've been forced to make yet another adjustment to our forecasts for the remainder of the year. Clearly, large swaths of the service economy will continue to see swift, pronounced unemployment. Of course, those lost wages will trigger decrease economic activity and likely lost work and revenues in cyclical industrial companies. We now anticipate a sharp drop in global GDP and a commensurate increase in unemployment. The recession of 2020 is upon us.

But, remember, hope. Providence.

This writer philosophically disagrees with monstrous bailouts from the Federal government. Fear not, however. We leave the worst of our political musings to phone calls with Mother. Here, let it be adequate to say that fiscal policy (spending and taxes) as well as monetary policy (interest rates and the Fed balance sheet) are both furiously pumping TRILLIONS of stimulus dollars into the economy. Banks were stronger going into this recession and the Fed has committed to fully support them. We should not have to worry about spreading bank failures (a few tiny ones dedicated to energy may certainly fail). Other than a few scary days in March, a potential liquidity crisis was successfully averted and put to rest.

No one knows the depth of the recession because no one yet knows how long economic activity will be forcibly crimped. Obviously, the longer mandatory stay-at-home orders remain in place, the longer and deeper the recession will be. At this point, we're assuming the entire month of April is lost. Expect prices of investments to remain volatile until business activity and employment can begin their slow road to recovery.

But, remember, Providence. Hope...

And opportunities. Though the overall trend of the market might remain negative for the foreseeable future, it pays to be focused on long-term opportunities as they present themselves. We remain concerned about burgeoning U.S. debt levels and what they mean to distant interest rates and inflation and real growth rates. These unsettling factors will, themselves, create opportunities as they unfold.

Therefore, let us set aside our proclivity to react in panic. Let us use our wits. And let us remember to find the good workings of Providence in most all things.

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Sincerely

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