



CAPITOL WEALTH MANAGEMENT LLC
TRUSTED - LOCAL - EXPERIENCED

- CAPITOL CONNECTIONS -

Having a Plan During a Market Crisis

By Keith Burbank

It has been over 8 weeks since the markets were at an all-time high in mid-February with the S&P 500 reaching a level of 3393. A mere 4 weeks later, it had bottomed out at 2192. An unprecedented decline in such a short period of time driven by much uncertainty over the worldwide spread of a virus, and the economic implications of stopping that spread.

Since the low point on March 23rd, the S&P 500 has now gained back 50% of the decline from its all-time highs. Although the rally in stocks has been impressive, it has come during a time when the economic news has been disastrous, and that news may get even worse. Unemployment has skyrocketed with nearly 26 million people filing over the last 6 weeks as stay-at-home orders have shuttered a majority of businesses across the country. The economic impact will be severe, and undoubtedly will result in a recession (two consecutive quarters of negative growth) the extent of which we can only speculate on at this point.

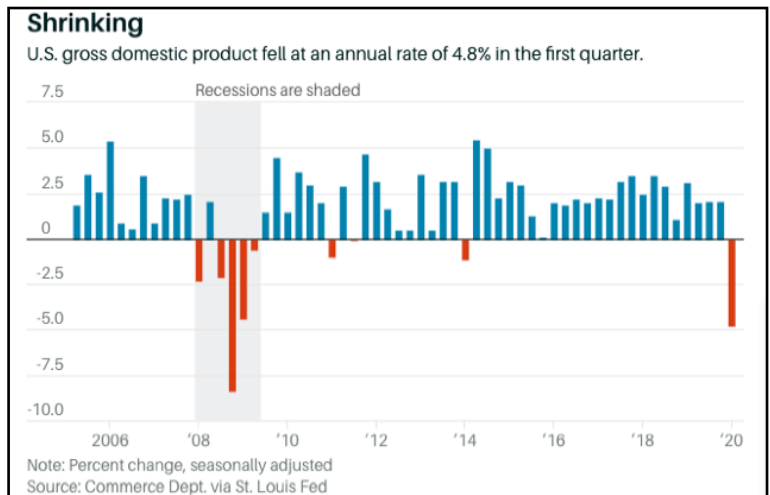
So why has the market rallied when things seem to keep getting worse?

The stock market trends to be more forward looking, while economic data tells us what has already happened. The dramatic sell-off in stocks was the market's reaction to the coming economic storm. No one knew what the severity of the economic slowdown would be, but the market basically priced in a worse-case scenario. The market bottomed

around the same time that most states in the country had put in place stay-at-home orders for all but essential business employees. These orders, it was hoped, would slow the spread of the virus and give our healthcare facilities the ability to handle the influx of critically ill patients.

Most states are now 6-7 weeks into the stay-at-home order and are now looking at re-opening their economies. Plans are being put into place so that businesses can re-open and hopefully return to normal over some period of time. This planned re-opening has buoyed stocks over the last couple of weeks but the uncertainty over how quickly the economy will recover has put some pause to the market rally, which has trended more sideways than upwards over this time period.

No one knows for sure what the recovery will look like, but unprecedented monetary relief from the Federal Reserve, in addition to government stimulus packages, has given hope that the recovery will happen quicker than it otherwise would have. No one is expecting - Continued on pg. 2



Having a Plan - cont.

a quick return to normal, but pent up demand in addition to the stimulus measures should help quicken the pace of the recovery over the remainder of the year.

In times of bear markets, it's difficult to see where and when we will come out of the situation. It can feel horrible while in the middle of it, but we have always come out the other end okay. The market recovery can be swift, drawn out, or somewhere in between. Regardless of the path the market takes, a recovery has always followed.

Navigating a bear market as an investor starts with a plan well before the sell-off starts. Understanding your own risk and investing timeline is of utmost importance. Whether this is the first bear market you have endured, or one of many, understanding the level of risk you are willing to take in your portfolio is essential to riding out the storm. Investors who have no plan or understanding of their appetite for risk, tend to be the ones who make untimely moves as their emotions make decisions for them. For those with a plan, the situation may feel horrible and uncomfortable and the ride may be bumpier than usual, but they planned for these times and are content to ride it out for calmer times ahead.

Who Da Thunk?

By James G. Stepoe, J.D. - Director of Administration



A few months ago, I was driving along wondering what the next big thing would be. The upcoming presidential election was dominating the news as one might expect since the elections are a very regular occurrence. Indeed, it would be a shock if a scheduled election did not occur

So, what would be the next 'unexpected' big thing? A CAT 5 hurricane, a surprise attack from another country or terrorist group, a volcanic eruption, or perhaps confirmation that Elvis is still alive and living in a converted garage in Buffalo. After all, almost anything can happen, and, at some point, probably will. (Although it seems unlikely, aliens could land in Central Park). But, a pandemic? Are you kidding?

Actually, I have always understood this to be a distinct possibility as we certainly have had them in the past. My father and I were named after my Great Uncle Jimmy, who, as a young doughboy, contracted The Spanish Flu during the 1918 Pandemic and died aboard a troop ship returning home from the horrors of trench warfare in France.

But why now? It did seem to suddenly come out of nowhere,

catching people off guard and throwing many into a panic, as was exemplified by the empty shelves in our nation's supermarkets. In addition, many people must have concluded that COVID-19 somehow caused the disappearance of all paper towels and toilet paper. Who knew?

A major sell-off of our securities markets is yet another sign of panic, and of course there was just such a sell-off. In fact, the major indices witnessed some of the largest daily declines in history. These two factors, along with a sudden increase in what was historically low unemployment, combined with a sharply declining gross domestic product, has created a frightening recipe for widespread alarm and panic.

So, how do we prepare and protect ourselves from events such as these? With regard to medical advice, I will leave that to those qualified to give such prognosis. (After dissecting a frog in high school, I decided that I am definitely a liberal arts guy).

On the other hand, protecting your investments is something I and my colleagues do know something about. That is this: Plan your work and work your plan, and most importantly, do not panic. Do not let emotions guide your decisions. It is the one thing that will absolutely defeat you. As people keep saying, "This too shall pass", and they are right, it shall. - Continued on pg. 3

Who Da Thunk? - cont.

I am a pilot, and when I was learning to fly, I was told that crisis survivors are not those who rose to the occasion, but rather those who descended to their level of training. A well designed and properly executed financial plan is very much like good training. You can count on it when the going gets tough.

The key is to prepare when times are good for the action (or inaction) you will need to take when times are bad. This way, your course of action will reflect cooler and calmer times and are more likely to lead you back, once the good times return; and they will. I am sitting here wondering what the next big thing will be. Hopefully, it will be the miraculous recovery we make from the COVID-19 Pandemic of 2020. Perhaps, aliens will land in Central Park. Now that would be a great story!