

MARCH 18, 2020

Open Letter to CBL Wealth Management Clients

Getting straight to the point, the purpose of this letter is to address the “black swan event” known as the covid-19 epidemic/pandemic, its impact on the stock & bond markets and the expected longer term impact.

Black swan events such as the covid-19 pandemic are rare and occur without warning or the ability to predict or prepare, often inflicting significant and wide spread economic damage. In just a few short weeks, the spread of covid-19 has impacted nearly all sectors of the market and become the catalyst for one of the most gut churning bear market declines ever experienced, pushing investors of all ages well beyond their comfort zones.

I want to be clear, I am not dismissing the fact that the sudden and dramatic negative impact to portfolio values is frightening, especially when the covid-19 spread is impacting so many other areas of your personal life and livelihood. I am hoping that by helping to provide meaningful perspective I will be able to help broaden your comfort zone.

As uncomfortable as it has been to watch the markets move 5%, 7% and 9% up or down in a day, it is important to understand how unusual those moves are and that those moves are not reflective of any fundamental data or connection to reality. Unlike most bear markets, the current bear market is being caused by an external health event that has created intense fear and uncertainty, not financial excess or a systemic failure. The difference is important to note because it will impact what the solutions are, the length & depth of decline and speed and trajectory of recovery. Historically, exogenous event driven declines have more limited periods and depths of decline and sharper recoveries.

We are facing two emergencies, a health emergency and an economic emergency, by promptly solving the health emergency we will be able to avert a larger economic emergency. A strong fiscal policy response will further soften or protect against an economic emergency. While the initial health emergency response appeared unorganized, we are finally seeing the massive combined public, private and government response we typically see at times of intense need. The treasury has unloaded massive resources to ensure liquidity will not be an issue at any stage of the response or recovery and the federal government is crafting multiple versions of fiscal responses to support the response and recovery. The fiscal tools we know exist are being deployed and more are yet to come. People are coming together to do the right thing and a national health response is taking shape. The punchline is, we will solve this problem and we will get through this.

While we don't always know what will trigger a bear market or how long they will last, history tells us the recovery can often start as suddenly as the drop itself. Experience has taught me that bear markets may be frustrating or scary but they aren't a reason to abandon good investments or hide in cash, they are an opportunity to be exploited by the long term investor.

Stay healthy and please, if you have any questions or concerns don't hesitate to give me a call.

Be Well,



Chris Lindsay

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CBL Wealth Management