



STARBOARD ADVISORS

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A DIVISION OF KELLEHER FINANCIAL ADVISORS, LLC

MARKET COMMENTARY: ARRIVAL OF THE CORONAVIRUS

Arrival of the Coronavirus

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The stock market is a device to transfer money from the impatient to the patient.

-Warren Buffet

Although it has been a short month since our last formal client communication, given the recent downdraft, we thought it would be prudent to provide a market update.

Where are we currently?

The stock market, as measured by the S&P 500 stock index, is officially in correction territory down by more than -15% from the recent highs and more than -10% year to date (source: WSJ). Although balanced portfolios (accounts with stocks, bonds and cash) have fared better, investors are feeling the first major sell off since the 4QTR of 2018 (-20% from high to low). Equities remain close to all-time highs, but the velocity of selling in such a short period of time is drawing historic comparisons.

What are we seeing in the markets?

We pointed out in our most recent issue of *The Navigator* that we thought we would incur more frequent “mini recessions” in the coming years and, in fact, that is what we think we’re seeing here. Although it's safe to say no one knows the exact economic impact of the virus crisis, the global economy will be slowed down with the greatest concerns in transportation, trade, logistics and consumer spending. However, it is now clear that the Coronavirus was the spark of the latest forest fire in the stock market and once again investors are looking for any source of water to extinguish it. Unfortunately, the water in this analogy is cash and investors are indiscriminately selling their liquid holdings (stocks) to get as much of it as they can.

What's next?

News and trading are moving at a pace no one has ever seen before and explains, to a degree, the speed of the current sell off. In addition, and of note, there has been little to no differentiation in the level of carnage within various types of stock holdings. In other

words, equities of all types and range in quality have sold off, more or less, equally. In short, the selling has been undiscerning much like an outgoing tide. Wall Street talking heads have eagerly chimed with proclamations of a “V” shaped recover (a quick bounce back in prices) while others have placed their bet that investors should expect a “U” shaped bounce (a recovery taking a longer time). At Starboard, we are leaning more towards the latter mostly because there remains a lot of “unknowns” with the virus itself as well as the public/consumers reaction. We are comforted that the general economics leading up to now are OK and don’t point to an extended period of economic depression. However, it is an emotional time primarily grounded in fear, especially with the overlay of current politics. Corporate earnings will certainly come under pressure, but it is pure speculation to what degree. Although we expect some initial gains to be made in the not too distant future with containment and/or treatment of the virus, it is going to take some time for investors to become accustomed to the “new normal”.

What about my portfolio?

The cash and bonds in client portfolios allow them to sell securities when they “are able to” vs. when they “have to”. Furthermore, we generally advise families to have 3 to 5 years of required income set aside in cash and bonds to hold them over and maintain their lifestyle and cashflow needs so they don’t “have to” sell, should prices remain depressed for an extended period of time . It is certainly early days, but currently we’re looking more for the opportunity to buy depressed assets than a door for the exit. Similar to the 4th QTR of 2018, our best guess (and it's only that) is this will pass, but most likely will take longer to recover. The key, in my opinion, is not to sell into fear and a market downdraft. Where we have cash available that is earmarked for investing, we are beginning buying and will continue to do so.

As we like to say at Starboard, we are “on station” and welcome calls, emails, and texts with any concerns or questions.

My very best regards,

Barton W. Weisenfluh, CFP ®
Founder & President

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