

Market Volatility Spikes to Record Highs

U.S. and international equity markets dropped 11% just today and are down almost 20% this month alone. Year to date, the S&P 500 is down more than 25%. COVID-19 started in January as something that had the remote possibility of causing problems here in the United States. Today, less than three months later it has resulted in a near shut down of the entire country. Colleges are closed. Schools are closed. The NCAA tournament, as well as all other major sporting events are cancelled. Broadway is shut down. Bars and restaurants across the nation are closed. Travel internationally has been halted. Domestic flights have been slashed by as much as 50%. Major companies are working remotely. People are self-quarantining in their homes.

Never in our country's recent history has something like this occurred. Maybe never in our entire history. This is truly a black swan event. How long it takes the medical issue to resolve is anyone's guess, but the damage to our economy is certain. Airlines, leisure, retail and the energy sectors are going to feel real pain and solvency will become an issue if conditions persist. We have talked many times about markets being predictors, as well as aggregators, of important data. It appears markets got it right beginning in late February when this threat was perceived as being more than just a threat. I mentioned in a Special Report published on February 29, 2020 (which can be easily accessed on our blog at www.thecabanagroup.com/blog) that investors' perception can quickly become reality. That is now firmly the case.

We received the first evidence today of the future economic ramifications and it isn't pretty. The New York Fed Empire Manufacturing Index dropped 34.5 points, to the lowest level since 2009. We are at the point where asset preservation should be at the forefront of everyone's mind. This too shall pass and the key going forward will be to have avoided large (perhaps insurmountable losses). No one will get through this unscathed, but we want to make sure we keep our limbs attached. A large part of doing just that is having a process in place *before* this type of selloff occurs. We talked earlier this month about also having perspective to take a step back and remember that we are investors, not traders. There is a big difference. True investing is all about limiting losses and staying invested for when the market turns again. It is as simple as that.



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