



March 4, 2020

Maintaining Perspective During Turbulent Times

By Robert Zuccaro, CFA

As stated many times before, serious investors should never consider newspaper headlines. Last month, we wrote that “the evidence is overwhelming that it is better to remain fully invested at all times”, as “the best days often follow the worst days”. These past days have been a prime example of such a market, and why investors should maintain perspective and not allow emotions to direct their investment strategy.

The decline in the stock market last week which developed into a correction in the short span of five days is the fastest on record. Despite this, it is unlikely to end the longest bull market in history. Here’s why:

In 1998, the S&P 500 returned a healthy 28.6% on the full year. However, the path to this return did not unfold on a bed of roses. There were far more severe threats to the economy and the continuing economic expansion than COVID-19 concerns today.

For starters, Long Term Capital Management, run by a group of Harvard quants, invested in Treasury securities using around 40x leverage and almost sunk the Federal Reserve System. Alan Greenspan, then chairman of the Fed, hurried up to Greenwich, CT with his horde of colleagues to save the banking system – a deal was

quickly brokered by the Fed for Merrill Lynch to take over the defunct money manager.

Serious Y2K concerns were also weighing on the market, and at that time over \$100 billion was diverted into tactical projects by the government and private sector. Some people believed that computers would come to a halt on the first day of the new century, and uncertainty rattled the markets.

In August of that year, Russia endured a currency crisis (coincidentally referred to as the Russian Flu). The government devalued its currency and defaulted on much of its debt, sending ripples through global financial markets.

Given all of these problems, the S&P 500 lost 18% of its value in less than two months between July and September, but finished the year with a strong rally and up 28.6%.

Our take is that the virus panic may take the market lower for a while, but the downdraft will be followed by a strong market recovery, keeping in mind the lessons of 1998

Disclaimer

Golden Eagle Strategies, LLC (Formerly known as Target QR Strategies, LLC) is an investment adviser to private investment funds. This material is for general informational purposes only and does not constitute a solicitation or offer for any investment product or service. Certain information may be derived from third-party sources and is believed to be reliable, but its accuracy and completeness are not guaranteed. Opinions, estimates and projections constitute Golden Eagle Strategies’ judgment and are subject to change without notice. Past performance is no guarantee of future results and it should not be assumed that any investment or strategy will be profitable or will equal the performance of any example or illustration. Different strategies will have varying risks, potential for return, and costs which should be understood prior to investing. Investing involves risks and you may incur a profit or a loss. The investments or investment strategies discussed herein may not be suitable for every investor. CFA is a registered trademark owned by CFA Institute. Data shown is through the date listed on article.