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ARS – Weekly Update 3/27/2020

We want to take this opportunity to update you on our current economic and market outlook and to discuss actions we've taken over the past week.

We believe that the current global economic shut down will lead to a global recession. A recession is defined as two consecutive quarters of negative GDP growth. GDP is short for Gross Domestic Product and is a way to measure the economic activity of a country. A recession, by its nature is backward looking, so they can't officially determine we are in a recession until six months after it starts. Given the record high initial unemployment numbers reported yesterday and the continued closure of many US businesses, we have most likely already begun the next recession.

The transition from a growing economy to a recessionary environment over the past month, has led us to adjust our portfolio emphasis. Over the past week we have reduced risk and overall stock exposure for most clients. Late last week and early this week we reduced our small cap exposure, as small company stocks tend to underperform in a recessionary, bear market environment. We also reduced some of our broad market exposure as well, choosing instead to focus on certain high quality, profitable companies we believe will hold up better and ultimately thrive in this environment. While recessionary periods are never pleasant to go through, they are a normal part of the economic cycle and present plenty of attractive investment opportunities.

We believe that the extreme volatility we have experienced over the past few weeks will continue until this crisis is behind us and people are able to resume normal everyday activities such as work and travel. The true economic impact will not be able to be measured until we see a decline in the number of new coronavirus cases being reported each day. The length of time it takes to get the virus contained will have a direct impact on the ultimate depth and breadth of this recession. Until the actual economic impact can be determined, we believe it is prudent to remain more defensively positioned.

While we believe the situation regarding the virus and economy will get worse before it gets better, we know that it will ultimately get better. As such, we've been preparing our list of names we're eager to purchase as opportunities present themselves and we can take advantage of the current volatility. The volatility experienced over the past 4 weeks has been unprecedented by any standard. As such, this is a great time to call our office and speak with your advisor to get peace of mind, discuss your accounts and our strategy going forward.

Regards,

Your ARS Team