



MARKS ON THE MARKET

One of Warren Buffett's most famous quotes is, "Be fearful when others are greedy and be greedy when others are fearful."

We realize that it is a lot easier said than done, but we hope that through communication, we can help subside some panic.

As the novel Coronavirus continues to sweep around the world, expectations of a slowdown in economic growth from fears over the virus have swept through the markets and we have seen a couple weeks of tremendous volatility and weakness.

As if that wasn't enough uncertainty for markets, we now need to couple that with trouble within the oil industry.

In a nutshell, last Thursday OPEC proposed a 1.5M barrel per day production cut, mainly in response to expected weakness in demand due to the Coronavirus. The production cut was rejected by Russia on Friday. In response, Saudi Arabia announced Saturday a production ramp up, along with a price cut, creating fears of an oil price war. Subsequently, oil prices crashed more than 20% on Sunday.

While plunging oil prices due to a price war between Saudi Arabia and Russia will hurt investors and markets over the shorter term, lower oil prices should also be a global economic stimulus. Not only can lower energy prices help consumers, certain sectors (like the airline industry) will benefit from lower oil prices to the extent that it may help offset the current demand issues they're facing due to the Coronavirus. Still, the benefits will depend on how temporary this "disagreement" could be. And in the shorter run, the market will not like the weak oil prices and uncertainty.

The next couple weeks could be challenging as uncertainty abounds. Even though we believe it will be worked out eventually, both Russia and Saudi Arabia currently have resources to hold out in the shorter term. With regard to the novel Coronavirus, we expect numbers of infected people to continue to grow, especially as tests become more available in countries like the U.S. Ultimately from our research, we believe the spread of the virus is much more reaching than we currently know due to the lack of knowledge and testing, and more news might create more fear with consumers.

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However, despite the challenging environment right now, we not only encourage, but implore investors to work to stay calm. Here are a few of the brighter points for consideration:

- There is a literal flurry of negativity priced into this market.
- Negotiations between OPEC, Russia, Saudi Arabia are likely to continue and frankly, can change overnight.
- As visibility increases on the amount of people actually infected with Coronavirus, mortality rates may decline a lot, reducing fear.
- If spring brings a reduction in novel Coronavirus fears (similar to the seasonal flu's we experience), we could go back to business as usual, which at this point is not expected.
- Low interest rates are ultimately bullish as it provides liquidity (record low mortgage rates, etc.).
- Low energy is economic stimulus.
- Friday's job numbers were again bullish (+273,000 jobs added in Feb), showing unemployment continues to be the lowest in many decades in the U.S.

We expect more near-term volatility outside of today's big expected slide, but we remind you that a lot can change in a week, several weeks and a couple months. We believe we will again be on the other side of this.

Please know we are dedicated to watching all of this for you, we have been and will continue to be paying attention day and night to evolving news and what it means to the economy and markets. We will communicate regularly and are here for your questions and concerns, as always. We appreciate your confidence in us, and will work to keep a longer-term perspective and protect your financial future.

Amie and Ed

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