

DJIA 20,087 S&P 500 2,409 3-MONTH T-BILL 0.04% 10-YR TREASURY BOND 1.12%

## ...So What Should We Do Now?

Everyone is struggling, personally and communally, to make the best decisions in dealing with the COVID-19 health risks. Only time will tell how the pandemic plays out and whether we have shown and will show prudent precaution or irrational panic in our responses. Of course, my team and I wish safety and health to you and your family.

There are many good places to read and hear commentary on the virus so I will not add my uninformed medical or scientific opinion. However, having experienced other events that caused gut wrenching repercussions in the financial markets, I will comment on the current market situation and offer what I believe to be prudent action for an investor.

*“If our stock market did not rebound and set new highs at some point in the future, it would be the first time in history.”*

**First:** I recognize that each significant event is different and nobody knows what the end result will look like until the crisis has passed. There are, however, similarities with prior events that seem to form a rough template from a financial perspective. Specifically, real events with real economic consequences cause understandable stress in the markets. For example, cancellations of events and gatherings, large and small, lower corporate profits and hurt many workers and business owners. The anticipation of reduced economic growth causes stock market declines reflecting at least temporary drops in spending and earnings.

**Second:** Unfortunately, but reliably, real economic stressors begin to morph into emotional stressors. When shopping for toilet paper transitions into wrestling matches on the floors of various warehouse clubs, it is fair to say that at least some panic has overridden logical thinking. Panic behavior also has consequences in the financial markets and typically magnifies a down move beyond the point justified by economic reality. The extraordinary volatility and large drops in valuations that we have recently experienced are likely, in my opinion, caused by a combination of true economic changes along with emotional reaction.

**Third:** I do not know, and I firmly believe that nobody knows, when the stock market will stop declining, how long the process will take, or when the rebound will begin. Notice that I said when and not if the rebound will occur. If our stock market did not rebound and set new highs at some point in the future, it would be the first time in history. Of course past performance is no guarantee of future results, but betting against the market continuing its 200+ year climb seems strangely illogical. If your investment timeframe is less than five years, you probably should not have significant stock market exposure in the first place. If however your time frame is more realistically ten years plus, the market historically has offered a fair degree of consistency and resilience.

### ...So What Should We Do Now?

With a reasonably long investment horizon, one strategy could be to gradually move back towards your target stock allocation. For instance, if you have chosen a 60% allocation to the market (with the balance in bonds and cash) and the decline in the market has brought your stock percentage down to say 55%, then I suggest you begin to move some cash or bonds over to the stock side. This process should be gradual and continuous, likely involving selling some bonds now to move into stocks and also moving future bond proceeds to stocks as they come due over time. Remember no one knows the extent of the drop or its duration, but by moving gradually towards your target stock allocation, you should be able to stay within your personal risk tolerance and also allocate some funds to stocks while prices are lower. Market history and my experience suggest that the stock market will right itself eventually and staying with a rational, disciplined, and patient strategy should help keep you on target to help reach your financial goals.

Riding the market roller coaster, regardless of the cause, is never an enjoyable experience. This is why my team and I repeatedly emphasize the concept of structuring your investment allocation so that the inevitable declines won't be significant enough to trigger an emotional or irrational response. We call this spot your “Cry Uncle Point” or C.U.P. for short (more on this next newsletter).

For most of you, this isn't your first experience with a market drop and assuredly, it will not be your last. The market generally provides a fairly consistent return over time as long as we don't get in the way. As we navigate these trying and uncertain times, please be safe and please be smart. If you want to discuss the current situation and the game plan explained above do not hesitate to call. We are here for you.

# Forecast Dinner

This year's CFA Society of Mississippi Forecast Dinner was held on February 27, 2020 at the Country Club of Jackson. It was a great evening with lovely weather, an enjoyable meal, and a wonderful crowd. The program format was different this year with only one speaker, psychologist and behavioral finance expert Dr. Daniel Crosby, CFA. His topic of behavioral finance covered the intersection of emotions and investing, which was a timely discussion for the current market conditions. We enjoyed seeing everyone that was able to attend. If you were not able to make it this year, we hope you will consider joining us next year!



Please check out our new website, [finkelberginvestments.com](http://finkelberginvestments.com), and let us know what you think.

**Thank you to our out of town visitors. It was great to see you!**

B. and D.S. of Batesville, MS  
R. and P.B. of Atlanta, GA  
P. and A.S. of Vicksburg, MS  
J. and C.G. of Vicksburg, MS  
P. and B.W. of Tuscaloosa, AL  
W. and J.H. of Clanton, AL

**Happy birthday to those celebrating special birthdays!**

90 B.K. of Natchez, MS  
85 H.V. of Jackson, MS  
85 V.E. of Madison, MS

**Happy Anniversary to those celebrating their 50th, 60th, and higher wedding anniversaries!**

60th: J. and A. P. of Brandon, MS  
50th: T. and M.R. of Brandon, MS

## Deborah's Retirement Open House POSTPONED

In light of the current COVID-19 situation and out of an abundance of caution, we are going to postpone the retirement open house for Deborah Williams scheduled for April 2nd. We will reschedule at a later date. Thank you for understanding.

Until next time,

Arty Finkelberg, CFA, CFP®  
Senior Vice President, Investments



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