

First Quarter 2020 – Thoughtful and Deliberate Actions

It seems that almost overnight we find our markets struggling with an economic shock stemming from a health care crisis rather than a financial crisis as in past disruptions. The effects are wide ranging and have caused a quick dislocation for the American workforce in what otherwise was a strong economy. With no way to accurately estimate future corporate earnings, markets have fallen as investors work to determine the appropriate value for stocks, bonds, commodities and currencies. Over the last several weeks, we have clearly seen the impact in our service industries like restaurants, hotels and airlines as governments have put travel restrictions in place. We have seen the retail industry shutter its doors. The healthcare industry is directing its focus to the Covid-19 fight. There is stress on the system everywhere one looks.

Looking ahead, the economic impact from the Covid-19 virus will linger until consumer spending returns. Rapid changes in economic data will certainly lead to negative headlines describing the disappointing 2nd quarter growth. It is important to remember, however, that a major difference between the current economic situation and past periods of disruption is the sheer dollar amount and speed of financial support being directed at stabilizing the economy. Both in the United States and abroad, central banks and governments have worked to ensure that the financial markets and banking systems should continue to function well. The unprecedented size of the direct financial aid to individuals as well as the generous stimulus package for small businesses should have a positive impact on the economy as it gets distributed.

Our team at Reliant is working hard to make thoughtful and deliberate decisions regarding your portfolio. For example, as the press began reporting the widespread Covid-19 impact in China, we began selling several stocks that we anticipated would be negatively impacted. As the virus started moving into Europe and finally into the United States, we identified other companies that we believed should be sold to reduce risk and protect principal. We have made a few purchases during this time as well. These are companies with excellent management teams and strong balance sheets that we believe represent a solid opportunity for growth after the crisis is over. While you may have noticed an increased level of trading, there remains a higher level of cash in the portfolios than normal. This cushion will give us the opportunity to buy stocks at better valuations and in industry sectors that are attractive. Our list of potential investments continues to grow.

While we are confident that the world will beat this pandemic and emerge with a renewed economy, we are not sure of the duration of the lingering effects. In past periods of economic stress, it has taken some time for markets to begin the process of recovery, and some industries will recover faster than others. We are expecting continued stock market volatility during this period of adjustment. In the meantime, we are constantly analyzing all facets of the current portfolio as well as looking for new potential investment opportunities.

Please do not hesitate to call us to discuss any ideas or concerns. We are happy to review your portfolio and individual financial situation. Be safe and well; we will look forward to visiting with you soon.

Susan Logan Huffman, CFA

