

# ***Rochester Financial Services***

*Fee-Only® Financial Management Services*

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April 2, 2020  
1 pm

Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Earnings Yield (S&P)	Gold	Crude Oil
21,273	2,514	7,472	1,093	0.60%	6.25%	\$1,631	\$25.27



## ***Investment Strategy Report***

### ***Continuing Spread of Virus Causes Historic Market Volatility***

As I sit here, beginning to write this letter (1 pm, Thursday), the Dow Jones is currently up about 170 points. It had been up as much as 450 points earlier today and as low as minus 250 points. This morning's report on initial jobless claims of 6.6 million! (claims had been averaging about 210,000 before the crisis) added to the volatility. In today's new normal, extreme market volatility is something we now take for granted. You would have thought that an initial claims number of more than 30 times pre-crisis levels would send stocks crashing again. But in today's environment, trying to forecast the market direction is a fool's errand. When last Thursday's report came out with a number of 3.3 million, stocks experienced one of their largest point gains ever.

For those of you on my email list, I have been contacting you periodically over the last few weeks with stock market updates (if you are not getting these emails, please send me an email with your address). In mid March, when the selling pressure was particularly intense, I did lighten up somewhat our equity exposure. Recently, as the market has come back from its lows, I have added back about half of what was sold. As I explained in a group email, the "buying surge" that we saw last week could be taken as possible change in market direction, that the market bottom had been put in that Monday, March 23<sup>rd</sup>. While stocks often go back and retest those lows, there is never a guarantee of that, as we saw in the rebound from the December 2018 lows.

What makes investing in this environment so difficult is that we have to juxtapose the awful short term tragedy of thousands of people dying from this corona virus, with the concomitant shut down of our economy, with the longer term prospect of a recovery at some point, hopefully in the next 6 to 9 months. If there is any kind of consensus among investors, it is that stock prices will be higher a year from now. Once we defeat this pathogen, our country will go back to work and we will go back to movie theaters and restaurants. China has already slowly begun its return to normalcy.

Where the difference of opinion exists is in the short term prospects for the market. Will prices go lower first before rebounding? Or will prices stabilize around here and continue their recovery? Which is why I recently decided to begin adding back a portion of the cash in our portfolios. My word of caution was that I wasn't able to guarantee that there would not be short term losses. But that in all likelihood, investments made now would be higher a year from now. It's impossible to know when the crisis will peak and whether a therapeutic will be found that will ameliorate the disease. No matter how many stock charts you analyze or how much fundamental analysis you do, you can't forecast the course of a disease. Hopefully, we can agree that over the longer term, things can only improve.

Louis Navellier had encouraging words in his podcast yesterday (4/1). With the 10 year Treasury yield now yielding 0.6%, he feels that investors will have to come back to stocks, with the S&P 500 yielding over 2%. He also pointed out that China is looking much better now and that in Italy, the worst hit country in the world, they are planning on going back to work on April 14<sup>th</sup>. The University of Washington is predicting that cases here in the US will peak by April 15<sup>th</sup> and then decline through June.

Of course, you all know that with volatility as high as it is, there is definitely nothing wrong with staying with a conservative portfolio for an extended period of time. Protection of principal is important for everyone. There will always be plenty of opportunities in the future.

**RMDs and Taxes** – As part of the recently passed relief bill, required IRA distributions have been waived for this year. Please contact me if you have your distributions withdrawn automatically and would like to change that. And the tax filing deadline has been extended from April 15<sup>th</sup> to July 15<sup>th</sup>. *Jeff Feldman*

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