



How Life Returns to Normal

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The holidays typically find us with our extended families, but this week that will not be the case. It is indeed a bit of a sacrifice. But no one has sacrificed more than medical professionals, police officers, fire departments, social workers, caregivers, truck drivers, pharmacists, teachers and supermarket employees showing up for work and risking their life so we can purchase food for our families.

Our thought and prayers go out to all the families who have lost loved ones during this crisis--and not being able to hold memorials for them. As much as we are going to miss being with our families during this holiday season, if your family is healthy and safe, that alone in of itself is something to celebrate this week. I wish you and your family a happy and healthy Passover and Easter!

Right before Christmas, I shared a *New York Times* article with many of you that discussed how inaccurate Wall Street firms' forecasts tend to be ([***Forget Stock Market Forecasts. They're Less Than Worthless***](#)). Not surprisingly, forecasts for the economy are getting increasingly bleak. Even non-professional investors are convinced the markets are going to re-test the recent lows and then go lower.

As [*Business Insider*](#) wrote this week: "[**In case you haven't heard, the economy is bad, really bad. Wall Street economists are lining up to tell you exactly how bad.**](#)" The following are key points that bring some badly needed perspective to this mountain of pessimism:

1. According to Bloomberg, the weighted average for economists' second quarter GDP estimates is -25.2% annualized. That's right *MINUS* 25%. Some firms are suggesting -50% annualized.
2. When Wall Street economists aren't tripping over themselves to see who can have the worst forecast, you can be rest assured the bad news is already reflected in stock prices.
3. What value are these forecasts providing? We have never seen a recession as a "deliberate policy choice" (this is important to understand).
4. These days, we keep seeing somber Wall Street research predicting that "today's massive increase in jobless claims implies a 15% annualized drop in Q2 GDP."
5. ***This is not the right way to think about things.*** Rather, the math that matters is simple: GDP growth rates must plummet IN ORDER TO SAVE THE LIVES OF SOME TWO MILLION PEOPLE who might OTHERWISE BE DEAD if we allowed the coronavirus to spread freely.

6. U.S. GDP is approximately \$20 trillion annually, or \$385 billion per week. So, if you shut down half the economy for essentially six weeks, that is a \$1.155 trillion dollar hit, or an annualized drop of -20%.
7. If April's GDP forecast is to be down -20% annualized, economic activity for May would have to be worse for GDP growth to continue to decline. This implies that the virus's spread would have to be affecting more of the economy.
8. The *Business Insider* article points out that any analyst calling for three consecutive quarters of negative growth is effectively saying that the virus shutdowns will last at least through parts of the third quarter of 2020.
9. What's not been well covered is the fact that the government's safety net program has become quite generous, and in many cases, displaced workers will see one-for-one income replacement.

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A few days ago, *The Wall Street Journal* did a [wide-ranging podcast](#) with Dr. Anthony Fauci, one of the leading voices on the country's coronavirus response. Fauci had plenty to say [about what it will take to get our lives back to normal—and when that might occur](#).

1. Once pandemics turn the corner, history has shown that you come down rapidly. Hot spots like New York City, Detroit and New Orleans have stabilized and the number of new cases being hospitalized have come down and have turned a corner, but other areas may just be starting.
2. The Government is trying get strategies in place for the declines as well as for the newer outbreaks. This requires massive testing and facilities to isolate people who are infected. He expects there will be a flood of new testing over the next few weeks. This is critical as it will allow us to delineate the problem more clearly and delineate when we can begin to return to normal.
3. Our traditional customs may have to change. When we do open the economy, we still have to continue practicing social-distancing and even continue to wear masks; we must become compulsive about hand washing, and the era of shaking hands may be at an end.
4. We don't have to be at zero new cases to re-open the economy, but we should wait for a steep decline in the data before we do.

Bottom line

There are an exorbitant number of negative forecasts and emotions about the future direction of the stock market and economy both from professional and non-professional investors. I am reminded of one of Bob Farrell's (former long-time strategist at Merrill Lynch) 10 market rules: "When all experts and forecasts agree, something else is going to happen."

Dr. Tony Fauci and recent press conferences have been somewhat encouraging. I believe the solutions to this pandemic can slowly move our economy in the right direction. Easy

access to testing, social-distancing, and continued improvements in therapeutic drugs are some of the mentioned reasons, but perhaps there are others to come.

I want to be clear and what I consistently believe and have acknowledged in these weekly e-mails, **nobody has a crystal ball and can accurately forecast how this will end.** It is extremely easy to have a negative assessment about the economy and markets at this point and for good reason, BUT that is not an investment strategy. An investment strategy is a disciplined process that you are comfortable with for the long-term. You may not be a long-term investor and be more trading oriented, which is completely fine, however research has proved that very few people have success at trading the stock market. The point is, whatever investment approach you believe in, don't shift your strategy because of something that is out of your control. I truly believe that long-term investors that stay disciplined and balanced will have tremendous success down the road.

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