



The global fallout from the Covid-19 virus over the last couple months has been dramatic from both a humanitarian and economic standpoint. Our hearts break for those who have lost loved ones and whose lives have been impacted by the pandemic. While the spread appears to have peaked in much of Asia and Europe, we still have work ahead of us in the rest of the world. Clearly, global pandemics are uncommon, but they do occur, and we know from history how devastating they can be if allowed to spread unchecked. Fortunately, it appears that authorities around the world are taking steps to stem the spread to prevent a humanitarian crisis. Sadly, we know the numbers will grow, but experts predict that the rate of new cases in the U.S. should peak over the next few weeks as we begin to follow similar patterns of deceleration experienced in China and Europe.

From an economic standpoint, the global impact may take longer to repair, but we are already seeing signs of recovery in China. Encouragingly, fiscal and monetary stimulus introduced around the world to address this demand driven shock have been unprecedented. In the U.S. alone, the Fed has reduced their target Fed Funds rate to nearly zero, while aggressively expanding their balance sheet to support markets. In similar fashion, the Federal Government has passed legislation for fiscal stimulus in excess of \$2 trillion, with the promise of more to come if needed. Hopefully, these extreme measures will be enough to limit the economic damage over the next few months as we work through this disruption.

In the short-term, regardless of the definition, we have likely entered a recession and the longest bull market on record has ended abruptly. In a matter of weeks, equity markets dropped more than 30% from the peak, dragging us into bear market territory. Fear and panic took hold as investors struggled to understand the impact this would have on corporate earnings and balance sheets. Adding to the uncertainty, oil markets plunged as global producers failed to agree on production limits. Clearly, the damage will be severe and lasting in many parts of the economy, but we should begin to see signs of recovery as we move into the summer.

While we know this can be a very scary and emotional time for all of us, we want to remind you that your portfolios were carefully designed to weather these types of storms over the long-term. This does not mean that we will be spared the volatility in the short-term, but it does mean that our commitment to diversification and quality will allow our portfolios to recover and wealth to be preserved. How long this recovery process takes is impossible to say with any confidence, but we know these troubles will eventually pass and better days lie ahead. In the meantime, be encouraged by the strength and bravery being demonstrated by our first responders and health care professionals. Notice the kindness of friends and neighbors as we navigate these anxious times. Look around and see and enjoy the amazing gift of time spent with family as we “shelter in place” and remember that we all have much to be thankful for.

Sincerely,

The Partners of Autus