HIGHTOWER
Westchester

Market Commentary Update - March 9, 2020

As we sit here today looking at mostly a red screen, we can't help but to think back to a time when volatility and negative prints were more prevalent…or dare we say normal. The below text is from a market commentary we put out in September 1998. As you read through the piece, you will find many similarities, and some differences, between the markets then and now. With the markets up a total of almost 200% or 9% annually, we feel now more than ever, that our process of strict asset allocation and quality investment vehicles has led to where we are today.

September 1998

AN ECONOMY IN TRANSITION

Starting in mid-July of this year, financial markets around the world were swamped with a tidal wave of adverse news. Since that time, the U.S. markets have been savaged, declining approximately 20% from their highs.

At the heart of our problems was the ongoing Asian financial crisis, which indicated further economic erosion as well as political turmoil. The Asian countries have always been important trading partners for the United States. During August, what was left of a corrupt quasi-capitalistic system in Russia went into the tank leaving Western financial firms with what appear to be substantial losses. While Russia is not a major trading partner of the United States, the losses that were reported were very unwelcome news.

Quite possibly the demise of the Russian economy may have been aided by a United States that did not fully comprehend that seventy years of continuous Communism could not be turned into Western style capitalism overnight. South America is also experiencing financial difficulties-most notably in Brazil.

During the past thirty days, President Clinton's ethical problems have convulsed the executive branch of our government. The U.S. faces major concerns economically, partially described above, as well as risky political situations with the countries of the Middle East that require strong leadership.

With major parts of the world now in economic turmoil it obviously becomes that much harder to accurately predict future corporate earnings. However, it would be prudent to have a lower level of earnings expectations for the next twelve months for many U.S. corporations.

Federal Reserve Chairman, Alan Greenspan, fully understands the magnitude of the problems and has hinted that he may take action to lower interest rates at any time which would be news welcomed by the financial community.

On the positive side, the consumer is still pushing our economy along. Employment figures are extremely favorable and interest rates on the thirty-year U.S. Treasury bond have sunk to new lows. Because of South East Asia, commodity *prices including the price of oil have declined to recent near-term record lows. Inflation continues as a non-issue.*

We are painfully aware of the erosion that has taken place in the price of equities. However, we also are acutely aware that many high-quality blue chip issues relentlessly pursued by investors earlier this year are now selling at substantial discounts. Our favorite stock grouping-the major pharmaceutical firms have held up above almost all others. It is precisely at these critical times that prudent investors make investment decisions that may have favorable longer-term implications. Long-term holders of equities have seen the benefit of these strategies.

Finally, in spite of near-term problems, we continue to believe in the supremacy of the U.S. economy.

We are here to explain Risk & Reward and would welcome hearing from you.

While some of the players and situations might have changed, the levers that drive the economy and how we invest for the long-term have not. As you can see, despite the fact that one market correction or economic recession is usually not the reason for the next one, if you have a prudent investment philosophy that you stick to, you will increase the odds that you will come out on top.

We are taking this correction and virus scare very seriously and continue to monitor this fluid situation. Despite the overly negative 24/7 news cycle, we rely on our experience and the things we can control, like asset allocation, to soften the effect on your portfolios. This is a very sentiment driven market right now, but we do our best to remove any emotions from the situation and focus on the long-term nature of your investments.

We certainly hope that you and all your loved ones stay safe and healthy. As you know, if you ever have any questions, please feel free to reach out.

To discuss this commentary further, please contact us at 914-825-8630.

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