viewpoint

MARSHALL & SULLIVAN

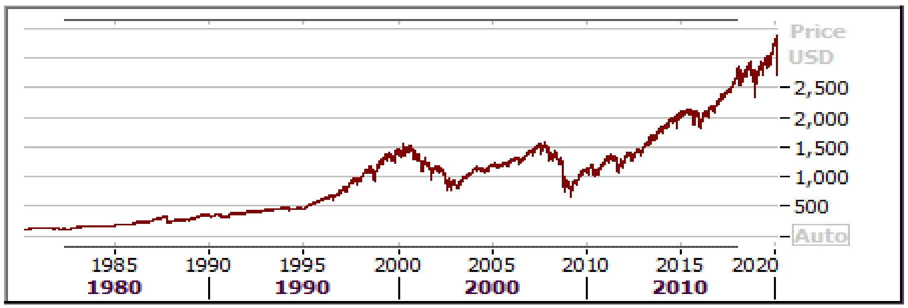
Marshall & Sullivan, Inc. / Registered Investment Advisor

spring 2020 newsletter

COVID - 19

"Time in the Market, Not Timing the Market" was the title of our newsletter one year ago. In it, we highlighted the many pieces of bad news the stock market and economy has had to overcome since we started in this business thirty-five years ago: the Crash of 1987, the 1997 Asian financial crisis, the Dot.com bust, Y2K scare, 9/11, the wars in Afghanistan and Iraq, a global financial crisis in 2008, a housing meltdown, global warming, Brexit, trade wars and plenty more.

In every case, world economies recovered to see another day and built on the successes of the past. This can be seen when looking at the S&P 500 30-year chart below which includes the current pullback:



Today, we are witnessing an unprecedented economic shut-down due to the coronavirus pandemic. For most of us, this is the first time we have been directly touched by this kind of disruption and it may not be the last. As with past calamities, our approach to this crisis is unchanged – stick to a sound set of investment disciplines and ignore the emotional side of the market.

Of course, ignoring the emotional drivers of this market downturn is not always easy. Indeed, the speed at which the market gave up its recent gains has even the most stoic long-term investors sweating. It seems the market experienced a "buyers strike" where the sellers took charge. Still, once governments began to act and more was understood about COVID-19, buyers returned, and the market appeared to stabilize. As of this writing, the market has already recovered to the point where it was in December 2018 when the economy appeared to be going into a recession. In that period, we also experienced a market slide which was eventually overcome.

The two-year chart of the S&P 500 below shows this market action:

Without question, these are uncharted times. However, as with other periods where we have experienced a crisis of confidence, Marshall & Sullivan remains dedicated to our client's long-term objectives by paying close attention to where we feel the future will take us and diligently making sure our holdings are positioned to recover once the economic environment returns to a more positive trend. And, as we did post-9/11, we are choosing to hold some companies with lower quarterly earnings when the shortfall is caused by circumstances beyond management's control.

Leading up to this unexpected turn, our disciplines had us building up cash in portfolios. We sold companies that could no longer grow their earnings and trimmed positions in companies that had become too large a percentage of our portfolios. Fortunately, most of this has remained in cash as we found it hard to find companies that fit our strict buy criteria. Now that the market has pulled back, we are able to use this cash to buy some excellent companies at a very good price. If you are a client, you have already seen purchasing activity and are likely to see more as the future becomes clearer.

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