



LWM Commentary: Market Update

March 12th, 2020

Dear Clients and Friends,

THE WORLD IS SHUTTING DOWN. All major sporting events are cancelled. Most major colleges have moved to "online course work" post-Spring Break. Churches are cancelling weekly services. In short, public gatherings of 10 or more people are being avoided. Wow! Never seen anything like this in my career/lifetime.

The world is changing so fast! At this point, a world-wide recession is nearly a foregone conclusion. As it stands now, the stock market is down roughly 27%, after suffering a -10% day which is the worst day on Wall Street since 1987. A stock market correction equal to or greater than the 50% decline in the "Great Recession" of 2008 seems very likely. Again, wow.

FOR THE FIRST TIME EVER, SOCIAL MEDIA is driving the news cycle in a major bear market. While it is true that social media existed in the 2008 bear market, it was not the dominant source of communication for "news" at that time. The democratization of news coverage / birth of social media-dominated news coverage has clearly created "unintended consequences". The peer pressure for people from all walks of life to "Me Too" the Covid-19 epidemic is breath-taking. This phenomenon is driving complete world-wide madness.

SOLUTION: TOM HANKS. We need more Tom Hanks moments: "Wasn't feeling well. Freaking out about every minor ache/pain/cough. Thought to myself --- might as well get tested. Who knew... I'm Covid-19 positive!" (PARAPHRASE)

We NEED Donald Trump, Joe Biden, Bernie Sanders, Oprah Winfrey, LeBron James --- and/or other people of their celebrity stature --- to use their massive social media influence to "Me Too" their own personal Tom Hanks Covid-19 moments --- effecting a dramatic shift in the social media narrative of Covid-19. THAT is how this madness will STOP. Personally, I believe there is a substantial/legitimate upside risk of this occurrence.

MARKET BOTTOM?: The stock market is "normally" a discounting mechanism that looks forward six to nine months. BUT, when the market is broken, it is typically unable to look beyond "today". Thus, a good gauge of when the market is "bottoming" occurs at peak hysteria when the market refuses to have a dream/vision of the future and focuses myopically instead on what is happening right now.

We are nearing that point today. The statistics related to the actual total market "draw down" are not as important as assessing the market's inability to dream about the future. It may be two days or two months from now. It may be a further five percent to thirty percent further decline in prices. But the markets will turn positive only AFTER social media sentiment shifts. Which will most likely occur AFTER objective fundamental positive data on Covid-19 materializes.



LWM STRATEGY: We currently have fairly low allocations to the “stock market” in most client portfolios. Over the coming months we intend to begin systematically liquidating portions of our “non-correlated” investments with expected annual earnings of less than 15% annually. The resultant cash proceeds will afford us an opportunity to re-invest these proceeds in what I believe might be one of the greatest investment buying opportunities of our time. Please stay tuned.

As always, please reach out with thoughts or questions.

Kind Regards,

Jeremy Boynton