LAUREATE
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LWM Commentary: Market Update
March 10th, 2020

Dear Clients,

As a client of Laureate Wealth Management, your investment portfolio generally consists of tax liens, life settlements, litigation finance deals, cash flow yielding real estate, private debt funds… In short, we are passionate about creating portfolio allocations dominated by compelling investment opportunities OTHER than traditional stocks and bonds. It is our hope that these alternative portfolios will perform well even during periods of market dislocation --- like we are experiencing right now! And to that end, I am pleased to report that our allocations appear to be holding up quite well.
In the interest of brevity, I would like to list in bullet-point fashion some shocking statistics which highlight the extent of the current market dislocation:

1) The 30 year US Treasury yield closed below 1% yesterday --- an ALL TIME LOW.
2) The VIX (a measure of volatility) spiked above 60 yesterday. And closed at just under 55. This matches the highest volatility reading of the '08 financial crisis.
3) The price of oil broke below $30 a barrel yesterday.

The US Treasury yield, VIX, and oil price experienced yesterday and referenced above are extreme to say the least. However, please see the following thoughts that might suggest these price levels are an over-reaction:

1) Coronavirus has been around since the 1970s and has been widely studied. It is likely that the "kill rate" of this new COVID-19 strand is far lower than is being widely advertised in the press. In fact, the kill rate is likely to be in the .1% to .2% range --- which is similar to Influenza B. (See the New England Journal of Medicine article released just over a week ago supporting this thesis here.) There is a real possibility that the narrative surrounding coronavirus shifts in a positive direction accordingly over the coming 30 to 90 days.
2) In past economic cycles, low oil prices have resulted in substantial economic stimulus as the price of gas and travel drop significantly with oil's price decline.
3) Bernie Sanders is no longer the clear front-runner for the Democratic presidential nomination. Indeed, Joe Biden increasingly seems likely to win the nomination.
4) The Federal Reserve is very likely to increase aggressive monetary policy by cutting rates and increasing quantitative easing. And every other major central bank will likely follow suit.

If this bear market continues to trade substantially lower, there will come a time when we recommend increasing our allocations back toward traditional markets. Said another way, with an investment time horizon of three years or longer, further price declines from current levels could yield some very attractive risk/reward opportunities in the traditional markets. What an exciting time in the markets! Especially for LWM clients!!

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As always, please reach out with any thoughts or questions.

Kind Regards,

Jeremy Boynton