

## **Navigating the Coronavirus Crisis**

Our most recent Quick Comment from last week struck an optimistic tone. We wrote that with sincerity; this moment, too, shall pass, but we are clear-eyed about challenges and uncertainties, both known and unknown, that lie before us presently.

First, an update on the coronavirus numbers. They are sobering. Globally, the COVID-19 case count stands at 207,000 infected, with over 8,000 deaths. And by the time this message reaches you, these numbers will be stale. Western Europe is a hot spot. In addition to the tragedy that has unfolded in Italy, Spain, Germany and France are having large outbreaks. In the US, the case count is over 7,000. Expect this number to grow sharply with diagnostic testing that, at long last, is beginning to reach the population.

As we've previously noted, a great deal of the immediate effort by public health authorities is to slow the rate of new infections in the population. A simultaneous surge of infected patients can overwhelm health care facilities. Faced with few other options to rapidly contain the disease, authorities worldwide are limiting the movement of people. A new term has entered our lexicon, "social distancing." Borders are closing to non-essential traffic, public gathering places are being curtailed, and persons are being advised to work and shelter in place. We are reminded to wash our hands often and avoid touching our faces. When we're out and about, we are supposed to maintain six feet of separation from other persons whenever we can.

All of this mobilization against a hidden enemy comes at a high cost. Economic activity is decelerating rapidly at this moment. It shocks our senses to see pictures of near-empty airplanes, commuter trains, and tourist spots. Shortened hours, furloughs, and layoffs are quickly taking root in affected businesses, and we expect to see much more in this regard. Especially hard-hit are the tourism, travel, and restaurant industries, but the impacts are spreading quickly across the economy. Small businesses, in particular, are vulnerable to this sudden stop.

On the financial front lines of the battle, the Federal Reserve has cut interest rates a second time in two weeks to zero percent, and is establishing lending facilities to the financial system to maintain its smooth functioning. To provide a measure of immediate financial relief, the Administration is working with Congress to earmark cash payments directly to households. The government is developing proposals to offer financial lifelines to the hard-hit airline industry. Similar support packages to other industries and small businesses are likely in the offing. These are dynamic, fast-moving storylines, and the details of the proposals are not yet fully developed.

We continue to review and monitor our clients' investment portfolios. We have previously detailed some of our moves to exit stock positions in vulnerable sectors and raise defensive cash. Similarly, we reviewed our fixed income holdings, and exited several positions in companies that may be facing distress.

More recently, we have lightened our exposure to banks, as we expect their bad debts to increase materially as a result of the virus' impact on business activity. With a portion of the sale proceeds, we added to our long-time holding in a telecom services provider, and re-initiated a position in a premier software and cloud services provider. As we have noted, the severity of this stock market decline is

opening up investment opportunities in best-in-class companies, and we will continue to take advantage of what the distressed selling from other investors is providing us.

Rest assured that the seriousness of our national moment is not lost on any of us, either as your financial advisors or as citizens, parents, and community members.