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### A Self Fulfilling Prophecy

Take your medicine! That's what we are telling ourselves, as the US Government announces a national state of emergency, and countless state and local governments, schools, and businesses announce closures and mandatory work from home programs. Large scale events and crowds over 500 have also been prohibited, and in some locations curfews have been instated. Professional sports teams have gone on holiday, concerts and conferences have been cancelled, and countless travel plans interrupted. Even in my home town of San Antonio, an announcement was made to move our beloved Fiesta from April to November. That's right, we didn't cancel, because we're definitely going to need something to celebrate when this is all over!

The good news is we have a secret weapon in our own backyard. The Texas Biomedical Research Institute, which focuses on fighting infectious diseases around the world, has been all hands on deck since day one, so perhaps I feel safer than most. Is this overblown? Time will tell. The public appears more panicked than necessary given the run on grocery stores for toilet paper and water. We are talking about a flu, a very bad flu, but not cholera, so the increase in toilet paper sales does have me perplexed. The most important thing to do is just stay put.

We do not yet know the broad ramifications of the Coronavirus, but we do know that the coordinated actions of this week, will serve to fast-forward the inevitable, which may have dragged out for much longer and was sure to be far worse. The virtual ripping off of the Band-Aid will keep this virus from spreading more rapidly and will shorten the duration of the pandemic. Yes, it is true that the cure can be worse than the pain, and in this case the pain is not only an infectious disease, but a most certain self-prescribed recession.

The trickledown effect of shuttering so many events and travel especially hurts small businesses, vendors, restaurants and hourly workers. Demand will drop, except for Amazon, food delivery and Netflix. We already knew that we'd have a drop in global GDP due to supply chain disruptions from China, but now we are putting the brakes on domestic growth as well. The good news is, the patient is strong, we've taken our vitamins and can weather this storm, which we believe will be short-lived.

Although it may not have seemed like it this week given the tumultuous volatility in the markets, we will persevere. The markets were not impressed with the initial monetary stimulus provided by the Fed, but as greater details have unfolded regarding fiscal stimulus and other government support programs, it seems to have found some footing.

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We enjoy the benefits of a globalized and connected world, but those benefits come with costs and now we must take our medicine. We are sure to have more breaking news over the weekend but there is potential for good news and not just bad. And speaking of other news and “things we have done to ourselves”...we have accomplished the goal of becoming energy independent, which was once thought to be unattainable. Everyone cheer! Unfortunately, this added fuel to the fire as OPEC’s recent meeting failed to come to an agreement, and instead sent oil prices crashing. Now that we have become the largest producer, this served to punish our oil and gas industry and increased risks of bankruptcy in the sector. The silver lining is that during a time of crisis, we benefit from low fuel prices, low interest rates, and low unemployment. Low prices could also help airlines hedge out future fuel costs, and gives us the opportunity to add to our Strategic Petroleum Reserves at record prices.

We have taken this opportunity to reassess our portfolios and take advantage of the market dislocation to rebalance and reposition our clients to benefit from this recent volatility. It’s times like these that it is imperative to remain calm and stick to a long-term investment strategy. We wish you all a happy and safe weekend, at home.



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