Eideard Group
GUARDIANS OF PROSPERITY

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A Message from the Eideard Group

We hope this communication finds everyone well and remaining "Cautious over COVID" as you continue to go about your daily activities. Wear your mask, wash those hands and don't touch your face!

As you know, our Eideard family continues to work remotely, but our technology is allowing us to continue our daily routines largely uninterrupted. These include participating in macro-economic webinars sponsored by our strategic partners, reviewing portfolio activities, studying commentaries and participating in conference calls with our partners in portfolio management. From our family office perspective, we are staying on top of our clients' bill paying needs and other financially related matters, and of course, we are preparing for what was a dreadful 1Q20 quarterly reporting period.

As we see it, there's no reason at this point to dredge up the COVID contagion story or how it has impacted US and global economies and financial markets. God knows, primetime nightly news has covered that aggressively! And of course each day the financial reporting of CNBC, and others who constantly broadcast ***"markets by the minute"*** and who whip up "***historical minutia***" going back to the 1930's as a matter of postscript is reminiscent of the baseball statistics Michael Lewis revealed in "Money Ball"! As far back as we can remember, headline news is doing now what it has always done during periods of crisis: exacerbated fear, tested patience and more than satiated our appetite for information! But, knowing how things work, we understand that maintaining a strong flow of advertising dollars trumps the chances of stoking fear or greed across a national audience that has become collectively bored by house-bound hibernation, yet still very worried about joblessness and consuming their savings. (Our apologies if you've picked up on a bit of cynicism here. But enough is enough!)

What we'd prefer to focus on is not what we already know, but where we go from here having witnessed what we suspect may have been our darkest days over the last several weeks respecting our current infirmities: global and US population health, economics, and financials.

And so with your indulgence and admittedly an optimistic eye, let's highlight what seems to be some positive emerging trends. Albeit arguably, it appears consensus is building worldwide that the pandemic is losing its infectious momentum. Countries like Italy and Spain, some of the earliest and most tragically impacted, appear to have plateaued and now seem to be on the downhill side of the contagion. Correspondingly, public guidance in these countries seems to be relaxing at least for now. Here in the US, similar sentiment appears to be taking shape as strict stay-at-home mandates appear increasingly fragile in the face of mounting consensus to begin relaxing shut-in guidance and a growing sentiment to judiciously consider re-opening community and regional economies.

And yes, while we all know how swiftly and precipitously this crisis evolved and how impactful it has been regarding social behavior and economic devastation, we are still not of the mind to compare it to the economic collapse of 2008: a collapse borne of years of systemic financial excess that, but for massive government intervention, would have meant a sheer collapse of the world's financial system twelve years ago.

Please do not misunderstand us. We do not mean to downplay the current crisis because medically and financially it has wrought extraordinary damage with record speed. *But the cause was exogenous to what was a very healthy, pre-contagion, US financial system.* And that's the silver lining! More good news is that the lessons learned in 2008 are swiftly and massively being re-applied as government liquidity and fiscal easing find their way to Main Street America in record time and broadly enough to help keep our financial system operational until the economy can reopen.

Meanwhile, medically speaking, bio-pharmaceutical companies and other research clinics around the world, including our own *Google*, are working at breakneck speed and with unparalleled cooperation to discover therapies and a vaccine to stem and hopefully mitigate COVID-19 or any resurgence of the virus in the months and seasons ahead. Despite that so little was known about this virus just a matter of months ago, we suspect discovery and treatment will be speedy, thorough and effective. So our money is on this collaborative brain trust.

Meanwhile, as the US economy was forced into hibernation, the financial markets naturally began to roil. For risk markets, where all eyes were sharply focused, the volatility index (VIX) spiked by as much as 375% as stocks quickly collapsed to their March 23rd lows. On the flip side, less noticed bond markets also rippled under duress over emerging liquidity concerns across all sectors and bond types. Over roughly two weeks, lower credits and high yield corporate and municipal bonds had taken it on the chin, shaken by investors' forcing redemptions from closed end funds, mutual funds and ETF's. This action painfully affected price discovery, which in turn led to material redemption discounts. Overall, the momentous and rapid flight to safety even forced US Treasury bills into momentary negative yield territory. That is a rare event!

But despite these swift and painful moves - most of which occurred in just under four weeks - the markets since have seemed to find some temporary relief. The VIX has fallen off its 83 point peak to an average 45 points over the last couple of weeks, while the S&P 500 has to date recovered about 25% of its initial losses. Meanwhile, the Treasury's follow-up $350Bil funding facilities program, which was directed at other broad market sectors including CMBS, hospitals, student loans and municipal facilities, has helped mitigate overall liquidity and pricing pressure among these groups.

We realize that the immediate days ahead remain filled with uncertainty. Admittedly, the timeline to our economic and financial recovery is dependent on COVID-19's timeline, and to that point, the hope is that we are past peak and approaching the downhill side. Meanwhile at present, all agree that it's simply too early to predict how much real damage has been done over these past weeks. We already know that timing has rendered this first quarter's earnings reports irrelevant and, given the lag time typically required to accurately measure quarterly GDP, it's likely we won't know the full extent of the damage to economic activity for several quarters - if not a year or more from now. In the meantime, the markets will respond to the data as it unfolds.

What we also know for certain is that the US economy was remarkably strong before the pandemic struck our shores. Hence we should be able to surmise that when the economy finally reopens, most of the 22+ million recently unemployed will find their way back to their companies and to the very jobs they left. When that finally happens, we believe it will only be a matter of a few short quarters before consumer demand is revitalized and ultimately unleashed to drive America back on its road to recovery.

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