Leigh Baldwin & Co.

Investment Brokerage

They say time speeds up as you get older, but that past six months really shook the world, and it all happened in a flash. In February, stock markets were hitting daily new all-time highs, unemployment was at record lows, and the economy appeared to be on fire. As the global pandemic, Covid-19, began to take hold in March, nations across the world took the radical steps to shut down the world economy, all but dousing the economic flames, and sending stock and bond prices down in a vicious move to end the first quarter.

To everyone's surprise, and in the midst of the most negative news, what with the pandemic creating the biggest number of unemployed in history as the nation virtually shut down, individual investors stayed the course. Not only staying the course, investors closed their eyes and bought shares of companies that were at least temporarily on sale. In fact, according to the Wall Street Journal, retirement plans run by Vanguard saw less than 1% of clients moving their money entirely out of stocks during the crash. The commitment to stay long term by investors and the historic amount of money that the government rained down on the markets was enough to save the day.

So here we are. Stocks and bonds were both at all-time highs to start the year. We have had as massive of a sell-off that you can imagine, literally the fastest 30% drop ever, exceeding the pace of declines during the Great Depression and making 1987 look like a blip. Yet, the second quarter ending today, re-gained about 90% of those losses and was the best quarter for returns in 22 years. Go figure, but where do we go from here.

The Covid-19 pandemic is a puzzle not easily solved and over 40% of S&P 500 companies have decided not to offer guidance as to future profits. As the economy begins to go back outside, there is going to be fits and starts that make us uncomfortable. Further, stock valuations are priced for an economy that disappeared in February. As investors though, we not only need to focus on the long-term but also the positives as well. The digital economy grew by about three years in a matter of weeks and the leading companies have hugely benefited from long term changes in how we shop, get medical attention, and do day to day business, witness the fact that the Nasdaq is positive for the year. The Fed, as accommodative as ever, has taken interest rates to zero with no intentions of raising rates for literally years, which is good for stocks. In addition, trillions, yes trillions, of dollars have been already thrown at this bear market, with possibly more to follow, and as we saw in April-May, much of it found its way into stocks. Finally, this is a global pandemic, effecting economies around the world, and money continues to flow to the best house in a bad neighborhood, the USA.

Our take is that now is not the time to sell all of your stocks and that the better strategy is to be ready to re-allocate assets to either those companies that will thrive in the new world order or to invest in temporarily high yielding companies that can withstand some short term volatility and come out the other side as strong as ever. We appreciate your confidence in our firm as we all navigate what has become the most tumultuous period in our recent memory. Our goal is to build portfolios that not only withstand the test of time, but that also provide for a good night's sleep.

112 Albany Street
Cazenovia, New York 13035
315-655-2964, 315-655-9138 fax
leigh@leighbaldwin.com