

## What to Do Now

Written by Rob Copeland

Thursday, 12 March 2020 12:42 - Last Updated Thursday, 12 March 2020 12:46

---

The coronavirus has been tough for investors: We're now in a bear market, which is defined as a drop of at least 20% from a previous high. So you may be asking yourself what, if anything to do.

In brief, the key is going to be to use your head and avoid making reflexive, gut decisions. The market is being driven by two major events right now. The first is concerns about the virus, which the World Health Organization has now classified as a global pandemic. The second is that Russia and Saudi Arabia, two of the world's biggest oil producers, are squaring off in a price war. That's terrible news in particular for the U.S. shale oil industry, which needs relatively high prices in order to keep repaying its high levels of debt.

Stocks have been selling off because investors believe these two events will create a domino effect that will drive down corporate earnings. And they're probably right. In times like this, consumers' fear can become self-fulfilling as they stop spending money, which hurts businesses, which slows the economy.

But here's some perspective: Every crisis eventually comes to an end. As bad as things look right now, things will improve. We'll see the development of effective coronavirus drugs. Societies will learn how to manage care for those who are infected, and we'll get better at curbing its spread through public health measures. We're already seeing this with, for example, the NBA suspending the rest of its season to slow the spread of the virus.

The oil situation will eventually change as well. While consumers benefit from cheap fuel, producers don't. Either they will end their price war or reduce production to become more profitable. Yes there will be pain, and highly indebted fracking companies are not the right place to be right now (and neither are cruise companies). But life will go on and eventually return to normal.

Now for the silver lining. Thanks to the market selloff, the stocks of some great companies are on sale right now. I've started selectively buying those that have strong balance sheets and, I think, great futures. Some of these firms, including in tech, had rallied so much in recent years that they didn't make sense to buy. Now they do.

## What to Do Now

Written by Rob Copeland

Thursday, 12 March 2020 12:42 - Last Updated Thursday, 12 March 2020 12:46

---

So don't get psyched out by the headlines. And remember, as the saying goes, "the time to buy is when there's blood in the streets." Follow your head, not your gut, and understand that this is a time for optimism. Please don't hesitate to contact us if you'd like to discuss your investments.