

# MARKET UPDATE



## When is this done... Can I tap out?

Report by Todd Carbone

“The Dow Jones is on its worst pace since 1929, which in 1929 was a price drop of -89% from high to low. As of today, we are down -38% from high to low on the Dow Jones. One could argue that the Dow Jones is not a proper sample size to gauge the stock market because it is only 30 stocks and its price weighted. The S&P 500 which is a better sample size to gauge the market is down 35% from high to low. Anything down over 20% is consider a Bear market.... A lot of investors would say we were due for a market correction; there is some truth in that thought process. For there to be new buyers, there must be sellers to generate cash. Wallstreet will put money back to work eventually as there is a need to invest and make income and profits. The question is when?”

“After the biggest drop in the Dow Jones in October 1929, the Dow Jones did not have any real buying until 3 years later in April 1933. In 2008, the Dow Jones moved down 54% from high to low during the financial crisis from January 2008

to March 2009. The financial crisis was a market movement that took over 1 year and 3 months. During the Financial Crisis, it took the Federal Reserve about 6 months to act, due to the unique and complex situation.”

“In today’s market, we are once again in a unique situation. The quick selling and level of market damage has occurred in short period of time of only 5 weeks. This level of velocity has been the worst in history. The major difference between the 2008 Financial Crisis and our current market is the Federal Reserve has already acted! This time it took only 3 weeks versus 6 months it took the Federal Reserve to act in 2008. The real question, have stock prices found their bottom?”

Through supply and demand, stocks will stabilize when supply and demand equalize. Can you buy stocks in this environment? Yes, but take caution. With any new purchases, in a volatile market, one day stock “XYZ” may be a good investment, then the next day its down 20%. This type of action is typical in a bear market. If you are a long-term investor and are comfortable buying a small position in the market, purchase a smaller position of 10% of what you would normally buy.

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It is very difficult to buy something and discover the next day its down 20% when you could have just waited. Currently, analyst and economist are trying to price in the severity of this economic downturn. In the next coming weeks and months, the market will begin accessing the damage to the economy, the impact could take months or years to recover, the amount of time will be dependent on the institutions and business revival plans. We are in a drastically changing and unique time; thus, it is prudent to stay conservative and be cautious.”

“In summary, it is impossible to predict how long it will take the market to recover. The market

downturn of 1929 took 3 years to recover and the financial crisis of 2008 took over a year to recover. We will know the current market conditions have changed when we see massive buying from institutions. Institutions have the most resources and capital to move the market. Our advice during this crazy time: Stay home with your family, watch some Amazon and Netflix, maybe pick up a new hobby, and stay healthy. Remember, the markets are independent from what we think or feel. Eventually through the oldest economic principle of supply and demand, the market will dictate a bottom when its ready. Stay tuned...



## What has the federal government done to limit economic destruction of coronavirus?

The federal government is racing to ease the pain facing the U.S. economy as the coronavirus pandemic makes its swift pivot from public health crisis to financial catastrophe.

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**THE CAPITAL CS GROUP REMAINS IN THE OFFICE TO GUIDE YOU THROUGH TODAY'S MARKET CONDITIONS.**

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