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CLIENT BULLETIN

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➤ *We Heard You*

When clients come to our office for meetings, they often have a challenging time finding a parking space. We have solved that problem by purchasing a convenient parking space that is reserved for clients of Carter Financial, LLC. The next time you come to our office for a meeting will be a little less stressful.

➤ *They Shouldn't Rhyme*

The Congressional Budget Office projected that the federal government will spend **\$1 trillion** more than it collects in 2020 and deficits will reach or exceed that **\$1 trillion** mark every year for the foreseeable future. It's a shame that "billion" and "trillion" sound alike – it tricks us into thinking that a trillion is just a little more than a billion. It isn't. 1 **billion** seconds is a little less than **32 years**. One **trillion** seconds is just under **31,710 years**.

➤ *COVID-19*

The ongoing corona virus is a human tragedy and we don't take human life and suffering lightly. We're also certainly not immunologists, but we are interested in the economic and financial impact of the disease. Looking at the data can appear cold, but having the proper perspective is always important (sources: CEIC, Johns Hopkins CSSE).

➤ *Some History*

With the caveat that no one knows how far this outbreak will spread, nor how many lives it will claim before it is brought under control, the history of similar outbreaks the past two decades is a helpful guide. With most of the world's leading virologists and epidemiologists working on the situation, it is a reasonable hypothesis that their efforts will ultimately succeed. With that in mind I draw your attention to:

- SARS (a corona virus originating in China) in 2003-04, with a 10% case-fatality rate
- The bird flu epidemic in 2005-2006
- H1N1 (swine flu) in 2009
- Middle East respiratory syndrome (MERS), also a corona virus with a 35% fatality rate
- The Ebola outbreak in 2014 (50% case-fatality rate)
- The mosquito borne Zika virus outbreak in 2016-17

Importantly, there is already a drug that may combat COVID-19 moving toward first phase clinical trials. It took three months for this to happen. With SARS in 2003 it took **20 months** to get to this point - a testament to advances in drug technology (sources: CDC, CEIC).

➤ *Economic Effect*

Even if the disease is brought under control relatively soon, reduced travel and trade and cancellation of events will almost certainly depress Q1 and probably Q2 economic numbers. We suspect that any drop in earnings or economic activity will be short lived, and more than made up for in the quarters and years to come with payback from lost months. From a financial market standpoint, on that first day of the epidemics cited above, the S&P 500 closed at 855. Seventeen years and seven epidemics later (including the current one), the Index stands over 3 ½ times higher. I'm confident that you see where I'm going with this. A broadly diversified portfolio that is systematically rebalanced will see us through this and future times of turbulence. This too shall pass. (sources: CEIC and Standard & Poor's).

➤ *Behind the Numbers*

February's jobs report was a strong one with the 225,000 jobs created, significantly exceeding economist's expectations (why don't headlines ever say that economists were way off in their expectations compared to reality? but I digress). So, with that strong jobs report, why did the unemployment rate **increase** from 3.5% to 3.6% (source: Bureau of Labor Statistics)?

➤ *Bad is Good*

The unemployment rate increased because the "labor force participation rate" rose. In English this means that the proportion of Americans working **or looking for work** has increased. People who gave up hope of getting a job following the financial crisis have now decided it's time to rejoin the labor force which made the unemployment rate look worse but is actually a good sign that they are out looking again. When evaluating any data, larger trends are more important than point-in-time data points anyway. Consider:

- The 3.6% unemployment rate is near the lowest level in **five decades**.
- **9** million jobs were lost during the financial crisis and recession that followed; **22** million jobs have been created during the subsequent economic recovery (source: Bureau of Labor Statistics).

It has always been true that the US economy is one of short winters and long summers.

➤ *Huh?*

Greece, which a few years ago defaulted on government bonds and carries the highest debt load in Europe, recently sold three-month government notes with a **negative** interest rate. This means an investor is paying the Greek government to safe keep their capital (source: European Central Bank).

➤ *Beware*

Tax season is a prime time for Internal Revenue Service (IRS) scammers to target senior citizens. The scam commonly involves an unsolicited telephone call, text message, or email from an imposter IRS agent who tells the targeted individual that they owe money to the IRS. The scammer then gives instructions on how and where to pay their debt. Visit the [IRS website](#) to determine if it is really the IRS contacting you or a loved one.

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