

March 15, 2020

No one knows with any real certainty how much, or for how long, the Coronavirus will impact the US economy. What we do know is that it will have an impact. And, after data releases of recent weeks, we also know that the US economy was in very good shape before it hit.

The Atlanta Fed projected real GDP is growing at a 3.1% annual rate in the first quarter. However, March data, which isn't available yet, will likely bring this number down. We expect the early economic headwinds from the Coronavirus to pull first quarter real GDP down to a 2.0% growth rate and we are now thinking growth will be zero in the second quarter. After that, given previous episodes of rapidly spreading viruses, inventory replenishment should boost growth to the 3.5 – 4.0% annual rate range in the second half of the year.

Our concern is the market developments in the last 24 hours with widespread cancellations throughout the economy from sporting events to large gatherings/conventions. This could impact the economy and the potential health of our corporations, and their ability to maintain and pay their employees. A large federal response is needed and hopefully they can find a way to provide a coordinated response at the federal level. Some feel that this is being blown out of proportion and that is a possibility, but we also have to look at the reality of the impact on the economy and markets.

As stated earlier we do believe our underlying economy and fundamentals are very strong and if we can get a well thought out and planned response the markets will respond and bounce back very quickly.

In response to this, we have reduced some of our exposure in the directly managed portfolios held at Pershing. This is on the margin and not in any way a liquidation of all positions. If you have any questions, please feel free to reach out. This is presenting some outstanding long-term opportunities and we need to be prepared to take advantage of them.

Rick Isaac

Isaac Financial Services, Inc.
13111 E 21st St N
Wichita, KS 67230
Office: 316.691.9424 Fax: 316.691.9430

Altitude Financial Planning
1880 Office Club Pointe
Suite 203
Colorado Springs, CO 80920
Office: 719.481.5898 Fax: 316.691.9430

www.altitudefp.com