SPINNING WHEEL

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04/27/2020

What goes up must come down
Spinnin' wheel got to go 'round
Talkin' 'bout your troubles it's a cryin' sin
Ride a painted pony let the spinnin' wheel spin

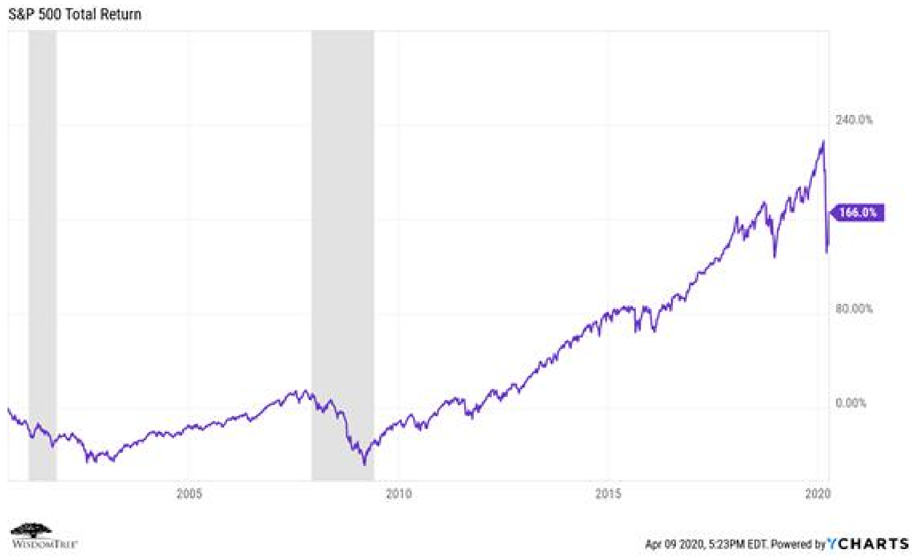
You got no money and you got no home
Spinnin' wheel all alone
Talkin' 'bout your troubles and you, you never learn
Ride a painted pony let the spinnin' wheel turn

(From "Spinning Wheel" by Blood, Sweat & Tears, 1968)

Boxer Mike Tyson is credited with saying, " *Everyone has a plan until they get punched in the face."* For many investors this lesson has become all too real. Heading into early February, the economy was chugging along, the global markets were generally positive and it seemed relatively easy to stick to long-term investment plans

But then the coronavirus hit, followed quickly by the self-induced global economic shutdown and corresponding market collapse. Two *punches in the face*, indeed.

How bad has it been? A little historical perspective is helpful. The following chart illustrates the total return performance of the S&P 500 Index since September 1, 2000:



Source: YCharts, 9/01/00–4/08/20. Past performance is not indicative of future results. You cannot invest directly in an index.

From a long-term perspective, the above chart looks to be upward-trending, marked by periodic significant downturns (i.e., the tech bubble recession and the great financial crisis, both marked by gray bars, and the current "coronavirus lockdown").

But a more granular look tells a different story. What we see is a rolling series of rallies and declines, with no definable rhythm, length or magnitude:

Start Date	End Date	Number of Calendar Days	Cumulative Returns SPXTR	
The Tech Bubble Recession				
September 1, 2000	March 16, 2001	196	-23.87%	
March 16, 2001	May 29, 2001	74	10.46%	
May 29, 2001	September 18, 2001	112	-18.21%	
September 18, 2001	March 6, 2002	169	13.35%	
March 6, 2002	March 6, 2003	365	-28.06%	
The Greenspan / Bernanke "Great Moderation"				
March 6, 2003	March 6, 2004	366	43.20%	
March 6, 2004	August 9, 2004	156	-7.31%	
August 9, 2004	March 8, 2005	211	15.74%	
March 8, 2005	April 15, 2005	38	-6.16%	
April 15, 2005	September 9, 2005	147	9.47%	
September 9, 2005	October 18, 2005	39	-4.95%	
October 18, 2005	May 6, 2006	200	13.70%	
May 6, 2006	June 13, 2006	38	-7.46%	
June 13, 2006	February 20, 2007	252	20.81%	
February 20, 2007	March 5, 2007	13	-5.77%	
March 5, 2007	October 9, 2007	218	15.14%	
The Great Financial Crisis				
October 9, 2007	March 9, 2009	517	-55.25%	
The "Great Central Bank Rally"				
March 9, 2009	September 30, 2018	3492	426.30%	
Q4, 2018				
September 30, 2018	December 24, 2018	85	-18.93%	
The "Great Central Bank Rally", Part II				
December 24, 2018	February 19, 2020	422	47.38%	
The "Coronavirus Lockdown"				
February 19, 2020	April 8, 2020	49	-18.54%	
April 8, 2020	---		???	
			Normalized (% change)	**SPXTR Cumulative Returns (9/1/2000 – 4/8/2020)**
		→→→ (February 19, 2020 - March 23, 2020)	-33.79%	
		→→→ (March 23, 2020 - April 8, 2020)	23.03%	166%

Source: YCharts, 9/01/00–4/08/20. Past performance is not indicative of future results. You cannot invest directly in an index.

Note that, even though we captured the date range from February 19 to April 8 of this year as a one-period decline of 18.54%, it is more accurately characterized as two sub-periods: February 19 to March 23: *down* 33.79%, and March 23 to April 8: *up* 23.03%.

What can we learn from this? Despite being *punched in the face*, here are a few lessons we might apply:

1. **Maintain discipline in your long-term investment plan**. As we've discussed before, individuals tend to be very bad market timers. As the above chart and data suggest, an investor who was able to maintain discipline and stay invested in the market over the almost 20 year period from September 1, 2000 – April 8, 2020 realized a very nice return (+166%).. Given the lack of market predictability and pattern, however, an investor trying to time exits and entries to the market likely failed, probably miserably.
2. **Use market volatility to your advantage.** Instead of being paralyzed by market volatility, lean into it to consider potential changes to your portfolio:
   a. Have you been holding off making the move from mutual funds to the more attractive ETFs? Now may be a great time to consider that move.
   b. Want to stay fully invested (as you should) but harvest tax losses to generate tangible "tax alpha" within your portfolio? That is what market disruptions are for.
   c. Can you use the current market environment to re-examine and potentially upgrade your asset allocation and portfolio construction, to bring them into better alignment with your long-term objectives and your projected market outlook?[1]
   d. In recognition that markets do cycle and that different factors and asset classes have historically outperformed during periods of economic and market recovery, is the current market presenting you with some interesting opportunities?
   e. If you've been sitting in cash, are current valuations attractive enough to get you back into the market?

In closing, we recently came across a webpage from sail maker *North Sails* that summarized sailing tips for navigating through squalls and storms. We were struck by some of the advice, which seemed very appropriate for how we might react to the current health and market "storm" (emphasis added):

> *The first decision before an approaching storm is the toughest: Run for cover, or head out to open water for sea room?...While running for cover would seem the preferred choice, the danger lies in being caught in the storm, close to shore, with no room to maneuver or run off…*
>
> *Although everyone will remember it differently years later, a long, wet, cold sail through a storm can be miserable.* ***As skipper, you need to make the best of it: watch over your crew, offer relief or help to those who need it, and speak a few words of encouragement to all. "This is miserable, but it will end."***
>
> *Take the time to marvel at the forces of nature, and at your ability to carry on in the midst of*

the storm. ***Few people get to experience the full fury of a storm. It may not be pleasant, but it is memorable***.

While misery and discomfort can eventually lead to fatigue, diminished performance, and even danger, do not mistake one for the other. Distinguish in your own mind the difference between misery and danger. Don't attempt a dangerous harbor entrance to escape misery; that would compromise the safety of the boat and crew, just to avoid a little discomfort.

[1] As a reference source, you can review the asset allocations and security selections for the WisdomTree Model Portfolios via our website (free registration required).

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DEFINITIONS

Tech Bubble : Market collapse between 1999-2001 that was led by technology stock.

Leveraged-loan crisis : Excessive leverage by financial institutions and consumers that led to the financial crisis of 2007–2009.

Volatility : A measure of the dispersion of actual returns around a particular average level. .