

THE TAPE READER

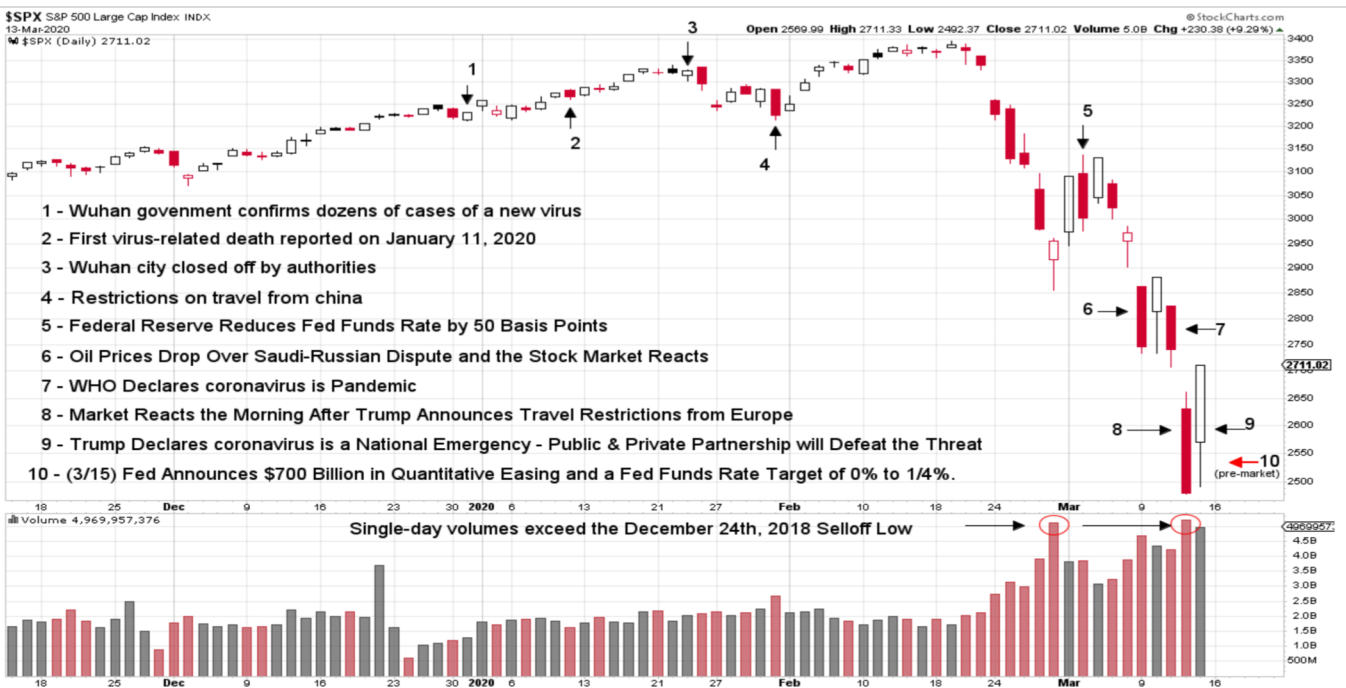
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COVID-19, What's Next? More Volatility and Social Distancing.

Have we hit bottom? That is the question on everyone's mind. I am hopeful we may be getting close. I do not know. The selling last Thursday had some sense of being climactic. Late in the day Friday, the government provided details of the plan to counterattack the coronavirus. The market had a swift rally. It was one of the best of all times.

Today we are experiencing more selling before the market opens. Hopefully the market is hammering out a bottom. The best thing to do right now is not panic.



The reduction in business resulting from social distancing will have an unknown impact on the economy. Let's say there is a 10 % hit to S&P earnings as a result of the coronavirus. I come up with an earnings number of about \$150 for the S&P 500 in 2020 (assumes S&P 500 earnings of \$165 in 2019). If we value the S&P 500 at a reasonable 16 multiple of earnings, we get a price of 2400. Please understand that this is only a guess. No one yet knows how big a hit to the economy social distancing will have. Stock prices will continue to be volatile until there is better clarity as to the extent and length of the coronavirus economic slowdown.

I am hopeful that the market panic may be worse than the actual economic impact of the virus. Time will tell. In the meanwhile, let's remember that COVID-19 is temporary. There will be a recovery from this. Take a deep breath and don't panic. The market climbs a proverbial "wall of worry." We have plenty of worry right now. We will get through this, we always do.

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