



HERITAGE CAPITAL LLC

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Before I begin the update as planned, I want to repeat what I have said to folks who have called and emailed. I think the bull market remains alive. I think Dow 30,000 will be hit during the summer. That anticipated rally may be the one that signals a new bear market. I think this week will be up for the stock market. It is quite possible that Friday's low was the internal or momentum low from which the first real bounce of significance will begin. That bounce could regain as much as 50% of what was lost. Volatility will remain sky high.

It is often said that the stock market takes the stairs to the top and the elevator to the bottom. This has never been accurate than the last 7 days as stocks have gone from an all-time high to what the media deems as correction territory, down 10%+, in just 6 days, a record. That is also an all-time high to a four-month low in one week. Last week, I wrote about the [gap of recognition](#) and that was certainly confirmed as the "AH HA" moment.

The speed and depth of the decline has truly been historic, something that seems to be more and more commonplace in the age of exchange traded funds (ETFs) and supercomputers accounting for the vast majority of trading activity in the stock market. I remember writing similar notes in December 2018 during that decline for the ages. Markets definitely evolve and it has been very evident during this bull market. Once corrections start, they are mostly linear affairs, rather than the three steps down, one step up of yesteryear.

This decline seems to have impacted people more than previous ones because of its speed and impact on the population's health. People seem much more unnerved now than during the Ebola correction of 2014. Lots of folks asking me if the stock market is going down 50% like 2008 or if it will ever recover. I feel confident that this is in no way a repeat of the 2007-2009 financial crisis. Banks are sitting on more than \$2 trillion and it's really, really difficult to have a moderate or serious recession with banks having more capital than at any time in history. I also feel confident that stocks will recover from this correction and right now, my best estimate is sometime in Q3 which is subject to change when I get a little more information. Anyway, I found [this video](#) to be really helpful regarding the virus and its spread.

Over the weekend, I took so many notes of things I wanted to share which were relevant that I will probably break them up into a few updates. Regarding Corona or COVID-19, as investors, I feel confident in saying that while the headlines are likely to get much worse, especially in the U.S., at some point the markets will have priced in the worst case scenario. I imagine we will see headlines of widespread contraction of the virus and death but stocks will have stopped going down. Then, we will likely see stocks ignore or even rally on Corona headlines. That's not a today reaction but I do think it's something to look for later this month or in April.

Let's put this correction into context. Since the bull market began in 2009, and we can certainly argue whether new bull markets began in October 2011 and December 2018, there have been 8 previous declines of at least 10% from intra-day high to intra-day low which I will post below. You can see the year, the depth of decline and the duration from high to low. I also added enough chart space so you can see how long it took for stocks to recover with the exception of 2015 because that rolled into the 2016 decline.

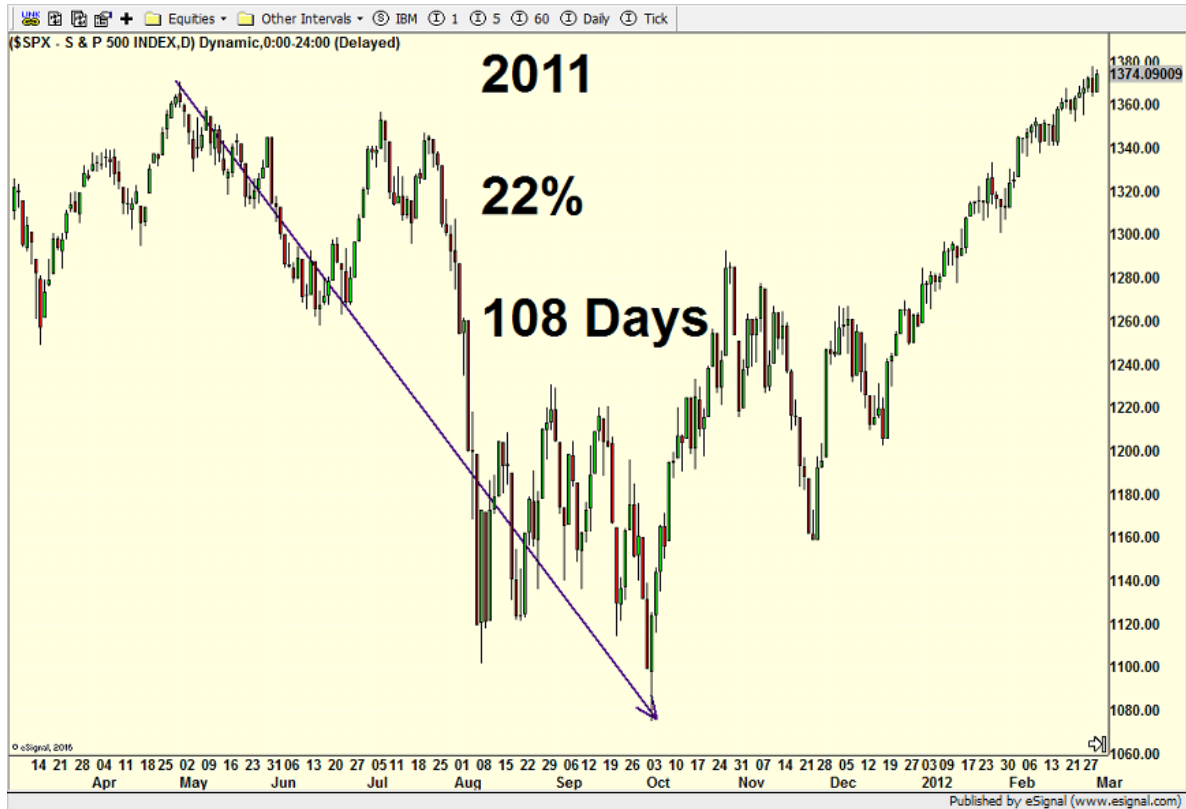
So far, this correction is nothing we haven't seen overall before. The worst of it appears to be over, but that doesn't mean we have seen the lowest of low prices. That more complex scenario would see a rally sooner than later with stocks rolling over again in late March or early April to the final low before the real rally to Dow 30,000 begins..











As I mention every single time there is a stock market decline, whether we planned for it or not, were successful or not, use the correction to take your own temperature on your risk tolerance and investing objectives. If you are watching the market trade all day because you are worried, that's not healthy. I watch it every day anyway so that would be two people both watching the same thing and only one of us gets paid to do that.

If you are unnerved by the correction, then I would suggest reassessing your risk tolerance and making a change on the next rally rather than into the teeth of a decline. If you feel really comfortable and want to add more money or risk, I also suggest revisiting your risk tolerance, but taking action right here and now. For me, I am using this decline as an opportunity to begin adding my 2020 money for my retirement account although with adding more risk to my kids' college funds.

As always, please don't hesitate to call, email or Skype with any questions, comments or concerns.

If you are looking to schedule a meeting or call, here is the link to my calendar. <https://schedulewithpaul.as.me/>

Early mornings, evenings and weekends should be scheduled directly with me.

Thanks

To Your Financial Success,



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