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Week in Review, February 28, 2020

Special Focus: Coronavirus and shifting paradigms

Markets fell sharply this week as the coronavirus continued to spread and fear spread through the world. The S&P ended the week down 11.5%, the DJIA down 12.4%, and the NASDAQ down 10.5%. The 10 year treasury yield fell to 1.22% as of yesterday, representing an all-time record low. The World Health Organization has thus far not called the disease a pandemic, but that position could change, and global citizens and investors are worried about the health and economic effects of the illness. The disease continued to spread globally (Reuters), and the U.S. announced the first patient for whom the origins of the disease were not clear, raising concerns that there are more undiagnosed people continuing to spread the disease (USA Today). We expect continued market volatility as the virus spreads globally. Goldman Sachs predicted on Thursday that markets will fall further before improving (Marketwatch) and that corporate earnings growth will be flat for the year.

However, while markets have quickly pulled back this week, we remind everyone of the importance of holding carefully constructed diversified allocations for the long term. Selling at this point can unnecessarily lock in losses (NYT). Everyone may recall in the fourth quarter 2018, the S&P 500 was down over -13% for the three months, only to quickly rebound in the first quarter 2019 with a positive 13%. We have seen many health epidemics over the last few decades and while markets have typically reacted negatively, we have seen the markets recover as fear subsides (Marketwatch). This is not to diminish what is happening today. Each and every market pull back has a specific backdrop to it that influences outcomes. Today, the impact of supply chain and manufacturing disruption in China has many investors spooked, as the potential for slowdown in growth increases. But we do continue to advise everyone to be patient as the markets are running on fear and uncertainty as opposed to fundamentals. We structure your investments to meet your specific risk/return/ESG requirements that can tolerate peaks and valleys over the long-run. We believe this disciplined approach to investing has resulted in more consistent results over the long-run.

As always, we are available if you would like to discuss any concerns or needs with us.

Special Focus: Shifting Paradigms

This week part of our team attended Confluence Philanthropy's 10th Annual Practitioners Gathering in San Juan, Puerto Rico. Always an inspiring event, this year was no exception. Two of the key themes of the conference were the urgency of the climate crisis as well as the need to address climate and social equity together. Examples of questions we asked ourselves to this end included: Might there be faster deployment of climate change initiatives at companies if more women were in decision making roles? How can we ensure the jobs created in the green economy are available for women and people of color? What shareholder advocacy initiatives might help both the environment and underrepresented populations? Is it possible to solve climate change by making marginal changes within a system that is structured for extraction, maximizing profits, and concentrated power? Or do we need to more radically adjust the system itself (for example by ending subsidies for the fossil fuel industry, moving to micro grids, and allowing companies to be held accountable for the damage they have caused)? Another theme at the conference was the continued effort to limit lending to the fossil fuel industry, which was highlighted in a recent article by the Financial Times.

San Juan Mayor Carmen Yulin Cruz spoke about the impact of the philanthropic community in the wake of the 2017 Hurricane Maria disaster, particularly in light of the fact that nearly all of the promised government aid still has not reached Puerto Rico more than two years after the Hurricane. She also spoke about the importance of community, and the need to transition to solar energy. Puerto Rico is an example of the damage that climate change can cause, and as they rebuild, they are serving as an example of what preparedness can look like. As one example, having lived for nearly a year without power, communities in Puerto Rico are rebuilding their community centers and emergency centers wherever possible to be both mobile and powered by solar energy. Finally, Reverend Lennox Yearwood, Jr., President and CEO of the Hip Hop Caucus, moved us all with his tale of family conflict over the divest / invest movement and reminded us that sometimes "being on the right side of history means you need to have the courage to stand up to everyone." Thank you to all of you who continue to stand up and push the status quo!

This week the world lost a shining example of what women can achieve when they are given the opportunity. Katherine Johnson, the "human computer" who helped put men on the moon, passed away this week at 101 years old (Washington Post).

In happier news, the world also lost what would have been a destructive oil sands development project in Alberta, Canada. The C$20.6 billion oil sands mine would have produced 260,000 bpd of bitumen and emitted 4 million tons of GHGs per year. The project was pulled by its CEO amid protests against its construction and due to the fact that to succeed, the project would have needed higher prices, expanded pipeline capacity, and a partner. The pulled project "highlights the need for a credible climate plan for Canada to become carbon-neutral by 2050", Environment Minister Jonathan Wilkinson and Natural Resources Minister Seamus O'Regan said (NYT). We agree – we hope that leadership in Canada seize this as an opportunity to transition more substantially to a green energy economy with more jobs and less extraction!

As always, please reach out to us with any questions or commentary! Have a great weekend!

Written by Thomas Van Dyck, Catherine Chen, and Michelle Levy