BCWM
PROVIDING PEACE OF MIND

# Social Media can be Harmful to Your Wealth

One of the biggest unintended consequences of everyone on the planet being quarantined for an indefinite period of time is that people began spending an unhealthy amount of time watching TV news or surfing the Internet, activities that previously took up far less of most people's days. Neither activity is particularly beneficial for anyone attempting to make sane and successful investment decisions. Neither TV news nor social media is designed to provide you with unbiased and factual accounts of world events.

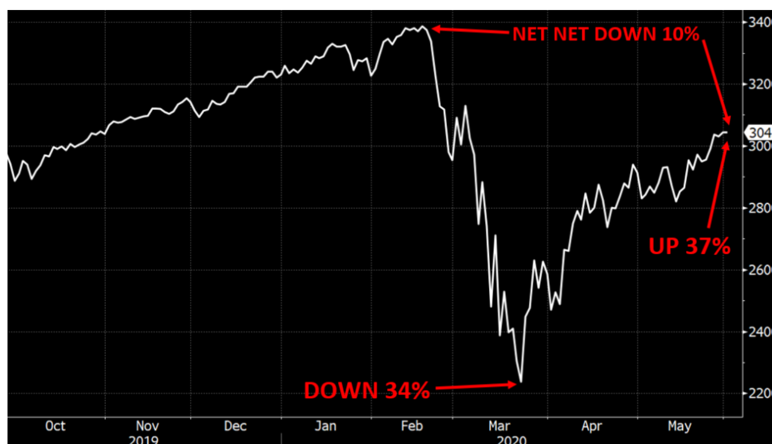
Sane adults who, prior to COVID-19, used to spend their days at the office, or golfing, or volunteering at the school, or ANYTHING ELSE . . . are now mesmerized by the spine-chilling babble being spewed by screwballs who in the age before social media didn't have a forum to help them develop a "following."

Stop watching the news. Take a break from surfing the Internet. No more Twitter. No more Facebook. This is by far some of the best advice we have offered in the past decade, and maybe ever.

And if you have friends who are participating in these unhealthy activities, cool your relationship for a while. Because your friends just might lead you to make bad investment decisions.

---

As you may recall, the stock market peaked February 19, ending an unprecedented 11-year bull market. And we remind you that 11-year bull markets don't just come along very often, so a "correction" was almost certainly around the corner for one reason or another. Turns out a global pandemic was a good enough reason and the market plummeted rather quickly, dropping 34% in just over a month.



**Portfolio Management**
Richard W. Boyer, CFP®, CFA
Laura Carley, CFP®, CFA
Cory Bloodgood, CFA

**BCWM, LLC**
14221 Metcalf Avenue
Suite 201
Overland Park, KS 66223

Phone: 913-685-2300
Email: info@bcwm.com

After hitting bottom on March 23, the stock market bounced right back, increasing 37% through the end of May. So after declining 34% and bouncing back 37%, the "net net" result is a stock market down 10% from its February 19 peak. (Yes, we know that losing 34 and gaining 37 sounds like a gain of 3, but it's not. Trust us, it really is -10.)

Not surprisingly, market volatility has significantly declined and the stock market is starting to act as if nothing ever happened.

Furthermore, let's imagine for a moment that you had been on a deserted island the past four months. When you re-joined society on May 31, you would have found out that the S&P 500 had gained 12.8% over the past twelve months. And the Dow Jones Industrial Average was up 4.8%.

That's right. Believe it or not, from 5/31 last year to 5/31 this year, the U.S. stock market was up! That's probably not something you would have learned by watching TV.

Having said all that, we concede that the fallout from COVID-19 is far from over. Forty million people lost their jobs almost overnight.

Even after a significant recovery, there are still over 21 million people unemployed and we expect that it will take a couple of years (without additional interruptions) to get back to where we were "pre-COVID-19."

This is/was a quick, nasty recession that, barring too much government interference, will hopefully be in our rearview mirror earlier than we had originally expected. We may have been just a tad optimistic March 12 when we wrote:

> *We would not be surprised if the Coronavirus crisis is virtually over in just a few months. Causing maybe a mild recession, because, let's face it, there will be very little consumer business happening for a few months. After that? Our bet is that it will be business as usual, consumers will be back to spending and these stock prices will have looked very cheap. Some of them ridiculously cheap.*

Eleven days later (March 23), stock prices were ridiculously cheap. We nailed that one.

As people return to work, predictions of a “second wave” of COVID-19 infections are all over the place. No one knows for sure how severe the second wave might be. Everyone is guessing. Even “medical experts” are guessing. And our guess is that it won’t be nearly as severe as the first wave.

---

Corporate earnings for the 1st quarter were bad and will obviously be even worse in the 2nd quarter. But the stock market doesn’t seem to care. As we are writing this, stocks have continued to climb in June, now only 5.5% below the all-time high.

Ironically, some companies seem to benefit from this type of crisis. The stock price of Wal-Mart has been hitting new highs throughout the crisis, as shoppers have stocked up on anything and everything you would need if you couldn’t leave your house for the next five years. By the way, toilet paper is now available at your local supermarket again, so you can quit being in a panic about that. *(How crazy was that?!)*

Almost anything to do with oil initially got crushed, as global demand for energy evaporated. However, that is already turning around and, after trading at prices “below zero” in April, West Texas Intermediate crude oil is back up to $38/barrel.

Even with the economy appearing to be “re-opening”, we expect the price of oil to remain under control although we wouldn’t be surprised to see it fall to single digits again. And we continue to expect interest rates to remain low and trend lower . . . a tune we have been singing for several years. This past week has seen interest rates trend higher but we see that as an opportunity to buy long-term bonds, particularly zero coupon Treasury bonds.

At BCWM, we didn’t panic when the stock market plunged in March and we are not getting that excited about the recent stock market surge. Economic activity will continue to face headwinds. And, because of the pandemic, our country’s excessive debt just became much more excessive.

*This information is provided for general information purposes only and should not be construed as investment, tax, or legal advice. Past performance of any market results is no assurance of future performance. The information contained herein has been obtained from sources deemed reliable but is not guaranteed.*