



GREAT DIAMOND PARTNERS

Sunday, March 22, 2020 | Pink Concrete

Being sequestered allows for long overdue projects to get done. Organizing the ubiquitous kitchen junk drawer, tossing expired medicine, and even a bit of yard work was on the agenda this weekend. As I dug into my home office - that was well used this week - I came across a glass case that held a small piece of concrete. It's rough and has some pink paint on it.

The concrete was dug out of the Berlin Wall in June 1990 as I backpacked across Europe. To many, The Wall symbolized a different world - the Cold War and an artificial division of a society. After its fall in 1989, it represented an unleashing of the human spirit and the failure of communism.

With hindsight, there was a clear benefit to the Cold War. We knew who the enemy was. You could see the Evil Empire on a map, watch May Day military parades through Red Square on TV, and listen to Brezhnev speak at the U.N. The enemy was visible, tangible and relatable.

Today is different. Covid-19 is invisible, and victims don't know they've been attacked for up to two weeks. Others unknowingly aid and abet the enemy by transmitting it to new victims. It's a silent enemy that doesn't care about country, religion or any other identifier as it spreads across our interconnected world.

It's the Great Unknown that bothers us. Most ruminations center around two fundamental questions: How long and how bad? How long will we be holed up in our homes? What additional restrictions will society need to endure? How many people will get sick and die? With an enemy that we can't relate to, those questions are hard to answer.

How long and how bad also apply to the financial markets. When will the markets return to normal? When will stocks stop going down? When will liquidity return to the bond market? How bad will it get? What long-term impact will the damage and the solutions have on the markets?

Even though this unrelatable enemy makes these questions hard to answer, history is somewhat helpful. Markets have overcome incredible challenges in the past. To avoid reviewing the last 90 years, I'll stick to the last 19. At the time, 9/11 was thought to be a permanent change. We were no longer safe at home. The '08-'09 financial crisis nearly brought the system to its knees. However, in both cases, society, companies and markets adjusted, innovated and moved forward. Fundamentally, that's who we are.

On Friday, yet another day with a screen full of red, I was curious to see one stock that was green (up). Even though they are a financial services company, they announced a dividend increase. They will pay shareholders more income this year than last. It was their 27th consecutive annual increase. Amid all of today's uncertainty, as well as 2001 and 2009, they are confident enough that they will pay shareholders a higher dividend. There are many companies just like this one. Yes, some of them make toilet paper, medical supplies and cleaning products that are in high demand today. However, these companies span much of our economy. They adjust, innovate and move forward.

Getting back to that small piece of pink concrete, it used to be part of an 87-mile long wall that represented an enemy that failed to adjust, innovate and move forward. Although the enemy is fundamentally different now - invisible vs. visible - this country, the global economy and yes, the markets, will win. Just like the West won on November 9, 1989.

Don't forget to send questions to our public Q&A at asksteve@greatdiamondpartners.com.



STEVEN TENNEY

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