Hi Folks,

I hope this email finds you all well. Maybe a tad bored, but as well as one can be in these tough circumstances.

The insanity of the March madness was like nothing I've ever witnessed before. Record days down, record days up, WCS oil hitting $5 a barrel, travel, leisure, and energy stocks losing unrealistic values in one or two sessions. It was truly panic selling at its peak. As we live through these historic times the barrage of Covid-19 news leaves us with almost nothing else to occupy our thoughts or interests and can play havoc with our emotions and judgement. John Lennon says it well here: https://www.youtube.com/watch?v=bVYXWVs0Prc . Mind Games for sure! So where does that leave us in April, and the rest of the year you ask?

In my email on Monday, March 23, I stated, "First, from personal experiences this past week I feel we are very near to a bottom. I have had a handful of conversations eerily similar to the 2009 market bottom that only happen once people capitulate and believe this one is different and the world is coming to financial ruin and it is, "every man for himself!"

So far that has proven to be possibly ***the*** bottom, as all three U.S. indexes did bottom that day along with our TSX in Canada…. or better said-NAILED IT! (so far anyway)

Also, from Saut Strategy Monday morning:

It was only the 9th 20%+ downside quarter since 1928 and the 5th since 1945. In the 4 previous 20% downside quarters since 1945 the SPX closed higher 12 months later 100% of the time. Looking at past pandemics shows that in the 1349 Black Death crisis England's economy declined by 23.5%, while the 1629 depression resulted in an economic contraction 25.4%. As for America, there was an economic contraction of 12.9% in 1932 and an 11.6% contraction following WW II (1946). Most of my "finger to wallet" ratios continue to suggest the stock market bottomed on March 23 at 2191.86 basis the SPX. That view was reinforced last week when the Volatility Index (VIX/46.80) fell ~29% to close below 50 for the first time since early March. That could be an indication that an "internal low" was reached on 3-23-20 when the selling intensity and investor fear reached a zenith. The question now becomes, "Will we get a retest of that low or not?" Quite frankly, I just do not know because that should depend on if the virus peak is in the rearview mirror, or close to being so. One thing I am pretty sure of is that many stocks have already bottomed and that if you nibble at stocks here you will be very happy a year from now.

The seemingly daily swings of record points up or down has many investors scared, confused, and rightfully concerned. Mr. Market's mind games are definitely wreaking havoc for even the smartest and thickest-skinned investors. Now the hard part…Was March 23 the bottom or is more selling and a retest yet to come? And therein lies the magical question, how is this going to play out in the coming months?

First, let's tackle how recoveries play out: https://en.wikipedia.org/wiki/Recession_shapes. This definition explains the four shapes of market recoveries. I am of the mindset the *U* and *L* shaped recoveries are least likely, as normality will return in the coming weeks along with consumers and most jobs once we plateau infections and get back to daily life.

A few weeks back (or was it just days ago?) I was very adamant that we were going to have a *V* shaped recovery and was positioning portfolios accordingly. After a lengthy discussion with Jason Castelli (our head of investment strategy in Canada) and cautionary commentary by other trusted strategists, I am leaning towards the distinct possibility of a *W* shaped recovery. Strategically, one cannot overreact though or days like yesterday do get missed and cause us to lose gains that we may never recover. Monday's gains were what is sometimes a whole year gains in one day as the Dow, Nasdaq, and S&P 500 were all up over 7%! Yet the Saudis and Russian never met and continue to bicker, Boris Johnson is now in the ICU, the USA is nearing 400,000 cases of Covid-19, business activity is still declining, and so

many other reasons to be bearish and negative. Just when you think things are as bad as ever, Mr. Market pulls a day like that out of his hat. What changed in reality between Friday and Monday that much? Mind games. Also, to toss a bit more caution out there, earnings season begins next week, and unless you sell toilet paper or Doritos one will have a tough time putting positive commentary out there with all the unknowns. And no, we don't own P&G or PEP, as they may correct back down after this pandemic levels out and people realize their pantries are full for the next year!

The one reason I do believe the *V* shaped recovery is still a possibility is that almost everyone is calling for that to not happen. This from CNBC just yesterday: Why the chances for a 'V'-shaped economic recovery are getting less likely from CNBC.com . The biggest lesson I have learned in my career is to not follow the herd as I have said numerous times in quoting the piece "Zebras" by Jeff Saut. You can google it if you need a refresher.

I will get to how I am trying to position for both types of recoveries without taking on more risk in a minute. The last thing I want to educate you about is the three things that cause bear markets:

1. Cyclical downturns - This is what was being discussed just a few short months ago. There was the discussion that the business cycle was coming to an end as 2019 neared the end and then the trade war was taken off the table. This brought us into 2020 with a new belief that another growth spurt was coming as tensions eased. This also changed the sentiment on a cyclical downturn causing a recession.
2. Structural or systematic events - The 2008-09 financial crisis was a perfect example of this. In simplest form, banks were over-leveraged and caused a domino effect that "structurally" started to collapse the system. So far, this is not happening to our economy or anything systematic, yet.
3. Event-driven- This is where we are today, an exogenous event has caused the world to pause numerous everyday activities indefinitely. This is putting a huge strain on the economy and business alike. So far, this pandemic fits perfectly into a one-off event, but if not addressed soon it can morph into the other two causes.

That is why there is a record amount of fiscal stimulus being enacted by most governments. They are attempting to **maintain** this as an event-driven downturn and not have it metastasize into a cyclical or structural event that would cause much more long-term damage. This chart shows us why it is important to keep it a one-off and why as Trump says, "the cure cannot be worse than the problem itself":

	How long did the bear market last (months)?	*How steep was the decline?*	*How long did it take to recover (months)?*
Average Structural	**42**	**-57%**	**111**
Average Cyclical	**27**	**-31%**	**50**
Average Event-Driven	**9**	**-29%**	**15**

Source: Goldman Sachs

That, my friends, is why I am cheering for the event-driven downturn rather than the other two! It also shows why I tend to lean towards a *W* recovery as the average duration of the event-driven bear market is nine months, and we are arguably in our third month. I believe a quick bounce back to some sense or normality is warranted and see nine months as too long, and why being prepared for both types of recoveries is so important.

Now, onto you and your portfolio. I cannot reiterate how having the flexibility to move assets as a whole has been a godsend in this environment. In the PIMG models, I have been busy positioning for a recovery defensively. I have taken 70% of the PPL to cash, 20% of BABA to QCOM, 70% of Aim7417 to cash

(after today) and 1/3 of it to SHOP, with the other 2/3 in orders "priced" to fill lower than their market values today on CPX and MFC. These buy orders are placed and ready to fill if we get a market pullback that coincides with the prices I strategically set to purchase them at. I do hope they fill, but if they don't I have not taken any of your pureplay equities out, only the bond fund, MUB, and the other low risk fund, Aim7417. The theory is to leave the assets already invested exposed to more upside if there is no pullback, and if there another pullback to purchase more quality companies at around a 15% discount to where they were when the orders were placed. Some clients in Viridian and non-registered accounts have more cash on hand and more orders that may or may not fill at lower prices and will be adjusted as to market participation and other safety factors.

Please do not succumb to the "mind games" being played out there. As Saut stated above, it is a great time to nibble at stocks and if history is a market barometer we can use the last four times this happened to gauge where we should hopefully be in the future.

And now for some fun: https://youtu.be/sPLgsV_Ms3Q

Please stay well and positive, and as always please call with any questions…

Cheers,
Steve

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