

Disclaimer

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InvestorsObserver Workshop

InvestorsObserver Workshop

- What's going on at *InvestorsObserver*:
- Market update
- Member-driven content: Questions, site demonstrations, etc.
 - Can prepare slides for questions submitted ahead of time: Mention “workshop”

S&P 500



S&P 500



S&P 500



What else is going on?

- Uncertainty is everywhere
 - No one knows how hard this is going to hit
 - Scale of economic disruption a mystery (supply shocks AND demand shocks)
- Federal Reserve/Interest rates
 - Fed is providing liquidity to virtually everyone
 - Buying assets and doing repo/reverse repo for all kinds of assets
 - Also doing some other kinds of lending
- Economic data is outdated before it gets to us
 - Unemployment claims is on a one-week lag, maybe the most up-to-date
 - Monthly Employment Situation Report reference week is the week containing the 12th of the month. In March, that was before the 3 million claims week
 - Going to be bad, but not actually telling the whole story
- Oil Prices still hitting fresh lows
 - One Alberta contract was less than \$5/bbl this week.
 - “Floating Storage”

What to Watch?

- Unemployment claims
 - One-week lag in data
 - Some people also may not apply immediately so there's some further lag
- Earnings season is around the corner. The earnings will be bad.
 - Get some updated information about business conditions
 - Guidance is going to be interesting. How many companies are willing to provide an updated forecast for the rest of the year?
- Doubling rate
 - Will vary by state, but the doubling rate will slow before the peak.
 - Peak doesn't mean outbreak is over, just the number of new infections/deaths is on the downslope. Required for economy to reopen.
- Fiscal Spending Packages
 - Congress is going to have to do more if there's going to be any hope a V or U shaped recession
 - Rent relief is going to be a big deal likely going to hear a lot about it soon.

Questions?

- 1. While we all know this may soon be one of the greatest opportunities to buy into the market...How do we know "when" to enter the market?*
- 2. If you have limited available cash...How do you decide if you should sell other investments to reinvest in better/faster growing investment instruments?*
- 3. Should you even think about investing in fixed income investments given the extremely low interest rate environment?*
- 4. With an uncertain time for this market to recover...Should people who are eligible for Social Security, but have been holding off on signing up to increase their future payment amount, reconsider this decision?*
- 5. Is a Life Insurance product a better investment for retirees, than the market? - David*

Questions?

1. While we all know this may soon be one of the greatest opportunities to buy into the market...How do we know "when" to enter the market?

- This seems like a question about time horizons.
 - Market timing is very hard. No investor ever successfully catches the tops and bottoms
 - What you can do is be prudent about asset allocation.
 - Money you need in the shorter term should be put in relatively safer assets than money you don't need for a long time.
 - Investing now isn't *that* different from investing a month ago. Market will almost certainly be higher in a matter of years. Possibly higher in a matter of months. Much shorter than that, it's very hard to guess.

Questions?

2. *If you have limited available cash...How do you decide if you should sell other investments to reinvest in better/faster growing investment instruments?*

- This depends on your investing goals and time horizons. Not really something *InvestorsObserver* is going to be able to answer for any particular individual.
- In general, you should have an asset allocation mix that gets rebalanced from time to time. Generally this means selling the leaders and buying the laggards
 - In this market, who the leaders and laggards are is likely different from where you were a month ago... especially if you're looking across asset classes.

Questions?

3. Should you even think about investing in fixed income investments given the extremely low interest rate environment?

- Fixed income is very safe assuming you're holding until maturity.
 - You can still lose capital if you sell early.
- Not all fixed-income is the same. Low-end of the credit spectrum is looking much more speculative right now, and a lot of IG credits could be downgraded
 - Fitch actually slashed a bunch of retailers from IG to HY (junk) this morning.

Questions?

- 4. With an uncertain time for this market to recover...Should people who are eligible for Social Security, but have been holding off on signing up to increase their future payment amount, reconsider this decision?*
- 5. Is a Life Insurance product a better investment for retirees, than the market?*

- These are questions best asked of a financial advisor who can consider your individual financial situation. Not something we can give a blanket answer to.
- What is the goal? Do you want this money later, or is intended to be inheritance?
- Life Insurance Products (annuities?) should probably be considered an asset class that is part of a portfolio, as opposed to a binary choice.
 - Not actually risk free. Depends on the terms of the product. Even if there's a "guaranteed" return, you're still exposed to some counterparty risk with the issuer.

Questions?

Question regarding If you are assigned a stock and you sell a call against it, Let's say you had an initial 320 Strike and you sold a 320 call against it. If the stock is trading at 330 before the call expires and you want to close the position, do you sell the stock at the initial 320 strike or would it be at the 330 strike.? -Randy

- Assuming this situation arises from a sold put or bearish vertical spread
- If the stock is at 330, sell the stock for 330, no reason to leave \$10 on the table
- Will also need to buy back sold call, which, if it is \$10 ITM, will cost at least \$10
- If the sold call is assigned, it would be sold at the \$320 strike

Questions?

How do collars work to protect our position?

-Jason

- A collar combines a covered call with a protective put
- Sold call offsets the price of the put, keeping the breakeven the same
- Bought put will gain if the stock falls
- With MU, we sold a long-dated call to make sure we had plenty of room for the stock to rise, while keeping the put short and relatively tight.
- Typically only use this strategy to hedge against a known risk or potential risk (earnings in this case) as it creates some drag on performance.

Questions?

Where do you see the lithium markets heading in the near term? Also what is your opinion of the pot stocks? -Robert

- In the short term, commodities demand is going to be depressed. Probably looking at months before things start to ramp back up.
- Pot stock has a boom/bust cycle in 2019. As a group, weren't performing particularly well prior to the coronavirus outbreak. Haven't really gamed out the potential impacts, but generally, the sector is highly speculative.

Questions?

I have options, that expire in 3 months time, eg (QQQ, AAPL, Spy...etc)but I have a big loss in some of them, should I sell them or still hold on to them? -Anonymous

- Depends on the size of the loss
 - At down 50%, you can sell now and you still have 50% of your investment. Not a great result, but for people buying long calls, not the worst outcome either.
 - At down 95% you're pretty close to down 100%, so what you've got is a very speculative long position.

Questions?