

March 25, 2020

Dear Valued Client/Investor:

I shared with many of you in a letter dated 3/6/2020 – seems like an eternity ago – why the 3,500+ point, -12.4% plunge in the *Dow Jones Industrial Average (DJIA)* over the Coronavirus the week of February 24 reminded me of the sharp decline the *Index* endured after the terrorist attacks on 9/11 (i.e., by the end of the first week after trading resumed the *DJIA* had fallen -14.3%) – copy of my letter is enclosed. I still hold to the views I conveyed and for those too young to remember the negative impact those attacks had on our nation's psyche and spirit from coast to coast in the weeks and months that followed, I would be happy to share my personal and professional experience.

Since writing my 3/6/2020 letter investors' anxiety over the Coronavirus has only heightened with the extraordinary steps our government has taken to combat and mitigate the disease to keep our hospitals and health-care system from being overwhelmed. The economic impact of those steps has taken a devastating toll on our economy. In essence in our attempt to mitigate the spread of the virus and relieve the pressure on our healthcare industry, which represents approximately 17% of our economy, we have virtually shut down the other 83% – that is unprecedented. What is not unprecedented, however, are crises that produce periods of extreme pessimism and bearishness, as well as, mystifying confusion. Each economic, market and financial crisis is different from prior ones but what they all have in common is that each is accompanied with its own set of what appear to be difficult, unsolvable problems and logical reasons for despair, sometimes deep despair.

When recently witnessing the long lines of people waiting to enter a *Costco* or a supermarket to stock up on food and supplies, vivid memories popped into my head from my youth – specifically the fall/winter of my junior year in high school. In October 1973 the Arab state members of the *Organization of Petroleum Exporting Countries (OPEC)* placed an embargo on oil exports to the United States to retaliate for President Nixon's support of Israel against an attack from Egypt and Syria in the *Yom Kippur War*. The embargo led to a quadrupling in the price of oil from \$3 a barrel to \$12 and the imposition of a strict rationing program. Drivers not only faced sticker shock at the pump but also long lines wrapping around blocks sometimes waiting hours to fill up. Odd-even rationing was imposed – the last digit on your car's license plate (odd or even) determined what days of the week you were eligible to acquire gas. Gas stations would post flags – green if they had gas, yellow if rationing was in effect and red if they were out of gas. Drivers were greeted by signs reading: "Gas Shortage! Sales limited to 10 GALS of Gas per customer" or "Sorry No Gas" or "Pumps Closed" or "Gas Sales Limited to Regular Customers".

The *New York Times* ran daily articles describing the hardship our country's citizens were enduring (i.e., the entire nation was impacted). One *New York Times* article cited by Meg Jacobs in her book, "***Panic at the Pump: The Energy Crisis and the transformation of American Politics in the 1970's***" featured an eighteen-year-old college nursing student from Westchester County, New York, who after visiting her mother who had been sick, was looking for gas to make her drive back to school. She got into her first gas line at 7:00 a.m. and was forced to join three new lines over the rest of the morning but she had no luck – all the stations closed down before she was able to reach the pumps. The *New York Times* reporter recounting her ordeals caught up with her in the afternoon while she was in her fifth line and wrote "she craned her neck toward the service station and gazed disconsolately at the 50 cars ahead of her, all waiting for a turn at the gas pump". A little over an hour later the young, exasperated, exhausted nursing student finally reached a working pump and filled her car up with gas.

What made that crisis particularly cataclysmic was the sense that it happened all at once. Unlike a war there were no bombs dropped, no bloodshed or loss of life but it felt like a war. In fact President Nixon's top advisors dubbed the embargo "An Energy Pearl Harbor". The fear that we would not have enough oil to fill up our gas tanks, heat our homes, or run our factories, not to mention, afford to do so was palpable and visible everywhere you looked across our nation. Moreover the American oil industry could not respond by increasing supply – many pundits predicted that this would not only be a long lasting crisis but would forever alter the American way of life – it was the end to big cars, big suburban homes and boundless consumption.

Amid disagreements within *OPEC* the embargo was lifted in March of 1974 but prices remained at elevated levels. In the 12 month period from 9/30/1973 through 9/30/1974, that included the 5 month embargo, the *S&P 500 Index* declined -38.94%.

I fully understand and appreciate the fear and panic over the Coronavirus that have consumed us and the world – it has been devastating. I don't mean to equate my personal experiences, observations and memories of 9/11 and the oil shock of 1973-1974 to recent events. But as stated previously – and I believe it is worth repeating – each economic, market and financial crisis is different from prior ones but what they all have in common is that each is accompanied with its own set of what appears to be unsolvable problems and logical reasons for despair, sometimes deep despair.

We don't know what the future holds but our country has shown throughout history its ability to gather our nation's great talents and resources to overcome the difficult and sometimes seemingly insurmountable challenges it has faced. I am confident we will unite once again and do the same.

Hoping you and your loved ones are in good health. I welcome and value your personal opinions, experiences and points of view – please call me anytime.

Best regards,



John A. Gogolak
Senior Vice President/Investments