

By Gary Klaben

“Oyez, Oyez, Oyez!” Stand Together. Stay Apart. Steady On. Army Strong.

My first “real world” lessons began in 1980 while serving in the U.S. Army. The 40 soldiers in my infantry platoon represented a broad and diverse cross section of America.

There were men from farms, inner cities, and suburbia. Men from the North, South, East, and West. We had soldiers with master degrees, the tough-economy poor, high school dropouts, and even criminals. The new all-volunteer Army had slim pickings coming off the heels of the politically and socially divisive Vietnam War.

The men’s wide range of values was eye-opening. “Work ethic” could mean anything from putting your nose to the grindstone to “getting over,” slacking off, or doing absolutely as little as possible to get by without recrimination.

This was unexpected and disconcerting. **We sometimes fail to recognize that one’s way of life is not the same as someone else’s.**

However, this was the U.S. Army! We had to put aside our biases, differences and idiosyncrasies because we knew any one of us could die on the battlefield if we didn't act as a cohesive unit, cover each other's backs, and fight for our brothers in arms.

We had to find common ground. We did so, when it mattered...

Covid-19 has turned the tables on everyone. It has humbled us, unmoored us. We didn’t know what we didn’t know. It has redefined up from down, in from out. Now we question everything. We anxiously yearn for trustworthy information.

Back in medieval times, the town crier delivered the news: “Oyez, oyez, oyez!” New proclamations from the high lords of the manor regarding rules, taxation, selling, planting, harvesting and so forth. The townspeople, mostly illiterate, would hear a proclamation or news from a nearby town. Deadly infectious diseases were common, along with a variety of other maladies too numerous to count that pegged the average life expectancy at age 36.

Their mental state was often fraught with anxiety and depression. The news “net” was very small. Not much in the way of positive news happened during one's lifetime. Of course, the threat of war, famine, and pestilence were commonplace.

These things were expected and accepted.

This year, **the sudden advent of Covid-19? Neither expected nor accepted!** Indeed – inconceivable and monstrously tragic! We’d come to believe massive infectious disease was a thing of the past. Our standard way of living ruled out any change in lifestyle. We suddenly were surprised and benumbed with having to shelter in place, social distance, and place severe limitations on our work and other activities.

Today our town crier comprises about a half-dozen huge digital information platforms headed by the likes of Google, Facebook, Twitter, the networks, and cable news. This is a gargantuan news net. Every hour it collects hundreds and thousands of mostly negative news stories.

It's as if all the town criers everywhere are loudly bellowing everything at us simultaneously. **The cacophony of voices and disparate news flashes overwhelm!**

So we spend an inordinately large amount of time reading through newsfeeds, viewing posted stories, and watching news programs, just to try to find one relevant bit of information. Even when we find it, we often must assume it's tainted, biased, or maybe downright wrong. To not be snookered, we then do our own fact-checking, hopefully to discover what we need to know.

Having the king's and privy council's words conveyed via one town crier's mouth would seem a whole lot simpler!

Alas – to maintain our sanity, we “turn off” the news or limit it to our favorite news source that reinforces our biases so we end up in a somewhat sanguine frame of mind.

One important question is: How has all this affected the financial markets?

Well, historically, the textbooks would teach us that in the past, contracting economies lead to recessions which cause high-flying stocks to drop steeply while value stock companies weather the storm a bit better.

Not this time. Why not in 2020?

Great question. Let's examine a couple of parts.

First, this recession was driven almost completely by a virus. February 2020 was all sunshine and rainbows. March 2020 saw a minus 35% stock market with at least 10 million U.S. jobs immediately lost, and Covid-19 infections rising swiftly, along with an alarming number of deaths.

A tale of two economies separated by mere days and weeks. Akin to falling off a cliff. A nightmarish scenario that – if game-planned by any of the economic soothsayers – would have been termed laughable, downright ridiculous.

Well, what's even more, something else ambushed us. Suddenly, we are not all in this together... at least not economically.

Covid-19 split our U.S. workforce into two: labor-intensive and creative-thinking jobs. It's the difference between Frank's Bar & Grill and Facebook, or American Airlines and Apple. The usual divide between essential and non-essential businesses broke down.

Whether essential or not, companies such as Facebook and Apple continued to work...at home.

While about 70% of the economy is creative-thinking, the other 30% gets split between essential and non-essential workers. Even though many creative-thinking jobs may be non-essential – not a problem! – they can work from home digitally, conveniently stay connected, and be paid the same wage to perform the majority, if not all, of their job duties.

However, **in the labor-intensive, non-essential sector, income went to zero.** America, through its Federal, State and Local authorities, sidelined a huge section of our labor pool in order to limit the spread of Covid-19 and save lives.

Naturally the financial markets flipped as well. The technology sector, along with essential goods and services, boomed while the value companies waned. Oil wildcatters are not needed when fuel consumption drops more than 30%, along with the entire energy industry.

Conversely, the increased need for ever more devices, connections, and tech tools vastly increases as we work from home. This drives stock prices up for those tech companies and platforms that by default become essential.

Another part is played by the Federal Reserve Board of Governors. They blew it big time during the Great Depression, as industrial production plummeted, unemployment soared, families suffered, and the U.S. contraction spread around the globe.

In 2008/2009, instead of another Great Depression, then Federal Reserve Chairman Ben Bernanke and the Board applied hard lessons learned to achieve a Great Recession instead.

In 2020, Federal Chairman Jerome Powell and the Federal Reserve Board have taken that further and have already doubled Bernanke's propping up of the Great Recession economy by injecting **over \$4 trillion of economic stimulus and support as of August 2020.**

This has enabled the economy, the credit markets and the financial markets to hum along. The new CARES Act passed by Congress have propped up many small businesses and consumers fueling continued spending despite the shutdown in an attempt to buy time until we

beat the virus and get back to economic conditions as they were in January 2020.

Of course, the still unknown future of Covid-19 causes a lopsided economic vote going forward.



"All I'm saying is now is the time to develop the technology to deflect an asteroid."

CartoonCollections.com

U.S. technology stocks are having a stellar year through August, reportedly now worth more than the entire European stock market. Meanwhile, value stocks are still trying to recover.

As measured by discounting the present value of all future cash flows, technology stocks are priced fairly, at least by these measures. To be sure, there are the Teslas and Nikolas of the world that appear unworldly priced. Time will tell where they end up.

The odd national situation we have presently has produced a great polarization of opinions, perceptions and facts that seemingly are driving us apart more than bringing us together to deal with Covid-19.

This tragedy is ever present, real and palpable. We are now wary, watchful, and waiting...waiting...waiting for a vaccine or any other safe and effective remedy to defeat this treacherous enemy.

Meanwhile, on any given block in America, some workers are home earning a wage with very little economic change. Others are home waiting to return to work, but deemed non-essential, while local authorities phase in their jobs.

The essential healthcare, construction, trucking, and other workers are rarely seen at home, as their hours away have increased. Then there are the legions of retired people stuck at home due to age, weaker immune systems, pre-existing conditions, and restricted travel.

And then...sadly...those most unfortunate individuals who catch Covid-19 and, worst case, end up on ventilators in a Covid-19 isolation ward, sometimes to die "alone."

Over the last six months, the rhythm and flow of our lives has dramatically changed. One wonders: **Can Covid-19's seismic shock and suffering possibly lead us to a rebirth, as the bubonic plague did in Europe 700 years ago?**

Looking back and learning from those who overcame similar challenges might provide us something we're now short on: Hope.

The Black Death claimed millions of lives, devastated entire economies, rocked major cities, unleashed dark hatreds, and caused many to flee to the countryside. People despaired that the world would never be the same again.

Yet along with this deadly pandemic and social upheaval came change — social, economic and political — that proved positive.

The plague speeded the collapse of feudalism by reducing the value of land, since it now lay fallow. Serfs who survived were in much greater demand, and lords had to treat them better and pay them more. Seeds of free market capitalism got planted.

Artists and scholars, formerly tied to the purse strings and dogma of the nobility and the church, flourished in what soon became the Renaissance. Out of the Old World, a more open and dynamic one emerged.

To be sure, human progress never marches in a straight line. Those shifts in medieval Europe's balance of power caused instability and wars — one lasting 100 years. The new guns and cannons could kill more effectively than swords and arrows.

While our own era's revolutionary innovation — the internet — is deployed in mass communication rather than mass warfare, it, as with firearms, empowers every individual to change established institutions. Historian Michael Oren writes, "Once online, any person can become a columnist molding opinions, a judge issuing convictions, or a pastor preaching her or his beliefs."

So — here we are in 2020 in our new Covid-19 world.

We can try to escape, to ignore, to resist or deny this reset of reality, or **we can reassess, shift, pivot, innovate, and create our place in a permanently changed world.**

Covid-19 already has produced new daily digital routines. There is more visiting, baking, cooking and connecting. Strangely enough, our human need to connect has “forced” many to video conference with family, friends, coworkers, and the community through popular sites such as Zoom, Skype, and BlueJeans.

Maybe you’ve heard the old saw, “The healthy person has a thousand dreams. The unhealthy person, but one.” For many people today, Covid-19 has become their sole focus. Deep down, we instinctively know that Covid-19 does not define us. It’s just a current condition to be prudently and patiently managed as best we can.

For decades to come, we will analyze this world event. This deeply emotional, scarring experience will caution the next several generations not to forget the lessons of Covid-19. To be vigilant, to learn from it, and not make the same mistakes.

Just as the Federal Reserve Board learned from its Great Depression debacle — just as we reflect on how our grandparents were scarred by their “depression mentality” distrust of banks and the stock market — **so must we re-boot and move forward.**

Again, to be sure, the short-term status quo is liable to involve further disruption and some fundamental changes in how we lead our lives. Some people may never work outside their homes again or travel as frequently by air. Sports arenas, restaurants, theaters, hotels, K-12 public schools, and college campuses may see significant changes.

“I was taught that the way of progress is neither swift nor easy.”

- Marie Curie

But again — to remind ourselves — it was the Renaissance that ultimately gave birth to the Enlightenment, to widespread literacy and the scientific revolution. That, in turn, led to the advances in medicine and engineering that enable us today to combat an insidious virus far more quickly than ever before.

“Stand Together. Stay Apart.” One of today’s Covid-19 mottos. Now thinking back to my U.S. Army days, that’s an echo from my past, where we came together from much different paths to train together as a cohesive unit. In military training, we frequently failed, fell down, picked ourselves up, tried again. **The goal wasn't instant perfection, but perpetual progress.**

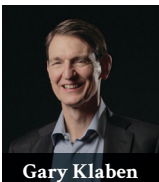
So it is with our difficult Covid-19 world today. Steady on! Face to the wind! Stubbornly persist! “Army Strong!”

Years ago at West Point, as a lowly plebe, I was struggling. A First Class Cadet admonished me: “New Cadet Klaben, you need a major attitude adjustment!”

I felt miserable and embarrassed hearing that with my peers present, but I had to suck it up and carry on.

Right now, we’re all awkwardly having to suck it up and carry on. Historically, that’s what America’s rugged individualism and winning spirit are all about.

So take a deep breath. Persevere. Meet people where they are at. All good things take time.



Gary Klaben

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2700 Patriot Blvd, Ste 440, Glenview, IL 60026
316 W. Roosevelt Rd #100, Wheaton, IL 60187
801 Laurel Oak Drive #403, Naples, FL 34108
847 441-5644 | Toll Free 800 480-7913 | CoyleFinancial.com