

Allegheny Insights: April 24, 2020

Economy & Markets

Just as a sense of calm was coming to the financial markets, one of the legs supporting the rally was kicked out from under it. Over the past five trading days, oil fluctuated more than 10% each day. This sent a wave of volatility crashing back into the stock market, ultimately leading to a small loss since our last update.

One factor leading to oil's volatility is the difficulty in trading the commodity. Trading oil is not as simple as buying or selling a stock. Oil trades in the futures market. When you trade oil futures, you are trading a contract for the purchase or sale of physical oil at a specific price, on a specific date in the future. Traders who have bought futures must later sell them to close out their position, or they will have to take physical delivery of the commodity. As you might imagine, most futures traders do not have the storage or a use for millions of barrels of oil at their firms. Thus, when the May futures contract expired on April 21, traders were so desperate to close their positions that they were actually willing to *pay* buyers to take this obligation off their hands. As a result, oil crashed below zero. Who would have ever thought "black gold" would trade in negative territory?

Even amongst the volatility and negative news surrounding COVID-19, first quarter earnings reports gave us a glimpse of how some companies are weathering the storm. Companies in the leisure, hospitality, and travel industries are struggling, and probably will continue to struggle for the foreseeable future. But companies such as Netflix and Chipotle posted record-breaking earnings reports. Companies like these benefit from people staying home and watching more TV than normal, or taking advantage of free deliveries and providing much-needed revenues for franchisees and delivery drivers.

We have been communicating consistently with our mutual fund managers and, for the most part, are pleased with moves they have made over the past six weeks. Many managers have been able to take advantage of the sell-off and purchase stocks they have been watching for years but felt were overvalued at market prices. As with our advisors' approach to planning, our Research team maintains a long-term outlook when evaluating mutual funds. We have made a few adjustments as needed, but for the most part, remain committed to the funds we recommend. We have confidence in them finding the Netflices and Chipotles of the world, which will come out of this crisis stronger than before.

Financial Planning Updates

Investment headlines can be overwhelming during volatile times in the markets. They can cause you to behave differently than you would during normal times. While we are very much in the industry of investing, sometimes the best thing to do is take a step back, breathe, and move your focus elsewhere.

One of the foundational pillars of our business is our focus on comprehensive planning. While it is certainly normal for the first call during a volatile time to be focused on the markets, or how Fund A is doing compared to Fund B, perhaps the best thing to ask about is the health of your individual, long-term plan. How does your long-term cash flow projection look? Has this downturn impacted your probability of retirement success? These are questions we can answer with more certainty. They put more emphasis on variables over which we tend to have more control (such as spending). While it is nearly impossible to predict what will happen on any given day in the markets (again, who would have thought oil would one day trade at negative prices?), what we *can* do is use history as a guide and apply that to your individual circumstances. The day-to-day swings in the markets are enough to drive anyone crazy, especially when we are essentially trapped in our homes in front of our televisions.

Cultivating peace of mind is most important here. Let Wall Street climb the wall of worry while you stay safe, healthy, and happy at home.

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Allegheny Financial Group and Allegheny Investments Business Updates

As you know, the Pennsylvania statewide stay-at-home order has been extended to May 8th. We will be honoring this date, and our office will remain closed through early May and possibly longer. While we await further guidelines from local, state, and federal government, Allegheny has been working on the framework for our own return to office (RTO) plan for employees, and eventually, our clients. We will continue to update you as new guidance is released, and as our internal plan takes shape.

In the meantime, and as always, Allegheny stands ready to assist you with your investment and planning needs. We offer many electronic options including mobile check deposit, electronic signatures, and virtual meetings that help us serve you more efficiently. Ask your financial advisor or a staff member for more information on these options.

We remain deeply grateful for your ongoing trust and support, and we extend our best wishes for the health and safety of you and your loved ones.

Sincerely,

Allegheny Financial Group, LTD
Allegheny Investments, LTD

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