

Stocks & the Virus: When Will the Craziess End? - Transcript

Tom Mullooly: Episode 183. We're going to talk about stocks and this virus. When is this going to end?

Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly and this is episode number 183. Once again we're going to be talking about the virus that's going around. I want to remind viewers that 2008, which a lot of people are comparing this to, 2008 was a combination of recession plus bank failures. Now, the way that you re-inflate an economy is through the banks. You lower interest rates and you make money available. But in 2008 we not only had a recession, but we had banks that were literally on death's doorstep. So we had a very serious problem that comes along once in a lifetime, like in the 1930s and again in 2008. Most times with recessions you can see them coming. They usually don't start with something like a virus, which is officially a pandemic today. We're recording this on March 11th, 2020. But the market has for some reason decided that this is going to be worse than 2008. I just want to share some information that we heard just yesterday.

Wall Street's still expecting 2% growth in the economy in the first quarter. Now we won't see the first quarter numbers until late April, but because of the panic the market is resetting growth expectations to zero growth. No growth in the second quarter and the second quarter is April, May and June. We won't see the first estimate of the second quarter until the third week in July. That seems like an eternity from now, which means that the market is expecting an economy way worse than 2008.

People are losing their minds. That's the only way I can explain this. If you say, "Okay, it's not really about the virus, it's about oil." I want to just talk about a couple of things. This is all due to what's been going on the last few years with fracking here in the United States. Now because of what Saudi Arabia and Russia have done with the price of oil over the last few days, we're probably going to see some bankruptcies in the shale sector.

But you have to understand something. A lot of energy companies have fantastic balance sheets and great assets and they're going to be able to go in and buy these fracking assets at pennies on the dollar. That's what capitalism is all about. When you have a certain sector of the economy down on its knees, it's some of the weaker sisters are going to get swept out to sea. That is the way it works. Things get a little screwed up when the government decides to intervene and do bail outs. That's a whole other video.

But I do want to ask you to just check out a couple of things after you watch this video, and of course after you subscribe to our YouTube channel, I want you to check out something called Farr's Law, F-A-R-R. Farr's Law regarding epidemics. They talk about how they ramp up really quickly and then they, like a bell curve, they come down the other side very quickly. So study up on Farr's Law so you understand what's happening right now, especially in the United States.

The other thing that I'm going to say, I can't believe I'm actually saying this, is I'm going to ask you to tune into the YouTube channel for CNBC. I can't believe it. But about two weeks ago they did a two hour interview with Warren Buffet. It is fantastic. Even if you just watch the first

30 minutes, you're going to learn a lot. This guy has so much wisdom. Soak up everything this guy has to say. It'll be well worth your time to watch the whole thing. So at one point Buffet said, "If you make any decisions buying or selling on this virus, you are making a huge mistake." And I want to repeat that. So you're making a huge mistake if you're trying to gauge buy and sell signals for your portfolio, off of this virus.

The other thing that I want to just remind people is, as I said in the last couple of videos, we haven't been testing here in the United States. So now this week we're going to start testing. Expect a huge spike, a huge spike in the number of cases in the United States in the next seven to 10 days. There's only been through Monday of this week, 48 hours ago, there's only been 4,300 tests. 4,300 tests. Some states haven't even done any tests yet, so the number of cases is going to jump sharply. Bigly, okay? Don't flip out. The market probably will flip out. It's important that we keep our heads as we're doing this.

Now as we're going to record this, we are down roughly 20%. Market's still open, so it hasn't closed yet. So we're down 20% from the all time highs that were set on February 19th. Today is March 11th, so that's only 22 days, 22 calendar days. Tim, how many trading sessions is that? It's like 16 trading sessions. We've dropped 20%, fastest ever. Tells you that people are panicking, people are overreacting, people are making bad decisions. Don't let that happen to you.

If you've got questions, if you've got concerns, you need to talk to an investment advisor, your financial planner. If you don't have one, reach out to us we'll be happy to talk to you. Don't forget to subscribe to our YouTube channel. Thanks again for watching Episode 183.