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OP-ED: Lessons learned: U.S. equity market reels, but attempts to recover

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At the beginning of this year, the U.S. stock market showed robust strength. Negative headlines were not enough to keep the market from rising; it continued its record-setting bull market run.

Then, just like that, it was over. The bull market did not end because of economic issues. This bull market ended because of a virus, and the growing realization of its impact on the global economy. The end of the market run was sudden and ferocious. Veteran investors were shocked and surprised. Warren Buffett observed that in all his years of investing, he had never seen anything like it.

Since the market is usually a forecaster of the economy, it appeared that the market was forecasting an event as big as the Great Depression, with unemployment at levels unseen at any time previously. Liz Sonders, chief investment strategist for Charles Schwab, said it was the Great Depression, the crash of 1987 and the 9-11 attacks all rolled into one.

Then on March 23, the U.S. equity market struck its low point for the year thus far. Since March 23, the market has been on a tear. First dismissed as a bear market rally, the market rose by more than 23 percent, qualifying it as a new bull market. The rise erased one half of the market drop since late February. The lessons: Do not give up on the American economy. Stay invested. Do not try to time the market.

Global efforts by central banks in the U.S. and worldwide to buoy the system led to the sudden and steep rise. Citibank estimates that central banks this year will buy $5 trillion in bonds, which is more than twice the amount of the stimulus of the 2008-09 financial crisis. The U.S. Federal Reserve even announced that it would buy corporate "junk bonds." Adding in the stimulus package, the total financial support comes to $14 trillion, according to the IMF. Echoing a statement by former European Central Bank President Mario Draghi, the Fed appeared ready to "do whatever it takes." But will it be enough? Already there are calls for more stimulus.

The market ended the quarter on a very strong note, but took a sharp drop on the first day of the new quarter as President Trump appeared to call for a new tariff war with China. The S&P dropped almost 3 percent that day.

With the price of a barrel of oil sinking below zero due to the world economy screeching to a halt, it is hard not to wonder what the future will bring. The next quarter of earning news is likely to be very bad. P/E multiples will be stretched as earnings disappoint. Nonetheless, we have seen over the past 50 years that it is better to hold onto investments in solid companies in times of turmoil rather than sell. According to Baron Rothschild, "the time to buy is when there's blood in the streets."

An apparently efficacious new drug for the virus gave the market a big boost, so it may not be earnings, but rather medicine, that will buoy the markets from here on. We will see more negative virus and certainly earnings news. The market will continue to see high volatility.

A further question is the shape of the recovery. Will it be shaped like a V, a U, a W or an L? Since the consumer is 70 percent of the economy, we need to see stores and services open and functioning to know the answer to this.

Staying invested in the best companies in growing sectors, thereby relying on the breadth and resiliency of the American economy, is likely to be the best strategy over time. But be prepared for a bumpy ride.

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