



October 8, 2023

This too shall pass: an interim bulletin

"Well, it just goes to show you, it's always something — if it ain't one thing, it's another." — Roseanne Roseannadanna

Our plan this weekend was to work on a short 50th anniversary piece recounting THE worst month in the history of the U.S. presidency—Mr. Nixon's Terrible Awful Month. As we have done in many past missives, we were hoping a little walk down memory lane might put any current market worries into proper historical perspective.

But, as with much in life, SURPRISE... we were greeted with an unexpected 50th anniversary halfway around the world. Terrorists attacked Israel on the anniversary of the Yom Kippur War.

This was not the walk down memory lane we were expecting to take. But here we are, so let's review. In October 1973 on Yom Kippur, the most sacred day in the Jewish calendar, a coalition of Arab states led by Egypt and Syria (and massively supplied and supported by the Soviet Union) launched a war of extermination against Israel. Within days, it became a proxy war between the U.S. and the Soviets—the two thermonuclear powers capable of wiping out humanity.

As the Watergate scandal came closer and closer to the Oval Office, the Vice President of the United States amazingly walked into a federal courthouse in Baltimore, where he pleaded no contest to one (unrelated!) felony count of federal income tax evasion, and resigned his office.

Arab members of OPEC (Organization of Petroleum Exporting Countries) embargoed the sale of oil to the United States in response to our virtually unlimited resupply of Israeli forces. Many of us reading this remember enduring the long lines at the gas pump while prices rocketed higher. By the time the embargo was lifted in March 1974, the price of oil had quadrupled. Inflation exploded.

Under subpoena for the Watergate tapes, President Nixon ordered Attorney General Richardson to fire Watergate special prosecutor Archibald Cox. Richardson declined to do so and resigned. The order was then given to the assistant attorney general, who also declined to do so, and was summarily fired.

Solicitor General Bork finally executed the order, but the event set off a nationwide firestorm of rage. America's most serious constitutional crisis since the Civil War now completely engulfed the country, and it would not end until 10 more months of constantly deepening horror had passed. (Nixon finally capitulated and announced his resignation on John's birthday, August 8.)

Stunned by the oil shock, the economy entered a 16-month recession and the S&P 500 bottomed with a 48% peak-to-trough loss. If an investor had invested \$20,000 at the market peak in January 1973 (can we call this 'bad timing'?) she would have had something like \$11,000 left at the 1974 trough. But, if she had then just continued to stand fast, her original \$20,000—dividends reinvested and taxes paid from another source—would be over \$3 million today. For such is the compounding effect of owning Great Companies.

But 1973-74 was not the only period our intrepid investor had to stand fast, there was also:

- The Crash of 1987. Largest one-day stock market decline before or since.
- A three-month 20% decline in late 1990, as the Gulf War loomed, large scale corporate layoffs spread, and the economy slipped into recession.
- An almost 20% decline in just six weeks in 1998, as Russia defaulted, phase two of the Asian Contagion spread and the largest hedge fund in the world, Long-Term Capital Management, vaporized, threatening to take the whole financial system down with it.
- Implosion of the dot-com bubble, Enron and the accounting scandals, the September 11 terror attacks, and a 49% market decline stretching over 31 months in 2000-2002.
- The Global Financial Crisis and a 57% market decline, the greatest part of which took place in a howling rush from September 2008 to March 2009.
- In 2011, the Greece/Europe debt crisis; U.S. Treasury debt downgraded by S&P; the threat of a government shutdown. S&P 500 down 20% in five months.
- The Christmas Eve Massacre in 2018. A 20% market decline in just 13 weeks, driven by fears of the Fed overtightening.
- COVID and the global lockdown; a 34% market decline in 33 days.
- Nine percent inflation and the steepest, fastest rate hike in the 110-year history of the Fed. Stocks *and* bonds cratered. S&P 500 down 25% in 10 months, January-October 2022.

Summary: nine cycles of crises of 20% to 57% over 35 years.

The point of this walk down memory lane is to call to mind how you felt when one of these moments in history occurred (or if you are a baby boomer like John, when ALL of them occurred) and ask yourself:

Did you panic? Did you liquidate in response to the journalistic onslaught of “this is the Big One, it’s different this time?” And if you did, have you not always regretted doing so?

This crisis will continue to play itself out, as have all the crises that have gone before. It is impossible to predict when or how the current crises in Washington (and now Israel) will be resolved. And the media will persist in reporting this as an ‘unprecedented crisis in the economic and financial life of the world,’ and will even suggest that it is effectively unsolvable.

Neither contention is accurate. But that is not why we are communicating with you.

The purpose of this missive is a gentle reminder that it is completely human to feel horrified by the news, we are too. But as you process your feelings, please know that we are here to help you stay on track with your life goals, our plan for the achievement of your goals, and your portfolio as the long-term funding medium for that plan.

We did not and do not invest as a speculation on the outcome of current events. We invest pursuant to principles that have always prevailed in the past. Chief among these, as President Kennedy observed, is that “no problem of human destiny is beyond human beings.”

In working with Bodnar Financial, you have elected to be guided by history, as opposed to headlines. If you are new to the office and do not know what this means, please call us. It is integral to the dynamic in which we work together.

We tune out the talking heads on television when they say, “this time it’s different,” and we respond instead with, “**This too shall pass.**”

You would not be human if you didn’t experience, to some degree, a feeling of fear at the direction of current events from time to time. The great achievement at times like this is **not** to give into the fear. In a very real sense, our whole job here at Bodnar Financial is helping you toward that achievement.

The rains have finally stopped here in New Jersey. The sun is out on this Sunday in October. Justin is watching his oldest son play baseball and John is planting daffodil bulbs. This too shall pass.

We cannot thank you enough for being our clients. We are always here if you need us.

With every good wish,



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