

WILL HISTORY REPEAT ITSELF?

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Last Friday we spoke with Ryan Detrick, Senior Market Strategist at LPL, on our *Behind the Markets* podcast. This was a great conversation on the macro situation and technical market dynamics around the world with historical analogies.

Detrick uses historical patterns and quantifiable data to justify investment decisions. Markets had the fastest 30% [correction](#) and the fastest 27% bounce back in the last 15 days.

Detrick spoke about a 50-year pattern, with viruses breaking out in 1918, 1968 and now in 2020. In both 1918 and 1968, the markets lost between 33% and 36%, and now in 2020 the [S&P 500](#) fell about 34%, right in line with both pandemics.

Time for a Retest of the Bottom?

- Detrick believes there is usually a retest of the market bottom. After the great crash in October 1987, the market broke lows that December before continuing higher in 1988.
- October 2002 had a good-sized bottom, but it had another low in March 2003.
- October 2008 featured the Lehman bankruptcy, and while markets bounced into December, there was a flush down and markets didn't bottom until March 2009.
- Detrick is careful to say we are not completely out of the woods, and he would not be surprised to see a pullback of 8%-12% in the short run.

One of the charts Detrick is watching comes from the Bank of America Global Fund Manager survey that shows fear is historically high, and there is a record amount of cash in institutional fund managers' portfolios.

FMS Investors Overweight Cash Like Never Before



Sources: BofA Global Fund Manager Survey, Bloomberg.

Will This Be the Shortest Recession Ever?

Detrick believes this will be the shortest recession ever, as the government caused it and will also help rectify it. A parallel to this government-inflicted recession is when

Paul Volker caused a recession in the early 1980s by hiking [rates](#) to cause [inflation](#), and it only lasted six months.

Detrick's team is positioning portfolios in the following ways:

- [Large caps](#) over [small caps](#)
- Technology and health care as the leading sectors
- China technology in particular, since this area is holding up well in emerging markets

This was a great conversation. Please listen to the full episode below.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

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DEFINITIONS

Correction: A drop of 10% or greater in an Index or stock from a recent high.

Interest rates: The rate at which interest is paid by a borrower for the use of money.

Inflation: Characterized by rising price levels.

Large-Capitalization (Large-Cap): A term used by the investment community to refer to companies with a market capitalization value of more than \$10 billion. Large cap is an abbreviation of the term “large market capitalization”. Market capitalization is calculated by multiplying the number of a company’s shares outstanding by its stock price per share.

Small caps: new or relatively young companies that typically have a market capitalization between \$200 million to \$2 billion.