



COOK CAPITAL MANAGEMENT  
9306 Vista Meadow Dr  
Verona, WI 53593  
(608)444-1066

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Dear Client,

Our second quarter saw almost a full recovery of the S&P 500 stock index since the beginning of the year and the NASDAQ stock index is up over 10% since the beginning of the year. Although we've seen some of our workers being rehired and consumer spending increasing from their pandemic lows, our economy is still licking its wounds. You might ask why the stock market is up while the economy is still down. To answer that question, we have to understand that most investors are forward-looking. Since they've been buying up stocks, in general, that tells us that the market is predicting a quick recovery.

While I certainly hope the market is correct this time, the stock market's ability to forecast and predict the economy hasn't had the greatest track record. For instance, investors did not predict the Great Recession in 2008. The stock market also dropped about 20% in 2018 in anticipation of a recession that did not occur.

Fortunately, we can buck the status quo and focus on more certain things. Our approach with client portfolios is to focus on understanding how much the shares of quality companies are truly worth and invest at opportunistic prices. If you stuck with those certainties, you would have been more likely to sell while stock prices escalated before 2008 and buy when prices were low in 2018. Your discipline and patience during those times would have benefitted you handsomely.

When things are operating normally, the market can be a great predictor of the economy. Though, there is risk involved when you try to predict something random by nature. If you can exhibit discipline and focus on certainties the market will reward you in the long-term, regardless of its short-term predictions. This remains our approach, as always, during our current uncertain times.

Please reach out with any joys or concerns.

“Those who have knowledge don't predict; those who predict don't have knowledge”

-Lao Tzu

Stay well,

BJ Cook