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Through the Forest

For the past 3 or 4 quarters we have written in detail about the myriad of reasons for continued market volatility, capitulation and uncertainty. The last quarter had us focusing our commentary on the equity market's reaction to the Federal Reserve's potential interest rate hikes, China / U.S. trade tariff discussions, Brexit as well as heightened volatility within FAANG (Facebook, Apple, Amazon, Netflix and Google) positions. As we began compiling our thoughts for the first letter of 2019, we felt it necessary to step back and revel in what has occurred in the not so distant past and enjoy the view of the forest, despite a few crooked trees.

After the fire

We recently celebrated, if that is the correct word, the anniversary of what now has become known as the 'bottom' of the stock market's collapse during the "Great Recession". On March 9th, 2009 The Dow Jones Industrial Average (DJIA) closed at 6,547.05, its lowest level in 12 years and the value of all U.S. equities had dropped from a peak of \$22 trillion to \$9 trillion, a staggering loss of wealth.¹ The unemployment rate was moving the opposite direction as it had risen to 8.5%, versus nearly 5%, just one year prior.² It doesn't take too much imagination to remember those days and how we all felt—frustrated, tired, scared, and exhausted from living through this. It was so bad, that it was and still remains difficult to see any good that happened over the past 10 years. Not so dissimilar to when a forest is burned or cut down; the land tends to undergo a series of



changes. Some pioneer plants will quickly take hold, gradually changing the landscape—how the ground is shaded and the soil composition—such that a new set of plants will thrive there. This in turn creates yet another set of conditions that eventually allows for the return of the forest. Below are just a few of the changes and adaptations that have taken place right in front of our very eyes since the ‘fire’ of 2009.

1. **Oil Production:** For the first time since 1973, the United States is the world’s largest producer of crude oil. The achievement underscores the profound impact of rapid technological advances in drilling. Fracking unlocked vast sums of oil and natural gas that had been trapped underground. Drilling costs declined dramatically.³
2. **Uber and Lyft:** Uber founded in March, 2009 and Lyft in June of 2012 have both seen rapid growth and user base since their respective inception dates. Both are also set to make their Initial Public Offering (IPO) this calendar year. Who would have ever believed that with the touch of a button on your smart phone, in just a few minutes, drivers would be competing to take you to your desired destination.
3. **Apple:** Speaking of smart phones. In March 2009, Apple had been selling the iPhone for just over a year. In that time they sold a record-breaking 17.4 million iPhones. Twelve years after the initial release, altogether about 1.5 billion iPhones have been shipped worldwide, making it one of the most used smartphones in the world.⁴
4. **Jobs:** Private employers added just under 21.1 million jobs to their payrolls for 109 consecutive months from March 2010 through March 2019, an average of 194,000 jobs a month.⁵
5. **Technology and Innovation:** Whether it be e-readers, same day grocery delivery, autonomous vehicles, or 3D printing a new liver⁶, recessions have a tendency to not only scorch the earth but also spark new growth and innovation. During the toughest months of the financial downturn of the Great Recession, start-up activity actually surged. Nationally, more than 550,000 new businesses launched in 2009 and indexes of entrepreneurship rose as well.⁷

A fire, in the end, is healthy for a forest. It seems as though it too may be healthy for an economy and produce new ‘species’ that adapt better in the new world. It takes some time to recognize this, of course, and we sometimes need to remind ourselves that focusing on the beauty of this new forest is more prudent than focusing on what was.



THE STRENGTH OF ADVICE®

Establishing New Roots

Continuing with our theme, we are excited to announce a change within our team. Come June 1st of this year, after a lifetime calling Omaha home, Randy and his wife Laraine “Cookie”, will be relocating to Arizona. Family and the harshest winter in recent history :), are the primary factors. With technology where it is today, Randy will have the ability to work directly from his home office in Arizona, taking calls, emails and providing advice, as he did from Omaha. He plans to make frequent trips back to Omaha and as needed on a case by case basis. We are excited for he and his family and look forward to the new venture.

As always, if you have questions on anything whatsoever, please do not hesitate to contact us.

Have a wonderful Spring!

Randy, Trevor and Ashley

Sources:

1. <https://abcnews.go.com/Business/year-ago-today-dow-hit-bottom-recession/story?id=10046578>
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5. <https://www.cbpp.org/research/economy/chart-book-the-legacy-of-the-great-recession>
6. <https://www.ft.com/content/67e3ab88-f56f-11e7-a4c9-bbdefa4f210b>
7. <https://www.theatlantic.com/technology/archive/2011/10/recession-as-a-catalyst-for-innovation/246829/>



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