JCN FINANCIAL & TAX ADVISORY GROUP, LLC

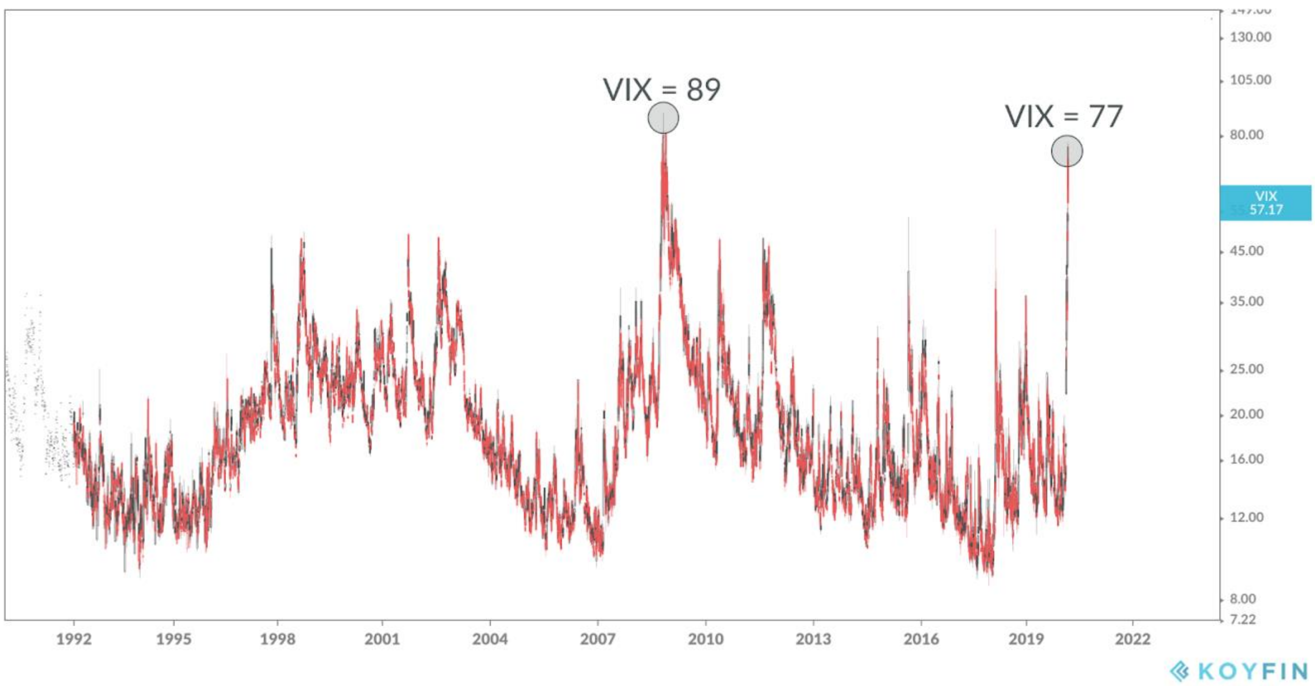
Advisory | Tax Planning | Investment Management

I hope this message comes to you at a time that you are doing well. This is a wonderful time here at JCN as we are in a position to make a difference in your lives. I have planned on these conditions for 12 years; it is so fulfilling to apply this knowledge and planning to help so many people.

I do hope each of you are taking advantage of what this time has brought us….time….time off with family. Do make the most of this time. Consider the memory this can be at the end of our lives. The time we had with family that we otherwise would not have had. In fact, for some of us this will go down as the best of times. It is very important to make It your time, your memory and not be affected by how other people see this as a bad time. Just this morning my daughter was in a car accident; no one was hurt. I was keenly aware of the opportunity this gave me - time with her, one-on-one, helping her. Had I been at the office I would not have had the freedom to take the time with her, to get coffee at her favorite coffee shop. She and I benefited from the current set of circumstances --circumstances that will soon be a memory.

A HISTORIC ECONOMIC DECLINE

You are witnessing what finance experts refer to as a Black Swan event. That is defined as an unpredictable event that may portend severe consequences. Fortunately, such events are rare, but this event has the potential to have economic implications that could last for many months or even years. The rapid spread of the COVID-19 virus coupled with uncertainty about when the rate of new cases will finally slow is causing rampant volatility in the stock market. Consumers will hear much about the Volatility Index (VIX), which is a metric used to determine how much volatility market participants expect in the near future. The VIX generally spikes when the market begins to fall, as traders rapidly work to hedge against more losses in their portfolios. As a result of the recent market decline, the VIX shot up to 77, almost matching its peak of 89 in 2008.



Even if the current bear market resolves faster than the historical median of 64 weeks, investors should be prepared for prolonged volatility as the number of coronavirus cases increases over the next several weeks and the economic toll becomes clearer.

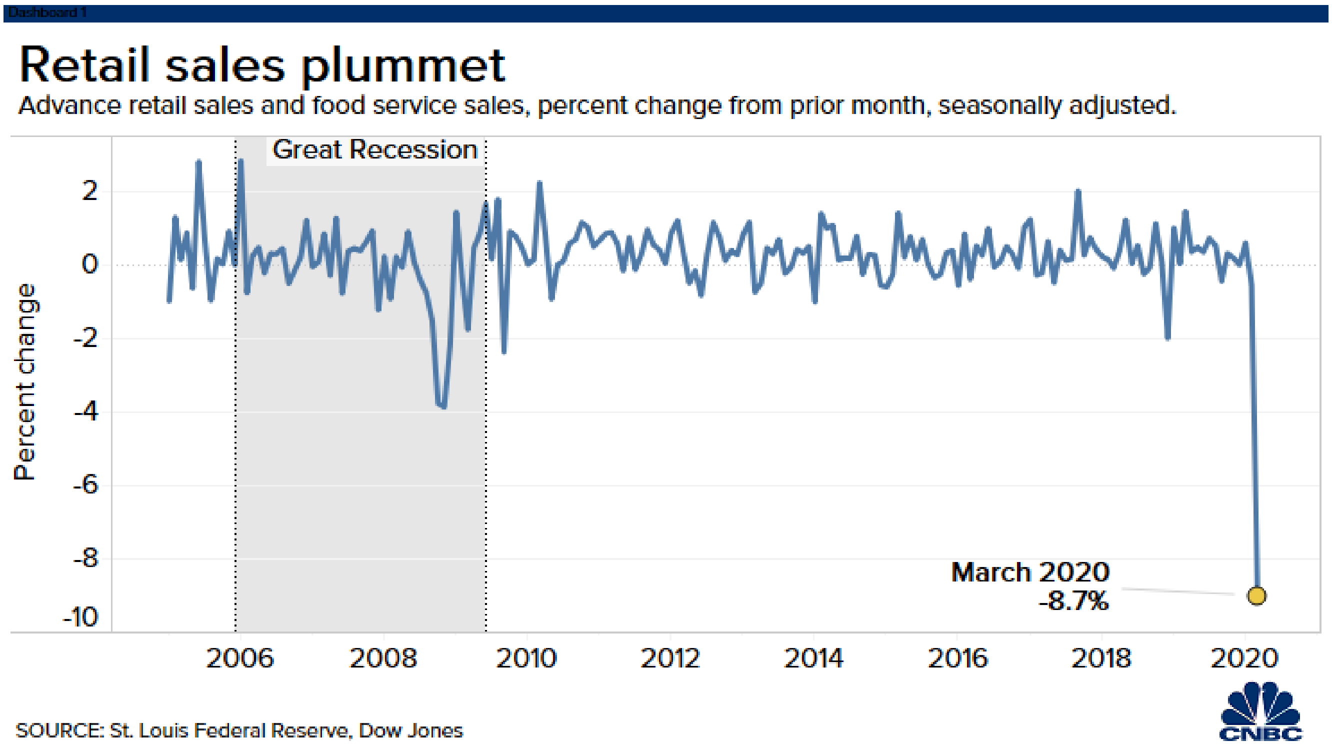
As for when the market will bottom, much depends on when the spread of new cases of COVID-19 decelerates, and when cities and states can restart their consumer and commercial economies. The greatest unknown right now is how many cases of the virus there actually are in the U.S., because many people are carrying the virus without knowing it, based on their lack of symptoms. Until the spread of the virus is more defined, it will be difficult for full re-openings of local, state and national economies. The good news is that the previous upward curve of new cases of the virus has begun to flatten. If that change sustains itself over the coming weeks, our economy will begin to re-open and improve.

ECONOMIC INDICATORS

Predictably, leading economic indicators are also unprecedented. Chief among these are the unemployment numbers. It is estimated that 46 million Americans are laid off or experiencing a reduction in work hours, according to Gallup survey data collected from March 27 to March 31. This comprises 28 percent of American workers, or 19 percent of the U.S. adult population. . Other estimates have come in even higher.

Half the workers in the most severely affected industries – arts, design, entertainment, sports, restaurants, accommodations, retail and transportation – report being laid off or given reduced hours, according the data from the Brookings Institution, a non-profit public policy organization.

Among the above-listed industries, retail sales may become the hardest hit. By March, retail sales had experienced a decline that was the largest in the nearly three decades the government has tracked the data. The U.S. Department of Commerce reported that March sales fell 8.7 percent from the previous month, an unprecedented drop.



Meanwhile, the country's small businesses are suffering mightily. At the same time, the Gross Domestic Product (GDP), the total value of everything produced in the U.S. is on track to possibly be dwarfed by the federal debt for the first time since World War II. JPMorgan Chase predicts a 25 percent decline in the GDP in Q2, while Goldman Sachs sees a 34 percent contraction.

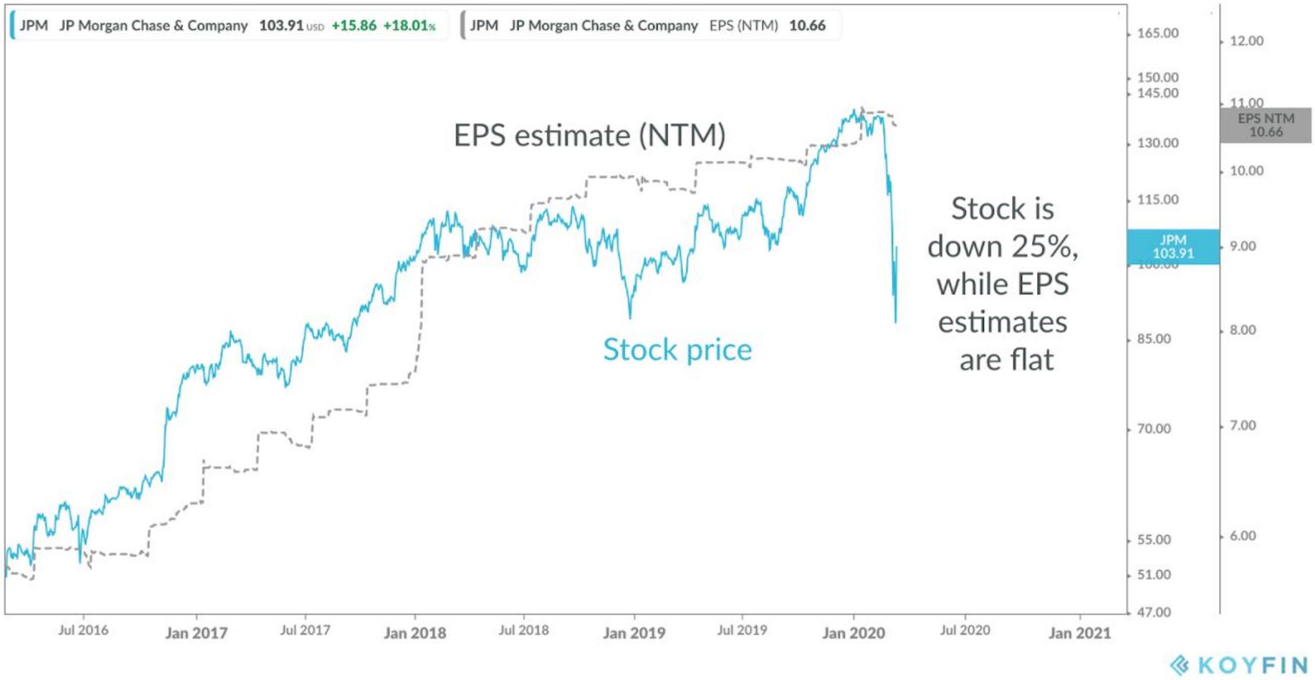
RECESSION OUTLOOK

The coronavirus is likely tipping the U.S. economy into a recession, with negative GDP growth in 1Q and 2Q. Add the hit the retail industry has taken and a recession seems imminent.

JPMorgan Chase and Wells Fargo, two of the country's largest banks, reportedly set aside billions for losses on loans to customers who may not be able to repay them. These are pre-emptive moves on the part of the banks and its customers in anticipation of the recession of 2020.

As of April 14, the 189-country International Monetary Fund predicted the worst recession since the Great Depression, much more extreme than the financial fallout of 2008.

As of this reporting, earnings estimates for Q2 and Q3 vary, but trend uniquely downward. Goldman Sachs expects -15 percent Earnings Per Share (EPS) in Q2, and -12 percent in Q3. (EPS is calculated as a company's profit divided by the outstanding shares of common stock.)



The duration of the recession will first depend critically on the path of the coronavirus. The longer the virus lingers and necessitates social distancing, the longer the bottoming process for the economy will be and the greater the odds of structural damage to the economy. Fortunately, public health experts report that social distancing among U.S. citizens is having a positive effect on defeating the virus.

JCN FINANCIAL'S CRISIS INVESTMENT STRATEGY

Early in the current crisis, JCN Financial took a pro-active and systematic approach. JCN sold 100 percent of stock holdings and moved to a crisis portfolio position. This approach involved transitioning from stock holdings to a mix of treasury bonds, gold and U.S. dollars. This strategy is meant to preserve capital as best as possible and still profit, albeit modestly prior to the recession.

Despite intermittent rallies in the stock market, the fundamentals of the market are very unhealthy. We are keenly aware of the state of the market, and we monitor it daily so we can make the best decisions for you.

Once the federal stimulus fully enters the economic system, we will be able to more clearly assess the depth of the economic damage. Then we will have distinct measures of when it is safe to reinvest in stocks. If we observe clear evidence that companies are on sure footing, slow reinvestment into stocks will begin across all of our portfolios. This is a prudent approach ruled by facts, and not by emotional reaction.

A MESSAGE FROM JOHN C. NEYLAND

It is important to me to hear from you and how you are doing. Please share good news in your life. Let me know how our guiding your finances has helped you to feel better and do better. Maybe you have more time to garden, see grandkids (video or from 6 feet apart ☺), read, write, call friends, organize your pantry. OK I can't hide it; I want to hear how JCN has helped you. We are just getting started in the process with more strategy and good news. All right, can I hear a drum roll? When you share this with me JCN will be pleased to give you a $25 Amazon gift card as a token of our appreciation. Looking forward to hearing from you!