April 2020

NEWSLETTER

SADOFF
INVESTMENT MANAGEMENT LLC

INDEPENDENT AND UNBIASED SINCE 1978

Sadoff Investment Management is an independent investment advisor. That means we strategize the best path to your most important goal, and we're not distracted by the need to sell specific products. What makes us truly different is our strategy to protect your investment in the downtimes. At every step, we promise to be dependable and easy to work with. Our family is looking out for yours.

Bryan, Ronald and Michael Sadoff

This report provides insight into the decision making process that supports the company's time tested investment strategy.

For more information please check us out at www.sadoffinvestments.com

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The Coronavirus Outbreak

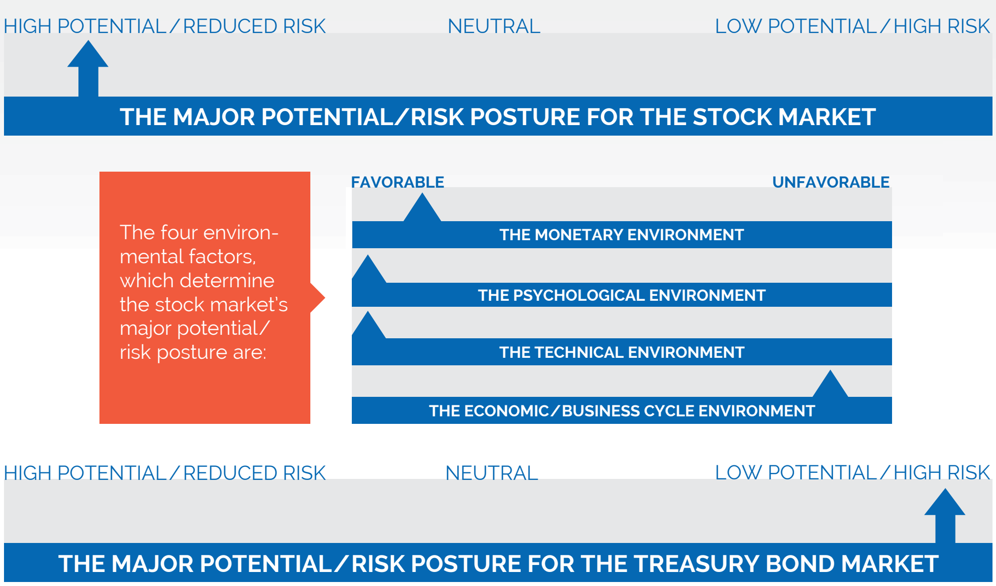
First and foremost, we hope you and your family are staying safe and healthy during this unprecedented time in our world history. The horrific coronavirus has led to death, illness and incredible turmoil across the globe from individuals to businesses.

Over the last 42 years, Sadoff Investment Management has successfully forecasted recessions and major bear markets. All were preceded by escalated inflation pressures coupled with a fast paced economy. These factors forced the Federal Reserve to push short-term interest rates higher which most often created an inverted yield curve as short-term rates surpassed 10-year Treasury bond yields. What we are unable to forecast are natural disasters, pandemics (like the coronavirus) and terrorist attacks like 9/11. These occurrences are simply not predictable.

On top of the virus, the all-out price war on oil between Russia and Saudi Arabia has erupted during the midst of the virus spread causing crude oil to drop 60%.

Let's focus on what happens after recessions. All turnarounds from recessions and panics have included massive amounts of government stimuli. For example the Federal Reserve has already lowered interest rates to zero, announced two rounds of Quantitative Easing (QE) which helped the markets during and since the financial crisis in 2008. In addition to record monetary policy, the government has passed over $2 trillion in fiscal stimulus. That is 10% of GDP which is huge!!! Many other countries are passing massive stimuli packages and the G7 has pledged to do whatever is necessary to restore growth.

Our expectation is that once this virus outbreak subsides a dramatic stock market turnabout will take hold. The current stock market plunge has already discounted a deep 2nd quarter recession. Remember, the stock market is looking ahead and on average bottoms four months ahead of the end of the recession. So while the data about the virus and the economic data will certainly get worse before it gets better the market is looking ahead.



For descriptions of the "environments" listed above, please visit us on the web at www.sadoffinvestments.com/disclosures

Fastest Bear Market

The table below identifies major stock market declines of 20% or more. This drop took just 16 trading days over 21 calendar days.   The past two recessions/major bear markets took 274 days (2007-08) and 353 days (2000-02) to reach a 20% drop. Clearly this drop has been unparalleled.

THE FASTEST BEAR MARKET IN HISTORY

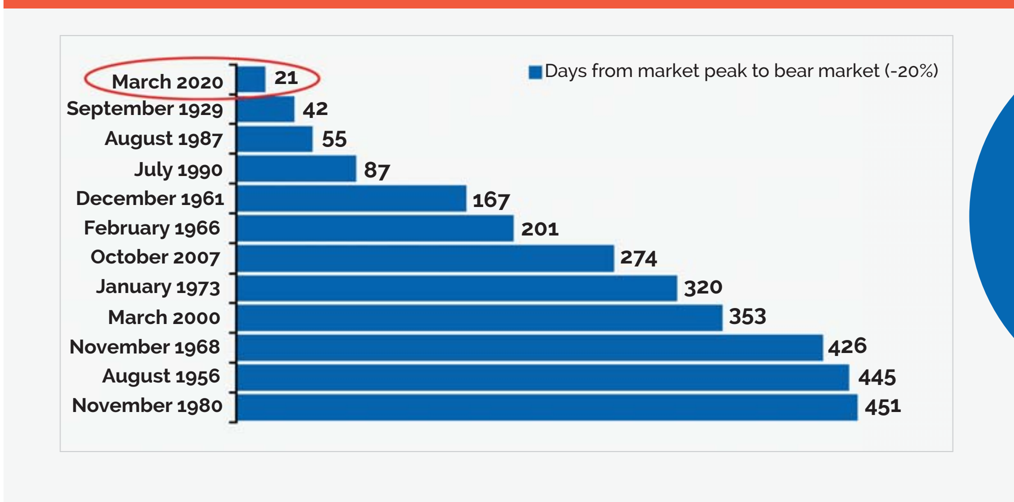


Chart courtesy of BofA Research

THIS DROP TOOK

JUST 16 TRADING DAYS

The average percent decline in a recession from peak to bottom since 1930 is -33.5%.   This drop has already seen a peak to bottom drop of this magnitude.

THE AVERAGE PEAK TO BOTTOM

DROP IN A RECESSION IS -33.5%

SIZE OF BEAR MARKETS SINCE 1930

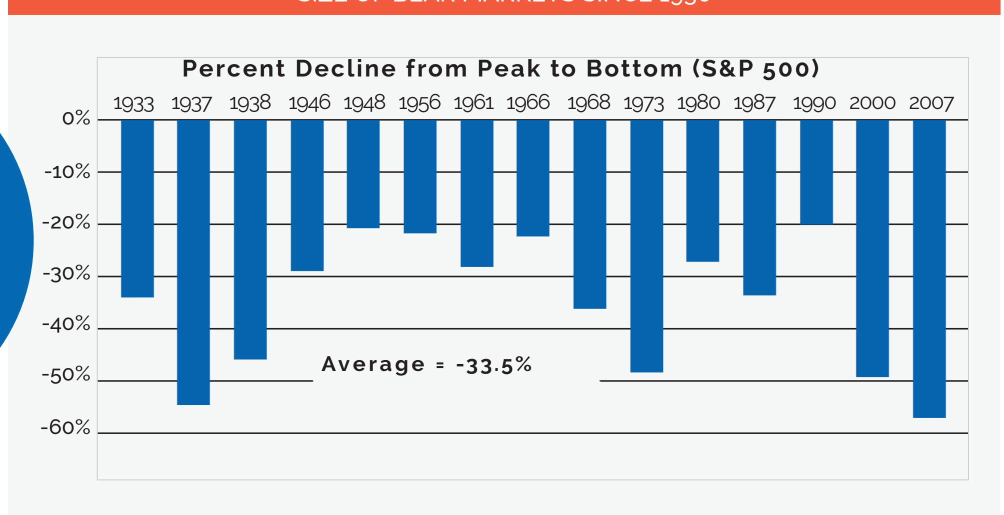


Chart courtesy Bloomberg

This chart measures extreme volatility for the stock market using the VIX which is also known as the fear gauge. As you can see the VIX recently exceeded the peak from the 2008-09 Great Recession. This indicator spotlights panic selling which pivots into significant advances.

VIX - VOLATILITY INDEX

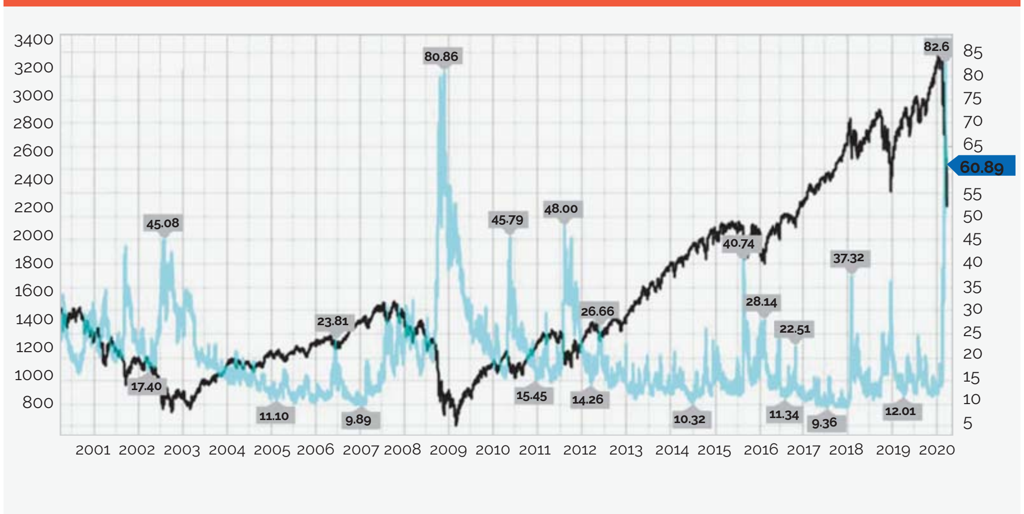


Chart courtesy of StockCharts

Post Bear Recoveries

The good news is the one and two-year post-bear recoveries are powerful. As you can see from the table below, the average 1-year post-bear recovery is 40% and over two years is 58%.

DRAMATIC ADVANCES FOLLOW A MAJOR STOCK MARKET DECLINE (S&P 500)

Bear Start (Peak)	Bear End (Trough)	Duration (Months)	Drawdown	1 Year Post-Bear	2 Year Post-Bear
10/9/2007	3/9/2009	17	-56.8%	68.6%	95.1%
3/24/2000	10/9/2002	30	-49.1%	33.7%	44.5%
8/25/1987	12/4/1987	3	-33.5%	21.4%	56.9%
11/28/1980	8/12/1982	20	-27.1%	58.3%	61.5%
1/11/1973	10/3/1974	20	-48.2%	38.0%	67.3%
11/29/1968	5/26/1970	17	-36.1%	43.7%	59.7%
2/9/1966	10/7/1966	7	-22.2%	32.9%	41.7%
12/12/1961	6/26/1962	6	-28.0%	32.7%	55.7%
8/2/1956	10/22/1957	14	-21.6%	31.0%	43.7%
	Average	14.9	-35.8%	40.0%	58.4%

Note: Daily price indicies are used to capture longer time periods and to represent the sensitivity to short-term market stress
S&P 500 Index

Chart courtesy of Bloomberg

AVERAGE TWO-YEAR

POST-BEAR RECOVERY IS 58%

One, three and five years after a 20% decline has lead to significant stock market advances. The average return one year later is 14.2%, three years later 11.6% per year and five years later 11.8%. Compounded, the five-year average return is over 74%!

The coronavirus outbreak immediately pushed the stock market into a waterfall panic selling decline. Rather than selling into panic, think long-term like investing sage Warren Buffett. Panic is your enemy.

RETURN AFTER 20% MARKET DECLINE

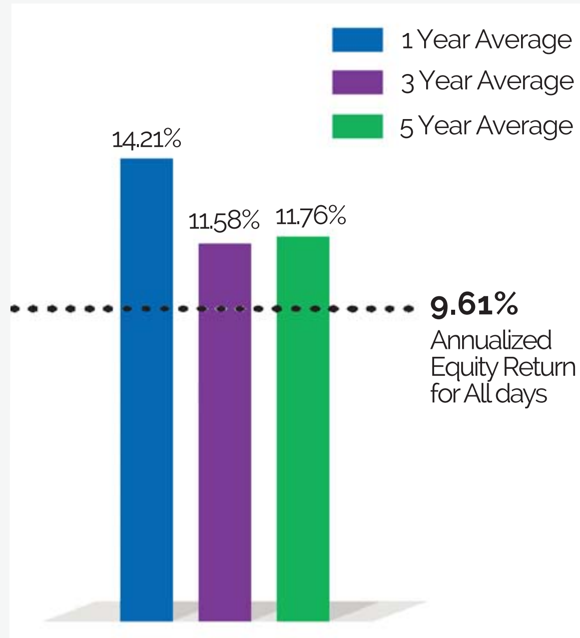


Chart courtesy of Curran & Lewis Investment Management

Some Good News

When a market bottom forms there are a number of indicators that are triggered in the process. In the last week several of them have occurred.

First, on the way down there was a positive divergence in the number of new 52 week lows on the New York Stock Exchange (NYSE). On March 12, there were 2,377 new lows, the most since 2008. The stock market continued to move lower yet the number of new 52 week lows did not expand. On Monday March 23, the market made a new intraday and closing low, yet the number of new lows shrunk to 805.

Second, the S&P 500 has had several large one day gains during the waterfall decline including gains of 9.3%, 6.0%, 4.9%, 4.6% and 4.2%. It was not until March 24 that we saw a 9.4% gain. A 10-1 up day is where volume of the stocks that rose on the NYSE exceeded the volume of the stocks that declined by a ratio of 10 to 1. 10 to 1 up days are bullish with average gains in the S&P 500 of twice the normal gain over the next six months.

Third, the S&P 500 had not seen back to back up days since February 12. Starting Tuesday March 24, the S&P 500 rose for 3 straight days gaining over 17%.

Lastly, corporate insiders bought stocks at a near record pace. The chart on page 6 shows over 2,800 executives purchased nearly $1.2 billion in company stock since the beginning of March (data through March 24). This is the third highest monthly level on both a dollar basis and individual basis since the data has been tracked starting in 1988. The number of insiders buying is the most since November 2008 which is bullish.

Executives purchased nearly $1.2 billion in company stock since March

NUMBER OF INSIDE BUYERS PURCHASING COMPANY SHARES, MONTHLY

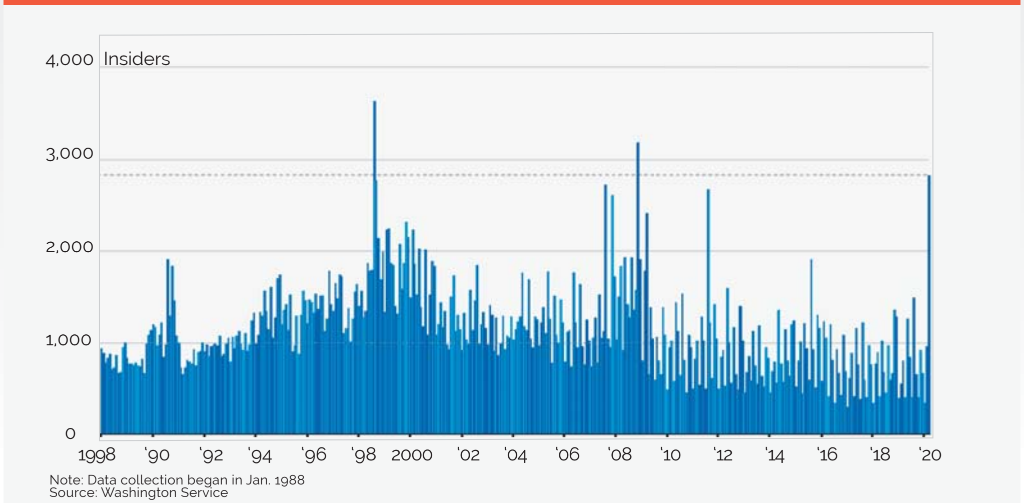


Chart courtesy of Wall Street Journal

Below is a chart showing the average performance of the stock market around waterfall declines. The recent drop is the 14th waterfall decline in history which also includes declines from the Great Depression, Great Recession and Crash of 1987. After the initial low, which in this decline was Monday March 23, the performance going forward one year has been excellent.

Caveat, of the previous 13 waterfall declines, most had a retest or undercut of their initial lows. Going forward we expect continued elevated levels of volatility and a possible retest or drop below the March 23 lows. The key to investing in panic selloffs is to focus on the big picture – where the market is in 1 and 3 years not 1 and 3 weeks or months.

HISTORICAL PERFORMANCE OF DJIA AROUND WATERFALL DECLINES

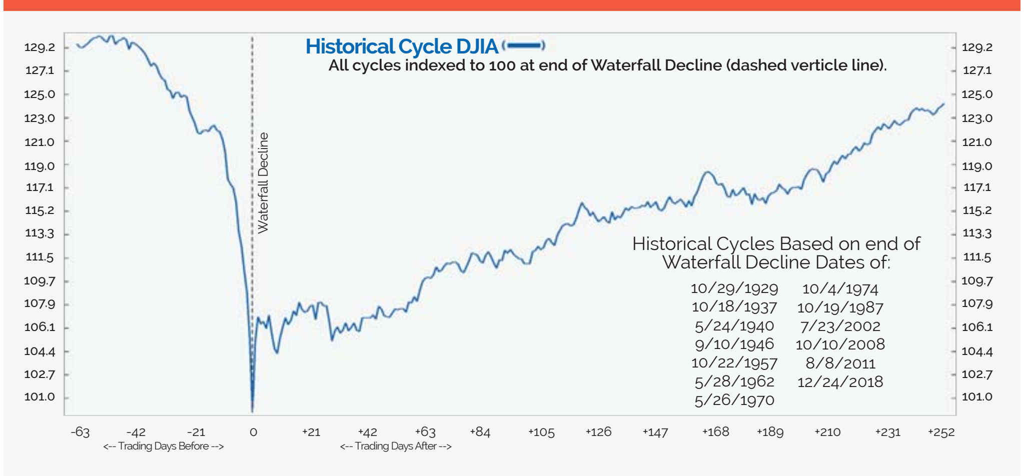


Chart courtesy Ned Davis Research

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