



The COVID-19 Virus and Financial Markets Volatility 2.0



Protecting the most vulnerable of our population from the coronavirus took an institutional turn this week when governments mandated social separation in general and of course specifically when anyone is ill in your household. The self-quarantine took several forms from recommending no gatherings in parties of 10 or more to “shelter in place” requiring all restaurants and bars to close in San Francisco and New York City and having people stay in their homes except for essential activities. The goal, of course, is to dramatically stop the spread of this virus and save lives.

At US Capital Global remote work protocols were instituted on Monday, in addition to already having separated key management personnel in different locations from the office as part of our business continuity planning. Fortunately, we are a FINTECH financial group and for many years have used innovative digital technologies to support our financial products and mandates. Almost all our data is electronic and found on our investor and client-facing data rooms used for reporting and reviewing information. Our technology facilitates current staff in several locations around the world. San Francisco, London, Las Vegas, Moscow, Kolkata, Costa Rica, Philippines, and Ukraine have US Capital Global personnel using our systems. Our San Francisco office will now be a “Work from Home” location in compliance with the new local requirements and an abundance of caution.

We will have to temporarily curtail our popular networking and investor events in London and San Francisco for a few months. However, our sophisticated digital marketing technology has been in place for many years now and we are continuously improving on this technology to directly connect with you. Careful data management enables us to communicate to our relationships only with things they are interested in. We spend a lot of time making sure we know our clients’ and partners’ wants and needs as we seek to have quality relationships in person and digitally.

Economic disruption like we are experiencing will put many businesses in trouble. This event appears like it will last long enough to damage 2020 earnings for many private enterprises and throw them into annual losses. Losses, even temporary, can have a worrisome effect on their bank lending relationships. Banks, critical equity financiers, and other key suppliers have quite strict underwriting and credit standards in exchange for low interest rates and favorable credit terms. This is a reasonable market condition but does not afford flexibility for the affected businesses when the bank, or other key relationship forces them out.



Our over 20-year focus on alternative investments in debt and equity means we have seen patterns like this several times over the years. In 2008 we saw very good companies, forced out of their financing relationships, often become very good US Capital Global clients for our debt and equity solutions. Savvy individual and institutional investors look to us to originate, syndicate, and do due diligence on these opportunities in debt or equity.

Because we are specialists in alternative growth equity and fixed income, we have the flexibility to proactively deal with temporary business dislocations like we are experiencing. Since most investments are illiquid and medium to long term, we can reasonably adjust some terms to help excellent businesses and managers to weather the event.

A number of our commodity, asset-backed portfolio companies are counter cyclical and actually can do well during public market turmoil and “risk off” situations. Our technology-driven service or FINTECH companies we consider generally good long-term holds and investments, and the current market chaos is not really a detriment to their success. Innovation and sound leadership is their value driver. Key partnerships with financiers, such as US Capital Global, is the flight to quality that businesses deserve now.

Family and personal health is rightly taking priority in all our concern, thoughts, and actions. The steps being taken in the public and private sector to temporarily and now, robustly, socially distance and isolate will be successful in dramatically slowing the spread of this virus. Participate and comply; it will save thousands of lives. Once appropriate steps in that regard have been taken, it may be time to reexamine financial portfolios and see if it is possible to separate out some volatility and consider some alternative fixed income and growth equity products. This may be an opportunity in the sector like it has been in other similar, economically disruptive events. Also, it may be time to reexamine existing partnerships and embrace quality new ones.

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