Thomas Rowe Price, Jr.'s Words Still Ring True Today

This is no time to be panicky.

April 2020

> "We caution our clients against the danger of becoming panicky now that war is an actuality. The air and the press are full of rumors, reports and prognostications. Commodity and security markets are experiencing violent price fluctuations."
>
> - Thomas Rowe Price, Jr., September 1939

Read More: Thomas Rowe Price, Jr.'s letter to clients on the following pages.

In September 1939, Thomas Rowe Price, Jr., the founder of T. Rowe Price, sent a letter to clients with his thoughts and advice on how to manage their investments during an uneasy period that began with the statement you see above.

When Mr. Price wrote this letter, a new war had begun in Europe as the Great Depression was winding down in the United States. He wanted to send a strong message regarding what he believed to be the best way to weather the uncertainty.

Then, as now, the message was clear. While economic conditions and events change and evolve, the best long-term investment strategy is to keep steady and stay the course—regardless of, as Mr. Price noted, "rumors, reports and prognostications."

He provided us with a road map for navigating periods of market volatility that has served us and our clients well through numerous extraordinary market events during our 80-year history. That road map includes:

Putting clients first. Mr. Price believed that when our clients succeed, the firm succeeds. Our day to day remains the same in that we are continually positioning our systems and staff to ensure that our clients receive the support they need and the service they expect from T. Rowe Price.

Remaining disciplined and risk aware. Our depth of experience allows us to understand geopolitical and economic factors and react to them opportunistically—even defensively—when necessary. As conditions change, we're able to remain focused on achieving solid long-term results.

The world has changed remarkably since our founding in 1937, but to this day, we remain dedicated to staying at our investors' sides regardless of economic climate or market volatility. As with prior market events, we will maintain our long-term approach of staying calm and staying invested.

THIS IS NO TIME TO BE PANICKY.

We caution our clients against the danger of becoming panicky now that war is an actuality. The air and the press are full of rumors, reports and prognostications. Commodity and security markets are experiencing violent price fluctuations.

There is very little reliable information on which to base an opinion as to what is going to happen during the months and years ahead. Any forecast is extremely dangerous until we have further information concerning the following questions.

WE DON'T KNOW --

1. Whether the war will be long or short.
2. Which other countries will be involved or which side they will support.
3. Whether the United States will be drawn into the war.
4. Whether the present Neutrality Act will be revised in accordance with the President's wishes.
5. To what extent the Federal Government will attempt to regulate prices of commodities.
6. To what extent the Federal Government will attempt to control production of vital industries.
7. To what extent the Federal Government will limit profits.
8. Whether we shall have further deflation in this country before inflation takes hold.

WE DO KNOW --

1. High grade bonds, including U. S. Treasuries, dropped from five to ten points within several days -- contrary to the general belief prior to the break.
2. Stock averages advanced sharply upon the advent of war instead of declining as had been so generally forecast.
3. Many commodities have sharply increased in price despite the existing surpluses and excessive production facilities.

T. Rowe Price, Jr., and Associates

4. The public is buying steel stocks and other "war babies" in anticipation of big profits such as accrued to these companies during the World War.

5. The public has been selling sound stocks which are not direct beneficiaries of war, but which may prove to be better investments than the "war babies" in the long run.

WE BELIEVE --

1. Economic conditions today are quite different from those prior to and during the World War.

2. Future events are likely to be very different from what most people anticipate today.

3. A period of readjustment and hesitation of business may occur after the first scramble to buy commodities and stocks.

4. Because many uncertainties lie ahead, clients should be prepared to make frequent changes in their holdings as developments dictate, regardless of whether such changes involve profits or losses.

For months we have recommended the sale of long term, low coupon bonds and an increase in holdings of high grade, short term obligations, U. S. Savings bonds and bank deposits, where the client's objective has been conservation of capital.

Common stock funds have been fully invested and purchase recommendations have been predominantly in shares of companies which we thought should prosper with or without war and serve as a partial hedge against inflation.

We now caution against scrambling for "war babies" which have had a sharp rise in market value and throwing overboard good stocks which have been greatly depressed in market value. We have recently recommended the sale, in part, of some of those stocks which have had a substantial rise and may have temporarily overdiscounted near term prospects, in order that each client may have ample cash reserves and be prepared to take advantage of future buying opportunities.

T. ROWE PRICE, JR. AND ASSOCIATES

TRP:MW

September 14, 1939.

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