



Window of Opportunity is closing Fast for those who are not prepared to deal with rapid rise of mortgage defaults

Year 2020 is the year when the perfect storm building has taken the firm shape in the financial markets. We now have reached to the point of no return. It is just a matter of time. It is no longer question of “If” but “when”! The three key factors that have led to present situation are:

1. Expected Financial Correction,
2. Who is going to be President of Unites States and
3. COVID-19 virus.

Expected Financial Correction

For past few years, until now, we kept on hearing from Industry Pundits that economy has been long overdue for the correction as we have seen the longest bull run of the market. Most of them are now projecting very high probability of market correction within next 18 to 24 months. Economies across the worlds are now started to showing signs that the bear market maybe just around the corner. Just yesterday, granted out of fear of COVID-19, we saw biggest drop in US Stock markets.

Many of the sectors such as airline, tourism, retail and entertainment have already declared that this year will be challenging to meet goals that were set earlier. While, we may not know the exact impact on unemployment, it will be certainly negative. One cannot be surprised if we start seeing layoffs and cost cutting measures happening in these sectors in two quarters or so.

Presidency of USA

Without getting into any hot political debate, we all can agree that there are at least 40% of voters on either side of aisle who thinks that the new president is very bad for the economy: be it Trump or Bernie (yes, based on the primaries so far, he appears to be potential candidate for Democratic Party. Of course, lot can change between now and Democratic Party convention). Both presidential candidates have shown that some sectors will be at disadvantage. Not a single presidential candidate is focused of all-inclusive growth or stability.

To make matter worst, both parties in House as well Senate are too busy showing how other side is bad and in the process forgetting their main function of governing for the people. This neglect towards governing is already started to show negative impact on confidence in stable and functioning governance.

COVID-19

Coronavirus disease 2019 [COVID-19] started to show us now it has started to spread fear lot faster than the Australian wild fires of few months ago. Just in matter of few days, we now have around 50

confirmed cases spread across 8 states (California 24, Arizona 1, Washington 1, Nebraska 12, Texas 11, Illinois 2, and Wisconsin 1). As per published information by CDC, these are mainly cases (39 cases) among the persons repatriated to the United States^[1] (3 from Wuhan, China and 36 from Diamond Princess Cruise ship).

So far, mostly cases are travel related and only few are from person to person spread. But if we look at data from Italy and other countries, we can see how quickly these numbers could get worst. All key health related agencies (CDC, HHS, FDA, NIH, etc.) have cleared all their current works for focus of COVID-19 on the highest priority. Even though it is not officially pandemic situation yet, it is been treated close to be one. If spreading cannot be controlled in time, economy will take biggest hit. We have already heard devastating effects on car dealerships, schools and many other industries from Wuhan providence of China; where many are now forced to close for good or rely on Bank / government rescue.

Will mortgage Defaults remain at current level?

I doubt there is anyone who thinks that somehow mortgage defaults will remain untouched of above factors. Unfortunately, when defaults start rising, rise will be very fast. For those, who are not prepared to deal with sudden rise of defaults, better get their act together soon before the window of opportunity closes.

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Reference:

[1]: <https://www.cdc.gov/coronavirus/2019-ncov/cases-in-us.html>