



# Coronavirus Financial Survival Guide

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## **Introduction**

You stand at a pivotal moment in the history of modern civilization — on the brink of what could be a market crash, great depression, and giant debt crisis rolled into one.

In the face of this tsunami of unfortunate events, you have two choices: You can either take decisive action to safeguard your hard-earned assets ... or you will inevitable be swept away by the tides of massive change.

With this guide, I provide a roadmap for the former.

In the more-than three decades since I began my journey as a stock market analyst, I've seen my share of panics and crashes.

Younger folks ask me if the 2008 crisis was as grim as the disaster we face today.

No.

Then, there were only a few dozen financially diseased large companies around the world, and the most powerful governments of the richest countries were ultimately able to bail them all out.

This time, virtually every business and every bank in every country is getting sucked into the vortex, and it will be impossible for governments to rescue them all.

Others, students of history, wonder if the Crash of 1929 and the Great Depression that followed were worse.

No, again.

During the Great Depression, the U.S. unemployment rate never exceeded 25%, and it took many months to reach its peak level.

Now, St. Louis Federal Reserve President James Bullard predicts the unemployment rate may hit 30% because of shutdowns to combat the coronavirus.

What about the nation's economy? It could suddenly implode to the tune of 50%. That's many times more than the worst drop in America's history.

This is a crisis that could change the world. Its effects are compounded by financial cycles. And our financial system is so pumped up by debt-fueled speculation, it was already vulnerable to a bust even before the coronavirus first appeared.

Worse, its effects on the **MARKETS** are being compounded by a major turn in the financial and credit cycles. Years of excessively easy monetary policy (zero/negative interest rates, mind-boggling amounts of money printing, etc.) pumped up market

valuations and encouraged the most reckless lending and borrowing activity since the peak of the housing bubble, only this time in the corporate debt arena. As a result of that “Everything Bubble” backdrop, the unfolding downturn is much more severe than it would’ve otherwise been.

But take a deep breath. Panic never helped anyone. Neither does complacency. Instead, I recommend you transform worry into effective action — deliberate, rational steps that can preserve your wealth and even build it rapidly despite these terrible times.

That’s why I’ve written this coronavirus financial survival guide.

So, let’s talk about what we’re facing right now ... what could be coming down the pike ... and the only investment strategy that makes sense in these crazy times.

## **Pandemic Peril**

On Dec. 1, 2019, a single patient in Wuhan, China, started showing symptoms of what doctors determined was a new coronavirus.

In the space of just 13 weeks, that virus spread to all continents except Antarctica.

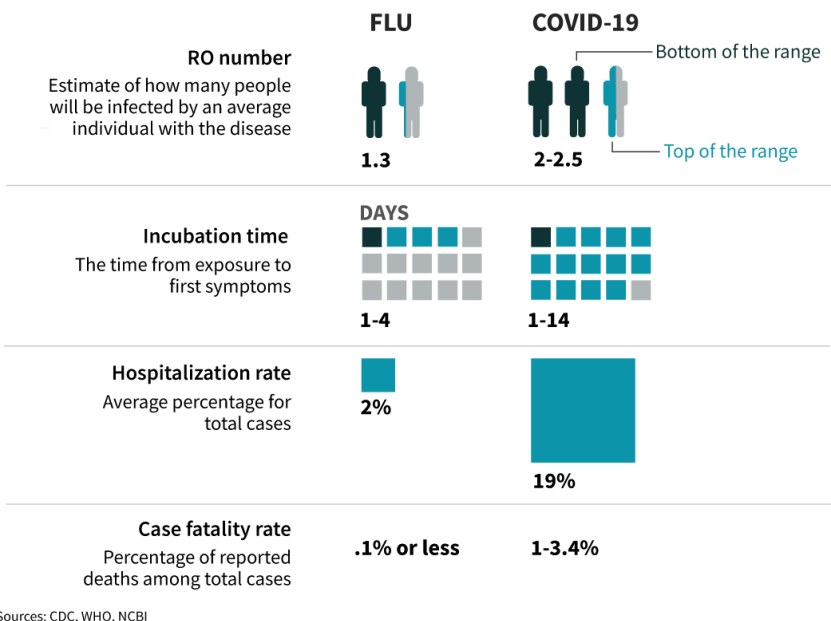
That was extremely fast.

“We’ve seen outbreaks before,” people ask. “So why is this disease so bad?”

The reasons are now evident ...

- COVID-19 is highly contagious. Some cases are mild. But in severe cases, as the body tries to fight off this new virus, its efforts to protect itself damage the lungs, causing the lungs to fill with fluid. And that can be deadly.
- Senior citizens and anyone in certain at-risk categories are particularly vulnerable.
- On average, COVID-19 is twice as contagious as the seasonal flu, and it could be as much as ten times more deadly.

## How seasonal flu and Covid-19 compare



The impact varies from country to country. But ...

- The U.S. medical system is unprepared for a crisis of this size. For-profit hospitals don't keep spare beds, or extra ventilators. Even simple things like medical masks will see stockpiles quickly depleted.
- In the first critical weeks, most western governments did not take this threat seriously.
- The good news is that now they're scrambling to catch up. We know what got their attention: A British study forecast that, if serious efforts are not made, between 1.1 million and 1.2 million Americans will likely die of coronavirus.
- But for millions of people and for the economy, it could be too late. The horse has left the barn. Valuable time was lost. The virus has spread so quickly, it's very tough to stop.

One thing to keep in mind: That British study was a worst-case scenario. One of the things about the pandemic is we don't know how bad it could get.

For example, a presentation was made to American hospitals of how bad the pandemic could get. Their numbers are smaller than those of the British study:

- 4.8 million hospitalizations associated with the virus.
- 96 million cases overall in the United States.
- 480,000 deaths.

Here's a slide that was leaked from that study:

## Best Guess Epidemiology

- $R_0 = 2.5$ ; Doubling time 7-10 days
  - Community attack rate = 30-40%
  - Cases requiring hospitalization = 5%
  - Cases requiring ICU care = 1-2%
  - Cases requiring ventilatory support = 1%
  - CFR = 0.5%
- Community epi wave 2 months
  - US: 96 million cases
  - US: 4.8 million admissions
  - US: 1.9 million ICU
  - US: 1 PPV
  - US: 480,000 deaths
- PREPARE FOR DISEASE BURDEN ROUGHLY 10X SEVERE FLU SEASON

So, which is the right forecast? Even the less pessimistic study is mindboggling in its consequences.

Look. The U.S. and South Korea reported their first victims on the same day, Jan. 20, 2020. South Korea responded with massive testing and a public health program.

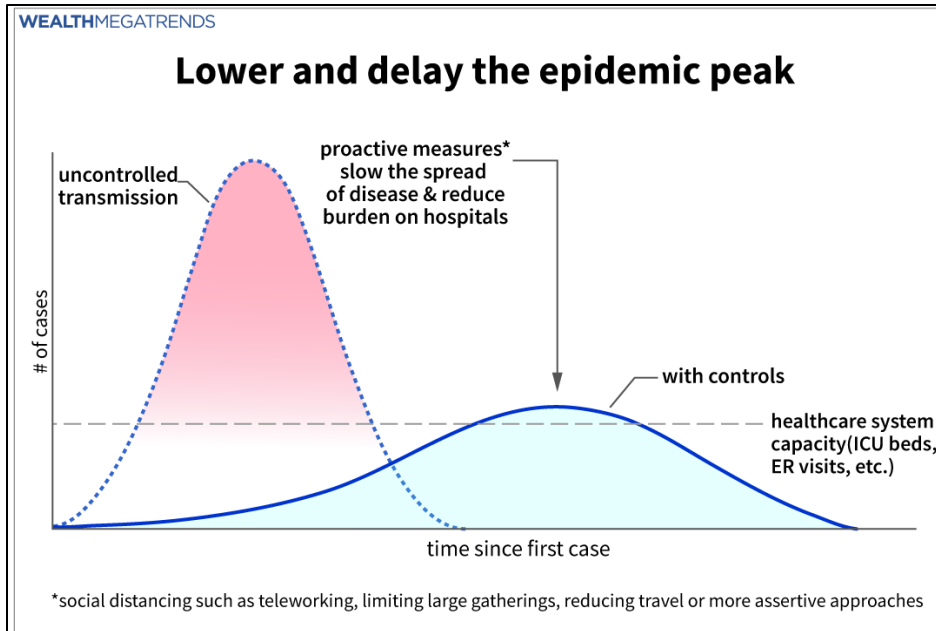
The U.S. dragged its feet.

Thus, we seem to be on the same path as Italy. And that is a path of things getting a lot worse before they get better.

The bottom line is that America is facing a quadruple whammy ...

1. Stretched global supply chains, which reduce availability of medicines and protective gear.
2. An inadequate public health infrastructure.
3. Millions of Americans who feel they are "too poor to get sick" and who will keep working, infecting others.
4. A dysfunctional political process that often slows effective decision making.

The goal of social distancing, and other measures which are throwing wrenches in the works of America's economy, is to slow down the spread of the disease to where it is manageable.



If the virus spreads unchecked, the sheer number of people looking for hospital care will break the medical system. People will die for lack of treatment. That's what we are trying to avoid. That's why Americans are being advised to stay home.

But it also what could quickly throw our economy into recession or even depression.

With that in mind, let's look at the economic and financial impact.

### **Falling to Hell in a Handbasket?**

The economy and financial markets are already sinking at lightspeed.

So, it's hard to even guess where they'll be when you read this — let alone a few months from now.

It took just 16 trading days for the S&P 500 to plunge into a bear market (a 20% fall from its recent peak). That was nearly twice as fast as the stock market's dive into a bear in 1929. In fact, with the exception of the crash of 1987, two of the Dow Jones Industrial Average's worst one-day percentage declines EVER happened this March.

Part of the market sell-off is due to the social distancing and self-isolation recommended by medical professionals to slow the spread of the virus. People aren't going out to restaurants or other social venues. The NBA, MLB and NHL canceled their seasons. One industry after another is seeing devastating layoffs. Consumer-oriented stocks are selling off hard!

As bad as the action was in the stock market recently, it was even worse in the CREDIT market. High-yield (or "junk") bonds suffered their biggest price declines since the depths of the Great Financial Crisis. Municipal bond prices imploded, sending the cost of borrowing for cities, towns and states soaring. The spread

between Treasury yields and mortgage bond yields also skyrocketed. That effectively shut down the mortgage refinance pipeline at a time when Americans are in desperate need for cheaper loans and lower month payments.

One problem is that the pandemic isn't the only crisis we're facing. China's rapid shutdown caused a glut in the oil market. As fears spread around the world, oil demand dropped ... and dropped.

Now, forecasters are saying global oil demand could drop 2.8 million barrels per day this year. That would devastate nearly everyone in this massive, global industry.

The supply glut was bad enough when Saudi Arabia tried to nudge OPEC and Russia-aligned producers into cutting production.

Russia said "nyet."

So, Saudi Arabia vowed to produce even more to show Russia who's boss. And Russia vowed to match it.

This news caused oil prices to collapse. And that wreaked havoc in the U.S. oil patch. U.S. shale oil producers have higher costs than Saudi Arabia and Russia, and many are heavily indebted besides.

At current prices, the U.S. shale patch loses money on every barrel. So, they're laying off workers and it's just the beginning.

Importantly, oil prices reflect sentiment on the global economy. Oil prices dropped to 2002 levels.

That may be good news for gasoline consumers. But it denotes deep-set, extreme pessimism about the global economy.

This triggered more selling. And with every new piece of bad news about the virus or about inept government responses has panicked citizens and knocked the markets lower.

It was a rush to liquidate everything.

## **Cash is King, and the U.S. Dollar is World President**

"When you can't sell what you want, you sell what you can."

This old Wall Street adage has been right as rain. Even safe-haven assets like gold and silver were sold hard. Treasury bonds, too! All in a desperate bid to raise cash. And around the world, the cash they wanted was the U.S. dollar.

Chris Turner, global head of markets at ING, wrote a note saying: "If cash is king, then dollar cash currently is world president. Everything that could be sold was sold against the dollar."



Traders around the world have leveraged positions denominated in U.S. dollars. As margins are called on that leverage, they need dollars to pay up.

That's not all. Since the last financial crisis, businesses and governments overseas companies have been borrowing U.S. dollars like crazy. Loans to nonbank borrowers have surged from \$5.8 trillion at the end of 2008 to \$12.1 trillion at the end of the third quarter 2019. Now those borrowers need to de-leverage, and that means scrambling to raise trillions in dollars for payback.

Here's where it gets worse: A rising dollar serves to tighten financial conditions in the U.S. It also makes our exports prohibitively expensive to foreign buyers. And for international dollar borrowers, the cost of repaying U.S.-dollar denominated loans rise. They need more cash to pay loans. So, they sell more stuff! Then they use the proceeds to buy dollars, and it rises in value again!

The dollar is the ultimate safe haven — but only for now. The U.S. government is doing its darndest to undermine the greenback by running its virtual "printing presses" at full speed.

First, the Fed responded to the crisis by announcing \$1.5 trillion in new "repos" or short-term loan facilities for banks and other financial institutions. The Fed offered to raise this to \$4 trillion. Few took them up on their offer, which probably shocked the Fed. The stock market fell.

Then the Fed slashed its benchmark interest rate to a target between 0% and 0.25%. It also slashed by a full percentage point and a half to 0.25% the interest rate at its discount window, where banks can borrow from the Fed directly.

That didn't help. The stock market fell again.

Next, the Fed announced \$700 billion in QE-4 or QE-5 – though they refused to call it that. The Fed also said it would increase "over coming months" its holdings of Treasury securities by "at least" \$500 billion and its holdings of mortgage-backed securities (MBS) by "at least" \$200 billion.

The stock market — you guessed it — plunged in a mad dash for cash.

Undeterred, the Federal Reserve decided to STILL more. It launched a new lending facility to backstop money market mutual funds. And a facility to backstop the commercial paper market, where corporations turn for short-term loans. And a program by which foreign central banks can obtain hundreds of billions of U.S. dollars via "swap" lines with the Fed.

That's the first time they've done any of this stuff since the period surrounding the Lehman Brothers default. If the Fed is worried that a money market fund might collapse under redemptions, or that the cost of even credit-worthy companies obtaining short-term liquidity is through the roof, you know it's bad.

Meanwhile, Congress and the White House tried to come up with a stimulus package worth \$2 trillion. This includes a \$50 billion lending facility for airlines, \$150 billion for other hard-hit sectors and \$300 billion for loans to small businesses.

There should also be direct payments to workers in two rounds: \$250 billion mailed directly to every working American in the form of a \$1,000 check in April, and another \$250 billion in May.

The downside is that while \$1,000 may seem like a lot, it isn't even enough to cover two weeks of pay for employees in sectors that are shut down by recent restrictions.

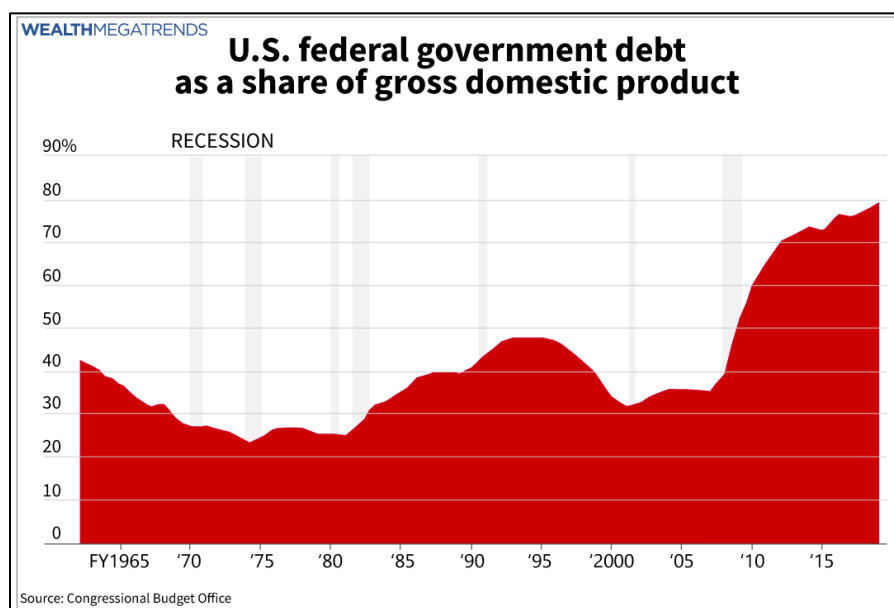
Still, our leaders in Washington say this could be just the start. Will that work?

One problem with constantly firing the big "free money" cannons, is that every salvo has less and less effect.

Not to mention what this is doing to the U.S. budget and deficit ...

## Deficit Madness

Even before the crisis hit, the U.S. budget deficit was on a fast track to a \$1 trillion deficit in the fiscal year that ends Sept. 30, 2020.



Now analysts say the deficit will soar well past the record \$1.5 trillion it reached in 2009, when the U.S. was reeling through the Great Debt Crisis and the Great Recession.

The deficit for the first five months of the fiscal year — October through February — hit \$625 billion. That's well ahead of last year's pace of \$544 billion. The fiscal year deficit will exceed \$1 trillion.

And even before the pandemic triggered massive spending, a report from the Government Accountability Office (GAO) warned that the U.S. is on an “unsustainable” fiscal path.

That assumed continued economic growth. So now, on top of that, the federal deficit must also reflect

1. As sharp decline in tax revenues flowing into the U.S. Treasury due to the sudden plunge in the economy.
2. An additional decline in tax revenues due to the postponed just announced for the 2020 tax filing deadline — from April 15 to July 15.
3. The drain on the Treasury to cover surging unemployment benefits and other costs for the nation’s social safety net.
4. An estimated \$2 trillion government stimulus package plus any other additional package that may be added.

And never forget the rising interest on the public debt. Every dollar printed is a call on the good faith and credit of the United States of America. And when obligations mount up to the insurmountable — that’s when the “good faith” can turn into bad faith.

If that happens, bond investors could revolt against the sheer scale of bond issuance. They could demand higher yields. That would mean higher interest costs for the government.

And for those things benchmarked to Treasuries — car loans, mortgages, business loans — interest rates could skyrocket.

If the credit markets really unravel, then things could get a lot worse. But — so far — investors have been willing to buy what the Federal Reserve is pushing. So far.

And the bad news continues.

Higher interest rates on consumer loans would squeeze workers who are already caught in the cogs of this collapse.

## **Workers Fall into the Woodchipper**

In the wake of the pandemic, the pace of U.S. job losses is alarming.

Workers at restaurants, airlines, hotels, retail stores, salons and more are all getting pink slips. Next, industrial workers could suffer unpaid furloughs.

And although government handouts may soften the blow for some targeted industries, such as airlines, it will be impossible for Uncle Sam to do so for the nation’s massive service and industrial sectors as a whole.

This is an incredibly difficult time for so many people. Let's hope it ends quickly. By summer, millions will likely be laid off.

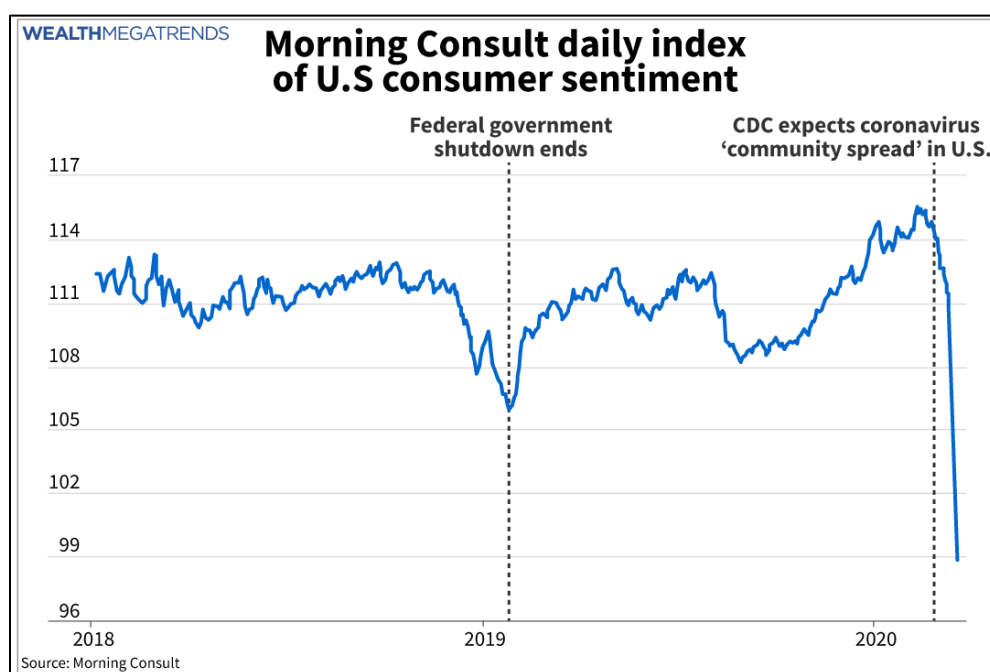
Recently, in New York and New Jersey, so many people attempted to file for unemployment that the online systems for submitting applications crashed in both states.

The dire facts: Even before the pandemic hit, 40% of American adults wouldn't be able to cover a \$400 emergency with cash. That's according to the Federal Reserve's 2018 report on the economic well-being of U.S. households.

About 27% of those surveyed would need to borrow the money or sell something to come up with the \$400. And another 12% would not be able to cover it at all.

America's middle class is also getting stretched further and further ... to the breaking point. And now we have this pandemic-fueled instant depression.

No wonder research firm Morning Consult said its index of consumer sentiment was at the lowest point since it started the series more than two years ago.



In a consumer-focused economy, that is very bearish indeed.

So how bad ARE things going to get for the U.S. economy. Again, nobody really knows. But I have some forecasts for you. The good, the bad and the ugly.

## What Could Happen to the U.S. Economy

Here are three scenarios ...

### Scenario No. 1: A Short, Sharp Contraction

Presidential economic advisor Larry Kudlow says the U.S. will avoid a pandemic-triggered recession. Very few take him seriously on this issue.

Among those who *are* taken seriously, Morgan Stanley provides the most optimistic scenario for the U.S. that I could find. The giant Wall Street bank says that the U.S. economy will contract by 4% in the second quarter.

So, what's the good news? Morgan Stanley sees the U.S. rebounding to expansion through 2020. It expects much more central bank stimulus and says that will be enough to jumpstart the engines of growth.

Morgan Stanley says the U.S. will fare better than most of the rest of the developed world. It forecasts that the eurozone economies would face the biggest hit to economic growth. And it says global growth will be 0.9% for the full year.

As a caveat, Morgan Stanley says prolonged pressure on credit markets could extend the recession into the third quarter.

### **Scenario No. 2 : Second Quarter Collapse**

Bank of America is bracing for a worse contraction. The giant megabank says we're already in a recession. It forecasts the economy will "collapse" in the second quarter, shrinking by 12%. And though it expects a recovery, it also thinks U.S. GDP for the year will contract by 0.8%.

The bank expects the unemployment rate to nearly double, with roughly 1 million jobs lost each month of the second quarter for a total of 3.5 million.

Bank of America expects the "trough" of the contraction to be in April. After that, it forecasts a very slow return to growth, with the economy feeling "more normal" by July.

The bank adds that, to reach its forecast, "there should be no upper bound for the size of stimulus."

Wow! "No upper bound?"

### **Scenario No. 3: The Worst Recession Since World War II**

This comes from Deutsche Bank. Its economists put out a note saying that GDP declines seen in the first and second quarters will "substantially exceed anything previously recorded going back to at least World War II."

Deutsche Bank forecasts that the U.S. economy would slump by 12.9% in the second quarter. That's pretty close to Bank of America's view. But Deutsche Bank is looking for a worse hit globally, with China's economy shrinking a staggering 31.7% in the first quarter before sharply rebounding.

And there is a bright side to Deutsche Bank's outlook: That when the global rebound comes, it will be strong and will last well into 2021.

There are other forecasts. Ray Dalio, the founder of Bridgewater Associates, estimates the corporate losses in the U.S. from coronavirus will top \$4 trillion. Wow! Total U.S. GDP is \$20.8 trillion.

Globally, Dalio says the fallout will be more like \$12 trillion. He also said the stimulus package, as proposed, is too small.

Who's right? Kudlow? Dalio? One of the big banks?

Possibly none of the above. But I can tell you this: We had an 11-year-long bull market leading into this crisis. This bull market came with an "everything bubble," where cheap money inflated assets across the board.

**Based on that – plus extreme overleveraging in almost every sector – we may be looking at a much harder and longer decline than even the worst Wall Street estimates.**

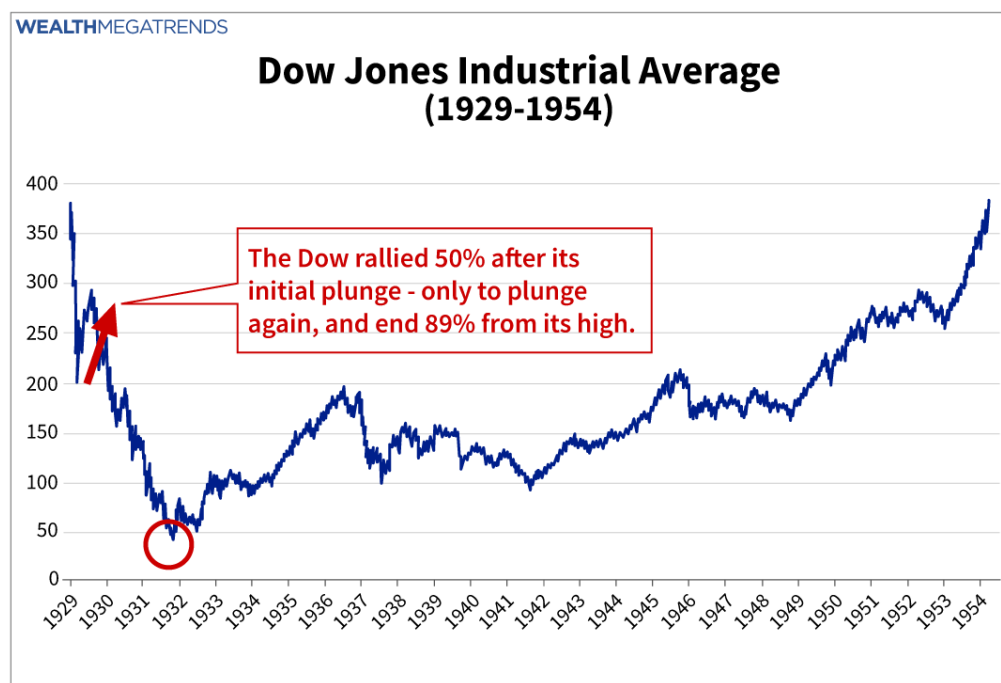
I hope I'm wrong. But I'm ready if I'm not. And I think you should be, too.

Now, let's hop in the wayback machine for a little historical perspective.

### **What a Worst-case Market Could Look Like?**

The market sell-off that heralded the Great Depression scarred a generation of investors. You used to meet these guys now and then. I think they're all gone now. But man, they had stories to tell.

And you can learn something from a chart of the Dow Jones Industrial Average during the Great Depression ...



In the fall of 1929, the market fell nearly 50%. Then, starting in late 1929 it rallied through April of 1930. In fact, it rallied 50%, to a level only 20% below its high.

But it crashed again. Worse than the first time. Eventually, the bear market hit rock bottom with a devastating decline of 89%.

The market did not recoup to its old high again for another quarter of a century. And that recovery was overstated for the simple reason that bankrupt companies, which never recovered, were removed from the stock indexes.

And here's the thing: in 1930, no one knew it was "The Great Depression." Oh, it was a recession. A bad one. But they'd had recessions before.

Nope. Few knew it was "the big one." Or what that meant for the markets.

In April of 1930, as the Dow's post-crash rally was peaking, our founder's father, J. Irving Weiss, found a way to profit from the bear market. He borrowed \$500 from his mother, shorted stocks he felt were the most vulnerable, and by 1932 had over \$100,000, the equivalent of \$2 million in today's dollars.

But he also took extreme and unlimited risks.

Nowadays, there are easier ways to be "short" the market, and to do so with risk that's clearly limited. I'll cover some of those later in this report. Our goal is to help you preserve your wealth, as well as build up a stockpile of reserve profits and cash. That, in turn, will put YOU in a position to invest in the rebound that will inevitably come. Because if there's one thing we know, it's that our country WILL get through this and WILL emerge stronger.

## Stocks to Put on Your Watch List

For now, for the broad market to rally in a sustained way, investors will need to know the worst of the virus is behind us. A vaccine might do it.

Also, properly targeted fiscal stimulus — the kind that puts money in the hands of average Americans, most of which spend every dime, so we get the multiplier effect — wouldn't hurt.

Still, there are stocks that should enjoy a bounce even before the broad market recovers. Some will do well BECAUSE of the spread of the virus.

I'm going to give you a list of stocks to put on your watch list.

**Important:** I am not recommending the immediate purchase of these stocks. So, you should definitely NOT rush out and buy them today. Rather, these are stocks that I am watching for possible buying opportunities at the right time.

## Health & Biotech

It's important to note that on March 19, FDA Commissioner Stephen Hahn said during a Coronavirus Task Force briefing that approval of a COVID-19 vaccine is at

least a year away. That is consistent with health authorities' expectations from the beginning of the outbreak.

Still, many companies I'm listing below talk about accelerated timelines. Maybe they plan to sell their vaccines overseas, or in Mexico? These are real companies making real drugs. Just remember that they can often overstate their prospects when talking about timelines.

**Gilead Sciences (Nasdaq: GILD)** is the leader in developing a treatment for COVID-19, at least for now. The company's antiviral drug Remdesivir, originally developed for treating Ebola, is already in late-stage clinical studies in treating COVID-19.

Remdesivir has shown promise in the past in treating MERS and SARS, both of which are members of the coronavirus family. In February, World Health Organization assistant director-general Bruce Aylward said Gilead's experimental drug is the "one drug right now that we think may have efficacy."

And a CDC director saying Remdesivir is now available via "compassionate use" to patients in Washington state. Basically, this means that, while the drug hasn't been fully approved yet, the potential benefit to trying it in extreme cases where nothing else has helped outweighs the risk.

One more thing: On March 19, President Trump said the FDA was close to approving Remdesivir.

There are other reasons to like Gilead. The company dominates the HIV market with drugs including Biktarvy and Descovy. Gilead also has a treatment for rheumatoid arthritis called filgotinib.

I swear to God, some of these drug names sound like either massive typos or spells to summon lesser demons.

Also, Gilead recently acquired a company called Forty-Seven to expand its cancer development program.

Anyway, most biotech stocks don't pay dividends, but Gilead does. Its dividend currently yields over 3.8%. Gilead increased its dividend by 58% since 2015.

In February, I recommended Gilead in my monthly newsletter, *Wealth Megatrends*, as the virus began to rear its ugly head. Now, I'm certain it's a solid pick.

**Regeneron Pharmaceuticals (Nasdaq: REGN)** and its partner, French drug manufacturer **Sanofi (Nasdaq: SNY)**, are evaluating rheumatoid arthritis drug Kevzara (aka sarilumab) in a clinical study for treating patients who develop severe cases of COVID-19. The drug could help reduce inflammation in the lungs that can occur with the disease.

Regeneron also announced that it's working on a coronavirus cocktail of viral-neutralizing antibodies. Clinical testing of the therapy should begin by early



summer. It's possible that the cocktail could be given prior to exposure to the coronavirus to protect against infection as well as to individuals who have already been infected as a treatment for COVID-19.

On March 19, President Trump mentioned Regeneron's drug efforts specifically during a briefing.

Like Gilead, Regeneron has more going for it than the pandemic. Regeneron's biggest moneymaker is an eye-disease drug, Eylea. Another of its drugs, Dupixent, treats kids with atopic dermatitis (a chronic rash).

And I'd be remiss if I didn't mention that Sanofi sports a nice dividend yield, recently around 4%.

**Moderna (Nasdaq: MRNA)** has mRNA-1273, a potential vaccine for COVID-19, in a phase 1 clinical trial. The goal of the trial is to test the safety of the potential vaccine, its ability to provoke an immune response in the body, as well as the amount of the vaccine that causes expected side effects.

Beyond COVID-19, the company is working on several vaccines, some with blockbuster potential. The company ended last year with \$1.2 billion in cash, and it has real potential.

**Inovio Pharmaceuticals (Nasdaq: INO)** is a biotech company that focuses on developing DNA medicines to treat cancers and infectious diseases. But it grabbed headlines on Jan. 10 when it said it created a vaccine for COVID-19 just three days after the genetic sequence of the virus was made public by Chinese researchers.

Inovio then announced a series of moves to continue the development of this vaccine — dubbed INO-4800 — as fast as possible. On March 3, Inovio announced it intended to start human clinical trials in April. Then on March 12, Inovio disclosed it received a \$5 million grant from the Bill & Melinda Gates Foundation to accelerate the testing and scale-up of Celectra 3PSP, a smart device for the intradermal delivery of INO-4800.

Inovio currently doesn't have any products on the market, but the company's projects include INO-5151, a potential treatment for prostate cancer. It has other drugs in the pipeline as well.

**AbbVie (NYSE: ABBV)** is a drug maker best known for its blockbuster arthritis treatment, Humira. It also makes drugs to treat HIV. Evercore ISI analyst Josh Schimmer said recently, "Repurposing HIV drugs for COVID-19 is the fastest countermeasure strategy."

HIV and HCV (Hepatitis C) medicines showed benefit for SARS, the coronavirus which broke out in 2002. AbbVie's HCV medicine is Moderiba.

And in late January, AbbVie donated a supply of its anti-HIV drug Kaletra/Aluvia to the Chinese as an experimental treatment for COVID-19. It's now supplying the therapy to countries in Europe and elsewhere.

**Vir Biotechnology, Inc. (Nasdaq: VIR)** purifies antibodies from people demonstrating a strong immune response to an infectious disease. The antibodies are then engineered to enhance their therapeutic potential. This strategy has been used to develop treatments for Ebola, hepatitis B, influenza A, malaria and more.

In February, Vir and WuXi Biologics announced they're collaborating to produce human monoclonal antibodies for the treatment of COVID-19.

If the antibodies are approved, WuXi Biologics has the rights to commercialize them in China, while Vir has the rights for all other markets worldwide.

**Cocrystal Pharma (Nasdaq: COCP)** is a clinical stage biotech company with a bunch of drugs in the pipeline. It has entered into an agreement with Kansas State University Research Foundation to develop commercial compounds for treating both Norovirus (common on cruise ships) and Coronavirus infections.

At this writing, this company has a tiny market cap and trades under a buck a share. It's very speculative.

**Opko Health (Nasdaq: OPK)** is a healthcare company in the diagnostics and pharmaceuticals business. It's also tiny and speculative. But its Bioreference Laboratories unit will provide COVID-19 testing for New York City residents in cooperation with the New York City Health and Hospital Corporation.

**Quidel Corporation (Nasdaq: QDEL)** is a company that makes rapid diagnostic testing kits. It makes four types: rapid immunoassay, cardiac immunoassay, specialized diagnostics and molecular diagnostics.

On March 17, Quidel received emergency use authorization from the Food and Drug Administration for its Lyra SARS-CoV-2 Assay — a testing kit “for the qualitative detection of nucleic acid from SARS-CoV-2 in nasopharyngeal or oropharyngeal swab specimens from patients suspected of COVID-19 by their healthcare provider.” The stock seems overbought as I write this, but a pullback could be bought.

**Teladoc Health (Nasdaq: TDOC)** provides virtual health care services that connect health providers to patients remotely. On March 17, the Centers for Medicare & Medicaid Services (CMS) announced that President Trump had expanded Medicare telehealth coverage, allowing seniors to communicate with doctors without taking the risk of office visits. That's good news for Teladoc, which was already riding the megatrends in virtual communication and the graying of America.

**Protective Gear**

You've seen people on TV — and maybe in your town — wearing masks and other medical protective gear as they ward off spread of COVID-19. Let's look at some tradeable companies that make that gear.

**Lakeland Industries (Nasdaq: LAKE)** manufactures and sells industrial protective clothing and accessories for the industrial and public protective clothing market worldwide. In fact, it is one of the largest manufacturers of protective wear in the United States. It also makes hospital masks.

The company is profitable and should see margins expand due to new manufacturing facilities in India and Vietnam.

**3M Company (NYSE: MMM)** This diversified manufacturer also makes face masks and respirators. It also recently sported a dividend yield over 4%.

**Alpha Pro Tech (NYSE: APT)** makes disposable protective apparel, building supply and infection control products. It operates in three business segments: Building Supply, Disposable Protective Apparel and Infection Control. Its building supply division makes 75% of its revenue, but thanks to virus fears, that's changing in a big way.

The company said on Feb. 27 it had booked \$14.1 million in orders since Jan. 27 (maybe that's why shares spiked 64% the next day). Trading volume averaged less than 20,000 shares in mid-January. In late February it topped 40 million!

**Allied Healthcare Products (NASDAQ: AHPI)** makes medical gas construction equipment, respiratory therapy gear, home healthcare products and emergency medical supplies. This is a nano-cap that makes huge swings up and down. Don't chase it. Set a price and wait for it to come to you.

**Ocean Bio-Chem (Nasdaq: OBCI)** manufactures products for the marine, automotive, power sports, recreational vehicle, and outdoor power equipment markets in the United States and Canada. Its subsidiary, Star Brite, Inc. makes Performacide, a viral disinfectant that is used to disinfect hard surfaces. It's used in hospitals and medical facilities.

### **Online Shopping/Delivery**

I have a friend in Estonia. In early March, she sent me a photo of her local grocery. The shelves were stripped bare, as people hoarded goods, fearing they'd be told to stay in their homes. A couple weeks later, she sent me another photo. The grocery shelves were stocked, she said, but there were no customers. "Everyone is buying online."

Indeed, the fear of public gatherings raised by the spread of the COVID-19 virus should accelerate consumers' migration to online shopping. So, here are some ideas ...

**Amazon.com (Nasdaq: AMZN)** is probably the most expensive stock I'm going to mention in this report. It is seeing a surge in home delivery orders as people stay home to combat the spread of the coronavirus.

Amazon said it would hire 100,000 new workers and raise pay by \$2 an hour for many employees. Amazon said the 100,000 new jobs would include both full and part-time positions across the United States to staff its warehouses and make deliveries.

**Walmart Inc. (NYSE: WMT)** has emerged as a competitor to Amazon in the on-line space. And its home deliveries are surging, too.

**Blue Apron (NYSE: APRN)** ships gourmet, ready-to-cook meal kits direct to your door. So, it's perfect for people who would like to eat a fancy meal out but can't leave the house. The company recently reported a spike in consumer demand as more folks are shut in. It is increasing its capacity to meet pandemic-driven demand.

**Costco Wholesale (Nasdaq: COST).** You can shop online at Costco. The stock has been called "recession proof," but I'm in a "show-me" mood about that label. We know that the pandemic caused Costco's big box foot traffic to surge; we'll see what happens with online sales. The company recently acquired Innoval Solutions from Sears and Kmart stores operator Transform Holdco. Innoval is a "last mile" provider of installation for appliances. In other words, if you buy that stove online at Costco, Innoval will probably install it for you.

Costco CEO Craig Jelinek announced the acquisition saying, "We believe the acquisition will allow us to grow our e-commerce sales of 'big and bulky' items at a faster rate."

**GrubHub (NYSE: GRUB)** is the leading meal-ordering and delivery app, with over 155,000 restaurant partnerships in the U.S. and United Kingdom. Among some of its partners are Burger King, **Papa John's (Nasdaq: PZZA)**, **Shake Shack (NYSE: SHAK)** and Chick-fil-A.

## **Communication**

On March 15, the Centers for Disease Control and Prevention recommended an upper limit of 50 people to gather at any kind of events in the country for the next eight weeks. Some localities put the limit on gathering at 10 people. Now, add in all the people working from home, and you can see the need for online communications has greatly increased.

A recent article from CNBC suggests about a third of people have the ability to work from home. Some experts believe that the COVID-19 outbreak could accelerate the work-from-home trend.

**Zoom Video Communications (Nasdaq: ZM)** fills that gap. We use it at Weiss Ratings all the time. Zoom offer customers online work collaboration and video

conferencing tools. Zoom's communications tools become even more important if workers are spread across multiple locations. As a result of people being ordered to work from home, Zoom recently topped the charts in the Apple and Google mobile app stores.

**DocuSign (Nasdaq: DOCU)** — the most widely used e-signature system in the world — makes a way to close deals remotely. Whether you're buying a house, opening a brokerage account or signing an employment contract, DocuSign has made the process easy as pie. DocuSign has already been growing like a weed. Its revenues were up 40% in Q4, and its customer base is up 24%.

**Citrix Systems (Nasdaq: CTXS)** provides a digital workspace platform. In other words, it gives workers access to the applications and documents they need for work, including apps, data and communications on any device, over networks and in the cloud.

Citrix says it already has more than 100 million users across 400,000 organizations. And working remotely is boosting business, as the Covid-19 outbreak has companies telling more people to work from home.

**Chegg, Inc. (NYSE: CHGG)** is an online learning company. Did you hear about how all the kids in China, affected by the mandatory stay-home orders, were ordered to learn online? They used an app. And the kids figured out that if they gave the app low ratings, it would be removed from Apple's online store, and so they wouldn't have to attend even an online school. Smart little gremlins.

Anyway, online learning isn't just for the Chinese. My son is now attending his high school online. Many other kids are too.

That brings us to Chegg. It operates direct-to-student learning platform. It provides online rental for textbooks, as well as flash cards, study guides, writing guides, and online tutors. It offers kids tools designed to help them pass tests and save money on required materials.

**Netflix (Nasdaq: NFLX).** How popular is Netflix during a lock-down? In Europe, large parts of the population in Italy and France have been ordered off the streets. So many people in Europe are watching Netflix now that the company has had to reduce the quality of its video streams so that it won't choke the Internet.

It seems like many worried people are taking the advice to Netflix and chill literally. After all, few pastimes are more pandemic-proof than binge-watching Netflix in your pajamas.

These are all long ideas. But in almost any scenario — whether the short, sharp recession case I laid out OUR the longer, more drawn-out downturn — the U.S. can't avoid recession. The economy was already likely headed that way for underlying, cyclical reasons ... and the virus outbreak is accelerating and amplifying the cycle tremendously.

In the early-2000s bear market, the S&P 500 plunged 50% while the Nasdaq lost 80% of its value. In the mid-2000s bear market, the S&P plunged an even greater 57% while many housing, mortgage, and financial stocks lost 80% to 100% of their value.

Is this a new bear market? It sure looks, smells, and feels that way. And again, that is NOT just because of the virus and its impact. It's because we're starting to unwind one of the biggest, broadest asset bubbles in the history of the U.S.!

Given that, we believe you should strongly consider taking steps to insulate your portfolio against downside risk ... or even build up profits in a bear market environment. That's what we'll discuss now.

## **Inverse Funds for Downside Protection**

An inverse ETF, also known as a "short ETF", is an investment vehicle designed to RISE in value when a targeted stock index or sector FALLS. More specifically, it uses derivatives and other methods to produce a daily performance that is roughly the opposite of a certain index's daily performance.

Such ETFs can have a one-to-one correlation with the targeted index, rising 1% for every 1% decline. Or they can be leveraged – rising 2% or even 3% in value for every 1% decline in the index. The more leveraged a fund is, the more speculative it is. You must know your own tolerance for risk. You should be able to buy these inverse ETFs just like any other ETF — through your same broker, with the same low commissions and the same flexibility to get in and out as you please.

There are two risks to inverse ETFs you need to know. First, they have higher costs than regular ETFs, because inverse ETFs use different strategies than traditional, long-only ETFs. The fee can be about 1%, though on occasion it is higher.

Second, inverse ETFs tend to underperform over long periods of time, as opposed to simply shorting a stock or index fund. That, too, stems from the instruments and techniques these ETFs use to achieve their objectives. The more leverage an ETF uses, and the more volatile the underlying sector, the more "tracking error" you see over time. That's why inverse ETFs are really more appropriate for shorter-term time horizons — days or weeks at most for leveraged ones, or months for unleveraged versions.

The good news? A whole new series of inverse ETFs are now available that you can use for protection against declines in many major sectors: Real estate, financials, consumer goods, semiconductors, technology and emerging markets.

My recommendation: Only buy the most liquid inverse ETFs. Because even more important than getting into the right investment at the right time is being able to get in and out of it without getting hosed.

If a fund is illiquid, the gap between the bid and the ask can be large. And on an illiquid fund, if everyone wants to get out when you do, the bid might be MUCH lower than you expect.

### **Inverse Stock ETFs**

Some liquid inverse funds we've used in my publications recently include ...

**ProShares Short S&P 500 (NYSE: SH).** This fund tracks the inverse of the daily performance of the S&P 500. It has an expense ratio of 0.89%

**ProShares Short Dow30 (NYSE: DOG)** This fund tracks the inverse of the daily performance of the Dow Jones Industrial Average. It has an expense ratio of 0.95%.

**ProShares Short QQQ (NYSE: PSQ).** This fund tracks the inverse of the daily performance of the Nasdaq-100. It has an expense ratio of 0.95%.

**ProShares UltraShort S&P 500 (NYSE: SDS).** This fund tracks TWICE the inverse of the daily performance of the S&P 500. It has an expense ratio of 0.89%

**ProShares UltraShort Dow30 (NYSE: DXD)** This fund tracks TWICE the inverse of the daily performance of the Dow Jones Industrial Average. It has an expense ratio of 0.95%.

**ProShares UltraShort QQQ (NYSE: QID).** This fund tracks TWICE the inverse of the daily performance of the Nasdaq-100. It has an expense ratio of 0.95%.

**ProShares UltraShort Financials (NYSE: SKF)** This fund tracks TWICE the inverse of the daily performance of the Dow Jones U.S. Financials Index. It has an expense ratio of 0.95%.

**ProShares UltraShort Technology (NYSE: REW)** This fund tracks TWICE the inverse of the daily performance of the Dow Jones U.S. Financials Index. It has an expense ratio of 0.95%.

### **Inverse Bond ETFs**

**ProShares Short 20+ Year Treasury (TBF).** This inverse ETF is unleveraged. It's designed to move inversely to the Barclays U.S. 20+ Year U.S. Treasury Bond Index, a benchmark index that tracks long bond prices. If the deficit blows out, government bond issuance soars and investors panic about Uncle Sam's balance sheet quality, this ETF will protect you. That's because bond prices will plunge, and interest rates will soar.

**ProShares UltraShort 20+ Year Treasury (TBT).** This inverse ETF is leveraged. It's designed to TWICE the inverse of the same index listed above.

**ProShares Short High Yield (SJB).** This inverse ETF is unleveraged, but it doesn't target Treasury prices. It's designed to move inversely to the Markit iBoxx \$ Liquid High Yield Index, a benchmark index for JUNK bonds.

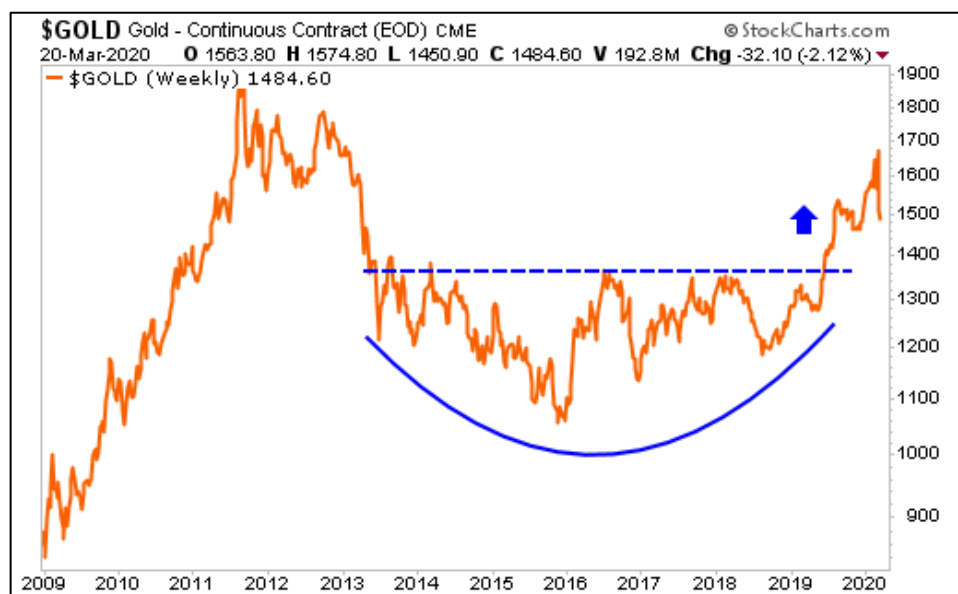
I cannot think of a WORSE investment than junk bonds at a time when credit fears and recession worries are spiking. That's why they're already getting hammered. But given the enormity of the corporate credit bubble that built up over the past decade, there's probably a lot more room to fall.

Moreover, IF junk and corporate bonds sell off, investors may plow money into U.S. Treasuries as a "Safe Haven"/parking place. That would drive their prices up, not down. So, given a choice of inverse bond ETFs, the SJB is probably your best bet for the foreseeable future as opposed to a bond ETF that trades inversely to Treasury bonds.

## Gold and Silver

For months now, I've told you gold is in a new bull market. You may have thought I had rocks in my head when the yellow metal got dumped along with everything else in the recent liquidity crisis.

But that's not the case at all. Not if you look at the big picture.



The big picture shows us that gold broke out last year and is still zig-zagging higher. And when gold is in a bull market, pullbacks are buying opportunities.

Indeed, there are multiple forces that should push gold higher no matter how the virus impacts the stock market.

Like Dr. Martin Weiss, I believe the fear of the virus is worse than the virus itself. But there's no denying that fear has a real impact on global travel, trade and economic activity.



That fear and market tumult also caused a broad asset liquidation, including gold and miners. In other words, investors were forced to sell precious metals and miners to cover margin calls in other investments.

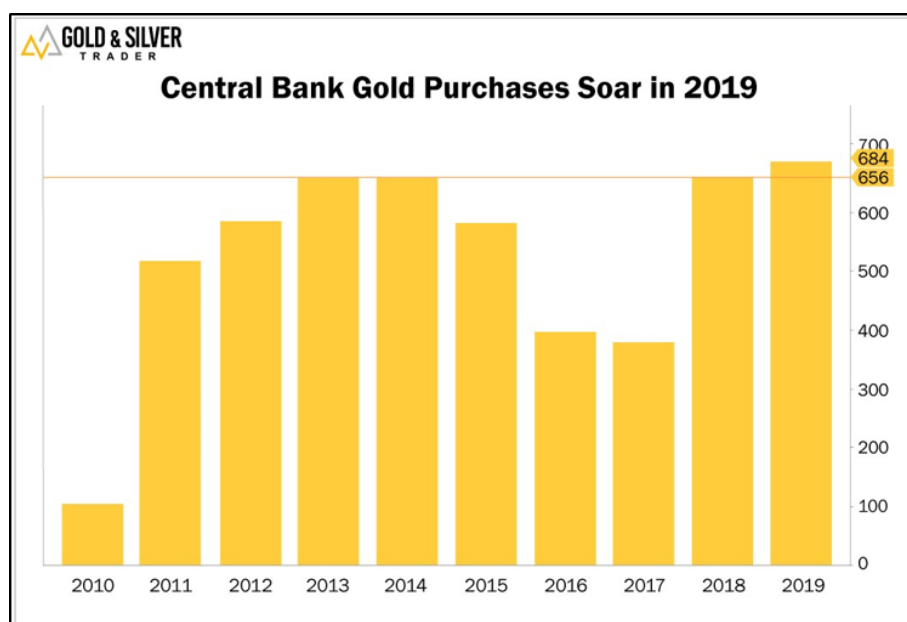
That was terrible for the gold stocks at the time. But man, what a buying opportunity this is handing us.

After all, we know what the official response to the COVID-19 pandemic is. Governments around the world are firing off the money cannons, flooding the system with trillions of dollars of currency.

Add in the fact that bonds are now yielding near zero, and it's very hard for gold NOT to rise in this environment.

Because along with these new forces, there are other, underlying, powerful bullish forces for gold including:

Central banks bought gold at a record pace in 2019. Global reserves grew by 684 metric tons. Only 2018 saw bigger purchases, a record that stretches back 50 years! 2019 also marked the 10th year in a row that central banks were net buyers of gold.



Will central banks stop buying gold because of the pandemic? I don't know, but the big trend is more buying.

Meanwhile, there is a good ol' fashioned supply-demand squeeze brewing in gold. Total gold supplied by the world's mines fell 1% last year, to 3,464 metric tons, according to data from the World Gold Council. That was the first year-over-year decline since 2008!

In China, the world's largest producer, mine output fell 6% year-over-year in 2019. That's the third consecutive year of decline.

Plus, there's the fact that high-grade, easy-to-mine projects are very rare these days. Heck, miners are now going after gold deposits they once drove over to get to the good stuff. That good stuff is now mined out.

So yeah, gold production will go down for the foreseeable future. And when supply goes down, prices usually go up.

As for silver, it has many of the same forces driving it that gold does. To be sure, silver is more of an industrial metal than gold. But a rule of thumb is that silver outdoes gold on both the downside AND the upside. Silver is the drama queen of precious metals.

## **5 Precious Metals ETFs**

Five ETFs give you easy ways to ride the bull market in gold and silver.

**SPDR Gold Shares (NYSE: GLD).** This is the biggest physical gold fund and was the first ETF to track the price of gold and began trading in 2004. The fund has an expense ratio of 0.4%.

**iShares Silver Trust (NYSE: SLV).** This is the biggest physical silver fund. It has an expense ratio of 0.5%.

**VanEck Vectors Gold Miners ETF (NYSE: GDX).** This fund holds a basket of the big gold and silver miners. It has an expense ratio of 0.53%.

**VanEck Vectors Junior Gold Miners ETF (NYSE: GDXJ).** This fund aims to hold a basket of mid-tier miners and has an expense ratio of 0.54%.

**Global X Gold Explorers ETF (NYSE: GOEX).** By its very nature, this basket of gold explorers and developers is more speculative than the GDX or GDXJ. It is more thinly traded and has an expense ratio of 0.65%.

Individual stocks give you more "knock it out of the ballpark" potential than the funds, but also carry more risk.

## **Above all Stay Safe**

Take care of yourself. That's what it's all about. Any money you make from investments is gravy on top.

So, there you are. I've discussed the medical problem we face with the pandemic. I've talked about the how the financial fallout could unfold. I've given you the names of stocks that could do well even as the pandemic spreads.

I've also given you a list of inverse funds you can use to protect yourself against further market downside. I've talked about the opportunities in gold and silver. And I've talked about how you can protect yourself physically and mentally.

The rest is up to you.

Good luck to us all, and God bless!

Sean

Mike Larson, Editor of *Safe Money Report*, has contributed important portions of this report, especially regarding the 2008 Debt Crisis and U.S. credit markets.