

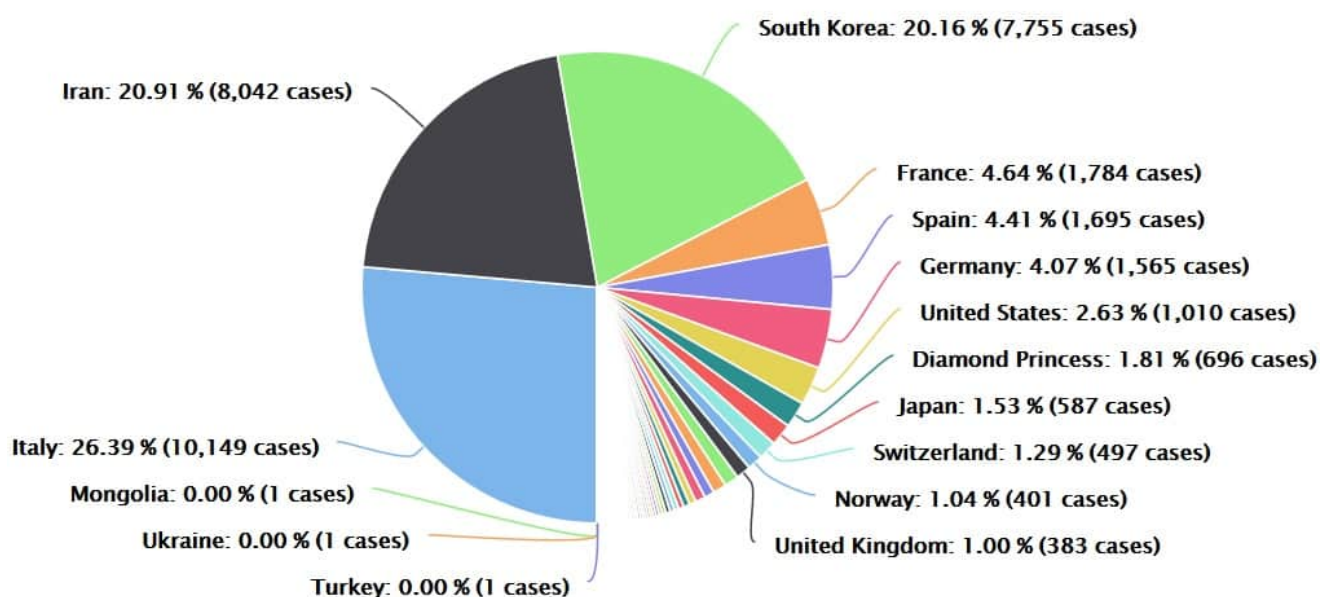
# Coronavirus crisis or economic crisis? What sectors and stocks will outperform if things get worse?

Globally investors right now are not sure what to do. There is a way for investors to still do well if we get both a global coronavirus health crisis and an economic crisis.

Governments are deciding how to manage the coronavirus, as it is now in 119 countries with 119,246 confirmed cases and 4,300 deaths. If they lock down their citizens, as China and Italy have done, then that will cause severe economic hardship. If they don't lockdown then they risk a severe outbreak and even more deaths. This is the current government and investor's conundrum – Coronavirus crisis or economic crisis? Or both?

## Distribution of coronavirus cases outside mainland China

Distribution of cases outside of mainland China



Source

## **Governments will spend billions in the fight against coronavirus**

The governments globally are already starting to promise large funding to support their health care systems. This will mean billions will go towards hospitals, medical centers, staff, pharmaceuticals, testing and prevention.

Some headlines from the past 8 days include:

- March 3, 2020 – South Korea announced a stimulus package of 11.7 trillion won (\$9.8 billion).
- March 4, 2020 – Chinese stocks lead gains as IMF announces \$50 billion package to fight coronavirus.
- March 5, 2020 – China commits \$16bn to fund fight against coronavirus.
- March 5, 2020 – Sweeping Senate vote sends Trump \$8.3B bill to fight virus.
- March 7, 2020 – The (Italian) government announced a huge support package of 7.5 billion euros.
- March 10, 2020 – Japan unveils \$4 billion coronavirus package.
- March 11, 2020 – Trump tells GOP he wants payroll tax waived through election.
- March 11, 2020 – (Australian) PM announces a \$2.4 billion health package for coronavirus (video)

The above announcements just in the last week or so add up to a massive \$100 billion of government rescue packages to support the fight against coronavirus. Some of those funds will go to businesses in the hardest-hit areas such as travel and tourism; however, a very significant amount is heading to health care. The above list of 'coronavirus packages' is likely to grow extensively in the coming months.

**The health care sector will likely be the big winner from the coronavirus**

As the global coronavirus outbreak continues to get worse the one sector that will be the busiest and hence the most profitable is health care and prevention. This means investors should consider buying health care funds, hospital funds, critical medical supply companies (notably testing kits), and of course 'big pharma'. One of the biggest winners in all this chaos is likely to be the big pharmaceutical companies. These companies will supply the drugs to both fight and manage the coronavirus disease.

It should also be remembered that currently, 88% of coronavirus cases are non-critical, like simple flu. These cases will require simpler treatments, such as medicines for the common cold, hand sanitizers, paracetamol etc. Added to this is the rest of the population who will increase their use of preventative measures such as hand sanitizers, hand washing and so on. Companies such as Johnson & Johnson (NYSE: JNJ) that have a massive global presence will do well as the majority of people will likely be buying several J&J health care products in the next few months. Others that may do well are Clorox disinfectant owner Procter & Gamble Company (NYSE: PG), or Lysol disinfectant owner Reckitt Benckiser Group Plc (LON: RB). Finally, the global leading vitamin manufacturers can do well. In particular companies such as Blackmores (ASX: BKL | OTC: BLMMF) and others that supply vitamins into China or the worst affected countries. For example, zinc is one of the best minerals to boost your immune system to prevent viruses.

**EPA approved disinfectants to kill coronavirus include Clorox & Lysol**



Source

### **A global health care fund to consider**

- The iShares Global Healthcare ETF (IXJ) is made up of the biggest global names in healthcare including global pharmaceutical giants Roche (SIX: ROG | OTCQX: OTCQX), Novartis (NYSE: NVS), Merck (NYSE: MRK), Pfizer (NYSE: PFE), and Bristol Meyers Squibb (NYSE: BMY). Others are actively developing or have drugs to treat coronavirus (Eg: Gilead Sciences (NASDAQ: GILD), AbbVie Inc. (NYSE: ABBV)) or are working on vaccines and test kits. Others include the largest selling personal and healthcare related products company in the world, Johnson & Johnson. The fund trades on a PE ratio of 22, which is only 10% above the US S&P500 PE of 20.

### **iShares Global Healthcare ETF top ten holdings**

Ticker	Name	Sector	Location	Weight (%)	Notional Value
JNJ	JOHNSON & JOHNSON	Health Care	United States	6.88	147,336,455.44
UNH	UNITEDHEALTH GROUP INC	Health Care	United States	5.00	106,980,340.54
ROG	ROCHE HOLDING PAR AG	Health Care	Switzerland	4.43	94,925,757.94
NOVN	NOVARTIS AG	Health Care	Switzerland	4.02	86,150,687.67
MRK	MERCK & CO INC	Health Care	United States	3.85	82,419,577.02
PFE	PFIZER INC	Health Care	United States	3.67	78,596,954.80
ABT	ABBOTT LABORATORIES	Health Care	United States	2.64	56,607,786.38
BMJ	BRISTOL MYERS SQUIBB	Health Care	United States	2.63	56,238,522.60
MDT	MEDTRONIC PLC	Health Care	United States	2.53	54,174,980.25
ABBV	ABBVIE INC	Health Care	United States	2.47	52,938,465.50

## A home health care junior to consider

- Nova Leap Health Corp. (TSXV: NLH) is a Canadian small-cap stock with a focus on home health care. **With coronavirus causing a scare in the aged care sector many clients may decide home health care is safer than being in an aged care facility.** You can read more about Nova Leap in our recent article: "Home health care set to boom as coronavirus affects aged care facilities."

## Gold

**Gold and quality gold stocks usually perform best in bad times and when interest rates are falling.** Right now rates are so low that investors are getting almost zero return on their money, making gold a more attractive investment. Gold juniors in particular are still well valued and can see a large upside if the gold price moves higher or if they find more gold. InvestorIntel recently discussed 10 gold mining juniors that we like here.

## Closing remarks

Sometimes in investing we just need to use common sense. In a major health crisis, it makes sense to buy the health care sector. Valuations are reasonable right now and if the

coronavirus continues to ravage the global community then the health care sector will be one of the only sectors where earnings are growing. Conversely, if the coronavirus quickly fades away the global health care sector will still do well buoyed by the strong aging demographics. Finally don't forget to have some cash and gold in your portfolio as an insurance measure.