The Wuhan Coronavirus crisis leads to some investment opportunities

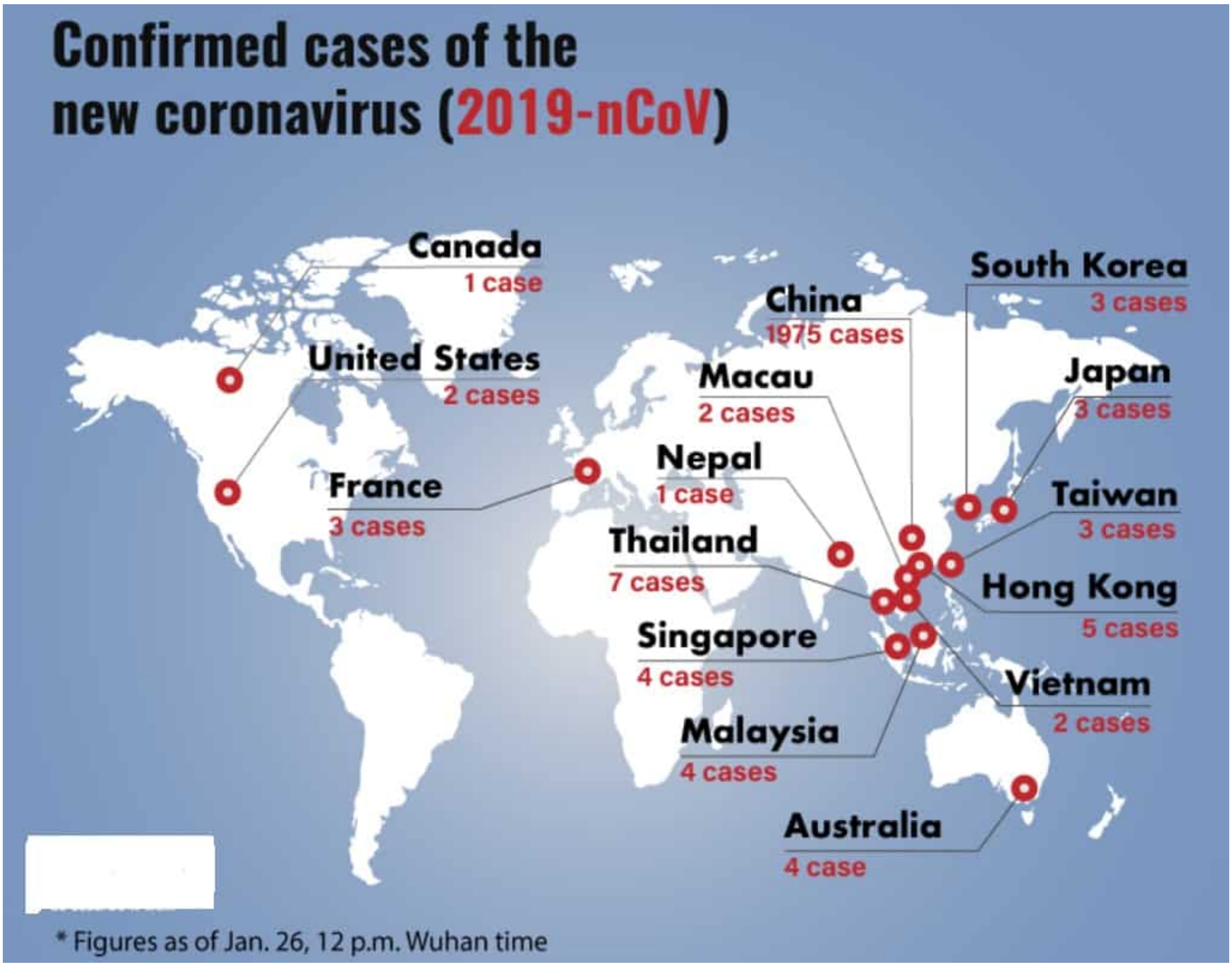
The Wuhan China Coronavirus continues to spread with the latest report at 170 dead and over 7,700 infected, mostly in China but spreading globally. Sadly this may just be the beginning as the WHO considers declaring an International Emergency.

Severe acute respiratory syndrome (**SARS**)

The most similar coronavirus outbreak was the SARS epidemic between November 2002 and July 2003 lasting about 6-7 months. An outbreak of SARS in southern China (notably Hong Kong) caused an eventual 8,098 cases, resulting in 774 deaths reported in 17 countries.

Investors seeking a safe haven or some positive returns should read on.

The Wuhan Coronavirus – Focused on China but is spreading globally



Source

Some areas to look at should the Coronavirus get worse

Health care stocks and ETFs (vaccines, treatment, protective clothing)

The Global X MSCI China Health Care ETF (CHIH) or the KraneShares MSCI All China Health Care Index ETF (KURE) are two excellent places to get widespread coverage to the Chinese health care sector. Valuation does not come cheap with the CHIH fund having a PE of 24.71. Nonetheless, China has an aging population and growing health needs. For a global perspective, Blackrock's iShares Global Healthcare ETF (IXJ) has appeal.

Some individual stocks that focus on virus treatment and prevention/vaccines include Biocryst Pharmaceuticals (NASDAQ:

BCRX), Gilead Sciences (NASDAQ: GILD), Moderna (NASDAQ: MRNA), Novavax (NASDAQ: NVAX), Vir Biotechnology (NASDAQ: VIR).

It has been reported that the Chinese government has recommended that doctors test AbbVie’s (ABBV) anti-viral drug Aluvia (also known as Kaletra), to patients who have tested positive for the Wuhan coronavirus.

Stocks that make or supply face masks and protective clothing may also see gains. Some names include Alpha Pro Tech Ltd. (NYSE: APT) and Lakeland Industries Inc. (NASDAQ: LAKE).

Screening and treating for the deadly Coronavirus

Source

Source

Chinese internet related stocks (food delivery, entertainment etc)

As consumers choose the safety of home, online shopping and entertainment sites should be winners, particularly in the worst regions such as China. The KraneShares CSI China Internet ETF (KWEB) should benefit as it holds the key Chinese internet stocks. The top ten holdings including online shopping companies Alibaba (NASDAQ: BABA) and JD.com (NASDAQ: JD), food delivery giant Meituan, and gaming and social media giant Tencent (OTC: TCEHY). Conversely TAL Education and TRIP may come under pressure, and it is possible home delivery service companies may run out of willing workers at this time.

The KraneShares CSI China Internet ETF top ten holdings

Rank	Company Name	% of Net Assets	Ticker	Shares Held	Market Value($)
1	**ALIBABA GRP-ADR**	9.78%	BABA	1,149,893	241,742,005
2	**TENCENT HOLDINGS LTD**	9.22%	700 HK	4,593,875	227,921,422
3	**MEITUAN DIANPING-CLASS B**	7.66%	3690 HK	14,399,500	189,437,867
4	**BAIDU INC - SPON ADR**	7.13%	BIDU	1,387,746	176,146,600
5	**JD.COM INC-ADR**	6.57%	JD	4,172,039	162,334,037
6	**TAL EDUCATION GROUP- ADR**	4.15%	TAL	2,050,916	102,463,763
7	**NETEASE INC-ADR**	4.1%	NTES	309,070	101,340,962
8	**TRIP.COM GROUP LTD-ADR**	3.73%	TCOM	2,796,954	92,159,634
9	**PINDUODUO INC-ADR**	3.67%	PDD	2,456,651	90,797,821
10	**IQIYI INC-ADR**	3.66%	IQ	4,022,265	90,541,185

Source: Kranes

Some investments to avoid if the coronavirus gets worse

Any stocks related to Wuhan or nearby areas may take a hit. PepsiCo, Siemens, and automakers Peugeot, Citroen, Renault, Honda, and Dongfeng all have bases in Wuhan or the wider Hubei province. Particularly impacted would be consumer discretionary such as restaurants, entertainment, and shopping centers as people avoid close contact with others.

Chinese travel (E.g: Trip.com (TRIP) (formerly CTRP) and tourism stocks (airlines, cruises, hotels etc) may be badly impacted, especially those linked to Wuhan. During SARS Hong Kong’s Cathay Pacific stock fell 30%.

Safe Havens

- Gold and silver
- Cash (the US Dollar, Japanese Yen, or Swiss Franc usually do best)
- Bonds

Closing remarks

Given the Wuhan Coronavirus started only about 1-2 months ago in mid-December 2019 in Wuhan China, the number of affected cases is already approaching the 8,098 SARS cases over the 6-7 months SARS epidemic. This could suggest the epidemic may be 3x or larger than what we saw with SARS. To date, the death rate is smaller so that is a plus.

For now, we should probably assume that we are looking at another 4 months or more of the coronavirus impacts, and further global spread. This would mean despite some early positive moves in the stocks and ETFs discussed, larger gains may still be ahead.