# Doobie Brothers and Oasis Top the Coronavirus Market Music Hit List.

Amidst the non-prejudicial crucifixion of our markets from the beloved Covid-19 last week, we are all watching helplessly as many of our investment portfolios simply asphyxiate like many suffering from the impact of the coronavirus pandemic.

Call it an **Act of God**, the drowning process has just begun and many a lifetime of savings are presently under water; some will survive, some will not. Trusted sources in our sector reassure me that we will recover for selected stocks equally as fast as we went down – the themes are the same, isolate, utilize creativity and be brave.

Flashback to the lessons from history, let's review the Spanish Flu and rewind to 1918: "The Spanish flu infected 500 million people around the world, or about 27% of the then world population of between 1.8 and 1.9 billion, including people on isolated Pacific islands and in the Arctic. The death toll is estimated to have been anywhere from 17 million to 50 million, and possibly as high as 100 million, making it one of the deadliest epidemics in human history."

*Ugh, I read on…*

The duplication of plot-lines between the past and present seemingly ensues, Wikipedia states: "To maintain morale, wartime censors minimized early reports of illness and mortality in Germany, the United Kingdom, France, and the United States. Papers were free to report the epidemic's effects in neutral Spain (such as the grave illness of King Alfonso XIII). These stories created a false impression of Spain as especially hard hit, giving rise to the pandemic's nickname, ***Spanish flu***."

Seemingly similar to today, every other CNN story is about how Italy is probably not the place to live – more local coverage is needed.

While social media has liberated some of us from being the media's pawn, I would like to add that the Spanish Flu in retrospect was just like Covid-19 in that "…analysis of medical journals from the period of the pandemic found that the viral infection was no more aggressive than previous influenza strains."

Flash forward to today, however, Covid-19 is *more aggressive* and is killing more than the flu, we have an unprecedented #StaytheFuckHome social media movement…and like any great moment in any great film, last week's market crash was both fast and furious. The soundtrack was the same everywhere with "I could have/should have/would have sold the week before…if only I saw this coming."

Remembering an award-winning analyst years ago who propagated fame for a report titled "What if I am wrong?" – this resonates with me. *Why?* Because I am going to take a run at discussing how I am going to manage my own finances while the Covid-19 Tango warms up for some serious cha-cha's on our bottom lines. A brutal dance for most of us to finesse at the best of time, going to do it with my own soundtrack selection with Tracy's Top-5 hits to listen to in the background while sharing my truths…

#5. **Let it Breathe, by Water Liars.** I used to reassure my teenagers years ago that "I don't know" was a real answer when they would look alarmed by not knowing how to answer the usual question from returning from a friend's home with "were you smoking?" It was painful for me to watch them attempt to lie; with time they would understand that by answering with "I don't know" they were in fact – <u>buying time</u>. Today, with many readers and associates sending me all kinds of notes, endless toilet paper jokes and providing all kinds of advice on how to manage the carnage, when asked, my answer is the same: “I just don’t know”. Not only is the intent to buy time but I am hoping that its just somehow, going to get better as I cling to the news announcement that China is opening Apple stores again on Friday. So, while staying optimistic, one thing I have learned from previous market ‘corrections’ is that when billionaires resign from boards to rededicate their lives to philanthropy, it’s usually not a good sign for any of us…

#4. **Elderly woman behind the counter in a small town**, **by Pearl Jam**. Perhaps one of the most significant positives from the *Covid-19 is a reminder that we have not prioritized our elderly in our society*. We need to examine the knowledge, leadership and value of wisdom our elderly, but more importantly we need to review their care. At InvestorIntel we have been championing Nova Leap Health Corp. (TSXV: NLH) ever since we discovered these rising stars in our market existed. Nova Leap Health, whose CEO has been actively campaigning for the care for seniors at home is overdue a round of applause. Unquestionably companies like Nova Leap deserve greater support from us as investors, I personally plan on seeing what other gems that presently exist in the market for elderly care for the inevitable turnaround of the market. This is important, thank you Covid-19 for making all of us prioritize our health and the care of our family members.

**#3. I will return, by Skylar Grey.** My parents who live on a 28-acre mountain in Tennessee, already in self isolation as a matter of life choice with at least 2 industrial strength freezers fully packed and a solar powered generator prior to the pandemic, called me on Friday evening to check in. “It will return” my mother reassures me with regards to the market, adding “this too will pass” with the comfort that only a mother can bring. My response was that I was reviewing Google News regularly for updates on a vaccine and was delighted that “a Canadian company says it has made a breakthrough in the fight against the coronavirus outbreak, claiming to have developed a COVID-19 vaccine candidate that could begin human testing as early as this summer." (click here) Equally as delightful I shared was the story on how U of T and McMaster researchers at Sunnybrook Hospital isolate virus behind COVID-19, indeed the frontline warriors in this battle, are our medical scientists. So just as we see an ambush of market negativity, there is at the same time (as always) a ray of sunshine!

**#2. Should I Stay or Should I go Now, by The Clash.** A classic in any life adventure, has there ever been a time where one has not asked oneself if they may have simply been better by leaving earlier? Well for those of us who were not fully vested in cash as the market plummeted, we now must ask ourselves <u>what do we do today</u>? <u>Today, I am holding.</u> Perhaps I am lying to myself, but I do respect my intuition and over this last week of restless sleeps, I have concluded that the market 'may' recover faster than anyone anticipates – again, historically speaking, the market always does. Crazier perhaps to some, I plan on reviewing what companies have been needlessly mired with the belief that they will lead us out of this chaos…example, utilities/energy are being hit with no rhyme or reason, critical materials' demand will be at an all time high during recovery and biotech, well – this one has my attention as biotech could save us all.

**#1. TIE: Don't Look Back in Anger, by Oasis and Long Train Running' by the Doobie Brothers.** Nowhere to go from here, I cancelled all my meetings this week and the Technology Metals Summit for May 14th at the Omni King Edward. Now with our final music selection I wrestled with selecting the top track for "Tracy's Coronavirus Mix", it was neck and neck with Oasis and the Doobie Brothers. This morning…it feels like the Doobie Brothers had it right with a *Long Train Running'*: "Life keeps moving and doesn't stop- like a train won't stop easily with all its momentum and weight. They're going to go with or without you." So, this Covid-19 is indeed like a train once it starts…it just keeps on moving. And our dear friend from Oasis, called it right perhaps as I enter my own period of self isolation, maybe its past due for all of us to “Slip inside the eye of your mind, Don’t you know you might find – a better place to play…” Perhaps its time for some introspection, and who knows what we may find?

Here’s to everyone’s health as we fight this all together.

*Special thanks to our biotech industry as they lead the fight to find a cure for all of us.*

---

# The inevitable impact of the Coronavirus on the world’s rare earths supply.

## *Critical materials-based supply chains may be hanging by a thread, the thread of the size of existing Chinese inventories.*

The coronavirus outbreak in China has had a foreseeable but unintended consequence. Truck drivers have refused to make deliveries into areas either identified as or suspected of harboring the disease.

This has interrupted not only the flow of minerals out of the affected areas but also the refining and manufacturing of metals, food, and fuel. Among the under-reported deficiencies thereby caused the most important ones for the global rare earths production and utilization industries is the interruption in the flow of chemical reagents necessary for refining rare earths and for producing metals, alloys, and magnets.

It cannot be overemphasized that the shutdown of a supply chain on purpose is time consuming, and its re-start even more so. Supply chains are not turned on and off with the flick of a switch.

The dependence of American and European manufacturing on the just-in-time delivery of components means that their industries maintain limited or even non-existent inventories. We do not know much about Chinese inventories, but we do know that they cannot be infinitely large.

**If the coronavirus outbreak continues, we will soon learn a lot about the size of Chinese inventories providing, of course, that export from China does not also shut down (It is certainly slowing down).**

Rare earth enabled components for moving machinery, such as automobiles, trucks, trains, aircraft, industrial motors and generators, home appliances, and consumer goods, almost all today come from China or Japan (which of course gest its rare earth magnets, alloys, phosphors, and catalysts from China). That flow is now slowing. This will have a domino effect on American and European industry. These items cannot be re-sourced due to China's monopoly of rare earths production and its monopsony of rare earth enabled component manufacturing.

We were told that even if the Chinese stopped the flow of rare earth enabled products to the USA in retaliation for tariffs it wouldn't matter. I said at the time that it would indeed matter.

Now we may have to face the consequences of such an interruption even if our countries have an amiable (or, better said, convenient) trade relationship.

There is an urgency now for the creation of a total domestic rare earth end-use products supply chain in the USA, Europe, and non-Chinese Asia.

The anchor of any such supply chain is a working mine-in this case many more than one, since we need both light and heavy rare earths, which are not usually found together in accessible, developable deposits.

The US Army's choice of vendors for its rare earths production solicitation is now more important than ever – the best projects must now be prioritized for development.

A domestic North American rare earth industry is now more important than ever.

---

# The Wuhan Coronavirus crisis leads to some investment opportunities

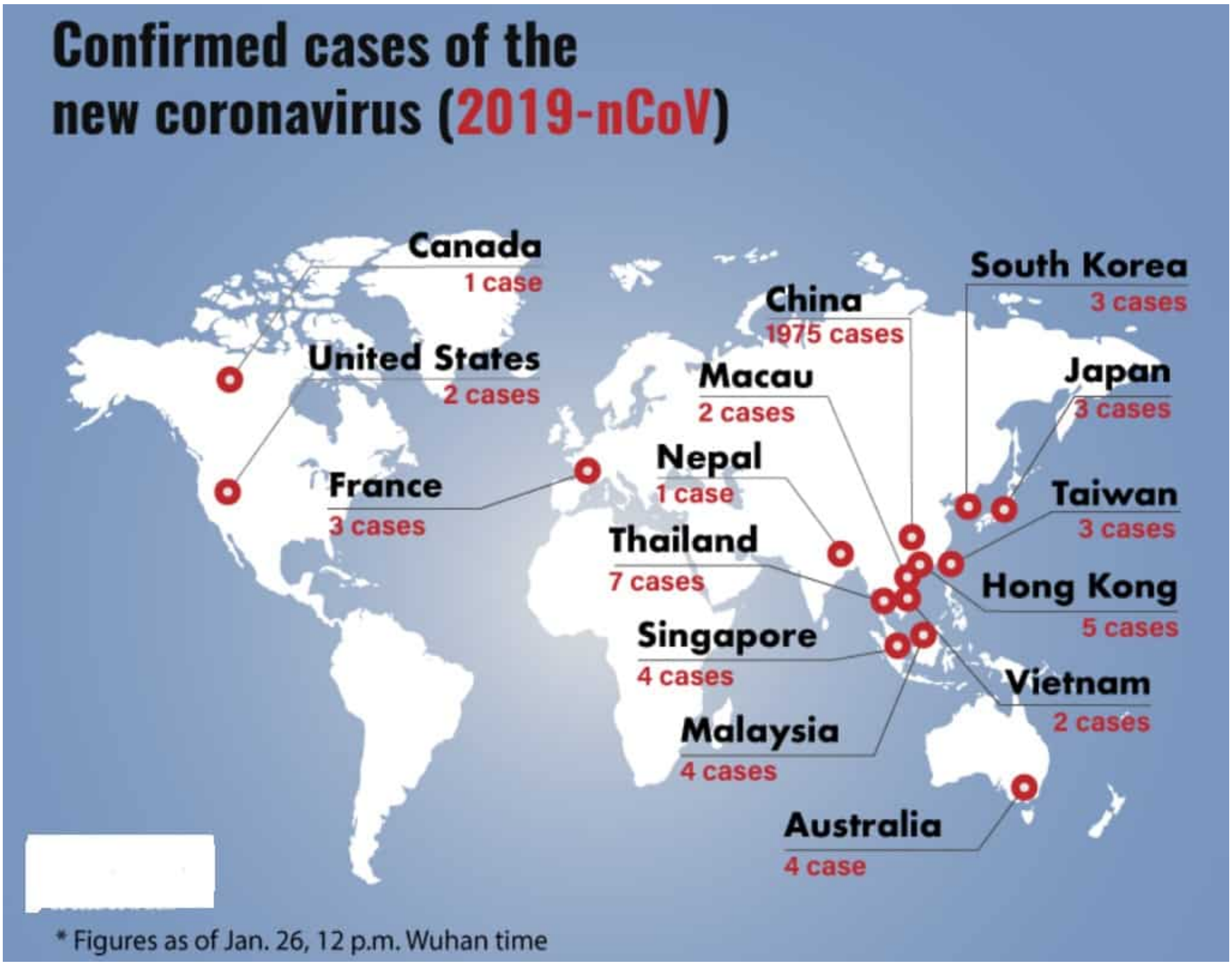
The Wuhan China Coronavirus continues to spread with the latest report at 170 dead and over 7,700 infected, mostly in China but spreading globally. Sadly this may just be the beginning as the WHO considers declaring an International Emergency.

**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.