

# Should You Be Worrying about The Equity Markets and The Coronavirus?

By Bob Deitrick, CEO  
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*The straight answer is no. Over the decades we have had numerous alarms like the coronavirus. Some have been epidemic scares like SARS, cholera, Influenza, MERS, Ebola and the Bird Flu. Others have become pandemics like the HIV/AIDS virus. These occurrences typically have only a tertiary impact on the financial markets, but none has created any enduring damage. The coronavirus, which has been on TV almost 24/7 since the beginning of the year, has impacted China primarily. I am not saying it is not tragic to those affected, but in my view, this falls under the category of – “Things that Shouldn’t Happen in the First Place.” The “butcher’s bill” for the coronavirus is over 2,100 people - as of today.*

*The Coronavirus started in Wuhan, China – a city with a population of 11 million. It originated in what are called the “wet markets” where wild animals like birds, dogs, fruit bats, snakes, armadillos, koalas, crocodiles, peacocks, snakes and wolf pups are killed - in real time, traded and eaten. The fruit bat is the culprit here once again. The winged mammal has been the reservoir for many deadly viruses that are considered zoonotic. Bats are a natural host for the viruses of Ebola, rabies, SARS and MERS, with the latter two being similar to the Coronavirus that has emerged in Wuhan.*



*Virologists are certain this virus came from a “bat stew” sold in the wet markets. Bats were the same source of the SARS outbreak which was discovered in 2003. SARS lasted 6 months in that year as the disease spread to more than two dozen countries. Nonetheless, 2003 was an impressive year for domestic stocks as they appreciated 23%. The SARS outbreak started in the “wet markets” of China where outdoor stalls sell raw “bush meat” within a stones’ throw away from live, caged animals maintained in inhumane conditions. Chinese officials banned the bush meat trade in the wet markets recently, but they did so long after they knew it was already a serious problem. **Unregulated live animal markets - mixed with an illegal wildlife trade, create the opportunity for zoonosis - an infectious disease caused by bacteria, viruses and parasites that spread from animals to humans.***



*Chinese authorities shut down the wet markets on January 1st; however, by then the virus had spread and was being transmitted all over the region. Those most affected are the elderly and those with weakened immune systems. On January 12th, Chinese health officials began sharing a genetic sequence of the virus to better diagnose the strain in patients.*

*We believe that since the medical community gets this new virus under control, and we suspect it will, the stock market may surge higher as the outbreak subsides. The market has already provided us a glimpse of how stocks will react when this epidemic is quelled, as it did on Wednesday. We got a sneak peek this week as to what this market may look like once the outbreak is beaten, and it resembles a coiled spring. We believe the coronavirus impact on stocks so far is exaggerated. A market is considered “coiled” when it has the potential to catapult after a period of challenge or pressure.*

*What amazes me is how CNBC and the mainstream media have made the coronavirus story far more than it is. Coronavirus is endemic to Asia - primarily. In my view, we should be more focused on a drug that is being brewed in Wuhan, China today which impacts Americans far more than corona. At a company called Yuancheng, in Wuhan, they manufacture fentanyl. Fentanyl is illegal in China – supposedly. Nonetheless, it is made there and sold to Mexico where it makes its way to the U.S. Illicit fentanyl is found in everything today. It is mixed with crystal meth, Ecstasy, Xanax, cocaine, and counterfeit oxycodone. Fentanyl kills Americans by the tens of thousands. We had 34,000+ deaths directly attributed to fentanyl last year alone. The Mexican cartels don't have the smarts to make fentanyl from scratch, so they buy it in a bulk precursor form from companies like Yuancheng. After that, making finished fentanyl is simple and it is then transported illegally into the U.S. 70,000 Americans died from fentanyl and opioid overdoses last year - 70,000! That is exponentially more deaths than the 58,318 American soldiers we lost in 19 years of the Vietnam War. Think about that for a second... **We lose 1,350 Americans every week due to fentanyl and opioid abuse in America, yet this crisis is rarely mentioned on television.***

*In our own backyard of Franklin County, overdose deaths reached record highs this month. Our county coroner is opening a second morgue because in the first week of February, Franklin County experienced 30 fentanyl deaths. In the last year, Columbus saw a 10 percent increase in fentanyl overdose deaths.*

***The National Institute on Drug Abuse reports more than 130+ Americans die every day from overdosing on opioids and fentanyl – most of which is made illegally in Wuhan, China.***

*My question is why are we so focused on the coronavirus when fentanyl, made in Wuhan, is far more destructive to Americans than the coronavirus? I don't get it, yet I do. The coronavirus is exotic and current. The opioid and fentanyl catastrophes have regrettably become boring. Nonetheless, I felt it important to comment on this crisis. If there is going to be any progress made with trade and China, we need to focus on the fentanyl crisis.*

***Per the Council of Economic Advisers, the opioid and fentanyl crises cost the American taxpayer ~ \$700 billion last year or 3.4 percent of our nations GDP - and it has cost us more than \$2.5 trillion for the 4 years ending in 2018. This illustrates the human and the economic destruction from this crisis. Think for a moment about what we could do with \$2.5 trillion if we spent it wisely in the United States...***

*The coronavirus may remain in the headlines a while longer, but this market has climbed many walls of worry, and it will climb this one too. We suspect the markets would be higher if not for the coronavirus, but please consider these facts: The DOW YTD is still up 2.74%, the S&P is up 4.41%, and the NASDAQ 100 is up 10.43%. Apple and Amazon are up 7.65% and 16.52% respectively. Not too shabby a start for the first six weeks or so of 2020. Have a terrific week and please call us with any questions.*