



Image Source: CDC. Coronavirus Disease 2019 (COVID-19).

Our dearest members:

The world is being challenged today by what some including Bill Gates believe might be a "[once-in-a-century pathogen](#)." We do not know the eventual outcome, whether the impact of this illness ends up being as profound as the Spanish Influenza of 1918-1919 (which inflicted a death toll in the tens of millions), but we maintain our view the markets have yet to come to grips with the impact of COVID-19 on economic activity and potential ramifications on the global economy and the banking system.

What is currently a "biological" crisis may turn into an all-out global financial crisis, one that could end up worse than the 2008/2009 mortgage meltdown. Instead of toxic mortgages putting a halt to lending activity across the globe as they did over a decade ago, today's crisis stems from an illness that very few of the top health officials in the world know much about--not only in the duration of COVID-19's incubation period, but also in how easily it seems to be spreading, and how deadly it may eventually become, particularly if health systems around the world become overwhelmed.

COVID-19 seems to now have its hooks on the United States after proliferating in hotspots in China, South Korea, and Italy, among nearly 60 countries now. **Community transmission seems to now be proliferating in the United States.** In addition to the confirmed case (and now [unfortunate death](#) as well as possible outbreak at the healthcare facility) in Washington state (a postal worker in Washington [has also tested positive](#)), there are now cases in [Chicagoland \(suburbs\)](#) and [Rhode Island](#), all three likely of community transmission, in addition to the [community-spread cases](#) in California. It now seems probable that COVID-19 could be spreading unabated and among asymptomatic people across America. This may be nothing short of tragic.

Our hearts go out to the people in China, South Korea, Italy and all over the world that are facing this global event head on and with tremendous effort to contain it. The World Health Organization has reiterated that "early reports suggest that illness severity is associated with age (>60 years old) and co-morbid disease." **Please be careful out there, and keep you and your loved ones safe. As we stated earlier, by some estimates, for example, the death rate of those aged 70 and older is 8%, and those with cardiovascular disease is 10%+.** According to the latest tally [by the WHO](#), there are now 87,000+ global cases, including 3,700+ cases in South Korea, 1,100+ cases in Italy, and nearly 600 in Iran. The global death toll as of this writing is 2,973.

In these uncertain and highly-volatile times, I wanted to let you know that we are expanding our available commentary as members may require additional tools for their portfolios, particularly as price-agnostic trading magnifies this global calamity. Beginning April 2020, we'll be starting to release via email options-related ideas (two per month) and commentary, as well as educational information, to those that have subscribed to this feature. We will denote options commentary with the word 'OPTIONS' at the start of any email title for those adding this feature.

Depending on market opportunities, ongoing ideas could include commentary associated with writing covered calls for income, identifying mispriced securities over distinct time horizons and identifying mispriced volatility, as well as other considerations. The additional options commentary will only be released to members that subscribe to this feature. It will not be published on any website, or produced in any newsletter. Please consider subscribing to this new options-commentary feature [here](#) (\$500/year).

The uncontrolled spread of COVID-19 across the United States may be the catalyst to bring much of the world's economic activity to a snail's pace. Though comparisons of COVID-19 to the seasonal flu are running prevalent, COVID-19 is far more deadlier and much more contagious. Furthermore, the Federal Reserve may be largely helpless in using rate cuts to stave off a crisis (lower rates do nothing to immunize the public against COVID-19), and we could witness significant implications across the European bank system as it spreads across the continent. In the event tax receipts from a COVID-19-weakened US economy come up far short (or if more funding is needed during this crisis), a reversion of corporate tax policy in the US to higher rates may be devastating to the stock market.

We've established a target range on the S&P 500 of 2,350-2,750, well below the Friday close of 2,954. The midpoint of the target range reflects 16x forward earnings on the S&P 500, cut 10% as a result of the impact from COVID-19. Be prepared for a wild ride in the markets this upcoming week, both to the upside and to the downside, as price discovery is starting to come back into play as investors return to valuation analysis and due diligence. Stay well.

Kind regards,

Brian Nelson, CFA
President, Investment Research
Valuentum Securities, Inc.
brian@valuentum.com

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