

Market Watch with RMH, Thoughts & a COVID-19 Update

March 23,2020

Mp + Fp +Medical + CS (Common Sense) = We Get Out Of This

Mp stands for Monetary Policy, and old symbol that stuck in my brain from a course I took back at the University of Toronto, where I had to write a 100% final, (messed up the midterm), ah, the good ole days! I tell that to our kids, and they look at me, as they have no idea what a 100% final is.

I am no doctor or scientist, however this is not the way I would have tried to solve the COVID-19 problem, I would have tried Fiscal Policy as discussed below. However, with Washington being the way that it is at current, tribal politics put first, this was the way COVID-19 was going to be solved, Mp to the rescue just like the last 20 years or so. The Federal Reserve (FED), has let the U.S. people know that unlike the 2008 – 2009 financial crisis, they were ready and able to help from the beginning whether their help was needed or not. The public/markets took it the wrong way. **NOW**, we understand they will do whatever it takes to make sure the economy works, and that finances or markets will not freeze up. In times like these markets need to work, they flush out all the sellers, the weak hands so to say. **I am sure there was forced selling** the last few days. Some of the price action in the securities markets reflected forced selling to cover margin calls (mainly hedge funds as they are less regulated and utilize leverage) or plain panic. There is no reason for a \$25 preferred to trade to \$20 on Tuesday of this week, then closes on Wednesday at \$5, with no announcements from the company, and two days later is at \$15. Same price action for pipelines and traded REIT's. Prices went lower where the insiders just bought several days earlier, sometimes 25 - 50% higher? **Insiders buy for one reason, to make money.**

Fp stands for Fiscal Policy

As I mentioned above this should have been tried first. Quite simply the government (with all of the tools at its disposal) will do whatever it can to make sure the economy and public continue to function at a high level. It a great first step with Congress and the Senate both sending President Trump bills to sign. With President Trump invoking the *Defence Production Act* against COVID-19, this allows the private sector to ramp up production and distribution of emergency medical supplies and equipment (masks, ventilators, respirators, expand hospital capacity, to name a few). The companies can be forced to produce medical supplies if needed. Tesla, GM & Ford have volunteered to make ventilators as this is similar to the airflow in their cars. An Italian 3D printing firm making valves one by one, as the manufacturer was out of supply to keep the ventilators running. Others will follow to help with what is needed.

As I mentioned in one of the last 2 missives, we will see a boom in American manufacturing as we bring production home from overseas (will not happen overnight and will take time and resources). It is estimated 80% of pharmaceutical ingredients are sourced from China and India (which sources 80% from China). This was not a good idea in this author's opinion.

Medical Updates

The following is a commentary from Cumberland Advisors from one of their guests **Peter Diamandis** on March 18, 2020, "Maybe The World Will Not End". The thing to keep in mind, is that now we know what the problem is, therefore human ingenuity will pull out all stops to solve this! There may be no one solution; however everything is being tried, from drugs that fight Ebola, Aids, Rheumatoid Arthritis, to combinations of drugs. The Federal Drug Authority (FDA) is relaxing procedures in this fight.

From: Peter Diamandis

Date: March 18, 2020 at 1:11:04 PM EDT

How about some good news for a change?

There have been A LOT of facts going around regarding COVID-19, and a flurry of "positive news" items to lift our spirits.

Here are a number of major victories from the Pandemic line. I've had my team fact-check these wins with links you can follow up on.

(1) Vaccine development: An experimental vaccine developed by Moderna Inc. began the first stage of a clinical trial on Monday, with testing on 45 healthy adults in Seattle. [[link](#)]

(2) China's new cases plummet: China has now closed down its last temporary hospital built to handle COVID-19. Not enough new cases to warrant them. [[link](#)]

(3) Drugs that work: Doctors in India have successfully treated two Italian patients with COVID-19, administering a combination of drugs — principally Lopinavir and Ritonavir, alongside Oseltamivir and Chloroquine. Several are now suggesting the same medical treatment, on a case-by-case basis, globally. [[link](#)]

(4) Antibodies to the rescue: Researchers at the Erasmus Medical Center claim to have found an antibody that can fend off infection by COVID-19. [[link](#)]

(5) 103-year-old recovery: A 103-year-old Chinese woman has made a full recovery from COVID-19 after being treated for 6 days in Wuhan, China, becoming the oldest patient to beat the disease. [[link](#)]

(6) Stores re-opening: Apple has reopened all 42 of its Apple retail stores in China. [[link](#)]

(7) Test results in 2 hours: Cleveland's MetroHealth Medical Center has developed a COVID-19 test that can now deliver results in just two hours, rather than in a matter of days. [[link](#)]

(8) South Korea's dramatic drop in new cases: After its peak of 909 newly reported COVID-19 cases on February 29th, South Korea has now seen a dramatic drop in the number of new cases reported daily. [[link](#)]

(9) Mortality rates inflated? Experts predict that Italy has seen a higher mortality rate of COVID-19 given its significant aging population, as well as its higher percentage of COVID-19 patients with pre-existing health conditions. This might suggest that COVID-19's fatality rate may have been slightly more inflated than previously thought for the general population. [[link](#)]

(10) Israeli vaccine development: More than 50 scientists in Israel are now working to develop a vaccine and antibody for COVID-19, having reported significant breakthroughs in understanding the biological mechanism and characteristics of the novel coronavirus. [[link](#)]

(11) Full recoveries: Three patients in Maryland who tested positive for COVID-19 have now been reported to have “fully recovered.” [[link](#)]

(12) Isolated virus: A network of Canadian scientists isolated the COVID-19 virus, which can now be replicated to test diagnostics, treatments, and vaccines. [[link](#)]

(13) Yet another vaccine in the works: San Diego biotech company Arcturus Therapeutics is developing a COVID-19 vaccine in collaboration with Duke University and National University of Singapore. [[link](#)]

(14) Treatment protocols: Seven patients who were treated for COVID-19 at Jaipur’s Sawai Man Singh (SFS) Hospital and Delhi’s Safdarjung Hospital in India have recovered. The treatment protocol will be widely scaled to other hospitals. [[link](#)]

(15) Another treatment: Plasma from newly recovered COVID-19 patients (involving the harvesting of virus-fighting antibodies) holds promise for treating others infected by the virus. [[link](#)]

Some of COVID-19’s hardest hit nation victims are already emerging strong after peak infection, and biomedical innovators are tackling the virus at unprecedented speeds.

IMPORTANT TO REMEMBER... While everyone is concerned about the super-high mortality rate of this virus — which is calculated by the “number dead” divided by “the number who have tested positive” ([currently ~8,000/200,000](#)) — the denominator, i.e. the number infected is actually VERY hard to know because so few people have been tested.

It may well be that 10x more are infected but subclinical. So is the mortality rate 4% or 0.4%?

We will find out as large scale-testing comes reliably online.

Wishing you the best. Remember that our most important tool during times of panic and crisis is our **mindset**.

Best,
Peter

CS (Common Sense)

We covered this topic recently, and I will not go much over this again. However a lot of the new rules put in place nationwide will cause a short recession. The good news is that the economy entered this crisis in a strong financial position, and typically when we exit the crisis there is a strong rebound. Currently, 70% of the economy is based upon consumption by the consumer. Over 50% of the GDP is from small businesses. Taking these two segments out of the economy at the same time is not a good idea, hence we need more thoughtful common sense. I am seeing a number of articles suggesting the financial cost will end up outweighing the human cost when all is said and done.

We Get Out Of This

There will be some ups and downs going forward, and we will be monitoring the situation very closely. I expect to see a surge in virus cases, and there will be deaths. However I expect we (the U.S.) will have the lowest mortality rate as we are forewarned, therefore forearmed (we were slow to recognize the problem, not just in the U.S., but all over the Western World as well)! Ingenuity worldwide will be on display, regulations will be shortened for medicines to see what works and various Industries will reach out to help the Medical Industry. Finally, spring is coming and the virus is not heat resistant, and we will be getting more daylight as well. This virus started in the Northern Hemisphere in the early part of December when daylight was at its worst, temperatures were cold, protein in short supply, sanitary procedures questionable in a “wet/live” market, and medical advice was ignored and destroyed in Wuhan. I am very certain that most of these conditions will not be present in the U.S. going forward.

We are looking at portfolios, taking tax losses where appropriate, analyzing companies where insiders are buying their own shares (this is important, as people do not buy to take a loss, they sell for many reasons).

We understand that we are in a turbulent time, one that we have not faced for a while. As such, now more than ever, please reach out with any and all questions. We are here to help and guide you through these volatile times.

Sources include the following:

<https://www.marketplace.org/2020/03/18/trump-to-sign-defense-production-act-in-response-to-covid-19/>

<https://www.buzzfeednews.com/article/oliviawebb/coronavirus-why-cant-america-make-its-own-medicine>

Cumberland Associates March 18, 2020 Maybe The World Will Not End

RiverFront – Transitory But Tumultuous – Time Horizon Should Determine Risk Management, March 16, 2020

We thank you all for taking the time and reading “Market Watch.” It is meant as an educational piece on the always evolving markets. It is something we plan on providing every month, and your feedback is very important to us. Please feel free to always reach out with questions, thoughts, or comments. If there are ever any topics you wish us to explore, please share.

On a personal note, RMH is now in the position to bring on new clients and please be sure to share this informational letter with whomever you wish. RMH’s focus is on the customizable investment needs of individuals, families, and foundations. We enjoy working with our clients to better understand their goals, values, and passions for what is important in their lives. In expanding our client base, we look forward to working with people who share these same desires

Richard Mundinger, CFA

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