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Coronavirus slams United States. There's a new price war over oil. The Fed readies their bazooka. What does this mean for your investments?

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The Hot List

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Coronavirus

The WHO declared an official pandemic (<https://www.bbc.com/news/world-51839944>) last week. Schools and businesses are shutting down across the United States. Headlines around COVID-19 are bad and getting worse. On the bright side, it appears the White House has finally started to get serious about dealing with the pandemic.

As mass testing of the public increases, we should get some clarity on the seriousness of this outbreak in the United States. Although we will likely see some large, scary numbers, the clarity they bring should provide some confidence to the markets.

The bull case is that COVID-19 is only a short-term event, which should be behind us in a month or two. If it only lasts that long, there is a real chance that stimulus could help offset the effects of the virus. The bear case is much worse, where this situation could last much longer and may result in many bankruptcies that could strain parts of the financial system.

Oil Price War

Saudi Arabia and Russia appear to have initiated a **price war** (<https://www.aljazeera.com/programmes/countingthecost/2020/03/saudi-arabia-oil-price-war-russia-200315114308947.html>) directed toward U.S. shale producers. Last month, Washington imposed sanctions on Russia for continuing to supply Venezuela with oil. This may have been the issue that has sparked it all.

As China has been dealing with coronavirus, they no longer need as much oil and started turning away oil tankers from ports. But as demand has dropped off, Saudi Arabia and Russia still have continued to pump. While they may have a long-term incentive to hurt U.S. production, the question is how long will they be willing to hurt their own economies, since they need oil at higher levels as well.

Federal Reserve:

President Trump signed an **emergency declaration** (<https://www.fema.gov/news-release/2020/03/13/president-donald-j-trump-directs-fema-support-under-emergency-declaration>) over the coronavirus pandemic on Friday. This gives him the authority to access around \$40 billion to spend on measures associated with this crisis. The Fed also just **injected \$1.5 trillion** (<https://www.wsj.com/articles/fed-to-inject-1-5-trillion-in-bid-to-prevent-unusual-disruptions-in-markets-11584033537>) of added liquidity into the system to prevent “unusual disruptions.” And just last night, the Fed **cut interest rates to zero** (<https://www.washingtonpost.com/business/2020/03/15/federal-reserve-slashes-interest-rates-zero-part-wide-ranging-emergency-intervention/>) and restarted \$700 billion in quantitative easing.

As expected, we knew they would throw as much stimulus as possible in an attempt to prevent the economy from coming to a screeching halt. It will be seen how much effect this has as this is a biological crisis that may not be able to be fixed through financial measures alone.

Election:

The election is starting to take shape as it will be Biden versus Trump. Biden has been seen as a much less drastic change than Sanders, so markets appear to not be as worried about the election as it had been. If Sanders is able to surge in the near term, the election coverage could grab the markets' attention again. But with everything else going on, this probably isn't going to drive markets anytime soon.

Last Week



(<https://dreamwork.financial/wp-content/uploads/Hotsheet-chart2-2-24.png>)

Monday: S&P closed down 225.81 (-7.6%) to 2746.56. Limit down then continued to get worse, oil down 30%, price war.

Tuesday: S&P closed up 135.67 (+4.9%) to 2882.23. Limit up, rumors of eliminating payroll tax.

Wednesday: S&P closed down 140.85 (-4.9%) to 2741.38. WHO officially declares Covid-19 a pandemic. Hopes for stimulus fade.

Thursday: S&P closed down 260.74 (-9.5%) to 2480.64. Biggest one-day drop since 1987. Limit down out of the gate, Trump failed to appease markets with lack of detail, lack of coordination. The U.S. banned travel from Europe. Fed injects \$1.5 trillion into the system.

Fri: S&P closed up 230.38 (+9.3%) to 2711.02. Relief rally, Trump declares national emergency.

Technical Look



(<https://dreamwork.financial/wp-content/uploads/Hotsheet-Chart-2-24.png>)

As you can see, serious technical damage continues to be done. We are getting close to low levels that we haven't seen in over a year. Sitting beneath all recent support levels, the next level goes all the way back to last Christmas's lows.

If we get back above 2800, we could possibly build some traction as that has been a major level for years now. However, with the giant moves in this crazy market, you can pretty much throw the charts out the window.

My Takeaway

The market has been in full tantrum mode for a few weeks now. The market absolutely hates uncertainty and this is about as uncertain a market as I can remember in my 20+ years of trading.

The 1-2 punch of coronavirus and the oil price war has completely turned the market on its head. Right now, investors are trying to wrap their heads around the length and severity of these issues. People are hoping President Trump can come up with a sufficient plan of attack to keep this from stifling our economy.

President Trump had been signaling he wanted to go negative with interest rates and stimulate the economy before this pandemic. Now, you can bet he will go above and beyond with a "Trump-style" stimulus package. Whether or not it helps the actual economy will be debatable, but I'd imagine it will be pointed directly at the stock market.

So while things are certainly gloomy now, there is at least a chance that we could be stimulating an otherwise strong economy over something that could possibly be a short-term issue. If that's the case, the market could be ready to roar on the other side of this. However that's a really big "if." It is going to take a little time to get through this. If you are a long-term investor, you should be licking your chops at this selloff.

This is the time to make a list and start grabbing some names that you haven't been able to get at a good entry point. This situations, where there is forced selling occurring, have usually proven to be great entry points. After all, utilities and even toilet paper companies are down. Now, tell me this market isn't acting irrationally.