



Published  
March 23, 2020

*Coronavirus slams United States. Markets are anxiously awaiting stimulus. The oil price war continues. What does this mean for your investments?*

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## The Hot List

### ↑ Coronavirus

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The news around coronavirus is bad and getting worse. Cases have spiked in recent days, and it is now being reported that the state of New York has more cases than France or South Korea (<https://www.cnbc.com/2020/03/22/new-york-state-has-more-coronavirus-cases-than-france-or-south-korea-as-infections-soar-to-15168.html>). Statewide lockdowns have begun, and nearly one in four Americans are under orders to close their businesses and stay home (<https://www.reuters.com/article/us-health-coronavirus-usa-lockdown/us-coronavirus-lockdown-to-last-10-12-weeks-top-trump-official-says->

idUSKBN2190MQ). New York, New Jersey, Illinois and Connecticut are the first states to do this, and it's very likely that more will follow. The economic impact from this pandemic has the potential to be severe.

Drastic times call for drastic measures, and President Trump has deployed the National Guard to New York, California and Washington. Their mission as currently stated will be the deployment of supplies from the national stockpiles to the hardest hit areas. These supplies include N95 masks, beds, gloves and more. There has been no indication as of this writing that these troops will be utilized to institute forced quarantines or martial law.

The FDA recently **approved the first rapid Covid-19 test** (<https://www.npr.org/sections/coronavirus-live-updates/2020/03/21/819629909/fda-approves-first-rapid-covid-19-test>) which claims to provide results in 45 minutes. Testing is the key to getting through this pandemic, because the faster we can find out who has it and who can return to work, the faster we can get back to normal. According to reports, these testing kits should be available by the end of this month. Godspeed...

## Stimulus

The Federal Reserve slashed rates to 0-0.25% and restarted at least \$700 billion of QE (quantitative easing). In addition, they were reportedly **pumping around a trillion dollars per day into the overnight repo markets throughout last week** ([https://www.pbs.org/newshour/economy/federal-reserve-to-lend-additional-1-trillion-a-day-to-large-banks&sa=D&source=hangouts&ust=1585059577246000&usg=AFQjCNEhJawOl7bVP2W\\_jZQ1o6NOpr6FqQ](https://www.pbs.org/newshour/economy/federal-reserve-to-lend-additional-1-trillion-a-day-to-large-banks&sa=D&source=hangouts&ust=1585059577246000&usg=AFQjCNEhJawOl7bVP2W_jZQ1o6NOpr6FqQ)). This shows they are willing to do whatever it takes to keep markets liquid.

Markets are anxiously anticipating how the government plans to resolve this crisis. If the administration can effectively get cash into the hands of impacted consumers – not just a blank check to the airlines or the oil companies – the markets could start to show some confidence again. However, I don't think investors have faith that this will happen any time soon. Right now, we are looking at a war-like economic scenario, and we need a war-like response. Maybe both sides can come together and approve an effective “shock and awe” style package that can restore confidence and make people feel more comfortable while they are stuck in their homes.

## 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 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 by driving prices lower?

Can the US, Russia and Saudi Arabia come together for an agreement to help stabilize prices? Some argue that we have helped protect the Saudi oil, so we should be upset that this is how they are repaying us. Others argue that Saudi Arabia is now in a lose-lose spot, because low prices can help the United States economy even if it hurts the shale producers.

This is possibly the worst time for a “price war” to be occurring in the energy markets. Let’s hope this gets straightened out soon and helps to reduce some of the current volatility we are facing.

## **Election**

The election is starting to take shape, and it appears it will be Biden versus Trump. Biden is 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 324.89 (-11.98%) to 2386.13. Limit-down out of the open. Trump says coronavirus response could last until August.

**Tuesday:** S&P closed up 143.06 (+6.00%) to 2529.19. Relief rally, stimulus plan hopes.

**Wednesday:** S&P closed down 131.09 (-5.20%) to 2398.10. Limit-down. Coronavirus cases top 200K worldwide. Oil hits 18-year low.

**Thursday:** S&P closed up 11.29 (+0.47%) to 2409.39. Whipsaw trading as market weighs stimulus hopes. Oil gains on a record day.

**Friday:** S&P closed down 104.47 (-4.34%) to 2304.92. Futures up big out of gate only to roll over as energy tanks.

## Technical Look



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

After hitting levels that haven't been seen since before Trump was elected, all charts are pretty much out the window. Without any clear data on how bad this will get, Wall Street is basically making guesstimates at this point. You can see that we are trying to stabilize here in the range of 2400, which is near the Christmas 2018 lows. If we can stay above 2300 and build our way back above 2400 that would be a huge positive to me. However, there is not much support below, so getting some sort of positive news here would be critical to maintaining current levels.

## My Takeaway

The market has been taken to the woodshed over the last couple of weeks. We are in a massive spiral of uncertainty and the only thing that can help us here is some clarity from the government. We need clarity on the number and locations of COVID-19 cases. We need clarity on how the government is going to help everyone affected. We need clarity on who is going to get bailed out and who is going out of business?

This means need we COVID-19 testing ASAP, everywhere. We need to see exactly how bad it is and start getting those who are healthy back to work. We also need a clear, swift, precise and bipartisan effort from the government regarding both health and economic measures. We need public and private companies to work together to make it through this.

There is no doubt that the economic impact from this is going to be very sharp and deep. This question is how long will this last? How quickly we come out of this is largely dependent on policy response. If they go full "shock and awe" to help consumers and small business survive this, then we could see a bottom form pretty quickly. But if this continues to drag on while cases explode, we could see another leg down.

The good news is, if you are an investor with a multi-year horizon, these times of maximum fear have historically presented buying opportunities. The fight or flight response to the market is real. It feels good to buy when things are going up and feels good to sell when things are going down. However, that is usually the opposite of what you should do.

This current maximum fear scenario may be presenting one of those epic times to buy. However, it is very important that you don't try and pick the bottom. It's a better strategy to make smaller investments when you see your favorite stocks starting to get more attractive. This allows you the opportunity to reduce your average costs of ownership by buying more if the stocks continue to go down without missing the gains if the stocks turn positive.

If you need assistance with your investments during these turbulent times, don't hesitate to **give DreamWork Financial Group a call (<https://dreamwork.financial/contact/>)**.