

We have zero doubt that Wall Street saw the opportunity for more cheap money from the Fed. When they want more, they beat down stocks to demand it. Stock markets almost certainly had to retrace, perhaps not as swiftly as last week, but they were far over-extended and we will not be at all surprised if Wall Street just used the Coronavirus coverage to demand more monetary fuel from the central banks.

However, the Coronavirus may indeed be a growing crisis. It has most definitely and sadly resulted in measurable illness and in many deaths. But ... so does the flu. This virus may yet turn into a full-scale humanitarian crisis. Hopefully rather it will turn out to be just another media hype. Would it surprise you to know that recent past viruses that include SARs, the bird-flu, the swine-flu, the Zika-virus, MERs and Ebola. all happened in U.S. election years, both presidential and mid-term? True. Look it up.

Nonetheless, there is already a real economic impact that has yet to be determined. In the real world, people do not consume when they're hiding in their homes afraid. Bank of America illustrates the likely slowdown in earnings from what has already transpired:

Chart 3: BofA global EPS model forecast -3.5% vs. flat consensus



Source: BofA Global Investment Strategy, Bloomberg, Datastream, IBES, Haver; model composed of Asian export growth, global PMI, US Treasury yield curve & Chinese financial conditions

The big questions surround 1) the degree the global economy will slow down, 2) the degree to which central banks will print money to offset it, and 3) the confidence by market participants in that money printing. So far the confidence has seemed endless.

All we can do is advise investors that money-printing strategies have never before succeeded long term. When that will matter, we do not know. Several indicators suggest markets should rally now in a counter-trend bounce. But 'crashes' tend to happen *after* a dive has begun. It has been a 12 year bull-market, and more than difficult to want step aside from what seems to be endless power of central banks to lift stocks. Yet wealth and income inequality are at record highs, and *CEOs are retiring at a stunning pace*. Do they know something? We live in strange times. We again prefer caution here.

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