

Hello Everyone,

I had planned to talk about Social Security and Medicare this morning. I had given up on the Coronavirus affecting Wall Street. Then, bam (!) last night before I went to bed, I looked at the Asian markets and thought, uh oh.

Of course, this morning, the waterfall had begun in the US.

So, I bagged the Social Security/Medicare topic and hastily put together another Coronavirus segment. Thus, if today's missive seems a little abrupt in its tone...that's why.

Finally, I was going through client portfolios this morning, and so far almost all of you are up today. We anticipated there would be a cycle change. I did not expect a virus to be the trigger. We'll see if this is truly the inflection point. It's still too early to be emphatic about anything.

Signed, Your Noticed-N95-Masks-Are-Still-Completely-Out-Of-Stock-At-Drug-Stores-&-Supermarkets Financial Advisor,

Greg

KKOB 02.24.2020 Coronavirus Hits Wall Street...Finally.

Bob: Greg, you have been talking about the Coronavirus for almost three weeks. And, now it is as if Wall Street is finally figuring out this may be more serious than just another flu. You mentioned both banking and supply chains as places to watch. Can you expand on that a little?

Greg: Sure. Let's start with supply chains. And let's use Apple's Foxconn factory in China as our example.

- Foxconn shut down their factories—because of the virus.
- When they said they would reopen—Wall Street cheered.
- Then Foxconn backed off.
- Foxconn only assembles I-Phones there---but the parts come from all over China and even the world.

- What if the camera component comes from another factory and ***that factory*** has not reopened?
- You can't make the I-Phone without the camera.
- Your supply chain breaks.
- This is what is happening all across China----and it is hitting auto assembly supply lines as well.
- Oh, and would you go back to work in a cramped factory if you were in China right now?
- Even with 7000 yuan bonuses promised, workers are staying home

Anyway, There are pictures of the ports in China that look like the D-Day invasion---tankers, container ships, barges all sitting idly. No one will unload. Plus, with 400 million people in lock down/quarantine, no one is buying product.

Bob: You also told our listeners to watch banking. Why?

Greg: The Chinese have over \$40 trillion of debt. Do you remember our liar-loan situation of 12-15 years ago---when hundreds of thousands of people lied about their incomes so they could get loans to flip house?

The Chinese make us look like amateurs. When you don't work, you can't make loan payments. When you can't make loan payments (and your system is loaded with bad debt) banking strains emerge quickly. The last thing China needs now is banking crisis on top of a health crisis....but that's what is happening.

Bob: So, is this why gold is going up?

Greg: Sure. The Chinese government is going to do whatever it takes to keep the economy going including printing yuan and shoring up the banks.

Oh, and the European Central Bank, Bank of Japan, & our Federal Reserve have all said they are willing to lower rates and print money to cushion the economic impact.

Well, when you pray-and-spray money all over the world, it's easy to see why gold is reacting favorably.

Bob: But silver is rising, too. I assume it's for the same reason.

Greg: It's a little different. Yes, there is the "*you can't print silver the way you can print paper money element*", but silver can be used to kill bacteria.

You've heard the saying, "*born with a silver spoon in your mouth?*" You thought that was for wealthy babies. The original meaning was for healthy babies. Caring mothers fed their babies with silver spoons vs. wooden spoons to keep bacteria down. Silver threads are used in hospital sheets for the same reason.

Anyway that gas you see the Chinese spraying to disinfect entire rooms has Nano-silver in it. And yes, I know bacteria and viruses are different, but the components of the fog are acting in concert to limit the spread of the virus. Thus, silver is in demand.

Bob: I never knew that. So, do you think it will affect us here? Let me rephrase that. I know there are some cases here already, but do you think we could be heading toward a China situation?

Greg: I don't know. I hope not. I'll say this though. I think it is now obvious the economic impact will hit here before the health impact does. And, I don't just don't just mean the stock market impact.

I had a 6:00 AM meeting this morning with a smart guy who went out for Chinese food here in Albuquerque over the weekend.

Someone walked in and said, “Do you get any of your food from China?” The restaurant was already mostly empty and the owners said, “No! No! Our food comes from the US.” So, even in a little Chinese restaurant in Albuquerque, the Coronavirus’ impact is under way.

Bob: Well, I have to give you credit. You saw this early. You have been educating us. Now, your “invest in low-tech and things that can’t be printed” theme is coming to pass

Greg: I didn’t expect a virus to be the trigger. I thought it would be debt. Well, it is a debt issue...if we didn’t have mountains of debt around the globe, the virus would not hit economically as strong as it is.

Bob: Great report how do people reach you?

Greg: My number is 505-250-3754. Or, go to my website at zanettifinancial.com.

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