

Hello Everyone,

“It isn’t that they can’t see the solution. It is that they can’t see the problem.” **Gilbert K. Chesterton**

We all know the solution...a vaccine...or some indication there has been a massive overreaction to a disease that isn’t as bad as advertised.

How much damage done between now and then is the issue.

Today’s missive starts to look ahead at what is coming financially. It’s predictable. Plus, “they” are telling us.

Governments and Central Banks are going to print money to “cushion the economic blow” of Covid-19. Hong Kong is the test case.

Remember to play the long game. It is in government’s best interest to print. You can’t pay down debts with deflated dollars/euros/yen/pesos/yuan. Or, as Rahm Emanuel would say, “You don’t ever want a crisis go to waste.”

Signed, Your Can’t-Wait-To-Read-All-The-Analysis-This-Weekend Financial Advisor,

Greg

PS The beat down in gold today has more to do with margin selling than fundamentals. We've seen this before. It's not structural.

KKOB 02.28.2020 Coronavirus, Dollar Stores, Hong Kong & Politics

Bob: Well, Greg, I know you have wanted to move on from the coronavirus topic, but the news won’t let you. So, let’s keep going. What have you go today?

Greg: Well, two weeks ago, I recommended your listeners watch the banking sector to see whether the coronavirus was spreading rapidly or not.

The thinking was, if people weren’t working, they’re not making money. And, if they’re not making money, they can’t pay their

loans. Thus, money would sniff out the truth of corona faster than the Chinese government would confess the real story.

Then it occurred to me. Most of your listeners have a life. They are probably not inclined to look at banking indexes when they get home from work.

So, I thought is there a better way to see how this is really affecting US-China trade? And the answer is--- I think yes. Go to the dollar stores.

Bob: Wait. You mean the Dollar Stores all around town? Like Dollar Tree or Family Dollar?

Greg: Right. Bob, 40-45% of their products come directly from China. So, wander in over the weekend. This is still early in the game. The shelves are probably still full.

Then wait two weeks. Go back. Then, do it again a week later. Are the shelves still full? Or, have they faced them up, spread product out, but nothing is behind the first row?

The point is, trust your eyes. You'll get a feel for how the virus is affecting trade. Oh, and watch FedEx shipments as well. Does that make sense?

Bob: It does. And how do come up with this stuff?

But, let's circle back to your banking premise. Is that panning out?

Greg: It is. But not the way I expected.

For example, we know Hong Kong is getting hit economically by the virus. Well, before coronavirus, Hong Kong typically received 200,000 visitors per day. They came in by plane from foreign countries ---and mostly boat from mainland China.

Hong Kong is down to 3000 visitors per day. From 200,000 to 3000?! Think of what that has done to hotels, restaurants, retailers, and so on.

Anyway, earlier this week the Hong Kong government announced they were giving every adult 10,000 Hong Kong Dollars. That's about \$1300 US dollars per adult. Free money.

So, why do this?

They are trying to save the banks. They need people to pay their loans. Because if they don't, they risk a Lehman type event like we had 12-years ago. Bob, I know you remember that. People couldn't pay their mortgages and we all know what happened.

Bob: Right. That sparked all the Quantitative Easing...QE...which was just a fancy way of saying "money printing". I think they called it "helicopter money"like dropping money from helicopters.

Greg: Exactly. And, \$4.5 trillion of QE was needed to save a \$400 billion bank. Hmmmm.

Anyway, Hong Kong has clearly decided to preemptively launch its own "helicopter money" program. But, Bob, instead of giving the money directly to the banks like we did, they are going to give it directly to the people.

Bob: But that just devalues the currency...something you and I have talked about before.

But, before we have to go, I need to ask you about something else.

What I can't believe is how this disease is being politicized. The Democrats are already blaming Trump for failing----- even though not much has happened here...at least not yet.

Greg: (Sigh) OK. Let's make the political connections. It's all pretty predictable.

Any response the US has (short of an instant cure or vaccine) will be labeled as insufficient by the Democrats. Meanwhile, President Trump will say, *"Hey, think of what we did. We built a wall to keep the borders more secure, so the disease didn't sneak in. Plus, we imposed tariffs and brought manufacturing back from China before the outbreak. Meanwhile, you guys opposed the wall, border security, and the tariffs. Who was right?"*

Bob: Yup...you're right. I can see all this coming.

So, let's see. This morning we discussed dollar stores, Hong Kong, helicopter money, and political talking points all in three minutes. Not bad. How do people reach you?

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

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