

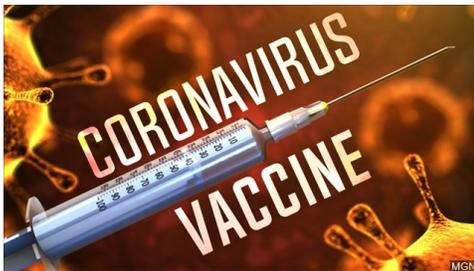
Raymond F. Saleeby, Jr
President

Saleeby & Associates, Inc.

A Special Double Issue Report

The Good, The Bad & The Ugly: Further Coronavirus Ramifications

Coronavirus: The Good

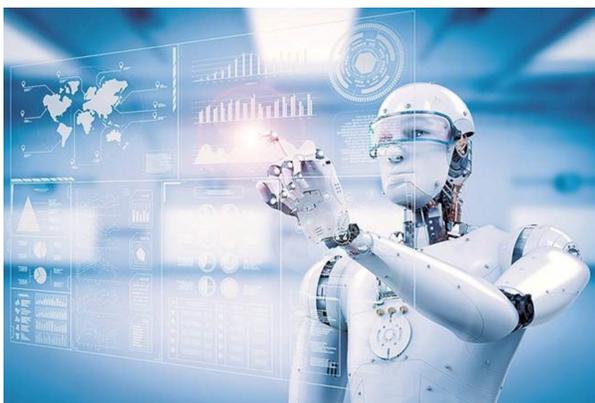


In an announcement on March 30, 2020, it is believed that Johnson & Johnson had a breakthrough in a leading vaccine candidate for COVID-19. They have a landmark partnership with the U.S. Department of Health and Human Services and plan to make it available for emergency use in the U.S. in early 2021. Secondly, another major development came from Abbott Labs. They launched a molecular point of care to detect the novel coronavirus in as little as five minutes and it's available now. They expect to ramp up manufacturing to deliver 50

thousand tests per day. Another game changer is a new blood test that provides a rapid evaluation for the presence of viral antibodies. The Food and Drug Administration has allowed sales of the antibody tests, without prior approval. The regulators have not confirmed the accuracy of this test. In addition, someone who lacks antibodies to the virus may not necessarily be immune to another infection. However, this test serves as a bridge to a vaccine.¹ This is another potential positive medical breakthrough that will allow us to potentially help save lives and get the economy back on track sooner than expected.



Other companies who have had significant progress in developing potential solutions to COVID-19 are numerous; there appears to be two other companies that stand out for making progress for treatments for the virus. Regeneron reports that their COVID-19 research program may result in a possible treatment at the end

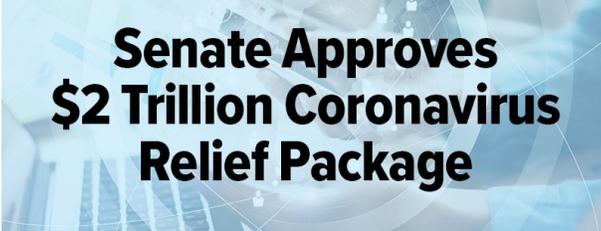


of April. The second company, Moderna, has also made excellent progress. They signed an agreement, "HHS said Barda will collaborate with Moderna to prepare for Phase 2 & 3 clinical trials of a vaccine known as SARS-COV-2 MRNA."² These are all remarkable achievements and offer great promise, however, they can have setbacks. I do not believe any of these potential products coming to the market could have been created without using the skill, focus, and technology associated with artificial intelligence and other more technological advancements to expedite the process. Normally, I believe it takes 5-7 years to develop a vaccine but with advancements in technology, 12-18 months seems more possible in my opinion.

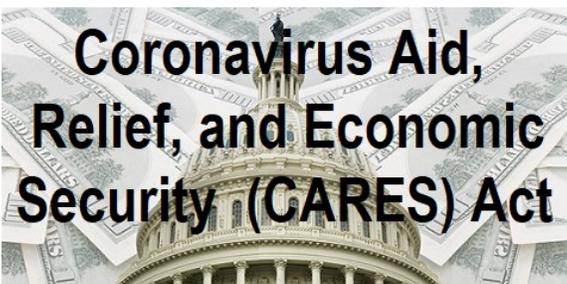
Coronavirus: The Good (Continued)

Certainly, this process is a great determining factor in how fast we get the United States and the rest of the world back on their feet both health- and economic-wise. In my opinion, our country is doing good focusing on solutions to develop a vaccine; however, I believe things could be better with greater cooperation and efficiency because historically when the U.S.'s back was against the wall, we set up projects that were important for our citizens and potentially the rest of the world. For example, the Manhattan project involved development of nuclear weapons and the Marshall plan developed a way for us to aid in the economic recovery of nations after World War II.

The presence of the coronavirus has resulted in a few good things... We are seeing less air and ground traffic, which helps reduce worldwide pollution for now. In addition, our government decided to make the US the lender of last resort to stabilize and stimulate the economy by injecting liquidity to help free markets from freezing and provide stimulus for financial assets (i.e. corporate bonds, mortgages, and other financial assets). Shortly after the Fed's announcement, the Republicans and Democrats agreed to a \$2.2 trillion fiscal package which is designed to help small businesses and their employees and the unemployed. This plan has a few snafus, but I believe it will get resolved and provide a tremendous stimulus to our economy which could help stabilize and bridge the gap until it improves. However, I believe this is only the first stage and we will need more to stabilize and improve our economy. President Trump has proposed an infrastructure program which I feel we have needed for the past 10 years. While I believe it could be beneficial, we have more pressing needs and priorities that need to be addressed.



**Senate Approves
\$2 Trillion Coronavirus
Relief Package**



Some recent changes that may affect you relate to the Secure and Care Act. I urge you to read the details to see if they apply to you. Some of the major changes include tax return filing deadline changes from April 15, 2020 to July 15, 2020; an RMD waiver for 2020 and easier distributions. In addition, the Payroll Protection Program for business and employees from the stimulus legislation recently signed. Please call or email us if you need more information.

Hopefully we will see other fiscal and monetary phases from our government. This is a nationwide crisis with worldwide ramifications. More people will likely come together and help others as a byproduct of this pandemic. Even though President Trump has made mistakes handling the pandemic along with other politicians, I believe shutting down travel from China was smart to limit our exposure to the virus. Furthermore, the internet has held up well despite the surge in usage. Banks are significantly better equipped to handle the crisis with better balance sheets and less leverage to carry out the fiscal requests. I believe this crisis will bring more jobs and manufacturing back to the United States and lower interest rates which will help immensely when credit is more accessible to more people and companies. However, we must remember what we are really doing is transferring debt from citizens and corporations to the government, which in turn increases the government debt and deficits.

Coronavirus: The Bad

Unfortunately, I believe poor state leadership has resulted in states putting their economic interest ahead of the safety of their residents and our country. Even though the first person was officially diagnosed with the coronavirus in the United States on January 20, 2020, we didn't see swift reactions till much later. As of April 3, 2020, 96% of the United States is now under a gradual Stay-at-Home order, with businesses only open for essential services. If this occurred in a more swift and uniform way, I believe more lives would have been spared and the duration of the pandemic shortened. This virus has spread rapidly for many reasons. For example, in New Orleans and other parts of Louisiana, the Mardi Gras celebrations were held; a soccer match in Italy was held in February and further accelerated the spread of the virus; in Florida, beaches were open and spring break travelers and other tourists flocked to the state, despite many Florida municipalities closing non-essential businesses. There have been mixed messages from the humanitarian side and politicians who are not thinking in nationalistic terms, but in financial and self-serving terms. These bad decisions along with our federal government's poor response have cost the world dearly. The United States is regarded as a rich, strong, developed nation that is ready and able to handle a crisis such as this. But this certainly has not been the case with the coronavirus pandemic.³ The healthcare infrastructure in hot spot areas such as New York has been woefully inadequate. The strategic resources of ventilators, masks, and other products used to combat the virus have been in short supply.



There was a fascinating CBS Evening News Report on March 30, 2020 which covered how the South Koreans believed everything should center around: test, trace, and treat. This has been their mantra. In the news report, it said that anyone quarantined must download an app that tracks his/her movement and fines for violations run as high as \$2,500. This strategy has worked for South Koreans. It is worth noting that South Korea and the United States reported the first case of the virus on the same day in January. Within six weeks, South Korea tested 137,000 people while the United States tested nearly 1,000 people. A week later, the

United States tested 10,000 people compared to 235,000 in South Korea despite South Korea being significantly smaller than the U.S. With New York City as the epicenter for the virus, one leader is quoted as saying, "it is not too late for the U.S. to follow South Korea's lead."⁴ One cannot stress enough the speed in which one handles the problem has a great impact on how long the problem will last.

CORONAVIRUS
HAS DISRUPTED THE
GLOBAL SUPPLY CHAIN MANAGEMENT

We also have seen major supply chain disruptions with this pandemic. These issues will need to be addressed going forward, which will lead to the implementation of more strategic resources in the United States. There are several hundred parts required to produce ventilators and one or two missing parts can hold up the process.

Coronavirus: The Bad (Continued)

According to the New York Times, even before the crisis emerged, the Food and Drug Administration noticed shortages of 100+ drugs in the United States. And factory shutdowns in China, India, and other countries may have exacerbated the shortage of some ingredients and generic drugs during the pandemic. ““Out of 21 antibiotics that would be critical for treating secondary infections in COVID-19 patients, 18 antibiotics have greater than 80 percent of their supply coming out of either China, India, or Italy- all places that have had production disruptions,”⁵ said Steven Schondelmeyer, a professor at University of Minnesota’s College of Pharmacy...” Unfortunately, we rely heavily on China for ingredients for the manufacture of many of our drugs. Currently, President Trump touts the antimalaria drug, Hydroxychloroquine, as a potential treatment for the coronavirus and India has agreed to lift the export ban of the drug.⁶ In previous newsletters, I have highlighted our heavy reliance on China for drug manufacturing and earth minerals. Certainly, the COVID-19 crisis has led to tremendous economic and financial hardship.



According to the Federal Reserve Bank of St. Louis, up to 47 million people could lose their jobs due to the virus.⁷ The stock market has also seen hardship in March where the Dow and S&P have had the worst month on record since the Great Depression. Analysts and companies have been ratcheting down their profit forecast since there are so many industries disrupted by this virus. I have never seen unemployment of with this ferocity and size in my lifetime. We have been in an economic coma from this healthcare crisis. If the Federal Reserve estimate of 47 million job loss claims comes true, our

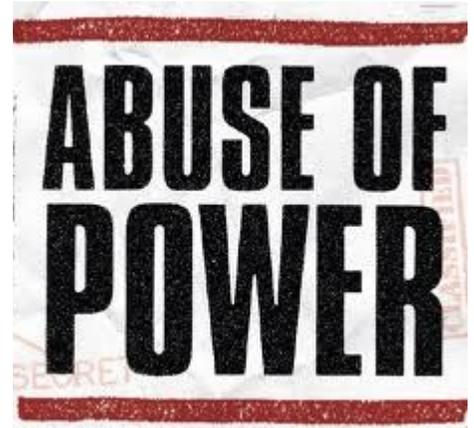
unemployment rate would be 32% and many states are not equipped to handle the volume of people who will apply for unemployment benefits. I imagine most of us believe we are in a severe recession; however, it is far worse for those who have lost their job with dwindling savings and fading hope with potential homelessness on the horizon. Even during the Great Depression, the highest level of unemployment reached 25%⁷; so let us hope that the potential forecast by the Federal Reserve does not come to fruition. The unemployment rate is estimated to be around 13%, now it is almost certainly at its highest level since the Great Depression.⁸

Some of the industries that have been severely affected by this pandemic include restaurants, hotels, apparel, travel, and retail. Many small businesses pay rent which is one of the larger expenses for restaurants and retailers. According to Karen Mills, the former head of the Small Business Administration, “What’s challenging is that those small businesses don’t keep the kind of cash cushion that publicly traded companies often do to pay bills in a downturn. Mills said that small businesses average just 27 days of operating cash on hand, and restaurants average just 17 days. Two months without operating could put them out of business before you know it.”⁹ But we cannot lump all real estate together to say that all segments are hurting. There are certain sectors that are performing and will continue to perform okay during this crisis, such as data centers, cell towers, self-storage, etc. But for malls, hotels, healthcare concerns like nursing homes and many others are in trouble and they could face further problems down the line. With our current crisis, there is a new fight in some real estate areas, in particular malls, commercial property, and apartments as to who will pay for the rent/lease, the customer/tenant/government or the landlord. According to the Wall Street Journal, nearly a third of U.S. apartment renters didn’t pay any of their April rent during the first week of the month.¹⁰ Time will tell how these situations get resolved. What complicates matters is the amount of leverage that is generally associated with real estate.



Coronavirus: The Ugly

There are many things that have occurred during this crisis that do not look good and can be deemed worse than bad. For example, Richard Burr, Chairman of the Senate Intelligence Committee, and three other senators sold off substantial holdings before the information about the coronavirus and potential ramifications became public. Burr and his wife sold between \$628,000 - \$1.7 million in more than 30 separate transactions in late January and mid-February. Some of the transactions involved companies that owned hotels.¹¹ “Sen. Kelly Loeffler benefited from stock trades worth millions of dollars shortly before the general public was alerted to the severity of the COVID-19 crisis, selling off her shares in industries that have been adversely affected by the coronavirus pandemic and buying shares of companies that have benefited.”¹² Whiting Petroleum executives got \$14.6 million in bonuses ahead of bankruptcy. The board approved these bonuses for top executives, including \$6.4 million for CEO Brad Holley just days before the company filed for bankruptcy. The board signed off on the payout on March 26th as part of an overall Whiting compensation program.¹³ This is tragic and abusive in my mind and should not be allowed to happen. In addition, Nancy Pelosi’s husband bought stock in companies such as Slack, Microsoft, and Alphabet securities.¹⁴ There needs to be new guidelines and restrictions on politicians and their spouses who buy and sell stocks based on exclusive information, which does not extend to the general public. This is certainly abusive in any kind of environment and not fair to the average investor.



I have also seen and heard about price gouging for various necessities, both personal use and for use by healthcare providers. New York Governor Cuomo stated that before this crisis, masks cost \$0.58 per mask but now cost \$7.50 if you can get one.¹⁵ It is my understanding that price gouging is illegal in times of crisis. We are not only seeing this with face masks but with other necessities as well. In addition to the obvious healthcare crisis and financial and economic matters, we are seeing

the social effects of this crisis. I believe issues related to housing, mental health, and substance abuse have escalated due to the dramatic effects of this pandemic. And I believe there could be an increase in suicides due to stress, effects of social isolation, and ramifications of financial hardships. This is a worldwide problem and we need to be concerned with the response not only by our government officials but in other countries as well. After all, who would have thought there would be a bonanza (estimated to cost \$170 billion over the next 10 years) for rich real estate investors hidden in the stimulus package in the compromise between Democrats and Republicans.¹⁶ I am concerned that many countries will not take the necessary steps nor have the resources or political power to combat the virus, leading to a spread of the virus. Furthermore, Singapore may have acquired a second round of the virus which is very concerning.¹⁷ My personal concern is that some infected people are asymptomatic and could unwittingly infect others. Therefore, testing is important especially early on. This is obviously an ugly situation for which I believe we are still searching for answers.

Coronavirus: Ramifications

Grocery stores are taking market shares from restaurants. Big retailers such as Amazon, Costco, and Wal-Mart are taking market shares from small and mid-size retailers (the big get bigger- Business Darwinism). Sporting events may resume without fans using live streaming or broadcasting (more e-sports usage). In the short-term, restaurants will have to provide delivery service or curbside pickup to survive.

I foresee that many businesses will come to you or your house for large purchases such as automobiles (more individualization). Insurance and health care costs will have to adapt due to this crisis by adding related costs for businesses and consumers. Businesses may stagger appointment times to adjust for people allowed in the space at one time (i.e., gyms). I also believe there will be more video conferencing instead of overseas travel for business and that videos will also be used to sell and market more products.

Major civil liberties debate on the implementation of new tech deliveries and developments regarding virus testing, vaccines, and use of public space and health. It hits home when people see high profile individuals on TV who have been affected by this virus, such as the Prime Minister of England, it tends to resonate that we are all at risk and anyone can test positive for this virus.

In conclusion, the ramifications of the coronavirus and the government-induced coma will not be a V-shaped or U-shaped recovery in my opinion. I feel it will be between a U-shaped and L-shaped recovery that will take a couple of years to get back to the new normal. The human psyche has faced a shock along with the economy. The repercussions are enormous, and parts of our lifestyle will be changed forever. There will be some semblance of normalcy when we can test for virus susceptibility and especially when a vaccine can prevent this from reoccurring worldwide. But for now, we must be concerned with the rest of the world's response. And I hope China has learned that they need animal/food handling regulations after dealing with SARS and COVID-19. But I am skeptical that this will be done. Therefore, we need to be adequately prepared for another national pandemic. I think Bill Gates is one of our greatest treasures and we need to embrace and learn from him. I remain optimistic for the medium to long-term.

Generally speaking, I want to inform you that I have made more changes for my clients' portfolios in March than I have done in any single month in my 37+ years in business. I strived to defensively position your portfolio further in essential businesses with good balance sheets and good management. Obviously, no one knows when this crisis will end. But I believe patience and disciplined investing are crucial at this time. And with current unemployment rates and lower income levels for most coupled with the stock market correction, it may be advantageous for those who have extras savings to consider a Roth Conversion. Consult your accountant.

In our never-ending efforts to keep our clients informed, we are here to service and guide you through this highly volatile and turbulent time. We believe communication is essential. Feel free to call or email our office any time. Thank you for your patience and support. Together we will weather this storm. Have a wonderful and safe holiday!

Optimistically Yours,



Raymond F. Saleeby
President

Did You Know

What COVID-19 symptoms look like, day by day

<https://www.businessinsider.com/novel-coronavirus-covid-19-symptoms-day-by-day-2020-3>

If you have Coronavirus symptoms, assume you have the illness, even if you test negative

<https://www.nytimes.com/2020/04/01/well/live/coronavirus-symptoms-tests-false-negative.html>

A Coronavirus fix that passes the smell test

<https://www.bloomberg.com/opinion/articles/2020-04-01/tracking-coronavirus-by-smell-test-is-risk-manager-s-project-now?sref=Ro2vIlyD>

What to put in an Covid-19 emergency home-care kit

<https://www.wsj.com/articles/what-to-put-in-a-covid-19-emergency-home-care-kit-11585861195>

Who's most at risk

<https://www.wsj.com/articles/whos-most-at-risk-from-the-coronavirus-11584048476>

When, and How, Does the Coronavirus Pandemic End?

<https://www.bloomberg.com/news/articles/2020-04-03/when-and-how-does-the-coronavirus-pandemic-end-quicktake?sref=Ro2vIlyD>

Amid warnings of a Coronavirus 'Pearl Harbor', Governors walk a fine line

<https://www.nytimes.com/2020/04/05/us/coronavirus-aid-governors-pearl-harbor.html?searchResultPosition=1>

These Coronavirus exposures might be the most dangerous

<https://www.nytimes.com/2020/04/01/opinion/coronavirus-viral-dose.html>

How COVID-19 affects people with diabetes, cancer, and other conditions

<https://www.businessinsider.com/how-covid-19-affects-conditions-diabetes-asthma-cancer-underlying-copd-2020-3>

What works (and doesn't work) to boost the immune system

<https://www.wsj.com/articles/facts-and-myths-about-boosting-your-immune-system-11584050588>

Bill Gates, who urged world leaders to prepare for a pandemic in 2015, lays out a 3-point plan on how the US can emerge victorious against COVID-19

<https://www.businessinsider.com/bill-gates-plan-us-make-it-through-coronavirus-outbreak-2020-4>

Bill Gates has warned of an impending pandemic for years. Here's how he's dealing with the coronavirus pandemic – from pledging \$100 million to fight the outbreak to becoming Warren Buffett's "scientific adviser."

<https://www.businessinsider.com/how-bill-gates-is-dealing-with-coronavirus-outbreak-2020>

Bill Gates calls coronavirus pandemic a 'nightmare scenario,' but predicts lower death toll than Trump

<https://www.cnbc.com/2020/04/05/bill-gates-coronavirus-pandemic-a-nightmare-scenario.html>

Bill Gates: Until coronavirus vaccine, world won't be 'truly normal'

<https://www.foxbusiness.com/markets/bill-gates-coronavirus-outbreak-vaccine-pandemic>

Don't fall for these common 9 money myths – they may actually be preventing you from getting rich, according to Barbara Corcoran, Gary Vaynerchuk, and other moguls

<https://www.businessinsider.com/dont-fall-for-9-money-myths-barbara-corcoran-gary-vaynerchuk-2020-2>

Don't waste your money on these 26 college degrees

<https://www.gobankingrates.com/money/jobs/college-degrees-that-wont-make-you-rich/>

12 investing tips from Charlie Munger that you need to hear

<https://www.fool.com/investing/2019/04/02/12-investing-tips-from-charlie-munger-that-you-sho.aspx>

Footnotes

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We know that this crisis can be rough on all of us and wanted to share a funny video of how a 4 year old girl handled the news about her favorite restaurants closing

<https://www.dailymail.co.uk/femail/article-8146775/Little-girl-six-breaks-tears-mother-tells-McDonalds-Nandos-a.html>



As our community responds to a global pandemic here at home, remember that

**We are ALL
in this together.**

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11301 Olive Blvd.
Creve Coeur, MO 63141
Phone: 314-997-7486
Fax: 314-997-1417
E-mail: rsaleeby@cutterco.com

We're on the Web!
saleebyandassociates.com

