

## Healthcare CEO Forum    March 10, 2020    Jim O'Connor

“Everything we do before a pandemic will seem alarmist. Everything we do after a pandemic will seem inadequate.”

(HHS Secretary Mike Leavitt, June 2007)

The virus has quickly reversed the risk-on sentiment of the markets into one of risk-off. It's hitting both the supply and demand side of business.

Markets - all time high but needed a 10% correction and we're getting it.

Latest Jobs report +273,000 & 3.5% unemployment.....that will change in a month.

We have a strong economy going into this. And we're getting some help.....

Monetary Policy - Emergency Rate cut by the Fed, expect another cut(s).

Fiscal Policy - \$8.3B spending package plus some tax cuts?

Short-term fix and relief to many, but it doesn't solve the number one problem which is the rapid spread of COVID-19. 1<sup>st</sup> drug company to get a vaccine hits the jackpot.

Expect convention centers to go empty for the next two to three months.....Austin...SXSW-cxl'd, 70,000 ppl, badges \$1400- \$1700 + impact on Labor, Dining and Hotels.

Will we have to copy the Chinese and effectively shut down? Will most public gatherings be minimized or stopped all together? It seems like the longer schools, churches, movie theaters, concerts and sporting events in big cities are not closed, the quicker this virus will spread.

Travel and tourism will likely slow considerably more in Europe as well as in the US.

**The Tokyo Olympics July?**

Unless a vaccine is developed, tested and mass-produced ASAP, it will be difficult to see a million people traveling to Japan right now.

Goldman Sachs held a series of interviews in early March with some top American scientists on COVID-19.

Highlights...

- Each carrier infects 2.3 others (vs. 1.2-1.4 for common flu)
- Global spread is likely
- Quarantines and control measures can slow the spread
- U.S. is unprepared to deal with a sizeable outbreak
- It's a lower lung infection spread by sneezing and coughing

- Non-sick people can spread the virus
- Since we don't know number of infected, we don't know mortality rate
- China's total population lockdowns have been very effective, but could see a second spike if quarantines end too early.
- Only six CDC centers in US have testing kits
- Of critical care drugs in the US, 40% are already in short supply.
- Is it a one-time virus, or will it now become an annual virus?
- Higher temps and higher humidity can make the virus less transferable

Assuming that the U.S. does make the decision to shift toward containment and save some lives. How would various industries and assets be affected?

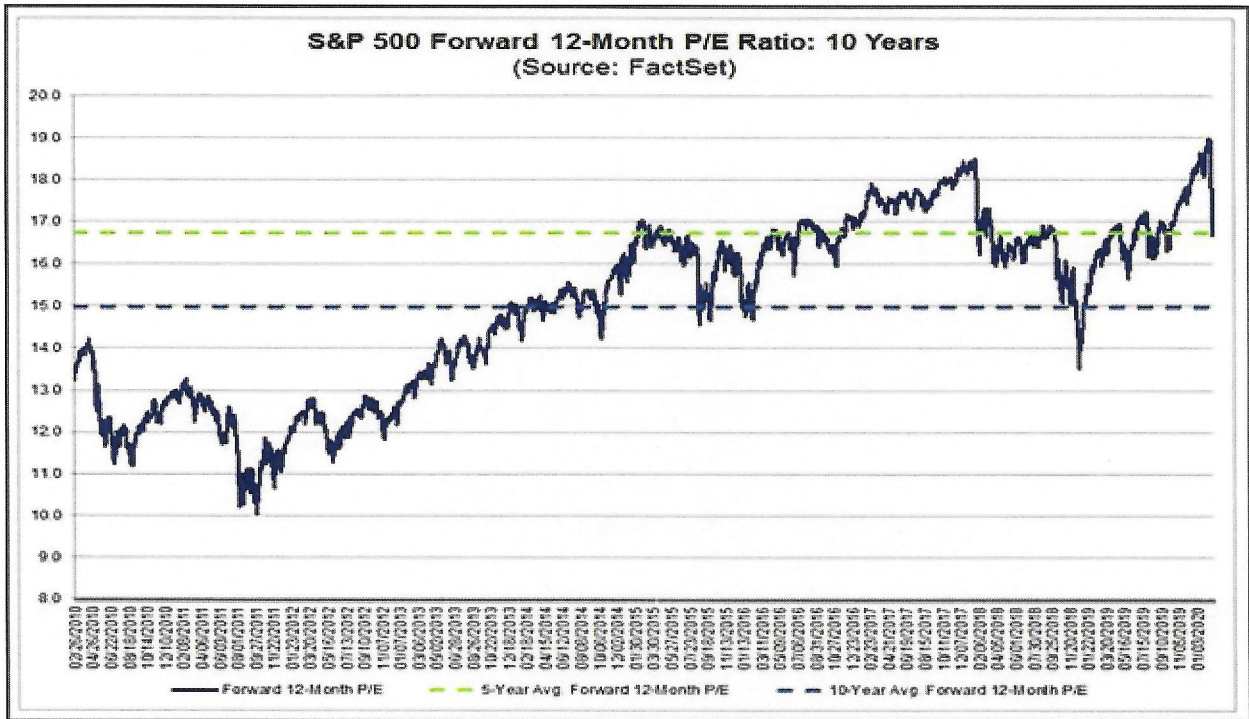
- Airlines – hurt
- Casinos – hurt
- Cruise Ships – very hurt.
- Hotels – hurt
- High-end business restaurants and all sit-down dining – hurt
- Dominos and other delivery – helped
- Buffet restaurants and Conveyor belt sushi – closed
- Amazon, Whole Foods, Grocery delivery – helped
- Drug stores – helped
- Costco – have you seen the lines?
- Movie theaters – dead
- Netflix, YouTube, Puzzles, Books – all helped significantly
- Theme parks – closed
- Church services – moves to online only
- Concerts – cancelled
- Sporting events – played but with no fans in the stands
- March Madness – the team without the virus wins
- E-Sports and video games – winning
- Catering companies to all events – hurt
- Business continuation insurance – challenged
- Insurance brokers – better
- Hospitals – maxed out but will they get paid
- Hospital beds and all ICU equipment – in demand
- Biotech – whoever make a vaccine first wins a big stock price
- Energy use much lower
- WeWork or shared office spaces – hurt
- Home office or Home schooling – very good
- Public workout clubs – closed
- Peloton – crank it up
- High debt companies – in more trouble as tide goes out
- Gold – gleaming as global central banks pull out all of their bazookas

# Sharp decline in US 10-year rates points to sharp economic slowdown ahead

Posted on   
WSJ: The Daily Shot  
02-Mar-2020



Source: JPMorgan/IHS Markit, FRB, Haver Analytics, DB Global Research



When we come out of this in a number of months, with all the monetary and fiscal stimulus and reasonable valuations, there will likely be a very strong rebound in the economies and markets.

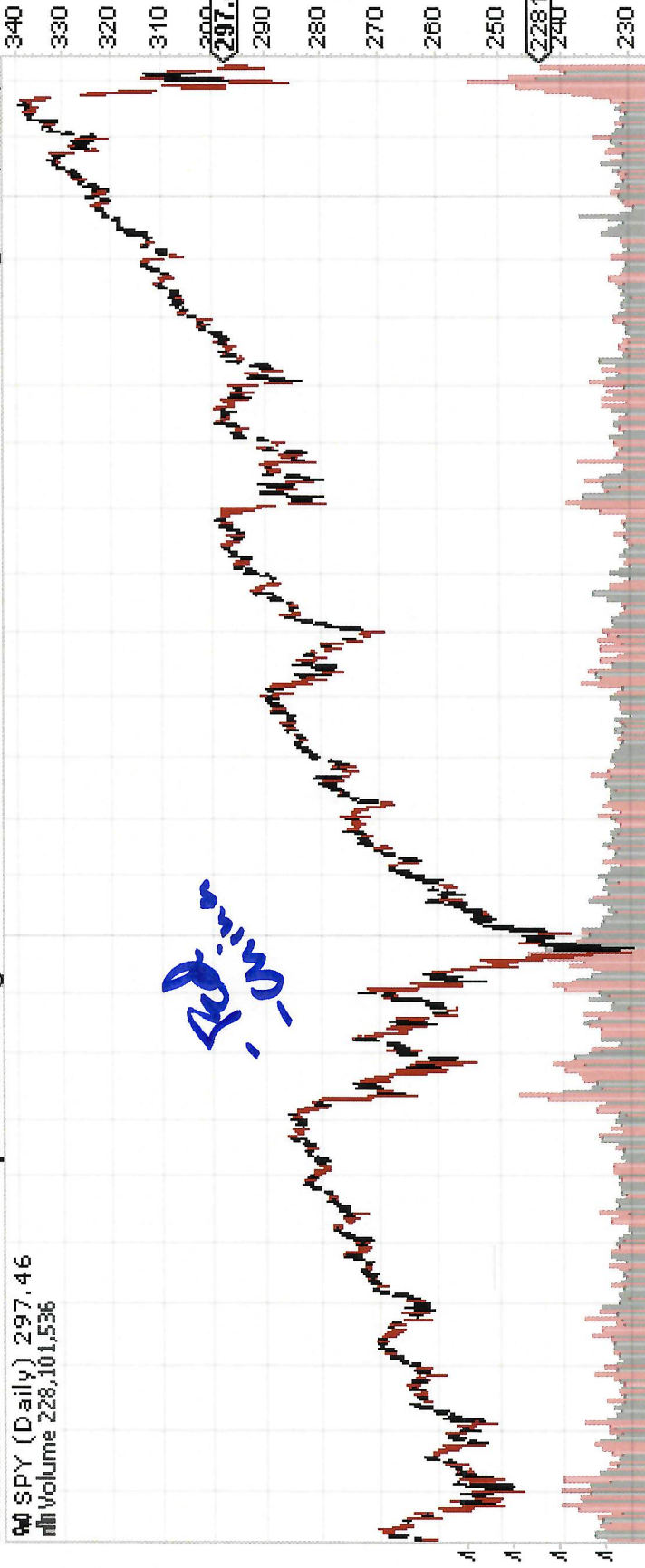
**SPY SPDR S&P 500 ETF NYSE**

6-Mar-2020

SPY (Daily) 297.46  
Volume 228,101,536

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Open 293.15 High 298.78 Low 290.23 Close 297.46 Volume 228.1M Chg -5.00 (-1.65%)



-17%

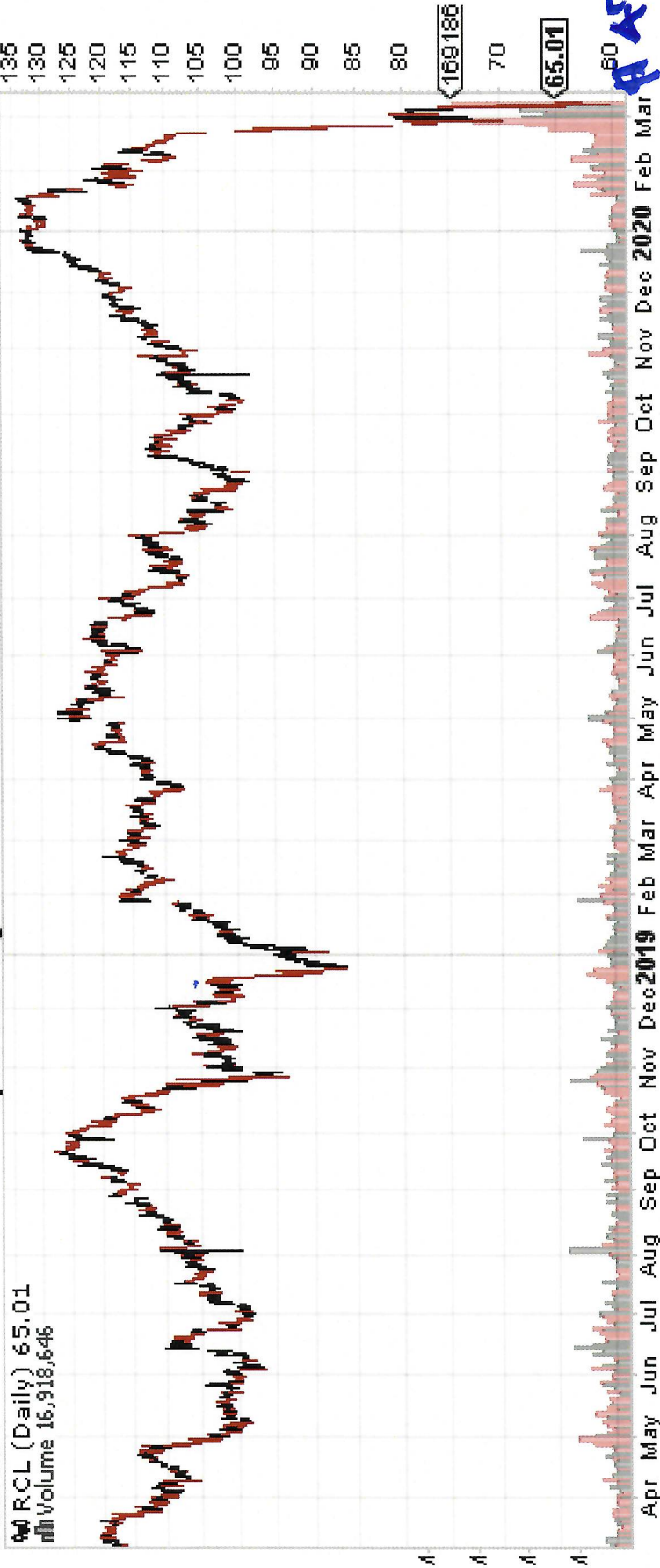
-China

**RCL Royal Caribbean Cruises NYSE**  
6-Mar-2020

© StockCharts.com

▲ RCL (Daily) 65.01  
▲ Volume 16,918,646

Open 62.70 High 70.33 Low 60.38 Close 65.01 Volume 16.91M Chg -0.77 (-1.17%) ▼



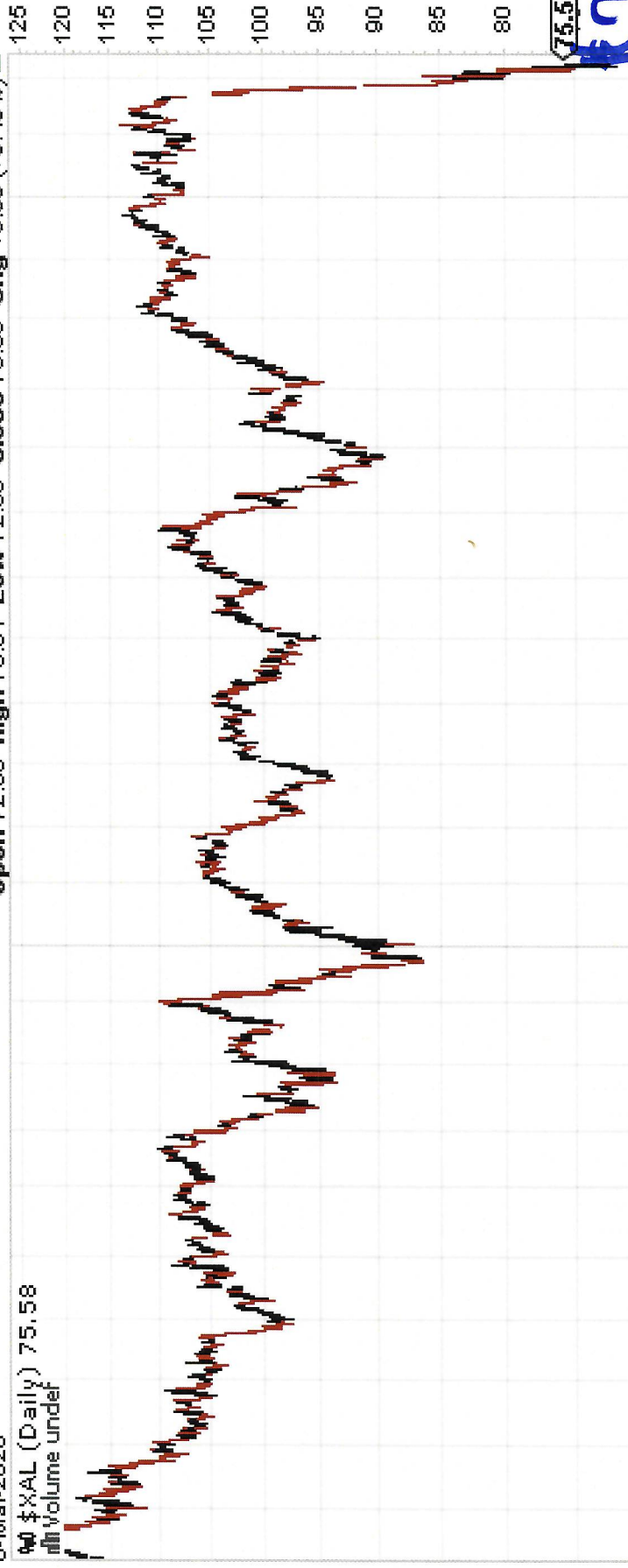
169,186  
70  
65.01

34

**\$XAL** Airline Index - NYSE Arca INDX  
6-Mar-2020

© StockCharts.com  
**Open** 72.59 **High** 78.01 **Low** 72.09 **Close** 75.58 **Chg** +0.30 (+0.40%) ▲

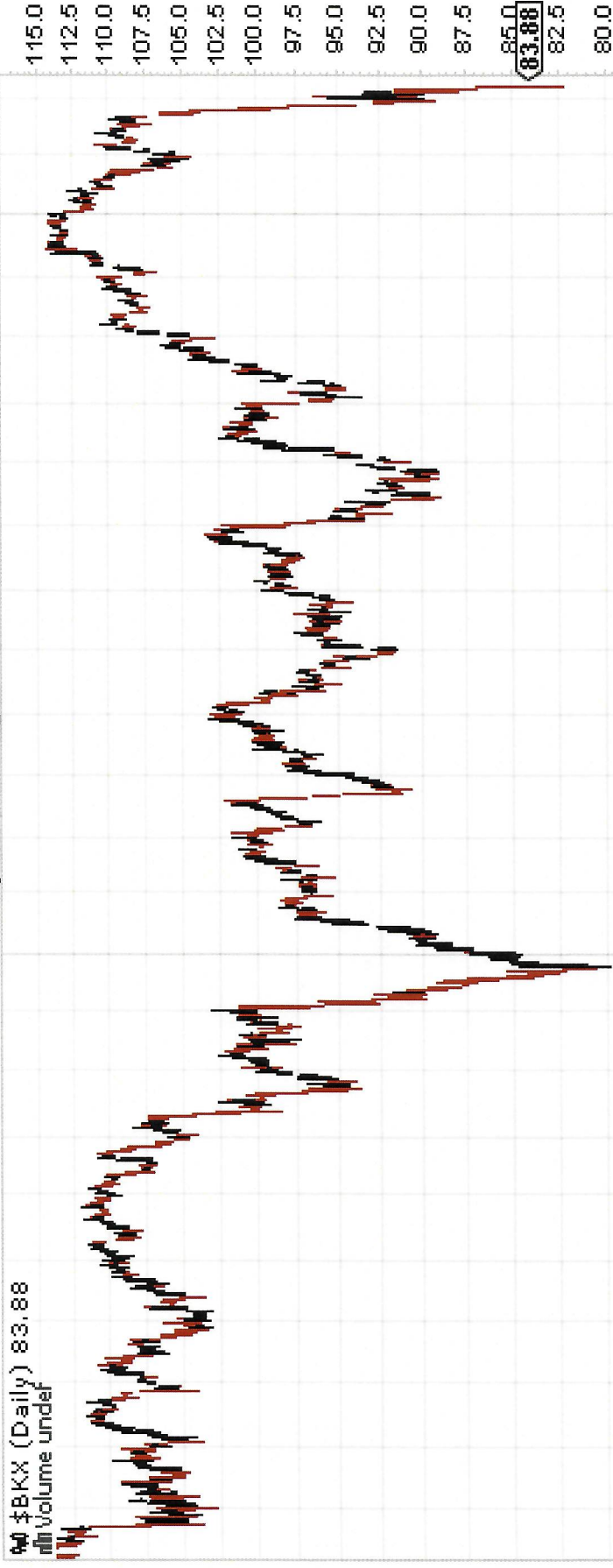
90 \$XAL (Daily) 75.58  
Volume under



**\$BKX** KBW Bank Index INDEX  
6-Mar-2020

© StockCharts.com  
**Open** 86.79 **High** 86.80 **Low** 82.25 **Close** 83.88 **Chg** -3.98 (-4.53%) ▼

\$BKX (Daily) 83.88  
Volume under



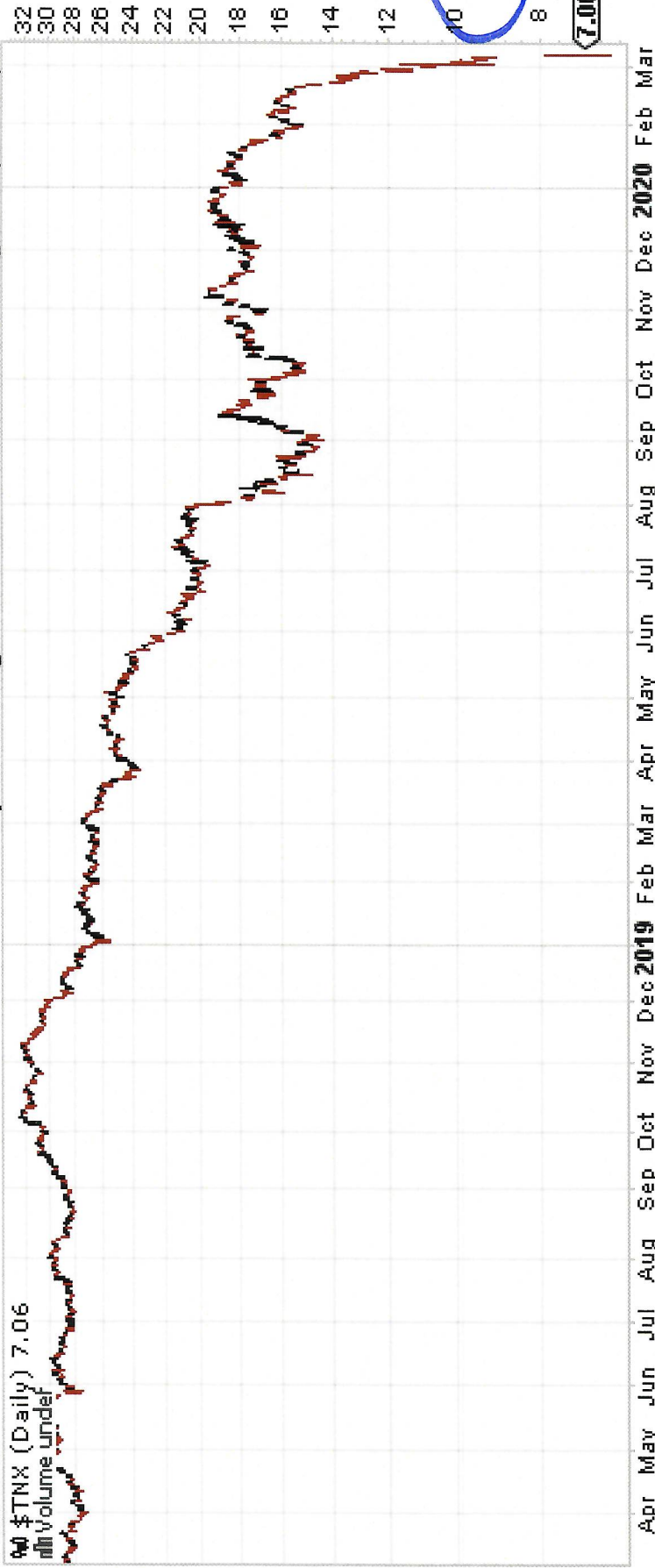


# \$TNX CBOE 10-Year US Treasury Yield INDEX

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6-Mar-2020 **Open** 7.14 **High** 7.89 **Low** 6.60 **Close** 7.06 **Chg** -2.20 (-23.76%) ▼

\$TNX (Daily) 7.06  
with volume under



7.06

**XLV Health Care Select Sector SPDR Fund NYSE**

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6-Mar-2020 **Open** 94.99 **High** 97.50 **Low** 94.60 **Close** 97.15 **Volume** 17.9M **Chg** -0.52 (-0.53%) ▼

XLV (Daily) 97.15  
Volume 17,916,914

