

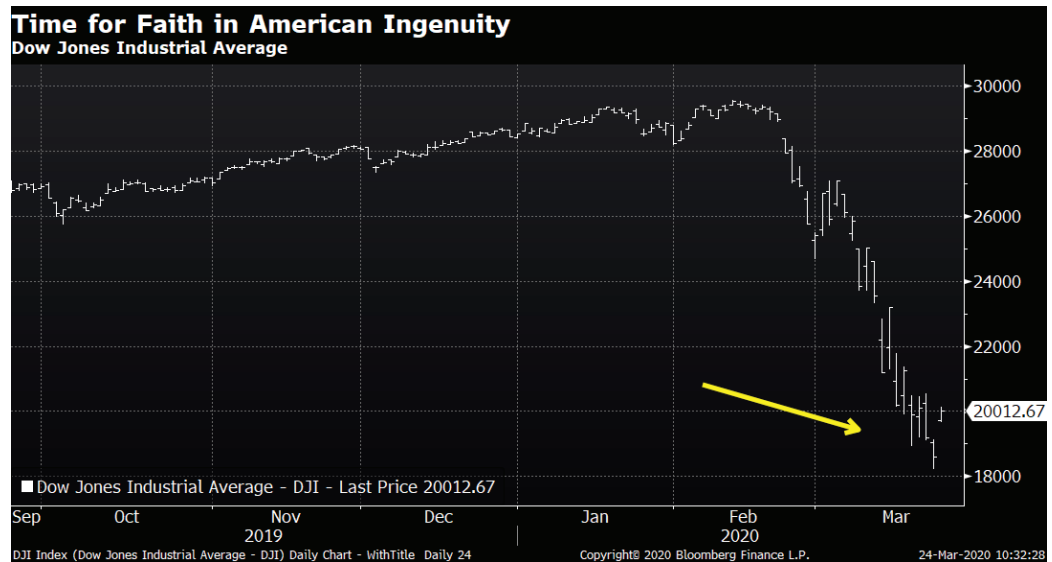
March 24, 2020

Follow-up to our special report from March 17: The Beginning of the End of Panic

**As Warren Buffett says,
"Never bet against America."**

If you have faith that the US medical system will ultimately gain control over the virus, now is the time to consider far out of the money bull call spreads in stock index futures. It may be premature to embrace reports that Italy's infection rate spread is slowing, but if you buy into the idea that quarantine worked in China, Singapore and South Korea, you should expect to see some less damaging infection spread headlines ahead.

It should be noted that large US medical equipment supply manufacturers have aggressively ramped-up mask production, which should begin to reap some benefits. 3M is reportedly producing up to 100 million masks per month and is working to expand that further, while Honeywell already has a global production capacity of 1.1 billion per year. Another reason for hope is the similar escalation in virus testing capacity and the approval of a new process that produces results in 45 minutes, which will help



speed the tracing of contact with new infections. Another, perhaps overly optimistic hope is that a therapeutic drug combination will be proved to be effective for those afflicted with the virus and that drug companies will be able to quickly scale up production for widespread use. There have also been reports of testing for a preventative medication that could be implemented much faster than the 18-month timeframe that would be needed for a vaccine.

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A more immediate development could be on the non-medical side of the equation, and that is the massive stimulus plan being worked out in Congress, as that could provide a bridge for the economy. Certainly many will suggest that the stimulus is a Band-Aid on a long-term problem, but in the event quarantine proves to be effective, then the magnitude of the crisis might have become overstated by markets like equities, energies and copper. The White House is also working on a plan to get the country back to work as quickly as possible, and that in combination with widespread availability of protective gear could surprise the market with a gradual recovery in segments of the economy.

Suggested Trading Strategies

1) **BUY** a June E-Mini S&P 2660 call for 30 with an objective of 139. Risk the position to a trade below 10.

OR

2) **BUY** a June E-Mini S&P 2525/2725 Bull call spread for 40 with an objective of 137. Risk the position to 15.

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