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The U.S. stock market could be on the verge of another surge, and the catalyst could come from a ridiculously unlikely place: coronavirus.

by Josiah Wilmoth – February 4, 2020

Why Coronavirus Could Inflate the U.S. Stock Market

No one doubts that the coronavirus outbreak will take a bite out of economic growth in China. The only question is how severe that bite will be.

A pronounced Chinese slowdown could rock individual U.S. stocks with heavy exposure to the mainland, but ING predicts that the U.S. economy is relatively immune to a sharp drop in Chinese GDP.

impact of coronavirus on china and u.s. economy

A Chinese economic slowdown would ripple throughout global markets, but the impact on the U.S. would be relatively small.

| Source: ING

Goldman Sachs agrees. At least over the long term.

But the U.S. economy's relative strength isn't why Cumberland sees the coronavirus outbreak as a buying opportunity.

Citing commentary from Steve Wasserman, Cumberland Chairman and CIO David Kotok suggests that the damage to China and

other Asian economies makes the U.S. stock market look a lot more bullish.

It is clear that the US will not be materially at risk and the CDC and all U.S. health agencies are all over this... So the panic in the market will pass, China will be very badly impacted and emerging markets will get crushed as China materially slows buying commodities until this passes and business gets back up and running.

There are a lot of US companies that do not do business in China nor in nearby countries. They will be fine. Treat the collapse in stock prices as a major buy opportunity.

Bloomberg Opinion columnist John Authers puts an even finer point on this investment strategy.

The epidemic will force central banks to keep interest rates low.

“Easy money” favors stocks over other assets.

The fallout from the outbreak will make the U.S. stock market the only game in town.

Cumberland is putting its money where its mouth is. Kotok says the firm has “lowered our cash reserves” and begun “scaling into the U.S. stock market” throughout the recent pullback.

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