



Basis Points – February 13, 2020

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Above the Fold

More Side-Effects From Coronavirus

The coronavirus outbreak, now categorized as Covid-19, continues to wreak havoc across the globe as countries, states and municipalities gear up for potential ripple effects. The deadly underlying virus causing this latest outbreak is SARS-CoV-2 or Severe Acute Respiratory Syndrome Coronavirus 2, and it has been linked, by many experts, to an animal. As of Wednesday, the pandemic has affected nearly 45,200 people in 25 countries, claiming at least 1,115 lives, according to the [World Health Organization](#). And while the rate of new infections has slowed, there are still new cases appearing every day.

Fears of contagion have triggered some extreme measures as giant cruise ships full of mostly healthy passengers remain docked outside various ports where they are being denied entry or even quarantined. Businesses and entire store chains have shuttered to prevent the spread of the disease, and airlines have halted flights to China.

But perhaps the biggest impacts, aside from the human toll, will come from major disturbances in China's output of raw materials. It's estimated that China accounts for 70% of global materials, including niche commodities like manganese, ferrovanadium, ferromolybdenum and thermal coal. Prices for these materials have jumped and are likely to both raise consumer prices and/or cut into margins for energy companies and other manufacturers who utilize them.

On the flip side, idled factories and reduced consumption of fuel and foodstuffs have driven prices of crude, iron ore, copper and soybeans lower. While there could be a "snap-back" effect when the outbreak ends, some market and price disturbances may take longer to correct.

Three Things

1. *The Ultimate Phone Tap?* – U.S. officials allege Huawei Technologies has the ability to covertly access global phone networks. Recently declassified information revealed back-doors to its networks that were intentionally created for law enforcement, but could be used by others without the carrier or user's knowledge. Huawei has not disclosed this type of accessibility, and denies the allegations. CEO Ren Zhengfei also declared the company "can survive without the U.S."
2. *Bigger and Better, Together ... Can You Hear Me Now?* – A U.S. district judge approved the merger of T-Mobile U.S. and Sprint Corp., a deal with \$26 billion that is sure to change the mobile landscape. Investors see the deal as a net positive, pushing both stocks higher. The new T-Mobile will be America's second largest wireless carrier behind Verizon.
3. *Cracking Down on Tech Deals* – The Federal Trade Commission is yet another entity now probing tech giants Apple, Google, Facebook, Amazon and others. Regulators demanded details on companies' acquisitions over the last decade to examine whether big tech was creating monopolies by gobbling up fledgling competition. Deals worth less than \$94 million do *not* have to undergo antitrust review — but that may change based on findings.

Did You Know?

What Is a Pandemic Exactly?

The word pandemic is derived from the Greek word pandemos, meaning "pertaining to all people." Unlike an epidemic that tends to be specific to one region, even to an entire country, pandemics spread beyond national borders, with the potential for global exposure. Both epidemics and

pandemics can be caused by bacteria or a virus, but pandemics are often triggered by new or rare bugs that spread rapidly. The risk for bacteria-based pandemics is also increasing as our use of antibiotics causes bacteria to become resistant to treatment and even more invasive.

Every year, many parts of the developed world experience viral epidemics in the form of influenza. While the flu might not make headlines and shut down entire industries, the CDC (Centers for Disease Control and Prevention) predicts that [at least 12,000 Americans](#) will die from the flu in *any given year*.

During the 2017-2018 flu season, as many as 45 million people were infected globally, with 61,000 succumbing to the annual scourge. Coronaviruses, like Covid-19, are generally far less infectious than flu and many tend to mimic the effects of the common cold (Covid-19 is obviously more severe). The Spanish flu remains [the deadliest pandemic in history](#), taking the lives of 100 million people.

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