Coronavirus: 2 Industries You Should Avoid As the Pandemic Spreads

Description

China's viral outbreak is starting to look like it could turn into a global pandemic. The country has already reported 100 casualties and 1,300 potential infections so far, prompting authorities to place millions of citizens on lock-down.

The situation is eerily similar to the severe acute respiratory syndrome (SARS) outbreak in the early 2000s that killed 44 Canadian citizens. If the Wuhan coronavirus reaches similar proportions, the global economy and financial system could be dealt a severe blow.

Here are two industries I'm trying to avoid as the virus spreads and investor anxiety grows.

Airlines

International travel is already a casualty of the outbreak. Several countries have issued travel warnings for those trying to enter China. Chinese citizens are already on lock-down, with millions unable to leave their cities or towns. Millions of other travelers could cut back on their travel plans if the virus spreads further.

This could have a direct impact on **Air Canada's** bottom line. The airline suffered severe losses when people stopped traveling to Toronto during the SARS epidemic in 2002-2003.

Over the past 17 years, Toronto's population has climbed alongside the frequency of international travel, which means the economic impact on Canada's flagship airline could be magnified this time around.

Air Canada's stock has already lost 14% of its value since mid-January.

Natural resources

China dominates global demand for raw materials and metals. Industrial metal miners such as **Teck Resources Ltd.**, rely heavily on Chinese demand.

However, if China expands the shutdown and restricts travel for more of its citizens, there's likely to be a cooling effect on local consumption, industrial activity and foreign trade, which could have a noticeable impact on the bottom line of most metal miners and industrial companies.

The only metal likely to appreciate as panic spreads is gold. Gold miners and gold exchange-traded funds (ETFs) should serve as a safe haven for investors trying to avoid the fallout from the pandemic.

Avoid companies with heavy exposure

Canadian firms that derive much of their sales from China could be hit hard as well. **Canada Goose**, for example, is trying to ramp up distribution in China to support sales growth over the course of this year. Meanwhile, companies like **Ballard Power Systems Inc.** and **Imax Corp**. generate nearly a third of their revenue from China.

All these stocks have lost significant value this month. Investors with exposure to these stocks should monitor the situation in China closely.

Bottom line

There's a good chance that digital technologies and advances in modern medicine could tame this virus before it becomes a global health crisis. However, so far countries have struggled to contain the spread and unfortunately, it seems unfortunately likely that many more will die before a solution is found.

Another unfortunate side effect of a global health scare is the economic damage caused by restricting travel and limiting trade. At the moment, every country and nearly every industry is exposed to this crisis in come way.

Canada's airline and natural resource sector appears to be particularly vulnerable, which is why investors should monitor these stocks closely as the situation escalates.

CATEGORY

1. Investing
2. Top TSX Stocks

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Top TSX Stocks

Date
2025/07/06
Date Created
2020/01/28
Author
vraisinghani