Will This Coronavirus Outbreak Cause a New Financial Crisis and a Horrifying Economic Collapse?

The term "black swan event" is increasingly being used to describe this coronavirus outbreak, and many are concerned that what we are headed for will be much worse than what we experienced in 2008 and 2009. Already, we have witnessed a staggering drop in global demand, Wall Street has had to deal with the wildest week in eight years and people all over the globe are hoarding toilet paper, face masks and hand sanitizer. That may sound like a plot from one of my books, but it is not. This is actually happening, and it appears that we are still only in the very early chapters of this crisis.

It seems like just yesterday that everyone was freaking out because there were a few dozen confirmed cases here in the United States. Now there are 70 in the state of Washington alone:

> *A cruise ship remains at arm's length from San Francisco and the number of confirmed cases of coronavirus in Washington state ballooned to 70 on Thursday—pushing the U.S. total above 220—as the global struggle against the outbreak intensified.*
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> *The nation's death toll rose to 12, 11 of them in Washington. Fifty-one of the confirmed cases are in King County, home to Seattle, where 10 of the deaths have occurred, state health officials said.*

As I write this article, the total number of confirmed cases in the U.S. has now risen to 233, but of course that number is going to go much higher now that the U.S. has finally decided to ramp up testing for the virus.

If you live in the Seattle area, you are going to want to avoid public places for the foreseeable future. In fact, officials in King County are already recommending that all businesses "allow their employees to telecommute throughout March":

> *A Washington state county, where 31 coronavirus cases and nine deaths have been reported, has recommended to its 2.2 million residents that they should work from home to help slow the spread of the infectious disease, and further urged everyone over 60 to stay indoors.*
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> *Public Health officials in King County on Wednesday recommended that businesses allow their employees to telecommute throughout March in an effort to reduce the amount of face-to-face contact between large numbers of people during this "critical period" in the COVID-19 outbreak.*

Unfortunately, other hotspots are starting to emerge as well. The total number of cases in California is up to 53, and the number of cases in New York just doubled:

> *California declared a state of emergency after a coronavirus-related death and 53 confirmed cases in the state. The number of infections in New York also doubled overnight to 22 as the state ramps up its testing.*

Predictably, U.S. stocks plunged on Thursday as the bad news came rolling in. By the end of the trading session, the Dow Jones Industrial Average was down 969 points:

> *Stocks plunged on Thursday, erasing most of the steep gains in the previous session, as markets remained highly volatile in the face of the fast-spreading coronavirus.*

> *The Dow Jones Industrial Average ended the day at points, or 3.5%, lower at 26, after tanking nearly 1,150 at its session low. The S&P 500 dropped 3.3%, or , to 3, and the Nasdaq Composite fell 3.1%, or , to 8,. All 11 S&P sectors finished the day in the red. Stocks turned sharply lower as the 10-year Treasury yield fell to an all-time low below 0.9%.*

This is precisely the sort of wild market behavior that we witnessed during the financial crisis of 2008. One day stocks would be way down, and the next day they would be way up. When we see extreme volatility such as this, it is a clear indication that investors are very nervous.

After watching what transpired on Thursday, one trader described the market's current behavior as "a super-puke":

> *Watching the markets today—as The Dow plunged 1000 points, Treasury yields collapsed to record lows, credit markets imploded, and demands for more Fed intervention exploded —has one veteran trader remarking, "this is becoming a super-puke."*

Of course if this coronavirus outbreak starts to fade, it is entirely possible that the markets could settle back down.

But that hasn't happened so far, and experts are warning that we should expect to see more market volatility ahead. Here is one example:

> *"We expect markets to remain volatile," Mark Haefele, chief investment officer at UBS Global Wealth Management, said in a note. "The unfolding nature of the coronavirus threat—both real and perceived—is not yet quantifiable, and, as such, the current global policy response can't immediately be judged as sufficient or insufficient for restoring investor confidence in the short term."*

Meanwhile, the fear that this coronavirus outbreak has created is hitting the real economy exceedingly hard.

In fact, the CEO of Southwest Airlines says his company "lost several hundred million dollars in a week's time" because people are so afraid to travel right now…

> *Southwest Airlines CEO Gary Kelly told CNBC on Thursday that the company has lost several hundred million dollars in a week's time thanks to a decline in bookings amid increasing fears over COVID-19. Kelly added that the drop-off was "noticeable" and "precipitous" and has continued declining on a daily basis.*

We are seeing similar things happen in industry after industry.

So what is going to happen if this outbreak continues to intensify in the months ahead?

Needless to say, we could soon be facing a worst-case scenario for the global economy. According to Egon von Greyerz, the party is indeed over, and we are headed for the worst economic crisis any of us have ever experienced:

> *This is it! The party is over. The world is now facing the gravest economic and social downturn in modern times (18th century). We are now entering a period of global crisis that will change the world for a very long time to come. This should come as no surprise to the people who have studied history and also read my articles for the last few years. Many others have also warned about the same thing. But since MSM never talks about the excesses in the world or the risks, 99.9% of people are totally unprepared for what is coming next.*

Will he be correct?

We shall see.

It would be wonderful if this virus would just go away, and life could get back to normal. Unfortunately, this crisis just seems to escalate with each passing day.

On Thursday morning, police were actually called out to a Costco in Southern California because "toilet paper, paper towels and bottled water were out of stock":

> *Deputies responded to the Chino Hills Costco at on Thursday morning after receiving a report of a disturbance, a San Bernardino County Sheriff's Department spokeswoman told .*
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> *On the scene, deputies learned that "a large group of customers were upset" that items such as toilet paper, paper towels and bottled water were out of stock, said Public Information Officer Cindy Bachman.*

All over America, people have been hoarding essential supplies like crazy. If people are this delirious already, how are they going to act once things start getting really bad?

It was inevitable that stock prices would crash from the ridiculously elevated levels that we witnessed earlier this year.

And the next economic downturn has been building for a really long time.

But now events are starting to move at a pace that is absolutely breathtaking, and it looks like all of our lives are about to change in a major way.