Three Top Ways to Trade Excessive Coronavirus Fear

There's pandemonium in the markets.

All thanks to the coronavirus that's now gone global.

At the moment, there are 17,489 cases with 362 deaths. South Korea just confirmed its first human to human transmission. Hong Kong is warning of surgical mask shortages. Russia closed its border to China. Up to 6,000 people were just quarantined on an Italian cruise ship.

Multiple cases have now been spotted in Hong Kong, Macau, Taipei, Thailand, Vietnam, South Korea, Singapore, Malaysia, Japan, Australia, France and the United States. Nepal has confirmed one case. Cambodia confirmed its first case, too.

Three new cases in California just pushed the number of U.S. infections to 11.

The World Health Organization declared the virus a public health emergency of international concern. "The main reason for this declaration is not because of what is happening in China, but because of what is happening in other countries," WHO Director-General Tedros Adhanom Ghebreyesus said as quoted by CNN. "Our greatest concern is the potential for the virus to spread to countries with weaker health systems, and which are ill-prepared to deal with it."

As the story has intensified, fear has rippled through markets.

However, much of that fear may have been priced in.

It's also creating a "blood in the streets" buy opportunity.

"Whenever there's a new virus outbreak, people are egged on by the media echo chamber, which latches on to the story and repeats it ad nauseum, drilling fear and concern into the minds of investors and the general public alike. The same thing happens on social media, where rumors can spread unchecked," notes MarketWatch.

In short, investors may want to use fear as an opportunity to buy beaten down stocks including:

Royal Caribbean (RCL)

"If history is any guide, the weakness in Royal's stock could present a compelling buying opportunity as consumers have been fairly quick to shrug off illness outbreaks in recent years," says William Blair analyst Sharon Zackfia, as also quoted by MarketWatch. The cruise industry actually did better after the SARS outbreak and "more recent outbreaks such as Zika or Ebola have had no discernible impact on cruise demand."

Nike (NKE)

Analysts are advising that investors buy Nike, which is also taking a hit on virus fears.

UBS just upgraded the stock with a buy rating. JP Morgan added it to its analyst focus list, adding, “We see the recent pullback as a multi-year buying opportunity,” as quoted by CNBC.

JP Morgan also noted the recent NKE weakness brought its PEG ratio to 1.5, which is below its average of 1.8, meaning NKE is undervalued. UBS also noted NKE’s P/E should be 37x not 32x, where it currently trades.

Starbucks (SBUX)

Starbucks also became an oversold opportunity on virus concerns. It's now technically oversold at its lower Bollinger Band (2,20) with over-extensions on RSI, MACD, and Williams' %R. While the company was forced to close half its stores in China in response to the outbreak, investors are overreacting. We have to consider only 10% of its revenue comes from China.

With patience, we believe SBUX could refill its bearish gap around $92 a share.