

## The Pandemic: What We Know So Far

The COVID-19 virus has been reported in the national press as either a political or an economic story, but it is neither. It has been compared to the 1917-18 Spanish Flu that infected an estimated one-third of the human population and killed an estimated 50 million people, even though we are now in a very different medical world, even though the Spanish Flu occurred during a major, brutal world war.

As citizens, investors and (so far) healthy individuals, what do we need to know about this new pandemic?

COVID-19 (formally SARS-CoV-2) is a respiratory virus, caused by a new type of coronavirus (in the same family as the virus that causes the common cold) that was first detected in Wuhan City, Hubei Province, China, and has now been detected in 57 locations nationally, including fewer than 100 in the United States. One of its primary features is how contagious it is; the virus can live for hours in a dormant state on surfaces (like a doorknob) after an infected person touches them. It is spread through the air in microscopic droplets when people breathe, cough or sneeze. The Center for Disease Control recommends that people who have the virus wear a mask to protect others, but have said that wearing a normal facial mask doesn't prevent people from getting the disease.

In most cases, the symptoms of the disease appear within five days, but there have been reported cases of a 14 day incubation period. Because people can be contagious for up to two weeks before they show symptoms, the virus is very hard to quarantine. This became more evident when it was discovered that a dog had been infected, meaning that it's possible for animals to transmit the disease back and forth with humans. The *International Journal of Infectious Diseases*, studying the COVID-19 cases from the Diamond Princess cruise ship that reported 355 passengers who contracted the virus, calculated that each person who is infected with the disease, on average, will infect 2.28 others.

As of Friday, there were 83,774 reported cases worldwide, and 2,867 fatalities. The World Health Organization officials have recently increased the risk assessment to the highest ("very high") level of risk assessment in terms of spread and impact.

Reported illnesses have ranged from mild to severe. Researchers from China's Center for Disease Control have recently released the clinical findings of more

than 72,000 cases reported in mainland China. The overall death rate is 2.3%, but different populations are far more likely to suffer fatalities than others. An alarming 14.8% of patients 80 and older died from the disease, and 8.0% of patients aged 70-79. At the other end, 81% of the cases in the study were classified as mild, meaning they did not result in pneumonia or resulted in only mild pneumonia.

Fatality rates for children 0-9 years old so far is zero, and the rates are not high for people in younger age ranges: 10-39 years old (0.2%), 40-49 (0.4%), 50-59 (1.3%) and 60-69 (3.6%).

There may be a vaccine on the way, though it is uncertain how soon. China's Clover Biopharmaceuticals is partnering with GlaxoSmithKline on a protein-based coronavirus vaccine candidate called COVID-19 S-Trimer. The University of Queensland in Australia announced a vaccine candidate, and globally, at least 10 other vaccine initiatives are under way. Treatments for people who have already contracted the disease are as yet unproven. An antiviral drug called remdesivir, manufactured by Gilead Sciences, is being tested on 700 sick patients in Wuhan. A drug called Kaletra, produced by AbbVie to treat HIV, is also being tested.

From an economic standpoint, any industry where people gather together in large numbers is being impacted. That means airlines and the travel/tourism industry generally, plus conferences.

The other impact is related to supply chains. China's quarantine efforts have reduced manufacturing in the country where many global companies have outsourced their manufacturing and assembly activities. Hong Kong is already in a recession, and The Boeing Center at Washington University in St. Louis has estimated a \$300 billion impact on the world's supply chain that could last up to two years. Lower demand from Chinese buyers has caused a decline in oil prices.

Prevention efforts and quarantine efforts are certain contribute to the economic slow down. Japan's Prime Minister Shinzo Abe has ordered all schools closed in Japan for the next month, and officials there are concerned about the possibility that the 2020 Summer Olympics could be curtailed or cancelled. South Korea has shut down numerous educational institutes including elementary schools in Seoul. In Italy, the Lombardy and Veneto regions (total population: 50,000) have been locked down in quarantine procedure following an outbreak in the town of Codogno. U.S. technology companies have expressed worries about disruption to their production in facilities in China, and a February 27 Goldman Sachs forecast

suggested that American companies will experience zero earnings growth (Note: this does NOT mean zero earnings) in 2020.

The most important thing to know about the new pandemic is that we actually don't know what the impact will be—on our health, on our nation's economic health, on our portfolios. We do know that the U.S. securities markets are down 11-12% from their recent highs, based on what can only be described as panic selling by the traders who make up most of the volume on the exchanges. That means stocks are cheaper to buy now than they have been, and dividends are higher, as a percentage of share price, but whether that panic will continue, or not, we simply cannot say.

Please understand that we are monitoring the situation, with an understanding that, historically, trying to time the market or make bets based on guesses about the future has been a losing strategy. Our most important wish is that you and your family stay healthy.

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