



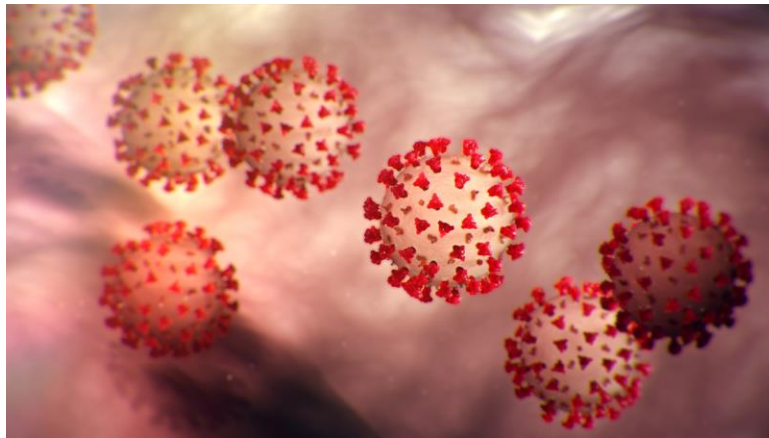
B CAPITAL – Wednesday, 26 February 2020

## COVID-19 - An Update

### What Has Changed?

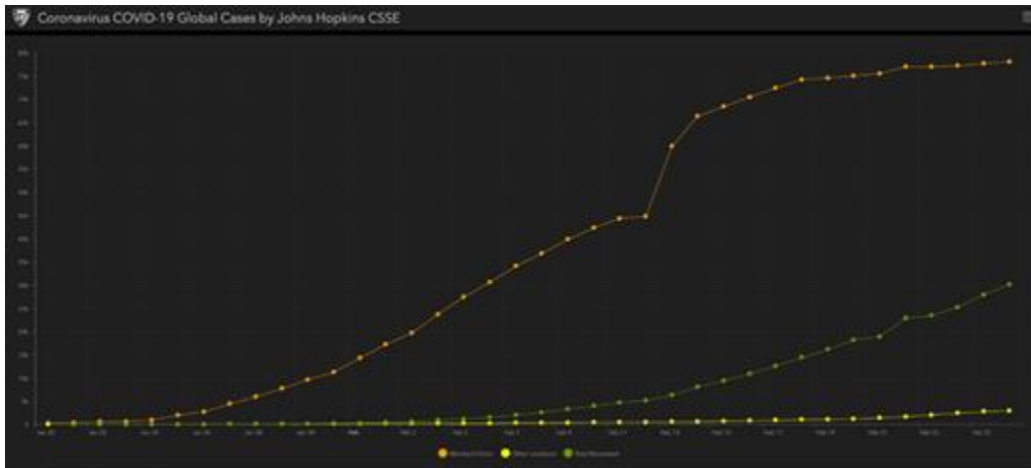
The novel coronavirus we reported on previously is now named COVID-19. The coronavirus that was first detected in Wuhan City, Hubei Province, China has now been detected in 37 locations internationally (see [here](#)) with the total number of infections reaching 81'005. Recoveries stand at 30'257 and deaths at 2'763 (3.41%), although the number of cases is suspected to have been under-reported due to poor detection rates or inconsistent information in some countries. The virus itself has been named "SARS-CoV-2" and the disease it causes has been named "coronavirus disease 2019" (abbreviated "COVID-19").

The Centers for Disease Control and Prevention in America, known as "CDC" has started to brief US citizens yesterday that the virus is now all but certain to cross into the US population at large, which has caused the recent accelerated sell-off in US equity markets. Meanwhile, in Europe there has been a concentrated outbreak of 322 cases in Italy, with 10 deaths reported. In Asia, another hotspot is South Korea with 1'146 cases and 12 reported deaths. This image is the first high-resolution look at the virus itself:



## What Is Being Said?

The **CDC** issued a "Situation Summary" which stated that the immediate health risk in the US is low but at the same time added a cautionary note in case the disease spreads: "Public health and healthcare systems may become overloaded, with elevated rates of hospitalizations and deaths. Other critical infrastructure, such as law enforcement, emergency medical services, and transportation industry may also be affected. Health care providers and hospitals may be overwhelmed. At this time, there is no vaccine to protect against COVID-19 and no medications approved to treat it." It is no wonder people around the world felt panicked when reading something more often seen in films than in reality. You can read the full summary on the CDC website [here](#).



**The World Health Organisation** also provides situation reports (see the latest [here](#)) that are more wholesale but useful to see how governments and their agencies are being briefed so that they can, in turn, provide advice. The WHO states: "If you are not in an area where COVID-19 is spreading, or if you have not travelled from one of those areas or have not been in close contact with someone who has and is feeling unwell, your chances of getting it are currently low."

What most concerns everyone today is (as ever) a fear of the unknown. Where this is spreading, how it moves, who it affects most and to what extent are the plans working to deal with it? The aim of this update is to share with you what resources we have and to provide the current data so that more is known and rational decisions can be made. We don't know what will happen next but the information we provide can give good context and reassurance where the press has an interest in creating headlines that cause alarm.

## Age of Coronavirus Deaths

Based on all 72,314 cases of COVID-19 confirmed, suspected, and asymptomatic cases in China as of February 11, a paper by the Chinese CCDC released on February 17 and published in the Chinese Journal of Epidemiology <sup>[1]</sup> has found that the risk of death increases the older you are, as follows:

### COVID-19 Fatality Rate by AGE:

\***Death Rate** = (number of deaths / number of cases) = **probability of dying if infected by the virus (%)**. This probability differs depending on the age group. The percentage shown below does **NOT represent in any way the share of deaths by age group**. Rather, it represents, for a person in a given age group, the **risk of dying** if infected with COVID-19.

AGE	DEATH RATE*
80+ years old	14.8%
70-79 years old	8.0%
60-69 years old	3.6%
50-59 years old	1.3%
40-49 years old	0.4%
30-39 years old	0.2%
20-29 years old	0.2%
10-19 years old	0.2%
0-9 years old	no fatalities

\***Death Rate** = (number of deaths / number of cases) = **probability of dying if infected by the virus (%)**.

In general, relatively few cases are seen among children.

## **Markets - What To Do.**

The number of new cases in China is levelling off and reports of more patients leaving hospital than arriving is a little good news against a backdrop of heightening concern as new cases, albeit smaller in number, appear on other continents around the world. We estimate that the news on the spread of COVID-19 will in all probability get worse for a short period before it starts getting better and in the meantime investor sentiment will be volatile. In speaking to trade desks and banks there is an increasing sense of concern from investors, some selling and little appetite to follow President Trump's advice this week to "Buy the dips". The short term economic impact is going to be concentrated on retail, luxury, transport and energy sectors and conversely may boost digital services, medical supplies, pharmaceutical and healthcare sectors. Overall there will in our view be a downgrading of the growth outlook for 2020 as a result of COVID-19 but the extent of the slowdown cannot be reliably predicted.

Equity markets had been riding high after a strong 2019 thanks to continued supportive economic data over the last three quarters. However, in February, the latest PMI data has seen private sector firms across the U.S. signalling a slight reduction in business activity. The overall contraction was driven by a notable deterioration of service sector performance, where output fell for the first time in four years. Inflation pressures eased. Business confidence was more optimistic than in previous polls.

This could just be a blip in economic activity and may be in part due to the coronavirus but it could also be a harbinger of a slowdown to come. The markets may be a little complacent about US growth continuing unabashed and for this reason we think it prudent to maintain our higher levels of cash, fixed income and precious metals. In the same vein, we are not advising "buying the dips" even after a -8% market return in the last few trading sessions. The decision to allocate to higher-quality stocks within the MSCI World and to reduce Asia and EM last year is helping to shore up portfolios during this period of volatility. We are also predicting monetary policy support to markets and the economy through rate cuts and also fiscal accommodation to some sectors grappling with sudden shocks caused by COVID-19.

For now, we advise remaining invested according to the asset allocation plan already in place and to continue to monitor the news and data using the resources we have provided. Better information, better decisions.

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