

THE VIRAL ECONOMY™

PERSONAL AND FINANCIAL
HEALTH DURING COVID-19

OPEN TO WHAT?

A STRATEGIC NEWS SERVICE®

EXCLUSIVE PUBLICATION





The Viral Economy

Week of May 4, 2020
Part 11

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OVERVIEW: OPEN TO WHAT?

By Evan Anderson

Author's Note: *It has come to my attention that some readers have likely missed the point of the Market Effects section. These are high-risk markets and assets that we've highlighted because of the likelihood of their value decreasing significantly. Their performance, by percentage, since the beginning of the pandemic is noted beside them. A savvy investor would use this information in their decision making.*

The last week has seen many countries reach a critical juncture. In some of the hardest-hit nations to date, such as Italy

and Spain, a reduction in active cases (see the graphs for each country in the Appendix at the end of this piece) has led weary governments to begin the process of opening up movement again. In some places, this is based on the originally stated epidemiological metrics, wherein no new cases have been found for 14 days. In others, the steady decline has led leaders to assess the risk as sufficiently low to allow some movement (e.g., jogging is now being permitted in parts of Italy) in order to give the populace a break.

Nowhere in the developed world is there a country with a more confused strategy than the United States. Apparently searching for economic benefits (nowhere in the US does opening up have more than about 20% public support), leaders in cities

and states around the country have begun to do something completely novel: ending lockdowns while cases continue to increase. Thus, the United States is opening up like some other regions (albeit faster, and in patchwork) - but to what?

States Taking Risks

Key leading states are showing the results. Georgia, Texas, Florida, and Colorado have all drastically reduced (or never adopted in the first place) lockdown measures. Within just a few days, Texas has risen in the ranks from low new-case counts (particularly for its size) to [fifth-highest in the nation](#). Colorado, Georgia, and Florida are also rising quickly. Given the roughly 7-14 days that COVID-19 takes to kill the average patient that dies, expect corresponding morbidity to begin rising in the same time interval.

“How do we know reopening businesses won’t result in faster spread of more cases of COVID-19?[...] Listen, the fact of the matter is pretty much every scientific and medical report shows that whenever you have a reopening – whether you want to call it a reopening of businesses or just a reopening of society[...] it actually will lead to an increase and spread. It’s almost ipso facto.” – [Texas Governor Greg Abbott, on reopening the state](#)

The point of opening up during the pandemic’s peak (or pre-peak, for many states) is hard to ascertain. While state economies and citizens are struggling, [very few citizens respond positively to the idea](#), implying that open states may see higher transmission but also little business activity.

The approach is akin to deciding to adopt what many have called the Swedish Model, but after already having taken the economic blow of lockdown. While Sweden’s approach (with little to no restrictions or business shutdowns) has allowed its economy to remain somewhat intact, the country is paying for it dearly, with a rapidly rising death rate (291 deaths per million, the tenth-highest in the world and rising faster than other countries) and a need to [walk back lack of action and take a more active role](#).

The Second Wave, Twice

Concurrently, the world is preparing for a second wave of infection, as infection rates have continued to rise in places that have not locked down. With the virus circulating and 100% restriction of all travel and movement an impossibility, the likelihood that countries that *have* seen significant decreases in case counts will also encounter future waves is borne out by the examples of Hokkaido and

immigrant housing in Singapore, where the circulating virus continues to find its way into vulnerable or recently opened populations. Such dynamics, exacerbated by other strange possibilities (such as the [currently debated argument made by Los Alamos](#) that there's one strain of the virus that is more communicable, and spreading quickly), make for dangerous and unknown territory to navigate. Opening while case loads are increasing, without knowing whether there will already be increased rates of transmission coming down the pike, could lead to a "doubling down," in which multiple factors occurring simultaneously cause a drastic increase in rates of infection, and a new curve emerges in need of flattening.

New Hotspots

Meanwhile, countries that have to-date stated that their situation is under control are rapidly being proven wrong. In Russia, photos and videos have emerged of desperate hospital conditions; three doctors who publicized their extreme lack of PPE all ["fell from a hospital window" within two weeks](#), an unfortunate and suspicious series of events. (Two have died, while one remains in the ICU.) In Brazil, right-wing populist president Jair Bolsonaro, often referred to as ["Tropical Trump,"](#) is beginning to encounter issues, as low rates of testing and an increasingly obvious incidence of the disease show the lie to public statements that it is ["just a little flu."](#)

["We are on the verge of collapse \[...\]"](#) We will quickly see chaos, not just in Rio de Janeiro, but in all of Brazil." - *Edmar Santos, Health Secretary of Rio State.*

In India, which suffers from worse density and poverty conditions than those providing COVID-19 with such fertile ground in Brazil's favelas and small cities, a similar reopening is beginning [as the government loosens distancing rules](#). There is no evidence that the result will be favorable. Indeed, the doubling rate of cases is decreasing (meaning faster doubling).

The combination of a United States that essentially acts to guarantee a more intense second wave, and a significant portion of the global population enduring an active outbreak, leaves high mortality an all but foregone conclusion. Meanwhile, New Zealand and Australia, which enforced strong lockdowns and stuck with them, [are both nearing zero active cases](#) (now in the hundreds). While their individual geographic conditions likely help to ease the burden, the two nations have proven that a strong lockdown can lead faster to a more open economy. Unfortunately, while this appears to be something the American people already know, their leaders do not.

Severity

Severity will be measured using four key indicators. Since there is drastically insufficient testing, particularly in the United States, we will not be estimating cases until mass testing is ramped up and a realistic sense of spread can be regained.

1. Apparent R_0 , or “R-Naught”

The number of new individuals each case will infect, based on Los Alamos’ most recent study. An R_0 below 1 means the disease is being contained.

2. Case Fatality Rate, or CFR

The number of deaths as a percentage of total resolved cases (percentage of deaths vs. individuals cured).

3. Total Confirmed Cases

The official number of reported confirmed cases, as of press time (per Johns Hopkins)

4. Total Estimated Cases

Based on the latest guidance from Imperial College London’s COVID-19 Response Team

May 4, 2020

Apparent R_0 = 6 - The European/East Coast Strain

CFR = ?

Total Confirmed Cases: 3,719,899

**Total Estimated Cases:
Estimates of CFR and Cases are not
useful without sufficient testing.**

**Official Death Count:
257,747**

Most-Affected Regions

Countries experiencing the highest deaths per million

San Marino (1,208)	Netherlands (304)	Luxembourg (153)
Belgium (720)	Sweden (291)	Bermuda (112)
Andorra (595)	Ireland (271)	Canada (107)
Spain (553)	Isle of Man (270)	Portugal (107)
Italy (485)	Channel Islands (230)	Monaco (102)
U.K. (433)	U.S.A. (219)	Ecuador (89)
France (391)	Switzerland (207)	Denmark (87)
Sint Maarten (327)	Montserrat (200)	Germany (83)

Market Effects

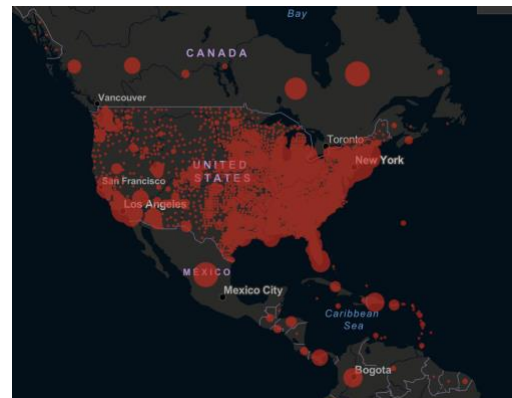
Percentage Change Since Outbreak, Select Viral Economy Metrics

Financial Markets

Shanghai Composite **-7.30**
Shenzhen Composite **+1.10**
Hang Seng **-14.77**
Nikkei **-16.78**
DJI **-17.55**
S&P 500 **-12.26**
FTSE 100 **-22.73**
Bovespa **-32.35**
Nasdaq **-2.39**

Commodities with High China Demand

WTI Crude **-62.08**
Brent Crude **-56.87**
Copper **-16.55**
Steel Rebar **-5.09**
Nickel **-13.07**
Iron Ore **-11.17**
Aluminum **-17.67**
Cotton **-18.84**



US Case Map as of May 6, 2020
(Courtesy Johns Hopkins)

Economies and Companies with Significant Exposure Selected by The Viral Economy in February

National ETFs

iShares MSCI China **-8.85**
iShares MSCI India **-25.46**
iShares MSCI Australia **-27.26**
iShares MSCI Japan **-14.55**
iShares MSCI South Korea **-17.24**
iShares MSCI Russia **-28.13**
iShares MSCI Philippines **-28.53**
iShares MSCI New Zealand **-15.99**
iShares MSCI Malaysia **-18.70**
iShares MSCI Singapore **-24.80**
iShares MSCI Thailand **-24.61**
VanEck Vectors Vietnam **-22.29**

US Equities

Skyworks Solutions **-9.57**
Wynn Resorts Ltd. **-44.41**
Qorvo **-13.13**
Qualcomm **-8.80**
Micron **-14.72**
Broadcom **-15.62**
NVIDIA **+26.03**
Texas Instruments **-11.22**
IPG Photonics **+2.48**
KLA-Tencor **-7.12**

While some nations have shown clear improvement and are able to begin some careful opening processes, others are just beginning to feel the brunt of the virus's spread. Emerging markets will suffer the highest human and economic costs, as locations without infrastructure and an informal economic system are hit hard based on density and vulnerability.

The Fed continues an unprecedented policy of asset purchases and liquidity injections, but this cannot go on indefinitely. As some companies begin to go bankrupt and the virus continues to spread, the US and global economy will take further hits.

Economic recovery claimed by many countries and regions, not least China, continues to be exposed as a falsehood by statistics on pollution data and other leading indicators. Most recently, French news source *Le Monde* reports that [global production is down 30%, China 25%, the US and Europe around 20%, and India a heart-stopping 50%.](#)

RECOMMENDATIONS:

1. Stay home if possible; the virus can cause long-term health issues.
2. Children appear susceptible to strange symptoms. Act accordingly.
3. Do not visit hospitals unless absolutely necessary.
4. Expect the current market bump to lose momentum as earnings are reported.
5. Wash your hands frequently.
6. Practice social distancing, avoid crowds, and stay 10 feet away from others.
7. The virus appears to be more airborne than previously known. Wear a mask if possible when in shared spaces.



EVAN ANDERSON is the CEO of INVNT/IP and a senior staff writer at SNS. Infectious-disease epidemiology has been a strong interest since his work with tuberculosis in Haiti.

Appendix: SNS Virus Tracker for Major Economies

The SNS Virus Severity Tracker© for major economies measures the trajectory of SARS-CoV-2 and its effect on the economy of each of the largest countries (by nominal GDP) whose data can be trusted. Notable exceptions in the top global economies are China, India, and Brazil, whose virus data cannot be trusted for varied reasons, running from lack of press freedom (China, Brazil) to evidence of tampering (China) to a simple lack of testing capabilities and robust medical infrastructure (India).

This tracker uses proprietary Viral and Economic indexes to serve as a guide for the global viral and economic outlook of these countries individually and in combination. The countries tracked represent more than 890 million people generating over \$44 trillion in annual GDP. Individual country profiles will be added each week as more data becomes available.

Overall SNS Severity Index© Scores

(0=Unaffected, 1=Extremely Severe)

South Korea (0.05)

Japan (0.06)

Australia (0.08)

Germany (0.11)

France (0.18)

Canada (0.18)

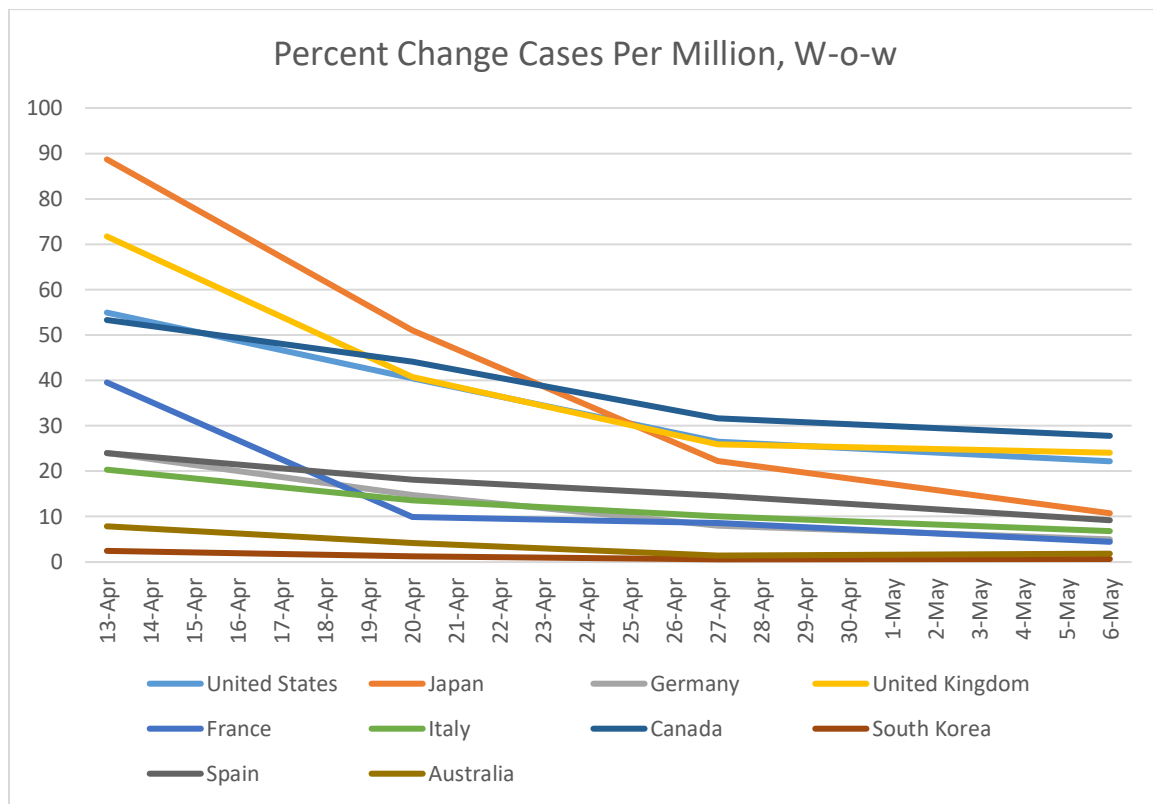
Italy (0.23)

United States (0.23)

United Kingdom (0.29)

Spain (0.31)

Percent Change, Cases Per Million, Week-Over-Week



SNS Virus Severity Tracker: The United States

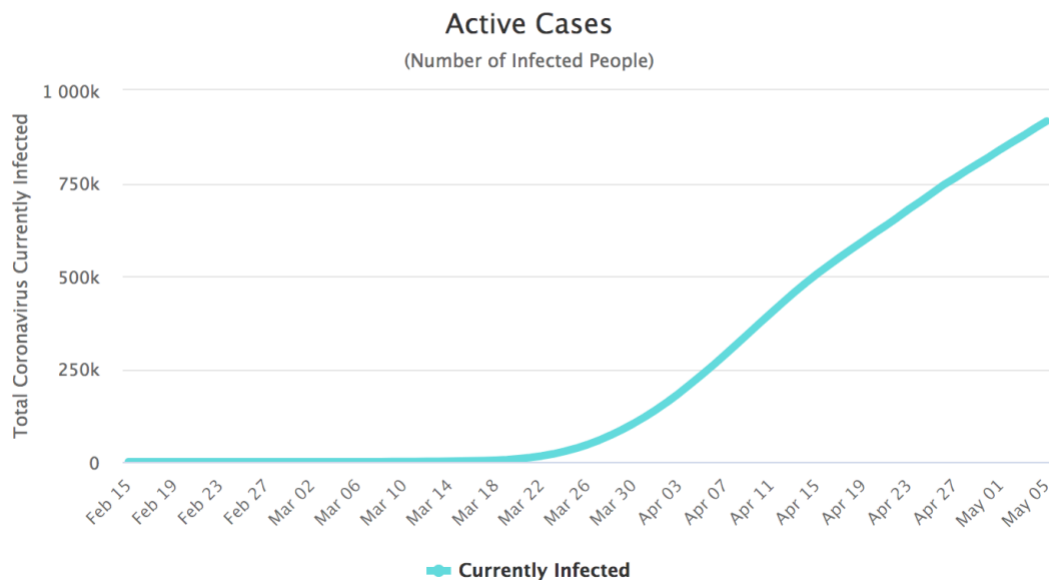
National outlook based on virus severity and economic indicators

Total Score: 0.23

SNS Virus Severity Index Score: 0.17

SNS Economic Severity Index Score: 0.29

Active Cases in the United States



All graphs by Worldometers

SNS Virus Severity Tracker: Japan

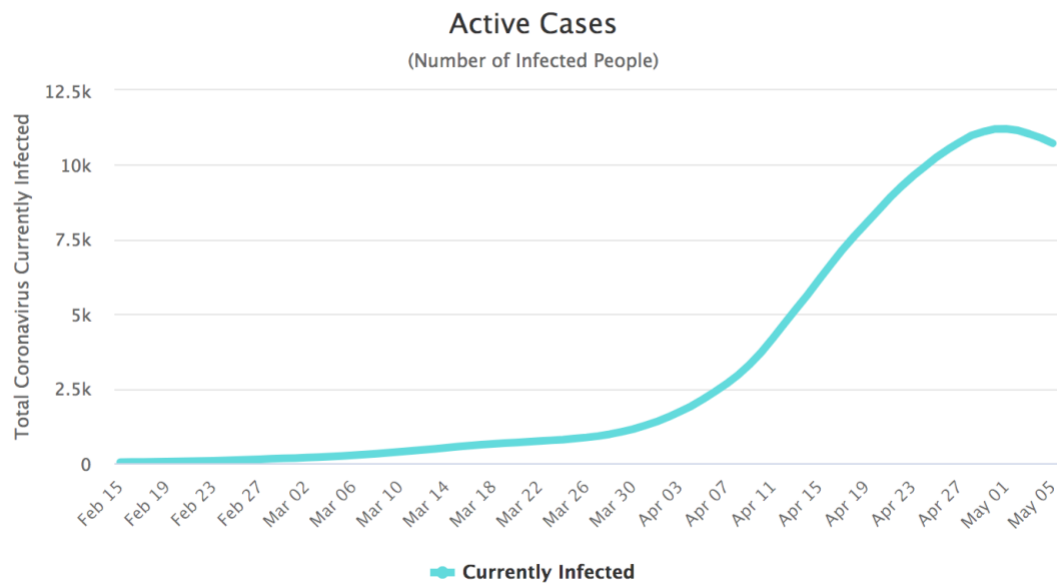
National outlook based on virus severity and economic indicators

Total Score: 0.06

SNS Virus Severity Index Score: 0.08

SNS Economic Severity Index Score: 0.05

Active Cases in Japan



SNS Virus Severity Tracker: Germany

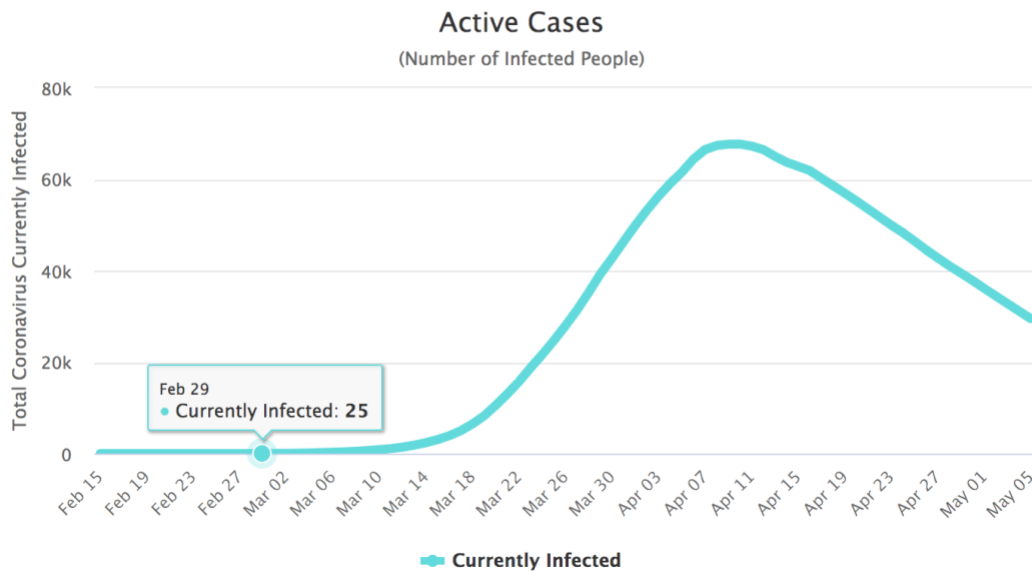
National outlook based on virus severity and economic indicators

Total Score: 0.11

SNS Virus Severity Index Score: 0.08

SNS Economic Severity Index Score: 0.05

Active Cases in Germany



SNS Virus Severity Tracker: United Kingdom

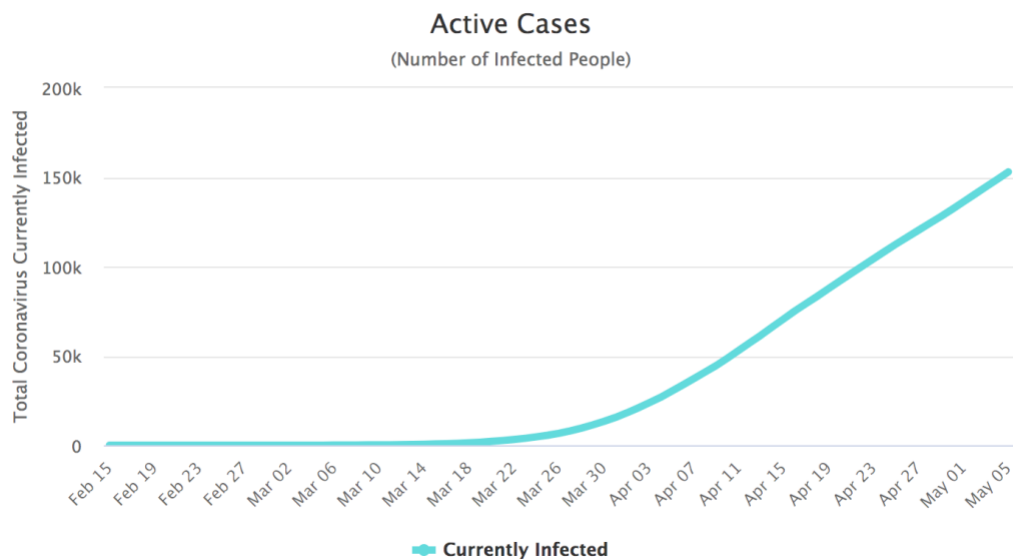
National outlook based on virus severity and economic indicators

Total Score: 0.29

SNS Virus Severity Index Score: 0.41

SNS Economic Severity Index Score: 0.17

Active Cases in the United Kingdom



SNS Virus Severity Tracker: France

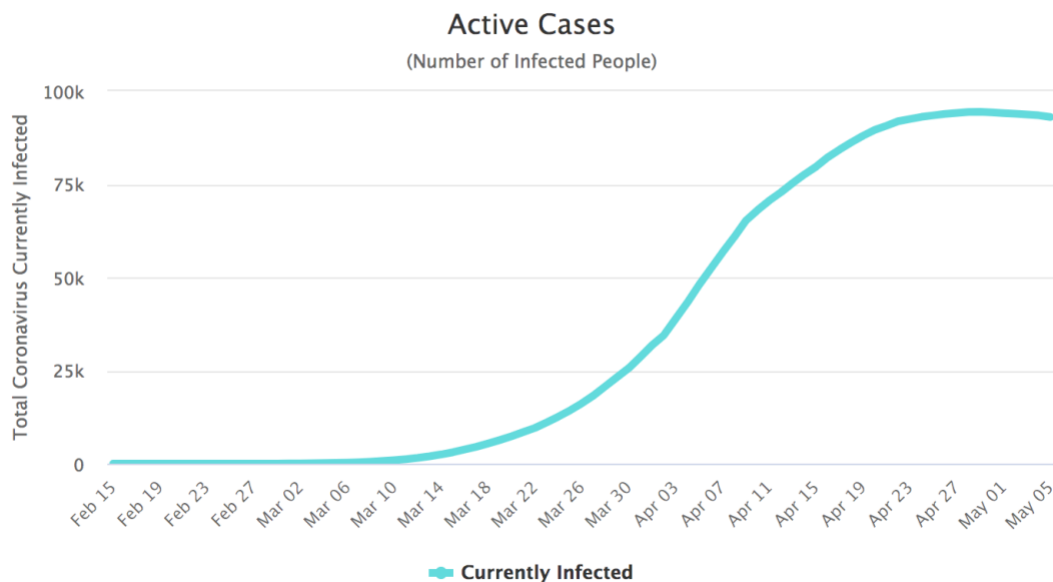
National outlook based on virus severity and economic indicators

Total Score: 0.18

SNS Virus Severity Index Score: 0.13

SNS Economic Severity Index Score: 0.24

Active Cases in France



SNS Virus Severity Tracker: Italy

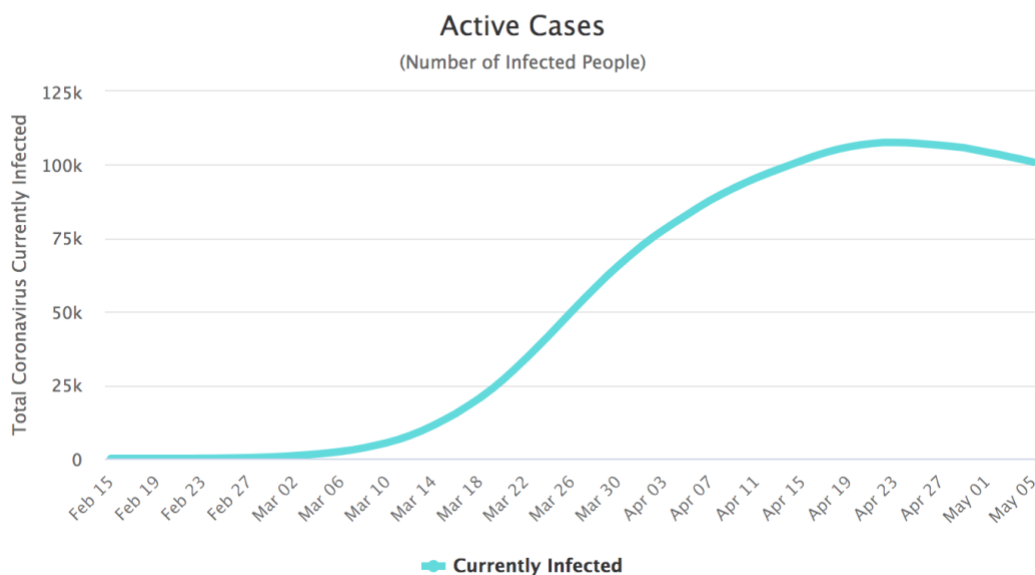
National outlook based on virus severity and economic indicators

Total Score: 0.23

SNS Virus Severity Index Score: 0.11

SNS Economic Severity Index Score: 0.34

Active Cases in Italy



SNS Virus Severity Tracker: Canada

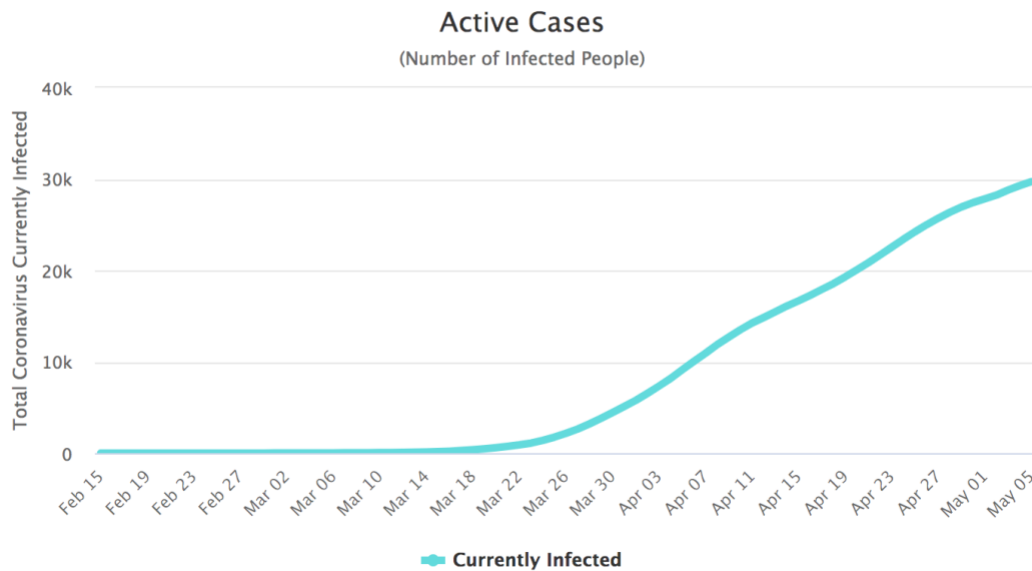
National outlook based on virus severity and economic indicators

Total Score: 0.18

SNS Virus Severity Index Score: 0.14

SNS Economic Severity Index Score: 0.23

Active Cases in Canada



SNS Virus Severity Tracker: South Korea

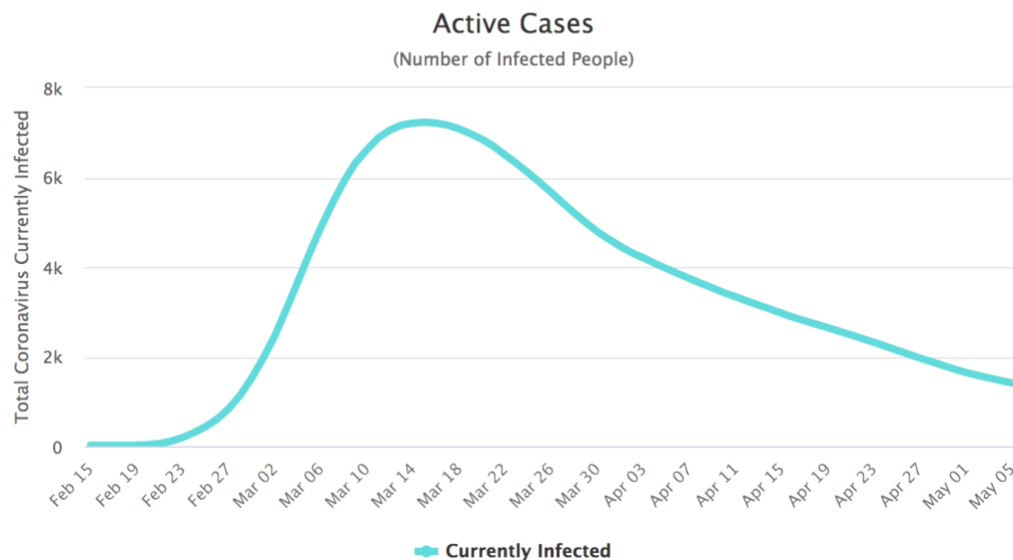
National outlook based on virus severity and economic indicators

Total Score: 0.08

SNS Virus Severity Index Score: 0.01

SNS Economic Severity Index Score: 0.05

Active Cases in South Korea



SNS Virus Severity Tracker: Spain

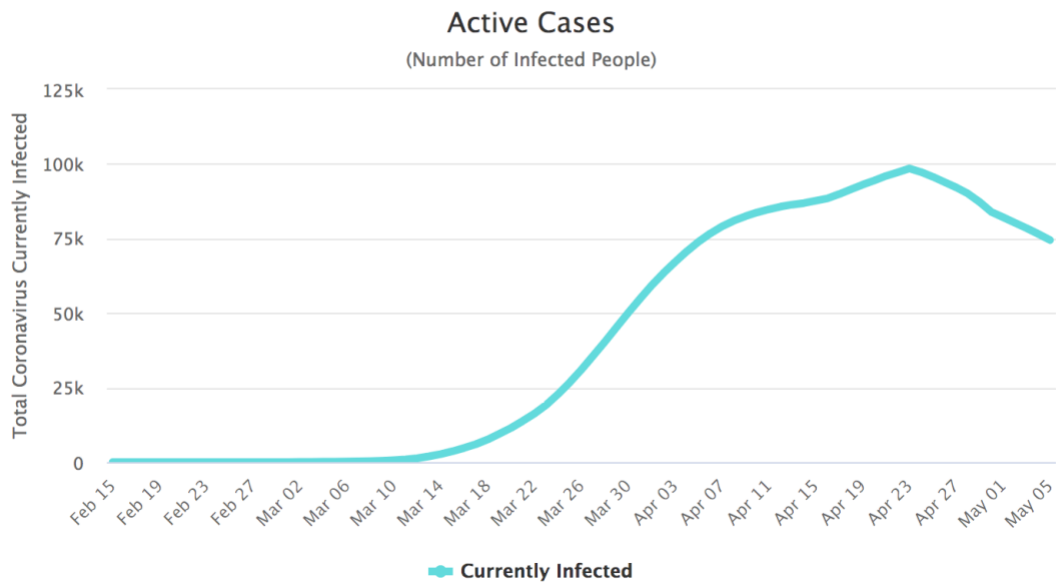
National outlook based on virus severity and economic indicators

Total Score: 0.31

SNS Virus Severity Index Score: 0.08

SNS Economic Severity Index Score: 0.54

Active Cases in Spain



SNS Virus Severity Tracker: Australia

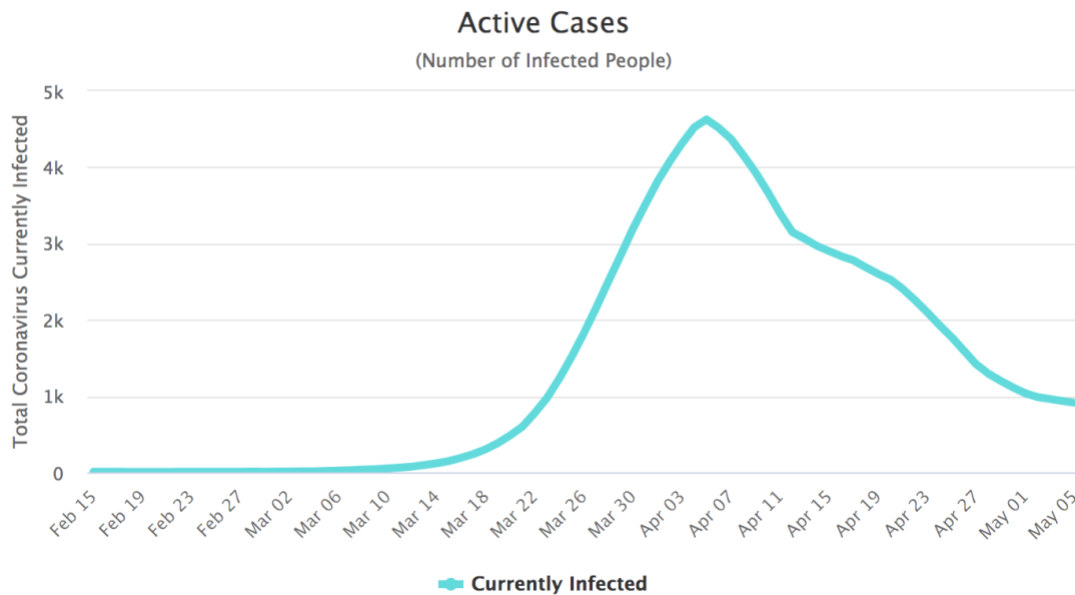
National outlook based on virus severity and economic indicators

Total Score: 0.08

SNS Virus Severity Index Score: 0.01

SNS Economic Severity Index Score: 0.14

Active Cases in Australia



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