

Thursday, February 20th, 2020

Dear Mustafa,

Acronym fever has returned to our financial world after being absent for a dozen years. Back in 2008 we had such beauties as MBS, CDO, ABS, CLO, TALF, and TARP. Today it is nCOV-19 and COVID-19, the fuller name of which is **China Outbreak Virus In December 2019**. But in our PC world we are not supposed to point fingers, so China becomes Corona.

COVID-19 has created a cordon sanitaire around the globe and specifically China. My brother, for instance, is coming to the end of his 14-day self-quarantine having been flown home from Guangdong Province. Looking ahead there are two likely paths: either COVID-19 becomes endemic, meaning it settles down, becoming a regular seasonal visitor with a decreasing CFR (Case Fatality Rate), or it becomes pandemic and follows the route of the erroneously named Spanish Flu (which was brought to Europe by US soldiers in WWI) that killed 30m people (RIP), but ultimately died with its hosts never to return.

What is more measurable in these two outcomes is the affect that a rolling quarantine programme will have on global economic activity. 60%+ of the US technology sector has supply chains that are backed into China and operate on a JIT (Just In Time) manufacturing system. In the travel industry Cathay Pacific has asked 27,000 staff to take 3 weeks off of unpaid leave. And, on a personal level, whilst I am sure my brother is working doubly hard, it is possible that others under 'home isolation' may be waking up slightly later, may be finishing slightly earlier and may

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be taking slightly longer lunch breaks, let alone not buying newspapers, coffees, dinners out, petrol etc.

This slow-down shall show up in the next quarter's numbers. And if this virus is endemic, which is likely, are we really going to face this quarantine procedure every year until we have a new corona jab? Do we have to rethink globalised economic and financial linkages? What are possible remedies to address such issues as a quarantine, which surely will permanently change how we think about and run our lives?

Governments can embark on more deficit spending under the guise of a 'medical emergency' akin to a war and central banks can keep cheap credit flowing; the same policies as our previous acronym crisis of 2008. Returning to the our current acronym predicament, the Chinese acronym OBOR "One Belt...One Road" comes into mind. I have looked at the OBOR map we shared a few years ago and it now has a much more ominous look. No longer the spread of Chinese trade and influence, but possibly the route for the most human of all exports - viruses. I have decided to take a short break from travel and will not be heading to Karachi, as discretion seems to be the better part of valour in this instance. This change has caused a diary SNAFU, so I will see you Monday! - Chris