

# Coronavirus

03 February 2020 | Michael Frazis, Frazis Capital Partners

## Coronavirus

### Worse than you think, but not necessarily bad for stocks

The 2020 Coronavirus has become a cultural meme, like Kony 2012 or bitcoin in 2018. I'd guess most people on the planet have talked about it in the last 24 hours.

The doctor line seems to be that it's not that bad... more people die from influenza every year.

There are currently >17,000 confirmed cases and 360 deaths, which suggests a mortality rate of only 2%.

But the number of cases is growing so fast that most of these cases are in the early stages of serious pneumonia.

A better comparison would be the death rate vs the rate of people who've actually recovered and walked out hospital.

What's this number? Only 487. Updated numbers from John Hopkins are live [here](#).

So a similar order of magnitude of people are dying as recovering. That doesn't sound good... and suggests the death rate is well above 2%.

Worse, it's clear that people are contagious before they're symptomatic. This is actually common. Often when you fall ill, the most obvious symptoms are your body's own defenses.

By the time you're spluttering, you might not even be contagious.

This seems to be the case here, which makes this coronavirus quite dangerous.

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The Chinese response escalated significantly about a week and a half ago, when the last flights were landing in Australia. I'd guess that locking down 60 million Chinese is quite likely to have an effect on transmission rates... but if the incubation period is ~two weeks, we won't see that in the numbers for at least a few more days.

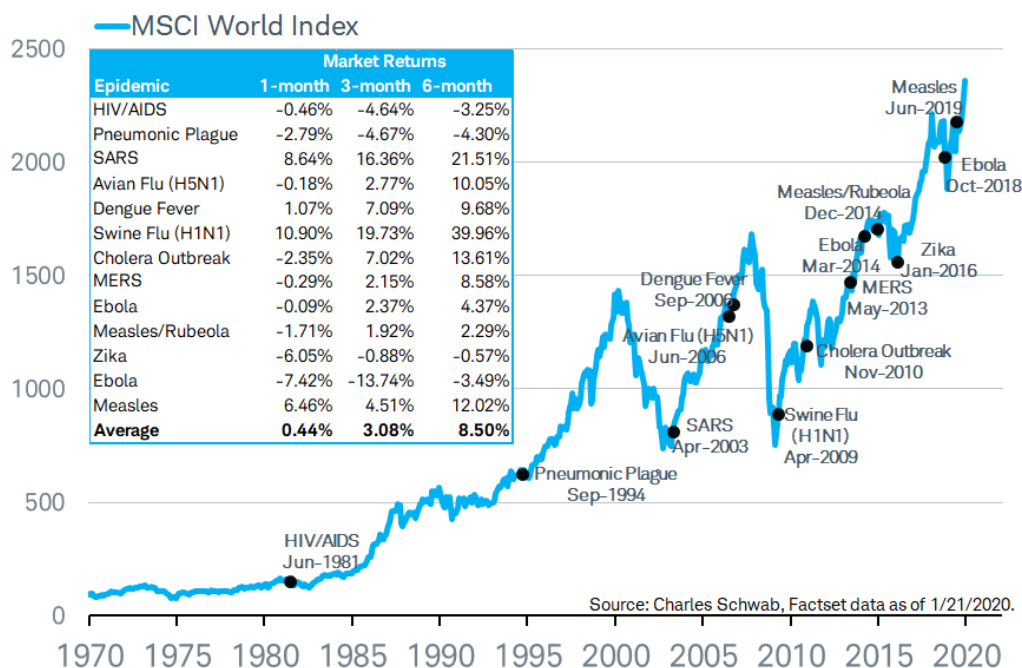
As an aside, it's been a source of constant annoyance to me that no-one takes the common cold seriously. This is a coronavirus. This knocks us all down flat multiple times a year, but doctors simply shrug, and the professional verdict seems to be that there are too many types to treat effectively.

Perhaps more time and capital should be spent looking at how coronaviruses are the same and whether that offers any druggable targets. Hopefully a benefit of this sorry saga is that a lot more capital attention is directed here in the future.

But what's the relevance to your portfolio? Outside of Asia, markets have largely shrugged this off.

And so they should. These kinds of things are temporary affairs. SARS, MERS, AIDS... these did not mark good times to sell stocks.

### Immune: world epidemics and global stock market performance



Source: Charles Schwab, Factset data as of 1/21/2020.  
The MSCI World Index captures large and mid cap representation across 23 Developed Markets countries. With 1,646 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Past performance is no guarantee of future results.

[Source](#)

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The 1918 influenza epidemic - which hopefully forms something of a worst case scenario, with 50 million deaths on a much smaller global population - marked the beginning of one of the best decades for stock markets ever.

Given the advances in genetic technology and the rapid development of antibodies for known genetic targets, there's a good chance we have a vaccine within 12-18 months.

There are already reports that one of [Gilead's antiviral medicines](#) is effective, after curing one of the few coronavirus patients in the United States.

If the virus starts spreading in Australia, I'll certainly be working from my Tamarama home office. We can talk on Zoom. But I won't be selling any stocks.

Michael

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