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Coronavirus - the things the media forgot to tell you

We continue to monitor worldwide Covid-19 statistics as the pandemic evolves*. We also watch television, read newspapers and study expert commentary on the progress of the disease and its effects on the world economy. Our study of the media and of the statistics gives us two different versions of events; the one more sensational, anecdotal and generally pessimistic, the other more measured and comprehensive. This blog looks at what the data is telling us that the media isn't.

To give a simple example - the news media has recently given extensive coverage to the fact that President Jair Bolsonaro of Brazil, widely disliked in the West for his encouragement of the farming practices that are destroying the Amazon rain forest and his cavalier attitude to Coronavirus, has himself caught the disease. This somehow rather comforting news plays to the familiar theme of hubris we love to see arrogant leaders who don't believe the rules apply to them duly getting their come-uppance. What the media hasn't mentioned in the last week is that the number of active cases of Coronavirus in Brazil appears to have plateaued and may already have peaked.

The news recently has focussed on the fact that the disease is out of control in some countries of the world, the pitfalls of unwinding lockdown, the looming danger of second waves of the disease (already clearly visible in Australia, Japan and elsewhere), and the ever-changing and contradictory nature of government policy. There is truth in all this of course (see below), but such reporting isn't presenting an entirely balanced picture.

Active cases

The over-riding policy concern in tackling the disease is the need to prevent it from stretching the public health system beyond breaking point. To evaluate how stretched the health system is in any country, it is useful to look at the number of active Covid-19 cases at a given time as a percentage of its highest level so far (the number of active cases is the number of recorded cases minus the number of people who have either recovered or died. As the outbreak spreads, that proportion will be 100%. A reasonable definition of 'out of control' might be where the number of active cases is at its highest level yet and continuing to rise steeply. On that definition, Covid-19 appears to be currently out of control in the US, India, Mexico, South Africa, Colombia and Saudi Arabia, though the growth in active cases appears to be moderating in the latter country.

The US

The US is in a coronavirus category all by itself, a situation uniquely mismanaged. The initial response was grudging and slow. More recently political pressure to restart the economy ahead of the Presidential Election has backfired spectacularly. With a little over 4% of the world's population, the US has produced 26% of the world's 13 million cases and 24% of its 570,000 deaths.



We have noticed five important but under-reported themes in our analysis, which we elaborate on below:

- **As pandemics go, this one could have been a lot worse**
- **Some countries that were badly affected in the initial onslaught have as yet had no second wave**
- **The majority of second waves have as yet been no more than ripples**
- **The disease has already peaked in a number of emerging countries.**
- **Death rates have been falling almost everywhere.**

As pandemics go, this one could have been a lot worse

It's worth bearing in mind that the Fourteenth-Century Black Death killed around one in three of the population of Europe. So far, Covid-19 has killed 572,000 people. That's a very large number, but in a population of 7.8 billion, it is roughly one in every thirteen thousand. Put differently, the average person had a 12,999 in 13,000 chance of surviving up till now. If you aren't in one of the familiar high-risk categories, your chances of survival were more like 39,999 in 40,000. The reason why this matters is that once the majority of people realise that, given sensible precautions, their chances of survival are extremely high, then it would not be unreasonable to expect life to move to a 'new normal' over a period of weeks or months rather than years.

In January there was a sense that pandemics happen in Asia and Africa, but not here. It will be a long time before countries in the West will be as complacent or as badly prepared as we all were then.

Some countries that were badly affected in the initial onslaught have as yet had no second wave

These are countries where the number of active cases is at its lowest level since the start of the pandemic and is currently either falling or flat. This category includes Italy, Denmark, Turkey, Singapore, Germany and Chile. Current active cases in these countries as a percentage of their peak levels are as follows (Italy first) – 12%, 7%, 16%, 18%, 9% and 30%. These numbers are so low as to suggest that a second wave, though deeply regrettable, could be dealt with comfortably from available resources

Some of the much-discussed second waves have been no more than ripples up till now

There is real concern in the UK that the current unlocking will give rise to a second outbreak which could spiral out of control and force another lockdown. Policymakers everywhere are taking a proactive stance to prevent any new outbreak from spreading. The media faithfully reports each successive outbreak, but not the underlying statistics which are on the whole more reassuring. A few examples follow.



South Korea

South Korea's active cases hit a low point of 701 on May 27th and are 950 today. Today's level of active cases is 13% of the peak reached on March 11th and remains at an extremely low level in the context of a population of 51 million.

Japan

The surge in new cases in Japan has been headline news around the world. There are 2,517 active cases in Japan today, more than three times the low of 770 that was reached on June 20th, but still only 22% of the peak of 11,443 seen on April 28th. The second wave continues to grow, with no sign of tailing off, but remains well within the capacity of the healthcare system.

Japan's second wave is growing much more slowly, and hence in a much more manageable way than the first one. From April 4th to

24th, Japan's active cases were growing at a rate of 829 per day. Since the low point of June 26th, active cases have risen at an average of 76 per day, less than one-tenth of the speed of the earlier outbreak, and hence much less likely to overwhelm the hospitals.

Japan's government is right to take early and decisive action to contain the second wave, but there is good reason to believe that this second iteration will be brought under control at much lower levels than the initial outbreak.



Austria

Austria's initial response to the virus was exemplary. Active cases fell from a peak of 9,334 on April 3rd to a low of just 373 on June 14th, before rising to today's level of 1,237. However, while this second wave is clearly evident in the data, what's also clear is that today's caseload, at 13% of its peak, is not at a level where the capacity of the healthcare system is likely to be seriously challenged, and as in Japan, the growth of cases, averaging 29 per day since June 14th, has been nowhere near as violent as in the first outbreak, where the number of active cases rose at an average of 535 per day between March 15th and 30th. The authorities are right to take no chances, but

equally it would be hard to argue for another lockdown in current circumstances.

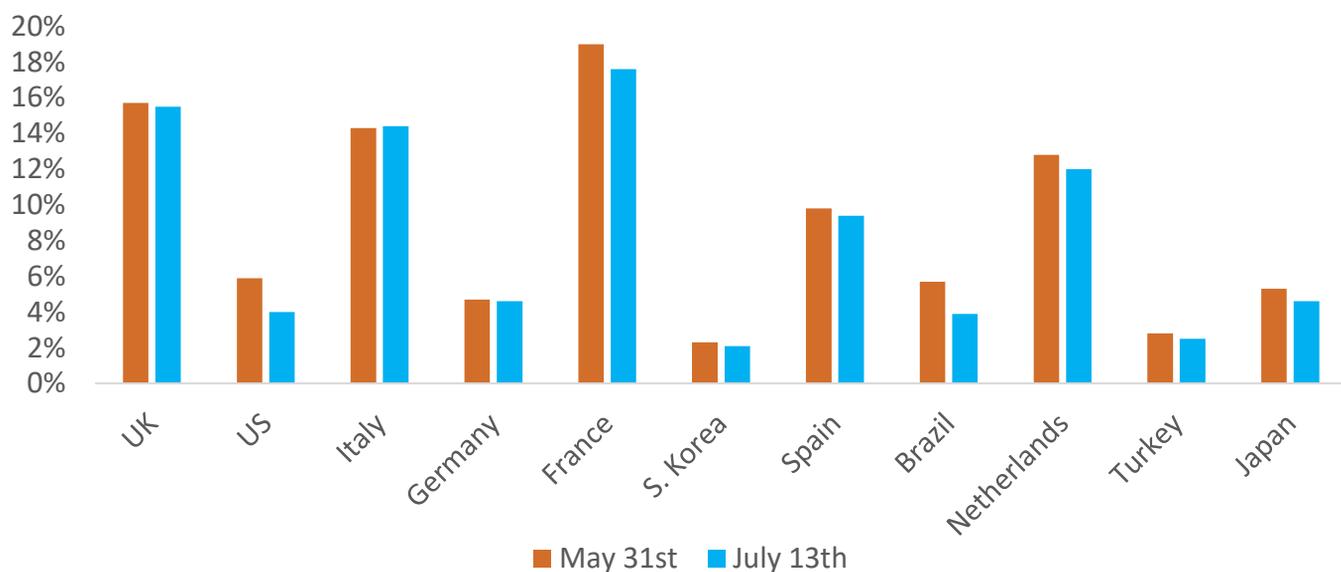
The disease has already peaked in a number of emerging countries

Numbers of active cases appear to have passed peak levels in Peru (now 91% of its high point), Chile (30%), Iran (75%), and Pakistan (80%).

Death rates have been falling almost everywhere

At any given point, the death rate in a country is the number of people who have died divided by the number of reported cases. For reasons that are by no means fully understood, the death rate has been much higher in some countries including the UK, France, Italy and the Netherlands, than in others, such as Japan, Turkey, Germany and the US.

Over the last few weeks, the number of deaths as a proportion of reported cases has fallen in most countries. We report the phenomenon here, without attempting to explain it. The trend towards fewer deaths is important because if the disease is seen to be growing less lethal for whatever reason, the 'lockdown mentality' may start to recede more quickly than might otherwise have been the case. Here are some figures



Summary

Coronavirus has thrown up so many statistics that it is possible to use them to prove just about anything. We are more interested in trying to understand what is going on than in proving any particular thesis - but it does seem to us that there has been a tendency in the media to dramatise the pandemic. The extraordinary and unprecedented events of the last few months hardly need to be exaggerated. It is important to face the future with open eyes and a clear head, rather than with a vague sense of media-induced dread.

The capacity of the pandemic to surprise us should also not be underestimated. Few commentators predicted that the US, the world's richest country, would be the worst-affected, while China currently sits down at number 23 in the league table of identified coronavirus cases.

With caveats aplenty, our tentative conclusion is a mildly positive one. While the Covid-19 still grows exponentially in a small number of countries, it has been brought under control in a large number of others. In some of these, there has been no second wave, and where there has, it has been more of a ripple, much slower and much smaller than the initial onslaught. These conclusions are based on facts. Should the observed trends continue, then consumer confidence may return, and economies may recover sooner than is currently predicted in large sections of the news media.

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Please note – this blog contains the personal opinions of Tony Yarrow and is not intended as financial or investment advice.

* All statistics used throughout this blog are sourced from Worldometers.com as at July 13th 2020.

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