



Market Commentary: Are We Sweden? Continued COVID = Election Risk - May 2020

After a ho-hum start, 2020 is turning out to be a historical year. Possibly one talked about for a long time. After having to go back a century to reference a not so similar outbreak/ quarantine (Flu of 1918) and 75+ years to find the last time a civil unrest-related curfew was placed on New York City! (mind you with less than half the year gone) we are approaching an election cycle that promises to be interesting at the least! (How can fiction keep up!?)

Our monthly commentary has a client-facing and internal-facing element to it. In our internal-facing January commentary we had referenced the fact that [Eurasia Group](#), one of the largest and most respected thought leaders on global political risks, had listed US domestic politics, specifically US elections, as the #1 risk for 2020 on their top 10 global risks list. This is the first time US politics was the largest identified risk in over 20 years of compiling the list.

COVID, to our understanding, was not a factor at the time of the Eurasia Group risk assessment. However, it seems that there is a good chance it will be a factor in the elections. It is worth taking a moment to analyze the current COVID situation. The graphic below shows a 7 day average of new cases per million people. It is a good way to show a smoothed out and apples-to-apples comparison of how many new COVID cases there

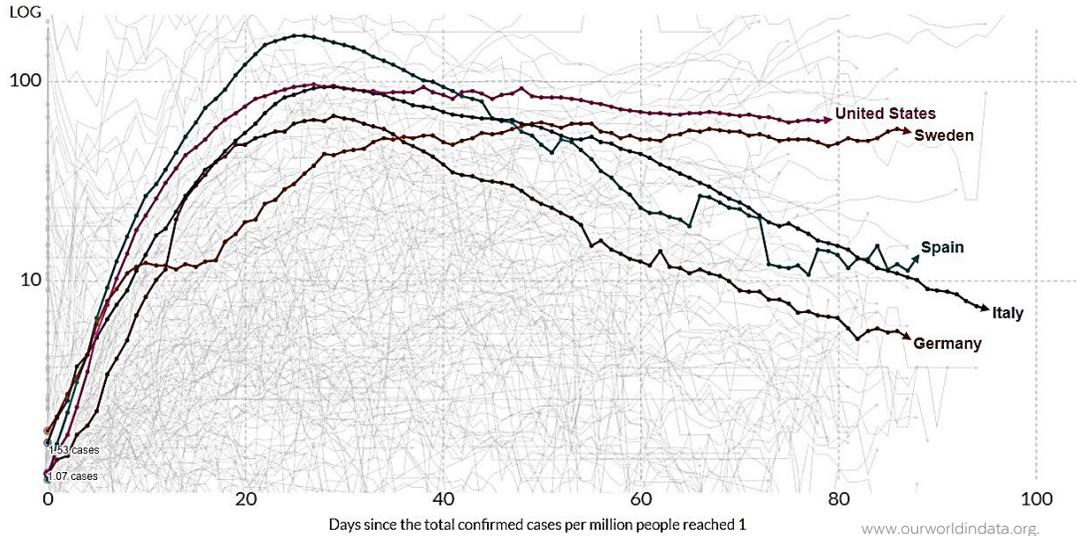
are in a country. There are some other factors out of our control that may bias one country's data vs another country's data, such as how widespread testing is, but we believe the chart is directionally accurate.

At the time of this writing, the US response to COVID seems to have resulted in the worst of both worlds outcome. Like Spain, Italy and Germany, we decided to hunker down and quarantine. Unfortunately, our outcome looks more like Sweden's, who never quarantined.

At this point, it is safe to say that the US will not be going through quarantine as a country moving forward. Given how new this virus is, and the many differing approaches that may take place in this country, it is impossible to say with confidence all that may play out (e.g., affect and reaction to any trend in cases). BUT, the current trend, as seen above, is for cases staying constant. And, most epidemiologists expect cases to actually increase. In fact, when looking closer at the data, places with more stringent quarantines early on (e.g., New York, New Jersey) have COVID confirmed case results that look more like Italy, Spain and Germany, while other parts of

Daily new confirmed COVID-19 cases per million people

Shown is the rolling 7-day average. The number of confirmed cases is lower than the number of actual cases; the main reason for that is limited testing.





the country which either placed less stringent quarantines or relaxed restrictions early have been increasing and perhaps look closer to Brazil (though their numbers may be very suspect).

If COVID is still a concern come election time—and there is a fair chance that it will be—then there will be materially more mail-in ballots than in the past. The stage has already been set for mail-in ballots to be questioned. Which points to the aforementioned risk in regards US elections.

The market has had a historical rally over the last couple of months despite many current economic characteristics (such as unemployment and an incomplete reopening) that would seem to point to caution. Optimism has abounded concerning expected reopening as well as progress on the vaccine front. It is hard to see how we will have a full re-opening with COVID still a concern for some portion of the population as citizens can obviously opt-out of going back to their former habits. That would seem to constrict growth. This sub-set of the population would need to feel that they would have a high likelihood of being able to survive a bad case of COVID or the ability to be vaccinated.

Many pundits believe a vaccine is at least 18 months off with many articles pointing to the record for vaccine development prior being 4 years, coupled with the difficulty of creating a vaccine for this sort of virus. While we are no experts, we are optimistic that we will have a vaccine in record time for the following reasons:

- Many articles reference the past record of 4 years to vaccine development but none, at least that I've seen, give any info on the prior record. It was for the Mumps. In 1967 ⁱⁱ. The progress we have made since 1967 in biotech is exponential. It's not even a contest.
- The world is more interconnected than ever, resulting in leveraging and acting on ideas quicker than ever.
- There is more riding on this socially, politically, and economically perhaps than ever before.

Given the above optimism, it is still hard to see the ability for America to be vaccinated by the election (once created and tested, one needs to produce and then administer to 350 million+ people). Perhaps there will be effective enough therapeutics and treatment options. More likely, we will still be dealing with some form of hardship (collectively, though stratified—note civil unrest and unemployment) due to COVID and its fall-out. With a country already at loggerheads politically, the risk of election results not recognized by some significant portion of the population is a real one.

As we do, we will continue to monitor potential risks in the market as well as positive factors and themes. We focused on this risk for this commentary as it is one we believe the market will increasingly pay attention to as we get closer to the election.

ⁱ I am not sure where I heard or saw this fact originally, but when fact checking I went onto Google and typed “Last curfew in NYC”. [This article](#) from Rolling Stone was one of the top links to pop up. As I prefer, at least in this venue, to keep my politics private, and also recognizing how unbelievably divided this country is and how toxic many levels of conversation between those who disagree politically can get (especially in writing versus spoken communication where many still keep a sense of decorum for various reasons), I thought for a bit about whether to keep on looking to find an article that can be thought of as neutral in all labeling. Instead, I figured I would share this stream of consciousness and lament how sad I am about what I perceive to be the current environment. For those who missed the initial point, the choice of Rolling Stone was due to its being an



initial source that I thought could be trusted for the fact checking I was looking for - that an event took place historically - and nothing more should be read into it. Furthermore, this statement applies to all future links we share!

ⁱⁱ Note I am referencing an [article from National Geographic](#) whose title conflicts with our optimistic thesis above! However, I think the article is more optimistic than the title indicates. It was also written quite a bit back relative to the warp speed we are now operating in and therefore does not have the benefit of developments over the last two months. Here, by the way, is an [article](#) about why there was no vaccine for earlier SARS viruses (partially touched on within the National Geographic article.)

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