



CUMBERLAND
ADVISORS

A Registered Investment Advisory Firm Since 1973

[CLIENT LOGIN](#)

Coronavirus #1 with updated death toll

David R. Kotok

Thu Jan 23, 2020

At Cumberland, we take time to track viral outbreaks for two reasons: (1) Epidemics and pandemics do have market consequences and raise risk, and (2) they can be deadly. SARS, bird flu, Zika, Ebola, and more make the list of outbreaks we have followed closely. In the case of Zika, we wrote a [detailed pamphlet](#) chronicling the failures of governments in response to the mosquito-borne virus.



External shocks can derail economic trends and abruptly alter market sentiment. Not all risk is economic policy or monetary. The iconic “Spanish flu” of 1918 is a historical example. So when I see a communicable disease vector spring up, I pay attention. I am a risk manager. And risk is a four-letter word that comes in various forms and with various vectors. In a stock market where the dominant factor is price momentum, the impact of a change occurring in an external risk vector or a natural risk phenomenon is intensified. The novel Chinese coronavirus currently making headlines is now serious enough to have market impact. Here’s the Wall Street Journal at 6:43 AM EST on Tuesday, Jan. 21:

“Global stocks dropped on Tuesday, led by Asian markets, amid concerns about the rapid spread of a potentially deadly pneumonialike virus originating in central China.” (“Global Stocks Drop Amid Outbreak of Deadly Virus in China,” Wall Street Journal, Jan. 21, https://www.wsj.com/articles/global-stocks-drop-amid-outbreak-of-deadly-virus-in-china-11579601534?mod=hp_lead_pos2)

Confirmation of the first confirmed case in the US impacted markets immediately yesterday, with airline and travel stocks taking a hit. See “Dow’s five-day win streak comes to an end after report of first coronavirus in the US,” <https://www.marketwatch.com/story/dow-futures-pull-back-as-stock-market-stages-pause-from-record-setting-rise-2020-01-21>.

Writing in Bloomberg’s “Points of Return” on Jan. 22, John Authers goes into greater depth on how significant the effects of a new epidemic scare can be on markets: “...nobody can answer how severe the problem could become, and nobody beyond a few experts in epidemiology and public health has much ability even to try.”

While pointing out that we cannot yet size up the public health challenges the new virus will pose, Authers examines how the Ebola scare in 2014 affected markets, concluding, with some compelling charts and data, that 2019-nCoV “could create quite a lot of damage.” (Bloomberg “Points of Return” is a daily newsletter available by subscription only.)

Most of us know coronaviruses in the form of the “common cold” that occasionally afflicts us with a stuffy nose, clogged sinuses, and a sore throat. Our colds are inconvenient and mildly miserable to endure, but hardly ever serious. It’s important to remember that the deadly six-month SARS outbreak of 2003 was also caused by a coronavirus. The new coronavirus originated in the city of Wuhan and seems to have as its epicenter a now-closed seafood market where live exotic animals were also sold for human consumption. CNN obtained a video of that market taken before the outbreak resulted in its closure. CNN correspondent Kristi Lu Stout tweeted that video here: <https://twitter.com/klustout/status/1219078782549725184?s=21>, demonstrating the close contact shoppers and workers had with wild animals, one of which perhaps carried the novel virus.

The South China Morning Post summarized the world’s list of known coronaviruses:

“The strain of coronavirus found in Wuhan – named 2019-nCoV by the WHO – is the seventh of its kind to be identified.

“Of the six others, four cause only minor respiratory symptoms similar to those of a cold and two, while SARS and MERS (Middle East respiratory syndrome) are deadly, with the latter accounting for more than 850 deaths around the world since 2012.”

(“China coronavirus: at least three suspected cases found in Shenzhen, Shanghai, sources say,” South China Morning Post, Jan. 18, <https://www.scmp.com/news/china/society/article/3046681/china-coronavirus-least-three-suspected-cases-found-shenzhen>)

The new virus, dubbed 2019-nCoV, is now spreading beyond China. It does not appear to be as deadly as SARS was, but it is associated with fever, cough, shortness of breath and pneumonia, and, as of January 22, 17 deaths (“As New Virus Spreads from China, Scientists See Grim Reminders,” <https://www.nytimes.com/2020/01/22/health/corona-virus-china.html>). “Much remains to be understood about the new coronavirus, which was first identified in China earlier this month. Not enough is known about 2019-nCoV to draw definitive conclusions about how it is transmitted, clinical features of disease, or the extent to which it has spread. The source also remains unknown,” the World Health Organization said Friday. (“China’s coronavirus cases likely grossly underestimated, study says,” CNN, Jan. 18, <https://www.cnn.com/2020/01/18/asia/china-coronavirus-study-intl/index.html>)

As Chinese epidemiologists work to assess and stem the virus’s spread and better gauge its severity, the US CDC is monitoring the outbreak (<https://www.cdc.gov/coronavirus/2019-ncov/index.html>) and offering guidance to travelers (<https://wwwnc.cdc.gov/travel/notices/watch/novel-coronavirus-china>). Five US airports will now screen passengers arriving from Wuhan for the virus: JFK, San Francisco International, Los Angeles International, Chicago’s O’Hare, and Atlanta’s Hartsfield-Jackson. (<https://www.washingtonpost.com/nation/2020/01/21/us-screenings-coronavirus-expanded-airports-atlanta-chicago/>). However, screenings may well broaden as the virus spreads geographically.

A rapid test for the virus has been developed by researchers from the German Center for Infection Research and virologists at Charite Hospital in Berlin. (<http://www.cidrap.umn.edu/news-perspective/2020/01/japan-has-1st-novel-coronavirus-case-china-reports-another-death>)

Case counts quadrupled between January 11, when 41 cases had been identified (https://www.wsj.com/articles/china-says-person-infected-with-new-coronavirus-has-died-11578709453?mod=article_inline), and January 20, when the number of confirmed cases reached 218. By January 22 the number more than doubled again, to 481. New cases emerged in Beijing (5), Shanghai (1), Shenzhen (3), and Guangdong Province (14). Nine cases have been confirmed in Asian countries outside Mainland China: Macau (1), Hong Kong (1), Taiwan (1), Thailand (4), Japan (1), and South Korea (1), all of them involving people who are either from Wuhan or have visited the city (<https://www.bbc.com/news/world-asia-china-51171035>). Health officials in Australia and the Philippines are also investigating suspected cases of the virus.

The first US case was reported on January 21, in the State of Washington. The patient had recently returned from Wuhan (<https://www.cdc.gov/media/releases/2020/p0121-novel-coronavirus-travel-case.html>).

The World Health Organization (WHO) is meeting today, January 22, in Geneva to decide whether to declare the outbreak an “international public health emergency” – a rare move that has only been used a handful of times, for the swine flu, Ebola, and Zika outbreak (“WHO Could Declare Wuhan Coronavirus a Global Emergency,” <https://foreignpolicy.com/2020/01/21/wuhan-coronavirus-china-global-emergency-pneumonia-world-health-organization-who/>).

At least fourteen healthcare workers have fallen ill (as of January 20), confirming, as has other evidence, that the virus is capable of human-to-human transmission. Infectious disease experts at Hong Kong University estimate that the Wuhan virus had likely already spread to 20 other cities in the interval between January 1 and January 17, suggesting that those cases will continue to be detected in the coming days (<https://www.scmp.com/news/hong-kong/health-environment/article/3047022/wuhan-coronavirus-20-other-cities-china-affected>).

Containment of the virus at this point, despite detection efforts that are always thwarted by the delay between infection and the onset of symptoms that screening efforts might catch, will be difficult, though detecting and slowing transmission remains key to both health and economic outcomes. Complicating matters, China is about to undertake its annual Spring Festival. Anna Fifield of the Washington Post reports, “Under the best of circumstances, the Spring Festival in China is a logistical exercise of mind-blowing proportions: hundreds of millions of people traveling via planes, trains, buses, and taxis to return to their hometowns to ring in the new lunar year with their families.” (https://www.washingtonpost.com/world/asia_pacific/china-virus-surge-in-new-cases-raises-concerns-about-human-transmission-ahead-of-holiday-travel-season/2020/01/20/06d077fc-3b6a-11ea-971f-4ce4f94494b4_story.html)

All that travel will accelerate the spread of the virus.

On October 18, 2019, the Johns Hopkins Bloomberg School of Public Health and Center for Health Security, the World Economic Forum, and the Bill and Melinda Gates Foundation conducted a pandemic exercise based on the scenario of a deadly novel coronavirus. The exercise identified significant gaps in the world's pandemic preparedness and led to a number of recommendations, which can be accessed here: <http://www.centerforhealthsecurity.org/event201/event201-resources/200117-PublicPrivatePandemicCalltoAction.pdf>. The document is useful as readers seek to enumerate the economic risks that a deadly pandemic can entail.

The less prepared that nations, international organizations, businesses, and NGOs are for a pandemic, the greater the economic risk that communicable disease threats pose. Preparedness or lack thereof is also a key part of risk calculation.

We continue to monitor the news flow and market risk attached to the 2019-nCoV virus vector. We have made no changes yet in portfolios in our US ETF or quantitative strategies.

David R. Kotok

Chairman and Chief Investment Officer

[Email](#) | [Bio](#)

Links to other websites or electronic media controlled or offered by Third-Parties (non-affiliates of Cumberland Advisors) are provided only as a reference and courtesy to our users. Cumberland Advisors has no control over such websites, does not recommend or endorse any opinions, ideas, products, information, or content of such sites, and makes no warranties as to the accuracy, completeness, reliability or suitability of their content. Cumberland Advisors hereby disclaims liability for any information, materials, products or services posted or offered at any of the Third-Party websites. The Third-Party may have a privacy and/or security policy different from that of Cumberland Advisors. Therefore, please refer to the specific privacy and security policies of the Third-Party when accessing their websites.

Sign up for our [FREE Cumberland Market Commentaries](#)

Cumberland Advisors Market Commentaries offer insights and analysis on upcoming, important economic issues that potentially impact global financial markets. Our team shares their thinking on global economic developments, market news and other factors that often influence investment opportunities and strategies.

Cumberland Advisors is registered with the SEC under the Investment Advisers Act of 1940. All information contained herein is for informational purposes only and does not constitute a solicitation or offer to sell securities or investment advisory services. Such an offer can only be made in the states where Cumberland Advisors is either registered or is a notice filer or where an exemption from such registration or filing is available. This presentation does not purport to be a complete description of our investment services. Please feel free to forward our commentaries (with proper attribution) to others who may be interested. It is not our intention to state or imply in any manner that past results and profitability is an indication of future performance. All material presented is compiled from sources believed to be reliable. However, accuracy cannot be guaranteed.



ABOUT

[Culture](#)
[Our Process](#)
[History](#)
[Community](#)
[Camp Kotok](#)

CLIENTS

[Advisors](#)
[Private Wealth](#)
[Institutional](#)

INVESTMENTS

[Philosophy](#)
[Fixed-Income Strategies](#)

Equities Strategies
Balanced Strategies

MEDIA

In the News
Week in Review
Video Gallery
Market Commentary

OUR TEAM

Leadership
Advisors
Private Wealth
Institutional
Career Opportunities

DISCLOSURES

Privacy Policy
Terms of Use
Diversity Policy
Website Accessibility Policy
ADV Part 2 A
ADV Part 2 B
ADV Part 3

One Sarasota Tower
2 N. Tamiami Tr., Ste. 303
Sarasota, FL 34236

800.257.7013

Follow Us: ► 