

Coronavirus – so why the fuss?

11 March 2020

JEREMY GARDINER



The planet delivered its own, slightly brutal, but probably effective solution.

The coronavirus is highly infectious, and whilst a lot less lethal than SARS, it is more deadly than the common flu. That, and the speed at which it has spread, has got people very worried. In addition, it has been significantly hyped by the media, as is often the case. Fortunately, whilst not pleasant, getting sick with the virus is manageable, and the good news is that 99% of people will recover. The risk is to the elderly and the medically compromised, so health wise, even if you get it, you should be fine.

Given that it has disrupted goods production, the economic knock-on effects can be far reaching. China is the workshop of the world. If they can't produce goods, companies can't sell them. What does that do to earnings, share prices and sentiment?

At this stage most analysts are suggesting the disruption as a result of Corona can last anywhere between three months and a year. So what we can expect is for the analyst community to assume zero product sales/revenues for the period they estimate it to last, and accordingly calculate what the fair value is for equities. The good news is that most equities have already fallen past that point.

So what should you do now?

The most important thing is not to make irrational emotionally driven investment decisions. Markets have taken a lot of pain. The potential returns from these levels, over a 3-year period could be significant, which is why buyers are coming into the market. Be warned though, there will most likely still be significant volatility, so a cool head is needed.

Is there a silver lining?

If there is a silver lining, it is that this has benefits for the planet. NASA released pictures last week showing how much pollution over China has cleared as a result of the slowdown. Most importantly, China has banned the trade and consumption of wild animals, as findings reported in the Chinese media suggest that the virus could have been transmitted to humans from bats via pangolins, allegedly consumed from a market in Wuhan.

If word has now spread across China that eating wild animals is dangerous, and if that rule can stick, it would be hugely beneficial to the planet, and Africa in particular – it may even finally bring some relief to our rhinos.

And finally, with air travel significantly curtailed, carbon emissions will reduce substantially. If that somehow induces long-term behavioural changes skewed towards more online meetings and events rather than physical travel, it can only be a good thing.

It almost feels as though the planet said: "You humans aren't going to change your behaviour in time, let me do it for you."

Just as Davos focused on the top five risks to the world being environmental with no clear solution, the planet delivered its own, slightly brutal, but probably effective solution.

CONTACT INFORMATION

36 Hans Strijdom Avenue
Foreshore, Cape Town 8001
Telephone: +27 (0)21 416 2000
Client service support: 0860 500 100
Email: comcentre@investecmail.com

www.investecassetmanagement.com



Follow us on Twitter
[@investecam_sa](https://twitter.com/investecam_sa)

Important information

All information and opinions provided are of a general nature and are not intended to address the circumstances of any particular individual or entity. We are not acting and do not purport to act in any way as an adviser or in a fiduciary capacity. No one should act upon such information or opinion without appropriate professional advice after a thorough examination of a particular situation. We endeavour to provide accurate and timely information but we make no representation or warranty, express or implied, with respect to the correctness, accuracy or completeness of the information and opinions. We do not undertake to update, modify or amend the information on a frequent basis or to advise any person if such information subsequently becomes inaccurate. Any representation or opinion is provided for information purposes only. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down.

This document is the copyright of Investec and its contents may not be re-used without Investec's prior permission. Investec Asset Management (Pty) Limited is an authorised financial services provider. Issued by Investec Asset Management, March 2020.

