

COVID-19 NOTE #22

Epidemiologic and Economic Impact

(Analysed bi-monthly in just a few gobbets
for time-starved, over-solicited decision-maker.)

- Since our last COVID-19 note, **new infections have continued to decline globally and steadily**. Last week, there were 'just' 3.1 million new cases, corresponding to a 17% decline from the week before. **Positivity rates are falling almost everywhere**, leading many analysts to come to the conclusion that the pandemic will soon be under control. The financial markets concur, arguing that the combination of (1) the soon-to-be victory over the virus and (2) persistently accommodative monetary and fiscal policies will lead to an economic boom. However, while expansionary policies can be counted upon, rapid defeat of the virus is less of a given.
- Much of this hope is predicated upon the observation that the **"magic of vaccination" is starting to work**. Israel is a case in point. More than 70% of its population has been vaccinated (the world's fastest, most comprehensive and most successful vaccination campaign) and contrary to what we observed in the last note, now the daily case and death rates, as well as the number of hospitalizations, are all starting to decline in a significant manner. **Evidence from those countries in which the vaccines are being administered suggests it works**. In the US - one of the countries hit the hardest by the pandemic - cases fell last week by 24% compared to the week before. In the UK, the virus spread is also falling sharply.
- This being said, **COVID-19 variants pose a danger to the best possible outcome (the pandemic being behind us in Q3-ish)**. The reasons are twofold: (1) some vaccines seem to be ineffective against some variants, like AstraZeneca for the South African variant; (2) the task of vaccinating the whole world is monumental. The market consensus projects confidence, but as the table below shows, there is still a tremendous amount of uncertainty regarding the effect of the four main variants (let alone, other, yet unknown, possible variants).

	B.1.1.7 (U.K. Variant)	B.1.351 / 501Y.V2 (South Africa Variant)	P.1 / B.1.1.28.1 (Brazil Variant)	B.1.426 / CAL.20C (California Variant)
Transmissibility compared to previous dominant strains	~50% more contagious	~50% more contagious	Still learning	Not yet known
Lethality compared to previous dominant strains	Likely higher mortality	Not yet known	Not yet known	Not yet known
Reinfections (Increased resistance to antibodies from prior infection)	Not yet known	Reported	Reported	Not yet known

Source: Jordan Shlain, M.D., <http://privatemedical.org>

- As of last week, only 10 countries had used 75% of all doses of vaccination administered so far while 130 others, comprising 2.5bn people, hadn't received a single vaccine dose. In high-income countries, **progress is uneven**. Israel is well ahead, having given 70 doses per 100 residents, compared to 19 in the UK, 13 in the US and 4 in Europe. Leaving aside the moral issue of vaccine accessibility, **this will contribute to making the pandemic endemic**. The adage that "no one is safe until everyone is safe" is correct: this situation risk putting a spoke in the wheels of the global recovery for longer than the consensus assumes.

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