

Deprcon warning: Coronavirus (01/22/2020)

Hi.

The ability of the novel coronavirus to spread very easily (before symptoms and through droplet infection) implies that it is likely to have already spread wide across the globe, and that there's a potential for exponential growth in infections. This means that both the human and economic toll can become very high.

The draconian measures taken by China to contain the spread of the virus will almost certainly deal a heavy blow to her already fragile economy. Chinese economy has been carried by the consumer lately, and the fear the virus creates is likely to seriously hamper consumer sentiment and spending.

The virus has already led to some serious flight disruptions. If it spreads according to its potential, it may eventually rise to threaten even global supply chains.

For these reasons, we expect that the 'green shoots' observed in the US and some other countries in January to disappear in February, March the latest.

This, combined with the aim of the Fed to taper its term repo -operations starting from February (30 -day repo ops have already been tapered), greatly increases the likelihood of a serious correction or a crash in global asset markets in February and March.

The coronavirus thus has the potential to push the world economy first into a recession and then to a depression.

We keep monitoring the situation closely.