

Corona Pandemic - If We're Past the Worst, Then Stock Prices Should Be High

Corona Pandemic - The Worst is Over

According to WHO statistics, the total number of infected people worldwide exceeded 20 million as of August 7. But surely the worst is now over, isn't it? At the very least, there is now much less concern that the level of economic activity will deteriorate further due to radical measures such as lockdown. The following four points can be identified: 1) The peak-out in the total number of infected people in the world (there was a sharp decrease in Europe and East Asia, and even the countries such as the United States, Brazil, India, South Africa, etc. that have increased until early July started to decline in August). 2) The number of deaths has been greatly suppressed and fears of a medical collapse have been controlled. 3) Countries like Sweden, and Japan, etc. have succeeded in controlling the Corona pandemic. 4) Vaccines are now entering the stage of practical use (the leading vaccines developed by Oxford University and AstraZeneca will be deployed in in September).

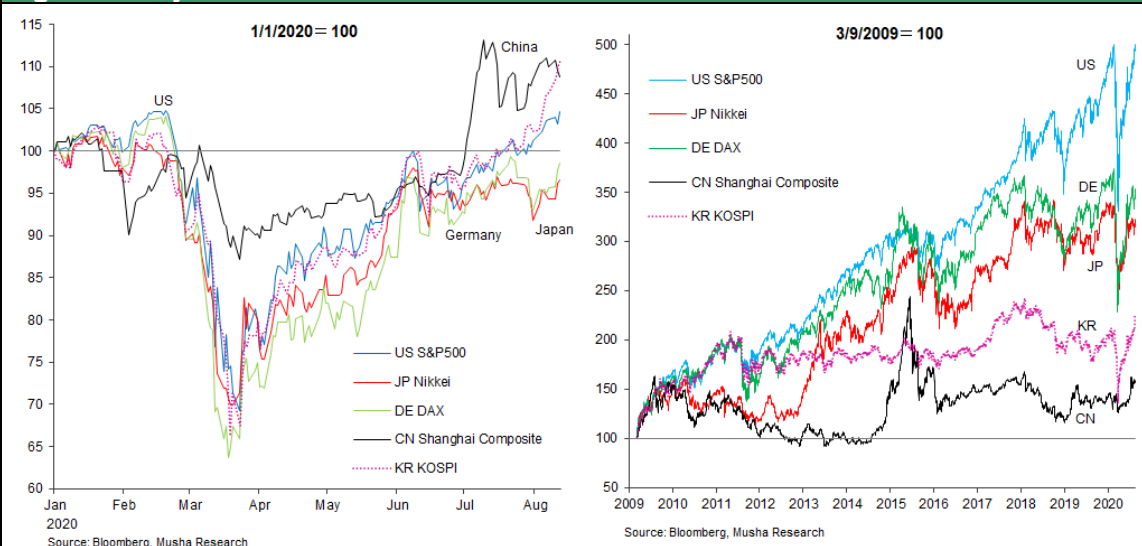
Stock prices are Now Factoring in the Post-Pandemic Phase

Global stocks, which had fallen by 30 to 40% during the Corona pandemic, have recovered almost 100% of the decline, and the equity markets of the US, China, South Korea, Taiwan, etc. have turned positive from the beginning of the year. There is still a deeply rooted tendency to claim that these high stock prices are nothing more than a bubble, but surely at this stage it might be more appropriate to think that these high stock prices have already begun to factor in the post-Corona era.

Musha Research Co., Ltd.
 President
 Ryoji Musha
 Tel +81-3-5408-6818
musha@musha.co.jp
<http://www.musha.co.jp>

901 Renai Partire Shiodome
 2-18-3 Higashishinbashi,
 Minato-ku, 105-0021 Tokyo

Figure 1: Major stock indices

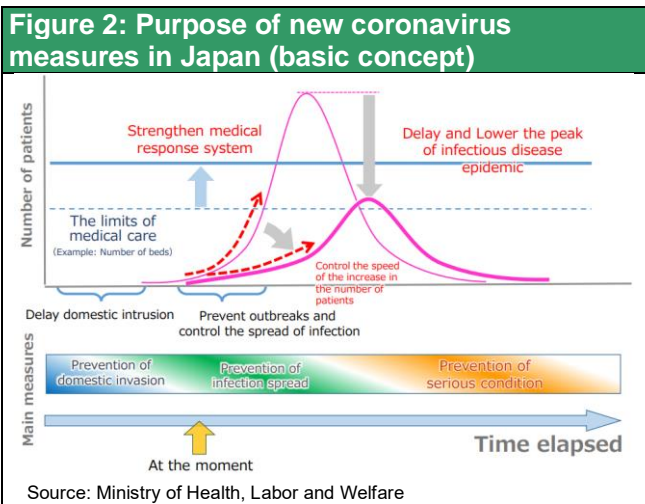


Implicit Japanese-style Strategy of Collective Immunity

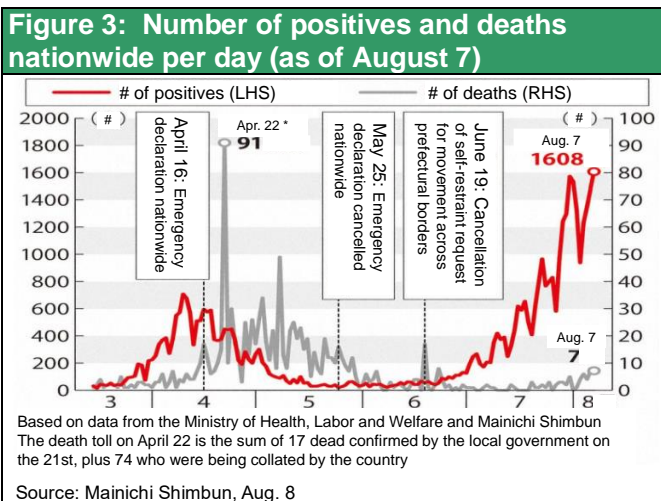
The situation in Japan developed is in direct contrast to that seen elsewhere in the world however, with the number of infected people reaching its peak back in August. There has been a constant chorus of criticism about the government having not declared a state of emergency and that it has been running its "Go To travel" campaign, but this is probably OK.

Ultimately, the only way to control the Corona pandemic is to attain collective immunity, and, without a vaccine, the era of "With Corona" will continue for a long time. During this time, we have no choice but to focus on maintaining our level of economic activity while controlling infection at a level that does not provoke a medical collapse.

"The Japanese government has not officially adopted a collective immunity strategy, but, in a policy released by an expert committee on February 24, the government wrote as follows: "Due to the characteristics of this virus, it is impossible to completely prevent each case of infection on an individual by individual basis, but it does seem to be possible to control the speed of the spread of infection.[...] The greatest goal of measures to be taken in the future is to suppress the speed of spread of infection and, to the utmost degree possible, to reduce both the number of seriously ill persons and the number of deaths." While simultaneously strengthening the support system for medical care to raise the "limits of medical treatment", it was the peak shift strategy that lowered the peak of the epidemic, and it was a collective immunity strategy that gradually slowed the spread of the infection." (Nobuo Ikeda JBpress Aug. 7)



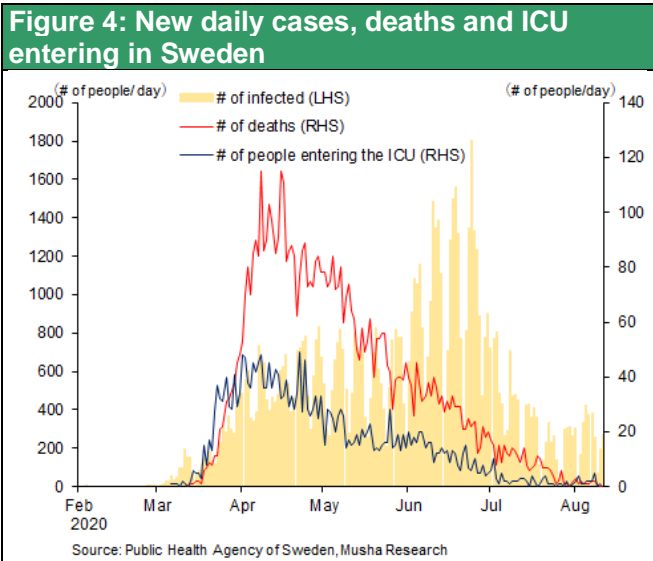
It can be said that this collective immunity strategy has been successful. The number of deaths has been greatly suppressed in contrast with the increasing number of infected people (PCR-test-positive people). In fact, people are saying that medical treatment has greatly improved as the special characteristics of the nature of the new Corona virus are now becoming better understood within the medical community.



Successful (?) Collective Immunity Strategy in Sweden

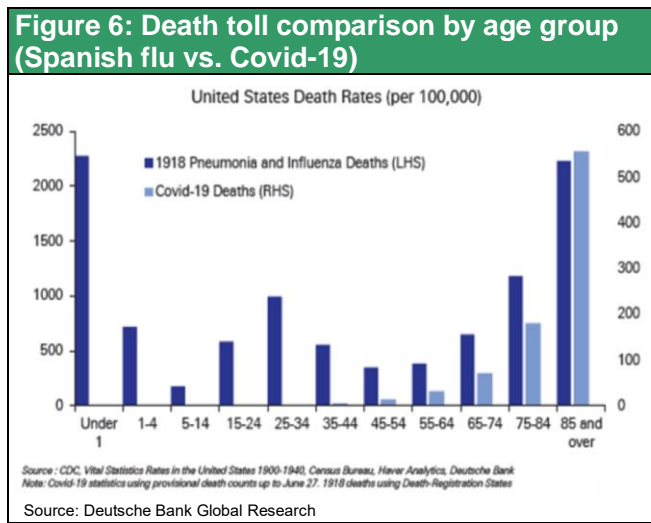
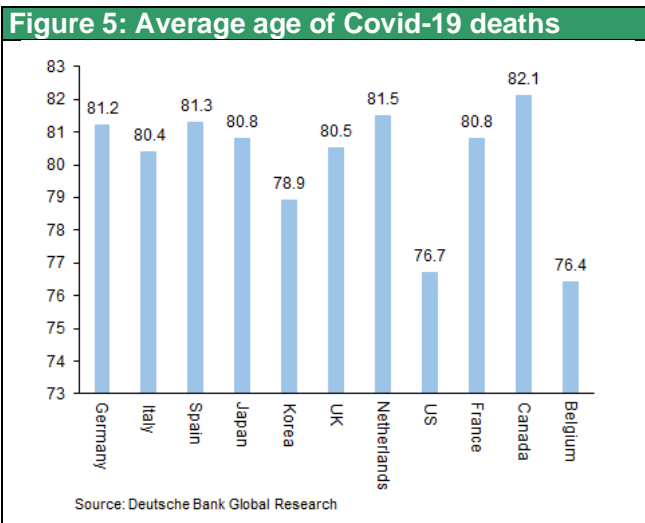
Sweden was the obvious candidate as the country to adopt a collective immunity strategy (the UK having switched away from its initial strategy of collective immunity), and the situation there does seem to be improving. Since there has been no lock down, the damage to the economy has been limited. April-June GDP was -8.6% q/q, far better than the eurozone's -12.1%. Moreover, the number of new infections decreased from a peak of 1,803 (6/24) to 139 (8/10), and the number of deaths dropped from a peak of 115 (4/15) to 0 (8/10). As yet, it's still too early to say, but perhaps it might be fair to claim that a proper social distancing policy is better than a lock down. Furthermore, it may also be

said that the situation will improve even better than expected once the period of panic experienced in the initial explosive phase of the infection is overcome. Indeed, the Wall Street Journal has insisted, in its editorial on August 6th, that this Swedish business model should be positively acknowledged.



Concentration of the Seriously Ill Among the Elderly

In contrast to illnesses like the Spanish flu and influenza, the new Coronavirus causes an overwhelmingly high rate of serious illness among the elderly. The average age of new Coronavirus-related death is 80.8 years old in Japan, 81.2 years old in Germany, 81.2 years old in Germany, 80.5 years old in the UK, 80.8 years old in France, and 76.7 years old in the United States. In other words, it is clearly unnecessary to excessively limit the economic activities of young people below the age of 50 to 60 as long as adequate care for the elderly is provided.



Takahashi's Hypothesis is that the New Corona Virus is a Low-toxicity Virus, Most of Which is Suppressed by Natural Immunity

The hypothesis of Professor Yasushi Takahashi of the International University of Health and Welfare has been released and is attracting attention. The Professor said that the new Coronavirus is much less virulent than influenza, and that, in most cases it is a mild virus that ends up either as being asymptomatic or presenting merely at the level of a common cold. Therefore, he explains, acquired immunity is not easily activated, but, in most cases, the natural immunity already present in the body suppresses the virus. It is also said that Japanese people (Asians) have a strong innate immunity and are already protected by having BCG and similar vaccines in their system, with both the rates of incidence and severity being suppressed as a result. However, in extremely rare cases, with a very low probability of about one person in 10,000 to 25 thousand, the person's condition becomes serious due to a cytokine storm (in which immune cells attack normal cells). The elderly and those with underlying illnesses will suffer severe ill health as the result of an attack of this kind. The Professor estimates that, for the Japanese population with its strong innate immunity, the maximum number of deaths would be 3,800.

Surely, this means that the time when we have to fear the new Corona virus excessively is now over.

* Innate Immunity: The mechanism of the body that detects and eliminates invading pathogens. The ability to fight back against foreign bodies is not particularly strong and can be thought of as being equivalent to a police officer constantly patrolling the body.

Acquired Immunity: A mechanism that distinguishes a pathogen from others and remembers it so that it is effectively eliminated when the same pathogen is encountered again. This type of immunity corresponds to an army that annihilates the enemy with a missile known as antibodies that possess a high degree of ability to kill and inflict damage but is only capable of dealing with one type of external enemy.

Figure 7: Influenza virus vs. New Coronavirus

Influenza virus	New Coronavirus
The virus itself is highly virulent and the acquired immunity reacts immediately.	The virus virulence is mild and the acquired immunity does not react immediately.
In most cases, acquired immunity suppresses the virus and symptoms heal at once.	In most cases, innate immunity suppresses the virus and symptoms heal. Acquired immunity takes effect if not recover.
Influenza itself may cause serious pneumonia and deaths.	Other mechanisms (cytokine storm) may worsen condition and lead to death.
Infection period is short (1 week to 10 days)	Infection period is long (1 month to a few months)

Source: Toyo Keizai based on the study by Prof. Takahashi

© Copyright 2020 Musha Research Co., Ltd
 Although the information contained herein is based on sources that Musha Research believe reliable, Musha Research do not make any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of the information and opinion herein. Musha Research is not responsible for any losses or damages incurred by your relying on such information and opinion. The analyses or opinions contained herein may be based on assumptions that if altered can change the analyses or opinion expressed. Nothing contained herein shall constitute any representation or warranty as to future performance of any financial product, credit, currency rate, interest rate or any other market or economic measure. Furthermore, past performance is not necessarily indicative of future results. Musha Research has no obligations to update, modify or amend this document or to notify a reader in the event that any matter stated herein changes or subsequently becomes inaccurate. When you analyze risks and issues on investment, finance, tax, law and/or accounting contained herein, you should take steps to ensure that you understand the transaction and have made an independent assessment of the appropriateness of the transaction and it is strongly recommended to seek advice from your own experts and/or advisors, in light of your own objectives and circumstances. This document shall not be construed as and does not form part of an offer, nor an invitation to offer, nor a solicitation or recommendation to enter into any transaction with DSI or any of its affiliates, nor is it an official or unofficial confirmation of terms. This document and any information contained herein are confidential and may not be reproduced or distributed in whole or in part without our prior written consent.