

Wuhan coronavirus Part 1: What has happened?

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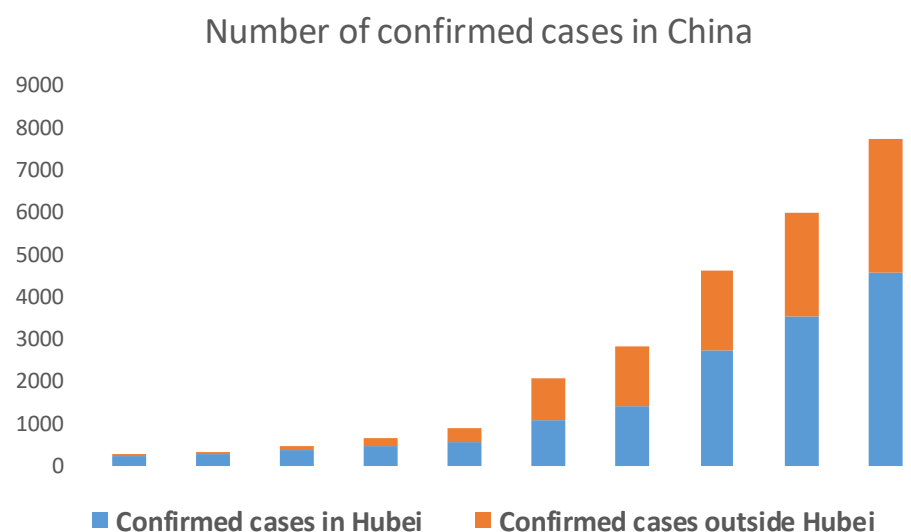
- Only 29.2% of confirmed cases were in Wuhan as of 30 January, which is the epicentre of the outbreak.
- What happened in Wuhan in the first few days of lockdown is the classic example of bank run.
- China's centralized system is at work.
- Best resources have been pooled and mobilized once the political will formed.
- The next one week till 8 February will be critical in our view as the 14-day incubation period will expire.
- The focus should be on the number of cases outside Hubei province.
- Some individual cases are worrying. The existence of silent spreader may complicate the situation and potentially lead to more disruptions in global travel and business.

What has happened?

As of early morning of 30 January, China reported 7736 confirmed cases of new Wuhan coronavirus with the death toll rose to about 170. Meanwhile, the suspected case surged to 12167. Only 29.2% of confirmed cases were in Wuhan, which is the epicenter of the outbreak.

Although Chinese government has announced to lock down the city on 23 January, it did not stop the virus from spreading to the rest of the world due to its long incubation period (up to 14 days). On 29 January, Tibet reported its first confirmed case. This means the Wuhan coronavirus has spread to all provinces in China.

Chart 1: Number of confirmed cases outside Hubei Province has increased



Initial panic

The news in the past two weeks showed that local residents in Wuhan have not mentally prepared for the outbreak and lockdown. On 18 January, Wuhan still host the potluck banquet attended by more than 130 thousand residents from 40 thousand families to celebrate the upcoming Chinese New Year holiday. This increased the risks of infection and spread.

The sudden announcement to lock down the city on 23 January sparked the panic. In the first few days of lockdown, tens of thousands of patients rushed to hospitals in Wuhan asking for help. Disturbing videos such as mask-wearing patients fainting in the hospital, which circulated in the social media, further spread the panic to the rest of nation. The coronavirus infected patients mingled together with common cold and fever patients in a crowded hospital made the situation even worse.

What has happened to Wuhan in the first few days of lockdown is a classic example of “bank run”. No matter how well capitalized a bank is, no bank can survive if every client withdraws their money from the bank. This is the same for Wuhan’s healthcare system. No system can handle such a large demand for masks, protective suits and immediate medical attentions when hundreds of thousands of residents are seeking the attention together.

Political will

Epidemic of this scale test not only healthcare system but social system as well. On the positive note, China has stepped up the efforts in an unprecedented way. Premier Li Keqiang’s visit to Wuhan on 27 January boosted the morale.

China’s centralized system is at work. Once China’s top leadership firmed its political will, China is able to mobilize and pool its best resources. As of 29 January, more than 4000 health workers from different parts of China sacrificed their Chinese New Year holiday joining their colleagues in Wuhan to fight the disease.

Meanwhile, China also announced to build two special hospitals exclusive for Wuhan coronavirus victims in 10 days. The 24 hours non-stop construction work is being broadcasted live via live camera to the whole world. As of writing on 29 January, more than 40 million people are online together to witness China’s speed to build two hospitals. China’s determinant to contain the spread of virus has managed to turn morale around to avert a potential escalation of social crisis due to lockdown.

What’s next?

Market has priced in the first wave of negative headline with the USDCNH stabilized in the past two trading days.

According to Dr. Sonia Lupien, the director of the Centre for Studies on Human Stress that a stressful situation usually contains one or more of the following characteristics including Novelty (something new), Unpredictability, Threat to the Ego (the competence is questioned) and

Greater China

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Sense of control (little or no control). Although we have gone through many rounds of disease outbreak in the past two decades such as SARS, MERS, Ebola and Zika etc, market still feels stressful due to unpredictability and sense of control as Wuhan coronavirus shows different pattern of infecting human as compared to its cousins.

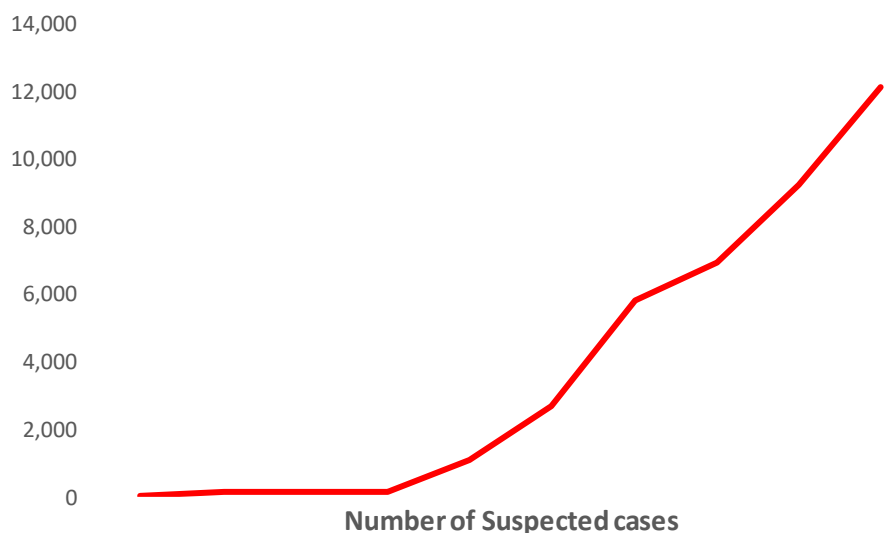
The outlook of the market sentiment may largely depend on the headline news in the coming days. The next one week till 8 February will be critical in our view as the 14-day incubation period will expire gradually counting from the Wuhan city lockdown from 23 January.

A million-dollar question

The most sought-after question about the Wuhan coronavirus is when the peak of the outbreak will come. There are two school of thoughts. The optimistic view is that the peak may be early February which means the city lockdown works while the pessimistic view is that the peak may not come until April or May based on SARS model.

As most of investors have no expertise to detect when the peak will come, the only thing we should focus is the change of number of cases outside Hubei province, changes of number of suspected cases and number of people under observation.

Chart 2: Number of suspected case surged to more than 10000 in China



Precaution is needed.

I have been tracking the development closely during the Chinese New Year holiday including some individual cases. Some of the individual cases reported in the past few days are worrying, which suggest the virus is very contagious although its impact on human body is milder as compared to SARS and MERS based on the current findings.

	Case study
28 January	Silent spreader: It was reported by Anyang city of Henan province that a young lady who returned from Wuhan on 10 January with no symptom as of now may have passed the coronavirus to five of her close family members who have no travel history to Wuhan.
28 January	Cluster outside Asia: Four German employees of the same company was confirmed after their colleague from Shanghai visited the offices.
29 January	Younger and younger: A 8-month old infant was confirmed in Anhui province. More than 9 children aged below 10-years old have been confirmed so far.

Source: Various official news

The existence of silent spreader may complicate the situation and potentially lead to more disruption in global travel and business.

What have experts say about this virus? What will be the impact on the economy? We will discuss it in separate articles.

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