

Winter Is Coming



Photo: Josh Hild on Unsplash

There are few certainties in the world. The cynic would argue death and taxes, while the optimist would say the sun always rises. Unfortunately, the season turns as our celestial orb rotates around the sun. This journey now brings the northern hemisphere to winter, and with it comes behavior changes. People can no longer luxuriate outside in the warmth of the sun and fresh air. The return of prolonged durations inside means the risk of transmission increases as proximity and recirculated air dominate. These actions violate two of the critical Cs that help contain the virus: don't get close and avoid closed spaces.

The poles in Washington debate the same tortured decision: save the economy or save lives. These are false choices. A solution to an airborne virus is a national mask mandate.

“

A resurgent pandemic in the Northern Hemisphere is a function of constraint fatigue and seasonal changes of behavior.

Focused shutdowns and a national mask mandate are the answer; otherwise, a complete shutdown is inevitable.

- Jason Prole

”

Highlights

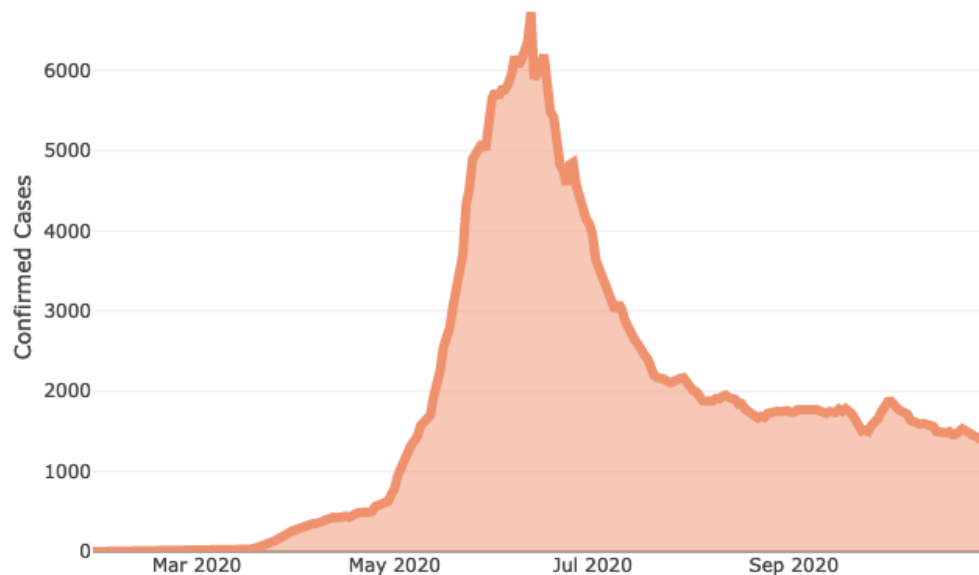
- The **mitigation measures** will endure until a vaccine arrives.
- A **full return-to-normal** is not transpiring until the vaccine arrives.
- **Tourism** and **leisure** activities will remain severely curtailed.
- Limits on **international travel** will persist to limit intercountry contagion.
- **Inter-regional bubbles** within countries will endure.
- The **economic implication** is stark: there is no “V” in rebound.

Winter is Coming

T'is the season. The passage of the autumnal equinox delivers darker and colder days. Rather than luxuriating in dining alfresco and days at the beach, it means spending more time inside. From a peak of about 14 hours in June, the day shortens to nine and one-half in December. Alternately, it is from ten hours of darkness to nearly 14 hours, a 40% increase. This time is usually spent inside. The problem? Closed in spaces enable easier virus transmission.

The relevance of this insight was apparent in the data earlier this year. Australia is in the Southern Hemisphere and enjoys seasons opposite to the Northern Hemisphere. They were initially able to constrain the virus. Still, they saw an alarming surge that required closing one of their largest cities for *three months*. Chile experienced a similar fate, another country with winter during our summer (exhibit 1). The result was one of the highest caseloads per capita in the world.

Exhibit 1. Chile Confirmed Cases (7-day average)



Source: Capital Risk calculations with John Hopkins data.

Winter brings more indoor time and higher transmission.

There are other contributing factors to the rise of the virus in Australia and Chile. Yet, the season was amplified because of the higher incidence of spending time indoors. For the US, this factor was critical because the virus

Winter is Coming

arrived near the *end of winter*, which reduced the time *spent inside*. This previously fortuitous timing is now turning to misfortune as winter arrives.

As the United States ponders the next steps, a brief regurgitation of the lessons learned is beneficial. The few key actions provide guidance and highlight the threat that a change of season brings with it. The tragedy implies further economic peril for specific sectors of the economy and their fatigued employees.

Three Cs:

Don't get close.

The Cs are everything. There are a few crucial attributes of this airborne virus. The zeitgeist of the time is “social distancing.” It is one of the critical three “Cs” to slow the virus spread: **don't get close**. This action suggests that the assembly of people close together is off the table until a vaccine. The continuing trouble in sports leagues that didn't create bubbles highlights the challenge without proper distancing. The implication is that we will enjoy sports and movies from the safety of our couches.

Avoid closed-in spaces.

The many protests that erupted through the summer brought groups in the thousands to gather in close contact outside. Despite the proximity, cases did not spike. While isolating cause and effect are challenging, outdoor activities seem less amenable to transmission because of an abundance of fresh air. In contrast, numerous political rallies led to localized outbursts as they gathered inside. These outcomes highlight the second critical C: don't remain in a **closed space**.

Cover-up with a mask.

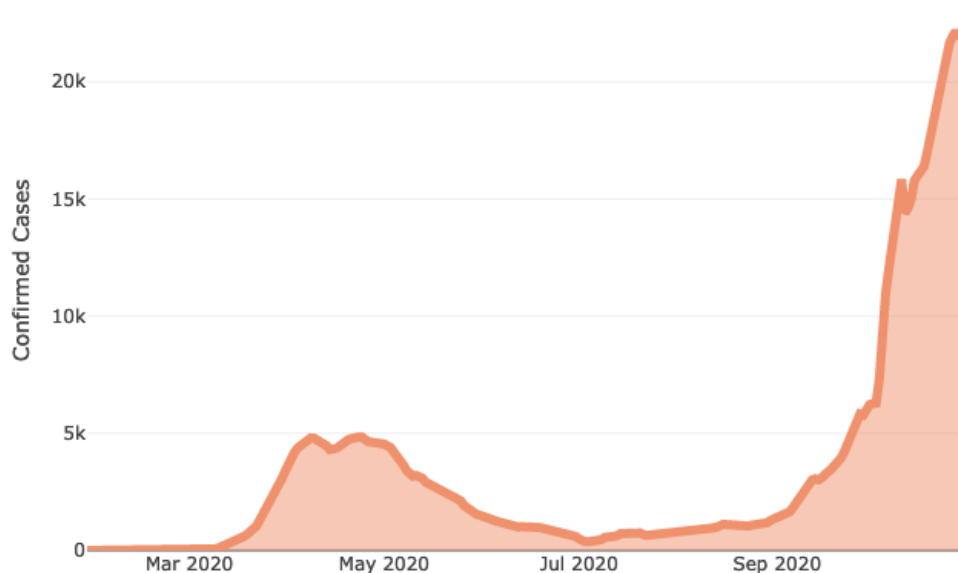
A partial differentiating factor between the protests and the rallies was the use of masks. This action reflects the final critical C: **cover-up**. An airborne virus circulates easier indoors with a more limited supply of fresh air. Masks limit the transmission by reducing the probability of achieving the *minimum infectious dose (MID)*. While no measure is perfect, perfection should not be the enemy of the good. Masks reduce transmission efficacy.

Winter is Coming

Seasonal Disorder. The response to the Pandemic is uneven throughout the developed world. Despite widely divergent cultural norms, the virus is at bay in South Korea and Canada. While draconian lockdowns during the spring in France, Spain, and Italy placed the virus into recession, it returned there with a vengeance. The solace is that the fatality rates are more aligned with expectations than the tragically high levels at the onset. Regardless, new curbs on gatherings are in place.

The United Kingdom's response is roughly parallel to the United States. Shared socio-economic beliefs probably contribute to this outcome. The main difference is that the UK resides at a slightly higher parallel than the US. This position delivers them winter modestly sooner than the continental US. The combination of virus fatigue and less daylight brought a return of the virus (exhibit 2). The result is a renewed lock-down for non-essential businesses. This outcome is instructive for the US. The challenge is that the election and the interregnum period are not amendable to national action and may be calamitous.

Exhibit 2. United Kingdom Confirmed Cases (7-day average)



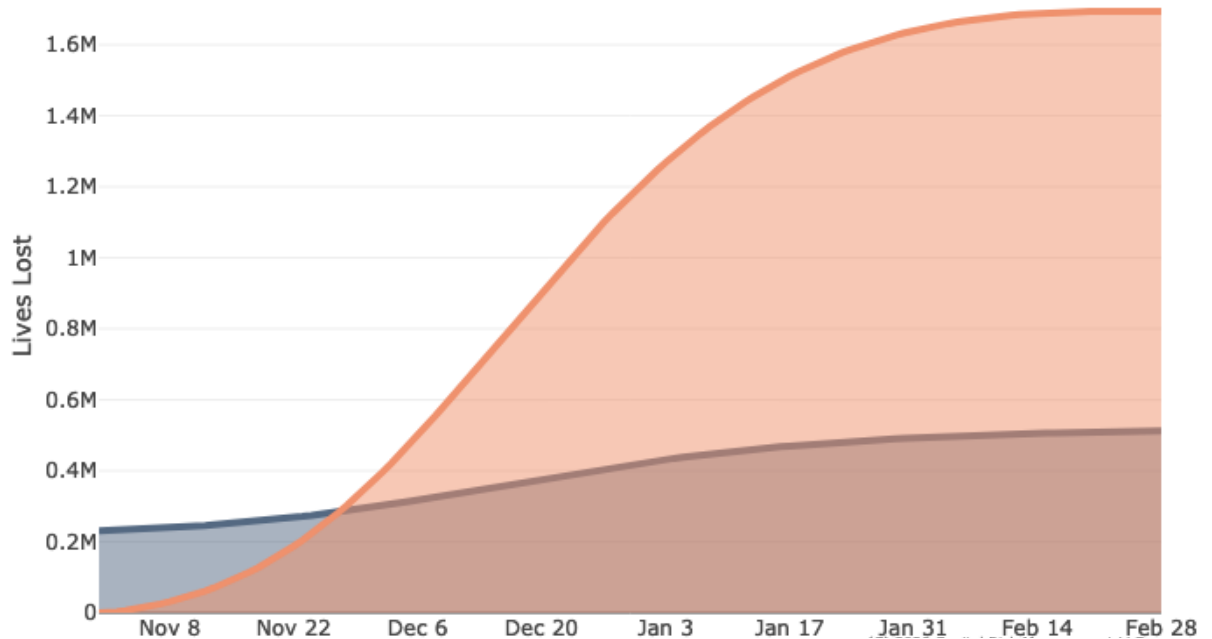
Source: Capital Risk calculations with John Hopkins data.

The UK surge is partially season related.

Winter is Coming

Masking Up. Political discourse in the US is, at best, fractured. It must mend promptly, or the prior year’s sacrifice will go for not. Suppose people were to abandon masks completely. In that case, the disease could propagate quickly to the tune of nearly 500 thousand deaths by the end of February, which is almost 200 thousand higher than the current projection (exhibit 4). The greater risk is the possible deaths from inadequate ICU resources, which may quadruple the amount. These border cases are doubtful. They do, however, vividly highlight the importance of *masking-up*.

Exhibit 4. Projected US Fatalities at Current Reproduction Rate with no Masks



Source: Capital Risk calculations with John Hopkins data. Blue expected mortality. Orange expected mortality from insufficient ICU beds.

A targeted roll-back of the openings and a national mask-up policy is required. The debate on liberty and government intrusion is a false narrative. We live free because we agree to bounds. We will remain captive to an unrepentant master until politicians convey that these are actions of liberty, not servitude.

“Freedom is not the right to do what we want, but what we ought.”
Abraham Lincoln

Insufficient ICU beds are the real danger.

Artful Questions. Scientific Solutions. TM

For more insight, please contact:

Capital Risk Management LLC
415-373-7152
contact@capitalriskmanagement.com

www.capitalriskmanagement.com
Los Angeles | San Francisco | Toronto

Disclosures

This document and the opinions expressed are those of Capital Risk Management LLC (CRM) as of the date of writing and are subject to change. The information or analysis contained in this material have been compiled or arrived at from sources believed to be reliable, but CRM does not make any representation as to their accuracy or completeness and does not accept liability for any loss arising from the use hereof. The information in this document may contain projections or other forward-looking statements regarding future events, targets, management discipline or other expectations, and is only as current as of the date indicated. There is no assurance that such events will occur, and they may be significantly different than that shown here. The information in this document including statements concerning financial market trends, are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. This material was prepared solely for informational purposes and does not constitute an offer or an invitation by or on behalf of CRM to any person to buy or sell any security. This material should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any investment products or to adopt any investment strategy. Nothing in this material constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you.