

First Wave of Virus is Waning

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Jeremy Schwartz, Executive Vice President, Global Head of Research for WisdomTree, hosts a weekly discussion with Professor Siegel, typically on the Wharton Business Radio podcast. The notes below summarize their conversation along with further commentary and context.

The big news last week was developments in the oil markets that sent the May contract for West Texas Intermediate (WTI) oil into negative territory.

Professor Siegel believes last week's developments will bring longer term repercussions—that less oil will be benchmarked to the WTI contract, bolstering the use of the Brent oil contract. The Brent contract allows for greater delivery flexibility—whereas the WTI contract requires delivery to storage tanks in Cushing, Oklahoma. Brent oil was relatively stable as WTI went negative. As there does not appear to be immediate demand that will clear the storage tanks in Cushing in the short-run, it is quite possible we will be hearing these discussions of negative prices when the June contract comes up for expiry as well.

Professor Siegel was disappointed with the effectiveness of Remdesivir in a recently reported trial in China. The Chicago study reported last week focused on Remdesivir's impact in later stages of the disease, while most antivirals need to be administered very early on when patients get sick. Professor Siegel hasn't given up hope yet on this drug and there are two more trials to be reported soon.

A study on New Yorkers showed 21% of people tested in the city were positive for antibodies of the coronavirus—the good news from this report is that the mortality rate of the disease would be less than 1% and more like .5% or .6%. The bad news with this amount of spread in New York City is it looks hard to contain the transmission of this virus.

We had Dr Kevin Volpp, a professor of behavioural economics and health economist on our Behind the Markets podcast on Friday, and he believes this study of New Yorkers was not really 'random' and that people out shopping are more likely to have the virus than people who are sheltered at home—so a truly randomized study may show a lot fewer New Yorkers infected. In any case, one of the conclusions from New York given the decline in hospital admissions is how well social distancing is preventing the spread of the virus.

Overall, the good news is that virtually everywhere in Europe the infection rate is declining and there is much talk of reopening parts of the economy in early May. Georgia is the centre of attention in the US, opening before experts' criteria (2 weeks of declining cases) have been met. The number of new cases in Georgia will be followed closely. Also, Sweden, "the Georgia of Europe" has shown a decline in cases recently, although their caseload is still above other Nordic countries. And, at least so far, the virus is not exploding in the developing world, particularly in India where millions were feared to die, but official counts are much less. It is still early, but there are hopeful signs that at least the first wave of this virus is waning.

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