



March 27, 2020: INVESTOR INSIGHTS – Herd Immunity vs. Herd Mentality

The COVID-19 coronavirus and social media have both made it abundantly clear that we live in a global village. We all have reason to be fearful of COVID-19 and skeptical of what we learn from social media. In the case of COVID-19, the solution is herd immunity but until then we need to source our information from reliable sources and avoid adapting a herd mentality.

The approach taken by most affected countries involves extraordinary restrictions on free movement and assembly as well as aggressive testing, to interrupt the transmission of COVID-19. This will take time but aims to slow the spread and give health services time to prepare for and treat cases as they arise. A second solution is a vaccine, but this is probably 12 months away at the earliest. In the end, it is estimated that 60-80% of the world's population will have been exposed to COVID-19 either directly or via a vaccine which will result in humanity having what is called herd immunity.

Morgan Stanley's Global Investment Committee recently noted that "Apart from war, few market crises are as personal as this one. The collective power of fear and uncertainty is palpable, especially as the disruption to daily life seems without comparison." Historians often refer to the fog of war, but all battles and wars come to an end and this challenge will also come to pass. In fact, over the next few weeks we expect greater clarity about the economic impact of COVID-19 and the road to recovery. Morgan Stanley expects the US economy to contract by 30.1% in the second quarter, but then grow by 29.2% in the third quarter and then return to stable growth levels through 2021.

This timing is consistent with the three to four-month period experts expect COVID-19's first phase to take to run its course. Many scientists expect additional COVID-19 outbreaks that will become less disruptive as levels of immunity increase. Once a vaccine for COVID-19 is discovered and disseminated, humanity will have herd immunity and the COVID-19 war won. The experience gained and knowledge acquired will allow our global village to better handle future outbreaks like COVID-19.



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