+ The high degree of on-going uncertainty surrounding Covid-19 **makes it incredibly difficult to assess the risk**. As with all new risks that are agents of fear, there are strong social amplifications – in particular about just how deadly it is: how it kills and how many. But a growing consensus is forming within the global scientific community that Jun Qi (one of China's leading scientist) has it right when he says: "This is very likely to be an epidemic that co-exists with humans for a long time, **becomes seasonal** and is sustained within human bodies." For investors and decision-makers, it is the word 'seasonal' that counts.

+ Over the coming months, **epidemiological developments will determine the depth of the global economic recession**. Recent studies are not encouraging. It seems that the coronavirus has spread more widely than initially assumed, but nowhere near enough to guarantee herd immunity (if indeed such a thing exists – scientists increasingly doubt it). If more people were infected than we thought, this means two things: (1) **the lethality rate is lower** (maybe 0.4 - 0.5%, as in NYC and some German regions, not the 2-4% originally thought); (2) **the rate of infection is higher**. The combination of the two makes an economic recovery harder to achieve. If Covid-19, often compared with the seasonal flu albeit "a bit more serious", has a low lethality rate (but still 300-400% higher than the flu) and is more contagious than we thought, then the threat it poses and the contingent economic impact are markedly greater than the market consensus is currently assuming.

+ Each new day of April brought fresh evidence that **the drop in global economic output in Q2 will be colossal** – ranging from 30 to 40% in the US and 40 to 50% in Europe. To get a sense of how tough and long the recovery is going to be (no V or U), it's important to remember that the larger the loss, the harder it is to recoup it (a 25% loss requires a 33% gain to go back to the initial level, a 33% loss requires a 50% gain while a 50% loss requires a 100% gain). And this against a background of unemployment levels that could exceed those of the Great Depression. In the US, the 'true' rate is currently estimated at 20-45%, versus an official peak of 25% in 1933.

+ The slow and grinding economic recovery will be characterised by three prominent features. (1) **Much more debt** – that will trigger redistribution reforms (mainly through higher taxation) similar to those put into place during the Great Depression and WWII when the top marginal tax rate went above 80% in several countries like the US. It will also lead to financial repression. (2) **Less globalisation** – while it cannot be brought to an end, it can be reversed. (3) **More digitalisation** and an acceleration of the 4th Industrial Revolution.

+ The latter point has a decisive impact on the future of all companies - in whichever industry they operate. The pandemic is inflicting severe pain on all those that rely on social consumption and have a physical footprint. Conversely, **it benefits digital businesses**. In industries as different as fitness, media, events or gaming, it's already obvious that **the future lies** (partly or entirely) **in easily accessible digital products**. Telemedicine, teleconference and online learning are also a case in point: they were struggling prior to the coronavirus outbreak and are now booming. Even among those industries most severely hit (travel and tourism, commercial real estate), there is tentative evidence of some companies gaining market share by expanding (or creating) a digital offering.

+ A quote from a Fortune 100 CEO crystallizes the situation and sums up what's coming: "Our company, like many others, will operate with **fewer people**, **smaller buildings**, **and far more efficient ways** of doing business."

+ The monumental size of the different fiscal stimuli (around USD18tr so far, or 9% of global GDP) is reigniting the 'deflation versus inflation' debate. **For the moment, signs of deflationary pressure abound**: (1) plunging energy and commodity prices, (2) a massive demand shock, (3) soon to be amplified by exceptionally high global levels of unemployment. In an environment where precautionary savings, low consumption and low investment will prevail, what could possibly trigger inflation? The only inflation- unleashing scenario could come from a combination of (1) a sharp increase in the debt to GDP ratio (larger than the 20-30% under consideration) and (2) fiscal authorities imposing their will on monetary policy by keeping interest rates too low. For the time being, **such a combination is unlikely**: the yield curve for inflation-indexed bonds (negative for any kind of maturity) and the rate differential between nominal and inflation-indexed bonds that shows expected inflation at 1% paint a picture of very low inflation at best.

+ Historically, 20th April will be remembered as the day when oil prices went negative. This seemingly economic aberration was more than a mere technicality: it is a **sign of the very difficult adjustments to come** as the pandemic pursues its destructive path. Many economic dislocations haven't yet been priced in. Nor the geopolitical implications of some petro-states turning into failing or failed ones.

+ We are beginning to grasp how Covid-19 will fundamentally alter the world's geopolitical landscape and the place of investors and businesses in it. It's already obvious that **autocrats** and power-grabbers **are seizing the opportunity of the pandemic to assert control**. Countries as different as Cambodia and Hungary are implementing emergency laws with no or few limits on surveillance and interference. Leaving the issue of privacy and freedom aside, it is a given that **state intrusion and corruption will increase**, forcing investors and businesses to 'comply' if they want to do business.

+ There is so much to think and talk about! The above is a mile-wide inch deep overview. Amidst all the uncertainty, one thing that's for sure: much that investors have taken for granted in the past decade will not work in the next.