

MACROCOSM

If Coronavirus Were a Public Company...

Friday, February 14, 2020

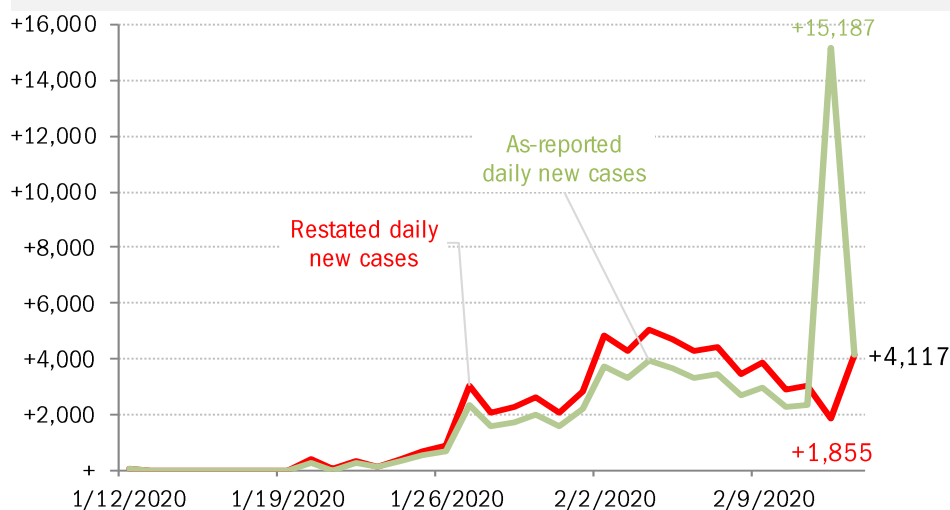
Donald Luskin

With new reporting methods, our “restatement” shows that the epidemic is plateauing.

On Wednesday evening, US time, when the news hit that more than 15,000 new coronavirus cases were reported – a jump in cumulative cases of 33% in a single day – markets figured out instantly that this was mostly a data-reporting issue. *Rather than sparking a deep and lasting risk-off reaction from fear that the virus was spinning of control, there was a shallow and short-lived one for concern that the telemetry coming out of China was even less reliable than already thought.*

- The data-reporting issue has been [covered well enough in the media](#), so we won't belabor the matter. As you probably know, in a nutshell, the old method reported only cases confirmed by laboratory tests that were in short supply, while the new method includes cases confirmed by more broadly available clinical tests.
- *What should be obvious, but we haven't seen clearly stated, is that Wednesday's huge spike in reported cases under the new method was the result of aggregating more than a month's worth of data revisions and piling them onto a single daily data-point.*
- So that you can better visualize the course of the spreading epidemic, in the chart below we've instead treated the methodological change as a public company would do if it were a

Daily new global cases of COVID-2019



Source: Johns Hopkins, TrendMacro calculations

Update to strategic view

ASIA MACRO: Markets understood quickly that Wednesday night's huge spike in new coronavirus cases was the result of a methodological change. Treating the change as a public company would under GAAP, we create a restated time-series of daily new confirmed cases. We see that there have been more new cases every day than previously reported, but Wednesday's spike goes away. New cases have been generally declining for the last week or so, or at least plateauing. The latest data yesterday confirms this approach. It is a positive that China has admitted that there are more cases than previously reported. Willingness to lose face in that way is a token of China's serious commitment to rein in COVID-2019.

[\[Strategy dashboard\]](#)

Restatement methodology: The 13,322 incremental cases arising from the change in reporting method are allocated to prior new case numbers in proportion to the value of each daily data point.

matter of GAAP accounting – we’ve restated prior reporting periods under the new method.

- *The result is a month-plus of higher daily new cases. Yes, it’s been a little worse than we thought all along, by an average of 430 additional new cases every day. That makes it sound trivial, but the total increment of newly acknowledged cases is 13,322, which is more than the entire cumulative reported cases of SARS in the 2003 epidemic.*
- *But Wednesday’s spike goes away. Indeed, it seems Wednesday was actually a pretty good day for new cases, making it the ideal day for China to make the methodological change.*
- The latest data released yesterday reports case levels broadly consistent with recent restated prior ones, which confirms that Wednesday’s spike was in fact a one-time methodological artifact that should be restated away.
- *The method for reporting deaths was changed too. Incremental deaths as a fraction of incremental infections were about 1%, about half the mortality rate implied by the original method.*
- *With the data restated in this way, the epidemic appears to be decelerating, or at least plateauing, just as we expected last week* (see [“Is Coronavirus a Chinese Bio-Weapon?”](#) February 3, 2020).
- *While this rubs the world’s nose in the subjectivity attendant to any epidemiological reporting – and especially China’s version of it – we think it is useful that China has fessed up to this extent, confessing that things are worse than had been previously reported. They didn’t have to do that. If China is willing to lose face in that way, it signals seriousness and resolve in biting the bullets necessary to rein in COVID-2019 before it creates a global humanitarian and economic catastrophe.*

Bottom line

Markets understood quickly that Wednesday night’s huge spike in new coronavirus cases was the result of a methodological change. Treating the change as a public company would under GAAP, we create a restated time-series of daily new confirmed cases. We see that there have been more new cases every day than previously reported, but Wednesday’s spike goes away. New cases have been generally declining for the last week or so, or at least plateauing. The latest data yesterday confirms this approach. It is a positive that China has admitted that there are more cases than previously reported. Willingness to lose face in that way is a token of China’s serious commitment to rein in COVID-2019. ▶