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From the Greek:
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THREE SIMPLE THOUGHTS ON THIS CURRENT CRAZY WORLD

The economic crisis is caused by the disruption of the epidemic and not by destruction. Bar the tragic, but proportionally, few deaths, human and physical capital remains undamaged and will be put back to work immediately after the infection stops.

The financial crisis is not caused by unsound and unstable financial systems and markets but by the, almost understandable, reaction of humans in the financial markets to a totally new, poorly understood, fast, flexible and invisible enemy. Large destruction of asset values simply reflects the inability to put value on the lost income, profit, interest and rent of the disruption caused, and by the inability to forecast the duration of the disruption (that is infection). Once the disruption ceases, the markets should be able to use the estimated losses of the disruption and value assets far more accurately. In periods of near absence of information it is not unreasonable to exaggerate the expected losses, the “we are all going to die” syndrome. Hence the revaluation of the losses on the basis of actual information may lead to sharp increases in the value of assets in the recovery phase. And incidentally this is not a sophisticated version of “whatever comes down must go up” as it reflects the absence and subsequent acquisition and use of information in front of totally unknown events.

The widespread advice of “buying the dips” is unwise as there is no way to forecast the peak and the fall of the epidemic, and hence of the economic and financial cycle, as that depends mostly on biology and nature and not economic and financial variables, let alone expectations. Countries, which at the outbreak of the epidemic, start of January 2019, were on a cyclical upturn, may be able to weather the storm better than markets which were already decelerating and, hence, their financial markets could perform better during the recovery phase. Advice such as “buy sectors and companies, which will benefit from the recovery” is so obvious that it is worthless, especially if the majority of the investors try to follow it! In periods of uncertainty caused not by absence of information as to the direction, but caused by absence of information, full stop, the commonsensical advice of “if in doubt, stay out” seems a reasonable directive.

PS: In the UK comedy series “Fawlty Towers” the main character Basil Fawlty on being told “not to panic” replied, “ What else is there to do? ”

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