

# GLOBAL ECONOMY AND FINANCIAL MARKETS SHORT COMMENTARY



28 December, 2020

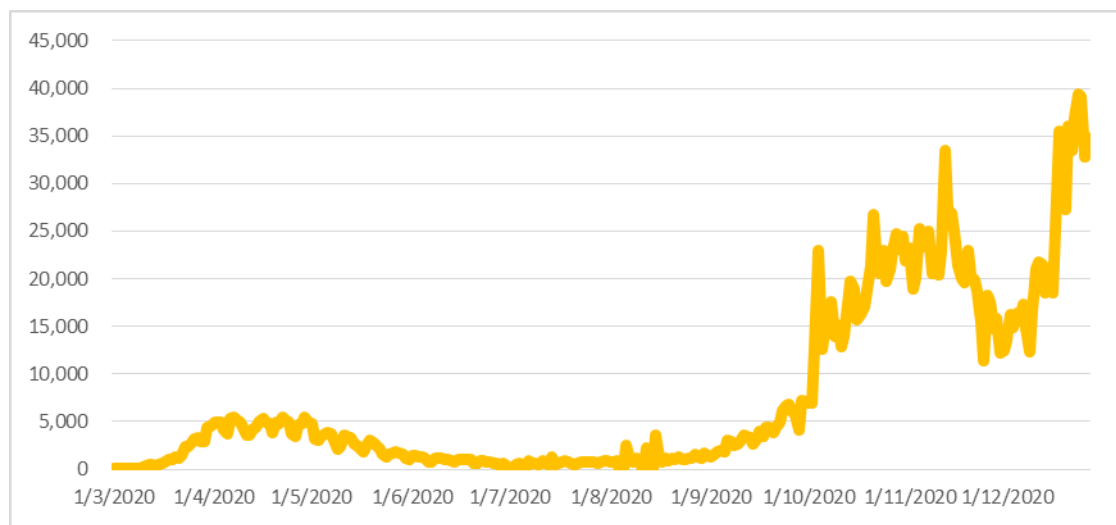
## Fears on new faster-spreading virus mutation hits global market

A new, variant form of the novel coronavirus that has been found in Britain, which up to 70% more transmissible and led to a recent resurgence has raised alarm in the U.K. and around the world.

Since then it spreads quickly over the past 4 weeks in the southeast England and gains bigger foothold among other cities. Apart from the UK, the new mutated cases are being found in Denmark, Australia, South Africa, Netherlands and other countries. In response, many nations started to suspend flight and ban travel from the UK. Faced with this rapid development, the Prime Minister Johnson has moved to enforce stricter lockdown measures over the Christmas period. Many Britons are now banned from mixing households and all non-essential stores are closed until at least the end of December.

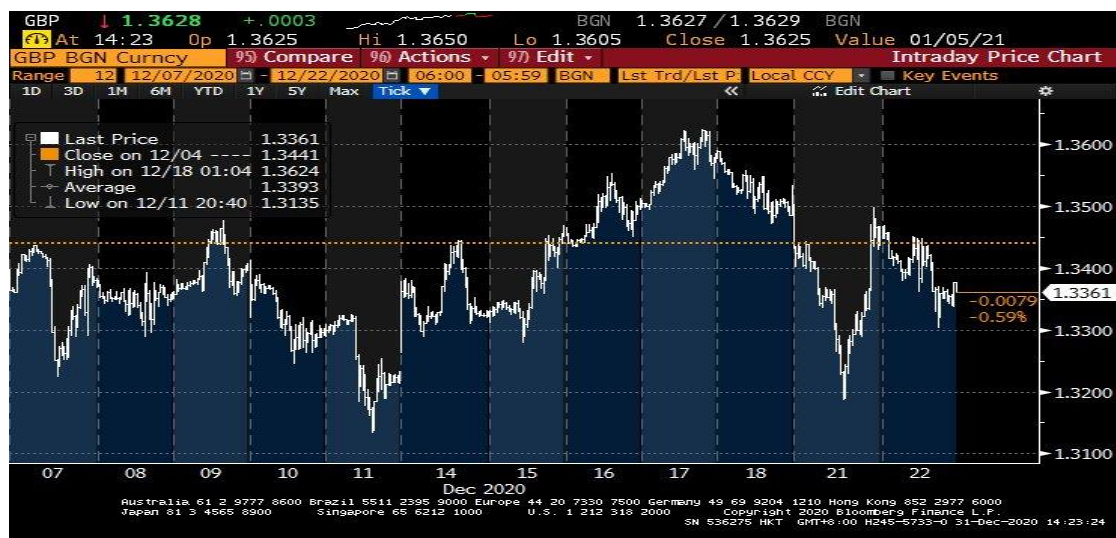
Despite there is no evidence that the variants could lead to a higher fatality rate or make a vaccine less effective, higher transmission means more cases it is inevitable to cause more hospitalizations and subsequent virus-related deaths.

The number of new cases in the UK every day: The number went down significantly to 11,000 after partial lockdown in November. But in the past two weeks it has jumped to 40,000. It is highly likely due to the new virus mutation with faster transmission.



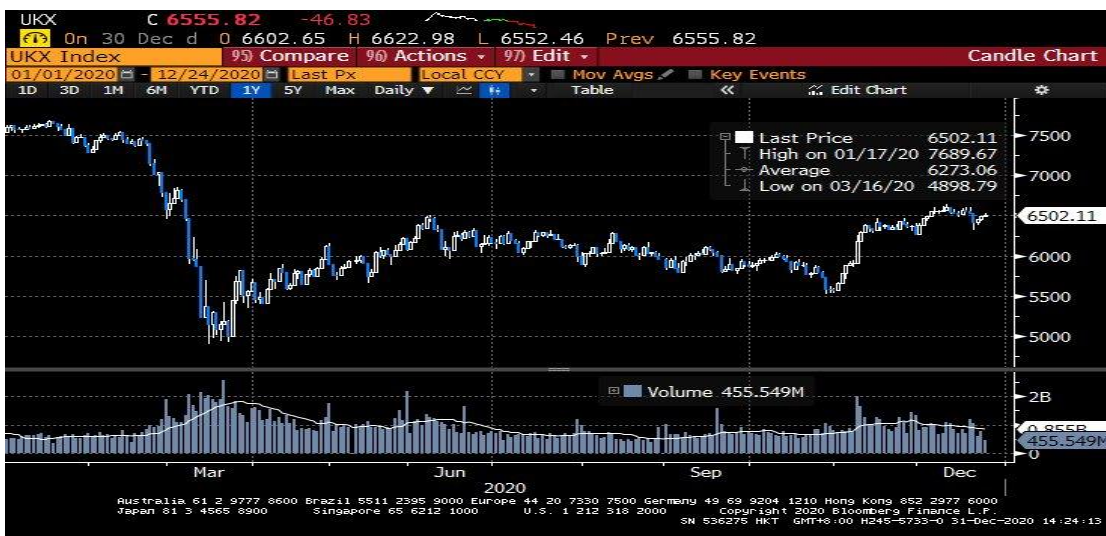
Source: Bloomberg

Adding stress to the exponential growth in new cases in the UK, British pound tumbled 2.5% to as low as \$1.3188 on 21 December before recovering most of that in New York time.



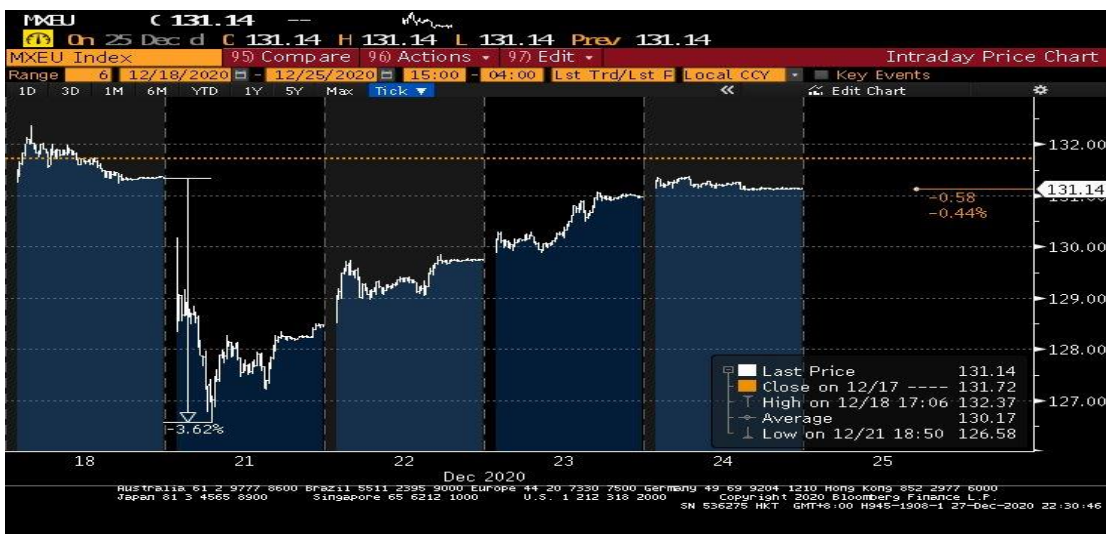
Source: Bloomberg

Virus worries weighed on sentiment with losses across the board. The London FTSE 100 index had dropped by more than 1.7 % on 21 December. The Europe-wide STOXX 600 fell 2.3%. The German DAX fell 2.8%, the French CAC slipped 2.4%.



Source: Bloomberg

Fears on new variant virus let the European stock market under pressure as well, it has sharply dropped nearly 4% on 21 December but recovering most of that.



Source: Bloomberg

On 21 December, among sectors, travel groups particularly hard hit as wider lockdowns and the travel bans, British Airways' owner IAG was down nearly 8% and EasyJet sinking 7.2%. Aircraft engine producer Rolls Royce also falling more than 3%. The situation also threatened oil market, Brent crude was down from \$52 a barrel, the highest since Mar to as low as \$49.2.

The virus variant will further hit the global economy. The variants are gradually being found in many countries. As it is more transmissible somehow increased the speed of spreading all over the world, thus many countries may need to further enforce their restrictions or lockdown, which cannot resume to normal economic activities and resulted in a greater and longer period of disruption to the global

economy.

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