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Teneo Insights

Coronavirus Continues: Global Markets Rattled

A discussion between Andrea Calise, Dr. Jerome Hauer, Kevin Kajiwara and Gabriel Wildau.

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Kevin Kajiwara (KK): Welcome to today's Teneo Insights call. I'm Kevin Kajiwara, Co-President of Teneo's Political Risk Advisory business. The topic of today's call is the Coronavirus. It's difficult to overstate how much things have changed since the last call a few weeks ago. And now, in addition to global spread, we are dealing with varied and quite frankly at times, contradictory statements coming out on the public policy front and on the political front with corporate and social responses alike all being varied.

We are going to try to make some sense of that for you today. And here with me are several colleagues, and I'd like to introduce them before we formally get started.

Dr. Jerome Hauer is a Senior Advisor to Teneo, he's also a senior member of Teneo's Risk Advisory Team and works very closely with former NYPD Commissioner, Bill Bratton. He is a leading expert in emergency response and emergency management and crisis planning. In his prior life, he was the Commissioner of the Division of Homeland Security and Emergency Services for the state of New York and the Director of the Office of Counterterrorism. Additionally, he was the first acting Assistant

Security for the Office of Public Health Emergency Preparedness at the US Department of Health and Human Services and he led the US response to the SARS crisis.

Andrea Calise is the President of Teneo's US Strategy and Communications Advisory. She has more than 20 years of experience providing strategic communications and investor relations and crisis counsel to major Fortune 100 corporations.

From our Political Risk Advisory team, we have Gabriel Wildau, who leads our China analysis in the US and was previously the Shanghai Bureau Chief for *The Financial Times*, and Carsten Nickel, who covers political risk in Western Europe focusing on EU institutions.

Setting the stage here, and to highlight how dramatically events have moved since our last call, we are now at about 95,000 confirmed cases around the world, and at about 3,300 deaths associated with the Coronavirus. But obviously the contagion concern has now shifted from China, where – what we mostly spoke about last time – to the rest of the world. That started with the outbreaks in South Korea, and of course the cruise ship in Japan, then moved on to Iran and Italy, and now of course



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we are talking about the outbreak in the United States. We will also be examining the issue of whether the World Health Organization (WHO) has officially designated it so or not, we are looking at a pandemic situation. And of course, as that realization has set in, markets have become unsettled, deeply so, as we all lived through last week, and that is continuing this week with head-spinning volatility. The OECD (Organization for Economic Co-operation and Development) is cutting its 2020 growth forecast and warning it could go as low as 1.5% for 2020. We have seen some indications of global coordination, you've seen the G7 statement earlier in the week. But obviously the biggest action was taken on Tuesday, and that is when The Federal Reserve, in its first emergency move since the financial crisis (and really the biggest move since then as well), cut rates by 50 basis points, that takes us to a 1% - 1.25% range.

Now, there is political pressure for the Fed to cut rates further, but really we are in a situation where there's precious little ammunition left at a 1% - 1.25% range, particularly when the economic outcome of this remains unknown and this late in an expansionary cycle. The market is pricing in another 25-basis point cut at the March 18th meeting, and obviously we immediately saw 10-year yields move to an all-time low. Following that, Congress, the House of Representatives, passed a spending bill of approximately \$8 billion. The Senate will do so as well, and that should be on the President's desk by this weekend. And clearly the indications out of Washington is that there will be more to come if necessary.

There's been other extraordinary news here as well. Italy, yesterday, closed all schools through March 15th. OPEC today agreed to an output cut of about 1.5 million barrels per day. It's unclear

at this point whether Russia is on board on that front. Japan's Olympic Minister briefed the dyad, specifically discussing the possibility of postponing the Olympics until later in 2020. Xi Jinping has postponed his trip to Japan. The International Monetary Fund (IMF) and the World Bank spring meetings have gone virtual.

As we'll talk about in a few minutes, China is obviously attempting to restart its economy without having a new outbreak, so they're really walking the tightrope.

And corporate responses have been across the spectrum, everything from travel restrictions, conference cancellations, slowing of deliveries – even the James Bond movie premier, ominously named “No Time to Die,” has been delayed until later in the year.

All of this has been compounded by the mass confusion that has resulted, in large part caused by contradictory statements coming from policymakers. I think anecdotally, we can see that confusion on stark display, even here in Manhattan, where you'll be hard pressed to find Purell or other hand sanitizers and yet everybody is still at restaurants, and in close quarters breathing all over each other.

So, Jerry, help us make some sense of all of this. Can you give us an assessment of where we are and how the case count looks globally?

Jerome Hauer (JH): Let me start by saying that this outbreak is expanding globally. Case transmission, person-to-person community spread, is continuing to expand. There are several ways to contract the virus; one is to travel to a country where we're seeing an outbreak right now - that's travel-related. The second way of contracting the virus is what's known as

community spread. We're seeing that in several areas where the virus is moving - it's where the number of cases are expanding, but we don't know where patient zero is. And that's probably the most confounding of the ways of trying to control the virus, because you don't know where it started. We're dealing with this expanding outbreak both in the U.S. and globally, especially in Italy and South Korea. In South Korea, the expansion has been extremely rapid and extremely large, most of which is related to a church group where it started and has now expanded into community growth.

Let me give you a perspective on the numbers. As of this morning, there's about 95,000 cases with 3,200 deaths. That comes out to a global case fatality rate of 3.4%. That number is skewed by China. Outside of China the case fatality rate is about 2.5% and in China it's about 3.6%. In South Korea, interestingly, and I haven't seen any explanation for it, but the case fatality rate is about a half of 1%. Here in the US, the case fatality rate is about 7%, most of that is the elderly population in the nursing home in Washington State. In New York City we've had 13 cases, no deaths, so there is no case fatality rate.

The expectation is that we're going to see a pretty rapid expansion in the number of cases. Again, there are several ways you identify cases: those that are symptomatic, those that are tested and symptomatic, and those that are tested but asymptomatic. I think where we're going to see the biggest growth, at least near term, is the asymptomatic cases that are tested and wind up testing positive. The old expression of 'seek and ye shall find' applies to this. Now that the testing kits are out there in larger numbers, we can go out to the community and start testing people, and we will see a large uptick in the number of cases, but most of these people will be asymptomatic or have mild symptoms.

We saw this with West Nile over 20 years ago. When I was still Commissioner in New York City, we had a West Nile Virus outbreak and we had some very sick people, and we had a number of deaths. But we decided to do what's called a serosurvey. We went out to the community and drew blood on hundreds of people, and we found that a good number of them had antibodies, so they had been bitten by mosquitoes, they had had the disease and developed the antibodies so they wouldn't get it again. They were positive for West Nile, but they never showed any clinical signs of having the West Nile virus. I think we're going to see that with Coronavirus.

Eighty percent of the people that have the disease have either a mild case or are asymptomatic. The other 20% have severe disease. Of that, about 5% have extremely severe disease and require intensive care support and wind up on respirators to support their breathing.

Unlike the flu, Coronavirus impacts the lower lobes of the lung as opposed to the upper lobes. Once the virus causes a growth of bacteria in the lower lobes of the lung it's a very deep-seated infection that is a lot harder to manage, particularly in the groups that are greater risk.

We're not seeing a large uptick in the number of cases in young adults or children, but in people over 60, 65 - particularly those with comorbidities, heart disease, diabetes, pulmonary disease - this group is at greatest risk and we're seeing the highest number of fatalities in that group.

One of the things we've seen with the virus is that it has been noted to survive on surfaces for 48 hours or greater. That's become a concern as far as infection control, particularly in the workplace, where people touch so many common surfaces and could wind

up picking up the virus from community kitchens and other areas within the workplace where people naturally congregate.

One of the things that Dr. Tony Fauci at the National Institute for Health has talked about is once you have the virus, whether you're symptomatic or not, there is very little likelihood that you will get the disease again. You might have the antibodies which show that you've had some form of the virus, but the likelihood of becoming sick from the coronavirus again is unlikely.

Now communication of the virus from person to person is fundamentally done through respiratory, sneezing or coughing droplets. The distance on average the droplets will travel between is 6 or 7 feet, which is why we are encouraging social distancing. That's impacting meetings around the world, people are reducing the number of meetings and not allowing employees to go to large congregations of meetings.

KK: Before we move on, can I just clarify a couple things? In your initial remarks you indicated a relatively high, or perhaps an alarmingly high case fatality rate in the United States for the total average. Now, just to clarify, that this is because we have had a relative dearth of testing here, right? At the beginning of the week, there'd only been about 500 tests conducted nationwide, so as the confirmed cases go up, the case fatality rate should trend toward the global norm.

JH: Well, yes. As the denominator grows, we're going to see the case fatality rate drop. The unfortunate part about the high case fatality rate here in the U.S., is the number of cases in a nursing home in Washington. With that, you've got a vulnerable population that will see the case fatality rate soar.

KK: With regards to travel restrictions and assembly restrictions, you alluded early on to the skew toward China, with regards to numbers of cases and numbers of fatalities out of the global totals. However, if you disaggregate Hubei province from the rest of China, the China ex-Hubei case fatality rate is actually close to global norms or even, it's lower?

JH: Yes, it's lower.

KK: However, they obviously were able to enact draconian social distancing measures by effectively closing off an entire province. That is something that's much more difficult to achieve elsewhere, even in authoritarian states (Iran has clearly not been able to do something like that) and democracies would require near martial law to accomplish. So how do we know what the best practices are toward achieving the required social distancing?

JH: Iran is an example of one of the countries we've been very concerned about, as they don't have a very strong public health infrastructure, so the ability to mobilize the resources to deal with an outbreak is a little more challenging.

In China, as you've mentioned, the draconian steps they took in surrounding Hubei province and not allowing travel, not allowing people to move out of the province, seems to have worked. We're not seeing big upticks in the number of cases outside of Hubei. Even in Hubei, the numbers have started to stabilize and we're seeing growth outside of China that is greater than within China.

The concern, as you alluded to, is once they start opening industry and people start coming together again, it's going to be something to watch as far as whether or not we see a big uptick in the number of cases again. This is something we will have to monitor very closely.

The travel restrictions, as you mentioned, are an important issue. We're seeing a very, very wide policy cluster among companies around the globe. Some companies are forbidding all travel to Europe or any country that has a hot spot or a large number of cases, particularly South Korea and Italy, to name just two.

There are other companies that are now limiting travel here in the U.S. and restricting travel to only essential meetings within the U.S. Some companies have said no travel at all anywhere in the world. They're being very aggressive and they're requiring video conferencing, WebExs, things like that as an alternative. Mainly, we are seeing restricted travel to Europe and Asia as well as the UAE.

There are varying travel restrictions based on various or different companies and their tolerance for risk. Some are willing to be more aggressive in restricting travel; some are being a lot looser in their restrictions.

KK: We have seen certain countries like Switzerland ban gatherings in excess of 1,000 people, but as we've pointed out, a lot of the recommendations for people is to continue going about their normal lives and taking measures that they would normally do to avoid getting things like the flu and the cold like washing your hands and using sanitizer. Is this, in your view, an overreaction at this point in the cycle, to be cancelling all these conferences, cancelling

travel? It's obviously reverberating throughout a lot of industries right now, especially the travel industry.

JH: Again, I go back to the company's tolerance for risk. Some companies are saying no mass gatherings, no travel to meetings. Most of the medical conferences this spring are continuing to move forward here in the U.S. Having said that, we don't know how many people are going to be at those meetings. They might go forward, but they could be much like the sports stadiums where they're relatively empty.

Let me talk very quickly about business continuity. I think as you start planning and looking at how to maintain your business you can expect that you might need to do a voluntary closing or there may be a case where the government might force you to close. Then you're going to be confronted with your staff's inability to get to work, mass transit might be reduced or closed. Then there's going to be a small percentage of your employees that may be unwilling to come to work because of the risk of being on mass transit or in an office with other people. I think at this point in time, you need to look at your HR policies regarding remote working. You'll need to look at your IT systems. We've seen an uptick in phishing. Most importantly if in fact you do go to remote working, you need to ensure that your IT system can handle the capacity of incoming and outgoing IT bandwidth.

One last thing is supply chains. On a call with the White House, the Coast Guard is doing everything possible to ensure that ships come to ports and are able to offload supplies to maintain supply chains to companies here in the U.S. It takes about 17 days for a ship to come from China to the U.S. What they're doing is if any of the shipmates appear to be infected,

appear to be symptomatic, they'll maintain those people either in isolation or quarantine on the boat and allow the containers or the goods to be offloaded. This is particularly important when you think of drugs and medical goods, where a good percentage of them are made in China.

The last thing I want to remind everybody of is that one of the most important ways to reduce spread is good hygiene, washing your hands with soap and water for at least 20 seconds, using hand sanitizer with alcohol contents of 65% or greater, and then using disinfectant wipes in the workplace.

KK: Thanks, Jerry. I want to move on to our political analysts. When you're dealing with a public health issue with the breadth that this one has, it inevitably gets politicized. We've seen that here in the United States to a certain degree, and I want to focus on political responses. I thought today we would focus on two parts of the world that are at different ends of the experiential spectrum: first China, which is trying to come out of the heavy phase of infection, and Europe, which is in the midst of it right now.

Gabe, perhaps I can start with you on China. As I said at the outset, they are trying to thread this needle right now of jumpstarting the Chinese economy, which accounts for somewhere between 16% - 18% of global GDP. It is imperative to get business resumed while at the same time not triggering a jump in infection rates again. So, what's the status, Gabe?

Gabriel Wildau (GW): Thanks, Kevin. Chinese leaders are increasingly confident that the draconian measures they've taken over the last month or so have been successful. You all are probably aware that there's been some doubts about the official numbers coming out of China. But what I can say is

that whatever your view is of those numbers and their reliability, Chinese leaders are acting as though they believe the numbers are correct and the policy choices they're making reflect that assumption.

We're starting to see China actually take some credit publicly and engage in some sort of self-power diplomacy designed to notify the world of the success they've achieved with their containment measures, and in a sense, almost praise the features of authoritarian government that have made that possible. To add a little bit of color, there is an app now that everyone has to download that essentially tracks their location everywhere they go around the city. When you enter a subway car you scan the QR code and that tells the authorities exactly which car you're on so that if someone is sick or sickened from that car they can track you down and see if you've also been sickened.

There's a book that's about to be published from Chinese state media called a *Fight Against the Epidemic*. There's a story in the book of a foreigner that left China with his children because of the epidemic. The foreign school his children attend in Beijing wanted to restart classes next week but the Beijing government said, "No, actually we're concerned about foreigners traveling to China and then travelling back to China, as well as foreign students who have been abroad coming back to China because we think other countries are doing a worse job than we are in containing the virus. So now we're concerned about importing infections from elsewhere." Which is a pretty startling reversal if you think about it.

In terms of the economy, after a very rough January where the economy clearly contracted very starkly based on the early data, we've seen estimates that the economy is probably now operating about 60% to 70% capacity. And we've seen President Xi Jinping call for China to meet its full-year economic growth targets despite the epidemic.

We've seen that several of the most important manufacturing regions have downgraded their emergency level, reflecting their belief that the epidemic is under control. Premier Li Keqiang, who's in charge of the leadership group that's directing the response to the virus, has called for different regions and provinces to take differentiated policy approaches based on the specific situation in their region.

We're seeing a lot of these imported economic provinces shift their focus towards restoring work and we haven't seen anecdotal reports that they're under such pressure to prove that they are making progress in restoring the economy. For example, factories are being told to let their machines run idle just to boost the electricity consumption data. This is because that is the data that the central government is using to monitor the macroeconomic activity and monitor how much is being used as a proxy for the state of business resumptions throughout the economy. They're effectively being pressurized to engage in sort of minor data fraud to exaggerate the extent to which work may be getting restored.

But anecdotally, I'm also seeing and hearing that traffic in Beijing and Shanghai is back to near normal levels. Most hotels have reopened or are taking guests again. The estimates I've seen are we can reach to 80% plus capacity by the end of this month.

But as Jerry mentioned the risk now is that we could see a secondary wave of infections as people start to congregate again in workplaces. Some local governments require a two-face masks per person, per day, however there is a risk to this due to the short supply of face masks. Other workplace challenges that companies are still facing are logistical, with significant transport roadblock and other transport delays. This poses the problem that even factories that are able to produce goods are not able to deliver them to their customers in many cases.

And then there's also supply shortages, especially for very complex sectors like the electronics sector. If you think about the iPhone, several thousand parts are required to make an iPhone. Even if one is missing, you can't go on with production. There's still significant bottlenecks and delays, but the trajectory is positive and seems to be accelerating towards normalcy.

Small businesses are the companies that are suffering the most, because amid the labor shortages due to travel restrictions and employees serving their 14-day quarantine period, small businesses do not have the same financial capabilities as larger businesses. For example, Softcom has been able to offer huge bonuses and higher wages to workers to make up for the labor shortages so they can draw in what workers are available. This is something most small businesses cannot offer, which is very harmful to their daily operations.

And then of course the retail consumption industries are going to suffer the most. Small restaurants, entertainment and travel will get hit the hardest because of the psychological impact, where even if the numbers say that things are getting better in China, people will still be reluctant to return to those activities.

KK: I want to focus a little bit on the actual policy responses. Obviously one of the challenges here is you've got a unique situation where you have both a supply as well as the demand shock to the economy. So what policy tools are we seeing being implemented and what are the challenges of that in China?

GW: The initial response has been on the supply side. As I discussed, it's about getting people back to work. There are value-added tax cuts in place that reduce the tax burden on companies who have suffered heavy revenue losses. Additionally, there are delayed Social Security contributions to help cash flow

and instructions to banks for offering special loans to companies that are especially hard-hit by the virus to exercise forbearance. Interest rates on loans have also been lowered as a bridge mechanism to help businesses, especially small businesses so that they stay liquid.

Prior to the coronavirus, China regulators were pressing banks to boost funding to small businesses which are the lifeblood of China's economy. Now that this campaign has been intensified, there's a risk on the banks.

We're also starting to see targeted liquidity injections toward specific sectors like medical and pharmaceuticals. But as the supply side starts to recover, I expect to see the policy shift towards the demand side, so we'll see broader based monetary easing with interest rate cuts, broader base liquidity injections and tax cuts.

At the national People's Congress, The Annual Parliament session, we're likely to see the official deficit target expanded this year to around 3% from 2.8% last year, and the actual fiscal deficit will be bigger than that when you take into account various kinds of budget fiscal spending that China engages in.

Xi Jinping wants the growth target to be met this year. But there's some flexibility there. We're definitely going to see stimulus to try to meet President's Xi's demand to meet the full year target. The National People's Congress hasn't yet occurred, even though the media leaks have indicated that the growth target will be 6% for 2020 however, this will be officially announced in March at the parliament session. Given that the parliament session now looks like it's going to be delayed, we could see the full-year GDP growth target adjusted slightly downward just to reduce the burden of trying to meet that target given this disruption.

There are still constraints on stimulus due to the huge increase in Chinese debt and the financial risk associated with that over the last decade. I think policymakers are still reluctant to kind of unleash a huge 2008 style stimulus. However, I think we're going to see some significant stimulus. It'll take in the form of infrastructure spending and, as I said, tax cuts, monetary policy and interest rate cuts, but I think it will still be a smaller effort than we saw at the height of financial crisis a decade ago.

Finally, I would say, President Xi is using this crisis to reinforce pre-existing priorities. In a speech this week he said, "Science and technology are the most powerful weapons in humanity's battle against diseases. We need to command more core technologies with our own intellectual property." We can clearly see the relationship he's drawing here between the response to the epidemic and these policy priorities around intellectual property and technological upgrading in China. Overall, this will reduce China's reliance on foreign technology and foreign intellectual property amid this technology and trade war with the United States.

KK: Never let a good crisis go to waste. One final question before I move on to Carsten. The Phase 1 trade deal with the United States, the biggest component of that obviously was the obligation of China to buy from the United States. How has the economic impact here effected their obligation?

GW: So far, we haven't seen an indication that China is seeking, or that the United States is willing, to accept any kind of changes to the Phase 1 deal in terms of China's meeting of its purchase commitments. In fact, there's some indication that at least in agriculture and perhaps pharmaceuticals, the genuine demand from China may actually increase because of livestock production disruption due to logistical bottlenecks.

Comments from the U.S. Department of Agriculture, from the U.S. trade representative and from the Treasury Department all indicate that the U.S. expects China to meet its commitments. President Trump's view of this is likely to be that if Chinese exports to the U.S. are slowing down, then Trump will probably be more willing to be flexible in terms of accepting fewer Chinese imports of U.S. goods because, again, his concern is that bilateral deficit. But if China's export engine revs right back up, and China's exports are basically on their normal trajectory, then Trump is probably not going to have much sympathy for any requests for flexibility on the import commitments by China. But as I say at the moment, we're not seeing any clear signs that Phase 1 is off track.

KK: Carsten, obviously Europe is at a very different stage of the experience with Coronavirus outbreak. And in recent years, we have become very used to thinking of Europe as a block - think about how they deal with the UK on the Brexit negotiation as an example. As countries such as Italy experience a much bigger outbreak than others, we're starting to hear noises about things like border closures and the like. We've obviously had that experience with the refugee crisis of 2015, and we can see the political impact of that as Angela Merkel and her government have yet to really recover from the political hit from opening the borders to refugees as an example. Where do we stand in European policy response, especially on something as sensitive as border closures?

Carsten Nickel (CN): I think the analogy with the migration crisis is very warranted in this case. As it stands, I would say that the risk of border closures is probably being elevated by this renewed migration humanitarian situation that has been developing over the last couple of days starting in Italy, Northern Syria on the border to Turkey as a knock-on effect, the

effects on Greece and so on. As you say, there is still this very strong memory in the political systems of the Europe of 2015.

Whether it is fear of the spread of the Coronavirus, or whether it is skepticism and hostility towards migration, I think the key point to keep in mind here from a political risk perspective is that it is the member states of the EU, or rather the Schengen Zone of passport free travel, that very much reserve the right for themselves to act unilaterally as they did in 2015. If they want to move forward with closing their borders, in terms of process they merely need to inform the European commission in Brussels.

On balance, what speaks in favor of border curbs right now is this greater politicization of questions of borders, migration, security and so on ever since 2015. I think that's something that we of course see across the rich democracies. In the U.S., we've seen this with the rise of the far right with the incorporation of their policy agenda into more centrist government programs. I think all of that means that this is a risk that we need to watch.

What speaks against it, specifically when it comes to the virus situation, and is something that has already been pointed to, is this phenomenon of self-regulation. For example, halt of canceled events, travel restrictions and company travel policies.

I think at this stage, we should probably somewhat limit the immediate political pressure on government, unless and until there were to be the feeling in a neighboring country X that a region in country Y with a concentrated outbreak somehow gives the impression that it cannot cope.

I think the institutional capacity of these various European countries, which can of course vary,

especially between Western and Eastern Europe, is something to keep an eye on. But so far I would say that in a country like Italy, who are obviously the hardest hit in Europe right now, is being seen as having done a relatively good job in political terms as they have flattened the curve.

Maybe this also reflects a certain evolution and political expectation of what is possible here, battling the virus or at least, kind of flattening the speed at which it spreads.

KK: We've talked about the monetary response in the United States this week and the spending bill passing its way through Congress right now, about the fiscal and monetary policy measures that can be taken in Europe either unilaterally or in concert and reflecting. I've got to imagine, there are some real vulnerabilities, the travel sector as an example, but also the weakness of the Italian banking system and the like?

CN: Yes, I think the weakness of the Italian banking system is of course very important here if we're looking ahead to next week around this time when the ECB is expected to unveil what it is going to do at the next governing counseling meeting coming up next Thursday.

Speculation regarding further rate cuts and so on are obviously what we need to keep in mind here, and the potentially detrimental effect on an already weakened banking system in Europe. I think when we're looking at the monetary policy response, perhaps it is more realistic to look at what we can do regarding quantitative easing, regarding the conditions regarding targeted longer-term refinancing operations and these existing programs.

But I think the broad picture here is that significant concerted stimulus on the fiscal front remains unlikely. The focus is again on the combination of factors

that we've seen in the past, which is deliberately lax enforcement of fiscal rules on the one hand in Europe and then looking towards monetary policy and the ECB.

Northern Europe could be doing more on the fiscal front, but looking specifically at Germany, I would outline that there is absolutely no majority for bold action at this point. There is not really the feeling of any urgency yet. We've seen that in the statement of the Euro group, the finance ministers yesterday basically said that they wanted to continue doing what they've been doing in the past and be relatively lax with fiscal rules enforcement.

I think unless we were to see a really growing sense of crisis in Germany and Northern Europe, this would have a serious impact on the labor market. Additionally, if supply chains were to be hit to a degree where companies basically shut down production, this might be a catalyst to start a conversation about more serious actions in Northern Europe. But without that being there, I think the scope for bold action on the fiscal front is limited and that's of course a political conversation that in Europe, given the specific set up of the Euro Zone, the ECB also needs to keep an eye on.

KK: I want to turn to Andrea, because one of the real challenges that our clients, customers and companies in general are facing are their communications with investors and regulators in an environment where we've got epidemiological uncertainty, policy response uncertainty and economic uncertainty. What are you experiencing with your clients and how are we advising them generally on best practices with regards to communications on this?

Andrea Calise (AC): The markets certainly don't like uncertainty, so what we're seeing is that companies are being forced to provide increasing levels of

granularity about what they know around the impact of the Coronavirus. I think since the last call, people are staying pretty topline and we've seen increasing levels of granularity.

Companies who have been most successful in studying investor sentiment are ones that are providing detail on their logistics, customer demand, the strength of their balance sheet and the flexibility of their supply chain, which is absolutely critical during this volatile time.

On our last call, we were in the beginning of the earnings cycle, and now we're towards the end of the earning cycle. Among those S&P 500, 40 companies have now quantified the estimated impact of the virus on their results for the upcoming quarter. Companies are using different metrics but we're seeing about 63% of those companies providing revenue impacts and some are providing additional metrics depending on what industry they're in.

The level impact is varying by company and by time period estimated. We're also seeing 12 companies that do not quantify but have noted that it's either incorporated in their guidance or that they have

withdrawn guidance. I think we're going to increasingly see this trend of people needing to update their guidance either through holding special calls, issuing press releases and communicating comments of earnings conferences, which will most likely be web cast conferences.

While we're also seeing companies talk about the impact beyond China and increasingly talk about Italy, we have not yet seen companies talking about U.S. impact specifically, or the broader European impact. At Teneo we are working with a lot of companies to come to a decision about whether to hold investor days through webcast or postpone.



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