PRICEVALUEPARTNERS

Bless you !

"Ring-a-ring o' roses,
A pocket full of posies,
A-tishoo! A-tishoo!
We all fall down."

- Children's nursery rhyme.

"..the most famous origin-story involving 'Ring-a-Ring o' Roses' is that the rhyme refers to the Great Plague, specifically the one of the seventeenth century that devastated London in 1665 and prompted the inhabitants of the infected Derbyshire village of Eyam to isolate themselves from the rest of the country, so as to minimise the spread of the disease. This interpretation of the rhyme sees the 'ring-a-ring o' roses' representing the red marks or lesions – which, in this interpretation, show up like 'rings' on the skin – which are (again, supposedly) associated with the symptoms of bubonic plague. The posies in the pocket are the herbs and flowers people carried to ward off the disease (because until relatively recently people believed that disease was caused by smell). Similarly the 'a-tishoo!' is a symptom of plague, since victims supposedly sneezed when in the grip of the disease. Finally, of course, the falling down represents the death of the plague victim.

"This interpretation doesn't stand up to even the most perfunctory analysis. For one thing, this list of symptoms doesn't match those which accompany bubonic plague (which is marked less by sneezing or red ring-like lesions as by black swellings underneath the armpit and groin – indeed, 'bubonic' is from *bubo*, meaning 'groin'). For another, the earliest version of this rhyme, as we've already seen, doesn't surface until the end of the eighteenth century, over a hundred years after the Great Plague (though it's worth remembering that far less destructive outbreaks of plague did continue until surprisingly recently). The modern version which brings all of these supposed 'markers' of plague together is just over a century old. It seems highly unlikely that the 'plague' analysis of 'Ring-a-Ring o' Roses' contains the secret to the rhyme's true origin.."

- *Interesting Literature*.

So 'Ring-a-ring o' roses' may not be the definitive Plague-derived nursery rhyme we once thought. What about the origins of 'Bless you !' – traditionally offered as a well-meaning response to someone who has just sneezed (the Anglo-Saxon variant of the German 'Gesundheit !') ? The new Britannica, Wikipedia, offers the following explanation(s):

> *National Geographic* reports that during the plague of AD 590, "Pope Gregory I ordered unceasing prayer for divine intercession. Part of his command was that anyone sneezing be blessed immediately ("God bless you"), since sneezing was often the first sign that someone was falling ill with the plague." By AD 750, it became customary to say "God bless you" as a response to one sneezing.
>
> The practice of blessing someone who sneezes dates as far back as at least AD 77, although it is far older than most specific explanations can account for. Some have offered an explanation suggesting that people once held the folk belief that a person's soul could be thrown from their body when they sneezed, that sneezing otherwise opened the body to invasion by the Devil or evil spirits, or that sneezing was the body's effort to force out an invading evil presence. In these cases, "God bless you" or "bless you" is used as a sort of shield against evil. The Irish Folk story "Master and Man" by Thomas Crofton Croker, collected by William Butler Yeats, describes this variation. Moreover, in the past some people may have thought that the heart stops beating during a sneeze, and that the phrase "God bless you" encourages the heart to continue beating.
>
> In some cultures, sneezing is seen as a sign of good fortune or God's beneficence..

Which origin story to believe ? The choice is clearly yours.

Seven years ago this correspondent had the pleasure of listening to Jim Rickards (and others) in the ballroom of the W Hotel in Santiago, Chile, as a guest of Sovereign Man. We were particularly struck by his use of the following thought experiment. There were perhaps 500 people seated in the room at the time. How would ***you*** react, for example, if you happened to be there, and then suddenly one member of the audience suddenly shot up out of his or her seat and bolted for the exit, without explanation ? Probably you would be intrigued by this development – but you would perhaps be unlikely to act upon it. So how would you react if ***ten*** people then suddenly shot out of their seats, without warning, and dashed to leave the room ? Chances are, ***you'd start to think about joining them, even though you had no idea why they were acting that way***. Everybody will have a number (of people suddenly leaving) that will cause them to join in the exodus, and that number will probably be somewhere between one and fifty, say – but it will likely not be the full 500. What's your number ?

To bring it a little closer to home, imagine that you arrive at your favourite restaurant, only to find that one of your fellow diners is wearing a face mask. The chances are, you feel curious about this development, but probably you do nothing about it. Now imagine that you arrive at your favourite restaurant to find that ***all*** of your fellow diners are wearing face masks. Do you decide to stick around ? Perhaps ***they*** won't even let ***you*** in without one.

The role of the crowd in investing tends to rise to prominence only during periods of extreme market stress. Then, investors who would ordinarily be the most rational and logical of actors are suddenly plunged into doubt, and willing to sell their positions not because of any negative developments in the underlying health of the businesses they partly own, but on the back of the unfathomable terrors being experienced by people they will never meet.

In his latest *Diary of a Fund Manager*, David Miller of Quilter Cheviot shares his thoughts about the novel coronavirus that has surfaced in Wuhan, Hubei Province, China:

> China closes down for New Year and this, just like Christmas in the West, is factored into business plans and economic forecasts. The decision to extend the shutdown to no earlier than 9th February is starting to have an impact on global growth forecasts. Local shops have been closed and international flights suspended as the Chinese government and international business tries to contain the outbreak. The medical experts are working overtime to understand what is going on but definitive answers are in short supply.
>
> Comparisons with the SARS outbreak in 2003 are of some use. The good news is that coronavirus is less deadly; 2% fatalities compared to 10% for SARS. By way of comparison, ordinary flu is fatal in only 0.1% of cases. The unknowns are the incubation period and exactly when those who have the virus are infectious. SARS was more straightforward as a disease because you felt ill within a few days and sought help. Coronavirus seems to take longer to emerge which means that people could be infectious without realising it.
>
> The other difference is transport. Six times as many flights connect China to the rest of the world now than at the time of SARS. Also, in the intervening years is the importance of China to the global economy and supply chains in particular. The fact that 60% of all iron ore imports go to China makes the point. If the interruption to normal trade lasts for long then the impact will be felt around the world.
>
> So as I write this rather sombre Diary, the bottom line is that we just don't know. We have been through thirteen 'similar' events since 1981, all of which proved to be short-term interruptions to progress. Medical solutions are found and, encouragingly, this time the authorities seem to be taking decisive action. Central banks are ready to cut interest rates and pump liquidity into the system if required. Franklin Roosevelt said, "the only thing we have to fear is fear itself". Easier said than done.

As ever, in terms of assessing the macro outlook, we will only know whether it was "right" to be panicked out of investments after the fact. At this stage we hold by our standard response to exogenous market events, which is to stay on course and try to focus on what we consider sustainable bottom-up valuations as opposed to the unpredictable and perhaps irrational behaviour of other, possibly weaker, hands. We would also make the following points for discussion with concerned clients or other interested parties:

- We have no direct exposure to China whatsoever (and good luck to those managers who do, trying to get such exposure past their ESG committees);

- Our Asian exposure (primarily to Japan and then Vietnam) is predominantly domestically focused, as opposed to companies heavily exposed to international trade;
- Our managed account portfolios also contain what we consider to be meaningful portfolio insurance in the form of (uncorrelated) trend-following funds and also precious metals;
- It may feel reassuring to be 'out of the market', albeit on the back of the actions of others, but it leads to the equally frustrating debate about when on earth to get 'back in'. Could it, perhaps, be better not to be bounced out of investments we consider fundamentally sound (and inexpensive) in the first place, and let genuine asset class diversification do its best to steady the overall portfolio ship ?

In the outstanding 2019 HBO / Sky *Chernobyl* co-production, an almost documentary historical drama about the nuclear disaster of April 1986, there is no shortage of scenes showing the Pripyat Executive Committee struggling to understand the implications of the accident and frozen with indecision, ignorance and fear – both of the health repercussions in the region, and of the higher-up Soviet authorities. Perhaps the overriding lesson of the Wuhan coronavirus is not to invest in Communist command economies in the first place.

Tim Price is co-manager of the VT Price Value Portfolio and author of 'Investing through the Looking Glass: a rational guide to irrational financial markets'. You can access a full archive of these weekly investment commentaries here. You can access the archive of our regular 'State of the Markets' podcasts, with Paul Rodriguez of ThinkTrading.com, here.

Price Value Partners manage investment portfolios for private clients. We also manage the VT Price Value Portfolio, an unconstrained global fund investing in Benjamin Graham-style value stocks and specialist managed funds.