



# Anticipating China's Second COVID-19 Wave: Proactive Defensive Measures Taken By Australian Investors.

## Risk Management



**Stirling Larkin, CIO**

No one is so brave that they are not disturbed by something unexpected, proclaimed Julius Caesar, ironically, weeks before his all too famous assassination.

First thought of as idiopathic, the disturbing acceleration in the transmission of the Novel Coronavirus or SARS 2 virus has not only caused consternation, it has blinded many who are responsible for safely navigating their client's investments, life savings and financial commitments and in so doing, called into question their mettle.

[For clarity, Novel Coronavirus or SARS 2 is the virus itself and the disease it causes is called COVID-19, which is an abbreviation of "Corona Virus Disease 2019". The relationship between virus and disease is akin to that of an HIV viral infection, where AIDS is the disease that may follow. [Watch Dr Michael Ben-Meir \(Director of Emergency Medicine, Cabrini Hospital\) explain Australia's COVID-19 epidemic](#)].

Similar to 9/11, the [COVID-19 trauma](#) is a real-world phenomenon and in no way underpinned by economics; those who attempt to model what is happening and what is to come via a prism of economic or financial modelling are not only naïve, they are irresponsible.

What can be salvaged from the economics of sudden stops – as witnessed now the world over – is that not only are such spasmodic stops disruptive, painful and causing innumerable ripple effects, they almost always recur and do so over many years.

As discussed last week – [What Goes On While Global Focus Is Directed Elsewhere](#), 19 March 2020 – Australian Standfirst's third guiding Portfolio Management Principle is to always, "**Secure Your Base**", which demands the pursuit of clarity, facts and the perpetual reassessment of **risks**.

Today, The People's Republic of China present the two paramount global risks: (1.) A re-ignition of the COVID-19 transmission chain, causing a second Sino-epidemic infection wave emanating outwards, and (2.) belligerence in the Indo-Pacific Basins.

Heavily speculated but near impossible to factcheck, partial anecdotal evidence suggests the Chinese Communist Parties, or CCP's, Standing Committee and Politburo are preparing for what they internally believe will be a second COVID-19 domestic outbreak.

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**Watch:** Discussing How The World Is Changing, at Australian Standfirst's [Infinity Black Digital Studio](#), 21 September 2019.

Paring back the *all-too-predictable* propaganda reveals the next epicentre is feared to be more North or West of Hubei province – this is significant for the questioning Australian investor only in that the propaganda's innuendo infers the infectious provinces are Hong Kong or even further South, [Taipei](#) and given that [significant Australian financial dependencies remain aligned to these two satellites](#), ascertaining truth when it comes to the extent of China's bio-medical challenges remains a first-order priority for every Australian.

Regarding belligerence in our Indo-Pacific (redubbed Indo- from Asia-Pacific in recent years, in the hope that India would align with Australia, Japan and the United States in counterweighting the *Sinosphere*), in a direct challenge to China's, "[Great Underwater Wall](#)" of submarines, the United States, for the first time ever this week conducted missile drills in the South China and Philippine Seas and then publicised these operations as, "*security and stability in the Indo-Pacific*".



The USS McCampbell Guided-Missile Destroyer then sailed through the Taiwan Strait on Wednesday, made public by the unprecedented step of the US Pacific Fleet,

'tweeting' this manoeuvre via Twitter.

The last public announcement of a US Taiwan Strait's passage was made by President Harry Truman, when rushing the US Fifth Fleet to the navigable waterway during the [First Taiwan Straits Crises of 1955](#).

China's People's Liberation Army responded by buzzing Taiwan with jet fighters, prompting Taipei to scramble its own in response.

The USS McCampbell's passage in conjunction with unprecedented US missile tests consecutively in two parts of the Sino-near-beyond raises questions for Australian actors as to where our [ANZUS allies are strategically positioning for the Roaring 2020's](#).

To boot, on Thursday (26 March), President Trump executed US Senate bill 1678, enacting the Taiwan Allies International Protection and Enhancement Initiative (TAIPEI) Act of 2019.

The legislation requires the US Department of State to report to Congress on steps taken by the United States government to strengthen Taiwan's diplomatic relations with other partners in the Indo-Pacific region and alter United States' engagement with nations that undermine the security or prosperity of Taiwan.

The [DDPM Team](#) has been imploring Australian investors to [elevate their risk parameter reassessments](#) towards the likelihood of [total war in the Pacific](#) since [2018](#) and we'd implore all to take pause and reassess the *Realpolitik* and facts. ■

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