



# News

## A View from Asia

A look ahead: a short note from Samir Mehta, manager of the JOHCM Asia ex Japan fund.



Samir Mehta



28 Jan 2022

## Entrap – catch in or as in a trap

“Prison is essentially a shortage of space made up for by a surplus of time; to an inmate, both are palpable” - Joseph Brodsky

As I grow older, every year seems to pass by quicker than one can imagine. Yet, 2021 is a blur. A semblance of normality crept in at the beginning of the year, only to be entrapped back into social isolation during the second half. Omicron rages yet ignites hopes of being the ‘natural vaccine’ we were waiting for. This article by Ben Krishna a postdoctoral researcher, Immunology and Virology at University of Cambridge, is a succinct opinion of why Omicron might turn out to be the last variant of concern.

As he opines, this is not to suggest that we will not have further mutations. “Herein lies the most probable future for this virus. Even if it behaves like a professional gamer and eventually maxes out all its stats, there is no reason to think that it will not be controlled and cleared by the immune system. The mutations that improve its spreading ability do not greatly increase deaths. This maxed-out virus would then simply mutate randomly, changing enough over time to become unrecognisable to the immune system’s adapted defences, allowing waves of reinfection.”

That raises a big question – what about China? Authorities in China have staked everything on pursuing a zero-COVID policy. Recent lockdowns in Xian, a city of 13 million, are further evidence that the Chinese do not want to deviate from a very successful short-term containment strategy. But if

Omicron does turn out to be the last variant of concern for the rest of the world, what does China do over time? With the 20th National Party Congress in October 2022, it is safe to assume that China will remain closed to the outside world until then. Efficacy of the Chinese-made vaccines, by most research I've read, is not ideal. Strong nationalistic feelings and geo-political tension has kept Western vaccines away from China's population. Does that mean we need a major scientific breakthrough from the Chinese to subdue the pandemic while the world moves on treating this as an endemic?

As we peer into 2022, there are too many cross currents in the macro-economic environment to predict with any certainty the probable course of action. The bar bell strategy I described last month seems apt. If the Federal Reserve does taper and is committed to raising rates, we should expect turbulence. The effects of easy money and speculative excesses are visible in several asset classes. Stocks and corporate bonds in China are instructive of what happens when monetary policy is tight and we face a slowing economy. If the US markets do come under pressure in 2022, I do not believe Asian equities will be immune to the fall out. Yet, with so much negativity, reasonable valuations and the distinct possibility of looser monetary policy in China, the odds are in favour of a rebound in Asia. That is the best cheer I can provide as we begin 2022.

Best wishes for good health and prosperity.

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