

## The Ebola Outbreak

We have been tracking the outbreak of Ebola since June and thought it timely to send out a note, now that some cases are emerging outside of the host continent of Africa.

As of October 3rd, there have been roughly 7,500 documented cases worldwide with approximately 3,500 deaths according to the latest count from the World Health Organization. Given the often remote location and lack of development in these areas, it is likely that the actual count is measurably higher. While these numbers are sobering, they pale in comparison to other diseases that regularly and continually prey on the human condition such as malaria, cholera, AIDS, and Tuberculosis – which routinely kill millions of people worldwide each year.

The developed world, where healthcare services are widespread and bountiful, is much better prepared to handle this disease than the remote corners of Africa where healthcare expertise is rare. For reference, in Liberia, where the outbreak has been the most intense, there are less than 250 doctors to care for a nation of 4 million people. That said, the largest risk that most Americans will face is that worldwide economic growth and commerce may be slowed through the implementation of quarantines and potential limitations on travel. These are the measures necessary to contain the disease, and they would indeed have an effect on the real economy.

We will continue to monitor the progression of the disease for further developments, and will watch the equity and bond markets for cues as to the potential economic impact. Also attached is a brief history of quarantines and diseases from Cumberland Advisors, which puts the current outbreak into historical perspective.

Sources:

*Ebola Outbreak Wiki*

[http://en.wikipedia.org/wiki/Ebola\\_virus\\_epidemic\\_in\\_West\\_Africa](http://en.wikipedia.org/wiki/Ebola_virus_epidemic_in_West_Africa)

WHO: Ebola Response Roadmap Update, 3 October 2014

*NY Times*

[http://www.nytimes.com/2014/08/17/world/africa/with-aid-doctors-gone-ebola-fight-grows-harder.html?\\_r=0](http://www.nytimes.com/2014/08/17/world/africa/with-aid-doctors-gone-ebola-fight-grows-harder.html?_r=0)

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## Quarantine

October 07, 2014 David R. Kotok, Chairman and Chief Investment Officer

“The practice of quarantine, as we know it, began during the 14<sup>th</sup> century in an effort to protect coastal cities from plague epidemics. Ships arriving in Venice from infected ports were required to sit at anchor for 40 days before landing. This practice, called quarantine, was derived from the Italian words *quaranta giorni*, which mean 40 days.” (Centers for Disease Control and Prevention: <http://www.cdc.gov/quarantine/historyquarantine.html>)

The modern world is now moving toward a full Ebola quarantine. I personally recall flying home from Europe in the 1960s while I was in the US Army. The plane was diverted to the Azores, and while it was refueled, the military passengers (mostly US Navy submariners) were released into the Azores for a few hours of shore leave. The commanders were not aware that a virus was loose in the Azores. When we reboarded the plane and subsequently learned of the virus, we also learned that we would be diverted once we reached the US. We had to sit on a runway in Rhode Island and wait for the US health authorities to inspect the plane. They tested everyone on it and held us while they observed whether the virus had run its course.

Quarantines are a pain in the neck. They are also necessary to isolate viruses and break the chain of transmission. We see in modern countries with mature economies and functioning health systems that the use of quarantine is understood and is being implemented now in response to Ebola. The scares in Spain and Texas will ratchet up the level of quarantine. The period of 21 days will become a well-known time measurement.

In this morning’s edition of *The Gartman Letter*, Dennis Gartman listed the assorted plagues that have claimed countless lives during the last many centuries. It is a terrific summary and helps develop perspective. We tend to focus on the isolated case and not think about the system. It is scary to watch modern media portray viral spread and resultant death. We are concerned for good reason.

*Smallpox, for example, ran rampant many times over the ages, and the groups above believe that perhaps several hundred million people have been killed over the eons by smallpox, with 300 million killed in the 20<sup>th</sup> century alone. In 1967, 15 million had the disease and 2 million were killed. However, effectively since 1979 there have been no outbreaks of smallpox and the disease is all but eliminated.*

*In 1918-1919 Influenza, and specifically H1N1, commonly referred to as **Spanish flu**, killed 50 million people. 675,000 Americans were killed during that period.*

*The Plague ... **Bubonic Plague** ... killed 20 million Europeans between 1340-1771, with the majority of those who died having done so between 1345-1350, with approximately one of three Europeans alive during that period having died due to the Plague.*

***Malaria** has been around for thousands of years, and only two years ago Malaria killed 1.2 million people, primarily in equatorial climates. The WHO believes that 1.8 million died during a particularly malevolent outbreak of Malaria in '04, and we are told that 60 thousand US soldiers died of malaria in World War II.*

***Cholera** affects 3-5 million people every year according to the WHO, of which 100-120 thousand die... every year! The WHO counts seven cholera pandemics since the first in the very early 19th century.*

***AIDS** has killed 25 million people since 1981 and it killed 3.1 million in '05 alone. The WHO estimates that there are 40.3 million people alive today suffering from HIV.*

***Tuberculosis** has been around for nearly five thousand years, and as recently as '12 there were 8.6 million people infected with TB and 1.1 million who died from the disease in that year alone. TB raged through Europe in the 1600s, killing one of every seven people alive at the time.*

***Typhus** has been extant for nearly three thousand years, and it killed approximately 3 million people between 1918-1922 [Ed. Note: Remember, the Spanish flu was extant at that time, killing 50 million people, so between typhus and influenza, 53 million people died of diseases in those five years alone!]*

*Here in southeastern Virginia, 3,200 people died of **yellow fever** in 1855, and that was of a population then of only 15,000, so 1 of every 5 people living in Norfolk, Portsmouth and Hampton died from the disease. In all, yellow fever killed 100,000 people here in the US at the time.*

Dennis Gartman, *The Gartman Letter*, 7 Oct. 2014

A historical perspective is necessary as we consider how best to address the Ebola threat. Quarantine in St. Louis, Missouri, prevented the spread of Asian Flu (H1N1) during the 1918 epidemic. In Philadelphia, Pennsylvania, there was no quarantine in effect, and the virus was deadly and spread quickly there. People felt healthy on their way into work in the morning and were dead by afternoon.

We are worried about Ebola and how it will impact economic activity. It is human nature to defend ourselves and our loved ones, and quarantine is a form of self-defense. Defense against any illness, especially one that is viral, requires putting up barriers between yourself and others. Governments and businesses that have the ability to institute rules and barriers in response to Ebola will do so.

At Cumberland Advisors, we ask our staff not to come to the office if they have any symptoms of illness. We install electronic equipment so that they can work from home while maintaining a personal quarantine. We believe millions of other business enterprises do the same.

Ebola will shrink economic activity to some extent. The impact could be major or it could be minor, but there will be a price to pay for this virus, as there is for every natural phenomenon that has

destructive characteristics.

We thank Dennis Gartman for giving us permission this morning to reproduce his viral history for all to consider. We agree with Dennis: concern, caution, and quarantine are warranted. Hysteria is not.

David R. Kotok, Chairman and Chief Investment Officer

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