

What we (do not) know about Omicron



The new variant of the corona virus Omicron sent a wave of uncertainty through the markets last week. Volatility increased dramatically. Wall Street's VIX volatility index shot up to the 30 mark, well above the average, which is 20. Now, is this the initiation of a long-overdue correction or just a short dip, similar to the one in July, when the delta variant provided reason for concern. We briefly summarize what we don't (yet) know.

Why is the Omicron variant cause for concern?

Compared to the currently prevalent delta variant, the omicron variant has numerous mutations that may make it massively more difficult for the human immune system to fight it.

Where does the Omicron variant come from?

This mutation originated in southern Africa, where a large number of people have suppressed immune systems due to the high prevalence of HIV sufferers. In this environment, a virus has longer time to form mutations. In the meantime, this variant has already appeared in many countries in the USA, Brazil and China.

Does vaccination no longer help against Omicron?

It is still too early to assess this. In the media, experts are of the opinion that the vaccination protects less well against infection, but still mitigates the course of the disease. Both vaccine manufacturers of mRNA now assume that the vaccine will have to be adapted. However, this would in turn mean that new production would have to be carried out. We are familiar with this scenario.

Is Omicron more dangerous than other variants?

It is not clear whether Omicron will replace Delta as the dominant variant. It is also not yet clear whether the course of the disease will become more severe. However, it can be assumed that Omicron has been circulating for some time without having attracted massive attention due to severe illness. The scenario could arise that the vaccine currently in use is even less effective against infection with Omicron than against Delta, but is still effective against severe courses.

What does the new variant mean for the markets?

After an initial scare, the financial markets have now calmed down to some degree. However, the uncertainty is reflected in enormous volatility. Leisure & Travel were naturally the biggest losers, as numerous countries reintroduced travel restrictions. High volatility is a buy signal for some asset managers. We remain bullish on equities overall, but have reduced the ratio somewhat. In fact, the tapering discussion, which has now receded into the background, has more impact on prices in the long term. Omicron is the 15th letter in the 24-character Greek alphabet. The hope remains that the pandemic will be overcome before we run out of letters.

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