



LESSONS LEARNED

COVID-19 has taught us so many lessons: we have all come to know firsthand the fragility and treasure of life and health, the importance of priorities, and the value of science in a world too often obsessed with money and power. We have come to know that true heroes are all around us, checking our temperatures, delivering our packages, and keeping us together by teaching, praying, working, and serving in all those everyday ways that were unseen or uncelebrated until now. We have seen some leaders rise and others falter.

Corporations and governments are learning many lessons too, and we expect some significant changes to result from the experience of this pandemic. One of the biggest corporate lessons learned from COVID-19 is likely to be the risks exposed by global supply chains. The other lesson will be the absolute priority to build a strategic health security reserve.

Supply chain risk was already a focal point beginning with the U.S./China tariff war that commenced in 2018. Many companies learned they had become too dependent on China for both labor and materials. The COVID-19 economic lockdown has further exacerbated this concern. Diversification away from China as a sole or primary supply source will accelerate in the years ahead. Some companies will truly “insource” back to the U.S.: in fact, there is growing speculation that the Midwest of the U.S. may become a new emerging market, offering the right mix of workforce and an affordable standard of living. Other countries in Asia like Vietnam as well as our neighbor in Mexico may also benefit from the prioritized diversification of global supply chains.

Normally, de-globalization can lead to higher inflation, but there is likely too much slack in the global economy for sustained price increases to take hold. Therefore, the loosening of global economic ties is more apt to be a headwind for U.S. profit margins, as businesses endure the cost of rearranging their supply lines or moving back to higher-cost labor and production in the U.S. or more expensive countries. Therefore, companies that help localize supply chains like those that deal in robotics, 3D printing, artificial intelligence, and automated production facilities may be important players going forward.

Just as corporations repatriate supply chains, so too will federal and state governments seek to define “strategic industries” that require local sourcing and manufacturing to reduce risk. Will we ever again think it is okay for 70% of U.S. personal protective equipment to come from China? Or for that same country to produce about 80% of antibiotics consumed in the U.S.? Health care and health supplies, food services, 5G networks, telecommunications, and perhaps some additional technologies must increasingly be domestically manufactured. And along with increased costs to manufacture, these industries will also likely face new or increased regulatory constraints. As just one example, while the de-globalization may create revenue opportunities for some U.S. healthcare companies, it will also mean higher production costs faced by an industry already under political scrutiny for high prices.

Trade wars and a growing anti-globalization movement existed prior to the current crisis. COVID-19 is just the final catalyst for change. But on the bright side, perhaps a “real” globalization will emerge in the future that exists beyond the two superpowers of the U.S. and China. Perhaps going local and broadening the definition of global will shepherd in a new era of relationships and networks that honor the spirit of what globalization was meant to be: a way to open markets and promote innovation while optimizing cost and risk. COVID-19 taught us this lesson the hard way, but with the right leadership, a course correction is always possible, and in ways, exciting to contemplate.

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PROTECT YOURSELF

Cyber criminals are increasingly exploiting the coronavirus in various ways. They are taking advantage of the fact that people are relying on electronic communication and ecommerce more than ever before, as well as, the charitable spirit of individuals during these unprecedented times. Like the masks we wear when we venture outdoors, prevention of exposure is the best way to protect ourselves from the risk of fraud and identity theft.

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