The Economy and Markets in the Time of COVID-19

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Scott Clemons
US Reported Cases of COVID-19

Sources: Bloomberg, BBH Analysis
Data as of 26 May 2020
US Reported Cases of COVID-19
Minus New York, New Jersey & Connecticut

Sources: Bloomberg, BBH Analysis
Data as of 26 May 2020
## COVID-19 Data for Selected States

<table>
<thead>
<tr>
<th>State</th>
<th>Total Cases</th>
<th>Cases per 100,000</th>
<th>Daily Growth</th>
<th>Days to Double</th>
<th>Peak Daily Cases</th>
<th>Date of Peak</th>
<th>Days Since Peak</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>363,836</td>
<td>1,870</td>
<td>0.4%</td>
<td>193</td>
<td>12,682</td>
<td>10-Apr</td>
<td>47</td>
</tr>
<tr>
<td>New Jersey</td>
<td>155,764</td>
<td>1,754</td>
<td>0.6%</td>
<td>122</td>
<td>4,305</td>
<td>3-Apr</td>
<td>54</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>93,693</td>
<td>1,348</td>
<td>0.7%</td>
<td>95</td>
<td>4,946</td>
<td>24-Apr</td>
<td>33</td>
</tr>
<tr>
<td>Connecticut</td>
<td>41,303</td>
<td>1,158</td>
<td>1.1%</td>
<td>66</td>
<td>1,346</td>
<td>13-Apr</td>
<td>44</td>
</tr>
<tr>
<td>Illinois</td>
<td>113,195</td>
<td>884</td>
<td>1.6%</td>
<td>43</td>
<td>4,014</td>
<td>12-May</td>
<td>15</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>72,778</td>
<td>568</td>
<td>0.8%</td>
<td>84</td>
<td>2,196</td>
<td>25-Apr</td>
<td>32</td>
</tr>
<tr>
<td>Colorado</td>
<td>24,552</td>
<td>426</td>
<td>0.8%</td>
<td>86</td>
<td>978</td>
<td>24-Apr</td>
<td>33</td>
</tr>
<tr>
<td>Georgia</td>
<td>43,983</td>
<td>414</td>
<td>1.4%</td>
<td>52</td>
<td>1,598</td>
<td>7-Apr</td>
<td>50</td>
</tr>
<tr>
<td>Alabama</td>
<td>15,650</td>
<td>319</td>
<td>3.4%</td>
<td>20</td>
<td>676</td>
<td>20-May</td>
<td>7</td>
</tr>
<tr>
<td>Tennessee</td>
<td>20,895</td>
<td>306</td>
<td>1.8%</td>
<td>38</td>
<td>1,156</td>
<td>1-May</td>
<td>26</td>
</tr>
<tr>
<td>Ohio</td>
<td>33,006</td>
<td>282</td>
<td>1.7%</td>
<td>42</td>
<td>1,317</td>
<td>19-Apr</td>
<td>38</td>
</tr>
<tr>
<td>California</td>
<td>99,684</td>
<td>268</td>
<td>2.5%</td>
<td>28</td>
<td>3,284</td>
<td>26-May</td>
<td>1</td>
</tr>
<tr>
<td>Florida</td>
<td>52,255</td>
<td>243</td>
<td>1.4%</td>
<td>50</td>
<td>1,416</td>
<td>17-Apr</td>
<td>40</td>
</tr>
<tr>
<td>North Carolina</td>
<td>24,455</td>
<td>233</td>
<td>2.3%</td>
<td>31</td>
<td>1,598</td>
<td>22-May</td>
<td>5</td>
</tr>
<tr>
<td>South Carolina</td>
<td>10,416</td>
<td>202</td>
<td>1.7%</td>
<td>40</td>
<td>275</td>
<td>16-Apr</td>
<td>41</td>
</tr>
<tr>
<td>Texas</td>
<td>57,230</td>
<td>197</td>
<td>1.5%</td>
<td>48</td>
<td>1,407</td>
<td>13-May</td>
<td>14</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>6,138</td>
<td>155</td>
<td>1.0%</td>
<td>71</td>
<td>171</td>
<td>4-Apr</td>
<td>53</td>
</tr>
<tr>
<td>Wyoming</td>
<td>850</td>
<td>147</td>
<td>1.5%</td>
<td>47</td>
<td>126</td>
<td>21-Apr</td>
<td>36</td>
</tr>
<tr>
<td>United States</td>
<td>1,681,212</td>
<td>513</td>
<td>1.2%</td>
<td>59</td>
<td>37,671</td>
<td>21-Apr</td>
<td>35</td>
</tr>
</tbody>
</table>

**Sources:** Bloomberg, BBH Analysis

**Data as of 26 May 2020**
The Geographic Path to Recovery

Sources: The New York Times

Data as of 26 May 2020
Manufacturing Sentiment Surveys
As of April 2020

Sources: Institute for Supply Management, BBH Analysis
Data as of April 2020
Monthly Net Job Gains or Losses

8.4 million jobs lost during the Global Financial Crisis

20.5 million jobs lost IN APRIL!

Sources: Bureau of Labor Statistics, BBH Analysis

Data as of April 2020

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Unemployment Rate

Unemployment in April was 14.7%

Sources: Bureau of Labor Statistics, BBH Analysis
Data as of April 2020
Most Job Losses Expected to be Temporary

Percentage of job losses expected to be temporary

Data as of April 2020

Sources: Bureau of Labor Statistics, BBH Analysis

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Weekly Initial Unemployment Claims

Sources: US Department of Labor, BBH Analysis

Data as of 23 May 2020
Consumer Confidence Surveys

Sources: University of Michigan, BBH Analysis

Data as of May 2020
Empire State Manufacturing Survey
As of May 2020

Sources: Federal Reserve Bank of New York, BBH Analysis
Data as of May 2020
Philadelphia Fed Manufacturing Survey
As of May 2020

Sources: Philadelphia Federal Reserve, BBH Analysis
Data as of May 2020
Braver Diners Hungry for a Change

Year-Over-Year Change in Restaurant Reservations

Year-over-year change in restaurant reservations at OpenTable.com.

Sources: OpenTable.com, BBH Analysis
Data as of 26 May 2020
Air Travel Still Grounded

Daily TSA Checkpoint Screenings

Daily TSA checkpoint screenings.

Sources: Transportation Security Administration, BBH Analysis

Data as of 26 May 2020
A sustainable economic recovery depends on success in preventing further COVID-19 surges and economic lockdowns.

Pent up consumer demand indicates that the initial rebound will be sharp, but economic activity will not return to pre-crisis levels quickly.

We expect Washington to pass a more traditional stimulus package as the extent of the economic toll of COVID-19 becomes more evident.
The S&P 500 Index

Sources: Bloomberg, BBH Analysis
Data as of 27 May 2020

Down 34% in 23 days
Up 35% in 45 days

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Lessons from 2008-2010
S&P 500 Index Performance

S&P 500 bottoms
March 9, 2009

Recession ends
July 2009

Unemployment begins
to drop November 2009

One year from
market bottom

S&P +37%
S&P +63%
S&P +71%

Sources: Bloomberg, BBH Analysis
Monetary Policy
The Size of the Federal Reserve’s Balance Sheet

Sources: The Federal Reserve, BBH Analysis

Data as of 20 May 2020

+ $2.9 trillion since March
US Fed Funds and Futures

Sources: Bloomberg, BBH Analysis

Data as of 28 May 2020
Life After COVID

How Will Things Be Different?

At home …
- More savings and less debt.
- More consumption at home.
- Accelerated deurbanization.

At work …
- Less reliance on foreign suppliers.
- More working remotely.
- Greater use of technology and less travel.

At school …
- Greater use of remote learning.
- Less financial aid.
- Fewer international students.
Conclusions

• We are at the end of the beginning of this crisis. As the health care crisis is brought under control, states and regions will open at different paces.

• The economic damage is done, and data over the next few months will be awful. The good news is that the bad news is not new news. Furthermore, the pace of bad news is slowing.

• Washington will likely come forward with a more traditional stimulus package over the summer months.

• The Federal Reserve will maintain easy monetary policy to make sure that conditions don’t deteriorate again.

• Financial markets are anticipating a sharp recovery in the latter half of the year.
Risks

- **A second surge of COVID-19 cases**, either as economies reopen this summer, or in the autumn when temperatures fall, poses a sentiment risk to financial markets, but shouldn’t require more widespread lockdowns.

- **Tensions between the U.S. and China** are rising again. In addition to the old issue of trade, the White House is now looking to punish China for its role in the COVID-19 outbreak, as well as respond to China’s imposition of national security law on Hong Kong.

- Although the implications of the **U.S. election** have receded in light of the health crisis, policy differences between Trump and Biden are meaningful, particularly on taxes and regulations. These will come to the forefront as the election nears.