

BBH Insights

The Economy and Markets in the Time of COVID-19

Friday May 29, 2020

G. Scott Clemons, CFA

Partner

Brown Brothers Harriman & Co

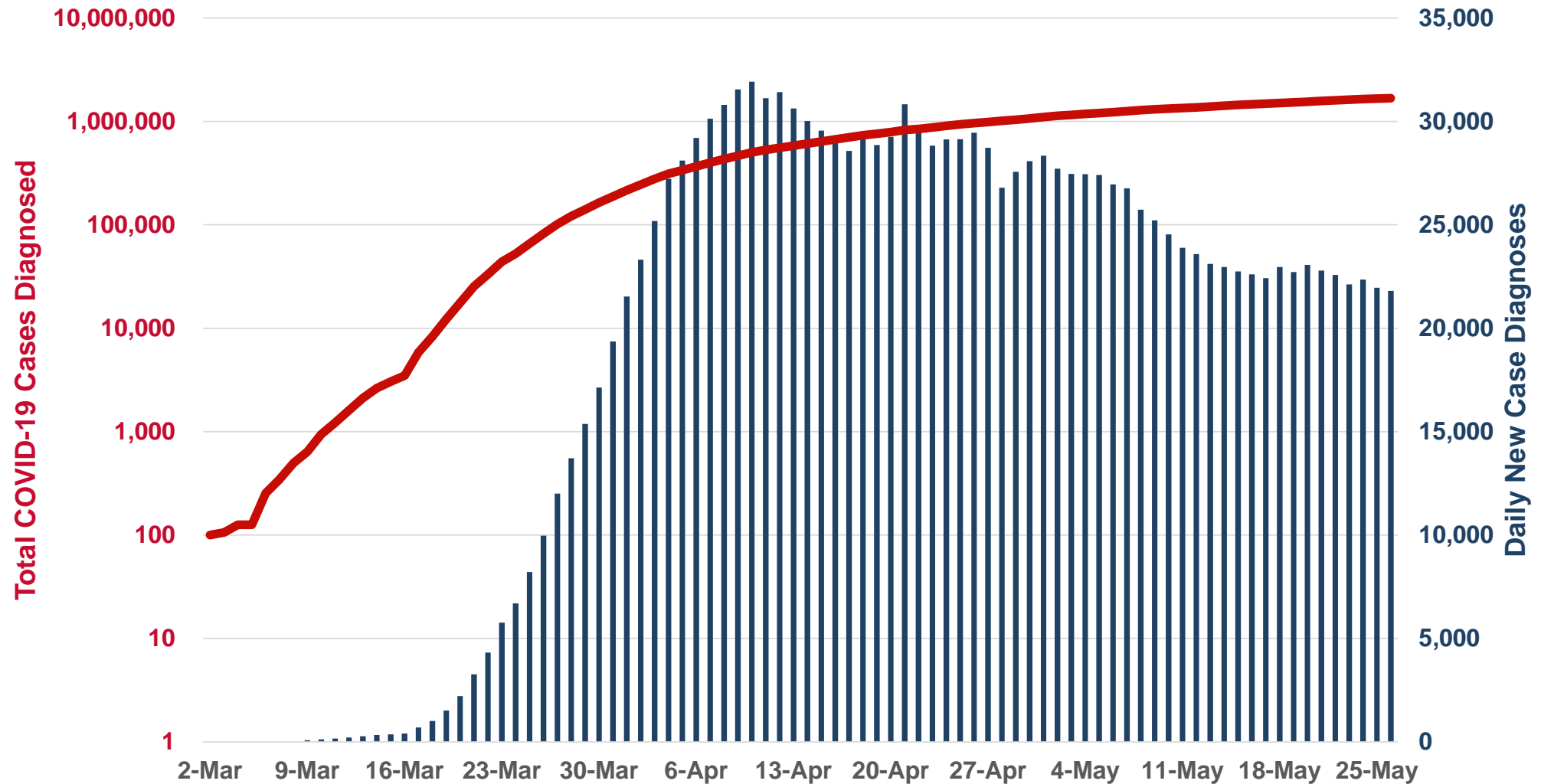
scott.clemons@bbh.com

 @GSClemons

 Scott Clemons



US Reported Cases of COVID-19



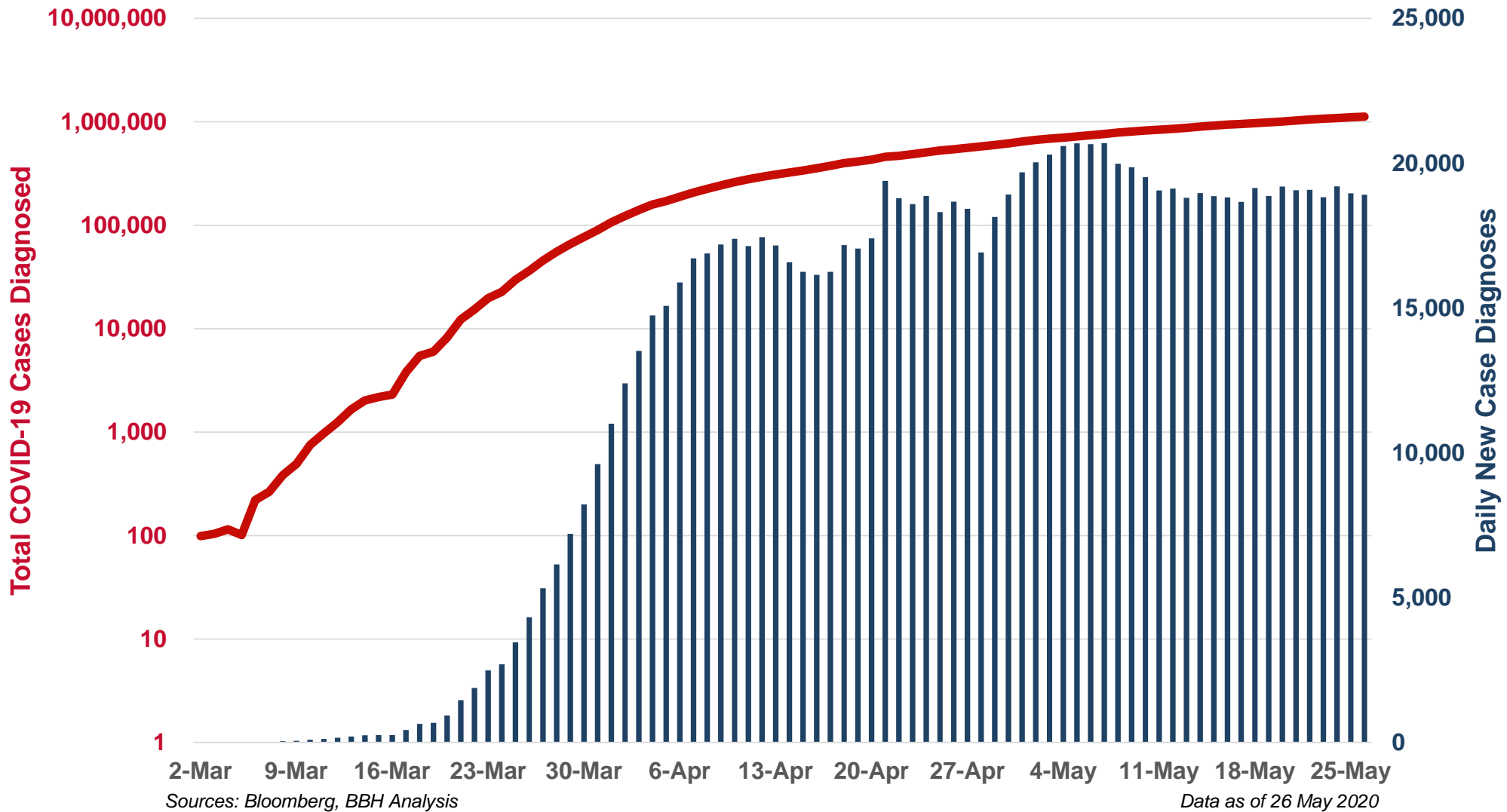
Sources: Bloomberg, BBH Analysis

Data as of 26 May 2020



US Reported Cases of COVID-19

Minus New York, New Jersey & Connecticut



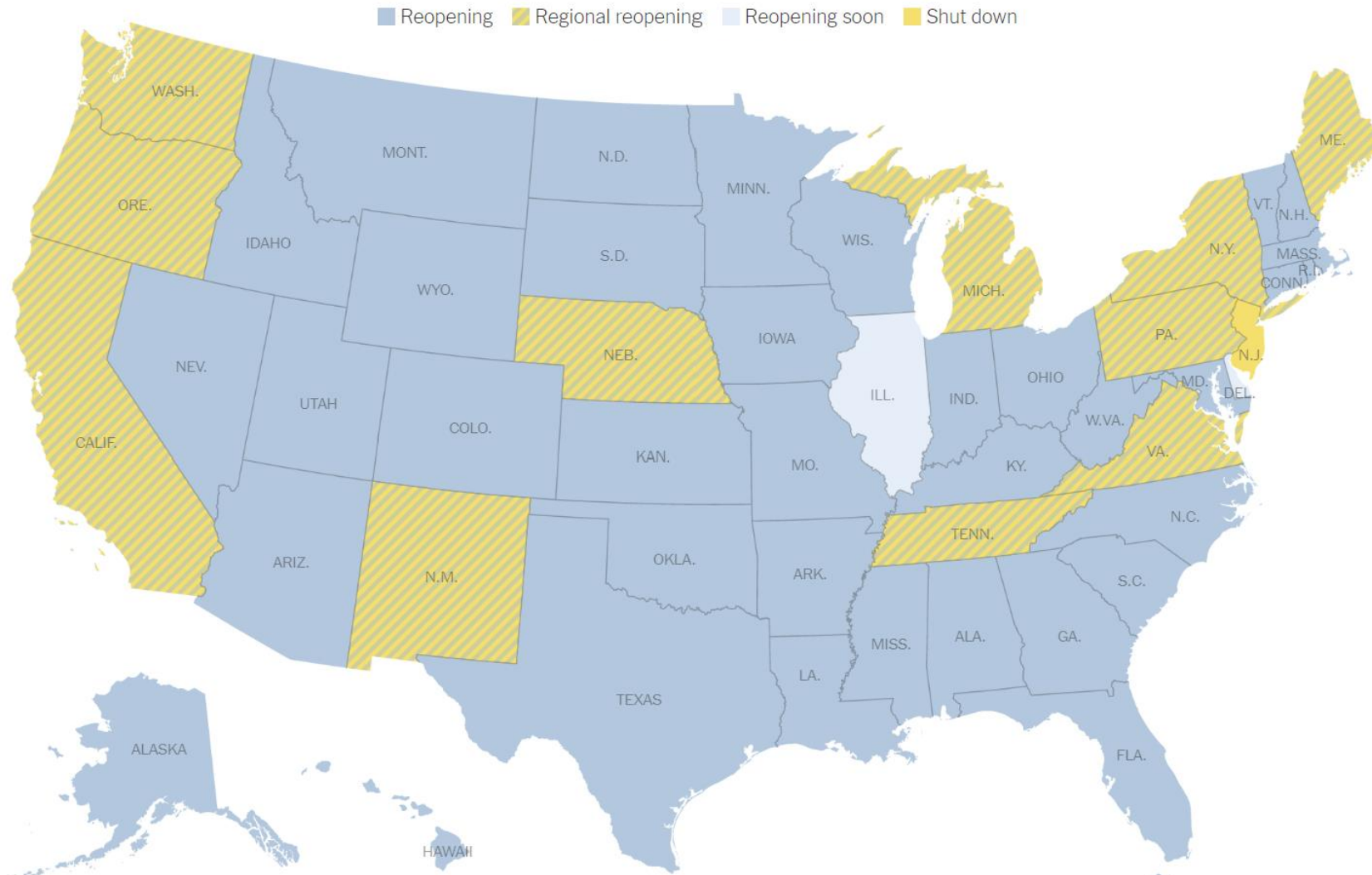
COVID-19 Data for Selected States

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

Sources: Bloomberg, BBH Analysis

Data as of 26 May 2020

The Geographic Path to Recovery

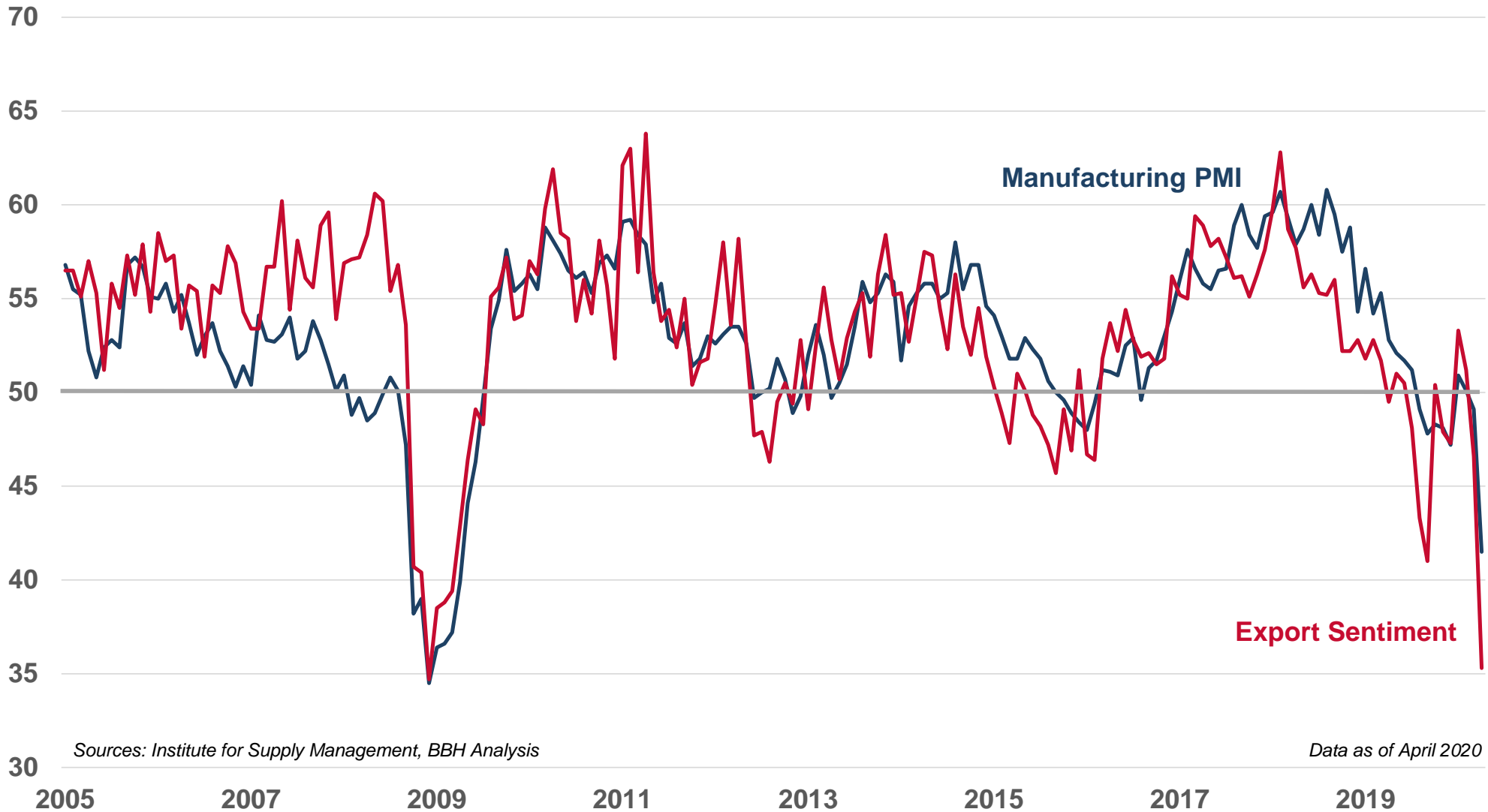


Sources: The New York Times

Data as of 26 May 2020

Manufacturing Sentiment Surveys

As of April 2020

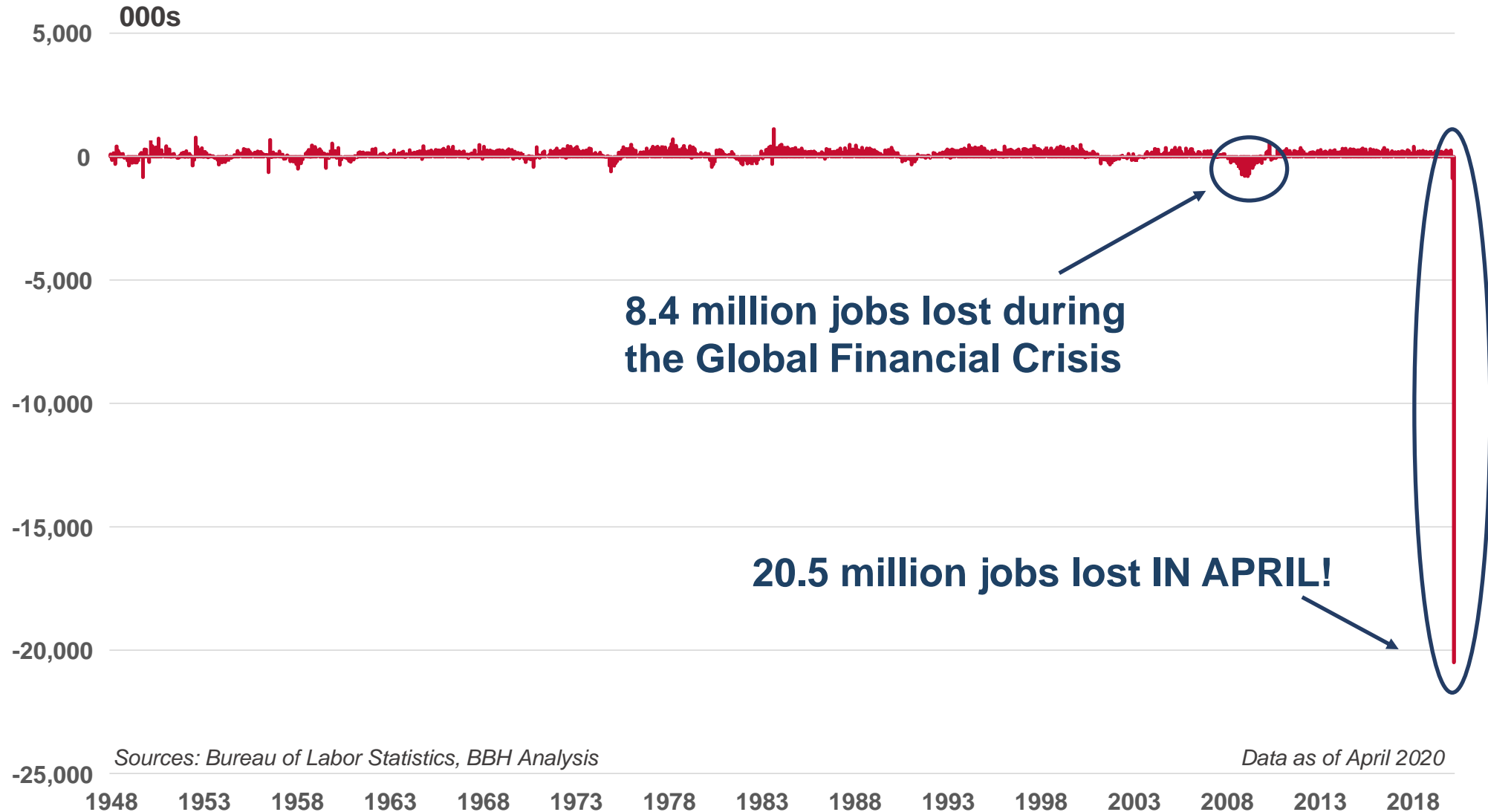


Sources: Institute for Supply Management, BBH Analysis

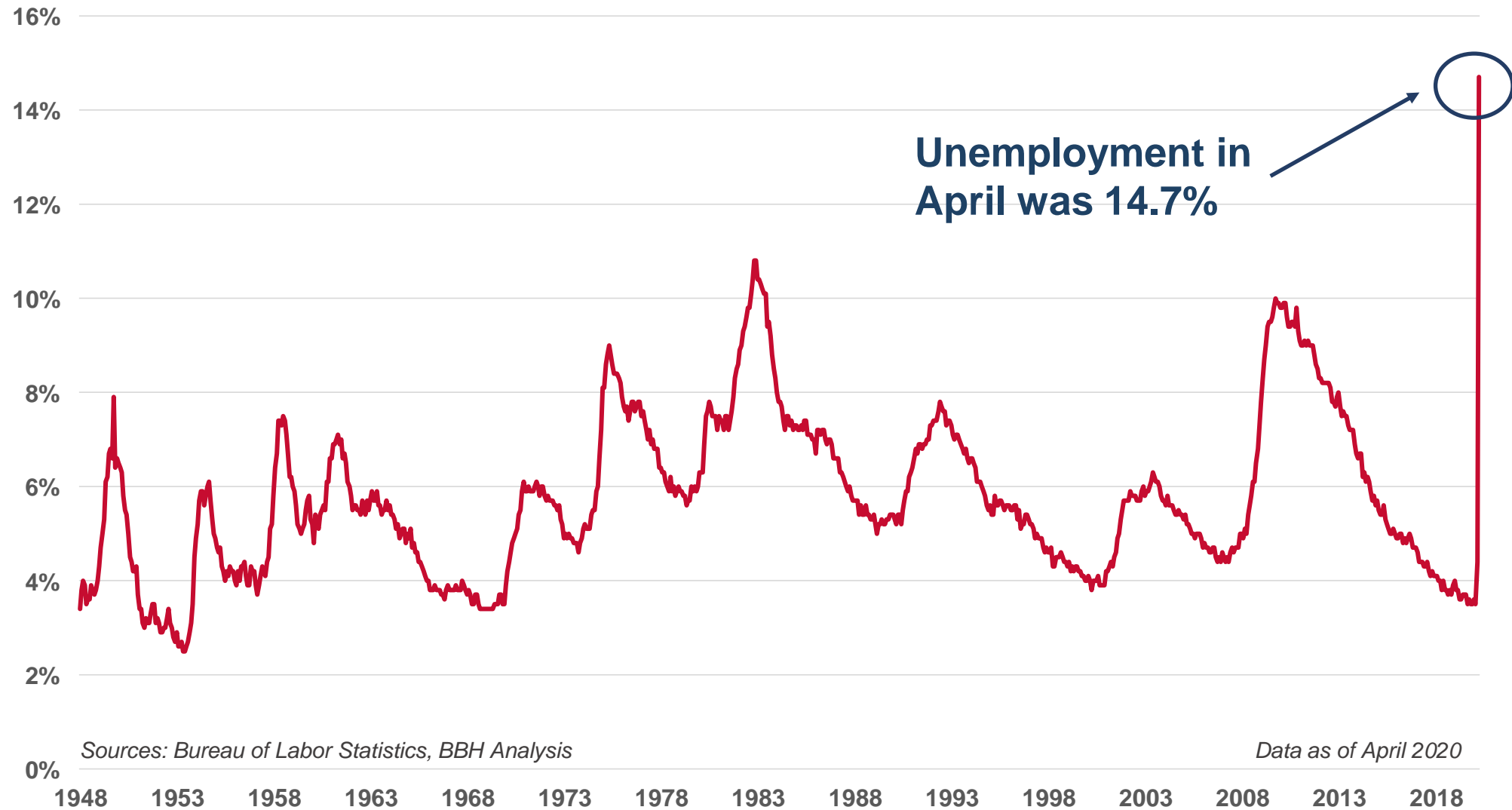
Data as of April 2020



Monthly Net Job Gains or Losses



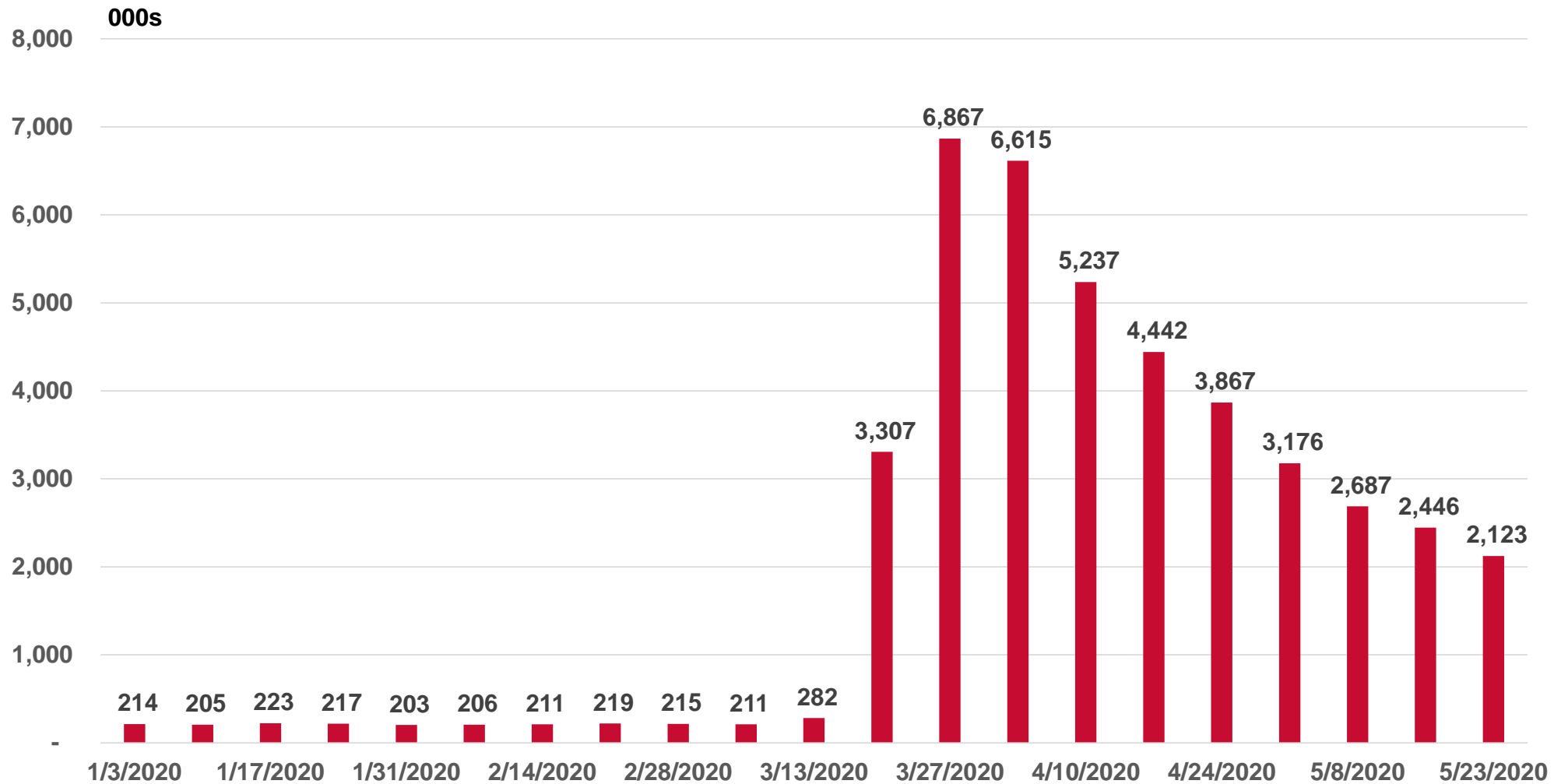
Unemployment Rate



Most Job Losses Expected to be Temporary



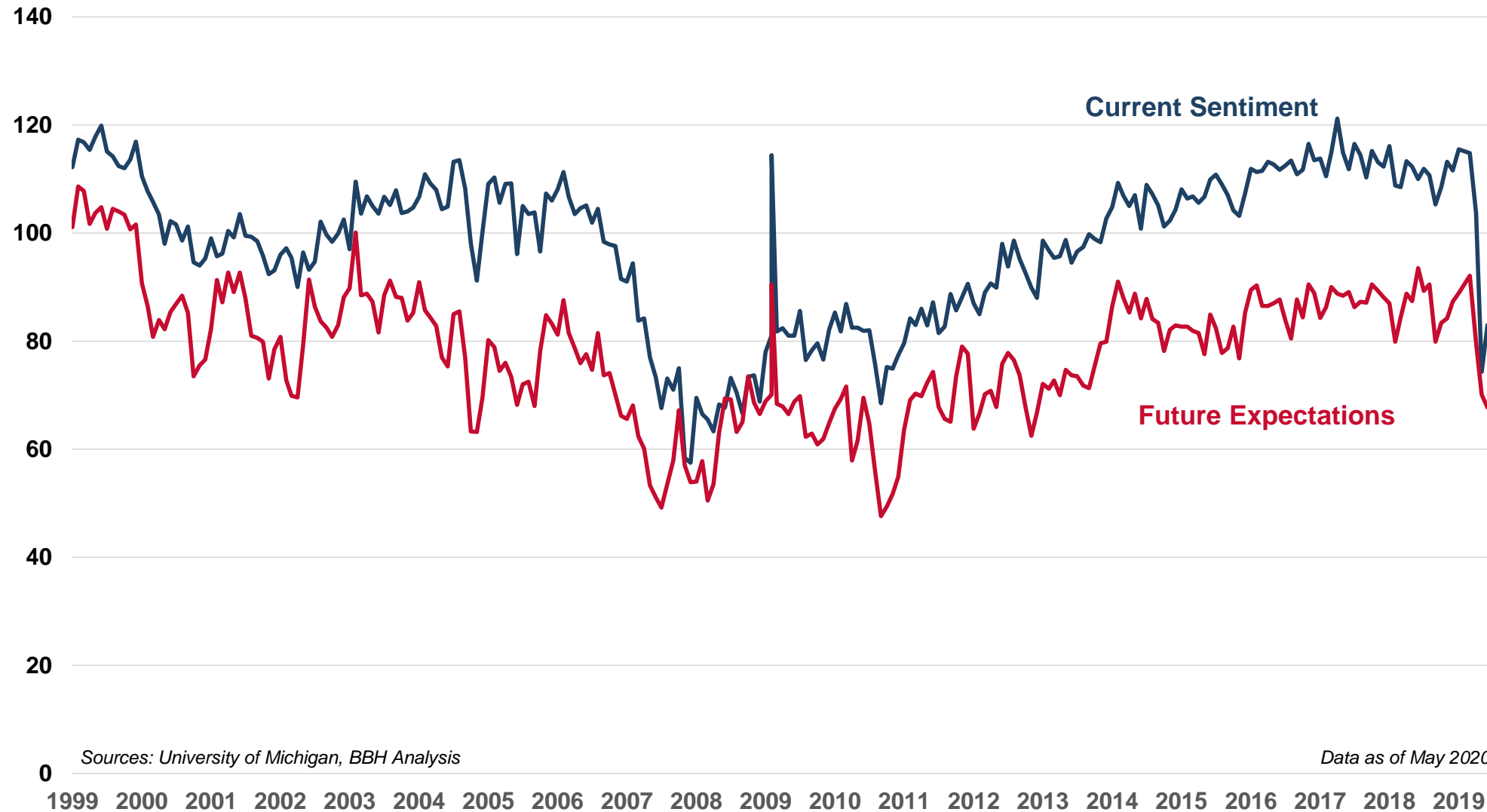
Weekly Initial Unemployment Claims



Sources: US Department of Labor, BBH Analysis

Data as of 23 May 2020

Consumer Confidence Surveys

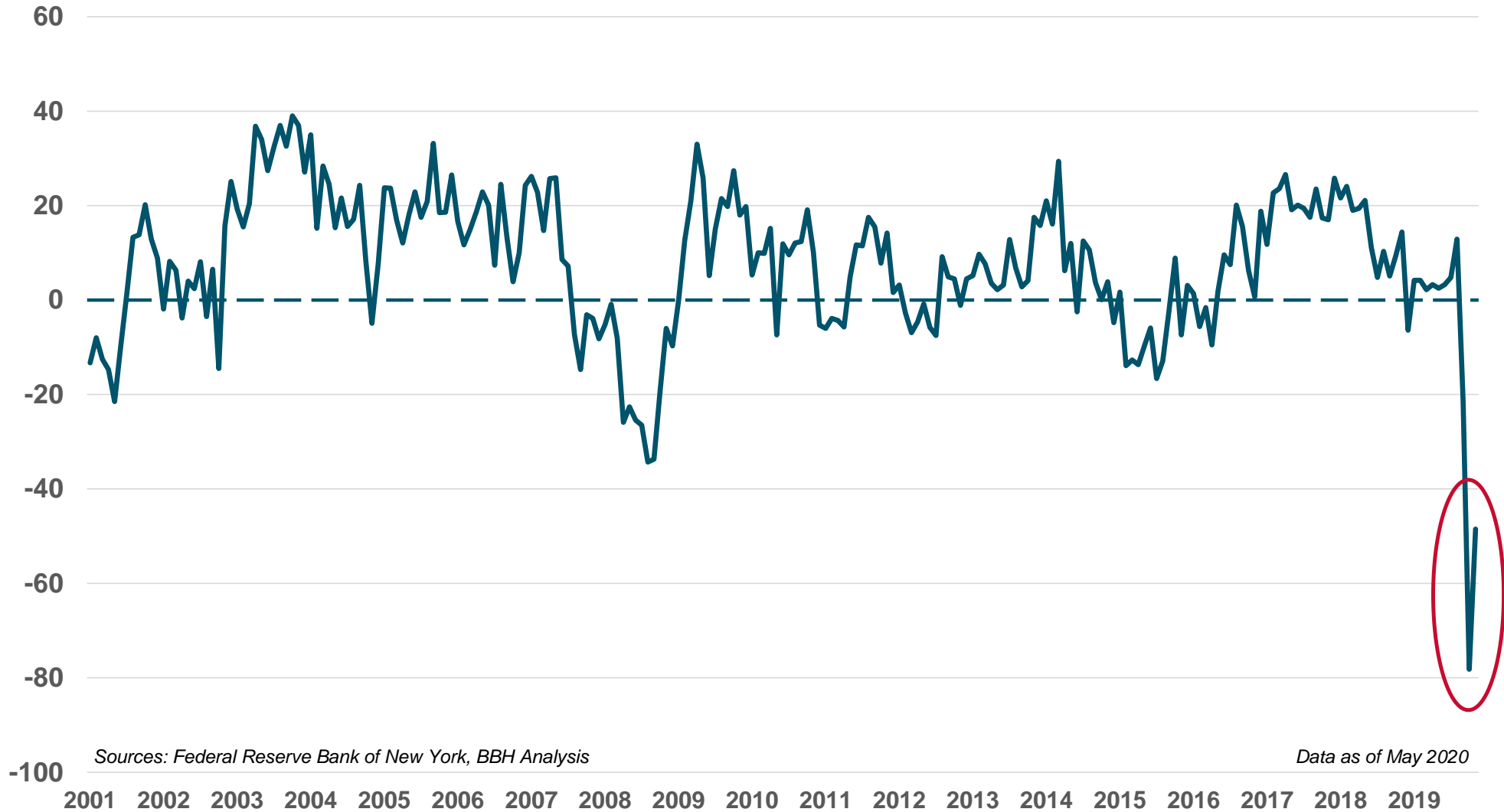


Sources: University of Michigan, BBH Analysis

Data as of May 2020

Empire State Manufacturing Survey

As of May 2020



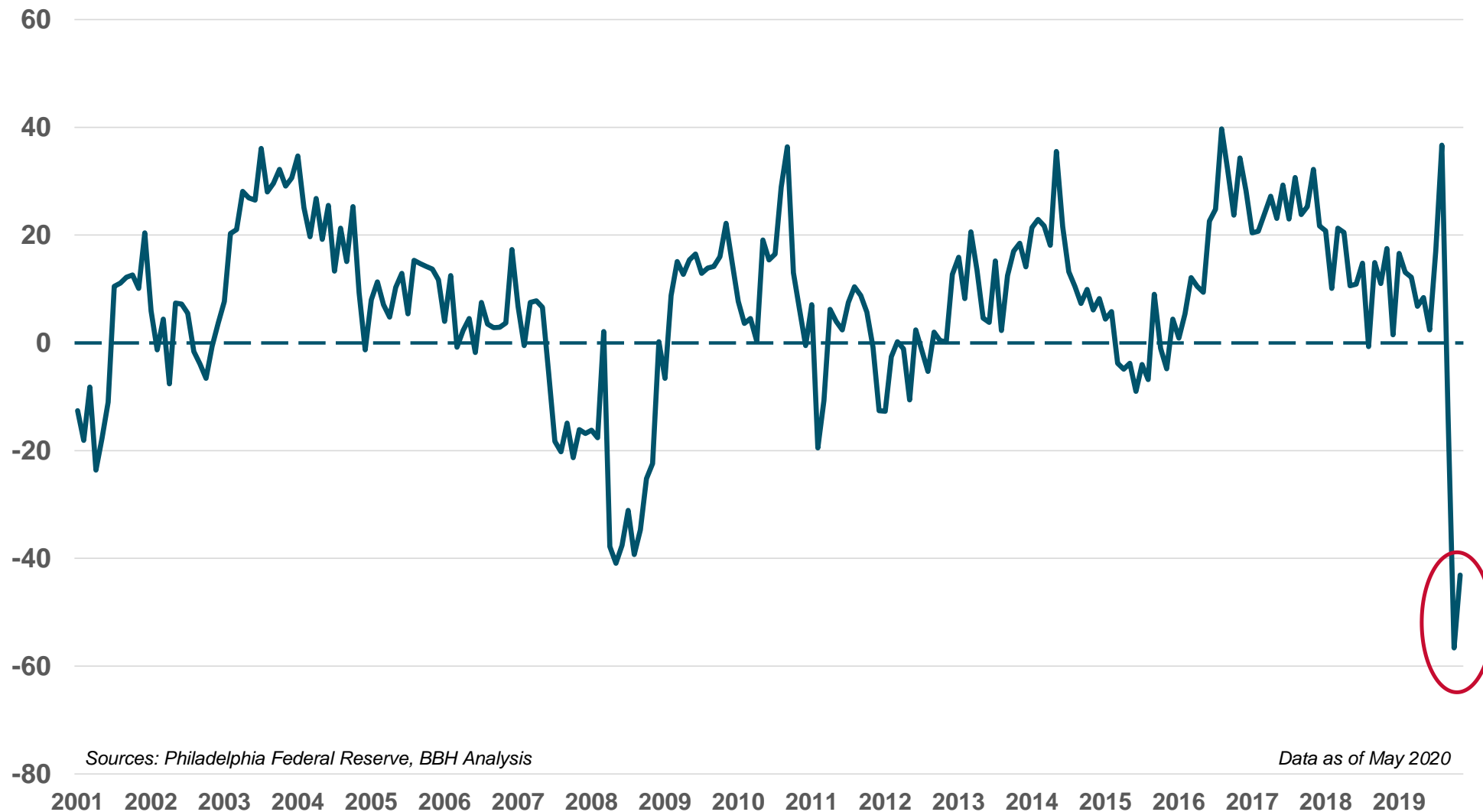
Sources: Federal Reserve Bank of New York, BBH Analysis

Data as of May 2020



Philadelphia Fed Manufacturing Survey

As of May 2020

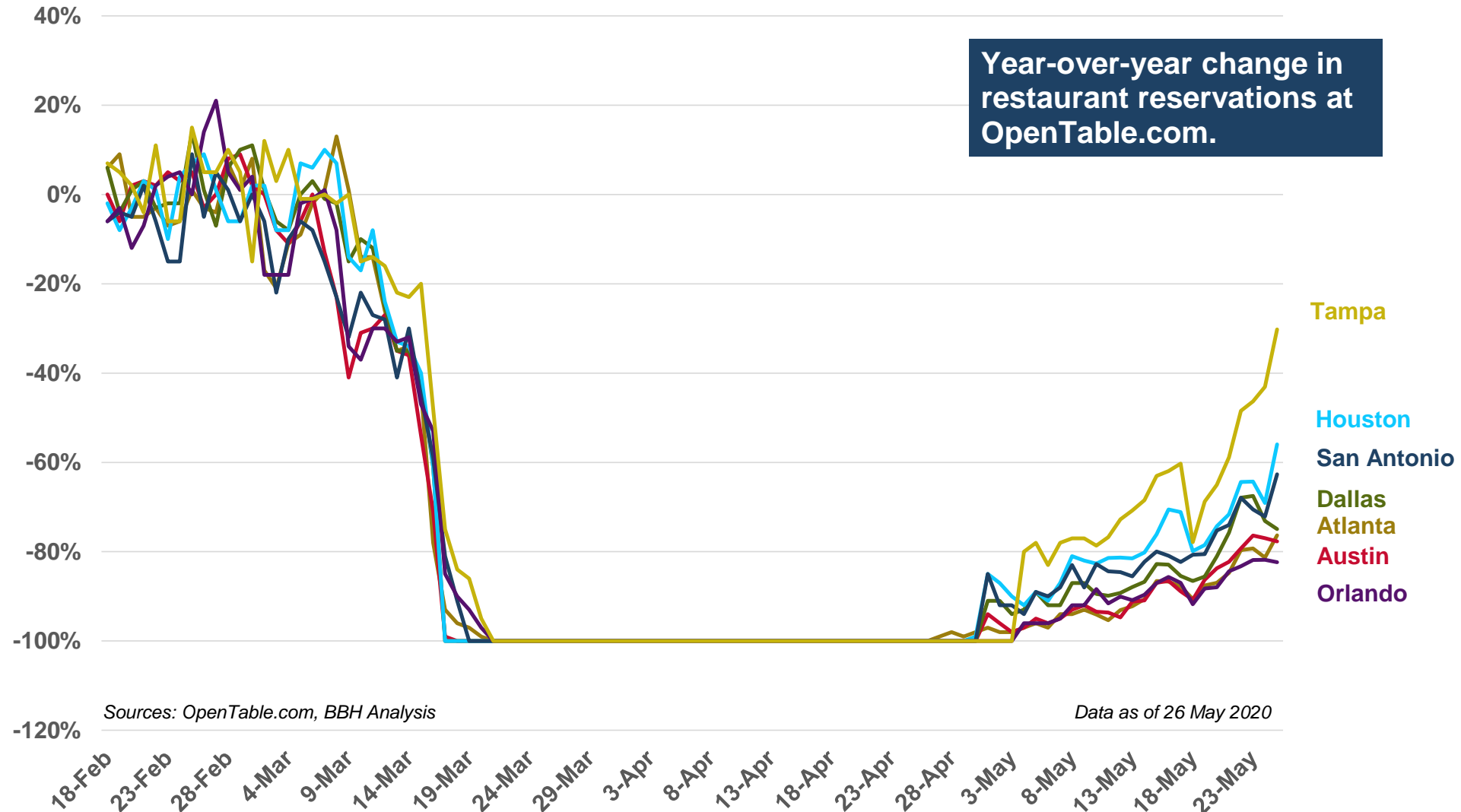


Sources: Philadelphia Federal Reserve, BBH Analysis

Data as of May 2020

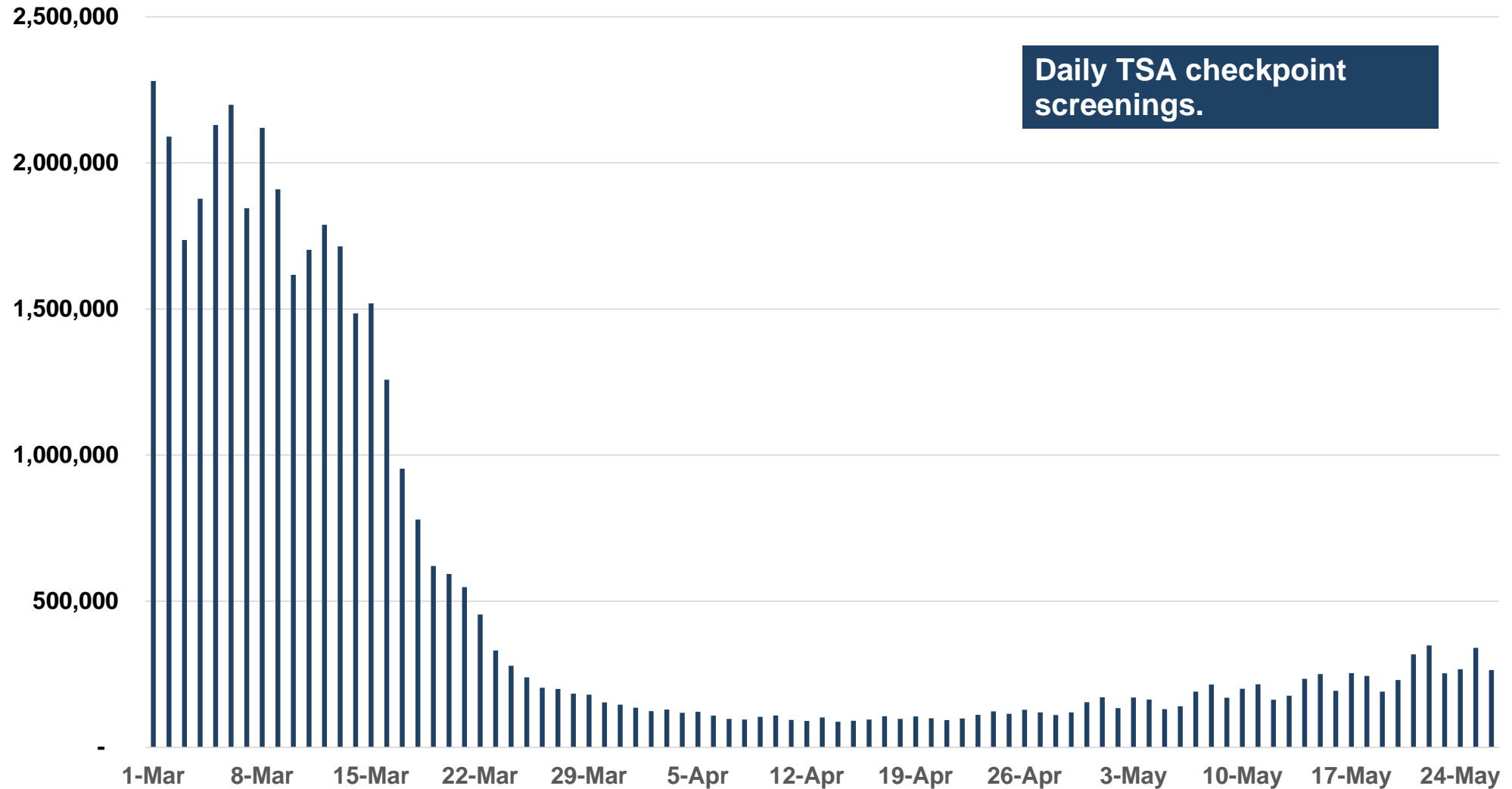
Braver Diners Hungry for a Change

Year-Over-Year Change in Restaurant Reservations



Air Travel Still Grounded

Daily TSA Checkpoint Screenings



Sources: Transportation Security Administration, BBH Analysis

Data as of 26 May 2020

The Economic Outlook



- 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



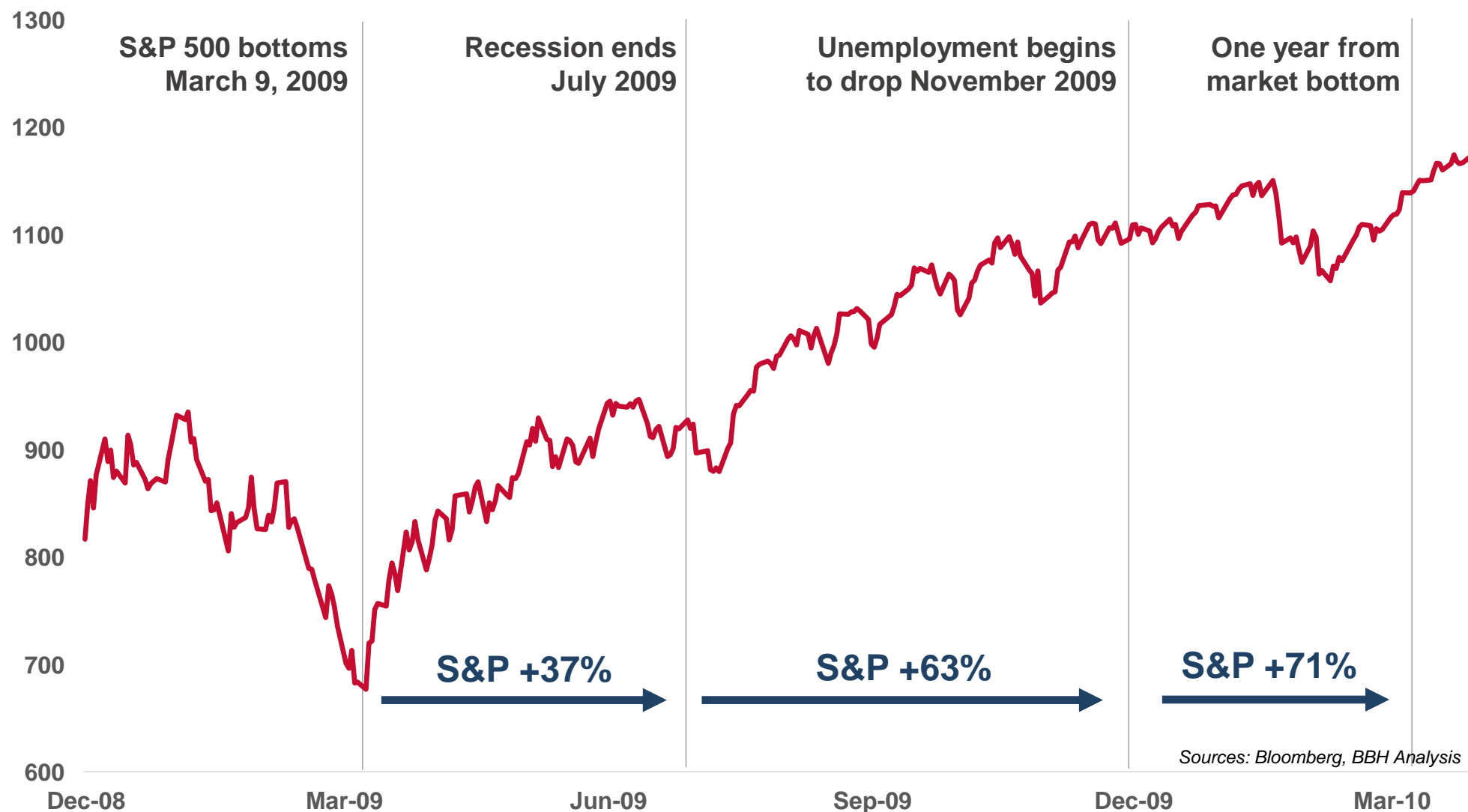
Sources: Bloomberg, BBH Analysis

Data as of 27 May 2020



Lessons from 2008-2010

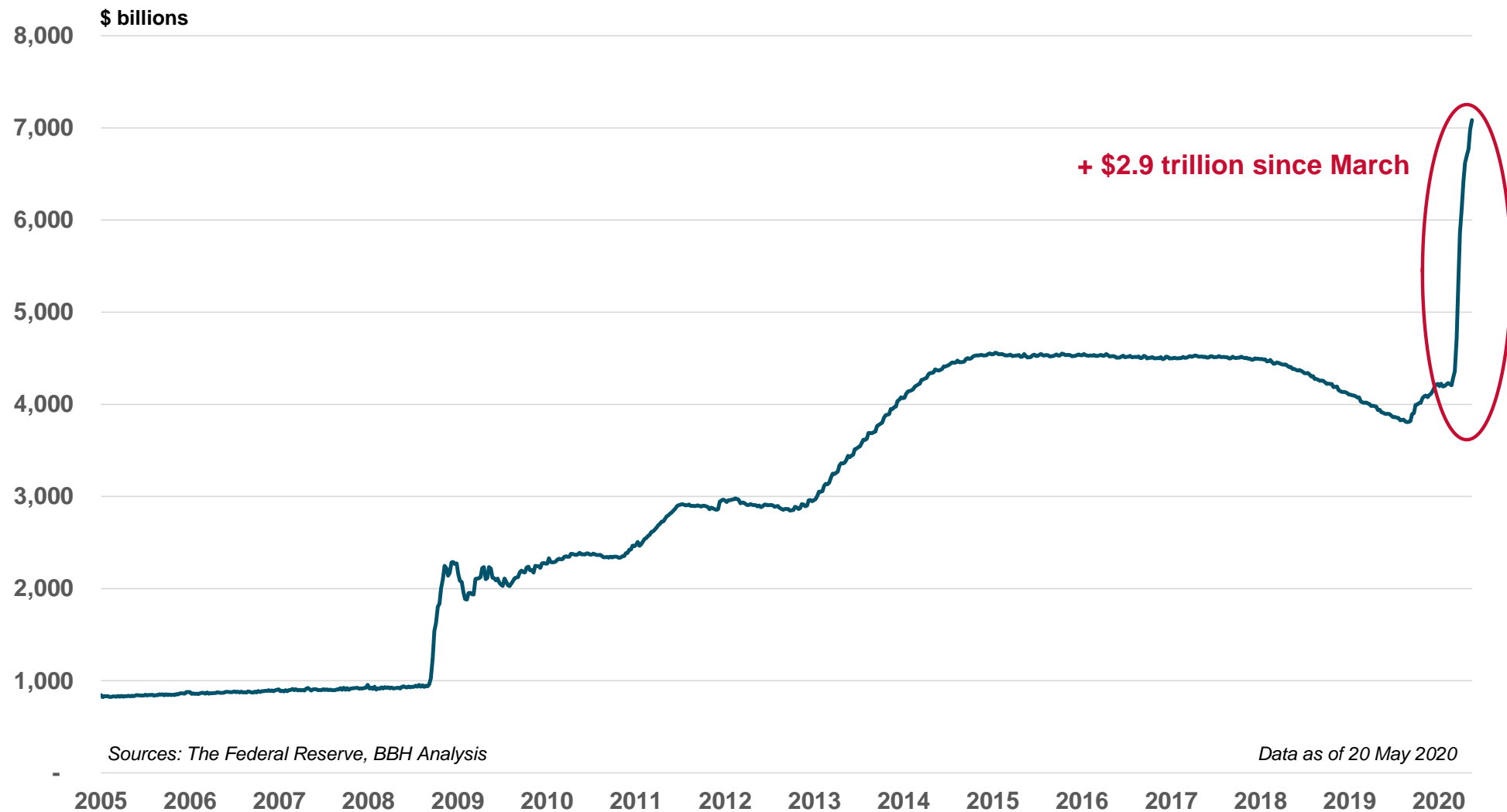
S&P 500 Index Performance



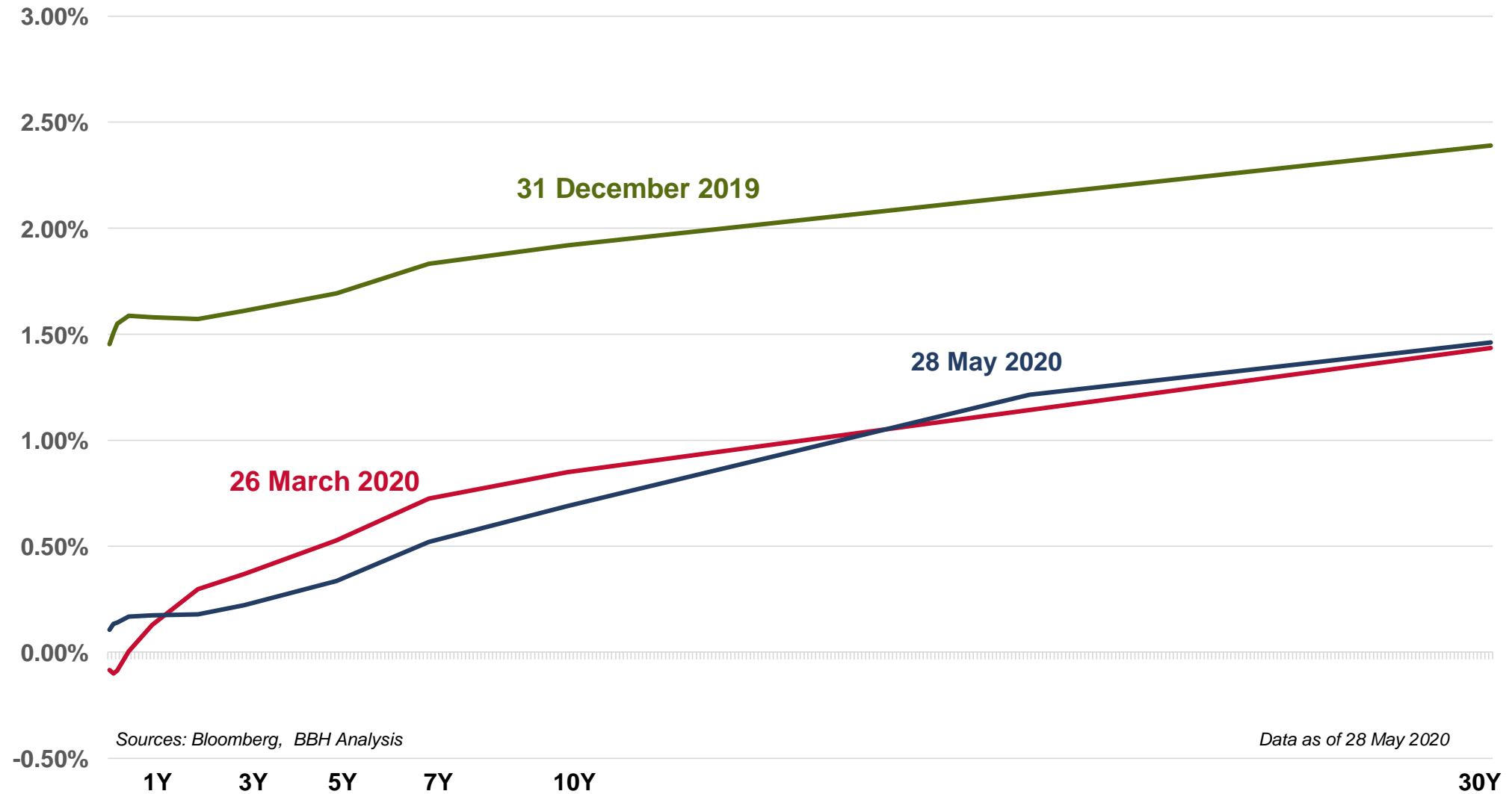
Sources: Bloomberg, BBH Analysis

Monetary Policy

The Size of the Federal Reserve's Balance Sheet



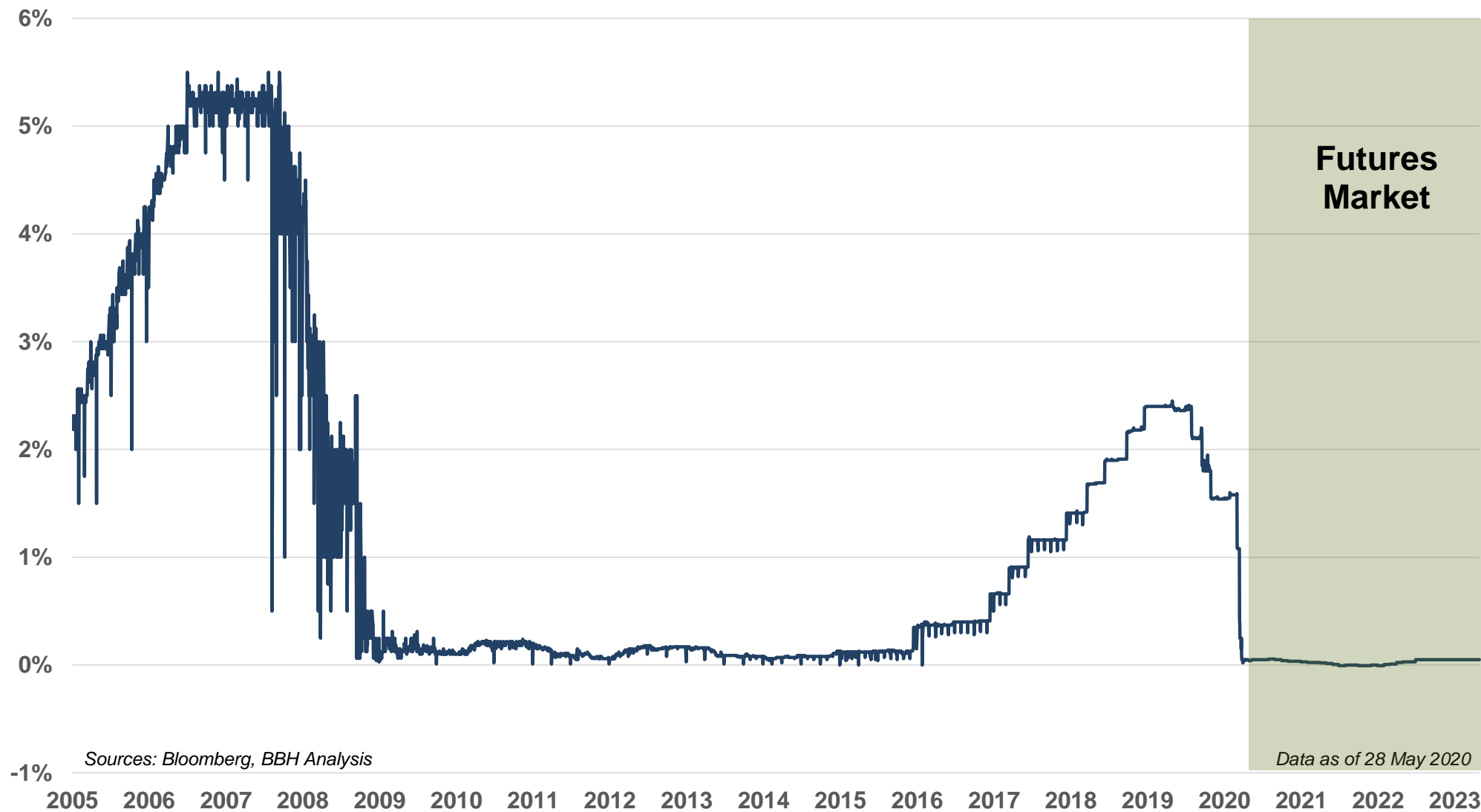
US Treasury Yield Curve



Sources: Bloomberg, BBH Analysis

Data as of 28 May 2020

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.
- More “gap years” taken in 2020/21.
- 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.

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