

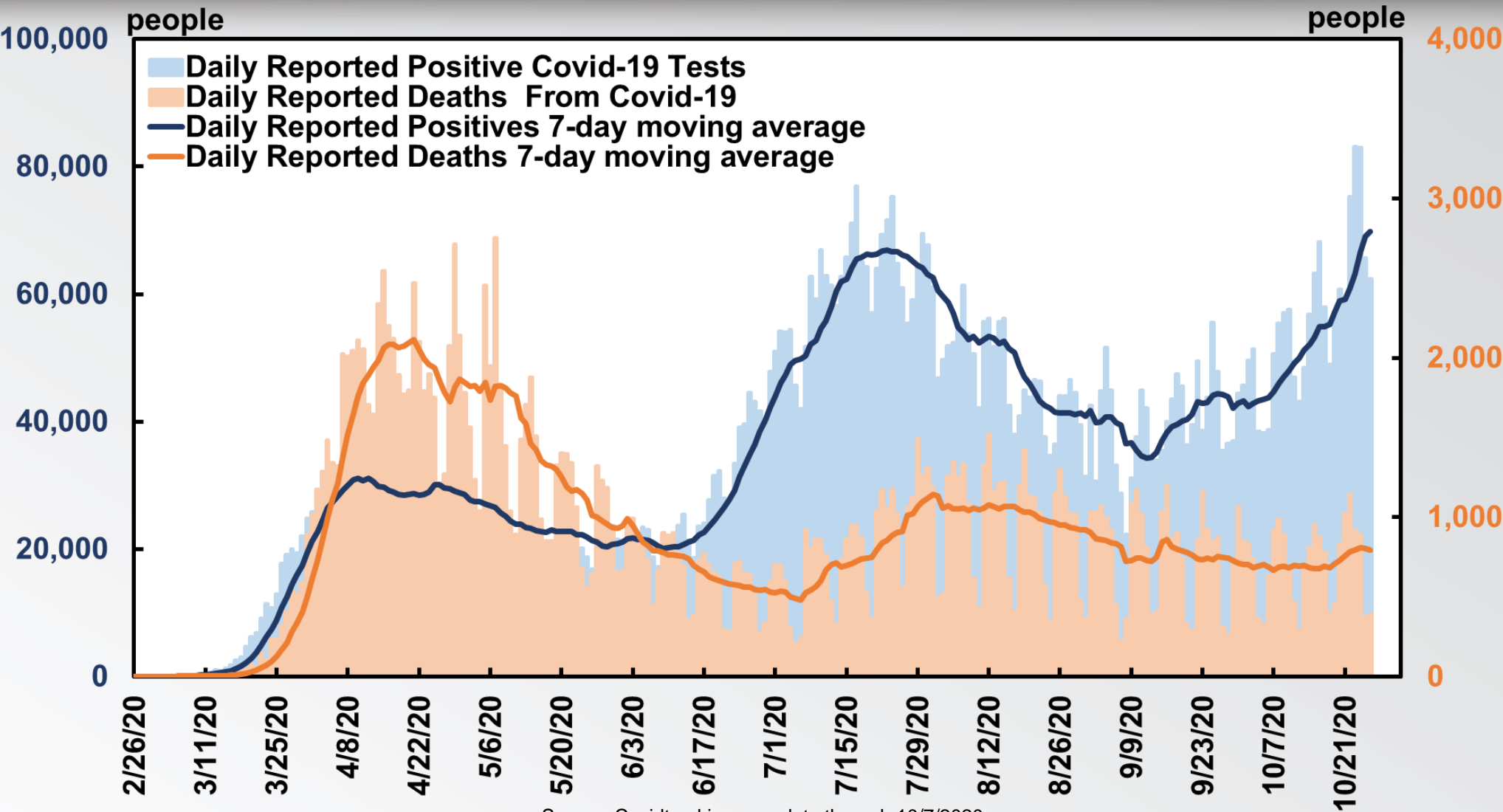
# KEEP CALM AND CARRY ON

STRIDER ELASS

SENIOR ECONOMIST

TWITTER: @STRIDERELASS

# COVID-19 POSITIVE TESTING AND DEATHS



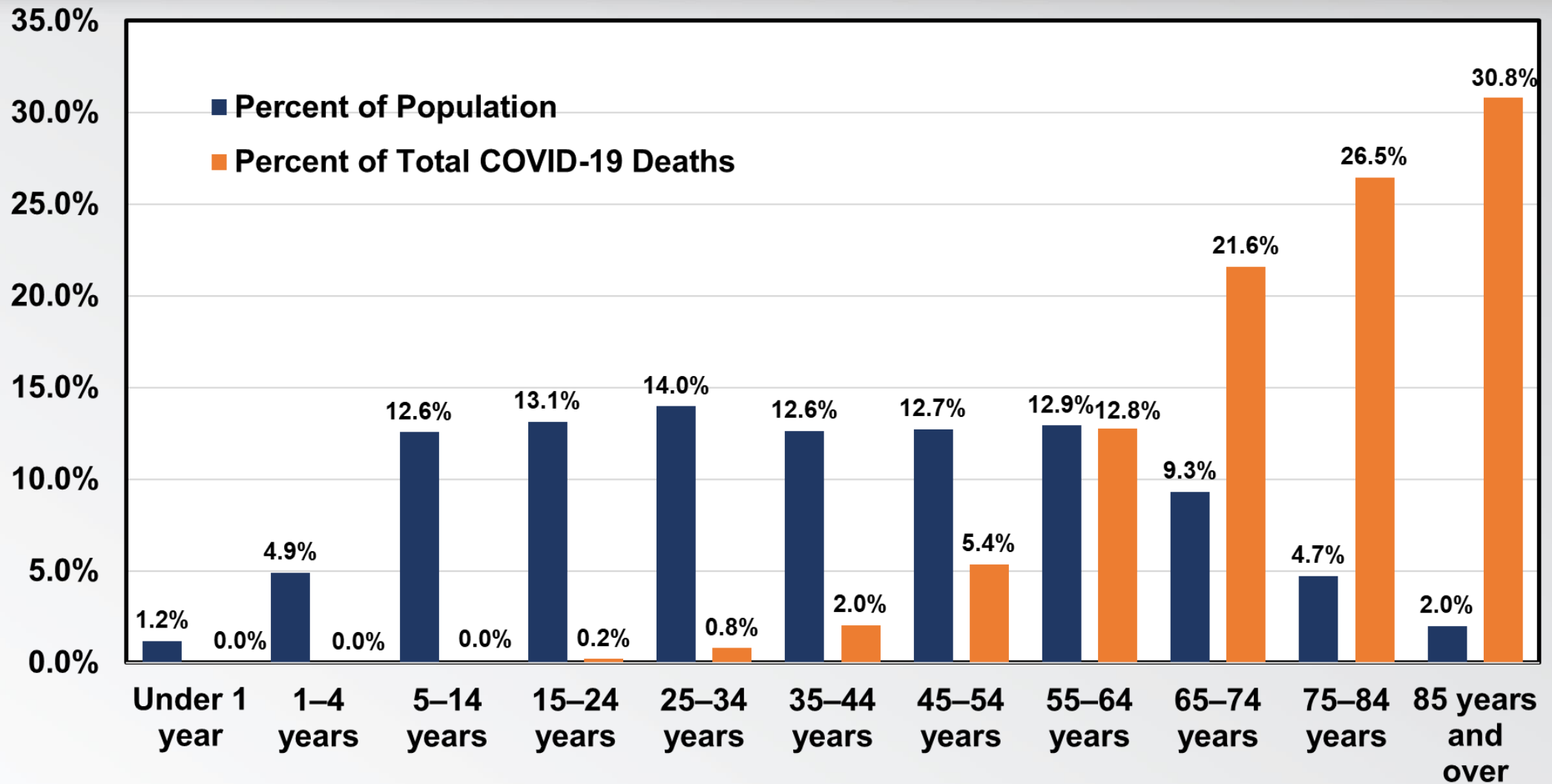
Source: Covidtracking.com data through 10/7/2020

# FEAR VS. DANGER



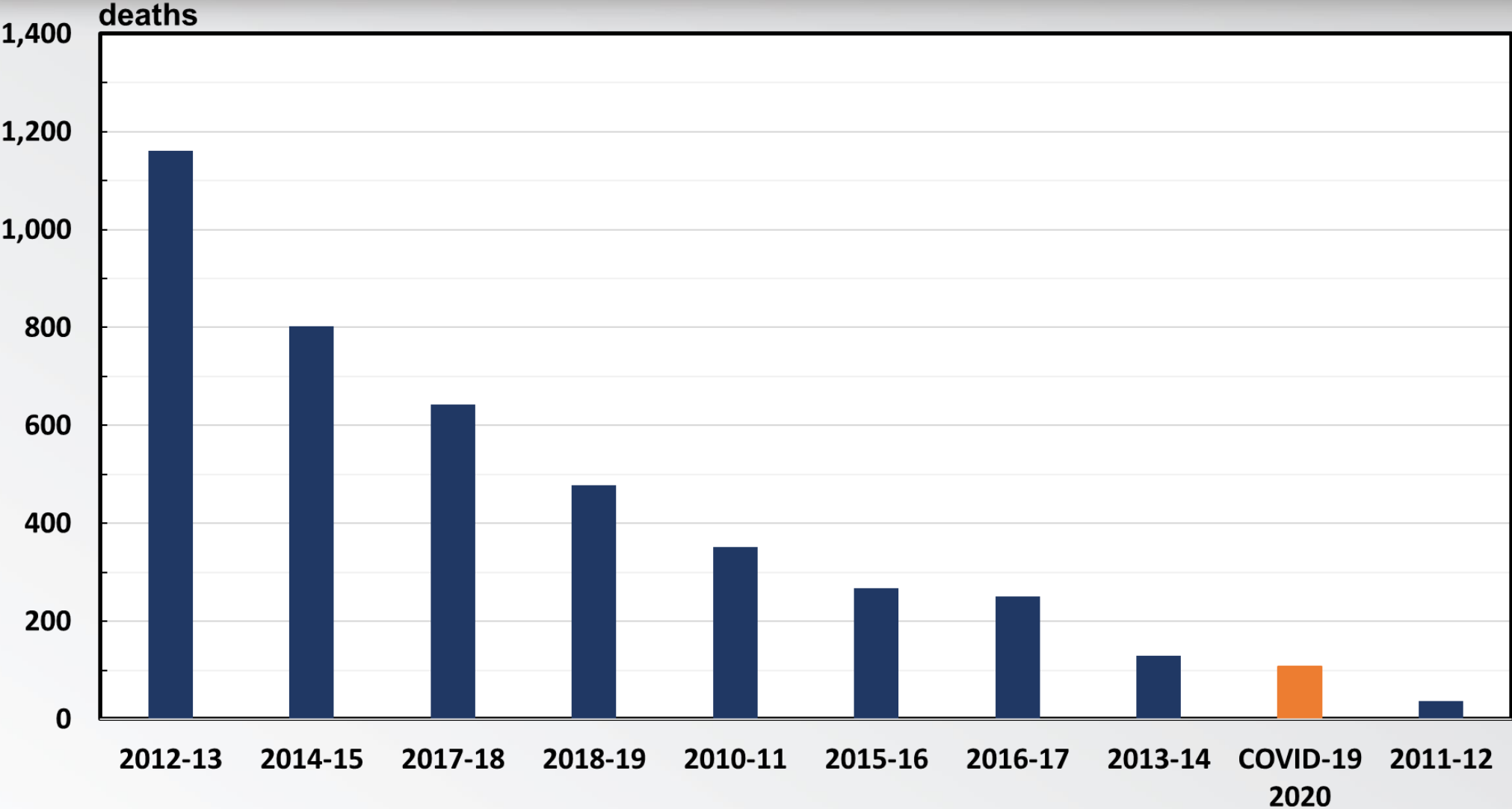
For illustrative purposes only.

# DEATHS BY AGE VS. SHARE OF POPULATION IN THE US



Source: CDC.gov, National Center for Health Statistics Data through 9/26/2020

# FLU DEATHS OF KIDS AGED 0-17 (2010-2019) VS. COVID-19 DEATHS OF KIDS AGED 0-17

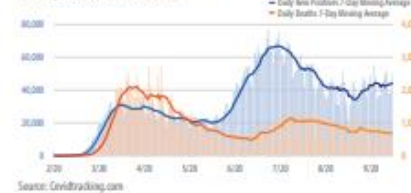


Source: CDC.gov, Data through 10/17/2020

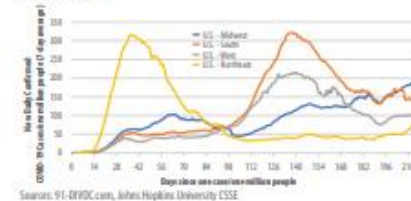
# COVID-19 TRACKER

## First Trust COVID-19 TRACKER

### Daily Reported New Positive COVID-19 Tests vs. Daily Reported Deaths from COVID-19 in the U.S. February 26, 2020 - October 7, 2020



### Daily Reported COVID-19 Cases by U.S. Regions, Normalized by Population As of October 7, 2020



### School Reopening Infection Rates September 14, 2020 - September 27, 2020

	Students	Teaching Staff
In-Person Learning	0.17%	0.24%
Hybrid or Limited In-Person	0.12%	0.25%
Remote Only	N/A	0.27%

Source: Quilltics.com. Quilltics COVID-19 School Response Dashboard. Data is based on survey data collected by Quilltics from 1200+ schools (elementary-HS) across the country.

\*HHS.gov (July 22, 2020); \*Bloomberg.com (October 6, 2020)

Hospitals that admitted over 160 COVID-19 patients from January 1 to June 10, 2020 received \$50,000 in "high-impact" payments per eligible admission from the CARES Act.<sup>1</sup>

### COVID-19 Deaths by Age vs. Share of Population in the U.S. As of October 7, 2020

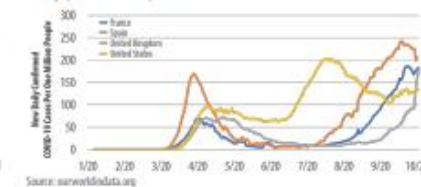


### Total Deaths and COVID-19 Deaths in the U.S. by Age Group February 1, 2020 - October 3, 2020



A recent survey by Cisco of 1,569 business executives, knowledge workers and others who are responsible for employee environments in the post-Covid era concluded that working from home is the "new normal" with over 90% of respondents saying they won't return to the office full time even after the pandemic is over.<sup>2</sup>

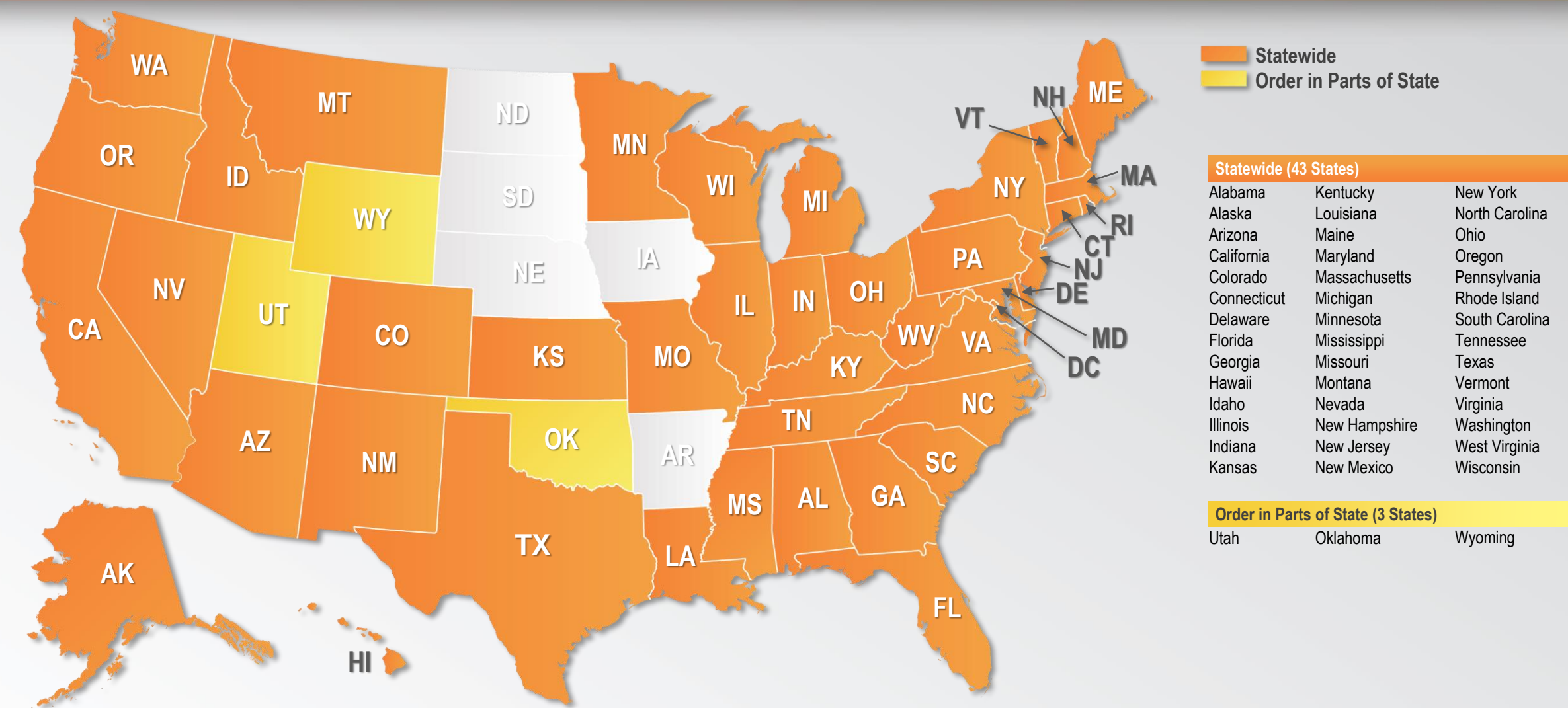
### Europe's Second Wave January 1, 2020 - October 7, 2020



**“Weighing benefits against costs is the way most people make decisions - and the way most businesses make decisions, if they want to stay in business. Only in government is any benefit, however small, considered to be worth any cost, however large”**

**-Thomas Sowell**

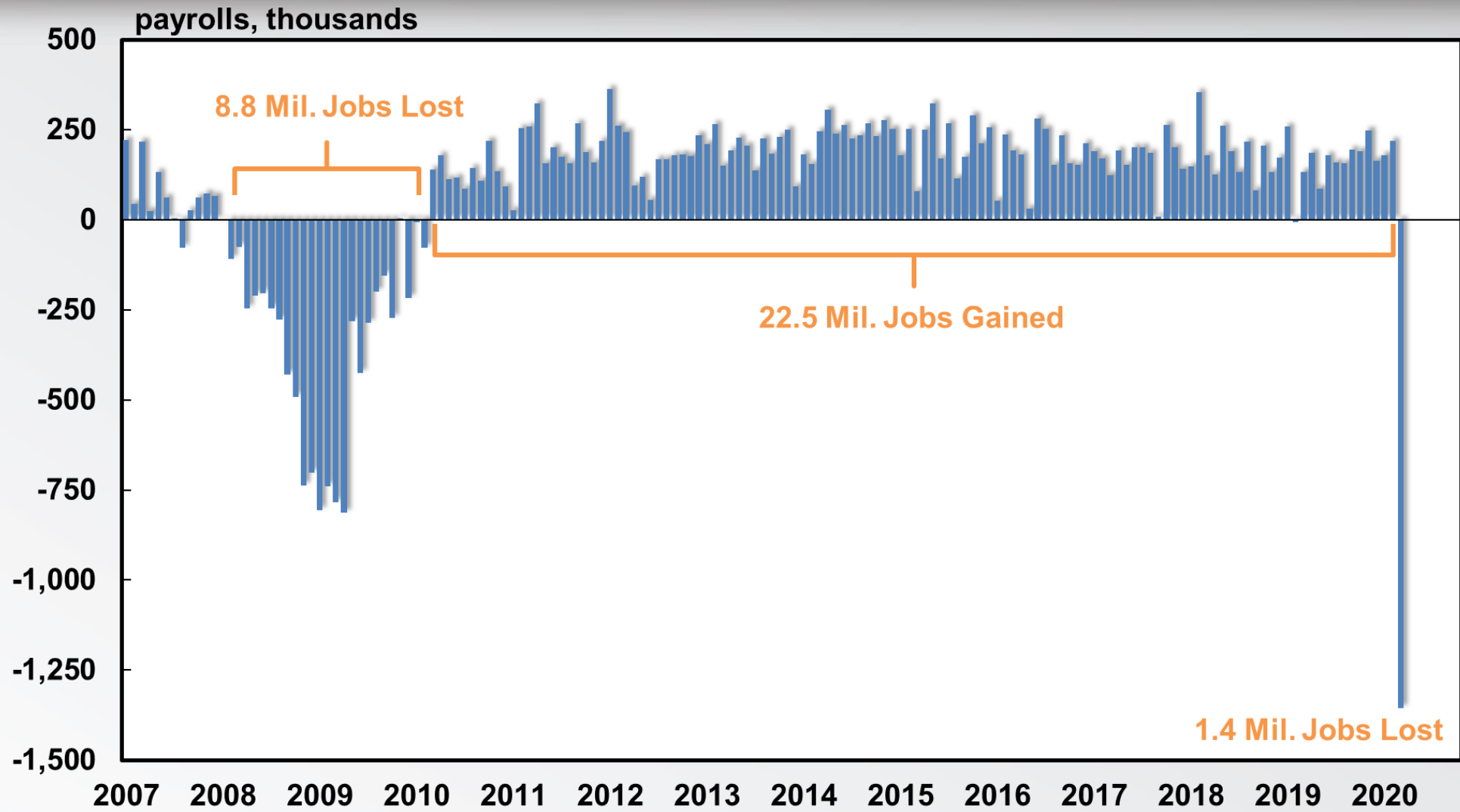
# STAY AT HOME ORDER



Source: First Trust Advisors, The New York Times. As of 4/20/20.

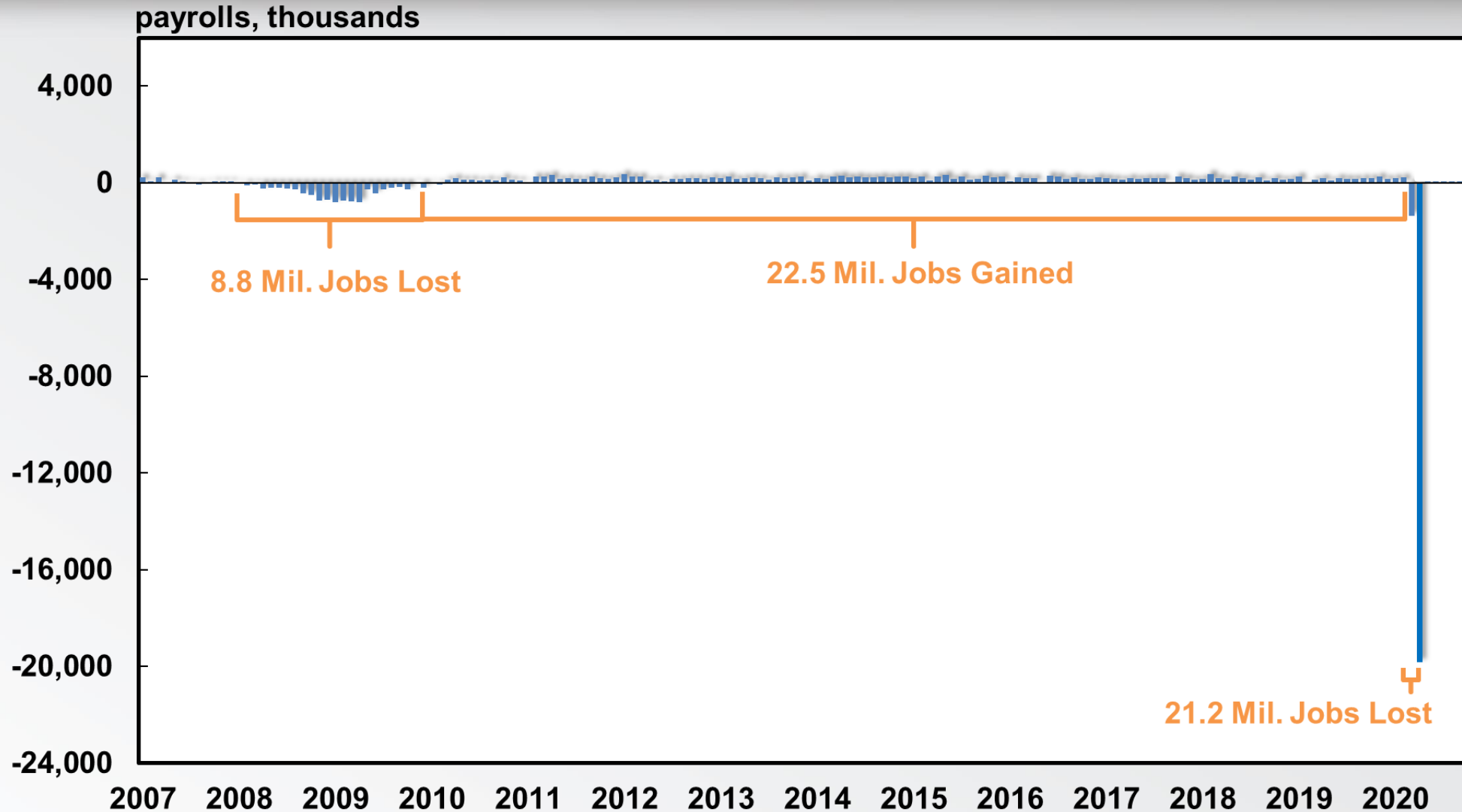


# PRIVATE PAYROLLS, MONTHLY CHANGE



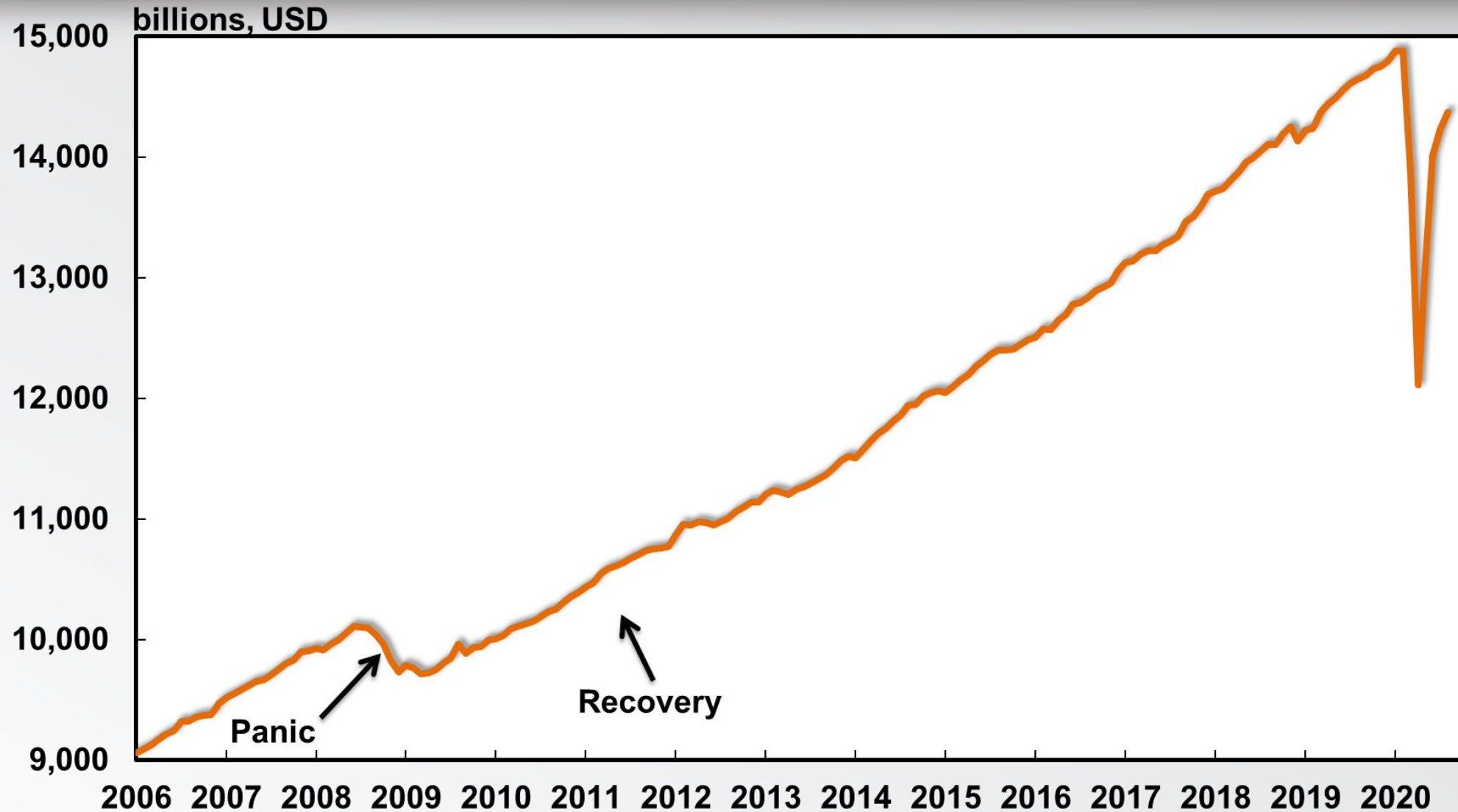
Source: Bureau of Labor Statistics. Data from January 2007 – March 2020

# PRIVATE PAYROLLS, MONTHLY CHANGE



Source: Bureau of Labor Statistics. Data from January 2007 – August 2020

# PERSONAL CONSUMPTION



# HIGH FREQUENCY DATA

Indicator	Date (2020)	Level	Year Ago Level	% Change YOY	% Change MOM	% Change WOW
Initial Jobless Claims	10/16/2020	787,000	213,000	269.5%	-9.9%	-6.5%
Continuing Jobless Claims	10/9/2020	8,373,000	1,691,000	395.2%	-34.3%	-10.9%
ASA Staffing Index	10/11/2020	83.2	97.1	-14.3%	7.1%	1.4%
Weekly Retail Sales <sup>1</sup>	10/17/2020	2.5%	4.3%	NA	NA	NA
Box Office Receipts	Oct 9-15	\$12,559,579.00	\$202,182,448.00	-93.8%	-15.3%	16.5%
Rail Car Traffic (cars)	10/16/2020	518,763	507,547	2.2%	-0.6%	-0.3%
Steel Production (net tons)	10/19/2020	1,535	1,841	-16.6%	6.2%	2.2%
Hotel Occupancy	Oct 11-17	50.1%	80.8%	-30.7%	1.5%	0.1%
Hotel Average Daily Rate	Oct 11-17	\$97.69	\$136.25	-28.3%	1.9%	0.0%
Hotel Revenue per Available Room	Oct 11-17	\$48.91	\$98.41	-50.3%	5.1%	0.1%
OpenTable State of the Restaurant Industry <sup>2,3</sup>	10/21/2020	NA	NA	-46.9%	-9.3%	-6.7%
TSA Checkpoint Data <sup>2</sup> (7-day moving average)	10/21/2020	860,140	2,394,472	-64.1%	22.5%	0.1%
Supply of Motor Gasoline in the US (Mbbbl/d)	10/16/2020	8,289	9,590	-13.6%	-2.7%	-3.3%

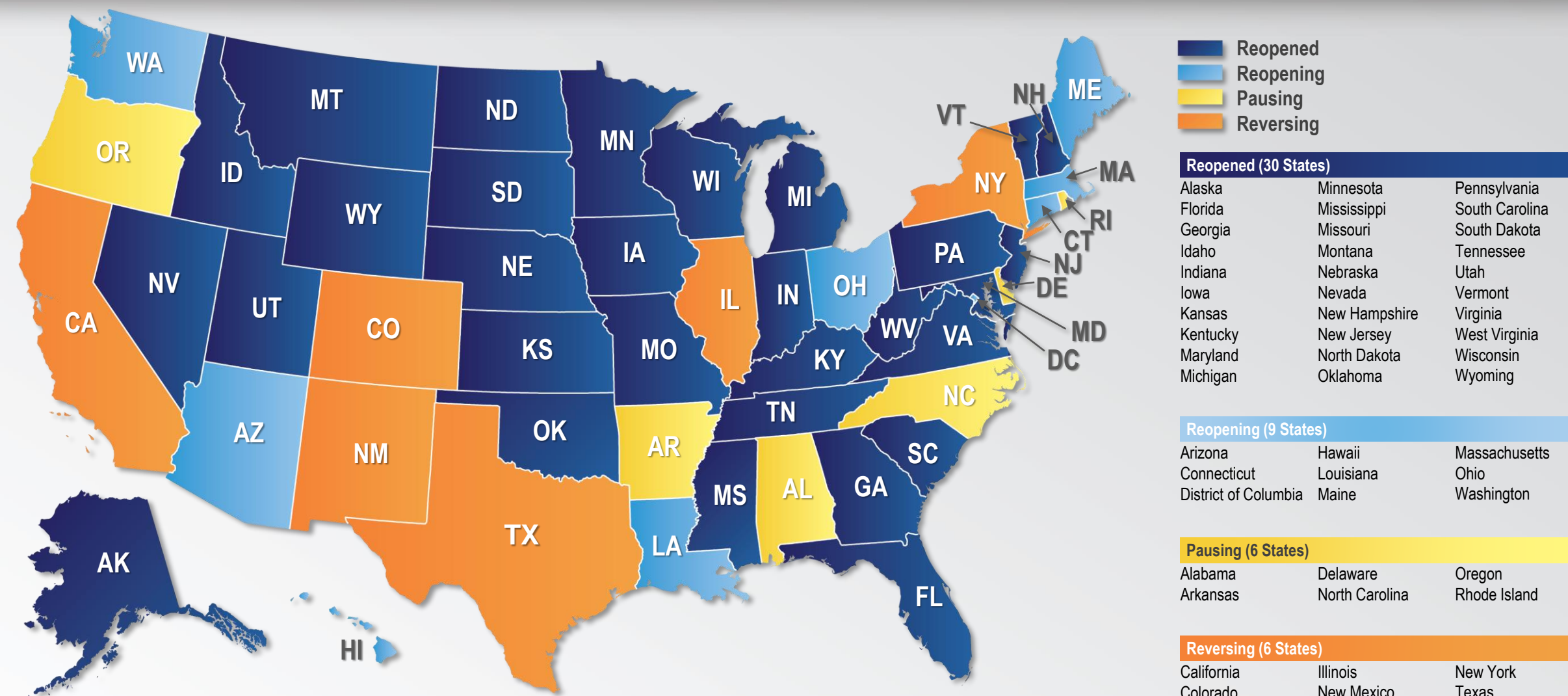
Source: First Trust Advisors, Bloomberg, Department of Labor, Redbook Research, Box Office Mojo, Association of American Railroads, American Iron and Steel Institute, Hotel News Now, OpenTable, Transportation Security Administration, Energy Information Administration, American Staffing Association

<sup>1</sup> Data for level and year ago level are both YOY % changes.

<sup>2</sup> Data is provided daily instead of weekly.

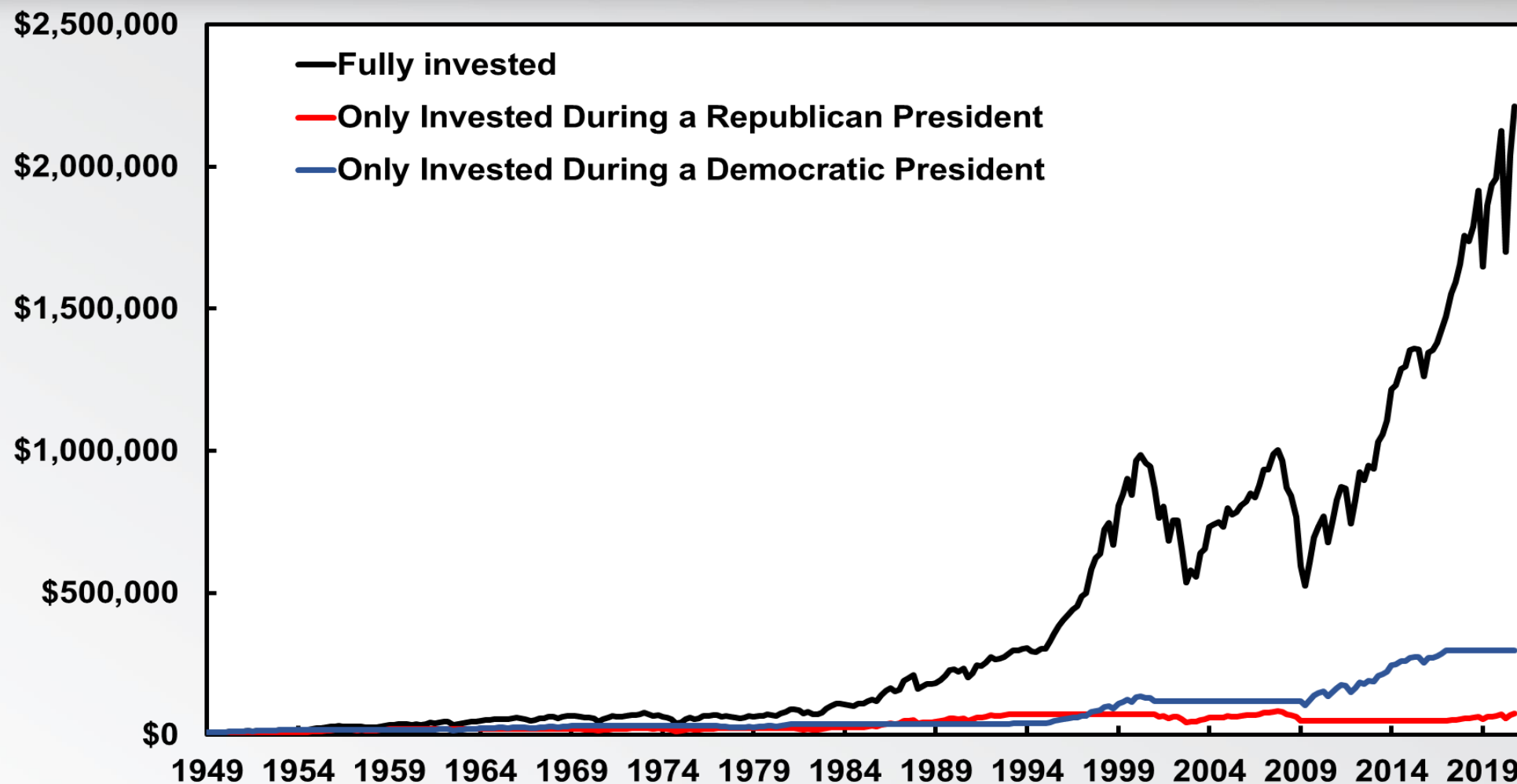
<sup>3</sup> Data shows year-over-year seated diners at restaurants on the OpenTable network across all channels: online reservations, phone reservations, and walk-ins. % change month over month is the current reading minus the month ago reading.

# REOPENING AMERICA



Source: First Trust Advisors, The New York Times. As of 10/22/20 and subject to change.

# GROWTH OF \$10,000 IN THE S&P 500 SINCE 1949



Source: Standard & Poor's, FT Advisors. Data quarterly from 1949 – Q3 2020

**Past performance is no guarantee of future results.** For illustrative purposes only and not indicative of any actual investment. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. These returns were the result of certain market factors and events which may not be repeated in the future.

# ODDS ON ELECTION RESULTS

**Status Quo: 30%**

**Trump Wins, Democratic Congress: 5%**

**Republican sweep 0%**

**Democratic Sweep: 50%**

**Biden Wins, Status Quo Congress: 15%**

# BIDEN'S MAJOR TAX PROPOSALS

**Lift Top Personal Rate to 39.6% from 37%**



**Raise Corporate Rate to 28% from 21%**



**Eliminate Step-Up in Basis at Death**



**Treat Cap Gains and Dividends as Regular Income for Those Earning \$1 Million +**

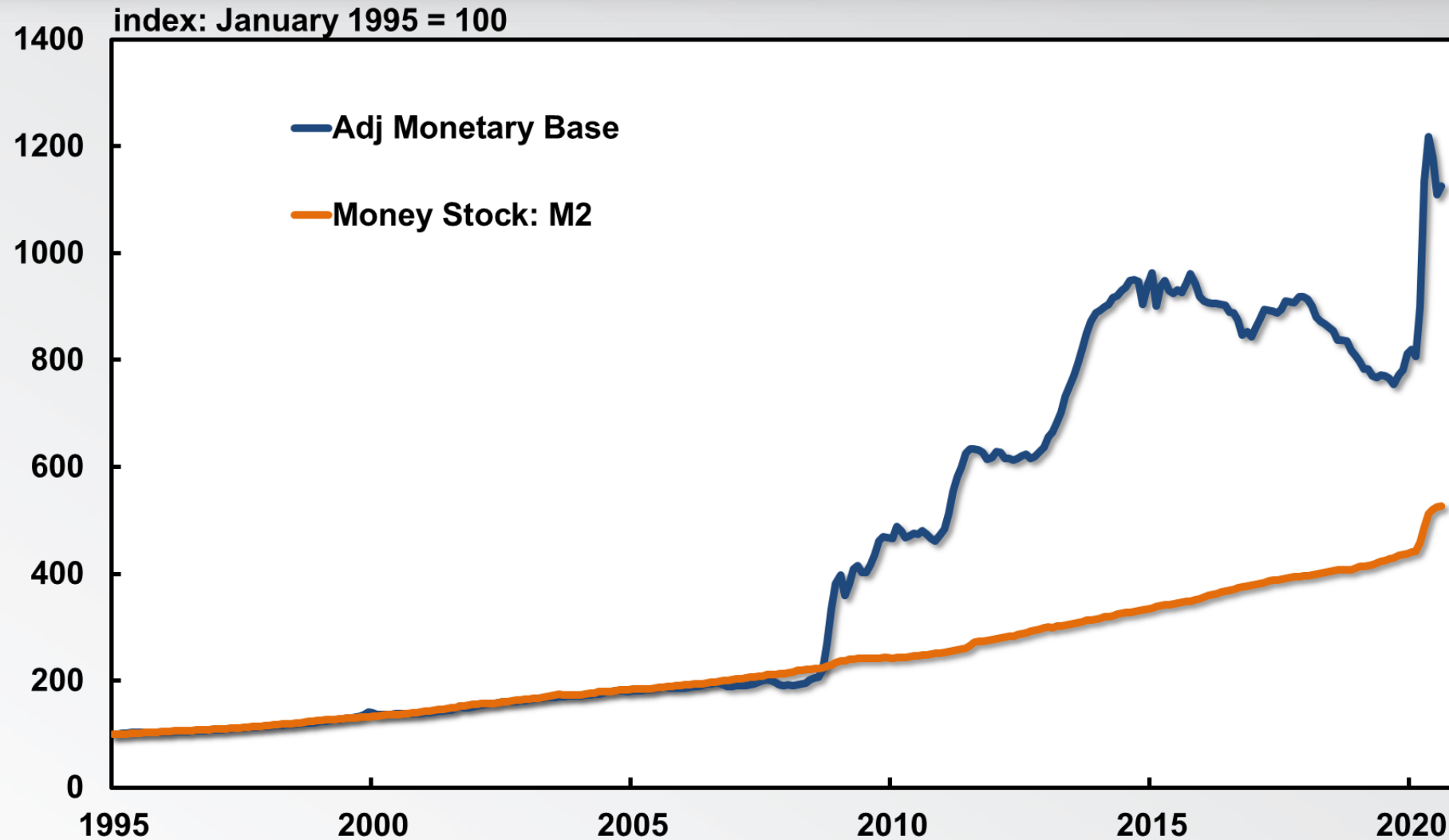


**Apply Social Security Tax >\$400,000**



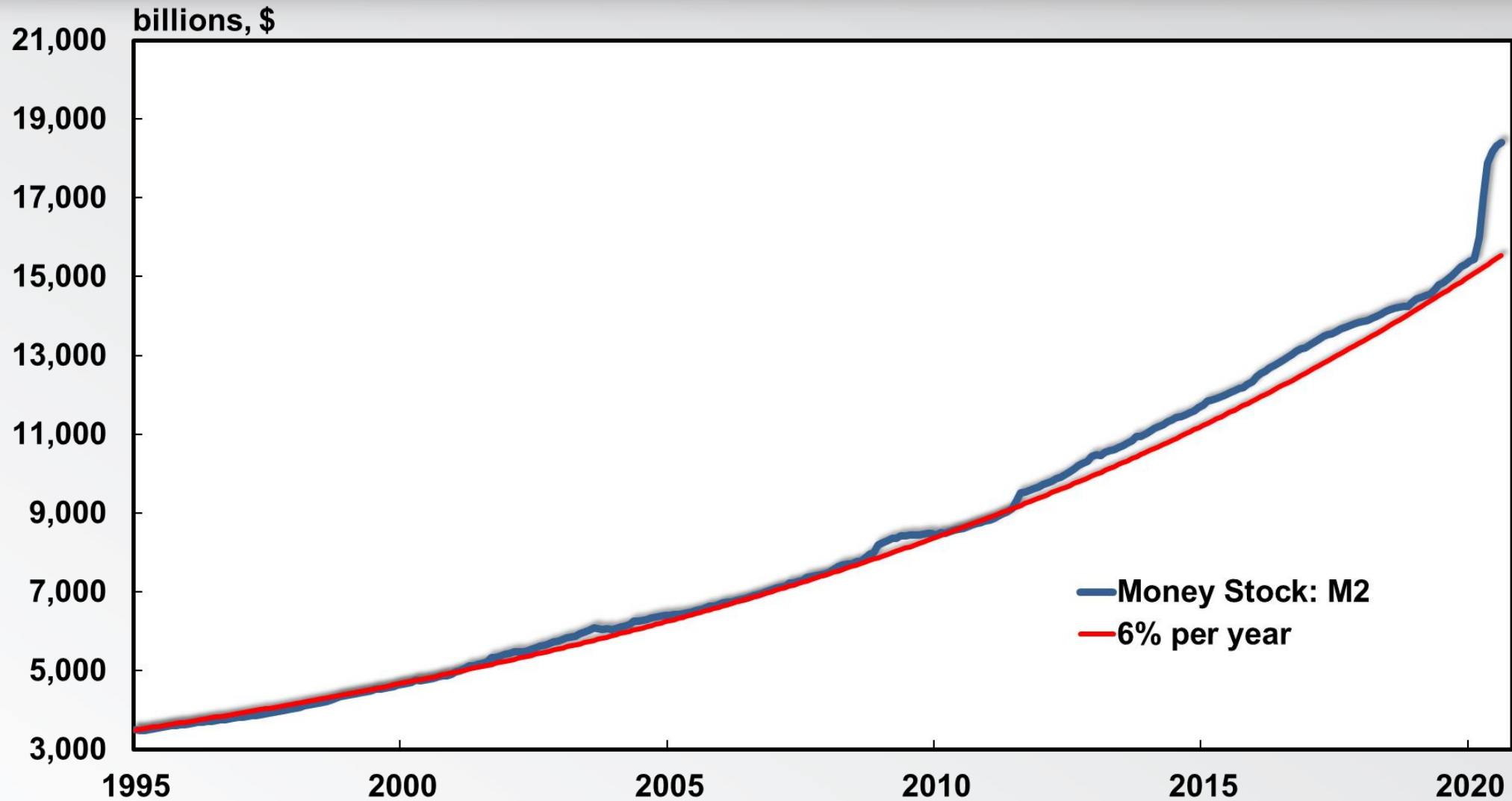


# M2 MONEY SUPPLY



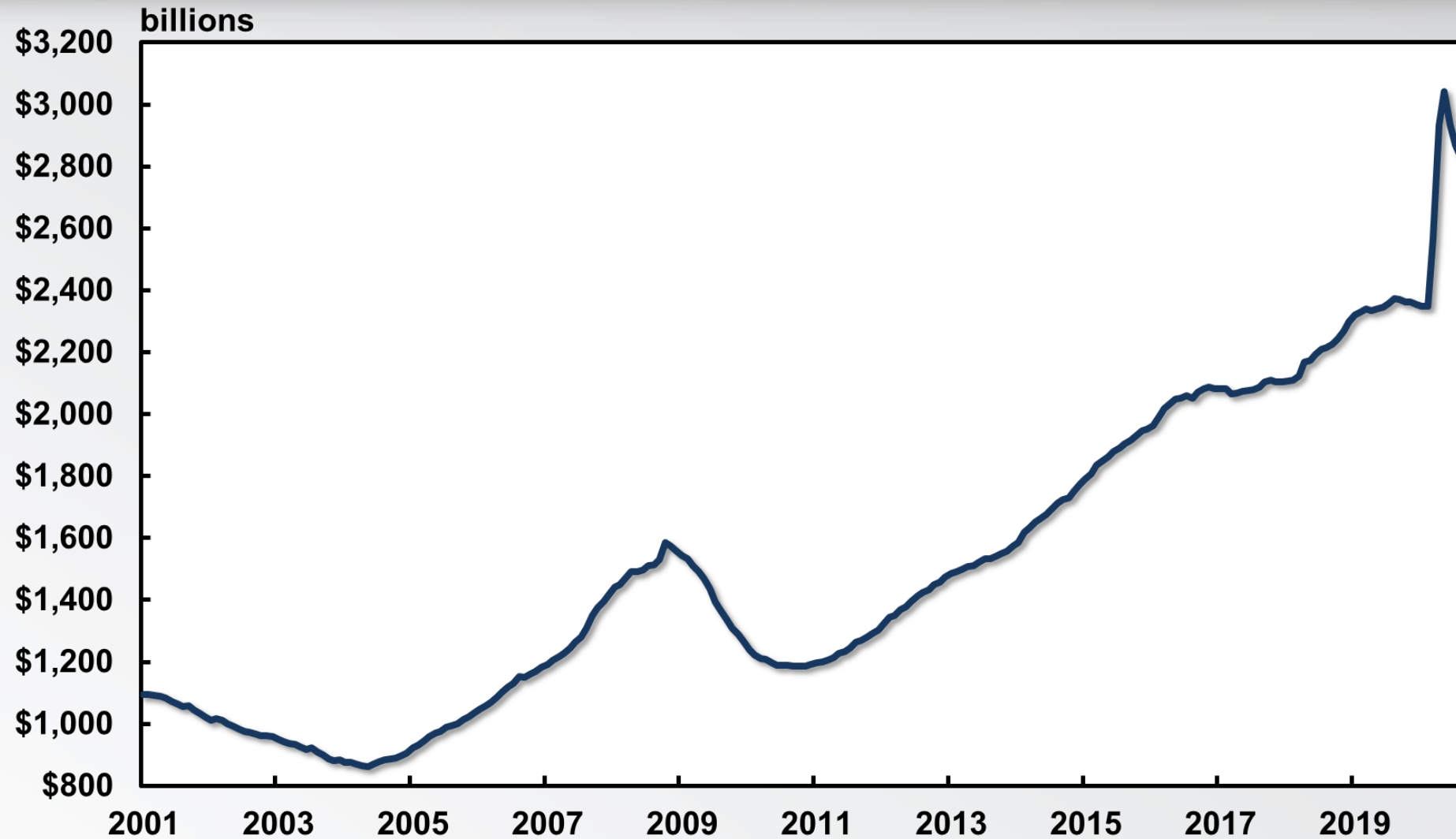
Source: Federal Reserve Board of St. Louis. Data Through August 2020.

# M2 MONEY SUPPLY



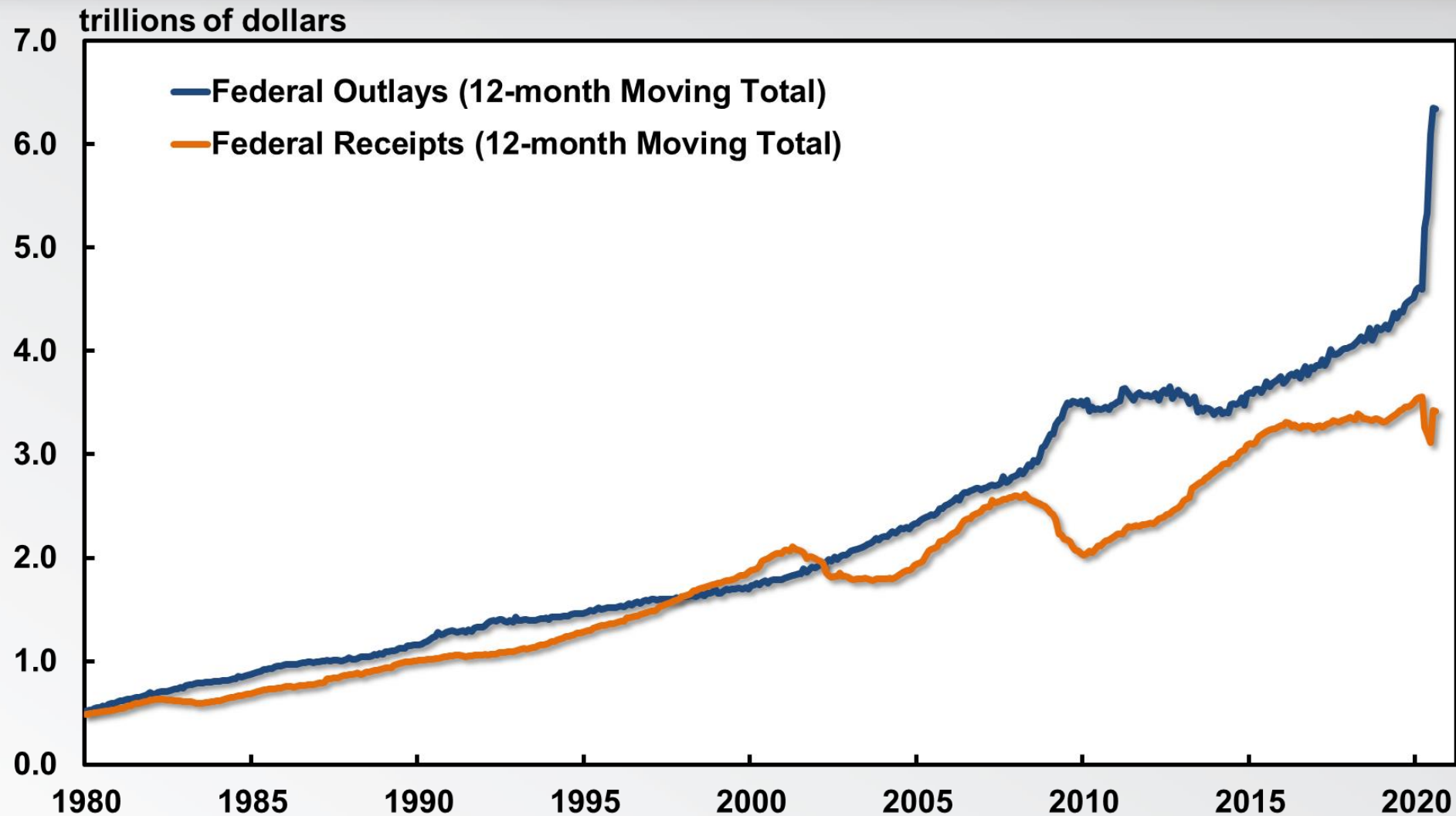
Source: Federal Reserve Board of St. Louis. Data Through August 2020

# COMMERCIAL AND INDUSTRIAL LOANS



Source: Federal Reserve Board of St. Louis. Data Through June 2020

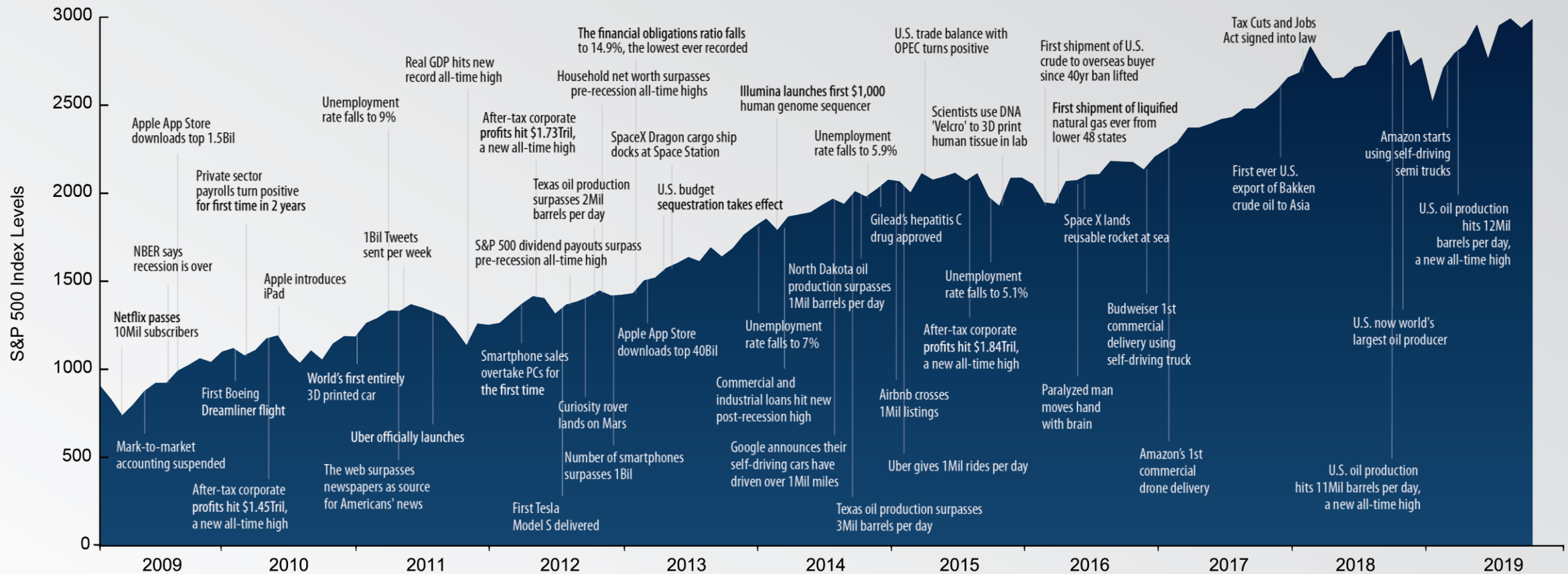
# GOVERNMENT SPENDING VS. REVENUES



Source: U.S. Treasury. Data Through August 2020

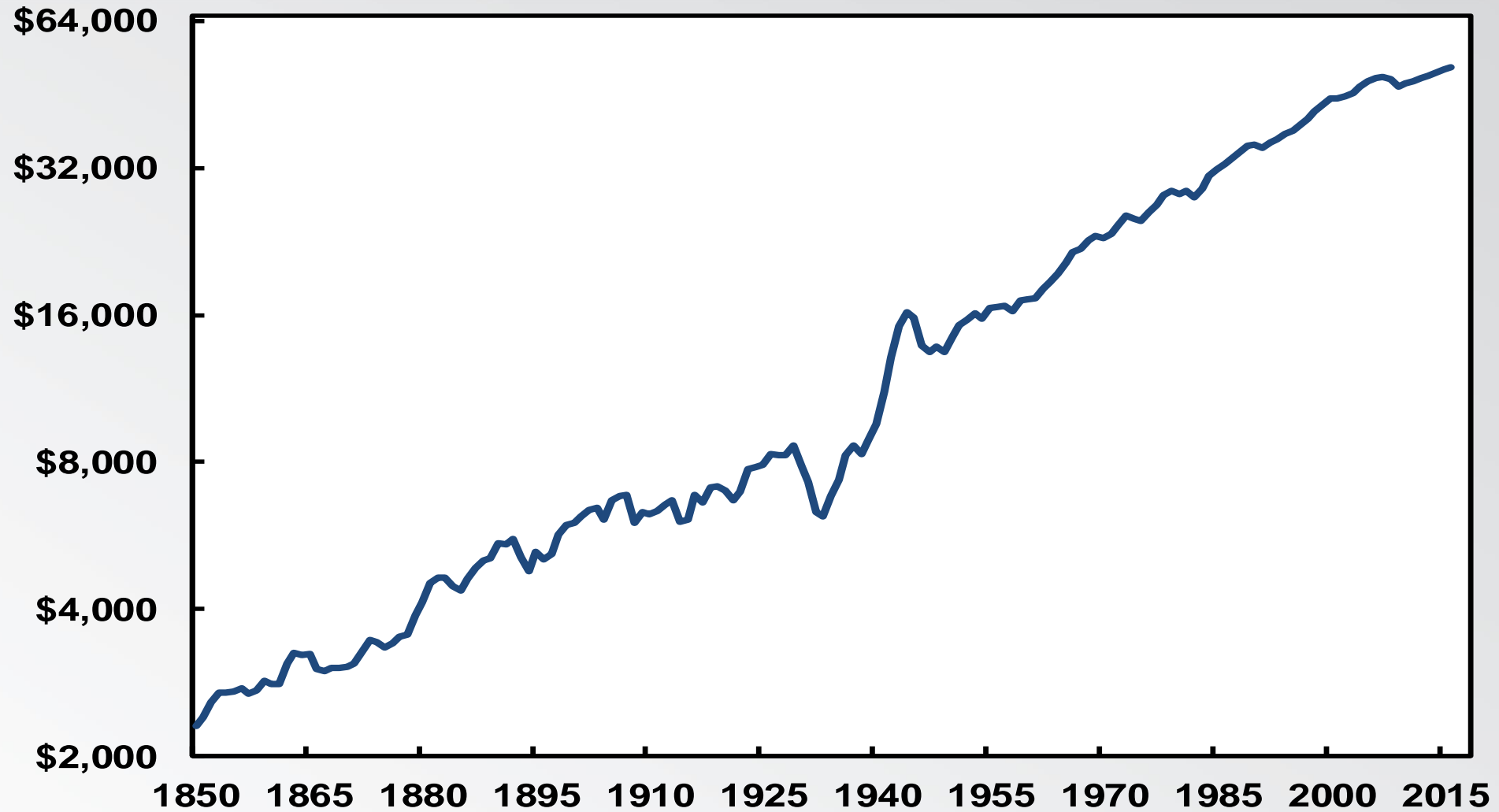
# S&P 500 INDEX: JANUARY 2009 – DECEMBER 2019

## S&P 500 Index: The Golden Geese at Work



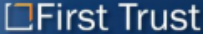
Source: First Trust Advisors L.P. Note: This chart is for illustrative purposes only and not indicative of any actual investment. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Stocks are not guaranteed and have been more volatile than the other asset classes. These returns were the result of certain market factors and events which may not be repeated in the future. Past performance is no guarantee of future results.

# U.S. REAL GDP PER CAPITA 1850-2018



Source: Louis Johnston and Samuel H. Williamson, "What Was the U.S. GDP Then?" MeasuringWorth, 2019

# MONDAY MORNING OUTLOOK

  
Monday Morning **OUTLOOK**

Brian S. Wesbury – Chief Economist  
Robert Stein, CFA – Dep. Chief Economist  
Strider Ellass – Senior Economist  
Andrew Opdyke, CFA – Economist  
Bryce Gill – Economist

630-517-7756 • www.ftportfolios.com March 23, 2020

## The Coronavirus Contraction

Due to fears about the Coronavirus – more specifically, the forceful government measures designed to halt its spread, the US is on the front edge of the sharpest decline in economic activity since the Great Depression.

The US economy was on track to grow at around a 3.0% annual rate in the first quarter before fears and response measures escalated. Don't just take our word for it, the GDP model used by the Federal Reserve Bank of Atlanta is still projecting real GDP growth at a 3.1% annual rate in the first quarter. That model generates a forecast based on the reported data available through March 18th, which reflects all the key economic reports for January as well as some of the key reports on activity for February.

But we all know the reports for March are going to be horrible. Initial unemployment claims recently increased 70,000 to 281,000. We're projecting an increase to 1,500,000 for last week. To put this in perspective, the peak for any week during the Great Recession of 2008-09 was 665,000. The record high was 695,000 in October 1982. In other words, it's getting ugly out there.

The hard data for March will show severe declines in business activity across many sectors: hotels, restaurants, airlines, autos, you name it. Small businesses are getting killed – murdered really – as government smothers them with restrictions stiffer than anything seen during the notorious Spanish Flu of 1918, the Asian Flu of 1957-58, or the Hong Kong Flu of 1968-69.

Our best guess – and, at this point, given the unprecedented nature of the situation, anyone who calls it anything other than a "guess" should be taken with a grain of salt – is that the US economy will contract at about a 35-40% annual rate in both March and April, stabilize in May, and then start growing again, gradually, in June. Translating this into quarterly changes, we're projecting a 1.5% annualized decline in Q1, a massive 20% annualized drop in Q2, but with the economy growing at a 3.0% annual rate in Q3 and a 3.5% rate in Q4 and beyond.

To put this in perspective, the fastest drop in real GDP in any quarter in the past 73 years (so, since 1947) was the first quarter of 1958, when the US was hit by the Asian flu and fell at a 10% annualized rate.

It's important to remember that certain parts of GDP will not feel a pinch, like the rental value of homes, health care, government purchases, or groceries. We're guessing business investment in intellectual property will hold up well, too.

We don't have to fully eradicate the Coronavirus to start growing again. The largest downward pressure on the economy is likely to be felt when the number of new cases is peaking. Once new cases have peaked, we're likely to see a combination of either an easing of government restrictions or, informally, fewer businesses and customers complying with those restrictions. Implicitly, we're projecting the growth in new cases will peak by mid-April, which is why we're forecasting that economic activity levels off in May and grows beyond.

In the meantime, economy-wide corporate profits are likely to temporarily plummet, dropping by 60-80% in the second quarter. Policymakers have a number of imperatives that need to be addressed ASAP, including preventing job losses, helping those who lose jobs and customers due to the government's restrictions, and expanding tests and quarantines for the ill so restrictions can be loosened on the rest of us. We are not typically big supporters of expansive unemployment benefits, but the situation is much different when the government is forcing businesses to shut down.

Time is of the essence. Free-market capitalism, the American way of economic life, is not consistent with mass government-imposed shutdowns of business activity. Those shutdowns, if they last too long, will erode future living standards and may end up killing more people than the Coronavirus itself. The faster we can end the shutdown, consistent with general health and welfare, the better. Therapeutics and, eventually, a vaccine are needed, and will help stem an economic downturn that could lead to a permanent (and ultimately harmful) expansion of the federal government.

The days ahead are going to be tough, no doubt about it. But in the end, the spirit of America will prevail. It always does.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
3-24 / 9:00 am	New Home Sales – Feb	0.750 Mil	<b>0.760 Mil</b>		0.764 Mil
3-25 / 7:30 am	Durable Goods – Feb	-1.0%	<b>+1.2%</b>		-0.2%
7:30 am	Durable Goods (Ex-Trans) – Feb	-0.4%	<b>-0.3%</b>		+0.8%
3-26 / 7:30 am	Initial Claims – Mar 21	1.500 Mil	<b>1.500 Mil</b>		0.280 Mil
7:30 am	Q4 GDP Final Report	2.1%	<b>2.1%</b>		2.1%
7:30 am	Q4 GDP Chain Price Index	1.3%	<b>1.3%</b>		1.3%
3-27 / 7:30 am	Personal Income – Feb	+0.4%	<b>+0.4%</b>		+0.6%
7:30 am	Personal Spending – Jan	+0.2%	<b>+0.2%</b>		+0.2%

Consensus forecasts come from Bloomberg. This report was prepared by First Trust Advisors L.P. and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.

Any Questions?

Feel free to reach out to me:

Email: [selass@ftadvisors.com](mailto:selass@ftadvisors.com)

Twitter: @striderelass

Linkedin: Strider Ellass

[selass@ftadvisors.com](mailto:selass@ftadvisors.com)