

## OBSERVATIONS

- COVID-19: Moderna on track to produce 20 million doses of its experimental vaccine by year end 2020. Meanwhile, after less than 2 months of human trials and lacking completion of a Phase 3 trial, Russia has secured international demand of nearly 1.2 billion doses of its vaccine drug 'Sputnik V' (named for the satellite that launched before the U.S. during the space race).<sup>1</sup>
- Deal activity: Last week's 12 IPOs in the U.S. raised nearly \$7bn and was the busiest week since May 2019 when Uber Technologies went public.<sup>2</sup> Announced M&A deals last Monday, 14-Sept, totaled \$69bn – fastest start of a week since November 2019.<sup>3</sup>
- A byproduct of lockdowns for the Southern Hemisphere: Argentina, Australia, Chile, New Zealand, Paraguay and South Africa all experienced dramatically fewer Flu related deaths per 100,000 people during 2020 than the average experience between 2015-2019.<sup>4</sup>
- 30- & 90-day credit card delinquencies fall again and are below 1 year ago levels.<sup>3</sup>
- The Federal Reserve closed its 2-day meeting on 16-Sept (note: last meeting before the election) and reinforced that short-term interest rates would remain near zero through at least 2023.<sup>3</sup>
- The Bank of England held steady with near zero interest rates, while maintaining current levels of asset purchases. The central bank also set plans to evaluate how a negative interest rate policy could be implemented.
- Business closures: Yelp data suggests that 60% of the 164k businesses that have closed will not reopen.<sup>3</sup>
- Homebuilder confidence reaches yet another new high, while lumber prices have jumped over 170% since the middle of April adding nearly \$16k to the cost of a new home<sup>5</sup>. NAHB Chief Economist also note "In another sign of this growing trend, builders in other parts of the country have reported receiving calls from customers in high-density markets asking about relocating."
- The S&P 500 posted its 3<sup>rd</sup> consecutive week of losses last week – the longest weekly losing streak since September 2019.<sup>3</sup>

## EXPECTATIONS

- Retail sales rose 0.6% MoM in August, lower than forecasts of a 1.0% gain. The slowing highlights concerns over ebbing stimulus and general slowing from pent up spending that occurred as states re opened during the summer. On a YoY basis, sales climbed 2.6% in August from the same month one year ago.<sup>3</sup>
- The 'Problem Solvers Caucus' has introduced a \$1.5 trillion spending bill, which may form the basis of compromise between dueling Republican and Democratic spending bills to provide additional support to economy and buttress consumer spending.<sup>6</sup>

## ONE MORE THOUGHT

The popularized definition of recession is associated with periods of declining economic activity – more specifically described as a decline in real GDP over 2 consecutive quarters. The Business Cycle Dating Committee of the National Bureau of Economic Research (NBER) bears the responsibility of officially dating peaks and troughs in U.S. cycles. In its determination of recession, the NBER follows a number of measures, with an emphasis on personal income (less transfer payments) and employment. Other variables that are taken into consideration include initial jobless claims, industrial production, retail sales, and household employment.<sup>7</sup> The NBER notes that these factors are incorporated only as deemed of value and that "there is no fixed rule about which other measures contribute

<sup>1</sup> Cnn.com, WSJ.com, The Lancet

<sup>2</sup> Marketwatch, Financial Times

<sup>3</sup> Bloomberg LP

<sup>4</sup> <https://www.economist.com/graphic-detail/2020/09/12/the-southern-hemisphere-skipped-flu-season-in-2020>

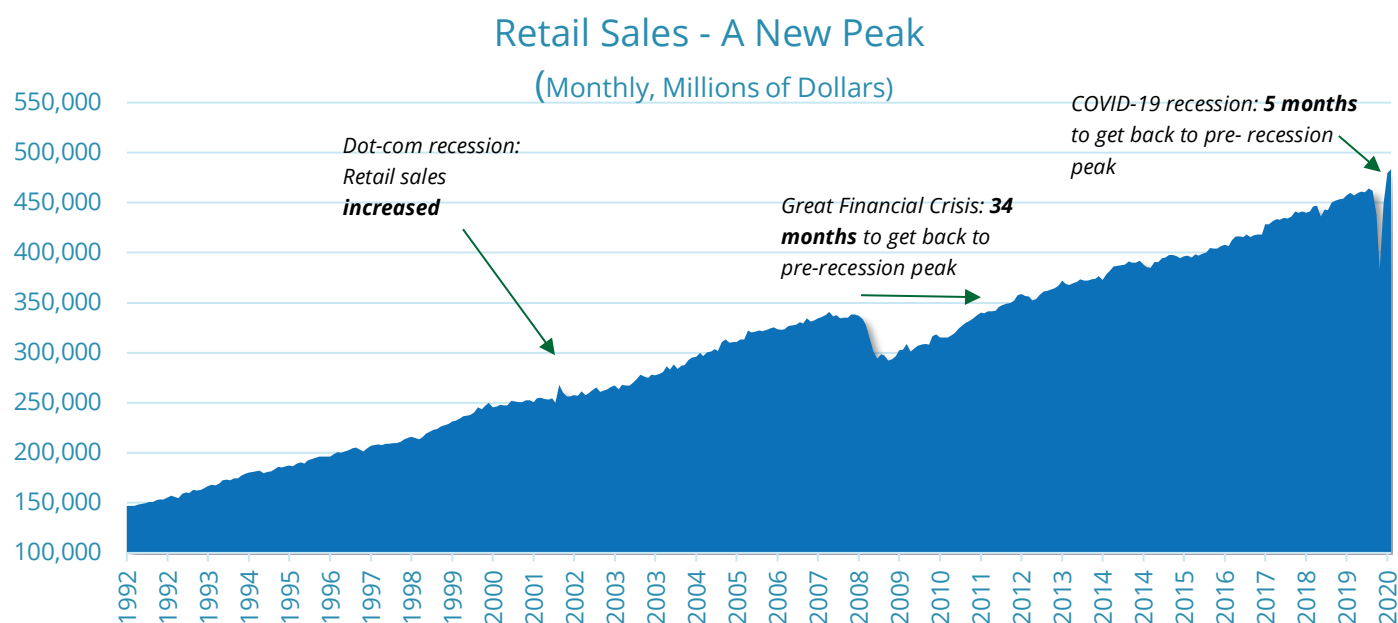
<sup>5</sup> National Association of Home Builders, 16-Sept

<sup>6</sup> <https://problemsolverscaucus-gottheimer.house.gov/>

<sup>7</sup> <https://www.nber.org/cycles/recessions.html>

information to the process or how they are weighted in the committee's decision." Taking a look at some of the indicators, industrial production and personal income (less transfer payments) remain -7.3% and -5.0% below pre pandemic levels, respectively.<sup>8</sup> The unemployment rate stands at 8.4% compared to a pre-crisis 3.5%, while the 4-week average for initial jobless claims stands at 971k compared to 232k pre-crisis.<sup>7</sup> In contrast to the prior indicators, retail sales have made a new peak (see chart of the week). All of this points to the complexities the NBER will likely have as it decides on what factors, and to what extent these factors, influence the official tenure of the pandemic recession.

## CHART OF THE WEEK



Source: Clearstead, U.S. Census Bureau, Advance Retail Sales: Retail (Excluding Food Services) [RSXFS], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/RSXFS>, September 15, 2020.

Retail sales peaked in January of 2020 and declined -17.5% in the depths of the pandemic crisis, and by June they had reached a new high – eclipsing the January level by +4.2%.<sup>9</sup>

Carl Tippit, CFA  
Head of Investments  
Clearstead

Aneet Deshpande, CFA  
Chief Strategist  
Clearstead

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<sup>8</sup> Bloomberg LP

<sup>9</sup> Clearstead, Federal Reserve Bank of St. Louis