

Bullish and bearish COVID-19 developments for September

By: Marshall L. Stocker, Ph.D., CFA | September 21, 2020

Boston - Headlines tracking the scope of the coronavirus pandemic —such as new daily cases and death rates — may bedriving investor sentiment. We continue to monitor key reports to gain some visibility into how much longer this global crisis could continue.

Here are the latest health and public policy updates related to COVID-19, developments that we consider either bullish or bearish, and the economic and market impacts.

Health and policy updates

- Dr. Fauci says life will not return to normal until "well into 2021, maybe even towards the end of 2021." He has expressed concern that the US is plateauing at around 40,000 [new] cases a day and daily deaths of around 1,000.
- Brookings Institute fellow Robert Litan proposed that each American who receives a COVID vaccine be paid \$1,000 by the government, which would recognize the positive externality that accrues to the community when enough people are vaccinated. He also suggested holding back most of the payment until 80% of Americans are vaccinated. Harvard's Gregory Mankiw opined in the New York Times that this is a good idea and "textbook economics."
- In California, the "Right to Know" bill would require employers to notify their employees of COVID-19 cases, as well as alert county public health departments. Companies haven't always notified public health officials or even their own employees of outbreaks.
- The White House ordered the end to COVID-19 airport screenings for international travelers. As of this week, international flights will no longer be funneled into one of 15 airports for screening purposes.
- A federal judge ruled unconstitutional Pennsylvania Gov. Tom Wolf's pandemic restrictions that required people to stay at home, placed size limits on gatherings and ordered "non-life-sustaining" businesses to shut down.
- JPMorgan sent some of its Manhattan workers home this week after an employee in equities trading tested positive for COVID-19, just days after the biggest US bank told senior traders they'd be required to return by September 21.

Bullish virus developments

- Researchers at Massachusetts General Hospital have found that increased internet searches on gastrointestinal symptoms predicted a rise in COVID-19 cases weeks later.
- The 20-second saliva test trialed at Heathrow Airport has been launched for broader use. Per test cost is similar to a "paperback book" and requires a \$20,000 machine that can process hundreds of tests per day. No details on how quickly the test's manufacturer plans to ramp up product distribution.
- Chinese vaccines will be ready for use in November as clinical trials have been progressing smoothly and preparations are being made to go into mass production, says China CDC's chief biosafety expert Wu Guizhen.

Bearish virus developments

- EVM's Federico Sequeda reports that the correlation between lagged mobility and new case growth has shot up in the US, noting that this correlation can show whether public policy and individual behavior can change the link between economic activity and the virus. In Germany, the opposite is observed, where increased mobility has not correlated to increased case growth.
- According to a pre-publication study, COVID-19 dissects heart muscle fibers into small, precisely sized fragments which could permanently damage heart cells. The finding was made in heart cells of in a lab dish, but the researchers found evidence that a similar process could be happening in the hearts of COVID-19 patients as well.
- Research published last week in the journal JAMA Cardiology found that 4 out of 26 college athletes had signs of a heart condition called myocarditis after recovering from COVID-19. Researchers were surprised the condition is only noticeable on an MRI as blood tests and EKGs do not reveal any symptoms.
- France recorded almost 10,000 new COVID-19 cases in a 24-hour period last week, marking its highest single-day count since the start of the outbreak and exceeding the first wave peak.
- The CDC found people with COVID-19 were twice as likely to have eaten out at a restaurant very shortly before becoming sick.

Economic and market impacts

- According to a KFF Health Tracking Poll, 36% of Democrats say COVID-19 is the most important issue when deciding how to vote for President, making COVID-19 their number one issue. For Republicans and independents, COVID-19 ranks third and fourth, respectively, in that list.
- The Organization for Economic Cooperation and Development (OECD) said the economic hit from COVID-19 has been several times worse than the last financial crisis, with the recent global GDP contraction of 6.9% far weaker than the 1.9% growth decline recorded in the worst quarter of 2009.
- George Washington University's enrollment is down about 17% from last year, reports Bloomberg, an early indication of the impact of COVID-19 on US higher education. Some 67% of schools expected enrollment to decrease, and most forecast lower tuition revenue, according to a poll last month by the National Association of College and University Business Officers. Those with big international populations forecast the steepest declines.
- UK house prices are set to fall by nearly 14% from 2020 levels, according to the Centre for Economics and Business Research. The UK's residential property market has so far defied the economic fallout as house prices rose in August by the most in 16 years, driven by a tax break and demand that built up during lockdown, according to Nationwide Building Society.

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"Politics drive perceptions of the COVID-19 pandemic."

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