

## WEEK IN REVIEW

FRIDAY, MAY 29TH 2020

- SOUTH KOREA reported 79 new cases on Thursday, double the amount of new infections from the prior day. This represents the highest number of increased cases since April 5, when 81 was recorded. This follows an outbreak at Seoul nightclubs earlier in the month that led to more than 260 infections. The current spike in new coronavirus cases has been the largest in nearly two months and surfaces concerns of a second wave of infections that challenges the countries highly regarded testing and contact tracing strategy. Current totals for this country reached 11,344, according to the Korea Centers for Disease Control & Prevention. The South Korean government is temporarily closing public museums, parks, and galleries in and around Seoul. The latest outbreak occurred at a distribution center for Coupang Corp., an e-commerce company known for its “rocket delivery service”, which has increased in popularity as the population shifts toward online shopping in response to the pandemic.
- SOME GREEN SHOOTS OF AN ECONOMIC RECOVERY are evident with many indicators showing a recovery from the bottom. Those include a slowing of growth for unemployment filings, increased mortgage applications, higher bookings for air travel and increasing use of public transit. OpenTable bookings have increased from 0% to more than 25% capacity in states that have opened recently. Crude spot has recovered 70% since its lows and has settled around \$34, coming closer to US shale producer’s floor of \$40 to extract profitably. New-home sales in the U.S. unexpectedly increased in April at 0.6% and reflected a 623,000 annual pace. While no country is close to approaching its pre-virus productivity, Germany, Japan and France appear to be rebounding the fastest. Among growth engines in Asia, there are signs that manufacturing is improving. South Korea’s export orders showed a mild increase in May and export orders for Taiwan in April grew for a second month.
- THE TECHNOLOGY INDUSTRY has cut more than 40,000 jobs during the pandemic, with the current month seeing substantial layoffs at Uber, Lyft, and Airbnb. In 2018, startups outpaced their publicly traded counterparts, aided by valuation gains at late-stage private companies. A reversal was recently seen in the Bloomberg Startup Index that has recently lagged the Nasdaq 100. Because tech companies generate more per capita revenue than their industrial counterparts, its performance has a disproportionate impact on various indices. Yet, not all companies have been equally affected by the pandemic. Amazon is adding 175,000 workers to help handle a jump in online orders.
- MONETARY POLICY MAKERS AROUND THE GLOBE have added momentum through increased stimulus. Midweek, Japan announced more than \$1 trillion of support for households and businesses. In addition, the European Commission unveiled a package worth as much as 750 billion euros (\$825 billion) to support the EU’s worst-hit economies.

- AN ONGOING CAMPAIGN CONTINUES AGAINST SOCIAL MEDIA COMPANIES with an executive order that seeks to limit liability protections after Twitter began selectively fact-checking claims by the president. The actions came after Twitter labeled President Trump's posts that mail-in voting would likely be "misleading" and provided links to news coverage of his comments. The company maintains that they sought to combat disinformation and foreign interference campaigns. White House officials contend that Twitter is selective in fact-checking and did not originally append fact checks to China Foreign Ministry Spokesman Lijan Zhao's post that contended "it might be" the U.S. military that brought the coronavirus to China. The fact-check link was later added to the spokesman's tweets.
- ST. LOUIS FED CHIEF, James Bullard, predicts unemployment "will be under double digits by the end of the year," and believes the U.S. economy will recover from the highest unemployment since the depression with a rebound that will push the jobless rate below 10% by December. His views reflect more optimism than many Wall Street economists, where consensus hovers around 10.3%. His projection during a FOX News interview is that "growth right now is probably the worst it's ever been," while the 3rd quarter will be "the best quarter of all time on the growth perspective."

## THINKING AHEAD

This week has seen a slight shift in the headlines, where we see some pause in the medical conversation and an uptick in broader analysis relating to political jostling and public policy. Thus far, there has not been any clear winners in the US/China strife. Other topics that we continue to analyze include overvaluation of markets, inflationary pressures, asset class allocation shifts, and global decoupling. Each of these topics represent a clear risk factor that will drive investor flows, yet none have offered a clear direction over the past few weeks.

Increasing focus has turned to how best to re-open the economy. Currently, 32 states have eased social distancing policies in some form, kicking off the reopening process. Guidelines have suggested that states should have a downward trend of documented cases, yet precise standards remain unclear and many states have opened regardless of testing consistency. Some states, such as Texas, Oklahoma, Michigan, and Minnesota have reopened despite increasing infection rates.

Within those states that have loosened restrictions, signals remain mixed. On the plus side, new business applications have started to tick up and jobless claims have ticked down. On the cautionary side, small businesses have generally remained shuttered and consumers have yet to return to dine-in restaurants to any meaningful degree. As we continue to monitor these and other signs, we have yet to see a consistent difference in terms of economic pickup between opened and closed states.

*We will continue to provide weekly market updates. In the meantime, you can access our thought leadership pieces on our [Insights](#) page and by following us on [LinkedIn](#).*

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