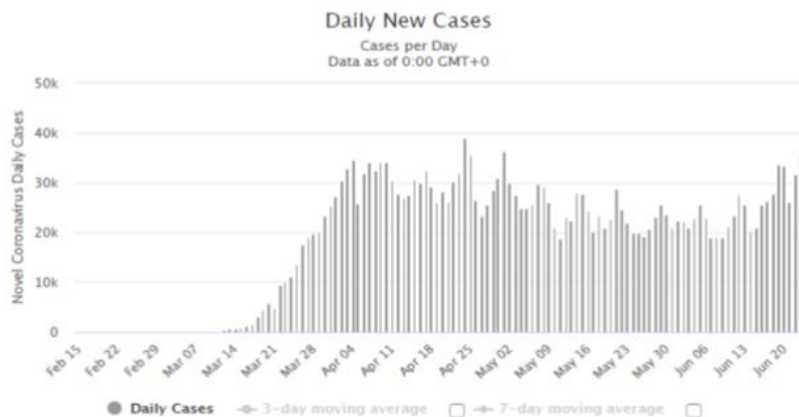


WEEK IN REVIEW

Friday, June 26th 2020

- US CORONAVIRUS DAILY NEW CASES have inflected to the upside driven by states where economies have reopened. Texas, Florida, California and Arizona are all seeing increasing cases. The surge is calling into question the pace of the economic recovery. Continued social distancing requirements will sustain the negative impact to travel, leisure, and restaurant industries as well as impact school openings in the fall.

Daily New Cases in the United States

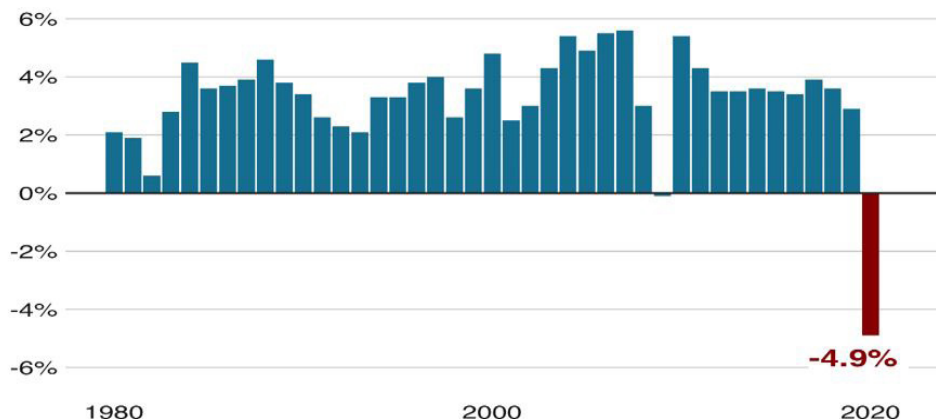


Source: Worldometer

- THE INTERNATIONAL MONETARY FUND lowered its global growth forecast to -4.9% for 2020 due to the widespread global impact from the coronavirus pandemic. The impact to economies is predicted to be deeper than the IMF forecast previously. Note for context, the global financial crisis drove GDP slightly negative versus the forecast down almost 5% for 2020.

Global recession deepens

IMF annual GDP since 1980



Source: International Monetary Fund, BBC

- GLOBAL FLASH PMIS provided some hope of a recovery this week. Eurozone composite PMIs improved to 47.5 in June, up from 31.9 in May and a record setting low of 13.6 in April. The consensus for June was 42.4. The recovery has been quicker than expected. PMIs are often used as leading indicators of economic activity, and the trend in Europe is clearly improving.
- LOCAL GOVERNMENTS AND COLLEGES are reacting to the negative impact to their budgets. New York City Mayor Bill de Blasio said the city faces a \$9 billion budget shortfall which could result in the layoff or furlough of 22,000 employees. The University of Connecticut made the decision to eliminate four athletic teams due to budget woes. The sports cut were men's cross country, men's swimming and diving, men's tennis, and women's rowing.

THINKING AHEAD

The general tone in equity markets over the last two months was to focus on positive incremental change to important risk factors. The medical situation had stabilized and progress had been made on vaccines and treatments for coronavirus. The government responded with unprecedented fiscal and monetary support providing needed liquidity to consumers and markets. Finally, the economy demonstrated signs across many fronts where business was improving from the trough. These positive increments led Wall Street markets to recover much faster than the Main Street economy.

This week the incremental data began to worsen, most importantly on the medical front with US daily active cases increasing, focusing on economies that have reopened. US earnings season is about to begin where companies will talk about the scale of the impact to their earnings bases. Earnings estimates have continued to decline as markets have risen. The disconnect between Main Street and Wall Street will resolve itself. The data this week suggest that Wall Street may trend towards Main Street.

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

You can access a recording of all prior weekly webinars [here](#).

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