Suggested Reading for Participants in VOA Economic Outlook meeting
Comments of interest from notable research firms, economists, and financial executives
July – August 2020

9/4/20 Large Financial Institution
In the near term, the post-lockdown recovery still looks robust, and consensus expectations for economic growth still seem too pessimistic. Consumer spending on houses, home improvement and electronics are all impressive and unexpected, and companies will need to rebuild their inventories. The economy probably still needs another round of fiscal support, and there are still questions about the virus, but the post-lockdown recovery seems well underway.

8/31/20 International research firm
With 2nd quarter 2020 GDP growth down to -33% (annualized rate compared to the 1st quarter 2020), the US economy is struggling to recover from the single largest quarterly contraction in 75 yrs. Following lockdown…. various economic indicators have rebounded in June and July at a greater than expected rate.

Two Recovery Scenarios Forecasted
Base Case: 3rd qtr GDP rebound(increase) of 26% and 4th qtr contraction(decrease) of 1.6%, both annualized rates. Consumer spending is largest driver over summer, then stalls as high unemployment damage spending later in year, yielding annual growth rate of -4.9% in 2020. Base case yields disappointing progress in months ahead and expect 12/20 output to remain 6% below the level of 1/20. Puts US on path for 2% growth in 2021. Don't expect full recovery until early 2022.

Upside: May – June growth is sustained in July – Sept, but still expect high unemployment rates in double digits to temper consumer demand in 4th qtr. Annual growth of -3.3% in 2020 and 4.4% in 2021 with complete recovery by August 2021 (return to 2019 GDP)

8/28/20 International media company
The expenditures needed to fuel the economy's recovery in August are a big question mark given the hit to personal income nationwide with the loss of those $600 weekly unemployment checks. Consumer spending which accounts for more than two-thirds of US economic activity rose 1.9% in July following a 6.2% jump in June. July's increase left consumer spending 4.6% below the February level. The economy suffered its deepest contraction in at least 73 years in the 2nd quarter, with consumer spending at the forefront of the decline in GDP. While economists are anticipating a sharp rebound in GDP in the 3rd quarter, led by consumer spending, they are cutting estimates for the 4th quarter. Economists expect the reduced unemployment benefits supplement will cut income by about $70 billion in August. Beyond the mechanical 3rd quarter rebound, more timely figures confirm that the demand recovery has lost some momentum.

8/27/20 International media company
As we approach the fall, we see four important risks for the economy: a failure to provide further fiscal stimulus, a second wave of COVID-19 infection during the flu season, major election uncertainty and rising trade tension with China. ….the broader economy shows signs of stalling, and millions face

potential evictions from their homes. Many US households have increased their savings and paid off debt – which could either signal hesitancy to spend as they have in the past or pent-up demand that could be unleased once the pandemic ends.

8/24/20 National media company

Louisiana's economy appears to be improving faster than initially anticipated, although it could take until
2022 for a full recovery from the pandemic's impact. ULL economist, Gary Wagner, said – Although the state is expected to begin its path to recovery in the 2nd half of 2020, a full recovery from the COVID-19 recession is not expected until 2022 at earliest.
LA's 11% loss or 218,000 jobs from 1st to 2nd qtr 2020 is greater than both the job loss from Hurricane Katrina (6%) and the Great Recession from 2008-2010 (< 4%) combined.

8/24/20 International CPA firm

Regarding the large increases in equity market prices – Either investors correctly expect a surge in profits, or this is a bubble. Or, investors are discounting expected future profits using an unusually low discount factor, a function of historically low interest rates.

What potentially negative factors might investors be ignoring? First, they appear to be relatively confident that a vaccine will soon emerge, setting stage for more robust recovery. But this might not happen. Second, without a vaccine, economic success depends on suppression of the virus and assumes the US will get control. There is a strong case to be made that the US faces economic weakness owing to lack of virus suppression and failure of the Congress to extend stimulus. Third, the increasingly fraught relationship between US and China could have negative economic consequences.

8/21/20 Large Financial Institution

Louisiana was one of six states to sign up for the additional $300 weekly unemployment benefits to follow the expiration of the $600 weekly benefits that ended July 31. More states are expected to follow.

8/19/20 Large Financial Institution

Seeing how demand plays out against the supply shock we've experienced will take time. I don't expect we will see developed market economies get back to 2019 levels before 2022.

A bumpy path is the best way to describe what the next few months may bring to (investment) markets. The "easy" money has been made. As we move forward, the big positive swings in economic data will continue to moderate. We've gone through economic shock and awe; we'll get a first real look at the new normal come September.

Whether its consumer credit card spending or foot traffic in stores, each has been leveling off. Restaurant bookings and airline reservations that saw strong initial rebounds are flattening as well. The economic recovery is real, but I's going to progress in fits and starts.

We haven't seen a harder hit to the global economy since the Great Depression. How we got here and how governments and central banks have responded has so far made for a radically different outcome.

Consumption drives 65-70% of the US economy. …..Small to medium size businesses account for about half of US workers and 40% of all wages and tend to represent lower income workers who spend what they earn as they earn it. Not all these jobs are coming back.

Because of extraordinary monetary and fiscal policy response, the global recession we've been dragged into won't become worse. Governments and central banks are "all in" right now on spending and lending. There is a fiscal cost that will eventually have to be paid for.

There is always a leading (business) sector that can drive a (investment) market higher. But if the rest of the market doesn't eventually follow, the valuation gap between leaders and laggards creates a bubble. Think back to the tech sector in 2000. We are nowhere near that level.

I believe taxes will eventually be higher. I made that statement agnostic of who wins the US presidential election, not to mention how elections in Congress play out. In my mind, it isn't a question of if, but when taxes are going higher and by how much.

8/19 Large national media firm

Job creation has recovered in recent months, but layoffs remain high… The unemployment rate stood at 10.2% in July, compared to 14.7% in April and a 50 yr low of 3.5% in February.

Some differences between this and prior bear markets and recessions include:

- Caused by the worldwide pandemic, not an underlying economic flaw or weakness in economy
- No warning. The pandemic and resulting market collapse occurred without warning or expectation
- Governmental responses (worldwide) were fast and aggressive, meaningful – and effective so far.
- Pandemic and economic hit spreads virtually worldwide within weeks.
- Severity – more jobs have been lost in this recession (as 1 May) than during the last 10 recessions combined.

8/14/20 Large Financial Institution

When looking back at all historical bear markets and recessions dating back to 1929, the COVID-19 crisis has indeed been the fastest by a wide margin—for both its sell off and recovery.

At 14.7% in April 2020, 23 million Americans were unemployed. Just a few months later, the unemployment rate has fallen to 10.2% (16 million unemployed) ….. compared to the pre-crisis world where the unemployment rate was at 3.5%, a 50-year low.

Megatrends in the markets – like digital transformation, healthcare innovation and sustainability – are only accelerating. These "winners" contrast with the "losers" (I.e., those that rely on a resumption of "normal life," like travel and hospitality.

The coast is by no means clear. Washington is at a stalemate over stimulus, geopolitical tensions aren't going away, the economic recovery is still very much in its early stages, and above all, the path of the virus remains uncertain.

7/14/20 Large Financial institution

Asset prices have been generally supported by the full power of the US Federal Reserve, a surprisingly quick bounce in economic activity from the bottom and by the hope that the medical community's unprecedented global race toward a vaccine or treatment will succeed.

The virus crisis is accelerating the US' move to a digital economy…

Rather than thinking the current uptick as a second wave, the best way to think about COVID-19 in the US now is that the first wave is cresting for a third time.

…it seems clear that a full economic recovery without containing the virus or developing a medical solution would be difficult.

Re stock market reaction… markets are working off the playbook that technology and digitally enabled companies are relative "winners," policy makers will do all they can to support incomes and availability of credit, and the likelihood of a medical solution to the COVID-19 crisis is rising.

Most health experts seem to believe now that treatment and a vaccine are questions of "when" and not "if."