

## OBSERVATIONS

- COVID-19: BioNTech's CEO (Pfizer's vaccine partner) says the company has the capacity for 3 billion doses of the vaccine in 2022. As of 14-March, over 355 million doses have been administered across the globe. The U.S. has administered nearly 105 million doses, averaging 2.54 million doses per day last week.<sup>1</sup>
- Debt issuance in Europe remains healthy, companies and governments have issued nearly \$490bn so far this year – the fastest pace ever.<sup>2</sup>
- China's CSI 300 index declined -14.4% (nearly \$1tn in losses) in 14 trading days since reaching a 13-year high on 10-Feb—as monetary and fiscal measures have peaked, and markets expect less stimulus in 2021.<sup>2</sup>
- Disney's 16-month-old 'Disney+' streaming service now has more than 100 million subscribers globally.<sup>2</sup>
- Core inflation readings (CPI) registered +0.4% on a MoM basis and +1.7% on a YoY basis, both in line with expectations.<sup>2</sup>
- High-frequency alternative data (e.g., mobility, electricity consumption) pointing towards a slow start for March across the globe.<sup>2</sup>
- New data shows how housing served as an atypical buffer for economic uncertainty during 2020. Refinance activity approached \$2.8tn and homeowners took out nearly \$153 billion in home equity in 2020, a +42% increase from 2019 and the highest since 2007.<sup>3</sup>
- Initial jobless claims for the week registered 712k, a 17-week low. The Department of Labor (DOL) does not account for estimates for fraudulent activity in the data, nor does the word "fraud" appear in the DOL's 12-page release for unemployment claims. The DOL's inspector general's office estimates that nearly \$63bn has been paid out through errors and fraud (10% of the total amount paid out), and larger than the Department for Homeland Security's entire budget.<sup>4</sup>

## EXPECTATIONS

- The OECD (Organization for Economic Cooperation and Development) now expects global GDP to reach pre-pandemic levels by mid-year while growing 5.6% in 2021, as compared to the OECD's prior forecast of 4.2%.<sup>2</sup>
- The Federal Reserve will wind down three of the four remaining programs that were enacted during the crisis given a limited uptake of the programs - only \$91bn of the Fed's total capacity of \$2.6tn was used. Only one facility, the Paycheck Protection Program Liquidity Facility, now remains through to the end of June.<sup>5</sup>
- In response to rising interest rates in the Euro area, the European Central Bank (ECB) on 11-Mar noted that "the governing council expects purchases under the [pandemic emergency purchase program] over the next quarter to be conducted at a significantly higher pace than during the first months of this year."

## ONE MORE THOUGHT<sup>6,7</sup>

The recent passage of the \$1.9tn stimulus package adds to the prior \$2.4tn CARES Act and \$900bn COVID-19 Relief packages – the grand sum of which (\$5.2tn) amounts to nearly 25% of 2019 GDP. One of the primary differentiators from the prior two stimulus packages is the relative strength of the economy. The CARES Act came at a time where

<sup>1</sup> Bloomberg Vaccine Tracker, Financial Times Vaccine Tracker, Johns Hopkins Coronavirus Center

<sup>2</sup> Bloomberg LP

<sup>3</sup> [https://www.wsj.com/articles/cash-out-refinancings-hit-highest-level-since-financial-crisis-11615458602?mod=hp\\_lead\\_pos5](https://www.wsj.com/articles/cash-out-refinancings-hit-highest-level-since-financial-crisis-11615458602?mod=hp_lead_pos5)

<sup>4</sup> <https://www.dol.gov/ui/data.pdf>, <https://www.chicagotribune.com/business/ct-biz-unemployment-fraud-phony-claims-20210301-tcn4rvtcm5czzfq5uvnogrwuem-story.html>

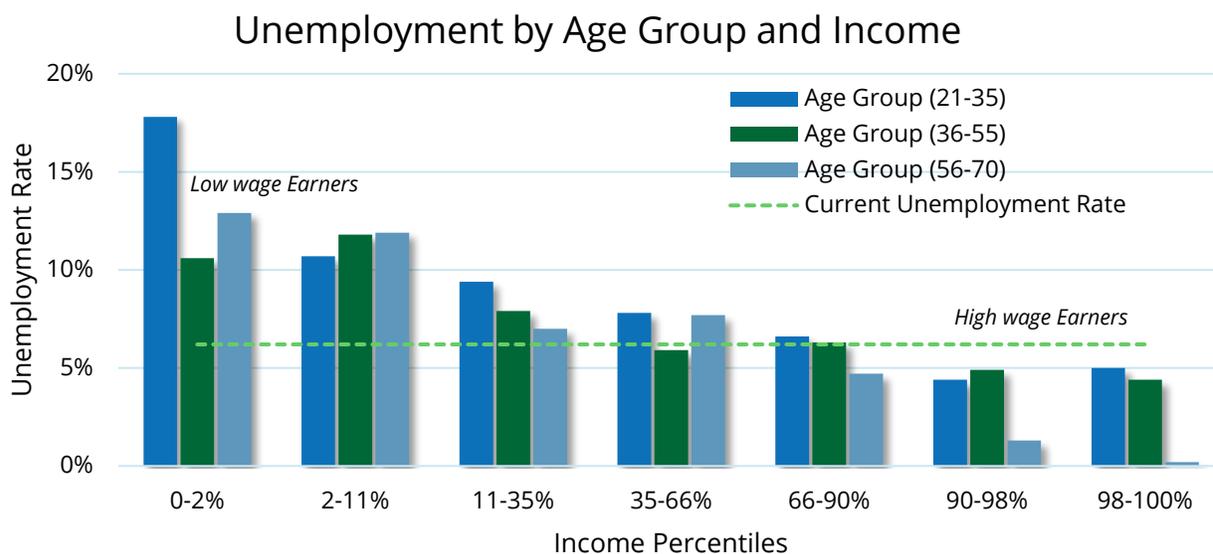
<sup>5</sup> <https://www.ft.com/content/a159a3d8-ae45-483c-84b8-e60d5121af89>, Fed data as of 3-Mar

<sup>6</sup> Clearstead, Moody's Analytics

<sup>7</sup> <https://budgetmodel.wharton.upenn.edu/issues/2021/2/3/macroeconomic-effects-of-19-trillion-biden-covid-relief-plan>

the economy had been running well below economic potential – given the pandemic, while the most recent round of stimulus comes at a time when the economy is running closer to its potential. Independent estimates of the most recent stimulus packages' effect on economic output vary, though one model provides for a constructive perspective. The University of Pennsylvania's Penn Wharton Budget Model (PWBM) estimates that the \$1.9tn of spending would increase 2021 GDP by +0.6%. According to the PBWM the resultant increase in the debt load is expected to cost the economy in 2022 and beyond as potentially productive capital is crowded out (the PBWM assumes that "investors buy government debt with savings that would have otherwise gone toward investment in productive capital"). Though the former can be debated, the PBWM projects GDP is to be negatively impacted by the \$1.9tn package on a longer-term basis. After witnessing a jump in 2021, the stimulus package is expected to negatively impact GDP by -0.2% in 2022, worsening through 2040, where the impact is expected to be -0.3%.

### CHART OF THE WEEK



Source: Clearstead, University of Pennsylvania Wharton Budget Model, Table 1 - "Macroeconomic Effects of the \$1.9 Trillion Biden COVID Relief Plan", Published 3-Feb-2021

The pandemic induced recession has disproportionately impacted low wage earners across a wide range of age demographics with more notable unemployment rates among the 21-35 age group. Unemployment rates for the top 10% of wage earners are below 5% across all age groups.

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