Outlook themes

• Risks are being realized. Surge in virus and diminishing policy support.

• Vaccine developments boost markets as possible end to pandemic comes into sight.

• Does the economy have the support and momentum necessary to bridge the gap to widespread vaccination? Or will standard recessionary dynamics kick in?
U.S. GDP expected to decelerate in Q4

Sources: BEA, NBER, Wolters Kluwer, Haver Analytics
Risk Realized: Virus spreading rapidly

U.S. new daily cases, 7 day ma

Sources: WIND
Virus spread will weigh on consumer spending

Real Retail Sales

Opentable Restaurant Reservations

Sources: BLS, Census Bureau, Haver Analytics, Opentable
Virus likely to impede further recovery in labor market

Unemployment Rate

Employment Levels

Sources: BLS, Census Bureau, Haver Analytics
Policy support is fading: Expiring Unemployment benefits

Sources: Department of Labor, Haver Analytics
Fed credit facilities set to expire

Federal Reserve’s alphabetti spaghetti of emergency measures
Assets, $bn

Data as of November 18 2020
*Includes Main Street New Loan Facility (MSNLF), Main Street Priority Loan Facility (MSPLF), Main Street Expanded Loan Facility (MSELF), Nonprofit Organization New Loan Facility (NONLNF) and Nonprofit Organization Expanded Loan Facility (NONELF)
**Includes Primary Market Corporate Credit Facility (PMCCF) and Secondary Market Corporate Credit Facility (SMCCF)
Source: US Federal Reserve
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Source: Financial Times 11/21/20
So far market reaction muted

Corporate Bond Yields

Municipal Bond Yields

Sources: ICE, Bank of America Merrill Lynch, Haver Analytics
Market responds aggressively to positive vaccine news

S&P 500 Index

Sources: Standard & Poor’s, Haver Analytics
Enough buffer to carry through to vaccine?

Personal saving rate

Sources: BEA, Haver Analytics
Risk of labor market scarring

Participation Rate

% sa

Sources: BLS, Haver Analytics
Risk of Fiscal Drag

Contribution of Fiscal Policy to Real GDP Growth

Sources: Hutchins Center, BEA, NBER, Haver Analytics
Monetary policy to remain accommodative

Policy rate and SEP Median

Sources: FRB, Haver Analytics
With aggregate inflation pressures muted

Sources: FRB, Haver Analytics
Under the hood, inflation story is more complex

yoy % chg, sa

PCE: Services

PCE: Durable Goods

Sources: BEA, Haver Analytics