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July 20, 2020

US Economics: Recovery path tracker

Covid-19

Testing averaged a new high of nearly 780,000/day in the latest week – up more than 100,000/day from one week ago. Meanwhile, the positivity rate looks increasingly to be plateauing on a nationwide basis. It has now been in a tight range between 8.2-8.7% over the last 11 days. Thus, nationwide, the continued ramp up in testing explains all of the uptick in cases more recently as the hit rate has flattened out. Critically, the death rate continues to decline. Daily average deaths relative to infections from 2 weeks earlier are now sitting at 1.58% (7-day average) from 3.75% on July 1st and 4.33% on June 1st. The news on therapeutics and vaccines continues to look positive as well. Small pharma company, Synairgen, reported "a 79% lower risk of developing severe forms of the disease compared to placebo" according to Reuters. And the Covid-19 vaccine joint effort by AstraZeneca and the University of Oxford showed promising results. Indeed, the head of Oxford's Jenner Institute, said they are "seeing very good immune responses, not just on neutralizing antibodies but of T-cells as well." Declining death rates, improved therapeutics, and continued headway on vaccines should continue to compress the left tail economic risks from the virus.

Consumer

Retail sales came in better than expected for June, with a 7.5% advance on the headline and a 5.6% jump in the "control" group (ex. auto, gasoline, and building materials). What is perhaps even more impressive than the very large sequential gains over the last two months (which, to be sure, are to be expected following the utter collapse of activity in April) is the fact that topline retail activity is now just -0.8% away from the Jan/Feb pre-pandemic level. In other words, this report encapsulates the very essence of a V-shaped recovery. There is wide dispersion within the sectors and the "work-from-home" theme is clearly visible when we look at the fact that groceries are 11.5% above pre-Covid, e-tailing is sitting at 20.9% higher and now sporting goods etc. has ramped up to 23.1% above the pre-pandemic level. But even restaurants, though still -27.5% off the pre-Covid pace, have shown a much faster recovery than anticipated. Especially when we consider that even outdoor dining only began to open up in many states toward the end of the month. Indeed, although reservations data from OpenTable showed an average -69.3% drop-off from one year ago, sales in this space (per the retail data) are actually down -26.3% y/y in June. Looking at the data points for July thus far, what we see is that Redbook chain-store sales finally broke out to the upside on a m/m basis, printing 3% for the week ending July 11th. We also see that store openings and retail jobs, while having plateaued slightly in early July, are still averaging above the June pace. Homebase showed a -19.4% drop-off in retail stores opened and -13.2% in retail employment for June on average vs pre-Covid levels. Thus far, in July, these are sitting at -18.6% and -13.0%, respectively. So there is no indication that activity, on net, has declined in July despite some headwinds to the re-opening. Again, while some states have seen some rolling over here on the heels of case spikes, there are offsets from the states that re-opened much later.

Employment

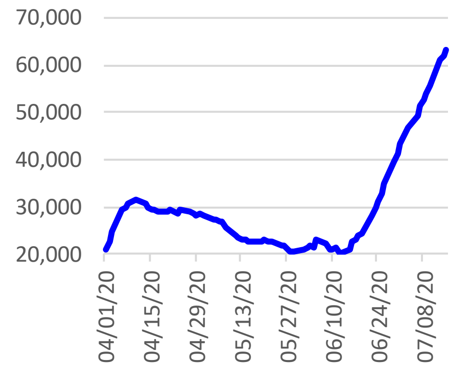
Google trends shows a plateauing in interest to "file unemployment" at an equivalent of about 1.4-1.5m initial jobless claims. Indeed, initial claims have remained pretty sticky around these levels. Note too that pandemic unemployment assistance rolls continue to print new highs and were sitting at a whopping 14.3m for the week of June 27th. More timely data from Treasury, showing UI payouts, suggests that is likely to be the peak there. Also, the PUA expires later this month, and looks highly unlikely to be extended in its current form (given the concerns – even from the Department of Labor – about rampant abuse/fraud). So the unemployment picture should get a bit clearer in the next few weeks. In terms of hiring, while there has been a notable deceleration in the share of employees working relative to the pre-Covid baseline, July averaged above June in terms of the payroll survey week. According to Homebase data, "employees working" during the June payroll survey week averaged -26.6% from the pre-Covid baseline while July came in at -24.4%. A modest improvement to be sure, but certainly not indicative of a negative NFP in the offing. Note to that July typically sees an unadjusted decline of about 1 million jobs, so the seasonal hurdle is exceptionally low this month too.

Please see the charts associated with each component of the tracker on pages 2-4.

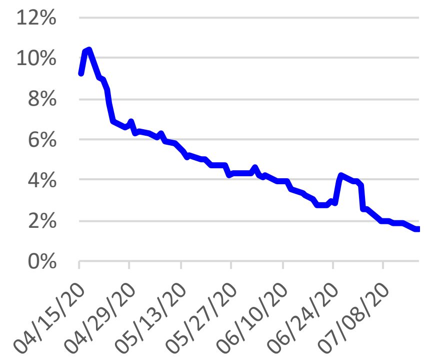
For Required Conflicts Disclosures, please see page 5.
Disseminated: July 20, 2020 12:01ET; Produced: July 20, 2020 12:01ET

COVID-19

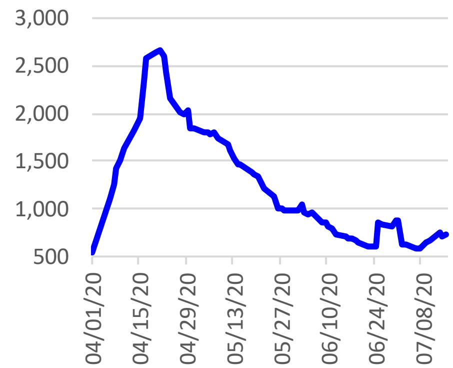
US: Confirmed COVID-19 NEW Cases (7d avg)



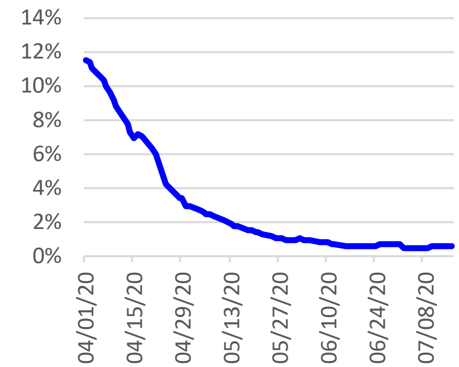
US:COVID-19 Death Rate (7d avg deaths/cases from 2 weeks ago)



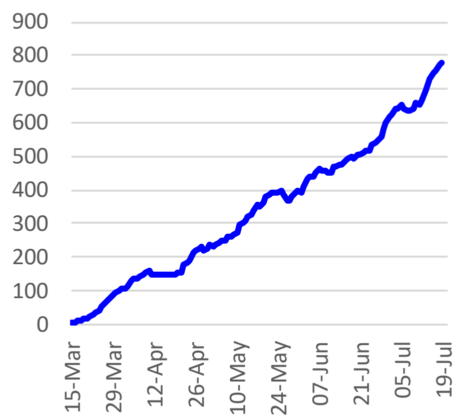
US: Confirmed COVID-19 NEW Deaths (7d avg)



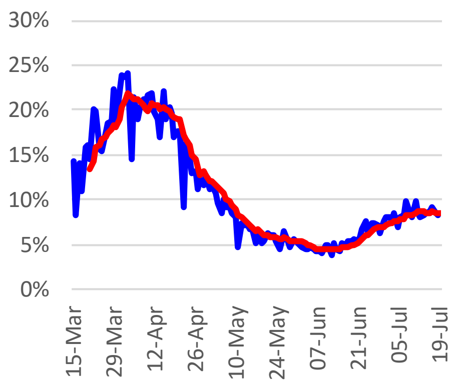
US: Confirmed COVID-19 Deaths (d/d % chg, 7d avg)



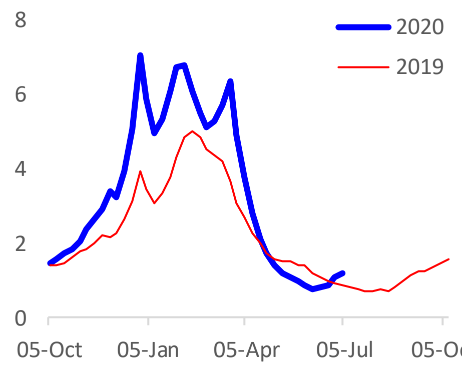
COVID-19 Tests (7-d avg, thous)



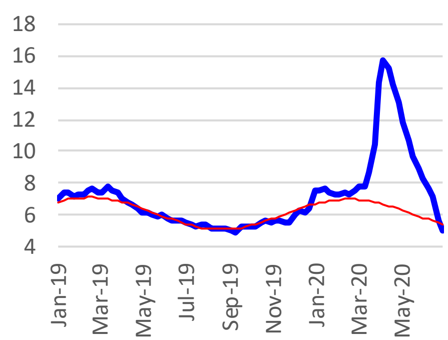
% of New COVID-19 tests that are positive (and 7-d avg)



Patient visits for Influenza-like Illness (% of visits)



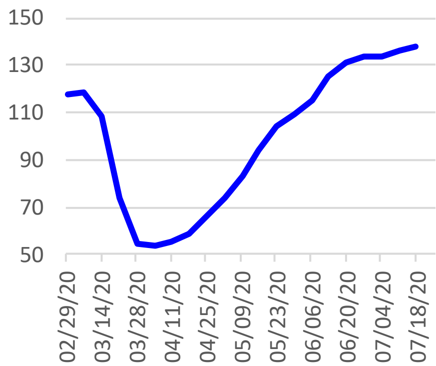
Pneumonia and Influenza Deaths Relative to Seasonal Baseline (% of all deaths)



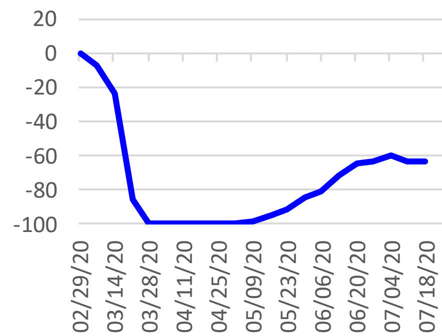
Source: Johns Hopkins University, The Atlantic, CDC, Haver, RBC Capital Markets US Economics

Consumer

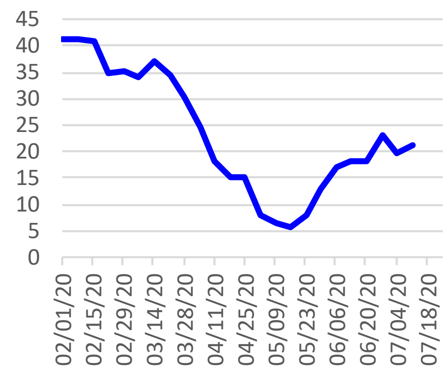
Apple Mobility: USA: Driving (7-day avg)



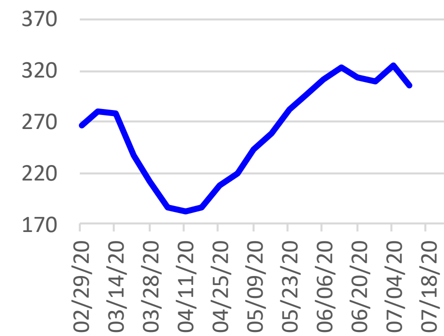
United States: OpenTable Seated Diners at Restaurants (Yr/Yr % Change)



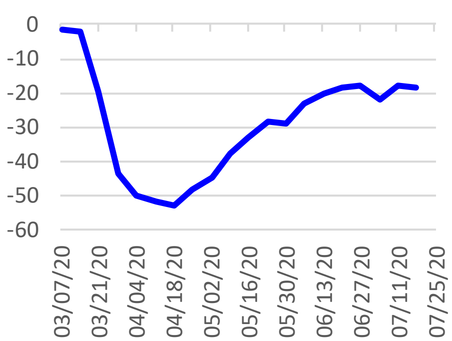
Bloomberg Consumer Comfort: Personal Finances: Net



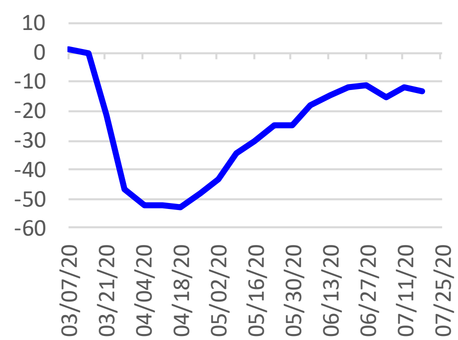
MBA: Volume Index: Mortgage Loan Applications for Purchase (SA, Mar-16-90=100)



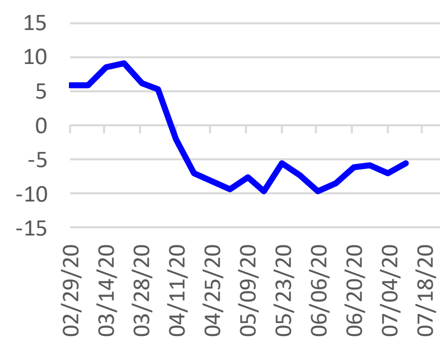
Impact of COVID-19 on No of Businesses Open: Retail (Relative to Baseline Period)



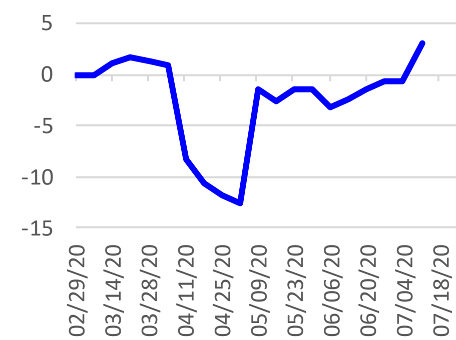
Impact of COVID-19 on No of Hrly Employees Working: Retail (Rel to Baseline Pd)



Redbook Research: Same Store, Retail Sales Average (NSA, Y/Y %Chg)

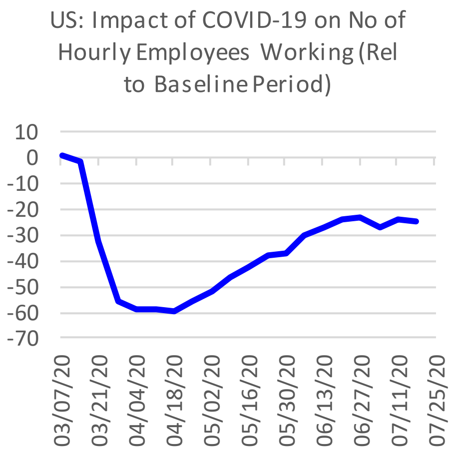


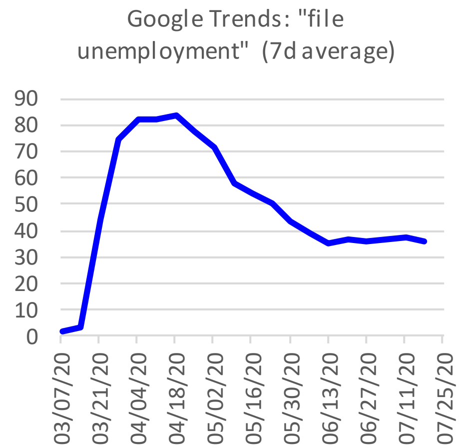
Redbook Research: Same Store, Genl Mdse Retail Sales, Mo-to-Date (SA, M/M %Chg)

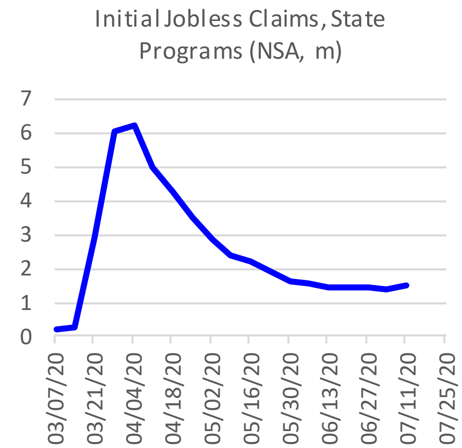


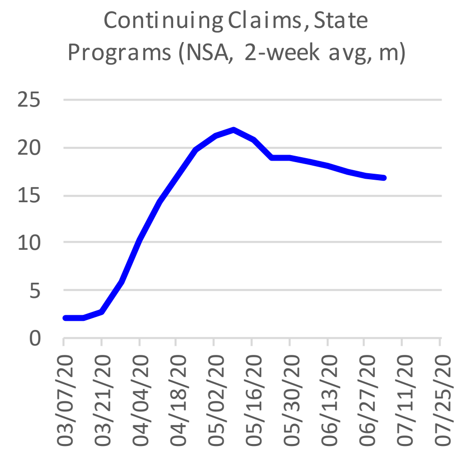
Source: Apple, Bloomberg, OpenTable, Homebase, MBA, Redbook, Haver, RBC Capital Markets US Economics

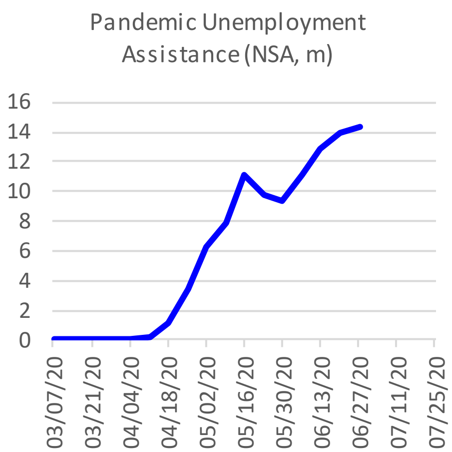
Employment

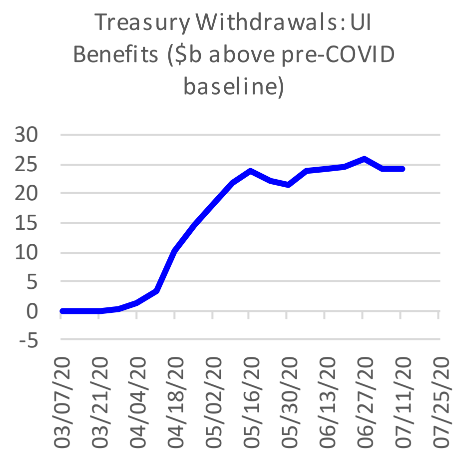


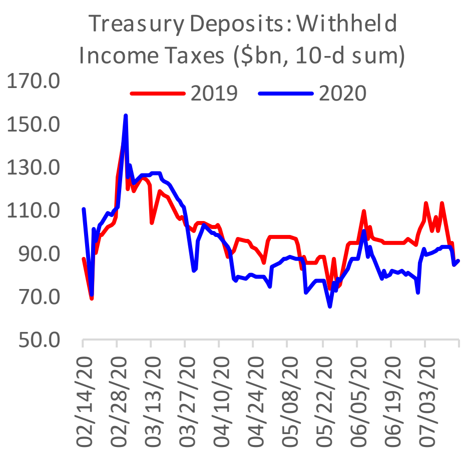


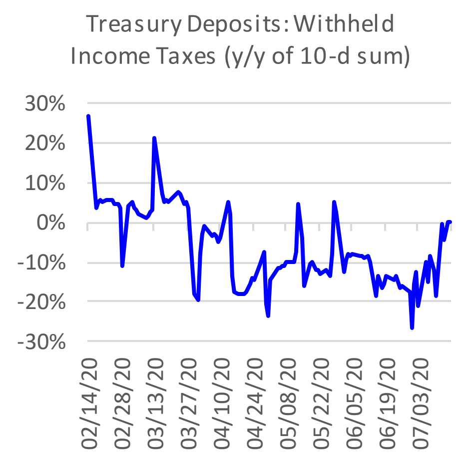












Source: Homebase, Google, Department of Labor, Treasury, Haver, RBC Capital Markets US Economics

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