Much Better Than We Expected

Our latest estimate for 2Q real GDP is -40% q/q a.r. But based on recent data, it could be -30%. If real GDP is a better-than-expected -30% in 2Q, then +20%, +20% in 3Q and 4Q, followed by +5% in 1Q would put GDP above its 2019 peak. We’re forecasting +5% growth for all of 2021.
Starting A New Expansion

We have probably just had a three-month recession, but it’s by far the deepest in the post-war period. The last five expansions have lasted 8 years on average.

<table>
<thead>
<tr>
<th>Recessions</th>
<th>Peak To Trough</th>
<th>Expansions</th>
<th>Duration (Yrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-1975</td>
<td>-3.1%</td>
<td>1975-1980</td>
<td>4</td>
</tr>
<tr>
<td>1980-1982</td>
<td>-0.5%</td>
<td>1982-1990</td>
<td>7</td>
</tr>
<tr>
<td>1990-1991</td>
<td>-1.4%</td>
<td>1991-2001</td>
<td>10</td>
</tr>
<tr>
<td>2001</td>
<td>-0.4%</td>
<td>2001-2007</td>
<td>6</td>
</tr>
<tr>
<td>2007-2009</td>
<td>-4.0%</td>
<td>2009-2020</td>
<td>10</td>
</tr>
<tr>
<td>2020</td>
<td>-10.0% e</td>
<td>?</td>
<td>?</td>
</tr>
</tbody>
</table>
A World Of Difference

In early 2000, a year before the recession started in 2001, a Perfect Storm had already developed.

• Oil was surging.
• The Fed was tightening.
• There was a tech bubble.

In sharp contrast today, with the recession ending:

• There’s massive stimulus.
• The world economy is reopening with science.
• Economic activity is rebounding.
China, Italy, U.S. Virus Sequence

**CHINA**

**ITALY**

**U.S.**
Game Changing Reports

EVRISI company surveys have increased pretty much across the board.
EVRISI company surveys have rebounded significantly, and May employment was a blowout. In addition, unemployment claims have plunged, and there have been blowout reports this week for NAHB, Empire, and retail sales.
China’s mfg PMI was already up to 50.7% in May. Germany’s ZEW continued to surge in June.

CHINA MFG PMI

GERMANY ZEW
• China auto sales have rebounded from 5.3m to 28.7m.
• US auto sales have rebounded from 8.6m to 12.2m.
• Europe auto sales have rebounded from 3.6m to 7.3m.
Aftershocks Keep Coming

While the US economy is now recovering, there is still a disturbing amount of aftershocks from the free fall. Over the past four months, there have 1407 aftershocks including 25 today. This is one of the reasons policymakers continue to push so hard.

1383. Hilton laying off 2,100 corporate workforce.
1384. Ameristar Casino Hotel East Chicago to lay off 130.
1385. Greater Valley YMCA to lay off 300 employees.
1386. AT&T to lay off 4,700 workers.
1388. Diamond Jo Casino to lay off staff.
1389. Greenfield schools lay off 43.
1390. Volvo to lay off 4,100.
1391. Perky Planet forced to lay off employees.
1392. Palm Coast Data to lay off staff.
1393. WBEZ parent company announces layoffs.
1394. Permanent layoffs at Greektown Casino will begin.
1395. Layoffs could be ‘tip of the iceberg’ for hard-hit hotel industry.
1396. Kansas State University will furlough more employees.
1399. HSBC resumes cutting around 35,000 jobs.
1400. Amtrak warns of more job and route cuts.
1401. Texas Capital cuts jobs.
1402. Tower Health is cutting 1,000 jobs.
1403. Renault to cut 2,100 factory job.
1404. Baha Mar eyeing 15% job cuts.
1405. Jaguar Land Rover to cut 1,000 jobs.
1406. BP writing down oil projects, dividends may be next.
1407. PetersenDean seeks bankruptcy protection.
Global Stimulus Definitely Massive

In less than a year, there have already been 494 stimulus initiatives suggested around the world, which help explain the strength in the S&P. Here are the last ten:

485. The Fed to buy $80b a month in Treasuries and $40b in MBS.
486. Sarah Bianchi: US stimulus in the range of $1-1.5t is likely by the end of July.
487. Serbia cuts key policy rate -25bp.
488. Ukraine cuts discount rate -200bp.
489. Fed to start buying individual corporate bonds.
490. Trump preparing $1t infrastructure proposal.
491. Sarah Bianchi: US fiscal package of up to $2t to pass Congress by the end of July.
492. BoJ ups estimated loan financing.
494. RBA says fiscal-monetary support likely to be needed for some time.
Global Stimulus Definitely Massive

There have been almost 200 central bank rate cuts that have led to Global Short Rates being more than cut in half!

Global Short Rates lead US real GDP by one and two years.

GLOBAL SHORT RATES
4 Wk. Avg.  Jun 16: 0.79%
Inflation Green Lights For Central Bank Stimulus

The UK headline CPI declined -0.14% m/m in May and slowed to just +0.6% y/y. The US headline CPI declined -0.05% m/m in May and slowed to just +0.2% y/y.
Contrarians Note

• A record percentage of investors believe stocks are overvalued.
• Investors are sitting on the biggest pile of cash ever.

Chart courtesy WSJ

• EVRISI hedge fund survey was unchanged last week in defensive territory.
• (Oscar Sloterbeck) -- Just 33% of investors we surveyed last week believed the next 10% move in stocks will be higher.
• Investors pulled another -$5b out of equity funds last week and put +$25b into bond funds.
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