

# *US Macro Monitor*

*Early signs the bleeding is stopping but the wound has not healed*

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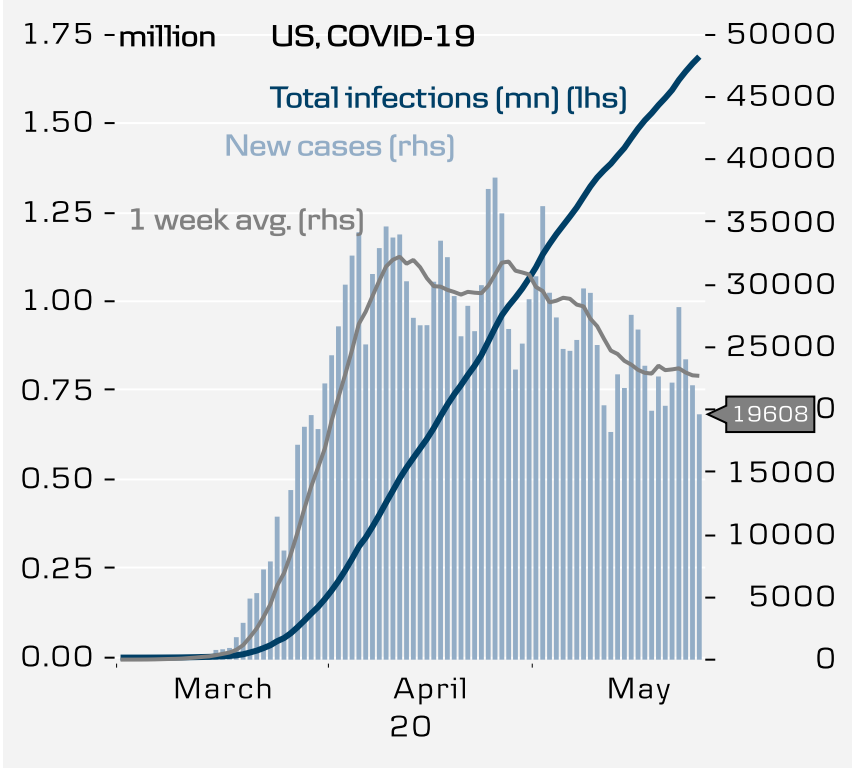
## *Key takeaways*

- The number of new COVID-19 cases in the US is moving down but not as expected, although more testing blurs the picture. The jury is still out on whether the US is beginning the reopening too early.
- All economic indicators for March and April look terrible but we are seeing some signs of improvement in high-frequency data for May. At least the high-frequency data suggest the bleeding is stopping. There are no signs of a V-shaped recovery (only gradually improving as of today), so the wound is a long way from healing.
- One of the positive signs, looking at daily transaction card data, is that US consumption seems to be improving gradually. Another positive is that most job losses are considered to be temporary (unfortunately they may become permanent over time).
- The US Congress and the Federal Reserve have done a lot to offset the economic crisis. US public debt as a percentage of GDP has risen 10pp in a very short time due to emergency spending packages (higher unemployment benefits, direct payments to US citizens and loans to companies). The Fed has cut its policy rate and is buying bonds at an unprecedented pace. We do not expect the Fed to raise rates in coming years, according to current market pricing.
- While Donald Trump's overall approval rating is pretty stable within the 42.5-45.0% range, his net approval on the handling of the COVID-19 outbreak is minus 10. Looking at the polls, Joe Biden is favourite to win the election. Interestingly, the Republicans are no longer the clear favourites to win the Senate and the probability of a Democratic-controlled US Congress has increased.

*COVID-19 data*

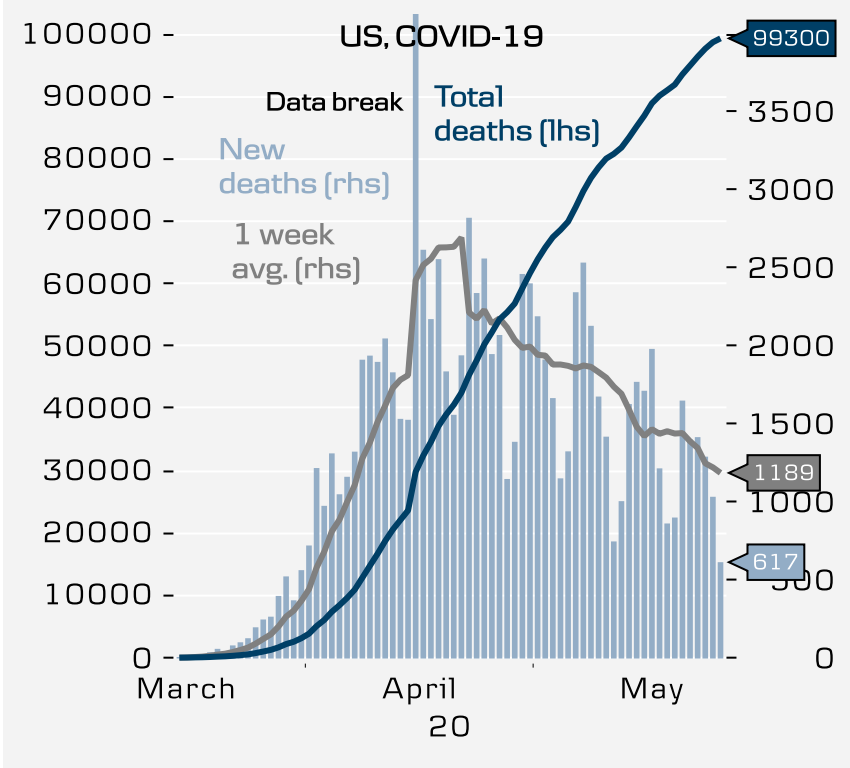
# New cases moving down only slowly

New infections still moving down but not at a fast pace - more testing blurs the picture



Source: ECDC, Worldometer, John Hopkins University, Danske Bank

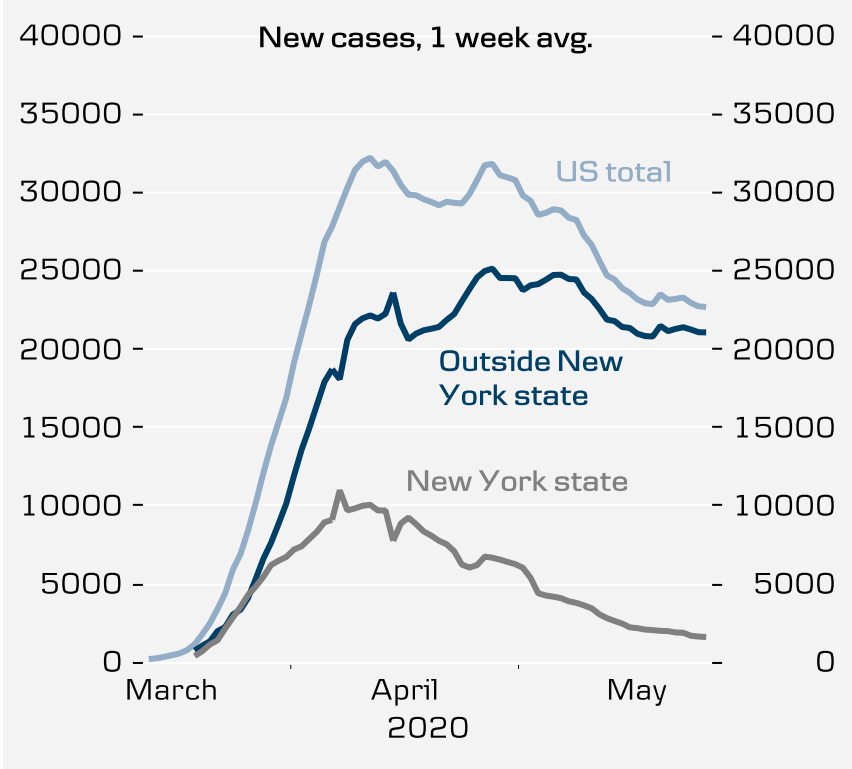
Decline in new deaths has stalled a bit lately



Source: ECDC, Worldometer, John Hopkins University, Danske Bank

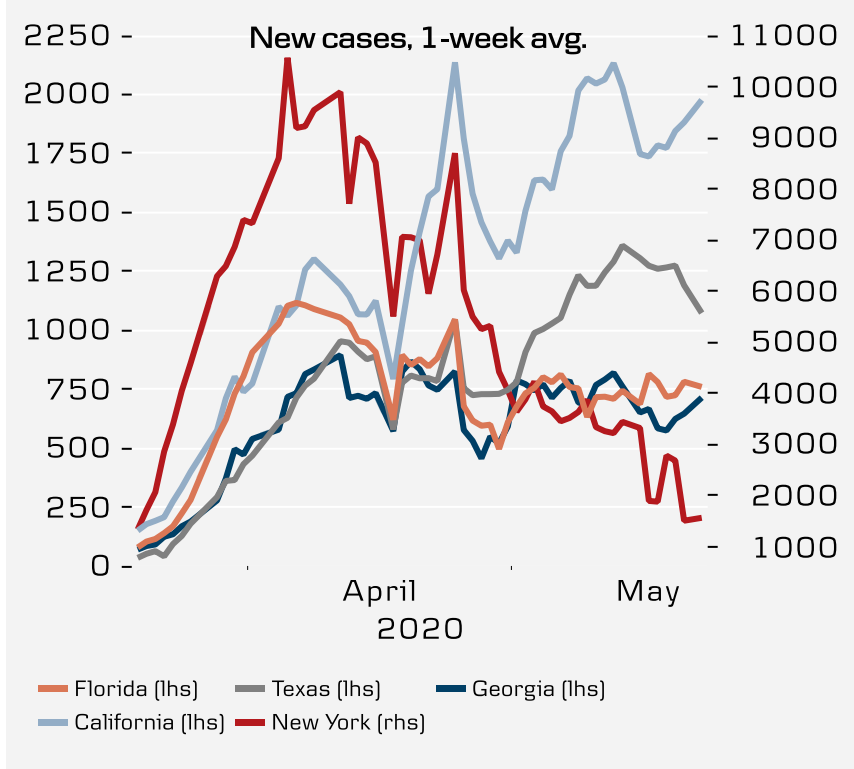
# Problem is outside New York State

New York State seems to have got COVID-19 under control



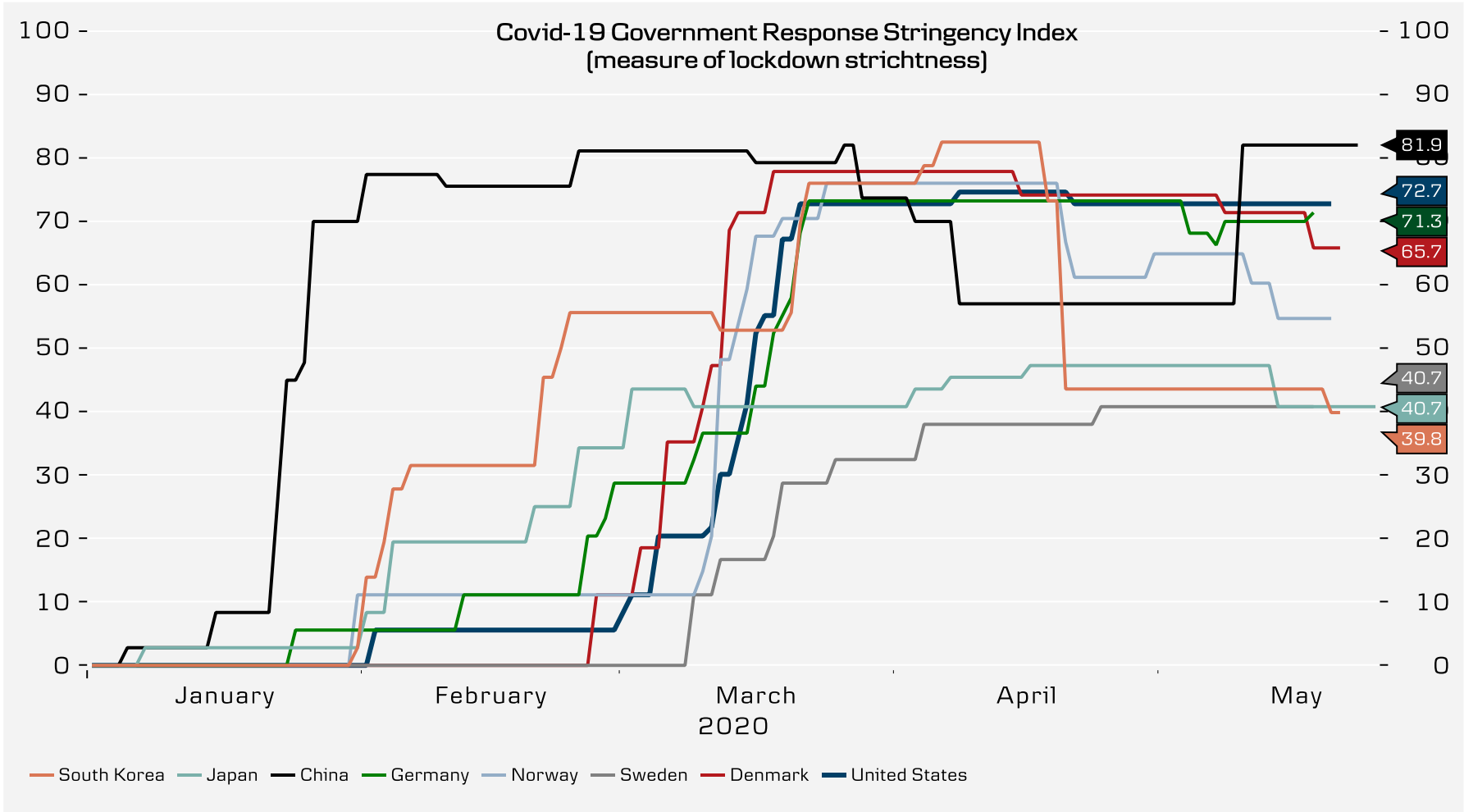
Source: ECDC, Worldometer, John Hopkins University, Danske Bank

Texas and California in particular look bad currently



Source: ECDC, Worldometer, John Hopkins University, Danske Bank

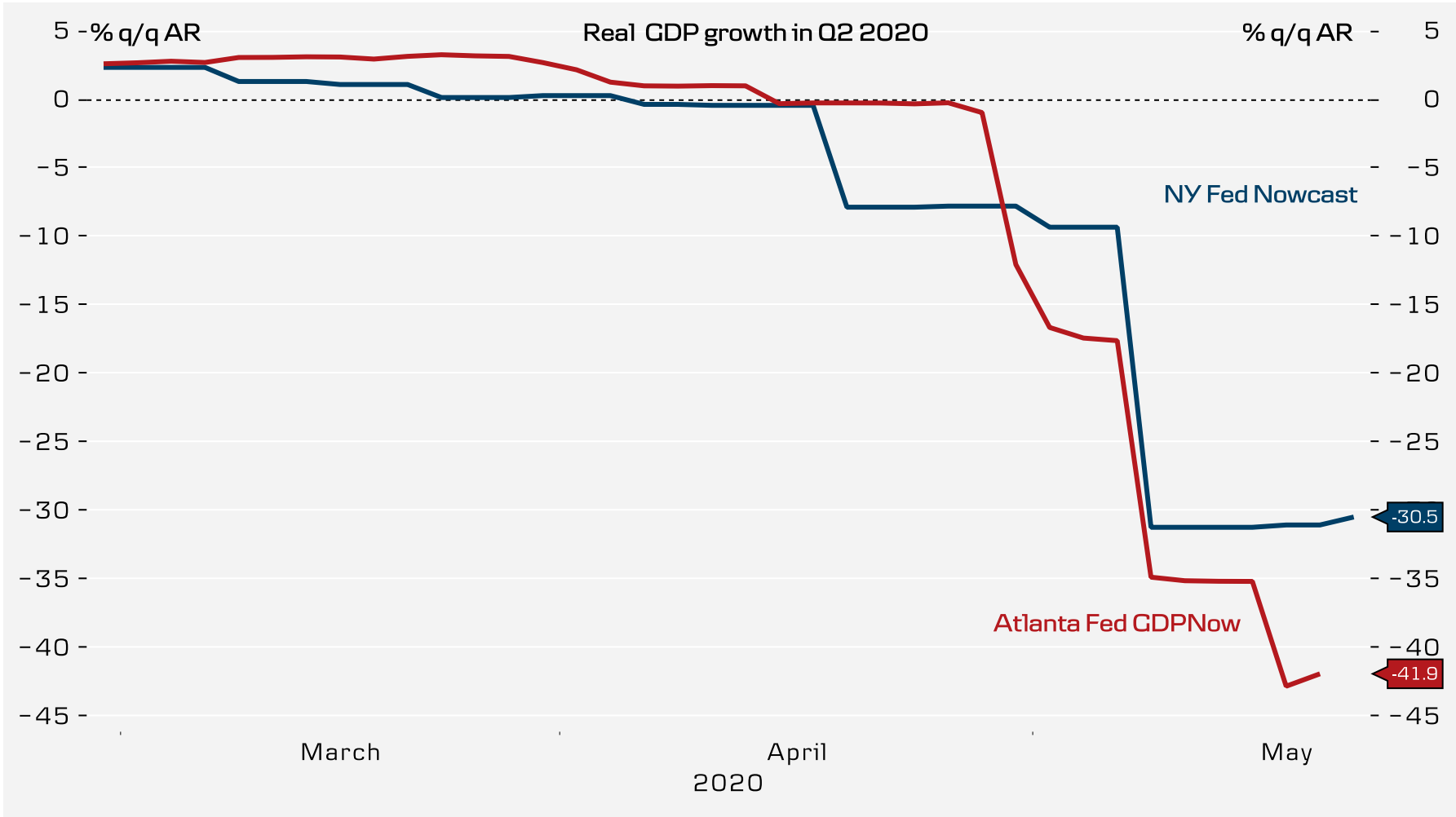
# Government Response Stringency Index (measure of strictness lockdown)



Source: University of Oxford, Macrobond Financial

*Daily data*

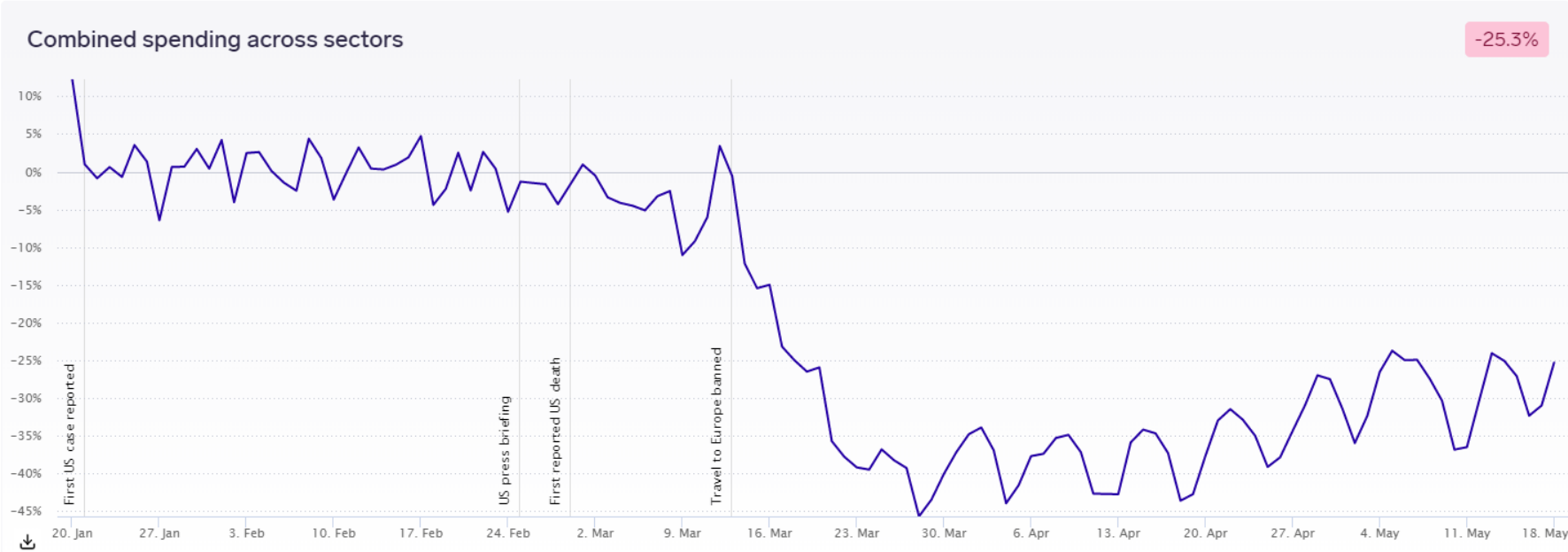
# Q2 GDP growth nowcasts are showing a big decline in GDP



Source: NY Fed, Atlanta Fed, Macrobond Financial

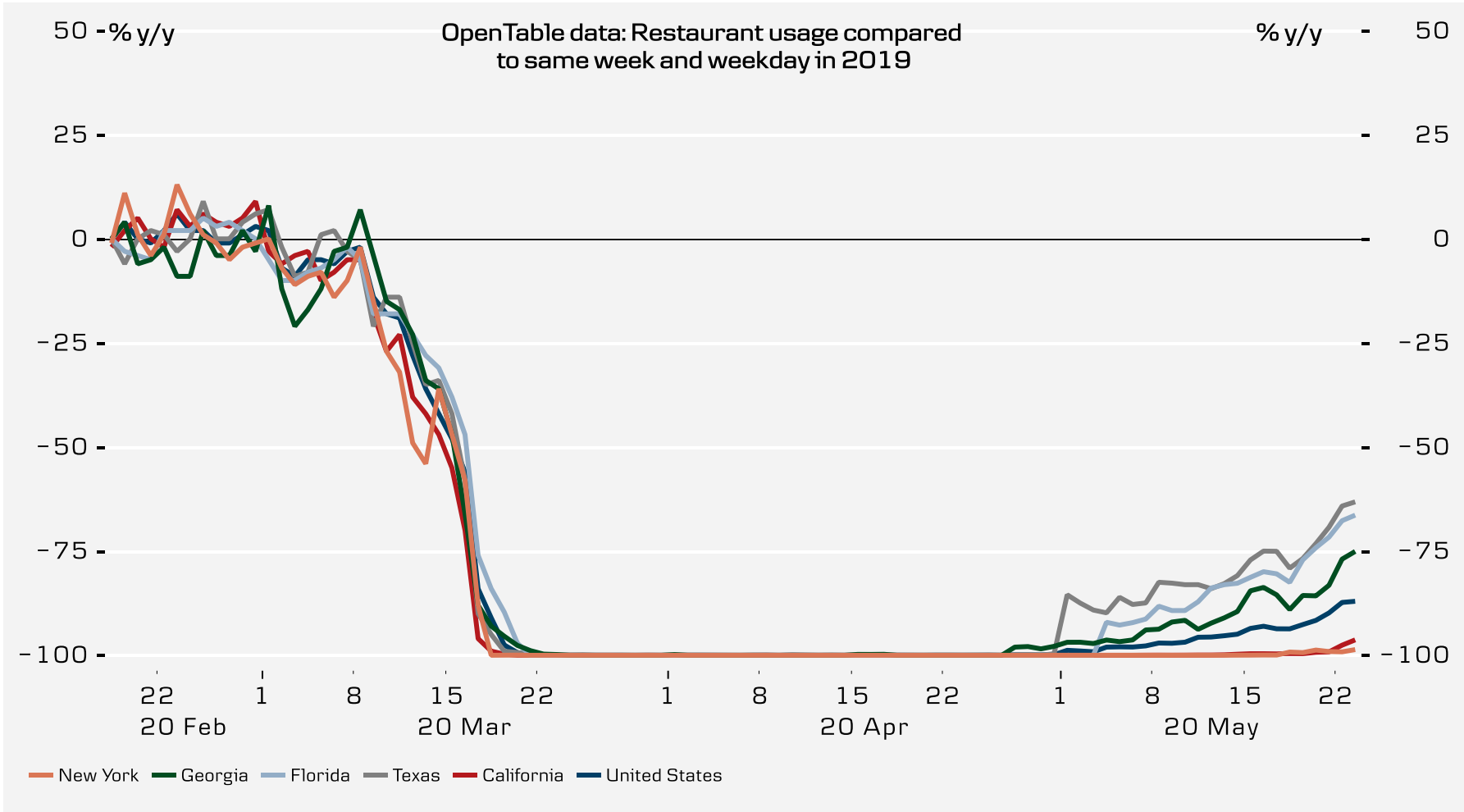


# US transaction card spending (% year on year) has been improving slightly over past month



Source: <https://1010data.exabel.com/covid-19/>

# Increasing number of restaurant reservations



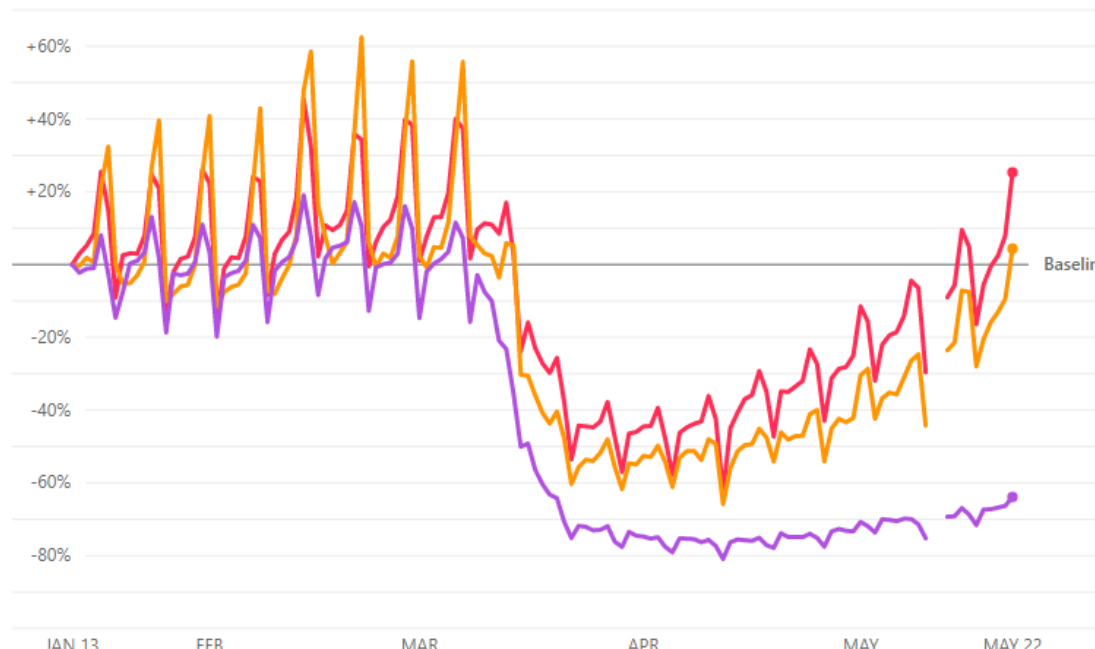
Source: Open Table, Macrobond Financial

# Apple's mobility report is showing signs of improvement when looking at 'driving'

## Mobility Trends

Change in routing requests since January 13, 2020

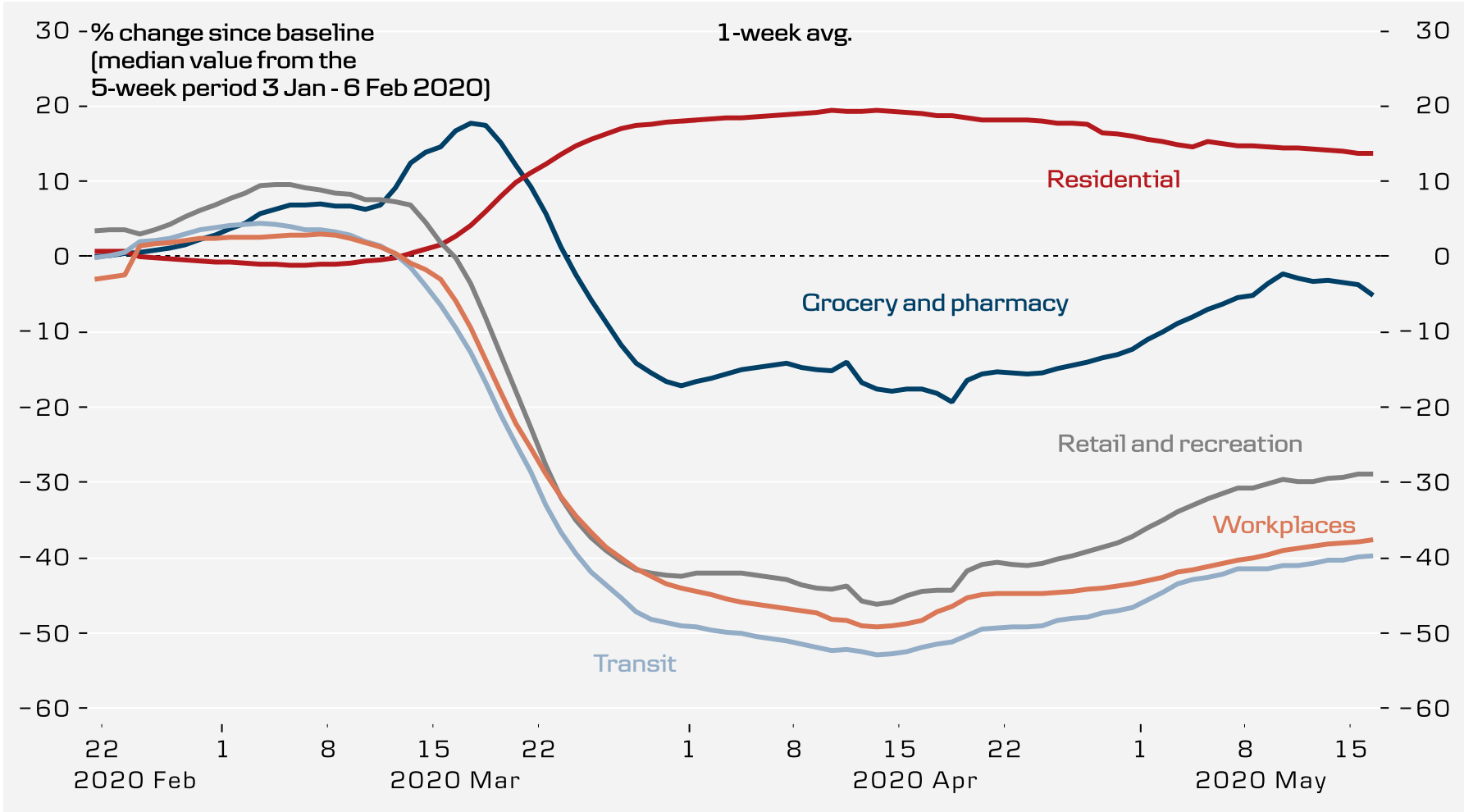
Search (for example Italy, California, or New York City)



- Driving +25%
- Walking +4%
- Transit -64%

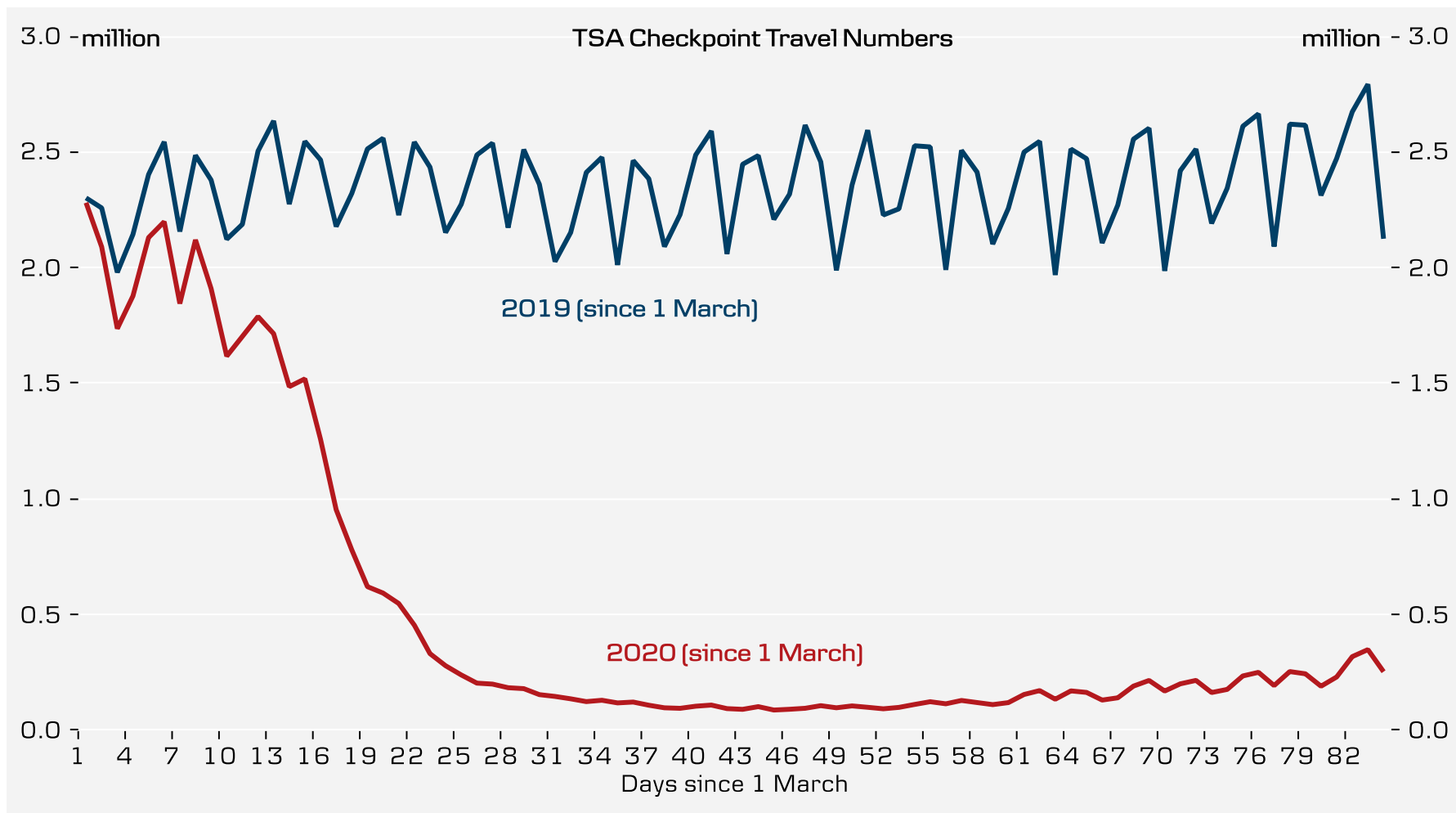
Source: <https://www.apple.com/covid19/mobility>

# Google's mobility report is also showing signs of improvement



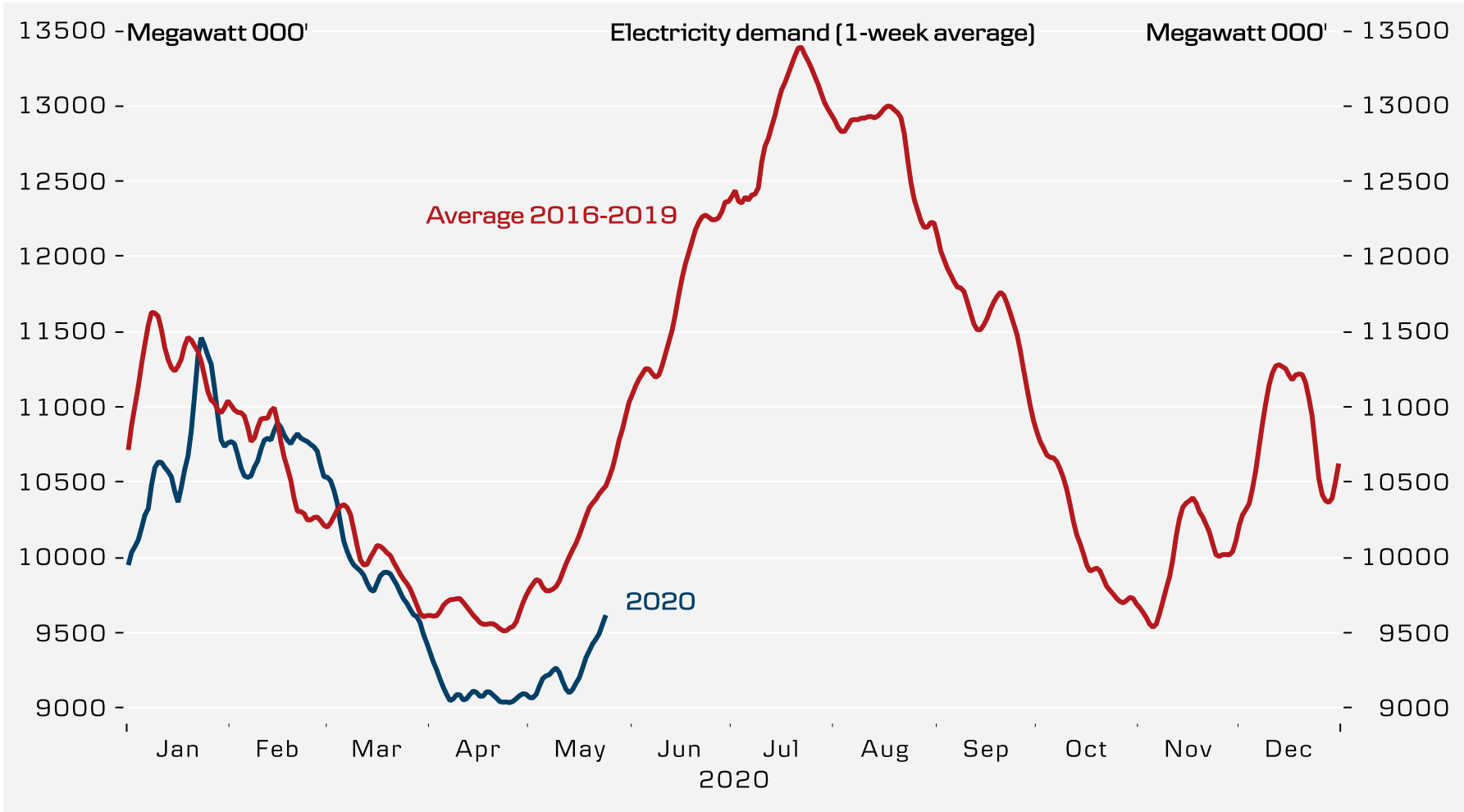
Source: <https://www.google.com/covid19/mobility/>, Macrobond Financial

# Still very limited travelling



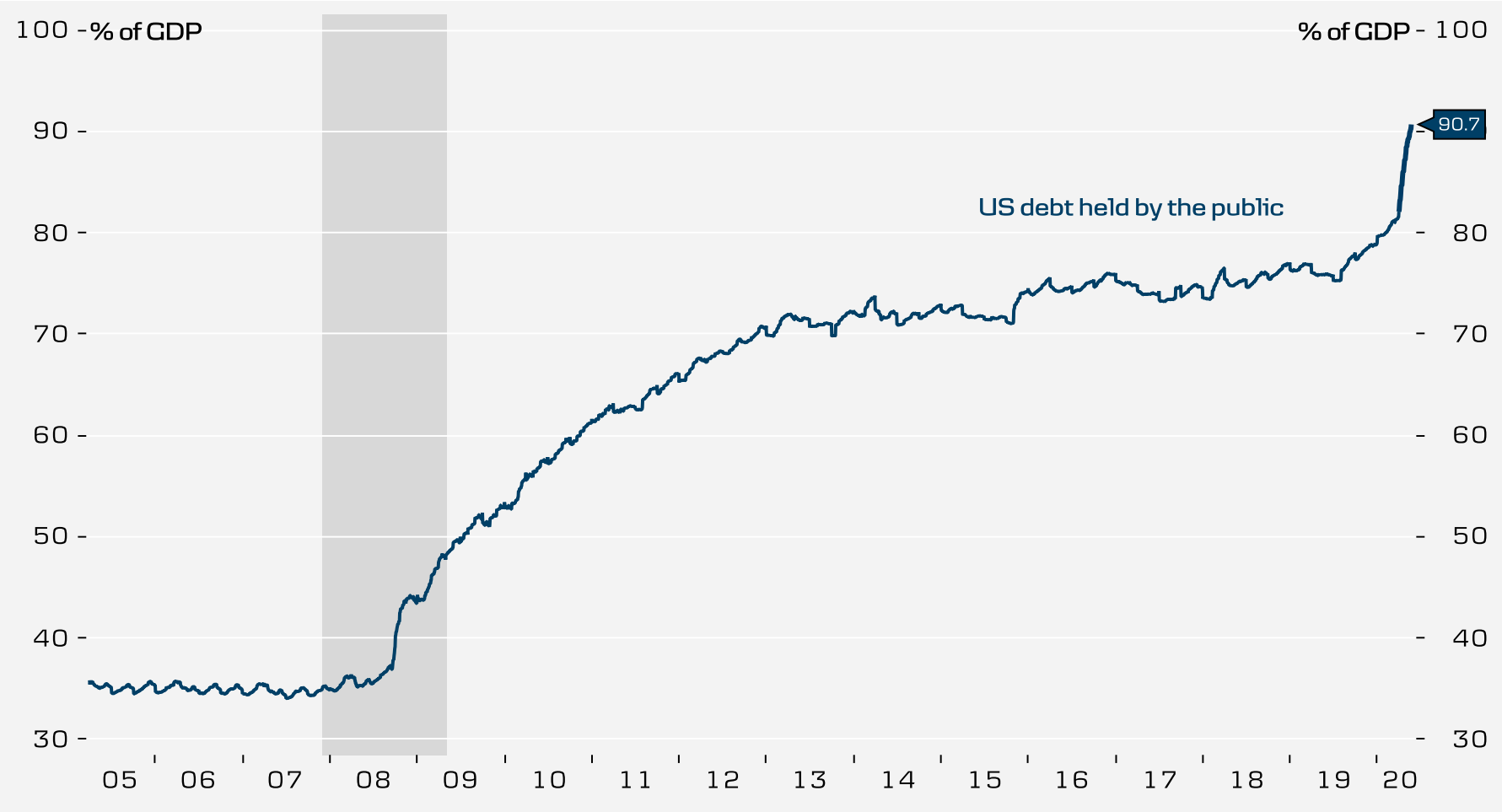
Source: TSA, Macrobond Financial

# Electricity demand remains below average



Sources: EIA, Macrobond Financial

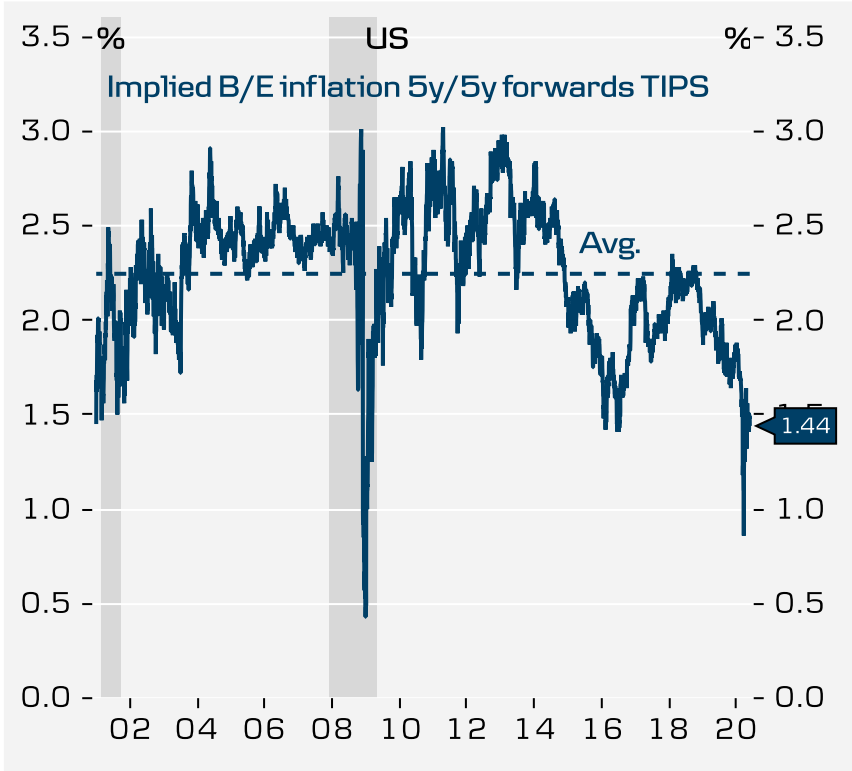
*US debt held by the public (% of GDP) has risen 10pp in a very short period due to emergency spending packages*



Source: US Treasury, BEA, Macrobond Financial

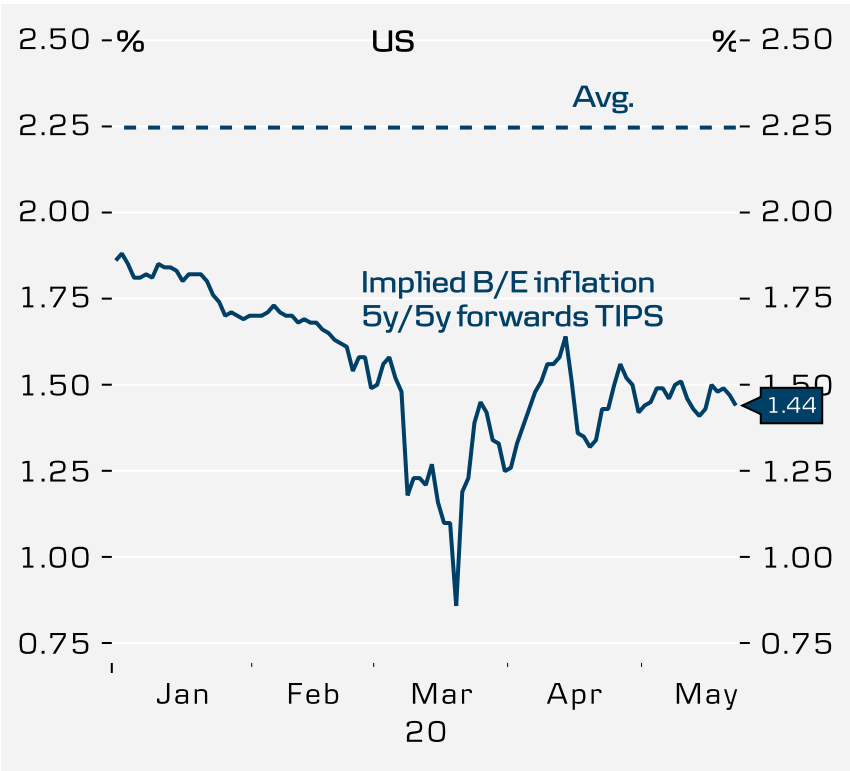
# Market inflation expectations remain subdued but not far away from pre-COVID-19 outbreak levels

Long history



Source: Bloomberg, Macrobond Financial

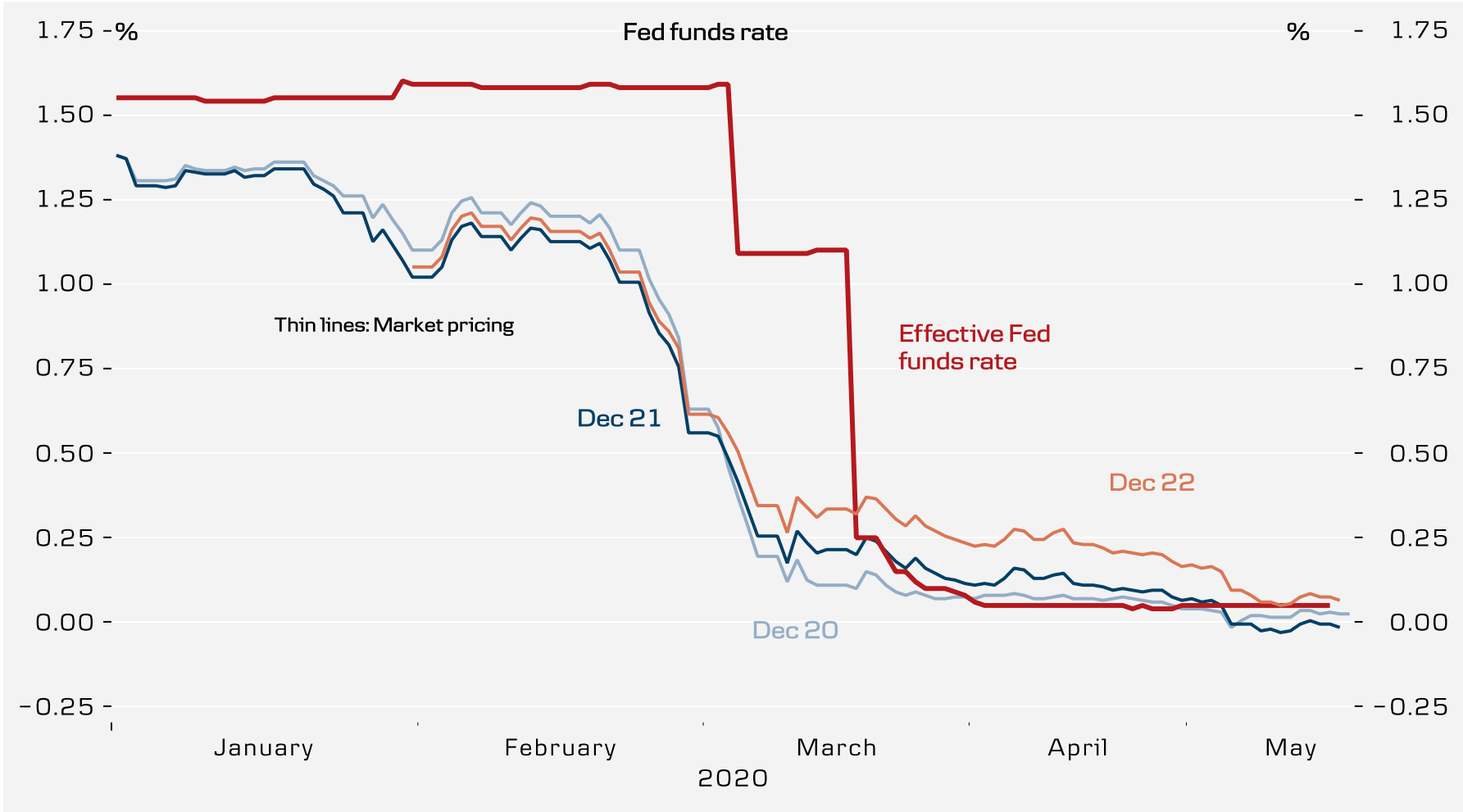
Short history



Source: Bloomberg, Macrobond Financial

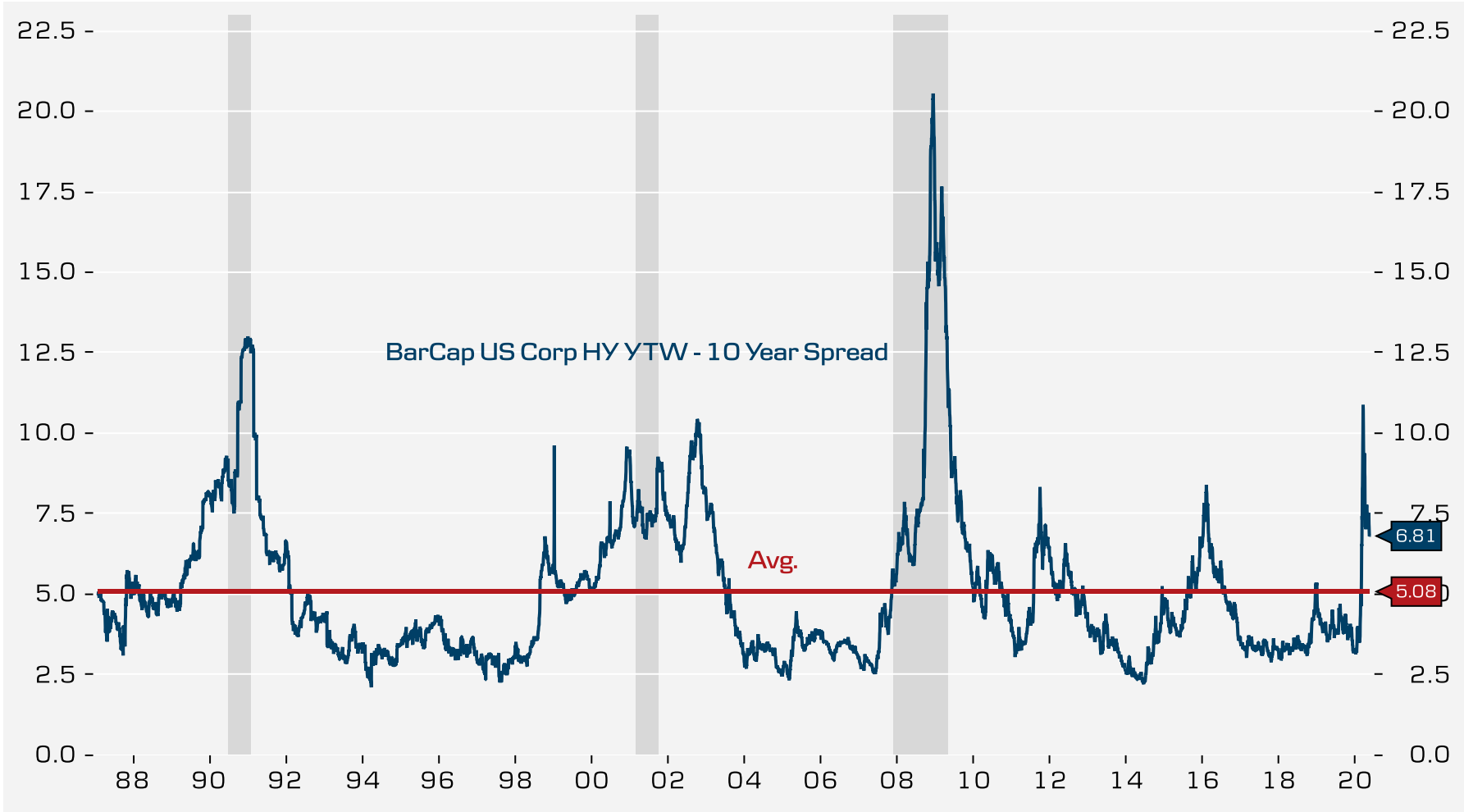


# Markets are not pricing in any Fed hikes in the near future



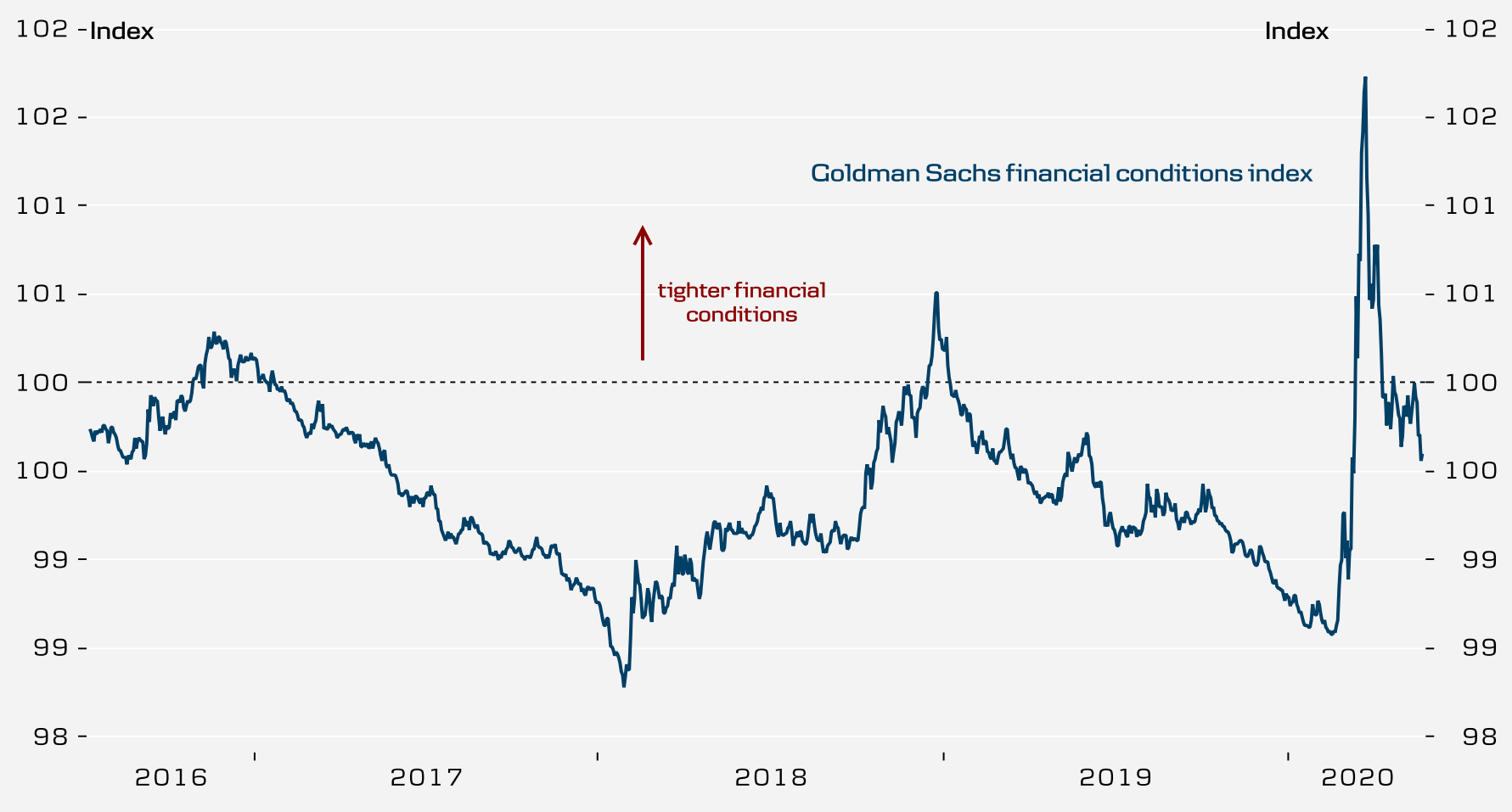
Source: Federal Reserve, Bloomberg, Macrobond Financial

# High yield credit spread has narrowed



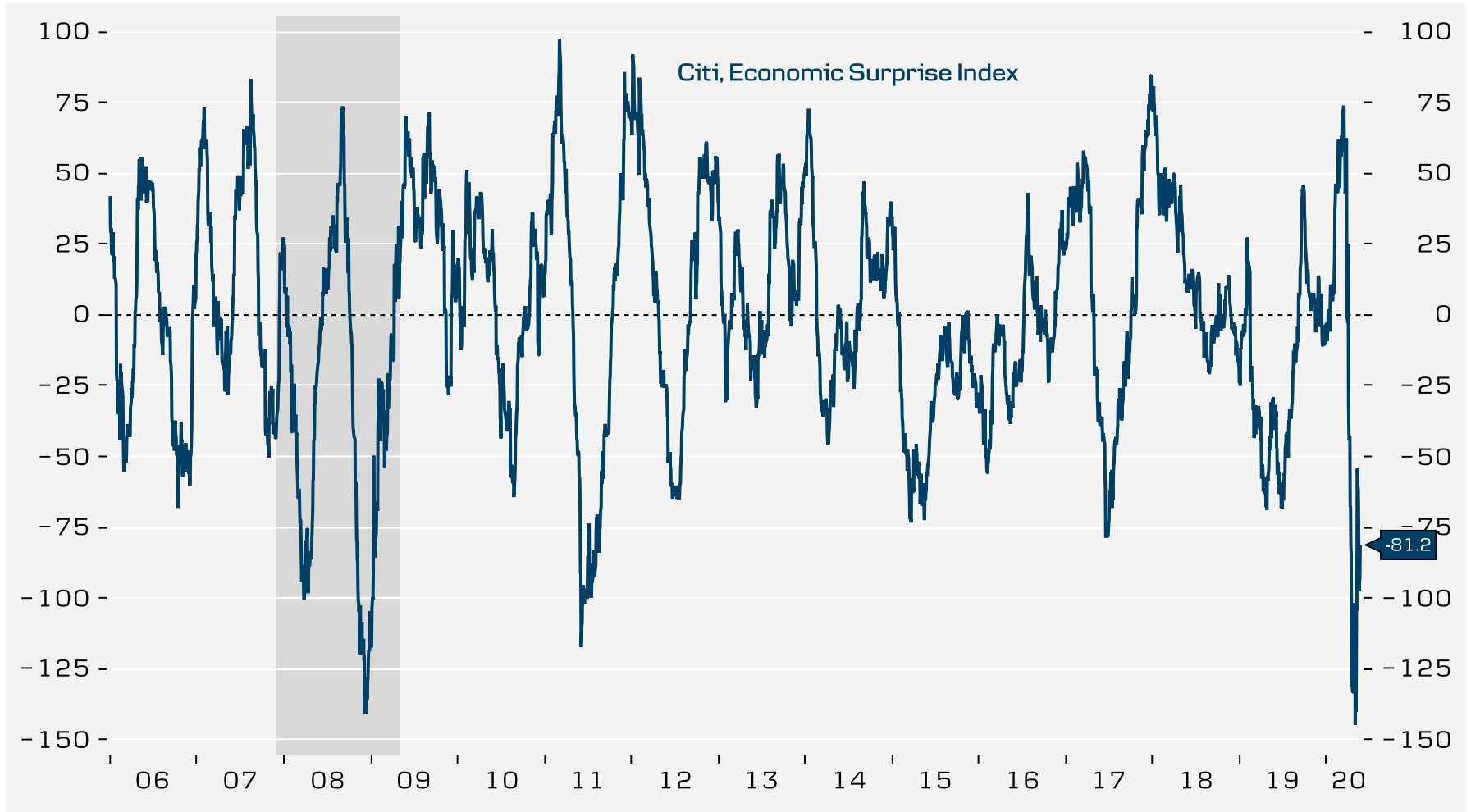
Source: Barclays, Bloomberg, Macrobond Financial

# Financial conditions have eased but remain higher than at the beginning of the year



Source: Goldman Sachs, Bloomberg, Macrobond Financial

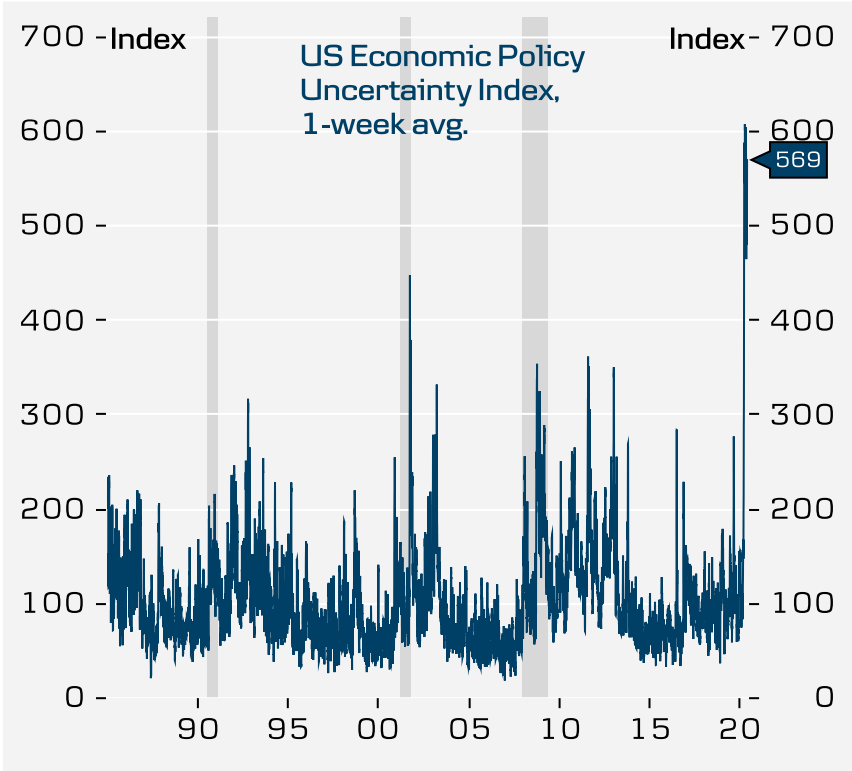
# US Macro Surprise Index remains very negative



Source: Citi, Macrobond Financial

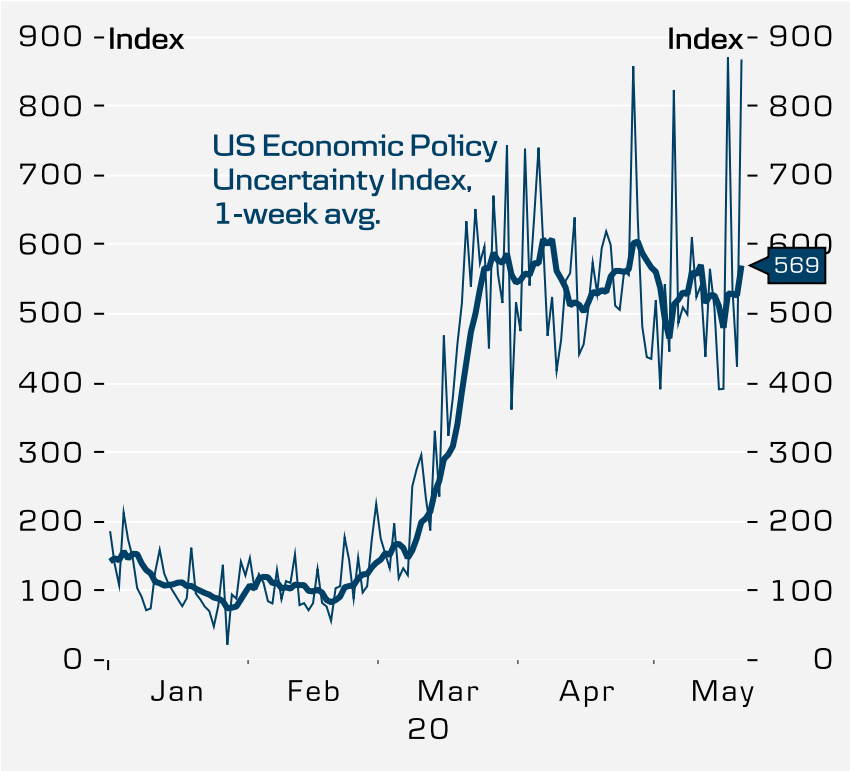
# Political uncertainty has stabilised but remains high in an historical perspective

High political uncertainty in an historical perspective



Source: Economic Policy Uncertainty, Macrobond Financial

The index has stabilised though

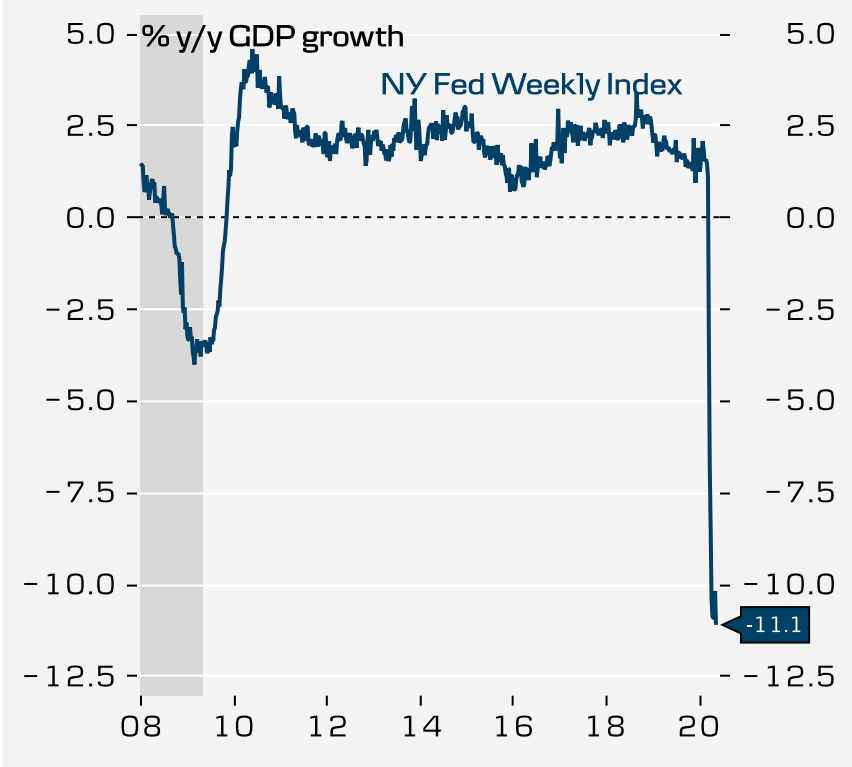


Source: Economic Policy Uncertainty, Macrobond Financial

*Weekly data*

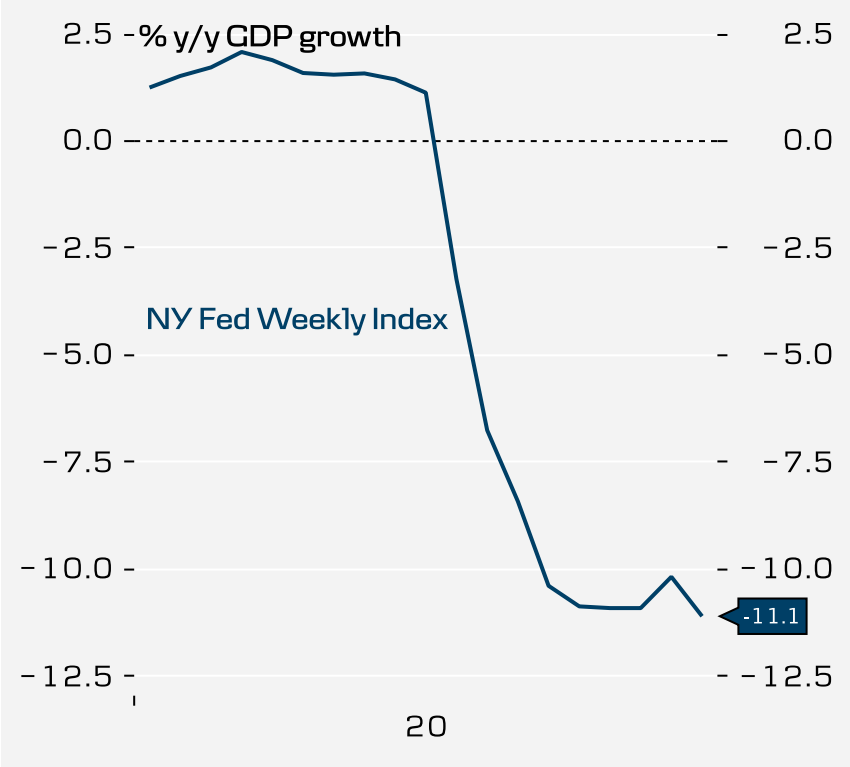
# NY Fed's weekly index shows signs of stabilisation

Very sharp GDP contraction



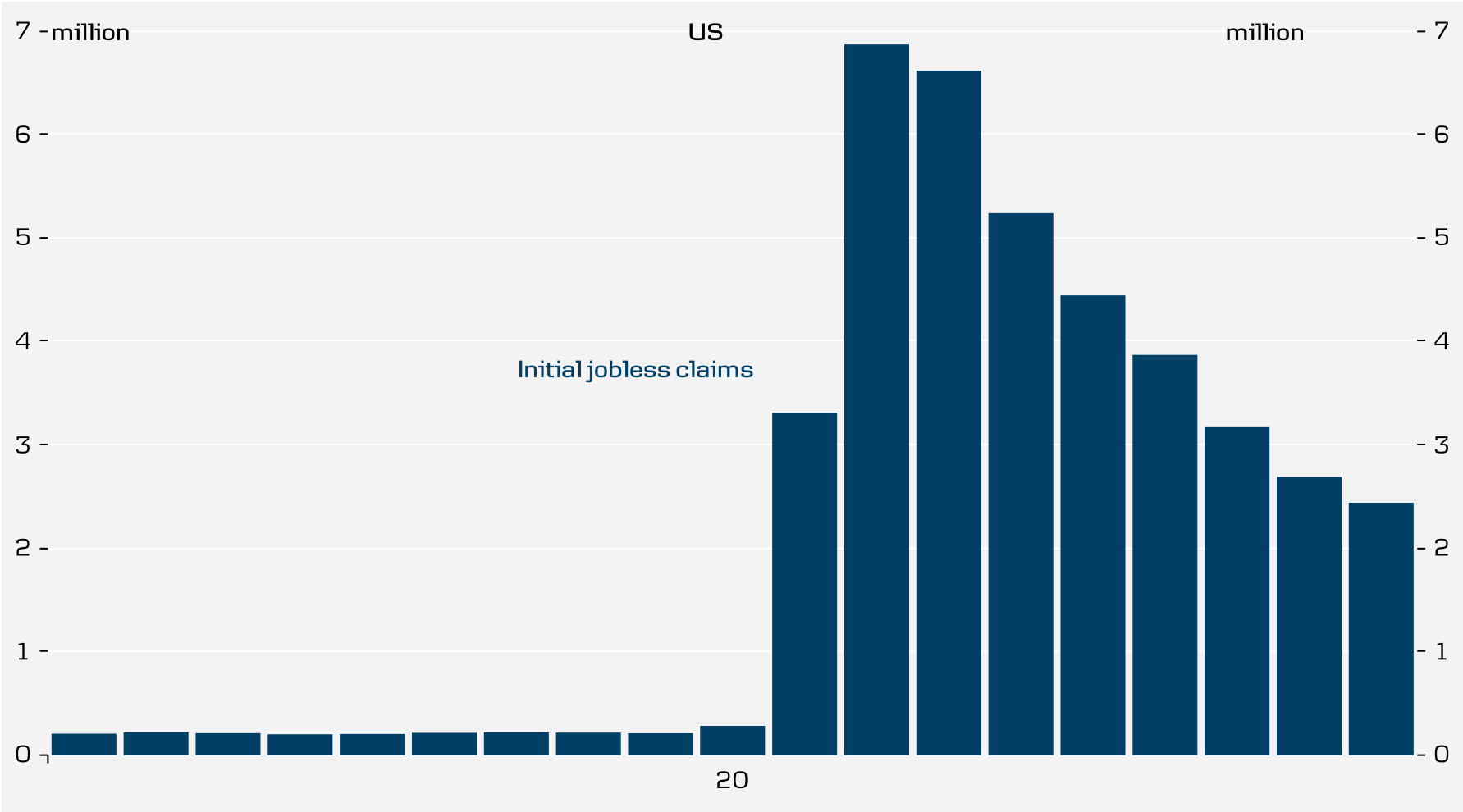
Source: New York Fed, Macrobond Financial

But seems like the bleeding has stopped



Source: New York Fed, Macrobond Financial

# US initial jobless claims remain extremely high

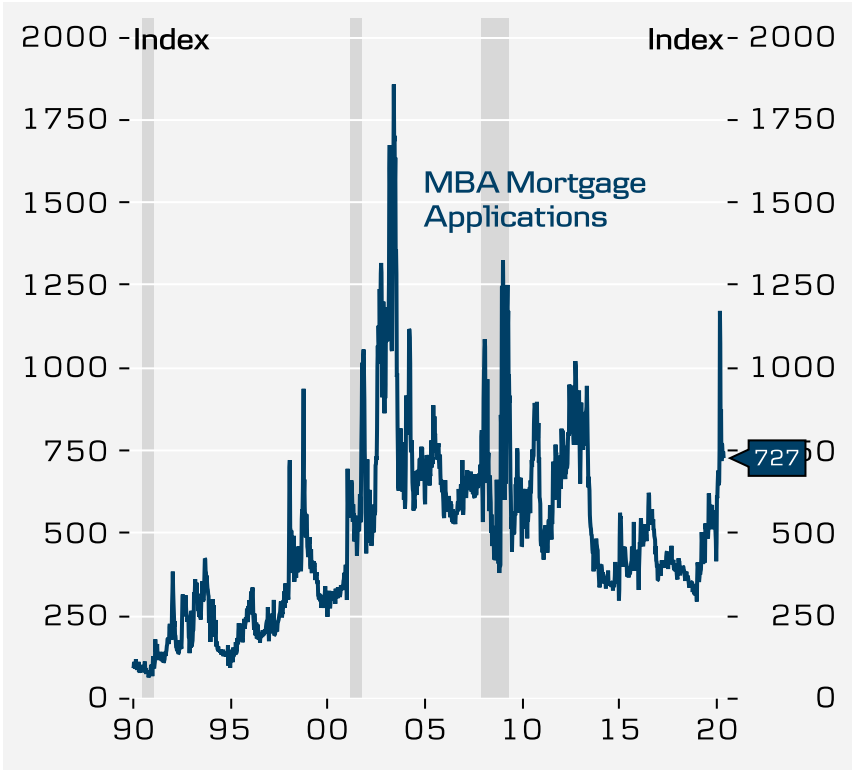


Source: US Department of Labor, Macrobond Financial



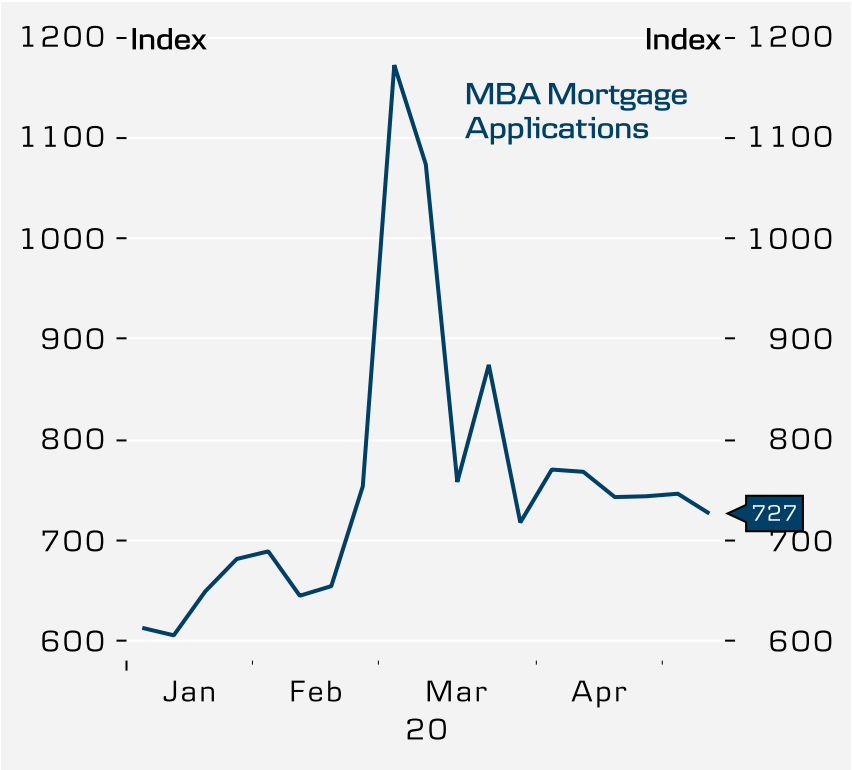
# Mortgage applications remain high

Not a big hit to mortgage applications



Source: MBA, Macrobond Financial

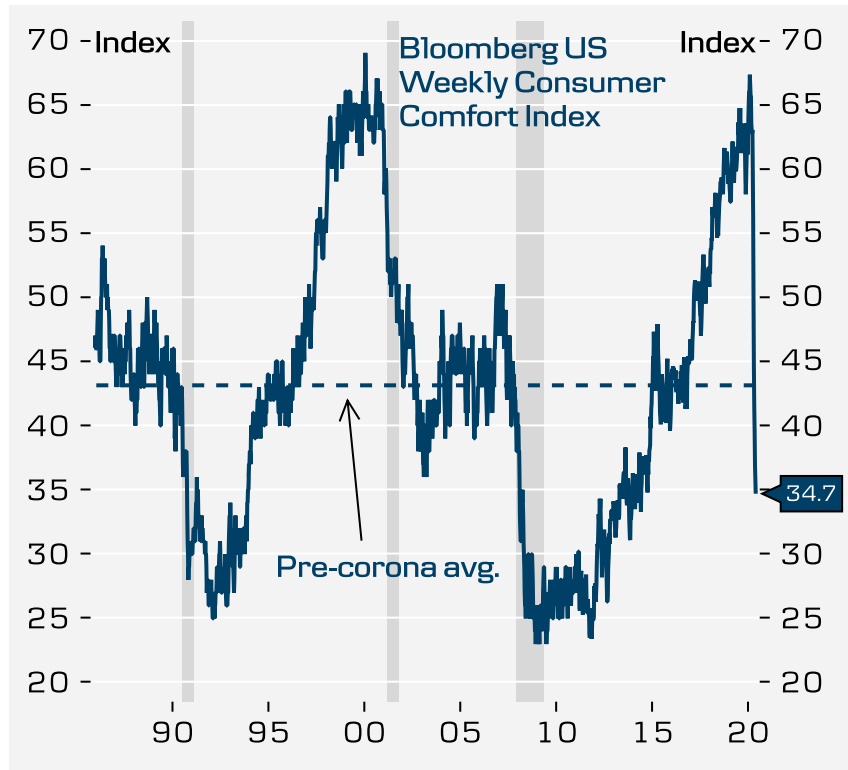
Although not as many as in early March



Source: MBA, Macrobond Financial

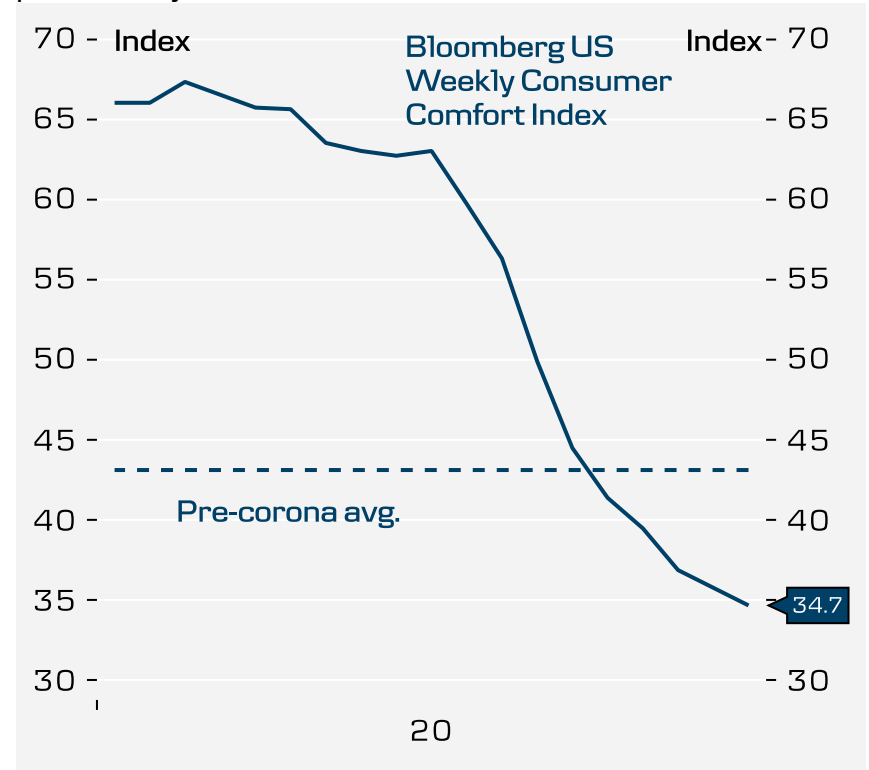
# US consumer confidence has fallen a lot

Sharp decline but higher than in the financial crisis



Source: Bloomberg, Macrobond Financial

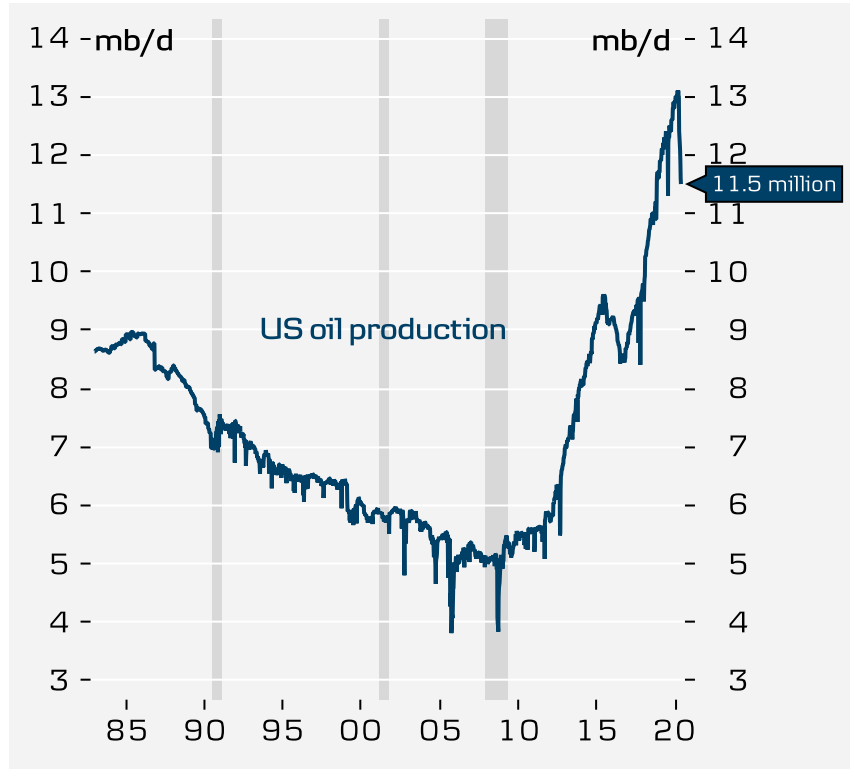
Seems that the index is not falling as fast as previously



Source: Bloomberg, Macrobond Financial

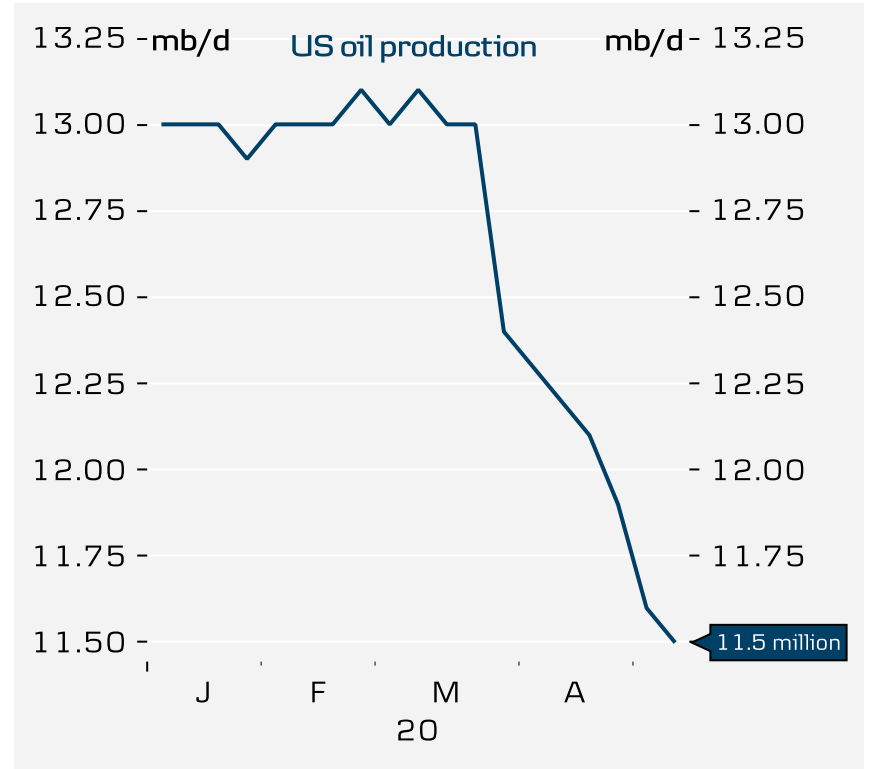
# US oil production has taken a hit from lower oil prices/demand

Still high in a historical perspective



Source: EIA, Macrobond Financial

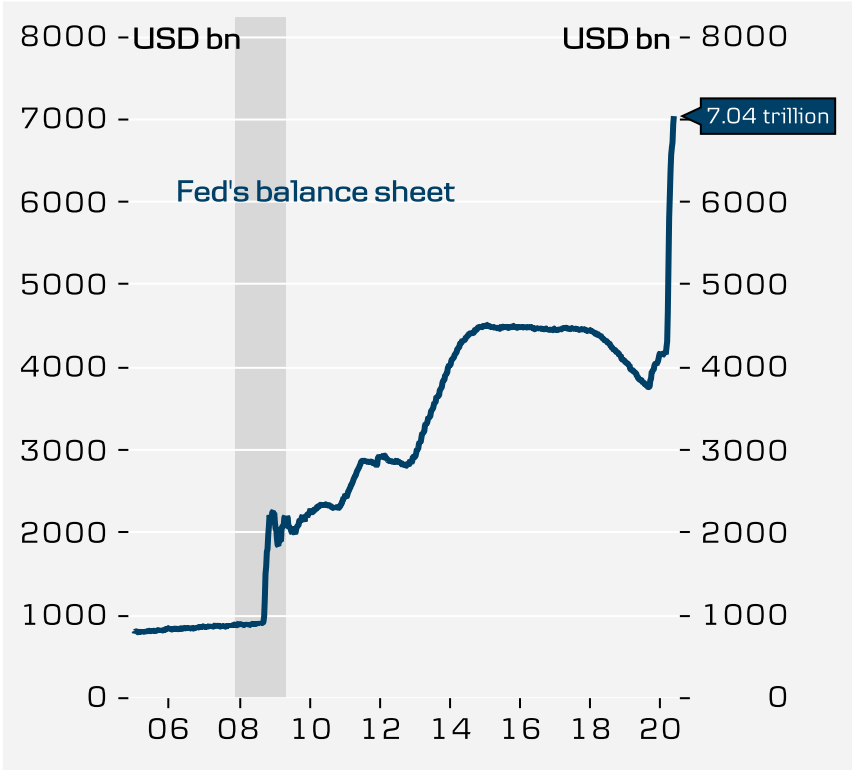
But has fallen a lot in a very short period of time



Source: EIA, Macrobond Financial

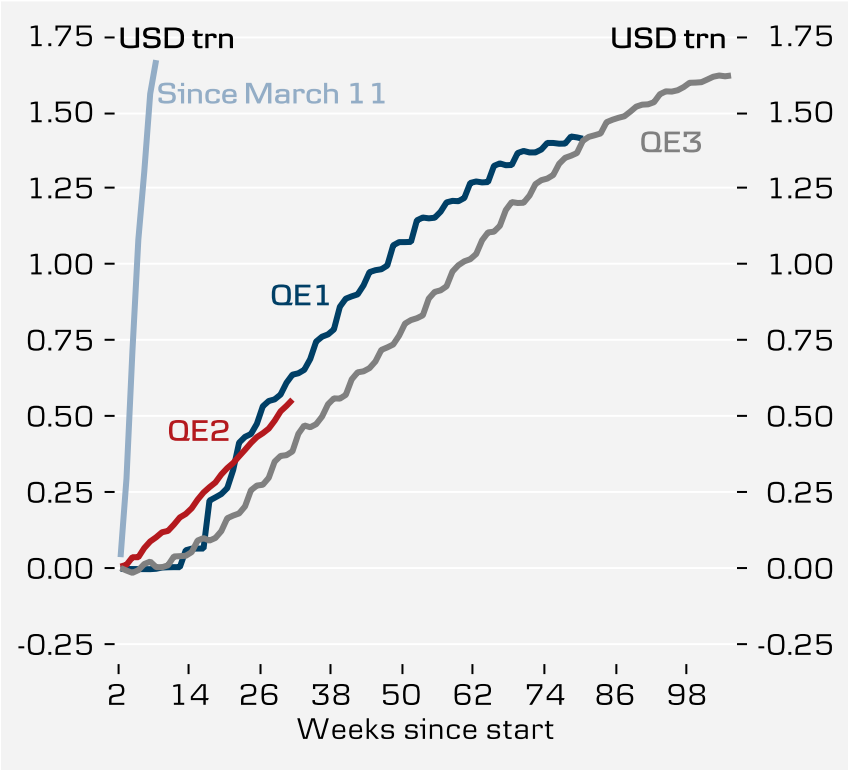
# Fed is buying a lot more, a lot faster than in the previous QE rounds

Balance is now above USD7,000bn



Source: Federal Reserve, Macrobond Financial

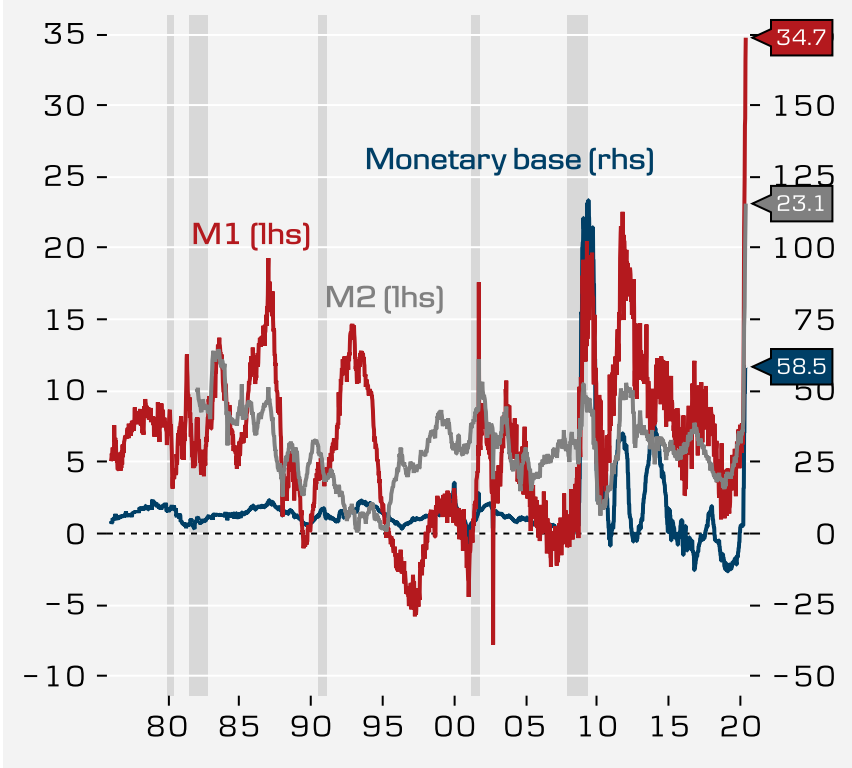
Current QE compared with previous rounds



Source: Federal Reserve, Macrobond Financial

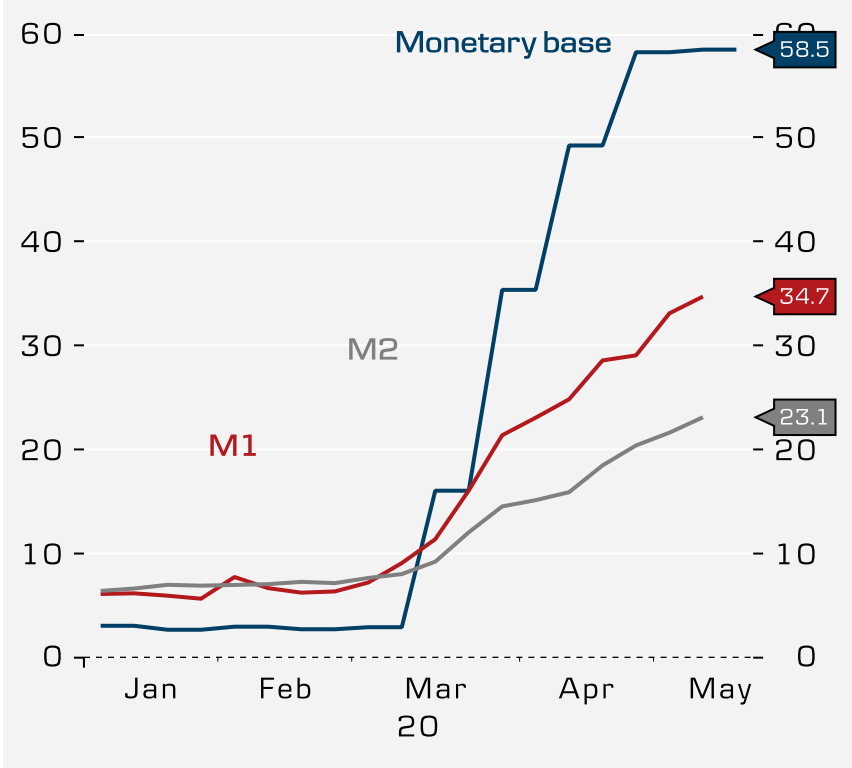
# Fed is printing a lot of new money

Sharp increases in M0, M1 and M2



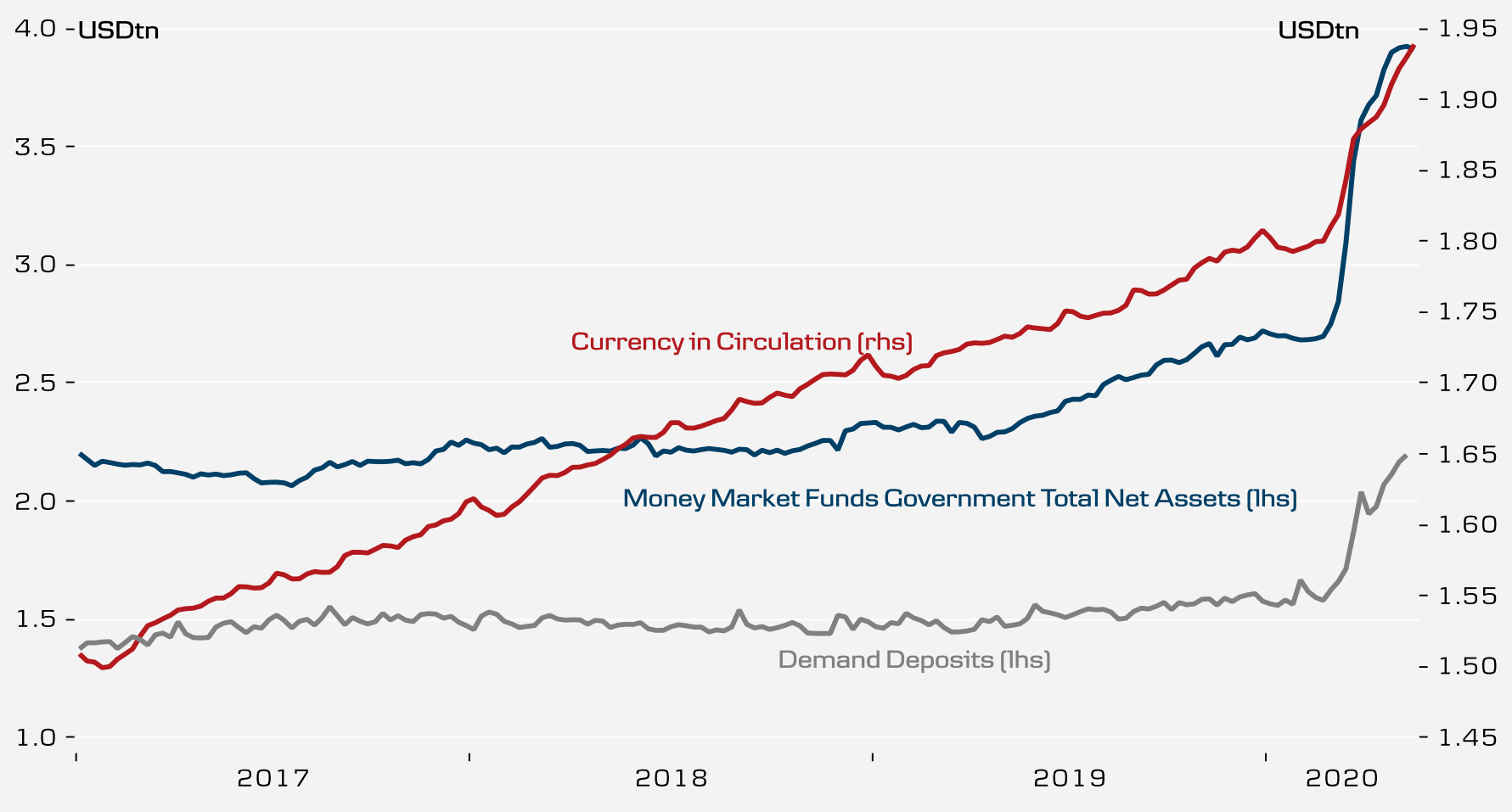
Source: Federal Reserve, Macrobond Financial

M1 and M2 have not risen as much as M0



Source: Federal Reserve, Macrobond Financial

# Demand for zero interest rate-bearing assets has risen during the lockdown

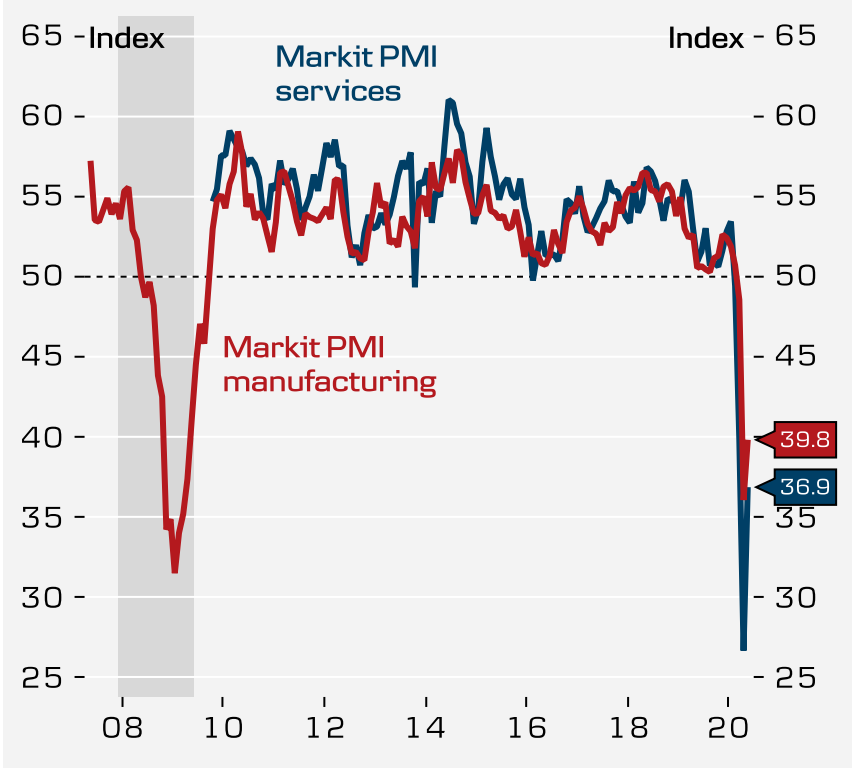


Source: Federal Reserve, Macrobond Financial

*Monthly data*

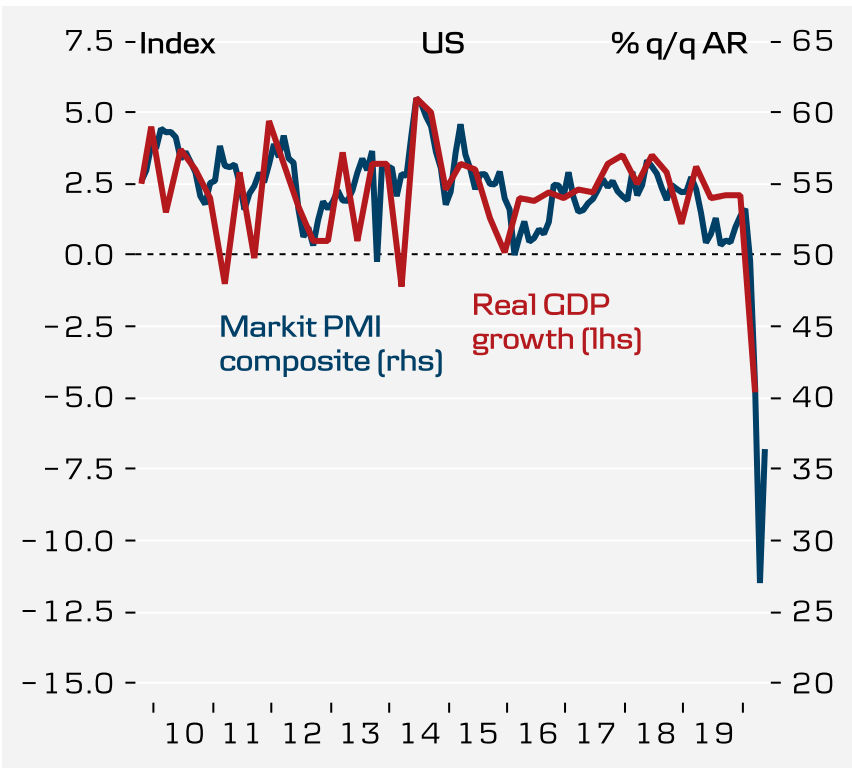
# PMIs painted a gloomy picture for March and April

Very low PMIs



Source: IHS Markit, Macrobond Financial

PMIs indicate a sharp decline in real GDP growth

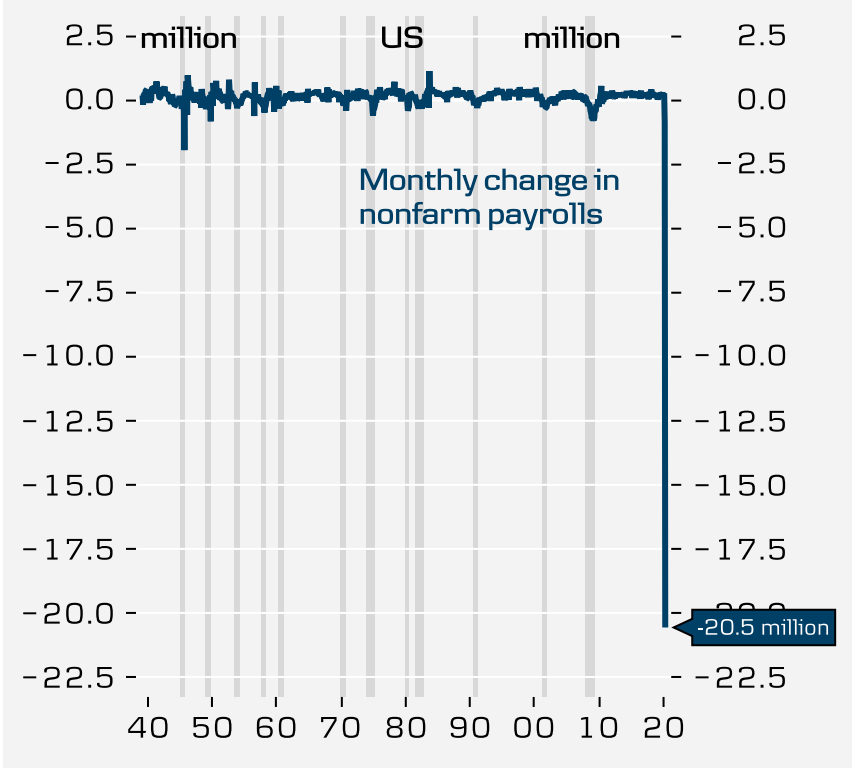


Source: IHS Markit, Macrobond Financial



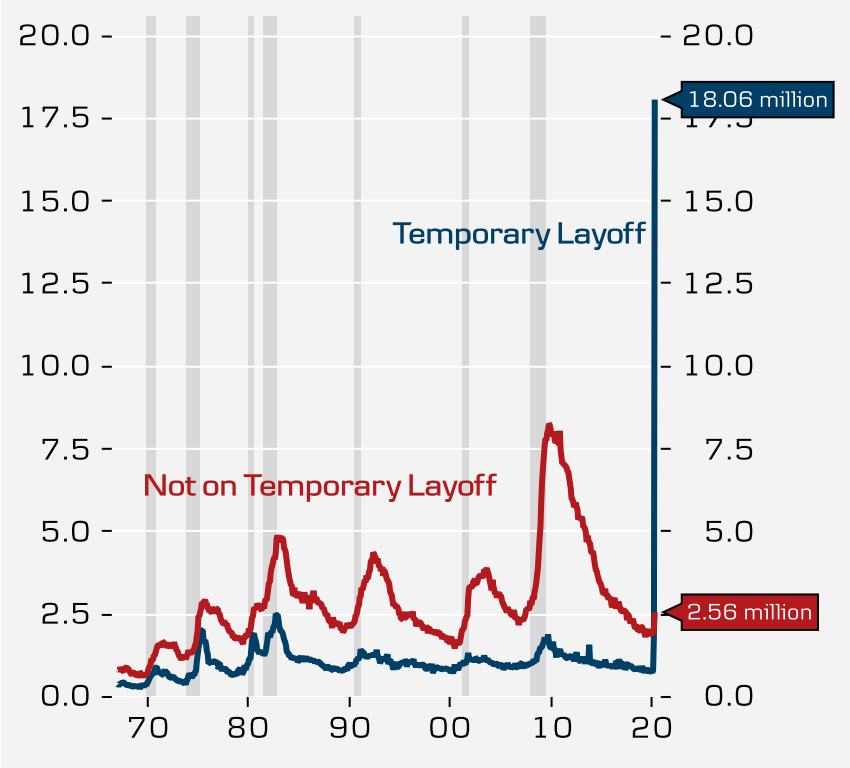
# Jobs report for April was the worst in history

An unprecedented decline in employment



Source: BLS, Macrobond Financial

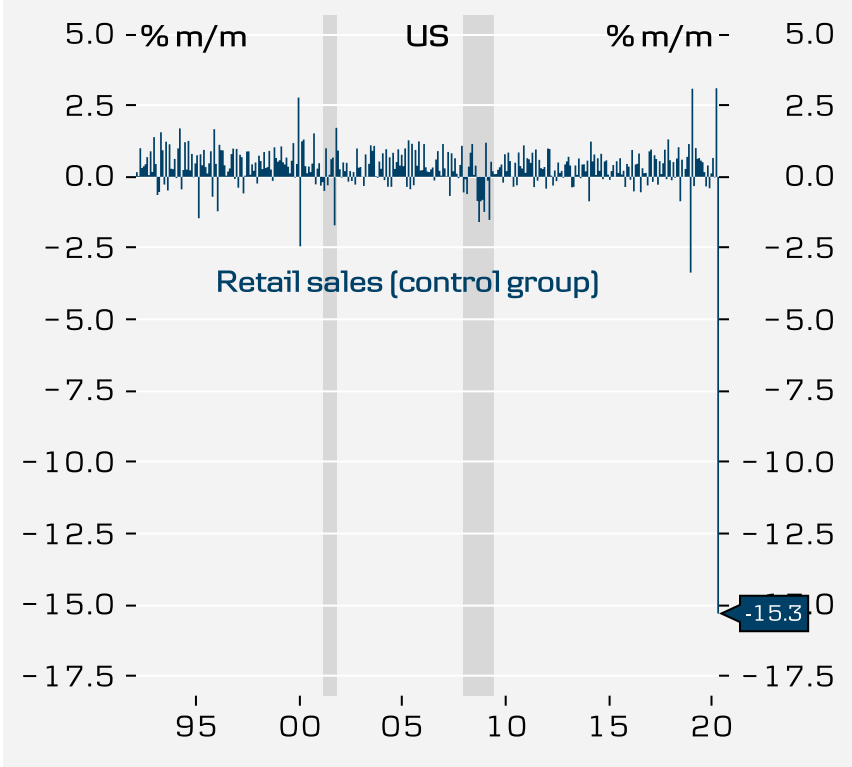
Most layoffs have been temporary (so far...)



Source: BLS, Macrobond Financial

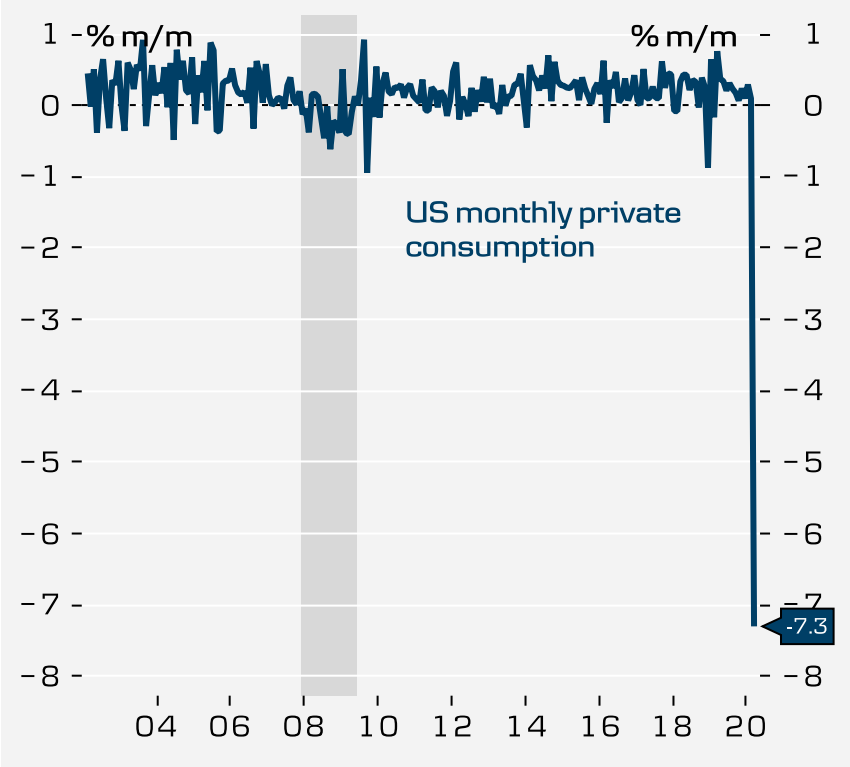
# Sharp fall in private consumption as the economy shut down

Big decline in April retail sales



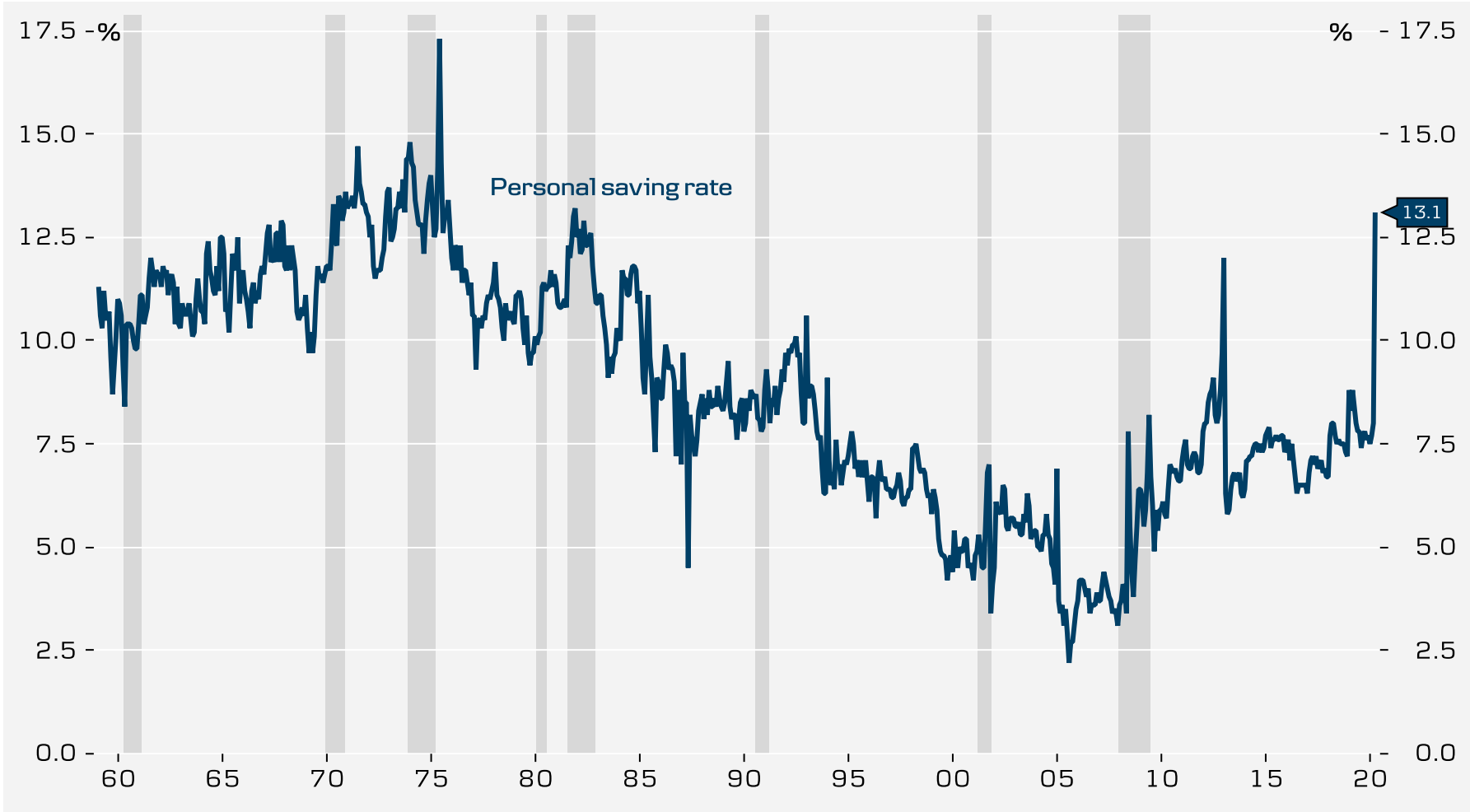
Source: US Census Bureau, Macrobond Financial

Total private consumption fell a lot in March



Source: BEA, Macrobond Financial

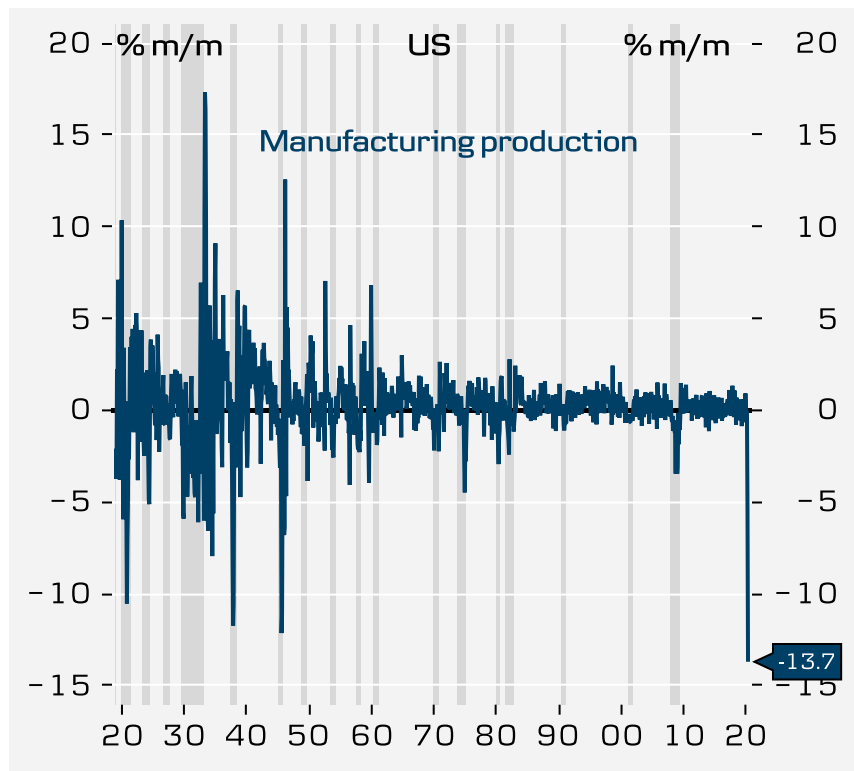
# Savings have risen in lockdown



Source: BEA, Macrobond Financial

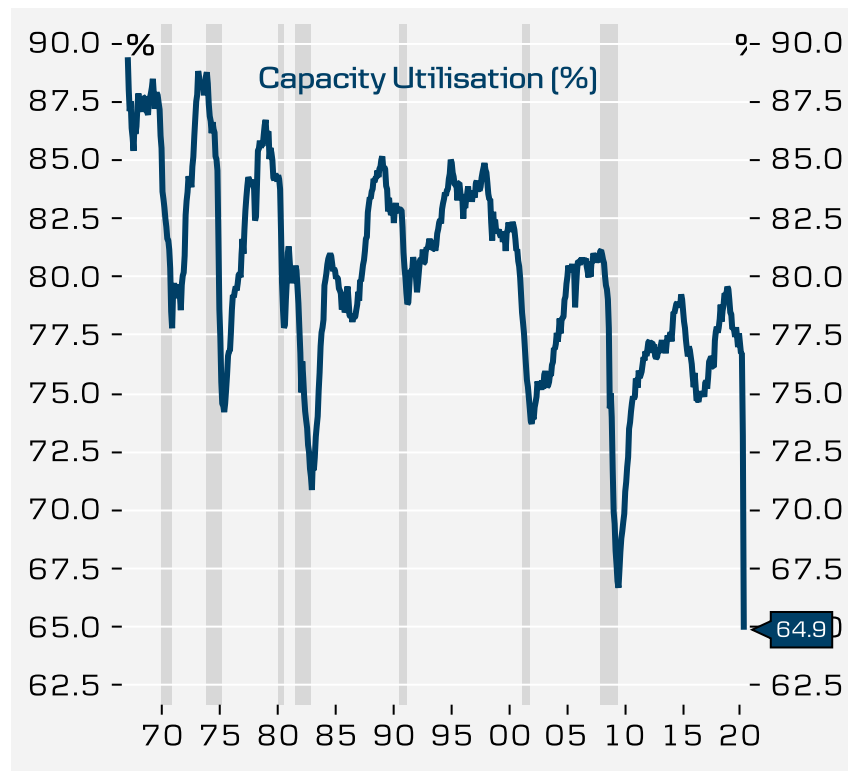
# Sharpest decline in manufacturing production on record

Manufacturing production has not fallen so much before



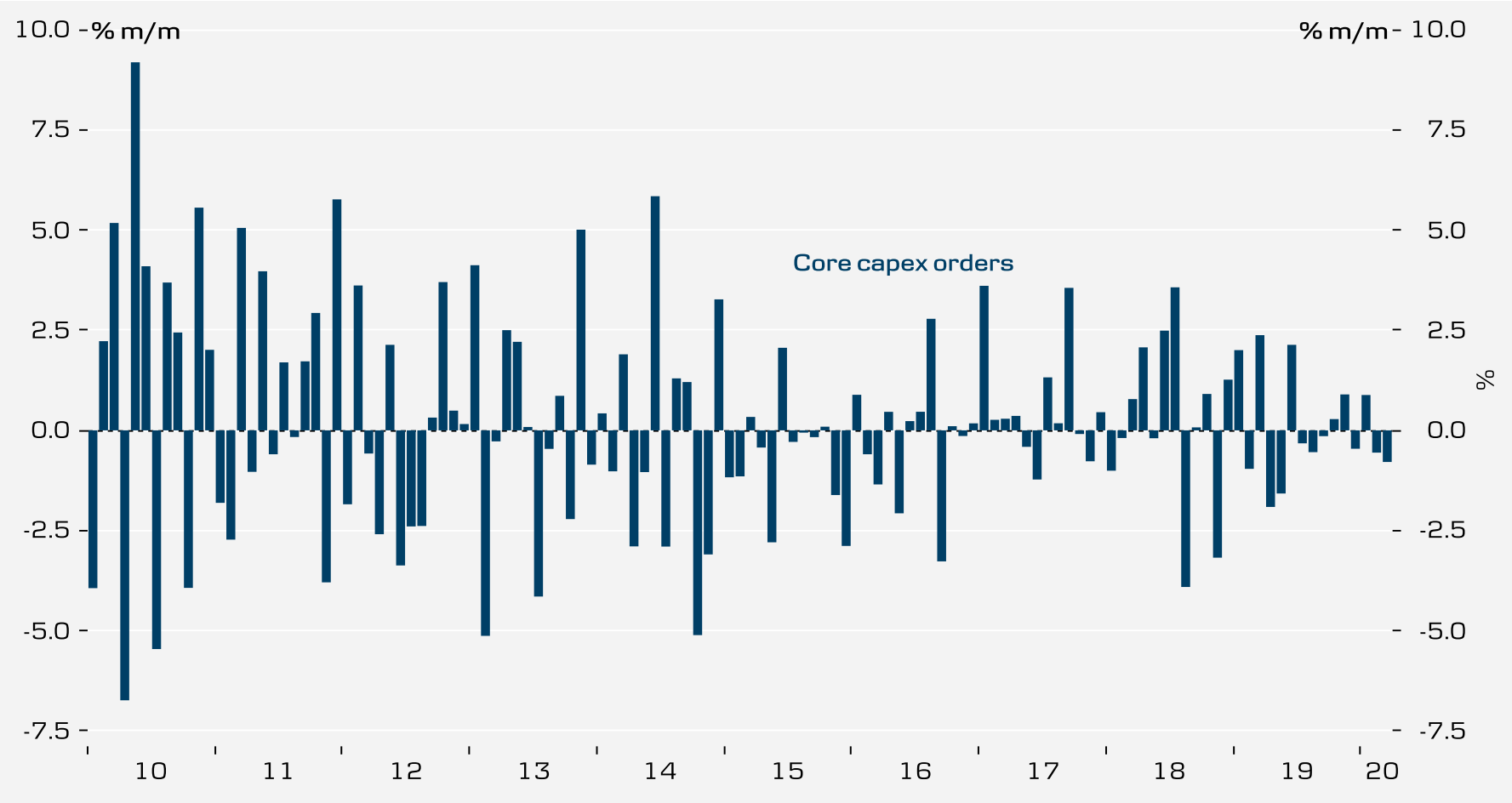
Source: Federal Reserve, Macrobond Financial

Record-low capacity utilisation



Source: Federal Reserve, Macrobond Financial

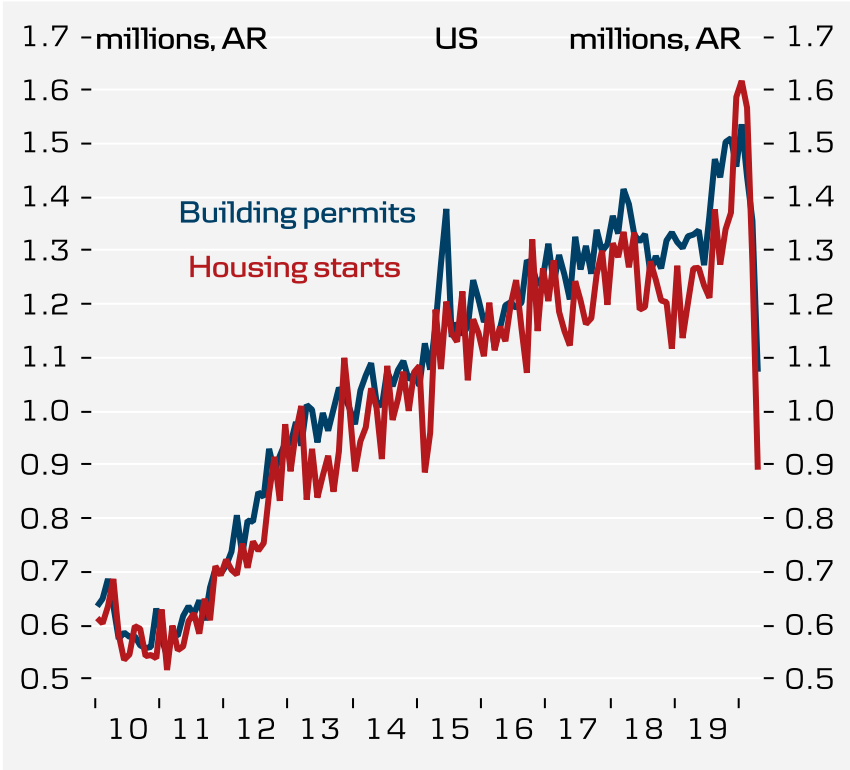
# Core capex orders set to have declined in April (last observation is March)



Source: US Census Bureau, Macrobond Financial

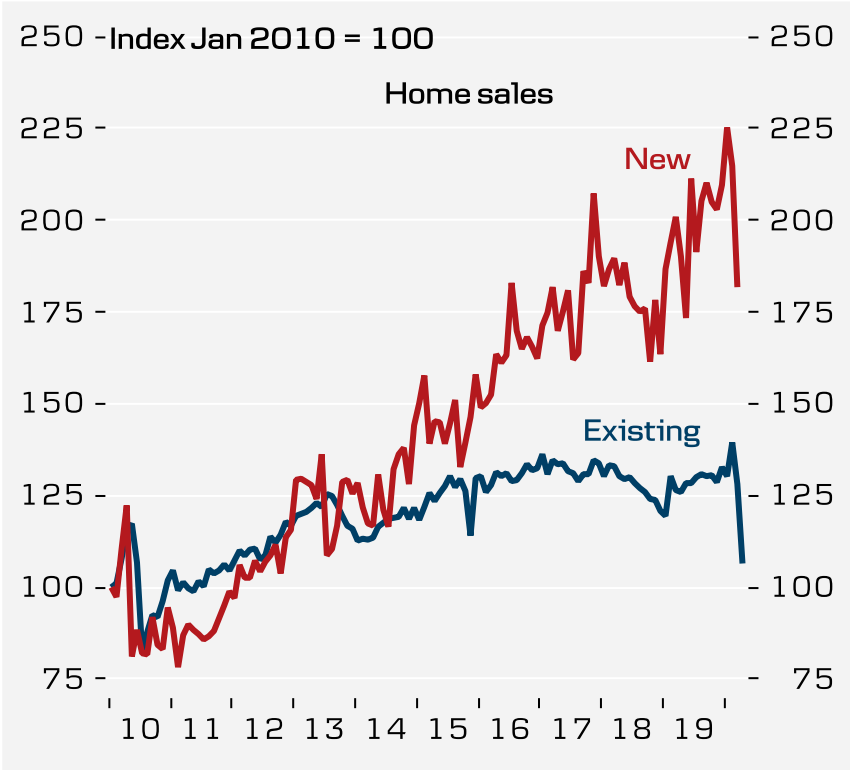
# Housing market was hit in March and April but perhaps not as much as one could have feared

Construction took a hit in April



Source: US Census Bureau, Macrobond Financial

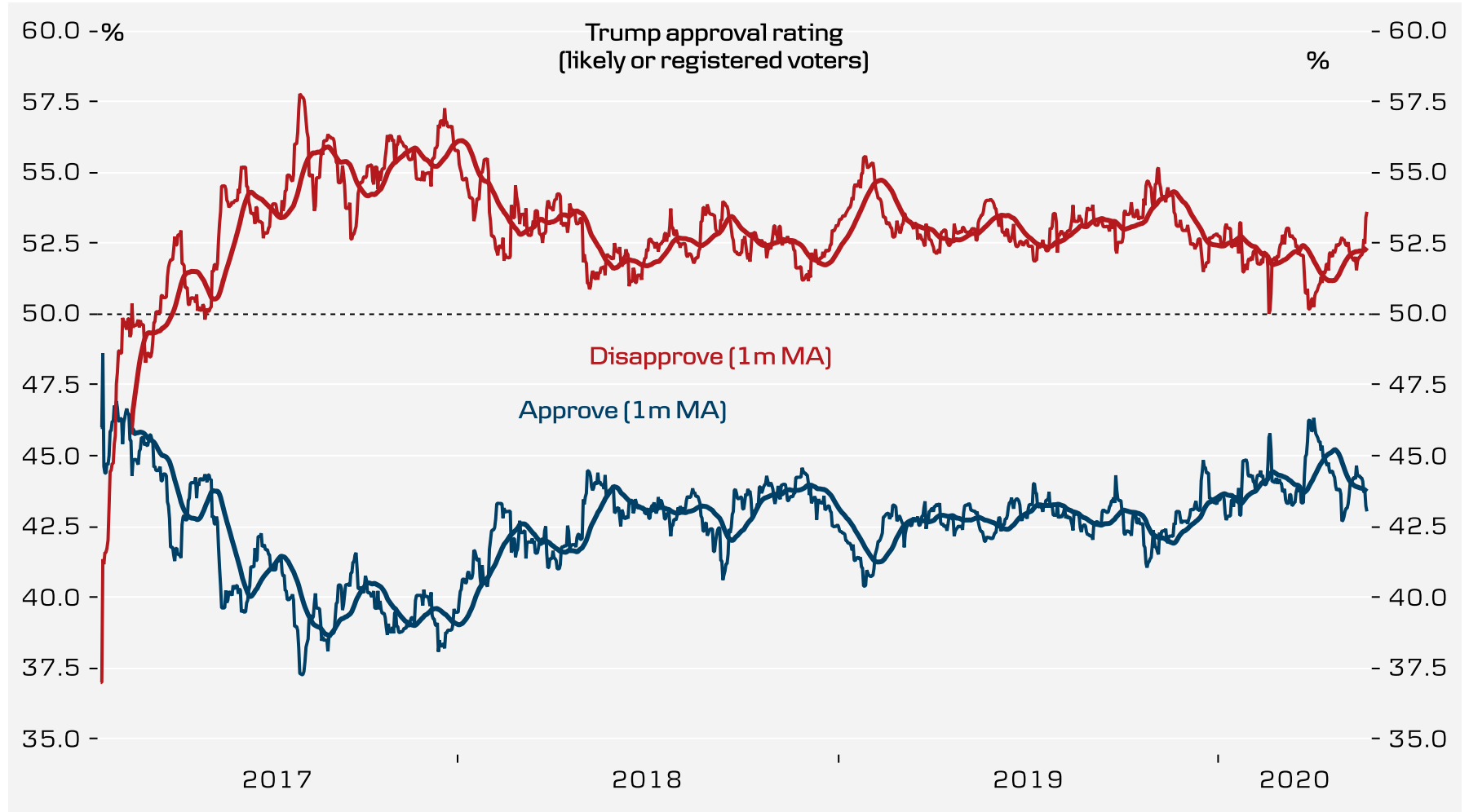
Home sales have declined but the level holding up



Source: NAR, US Census Bureau, Macrobond Financial

*Politics*

# Trump's approval rating is stable in the 42.5-45.0% range

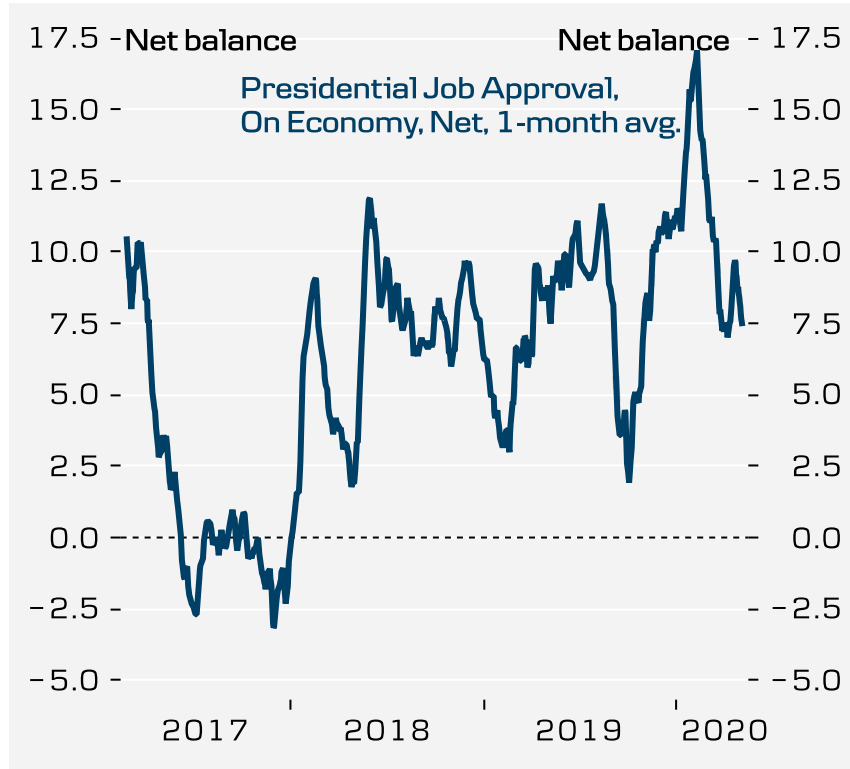


Source: FiveThirtyEight, Macrobond Financial



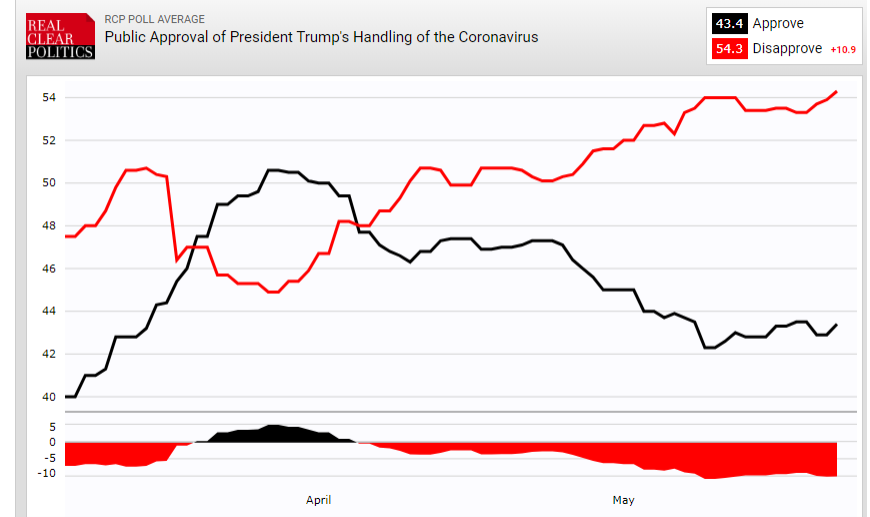
# Trump's approval rating - details

Approval rating on the economy has come down from very high levels



Source: RealClearPolitics, Macrobond Financial

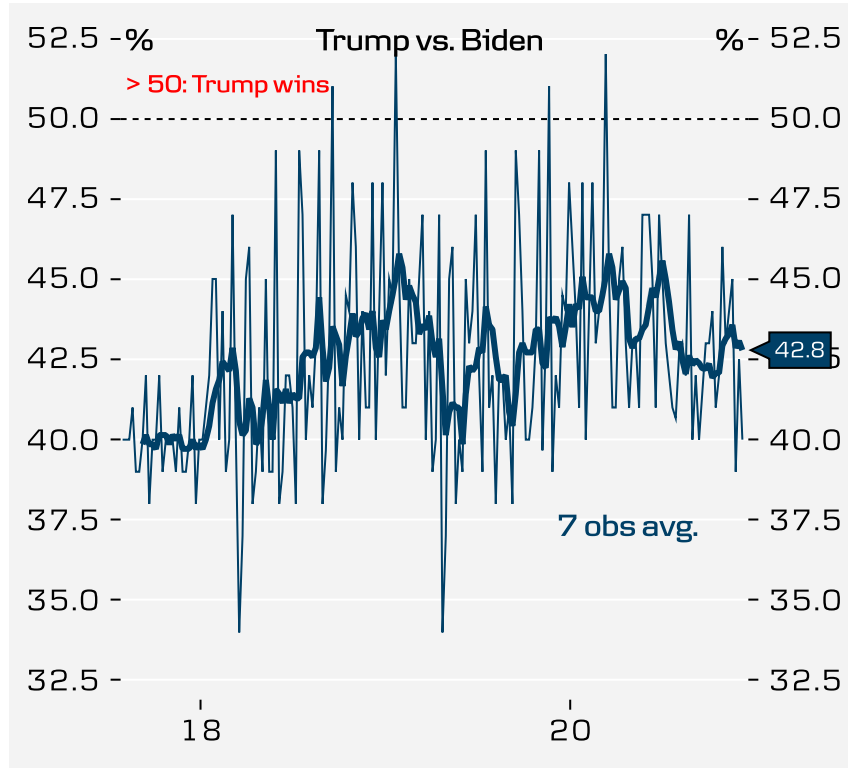
No strong approval of Trump's handling of COVID-19 outbreak



Source: RealClearPolitics

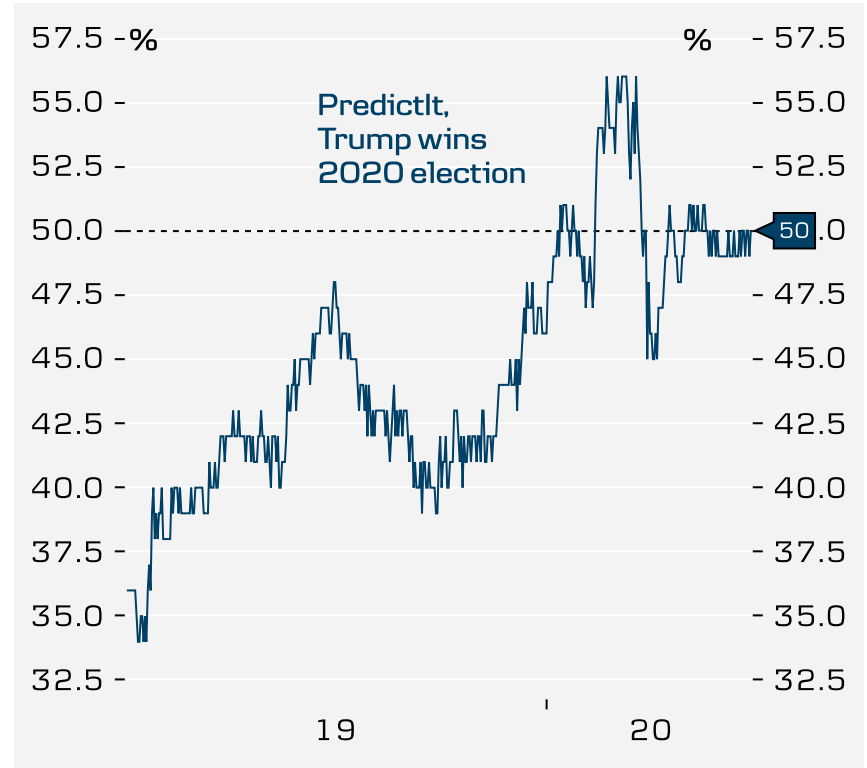
# Trump's chances of re-election

Biden ahead in polls



Source: RealClearPolitics, Macrobond Financial

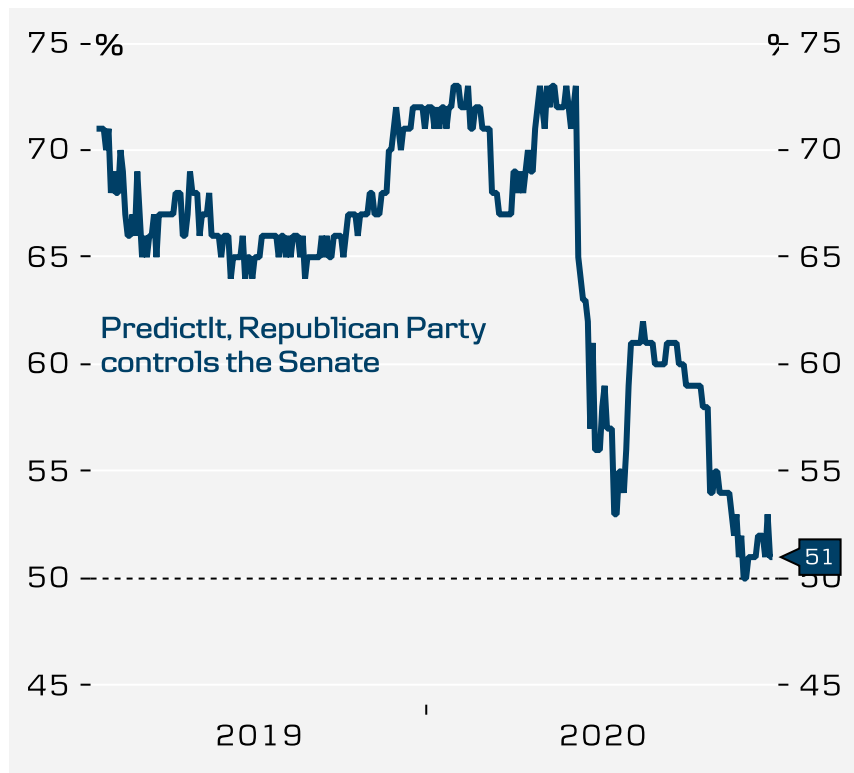
50-50 according to prediction markets



Source: PredictIt, Macrobond Financial

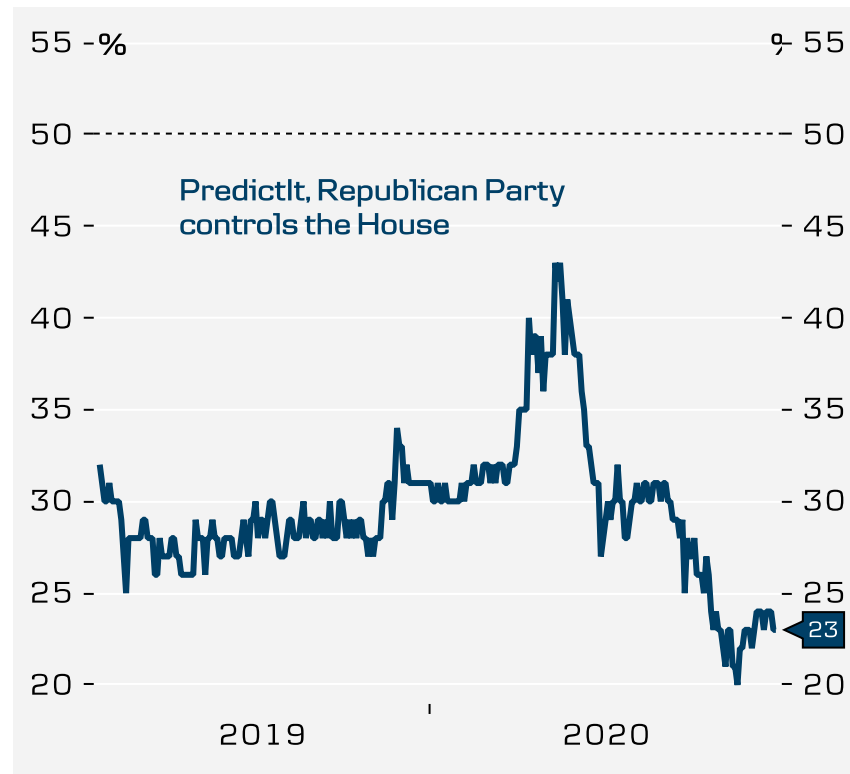
# Republicans no longer clear favourites to win the Senate

Close Senate race, according to prediction markets



Source: PredictIt, Macrobond Financial

Democrats favourites to win majority in the House



Source: PredictIt, Macrobond Financial

# Disclosures

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