

Weekly Commentary with Professor Jeremy J. Siegel

## ***Virus Developments Will Be Key Factor Dictating Performance Trends***

***Monday, 13/7/2020***



*Jeremy Schwartz, Executive Vice President, Global Head of Research for WisdomTree, hosts a weekly discussion with Professor Siegel, typically on the Wharton Business Radio podcast. The notes below summarize their conversation along with further commentary and context.*

The major factor Professor Siegel watches for hints on the market direction is data on the virus. The trend for virus spreads in the Southern states certainly is concerning. Texas, Florida, Arizona, even some of California are starting to see the increase in case counts more akin to what was occurring in the Northeast a few months back.

On the positive front, we saw further evidence that treatments for the virus are improving for severe cases. Remdesivir was announced to improve patients' outcome by 62% versus standard care. This is better than the 30% improvement that was coming from dexamethasone. This positive news helped support the gains in the stock market on Friday, despite the negative headlines on the virus spread. That also helped all the 'economy re-opening' market trades (small caps, cyclical and travel stocks performing well) while some of the cloud technology work from home stocks dropped on Friday. Developments in the virus will be the key factor dictating these relative performance trends for some time.

We are about to embark on earnings season. S&P is forecasting a 20% drop in earnings this year. This next quarter will be instructive on how the full year goes, and could be the type of quarter where we see a lot of unusual mark downs in asset values that makes reading ongoing profitability even harder.

We are expecting more fiscal support coming out soon. That will be another catalyst for supporting liquidity in the system—all things that support Professor Siegel's thesis that we will have a strong economy going into 2021, with more inflation pressures building as we re-open. While the recent jump in cases is discouraging, the longer term trends are not, and it is likely we can get the virus under control and re-open the economy.

Professor Siegel shared how Penn was thinking about teaching classes in the Fall. For classes with more than 48 students, instruction must occur remotely for social distancing concerns. But for classes with fewer students, it will be up to the discretion of the professors whether Zoom classes are utilized in the classroom. They are going to allow some pre-recorded sessions, but everything cannot be pre-recorded—there must be some live interaction. This is a new world and new model, but one that we heard worked effectively last semester.

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