

Weekly Commentary with Professor Jeremy J. Siegel

Strong Economy in 2021 with Inflation and Growth Rebound

Monday, 29/6/2020



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 market volatility over the last few weeks has been caused by developments in the virus and what is going on in the southern and western half of United States. There are fears the increase in cases will cause another shutdown of the economy.

Professor Siegel's read of the virus data: yes new cases hit a new high, but daily new deaths recently hit a new low. Yes, there is a lag of about one week between new cases and deaths, but we have made remarkable progress in treating this virus. The death rate per hospitalization is being improved by almost 75%—with very little in new drugs (save dexamethasone very recently) and therapeutics.

Professor Siegel is not minimizing the recent developments and is disturbed that many are not obeying social distancing suggestions. This creates more anxiety of another shutdown and further economic restrictions. But Professor Siegel sees at this point that the number of people getting seriously ill is going way down.

Although the media stresses that a number of ICUs are getting filled, Professor Siegel sees the current situation as nothing like what New York or New Jersey experienced back in March.

Cases will continue to go up—while death rates will flatten and then go down again, in Professor Siegel's view. Professor Siegel sees COVID causing 160,000 deaths—which is about 2.5x the influenza spike we had 2 years ago and about 6x the normal flu season. The number of death is no more than what happened in the 1950s-1960s when the “Hong Kong” and “Asian” flue raged but nothing was shut down.

The population that is spreading the virus tends to be the younger population with fewer pre-existing conditions, while the elderly appear to be taking more defensive and self-isolating measures.

The market is still 35% higher than it was in March because at that time we did not know what was going on. Now we have a much better idea what the virus is about and we can treat and manage it far better. The equity markets are forward looking—and when you look beyond the virus, the major liquidity being provided by the government and the Fed will field a strong economy in 2021 with an inflation and growth rebound.

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