

Weekly Commentary with Professor Jeremy J. Siegel

Will COVID Cases Spike After Reopenings?

Monday, 14/9/2020



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.

First, it was nice to have a hint of normalcy with the opening of the NFL football season on Thursday night—with actual fans in the stadium, the first live sporting event with fans in the US since the pandemic began. Let us hope this is a precursor to more openings for our economy.

The trends in the virus will impact the economy and the election. And the trends are quite positive in the four southern states that had been hotspots. Both new cases and deaths are down. As schools reopen and restaurants have limited reopenings, everyone is looking to see whether there is another spike in cases and how big it will be. This will be important for the economy and the election.

Internationally, we have our first major developed country, Israel, to re-enter lockdown after they emerged from the first wave of cases. Israel is getting this second wave, although with much better treatments and much lower death rates. Professor Siegel does not think the US will have to re-enter lockdown.

In Washington, both sides have dug in and have decided having no deal is better for their election prospects—with Democrats thinking to keep the economy weaker ahead of the election and Republicans unwilling to agree to additional trillions in spending. This is very unfortunate since it looked like approximately \$1 trillion was agreed to on both sides.

The election odds markets have swung back slightly to Biden: now almost 3 to 2 probability in the betting markets. The Senate looks like it would break 50/50 for the Democrats with the Vice President breaking the tie votes.

We had a technology sell-off the last couple weeks. Professor Siegel thinks technology is starting to form a base for another run at records, but it will take some time for this to develop. Some of the real high fliers—like Tesla—may not go back to challenge their highs, but some of the stronger technology firms may. There is also a good chance there will be a rotation into value stocks over the next six months if the economy continues to open.

We had some news on the Producer Price Index (PPI) and Consumer Price Index (CPI)—a little hotter than expected. This is in line with Professor Siegel's call that we will have more inflation pressures next year.

We have a new feature—you can email in questions to Professor Siegel at AskSiegel@wisdomtree.com and we will try to address as many as possible each week.

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This week's question was a follow up to productivity comments from last week—how much of the productivity trends were motivated by firms downsizing because of COVID? Is technology finally starting to show up in the statistics?

Having a 10% productivity growth in Q2 is five times greater than the historical averages and is clearly not sustainable. Nevertheless, it is real and impressive and some of the productivity gains were generated from getting rid of lower productivity workers. But Professor Siegel thinks the forced improvement that came from the virus will lead to a permanent jump in productivity that should feed into higher real wages for employees, lower costs for firms, and better corporate profits. Professor Siegel doesn't think this received as much attention as it should have after it was reported.

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