

Full Recovery Requires Reopening

With the presidential election just over a month away, prospects for another round of fiscal stimulus seem to be dwindling. The recent death of Justice Ginsburg and the rapidly approaching election have shifted the Senate's gaze.

Conventional wisdom is worried that a lack of additional stimulus, and the potential for a drawn out and contested election, could impede the economic recovery. And some of those fears seem to be reflected in the stock market recently, with the S&P 500 having fallen 7.9% from its high of 3588 on September 2, as of Friday's close.

While we need to wait for August data on incomes, through July, the Commerce Department's measure of personal income was 4.9% higher than in February, as government transfer payments - which the US borrowed from future taxes - more than fully offset declines in wages and salaries. Think about that for a moment. Even with the end of special unemployment bonus payments, there is likely more money in people's pockets today than there would have been had the pandemic never happened!

Right now, any weakness in the economy is coming from the fact that many sectors (especially service-type activities) remain shut down or lightly used.

Spending on goods in July was up 6.1% from February, while spending on the more pandemic-restricted service sector was down 9.3% over the same period. Overall spending (goods plus services) remains down 4.6%. We doubt a full recovery can happen without a rebound in services. Additional checks can't change Americans' wants and desires. Instead, continued

recovery is going to require states to push ahead with reopening in a responsible manner.

Take New York and California. Daily new cases are down roughly 92% and 66%, respectively, from the peak in these states. Deaths are down, 99% and 40%, respectively as well. Yet both still have some of the nation's strictest pandemic-related restrictions in place. This, in turn, has held back their economic recoveries.

According to August data from the Bureau of Labor Statistics, New York and California had unemployment rates of 12.5% and 11.4%, respectively, while the unemployment rate for the US excluding these two states was only 7.7%. If New York and California mirrored the nation's unemployment rate, the result would be an additional 1.2 million Americans employed. New York and California combined have 18% of the US population, but 32% of all people receiving continuing unemployment benefits.

Just this past week, Florida (7.4% unemployment) and Indiana (6.4%) have fully opened their economies. These states, among many others, had lower unemployment than the national average, mainly because their shutdowns were less draconian.

The competition between states that open and those that don't - at the political, business, sports, school, and even family level - will lead to even more opening of the economy in the months ahead.

For a self-sustaining recovery to fully catch hold, it is reopening, not additional stimulus, that is the key.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
9-30 / 7:30 am	Q2 GDP Final Report	-31.7%	-31.5%		-31.7%
7:30 am	Q2 GDP Chain Price Index	-2.0%	-2.0%		-2.0%
8:45 am	Chicago PMI - Sep	52.0	56.3		51.2
10-1 / 7:30 am	Initial Claims - Sep 26	850K	850K		870K
7:30 am	Personal Income - Aug	-2.1%	-2.7%		+0.4%
7:30 am	Personal Spending - Aug	+0.7%	+0.8%		+1.9%
9:00 am	ISM Index - Sep	56.0	56.4		56.0
9:00 am	Construction Spending - Aug	+0.8%	+1.1%		+0.1%
afternoon	Total Car/Truck Sales - Sep	15.6 Mil	15.8 Mil		15.2 Mil
afternoon	Domestic Car/Truck Sales - Sep	12.4 Mil	12.4 Mil		11.9 Mil
10-2 / 7:30 am	Non-Farm Payrolls - Sep	0.900 Mil	1.000 Mil		1.371 Mil
7:30 am	Private Payrolls - Sep	0.900 Mil	1.100 Mil		1.027 Mil
7:30 am	Manufacturing Payrolls - Sep	0.040 Mil	0.050 Mil		0.029 Mil
7:30 am	Unemployment Rate - Sep	8.2%	7.9%		8.4%
7:30 am	Average Hourly Earnings - Sep	+0.2%	+0.3%		+0.4%
7:30 am	Average Weekly Hours - Sep	34.6	34.6		34.6
9:00 am	Factory Orders - Sep	+1.4%	+0.9%		+6.4%