



**July 1, 2020**

*RF aims to keep you informed and below are some of the key developments locally, regionally, and globally. The challenge for all countries is finding the correct balance between the need stimulate economic activity and placing its populace at risk. The longer this goes on, the more the scale tips towards the economy.*

Today, July 1<sup>st</sup>, the Bahamian tourism sector will reopen. The Bahamian economy is dependent on tourism revenues, so the risk of re-opening the country must be weighed against the need to re-open the economy. It is not an easy decision, but important decisions rarely are. The challenge for the government, tourism industry, and the people of The Bahamas is to go about this process in a measured and disciplined way. Until an effective treatment is developed, the viability of our tourist product will depend on controlling the spread of the Covid-19 virus.

Most countries are re-opening, but as we have seen in several US states, when re-opening is done too quickly, the reinstatement of restrictions follows. That said, we feel economies will continue to re-open at varying rates and economies will continue to recover. There is no doubt the recovery will be choppy but recover we will.

Yesterday the drug company Inovio released phase one data on its Covid-19 vaccine. The results were promising, and a combined phase 2/3 study is set for the summer. This morning, Pfizer and BioNTech released the results of their phase 1/2 trial, and like Inovio, the results were positive. A global phase 2b/3 safety and efficacy study may begin as early as July 2020. They are expecting to manufacture up to 100 million doses by the end of 2020 and potentially more than 1.2 billion doses by the end of 2021. As noted by Andrew Cinko, these “are early days, with larger clinical studies yet to be done which could still mean the vaccine will fail. But that’s for another day. The first-blush reaction is to bid up risk assets (like equities) as the expected wave of vaccine studies come in with promising results, suggesting one will make it over the finish line sometime soon.”

Economic Forecasts <sup>1</sup>										GDP as a % of Q4 19 GDP										Estimate
Real GDP (QoQ%)	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Full Recovery	
US	2.1	-5.0	-34.5	20.0	7.8	5.2	4.0	3.8	3.2	1.00	0.95	0.62	0.75	0.80	0.85	0.88	0.91	0.94	Q2 22	
China	1.5	-9.8	9.4	4.0	2.5	0.8	1.2	1.5	1.3	1.00	0.90	0.99	1.03	1.05	1.06	1.07	1.09	1.10	Q3 20	
Japan	-7.2	-2.2	-22.3	8.5	4.9	3.3	2.7	2.9	1.1	1.00	0.98	0.76	0.82	0.86	0.89	0.92	0.94	0.95	Q4 22	
Germany	-0.1	-2.2	-9.8	5.6	2.3	1.2	1.0	0.7	0.6	1.00	0.98	0.88	0.93	0.95	0.96	0.97	0.98	0.99	Q2 22	
France	-0.1	-5.3	-15.0	11.5	2.9	1.1	0.7	0.6	0.6	1.00	0.95	0.80	0.90	0.92	0.93	0.94	0.95	0.95	Q4 23	
UK	0.0	-2.2	-16.5	10.6	3.4	1.5	1.2	0.8	0.5	1.00	0.98	0.82	0.90	0.93	0.95	0.96	0.97	0.97	Q2 23	
Italy	-0.2	-5.3	-13.8	8.5	2.7	1.0	0.8	0.5	0.5	1.00	0.95	0.82	0.89	0.91	0.92	0.93	0.93	0.94	Q2 22	
Canada	0.6	-8.2	-39.5	26.9	9.5	6.3	4.4	4.3	2.8	1.00	0.92	0.56	0.70	0.77	0.82	0.86	0.89	0.92	Q4 22	

1. Bloomberg contributor composite forecasts <ECFC> as at July 1, 2020

RF calculation

The table above details the quarter-over-quarter Real GDP forecasts for the G8 countries plus China. The sharp drops in Real GDP in Q1 and Q2 2020 are expected to be followed by sharp growth in Q3, above average growth in Q4 2020, followed by more sustainable levels of growth in 2021. The negative impact of Q1 2020 and especially Q2 2020 will take some time to fully recover from. The far-right column shows our estimates of when each economy fully recovers from the impact of Covid-19. China is expected to recover by Q3 2020, but the US, Germany, and Italian economies take until Q2 2022. Canada and Japan are expected to fully recover in Q4 2022. The UK and France are expected to fully recover in Q2 2023 and Q4 2023, respectively.

The economies of The Bahamas, Barbados, and The Cayman Islands are underpinned by their tourism industries. Most of their tourists come from the US, UK, and Canada. Therefore, it is reasonable to assume full recovery for these economies will be strongly correlated to the recoveries in their primary tourism markets. It is also reasonable to assume a lag of several quarters versus the US, UK, and Canada. This implies that the economies of The Bahamas, Barbados, and The Cayman Islands should fully recover between Q4 2022 and Q4 2023. We are looking at 2.5 to 3.5 years to fully recover!

Equity markets are considered a leading economic indicator, and the table below shows that since April, global equity markets have rallied off the sharp declines in February and March. The equity markets support the strong economic growth forecast expected in Q3.

The global equity markets are pricing in this recovery which is supported by unprecedented peace time fiscal and monetary stimulus by the US government and the FED. Between mid-February and mid-March, the S&P 500 declined by 35.4%, but since then it has rebounded by 41.4% as at the close of the market today. YTD the S&P 500 is down only 4% and over the next 12 months Morgan Stanley expects the S&P 500 to return over 8%.

Global Equity Market & Commodity Returns - As at 30 June 2020							
Stock Exchange	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	YTD
USA (SPX)	-0.16%	-8.41%	-12.51%	12.68%	4.53%	1.84%	-4.04%
Germany (DAX)	-2.02%	-8.41%	-16.44%	9.32%	6.68%	6.25%	-7.08%
Japan (NKY)	-1.91%	-8.89%	-10.53%	6.75%	8.34%	1.88%	-5.78%
Canada (SPTSX)	1.49%	-6.09%	-17.74%	10.48%	2.79%	2.12%	-9.07%
Gold (XAU)	4.74%	-0.22%	-0.54%	6.93%	2.60%	2.93%	17.38%
Silver (XAG)	1.07%	-7.63%	-16.15%	7.13%	19.34%	1.91%	1.99%
Platinum (XPT)	-0.57%	-9.86%	-16.53%	7.47%	7.83%	-1.02%	-14.19%
Oil (USCRWTIC Index)	-15.56%	-13.19%	-54.24%	-8.01%	88.38%	10.65%	-35.69%

Notes: 1) All returns are in USD; 2) Data was sourced from Bloomberg

## COVID Updates

Globally the numbers continue to rise and in June total confirmed cases increased by 4,576,453. Brazil, US, India, Russia, Chile, and Peru had monthly increases of 930K, 888k, 398k, 259k, 180k, and 127k, respectively.

On a per capita basis, the United Kingdom has fared the worst, with 65 death per 100k population. Of the top ten most infected countries, the US has the most active cases per capita. This is based on confirmed cases, but the Centers for Disease Control and Prevention (CDC) estimates that for every confirmed case, there are another 10 infections. This means that if the US has 2.6 million confirmed cases, the CDC feels there are 28.6 million (11 times) actual cases in the US. Fortunately, this estimate comes from looking at blood samples from across the US for the presence of antibodies to the virus.

Currently the US is recording 40,000 new confirmed cases daily, or 440,000 total cases using the CDC's estimate. At this rate, in 23 months, or by May 2022 every American will have been exposed. Of course, this is a back of the envelope estimate, but it does provide a rough estimate of the worst-case scenario. Left unchecked and without a viable vaccine, in two to three years the US and much of the globe will have been exposed to the virus. The optimistic scenario assumes one or more viable vaccines become available in early 2021 and mass vaccinations allow us to gain control of the Covid-19 virus by mid-2021.

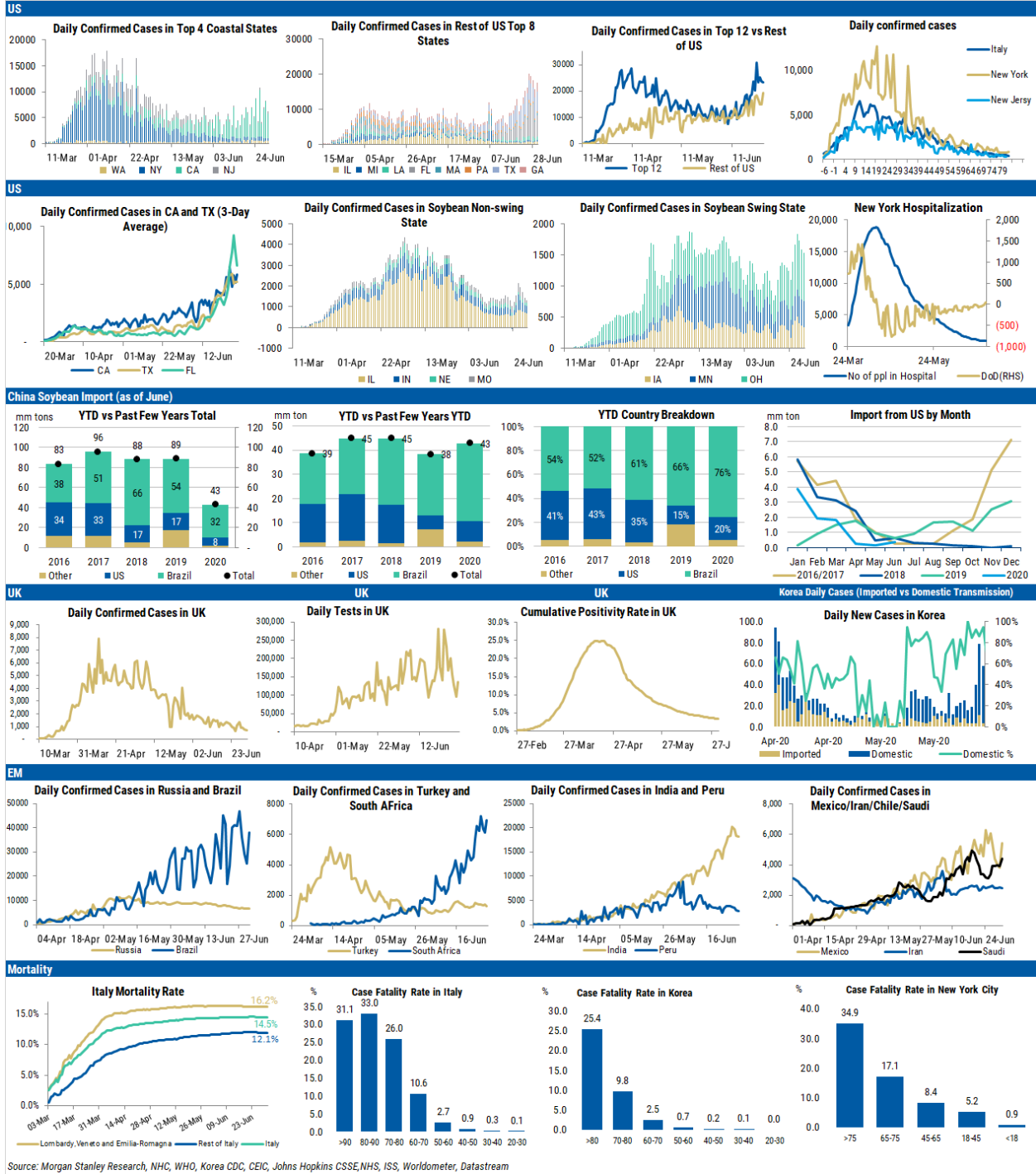
Based on the above, we now have a reasonable time frame of 1 to 3 years before we can declare victory over Covid-19. In the meantime, progress will be achieved through current proven measures like hand washing, mask wearing, and social distancing. Also, the development of new treatments prior to a viable vaccine, will make the virus less lethal thus reducing the detrimental effects of infection. Over this period economies will re-open in fits and starts, but re-open they will.

### COVID-19 Status Update<sup>1</sup>

#### Top 10 Countries by Confirmed Cases

Country	Confirmed Cases	Change in June	Active	Deaths	Recoveries	Fatality Ratio <sup>2</sup>	Recovery Ratio <sup>2</sup>	Population <sup>3</sup>	Active Cases per Capita	Active Cases per 1000	Deaths per 100k
Global	10,368,165	4,523,666	4,576,453	507,188	5,284,524	4.9%	51.0%	7,577,130,400	0.06%	0.60	6.69
U.S.A.	2,610,362	887,943	1,778,647	126,512	705,203	4.8%	27.0%	331,002,651	0.54%	5.37	38.22
Brazil	1,368,195	929,957	544,500	58,314	765,381	4.3%	55.9%	212,559,417	0.26%	2.56	27.43
Russia	646,929	259,306	225,650	9,306	411,973	1.4%	63.7%	145,934,462	0.15%	1.55	6.38
India	566,840	398,453	516,465	16,893	33,482	3.0%	5.9%	1,366,417,000	0.04%	0.38	1.24
United Kingdom	314,159	43,648	268,976	43,815	1,368	13.9%	0.4%	67,886,011	0.40%	3.96	64.54
Peru	282,365	126,694	101,702	9,504	171,159	3.4%	60.6%	32,946,060	0.31%	3.09	28.85
Chile	279,271	179,583	32,354	5,688	241,229	2.0%	86.4%	65,273,511	0.05%	0.50	8.71
Spain	249,271	11,365	70,540	28,355	150,376	11.4%	60.3%	46,754,778	0.15%	1.51	60.65
Italy	240,578	8,846	15,563	34,767	190,248	14.5%	79.1%	60,461,826	0.03%	0.26	57.50
Iran	227,662	76,196	28,087	10,817	188,758	4.8%	82.9%	83,783,942	0.03%	0.34	12.91
China	84,782	782	519	4,641	79,622	5.5%	93.9%	1,433,783,686	0.00%	0.00	0.32
All Others	3,497,751	1,600,893	993,450	158,576	2,345,725	4.5%	67.1%	3,730,327,056	0.03%	0.27	4.25
1.Sourced from Johns Hopkins University & Medicine - Coronavirus Resource Center, As at 6/30/2020, 2:33:49 PM											
2. Observed cases											
3. www.worldpopulationreview.com											





For our published research on the virus and its implication. Please see

- [Biotechnology: COVID-19 Outbreak Dynamics - Daily Update Vs Our Model](#)
- [Morgan Stanley Global Research: Global Weekly COVID-19 Impact Update: June 26, 2020.](#)