



October 7, 2020

Finding Balance between Order and Chaos

Dr. Jordan B. Peterson is a Professor of Psychology at the University of Toronto and a clinical psychologist. In February 2018 he published a book called the “12 Rules for Life: An Antidote to Chaos”. This book is a must read during the best of times, but especially true during our current chaotic moment in history. Today we will look at Rule 4 which is “Compare yourself with who you were yesterday, not with who someone else is today”.

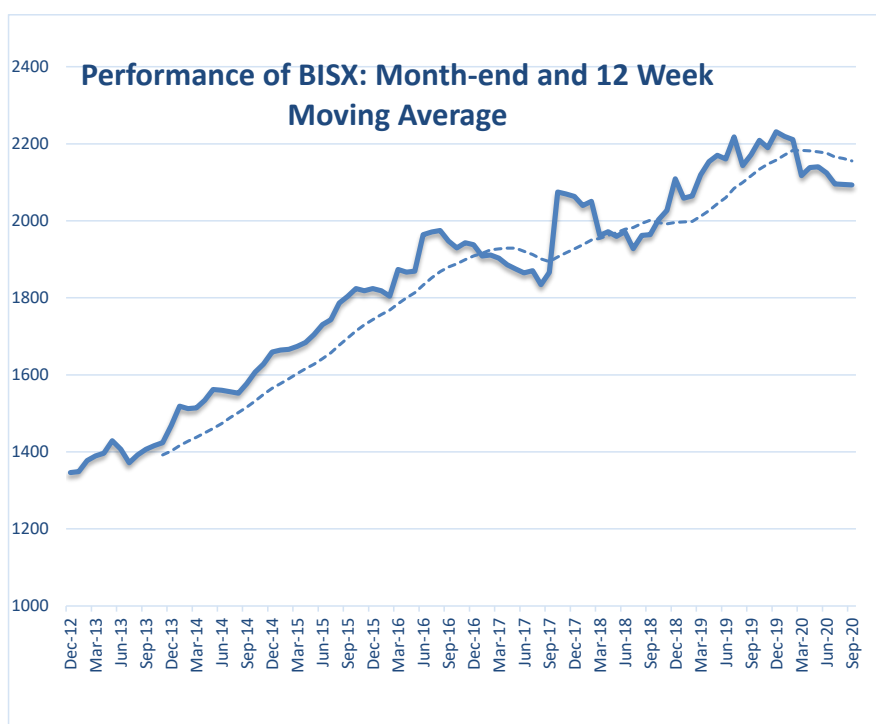
This rule is about making steady and measurable personal progress. The focus needs to be on ourselves because we do not truly know someone else’s condition or what it took for them to get where they are. Everyone should make small positive changes each day and build on them over time. Peterson advises everyone to first clean your room before you attempt to change the world. In the Yom Kippur prayer book, there is a section that mirrors Peterson’s point:

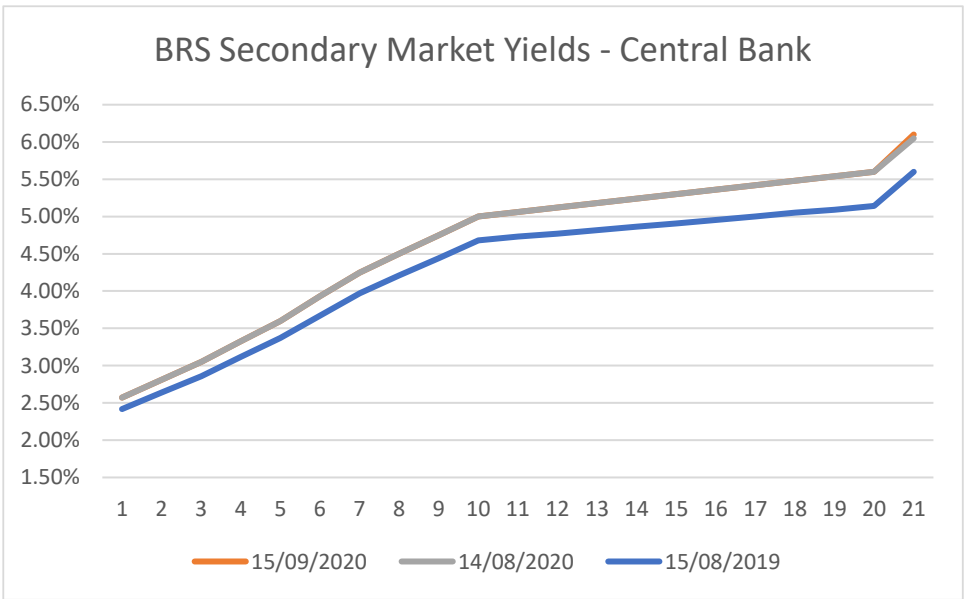
“At first, I wanted to change the world. I tried, but the world did not change. Then I tried to change my town, but the town did not change. Then I tried to change my family, but my family did not change. Then I realized: first, I must change myself. (Rabbi Israel Salanter)”

Wisdom is wasted on the arrogant, so let us all humble ourselves and incorporate the above wisdom in our daily lives going forward. Apply it to financial planning, relationships, health, personal development, and the other key areas in your life, like adhering to COVID-19 safety guidelines.

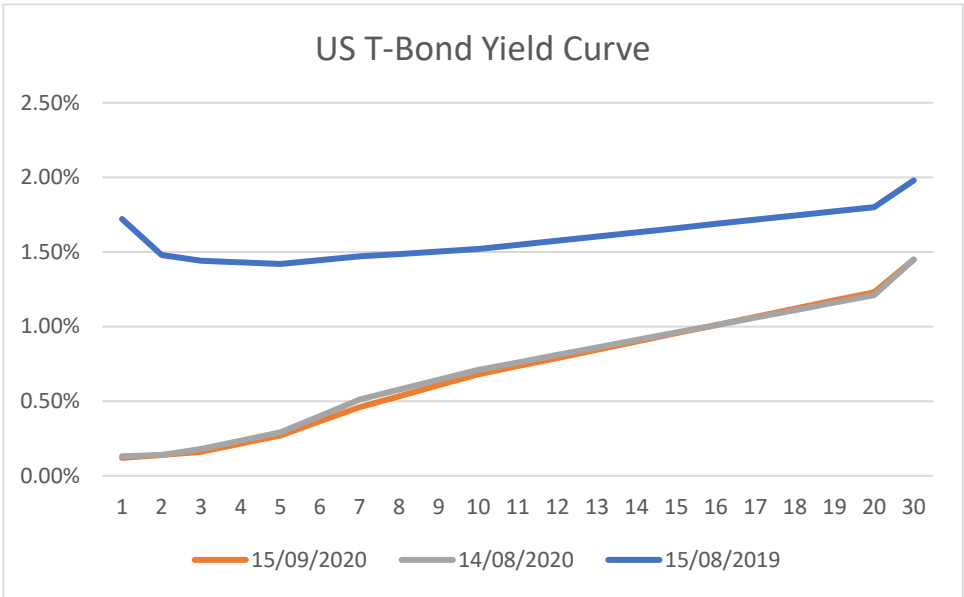
Financial Market Update

The local equity market is down 6.19% YTD as of 30th September. The chart below tracks its performance since the end of 2012. The Bahamian tourism industry is scheduled to re-open on October 15th, but the re-opening will be slow at first, but hopefully gain momentum during the first half of 2021.

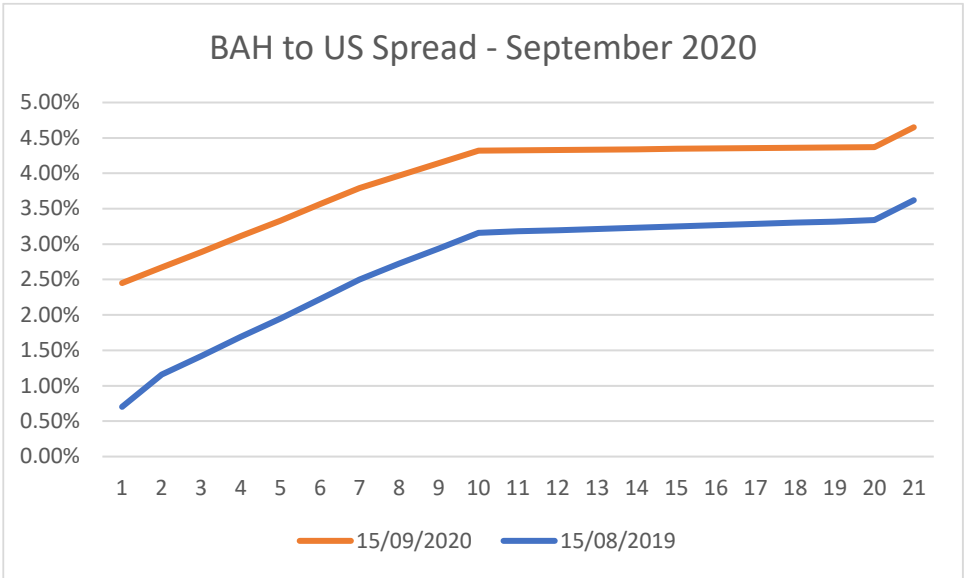




The charts above and below show the BRS Secondary Market and US Treasury yield curves (the “yield curve(s)”) over the same period. The yield in both markets were effectively unchanged in September. The Bahamian yield curve is similar to the US yield curve for maturities from nine years and out. This implies the Bahamian yield curve is based on US yields over this range.



The table below shows the change in the spread between the two yield curves over the last 13 months. Over this period The Bahamas was downgraded, and the COVID-19 pandemic exposed the dependance of the Bahamian economy on tourism.



The table below details several leading US economic indicators as of October 2nd. Eight of the eleven indicators are trending in a positive direction. Some of the key takeaways are that the labour market, while slowing, is still positive, the housing market remains robust, and manufacturing is expected to continue surprising to the upside.



Market Factor Data Points (for the week ending Oct. 2, 2020)

(Source: Morgan Stanley Global Investment Committee)

Report	Period	Consensus	Actual	Prior	Trend	Pos/Neg ¹
Conf. Board Consumer Confidence index	Sep '20	90.0	101.9	86.3	↑	Pos.
ISM Manufacturing Survey	Sep '20	56.5	55.4	56	↓	Neg.
US nonfarm payrolls	Sep '20	859,000	661,000	1,489,000	↓	Neg.
US unemployment rate	Sep '20	8.2%	7.9%	8.4%	↓	Pos.
ADP National Employment Report	Sep '20	649,000	749,000	481,000	↑	Pos.
Chicago PMI	Sep '20	52.0	62.4	51.2	↑	Pos.
Dallas Fed Manufacturing Activity Index	Sep '20	9.5	13.6	8.0	↑	Pos.
US initial jobless claims	Wk. of Sep. 26	850,000	837,000	873,000	↓	Pos.
US continuing claims	Wk. of Sep. 19	12,200,000	11,767,000	12,747,000	↓	Pos.
Challenger Job Cuts, year over year	Sep '20	-	185.9%	116.5%	↑	Neg.
US pending home sales	Sep '20	3.1%	8.8%	5.9%	↑	Pos.

1. Actual versus consensus

According to Morgan Stanley, US equity markets have effectively priced in a v-shaped recovery and over the next 12 months they see the S&P 500 moving sideways. This is their base case but as the table below shows, the downside risk out ways the upside potential. The Bull Case sees the S&P 500 gaining 10.5%, while the Bear Case sees a 13.4% correction by midyear 2021.

MS & Co. S&P 500 Price Target: Midyear 2021

Close	2-Oct-20	3,348			
Case	Earnings	P/E Multiple	Price Target	Upside/Downside	
Bull	\$ 176	21.0	3,700	10.5%	
Base	\$ 168	20.0	3,350	0.1%	
Bear	\$ 152	19.0	2,900	-13.4%	

(Source: Morgan Stanley)

Conclusion: No upside for base case.

Last month economists felt Western Europe had COVID-19 under control and the re-opening of these economies would result in strong Q3 growth. Unfortunately, the recent acceleration in cases forced the forecasters to amend their projections, with meaningful growth not expected until Q2 2021. In the case of Canada, the forecast for Q3 2020 was increased to 45% from 44%.

October 2 2020

Economic Forecasts in October ¹										
Real GDP (QoQ%)	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22
US	2.4	-5.0	-31.4	25.1	5.0	4.0	4.0	3.3	3.2	2.8
China	1.3	-10.0	11.5	3.1	2.0	1.3	1.3	1.3	1.2	1.3
Japan	-7.0	-2.3	-28.1	15.4	5.0	3.0	2.4	3.1	1.2	1.3
Germany	0.4	-2.2	-11.3	-5.8	-4.0	-0.8	10.9	4.7	3.5	3.5
France	0.8	-5.7	-18.9	-8.6	-6.4	0.7	18.0	6.2	4.0	5.0
UK	1.0	-2.1	-21.5	-9.7	-7.0	-3.2	22.2	6.5	3.9	3.4
Italy	0.1	-5.6	-17.7	-9.6	-6.9	-0.5	15.6	6.1	4.4	4.2
Canada	0.6	-8.2	-38.7	45.0	5.8	5.0	3.2	3.3	3.2	3.0

1. Bloomberg contributor composite forecasts <ECFC>; as at Oct. 2, 2020

September 18 2020

Economic Forecasts in September ¹										
Real GDP (QoQ%)	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22
US	2.4	-5.0	-31.7	24.9	5.0	4.0	4.0	3.3	3.2	2.8
China	1.3	-10.0	11.5	3.1	2.0	1.1	1.3	1.5	1.3	1.3
Japan	-7.0	-2.3	-28.1	15.1	5.0	3.1	2.4	3.1	1.2	1.3
Germany	0.0	-2.0	-9.7	6.2	2.0	0.9	1.0	0.8	0.7	0.6
France	-0.2	-5.9	-13.8	12.5	2.5	1.4	0.9	0.8	0.7	0.7
UK	0.0	-2.2	-20.4	15.1	3.4	1.2	1.0	1.0	0.6	0.7
Italy	-0.2	-5.5	-12.8	9.2	2.7	1.0	1.0	0.6	0.6	0.5
Canada	0.6	-8.2	-38.7	44.0	5.8	5.3	3.5	3.3	3.0	3.0

1. Bloomberg contributor composite forecasts <ECFC>; as at Sept. 18, 2020

Based on the latest forecasts, the economies of Canada and the US are expected to fully recover by Q4 2021 and Q1 2022, respectively. The full recoveries for Western Europe and Japan are not expected until Q2 2022 to Q2 2023.



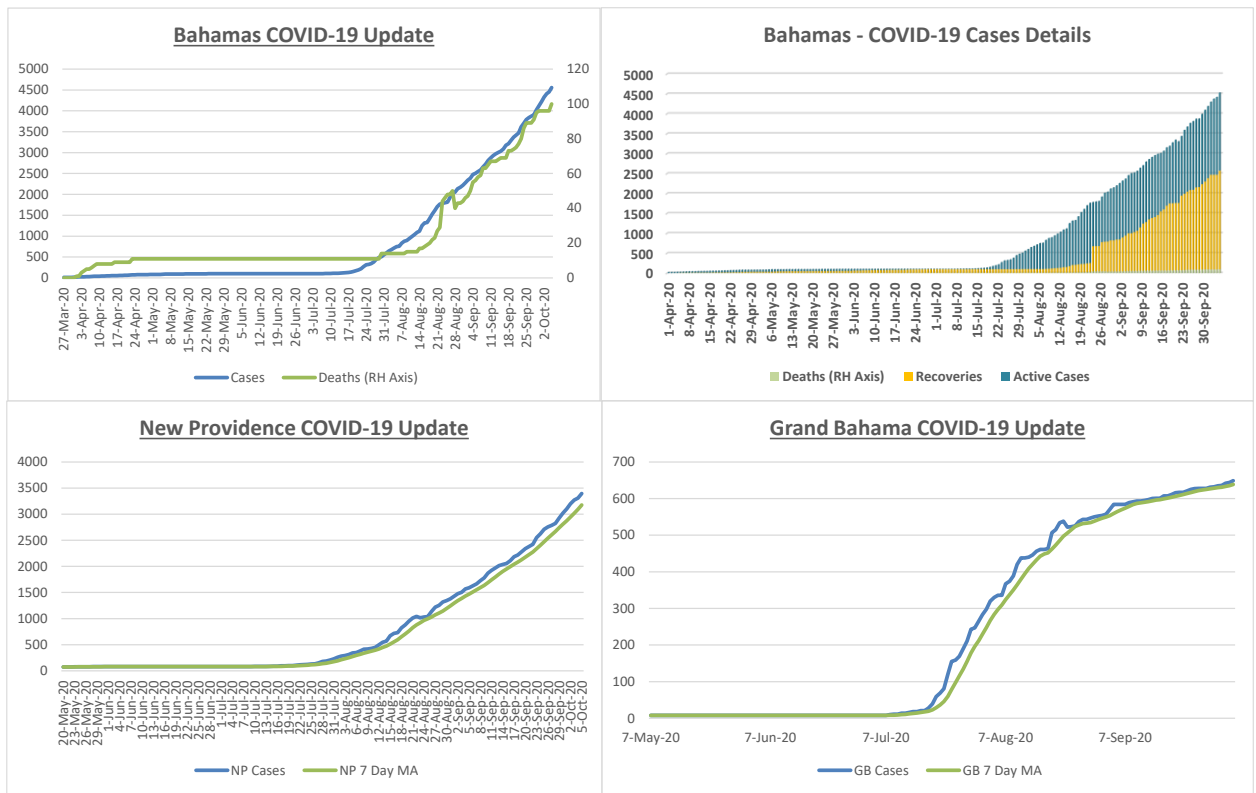
COVID -19 Update

The charts below show the COVID-19 figures for The Bahamas, New Providence, and Grand Bahama. New Providence is the hot spot. Grand Bahama has flattened the curve and the rest of the Bahamas, except for Abaco, appears to have COVID-19 under control.

On July 31st New Providence accounted for 41.2% of total cases, but by September 30th, this figure increased to 73.3%. Fortunately, the rate on increase in new cases has slowed in New Providence. In mid-August cases in the capital were doubling aver nine days, but in September the doubling rate slowed to 24 days.

Previously we referenced the Center for Disease Control (CDC) estimate¹ that actual cases may be 11 times the confirmed case figure. Recently the World Health Organization (WHO) said its “best estimates”² indicate that 1 in 10 people worldwide may have been infected. This equates to 20 times the confirmed cases figure. We now have a range of 11 to 20 times the number of confirmed cases with which to estimate the actual number of cases. Using this range, an estimate of the actual number of cases in The Bahamas and on New Providence may be 45k-82k and 29k-53k, respectively. This implies that between 1 in 10 and 1 in 5 Bahamians has been or is infected. ***This sobering estimate should motivate more people to diligently follow mask wearing, physical distancing and personal hygiene protocols.***

This only positive trend is in Grand Bahama where the rate of growth has slowed. Let us hope they are flattening the curve and the country’s scarce resources can be focused on New Providence and Abaco.



Source: The Government of The Bahamas, Ministry of Health, COVID-19 Dashboard; Johns Hopkins University & Medicine, Coronavirus Resource Center, www.coronavirus.jhu.edu

The Cayman Islands have their Covid-19 outbreak fully under control. Since July 31st they have only had 10 new cases bringing the total to 213. Authorities in Cayman are opting to take a conservative approach to re-opening to tourists. Cayman’s financial services sector represents a significant portion of the economy and was recently boosted by the announcement that Cayman has been removed from the EU tax blacklist.

Barbados is also looking good. They have only 200 cases as of October 5th. On a per capita basis, they are faring even better than the Cayman Islands. Barbados has published detailed travel protocols as of September 24th, which differentiate visitors based whether they come from high-risk, medium-risk, low-risk, or very low-risk countries. The Bahamas is considered a high-risk country, while the Cayman is considered a very low-risk country.

The table below details the numbers for several other countries in the region.

¹ Johns Hopkins University & Medicine, Coronavirus Resource Center, www.coronavirus.jhu.edu

² The Nassau Guardian, October 6, 2020 (Associate Press)



COVID-19 Status Update¹

Caribbean Counties by Cases

Country	Cases	Change Since July 31	Active	Deaths	Recoveries	Fatality Ratio ²	Recovery Ratio ²	Population ³	Active Cases per Capita	Active Cases per 1000	Deaths per 100k
Dominican Republic	112,209	44,294	22,475	2,105	87,629	1.9%	78.1%	10,847,910	0.21%	2.07	19.40
Haiti	8,766	1,354	1,708	229	6,829	2.6%	77.9%	11,402,528	0.01%	0.15	2.01
Jamaica	6,482	5,618	4,508	107	1,867	1.7%	28.8%	2,961,167	0.15%	1.52	3.61
Cuba	5,597	2,989	582	122	4,893	2.2%	87.4%	11,326,616	0.01%	0.05	1.08
Trinidad & Tobago	4,531	4,362	1,895	76	2,560	1.7%	56.5%	1,399,488	0.14%	1.35	5.43
Bahamas	4,123	3,615	1,821	96	2,206	2.3%	53.5%	393,482	0.46%	4.63	24.40
Cayman Islands	211	8	2	1	208	0.5%	98.6%	65,722	0.00%	0.03	1.52
Barbados	190	80	4	7	179	3.7%	94.2%	287,375	0.00%	0.01	2.44
Antigua & Barbuda	101	10	6	3	92	3.0%	91.1%	97,929	0.01%	0.06	3.06
St. Vin. & Gren.	64	10	-	-	64	0.0%	100.0%	110,940	0.00%	-	0.00
Saint Lucia	27	2	1	-	26	0.0%	96.3%	183,627	0.00%	0.01	0.00
Dominica	30	12	6	-	24	0.0%	80.0%	71,986	0.01%	0.08	0.00
St. Kitts & Nevis	19	2	2	-	17	0.0%	89.5%	53,199	0.00%	0.04	0.00

1.Sourced from Johns Hopkins University & Medicine - Coronavirus Resource Center, As at 10/01/2020, 9:23:00 AM
 2. Observed cases
 3. www.worldpopulationreview.com

Source: Johns Hopkins University & Medicine, Coronavirus Resource Center, www.coronavirus.jhu.edu

The table below details the global Covid-19 trends. The US still has the most confirmed cases, but in India added 4.67 million cases over the last two months versus the US figure of 2.74 million. At this pace, India will surpass the US by November.

COVID-19 Status Update¹

Top 10 Countries by Confirmed Cases

Country	Confirmed Cases	Change Since July 31	Active	Deaths	Recoveries	Fatality Ratio ²	Recovery Ratio ²	Population ³	Active Cases per Capita	Active Cases per 1000	Deaths per 100k
Global	34,020,904	16,686,365	9,329,324	1,015,049	23,676,531	3.0%	69.6%	7,577,130,400	0.12%	1.23	13.40
U.S.A.	7,235,485	2,738,748	4,187,826	206,971	2,840,688	2.9%	39.3%	331,002,651	1.27%	12.65	62.53
India	6,312,584	4,673,757	940,705	98,678	5,273,201	1.6%	83.5%	1,366,417,000	0.07%	0.69	7.22
Brazil	4,810,935	2,200,833	392,209	143,952	4,274,774	3.0%	88.9%	212,559,417	0.18%	1.85	67.72
Russia	1,179,634	341,173	198,109	20,796	960,729	1.8%	81.4%	145,934,462	0.14%	1.36	14.25
Colombia	829,679	731,833	60,028	25,998	743,653	3.1%	89.6%	50,882,891	0.12%	1.18	51.09
Peru	811,768	411,085	95,557	32,396	683,815	4.0%	84.2%	32,971,854	0.29%	2.90	98.25
Spain	769,188	519,917	587,021	31,791	150,376	4.1%	19.5%	46,754,778	1.26%	12.56	68.00
Argentina	751,001	559,699	139,419	16,937	594,645	2.3%	79.2%	45,272,903	0.31%	3.08	37.41
Mexico	743,216	327,037	37,563	77,646	628,007	10.4%	84.5%	128,932,753	0.03%	0.29	60.22
South Africa	674,339	192,170	49,493	16,734	608,112	2.5%	90.2%	59,308,690	0.08%	0.83	28.22
All Others	9,903,075	3,990,113	2,641,394	343,150	6,918,531	3.5%	69.9%	5,157,093,001	0.05%	0.51	6.65

1.Sourced from Johns Hopkins University & Medicine - Coronavirus Resource Center, As at 10/01/2020, 9:23:00 AM
 2. Observed cases
 3. www.worldpopulationreview.com

Source: Johns Hopkins University & Medicine, Coronavirus Resource Center, www.coronavirus.jhu.edu

The total confirmed cases globally stood at 17.3 million as of July 31st. Over the next two months cases nearly doubled to 34.0 million. Using the CDC and WHO estimates of actual cases being possibly 11 times and 20 times that of confirmed cases, the global cases count would increase to 374.2 million to 680 million, or 5% to 9% of the world's population. Using this same approach, approximately 25% to 45% of the US populace is/has been infected.

From Morgan Stanley

Global daily new cases: 302k

- **Re-accelerating: Spain (13k), France (5k) and UK (13k)**
- **Flat plateau: India (60k), US (43k), Brazil (25k), Argentina (11k), Russia (11k), South Africa (0.9k) and Mexico (2K)**
- **To Prevent second/third wave: China (12), Hong Kong (11) and Singapore (7)**

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

- [Biotechnology: COVID-19 Outbreak Dynamics - Daily Update Vs Our Model](#)

