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MACROECONOMICS

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IF THE U.S. BEATS B117, EXPECT FULL OPENING IN MAY...
...IF NOT, IT WILL BE IN JULY

WEBINAR, MARCH, 2021

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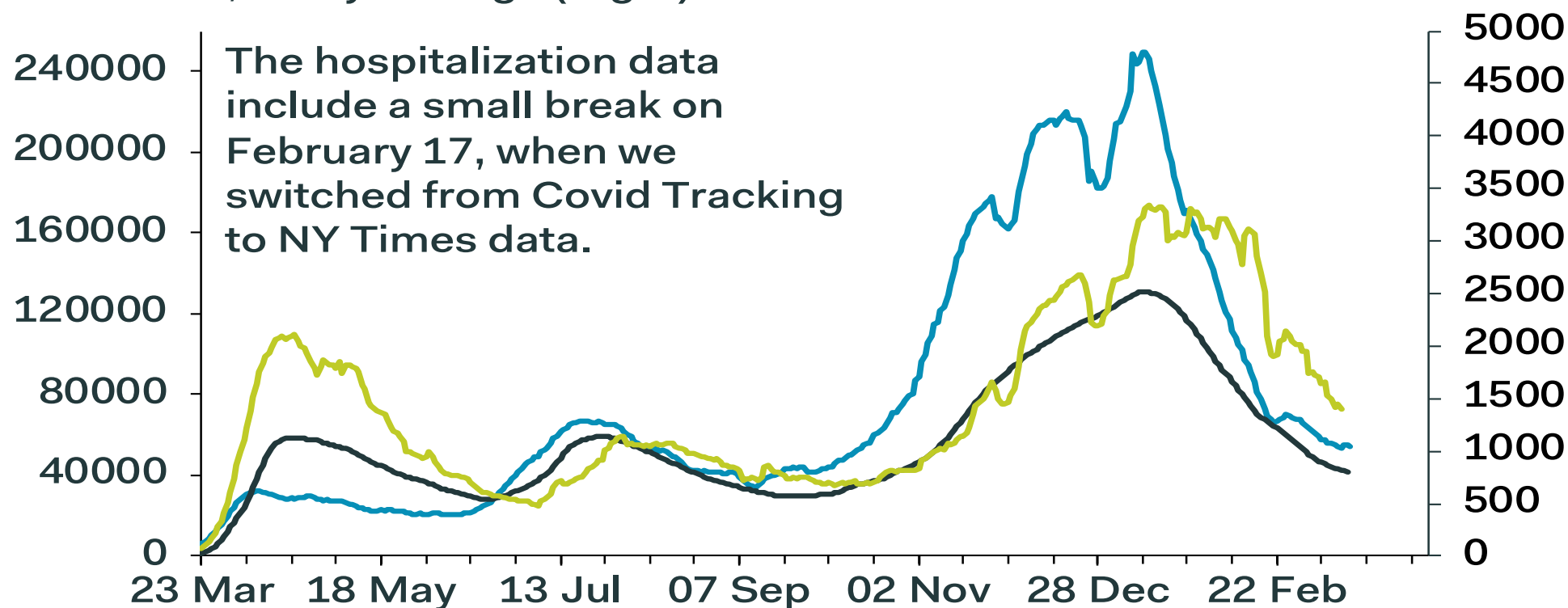
1. THE U.S IS IN A RACE BETWEEN VACCINES AND THE B117 COVID VARIANT





2. RIGHT NOW, IT LOOKS LIKE A DEAD HEAT; CASES ARE FLAT

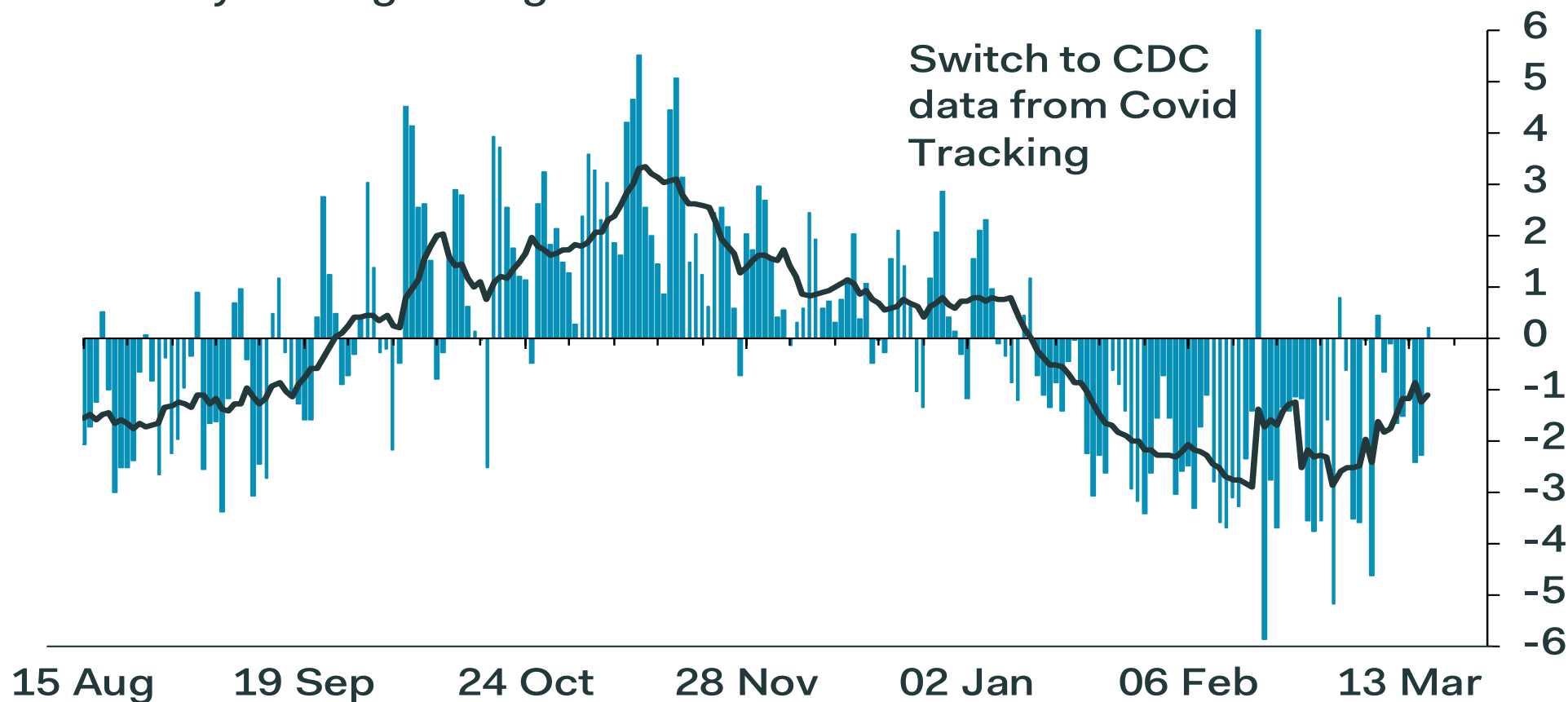
- New confirmed cases per day, 7-day average (Left)
- Currently hospitalized, 7-day average (Left)
- Deaths, 7-day average (Right)





3. ...HOSPITALIZATIONS ARE FALLING LESS QUICKLY; THEY DRIVE POLICY

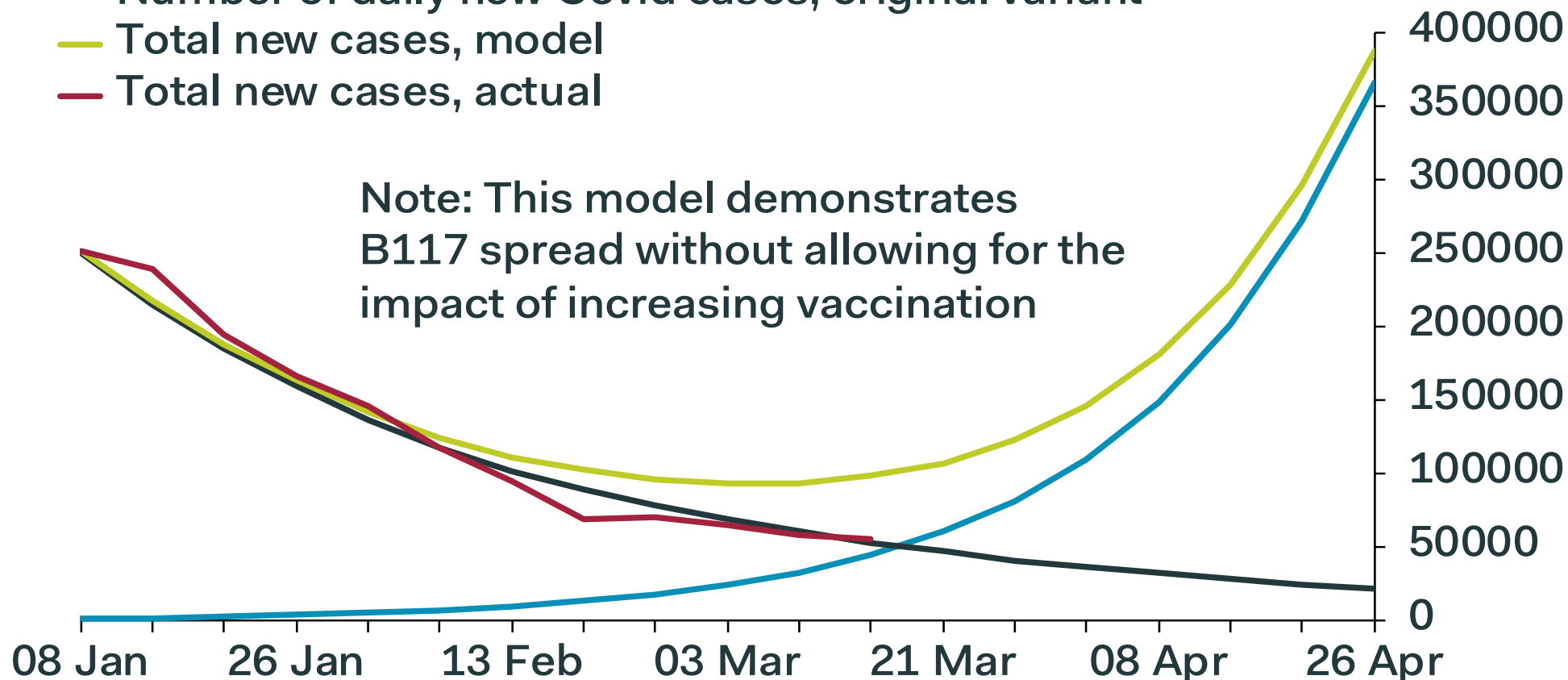
- Daily % change in number of people hospitalized
- 7-day moving average





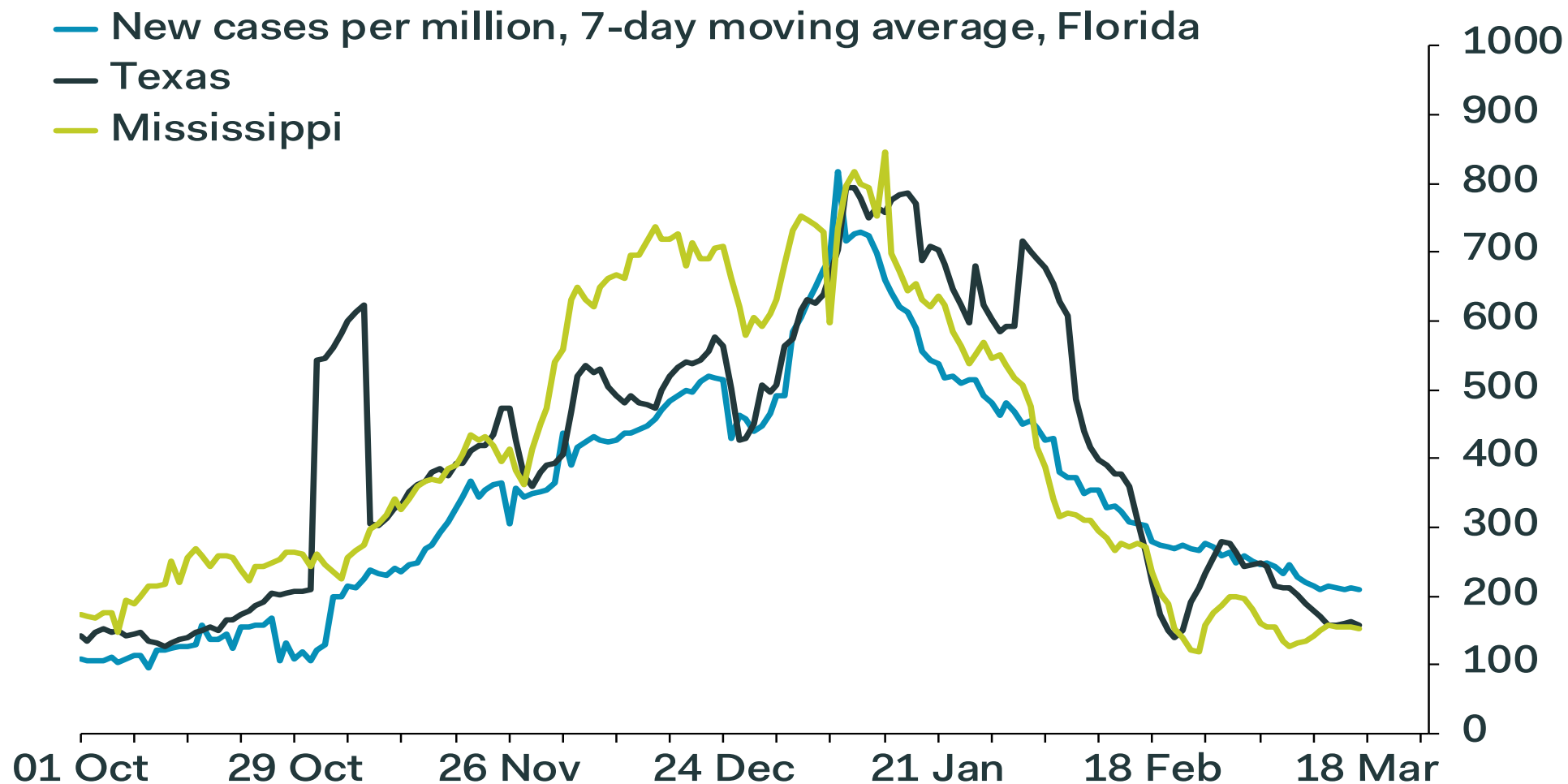
4. B117 STILL POSES A SERIOUS THREAT

- Number of daily new Covid cases, B.117 variant
- Number of daily new Covid cases, original variant
- Total new cases, model
- Total new cases, actual



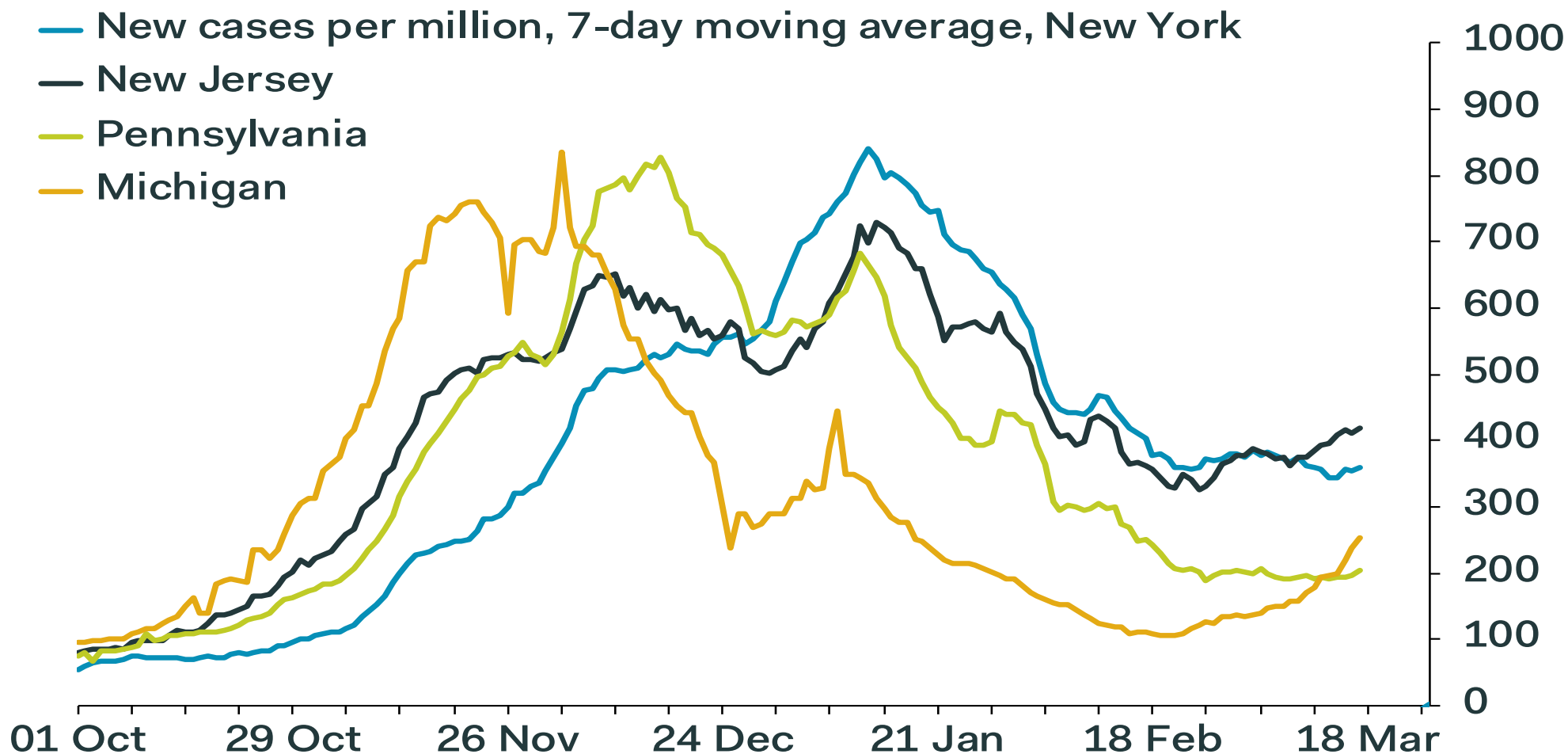


5. THE BIGGEST RISKS ARE IN THE MOST OPEN SOUTHERN STATES...





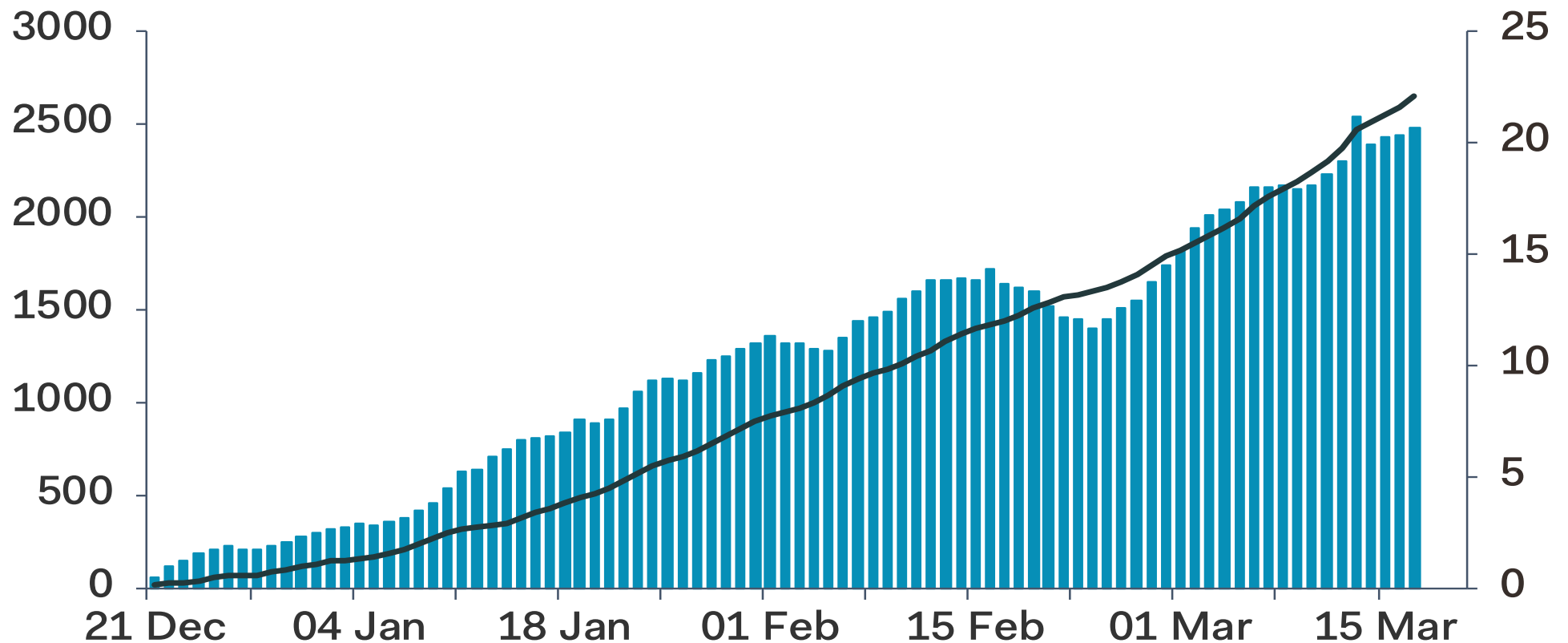
6. ...AND SOME OF THE STILL-COLD NORTHERN STATES





7. THE VACCINE ROLLOUT HAS INCREASED DRAMATICALLY

- Daily U.S. Covid vaccine doses administered, K (Left)
- % of population who have had at least one shot (Right)

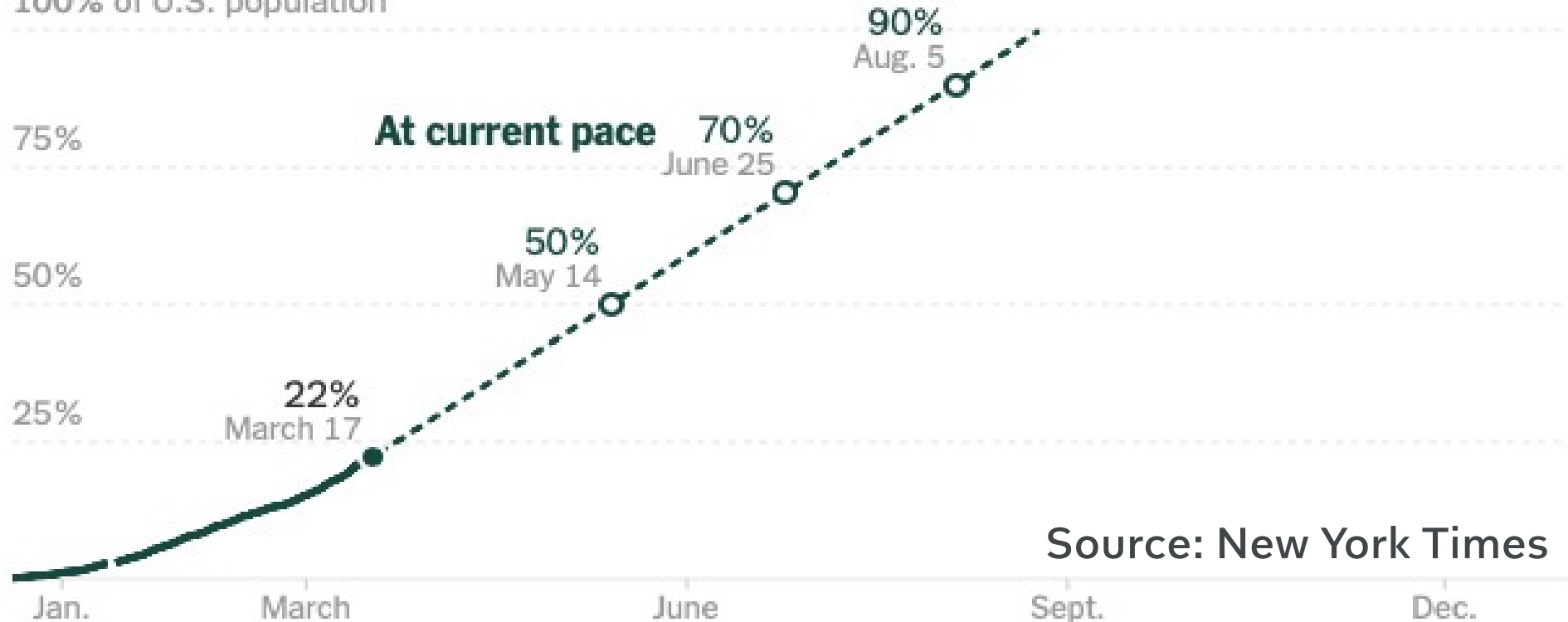




8. HERD IMMUNITY BY JUNE IS REALISTIC

7-day average: 1.6 million newly vaccinated people

100% of U.S. population



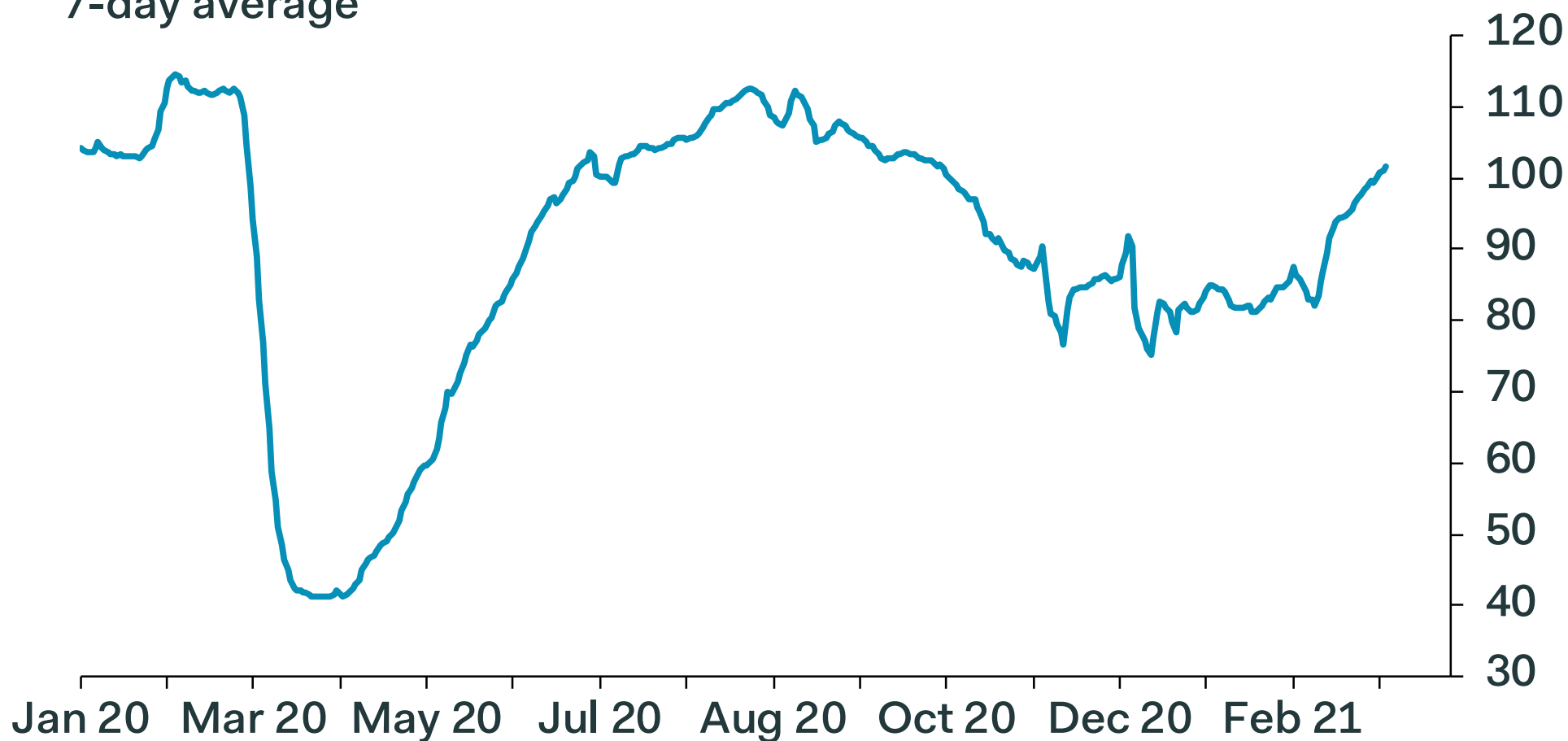
Source: New York Times

Source: Centers for Disease Control and Prevention | Note: Data from Dec. 20 to Jan. 12 are for all doses administered. Data for Jan. 13 is unavailable. Projections could change if additional vaccines are authorized.



9. AS STATES OPEN, INCREASED ACTIVITY RAISES INTERACTIONS

— Apple Mobility average of walking, transit, and driving,
7-day average





10. ACTIVITY IS RISING ACROSS SERVICES; IN RESTAURANTS...

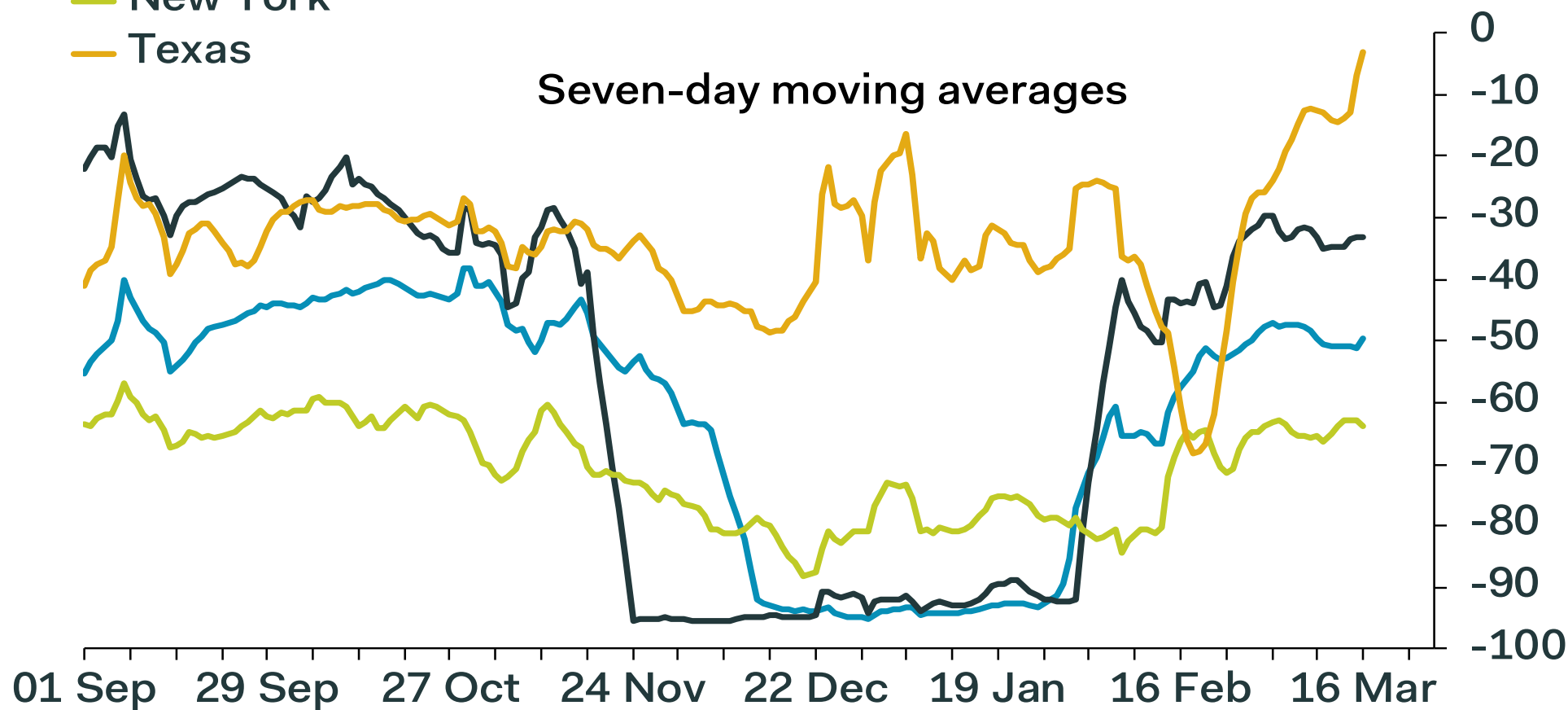
— U.S. diner numbers at OpenTable restaurants, y/y%
Seven-day moving average





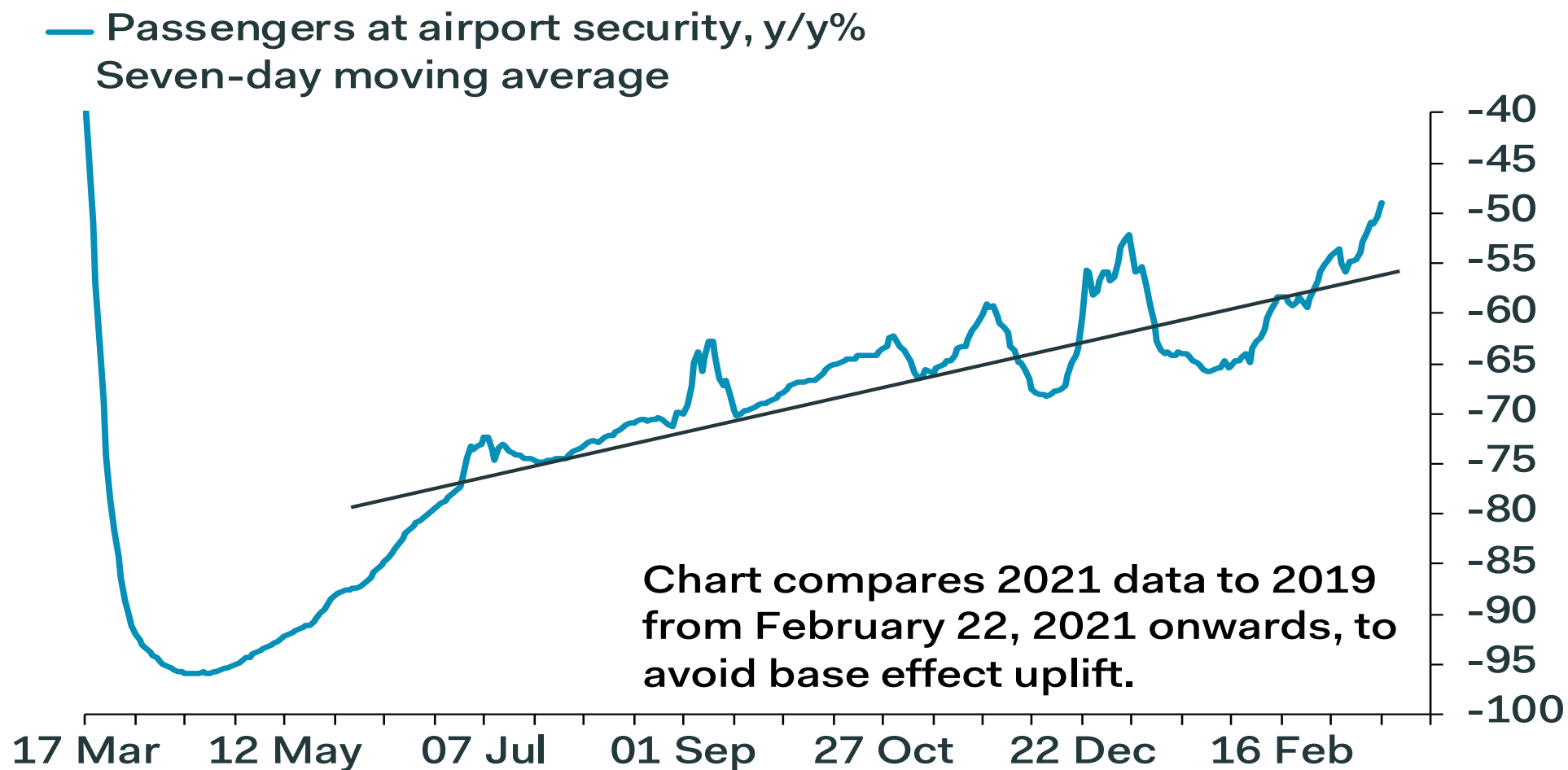
11. ...WHEN RESTRICTIONS EASE, NUMBERS JUMP

- Diners at OpenTable restaurants, compared to 2019, %: California
- Michigan
- New York
- Texas





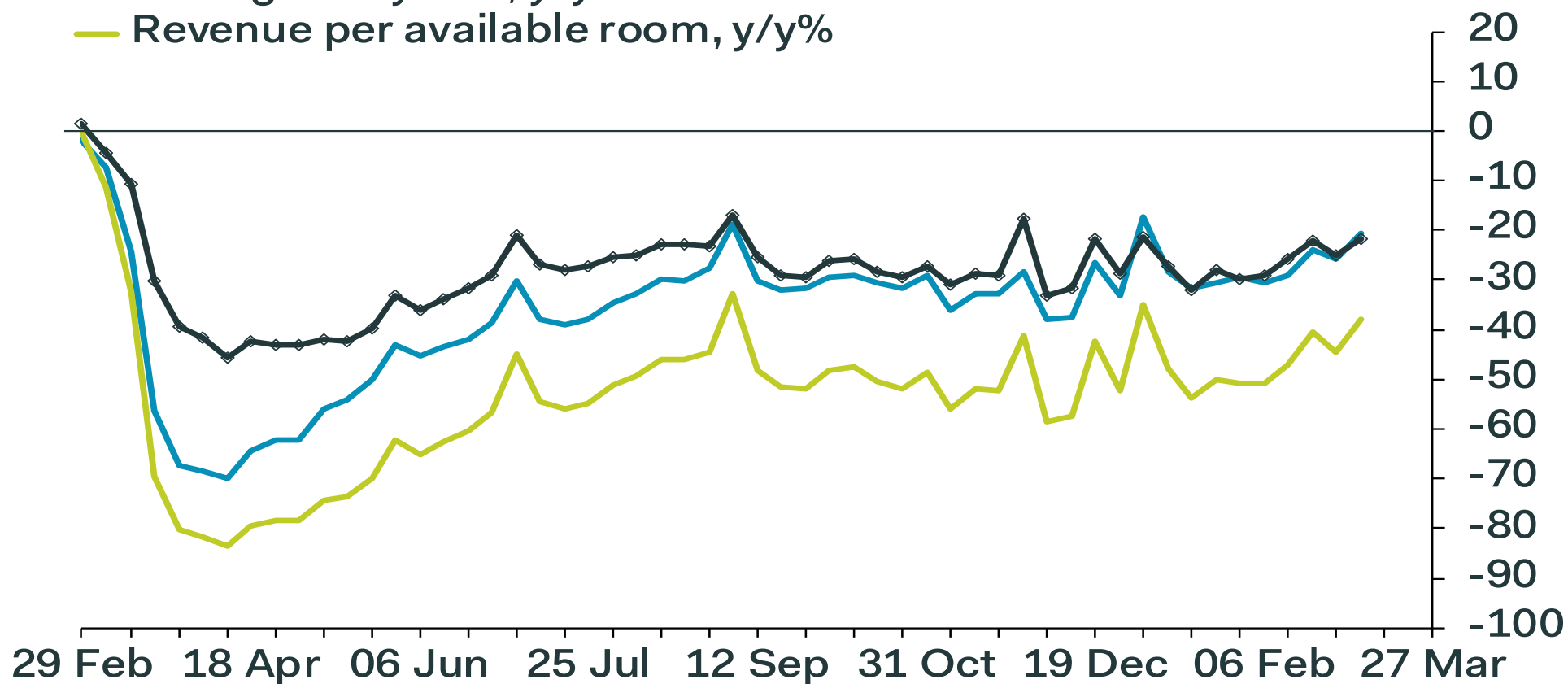
12. AIRLINE PASSENGER NUMBERS ARE RISING RAPIDLY...





13. ...MORE TRAVEL MEANS MORE DEMAND FOR HOTEL ROOMS

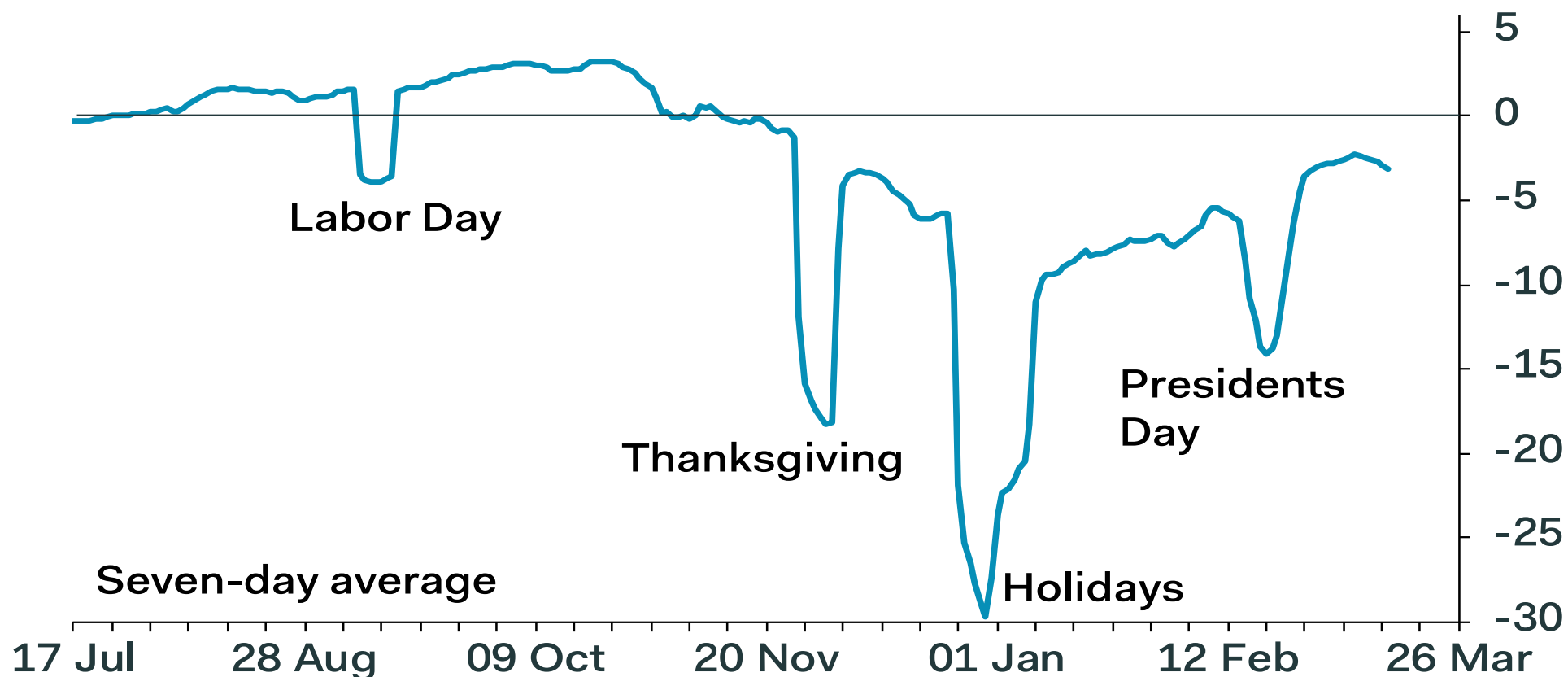
- U.S. hotel occupancy, y/y percentage points
- Average daily rate, y/y%
- Revenue per available room, y/y%





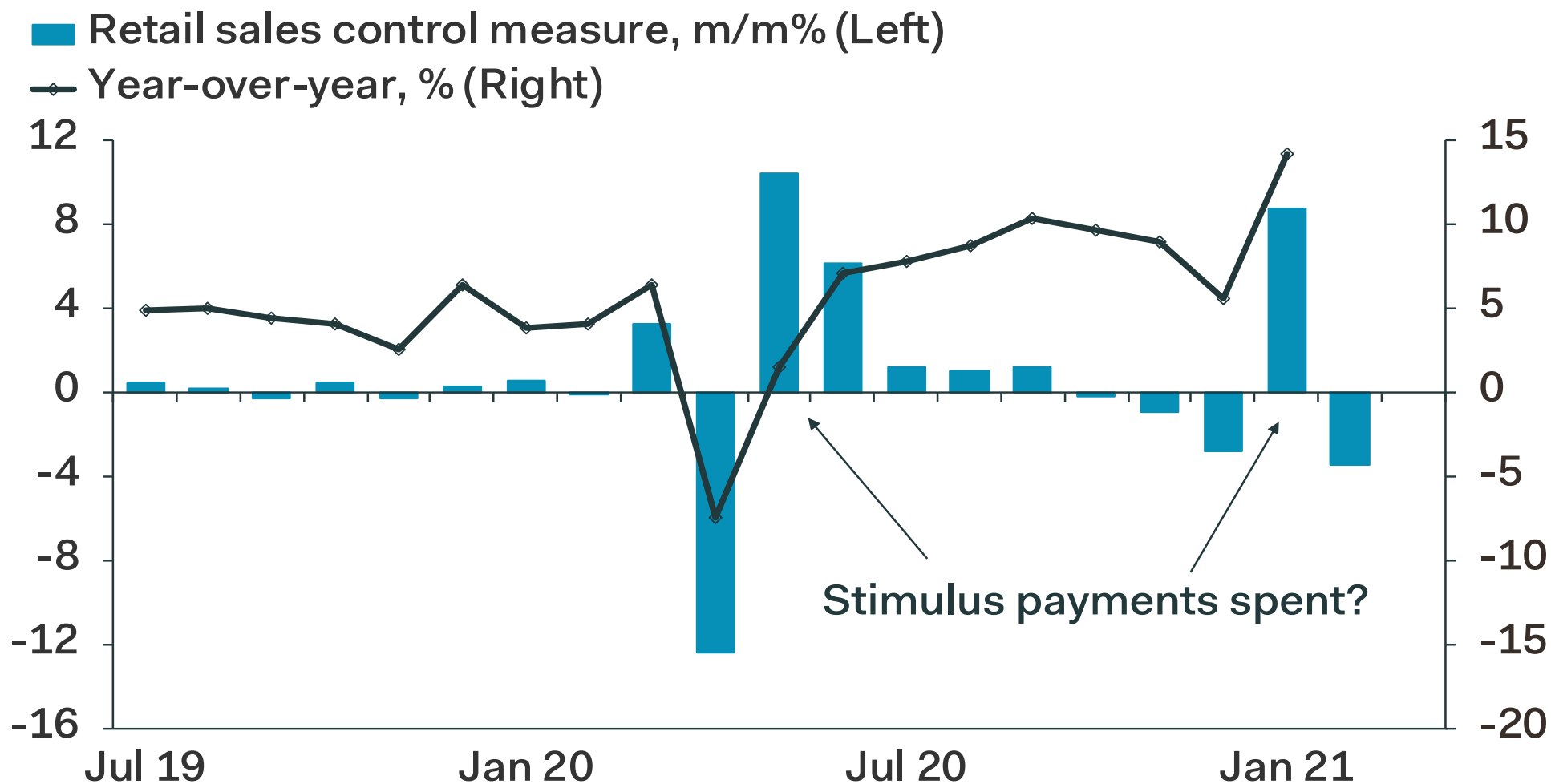
14. ...AND MORE JOBS AT SMALL BUSINESSES

— Employees at Homebase client firms, % change from July 2020





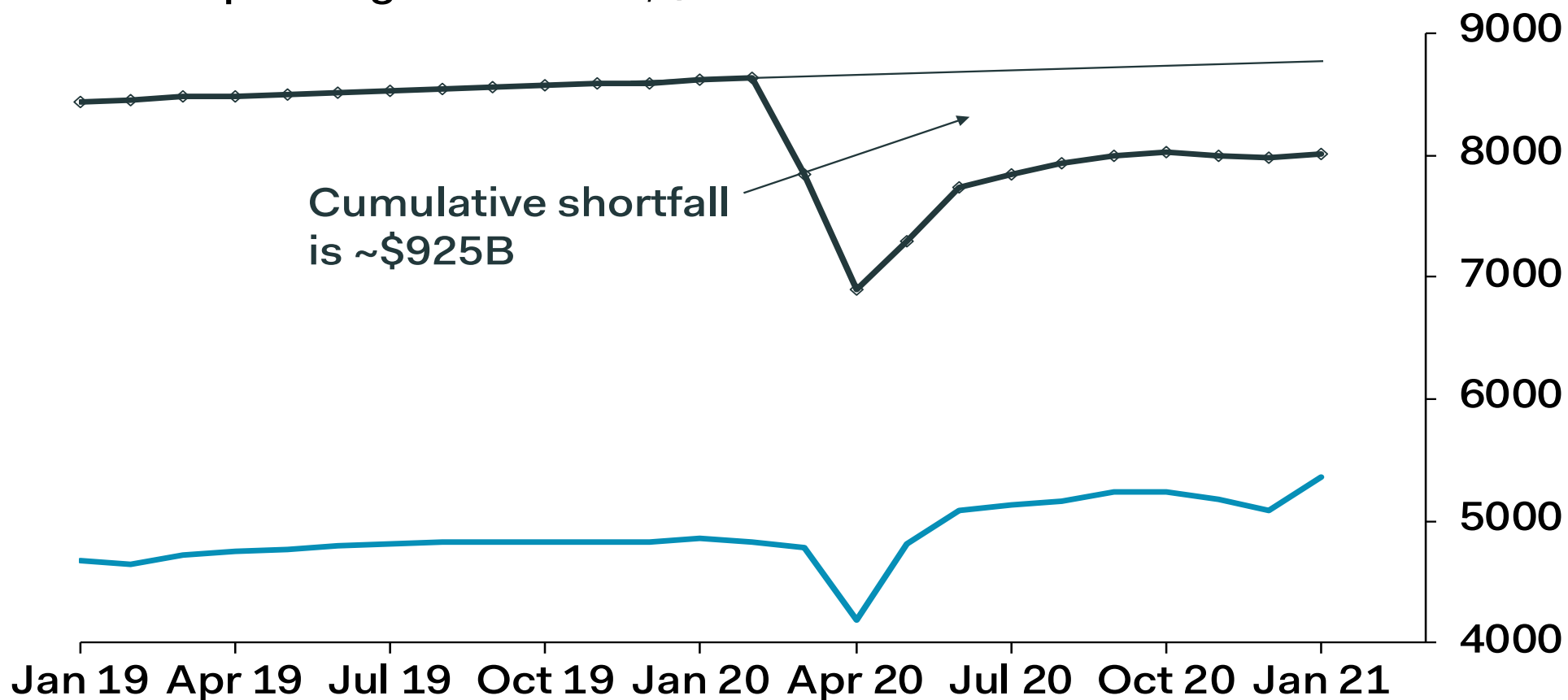
15. THIS WILL ALL BE MAGNIFIED WHEN THE NEXT STIMULUS IS SPENT





16. SCOPE FOR A REBOUND IN SERVICES SPENDING IS HUGE

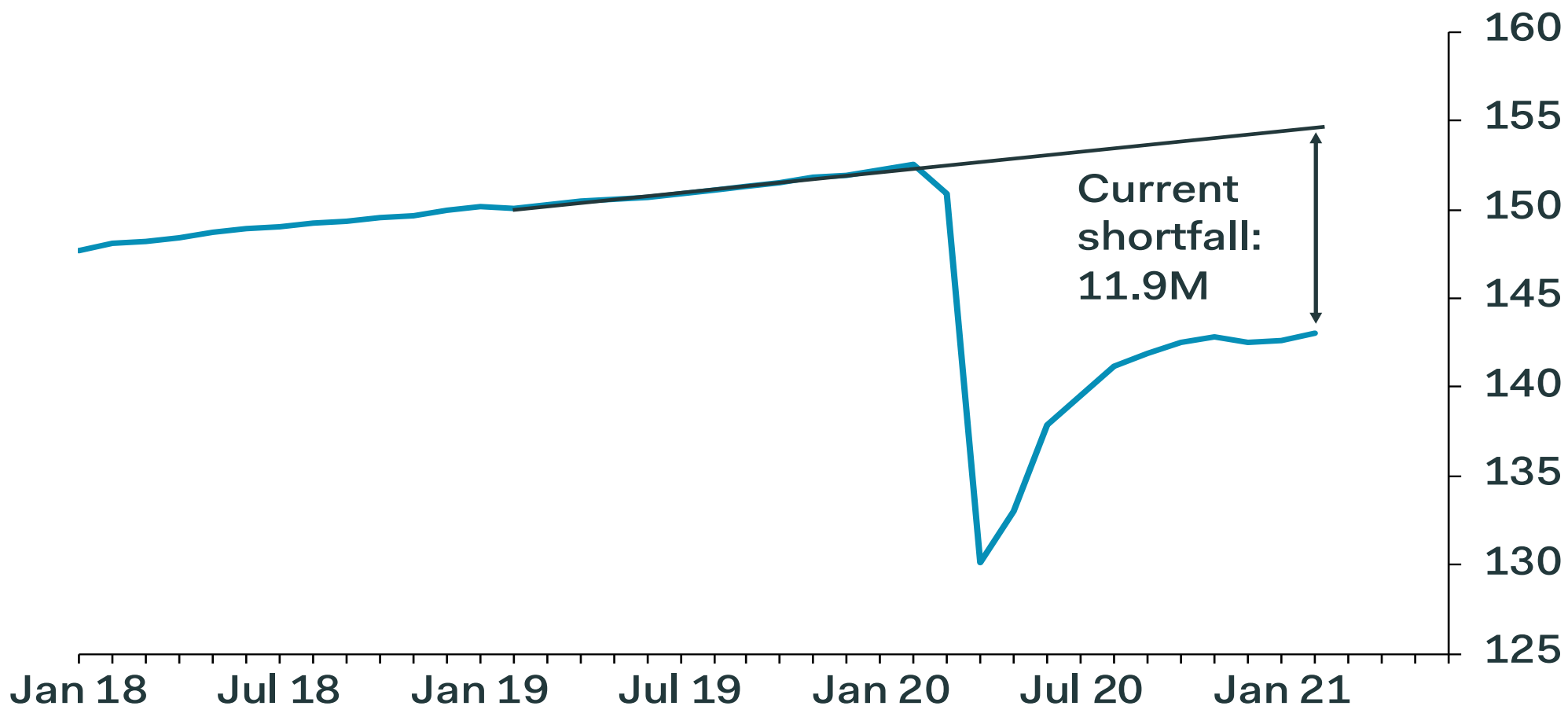
- Real spending on goods, \$B
- Real spending on services, \$B





17. PAYROLL GROWTH WILL REBOUND

— Non-farm payrolls, millions

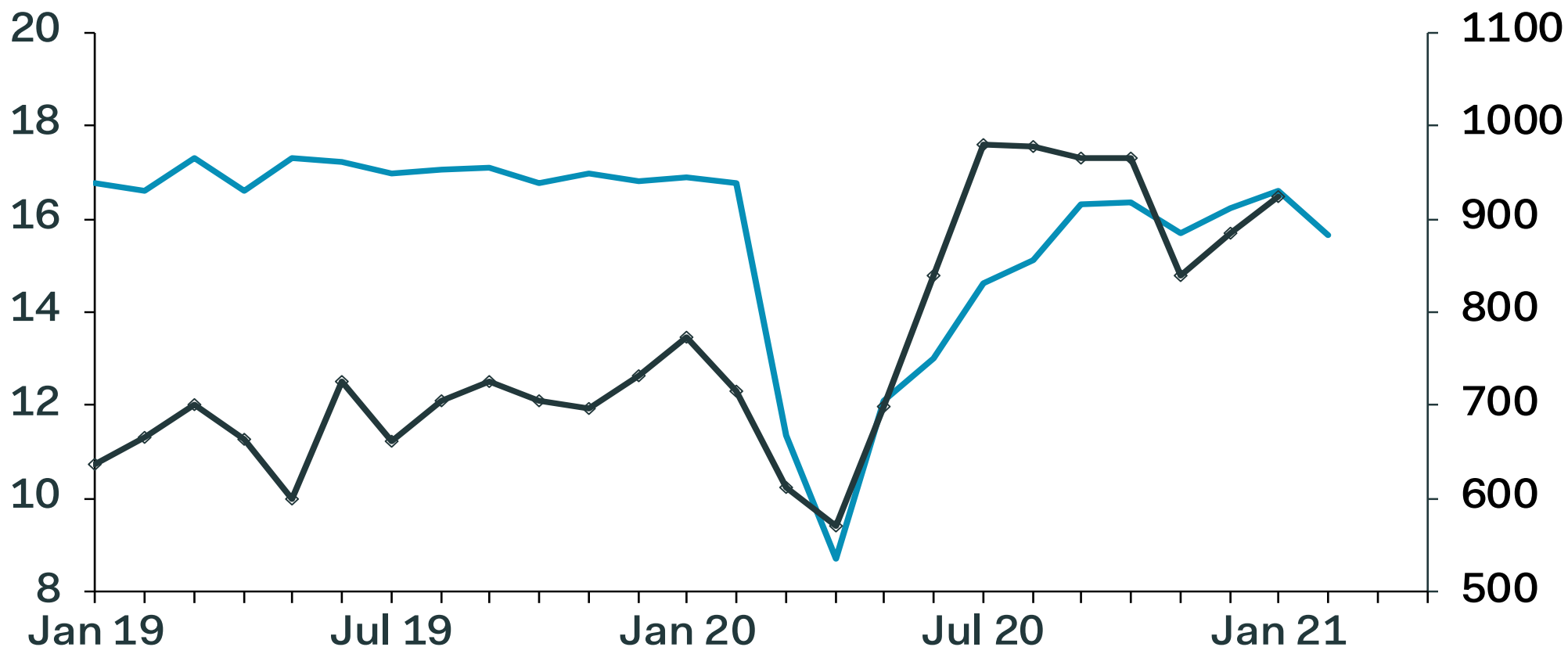




18. THE AUTO AND HOUSING RECOVERIES SHOULD RESTART

— Light vehicle sales, millions (Left)

—◆— New home sales (Right)





19. ...AND THE INDUSTRIAL RECOVERY WILL CONTINUE

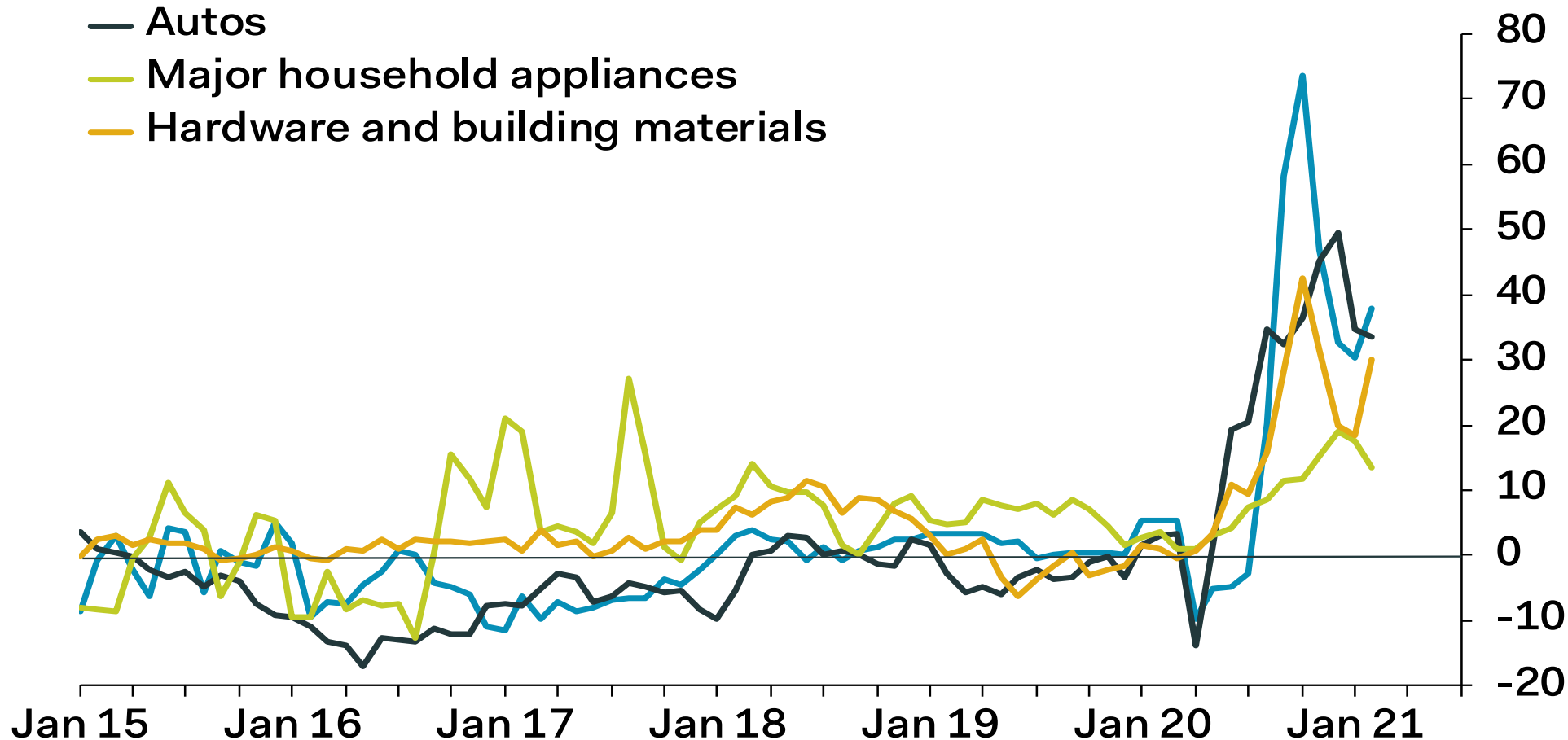
- Caixin/Markit China manufacturing PMI, advanced three months (Left)
- ISM manufacturing index (Right)





20. THE CATCH IS THE POTENTIAL SPIKE IN MARGINS

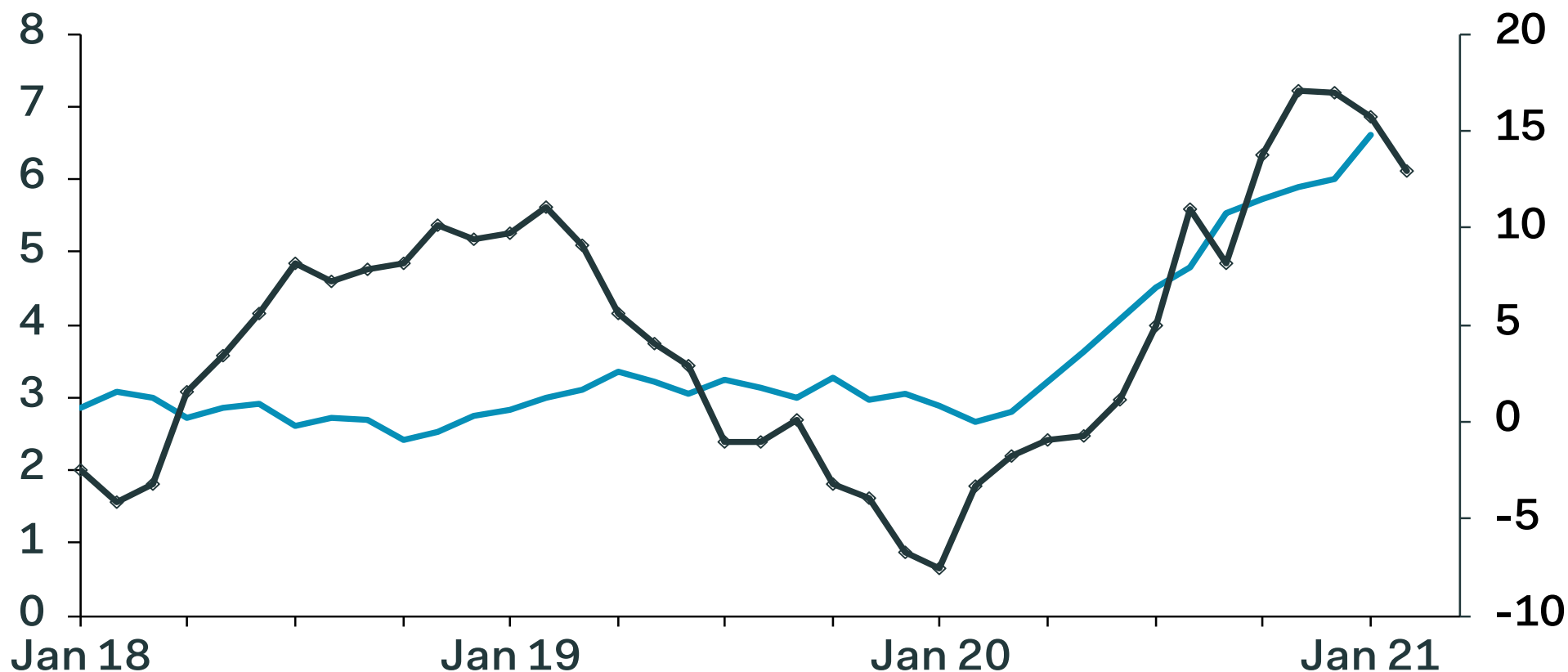
- Retail trade services, y/y%: RVs
- Autos
- Major household appliances
- Hardware and building materials





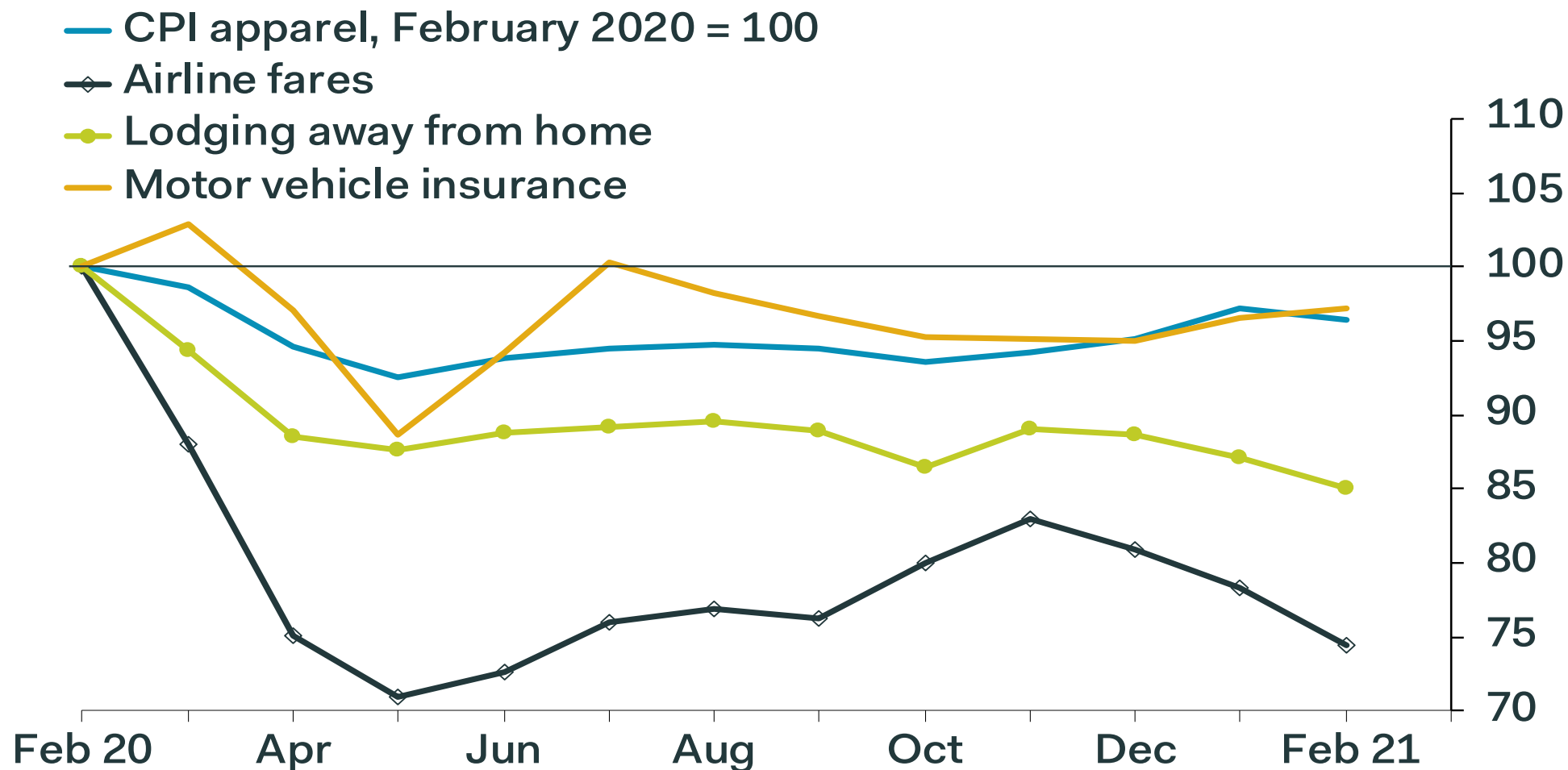
21. SOME CPI COMPONENTS ARE ALREADY VERY STRONG

- CPI limited service meals, y/y% (Left)
- ◆— CPI major household appliances, y/y% (Right)



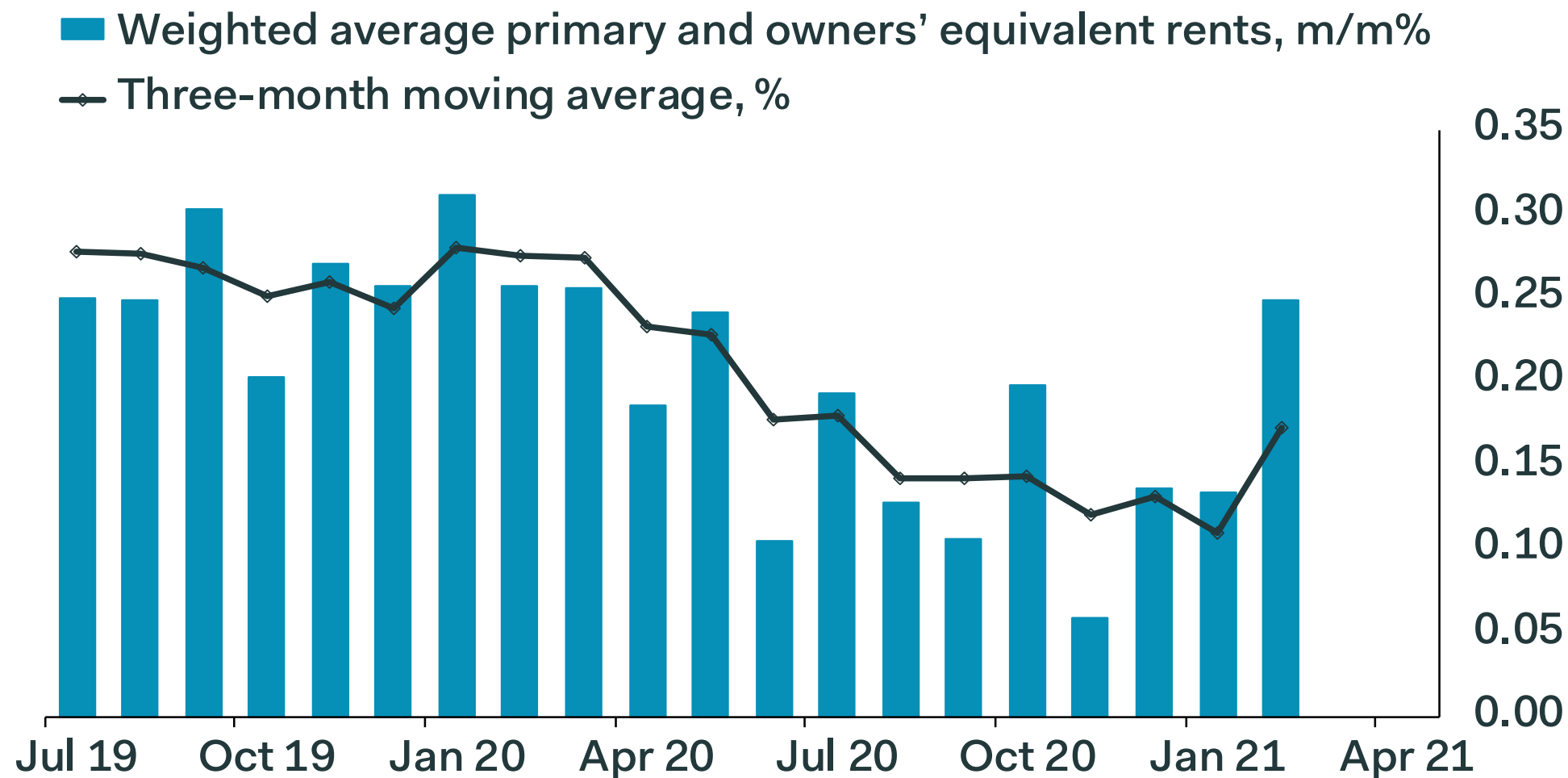


22. ...BUT THE COVID-HIT SECTORS ARE STILL SOFT





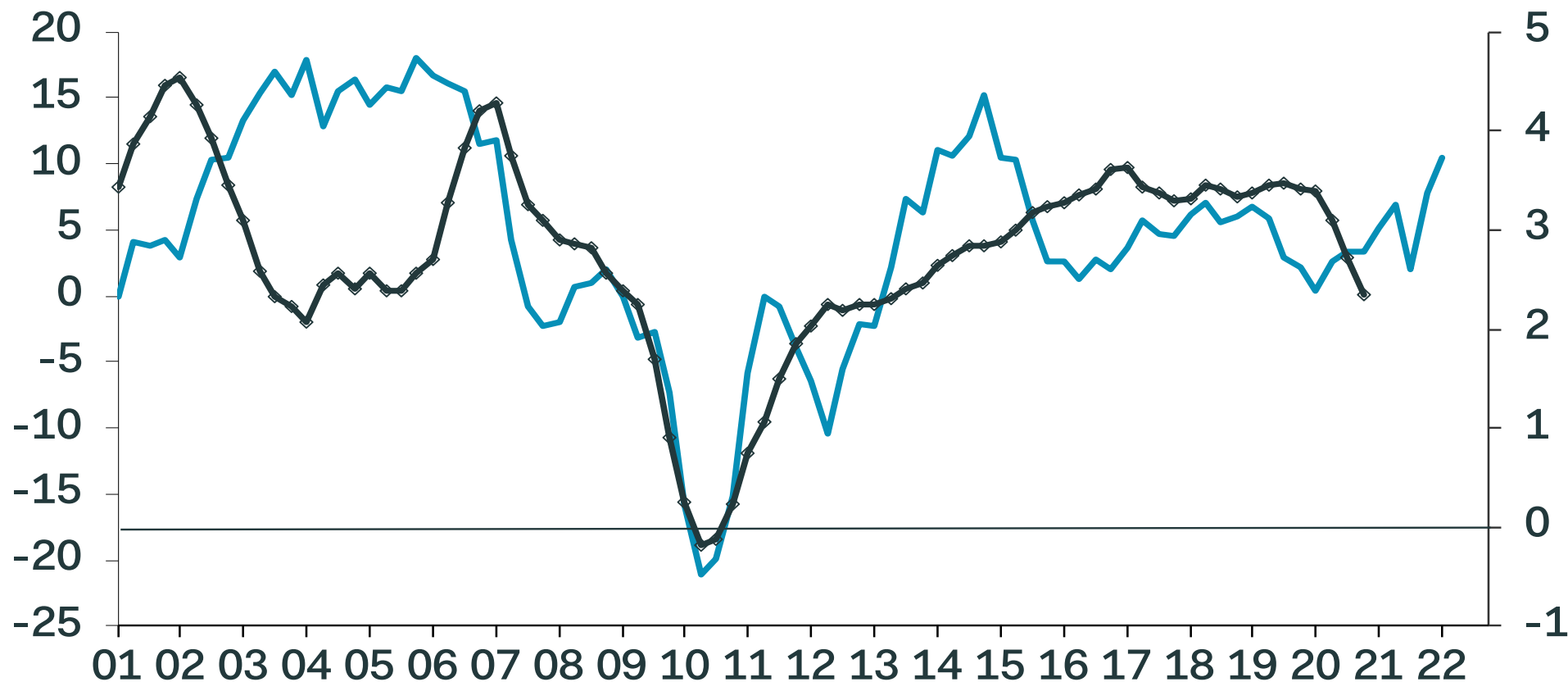
23. RENTS APPEAR TO HAVE BOTTOMED





24. DEMAND IS RECOVERING

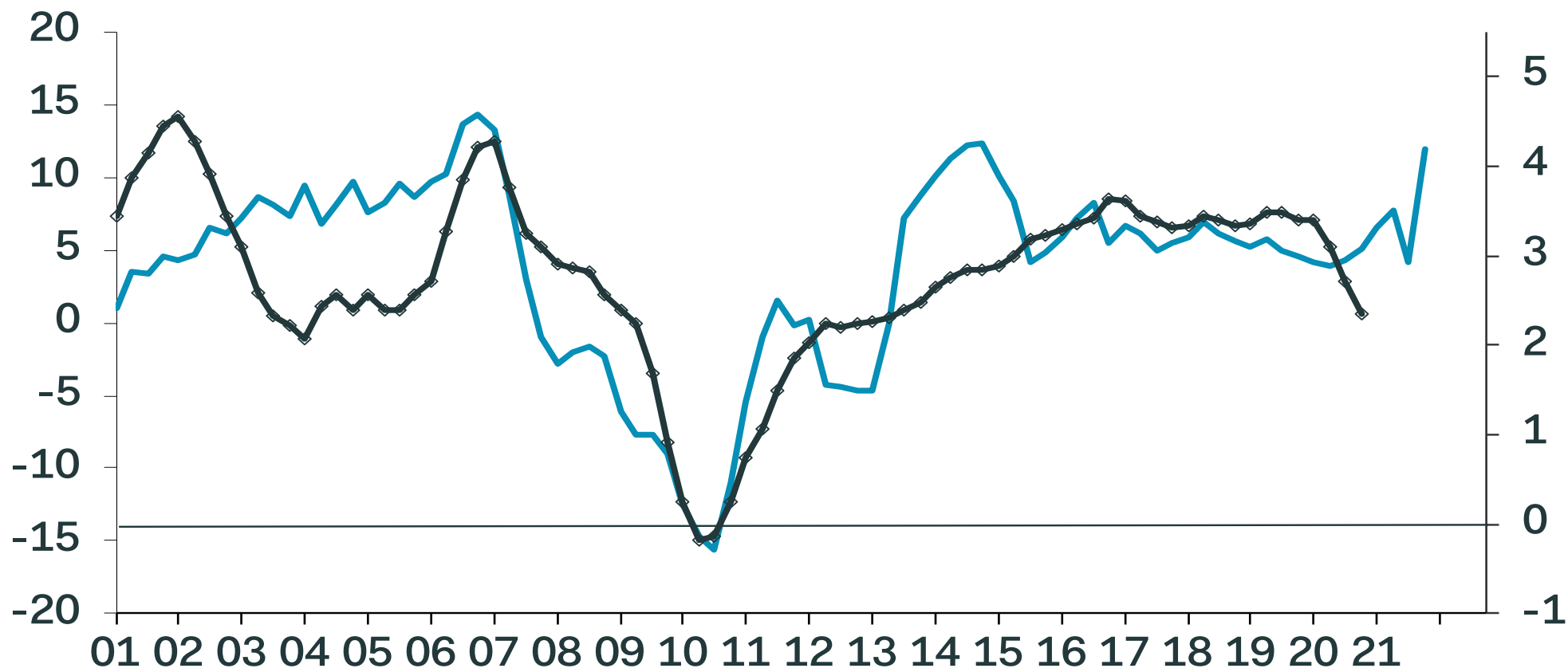
- Median co-op/condo prices, y/y%, adv. five quarters (Left)
- ◆— CPI blended Primary rent/OER, y/y% (Right)





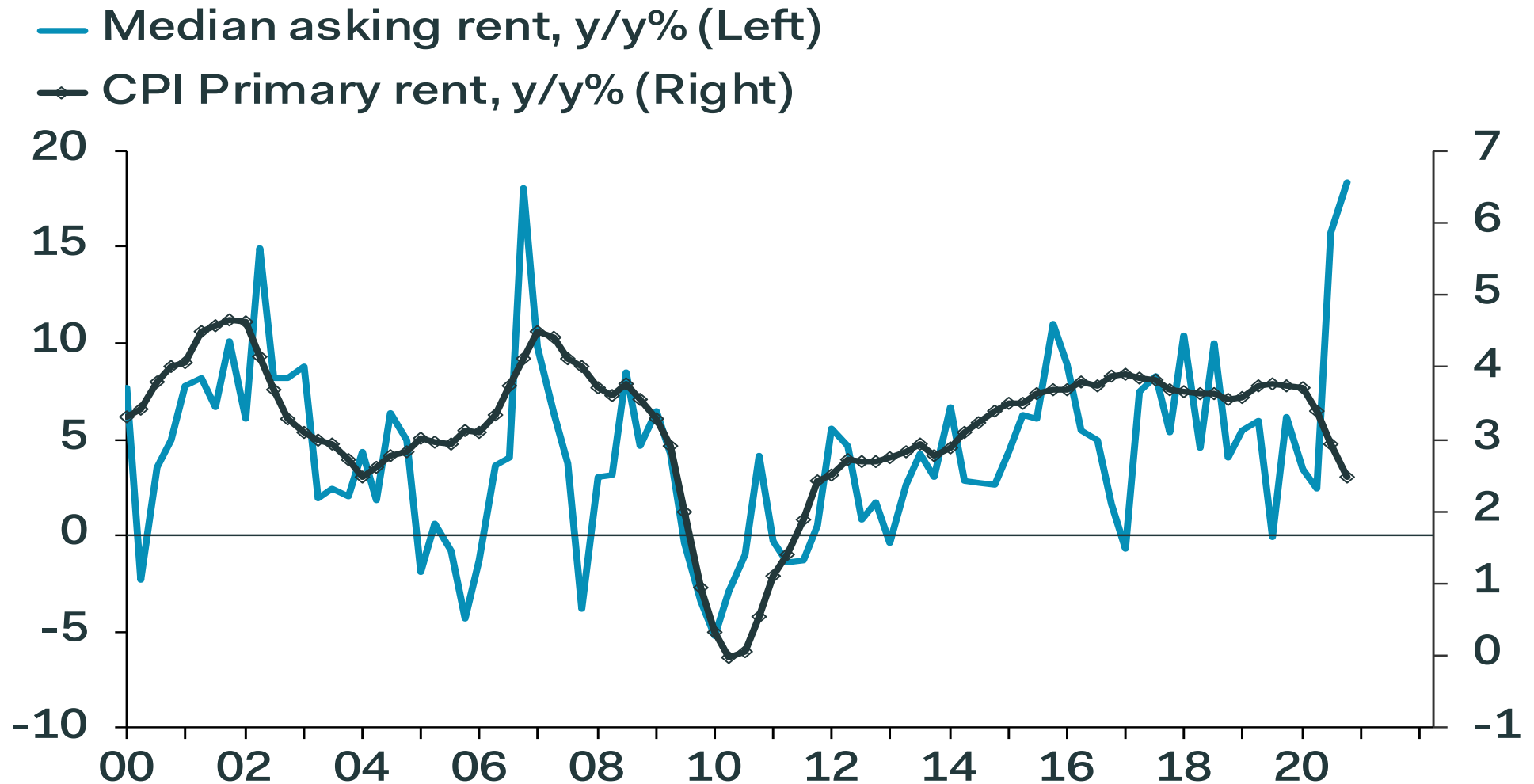
25. HOME PRICES ARE ROCKETING

- Median single-family home prices, y/y%, adv. five quarters (Left)
- CPI blended Primary rent/OER, y/y% (Right)





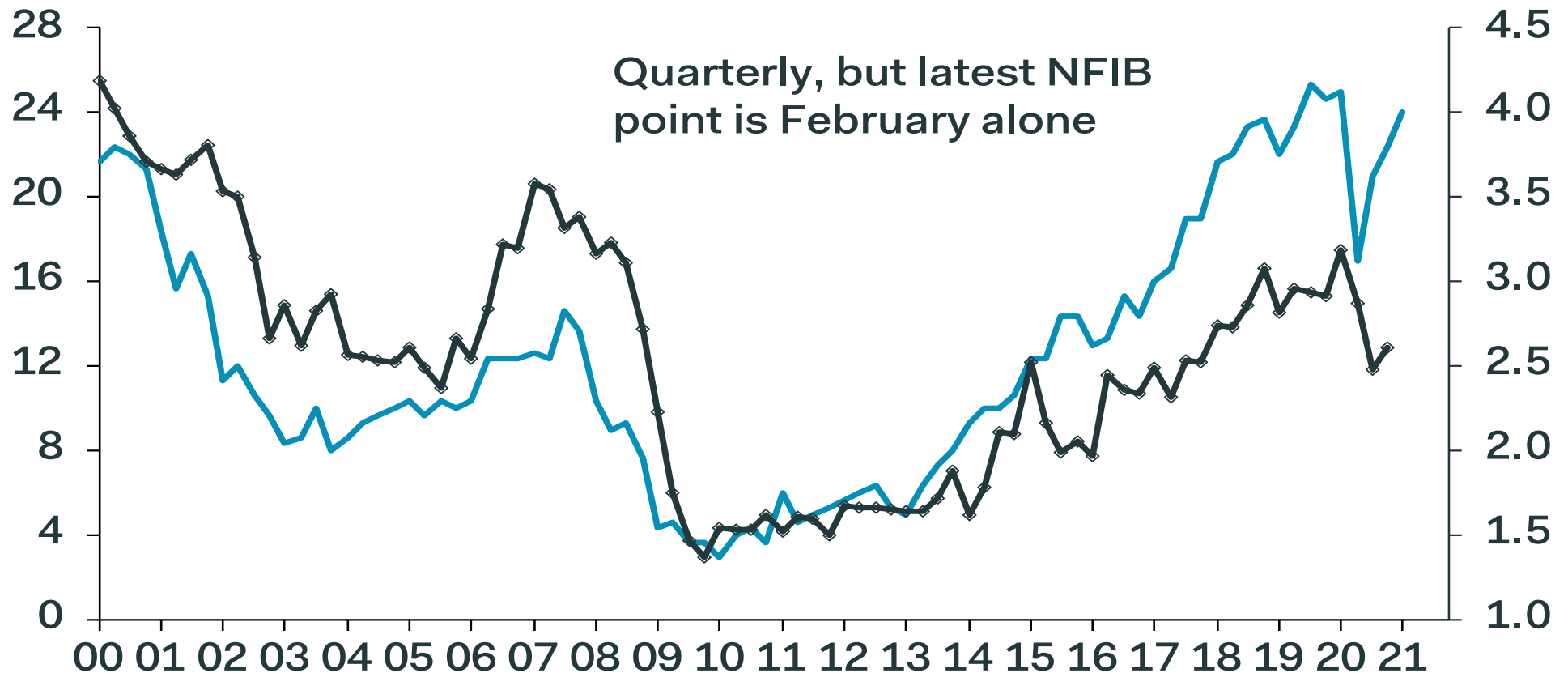
26. AND LANDLORDS ARE GETTING EXCITED





27. A SPIKE IN INFLATION DOESN'T MATTER IF WAGES DON'T FOLLOW

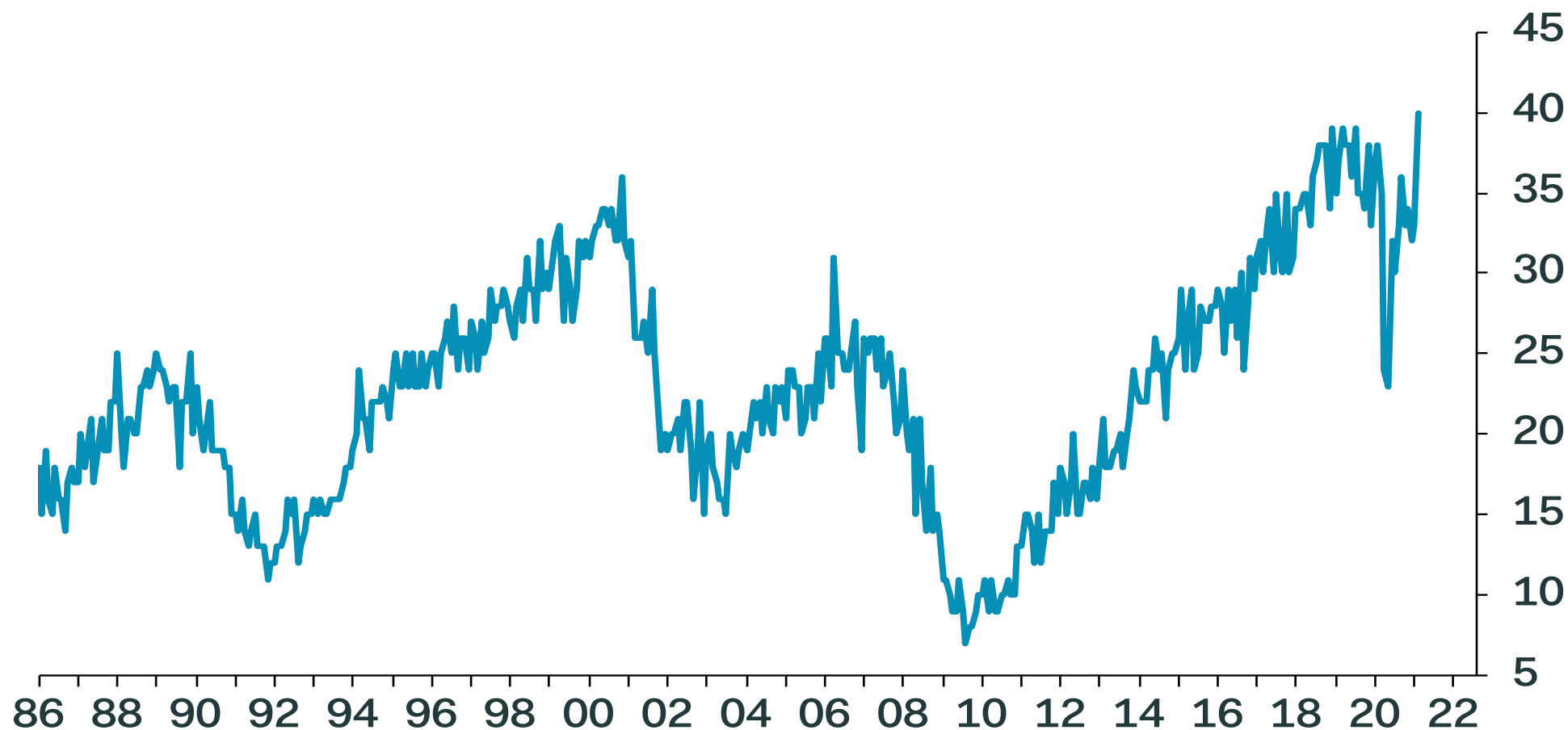
- NFIB proportion of firms saying finding labor is their biggest problem
- ECI wages and salaries, y/y%





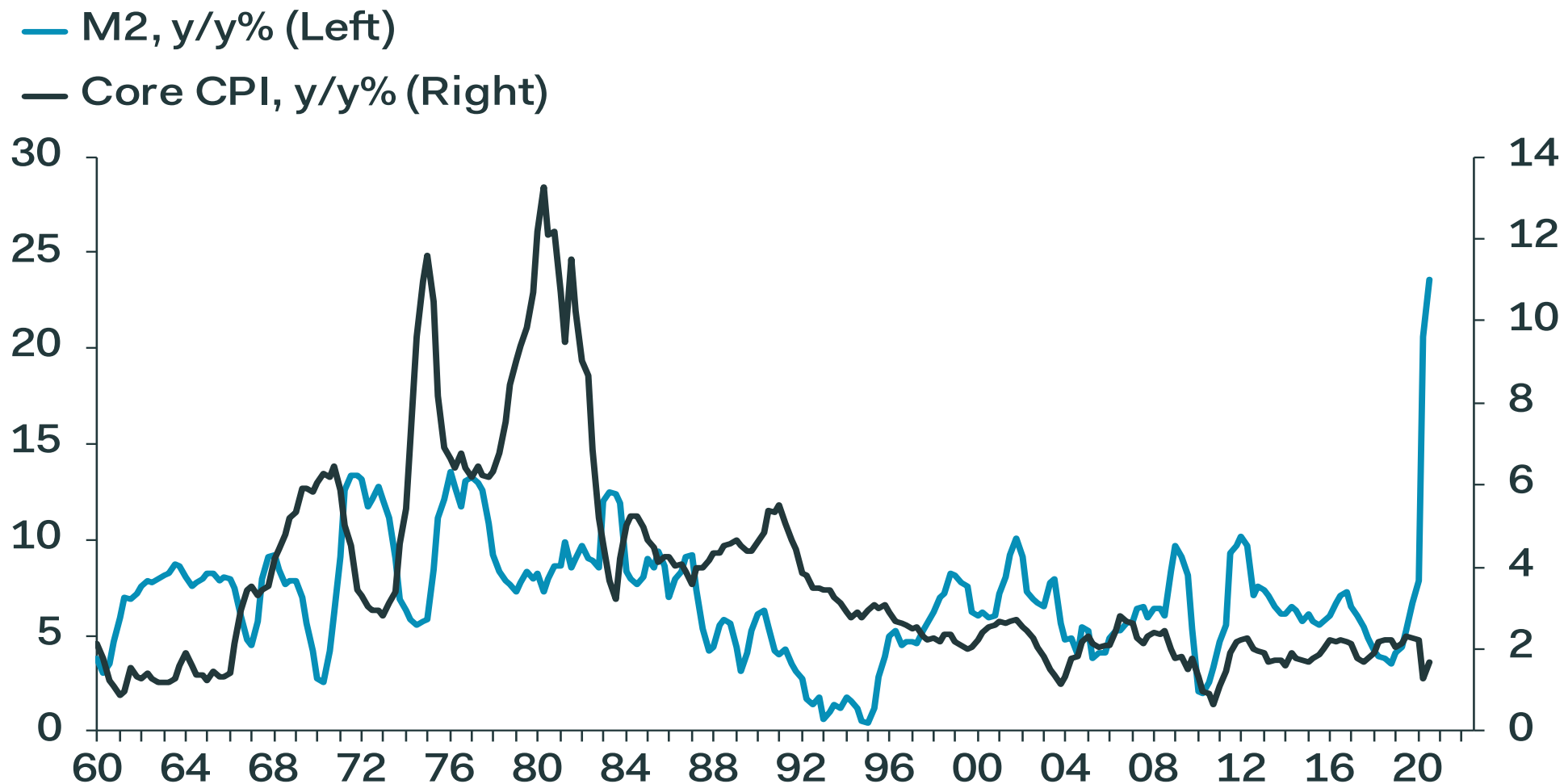
28. BUT THE 2021 LABOR MARKET IS NOT THE 2009-15 LABOR MARKET

— NFIB one or more unfilled job openings





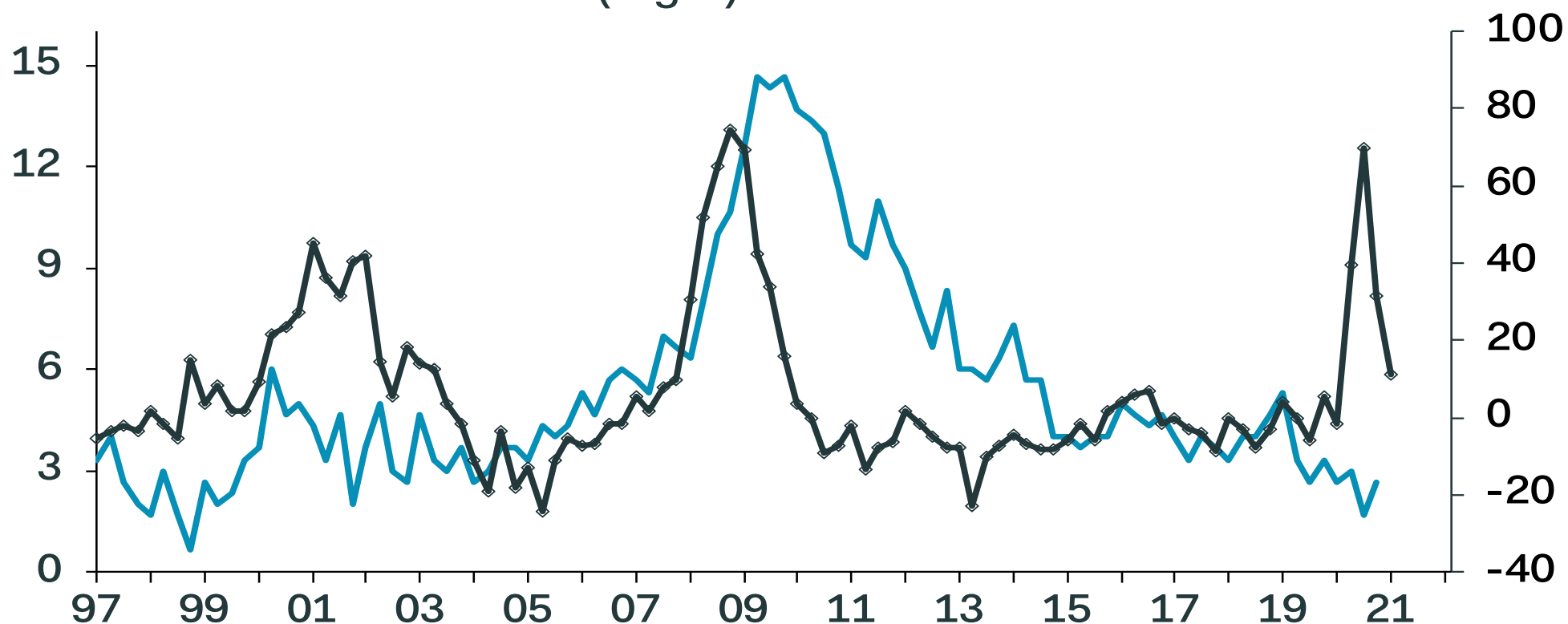
29. AND THE LIQUIDITY PICTURE IS COMPLETELY DIFFERENT





30. PLUS, NO CREDIT CRUNCH

- NFIB, proportion of firms reporting credit harder to get (Left)
- Senior Loan Officer Survey, proportion of banks tightening standards for small firms (Right)





31. SUMMARY

- * **The U.S. is on track for herd immunity in May...**
- * **...B117 is a threat, but it would delay, not cancel the end of Covid.**
- * **The consumer revival from spring onwards will be unprecedented.**
- * **Margins will expand across the CPI, and rents will accelerate.**
- * **The labor market is very different to 2009; expect quicker wage rebound.**
- * **The Fed will wait for data; they won't act on forecasts; more stonewalling.**
- * **Tapering late 2021; first hikes by end-2022.**