

A protracted peak, possibly...

The evidence for an approaching peak in Covid-19 in the US is growing, but is not cast-iron, while data from Europe shows that a "peak" does not necessarily mean "game-over"



Mountain peaks

Source: Shutterstock

V-shaped? Don't make me laugh

Much of the evidence for an approaching peak of new Covid-19 cases in the United States seems to be driven by a slowdown in the daily rate of growth of new cases. This could be a helpful indicator. But it reminds me of how markets looked at Covid-19 in its early days when it was still n-Cov or just "the coronavirus". Back then, total new infections globally began to fall as China got on top of its outbreak in February. But this parochial way of looking at the outbreak ignored what was going on elsewhere, as China's new case numbers were quickly overtaken by those in Korea and then later Italy and Spain as the main growth engines for this disease.

Much the same may be true of the US right now, with the New York state outbreak still the dominant driver with by far the most cases in total and new cases each day. That said, there are still a couple of states worth watching in case they become the next "New York". Amongst them, Texas, but also Maryland, which spiked higher yesterday. Both have reasonably high levels of infection, and their daily rate increase remains high. Georgia would also be on my watch list, and I'd probably throw Illinois in there too for good measure.

This isn't to disparage the lockdown efforts in those states, but to acknowledge how hard this disease is to stamp out even with lockdowns and social distancing. Data from Europe overnight seems to indicate that the downtrend in new cases there has run into some headwinds. And so even if the US is reaching a peak, perhaps the right term we should apply is instead, "plateau", as it

could be some weeks before we see a meaningful drop in new cases, enough to merit serious consideration of a rollback of the lockdowns currently in place.

That still holds out the prospect of some return of economic activity by the third quarter. But it increasingly points to a slow and phased removal of restrictions. And it surprises me that some people are still talking about "V"-shaped recoveries. That, frankly, is nonsense.

Other reasons to be cheerful

Maybe more helpful than the most recent Covid-19 case numbers, markets may have taken solace in the Fed minutes overnight.

James Knightley summarises them [in the linked note here](#), with the main gist being that the Fed will be in no hurry to reverse any of its stimulus and financial support measures. Now that is something to welcome. Hopefully, this will prove to be the role model for other central banks, though as we noticed from the global financial crisis, there wasn't exactly a stampede to normalize policy afterwards. That was also a factor of the relatively slow economic recovery, which is also likely to be a feature this time too.

BoK not today, but soon

The Bank of Korea (BoK) rate meeting today had the forecasting community split, though came in in-line with the narrow majority view for "no change" to the 7-day repo rate of 75bp. We were with the consensus on this call, but I don't think the BoK's job is over yet either, so I would not have had a problem with them cutting. Further easing is probably just a matter of time, but this may be influenced by what the government comes up with as they move towards yet another stimulus bill, probably next Tuesday. I read conflicting things about this stimulus, which will either be meaningful or just reallocate existing money. We will wait and watch.

India, another small dollop of stimulus

Talking of fiscal stimulus, Prakash Sakpal writes this on India's latest offering, "The Indian government is reportedly considering an additional stimulus of \$13 billion (0.5% of GDP) as the widening spread of Covid-19 threatens extended lockdowns in hot-spots, leading to an even bigger hit to growth. The announcement (expected early next week) is likely to include support measures for MSMEs (micro, small and medium enterprises). This sector employs half a billion people and will be severely affected in the ongoing lockdown with fears of a surge in the unemployment rate to over 20%. The new measures would take total stimulus, including the central bank's liquidity support measures, to about 3.2% of GDP, which is no comparison to 10-20% in some other Asian countries. We don't think it will make much difference to the economy which is on a path towards significant contraction this year. We anticipate as much as a 5% YoY GDP fall in the current quarter. It could be bigger than that".

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