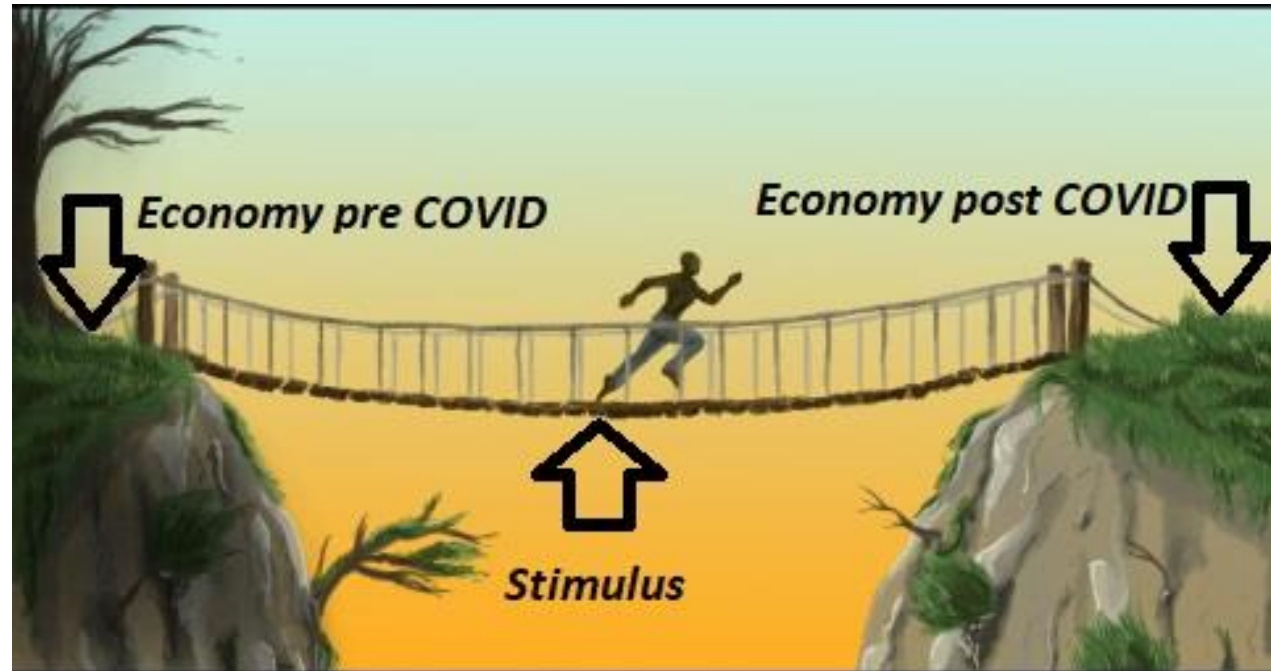


Sevens Report Alpha Webinar:
What is the State of the Economic Comeback?

Thursday, August 20th, 2020

Tom Essaye, President Sevens Report Research

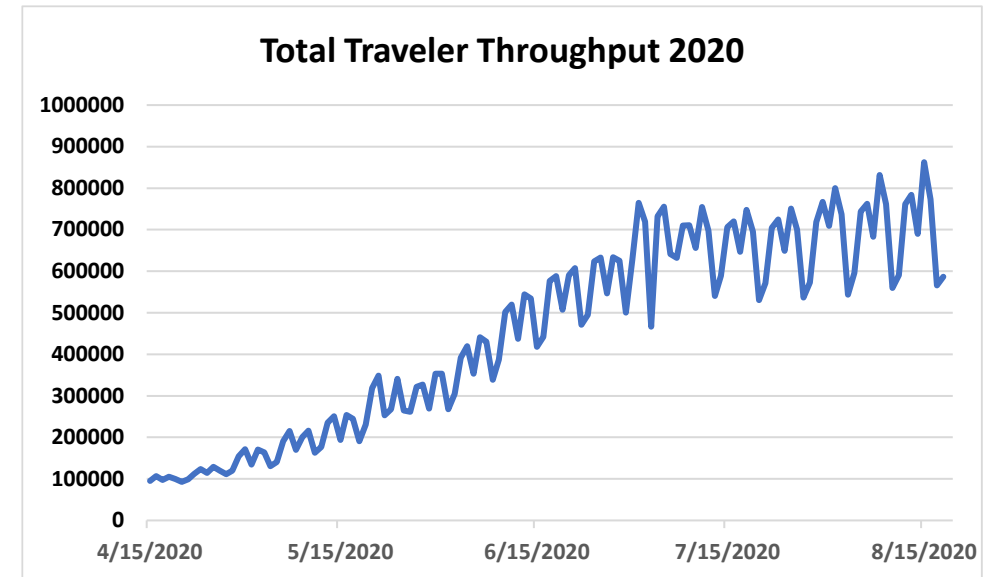
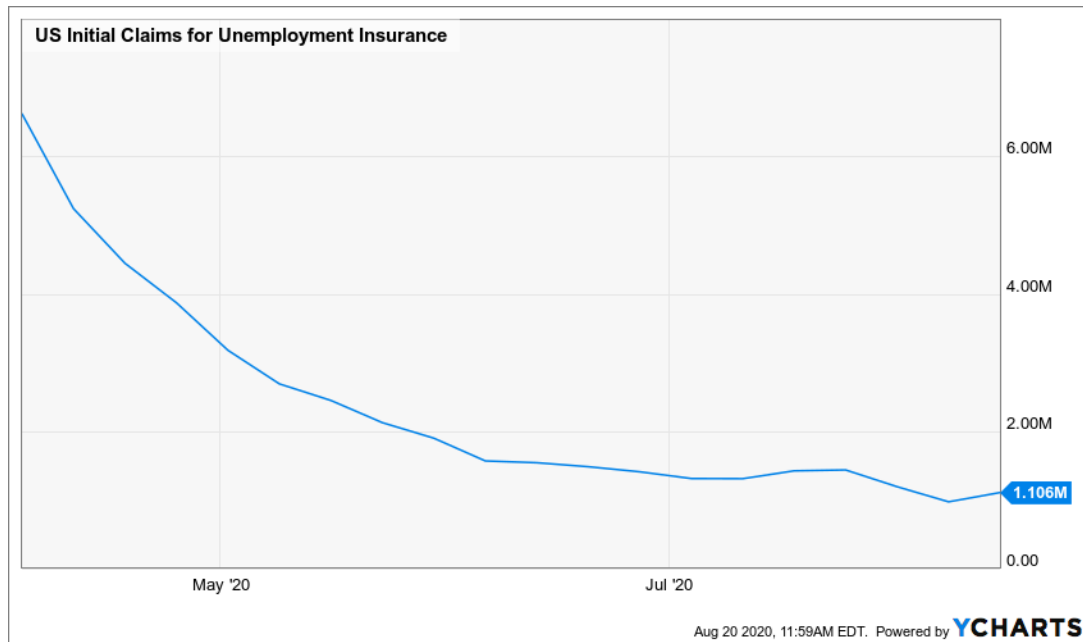
Economic Context



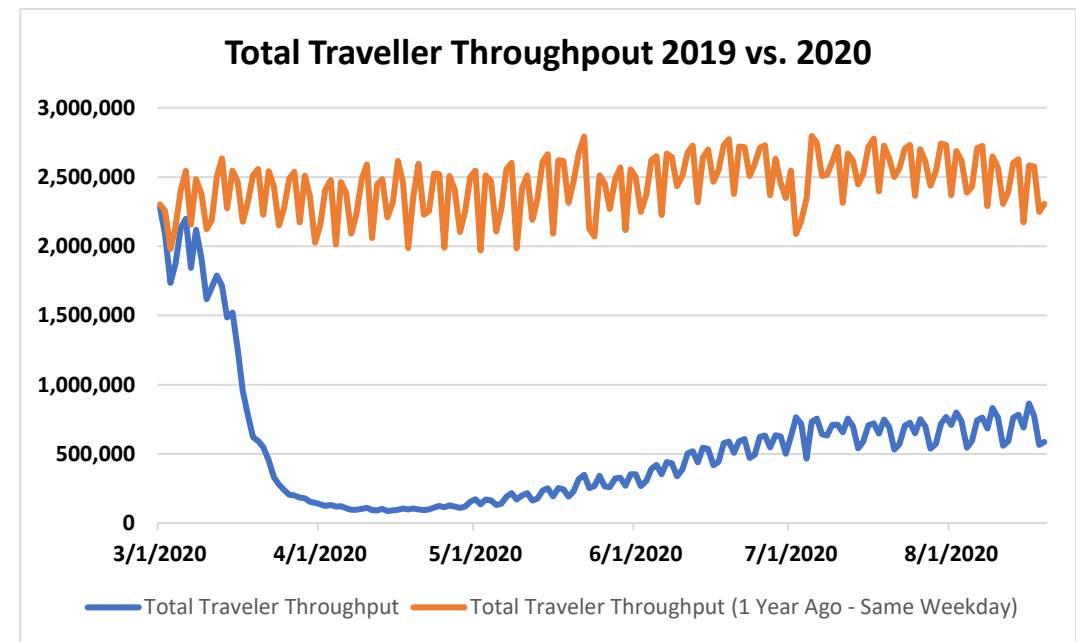
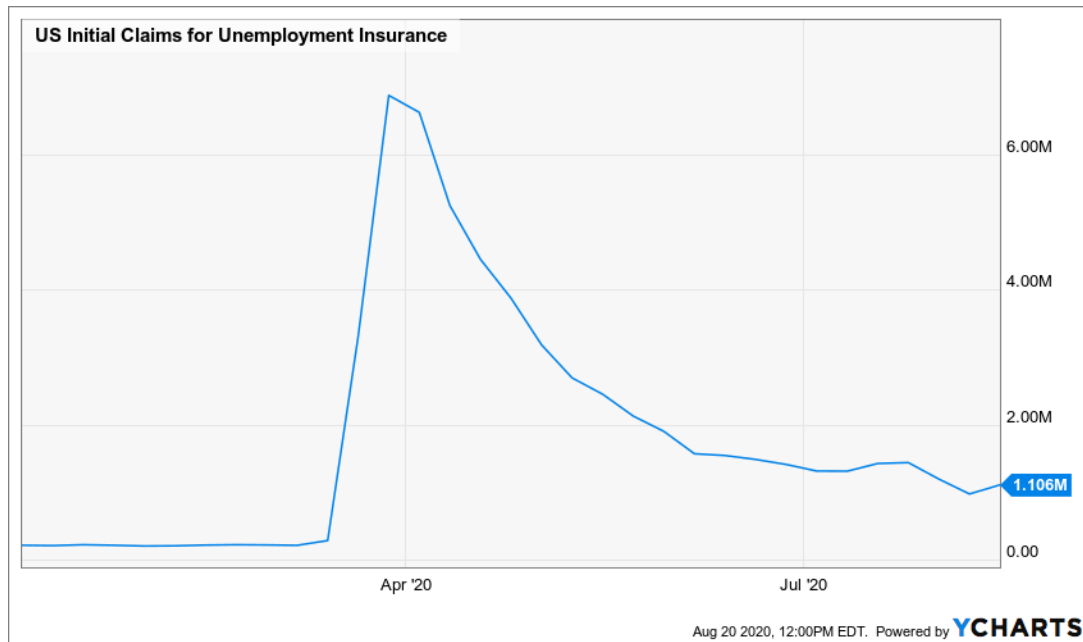
Marginal Economic Movement vs. Absolute Levels

- Marginal economic momentum is the rate of change. I.e., regardless of the absolute level, is the data getting better each month, or worse? That's been positive since May.
- Absolute levels of economic activity matter too, though, and it's important to realize where we are compared to pre-coronavirus levels.

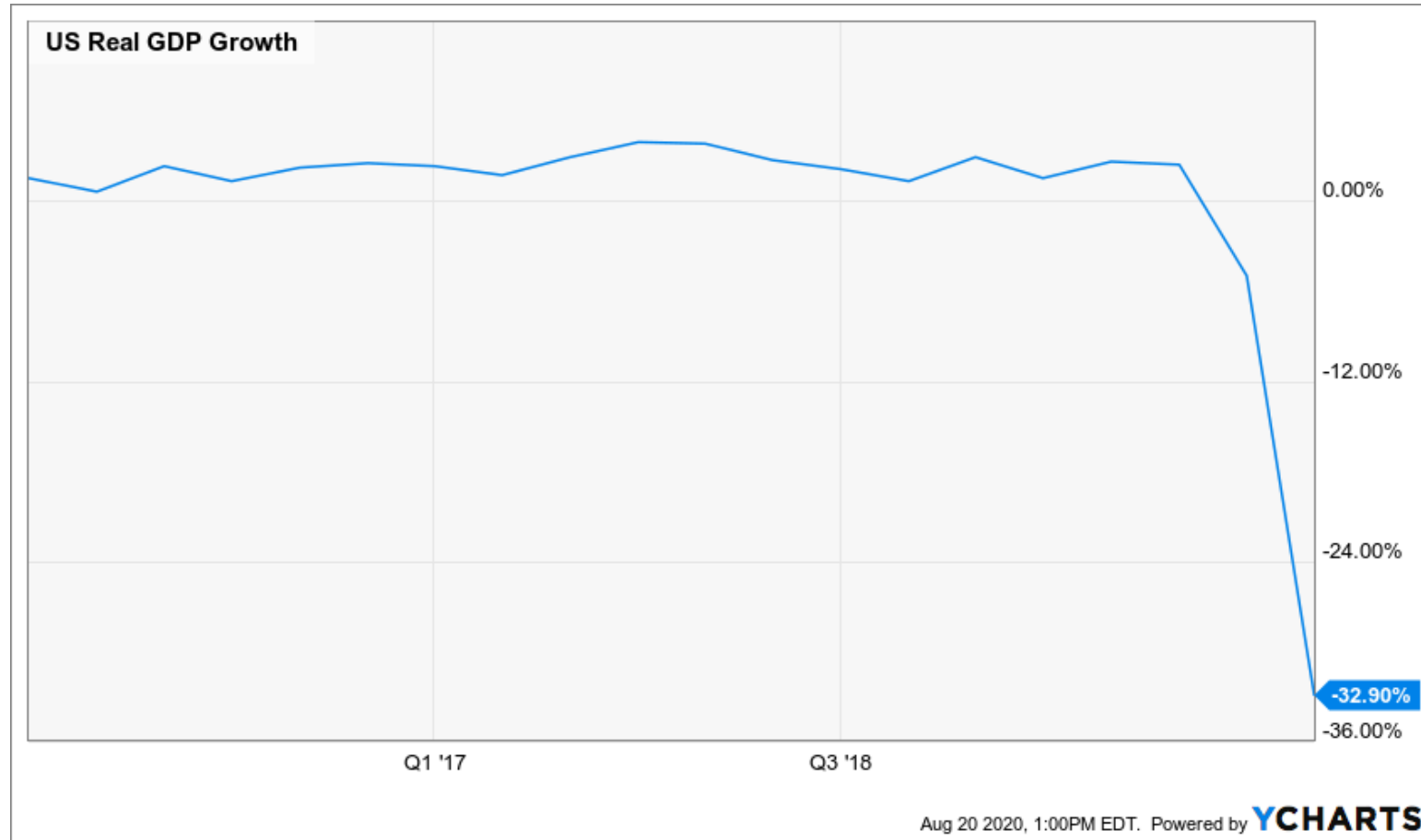
Marginal Improvements in Data Have Been Solid



But How Far Are These Numbers From “Normal?” A Long Way.



GDP: Scary, But Not Very Useful



A Look At Key Economic Indicators:

	<u>Retail Sales & Food Service</u>	<u>Building Permits</u>	<u>Light Truck Sales</u>	<u>Business Investment (NDCGXA)</u>	<u>Jobless Claims</u>	<u>TSA Throughput</u>
1 Year Average (Jan '19 – Jan '20)	5.18 \$B	1.39 \$MM	12.21 \$MM	69.1 \$B	217k	2.45 MM
Current Reading	5.35 \$B	1.50 \$MM	10.00 \$MM	64.3 \$B	1.1 MM	681k
Difference	3.2%	6.9%	-17.5%	-6.8%	509%	-72%

Some Takeaways:

- GDP is not the economy. For the purposes of markets and investing, GDP is a largely useless number, and that's especially true right now. Don't consider changes in GDP to be representative of the economy.
- Given the cross section of data, we can easily see the impact of stimulus on the economy.
 - Retail Sales remain strong, up over 1 year ago average. (Unemployment Checks)
 - Building Permits are also strong, reflecting confidence that COVID is a temporary phenomenon. (0% Rates)
 - Business spending and investment are only down 7% OYA average (PPP)
- But, we can also see that there are major cracks to the foundation of this economy, and if stimulus and a vaccine don't continue to fill those cracks, then a double dip recession is a certainty in 2021.
 - Claims are historically horrific – STILL.
 - TSA Throughput is historically horrific – STILL.
 - Light Truck Sales are historically horrific – STILL.

Takeaways

- Stimulus has done a good job in limiting the economic fallout.
- But, it has to continue or we have to get a vaccine by 2021.
- The data underscores just how incredibly imperative that is – **because if we don't, disastrous readings in unemployment, travel and auto sales will spread as incomes fall, and job losses become permanent.**
- If that happens, then a decline in stocks could be as large as 25% (the market multiple would likely fall towards 16X, at least, meaning the S&P 500 would drop more than 800 points).

