

# TPA Analytics: Economist Explains Why Economy May Be Rough

**ECONOMIST EXPLAINS WHY THE 2020 4<sup>th</sup> QTR AND 2021 1<sup>st</sup> QTR ECONOMY MAY BE ROUGH** TPA draws on this week's presentation by Benjamin Tal, Economist at CIBC, to describe what is in front of us for the 4<sup>th</sup> quarter of 2020 and the 1<sup>st</sup> quarter of 2021. In an hour-long presentation, Tal explained that the U.S. has performed much better economically than the rest of the world. This was because of the decisions it made when faced with the trade-off between *lives and livelihood*. Throughout the pandemic, the U.S. has remained more open than most countries and, as a result, has the worst health record. The U.S. also has a lower level of economic devastation as a combination of fewer restrictions and huge economic stimulus.

## 2-Recoveries

He further described the recovery as 2 recoveries. A *V-shaped recovery for two-thirds of the economy* and an *L-shaped recovery* for the services sector. This is actually the K-shaped recovery that TPA discussed on 9/8 in [\*\*?WHAT A K-SHAPED RECOVERY MEANS FOR INVESTORS?\*\*](#) Tal went on to say that small businesses have been hit the worst and larger companies. Like AMZN, actually benefited from the situation.

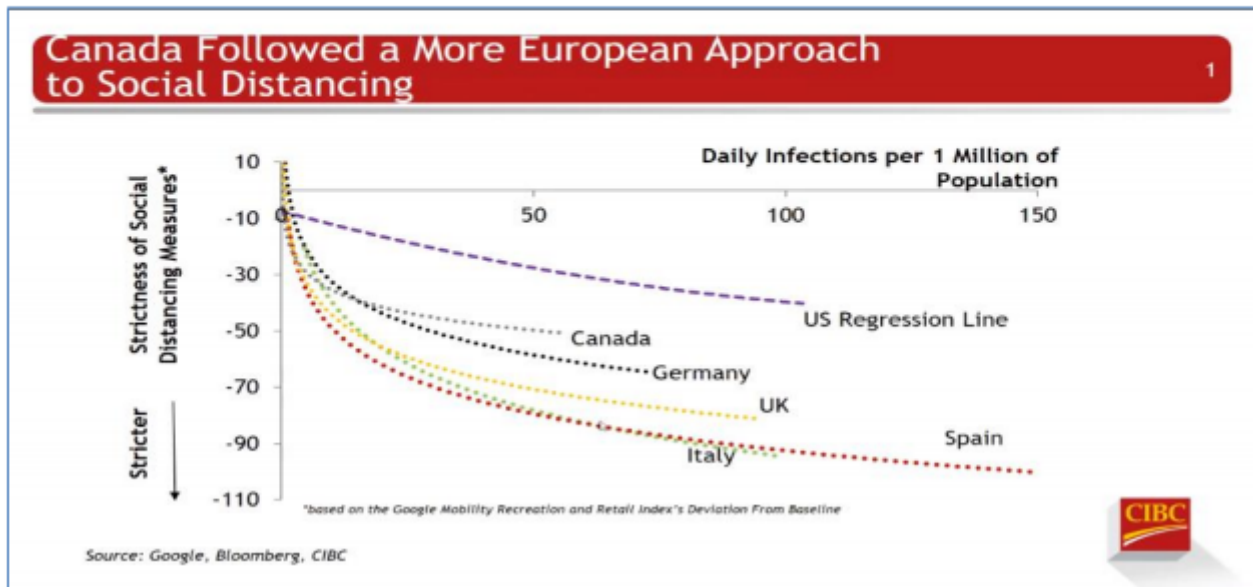
## A U.S. Problem

Tal concludes that the 4<sup>th</sup> quarter of 2020 and the 1<sup>st</sup> quarter of 2021 could be a problem in the U.S. for several reasons:

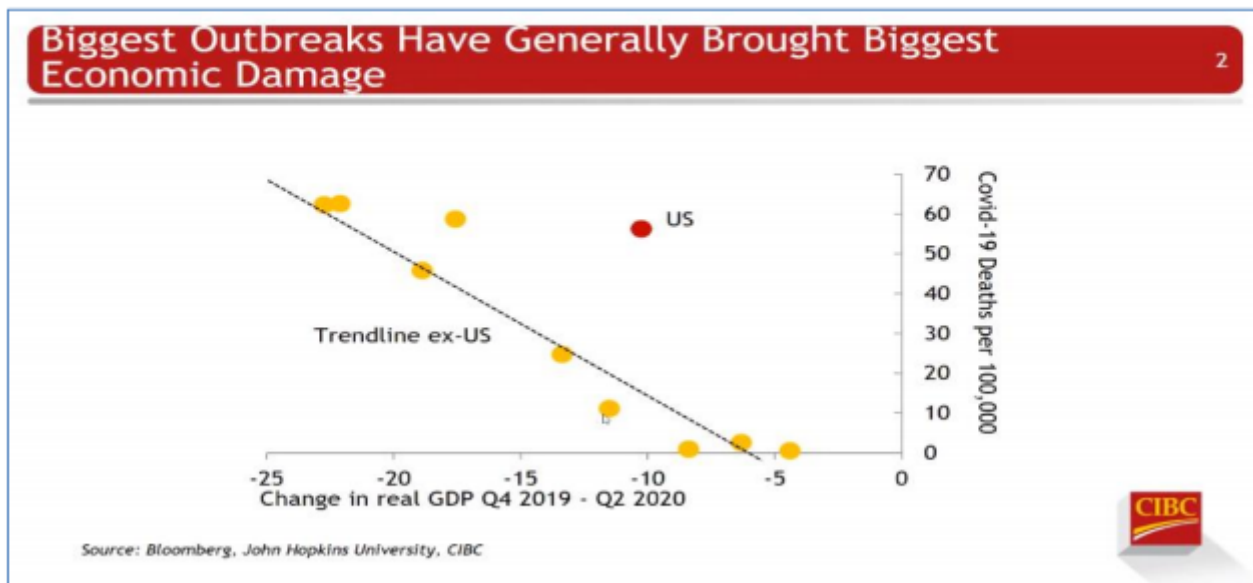
1. *After hundreds of conversations with the medical community, the consensus forecast for a safe and effective vaccine and widespread delivery in Spring 2021. That means over 6 months more without a vaccine.*
2. *Once there is a vaccine, the question will be how many people will be willing to get the vaccine.*
3. *Much of what has sustained the U.S. consumer during Covid-19 has been stimulus in the form of direct payments and beefed-up unemployment. Tal does not see any new stimulus until, at least, after the election due to politics and disagreement over the possible negative effect of additional unemployment payments. (This was discussed on 4/27 in the World Snapshot entitled ?CARES MAY ACTUALLY DELAY THE RECOVERY?.)*
4. *The stimulus payments are mostly gone as it can be shown that most of the payments went for essentials to keep people afloat. Without these payments, these people will be in even more dire circumstances.*
5. *The pattern of Covid-19 versus the Spanish Flu shows that another wave is likely and that it will overlap with the normal Flu season.*

TPA will use some of CIBC charts to follow this logic below.

1. The chart below shows that the U.S. less restrictive measures resulted in more daily infections per million than other western economies.



2. The U.S. deaths per 100,000 people and change in GDP is an outlier versus the rest of the world. The U.S. has sacrificed health for economics.



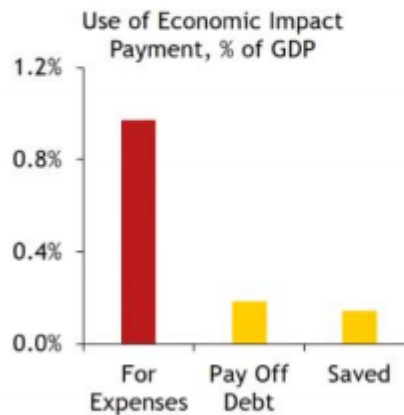
3. The recovery in durable and non-durable goods versus services shows the lopsided V and L recovery; the K recovery.



5. ...consumer income expectations and confidence are once again falling as stimulus ends and the money runs out.

## Consumers Expect Incomes To Fall Ahead (L), Most of Stimulus Payments Spent (R)

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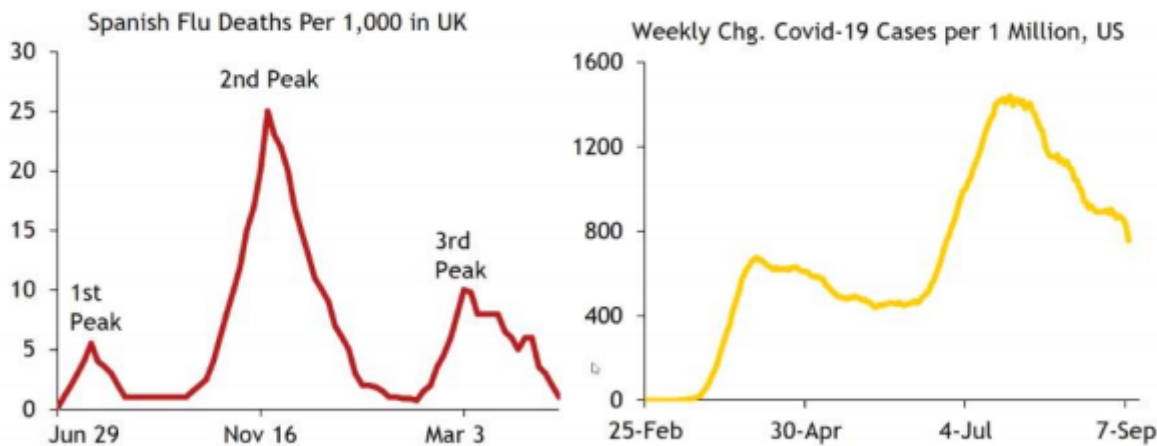
Source: Conference Board, Census Bureau, CIBC  
\*% Expecting increase, less % expecting decrease in next six months



6. Finally, the pattern of Covid-19 is very similar to the pattern for the Spanish Flu in the UK. This points to the probability of another wave that will overlap with the regular Flu season.

## Deja Vu

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Source: WHO, Bloomberg, CIBC



### TPA MARKETSCOPE (detailed explanation below)

Thursday, September 17, 2020

Since 2009, TPA has used the indicators below to identify extreme inflection points in the market for institutional clients.

INDICATORS (S&P500 Daily)	TODAY	EXTREME LIMITS	ALERT	HISTORICAL IMPORTANCE
Short Term Market Score (see below)	0.7695	-3.50	4.00	Works better for the BUY side - accurate on the BUY side 4 out of 5 times since 2010.
Percent Stocks Above 2 STD DEV Bollinger Band	11.49%		40%	Valid short term indicator of an overbought market.
Percent Stocks Below 2 STD DEV Bollinger Band	1.78%	60%		Valid short term indicator of an oversold market.
Percent Stocks Above 50DMA	66.73%	15%	85%	Very accurate on the BUY side. Effective irregularly on the SELL side.
Percent Stocks RSI above 70	5.35%		30%	Mildly successful on predicting short term tops.
Percent Stocks RSI below 30	0.79%	55%		Valid indicator of short term lows.
Percent Stocks 50DMA > 200DMA *	34.59%	22%	40% TO 50%	Medium term indicator of a low extreme and high extreme. (see note below)

\* Russell 3000. Only updated weekly. The upper percent has been declining since 2010 because of the increase weighting of BIGTECH (8 stocks).

### TPA 30 DAY MARKET EXTREME SIGNAL

EXPLANATION OF TPA MARKET SCORE: A daily analysis of S&P 500 relative to the normal distribution using the 2 standard deviation Bollinger Band. TPA then adjusts the SCORE by the amount of overbought or oversold as measured by RSI. Finally, probable

SPX LAST 2385.49

TPA MARKET SCORE 0.76948

TPA MARKET SIGNAL NEUTRAL

VALUE OF 1 STD DEV (SPX POINTS) 277.11

14 DAY RSI 49.58



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Turning Point Analytics utilizes a time-tested, real-world strategy that optimizes the clients entry and exit points and adds alpha. TPA defines each stock as Trend or Range to identify actionable inflection points.

In the short run, the market is a voting machine, but in the long run, it is a weighing machine. - Benjamin Graham

S&P 1500+ DAILY SNAPSHOT COMMENTS & CHARTS Friday, July 17, 2020

Today's TPA Trend-Range Report included below. TPA Trend-Range Strategy explained below.

[Links for Explanations of Technical terms at the bottom of the report](#)

**BUY @ 472**

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