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# **Global Macroeconomic Monthly Update**

## **Q4 Slowdown Underway, But Vaccine Could Surprise**

November 2020

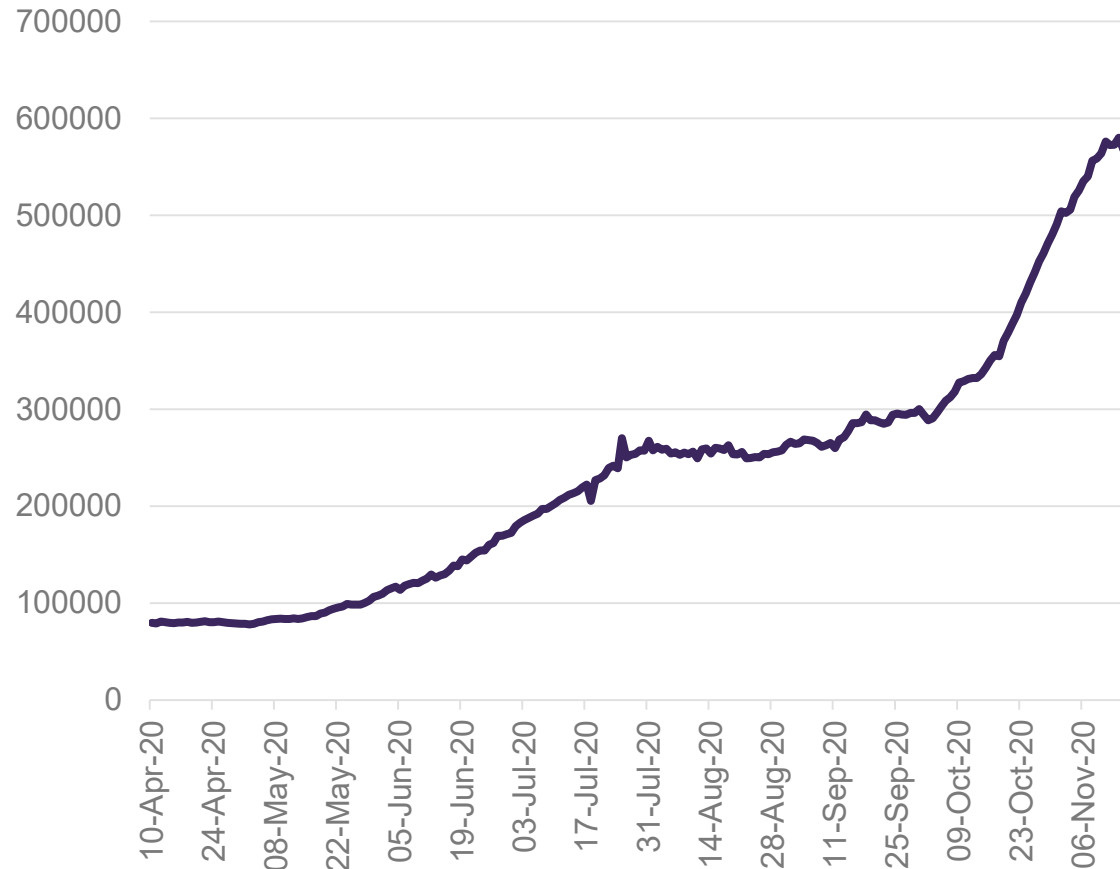
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# Second Wave Hitting Hard, But Policymakers Less Worried

## Second And Final Wave?

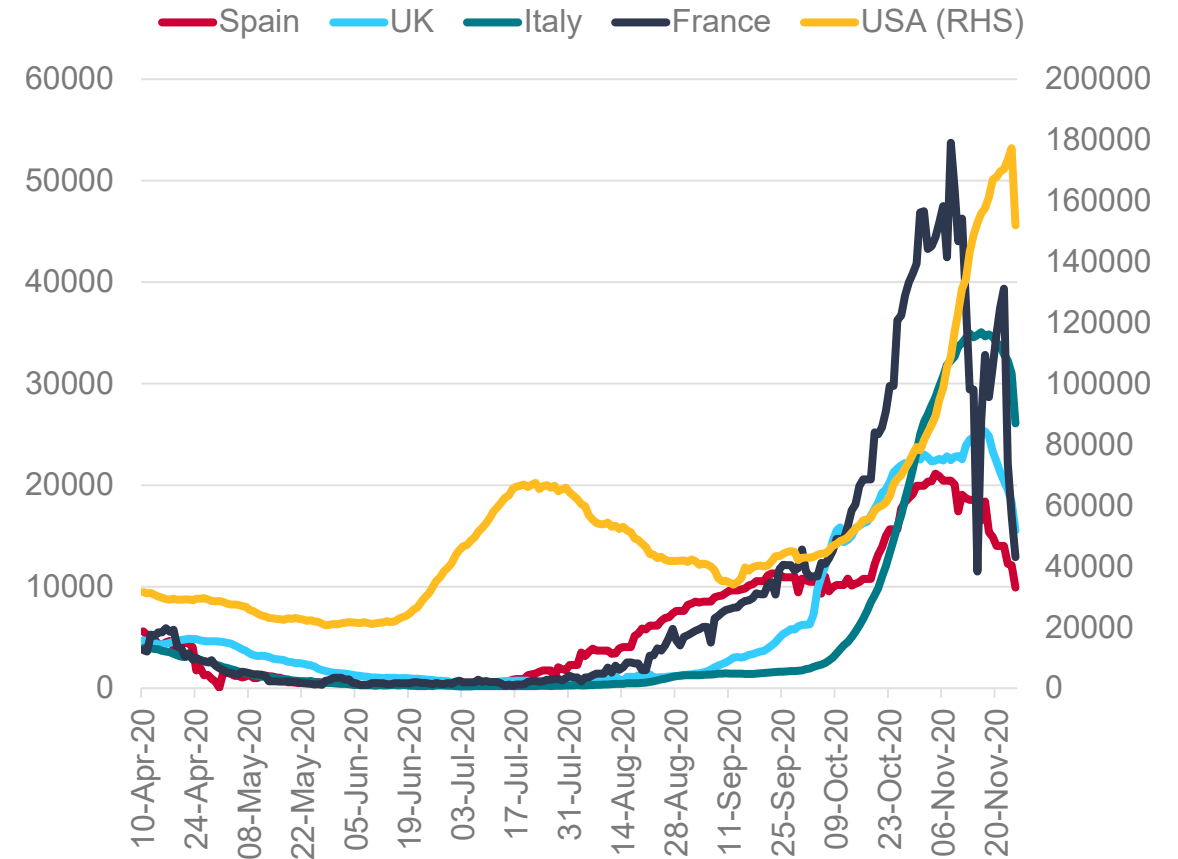
Global New Covid-19 Cases, Seven-Day Average



Source: Bloomberg, Fitch Solutions

## Europe And The US Remain The Worst Hit

New Covid-19 Cases, Seven-Day Average

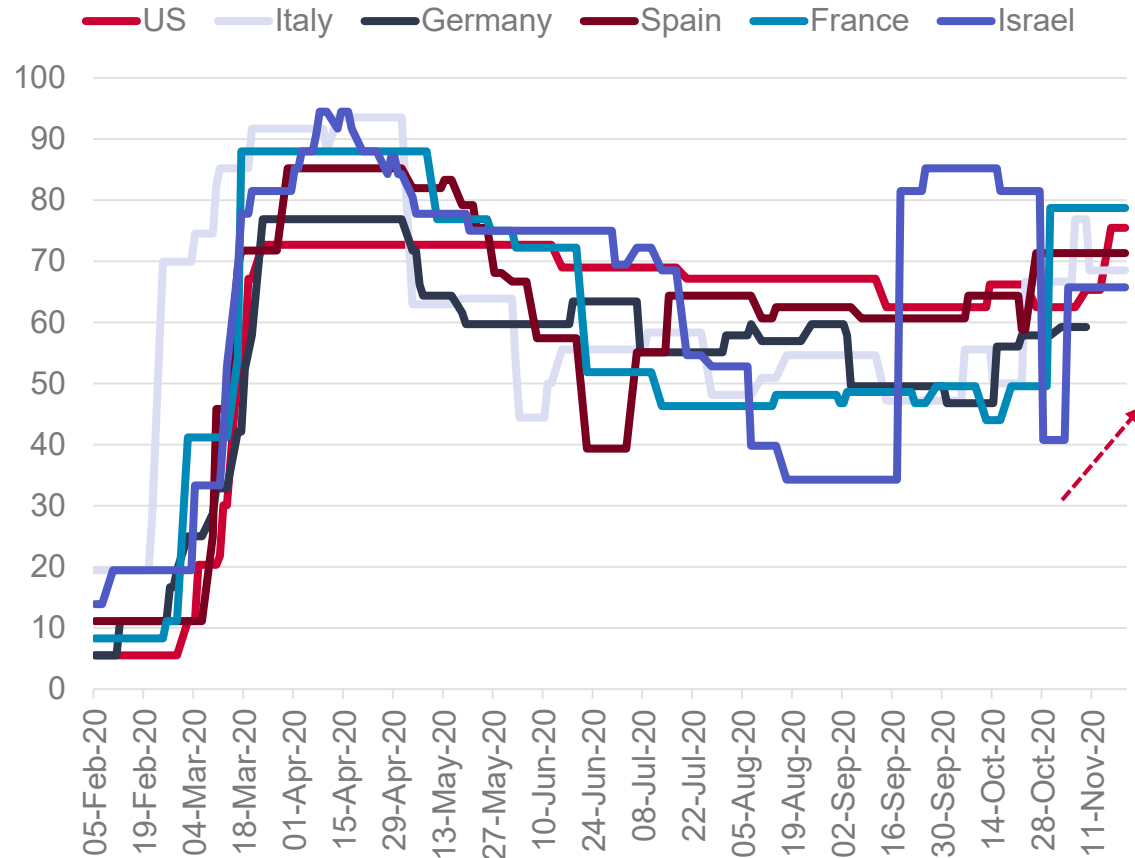


Source: Bloomberg, Fitch Solutions

# Lockdown 2.0: At Risk Of Being Extended Further

## More Restrictions Now In Force, But Less Severe Than Q2

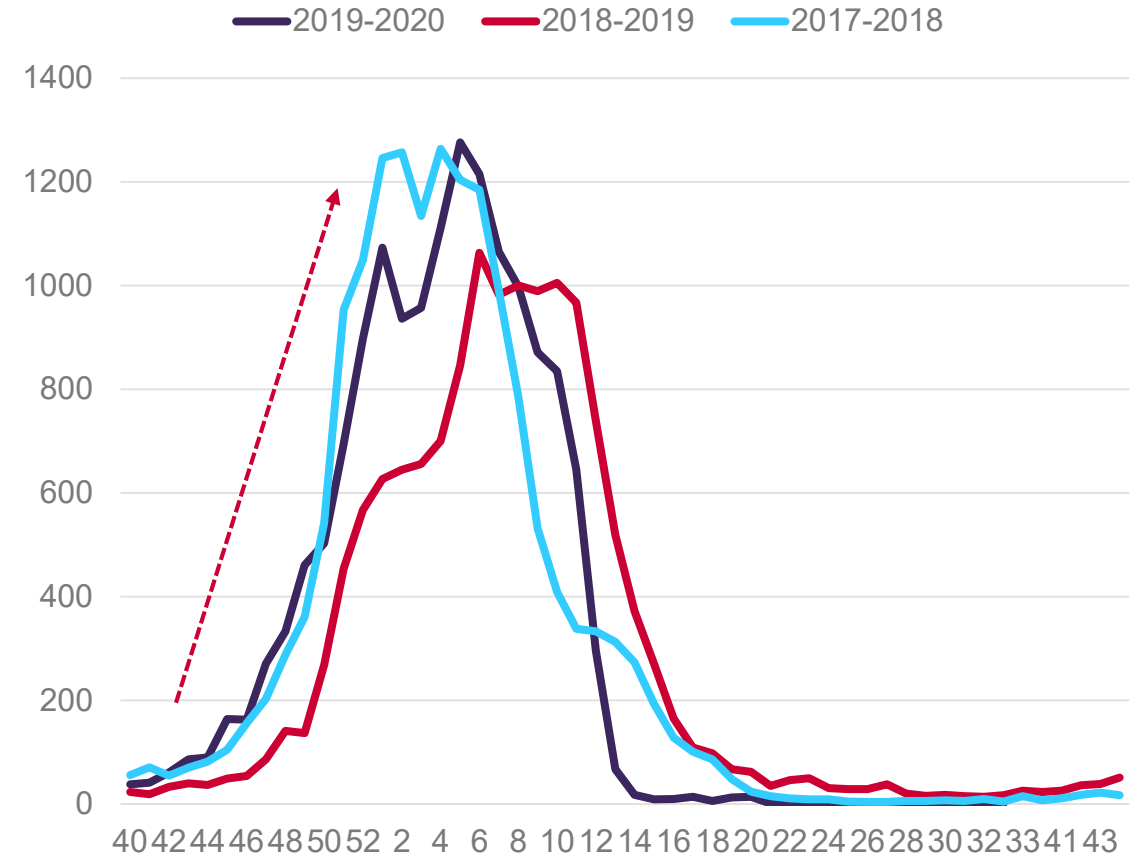
Stringency Index



Source: University of Oxford, Bloomberg, Fitch Solutions

## Flu Season Just Getting Started

Flu Specimens\* By 25-64 Age Group, Weeks In The Year



\*Positive Specimens Reported by Public Health Laboratories Source: CDC, Fitch Solutions

# Sample Of Lockdowns In Place

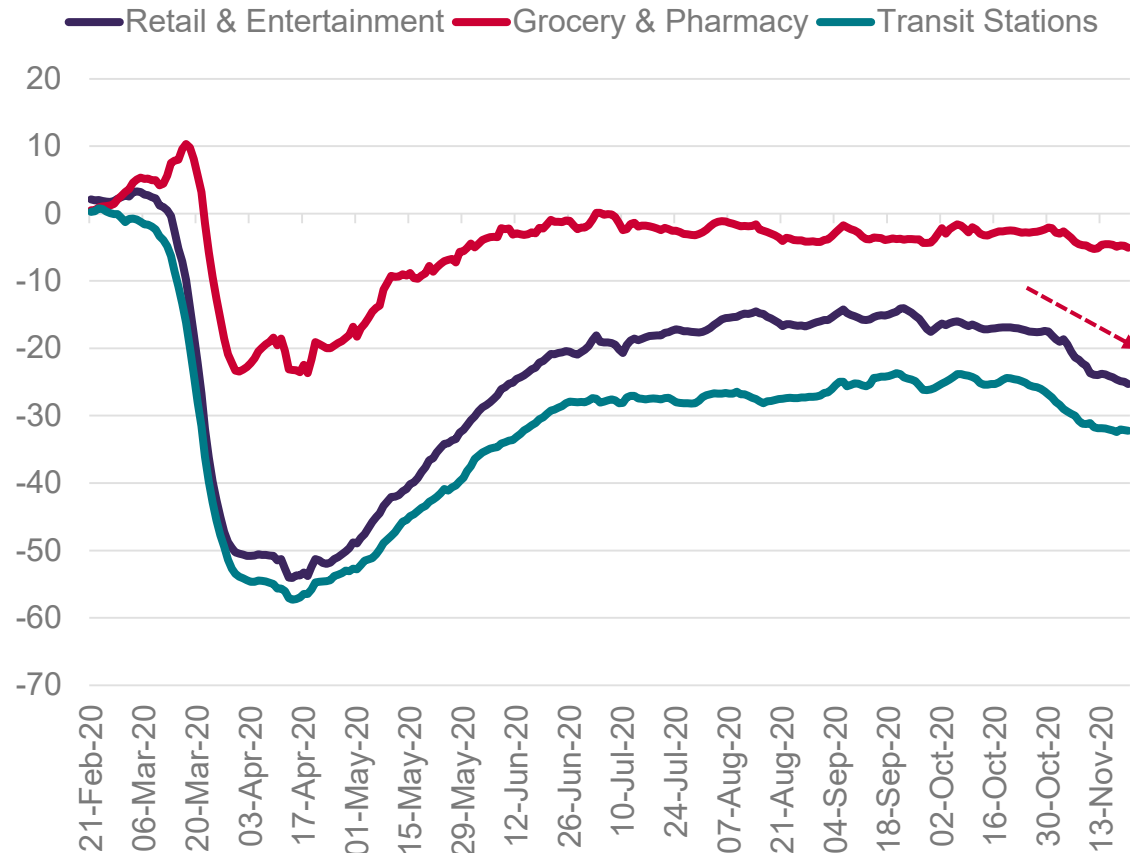
Country	Status	Intensity Relative To Q220	Impact Relative To Q220	Country
Germany	Partial lockdown	Medium	Low	Parts of the hospitality sector have closed and mild social distancing measures are in place.
France	Lockdown	Medium	Medium	Non-essential businesses had to close and movement restrictions are in force. Manufacturing and construction remains open.
Italy	Local lockdowns (risk of national lockdown)	Low	Medium	Restrictions vary by region, with all non-essential shops and strict movement restrictions affecting about a third of the population.
Russia	Limited restrictions	Low	Low	Very limited restrictions, with non-essential shops only forced to close in the far eastern Republic of Buryatia
Spain	Local lockdowns	Low	Medium	Measures vary by region. Non-essential shops closed and movement restrictions imposed in most of the country. No direct restrictions facing manufacturing and construction.
Turkey	Limited restrictions until the end of 2020	Low	Low	Restaurants, entertainment venues and schools are forced to close. A night-time weekend curfew applies with some exception. Opening hours of non-essential businesses are limited.
Switzerland	Limited restrictions	Very low	Low	Restrictions vary widely by canton, from partial lockdown in Geneva to very limited measures elsewhere.
Poland	Lockdown, change possible at short notice	Medium	Low	Non-essential businesses have been forced to close, though the manufacturing and construction sectors are allowed to operate.

Source: Fitch Solutions

# Lockdowns Are Seeing A Decline In Mobility... Again

## Mobility Patterns Heading South Again

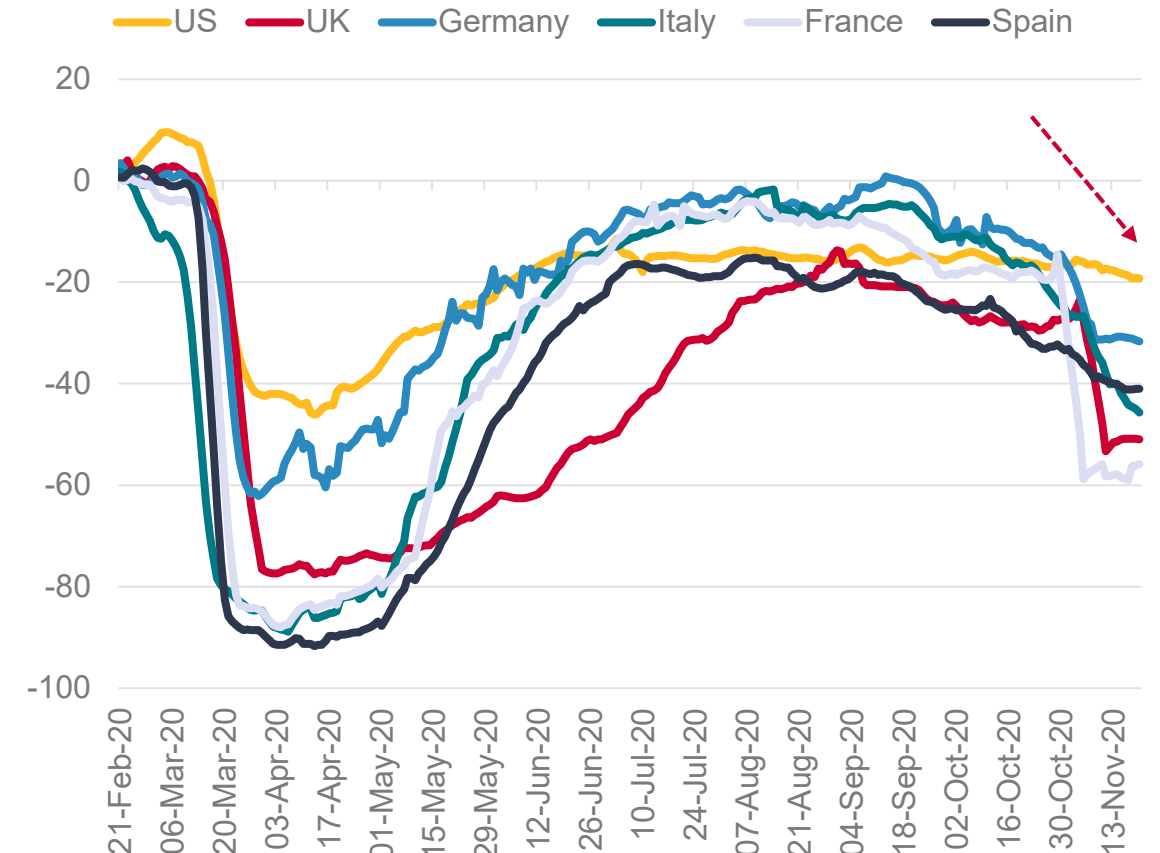
Google Mobility Patterns\*, Seven-Day Moving Average (% from baseline)



\* Weighted average for the US, Japan, France, Germany, the UK, Italy, India and Brazil.  
Source: Google, Fitch Solutions

## Europe Getting Hit Hard, But US Also Slowing

Google Mobility Patterns For Retail, Seven-Day Moving Average (% from baseline)



Source: Google, Fitch Solutions

# But There Is Potential For Good News As Well

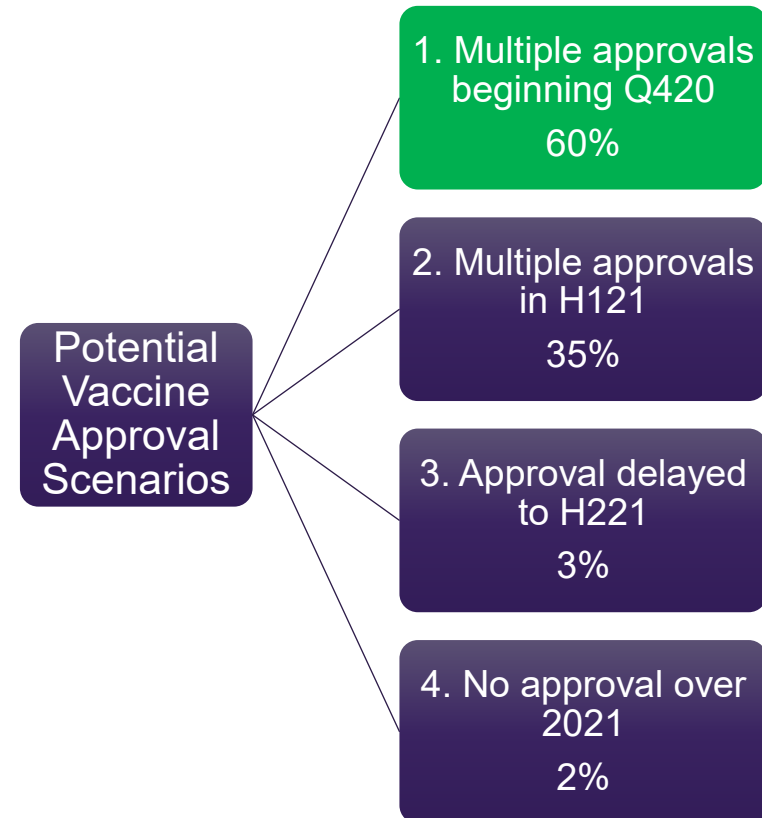
## Leading Candidates Progress To Phase III

Potential Covid-19 Vaccine Timeline

Company	Candidate Name	Q120	Q220	Q320	Q420	H1 2021	Latest Updates
OXFORD AstraZeneca	AZD1222		Phase I/II	Phase II/III			Trials restarted 23/10. EMA rolling review. Data expected by year end.
SINOPIHARM	Candidate		Phase I/II	Phase III			Expects to complete trials and bring to market by end of 2020 with accelerated approval.
sinovac	CoronaVAC		Phase I/II	Phase III			Emergency use approval granted in China 28/8. Trial results expected by year end.
moderna	mRNA-1273		Phase I	Phase II/III			Enrollment slowed due to lack of diversity. Potentially interim data in November.
Pfizer FOSUNPHARMA BIONTECH	BNT162		Phase I/II	Phase III			Strong interim efficacy results 9/11, safety data available before 20/11. EUA expected by year end.
CanSinoBIO	Ad5-nCoV		Phase I/II	Phase III			Weakest early-stage results but with one one dose. Approved for use in military.
ГИГИЕННИЙ ЦЕНТР РОССИЙСКОЙ ФЕДЕРАЦИИ	Gam-COVID-Vac		Phase I/II	Phase III			Approved before starting Phase III. Early-stage results were credible.
Johnson & Johnson	JNJ784		Phase I/II	Phase III			Slow start but has initiated 60,000 participant phase III. Phase III pause due to SAE, restarted 23/10.
NOVAVAX	NVX-CoV2373		Phase I	Phase II	Phase III		Strong early-stage results with proven tech. Nonparallel trials slowed progress to Phase III.
inovio	INO-4800		Phase I	Phase II/III			FDA partial hold on Phase III trial, not yet resolved.

## Approved Vaccine Likely By Year-End

Fitch Solutions Vaccine Approval Scenarios



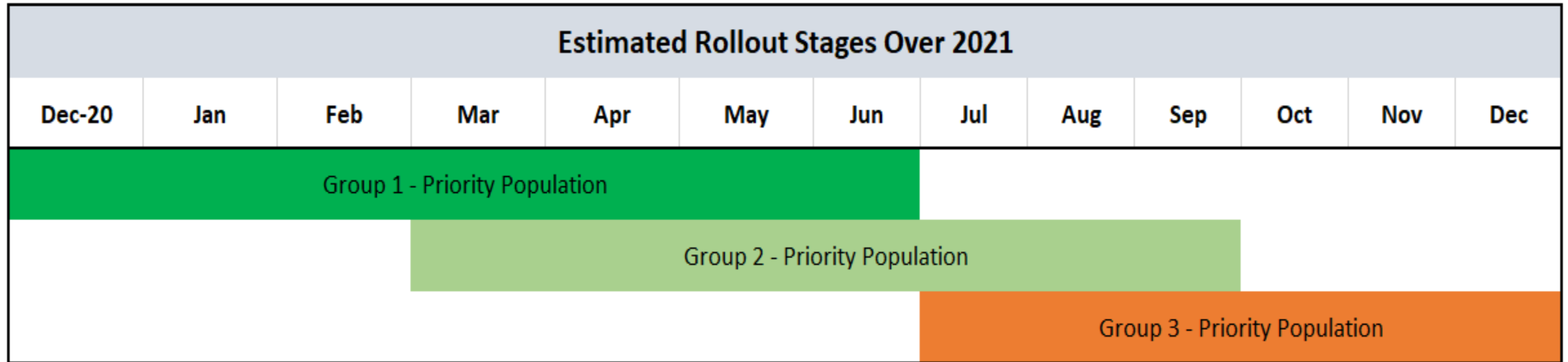
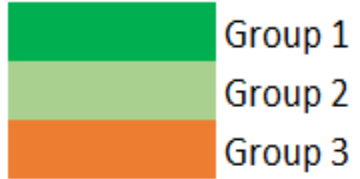
Note: Red = FDA hold on trial. Source: Bloomberg Intelligence, Fitch Solutions



# Vaccine Rollout Could Even Start This Year

## Staggered Roll Out For Priority Persons Depending On Which Group You Are In

Estimated Timeline Depending On Vaccine Approval In December 2020 Or January 2021

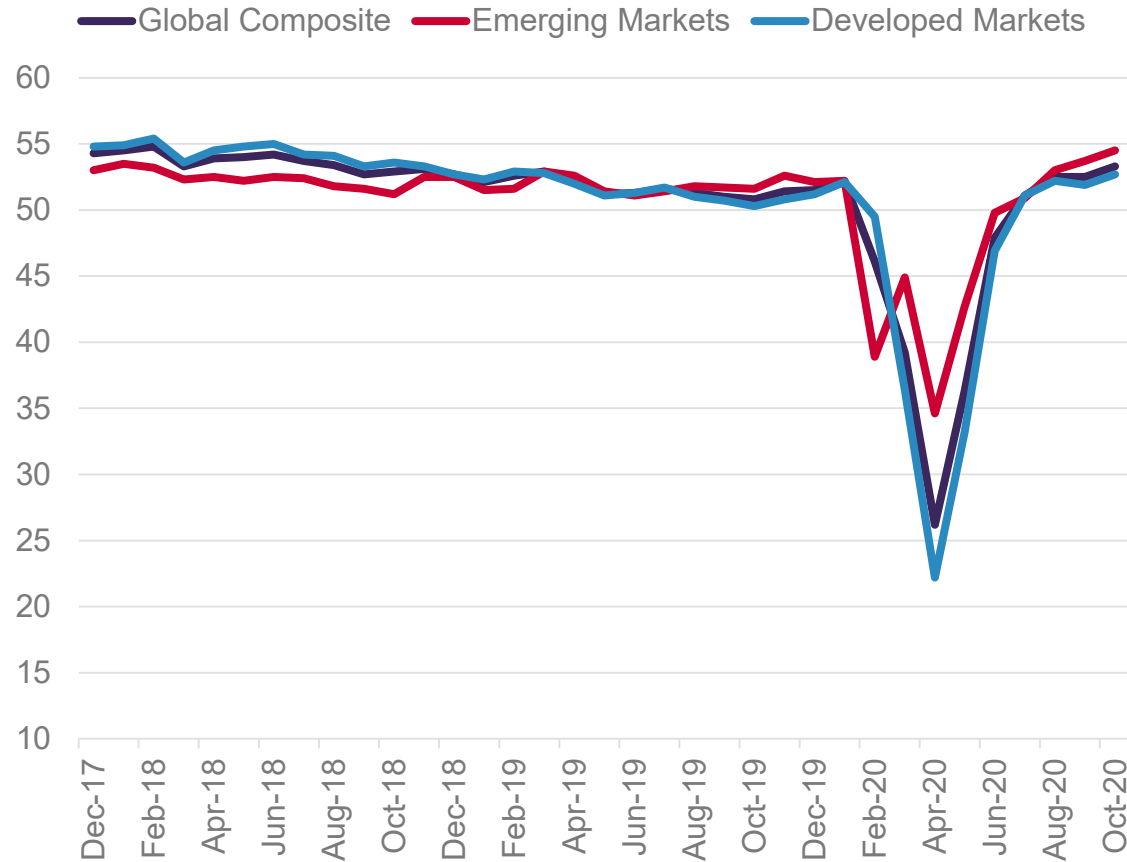


Note: Fitch Solutions

# Global Growth Momentum Hard To Sustain In Q4

## Global PMIs Will Start To Level Out

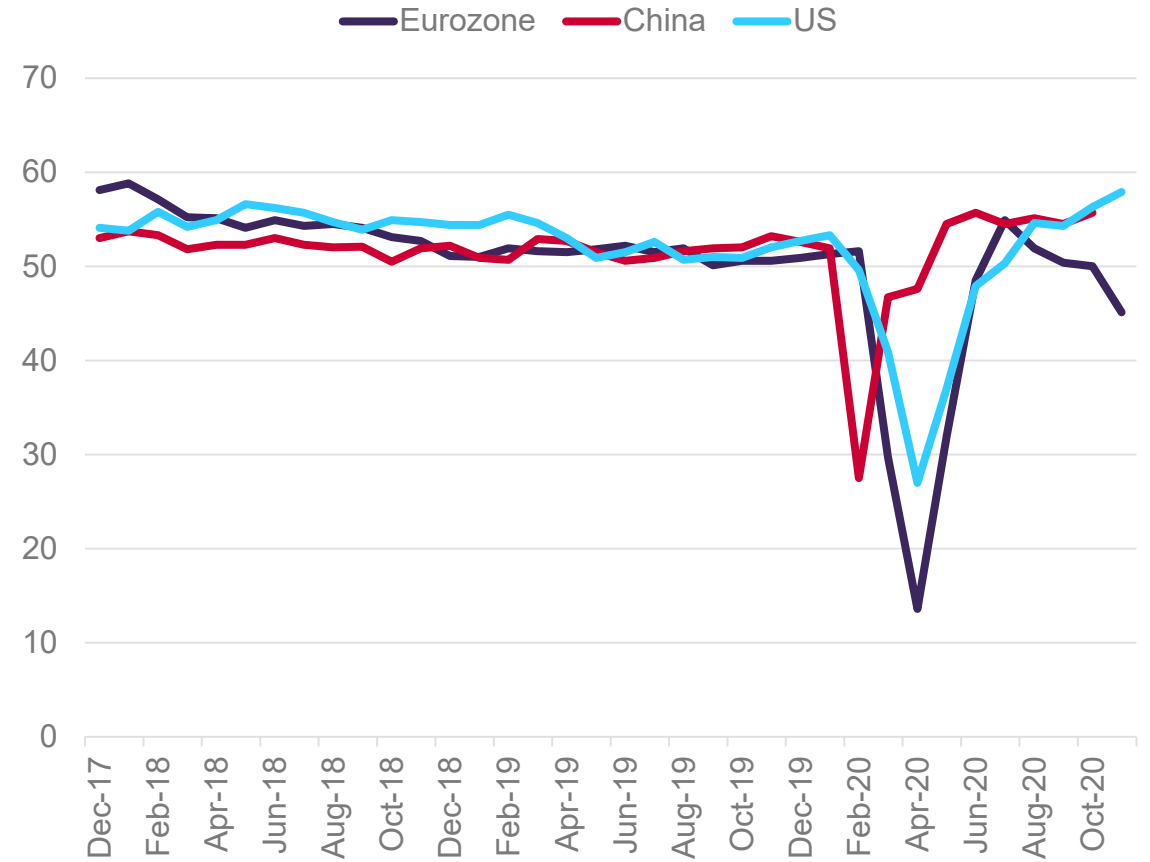
Index



Source: Bloomberg, Fitch Solutions

## Divergence Emerging In PMIs As Europe Falters

Index

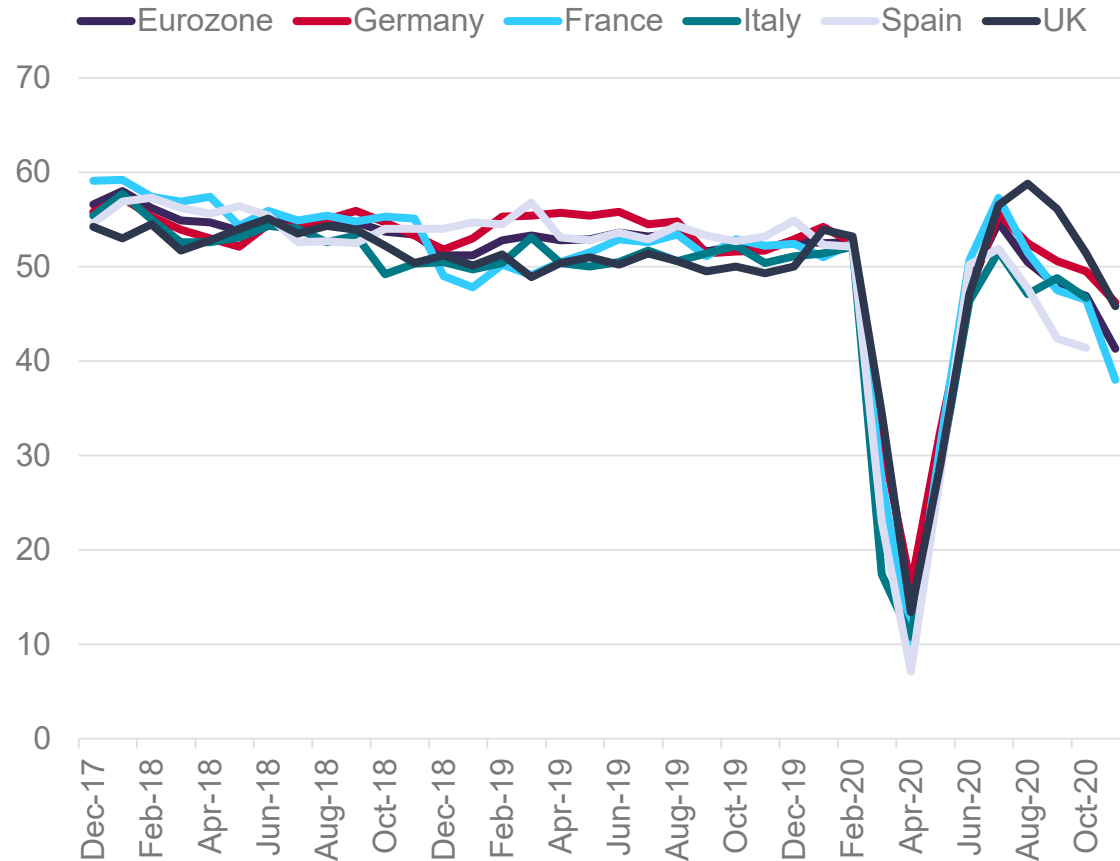


Source: Bloomberg, Fitch Solutions

# EU Lockdowns Resulting Services Contraction, But Not As Bad As Q2

## Services Driving Eurozone PMI Back Into Contraction

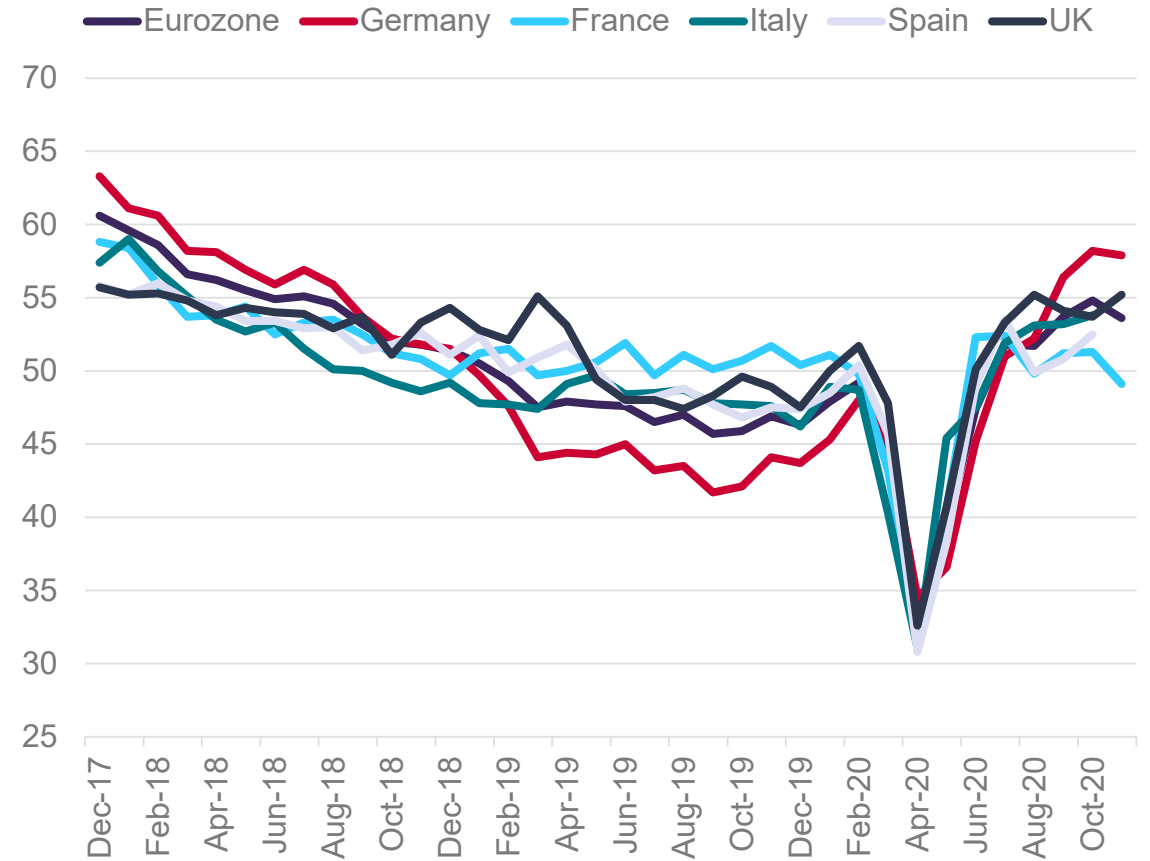
PMI Sub-Indices



Source: Bloomberg, Fitch Solutions

## Eurozone Manufacturing Still Holding Up

PMI Service Sub-Index

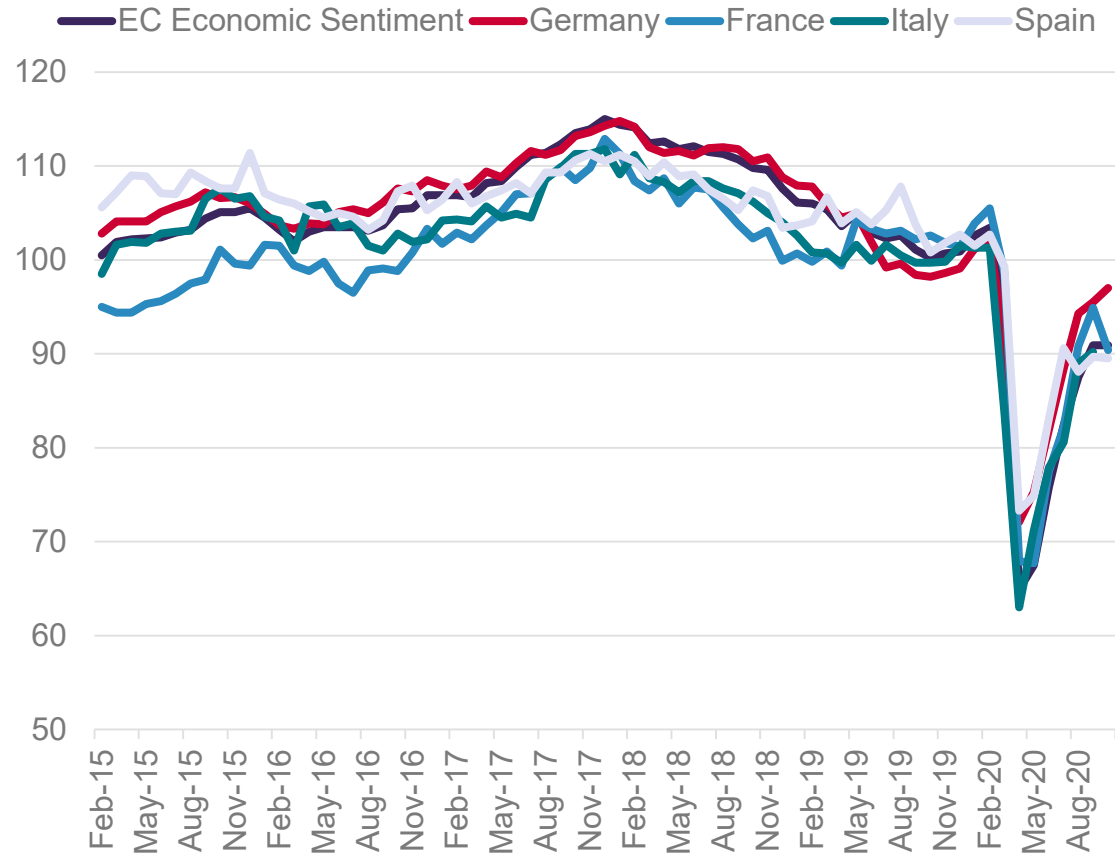


Source: Bloomberg, Fitch Solutions

# European Confidence And Expectations Weakening

## Economic Confidence Could Be Turning In Europe

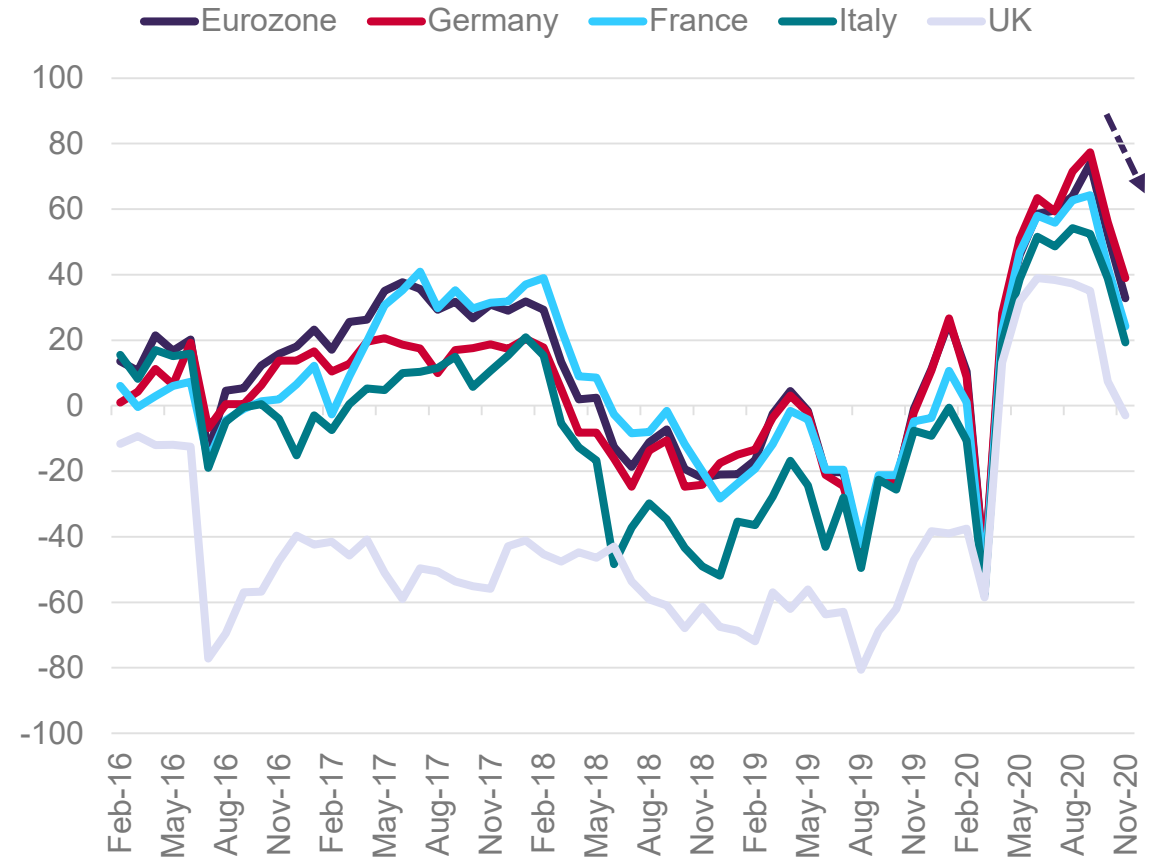
Index



Source: European Commission, Bloomberg, Fitch Solutions

## Future Expectations Turning Lower

Zew Index

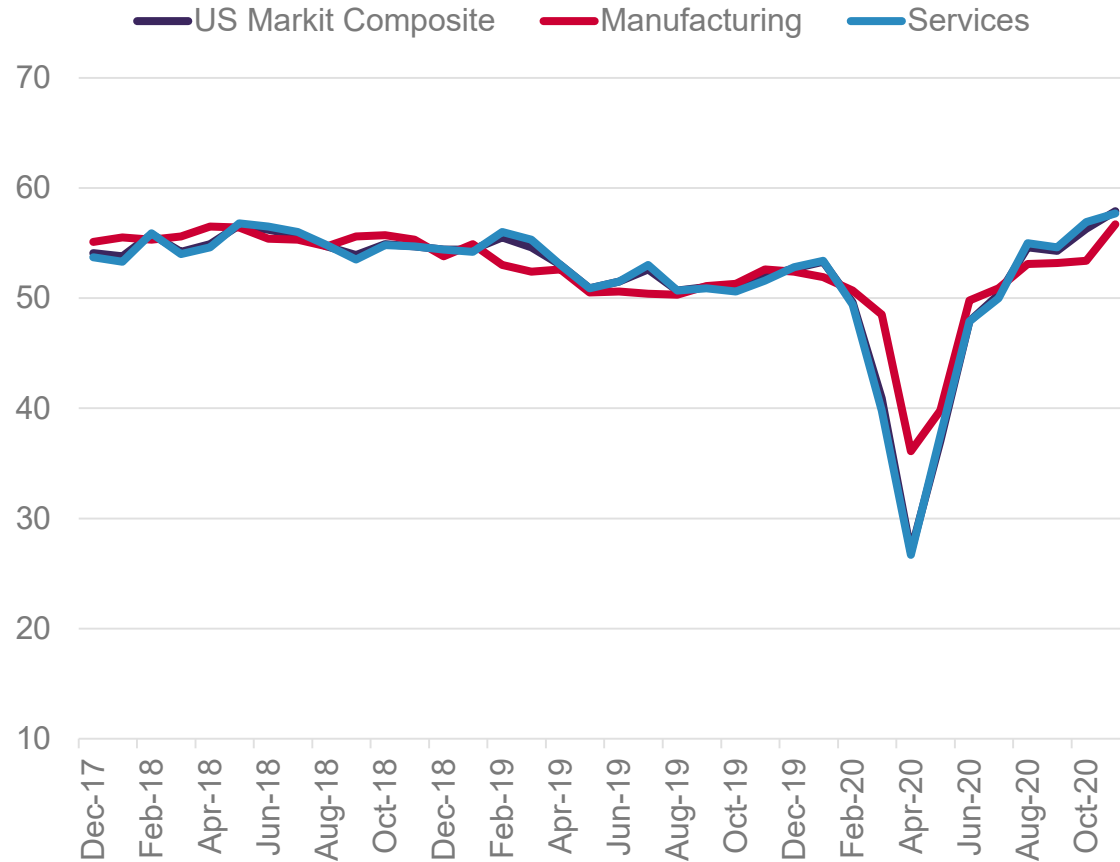


Source: Zew, Bloomberg, Fitch Solutions

# US Seems To Be Bucking The Eurozone's Trend... For Now

## PMI Showing Robust Strength

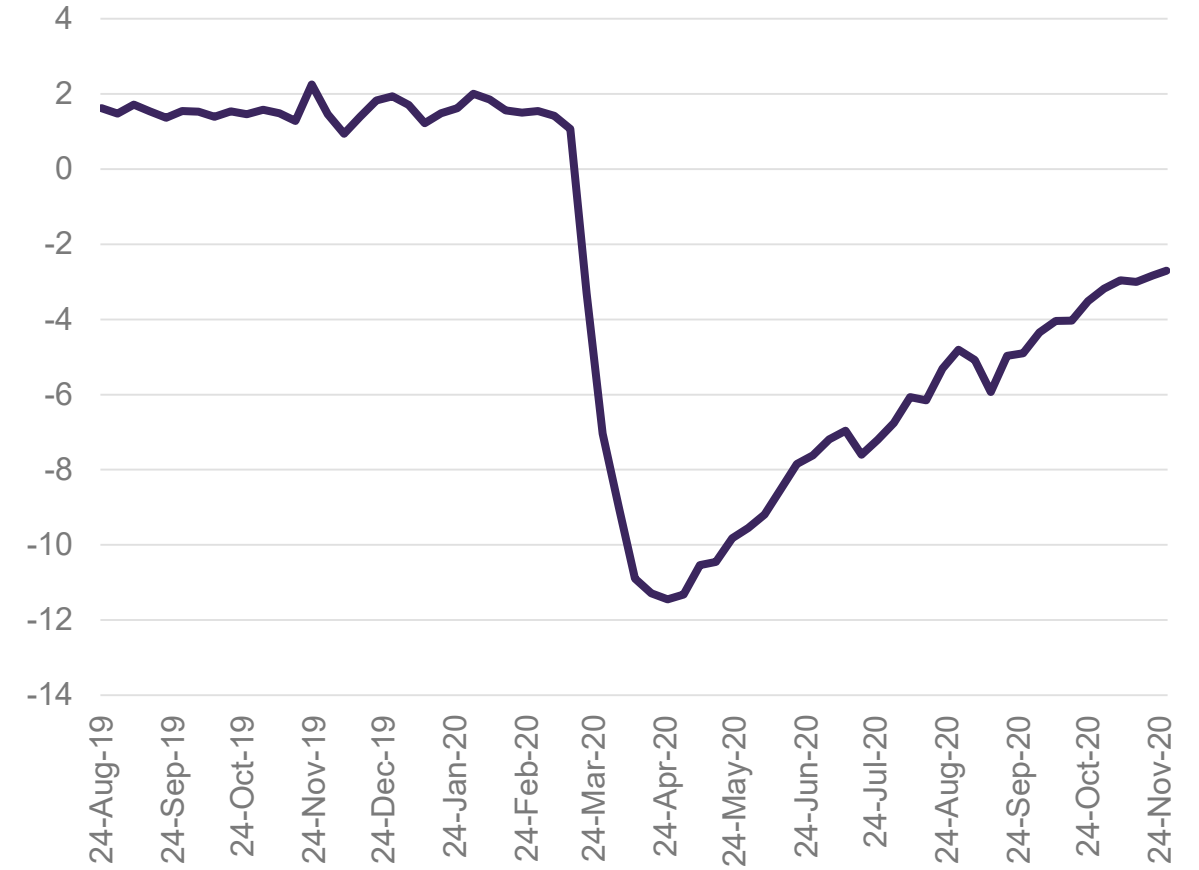
Markit PMI Indices



Source: Bloomberg, Fitch Solutions

## NY Fed's Weekly Economic Activity Still Looking Ok

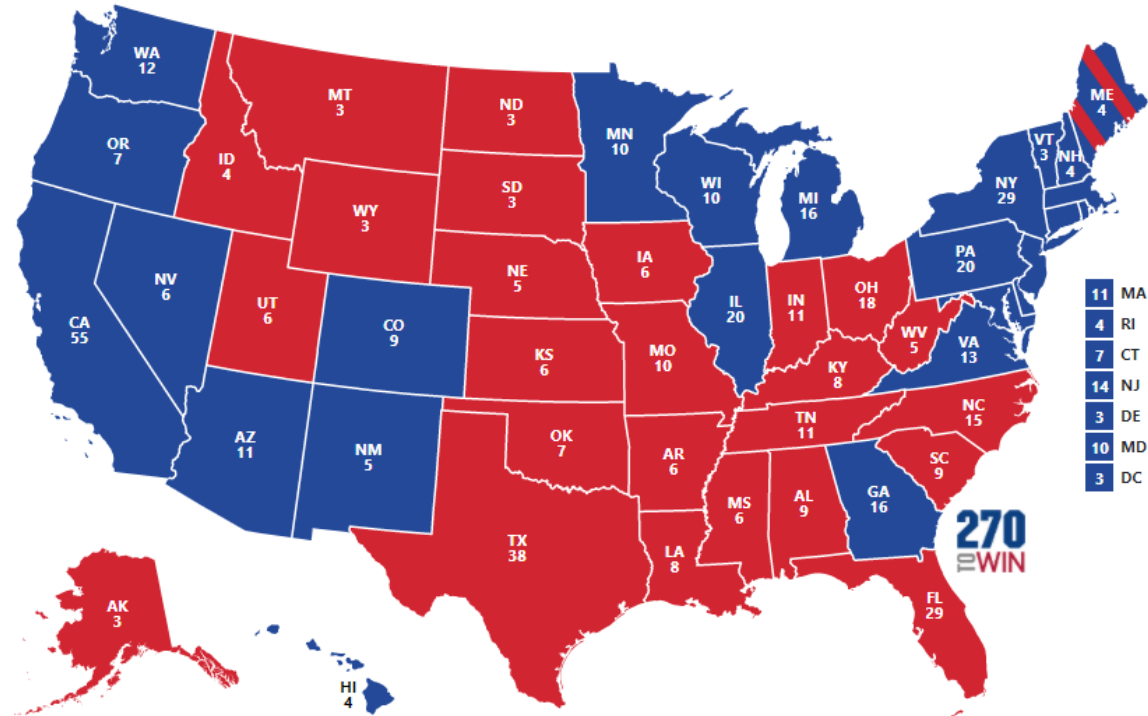
%



Source: Bloomberg, Fitch Solutions

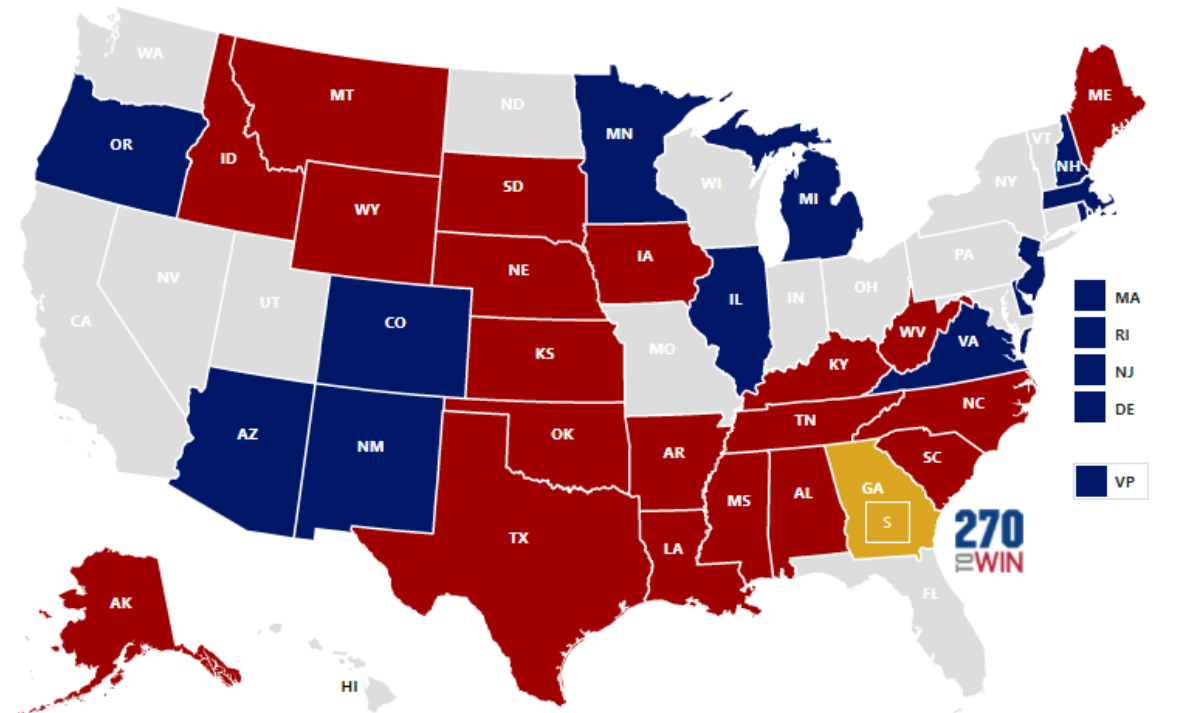
# US: Biden Whitehouse, But Still Uncertain Senate Results

## Biden Projected To Have Flipped Several Swing States Electoral College



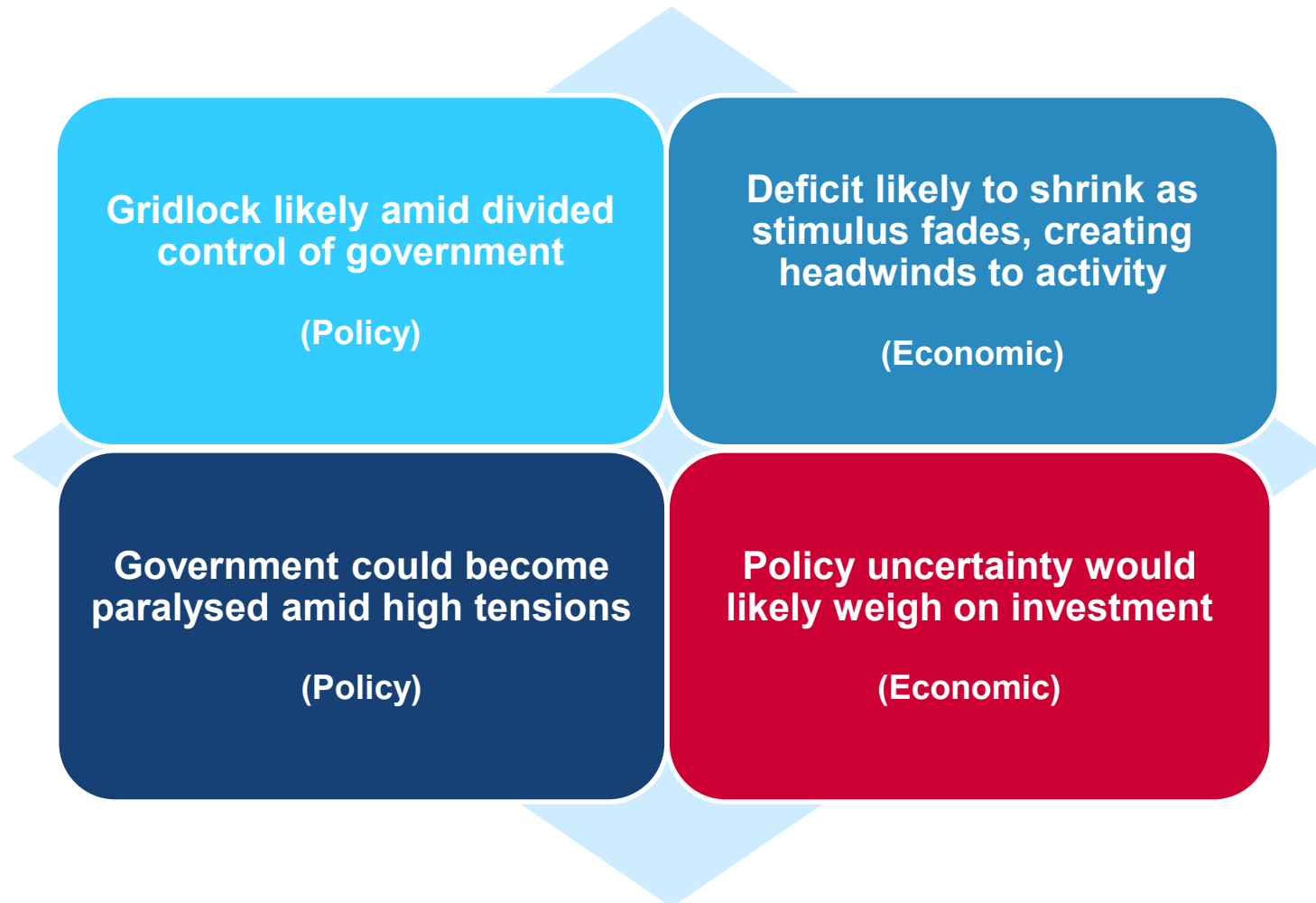
Source: 270 To Win

## Georgia Will Help Determine The Balance of The Senate Senate Results



Source: 270 To Win

# US: Policy Implications Of A Biden White House And Republican Senate



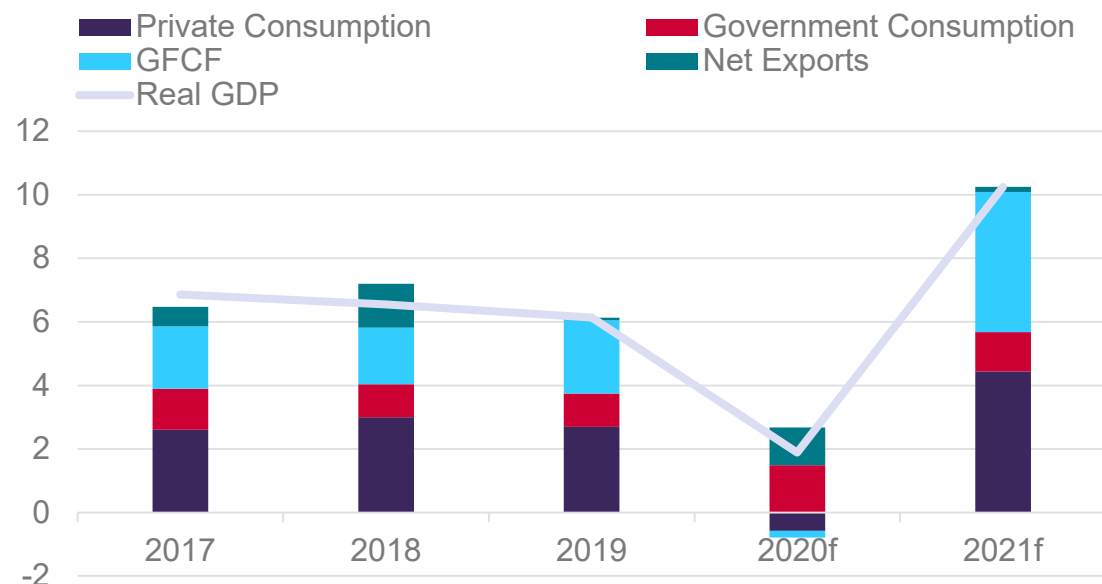
- **Policy:** A Biden White House while the Republicans hold the Senate presents the greatest downside risks to policymaking. Congress has been growing less productive, particularly in periods of split control, and gridlock would most likely create frequent episodes of brinkmanship.
- **Economics:** Stimulus efforts could hit a wall, shrinking the deficit more quickly but pushing the Fed to take more aggressive action.
- **Governability Risks:** Obstructionist tactics could become the norm, undermining the government's ability to uphold functions.
- **Greater Use Of Executive Actions:** A trend over recent years, unilateral actions would face judicial scrutiny and generate uncertainty.

Source: Fitch Solutions

# China's Economic Recovery Accelerated Further In October

## Economy On Track Towards Trend Growth By End 2020

Real GDP Contribution, pp

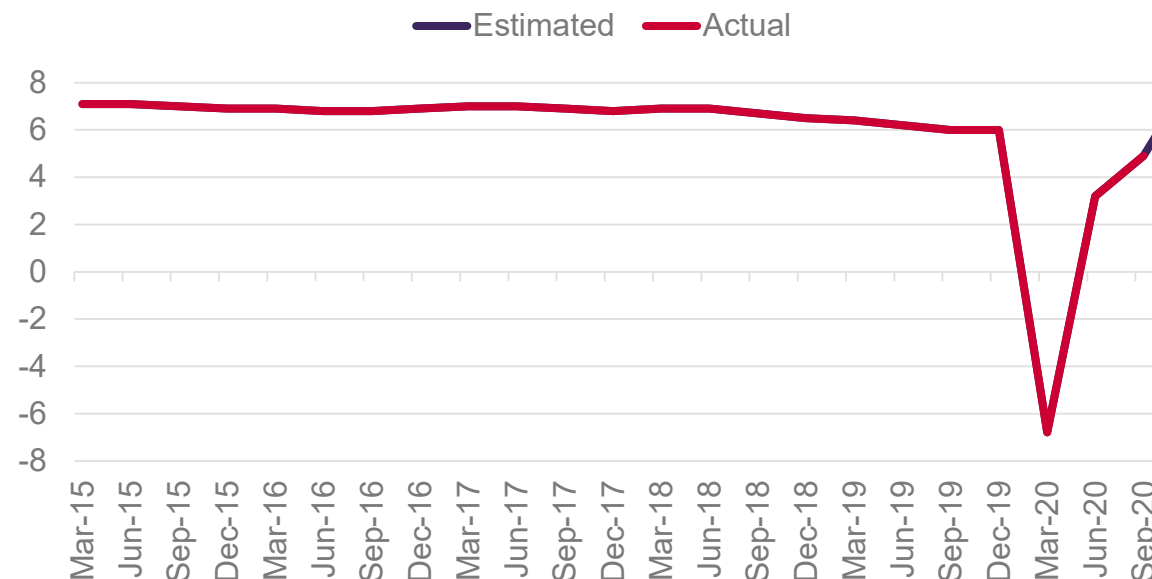


- We still forecast the Chinese economy to grow by 1.9% and 10.2% respectively in 2020 and 2021, from 2.2% and 5.8% previously.
- While our 2021 forecast may seem very bullish, it is due to base effects rather than any surge in economic activity and is based on a conservative forecast for growth to average just 1.3% q-o-q in 2021.

f = Fitch Solutions forecast. Source: Wind, Fitch Solutions

## October Real GDP Likely Grew By 6.0%

Estimated & Actual Real GDP, % chg y-o-y



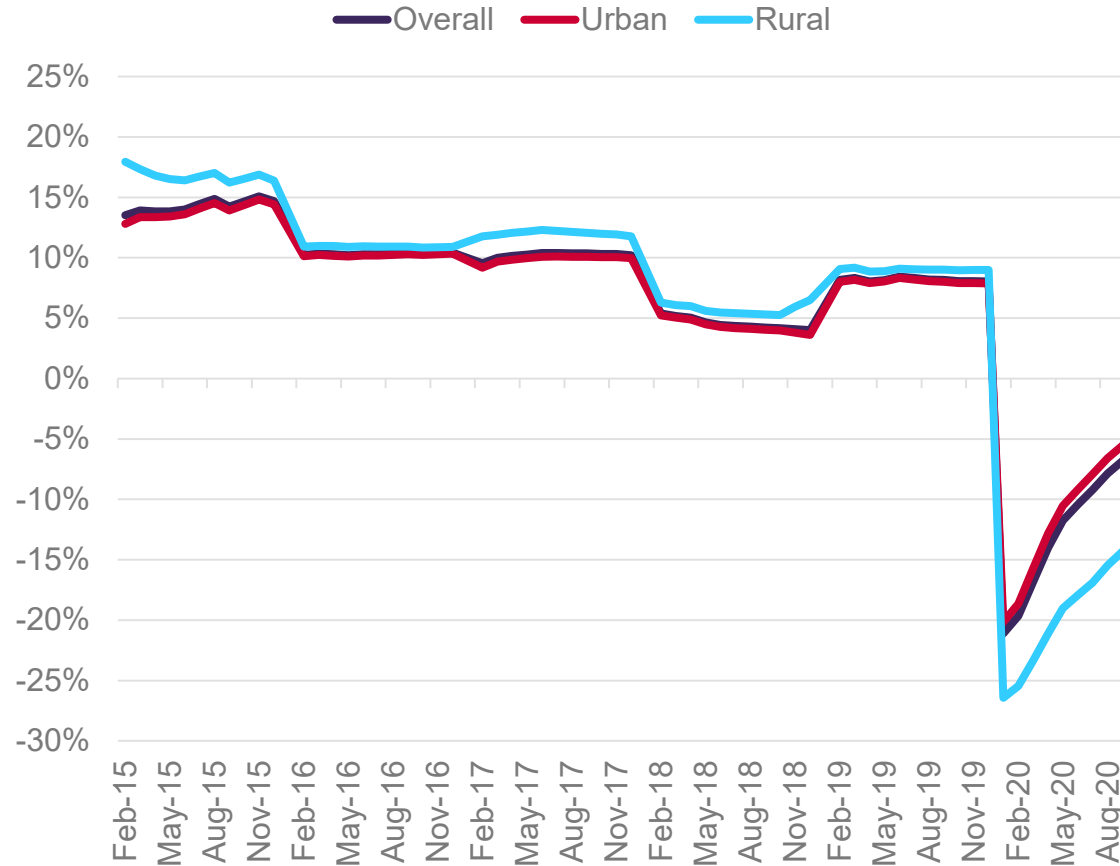
- High frequency data suggest that real GDP expanded by 6.0% in October, supported by a still-strong external sector and an acceleration in domestic demand.
- However, domestic demand indicators such as retail sales and fixed asset investment still remained below trend growth in line with our view.



# Chinese Retail Sales And Exports Picking Up

## Retail Sales Growth Still Below Trend

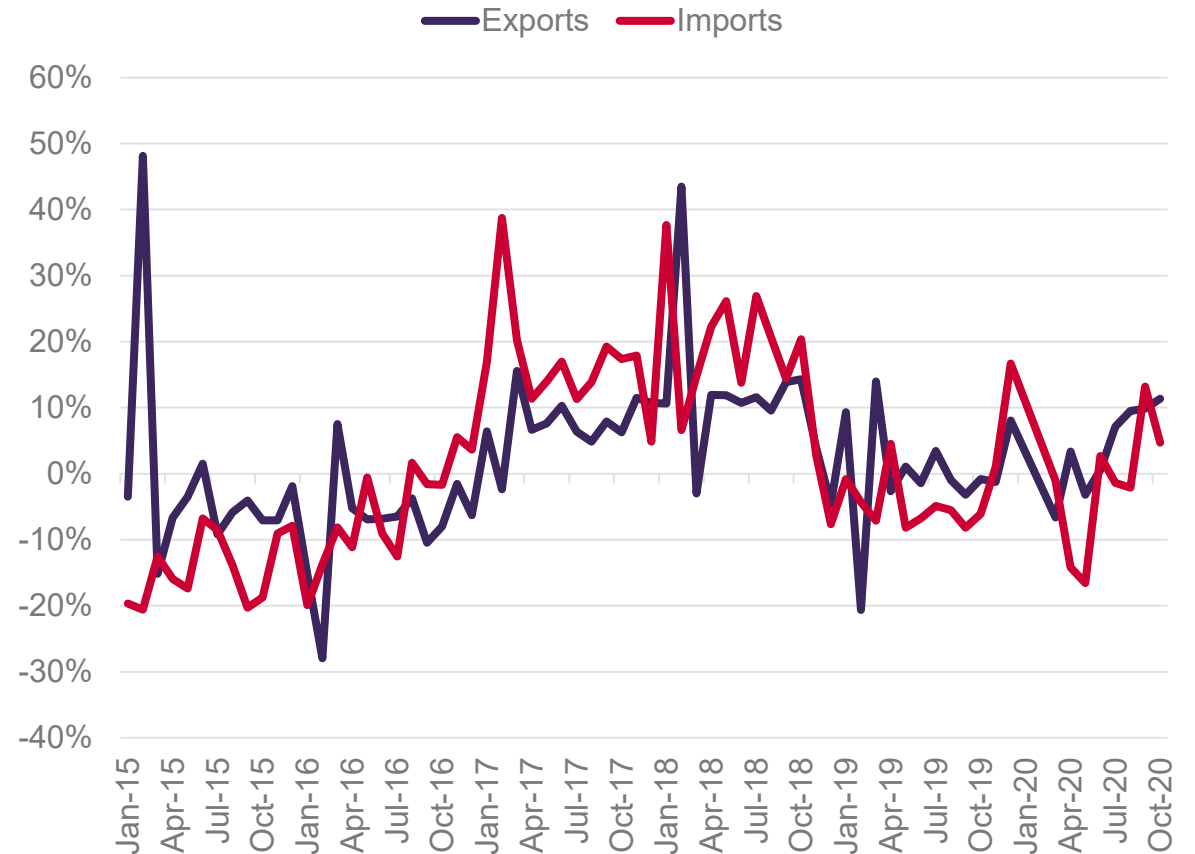
Retail Sales, % chg y-o-y



Source: Wind, Fitch Solutions

## Recovery Largely Led By Exports

Exports & Imports, % chg y-o-y



Source: Wind, Fitch Solutions

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