

## **Q: Will the latest stimulus be enough to keep a second recession from coming?**

**Brian Lockhart:** In short, no, I would have zero confidence that the latest passed stimulus plan will avert a second recession resulting from COVID-19 lockdowns of the economy. First, \$600 of direct payments to about 80% of U.S. taxpayers is not enough to really move the needle. The bigger issue involves the forced closure of a large majority of businesses, particularly small businesses, in most states that deprives people from earning a livable wage.

In the same way the coronavirus has unequally impacted publicly traded stocks with some big winners and many losers, the same is true with the impact of individuals. High income earners have been mostly un-impacted by COVID because of their ability to work remotely in the work they do. The disproportionate impact has been on low-wage earners who often work in hospitality services that require direct customer interfacing. These workers are also at risk of losing enhanced unemployment benefits at year end 2020, of which the \$600 stimulus is only a fraction of benefits being lost.

The depth of any recession I expect to occur this year would largely depend on the efficacy of the vaccine, testing, and a therapeutic. If by mid-year the virus is under control to a degree that allows all businesses to open and people are comfortable traveling and eating out, we will likely have a shallow recession, if not, 2021 could be dreary for the markets.

**Clint Pekrul, CFA:** After days of pushing back on the proposed \$900 billion stimulus proposal, President Trump finally relented and signed the bill into law. There is a proposal that the direct payments to recipients should be increased from \$600 to \$2000. The House voted overwhelmingly on the proposal and will be voted on in the Senate. It is likely that Senate democrats will support the change, but the \$2000 direct payments will probably face opposition from Senate Republicans. At any rate, the package will deliver much needed relief to businesses and individuals and will avert a government shutdown. It also extends the eviction moratorium.

I am not sure why we call these bills “stimulus” packages, because they truly are emergency relief funds. My view is that the emergency relief proposal probably will probably not be enough to ward off another recession. President-elect Biden has suggested that another round of emergency funds might be needed once he is elected. Ultimately, the progress we make on eradicating COVID will dictate the terms of any future emergency relief proposals. If we fail to provide a uniform and effective front in the COVID battle, then I doubt the latest bill – in its current form – will provide enough relief.