

Coronavirus Cases on the Rise
June 24, 2020



The stock market fell sharply today on renewed worries about rising new coronavirus cases. The S&P 500 fell 81 points, or -2.59% to close at 3050 while the Dow Jones Industrial Average sank 710 points, or -2.72% to close at 25446. The Nasdaq Composite slid 222 points, or -2.19%, closing at 9909 and the Russell 2000 dropped 48 points, or -3.33% to close at 1391.

Continued rapid economic recovery hopes were put into question as the number of new coronavirus infections rose in southern and western states. Specifically, Arizona, California, Florida and Texas (which, together represent 30% of the U.S. Economy) reported sustained increases in new cases. Florida and California on Wednesday reported record high one-day totals for new confirmed coronavirus cases at 5,508 and 7,149, respectively.

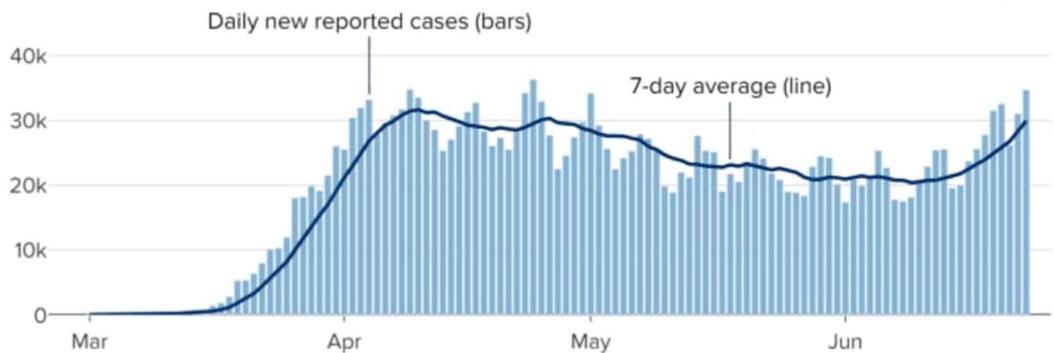
California's rise in new cases is particularly curious in that they have had consistent case growth and never really opened their economy up.

Clearly the market is watching closely new coronavirus cases, but it is not just that simple. We have learned a lot about the

disease since March and have new clinical therapies and procedures that are improving the results of infected patients. A more helpful statistic for us is hospitalizations and ICU capacity which tracks the most severe cases. In most states we still have moderate capacity utilization of ICU beds. However, in Texas, Houston mayor Sylvester Turner said that the city's ICU beds are at 97% of capacity. If hospitalizations start to spike (and they may just lag new coronavirus cases) and capacity fills up, like Houston, then public officials will be more apt to restrict citizens, which puts brakes on the economy.

In an underreported development today, Fitch Rating downgraded Canada's sovereign credit rating from the highest quality AAA to one notch below that at AA+. The downgrade is due to deteriorating public finances in 2020 due to public spending to counteract a sharp fall in economic output as parts of Canada was shuttered to contain the spread of the pandemic. This will be a trend around the world, where countries will emerge from the pandemic caused recession with much higher public debt ratios.

Daily new coronavirus cases in the U.S.



SOURCE: CNBC analysis of data from Johns Hopkins University. Data through June 23, 2020.

