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COVID19 Snapshot

Cracks Widening In US Economy

Daily Summary					
New Cases of COVID19	5-May-20	4-May-20	3-May-20	2-May-20	1-May-20
Global	80,283	77,515	78,752	79,062	94,550
# countries >500 new	12	11	11	12	12
Most new infections	USA	USA	USA	USA	USA
#	24,152	23,716	24,511	26,391	36,007
Countries recording fewer new cases than the previous day	9	15	13	19	8
Active Cases (total infections less deaths and clearances)					
Global	2,226,214	2,196,298	2,158,685	2,125,068	2,078,571
Countries with fewer active cases than the previous day	14	14	12	12	14
Top 5 Countries with active case load					
USA	965,062	955,093	938,559	929,621	903,714
United Kingdom	165,219	161,506	157,809	153,785	149,600
Italy	98,467	99,980	100,179	100,704	100,943
France	92,284	92,890	93,014	93,074	92,540
Russia	134,054	125,817	116,768	107,809	100,042
Fewest Active Cases					
Malaysia	1,710	1,764	1,780	1,747	1,758
South Korea	1,267	1,332	1,360	1,407	1,454
Australia Active Cases					
New Infections	24	24	20	16	13
Active cases	864	871	889	901	929

SOURCE: WORLDOMETER

Both the S&P 500 and NASDAQ closed approximately 1% higher on Tuesday on the back of further discussion of re-opening the US economy. The price of Brent crude also rose ~14% to US\$31 a barrel, perhaps reflecting some optimism that broader economic activity may resume soon, and certainly by the commencement of 3Q20.

Not surprisingly the current US reporting season is reflecting the grim reality for many service companies hardest hit by the closure of the economy. Norwegian Cruise Line (NCLH) said there was substantial doubt about its ability to survive the pandemic as it raised US\$400 via a debt instrument, while the car rental company Hertz (HTZ) said it had negotiated an extension for a missed payment on its rental fleet. Elsewhere the New York Times reports US airlines are averaging just 17 passengers on domestic flights and 29 on international flights. Not surprisingly Virgin Atlantic has now announced plans to furlough 3,000 employees and suspend operations at London's Gatwick airport.

US newspapers are full of similar stories including food shortages for some products including fresh meat (but not toilet paper). The shortages have been caused by the temporary closure of many meat packing plants around the country as workers test positive for COVID19.

In these circumstances it is not surprising to hear the President call for a disbanding of the White House Task Force on COVID19 and for the economy to re-open, even if it causes more sickness and suffering including deaths. The number of new infections is likely to stay at current levels for many months while the death toll continues to rise as some states ease stay at home orders and re-open for business. Interesting times.

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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