

Market Bulletin

27 October 2020

Monitoring the global impact of Covid-19

Updated twice a week

Covid-19 has rocked the global economy and markets. Monitoring its impact requires a new dataset to that which we've traditionally used to track the economic cycle. In this tracker we provide the data we think investors should be focused on - the latest virus statistics, high-frequency activity and unemployment data. The charts are updated twice a week, with the latest version always available [here](#).

Investment implications

This recession has been unusual for many reasons. For markets - the most striking feature has been the extent to which it has created winners and losers. Those companies that have provided the solutions to 'life at home' such as tech and e-commerce have seen revenues increase significantly. Industries that require close social proximity continue to suffer. Low interest rates have compounded the dispersion by providing an additional boost to growth stocks whose future revenues are now barely discounted (**EXHIBIT 1**).

Given second waves are increasingly evident it seems a vaccine will be required before life can truly return to normal. At this point we might expect to see a rotation from stocks in regions that are tech centric, such as the US, towards Europe and EM.

Time is, however, of the essence. The longer the period of weakness, the greater the risk of lasting scars such as unemployment. Extension of government support schemes will be essential to bridge the gap before a vaccine is viable.

At this stage, given the uncertainties, a relatively neutral asset allocation to risk with diversification across regions makes sense in our view. The tech-heavy US markets are likely to continue to outperform during a period of weakness but more value-orientated regions could bounce strongly if a vaccine becomes widely available.

Within both equities and credit, we favour an "up-in-quality approach", focusing on those companies with robust balance sheets who have the financial flexibility to survive this shock. Given significant further upside for US Treasuries and UK Gilts appears limited from here investors may wish to consider alternative diversifiers such as macro funds, or real assets if liquidity is not a requirement.

AUTHORS

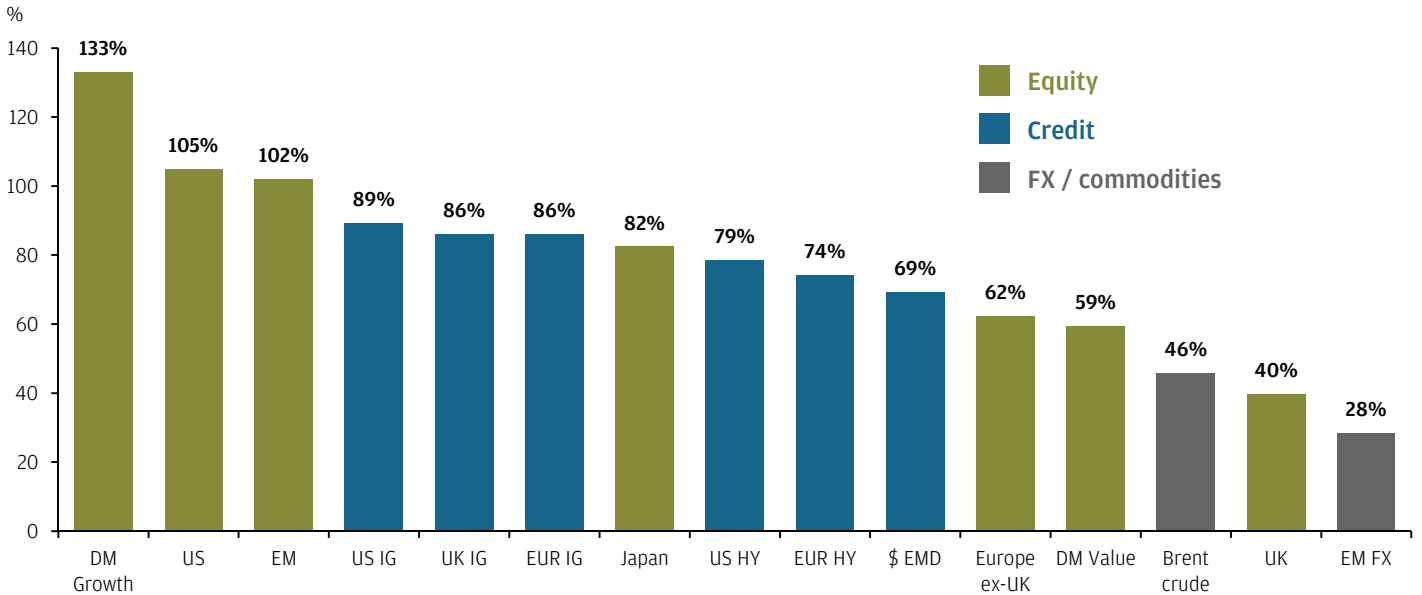


Karen Ward
Chief Market Strategist for EMEA



Ambrose Crofton
Global Market Strategist

EXHIBIT 1: PROPORTION OF 2020 LOSSES RECOVERED ACROSS ASSET CLASSES

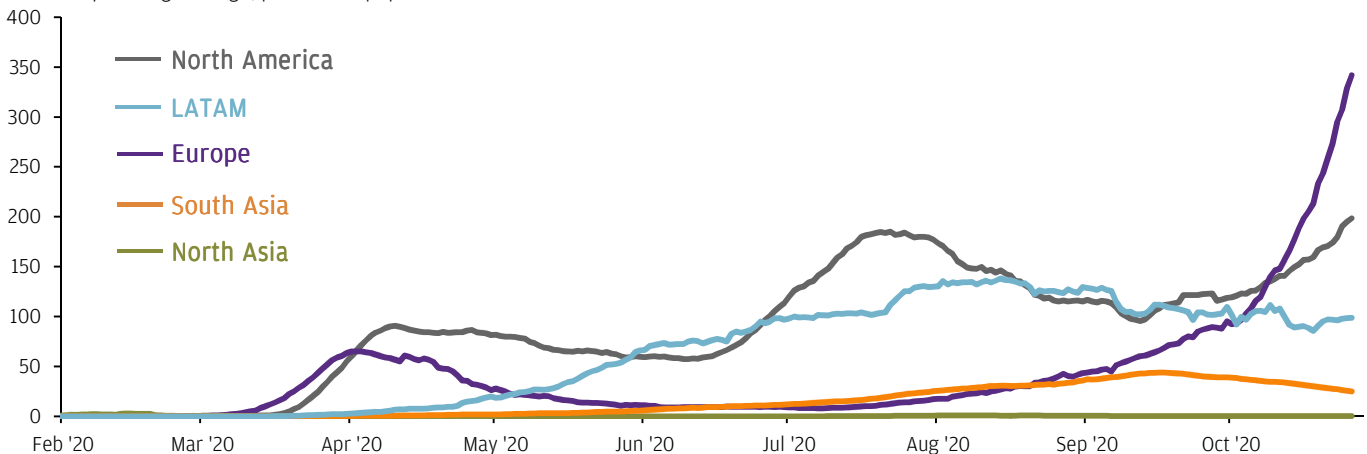


Source: Bloomberg Barclays, FTSE, J.P. Morgan Global Economic Research, MSCI, Standard & Poor's, Refinitiv Datastream, J.P. Morgan Asset Management. Recovery calculated as total returns in local currency for equity markets (with the exception of EM which is shown in USD), spreads for credit, US dollar per barrel for Brent crude oil, and EM FX is shown versus USD. MSCI indexes used for equities except US: S&P 500 and UK: FTSE All-Share. Bloomberg Barclays indexes used for credit except \$ EMD which is the JP Morgan EMBI Global Diversified Index. JP Morgan EM FX index used for EM FX. Past performance is not a reliable indicator of current and future results. Data as of 26 October 2020.

EXHIBIT 2: GLOBAL COVID-19 DAILY INCREASE IN CASES AND DEATHS

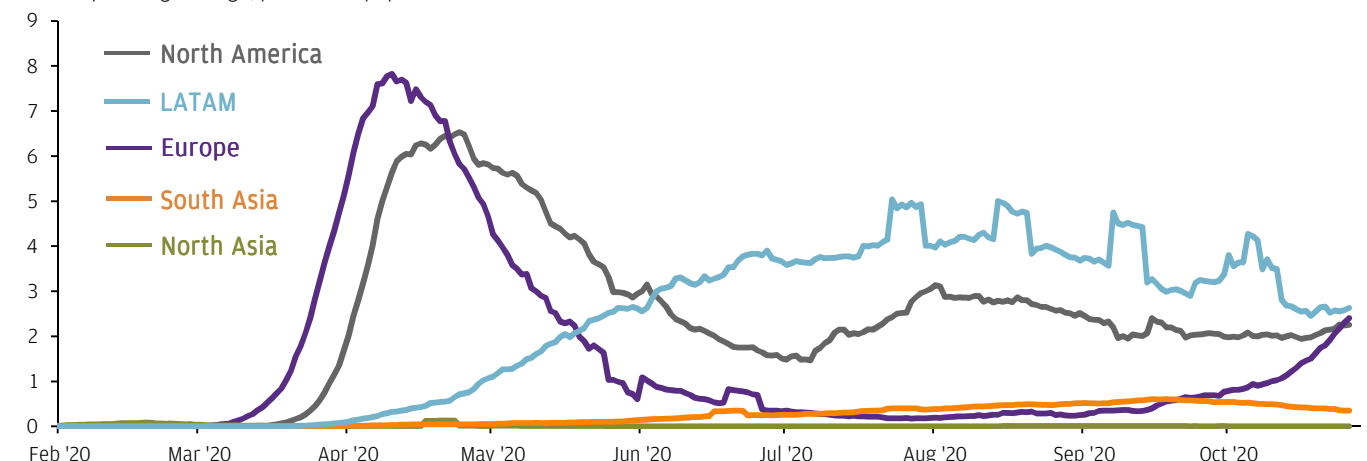
GLOBAL COVID-19 DAILY INCREASE IN CASES

Seven-day moving average, per million population



GLOBAL COVID-19 DAILY INCREASE IN DEATHS

Seven-day moving average, per million population

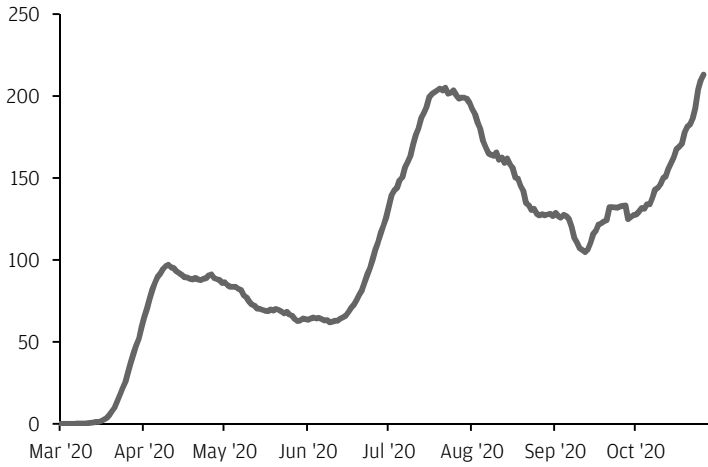


Source: Johns Hopkins CSSE, J.P. Morgan Asset Management. Cases include both laboratory confirmed and 'presumptive positive' cases. Europe includes countries in the EU27 plus Switzerland and the UK. North Asia includes data from: China, Hong Kong, Taiwan, Japan, and South Korea. South Asia includes data from: Bangladesh, India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, and Vietnam. Data as of 26 October 2020.

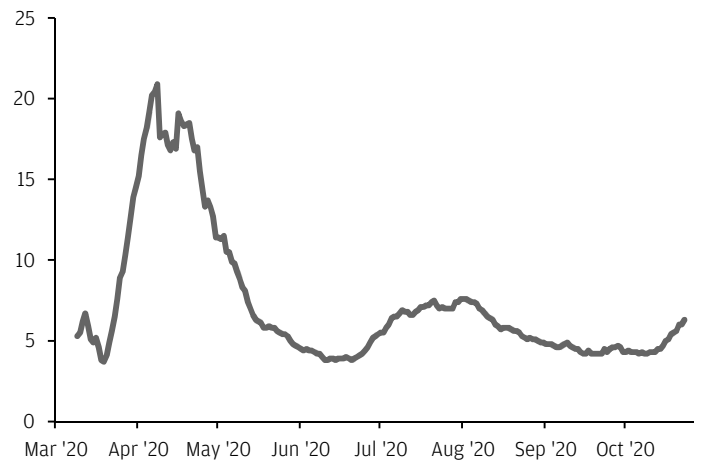
US

EXHIBIT 3: US COVID-19 DAILY INCREASE IN CASES AND TESTING POSITIVITY

New cases per million population, 7-day moving average



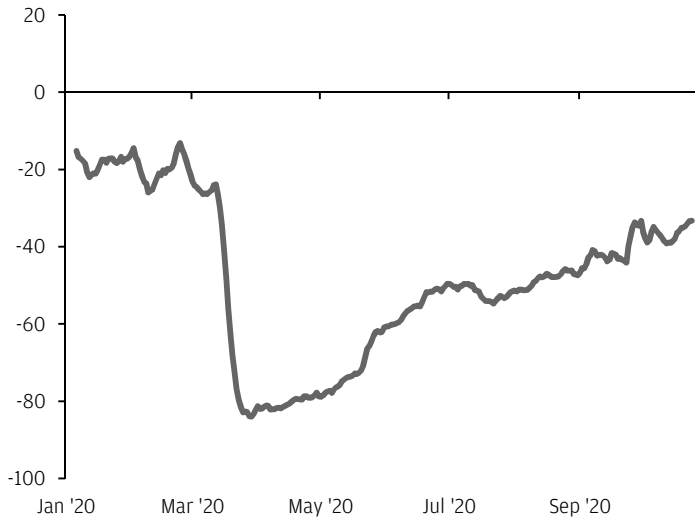
Percentage of Covid-19 tests that are positive, 7-day moving average



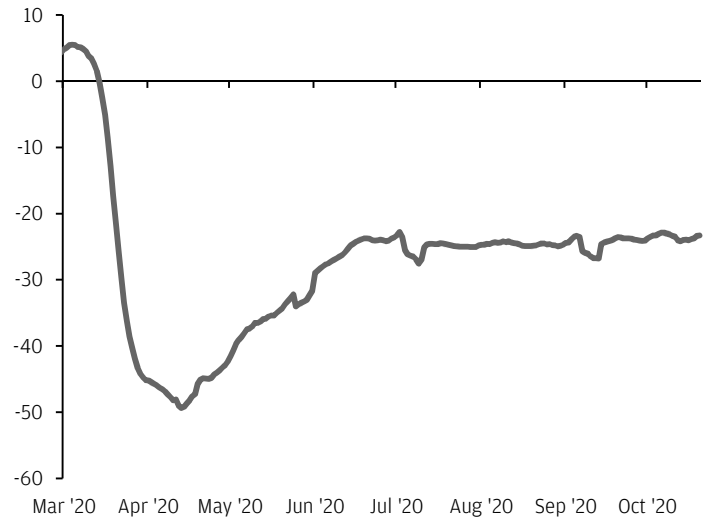
Source: Johns Hopkins CSSE, Our World in Data, J.P. Morgan Asset Management. Cases include both laboratory confirmed and 'presumptive positive' cases. Data as of 26 October 2020.

EXHIBIT 4: US TRAVEL AND NAVIGATION APP USAGE AND GOOGLE COMMUNITY MOBILITY

Travel and navigation app usage, % change year on year



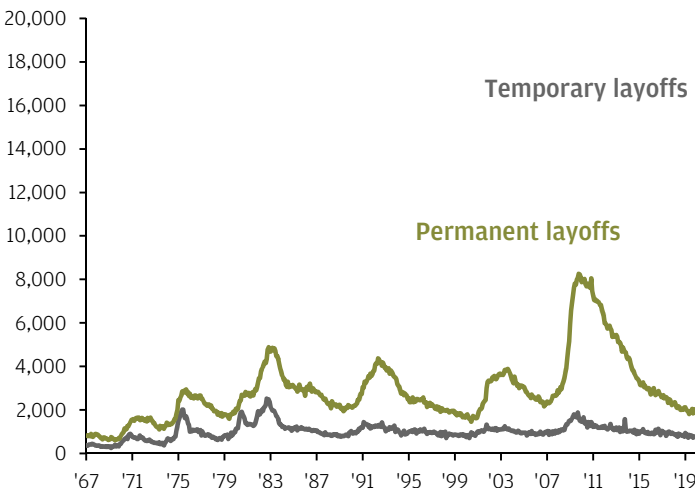
Google community mobility, % from baseline activity



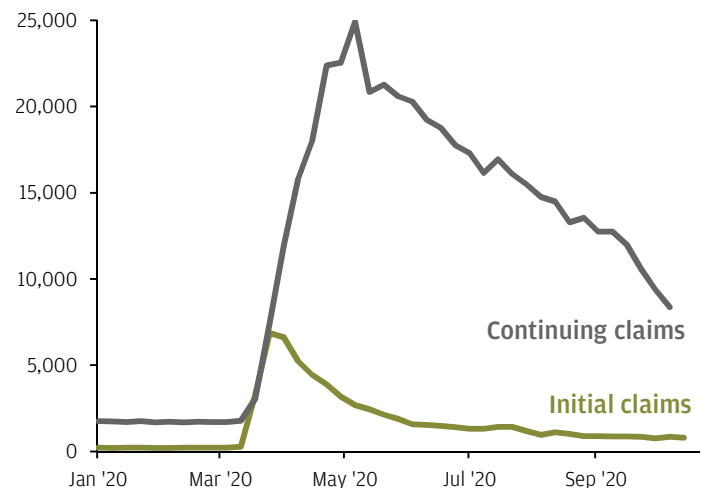
Source: App Annie, Google, J.P. Morgan Asset Management. Google community mobility data is an average of scores for workplaces, transit stations and retail and recreation. Travel app usage data as of 24 October 2020 and Google community mobility data as of 20 October 2020.

EXHIBIT 5: US UNEMPLOYMENT BREAKDOWN AND INITIAL AND CONTINUING CLAIMS

US unemployment breakdown, thousands of people



Weekly initial and continuing claims for unemployment insurance, thousands of people

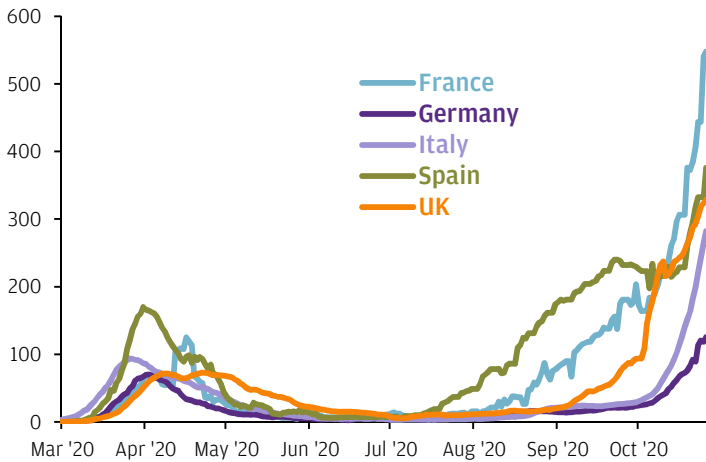


Source: BLS, Refinitiv Datastream, J.P. Morgan Asset Management. Data as of 17 October 2020.

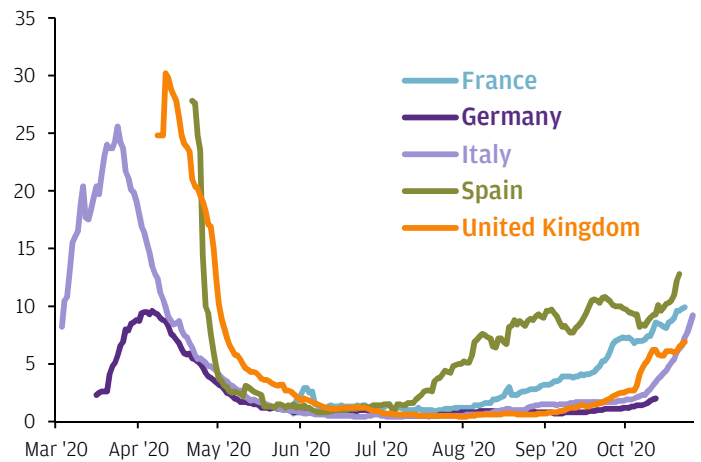
Europe

EXHIBIT 6: EUROPE COVID-19 DAILY INCREASE IN CASES AND TESTING POSITIVITY

New cases per million population, 7-day moving average



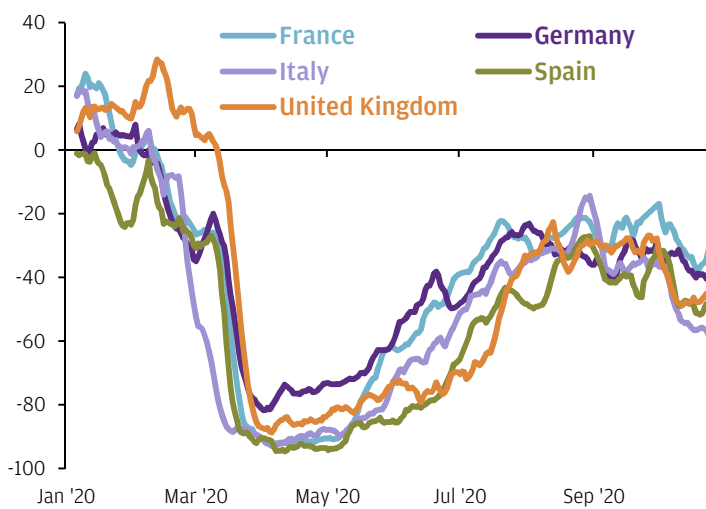
Percentage of Covid-19 tests that are positive, 7-day moving average



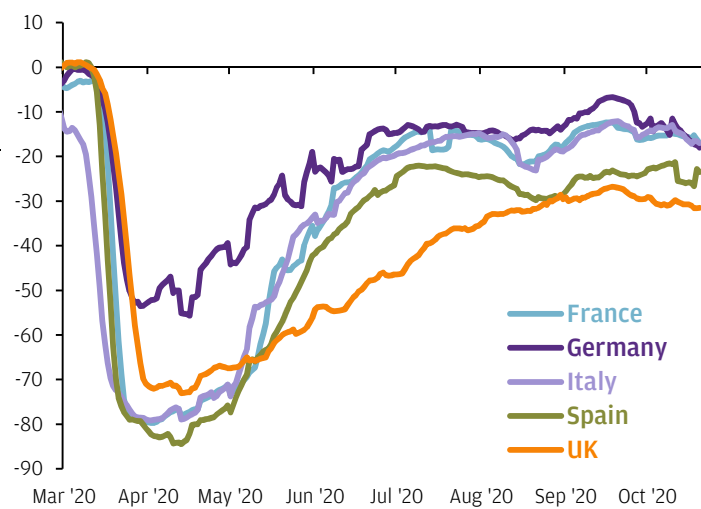
Source: Johns Hopkins CSSE, Our World in Data, J.P. Morgan Asset Management. Cases include both laboratory confirmed and 'presumptive positive' cases. Data as of 26 October 2020.

EXHIBIT 7: EUROPE TRAVEL AND NAVIGATION APP USAGE AND GOOGLE COMMUNITY MOBILITY

Travel and navigation app usage, % change year on year



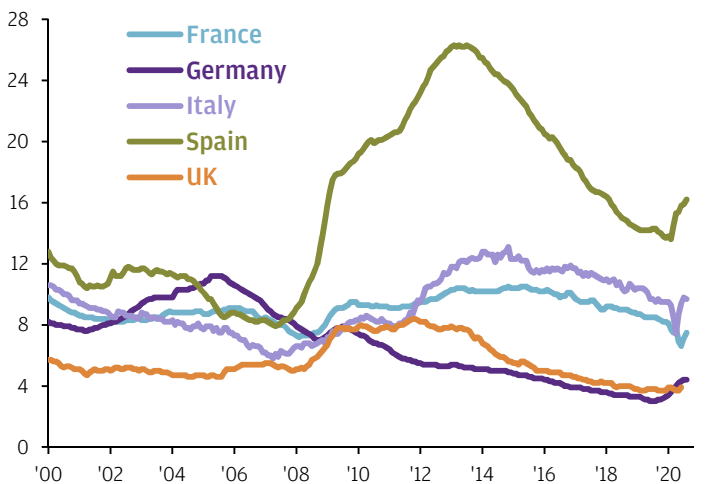
Google community mobility, % from baseline activity



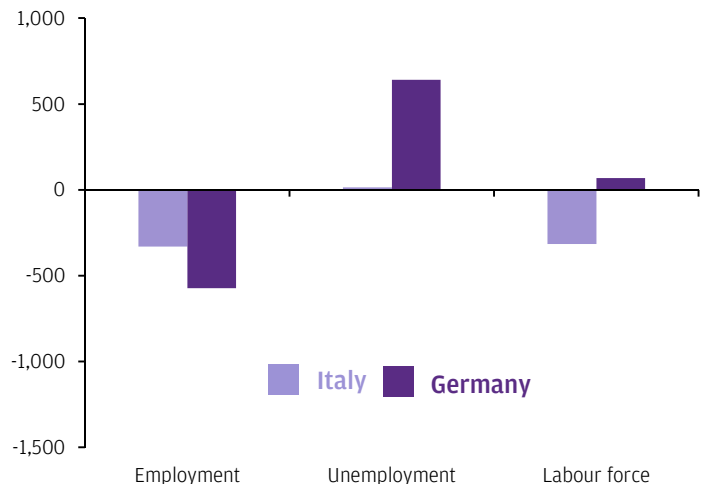
Source: App Annie, Google, J.P. Morgan Asset Management. Google community mobility data is an average of scores for workplaces, transit stations and retail and recreation. Travel app usage data as of 24 October 2020 and Google community mobility data as of 20 October 2020.

EXHIBIT 8: EUROPE UNEMPLOYMENT RATES AND ITALIAN AND GERMAN EMPLOYMENT DETAIL

Europe unemployment rates, %



Change between August and January 2020, thousands of people

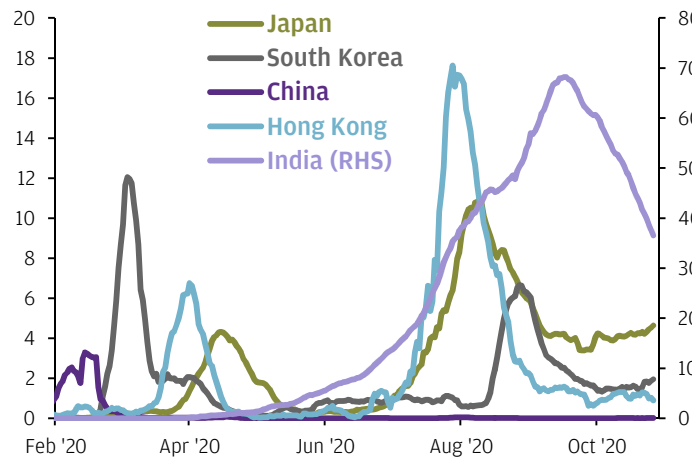


Source: (Left) Eurostat, Refinitiv Datastream, J.P. Morgan Asset Management. (Right) Bundesagentur für Arbeit, Italy National Institute of Statistics, Refinitiv Datastream, J.P. Morgan Asset Management. Germany labour force data is calculated as the sum of employment and unemployment. Data as of 31 August 2020.

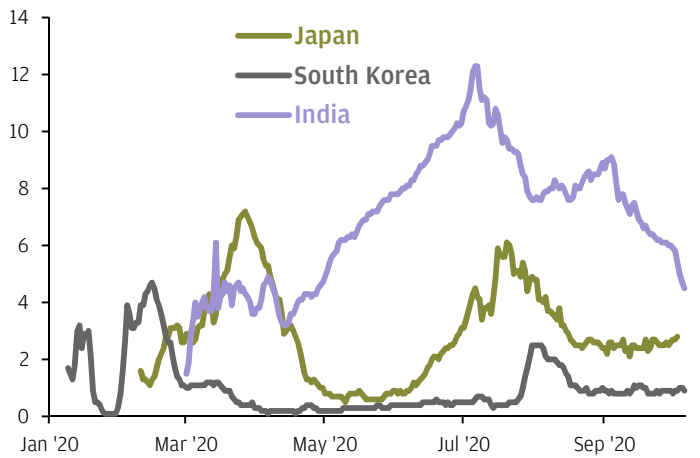
Asia

EXHIBIT 9: ASIA COVID-19 DAILY INCREASE IN CASES AND TESTING POSITIVITY

New cases per million population, 7-day moving average



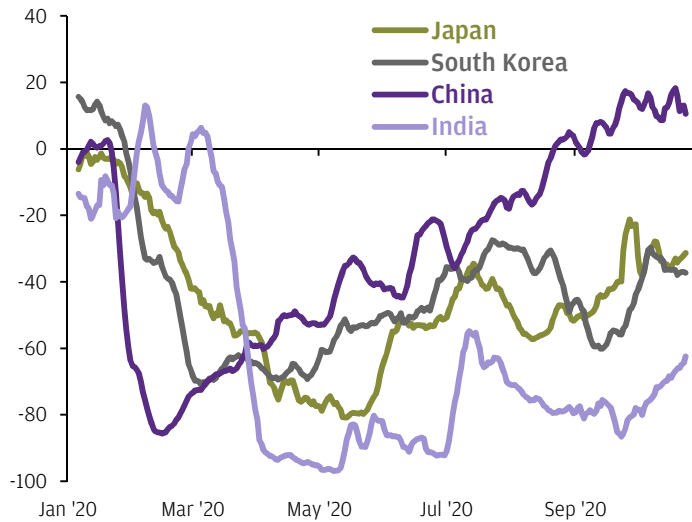
Percentage of Covid-19 tests that are positive, 7-day moving average



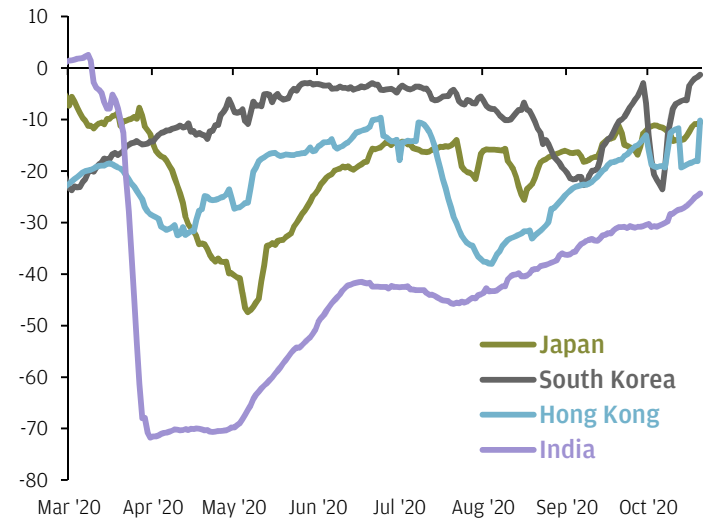
Source: Johns Hopkins CSSE, Our World in Data, J.P. Morgan Asset Management. Cases include both laboratory confirmed and 'presumptive positive' cases. Data as of 26 October 2020.

EXHIBIT 10: ASIA TRAVEL AND NAVIGATION APP USAGE AND GOOGLE COMMUNITY MOBILITY

Travel and navigation app usage, % change year on year

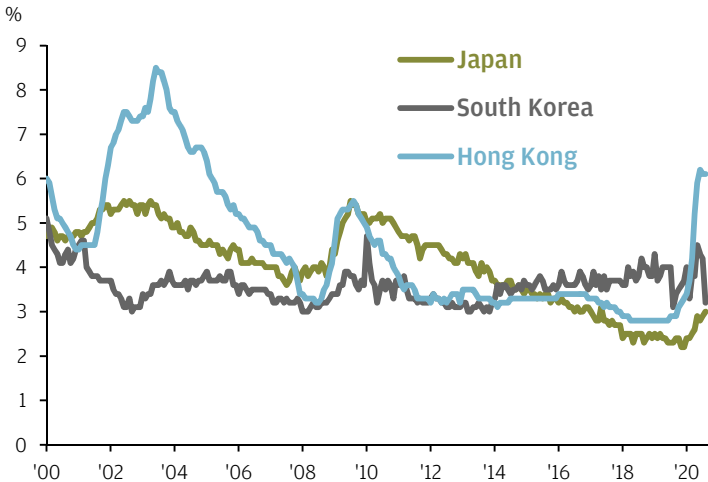


Google community mobility, % from baseline activity



Source: App Annie, Google, J.P. Morgan Asset Management. Google community mobility data is an average of scores for workplaces, transit stations and retail and recreation. Travel app usage data as of 24 October 2020 and Google community mobility data as of 20 October 2020.

EXHIBIT 11: ASIA UNEMPLOYMENT RATES

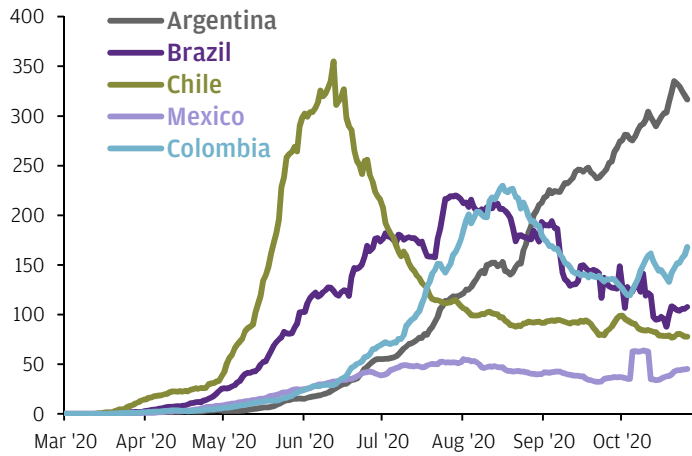


Source: Hong Kong Census and Statistics Department, Japan Statistics Bureau, Refinitiv Datastream, Statistics Korea, J.P. Morgan Asset Management. Data as of 31 August 2020.

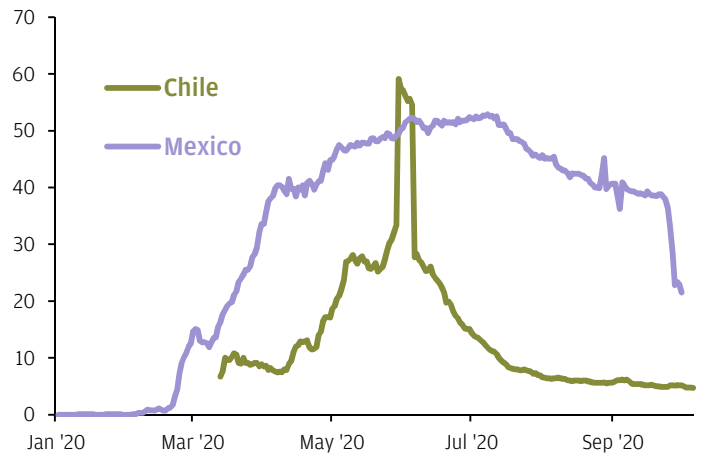
Latin America

EXHIBIT 12: LATIN AMERICA COVID-19 DAILY INCREASE IN CASES AND TESTING POSITIVITY

New cases per million population, 7-day moving average



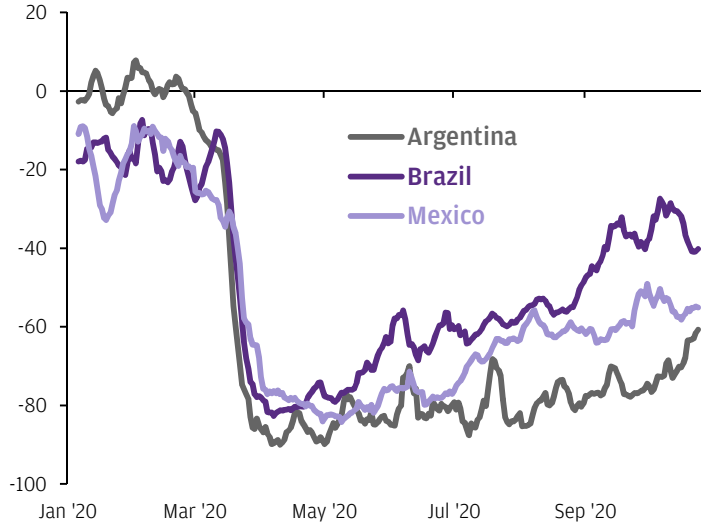
Percentage of Covid-19 tests that are positive, 7-day moving average



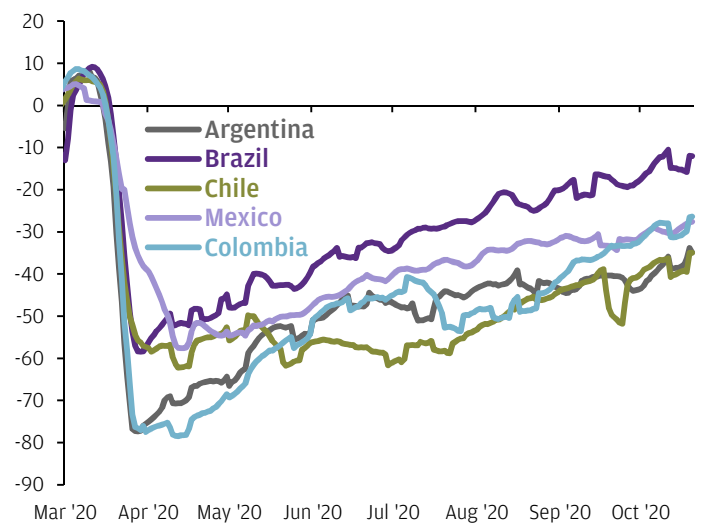
Source: Johns Hopkins CSSE, Our World in Data, J.P. Morgan Asset Management. Cases include both laboratory confirmed and 'presumptive positive' cases. Data as of 26 October 2020.

EXHIBIT 13: LATIN AMERICA TRAVEL AND NAVIGATION APP USAGE AND GOOGLE COMMUNITY MOBILITY

Travel and navigation app usage, % change year on year



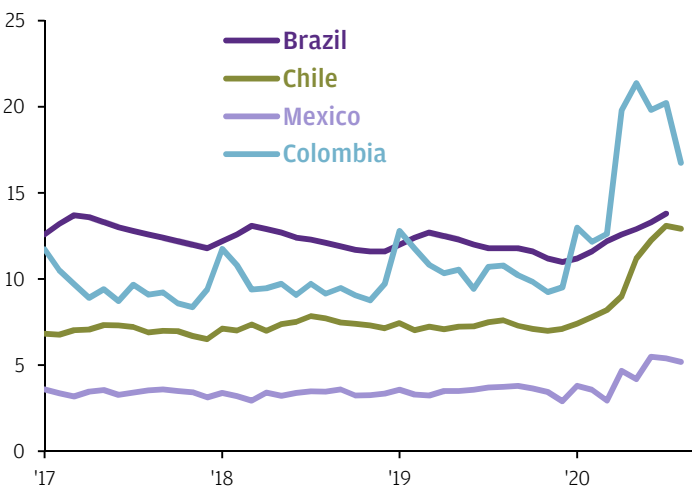
Google community mobility, % from baseline activity



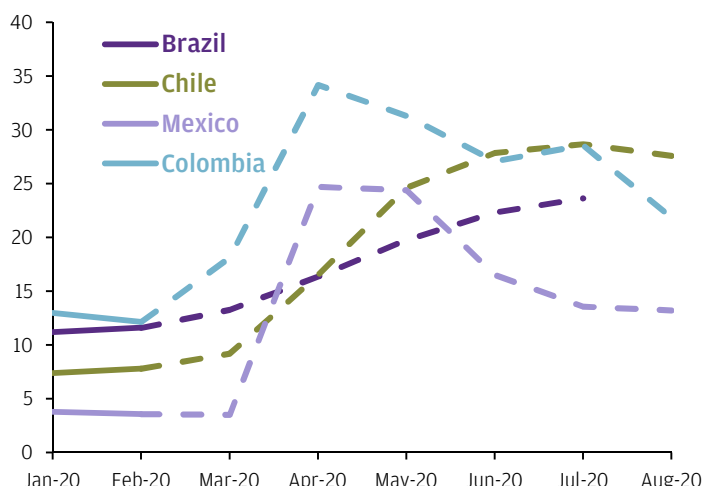
Source: App Annie, Google, J.P. Morgan Asset Management. Google community mobility data is an average of scores for workplaces, transit stations and retail and recreation. Travel app usage data as of 24 October 2020 and Google community mobility data as of 20 October 2020.

EXHIBIT 14: LATIN AMERICA OFFICIAL AND SHADOW UNEMPLOYMENT RATES

Official unemployment rates, %



Shadow unemployment rates, %



Source: DANE, FactSet, IBGE, INEGI, INE, Central Bank of Colombia, J.P. Morgan Asset Management. Shadow unemployment rates are calculated based on the assumption that participation rates are kept constant since February 2020. Data as of 31 August 2020.

The tracker explained

Market performance

In the face of the biggest economic crisis since the Great Depression, the market reaction has been highly differentiated between asset classes. Some asset classes have clearly benefitted more from the nature of the policy announcements, while other asset classes have been more challenged by the new economic environment.

We show the extent to which different equity, credit, commodity and FX markets, have recovered from their maximum drawdowns earlier on in the year. For equity markets we show the proportion of the maximum total return drawdown this year that has been recovered. For credit markets we show the proportion of the maximum spread widening this year that has been recovered. For Brent crude oil and emerging markets FX we show the proportion of the maximum decline in the price this year that has been recovered.

Virus statistics

Following how the health crisis is evolving in each country is a key component in understanding an economy's ability to recover. Since the outbreak of the Covid-19 crisis, it has become clear that a country's ability to reopen its economy can be significantly affected by the state of the health crisis. This is because a higher prevalence of the virus in a country can lead to governments implementing more containment measures, such as travel restrictions or the shutting of bars and restaurants, in order to limit the health impact of the virus. A higher prevalence of the virus can also cause businesses and individuals to exercise more caution, which can limit the extent to which activity can normalise.

We are therefore closely watching both the increase in new cases and the testing positivity ratios for each country, in order to understand how the prevalence of the virus is evolving. A low testing positivity ratio indicates that a country is carrying out a large number of tests relative to the number of infections in the community. This means that there is a good understanding of exactly who has the virus and subsequent outbreaks are more easily contained from these levels.

High-frequency activity data

The unique nature of the Covid-19 crisis has meant that economic activity is significantly influenced by how much people are physically going out and about. In order to understand this we need to follow alternative data sources to the historical economic releases, and so we use high-frequency activity data that can help us understand in real time the extent to which economies are getting back to normal.

We show travel and navigation app usage, which looks at data from over 600 travel and navigation apps globally, including Google Maps, Uber, Airbnb and Booking.com, and helps us to understand the extent to which consumers are getting back to normal. The charts compare app usage relative to a year ago.

We also show Google community mobility data which uses consumers' anonymised location data to see how much consumers are visiting different places. We use an average of the scores for visits to workplaces, transit stations, and retail and recreation places as a gauge of economic normality. The charts show activity level relative to a baseline calculated from a five-week period at the beginning of this year.

The Market Insights program provides comprehensive data and commentary on global markets without reference to products. Designed as a tool to help clients understand the markets and support investment decision-making, the program explores the implications of current economic data and changing market conditions. For the purposes of MiFID II, the JPM Market Insights and Portfolio Insights programs are marketing communications and are not in scope for any MiFID II / MiFIR requirements specifically related to investment research. Furthermore, the J.P. Morgan Asset Management Market Insights and Portfolio Insights programs, as non-independent research, have not been prepared in accordance with legal requirements designed to promote the independence of investment research, nor are they subject to any prohibition on dealing ahead of the dissemination of investment research.

This document is a general communication being provided for informational purposes only. It is educational in nature and not designed to be taken as advice or a recommendation for any specific investment product, strategy, plan feature or other purpose in any jurisdiction, nor is it a commitment from J.P. Morgan Asset Management or any of its subsidiaries to participate in any of the transactions mentioned herein. Any examples used are generic, hypothetical and for illustration purposes only. This material does not contain sufficient information to support an investment decision and it should not be relied upon by you in evaluating the merits of investing in any securities or products. In addition, users should make an independent assessment of the legal, regulatory, tax, credit, and accounting implications and determine, together with their own professional advisers, if any investment mentioned herein is believed to be suitable to their personal goals. Investors should ensure that they obtain all available relevant information before making any investment. Any forecasts, figures, opinions or investment techniques and strategies set out are for information purposes only, based on certain assumptions and current market conditions and are subject to change without prior notice. All information presented herein is considered to be accurate at the time of production, but no warranty of accuracy is given and no liability in respect of any error or omission is accepted. It should be noted that investment involves risks, the value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements and investors may not get back the full amount invested. Both past performance and yields are not a reliable indicator of current and future results. J.P. Morgan Asset Management is the brand for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide. To the extent permitted by applicable law, we may record telephone calls and monitor electronic communications to comply with our legal and regulatory obligations and internal policies. Personal data will be collected, stored and processed by J.P. Morgan Asset Management in accordance with our privacy policies at <https://am.jpmorgan.com/global/privacy>. This communication is issued by the following entities: in the United Kingdom by JPMorgan Asset Management (UK) Limited, which is authorized and regulated by the Financial Conduct Authority; in other European jurisdictions by JPMorgan Asset Management (Europe) S.à r.l.; in Hong Kong by JPMorgan Asset Management (Asia Pacific) Limited, or JPMorgan Funds (Asia) Limited, or JPMorgan Asset Management Real Assets (Asia) Limited; in Singapore by JPMorgan Asset Management (Singapore) Limited (Co. Reg. No. 197601586K), this advertisement or publication has not been reviewed by the Monetary Authority of Singapore; in Taiwan by JPMorgan Asset Management (Taiwan) Limited; in Japan by JPMorgan Asset Management (Japan) Limited which is a member of the Investment Trusts Association, Japan, the Japan Investment Advisers Association, Type II Financial Instruments Firms Association and the Japan Securities Dealers Association and is regulated by the Financial Services Agency (registration number "Kanto Local Finance Bureau (Financial Instruments Firm) No. 330"); in Australia to wholesale clients only as defined in section 761A and 761G of the Corporations Act 2001 (Cth) by JPMorgan Asset Management (Australia) Limited (ABN 55143832080) (AFSL 376919); in Brazil by Banco J.P. Morgan S.A.; in Canada for institutional clients' use only by JPMorgan Asset Management (Canada) Inc., and in the United States by J.P. Morgan Institutional Investments, Inc., member of FINRA; J.P. Morgan Investment Management Inc. or J.P. Morgan Alternative Asset Management, Inc. In APAC, distribution is for Hong Kong, Taiwan, Japan and Singapore. For all other markets in APAC, to intended recipients only.

Copyright 2020 JPMorgan Chase & Co. All rights reserved.

LV-JPM52615 | 02/20 | 0903c02a8281ec1b