

Weekly Market Insights

June 22, 2020

Economic Update and Vice Presidential Contenders

Equity markets finished the week positive, with the Dow Industrials up 1.04%, the S&P increased 1.86%, and the NASDAQ gained 3.73%. Positive economic reports provided at least one reason for the advance, with the results providing further indication that the worst of the economic bottom is behind us and that an expansion in economic activity has resumed.

Economic Update

This past week, U.S. releases continued to rebound from the economic bottom experienced in April as more businesses reopened nationwide. Tuesday's Retail Sales certainly followed suit, increasing 17.7% in May—the largest monthly increase on record. While this is unquestionably a positive, keep in mind it comes after April's record-breaking monthly decline of 14.4% and represents a 6.1% drop from a year ago.¹ As we have said in the past, even modest improvements from what we have recently experienced will look like a sharp rebound when the focus is on the short-term.

More encouraging news came on Thursday as both Initial and Continuing Unemployment Insurance Claims declined from the week prior, marking 11 straight weeks of Initial Claims declines. Claims are still at historically elevated levels, so we will look for this trend to continue. Further indications of an economic bounce came as industrial and manufacturing production rose back into positive territory from the double digit declines experienced in April. It is also worth noting that the Leading Economic Index, which tends to change direction ahead of the business cycle, also came in positive in May at 2.8% from -6.1% in April.

In a rapidly changing economic environment like the present, the timeliness of economic data becomes exponentially more important, where daily and weekly frequency is preferred to monthly and quarterly. Nevertheless, Friday's quarterly Current Account update sheds some light on the pandemic's impact on the global economy. The Current Account, which reflects a nation's net trade and income flows from foreign residents, decreased narrowly in the first quarter by 0.1% to \$104.2 billion.² Without going into too much detail, the takeaway point from the release is that the declines across the board in imports, exports, and income were to be expected, and is common during economic contractions. As economic re-openings continue and we recover from depressed levels, we should look for improvement in this reading.

Biden Vice-Presidential Contenders

Joe Biden's impending VP pick remains a widely-discussed topic in the world of politics. While the vice-presidential candidate is rarely a game-changer for the presidential election, it can help bolster support from certain demographics or regions and can have very real impacts on party enthusiasm. "Sabato's Crystal Ball" from the UVA Center for Politics published a list of 11 VP contenders and highlights the perceived advantages and disadvantages of adding their name to the Biden ticket. The list is ranked with Kamala Harris leading the way as the contender deemed most likely to receive the VP nod. Stacey Abrams rounds out the list at number 11. There may very well be a surprise selection, but we believe this list provides a helpful overview of the current VP possibilities nonetheless. We have attached this list along with a link to the full article for anyone interested.³

Weekly Market Insights (cont'd)

VP Rankings from Sabato's Crystal Ball, UVA Center for Politics

Candidate	Key VP Advantages	Key VP Disadvantages
Kamala Harris Senator, CA	<ul style="list-style-type: none"> • Often seen as Obama 2.0 • Prosecutorial ability could serve her well in VP debate • Plausible future president • Experience on big stage, vetted to more of a degree than many other VP contenders 	<ul style="list-style-type: none"> • Too inevitable? • Time as local DA, state AG may turn off liberals, who already may be wary of Biden on criminal justice reform • Disappointing presidential campaign • Sometimes tries to be all things to all people
Val Demings Congresswoman, FL	<ul style="list-style-type: none"> • Police background may help defuse Trump's "law and order" message • May be perfectly suited for the moment • Has turned in strong House election performances • From electorally vital Orlando area 	<ul style="list-style-type: none"> • Untested on national stage, not much elected experience • Little-known nationally • Does she have baggage from time as police chief? • May not carry FL for the ticket, probably is not well known statewide
Tammy Duckworth Senator, IL	<ul style="list-style-type: none"> • Inspiring life story as double amputee • Military background could give her crossover appeal • Succession in the Senate not an issue • Safe pick 	<ul style="list-style-type: none"> • Has kept a low profile in the Senate • Biden won't need help carrying IL • Safe pick
Michelle Lujan Grisham Governor, NM	<ul style="list-style-type: none"> • May energize Hispanic voters in states beyond NM • Brings geographic diversity • Wouldn't pull the ticket too far left 	<ul style="list-style-type: none"> • Criticized as too cozy with big pharma • Never won an especially tough general election • Though Trump is targeting it, NM is not central to Electoral College • Little previous national platform
Keisha Lance Bottoms Mayor, Atlanta	<ul style="list-style-type: none"> • Strong speaker and presence • Could help in electorally-important Metro Atlanta • Potentially good fit to address important issue of racial disparities in policing • Early, aggressive backer of Biden in primary 	<ul style="list-style-type: none"> • No federal or state political experience • Might not be perceived as ready to be president • Largely unvetted • Connected to former Mayor Kasim Reed, whose administration has been under investigation
Elizabeth Warren Senator, MA	<ul style="list-style-type: none"> • Focus on economic inequality may be timely • Olive branch to progressives • Could help with youth enthusiasm • High name recognition 	<ul style="list-style-type: none"> • Hardcore Sanders supporters don't trust her • May not do much to energize minorities • Could at least temporarily jeopardize Democratic control of her Senate seat • Not ideologically "simpatico" with Biden; they could clash in White House
Susan Rice former U.S. National Security Advisor	<ul style="list-style-type: none"> • High-level executive branch experience • Familiarity with Biden, top-level Democrats • Experience with media pressure 	<ul style="list-style-type: none"> • No campaign or elected office experience • Foreign policy focus in a domestic policy-focused election • Risks religating Obama-era foreign policy (e.g. Benghazi)

Weekly Market Insights (cont'd)

<p>Tammy Baldwin Senator, WI</p>	<ul style="list-style-type: none"> •Led her state ticket in 2018 •Broadly acceptable to all wings of party •First openly LGBT senator •WI arguably a must-win state for Trump 	<ul style="list-style-type: none"> •Her successor would be chosen in a 2021 special election •Very liberal record in Congress
<p>Gretchen Whitmer Governor, MI</p>	<ul style="list-style-type: none"> •Popular governor from vital state •Only 48 but has nearly 20 years of elected experience •Pandemic has given her a higher profile and good approval ratings 	<ul style="list-style-type: none"> •Optics of tapping a governor from a state struggling with the pandemic •May have baggage from handling of crisis •Has held executive office less than two years •No federal experience
<p>Gina Raimondo Governor, RI</p>	<ul style="list-style-type: none"> •Competent record as governor •Would be 49 on Inauguration Day, so could be a Biden successor •No-nonsense approach, centrism may appeal to suburban women 	<ul style="list-style-type: none"> •Some of her reforms were criticized by the left; unpopular for much of tenure •Won't excite minority voters •Private equity work may be suspect •No federal experience •Little-known nationally
<p>Stacey Abrams former Georgia House Minority Leader, GA</p>	<ul style="list-style-type: none"> •May help minority turnout in states like GA, NC, and beyond •Young, dynamic on the stump •Emphasis on voting rights 	<ul style="list-style-type: none"> •No experience in traditional VP feeder positions (governor or Congress) •May be too much of a lightning rod after failing to concede narrow 2018 loss •Too overt in wanting the job?

<http://centerforpolitics.org/crystalball/articles/our-revamped-vp-rankings/>

¹"Advance Monthly Retail Trade Report," United States Census Bureau, June 16, 2020, https://www.census.gov/retail/marts/www/marts_current.pdf.

²U.S International Transactions, First Quarter 2020 and Annual Update," Bureau of Economic Analysis, June 19, 2020, <https://www.bea.gov/news/2020/us-international-trade-goods-and-services-april-2020>.

³Coleman, J. Miles, Kyle Kondik, and Larry J. Sabato, "Our Revamped VP Rankings," Sabato's Crystal Ball, UVA Center for Politics, June 18, 2020, <http://centerforpolitics.org/crystalball/articles/our-revamped-vp-rankings/>

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