



Winter Update: Is it Safe to Reopen the Economy?

Curt Siegmeyer, CFA®, Senior Lead Research Analyst

Revisiting the four things that matter most to having a fully functioning economy.¹

As President-elect Joe Biden recently introduced his economic team, he sought to assure the American people that “Help is on the way.” While Biden was largely referring to economic assistance coming to those hardest hit by the pandemic, equally important in our view is that science and medical advances also have many believing that help is on the way.

Driven by the news that two successful vaccines will be available in the coming months (pending final FDA approval that is anticipated), optimism is building that this crisis could be nearing an end.

But we are not out of the woods yet. In the near term, the US and other countries worldwide are grappling with surging Covid-19 cases and hospitalizations as we head into the winter months.

As such, we think it’s timely to revisit four key healthcare-related measures which we believe will allow us to eradicate the pandemic and return to “normal” as soon as possible:

1. Hospital capacity and medical equipment/staffing levels
2. Testing
3. Contact tracing
4. Vaccine/treatments

1. Hospital capacity and staffing levels: Will we have enough?

It has become increasingly apparent that hospital capacity (beds) and staffing levels are two critical issues atop most medical professionals’ minds. Unfortunately, despite improving treatments, the recent surge in Covid-19 cases has led to explosive growth in hospitalizations: As of December 2, 2020, there were over 100,000 Covid hospitalizations, well above the prior peak of ~60,000 in April. Doctors say the staffing and bed shortages are creating a dire situation, and the outlook appears grim if current case growth does not slow soon.

In addition to bed shortages becoming the norm, personnel challenges are growing. For example, in late November, the Cleveland Clinic reported that nearly 1,000 healthcare professionals were unable to work because they tested positive, further exacerbating the staffing problem.

2. Available testing: A critical factor in slowing the spread of infections?

In April, we discussed how widespread testing is needed to slow the spread of COVID-19 and contain the outbreak; these tests needed to be rapid, reliable, and broadly available, we noted.

We have primarily accomplished all of these things: While PCR tests remain the gold standard, rapid antigen tests are also much more widely available, although reports of false positives are much more frequent with these than with PCR testing.

The volume of testing has increased significantly since the spring: Today, more than 1.5 million tests take place per

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day, up from 150,000 tests per day in April. However, the premise that increased testing is successfully slowing the spread is debatable, given that infected individuals can shed the virus for days before showing symptoms and being tested.

3. Contact tracing: The attempt to balance robust technology with privacy concerns has mostly failed in the US, in our view

In April, we noted that contact tracing presents challenges to a country such as the US with our history of privacy concerns and skepticism toward government. These concerns have been apparent in the lack of community buy-in across this country. Also, a state-by-state approach, instead of a standardized national system, caused inconsistencies and reduced awareness and effectiveness.

Google and Apple sought to bring their contact tracing technology to the forefront on a wide scale. However, as of October, USA Today reportedly found just 14 states with contact tracing apps in the Google and Apple app stores.

Users also need to opt-in, and questions remain about whether they are even aware of the apps' availability in the participating states.

4. Vaccine/treatment status: An update on availability and timing

The single biggest game-changer is that it appears increasingly likely that the FDA will approve at least two different vaccines with broad-based availability expected tentatively by next May. While Pfizer/BioNTech and Moderna are currently seeking FDA approval, additional vaccines could be approved later in 2021. Efficacy and safety standards appear to have been met in Phase 3 trials for the two lead candidates.

While the federal government's Operation Warp Speed will handle much of the logistics to get the vaccines out to the broader public, we expect essential healthcare personnel, high-risk, and elderly individuals to initially receive top priority. Vaccinations are scheduled to commence this month. Pfizer and Moderna expect to produce well over 1.5 billion doses combined in 2021, with the potential to exceed 2.0 billion. The target for broad-based public availability is April/May, a largely unthinkable feat at the beginning of 2020.

While public confidence around the vaccine's effectiveness and safety remains a question for some, a new Pew Research survey suggests that ~60% of the population would "probably" or "definitely" get the vaccine, up from 51% in September. Efforts are also underway to build additional public confidence, with former Presidents Barack Obama, George W. Bush, and Bill Clinton all saying they would take the vaccine on camera.

As Dr. Megan Ranney, an emergency physician and director of the Brown-Lifespan Center for Digital Health said in a recent interview: "Vaccines, and hope, are on the horizon." That said, the next several months are expected to be the most challenging phase of the pandemic.

Conclusion

In summary, we believe economic activity will likely remain uneven for at least another one or two quarters, particularly as it relates to harder-hit industries such as leisure, entertainment, and travel. As for when life can officially return to "normal," most medical experts believe that it is still unlikely until late 2021 or early 2022 at the soonest. And while the longer-term outlook is admittedly a bit unclear, we are hopeful that light may be at the end of the tunnel and that it continues to grow brighter with each passing day.

For more information, [please contact your Key Private Bank Advisor.](#)

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