

Key Questions

Is it Safe to Re-Open the Economy?

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The four things that matter most.

The Federal Reserve's (Fed) monetary policy actions and the additional fiscal stimulus measures passed by Congress were much-needed steps to address the economic fallout resulting from social-distancing measures to limit the spread of COVID-19. As important as these actions are, however, they are merely stopgaps.

As several states across the country discuss their plans to "re-open", for this to occur on a national level and our ability to slow the coronavirus' spread — or "flatten the curve" — will be dictated by developments in four key healthcare-related areas:

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

So, where do we stand on these?

1. Hospital capacity and medical equipment: Do we have enough?

According to a 2018 survey by the American Hospital Association, there are 924,100 hospital beds in the US or 2.8 beds/1,000 people. This statistic trails other countries, and ICU beds are in even shorter supply.

Other shortages pose even greater challenges to the US healthcare system. A survey by Premier, Inc., a large healthcare improvement company, highlighted concerns of healthcare workers about inadequate inventories. Approximately three-fourths of respondents said there were shortfalls in isolation gowns, while 69% reported they did not have enough surgical masks.

Importantly, however, hospital resources are being repurposed and non-healthcare manufacturers are directing their tools to this healthcare crisis.

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

Readily available testing is needed to slow the spread of COVID-19 and re-open the economy. To contain the outbreak, tests must be rapid, reliable, and broadly available.

Two types of testing are needed: One would detect the presence of the virus to establish if there is a current infection, while the other would identify the presence of antibodies to determine if there has been a past infection and therefore presumed — but not guaranteed — immunity.

The latest estimates on testing indicate that ~150,000 tests per day (~4.5 million/month) are being conducted. The Trump administration says it needs approximately 6-7 million in May, although other estimates are much higher. For example, former FDA commissioner Scott Gottlieb believes that approximately 15 million/month could be necessary.

3. Contact tracing: Balancing robust technology with privacy concerns

Contact tracing aims to communicate with every person diagnosed with COVID-19, gather their contacts, and then notify each one of them. China and South Korea are already using surveillance and monitoring techniques. For example, South Korea incorporates security camera footage, credit card activity, and GPS data to determine where a person has been. However, there are concerns about privacy in the US, and a large portion of the public is likely to be averse to this level of intrusion.

In all likelihood, people would need to opt-in to let their data be traced and shared with authorities. Unfortunately, those who are least likely to opt-in are probably individuals who are also least likely to wear masks or follow social-distancing rules.

4. Vaccine/treatment status: When will these be available?

Vaccine candidates are being developed by several major drug developers while dozens of others are ramping up trials. But vaccine safety is paramount, and it takes time to test. To date, the fastest vaccine ever developed was for the Ebola virus, and that took three and a half years. While the estimated availability of a COVID-19 vaccine in 12-18 months has become ubiquitous in the media, that kind of speed would be unprecedented. However, it isn't impossible, especially since government authorities are fast-tracking the process.

Furthermore, medical experts are increasingly confident that we will have effective interim treatments to bridge the gap until a vaccine is available, and numerous studies are underway.

Optimism in the long-term, but near-term challenges exist
 Summing up, the table in the right column offers our "readiness grade" for each of the four critical healthcare areas stated above. An important caveat: These grades are subjective and based on our research and analysis. We are not medical professionals, epidemiologists, nor deep subject matter experts. As such, these could prove inaccurate and could change over time.

Area	Readiness Grade	Comment
Hospital Capacity and Medical Equipment	B	We have a decent supply of beds and are adapting to increase capacity in many areas, but other supplies are needed.
Testing	C	More is needed, and there is considerable debate about how much testing is required.
Contact Tracing	Incomplete	We do not know how Americans will respond to surveillance and tracing data in their lives. Would they view this as a necessary intrusion?
Vaccines/ Treatment	Incomplete	The Holy Grail. There is confidence that success will be attained, but if achieved in 12-18 months as frequently touted, it would be in record time.

In closing, antivirals and treatments will ultimately play a critical role in helping us move forward. For life to return to normal, we need to either develop a fully scalable and readily accessible vaccine or consider "herd immunity" (when so many people in a community become immune to an infectious disease that it stops the disease from spreading).

Until then, the risk of a second wave could arise and accordingly, a leading epidemiologist recently posited a useful framework of "suppressing and lifting" various restrictions that "can keep the pandemic under control but at an acceptable economic and social cost".

As a result, economic activity will likely remain below normal and thus a bumpy 12-18 months likely lay ahead.

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