

Macro Economic Overview

U.S. equity indices rebounded in August to pre-pandemic levels that were last reached in early March of this year. The dramatic recovery in equity valuations came about very quickly and unexpectedly by numerous market analysts and economists.

The Federal Reserve is expected to leave short-term rates near zero for up to five years in order to allow inflation to expand modestly throughout the economy. The Fed believes that inflation will be muted until economic activity picks up again as the effects of the pandemic reside.

Credit reporting agency Moody's announced that it may eventually place U.S. government debt on watch for a downgrade if newly issued debt isn't accompanied by some sort of tax revenue increase. Fixed income analysts believe that this may drive demand for corporate bonds even higher.

In response to incomplete and irrelevant data, the U.S. Census Bureau began gathering data designed to identify the financial and social impact of the pandemic on the lives of Americans across the country. The experimental Household Pulse Survey, which is compiled by the Census Bureau, started collecting data in April following the onset of the pandemic.

As a result of heightened expenses and a rise in demand, the United States Postal Service (USPS) is planning a temporary increase in the price of delivering commercial and domestic competitive packages. The price increase is due to take effect on October 18th and last through December 27th. The rate increase is in response to higher volume generated by the pandemic due to the shipping of online purchases by consumers.

U.S. consumer confidence fell in August to the lowest levels since 2014, as noted by the Conference Board's index. Sentiment among consumers regarding employment and business expectations hastened.

The U.S. government has mistakenly sent \$1.6 billion of stimulus payments to dead U.S. citizens. The Government Account Office (GAO) reported that the payments were made quickly and without proper verification with other government agency databases, such as Social Security.

The Paycheck Protection Program issued 5.2 million stimulus loans totaling \$525 billion as of August 8th, when the program closed. Another round of stimulus funding for businesses may be included in a new bill drafted by Congress.

The U.S. dollar fell to a two-year low against other global currencies, as expanding government debt issuance and uncertainty surrounding the coronavirus weighed on the currency. Credit rating agency Fitch revised its outlook on U.S. government debt from stable to negative, citing ongoing deterioration with public finances and the absence of a credible fiscal consolidation plan.

Data collection efforts by several federal agencies and departments have been hindered by the pandemic, raising questions as to the accuracy of data collection affecting various government indices and economic gauges.

Sources: Federal Reserve, GAO, USPS, Moody's, Fitch, U.S. Census Bureau

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