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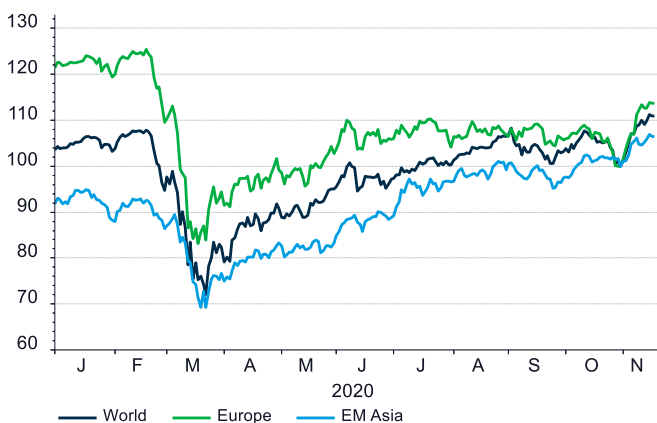
Headlines

- Further positive news on the efficacy of trial vaccines, this week from Moderna, saw equity markets continue to rally
- Restrictions were reimposed in more locations across Europe, with parts of Australia and Japan also set to join the growing list of places imposing tougher measures as cases rise
- With lockdown rules less severe and adherence to them seemingly slipping, the negative impact on the global economy is likely to be much smaller than during the first wave
- France's national bureau of statistics estimates that the country's second lockdown could knock anywhere between 2.5% and 6.0% off economic output in the final quarter

Earlier this week we received further positive information on the efficacy of trial vaccines, with Moderna reporting that theirs was nearly 95% effective. The news came a week after similar results were announced by rival BioNtech, and further buoyed equity markets around the world. Some of the best performing indices were those in Europe, halting weeks of significant decline as rapidly increasing numbers of COVID-19 cases prompted further economic restrictions.

MSCI equity indices

Index, 01/11/2020 = 100



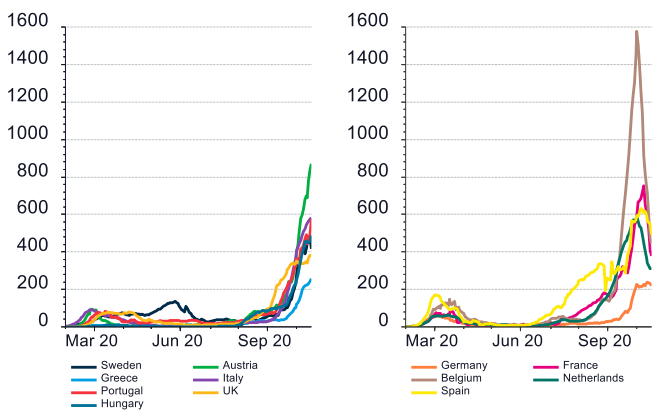


But despite the good news, restrictions on movement across Europe have continued to ratchet up in response to sharp increases in identified cases of COVID-19. Yesterday, Austria took the unpopular step of closing schools and non-essential shops, while Scotland announced that eleven local authorities areas will be subject to level four restrictions from Friday, and non-essential travel into or out of these areas will soon be made illegal.

Those moves follow the reimposition of restrictions in the Netherlands, Belgium, France and Germany, where COVID-19 cases have now started to come back down, as illustrated in the right-hand pane of the chart below. But elsewhere in Europe cases continue to rise, as shown on the left-hand side of the chart below.

COVID-19 confirmed new daily cases, Europe

Per million residents, seven-day moving averages



Although rising infections are not limited to Europe, cases here accounted for 45% of the 4 million new cases identified worldwide over the past week, down from more than 50% in the previous week as the US's share swells. While that has been driven by increased testing in Europe relative to elsewhere (first chart below), the share of tests returning a positive result has also risen (second chart below).

New daily COVID-19 tests

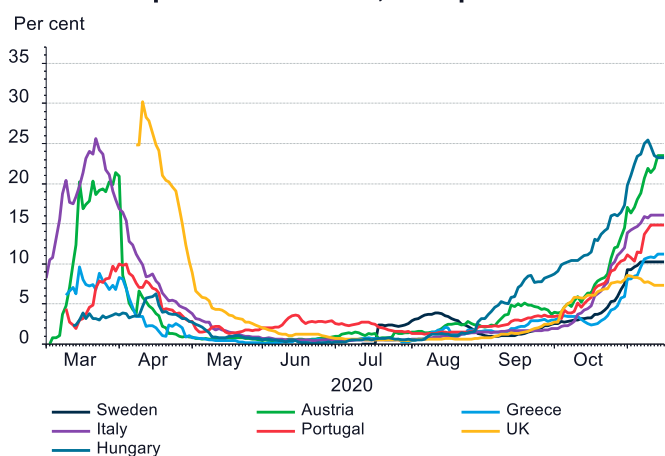
Per cent of global new daily tests*, seven-day moving average



Source: OurWorldInData / Fathom Consulting



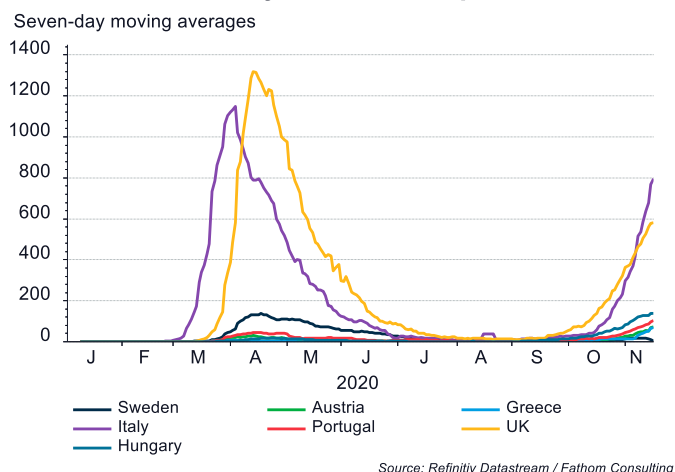
COVID-19 positive test rate, Europe



According to the World Health Organisation, a positive rate of less than 5% is an indication that the epidemic is under control. Notably, all countries shown in the chart have a rate above 5%, with levels above those seen in spring: implying, at least on this metric, that the outbreak is now more widespread than at any previous point. The only exceptions are the UK and Italy, where positive test rates remain below the highs seen earlier in the year.

But neither the UK nor Italy look so favourable in terms of daily deaths attributed to COVID, with almost 600 people in the UK dying on Tuesday for COVID-related reasons — the highest daily total since mid-May. Similarly, at 731, Italy's death toll is the highest it has been since the beginning of April, when the country was in full national lockdown.

COVID-19 new daily deaths, Europe



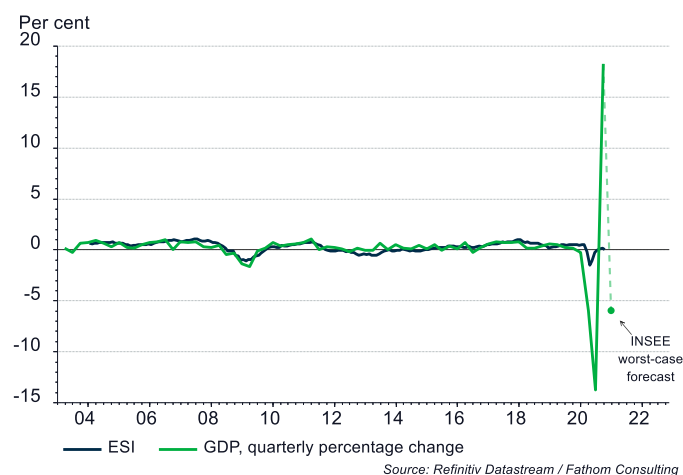
With many countries struggling to contain the virus, and lockdowns reimposed across much of Europe, it is likely that European output will shrink in the final quarter of 2020. The extent to which it shrinks will depend on the length and severity of the lockdowns in place, as well as adherence to them. So far, with lockdown conditions less severe than those imposed in March and with adherence seemingly slipping in most European countries the negative impact on the economy is likely to be much weaker than during the first wave.



Even so, INSEE — the French national bureau of statistics — estimated yesterday that France’s economic output will contract by anywhere between 2.5% and 6.0% in the final quarter. At the extreme, that will leave output around 10% below its pre-Covid level, shifting France from what has been a ‘V-shaped’ recovery¹ onto a ‘W-shaped’ trajectory.

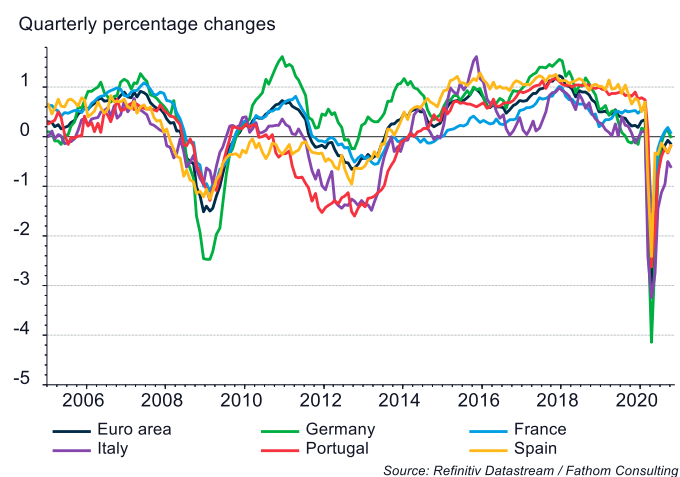
Our Economic Sentiment Indicator, which distills information from numerous consumer and business surveys in order to provide a gauge of underlying economic activity in France, suggests that the downturn might not be quite as extreme, having softened a little in October but remaining above zero — the threshold which signals potential economic expansion or contraction.

France Economic Sentiment Indicator and GDP



Arguably, November’s data will be key, with the new restrictions on movement having come into force at the very end of October. For now though, our Economic Sentiment Indicators for both France and elsewhere remain above the levels seen during the first outbreak, as shown in the chart below.

Fathom Economic Sentiment Indicators



1. ¹ Currently, we have Q3 GDP data for 31 countries. Of these, France was the top performer, with quarterly growth of 18%.



Interesting reading

- Certain mouthwashes lower the level of coronavirus in saliva and could reduce transmission, research suggests: <https://www.biorxiv.org/content/10.1101/2020.11.13.381079v1>
- Professor Michael Mina warns against relying too heavily on the emergence of a vaccine to control COVID, and praises mass rapid antigen testing: <https://time.com/5912705/covid-19-stop-spread-christmas/>
- Eurozone finance ministers have ruled out for now new joint measures to tackle the economic impact of the second wave of the virus: <https://www.euractiv.com/section/economy-jobs/news/eurogroup-excludes-additional-eu-stimulus-against-second-virus-wave/>
- Working from home may not be as green as hoped, according to this study on changes in electricity consumption during the COVID-19 pandemic: https://www.nber.org/system/files/working_papers/w27937/w27937.pdf



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