



*R&R Weekly Column*  
*By Brunello Rosa*



### Life After Covid: Will It Be Safer or More Extreme?

While new, more infectious, but so far not more deadly variants of Covid-19 are being discovered in many countries across the globe – for example in [the UK](#), the [US](#) and [South Africa](#) – anti-Covid vaccines are being rolled out to limit the virus' spread. The Pfizer-BioNTech, Moderna and AstraZeneca products have started being distributed in many countries, and vaccination campaigns will be carried out for months to come.

A number of countries are adopting more severe restrictions to movement and social interactions in the meantime, by imposing new lockdowns. [Germany has just extended its lockdown](#) until the end of the month. The UK [has launched its third full lockdown in nine months](#), and [Spain is doing similarly](#). There is hope that after a third wave of the pandemic in the first few months of 2021, and an initial adjustment period to the vaccine rollout, the worst part of the crisis might end by June and, gradually, the pandemic may be overcome as we approach the end of 2021.


While we are still in the middle of the battle, it may be hard to think about what comes after the pandemic is over. But this is an effort that we need to start making. We have already discussed how we think that the [geopolitical ranking of countries will change after the pandemic](#), most notably with the US losing ground in favour of China. The latest episodes in Washington, with rioters entering and devastating Capitol Hill while Senators and Representatives were certifying the results of the electoral college that voted Joe Biden as the 46<sup>th</sup> US President, will damage the image of the US democracy for a long time, especially if one thinks that Trump might try to run for President again in four years. [In a previous column](#), we reminded readers how, after the 1918-19 pandemic and WW1, the fascist party was born in Italy, and totalitarian leaders emerged subsequently in various parts of Europe. [Some analysts are making a comparison](#) between the rise of fascism and the events in Washington on the 6<sup>th</sup> of January.


But there will be more far-reaching consequences still. Social distancing and quarantines are not novel inventions: they have been the defense of humanity against pandemics for centuries. Their effects have been felt for decades after the end of their respective crises. For example, a parallel has been recently drawn between the [roaring Twenties of the twentieth century](#), which begun after the end of the Spanish flu pandemic of 1918-19, and the situation that will exist a year or so from today. Various analysts wonder what will happen after the harsh restrictions on people's movement are finally lifted.

On the one hand, there is a theory that some of the limitations on people's movement will remain for a long period of time even after the pandemic ends, inducing safer behaviour in society at large, with less travel, endless commuting, and extravagant social interaction taking place than was the norm before 2020. Opposite theories exist however, which suggest that once limitations will be lifted people will over-compensate by engaging in even more extreme social interaction, at the limits of debauchery even, lifted by over-excited animal spirits.

In reality, a combination of these two scenarios may eventually emerge: more social control via digital platforms, more authoritarianism able to impose limitations on people's movement, but also more extreme forms of social interaction, especially in private life, to compensate for the reduced social and political freedom and limited economic opportunity that has been experienced this past year.

#### *Our Recent Publications*

 [GLOBAL OUTLOOK AND STRATEGIC ASSET ALLOCATION FOR 2021: A Volatile Macroeconomic And Geopolitical Year Ahead](#), by Nouriel Roubini, Brunello Rosa and Alessandro Magnoli Bocchi, 23 December 2020

 [GEOPOLITICAL CORNER: Assessing the Impact Of Cyber Attacks From A Wrecking Power: Russia Can Wound The Global Order But Cannot Change It](#), by John C. Hulsman, 22 December 2020

Looking Ahead

The Week Ahead: US Inflation To Remain Subdued And EZ November's IP Expected To Decline

**In the US**, in December: *i)* exports prices are expected to decline by -1.3% y-o-y (*p*: -1.1%); *ii)* import prices are likely to ease by -0.8% y-o-y (*p*: -1.0%); *iii)* retail sales are expected to increase by 4.8% y-o-y (*p*: 4.1%); while *iv)* IP is likely to fall by -4.6% y-o-y (*p*: -5.5%). December's inflation is expected to increase slightly to 1.3% y-o-y (*p*: 1.2%), while core inflation is likely to stay unchanged at 1.6% y-o-y.

**In the EZ**, November's IP is expected to decline by -3.4% y-o-y (*p*: -3.8%).

The Quarter Ahead: COVID-19 Containment Measures Ramp-Up; US Political Tension Flare; CBs To Maintain Dovish Stance

**In the US**, President-elect Joe Biden plans to release nearly all available doses of the coronavirus vaccine once he takes office, seeking to speed up the sluggish start of a mass vaccination campaign, as: *i)* cases soar; *ii)* hospitals are overwhelmed; and *iii)* a fast-spreading variant of the virus is impacting the country.

**After a pro-Trump mob breached the US Capitol and sent lawmakers scrambling for safety**, the congress was able to resume its session and finalize the certification of the electoral vote count (*Biden*: 306 vs. *Trump*: 232).

**President-elect Joe Biden plans to roll out an economic stimulus package worth trillions of dollars** that includes: *i)* relief for unemployed Americans; and *ii)* rent forbearance for tenants. Biden stated that the bipartisan COVID-19 relief package passed by Congress in December was a very important step, but amounted to just a "down payment" on the broader efforts needed to help Americans. For example, Biden wants the amount of the 'USD 600 checks' to be increased to USD 2k.

**The UK witnessed more than 1.3k deaths in a single day** – the highest number since the pandemic began; as a result, PM Boris Johnson: *i)* imposed a 'stay at home' order; and *ii)* told the public to "act like you've got COVID-19" as part of an advertising campaign aimed at tackling the rise in infections.

**In the US**, Fed holdings have surpassed USD 7tn, rising at an average of USD 120bn a month – approximately USD 80bn in Treasuries and USD 40bn in MBS. Fed Vice Chairman Richard Clarida said he expects "the Fed to maintain the pace of its asset purchases through the rest of 2021".

Last Week's Review

Real Economy: COVID-19 Vaccine Distributions To Support Business Activity And Demand

**In the US**, December's manufacturing PMI rose to 60.7 (*p*: 57.5) – hinting to the eighth consecutive month of economic expansion, after March's contraction. Non-manufacturing increased to 57.2 (*p*: 55.9), the seventh straight month of growth.

**In December, labor market data stalled**, as: *i)* non-farm payrolls fell to 140k (*c*: 71k; *p*: 336k), the first drop in employment since the job market started to recover in May; while *ii)* the unemployment rate remained unchanged at 6.7%, pointing to a stalling recovery.

**In the EZ**: *i)* November retail sales fell to -2.9% y-o-y (*p*: 4.2%); *ii)* economic sentiment increased to 90.4 (*p*: 87.7); and *iii)* the unemployment rate edged down to 8.3% (*p*: 8.4%).

**EZ's December inflation and core-inflation remained unchanged** at -0.3% y-o-y, and 0.2% y-o-y, respectively.

Financial Markets: Global Equities Continue To Their Rally; Usts Reach Their March Highs; Oil Prices Surge

**Equities**: Lifted by heightened prospects for significant US fiscal stimulus under the incoming Biden's administration, global equities closed higher w-o-w (MSCI ACWI, +2.7%, to 664). In the US, the S&P 500 Index hit new highs (+1.8%, to 3,825), lifted by the energy sector, as well as increased stimulus hopes. In the EZ, Europe's shares: *i)* shrugged off the imposition of new, stricter lockdowns; and *ii)* rose (Eurostoxx 50, +2.6%, to 3,645) on hopes that both the deployment of coronavirus vaccines and a potentially massive US stimulus package could spur a sustained recovery.

**Fixed income**: w-o-w global bonds remained flat (BAML Global, -0.6% to 298.0), but USTs rose significantly (+20 bps, to 1.11%) – hitting their highest level since March 2020, as the Democrat's control of the US Senate lifted prospects of significant stimulus measures.

**FX**: w-o-w, the USD traded higher against other currencies (DXY, +0.2%, to 90.098), while the EUR/USD remained unchanged (0.0%, to 1.222).

**Commodities**: Oil prices surged (Brent, +8.1% to 56.0 USD/b), after Saudi Arabia made a surprise announcement that it was unilaterally cutting oil production by 1m barrels per day. The recovery of the USD and rising bond yields put downwards pressure on gold prices (-2.6% to 1,848 USD/Oz.).



@RosaRoubini



Rosa & Roubini



Rosa&Roubini Associates

For more information, please call us on +44 (0)207 1010 718 or send us an email to [info@rosa-roubini-associates.com](mailto:info@rosa-roubini-associates.com)

[www.rosa-roubini-associates.com](http://www.rosa-roubini-associates.com)

118 Pall Mall, London SW1Y 5ED

## Abbreviations, Acronyms and Definitions

a	Actual	LN	Northern League, Italy
AKP	Justice and Development Party, Turkey	MSS	Five Star Movement, Italy
ann.	annualized	m-o-m	Month-on-month
ARS	Argentinian Peso	mb	Million barrels
avg.	Average	mb/d	Million barrels per day
bn	Billion	MENA	Middle East and North Africa
BoC	Bank of Canada	MHP	Nationalist Movement Party, Turkey
BoE	Bank of England	mn	Million
BoJ	Bank of Japan	MPC	Monetary Policy Committee
bpd	Barrels per day	NAFTA	North-American Free Trade Agreement
bps	Basis points	NATO	North Atlantic Treaty Organization
BS	Balance sheet	OECD	Organization for Economic Cooperation and Development
c	Consensus	Opec	Organization of Petroleum Exporting Countries
C/A	Current account	p	Previous
CB	Central bank	P2P	Peer-to-peer
CBB	Central Bank of Bahrain	PBoC	People's Bank of China
CBK	Central Bank of Kuwait	PCE	Personal Consumption Expenditures
CBT	Central Bank of Turkey	PE	Price to earnings ratio
CDU	Christian Democratic Union, Germany	PM	Prime minister
CNY	Chinese Yuan	PMI	Purchasing managers' index
CPI	Consumer Price Index	pps	Percentage points
DJIA	Dow Jones Industrial Average Index	pw	Previous week
DJEM	Dow Jones Emerging Markets Index	QCB	Qatar Central Bank
d-o-d	Day-on-day	QAR	Qatari Riyal
DXY	US Dollar Index	QE	Quantitative easing
EC	European Commission	q-o-q	Quarter-on-quarter
ECB	European Central Bank	RE	Real estate
ECJ	European Court of Justice	RBA	Reserve Bank of Australia
EIA	US Energy Information Agency	RRR	Reserve Requirement Ratio
EM	Emerging Markets	RUB	Russian Rouble
EP	European Parliament	SWF	Sovereign Wealth Fund
EPS	Earnings per share	tn	Trillion
EU	European Union	TRY	Turkish Lira
EUR	Euro	UAE	United Arab Emirates
EZ	Eurozone	UK	United Kingdom
Fed	US Federal Reserve	US	United States
FOMC	US Federal Open Market Committee	USD	United States Dollar
FRB	US Federal Reserve Board	USD/b	USD per barrel
FX	Foreign exchange	UST	US Treasury bills/bonds
FY	Fiscal Year	VAT	Value added tax
GCC	Gulf Cooperation Council	VIX	Chicago Board Options Exchange Volatility Index
GBP	British pound	WTI	West Texas Intermediate
GDP	Gross domestic product	WTO	World Trade Organisation
IMF	International Monetary Fund	w	Week
INR	Indian Rupee	w-o-w	Week-on-week
IPO	Initial public offering	y	Year
IRR	Iranian Rial	y-o-y	Year-on-year
JPY	Japanese yen	y-t-d	Year-to-date
k	thousand	ZAR	South African Rand
KSA	Kingdom of Saudi Arabia	2y; 10y	2-year; 10-year



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