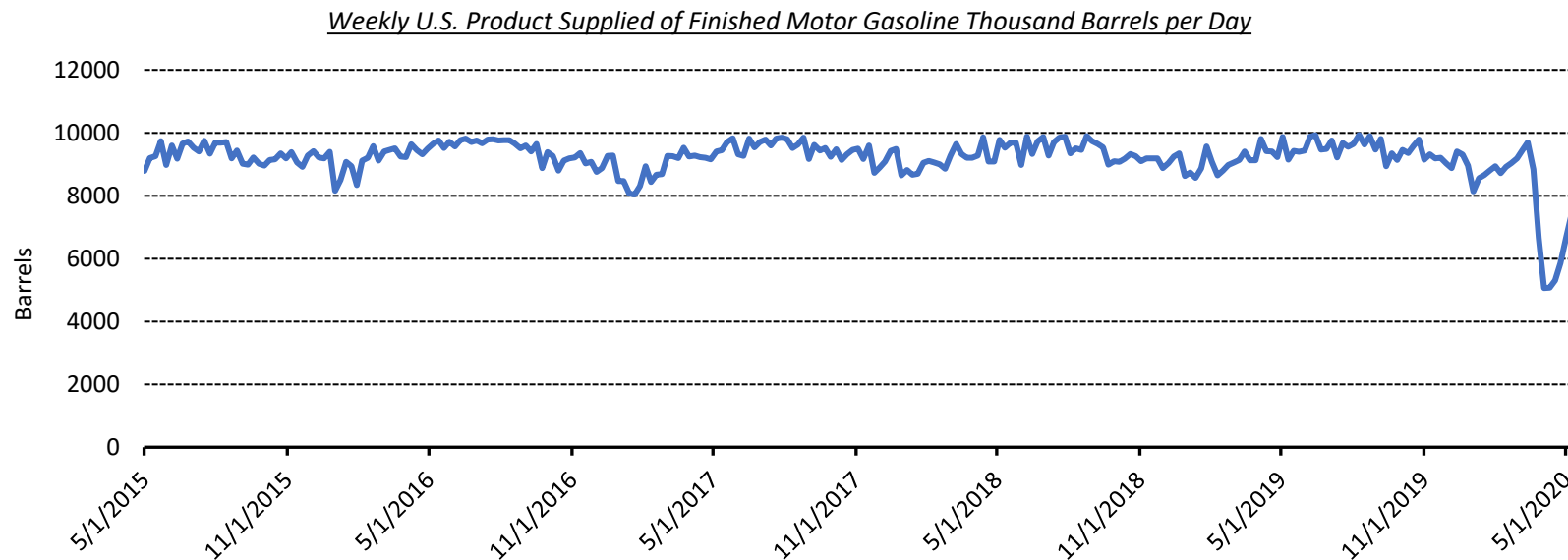


The Recovery Has Begun

The governmental response from leaders in the U.S. to the pandemic has been to shut down non-essential businesses and most types of social activities in an effort to limit the spread of Covid-19. These types of stay at home orders have caused the global economic engine to stop. Virtually all charts which reflect economic activity show a very steep contraction and we are now in a severe recession with over 30 million people unemployed. This contraction has been met with an unprecedented response from both the Fed and Congress. The response by political leaders has been “they will do whatever it takes to get our economic engine going again.”

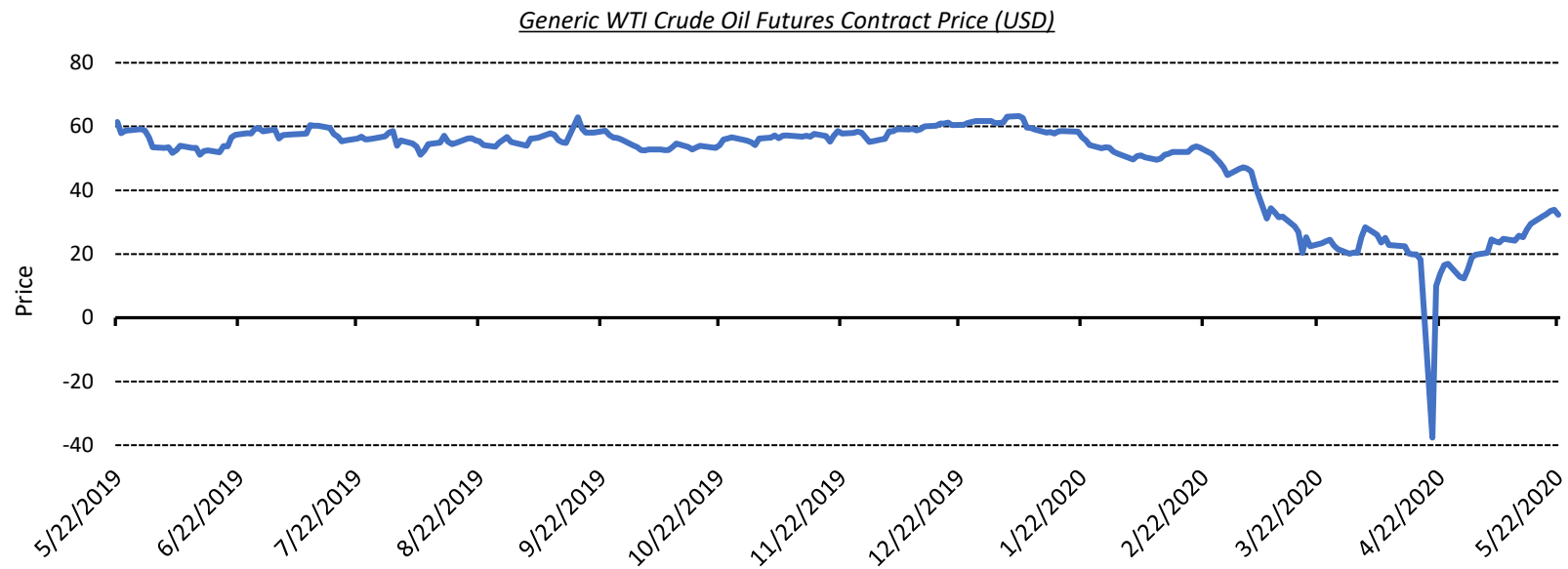
We are seeing some signs of economic activity picking up. Workers are beginning to use more fuel as they start to get back to work. This is shown by a rise in gasoline consumption as pointed out by Ed Yardeni in a recent blog post. The chart below shows the increase in gasoline supplied from about 5 million bbl/day to 7 million bbl/day.



Source: U.S. Energy Information Administration

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Travel activity is also starting to pick up again. Southwest Airlines is seeing more flights being booked than being cancelled. Oil consumption in China has increased during the last 6 weeks or so. The chart below shows the bottoming of the nearby WTI Crude Oil contract.



Source: Bloomberg

These are early signs that the economic engine is starting to work again, and the economy has bottomed out.

The primary concern has been for protecting the health of our citizens. However, the focus is now shifting to protecting our citizen’s health while getting people back to work. We have begun the financial healing process with help from Federal policies. This will probably happen gradually, but there is a chance it will happen more quickly than most people expect.

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