



## The Second Wave...

The media remains fixated on the potential for a second wave of COVID. But we believe it is simply the continuation of the first wave, given the current vector of the data we analyze. While we acknowledge that the number of positive cases has increased across the U.S, we also note that the number of tests has also increased. According to data supplied by [covidtracking.com](https://covidtracking.com), the percentage of those tested positive relative to the total number tested fell over the last week from 9.2% to 8.6%, while at the same time, those infected rose by 8%. So this week's lesson is (like with security valuation), it is all relative. Still, we promised to change our tune if the facts change. Thus, we did notice an increase in the positive/total tested ratio for Arizona, moving from 10.1% to 11.4%. But, as for the other "hot-bed" states of Florida and Texas, we noticed only a modest increase, and far from the "spikes" touted by some in the media. Then you have some other states, say like [Rhode Island](#), which has been open for some time. Here, while the infection rate also has been inching up, the percentage positive/tested ratio continues to fall. The rub? Rhode Island has one of the highest testing per capita rates in the country. So perhaps, just perhaps, with more testing in Florida, Arizona and Texas, we may find more negative results, rather than jumping to the conclusion that there is a spike in cases associated with opening. Just a thought.

More importantly, this week, we are concerned with a potential **second wave in layoffs**, which compounds our worry that many who already lost their [jobs may be unaware that the additional \\$600 weekly benefit may expire in July](#). While [initial claims](#) did moderate this week, the fall was less than expected. Much of our anti-consensus view for a "W" recovery for the equity markets is driven by our contention that the employment situation is not as rosy as the [prior month's job report](#) reflected. For example, it was wasn't wildly reported that unemployment trends for those out of work for greater than five weeks were significantly more dire than those jobless for only five weeks or less.

*"In May, the number of unemployed persons who were [jobless less than 5 weeks decreased by 10.4 million to 3.9 million](#). These individuals made up 18.5 percent of the unemployed. The number of [unemployed persons who were jobless 5 to 14 weeks rose by 7.8 million to 14.8 million](#), accounting for about 70.8 percent of the unemployed. The number of [long-term unemployed](#) (those jobless for 27 weeks or more), at 1.2 million, [increased by 225,000](#) over the month and represented 5.6 percent of the unemployed. -- U.S. Bureau of Labor Statistics, June 5, 2020*

Further, while retail sales data also surprised to the upside this week, we believe that this trend is a function of those with secure employment redirecting expenses once associated with commuting, dining out, and other costs (now mitigated by lock-down), into discretionary purchases. We, for one, purchased some yard furniture, as we are spending more time at home, and need an extra "living space" for the family. Also, some of this "spending surge" could be associated with those unaware that the additional \$600/week benefit may expire in July, in other words, smoke'em if you got'em.

Below, we list just a few of the headlines we found over the last couple of weeks that supports our concern that the second wave of unemployment may be approaching. **We stopped at 35; I'm sure if we dug further, we could provide more**; our sources are wide-ranging and include Reuters, Bloomberg, Dow Jones, the Associated Press, and FactSet.

1. [Hilton Cutting About 22% of Global Corporate Workforce](#)
2. [HSBC Restarts Plan to Cut 35,000 Jobs](#)
3. [Massachusetts teachers receive pink slips](#)
4. [Life Time cuts 300 Twin Cities employees](#)
5. [American Airlines to Cut 30% of Management and Administrative Staff](#)
6. [Pennsylvania Turnpike toll collectors are blindsided by sudden layoff](#)
7. [PEM laying off 15% of staff amid ongoing pandemic](#)
8. [AT&T's "headcount rationalization"—i.e. job cuts—hits thousands more workers](#)
9. [Miles College announces temporary furloughs, layoffs, and position cuts due to COVID-19](#)
10. [Permanent layoffs at Greektown Casino will begin in September](#)
11. [Marriott announces layoffs, reductions in hours for downtown KC hotel](#)
12. [1,000 tech layoffs: Lyft, Yelp, IBM, LendingClub reveal Bay Area job cuts](#)
13. [Allstate to layoff "thousands" of staff](#)

14. *Racino layoffs planned in Dayton; 2 Ohio casinos plan 304 layoffs*
15. *Washington National Cathedral announces staff layoffs as COVID-19 hits finances*
16. *And-Ones: NBA Layoffs, Larkin, N'Diaye, Weber*
17. *Quinnipiac University furloughs, layoffs staff as it faces \$55 million budget shortfall due to COVID-19*
18. *800 Enbridge employees opt for voluntary buyouts*
19. *University of Iowa's biggest college preparing for layoffs*
20. *Ovintiv Plans Layoffs, Enbridge Cutting Positions Via Buyout*
21. *Texas Capital cuts jobs soon after calling off \$5.5 billion merger*
22. *Greater Valley YMCA laying off about 300 employees*
23. *Citing the coronavirus pandemic, Tower Health to cut 1,000 positions*
24. *BP: Massive Write-Downs And Layoffs Likely Foreshadow A Massive Dividend Cut*
25. *Erlanger cuts leadership jobs after suffering losses during the pandemic*
26. *Barberton firm cuts workforce by more than half with latest layoffs*
27. *Teachers, staff laid off in Hanover amid budget cuts*
28. *Two Philly tourism groups cut staff and a full recovery could take years*
29. *Alaska Air will cut thousands of jobs and shrink to survive coronavirus-induced downturn*
30. *About 100 employees at La Salle University face layoffs or salary cuts*
31. *24 Hour Fitness Uses Phone Calls to Cut Staff Across the U.S.*
32. *Warren Buffett's Fort Worth-based BNSF cuts jobs as railroads feel COVID-19 pain*
33. *Weymouth furloughs staff, cut employee hours due to COVID-19*
34. *Facing \$15.7 million deficit, Redlands OKs cuts to police, library and animal shelter*
35. *Kennametal to cut global workforce 10% by end of year*

## We'd love to hear your thoughts.

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