

On Monday Congress came to a bipartisan agreement to pass a long awaited second stimulus bill aimed at supporting American citizens and businesses during the COVID-19 pandemic. The new bill totals \$900 billion and is expected to be signed into law by the President in the coming days. The new bill is the second-largest federal stimulus package after the \$2 trillion CARES Act that Congress approved in March. While no bill is perfect, this is viewed as an important step to maintain the current recovery and prevent greater lasting economic damage.

What is in the Second COVID Relief Package?

Payments to Americans:

On direct payments, the bill provides \$600 to individuals with an adjusted gross income on their 2019 tax returns of up to \$75,000 a year to couples making up to \$150,000, with payments phased out for higher incomes. An additional \$600 payment will be made per dependent child (age 16 years and younger). For reference, that is a change from the cap of \$1,200 per adult and \$500 per child dependent from the first round of payments. The bill also allocates \$300 per week to people who are out of work, on top of their usual state unemployment check for 11 weeks.¹

Rental/Housing Assistance:

The CARES Act established a nationwide ban on evictions for renters who were late on their rent. When that was set to expire, Trump extended the ban. But that extension, too, is set to expire at the end of the year. This bill would extend the federal eviction moratorium through Jan. 31, 2021. It would also help guard against evictions by providing \$25 billion to state and local governments to help qualified renter households pay for rent and utilities.²

Small Business Impact:

The new bill will add \$284 billion to the Paycheck Protection Program for small business forgivable loans. The bill will target aid for businesses especially hard hit by closures, including nonprofits, restaurants, and live venues.²

Additional Measures:

The bill will provide \$16 billion for vaccine development and distribution, along with funding coronavirus testing and contact tracing efforts. It sets aside \$82 billion for education and \$10 billion for childcare. The bill also includes \$13 billion for the Supplemental Nutrition Assistance Program (SNAP).²

Economic and Market Impact:

This bill could not have come at a better time as we are witnessing a surge in new COVID-19 cases in the United States. Over the past week there has been an average of over 216,000 cases per day, an increase of 7% from the 7-day average two weeks earlier.³ As cases have risen jobless claims have reached a three-month high, which could lead to a tick up in unemployment and threaten to derail an improving economy. We believe the new package should help keep people employed as well as providing a bridge for those currently looking for work. We believe the stimulus will be a positive to markets as it provides a stopgap until there is wider vaccine distribution and we get closer to a full reopening. Additional stimulus could be expected in Q1 of 2020, which would be supportive of risk assets and economic growth.

¹ <https://www.nytimes.com/article/stimulus-deal-update.html#:~:text=Individual%20adults%20with%20adjusted%20gross,would%20get%20twice%20that%20amount.>

² <https://www.cnet.com/personal-finance/new-stimulus-bill-contents-confirmed-600-stimulus-300-unemployment-checks-more/>

³ <https://www.nytimes.com/interactive/2020/us/coronavirus-us-cases.html>

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