# BULL & BEAR BULLETIN

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VALICENTI ADVISORY SERVICES, INC.

400 East Water Street
Elmira, NY 14901
**607-734-2665**
Fax: 607-734-6845

447 East Water Street
Elmira, NY 14901
**607-733-9022**
Fax: 607-734-6157

24 West Market Street
Corning, NY 14830
**607-936-1203**
Fax: 607-936-0213

**www.valicenti.com**




## On Jobs and the Economy

The steep recession that occurred as a result of the Global Financial Crisis saw the economy shed 5.1M nonfarm payroll jobs. Even as the economy recovered, companies continued to reduce headcounts and by February of 2010 the tally of nonfarm payroll losses had grown to 6.2M workers. Similarly, the recession that occurred in the 2001 period saw a decline in nonfarm payrolls of 1.7M before things began getting better and, even then, companies reduced jobs by another 694K throughout most of 2003. The key takeaway is that the past cycles have shown that it can take a good amount of time for companies to right size and get their costs in line with their respective demand pictures for their goods and services after major economic shocks.

We have had population growth since the earlier recessions cited and this current economic downturn has far different origins. That being said, the shock to nonfarm payrolls and the real people behind the numbers has been enormous. In March and April of 2020, 21.2M nonfarm payroll jobs were lost as many service occupations were quickly detached from the economy as we purposely closed down. From May 2020 through January 2021, we have gained back 11.9M jobs. The key takeaway is that, at present, the ranks of employed, at least by this metric, are still down a net 9.3M from just one year ago. This is a large hole in the income generation of the American people that fuels necessary consumption. For now, this shock has been aggressively countered with governmental fiscal support for individuals.

There is optimism that effective vaccines and a movement towards normalizing society's mobility will help produce a strong rebound in the back half of the year. As of December, the Federal Open Market Committee members of the Federal Reserve published economic projections for growth in 2021 ranging from 3.7% to 5%. This is an above U.S. economy trend growth scenario which would likely see many currently unemployed return to work should the service economy open up further.

How do bulls and bears see this picture differently? Bulls may be leaning on the back half recovery and a return to normalization with continued monetary and fiscal support. The bull side arguments may further rely on a more temperate view of prices and stability due to the realities of the shock of disrupting supply chains and the depressive impact of having 9.3M people dropped from the worker rolls. Bears on the other hand would likely need an extremely robust recovery to run hot alongside overly aggressive stimulus creating a price environment not as stable as forecasts. This in turn could cause policymakers to rapidly withdraw support. In the longer run, that could be a more volatile and difficult environment for companies to contend with.

Source: FactSet, U.S. Department of Labor