

Weekly Commentary with Professor Jeremy J. Siegel

Therapeutics, Testing, Case Lows are Key

Market Drivers

Monday, 20/4/2020



Jeremy Schwartz, Executive Vice President, Global Head of Research for WisdomTree, hosts a weekly discussion with Professor Siegel, typically on the Wharton Business Radio podcast. The notes below summarize their conversation along with further commentary and context.

Professor Siegel was excited that early news on the anti-viral drug Remdesivir was leading to good outcomes for patients in a Chicago hospital. A vaccine is the ultimate ‘cure’ that will give confidence we can get back to normal, but a vaccine may be a year or more away. In the meantime, therapeutics like Remdesivir can reduce the worst outcomes of the virus and make it more like the flu. This is an important step to increasing confidence.

While some states may be on track to open the economy, of much greater importance is how quickly consumers will have the confidence to go out and engage in commerce. There are planes flying, but at 95% reduced traffic and revenue. Testing must be dramatically expanded to identify “hotspots.” Commerce will come back very slowly until effective therapeutics are developed and we should see tests on that soon.

The economic news will continue to be terrible in the short run. There are now 22 million Americans who filed for unemployment. But these data are all in the rear-view mirror—the key question for the forward-looking market is the re-opening and how fast this economy gets going again.

As the market rallied significantly over the last two weeks, Professor Siegel emphasizes over 90% of the value of stocks comes from earnings more than 1-year in the future. This is why Professor Siegel does not think the market over shot from the bottom. Rather, he is confident the market will look past this year’s data to the successful re-opening of the economy next year. Therapeutics, testing, and case lows are the key drivers of the equity market now.

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