



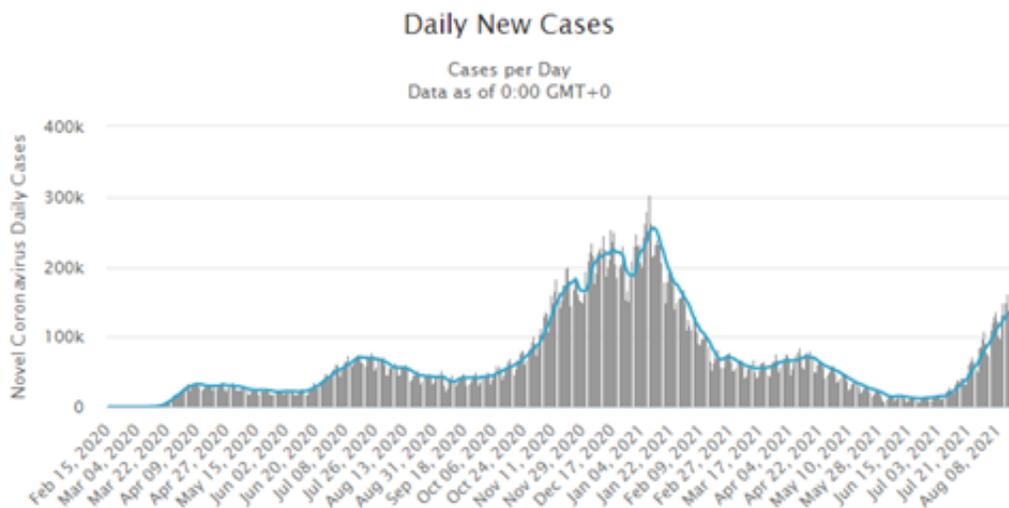
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The Big Picture – COVID is here to stay, but it will be easier to live with

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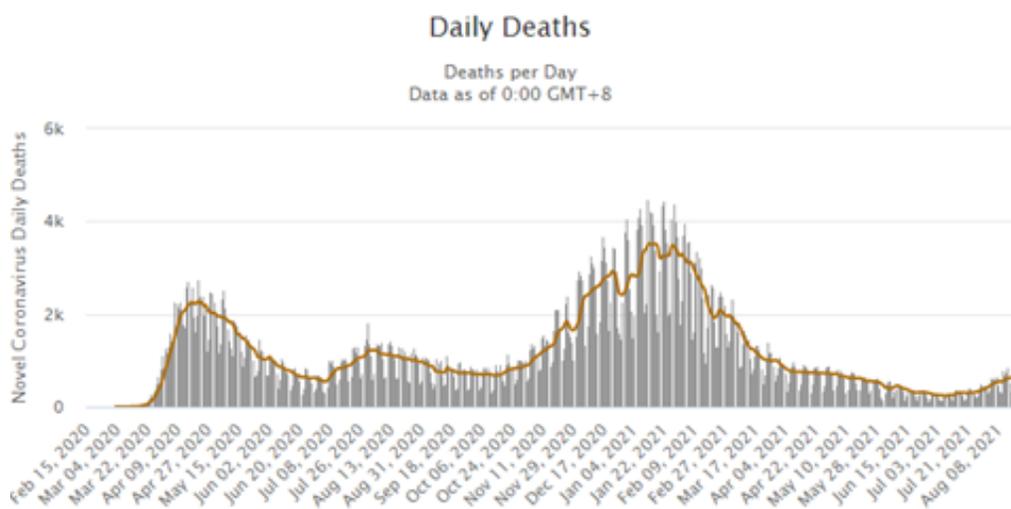
The real economic risk for the Delta variant lies in supply chain impact from other countries where vaccines are not readily available or distributed.

Here in the U.S. we are barraged with COVID headlines every day, but the facts show that the vaccines, for those that choose to take them, are doing their job. People are going to get sick, and there is little that we can do to prevent that, but severe cases and deaths are being almost entirely prevented with the vaccine. As you can see from the charts below (courtesy of Worldometer.info), peak cases this summer are twice as high (139,000 cases per day versus 70,000 based on 7-day average) and yet peak deaths are nearly 40% lower (703 per day versus 1222 based on 7-day average) and this is with only half of the population across the country vaccinated and a variant that is twice as transmissible.



Daily New COVID-19 Cases (United States)

(Source: Worldometer.info)



Daily Deaths from COVID-19 (United States)

(Source: Worldometer.info)

On August 17th the Wall Street Journal reported a study that since January 1 there have been 16,578,509 cases of Covid-19 in the U.S. Of those there were 193,000 breakthroughs, or 1.1% of all cases, the vast majority of which are elderly or have compromised immune systems.

BOOSTERS, BREAK-THROUGHS, SURGES, MANDATES – WHERE IS IT ALL GOING?

While I cannot pretend to know the answers, my experience tells me that, like with most things, taking a very high-level perspective can provide some sense of clarity. This is the perspective I took when detailing my opinion that investors should be more optimistic in spring 2020 in this Barron’s Interview, *Barrons.com: Kevin Grimes “Don’t Bet Against a Vaccine”*. So here goes – We have a new highly transmissible and rather deadly super-flu which is a reality that we will likely be living with for a long time to come. Luckily there exists an extremely effective treatment. While vaccines do not mean that there is total immunity to the virus as a vaccinated person can still transmit the virus, could feel ill for several days, and even, in extremely rare situations, need a trip to the hospital, the likelihood of death from COVID after being vaccinated rounds to 0%. The virus tends not to target the young and the healthy who will, over time, develop a natural resistance to it even if they do not take vaccines, just as has always happened throughout history with pandemics. Remember that surviving an infection counts towards herd immunity. In short, we will need to eventually accept it as part of life. Annual shots, or boosters, are likely to become the norm, available just like flu shots have been for years, which should mitigate the risk of future variants and waning immunity.

Right now, the problem is not the domestic population; the problem is those in poorer countries that do not yet have access to vaccine. Putting the humanitarian discussion aside for a moment and strictly from a cold economic perspective, what needs to happen next is the continued global vaccine rollout to other countries to straighten supply chains and solidify global growth and consumption. Until that point it will be very difficult to estimate what realistic inflation and growth assumptions will be and therefore what central bank monetary policy should be. The global economy needs to fully open to reduce supply chain pressures before we are fully out of the woods, and that is probably months, or

quarters, away. That said, it is coming, and making a portfolio decision based on short term Delta variant or sensational headlines would likely be a mistake.

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