Crisis Dashboard: Big Data Helps Paint the Big Picture (Update)

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Crisis Dashboard: Big Data Helps Paint the Big Picture

As of June 26, 2020

Investors looking for signs of an eventual return to normal from the coronavirus crisis have no shortage of signals to track. No list is exhaustive, but these data indicators–informed by traditional and big data, provide a helpful "dashboard" that paints a picture of where we stand on the road back. The text below the dashboard provides more detail on what the data is saying today.

Signal to Watch	Why It Matters	Improving/ Deteriorating	Change From Previous
Public Health			
Coronavirus Cases	When the curve of cumulative cases starts to flatten, investors will begin to revalue earnings potential.	↓	Downgraded to Red and Trending Down
Households/Consumers			
School Closings	School closings have psychological and economic impacts. Signs of reopening would be a positive.	↔	No Change
Travel and Leisure (Corporate/Personal)	Travel restrictions hurt economic activity, including restaurant bookings and hotel traffic.	↑	No Change
Home Buying/Refinancing	Lower interest rates drive more homeowners to refinance their mortgages, which frees up consumer cash.	↑	No Change
Employment & Household Finances	Lost jobs mean less household income, but those who continue to earn are saving more.	↑	No Change
Financial Markets			
Investment Flows	Money flows for risk assets indicate how willing investors are to take on risk in their portfolios.	↔	No Change
Financial Conditions (Policies, Spreads and Curves)	Tighter conditions constrain credit. Steeper yield curves signal expectations for higher economic growth.	↑	No Change
Commodity Prices (Oil, Copper, Coal)	Very cheap oil can lead to defaults in the energy sector and perhaps more broadly.	↑	No Change
Corporate Earnings Guidance	Lower earnings guidance tells investors that companies face tough times ahead and are lowering their sights.	↔	No Change

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Sources: Bloomberg, Glassdoor, Google, Johns Hopkins University, opentable.com, US Bureau of Labor Statistics, various web scrapings, company reports and AllianceBernstein (AB)

Our crisis dashboard includes signals from three areas: 1) public health, 2) the consumer sector and 3) financial markets. By pulling big data from traditional sources (earnings growth and gross domestic product, for example) and nontraditional sources (like Google Trends and Glassdoor), we can create a better mosaic of the road back. Public health, of course, is the key: until there's a vaccine, the cascading impact of the virus may continue.

The dashboard color codes (red, yellow or green) indicate the current state of each signal, while the arrows indicate the trend (improving, deteriorating or unchanged).

The dashboard has remained fairly steady since our last update, with one notable exception: the public health front. The number of coronavirus cases continues to climb, and the R0 rate, the average number of people infected by one person, is up. That's concerning, since so much depends on progress in the fight against COVID-19. We've downgraded our public health indicator to red and trending down.

Public Health

- Globally, the number of confirmed coronavirus cases continues to rise—it's currently over nine million. Cases are rising in some part of the world, such as Brazil and a resurgence of cases in the US.

Households/Consumers

School Closings:

- Many schools globally shut their doors for the remainder of the school year (120,000 schools in the US alone). Administrators are working with health officials to develop plans for fall reopening with appropriate health and safety precautions.
- Higher education is suffering. Many schools are preparing for online classes to continue in the fall, which would likely slash the number of students willing to pay high prices for higher education.

Travel and Leisure:

- Travel restrictions are widespread but have been loosening since mid-May. Transportation Security Administration data is showing a slow but continued improvement in flight volumes with US origin, based on traveler throughput.
- Global flights have recovered from their mid-April lows, but travel restrictions remain in areas like China, given a resurgence in cases.
- "OpenTable" bookings are down by 66%, a significant improvement from 80% several weeks ago. But this metric bears watching as case counts rise in the US.
- Google search trends for "vacation idea" have dropped everywhere except Asia. China, for example, has seen searches picking up relative to 2019. In the US, searches are at 70% of the 2019 level, an improvement from down 50% several weeks ago.
- Airbnb and VRBO searches are up 20% relative to last year, as travelers look to plan socially distanced vacations.
- Mobility is increasing globally, but many are refraining from using public transportation (Google Mobility Data).

Home Buying/Refinancing:

- Refinancing activity is showing signs of improvement, a result of low interest rates.
- Home buying activity may begin to see improvement, given that Zillow home searches and mortgage-loan searches have returned to normal levels following a steep March decline.

Employment & Household Finances:

- Job postings have returned to somewhat normal levels versus last year. US jobless claims have slowed, though 47 million people have filed for unemployment benefits over the last 14 weeks.
- Nearly 60 million jobs across the European Union and UK are still at risk.
- Credit card spending data shows a rebound to just below 2019 levels, but the recovery seems to be slowing.
- US personal savings as a percentage of disposable income remained elevated in May at 23.2%, though down from 32.2% in April.
- In Europe, it's estimated that household savings rates could increase by as much as 20 percentage points to 36% on average in the second quarter, according to Eurostat. That's a lot of precautionary savings that could represent pent-up demand.
- China's personal savings rate is expected to reach 34% the end of 2020 (Source: Trading Economics).

Financial Markets

Investment Flows:

- Based on Simfund and ICI data, about $39 billion has moved into bond funds since the beginning of June, as investors shifted out of money-market accounts to slightly riskier but higher-paying investments. Equity flows remain largely flat.

Financial Conditions:

- High yield spreads widened over the past week to 605 basis points (556 basis points excluding energy).
- New issues totaled $15.4 billion this week, taking this month's total issuance to $50.6 billion, a new all-time record

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that beats the $46.9 billion in September 2013.Year-to-date issuance is at a record $205 billion, about 71% more than the same point last year, and only $55 billion short of full-year 2019.
- Year to date, 51 companies, totaling $92.3 billion in bonds and loans, have defaulted or completed a distressed exchange. That makes 2020 already the second-highest calendar-year default total on record, trailing only the $205 billion in 2009. US high-yield bond default rates have risen to a 10-year high of 6.11%.
- The US Treasury yield curve is largely unchanged from a month ago.

Commodity Prices:

- Coal consumption in China is slowly picking up again—it's up about 10% from last year.
- Oil prices are finally stabilizing, having climbed to approximately $40 per barrel, a high since early March.
- Copper prices are also stabilizing (around $2.64 per pound), after rising from March's levels.

Corporate Earnings Guidance:

- 2020 earnings-per-share (EPS) estimates have declined considerably. However, the market is focusing on 2021 earnings, with stocks trading at a multiple of about 19 times.

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