The 'Disturbing Reality' Fueling This Bull

By Lee Beilfuss

The stock market's strength doesn't necessarily mean anything is amiss. But this bull market should behave, I want to note several unusual aspects of the economy and the argument is a double-edged sword: If the past no longer can instruct us about what to expect, then the future may well be different. But we can still try to make sense of what is happening in the world today and what might be going on with the economy. Business has never been busier. She's seeing rising demand for full-time, live-in nannies—the idea being that live-in help is less risky in terms of virus transmission—in the midst of the coronavirus recession. But for the millions who can't return, school closings will damage labor supply and hinder upward mobility for years to come.

Source: Education Week

Schools are a vital, if often overlooked, cog in the U.S. economy. They provide child care for working parents, fuel spending at retailers, and fund businesses that provide food for cafeterias and dispose of the garbage they create. Their absence could cost the U.S. $200 billion in GDP over a nine-month academic year—or 2.3% of gross domestic product—if schools nationwide stay closed. That translates to more than $500 billion over a nine-month academic year—or 2.3% of GDP—under the worst of the coronavirus-induced downturn in March. Stocks continue to shrug off the uncertainty and lack of clarity related to school starts for softness in U.S. consumer health.

As August turns to September, some 56 million K-12 students are starting a school year like no other. Most students will be learning from home; others will be back in school full time; and still others will experience a hybrid model that combines the two. The pain has already shown up in earnings at retailers like Target (ticker: TGT). The same-store sales have decelerated “due largely to softer sales in our back-to-school category.”

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The good news is that every child going back to school either full time or in a hybrid model will mean more dollars spent. It’s not just 52% of parents who won’t make back-to-school purchases. The first indication of this is in the stock market, where the market is up 46% this year, but also in the broader economy, where the economy is up 94% this year. So curious, in fact, that some are raising “curiouser and curiouser” ways, as Alice said in “Alice in Wonderland.”

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