
IT'S "ON THE LINE"

Kevin Flanagan – Head of Fixed Income Strategy
12/02/2020

With the second wave of COVID-19 dominating headlines, it's natural to wonder what the economic impact may be this time around as compared to Q2. While partial shutdowns are occurring and "reopening" phases are being reversed, as yet we have not witnessed the blanket shutdowns that we saw in the spring. However, that doesn't mean the U.S. economy can't be adversely affected, so let's take a step back and see where we are as we enter the final month of 2020 (I heard the cheers when you read that).

After Q3's record-setting increase of +33.1% in real [GDP](#), there's no doubt the [economy had some momentum to begin the final three months of the year](#). The concern is whether that momentum can be sustained, given the second COVID-19 wave. The data has been a bit of a mixed bag on that front. Consumer spending has continued to provide support, albeit at a reduced pace. More recently, news reports surrounding Black Friday and Cyber Monday sales trends have tended to underscore where we are in 2020. According to reports, foot traffic to physical locations appears to have been cut in half, but online ("on the line," thanks to Vince Vaughan in *The Internship*) sales rose considerably. Can "on the line" purchases offset "floor traffic"? Great question! And with the Christmas shopping season upon us, we'll find out pretty quickly as we're bound to read/hear about updated sales tallies.

On some other fronts, weekly jobless claims (a leading indicator) have been on the rise, and anecdotal data on in-person dining is showing the negative impact from the pandemic again. But the [Purchasing Managers' Index \(PMI\)](#) gauge rose to its highest level in five years in November, led by gains in manufacturing and, perhaps more importantly, the service sector. Remember, the service sector was the area of the economy hit the hardest earlier this year.

Conclusion

Our reasonable case scenario implies that growth will slow during the second half of Q4 and the start of 2021. But according to most early GDP forecasts, it looks like a positive performance is still expected for the final three months of this year. The Atlanta Fed's GDPNow measure estimates Q4 real GDP at +11%. While this gauge was a good indicator for the actual Q3 growth number, it seems too high this time around.

Perhaps the most interesting part of this story is that, based on GDP data, the U.S. economy could be on the verge of coming all the way back to pre-pandemic numbers much sooner than expected. Just a few short months ago, this scenario would have been dismissed out of hand.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only. You cannot invest directly in an index.

DEFINITIONS

Gross domestic product (GDP): The sum total of all goods and services produced across an economy.

Purchasing Managers' Index (PMI): An indicator of the economic health of the manufacturing sector. The PMI is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. A reading above 50 indicates an expansion of the manufacturing sector compared to the previous month; below 50 represents a contraction while 50 indicates no change.