+ A disconcerting dissonance exists between economists regarding recovery prospects. On the sell-side, a large majority believe that a V-shaped recovery is in the offing. Almost no independent economist or academic thinks this is possible. A majority of that group sees a **steep drop followed by a rapid partial recovery then followed by a long period of slower, uncertain growth** (a reverse radical shape: a mirrored version of the square-root symbol) – a conviction we've espoused for months.

+ What is the market failing to see? The economic hibernation triggered by lockdowns plunged the global economy into a sharp and sudden recession from which reopening is spurring the beginnings of a recovery. **But the 'traditional' economic recession will come later.** As the various measures of fiscal support are withdrawn, a significant slice of service sector companies will emerge as beyond recovery. For non-service businesses, like auto and engineering, cut backs will be the only option. Resultant **rising unemployment and decreasing consumer confidence will curtail consumption**, clipping the wings of the nascent recovery.

+ The global economy's reopening is frequently presented as if it were immutable – wrong. It is almost entirely dependent upon the trajectory of the COVID pandemic, which remains unknown. Hence, **the path forward is "extraordinarily uncertain"** (Jay Powell, Fed Chairman). The US crystallizes this situation: a growing number of states have been forced to roll back reopening after a resurge in COVID cases. Elsewhere, for the same reason, some cities, like Beijing or Leicester (UK), or regions, like Gütersloh in Germany, have tightened or re-implemented partial lockdowns. The bottom-line: the pandemic is still worsening globally, exit strategies remain in start-stop mode and **the global economy will only operate at 80% or 90% capacity as long as consumers don't feel 100% safe.**

+ It's no coincidence that those who see an overly rosy future are often found in the tech and digital sector (the undeniable winners in the post-COVID era) or in the large global companies (a majority of which will get by more easily than small and medium-sized businesses). For a more balanced and accurate economic perspective, **it is the small and the less trendy that count.** In the US (a proxy for other high-income countries), S&P500 companies make up less than 10% of total non-farm payrolls. By contrast, **about 50% of the US workforce is employed by small service companies, like restaurants and retailers**.

+ "There are decades where nothing happens; and there are weeks where decades happen"; COVID has proven Lenin right. It's been and will continue to be a **formidable accelerator and catalyst of existing trends**. Here are there, fed by systemic connectivity.

+ **(1) Less meat?** The infection of a meat processing plant in Germany provides a vivid example of how risks tend to amplify each other. In the pre-pandemic era, the global meat industry was already in trouble due to deep concerns about its environmental impact. Now, as it emerges as a hot spot for the virus, the appalling labour conditions in meat-processing plants are also being laid bare. This concatenation of an environmental risk with a societal one will exacerbate the troubles of the meat industry.

+ **(2) Less USD?** Long-term investors must start thinking about the possible decline of the USD as a global currency reserve. Only the trust of non-Americans who hold dollars makes dollar dominance possible: they trust that the US will (1) manage sensibly its economy and (2) will also manage sensibly its currency, notably vis-à-vis the rest of the world. This trust has now been dented on both counts. Dollar-status doubters question the rising debt levels, the US administration's weaponization of the USD for geopolitical purposes and the incompatibility of the USD dominance with rising nationalism. If the US fails to inspire global confidence and credibility, the USD will have to give.

+ **(3) Less oil?** Having reached the conclusion that the pandemic will accelerate a global shift towards cleaner forms of energy, BP and Shell just slashed the value of their assets. Other oil & gas companies will follow suit. In the words of a super-major' CEO, the pace and scale of the societal impact of COVID on carbon-emitting industries is "unprecedented".

+ For one more argument to grasp just how fast things will change in the post-COVID world, we need go no further than the recent warning from the private sector to the Brazilian government. 29 major financial institutions with combined assets of USD3.7tr have publicly declared that they will stop investing in Brazil if the administration doesn't curb environmental destruction. This goes beyond "sustainability": **protecting natural assets is fast becoming an overwhelming investment theme**.

+ Natural capital is becoming such a rising concern and an economic opportunity because COVID-19 is giving us an unpalatable foretaste of what the climate and ecosystem crises will entail from an economic perspective (combined supply and demand shocks with violent knock-on effects). **In reality, the impact of COVID-19 is small beer as compared to what future extreme weather events will bring.** This is why: "When you look at cumulative global catastrophe losses over the past 30 years, 30% of these losses occurred in the last two years" (Zurich Insurance).

+ A great deal of factual evidence and recent research indicate **that activism is on the rise worldwide**. It comes in many different guises, but in future it's reasonable to assume that no company or investor will be immune from the effects of its two most potent forms: **climate and social activism.** What's happening with the large social media companies is indicative of this rising trend, like the boycott of Facebook by big advertisers concerned with how the platform handles hate speech and misinformation.

+ The recent clashes in the Himalayas between China and India are the unmistakable sign that (1) China is now the region's preponderant and unrivalled leader and (2) China's self-proclaimed "peaceful rise" is at an end. With an **environment increasingly propitious for wildcards**, geopolitical risks in Asia will augment.