

+ What's happening in the US and in countries experiencing a surge of new cases (like Spain) demonstrates that **trying to help the economy by prioritizing it over public health doesn't work**. Real-time data analysis shows that, despite the end of lockdowns and subsequent re-openings, many people continue to avoid places (like shops, restaurants, hotels) for fear that they are not safe.

+ Persistent infections mean that **the bifurcation of the global economy** will accentuate, making **the rebound ever more asymmetric**. First, the largest companies will continue to do better than the small ones. Second, those sectors and industries with wind in their sails (like e-commerce and tech) will thrive, while for those already hit hard (like travel and tourism) the decimation will continue. In the coming months this most unequal situation **will lead to a sharp rise in unemployment**: in the OECD 1 person in 3 is employed in a micro-firm and two out of three in SMEs.

+ COVID-19 is hitting economies so hard, with potential political and social fallouts so considerable that governments feel they have no choice but to embrace substantial deficits. **Austerity is gone and public debt is going through the roof**: at 128% of global GDP in advanced economies (versus 124% in 1946). **Tax increases are therefore inevitable**. The coming economic and political battle is: which taxes will go up and by how much? Those who derive income from capital are in the sights of policy-makers.

+ The Fed's announcement that it will accept higher inflation for the sake of a stronger labour market essentially means **"low rates forever"**. The reflation trade carries huge risks for financial stability, but it's hard to tell whether it will succeed. The Fed is nearing the limits of its capacity for action.

+ **A majority of scientists and pundits now predict that COVID-19 will be with us well into 2021**, if not beyond (Bill Gates says it will be over by the end of 2021). The rates of hospitalisation and death are lower than in the spring, but the future of the pandemic depends on critical unknowns like the right choices we are collectively and individually capable of making, lasting immunity (or not) and seasonality effects. **The enduring presence of COVID-19 is psychologically taxing and constrains demand**.

+ Culture - a defining element for containing the pandemic - **explains why East Asian nations** (in which community acts as a collective agent for the common good) **have done so much better than individualistic countries** (with their "each for their own" mentality). The reason is: the lower the level of social cohesion (or the higher the level of social inequality), the stronger the incentive for individuals to compete for relative advantage (and the lower the incentive to co-operate for the advancement of society as a whole). This begs the question of how far countries like the US and the UK will be willing to go to **revisit the terms of their social contract**.

+ It seems to us that too few business leaders and investors are paying enough attention to **rising geopolitical tensions**. These are flaring up in many parts of the world, fuelled by the pandemic.

Three such examples are:

(1) In the eastern Mediterranean, disputes over drilling rights between Greece and Turkey have escalated to a level at which "a spark could lead to a disaster" (German foreign minister);

(2) In the Baltic region, the Swedish minister of foreign affairs is sounding the alarm over "heightened" tensions;

(3) Chinese officials and academics now openly refer to the risk of the US and China "sleepwalking" into a conflict triggered by miscalculations. **Today's disunited world increases the potential for accidents and conflicts, a situation exacerbated by us-versus-them identity politics**.

+ New research enabled by giant data sets shows that **the effects of air pollution are probably twice as bad as previously estimated**. They also expose people to a greater risk of catching COVID-19 and dying from it. In the US alone, quantifying the benefits of air quality through avoided deaths, avoided health care spending and the concomitant increase in labour productivity would lead to USD700bn+. That amount far exceeds the cost of energy transition.

+ These new findings might break the "free rider" problem that besets climate policies worldwide. Contrary to climate benefits often vague and long term, **air quality benefits are immediate and can be (almost) secured on a country basis**. Therefore, individual countries will be incentivised to improve air quality and probably forced to do so by rising activism. Concentrated efforts for cleaner air could then lead the way in the fight against global warming.

+ World Economic Forum founder and executive chairman Klaus Schwab and Thierry Malleret – co-founder of Monthly Barometer argue in their new book **"COVID-19: The Great Reset"** that **Mother Nature may become one of the unexpected long-term beneficiaries of the pandemic**. Recent developments give credence to this conviction. HSBC, for one, is creating a **"natural capital" asset class** that will invest in sustainability to "preserve, protect and enhance nature over the long-term".

+ In the same vein, the success of Arkose (a French start-up with revenues growing at 100%+ per year) epitomises this rising quest for nature. It sells "natural urban climbing" by combining block parks with various sustainability themes like organic food and recycled materials. Increasingly, investors realise that **human health and planetary health go hand in hand**.

+ Two recent examples add to the growing body of factual evidence proving that activism is rising around the world. (1) **Sport activism in the US**: the cancellation of NBA Games as a means of advocacy to embrace social justice (in this particular instance the Black Lives Matter movement) shows how much **the push for social change is gaining momentum**. It started a chain reaction in other sports, indicating that (at least in the rich world) employees are becoming more outspoken, forcing companies to pay attention to how social risks can affect their bottom line. (2) **Youth activism in Thailand**, where a new wave just broke the taboo of criticising the monarchy. **Activism will activate the Great Reset by making a return to the status quo less and less acceptable**.