

+ The current progression of the pandemic, albeit relentless in much of the world, at least seems to display **some more hopeful characteristics** as compared with the spring: **it requires far fewer hospitalisations and is (so far) much less deadly**. However, uncertainty prevails, with scientists deeply divided over the COVID outlook and whether herd immunity is closer than was believed just some weeks ago. From an economic standpoint, **the outlook clearly takes the shape of a “K” recovery**: a sizeable portion of the global economy will emerge even stronger (with tech and health at its core) while elsewhere poor performance will persist with a recovery beset by bankruptcies and a subsequent rise in unemployment (hospitality and travel & tourism are most at risk).

+ In the immediate post-COVID era, **the world will be collectively poorer** - explicable by simple arithmetic: in the first three quarters of this year, the income earned by workers around the world fell by more than 10% - a loss caused by the pandemic equivalent to more than USD3.5tr, or 5.5% of global GDP. Notably, this doesn't yet take into account the mass lay-offs that are looming (like the 28,000 workers at Disney).

+ There is another, more intangible reason that will directly affect people's propensity to consume and global growth: those who live in the downward leg of the “K” are **entering an age of diminished expectations**. For those who, all of a sudden, find themselves worse off than they had expected after losing their job or suffering a sharp reduction in income, optimism, and excitement about the future are replaced by a sense of heightened vulnerability and the realisation that life from now on will be a struggle.

+ This is when anger, frustration, and despair, fuelled by a sentiment of rising inequality, **lead to social and political instability**. The pandemic has not only laid bare the issues of inequity and inequality, but has also dramatically exacerbated them, as shown by the class / ethnic disparities in lethality rates and the chasm between those who could work from home or adapt to distance learning, and those who could not. In the coming months, many decision-makers will apply bold and innovative solutions to prevent the problem of inequality becoming so acute as to destabilize their economies and provoking large-scale social unrest.

+ Nowhere is this sea change more evident than in developing countries where **COVID is causing a dramatic reversal of gains taken for granted** in education, health, poverty eradication, and vaccinations. For hundreds of millions of the world's most vulnerable people, **the pandemic spells devastation**, ranging from severe hunger in countries as different as Afghanistan and South Sudan to a surge in child labour (particularly in India where 200m children aren't currently going to school). For developing countries, if 2020 GDP contracts by 10% (a quasi-certainty), this will plunge more than **180 million people back below the extreme poverty threshold** of USD1.90 a day.

+ A silver lining: globally, efforts are being undertaken to transform the value of **all the goods and services that nature provides for 'free'** (like pollination, watersheds and productive soils)

into specific asset classes. This makes eminent financial sense: new research puts the value of the current “biodiversity financing gap” at around USD700bn per year.

+ As the realisation that the health of the planet, the health of our economies and the health of human beings are one and the same thing kicks in, **closing the gap will become an overarching imperative**. Thereafter, private investment opportunities, incentivised by public policy, will abound.

+ This year's UN General Assembly made it clear that **what remained of the 'global order' is gone**, possibly forever. As Emmanuel Macron remarked: the current period "is not a parenthesis that is opening and will then close". Almost every large country is going it alone, rendering **any prospect of global cooperation exceedingly distant**. The conflict between Armenia and Azerbaijan, the skirmishes between China and India, the ever-heightening rivalry between China and the US: all these manifestations of rising geopolitical tensions can be traced in large part to the dissipating 'global order' magnified by the pandemic.

+ The once-inconceivable scenario of the US engulfed in protracted social and political turmoil is becoming an increasingly plausible reality. If the rising concerns that Donald Trump will try to subvert the result of the November election prove to be true, the ensuing constitutional crisis would leave the nation without an authoritative result **and could plunge it into chaos**. The consequences of such a scenario would be dramatic for the whole world and would set into motion a major re-pricing of most asset classes.

+ COVID TRENDS – Further to some that we explored in past issues (less meat, less USD, less oil, more activism, more US/China rivalry, more EU integration), here are two more: (1) less business travel and (2) more working from home (WFH). (1) There'll be **fewer flights forever**: a limited survey we conducted among global companies suggests that they will permanently cut business travel by half for three reasons: (a) videoconferences work 'just fine'; (b) Net 0 targets make it imperative to reduce air travel; (c) it is a simple way to cut costs. (2) For white-collar workers, **WFH (working from home) – at least in part and flexibly - will become a permanent feature of their lives**. Episodic attendance of 1 or 2 days a week means that many businesses will become “distributed” instead of being centralised. Will the 500,000 New Yorkers who've decamped from the city ever return?

+ Cases of senior executives getting fired for reputational reasons (that range from disparaging comments about women to the non-respect of indigenous rights) even when the company performs well are on the rise. This extra nail in the coffin of Friedman's shareholders' theory raises two issues for the CEOs and the boards: (1) they need **more contextual intelligence and lateral vision** to understand where the protests - invariably fuelled by social media – are coming from: (2) they need to realize that any mistake risks provoking the ire of **activists who now combine forces with investors**.