

Tug-of-War

At the last writing it looked like normalcy was just around the corner with daily new COVID-19 cases plummeting, seemingly headed to zero. But the new, highly contagious **Delta variant** blindsided us and triggered another surge driving coronavirus cases to a new peak, overwhelming health care workers, and once again filling hospital ICU beds, crimping economic growth, and delaying reopening of America. Here's what health experts have learned:

1. Delta variant is highly contagious

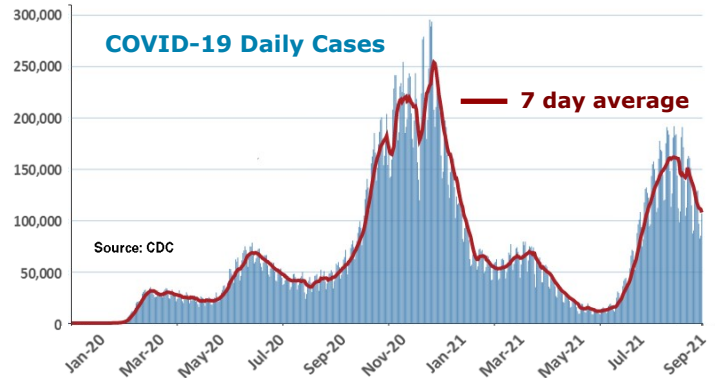
The Delta variant, twice as contagious as previous strains, now accounts for 99% of new cases. Typically new strains become more efficient and easily transmitted. Recent research found that the Delta variant grows more rapidly and to much greater levels in the respiratory tract.

2. Delta variant is infecting unvaccinated

Nationally, 97% of patients hospitalized with COVID-19 are unvaccinated. US communities with low vaccination rates and poorer countries where vaccines are less available are suffering severe catastrophic outbreaks.

3. Breakthrough cases for vaccinated people are rare, but do happen

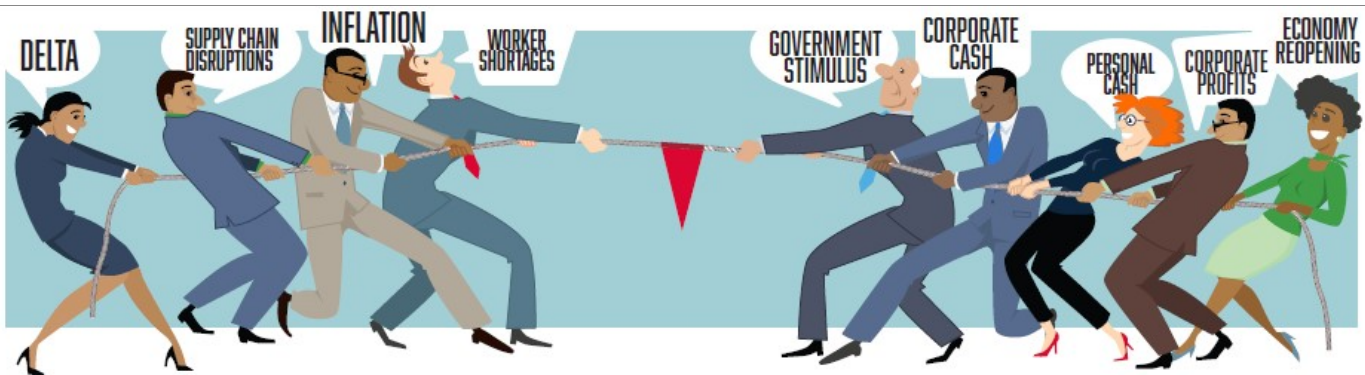
No vaccine is 100% effective. With COVID vaccines averaging near 90% efficacy, statisticians expect about 10% of those fully vaccinated to become infected. However their symptoms are much more mild and rarely require hospitalization.



turn have limited available goods triggering inflationary pressures. These price pressures are more acute than anticipated and may be more enduring. However the Delta variant is only one of numerous counteracting forces which are in play in this fiscal **tug-of-war**.

Uncertainty over the winner of this *tug-of-war* has sparked volatility triggering rising interest rates and stock market gyrations. However, most experts believe the recovery is on solid footing with strong economic fundamentals. Business' and consumers' unfulfilled, unsatisfied demand has not gone away, but rather, merely delayed until COVID cases decline and production ramps up to meet the demand.

The American consumer is flush with cash fueled by unprecedented government stimulus. New orders on appliances, computers, cars and other durable goods rose to record levels last month, but production and delivery are hindered by supply chain bottlenecks and



4. More COVID-19 variants are likely to come

The Delta variant is currently the most prominent strain of COVID-19. As long as a number of people across the world are unvaccinated, new strains of the virus will develop and cause problems. Health experts urge people to be vaccinated if they want to get back to normal.

This summer's Delta variant surge caused an economic slowdown stealing momentum from our rapid recovery, depressing consumer spending, and complicating office and school reopenings. At the same time its rapid spread in the less vaccinated Asian countries crimped manufacturing and distribution logistics leading to the ongoing supply chain disruptions. These bottlenecks in

worker shortages. Likewise the pent-up demand in the travel, hospitality, and entertainment sectors of our economy has also been unfulfilled due to the pandemic and worker shortages.

Hopefully, the significant downward trend in the Delta variant cases since August portend recovery from the pandemic, a more normal existence, and an economic reacceleration as the virus's toll eases. The **tug-of-war** is still being waged, let's hope we are the winners.