



Pelosi, The Package, and a Potential Melt-up

The Pelosi interview with Jim Cramer on CNBC was bullish.

- Speaker Pelosi is “optimistic a deal can get done in a few hours”
- She referred to the Senate Bill as the foundation for the deal
- This implied she is abandoning the progressive wish-list embedded in the House bill which threatened to derail the process

With the Senate staying in town to work on a bill last week while the House took recess, Pelosi has little leverage to hold out for the “progressive wish list” of unrelated items, without being pegged as the obstructionist in an emergency. So she’s settling for a bit of political posturing.

With Mitch McConnell now suggesting that “we’re on the 5 yard line,” a package seems imminent.

The package is a legit money-bomb, including (as I understand it):

- A \$500bn Fed-financed loan program for effected business, large and small
- A \$350bn program of small-business loans which are forgive-able based on benchmarks for employee retention
- \$1,200 checks to individuals, capped at \$3,000 for a family of four
- Expanded unemployment benefits by as much as \$600 per week
- \$100bn+ in emergency health-care assistance
- \$240bn in emergency funding for government agencies

Last Thursday in CoronaCrash Roadmap IV: Calling for a Bottom I wrote that there are two keys to avoiding economic Armageddon:

- Limiting the duration of draconian containment measures
- Minimizing the permanent damage to the formed capital stock during the shutdown

This package – assuming it’s approved – seems sufficient to meet the second requirement. We’re marrying the monetary bazooka with a fiscal bazooka. So long as the economic shutdown runs no longer than 2-3 more weeks, we should be able to avoid long-lasting damage to the nation’s capital stock and maintain the economic foundation for recovery.



Of course, they'll end up spending \$2T to get the necessary \$800bn into the places critical to accomplishing that task, but that's just the cost of political poker right now.

As for limiting the duration of draconian containment measures, I think we may be able to check that box soon as well. I'm bullish on both Chloroquine and seasonality. President Trump may back of the '15 days' objective by a bit, but I think he is nudging things in the right direction.

If people get the sense in the next week or so that we're coming out the other side, we could easily melt back up by 20% in S&Ps. But for today, let's just get past the TARP risk and see how it trades...