

Little fires...and some bigger fires. But we need to look over the long term, balancing today's security with our eventual path to recovery. IMF sees global economic contraction in 2020, with more than 80 countries already requesting help.

Below we revisit our heatmap of sectors most negatively impacted to date by Covid-19, and rolling forward potential rebound potential.

We also look at a sector of the economy that employs nearly half of all Americans: small businesses (those under 500 employees), and why *their* economic activity is critical.

Jefferies

EQUITIES

Market Structure
Minute: Little Fires
Everywhere *and* A
Path to Recovery

With the U.S. economy grinding to a brief halt, we're looking at a critical source of economic activity and demand – small business employees. Small businesses employ more than 47% of American workers. We also **roll forward our heatmap of sectors** most negatively impacted by Covid-19 to gauge which **could be poised for the biggest rebound** in the next 6 – 9 months.

1. 27 days: Average cash holdings in reserve from U.S. small businesses (fewer than 500 employees)

New York State required non-essential businesses to close on Sunday, March 15th. One-third of Americans are now under a “stay at home order” as of March 23rd. 27 days from March 15th is **April 11th**. 27 days from March 23rd is **April 19th**. **The clock is already running on keeping these businesses solvent so they still exist when the Covid crisis is over.**

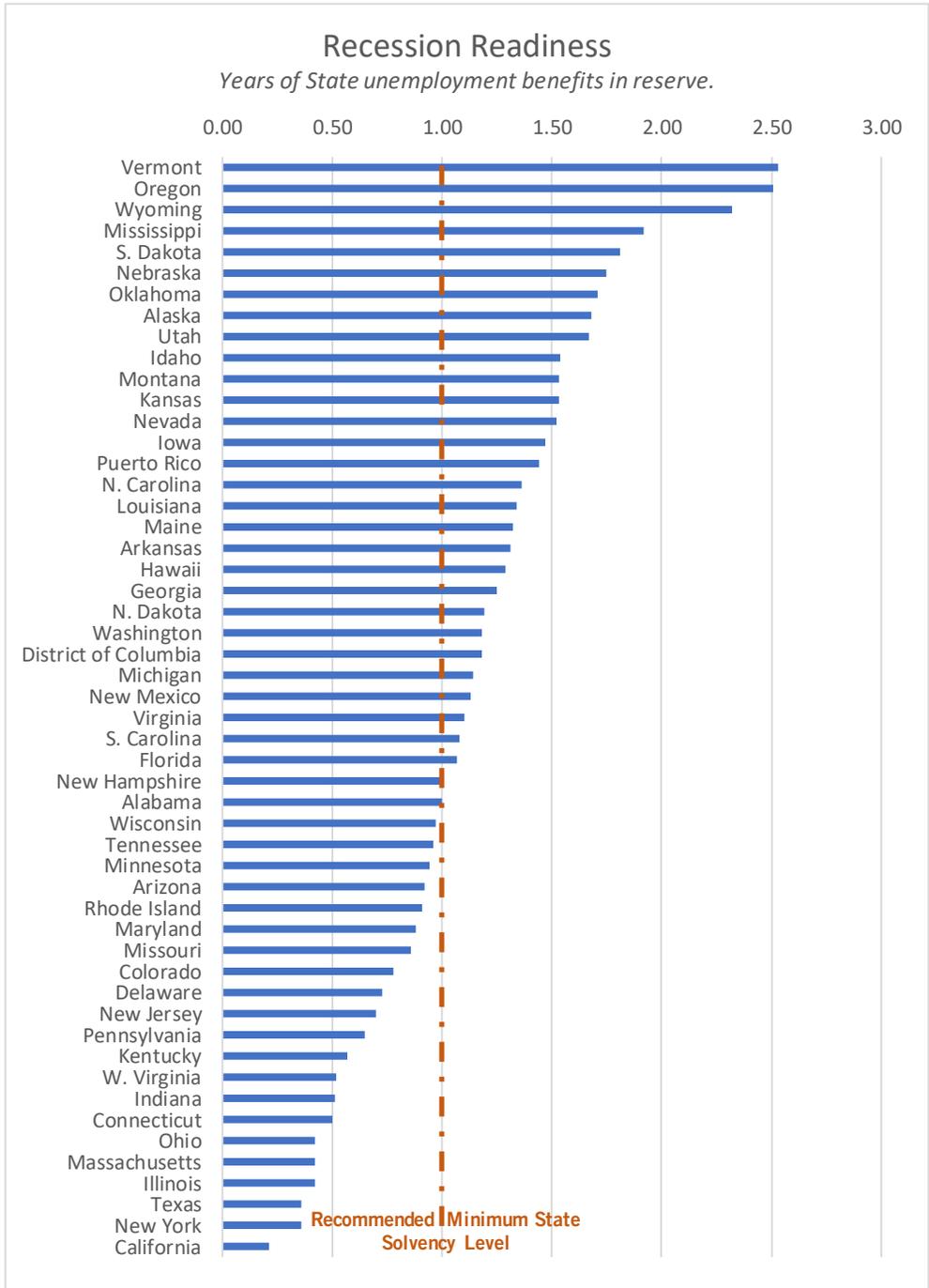
Source: JPMorgan Institute

March 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	
1	2	3	4	5	6	7	
8	9	10	11	12	13	14	
15	16	17	18	19	20	21	
New York State stay-at-home order goes into place.	27 days of cash reserves held by median small business in the U.S. →					27	28
22	23	24	25	26	27	28	
27 days of cash reserves held by median small business in the U.S. →					29	30	31
27 days of cash reserves held by median small business in the U.S. →					1	2	3
4	5	6	7	8	9	10	
27 days of cash reserves held by median small business in the U.S. →					10	11	

2. Why does this matter? Besides solvency, these businesses employ NEARLY 60 MILLION AMERICANS. And there is a difference across states in terms of state unemployment relief.

- This is ~47.5% of the U.S. workforce.
- Reminder: the **median American household made \$63K** in 2018.
- States have **varying reserves** for unemployment



Source: U.S. Small Business Association, U.S. Census

3. Finally, who is poised for the steepest rebound?

Certain sectors have been hit harder than others – but that also means they may rebound more steeply as economic activity comes back on line. See attached for full predictions.

Industry/Sector	Magnitude of Negative Coronavirus Impact Through 3/23/20	Status Check - 7/15/2020	Where Will They Be? 12/31/2020	Centrality to Global Economy	Average Cash on Balance Sheet (as of 3/15/20)	Notes
Energy	Red	Red	Orange	Green	36.3%	A space we're watching intently. Being hit by other exogenous shocks besides Coronavirus.
Chemicals	Red	Orange	Orange	Green	25.3%	Another space we're watching as company balance sheets vary. Less likely to receive immediate government relief and less likely to rebound steeply.
Construction Materials	Yellow	Yellow	Green	Yellow	23.7%	May be challenged in medium term given drop off in demand but could rebound. Not expected to receive immediate relief, but could have longer term steep rebound.
Containers & Packaging	Yellow	Green	Yellow	Yellow	16.1%	May benefit in medium term from uptick in household goods purchasing. Not expected to receive immediate relief, but demand will grow faster than other sectors as economy rebounds
Metals & Mining	Red	Orange	Orange	Green	43.1%	May benefit, but unlikely to receive relief in first governmental action. Higher average cash on balance sheets. Post crisis demand growth very big question.
Paper & Products	Green	Yellow	Yellow	Yellow	26.6%	Less hit by Covid-19 initially, thus will have a more muted long term bounceback.
Aerospace & Defense	Yellow	Yellow	Yellow	Green	38.3%	If needed, unsure if assistance other than one name will be required. Defense names have higher likelihood of receiving backstop. Long term demand questions linger.
Building & Construction	Red	Orange	Green	Green	22.6%	All eyes on building permits and commodity prices, particularly as economic activity slows. May be in line for relief in second wave. Lower growth expected through Q2 and Q3 before rebounding
Airlines	Red	Orange	Orange	Green	65.1%	Top of the list for expected relief, have higher than average cash on balance sheets, longer term air travel expectations muted.
Marine	Red	Yellow	Yellow	Green	59.9%	Also in view, but not as high profile as airlines, which capacity has been drawn down massively.

Source: FactSet, Jefferies

Shannon Murphy
 Head of Strategic Content
Shannon.murphy@jefferies.com

Lily Calcagnini
 Strategic Content
LCalcagnini@jefferies.com

Clients First—AlwaysSM

Jefferies.com

Please refer to Jefferies' important disclosure via this [link](#)