

On a Wing and a Prayer; Airline Struggles Continue

TSA checkpoint numbers indicated daily passenger count reached its highest level in five months on Sunday. This was an encouraging headline, but the total is still down 70% from a year ago, and the near-term outlook is actually much less optimistic. A recent Gallup survey revealed 52% of American adults who flew last year currently feel uncomfortable flying, with almost 70% of American travelers 55 and older still believing air travel unsafe. This same survey indicated 47% of travelers would be willing to pay extra for an empty middle seat between passengers. Obviously, the financially-strapped airlines would prefer tighter quarters. Delta, Southwest and JetBlue continue to block middle seats, while American and United have jettisoned the policy and are attempting to fly at full capacity. All U.S. airlines require masks at this time.

The recent uptick in summer air travel is almost entirely leisure-driven, and for that reason, the fall months are likely to be cruel. With sporting events, concerts and conferences off the board, business travel would be the expected engine in the coming months. In a Wall Street Journal article this morning, corporate travel was down 97% the final week in July compared to a year ago according to business spending management firm Coupa Software. The Journal article indicated corporate flyers account for 15% of air travelers, but a whopping 40% of airline profits. United Airlines reported passenger revenues had plunged 94% in the second quarter, with total revenue down 87%. United burned through \$40 million dollars a day and lost \$1.6 billion in the second quarter. Delta posted a massive \$7 billion dollar second quarter loss and a daily cash burn of \$43 million. American suffered a \$2.1 billion loss, while Southwest lost \$1.5 billion.

The CARES Act allocated \$25 billion to the airlines in March, but obviously, this now appears woefully inadequate. The airline industry directly employs an estimated 750,000 workers. Bloomberg reported in July about 400,000 had already been fired, furloughed or told they may lose their jobs. Losses in related industries including airports, travel agencies, and aircraft manufacturers could reach 25 million worldwide, according to the International Air Transport Association. The International Air Transport Association (IATA) announced Tuesday that global air travel won't recover from the Covid-19 crisis until 2024. If this proves accurate, the airlines will require ongoing aid. Officials representing the major U.S. carriers have asked for an additional \$25 billion in support as part of the next relief package.

There's some question as to when, and if, widespread corporate travel returns. Video-conferencing has been embraced out of necessity over the past several months, and as businesses and their customers become more and more comfortable with the technology, it's likely to make deep and perhaps permanent cuts into business travel. A June survey of Fortune 500 executives showed 91% agreed that business travel will become less frequent, replaced by video-conferencing. Reuters reported that Zoom daily active users had jumped from 10 million to 300 million in a span of just four months, *although Zoom has since walked back the count*. Anecdotal evidence strongly indicates other video-conferencing apps have also surged, although supporting data is lacking at this time.

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Market Indications as of 10:40 A.M. Central Time

DOW	Up 247 to 27,935 (HIGH: 29,551)
NASDAQ	Up 214 to 10,997 (HIGH: 11,108)
S&P 500	Up 43 to 3,377 (HIGH: 3,386)
1-Yr T-bill	current yield 0.14%; opening yield 0.13%
2-Yr T-note	current yield 0.16%; opening yield 0.15%
5-Yr T-note	current yield 0.30%; opening yield 0.28%
10-Yr T-note	current yield 0.68%; opening yield 0.64%
30-Yr T-bond	current yield 1.37%; opening yield 1.33%

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