This file photo shows Merck corporate headquarters in Kenilworth, New Jersey. Surging sales of cancer medicines and reduced spending helped Merck overcome a big hit from the coronavirus pandemic and increase its profit 12% in the second quarter. (AP)

Merck ups outlook, turns profit during global vaccine hunt

Surging sales of its cancer medicines and reduced spending across the board helped Merck overcome a big hit from the coronavirus pandemic and increase its profit 12% in the second quarter. The drugmaker boosted its financial forecast for the year Friday even as it spends heavily on the development of two experimental vaccines and a possible treatment for COVID-19. The results blew past analysts' expectations, and the improved forecast helped drive up Merck shares early Friday.

Merck said the pandemic kept many people away from doctors and veterinarians, cutting into sales for nearly all medicines produced by the Kenilworth, New Jersey, company. Revenue fell 8%, to $10.87 billion, from $11.76 billion.

However, sales of immuno-oncology blockbuster Keytruda and other cancer drugs rose, partly due to approvals for new uses or patient groups. The maker of Januvia diabetes pills posted net income of $3.0 billion, or $1.18 per share, up from $2.67 million, or $1.03 per share, a year earlier.

Adjusted for one-time items, income came to $3.48 billion, or $1.37 per share.

Analysts surveyed by FactSet were expecting adjusted earnings of $1.06 per share and sales of $10.4 billion.

Merck said it now expects revenue for all of 2020 to range from $47.2 billion to $48.7 billion, and adjusted earnings per share of $5.63 to $5.78. That's up from its April forecast of $46.1 billion to $48.1 billion in revenue and earnings per share of $5.17 to $5.37.

In premarket trading, Merck shares rose $2.23, or 2.8%, to $81.30. (AP)

Business Plus

Pain likely to continue and potentially worsen in the months ahead

Record economic plunge, bleak job numbers reveal virus toll

In this file photo, a For Rent sign hangs on a closed shop during the coronavirus pandemic in Miami Beach, Fla. Having endured what was surely a record-shattering slump last quarter, the US economy faces a dim outlook as a resurgent coronavirus intensifies doubts about the likelihood of any sustained recovery the rest of the year. (AP)

'The risk of temporary job losses becoming permanent is high from repeated closures of businesses. That could result in an even slower pace of recovery'

By Martin Crutsinger and **Paul Wiseman**

The coronavirus pandemic sent the US economy plunging by a record-shattering 32.9% annual rate last quarter and is still inflicting damage across the country, squeezing already struggling businesses and forcing a wave of layoffs that shows no sign of abating.

The economy's collapse in the April-June quarter, stunning in its speed and depth, came as a resurgence of the viral outbreak has pushed businesses to close for a second time in many areas. The government's estimate of the second-quarter fall in the gross domestic product has no comparison since records began in 1947. The previous worst quarterly contraction – at 10%, less than a third of what was reported Thursday - occurred in 1958 during the Eisenhower administration.

Soon after the government issued the bleak economic data, President Donald Trump diverted attention by suggesting a "delay" in the Nov 3 presidential election, based on his unsubstantiated allegations that widespread mail-in voting will result in fraud. The dates of presidential elections are enshrined in federal law and would require an act of Congress to change.

So steep was the economic fall last quarter that most analysts expect a sharp rebound for the current July-September period. But with coronavirus cases rising in the majority of states and the Republican Senate proposing to scale back aid to the unemployed, the pain is likely to continue and potentially worsen in the months ahead.

The plunge in GDP "underscores the unprecedented hit to the economy from the pandemic," said Andrew Hunter, senior US economist at Capital Economics. "We expect it will take years for that damage to be fully recovered."

That's because the virus has taken square aim at the engine of the American economy – consumer spending, which accounts for about 70% of activity. That spending collapsed at a 34.6% annual rate last quarter as people holed up in their homes, travel all but froze, and shutdown orders forced many restaurants, bars, entertainment venues and other retail establishments to close.

The Dow Jones Industrial Average closed more than 200 points down - though earlier it had seemed set for a much bigger fall.

Tentative hopes for a swift recovery have been diminished by a resurgence of viral cases in the South and the West that has forced many businesses to close again or reduce occupancy. Between June 21 and July 19, for example, the proportion of Texas bars that were closed shot from 25% to 73%. Likewise, 75% of California beauty shops were shuttered July 19, up from 40% just a week earlier, according to the data firm Womply.

The second surge does appear to be leveling off, but cases are still rising in close to 30 states.

Many states have imposed restrictions on visitors from the states that have reported high levels of cases, hurting hotels, airlines and other industries that depend on travel.

That has led to mammoth job losses. In a sign of how weakened the job market remains, more than 1.4 million laid-off Americans applied for unemployment benefits last week. It was the 19th straight week that more than 1 million people have applied for jobless aid. Before the coronavirus erupted in March in the US, the number of Americans seeking unemployment checks had never exceeded 700,000 in any one week, even during the Great Recession.

An additional 830,000 people applied for unemployment benefits under a new program that extends eligibility for the first time to self-employed and gig workers. All told, the government says roughly 30 million people are receiving some form of jobless aid, though that figure might be inflated by double-counting by some states.

The pain could soon intensify further: A supplemental $600 in weekly federal unemployment benefits is expiring, and Congress is squabbling about extending the aid, which will probably be done at some reduced level of payment.

"The risk of temporary job losses becoming permanent is high from repeated closures of businesses," said Rubeela Farooqi, chief U.S. economist at High Frequency Economics. "That could result in an even slower pace of recovery."

Last quarter's economic drop followed a 5% fall in the January-March quarter, during which the economy officially entered a recession, ending an 11-year economic expansion, the longest on record in the United States. The Trump campaign said in a statement that the GDP report reflected a period "when much of the economy was essentially closed down to save millions of American lives."

The economic harm from the virus is extending well beyond the United States. On Thursday, Germany reported that its GDP tumbled 10.1% last quarter. It was the biggest such drop since records began in 1970. And Mexico's GDP sank 17.3% last quarter, also a record. Unlike the US figures, those numbers are not annualized rates.

With little hope of a swift recovery in the US, the picture looks dim for many of the jobless. Since she was laid off by a tech industry nonprofit in mid-May, Miranda Meyerson has been trying to find another job and to sign up for unemployment benefits.

"It's just incredibly frustrating and demoralizing,'' she said. Potential employers seem to be delaying hiring decisions.

"Nobody gets back to you,'' said Meyerson, 38. "You feel like there's only so long you can submit (applications) into a void.''

Meyerson and her partner had moved from New York to Oakland, California, in March. The move complicated her efforts, so far futile, to collect benefits from a swamped California unemployment benefits system.

Many economists note that the economy can't fully recover until the pandemic is defeated - a point stressed Wednesday at a news conference by Federal Reserve Chair Jerome Powell. He warned that the viral epidemic has been endangering a modest economic recovery and that, as a result, the Fed plans to keep interest rates pinned near zero well into the future.

"A poorly managed health situation and depressed incomes means the economy risks a double-dip recession without urgent fiscal aid," said Gregory Daco, chief US economist at Oxford Economics.

Daco said the expiration of the $600 in federal unemployment aid means that many households could suffer a loss of income in the range of 50% to 75%. That could further weaken spending, thereby fueling a downward economic spiral.

"The economy," Daco said, "is going to be running on very little fuel at a point when the recovery has really stalled." (AP)

'COVID-19 crisis continues to be main driver of stock market'

Cratering economy offsets Wall St gains in campaign

'A market decline from July 31 through Oct. 31 has signaled the replacement of the incumbent nearly 90% of the time, failing only once since World War II'

LOS ANGELES, Aug 3, (AP): President Donald Trump has often cited the stock market's gains as a barometer for his administration's success. And if history is a guide, Wall Street's fortunes in the next few months could signal whether America gives Trump another four years in the Oval Office.

More often than not a falling stock market has pointed to a rebuke of the previous administration at the polls.

"A market decline from July 31 through Oct 31 has signaled the replacement of the incumbent nearly 90% of the time, failing only once since World War II," said Sam Stovall, chief investment strategist at CFRA.

Since 1944, the incumbent party's candidate has been ousted seven out of the eight times that stocks have fallen in the three months before an election. Conversely, a rising stock market over that period has seen the incumbent party keep the White House nine times out of 11.

Massive aid for the economy and the Federal Reserve's promise of nearly 0% interest rates have propelled stocks' rebound since March, when the coronavirus pandemic shut much of the economy and sparked a 30% plunge in the S&P 500. Improvements in hiring, retail sales and progress towards a COVID-19 vaccine have helped prolong the rally.

Signs for Wall Street are shown in New York. (AP)

The prospect of further gains remains far from certain, however, with the US still mired in recession. The economy plunged by a record-shattering 32.9% annual rate last quarter. Unemployment is in double-digits. And a recent resurgence in new coronavirus cases across much of the country threatens economic recovery as states order many businesses to close again. Even if the market continues to climb, Wall Street's gains may not be as predictive of what happens in November.

"It really is an election that does hinge on how the economy responds to COVID-19 in the next three months," said Ryan Detrick, chief investment strategist for LPL Financial.

Only one president since the Great Depression has held onto the White House when unemployment was in double digits: Franklin Delanoe Roosevelt. And since 1900, only one has won re-election with a recession in the second half of his first term: William McKinley.

A survey by the Associated Press-NORC Center for Public Affairs Research illustrates Trump's re-election challenge. It found 8 in 10 Americans say the country is heading in the wrong direction, more than at any point since Trump took office. The poll also found that just 38% of Americans say the national economy is good, down from 67% in January, before the pandemic.

"The COVID-19 crisis continues to be the main driver of the stock market," Stovall said. "If those who are being polled feel that the president is not accurately addressing the crisis, is downplaying the severity of it and appears to only be pushing for a reopening of the economy to help him get re-elected, that lack of sincerity will play against him."

Betting markets have also made a big shift toward a win by presumptive Democratic nominee Joe Biden, according to a report this week from RBC Capital Markets.

"It remains to be seen if a deceleration of cases in the US (which may be starting to occur) will help Trump's chances for re-election while diminishing Biden's chances of winning," RBC Capital Markets analysts wrote.

Wall Street analysts are preparing clients for the possibility of political turnover in Washington and what it could mean for the stock market.

For example, Biden favors lifting the corporate tax rate from 21% to 28%, which some analysts expect could be a drag on stocks, at least initially. RBC Capital Markets analysts project that such a tax hike could trim annual earnings per share for the S&P 500 by 9%.

Technology, communication services and consumer discretionary sectors have been moving in sync with Biden's improved betting odds, while energy, financials and industrials -- sectors that fared best after Trump was elected in 2016 – have been declining, according to RBC Capital Markets.

Stocks have tended to rise regardless of whether a Democrat or Republican holds the Oval Office, though not quite to the same degree.

Since World War II, the S&P 500 has risen 9.5% under Democratic administrations and 6.2% under Republican ones, at average compound annual rates.