



COVID-19

UPDATE: THE ECONOMY



March 24, 2020

SIMPLIFYING THE ECONOMICS

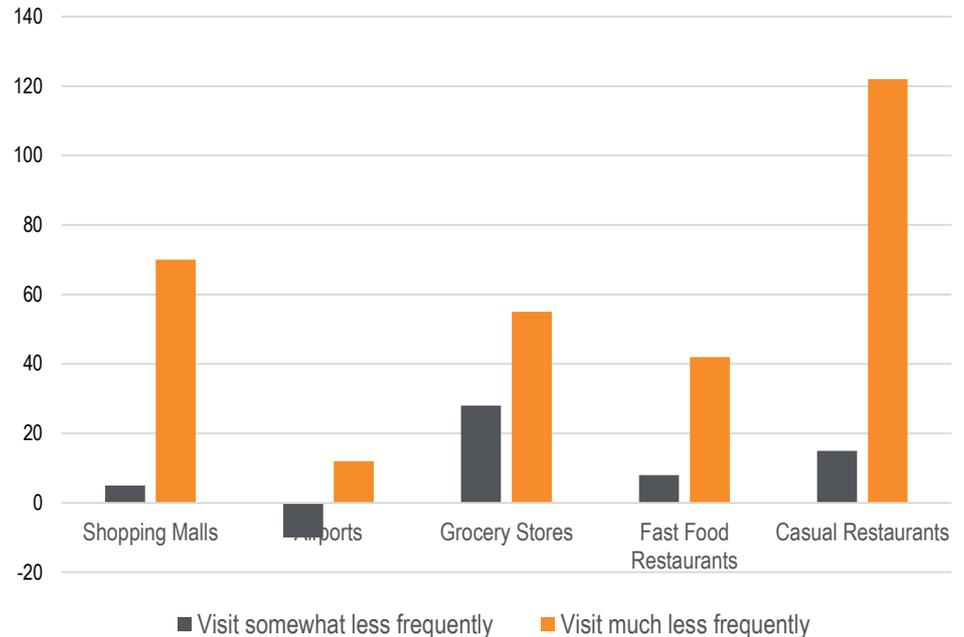
- ▶ During this crisis, there is an overwhelming amount of information regarding stimulus packages, bond purchasing, and other economic jargon. Our research team wanted to put these headlines into context and give a broad overview of the current economic outlook. The following slides detail highly impacted industries, the economy overall, and what the government and fed are trying to do about it.



AN ABRUPT STOP IN CONSUMER SPENDING (70% OF US GDP) IS LEADING TO A RECESSION

- Service, travel & tourism, and entertainment are the hardest hit industries
 - Airlines predicted to lose between \$63bn and \$113 bn
- US estimated to lose 3-7mm jobs
 - Low-wage workers are particularly vulnerable
 - One restaurant in Baton Rouge cut staff from 70+ to just 4
- Hope for recovery remains in people who kept their jobs. Pent up demand and cash will hopefully boom once the crisis is over.

Visits: Feb vs March 2020

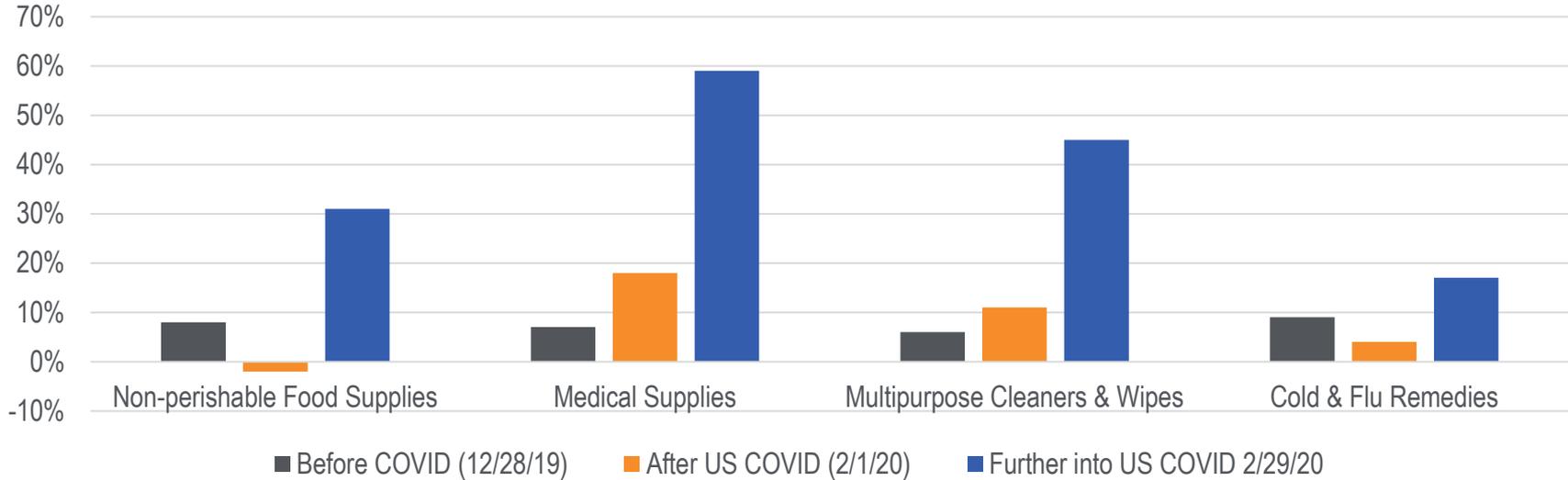


Source: Washington Post, Mfour, Vox



BIG-BOX RETAIL IS SURGING

US Sales % Growth YoY



In-Store Visits; Late Feb-Early March



+25%



+27%



+32%



+29%



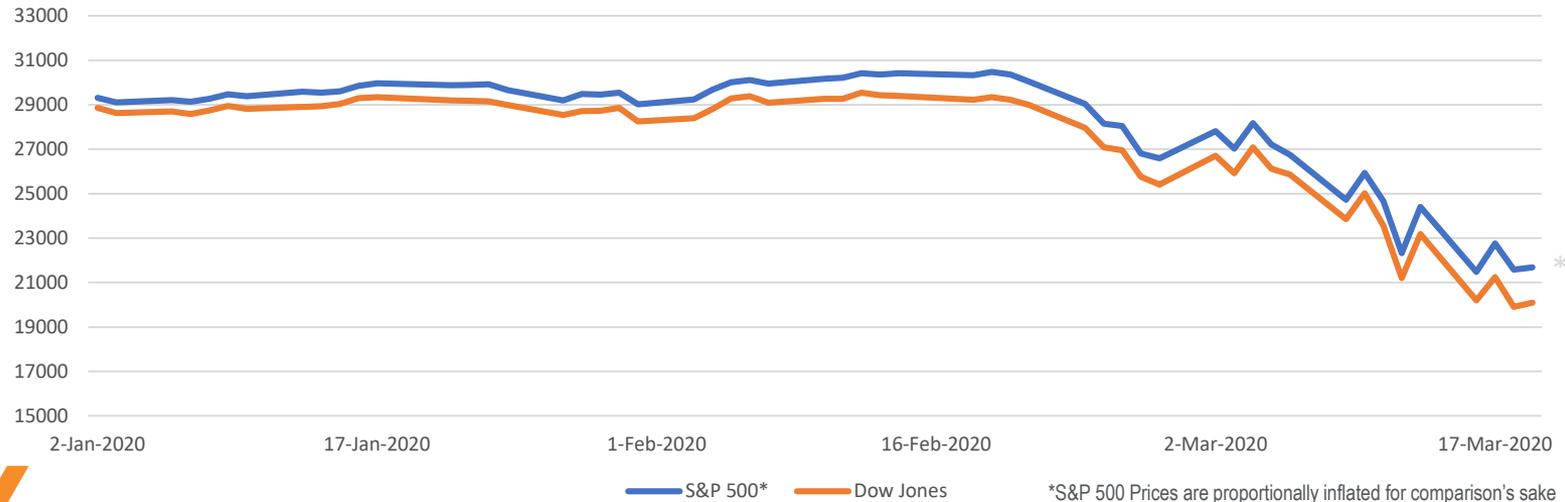
STOCK MARKET CRASHES CAN LEAD TO LOSSES IN RETIREMENT FUNDS AND HIGHER UNEMPLOYMENT

When markets fall, pensions and 401ks drop in value leading to lower retirement payouts. This, in addition to lower consumer confidence, leads to people saving more and spending less, which can cause businesses to contract and layoff workers.

Dow Jones Industrial
30 of the most well established US companies
(Apple, Disney, IBM, Visa, etc.)

S&P 500
500 large US companies representing the stock market overall.

Market Performance YTD

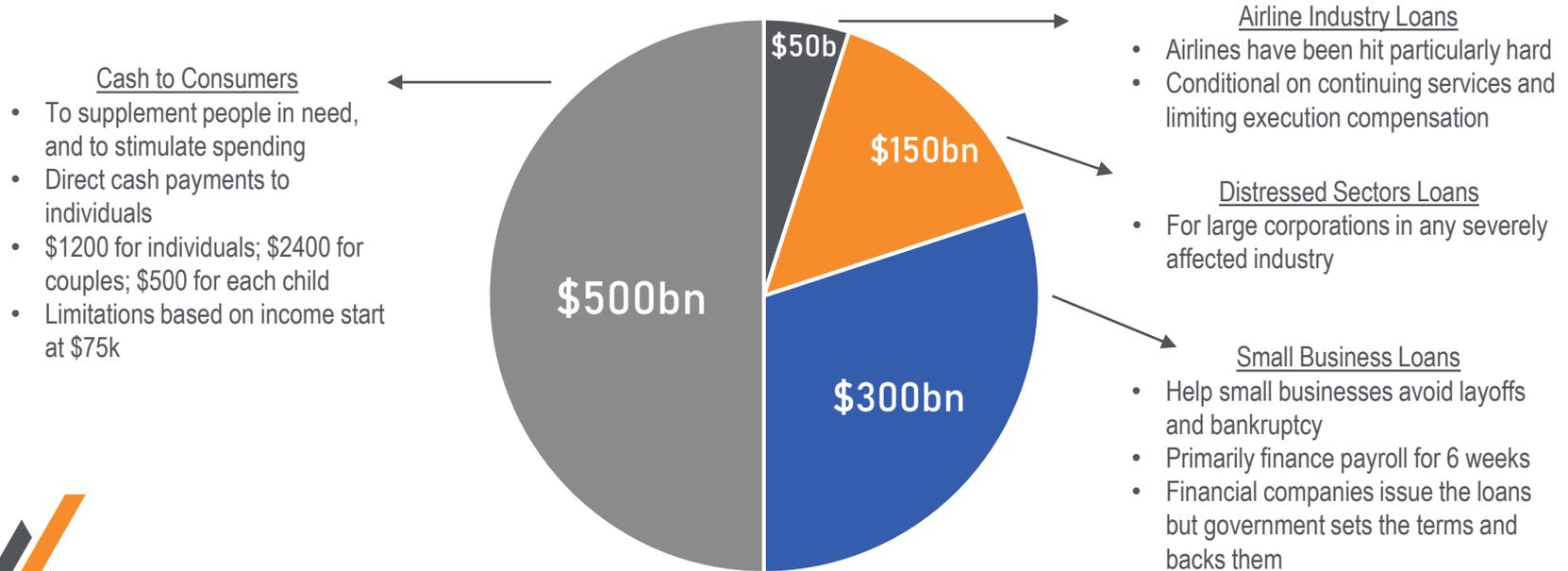


Source: Washington Post, CNN, The Balance, Investopedia



THE FIRST DRAFT OF \$1 TRILLION STIMULUS RELEASED BUT BIPARTISAN OPPOSITION COULD CHANGE THE BILL SIGNIFANCTLY

In order to avoid vast unemployment, market reduction, and business closures, the government put together a stimulus bill targeting areas not most effected by the COVID-19 Virus.



FEDERAL RESERVE TAKING DRASTIC MEASURES

The Central Bank (Fed) is using all of its tools in an effort to keep larger parts of the economy moving.

Interest Rates

- Determine the cost of borrowing
- Lower rates encourage more loans to consumers and businesses to keep them open

Bond Purchases (Quantitative Easing)

- Pushes interest rates down further
- Gives more cash to lenders to push out more loans

Commercial Paper Purchases

- The market business use for short term loans
- Critical to staying in business during any disruptive period



0 -.25% Interest Rates

\$700bn Bond Purchases

\$10bn Commercial Paper Credit Protection

IT'S STILL UP IN THE AIR



The true economic impact is yet to be seen and highly dependent on the duration of the crisis; though levels are already estimated to be on par with the 2008 recession. The government is pulling out all the stops, but the bill is still being hashed out between party and administration leaders. Corporations and state governments are also stepping up in some areas to freeze various monthly payments and temporarily ban evictions. However, economic recovery, once the crisis is over, truly rests in large amounts of disposable income (currently not being spent) being pumped back into the economy and all affected businesses.