

# Market Update on the Coronavirus Impact

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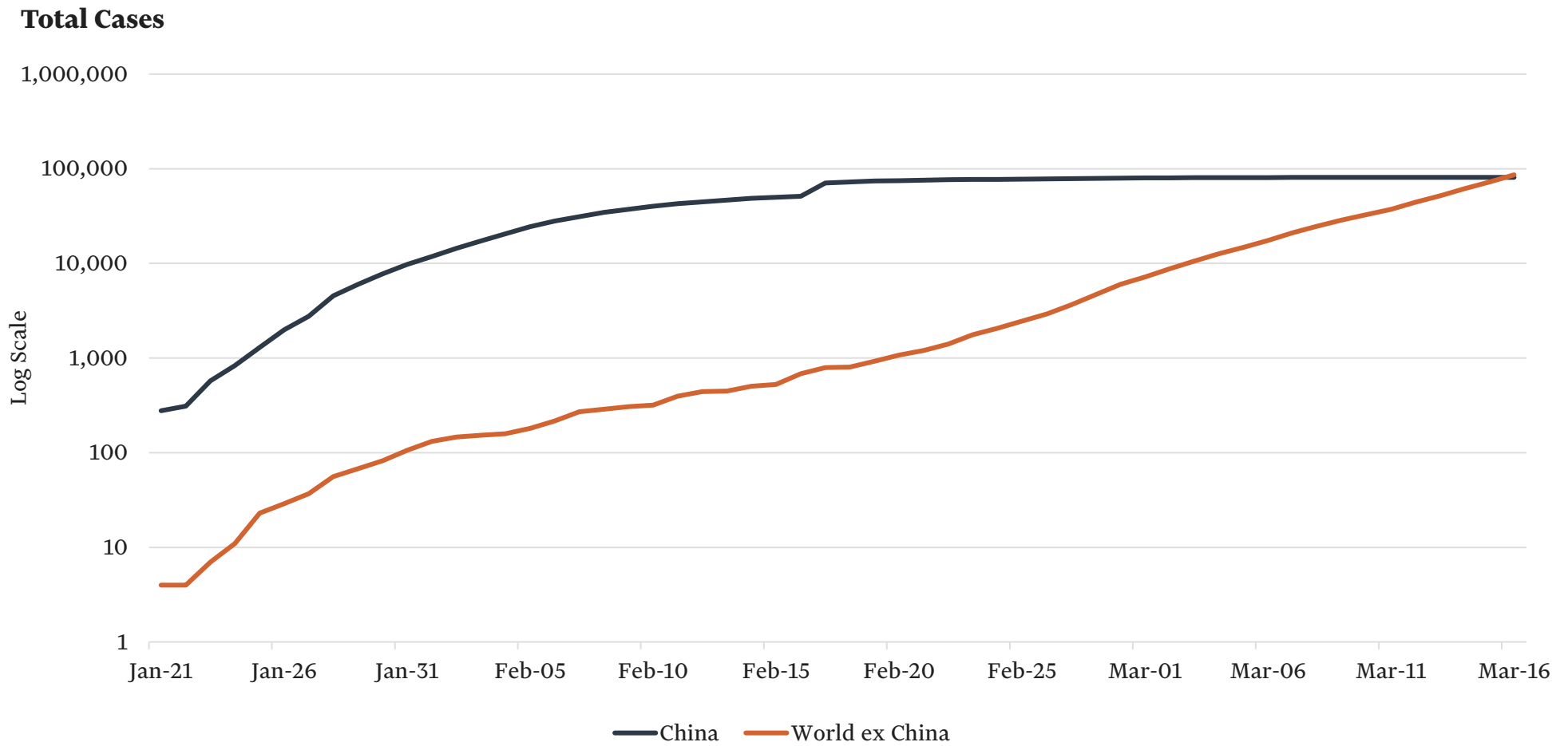
## Seven Things We're Watching

*Developments in these areas will help us assess the market and future economic growth.*

1. Spread of the coronavirus
2. Economic statistics
3. Liquidity issues
4. Industry dynamics
5. Bottoming process
6. Policy responses
7. A path forward

# Case Count

*The number of coronavirus cases outside of China continue to climb.*

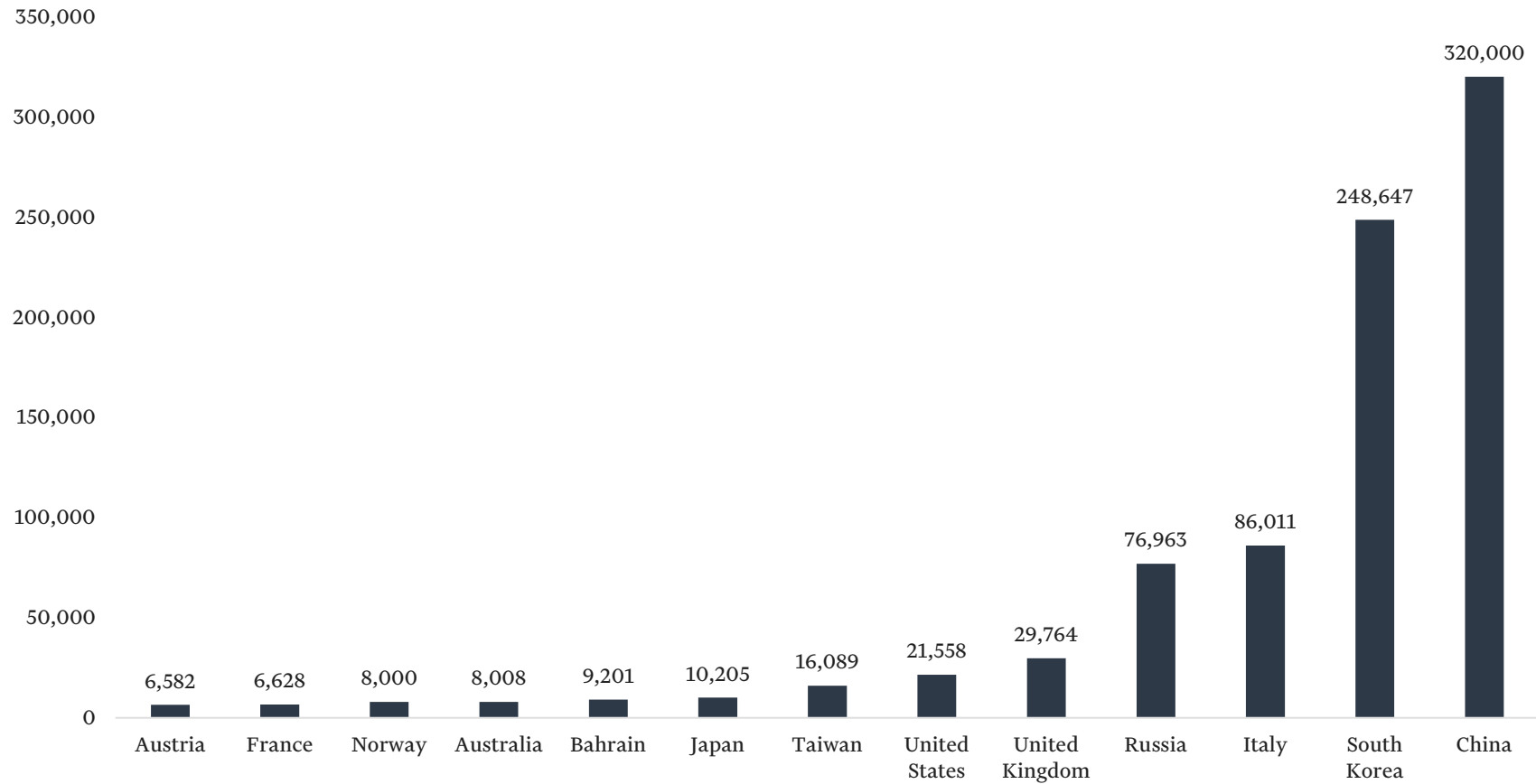


Source: Our World In Data

# Test Count

*More testing in the U.S. will provide better information about the spread of the virus and the mortality rate.*

**Total COVID-19 tests performed (Tests)**

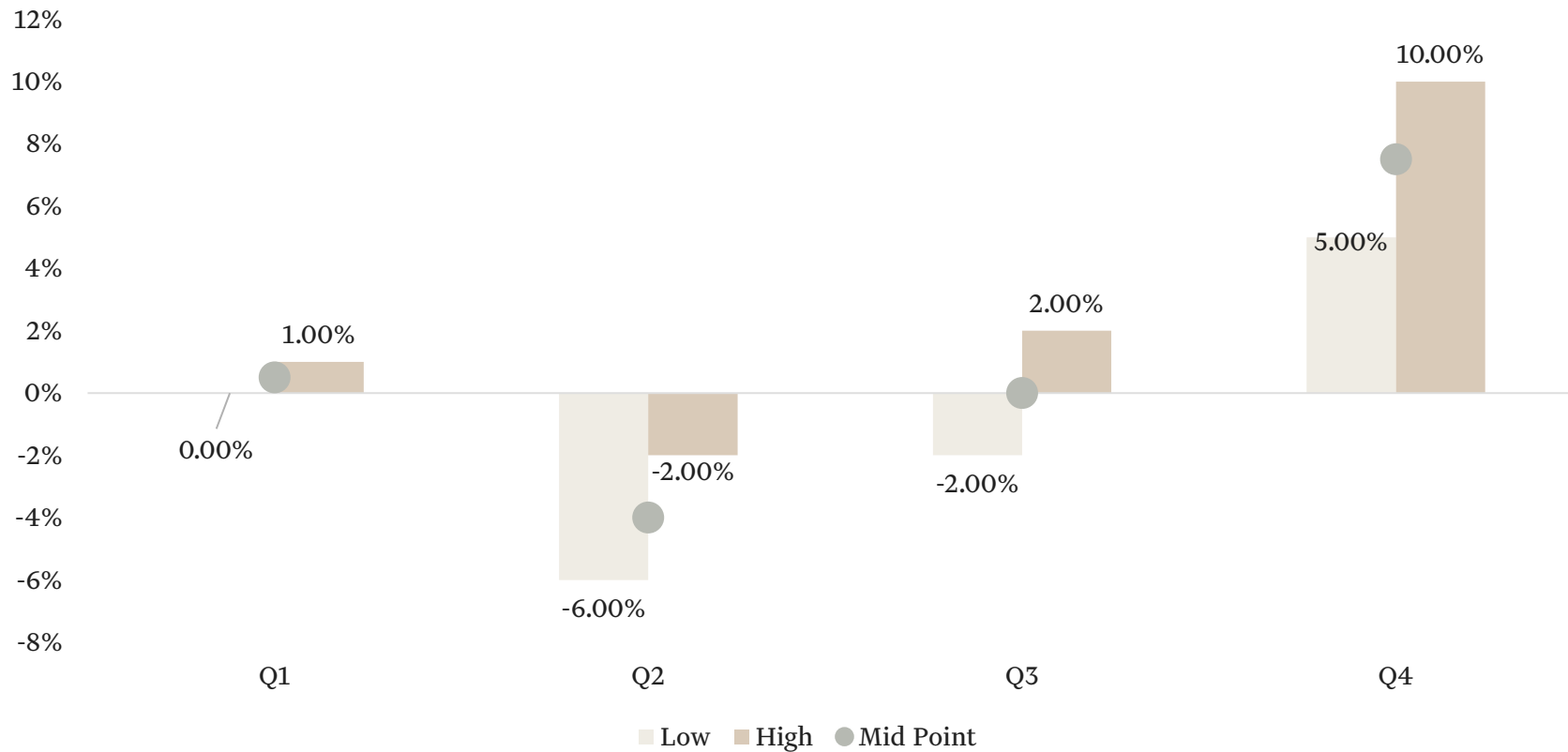


Source: Our World In Data  
 U.S.S data includes CDC tests plus COVID-Tracking project

# U-Shaped Recovery

*We expect a steep decline in Q2 fundamentals followed by the start of a recovery in Q3.*

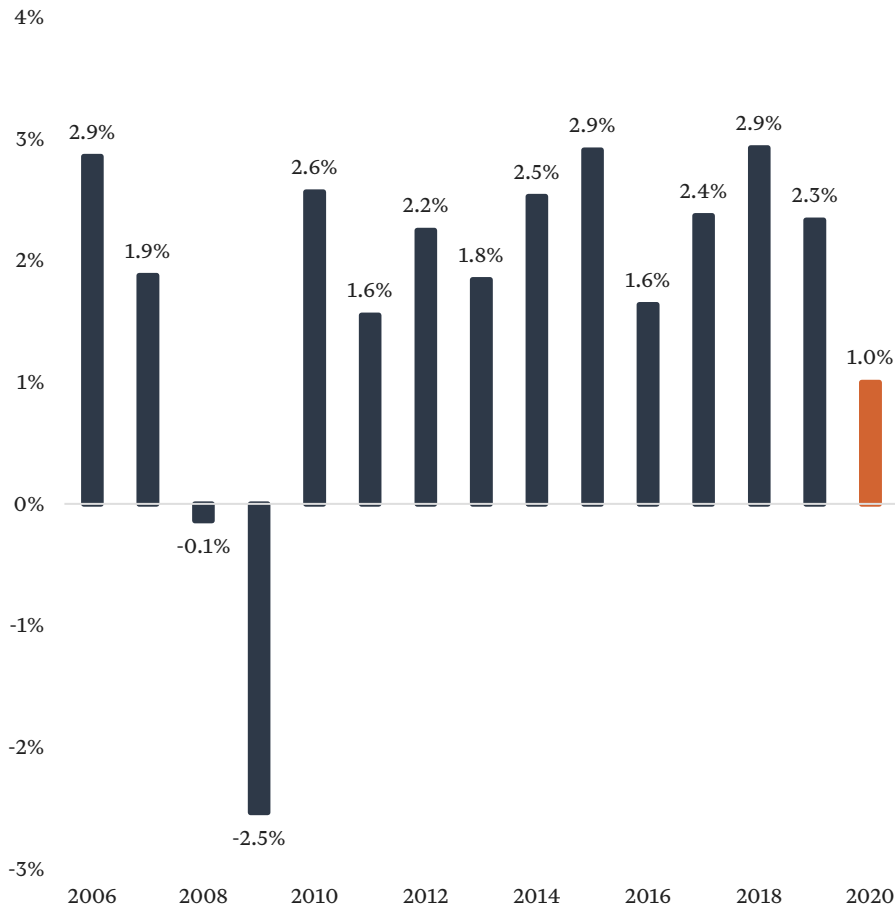
**Estimated U.S. Real GDP Growth (annualized)**



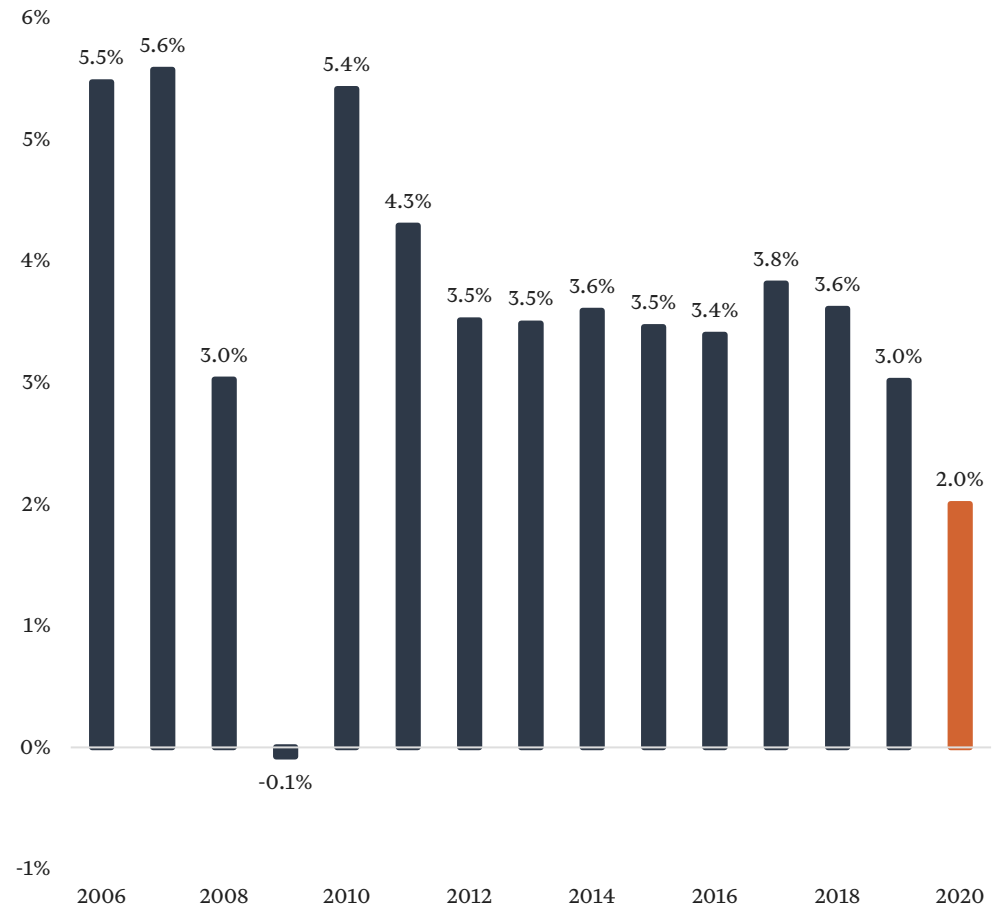
# Economic Forecasts

*Growth expectations have been ratcheted down to account for the Q1/Q2 shock.*

**U.S. Real GDP Growth**



**World Real GDP Growth**

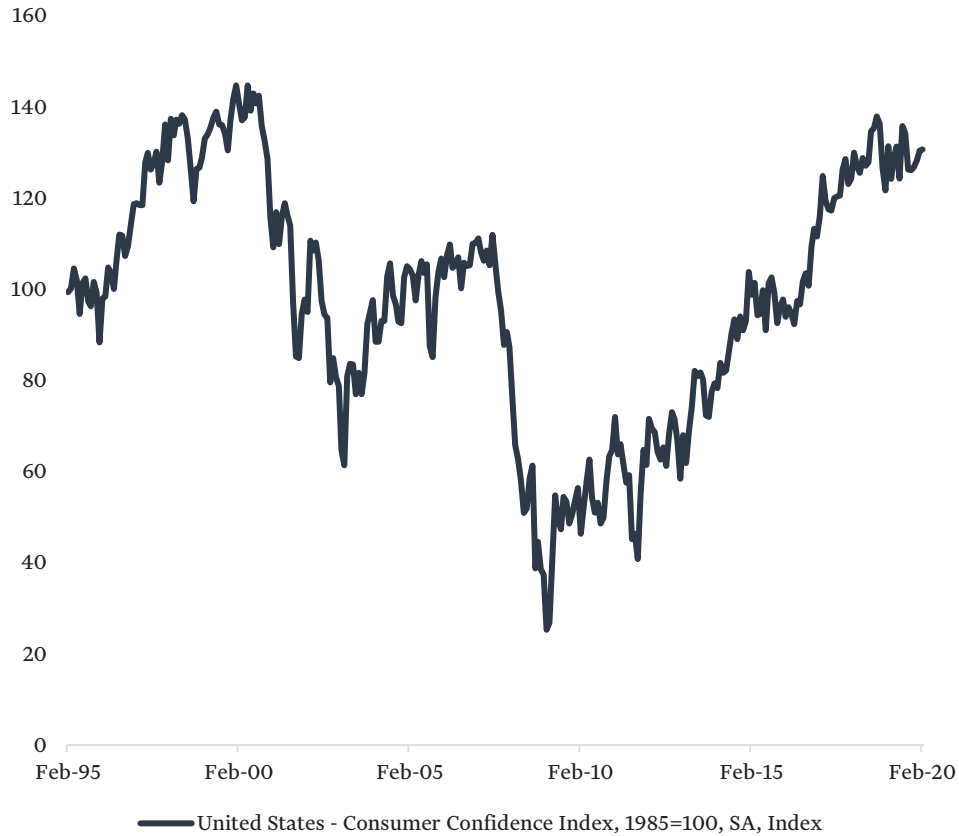


Source: FRED, IMF

# Macro Factors

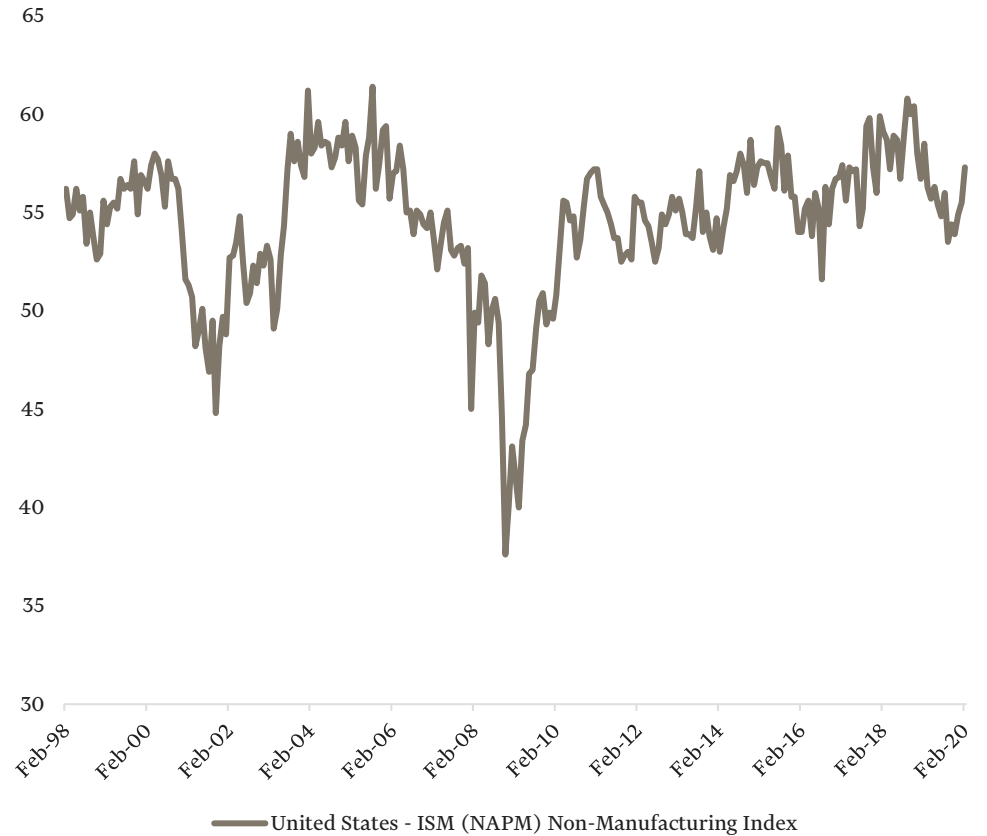
*Consumer and business confidence figures will be lower over the next few months and will provide a preview of the magnitude of the second-quarter contraction.*

**Consumer Confidence**



Source: Factset

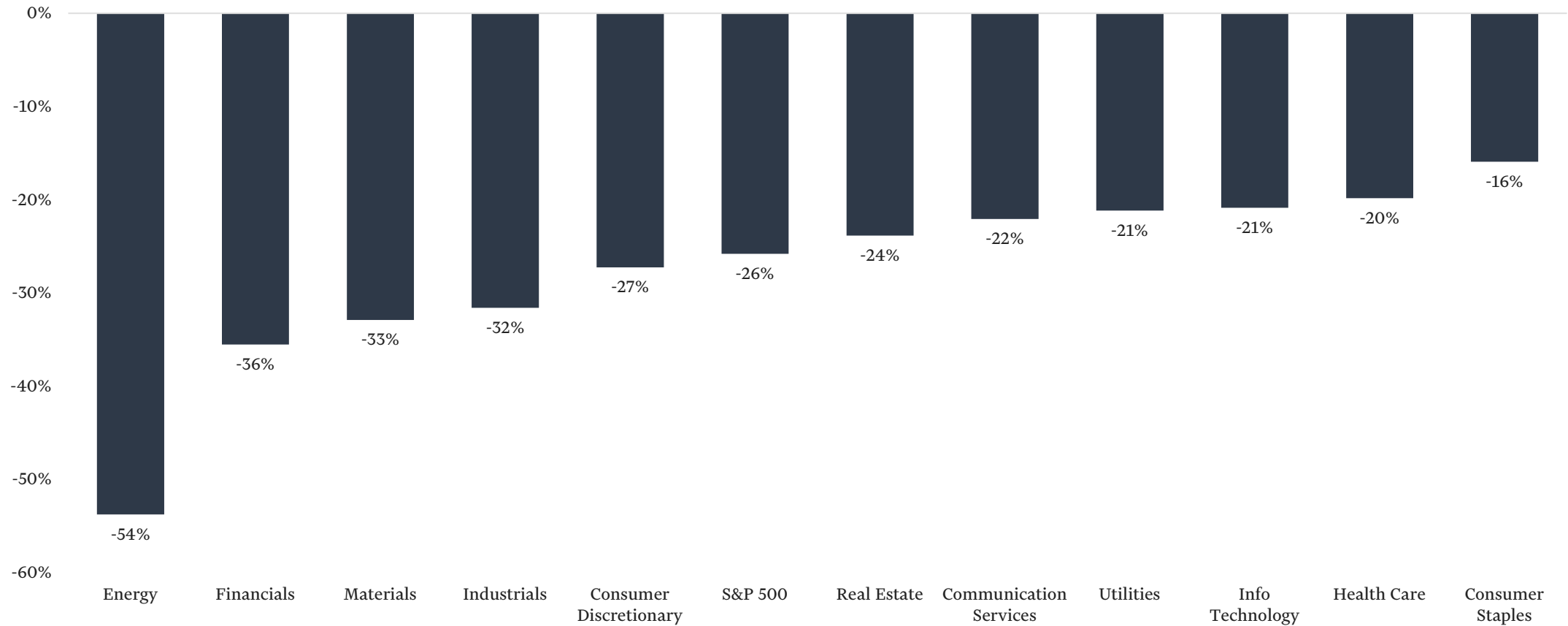
**Non Manufacturing Survey Data**



# Industry Dynamics

*Like economic statistics, company earnings reports and preannouncements will be negative and serve to effectively confirm the recent downdraft in stock prices.*

**Year-To-Date Returns**



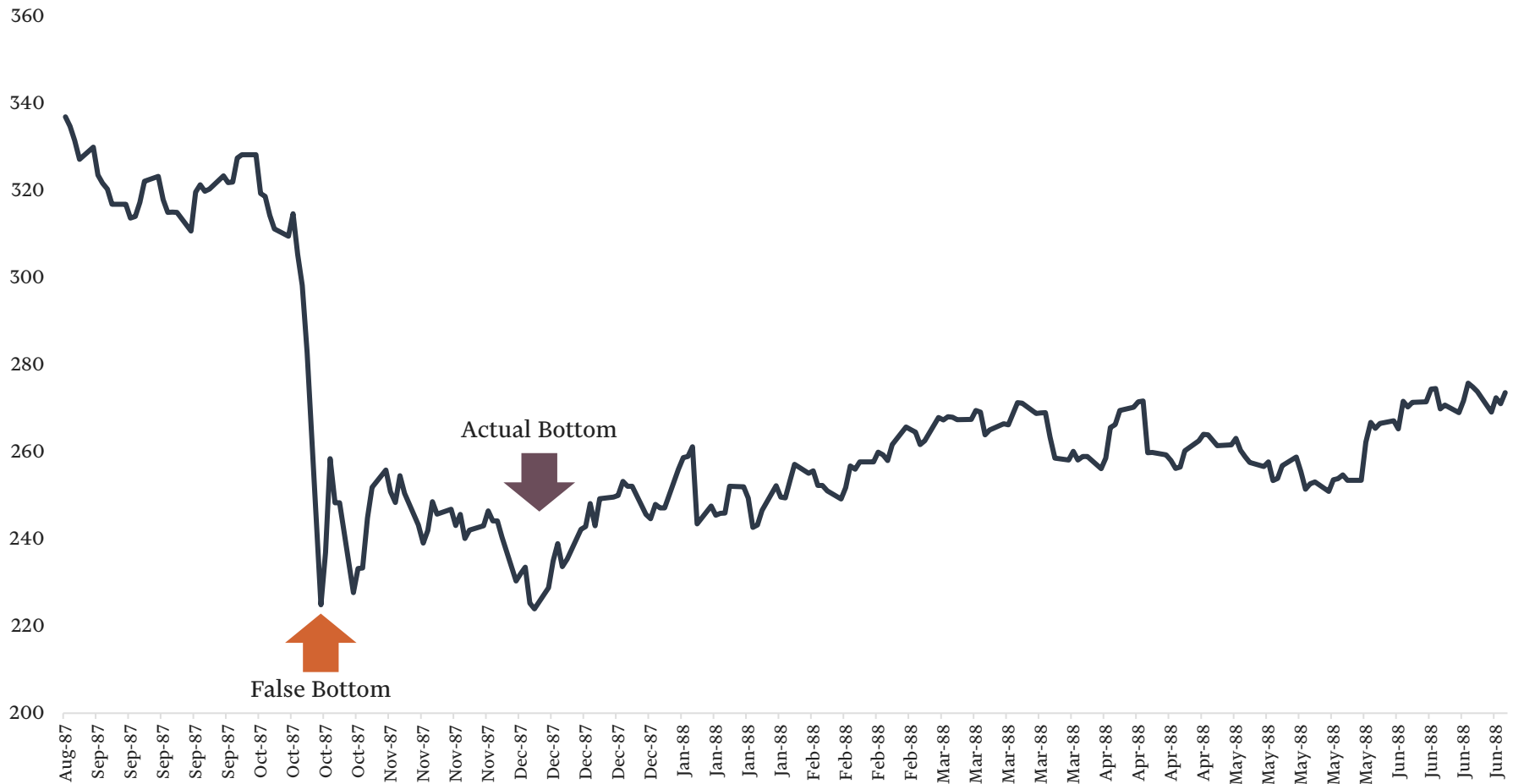
Source: Morningstar Direct



# The Bottoming Process: 1987

*It takes time for the market to adjust to a new narrative and find a bottom.*

**S&P 500 1987**

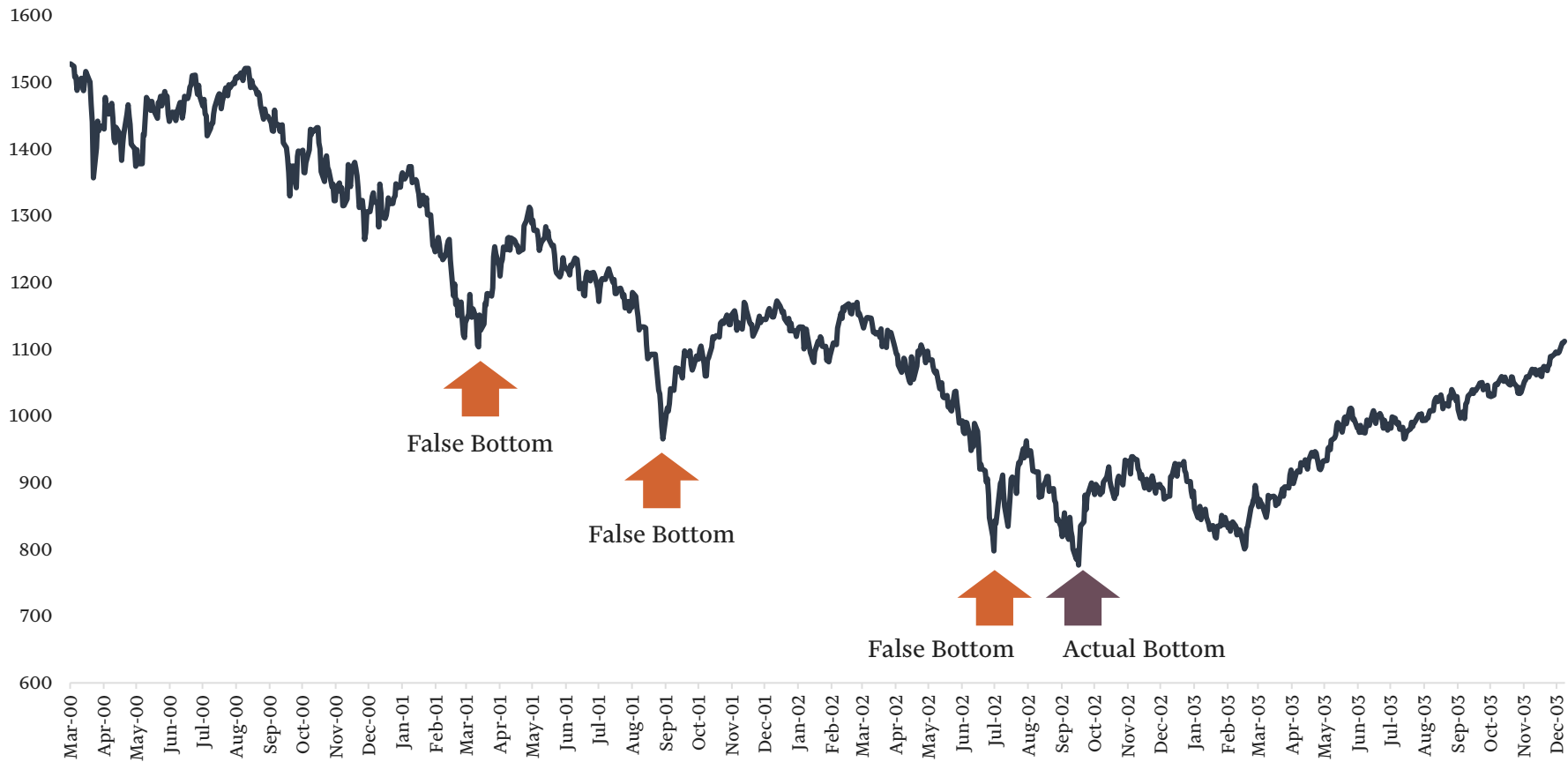


Source: Factset

# The Bottoming Process: 2000-2002

*It takes time for the market to adjust to a new narrative and find a bottom.*

**S&P 500 2000-2002**

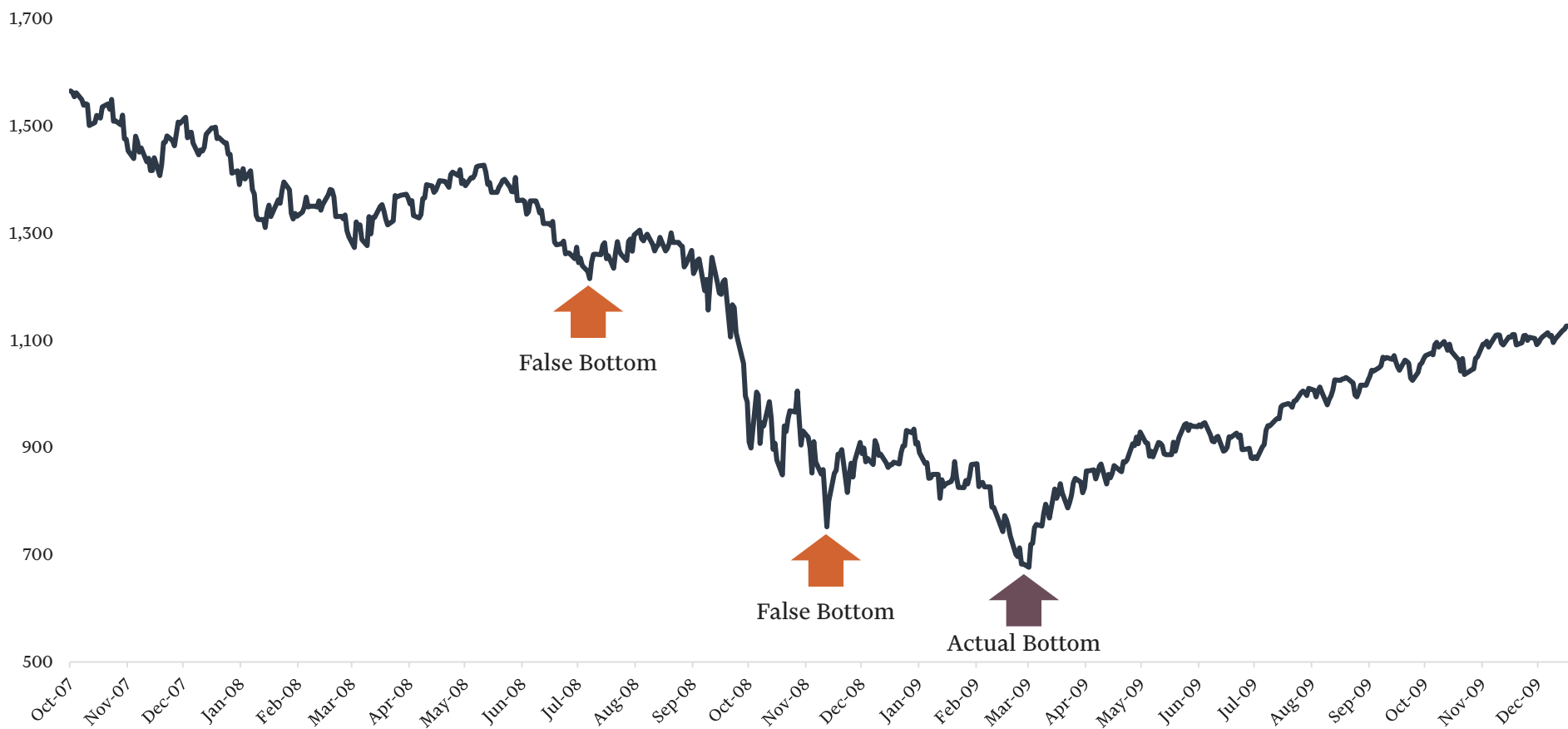


Source: Factset

# The Bottoming Process: 2007-2009

*It takes time for the market to adjust to a new narrative and find a bottom.*

**S&P 500 2007-2009**

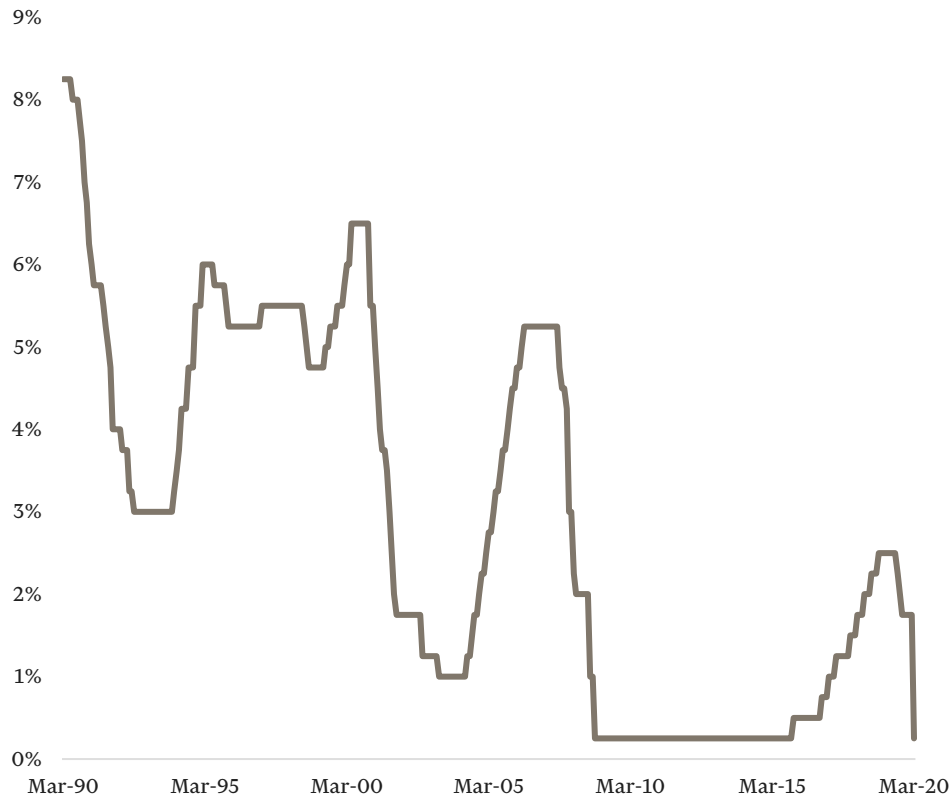


Source: Factset

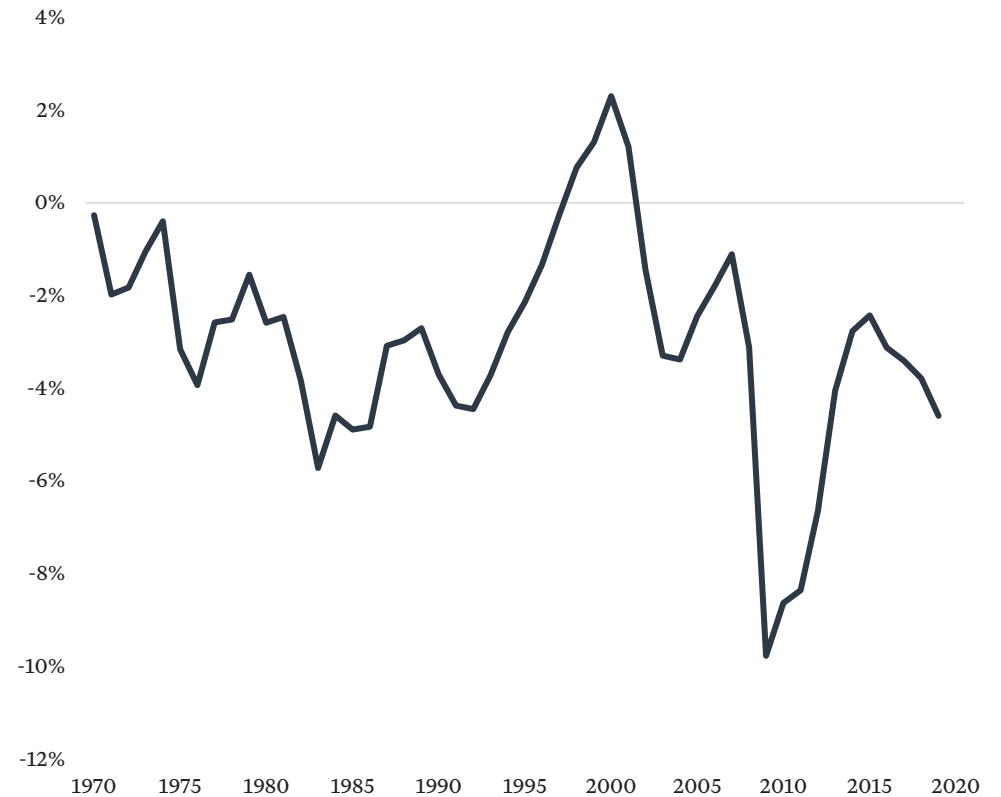
# Policy Response

*The monetary policy responses have been pronounced. Whether policymakers can penetrate the sharp partisan divide to produce economy-wide fiscal policy prescriptions remains to be seen.*

**Federal Funds Target Rate**



**Federal Surplus/Deficit as a Percentage of U.S. GDP**

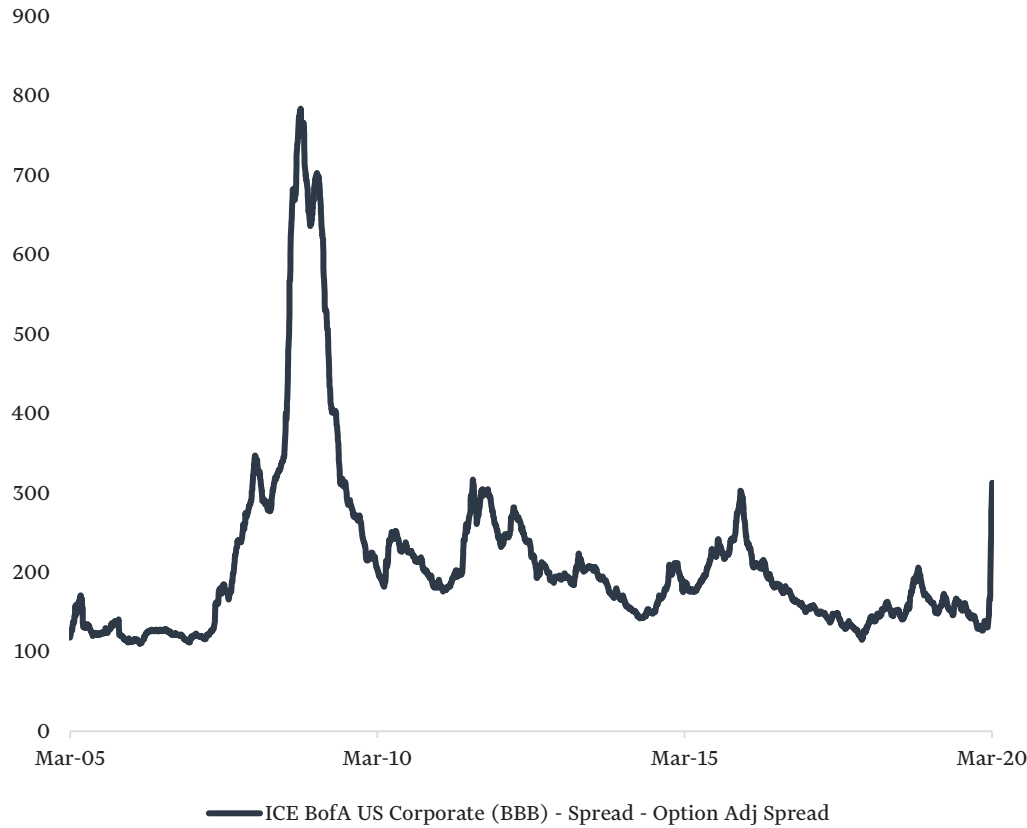


Source: Factset, FRED

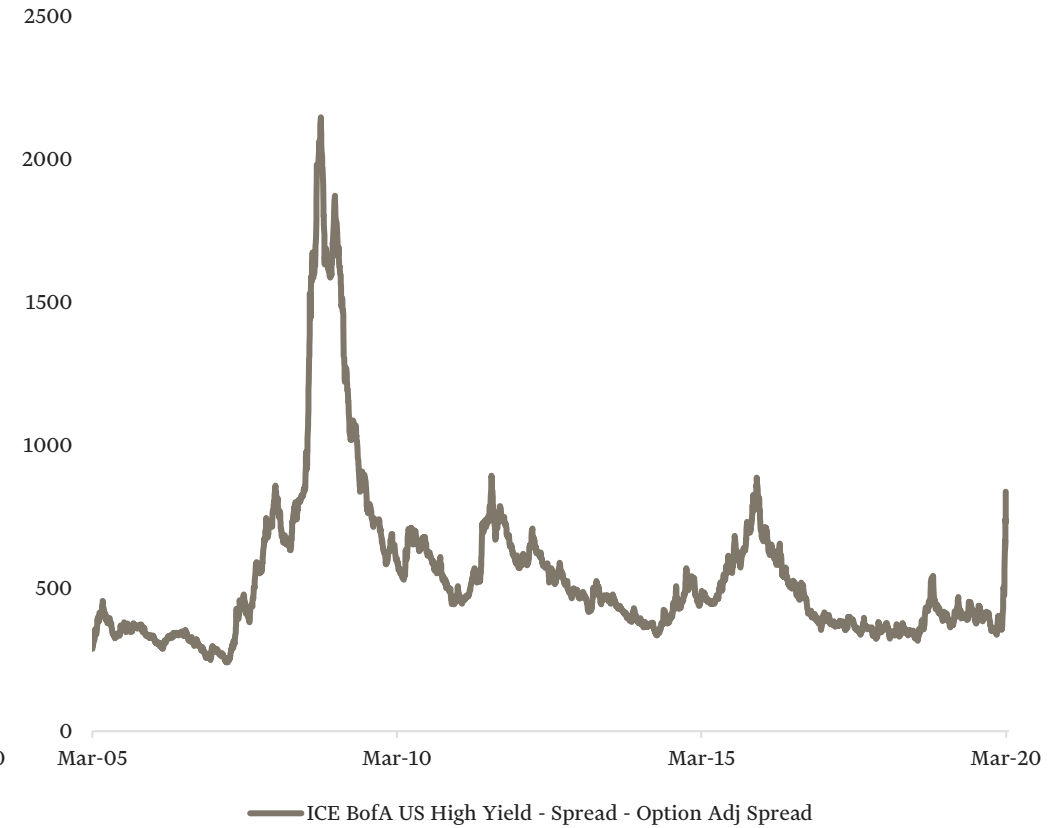
# Liquidity in the Markets

*Monetary policy has the most impact here. Based on lessons learned from the 2008-2009 financial crisis, the Fed has been very proactive in ensuring ample liquidity to the financial markets.*

**Corporate Triple BBB**



**High-Yield Corporate Spreads**

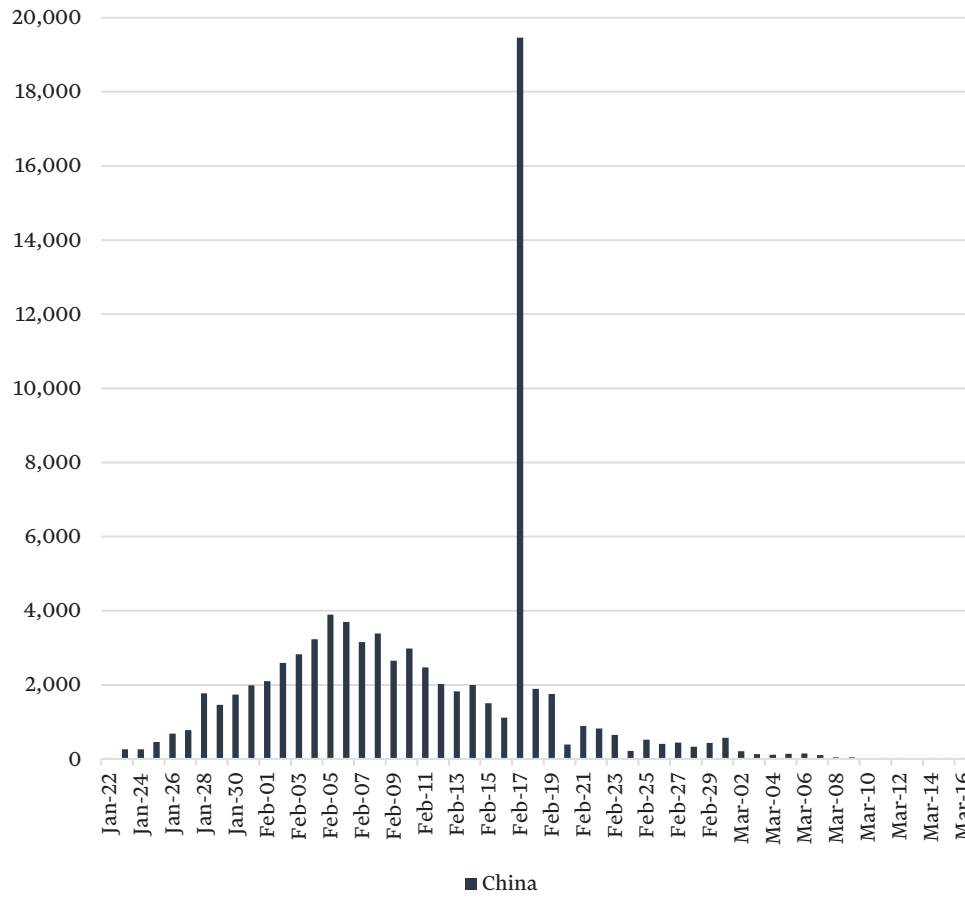


Source: Factset

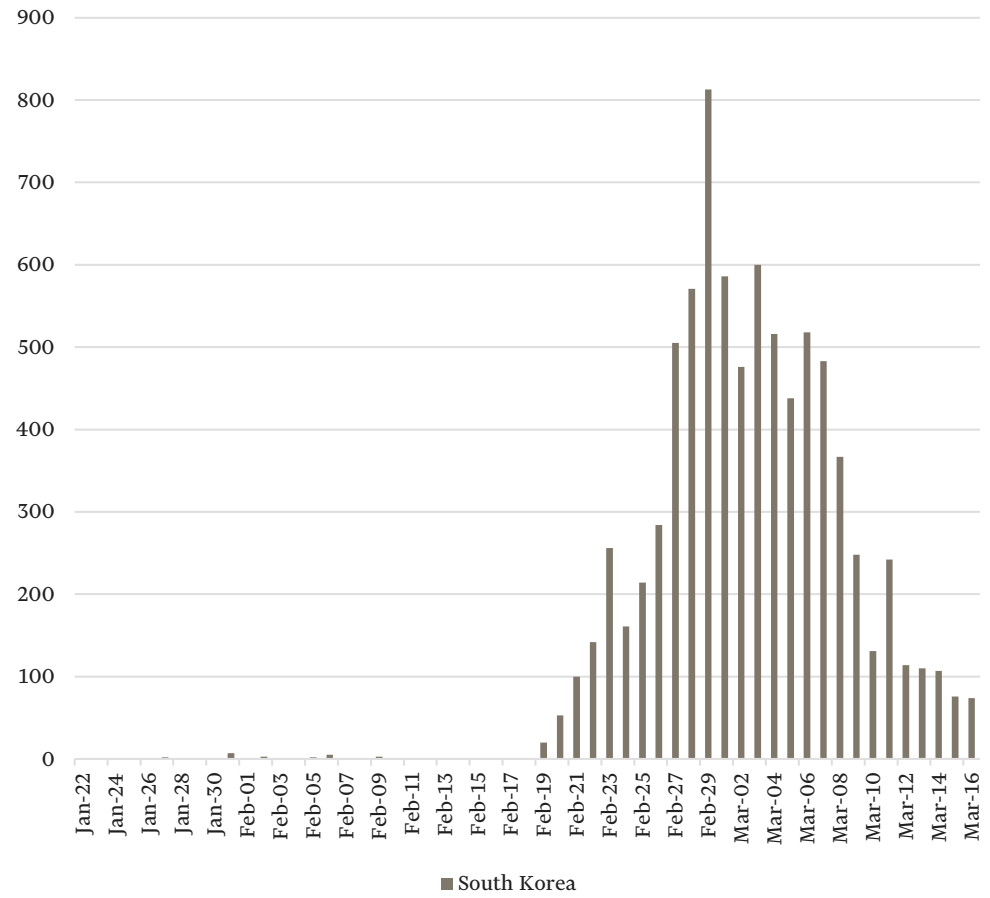
# The Path Forward

*The U.S. can look to China and South Korea for a road map.*

**Daily News Cases - China**



**Daily News Cases - South Korea**



Source: Our World in Data

## Important Notes

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