Seeking Clarity in the Aftermath of Dual Black Swans

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Speaker and Analyst
How Contagious & Deadly is It?

We don’t fully know yet but it’s in this range

Sources: Centers for Disease Control, WHO, New York Times
<table>
<thead>
<tr>
<th>Country</th>
<th>Fatality Rate</th>
<th>% of Total Population</th>
<th>% Population 65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on WEEKLY aggregated total deaths</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>11.04%</td>
<td>0.0179%</td>
<td>23.0%</td>
</tr>
<tr>
<td>Spain</td>
<td>8.28%</td>
<td>0.0140%</td>
<td>19.6%</td>
</tr>
<tr>
<td>UK</td>
<td>6.29%</td>
<td>0.0018%</td>
<td>18.5%</td>
</tr>
<tr>
<td>World</td>
<td>4.69%</td>
<td>0.0004%</td>
<td>9.1%</td>
</tr>
<tr>
<td>China</td>
<td>4.02%</td>
<td>0.0002%</td>
<td>11.5%</td>
</tr>
<tr>
<td>US</td>
<td>1.75%</td>
<td>0.0008%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Germany</td>
<td>0.79%</td>
<td>0.0005%</td>
<td>21.6%</td>
</tr>
<tr>
<td>Based on DAILY aggregated total deaths</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>11.75%</td>
<td>0.0206%</td>
<td>23.0%</td>
</tr>
<tr>
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<td>8.67%</td>
<td>0.0175%</td>
<td>19.6%</td>
</tr>
<tr>
<td>UK</td>
<td>7.11%</td>
<td>0.0027%</td>
<td>18.5%</td>
</tr>
<tr>
<td>World</td>
<td>4.91%</td>
<td>0.0005%</td>
<td>9.1%</td>
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<tr>
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<td>4.02%</td>
<td>0.0002%</td>
<td>11.5%</td>
</tr>
<tr>
<td>US</td>
<td>2.15%</td>
<td>0.0012%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Germany</td>
<td>1.09%</td>
<td>0.0009%</td>
<td>21.6%</td>
</tr>
</tbody>
</table>

Sources: European Center for Disease Prevention, World Bank, US Census Bureau, Worldometer
United States
Federal Actions
The CARES Act of 2020

CARES Act: $2,000B

- Public Health: $153.5B
- Student Loans/Other*: $43.7B
- Cash Payments*: $300B
- Individuals*: $560B
- Extra Unemployment Payments*: $260B
- National Security: $17B
- Passenger - Wages/Benefits: $25B
- Cargo - Wages/Benefits: $42B
- Contractors: $33B
- Airlines: $58B
- Airlines - Other: $26B
- Large Corporations: $500B
- Large Corporations - Other: $425B
- Grants: $10B
- Small Business: $377B
- New Loans: $350B
- Relief for Existing Loans: $17B
- State & Local Govt: $339.8B
- COVID-19 Response: $274B
- Block Grants: $55B
- K-12 Schools: $15B
- Higher Education: $41B
- Family Programs: $5.3B
- Governments - Other: $26.8B
- Child Nutrition: $8.8B
- SNAP: $15.6B
- Food Banks: $9.4B
- Safety Net - Other: $1.2B

*Estimated

Sources: NPR, Final CARES Act Document
Federal Reserve Takes Action

March 12
• Fed announced pumping $1.5 trils into short-term lending markets

March 15
• Cut interest rates by 100bps to 0% - 0.25%
• Lowered the primary credit rate to 0.25% and lengthened term of loans to 90 days
• Cut reserve requirements to zero
• Announced at least $700 billion of asset purchases:
  • $500 billion of treasuries and $200 billion of MBS
• Announced coordinated efforts with BoC, BoJ, BoE, ECB, and SNB to lower the rate and extend the term on existing dollar swap arrangements

March 16
• Announced the launch of commercial paper funding facility

March 18
• Announced reopening of primary dealer credit facility

March 23
• Created new and extensive lending facilities

BTW: A normal yield curve is back in place
Macroeconomic Trends
Recession in First and Second Quarters of 2020

US Gross Domestic Product, SAAR, Chained 2012 $

Source: BEA

2020: -1.4%
2021: 2.5%
2022: 1.3%

3-Month Moving Average

First In Forecasts Worldwide

Source: BEA
Not a Consistently Reliable Leading Indicator

US Real Gross Domestic Product to US Stock Prices Index

Sources: Bureau of Economic Analysis, Wall Street Journal
Post Black Swan Business Cycle Forecast

US Industrial Production Index

Source: FRB

12/12 Rates-of-Change

0.2%

US IP

US IP Forecast

First In Forecasts Worldwide

Source: FRB
Post Black Swan Business Cycle Forecast

US Total Industrial Production

US IP

US IP Forecast

Source: FRB

Quarterly Data Trends