



# *Coronavirus Economics*

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# Sudden and Steep

- Weekly unemployment claims
  - March 14: 282,000
  - March 21: 3,300,000
  - March 28 6,600,000
- Saint Louis Fed President James Bullard:
  - Unemployment rate may hit 30% in 2<sup>nd</sup> Quarter
  - Gross Domestic Product may fall 50%



# Market Impact

## MSCI All Country World Index



9b

# Types of Recessions

- Policy Recession
  - Caused by Federal Reserve
- Financial Crisis
  - think Great Recession
- “Real” Recession
  - What we’re facing now



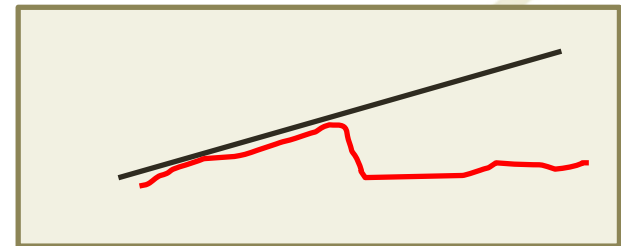
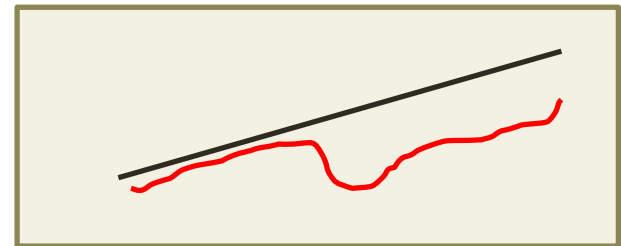
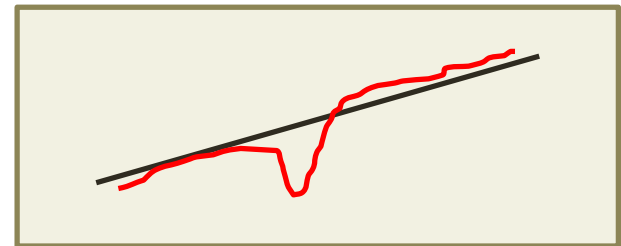
# Supply-Side Shocks

- Global “supply chains” have been disrupted.
- Manufacturers can’t get components.
- Wholesalers can’t get inventory.
- Consumers can’t buy.
- Workers can’t leave the house.
- Businesses like restaurants are closed to the public.  
(except for deliveries, in many cases)



# Types of Recoveries

- V Shaped
  - Typical of a Real Recession  
*(most likely scenario)*
- U Shaped
  - Typical of a Financial Crisis  
*(less likely scenario)*
- L Shaped
  - Worst case scenario  
*(and extremely unlikely)*



# \$2 Trillion CARES Act

It's not fiscal stimulus  
It's fiscal support



# \$2 Trillion CARES Act

- Individuals: \$560 billion
  - *Cash payments: \$300 billion*
  - *Expanded unemployment: \$260 billion*
- Small Business: \$377 billion
  - *Emergency Grants: \$10 billion*
  - *Paycheck Protection Program: \$350 billion*
  - *SBA debt relief (6 months): \$17 billion*
- Big Business: \$500 billion
- Public Health: \$153 billion
- State & Local governments: \$340 billion

Fed announces \$2.3 trillion program to lend to cities, states, and businesses.





# Resilience

- Anheuser-Busch is producing hand sanitizer.
- Gap, St. John Knits, and Armani are producing masks, gowns, and scrubs.
- Bloom Energy refurbished 170 ventilators over a weekend.
- Nectar Products pivoting from ultrasound to ventilators.
- 3 dozen COVID-19 vaccines are under development.
- Jockey gearing up to make 50,000 isolation gowns/week.
- Bill Gates: setting up production for 7 vaccines under development though only 2 will likely “make it through.”

# Key Questions

- Are we “bending the curve”?
- When will effective therapies emerge?
- How quickly can we expand testing regimes?
- When will we have a vaccine?
- When can people safely return to work?
- Will businesses find creative ways to stay open?
- Will there be another wave in the Fall?



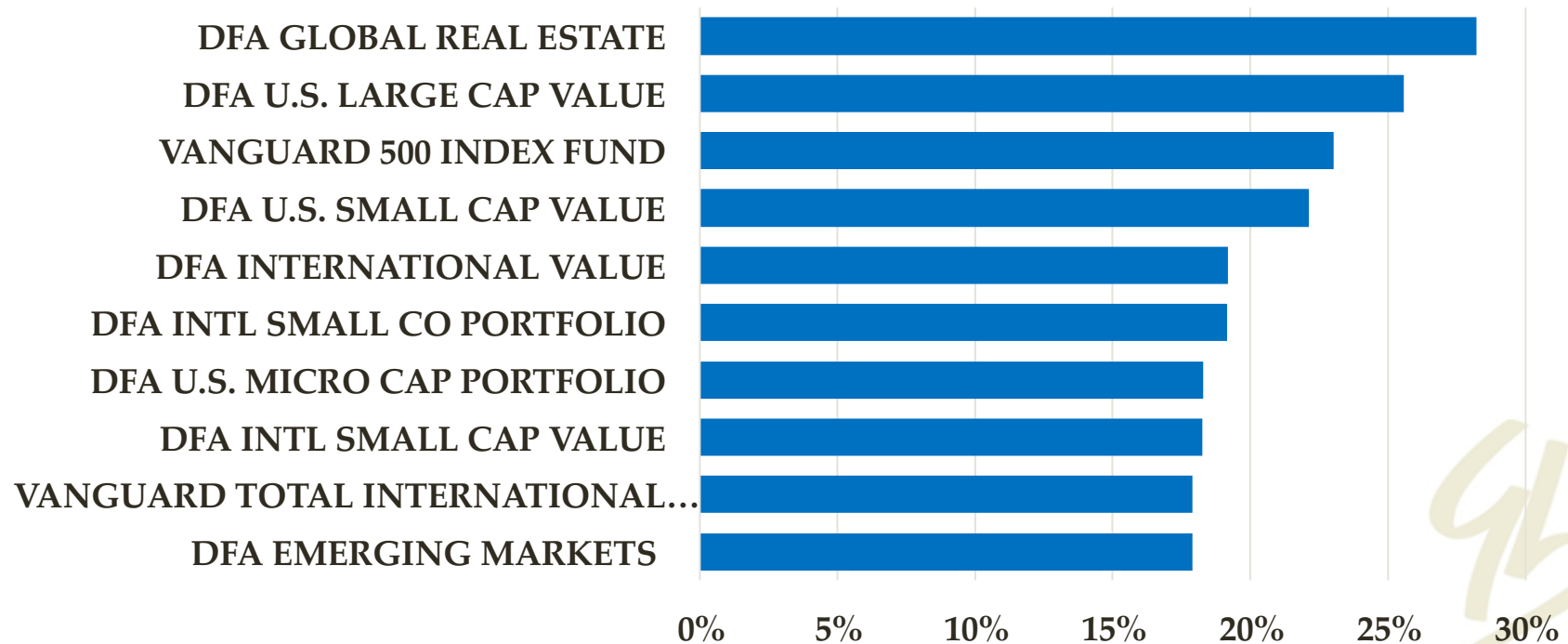
# Market Impact

## MSCI All Country World Index



# Market Impact

March 23 to April 8, 2009



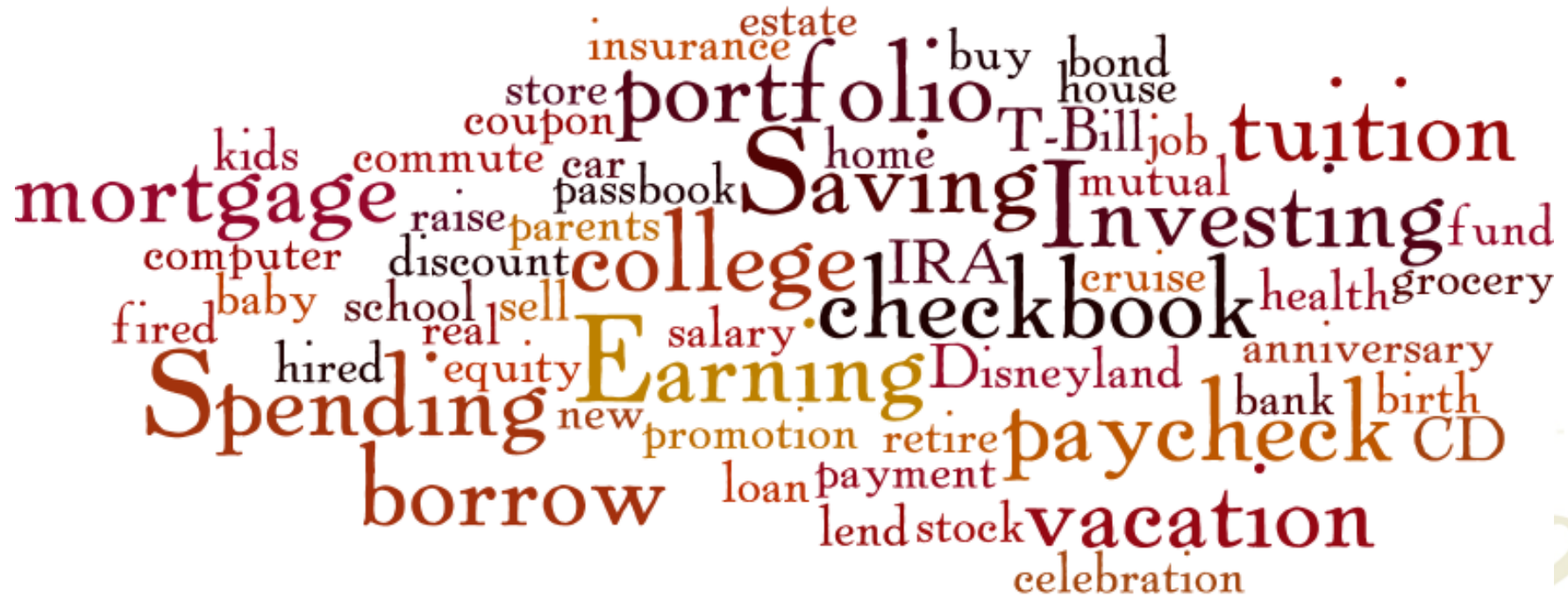
# Summary

- The immediate economic impact of COVID-19 has been of almost unprecedented magnitude.
- The "supply-side" shock to the US and global economy may give us a steep, but short recession and a "V shaped" recovery.
- The stock market will move not when solutions are in place but when they are "on the horizon."
- The US and other governments have taken extraordinary measures to "keep the pipes open" and ensure that otherwise viable businesses don't fail.
- Only time will tell how effective today's actions will be, but human resilience and ingenuity have been impressively on display.

And, as always, remember to breathe



# Questions?



Thank you for joining us!

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