



SECOR Asset Management

Market and Macro Review

11 May 2020

Macroeconomic Update

Global Economy: Overview

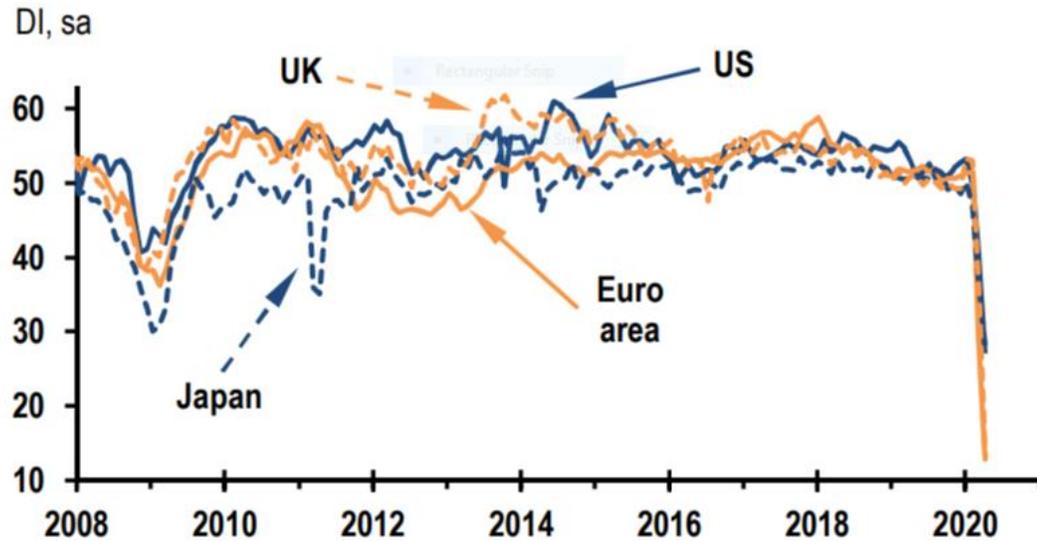
- **Developed Markets: April 2020 Worst Month on Record**
 - Shutdowns brought economic activity to virtual halt
 - Unprecedented policy responses
 - Initial steps toward reopening in progress¹
 - April expected to mark the trough in worst recession in 75 years or more
- **Emerging Markets: China Recovering/Covid-19 Rising in Other Major Emerging Markets**
 - China, Korea and Taiwan relaxing restrictions
 - New Covid-19 cases increasing sharply in Brazil, India and Russia
 - Emerging markets easing monetary & fiscal policies
- **Global Recession Seemingly Reaching Bottom with Far-reaching Legacy**
 - US-China tensions rekindling
 - Rethinking supply chains/globalization
 - Debt levels reaching peacetime highs
 - Allaying Covid-19 concerns will require:
 - More and improved testing² and treatments and/or vaccine

1. Major European countries are taking steps to reopen. Germany and Italy are starting to reopen. France and Spain are expected to follow this week. A number of smaller European countries including Austria, Denmark and Norway have started to reopen. In the US about half of the states have started reopening to different extents and with varying timelines.

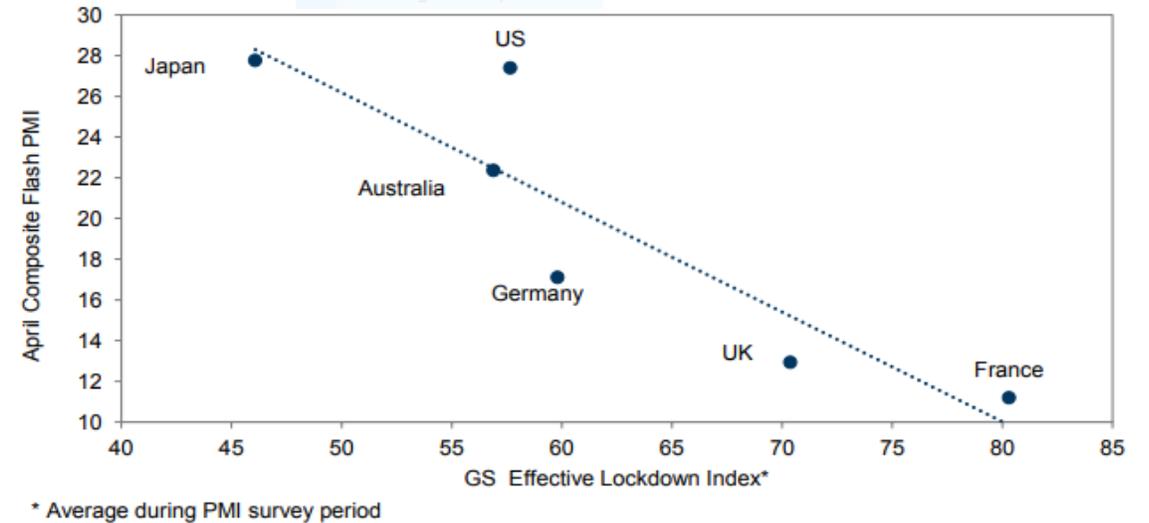
2. Recent Harvard study calls for: Massive Testing, Tracing & Supported Isolation: Employing shutdowns while waiting for vaccine will require 12 to 18 months and cost trillions. Need to deliver 5 million tests per day by early June for safe reopening and increase to 20 million per day to fully mobilize economy.

Global Economy: Overview

G-4 Purchasing Managers' Index's Plummeted in April 2020



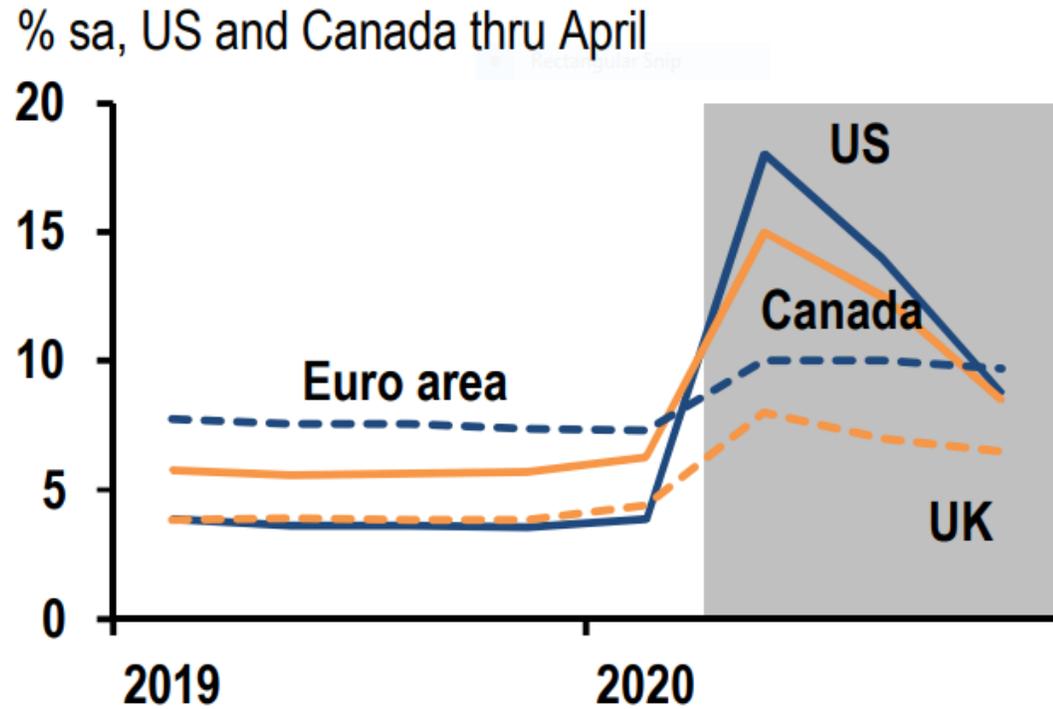
Lockdowns/Purchasing Managers' Indexes Appear Linked



Source: Markit, Oxford, GS

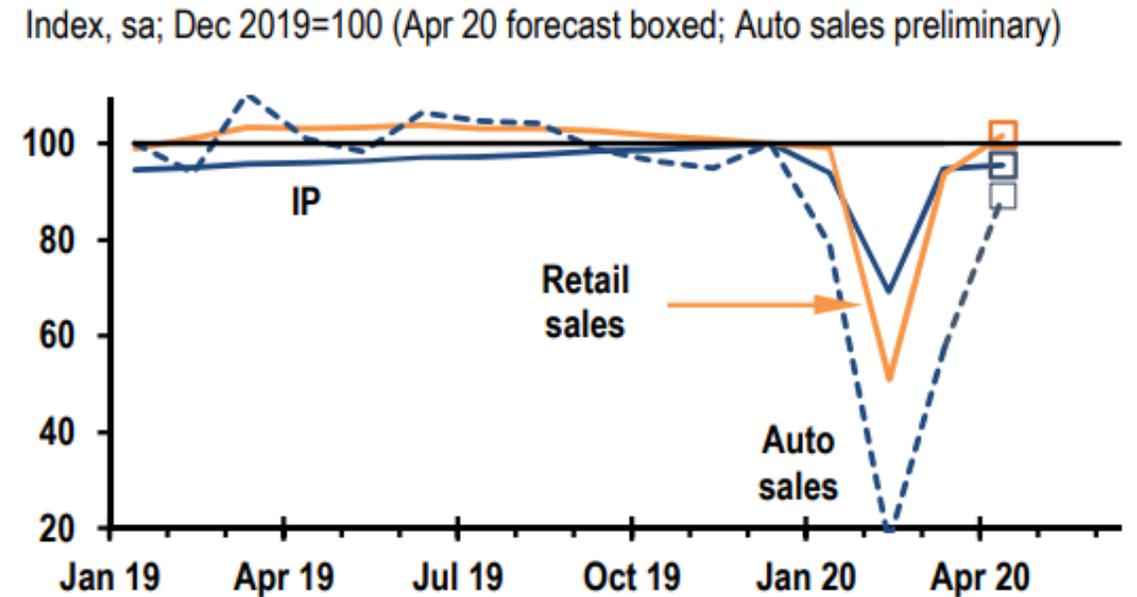
Global Economy: Overview

Developed Market Unemployment Rates¹



Source: Various Gov'ts, JPM

China Economy Recovering



Source: JPM

1. Higher US and Canada unemployment rates reflect more flexible labor markets, not greater economic weakness.

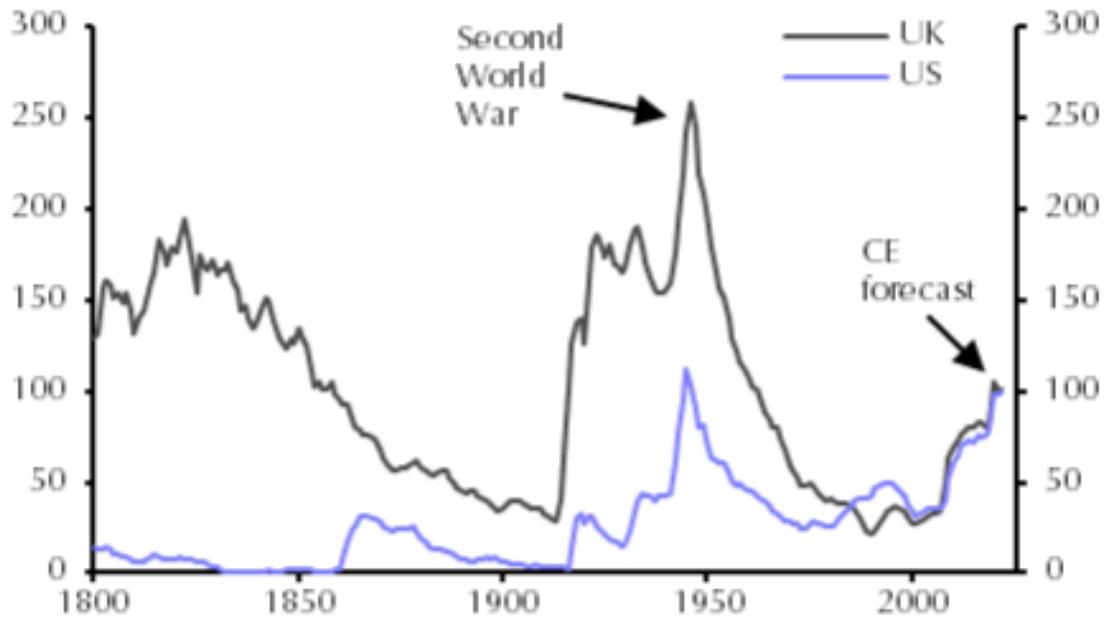
Global Economy – Overview



Source: Goldman Sachs

Global Economy – Overview

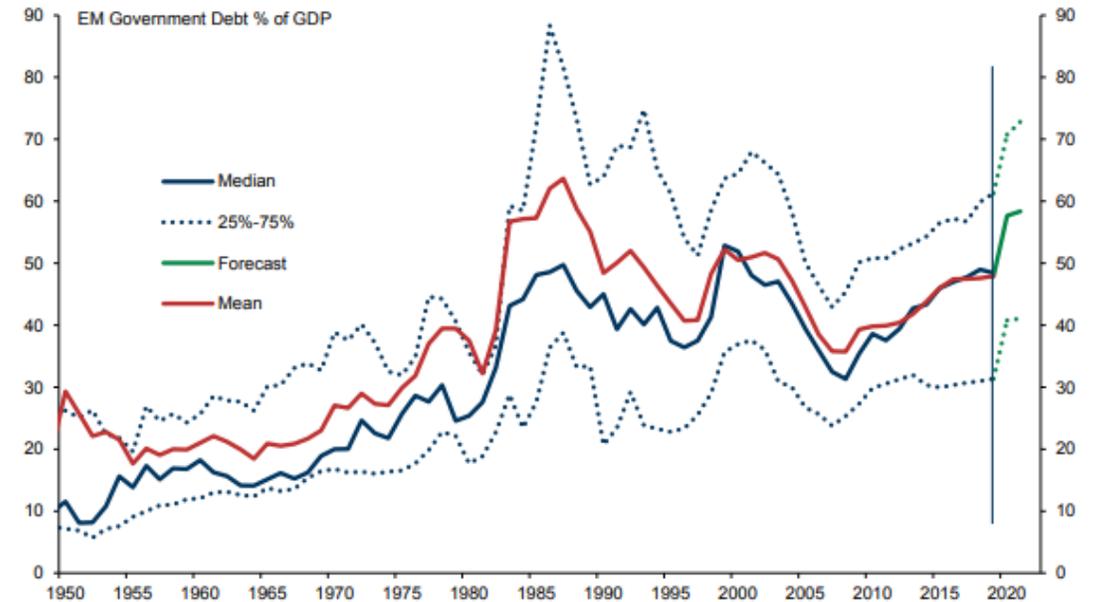
US & UK Government Debt as Percentage of GDP



Sources: Bank of England, CBO

Emerging Market Government Debt as Percentage of GDP

Mean, median and percentiles of EM government debt across time

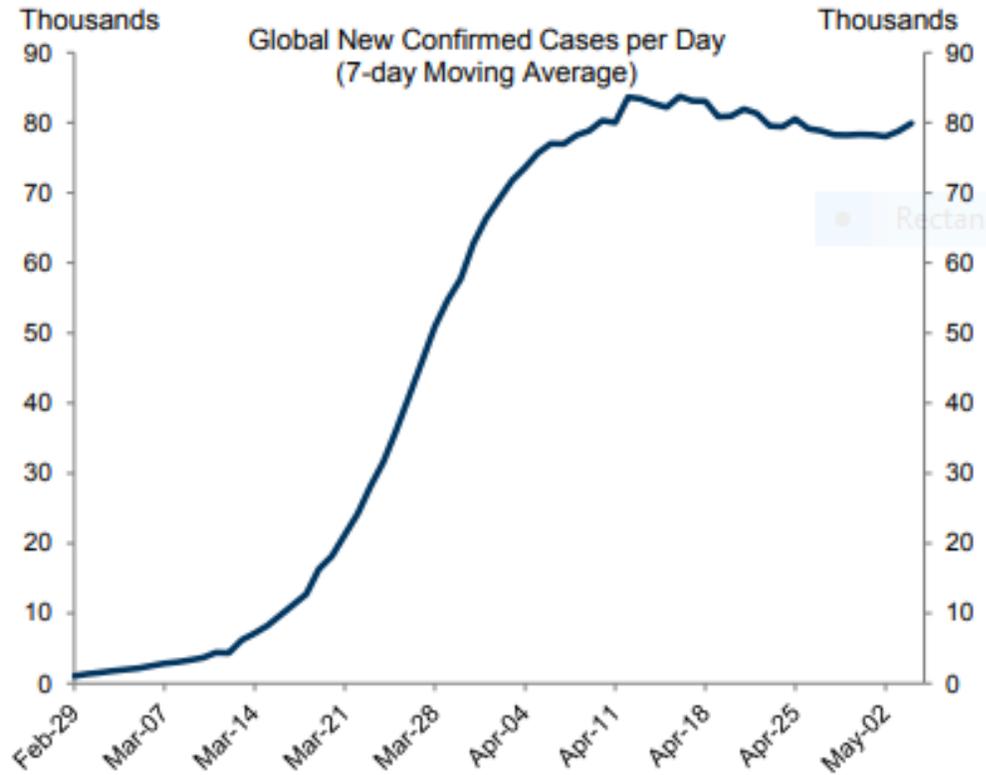


Source: GS

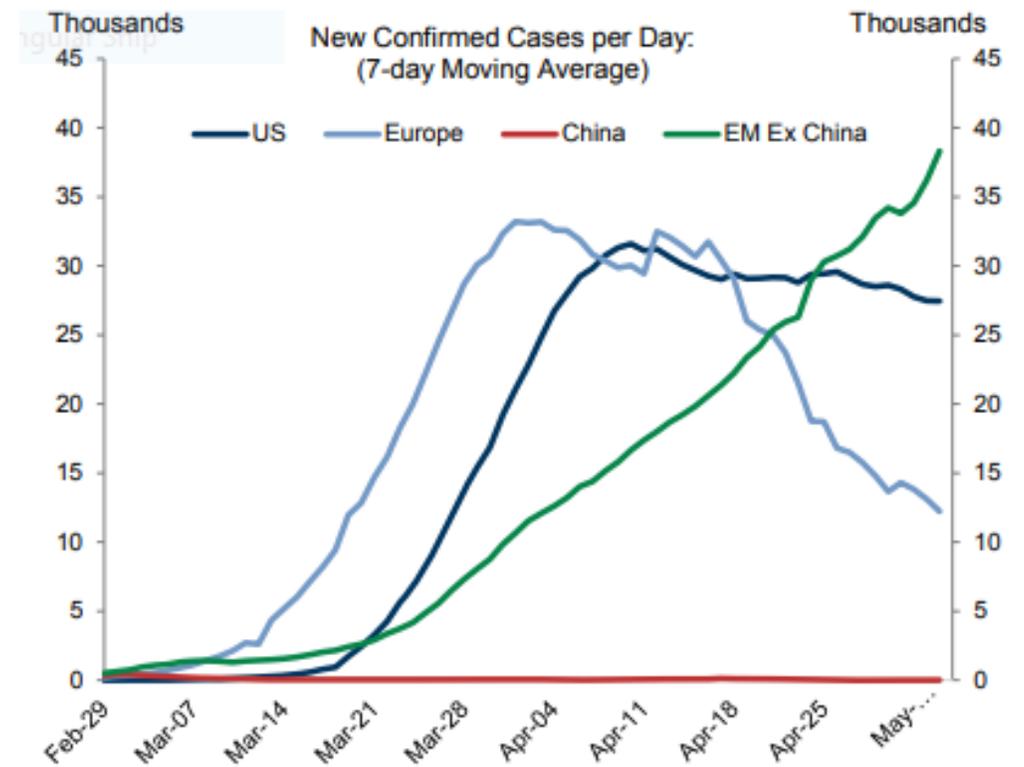
Covid-19 Update

New Case Growth

New Global Cases



Major Countries/Groupings

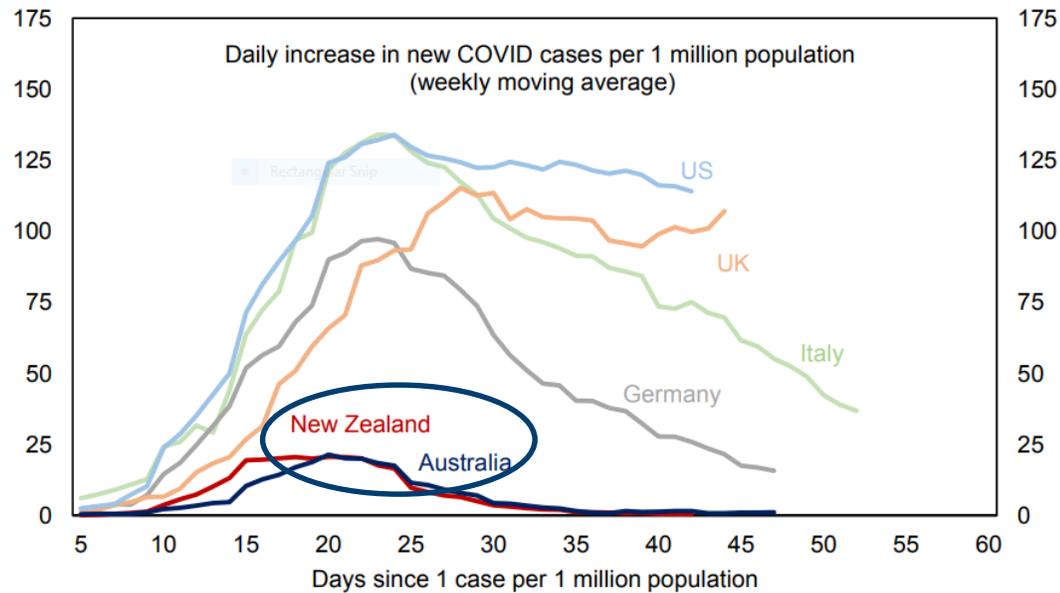


Source: John Hopkins, Goldman Sachs

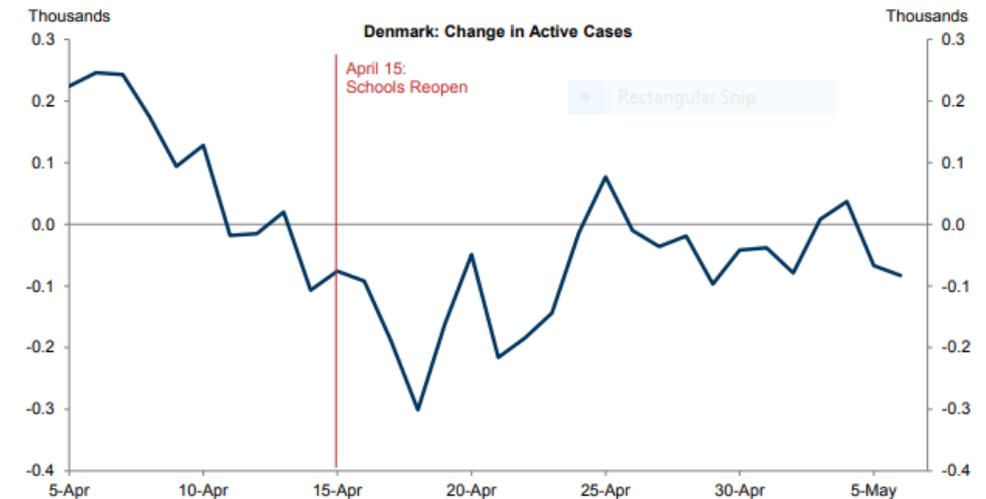
Covid-19 Update

New Case Growth

Australia, NZ, Other Countries¹



Denmark



Source: JHU CSSE

Source: John Hopkins, Goldman Sachs, JHU CSSE

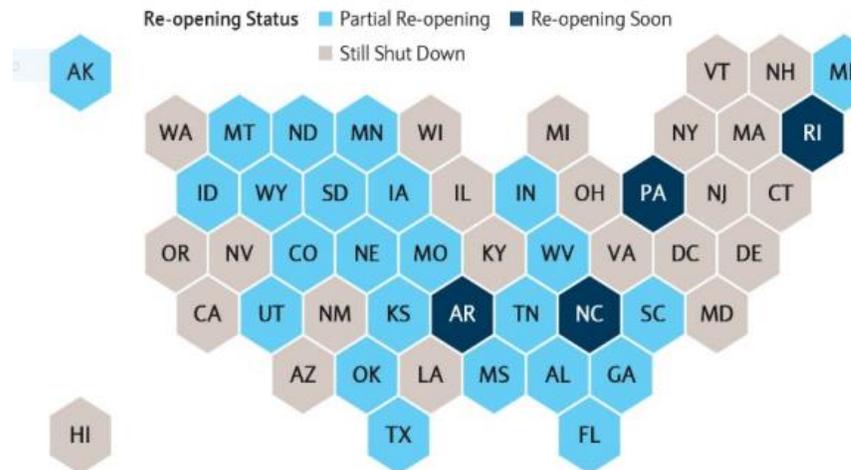
1. The success of Australia and New Zealand in containing Covid-19 is attributed to: natural advantages including: geography (island facilities border control), outbreak in or near summer, relatively low population density and proactive decisions.

Selected Country/Regional Briefs

■ US: Historic Number of Job Losses

- Historic Number of Job Losses / Employment fell by 20+ million in April 2020
- Unemployment 14.7%, highest rate since Great Depression
 - Most classified as temporary layoffs
- Carefully watching experience of states that reopen

A Number of States are Re-opening or Will Do So Soon



Source: National Governors Association, New York Times, Barclays Research

1. Christine Lagarde 8 May 2020 address at European University Institute in Florence
2. FT reports today that new cases in Germany and elsewhere – e.g., South Korea -- concern

■ Euro Area: Covid-19 Crisis Rekindling Old Debates / Reopening

- Germany and Netherlands oppose issuing common debt
- Lagarde: common fiscal response highly desirable
 - Needs to be “swift, sizeable and symmetrical”¹
- France, Spain, Denmark, Norway lifting some Covid-19 measures today but...²

Selected Country/Regional Briefs

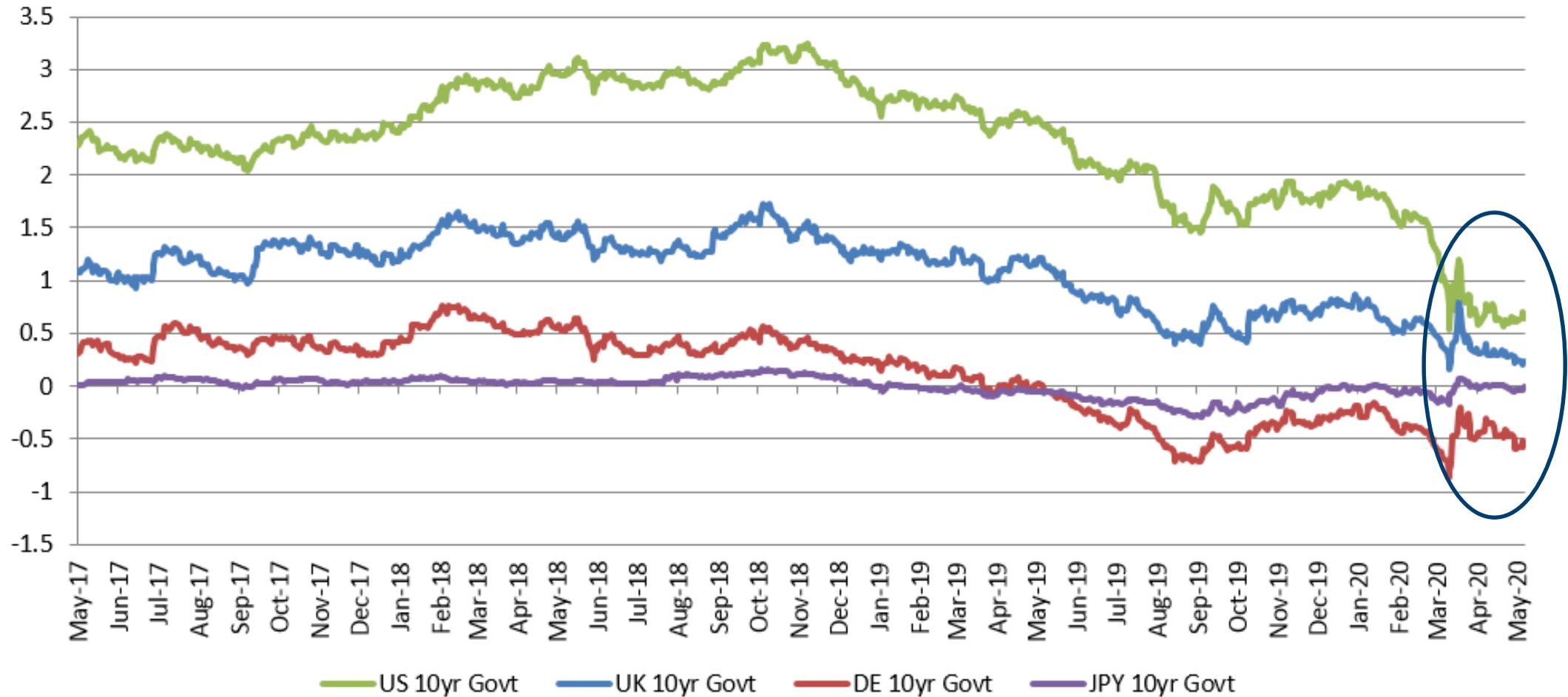
- **UK: Bank of England Left Rates Unchanged for Now/Hints at Future Easing**
 - Maintained quantitative easing at current rate until August 2020 with split vote
 - Andrew Bailey (BoE) said economy could sink at 35% rate in Q2 2020
 - Starting trade talks with US today
- **Boris Johnson Announced Conditional Reopening Plan Yesterday**
 - Limited exiting of lockdown/contingent upon continued progress in containing virus
 - Step I (immediate) more workers to return to jobs / increase outdoor activities
 - Work that cannot be done at home -- e.g., construction and manufacturing
 - Enjoy outdoor exercise
 - Step II (June 2020) reopen schools/some shops and eateries
 - Primary grades (1-6)
 - Step III (July 2020) hospitality and public places

Market Performance Summary

(USD)	Since 3/31	YTD	2019	Q4 '18	2018
Equities					
MSCI ACWI	11.02%	-12.70%	26.60%	-12.75%	-9.42%
MSCI EAFE	5.98%	-18.21%	22.01%	-12.54%	-13.79%
MSCI EM	7.63%	-17.77%	18.42%	-7.46%	-14.57%
MSCI US	14.18%	-8.39%	30.88%	-13.81%	-5.04%
Fixed Income					
BarCap Global Agg Total Return (Hedged)	1.25%	2.72%	8.22%	1.74%	1.76%
Citi US 10+ Govt Bond Index	0.34%	21.03%	14.89%	4.17%	-1.89%
BarCap US High Yield Total Return (Unhedged)	5.20%	-8.14%	14.32%	-4.54%	-2.08%
Oil					
WTI Crude	0.94%	-58.38%	21.03%	-27.31%	-8.70%
Brent Crude	4.42%	-51.20%	13.63%	-26.21%	-5.32%
Currency					
USD/EUR	0.92%	3.24%	1.86%	1.57%	-7.73%
USD/GBP	-0.43%	6.30%	-3.76%	2.29%	6.16%
USD/JPY	-1.40%	-2.04%	-1.00%	-3.39%	-2.54%
USD/CNH	-0.06%	1.68%	1.38%	-0.06%	5.53%
USD/TRY	7.97%	19.54%	11.93%	-11.56%	40.19%
USD/ARS	4.49%	12.37%	58.95%	-7.29%	100.07%

Source: Bloomberg. Performance through May 8, 2020

Sovereign Bond Yields



Source: Bloomberg

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