

Sarasin Global Strategy and Outlook

Wall Street & Main Street – understanding the great divergence

5 June 2020



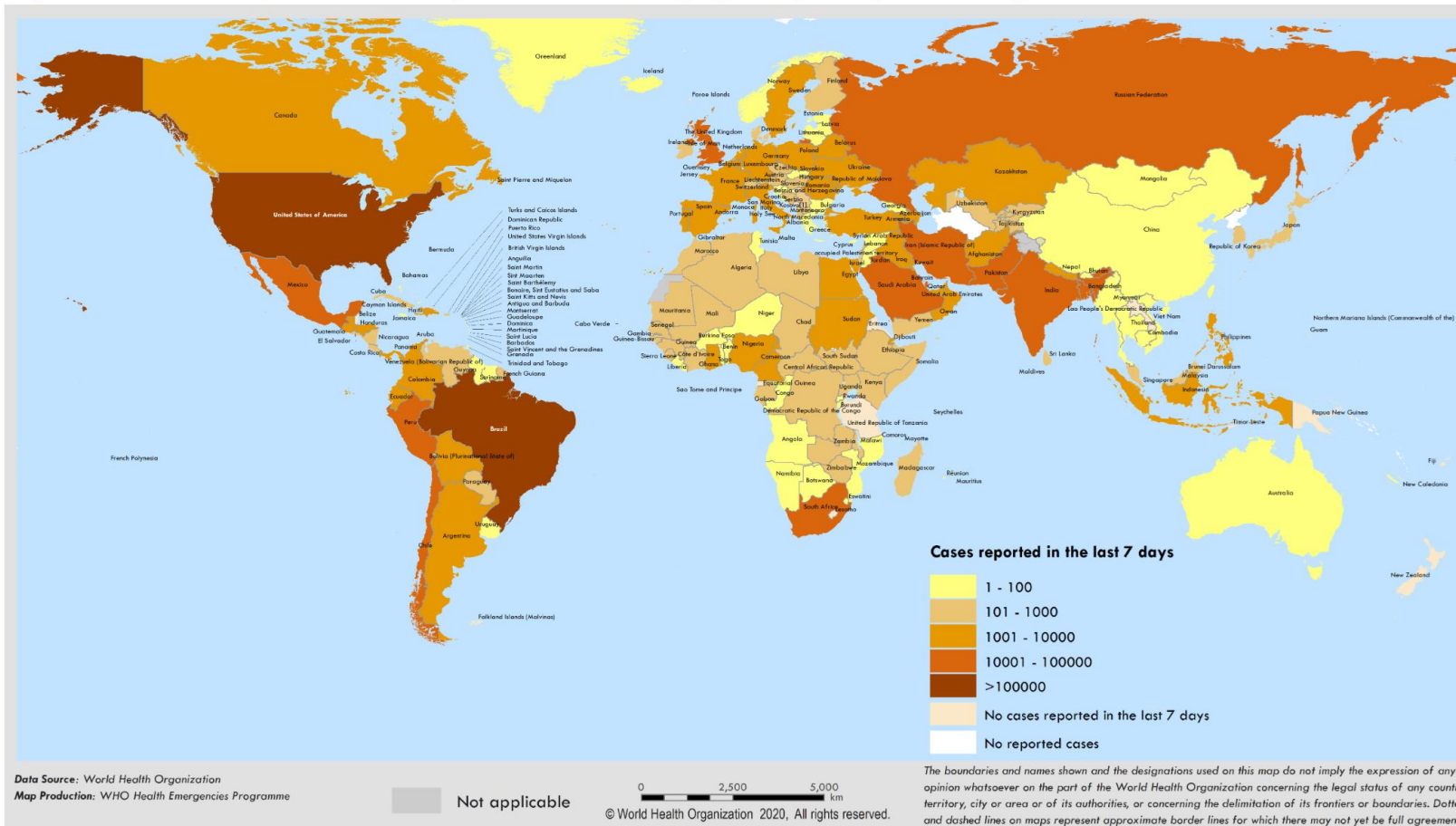
COVID-19: Almost 50% of cases now in the Americas



Number of COVID-19 cases reported in last 7 days (WHO)

Surveillance

Figure 1. Number of confirmed COVID-19 cases reported in the last seven days by country, territory or area, 28 May to 03 June**



Total COVID19 cases by WHO region

Global	6.3m
Africa	0.1 m
Americas	2.9 m
E.Med	0.5 m
Europe	2.2 m
SE Asia	0.3 m
W Pacific	0.2 m

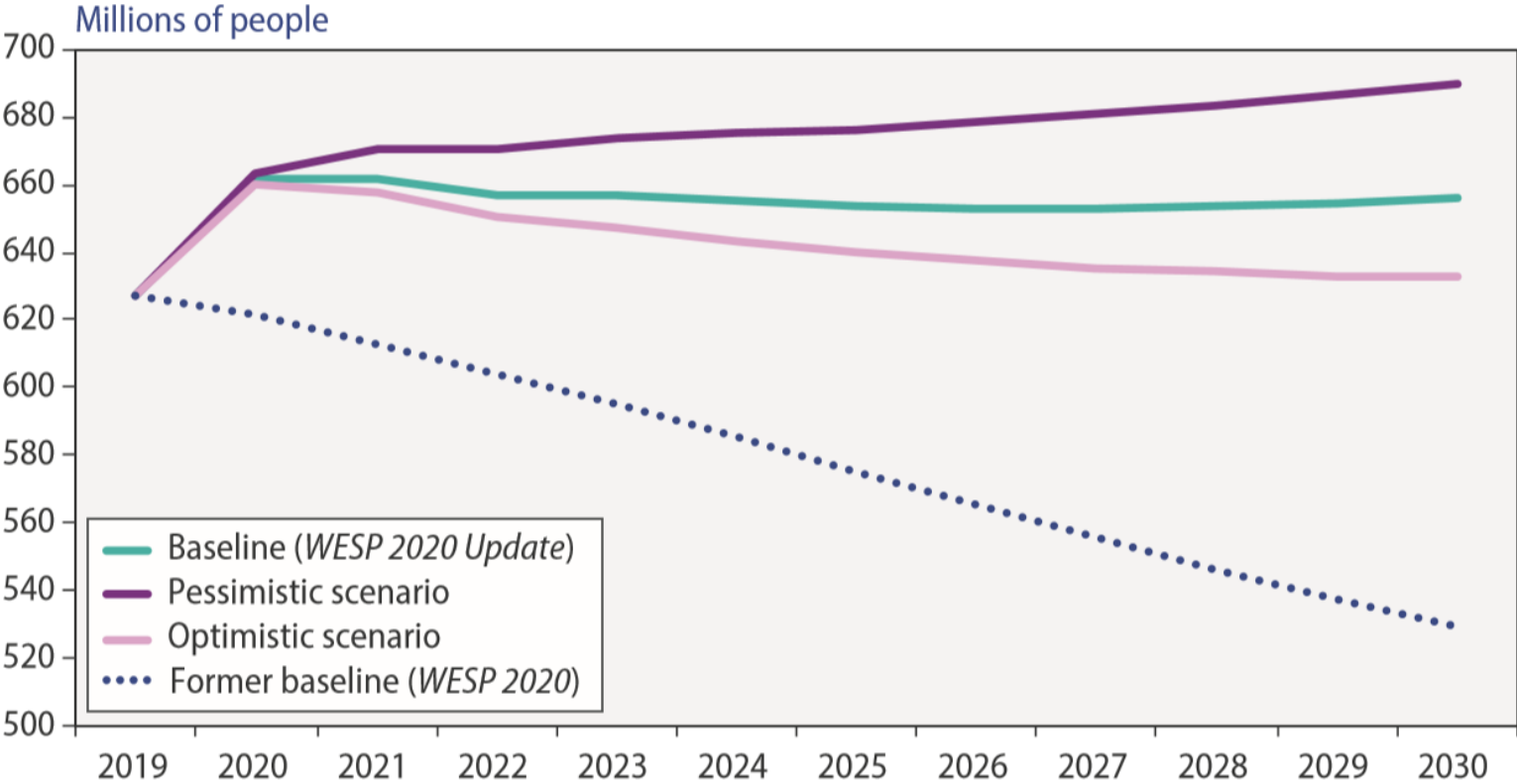
WHO June 3 2020

For the world's poorest there is the prospect of massive loss of employment and income



The number of people living in extreme poverty could increase by nearly 130 million by 2030

Poverty projections



Source: UN DESA, based on projections and scenarios produced with the World Economic Forecasting Model (WEFM).

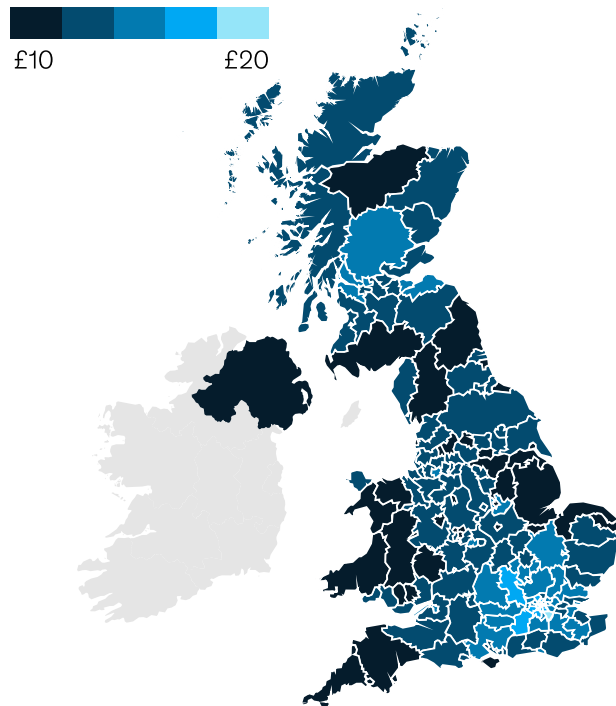
Note: The threshold of extreme poverty used for the projections is \$1.9 a day.

Source: United Nations May 2020

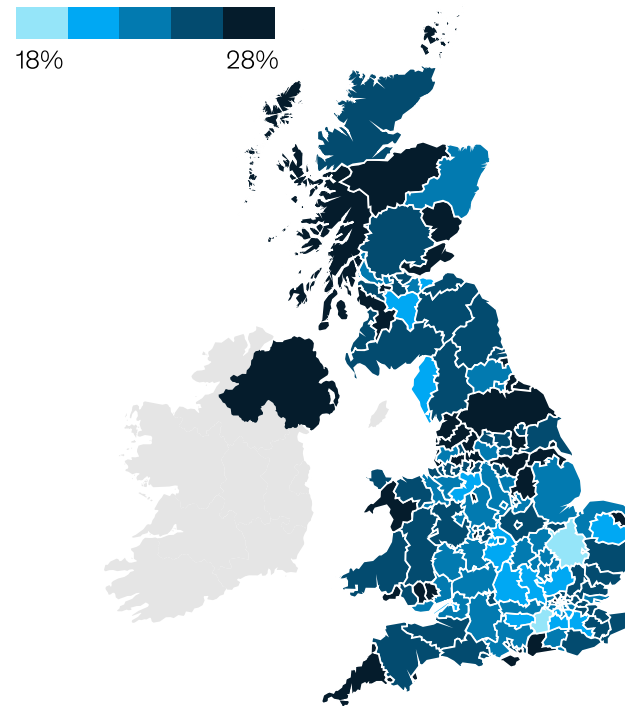
UK/Virus: 24 percent of jobs are at risk, with the most vulnerable in the country's 20 lowest-income subregions.

Regions of the United Kingdom with lower incomes have a larger proportion of jobs at risk.

Median gross hourly pay by region, 2019, £



Jobs at risk¹ by region, 2020, % share of total employment in 2019



¹Jobs that are at a high risk of furloughs, layoffs, or reductions in hours or pay during periods of high physical distancing.
Source: Office for National Statistics; US Bureau of Labor Statistics; McKinsey Global Institute analysis; McKinsey analysis

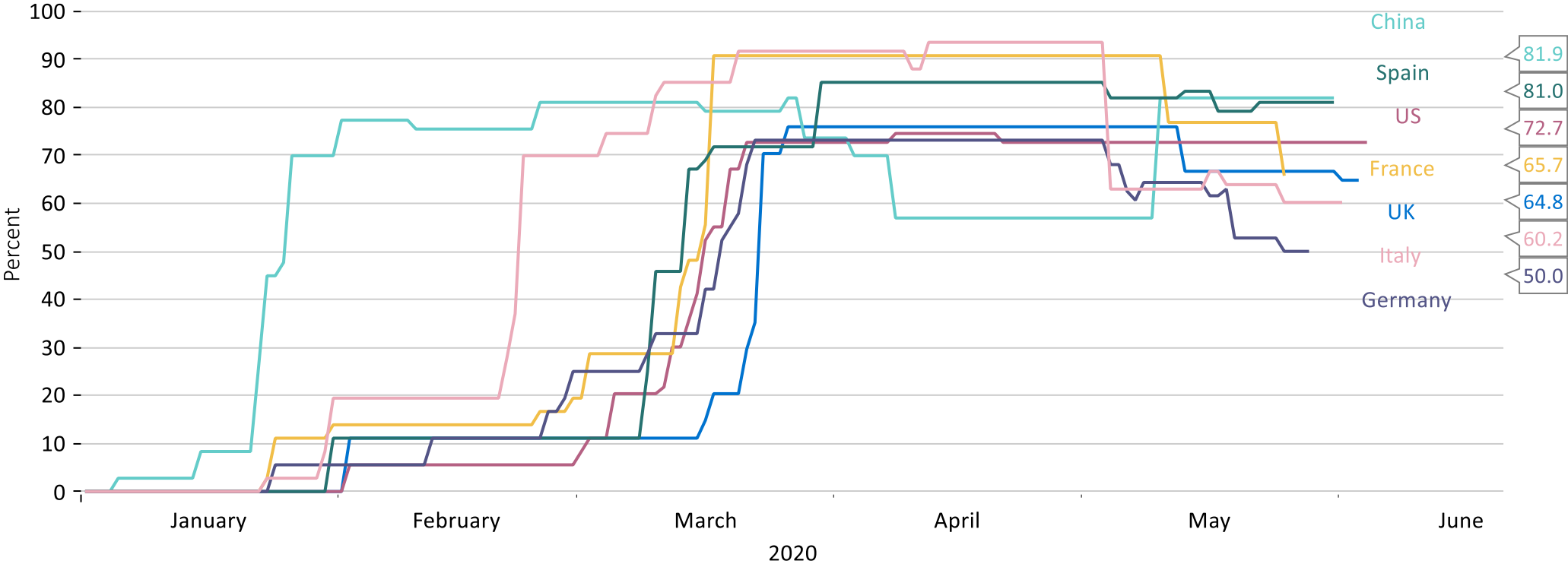
McKinsey
& Company

Government restrictions are easing slowly...



COVID-19 Government Response Tracker

COVID-19 Global Stringency Index



Source: Macrobond

The global Government Response Tracker records government responses worldwide and aggregates the scores into a common Stringency Index . Blavatnik School - University of Oxford.

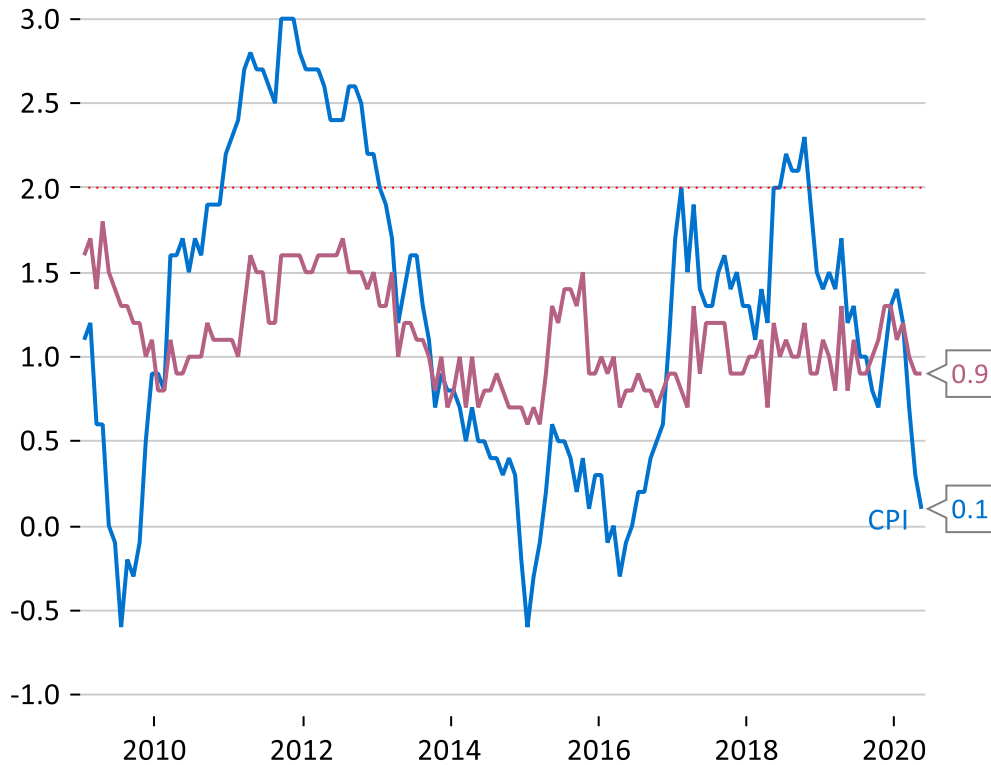


Euro area: Inflation at zero with many European countries *already* in recession...



Consumer price inflation falls to 0.1%

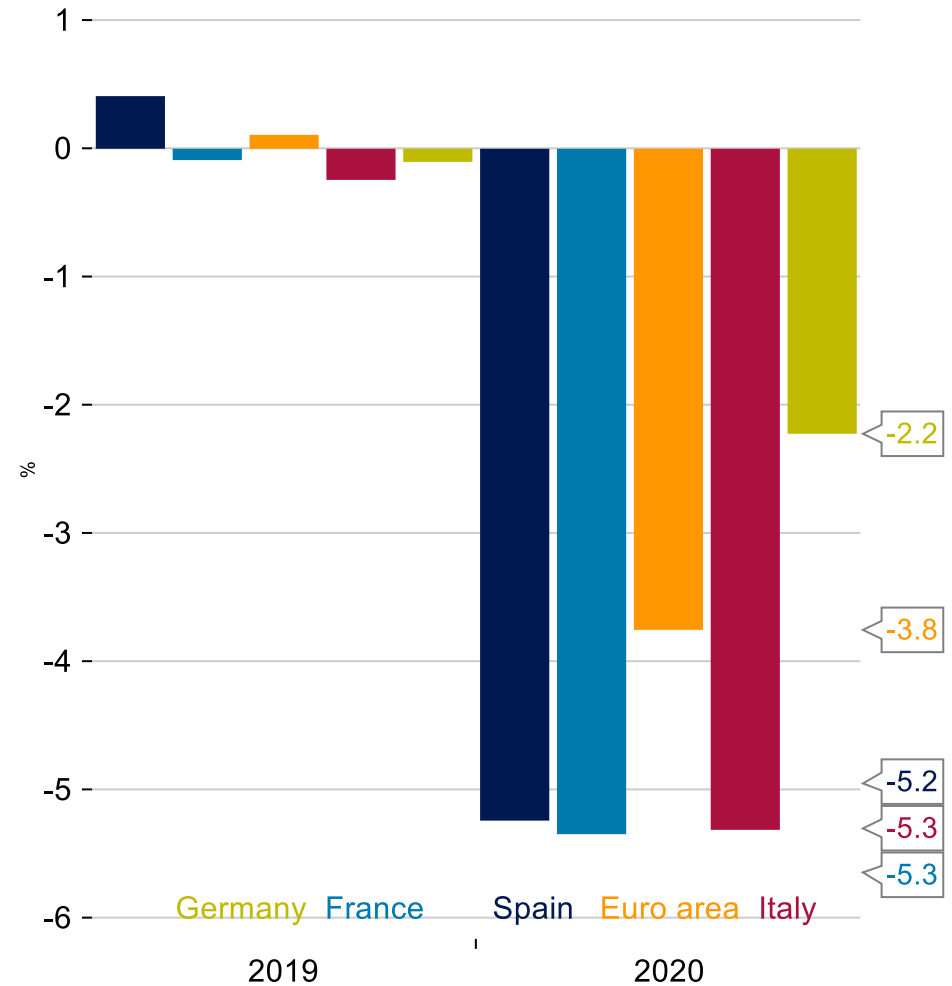
Euro Area Core and Headline Inflation



Source: Macrobond



Quarterly growth outcomes in Q1 2020 and Q4 2019





The ECB exceeds market expectations...

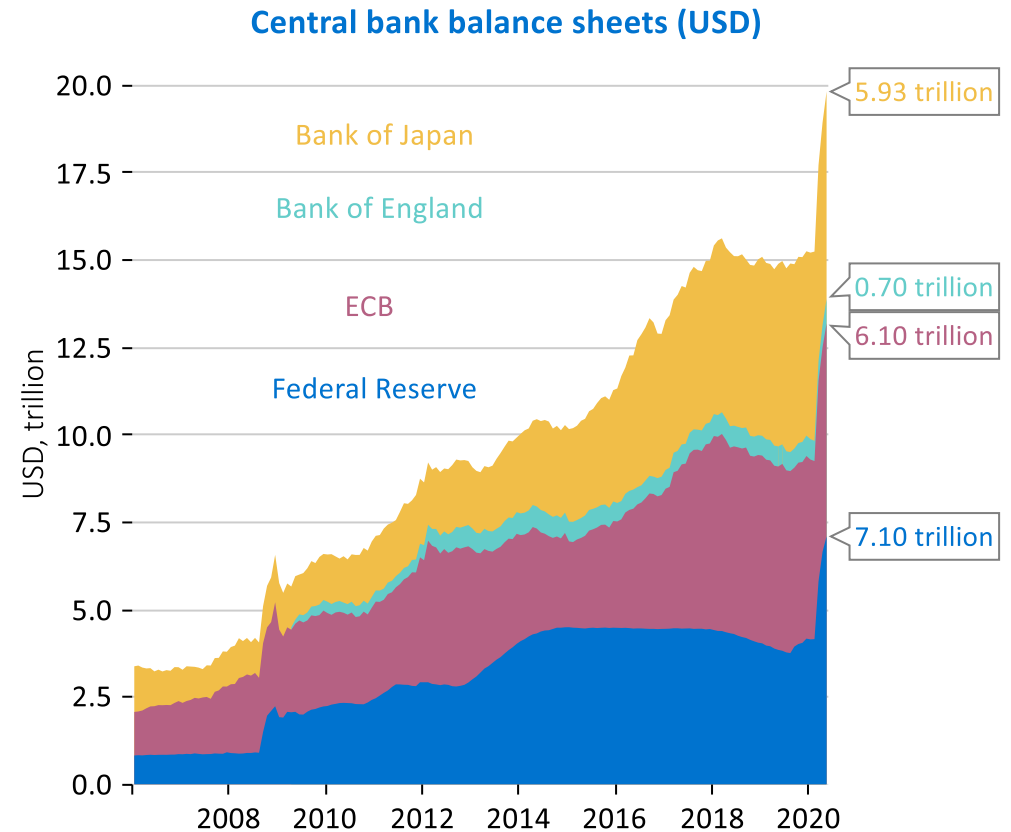
The ECB decision exceeded market expectations for bond purchases:

1. PEPP package increased by **€600bn**, from the current envelope size of €750bn, **bringing the total package to €1.35bn**.
2. The horizon of purchases has been **extended to mid-2021** (from end 2020).
3. Maturing purchases will be **reinvested until at least the end of 2022**.

President Lagarde said that the governing council shared the ***“unanimous view that action had to be taken***



Central bank asset purchases surge



Source: Macrobond

Note: UK balance sheet data is lagging by 1 year, and so is proxied in the chart by assets purchased by the central bank reserves.

Key indicators to watch...



US inflation expectations appear stable



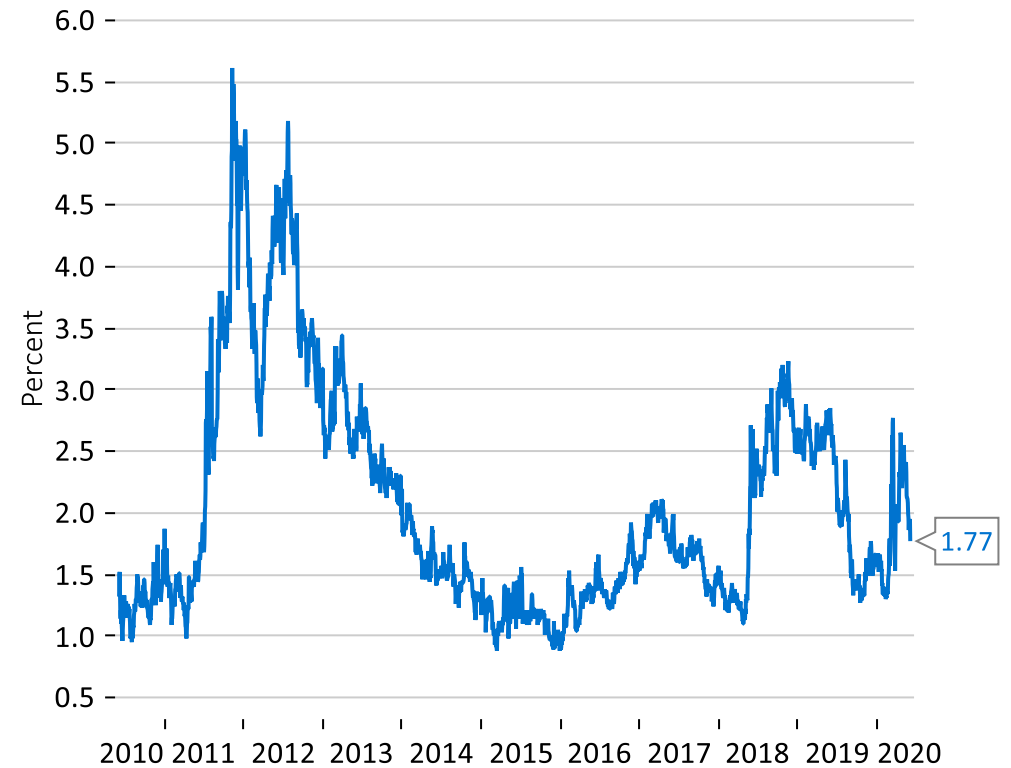
Euro break-up risk has lessened

US Inflation Expectation Rate, 5 Year 5 Year Forward



Source: Macrobond

Italy less Germany 10 Year Govt Bond Yield



Source: Macrobond

The global equity recovery continues...

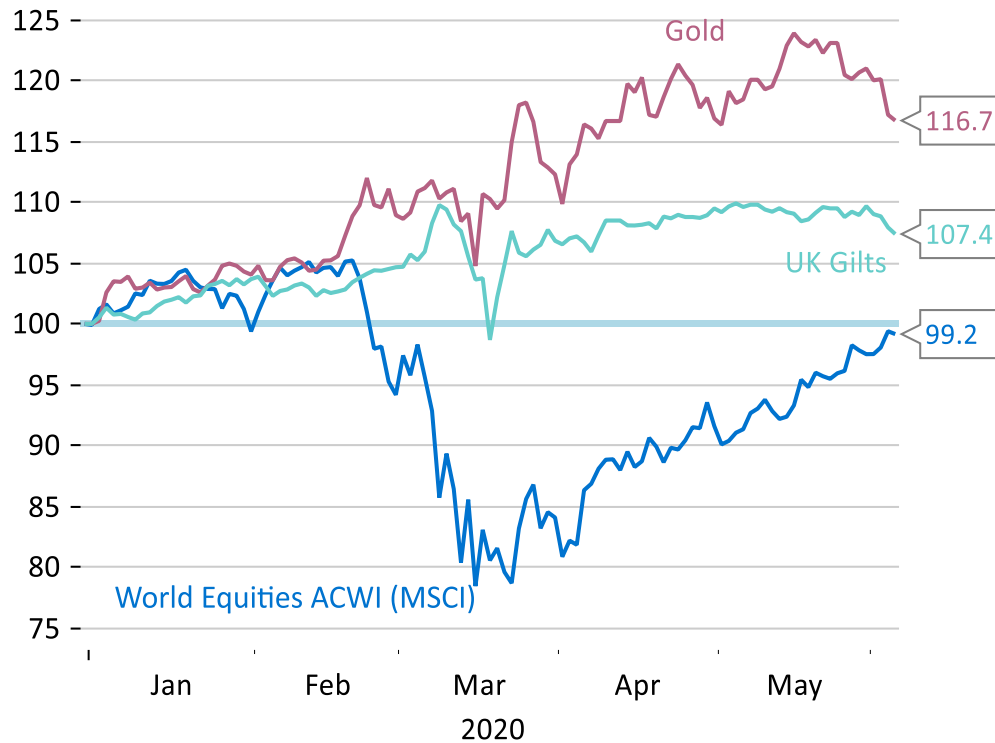


The 2020 US Bear market lasted just 34 days



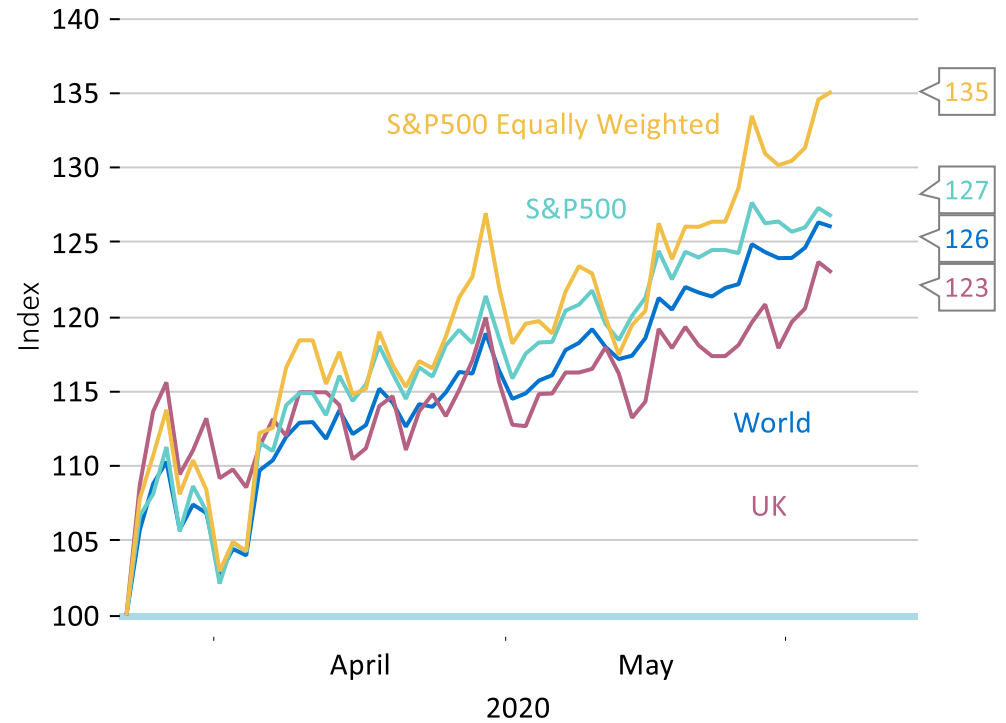
Extraordinary rally from market low...

Global Asset Returns
GBP (1/1/2020 = 100)



Source: Macrobond

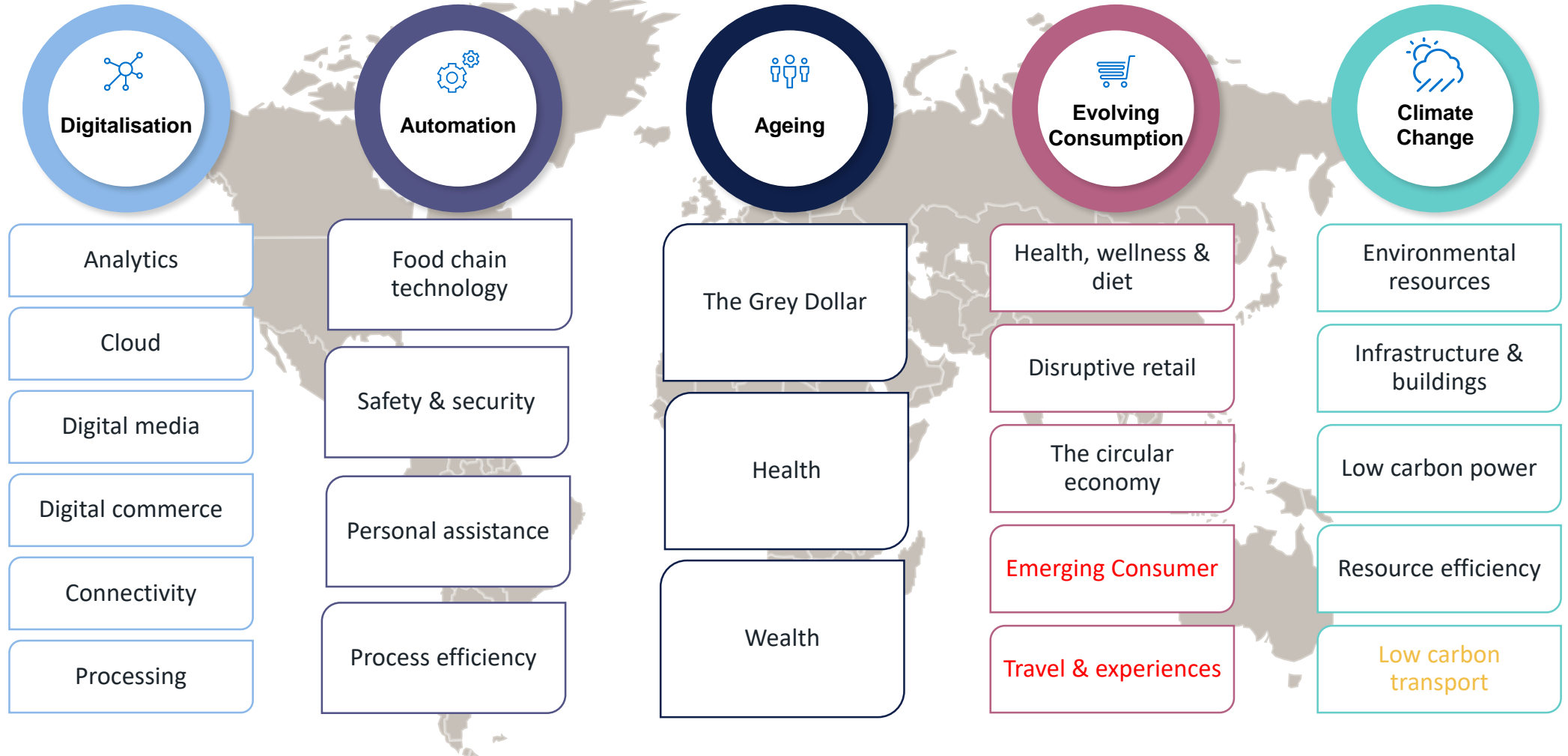
Global Equity returns from
market low 23/3/20 (GBP)



Source: Macrobond

Five secular mega-themes remain resilient long-term

20-30 sub-themes – some emphasis may change



Red type – Under review

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