

Sarasin Global Strategy and Outlook

*Three reasons for caution today
but opportunity tomorrow*

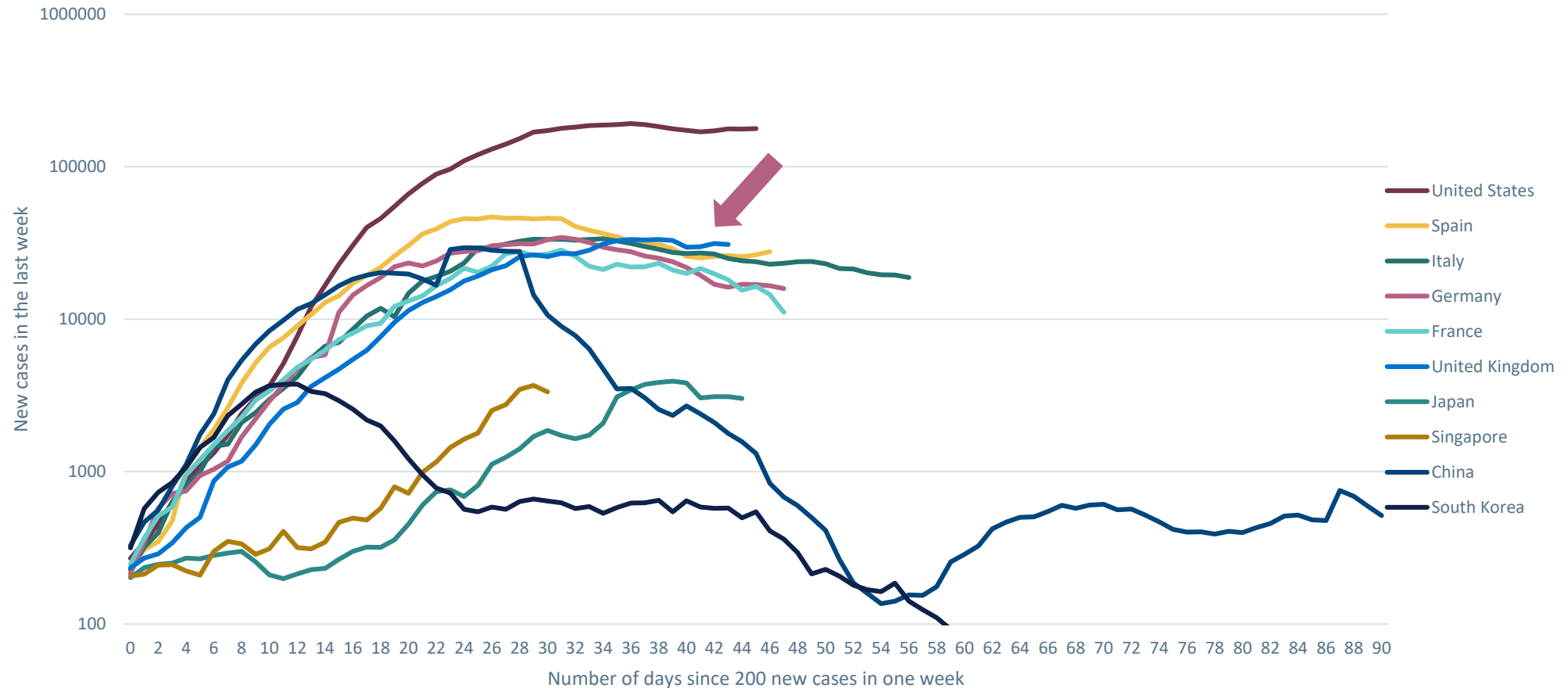
April 2020 Week 4



European new cases appear to be stabilising moving gradually to reflect Asia's – UK measure now highest in Europe



European cases have started to plateau – US now the centre of global pandemic (22.4.2020)



‘Most of the epidemics in Western Europe appear to be stable or declining...although numbers are low, we see worrying upward trends in Africa, Central and South America, and Eastern Europe.’ Director general WHO 22.4.2020

Source: Sarasin/WTO



Guidelines for opening up America again

President Trump has unveiled a three-phased approach.



OPENING UP AMERICA AGAIN

Proposed State or Regional Gating Criteria

(Satisfy Before Proceeding to Phased Opening)

SYMPTOMS

Downward trajectory of influenza-like illnesses (ILI) reported within a 14-day period

AND

Downward trajectory of COVID-like syndromic cases reported within a 14-day period

CASES

Downward trajectory of documented cases within a 14-day period

OR

Downward trajectory of positive tests as a percent of total tests within a 14-day period (flat or increasing volume of tests)

HOSPITALS

Treat all patients without crisis care

AND

Robust testing program in place for at-risk healthcare workers, including emerging antibody testing

*State and local officials may need to tailor the application of these criteria to local circumstances (e.g., metropolitan areas that have suffered severe COVID outbreaks, rural and suburban areas where outbreaks have not occurred or have been mild). Additionally, where appropriate, Governors should work on a regional basis to satisfy these criteria and to progress through the phases outlined below.

Source: The White House April 2020

Source: Bloomberg/Sarasin



Guidelines for opening up America again – three phases



Phased Opening process (for States and Regions that satisfy gating criteria)

April 16 2020	Phase 1	Phase 2	Phase 3
Individuals	<ul style="list-style-type: none"> Vulnerable should shelter in place. Maximise physical distance in public places. Gatherings of 10 or more to be avoided. No non essential travel. 	<ul style="list-style-type: none"> Vulnerable should shelter in place. Maximise physical distance in public places. Gatherings of 50 or more to be avoided. Non essential travel can resume. 	<ul style="list-style-type: none"> Vulnerable can resume interactions but should practice physical distancing and minimise social exposure. Low risk pop
Employers	<ul style="list-style-type: none"> Encourage telework and return to work in phases. Close all common areas. Minimise non essential travel. Schools closed, no visits to Nursing homes. Large venues (cinemas, restaurants, churches) can only operate under strict physical distancing guidelines. 	<ul style="list-style-type: none"> Encourage telework and return to work in phases. Close all common areas. Non essential travel can resume. Schools can reopen, no visits to Nursing homes. Large venues (cinemas, restaurants, churches) can only operate under moderate physical distancing guidelines. 	<ul style="list-style-type: none"> Unrestricted staffing of worksites Visits to Nursing Homes can resume, but diligence with hygiene practices Large venues can operate under limited physical distancing protocols Gyms can remain open if they adhere standard sanitation protocols Bars may operate

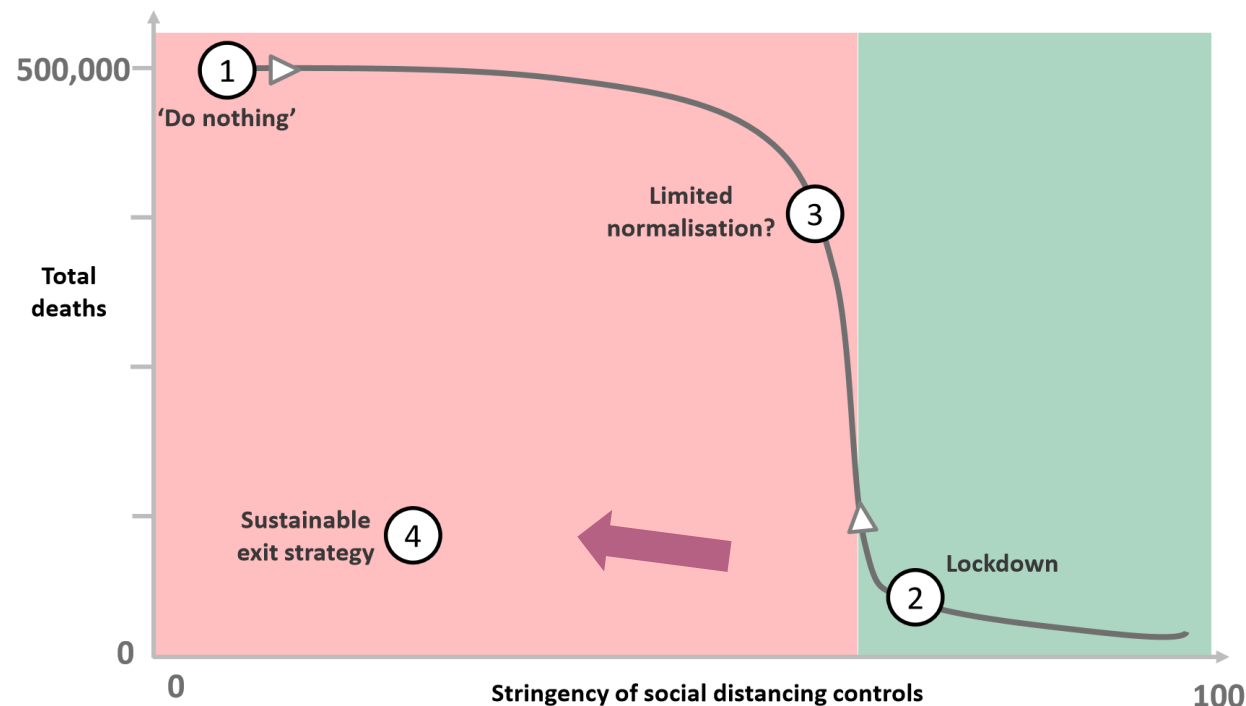
Source: The White House April 2020

1. Lockdown saves lives but how long is it sustainable as unemployment soars...

 Can Containment and Shielding allow us to move from '2' to '4' - Illustrative Only

The dilemma: an unavoidable trade-off?

Lifting suppression = higher R? = more deaths?



- Only stringent **lockdown measures (2)** have brought the spread of the virus under control, hopefully limiting deaths.
- But **lifting suppression measures (3)** alone could lead to the accelerating spread and large numbers of deaths.
- Estimates suggest there is very little room for manoeuvre.
- A **sustainable exit (4) strategy** means getting away from this trade-off.

Source: 20 APRIL 2020 Tony Blair Institute for Global Change - IAN MULHEIRN SAM ALVIS LIZZIE INSALL JAMES BROWNE CHRISTINA PALMOU

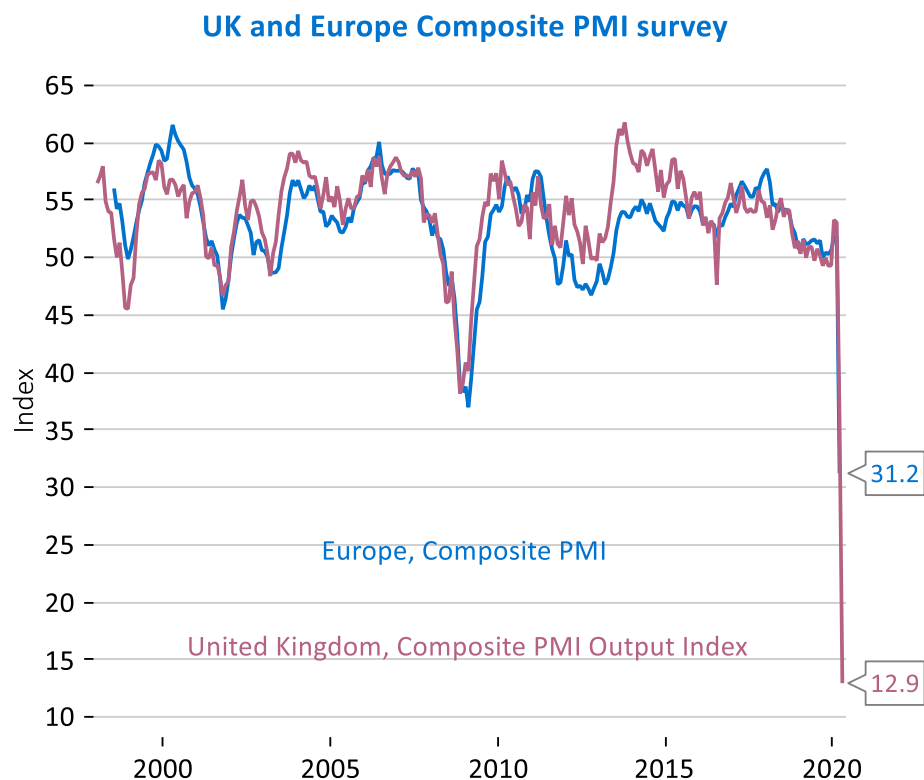
2. Record deterioration in global economic data



Record drop in UK and EU survey data



US Unemployment nears 20%



Source: Macrobond

'24% of UK business surveyed had temporarily ceased trading,
94% said they are likely to apply for UK Govt Schemes'

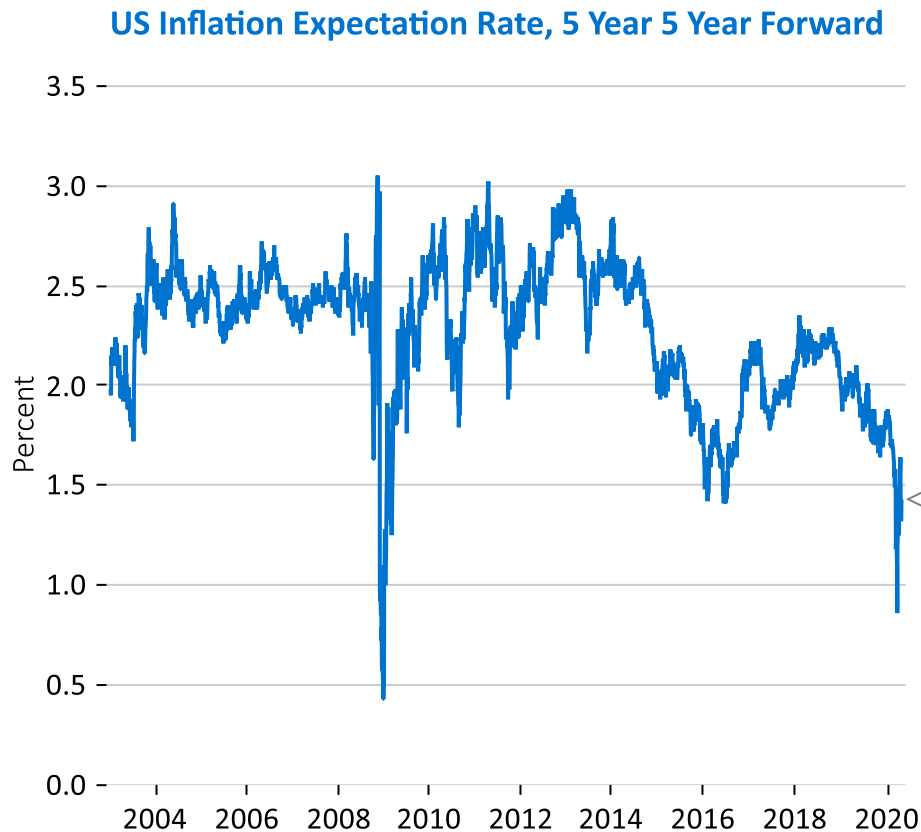
UK ONS Survey 23/4/2020

US Unemployment	
Labour Force	164.3m
Pre-Corona unemployed	5.8
week 1 claims	3.3
week 2 claims	6.7
week 3 claims	6.6
week 4 claims	5.3
Week 5 claims	4.4
Total unemployed	32m
Current unemployment rate	19.5%

Determined 'Fed' action has stabilise inflation expectations while the ECB continues to cap Italian bond spreads

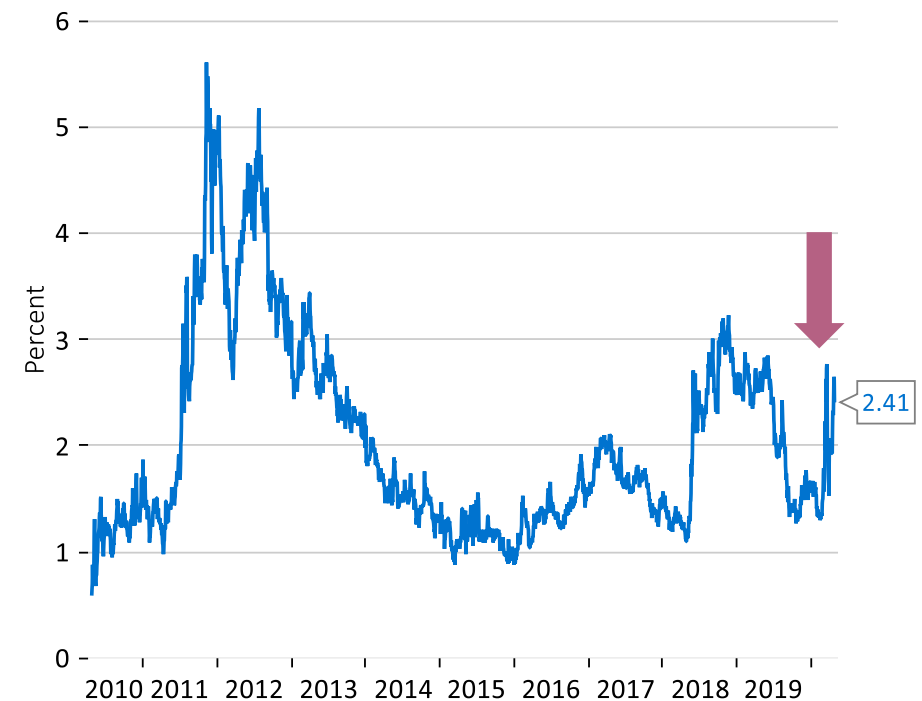


Expected US inflation 5 years from now



Ultimately Italy needs 'Corona-Bonds.'

Italy less Germany 10 Year Govt Bond Yield



Source: Macrobond

"We'll have to expect higher contributions on the next budget...substantial investment will be needed"
Chancellor Merkel on Euro 540bn support plan agreed 23.4.2020



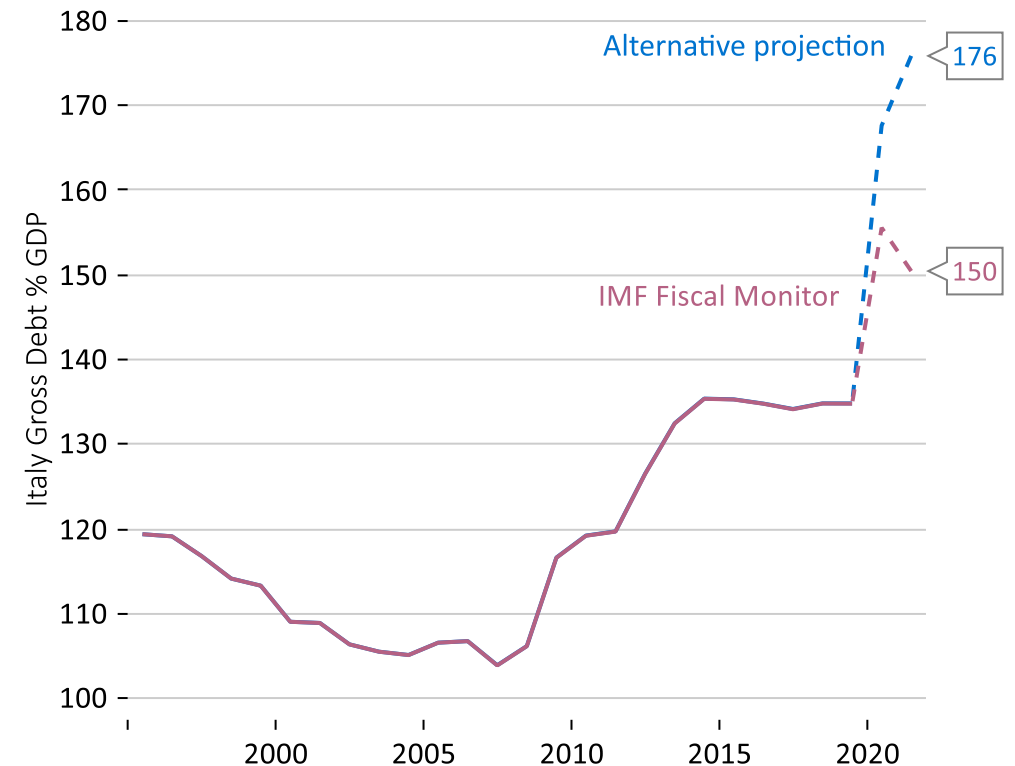
European Council Meeting – little progress from last Eurogroup meeting, *but positive signalling of “solidarity”*

1. ESM – Light conditionality attached, with capacity up to 2% of member states GDP, totalling €240bn
2. Support to mitigate Unemployment Risks in an Emergency (SURE) - re-insurance system worth €100bn
3. European Investment Bank to help banks lend up to €200bn
4. Recovery Fund – work in progress, European Commission to work on proposal by 6th May



Projections - Italy gross debt as a share of GDP

Italy, Government gross debt as a share of GDP

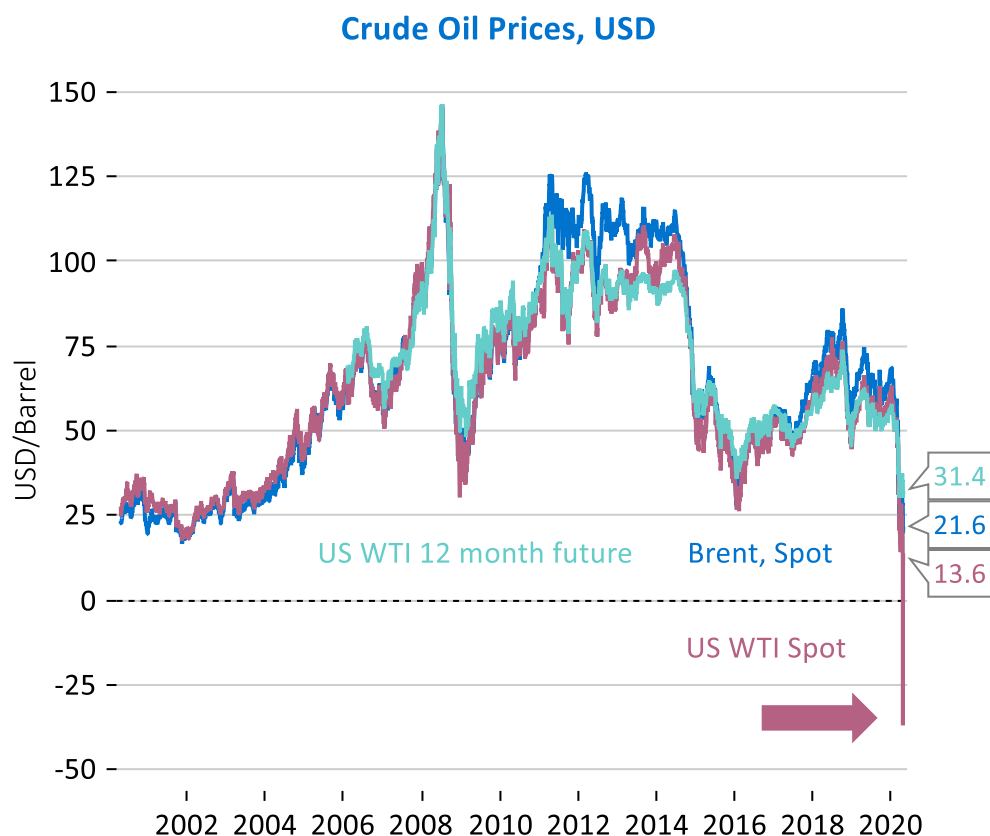


Source: Macrobond

3. After Shocks: Oil – a stranded asset ahead of forecast...



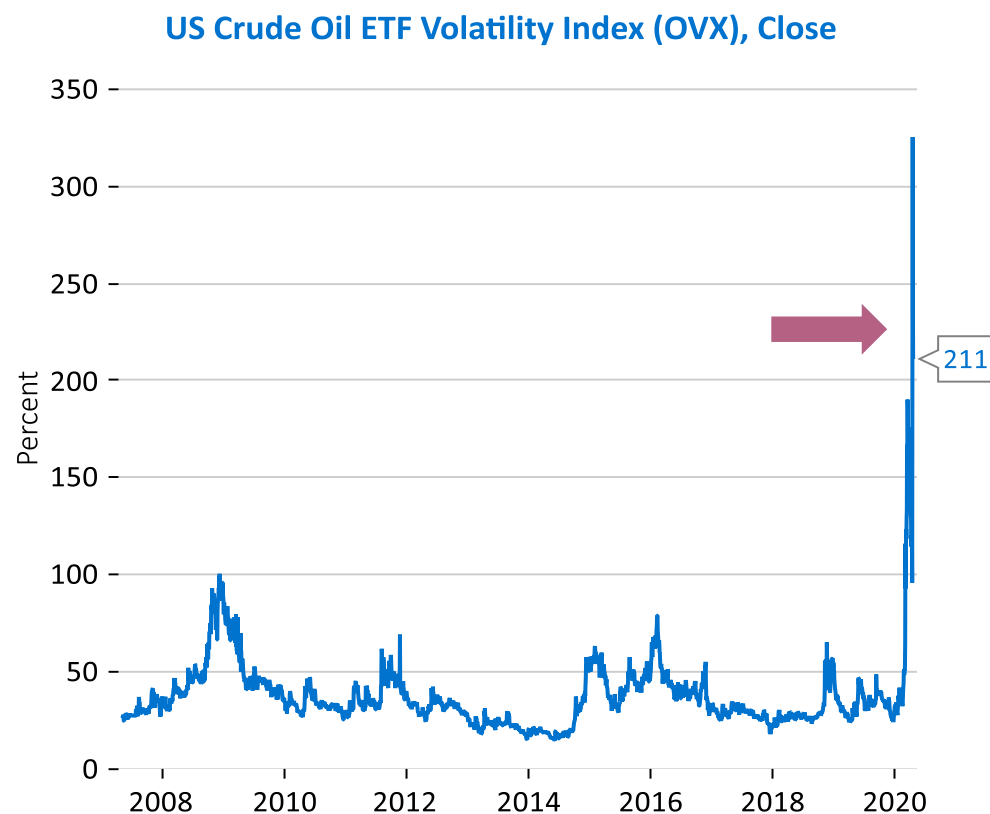
Negative prices only for Spot WTI



Source: Macrobond



Unprecedented oil price volatility

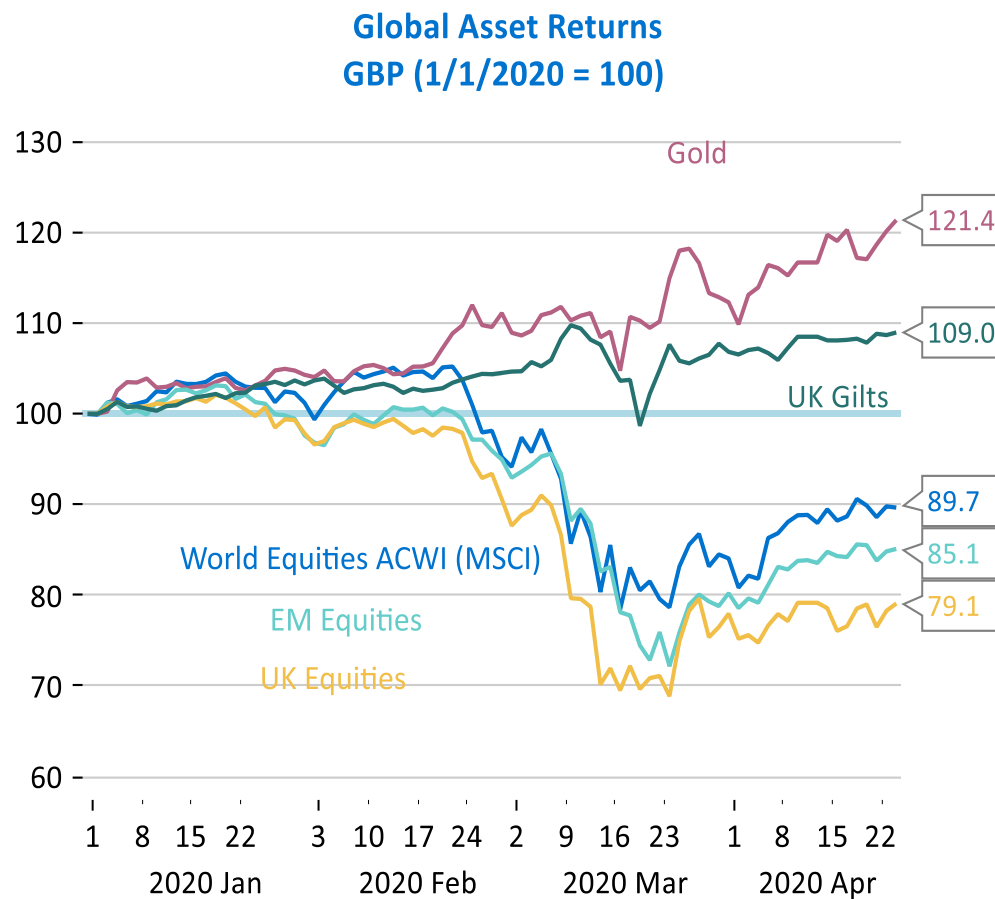


Source: Macrobond

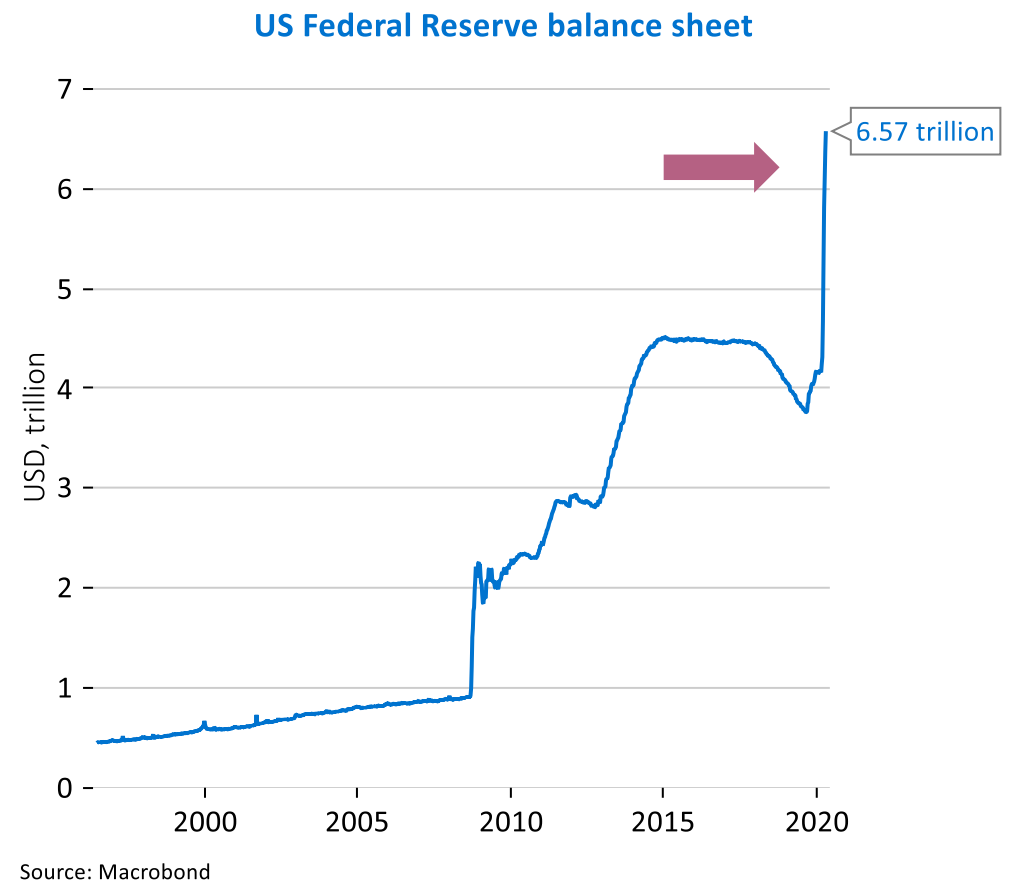
Equities saw the fastest fall into a bear market in history but have recovered half their fall...supported by Central Banks...



Global equities rally from March lows...



Federal Reserve balance sheet will likely peak at \$8-9 trillion



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