



**TD Economics**

# **COVID-19 Economic Assessment Webcast**

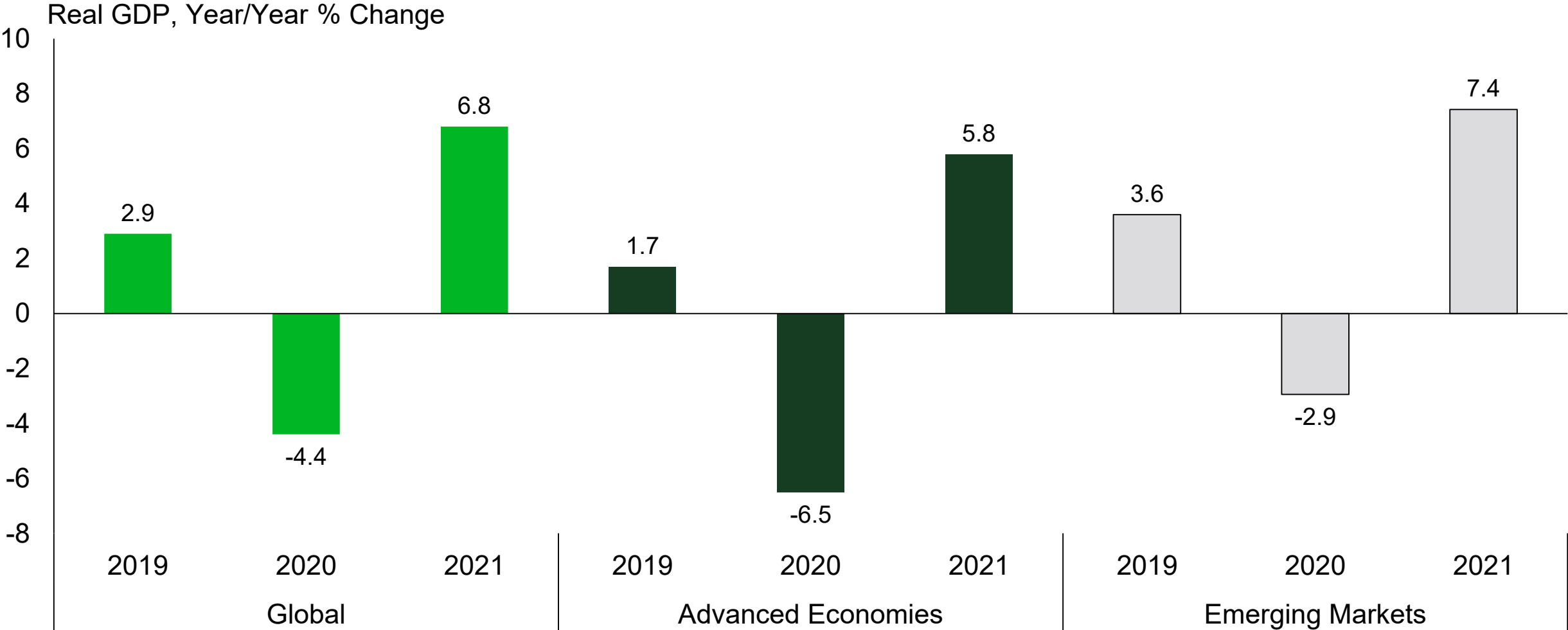
**Monday April 20<sup>th</sup>, 2020 at 11 AM EST**

# Global

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# Global Risks Remain Tilted To The Downside

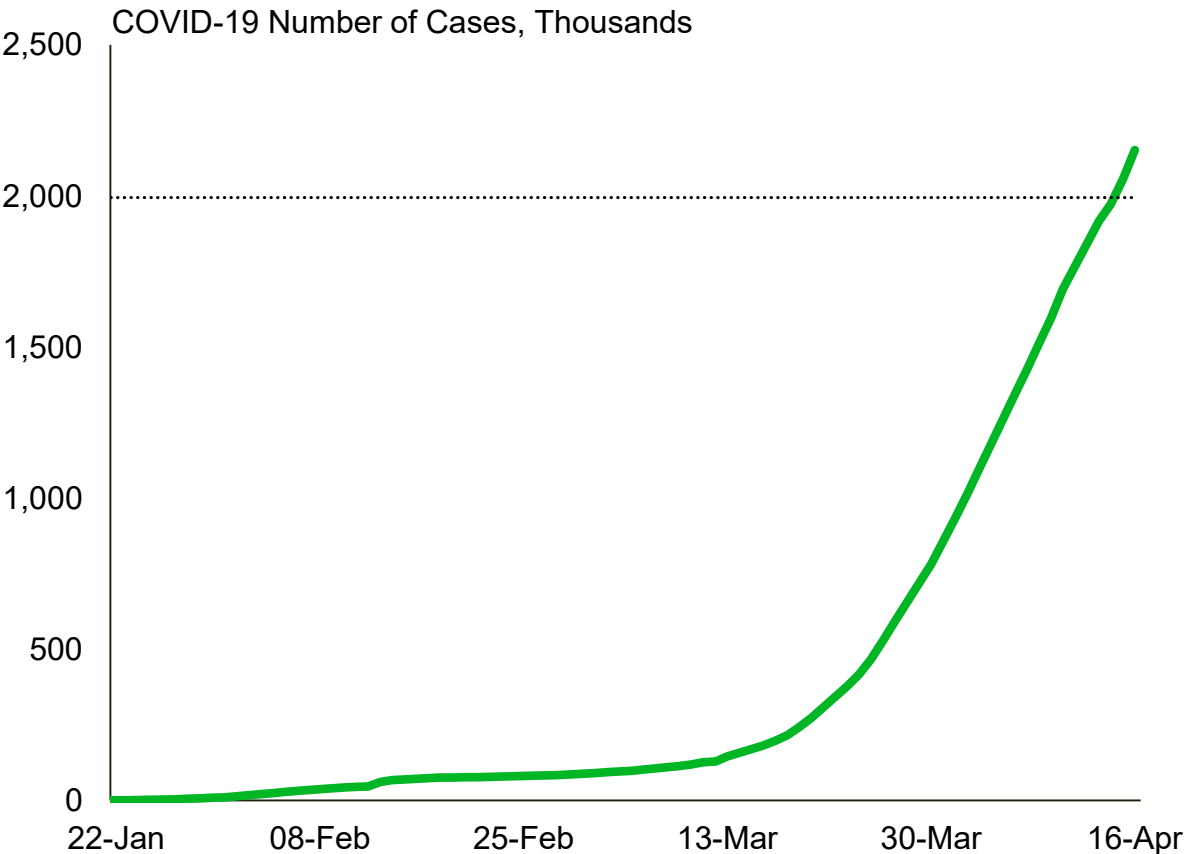


Source: TD Economics

# More than 2 Million COVID-19 Cases Worldwide, But There Is Light At The End Of The Tunnel

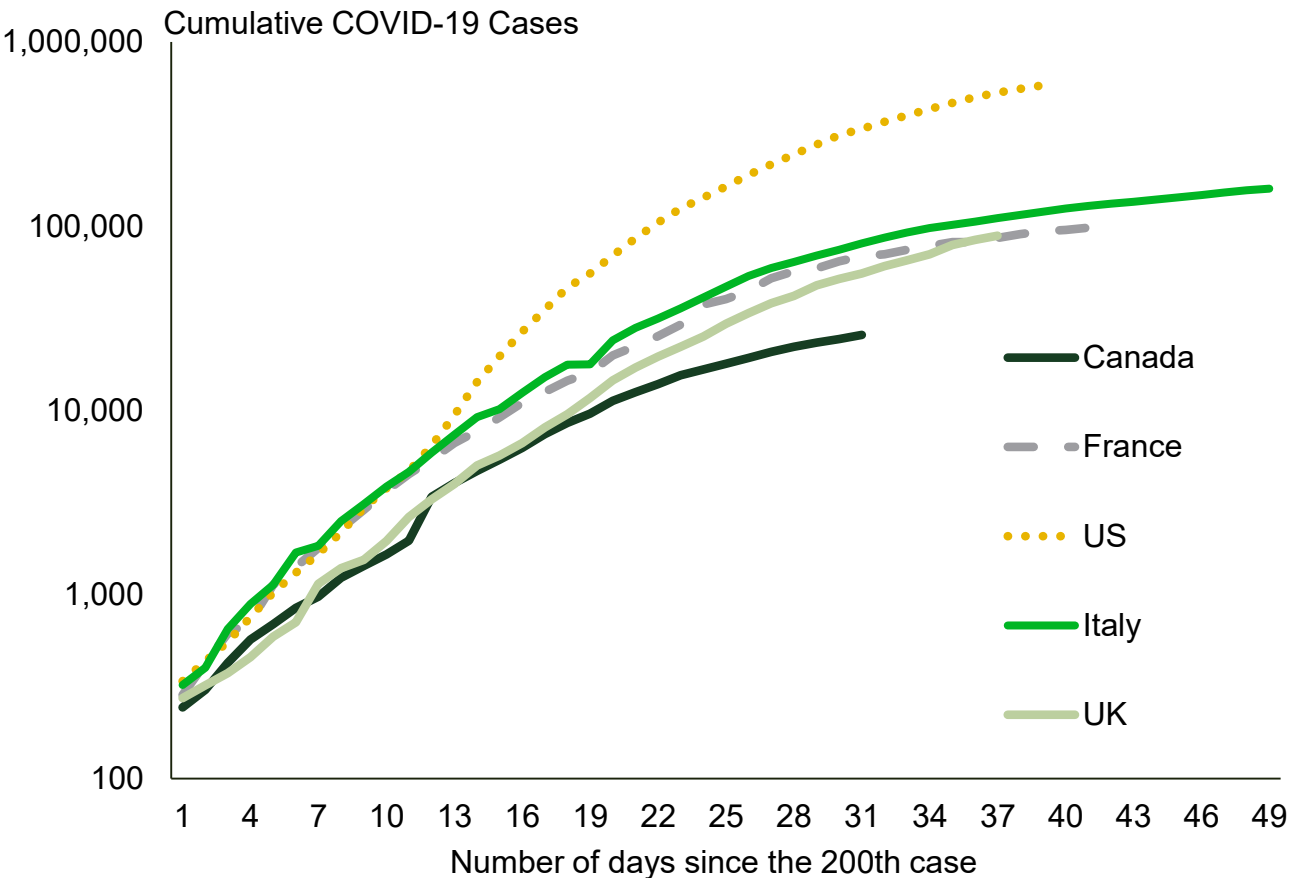


More than 2 Million People Have Tested Positive for COVID-19



Source: JHU, TD Economics

But the Curve Is Slowly Bending

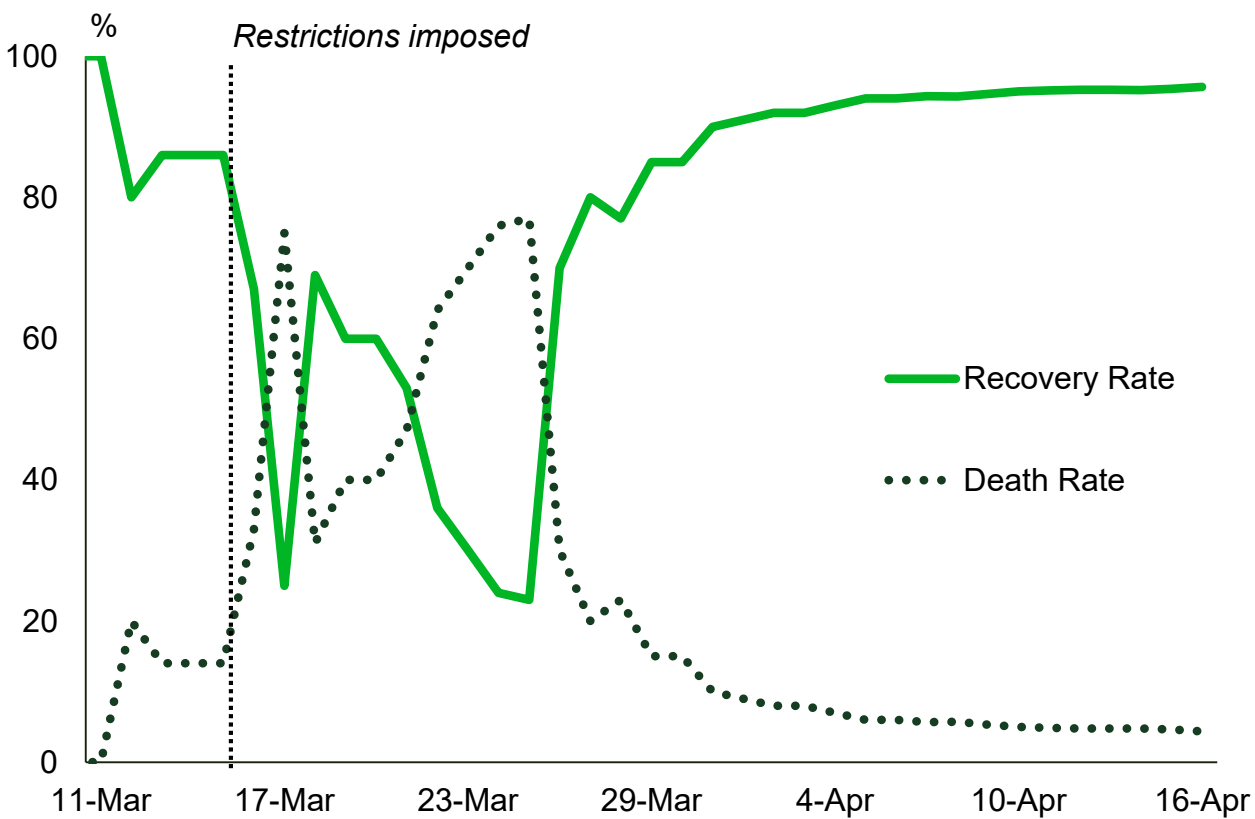


Source: ECDC, TD Economics

# Some European Countries Are Starting to Relax Measures



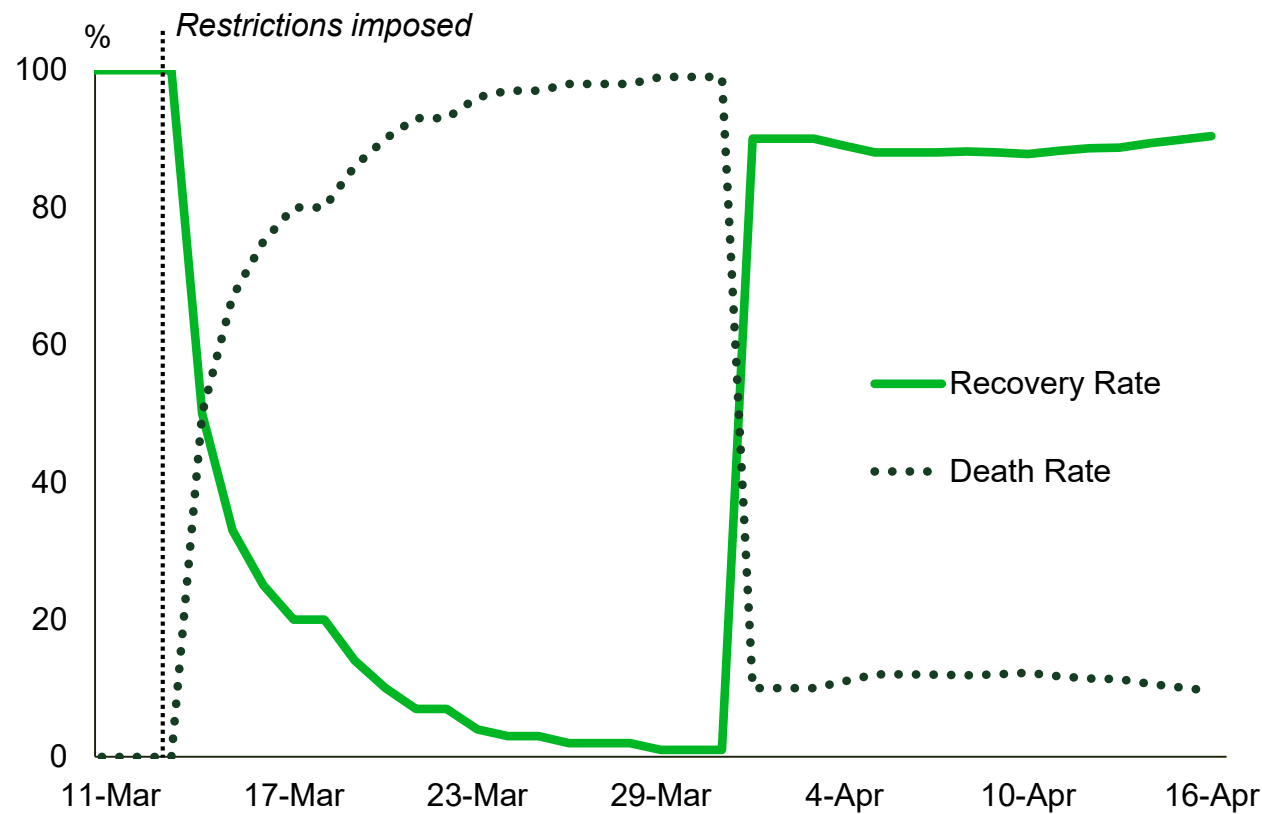
**Austria's Recovery Rate Has Been Consistently Higher than Its Death Rate in Recent Weeks**



Source: JHU, TD Economics.

Note: Recovery rate and death rate are calculated as cumulative total recoveries and deaths over cumulative number of closed cases

**While Denmark's Recovery Rate Has Also Been Close to 100% Since Beginning April**



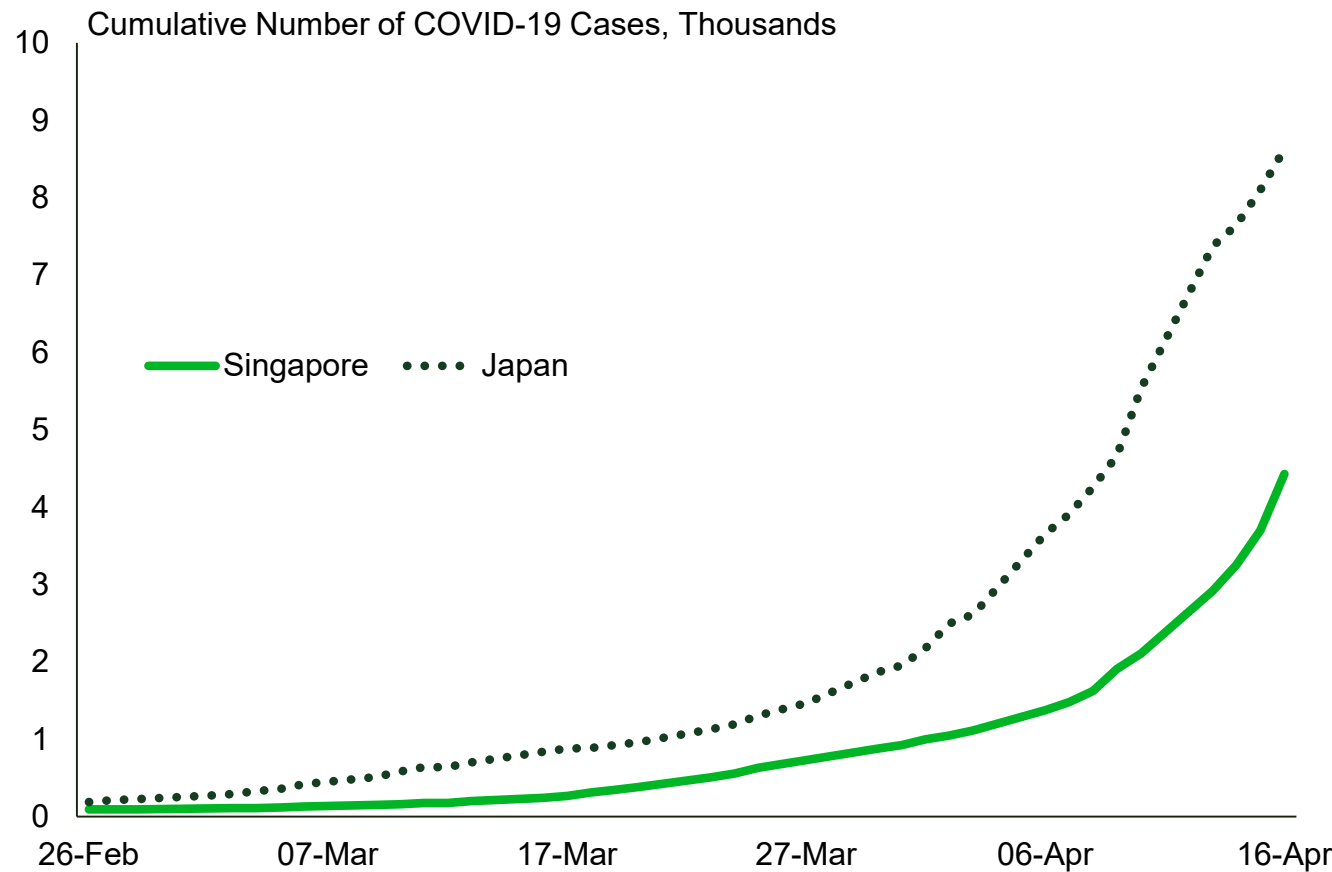
Source: JHU, TD Economics.

Note: Recovery rate and death rate are calculated as cumulative total recoveries and deaths over cumulative number of closed cases

# But Some Asian Economies Are Being Hit by a Second Wave

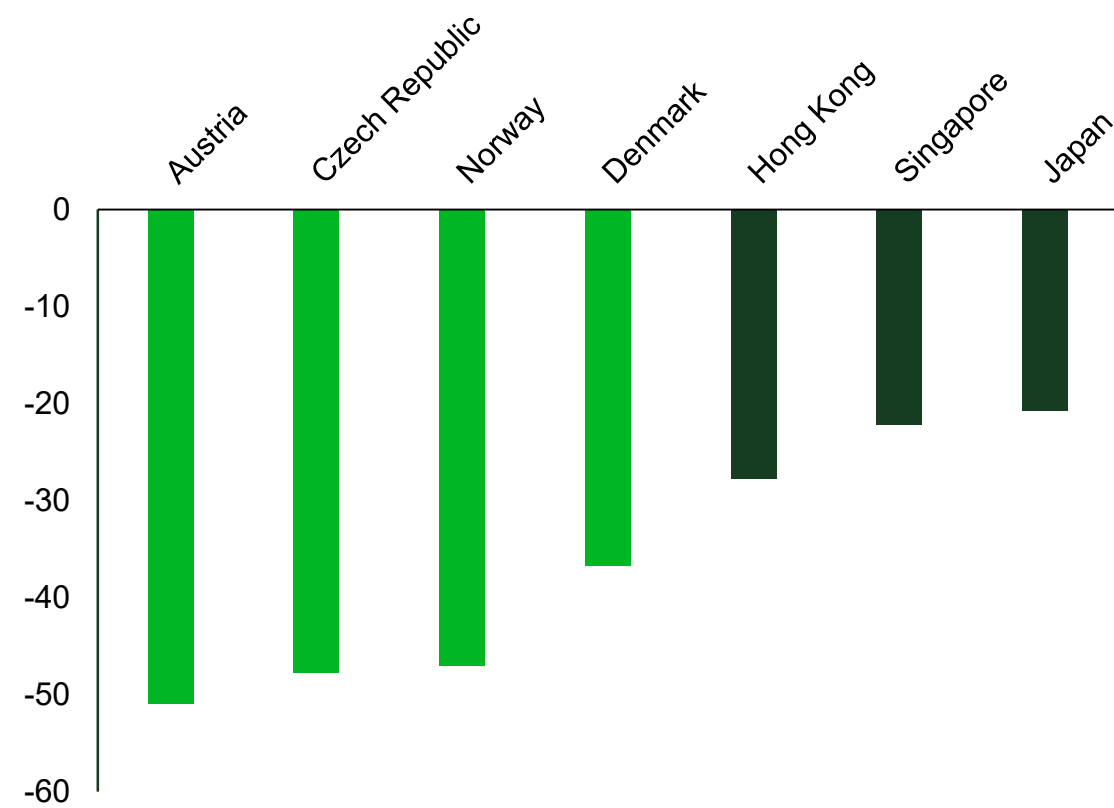


## Singapore and Japan Have Seen a Resurgence of Cases as a Second COVID-19 Wave Hits



Source: JHU, TD Economics

## Social Distancing Matters

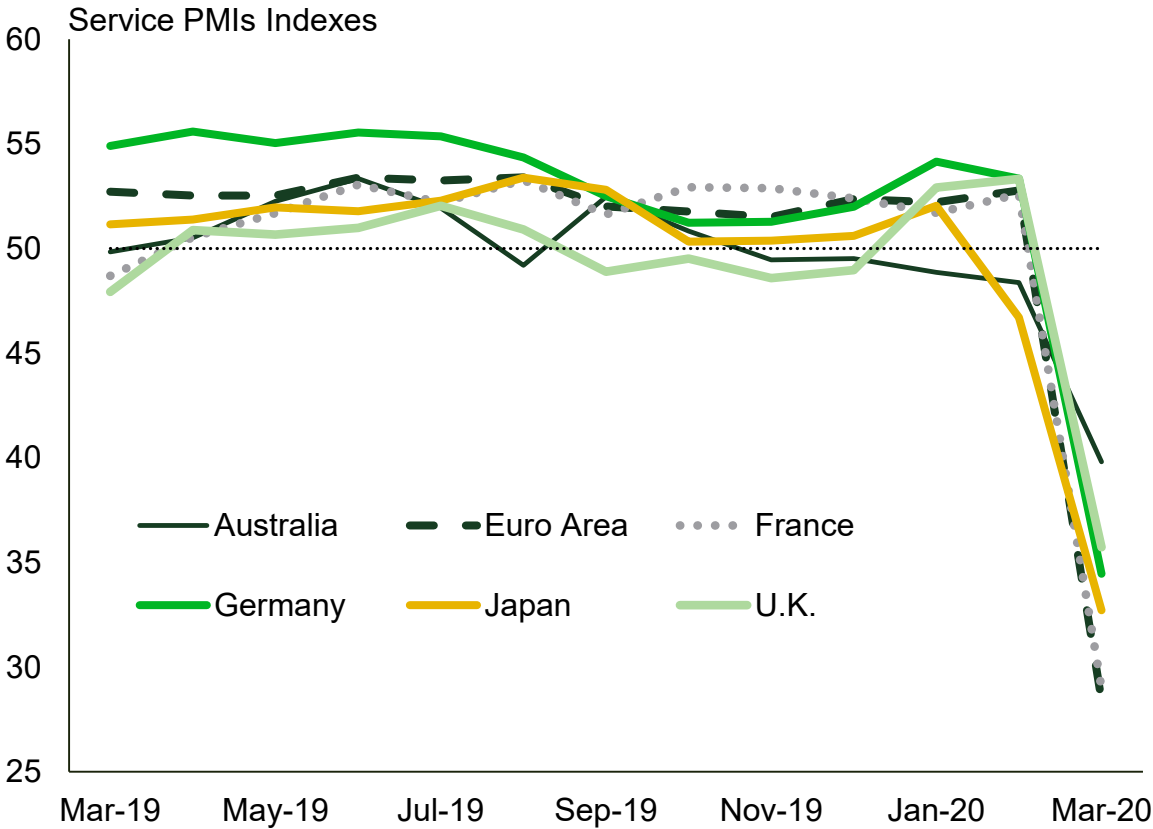


Source: Google, TD Economics  
Note: This chart is the average social distancing trends seen in retail and recreation, grocery and pharmacy, transit stations and workplaces.

# Business Activity, Especially The Services Sector, Has Been Hit Hard Globally

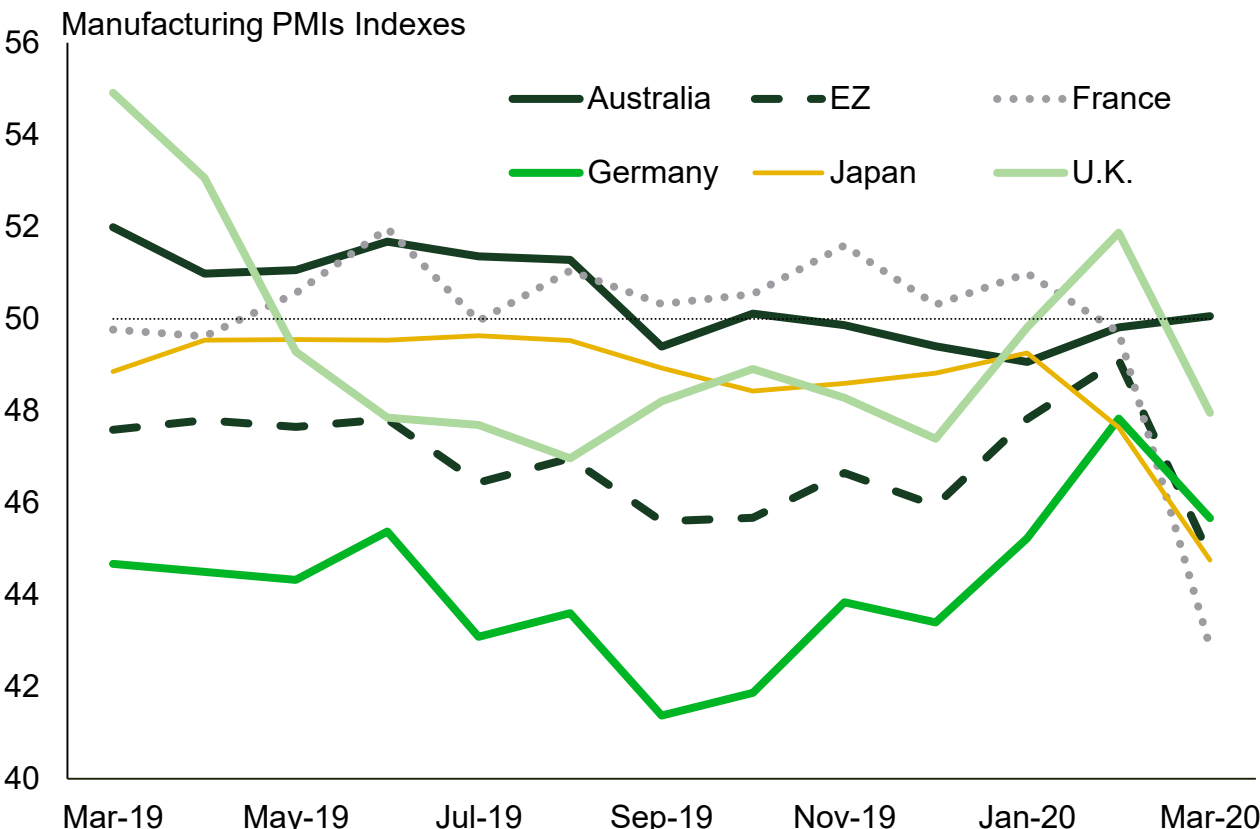


**Record Lows in Services Sector Activity**



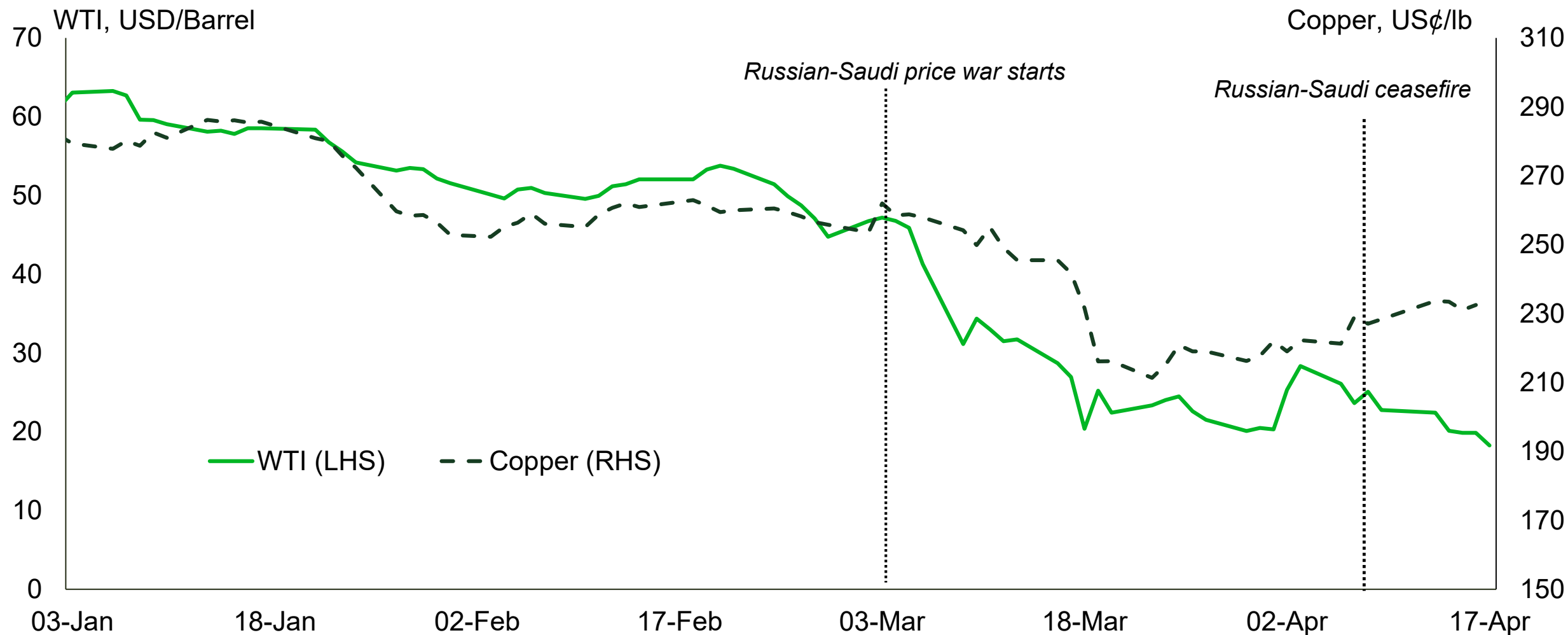
Source: IHS Markit, TD Economics  
 Note: Below 50 = a majority of businesses reported a contraction

**Manufacturing Sector Also Took a Hit**



Source: IHS Markit, TD Economics  
 Below 50 = a majority of businesses reported a contraction

# Despite the Russian-Saudi Truce, Oil Prices Remain Subdued

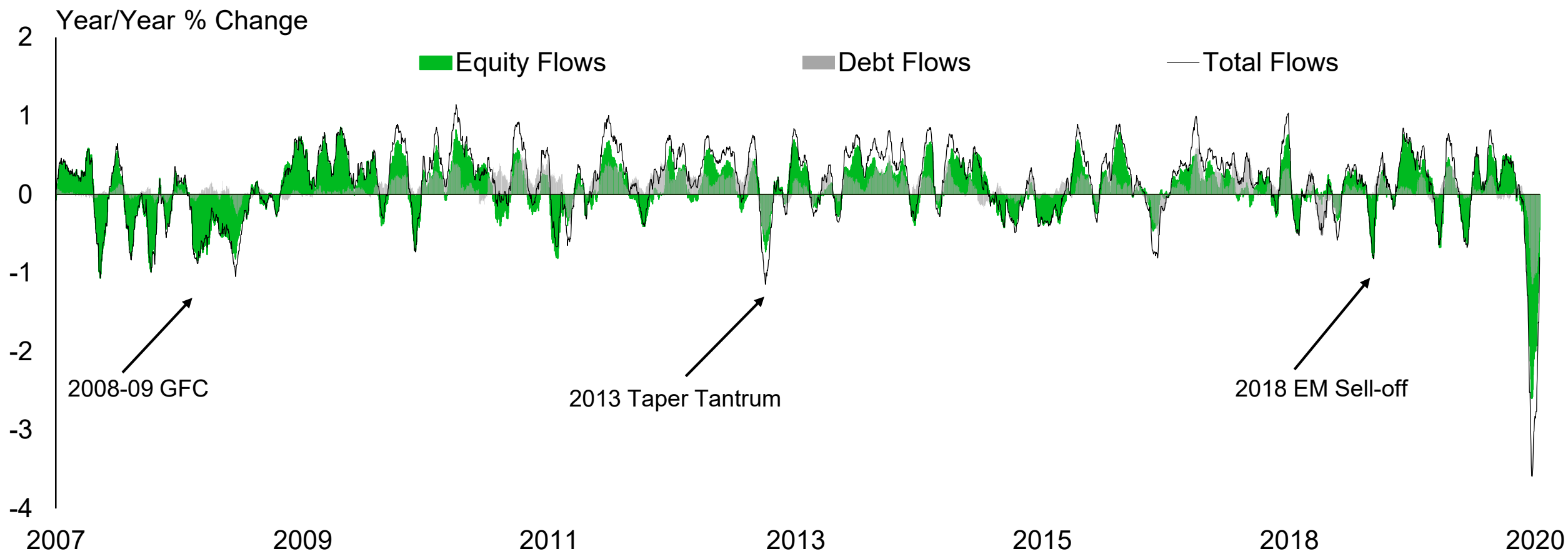


Source: CME, TD Economics

# Emerging Market Economies Are Going Through An Unprecedented Sudden-Stop



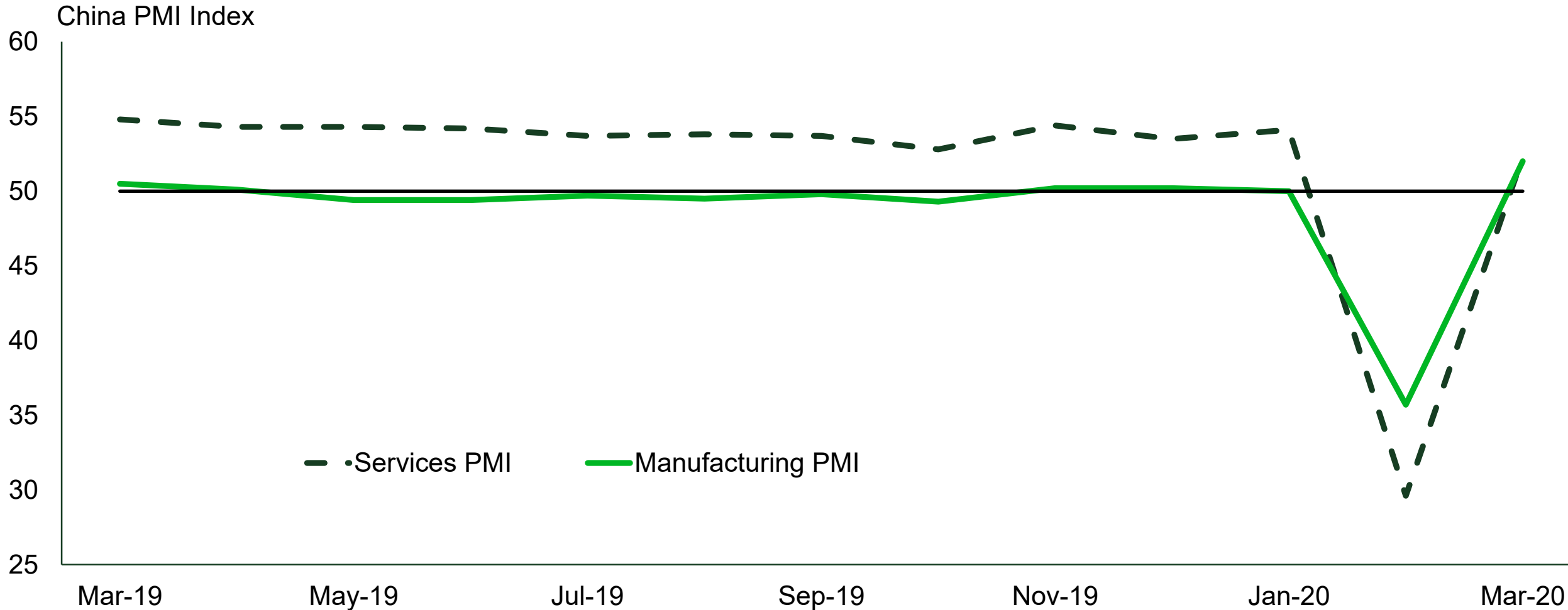
## Emerging Market Portfolio Flows are in Free Fall



Source: IIF, TD Economics.

Note: Total net non- resident purchases (EM stocks and bonds) presented as a 28-day moving average

# But China Is Showing Promising Signs Of Recovery



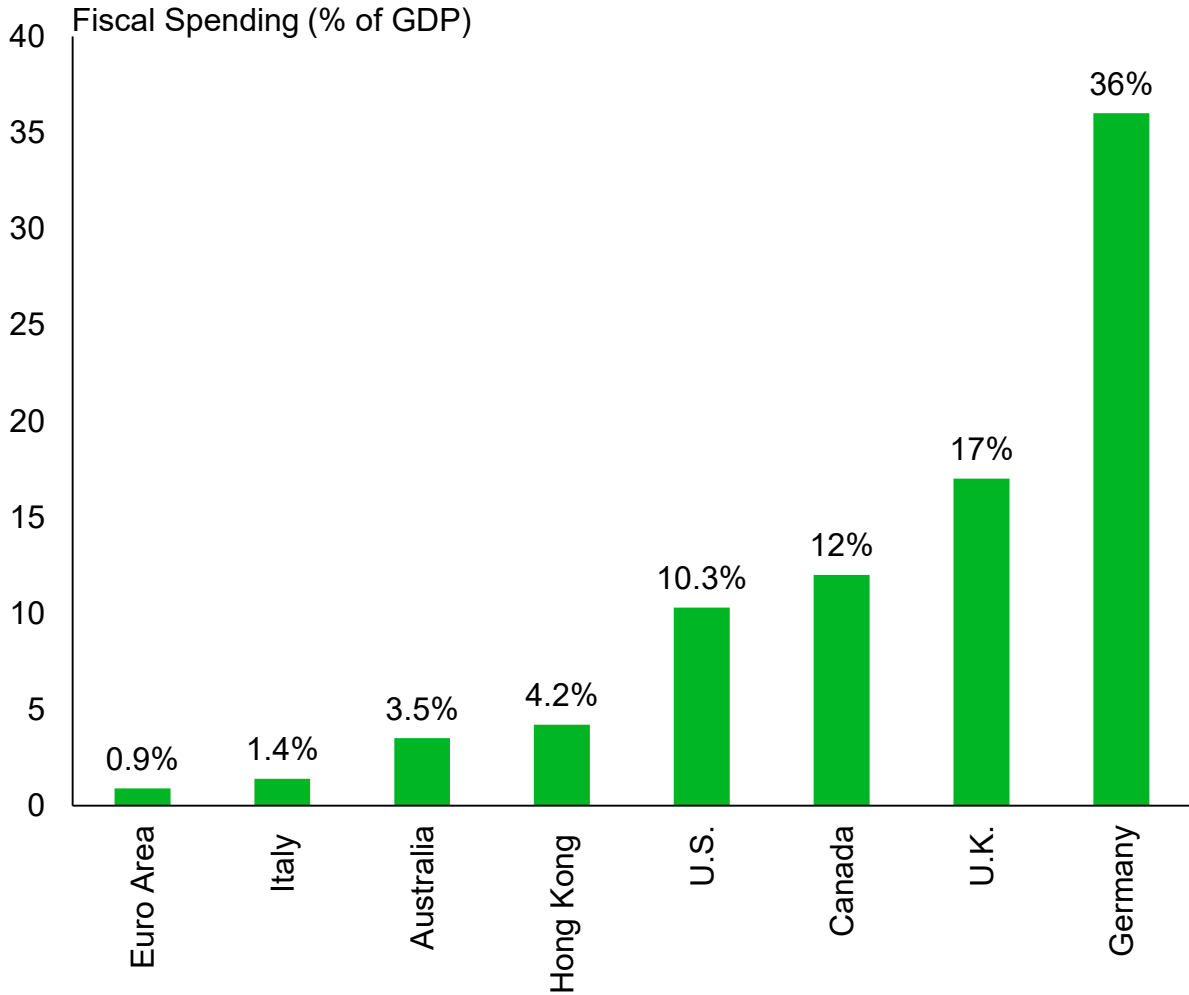
Source: CNBS, TD Economics

Note: Below 50 = a majority of businesses reported a contraction

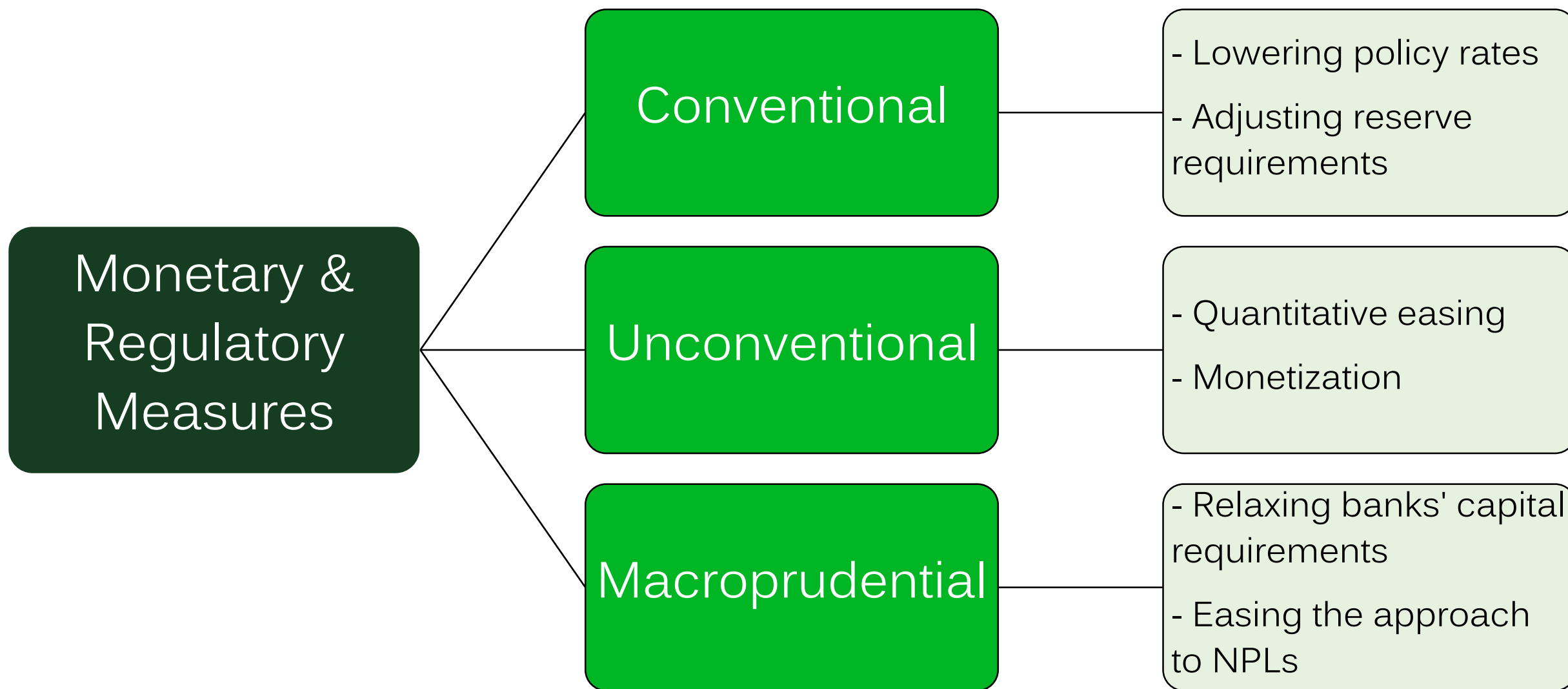
# Unprecedented Fiscal Measures Have Torn Apart The Fiscal Rulebook, Ending The Age Of Austerity



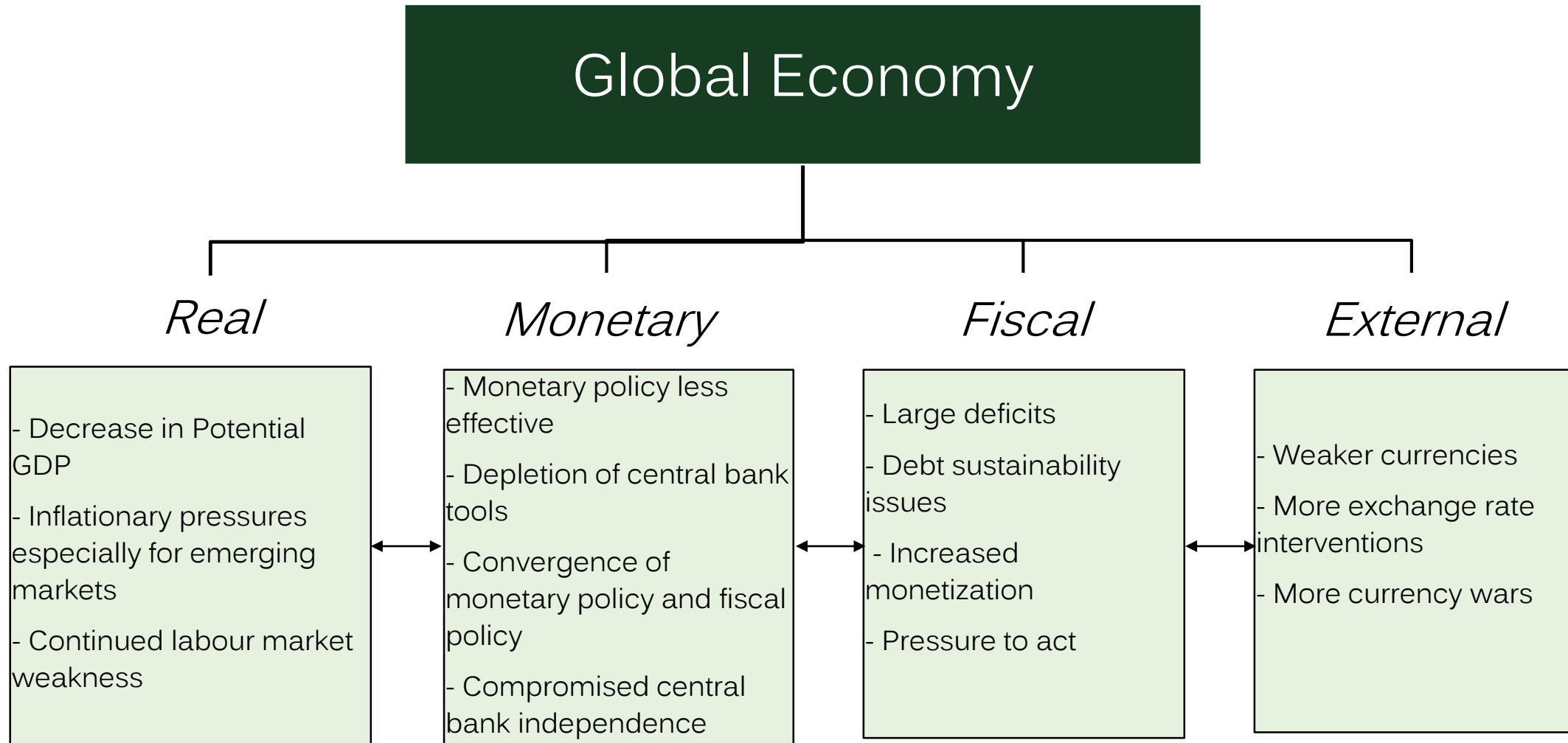
Target	Liquidity	Solvency
Households	<ul style="list-style-type: none"> <li>Suspension of mortgage payments, student loans</li> </ul>	<ul style="list-style-type: none"> <li>Cash transfers</li> </ul>
	<ul style="list-style-type: none"> <li>Tax and social security contributions deferrals</li> </ul>	<ul style="list-style-type: none"> <li>Unemployment insurance</li> </ul>
		<ul style="list-style-type: none"> <li>Meal vouchers for students who are away from school</li> </ul>
Businesses	<ul style="list-style-type: none"> <li>Extension of loan maturities</li> </ul>	<ul style="list-style-type: none"> <li>Equity injections</li> </ul>
	<ul style="list-style-type: none"> <li>Tax and social security contributions deferrals</li> </ul>	<ul style="list-style-type: none"> <li>Wage subsidies</li> </ul>
	<ul style="list-style-type: none"> <li>Credit guarantee</li> </ul>	<ul style="list-style-type: none"> <li>Direct subsidies based on past sales (tax based)</li> </ul>
Banks		<ul style="list-style-type: none"> <li>Government guarantees</li> </ul>



# Central Banks Around The World Have Responded Using Conventional and Unconventional Monetary Tools



# The Global Economy Will Look Drastically Different Once We Get Through This



# Much like Post-war Era, Multilateral Institutions Will Play An Increasingly Important Role



- ❑ An increasing role of multilateral institutions:
  - IMF (International Monetary Fund)
  - World Bank
  - AIIB (Asian Infrastructure Investment Bank)
  - ADB (Asian Development Bank)
  
- ❑ A "Marshall Plan" equivalent to rebuild the global economy
  
- ❑ The COVID-19 outcome depends on how countries – both advanced economies and emerging markets – cooperate with each other

# United States

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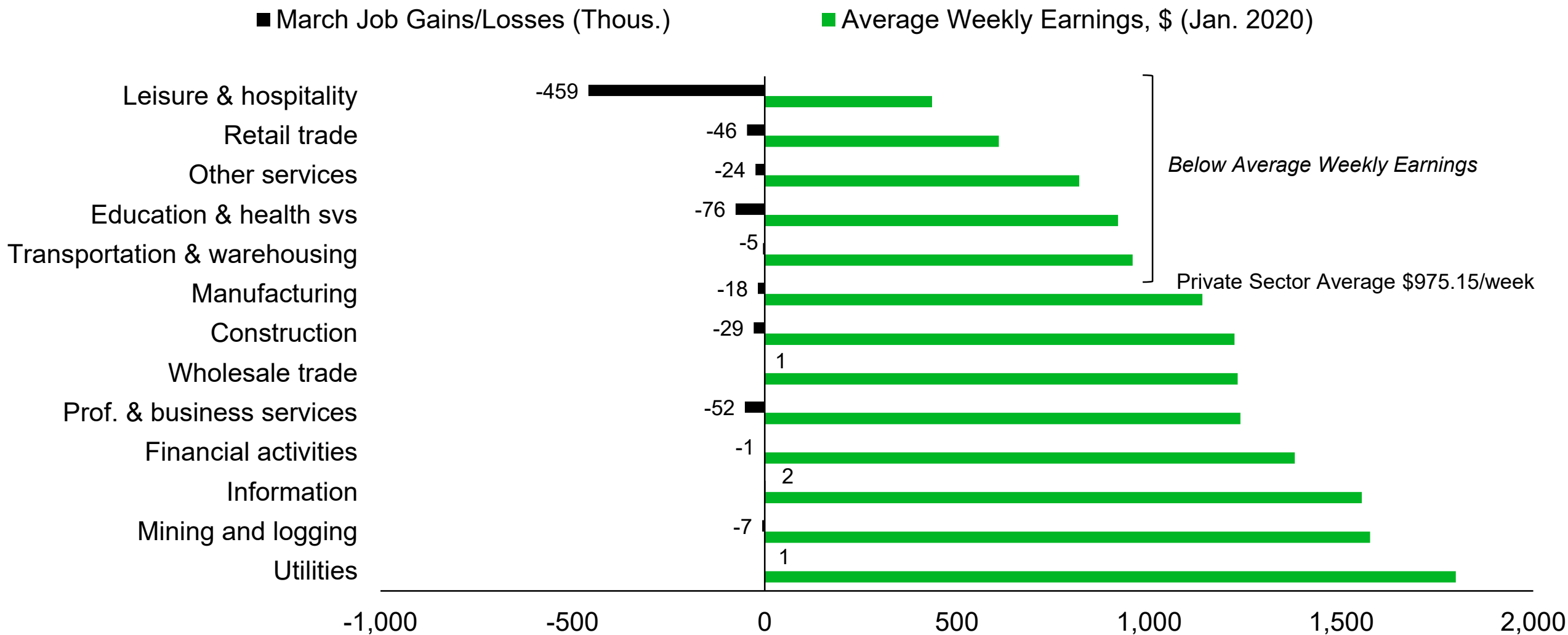


# Prolonged Return to "Normal" Level of Activity



Source: TD Economics: Forecasts as of April 20th, 2020

# Biggest Job Losses Seen in Lower-Paid Sectors

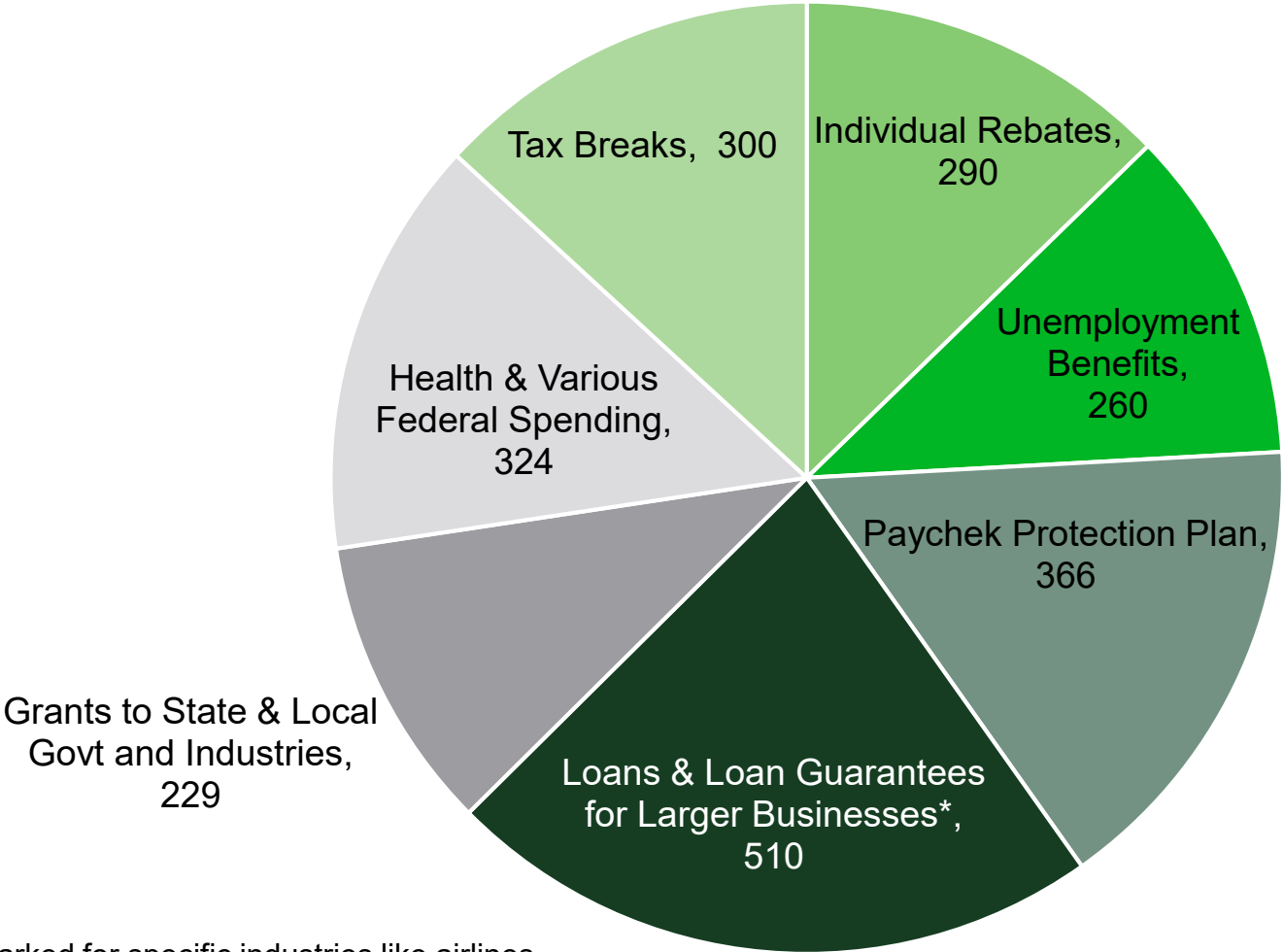


Source: Bureau of Labor Statistics, TD Economics

# CARES Act Provides Material Assistance, More to Come

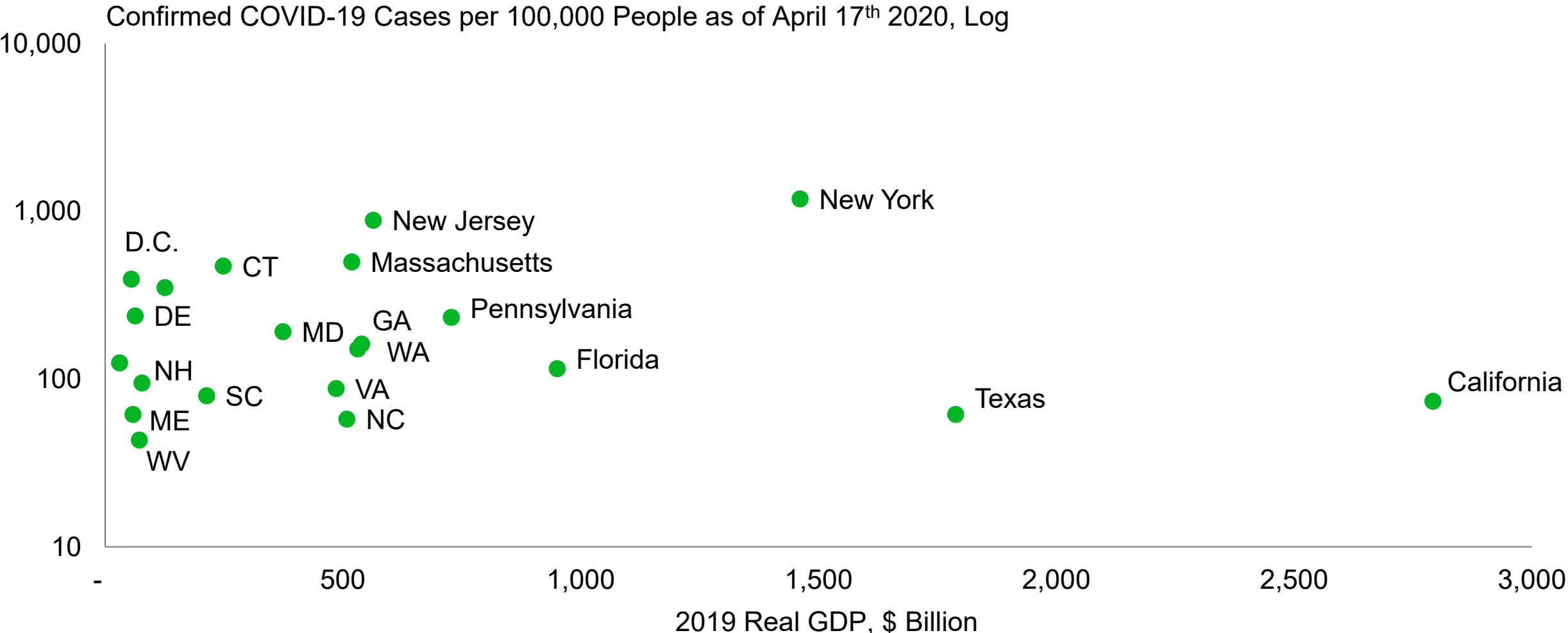


Estimates for Measures in the CARES Act, \$Billions



\*Includes loans earmarked for specific industries like airlines.  
Source: Committee for a Responsible Federal Budget, TD Economics

# Paths Back to "Normal" Will Vary by Region



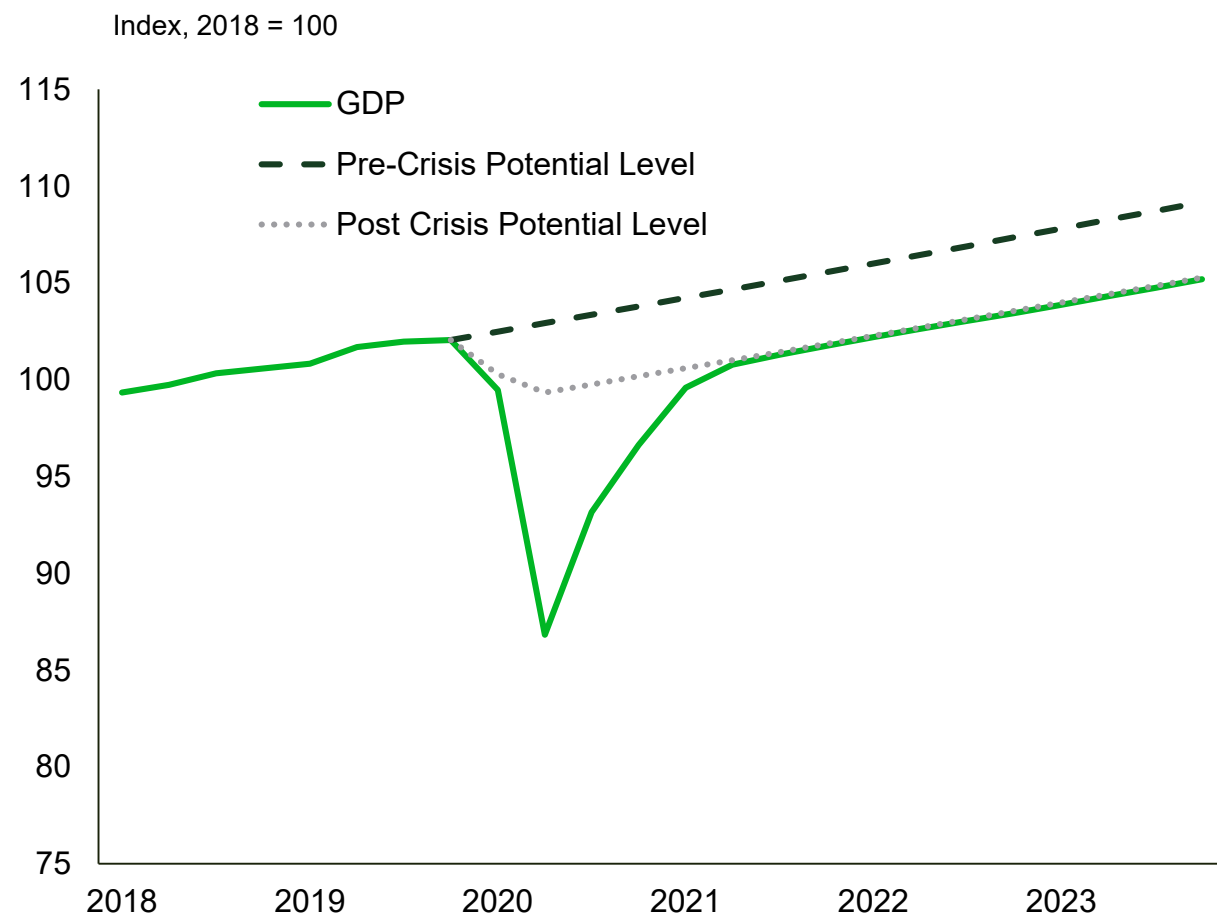
Sources: Bureau of Economic Analysis, Census Bureau, Johns Hopkins, TD Economics.

# Canada

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# Service Sector Nature of Shock Means A Lasting Mark



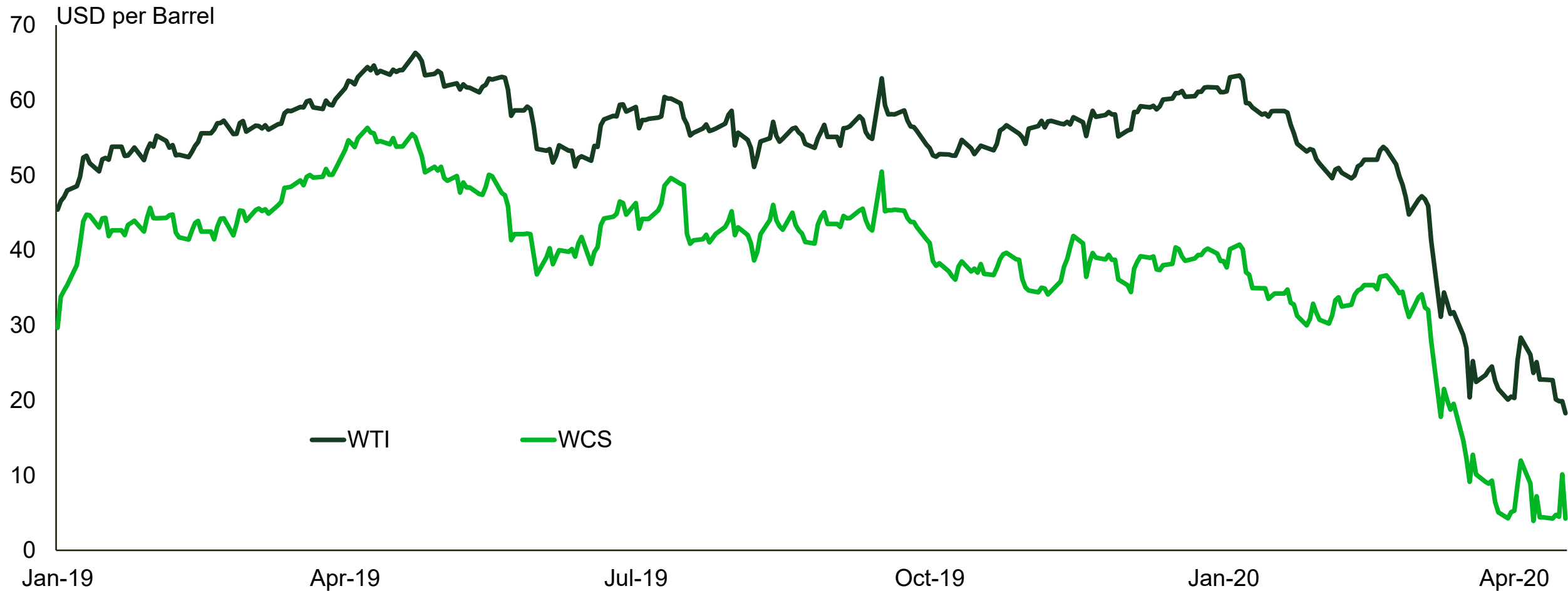
Source: Statistics Canada, Bank of Canada, TD Economics.

Key Industries Likely To Feel Hit of COVID-19		
	Share of GDP	March 2020 Job Losses, Thsds
Education	5.3%	-125.4
Retail ex. Essentials	3.3%	-207.5*
Food Services & Drinking Places	2.3%	-294.4
Arts/Entertainment	0.8%	-103.7
Air Transportation	0.5%	-40.4**
Ground Transportation (Taxis, Sightseeing, Etc)	0.5%	-40.4**

Note: GDP Shares approximate, based on 2019 data.

\*: total for retail and wholesale trade; \*\*: transportation + warehousing

# Demand+Supply Shocks Hammer Canadian Oil Producers



Source: Bloomberg, TD Economics

# Bank of Canada Working To Keep Liquidity Flowing



- ❑ 100bp of inter-meeting cuts
- ❑ Quantitative easing (\$5bn/month)
- ❑ Easing of collateral policies and concentration limits
- ❑ Purchases of CMBs, BAs, provincial bills

Source: Bloomberg, TD Economics

# Housing Entering A Stasis Period

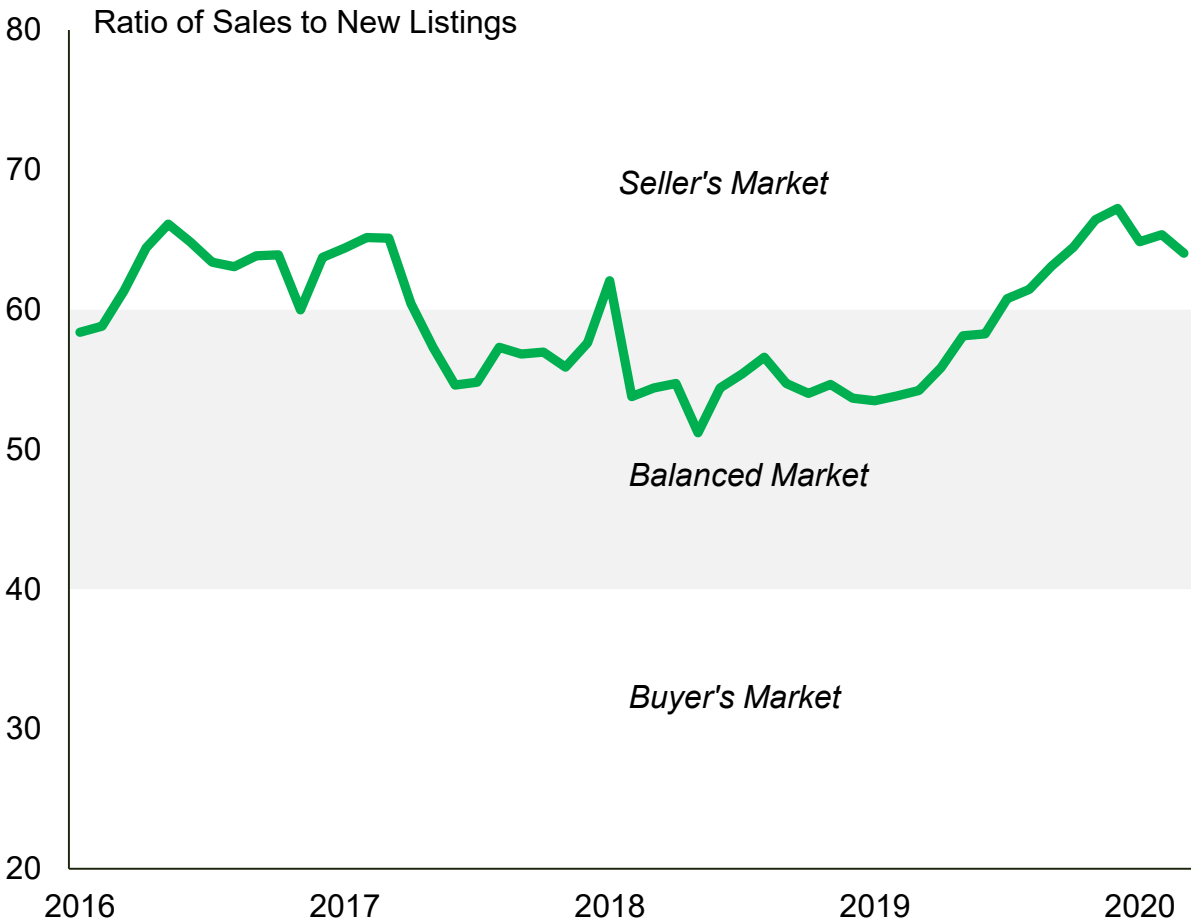


**Sales Took A Dive..**



Source: CREA, TD Economics

**But Markets Still Tight**



Source: CREA, TD Economics

# Government Keeps Building The Bridge



## Measures for Households

- Canada Emergency Response Benefit: \$2k/month for those who lost income (\$24bn)
- Doubling the GST tax credit at a one-time cost of \$5.5bn
- Doubling Canada Child Benefit for this year at a cost of \$2bn
- Tax return filing date pushed to June – payments due in September

## Measures for Business

- \$40bn in SME credit via BDC and EDC
- Temporary 75% wage subsidy, to max payment per employee of \$44k equivalent (\$73bn)
- Canada Emergency Business Account: partially forgivable small (\$40k) loans (\$25bn)
- Delaying of tax payment to September (\$85bn in near-term liquidity)

# What We'll Be Watching



- ❑ U.S. Developments
  
- ❑ Traditional Economy:
  - Electricity usage (daily)
  - Railway Carloadings (weekly)
  
- ❑ Service Sector:
  - CFIB's new bi-weekly indicator
  - HH sentiment indicators, such as Bloomberg-Nanos (weekly)
  - Other interesting indicators (OpenTable, Google location reports, etc)
  
- ❑ Company/sectoral announcements

# Financial

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# Equity Markets In Context



## Recessions

## Non-Recessions

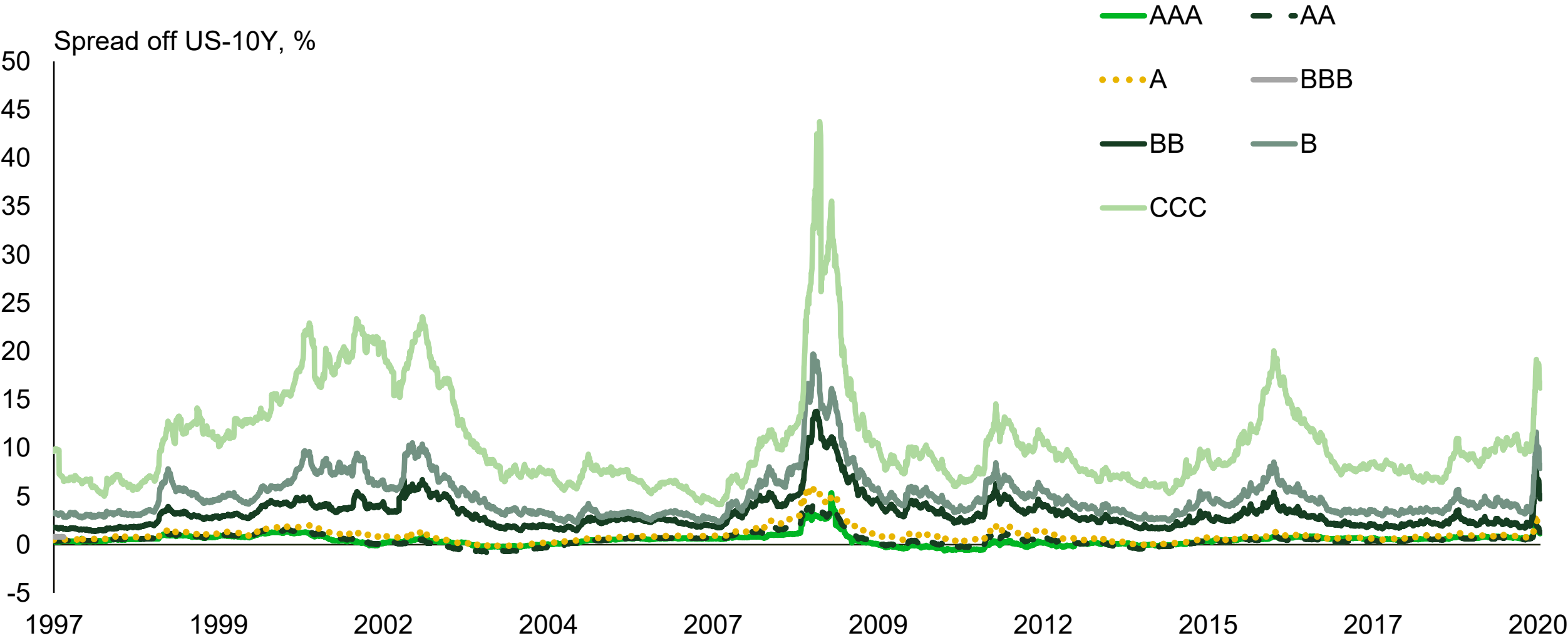
	Peak-to-trough, %, Closing Value	Number of days Between Peak and Trough		Peak-to-trough, %, Closing Value	Number of days Between Peak and Trough
1929	-86.2	1026	1933-1935 Sell Off	-33.9	604
1937	-54.5	386			
1945	-6.9	19	1962 Sell Off	-28.0	196
1948	-20.6	363			
1953	-14.8	252	1966 Sell Off	-22.2	240
1957	-20.7	99			
1960	-13.4	294	1987 Sell Off	-33.5	101
1970	-36.1	543			
1973	-48.2	630	1998 Sell Off	-19.3	45
1980	-17.1	43	2011 Sovereign Debt Crisis	-19.4	157
1981	-27.1	622			
1990	-19.9	87	2015 Oil Shock	-14.2	266
2001	-49.1	929			
2008	-56.8	517	2018 Trade War Shock	-19.8	95
2020	-33.9	33			

Source: Bloomberg LP, TD Economics

Source: Bloomberg LP, TD Economics

Notes: Dates for all recession and non-recession sell offs can be found in table 5 in the appendix.

# Corporate Debt



Source: ICE/BAML, FRB, TD Economics

# The Road Forward



## □ Phase 1:

- Action: Liquidity injections by central banks
- Goal: Keep the financial system intact
- Signal of Success: Low funding rates and lower financial market volatility

## □ Phase 2:

- Action: Keep policy rates and bond yields low
- Goal: Enable the economy to accelerate out of the crisis
- Sign of Success: Rising risk assets and acceleration of economic growth



**This concludes our webcast.**

**Thank you for joining us.**

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