

COVID-19 and the Economy

Dr. Bill Conerly

for

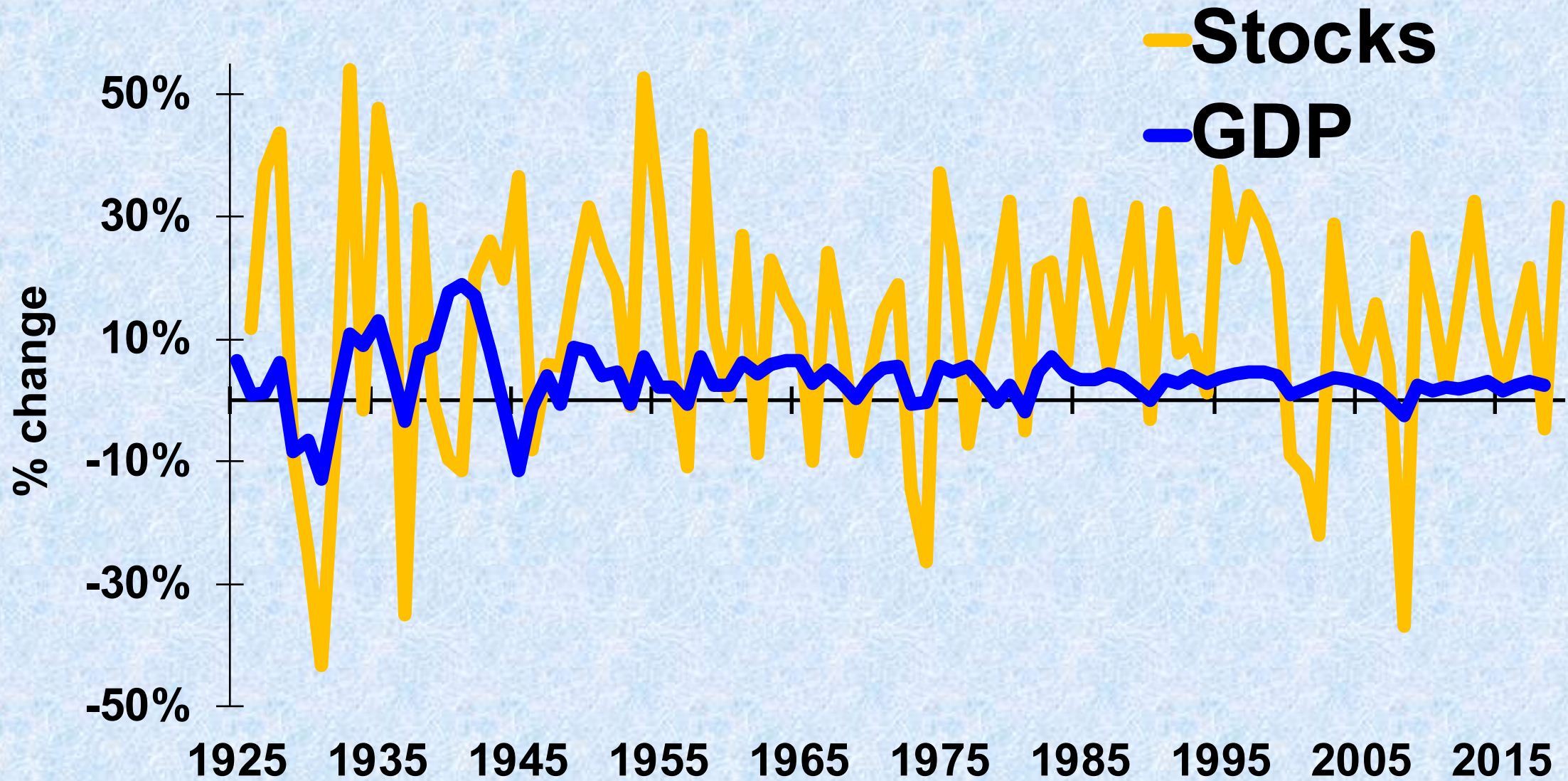
WFG National Title Insurance Company

March 27, 2020

Plan

- **Stock market \neq economy**
- **Sectors at greatest risk**
- **Lesson from the past**
- **COVID-19 paths**
- **Real estate implications**

Stock Market & Real GDP % change



DOW JONES 22552.17 ▲ 1351.62 6.4%
 NASDAQ 7797.54 ▲ 5.6%

STOXX 600 321.38 ▲ 2.6%

10-YR. TREAS. 15/32, yield 0.806%

OIL \$22.60 ▼ \$1.89

GOLD \$1,650.10 ▲ \$17.8

EURO \$1.1055

U.S. Virus Cases, Jobless Rate Soar

What's News

Business & Finance

record 3.28 million workers applied for employment benefits last week as the coronavirus hit the U.S. economy, marking an abrupt end to the nation's decadelong run of job growth. **A1, A2**

U.S. stocks soared as the government came closer to proving a \$2 trillion stimulus package. The Dow returned to bull market territory, gaining 6.4%. The S&P 500 and Nasdaq rose 6.2% and 5.6%, respectively. **A1**

The relief package passed by the Senate would help stabilize the coronavirus-battered economy, but likely isn't enough to bring it back to health. **A2, A6**
Mnuchin indicated that the U.S. would take stakes in oil pipelines in exchange for billions in direct grants to the firms, according to people familiar with the matter. **A6**

G-20 leaders said they would collectively spend more than \$5 trillion trying to insulate the global economy from the impact of the pandemic. **A3**

ViacomCBS's parent firm is losing some of its ability to borrow at a time when key revenue drivers have slowed to a halt. **A1**

Historic run of growth abruptly comes to a close as unemployment claims soar to a record

WASHINGTON—A record 3.28 million workers applied for unemployment benefits last week as the coronavirus hit the U.S. economy, marking an abrupt end to the nation's historic, decadelong run of job growth.

By Eric Morath, Jon Hilsenrath and Sarah Chaney

The number of Americans filing for claims was nearly five times the previous record. The surge was for the week ended March 21 and could rise. Pennsylvania, Ohio and California were among 10 states reporting more than 100,000 claims, leaving unemployment systems overloaded.

Millions of U.S. businesses have announced layoffs or furloughs, as their cash flows dry up. Several state and local authorities have ordered nonessential businesses to close in response to the novel coronavirus pandemic, bringing the great American job machine to a sudden halt.

Until March, U.S. employers added jobs for a record 113 straight months, causing payrolls to grow by 22 million. In the process, millions of people—including low-wage hourly laborers, disabled peo-

ple, minorities, former inmates and others—found work. The unemployment rate, which was at 3.5% in February, had been at levels not seen since the 1960s. Wages started to accelerate in the past two years after lagging during the early stages of the expansion that followed the 2007-09 recession.

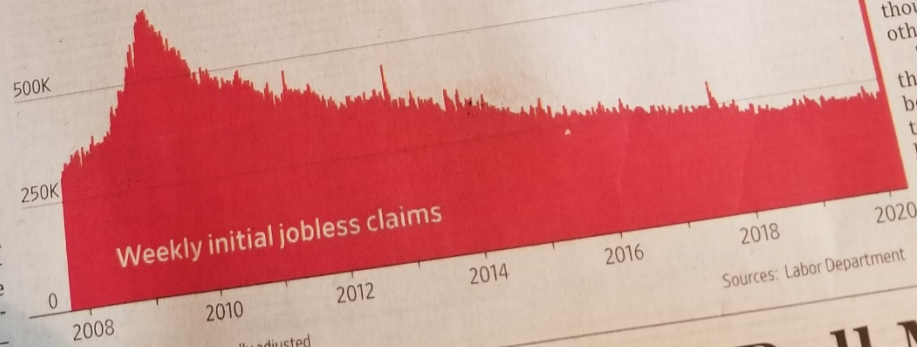
The strong labor market kept the U.S. economy humming for a decade.

And then, in a matter of days, it stopped. Millions of Americans, already fearful the new coronavirus could infect them or their families, now have two new worries: When will the new job machine start again? And how long will it take until it can they hold out until it does? Much will depend on how long the virus crisis lasts and whether federal and state unemployment insurance programs can adapt quickly to fill the immense gaps building in household cash flows until the virus recedes. "We haven't seen this big of a free fall before," said Keith Hall, former director of the Congressional Budget Office and adviser to President George W. Bush. "Not even during the Depression...It's really like an instant Great Recession." *Please turn to page A2*



National Guard troops in Indio, Calif., package food bags to assist people in home confinement.

3.28 million claims — March 15-21



Number of infections across country pass China's count; New York remains epicenter

The U.S. has overtaken China as the country with the most cases in the world of the novel coronavirus, marking a new milestone in the fight against the global pandemic.

By Talal Ansari, Jennifer Calfas and Chun Han Wong

China had held the top spot since the deadly virus began spreading there in December.

There were 83,507 confirmed infections across America, according to data compiled by Johns Hopkins University. The first case in the U.S.—a man in Washington state who had recently traveled to Wuhan, China—was reported on Jan. 21. Within six weeks, the U.S. began to see a surge in new infections and the country's first deaths.

New York is the center of the pandemic in the U.S., with its 37,802 infections accounting for nearly half of all cases in the country and tens of thousands more than any other state.

To help state and local authorities decide whether to bolster or relax social-distancing measures designed to help stop the spread of the virus, the Trump administration is planning to issue guidelines categorizing counties across the country.

Please turn to page A4

Doll Market

Plan

- Stock market \neq economy
- **Sectors at greatest risk**
- Lesson from the past
- COVID-19 paths
- Real estate implications

Impacts

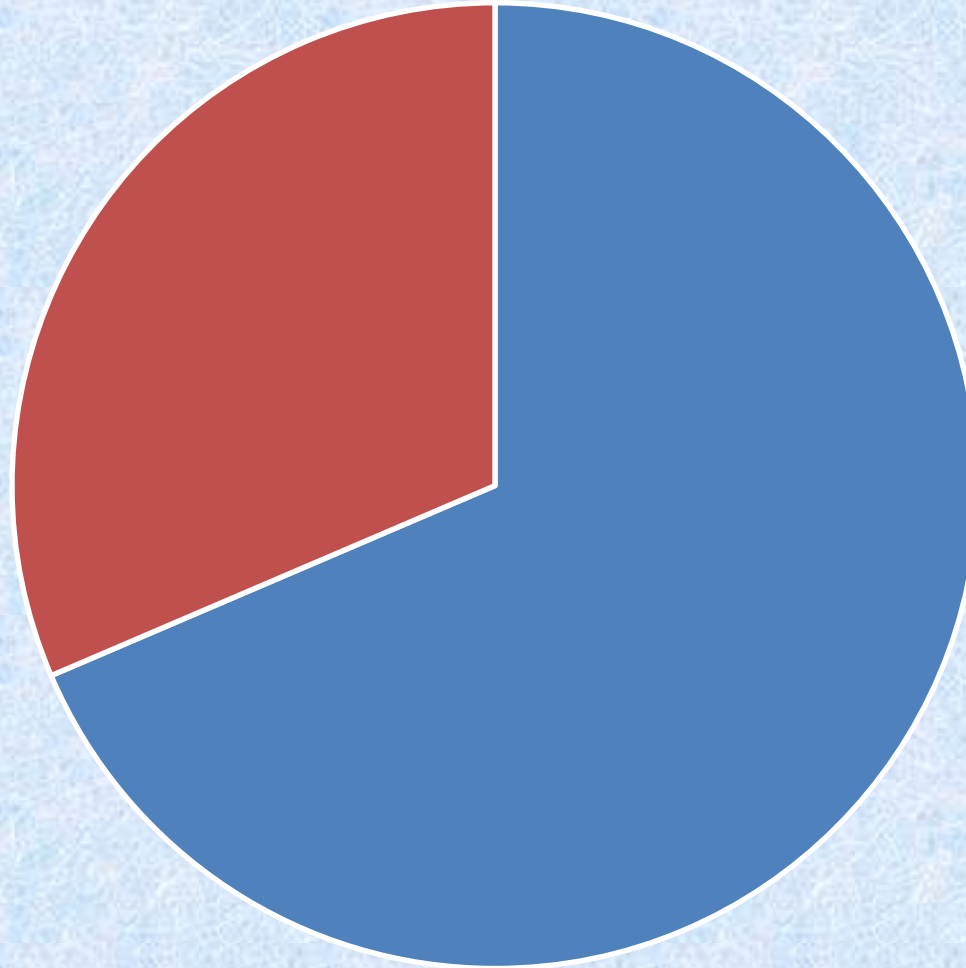
COVID-19

Coronavirus

- Supply chain failures
- Direct effects
- **Indirect effects: quarantines, closures, etc.**
- **Demand shock**

Essential Sectors Employment based on judgmental assessment

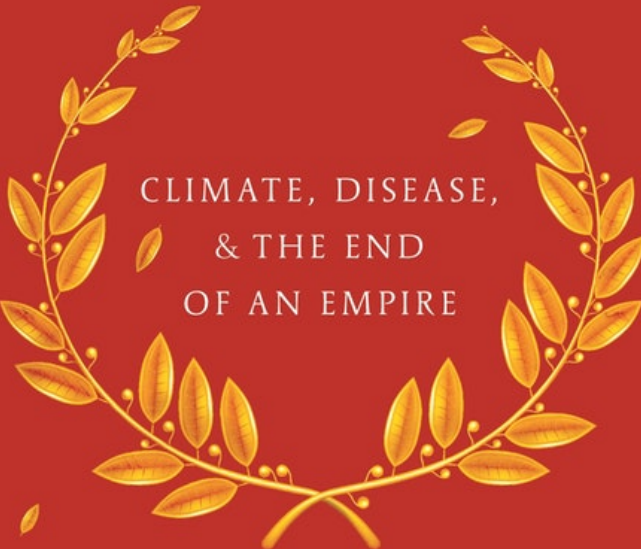
**Non-
essential**



Essential

Plan

- Stock market \neq economy
- Sectors at greatest risk
- **Lessons from the past**
- COVID-19 paths
- Real estate implications

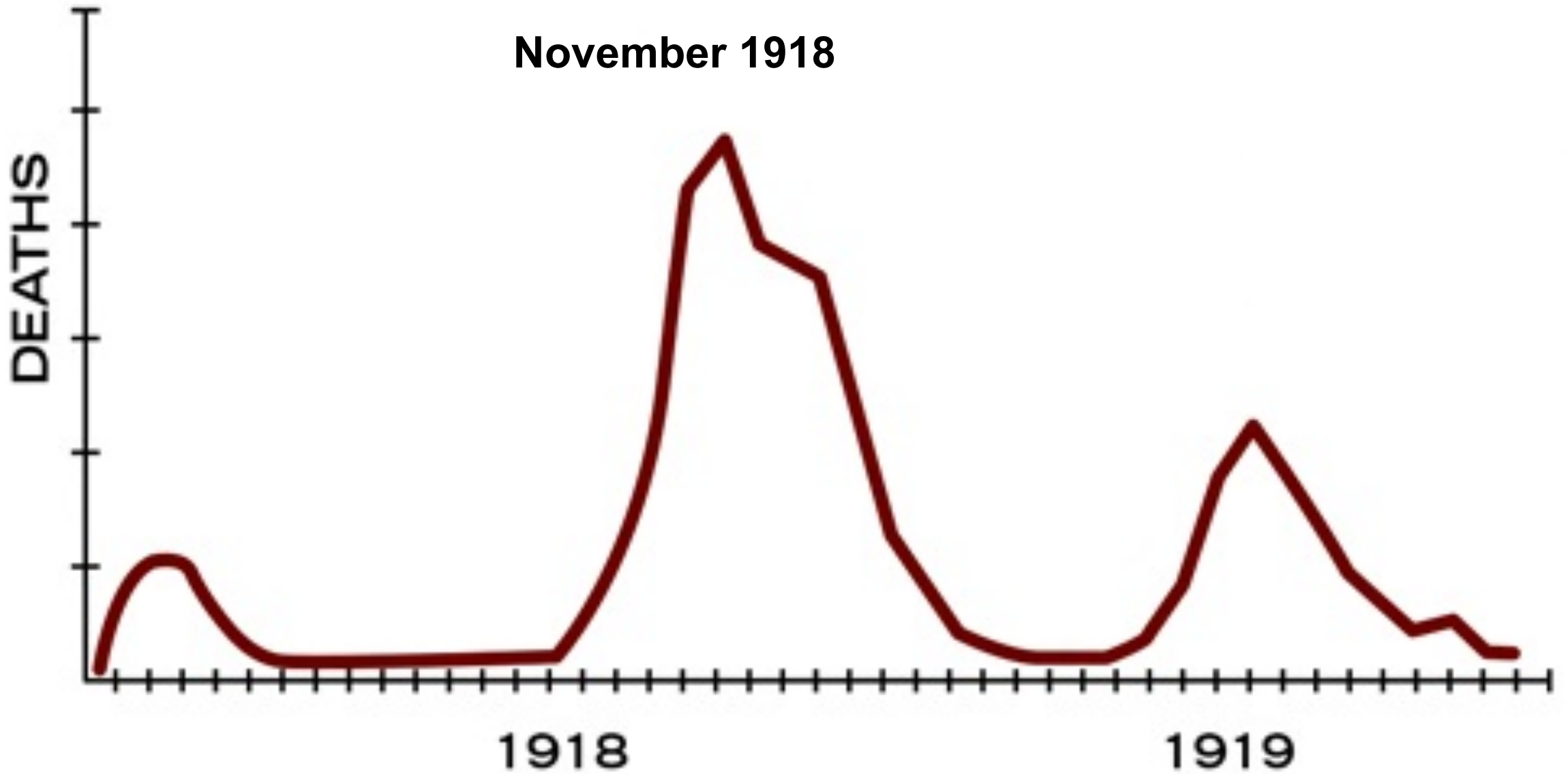


CLIMATE, DISEASE,
& THE END
OF AN EMPIRE

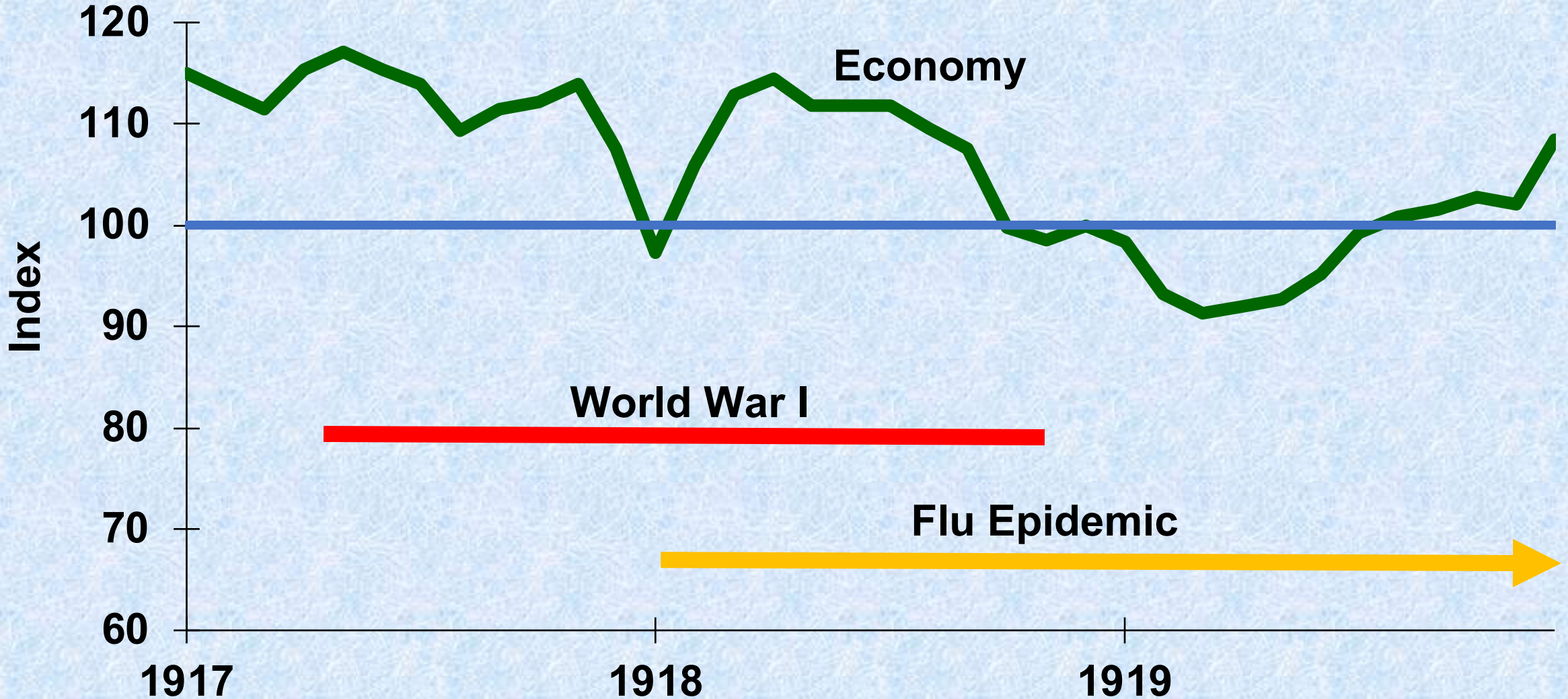
THE FATE OF ROME

KYLE HARPER

Spanish Flu Deaths in U.S.

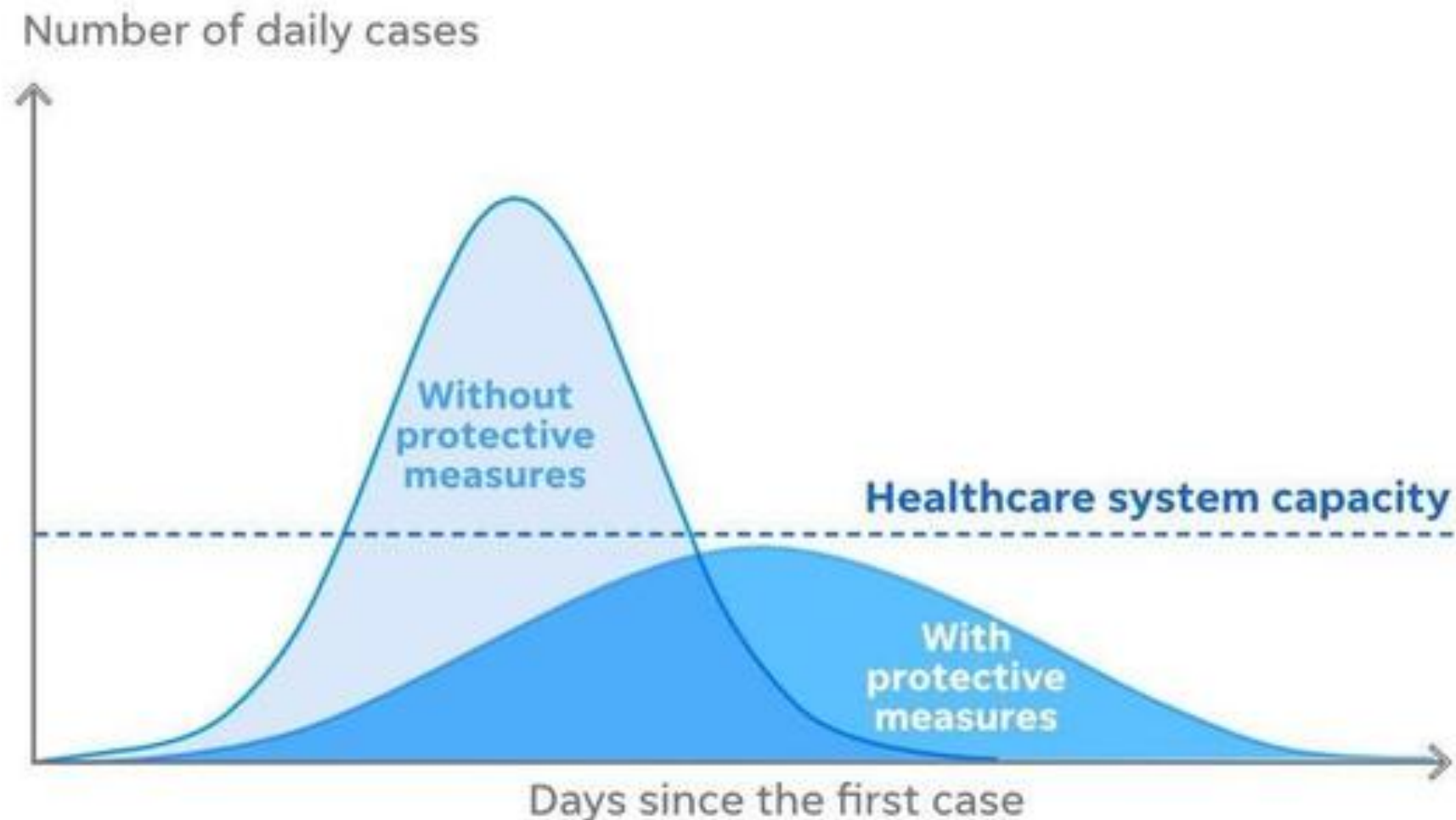


U.S. Economy During Spanish Flu



Flattening the curve

Mitigation efforts can help to reduce the number of daily cases and to reduce the pressure on the healthcare system



SOURCE: CDC

Plan

- Stock market \neq economy
- Sectors at greatest risk
- Lesson from the past
- **COVID-19 paths**
- Real estate implications

COVID-19

Paths

- ? **Ends in 3 months**
- ? **Seasonal; returns in Nov.**
- ? **Persistent until herd immunity**
- ? **Vaccine, treatment**

COVID-19 economic forecast

- ↓ **Sharp recession while
shelter-in-place**
- ↑ **Strong rebound if / when
“all clear signal”**
- **Slow rebound if
uncertain future**

Bus. Planning Strategy

- **Defer decisions**
- **Build flexibility:**
 - **labor**
 - **supplies**
 - **Delivery**
- **Growth opportunity**

Real estate implications

Interest Rates

- **Recent turmoil: wide spreads to Treasuries**
- **Non-agency home loans & comm'l loans will drop**
- **Fed will help conforming loan rates**

Real estate implications

Home sales

- **Some buyers can't**
- **Delays for others**
- **Then very strong**

Real estate implications

Home Refi

- **Some buyers can't**
- **Surge for those with jobs**

Real estate implications

Commercial / Industrial

- **Credit quality issues in some sectors**
- **Bank loans for non-impacted sectors will grow**

**Questions
&
Newsletter**

Bill@ConerlyConsulting.com



one "n"

www.ConerlyConsulting.com



one "n"

America's challenges

- **Revolution**
- **Taming the frontier**
- **Civil War**
- **Transition from slavery**
- **Deflation**
- **Spanish flu**
- **World War I**