

*\*OECD Outlook for World GDP Growth, September 16, 2020*

## Economic Review and Outlook

3Q20

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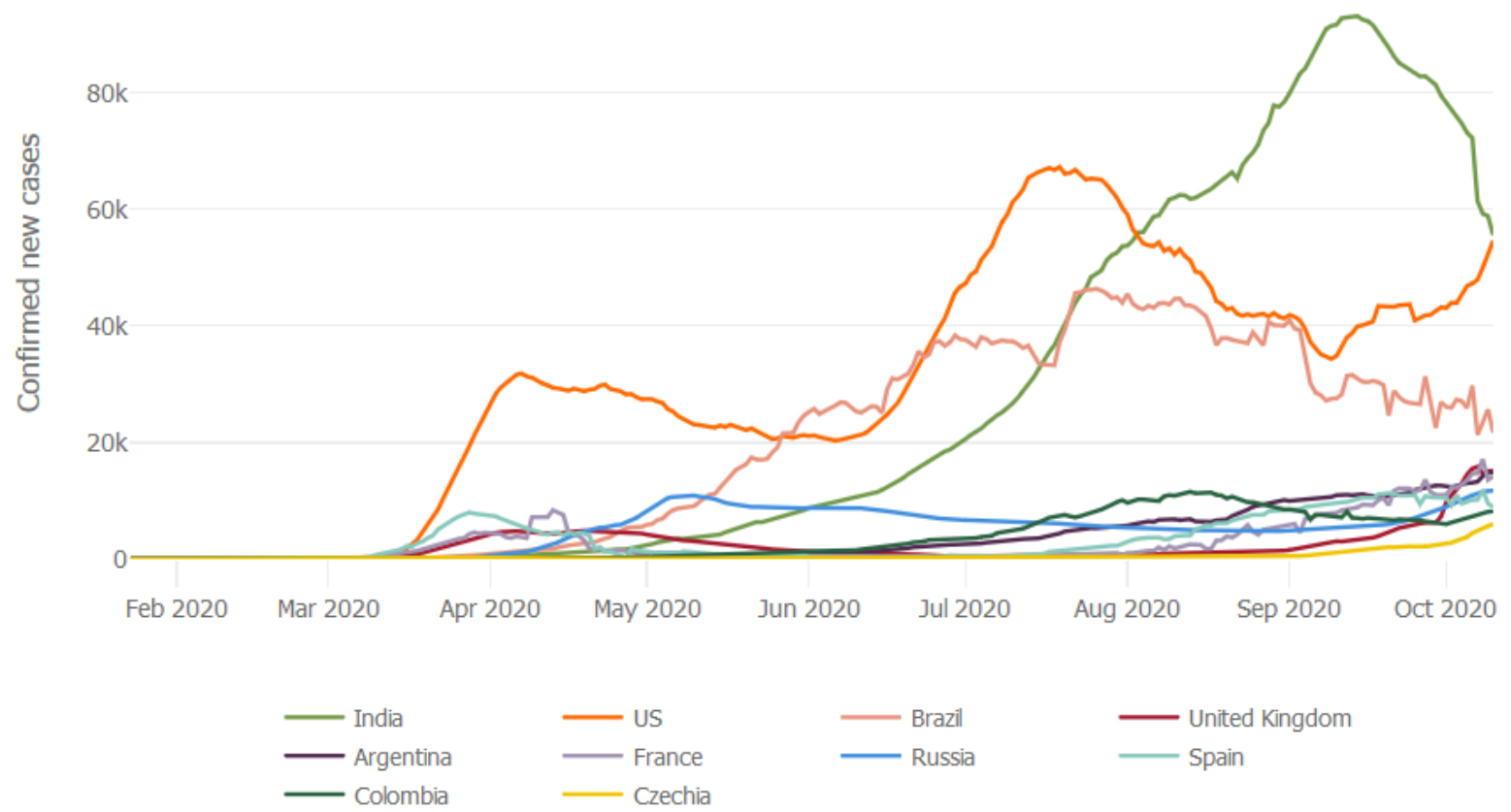
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## Global Virus Trajectory

- As the virus spreads and subsides, the global economy will contract and expand. Fortunately, the fatality rate has been declining, as hospitals and healthcare professionals have more experience and are better equipped to treat patients with therapeutics.

Covid-19 Daily Confirmed New Cases, Seven-day Moving Average



## Prospects For A Vaccine

- Vaccine development is progressing swiftly; many healthcare professionals think a vaccine will be available for general distribution by mid-2021, and possibly sooner for medical professionals. However, there are complications with widespread manufacturing and distribution that could impact this timing.

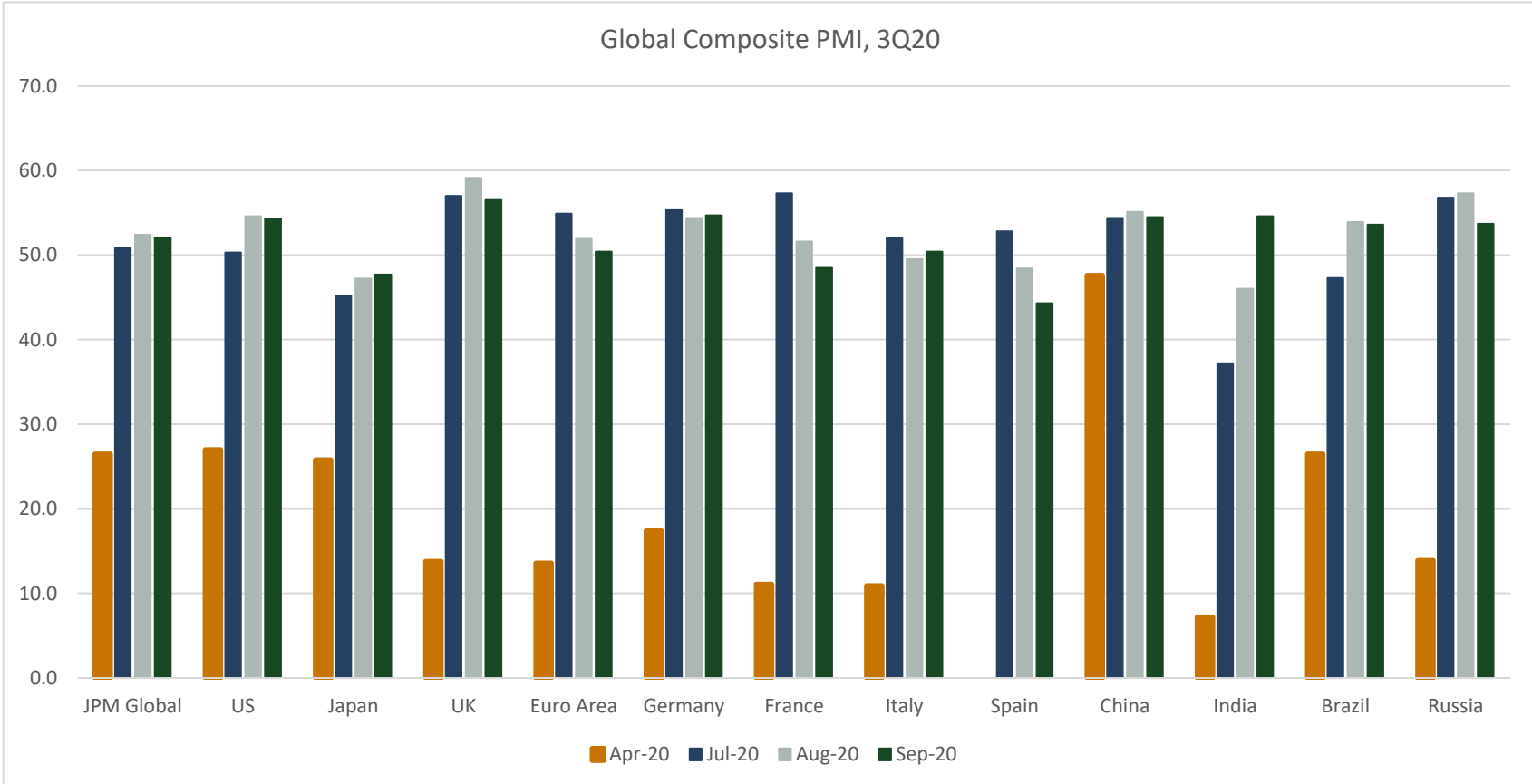
Candidate Vaccine	Clinical Trial Stage	Location of Trial
Moderna/NIAID	Phase 3	United States
Pfizer/BioNTech/Fosun Pharma	Phase 3	United States/Brazil/Argentina
Novavax	Phase 3	United Kingdom
Janssen (Johnson & Johnson)	Phase 3 (paused)	United States/Brazil/Columbia/Peru/ Mexico/Philippines/South Africa
Oxford University/AstraZeneca	Phase 3	United Kingdom
Sinopharm	Phase 3	China/United Arab Emirates
Sinovac	Phase 3	Brazil
Gamaleya	Phase 3	Russia
CureVac	Phase 2	Peru/Panama
Sanofi/GlaxoSmithKline	Phase 1	France
Clover/GlaxoSmithKline	Phase 1	Australia

- Phase I clinical trial: Small groups of healthy adult volunteers receive the vaccine to test for safety
- Phase II clinical trial: Vaccine is given to people who have characteristics (such as age and physical health) similar to those for whom the new vaccine is intended
- Phase III clinical trial: Vaccine is given to thousands of people and tested for efficacy and safety

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## Global Composite Purchasing Managers Index (PMI)

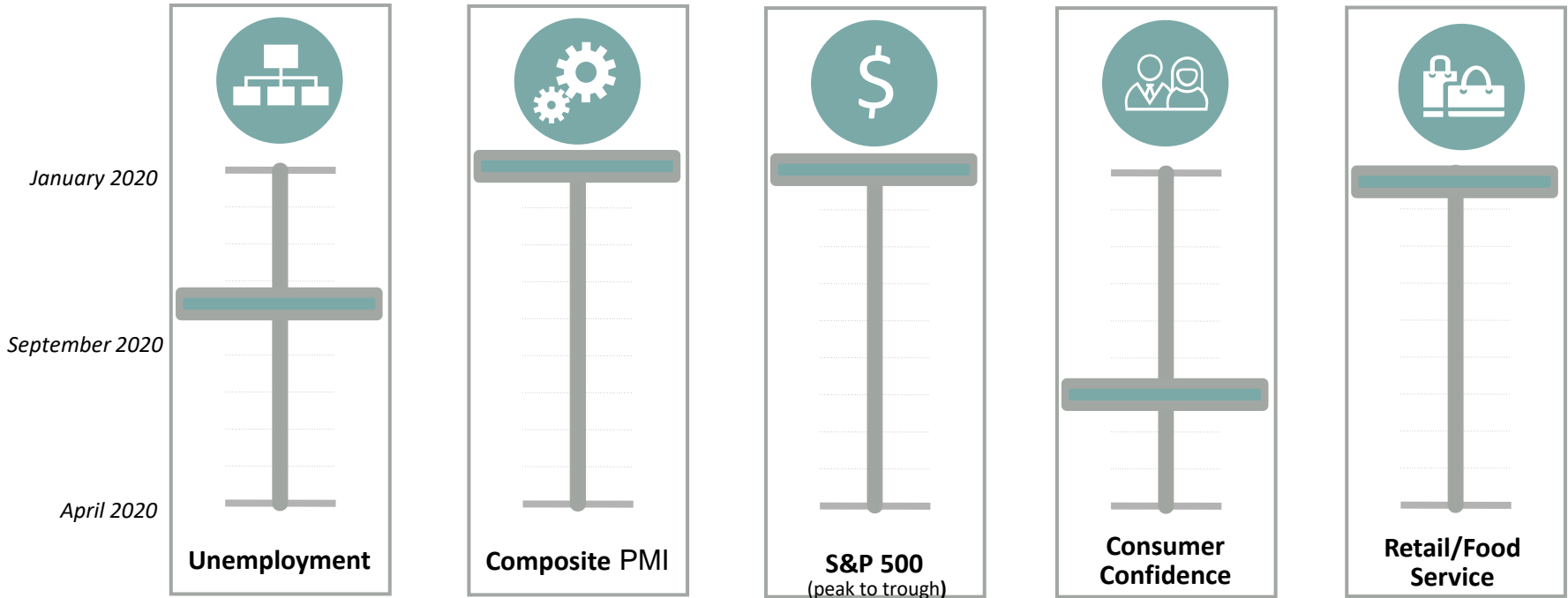
- Global economic data improved substantially across manufacturing and service industries from the start of the second quarter as economies re-opened. A renewed spread in infections as people move indoors in the winter months could result in weaker fourth quarter data.



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## Improving US Indicators, But Still A Way To Go

- Economic recovery continued in the third quarter, but economists caution growth could stall given a possible virus surge during the winter.



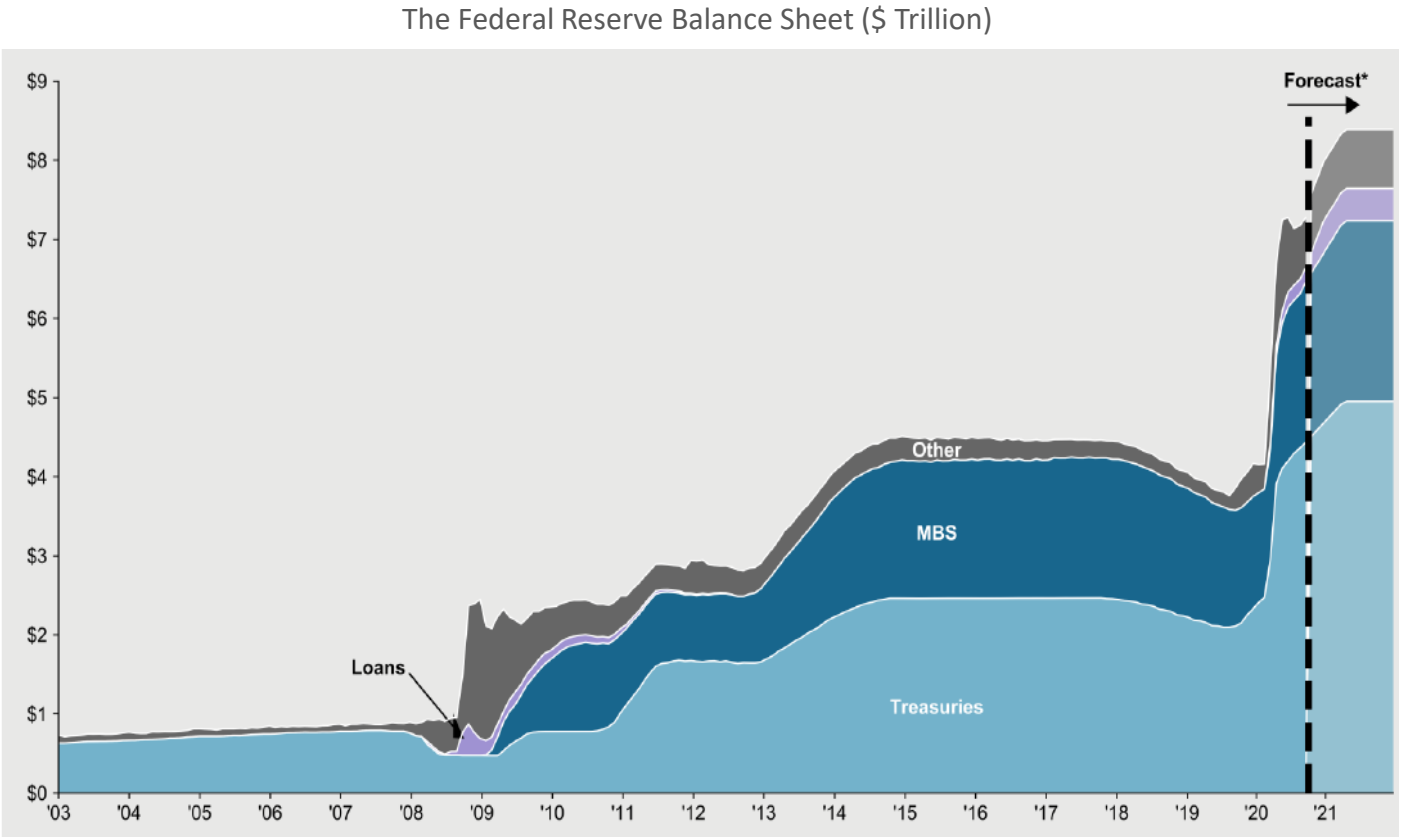
- The probability that Congress passes an additional stimulus package ahead of the election is low. The House of Representatives passed an amended HEROS Act (\$2.2 Trillion package in its recent iteration), while the Administration is proposing a plan that totals \$1.8 Trillion (with less state aid and virus testing). The Senate is favoring a smaller deal (<\$1 Trillion) to primarily support small businesses and state and local governments.

### CARES Act 2.0: Fiscal Stimulus Measures on the Table

- Additional stimulus checks to individuals; most discussion has been about matching the previous \$1,200 to qualifying individuals
- Further support/loans for small businesses by replenishing the Paycheck Protection Program, established under the CARES Act, to support employment in the most vulnerable industries
- Aid to state and local governments, in an attempt to avoid large layoffs that may result from substantial decreases in tax revenue
- Specific assistance to the airline industry to support payrolls
- Extension of additional unemployment benefits approved under the CARES Act that expired the end of July; discussions have centered on \$400-\$600 additional unemployment benefits per week
- Additional funding for virus testing and contact tracing
- Assistance to working parents, including childcare tax credits

## The Growing Fed Balance Sheet

- Unparalleled levels of Fed stimulus continue to support important sectors of the bond market and are keeping long-term rates low.



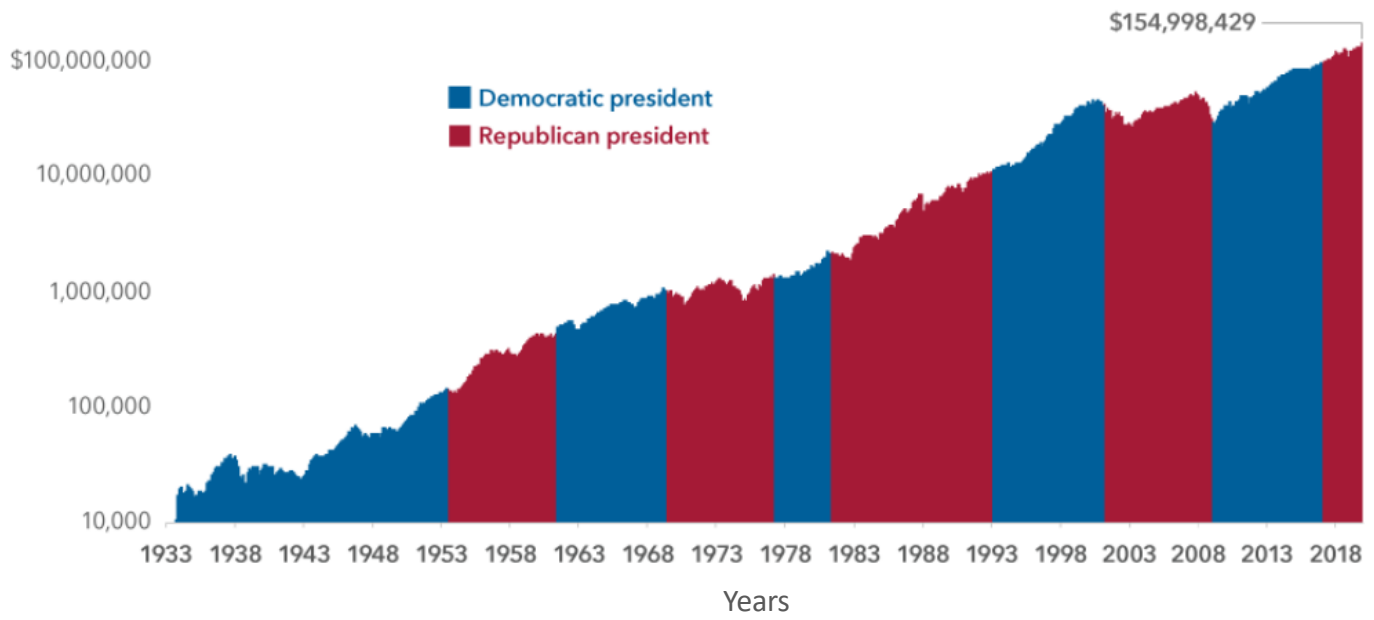
\* Balance sheet forecast assumes the Federal Reserve maintains its current pace of purchases of Treasuries and Mortgage-Backed Securities (MBS) through June 2021 as suggested in the September 2020 FOMC meeting.



## 2020 Election

- Potential problems with the election process during this pandemic could cause increased stock market volatility leading up to and following election day.
- If history is a guide, investors should take note that the stock market has advanced over the long-term, regardless of the party in charge.

Growth of \$10,000 Investment in S&P 500 Following Elections  
(March 1933-August 2020)





## Domestic Growth Projections

- Third quarter growth is starting from an excessively low base. Going forward, GDP and employment growth is expected to be slower as sectors operating at reduced capacity could experience long-term structural changes.

Date	Estimator*	3Q Real GDP	4Q Real GDP	Factors
10/13/20	Federal Reserve Weekly Economic Index	-4.5%**	-	Less optimistic outlook for unemployment, but increases in rail traffic, electricity utilization, and other signs of re-opening
10/16/20	New York Fed Nowcast	+13.8%	+3.6%	Improvements in job openings, inventory data, and consumption data, offset by negative news in manufacturing.
10/16/20	Atlanta Fed GDPNow	+35.2%	-	Housing and employment improvements, offset by recent manufacturing data

*\*Does not capture the impact or anticipate the future impact of CV-19 beyond its impact on currently released data and economic reports that are the source of GDP calculations in the relevant models.*

*\*\*The WEI is a new index created to reflect more immediate changes in the U.S. economy. The index includes ten weekly indicators of real economic activity that reflect consumption, employment, and consumer confidence data. The index is scaled to have the units of four-quarter percent change of real GDP. This data series differs from the N.Y. Fed's Nowcast, which reflects low-frequency data*

Forecasted Annualized GDP	International Monetary Fund		OECD	
	2020	2021	2020	2021
Global	-4.4%	+5.2%	-4.5%	+5.0%
U.S.	-4.3%	+3.1%	-3.8%	+4.0%
EU	-8.3%	+5.2%	-7.9%	+5.1%
China	+1.9%	+8.2%	+1.8%	+8.0%
EM	-3.3%	+6.0%	-	-

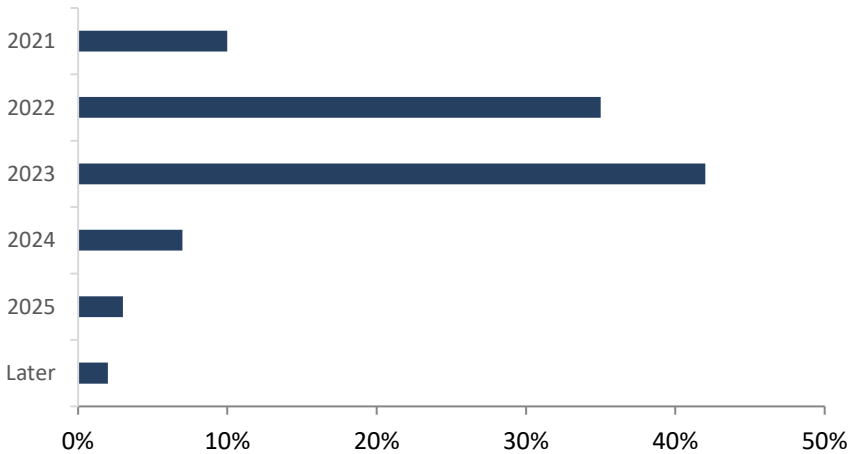
Source: International Monetary Fund, October 31, 2020.; OECD, September 16, 2020

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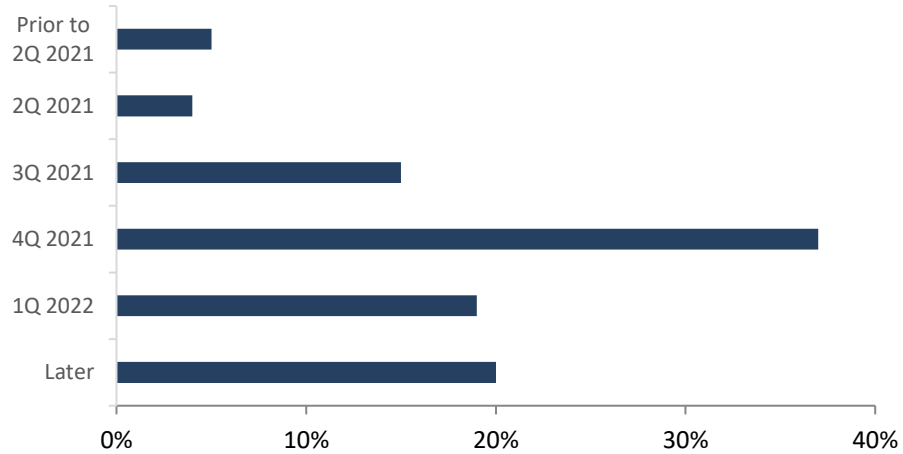
## Survey: U.S. Economic Outlook And Prospects For Recovery

	Third Quarter 2020	Fourth Quarter 2020	First Quarter 2021
U.S. GDP	28.5%	3.8%	4.0%
Unemployment	7.9% (actual, September 2020)	7.8%	-
CPI	-	1.2%	-
Fed Funds Rate	00.0-0.25%	0.00-0.25%	0.00-0.25%

When Do You Expect Employment to Recover to February 2020 Levels?\*



When Do You Expect GDP to Recover to Fourth Quarter 2019 Levels?\*

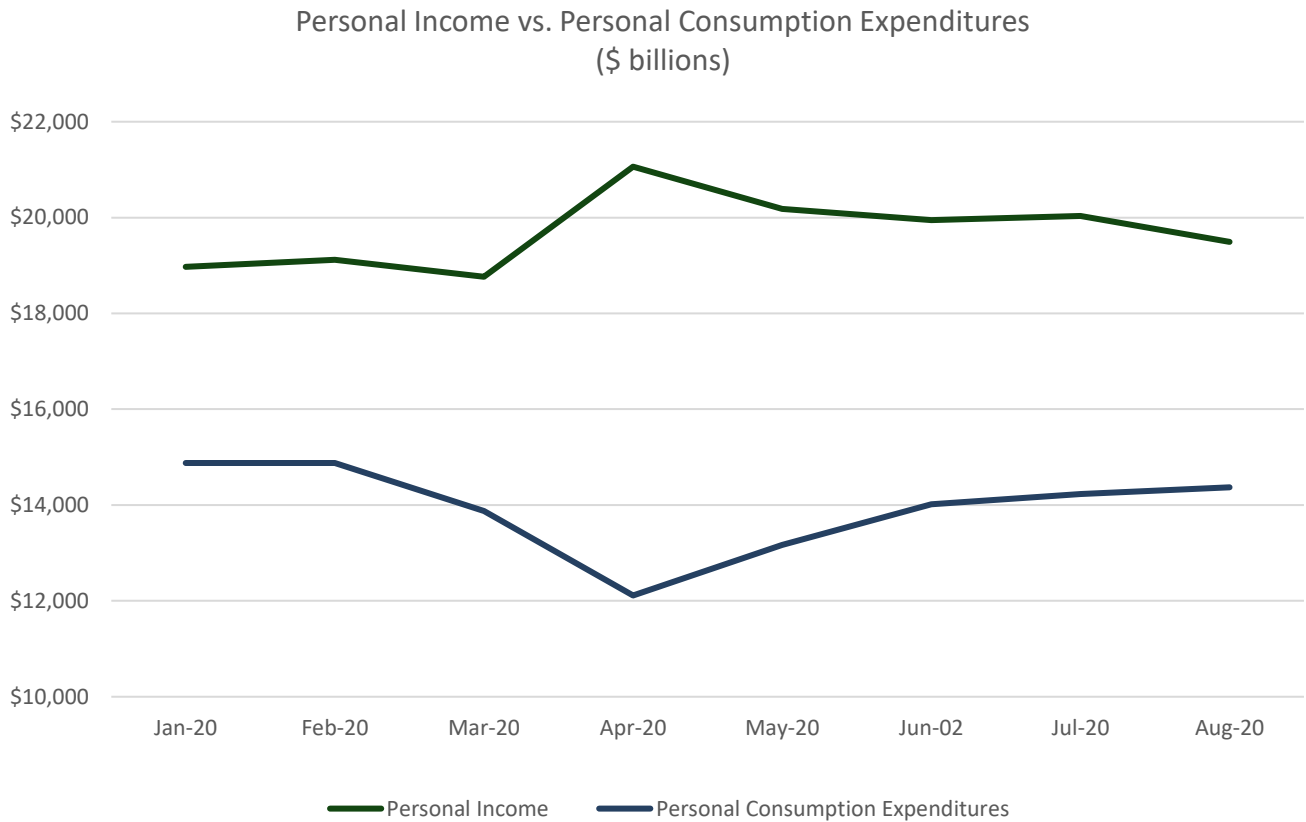


\*Source: The Wall Street Journal, October 1, 2020; survey average of 73 economists



## Room For Additional Growth In Consumption?

- Consumption has rebounded, but personal income on the whole\* is about \$520 billion higher, in part due to CARES Act payments to individuals and additional unemployment benefits.

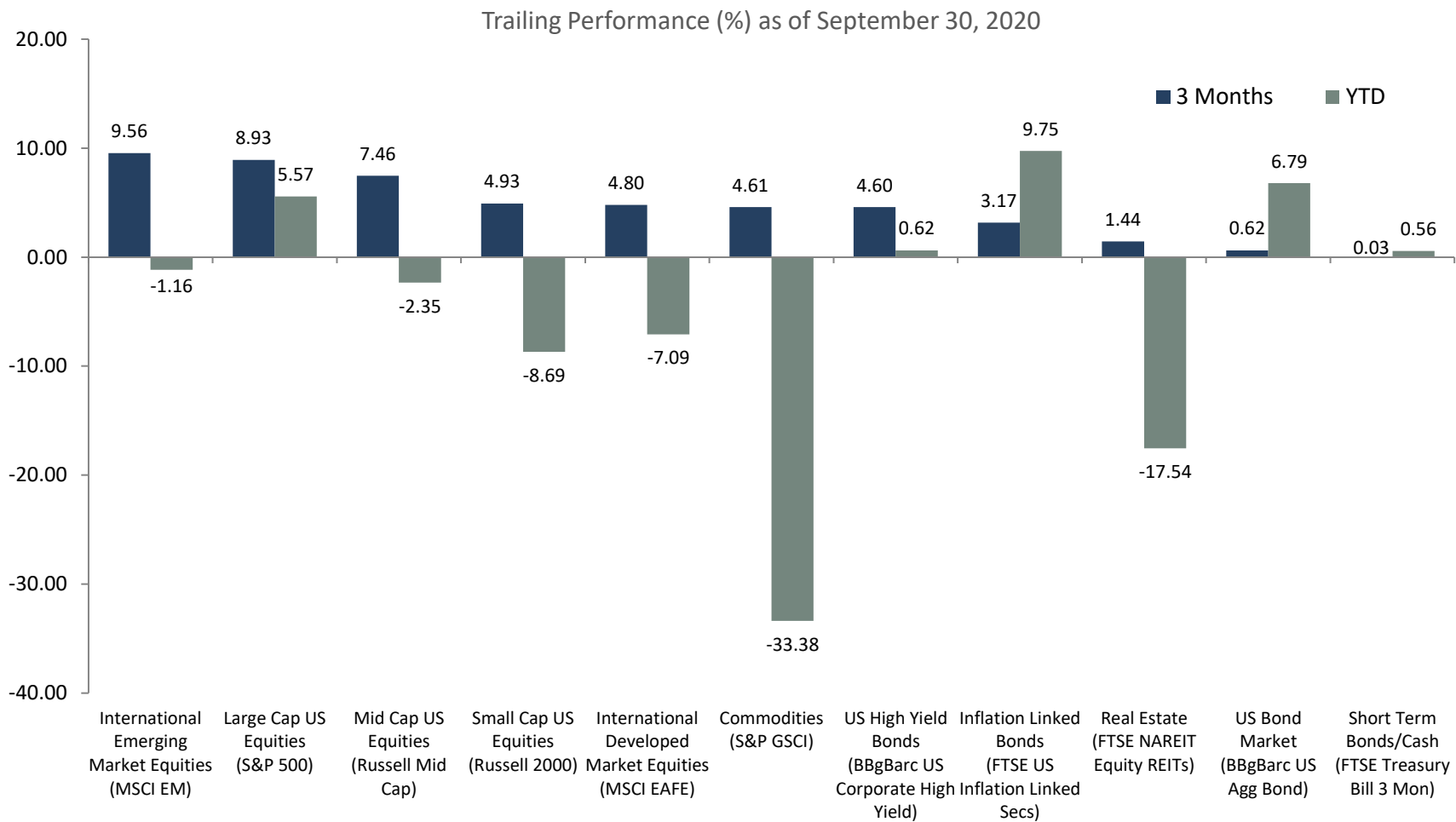


\*This data is aggregated. A recent study by the University of Notre Dame noted that currently about 11% of the US population is below the poverty level, which is the same level as February 2020. That figure dropped to 9.3% in June following the passage of the CARES Act.



# Economic Review and Outlook 3Q20

## Asset Class Performance



Trailing Performance (%) as of September 30, 2020

### DOMESTIC EQUITY

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
Broad Market	DJ Industrial Average	8.22	-0.91	5.70	9.98	14.02	12.69
	S&P 500	8.93	5.57	15.15	12.28	14.15	13.74
	NASDAQ Composite	11.24	25.33	40.96	21.05	20.63	18.12
	Wilshire 5000 Total Market	9.14	5.54	15.12	11.70	13.83	13.50
Large Cap	Russell 1000	9.47	6.40	16.01	12.38	14.09	13.76
	Russell 1000 Growth	13.22	24.33	37.53	21.67	20.10	17.25
	Russell 1000 Value	5.59	-11.58	-5.03	2.63	7.66	9.95
Mid Cap	Russell Mid Cap	7.46	-2.35	4.55	7.13	10.13	11.76
	Russell Mid Cap Growth	9.37	13.92	23.23	16.23	15.53	14.55
	Russell Mid Cap Value	6.40	-12.84	-7.30	0.82	6.38	9.71
Small Cap	Russell 2000	4.93	-8.69	0.39	1.77	8.00	9.85
	Russell 2000 Growth	7.16	3.88	15.71	8.18	11.42	12.34
	Russell 2000 Value	2.56	-21.54	-14.88	-5.13	4.11	7.09

Source: Morningstar

### INTERNATIONAL EQUITY

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year	
Developed	MSCI ACWI	8.13	1.37	10.44	7.12	10.30	8.55	
	MSCI ACWI Ex USA	6.25	-5.44	3.00	1.16	6.23	4.00	
	MSCI EAFE	4.80	-7.09	0.49	0.62	5.26	4.62	
	MSCI EAFE Growth	8.43	4.60	13.44	7.07	9.22	7.00	
	MSCI EAFE Value	1.19	-18.31	-11.93	-5.86	1.14	2.10	
	MSCI EAFE Small Cap	10.25	-4.20	6.84	1.40	7.37	7.33	
	MSCI Europe	4.51	-8.85	-0.79	-0.61	4.24	4.26	
	MSCI Europe Ex UK	5.89	-3.76	4.38	0.94	5.83	4.97	
	MSCI Pacific Free	5.39	-4.10	2.63	2.81	7.33	5.39	
	MSCI Pacific Free Ex Japan	1.98	-11.26	-6.13	0.27	6.73	3.76	
	MSCI Japan	6.94	-0.68	6.91	3.94	7.51	6.20	
	Emerging	MSCI EM	9.56	-1.16	10.54	2.42	8.97	2.50
		MSCI BRIC	10.41	2.07	15.48	4.99	11.81	2.52
MSCI EM Latin America		-1.28	-36.06	-29.36	-11.84	2.06	-5.74	
MSCI EM Europe		-5.19	-28.55	-19.23	-4.31	3.62	-2.97	
MSCI EM Asia		11.92	8.01	21.52	5.67	11.30	5.45	

Source: Morningstar

### FIXED INCOME

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
	BBgBarc US Agg Bond	0.62	6.79	6.98	5.24	4.18	3.64
	BBgBarc US Government	0.18	8.81	7.97	5.47	3.73	3.10
	BBgBarc US Credit	1.50	6.39	7.50	6.19	5.75	4.92
	BBgBarc US Govt/Credit Interm	0.61	5.92	6.32	4.43	3.39	2.91
	BBgBarc US Govt/Credit Long	1.22	14.20	12.92	10.21	8.78	7.36
	FTSE US Inflation Linked Secs	3.17	9.75	10.55	6.04	4.82	3.70
	BBgBarc EM USD Aggregate	2.37	1.93	4.06	4.21	6.18	5.42
	BBgBarc ABS	0.79	4.14	4.55	3.47	2.68	2.40
	BBgBarc US MBS	0.11	3.62	4.36	3.68	2.98	3.01
	FTSE Treasury Bill 3 Mon	0.03	0.56	1.02	1.65	1.16	0.61
	ICE BofAML 1-3Y US Trsy	0.10	3.05	3.58	2.64	1.80	1.28
	BBgBarc US Corp Aaa	1.09	10.67	10.47	8.19	6.90	5.15
	BBgBarc US Corp A	1.13	7.67	8.54	6.32	5.65	4.91
	BBgBarc US Corp Baa	2.00	5.67	7.45	6.51	6.41	5.61
	BBgBarc US Corporate High Yield	4.60	0.62	3.25	4.21	6.79	6.47
	BBgBarc US HY Caa	7.35	-6.95	-3.48	-0.34	5.63	5.95

Source: Morningstar

### STABLE VALUE & MONEY MARKET

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
	Median Taxable Money Market Fund	0.00	0.27	0.62	1.25	0.81	0.40
	Average Stable Value Fund	0.55	1.73	2.36	2.33	2.13	2.12
	Consumer Price Index	0.66	0.99	1.07	1.69	1.75	1.74

Source: PEI

### REAL ASSETS

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
	FTSE NAREIT Equity REITS	1.44	-17.54	-18.16	0.20	3.95	7.90
	Bloomberg Commodity	9.07	-12.08	-8.20	-4.18	-3.09	-6.03
	S&P GSCI	4.61	-33.38	-27.84	-9.46	-7.88	-8.84

Source: Morningstar

### Pandemic and Political

- Large global debt levels and deficits stemming from fiscal support programs and lost tax and trade revenue
- The financial and resource drain on the health care system from costs associated with treating Covid-19, the unknown need for follow-up treatment, and lost care/revenue from not treating other health conditions
- A possible reversal of tax and regulatory legislation, depending upon the outcome of the election
- Federal Reserve policy; the Fed may curtail current economic stimulus if inflation seems to be rising
- Brexit; as the end of the 1-year transition period approaches on December 31, an agreement regarding border issues with Northern Ireland and an EU trade agreement remain elusive

### Structural

- Growing global debts and deficits existed prior to the pandemic; low interest servicing costs continue to kick this can down the road
- Federal Reserve policy; the Fed halted interest rate increases in 2019 to prevent the economy from stalling but maintaining a “lower for longer” interest rate policy could be inflationary and does not provide a cushion for future economic slowdowns
- Aging global demographics will lead to lower GDP productivity
- The shift from globalization to populism continues to have ramifications on trade and immigration patterns

### Trump Re-election

- Domestic Policy; additional economic stimulus programs targeted to both individuals and businesses dealing with the impact of the pandemic, expanded support to raise U.S. oil and gas production, clean-water infrastructure projects, renewed focus on prescription drug-price reform, and repealing and replacing the Affordable Care Act
- Tax Policy; tax credits to encourage businesses to keep or bring jobs back to the U.S., middle-class tax cuts, expanded Opportunity Zones and credits for minority-owned businesses and health-care facilities that serve minority communities
- Foreign policy; continued pressure on allies to share global burdens, possible work to strike a broader Middle East peace accord, and ongoing withdrawal of U.S. troops from Afghanistan
- Trade: further emphasis an all-encompassing trade deal with China, but additional pressure on that country's technology and pharmaceutical industries to promote "de-coupling" from China, additional trade policies aimed at balancing tariffs across other trading blocs

### Biden Win

- Domestic Policy: expanded legislation for virus support programs (state funding, additional testing), infrastructure and clean-energy projects, raising the federal minimum wage, tuition-free college for lower wage earners, expanding the Affordable Care Act, reducing Medicare eligibility to age 60, and providing a road-map to citizenship for undocumented immigrants
- Tax Policy; a reversal of Trump corporate and high-income individual tax cuts (Given the pandemic, most analysts think late 2021/2022 is a more likely timeframe)
- Foreign policy: a return to certain previous policies, including coalition building with EU partners, rejoining the Paris Climate Accord and Iran nuclear agreement, but pressure on China trade/technology issues will be sustained
- Trade: policy may emphasize re-establishing the Trans-Pacific Partnership, additional tariffs to incentivize meeting climate targets, and possibly lifting steel tariffs with the EU