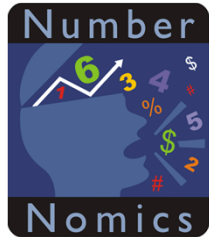


Economics. Explained.

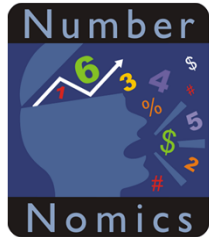
Never Underestimate the Strength and Resilience of the U.S. Economy

Stephen D. Slifer
NumberNomics
www.numbernomics.com



Economics. Explained.

The Highlights



Economics. Explained.

The Highlights

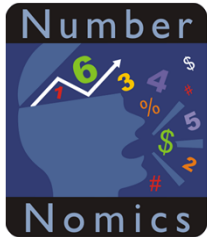
1. The corona virus is bad. So is the flu and pandemics.



Economics. Explained.

The Highlights

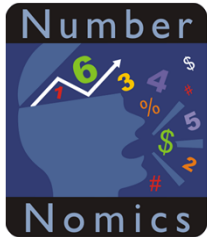
1. The corona virus is bad. So is the flu and pandemics.
2. Why is this time so different?



Economics. Explained.

The Highlights

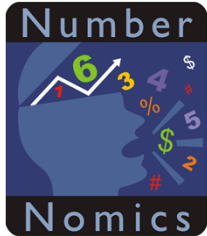
- 1. The corona virus is bad. So is the flu and pandemics.**
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- 3. Economy stopped dead. Biggest GDP drop in history.**



Economics. Explained.

The Highlights

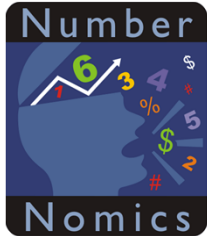
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Economics. Explained.

The Highlights

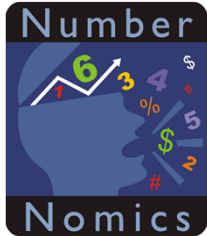
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- 3. Economy stopped dead. Biggest GDP drop in history.**
- 4. Help is on the way.**
- 5. Vigorous rebound coming. Shortest recession ever.**



Economics. Explained.

The Highlights

1. The corona virus is bad. So is the flu and pandemics.
2. Why is this time so different?
3. Economy stopped dead. Biggest GDP drop in history.
4. Help is on the way.
5. Vigorous rebound coming. Shortest recession ever.
6. The economy coming out not like it was going in.



Economics. Explained.

The Corona Virus is Bad

2020

Corona Virus

Illnesses

1,400,000

Deaths

83,000

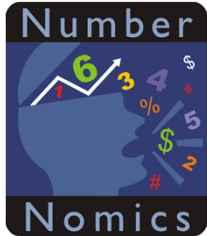
Influenza

Illnesses

48,000,000

Deaths

43,500



Economics. Explained.

The Corona Virus is Bad

43,500 people die from the flu

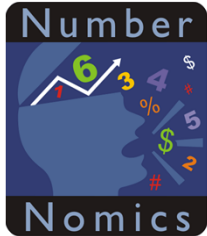
39,000 people died in auto accidents last year.

647,000 died from heart disease.

607,000 died from cancer.

We accept these deaths and don't give them a thought.

83,000 die from the corona virus is unacceptable.

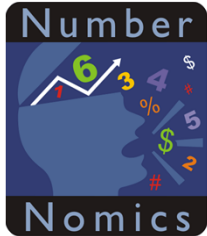


Economics. Explained.

The Corona Virus is Bad

**If we are interested in saving lives,
why focus on one cause and not the others?**

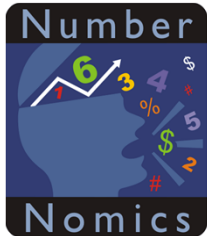
**What is the value of a human life?
Are some lives more important than others?**



Economics. Explained.

The Corona Virus is Bad

**The corona virus is a “pandemic” so
we have to do something.**



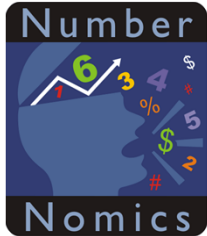
Economics. Explained.

We have been through this before.

Asian Flu	1957
Deaths Worldwide	1,100,000
Deaths – U.S.	116,000

Hong Kong Flu	1968
Deaths Worldwide	1,000,000
Deaths – U.S.	100,000

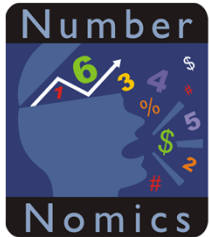
Corona Virus	2020
Deaths Worldwide	290,000
Deaths – U.S.	83,000



Economics. Explained.

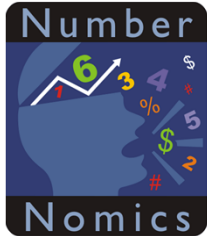
**We have been through this before.
Do not impose drastic measures.
Got through it OK.**

**Why are we so willing to impose drastic
measures to halt the spread of the corona virus?**



Economics. Explained.

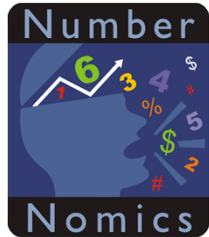
What is different?



Economics. Explained.

Fear

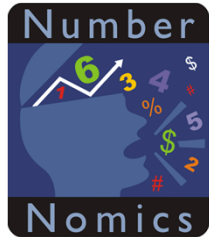
**Not a word typically associated with Americans.
Why are we so afraid?**



Economics. Explained.

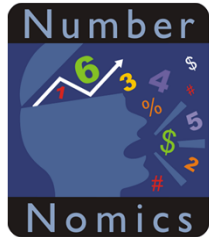
We have never dealt with a crisis in era of social media.

**Social media provides an overwhelming amount of
inflammatory and misleading information.**



Economics. Explained.

- 1. Epidemiologists are unduly pessimistic.**
“2 million Americans will die...if nothing is done.”
- 2. Mainstream media thrive on bad news.**
If it bleeds, it leads. Highest ratings ever.
“Another grim milestone today.”
“The worst day yet.”
- 3. Social media makes it easy to influence millions.**



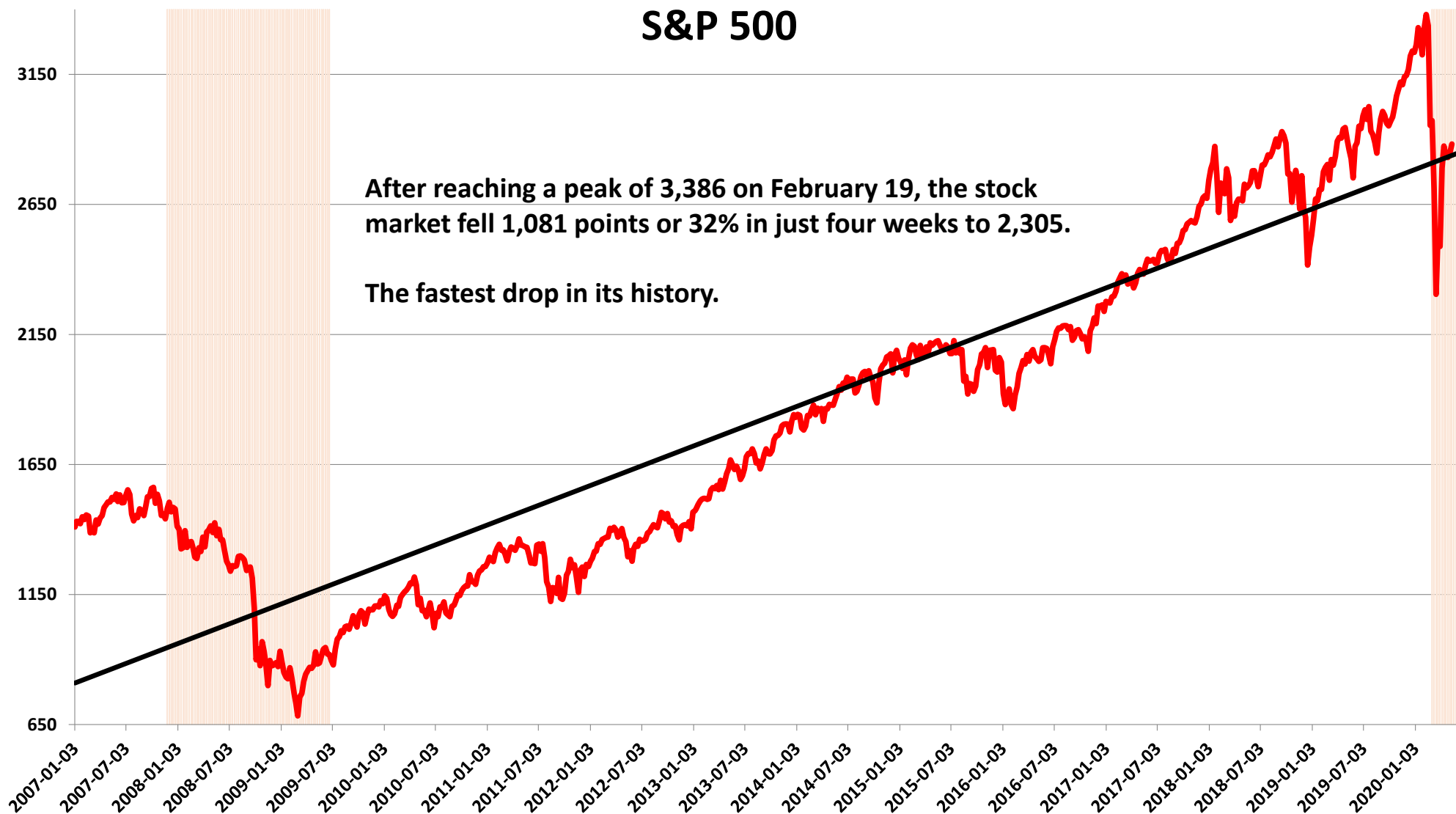
Economics. Explained.

No wonder we are so afraid.

S&P 500

After reaching a peak of 3,386 on February 19, the stock market fell 1,081 points or 32% in just four weeks to 2,305.

The fastest drop in its history.



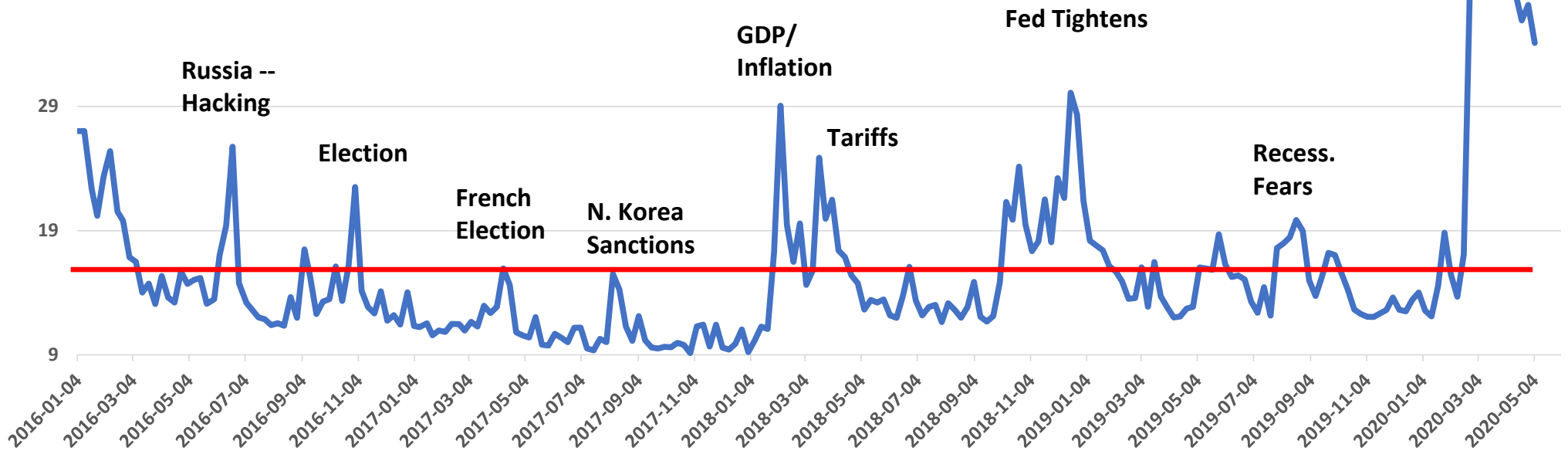
Vix Index

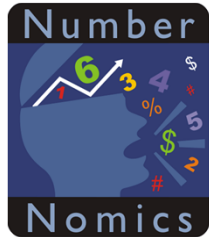
The daily volatility in the market was unnerving.

8 consecutive days in March with changes in the Dow of 1,000+ points.

Of those, 3 exceeded 2,000+ points.

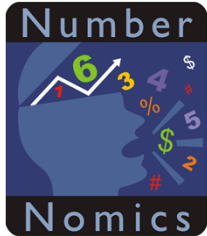
Corona
Virus





Economics. Explained.

In mid-March nothing could stop the fear.

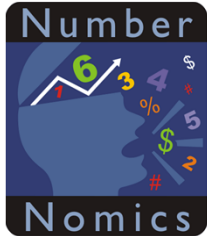


Economics. Explained.

The Fed tried to stop it.

**Cut rates twice within 2 weeks.
Soothing words from the Fed Chair.**

Markets sank 800 points each time.

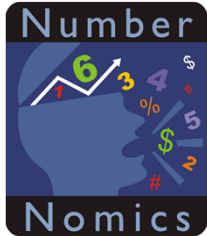


Economics. Explained.

The Administration tried to stop it.

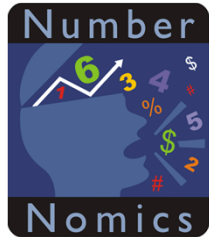
Proposed a \$1.0 trillion stimulus package.

The markets sank another 800 points.



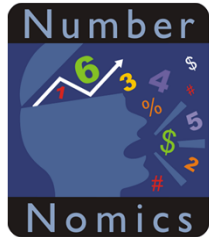
Economics. Explained.

**To restore confidence
Trump and governors imposed drastic
measures to halt the spread of the virus.**



Economics. Explained.

Stopped economy dead in its tracks



Economics. Explained.

Phase One -- The Coma

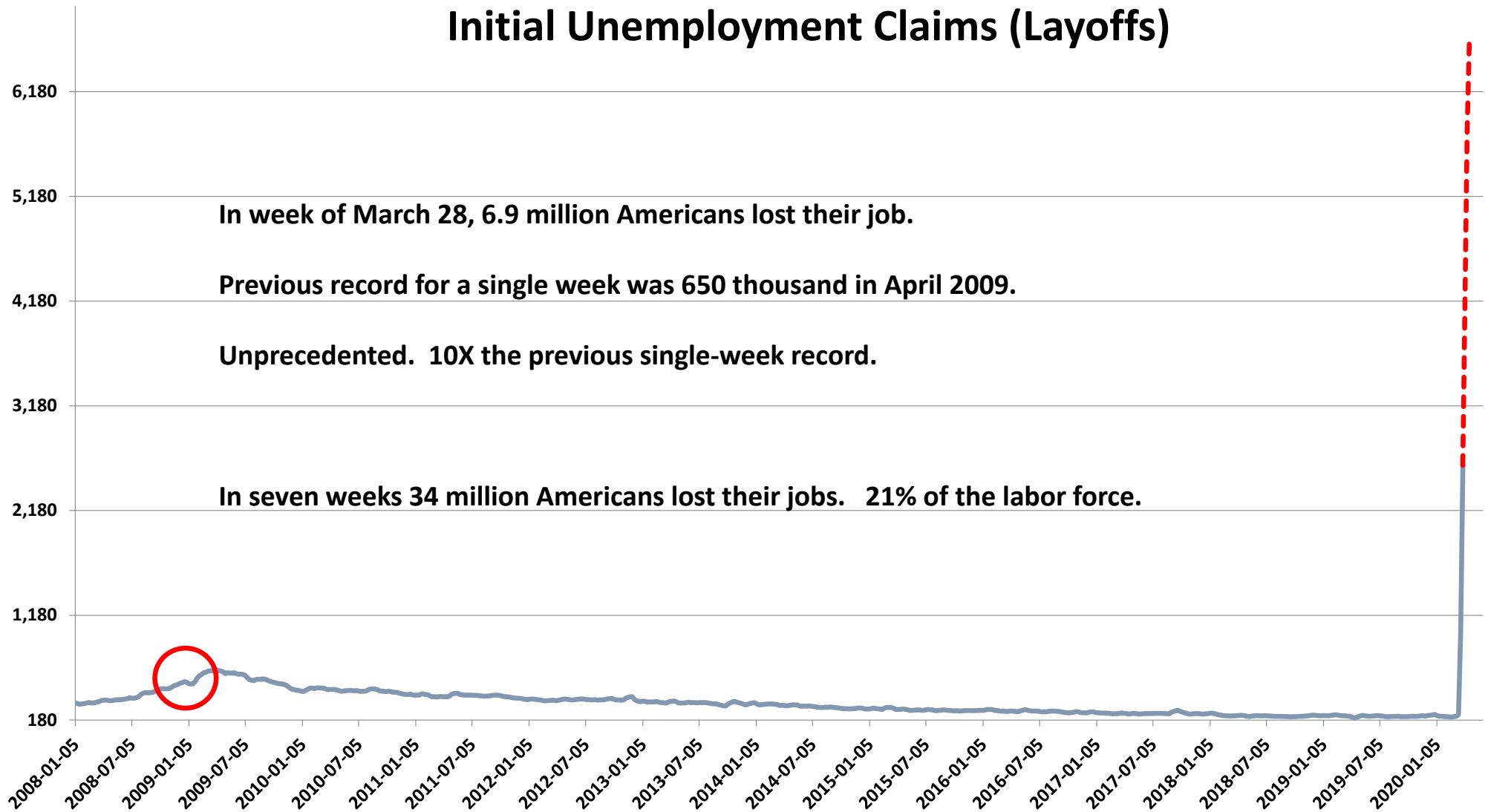
Initial Unemployment Claims (Layoffs)

In week of March 28, 6.9 million Americans lost their job.

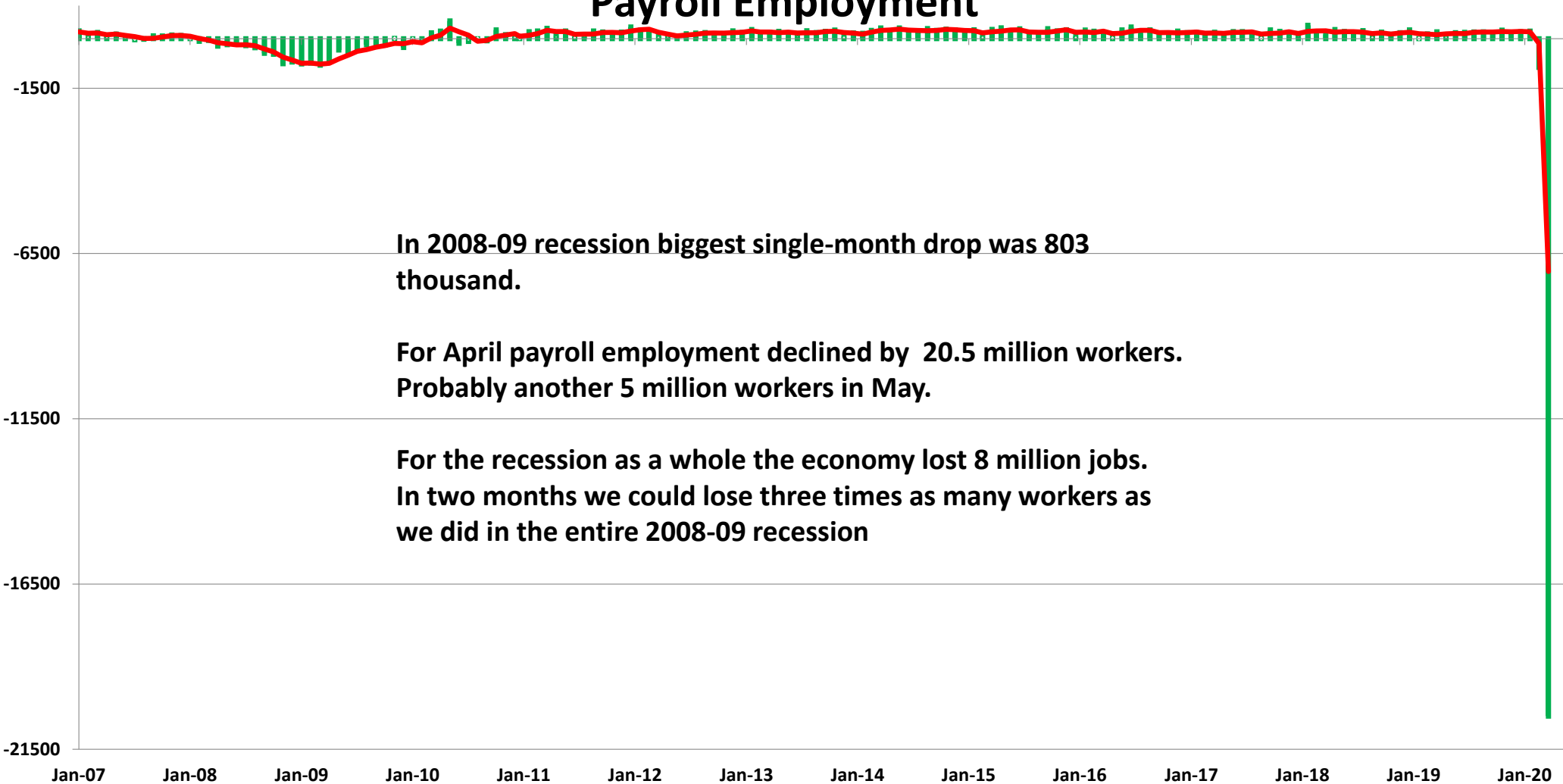
Previous record for a single week was 650 thousand in April 2009.

Unprecedented. 10X the previous single-week record.

In seven weeks 34 million Americans lost their jobs. 21% of the labor force.



Payroll Employment

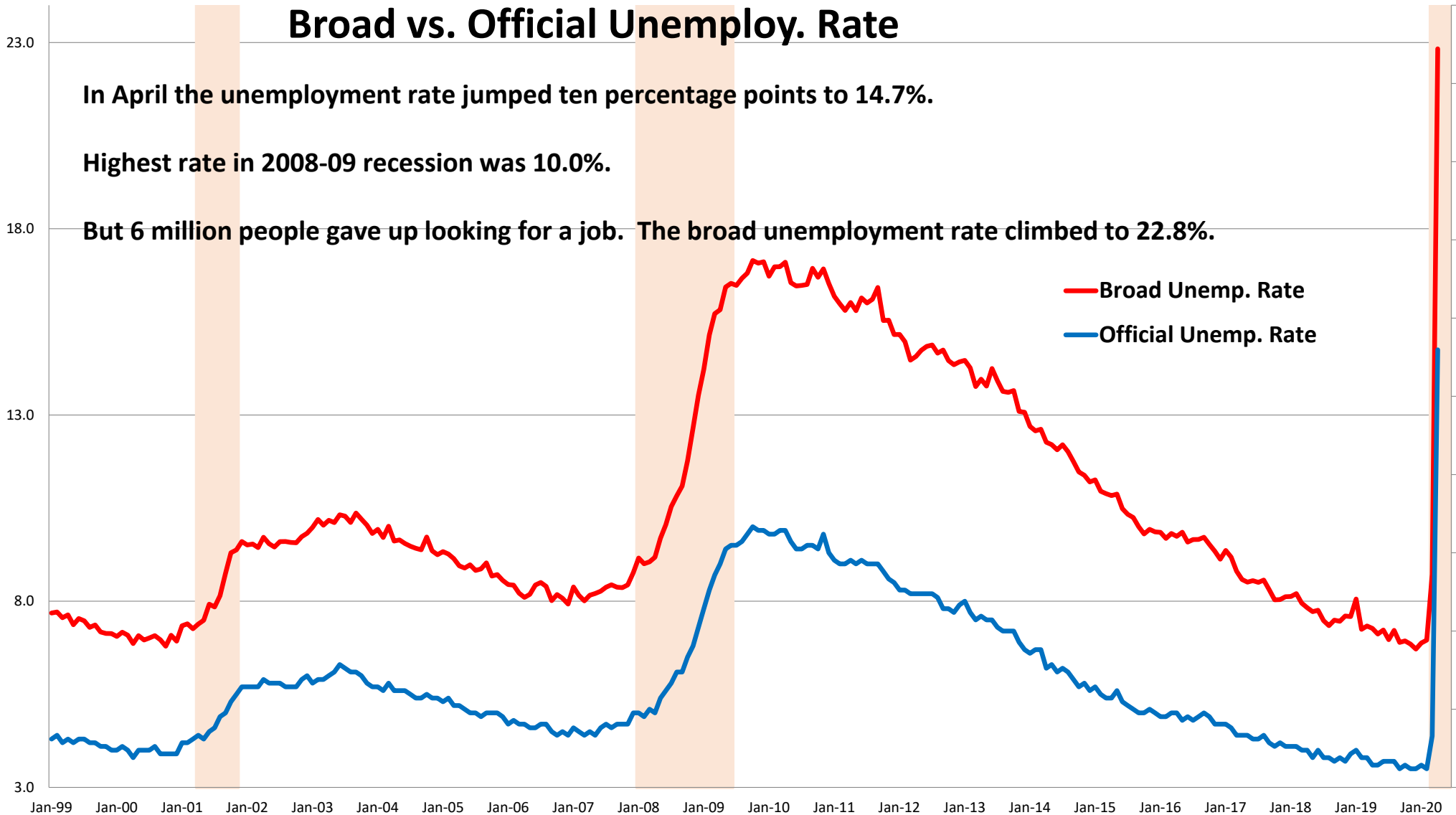


Broad vs. Official Unemploy. Rate

In April the unemployment rate jumped ten percentage points to 14.7%.

Highest rate in 2008-09 recession was 10.0%.

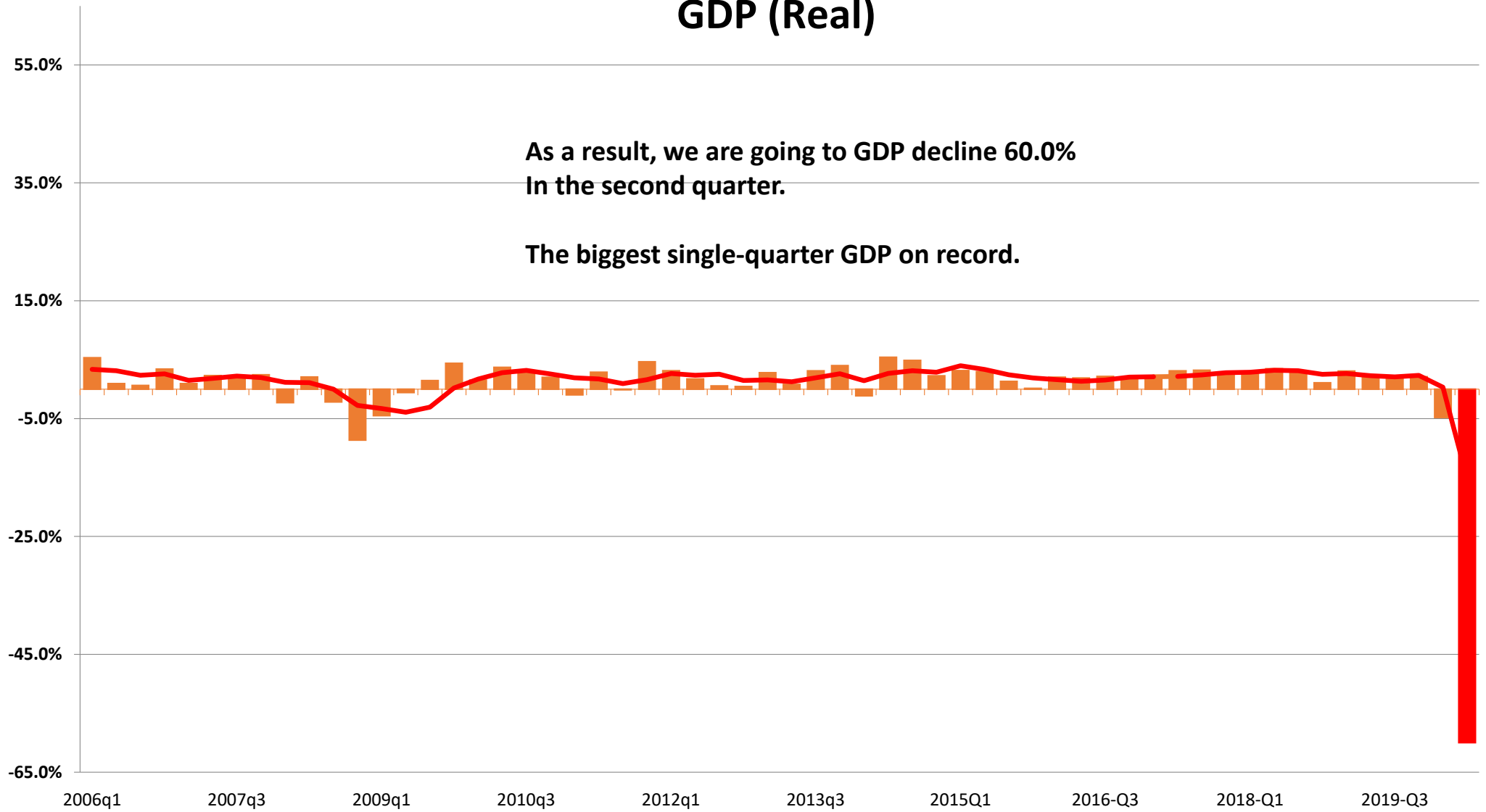
But 6 million people gave up looking for a job. The broad unemployment rate climbed to 22.8%.

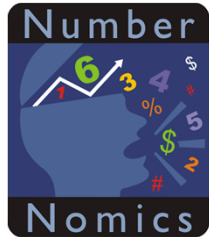


GDP (Real)

**As a result, we are going to GDP decline 60.0%
In the second quarter.**

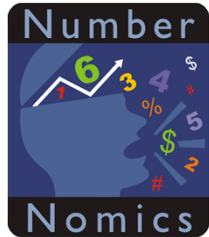
The biggest single-quarter GDP on record.





Economics. Explained.

Help is on the way.

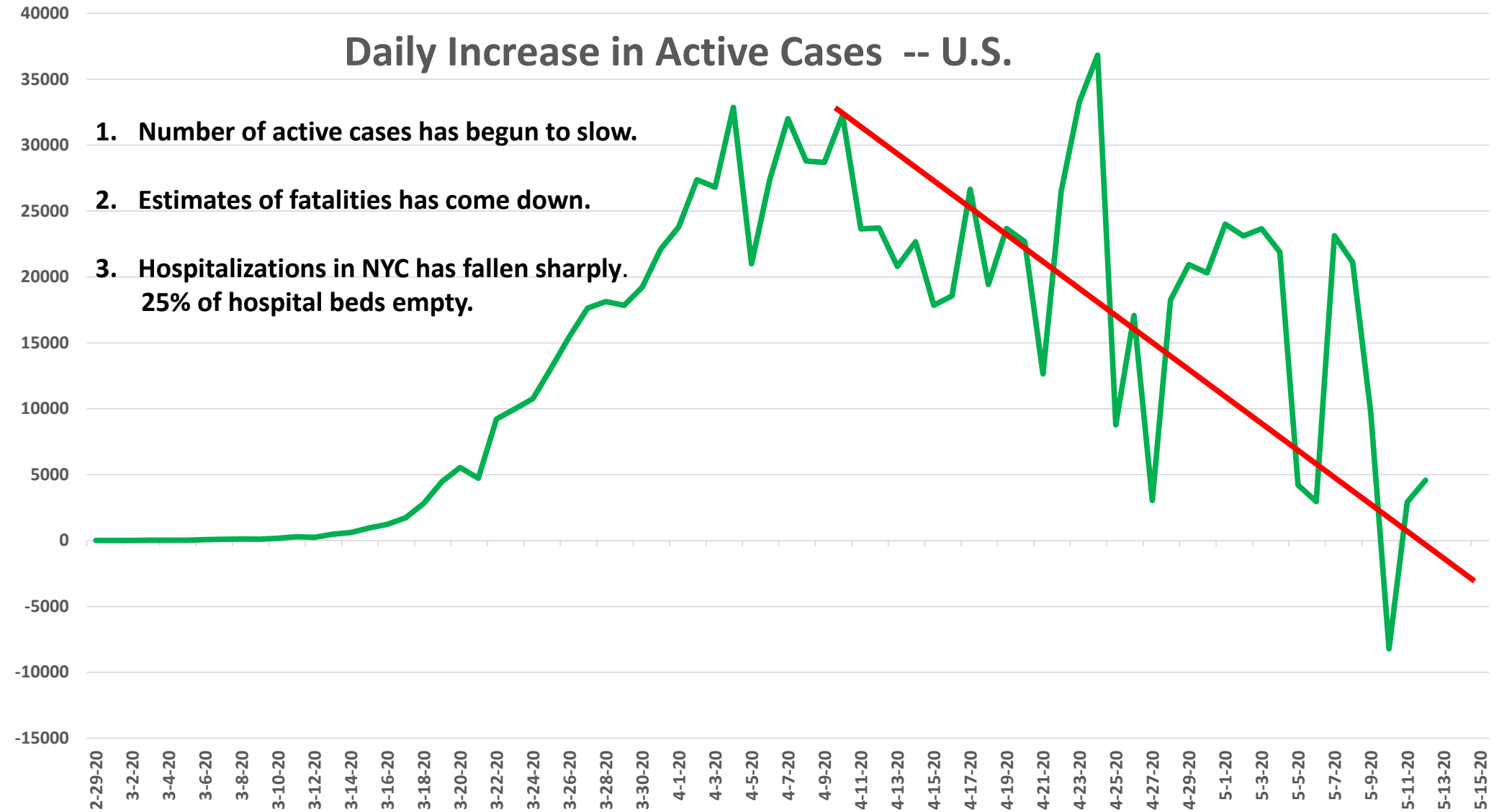


Economics. Explained.

Phase Two -- The Rebound

Daily Increase in Active Cases -- U.S.

1. Number of active cases has begun to slow.
2. Estimates of fatalities has come down.
3. Hospitalizations in NYC has fallen sharply.
25% of hospital beds empty.





Economics. Explained.

Help is on the way.

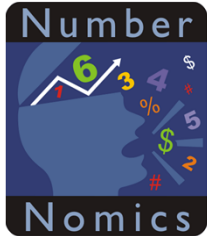
**The \$2.5 trillion stimulus packages should
begin to kick in by May.**



Economics. Explained.

Help is on the way.

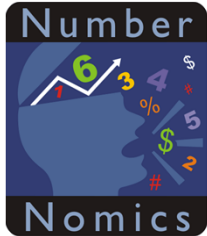
1. Every taxpayer receives \$1,200 check. \$500 per kid.
2. Unemployed workers get extra \$600 up to 4 mo.
3. Hospitals get \$100 billion -- delay elective surgery
4. Airlines \$29 billion in grants, \$29 billion in loans.
5. Small busin. - tax credit if keep workers on payroll.
6. State & local governments get \$150 billion.
7. Defense Dept. gets \$10.5 billion for National Guard.
8. Employers can defer 6.2% tax on wages for Soc.Sec.
9. Payments for telemedicine, food stamps, farmers.



Economics. Explained.

More to Come?

1. **Additional help for small businesses?**
2. **Assistance for state and local govt's?**



Economics. Explained.

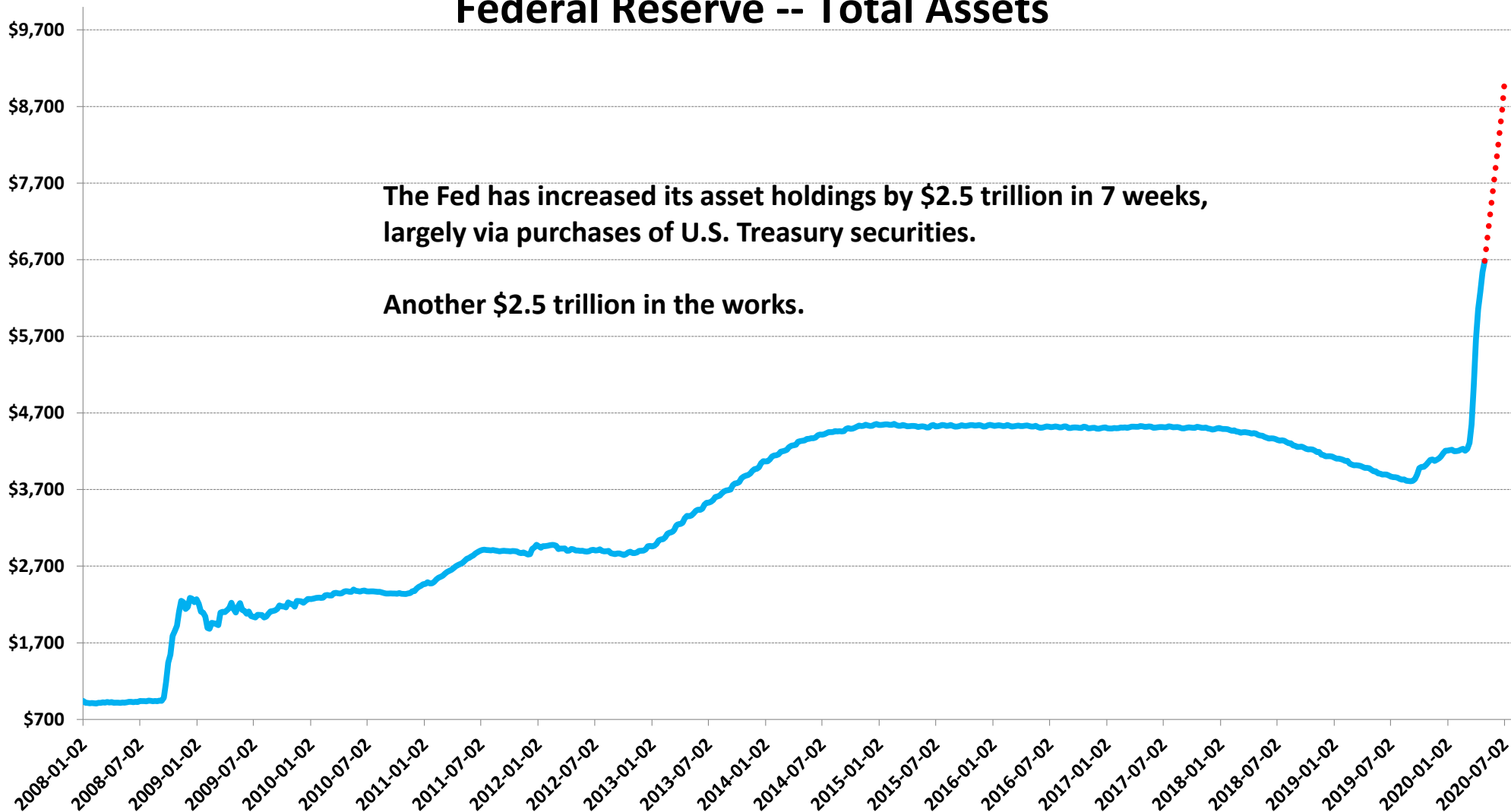
The Fed is doing its part

- 1. Supply liquidity to financial institutions that support small businesses.**
- 2. Ensure credit to mid-sized businesses not eligible for SBA program.**
- 3. Expand purchases of corporate bonds by purchasing some riskier debt.**
- 4. Help state and local governments by purchasing short-term notes from S&L municipalities.**

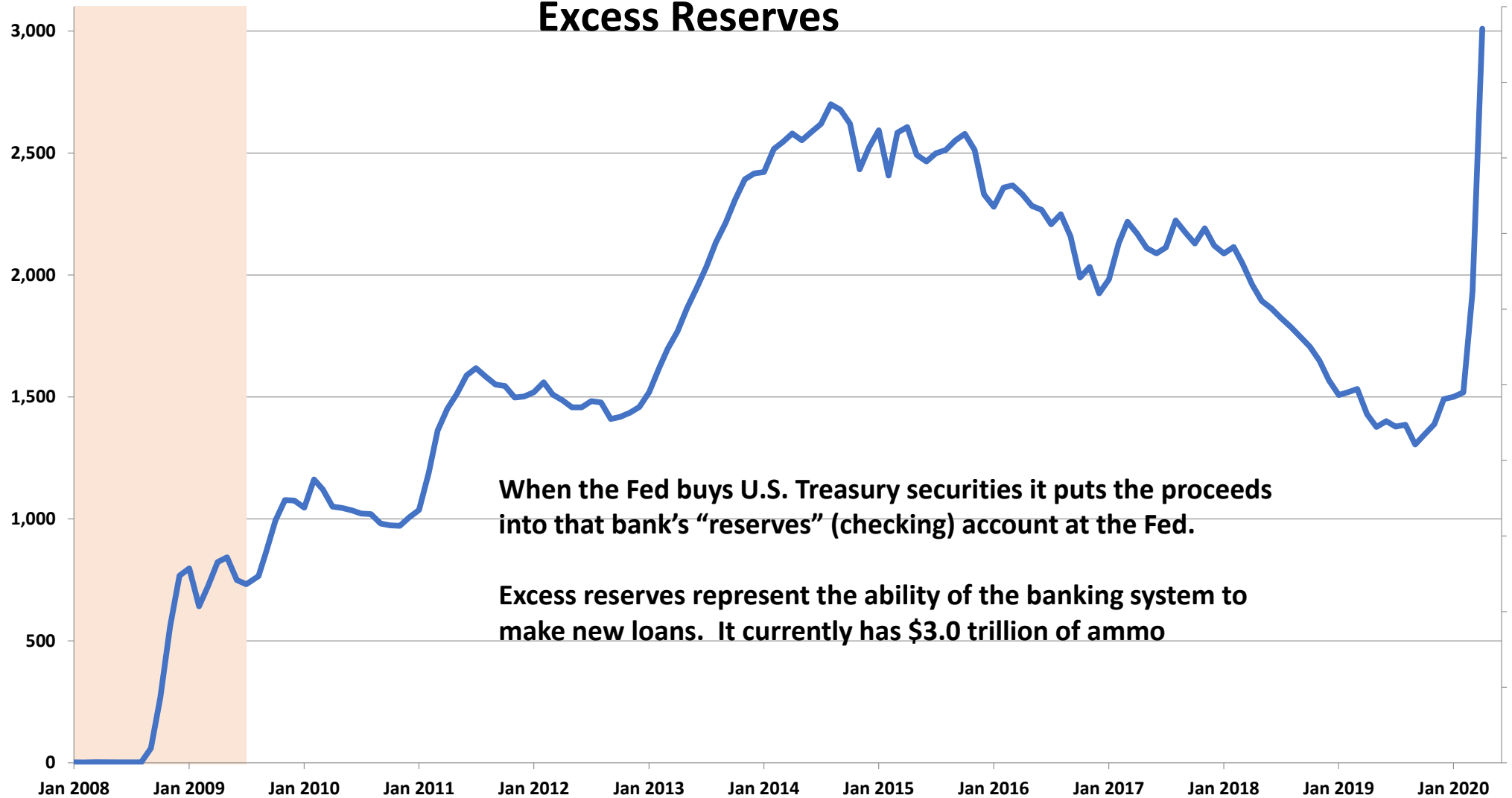
Federal Reserve -- Total Assets

The Fed has increased its asset holdings by \$2.5 trillion in 7 weeks, largely via purchases of U.S. Treasury securities.

Another \$2.5 trillion in the works.



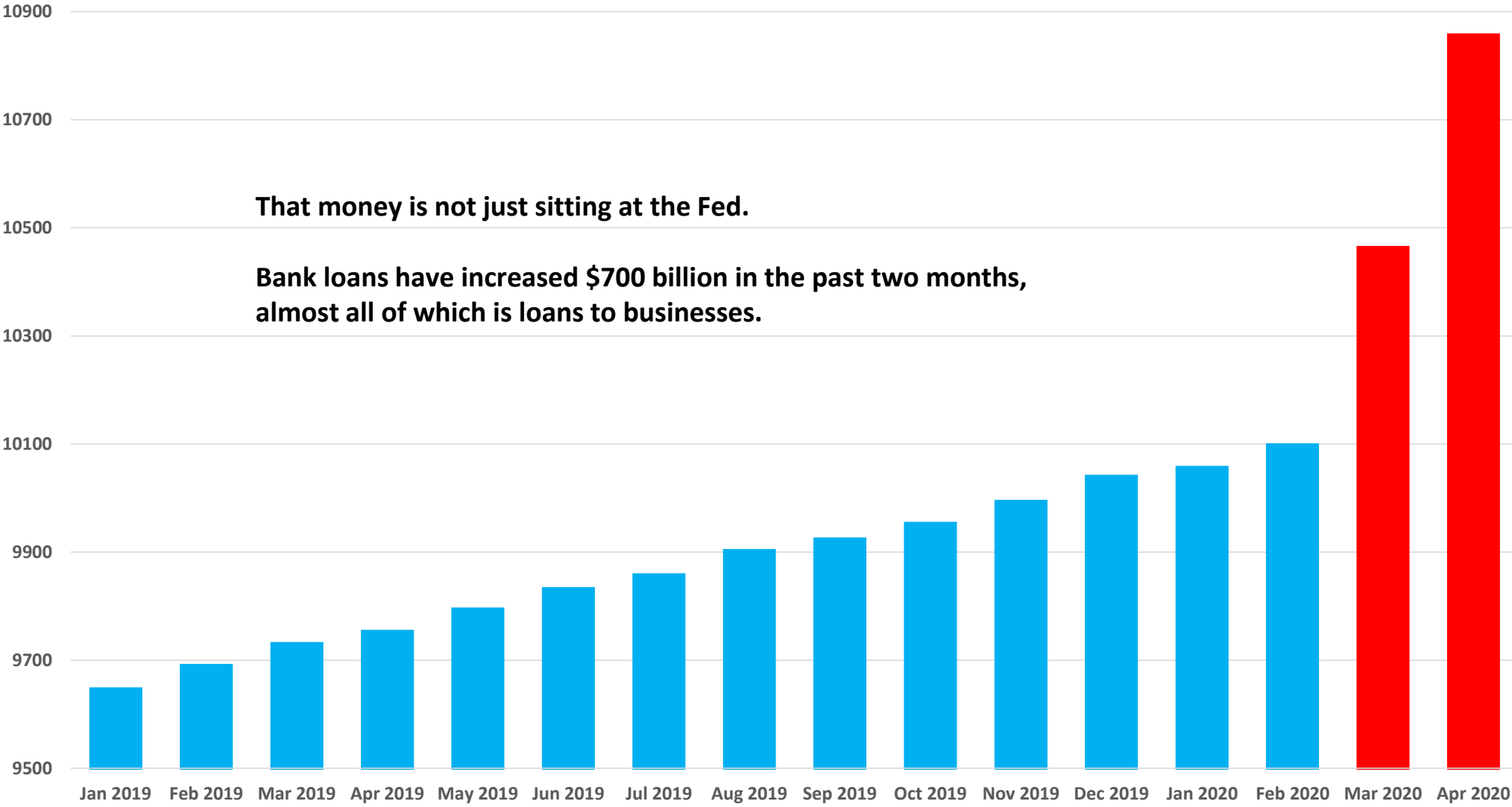
Excess Reserves



When the Fed buys U.S. Treasury securities it puts the proceeds into that bank's "reserves" (checking) account at the Fed.

Excess reserves represent the ability of the banking system to make new loans. It currently has \$3.0 trillion of ammo

Bank Loans



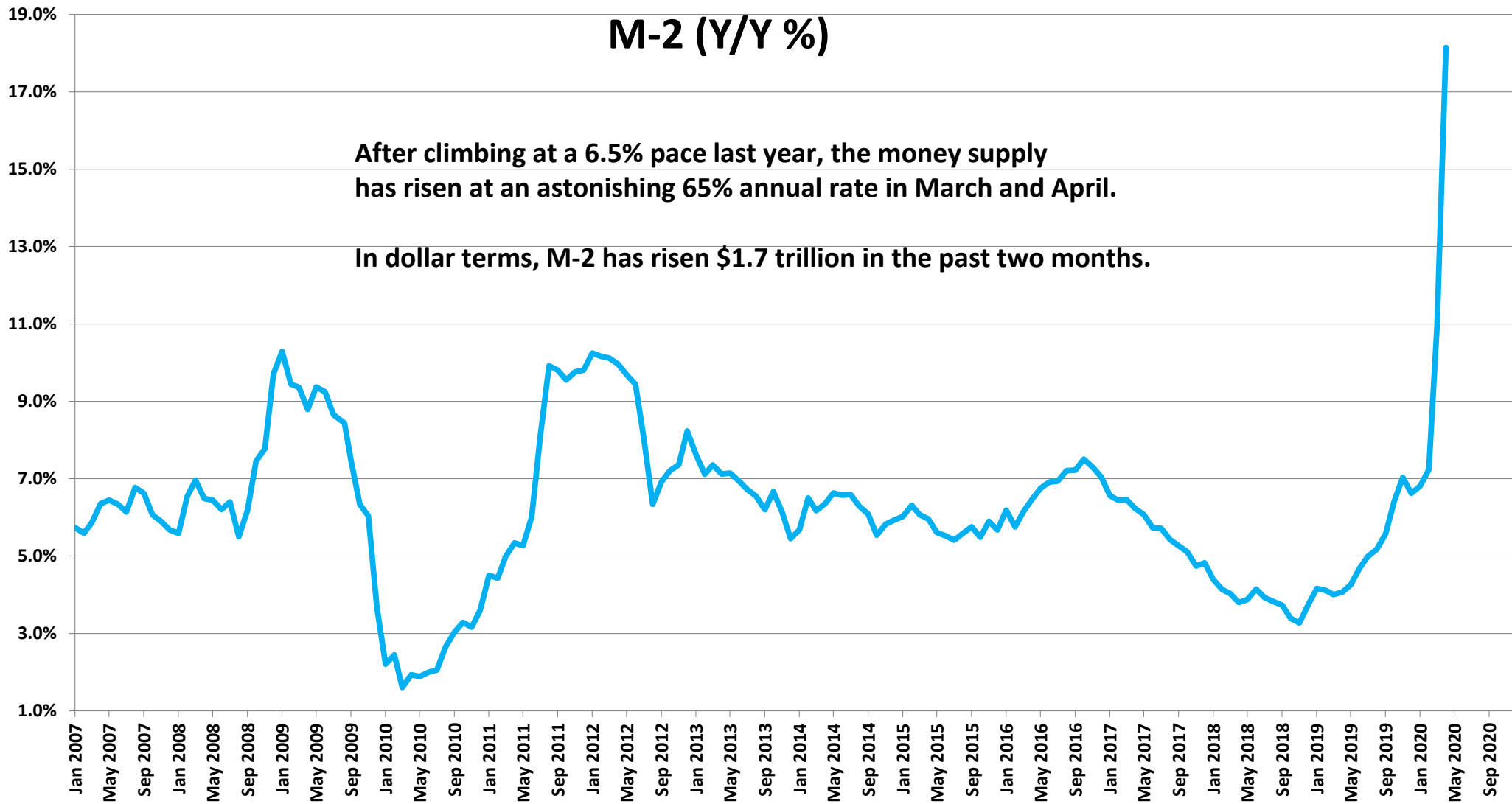
That money is not just sitting at the Fed.

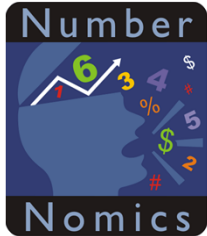
Bank loans have increased \$700 billion in the past two months, almost all of which is loans to businesses.

M-2 (Y/Y %)

**After climbing at a 6.5% pace last year, the money supply
has risen at an astonishing 65% annual rate in March and April.**

In dollar terms, M-2 has risen \$1.7 trillion in the past two months.

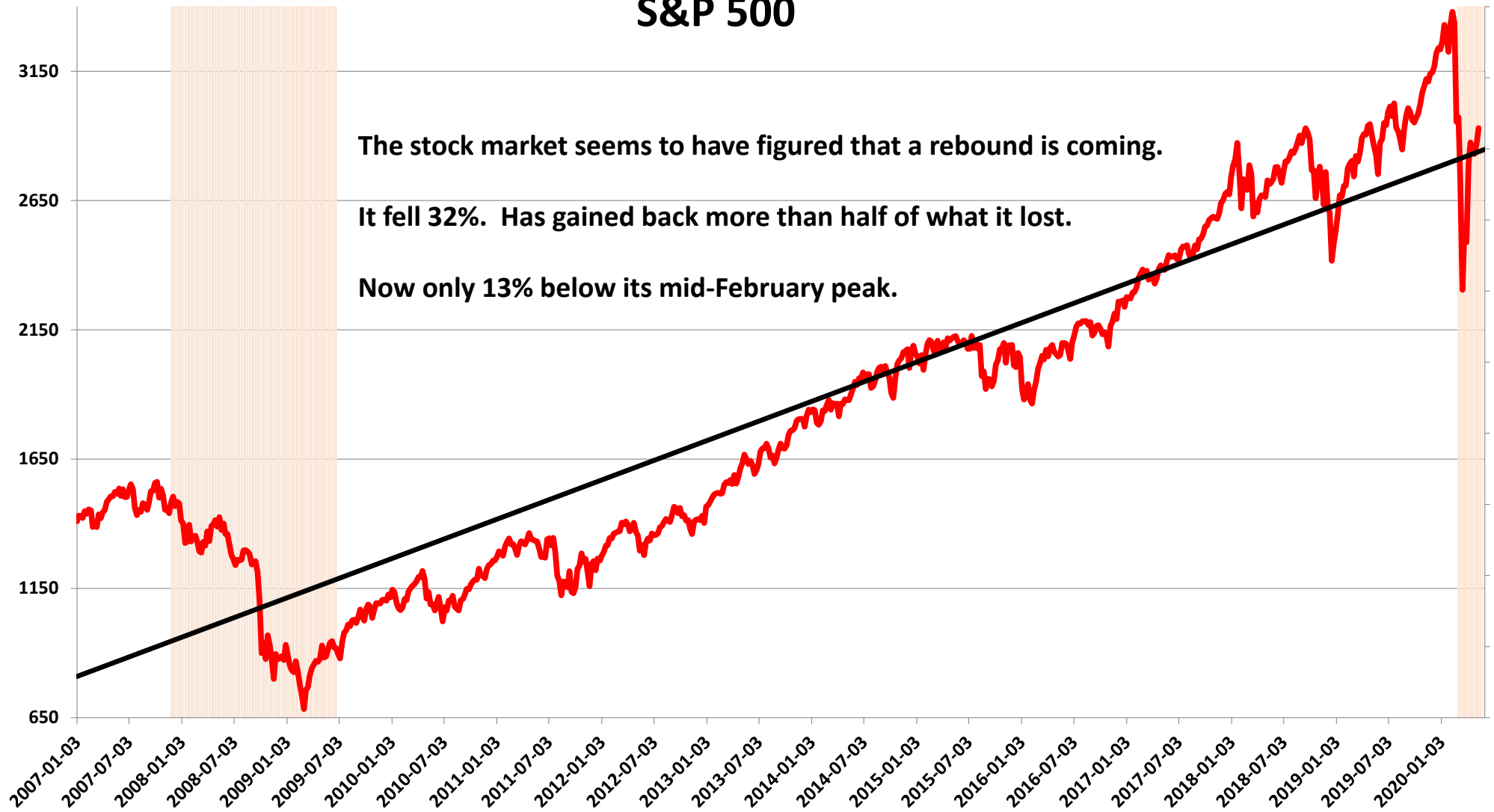




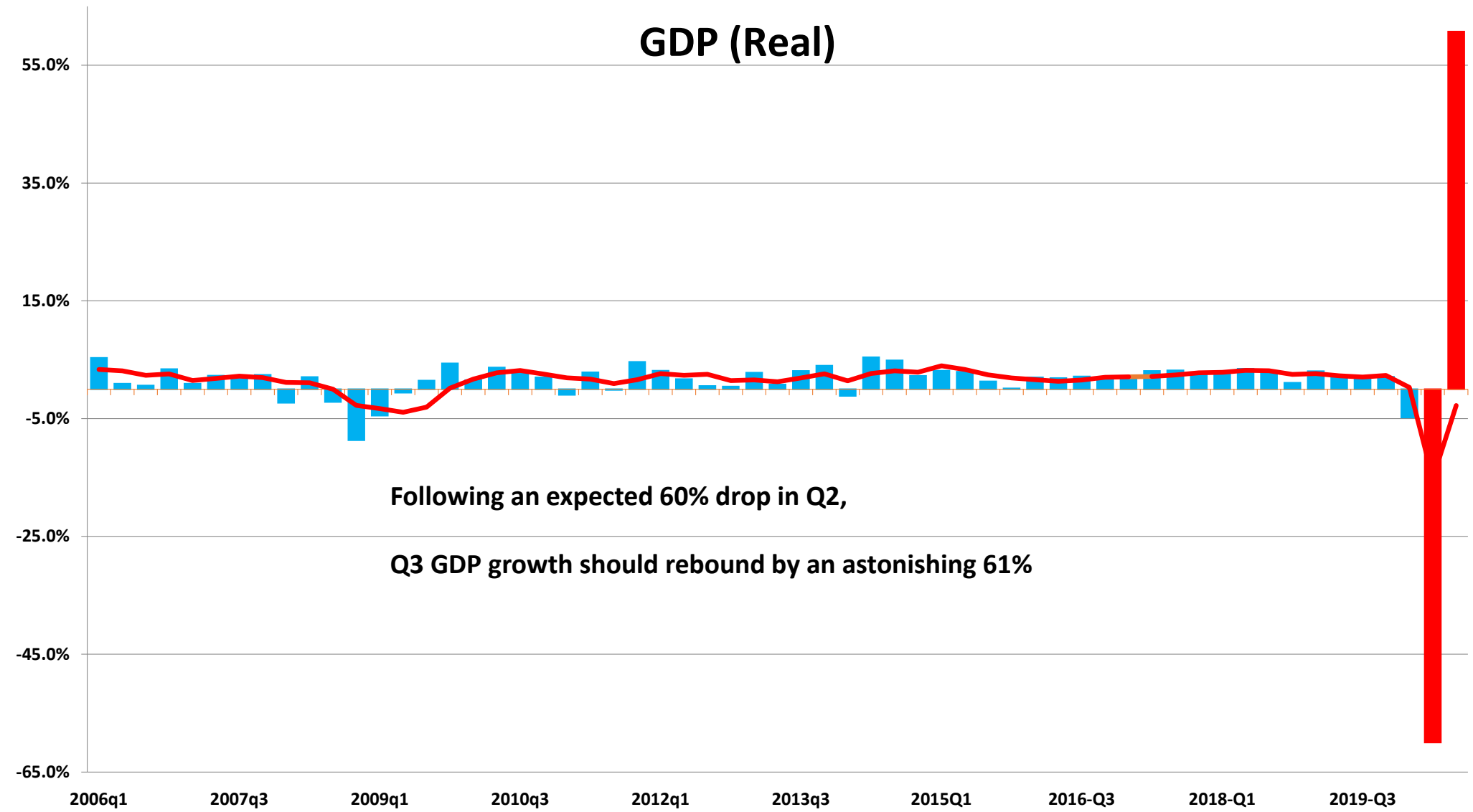
Economics. Explained.

**The economy may seem weak now.
But that won't be the case for long.**

S&P 500



GDP (Real)



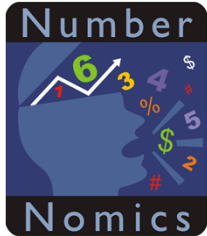


Economics. Explained.

Why a \$2.5 trillion stimulus package?

		GDP	
Quarter	Level	Change \$	Growth %
Q1	\$19.0 T.	-\$0.2 T.	-4.8%
Q2	\$16.1 T.	-\$2.8 T.	-60.0%
Q3	\$18.2 T.	\$2.5 T.	+61.0%

The idea is to put \$2.5 trillion back into the economy and get it back on track.



Economics. Explained.

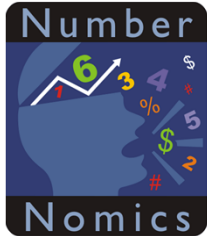
The shortest recession ever

Economy went into recession in March.

Should turn upwards by June.

3-month recession.

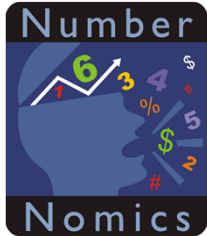
Less than one-half the length of average recession.



Economics. Explained.

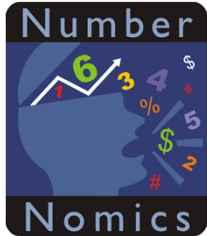
What's next?

Phase Three -- The Reform



Economics. Explained.

The economy that emerges from the recession will look very different from the one that went into it.

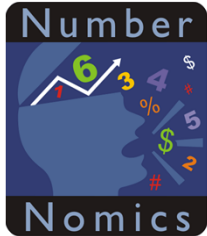


Economics. Explained.

Obvious Losers

Losers

1. Brick and mortar department stores.
2. Movie theatres.
3. Many small businesses (particularly new ones)
4. Business that are undercapitalized.

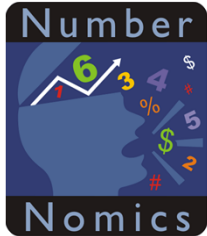


Economics. Explained.

Obvious Winners

Winners

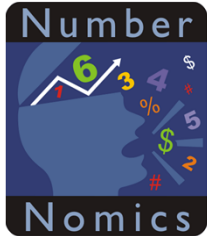
1. Teleconferencing.
2. Mail order, delivery, take-out services.
3. Health care. Tele-health. Bio-medical research.
4. Broadband.
5. Data security – against hacking, ransomware



Economics. Explained.

Technology to the Rescue

Technology will help us get out of this.



Economics. Explained.

Technology to the Rescue

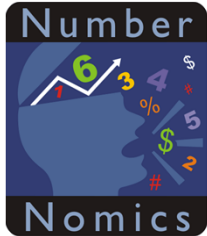
Technology will help us get out of this.

Biomedical industry

In the past two months:

95 vaccines in various stages of testing. Ready by Jan.

Typically takes 10 years. This time -- 1 year.



Economics. Explained.

Technology to the Rescue

Technology will help us get out of this.

Biomedical industry

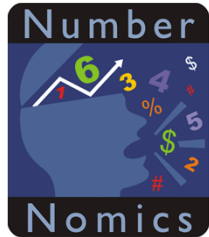
In the past two months:

254 therapies being tested to assist seriously ill.

Convalescent blood plasma donations. Remdesivir.

Hydroxychloroquine.

Blood plasma tests to determine immunity.



Economics. Explained.

Technology to the Rescue

Big tech is part of the solution.

Facebook

Amazon

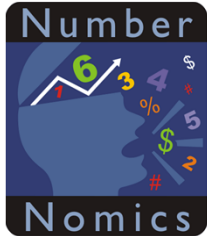
Apple

Netflix

Google

Microsoft

We need their help for contact tracing.



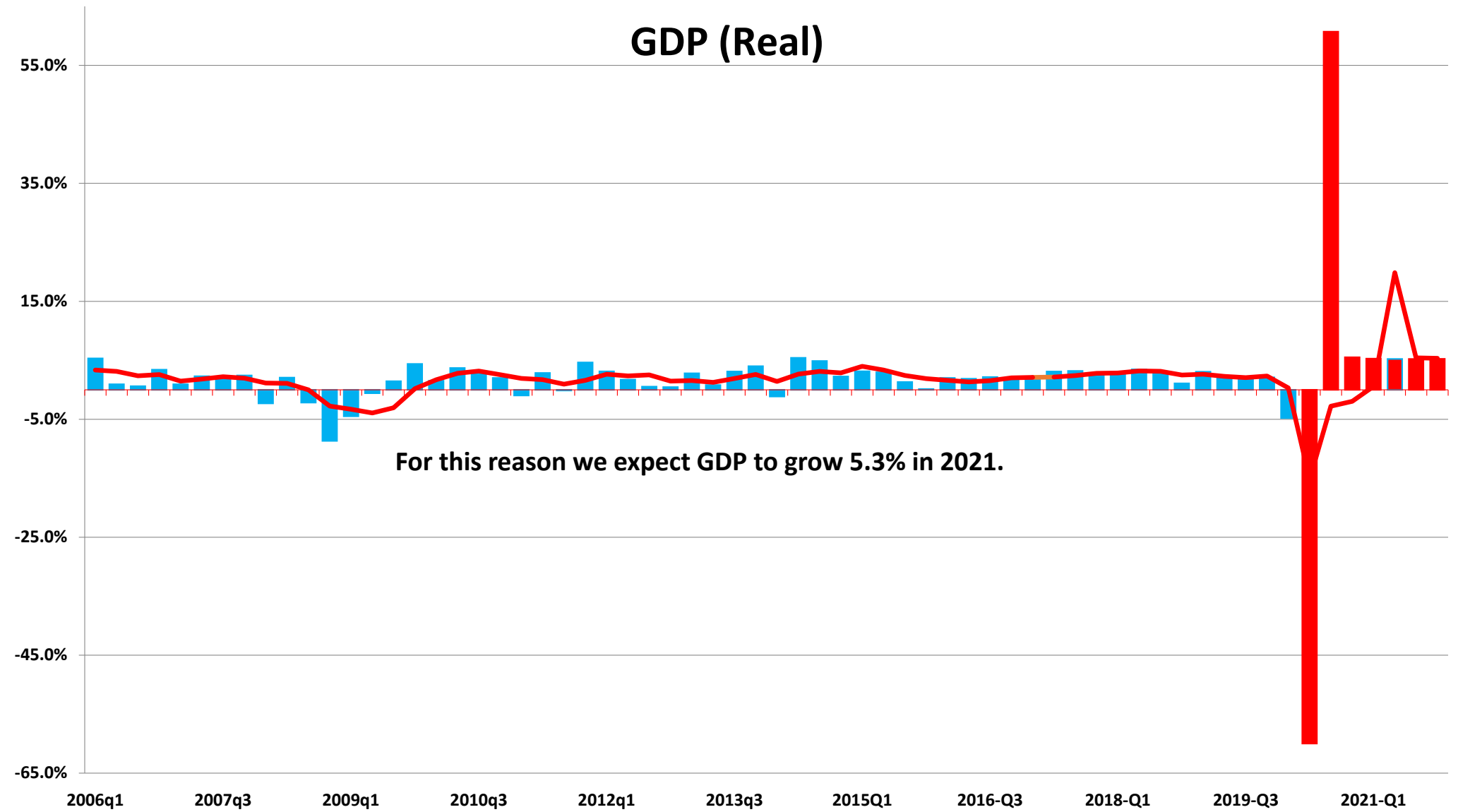
Economics. Explained.

Technology to the Rescue

Technology will help us get out of this.

And 5G is coming.

GDP (Real)

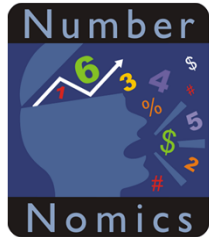




Economics. Explained.

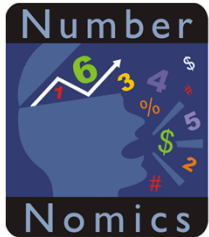
2020-2021 Forecasts

	2019	2020	2021
GDP	2.3%	-2.0%	5.3%
Unemploy. Rate	3.5%	7.5%	5.9%
Inflation (Core CPI)	2.2%	0.9%	2.3%
Fed Funds Rate	1.6%	0.1%	0.1%
10-year Note	1.9%	1.1%	1.5%
30-year Mortgage	3.7%	3.7%	4.0%



Economics. Explained.

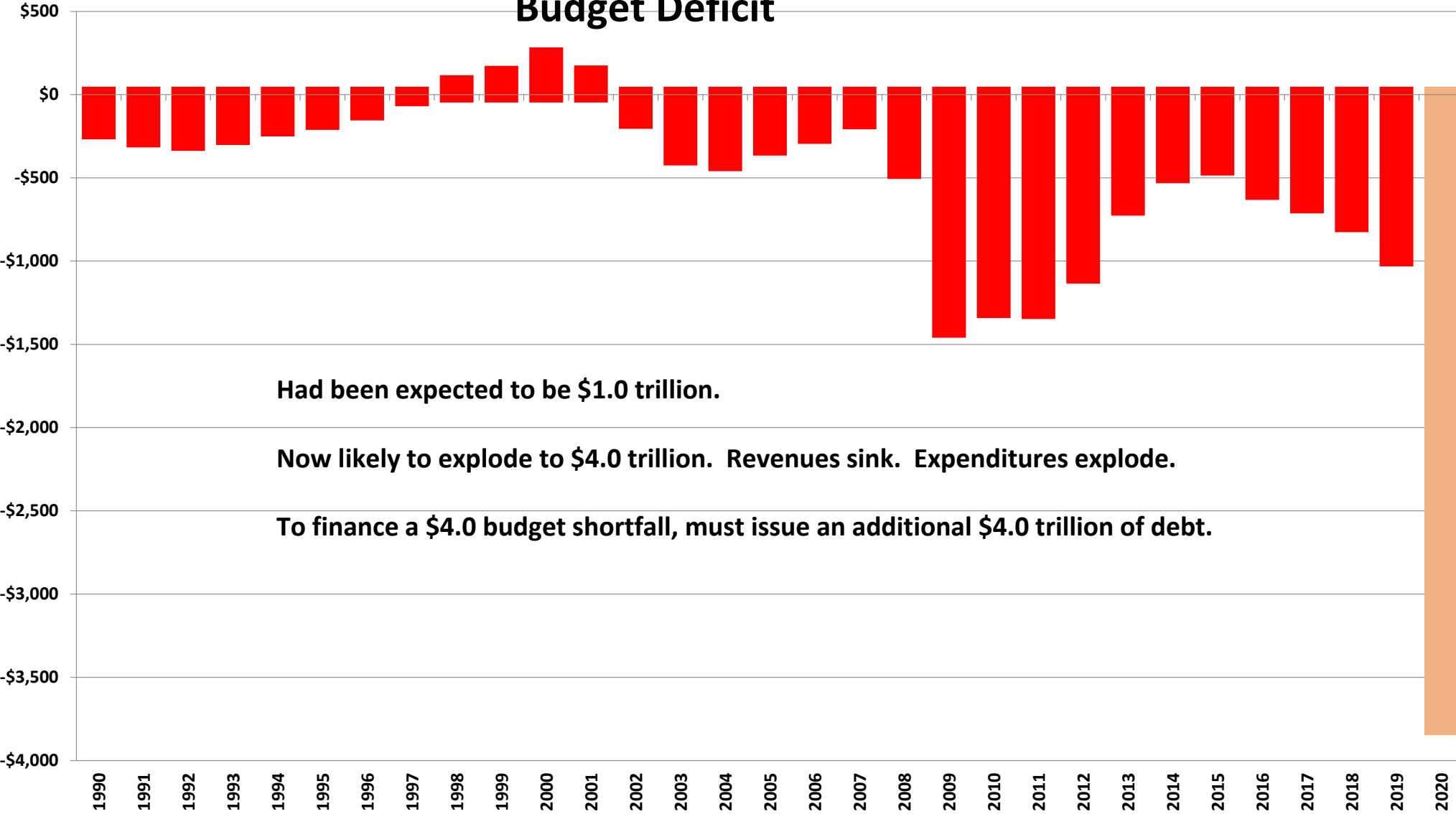
**Respectable GDP growth next year
with the help of massive govt. spending
and help from technology.**



Economics. Explained.

But the budget deficit is poised to explode.

Budget Deficit

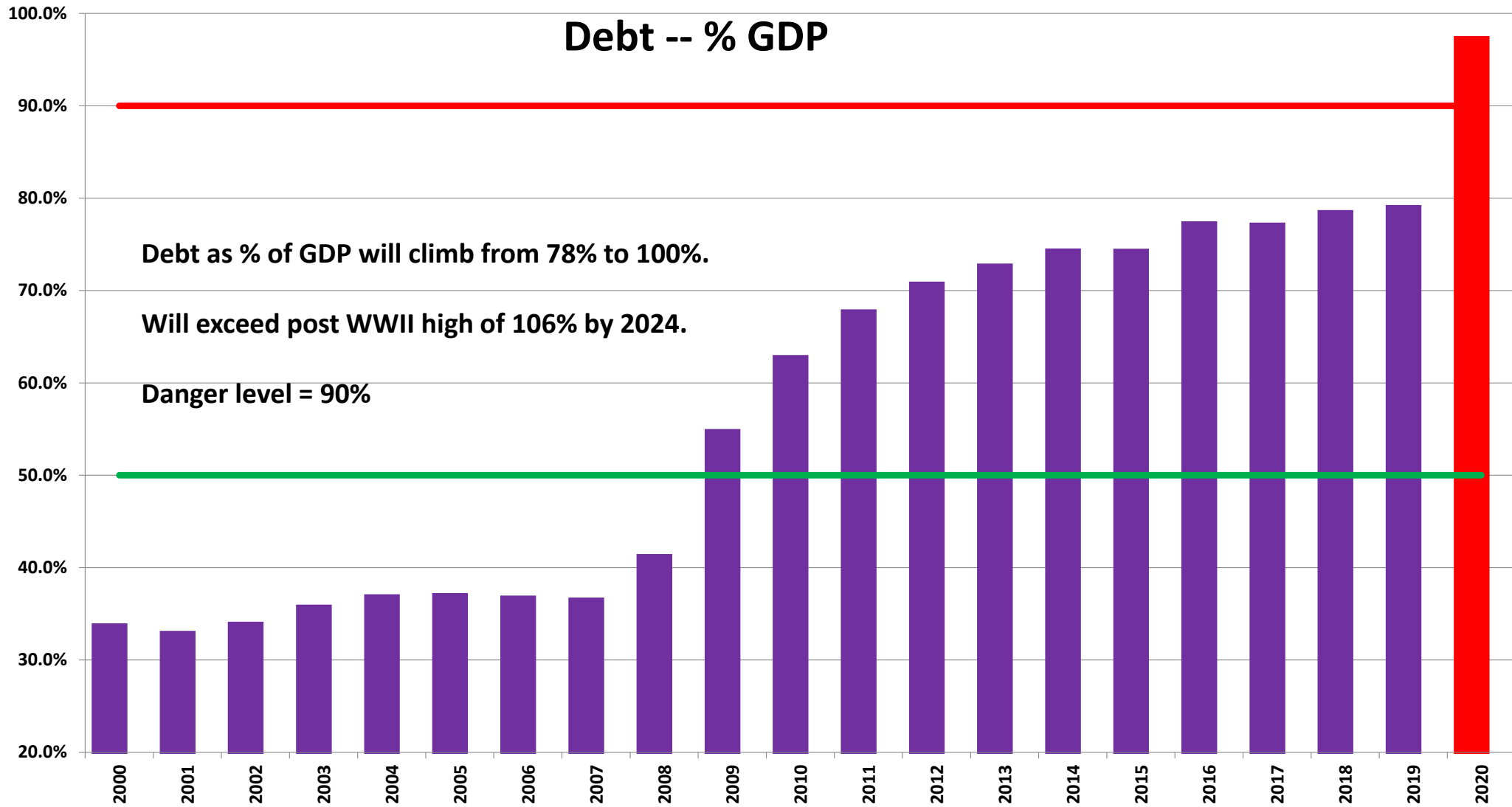


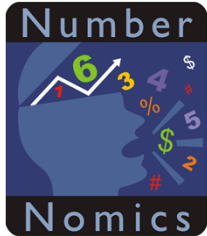
Had been expected to be \$1.0 trillion.

Now likely to explode to \$4.0 trillion. Revenues sink. Expenditures explode.

To finance a \$4.0 budget shortfall, must issue an additional \$4.0 trillion of debt.

Debt -- % GDP





Economics. Explained.

How do we table record levels of debt?

Stealth taxes?

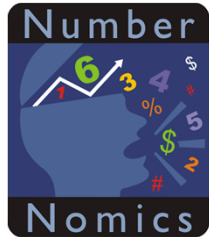
Carbon tax. Wealth tax. Trading tax.

Consumption (national sales) tax.

Do we cut entitlements?

Digitize government? Federal? State & local?

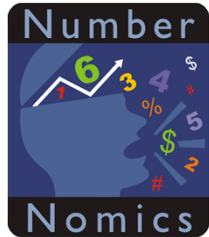
100-year bonds?



Economics. Explained.

**We will transform many sectors
of the economy.**

There are lots of unanswered questions.



Economics. Explained.

There are lots of unanswered questions.

1. Who will win the election in November?

Recession 2 Years Prior to an Election

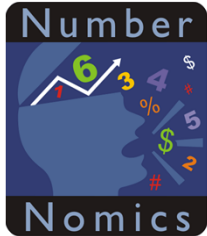
Recession?	President	Year	Re-election?
No	Wilson	1916	Yes
No	FDR	1936	Yes
No	FDR	1940	Yes
No	FDR	1944	Yes
No	Truman	1948	Yes
No	Eisenhower	1952	Yes
No	Johnson	1964	Yes
No	Nixon	1972	Yes
No	Reagan	1984	Yes
No	Clinton	1996	Yes
No	Bush 43	2004	Yes
No	Obama	2012	Yes

Recession?	President	Year	Re-election?
Yes	Taft	1912	No
Yes	Coolidge	1924	Yes
Yes	Hoover	1932	No
Yes	Ford	1976	No
Yes	Carter	1980	No
Yes	Bush 41	1992	No

Recessions are typically not friendly to incumbents.

They lose.

What will happen this year?



Economics. Explained.

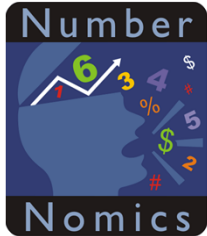
There are lots of unanswered questions.

2. More work done from home? We can do it.

Helps reduce traffic

Helps reduce pollution

No need for big corporate headquarters.



Economics. Explained.

There are lots of unanswered questions.

3. Do countries become more insular?

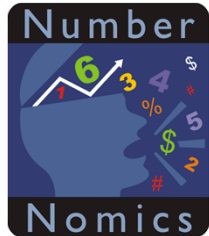
Blame China for the virus?

Reduced immigration?

Supply chains shift back to U.S.? Shorter? Diverse?

Or do we recognize that we need to work together?

We need trade. All countries benefit.



Economics. Explained.

There are lots of unanswered questions.

4. Who will assist countries in need?

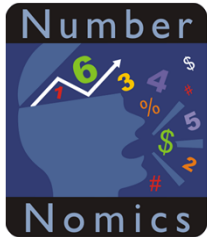
E.U., G20, WHO, WTO, U.S. all weaker now than before.

Many emerging economies may fail. Who will help?

U.S. cannot afford it. Has no interest.

An opportunity for China?

Do we see a return of ISIS?



Economics. Explained.

There are lots of unanswered questions.

5. How does education adjust?

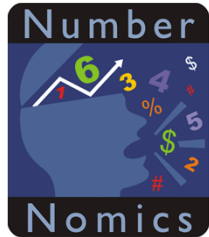
Can on-line learning replace the classroom?

Many small colleges will fail. Endowments hit.

All expenditures on the table. Including sports.

Dorms, large lecture halls, stud. unions -- petri dishes?

Can parents still afford to send kids to college?

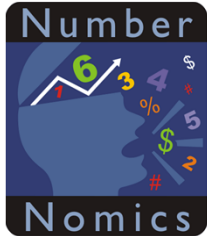


Economics. Explained.

There are lots of unanswered questions.

6. Do consumers spend less?

**Lost their jobs. Big hit to income.
Do they choose to save more?**



Economics. Explained.

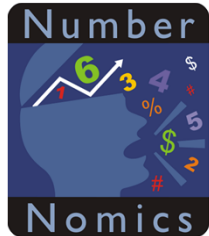
There are lots of unanswered questions.

7. Are we willing to curtail deceptive speech on platforms?

Lots of bad actors who sow discontent.

Biased censorship.

Price gougers.



Economics. Explained.

There are lots of unanswered questions.

8. Has corona virus widened social divisions?

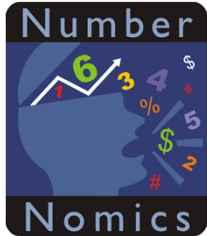
Blacks hit far harder than whites

Only the rich can work remotely from home

States versus states for assistance

Do the responsible pay for the irresponsible?

**(Spring breakers in Florida, overleveraged consumers
and businesses)**



Economics. Explained.

We will get through this –

**Science, business and financial sector
all working together**

Was it worth it?