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Economic and Market Conditions Update

April 15, 2020



Agenda

- Pandemic and the Economy
- Stimulus Plan
- Commercial Real Estate
- Stock Markets
- Q&A



Scenario Analysis

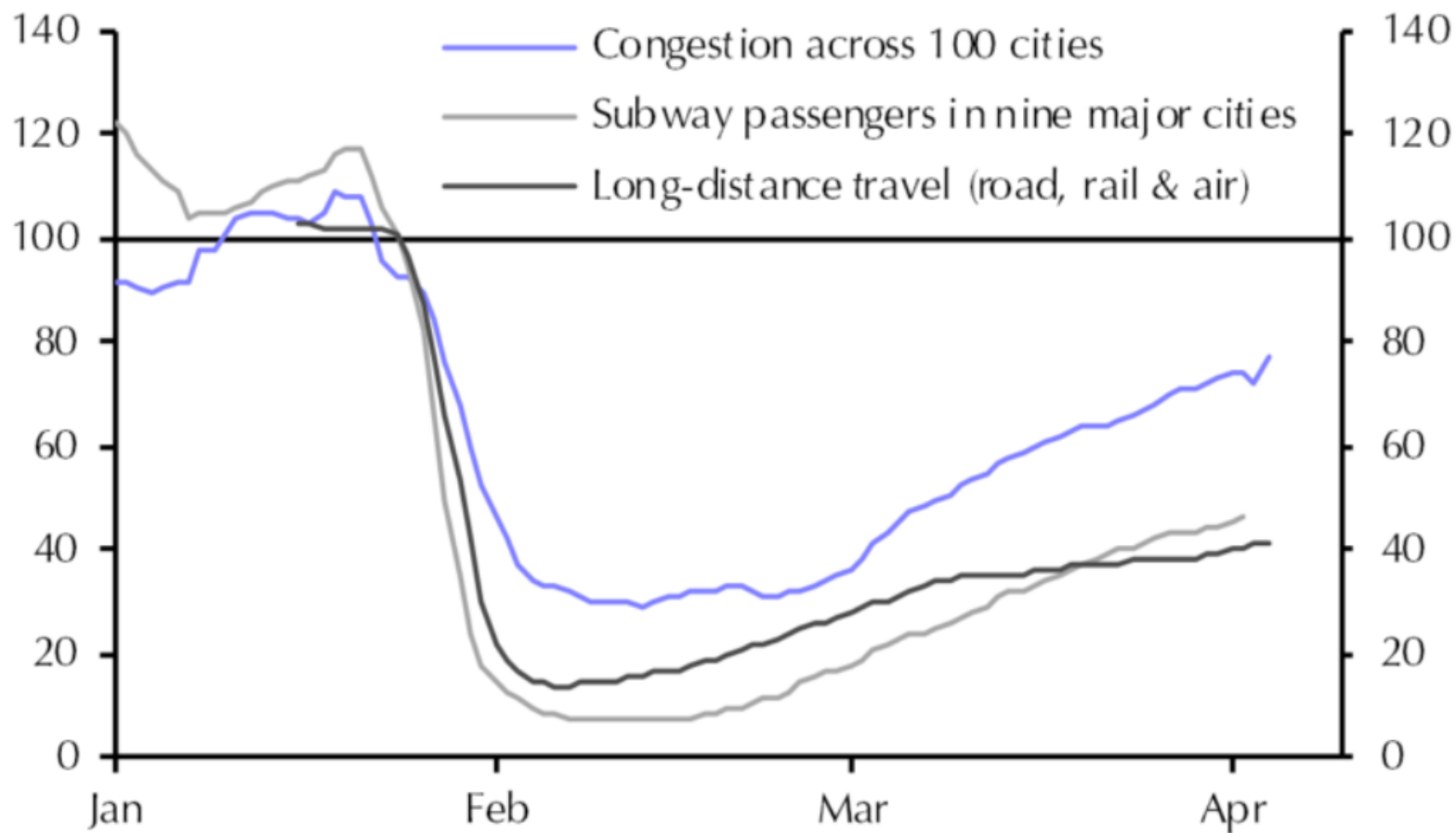
- Best Case
 - » *Virus curve peaks mid-April to mid-May*
 - » *Stimulus provides bridge to improving economy*
 - » *Fed's efforts maintain stability*
 - » *Oil economy doesn't crater*
 - » *Faster development of treatment and vaccine*
- Worst Case
 - » *Virus peak comes late May, wave 2 in November with no treatment or vaccine*
 - » *Economic damage worse and longer lasting*
 - » *Troubled consumer and corporate debt increases bankruptcies, reduces liquidity and causes credit crisis*

Source: BNY Mellon



Early Recovery In China

Passenger traffic (% of 2019 level, 7d ave.)

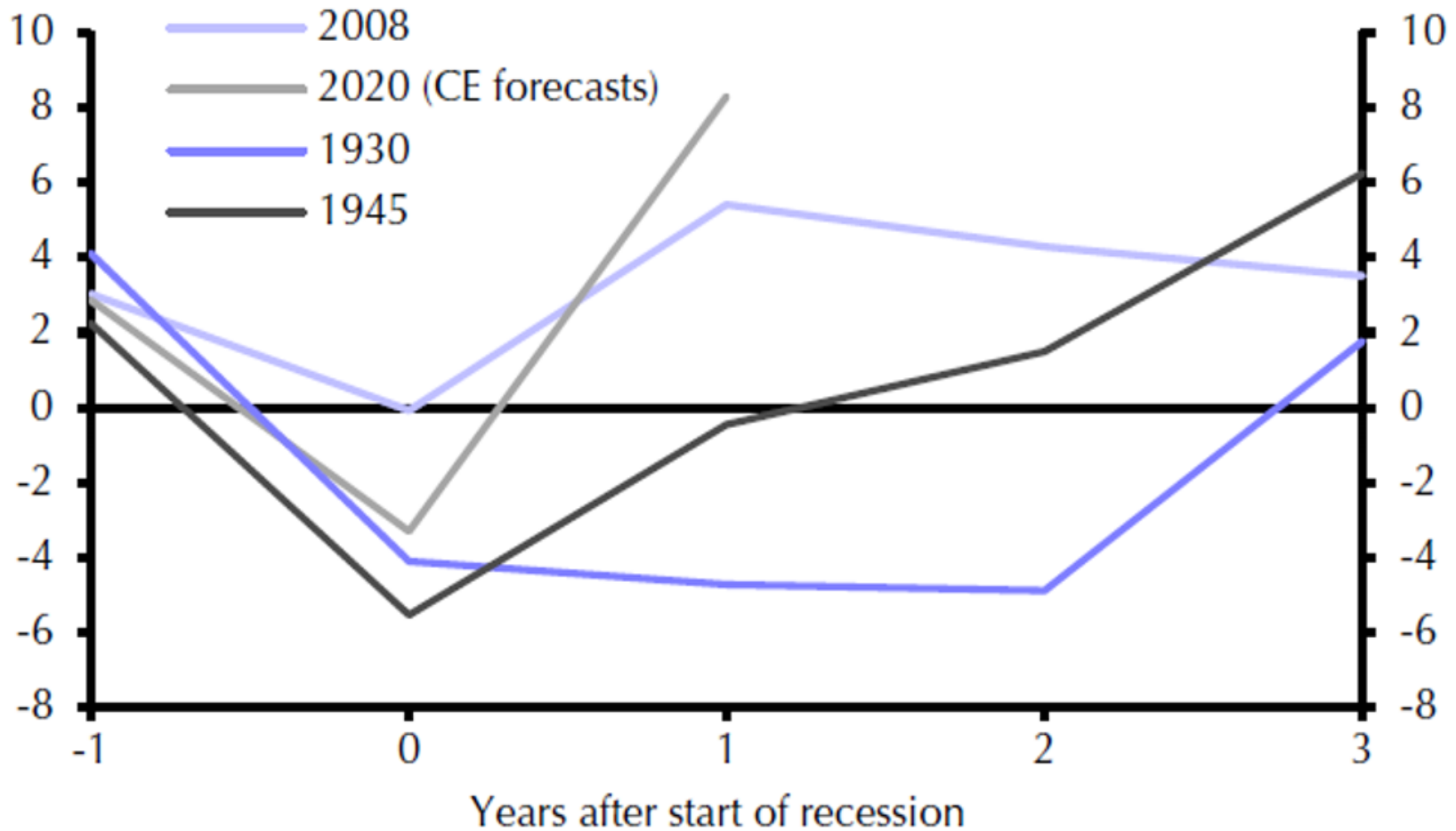


Dates around the Lunar New Year holiday are compared on a lunar calendar basis

Sources: Capital Economics, Refinitiv



What Will The Recovery Look Like?



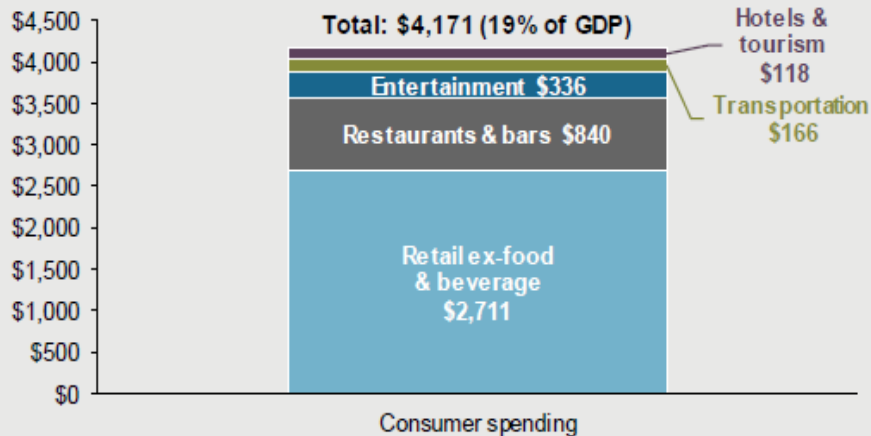
Sources: Maddison, Refinitiv, Capital Economics



Industries Most Impacted

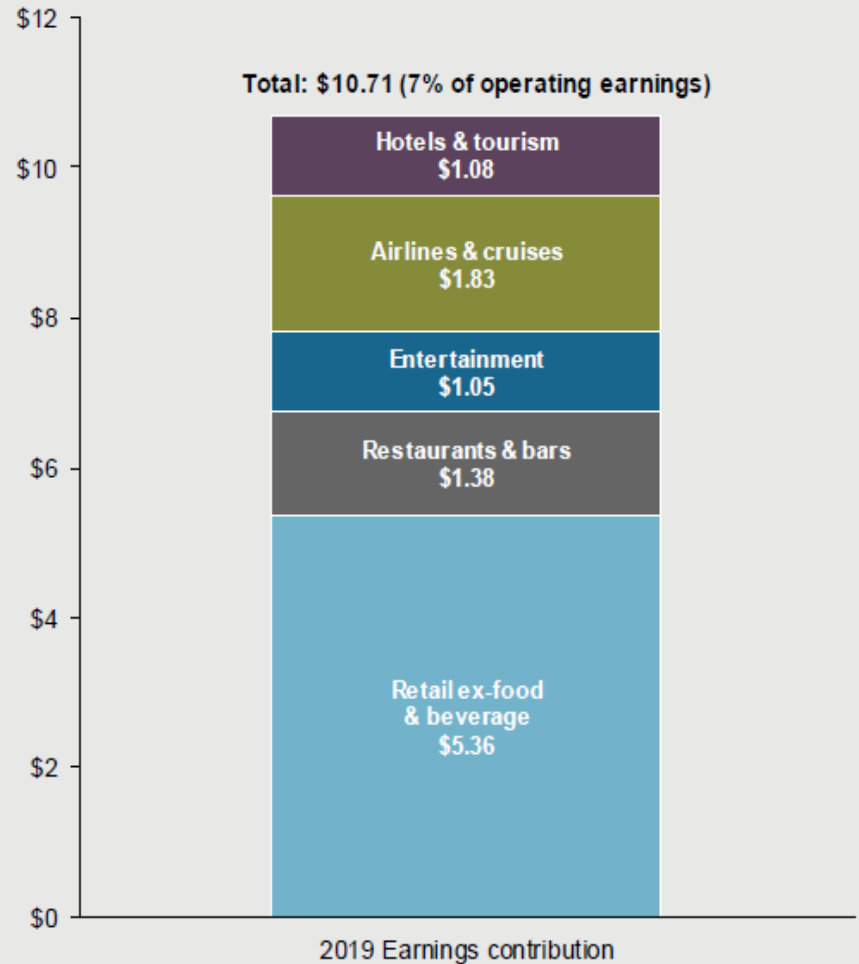
Consumer spending by industry

2019, billions



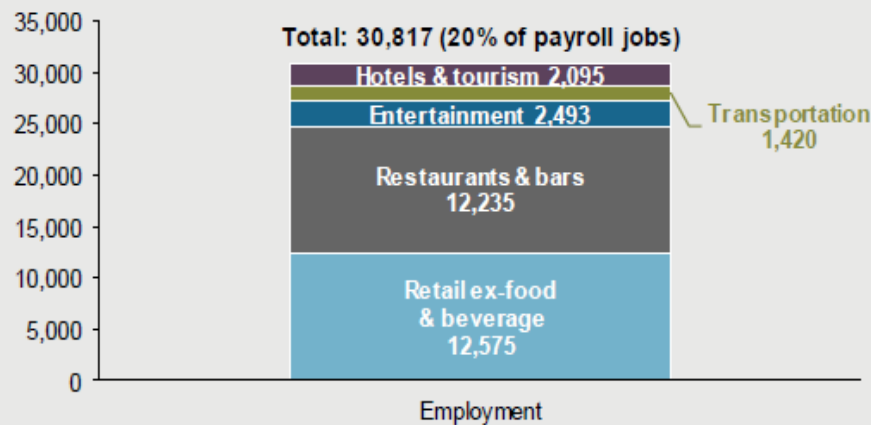
Earnings contribution by industry

Contribution to 2019 S&P 500 operating earnings



Employment by industry

Jan. 2020, thousands



Sources: JP Morgan, BEA, BLS



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Boom! Economic Stimulus Summary

Global Monetary And Fiscal Stimulus To Fight COVID-19 Impact 2020 Feb to Apr							
	Central Bank Liquidity Injection		Govt Fiscal Stimulus		Central Bank Liquidity Injection and Govt Fiscal Stimulus		
	\$ Tln	% GDP	\$ Tln	% GDP	\$ Tln	% GDP	
U.S.	\$4.80	22.4%	\$2.71	12.7%	\$7.51	35.0%	
Eurozone	\$1.10	8.3%	\$1.43	10.7%	\$2.53	19.0%	
Japan	\$0.20	3.9%	\$0.99	19.2%	\$1.19	23.1%	
U.K.	\$0.25	9.0%	\$0.07	2.4%	\$0.31	11.4%	
China	\$1.27	8.9%	\$0.54	3.8%	\$1.81	12.8%	
Others*	\$0.65		\$1.85		\$2.50		
Total	\$8.27	9.5%	\$7.59	8.8%	\$15.86	18.3%	

**incl RoW and ADB, IMF, WB*

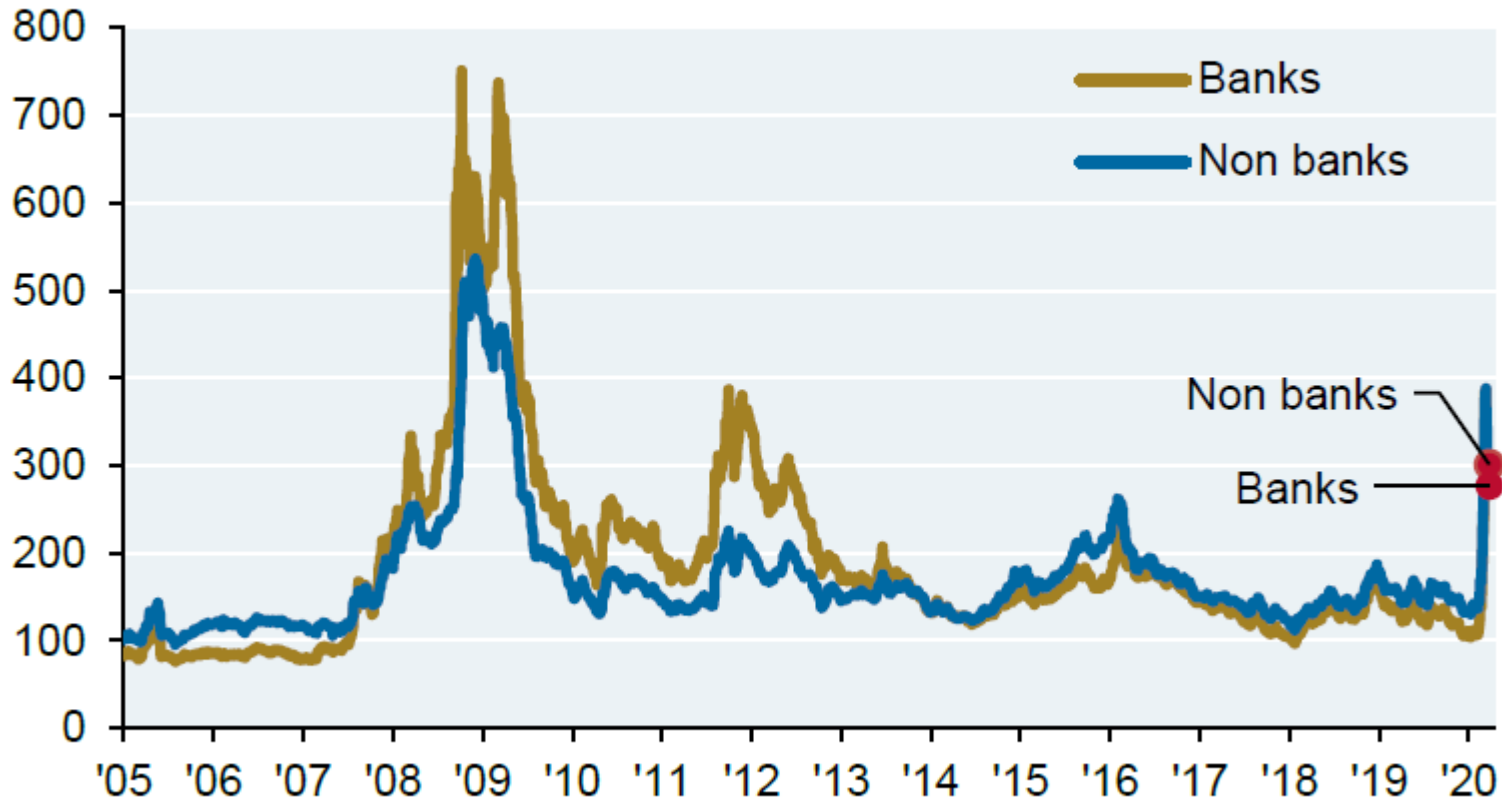
Sources: Cornerstone Macro as of 4/12/2020, Federal Reserve



Cues From The Bond Market

Financial & Non financial investment grade bond spreads

JULI index spread vs Treasury, basis points, banks vs non banks



Source: Bloomberg. April 6, 2020



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Help From The Fed

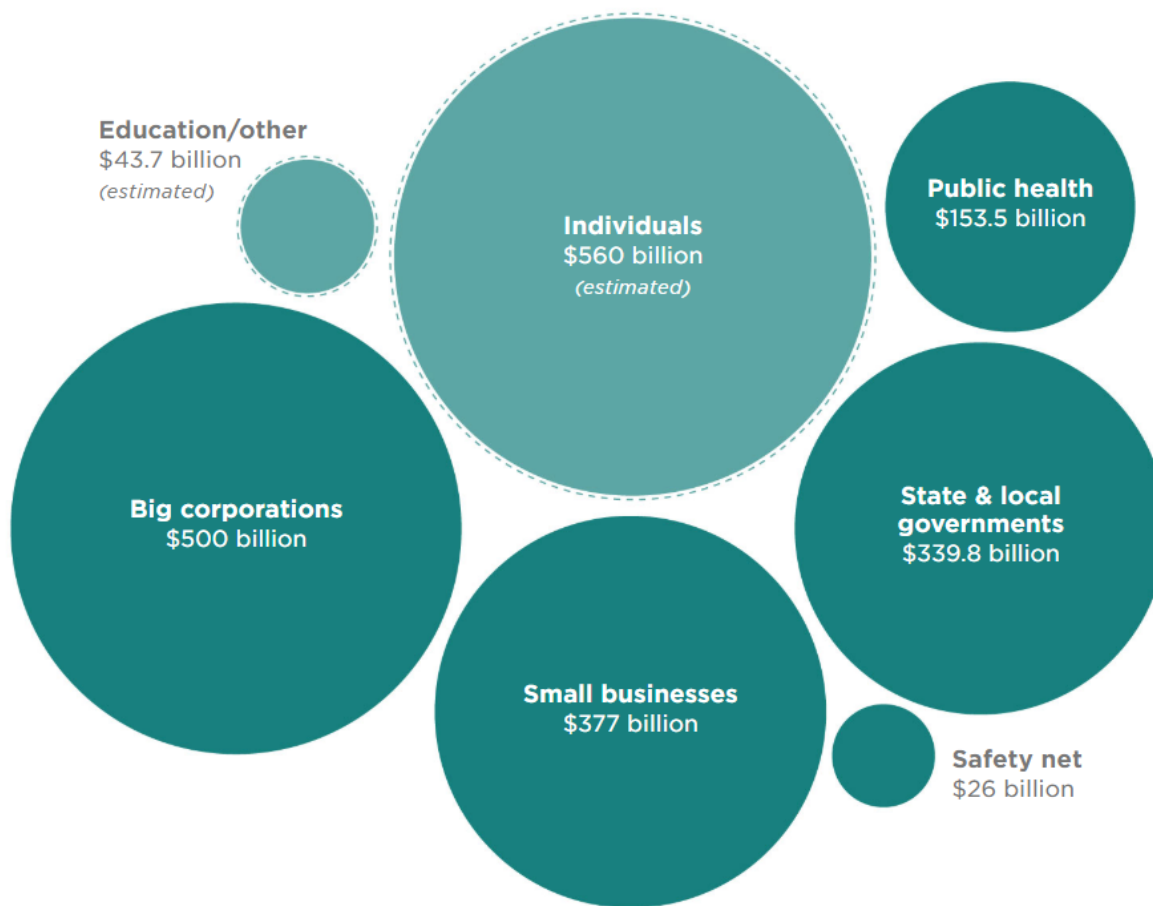
- Reduced Fed Funds interest rate to 0%-.25%
- Purchasing Treasuries and Agency MBS in “amounts needed” (known as quantitative easing)
- ***Primary and Secondary Market Corporate Credit Facility
Term Asset Backed Loan Facility (TALF 10/1 = \$4.5 tril.)***
- Money Market and Commercial Paper Liquidity Facility
- Allow banks to pledge PPP loans at reduced funding cost



Stimulus Plan

How The \$2 Trillion Breaks Down

The CARES Act provides relief to several groups impacted by the coronavirus pandemic.



Source: Estimates for third relief bill based on bill text, committee and administration numbers.

Credit: Audrey Carlsen/NPR



Global REIT Performance

Growth of Hypothetical \$10,000

x



Source: BlackRock; iShares



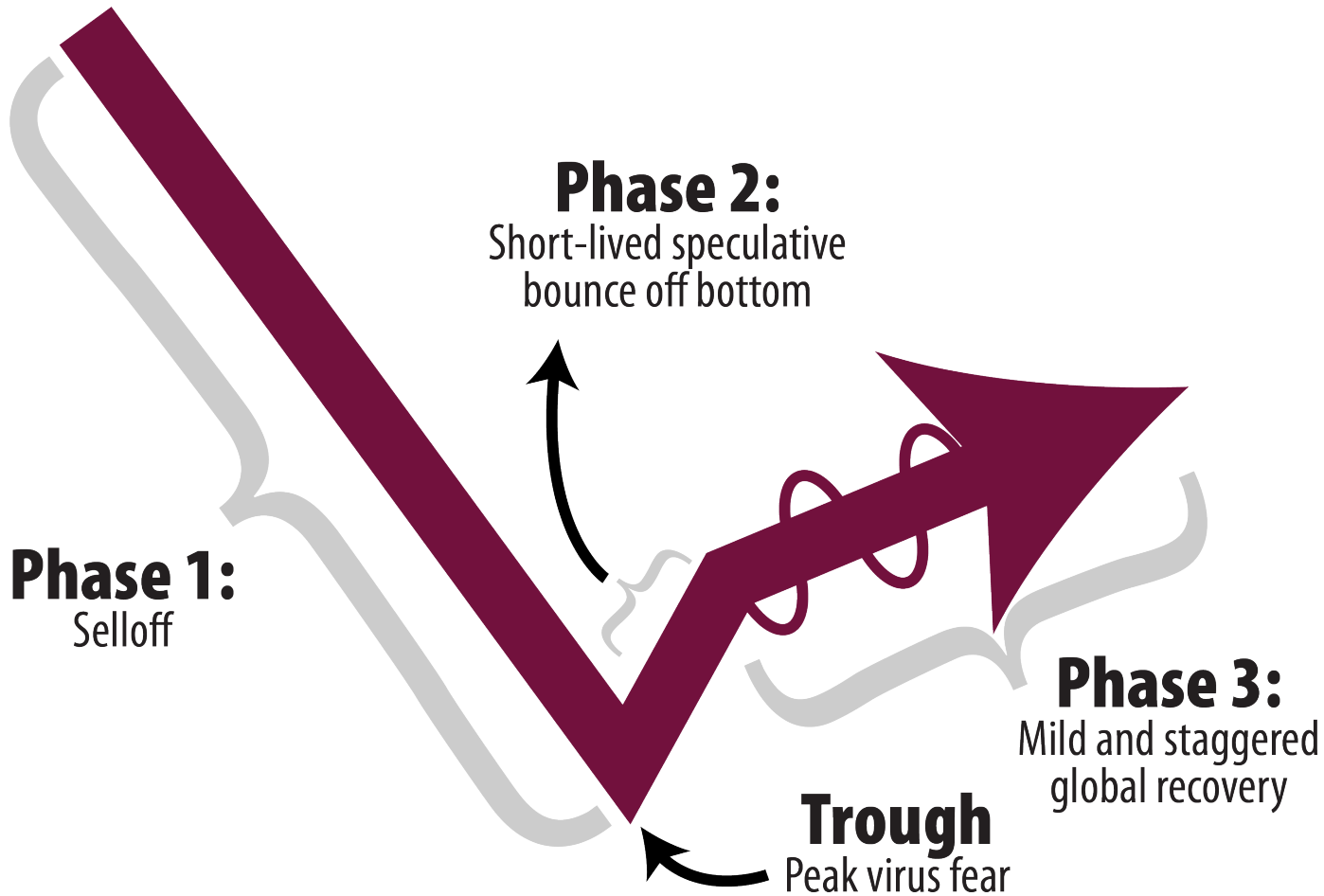
Commercial Real Estate Impact

- Bond market corollary – what clears markets?
- Increased vacancies
- Regulatory timeout - forbearance (residential only)
- Bank vs non-bank lenders
- 34% of workforce successfully working from home

Source: National Association of Realtors



Stock Market Recovery



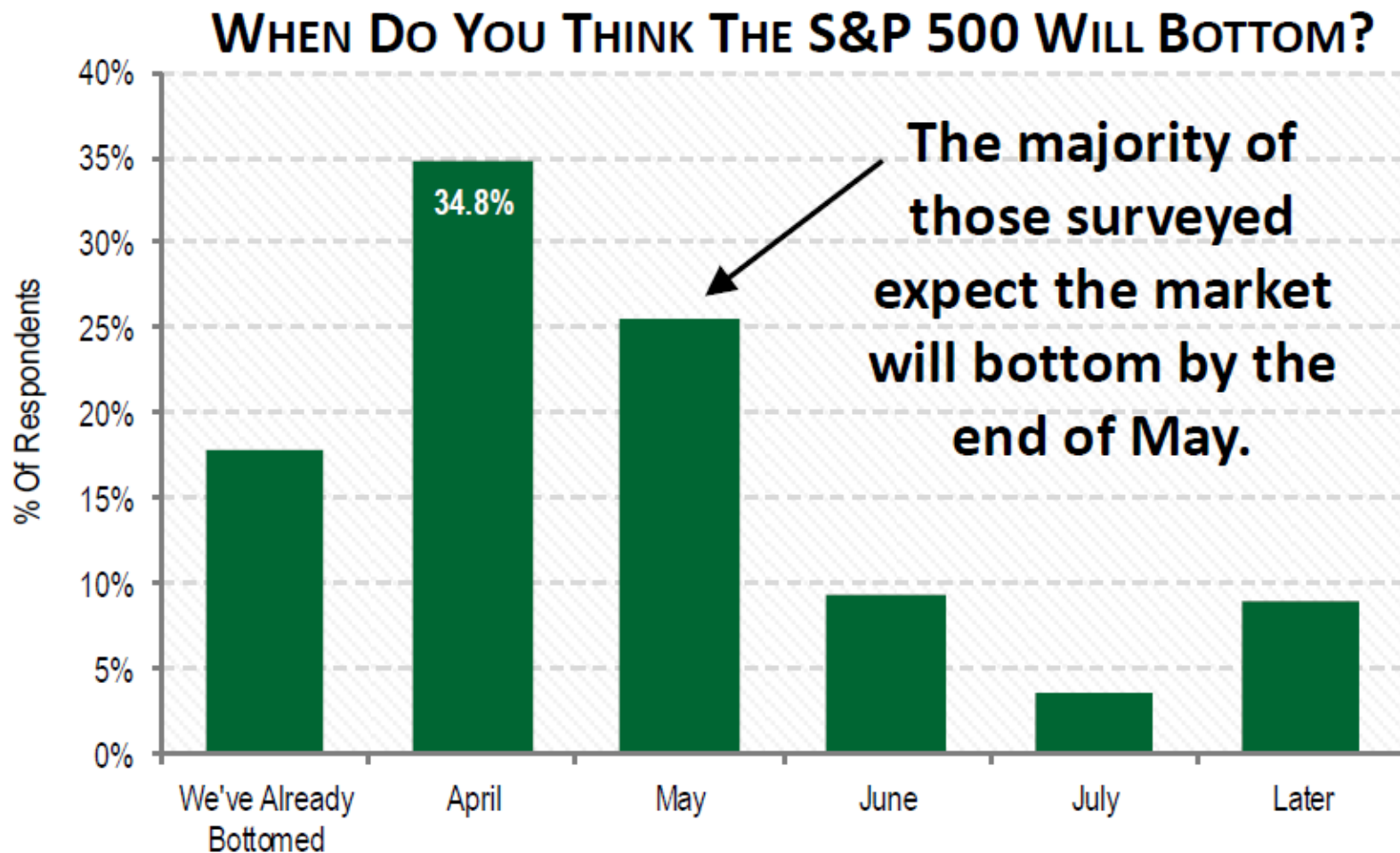
Source: Cornerstone Macro



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Complacency or Optimism



Source: CSM Client Survey March 27–30th



Summary

- Stoppage not recession
- Unprecedented global stimulus
- China bears watching
- Markets will indicate clearing
- Bank regulatory limitations
- Recovery will happen

Source: National Association of Realtors



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