

# Angeles

**DISCONNECT:  
HOW CAN MARKETS BE  
AT ALL-TIME HIGHS  
WHEN THE WORLD  
AROUND US IS  
COLLAPSING?**



# Important Disclosures

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## **A Look Back**



# Pearl Harbor~ 1941



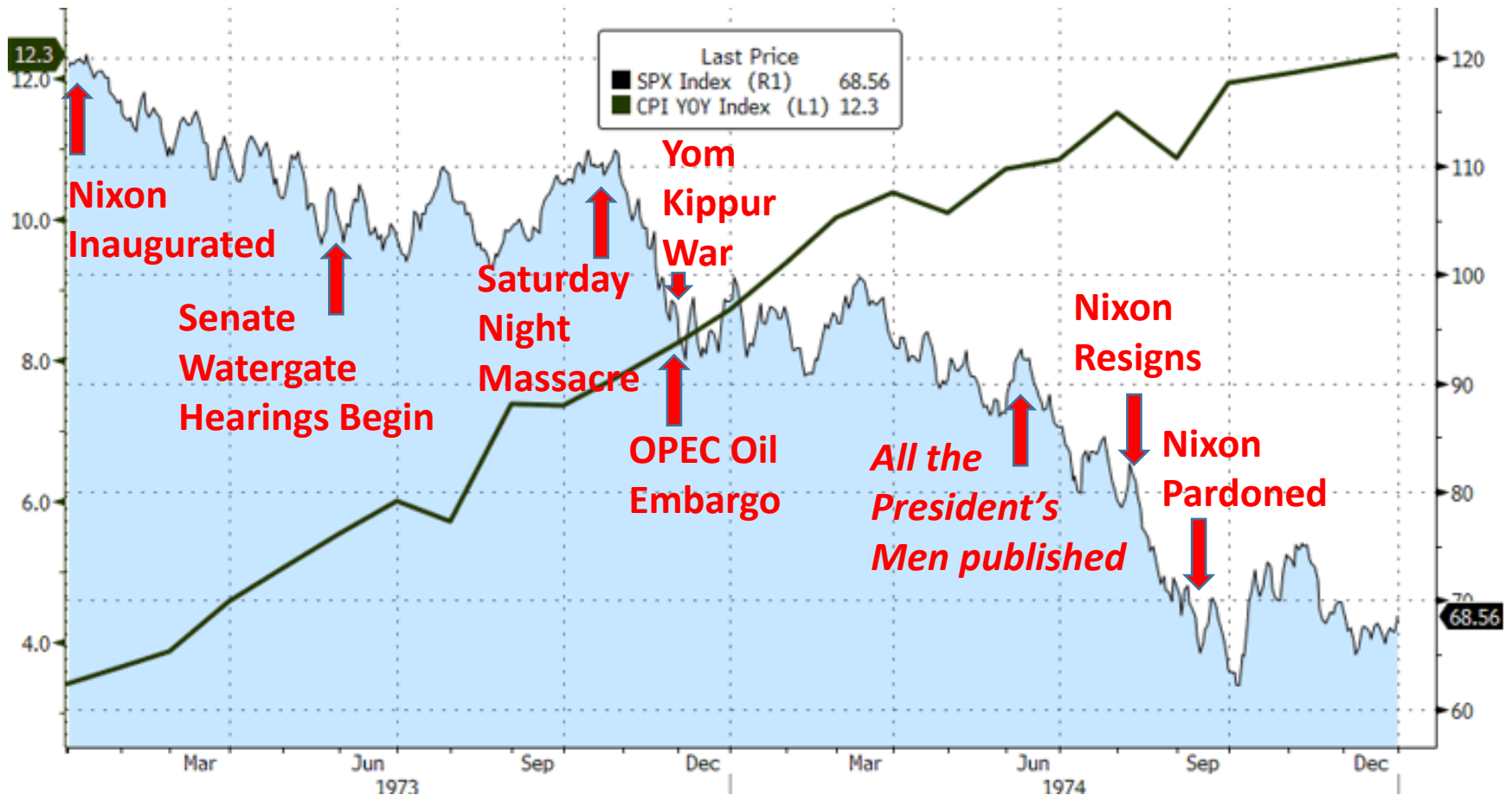
# JFK Assassination~ 1963



# 1968



# Watergate ~ 1973-74



# Watergate ~ 1973-76





# Gulf War ~ 1990-1991



# 9/11



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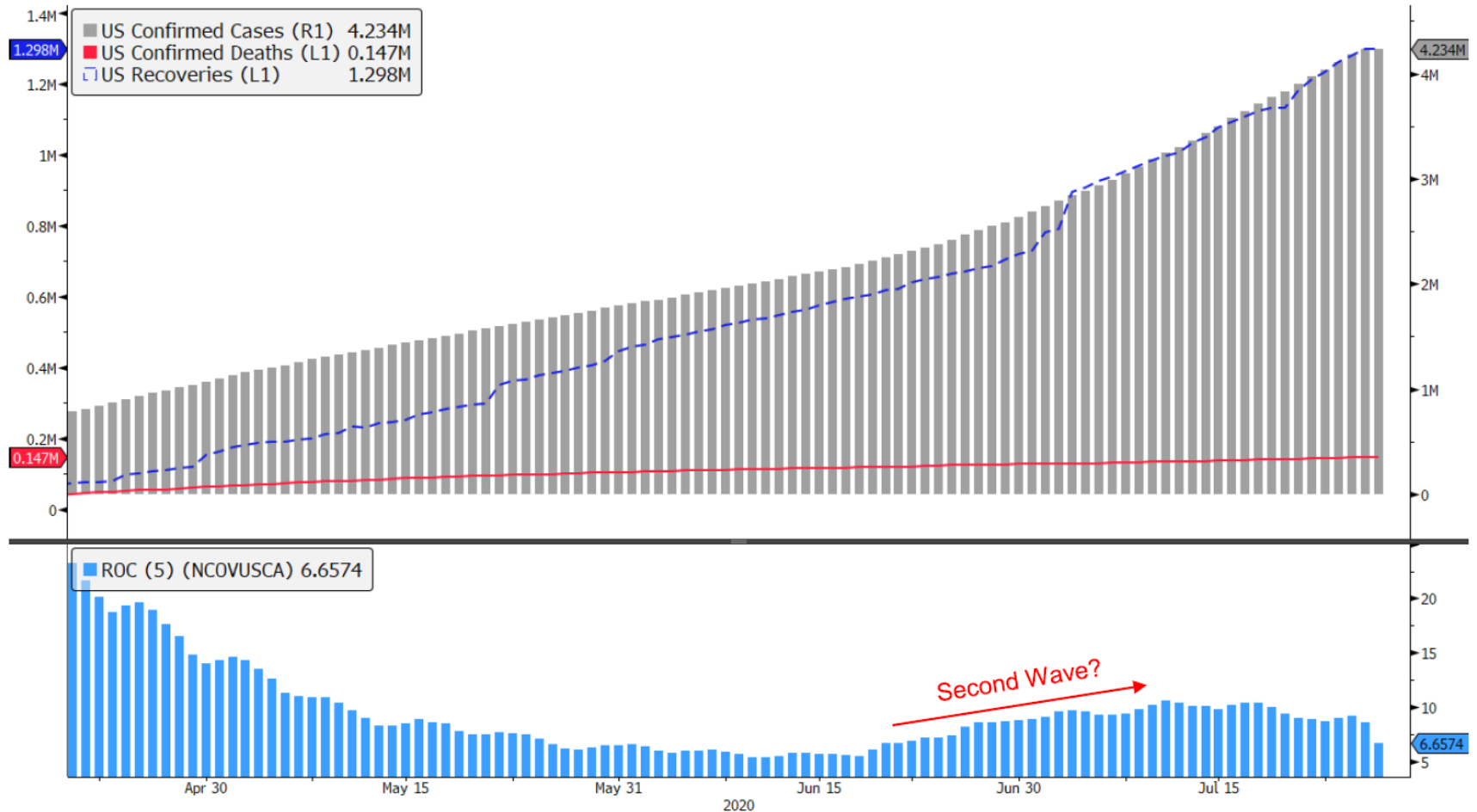
## **The Virus**



# Cases, Deaths and Recoveries — United States

## United States COVID-19 Statistics

Lower Panel: 5 Day Rate of Change in Cases



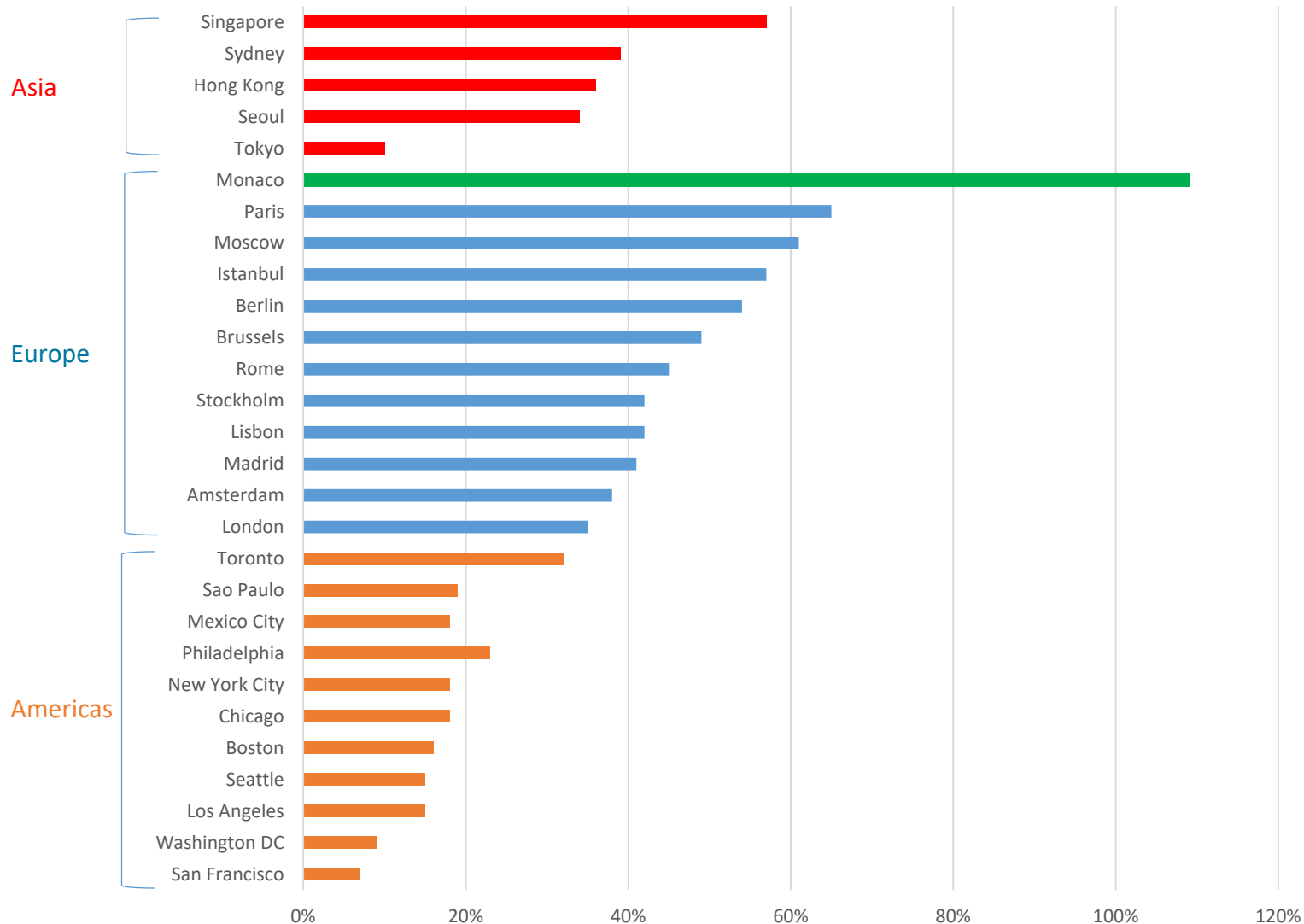
NCOVUSCA Index (Coronavirus (2019-nCoV) U.S. Confirmed Cases) US Cases/Deaths/Re

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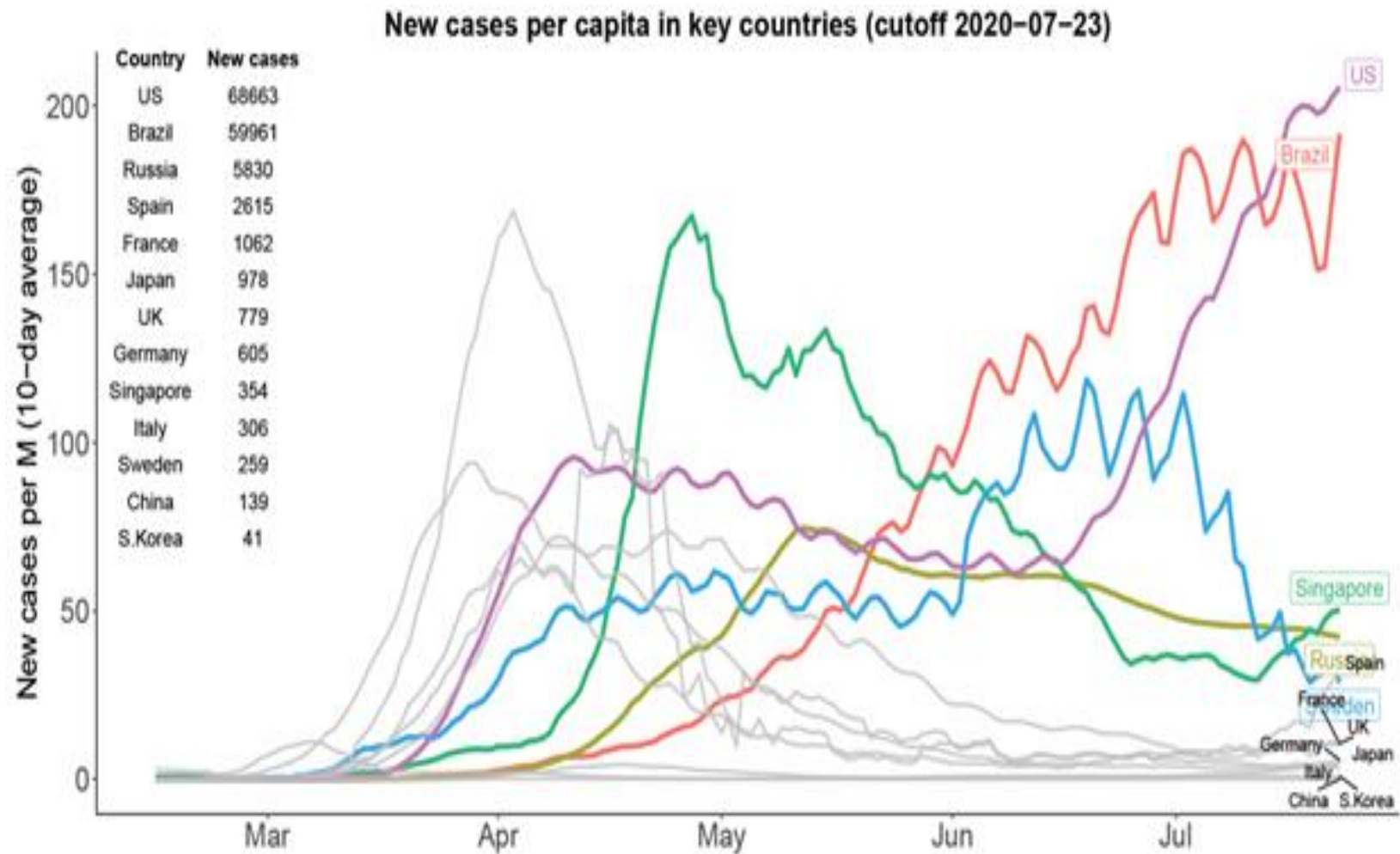
27-Jul-2020 05:37:07



# Mobility Trends — World Cities



# New Cases— Global Per Capita



Source: Morgan Stanley



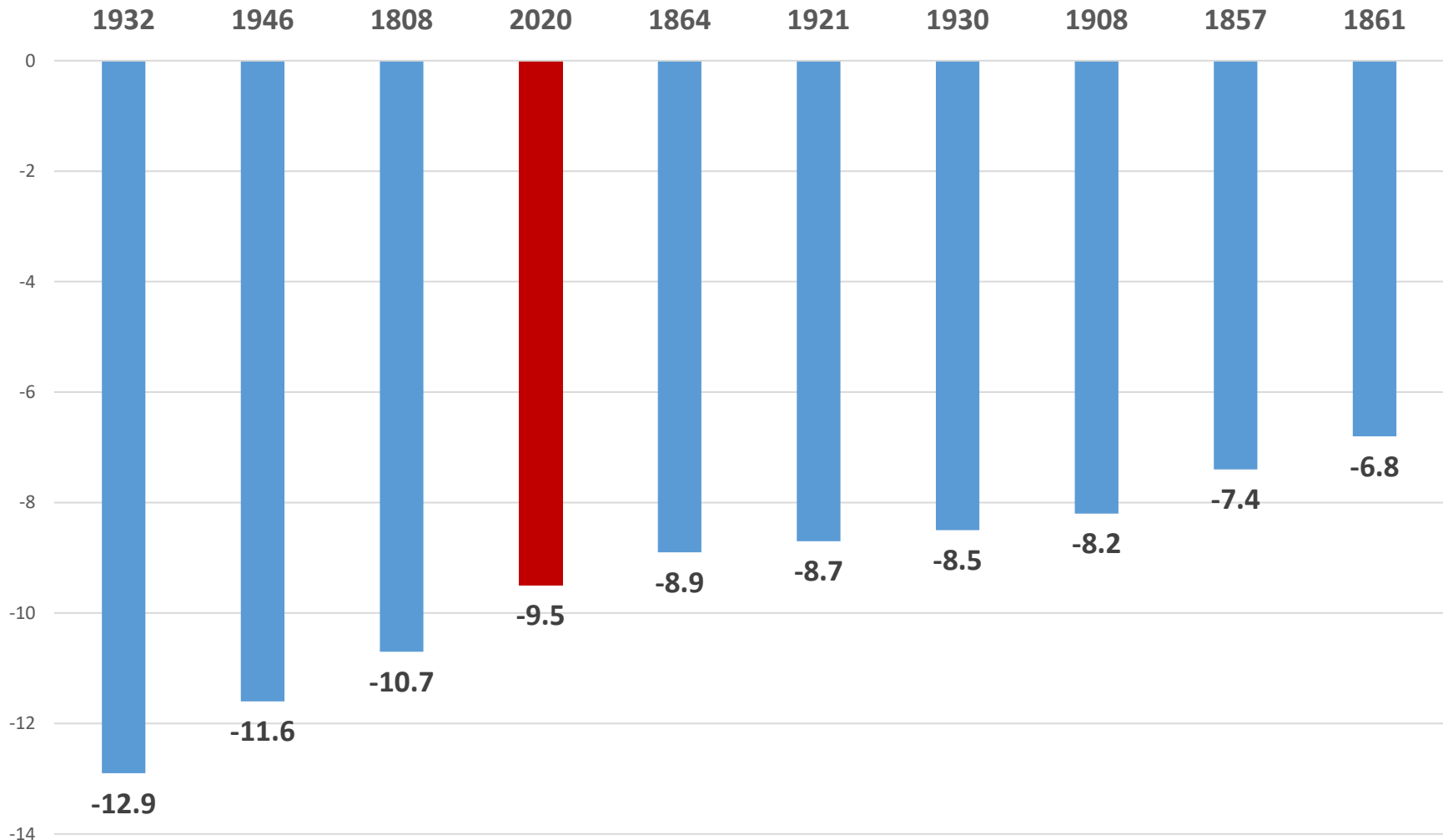
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# **The Economy**



# Historic Economic Contraction

## Economic Contractions in United States History

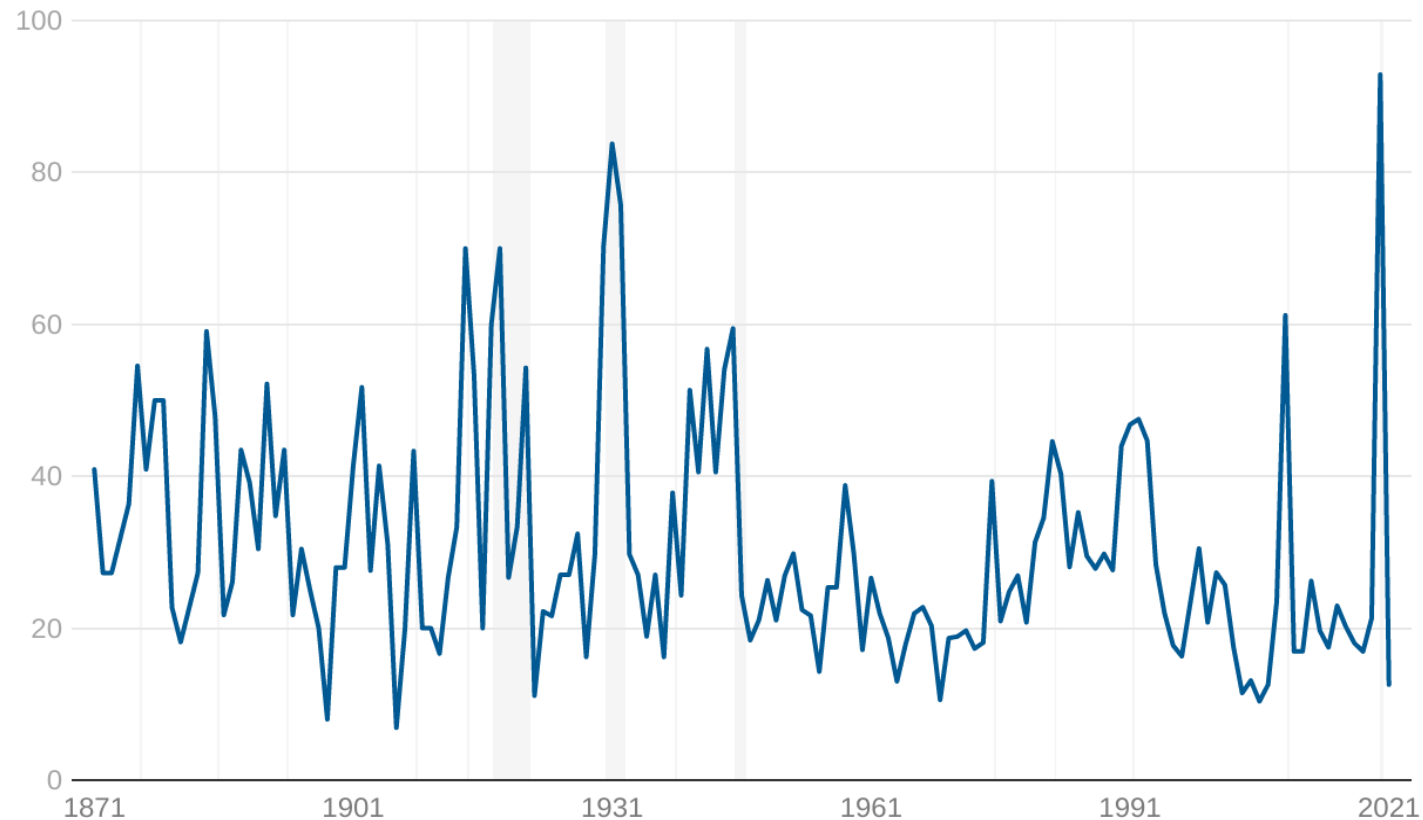




# Historic *Global* Economic Contraction

## Most countries are expected to face recessions in 2020

Share of economies in recession, 1871-2021

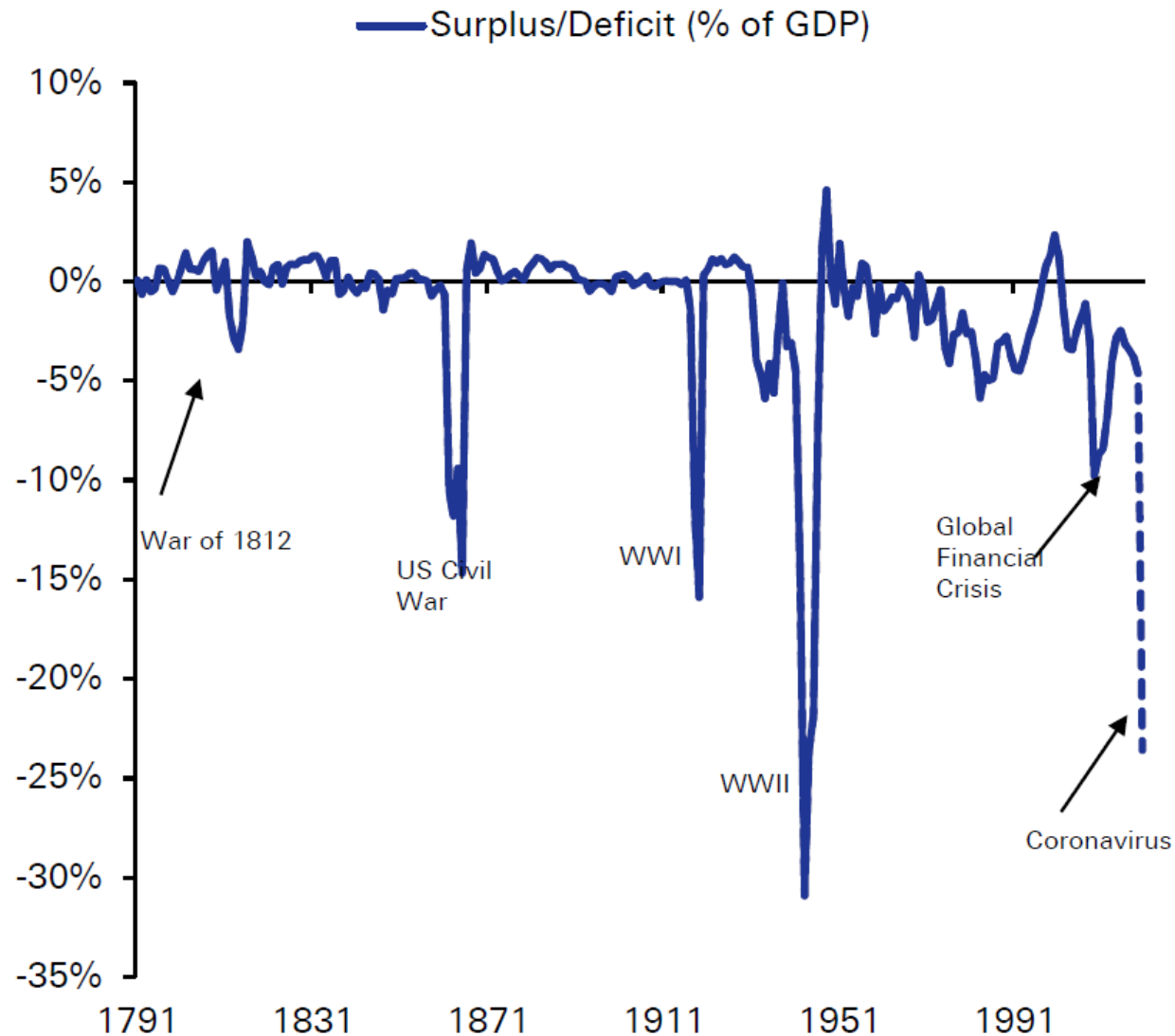


*The proportion of economies with an annual contraction in per capita GDP. Shaded areas refer to global recessions. Data for 2020-21 are forecasts.*

Source: World Bank • Created with Datawrapper

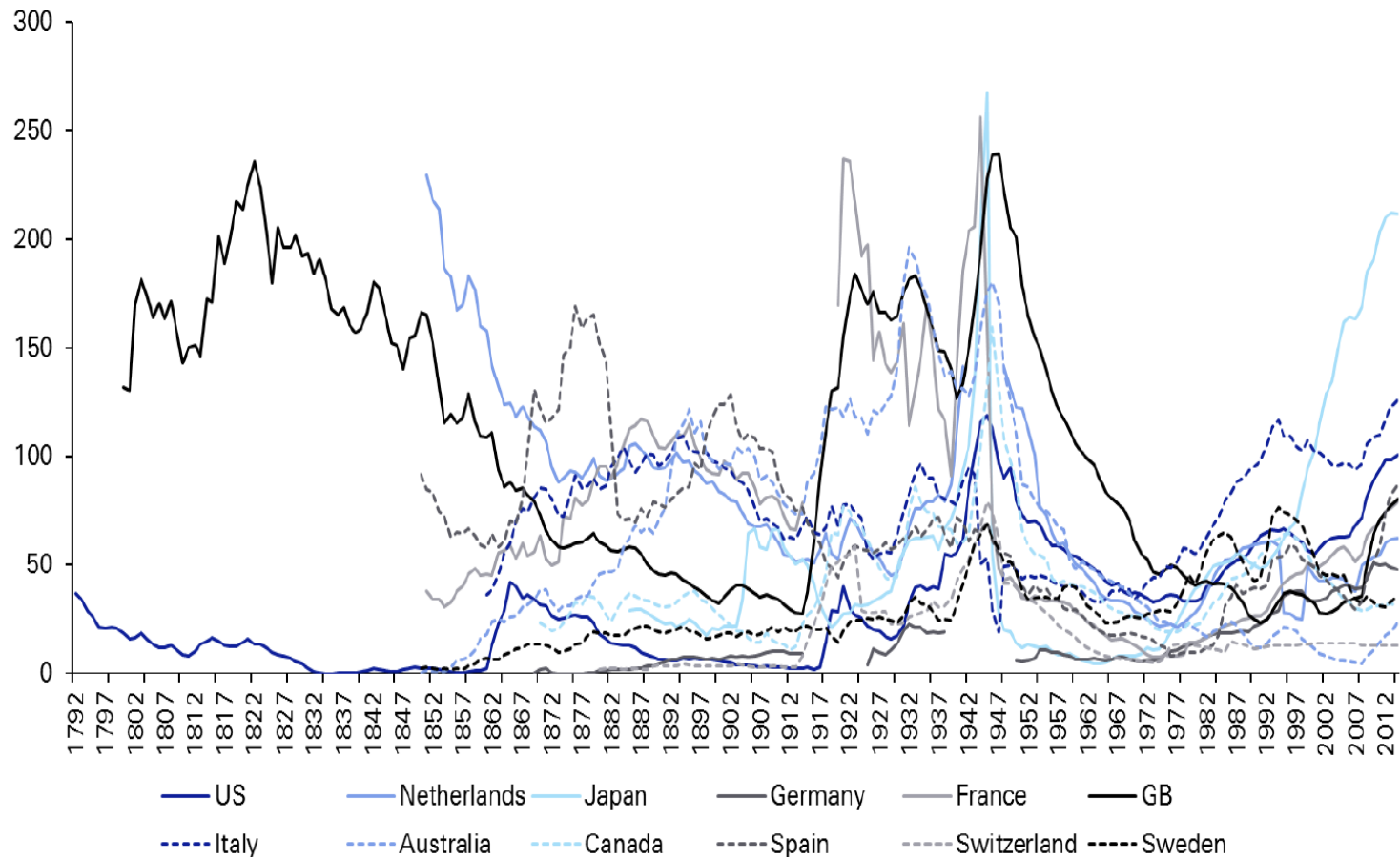


# US Surplus/Deficit as % of GDP Since 1791



# Global Debt as % of GDP

## Government Debt/GDP ratios in 12 major economies



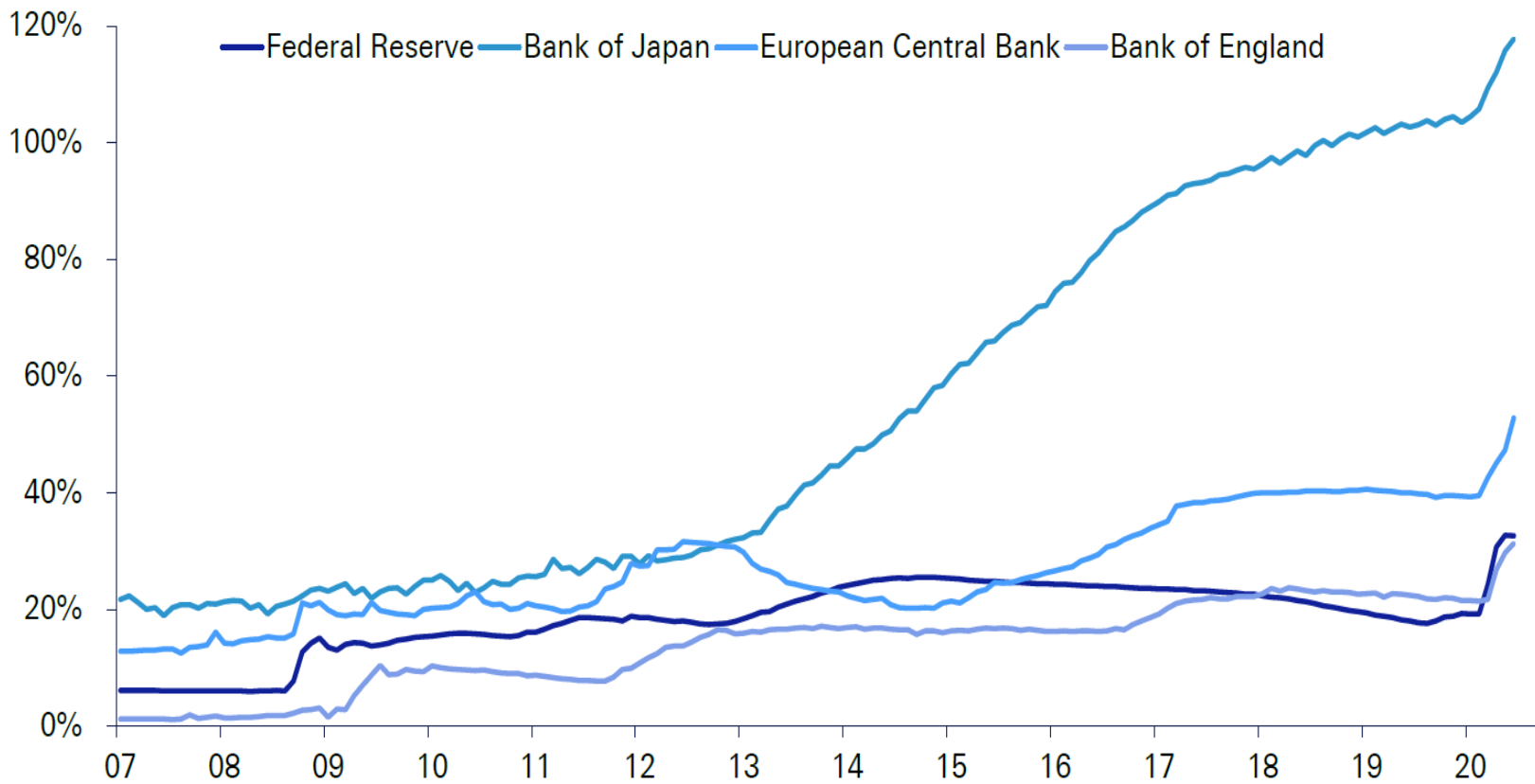
Source: Deutsche Bank, GFD

Note: US from 1792, Great Britain from 1800, Australia, Spain and Sweden from 1850, Netherlands from 1851 (exc. 1942-47), France from 1851 (excc. 1915-19), Italy from 1861, Germany from 1869 (exc. 1915-24, 1939-49), Canada from 1870, Switzerland from 1880, Japan from 1885



# Central Banks Step In

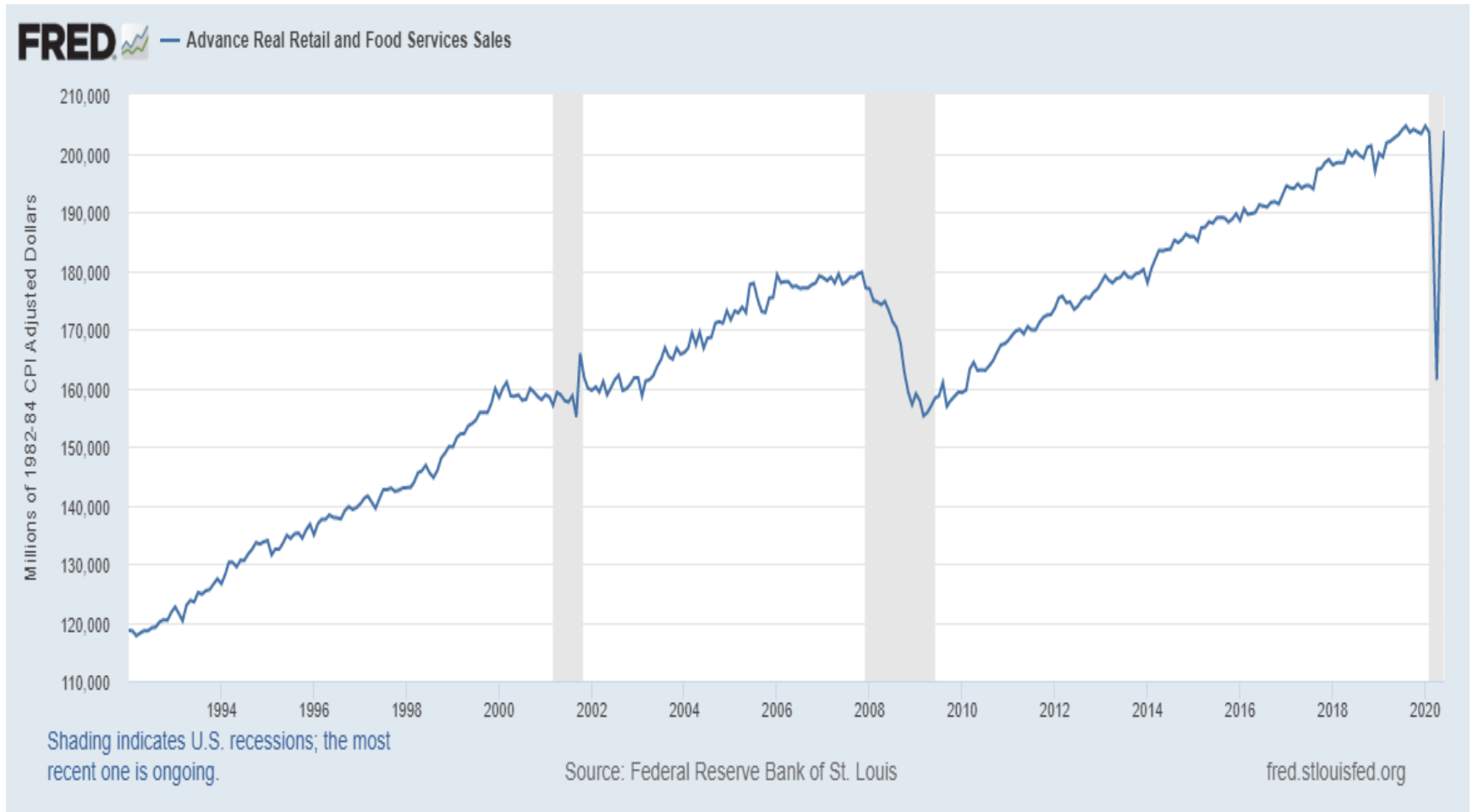
## Balance sheet as % of GDP



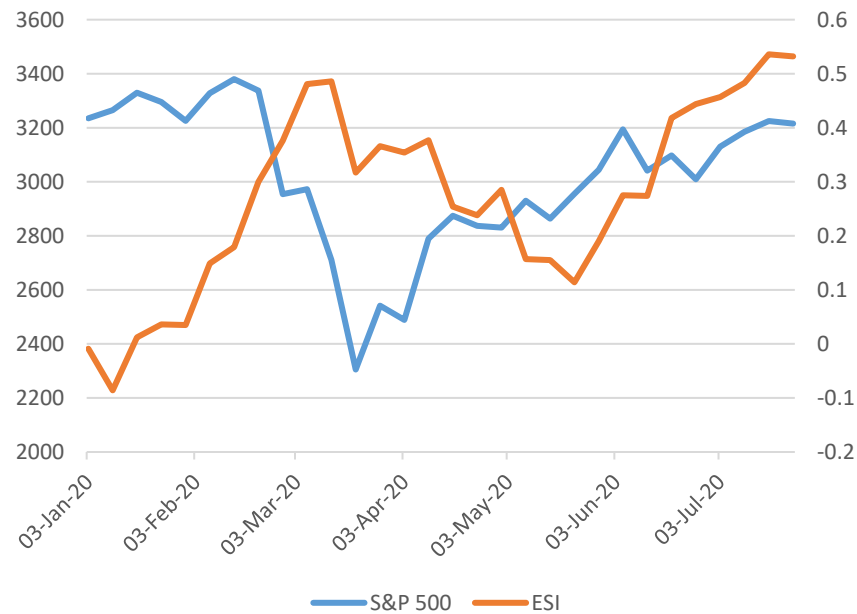
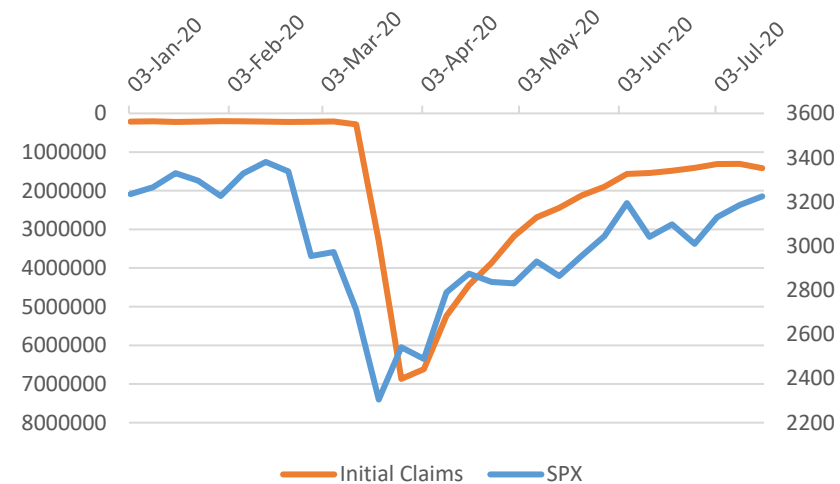
Source: Bloomberg Finance LP, , DB Global Research



# V-Shaped Rebound — But It Won't Last

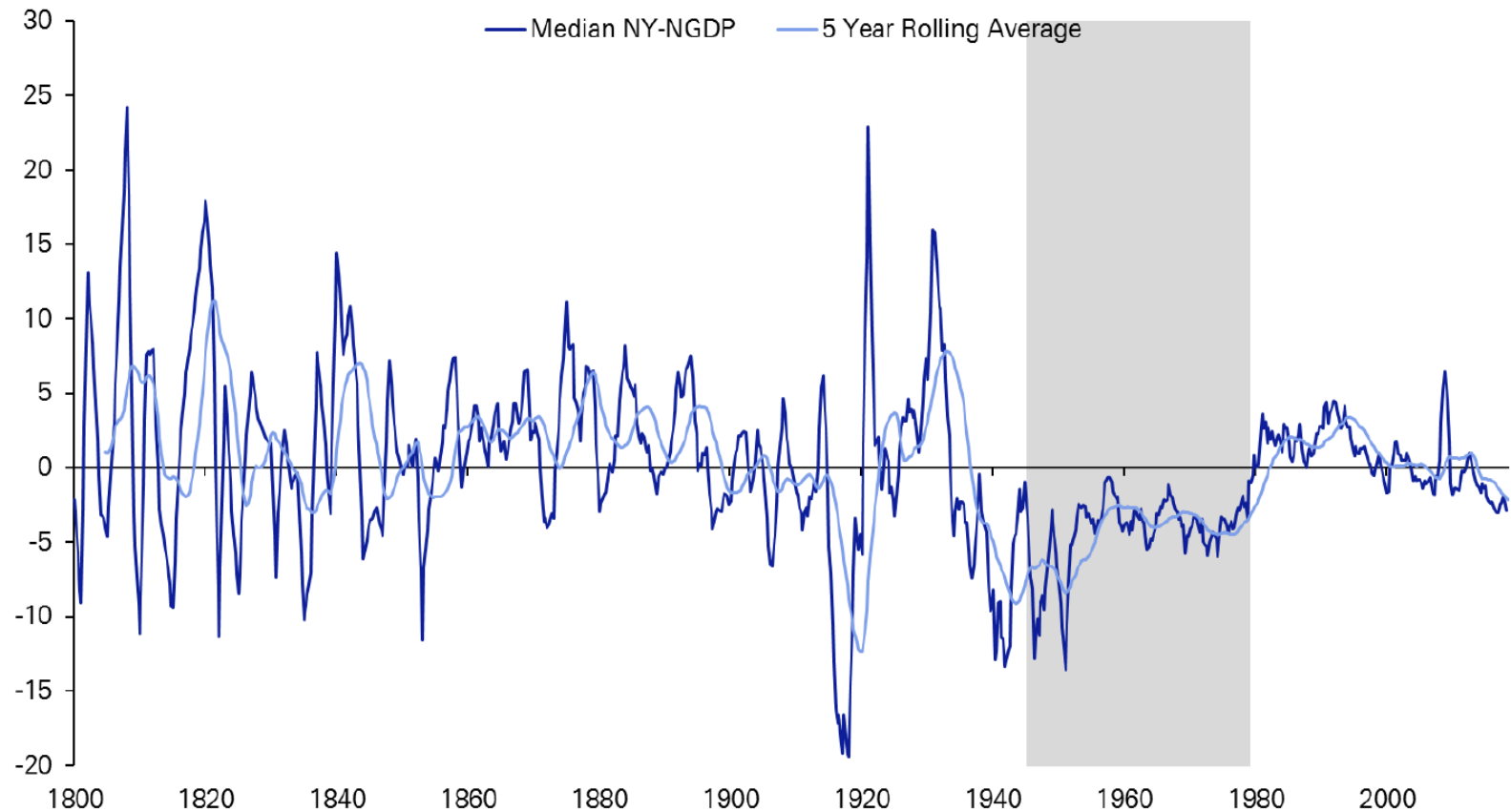


# Markets Lead Economic Data



# Negative Real Yields Here For Years/Decades

Global nominal yields – nominal GDP growth (15 country median, %)

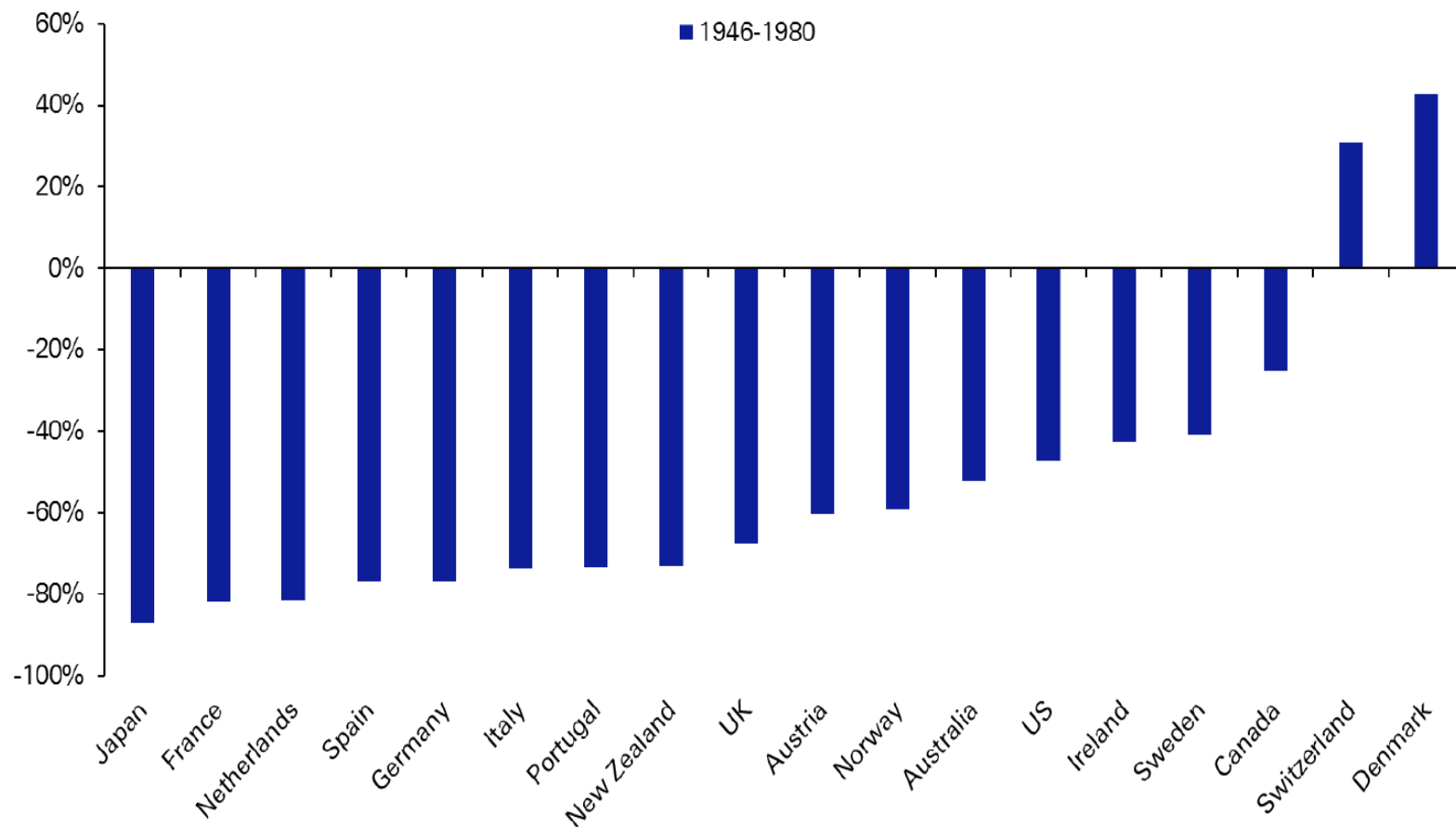


Source: Deutsche Bank, GFD



# Negative Real Yields Here For Years/Decades

## Real government bond holding period returns, 1946-1980



Source: Deutsche Bank, GFD





# Summary

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- Is There a Disconnect? No.
  - Major Geopolitical and Socioeconomic events are quickly absorbed by markets.
  - Markets are Leading Indicators of economic data.
  - There has been massive fiscal and monetary responses to pandemic.
    - Rescued economies in the present.
    - Public health crisis not contained.
    - Long-term implications are lower economic growth and negative real yields for years/decades to come.



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