

What will be the phases of recovery

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The most common question that we get is what will be the shape of the recovery? Will it be an aggressive V shape? Will it be an L shape, a U shape? Well, we suggest throwing out this idea of a single path recovery. And instead, it's our view that this recovery is going to occur in three phases.

Phase 1, is what we call the rapid rebound, and it essentially says that we are going to unleash all the pent up demand that exists in the economy. And 60 to 70 percent of everything that was lost in March and April comes back online. That probably takes us till about August or September, at which case our concerns start to mount and we enter what we're calling Phase 2, the stall out.

In the stall out, some of these longer term concerns start to manifest themselves. Companies come back online but are operating at reduced capacity. Unemployment falls back but is still elevated. Fiscal support, which provided a lot of help for households and businesses in that first phase, starts to wane. And growth, while it still improves, does so at a slower pace.

Phase 3 is more of our three to five year horizon. And it says we have to enter a new normal in which we begin to incorporate things like de globalization into our outlook. What does that mean for inflation? Probably higher. What does that mean for supply chains? It probably says they move back to more domestically oriented trajectories. In the longer run. We're also focused on government spending. We are now facing in many countries some of the highest debt to GDP ratios that we ever have. A lot of economies are going to have to grapple with what that means higher taxes, less spending, or trying to grow their economy out of it. And last but not least, extraordinarily low interest rates that over the longer run, we think will continue to push assets further out that risk curve, supporting everything from equities to hard assets and alternative assets alike.

My suggestion is, as you incorporate all of this information on a day to day basis, remember to bucket it into the right timeframe, to remember that the sequencing of events matters a great deal right now.

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trading suspensions and closures, and affect portfolio performance. For example, the novel coronavirus disease (COVID-19) has resulted in significant disruptions to global business activity. The impact of a health crisis and other epidemics and pandemics that may arise in the future, could affect the global economy in ways that cannot necessarily be foreseen at the present time. A health crisis may exacerbate other pre-existing political, social and economic risks. Any such impact could adversely affect the portfolio's performance, resulting in losses to your investment.

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