

CONVENTION
QMEA

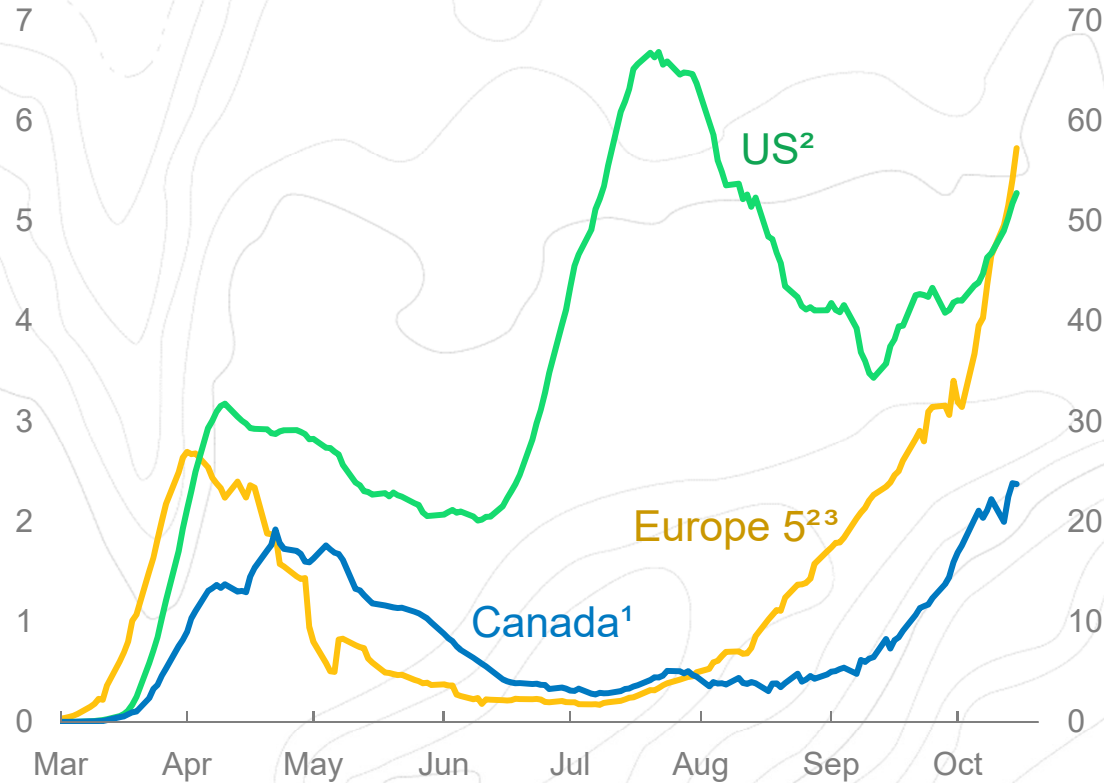
XPLOR

Economic Outlook: Second Thoughts on Second Wave

Presented by DOUGLAS PORTER

COVID-19 confirmed cases: Second wave arrives

New confirmed COVID-19 cases
2020 (000s : 7-day ma : as of October 15, 2020)



¹ (lhs) • ² (rhs) • ³ France, Germany, Italy, Spain, UK

US: Some reopening plans paused or reversed

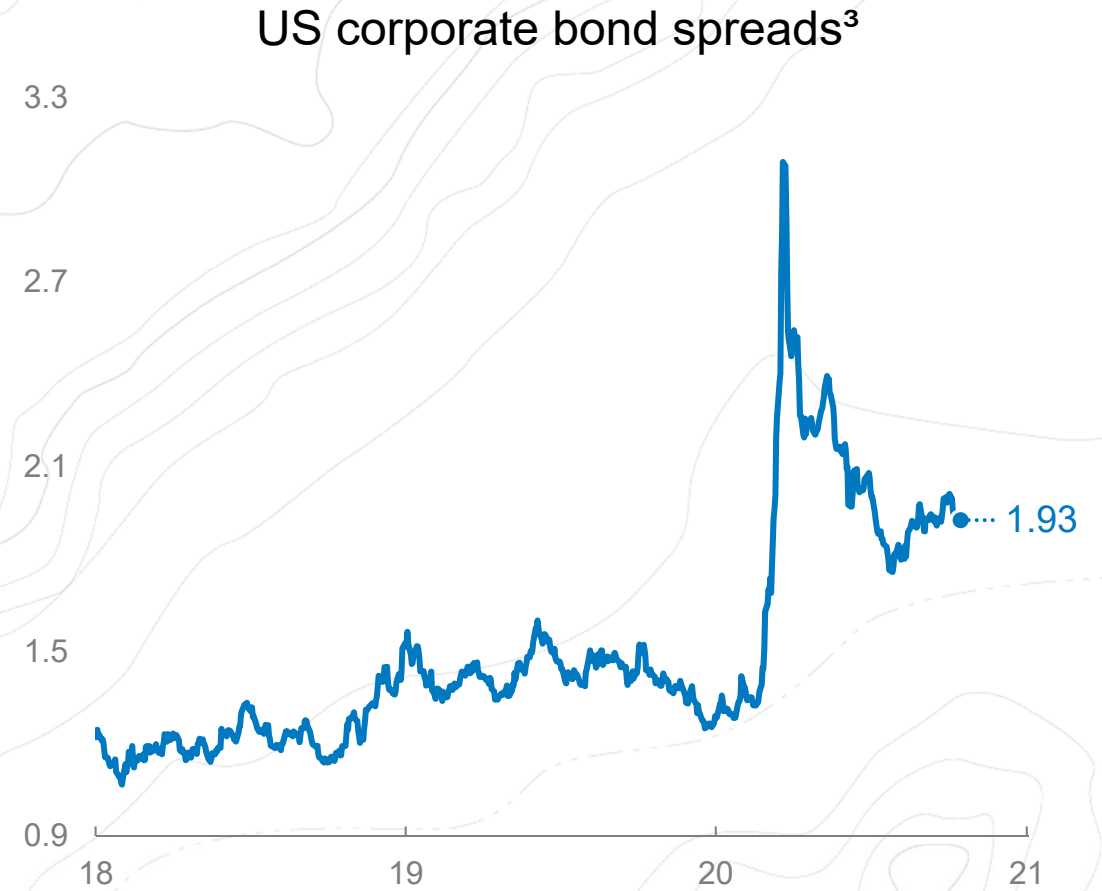
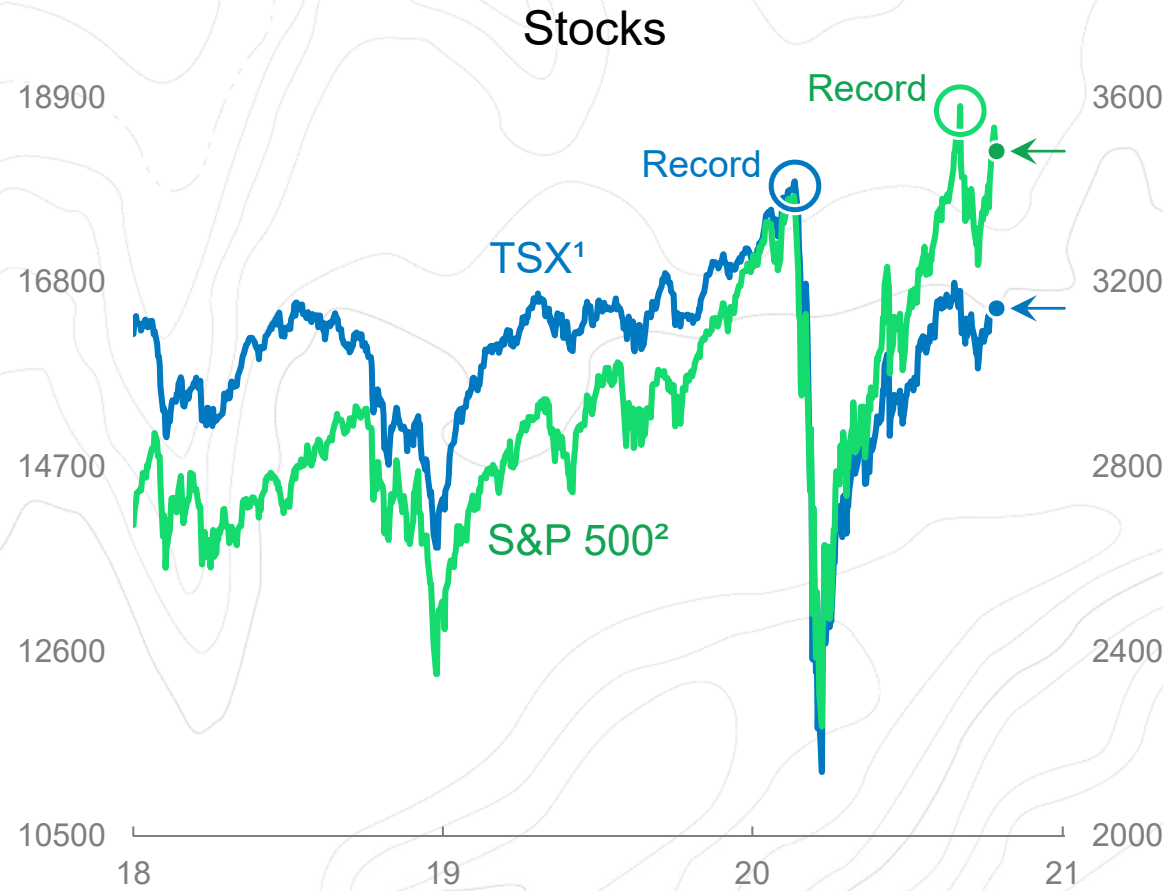
Canada: New cases move higher in many provinces

Renewed flare-ups elsewhere, such as Spain, France, UK

President Trump tests positive for COVID-19

Markets swing wildly

(as of October 15, 2020)



¹ (lhs) • ² (rhs) • ³ 15-year BoA Merrill Lynch AA Corporate yield less 10-year Treasury yield (ppts)

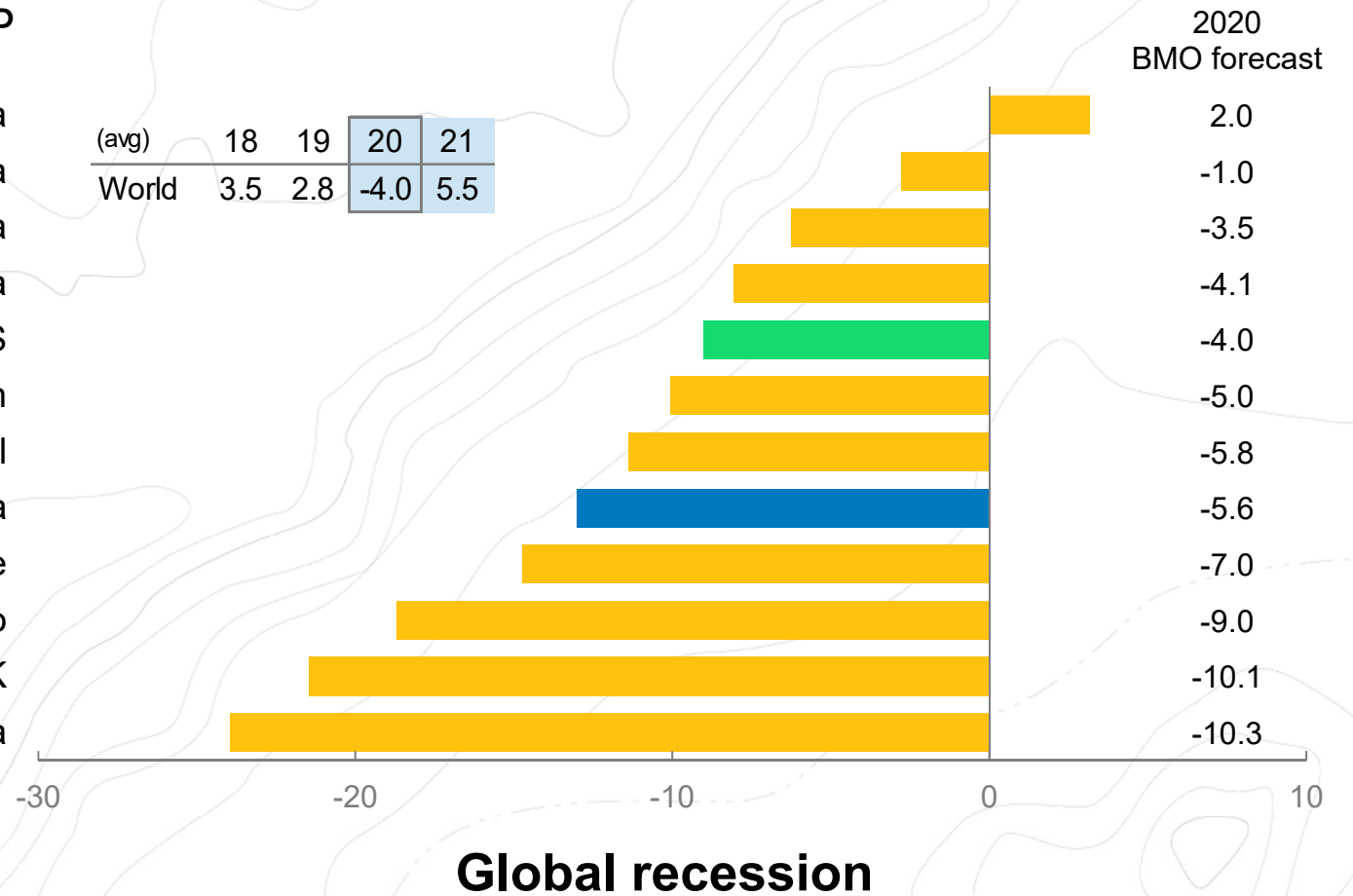
Biggest global contraction in post-war history

2020:Q2 (y/y % chng)



Real GDP

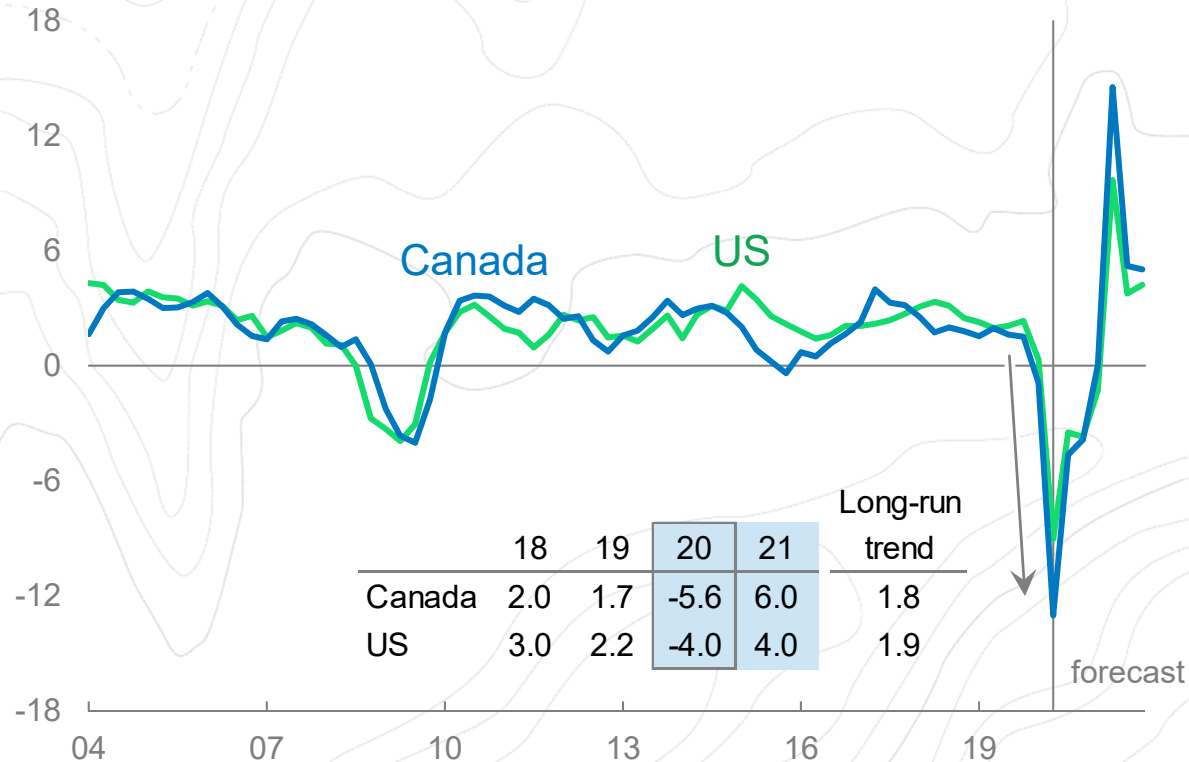
	(avg)	18	19	20	21
China					
South Korea					
World		3.5	2.8	-4.0	5.5



Global recession

Deep downturn in North America

Real GDP (y/y % chng)



Recession officially began in March

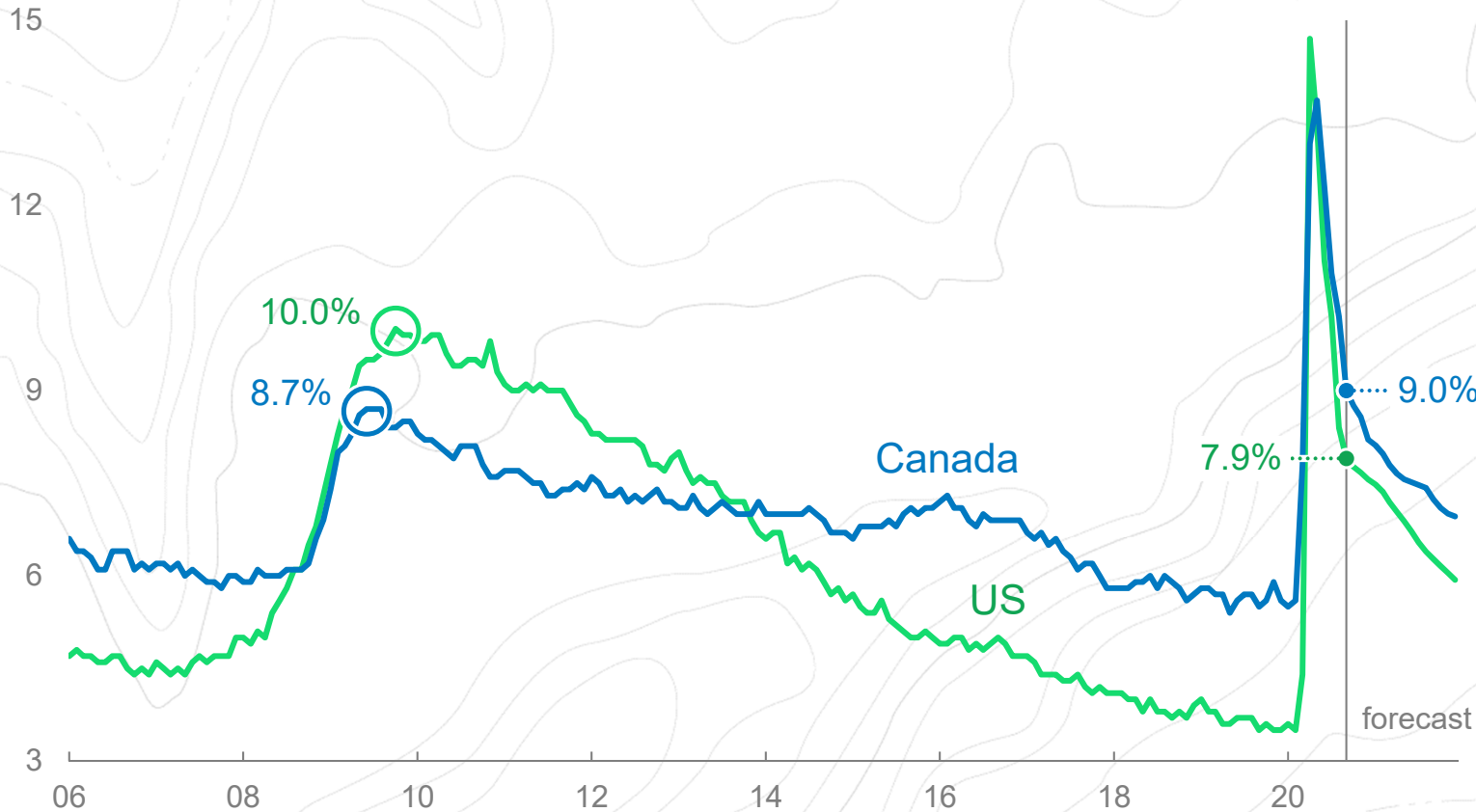
Likely the shortest downturn on record:
2-3 months

But, may also be the deepest

Canadian GDP: 18% drop in March/April; 16% rebound May to August

Joblessness surges in North America

Unemployment rate (percent)



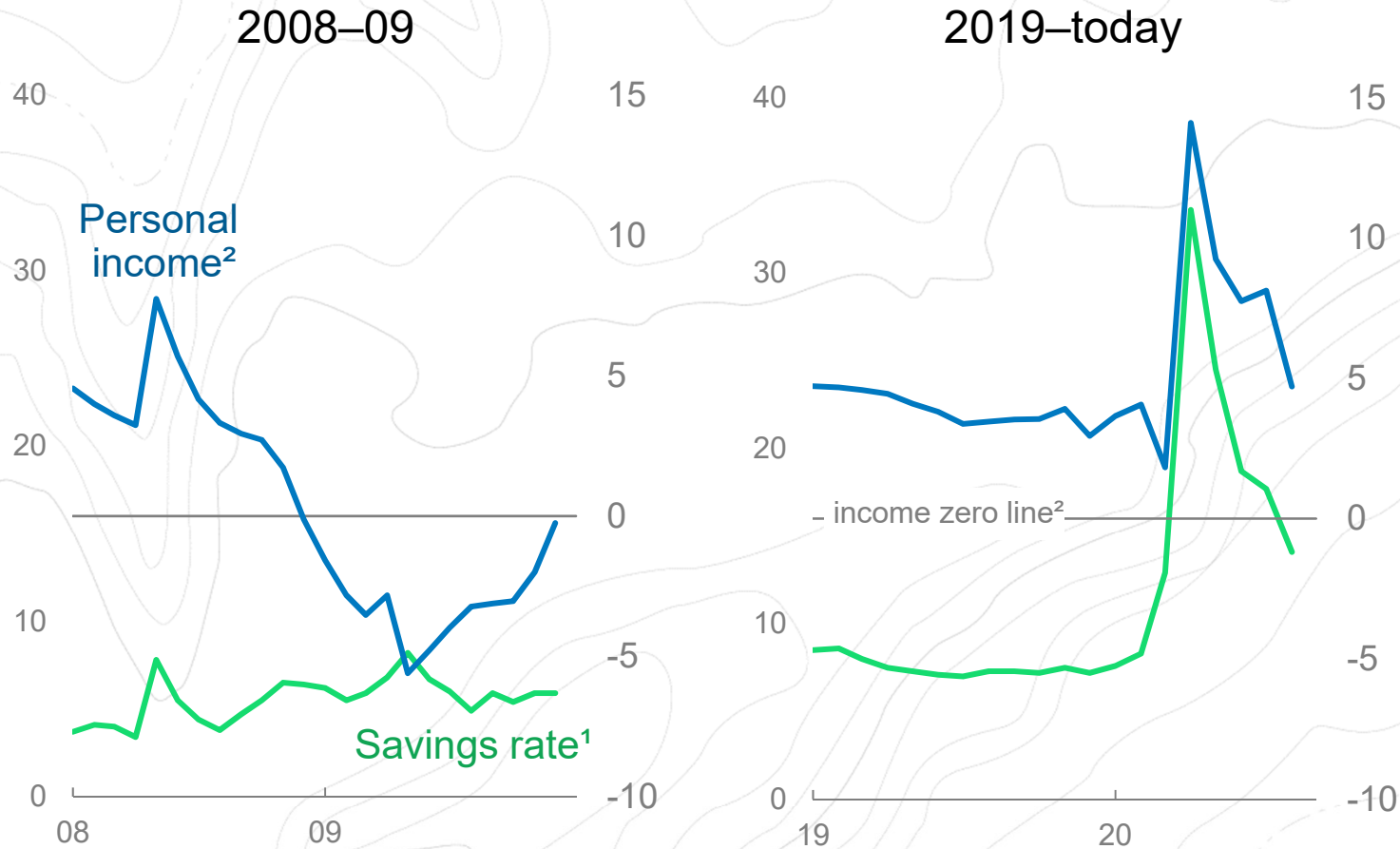
	Current	Pre-COVID ¹
Greece	16.8	15.6
Spain	16.2	13.6
Italy	9.7	9.3
Sweden	9.0	7.6
Canada	9.0	5.6
Portugal	8.1	6.4
US	7.9	3.5
UK	7.6	3.4
France	7.5	7.7
Australia	6.9	5.1
Ireland	5.4	4.9
Germany	4.4	3.6
Japan	3.0	2.4

Temporary could become permanent

¹ February 2020

Income and savings: It's different this time

United States



No drop in income

Heavy government support

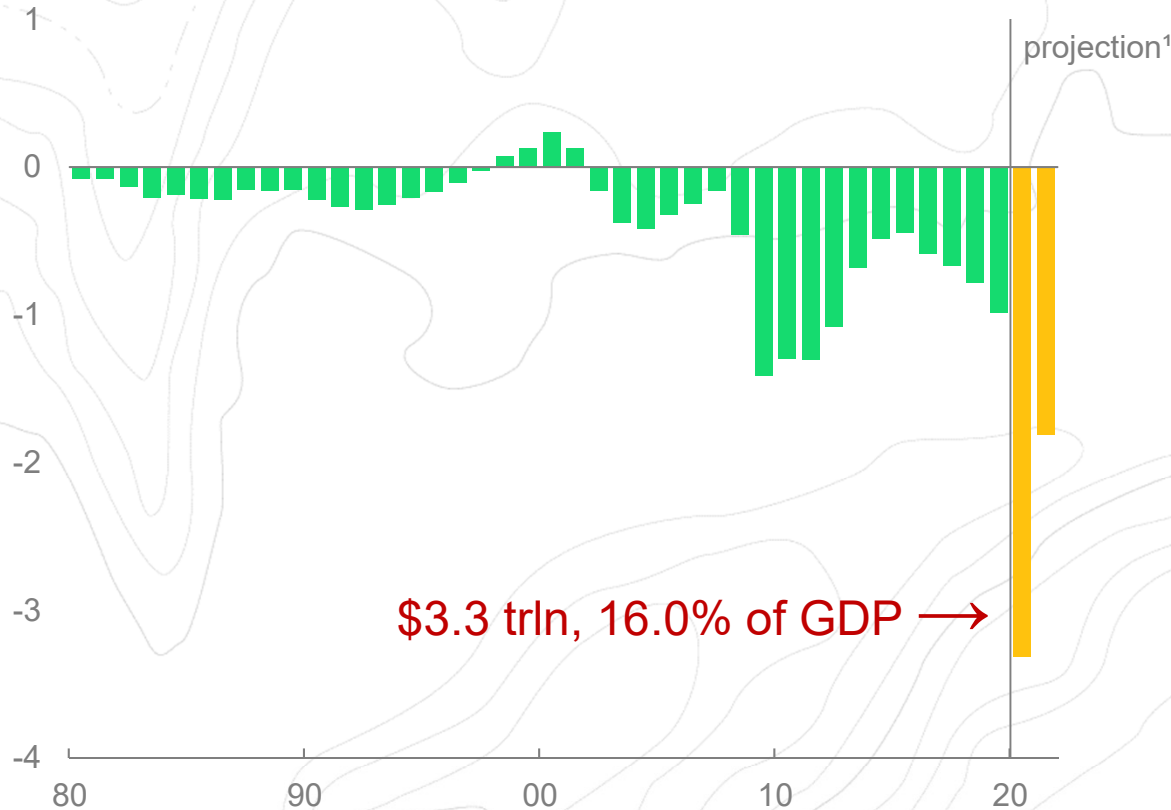
Boom in savings

¹ (lhs : percent) • ² (rhs : y/y % chng)

Biggest budget deficit since WWII

United States

Federal government budget balance (fiscal years : US\$ trlns)



\$3.3 trln, 16.0% of GDP →

¹ CBO projection (September 2020)

March 4: Coronavirus Preparedness and Response Supplemental Appropriations Act

March 18: Families First Coronavirus Response Act

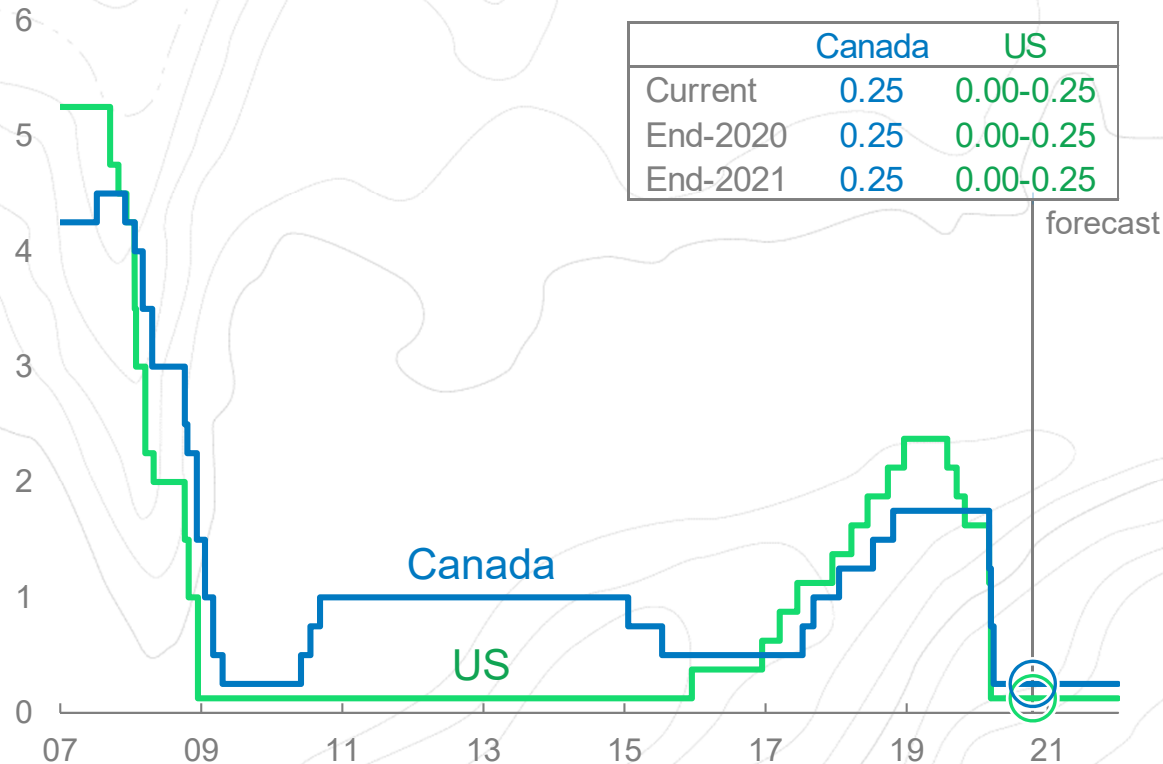
March 27: Coronavirus Aid, Relief and Economic Security (CARES) Act

April 24: Paycheck Protection Program & Health Care Enhancement Act

Total 2020 deficit impact: \$2.3 trln

Bank of Canada policy: Low rates and QE

Overnight rate (% : as of October 15, 2020)



Overnight Rate: 0.25% (zero lower bound)

QE: at least \$5 bln/week of GoCs

BoC buying:

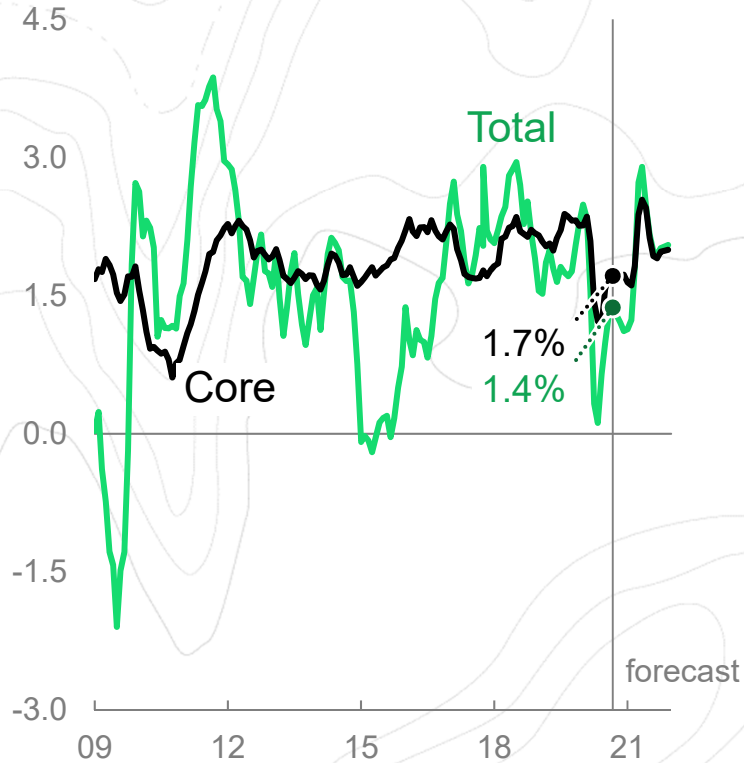
- GoCs and T-bills
- Provincial bonds and T-bills
- Bankers' Acceptances
- Canada Mortgage Bonds
- Commercial paper
- Corporate bonds

Little appetite for negative rates

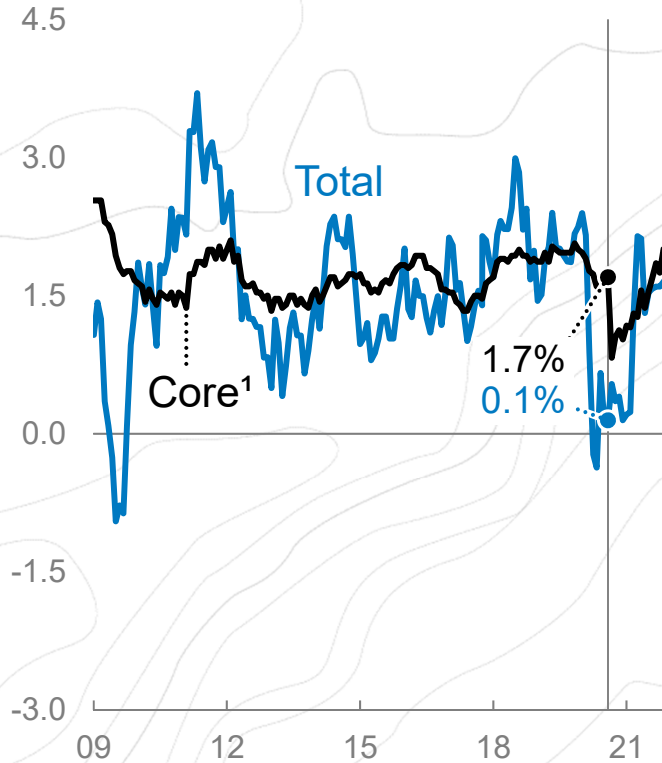
Inflation plunges

Consumer price index (y/y % chng)

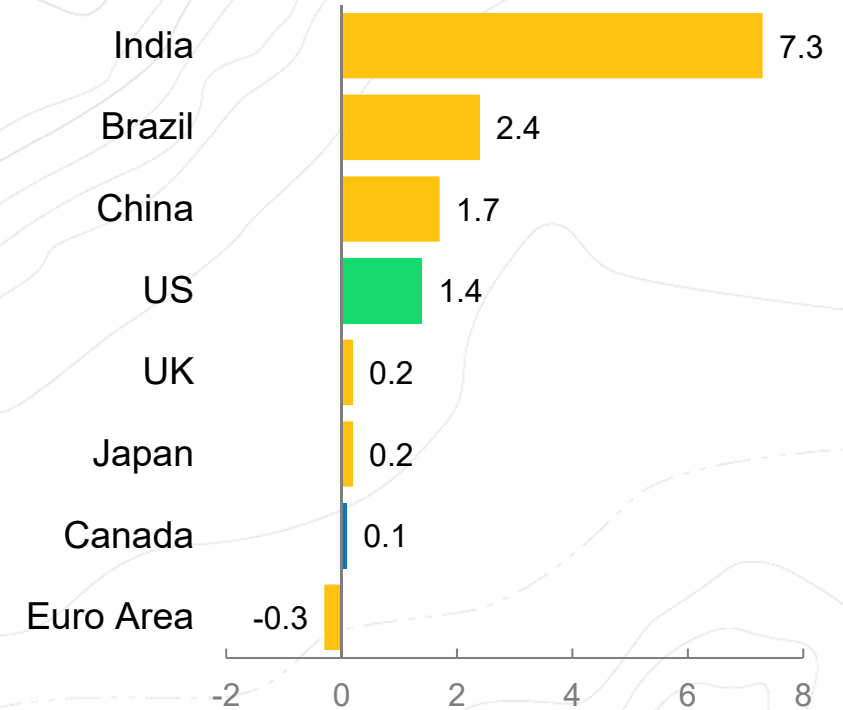
United States



Canada



Total CPI (latest month)

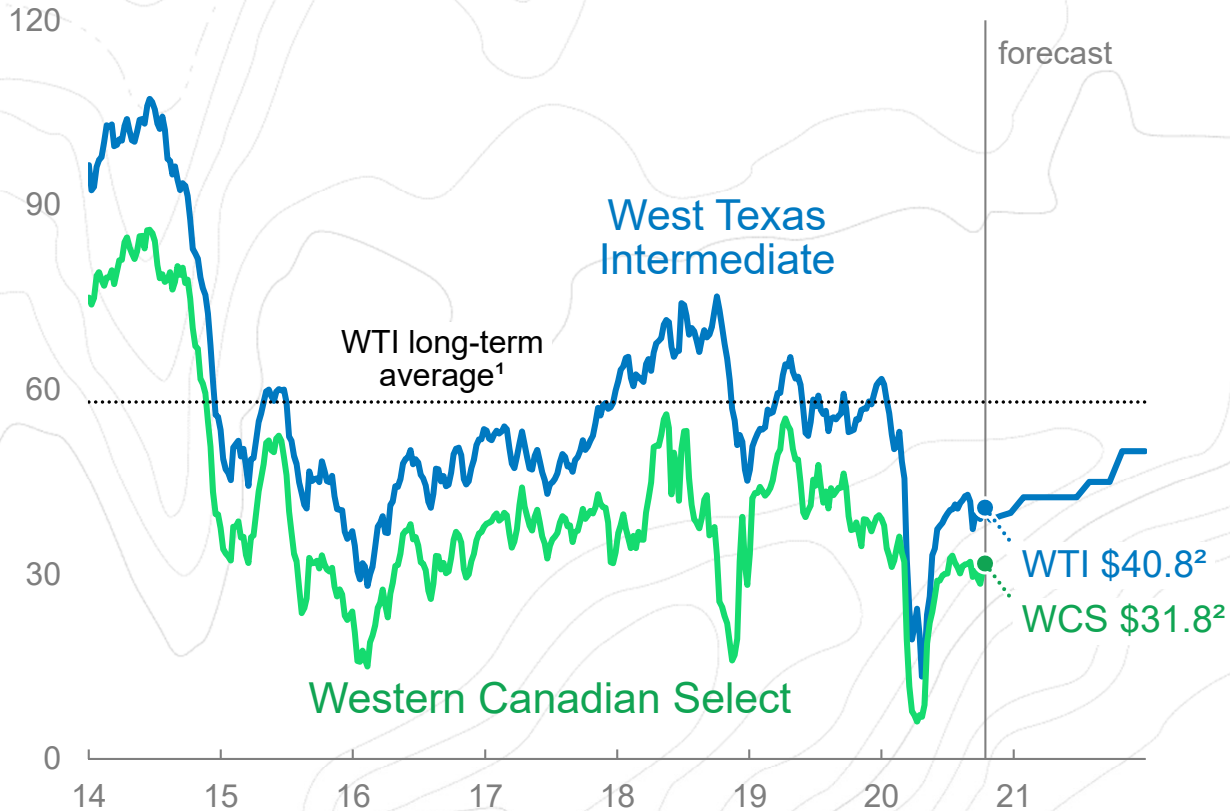


Fed's target: Average 2% inflation

¹ Average of three new core inflation measures

Oil prices volatile

Crude oil price (US\$/bbl : as of October 15, 2020)



¹ Today's dollars, since 1975, \$58 • history: weekly averages • forecast: monthly averages • ² latest daily value

Massive oil market imbalance

OPEC+ agrees to record production cut:

9.7 mbpd in May and June

7.7 mbpd in 2020:H2, or more

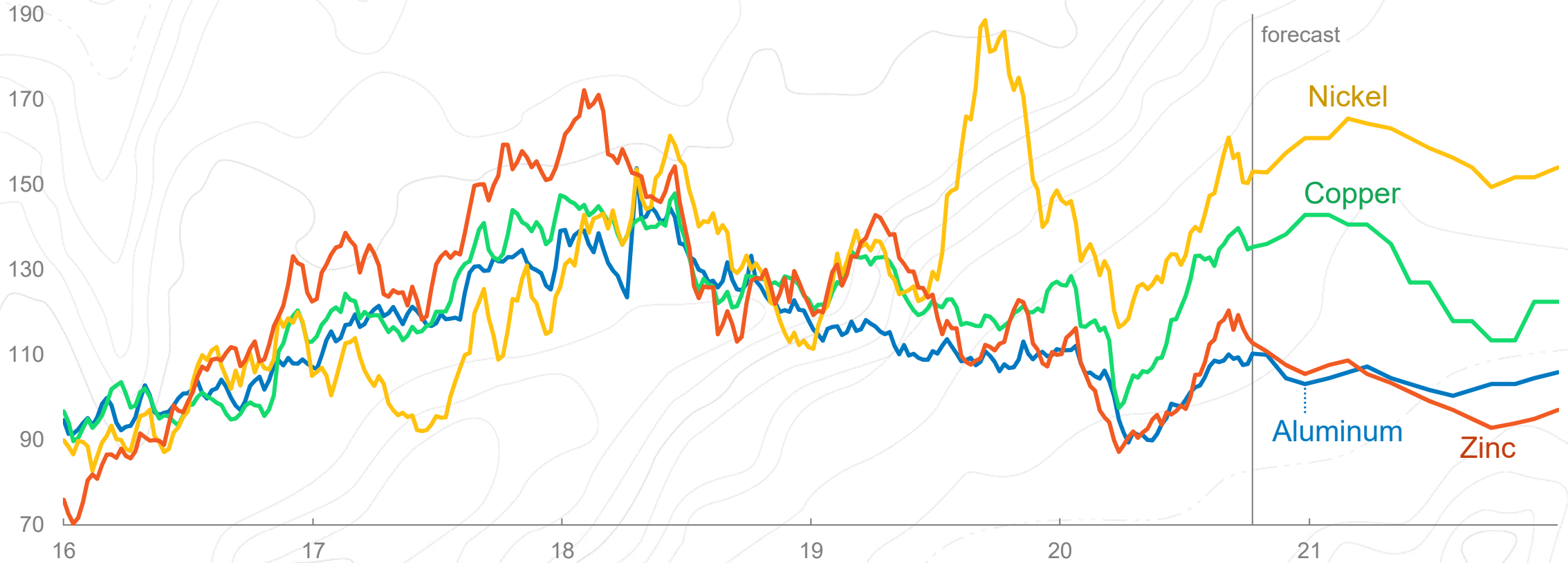
WTI briefly negative, then rebounds

Grinding recovery

Base metals: Mixed outlook

(2016 = 100)

Base metals prices

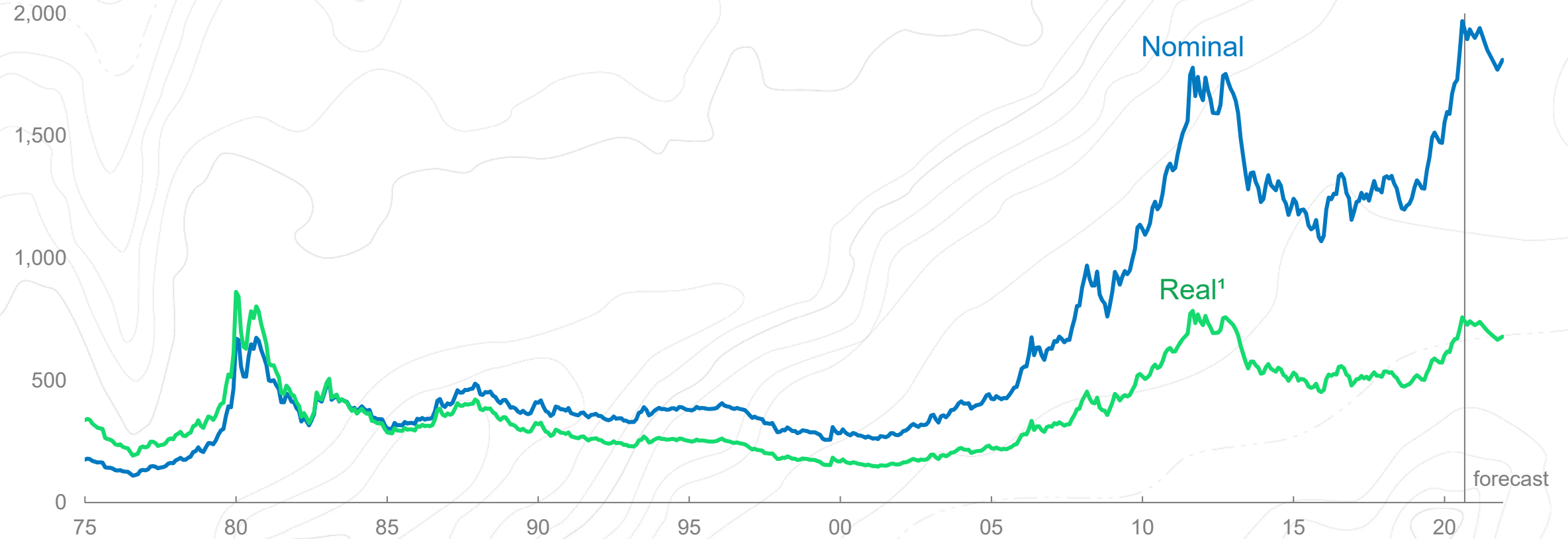


[actuals] weekly averages • [forecasts] monthly averages

Going for gold

(US\$/troy oz)

Gold prices



¹ 1982-84 dollars

Shape of the recovery: Elevator down, staircase up

Sector performance



V:

Retail sales
Equity markets

Housing
Copper and lumber prices

U:

Employment
Manufacturing

Energy prices
Services, restaurants

L:

Travel industry
Entertainment

Spectator sports
Bond yields

2020 US presidential election

November 3, 2020



Economic impact uncertain

Biden proposes:

Higher corporate taxes and minimum wage

More spending on climate change, education and health care

...Less likely to fan trade tensions than Trump

Democratic sweep could lead to more pandemic relief and larger budget deficit

Potential to get messy:

Supreme Court, stimulus package, President's health

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