Volatility 2020: Weathering the storm

Can stimulus “cure” the economy?
Figures shown are past results and are not predictive of results in future periods. Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.
Ask a question

U.S. resources

Canadian resources
U.S. economy’s sharp slowdown is underway

Sources: Refinitiv Datastream, U.S. Department of Labor. Latest figure is preliminary, as of 3/26/20.
$2 trillion stimulus bill: Where the money is going

- **Public health**: $154 billion
- **State and local governments**: $340 billion
- **Small businesses**: $377 billion
- **Big corporations**: $500 billion
- **Individuals**: $560 billion
- **Education/Other**: $70 billion


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U.S. stimulus bill — major provisions

Regulatory changes affecting retirement plans:

RMD waiver

Required Minimum Distributions for 2020 are waived for all types of defined contribution plans – including 401(k), 403(b) and governmental 457(b) plans – and Individual Retirement Accounts.

Tax relief for coronavirus-related distributions

A new distribution from a plan or IRA called a “coronavirus-related distribution” (CRD) is available up to $100,000 for eligible individuals. The 10% early withdrawal penalty that otherwise applies to early distributions is waived for CRDs.

Key types of companies getting assistance under the bill:

<table>
<thead>
<tr>
<th>Type of Company</th>
<th>Assistance Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger air carriers</td>
<td>$25 billion</td>
</tr>
<tr>
<td>Cargo air carriers</td>
<td>$4 billion</td>
</tr>
<tr>
<td>Businesses critical to maintaining national security</td>
<td>$17 billion</td>
</tr>
</tbody>
</table>

U.S. debt burden likely to keep accelerating

Federal debt outstanding as a % of GDP

Source: Congressional Budget Office. Projections for 2020-2030 were made by the CBO as of January 2020. Gross Domestic Product (GDP) is the monetary value of all finished goods and services made within a country during a specific period.
Key European economic indicator plummets in March

Services Purchasing Managers’ Index (PMI)

Source: Markit. March 2020 data is an estimate. The Purchasing Managers’ Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. A reading below 50 indicates a contraction of business activity and a reading above 50 indicates an expansion of business activity compared to the previous month.

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Projected economic impact of global pandemic in 2020

Change in gross domestic product growth, by level of outbreak severity (%)

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>Mid</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>-9</td>
<td>-8</td>
<td>-7</td>
</tr>
<tr>
<td>France</td>
<td>-4</td>
<td>-3</td>
<td>-2</td>
</tr>
<tr>
<td>Germany</td>
<td>-5</td>
<td>-4</td>
<td>-3</td>
</tr>
<tr>
<td>Italy</td>
<td>-6</td>
<td>-5</td>
<td>-4</td>
</tr>
<tr>
<td>Rest of euro zone</td>
<td>-8</td>
<td>-7</td>
<td>-6</td>
</tr>
<tr>
<td>Japan</td>
<td>-10</td>
<td>-9</td>
<td>-8</td>
</tr>
<tr>
<td>U.K.</td>
<td>-7</td>
<td>-6</td>
<td>-5</td>
</tr>
<tr>
<td>U.S.</td>
<td>-8</td>
<td>-7</td>
<td>-6</td>
</tr>
</tbody>
</table>

U.S. Federal Reserve target rate is approaching policy rates in other countries

Source: Refinitiv Datastream. All data as of 3/16/2020.
Major central bank balance sheets growing again

Sources: Refinitiv Datastream, RIMES. As of 2/28/20.
Bear markets have been relatively short compared to bull markets

Cumulative price return for each bull and bear market (%)

AVERAGE BULL MARKET
279%
Total return
72
Months

AVERAGE BEAR MARKET
-33%
Total return
14
Months

Sources: Capital Group, RIMES, Standard & Poor’s. As of 3/12/20. Bear markets are peak-to-trough price declines of 20% or more in the S&P 500. Bull markets are all other periods. Returns shown on a logarithmic scale.
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Investing outside the United States involves risks, such as currency fluctuations, periods of illiquidity and price volatility, as more fully described in the prospectus. These risks may be heightened in connection with investments in developing countries. Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks.

Standard & Poor’s 500 Composite Index is a market capitalization-weighted index based on the results of approximately 500 widely held common stocks.

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