



FIFTH THIRD BANK

The Pandemic and Beyond: An Economic Assessment

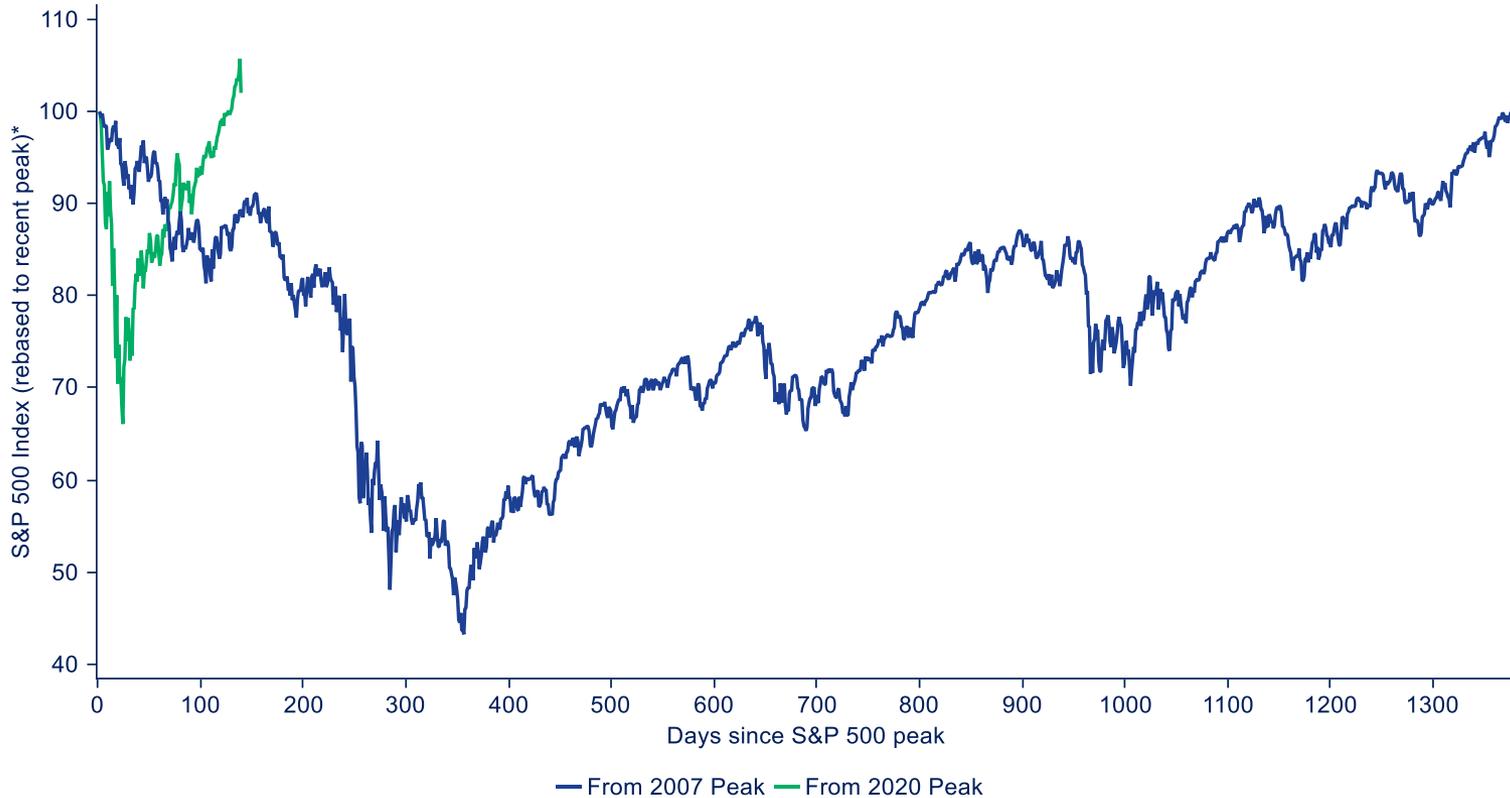
Tom Jalics, CFA

Director, Chief Market Strategist

Where We Are

Market precedent

Stock market drawdown associated with Great Recession vs. 2020 Pandemic



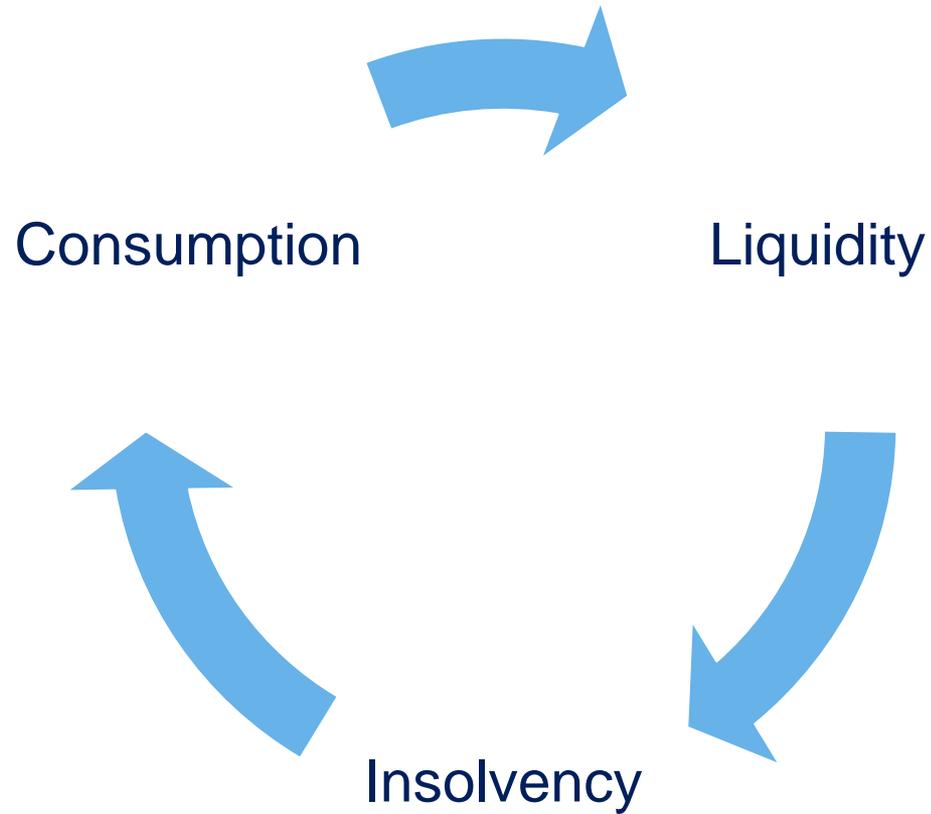
Source: Macrobond, SPDJI, as of 9/4/2020

*Price Indexed To Market Peaks

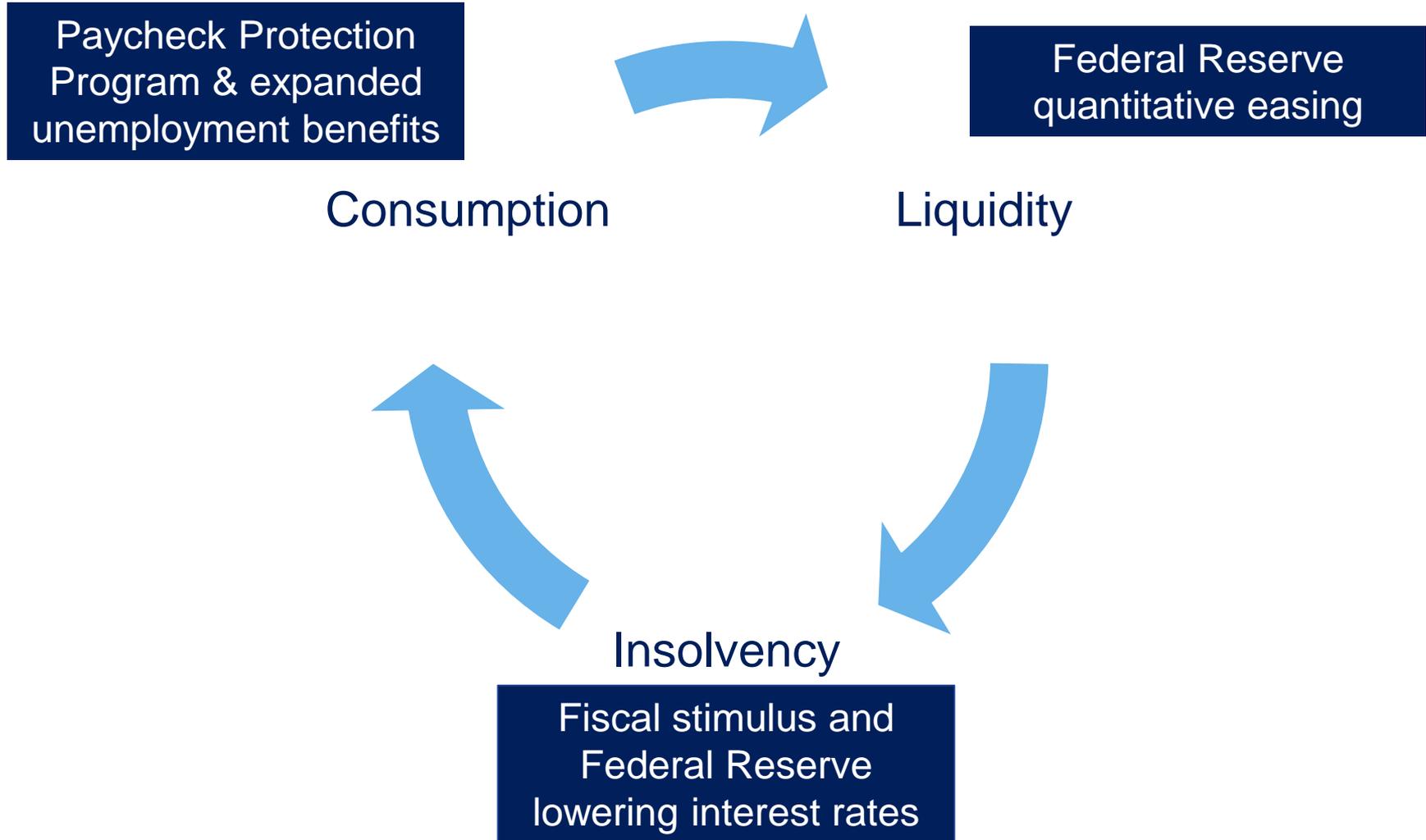
For Great Recession, 100= S&P500 pre-recession high achieved on 10/9/2007

For Pandemic, 100=S&P500 pre-recession high achieved on 2/19/2020

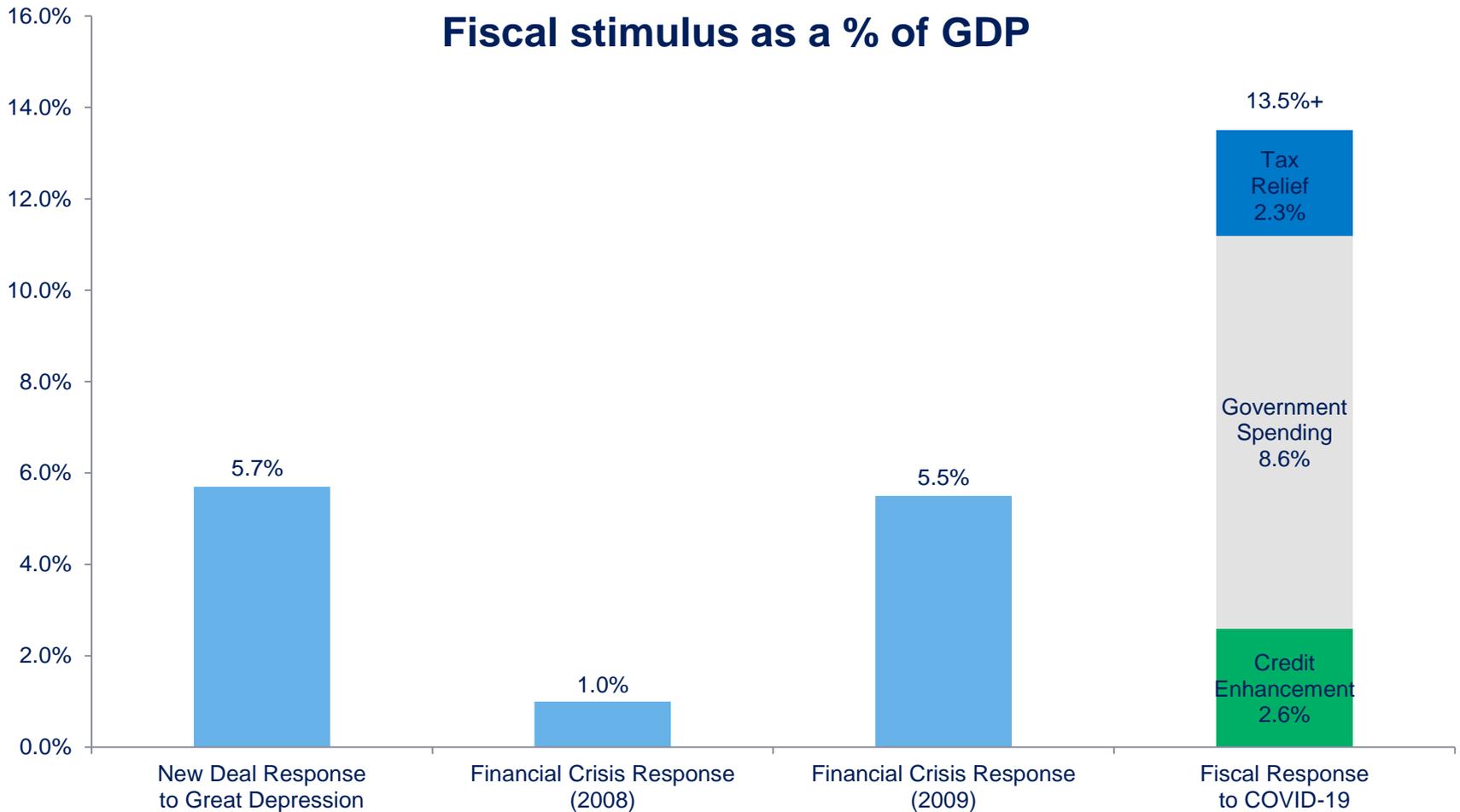
Keeping a balanced view: vicious cycle



Keeping a balanced view: vicious cycle interrupted



Keeping a balanced view: unprecedented fiscal response



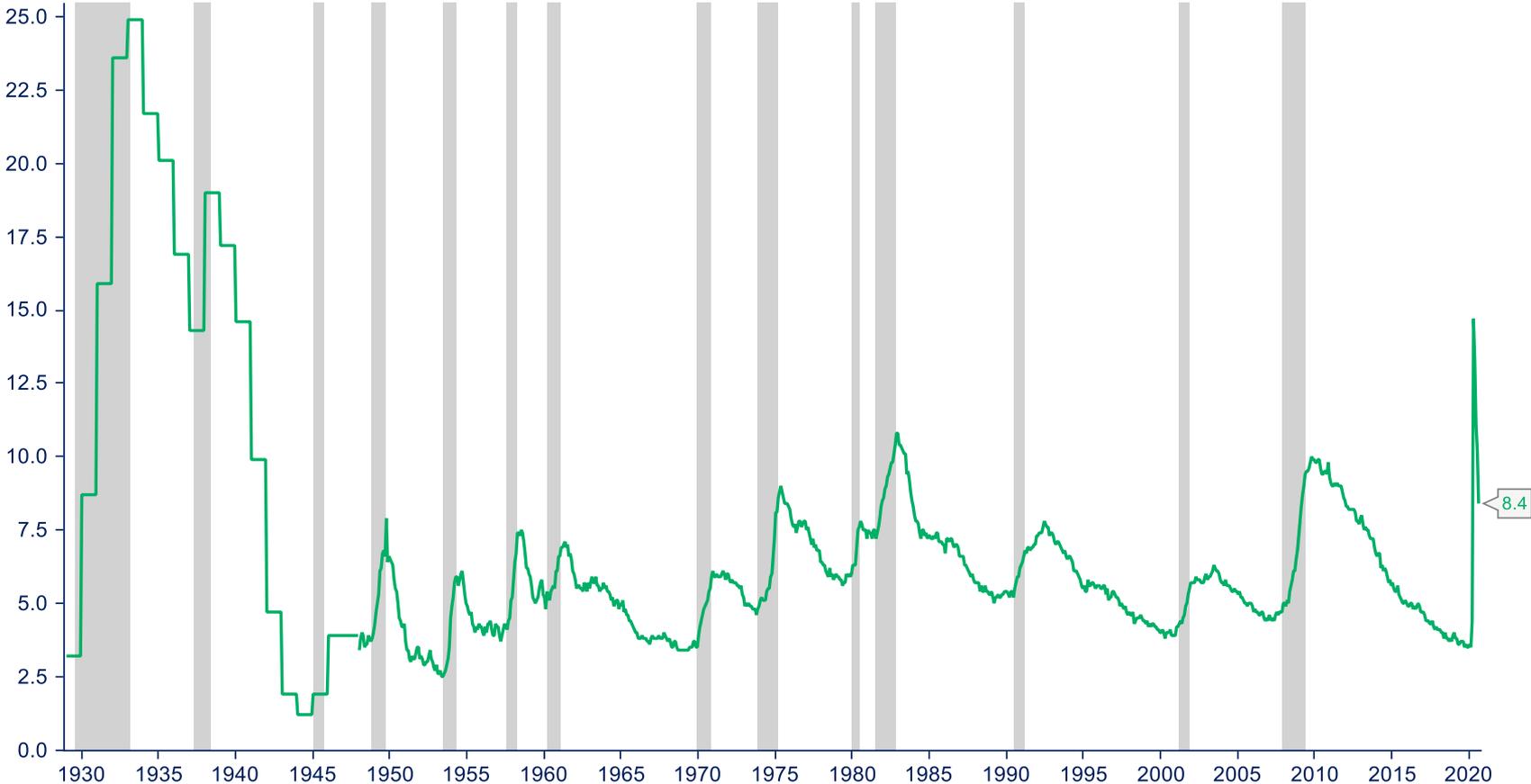
Source: Morgan Stanley Wealth Management, Center for Strategic and International Studies

Impact of stimulus



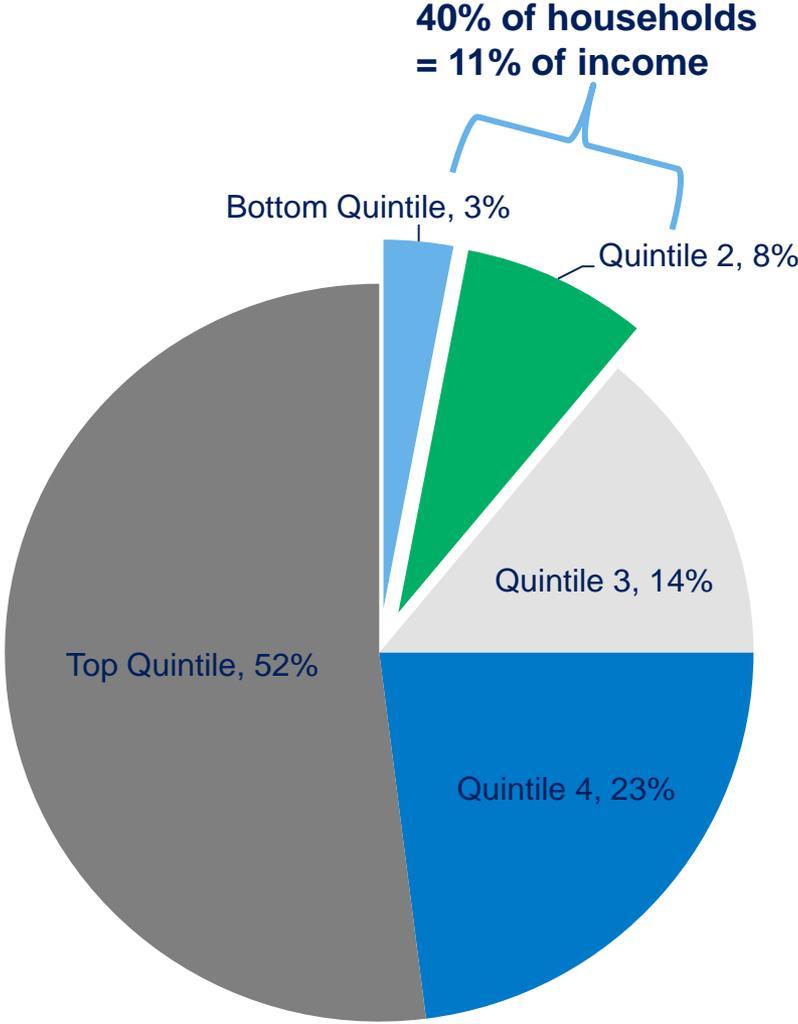
Source: Macrobond, Bloomberg, as of 9/8/2020

The challenge for a consumer economy



Source: Macrobond, BLS, as of 9/8/2020
Data from 1929-1947: annual unemployment rate, 14 years and over
Data from 1948 to current: monthly unemployment rate, 16 years and over

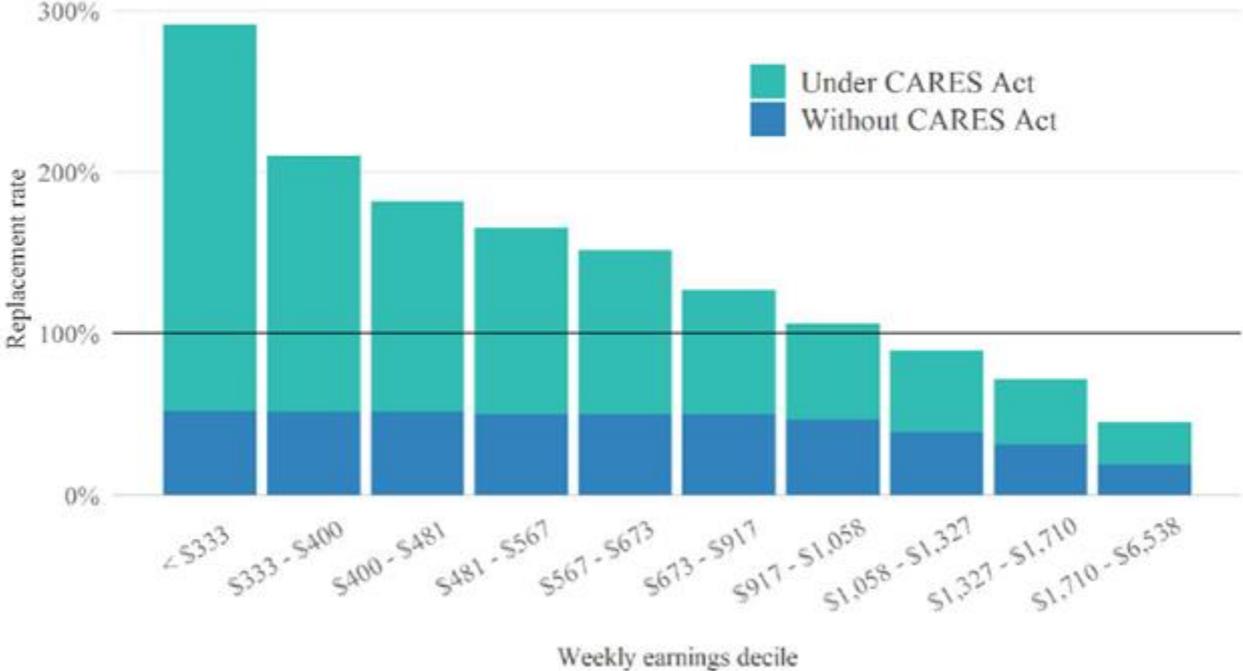
Income dynamics



Credit: Fundstrat Global Advisors

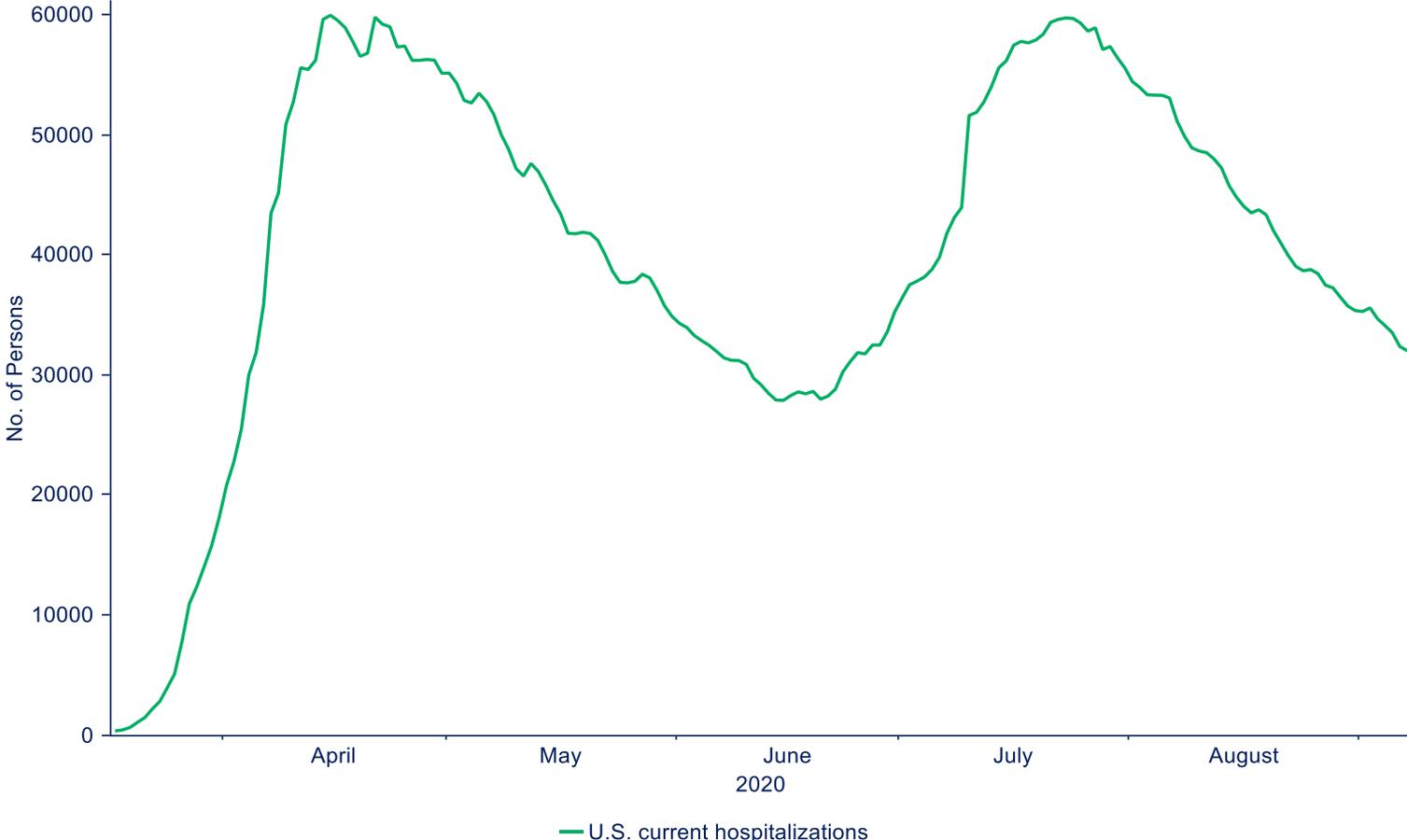
Impact of the \$600 supplement

Figure 3 -- Benefit Replacement Rates Across the Earnings Distribution



Source: The National Bureau of Economic Research

Where we are: COVID-19 in the United States

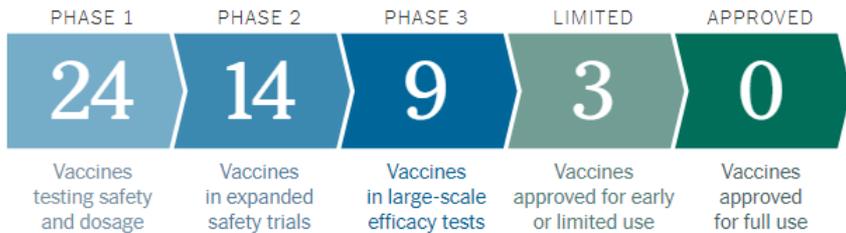


Source: Macrobond, The COVID Tracking Project, as of 9/8/2020

Where We Are Going

COVID-19 vaccine and treatment progress

Vaccine progress



Source: New York Times, as of 9/3/2020

Treatment progress

- Anti-viral drugs
- Anti-bacterial drugs
- Plasma treatments
- Improved treatment protocols

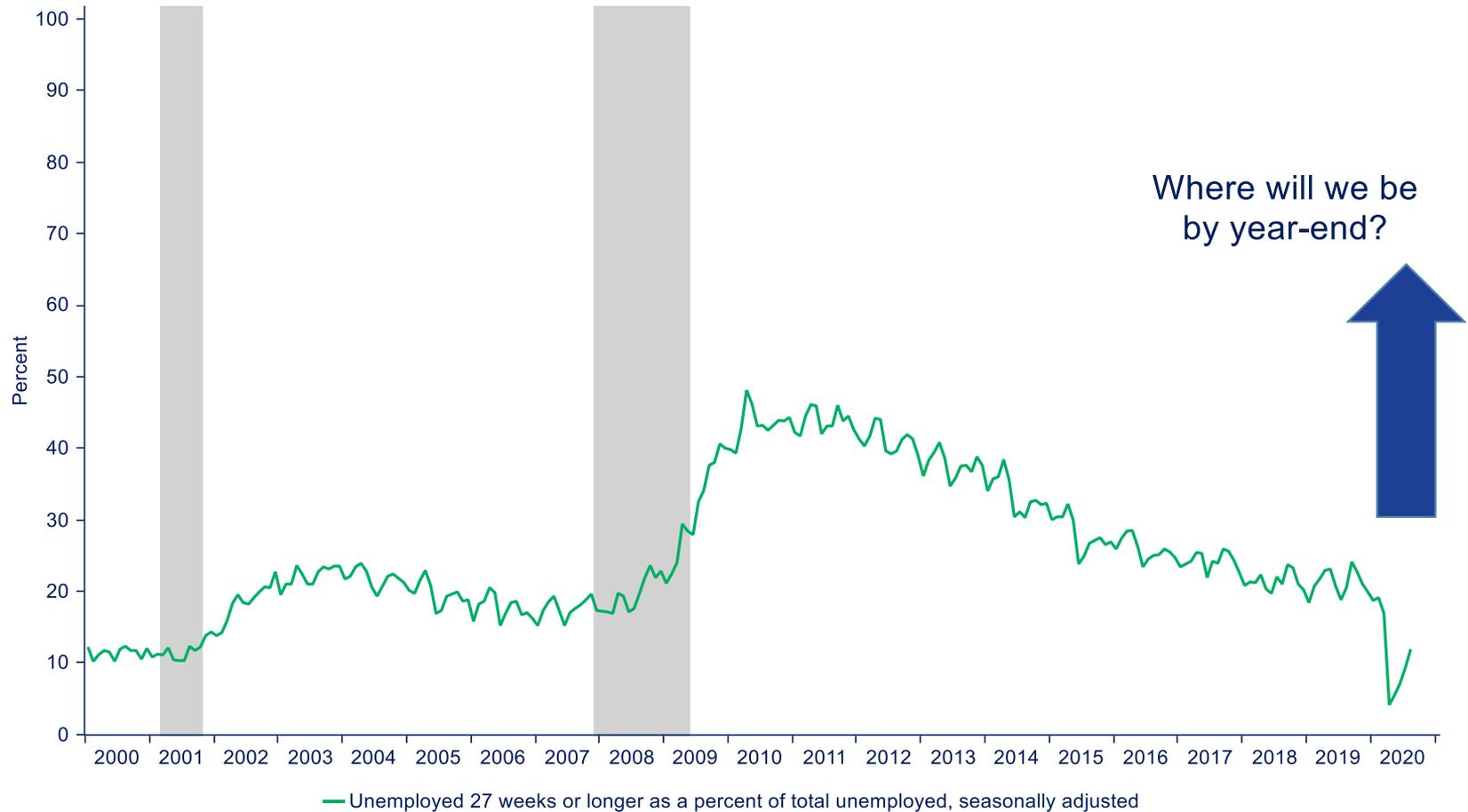
Perspective on second wave risks

Five reasons the Spanish Flu “Second Wave” pandemic is a bad analogy:

1. 100 years of medical advances
2. WWI was still on
3. Troop movements accelerated the spread
4. Cities were more densely populated
5. The U.S. was not yet a “car culture”

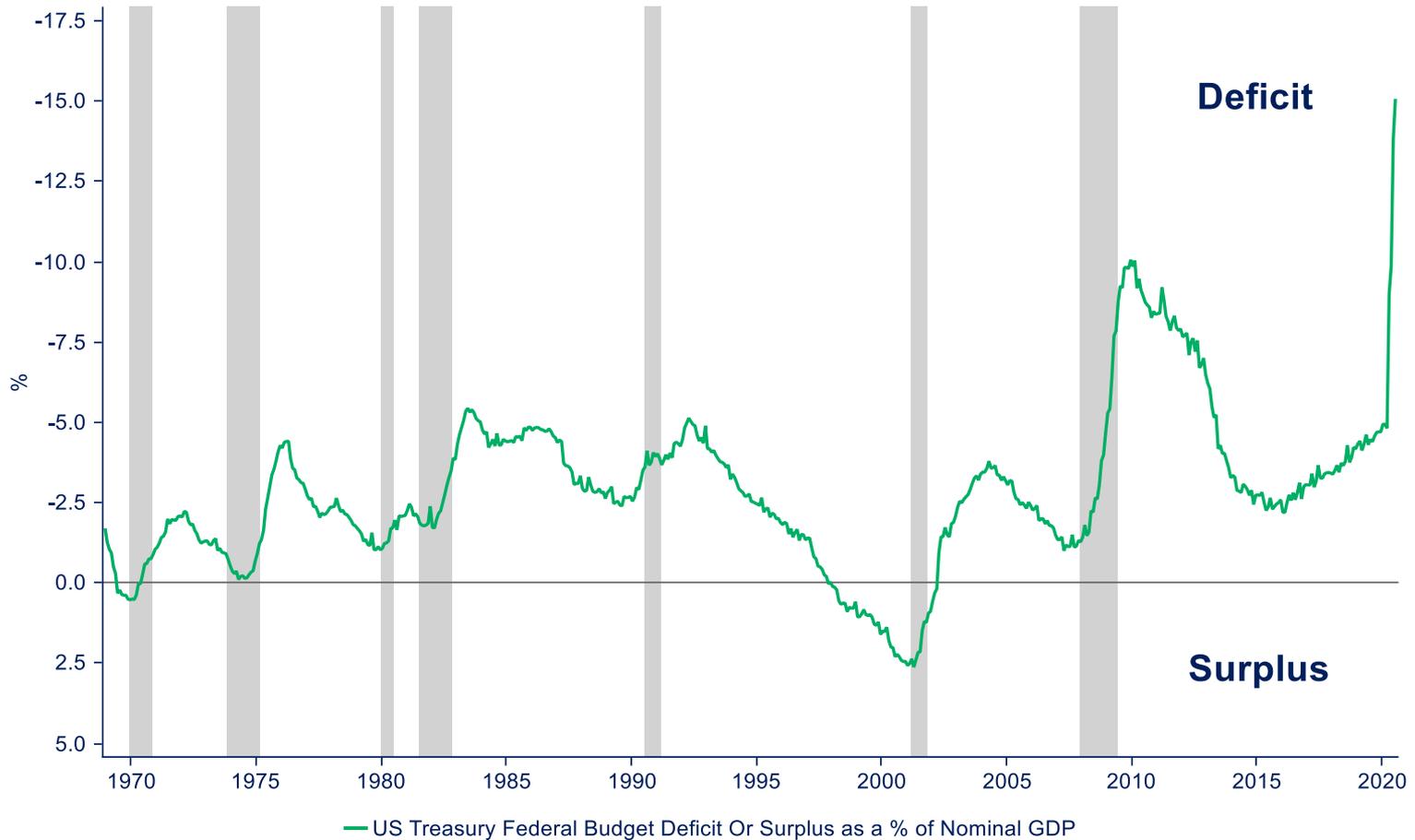
Source: Bloomberg

Unintended consequence risk: long-term unemployment



Source: Macrobond, BLS

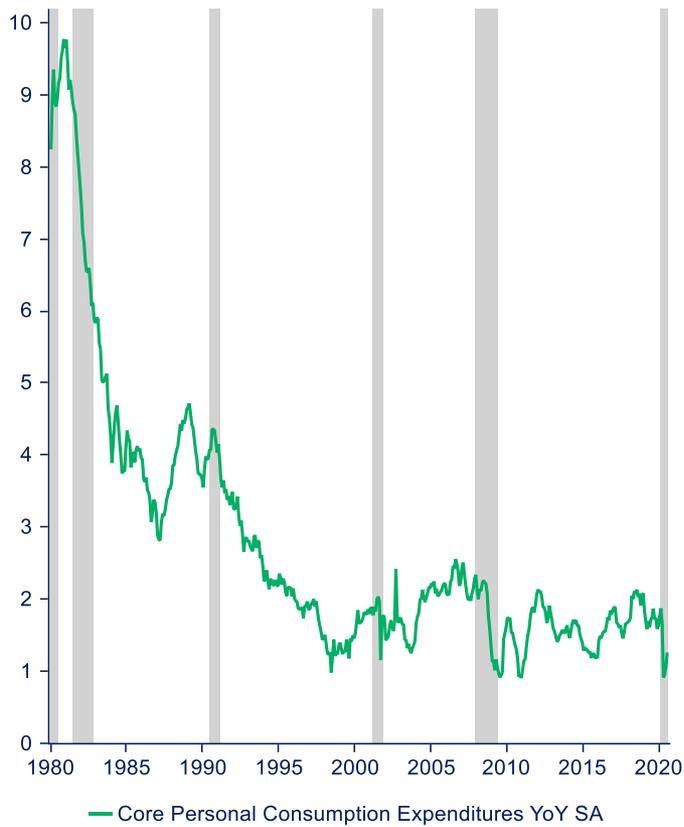
Unintended consequence risk: government debt



Source: Macrobond, Bloomberg, as of 9/8/2020

The metal is the message

Core PCE



Source: Macrobond, Bloomberg, as of 9/8/2020

Spot Gold



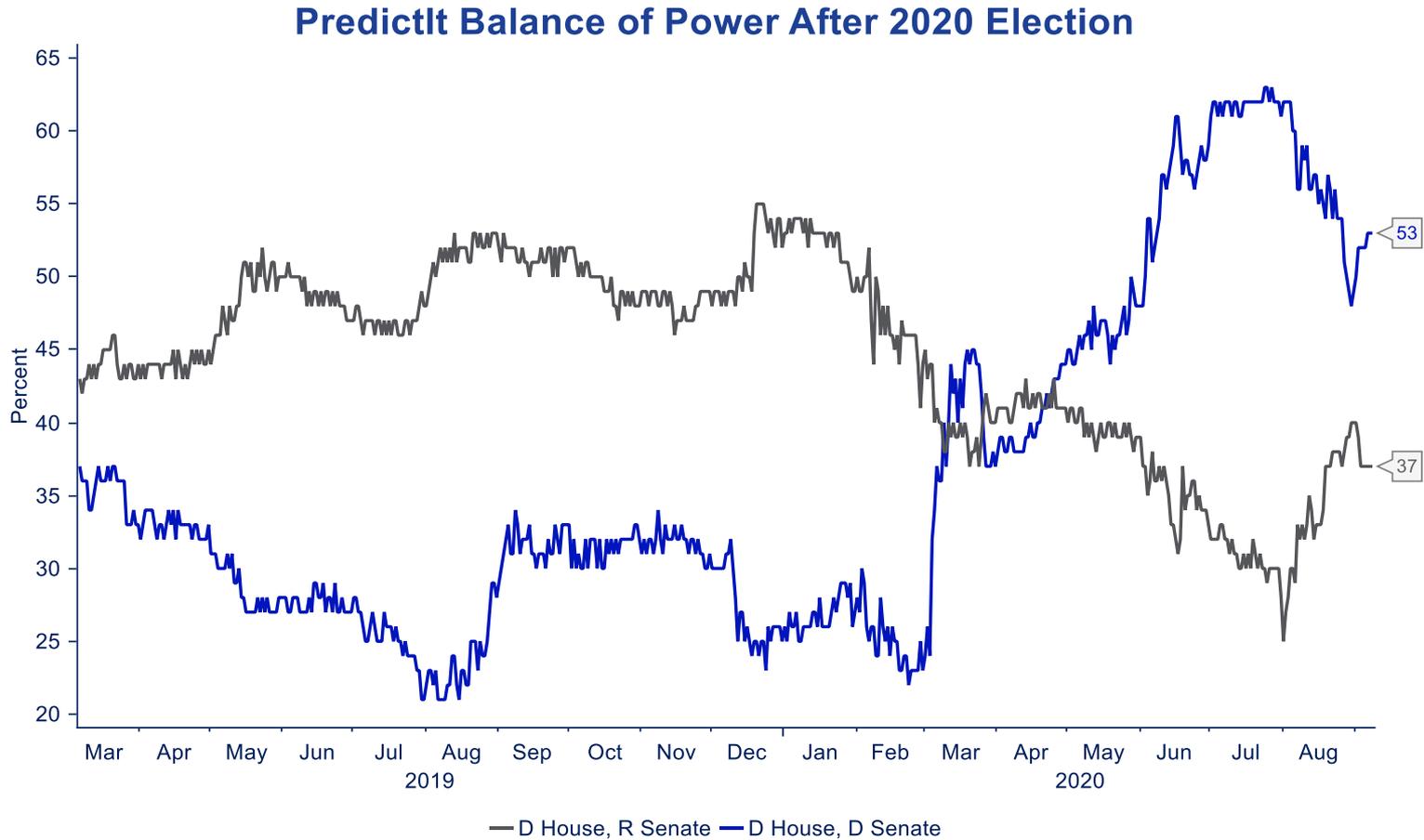
Source: Macrobond, Bloomberg, as of 9/8/2020

Election betting odds



Source: Macrobond, PredictIt, as of 9/8/2020

Election betting odds



Source: Macrobond, PredictIt, as of 9/8/2020

Election: potential policy outcomes

Case #1:

Unchanged Balance of Power

- Further deregulation by executive branch
- Infrastructure spending
- Reshoring

Case #2:

Democratic White House, Split Congress

- Reregulation by executive branch
- Infrastructure spending
- Reshoring

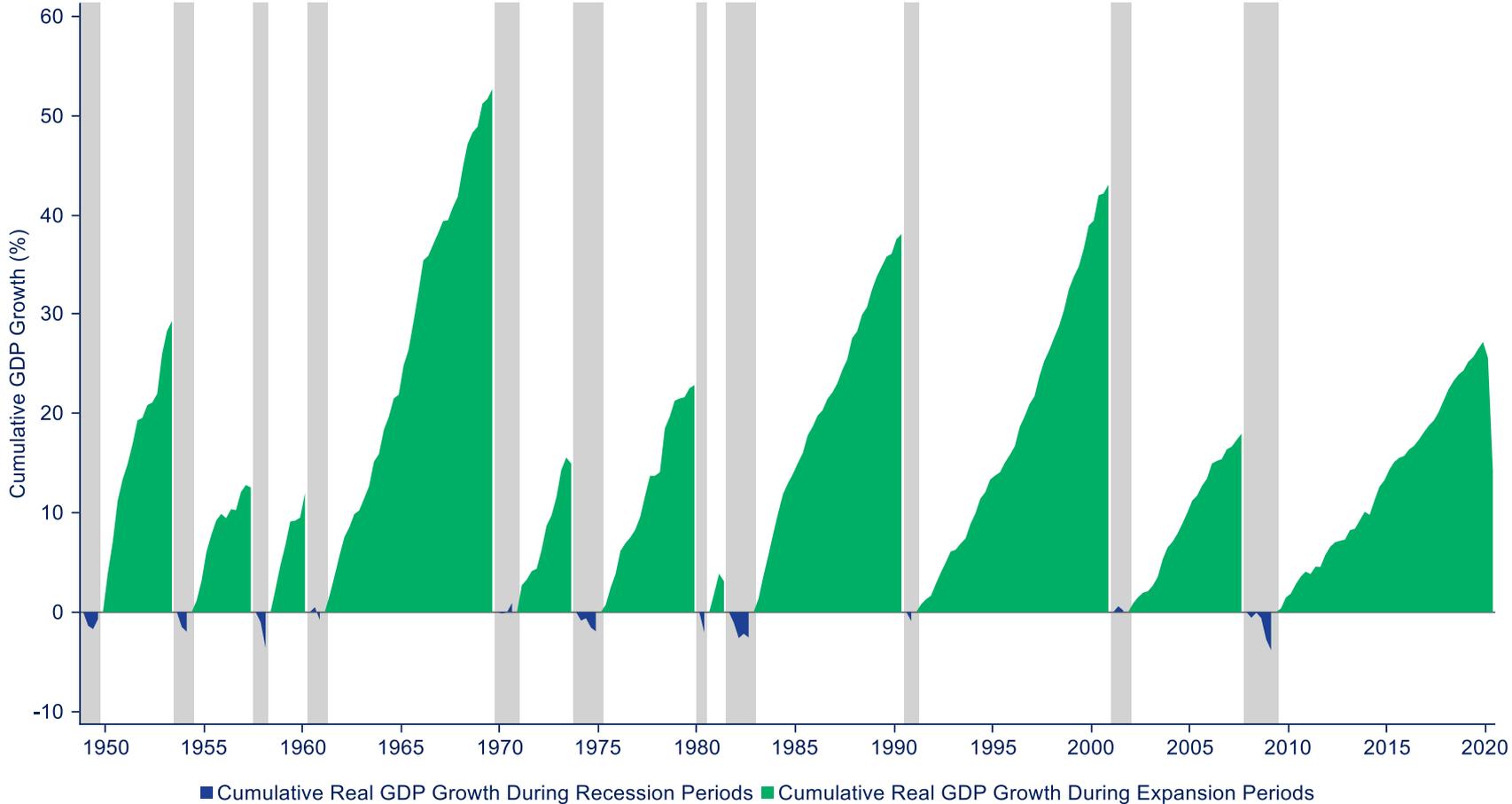
Case #3:

Blue Wave

- Higher taxes
- Reregulation by executive branch and legislation
 - Energy
 - Healthcare
 - Financial services
- Infrastructure spending
- Reshoring

The Post-Pandemic Economy

The long view

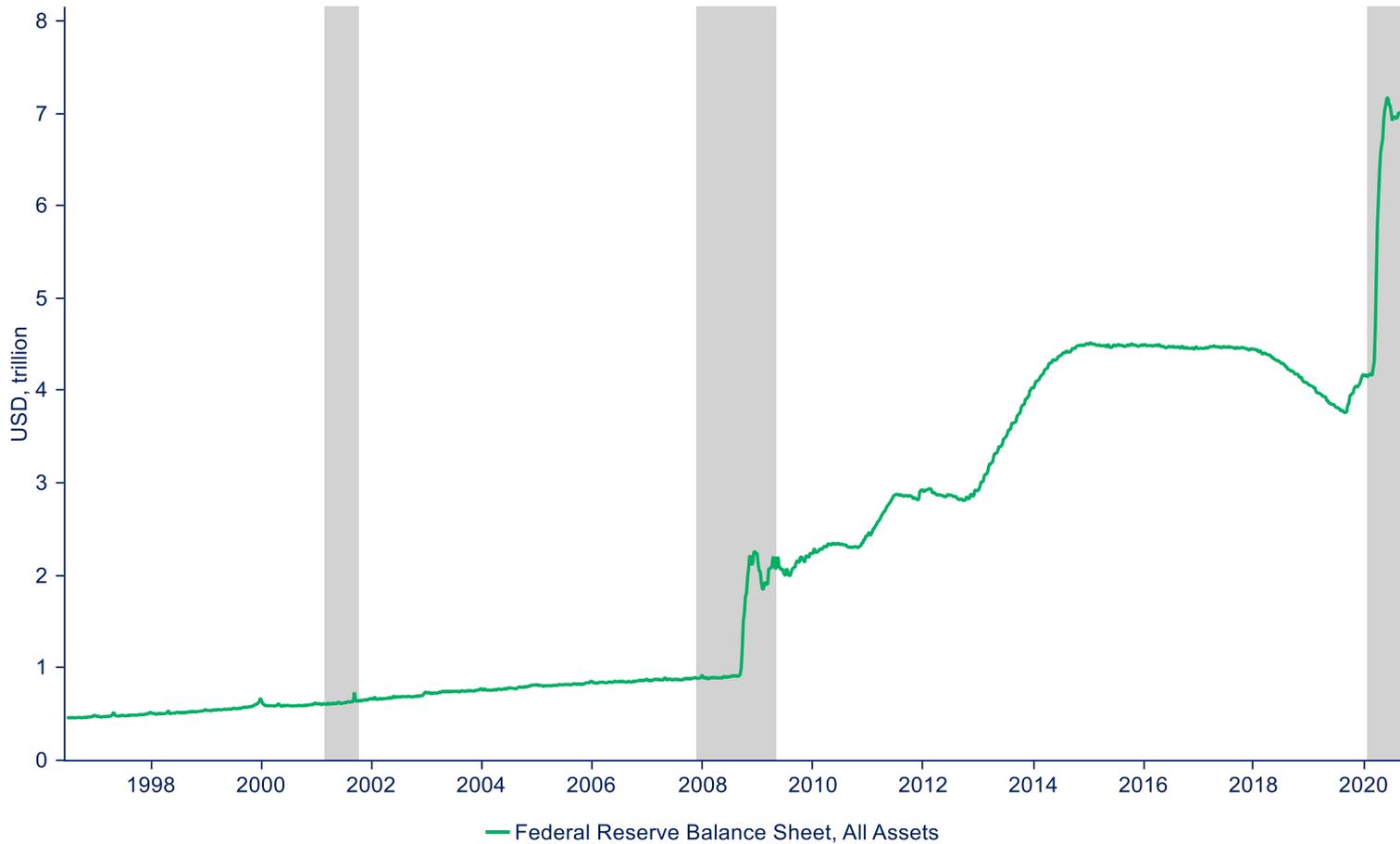


Source: Macrobond, NBER, BEA, as of 6/30/2020

A glimpse at the future: the post-pandemic economy

- Disrupted policy
- Disrupted industries
- Disrupted geographies
- Disrupted employer/employee relationships
- Reshoring manufacturing

Disrupted policy: new Fed framework



Source: Macrobond, Fed, as of 9/8/2020

Disrupted industries: learn from home

Incoming college freshmen might delay school due to COVID-19

BY AYANNA RUNCIE

MAY 7, 2020 / 11:27 PM / CBS NEWS



Will pandemic force your college to go bankrupt?

PUBLISHED WED, MAY 27 2020-8:45 AM EDT | UPDATED WED, JUN 10 2020-9:00 AM EDT

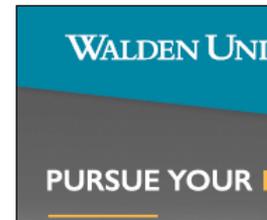


Jessica Dickler
@JDICKLER

SHARE    

KEY POINTS

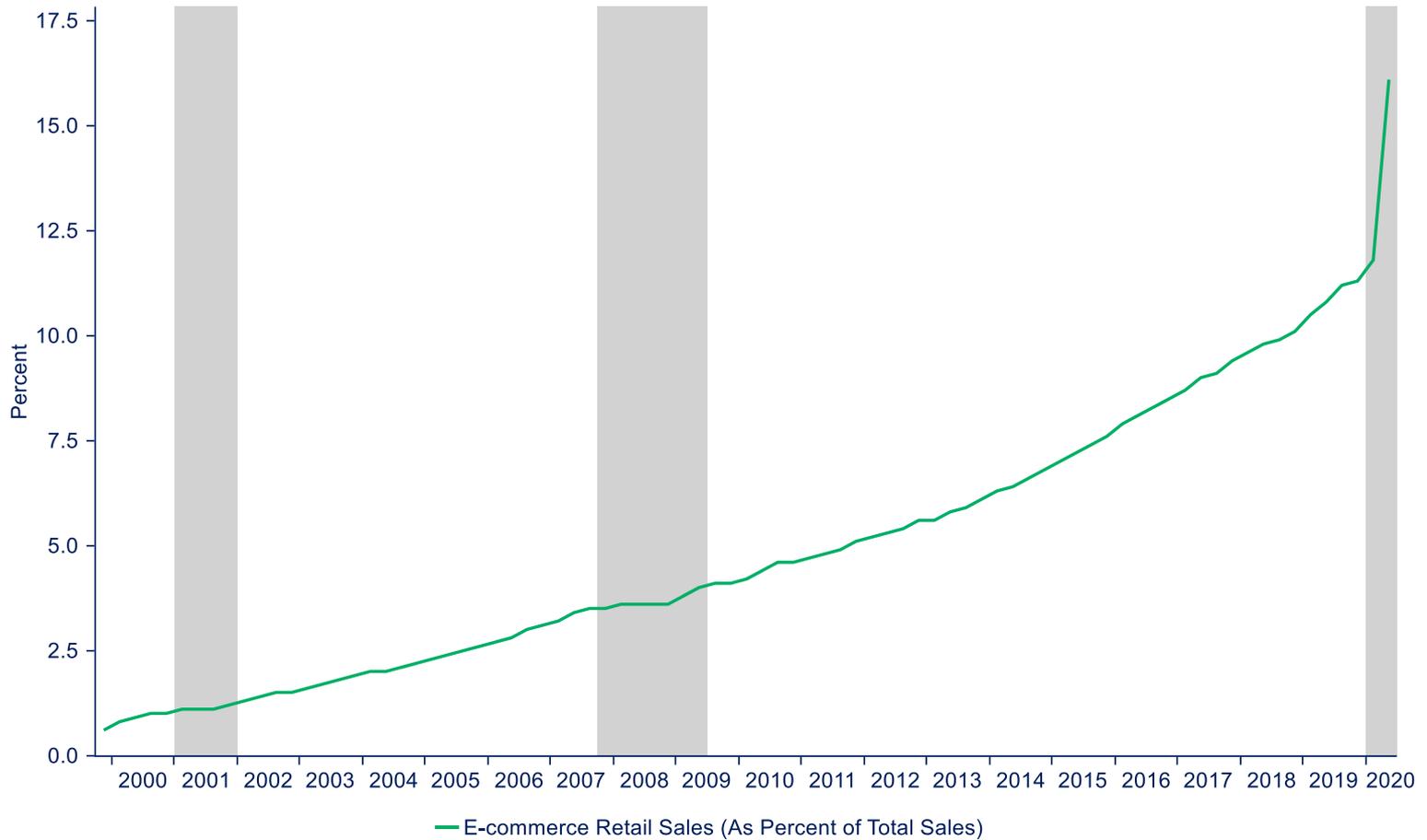
- From suspending admission to freezing tuition, cash-strapped colleges are trying various methods to stay afloat.
- Still, hundreds of schools could be forced out of business entirely.



Source: CBS News, CNBC



Disrupted industries: spend from home

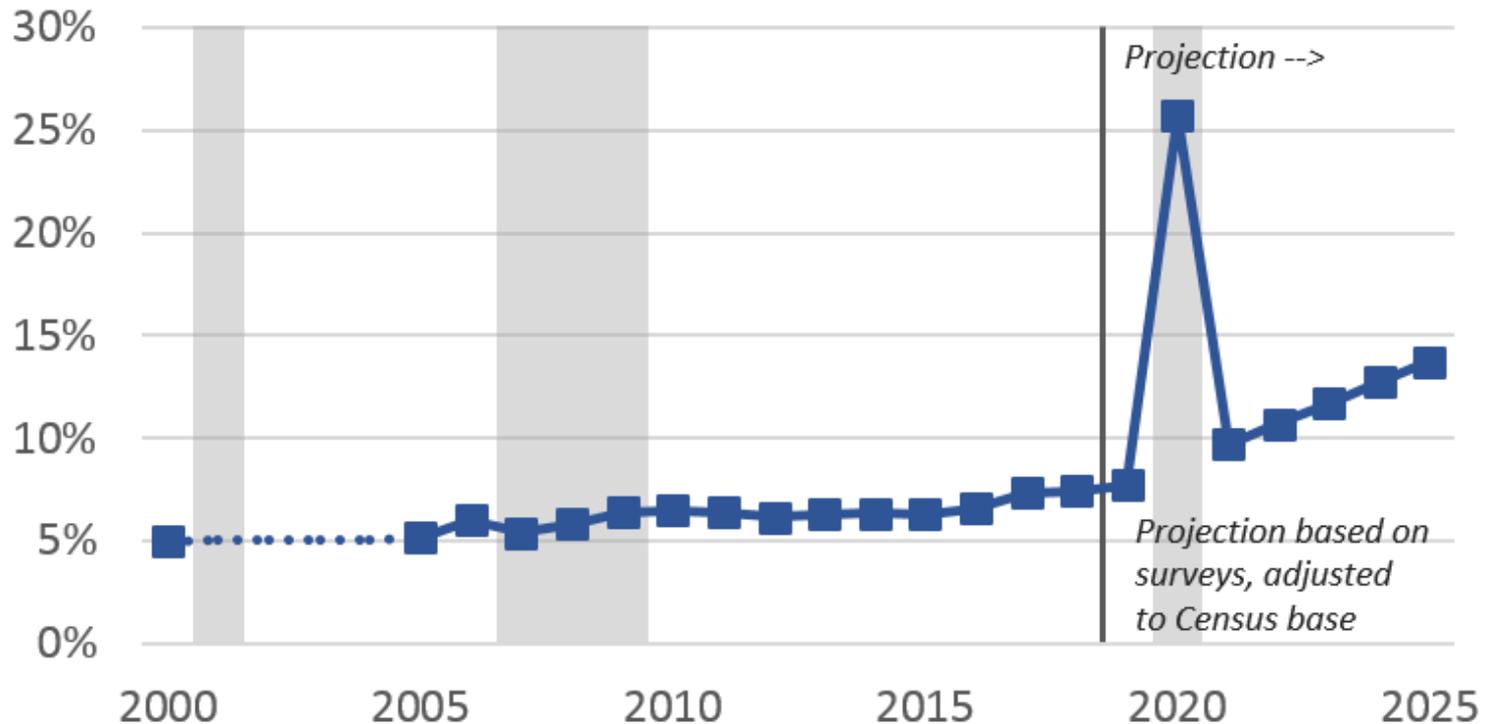


Source: Macrobond, U.S. Census Bureau, as of 9/8/2020

Disrupted workforce: work from home

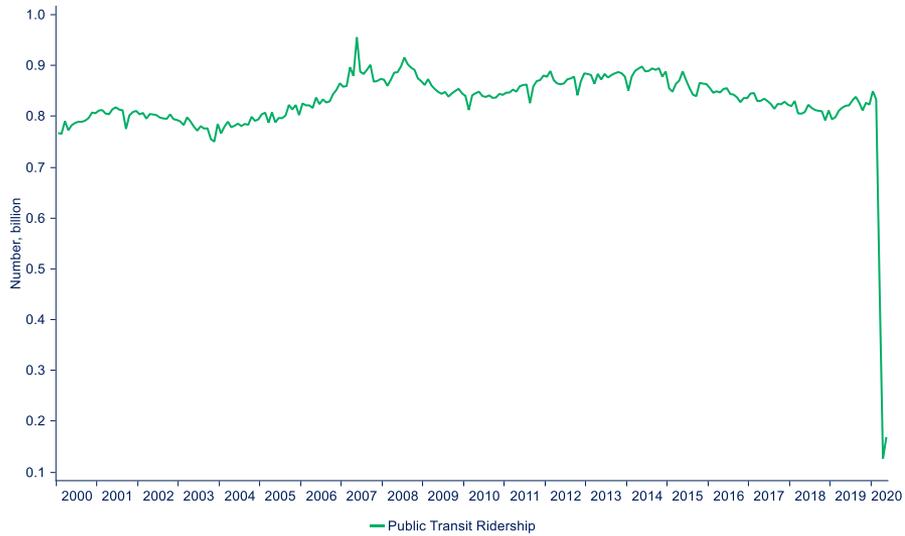
Working at Home on the Rise

Share of Employed Oregonians that Work from Home

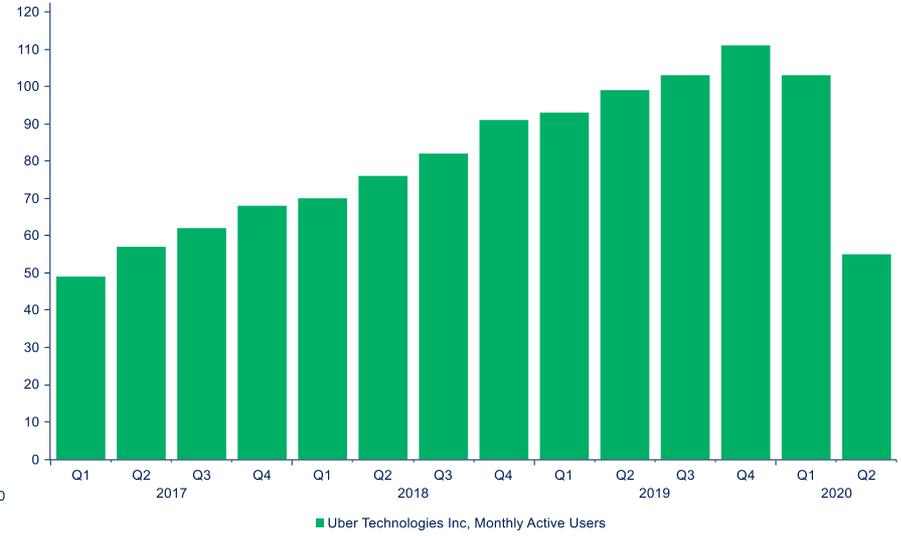


Source: Census, Brynjolfsson et al, Upwork, Oregon Office of Economic Analysis

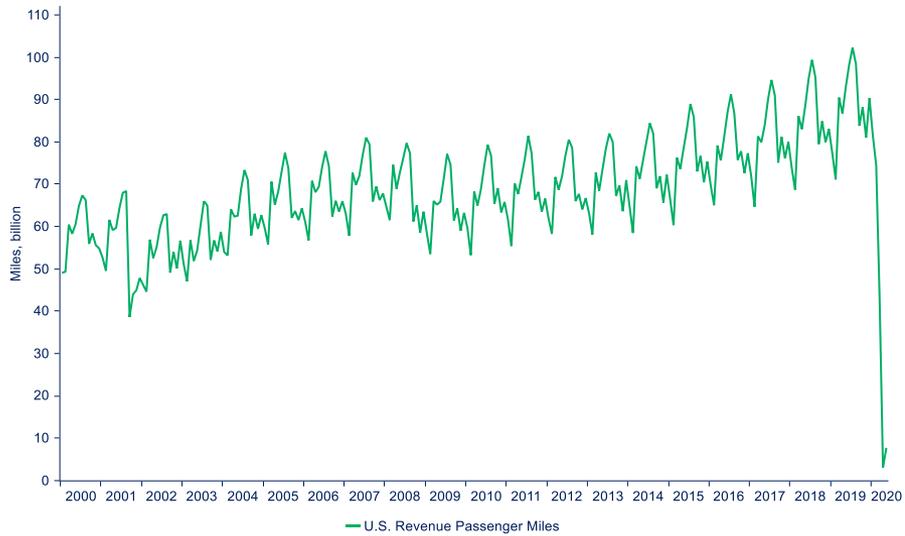
Disrupted industries: transportation



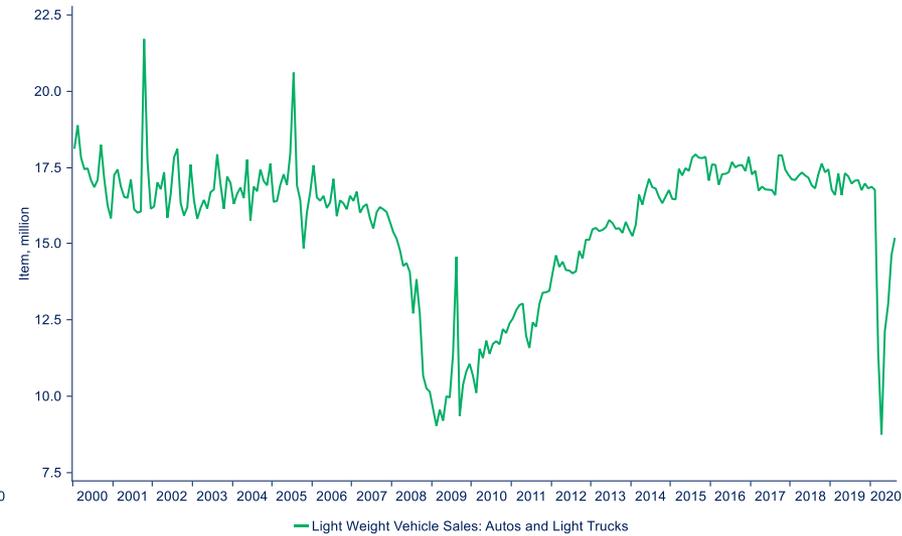
Source: Macrobond, Archival St. Louis Fed (ALFRED), as of 9/8/2020



Source: Macrobond, Bloomberg, as of 9/8/2020

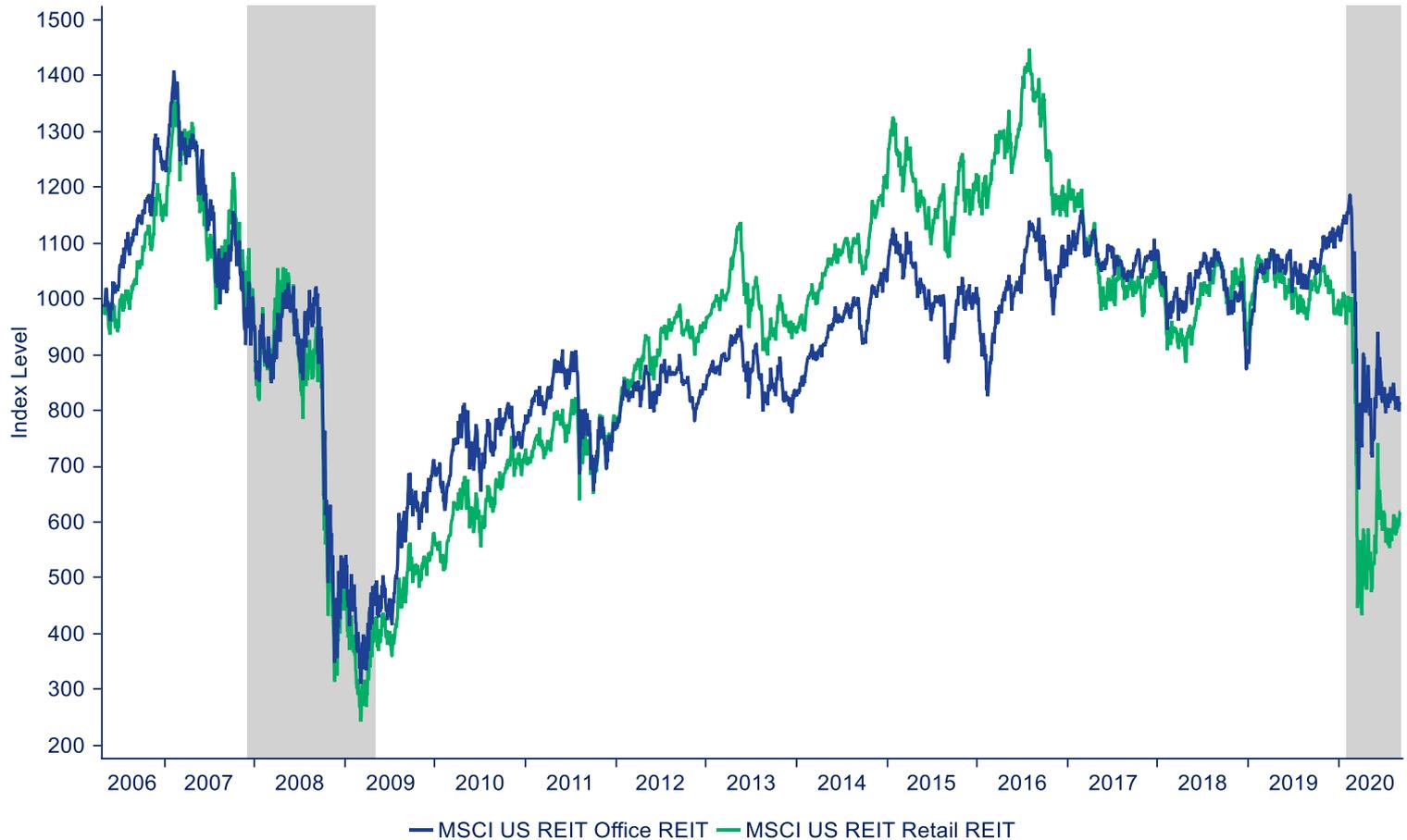


Source: Macrobond, DOT, as of 9/8/2020



Source: Macrobond, BEA, as of 9/8/2020

Disrupted industries: real estate



Source: Macrobond, Bloomberg, as of 9/8/2020

Disrupted geographies: urban to suburban

CRAIN'S CHICAGO BUSINESS

Tuesday, August 25, 2020

Seeking space, homebuyers look to suburbs

The prolonged pandemic has people looking outside the city, where homes recently have been selling fast.



Hundreds of thousands of people looking for suburban homes — Sternlicht on exodus from cities

PUBLISHED TUE, AUG 25 2020•10:43 AM EDT | UPDATED TUE, AUG 25 2020•12:12 PM EDT

Source: Crain's Chicago Business, CNBC



Disrupted geographies: large city to mid-size

HOW COVID-19 IS SHIFTING CORPORATE LOCATION STRATEGY



**Information based on survey of Site Selectors Guild members, week of June 29, 2020*

Top Mid-Size Cities for New Projects

- Boise, ID
- Colorado Springs, CO
- Columbia, SC
- Columbus, OH
- Greenville, SC
- Huntsville, AL
- Indianapolis, IN
- Kansas City, MO
- Raleigh-Durham, NC
- Reno, NV
- Tucson, AZ

**Guild members named mid-size cities that would be strong candidates for new projects (listed in alpha order)*

Suburbs & Mid-Size Cities Are In, Big Cities Are Out



Source: Site Selectors Guild

Disrupted geographies: high tax to low tax

Top 5 U-Haul Growth States

1. Florida (0% state income tax)
2. Texas (0%)
3. North Carolina (5.25%)
4. South Carolina (7%)
5. Washington (0%)

Bottom 5 U-Haul Growth States

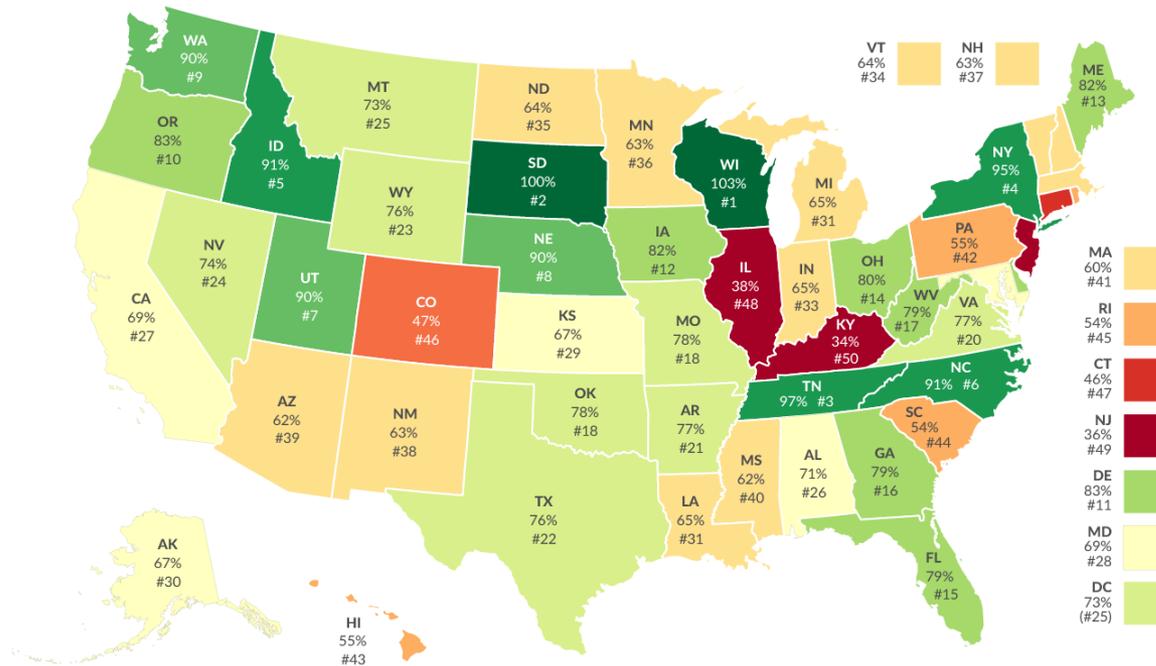
46. Pennsylvania (3.07%)
47. Massachusetts (5%)
48. Michigan (4.25%)
49. California (13.3%)
50. Illinois (4.95%)

Source: U-Haul

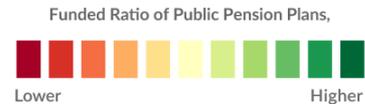
Disrupted geographies: high tax to low tax

How Well-Funded Are Pension Plans in Your State?

Funded Ratio of Public Pension Plans, Fiscal Year 2017



Note: Funded ratio is defined as the level of assets in proportion to accrued pension liability.
 Source: The Pew Charitable Trusts, "The State Pension Funding Gap: 2017" (2019).

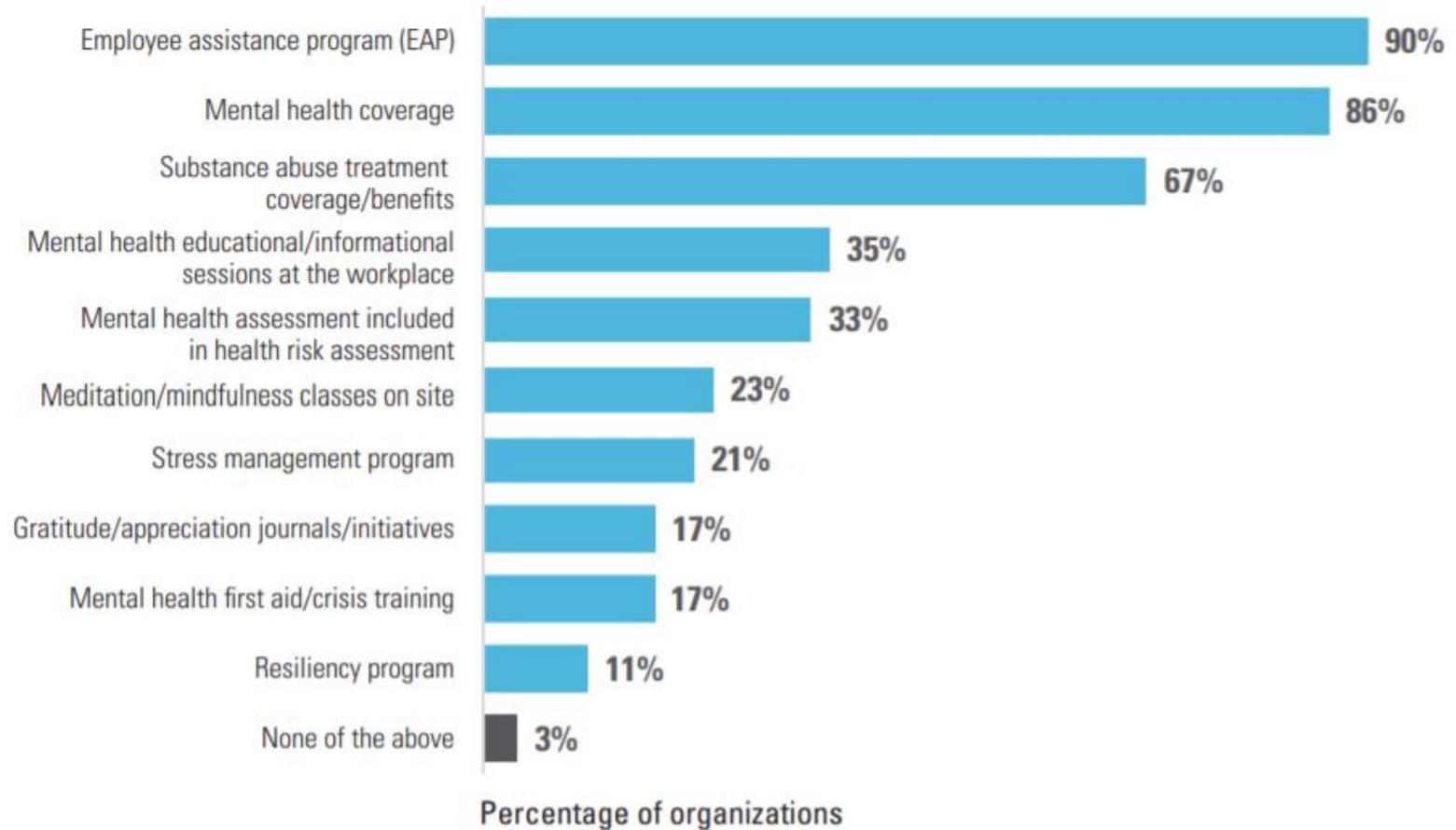


TAX FOUNDATION

@TaxFoundation

Employer-employee relationship: mental health benefits

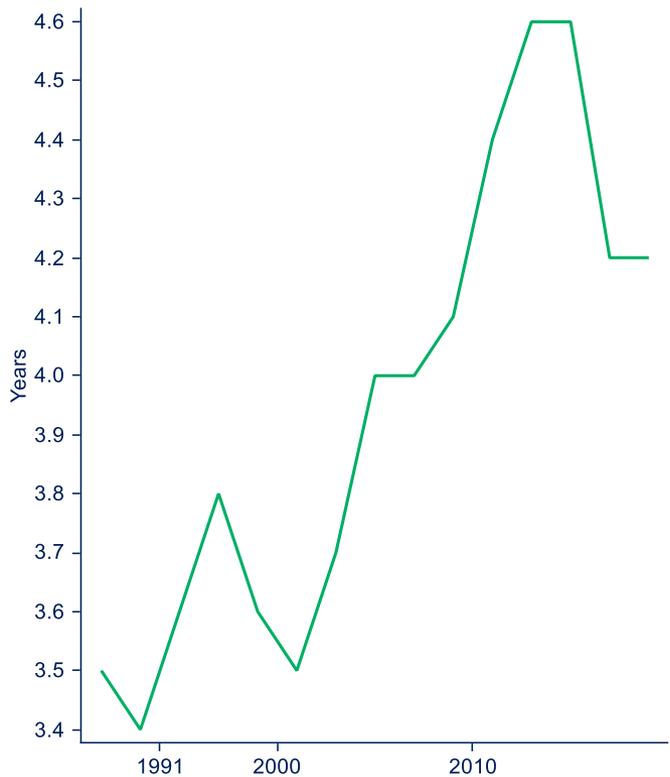
Percentage of Organizations That Offer Mental/Behavioral Health Initiatives



Source: SHRM, Workplace Wellness Trends report, International Foundation of Employee Benefit Plans

Employer-employee relationship

Tenure



— Median Years of Tenure with Current Employer for Employed W...

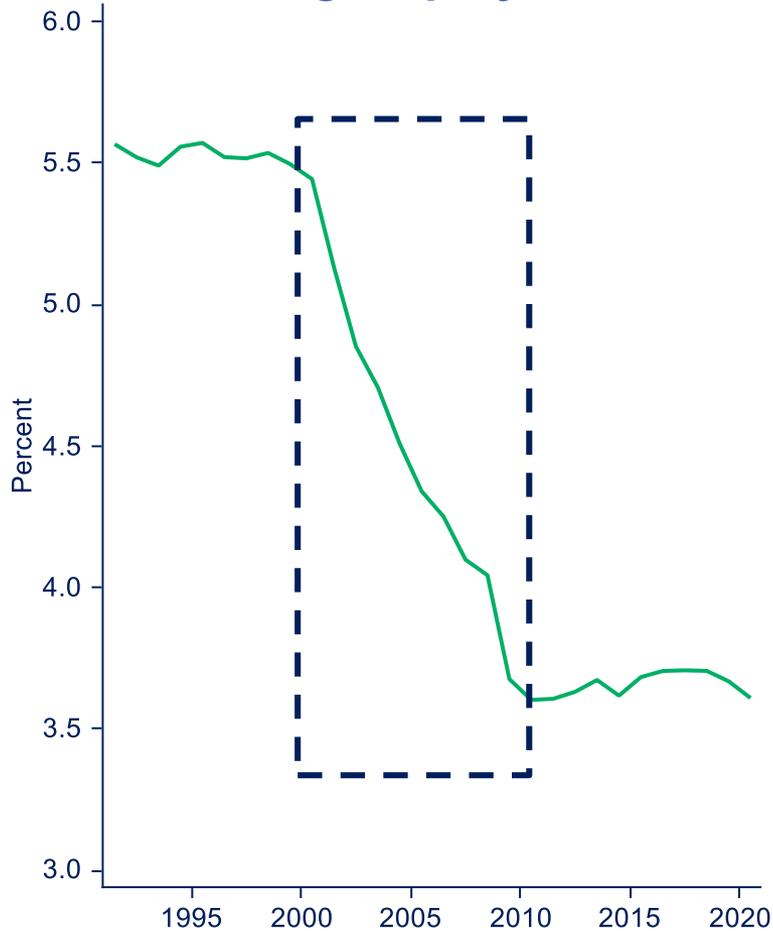
Source: Macrobond, BLS, as of 9/8/2020

The “optional” workforce

- Over 65 workers: health
- Working parents: childcare
- Marginalized workers: wraparound services

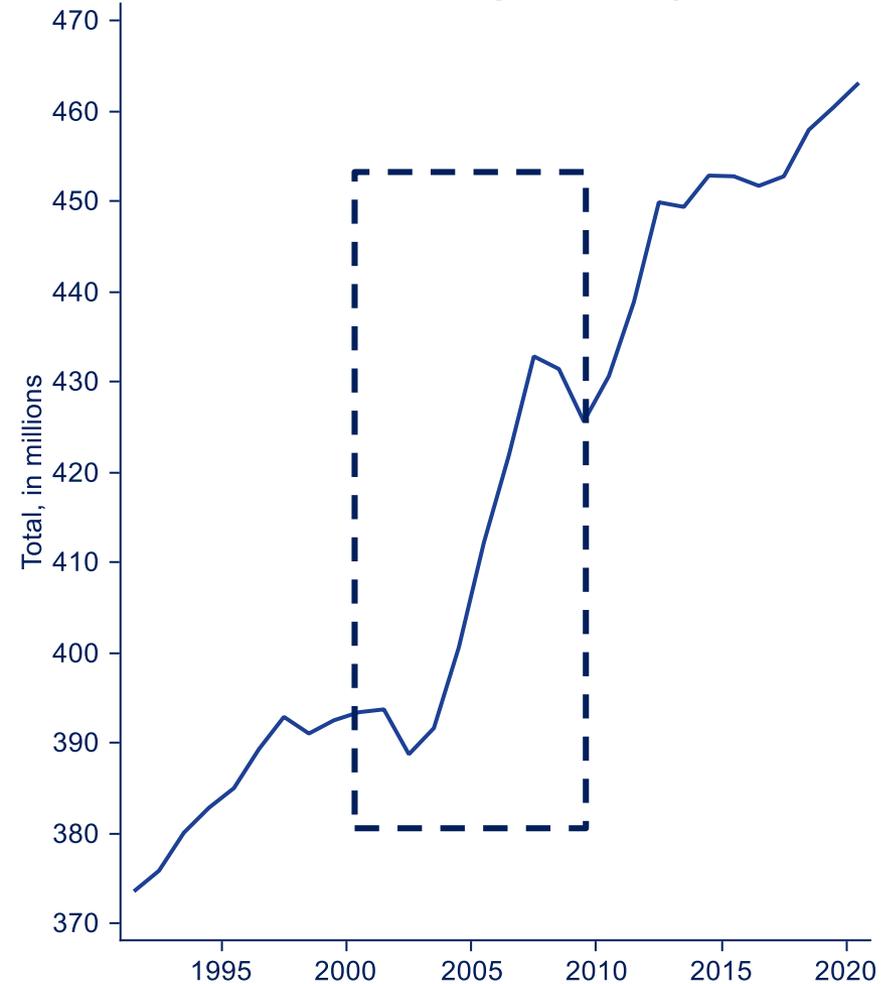
Reshoring: exposing the technology myth

U.S. share of global manufacturing employment



Source: Macrobond, International Labour Organization modeled estimates
As of November 2019

Global manufacturing employment

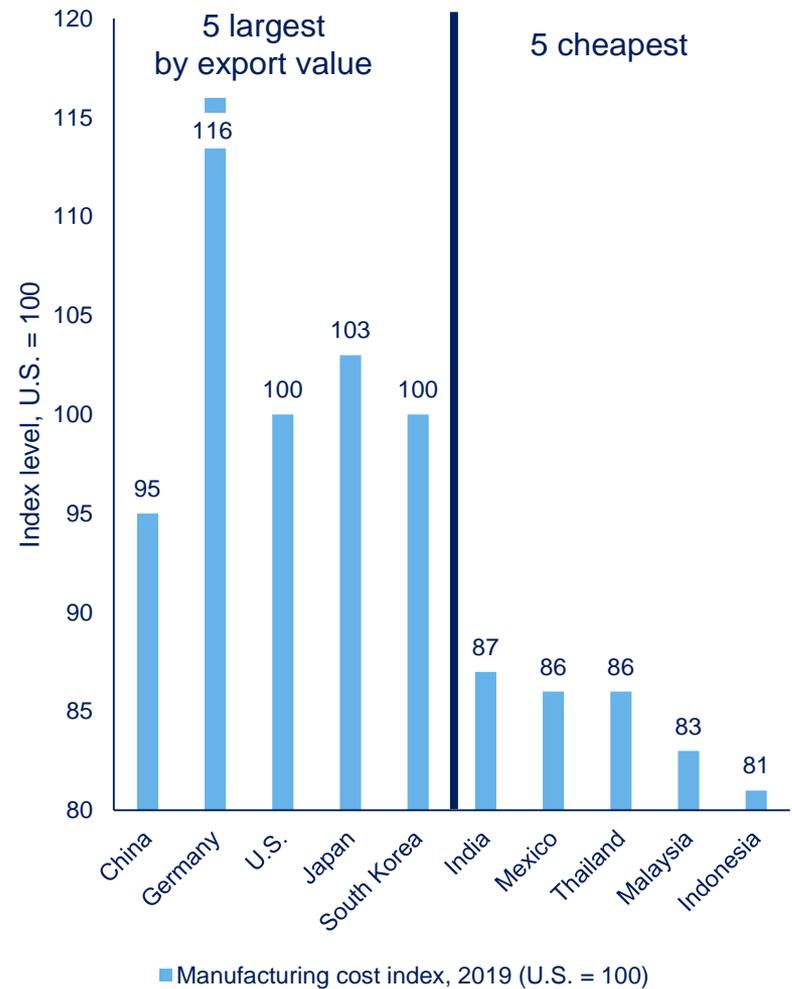


Source: Macrobond, International Labour Organization modeled estimates
As of November 2019

Reshoring: opportunity ahead

- Bipartisan agreement
- Weaker dollar
- Infrastructure challenge
- Industry cluster challenge
- Manufacturing multipliers

Manufacturing cost competitiveness



Source: Boston Consulting Group

Questions?

Thank you

Disclosures & definitions

The S&P 500 Stock Index (SPX) is a composite of the 500 largest companies in the U.S. and it is often used as a measure of the overall U.S. stock market.

GDP (Gross Domestic Product) is the total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports.

The BarCap U.S. Corporate HY YTW – 10-yr Treasury Spread is calculated by taking the Barclays Capital U.S. Corporate High Yield Yield-to-Worst minus the U.S. Generic Government 10-year Yield.

U-3 Unemployment Rate is the total unemployed as a percentage of the civilian labor force. **U-6 Unemployment Rate** is the total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force.

Personal consumption, or consumer spending, tracks goods and services purchased by consumers. Core personal consumption expenditures measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation trends.

The Gold Spot price is quoted as U.S. dollars per troy ounce.

The U.S. Treasury Federal Budget Deficit or Surplus is reported in the monthly Treasury statement of Receipts and Outlays of the U.S. Government. This statement summarizes the financial activities of the Federal Government and off-budget federal entities conducted in accordance with the budget of the U.S. Government.

Retail sales, also referred to as retail trade, tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

The MSCI US REIT Index is a free float-adjusted market capitalization weighted index that is comprised of equity Real Estate Investment Trusts (REITs).

The labor force participation rate is a measure of the economy's active workforce. It is the sum of all workers who are employed or actively seeking employment divided by the total noninstitutionalized, civilian working-age population.

The Boston Consulting Group (BCG) Global Manufacturing Cost-Competitiveness Index estimates shifts in direct costs for the world's 25 leading manufacturing exporting economies in four dimension: manufacturing wages, productivity, energy costs and currency exchange rates.

Opinions are provided by Fifth Third Private Bank, National Association. This information is intended for educational purposes only and does not constitute the rendering of investment advice or a specific recommendation on investment activities and trading. The mention of any specific security does not constitute a solicitation or an offer to buy or sell any security. This information is current as of the date of this presentation and is subject to change at any time, based on market and other conditions. Asset Allocation, Diversification, Alternative Investment and Hedging strategies are intended to mitigate the overall risk within your portfolio. Some strategies may be subject to a higher degree of market risk than others. There are no guarantees that any strategy presented will perform as intended. Indexes are unmanaged and do not incur investment management fees. You cannot invest directly in an index. Past performance is no guarantee of future results.

Fifth Third Private Bank is a division of Fifth Third Bank, National Association, which is an indirect subsidiary of Fifth Third Bancorp. Banking, investment and insurance products and services are offered through or made available by one or more of Fifth Third Bancorp's indirect subsidiaries. Investments, investment services and insurance:

Are Not FDIC Insured	Offer Not Bank Guaranteed	May Lose Value
Are Not Insured by Any Federal Government Agency		Are Not a Deposit



Insurance Products are made available through Fifth Third Insurance Agency, Inc.