



Guidance in an Uncertain Economy

Alan Beaulieu, PhD
President



COVID-19

&

Government Involvement

OIL PRICES

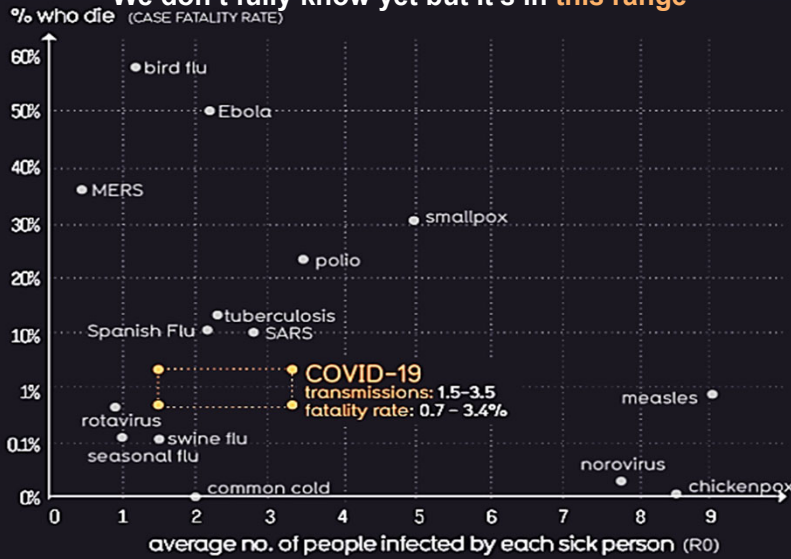
TIMELINE ASSUMPTIONS & ECONOMIC VARIABLES



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How Contagious & Deadly is It?

We don't fully know yet but it's in **this orange**



Sources: Centers for Disease Control, WHO, New York Times

COVID-19 Fatality Rate

	Country	Fatality Rate	As % of Total Population	% Population 65+
Based on WEEKLY aggregated total deaths	Italy	11.04%	0.0179%	23.0%
	Spain	8.28%	0.0140%	19.6%
	UK	6.29%	0.0018%	18.5%
	World	4.69%	0.0004%	9.1%
	China	4.02%	0.0002%	11.5%
	US	1.75%	0.0008%	16.5%
	Germany	0.79%	0.0005%	21.6%
Based on DAILY aggregated total deaths	Italy	11.39%	0.0192%	23.0%
	Spain	8.62%	0.0157%	19.6%
	UK	6.36%	0.0021%	18.5%
	World	4.79%	0.0005%	9.1%
	China	4.02%	0.0002%	11.5%
	US	1.93%	0.0010%	16.5%
	Germany	0.94%	0.0007%	21.6%

Sources: European Center for Disease Prevention, World Bank, US Census Bureau, Worldometer

China: Supply Chain Concerns

- Operating at 60% to 70% of manufacturing capacity; ~ 90% of the labor has returned
 - Expected to be at 90% machine capacity utilization in 6 weeks
 - Hubei province lagging
- The province of Zhejiang leads the country with 90% of its large industrial firms reopened
 - President Xi said that it is time for companies to reopen where the virus is no longer a big danger
 - Port delays/congesting are easing but a “supply chain gap” is still probable
- There is considerable concern in general because the Chinese economy is already debt heavy. We think that is more of a longer-term threat associated with the 2030 forecast.
- Medical: Confirmed new cases are down to zero in some provinces with travelers accounting for the increase that is occurring; over half the hospitalized patients in the outbreak province have reportedly been discharged
 - 293 clinical trials underway / a vaccine in trials also with a projected timeline of 6 – 8 months (very fast)



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American Chamber of Commerce in China and Interact Analysis

Economic Fundamentals Were Improving

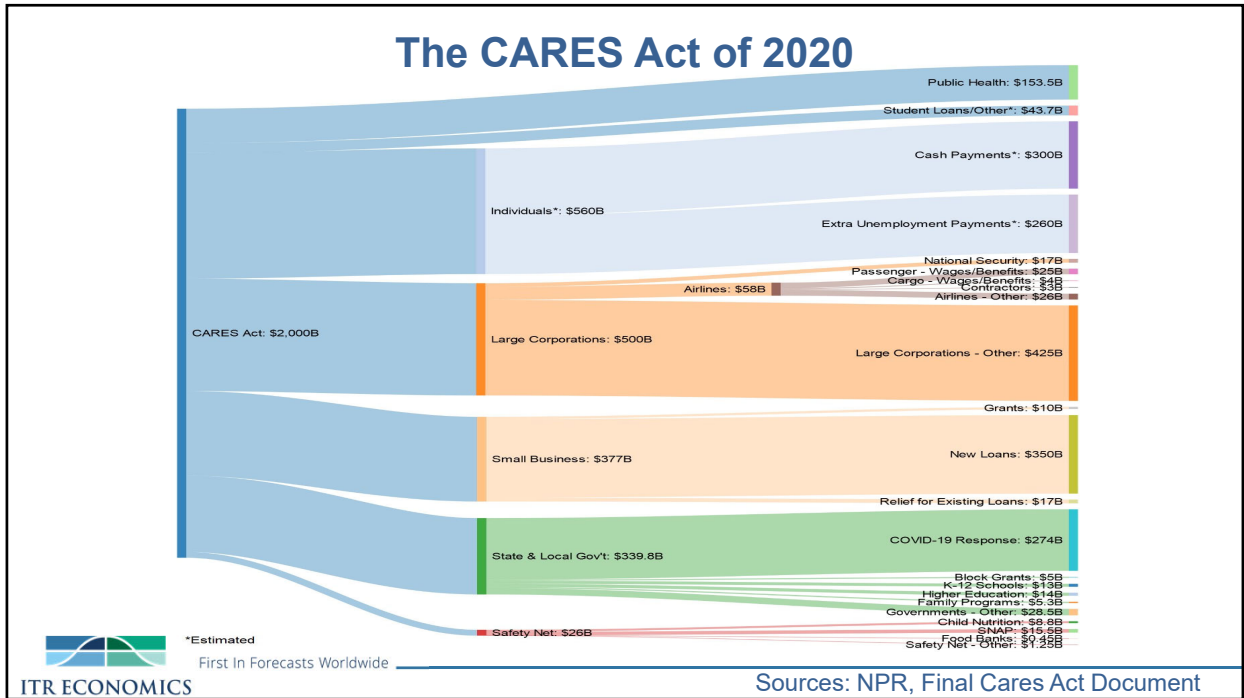
World Industrial Production Index to G7 Leading Indicator



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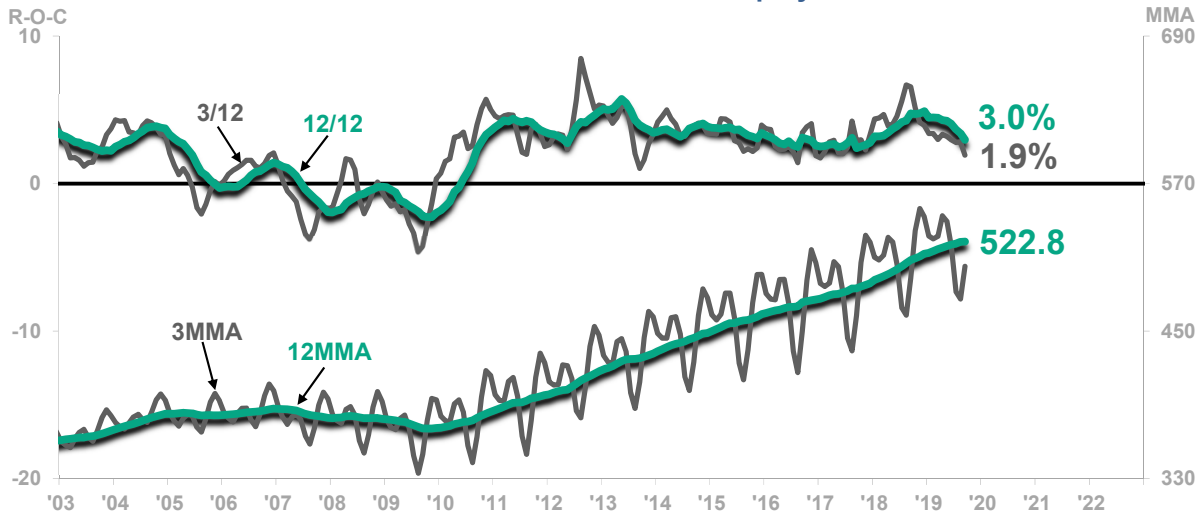
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Sources: CPB Netherlands Bureau For Economic Policy Analysis, OECD



It Will Remain Difficult to Find Qualified Trained People

US Food Service Contractors Employment



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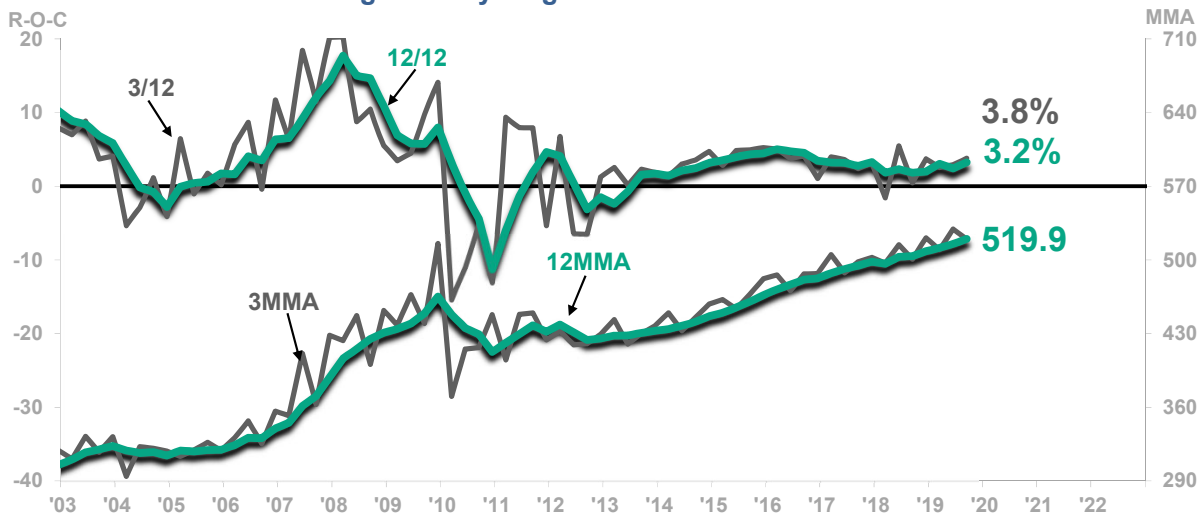
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Thousands

Source: Bureau of Labor Statistics

Wage Pressures Will Continue

US Average Weekly Wage for Food Service Contractors



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Dollars

Source: Bureau of Labor Statistics

Federal Reserve Takes Action

March 12

- Fed announced pumping **\$1.5 trils** into short-term lending markets

March 15

- Cut interest rates by 100bps to 0% - 0.25%
- Lowered the primary credit rate to 0.25% and lengthened term of loans to 90 days
- Cut reserve requirements to zero
- Announced at least \$700 billion of asset purchases:
 - \$500 billion of treasuries and \$200 billion of MBS
- Announced coordinated efforts with BoC, BoJ, BoE, ECB, and SNB to lower the rate and extend the term on existing dollar swap arrangements

March 16

- Announced the launch of commercial paper funding facility

March 18

- Announced reopening of primary dealer credit facility

March 23

- Created new and extensive lending facilities

BTW: A normal yield curve is back in place



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Source: Federal Reserve

Some Economic Fundamentals

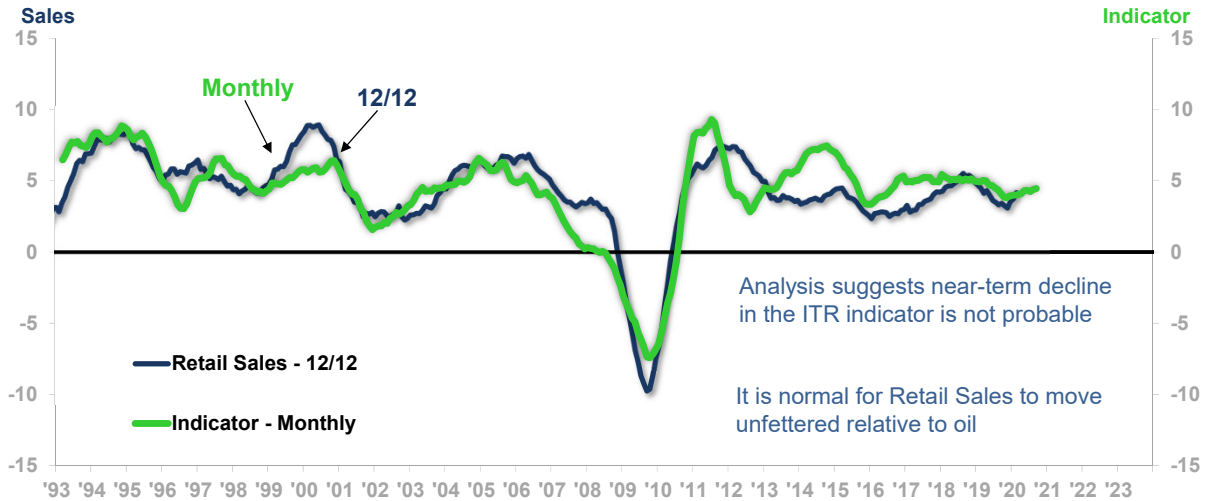



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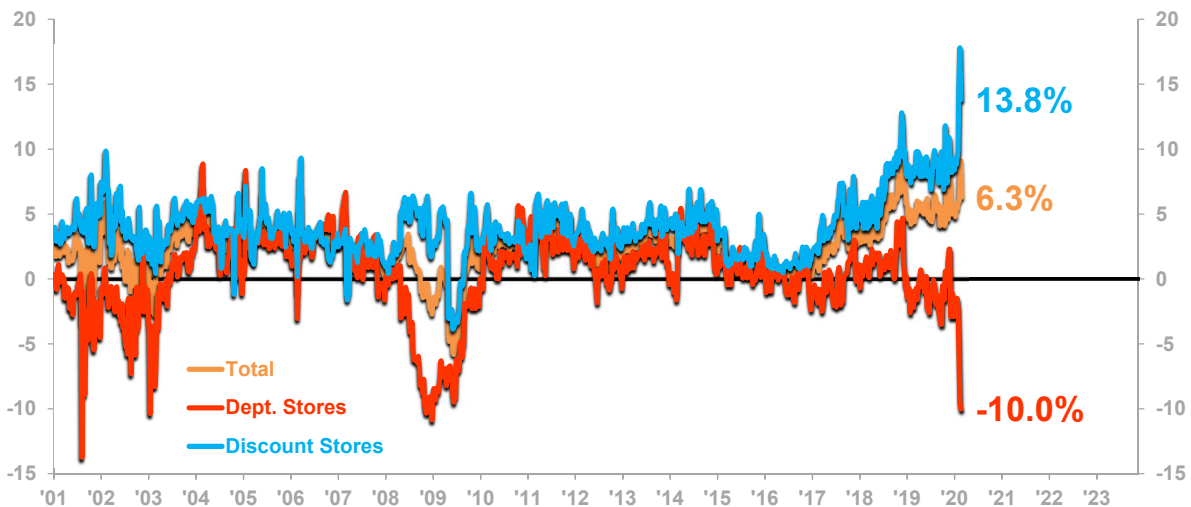
ITR Leading Indicator Expected to Bend but not Break

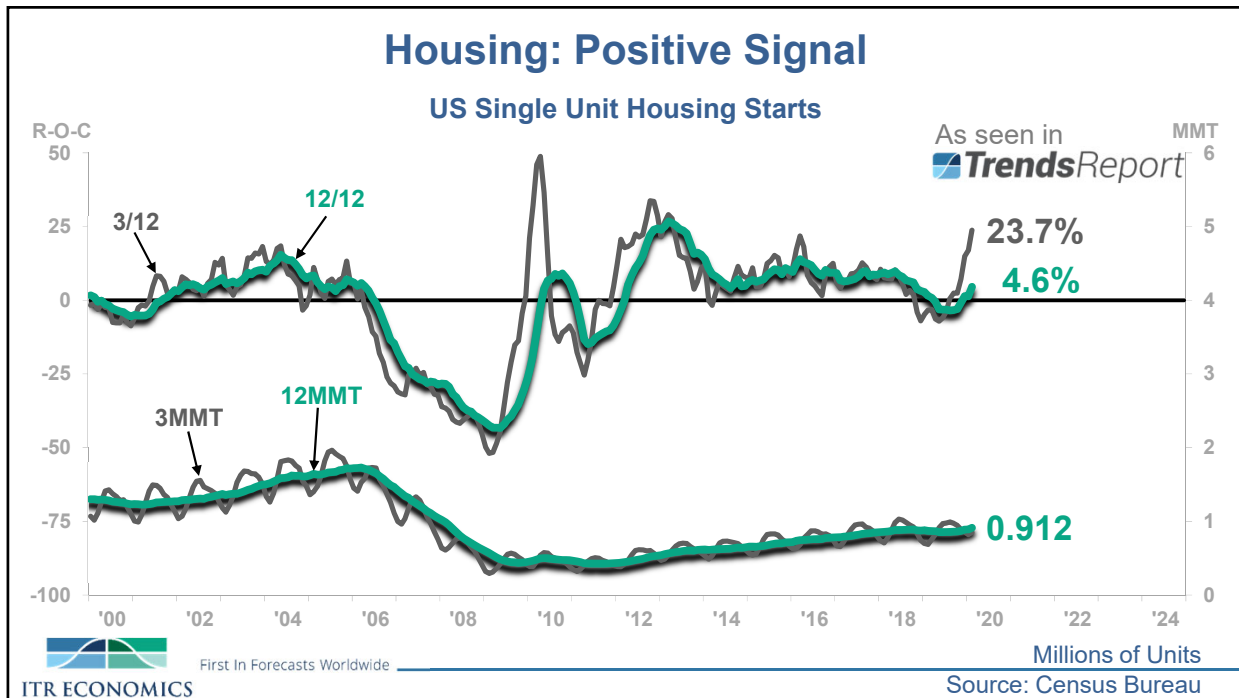
US Total Retail Sales to ITR Consumer Activity Leading Indicator™



After the Surge Comes the Lull

Johnson Redbook Weekly Indexes for the US





U.S. Economic Leading Indicators

Indicator	Trend	Comments	Lead Time months
ITR Consumer Activity Leading Indicator	Rise	Potential April 2019 low <u>expected to hold</u>	14
ITR Financial Leading Indicator	Rise	August 2019 low; danger of losing	14
JPMorgan Global PMI	Decline	Jan 2019 1/12 r-o-c; lost the low	12
OECD Leading Indicator	Rise	August 2019 1/12 low holding but data delayed	10
G7 Leading Indicator	Rise	August 2019 low is holding for now	10
Purchasing Managers Index (PMI)	Rise	September 2019 1/12 low holding thru Feb	9
ITR Leading Indicator	Rise	October 2019 low <u>looks likely to hold</u>	8
Wilshire Total Market Cap	Rise	Feb 2019 low holding through Feb but in danger	8
US Leading Indicator	Rise	Dec 2019 low likely will lose the low	8
Single-Family Housing Starts	Rise	12/12 Aug 2019 low <u>expected to hold</u>	8
Total Industry Capacity Utilization	Rise	Jan 2020 low threatened assume we lose the low	6
US Exports – World	Rise	Jun 2019 3/12 low viability is threatened	4

ITR ECONOMICS Sources: ITR Economics, Institute for Supply Management, OECD, Yahoo Finance, The Conference Board, US Census Bureau, FRB

Financial Markets

Expectations: this will be a relatively short decline and the rebound will be normal



Bear Markets Occur Even When Retail Sales Are Rising

US Stock Prices Index to US Total Retail Sales



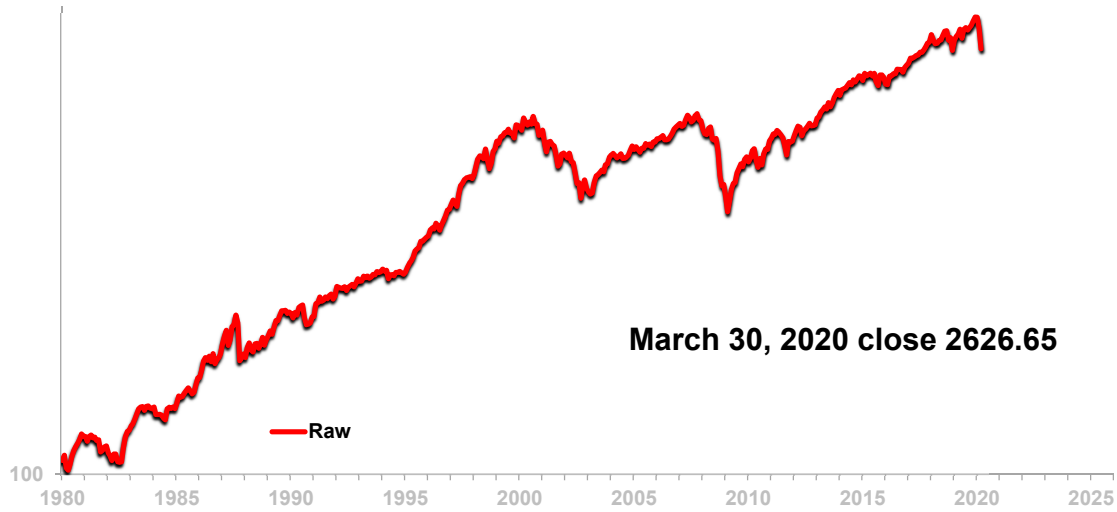
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Data Trend

Source: Wall Street Journal, US Census Bureau

Searching for the Bottom

S&P500 Stock Prices Index



Corporate Liquid Assets Will Be Dragged Down

US Stock Prices Index to US Nonfinancial Corporate Business Liquid Assets



Opportunities in the Cycle

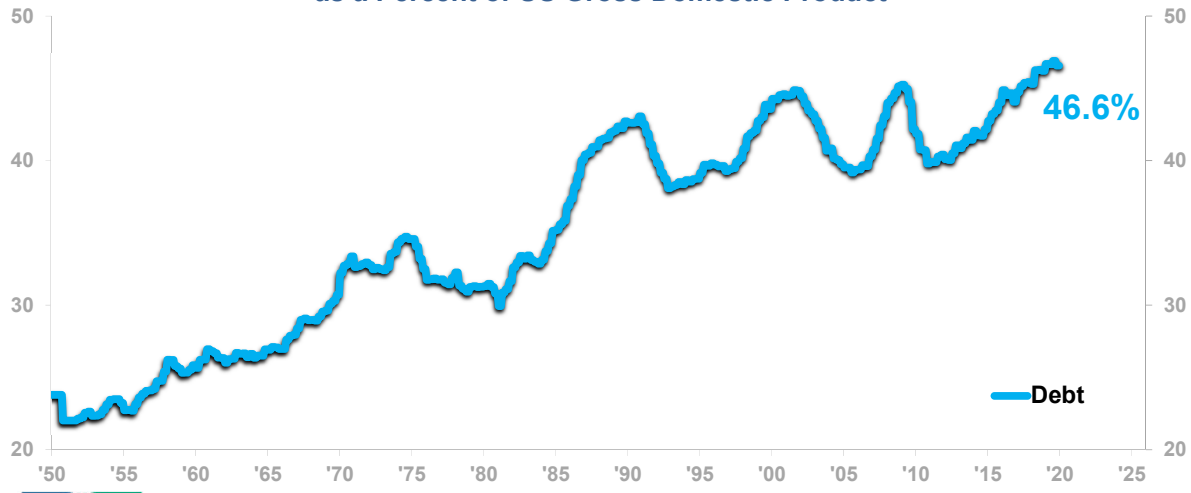


In the Aftermath of the 7 Pertinent Precedents:

1. Market rebounds for a duration of 11 to 26 months or slightly longer
2. Market rebounds 56.5% to 85.5%
3. Length of rebound not a determining factor in magnitude of the rise
4. Median gain all cases is 60.8%

Quality of the Debt More Important...and Concerning

US Nonfinancial Corporate Business Debt Securities and Loans Liability Level as a Percent of US Gross Domestic Product



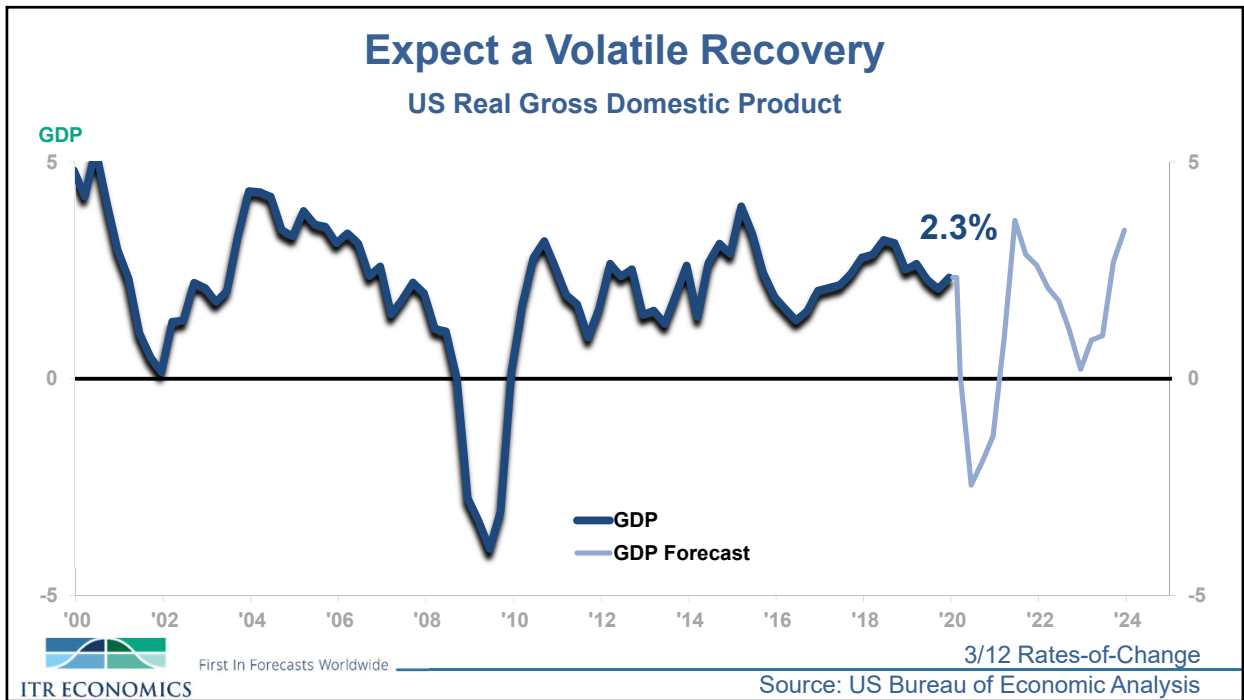
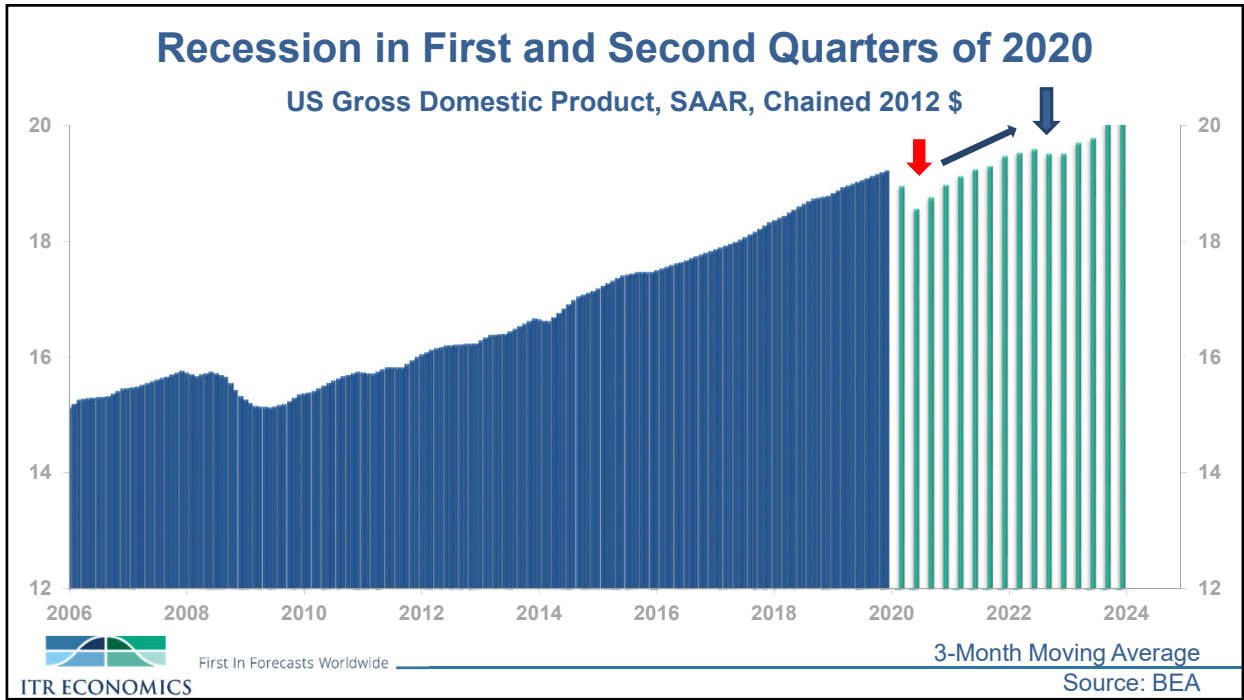
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Percentage
Sources: FRED

Macroeconomic Trends

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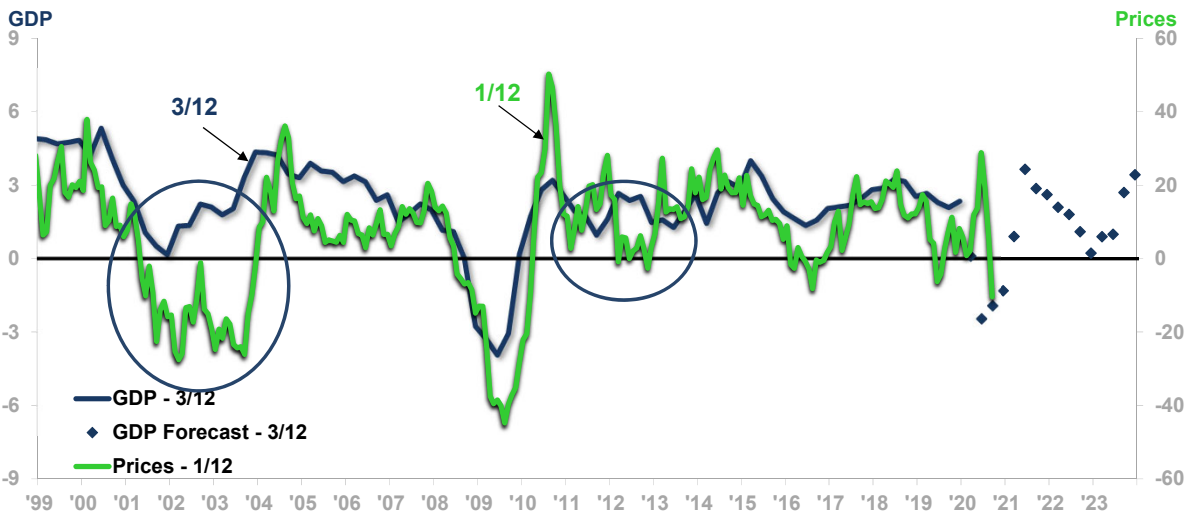
An Important Leading Indicator to Monitor

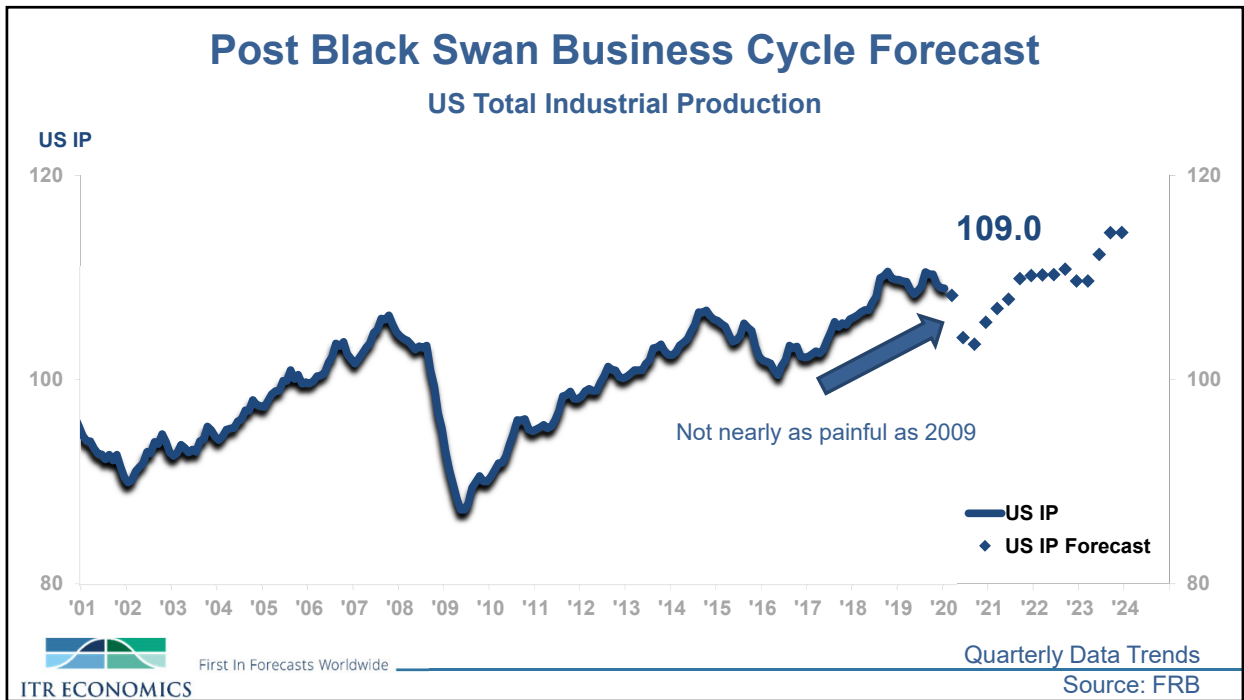
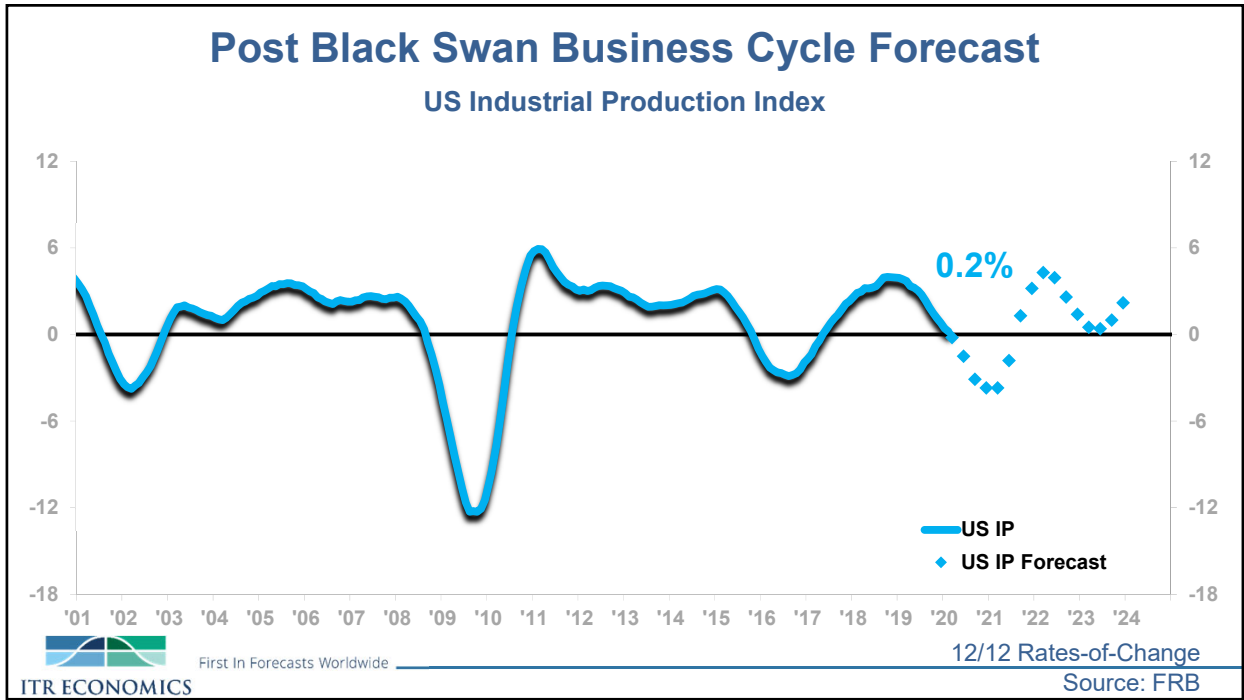
US Real Gross Domestic Product to ITR Leading Indicator™

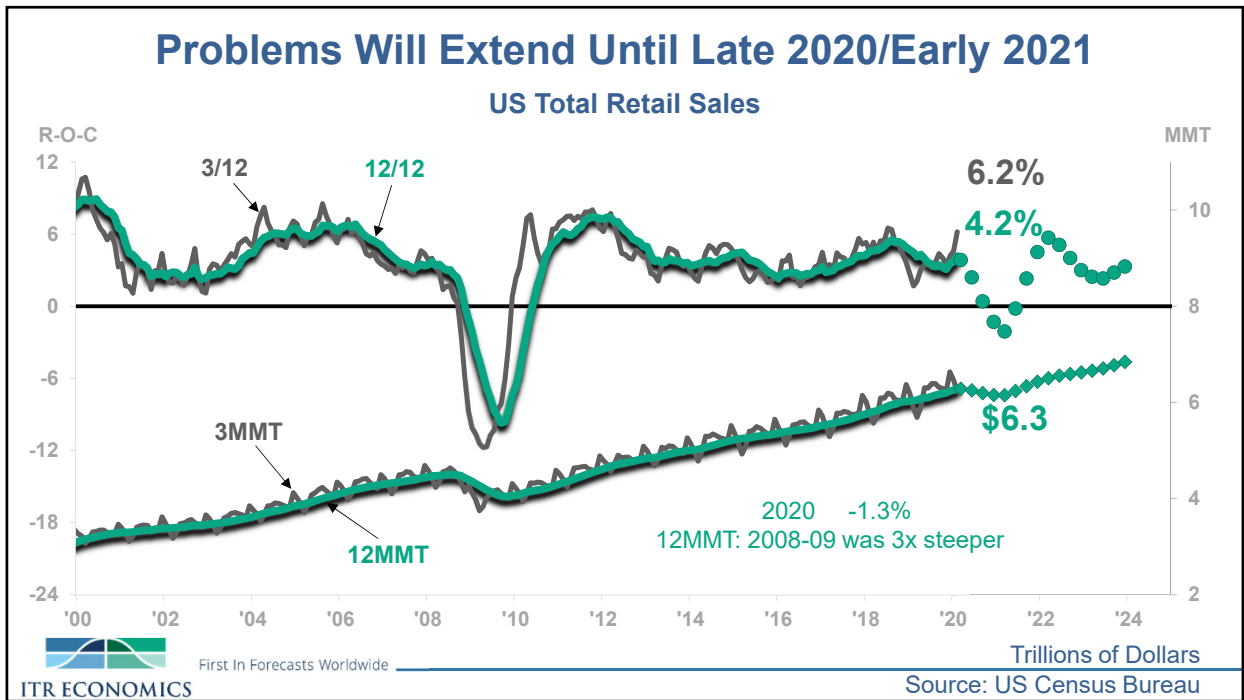
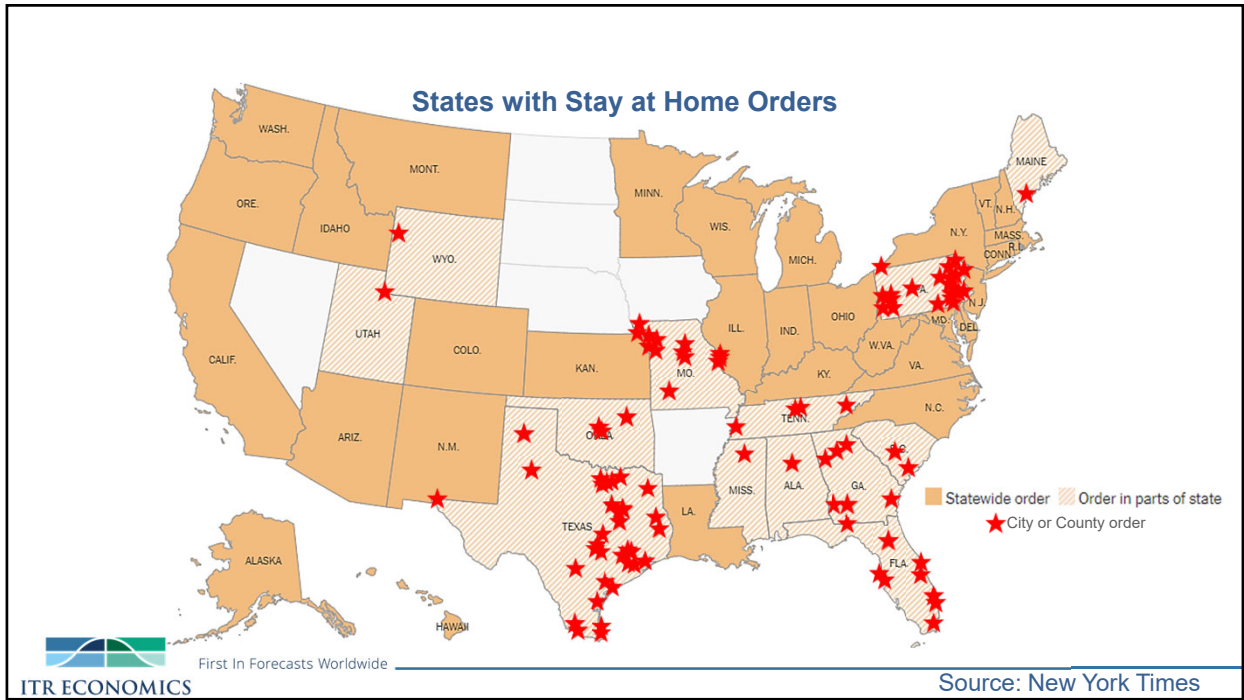


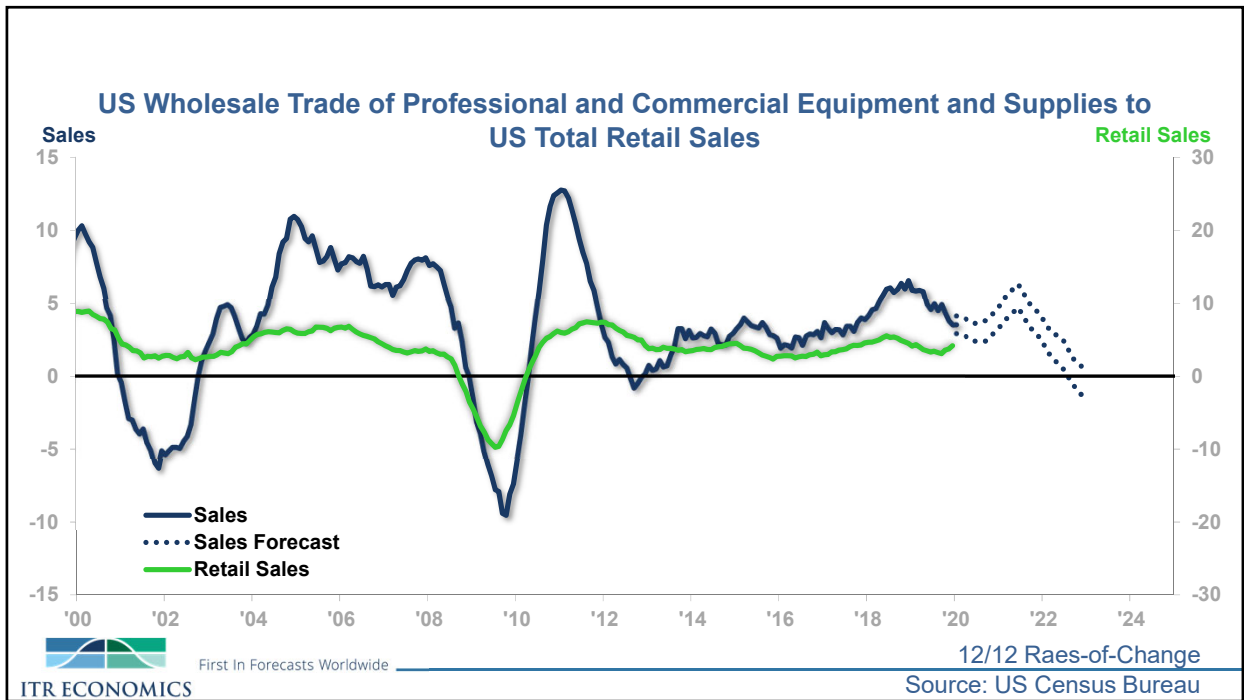
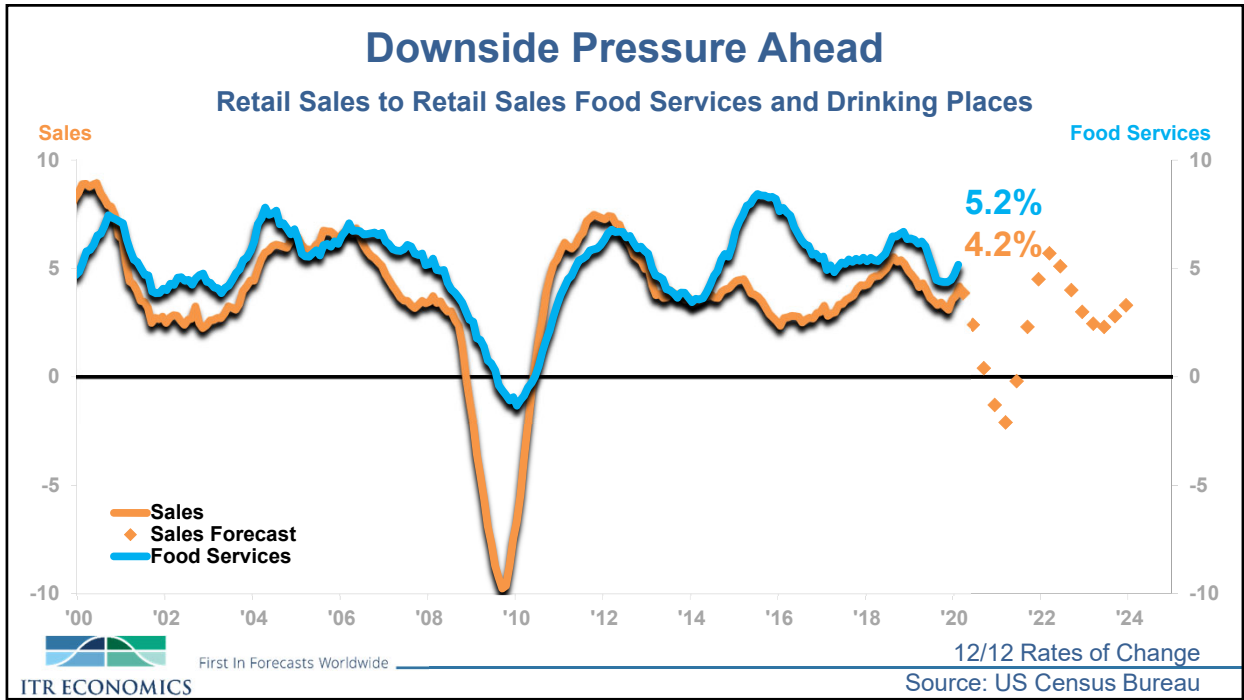
Not a Consistently Reliable Leading Indicator

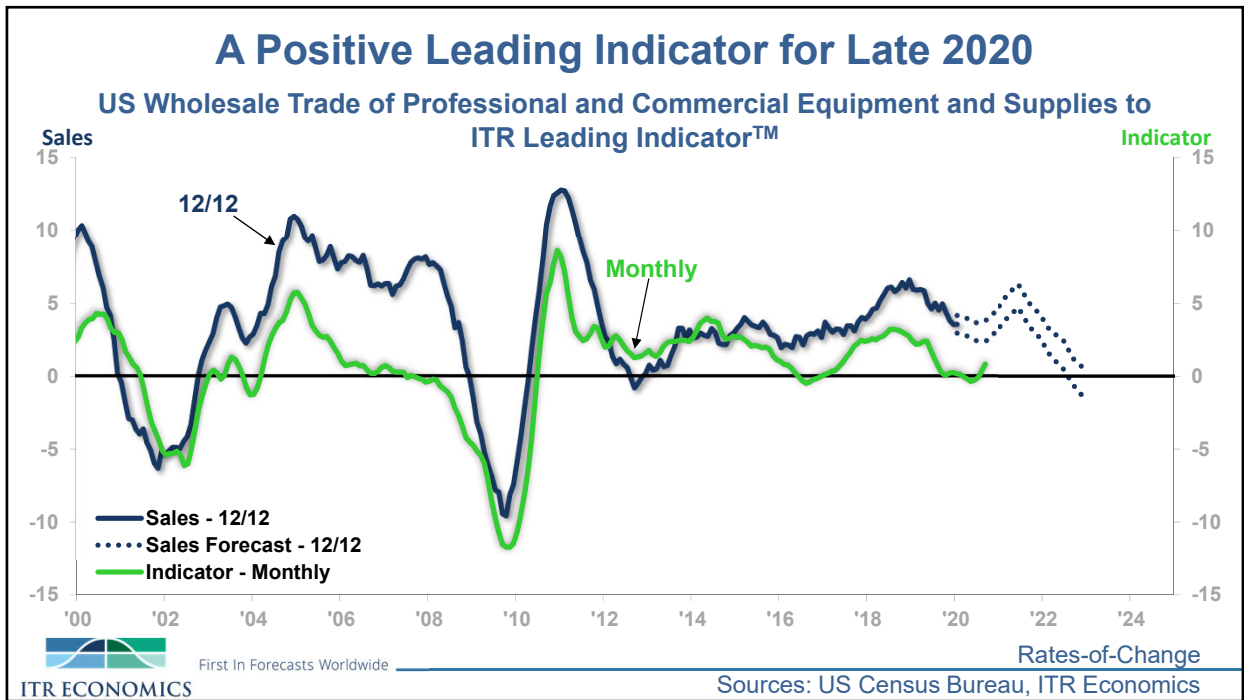
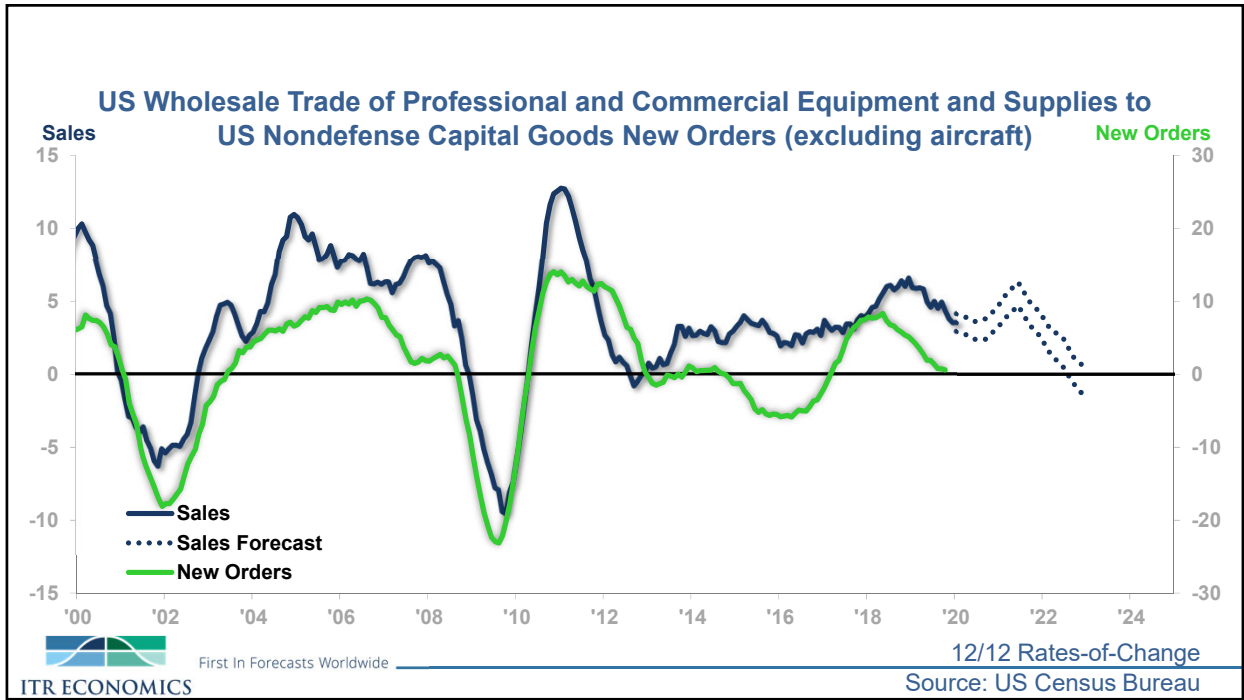
US Real Gross Domestic Product to US Stock Prices Index

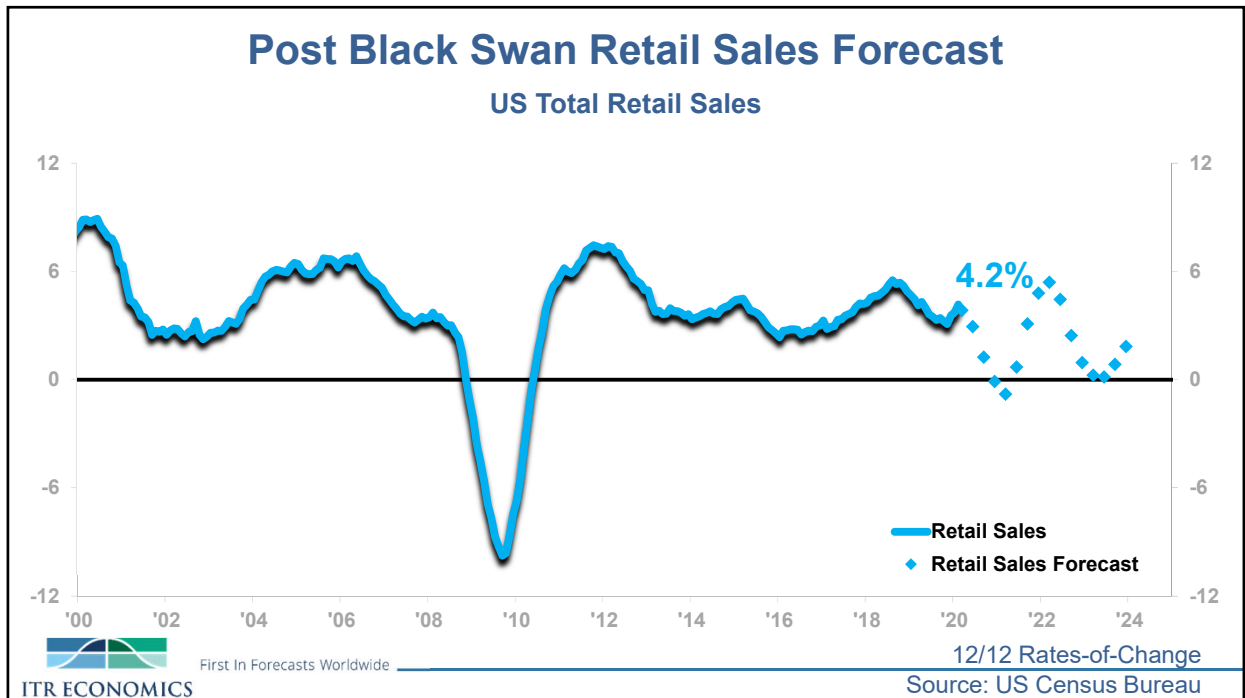
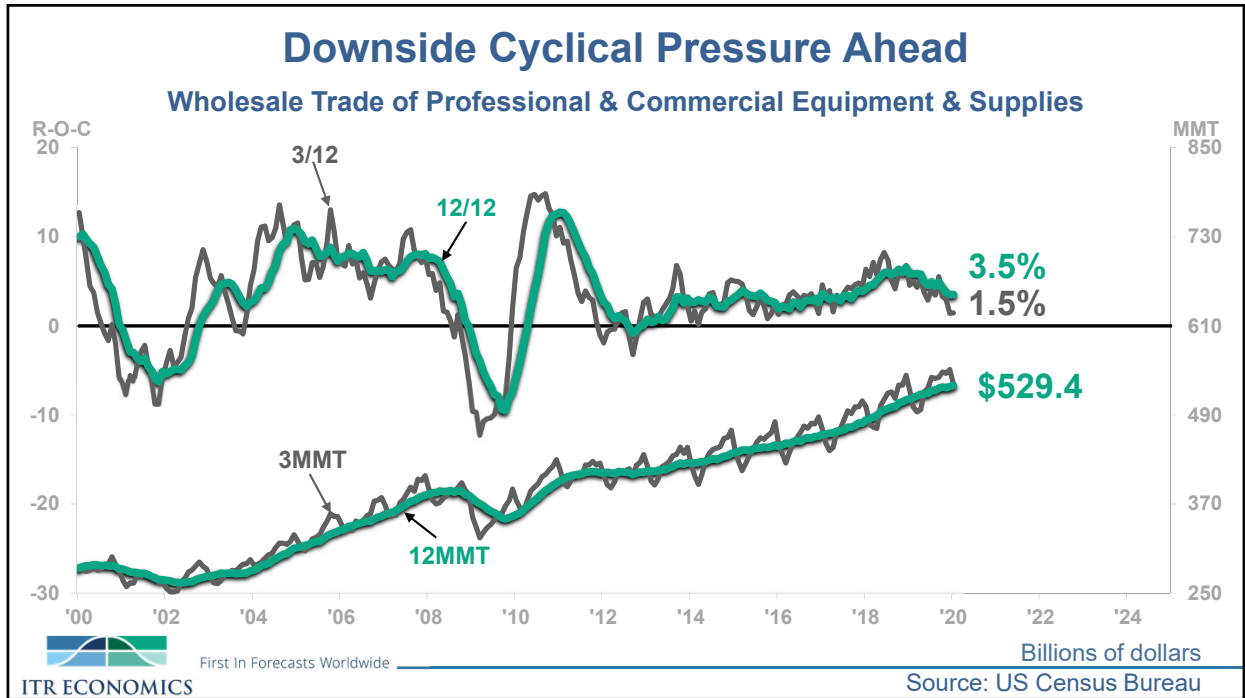












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Any Questions?



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SPEAKER PROFILE

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Alan Beaulieu, PhD

With a reputation as an accurate, straightforward economist, Alan has been delivering award-winning workshops and economic analysis seminars in countries across the world to thousands of business owners and executives for the last 30 years.

He is co-author of *Prosperity in the Age of Decline*, a powerful look at how to make the most of the US and global trends over the next 20 years. Alan also coauthored *Make Your Move*, a practical and insightful guide on increasing profits through business cycle changes, and noted by one reviewer as "simple, yet awesome."



ABOUT ALAN

Alan has been providing workshops and economic analysis seminars to countries and literally thousands of business owners and executives for the last 30 years. He is one of the country's most sought-after economists.

As the chief economist for numerous US and international trade associations, it has been remarked that Alan's "insight into our business, a track record of accurate forecasting, and unparalleled knowledge of global markets has earned him the respect and appreciation of key business leaders in our industry."

Pronouncements from ITR Economics™ and/or Alan have appeared in/on: the Wall Street Journal, New York Times, USA Today, Knight Ridder News Services, Business Week, Associated Press, The Washington Times, CBS Radio, CNN Radio, Sirius talk radio, and numerous other outlets.

ABOUT ITR ECONOMICS

Founded in 1948, ITR Economics is the oldest, privately-held, continuously operating economic research & consulting firm in the United States. With a long-term 94.7% accuracy rating, ITR Economics has forecast major economic events, such as the 2008 recession, well in advance and provides reliable industry and company forecasts tailored to client's needs. ITR Economics also offers economic webinars, subscription periodicals, consultative reports, and data collection services.

TESTIMONIALS

"The lessons and strategies you shared as part of the Strategies for a Tough Economy panel were of enormous value to the more than 700 entrepreneurs and small business partners in attendance." - [Mark Herlyn, Vice President, Advertising New York Times](#)

"Many thanks for your excellent presentation at HMA's recent National Conference & Expo. As always, the information was extremely well-received, on point, and hit home to everyone in this room. And the 'subtle' humor is always an extra bonus!" - [Linda Jovanovich, Executive Vice President, Hardwood Manufacturers Association](#)

"ITR gives us unique intelligence and insight that has helped us win during a severe recession and now win in a growing economy. Alan, you do a great job of presenting the information with a style that is engaging and fun for our audience." - [Reggie Dupré, CEO, Dupré Logistics, LLC](#)

"Thank you for your wit, charm and levity in your presentation. I always thought economists were boring, but glad to see I was wrong." [Rich Canote, Principal, Canote Group](#)

BOOKING INFORMATION

To book a speaker from ITR Economics, please call 603.796.2500 or email itr@itreconomics.com.

Visit www.itreconomics.com and stay in touch with us through our blog and social media.



Click here to check out videos of Alan Beaulieu!

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“ ITR’s insight and ability to relate global and US leading and lagging indicators to our industry was astounding and quite informative. I highly recommend ITR to anyone interested in sound knowledge of future economic conditions. ”

- Jim Rohr, Co-Chairman, National Shipbuilding and Research Program

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ITR Economics forecast accuracy is 94.7%.

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