



FIFTH THIRD BANK

Making Heads and Tails of the Economy: A Framework for a Post-Pandemic Economy

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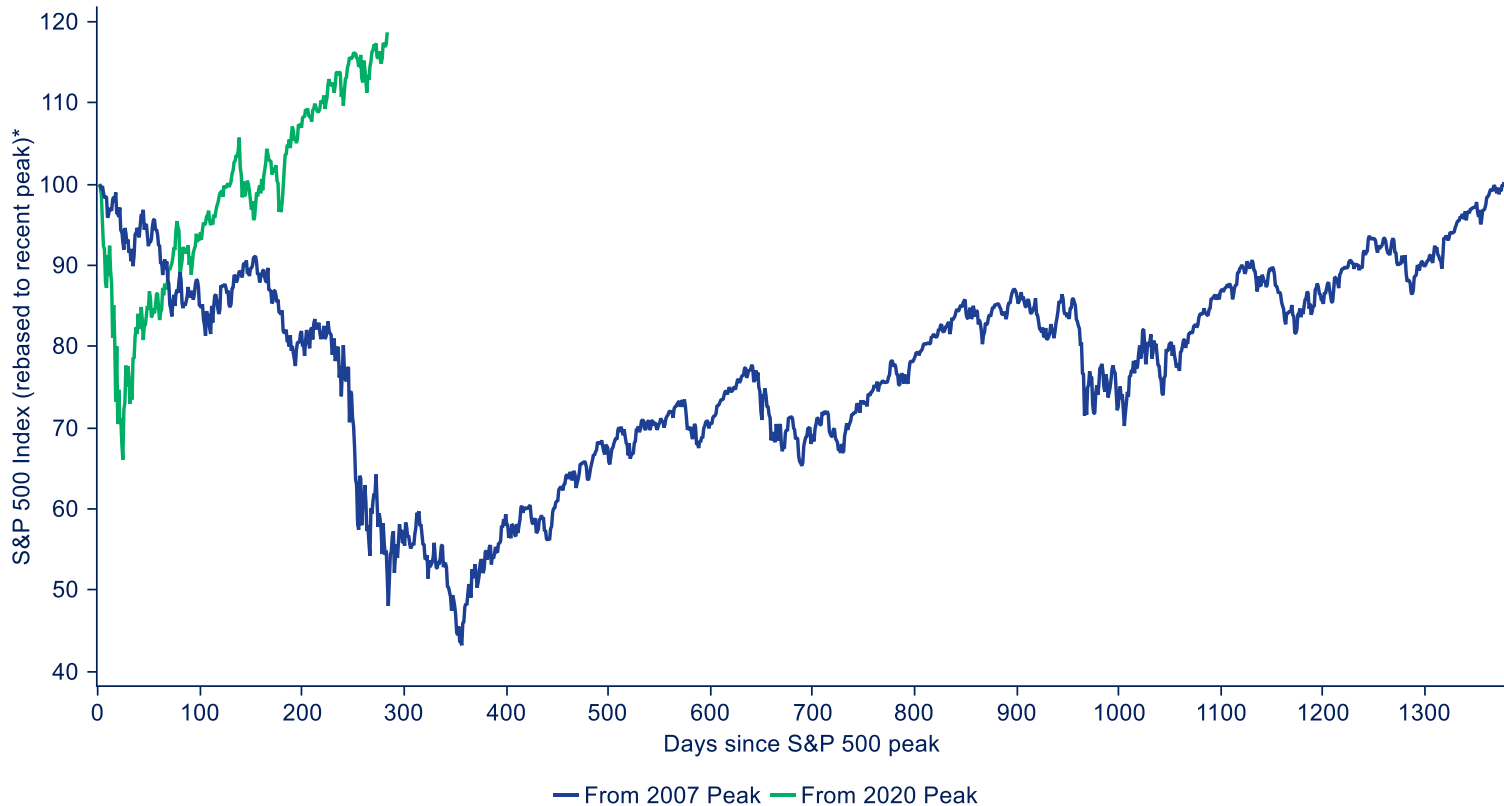
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A Framework for a Post-Pandemic Economy

1. **A Disrupted Economy**
2. **COVID-19 and a Challenged Consumer Economy**
3. **A Stimulus-Fueled Recovery**
4. **Risks Ahead**
5. **Putting Investment Returns in Context**
6. **Conclusions**

A nasty, brutish, but short recession

Stock market drawdown associated with Great Recession vs. 2020 Pandemic



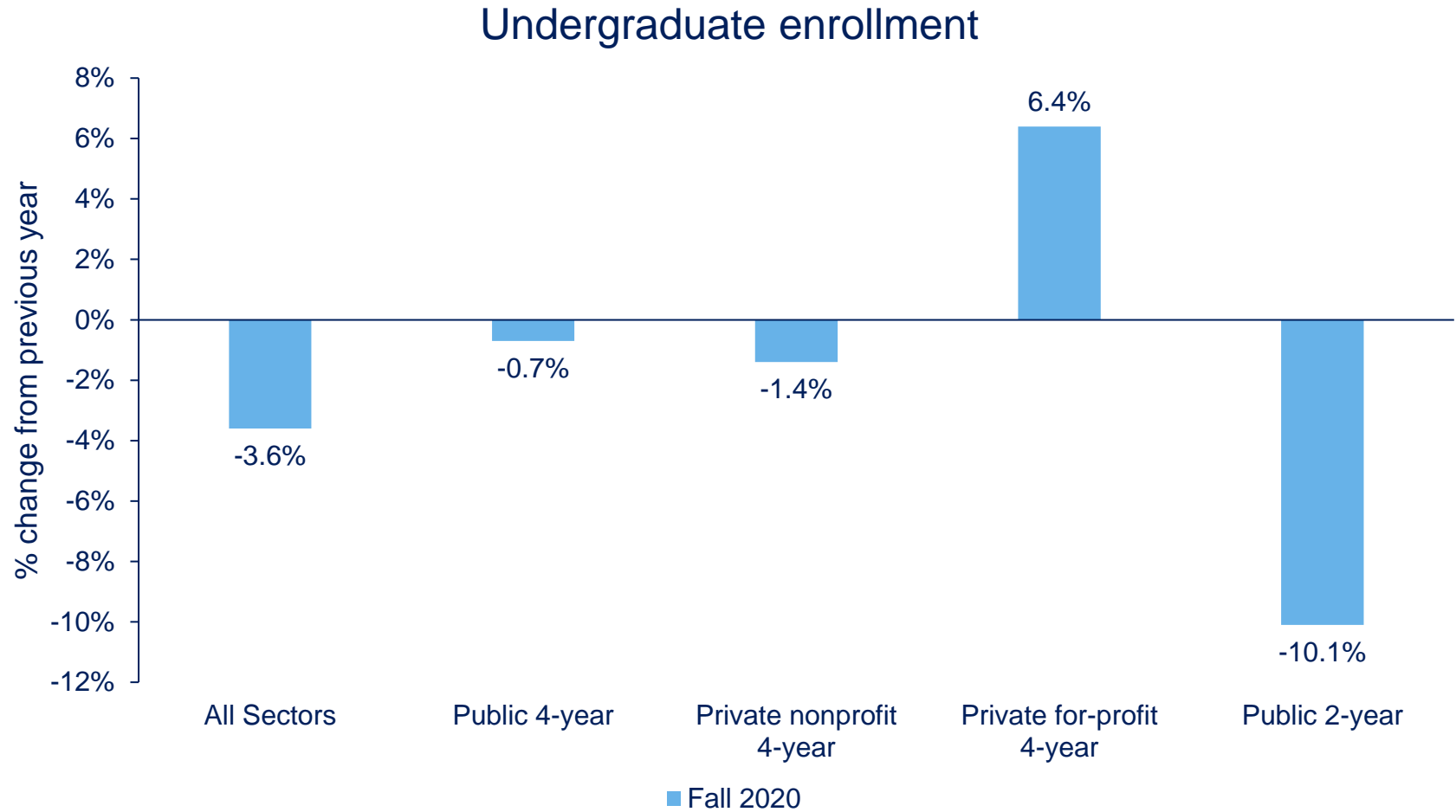
Source: Macrobond, SPDJI, as of 4/2/2021

*Price Indexed To Market Peaks

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

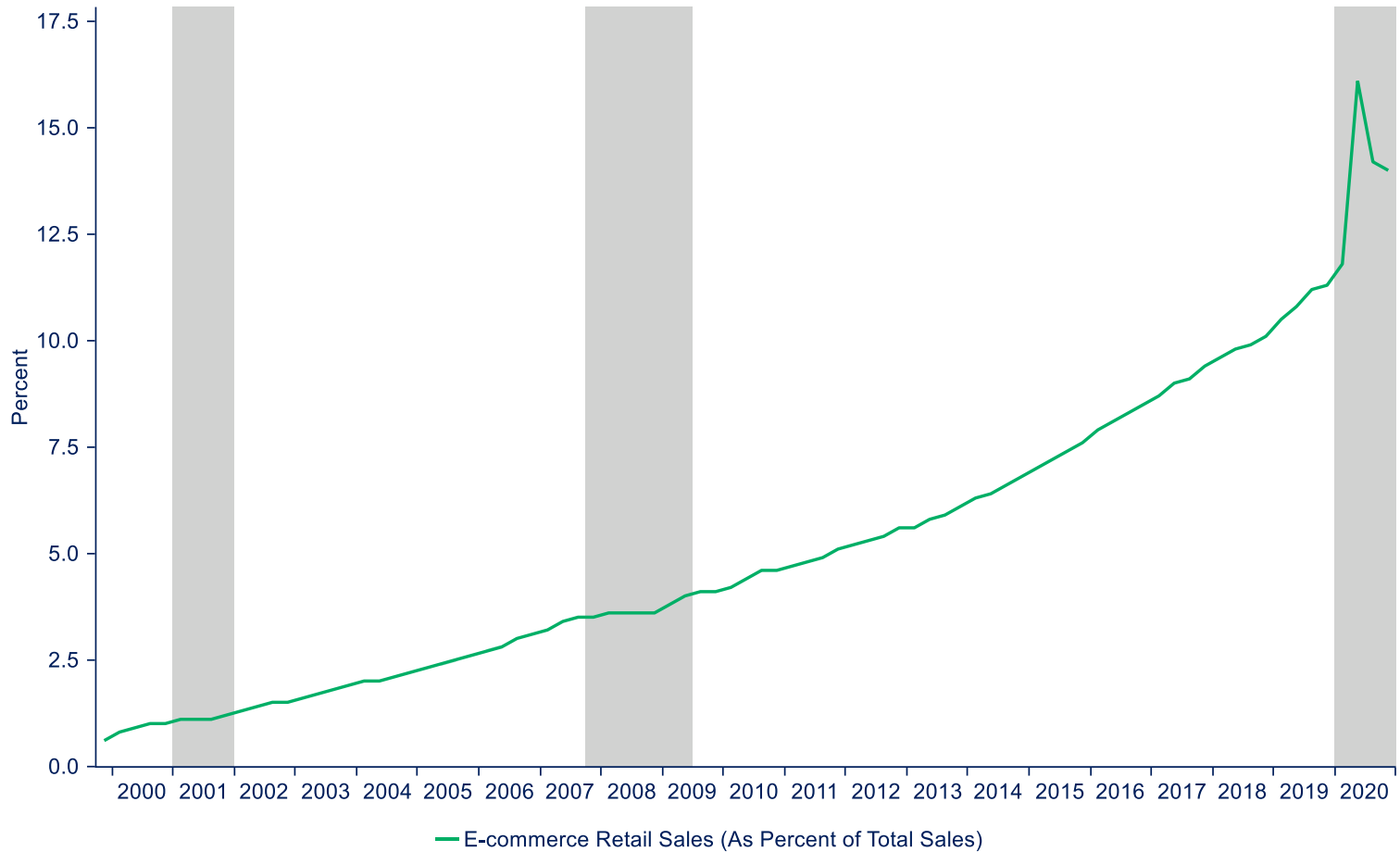
For Pandemic, 100=S&P500 pre-recession high achieved on 2/19/2020

Disrupted industries: learn from home



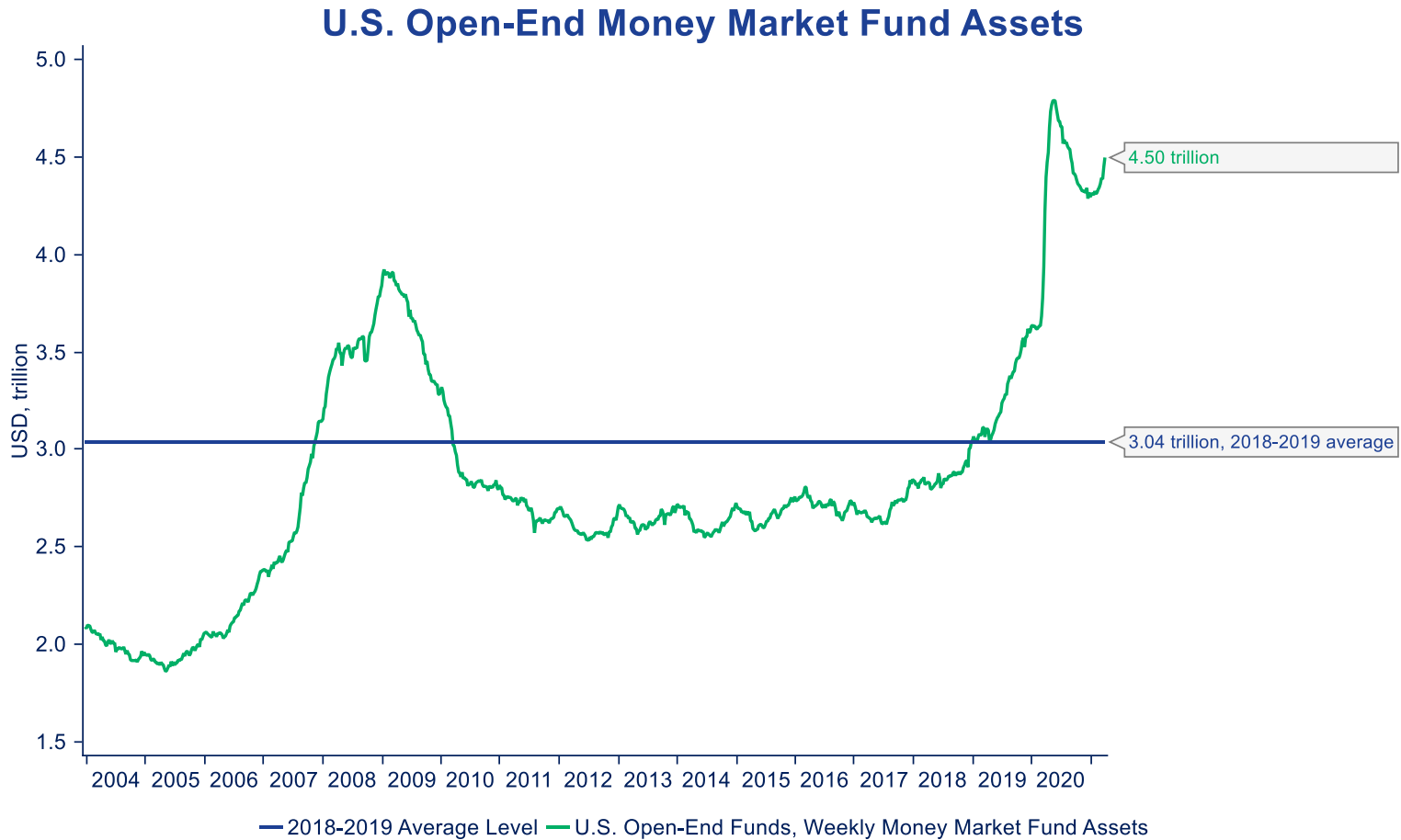
Source: National Student Clearinghouse Research Center

Disrupted industries: spend from home



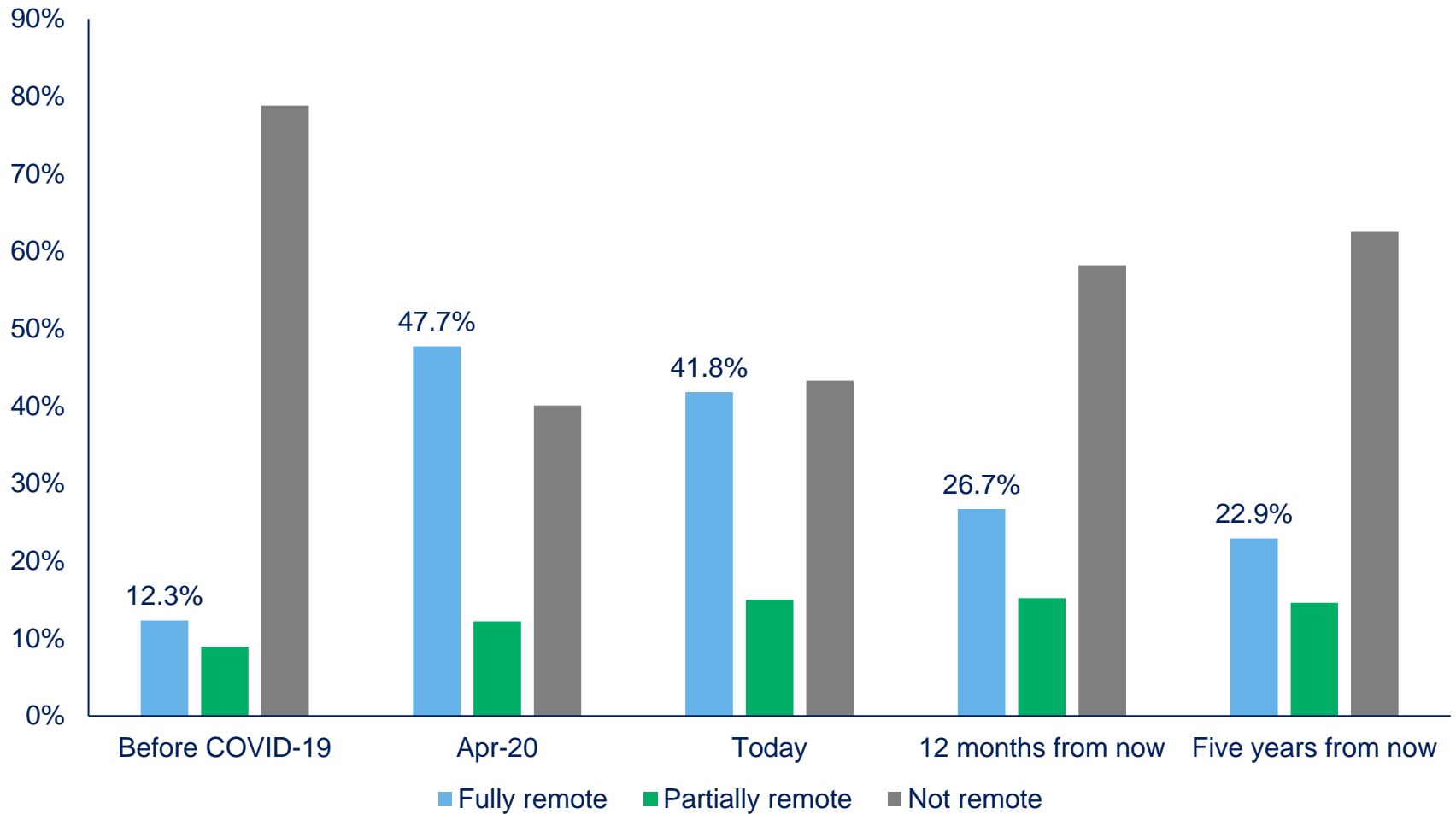
Source: Macrobond, U.S. Census Bureau, as of 4/2/2021

Money on the sidelines



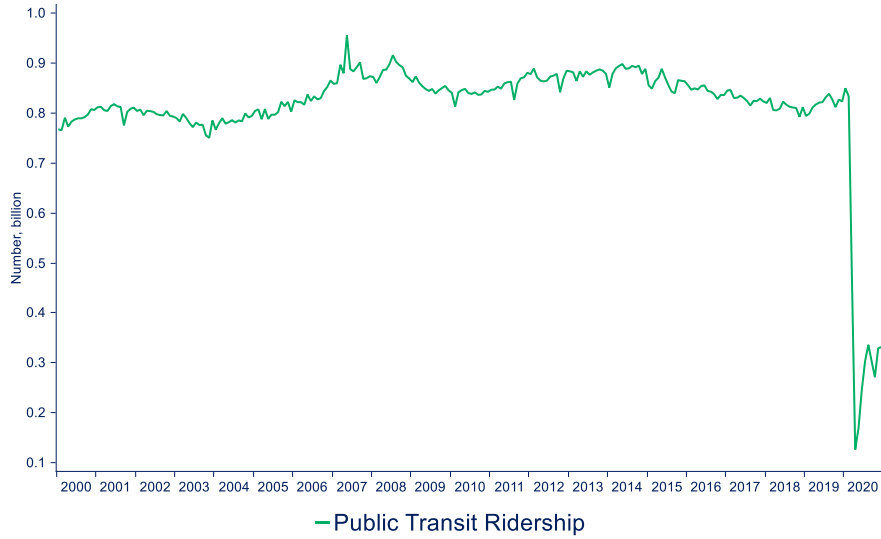
Source: Macrobond, ICI, as of 4/2/2021

Disrupted workforce: work from home

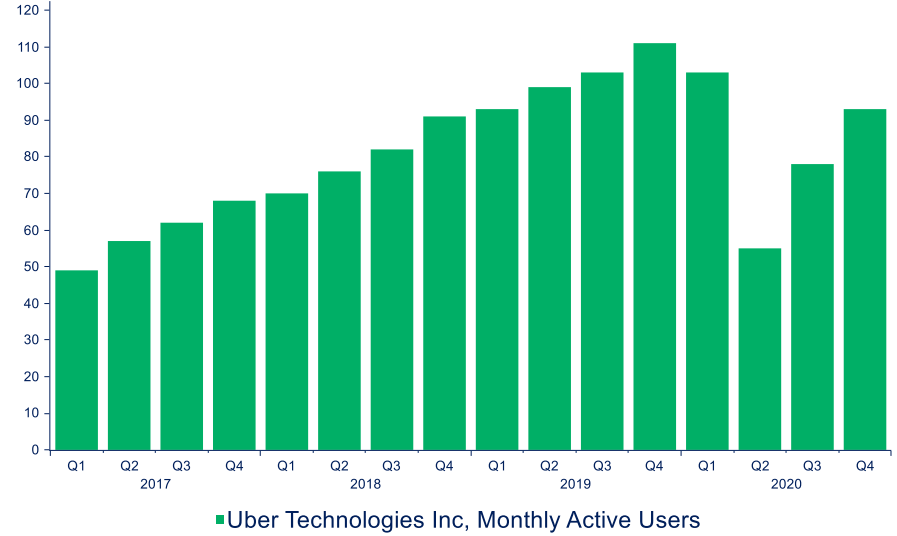


Source: Upwork

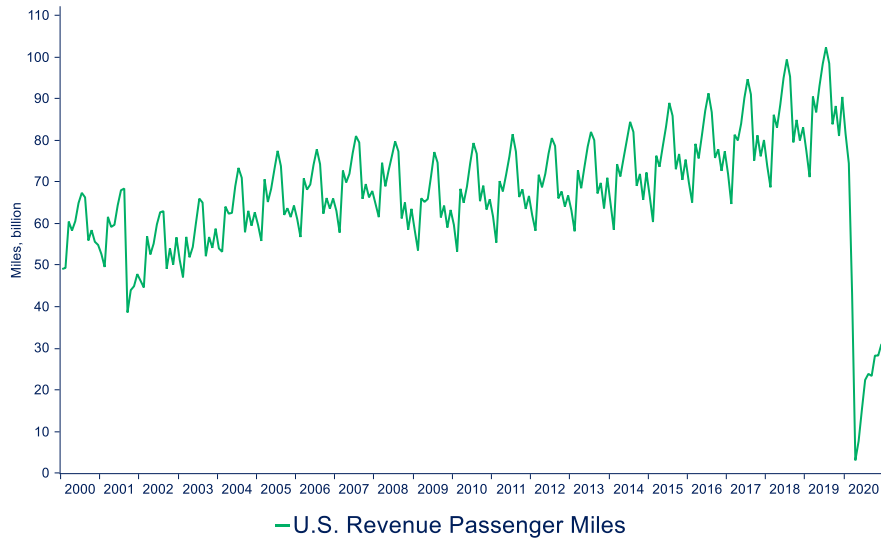
Disrupted industries: transportation



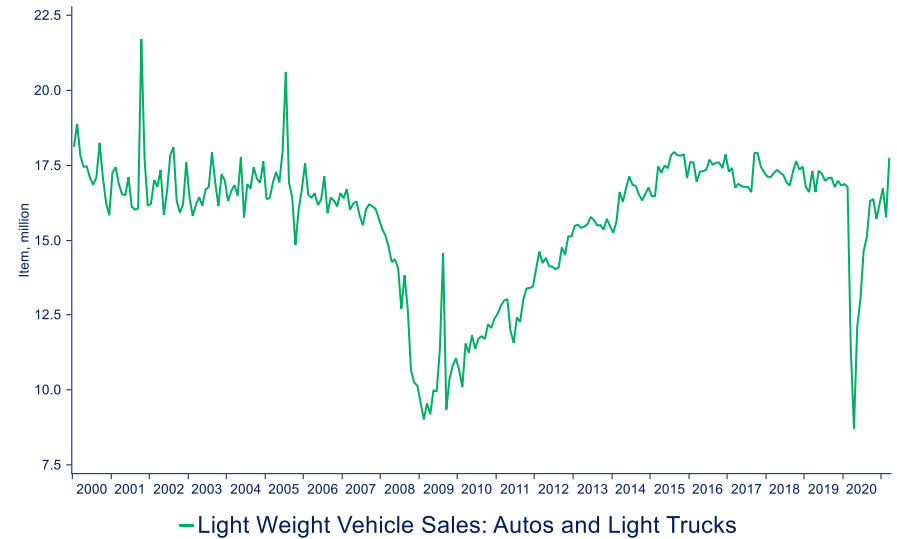
Source: Macrobond, Archival St. Louis Fed (ALFRED), as of 4/2/2021



Source: Macrobond, Bloomberg, as of 4/2/2021

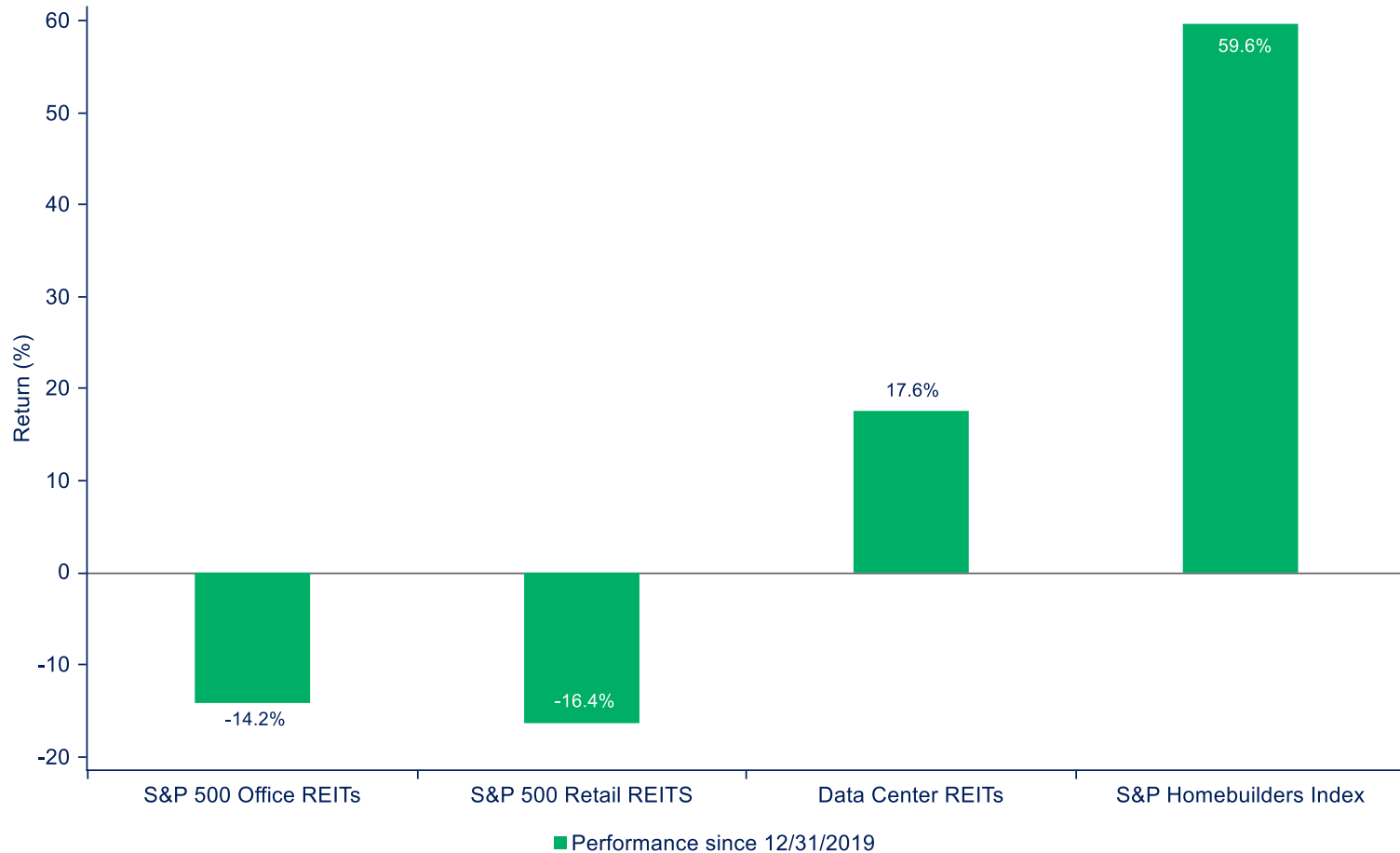


Source: Macrobond, DOT, as of 4/2/2021



Source: Macrobond, BEA, as of 4/2/2021

Disrupted industries: real estate



Source: Macrobond, Bloomberg, SPDJI, as of 4/2/2021

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

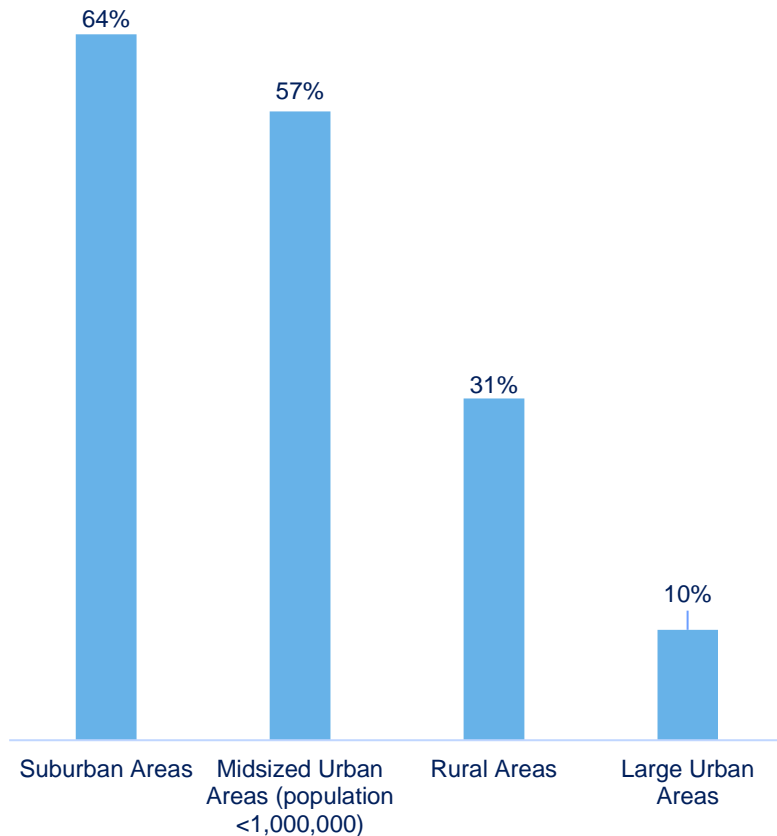
PUBLISHED TUE, AUG 25 2020•10:43 AM EDT | UPDATED TUE, AUG 25 2020•12:12 PM EDT

Source: Crain's Chicago Business, CNBC



Disrupted geographies: large city to mid-size

How COVID-19 is Shifting Corporate Location Strategy



Source: Site Selectors Guild

*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

Source: Site Selectors Guild

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

Disrupted geographies: high tax to low tax

Top 5 U-Haul Growth States

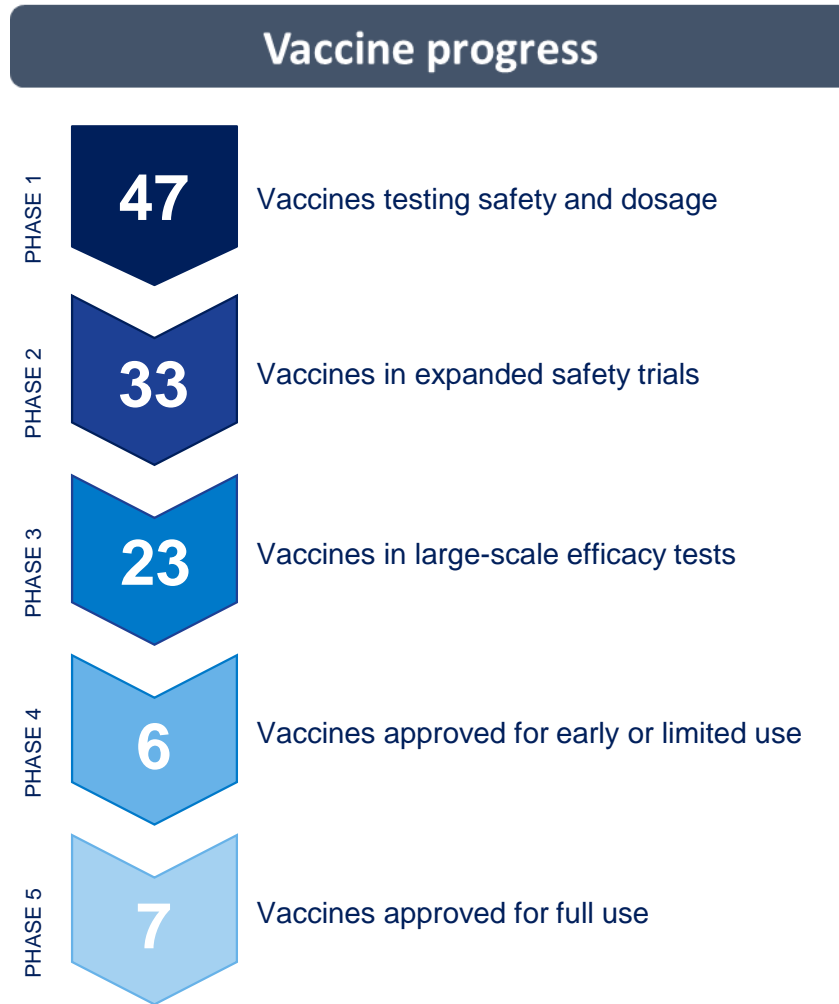
1. Tennessee (0% state income tax)
2. Texas (0%)
3. Florida (0%)
4. Ohio (4.80%)
5. Arizona (4.50%)

Bottom 5 U-Haul Growth States

46. Maryland (5.75%)
47. Massachusetts (5.0%)
48. New Jersey (10.75%)
49. Illinois (4.95%)
50. California (13.3%)

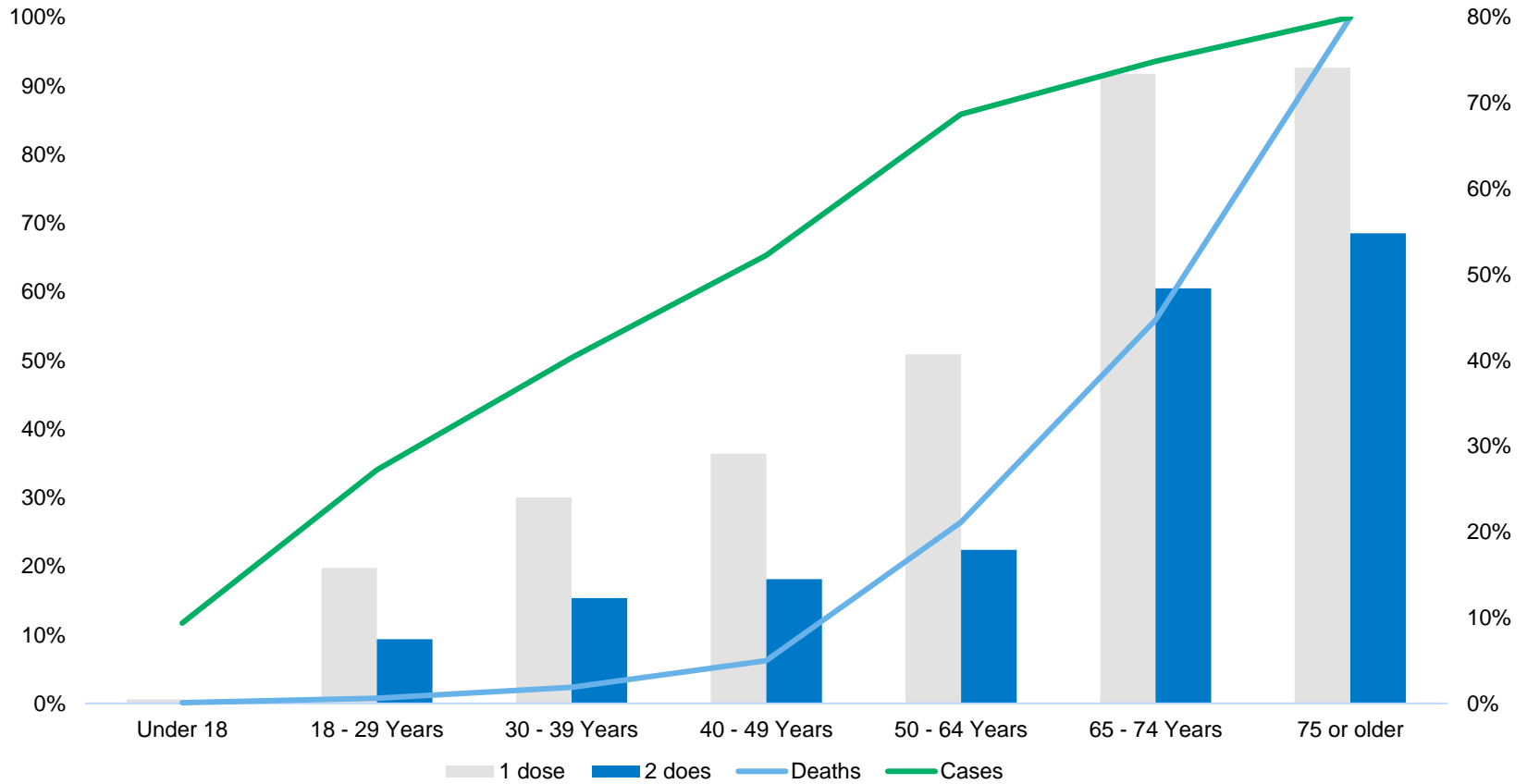
Source: U-Haul, as of 1/4/2021

COVID-19 vaccine progress and distribution



Source: The New York Times

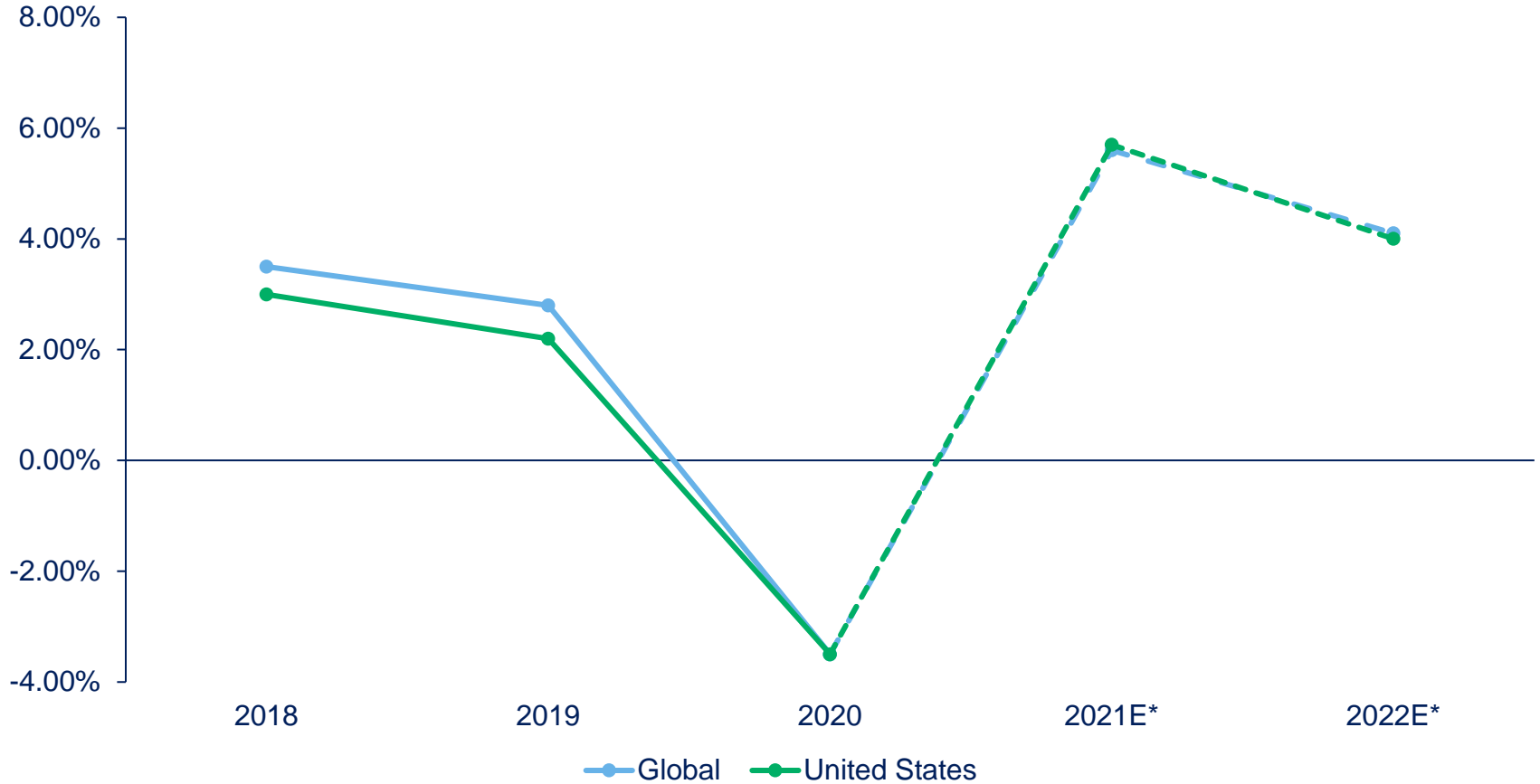
COVID-19 cases, deaths & vaccine progress



Source: Center for Disease and Control

Global and U.S. expected economic growth rates

Actual and Expected Real GDP Growth (YoY%)



Source: Bloomberg, as of 4/2/2021

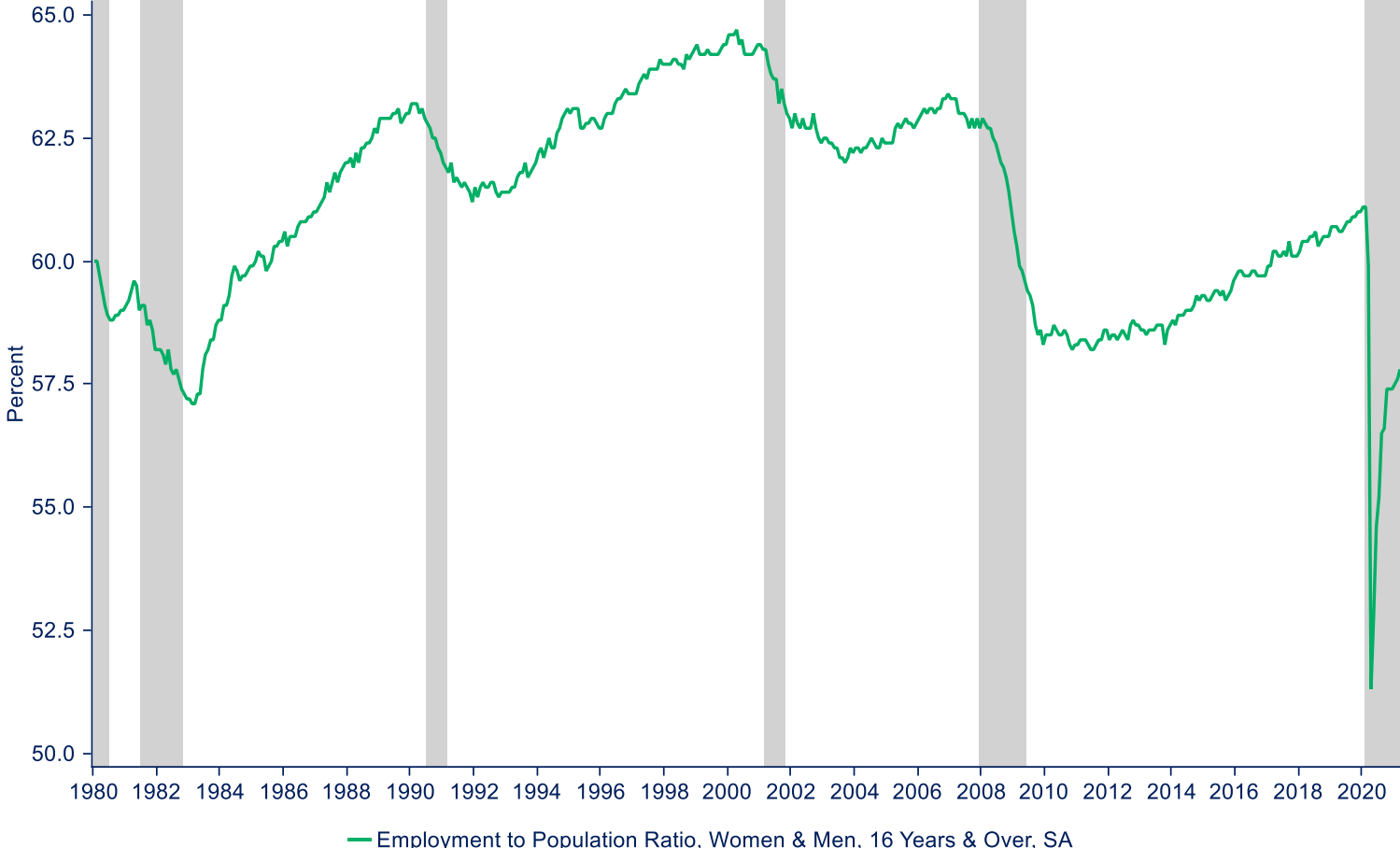
*Expected growth rates are a composite of Bloomberg contributor estimates

The challenge for a consumer economy



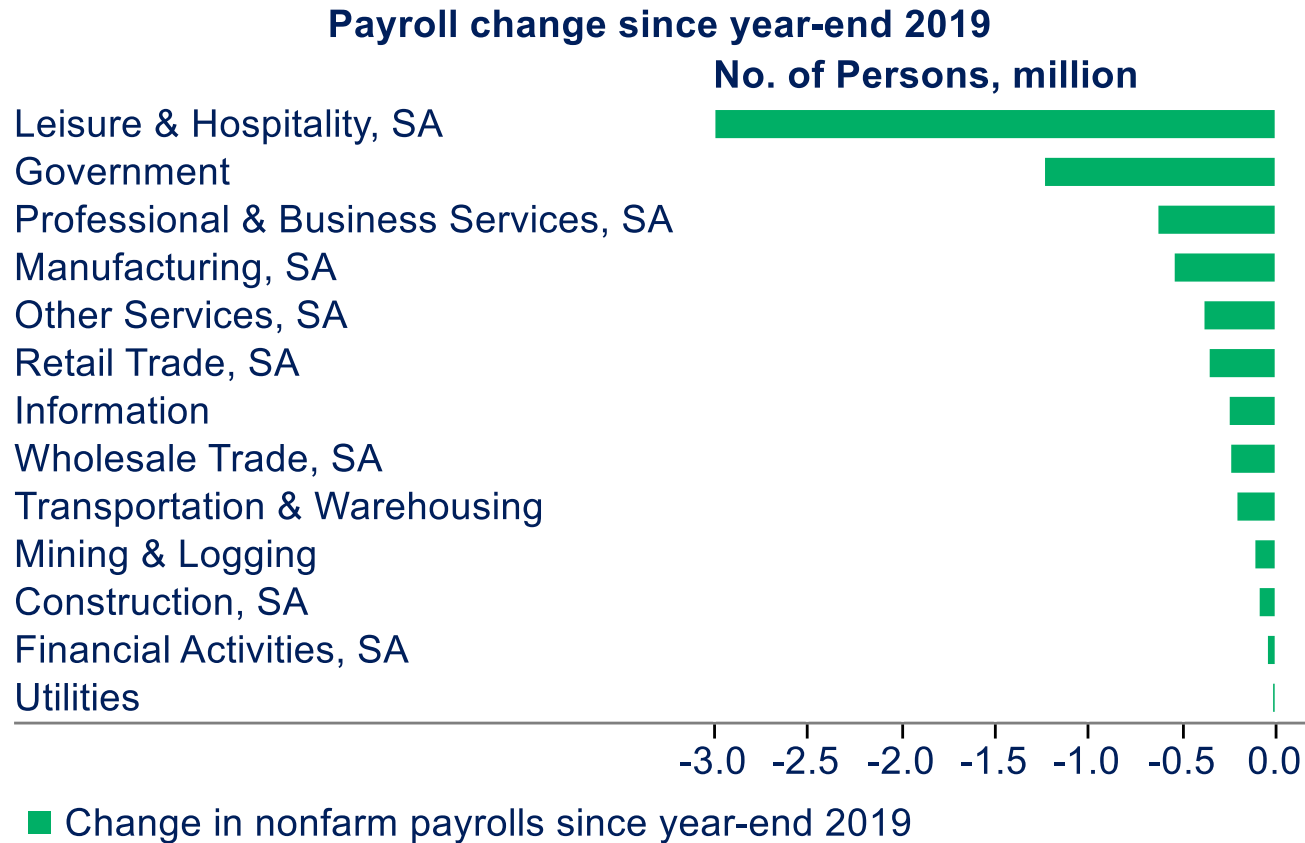
Source: Macrobond, BLS, as of 4/2/2021
Data from 1929-1947: annual unemployment rate, 14 years and over
Data from 1948 to current: monthly unemployment rate, 16 years and over

The challenge for a consumer economy

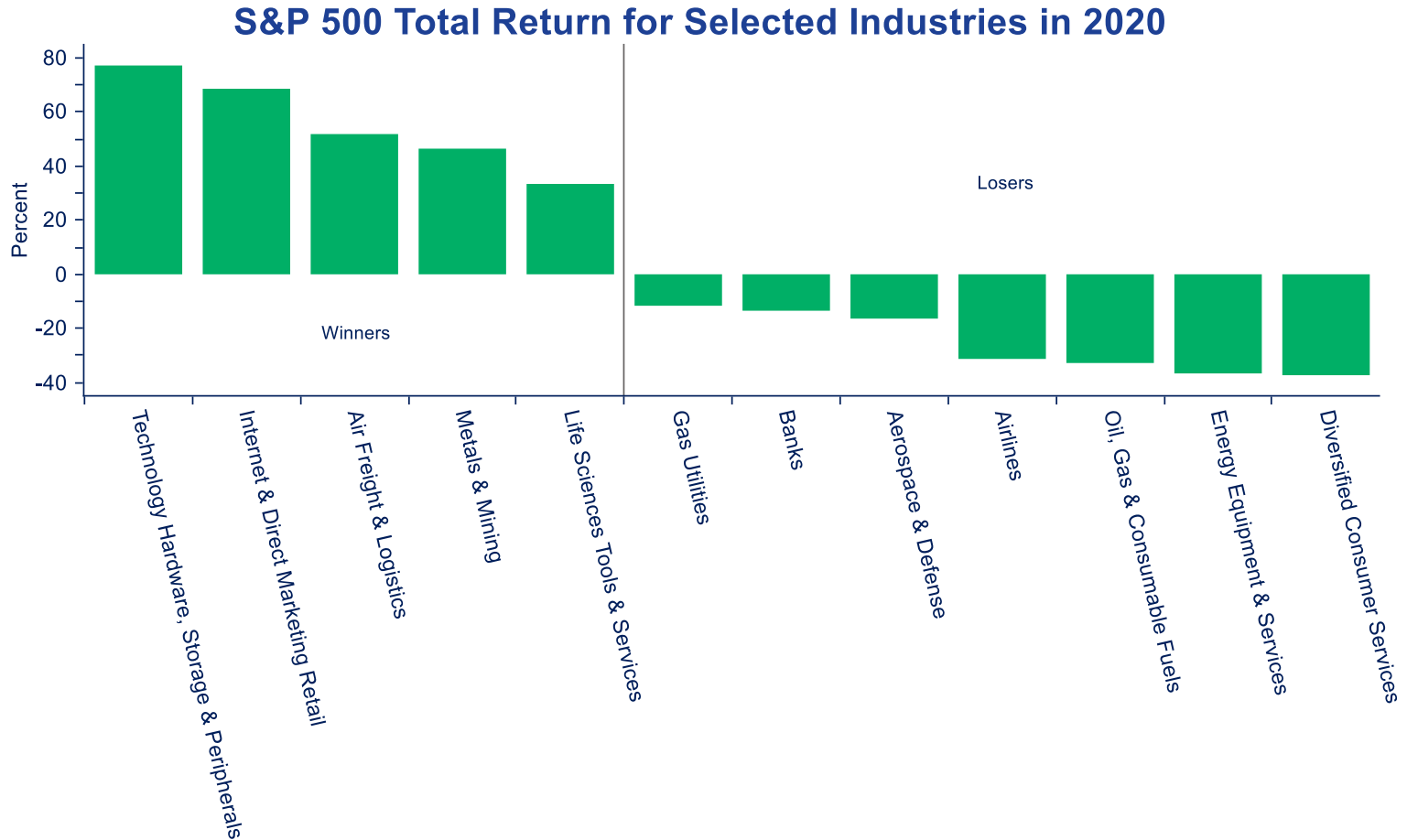


Source: Macrobond, BLS, as of 4/2/2021

Employment - COVID winners & losers

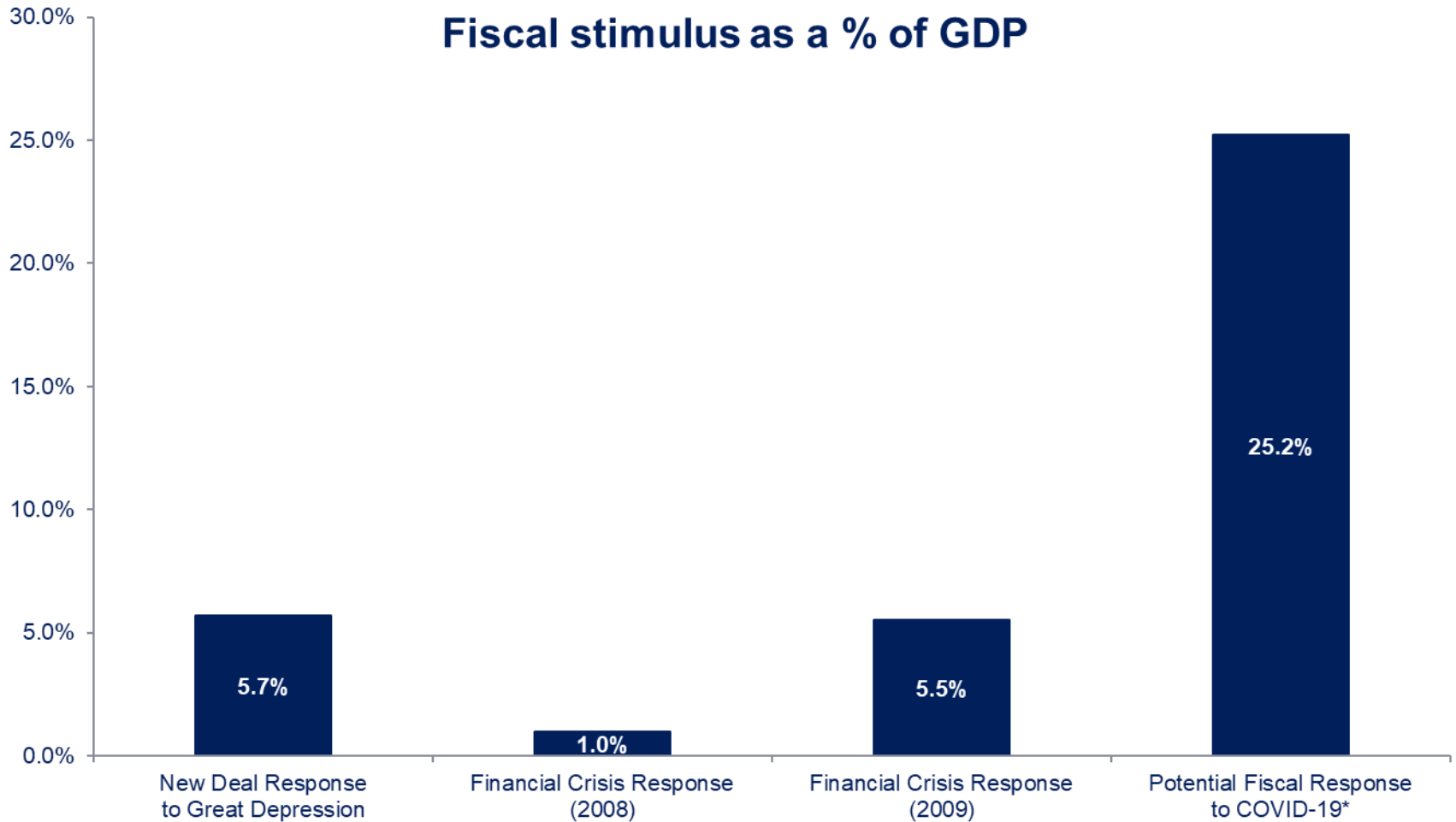


Equity returns - COVID winners & losers



Source: Macrobond, SPDJI, Gavekal Research as of 4/2/2021

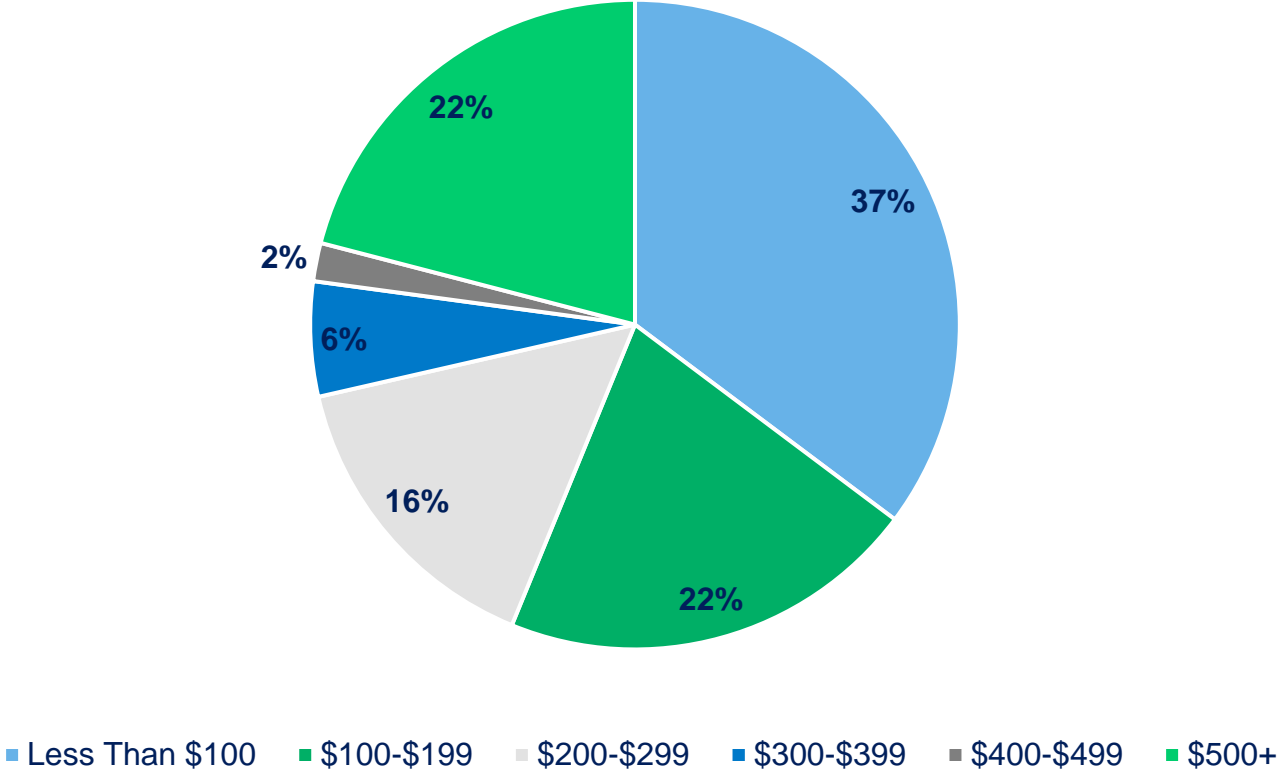
Stimulus and liquidity supercharged recovery



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

The need for stimulus

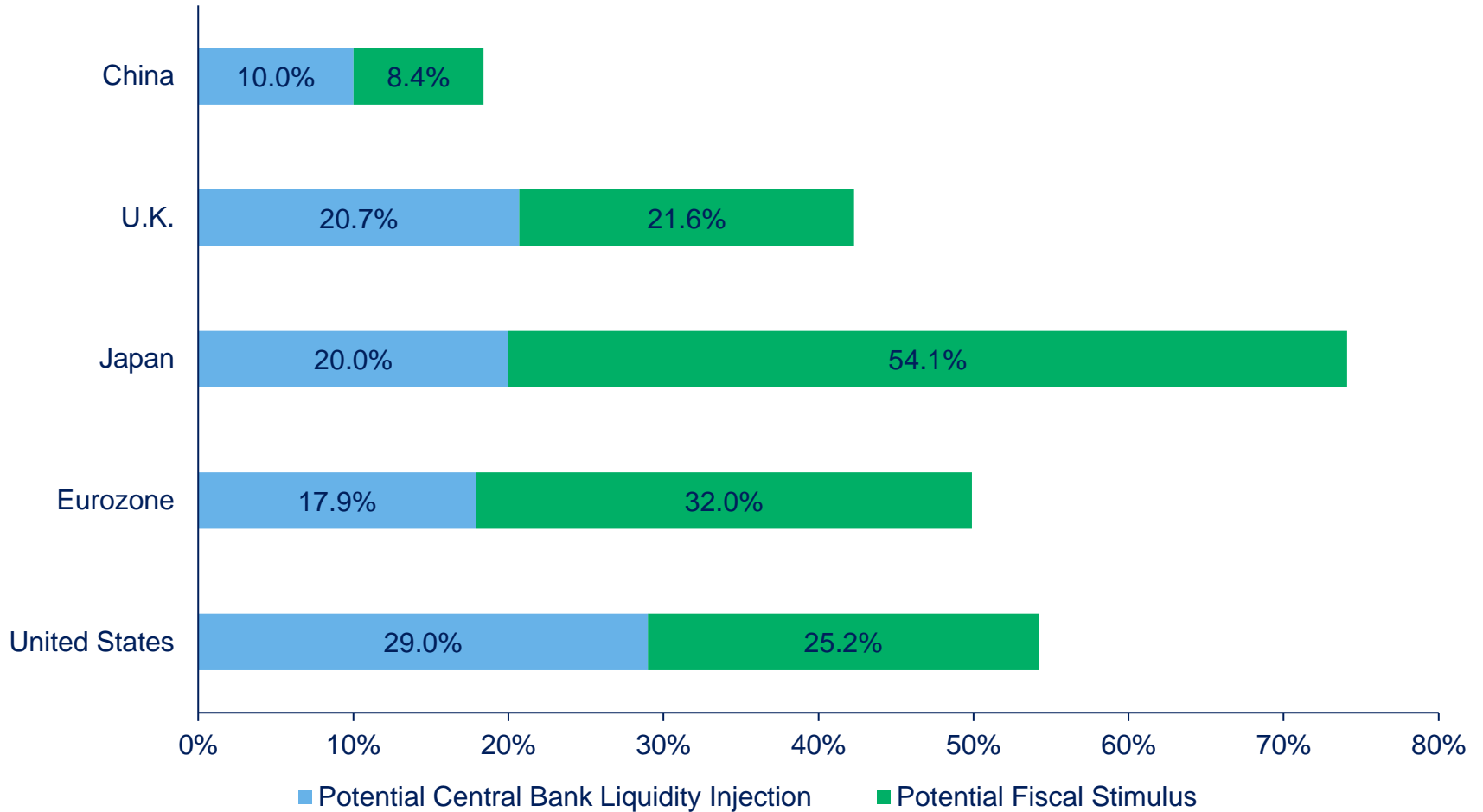
U.S. consumers were asked how much they fell short in January 2021 in terms of being able to pay their monthly expenses



Source: Morning Consult; Poll conducted February 2-4, 2021, among 342 U.S. adults unable to pay monthly expenses in January, with margin of error of +/-6%.

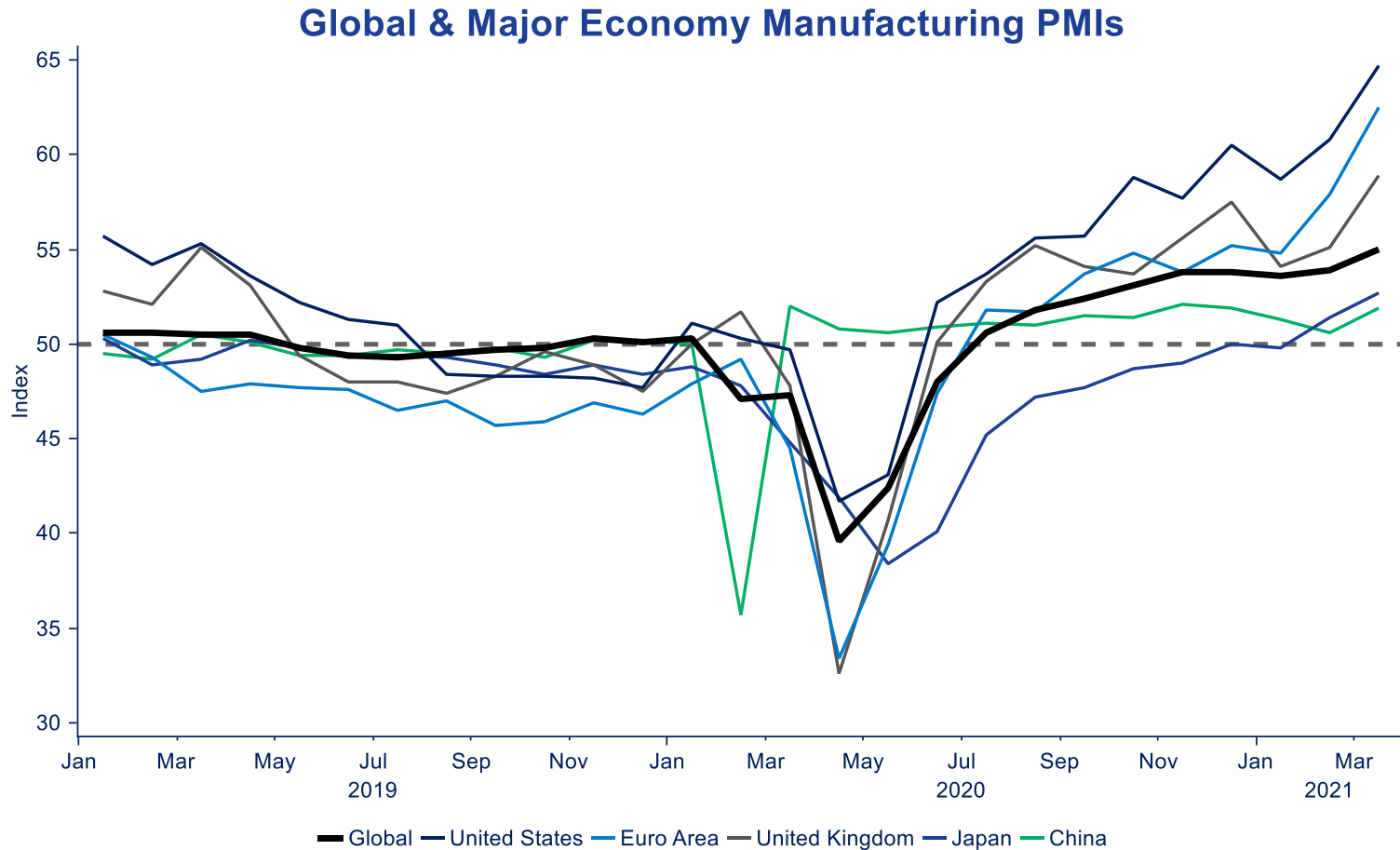
Not just in the U.S. – a global phenomenon

Monetary & fiscal stimulus as percent of nominal GDP per country



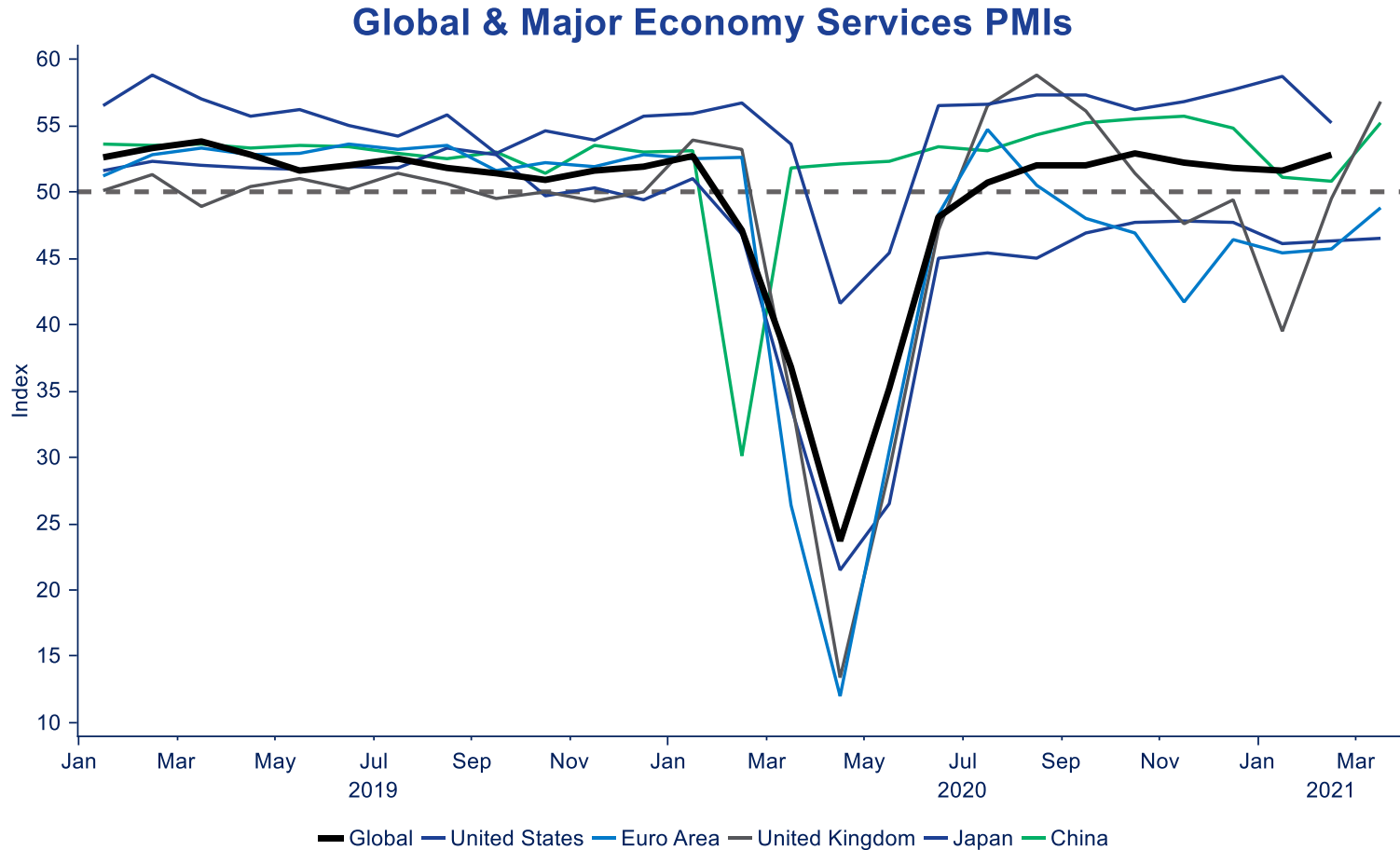
Source: Cornerstone Macro Research

Did it work? Impact of stimulus on the global economy



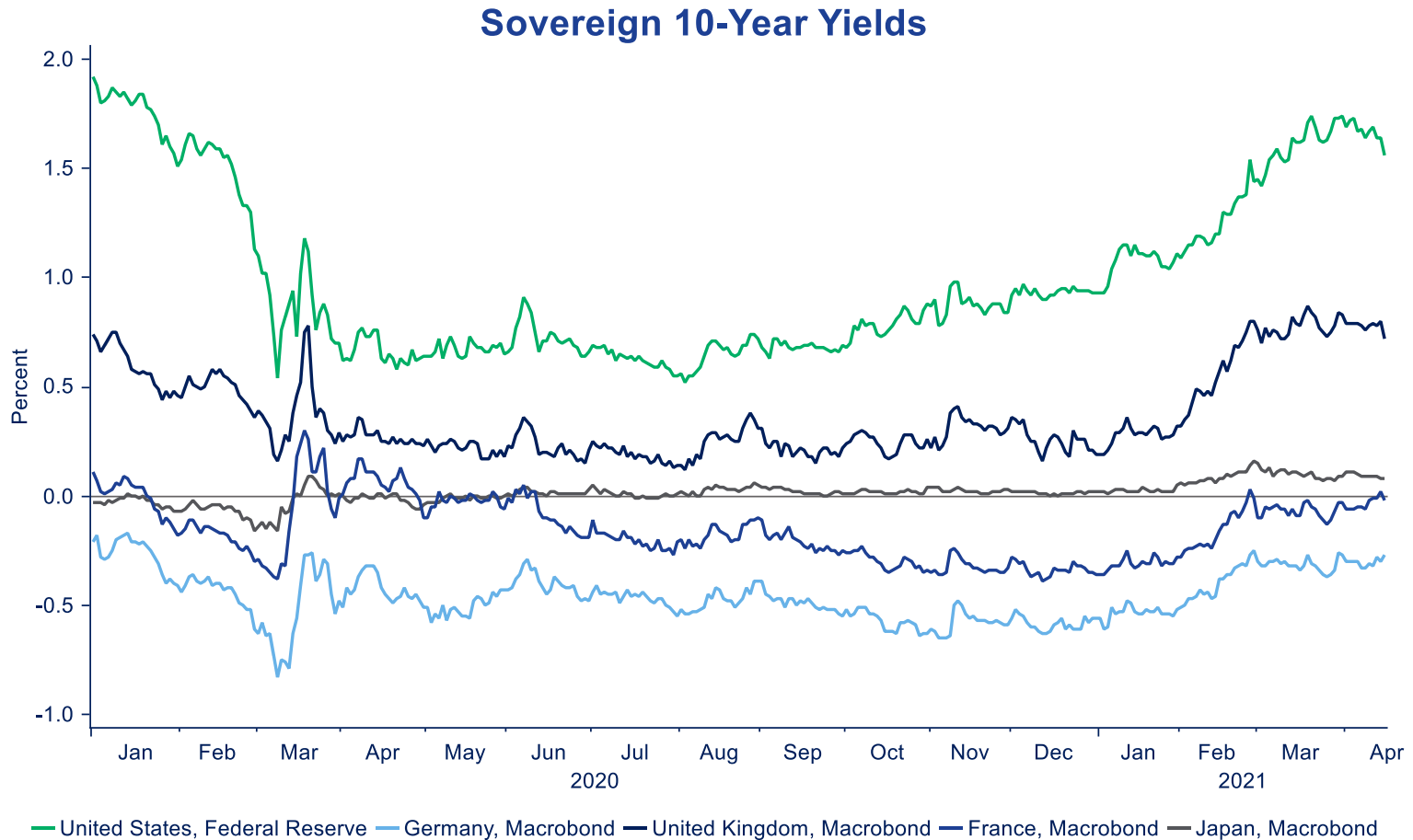
Source: Macrobond, ISM, IHS Markit, CFLP, as of 4/2/2021

Did it work? Impact of stimulus on the global economy



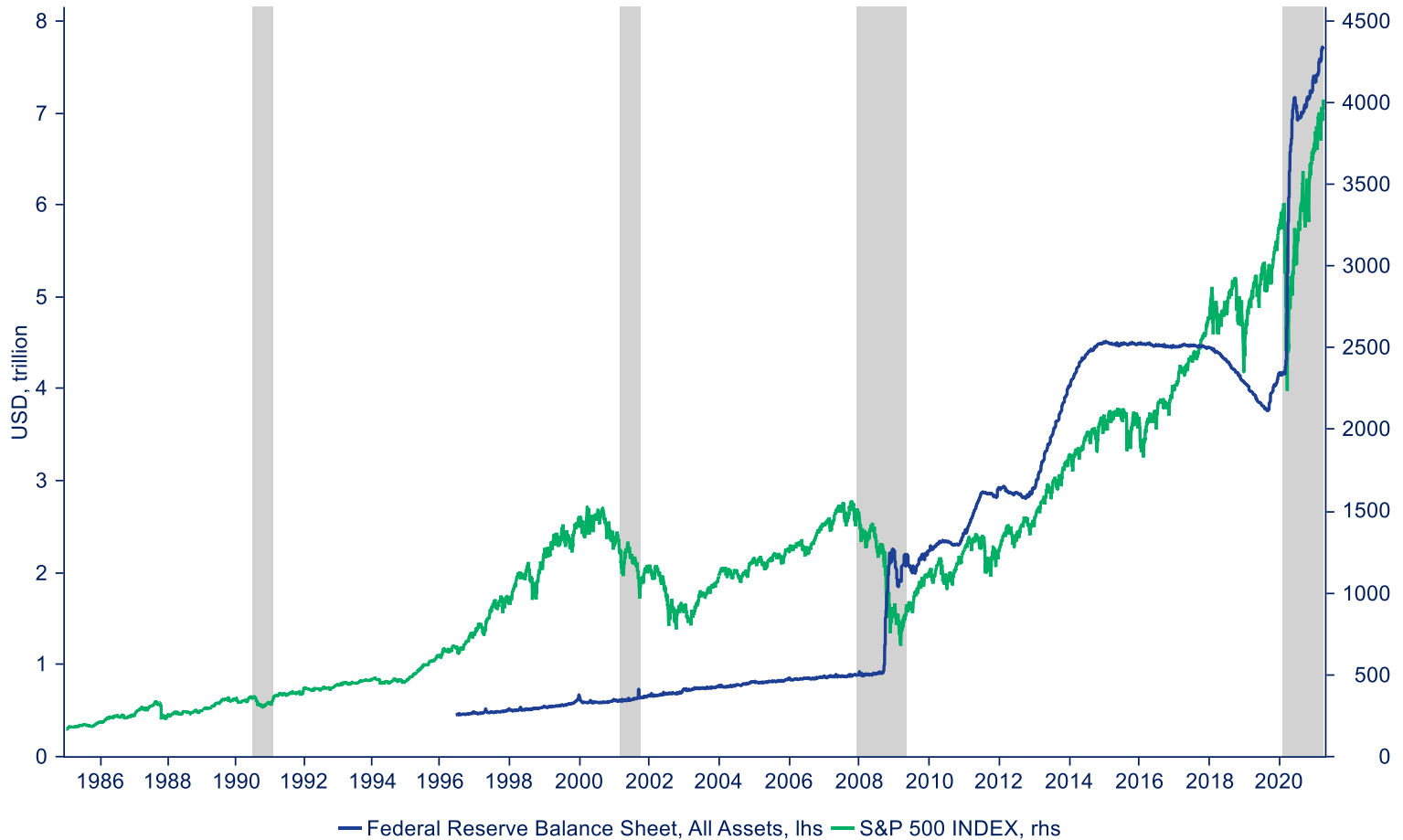
Source: Macrobond, ISM, IHS Markit, CFLP, as of 4/2/2021

Did it work? Impact of stimulus on the global yields



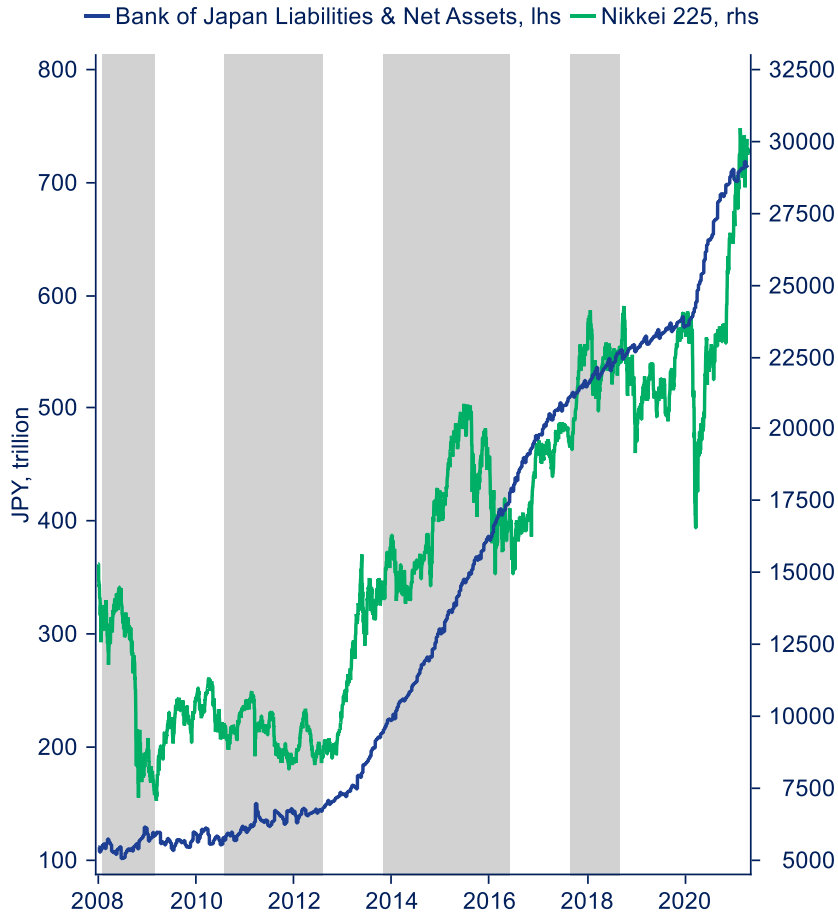
Source: Macrobond, Macrobond, U.S. Department of Treasury, as of 4/16/2021

Did it work? Impact of stimulus on U.S. equities

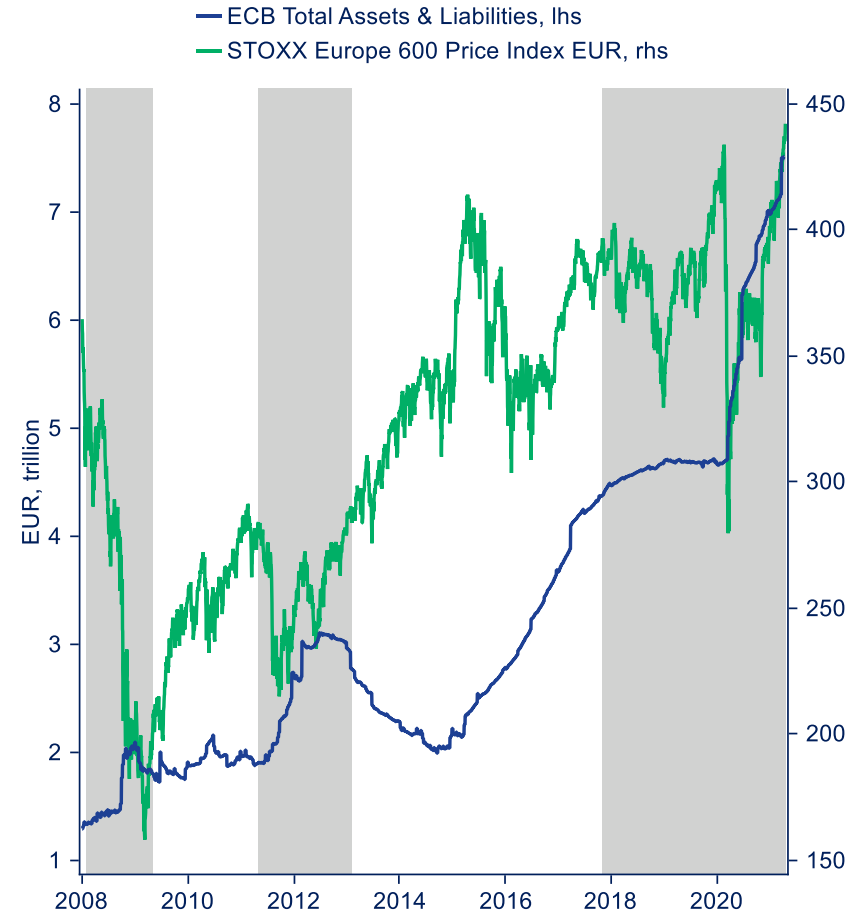


Source: Macrobond, Fed, as of 4/2/2021

Did it work? Impact of stimulus on global equities

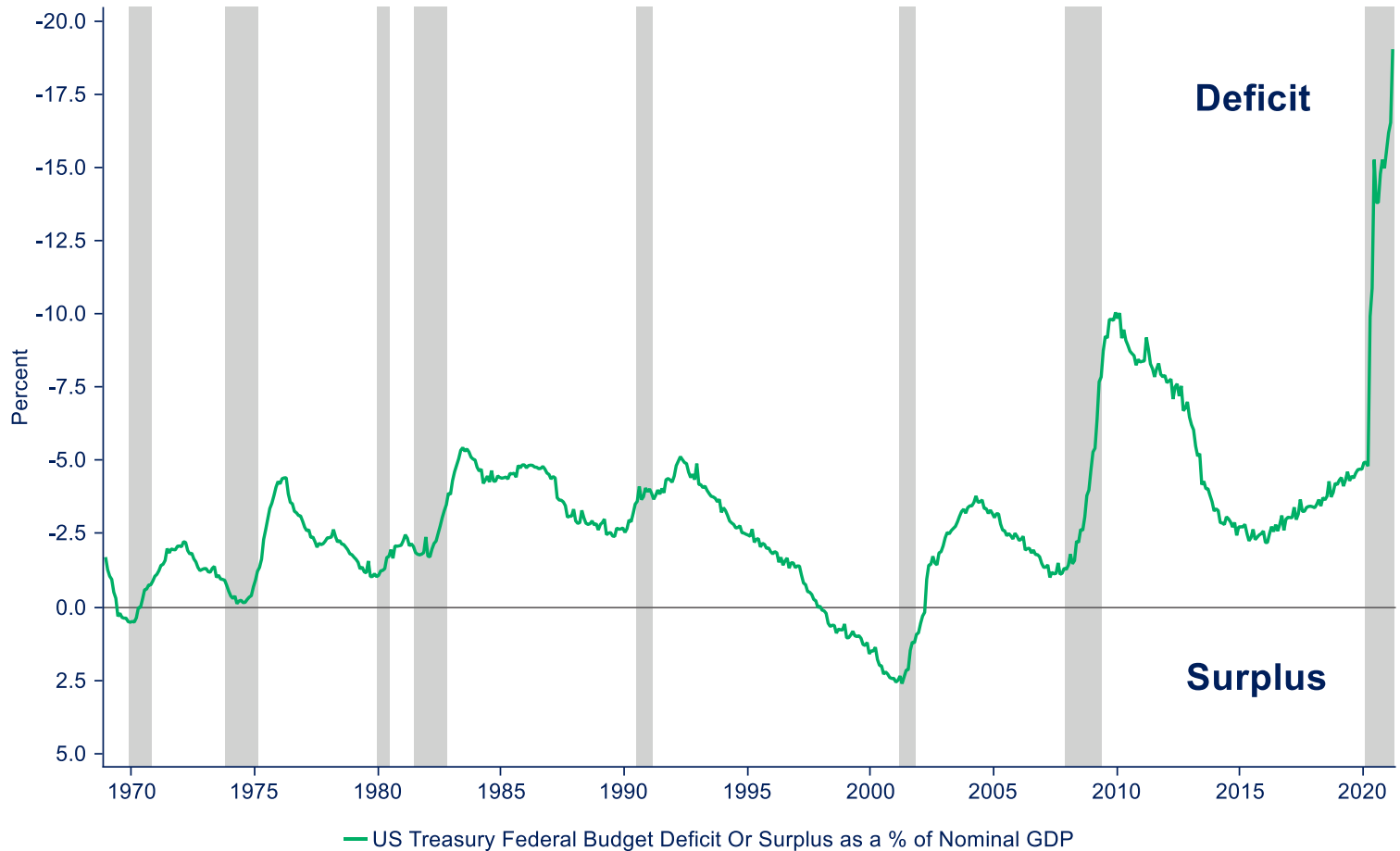


Source: Macrobond, Bloomberg, as of 4/16/2021



Source: Macrobond, Bloomberg, as of 4/16/2021

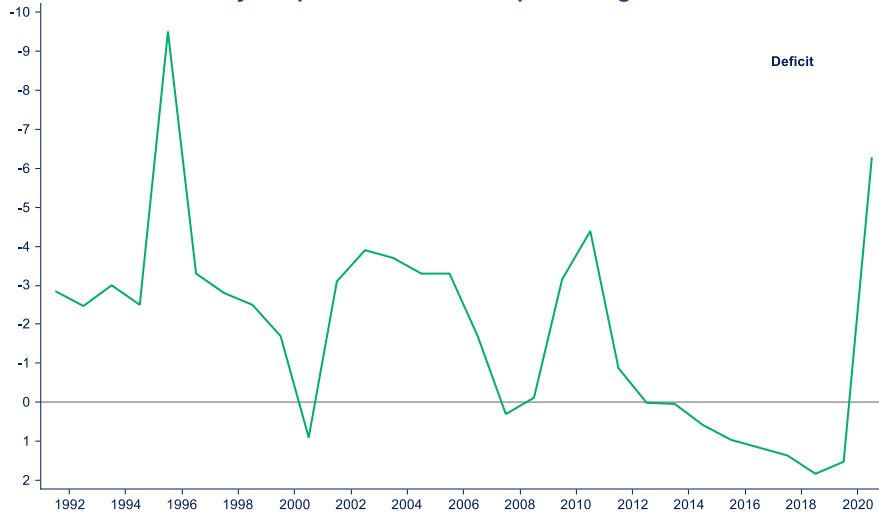
Risk to U.S. fiscal stimulus: government debt



Source: Macrobond, Bloomberg, as of 4/16/2021

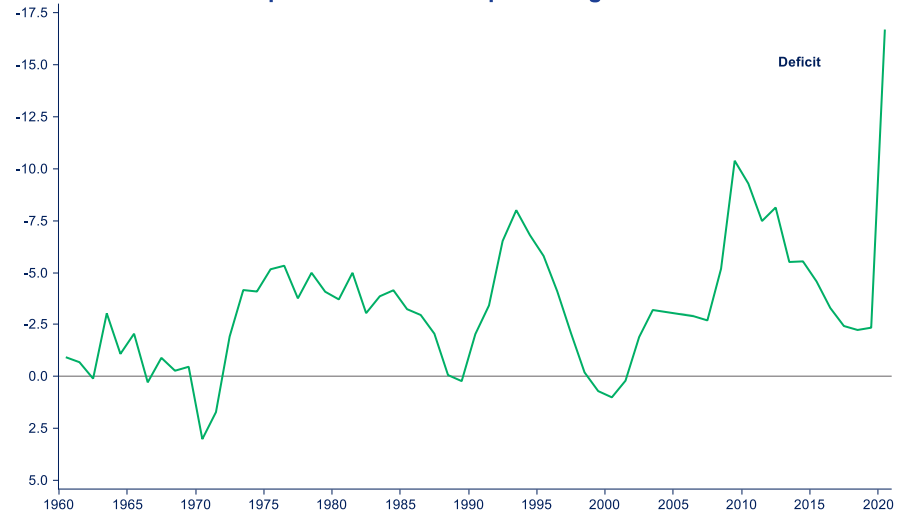
Government debt goes global

OECD Germany Surplus or Deficit as a percentage of Nominal GDP



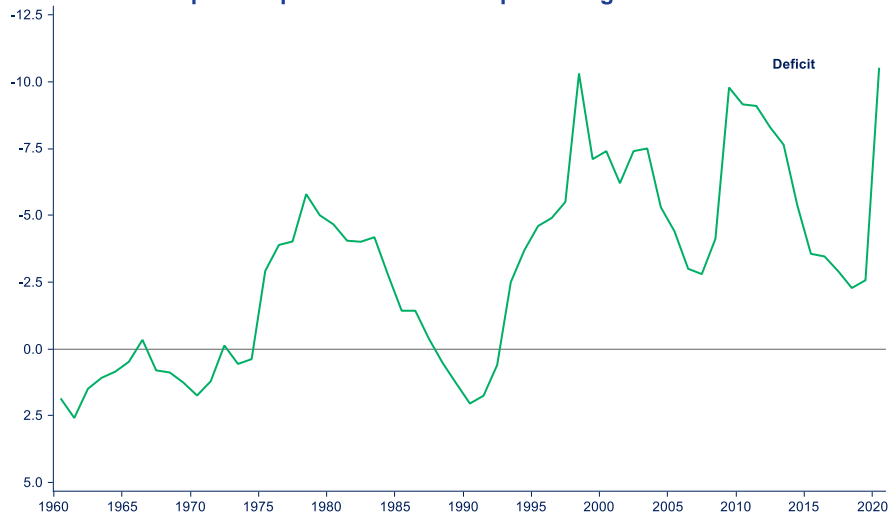
Source: Macrobond, Bloomberg, as of 4/16/2021

OECD UK Surplus or Deficit as a percentage of Nominal GDP



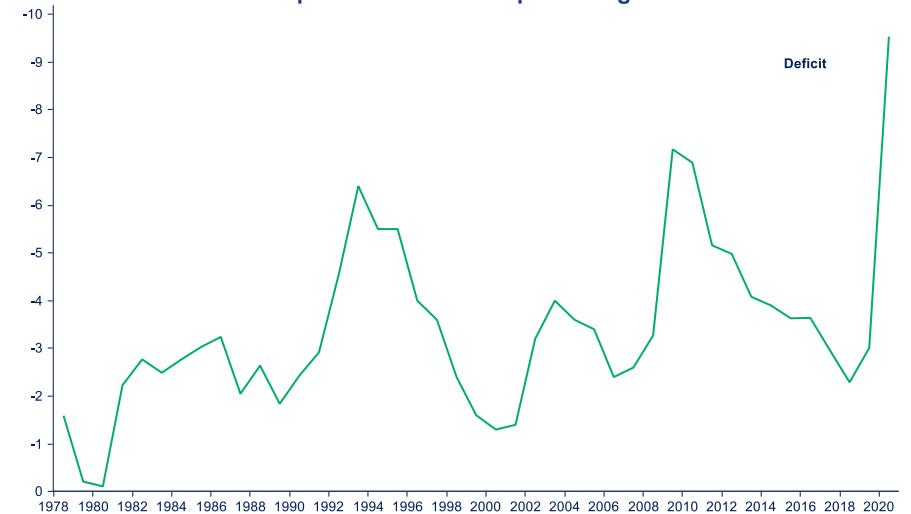
Source: Macrobond, Bloomberg, as of 4/16/2021

OECD Japan Surplus or Deficit as a percentage of Nominal GDP



Source: Macrobond, Bloomberg, as of 4/16/2021

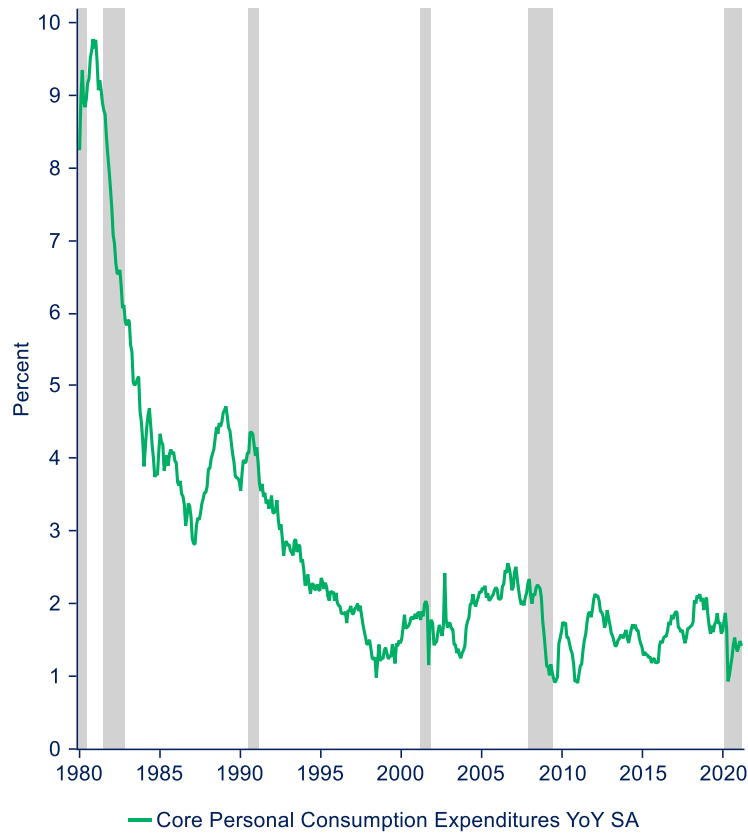
OECD France Surplus or Deficit as a percentage of Nominal GDP



Source: Macrobond, Bloomberg, as of 4/16/2021

Risk to US fiscal stimulus: Inflation

Inflation



Source: Macrobond, Bloomberg, as of 4/16/2021

Inflation Expectations



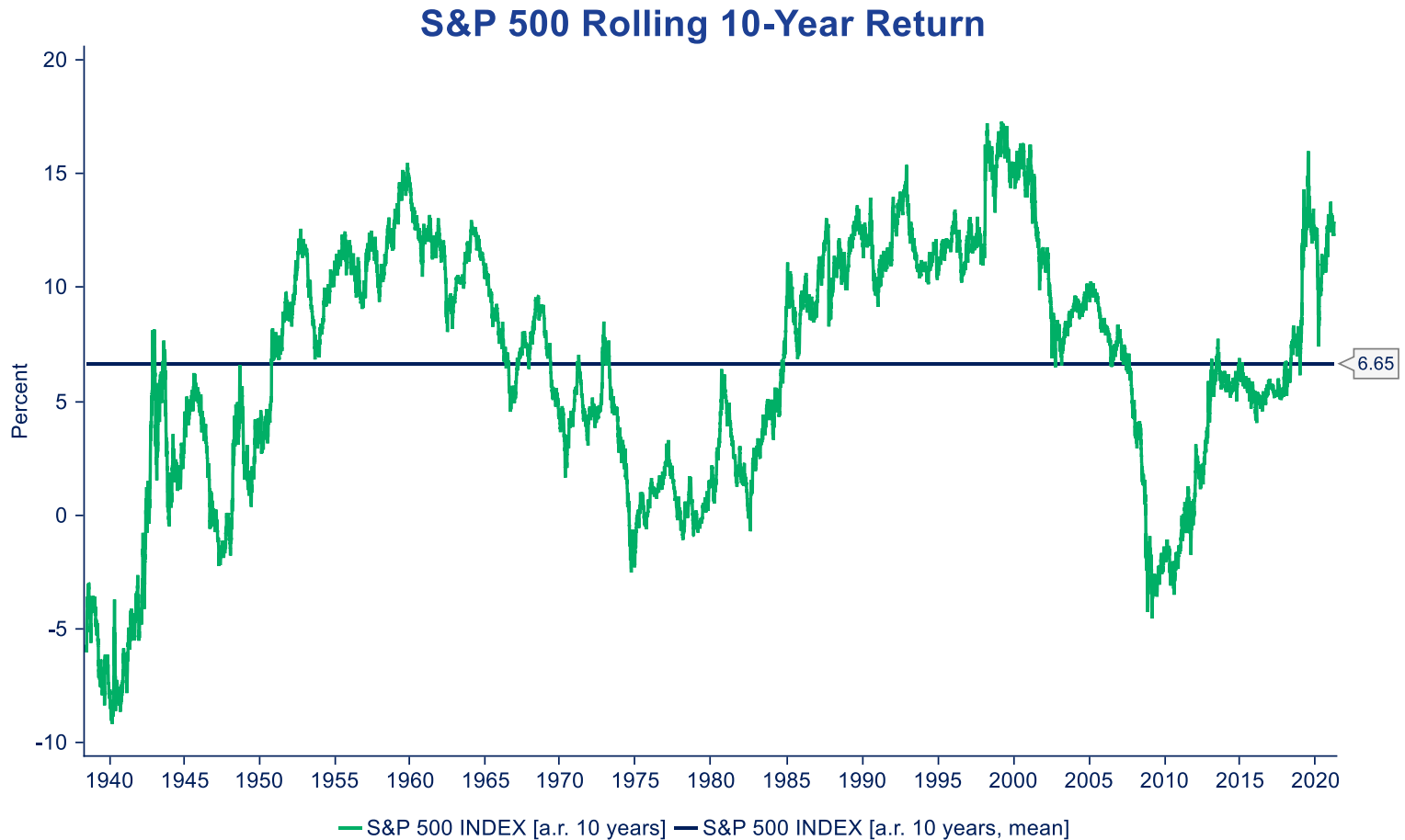
Source: Macrobond, Federal Reserve Bank of St. Louis, as of 4/16/2021

Equity valuations are frothy



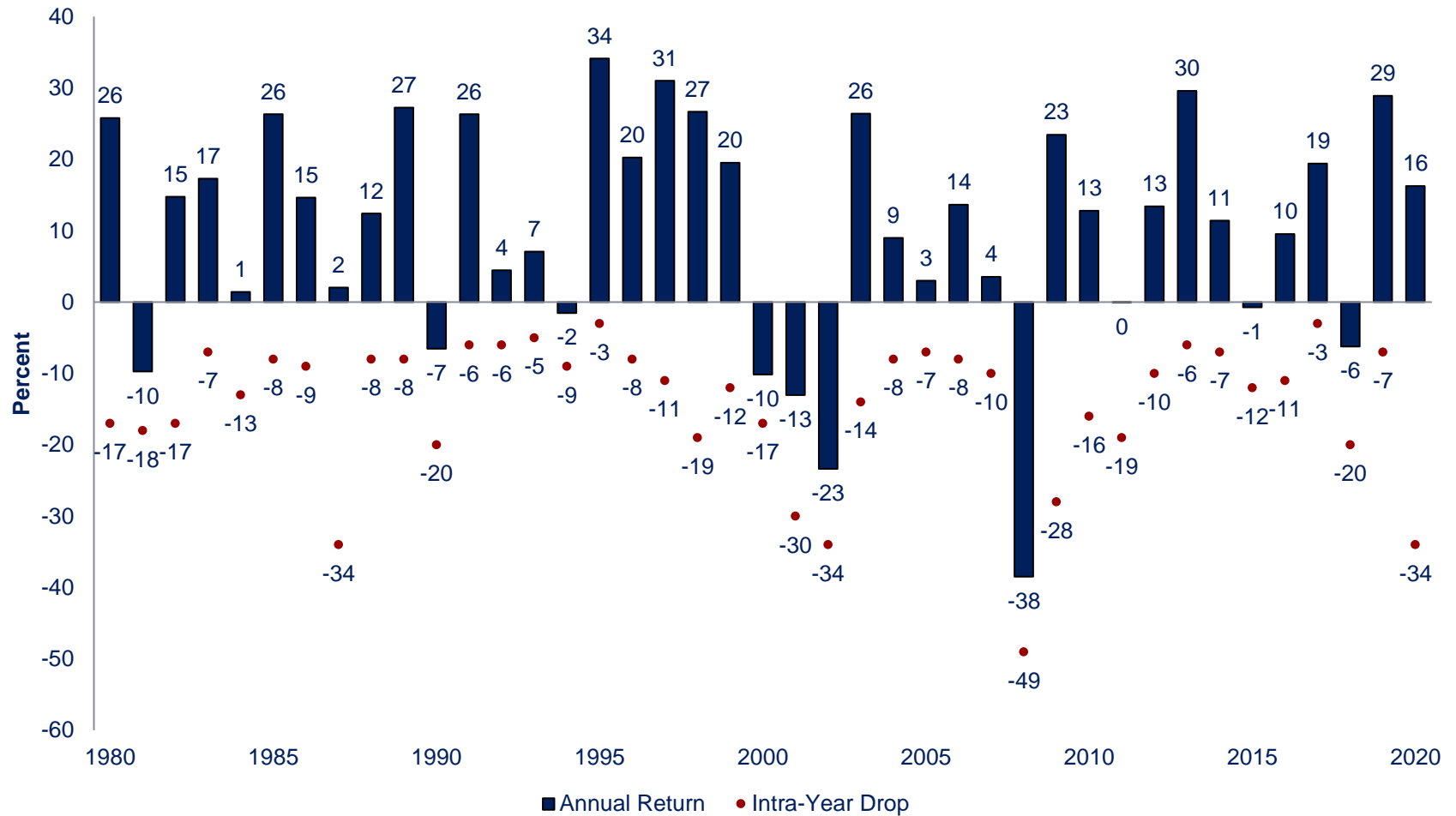
Source: Macrobond, Bloomberg, as of 4/16/2021

Putting investment returns into context



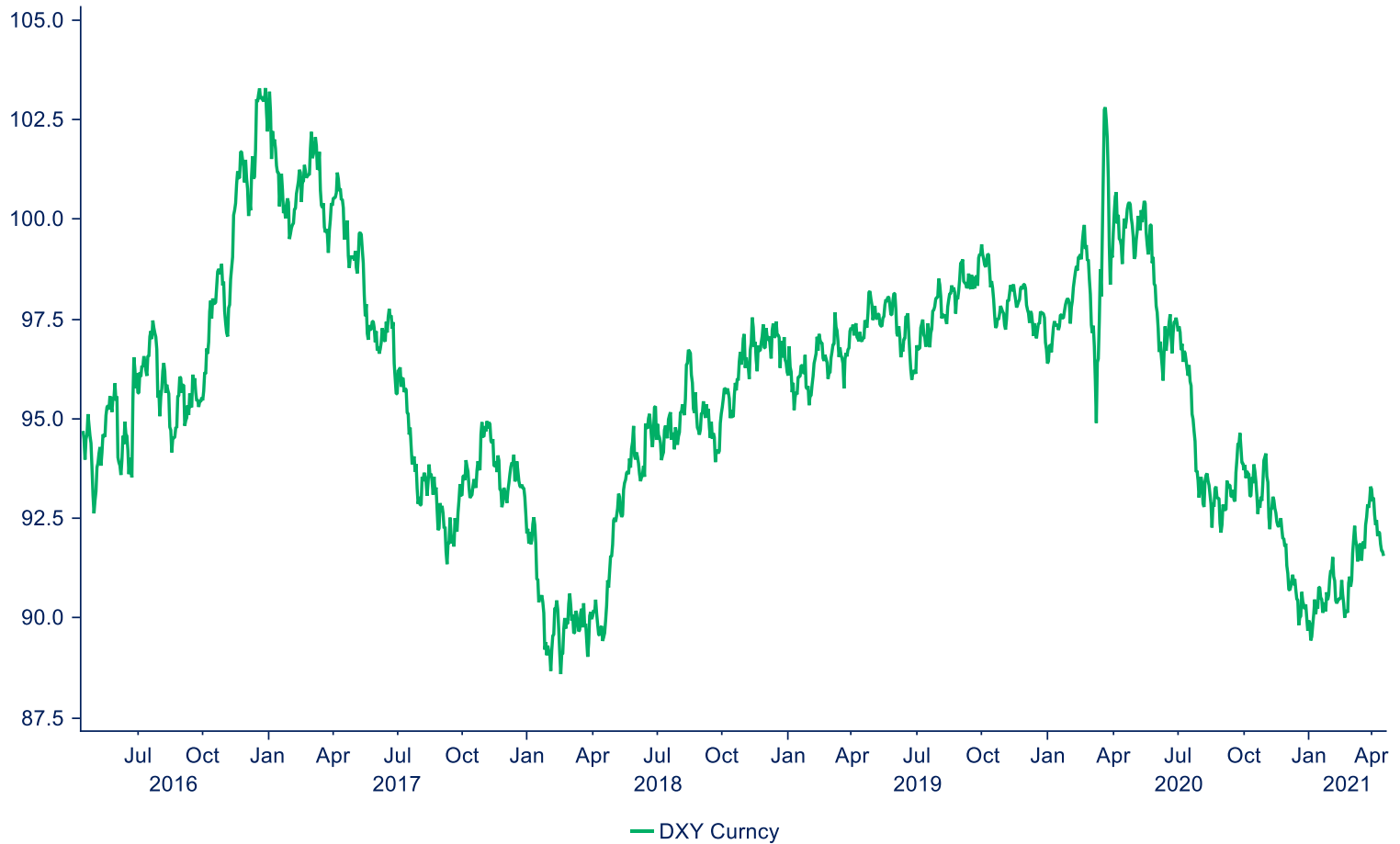
Source: Macrobond, Bloomberg, as of 4/2/2021

Putting investment returns into context



Source: Bloomberg, J.P. Morgan Asset Management; Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2020.

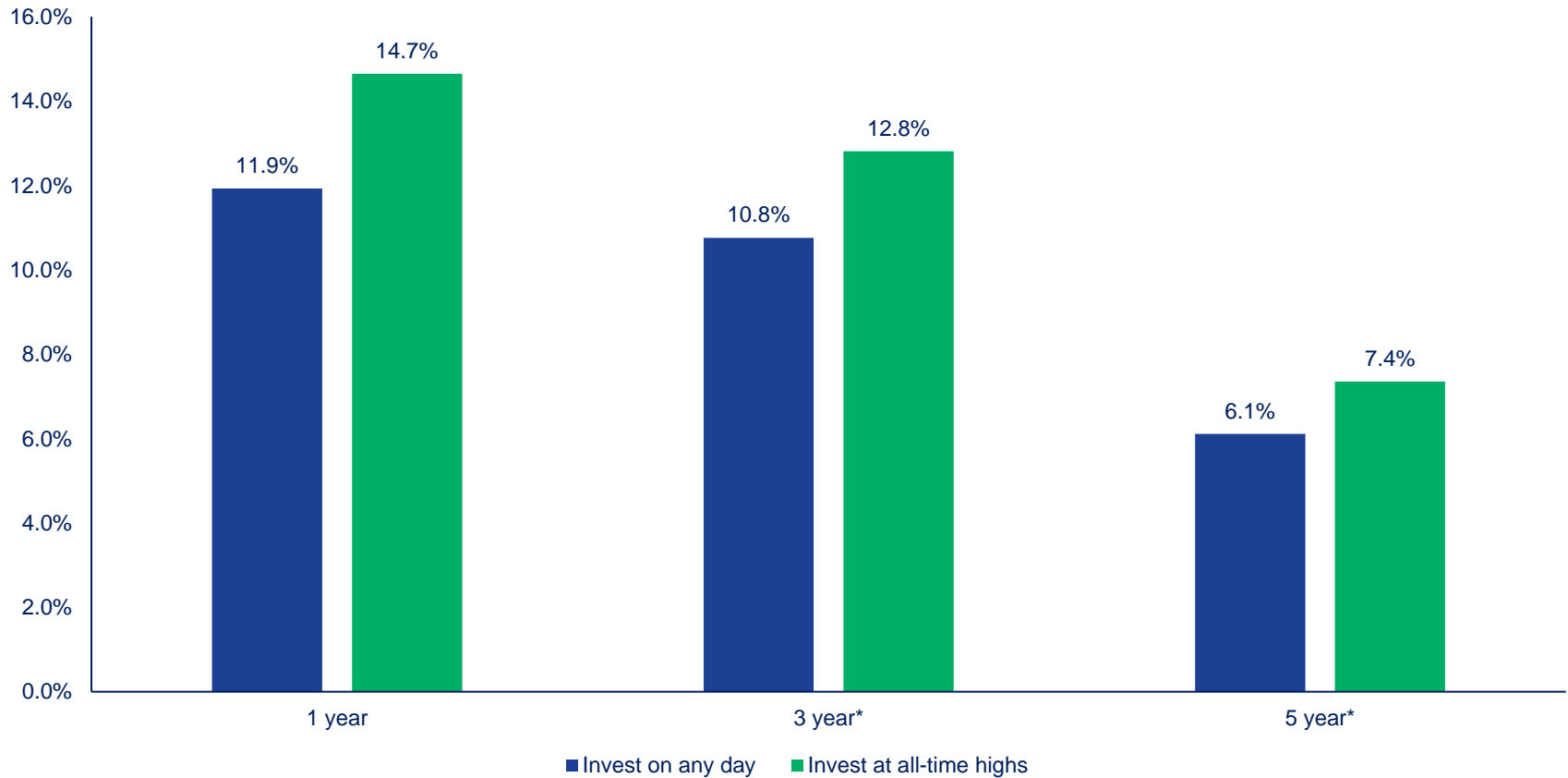
U.S. dollar



Source: Macrobond, Bloomberg, as of 4/16/2021

Investing at all-time highs...works

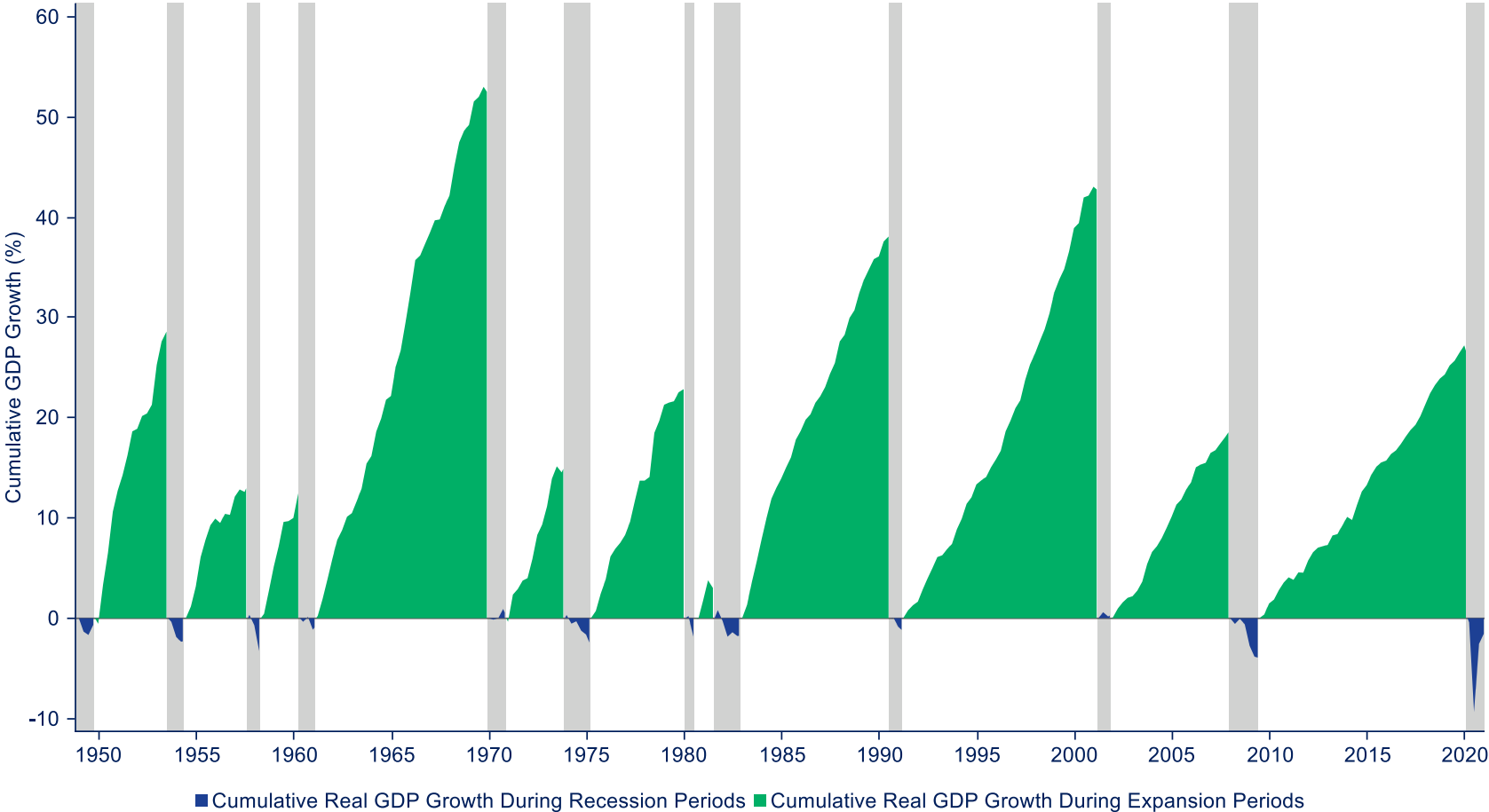
Average S&P 500 Total Returns
1988 - present



Source: Bloomberg, J.P. Morgan Private Bank, data is as of 4/2/2021

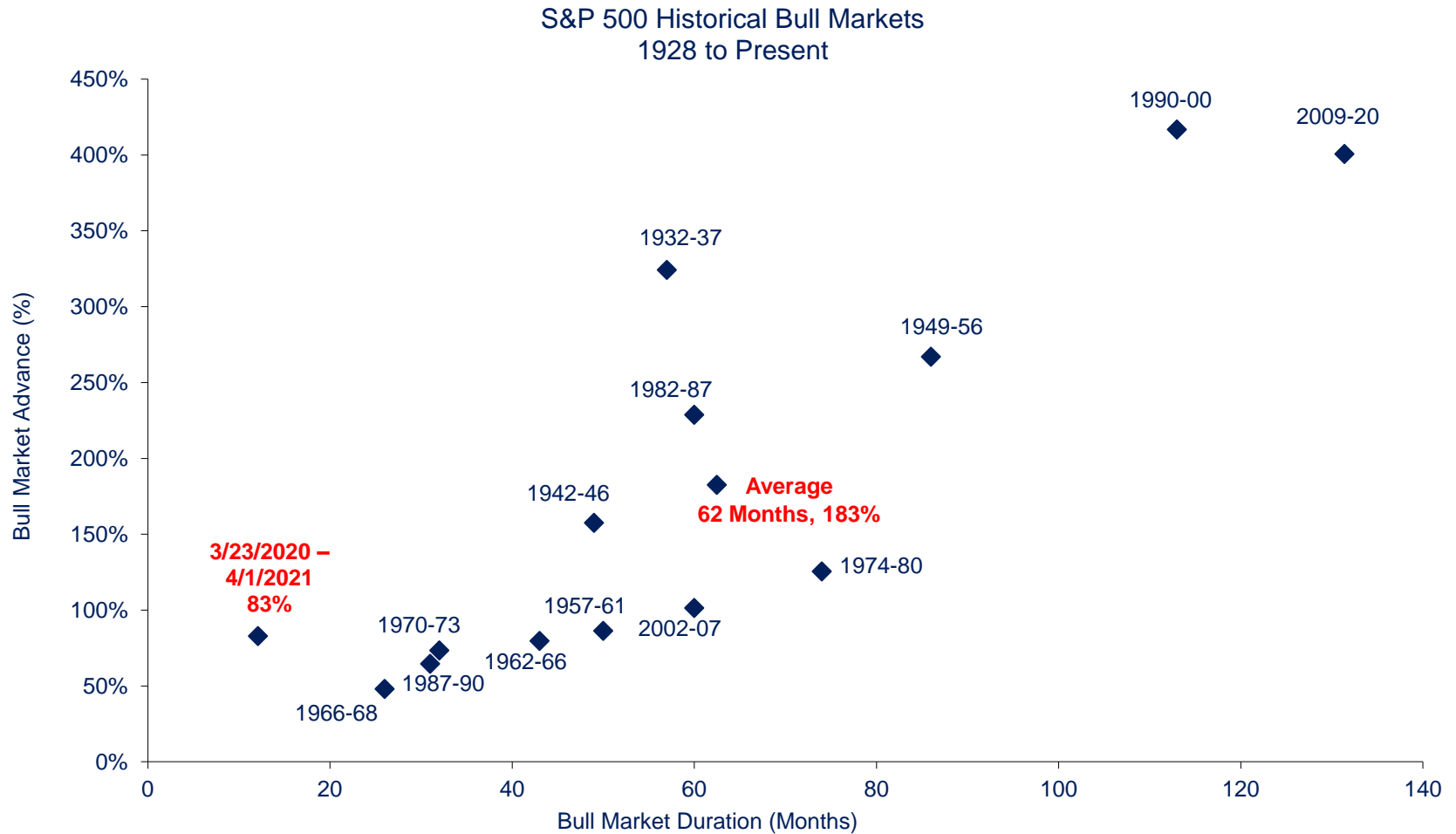
*Annualized

The long view



Source: Macrobond, NBER, BEA, as of 12/31/2020

Bull markets in perspective



Source: Strategas Research Partners, as of 3/15/2021

Conclusions

- The combination of unprecedented global monetary and fiscal stimulus, in concert with a global vaccination program, will lead to a rapid recovery in global economic growth.
- The U.S. Fed and other global central banks are very dovish and are expected to remain so over the intermediate term (12-24 months).
- A global environment that includes the following will be constructive for global risk assets:
 - Low interest rates—thus a low cost of capital
 - Low inflation
 - Broad economic and company specific fundamental data that will continue to improve
- If we are correct in our assessment that the global economy is emerging from the 2020 recession, then we are in the very early stages of a new economic expansion. If past is prologue, these economic expansionary periods typically last for many quarters and many years — an outlook that should be supportive for risk assets.
- Risks to consider include, but are not limited to:
 - COVID-19's lingering health and economic effects
 - High levels of developed government debt/deficits leading to:
 - higher inflation, higher interest rates, higher taxes, lower economic growth
 - Expensive global equity valuations

Questions?

Thank you.

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Disclosures & definitions

MSCI All Country World - The MSCI ACWI offers a modern, seamless and fully integrated approach to measuring the full equity opportunity set with no gaps or overlaps. MSCI ACWI represents the Modern Index Strategy and captures all sources of equity returns in 23 developed and 23 emerging markets.

S&P 500 - The Standard & Poor's 500 Stock Index 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.

Russell 2500 - Russell 2500 Index is an index that measures the performance of the 2,500 smallest companies in the Russell 3000 Index. This index is constructed to provide a comprehensive and unbiased barometer for the small and mid-cap segment of the U.S. equity universe.

MSCI EAFE - MSCI EAFE Index is a market capitalization weighted index composed of companies representative of the 20 Developed Market countries in Europe, Australasian and the Far East. Net of taxes is calculated in U.S. dollars as dividend reinvested minus withholding taxes retained at the source for non-resident individuals who do not benefit from double taxation treaties.

MSCI EM - The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the MSCI Emerging Markets Index consisted of the following 25 emerging market country indices. Net of taxes is calculated for Morgan Stanley Capital Int'l Equity Indices in U.S. dollars as dividend reinvested minus withholding taxes retained at the source for non-resident individuals who do not benefit from double taxation treaties.

BB Intermediate Government/Credit - The Bloomberg Barclays Intermediate Government/Credit index measures the performance of U.S. dollar-denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

U.S. Aggregate Bond Index - The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

Global Aggregate ex-USD - The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets excluding the United States. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging market issuers.

JP Morgan EMBI Global Diversified - The J.P.Morgan Emerging Markets Bond Index Global tracks total returns for traded external debt instruments in the emerging markets, including U.S. dollar-denominated Brady bonds, loans and Eurobonds with an outstanding face value of at least \$500 million.

US Corp High Yield - Barclays US Corporate High Yield Index represents the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded but, Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included. The index includes corporate sectors. The corporate sectors are Industrial, Utility, and Finance, encompassing both US and non-US Corporations.

BB Global Inflation-Linked TIPS - The Bloomberg Barclays US Treasury Inflation-Protection Securities (TIPS) Index consists of inflation-protection securities issued by the U.S. Treasury. They must have at least one year until final maturity and at least \$250 million par amount outstanding.

MSCI U.S. REIT Index - The MSCI U.S. REIT Index is a free float-adjusted market capitalization index, aimed to reflect the performance of equity REIT investment opportunity set in the U.S.

S&P U.S. REIT - The S&P U.S. REIT Index defines and measures the investable universe of publicly traded real estate investment trusts domiciled in the United States.

S&P Global Infrastructure - The S&P Global Infrastructure Index tracks 75 companies from around the world chosen to represent the listed infrastructure industry and includes three distinct infrastructure clusters: energy, transportation, and utilities.

Alerian MLP Infrastructure - The Alerian MLP Infrastructure Index is a composite of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZI) and on a total-return basis (AMZIX).

Bloomberg Commodity Index - The Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements.

HFRX Global Hedge Fund Index - The HFRI Funds of Funds Composite Index is an equal-weighted index that includes over 650 constituent funds, both domestic and offshore funds. All assets are reported in USD, and performance is reported net of all fees on a monthly basis. Inclusion criteria is at least \$50 million AUM or have been actively trading for at least 12 months.

Nikkei 225 Index - The Nikkei 225 Stock Average is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange.

Stoxx Europe 600 - With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region.

Disclosures & definitions

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.

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.

5-Year, 5-Year Forward Inflation Expectation Rate measures expected inflation (on average) over the five-year period that begins five years from today.

The U.S. Dollar Spot Index (DXY) indicates the general international value of the USD by averaging the exchange rates between the USD and major world currencies.

The Fed Funds Rate is the short-term interest rate targeted by the Federal Reserve's Federal Open Market Committee (FOMC) as part of its monetary policy.

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.

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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.