



# February 2020 Macro Economic Chart Book (Snapshot)

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# February Economic Chart Book (Snapshot)



Enclosed are select charts from Torsten's February Economic Chart Book discussing:

- DB's Updated Economic & GDP Outlook
- Coronavirus Impact
- US Election
- State of the US Consumer
- Investment Implications

[Link to Torsten Slok's full February Global Macro Chart Book can be found here.](#)

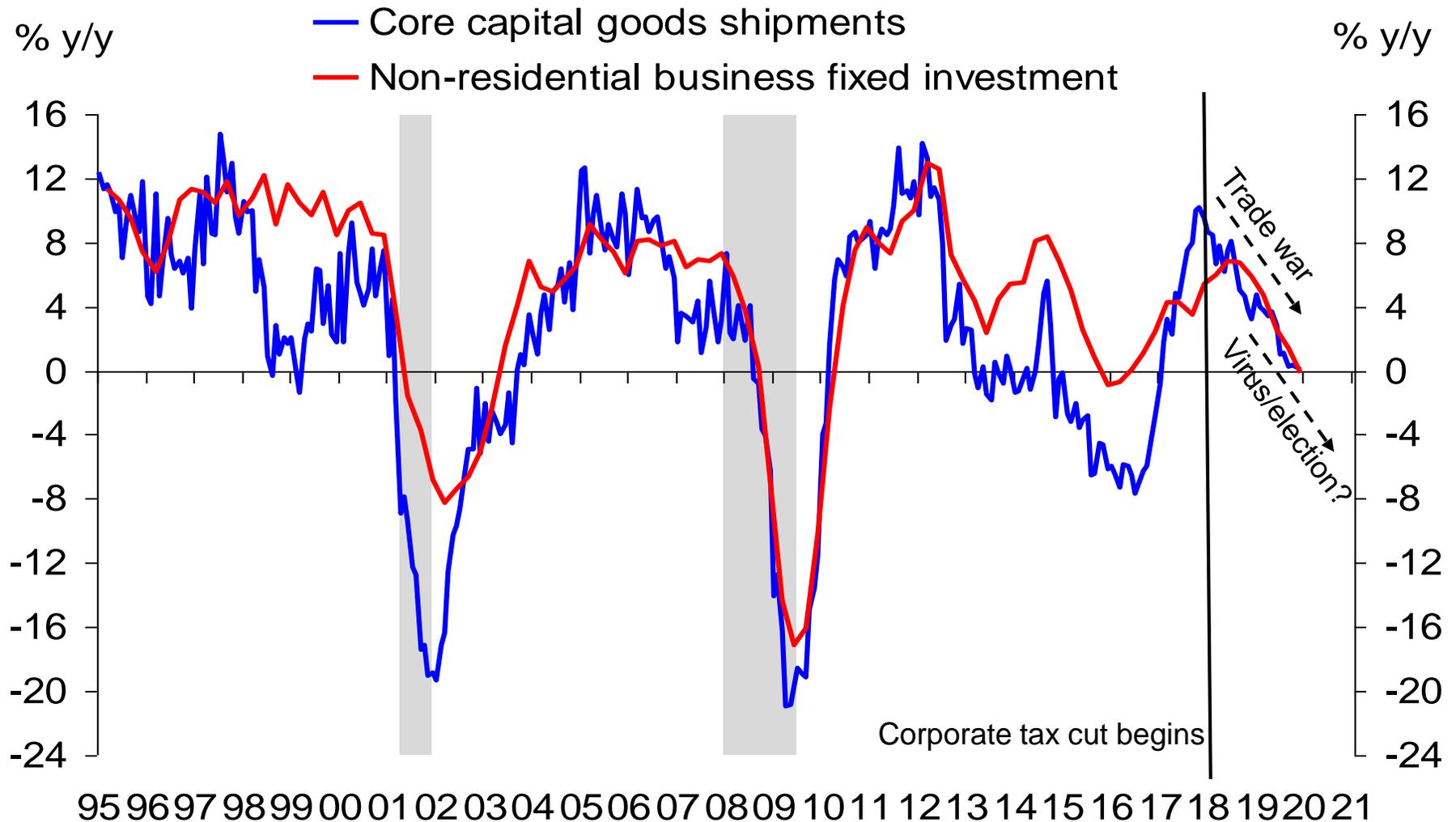
# Risks to the outlook



1. Trade war uncertainty
2. Coronavirus/oil price uncertainty
3. Election uncertainty
4. Positive effects of the 2018 corporate tax cut fading
5. US consumer delinquency rates moving higher
6. US labor market indicators point to slowdown ahead
7. Corporate credit fundamentals more vulnerable

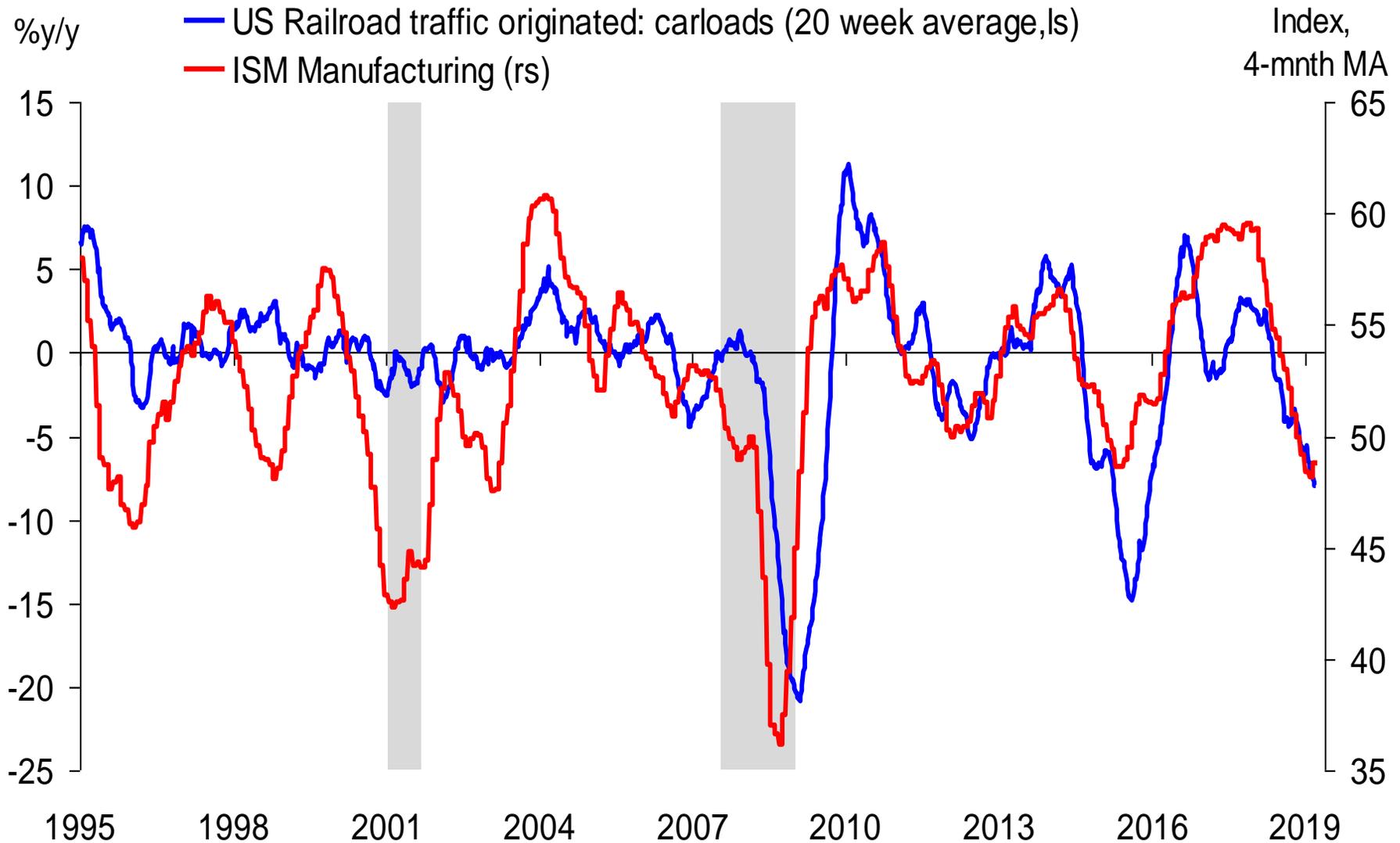
Investment implications for rates, FX, credit, and equities

# More downside risks to corporate capex spending



Source: Census, BEA, Haver Analytics, DB Global Research

# Goods sector: Still downside risks



Source: AAR, ISM, Haver Analytics, DB Global Research

# Coronavirus: Impact on global growth



Figure 1: Estimated impact of novel coronavirus on global GDP growth

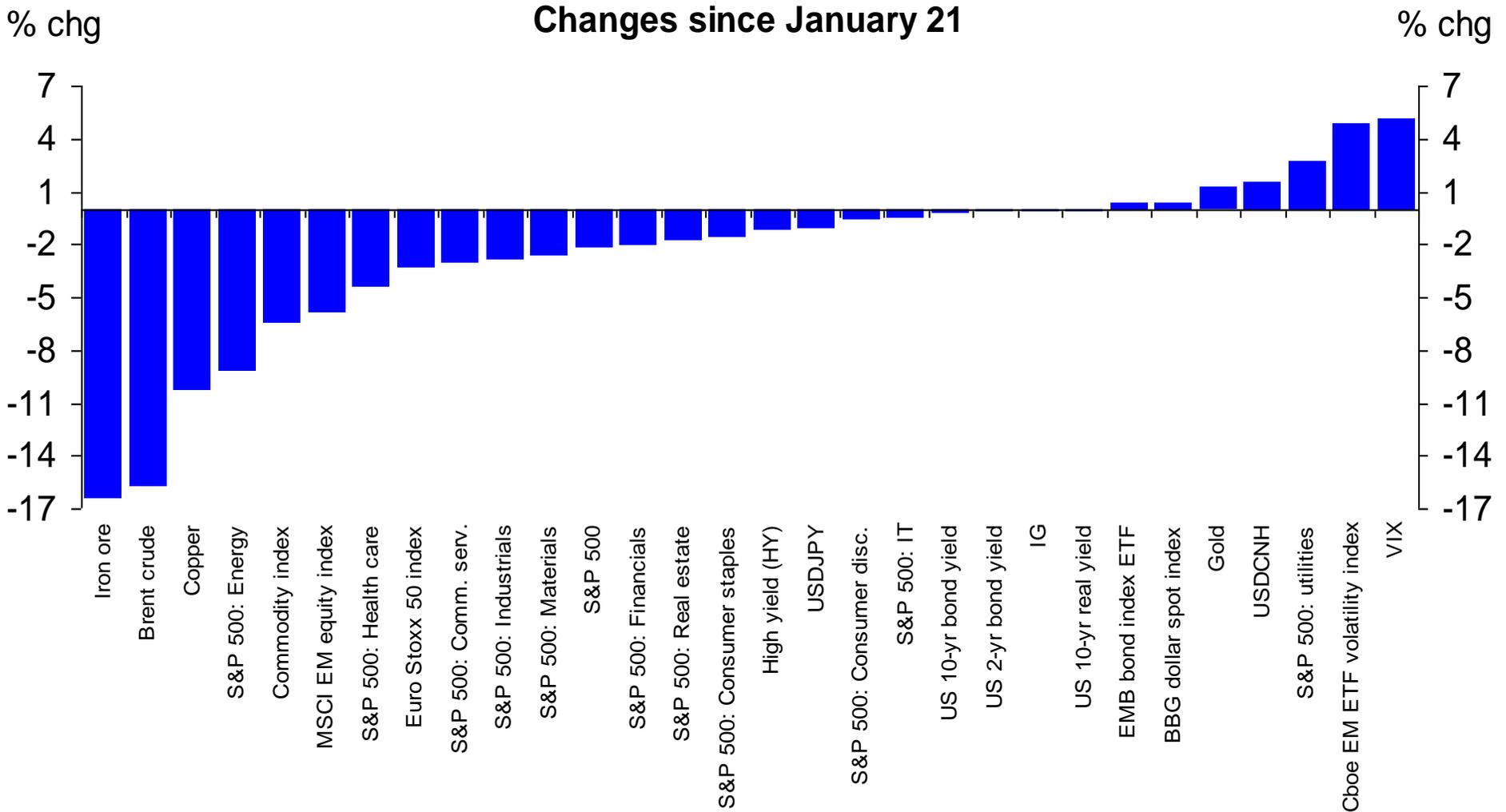
	Four-quarter rates of growth (%)						
	Q1 2020			year 2020			
	new	old	impact	new	old	impact	weight (%)
China	4.6	6.1	-1.5	5.8	6.1	-0.3	22
Japan	-0.4	0.0	-0.4	-0.1	0.1	-0.2	4
Other Asia	4.1	4.5	-0.4	4.5	4.8	-0.3	18
EuroArea	0.6	0.7	-0.1	0.8	0.9	-0.1	14
Germany	-0.2	0.0	-0.2	0.7	1.0	-0.3	(3)
US	1.9	2.0	-0.1	2.2	2.3	-0.1	16
Rest of the World			-0.2			-0.1	25
World			-0.5	3.1*	3.3*	-0.2	100

\*year/year growth rates

Note: For the US, several recent developments have led to revisions to our forecast. This table isolates the impact of the coronavirus. "Other Asia" includes only the emerging market economies other than China. Source : Deutsche Bank

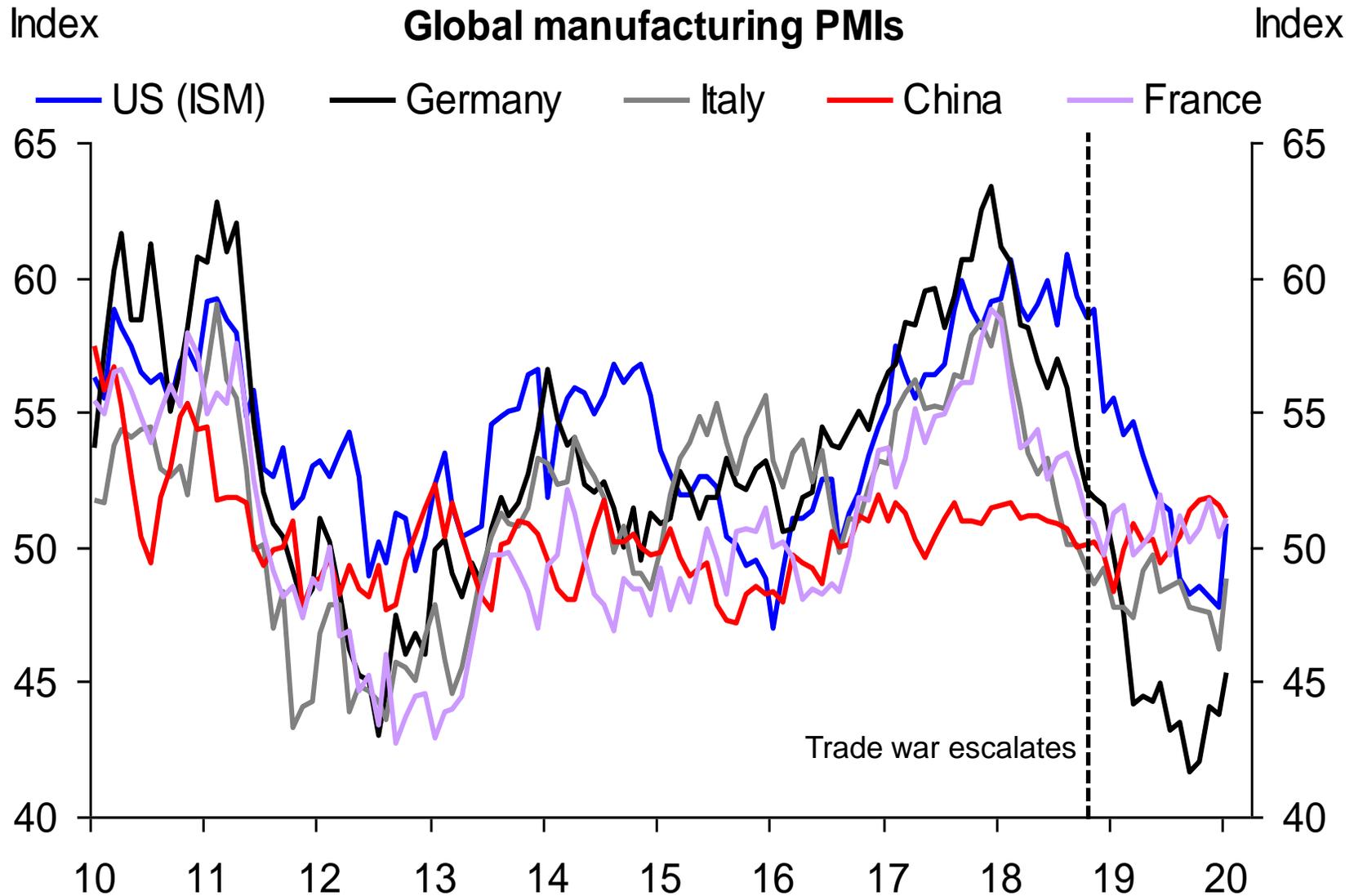
Source: DB Global Research

# Coronavirus: Impact on markets



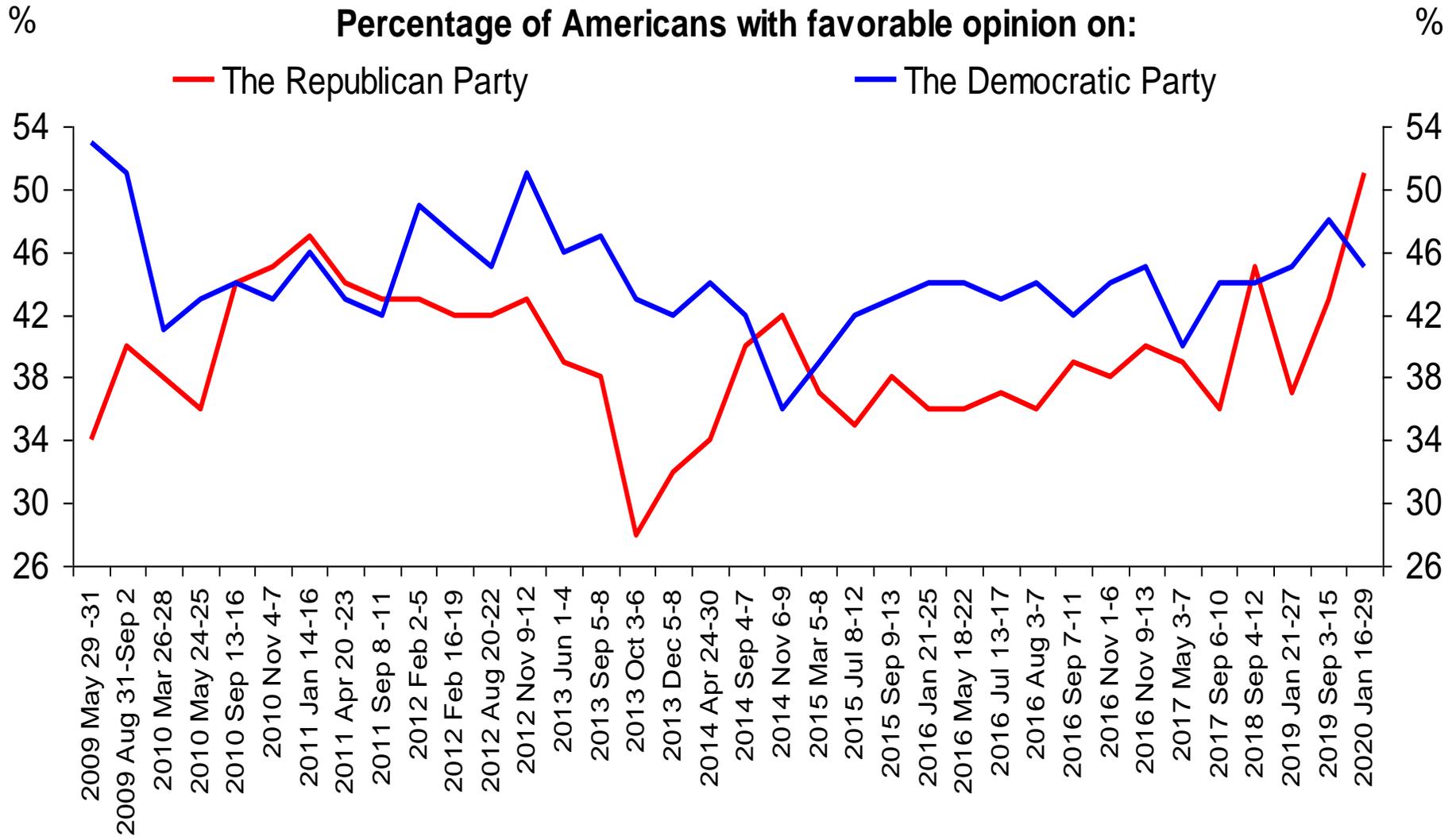
Source: Bloomberg Finance LP, Haver Analytics, DB Global Research

# Global growth bottoming but new downside risks from coronavirus



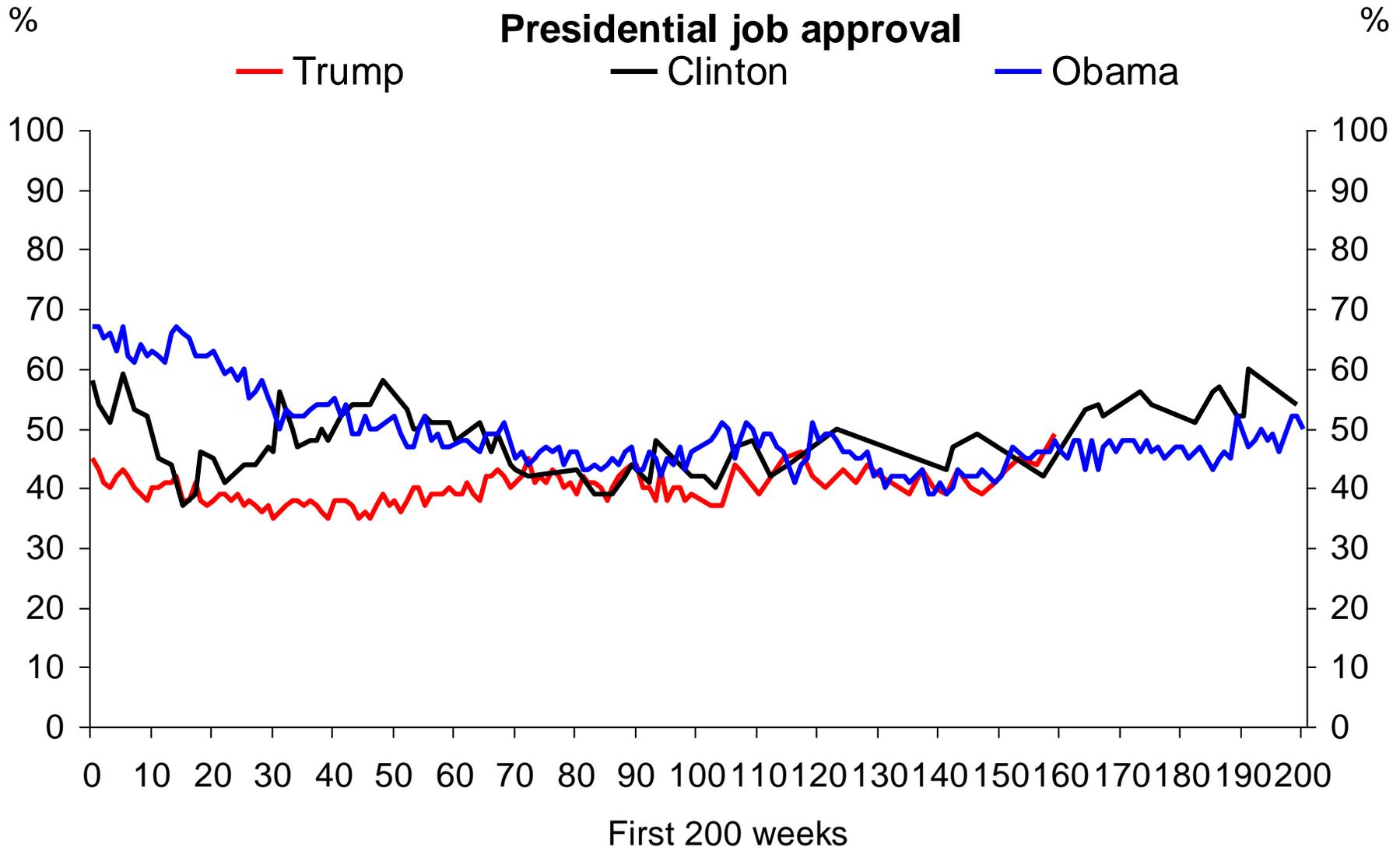
Source: ISM, Markit, Haver Analytics, DB Global Research

# Americans' opinion on parties



Source: Gallup, DB Global Research

# Trump job approval rating not too different from Obama or Clinton at this point in presidency



Source: American Presidency Project, Gallup, DB Global Research

# Democratic candidates' proposals



Elizabeth Warren	Joe Biden	Bernie Sanders	Pete Buttigieg
<ul style="list-style-type: none"> <li>Raises the minimum wage to \$ 15/hr</li> <li>2% annual tax on household net worth between \$ 50 million - \$1 billion; 4% annual surcharge on household net worth over \$ 1 billion</li> <li>Proposes 7% tax on corporate profits above \$ 100 million</li> <li>Intends to establish a “small fee” on “40 or so largest banks in the country”</li> <li>Proposes to bring back the Glass-Steagall act</li> <li>Eliminates up to \$ 50,000 of student debt for borrowers earnings less than \$ 100,000 with proportionally less relief for those earning up to \$250,000</li> <li>Nearly quadruples Title 1 funding</li> </ul>	<ul style="list-style-type: none"> <li>Raises minimum wage to \$ 15/hr</li> <li>Rolls back the rate cut of capital gains tax and restores it to almost 40%</li> <li>Raises corporate tax rate to 28%</li> <li>Intends to make two years of community college or other high quality education and would eliminate payments on undergraduate federal student payments for those earning less than \$ 25,000 annually and everyone else will pay 5% of their discretionary income</li> <li>Would nearly triple teacher pay</li> </ul>	<ul style="list-style-type: none"> <li>Raises minimum wage to \$ 15/hr</li> <li>Proposes an “extreme wealth tax” on the top 0.1% households whose net worth is above \$ 32 million</li> <li>Companies with large gaps between CEOs and median worker pay would see progressively higher corporate tax rates</li> <li>Would raise \$ 4.35 trillion over the next decade and cut the wealth of billionaires in half over 15 years</li> <li>Would break up too-big-to-fail banks</li> <li>Enact a federal jobs guarantee act</li> <li>Proposes to bring back the Glass-Steagall act</li> <li>Supports free college education and cancel all of the student debt</li> <li>Supports a starting salary of \$ 60,000 for teachers</li> </ul>	<ul style="list-style-type: none"> <li>Raises minimum wage to \$ 15/hour</li> <li>Intends to reverse 2018 corporate tax cut</li> <li>Proposed to raise top individual tax rate to 49.9%</li> <li>Intends to invest \$ 430 billion in affordable housing with plans to build or restore over 2 million new units for low income people</li> <li>Intends to boost rural economy through development programs and partnerships</li> </ul>
<p>Supports</p> <ul style="list-style-type: none"> <li>Medicare for All</li> <li>Drug price negotiation</li> <li>Reference pricing and</li> <li>Allows the US government to make generics</li> </ul>	<p>Would keep the Affordable Care Act and would build on it by giving Americans more choice on public insurance like Medicaid &amp; reducing health care costs and making the health care system less complex</p>	<ul style="list-style-type: none"> <li>Proposes Medicare for All, single-payer national health insurance program completely free at the point of service</li> <li>Proposes eliminating \$ 81 billion past-due medical debt</li> </ul>	<p>Medicare for Who Wants It</p> <p>Plans to cut out-of-pocket spending on prescription drugs by at least 50% by the end of first term; cap the spending on prescription drugs under \$ 250 per month for everyone choosing Medicare for Who Wants It</p>
<p>Trade negotiation drafts to be publicly disclosed; will prioritize views of workers and consumers</p>	<p>Does not want to use tariffs to pressure other countries; also would want changes made to the UMSCA agreement and supports joining CPTPP</p>	<p>Suggests rewriting all trade deals to prevent outsourcing of jobs and raise wages</p>	<p>Does not want to use tariffs to pressure other countries; also would want changes made to the UMSCA agreement and opposes joining CPTPP</p>
<p>Proposes net zero emissions by 2050</p> <p>Bans fracking everywhere &amp; reduces carbon emissions</p>	<p>Supports nuclear power to tackle climate change; suggests a possible creation of 10 million jobs on the right strategy for climate change</p>	<p>Create a Green New Deal which makes 100% renewable energy and create 20 million jobs and rebuilding infrastructure to create a 100% sustainable energy system</p>	<p>Supports nuclear power and implement a Green New Deal with all available tools and supports investments to build a 100% clean energy society</p>
<p>Supports Citizenship for Dreamers and wants to repeal Sec 1325</p>	<p>Supports citizenship for Dreamers and leaves Sec 1325 in place</p>	<p>Supports Citizenship for Dreamers and wants to repeal Sec 1325</p>	<p>Supports Citizenship for Dreamers and wants to repeal Sec 1325</p>

Source: Candidates' campaign websites, Politico, DB Global Research

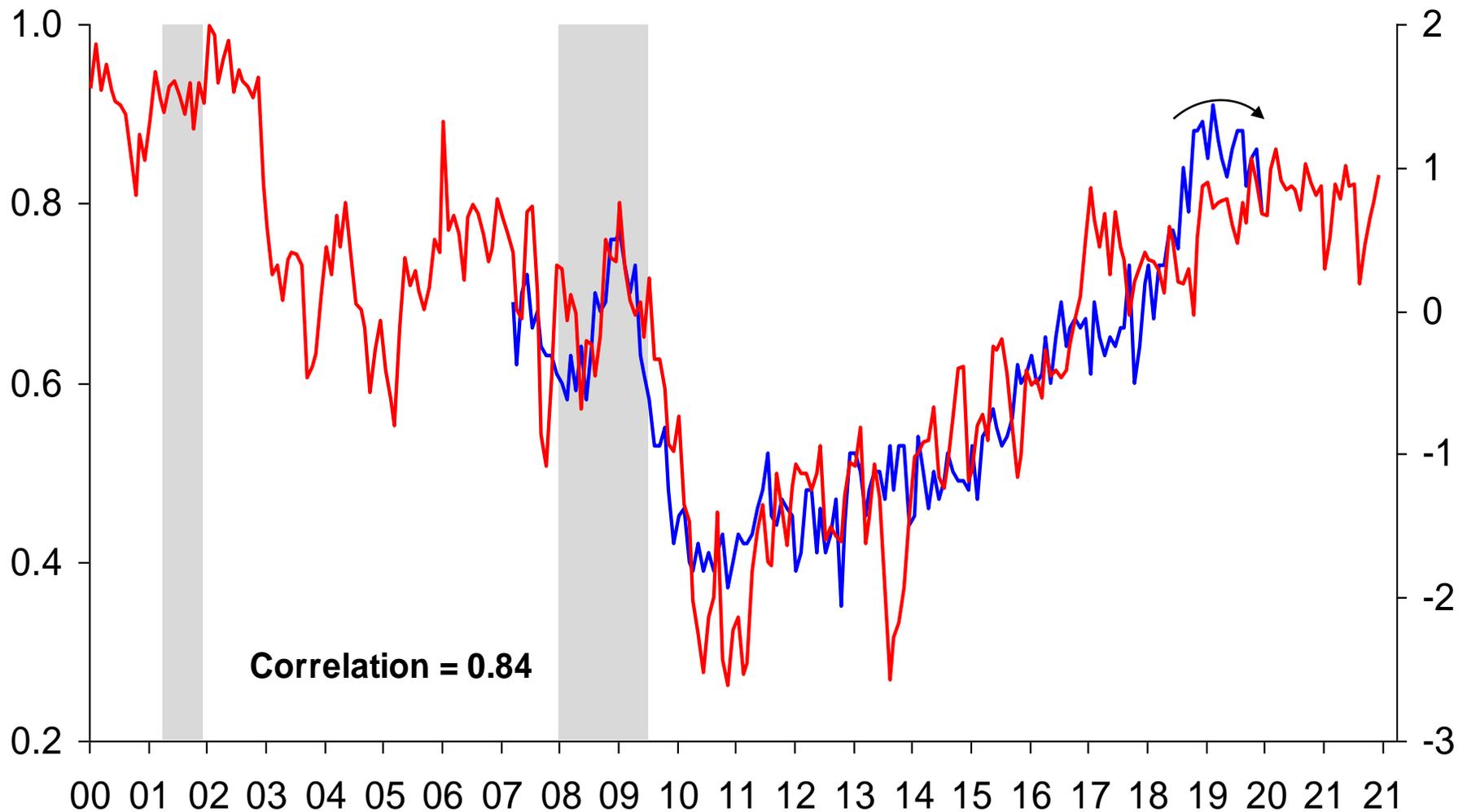


# Wage growth slowing down

chg. y/y,  
\$/hr

- Avg hourly earnings: total private industries (ls)
- Consumer sentiment (24m lead, rs)

z-score



Source: BLS, University of Michigan, Haver Analytics, DB Global Research

# Investment implications summarized



<p>Fed outlook  <b>– Fed on hold but downside risks still dominate</b></p>	<p>Coronavirus, potential trade war with Europe, and election uncertainty are headwinds for capex spending. Fading positive effects of 2018 tax cuts, slowing labor market, and late-cycle headwinds in consumer and corporate credit weighing on the broader US economic outlook.</p>
<p>Bond markets  <b>- Downside risks to rates. Steeper curve likely</b></p>	<p>Uncertainty about Coronavirus, potential trade war with Europe, and election impacting the Fed. Fading positive effects of 2018 tax cuts, slowing labor market, and late-cycle headwinds in consumer and corporate credit weighing on rates.</p>
<p>Credit  <b>- Credit spreads wider as slowdown continues</b></p>	<p>Dovish central banks and negative interest rates abroad without a US recession is bull case for US credit. Global QE and lower hedging costs means more foreign demand for US credit. But slower growth and deteriorating credit fundamentals and more Treasury supply argues for wider IG and HY spreads.</p>
<p>Stock markets  <b>- Policy uncertainty a risk</b></p>	<p>Virus uncertainty, trade war uncertainty, and election uncertainty are downside risks to equities. Low rates and dovish Fed are upside risks.</p>
<p>FX  <b>- Dollar down</b></p>	<p>2020 growth outlook flat for US, up for Europe. Gap between US long rates and German long rates expected to narrow further.</p>
<p>Commodities  <b>- Coronavirus and slower global growth</b></p>	<p>Coronavirus and slower global growth having negative impact on commodity prices.</p>
<p>Emerging markets  <b>- Imbalances in some EM countries</b></p>	<p>Coronavirus is a negative for commodity exporters. Flat US growth outlook is a risk to EM. But dovish Fed and ECB with no recession helpful for EM.</p>

Source: DB Global Research



## Torsten Slok, Ph.D.

- **Chief Economist, Managing Director**
- **Deutsche Bank Securities, Inc.**
- **Torsten Slok joined Deutsche Bank Securities in the fall of 2005.**
- **Mr. Slok's Economics team has been top-ranked by Institutional Investor in fixed income and equities since 2010, including #1 in 2019.** Slok currently serves as a member of the Economic Club of New York
- Prior to joining the firm, Mr. Slok worked at the OECD in Paris in the Money and Finance Division and the Structural Policy Analysis Division. Before joining the OECD he worked for four years at the IMF in the Division responsible for writing the World Economic Outlook and the Division responsible for China, Hong Kong, and Mongolia.
- Mr. Slok studied at University of Copenhagen and Princeton University. He has published numerous journal articles and reviews on economics and policy analysis, including in Journal of International Economics, Journal of International Money and Finance, and The Econometric Journal.



# Appendix 1

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