**Ameriprise Client Audiocast**
The federal government takes action to support the economy
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**Guests:**
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**Marcy Keckler:**
Hello, I'm Marcy Keckler, vice president of Financial Advice Strategy at Ameriprise Financial. Today's conversation is one in a series of audiocasts from Ameriprise Financial and you can hear other conversations at Ameriprise.com/market volatility.

Today, we want to provide you with an update on the markets and the economy, especially in light of recent actions by the federal government to pass a new stimulus package as well as actions by the Federal Reserve.

Today, I'm going to talk to some of my colleagues who are experts in markets and the economy to ask them questions about things like how we've seen markets react to these recent actions. I'm also going to talk about what do we see in terms of things we hear about in the news like liquidity and what does that mean for each of us and then finally and really importantly, what should individual investors be thinking about and what should clients talk to their financial advisors about?

Joining me today are two of my colleagues, first David Joy, who is the Ameriprise chief market strategist. Welcome, David.

**David Joy:**
Glad to be with you today, Marcy.

**Marcy Keckler:**
And also joining me is Colin Moore. He's our global chief investment officer at Columbia Threadneedle Investments. Welcome, Colin.

**Colin Moore:**
Thanks Marcy glad to be here.

**Marcy Keckler:**
So Colin and David, I, I know you are both carefully watching the market and economic conditions. And I also know this is a type of a cycle you have been through before. You both have had long careers in investments and so, you know, you've seen other cycles. I am really interested in your thoughts on how you've seen markets react to the latest news. We've got nearly complete federal

stimulus bill. We've got new jobless claim data. Tell us your thoughts on how markets are reacting and I'll start with you David.

**David Joy:**
Well, thank you, Marcy. The markets are responding quite favorably to the news out of Washington. It's a combination of an economic stimulus package as well as the initiatives that the Federal Reserve has announced. Stocks have rebounded off their lows quite strongly. So clearly investors are taking heart that Washington has understood the seriousness of the potential economic downturn that we're facing as a result of the virus and the efforts to slow it down and so prices are, are rising. We're also seeing a favorable reaction in the bond market. The bond market had experienced an extreme episode of illiquidity. And now all of a sudden the combination of these two initiatives from Washington are having the beneficial impact of loosening up the bond market. You're seeing nice rallies pretty much across the board. So clearly Washington has had an impact favorably on the markets and most of that I would say is related to a confidence that these efforts will be beneficial in helping support the market.

A lot of these initiatives won't take effect immediately. They represent programs that need to be, you know, implemented and that will take several days to as many as several weeks. But nevertheless the reaction has been quite favorable and this is somewhat surprising to the extent that we've started now to see some very weak economic numbers including a huge rise in the number of new claims for unemployment insurance and that implies a significant rise, ultimately in the unemployment rate, but despite that investors have chosen to focus on the positive aspects of the program's coming out of Washington and so markets are higher.

**Marcy Keckler:**
Thank you, David. Colin, we'd love to turn to you and get your thoughts on what you're seeing in terms of market reactions to recent developments.

**Colin Moore:**
I, for many years going back to the '08-'09 crisis use this analogy of air, water, food. Liquidity is the equivalent of oxygen to the markets, you can only survive a very short time without it and therefore it doesn't surprise me that we're seeing a positive reaction from the markets from what are a series both from the Federal Reserve and now more recently from the, from government that injects liquidity into the economy and into the markets. And by the way, we're also seeing that globally which is very good. So it's that injection of liquidity takes away that fear that was beginning to grip the markets and gets us back to a more rational stance. Now, I keep emphasizing the word liquidity. These are not necessarily stimulus packages and I want to be clear that we shouldn't assume that they are. They're ways of helping people make payments that they were already committed to whether it's an individual, whether it's a small business. It's ways of helping markets conduct trades that they would normally be doing. They're not

necessarily going to create stimulus for faster growth, but they are a great way of helping us get through this current situation and prevent what is an awful short-term situation but coming a long-term issue or mitigating at least the impact long-term. And therefore again, I think it's right that markets have appreciated a little bit in response to that. But we've also got to be careful we don't take that too far because there's still a long way to go before we're clear of this situation.

**Marcy Keckler:**
That's really helpful Colin and I do want to just ask if you could say a little bit more about liquidity when you say liquidity when I think about it, you know just for like an individual investor, you know, somebody who's looking to see they look on their mobile app to see how much is in their checking account that might be, you know, sort of individual or household liquidity and when you're talking about liquidity, it, it probably means that with the stimulus package having some direct payments to many U.S. citizens, but also liquidity in terms of actions that the Federal Reserve Bank is taking to help make sure banks have liquidity in, in their resources to provide money to their depositors as well. Is that right? Or can you say a little bit more about what liquidity looks like to sort of the average investor?

**Colin Moore:**
That is correct. It's an entire menu of Options here around creating liquidity. So you're absolutely right. It was really important that people focus on the liquidity for individuals. David mentioned the high unemployment rate, which we all expect to get significantly higher again because of the economy being effectively shut down in many areas. So therefore if you want to still pay your rent, pay your mortgage, buy your groceries, etcetera, you need money in that checking account that you referred to. But if that same client also wants to sell their municipal bond, then they are relying on their being liquidity in the market to do that. And when we go back a week or so even very small amounts of trades in the municipal bond market were proving very hard to place because there wasn't enough liquidity. I, as in there weren't enough buyers and sellers actively making transactions in the marketplace to facilitate even relatively small traits. There's David rightly pointed out some of the more recent measures have transformed that where we're seeing very big rebound in the municipal bond market. And also that creates fear people thought those big declines in the municipal bond market were an immediate statement about credit problems in the municipal bond market. Again, as David, I think mentioned on a call last week there is a lot of issues that we need to think about, about how this economic situation is affecting municipal finances, the closing of airports, etcetera, etcetera, etcetera. All is important to that, the really big spike down in municipal bond prices that we had initially was because nobody could transact anything and in that sort of situation you get some very significant pricing distortions. You also mentioned banking well lots of companies have been drawing down on their credit lines, so that they have enough liquidity in their checkbook to help pay some bills, but that puts a strain on the banking system, which is so much more robust now than it was in '08-'09. So I don't want to create the impression that the banking system is weak.

But again, the Federal Reserve can be helpful in making more liquidity available to the banking system. So they in turn can help their clients. So it's absolutely key that we had these measures and I believe the introduction of such comprehensive measures has been a way in which this applied risk premium, this fear factor in the marketplace has eased off somewhat.

**Marcy Keckler:**
That's great. Thank you, Colin. I appreciate your further thoughts on that. And so what I'd love to get your thoughts on next is what do we think the future might hold both in the more near term as well as long term. I know neither of you have a crystal ball, but I also know you have a lot of experience and I think your perspective on what we might expect given the market activity, the underlying economic data and the actions that we've seen taken in Washington. You have great thoughts on what we might expect and I'd love to get your thoughts on that and I will start with you if we could David.

**David Joy:**
Yes, well a couple of things I think are worth pointing out. Number one, it will be very interesting to watch the efficiency with which this emergency bill is taken up. These are programs that need to be in a sense created, people need to apply for the benefits that they represent and so forth and so it'll be very interesting to see how quickly a lot of that money can find its way into the hands of those who will take advantage of these programs, these initiatives in ultimately get back into the economy. That of course will be hindered to the extent that we are for the most part being asked to stay at home. So it's going to be a little bit of a bumpy road to see the full impact of the legislation, but eventually it will have its, have its impact. A couple of other things, I would say, we need to be prepared going forward for some economic data that is increasingly weak. This week was just the start of that with the jobless claims number, we saw a very weak manufacturing and service sector report earlier. That's going to be increasingly the case going forward. So we need to simply prepare ourselves for that. We think the worst of the slowdown is going to actually take effect in the second quarter and some of the numbers could be quite weak. So we need to prepare for that. The second thing is we need to be prepared for the news on the virus in terms of the number of infections to also continue to get worse over the near term. And so we simply need to from an emotional perspective be prepared to look for that. And then the, the next thing I would say is Washington is sending signals that this particular piece of legislation will not be the last. Speaker of the House referred to this as emergency legislation to be followed with so far undefined package of recovery legislation, so we'll begin to look forward to see what that debate looks like. And then lastly and I know Colin has some thoughts about this, the recovery in the markets so far has been quite sharp, but typically recoveries of this nature are take some time. It's a process and we shouldn't get too enamored of the fact that markets have rebounded as quickly and as sharply as they have. We may be in for some days where we backpedal a little bit. So we need to be prepared for that as well.

**Marcy Keckler:**
Thank you, David. So Colin, um, what are your thoughts on what you think we might see in the near term and the slightly longer term and you know, really interested in your thoughts on David's question there around the pace of recovery and what that pace and, and really sort of model of recovery might look like?

**Colin Moore:**
We've had a few meetings over the last week or so on that very topic first trying to define what we mean by v-shaped recoveries and u-shape recoveries - that alphabet is pushed around a lot and very little is done to define what folks mean by it. So right or wrong, we just decided to pick some points and, and stick with that so that we could have some common definitions. So for us a v-shaped recovery would be the US economy getting back to the level of activity that was in we saw in Q4 2019 and therefore how long would it take to get back to that and I think consistent with what David mentioned a few moments ago. We would expect that to be at least next summer before we get back to that level. So these 12 months from now 15 months from now. So we define, define a v-shaped recovery as it taking up to 18 months six quarters to get back to the same level of economic activity as we had in Q4 2019. If it was going to take another year after that it was going to be what we called u-shaped recovery. And obviously if it's longer than that, I think that's what people refer to as L shaped.

Now, we do not expect the recovery in the economy to be even. We, we have to all sort of talk now about will people go back to using cruise lines quickly, etcetera. But obviously you go back out hopefully to sporting events and you may go to shopping malls, etcetera, much more readily than you would go to a cruise line. So we don't expect the recovery in the economy to be even. We're doing a lot of work to try and figure out where it will be maybe more accelerated, where it could be slower. But there is a real danger in thinking about numbers on average at the moment. But then as we work through various scenarios between this V shape as we defined it and u-shaped as we defined it. We kept coming back to the fact that the markets as a discounting mechanism markets look forward to what's going on, may recover faster. So even if the economy takes a little longer, let's say it is the U scenario, we still expect the markets to recover quite materially over the next six to 12 months as they look forward. So the key will actually be the evidence that the economy is normalizing rather than getting too pedantic about what the numbers were on any one quarter and whether they are as high or as low as we expected, as long as there's good encouraging underlying trend lines, then we think the markets will recover, but then again, David is made an excellent point that will not be necessarily a straight line. There's lots of data to come out on a low the market appears to have been quite sanguine about the latest jobless numbers. We expect those to escalate quite dramatically from here. One estimate we had is about 24 million jobs at risk because of the economic shutdown on a temporary basis at risk in all over the

short term. I think 16 million of those were in areas defined as hospitality which we know that's an area really heavily shut down at the moment. I have no way to predict exactly what the number will be but I suspect we're going to rise much higher than 3.2 million. And as those numbers begin to mount we can expect perhaps there to be days where people react more negatively than they have recently and therefore will get these setbacks and it'll move back and forward and they'll be volatility, but I suspect once we see the peak in the infection rate will begin to see encouraging trend lines about the path of a recovery for the economy. And then the markets will begin to discount that in but it shouldn't be happening too fast. There's a long way to go but to solving this and I get a little worried about sudden bursts of optimism. I feel week to week after week. I had to talk to people about being too pessimistic and perhaps as we think about recent market action, I'm now having to warn people about getting too optimistic. We will be out of this. We are going to get back to normal, but we can't assume that that's going to happen too quickly and therefore have to be worried about big moves in the market to the up play upside as well.

**Marcy Keckler:**
Thank you, Colin. It's a great reminder as we all think about this in our lives as were able to move about more normally once we are further through the process of dealing with this virus, you know your message around, you know will people travel. What would they do? You know, we might more quickly go back to a local restaurant then we might book a trip far from home. But all that economic act-activity will resume. So that's a great reminder. I do want to ask if either of you have any comments based on early data from China, which obviously experienced the coronavirus sooner and took measures it's not eradicated there but they certainly are further through the process of having society deal with it. Any lessons there that you would want to highlight regarding what that returning economic activity looks like and any lessons we might learn and I'll start with you Colin, if you have any comments on that.

**Colin Moore:**
Mostly anecdotal. There's always the concern about the aggregate data out of China is just to how accurate it is. I must have been I'm less concerned that that I hear some of my compatriots say that and I think you can still pick up good trend line data from China, but I do share some concern about exact point in time data and how accurate it is. But certainly we have a couple of interesting anecdotal points and then one point literally from a satellite as in we begin to watch economic activity point pick up, we can see literally see more activity on roads. We can see pollution over China getting to pick up a little bit because you maybe also those images from the European satellites and NASA about the clean air over China during their maximum period of lockdown, that's begun to change little bit again. We have actually quite a number of staff at Columbia Threadneedle that are either from China or based in Hong Kong and through their connections with their families we're hearing of more and more people going back to work. Literally talking to a company that deals with water purification and

indeed some extend cleaning pools, which I realized was a very narrow part of the population, but they were telling us about how quickly they have got back to work in China again, so it's more anecdotal but we're hearing some fairly encouraging things that the economy has recovered on the other hand. It wasn't instantaneous. You know, they reach their peak in infections a few weeks ago and we're seeing this building up of activity this, this renormalization but it is a good image that it's - - a good message I apologize that it is not necessarily the next day that everything gets back to normal. It'll take weeks and months and maybe longer but certainly the trends there are encouraging, as we also saw in South Korea, I should add. Now one note of caution, we've also seen a pickup in infections again in those countries that came back too fast. So hopefully we can learn from that as to yes, we want to get the economy going again. Yes, we want to get people to be able to get back to their more normal lives, but it may be is unwise to come back too fast. Maybe everyone come back in waves, as we begin to think about what are the implications for a second wave of infection, we can maybe help control that if we don't restart to quickly again.

**Marcy Keckler:**
Great. Thank you, Colin. I do want to just move on to a final question for both of you. And that is what do you think investors should be thinking about now or considering talking with their advisor about when we think about individual investors making choices in this environment with their advisors help and I would love to start with you David.

**David Joy:**
Well, the first thing I would say is to make sure that you stay focused on your Or long-term investment objectives if you're saving for retirement or if you're in retirement, make sure that you don't lose sight of what those ultimate goals are. And the reason for that is as you've been hearing Colin, myself describe how we think the economic impact of the virus will unfold even though it may take some time to get back to you know, full capacity in the economy we do. That this will be it a temporary phenomenon and that we will ultimately get back to normal and that being the case for most people I would suggest particularly if the long-term investors they really don't need to do very much of anything because markets will come back eventually. However, if you're concerned about what's going on, if you have questions, if you're a little bit more nervous than you were before the best advice I can give you I think in the short run is to speak to your advisor. Make sure that you get your questions answered so that your mind is, is put at ease and I think if you do that, you will find that the process of remaining focused on the long term becomes a little bit easier.

**Marcy Keckler:**
Thank you, David. That is great perspective. And I really appreciate it Colin. What are your thoughts on what investor's, individual investors might want to be thinking about or considering talking with their advisors about?

**Colin Moore:**

I agree with what David said as much as we have discussed today how we begin to recover from this what these liquidity measures are doing to help in the short term as yet, I still do not see any long-term structural damage to the economy as a result of this, in which case David's advice to stick with your long-term plan is completely appropriate to me. It's hard to see that when you're in the middle of a situation like this. And as you alluded at the beginning, we've, David and I have been through this before my first job as a portfolio manager was 1987. So I have been through a number of these situations and I understand how difficult it is to see that normalization period further out. But we are really not seeing those long-term structural damaging items coming into play yet. It may have happened if we hadn't taken the action that the Federal Reserve took and that House and Congr-, that Congress has taken but those injections of liquidity measures mitigate any long-term risk, in which case we will get back to normal. I'm sure will have endless debates as to whether it's 6 months, 12 months, 18 months to get back to normal, but we will and therefore as David said given that you have a long-term plan toward retirement, wherever, whatever your goals are. It's better to stick to those and I hundred and fifty percent endorse the idea of talking to an advisor who is less emotional about your money and thinking about those practical plans than perhaps we as individuals can allow our emotions about our own money to get to. So talking to the advisor seems exactly the right way forward.

**Marcy Keckler:**
That's a great reminder. On that that's the job of the advisor is to help us all understand the emotions we're having but then also make objective decisions that make sense in individual people's financial lives. And so a great reminder. I know advisors are ready to talk to clients. They understand a client's individual situations. So that is a great perspective for us to think about. I will just ask if either of you have any final thoughts that you want to share before we conclude and I'll start with you, Colin any quick final thoughts that we haven't covered that you wanted to share?

**Colin Moore:**
I think we've covered a lot on here, but I do believe that we can be a little more optimistic now about this lack of long-term impact due to the tremendous range of actions that are being taken now, but as we have noted the path from here to that normalization won't be even it will have its crooks and it's bends in it and we need to be ready for that and I remind everybody some of the data that we may get out in the next few months could be quite shocking but that does not mean that we're not making our way back towards his long-term normalization.
**Marcy Keckler:**
Thank you, Colin. David any final thoughts from you?

**David Joy:**
Yes, I would just like to point out that as evidenced by this call, as evidenced by some additional methods of communication with our clients and our advisors that

we want to make sure that you get all of your questions answered in a timely basis. And so as a result, we've initiated a number of new avenues through which to communicate to all of you and we hope that it fills in essence what might be an information void if - because events are moving very quickly. And so let us know if you like the additional communications, if there are other things that we perhaps could be doing, we'd love to hear from you. But please understand that we want to make sure that we are communicating as frequently with as much information as possible, and we hope that you are the beneficiary of all of that and that it helps you make more well educated decisions about your own financial affairs.

**Marcy Keckler:**
Thank you David and I want to say thank you to both you and Colin for joining me today for this conversation and thank you to all of our clients who listen to this audio cast. We are here. We are proud to be part of your financial lives. Your advisors know you, they care about your goals. They are surrounded by and supported by experts and we also care about your health and well-being for you and for your family, so please continue to take care of yourselves and those around you. Thank you.

And lastly, I'd like to share some important disclosure information with you.

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