ROYAL FIDELITY

Good Day RF Clients,

As we aim to keep you informed, below are some of the key developments locally, regionally and globally. The sooner the economies of the US, Canada and Europe recover the sooner our markets will recover.

From MorganStanley

Valuation for the Unprecedented Duration of

social distancing driven by mortality rates determines aggregate economic dislocation

Expectations for isolation and social distancing vary greatly starting at two weeks but longer periods up to 12 weeks. Times Square is empty, March Madness is canceled and schools are closed. It sounds like scenes from a zombie film. The analogy of mass shutdowns to limit the COVID-19 outbreak reflects the unusual and unprecedented challenge of trying to determine the economic and market implications. Morgan Stanley & Co. economists now forecast that US GDP will decline 30% in the second quarter versus the first quarter before recovering in the back half of the year. This assumes new confirmed cases peak in late April/early May.

Data remains a problem as US and Europe try to get a better picture of total cases and mortality rates. Over the weekend, New York State reported 15,000 cases, exceeding the World Health Organization number of total US cases. Testing has remained a challenge and data is incomplete. The duration of the social distancing and isolation in the US will likely be linked to mortality rates. If virus fatalities are meaningfully below 1% in the US, things could normalize faster. Current rate is 1.3%.

With possibly $2 trillion in stimulus, the largest in history, policymakers in Washington play a critical role in minimizing the economic hit. The measure likely includes a provision for $300 billion in small business loans, $500 billion in support for large companies, $400 billion in corporate tax relief, $300 billion in payments to individuals, and $250 billion in unemployment insurance. A $2 trillion stimulus would equal 9.4% of 2019 US GDP, exceeding the 2008 economic stimulus of 1.0% of GDP and the 2009 package of 5.5%.

The combination of monetary and fiscal response means that interest rates are likely to remain lower for longer, and could be a tailwind for

equities. The Federal Reserve has basically offered to do "whatever it takes" with fed funds rate cuts and unlimited Quantitative Easing. With $2 trillion in deficit stimulus and lower interest rates, risk assets like large-cap growth stocks should respond to the added liquidity once there is more certainty around the length and depth of the shutdown. High-quality bonds from companies with strong balance sheets may also be attractive.

Read The Rest

Have questions about this update or surrounding the Coronavirus market impacts? Submit them here and we'll address them in our next communication.

Submit Question

Regional Updates

Want to know what's happening in the region and beyond? Here are a few updates:

☐☐ **Bahamas**

- No new COVID-19 cases. Total remains at four.
- Minister of Health Dr. Sands confirmed that to date 138 people have been tested for COVID-19.
- Prime Minister Dr. Hubert Minnis announced a 24-hour curfew and border shutdown until March 31st. The 24-hour curfew was necessitated due to minority of irresponsible citizens ignoring the social distancing mandate.
- Three men were arraigned in Grand Bahama for violating the national curfew. One was sentenced to one year at the Bahamas Department of Correctional Services and the other two were fined.

☐☐ **Barbados**

- No new COVID-19 cases. Total remains at 17.

☐ **International**

- No new COVID-19 cases in Cayman. Total remains at 5.
- Global COVID-19 cases, deaths and recoveries surpass the 410k, 16k and 106k marks respectively.
- US policymakers in Washington expect to pass a $2 trillion in economic stimulus package by the end of the day, which prompted a strong rally on Global equity markets.
- The Olympics has been postponed and no new date set.