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# RESPONDING TO A CRISIS: THE OUTLOOK FOR THE COVID-19 ECONOMY

## Webinar Summary



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While financial markets have shown signs of stabilization, the future impact of the COVID-19 crisis will be dependent on many fluid events, along with the admittedly large set of “unknowns” surrounding this crisis. PGIM thought leaders came together for a webinar to discuss their assessment of the road ahead.

- **Unprecedented Monetary and Fiscal Stimulus May Not Be Enough:** The efforts undertaken by the Federal Reserve and other central banks have been extraordinary, as have the fiscal responses, but it remains to be seen whether it’s enough. The unimaginably large and powerful economic shock calls into question not only the damage being done currently, but the time it will take to recover. How quickly the virus abates and how soon consumers get back to more normal spending patterns will determine the depth of the economic pullback, and if it’s a more prolonged period, we will need more policy stimulus.
  - **Survival of the Fittest:** The companies that were leaders going into the crisis will also be the leaders coming out. These are companies exhibiting strong structural growth, and in particular those whose fundamentals are relatively unscathed. Some of the companies that sold off sharply, such as e-commerce leaders around the world, continue to show solid fundamental performance. Industries such as technology that bring us together virtually will be winners going forward, whereas those that depend on face-to-face contact – airlines, hotels and movie theaters, for example – will probably come out in a relatively weaker position.
  - **Demographic, Structural and Technological Trends Will Persist or Accelerate:** PGIM’s expectation for interest rates has been a “low-for-longer” environment, in part due to slower growth, aging populations and higher debt loads. The shock from the coronavirus reinforces that trend; we are likely to see increased indebtedness in the public sector and also in parts of the private sector, along with central banks remaining at zero lower bound. The environment going forward is more likely to be one of disinflation than inflation. In real estate, the sectors we had favored prior to the COVID-19 pandemic – multi-family and industrial – remain the same. Those strategies are based on demographic, structural and behavioral changes, and while there may be some short-term shifts in how people behave, in a holistic sense we don’t see a huge change when the dust has settled from this crisis. New technologies such as telemedicine may become more ubiquitous, and many technology companies may decide to eschew retail stores and current distribution models and go straight to the consumer to control their brands more directly.
- A year from now, the post-COVID-19 economy will likely be in a better position — with some underlying, long-term trends accelerated, and unexpected structural realignments also in place.

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