

# Mackenzie Call Series

## Calming perspectives in uncertain markets

### Economic updates and Canadian & global market perspectives

On April 8, Mackenzie held a conference call featuring economic updates and Canadian and global market perspectives from **Dustin Reid** (Vice President, Investment Management, Chief Fixed Income Strategist, Mackenzie Fixed Income Team) and **David Arpin** (Senior Vice President, Portfolio Manager, Team Co-Lead, Mackenzie Bluewater Team).

#### Conference call highlights

##### Economic updates

- The COVID-19 crisis is likely to bring more economic bad news; we haven't touched the tip of the iceberg of what we will see in quarters to come. Unemployment is likely to rise to figures unseen in years.
- Governments around the world are trying to alleviate the financial impact of the COVID-19 crisis. There have been at least 300 fiscal policy measures introduced globally. However, the stimulus packages will bring higher debt-to-GDP ratios and potentially serious inflation.
- The bounce-back will probably look less like a V and more like the Nike swoosh, with a longer recovery time. Unemployment will spike quickly and take longer to go down. Even when areas of the economy go back to work, industries such as tourism, airlines, restaurants and entertainment will take longer to bounce back.
- The Feds have done more to help out the investment grade side, rather than high yield. In Canada, there is concern regarding the short end provincial paper. The issuing provinces need to do it, but if there's not enough market to mop it up, the Bank of Canada may need to step in to buy it up.
- The crisis could cause long-lasting damage to the European Economic and Monetary Union (EMU). The way the European Central Bank has reacted to the crisis could lead the Italians to push back and leave the EMU.

##### Canadian and global market perspectives

- While we are about to see the biggest drop-off in economic activity in the post war period, it's important to remember that it's an intentional move to slow things down. There is no war, natural disaster or destruction of capacity; we have the capacity to move things back up again.
- Much will depend on how long it takes for countries to bend the curve. It's now happening in Europe, with Italy and Austria talking about reopening, so we will look to see what happens next.
- Unlike other health crises, we won't eliminate this virus any time soon. A chunk of GDP will not come back quickly.
- Reopening cannot be a return to normal. If we go back to where we were, we will just see another spike in infections, as has happened in Japan. We will probably reintroduce activities with high economic value and low social transmission earlier, while those that add little value but have high transmission won't be back soon (e.g., concerts and sports games). Things will get better but not normal until we have a vaccine or effective medication.
- On the drug side, over 300 compounds are being tested. Some look promising and could be game changers if they work early on in the illness. A vaccine would solve this problem completely, but that will take 12 months at least.
- While the markets have climbed again, there is usually a bounce-back in the middle of a downturn. It would be normal if markets go down again as companies bring in reports over the next few weeks.
- We avoid tail risk, where gains and losses are potentially high. For example, people are looking at airlines, but many of these will need bailouts or go broke. If there's a huge improvement on the health side, you could make a lot of money out of them, but if they're nationalized, you could lose everything.
- One of the reasons Mackenzie's Bluewater team has beaten 99% of its peers, is because we went to zero energy. With Canadian funds especially, peer funds are often very similar to the benchmark. Instead, we look for unique compounding businesses that can perform much better than their peers.

### Check out the conference call

Listen to our archived conference call on our website [here](#), or dial-in to the instant replay number below to learn more about what's going on in the economy and markets.

Toll-free: 1-800-408-3053

Passcode: 5053841

Please note that the dial-in number will only be available for 30 days after the event and will expire on May 9, 2020.

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