



Di Iorio Family Wealth of RBC Dominion Securities

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Crisis Analysis - A Socio-Economic Perspective

2020-03-31 | Di Iorio Family Wealth

We are living through a period of unprecedented uncertainty, one which we believe will have both lasting social, as well as economic effects. The focus of this post will be to share some of our views of both the immediate, and longer-term impacts of the ongoing COVID-19 pandemic.

2008 vs. 2020

One question we have fielded quite often lately from clients is how the current situation compares to the financial crisis of 2008. In 2008-2009, the global financial system came to a halt due to massive problems in the banking system – culminating in the government bail-out of major economic institutions, and even the collapse of companies like Lehman Brothers. The effects of this crisis led to massive financial de-leveraging, which in turn led to a severe recession in the economy – one which would likely have been similar to the Great Depression had there not been unprecedented central bank policy interventions in the form of rate cuts and quantitative easing.

Today, COVID-19 has caused an abrupt halt to the economy, which will without a doubt trigger a sharp downturn in GDP, and a spike in unemployment. However, drawing from lessons learned in the response to 2008, the response by policymakers on a global scale has been swift and decisive. One difference is that this time around, interest rates were already at or close to zero, so rate cuts have not been as significant. This has resulted in a heavy reliance on quantitative easing via the purchase of securities by central banks to inject liquidity into the financial system. In addition, there have been significant steps taken by governments to increase the social safety net and help protect individuals being affected by the virus. In theory, we believe that this swift response will result in a significantly quicker recovery, and despite what will be alarmingly negative numbers in the short-term from a near total global economic shutdown, we see the global economy restarting in a relatively short period of time.

Longer-term impacts

In previous posts, as well as in discussions with clients, we have often explored various technological advances which we feel are shaping the future, changing our lives for the better, and how investing in these is a key part of our “Why”. Some of these include:

- Cloud computing & the digital transformation
- Mobile & 5G
- Social media & marketing
- E-commerce
- Content consumption
- Artificial Intelligence
- Healthcare technology
- Green technologies

Not only has our outlook not changed, but we feel that this crisis will only accelerate the transition towards some of these themes. Working from home, shopping online, telemedicine, streaming, etc. are all examples of themes that are here to stay and will only be enhanced in response to recent events. While clear water in the canals of Venice, and smog-free skies over Beijing only serve as reminders of some benefits a transition towards green-technologies could bring the world.

Final thoughts

An eventual return to normal will occur, though this may not be entirely complete as the Fed simply cannot print demand, and there may be some jobs that simply never come back. In addition, the long-term effects of this unprecedented amount of monetary stimulus remain to be seen but will likely lead to some longer-term economic headwinds as central banks eventually face the need to unwind their balance sheets. Despite this, we remain optimistic about the long-term outlook for our investment philosophy – as we do not see any of these potentially more lasting negatives having impacts on the industries and trends we are seeking to benefit from. We have various measures in place to protect our clients’ portfolios near-term, as we had mentioned expecting to see an increase in volatility (though not for this reason, or to this extent) in our last blog post: [Themes for 2020](#). We will continue to adjust these measures as necessary, and when we believe the time is right, will look to benefit from the emerging opportunities that will inevitably result from this period of negativity.

For more information about the specific measures we have put in place for your portfolios, please feel free to reach out anytime.

Sincerely,
Di Iorio Family Wealth

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