

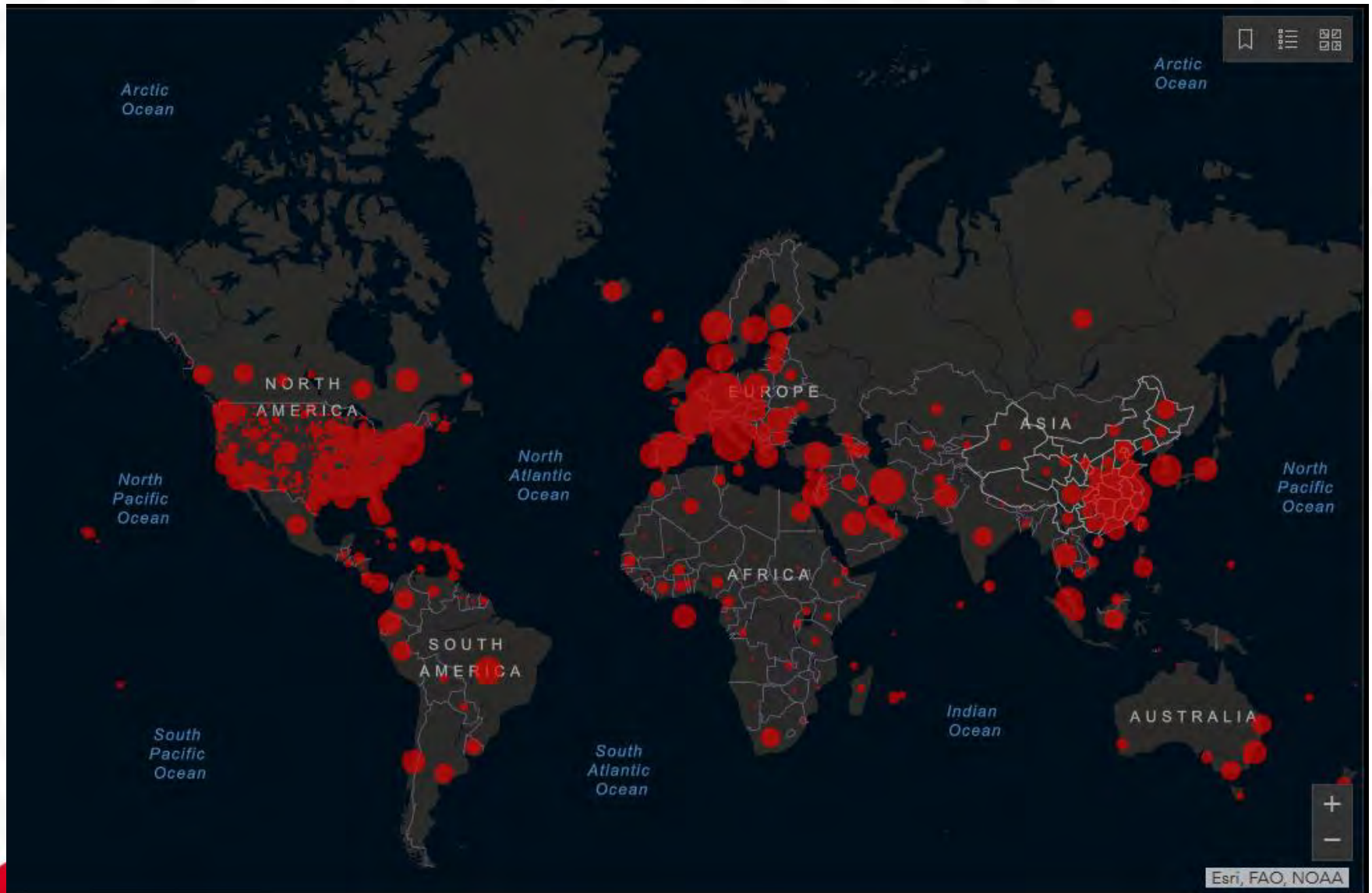
INSURANCE
INVESTMENT
EXCHANGE

Coronavirus
Economic
Update

Dr Bob Swarup

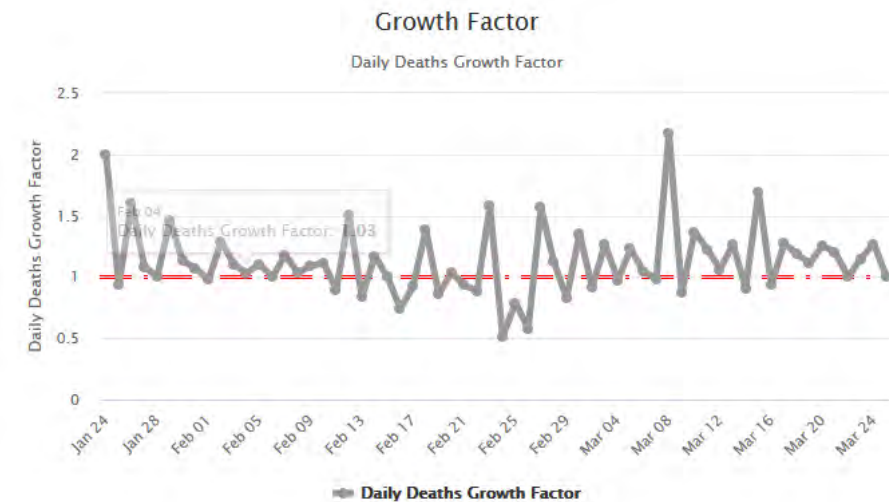
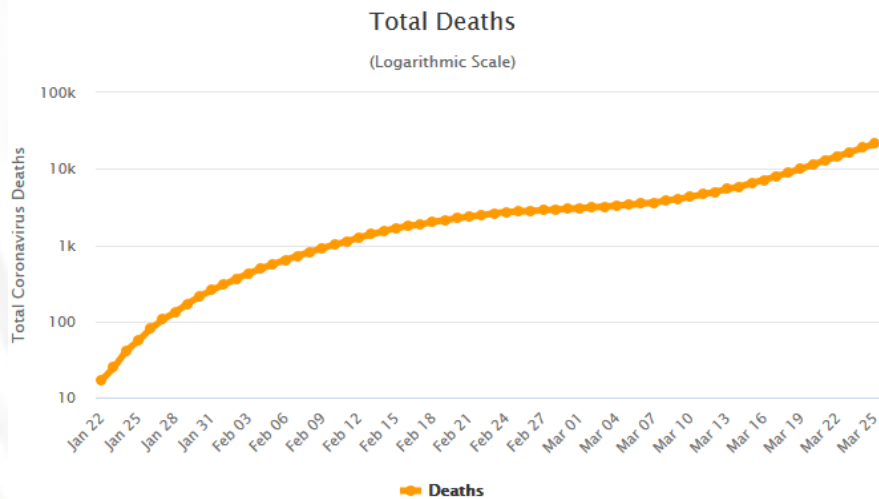
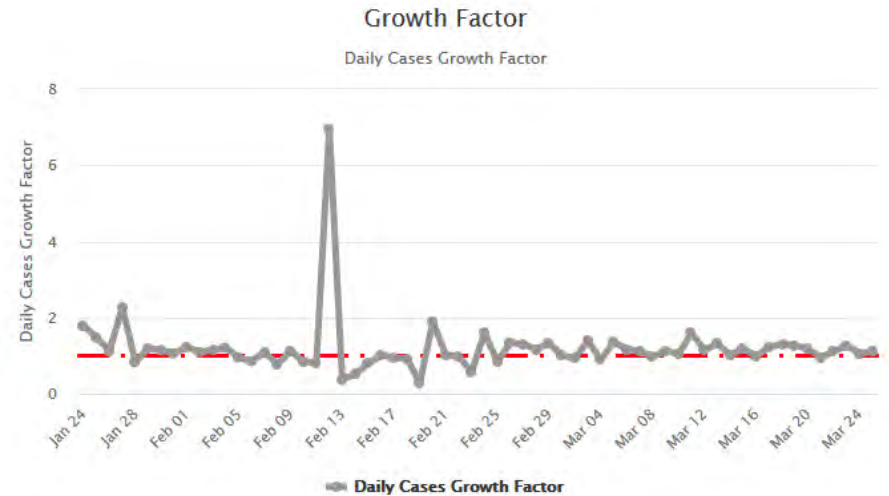
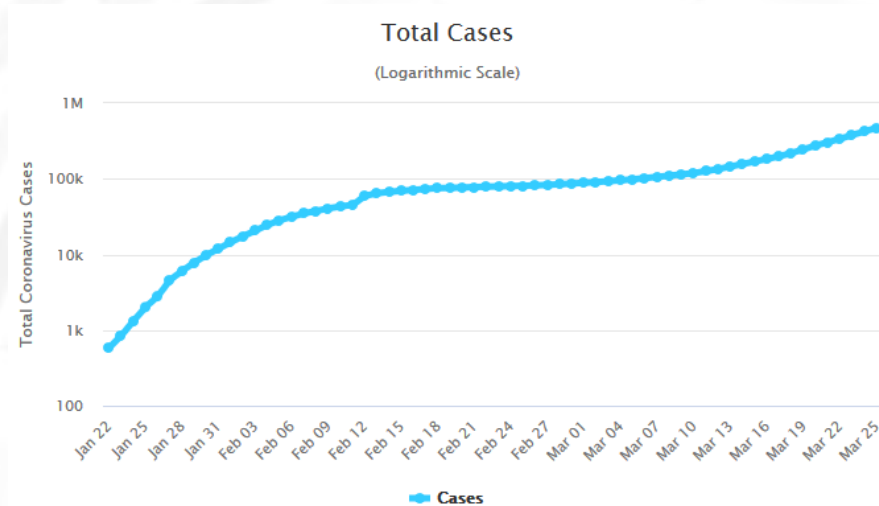
As of 25 March 2020

Widespread global cases make this a pandemic



Source: JHU CSSE

Cases and deaths show acceleration in recent days



Source: JHU CSSE, Worldometer

...though different countries are coping differently

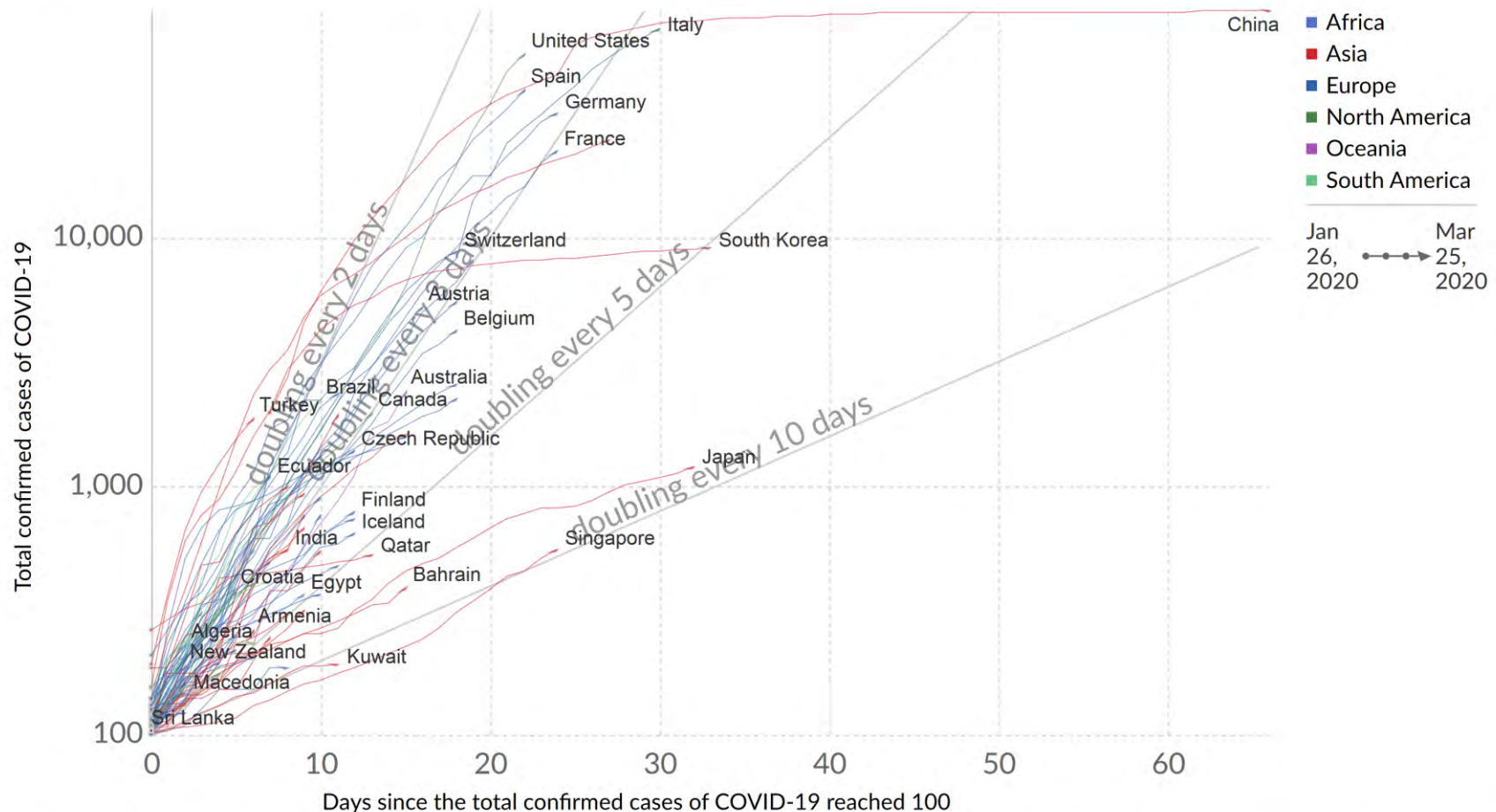
Total confirmed cases of COVID-19

The starting point for each country is the day that country had reached 100 confirmed cases

This allows us to compare the trajectory of confirmed cases between countries.

The number of confirmed cases is lower than the number of total cases. The main reason for this is limited testing.

Our World
in Data



Source: European CDC – Latest Situation Update Worldwide

OurWorldInData.org/coronavirus • CC BY

Mortality: Old, male and poorly is bad

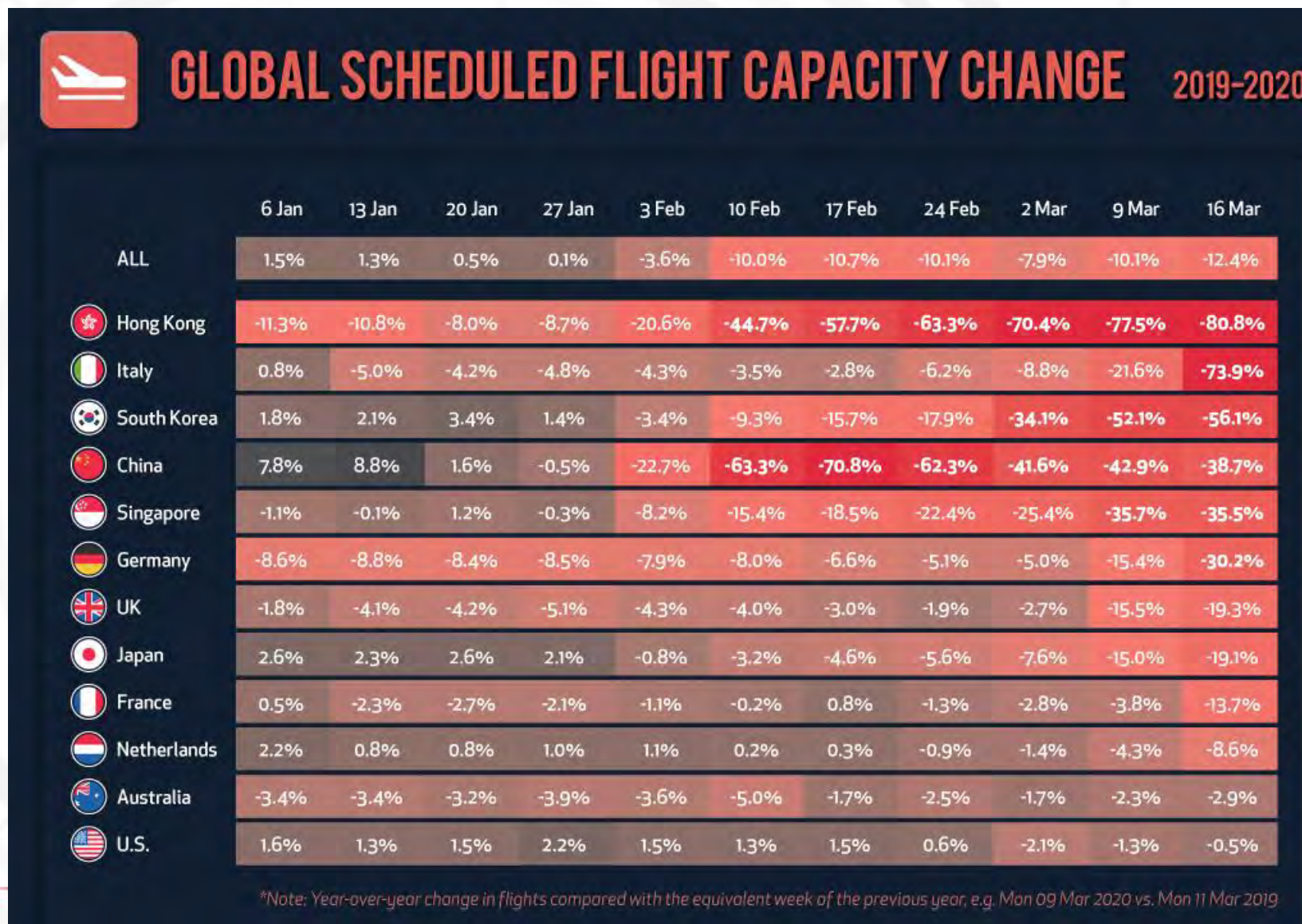
AGE	DEATH RATE all cases	SEX	DEATH RATE all cases	PRE-EXISTING CONDITION	DEATH RATE all cases
80+ years old	14.8%	Male	2.8%	Cardiovascular disease	10.5%
70-79 years old	8.0%	Female	1.7%	Diabetes	7.3%
60-69 years old	3.6%			Chronic respiratory disease	6.3%
50-59 years old	1.3%			Hypertension	6.0%
40-49 years old	0.4%			Cancer	5.6%
30-39 years old	0.2%			<i>no pre-existing conditions</i>	0.9%
20-29 years old	0.2%				
10-19 years old	0.2%				
0-9 years old	no fatalities				

Source: WHO, China CCDC

Europe is the epicenter when it comes to deaths

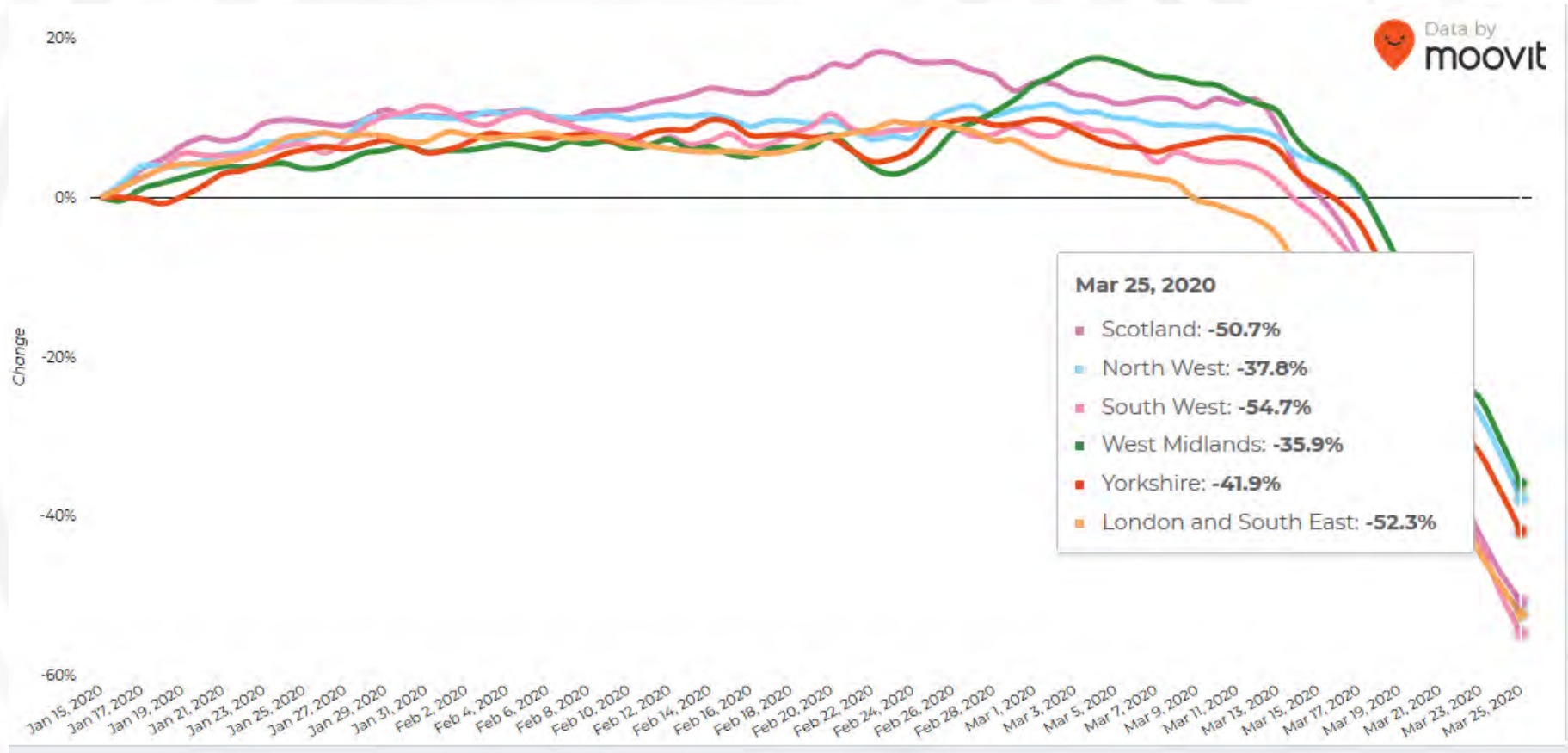
Country	Cases	Deaths	Region
Italy	74,386	7,503	Europe
Spain	49,515	3,647	Europe
China	81,285	3,287	Asia
Iran	27,017	2,077	Asia
France	25,233	1,331	Europe
United States	68,489	1,032	North America
United Kingdom	9,529	465	Europe
Netherlands	6,412	356	Europe
Germany	37,323	206	Europe
Switzerland	10,897	153	Europe

The impact globally has been dramatic



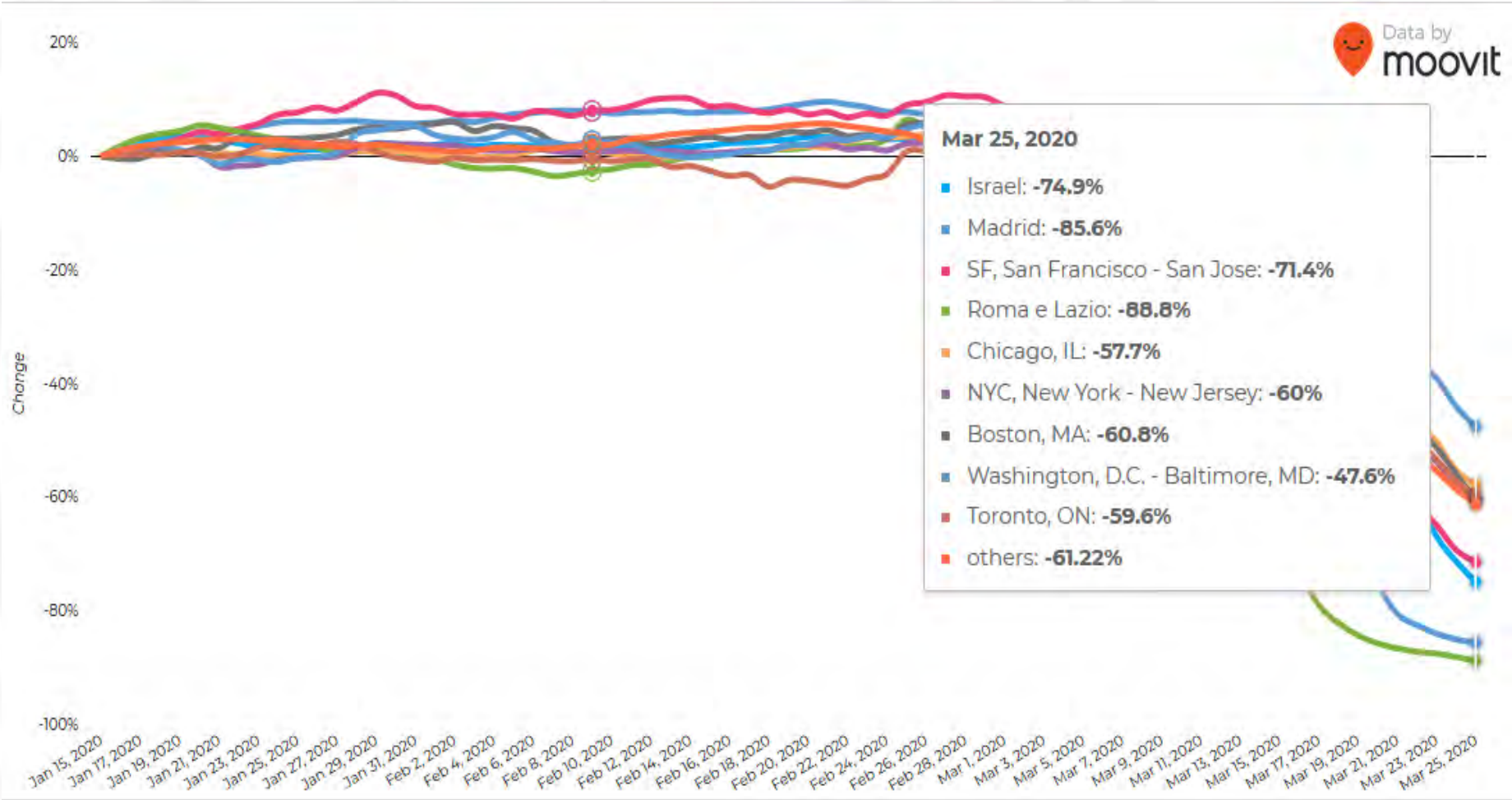
Source: OAG Aviation Worldwide

Public transit usage is down sharply here...



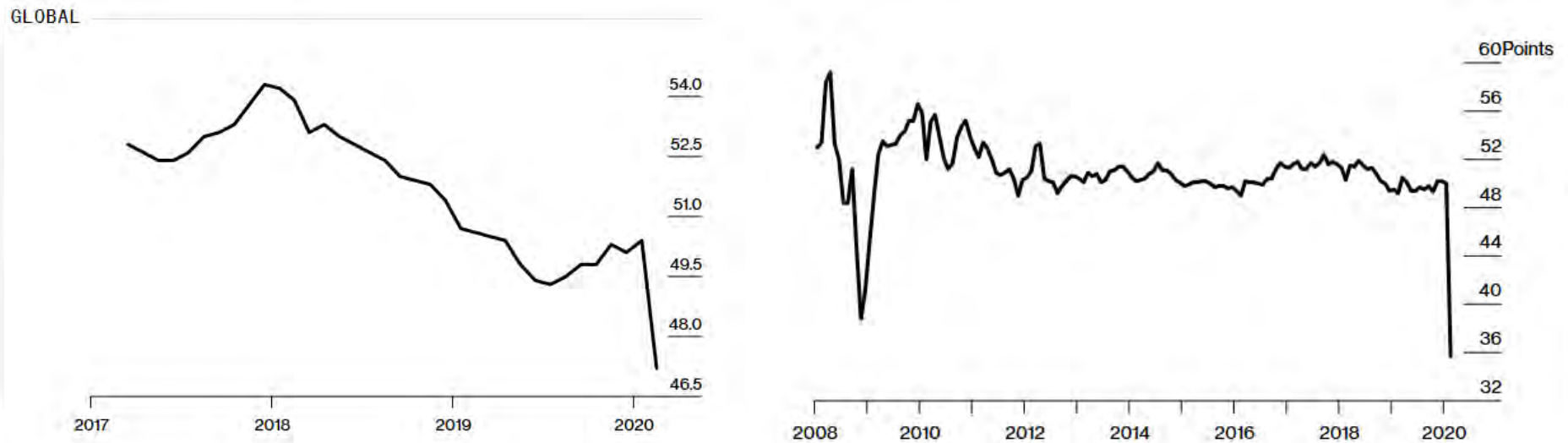
Source: Moovit – www.moovit.com

...there and everywhere



Source: Moovit – www.moovit.com

Global & Chinese PMI show significant contraction



Source: IHS Markit, JPMorgan Chase

Coronavirus impact on UK Economy

As the statistics stand, 9,529 people have been tested positive, with 465 confirmed deaths.

Death rate: The virus' fatality rate based on the above is currently 4.9%, though the paucity of testing likely means that the true number is much lower.

What industries within the UK have been impacted?

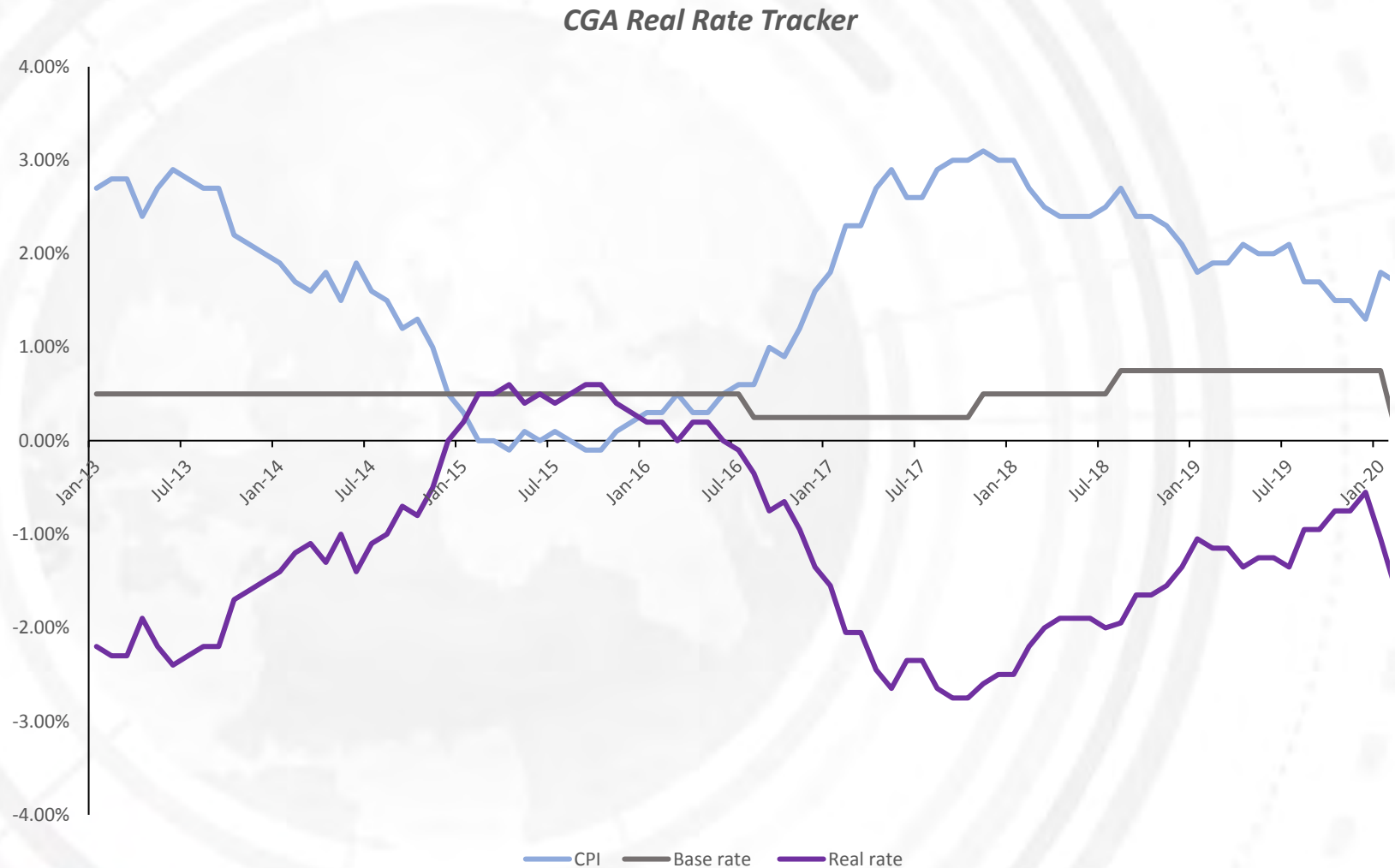
The quick spreading virus has impacted three industries in particular:

1. Aviation, travel and hospitality: A sharp decline due to fears of global spread, which has increased balance sheet stress e.g. 'Flybe' which collapsed into administration.
2. Insurance: Claims within travel and business insurance have shot up recently, with health likely to follow in the US in particular.
3. Retail + food and beverage: A weak consumer is now staying at home, resulting in further reductions in demand. Many firms now expect revenues to be hit hard if the virus is not contained.

What does this mean for the UK?




- The government has steadily raised risk levels and introduced restrictions, tending towards a country-wide quarantine. This will impact demand severely and affect the most vulnerable in society most.
- The Bank of England has introduced monetary measures, cutting interest rates to the bone, and expanding monetary easing. The government has introduced fiscal support through loan and wage guarantees. But gaps remain, and many people and businesses are ill-equipped to deal with sustained uncertainty, notwithstanding the support.
- The UK is almost certainly in recession, with the immediate impact of leaving the EU still filtering through silently in the background.

Real rates have turned sharply negative again



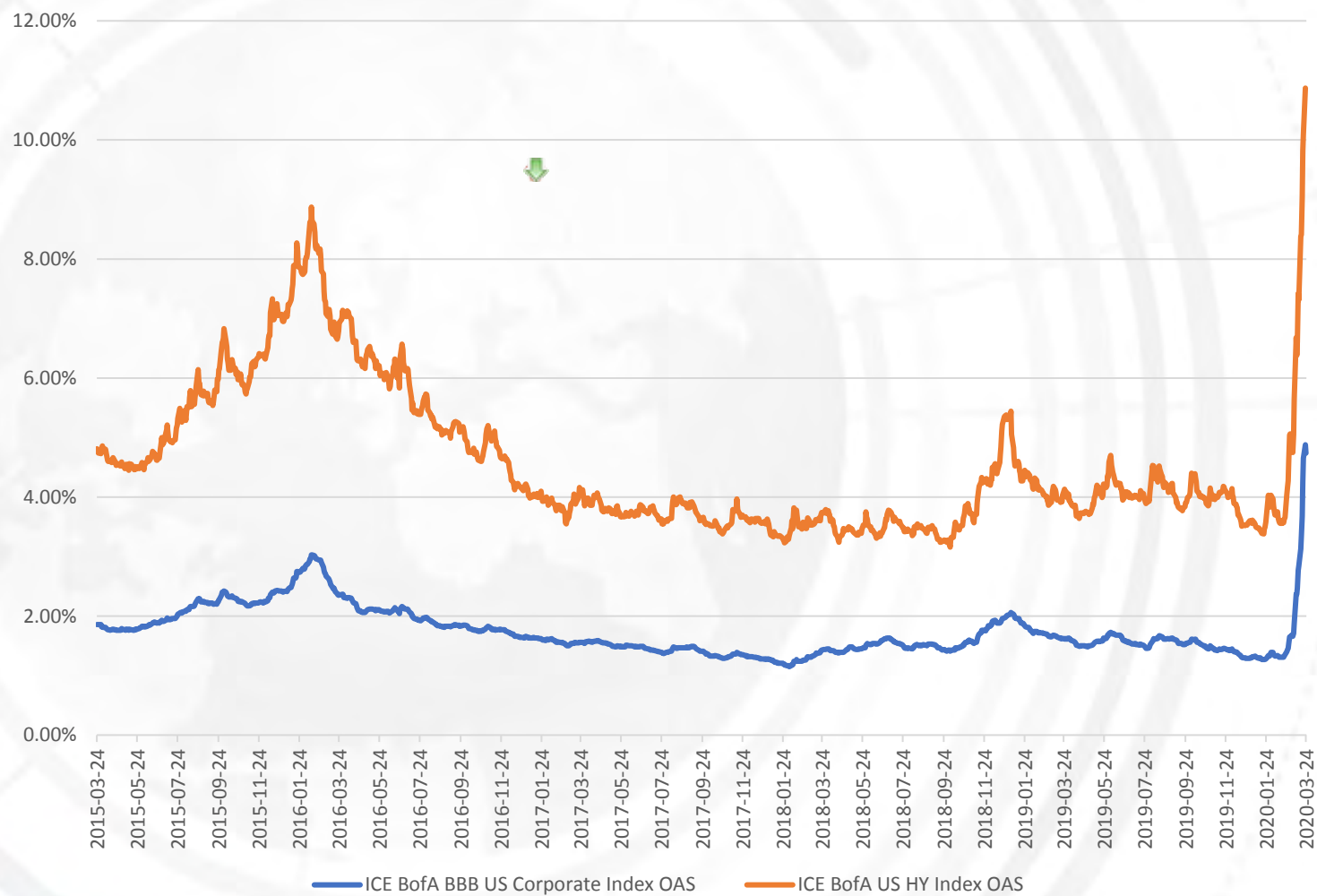
Source: Camdor Global, ONS

Central banks have responded with rate cuts...

Name of interest rate	country/region	current rate	direction	previous rate	change
US interest rate FED	United States	0.250 %		1.250 %	03-15-2020
Australian interest rate RBA	Australia	0.250 %		0.500 %	03-19-2020
British interest rate BoE	Great Britain	0.100 %		0.250 %	03-19-2020
Chinese interest rate PBC	China	4.050 %		4.150 %	02-20-2020
European interest rate ECB	Europe	0.000 %		0.050 %	03-10-2016
Japanese interest rate BoJ	Japan	-0.100 %		0.000 %	02-01-2016
Swedish interest rate Riksbank	Sweden	0.000 %		-0.250 %	12-19-2019
Swiss interest rate SNB	Switzerland	-0.750 %		-0.500 %	01-15-2015

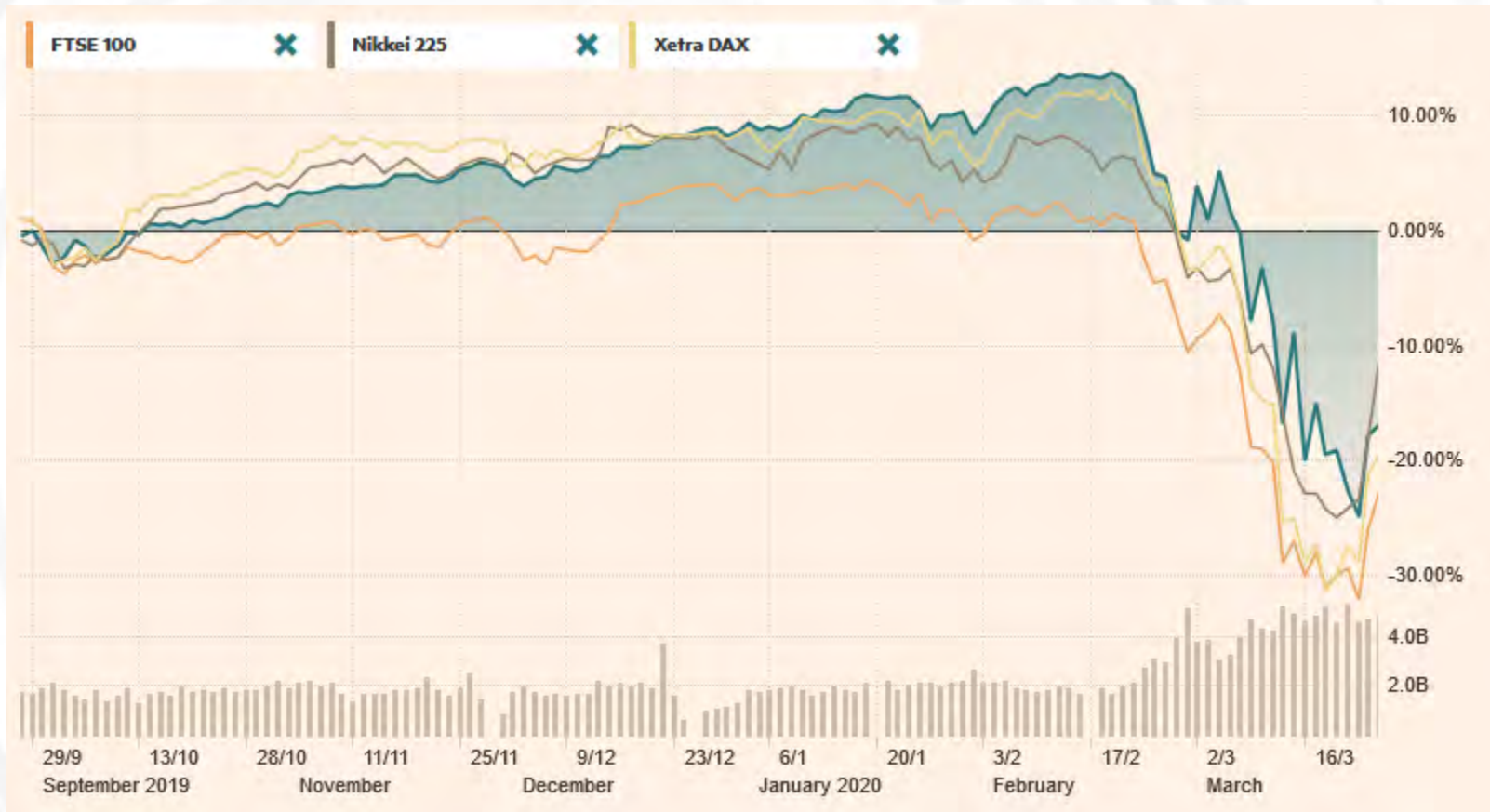
85 rate cuts in 2020 globally, only 4 rate rises

Corporate spreads have blown out



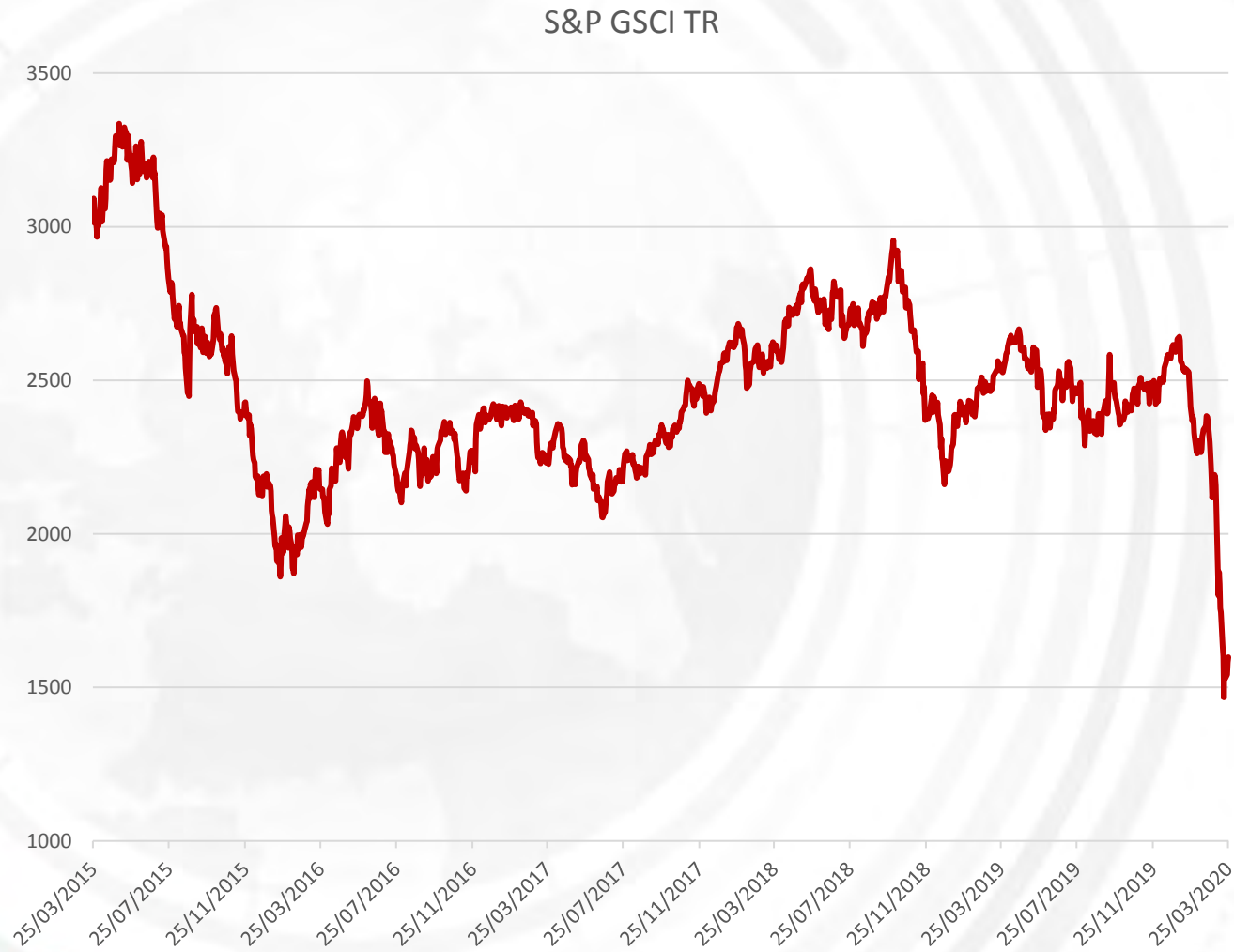
Stock markets fell into a bear market

S&P 500 vs Other Major indices



Source: FT

Commodities are down...



Are Ships moving?

BDIY:IND

BDI Baltic Exchange Dry Index

582.00 USD

-21.00 -3.48% ▼

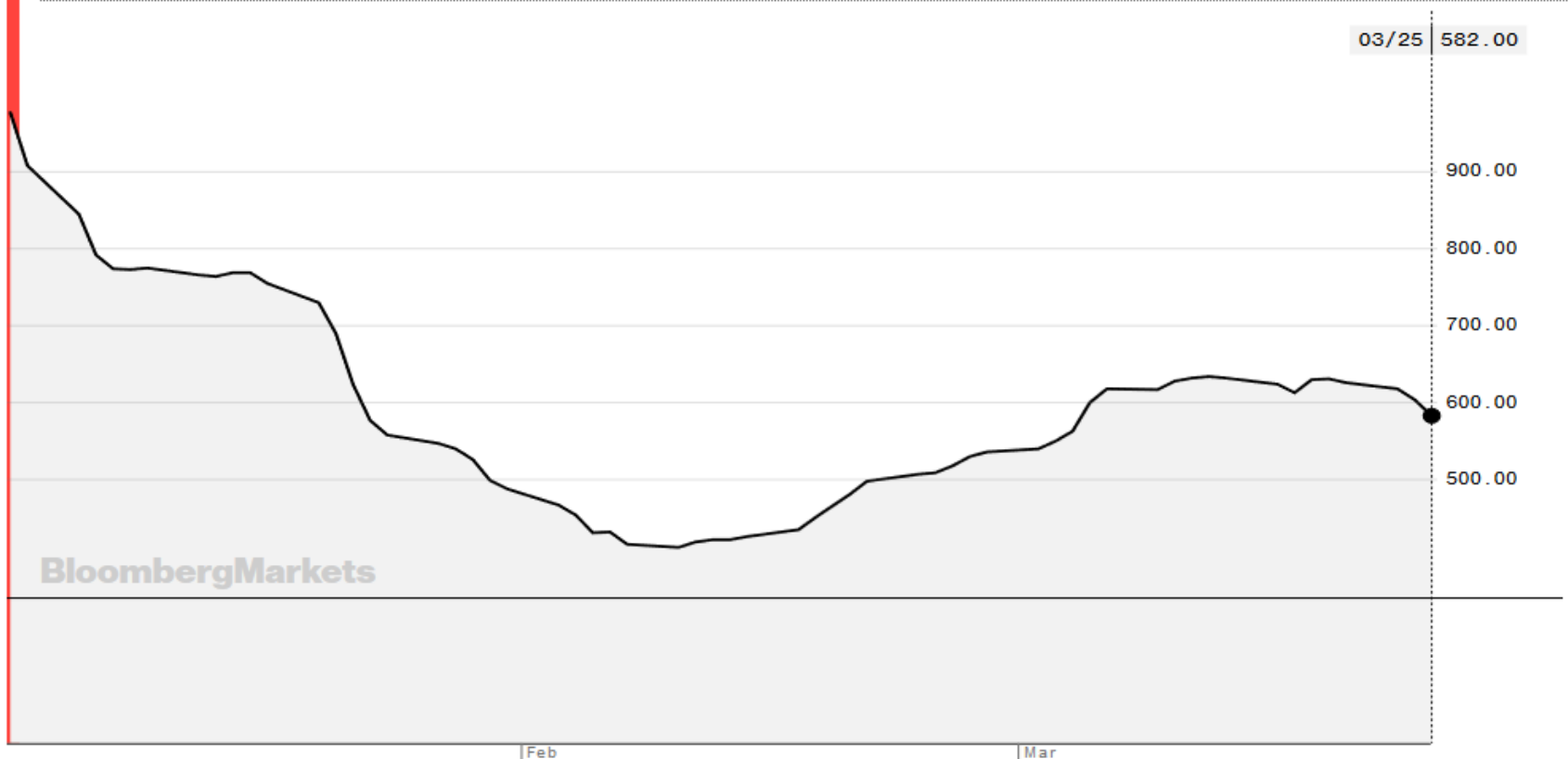
+ ADD TO WATCHLIST

● MARKET CLOSED
AS OF 03/25/2020 EDT

1D 1M 6M **YTD** 1Y 5Y

⌵ MINIMIZE CHART

🔍 Add a comparison



There is a flight to quality (US 10 yr Treasuries)...



Source: FT

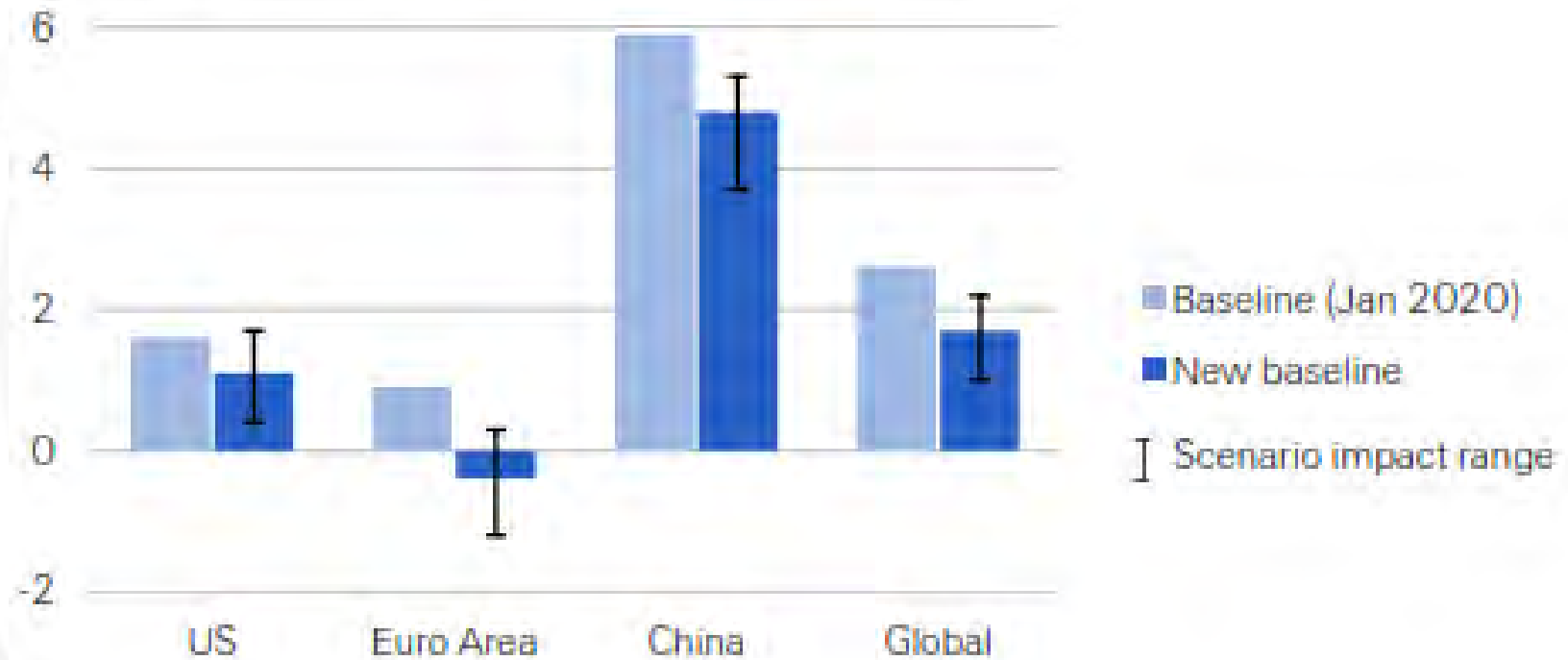
...with some nervousness re govts (10 year Gilt)



Source: FT

Where next for GDP?

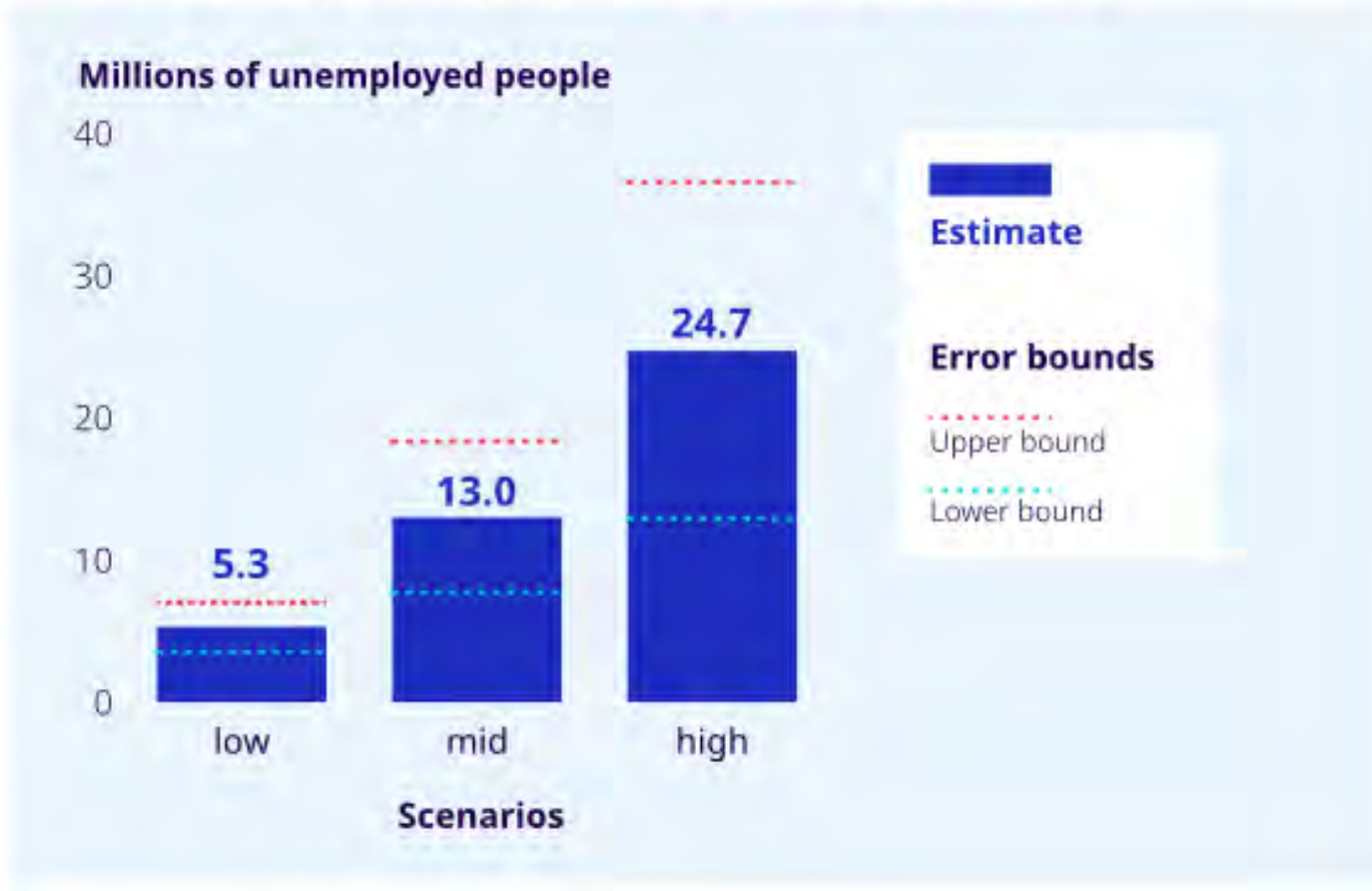
Real GDP growth in 2020 under different scenarios (%)



Source: Swiss Re Institute

A significant hit in unemployment globally?

► Increase in unemployment, world estimates



Source: ILO

The background of the slide is a light gray with a subtle, abstract design. It features a faint globe on the left side, overlaid with several concentric, semi-transparent circles that radiate from the center. To the right of the globe, there is a network-like structure consisting of small circles connected by thin lines, suggesting a global or digital theme.

APPENDIX

The Insurance Investment Exchange

The logo for the Insurance Investment Exchange, featuring the text "INSURANCE INVESTMENT EXCHANGE" in white, uppercase letters on a red rectangular background.

INSURANCE
INVESTMENT
EXCHANGE



- An award winning independent and credible forum, driven by feedback from the industry
- Since 2013, providing thoughtful exchange and debate on key investment related issues and trends of relevance to the insurance industry
- Events throughout the year, including:
 - A series of quarterly half-day events, comprising panels and breakout sessions
 - Intimate breakfast and lunch roundtables to dive into and debate key topics of interest in detail
 - Our pioneering annual IIE Investment Awards, recognising talent across insurers, asset managers and service providers
 - CIO dinners to hear from key thought leaders and debate broader strategic and macro issues

Author Bio

Dr Bob Swarup is co-Founder of the Insurance Investment Exchange, the leading forum for knowledge sharing in the insurance industry. He is a respected international expert on macro, financial markets, investment strategy and regulation. He is also Director of the CIO Network for the Geneva Association, the leading international think tank of the insurance industry globally.

Bob was formerly a partner at Pension Corporation, a leading UK-based pension buyout firm, where he ran alternative investments, was Chief Risk Officer and oversaw thought leadership. He also served as Senior Investment Advisor to the Pensions Regulator, advising them on the development of the new regulatory framework for DB schemes from an investment, risk and governance perspective.

Bob has served on numerous industry, fund and fintech boards, including the Advisory Board of Adveq, a leading \$6bn Swiss PE firm; the Board of CatCo, a \$2bn reinsurance hedge fund that he helped seed in 2011; the CRO and Solvency II committees of the ABI; and the Exam Council of the Chartered Alternative Investment Analyst Association.

Bob is a Fellow of the Institute of Economic Affairs and on the Advisory Council of the Columbia Committee for Global Thought. He was previously a Senior Visiting Fellow at Cass Business School, Visiting Fellow at the London School of Economics and on the Editorial Board of the *Journal of Alternative Investments*. He holds a PhD in cosmology from Imperial College London and an MA (Hons) in Natural Sciences from the University of Cambridge.

Bob has written extensively on diverse topics, with his work being featured across major publications and media. He is also the author of the internationally acclaimed bestseller *Money Mania* on 25 centuries of financial crises and the lessons to learn (Bloomsbury, 2014).



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