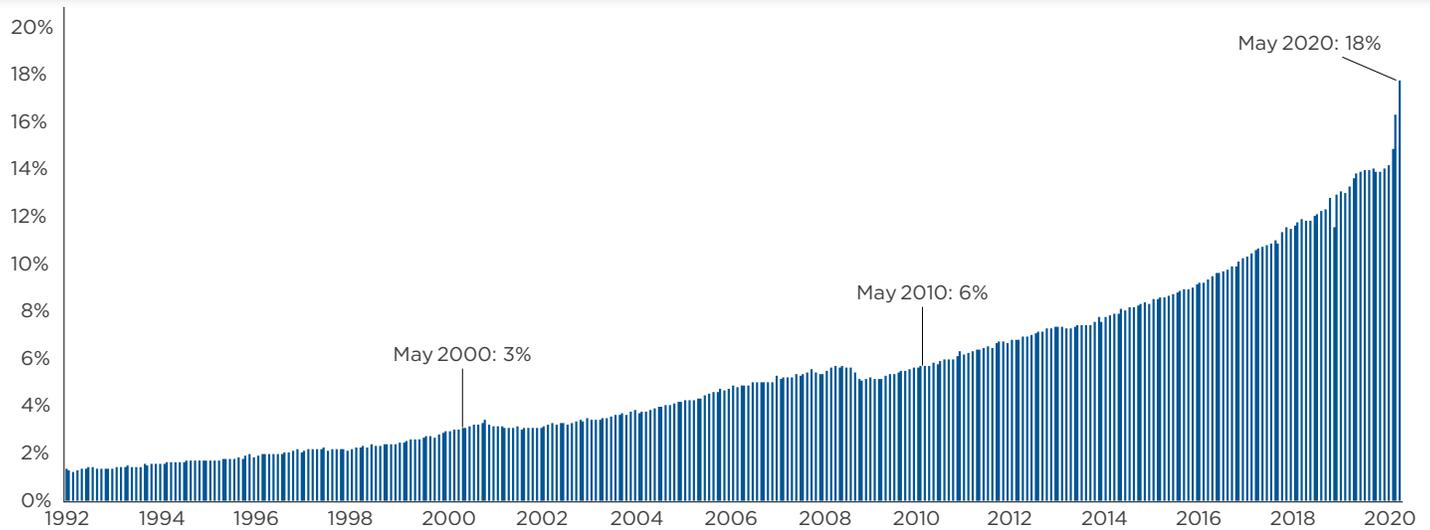


The Shift in Online Spending Is Poised to Continue

Nonstore Share of Total Retail Sales



Source: FactSet, U.S. Census Bureau.

QUARTERLY MARKET OUTLOOK: THIRD QUARTER 2020

Beyond COVID-19: Long-term Economic Impacts

COVID-19 is a health and economic crisis, with profound short- and long-term socioeconomic implications. While the new normal creates new challenges for policymakers and investors, it also seems poised to accelerate existing trends that can enhance productivity and drive efficiencies.

A catalyst for rapid tech adoption – Online shopping, digital payments, telemedicine, video conferencing and cloud computing will likely experience a lasting increase in demand. Online sales was the only major retail category to post an increase during the height of the pandemic, and its market share is poised to continue to expand. Businesses are embracing technology and finding new, innovative ways to serve customers. Incorporation of technology could boost productivity, cut costs and raise profitability.

A shift in capital and resource allocations – Economic models and allocation of capital will likely be revisited once the storm has passed. A further shift toward online spending and working from home could weigh on demand for commercial property and office space, but increase demand for logistics and warehouse facilities. Suburban residential property could become more attractive relative to city centers, and remodeling could get a boost as homeowners spend more time at home. The pandemic exposed vulnerabilities in supply chains and the flow of goods, which might lead to some manufacturing returning to the U.S. and spending more on automation.

A legacy of debt – The government relief measures announced since the start of the pandemic are necessary, in our view. However, they add to the sizable government debt, which is expected to balloon to 108% of GDP by 2021, up from 79% in 2019 and the highest in the nation's history. In the long term, a combination of tax increases and benefit cuts will likely be needed to reduce the size of the debt.

► *Action for Investors*

Investing in a balanced and properly diversified portfolio can better position you to take advantage of the shifts in economic trends and market leadership. Focusing on innovative companies with competitive advantage and the financial resources to prepare for and embrace change and disruption is paramount in a fast-changing investment landscape. Last, consider the possibility of higher taxes and fewer benefits when planning for your financial future.