Midyear 2020:
A Time of Challenge—and Opportunity

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Featuring:
Candace Browning,
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And
Chris Hyzy,
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Please see important information at the end of this program

Andy Sieg: Welcome everyone. I'm Andy Sieg at Merrill Lynch. It's my honor to host our Midyear Outlook, appropriately titled "A Time of Challenge – and Opportunity."

Today's virtual panel features Candace Browning, head of BofA Global Research, and Chris Hyzy, Chief Investment Officer for Merrill and the Private Bank. Between them, nearly 60 years of experience and extraordinary success.

Our moderator is Nina Easton, awarding-winning author, columnist and an economics commentator in her own right.

Now, this should be a great program, and it couldn't be more timely – as the nation faces difficult conflicts between reopening and a resurgence of the coronavirus. It creates issues for all of us at work, school and home.

I'm confident this discussion about what might be ahead for the rest of 2020 and beyond will prove informative and helpful as you consider financial decisions important to your family.

You'll hear insights about managing through market volatility, investment strategies for your long-term goals and opportunities in today's markets.

Our advisors are here to help you put this information, these insights, to work for you. And to provide resources to meet any financial need you might have. We appreciate the trust and confidence you place in your advisors and our firm.

Merrill is proud to be part of Bank of America. And, you may have noticed the Bank's recent commitments of well over $1 billion to support those *most* affected by the pandemic, and to promote economic and racial equality for *all* at this time of social unrest.

Together, we offer unwavering financial strength of Merrill and Bank of America. Technology access second to none.

If you're already a client, thank you. If you are not yet, we'd love the opportunity to get to know you. Thank you again for joining us and enjoy the program.

Nina, over to you.

Nina Easton: Thanks, Andy, and thanks to everyone for joining us for this special midyear virtual event. This year, as we all know, is unlike any we've lived through before and it promises to alter our futures in countless ways. In our conversation today, we're going to reflect on where we are at the midpoint of 2020, and then we'll explore what the second half of the year could bring for the economy, for markets, and for everyday lives.

We'll talk about the prospects for economic recovery and what could present the biggest risks and opportunities. And then we'll look beyond 2020 to envision what a new post-coronavirus world could look like and we'll offer ideas for how investors can prepare. After that, we'll be answering several questions that we've received in advance, so, be sure to stay with us to the end.

Joining me to share their insights into this historic time are Candace Browning, Head of BofA Global Research.

Welcome, Candace.

Candace Browning: Hi Nina, it's great to be here.

Nina Easton: And Chris Hyzy, Chief Investment Officer for Merrill and Bank of America Private Bank.

Welcome, Chris.

Chris Hyzy: Hello, Nina.

Nina Easton: So Candace, I'd like to start with you. You lead a global team of nearly 700 analysts who are all following what's happening in the world today. Based on what you and your team are seeing, how does this moment in history compare with other crisis we've been through when you look at how the economy, the markets, government and everyday people are responding? Put all this in historic context for us.

Candace Browning: Well, historically there has never been a situation like this where a recession has effectively been caused by a single very identifiable factor, which is in this case is the virus. But if you look at what happened, I mean it was completely unanticipated, but the policy response has also been totally unprecedented in history. So if you look at the first-half of the year, 500,000 deaths, $10 trillion of GDP wiped out, 46 million newly unemployed, but the response to that has been $18 trillion of panic stimulus money being pumped into the system. And at one point actually, there was $2.4 billion per hour that central banks were pumping into the system.

So as a result of all of the response, what has happened is that U.S. stocks in the last quarter have had their best performance in 50 years. And non-U.S. stocks have had their best performance since the mid-1970s. So, it's been just an unprecedented period of economic history, Nina.

Nina Easton: Well, those are tremendous numbers, Candace. Chris, you pointed out how essential the American consumer is to the health of the economy, not just for the United States, of course, but globally. How resilient is the American consumer?

Chris Hyzy: Very, very resilient. When you take a look at the numbers, as Candace mentioned before. We've always known that the consumer is the engine to the U.S. economy, but it actually was generally just the carburetor to most non-U.S. economies, even China. Previous to the last five years, the Chinese consumer was a very small portion of the overall economy, but it pierced the 52% to 53% level of their overall economy literally in the last few years. So if you add that economy, which is extremely levered to their consumer plus our economy which is two thirds to 70% leverage to the consumer plus housing, it's everything.

So in order for our economy to have any kind of a recovery, even in tragic times like this through a pandemic, you need to see the consumer, particularly the middle-aged consumer, have high pent-up savings, high pent-up demand and get through this, what we would call, with the winds of change. Now, if you think about it, the consumer went from hunkering down, provisional spending. They shifted their spending dramatically from travel, leisure and entertainment, social enterprise, et cetera, into a provisional spending through March and April. And then right around May, and Candace's team has done a lot of great work around this, you started to see not only growth in spending, but you saw a shift back as mobility was increased and state economies were opening up. And now we're at a level close to last year's spend overall, particularly in the United States, and worldwide we're about 90% there. So the consumer is hanging in there, but it's going to be a bumpy road from our perspective.

Nina Easton: And we're going to get into that in more detail in just a minute, but Chris, you heard Candace lay out those incredible numbers on the level of stimulus that's gone into the economy. How much of an impact has that had in stabilizing the economy, and do you see more coming down the road?

Chris Hyzy: Yes. Yes, we do. It's number one. It's everything. It's a powerful force. It's more than just a tailwind. It's a jet-fueled tailwind. That stimulus and liquidity, just to put it in perspectives of percentage of GDP, it could approach, if you include the central bank expansion of their balance sheet, it could approach 50% of U.S. GDP in the next couple of years overall and 30% of global GDP. When you put that in relative terms to the global financial crisis, it's enormous. They dusted off the playbook. They stabilized the markets. They took the playbook from the global financial crisis. They expanded it greatly, and they put it in place in a velocity that we've never seen. They put it in place in basically a month, and that was the first phase of the workout process which what we call liquidity, and if you don't fix liquidity in the credit markets, you can't have a recovery overall in capital markets, and you certainly can't have a recovery overall in the economy. So that was extremely needed. It was done with force, depth and speed, and that's why we're in the relative situation we're in now so far in the broader capital markets.

Nina Easton: Now, Candace, what are your thoughts on that, and do we need more and will we see more?

Candace Browning: I think we probably will see some more, but I think that isn't so critical. I think what's really important is the way that they did this, so what's new about this is that it's fiscal stimulus as well as monetary stimulus. So if you take the 18 trillion apart, about 8 trillion of it was central banks cutting rates and monetary stimulus. But 10 trillion of it was actually fiscal stimulus, the government putting money in people's pocketbooks in various different ways. And that's been very, very powerful and I think absolutely critical to the consumer coming back alive, as Chris was talking about.

And I would just make one other point. What's also very different about the pandemic and the recession that we're in today is we've never been in a recession before that is so clearly caused by one particular fact or element and that is the pandemic. So you know, if we can solve the pandemic and the damage that it's doing, I think on the other side there is a very resilient economy, and I think that's one of the things that investors are thinking about as they are valuing risk assets.

Nina Easton: So Candace mentions recovery and of course that's what people are talking about now. How long will it take for markets, businesses and consumers to regain full confidence and for the economy to start growing in earnest again? It's a tough question. There's a lot of uncertainty.

But Chris, we hear a lot about the shapes of economic recovery and what that's going to look like. Why is shape important, and what's behind your expectation that we're not going to see just one but a whole series of so-called V-shaped recoveries?

Chris Hyzy: Yeah, I think there's over focus on the actual shape itself whether you're talking about the capital market direction, particularly the equity market direction, and it's taking its cues from the broader economy, what's the shape of the economy. Everybody thinks about Vs, some Us, potential Ws, and then the proverbial L in certain areas that have been most harmed by the pandemic. Across the board, I think it's an alphabet of a number of different letters depending on what segment of the economy you're looking at and analyzing.

But there's two big things going on, two big segments and two rolling trends that are going on. In the broader economy right now, strictly from a math perspective, you're looking at mini Vs everywhere even in some of the manufacturing spaces. But you have to remember that when you shut down an economy, you purposely shut down an economy and then you flick the switch on, with all that liquidity and stimulus there, plus pent-up demand by the consumer, just flicking the switch on, you could create a V.

The key question is going to be, on a go-forward basis for the second half of this year and 2021, what's the size and shape of the right side of that V? Is it a backward checkmark? Do we go back to the levels we were pre-pandemic?

Now, most are expecting that it is a bumpy wavy recovery that goes from shutdown to transition to full recovery over the course of a few years, and then you get to the same level of that economic activity in 2022 that you were in before the pandemic. The market's not waiting for that. The market is looking at cues from directional and the change in the narrative. As Candace mentioned before, the narrative pre-pandemic was tighter central banks. Then the pandemic hit and it was a market that priced for a depression. And then the narrative changed again which is ultra-stimulus liquidity and now a shorter recession, although deep and very heavy as it relates to the record plunge, but the recovery is quicker and the market is beginning to price in 2021's prospects already. So overall, we see a square root sign with a jagged W bottom in the market, and we're now grinding higher to the right side of that square root in the economy. It's a wavy recovery of multiple shapes.

Nina Easton: Well, Chris, it seems like that narrative actually shifts by weeks because now one of the biggest risks with the recovery, of course, is this new spike in COVID-19 cases that we're seeing in a lot of states. How is that going to play out, and how much of a setback is that going to be for the recovery?

Chris Hyzy: Well, the economics team is pointing to a number of factors around that. The first thing they point to is is what are the new restrictions that would be put in place, and do you phase back the phase two or phase three re-openings of some of these economies, many of which went all the way through into phase three and are now putting new restrictions in place. How long do they remain until you can get that secondary case growth down again? So far, what we're seeing is very low inventories. We're seeing high pent-up demand across the United States, even in the states that have had to put new restrictions in place because of low inventories and high demand. Despite the fact that it's lower than it was pre-pandemic, you're still seeing the economy pull through. The key question is going to be how long are these new restrictions going to be in place and how long before those secondary outbreaks begin to crest again, and that is still unknown.

Nina Easton: And what about school openings in the fall? Is that something we should be looking at in terms of the economy?

Chris Hyzy: From our perspective, yes, school reopening. A lot of people don't realize this, but schools reopening is economically enhancing. There are many vendors, there are many different parts of the economy that do count on educational aspects reopening as they do normally on a calendar basis. We're starting to see some of that concern develop in and around those areas that have high healthcare, high educational college and university exposure. So if those colleges and universities do not open up, not to mention some of the primary school areas, then you're going to see a little bit more of a bumpy recovery.

Nina Easton: So, Candace, the big economic elephant in the room, of course, is the presidential election in November. Talk about how that will impact the economy and looking forward.

Candace Browning: So looking at the election, so far investors actually appear pretty sanguine about the prospects of either party winning. There is, as we know, sort of a growing possibility that there will be a blue sweep in which the Democrats take not only the White House but the Congress and the Senate as well.

If you look at that historically, what tends to happen after a blue sweep, is stocks pretty much act as they would historically. Bonds underperform slightly, and value stocks tend to outperform growth stocks. And sometimes you might think that investors would be very concerned about a potential blue sweep because it might imply higher taxes and higher government spending. I think what's happening so far is that investors are saying, "Okay. Well, that may happen and we'll see higher taxes and higher government spending, but on the other hand, we'll see policies that will limit the amount of unemployment and thereby get more people back to work."

So those are some of the thoughts that investors are having right now. I will caveat this by saying a couple of things. Number one, it's very, very early in this process, and as we know, things can change extremely - extremely quickly, and I suspect that that will happen between now and November.

And the second thing is that there is going to be volatility, more volatility in both the economy as well as the markets. So, as Chris mentioned, there's certainly going to be volatility around reopening. It's going to be a stop and start process as we've seen in a number of states already. That's going to create a lot of volatility in the economic statistics.

We also think that there's going to be volatility in the markets. If you look at it historically, around election periods from July to November, typically volatility increases around 30%. So based on reactions and how markets behave, we think that there's going to be increased volatility there as well. And then there's also the potential volatility that it's not just a stop and start process of reopening, but that perhaps we really do get a very bad phase two of the virus in September or October. So we think that there's a lot of volatility in the months ahead, Nina.

Nina Easton: So, Candace, I mean this is, of course, nerve-racking not just to your everyday investor but big institutional investors as well, I mean with all this volatility. What would you say to people, regardless of the size of the investor, what would you say to people about how to look at these markets and how to think about it?

Candace Browning: Well, first of all, I make the point that I made previously which is the fact that this recession was completely unanticipated, and it's like no other recession before in the sense that it was caused by a single problem, which is the virus. And when that is solved, I think you will see – maybe not immediately, it will take time - but you will see a recovery in the general economy.

But to answer your question specifically as it relates to being invested in the market, again, I think you really need to take a long-term view here. So think about a couple of statistics. If you look at the 10-year returns for the S&P 500 over a very long period of time, only in 6% of instances has there been a down S&P on a 10-year period, okay? So that's very positive, and it indicates that you should take a long-term view. Another way to look at it is to say, "Okay. Well, what if I missed out on some of the best performing days in the market?" And we went back and figured out that since 1930, if you had been in the market steadily the whole period of time, you would've made about 15,000% on your money, but if you…

Nina Easton: Wow!

Candace Browning: It's an amazing number. But if you missed the top 10 performing days in a decade consistently, you would've made only 91%. So the point is you need to have a long-term plan and stay invested. You need to have a reasonable asset allocation, of course, and it needs to be thoughtful, but you need to have a long-term plan and stay in the markets.

Nina Easton: And Chris, of course, the NASDAQ which is comprised mainly of technology companies has been hitting new all-time highs. How do you factor that into thinking?

Chris Hyzy: Yeah, I think taking Candace's long-term approach and the short term, if you think about the areas that are producing free cash flow, it's the technology sector. That's number one. The free cash flow production growth and the size of it is the largest in the S&P 500. It's actually the largest around the world as well.

Point number two, when you think about the technology sector, the acceleration of many themes because of the pandemic. As many economies were shut down, homes were shut down, et cetera. The shift that went on and the accelerating of things like streaming and e-learning and gaming, et cetera, E-everything is what we call it, has really benefitted the technology sector. The cloud, 5G is about to get infiltrated throughout telecom networks over the next few years, and that should also underpin the growth in revenues for technology.

So NASDAQ being heavily weighted towards technology plus biotechnology and healthcare in general as it relates to the pandemic, all of that is hitting in that index, and even though that sector is widely, and in some cases over owned, those are the areas that breaking through the recovery and coming out the other side into the new frontier is what we call it, are the areas that should continue to produce the highest growth and, in some cases, also offer the yield that simply isn't in there in fixed income.

Candace Browning: And I'd just like to add something to that, Nina, if I could, as it relates to technology. You know we, as human beings, like to put labels on things and put things in little baskets. And you know, we're labeling effectively a lot of companies that are quote-unquote "technology" companies that are really consumer companies. [Laughter] Technology used to be hardware and semiconductors. Amazon and a number of these other companies are consumer companies, and so I think we get hung up and say, "Well, everything's – it's just tech going up." Well, a lot of tech is consumer.

Chris Hyzy: Great point.

Nina Easton: That's a really good point, Candace. So let's talk a bit about the post pandemic world when this is behind us finally. We all know, and the two of you have thought a lot about this, that the world will change fundamentally in a lot of different ways, whether we're talking about the economy, consumers, industries.

Candace, your team has published a number of reports examining that future. Can you talk about the consistent themes that you're finding?

Candace Browning: Sure. I think there are a lot of really interesting themes. I mean, I think the most obvious ones are everything going E and e-commerce and bricks-and-mortar retail being replaced by warehouses. But I think some of the other themes that aren't quite as obvious, one would be solitary leisure, so people taking up activities like biking or hiking or boating. We just put out a primer on bicycles, and you're probably aware it's very difficult to purchase a bicycle right now, but we think that solitary leisure as a theme has really, really long legs. Another part of that would be pools. So, in many states, pool permit applications are up about 30%. So we think solitary leisure has some legs, and we think people are making investments there, and we think it will stay for a while.

Some of the other themes that we see are actually shifting supply chains. So, if you look at it, about 80% of the companies that have global supply chains have said that those supply chains were disrupted by COVID-19, and as a result of that, they are looking at bringing their supply chains either back to United States or, in some cases, moving them to other countries. Now, this theme or process had already begun, particularly with China, and that was really being impacted by concerns of national security. But it's also being impacted by the fact that that differential in the cost of production of having things made overseas versus made here. That differential has been closing very rapidly, and that's a function of automation and robotics.

So you take national security, automation, robotics, and then you throw in disruption of supply chains, you are now seeing a real acceleration of re-shoring back to United States or away from China. So that, I think, is a very long-lasting theme, and I think it has some very positive implications for the American economy because if we can bring back manufacturing jobs to the United States, there's a huge multiplier effect associated with that, as well as a capex effect.

Two other things I'll just quickly point out. I think going forward, there's going to be as a result of COVID, obviously a huge investment in healthcare and particularly public health, and I think we're also going to see stronger governments and the use of government data. So those are some of the themes that we've been looking at, Nina.

Nina Easton: So these are good things. We're talking about rise in manufacturing jobs in the United States which, as we all know, much needed; talking about stronger governments and use of data. And Chris, this is really interesting. Your team has noted that times of severe disruption are usually followed by years of growth and innovation. Talk about that.

Chris Hyzy: Yeah, it's a concept or principle that's hard to grasp and you'd think about it. When you fall so deep in the economy like we have this time around during the pandemic as well as during the global financial crisis, you have a very low floor, and you need to reinvest off of that floor. And if you have a lower floor, there's less dollars overall that become more impactful because of the sheer rise of the growth of investment off of that low floor, so math takes you higher. And then you reset coming out of those areas, and you have great learnings.

The private sector's business model resiliency right now, much of which Candace talked about, is incredible, and the operating expenses that they are managing now to a lower floor are likely going to remain through 2021 and

’22 until they can see visible signs of a broader, more robust recovery. And that’s where you get operating leverage, and that feeds into margins and then ultimately better overall efficiency of sales.

So we think business model resiliency, given the way our economy works today, has never been better. You’ll start to see it more visibly next year, but coming out of crisis times, the learnings lend yourself to a better recovery, a more robust recovery from math and then ultimately to a real recovery down the road. And as Candace mentioned, those areas of technological advancement, innovation, automation, robotics, disruptive technologies across every sector hit right at the heart of the consumer and hit right at the heart of inventive areas like life sciences and other modes of technology.

So we’re particularly very encouraged, and we believe that this sets us up for a long-term global synchronized advance that the early stages are now, which is wavy, and then it becomes more robust. And that’s how bull markets are born, and that’s why we think we’re in another, yet again, bull market, but you have to think long term.

Nina Easton: Fascinating. So, Candace, we’re also in a period of profound social and economic change, and considering the growing interest in environmental, social and governance which is known as ESG, of course. Considering the interest in that, how could investors play a role in advancing solutions to the challenges the world is experiencing? I mean, climate change did not go away with this pandemic.

Candace Browning: No, it didn’t go away, and if anything, I think ESG is going to be an even stronger force as a result of the pandemic. Again, if you look at the carbon footprints of these very long supply chains, a lot of investors don’t like the disruption, but they also don’t like the large carbon footprints. But you know, if you look at ESG, and we’ve done a lot of work on this, you can see that investors are demanding that companies disclose more, and they are penalizing those companies that do not disclose a lot of these ESG characteristics. And by the way, companies with higher ESG scores have a 70% lower cost of capital as measured by credit spreads. So investors really are rewarding companies that have good ESG metrics.

Also, I would like to point out that if you look at the last 21 weeks of this year, while a number of equity themes have seen outflows, the number of dollars going into ESG funds actually has been going up steadily, which just shows you that there's an enormous investor interest in ESG, and as you said Nina, I don't think it's going anytime soon. I think the pandemic is going to make that interest and those demands by investors that companies behave in what they think are good ways. I think the pandemic is only going accelerate that pressure on companies becoming good ESG citizens.

And one more thing about ESG. You know, what ESG is really all about is it's about risk metrics, and really what investors are saying is just looking at financials doesn't tell an investor the whole story. You need to look at these ESG metrics, and by the way, if you looked at them, you would've been able to do things like avoid 90% of bankruptcies. So these ESG metrics have very valuable messages in them is really the bottom line here.

Nina Easton: So this is a great time to turn to some of the questions we received. If anyone watching has a question we didn't answer today, please reach out to your advisor to follow-up.

So, the first question is this, "There seems to be a growing debate about whether growth or value stocks are the way to go given the current market condition. Can you explain that debate and what are your thoughts on that?" Chris?

Chris Hyzy: Yeah, as Candace said before, we as people, and particularly as investors, like to put things in their boxes or categories, and this is probably the biggest one in terms of growth versus value. Today's marketplace is made up of a confluence or a convergence of both growth and value. What used to be value is a little different today. Growth is still similar to how it was characterized a decade ago, but it's more expansive. Even the industrial sector is considered very growth-y now because of the innovation and disruptive technologies. The consumer end used to be considered cyclical, just cyclical growth, but now it's got more resiliency to it. Of course, energy is the same as it used to be and so is materials, but when you look at it across the board, it's not growth or value. It's both.

And when you look at the companies that shift every quarter from being characterized as a value type of company, a stock, versus a growth stock, you're starting to see the same companies go back and forth between the two indices. Therefore, the lines are getting blurry, and when lines get blurry, it's important to have a diversified mix of both, so we don't think it's a binary decision at all, growth or value. It's both, and at the heart of that, it's quality, it's yield. And as Candace said, it's ESG factors that drive long-term sustainable great business models, and that's what we would focus on.

Nina Easton: So, Candace, let me turn to you for the second question. "I'm approaching retirement, and the low interest rates are really a concern." You must hear this a lot. "What other options are there for generating investment income considering how low yields are on many bonds and money market funds?"

Candace Browning: Well, my first answer to that would be obviously talk to your financial advisor about your specific requirements. However, I would point out that if you look at the S&P 500 today, 77% of the stocks in the S&P 500 have a higher dividend yield than Treasuries. That statistic is the highest it's ever been. As Chris says, investing in equities, it's very important that you invest in companies that have long-term sustainable business models. In addition, oftentimes companies that have very high dividend yields, that could potentially be a sign of an issue. What I tend to look at and I think is more telling is companies that are actually growing their dividends because that indicates that they have a growing business, so there are alternatives out there.

Nina Easton: Great. And Chris, I'm going to go to number three, the third question to you. "What do the latest employment figures tell you about whether we're really on the road to recovery? If we are, why do so many people seem so nervous and downbeat about the economy right now?"

Chris Hyzy: Well, it's important to take a picture of where we were pre-pandemic, you know below 4% unemployment rate. Most of the job growth was in the travel, leisure and entertainment space, which have been the areas most harmed by the pandemic, particularly restaurants and vendors that feed into sport franchises, et cetera, and social networking and enterprising in general. So those areas have yet to engineer any recovery. There's been some movement as states have reopened, but we have a ways to go there, particularly as it relates to entertainment and travel.

When you think about just unemployment rate in general coming down from almost 15%, we're only about one third of the jobs gained back from what was lost, and it's important to watch continuing claims to see that they continue to come down. They haven't come down as fast as most people would like as economies have put more restrictions in place with the secondary outbreaks, but right around the turn of the year, you should start to see a faster move lower in continuing claims, particularly as treatment and vaccine positive developments could be announced.

As we move forward into next year, it'll be extremely important to watch that unemployment rate, which could reach between 7% and 8% by the end of this year, what's the quick factor to take it back down to four? We actually think there's a little bit long-term damage there. Many analyses have shown that coming out of crisis times, going back to levels of unemployment where you were before the actual crisis, it takes a few years. That shouldn't be surprising, but the direction should be down in terms of the unemployment rate, up in job growth. We'll get signals around continuing claims and claims numbers in general as to the overall trend. We feel particularly encouraged over the next 12 months, but again, this recovery has told us it's likely to be bumpy and a slower grind to get back to where we were pre-pandemic.

Nina Easton: Chris, could you share any thoughts on how people can connect all of these issues to their own financial lives and goals? What are some of the things they could talk about with their advisor after listening to this conversation?

Chris Hyzy: I think first and foremost is to review your plan that you had set previous to the pandemic and through the pandemic to make sure that you're still on goal for whatever that plan may be. If you're off goal, and you have excessive cash, cash returns basically at 0%, and fixed income really not offering the yields you're used to, and we expect that to be the case for an extended period of time, is to reconsider what your overall plan is. Maybe adjust your asset allocation. Increase your exposure to equity and as Candace said before, dividend growth areas that can provide a little bit of yield. But remain high quality because through this bumpy recovery, it's the high-quality areas that we expect to have less volatility overall.

And then the second thing to do is to consider more frequent rebalancing. In higher volatility times, one asset class or another can significantly outperform the other and create a surplus, we should hope. And if it doesn't create a surplus, like what happened in March when equities fell so far, so fast, is to consider re-risking your portfolio and using the profits from other asset classes to engineer an upward increase in allocation to things like equities if there are very weak periods.

So it's basically being more active, more diversified, more focused on your overall plan and reconsider the themes that are out there as we get through this pandemic and out to the other side to increase exposure to those as well.

Nina Easton: So, pay attention, rebalance. That's incredibly helpful. So now let's go to final thoughts. I'd like to hear from both of you, how we should look at the coming months and the coming years. Give us some advice and perspective as we finish our event today. Candace?

Candace Browning: So Nina, I would start out with what I said previously. This was unanticipated, but it is a historically very unique event in that this very deep recession was caused by a health crisis, and if we can fix that health crisis, we will be, I think, firmly on a road to recovery. It's going to be bumpy. It might take some time, but we will get through this.

And as a result of this crisis, there are going to be new businesses and new ways of doing things that may in the end prove to actually be very positive and provide a lot of investment opportunities. Whether it's things like e-commerce that I talked about, whether it's solitary leisure, whether it's supply chains coming back to the United States and creating new manufacturing jobs, whether it's breakthroughs in healthcare. There, I believe, ultimately will be a lot of change and positive disruption that will come out of this even if it takes several years for us to actually see it.

Nina Easton: Chris?

Chris Hyzy: Yeah, I think coming out of crisis times, what's most important is confidence. Confidence is really important overall in consumer and business confidence in general recoveries, but certainly coming out of crises, it's number one. It's at the heart of almost everything. So it will be important to watch job growth. That's number one. And even if it's bumpy, but in the right direction, confidence should creep higher ultimately leading to better spending and then feeding into business confidence, feeding into more jobs, and as Candace said, the production of new industries.

Right now, we're still at that bottoming phase where those new industries are interesting right now, but they haven't really produced sea legs yet. And using the sea or the ocean concept here, we like to call it the lighthouse concept, which is the lighthouse is there for both good and bad times. It can give you warning signals in times of storms like we saw in some components of the global financial crisis. It could also shine a brighter light through the clouds, and that's kind of where we are right now.

So, I would stick to long-term thinking. We think we're in the long-term advance already. Bumpy at the beginning, and then ultimately come out on the other side of this. As Candace said, it's science and technology that get us through out to the other side. Science number one, and then science and technology that get us through. But overall, this bull market advance that has quickly come back up in a square root-type of V-like fashion, where do we go from here. What at are the catalysts?

Clearly, innovation is out there, but business model resiliency is taking us through. If we get through this with a vaccine, which we currently expect, we're looking at long-term thinking here where the scarcity principle could take over, which is if there's more money out there and there's reflation by central banks, a steeper yield curve, a slightly weaker dollar and money growth as high as it is right now, you have more dollars to do things with. And if there's more dollars to do things with, you look at the supply of assets. The supply of assets are going down. The amount of dollars are going up. That is asset-price friendly. And therefore, we believe that the long-term investor should consider developing and deploying cash on weak days, weak periods, in the markets through this recovery phase.

Nina Easton: You know what I loved about this conversation was the positivity. It's the note of positivity at a time when, I think, people are feeling pretty down. But it's positivity based on data, on research, on history and on hard thinking. So, I want to thank both Candace and Chris. Thank you so much for being with us today.

And thank you all for watching. We hope you'll continue this conversation with your advisor. She or he is a great resource for helping you understand how the ideas discussed on this program fit into your overall financial picture, and they can answer any questions we didn't cover here today.

And be sure to visit ML.com/Perspectives for additional insights to help you make sense of the road ahead.

Thanks again.

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