

MARKET INSIGHTS

from Ziegler Capital Management

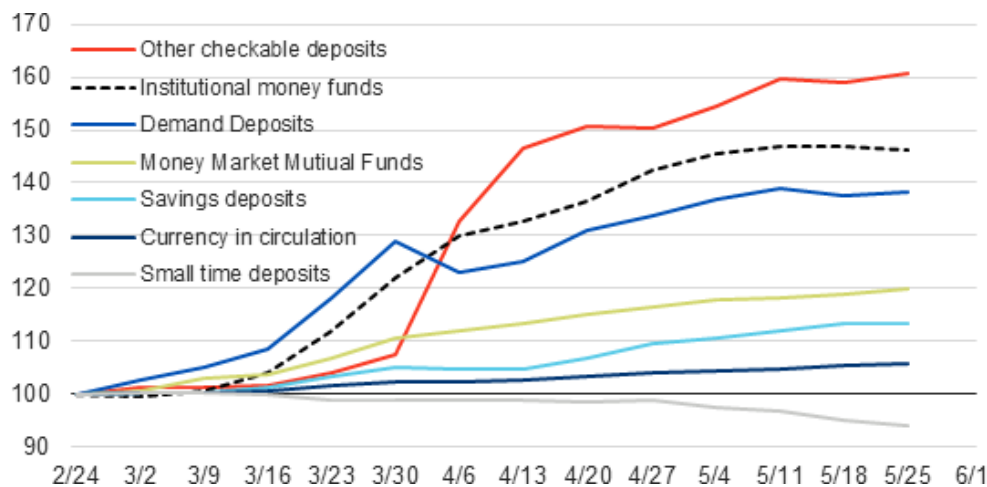


Consumers May Be Primed to Spend

The consumer is responsible for approximately 70% of the U.S. economy. While consumer spending in the U.S. fell 13.6% in April, personal income rose 10.5%, boosted by government payments. The charts below are showing that stimulus dollars have been saved and the U.S. savings rate climbed to 33% in April. For perspective, the savings rate was just under 8% in January.

With stimulus checks of \$1,200 per adult and \$500 per child (up to certain income limitations), current data shows that the consumer is actually increasing their savings at the present time rather than deploying it. With federally funded unemployment payments of an additional \$600 per week on top of state payments, a segment of the unemployed are actually making more money staying at home than if they were working. This will be a much needed safety net if the crisis is prolonged, but will be a tailwind to spending if the economy opens more quickly. This appears to be flowing very readily into the savings and savings-like money supply. Using February 29 as a base, each component of the money supply including, most notably, savings accounts, has increased considerably.

Money Components Indexed To The End Of February 2020



Data Source: Federal Reserve
Chart Credit: First Horizon Research

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ABOUT ZCM MARKET INSIGHTS

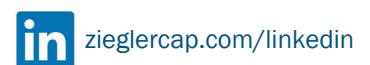
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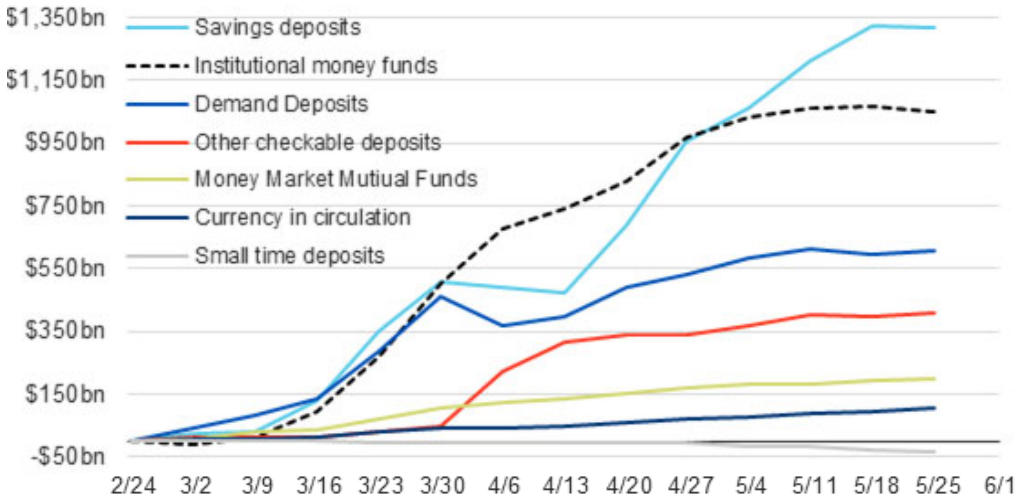


We are a premier asset management firm comprised of investment teams employing repeatable processes providing tailored investment solutions across the fixed income and equity markets.

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Components, Dollar Change Since The End Of February 2020



Data Source: Federal Reserve
 Chart Credit: First Horizon Research

These figures beg the question whether pent up demand could accelerate growth once consumers feel safe to spend, both from an economic and a health perspective, and actually are allowed to spend with a reopened economy. A recent S&P Global Market Intelligence survey polled between April 30 and May 18 shows that 44% of consumers planned to head back to stores and 31% said they would dine out. This is in contrast to early on in the stay-at-home orders when sales for both restaurants (even with expanded carry-out options) and retail sales plunged. Stockpiled cash and a consumer ready to spend could be extremely stimulative to the U.S. economy.

ZIEGLER CAPITAL MANAGEMENT, LLC
 70 West Madison Street | Suite 2400 | Chicago, Illinois | 60602 | www.zieglercap.com

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