

# The Next Recession

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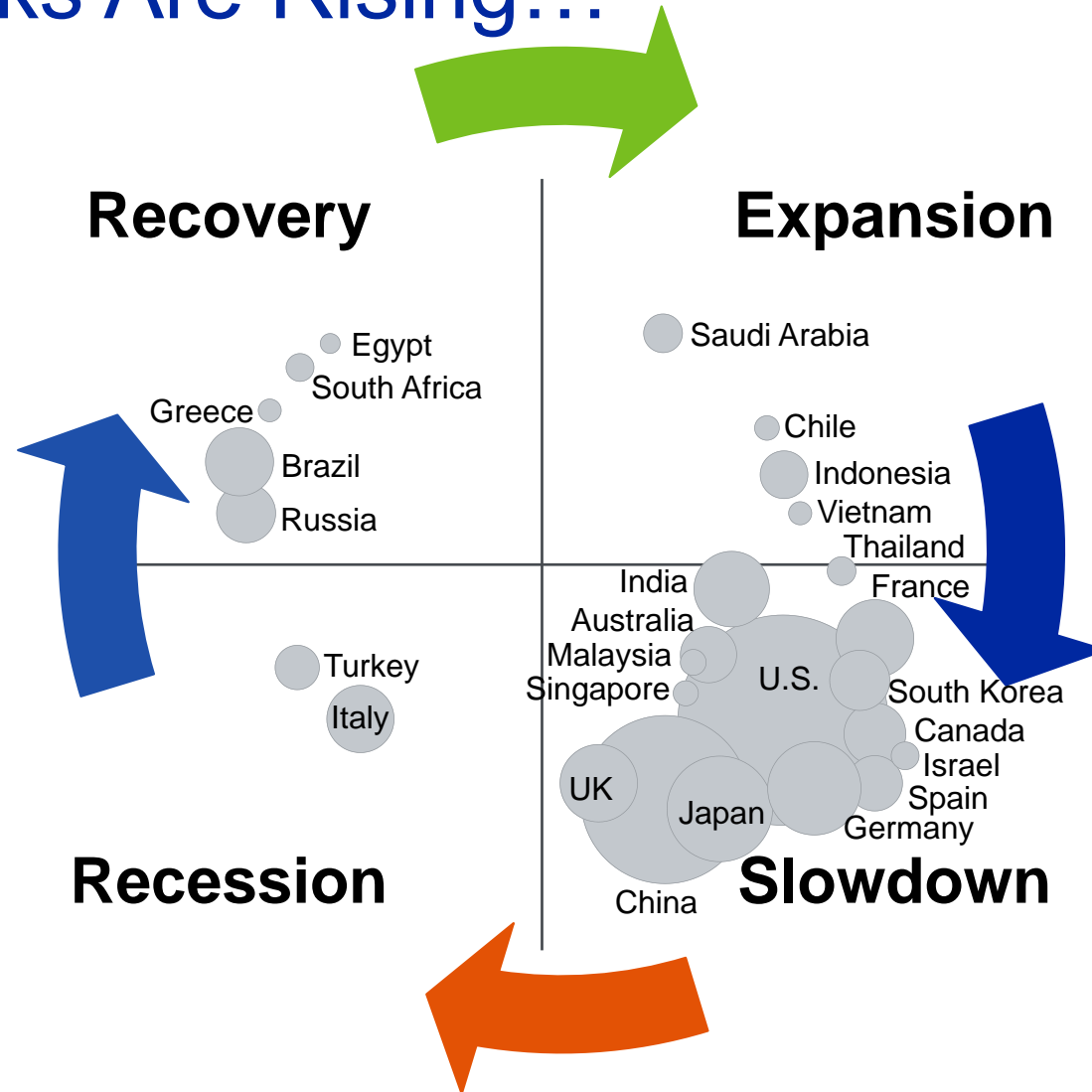
# Agenda

1. Sizing Up the Recession Threat
2. Recession Triggers
3. Road to Recession
4. Policy Response
5. How Severe a Downturn

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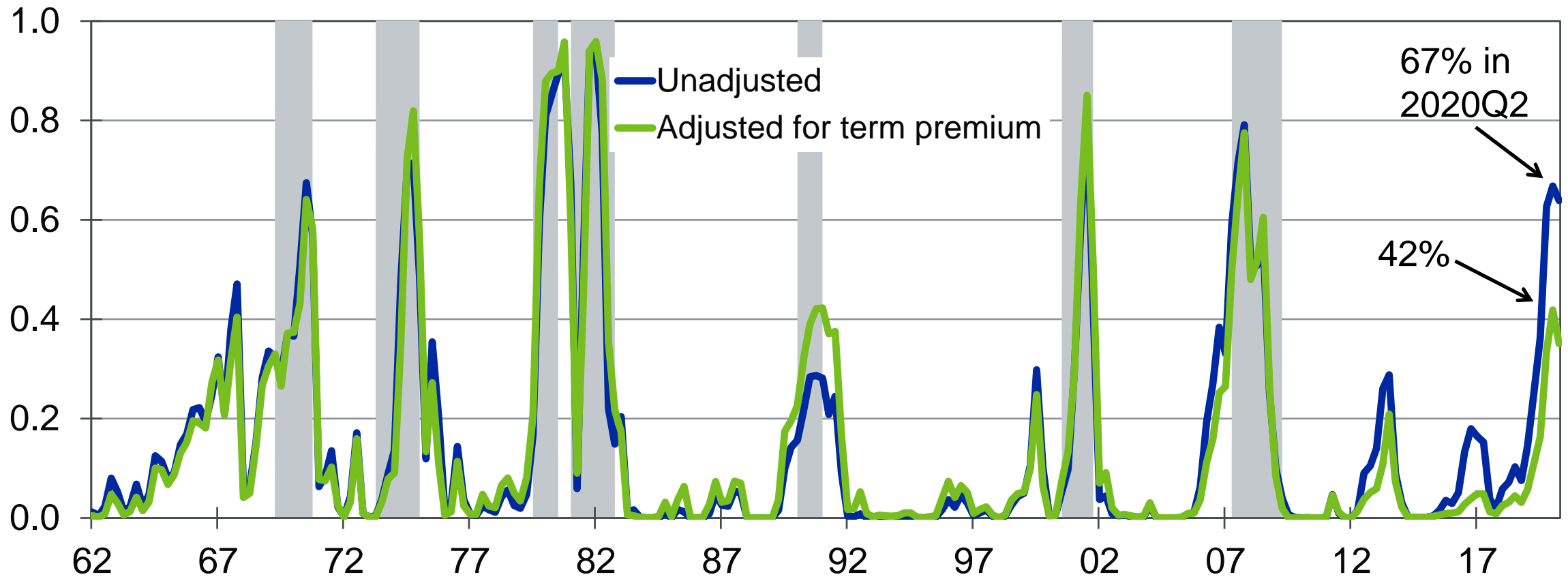
Sizing Up the  
Recession Threat

# Recession Risks Are Rising...



# ...and Uncomfortably High

Probability of U.S. recession based on financial indicators 12-mo prior

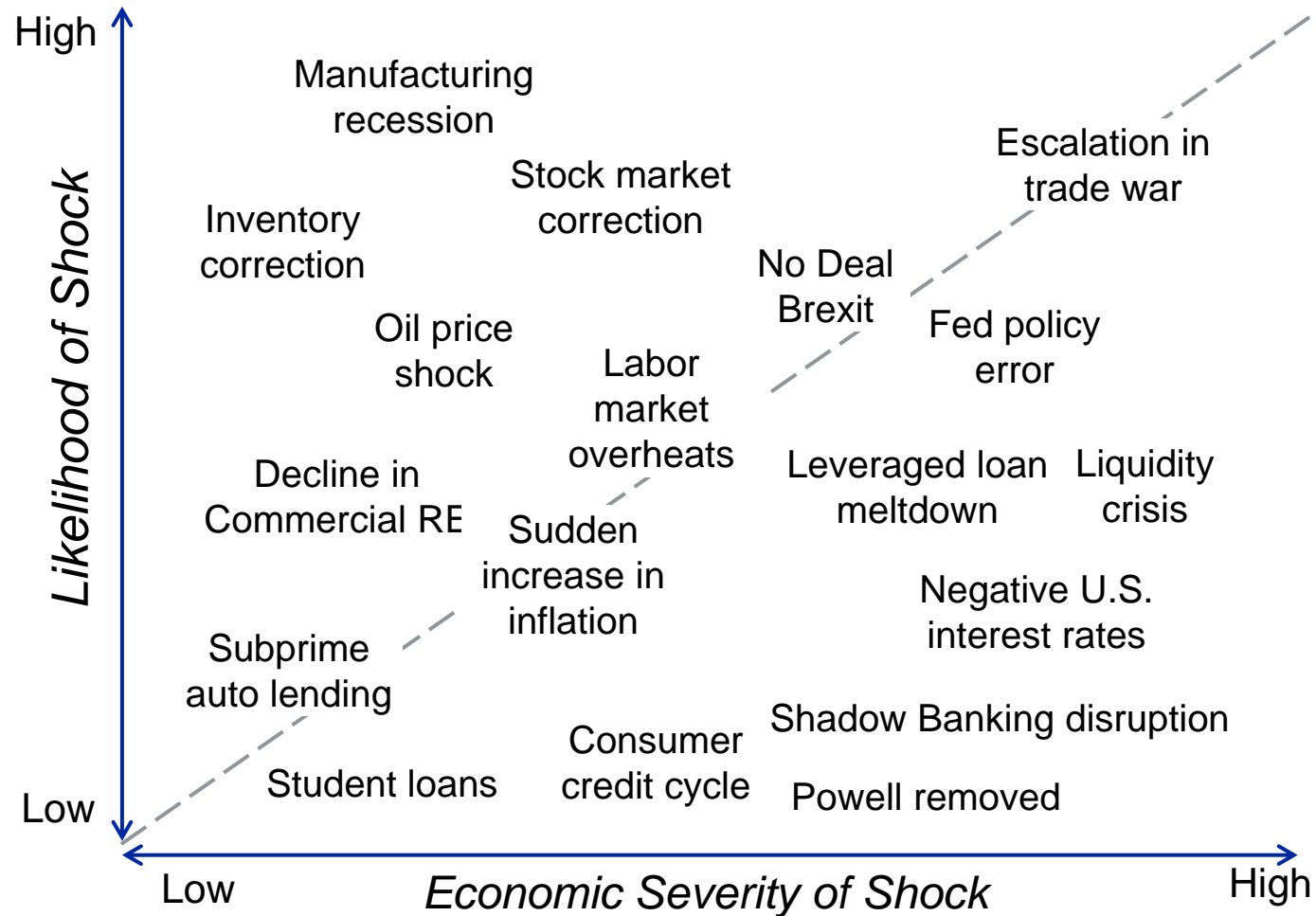


Sources: Federal Reserve, Moody's Analytics

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Recession Triggers

# What Could Go Wrong?

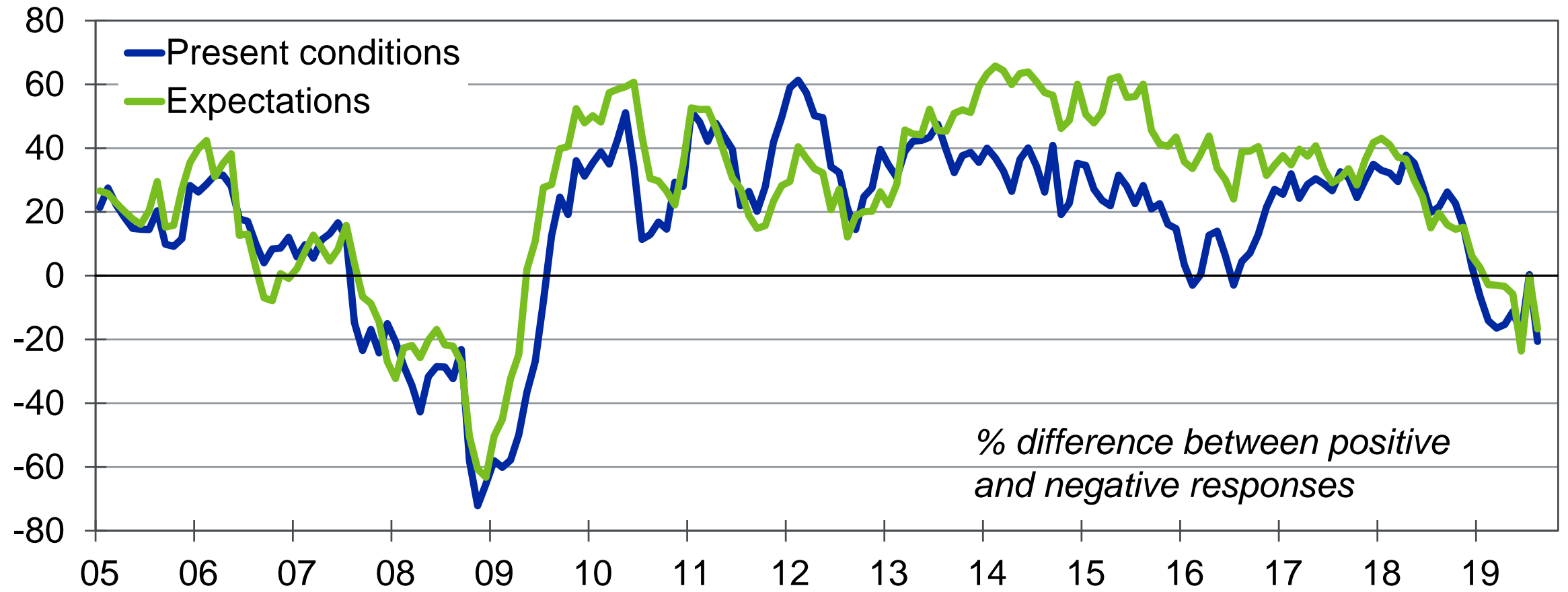


Source: Moody's Analytics



# Trump Trade War Undermines Business Sentiment

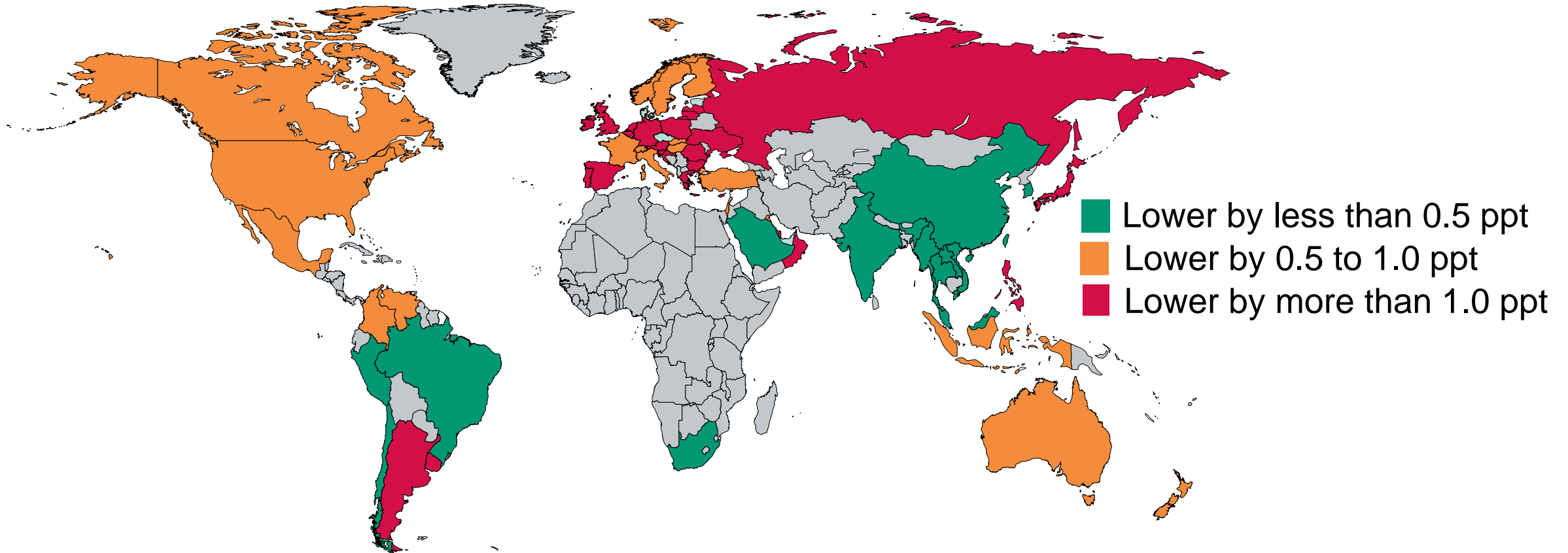
Moody's Analytics business sentiment survey



Source: Moody's Analytics

# No-Deal Brexit Would Be a Global Body Blow

Difference in Real GDP in 2020Q4, No deal vs No Brexit



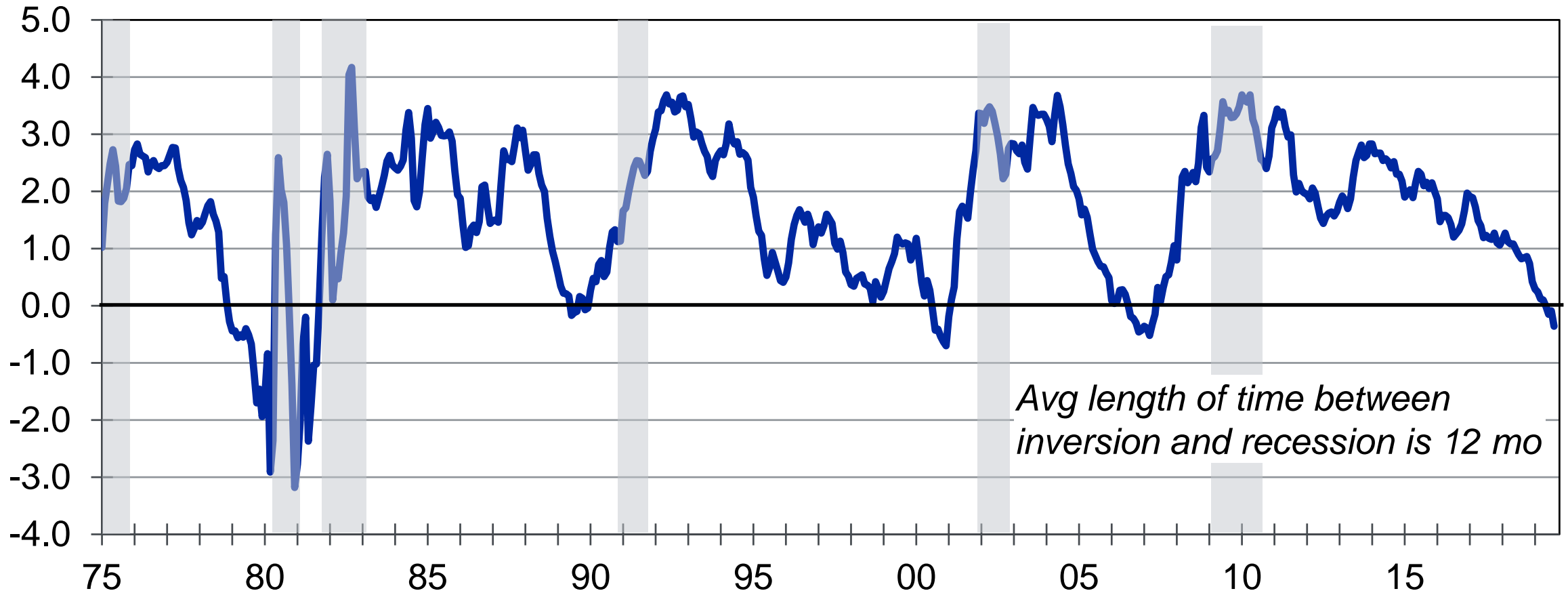
Source: Moody's Analytics

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Road to Recession

# Treasury Yield Curve Sends a Warning

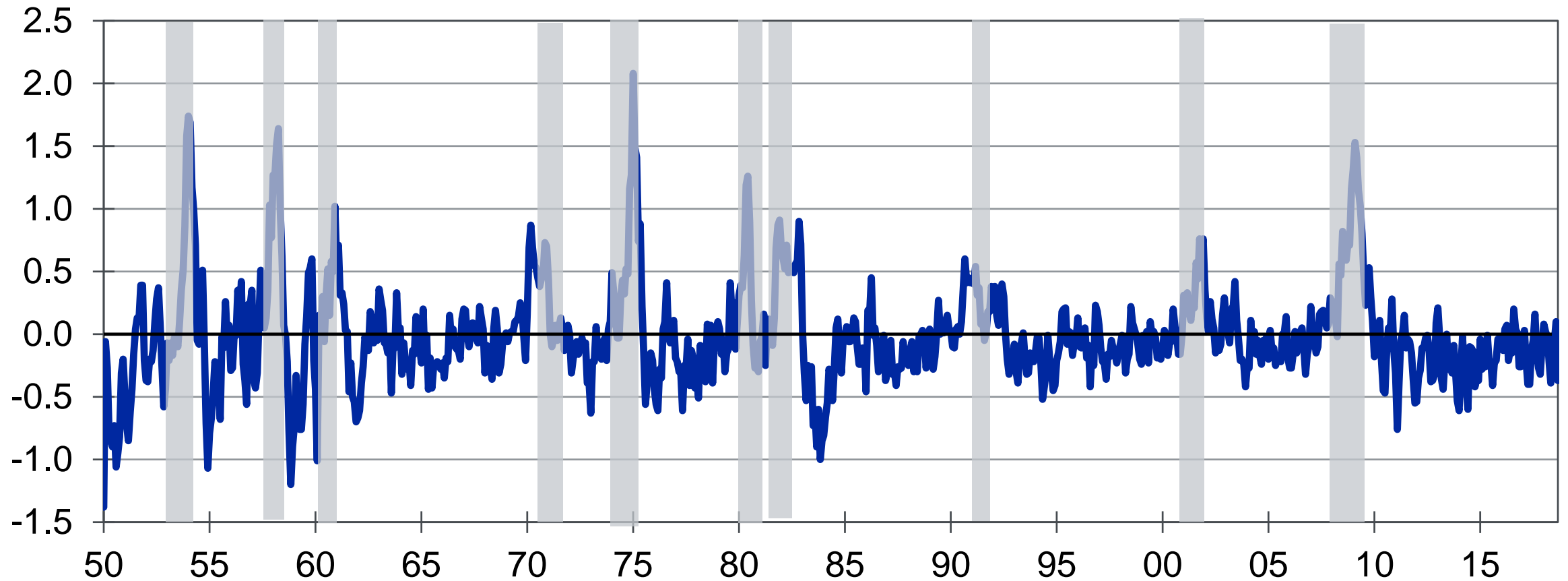
Difference between 10-yr Treasury yield and 3-mo EBY, pts



Sources: Federal Reserve, Moody's Analytics

# How a Vicious Cycle Takes Hold

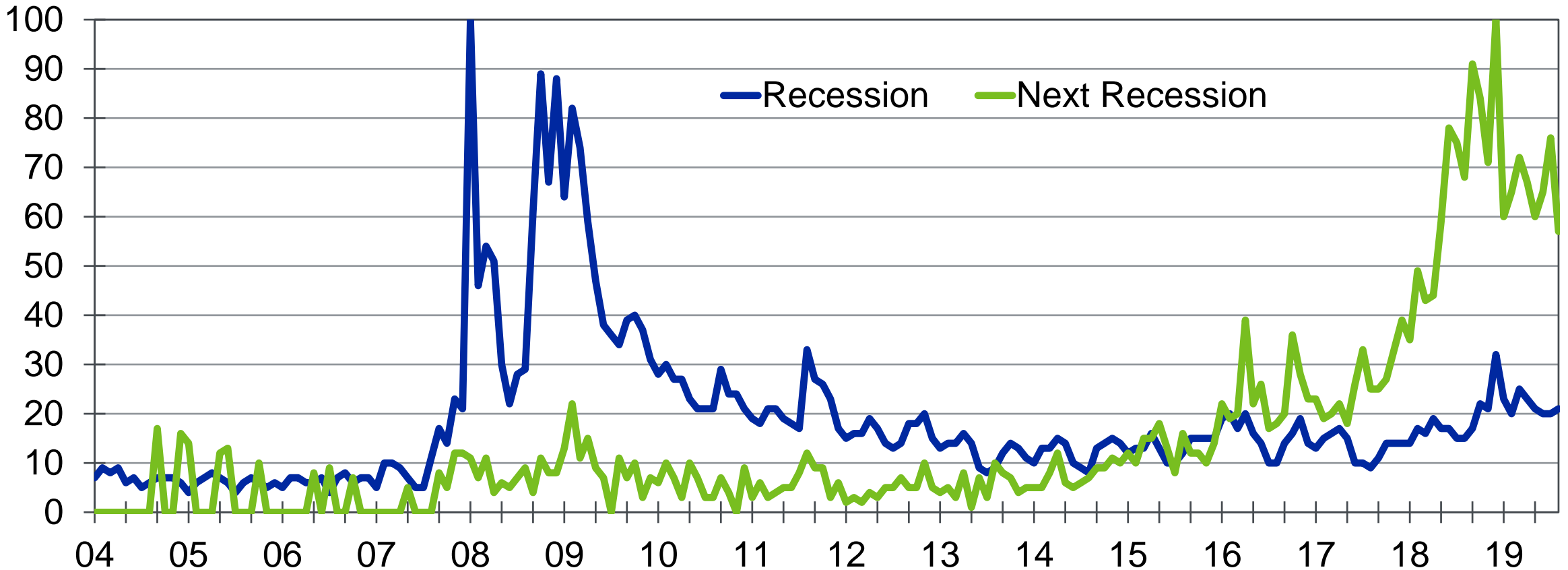
3-mo change in the unemployment rate, ppts



Sources: BLS, Moody's Analytics

# Recession Worries Mount

U.S. Google search term, 100=peak popularity



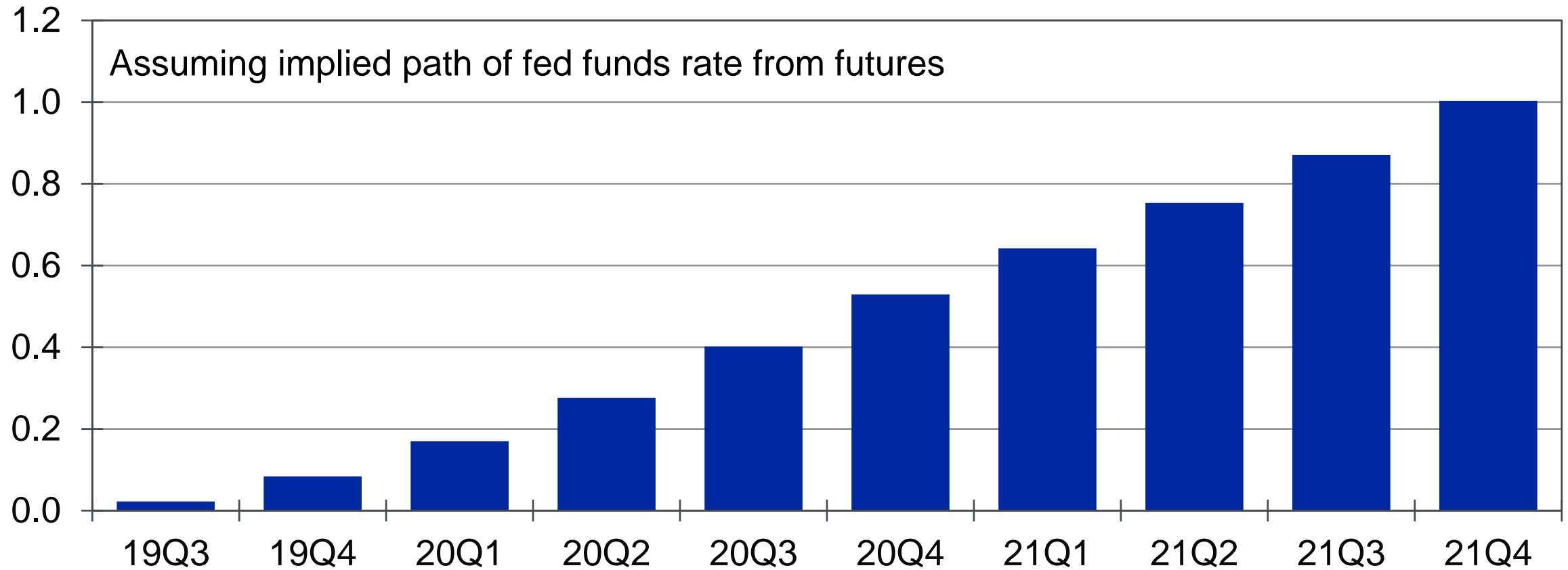
Sources: Google Trends, Moody's Analytics

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Policy Response

# Monetary Easing Is Critical...

Deviation in real GDP under Fed cut scenario and baseline, %

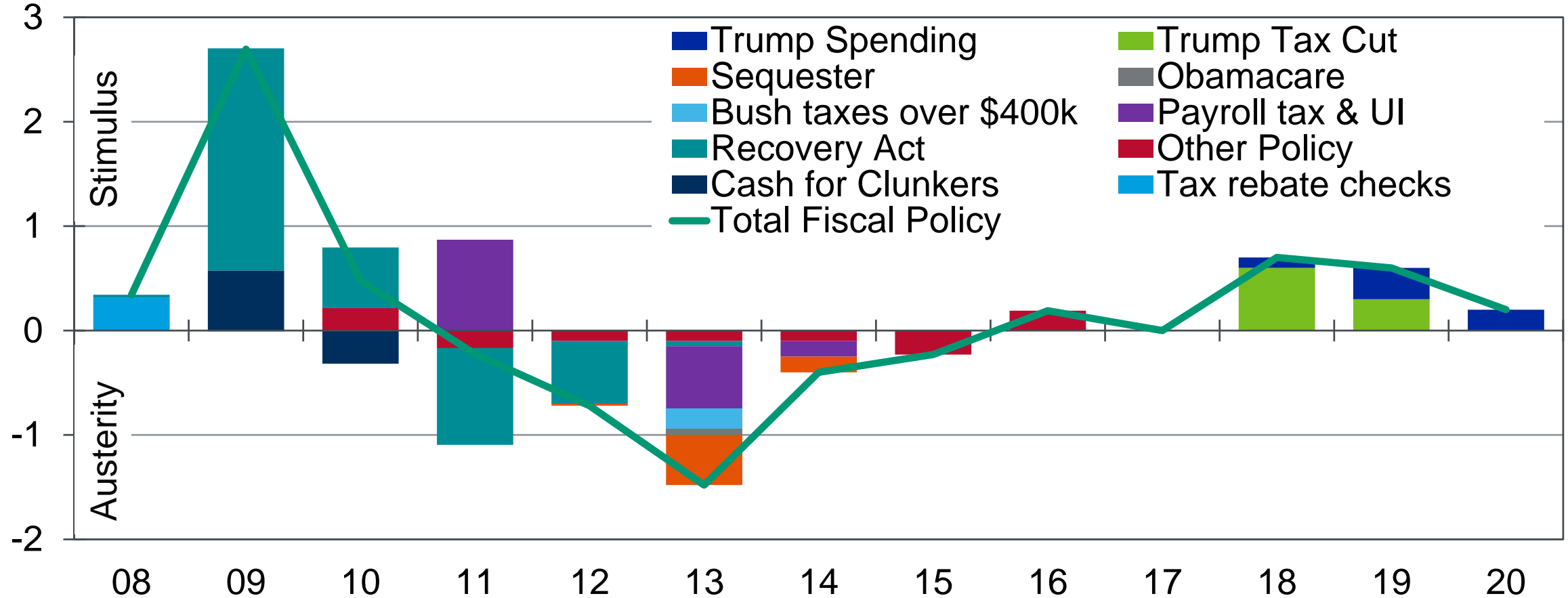


Source: Moody's Analytics



# ...As More Fiscal Stimulus Is Not Likely

U.S. federal discretionary fiscal policy as a % of GDP



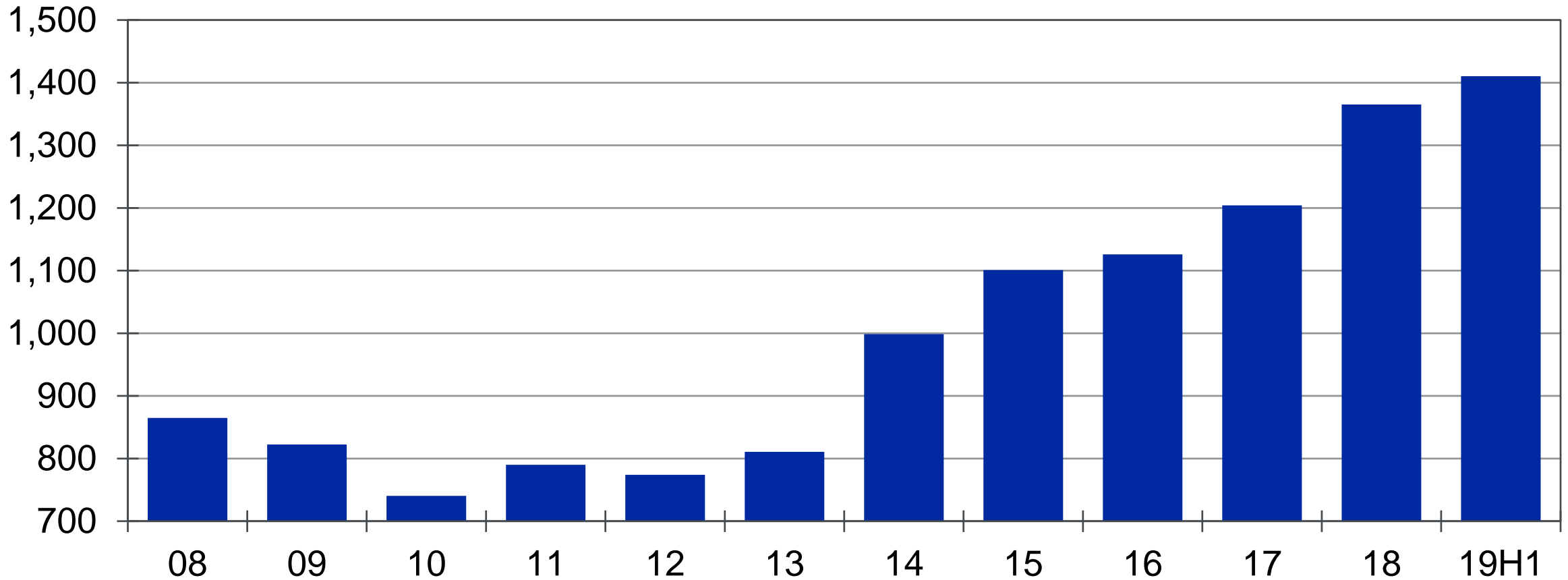
Source: Moody's Analytics

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How Severe a Downturn

# Leveraged Firms Leverage Up

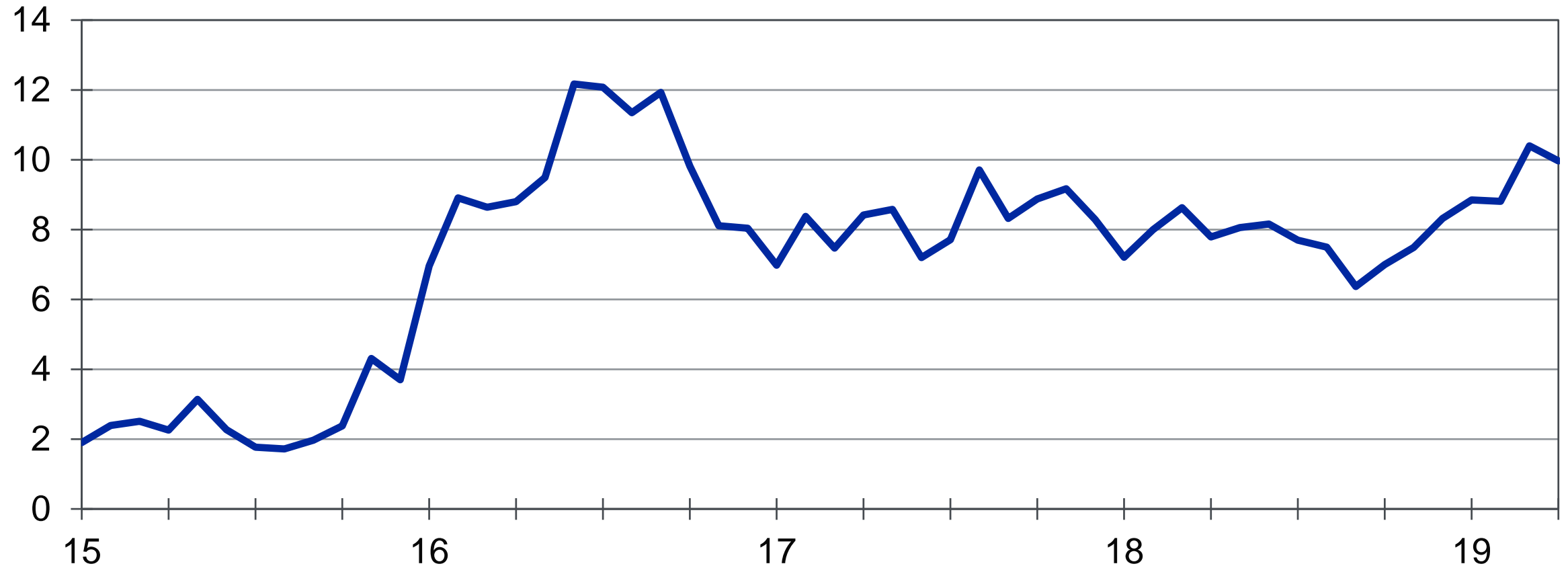
Leveraged loans outstanding, \$ bil



Sources: IMF, Moody's Analytics

# Europe Faces Another Existential Moment

European debt with negative interest rates, \$ tril



Sources: Bloomberg, Barclays, Moody's Analytics

# Q&A

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