

FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

Minutes of the Investor Advisory Committee on Financial Markets

July 15, 2020

Federal Reserve Bank of New York

Committee Attendees:

William A. Ackman, Pershing Square Capital
Management, L.P.
Ray Dalio, Bridgewater Associates, L.P.
Mary Callahan Erdoes, J.P. Morgan Asset
Management
Dawn Fitzpatrick, Soros Fund Management
Britt Harris, The University of Texas/Texas
A&M Investment Management Company
William H. Heyman, The Travelers Companies,
Inc.

Bob Jain, Millennium Management
Paul T. Jones, Tudor Investment Corp.
Scott Miner, Guggenheim Partners
Rick Rieder, BlackRock, Inc.
John W. Rogers, Jr., Ariel Investments
David M. Rubenstein, The Carlyle Group
Matthew E. Zames, Cerberus Capital
Management

Federal Reserve Attendees:

John C. Williams
Jim Cronin
Samuel Earl
Michael Held
Sandra Lee
Matthew Lieber
Lorie Logan
Meg McConnell
Michael Nelson

Matthew Raskin
Julie Remache
Michael Schetzler
Daleep Singh
Kevin Stiroh
Michael Strine
Benedict Wensley
Patricia Zobel

New York Fed staff reviewed the Committee Charter with members.

Discussion of the economic, fiscal, and monetary outlooks

Committee attendees generally viewed the economy as improving a bit more quickly than many had anticipated and there was slightly less uncertainty over the economic outlook relative to the height of financial market distress earlier in the year. However, they still viewed the recovery in the economy as likely to proceed very slowly and that unemployment rates would likely remain elevated for some time. Many of the committee attendees also noted support from monetary and fiscal policy was likely to continue, with markets reflecting that rates are likely to stay low for some time and that further fiscal stimulus was highly likely in the very near term.

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There was some discussion around current valuations in the equity and credit markets, with attendees viewing pricing in financial markets as relatively appropriate particularly given policy support and the low levels of interest rates used to discount future earnings. Some also noted that these markets generally reflect larger firms who may be better equipped to weather the current environment, and in aggregate represented a smaller part of the overall economy.

Discussion of possible permanent changes to the economy or businesses as a result of the pandemic

Committee attendees next discussed how the economy or business might change permanently as a result of the pandemic. Many of them saw significant potential changes to how many businesses operate and in particular how a greater portion of the workforce working from home would impact commercial real estate prices and companies might outsource globally a greater portion of their workforce as a result. In contrast, some viewed supply chains and consumer behaviors as not changing as dramatically as they had initially thought, and noted that supply chains linked to China were likely to continue and some thought consumers would likely shift back to normal consumption patterns.

Committee attendees also highlighted risks faced by the many smaller firms across the economy, particularly restaurants and retailers, which faced the risk of permanent closures. They also noted the risk that larger firms would also likely consolidate market share as a result. Committee attendees also thought that these trends would increase income inequality and the children of the lowest income groups faced the largest educational challenges given online as opposed to in-person instruction in schools.

Discussion of risks to the outlook

Committee attendees generally agreed that the primary risk to the outlook remained a resurgence of the coronavirus both in the U.S. and abroad. Outside of this they also indicated other key risks included the potential for rising corporate defaults, and U.S. debt sustainability. They also noted a further widening of the wealth-gap and increased income inequity was a prime concern, and that the U.S. elections and resulting uncertainty or policy changes could have an impact on the economic outlook.