TS Lombard COVID-19 crisis roadmap. For more details see our primer

Phase	Stage	Market	Economics	Policy responses	COVID-19	Comments / Signposts
Phase 1 - the shock	**Market capitulation, policy triage**	High volatility, even in safe havens; abnormal correlations (e.g. gold, stocks and bonds all co-moving), low liquidity and extreme sell-offs in some assets	Supply-chain shocks, discretionary spending halt; lower equity markets drag down consumer confidence further, further depressing spending	Liquidity provision through rate cuts and ensuring financial plumbing is not blocked, including asset purchases, loans and swap lines	Spread of the virus widens and new infections count keeps accelerating	This stage is asynchronous - some markets are already primed for recovery (mostly in Asia); US market still coming to terms with the shock
		Asynchronous recovery - some markets are already primed for recovery (mostly in Asia); US market still coming to terms with the shock	Economic data lag the market in this stage, but risks are to the downside as better-than-expected data will be dismissed but worse-than-expected will be evidence of a deeper slowdown		Lockdowns and stringent restrictions begin to arrest the pace of growth	To know when this phase is coming to an end look for falling correlations (esp gold/stocks and stocks/oi), falling volatility and a reversion of the VIX curve
Phase 2 - the consequences	**Second-round effects**	Credit spreads and outright corporate bonds hit hardest; earnings expectations continue to decline	Capex and hiring halt, u/e rises rapidly	Fiscal stimulus to take corporate loan losses/risk on to govt balance sheet and replace lost income for individuals		A lot of Phase 2 effects are now independent of the virus - the original shock was sufficient to trigger these consequences
	False dawn	Govt announcements support markets but while the growth outlook remains weak and there is no investment, bounces are dead cats. (Centrally-controlled China could be the exception, where investment will be running apace by this point)			Dip in pace of infection as quarantine and distancing measures "work" but risk of a rise again as people and/or authorities get too confident too fast and begin ignoring/easing advice	An upward-slopng yield curve is essential to mitigate tight-lending conditions risk, but also a backstop to encourage credit growth to re-start
	Third-round effects	Investment-grade spreads blow out, multiple credit downgrades, second round of negative earnings revisions	Banks tighten lending standards in response to a prolonged slowdown, tripping even otherwise viable companies into solvency risk; new lending only if govt guaranteed	Fiscal policy needed to provide more direct support for specific sectors (e.g. airlines) and/or businesses	No all-clear signal as social distancing measures remain in place to a greater or lesser extent	Stocks volatility should have declined now and valuations (and EPS expectations) should reflect the reality of a sharp earnings decline
	Real consolidation	Equity markets find a low as US investors move towards the "depression" stage of the cycle; earnings revisions start to improve, correlations closer to "normal" and safe haven volatility falls	Economic data begin to normalise (vs. expectations), default rates fall		But a peak in fatality rate is a signal that the virus is at least under control and a slowdown in infection rate reduces fear factor	Phase 3 can start only when the virus is under control - falling fatality rates, falling infection rates and successful mitigation policies are necessary precursors
Phase 3 - post-virus	**Recovery**	Stocks could lead in the first stages as expectations will be low. Credit lags and FI, anchored by easy monetary policy, waits for more evidence	The economic recovery is slow, confidence-led and employment-led; inventory rebuilds lead the start of industrial activity - and pent-up capex, esp for automation, steps up	Monetary policymakers begin to remove some backstops and unwind some stimulus but fiscal policy continues to lead with stimulus and spending	Korean-style test-and-track implemented in most countries to enable control and minimize risk of further countrywide shutdowns	Look for improving hiring and capex intentions to signal the economy is starting to pick up, US Redbook sales should also indicate a shift away from discount stores/staples
	Post-virus outlook: Global Fractures	Fed finds itself as the global lender of first resort; after centralizing its role in the dollar system, Fed cannot extract itself without causing further dollar ructions	Supply chains re-orient and become more resilient to shocks; lower potential growth for a while until confidence high that virus will not return	Japanification risk in EA and other major regions as fiscal/monetary coordination creates a large state sector and large state ownerships. What's next for central banks?	One or all of vaccines, tests and treatments are rolled out; virus still endemic but under control	