The Great Stay-In (Sixth of a Series)

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This week we wrap up our conversation with Brian Nick, Nuveen's chief investment strategist:

The Lead Left: Brian, how do you compare this cycle with the last one?

Brian Nick: The last cycle ended because of an excess of leverage and risk-taking by individual households and within the financial system as a whole. The housing bust was a match that lit a huge pile of kindling, and it greatly hampered the economy's recovery. This time, we're entering a recession with an 8% average household savings rate, a healthy banking system and the Fed quickly launching its emergency playbook.

Having worked and lived through the GFC, I'm more optimistic about today's recovery than I was then, even understanding that the chief variable that will allow the recovery to take place—the virus—is impossible to model for and ultimately out of our hands.

TLL: The Fed did jump in pretty quickly to cut rates to zero. Are they out of weapons?

BN: The Fed threw the kitchen sink at this crisis, including $700 billion of QE, but turned out they have a large kitchen with multiple sinks. They can buy an unlimited quantity of assets, as well as different kinds of assets including corporate bonds, munis, even ETFs. Last in their arsenal will be the Main Street Lending program and the lending facility to bigger businesses backstopped by the $500 billion allocated in the CARES act. The Fed can now prop up individual non financial businesses in a way it hasn't been able to before. The bigger the dollar amount allocated in Phases 4 and beyond of the fiscal response, the bigger their weapons get.

TLL: Do private equity firms have any Federal rescue programs available for their middle market portfolio companies?

BN: This could be part of the Fed's Main Street facility, but the details aren't out yet. The idea is to target companies too large to be eligible for the SBA program, but too small for the CARES Act. Of course, assuming there are more Phases to come, there could be more help on the way for the portfolio companies.

TLL: Lastly, Brian, your loyal readers know you're plugged into the best binge-worthy TV programs. What are the top ten on your list?

BN: Assuming I'm giving this advice to an alien who has landed on earth and never seen any TV, my recommendations would be:

The Wire, Breaking Bad (and Better Call Saul), Deadwood, Mad Men, The Americans, The Crown, Game of Thrones (despite the ending), Sherlock (the BBC one), Curb Your Enthusiasm, Carnivale (if you don't mind weird, it's worth a look).

For the super bored, I'd recommend two Podcasts, both from The Ringer: Binge Mode (recapping every episode of Game of Thrones, every Star Wars movie and every Harry Potter book and film), and The Rewatchables

(deep dives on rewatchable movies)

? Next week: We continue our Great Stay-In series with an industry analysis.