The (US) economic outlook:
themes, issues, risks…and lots of questions!

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Global growth: peaked, slowing and, for the largest economies, synchronized

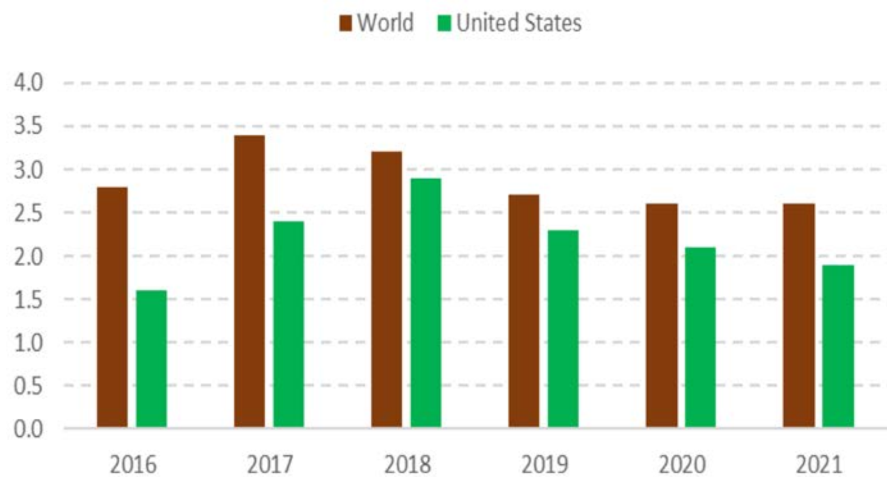
Still respectable, but heightened concerns about downside risks: trade, Brexit, oil supplies; fundamentals favor strong USD

A Quick Look at the Numbers…

	2016	2017	2018	2019	2020	2021
Real GDP Growth (%, Y/Y)						
World	**2.8**	**3.4**	**3.2**	**2.7**	**2.6**	**2.6**
United States	**1.6**	**2.4**	**2.9**	**2.3**	**2.1**	**1.9**
Canada	1.1	3.0	1.9	1.4	1.3	1.6
Eurozone	1.9	2.7	1.9	1.1	0.8	1.0
United Kingdon	1.8	1.8	1.4	1.0	0.5	0.9
Japan	0.6	1.9	0.8	1.0	0.3	0.6
China	6.7	6.7	6.6	6.2	5.7	5.6
India	8.1	7.1	6.8	6.1	6.4	6.9
Brazil	-3.3	1.1	1.1	0.9	1.3	1.5
Russia	0.3	1.7	2.2	1.3	1.7	1.8

Source: Macroeconomic Advisers by IHS Markit; 18 September 2019

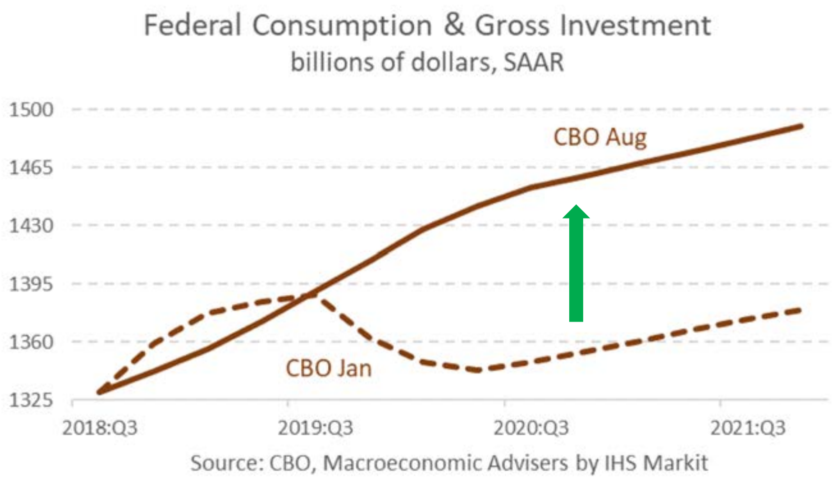
Real GDP Growth (%, Y/Y)

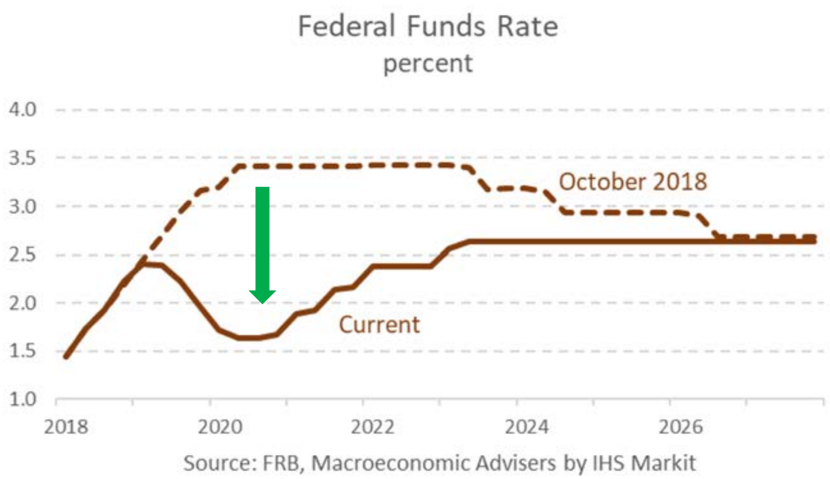


Source: Macroeconomic Advisers by IHS Markit

Focus on US: policy pivots towards fiscal & monetary accommodation

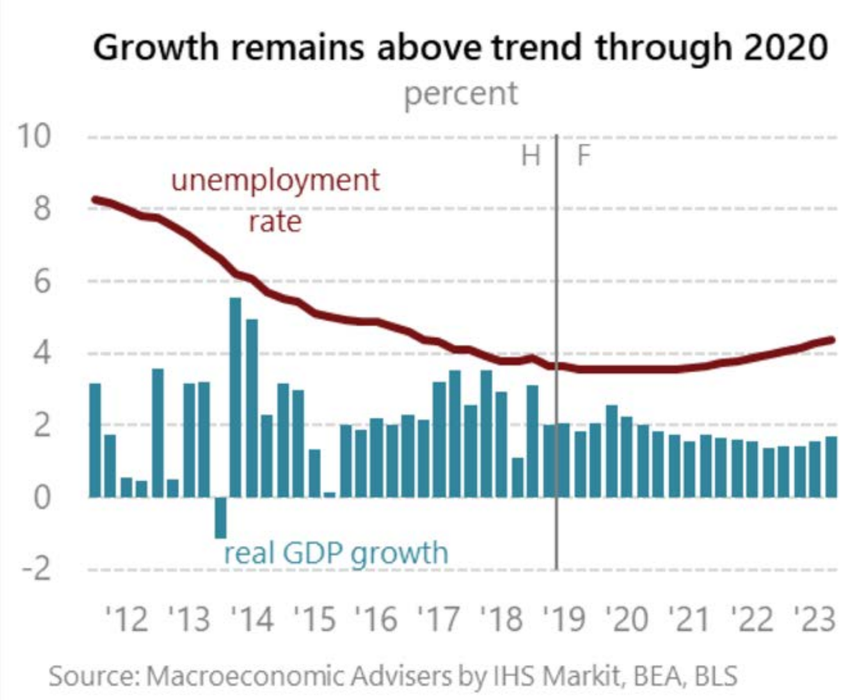
The 2019 Budget Act and the Fed's early-2019 dovish turn help prolong recovery in the face of new downside risks

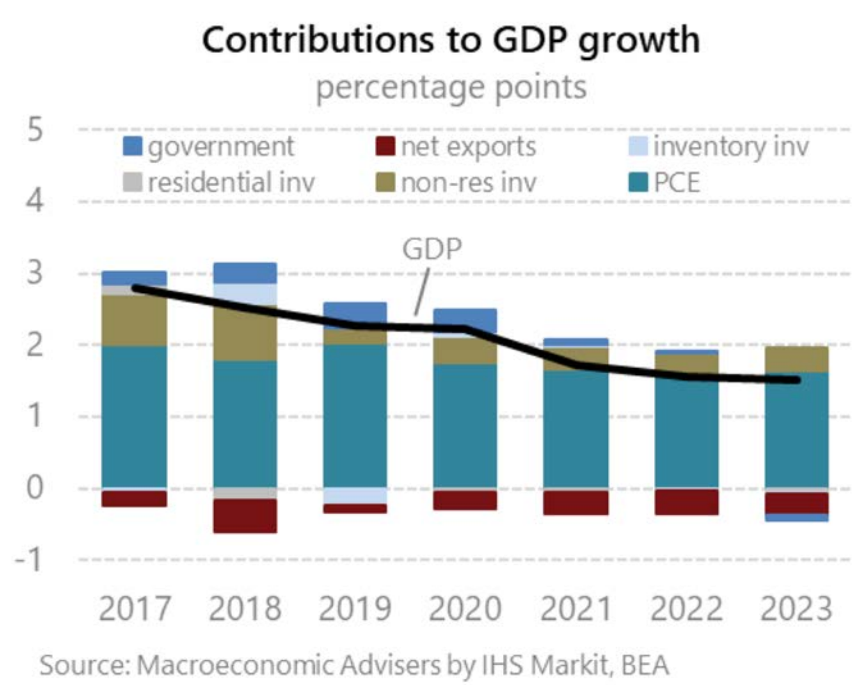




Focus on US: consumers carry the water

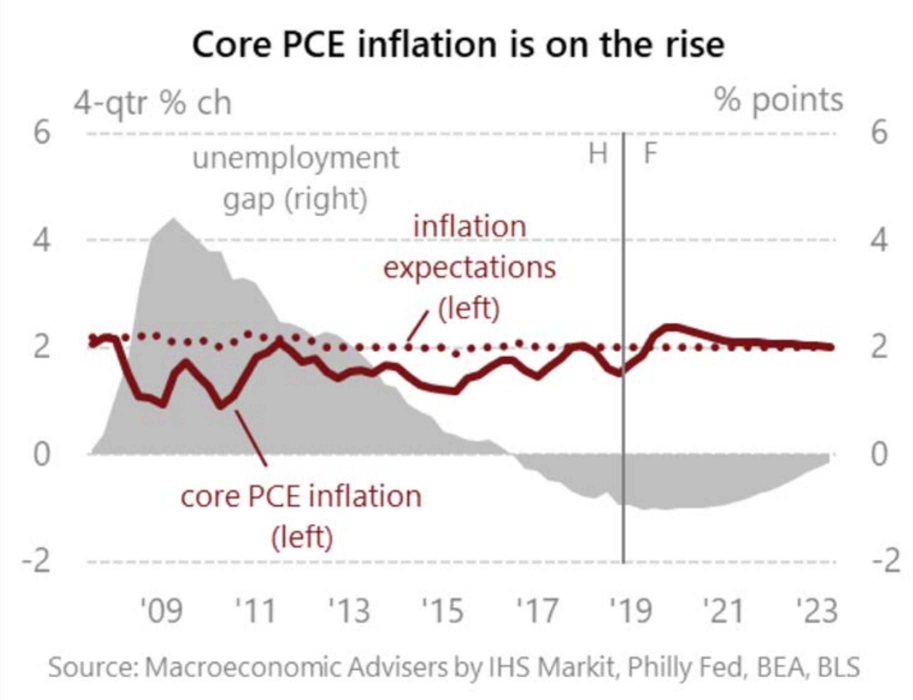
Above trend growth, falling unemployment through 2020; consumers, govt lend support; goods production, trade soft

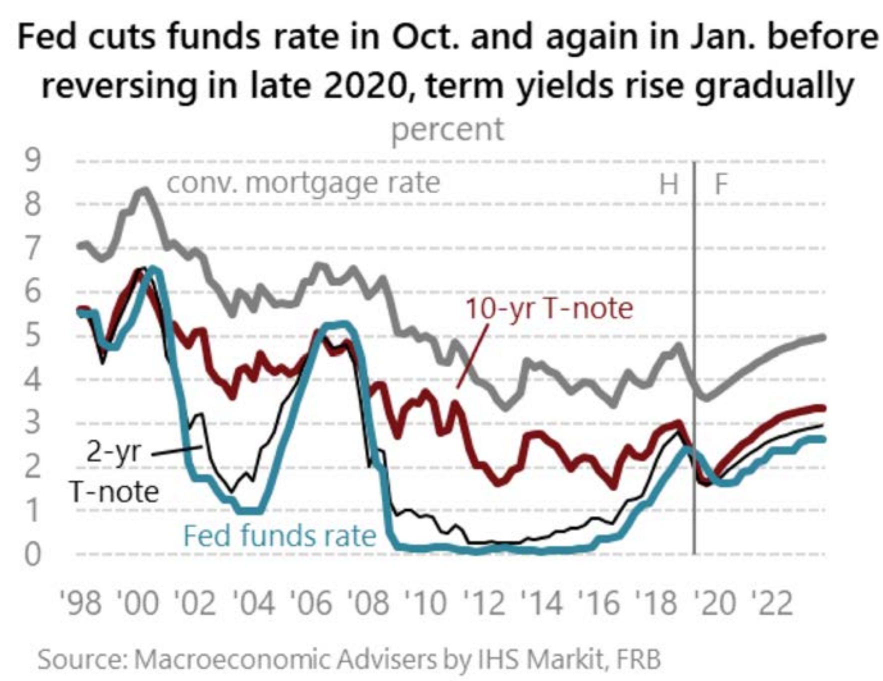




Focus on US: recent soft patch in inflation fading

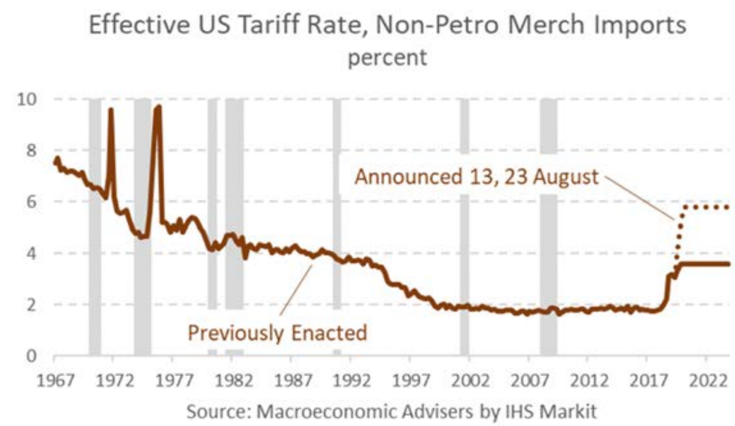
Inflation firms above Fed's 2% objective; unneeded monetary accommodation eventually reversed

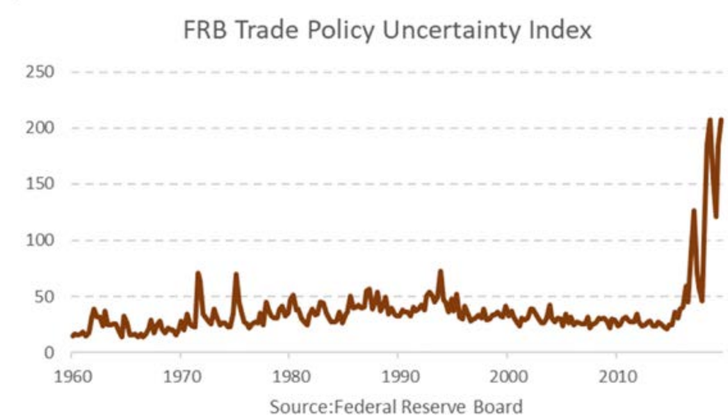




Tariffs: why so little impact (so far)?

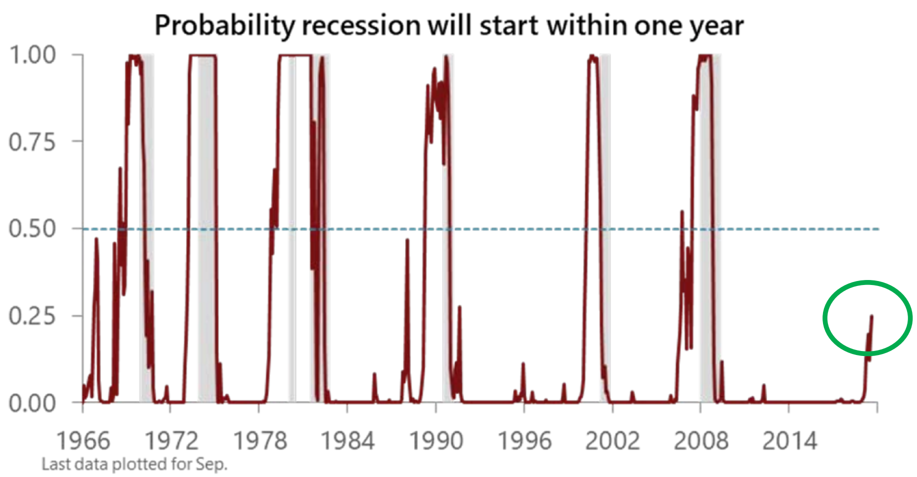
- Tariffs as a tax
  - > About 0.5% of GDP over several years
  - > Compare that to recent tax & spending stimulus; and, there are offsets
  - > So far, trade diversion, not destruction
  - > 10%+ depreciation of the yuan
  - > Some substitution towards US production
  - > Margin compression => differential impacts
- Tariff policy as a source of uncertainty
  - > Financial conditions: higher risk spreads, but (mostly) offset by lower risk-free rates
  - > Cap ex plan on hold? yes, esp in mfg, but…
- Macro vs micro

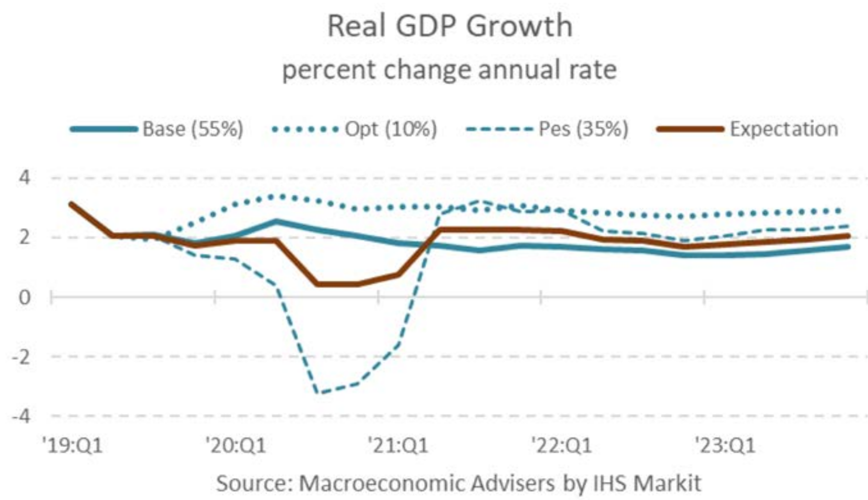




Recession odds (within a year): somewhat elevated, but not “show-stopping”

But if recession odds are 1 in 3, what “expected” economic environment should we plan for?





Time for…the lightning round!

Quick answers to most frequently, recently asked questions

- Manufacturing recession?
- Boeing 737 MAX problems, GM strike?
- Impact of attack on Saudi infrastructure?
- Slope of the yield curve ➔ recession imminent?
- If not the above, then recession odds?
- Whither stocks – bear market?
- Impact of 2020 Presidential election?
- Policy efficacy in next recovery?
- Modern monetary theory?
- Updated odds on Brexit, no-deal Brexit, remain? Impacts on UK, global economy?