



THE MOST IMPORTANT ECONOMIC NUMBERS

BLOOMBERG OPINION



THE FED ALONE IS
PUMPING AT
LEAST \$120
BILLION A MONTH
INTO THE
FINANCIAL
MARKETS
THROUGH ITS
PURCHASE OF
FIXED INCOME
ASSETS

- ✓ 10 Year-bond yield 1.18% vs temporary inflation of 4.5%
- ✓ Inflation fears have significantly declined. May retail sales adjusted, wage inflation just 0.3% in June.
- ✓ Wealth of American households is going up. Condominium and single-family house prices are recovering.
- ✓ 10% chance of a recession happening in the next 12 months. EPS for the S&P 500 has risen from \$163 to \$191 for the full year earnings.
- ✓ \$14 trillion is the amount by which the aggregate money supply has increased this year in the US, China, Eurozone, Japan and eight other developed countries. Federal Reserve, ECB, BOJ and BOE now own 54.3% of their countries GDP, up from 36% at the end of 2019 and about 10% in 2008.

1.30%

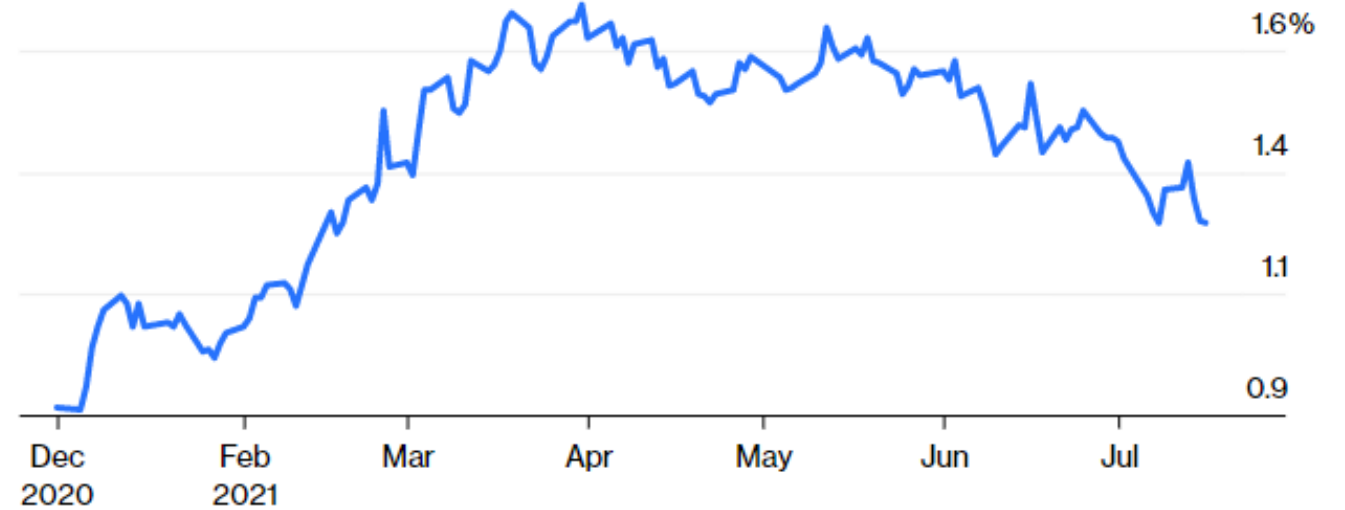
THE YIELD ON THE
10-YEAR TREASURY
NOTE IS DOWN
FROM THE HIGH
THIS YEAR OF
1.77%

Bond Market Sees No Inflation

Look Out Below

Bond yields are dropping, signaling traders see problems for the economy

— Treasury 10-year yield



Source: Bloomberg

- ✓ The 10-year Treasury bond spiked as inflation fear rose.
- ✓ As COVID resurfaces, yields have dropped.

1.3% vs
4.5%

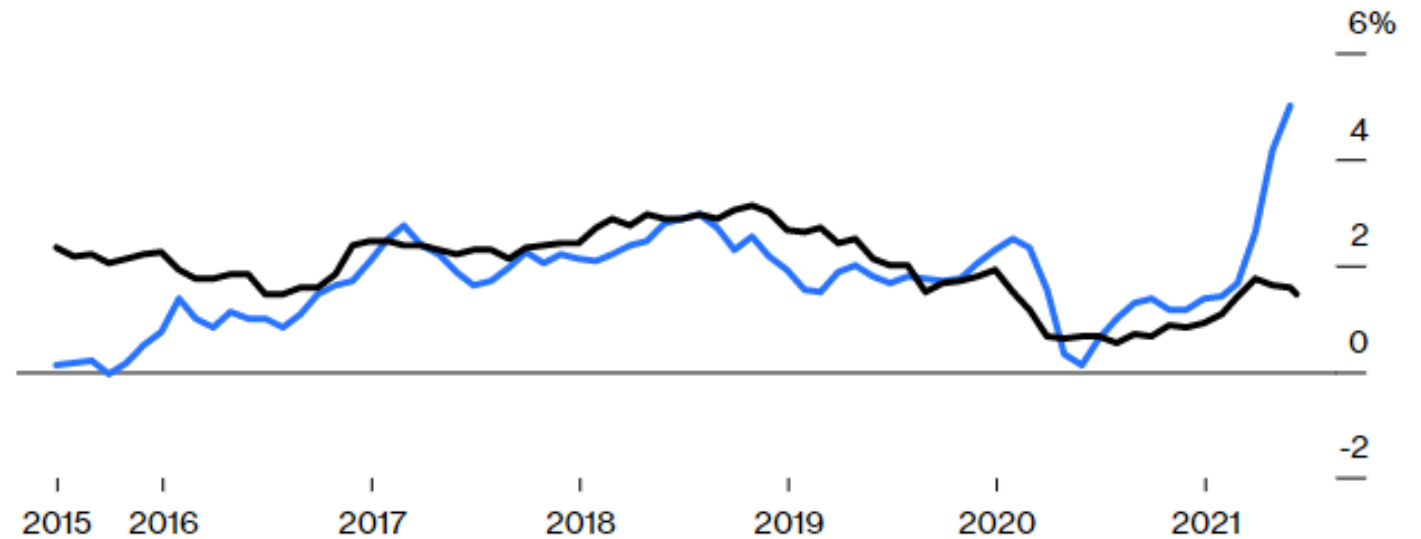
BOND YIELDS ARE
HOLDING STEADY
EVEN AS
INFLATION
ACCELERATES

The FOMC Has Kept Yields Low

Diverging Trends

Bond yields are holding steady even as inflation accelerates

▲ Consumer Price Index YOY ▼ Treasury 10-year note yield



Sources: U.S. Labor Department

4.5%

BIGGEST INCREASE
SINCE THE EARLY
1990s. INFLATION
WILL DECELERATE.
IT HAS INCREASED
DUE TO USED
AUTOS, ADMISSION
TO EVENTS,
AIRFARES AND
LODGING

CPI Has Spiked Recently

Dormant No More

One key measure of inflation has shot up to the highest in 30 years

Core CPI



Sources: Labor Dept, Bloomberg

- ✓ Bottlenecks in the supply chain have lifted prices.

0.3%

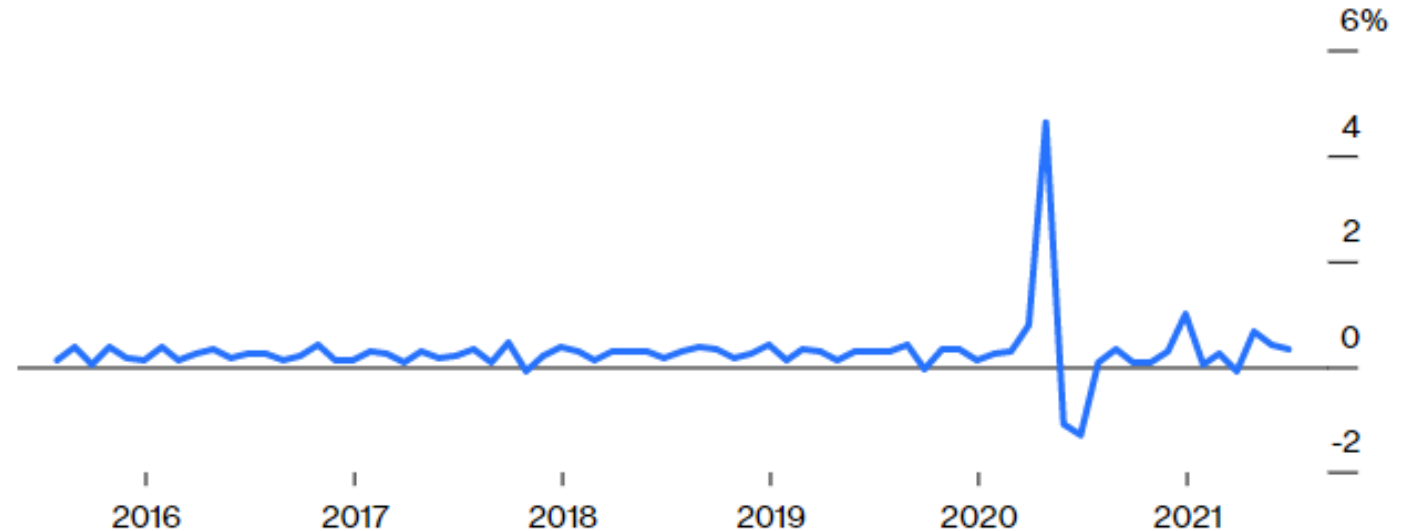
AVERAGE HOURLY
EARNINGS ROSE
0.3% IN JUNE.
THERE IS NO
WAGE-PRICE
SPIRAL IN HIGHER
EARNINGS

The Reopening Has Lifted Wages

This Is Wage Inflation?

Average hourly earnings rose 0.3% in June, in line with the pre-pandemic average

Average hourly earnings



Sources: Labor Department, Bloomberg

- ✓ As more employees return to the workforce, wages will come under pressure.

0.6%

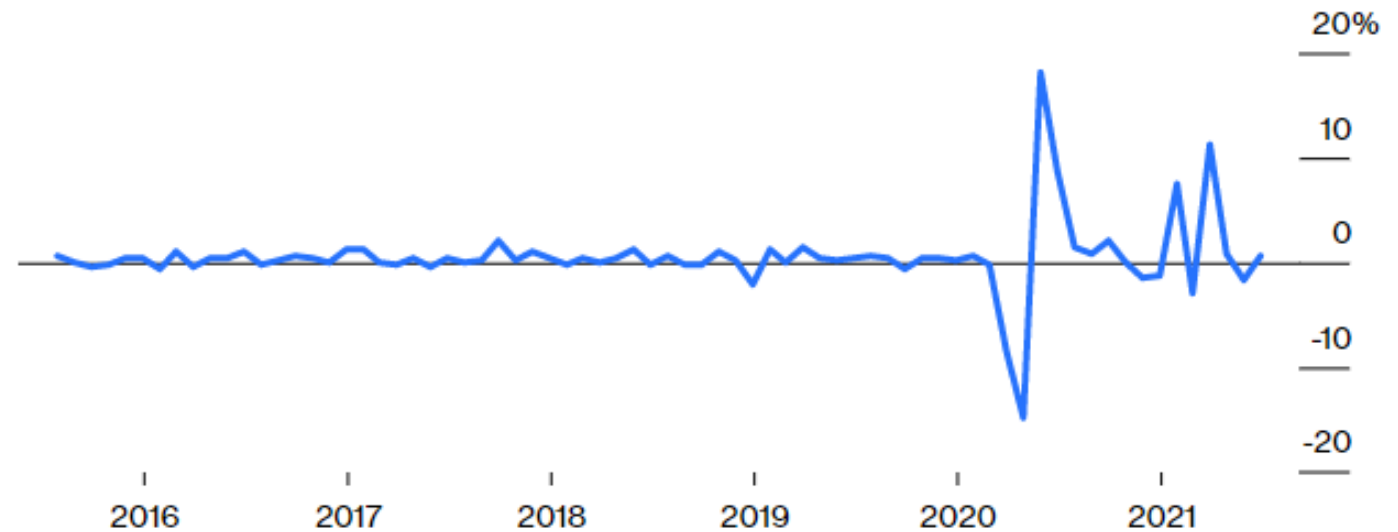
MAY RETAIL SALES
WERE REVISED
DOWN FROM -
1.3% TO 1.7%

Retail Sales Remain Volatile

Volatile Series

Retail sales have been distorted by the pandemic and government payments

▬ Retail sales growth



Sources: Commerce Dept., Bloomberg

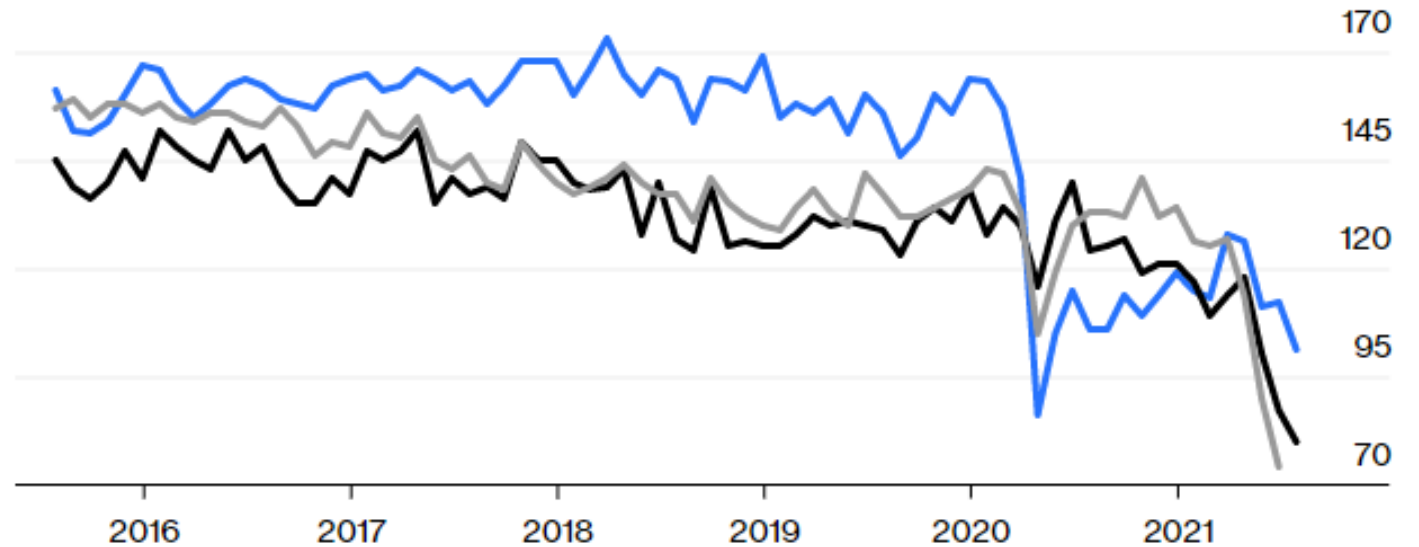
CONSUMERS ARE SAYING THEY DON'T INTEND TO MAKE ANY BIG PURCHASES

Inflation Has Cooled Consumer Confidence

No Deal

More consumers are saying they don't intend to make any big purchases

Major appliances Vehicles Homes



Sources: Univ. of Michigan, Bloomberg

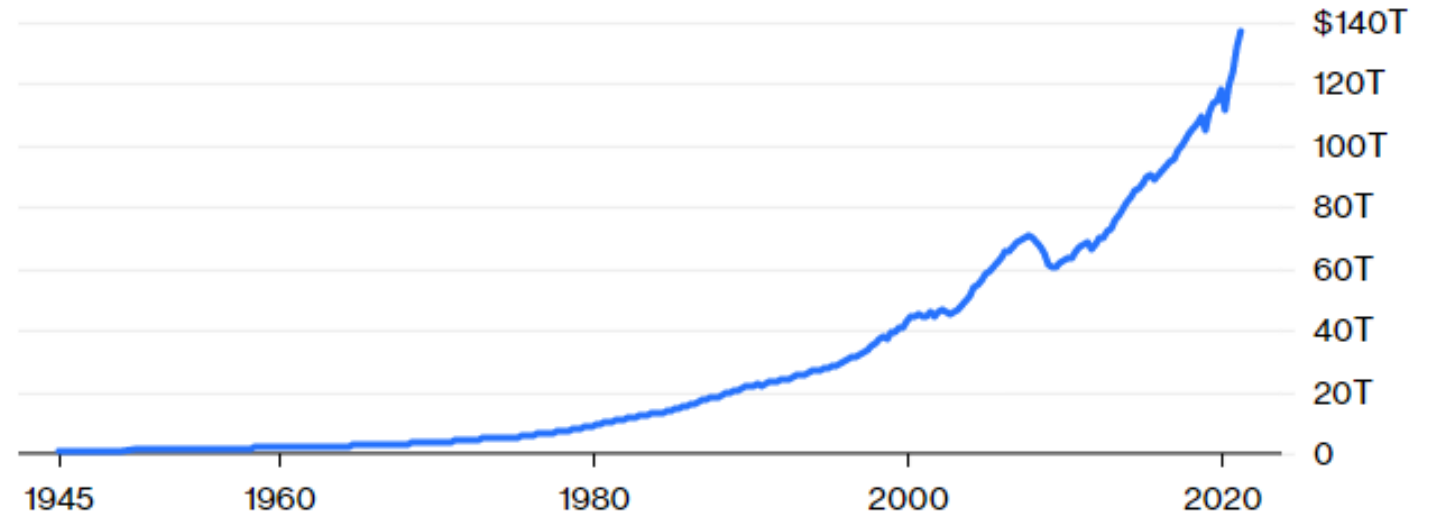
\$25.6
TRILLION
US HOUSEHOLD
NET WORTH

Americans Wealth Grew During the Pandemic.

Accelerating Higher

The wealth of American households is going up at a faster rate

U.S. household net worth



Sources: Federal Reserve, Bloomberg

- ✓ Pent up savings will be spent as the economy reopens.

23%

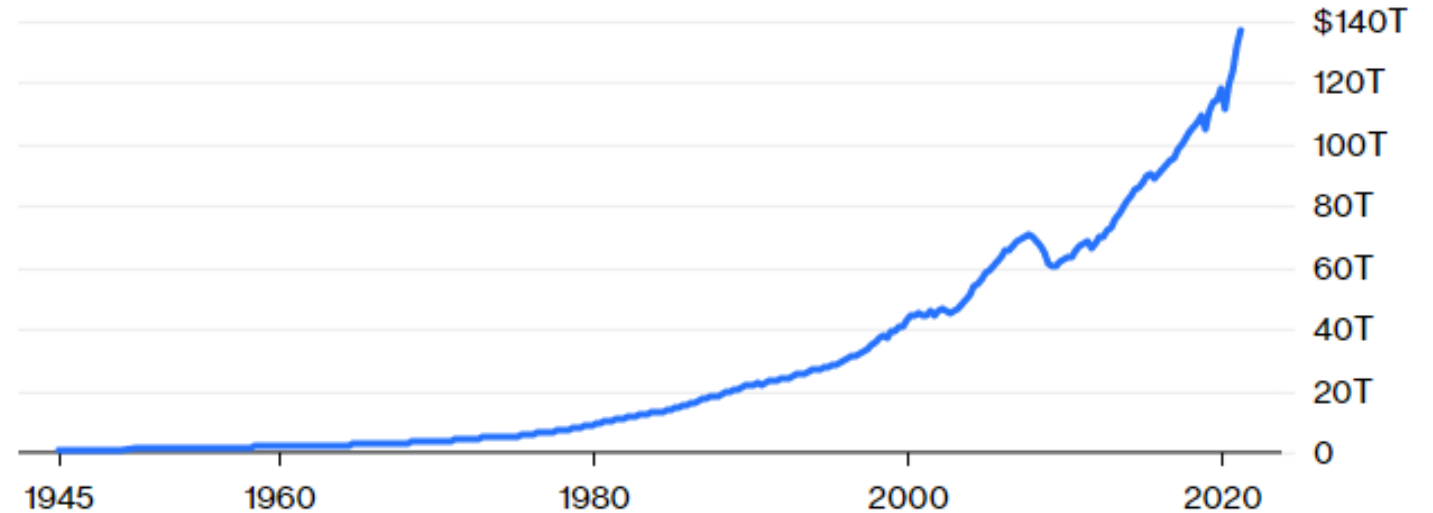
CONDOMINIUM
PRICES HAVE RISEN
BY 13.8% SINCE
MARCH 2020 AND
SINGLE-FAMILY
HOMES ARE UP
23%

Wealth Continues To Grow

Accelerating Higher

The wealth of American households is going up at a faster rate

U.S. household net worth



Sources: Federal Reserve, Bloomberg

10%

THE CHANCE OF A
RECESSION
HAPPENING OVER
THE NEXT 12
MONTHS

Fiscal Stimulus has Reduced the Chances of Recession

No Worries

The chance of a recession happening over the next 12 months is just 10%

U.S. recession probability forecast



Source: Bloomberg

\$191

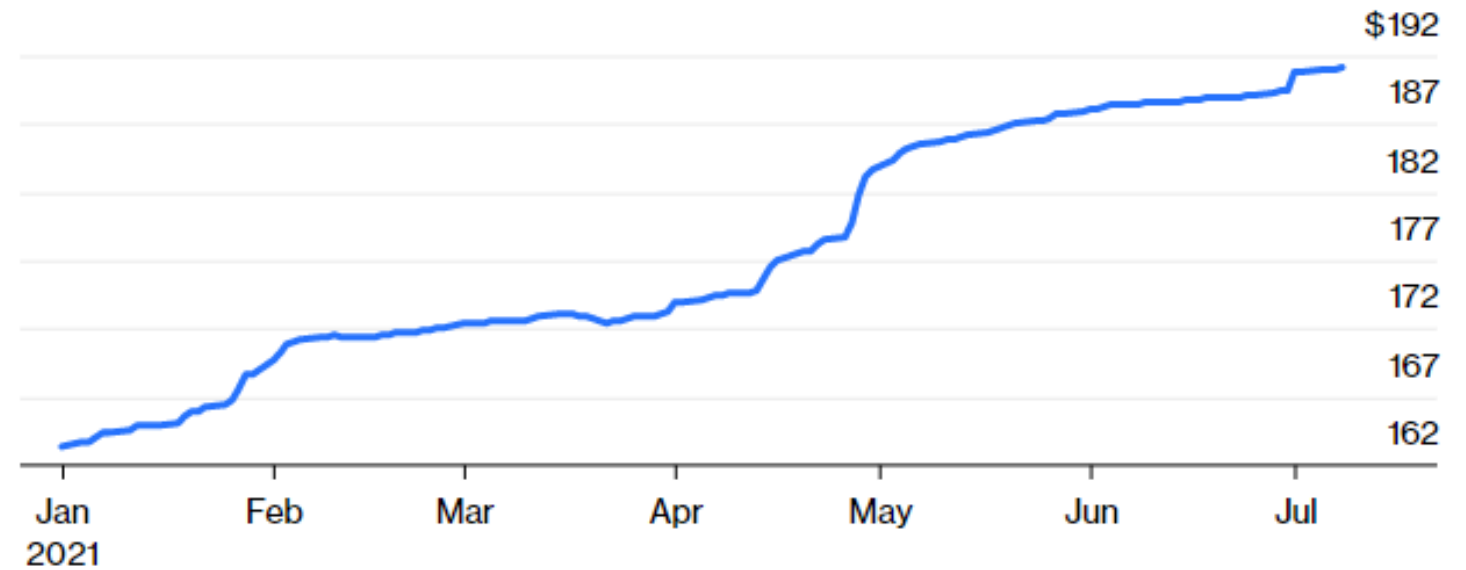
ANALYSTS HAVE
STEADILY
INCREASED FULL-
YEAR ESTIMATES
TO \$191 A SHARE
FROM \$163 AT THE
START OF JANUARY

Earning Expectations Continue to Rise

Steady Rise

Analysts have been increasing their S&P 500 earnings estimates all year

Estimated 2021 EPS



Source: Bloomberg

7.1%

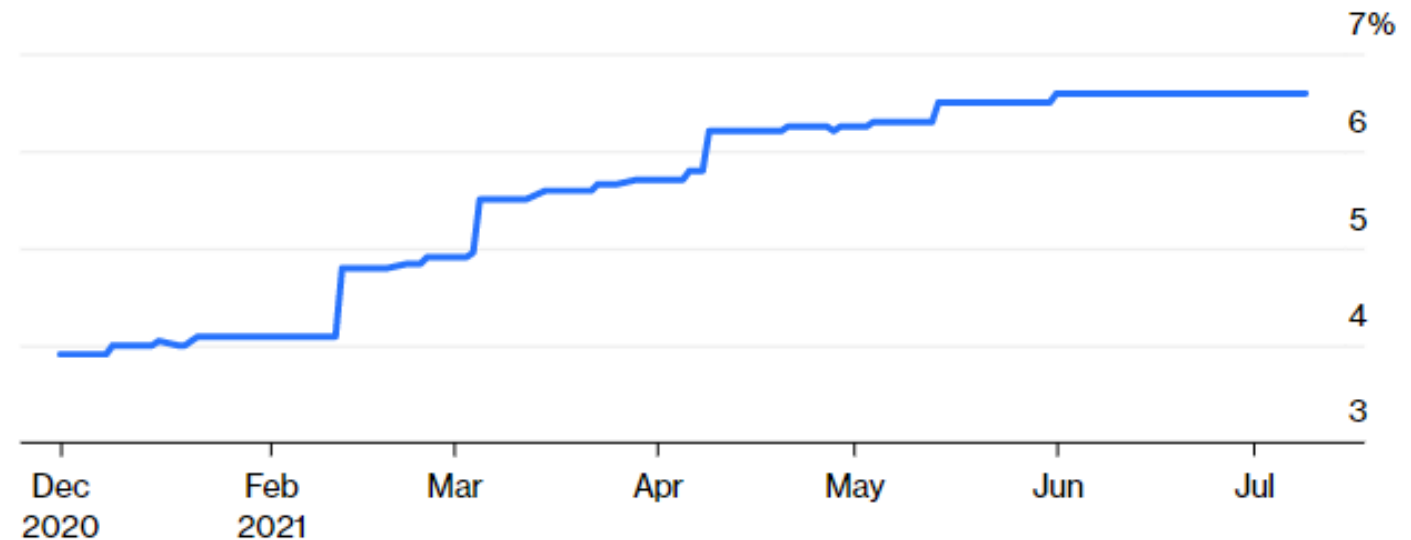
THE OUTLOOK FOR
ECONOMIC
GROWTH IN 2021
HAS IMPROVED
EACH MONTH THIS
YEAR

Growth Expectations Continue to Rise

Getting Stronger

The outlook for economic growth in 2021 has improved each month this year

✓ Estimated 2021 GDP growth rate



Source: Bloomberg

- ✓ Higher growth forecasts suggest the worst of the COVID economic fallout is behind us.

8.23%

US HOUSEHOLD
DEBT PAYMENTS
HAVE COLLAPSED
TO 8.23% OF
DISPOSABLE
PERSONAL
INCOME

Consumers Are Saving

Less of a Burden

U.S. households have never spent as small a portion of their earnings on debt payments as they did in the first quarter

Household debt-service burden



Sources: Federal Reserve, Bloomberg

- ✓ Consumers are primed to spend and trigger economic growth as restrictions are lifted.

\$6

TRILLION

US BANK SURPLUS
LIQUIDTY HAS
RISEN BY \$6
TRILLION

Swimming in Cash

U.S. banks' surplus liquidity has risen by \$6 trillion since the financial crisis

Bank liabilities in deposits less loans and leases



Sources: Federal Reserve, Bloomberg

\$14

TRILLION

THE AMOUNT BY WHICH AGGREGATE MONEY SUPPLY HAS INCREASED THIS YEAR IN THE US, CHINA, EUROZONE ETC

Flooding the System

The supply of money in 12 of the world's biggest economies exploded higher in 2020

— Bloomberg Global Money Supply Index



Source: Bloomberg

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