It’s About China + Oil, Not Trump (Yet)

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• Confidence elevated in the U.S. (soft data).
  – Stock market rally.
• But Confidence also elevated abroad.
• Confidence more correlated with nominal activity since 1999.
• Global nominal is driven by Oil + China.
Key U.S. Macro Issues

• U.S. economy at full employment.
• Continued churn in the labor market.
• Productivity recovering in the U.S., more to go
• Upswing in capex
• Corporate profits and wages rise.
• Fed normalizes, slowly.
• Fiscal Policy helps take the baton.
U.S. Economy at Full Employment

Civilian Unemployment Rate: 16 yr +
SA, %

Source: Bureau of Labor Statistics
Labor’s Share Rising

U.S. Corporate Compensation % Corporate GDP

Source: Haver Analytic
Labor’s Share Rising

Avg Hourly Earnings: Prod & Nonsupervisory: Total Private Industrie
% Change - Year to Year   SA, $/Hou

NFIB: % Planning to Raise Worker Comp in Next 3 Months [Lead 24m] SA, %

Sources: BLS, NFIB
Churn in the Labor Market Picking Up

JOLTS: Quits: Total
SA, Thou

Source: Bureau of Labor Statistics
Churn in the Labor Market Picking Up

Flows into Employment: Not in the Labor Force to Employed
SA, Thou

Source: Bureau of Labor Statistics
Productivity Set to Reaccelerate

Nonfarm Business Sector: Real Output Per Hour of All Person

% Change - Year to Year    SA, 2009=10

Source: Bureau of Labor Statistics
Business Confidence Key for Capex

Real Private Nonresidential Fixed Investment
% Change - Year to Year  SAAR, Bil.Chn.2009

CEO Economic Outlook Survey Diffusion Index [Lead 1 Qtr -->
50+=Expansion

Sources: Bureau of Economic Analysis, Business Roundtable
1) Worth Noting, Real Rates are Still Negative
2) Fiscal Policy is Key Given Tighter Monetary Policy

- Our expectation of a coming U.S. fiscal policy push should help result in a soft-landing *despite* monetary policy normalization.
- **There’s a “fiscal offset” possible for 2018.**
QE is Close to “Helicopter $”, but Reversible
Moving the Helicopter to the U.S. Treasury
Which would you rather have?

- $4.5$ Trillion in Gas
  - No transmission

- $3.5$ Trillion in Gas
  - Working transmission