



STRATEGAS

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

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

- 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.

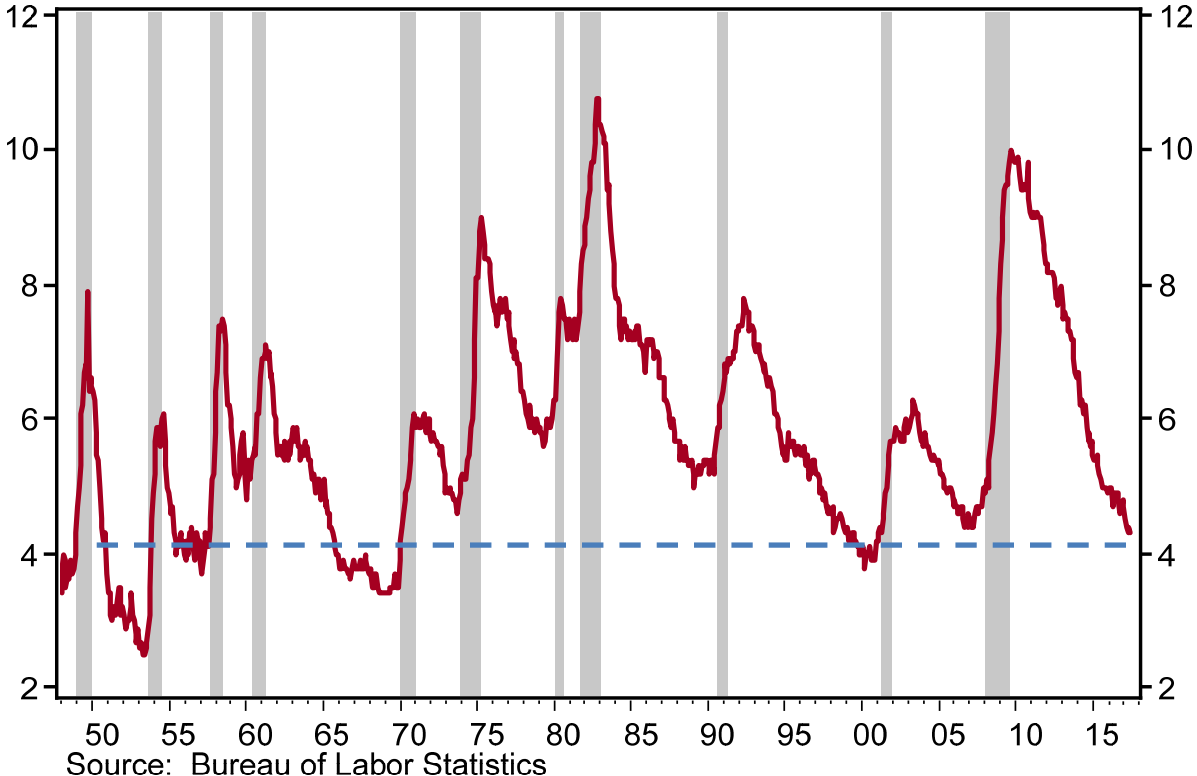
# Key U.S. Macro Issues

- 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

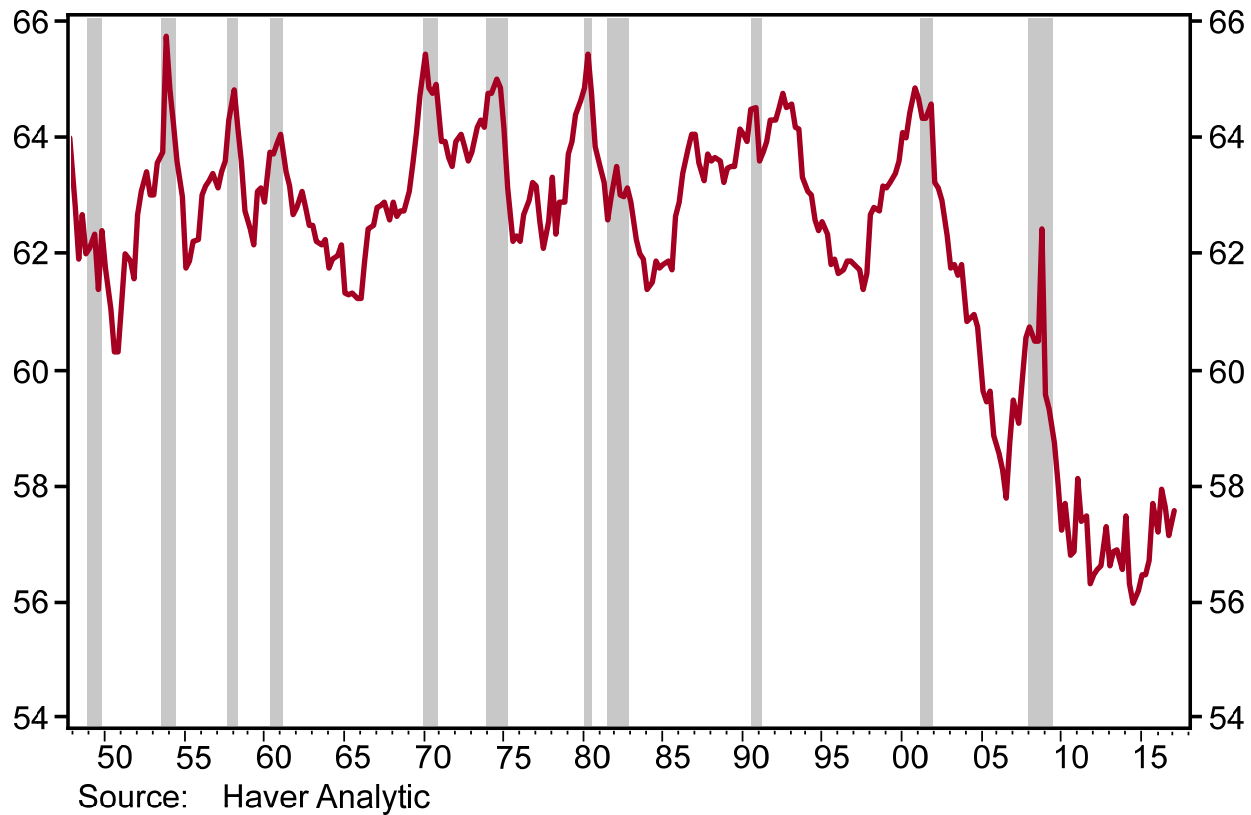
Civilian Unemployment Rate: 16 yr +

SA, %



# Labor's Share Rising

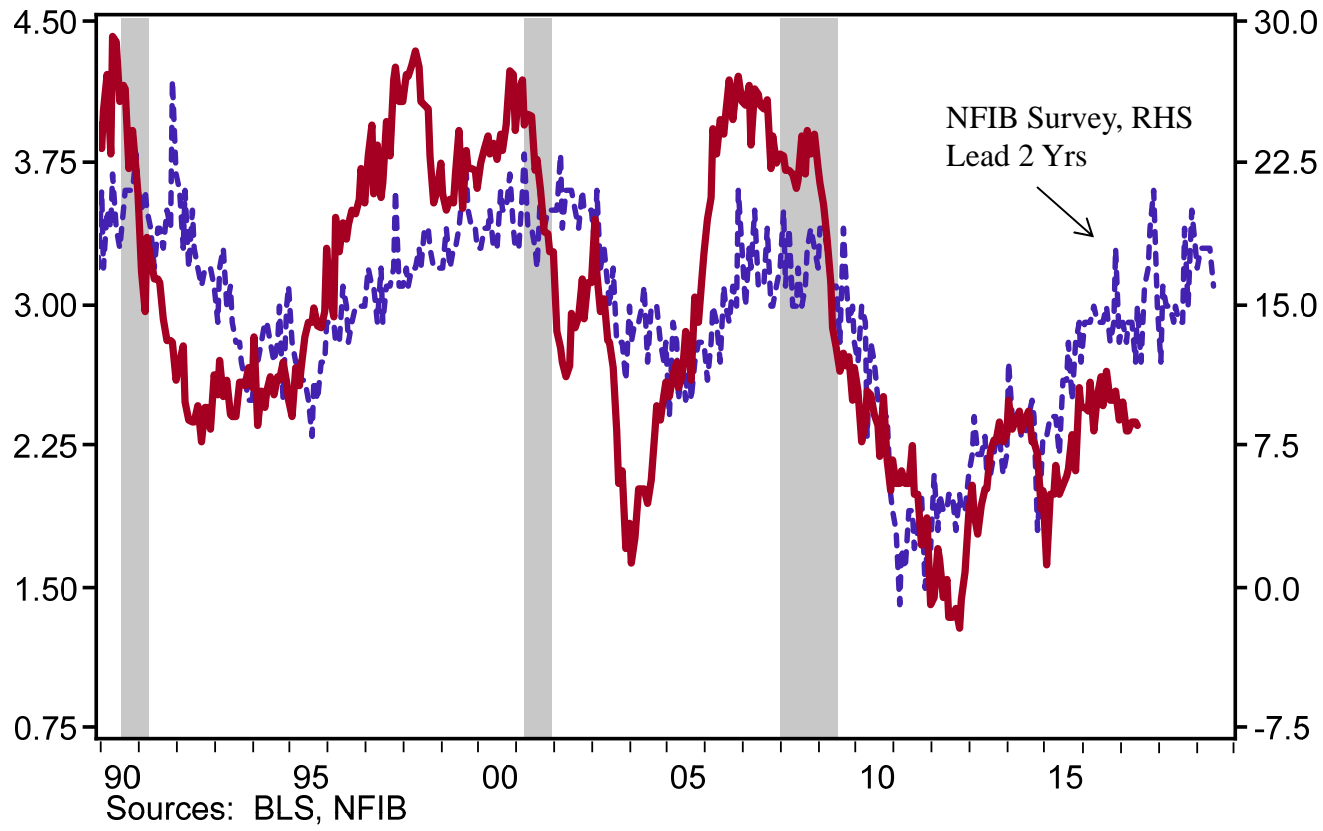
U.S. Corporate Compensation % Corporate GDP



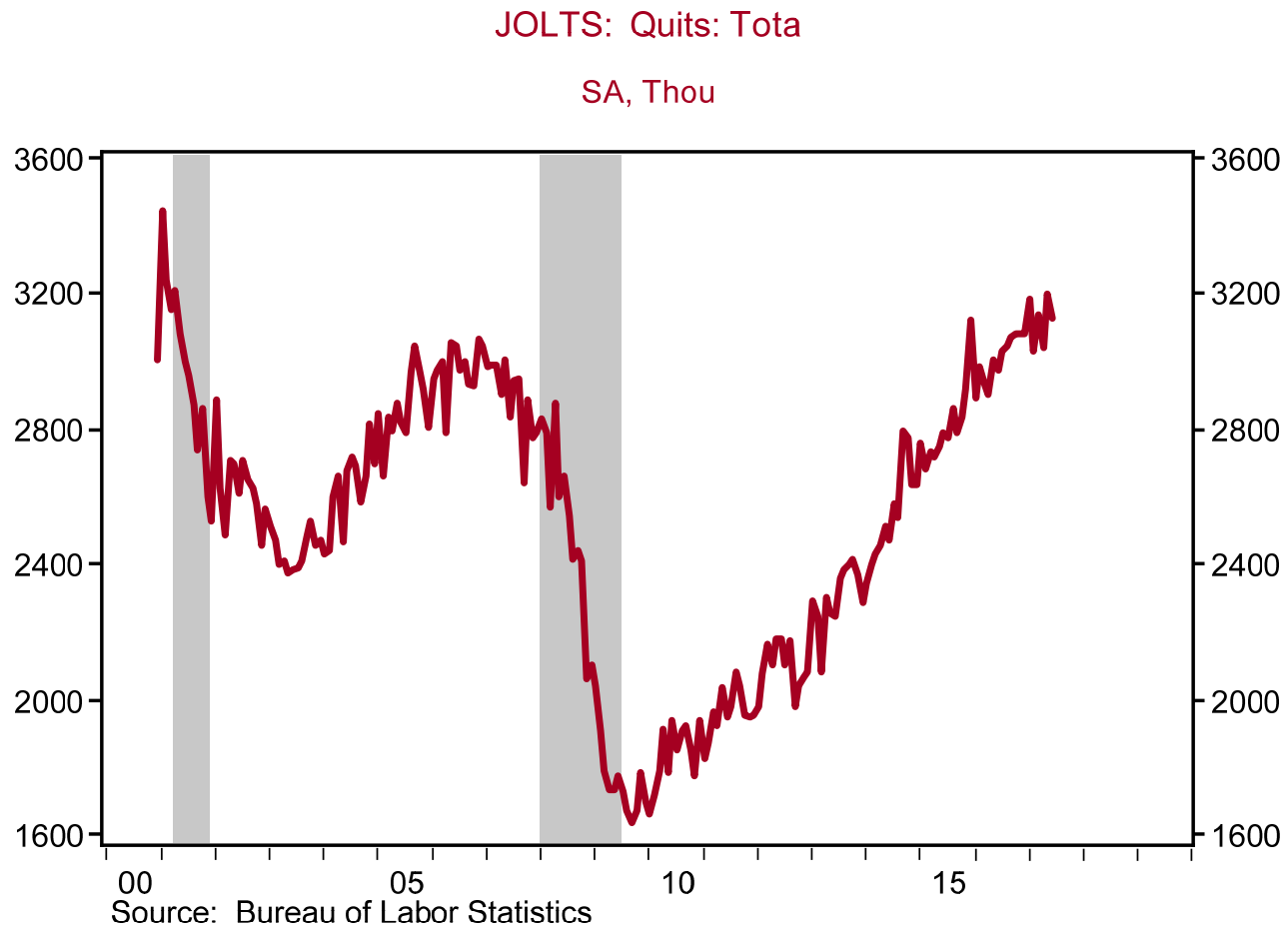
# Labor's Share Rising

← 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, %



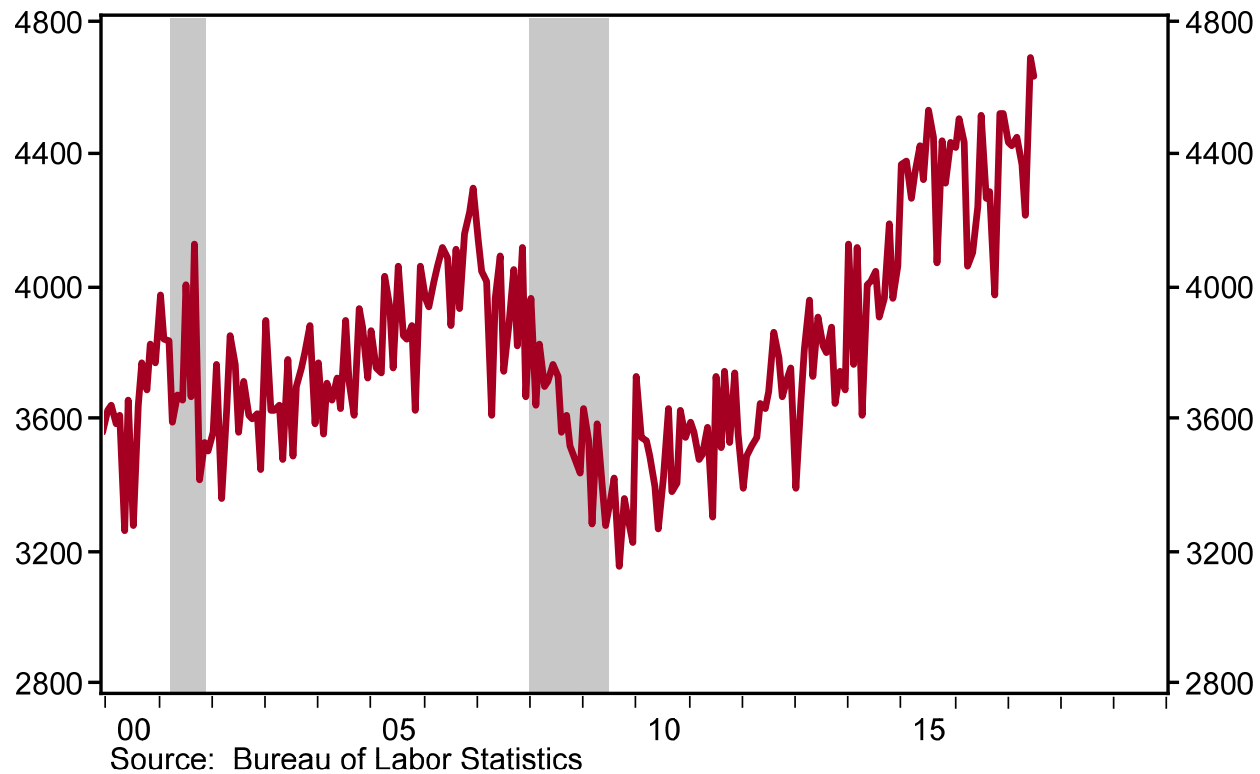
# Churn in the Labor Market Picking Up



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Flows into Employment: Not in the Labor Force to Employed

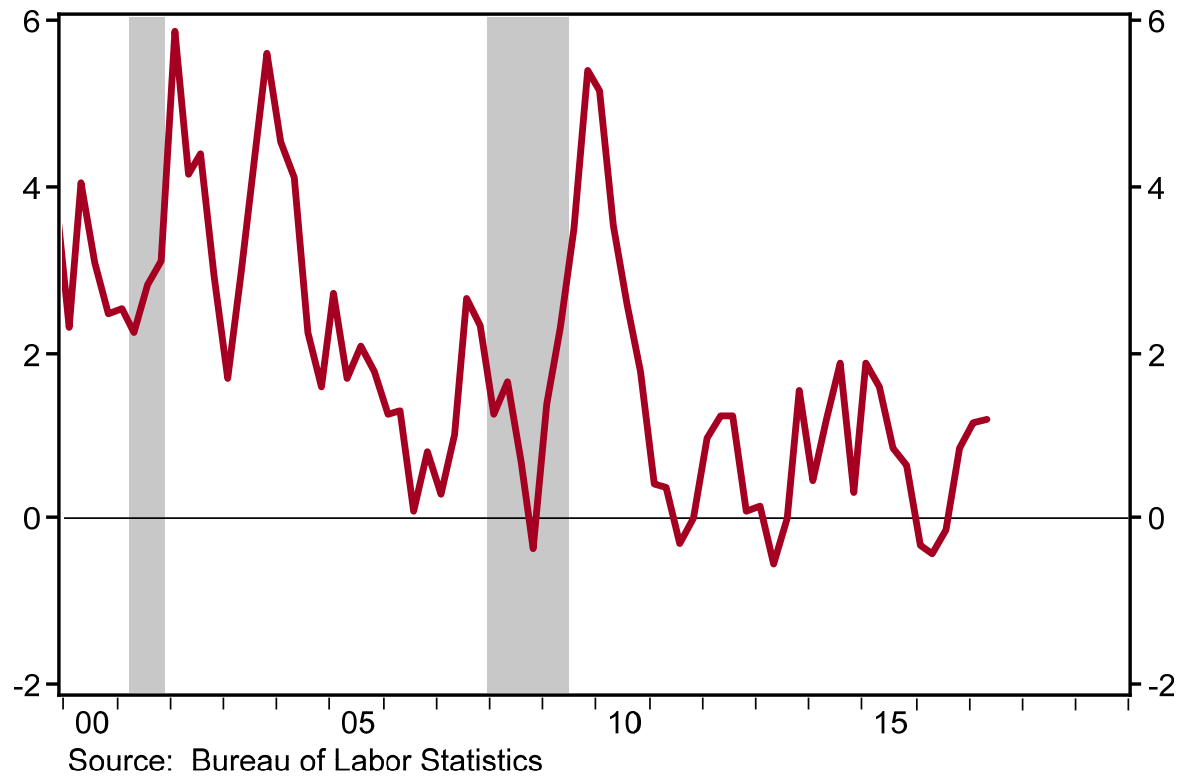
SA, Thou



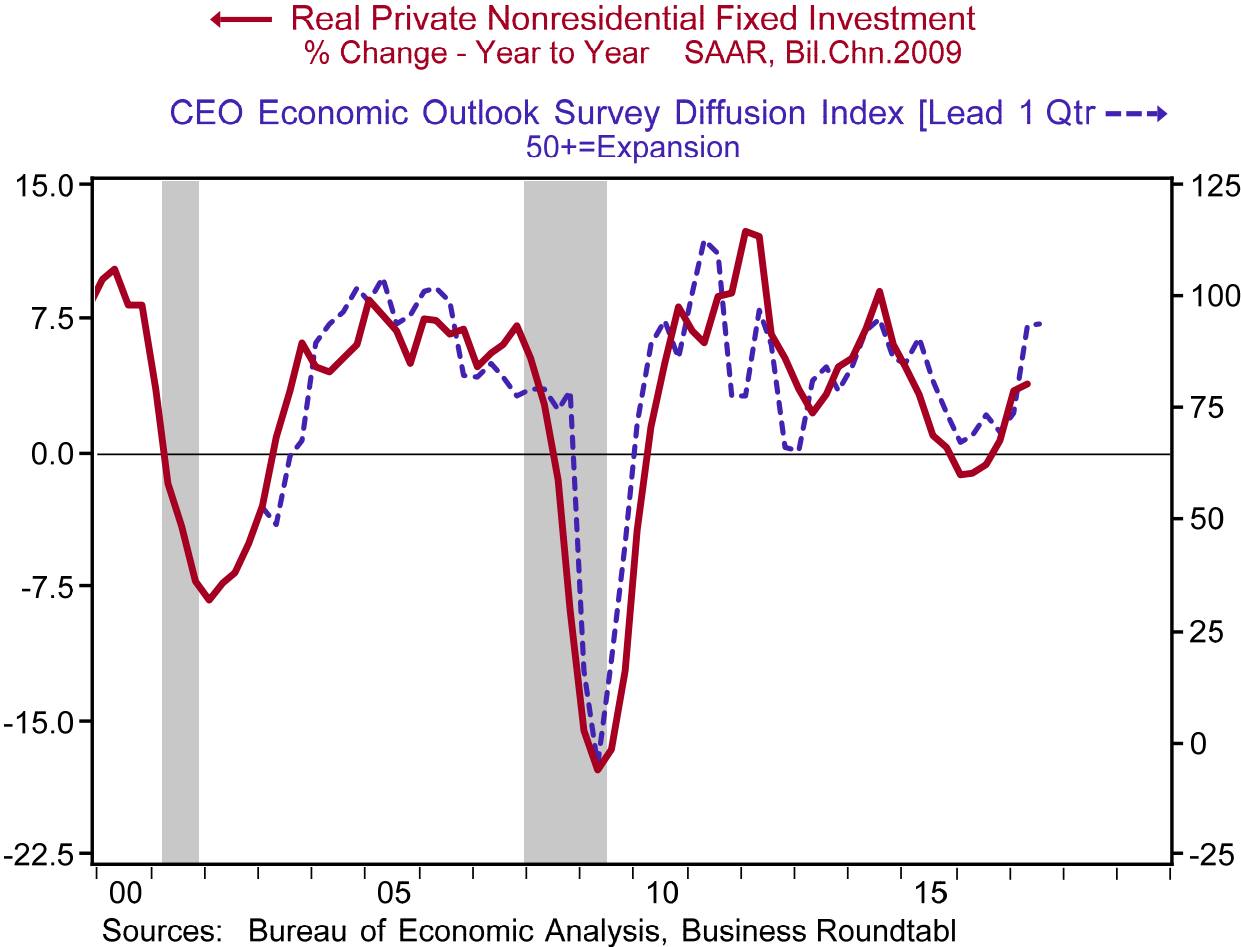


# Productivity Set to Reaccelerate

Nonfarm Business Sector: Real Output Per Hour of All Person  
% Change - Year to Year SA, 2009=10

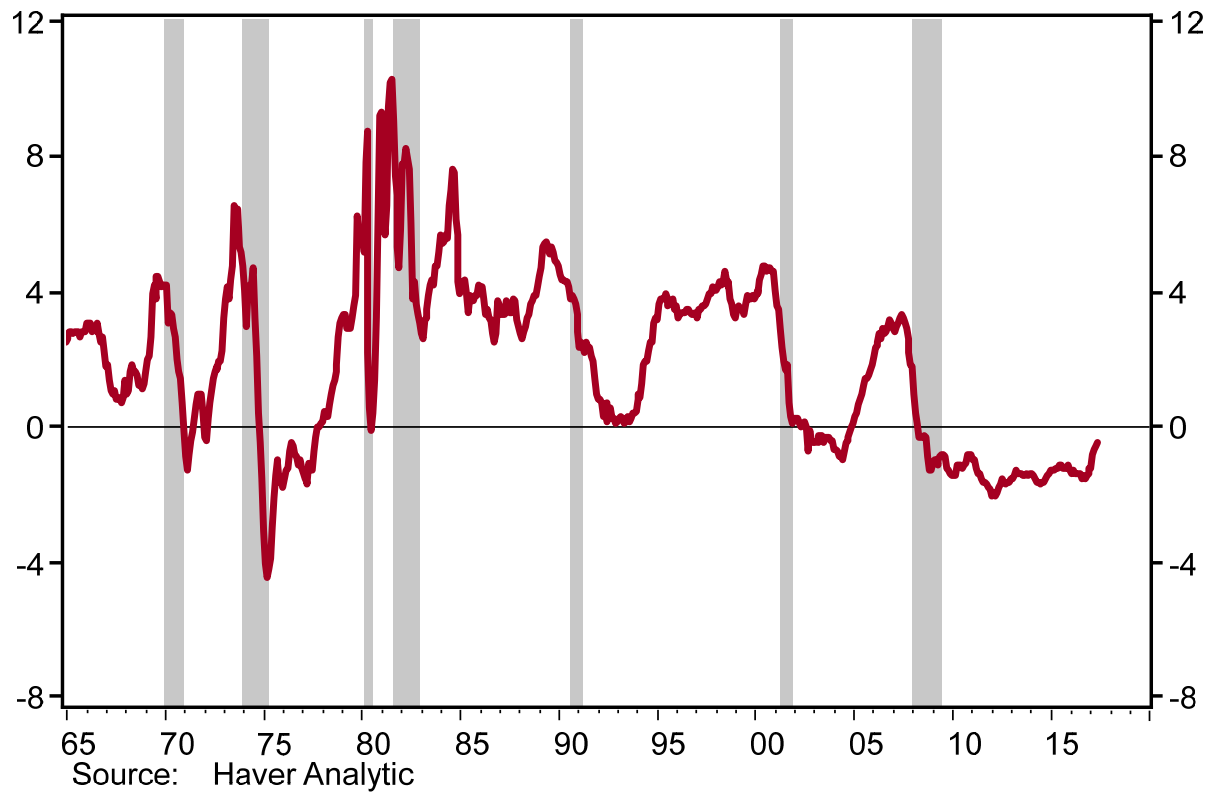


# Business Confidence Key for Capex



# 1) Worth Noting, Real Rates are Still Negative

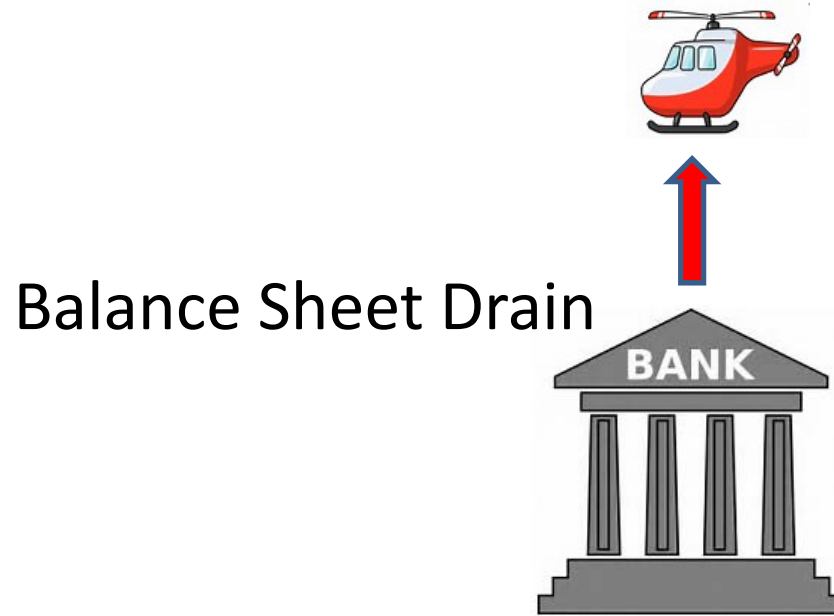
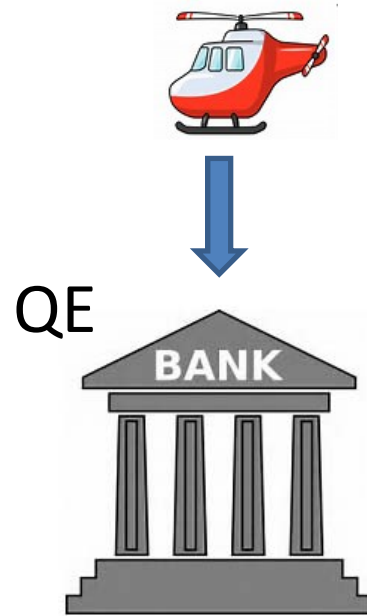
U.S. Fed Funds Rate minus Core PCE Deflator Y/Y



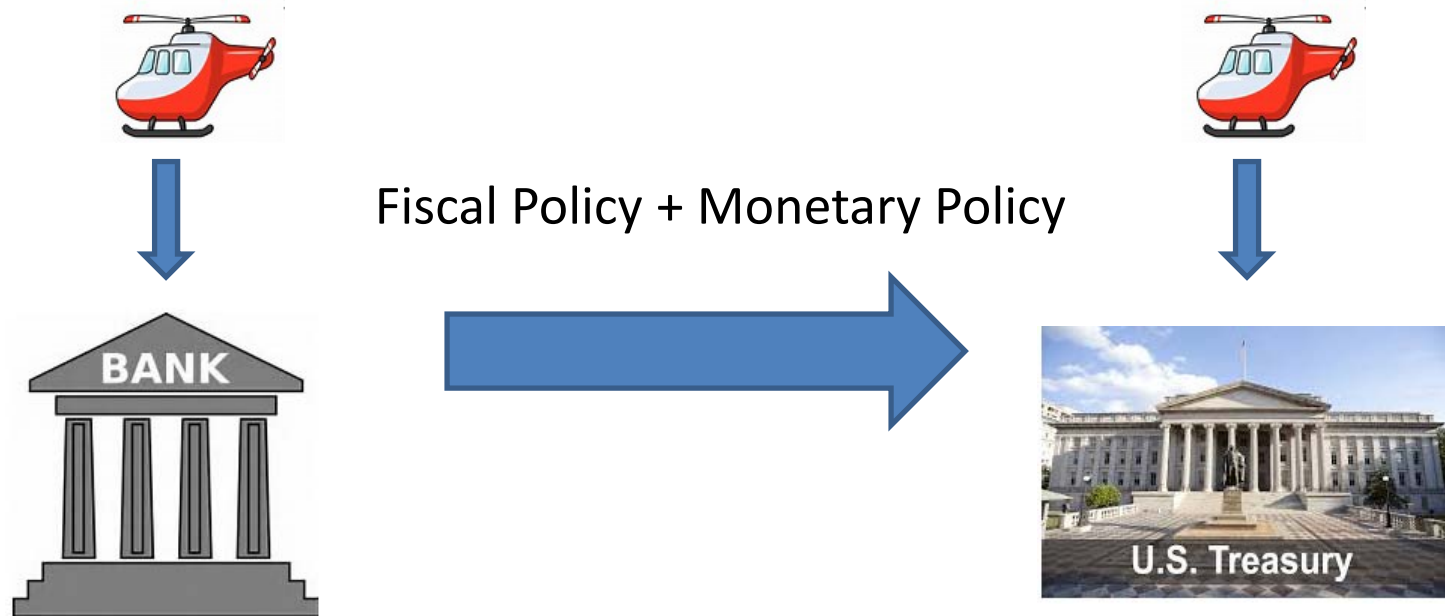
## 2) Fiscal Policy is Key Given Tighter Monetary Policy

- 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

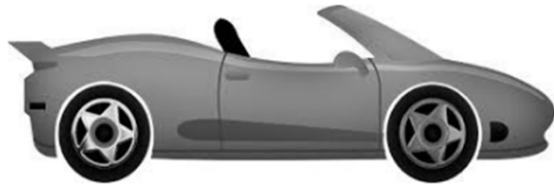


# Moving the Helicopter to the U.S. Treasury



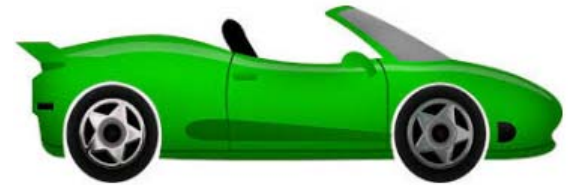
# Which would you rather have?

\$4.5 Trillion  
in Gas



No transmission

\$3.5 Trillion  
in Gas



Working  
transmission