Technical Speculator
MARKETS – COMMODITIES – CURRENCIES

TS Model Growth Portfolio

Trade war and economic blues

Overview: A few cracks are showing

Though most of the underpinnings of the US economy are on solid ground, we are starting to see a few cracks emerging.

Economic growth stems from confidence in business and consumers.

The ISM Purchasing Managers Index (business confidence index) is displaying an ongoing slide that began late last year (**Chart 1**).

Business confidence is important as it dictates employment growth, inventory purchases and business expansion. Falling confidence puts all these key elements at risk.

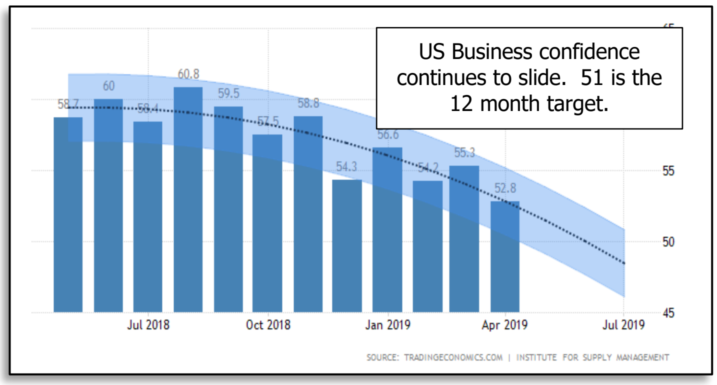

Chart 1

Consumer confidence, at this junction, still remains buoyant (**Chart 2**).

Data shows US consumer confidence increased in the last quarter after 11 quarters of flat growth.

Last quarter was the highest reading since January 2004. Important to note that the survey was done before the trade negotiation with China collapsed.

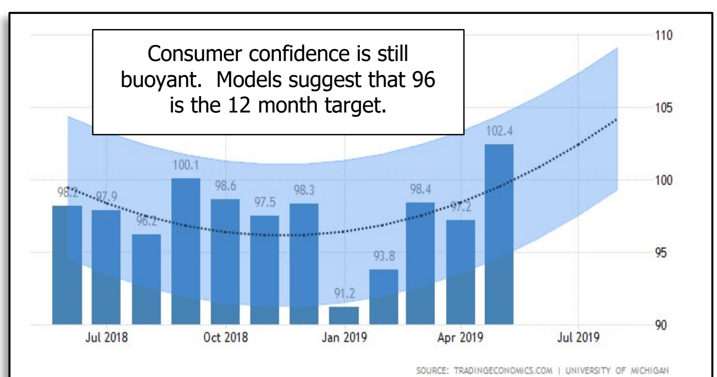

Chart 2

Forward looking models expect that this index will decline back to the 12 month average of 96 in the next quarter.

Another key gauge of economic growth is Industrial production. This goes hand-in-hand with business confidence (**Chart 3**).

In the United States, industrial production measures the output of businesses integrated in the industrial sector of the economy. Manufacturing is the most important sector and accounts for 78 percent of total production.

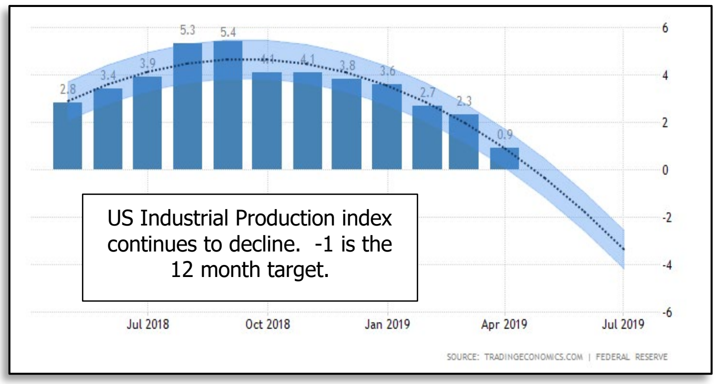

Chart 3

Trade war impact

The on-going spat between the US and China is showing no signs of cooling.

As the Trump trade war escalates, again, volatility in the markets starts to rise (**Chart 4**).

The CBOE Volatility index or VIX, is a measure of the stock market's expectation of volatility over the next 30 days. The present reading shows an increase to a moderate risk level.

Chart 4