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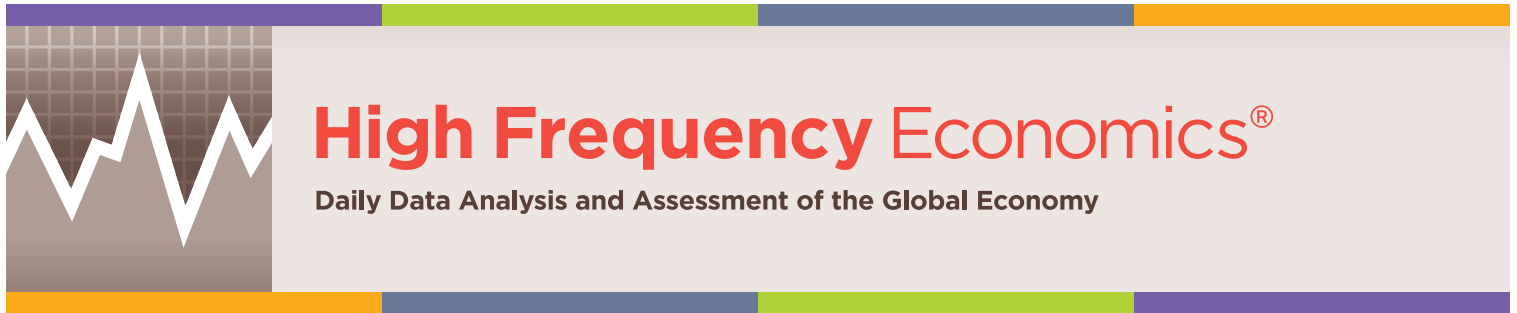
Daily Data Analysis and Assessment of the Global Economy

**Mixed Global Outlook: Europe And China To Pull Ahead Together,
But Britain And Japan Are In Trouble**

- Carl Weinberg, Chief Economist

Amidst Lots Of Noise, U.S. Expansion Carries On

- Jim O'Sullivan, Chief U.S. Economist



**Mixed Global Outlook: Europe And China To Pull Ahead Together,
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Carl B. Weinberg, Chief Economist

China's Challenges

Revitalize Export-Led Growth

Advanced Economies Are Already Saturated With MIC Stuff

Boost Domestic Industry Upstream

Only 30% Of Content Of MIC Exports Are Made In China

Control South China Sea Trade Routes

Lever U.S. Naval Power Out Of China's Vital Trade Corridors

Global Yuan Dominance - Global Leader

Reserve Currency Status Brings China To Policy Forefront



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Europe's Challenges

Recover From Economic Depression

Levels Of Output, Demand And Employment Depressed
Nine Years After GFC

Rotate Economic & Strategic Relationships

United States Has Become An Unreliable Partner

Boost Global Use Of The Euro As Reserve

Strengthen The Euro, Retain A Role In New World Order

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Strengthen The Euro, Retain A Role In New World Order



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China's Strategies

Create Trade

Silk Routes / OBOR Initiatives

Divert Trade

Made-In-China 2025

Control South China Sea Trade Routes

Extract Concessions From USA For North Korea Support

Global Yuan Dominance - Global Leader

OBOR Forum As The New G-20... CMF Next?



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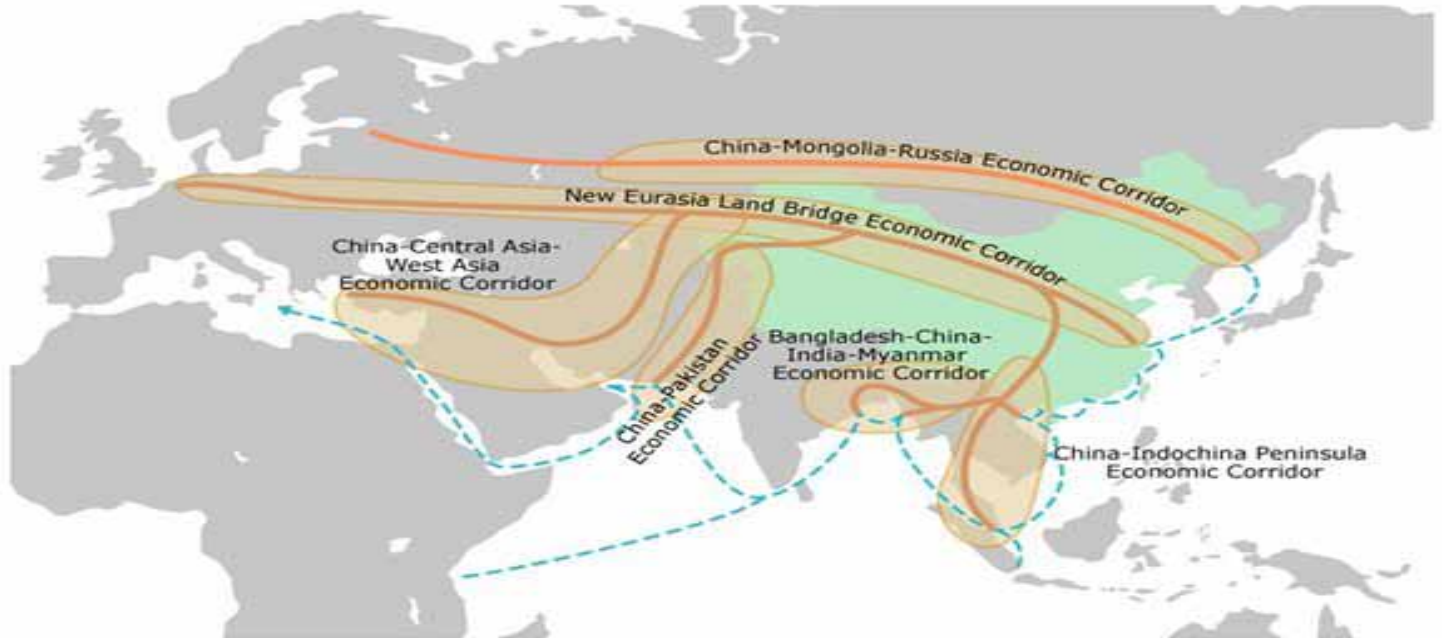
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The Belt and Road Initiative: Six Economic Corridors Spanning Asia, Europe and Africa





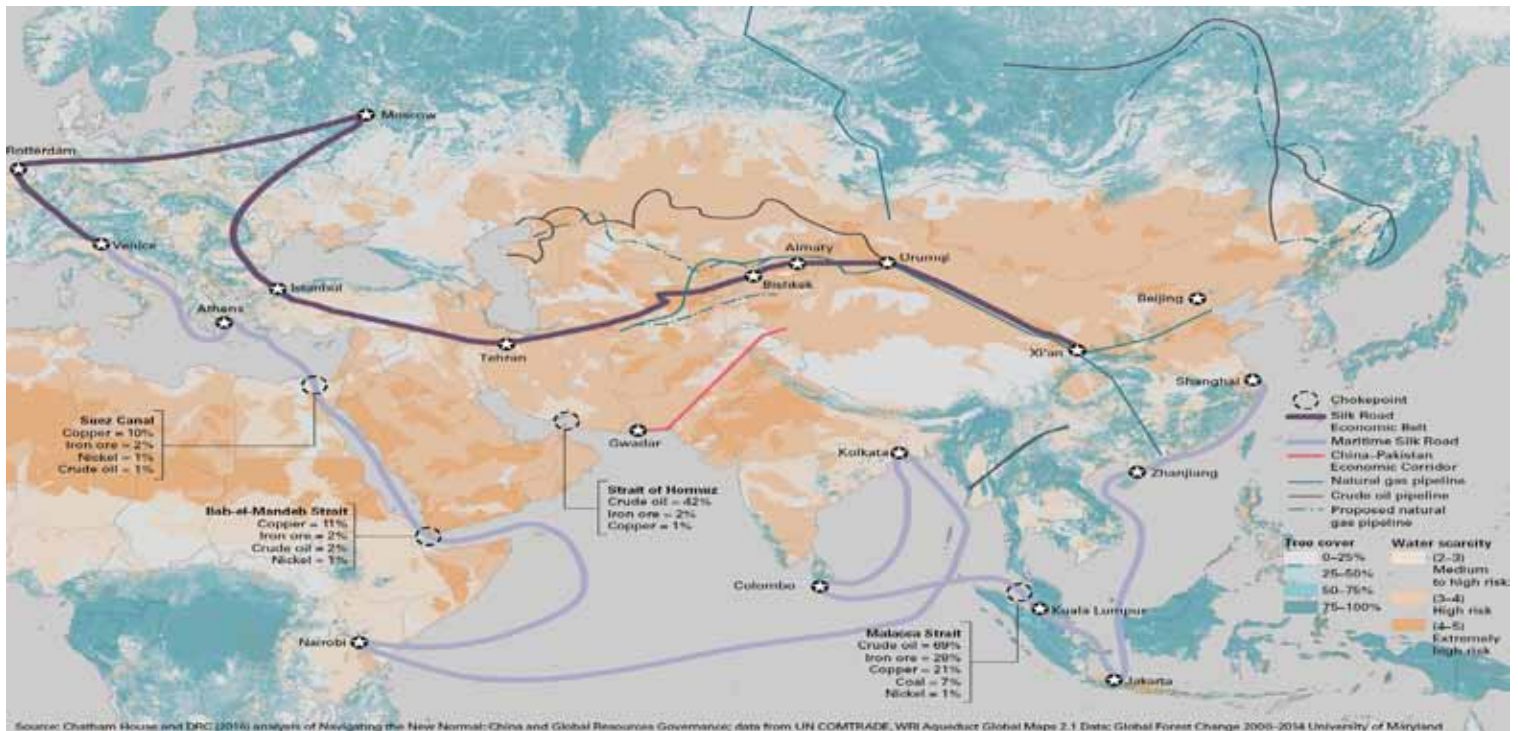
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The Silk Roads And OBOR

Trade

Links 60% Of The World's Population

Europe Is 340 million

China Is 1.4 billion

Others Are 2.7 billion

Who Jointly Produce 40% Of The World's GDP.

Europe Is 12%, China Is 17%, Others Are 11%

**Containers Do Not Have To Go Back Toward China Empty
For EU Exporters, A Ten-Fold Increase In The Number Of
Consumers They Can Reach!**



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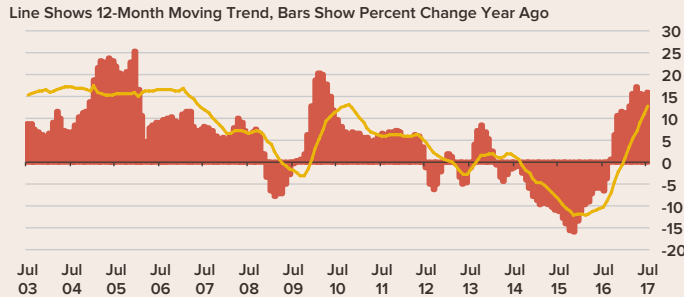
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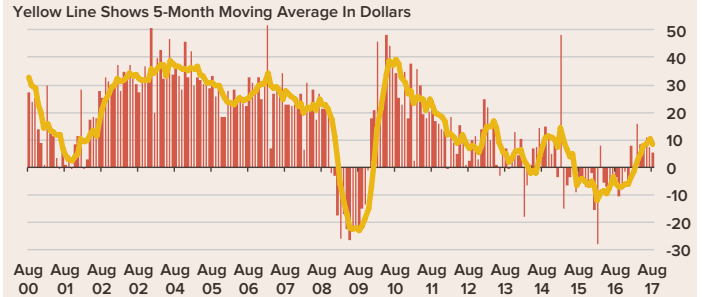
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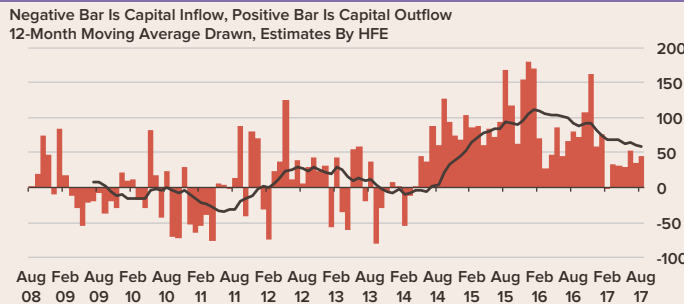
China: Rail Traffic Growth , Percent Change Year Ago



China: Exports, Percent Change Year Ago



China: Monthly Capital Outflows



Yuan Per U.S. Dollar





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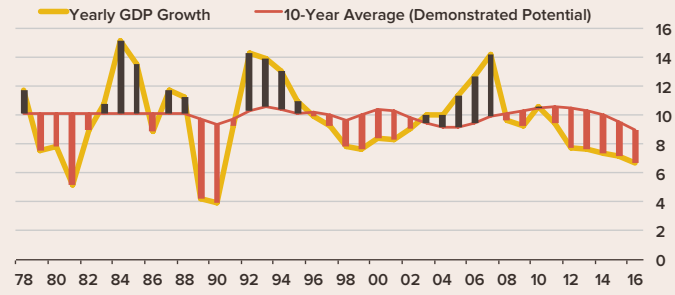
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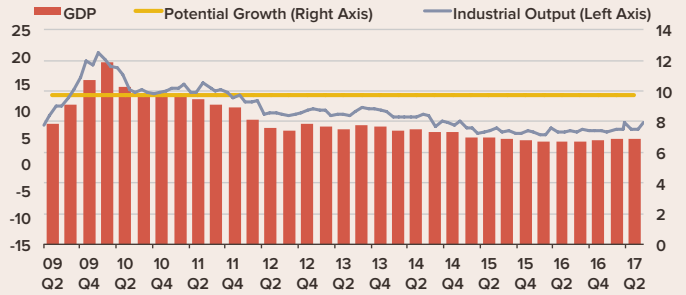
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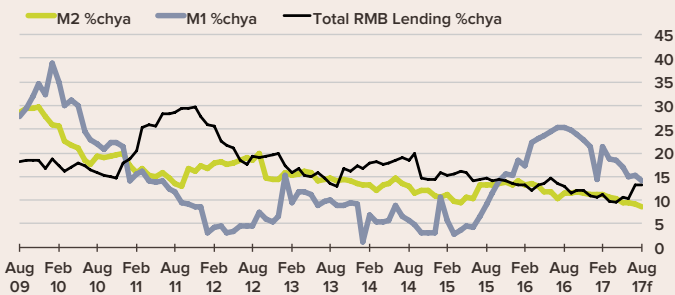
China: Yearly GDP Growth Rate, Percent



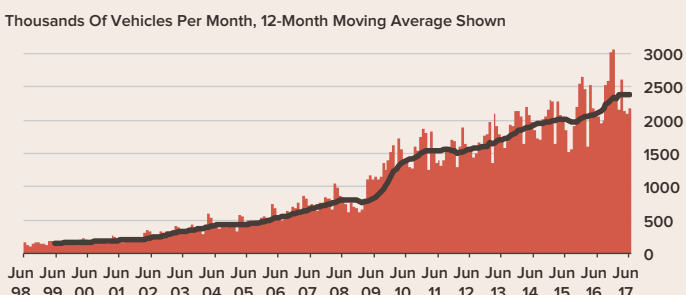
China: GDP Vs Industrial Output, Percent Change Year Ago



China: Money Supply And Bank Lending



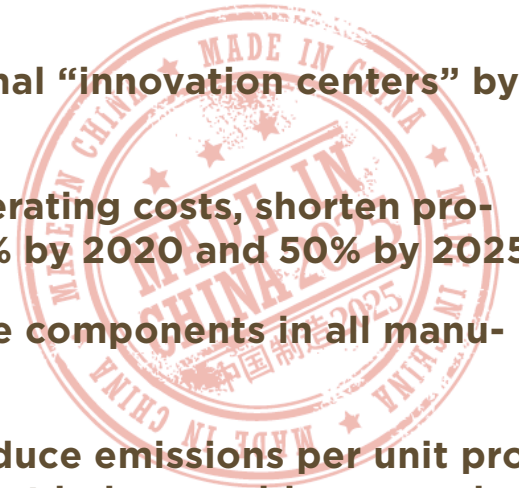
China: Vehicle Production





Made In China 2025

- **Research and development:** Establish 15 national “innovation centers” by 2020 and 40 by 2025, to develop technologies.
- **Manufacture smarter:** Lower manufacturing operating costs, shorten production times and slash defect rates, each by 30% by 2020 and 50% by 2025.
- **Industrial self sufficiency:** Produce 40% of core components in all manufacturing by 2020, 70% by 2025.
- **Environmental responsibility:** In all sectors, reduce emissions per unit produced by 20%, lower energy use per unit of output below world average by 2025 and build 1,000 green factories by 2025.
- **Build significant shares of global manufacturing of ten sectors:** Aerospace, rail, high-tech autos, hi-tech marine, power grids, machine tools, nuclear plants and equipment, medical equipment.





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New Strategies For Investors And Traders

Finesse Emerging Market Risk:

Invest In China, Emerging Asia, Middle East And Africa (CEAMEA) By Investing In EU Companies With Things To Export To CEAMEA Economies

Supply Chain Awareness:

Be Wary Of Companies Whose Sales Depend On Exporting Components To China



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Europe's Strategies

Pivot Political And Economic Focus Away From United States Toward CEAMEA

Aim To Increase Potential Export Market 10-Fold

Encourage Export-Led Recovery From Economic Depression... Finally

Liquidity Expansion/Monetary Stimulus Has Stopped Bearing Fruit, Export Surge Is Analytically Identical To Fiscal Stimulus Without Running Up Deficits

Cede Room At The Big Tables For China



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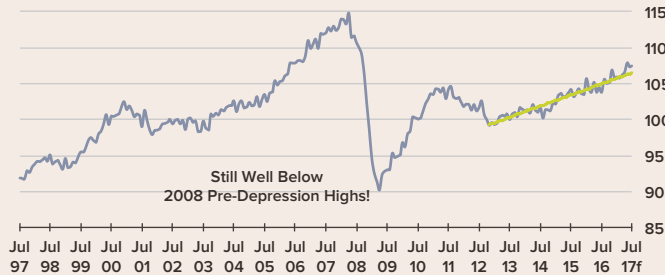
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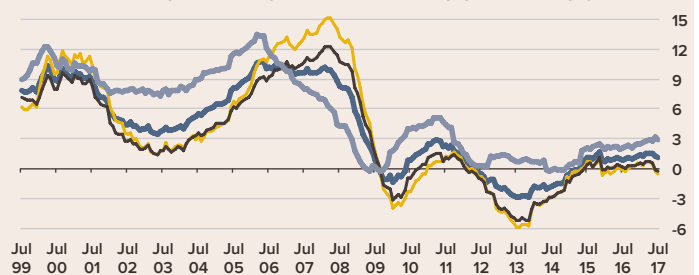
Euro Zone: Industrial Production Index

Seasonally Adjusted, 2010 = 100, Trend Since 2011 Drawn



Euro Zone: Bank Lending, Percent Change Year Ago

Total MFI Lending Lending To SMEs Ex-Mortgages Mortgages



Euro Zone: Unemployment, Millions Of Persons



Euro Zone Ex-Germany: Employment, Thousands





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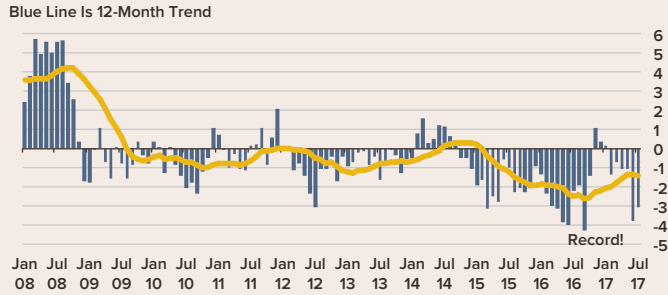
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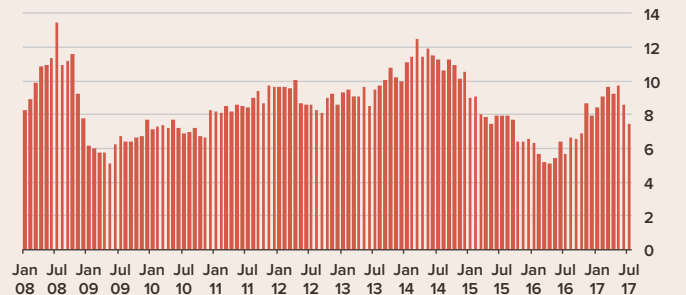
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Canada: Merchandise Trade Balance, C\$ Billions



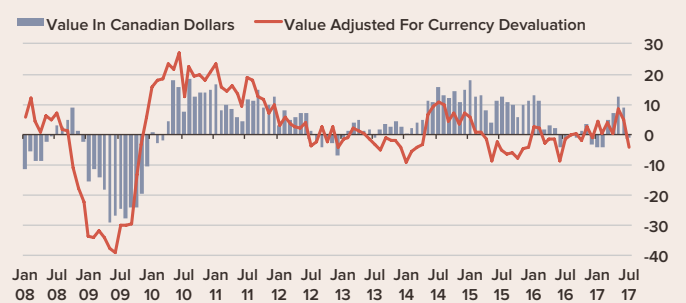
Canada: Monthly Exports Of Energy Products, C\$ Billions



Canada: Petro-Loonie Rules



Canada: Non-Energy Exports, Percent Change Year Ago





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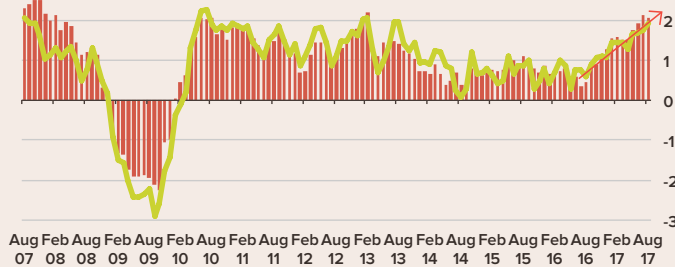
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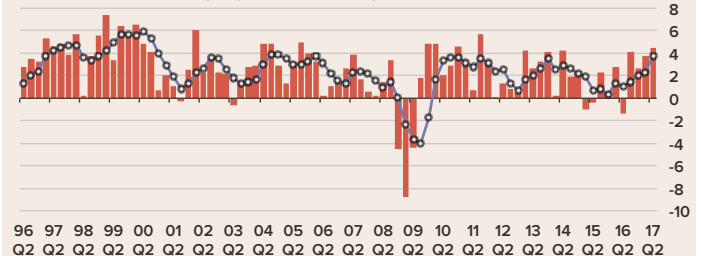
Canada: Employment, Percent Change Year Ago

Green Line Shows Private Sector Employment

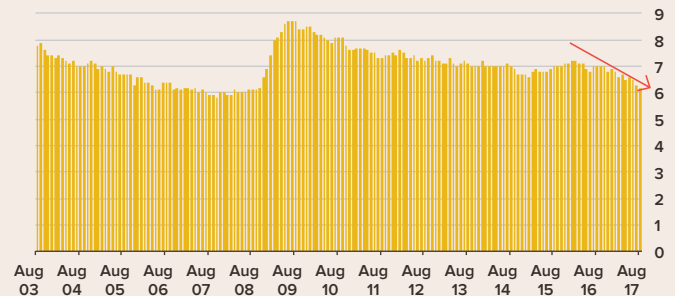


Canada: GDP

Seasonally Adjusted Annual Rate (Bar) and Percent Change Year Ago (Line)
Calculated From Seasonally Adjusted Data Through 2017 Q2

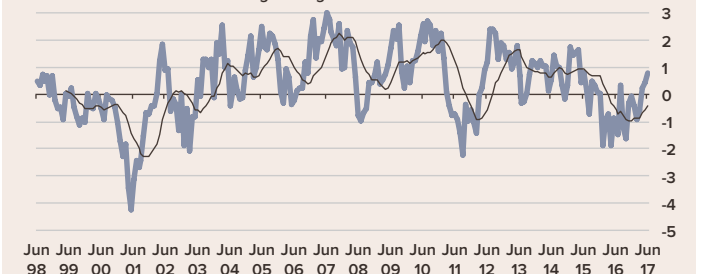


Canada: Unemployment Rate, Percent



Canada: Real Weekly Earnings, Percent Change Year Ago

Black Line Shows 12-Month Moving Average





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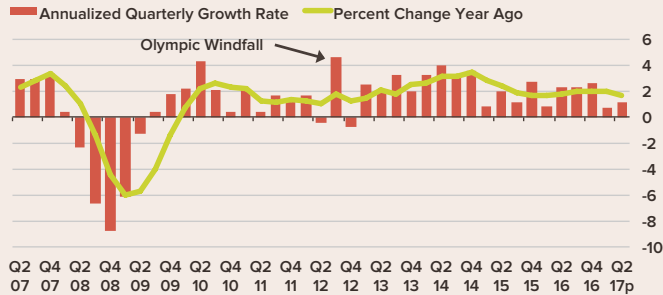
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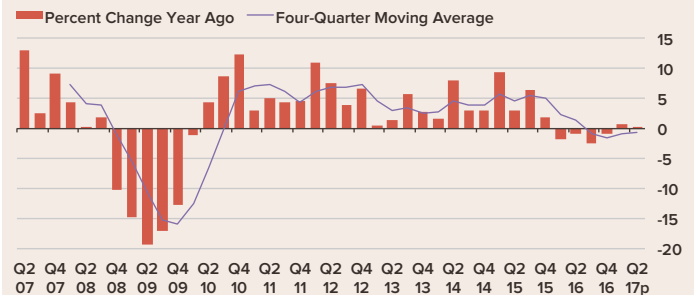
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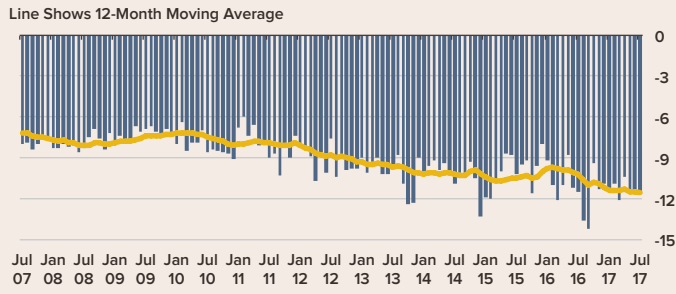
United Kingdom: GDP Growth



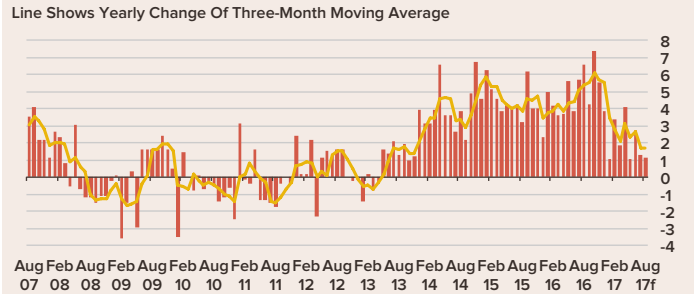
United Kingdom: Investment Spending By Businesses



United Kingdom: Trade Balance, Billions Of Pounds Sterling



United Kingdom: Retail Sales, Percent Change Year Ago





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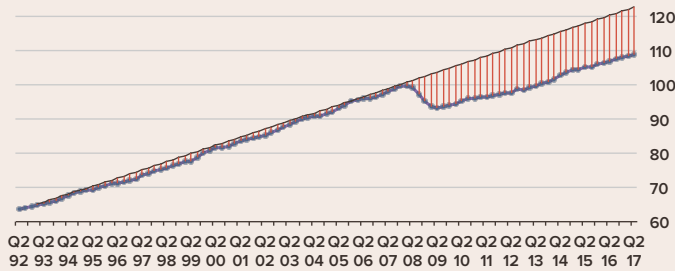
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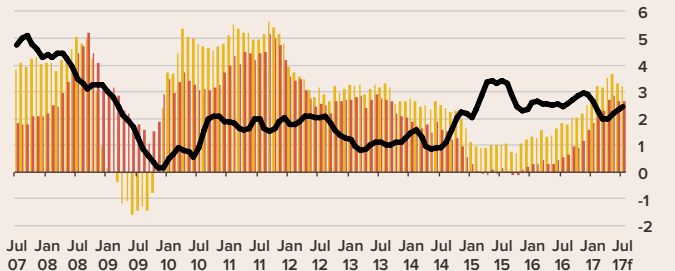
United Kingdom: Real GDP Index Vs HFE Capacity Estimate

GDP Volume Index, 2010=100, Black Line Shows HFE Estimate Of Capacity GDP



United Kingdom: Average Weekly Earnings Ex Bonuses, %chya

RPI CPI Average Weekly Earnings (3mma)



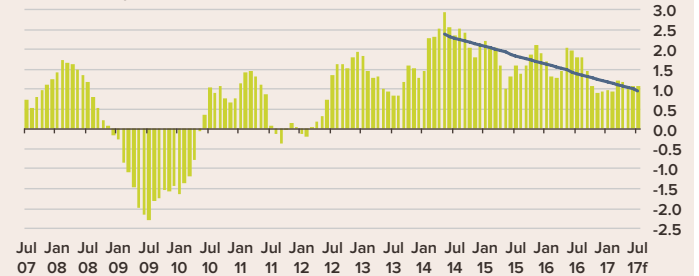
United Kingdom: HFE Estimate Of Immigration

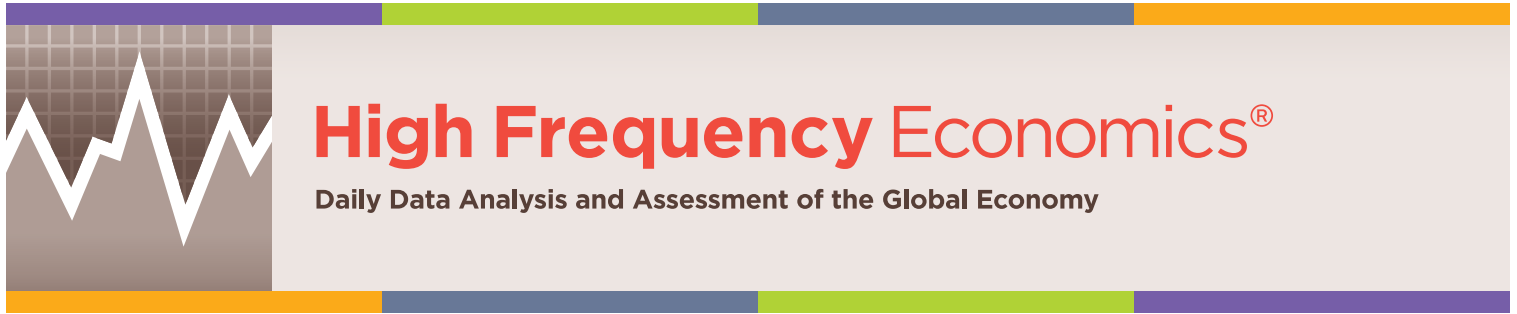
Excess Of Job Creation Over Unemployment Decline, 12-Month Rate, Thousands
Line Shows 12-Month Moving Average



United Kingdom: ILO Employment, Percent Change Year Ago

Trend Since May 2014 Shown





Amidst Lots Of Noise, U.S. Expansion Carries On

- Jim O'Sullivan, Chief U.S. Economist



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1. HFE's U.S. Economic & Financial Forecasts

%ch From Previous Period, Annual Rate, Except Where Noted; Forecasts In Bold

	2016				2017				Calendar Average			Q4/Q4		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2016	2017	2018	2016	2017	2018
Real GDP	0.6	2.2	2.8	1.8	1.2	3.0	2.3	2.3	1.5	2.1	2.5	1.8	2.2	2.4
CPI	0.1	2.3	1.8	3.0	3.1	-0.3	1.6	2.8	1.3	2.0	2.1	1.8	1.8	2.3
Core CPI	2.5	2.1	2.1	2.0	2.5	0.6	1.5	2.1	2.2	1.8	2.2	2.2	1.7	2.5
Core PCE Prices	2.1	2.0	2.0	1.3	1.8	0.9	1.3	1.7	1.8	1.5	1.9	1.9	1.4	2.1
Unemployment (% level)	4.9	4.9	4.9	4.7	4.7	4.4	4.3	4.2	4.9	4.4	4.0	4.7	4.2	3.8
Federal Budget Balance (\$B, FY)									-586	-700	-825			
% Of GDP									-3.2	-3.7	-4.1			
														End Of Year
Fed Funds Target (% EOP)	0.38	0.38	0.38	0.63	0.88	1.13	1.13	1.38	0.4	1.0	1.8	0.63	1.38	2.38
10-Year Treasury (% EOP)	1.8	1.5	1.6	2.4	2.4	2.2	2.4	2.8	1.8	2.4	3.0	2.4	2.8	3.2
30-Year Treasury (% EOP)	2.6	2.3	2.3	3.1	3.1	2.8	2.9	3.3	2.6	3.0	3.6	3.1	3.3	3.7
S&P 500 (level, EOP)	2060	2099	2168	2239	2363	2423	2400	2300	2117	2364	2250	2239	2300	2200



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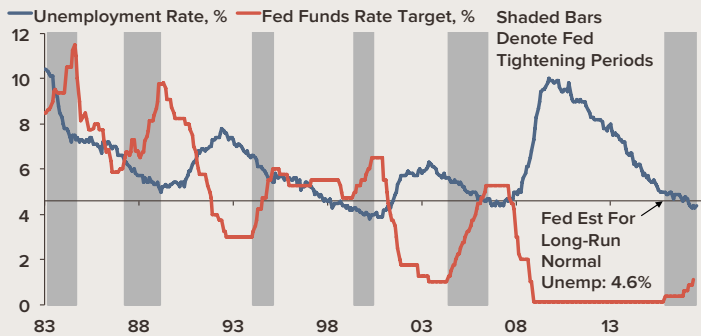
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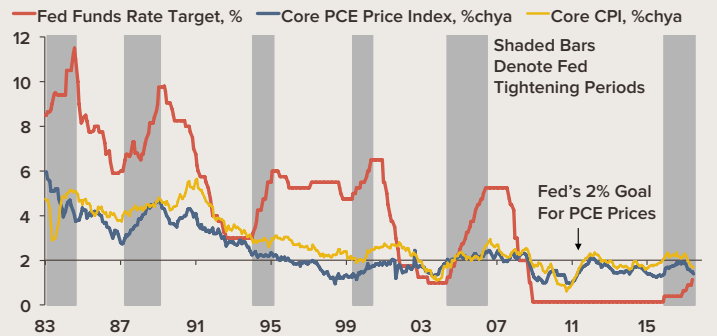
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2a. Slack Keeps Shrinking



2b. Slight Pick-Up In Core Inflation Has Been Largely Reversed





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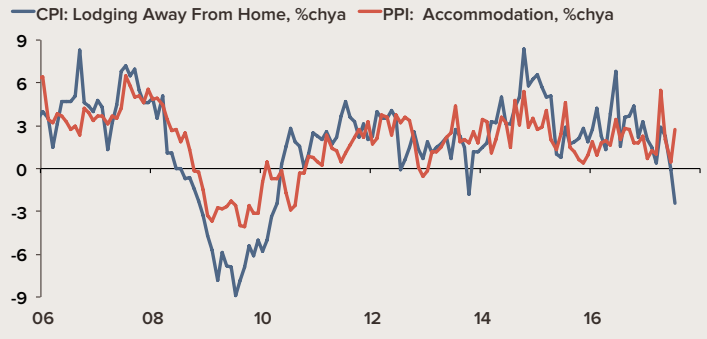
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3a. Slowing In Core CPI Has Been Led By Phone Services

Weight In Core Index In Parentheses

	Jul 2016 %/y	Jul 2017 %/y	Change, pct	Contribution To Change, pct pts
Core CPI	2.2	1.7	-0.5	-0.50
Shelter (42.6%)	3.3	3.2	-0.1	-0.06
Rent of primary residence (9.9%)	3.8	3.8	0.0	0.00
Owners' equivalent rent (31.1%)	3.3	3.2	0.0	-0.01
Lodging away from home (1.2%)	1.6	-2.4	-3.9	-0.05
Household furnishing, ops. (5.1%)	-0.9	-0.9	0.0	0.00
Apparel (3.9%)	0.3	-0.4	-0.8	-0.03
New vehicles (4.6%)	0.0	-0.6	-0.6	-0.03
Used cars and trucks (2.5%)	-3.7	-4.1	-0.3	-0.01
Airfares (0.8%)	-4.6	-2.5	2.1	0.02
Medical care (10.8%)	3.9	2.6	-1.3	-0.14
Recreation (7.2%)	0.9	1.3	0.4	0.03
Education (4.0%)	2.8	2.3	-0.5	-0.02
Communication (4.5%)	-0.8	-6.3	-5.5	-0.27
Wireless phone services (1.9%)	0.3	-13.3	-13.6	-0.31
Other goods and services (4.0%)	1.9	2.5	0.6	0.02

3b. Mixed Signals On Lodging/Accommodation Prices





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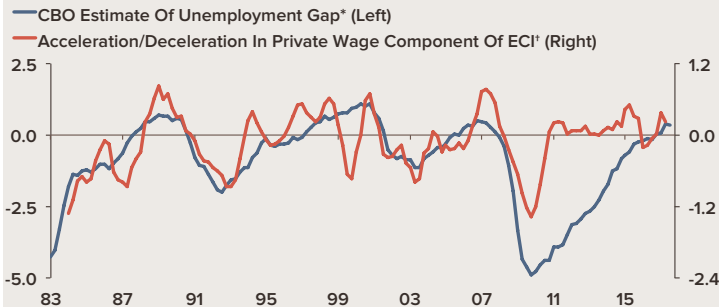
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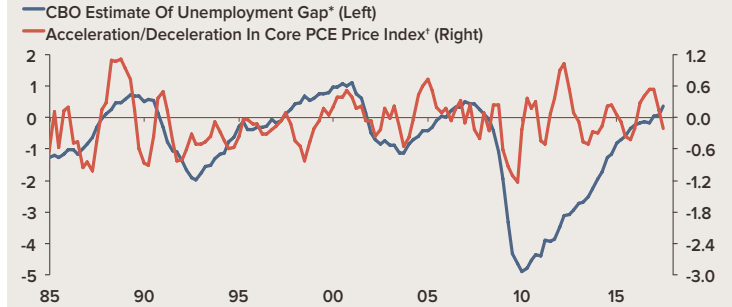
Jim O'Sullivan, Chief U.S. Economist

4a. Upward Pressure On Wages From Reduced Slack Just Starting



*Reported unemployment rate minus CBO estimate of NAIRU.
'%chya minus %chya one year earlier, four-quarter average.

4b. Upward Pressure On Inflation From Reduced Slack Just Starting



*Reported unemployment rate minus CBO estimate of NAIRU.
'%chya minus %chya one year earlier.



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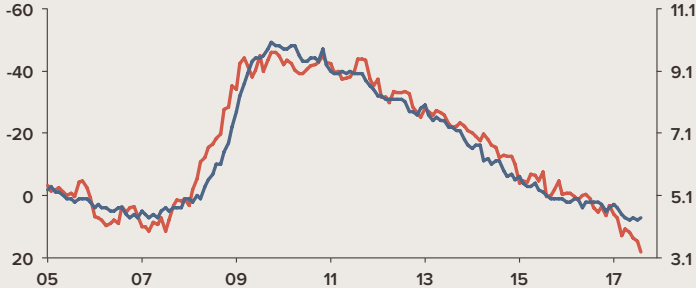
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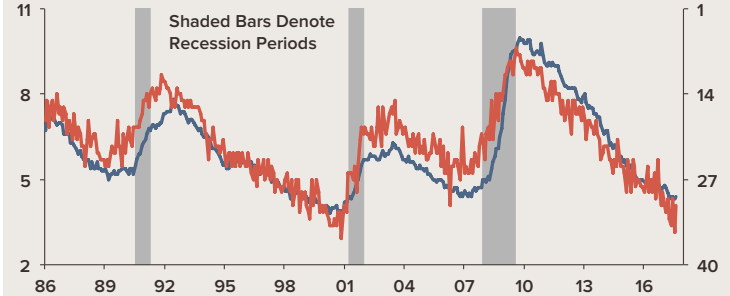
5a. Downtrend In Unemployment Corroborated By Conf. Bd. Data

— Conference Board Job Market Assessment, % Plentiful Minus % Hard To Get (Left)
— Unemployment Rate, % (Right)



5b. ...And NFIB Data

— Unemployment Rate, % (Left)
— NFIB Survey: Net % With Hard-To-Fill Job Openings (Inverted, Right)





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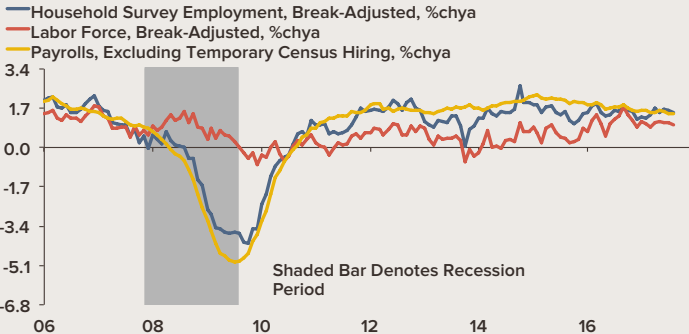
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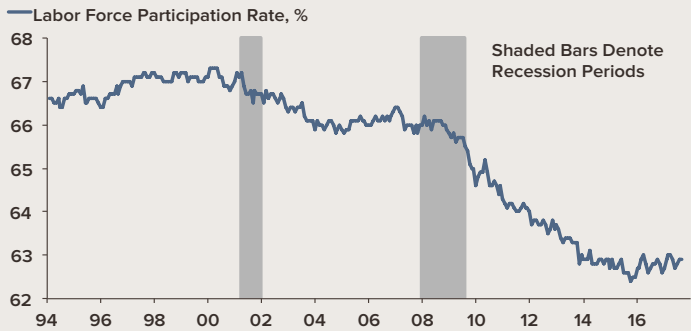
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6a. Employment Growth Keeps Outpacing Labor Force Growth



6b. Even With The Participation Rate Up A Little





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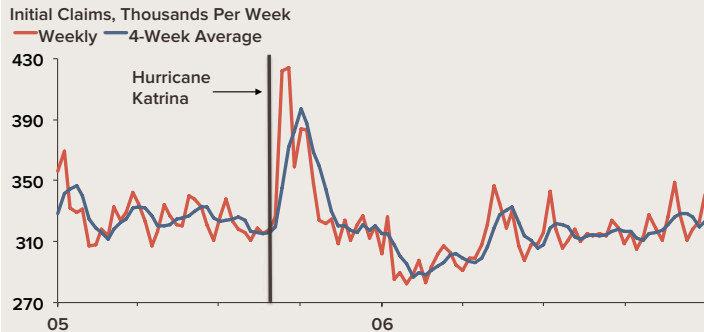
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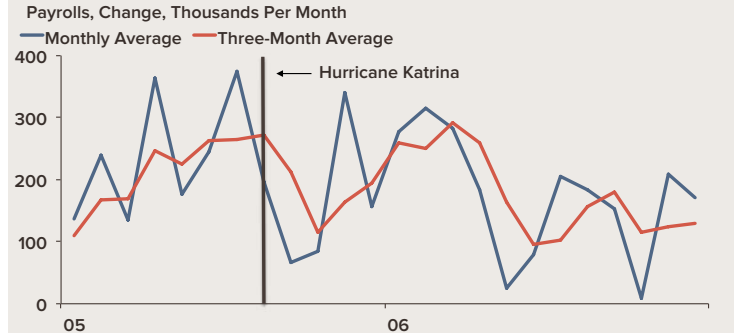
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7a. Hurricane Katrina Led To Temporary Surge In Claims In 2005



7b. ...Payrolls Gains Slowed For A Couple Of Months





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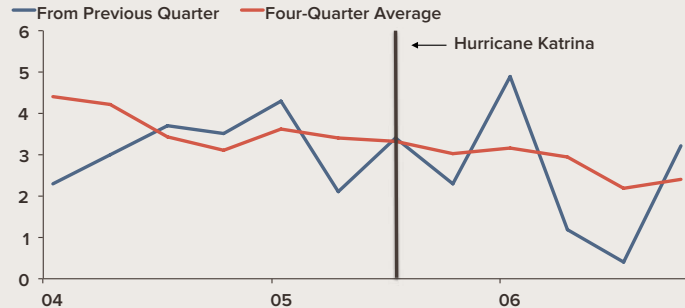
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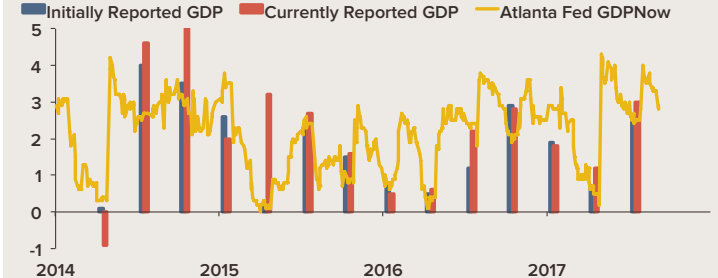
8a. ...Katrina Did Not Affect Trend In GDP Growth Significantly

Real GDP, %ch, Annual Rate



8b. Input Data For 17Q3 GDP Have Been Fairly Strong Thus Far

Real GDP, %Q/Q, Annual Rate



Note: GDP data have been lined up with the release date for the advance report—typically around four weeks after the quarter ends.



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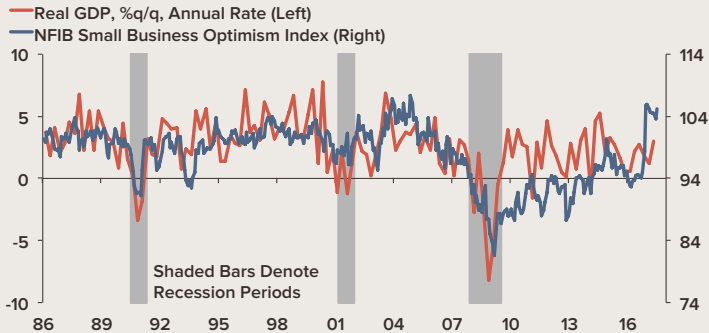
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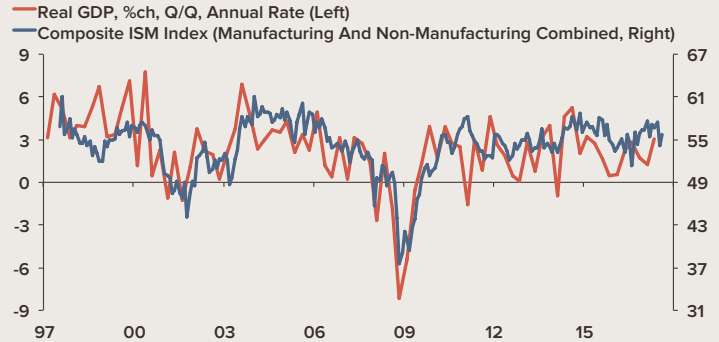
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9a. NFIB Index Is High Enough For 5% Real GDP Growth!



9b. Latest ISM Data Look Strong Enough For 3% Growth





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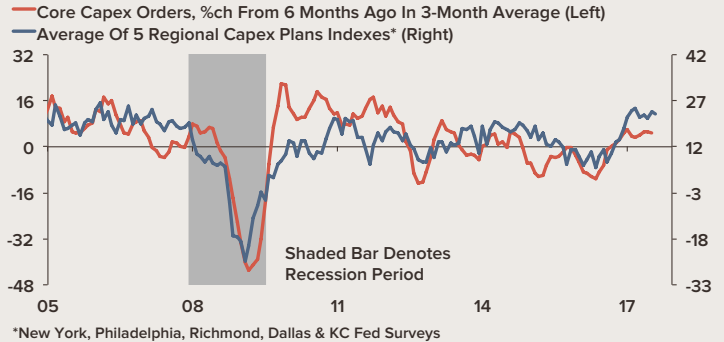
HFE Global Webinar — September 13, 2017

Jim O'Sullivan, Chief U.S. Economist

10a. Exports Have Picked Up, Albeit Not As Much As ISM Data



10b. Capex Has Also Picked Up—Albeit Not As Much As Surveys





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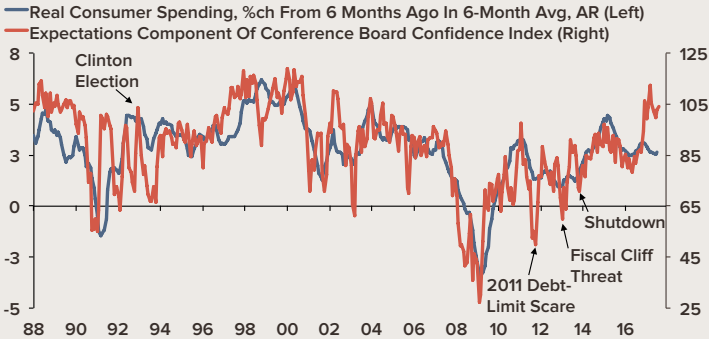
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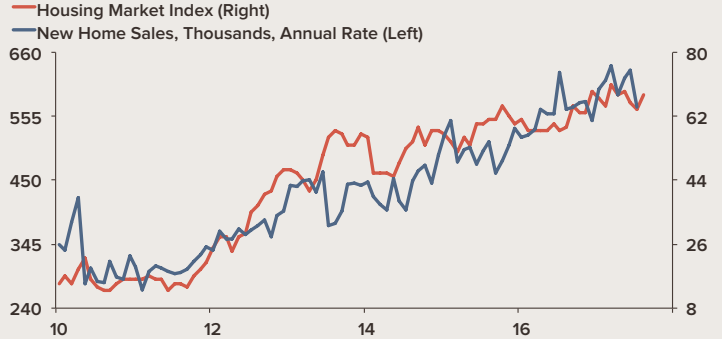
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11a. Conf. Bd. Data Suggest A Near-5% Trend For Consumption



11b. Volatile New Home Sales Have Been Trending Up





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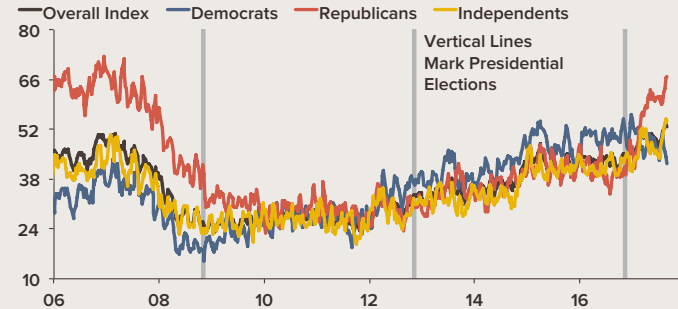
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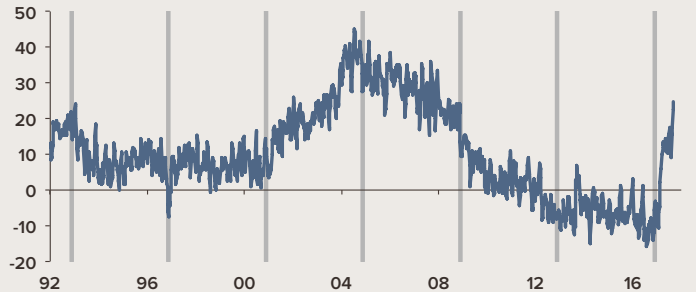
12a. Confidence Data Have Shown Increased Partisanship

Weekly Bloomberg Consumer Comfort Index



12b. The "Polarization" Index Has Continued To Rise

Bloomberg Consumer Comfort Polarization Index: Republican Minus Democrats
Vertical Lines Mark Presidential Elections





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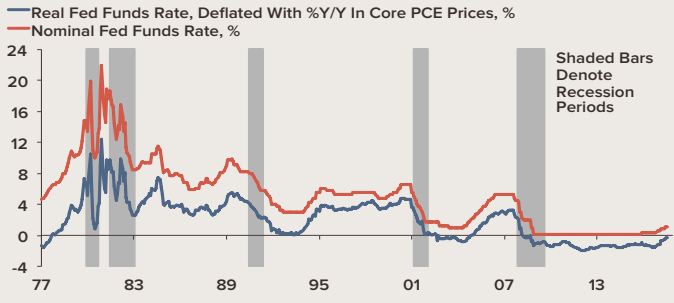
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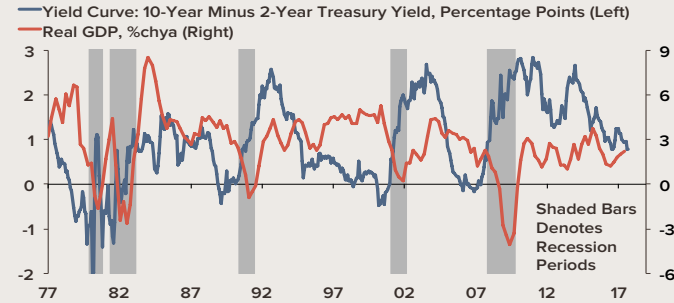
13a. Long Expansion, But "Expansions Do Not Die Of Old Age"

Recessions	Duration (Months)	Expansions	Duration (Months)
1945	8	1945-48	37
1948-49	11	1949-53	45
1953-54	10	1954-57	39
1957-58	8	1958-60	24
1960-61	10	1961-69	106
1970	11	1970-73	36
1973-75	16	1975-80	58
1980	6	1980-81	12
1981-82	16	1982-90	92
1990-91	8	1991-2001	120
2001	8	2001-07	73
2008-09	18	2009-?	98 So Far
Averages:		Averages:	
1854-1919	21.6	1854-1919	26.6
1919-45	18.2	1919-45	35.0
1945-2009	11.1	1945-2009	58.4

13b. Recent Recessions Preceded By Fed Tightening Cycles



13c. Yield Curve Inversions Generally Precede Recessions





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**Mixed Global Outlook: Europe And China To Pull Ahead Together,
But Britain And Japan Are In Trouble**

- Carl Weinberg, Chief Economist

Amidst Lots Of Noise, U.S. Expansion Carries On

- Jim O'Sullivan, Chief U.S. Economist