

Trade War Hurts All

Dr. Sherry Cooper
Chief Economist
Dominion Lending Centres



Carlsbad, California
September 16, 2016

Global Economy Hit By Trade War



U.S. Still Tops Developed World

Europe and Japan Weak

Brexit Fallout

China's Growth Slowest in 30 Years

Canada's Growth Peaks in Q2

Most Central Banks Cut Rates

Inverted Yield Curve

Negative Interest Rates Abound

Global Economic Policy Uncertainly Surges

Global Economic Policy Uncertainty Index

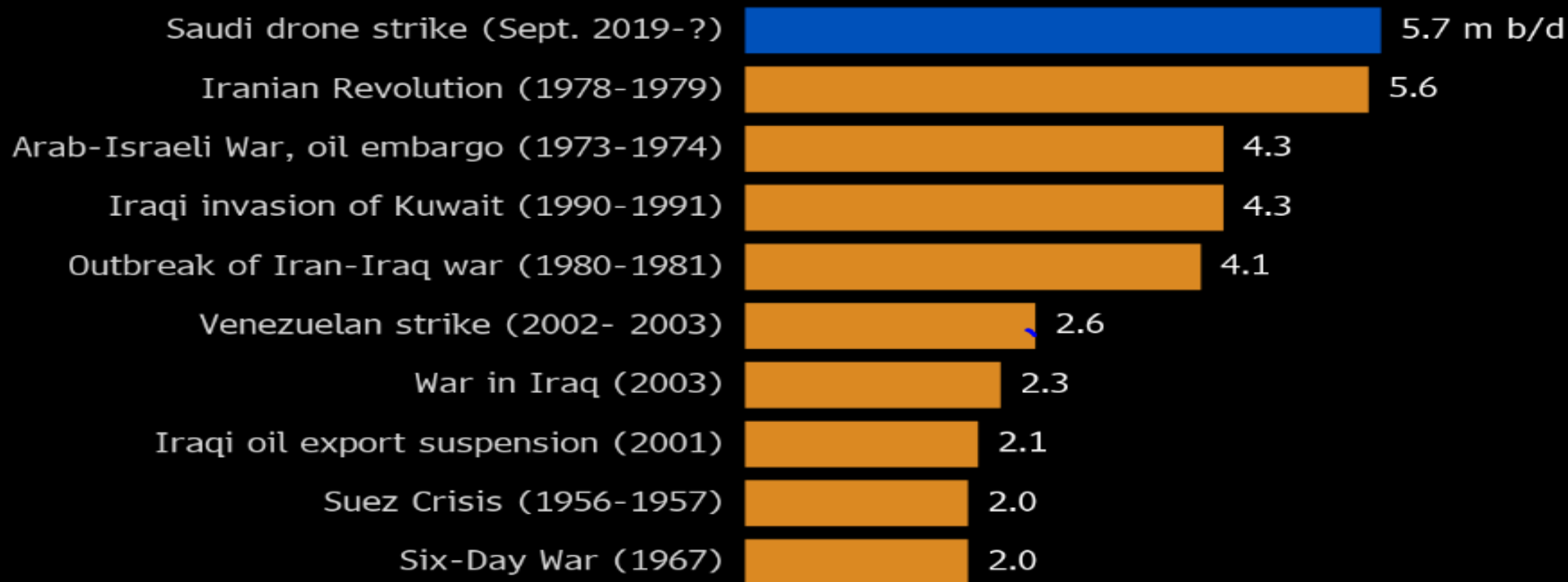
(current price GDP weighted, 3-month moving average, mean = 100)



Oil Disruptions

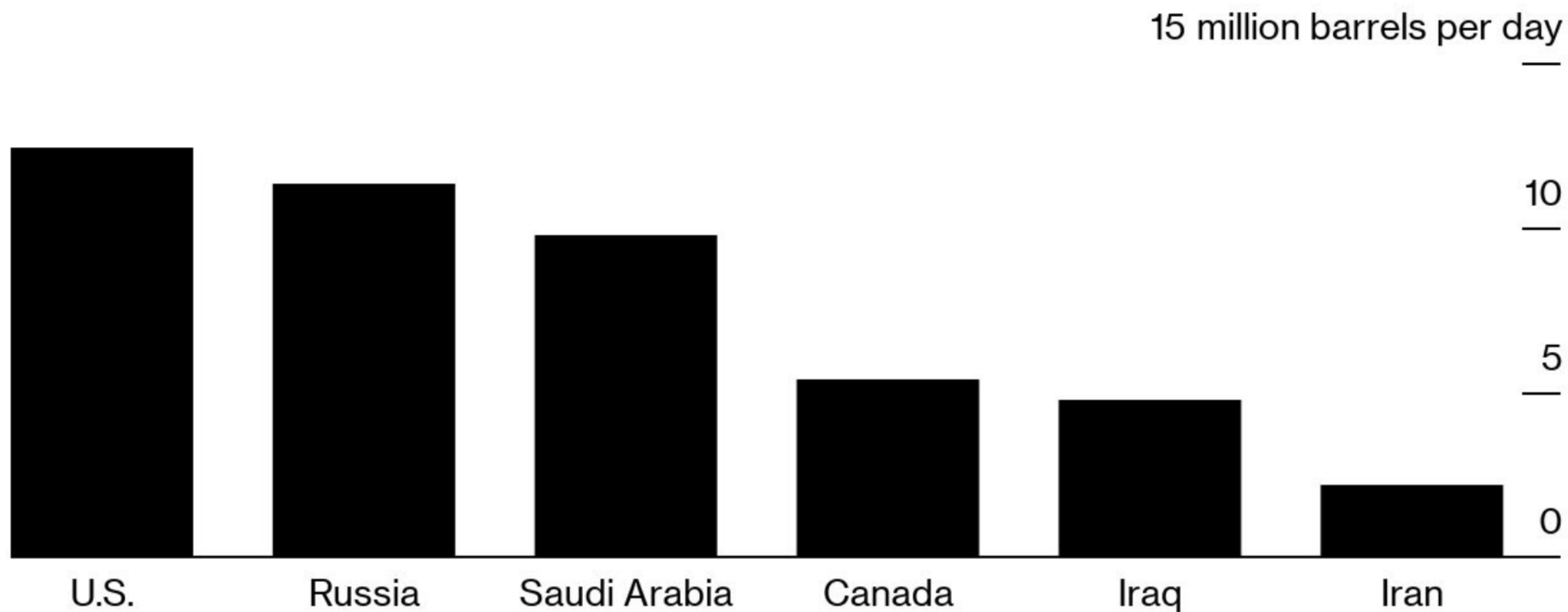
Saudi attack tops biggest disruptions in history

■ Gross peak supply loss



Third Place

Saudi Arabia was the world's third biggest producer of oil in August



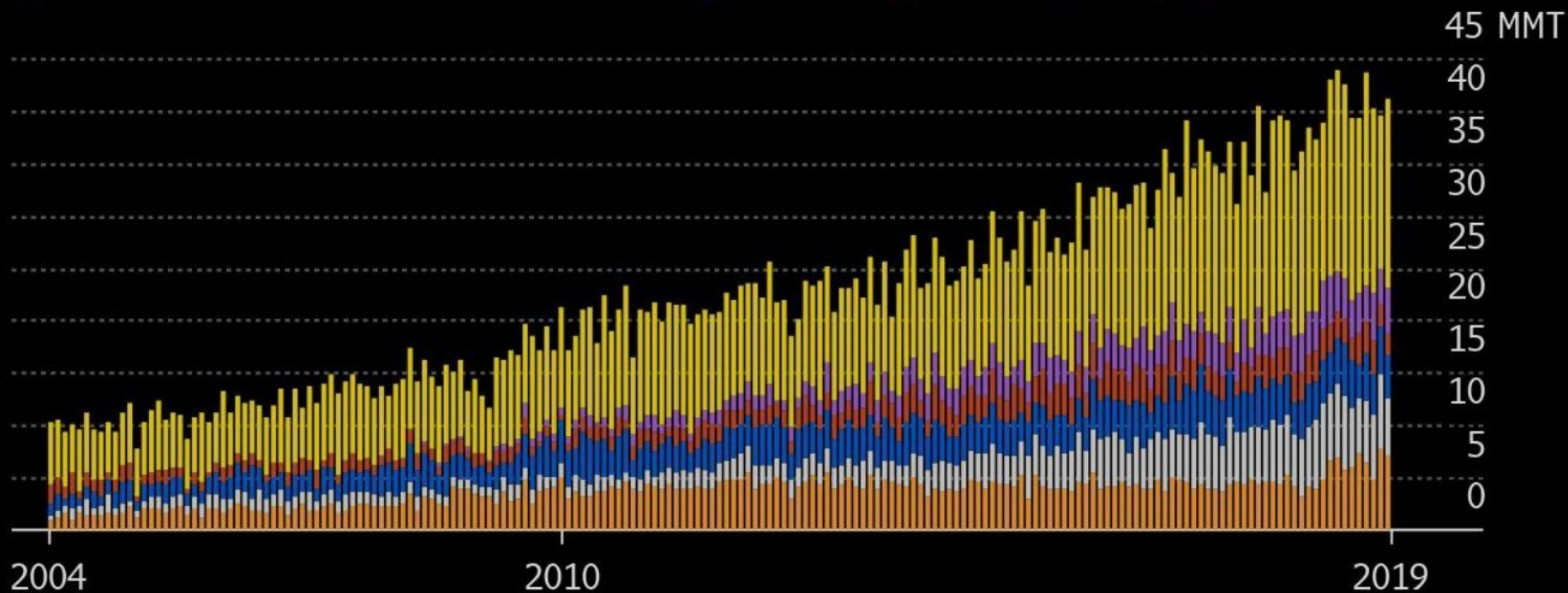
Source: U.S. Department of Energy, Bloomberg, Russian Energy Ministry

Bloomberg

Key Producer

Saudi Arabia is China's biggest single oil supplier

Imports from Saudi Arabia Russia Angola Oman Iraq Others



Source: China General Customs Administration

Bloomberg

China Slowdown Continues

Industrial output and retail sales all worsen

■ Industrial output ■ Retail sales



Source: National Bureau of Statistics

Bloomberg

Global Growth Slows As Tensions Build

Real GDP
(year/year % change)

	2018	2019	2020
World	3.6	3.1	3.1



Forecast = BMO Capital Markets
Source: OECD, BMO Capital Markets

U.S. Growth Stumbles—Q1 at 3.1%, But Q2 Falls to 2.0%



Second Half Stalls Under 2.0%

Consumers Solid For Now

Rest of the Economy Sags:

- Tariffs and Waning Effect of Tax Cut

- Business Spending Weakens

- Manufacturers Struggle

- Farmers Hit

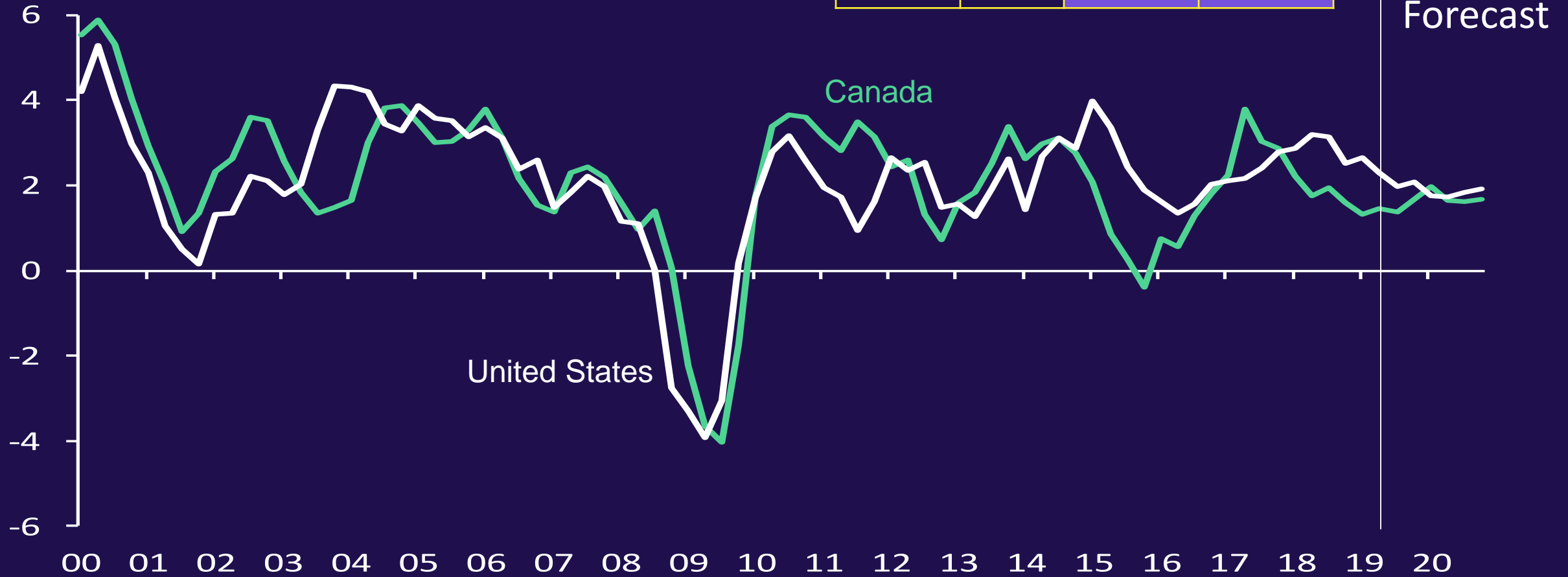
- Exports Plunge

- Residential Construction Shrinks

U.S. and Canada Slow

Real GDP
(year/year % percent)

	2018	2019	2020
U.S.	2.9	2.3	1.8
Canada	1.9	1.4	1.7



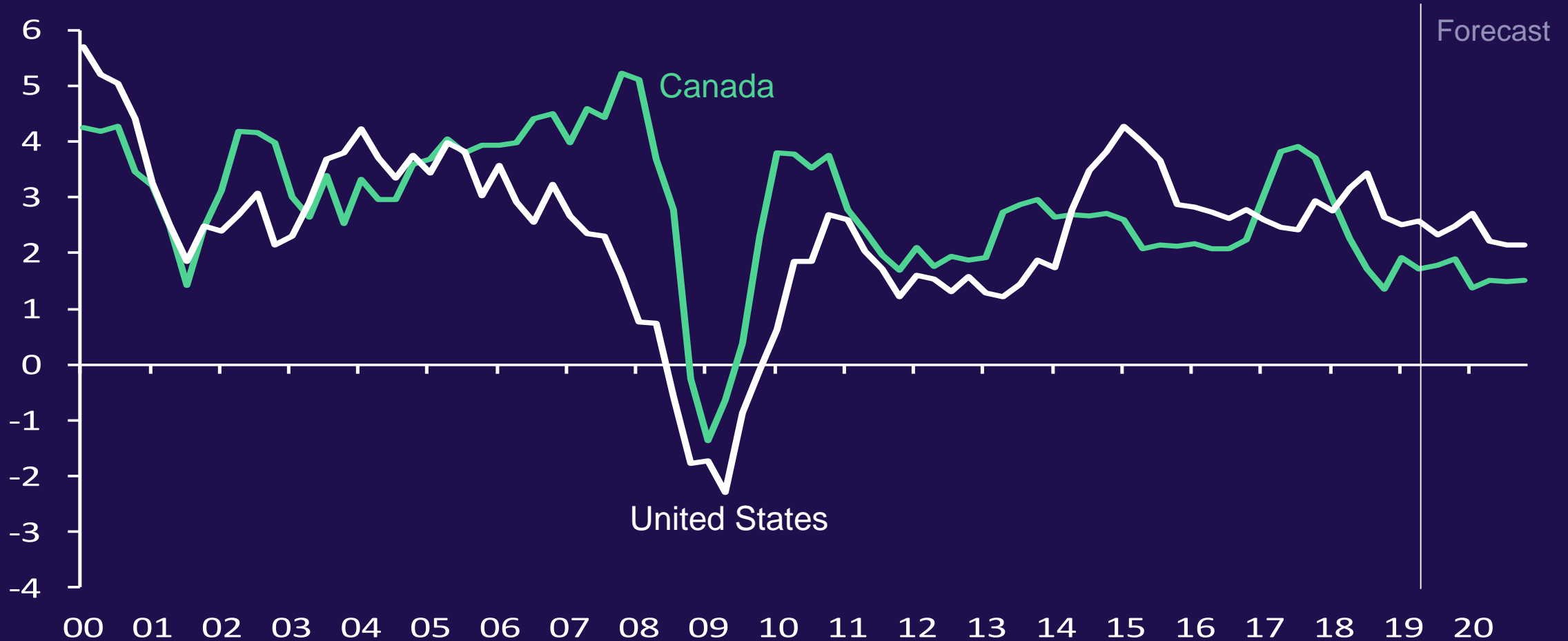
Forecast = BMO Capital Markets Economics
Source: Haver Analytics, Statistics Canada, Bureau of Economic Analysis

Consumers Have Bolstered The Economy

Real Personal Consumption Expenditure
(year/year % percent)



Sherry
Cooper
Assoc.

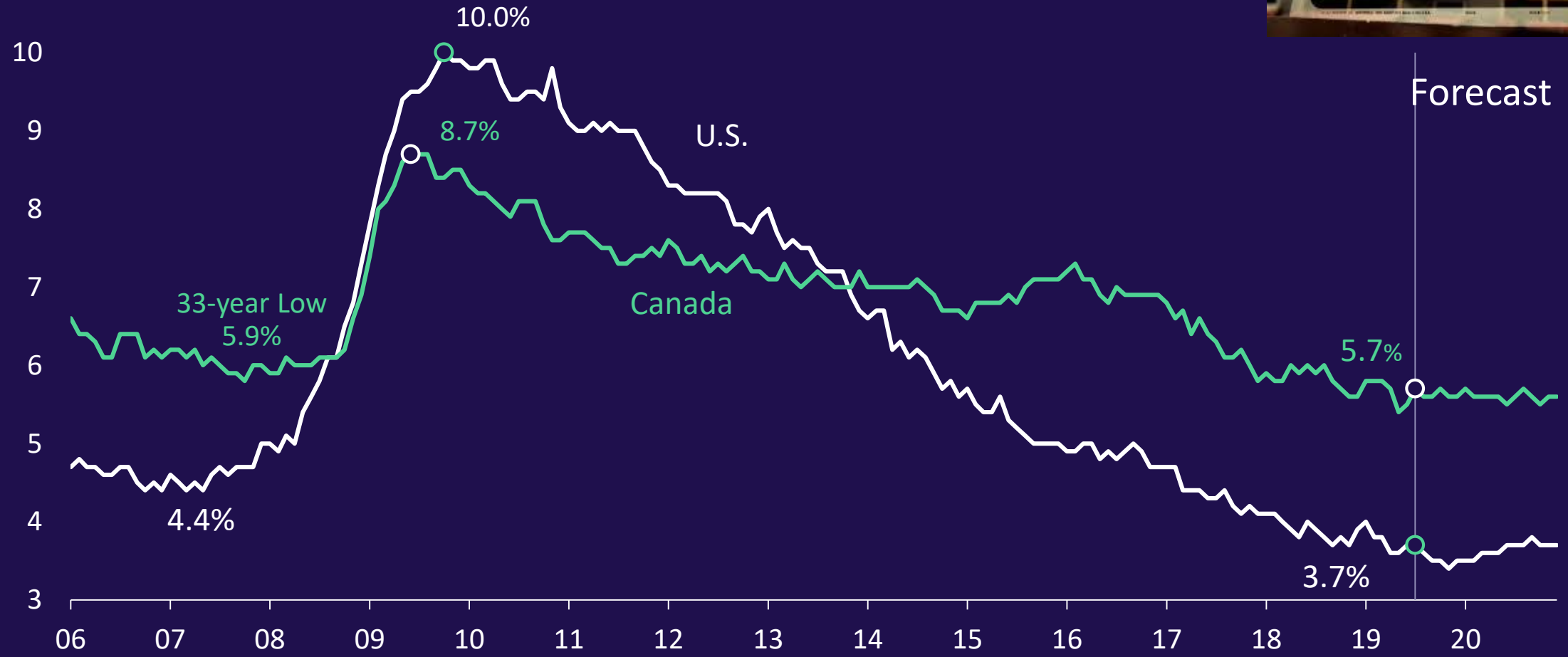


Forecast= BMO Capital Markets

Source: Haver Analytics, Statistics Canada, Bureau of Economic Analysis

Jobless Rate At Historical Lows Boosting Incomes

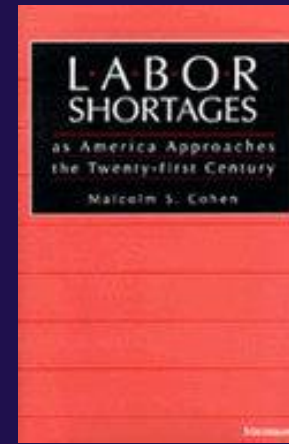
(percent)



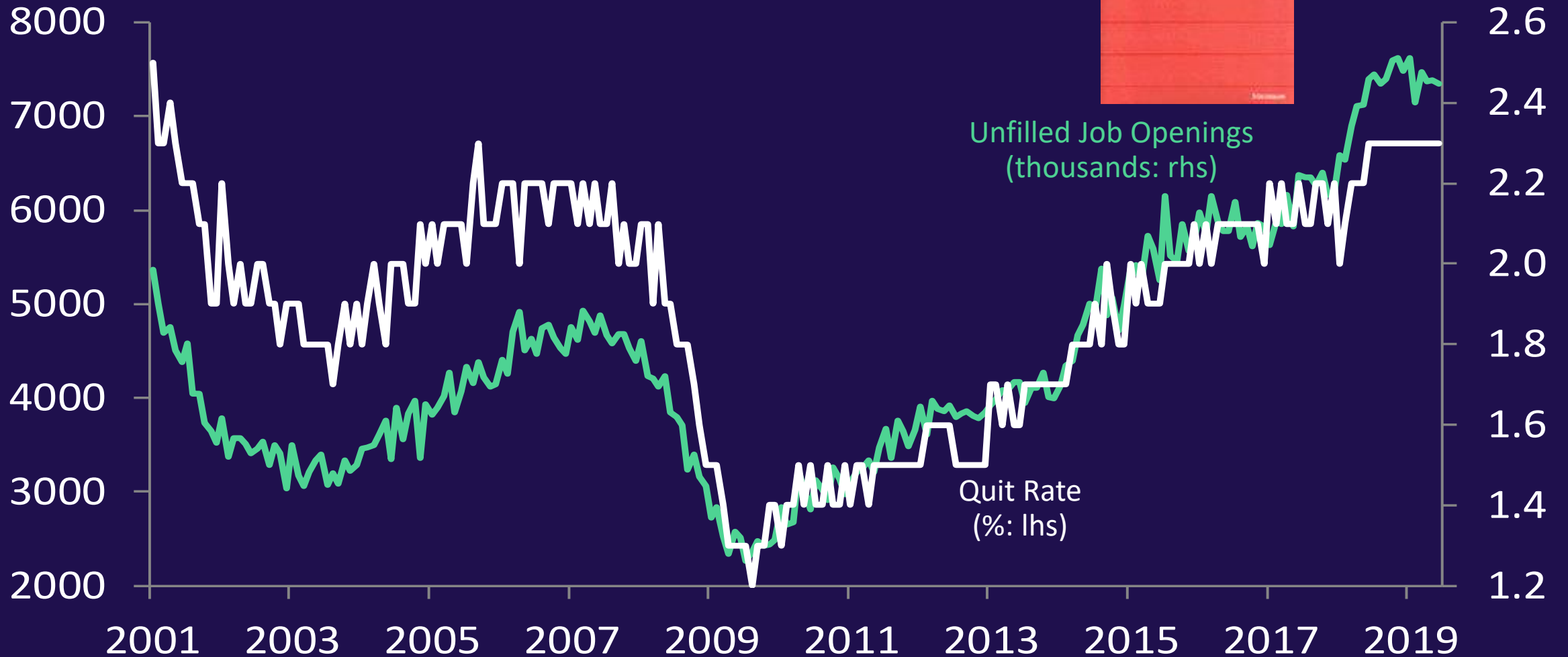
Source: Haver Analytics, Statistics Canada, Bureau of Labor Statistics

U.S. Labor Market Very Tight

Job Openings and Labor Market Survey (JOLTS)



Sherry
Cooper
Assoc.



Real Household Income Growth At A Record

U.S. Real Median Household Income
(annual percent)



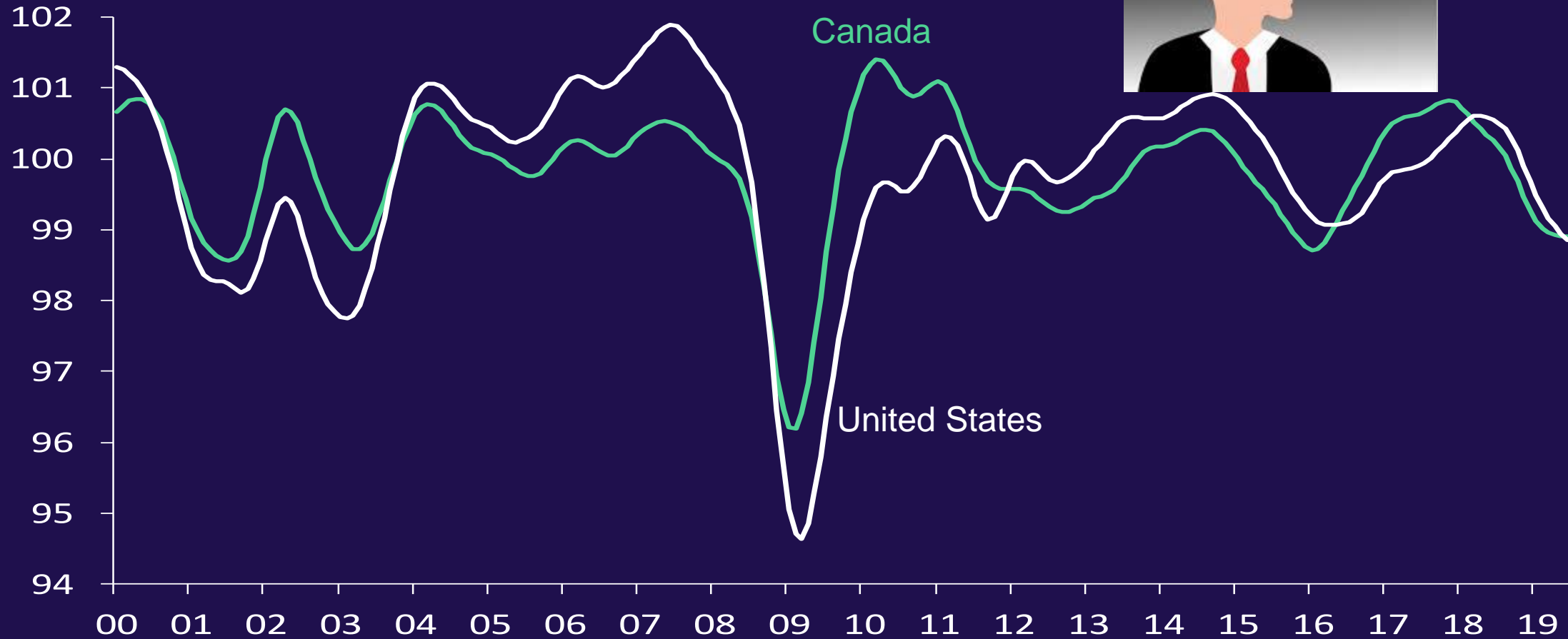
Sherry
Cooper
Assoc.



Source: U.S. Census Bureau, Haver Analytics

But, Consumer Confidence Is Falling

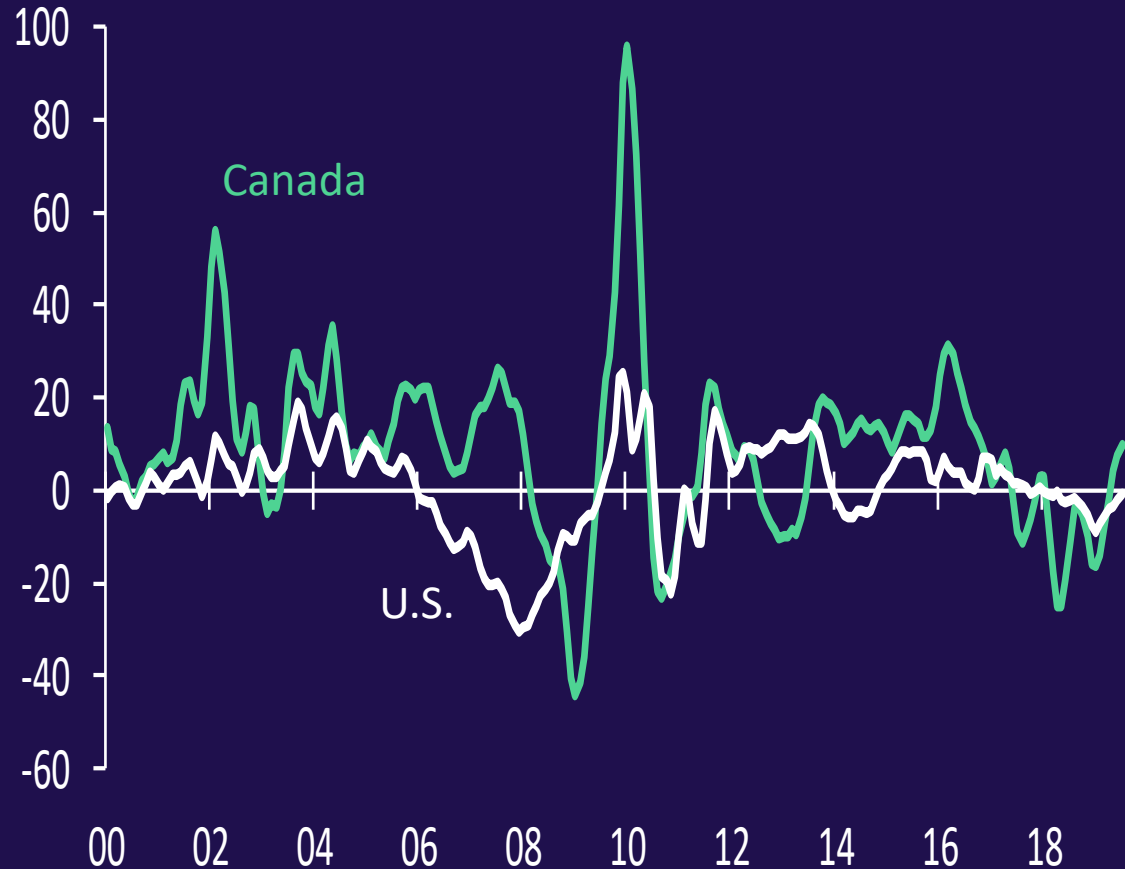
OECD Consumer Confidence Index
(long-term average = 100)



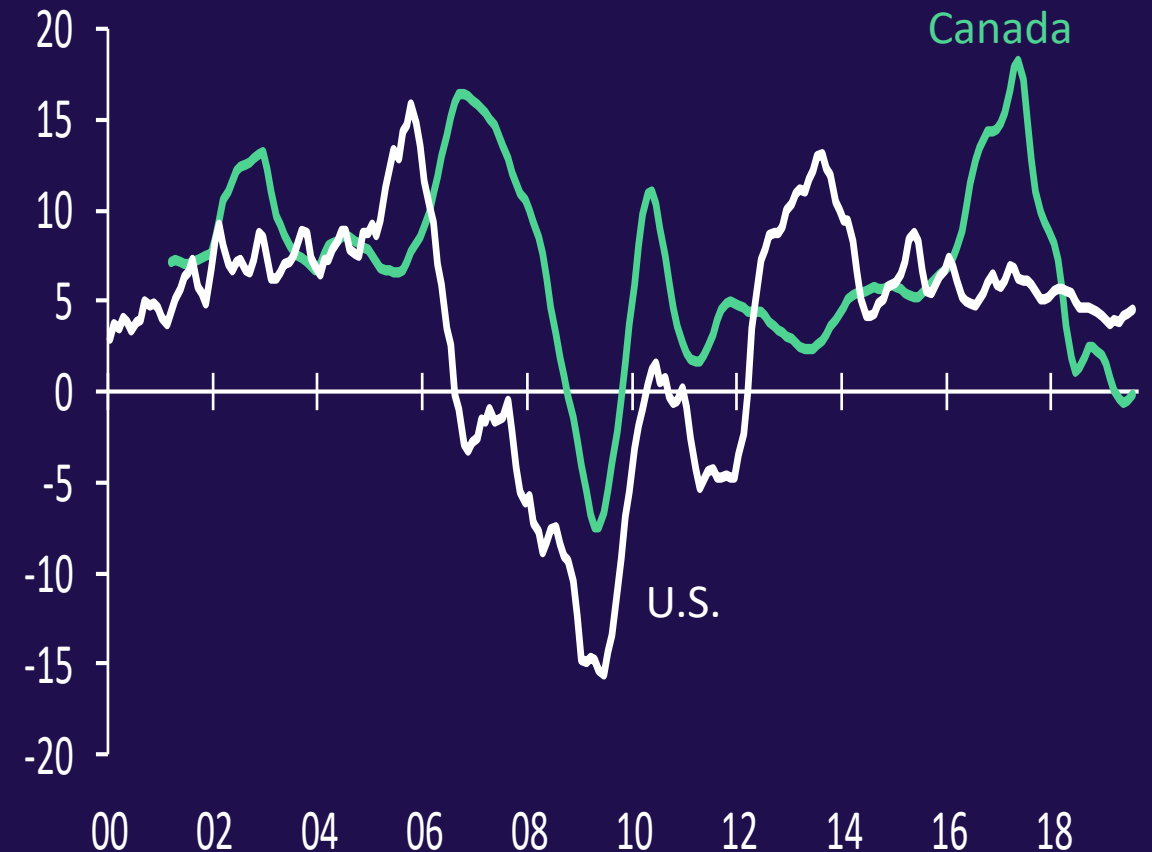
U.S. Home Sales Weaken, Canadian Home Prices Softer

Existing Homes (year/year % change, smoothed)

Home Sales



Home Prices

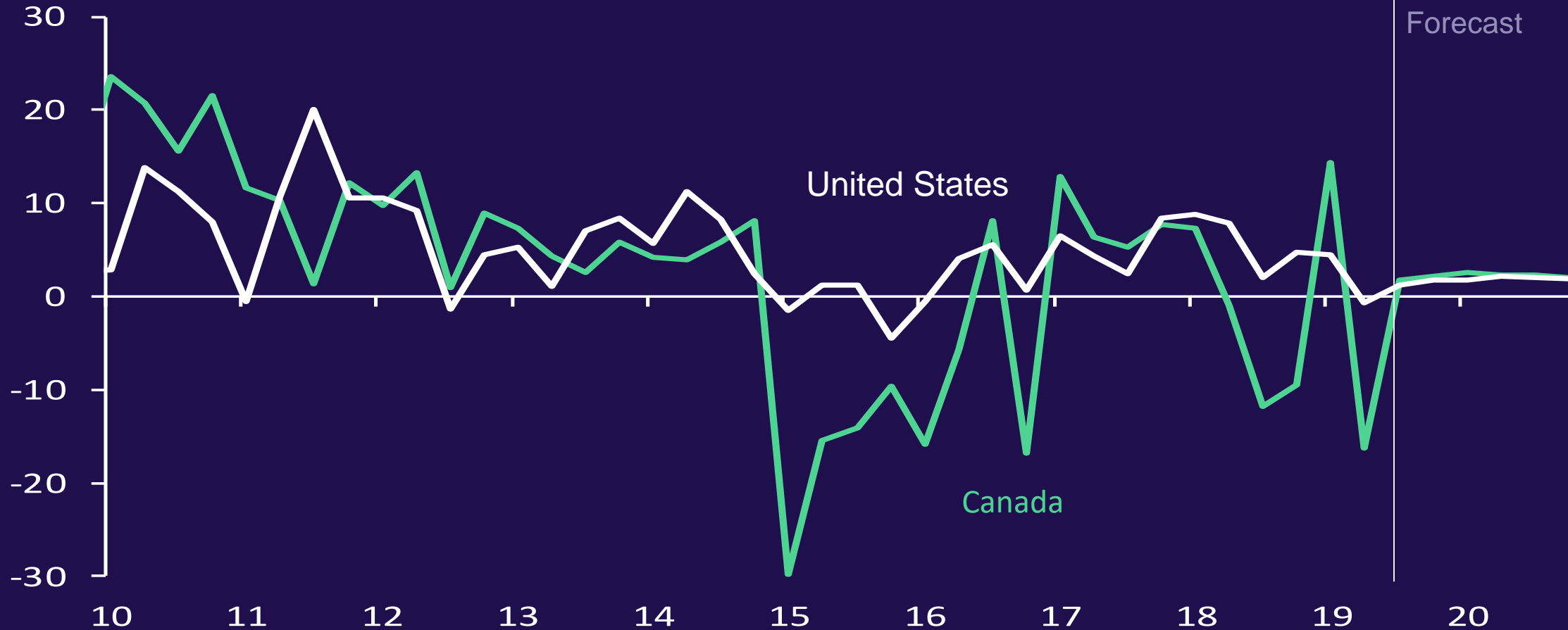


Uncertainty Drags Down Business Investment

Real Non-Residential Business Investment
(Qtr/Qtr, percent at annual rates)



Sherry
Cooper
Assoc.



Loonie Tied To Oil And New NAFTA



Oil Prices Surge on Saudi Attack

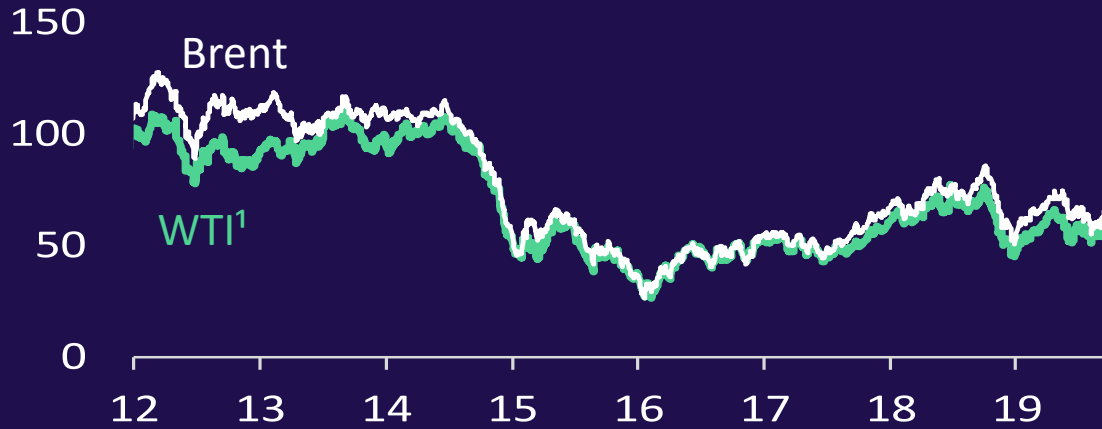
Trump Tries to Damp Down Trade War

USMCA in 2019?

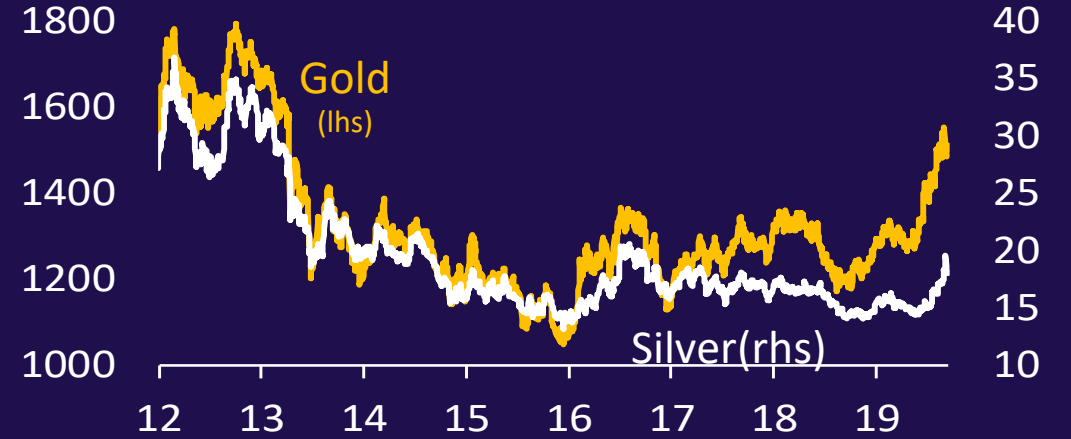
Commodity Price Decline Hurts Canada

(as of September 16, 2019)

Crude Oil



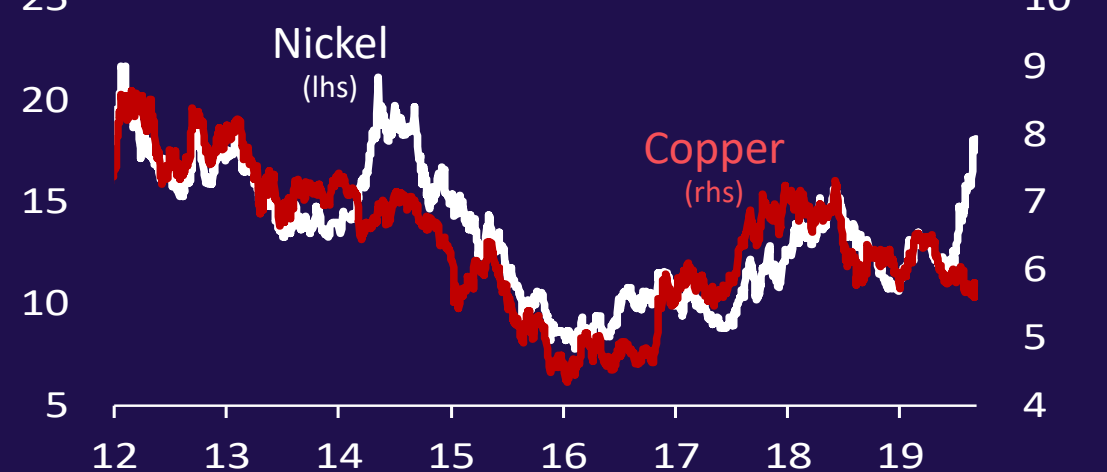
Precious Metals (US\$/oz)



Natural Gas (US\$/mmbtu)



Base Metals (US\$000s/ton)



¹ West Texas Intermediate

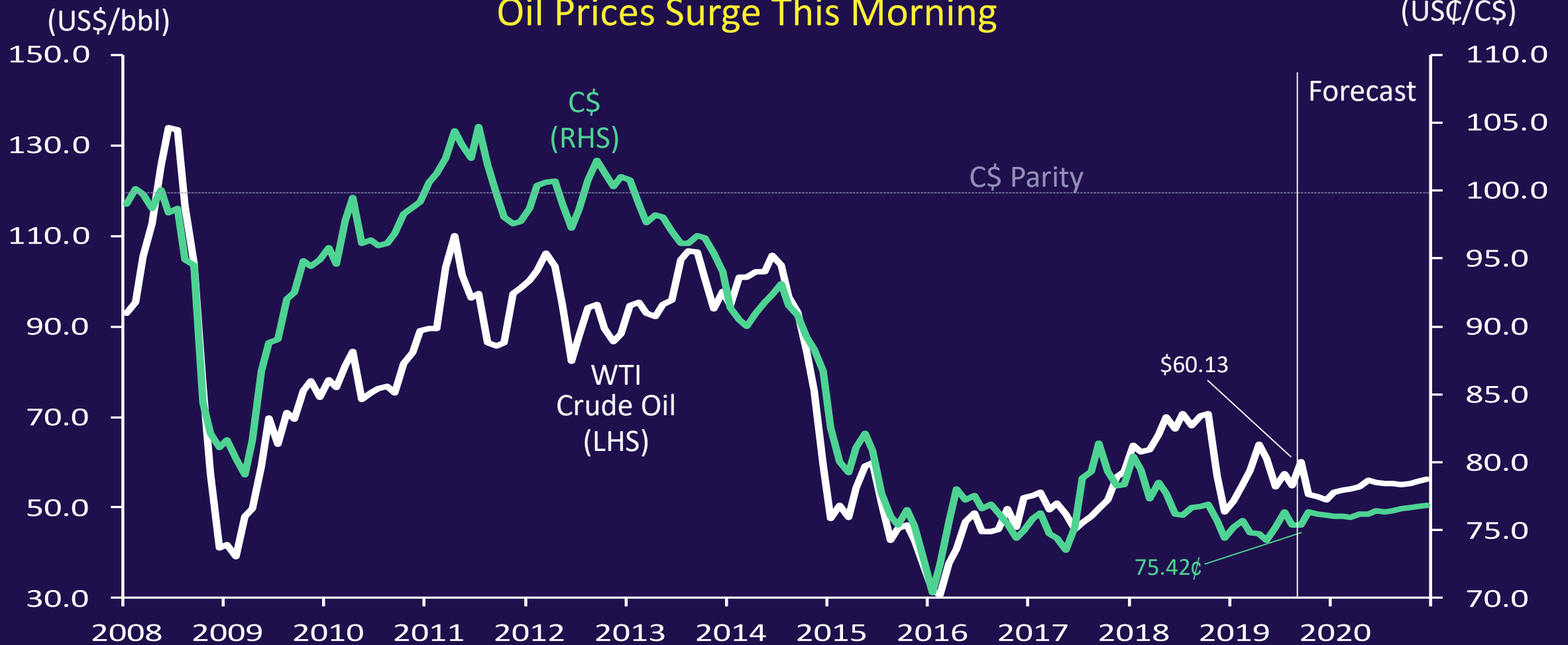
Oil Price And The Loonie

(as of September 16, 2019)



Sherry
Cooper
Assoc.

Oil Prices Surge This Morning



Forecast = BMO Capital Markets

Source: Haver Analytics, Bank of Canada, Bloomberg, U.S. Energy Information Administration

Financial Markets

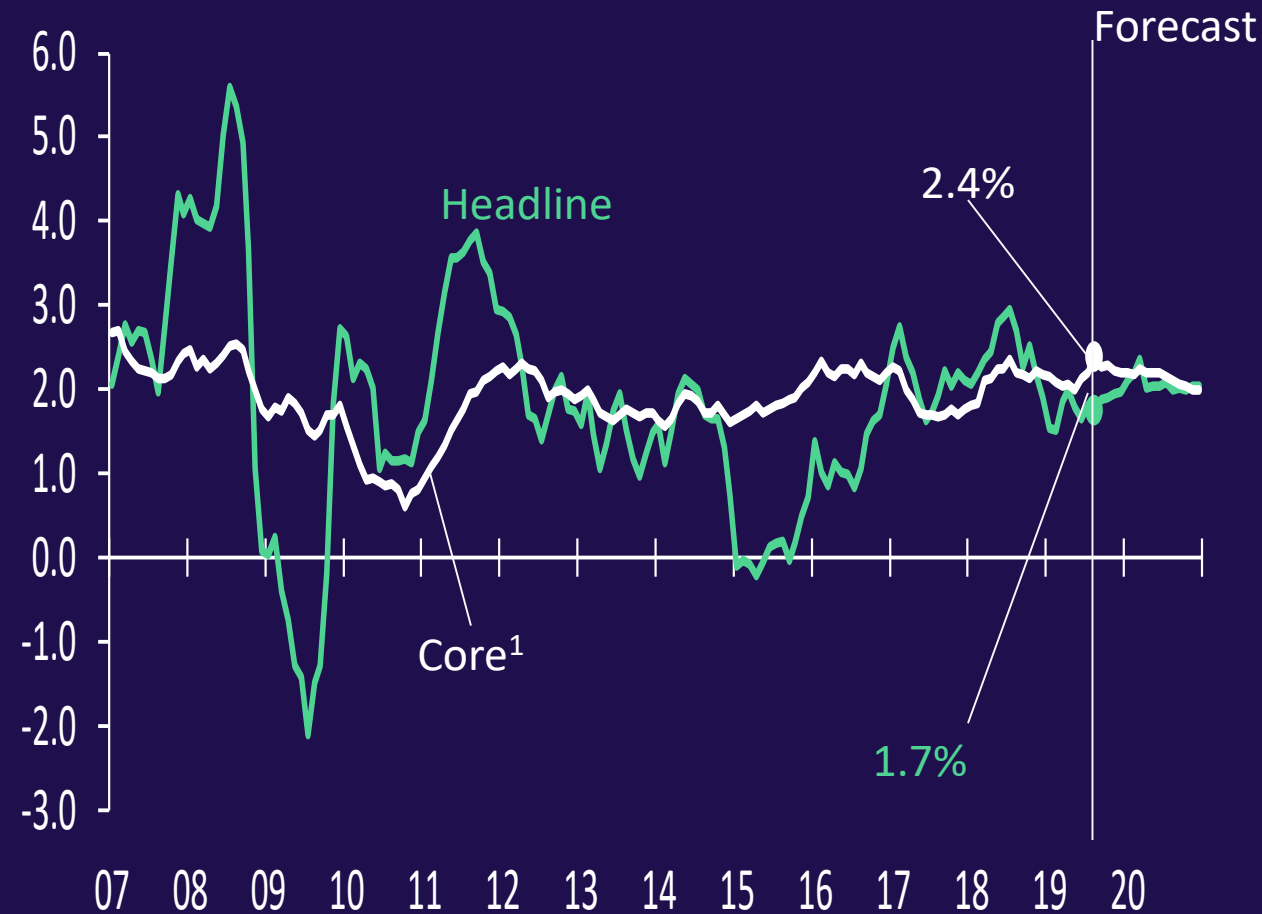


Bank of Canada On Hold For Now
Fed and Other Central Banks Ease
Inverted Yield Curves

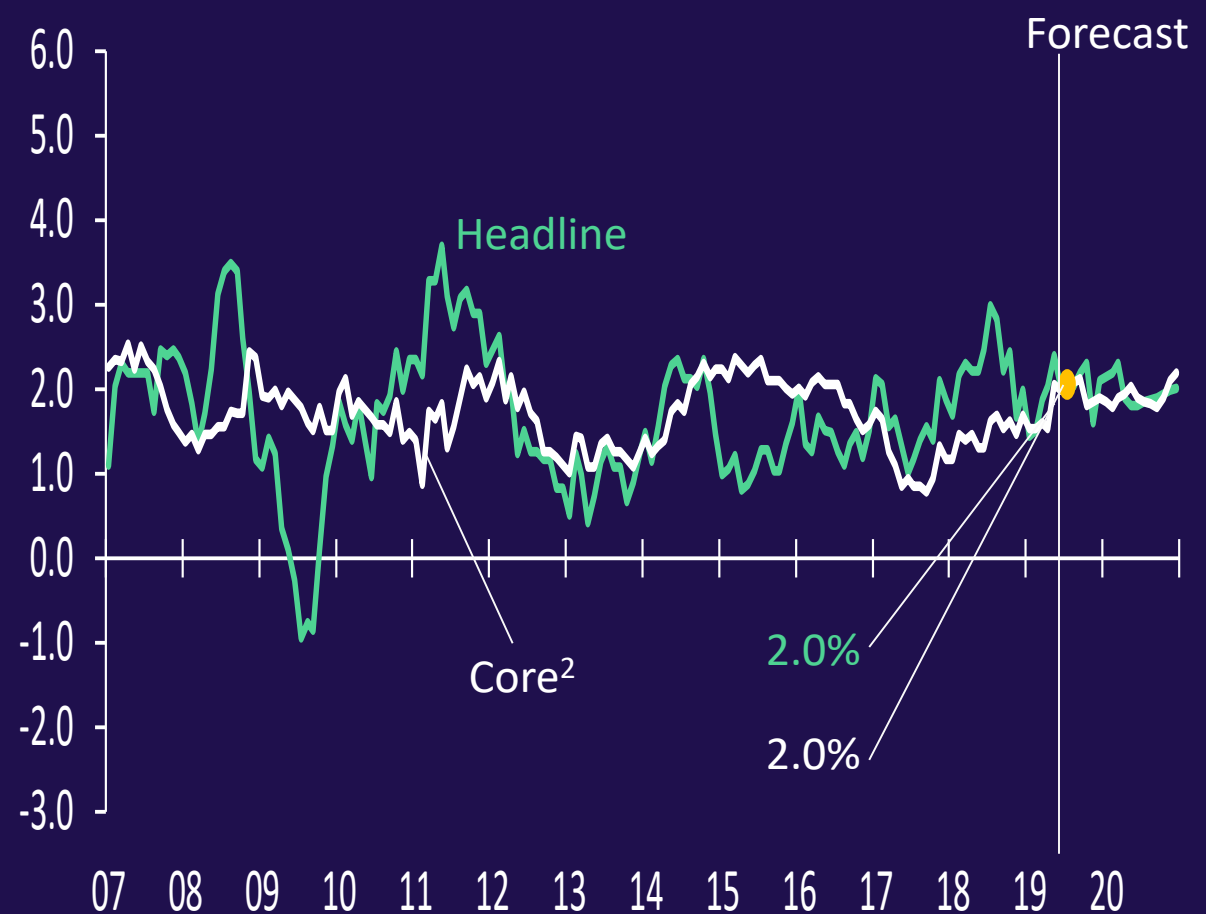
Inflation Edges Upward

Consumer Price Index (year/year % change)

U.S.



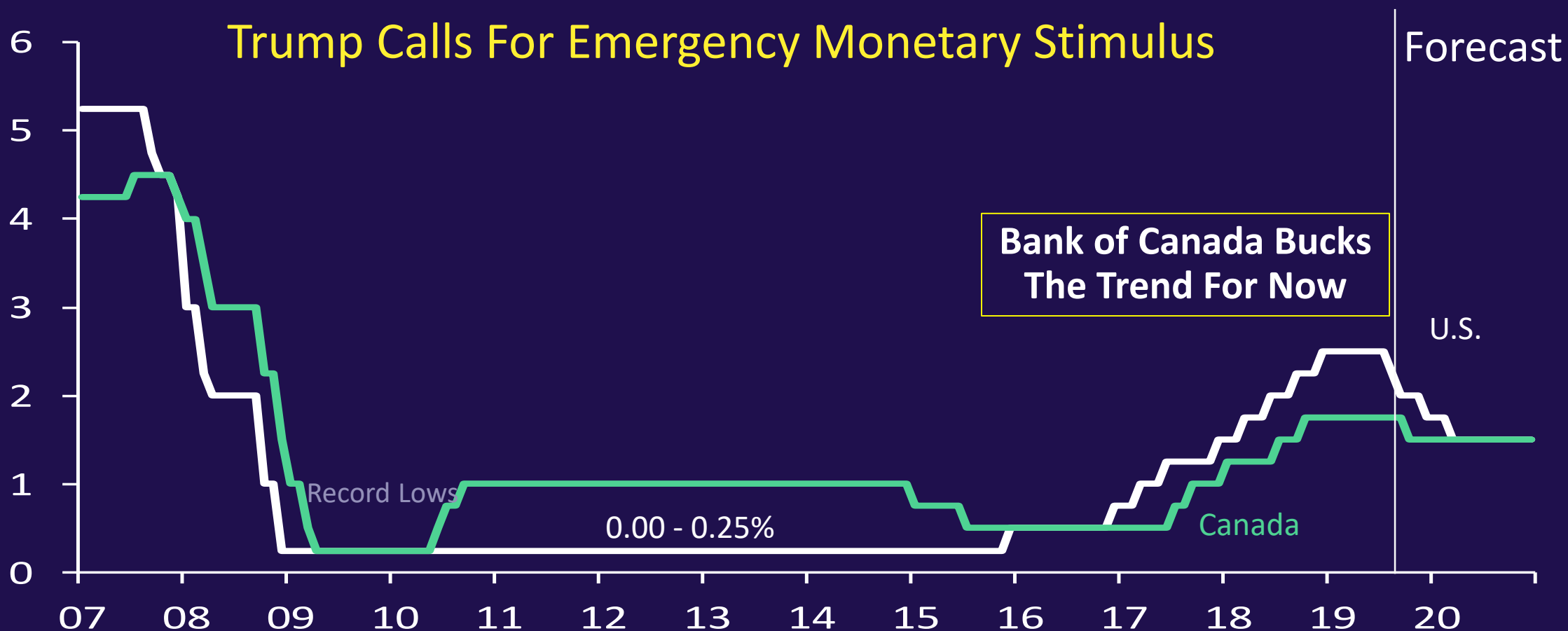
Canada



¹Core = ex. Food & energy; ²Core = ex. 8 most volatile components & indirect taxes; Forecast by BMO Nesbitt Burns
Source: Statistics Canada, Bureau of Labor Statistics, BMO Nesbitt Burns Economics, Haver Analytics

More Than 30 Central Banks Have Cut Rates in 2019

Overnight Rate
(percent)



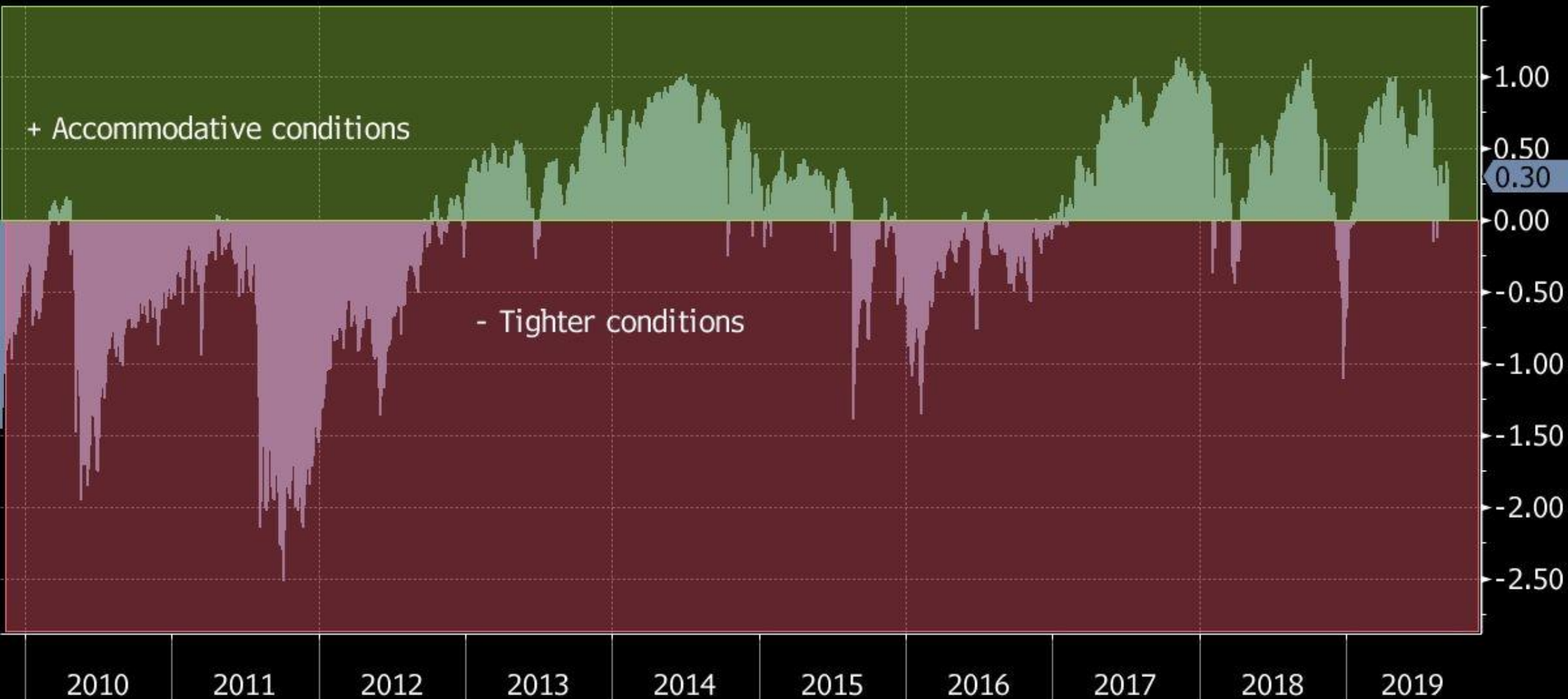
Forecast = Sherry Cooper Assoc.

Source: Haver Analytics, Bank of Canada, Federal Reserve Board

At Ease

Credit conditions in U.S. remain easy, conducive to further economic growth

■ Bloomberg U.S. Financial Conditions Index



Source: Bloomberg

Risk of US Recession In The Next Year Is 35%* —Up From 15% A Year Ago



- Initial Jobless Claims
- Consumer Spending
- Credit Conditions
- Average Weekly Hours



- Housing Market
- Equipment Orders

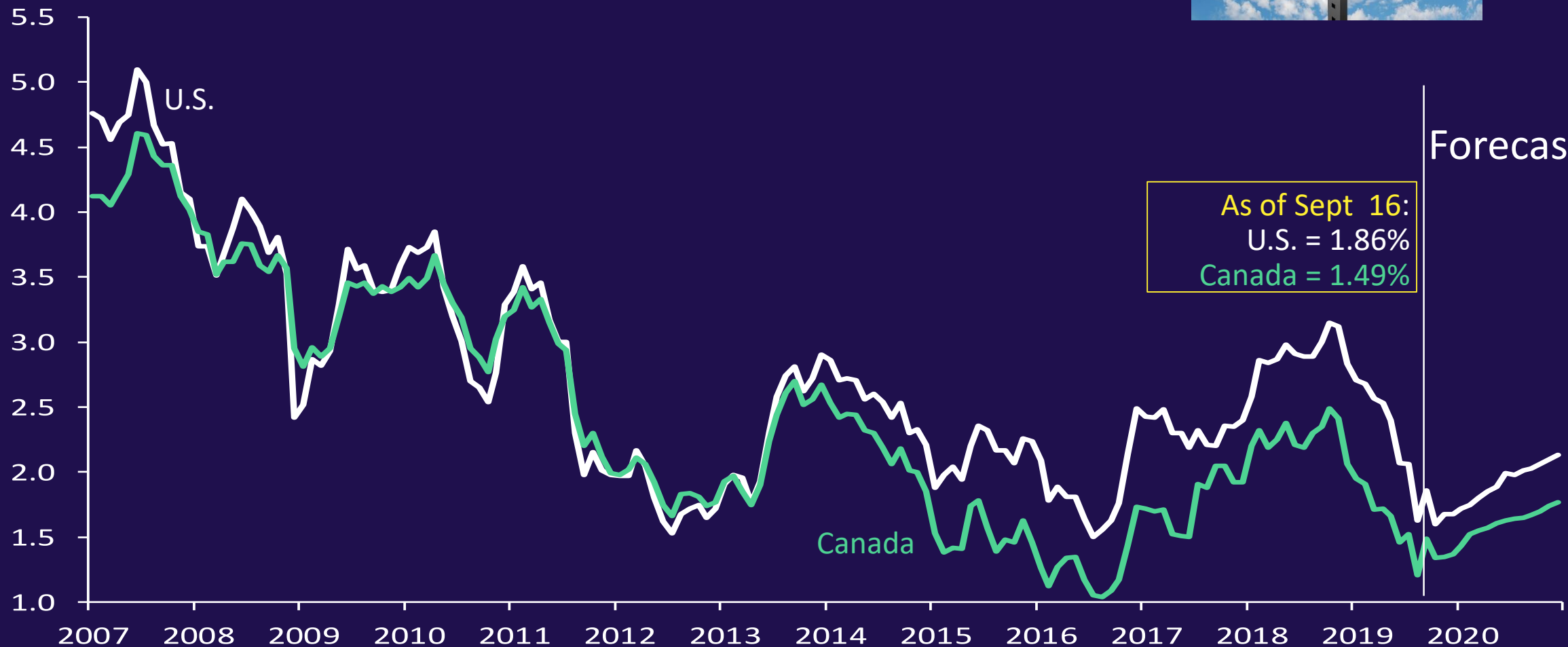


- Yield Curve
- Manufacturing
- Profit Margins

***Based on Bloomberg median estimates of economists**

Long Yields Plummet

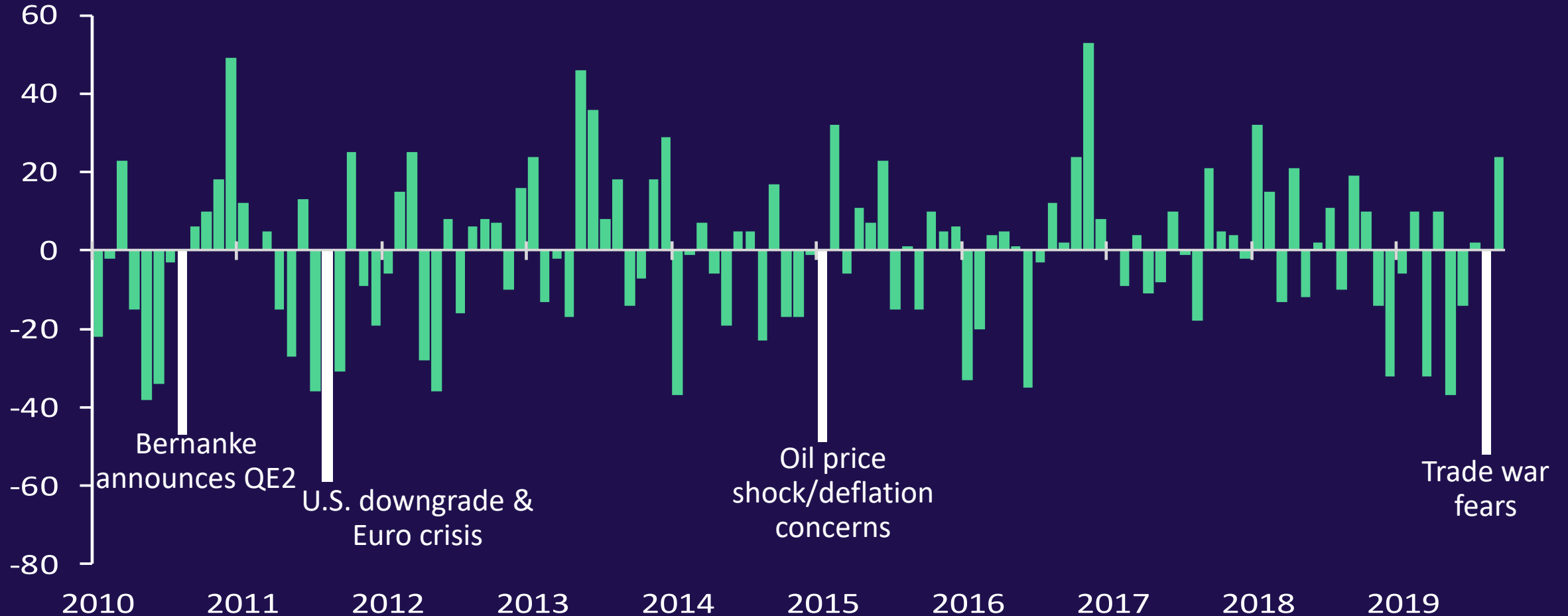
10-year Bond Yields
(percent)



Sherry
Cooper
Assoc.

Monthly Swings In The U.S. 10-Year T-Note Yield

U.S. 10-year Treasury Note Yield
(basis point change, end of period)

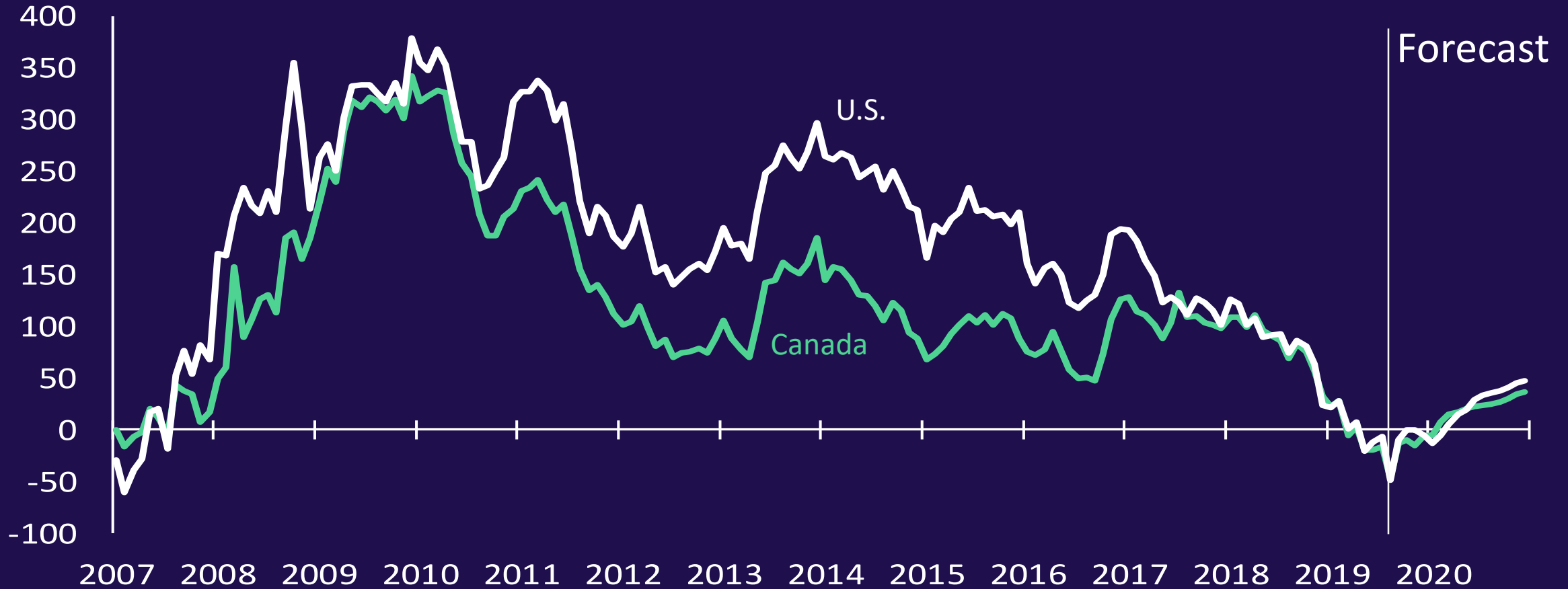


Inverted Yield Curve in Canada & U.S.

10-year Bond Yields minus 90-Day Bill Rates
(percent)



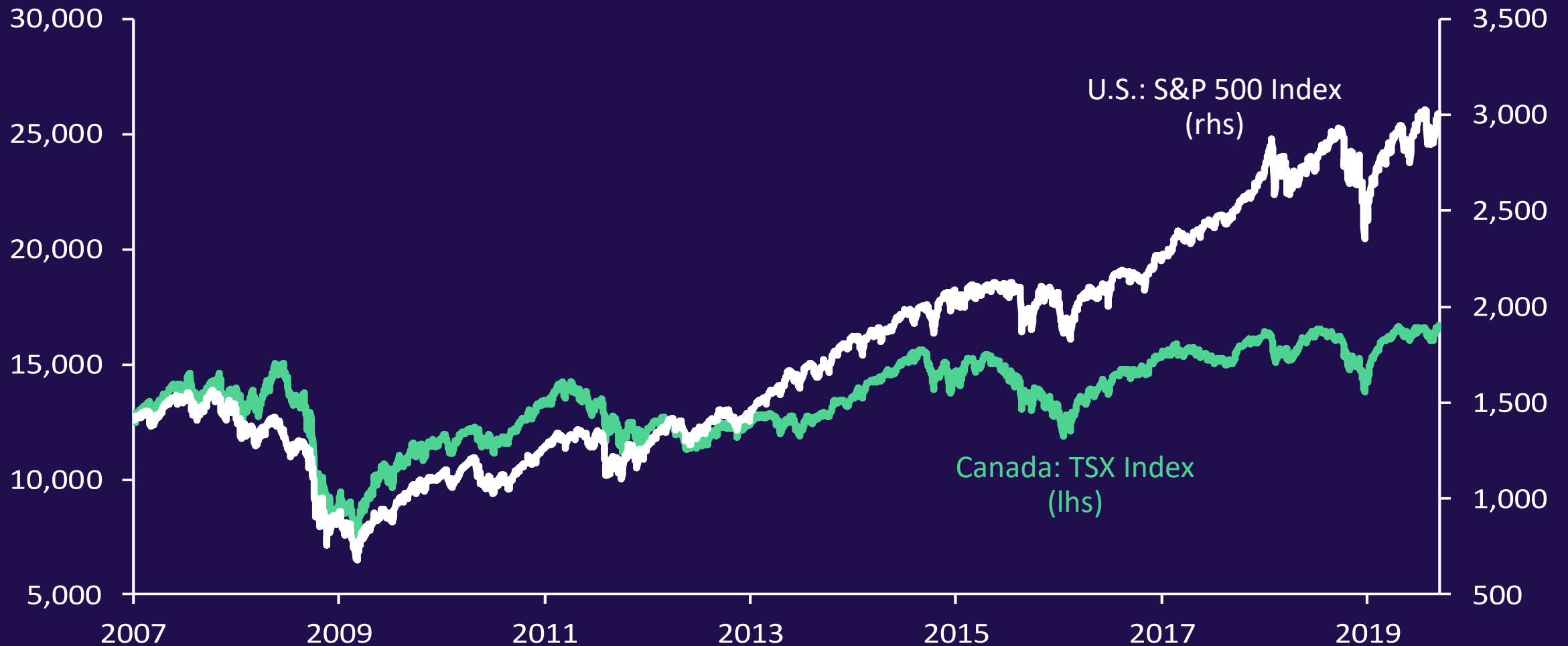
Sherry
Cooper
Assoc.



Forecast = BMO Capital Markets
Source: Bank of Canada, Federal Reserve Board

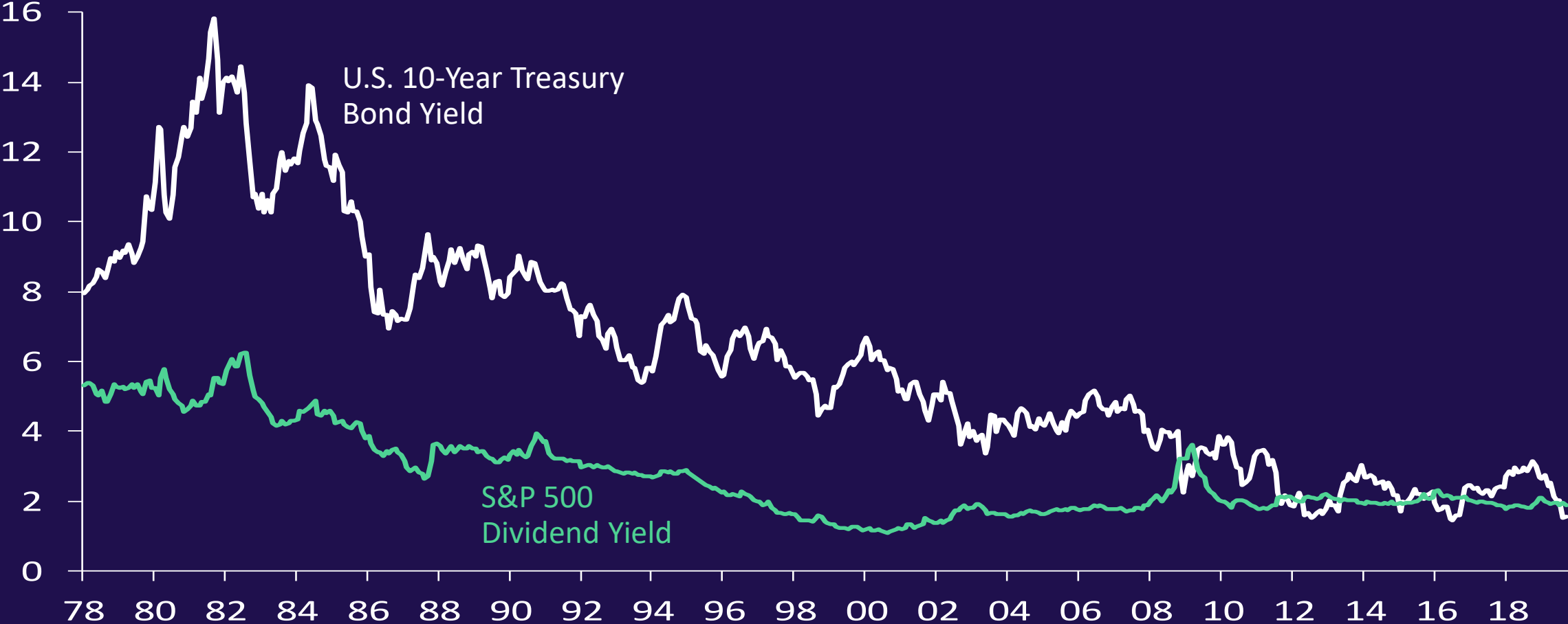
U.S. Equities Outperform

(daily, as of September 13, 2019)



A Case For Equities? S&P 500 Dividend Yield Exceeds 10-Year Treasury Bond Yield

(percent)



Source: Bloomberg, Haver Analytics

Riding The Wave

S&P/TSX posts a third week of gains, longest streak since June

■ S&P/TSX Composite Index weekly moves



Source: Bloomberg

**Sherry
Cooper
Assoc.**

Follow Me On

#DrSherryCooper

www.SherryCooper.com

Vancouver
September 19, 2016



Twitter.com/**DrSherryCooper**



Linkedin.com/in/**DrSherryCooper**



Facebook.com/**DrSherryCooper**