

Trade War Hurts All

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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

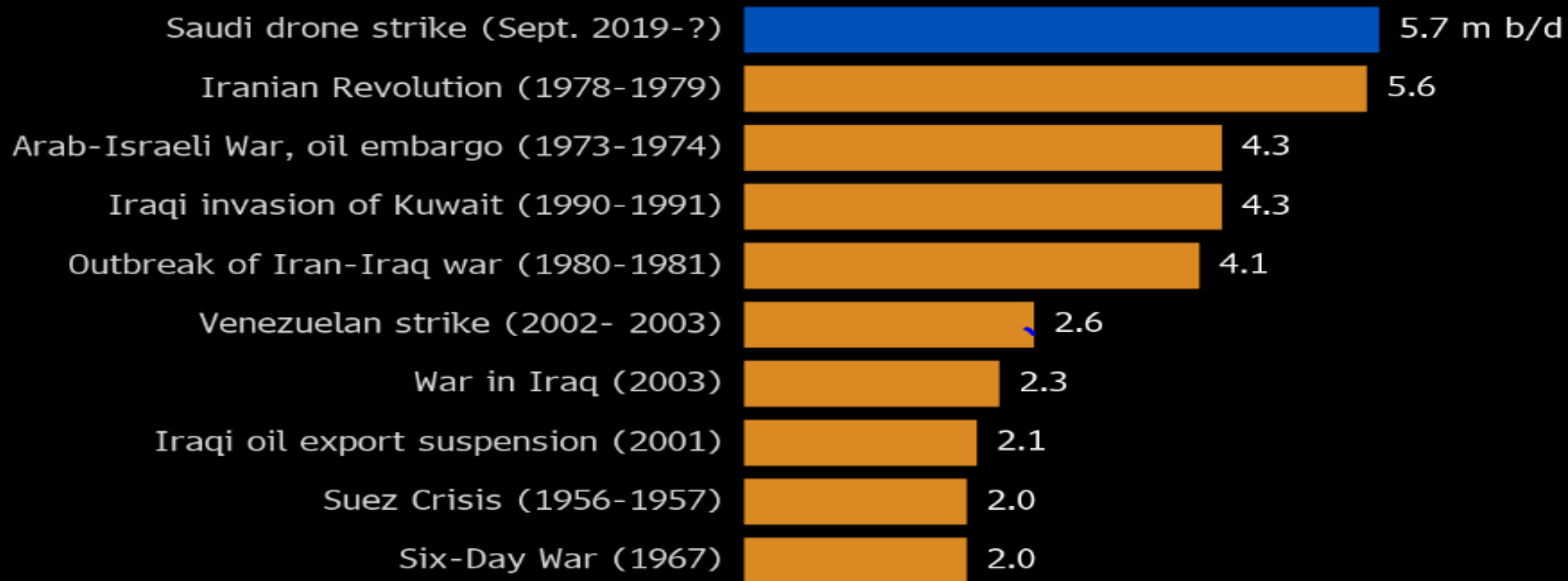
(current price GDP weighted, 3-month moving average, mean = 100)



Oil Disruptions

Saudi attack tops biggest disruptions in history

■ Gross peak supply loss

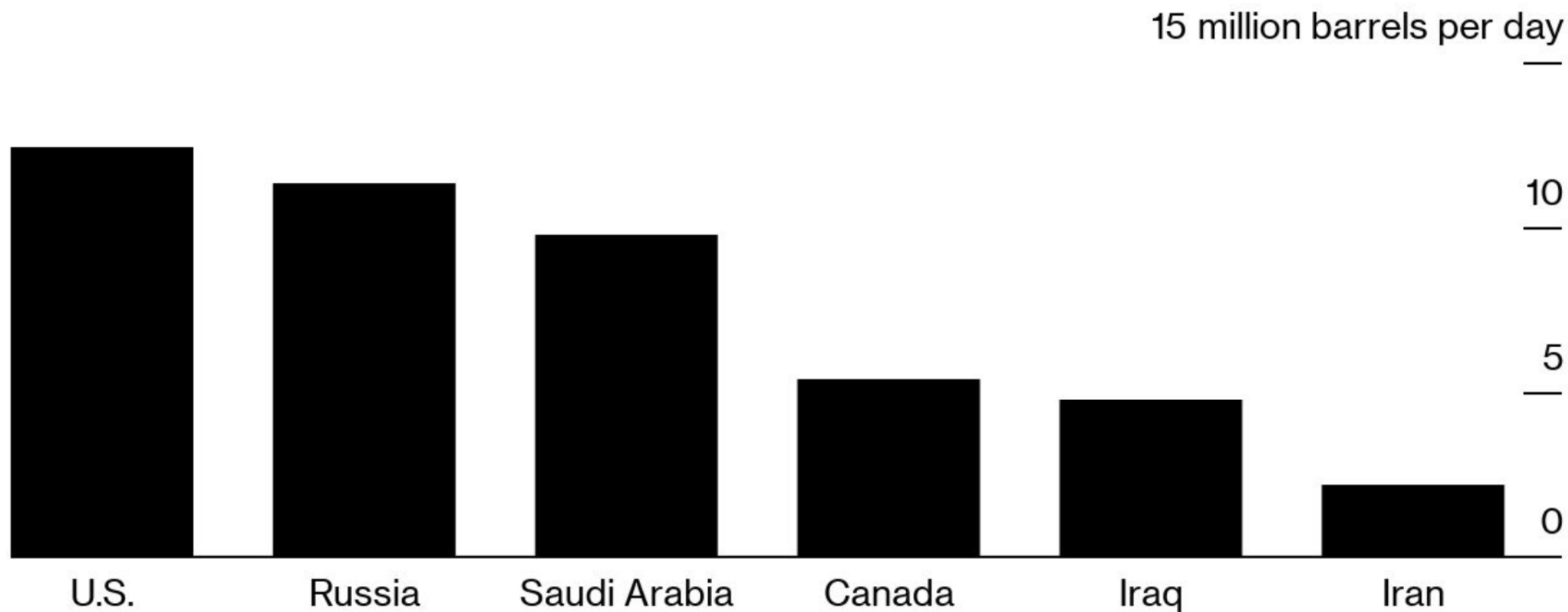


Sources: International Energy Agency, Bloomberg

Bloomberg

Third Place

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



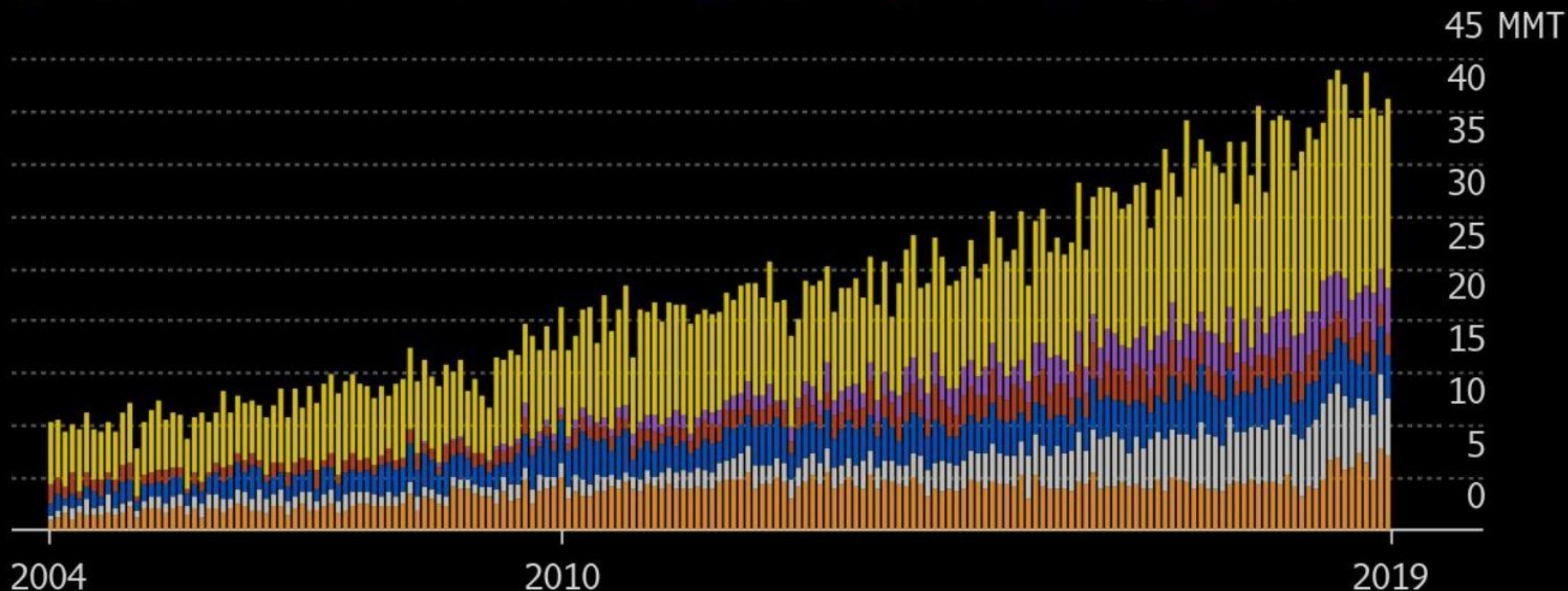
Source: U.S. Department of Energy, Bloomberg, Russian Energy Ministry

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

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Global Growth Slows As Tensions Build

Real GDP
(year/year % change)

	2018	2019	2020
World	3.6	3.1	3.0

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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

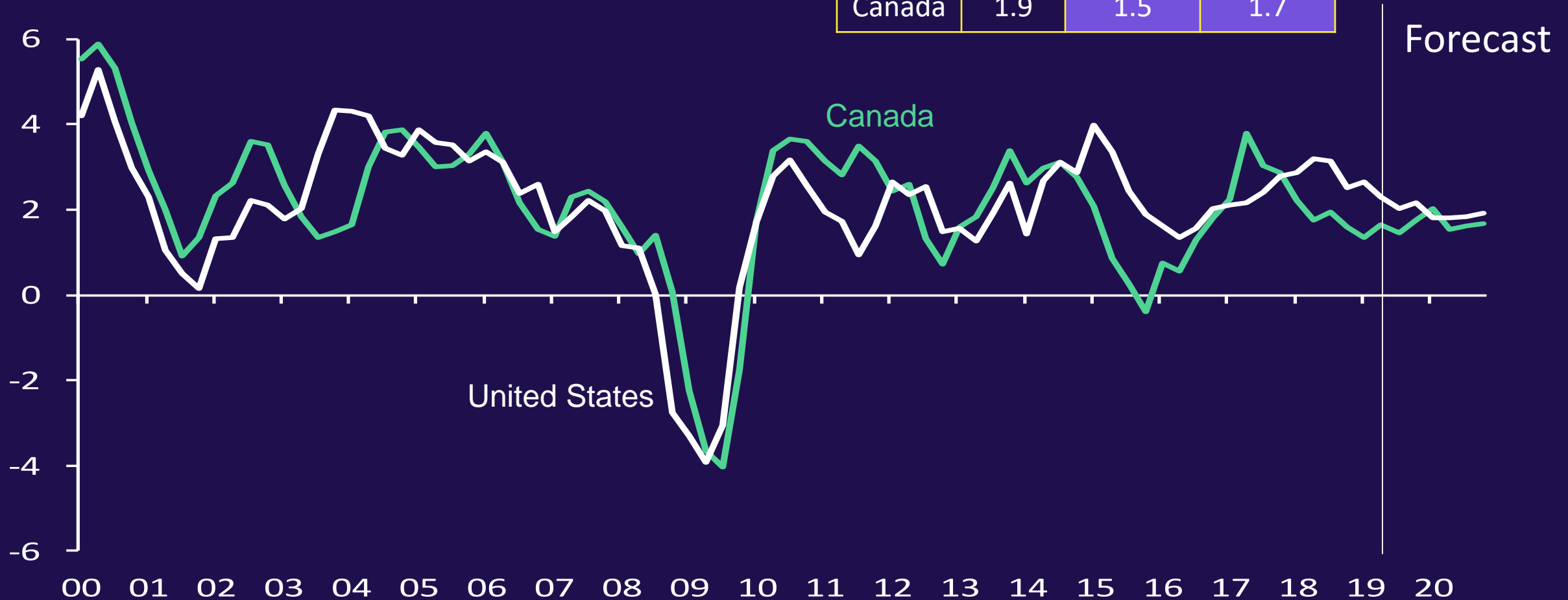
Exports Plunge

Residential Construction Shrinks

US and Canada Slow

Real GDP
(year/year % percent)

	2018	2019	2020
U.S.	2.9	2.3	1.8
Canada	1.9	1.5	1.7

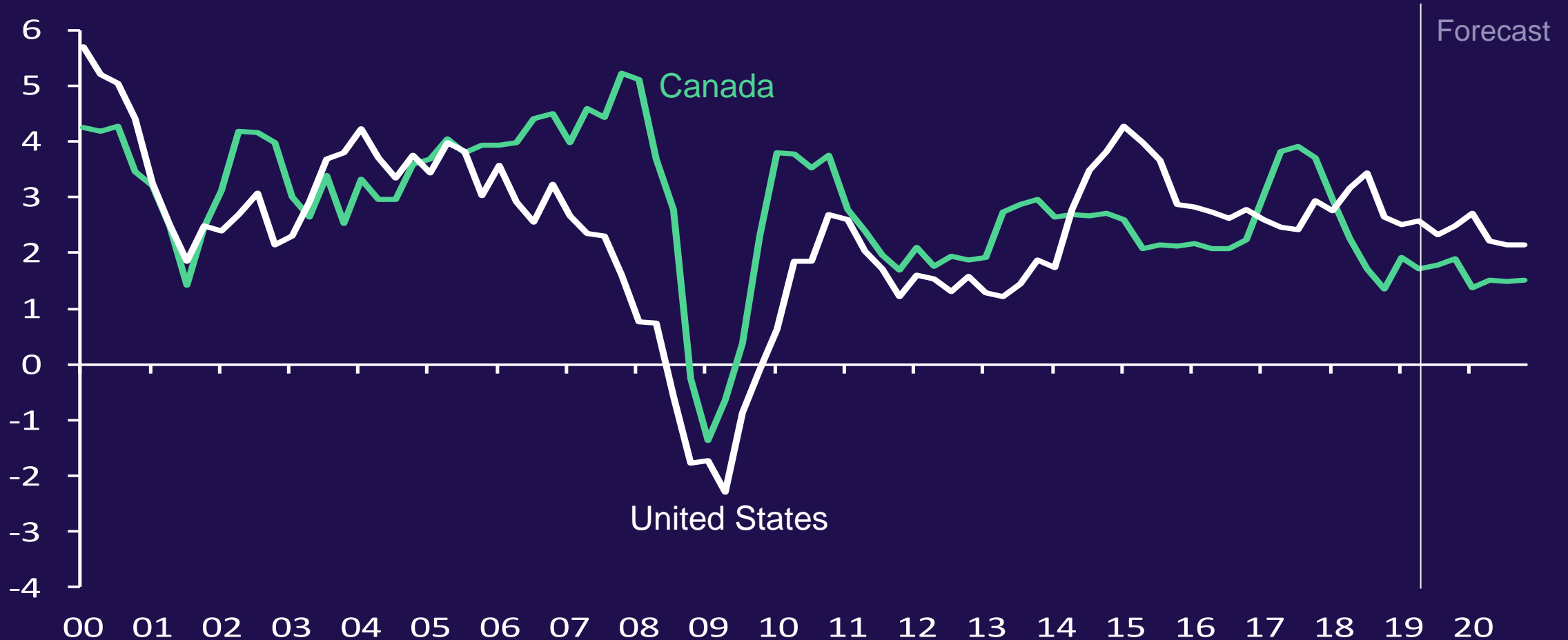


Consumers Have Bolstered The Economy

Real Personal Consumption Expenditure
(year/year % percent)



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Forecast= BMO Capital Markets

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

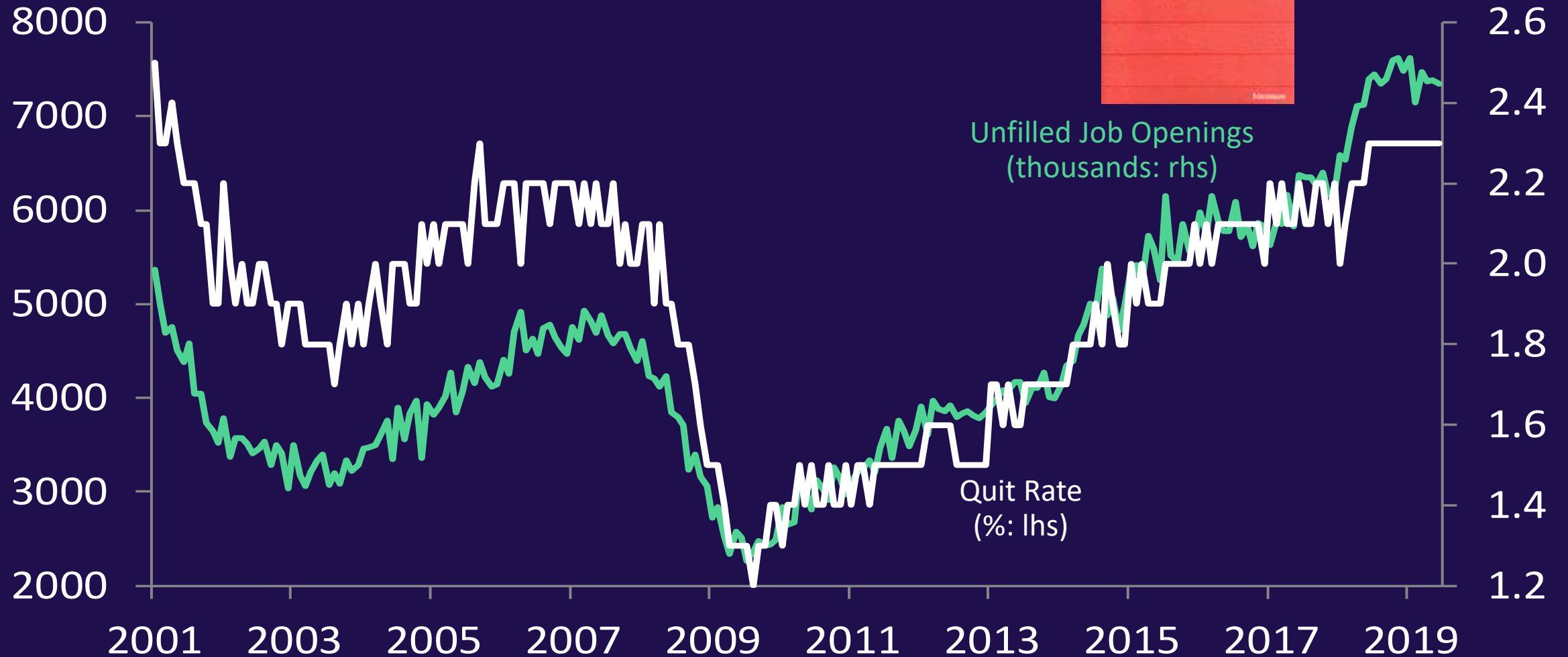
Jobless Rate At Historical Lows Boosting Incomes

(percent)



U.S. Labor Market Very Tight

Job Openings and Labor Market Survey (JOLTS)



Real Household Income Growth At A Record

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



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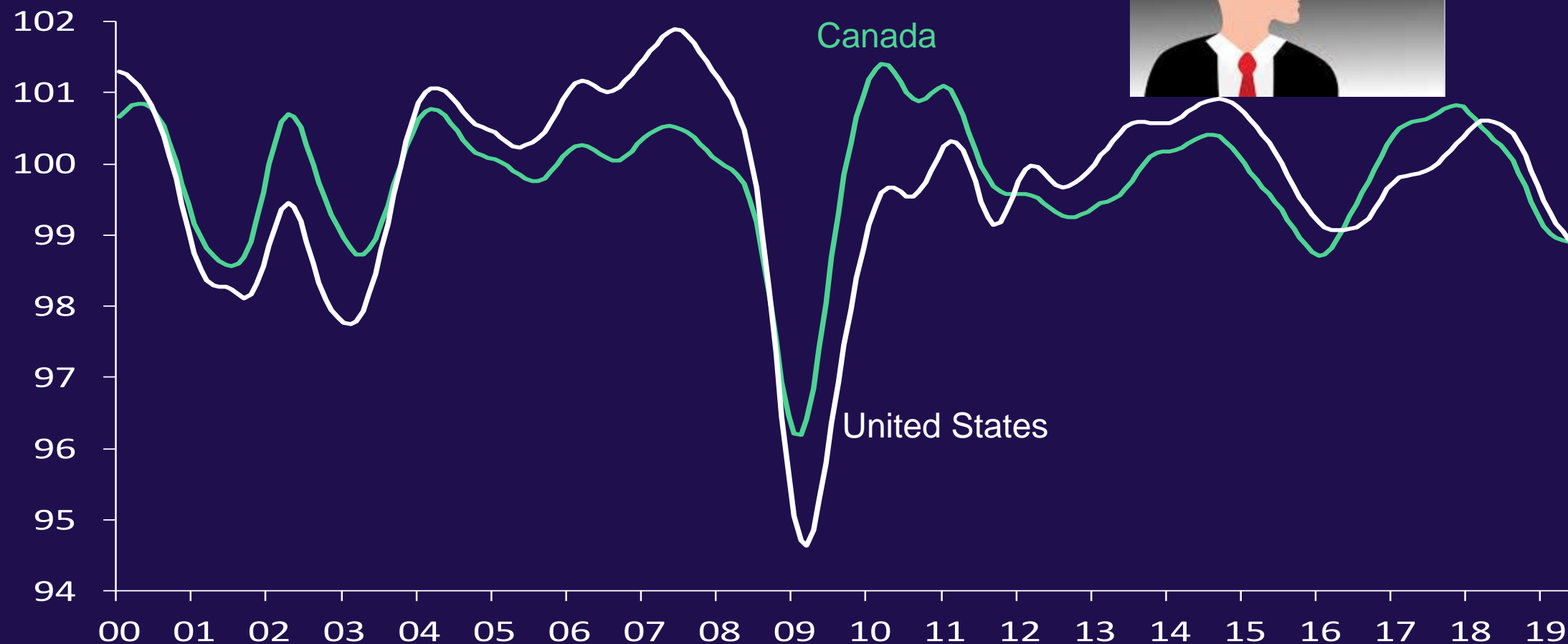


Source: U.S. Census Bureau, Haver Analytics

But, Consumer Confidence Is Falling

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

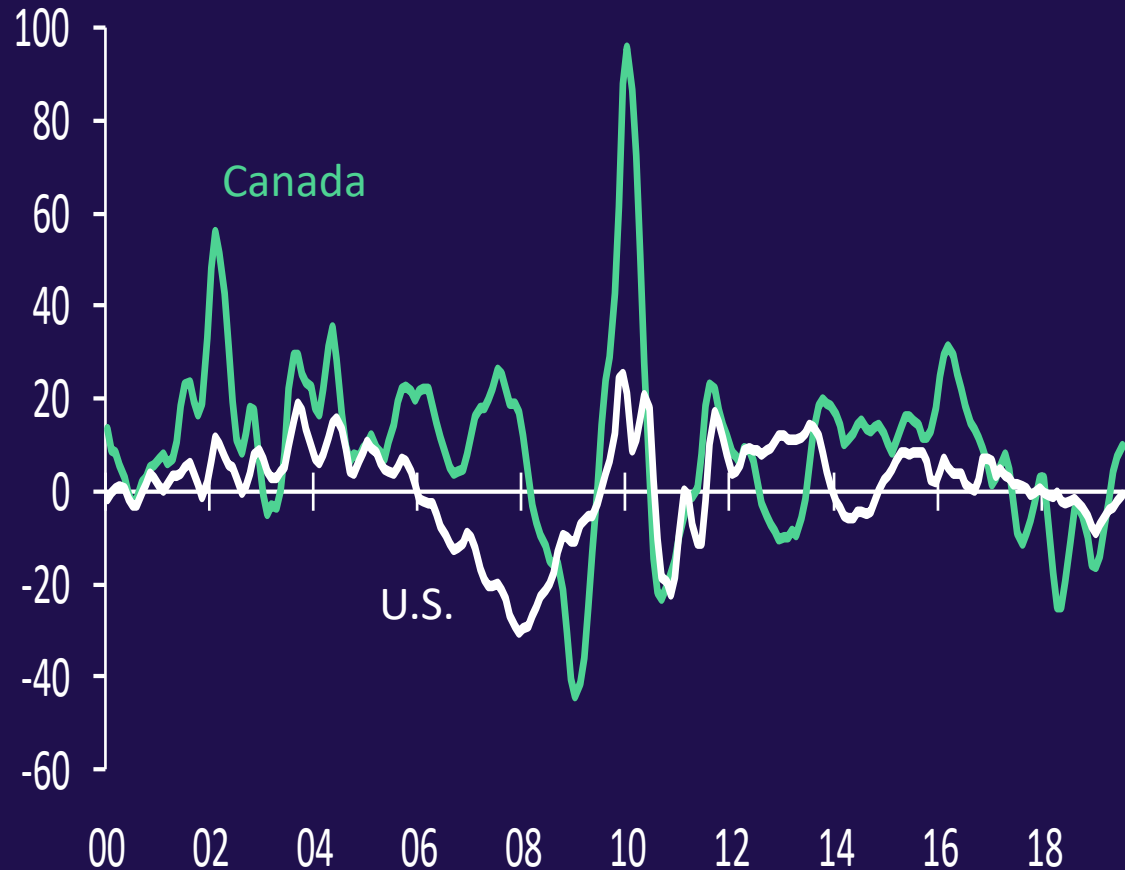
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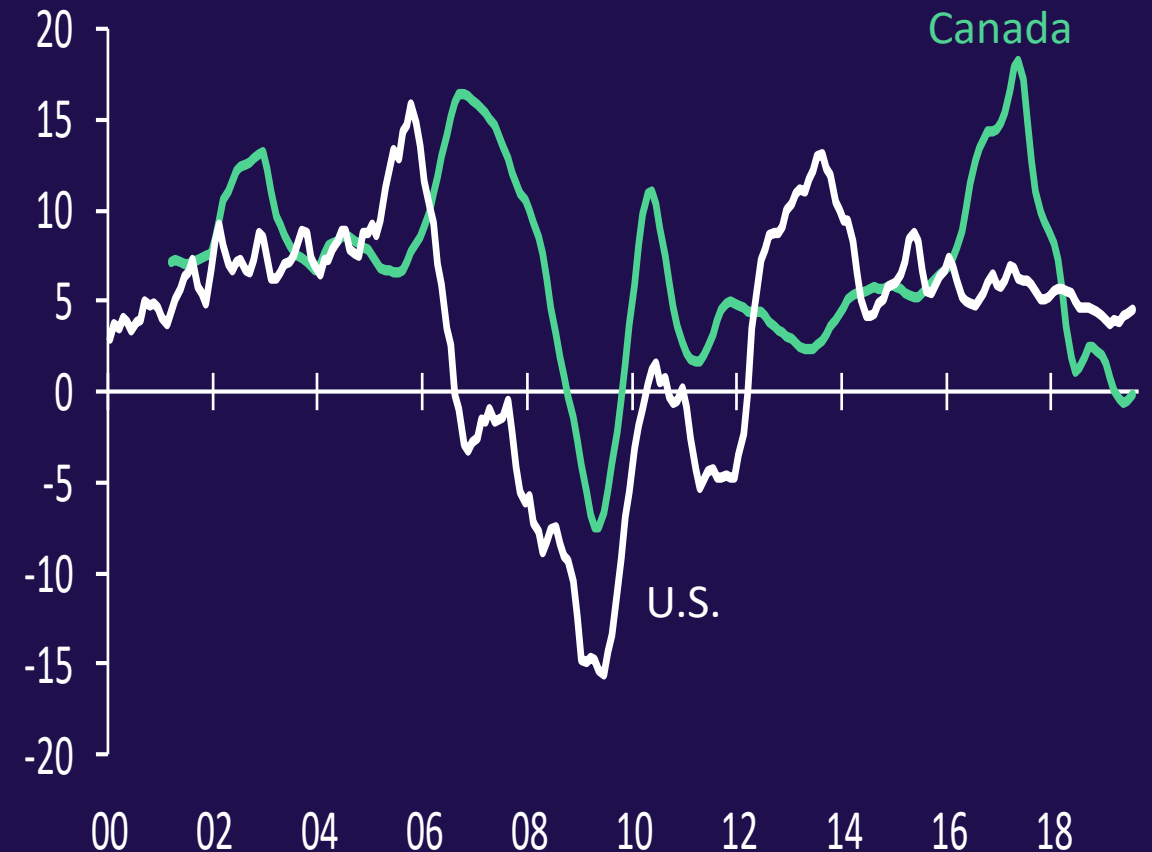
U.S. Home Sales Weaken, Canadian Home Prices Softer

Existing Homes (year/year % change, smoothed)

Home Sales



Home Prices

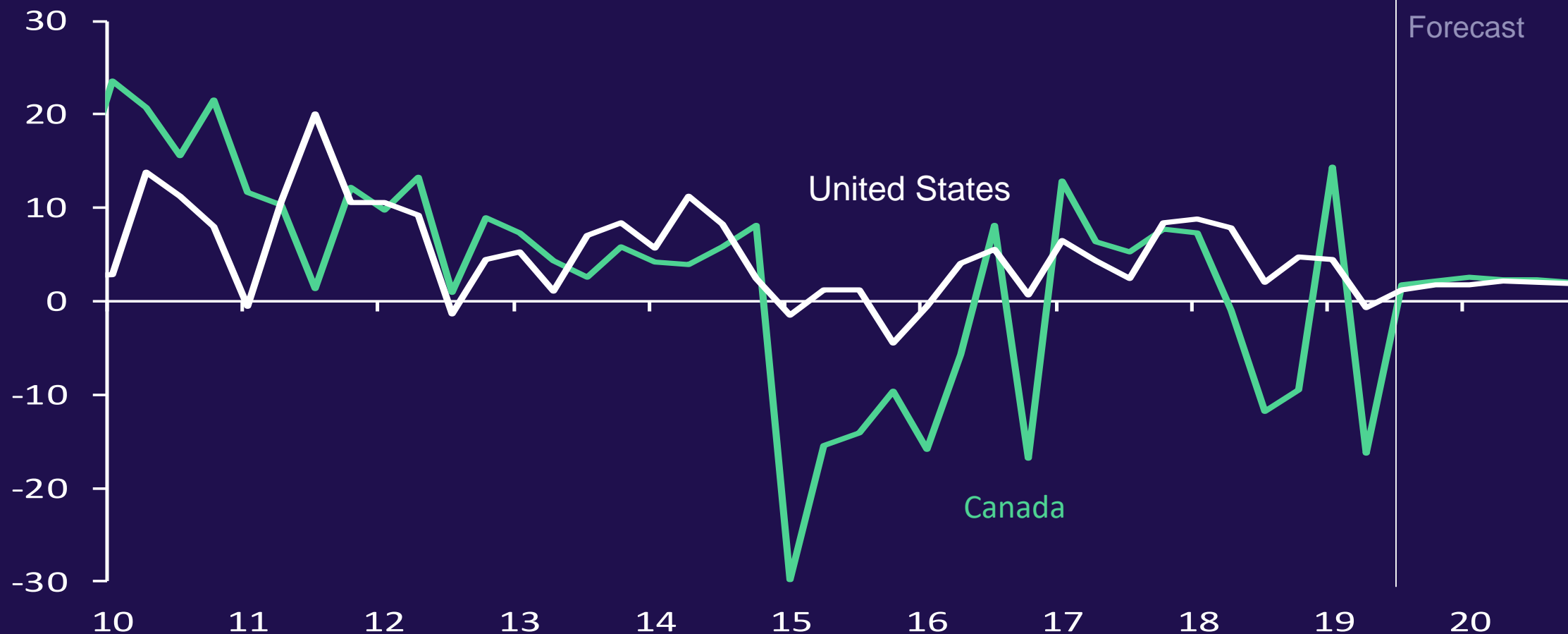


Uncertainty Drags Down Business Investment

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



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Loonie Tied To Oil And New NAFTA



Oil Prices Surge on Saudi Attack

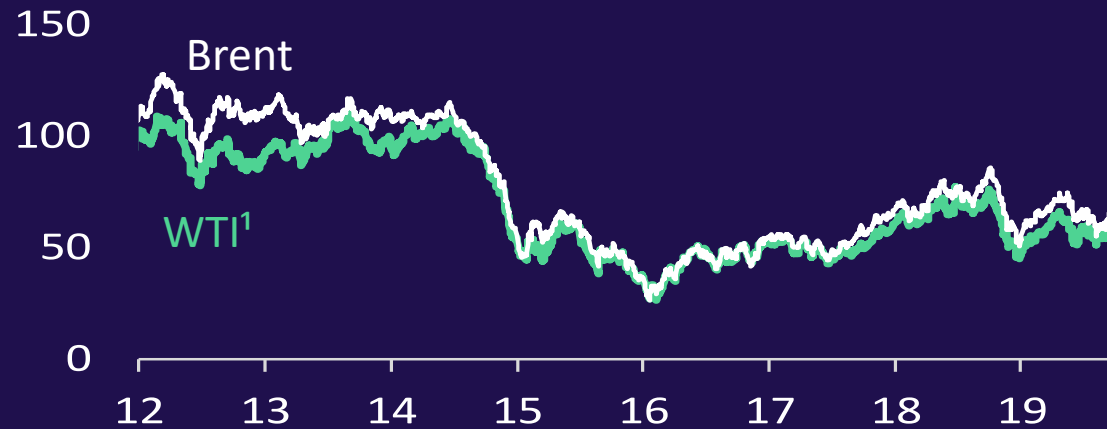
Trump Tries to Damp Down Trade War

USMCA in 2019?

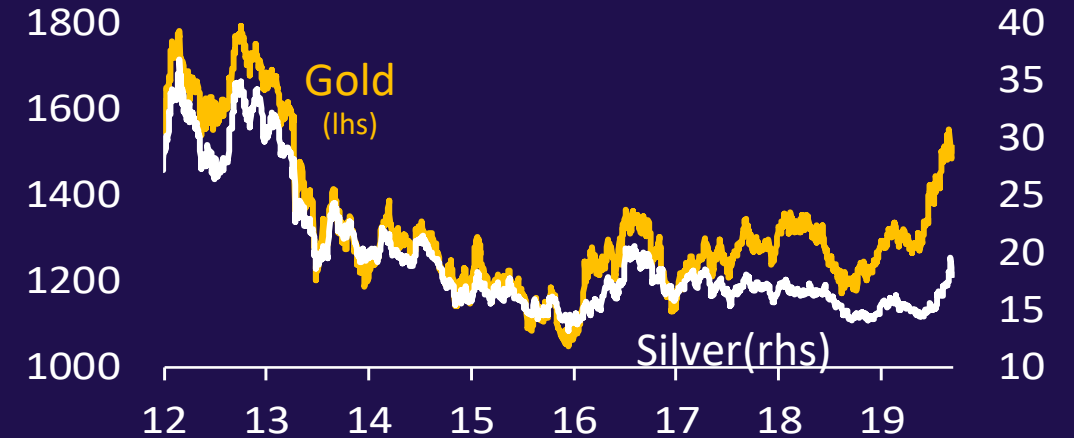
Commodity Price Decline Hurts Canada

(as of September 16, 2019)

Crude Oil



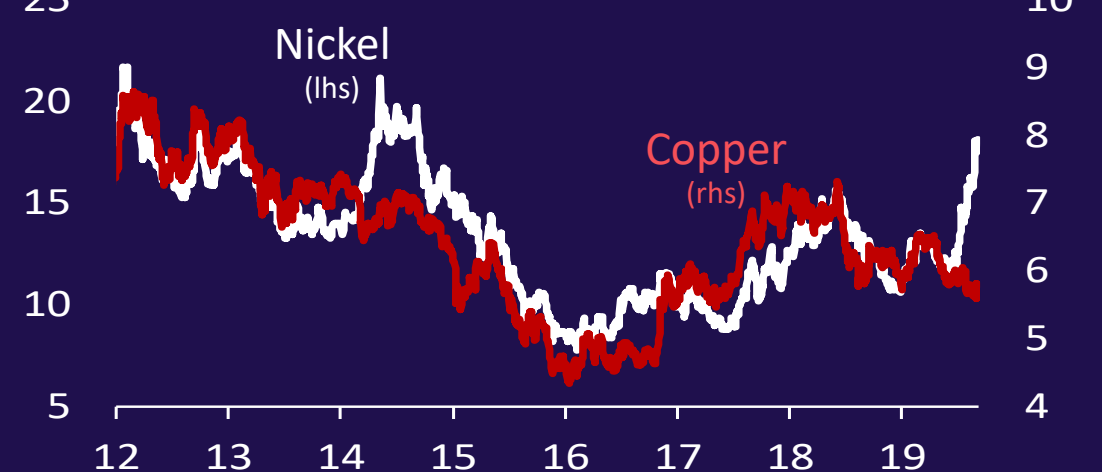
Precious Metals (US\$/oz)



Natural Gas (US\$/mmbtu)



Base Metals (US\$000s/ton)



¹ West Texas Intermediate

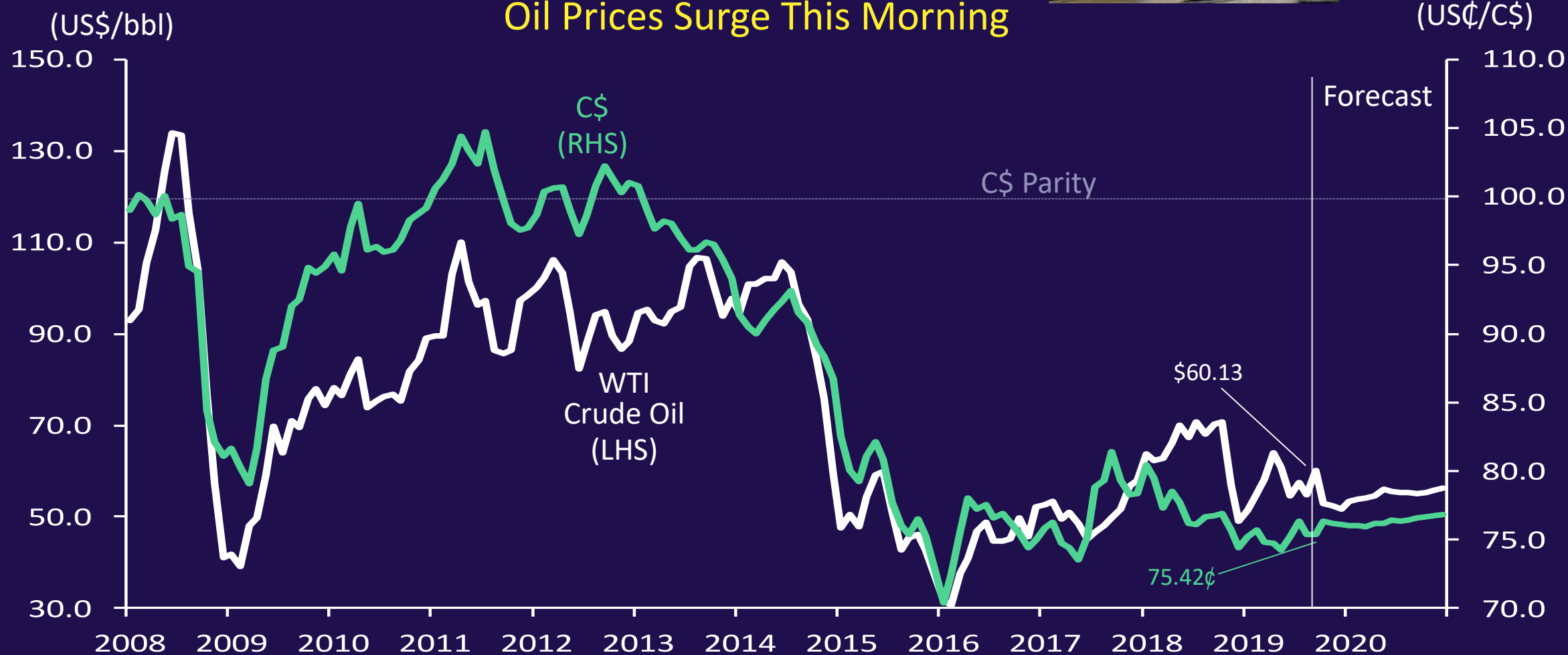
Oil Price And The Loonie

(as of September 16, 2019)



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Oil Prices Surge This Morning



Forecast = BMO Capital Markets

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

Financial Markets



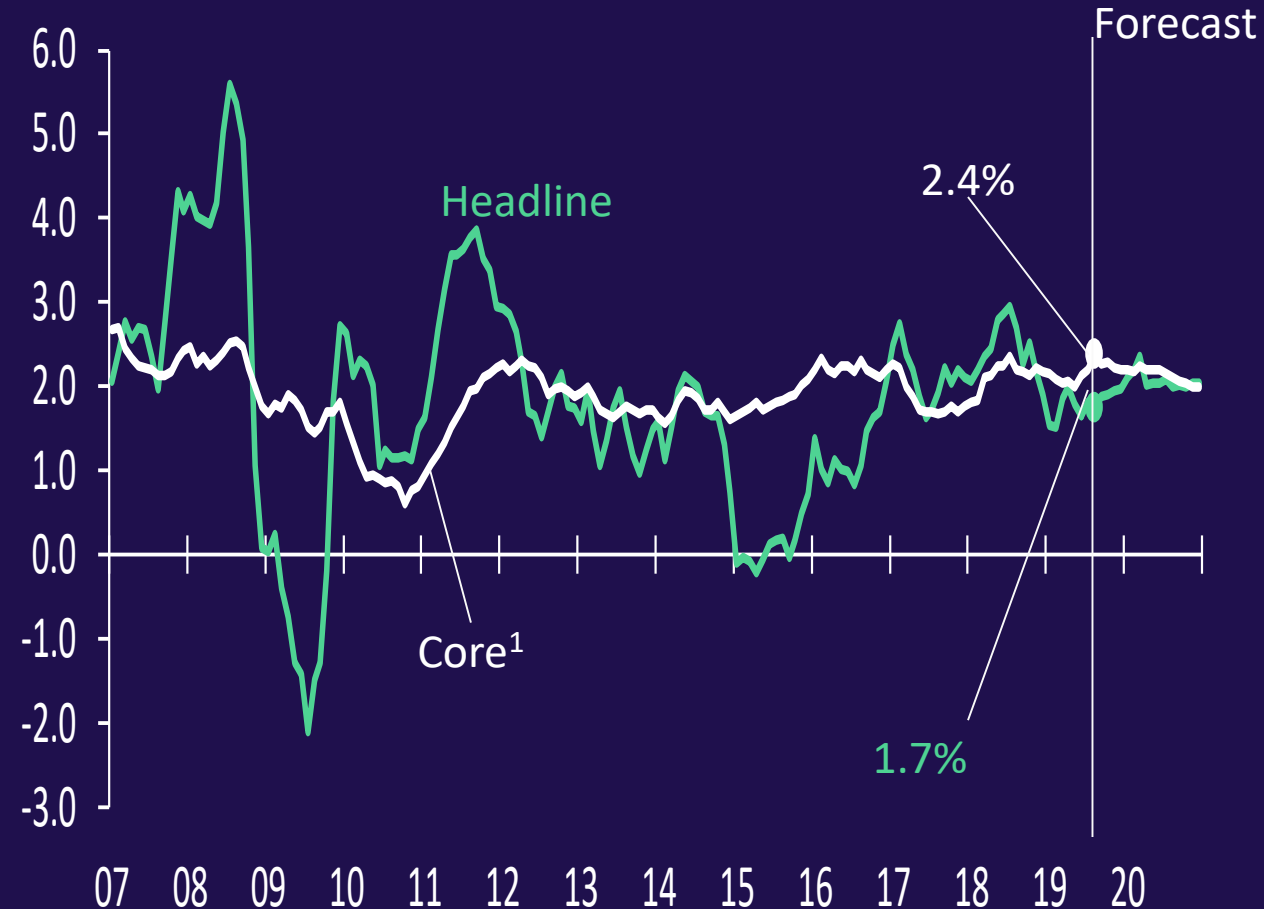
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Bank of Canada On Hold For Now
Fed and Other Central Banks Ease
Inverted Yield Curves

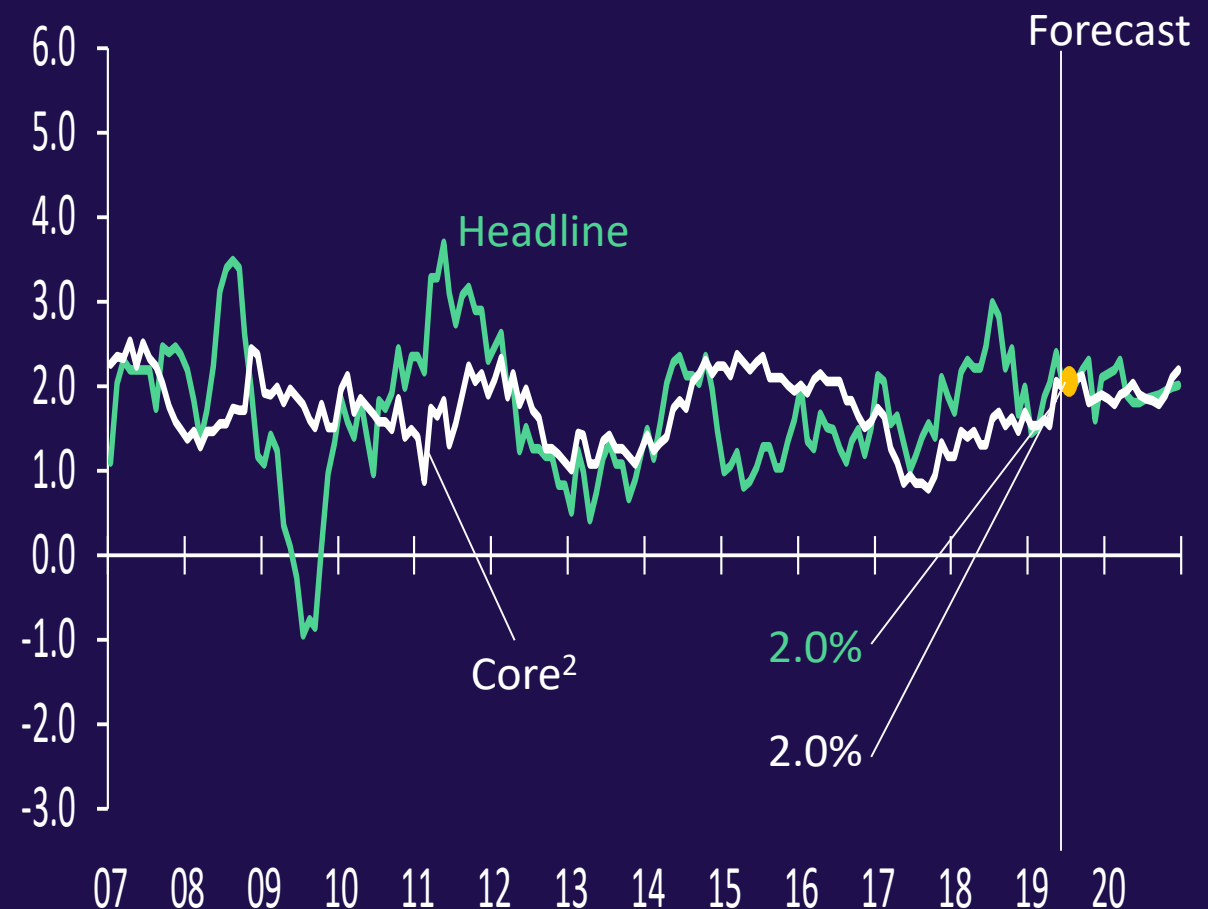
Inflation Edges Upward

Consumer Price Index (year/year % change)

U.S.



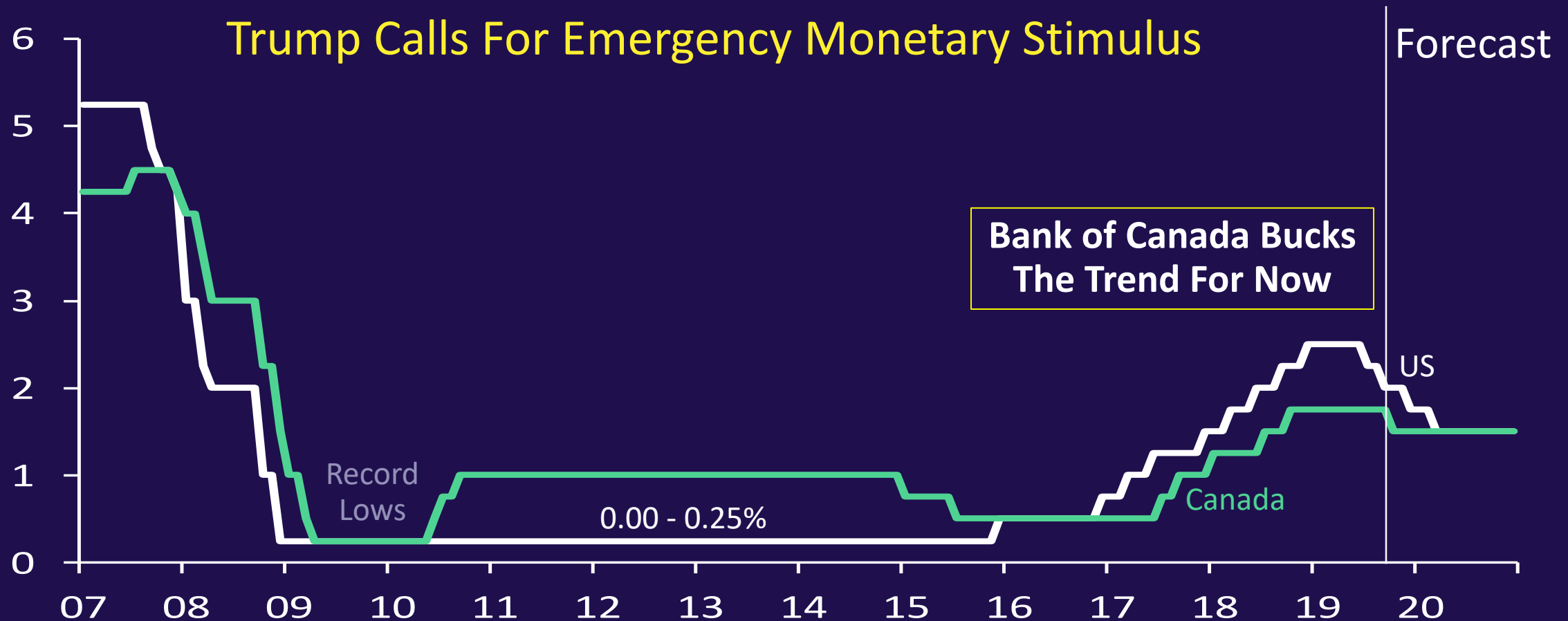
Canada



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)



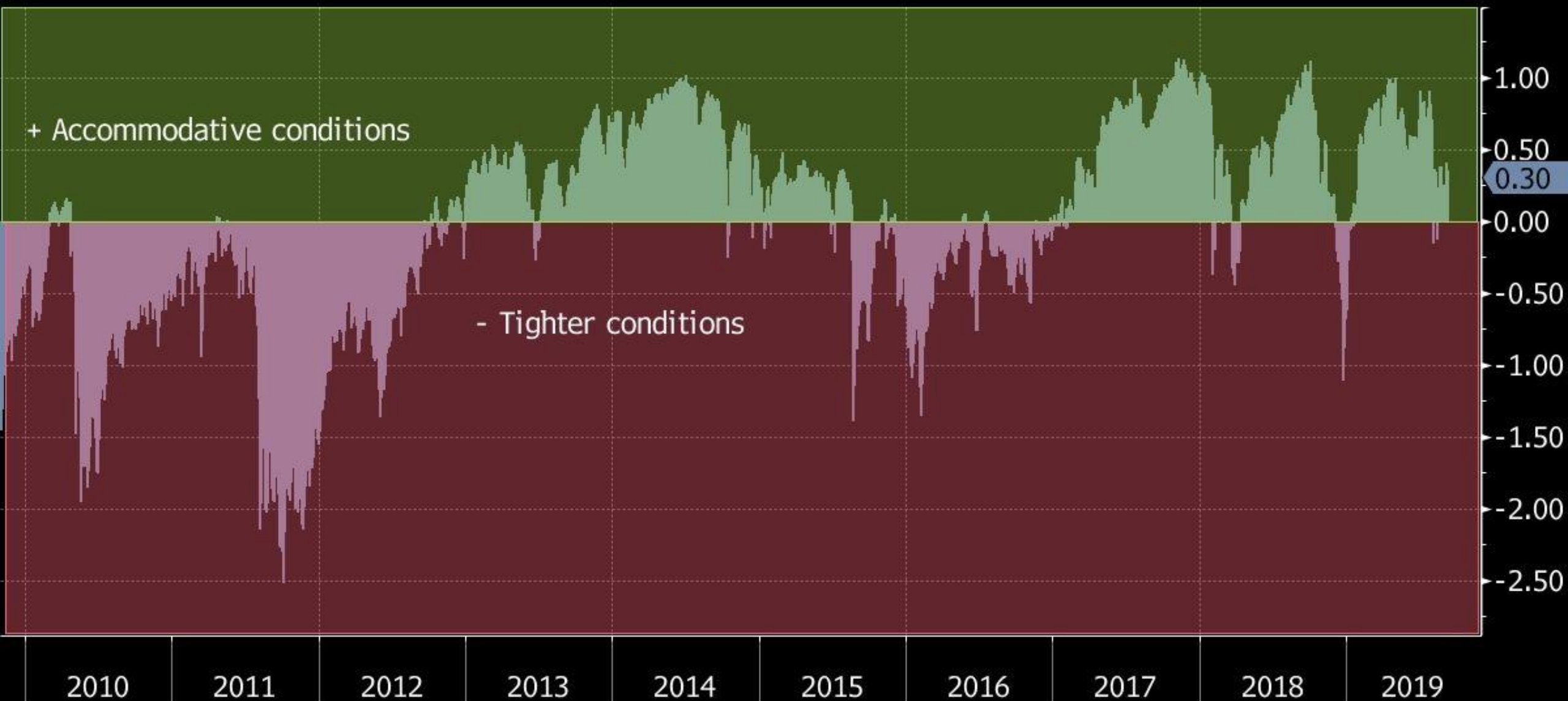
Forecast = Sherry Cooper Assoc.

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

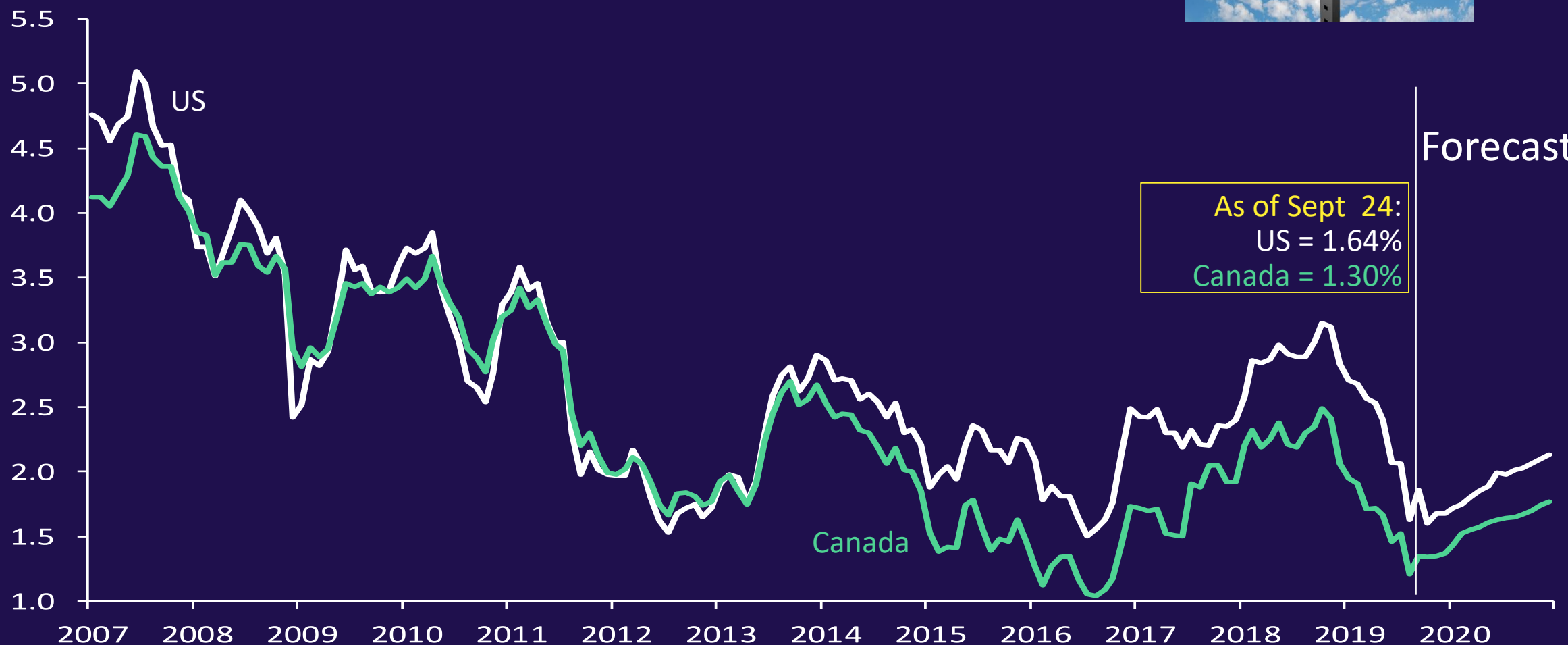


- Yield Curve
- Manufacturing
- Profit Margins

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

Long Yields Plummet

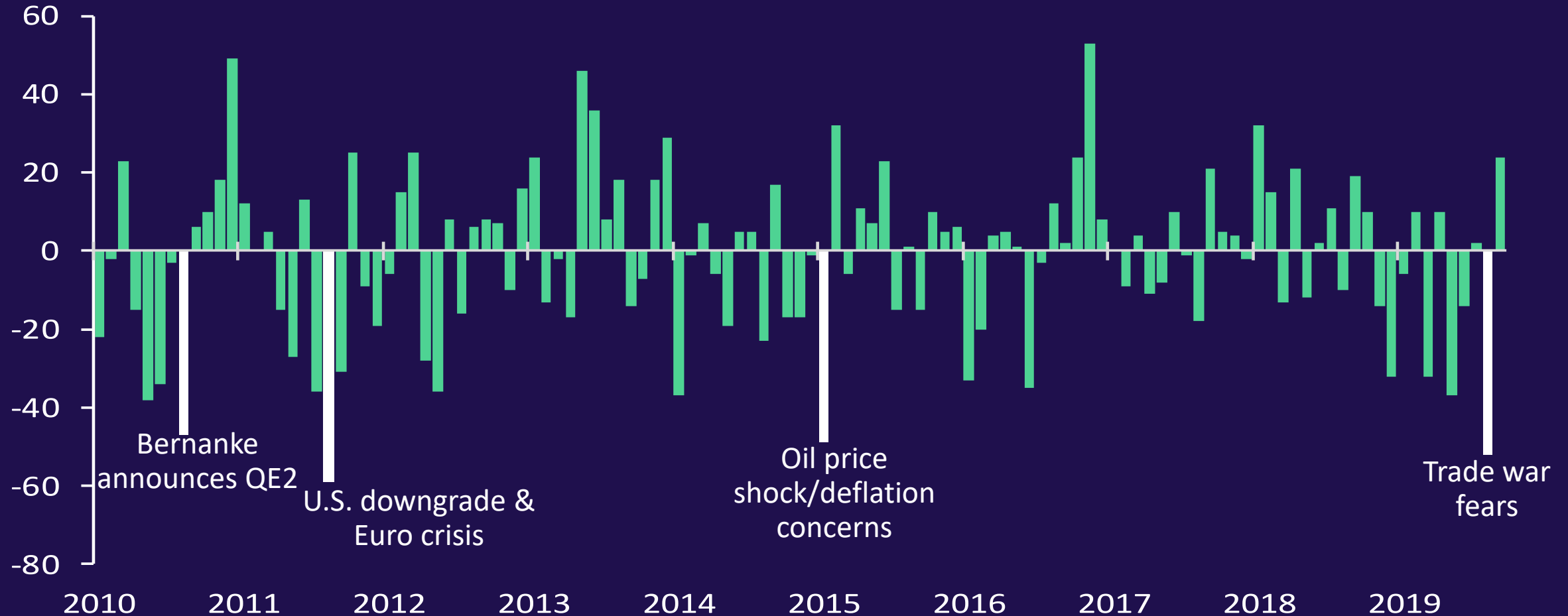
10-year Bond Yields
(percent)



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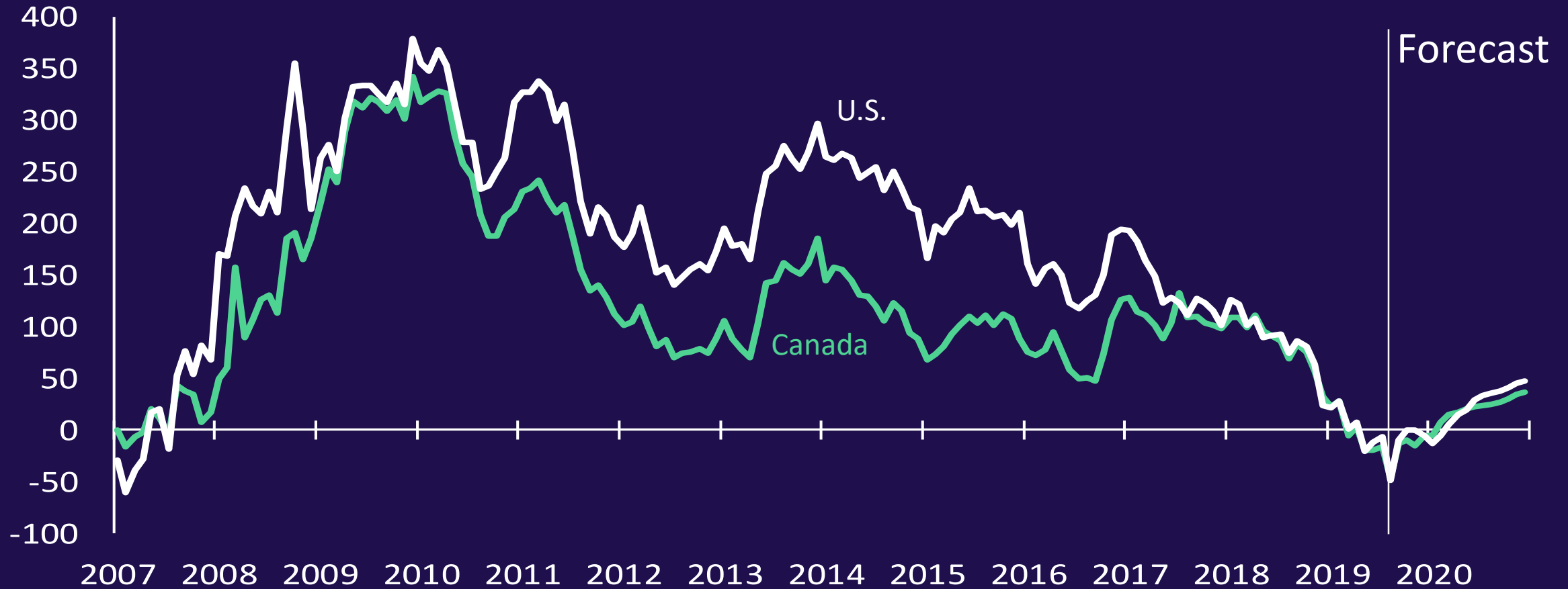
Monthly Swings In The U.S. 10-Year T-Note Yield

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



Inverted Yield Curve in Canada & U.S.

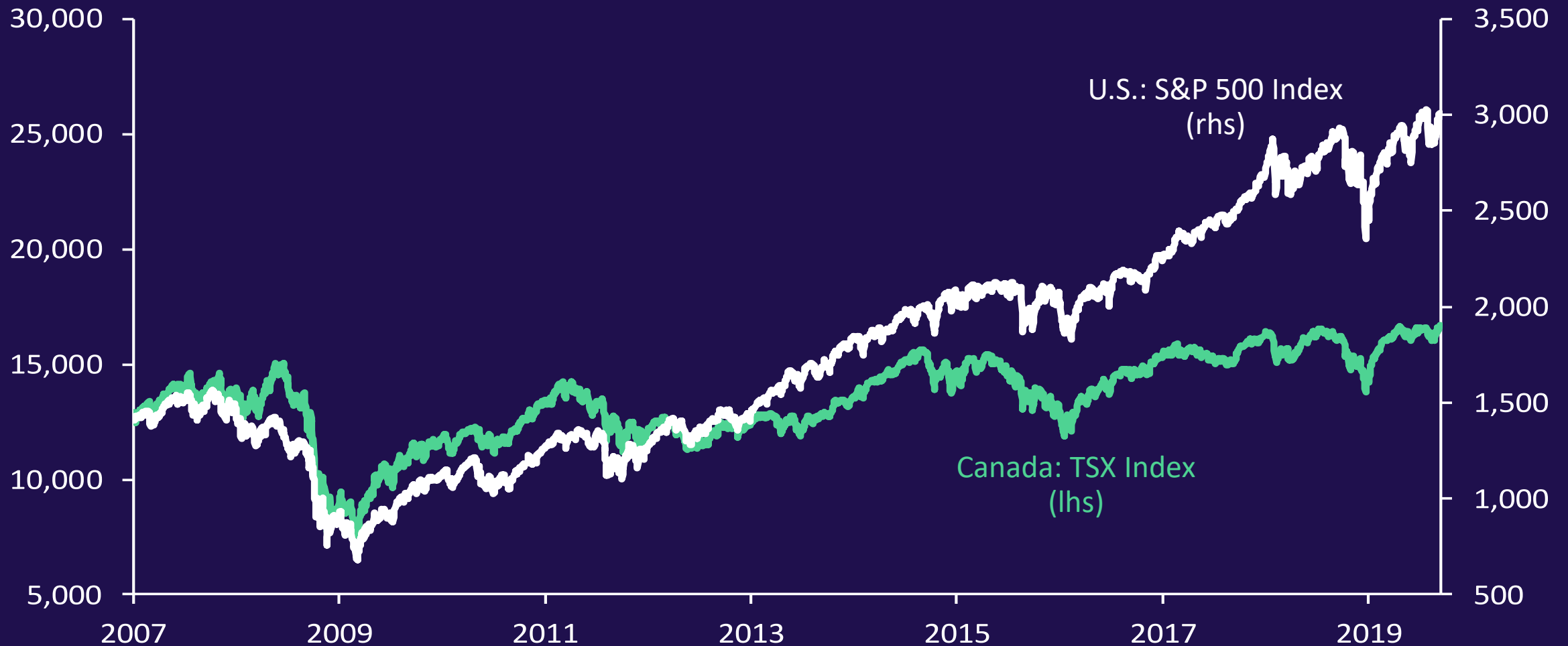
10-year Bond Yields minus 90-Day Bill Rates
(percent)



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U.S. Equities Outperform

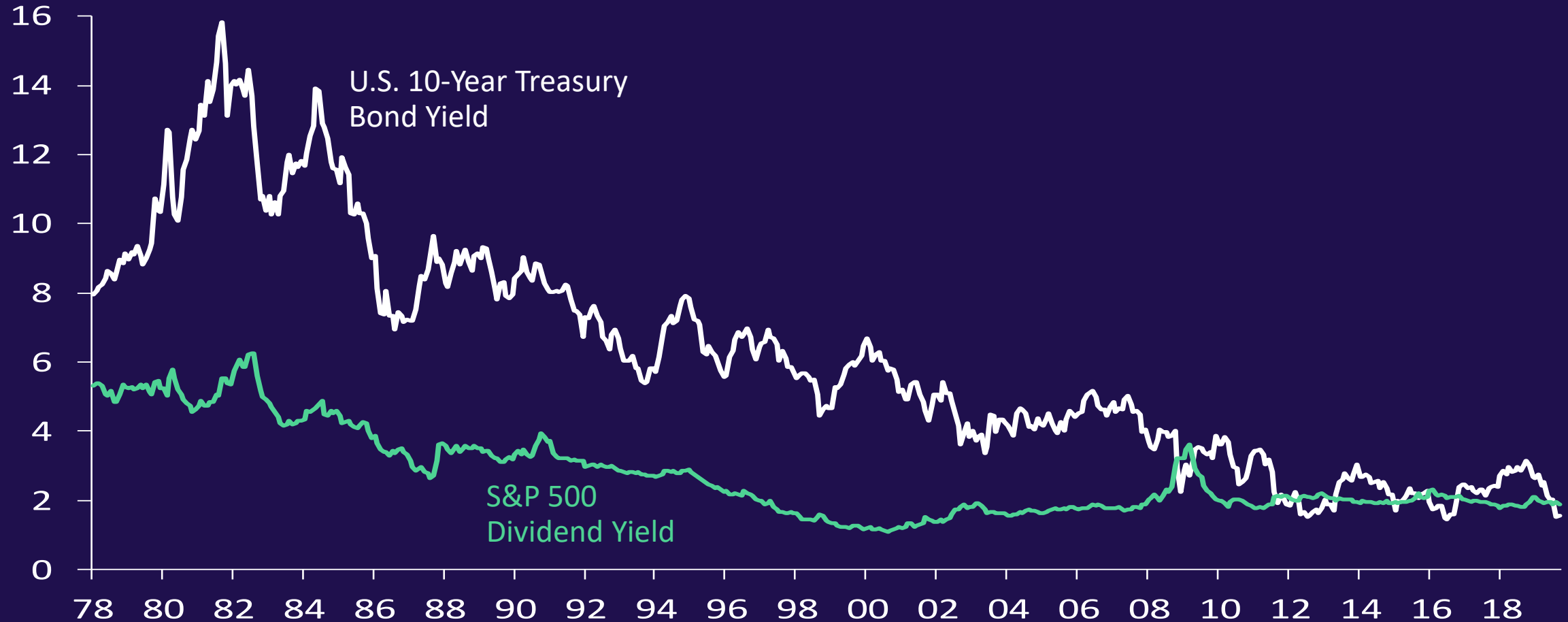
(daily, as of September 13, 2019)



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

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(percent)



Riding The Wave

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



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