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Hard Times Coming

Chart Pack Market Comment

December 2018

QT – US Fed Balance Sheet Reducing

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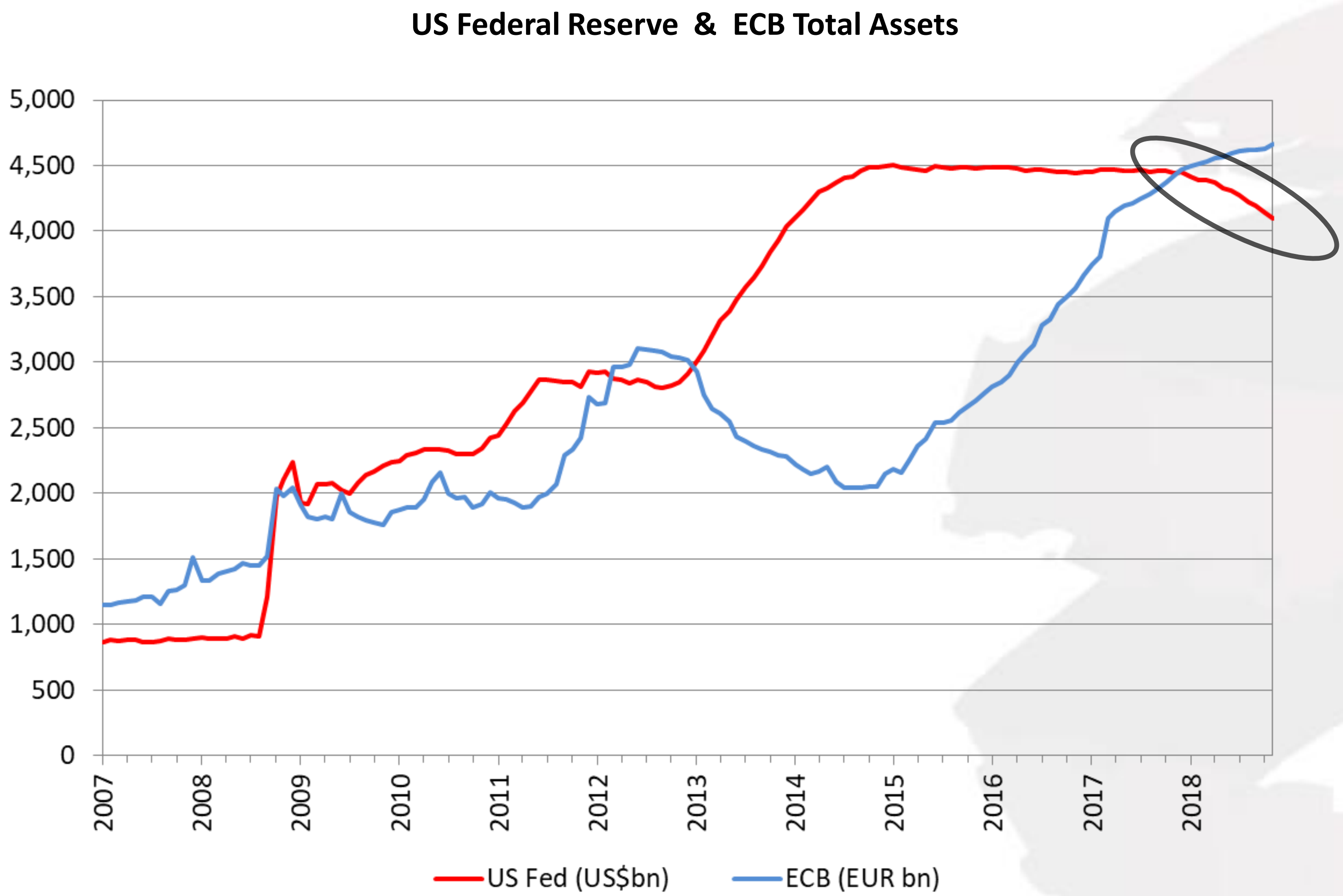

Source: Bloomberg.

Central Banks Balance Sheets have risen 4x with Quantitative Easing
Now (or soon) to reduce with Quantitative Tightening

Long Term Bond Yields Rising

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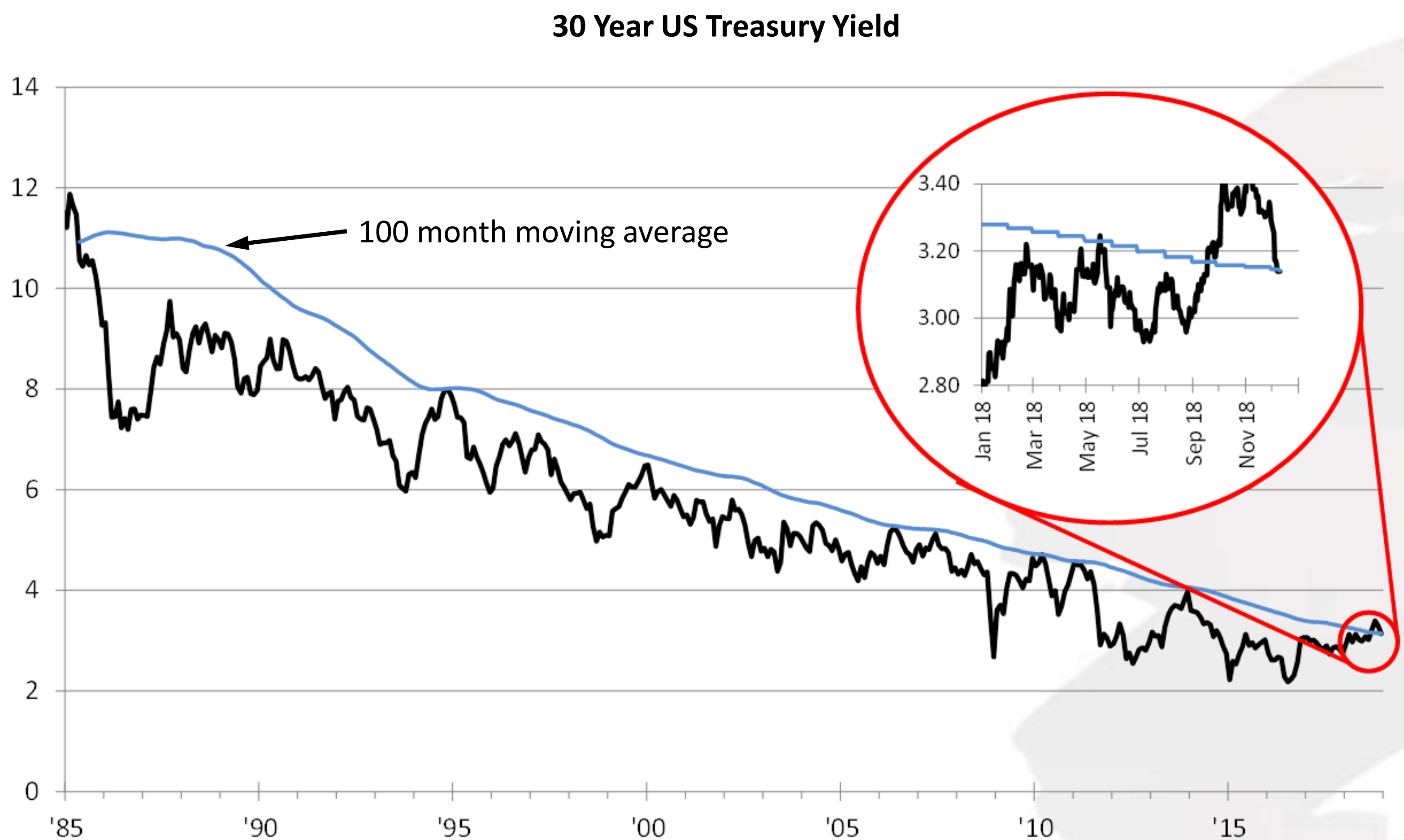

Source: Bloomberg.

Has the three decade bond bull market has ended ?

Increase in Interest Rates: Rate of Change Matters

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Libor 3Yo3Y%

Source: Macro Insiders.

Interest rate increase over last 3 years at the <u>fastest pace</u> in history

Household Debt / GDP : Ratio is Misleading

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Total Household Debt * as % of GDP

* Total credit to households and non-profit institutions serving households

Source: Macro Insiders.

Household debt seems to be reducing – when compared with GDP...

Household Income : Lagging behind GDP

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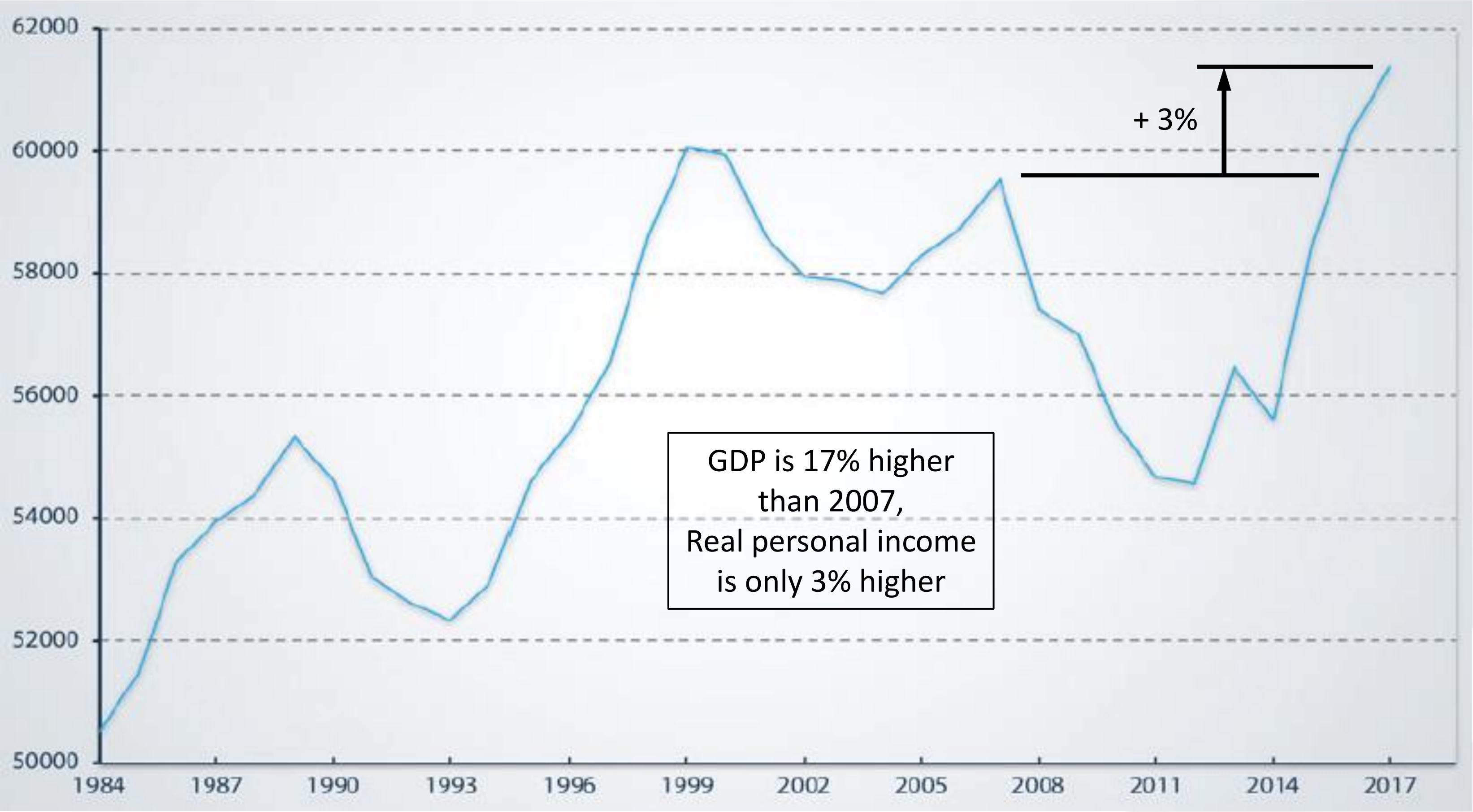
Real Median Household Income in the United States

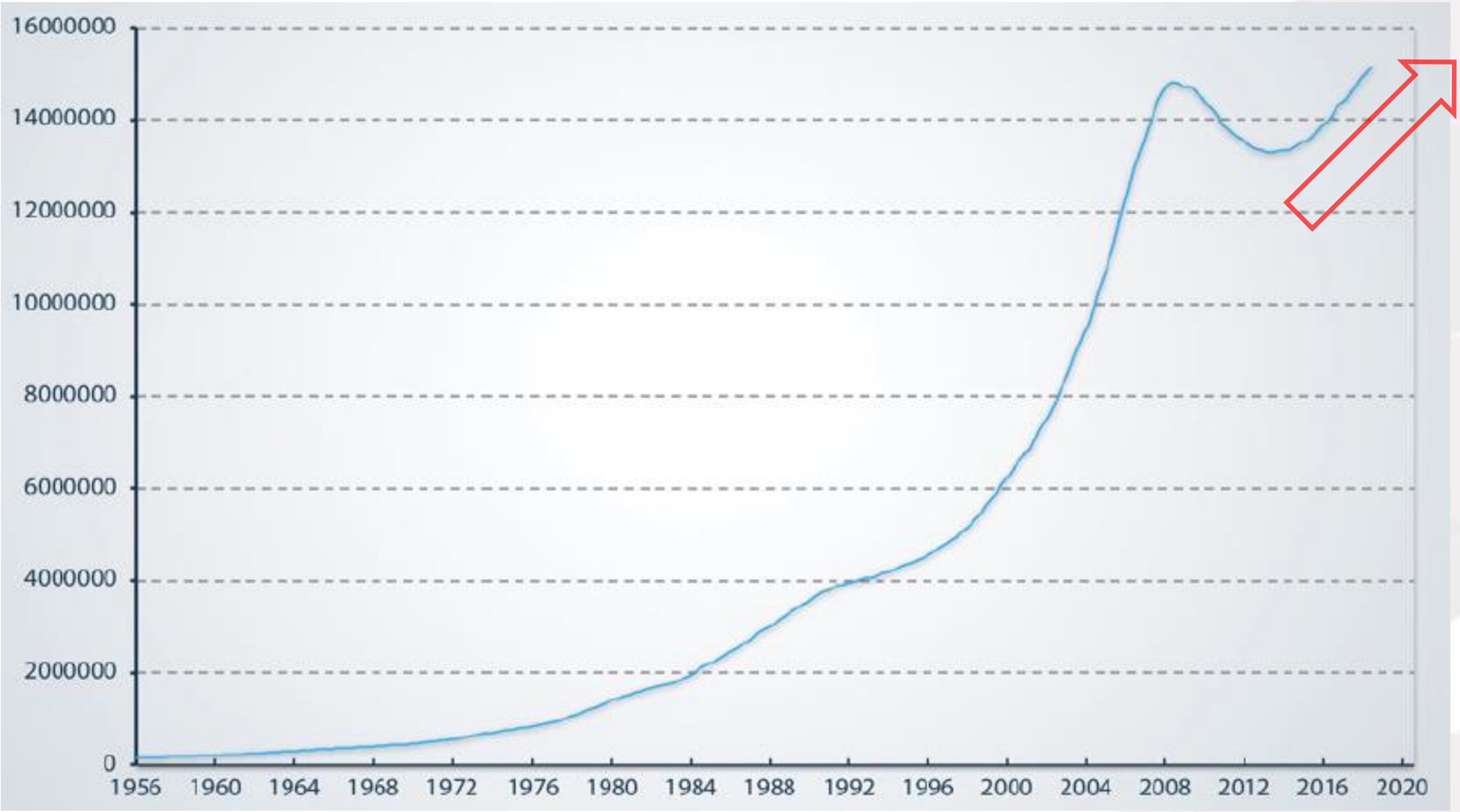


Source: Macro Insiders.

... as real personal income is not rising as fast as GDP

Mortgage Debt

US Total Mortgage Debt Outstanding



Source: Macro Insiders.

Mortgage debt at an all time high !

Credit Card Debt

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Consumer Loans: Credit Cards and Other Revolving Plans

Source: Macro Insiders.

Consumption being funded by credit card debt and revolving loans

Credit Card Interest Rates

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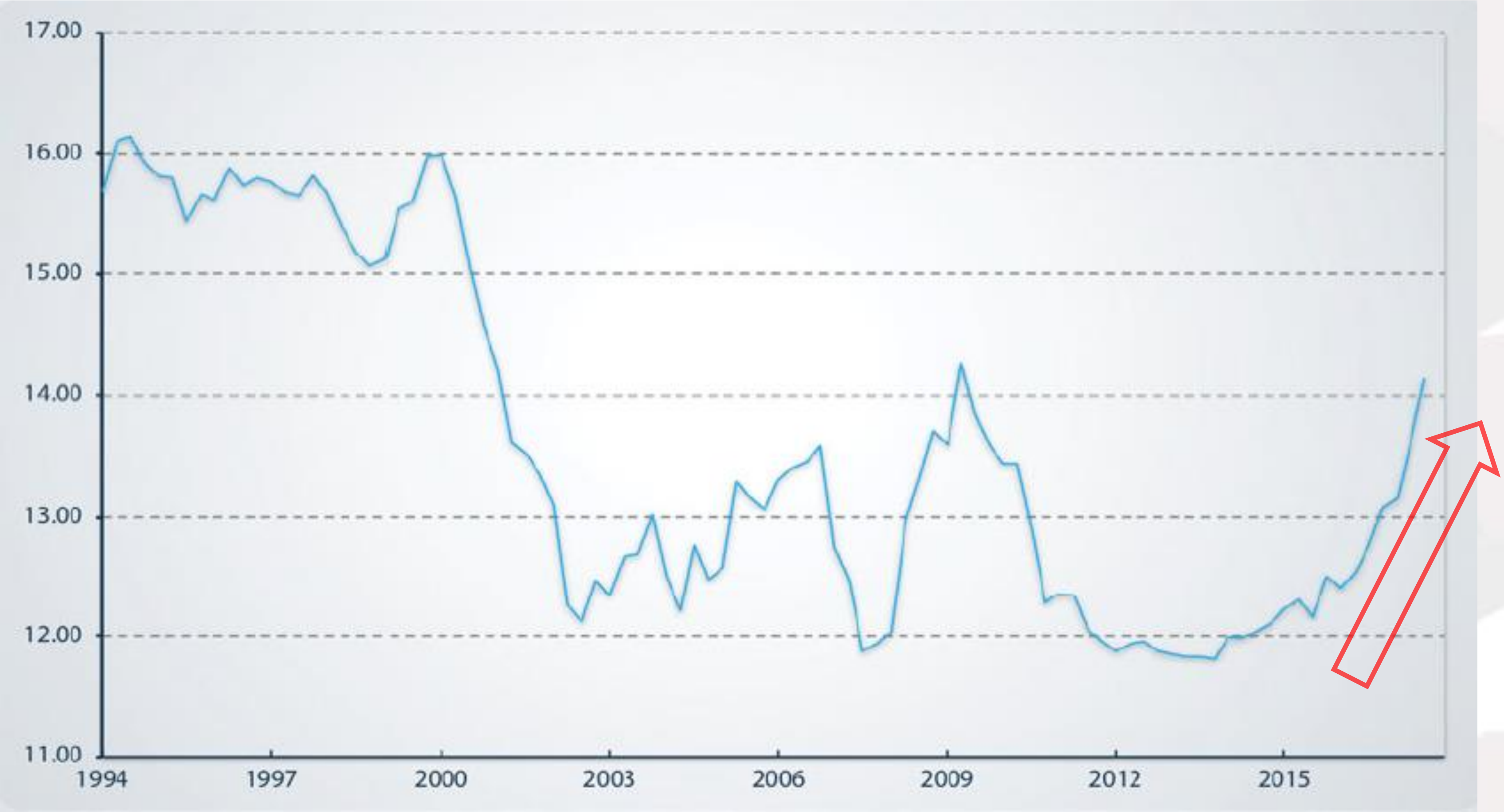
Commercial Bank Interest Rate on Credit Card Plans



Source: Macro Insiders.

Credit cards interest rates are rocketing

Credit Card Delinquency Rates (Lower Tier Banks): Higher than Post GFC

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Delinquency Rate on Credit Card Loans - Lower Tier Banks

Source: Macro Insiders.

Lower tier banks (poorer people) credit card delinquency rates: Canary in the coal mine

Car Loans

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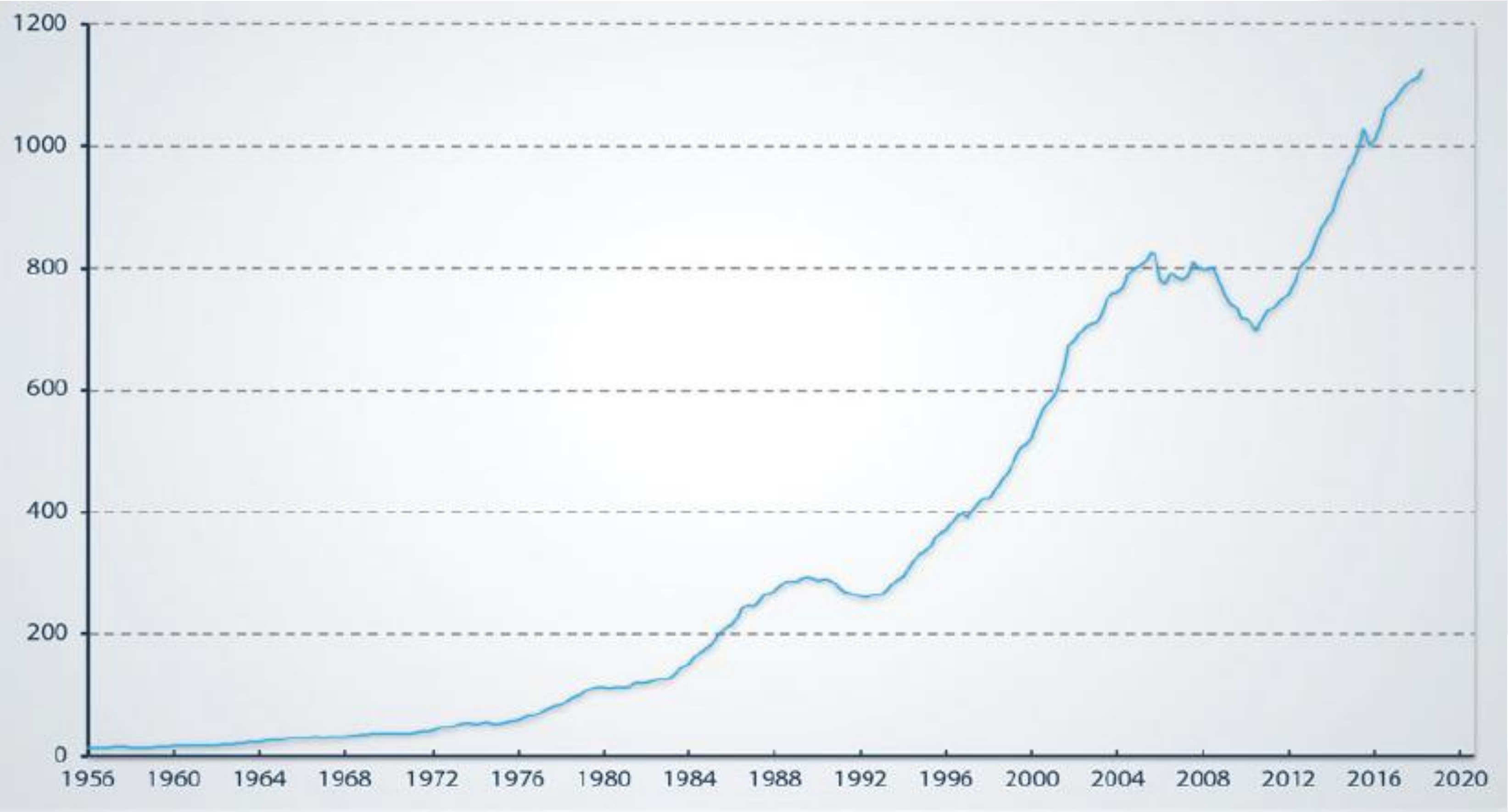
Motor Vehicle Loans Owned and Securitized - US$ Bn



Source: Macro Insiders.

Interest payments on car loans are up 25% since 2016

Health Care Expenses : Ouch!

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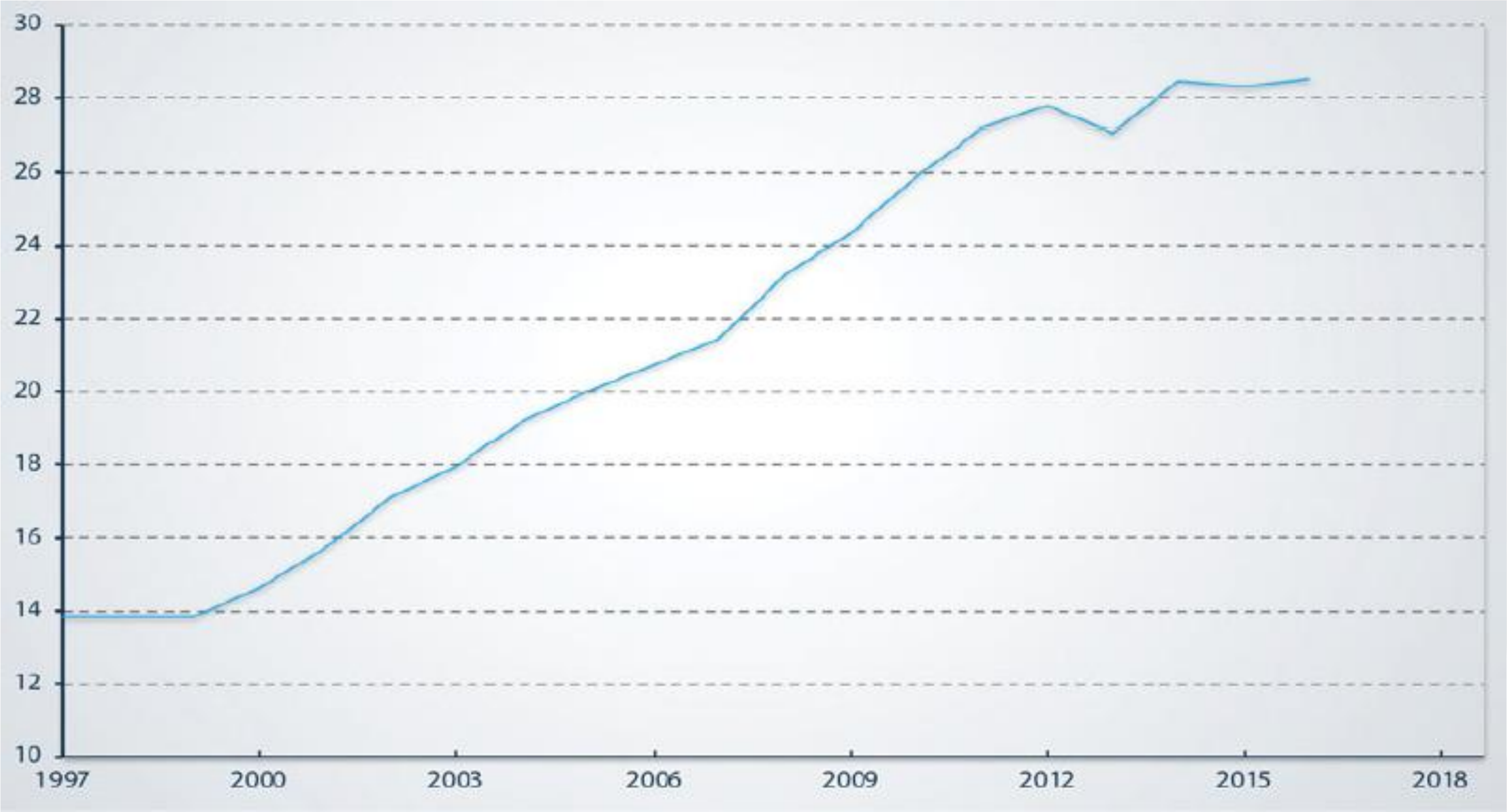
US Households Healthcare Expenditure as % of Real Median Household Income



Source: Macro Insiders.

Healthcare costs now consume over 28% of household expenditure

Building Permits

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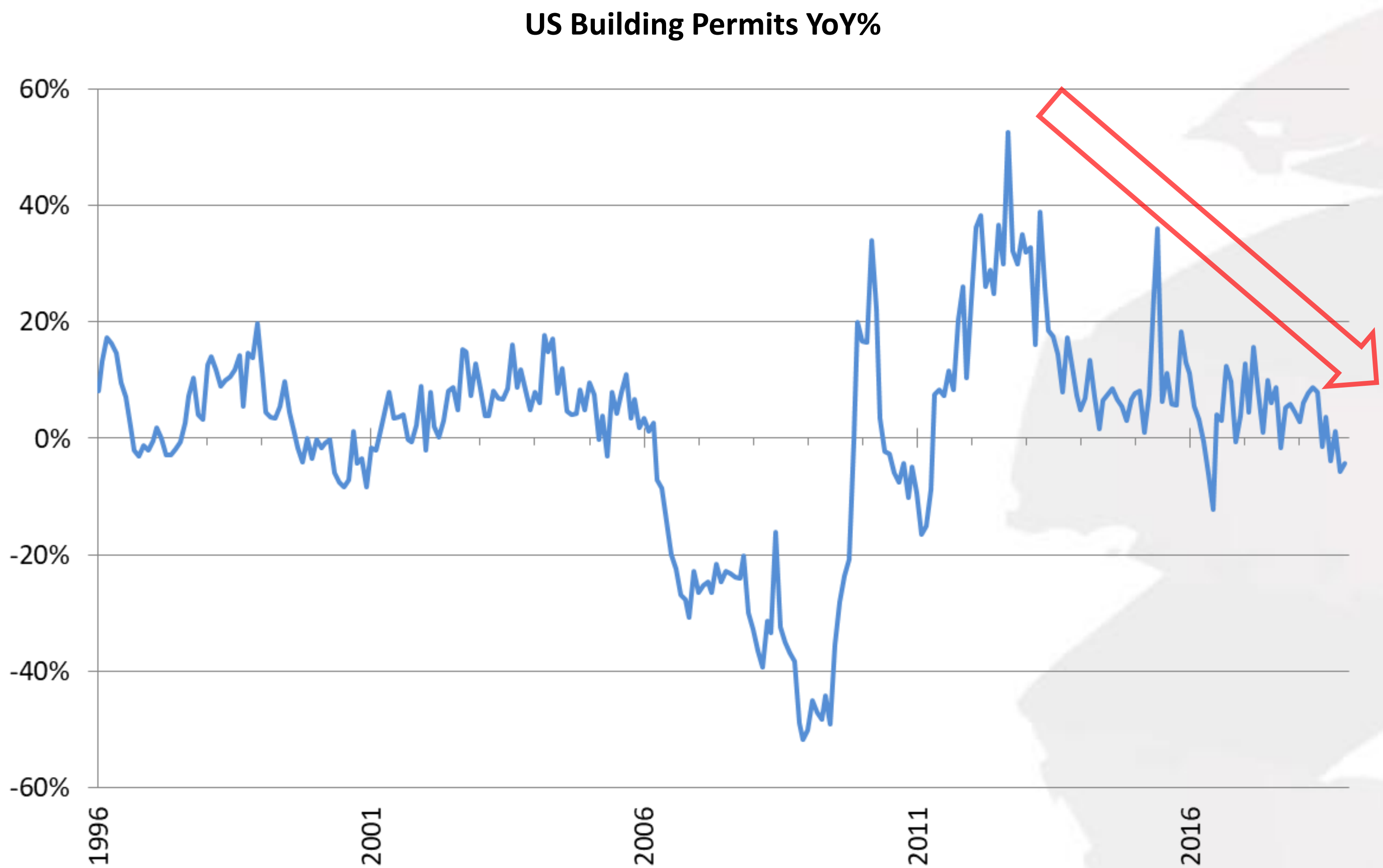

Source: Bloomberg.

Building permits, a leading indicator, are contracting

Homebuilders declining

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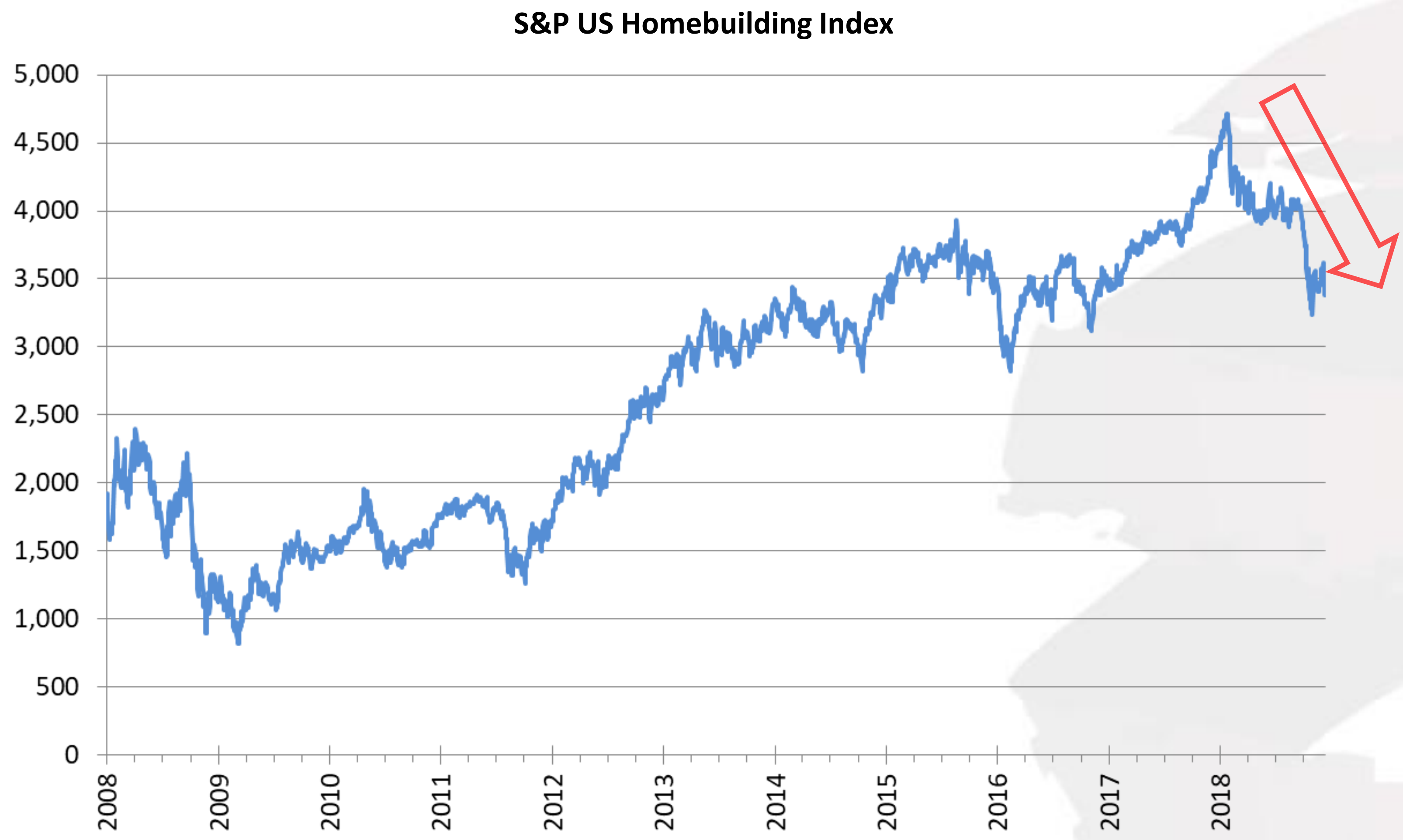

Source: Bloomberg.

US Homebuilding sector is under pressure

Overconfident Consumers : "Stockholm Syndrome"

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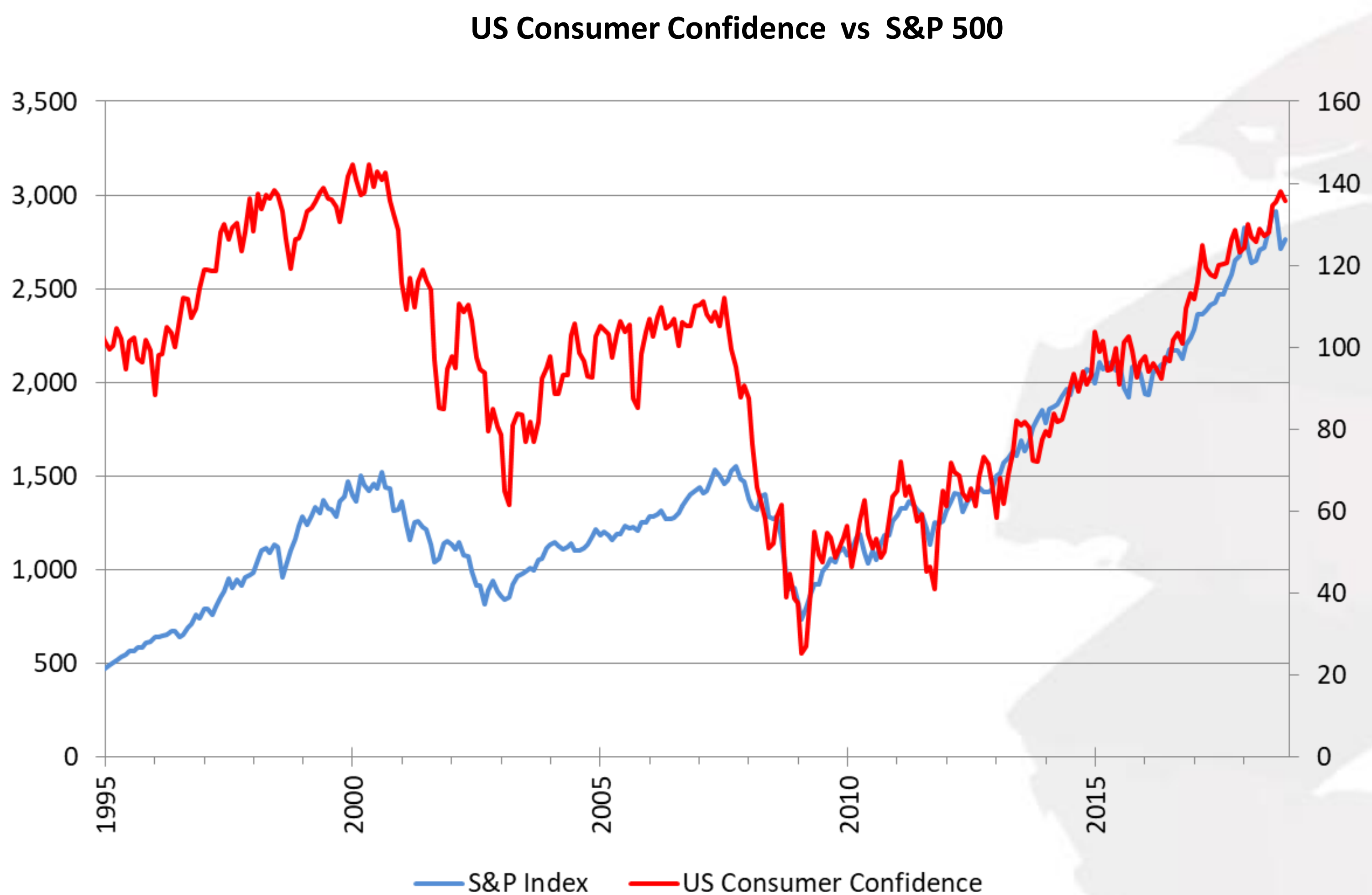

Source: Bloomberg.

... due to misplaced newsflow based on rising stock markets.

Oil Price : Wow!

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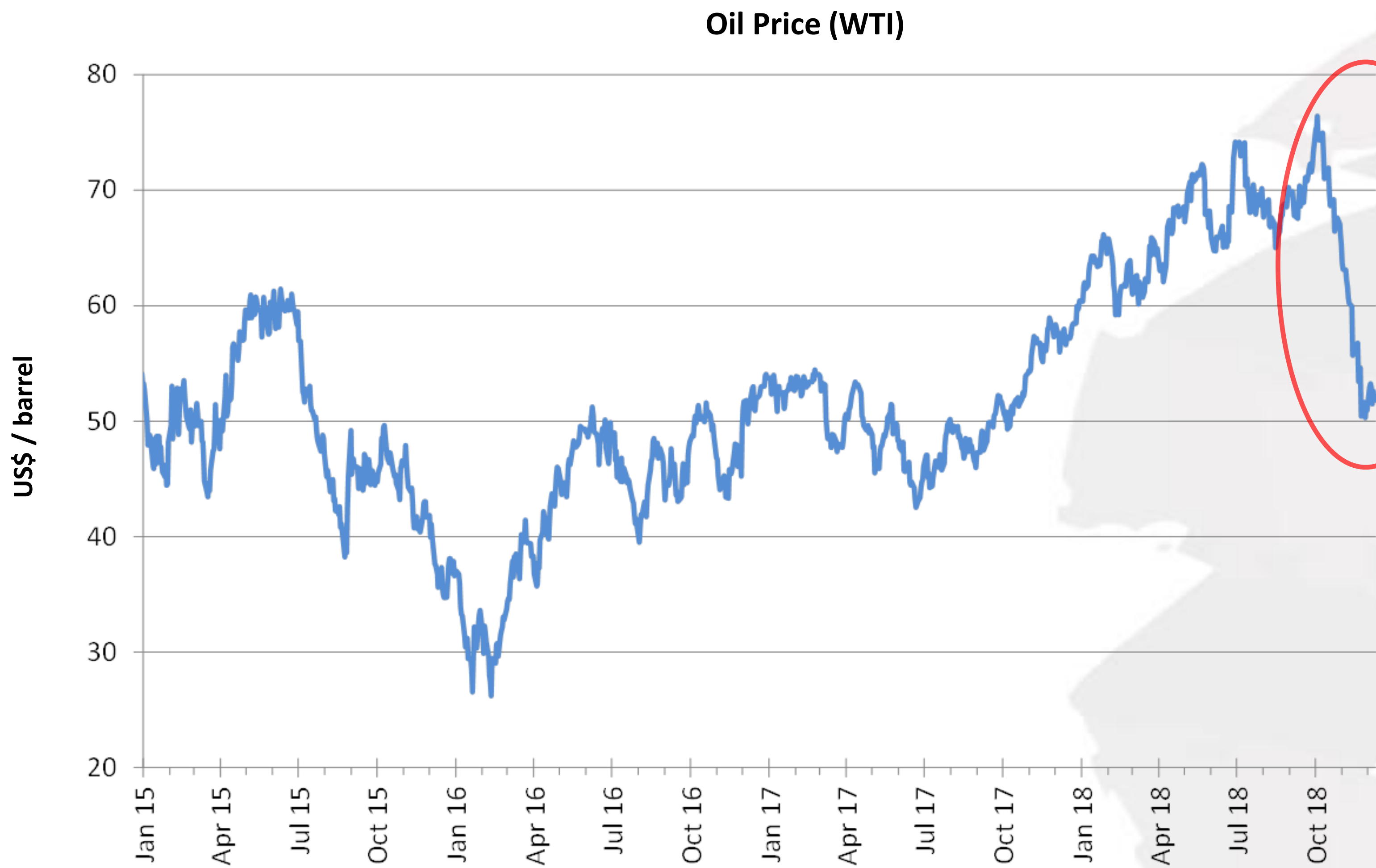

Source: Bloomberg.

Oil – Significant Portion of Industrial Production

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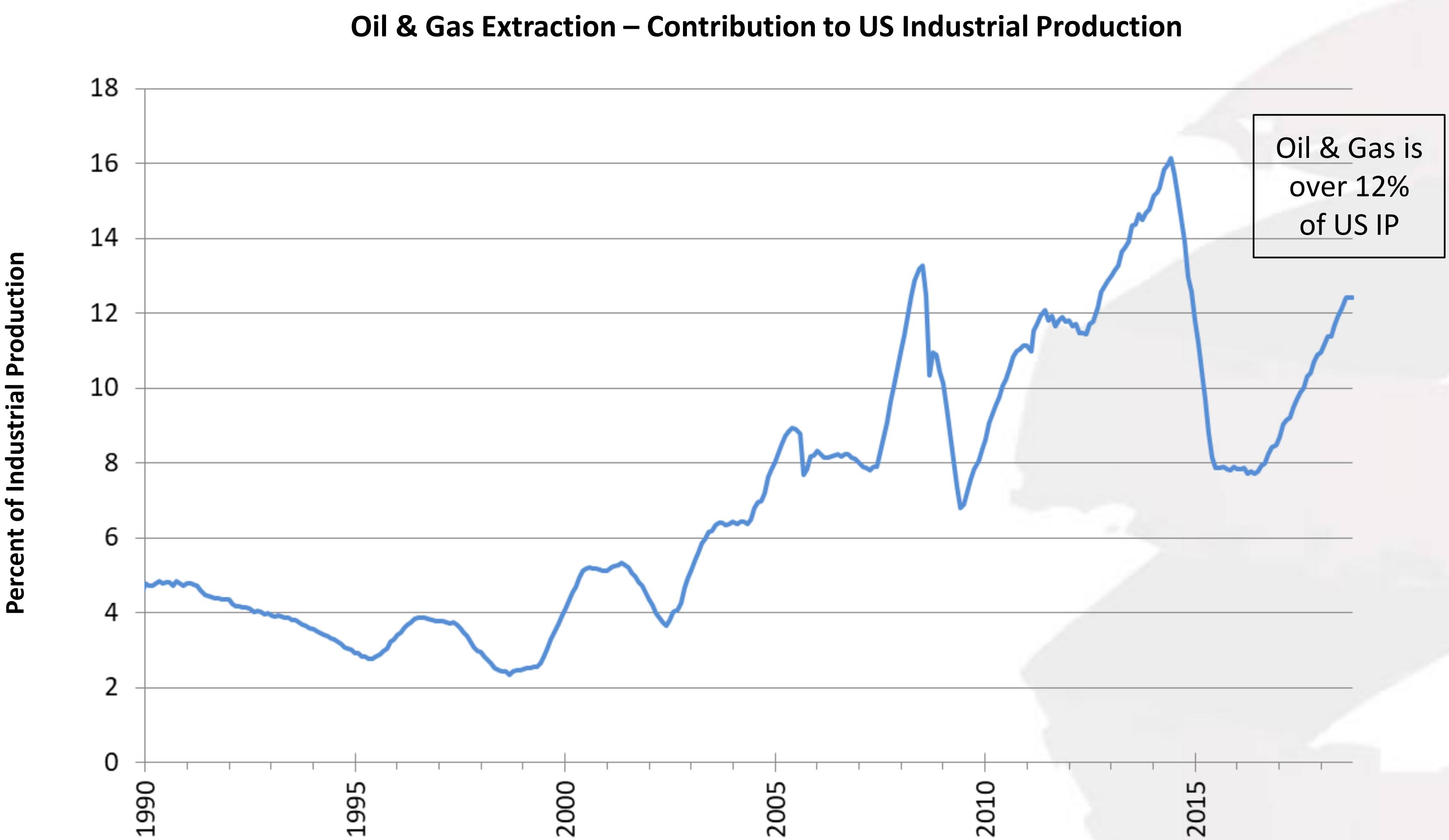

Source: Board of Governors of the Federal Reserve System (US).

US Equities vs Rest of World Equities

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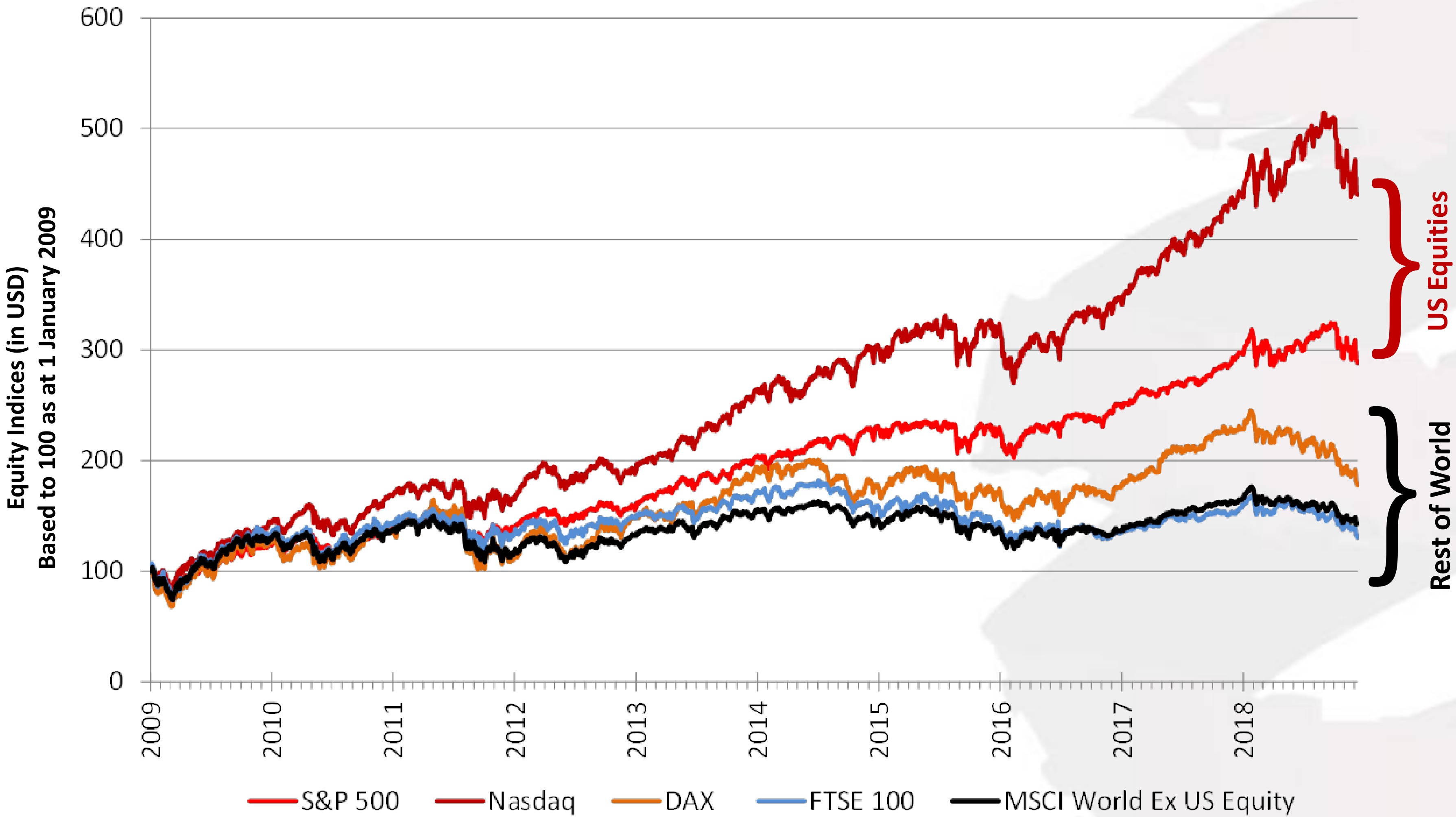

Source: Bloomberg.

Worlds Apart

Gold Price in Various Currencies

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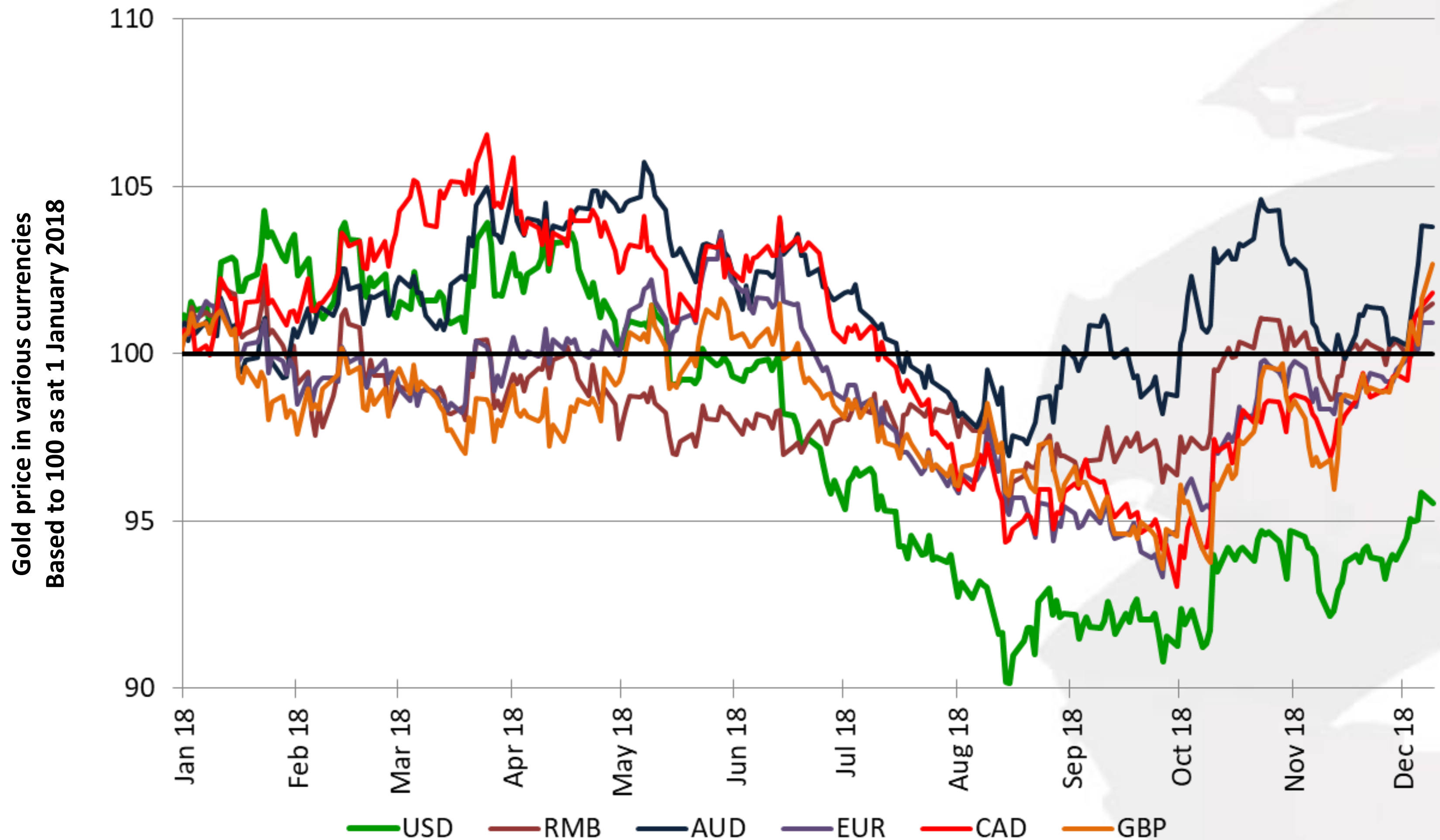

Source: Bloomberg.

Gold is in positive territory for 2018 in many currencies, but not the USD

Gold Price & US Dollar have rallied together lately

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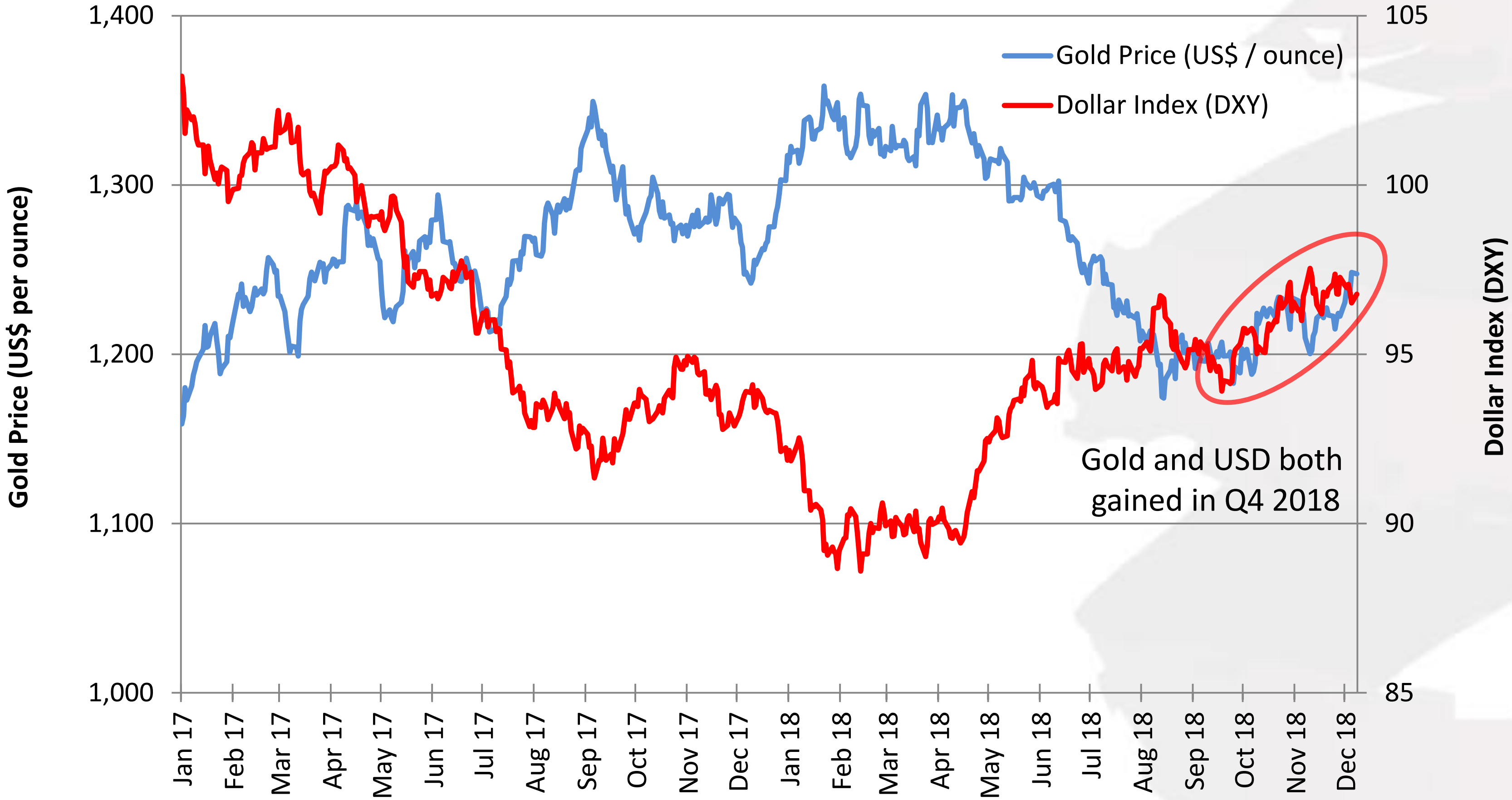

Source: Bloomberg.

Gold ETFs have seen inflows since October

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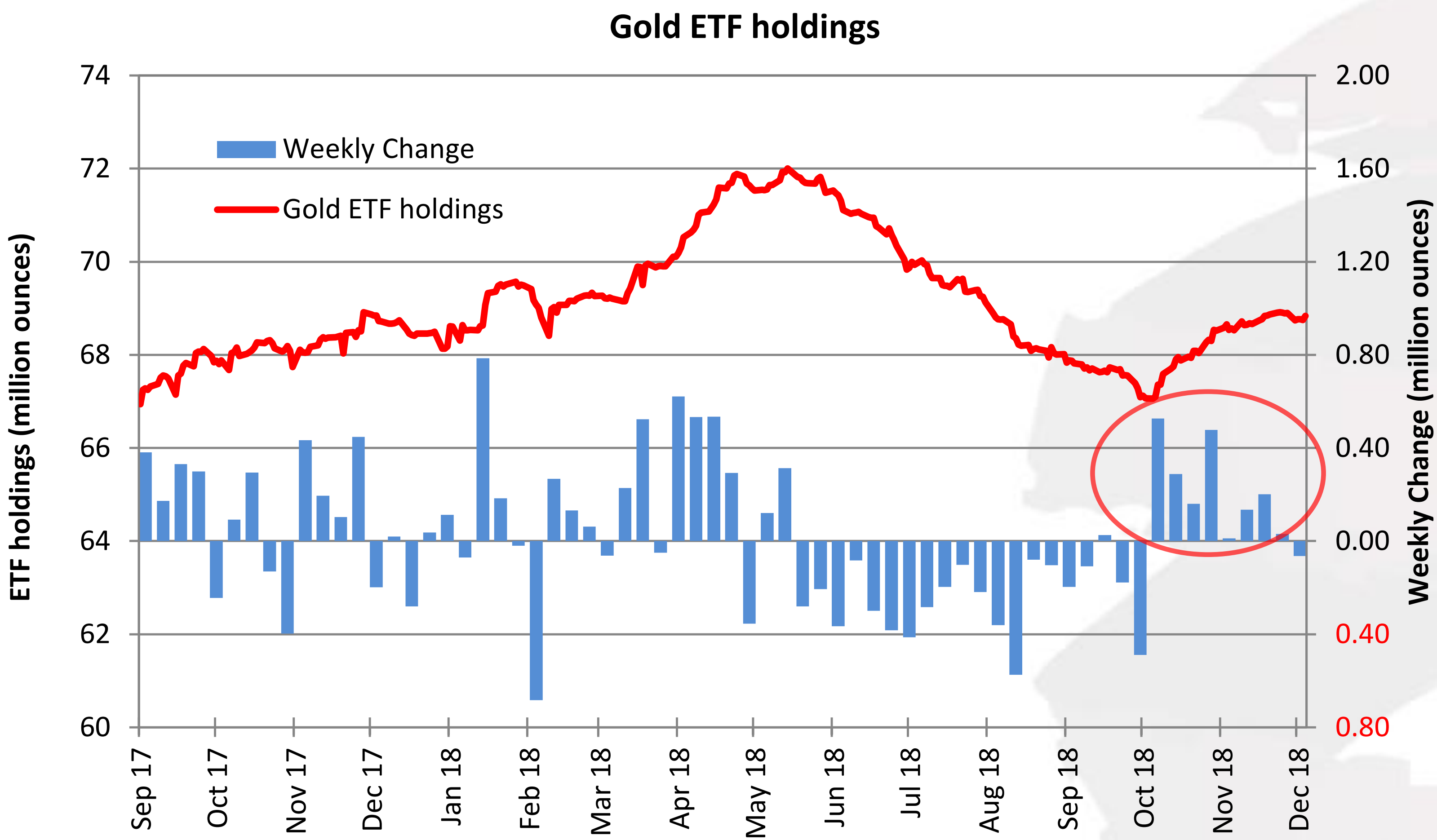

Source: Bloomberg.

Gold Futures : Speculators Still Betting on Lower Gold

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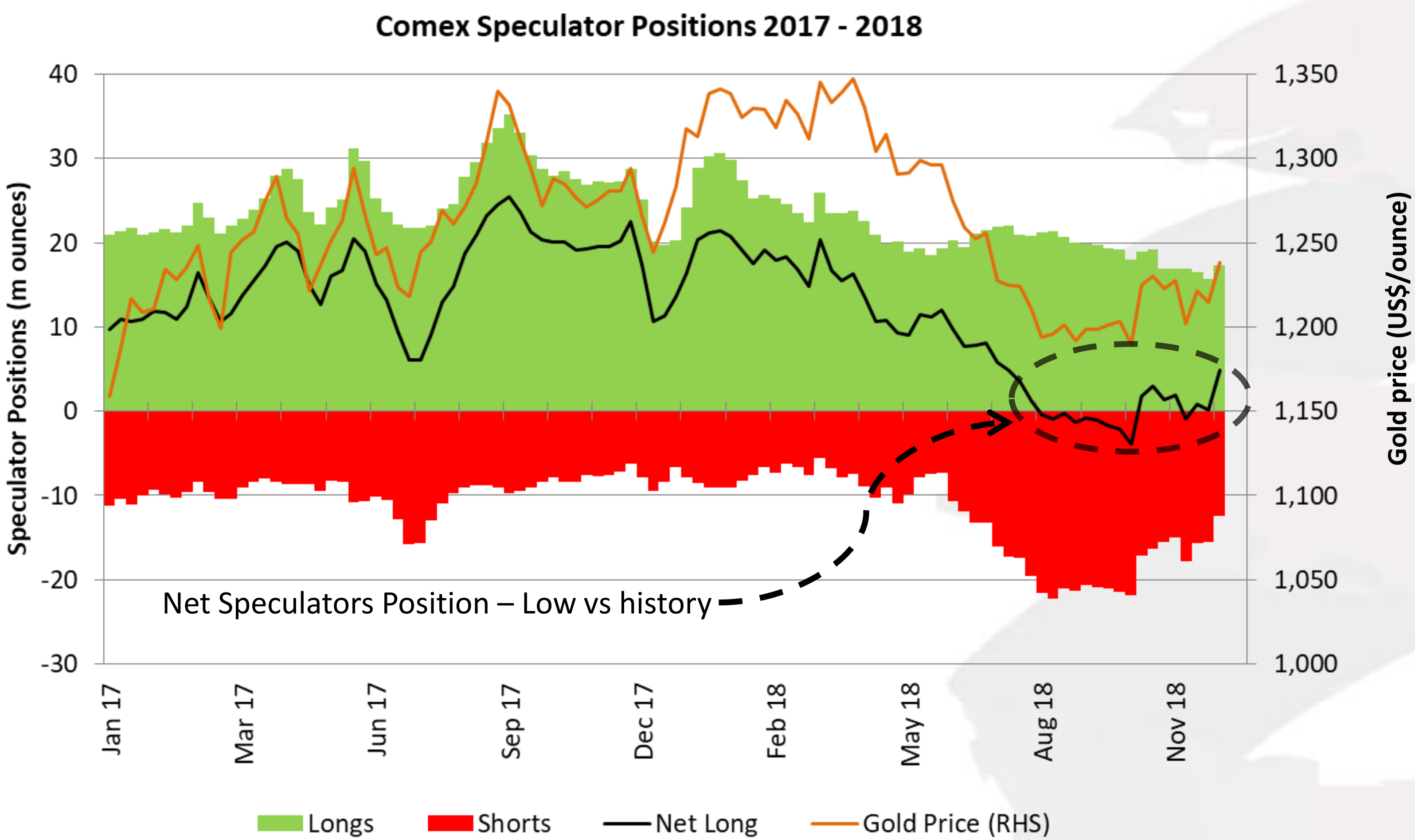
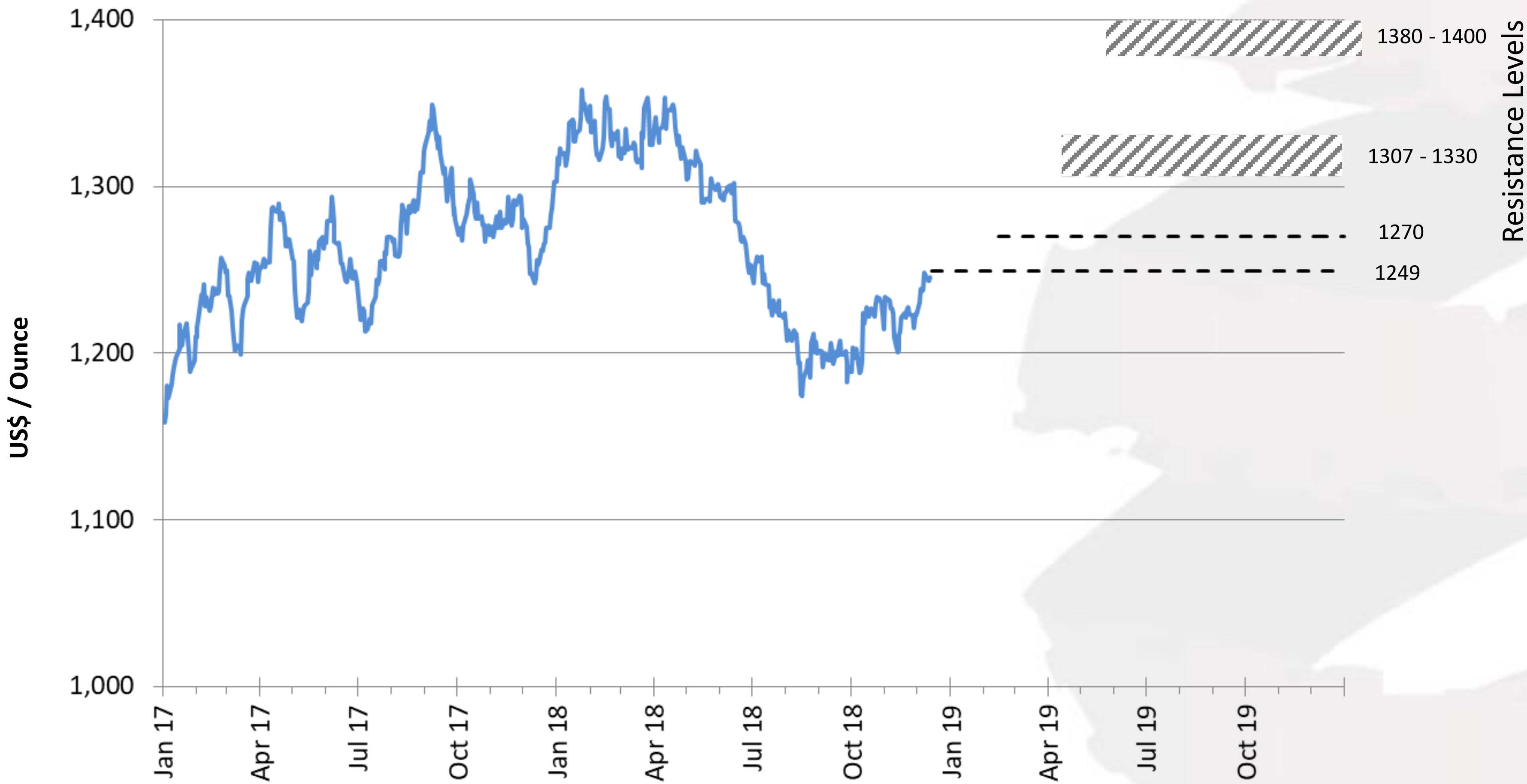


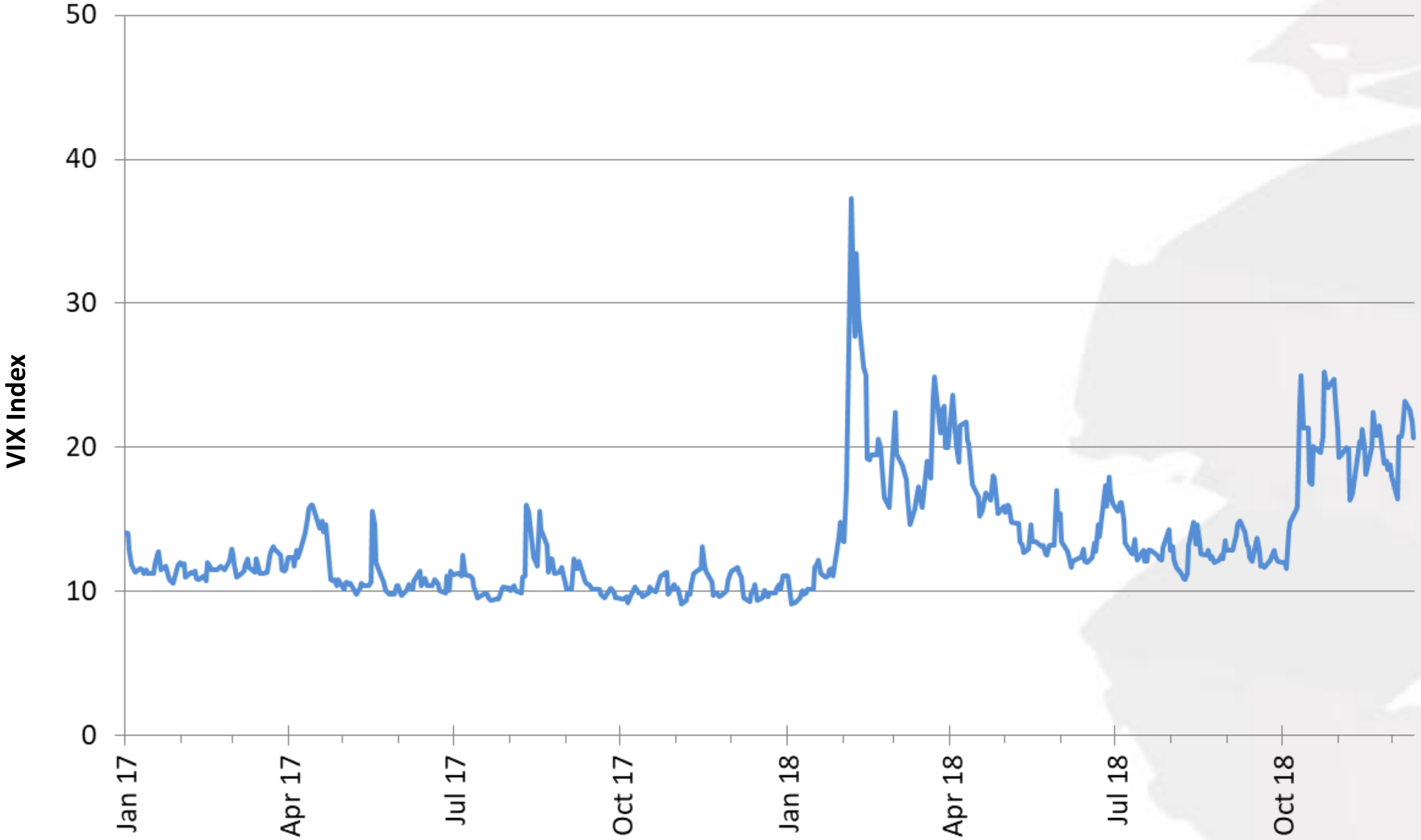
Source: Bloomberg.

Gold Price: Resistance Levels



Source: Bloomberg.

VIX Index : Jumped



Source: Bloomberg.

For further questions and information

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