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RenMac 2H17 Outlook Call

Kim Wallace – Washington & Global Policy
Jeff deGraaf – Market Technicals & Strategy
Neil Dutta – Economics

July 13, 2017

For a copy of the slides please email: Sales@RenMac.com

Washington & Global Policy

Kim Wallace

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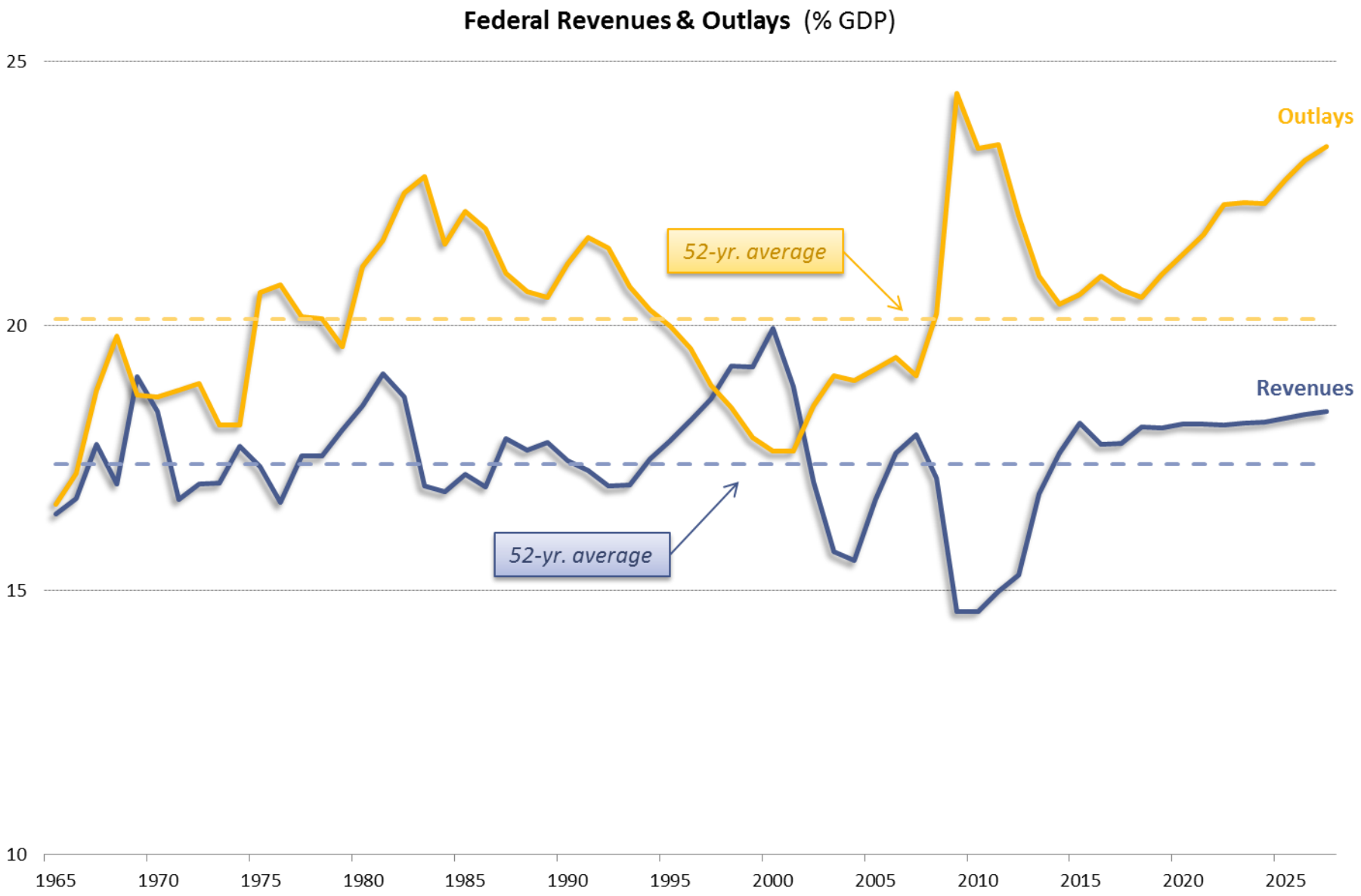
Fiscal: let's lay it out



Source: CBO, RenMac

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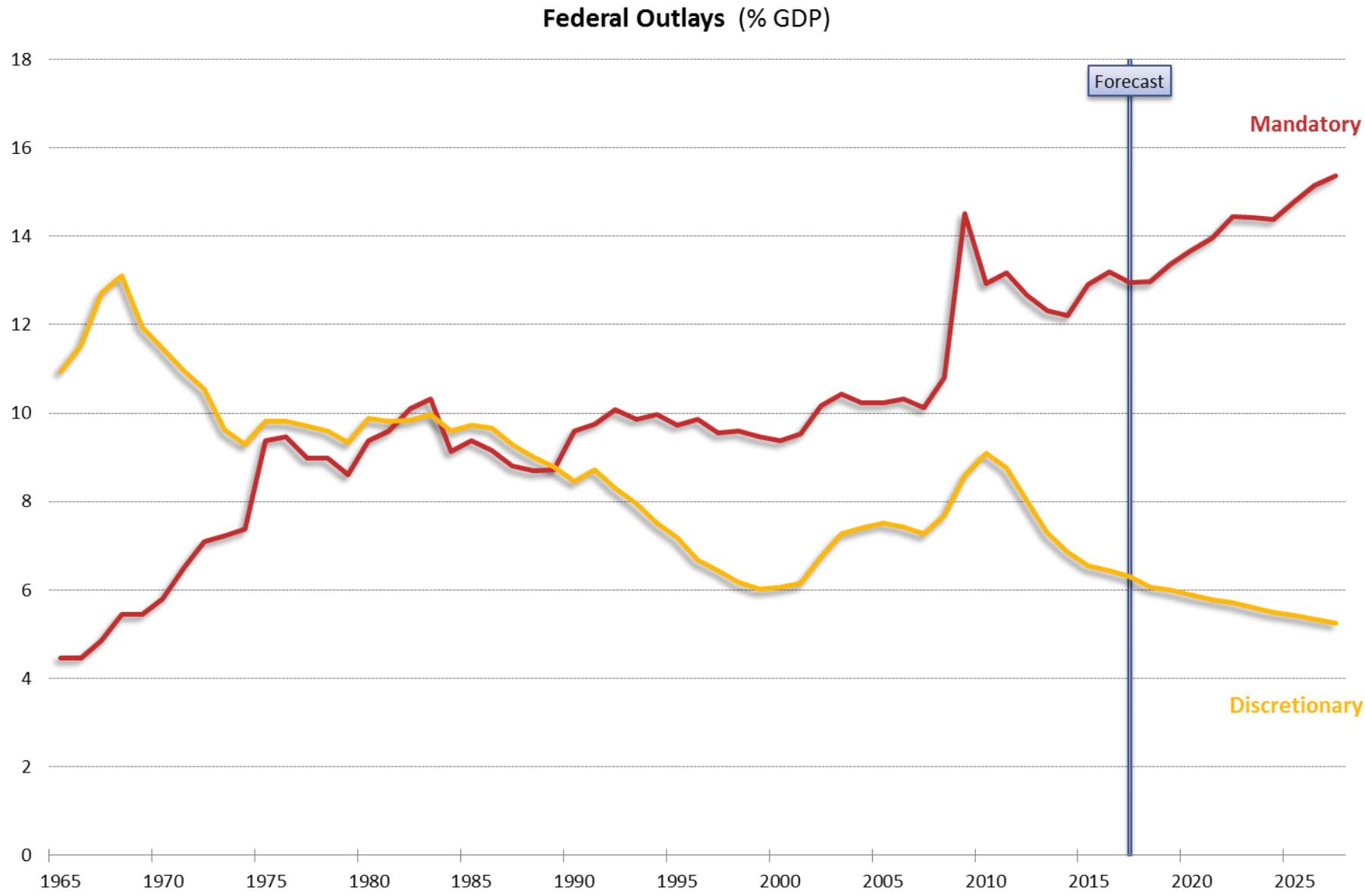
Fiscal: Don't mind the gap



Source: CBO, OMB, RenMac

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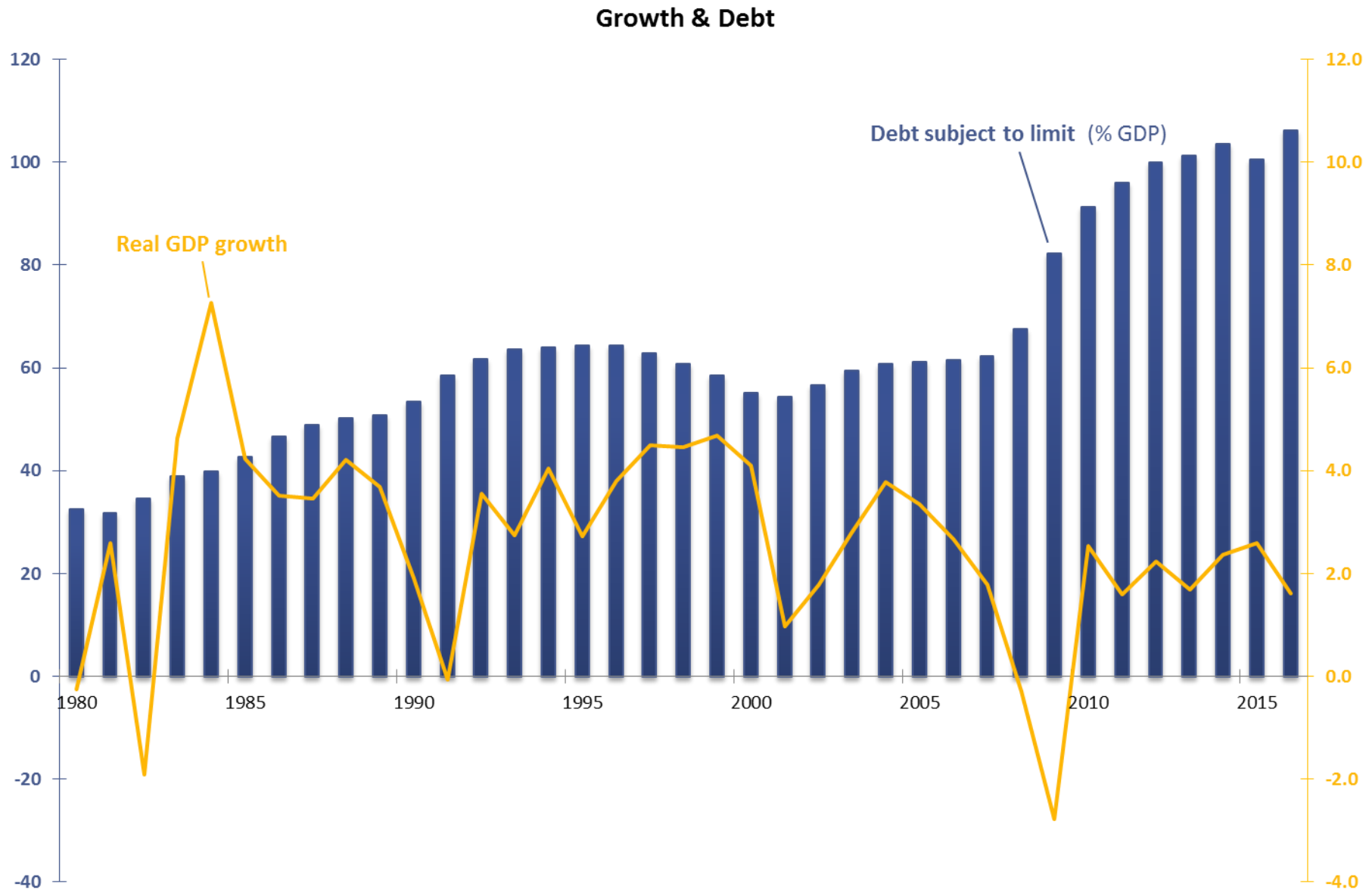
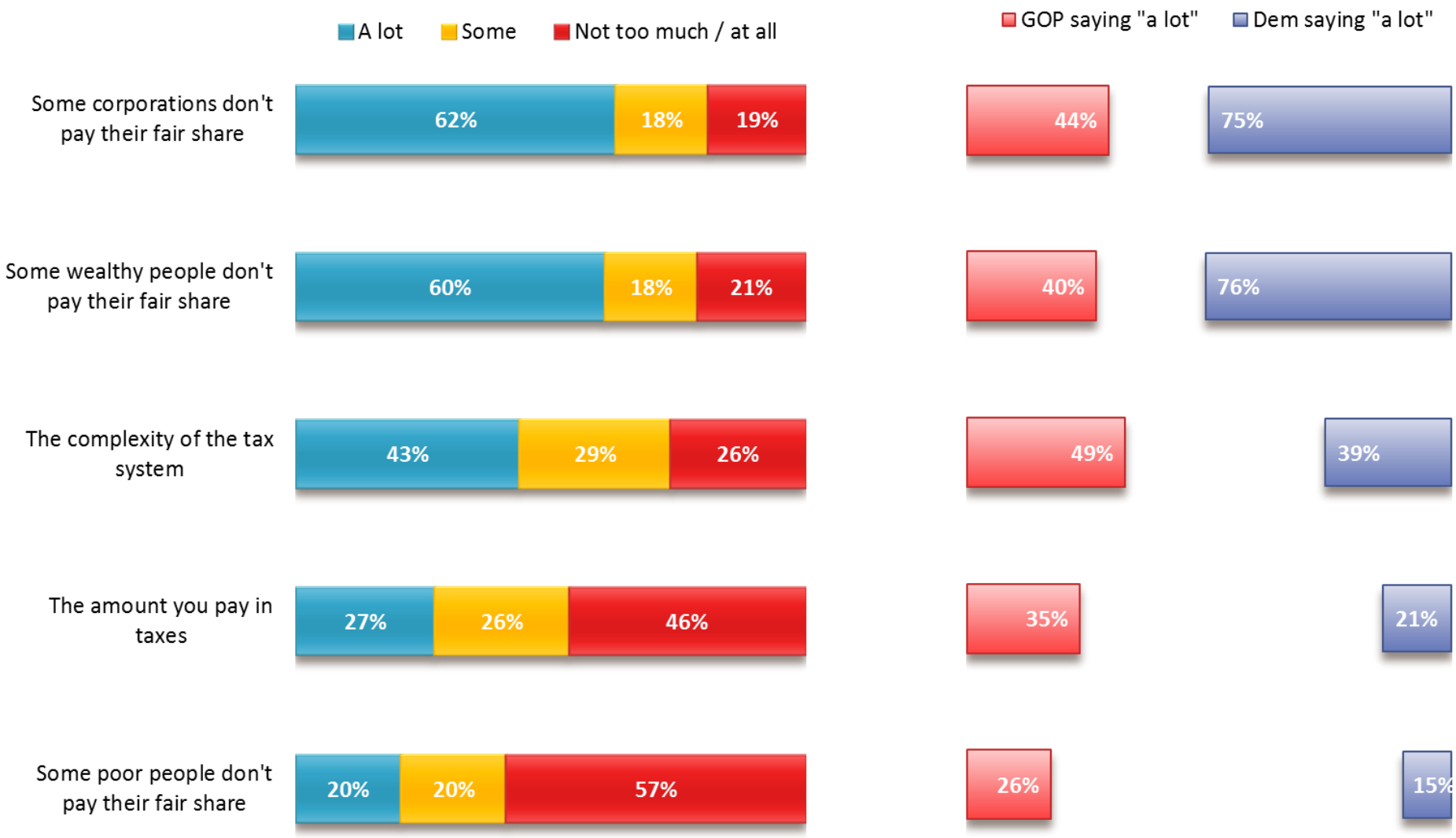
Fiscal: Brooding backdrop



Source: CBO, BEA

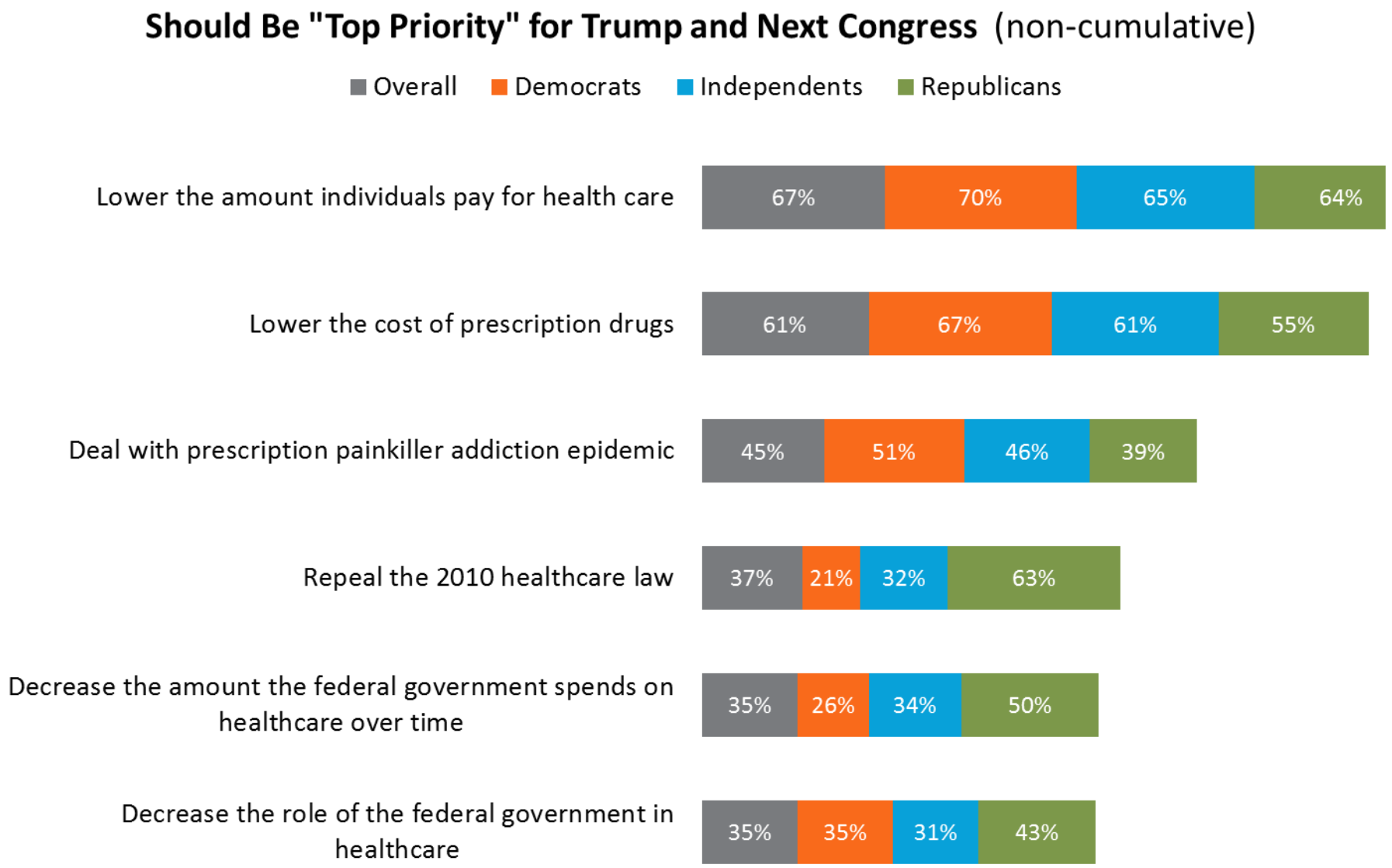
Fiscal: Unpacking the enmity

What Bothers Americans about the Federal Tax System, and How Much (%)



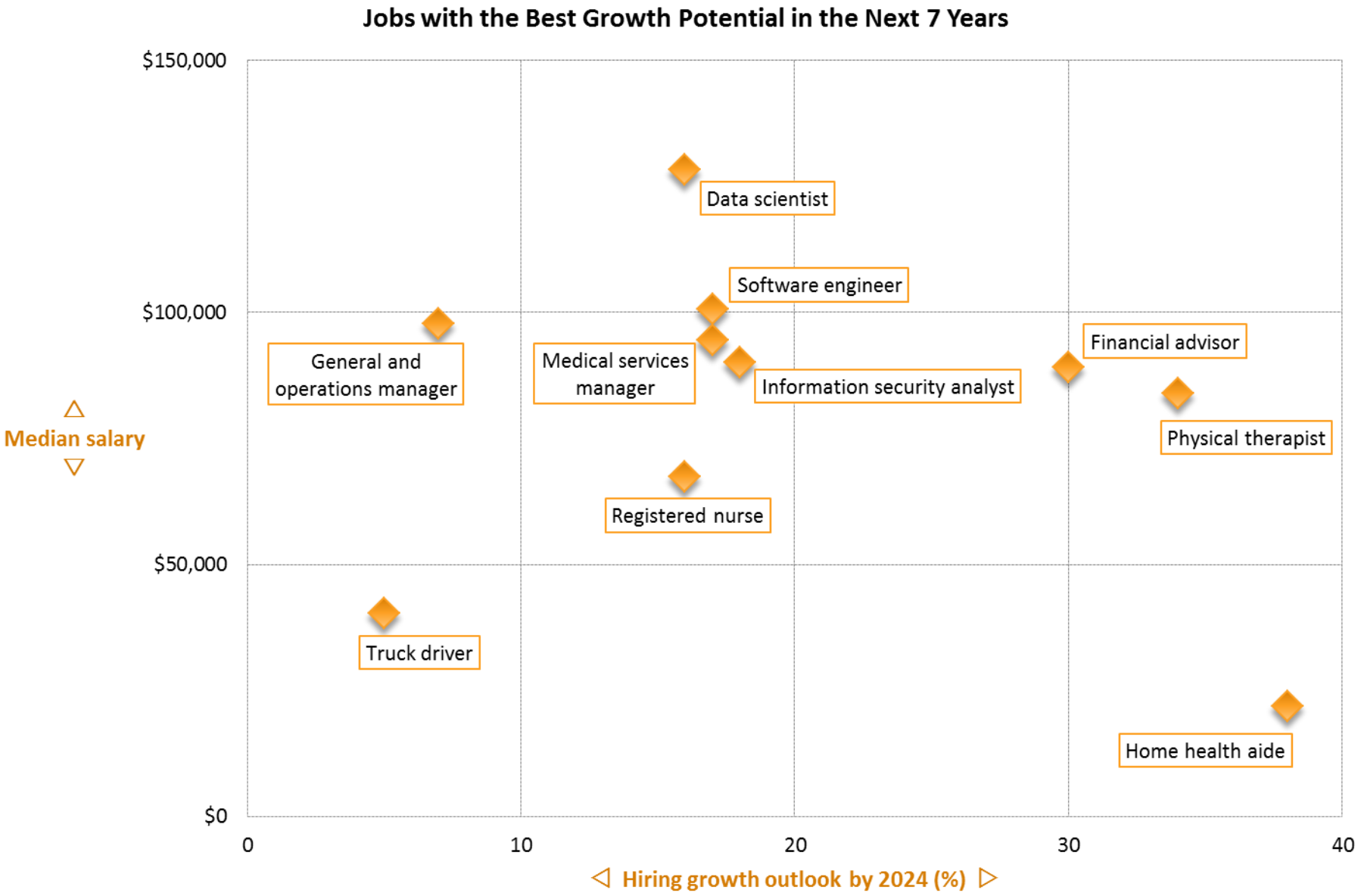
Source: Pew Research (April 5-11, 2017)

Healthcare: Ranked-choice voting



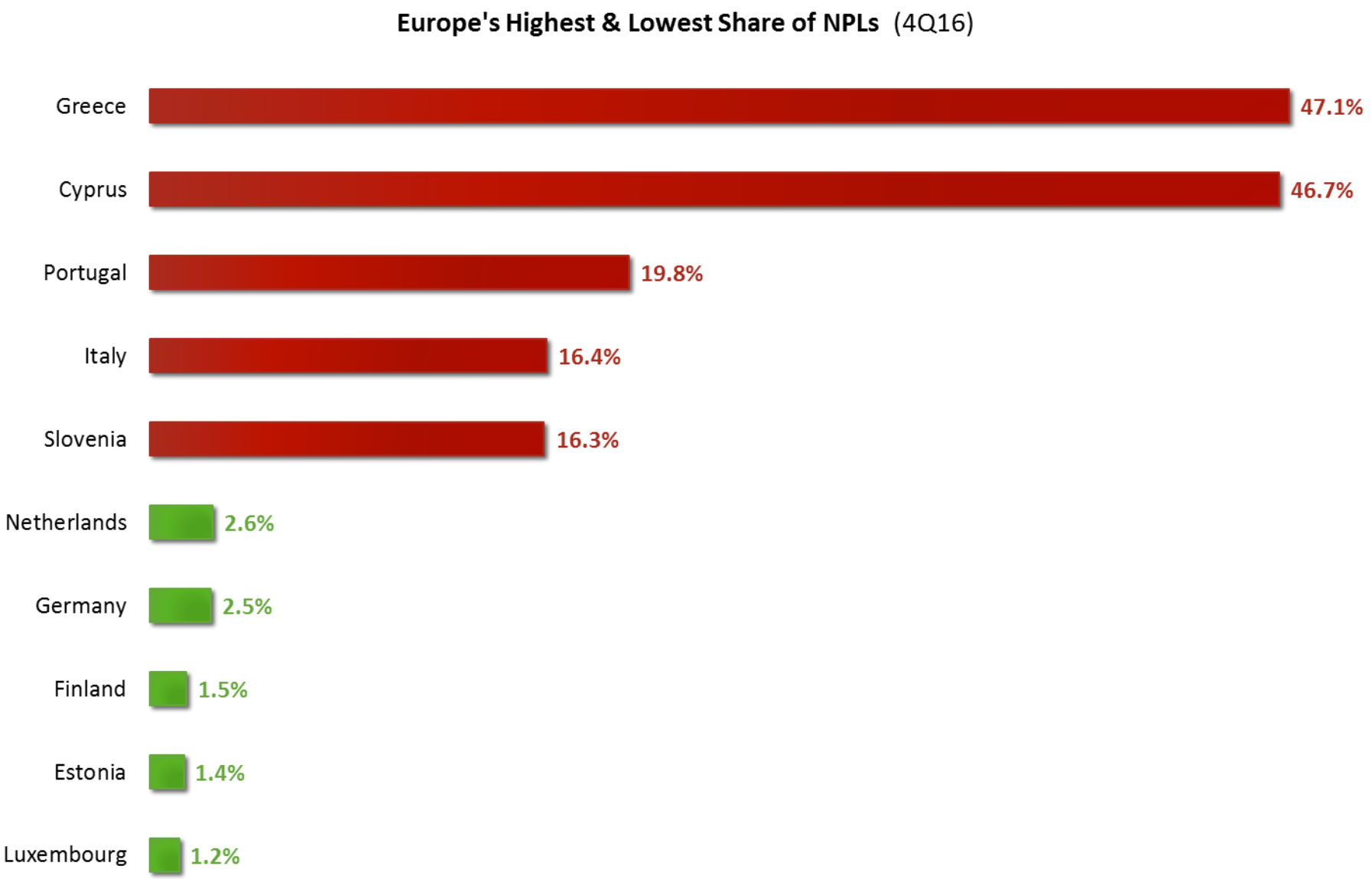
Source: Kaiser Family Foundation

Employment: The growth imperative



Source: USA Today (BLS, CareerCast)

Europe: Non-performing integration

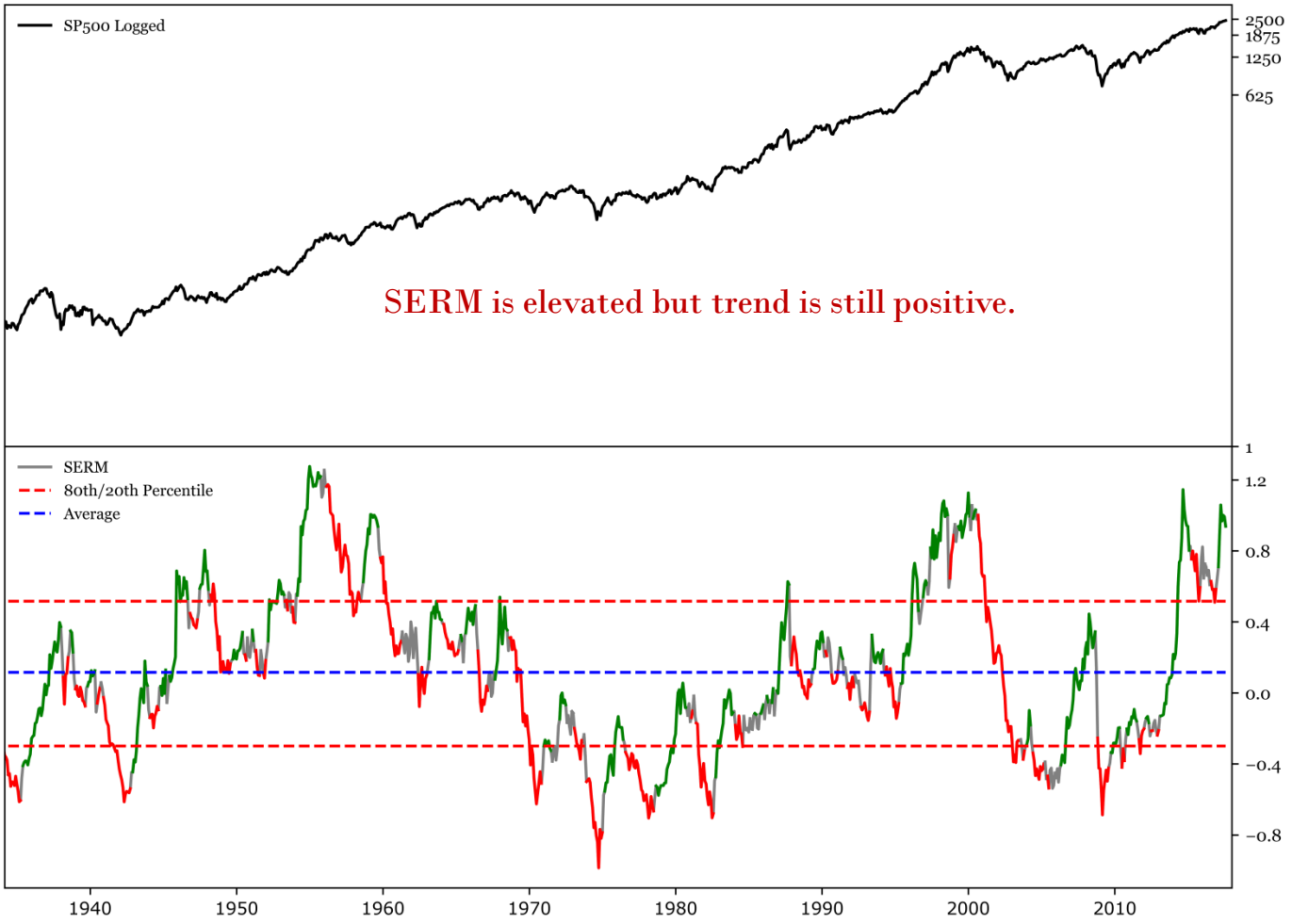


Source: European Banking Authority

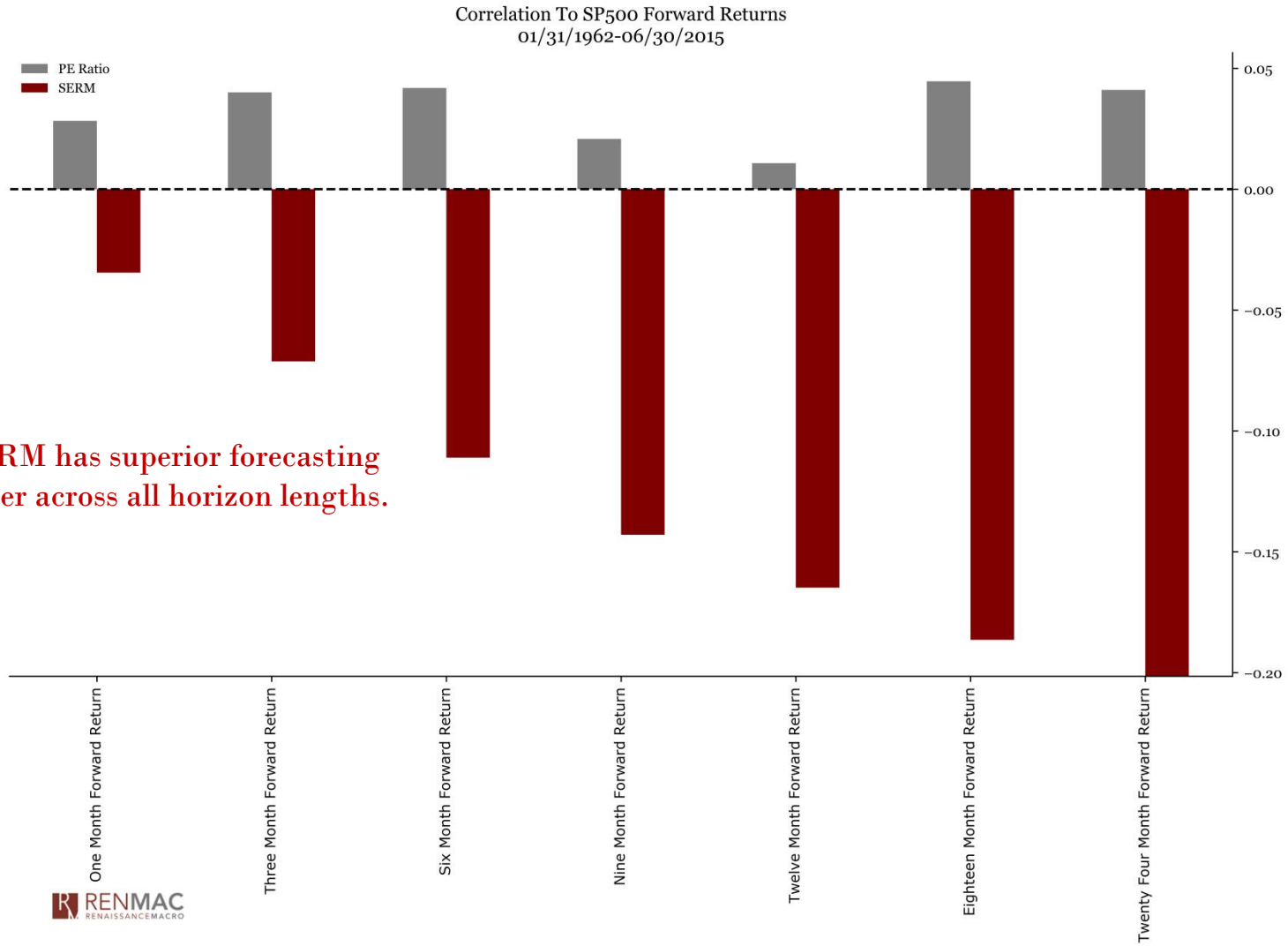
Technical & Strategy

Jeff deGraaf

Market Serm


SP500 Logged
2500
1875
1250
625
SERM is elevated but trend is still positive.
SERM
80th/20th Percentile
Average
1
1.2
0.8
0.4
0.0
−0.4
−0.8
1940
1950
1960
1970
1980
1990
2000
2010

SERM vs PE Ratio



SERM has superior forecasting power across all horizon lengths.

Non-Financial Leverage

Data as of: 07/07/2017

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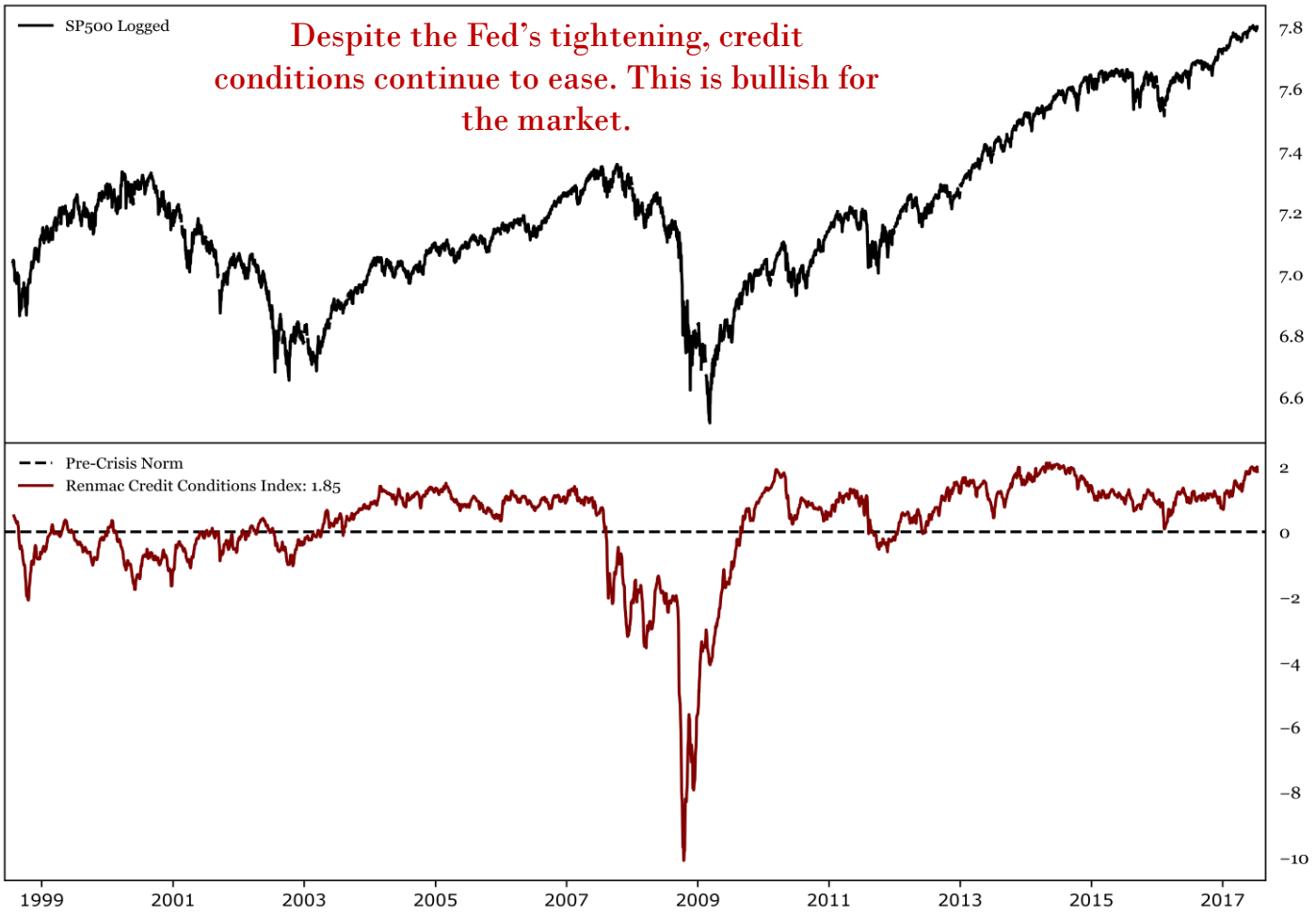
Credit Conditions



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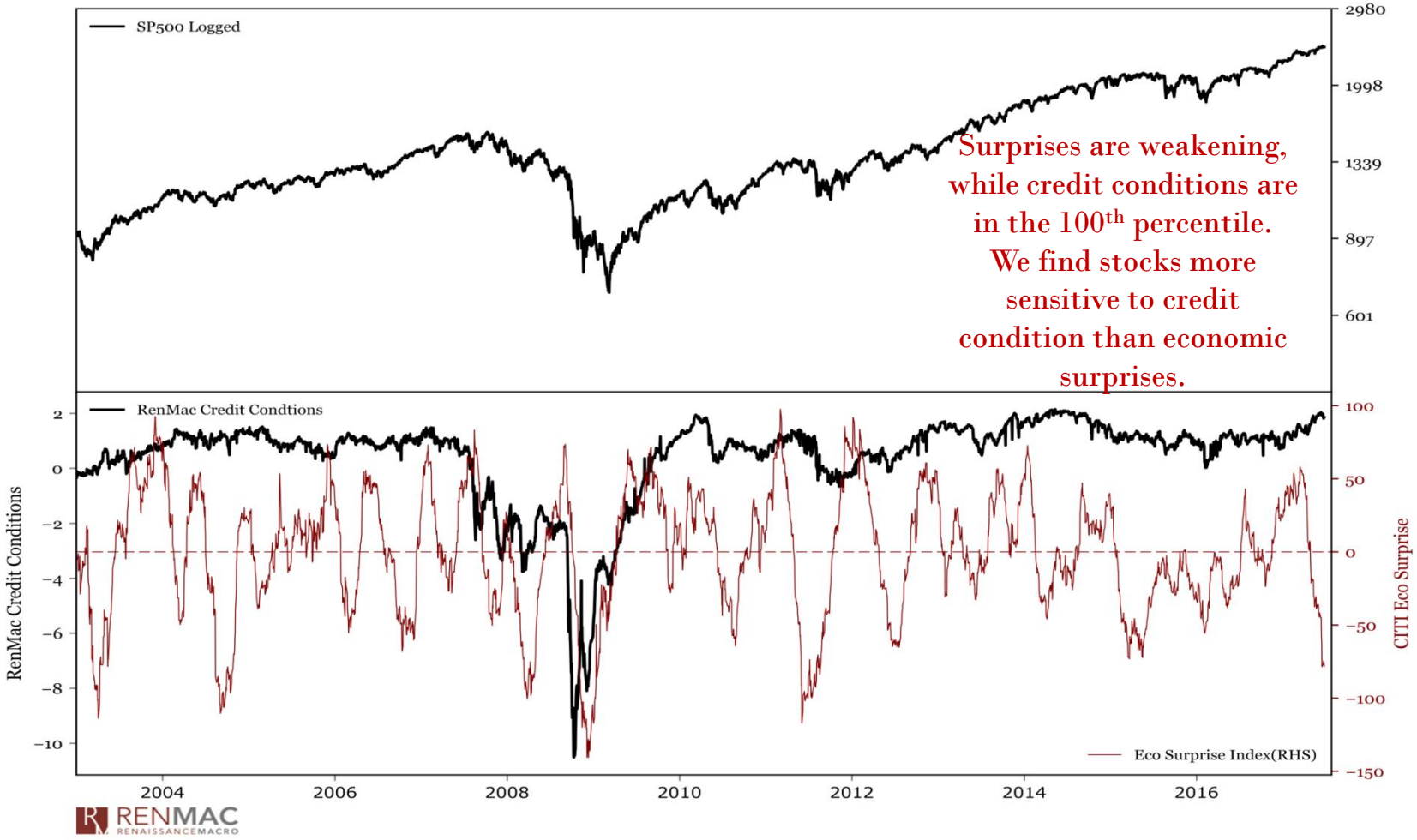
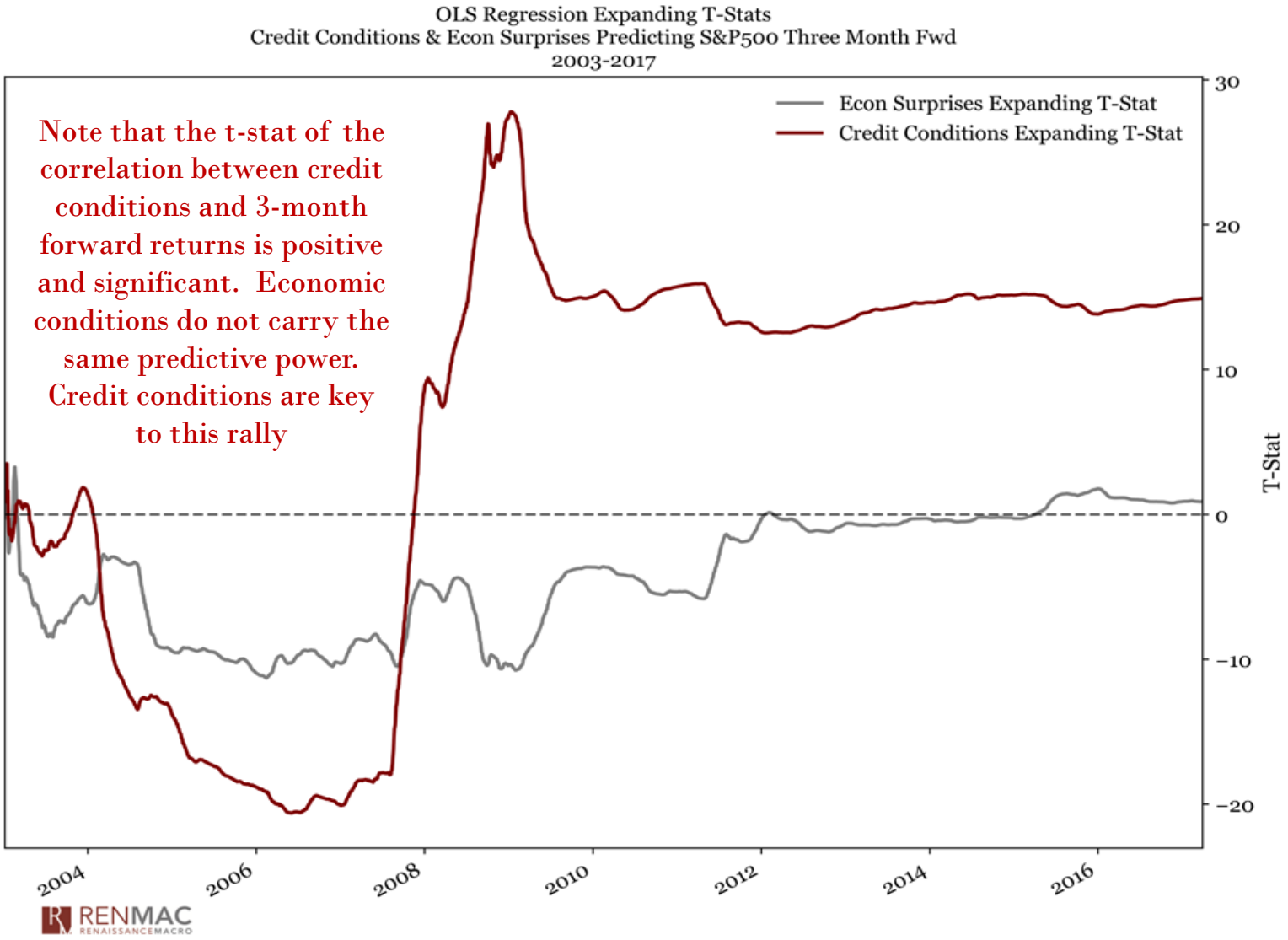
Credit Conditions vs Econ Surprises

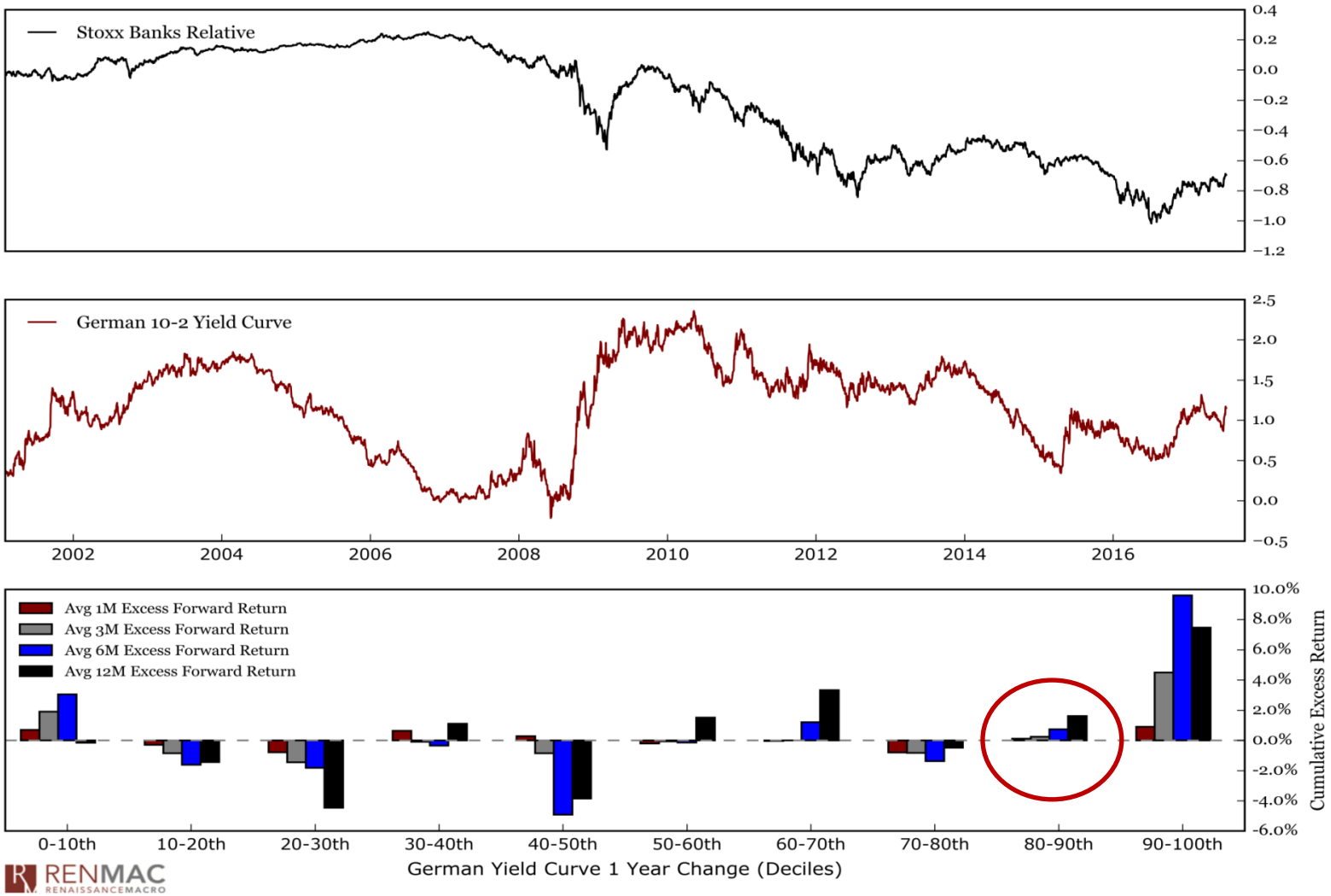


Credit Conditions vs Econ Surprises

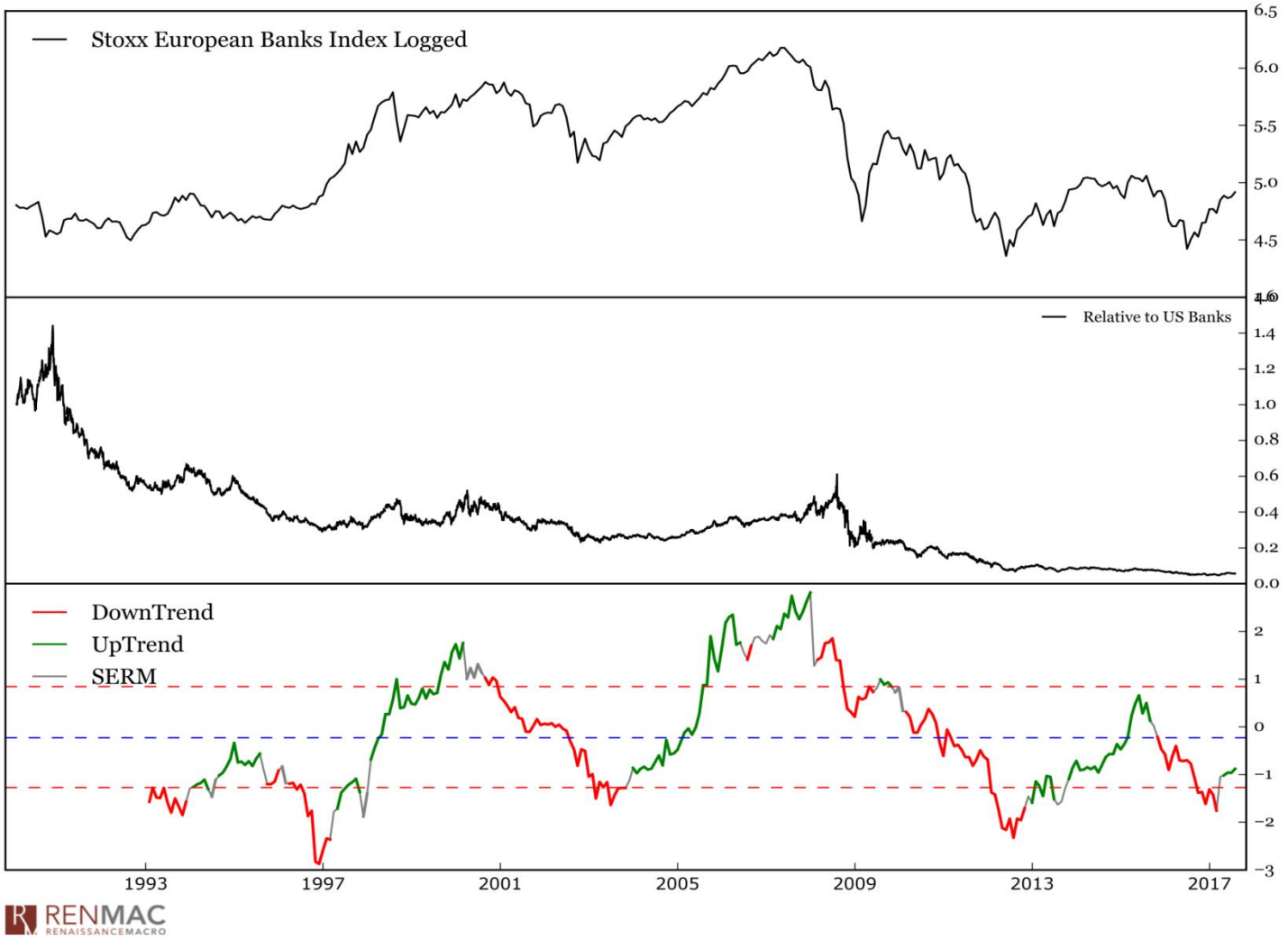


Credit Conditions

European Banks



European Banks



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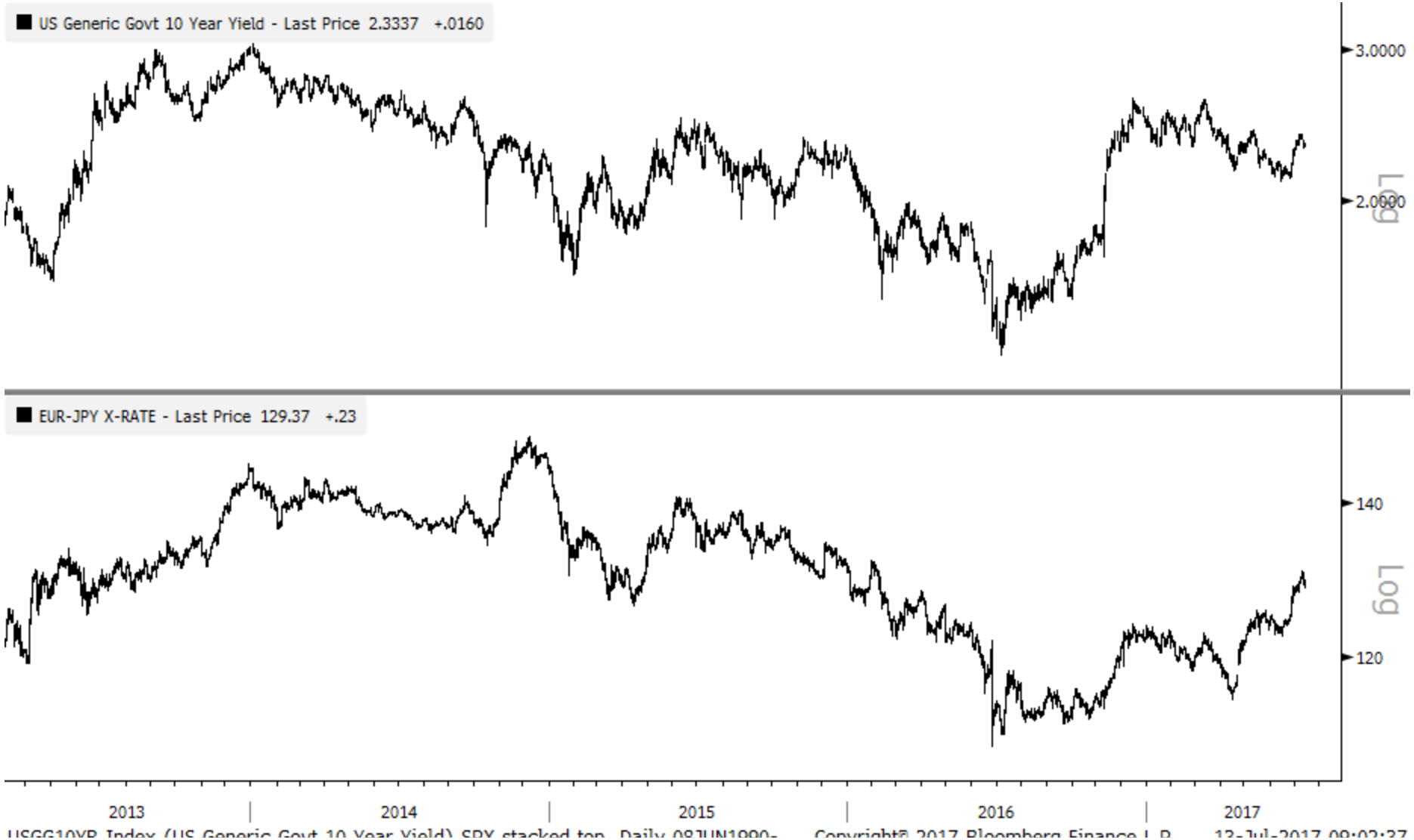
Euro/Yen



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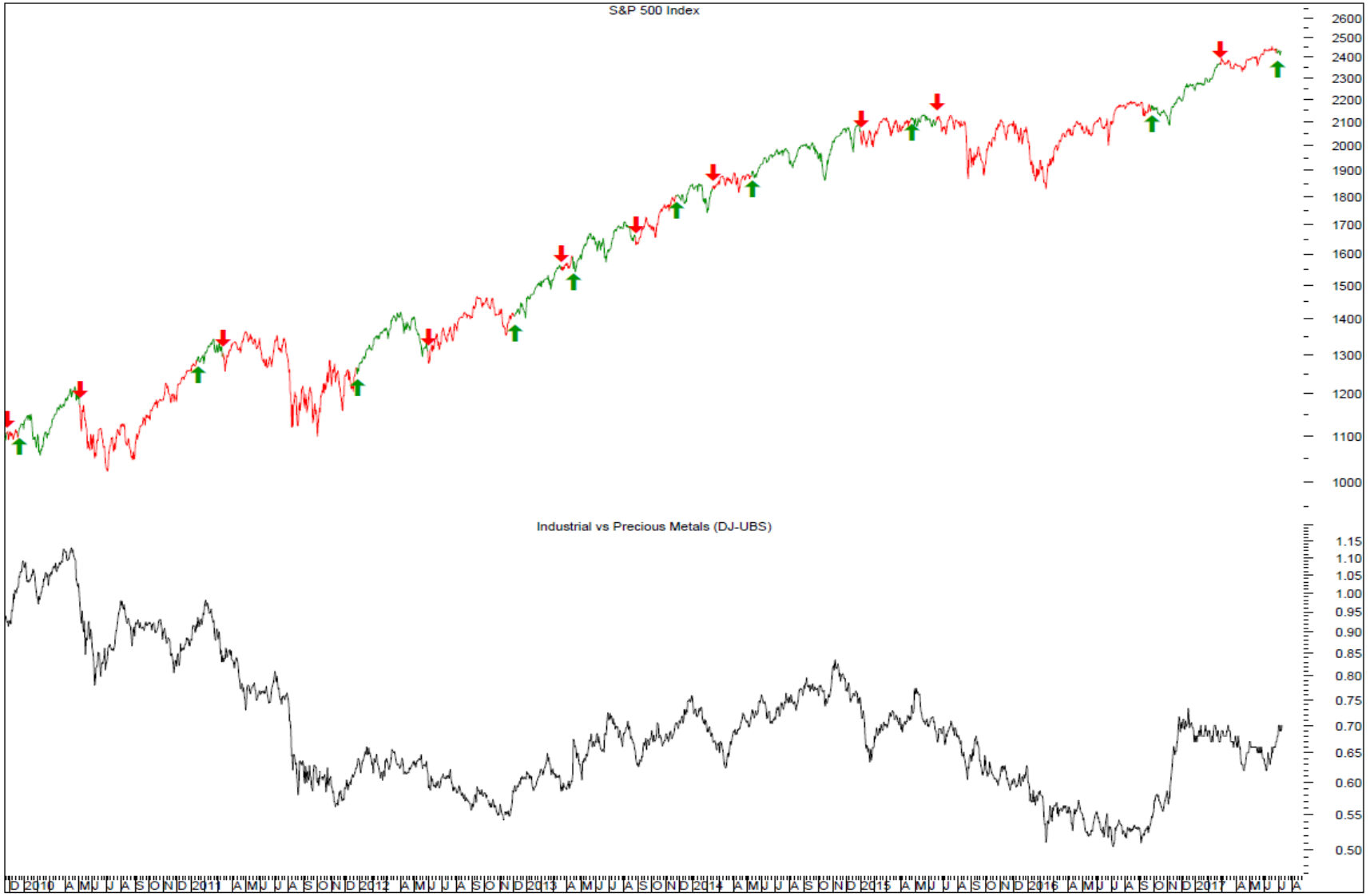
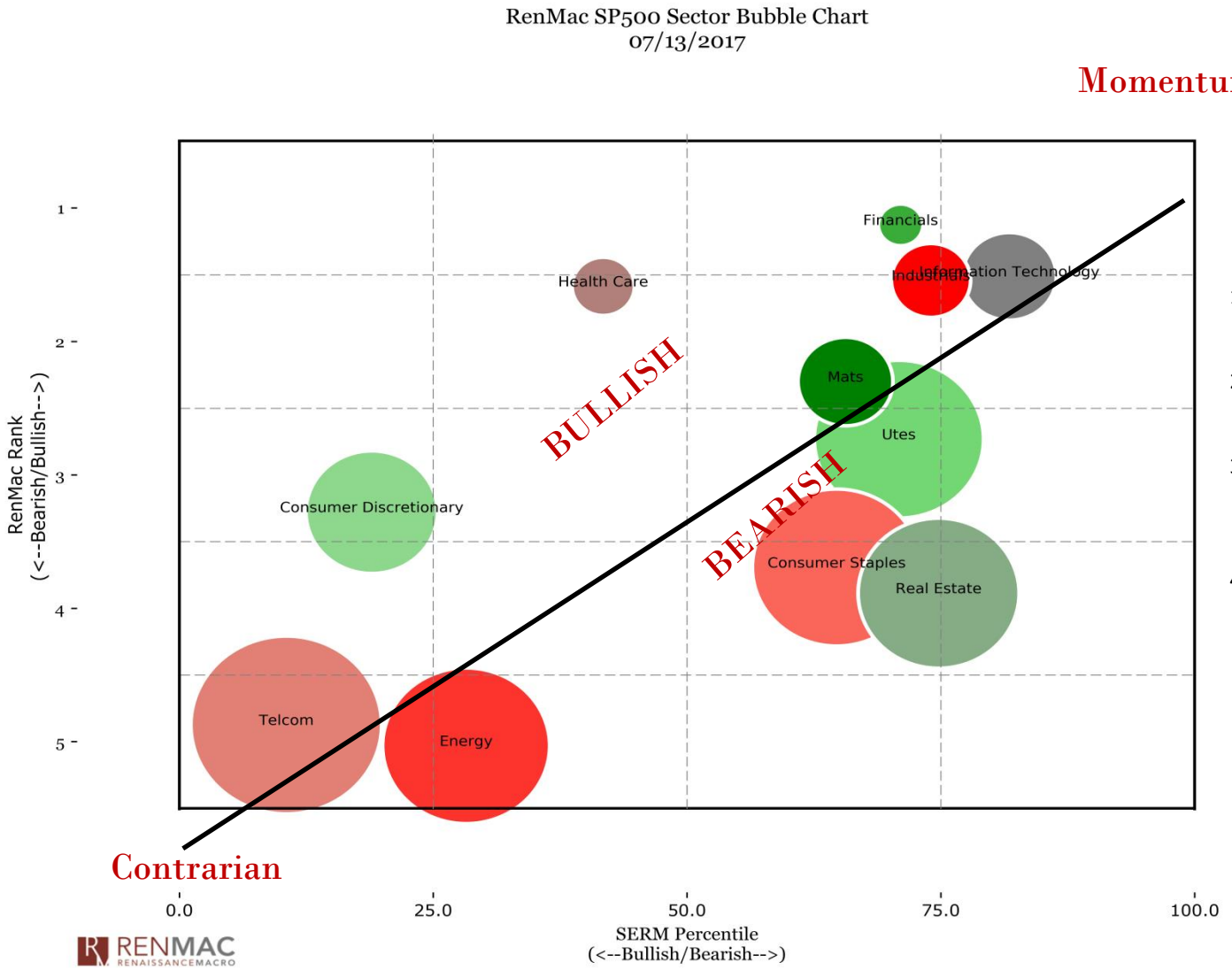
Industrial Metals vs Precious



Sector SERM/Trend Position



Bubble legend in order of importance

1) Vertical axis represents momentum (higher better)
2) Horizontal axis represents SERM (left better)
3) Color equates to bullish/bearish proprietary option score (green bullish)
4) Size represents the % > 65-day moving average for the group. Big = OS Small = OB

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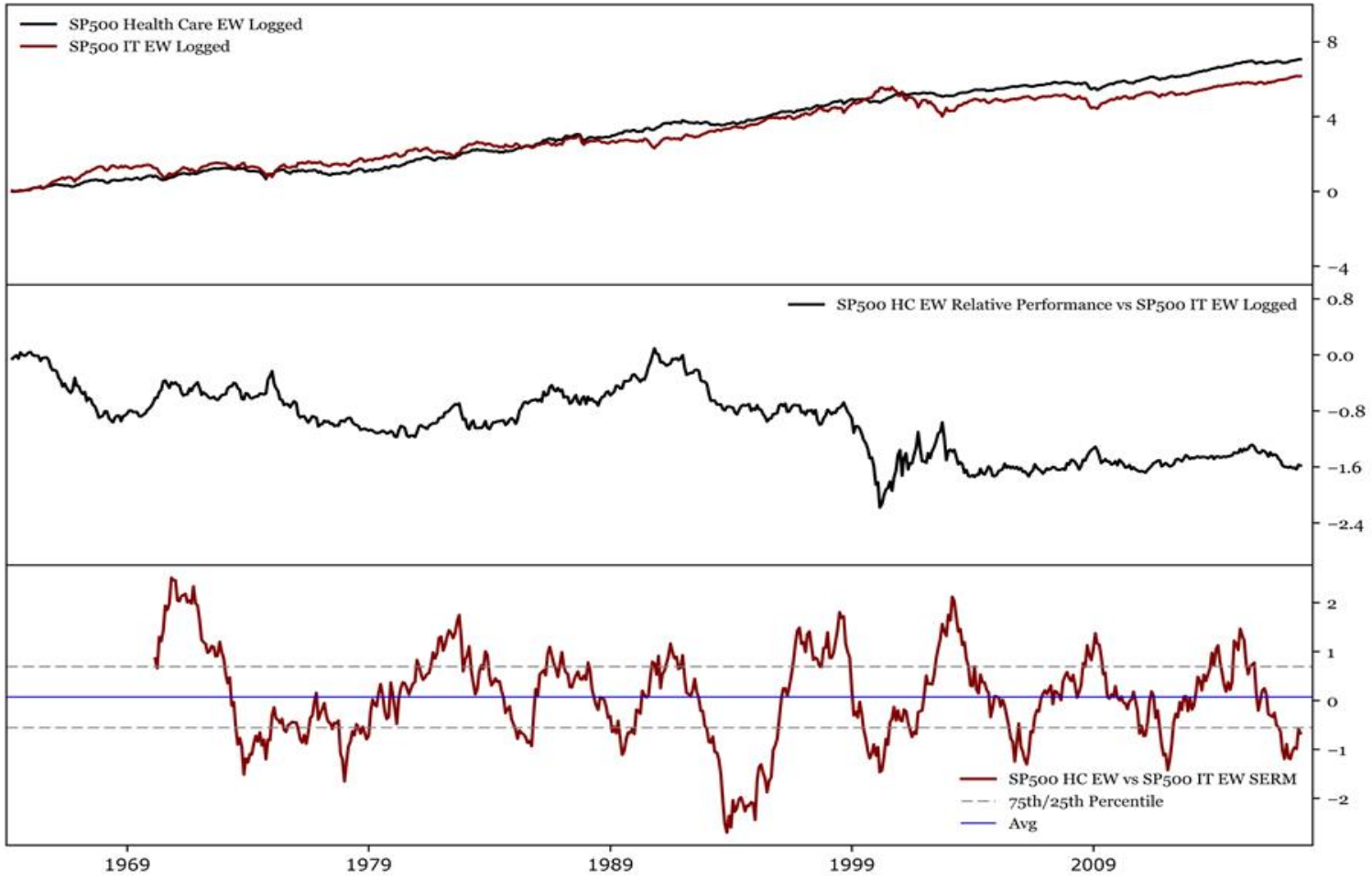
Health Care vs Tech SERM



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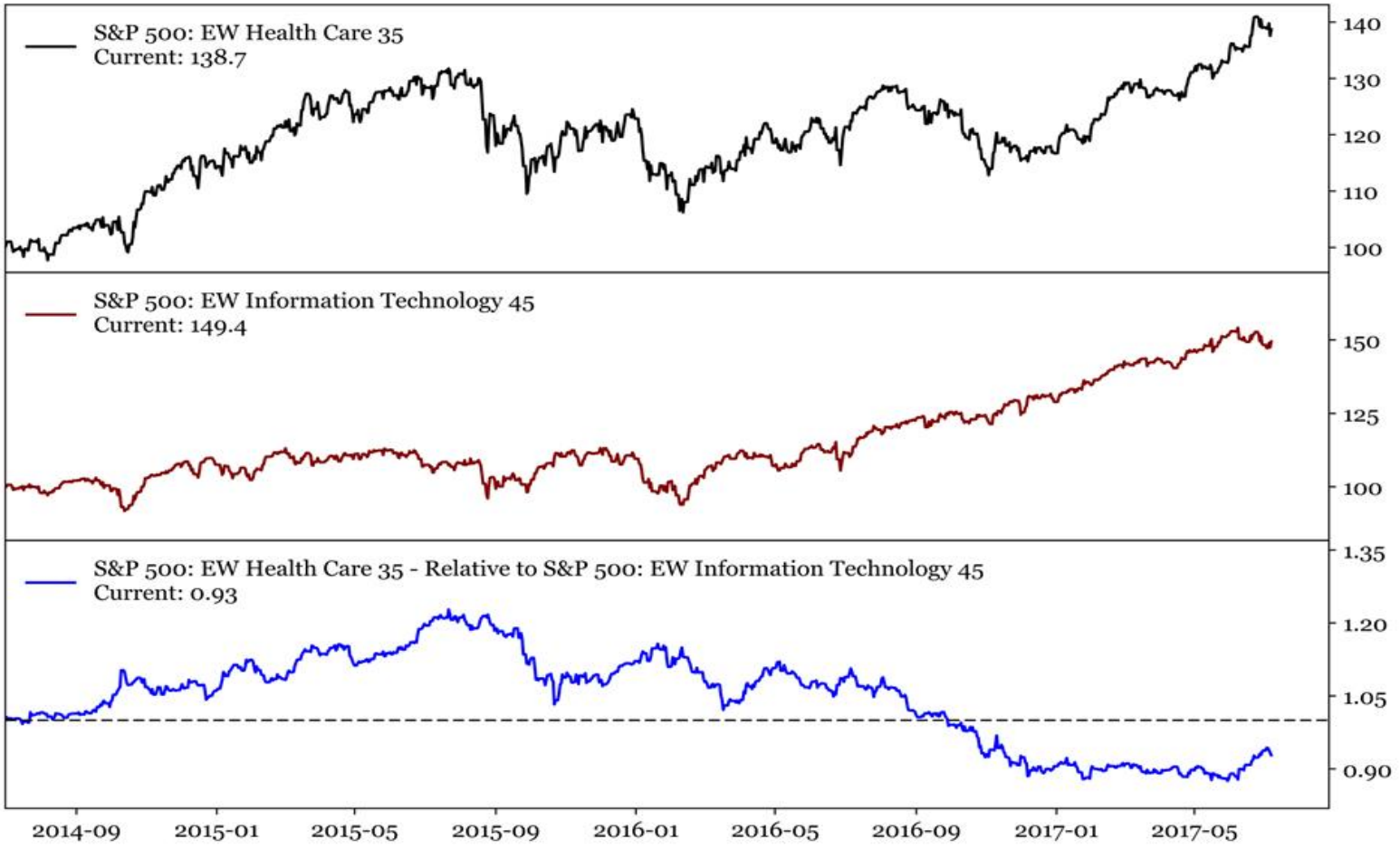
07/11/2017

Health Care vs Tech



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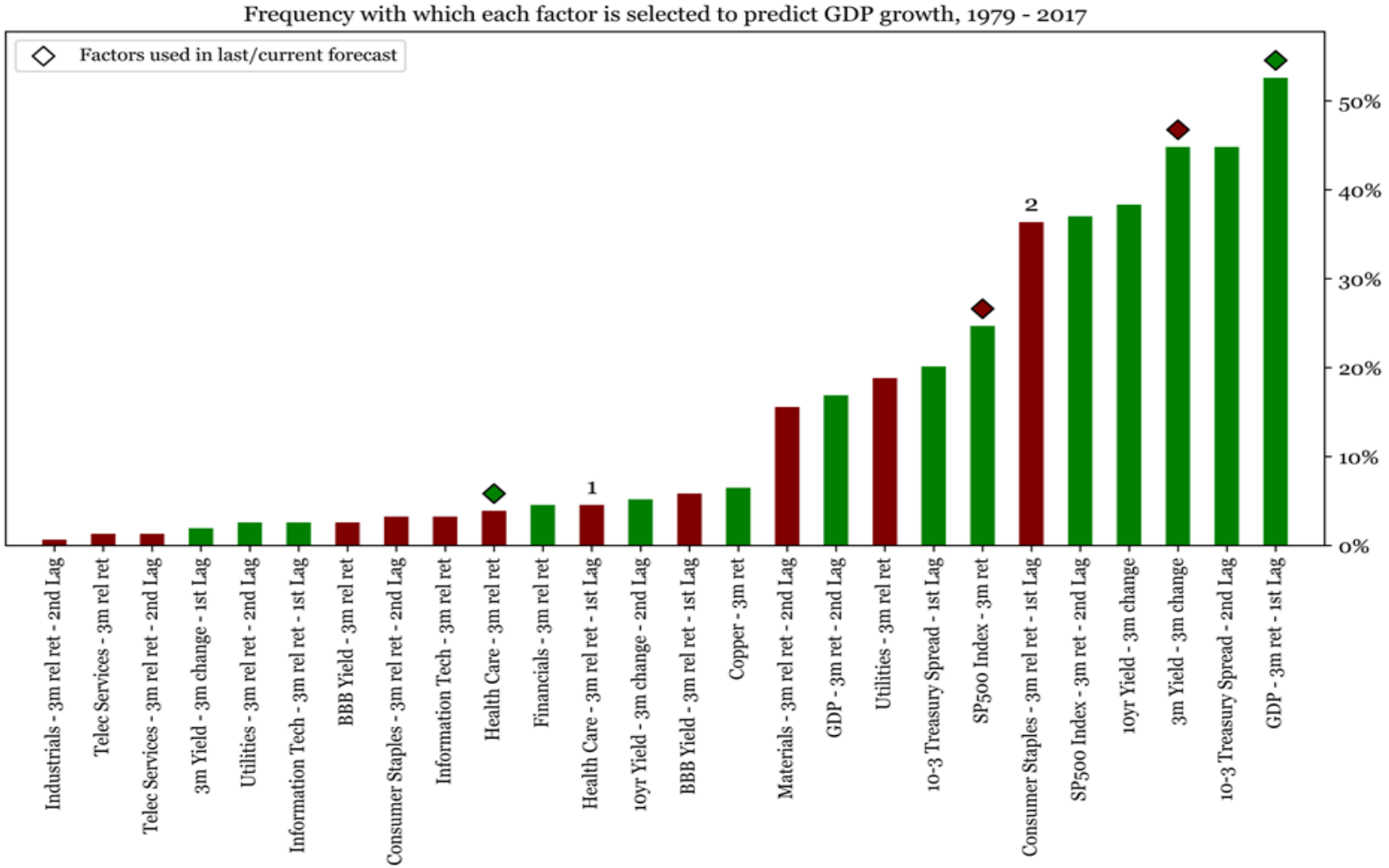
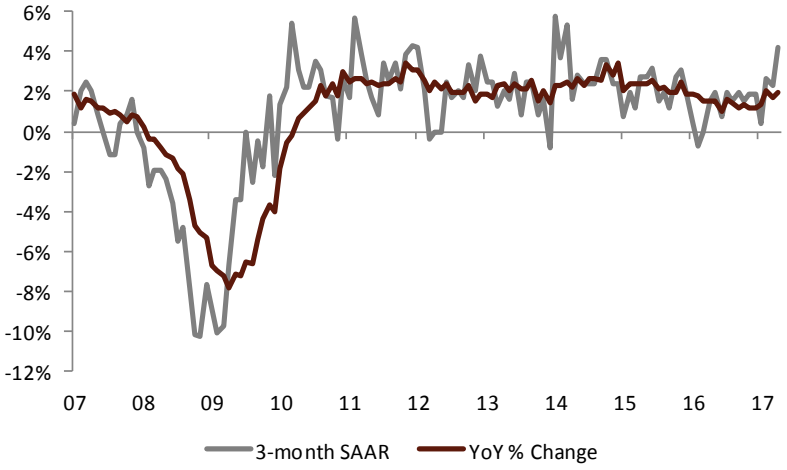
GDP Factors



Neil Dutta

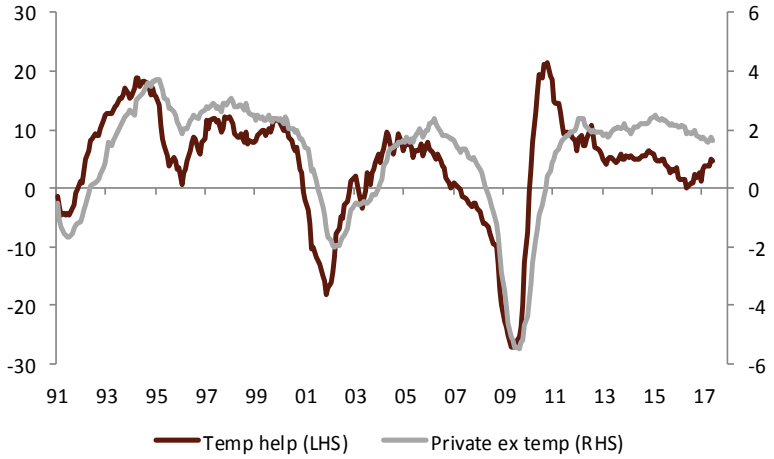
Labor market: Solid employment

Strong growth in hours worked of late



Temp help employment has picked up

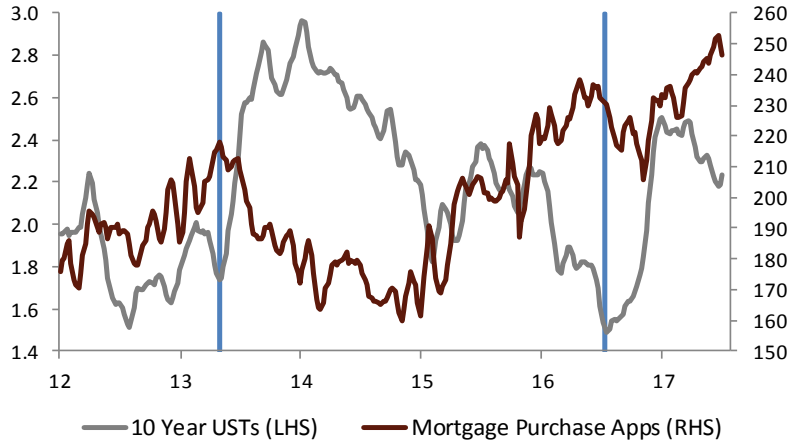
(% change, year-over-year)



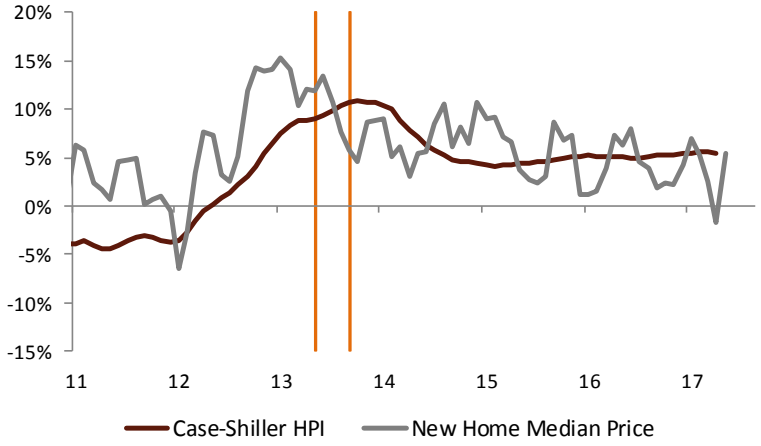
Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Conference Board, NFIB

Housing: Taper tantrum 2.0? No.

Purchase applications breaking out
(four-week moving average)



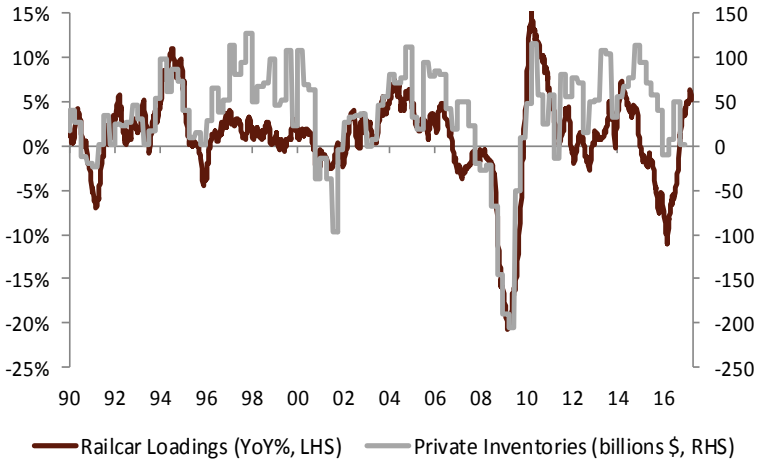
Home prices not rising as quickly
(% change, year-over-year)



Source: Renaissance Macro Research, Mortgage Bankers' Association, Haver Analytics

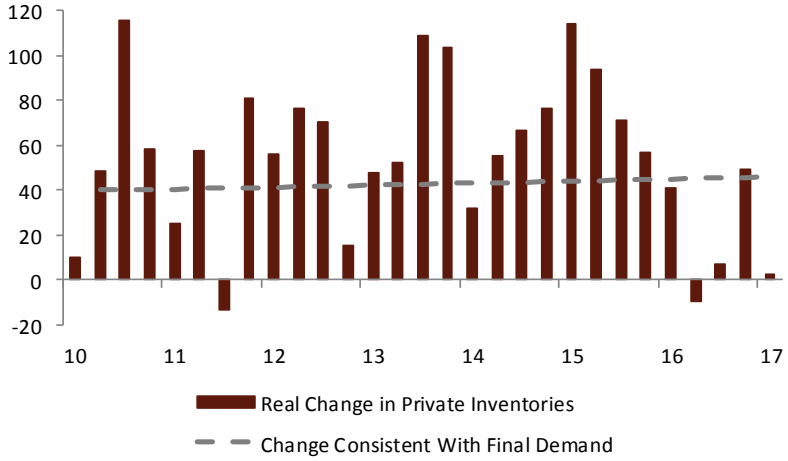
Inventories: More of a boost

Inventory corrections hurt industrials



Inventory build now a tailwind

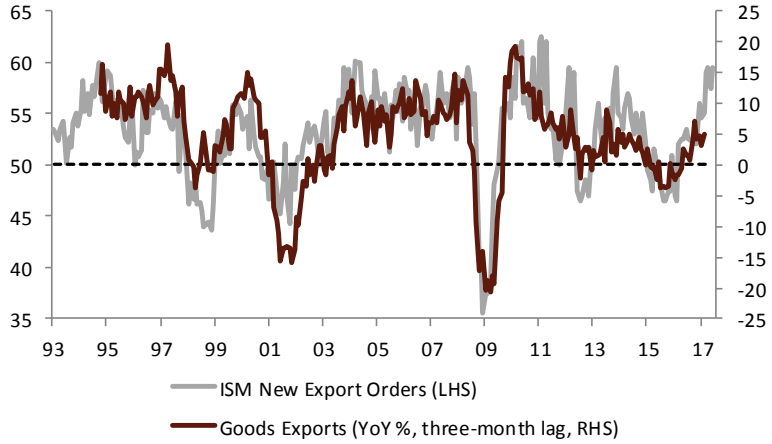
Real change in private inventories (billions $)



Source: Renaissance Macro Research, Bureau of Economic Analysis, Haver Analytics

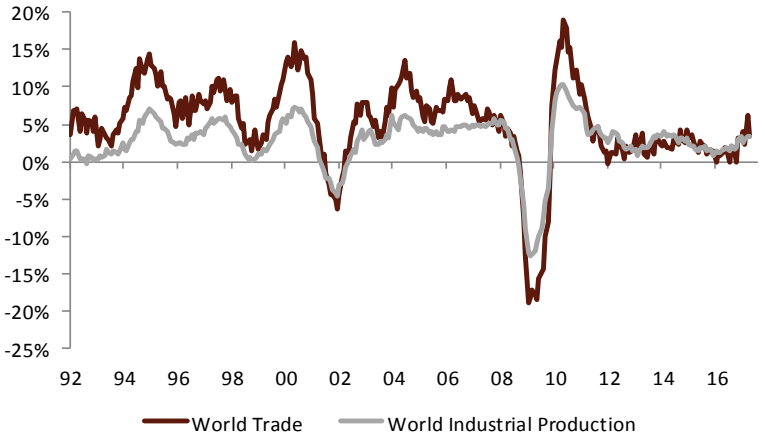
Trade: Cyclical upswing

Signs of a rebound



Structural problems to global trade

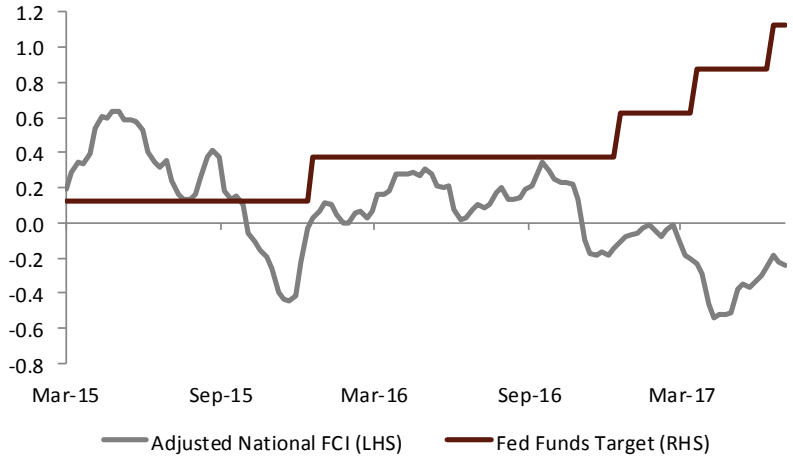
(year-over-year % change)



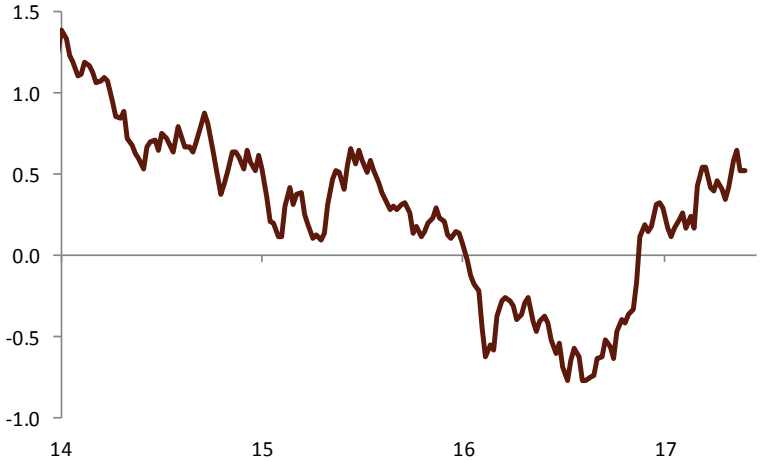
Source: Renaissance Macro Research, Haver Analytics

Fed: How much tightening?

Broad financial conditions remain easy



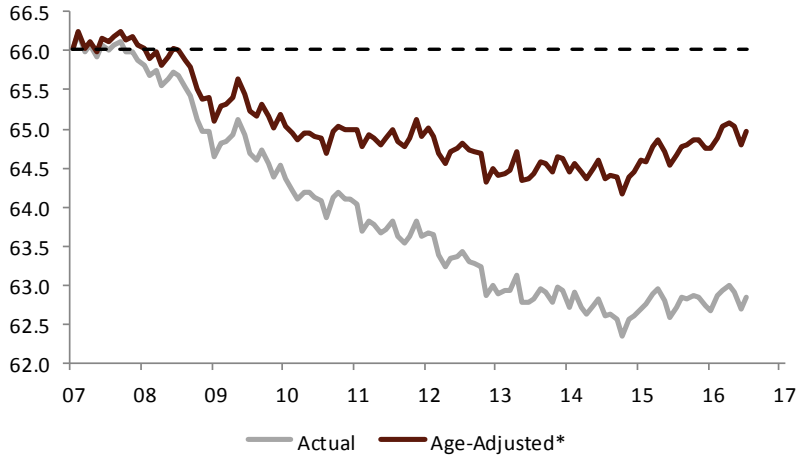
Real rates have backed up
(10Y UST less core CPI)



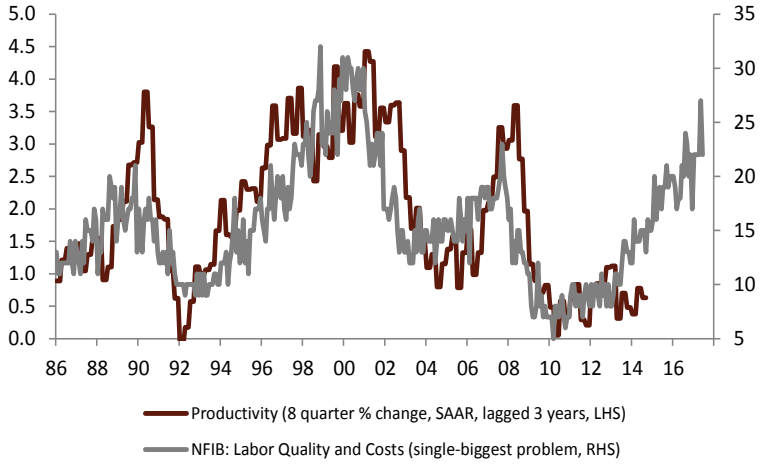
Source: Renaissance Macro Research, Haver Analytics, Bloomberg

Fed: Searching for neutral

Participation comeback
(Labor Force Participation Rate)



Full employment helps lift productivity



*Age-adjusted rate uses age distribution fixed at December 2007 weights (prior business cycle peak)
Source: Haver Analytics, Bureau of Labor Statistics

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Thank you for joining us!

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