

The 27th Annual WHMA Conference

Planning with Optimism

Taylor St. Germain
Speaker and Analyst



ITR ECONOMICS

First In Forecasts Worldwide

2019 Forecast Results

Despite all the noise.

	Duration	Accuracy
US GDP	18	98.1%
US Ind. Production	16	99.7%
Europe Ind. Production	16	97.4%
Canada Ind. Production*	18	99.7%
China Ind. Production	13	99.5%
Retail Sales	16	98.9%
Housing (Single Family Units)	26	97.6%
Employment (Private Sector)	30	99.9%

ITR Economics provides the best economic intelligence to reduce risk and drive practical and profitable business decisions.

First In Forecasts Worldwide



Summary February 2020

Macroeconomic Signals for 2020-2021

US

Global

Segment Thinking Into 3 Time Periods

2020

2021 - 2029

2030 - 2040

Global Issues Impacting Our Businesses

Tariffs - Nationalism

Leading Indicator Signals are Mixed

Know which ones matter to you

How to track the leading indicators

First In Forecasts Worldwide





Global Partners

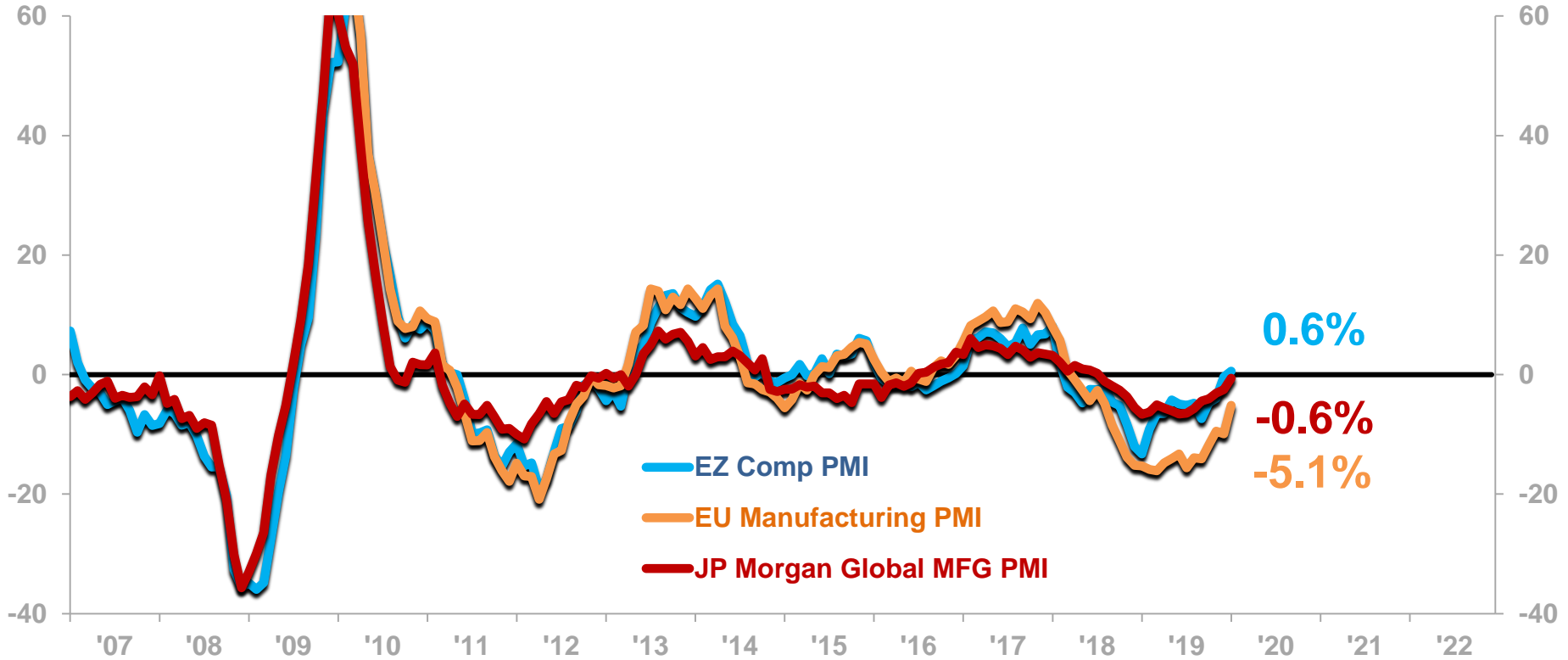


ITR ECONOMICS

First In Forecasts Worldwide

Leading Indicators Portend Rise later in 2020

Global Leading Indicators



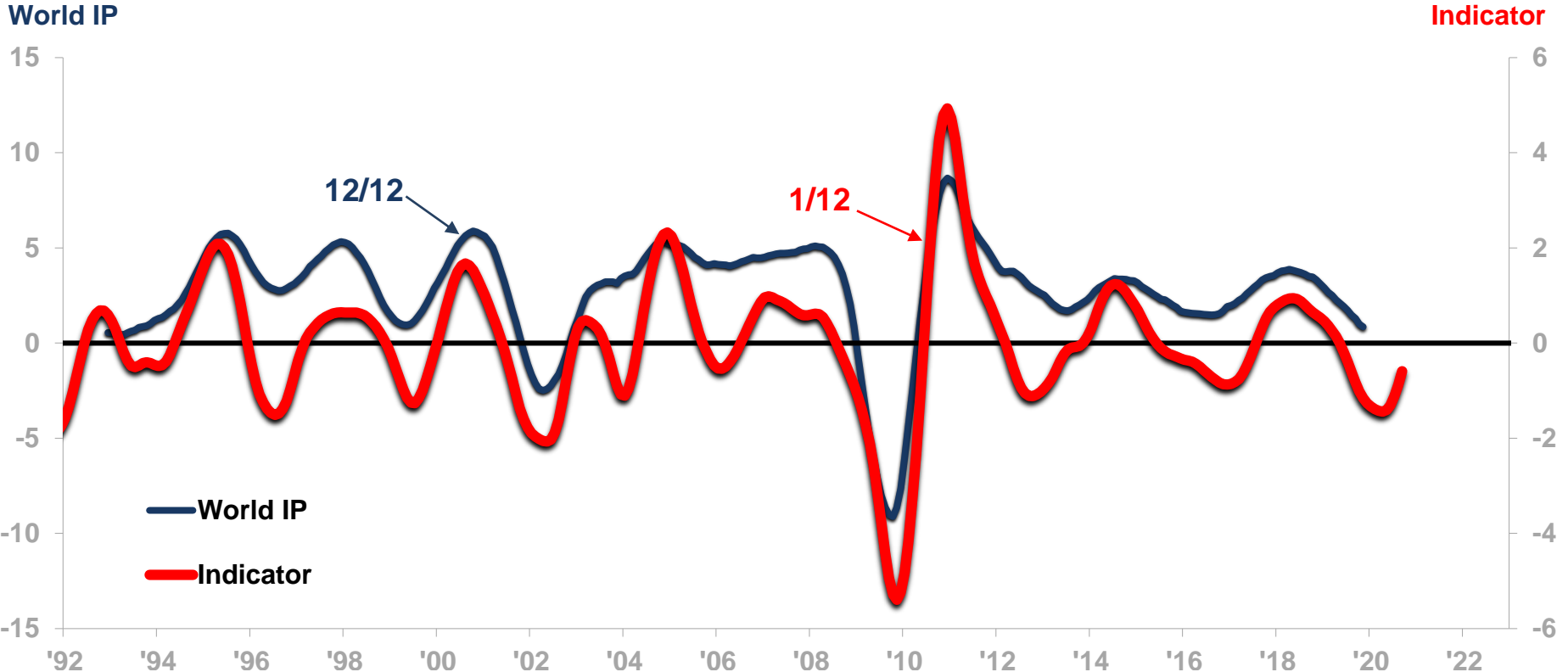
First In Forecasts Worldwide

1/12 Rates-of-Change

Source: Markit Economics

A Crucial 8% for the USA

World Industrial Production Index to G7 Leading Indicator



First In Forecasts Worldwide

Rates-of-Change

A Downward Signal from the World IP

US Industrial Production Index to World Industrial Production Index



First In Forecasts Worldwide



General Economic Outlook

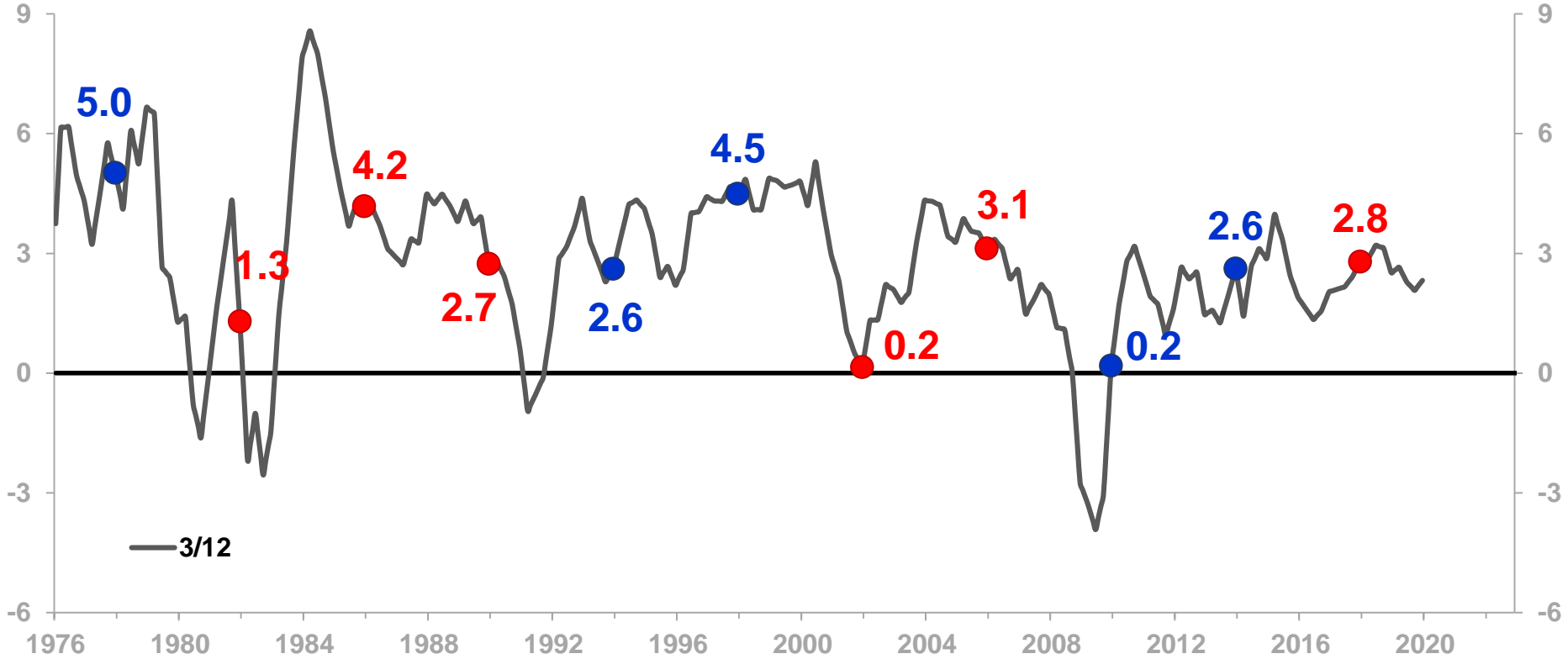


ITR ECONOMICS

First In Forecasts Worldwide

Presidential Party Versus Policy

US Real Gross Domestic Product Growth One Year After the Election



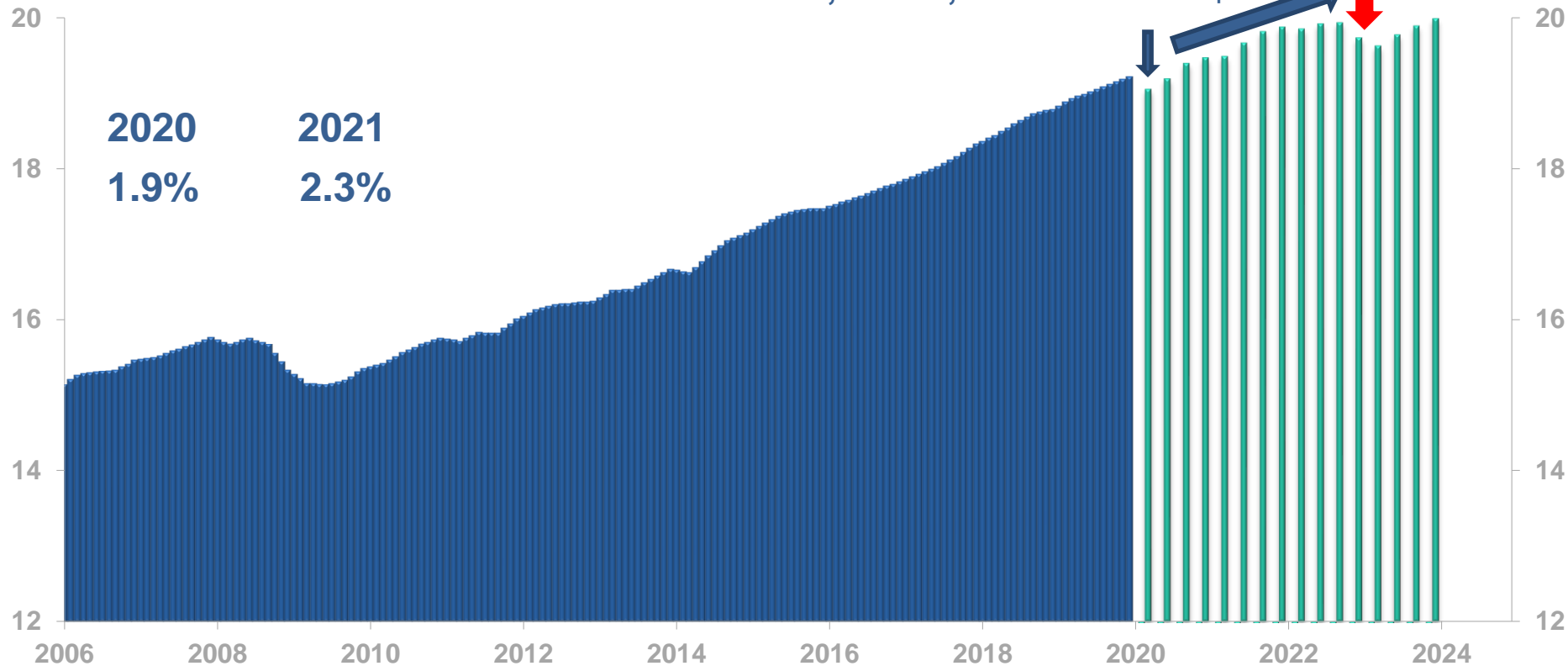
First In Forecasts Worldwide

3/12 Rate-of-Change

Source: BEA

US Economy Stalls in early 2020 and then Accelerates

US Gross Domestic Product, SAAR, Chained 2012 \$



2020
1.9%

2021
2.3%



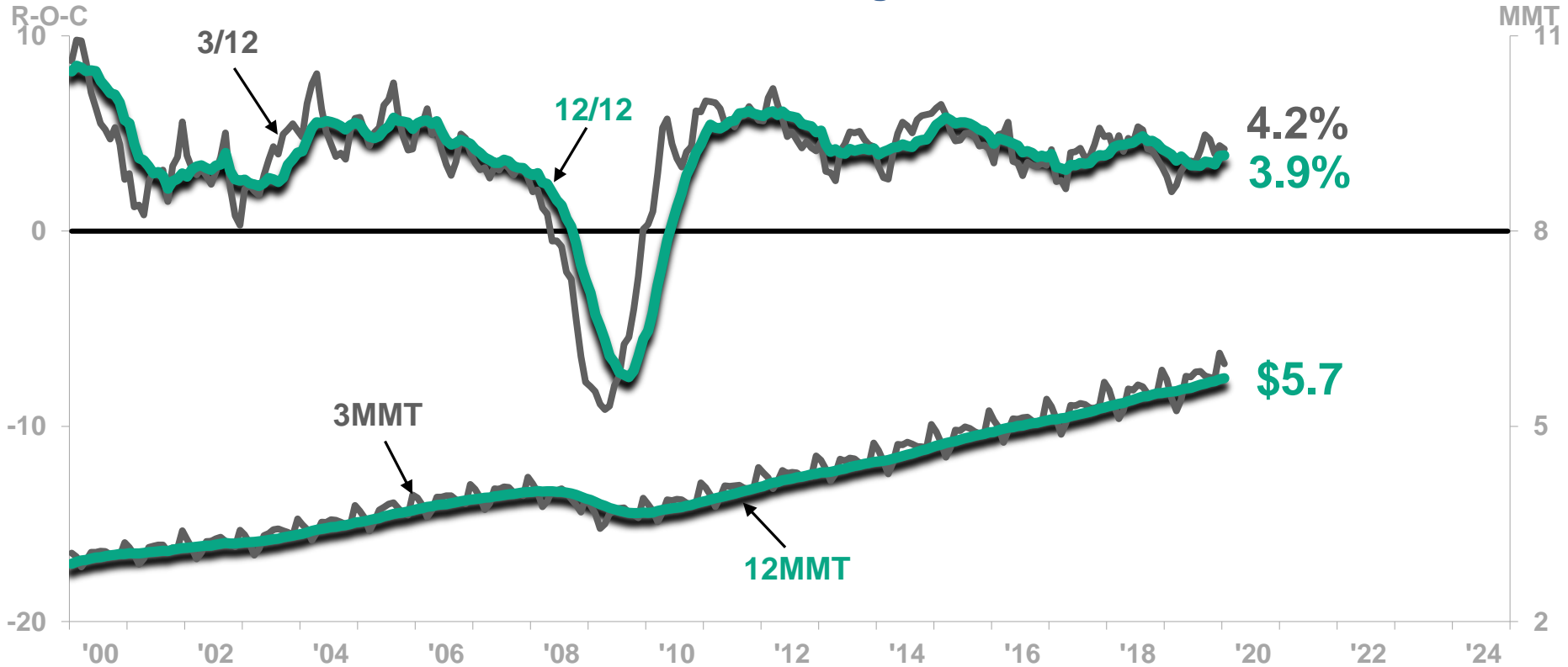
First In Forecasts Worldwide

3-Month Moving Average

Source: BEA

Expansion in Retail Sales Expected During 2020 and 2021

US Retail Sales Excluding Gas Stations



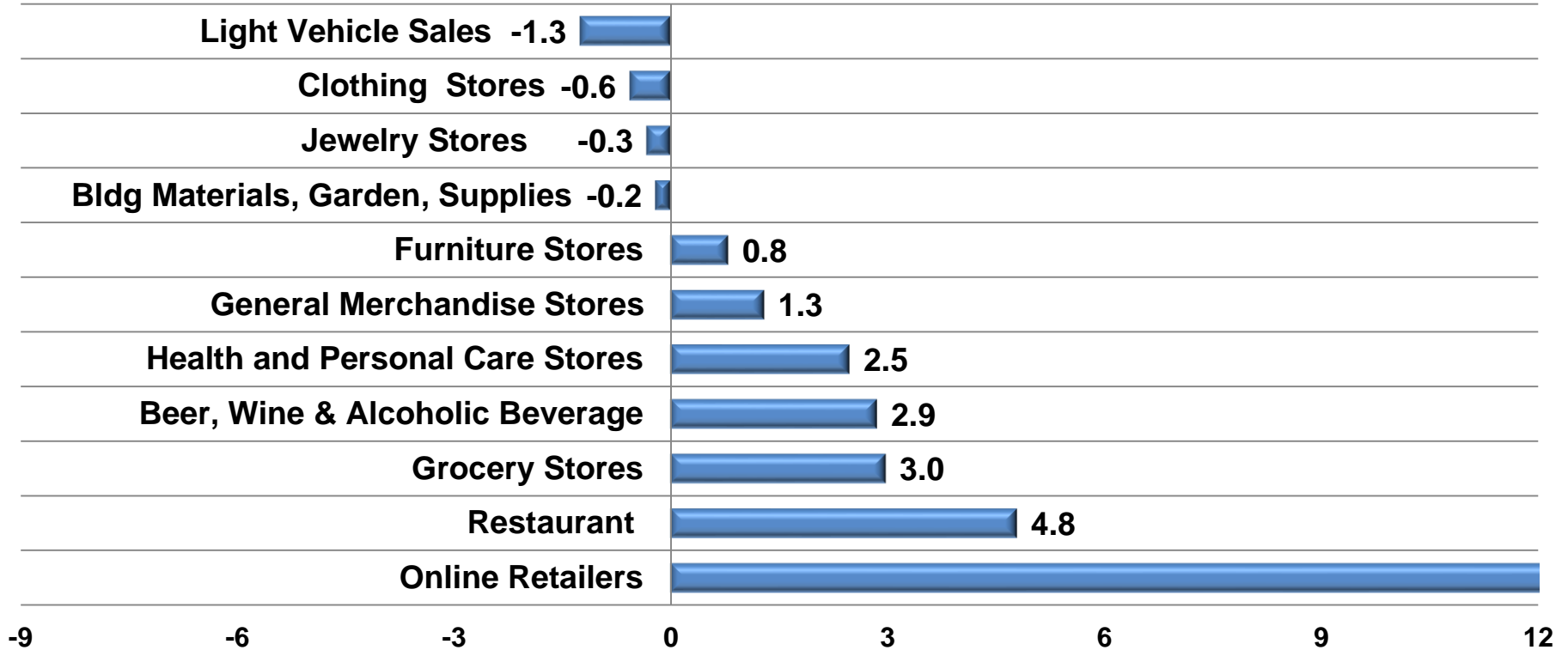
First In Forecasts Worldwide

Trillions of Dollars

Source: Census Bureau

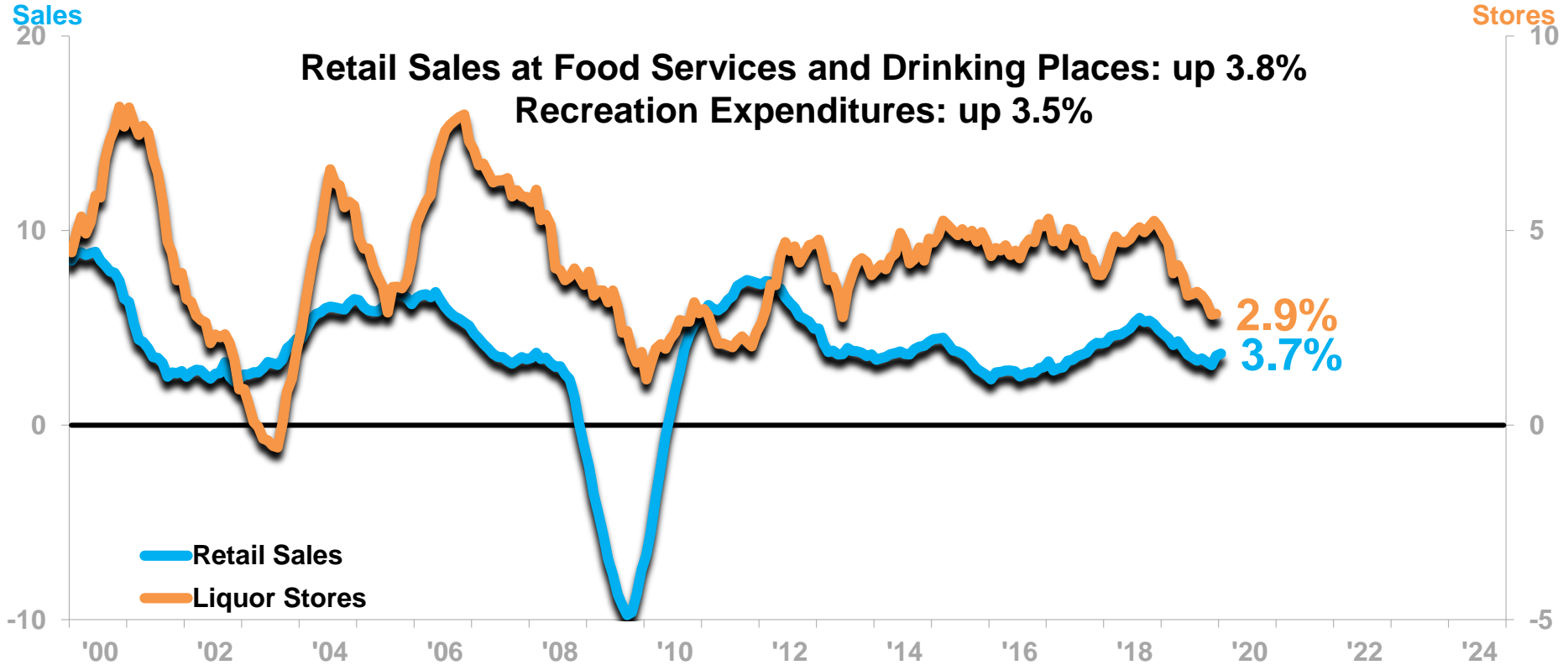
What's Rising and What's Not

US Retail Sales



We Drink When Times Are Good...And Bad

US Total Retail Sales to US Beer, Wine & Liquor Stores Sales



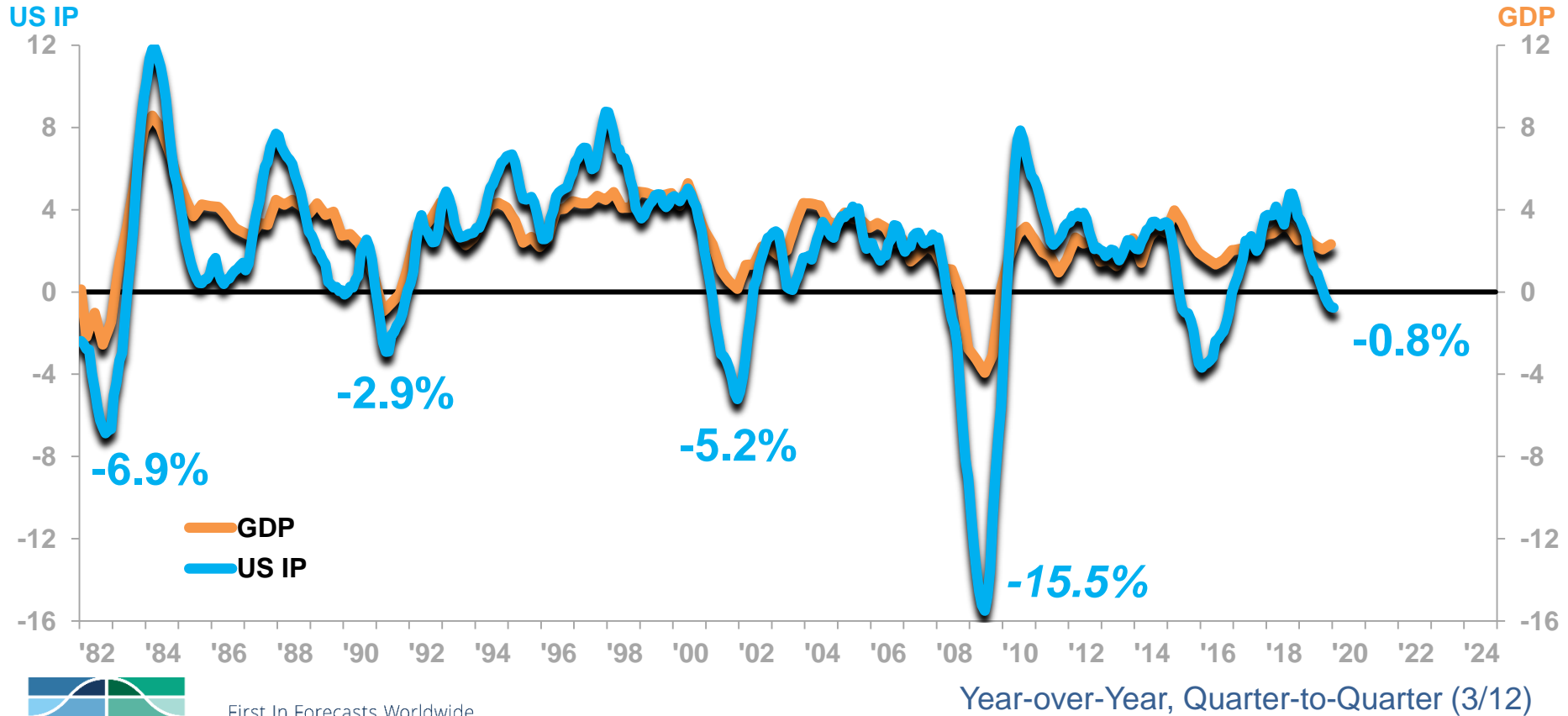
First In Forecasts Worldwide

12/12 Rates-of-Change

Source: Census Bureau

It Is Important to Think a Half Business Cycle Ahead

US Industrial Production to Gross Domestic Product



First In Forecasts Worldwide

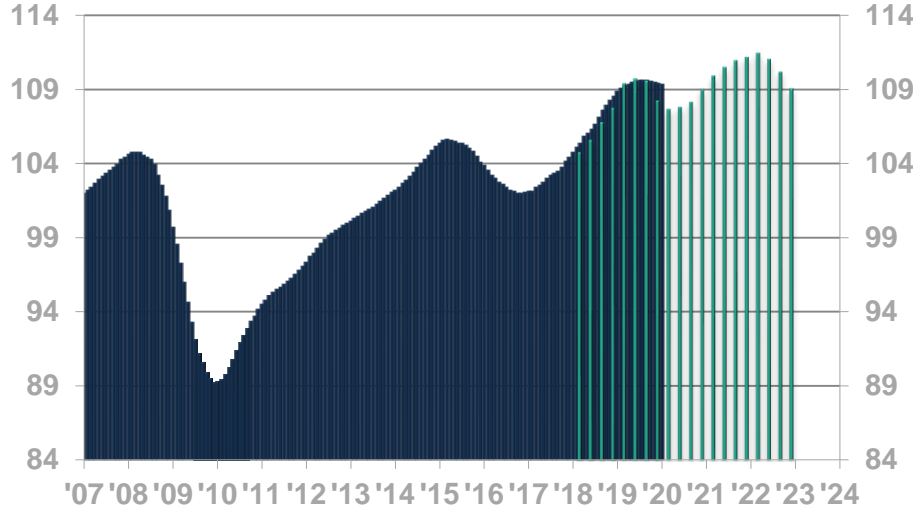
Year-over-Year, Quarter-to-Quarter (3/12)

Sources: FRB, BEA

Approaching a Cyclical Low

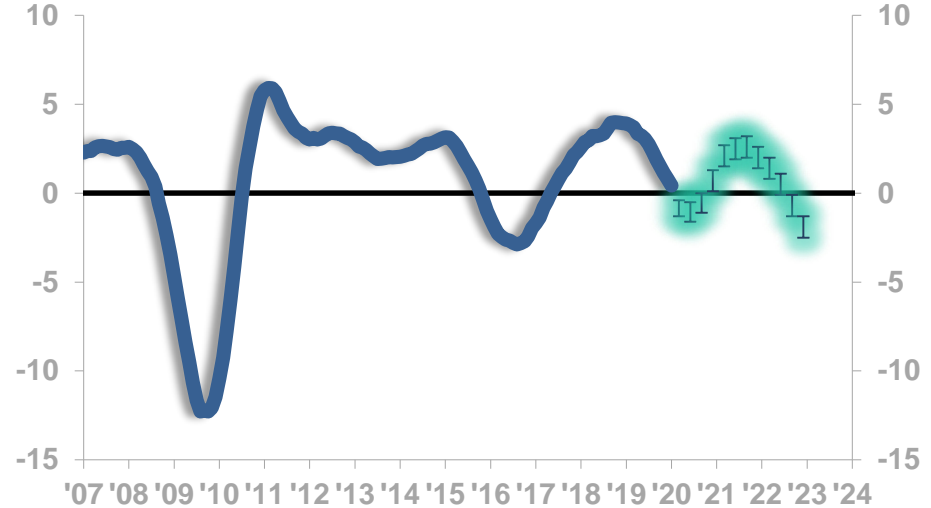
US Industrial Production Index

US Industrial Production Index 12-Month Moving Average



- Annual Trend: 109.3
- Phase: C
- Year-over-Year: 0.4%

Year-over-Year Growth Rate 12/12 Rate-of-Change



ITR 
Outlook

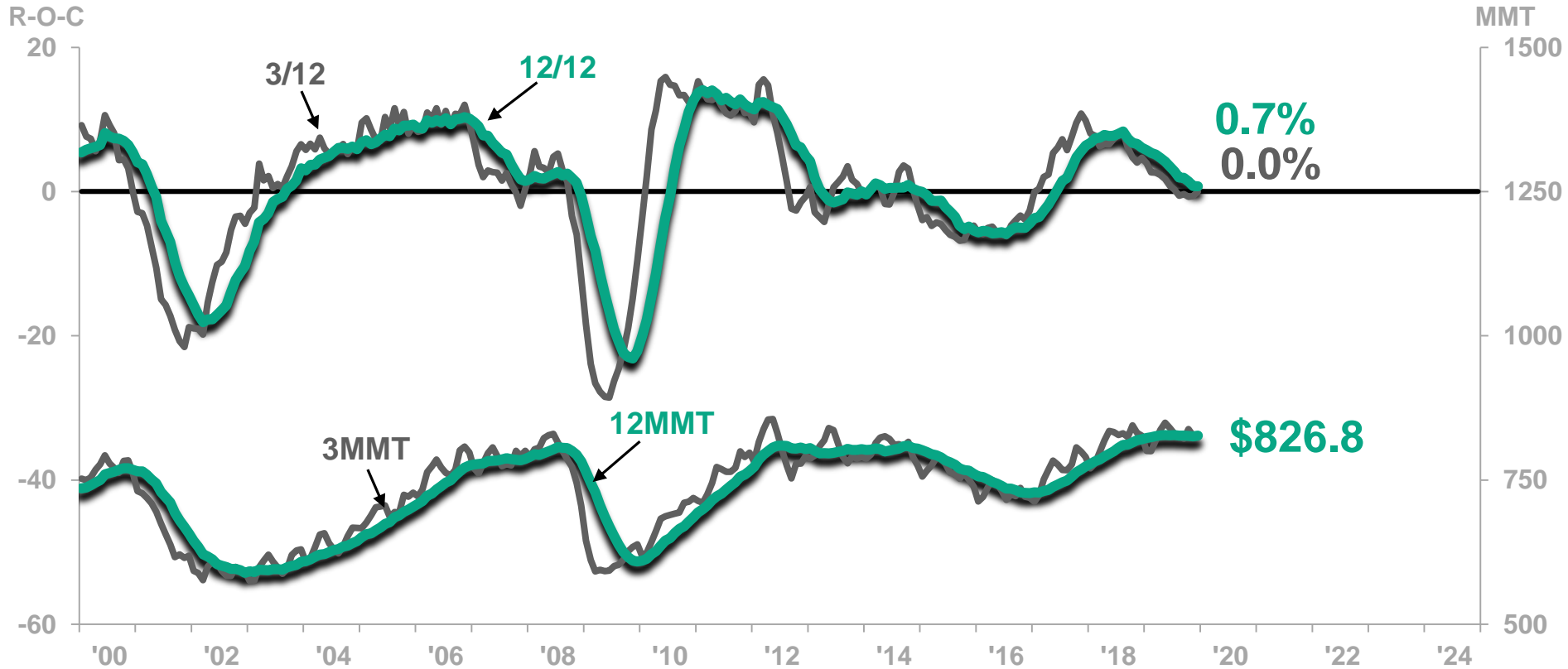
2020: 0.7%
2021: 2.0%
2022: -1.9%



First In Forecasts Worldwide

CAPEX Expected to Improve in 2H20

US Nondefense Capital Goods New Orders w/o Aircraft



First In Forecasts Worldwide

U.S. Economic Leading Indicators

Indicator	Trend	Comments	Lead Time (months)
ITR Consumer Activity Leading Indicator	Rise	Potential April 2019 low	14
ITR Financial Leading Indicator	Rise	Potential August 2019 low	14
JPMorgan Global PMI	Rise	Jan 2019 1/12 r-o-c low	12
OECD Leading Indicator	Rise	August 2019 1/12 low	10
G7 Leading Indicator	Rise	Tentative August 2019 Low	10
Purchasing Managers Index (PMI)	Rise	Tentative September 2019 1/12 low	9
ITR Leading Indicator	Rise	Tentative October 2019 low	8
Wilshire Total Market Cap	Rise	Probable Feb 2019 low	8
US Leading Indicator	Decline	1/12 still in decline	8
Single-Family Housing Starts	Rise	12/12 up. Aug 2019 low. Positive Checking Pts.	8
Total Industry Capacity Utilization	Decline	1/12 still in decline	6
US Exports – World	Rise	Tentative Jun 2019 3/12 low	4



Rate-of-Change A Management Tool



ITR ECONOMICS

First In Forecasts Worldwide

Decision Making

A Powerful Management Tool

Rate-of-Change

	Raw	3MMT	3/12	12MMT	12/12
Feb-18	1.5				
Mar-18	1.4				
Apr-18	1.5	4.4			
May-18	1.3	4.4			
Jun-18	1.3	4.2			
Jul-18	1.6	4.1			
Aug-18	1.6	4.2			
Sep-18	1.5	4.5			
Oct-18	1.7	4.7			
Nov-18	1.6	4.8			
Dec-18	1.7	4.8			
Jan-19	1.7	5.0		18.2	
Feb-19	1.7	5.0		18.4	
Mar-19	1.6	5.1		18.6	
Apr-19	1.7	5.0	13.6%	18.8	
May-19	1.5	5.0	13.6%	19.0	
Jun-19	1.5	4.8	14.3%	19.2	
Jul-19	1.9	4.7	14.6%	19.4	1.6%
Aug-19	1.7	4.9	16.7%	19.7	4.8%
Sep-19	1.7	5.1	13.3%	19.8	5.9%
Oct-19	1.9	5.3	12.8%	20.0	8.1%
Nov-19	1.7	5.3	10.4%	20.2	10.4%
Dec-19	1.7	5.3	10.4%	20.3	11.5%
Jan-20	1.7	5.3	6.0%	20.3	11.5%

3/12 Rate-of-Change

$$= \frac{\text{January 2020 3MMT}}{\text{January 2019 3MMT}} \times 100 - 100$$

$$= \frac{5.3}{5.0} \times 100 - 100 = 6.0\%$$

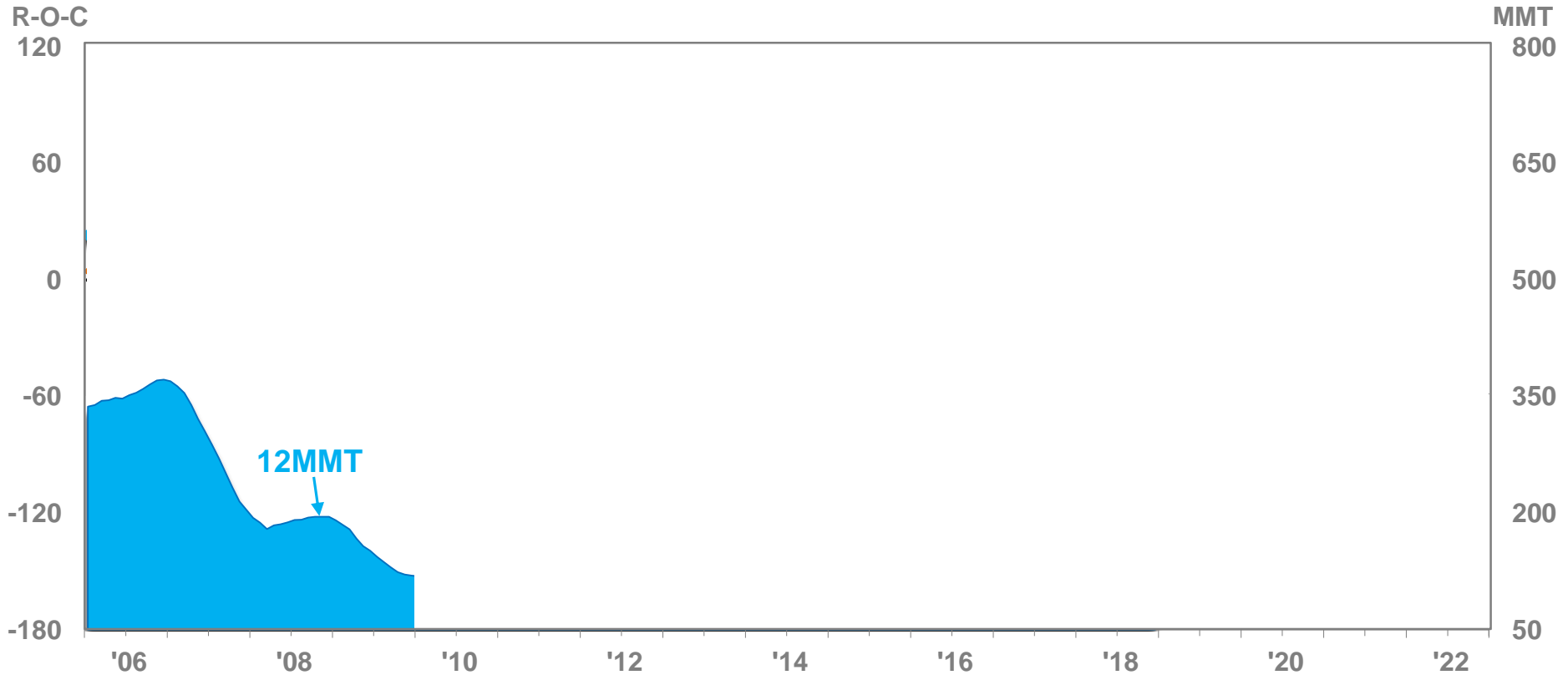
12/12 Rate-of-Change

$$= \frac{\text{January 2020 12MMT}}{\text{January 2019 12MMT}} \times 100 - 100$$

$$= \frac{20.3}{18.2} \times 100 - 100 = 11.5\%$$



Rate-of-Change – A Management Tool



First In Forecasts Worldwide



Tariff

A tax or duty that a government charges on goods coming into or going out of their country

Tariffs and Other Things

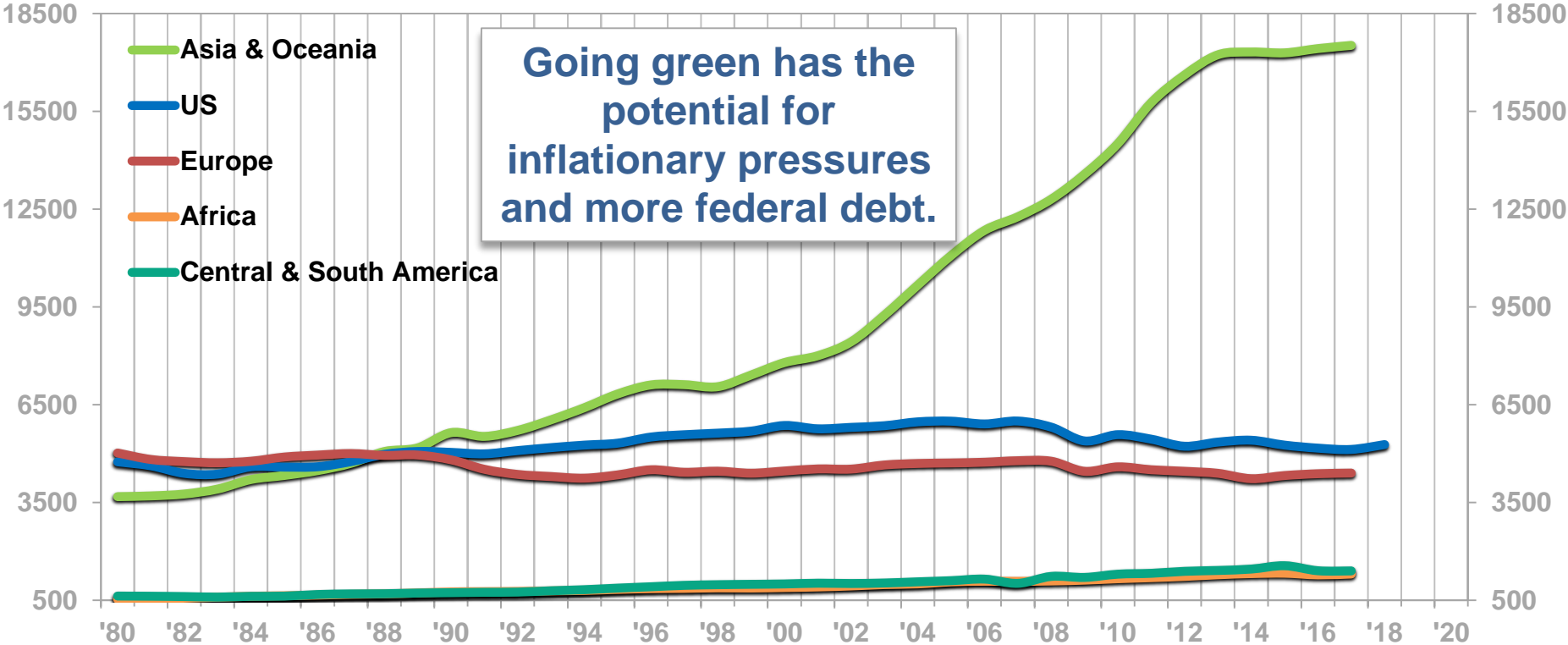


ITR ECONOMICS

First In Forecasts Worldwide

Ongoing Demand for the Industry

World Carbon Dioxide Emissions

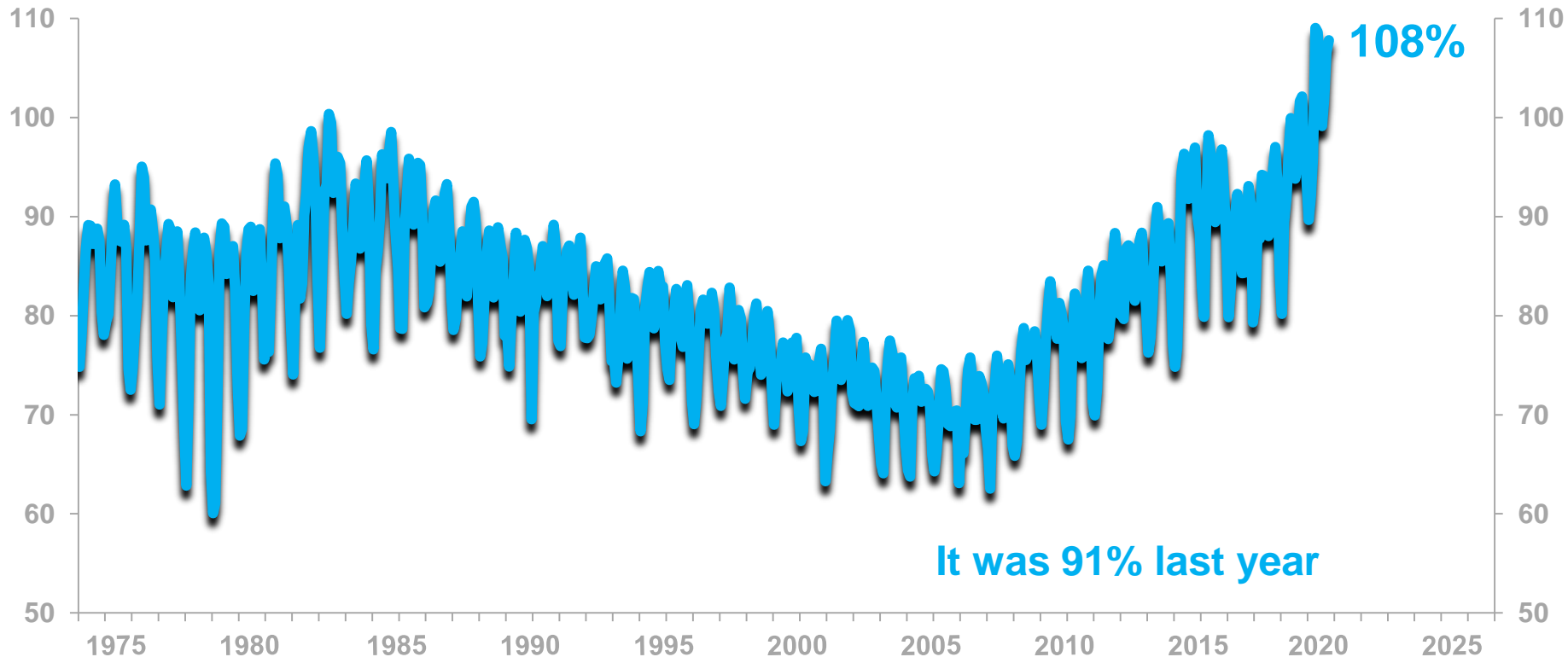


Going green has the potential for inflationary pressures and more federal debt.



An Energy Independent Nation

Percent of Energy Consumed from Domestic Sources



It was 91% last year

108%

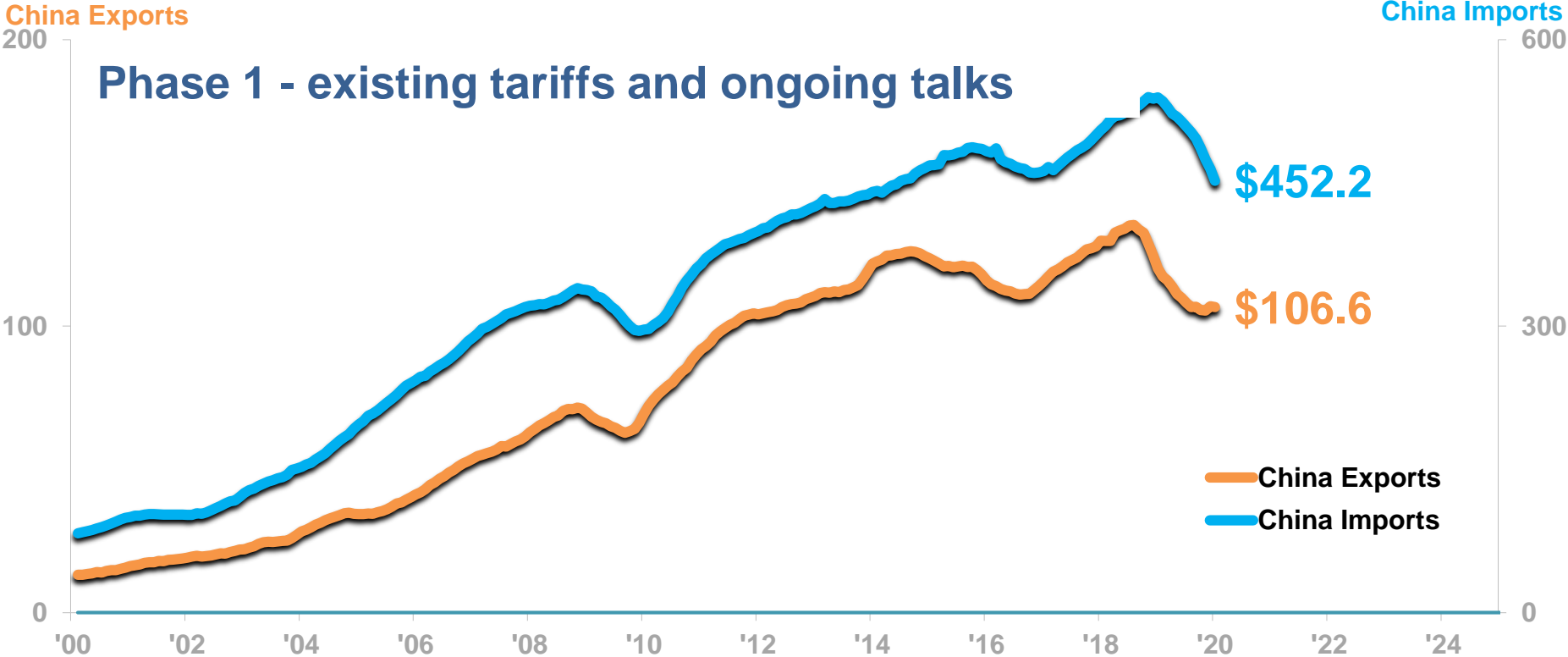


First In Forecasts Worldwide

Percent
Source: EIA

Exports to China Showing Signs of Improvement

US Trade with China: Imports to Exports





Housing

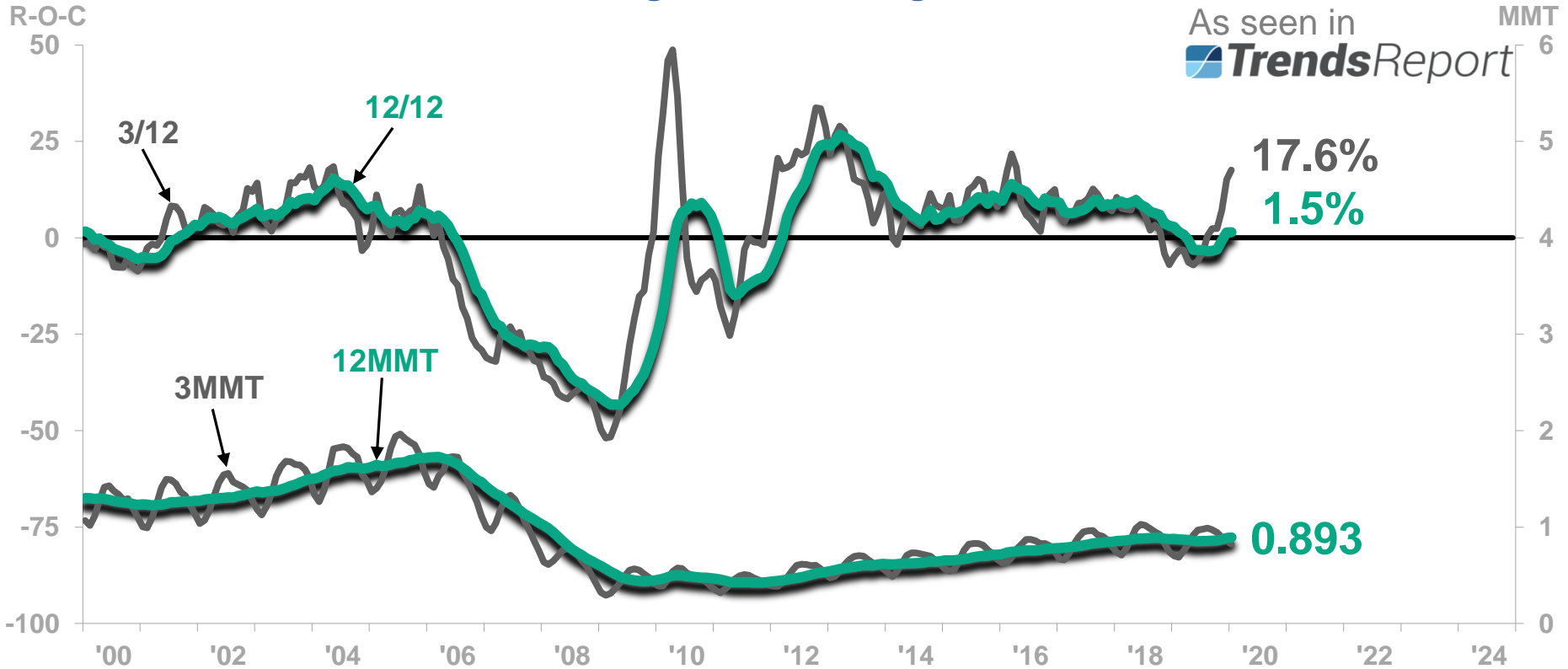


ITR ECONOMICS

First In Forecasts Worldwide

More Rise Ahead

US Single Unit Housing Starts



First In Forecasts Worldwide

Millions of Units

Source: Census Bureau

Additional Upside Signals for an Industry and the Economy

US Single-Unit Housing Starts to US Housing Unit Building Permits

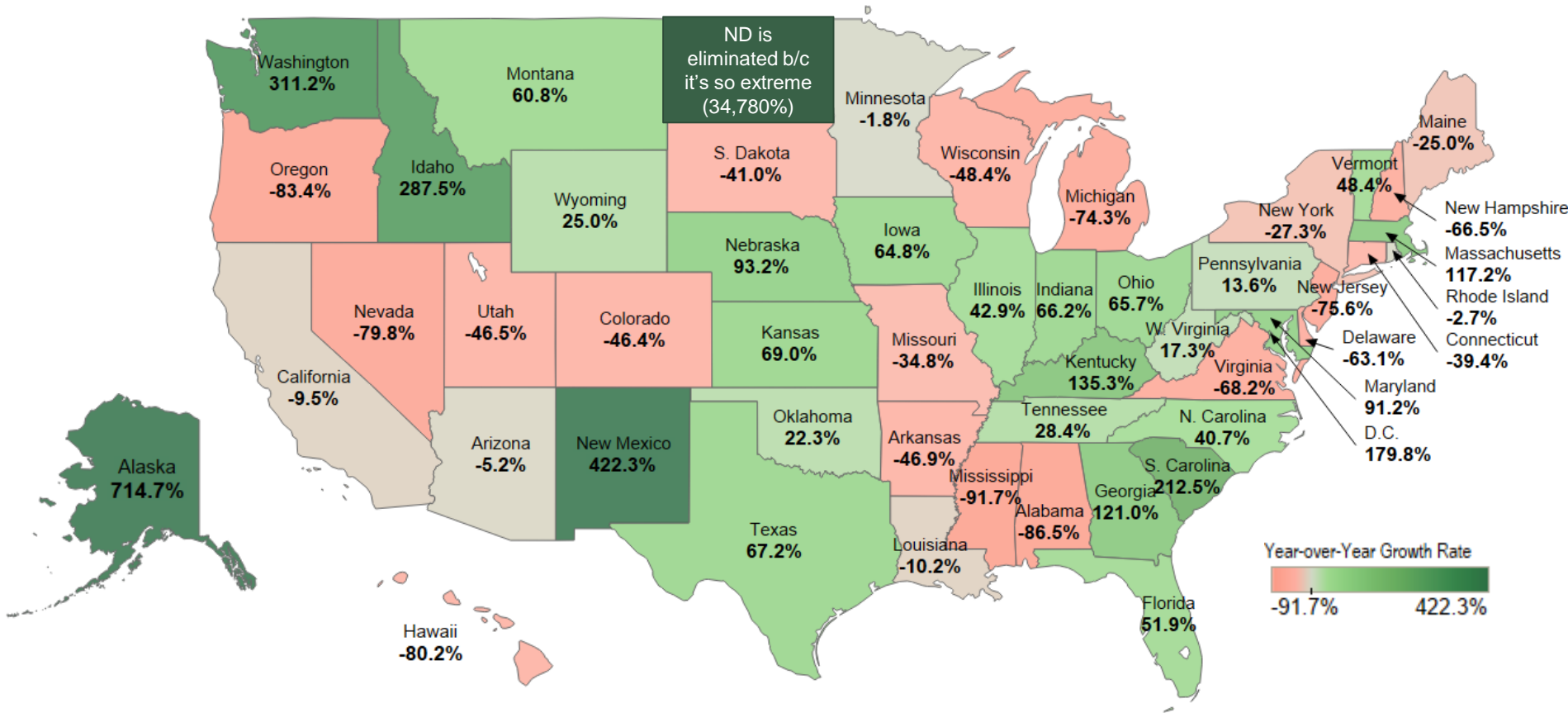


First In Forecasts Worldwide

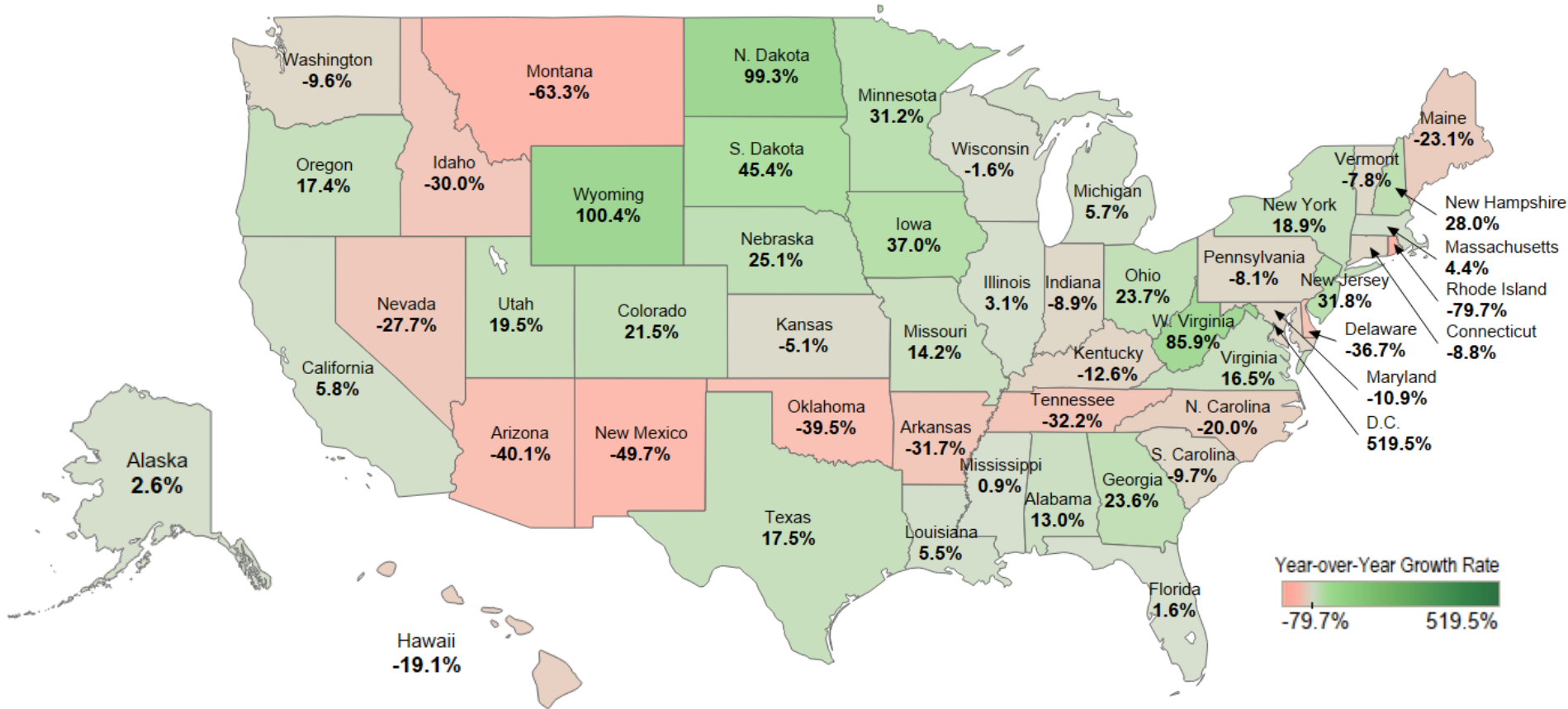
Rates-of-Change

Sources: US Census Bureau

US Private Office Construction – New Projects

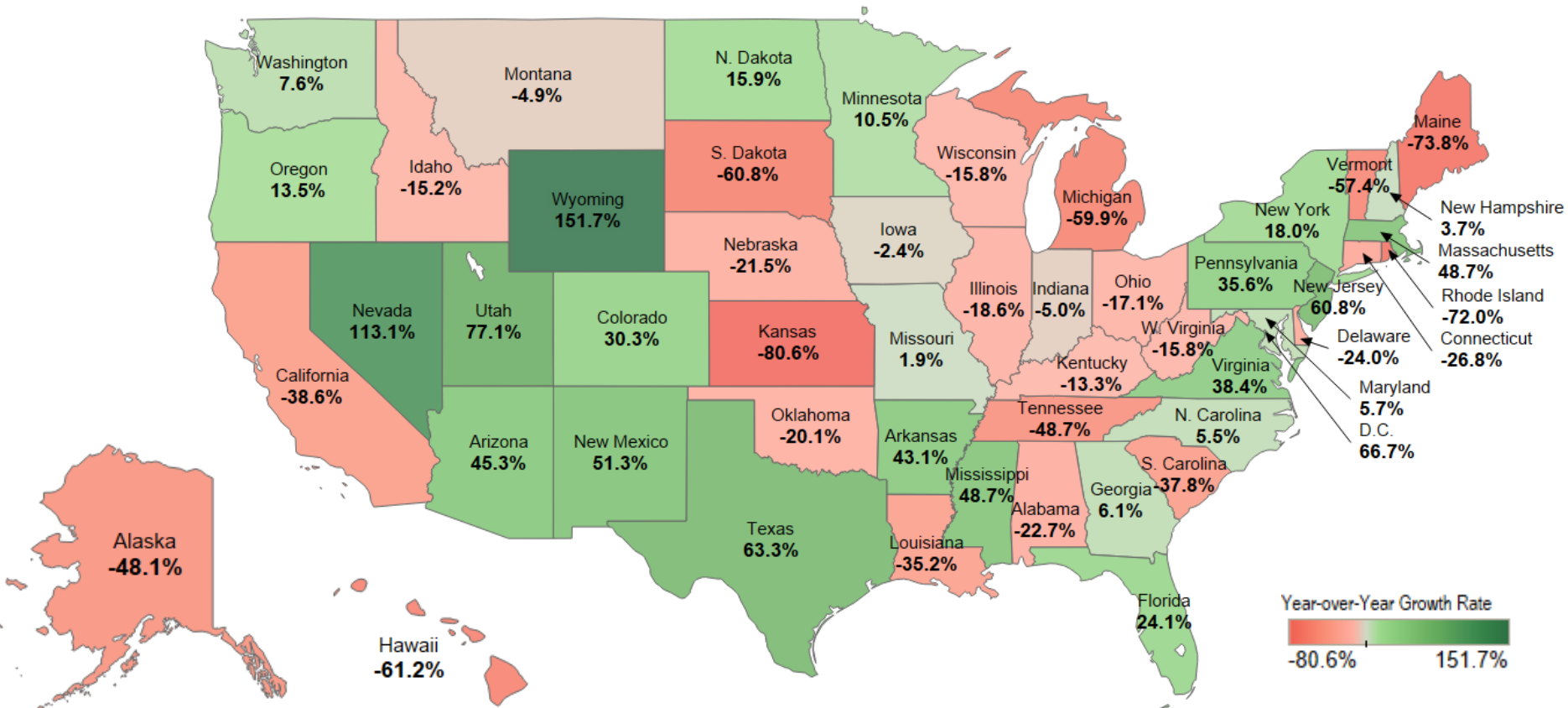


US Education Construction – New Projects



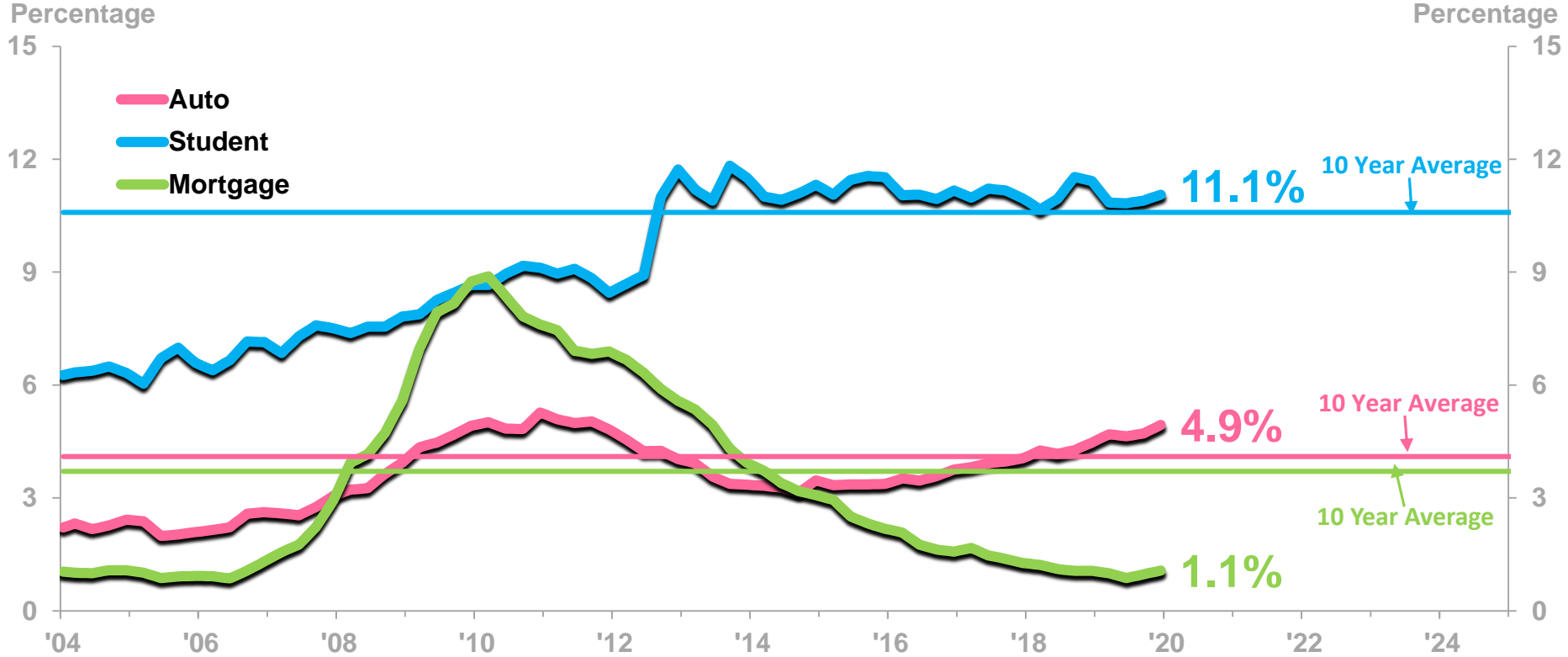
First In Forecasts Worldwide

US Government Construction – New Projects



Servicing the Debt is What Matters

Consumer Delinquency Rates (over 90 days delinquent)



First In Forecasts Worldwide

Percent

Source: FRBNY



Financial Markets

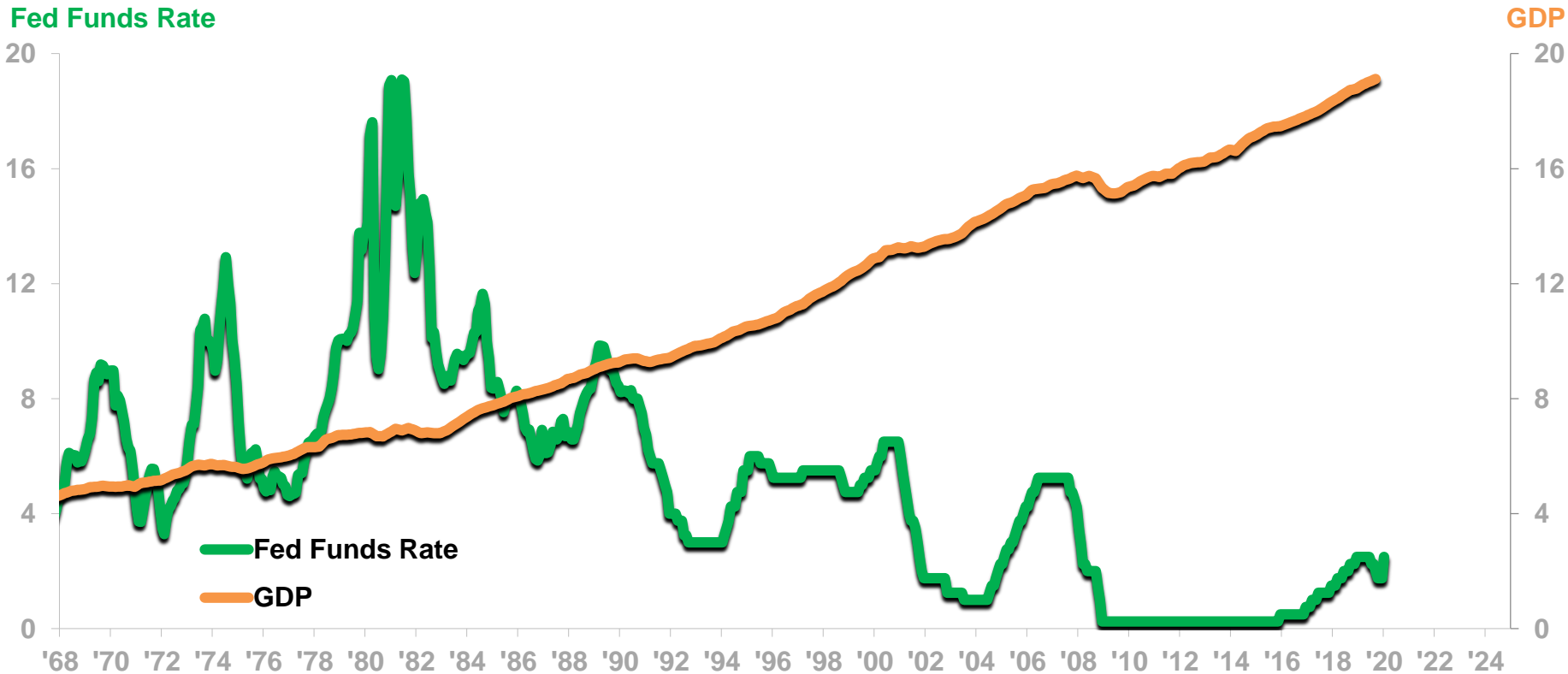


ITR ECONOMICS

First In Forecasts Worldwide

Changes in the Fed Funds Rate Not Impacting GDP Growth

Federal Funds Target Rate (Raw) to US Real Gross Domestic Product 3MMA

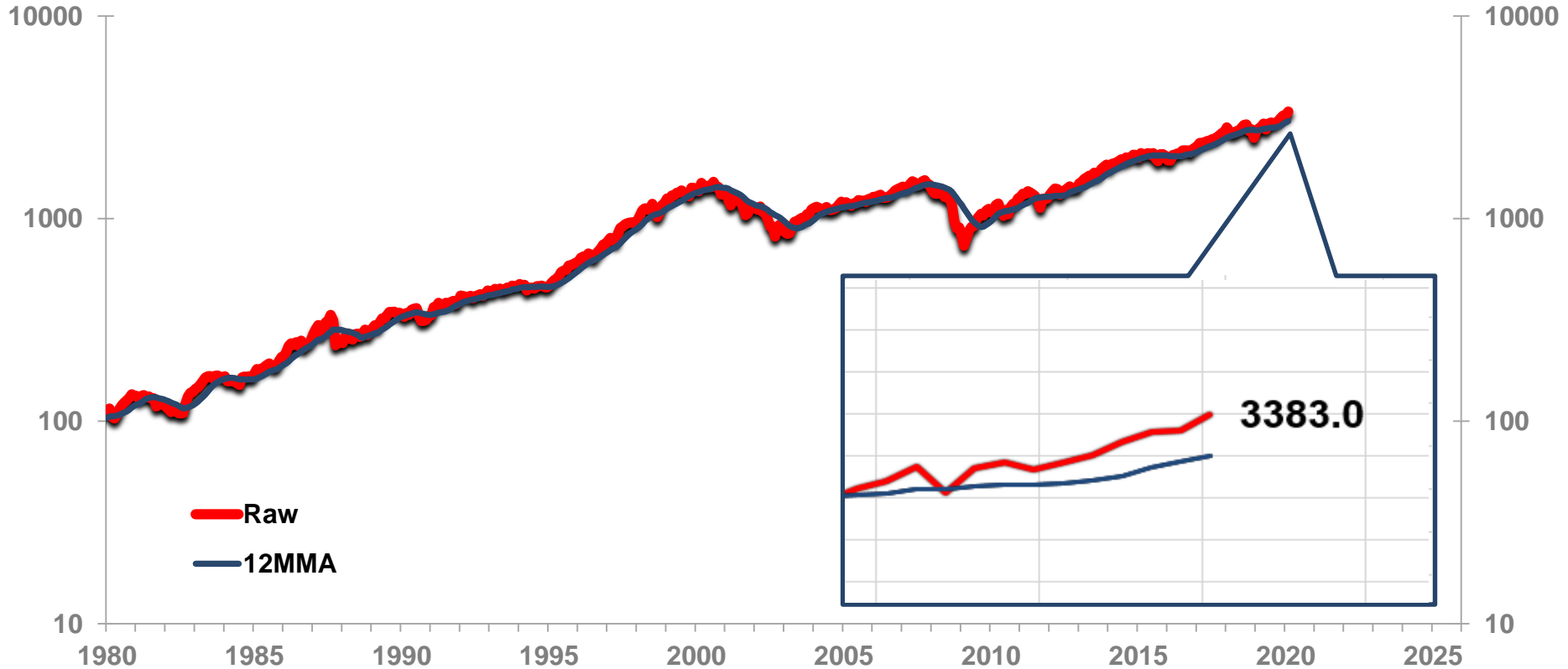


First In Forecasts Worldwide

3MMA

Normal Long-Term Ascent

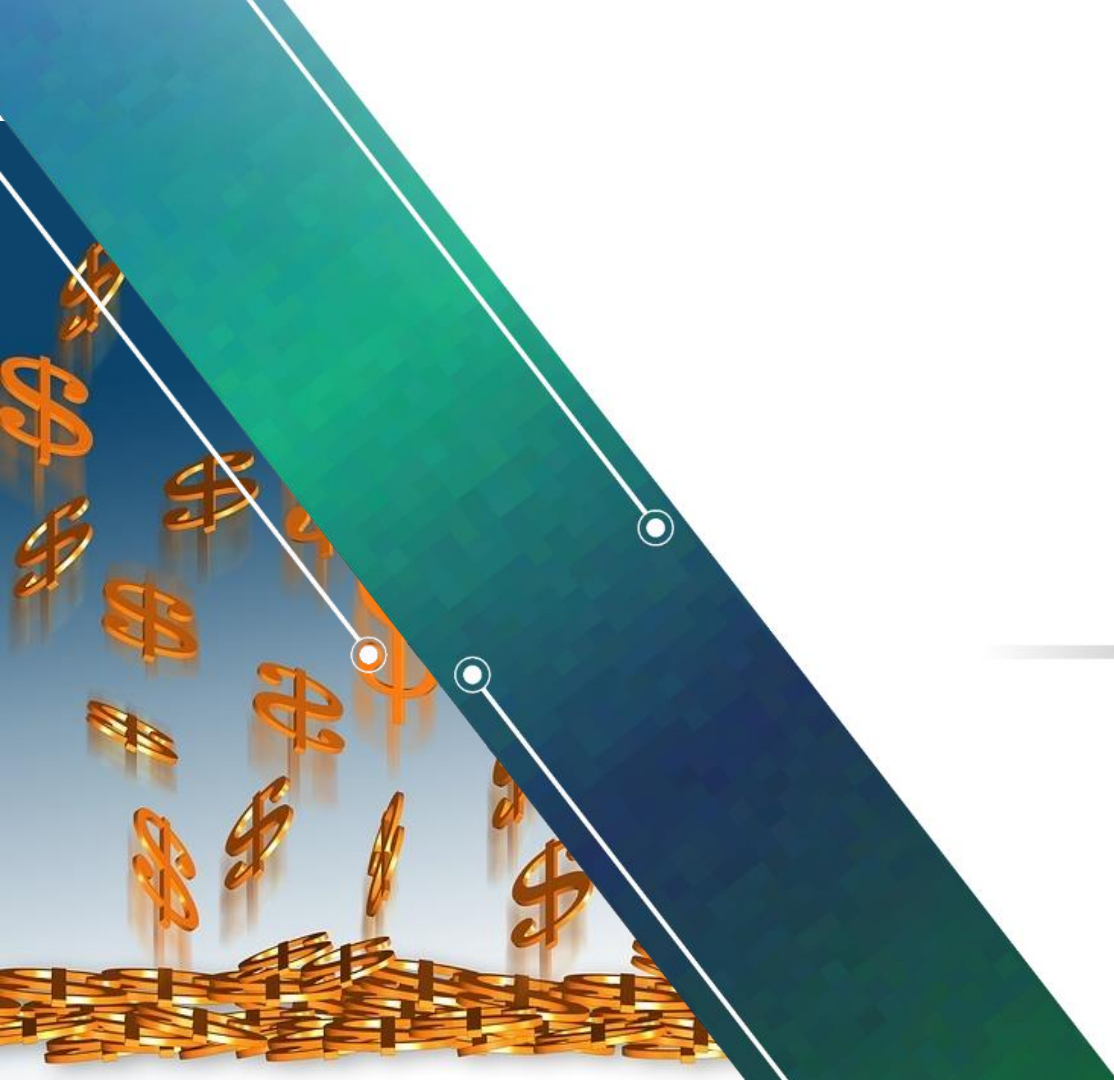
S&P500 Stock Prices Index



First In Forecasts Worldwide

Data Trends

Source: Wall Street Journal



Prices

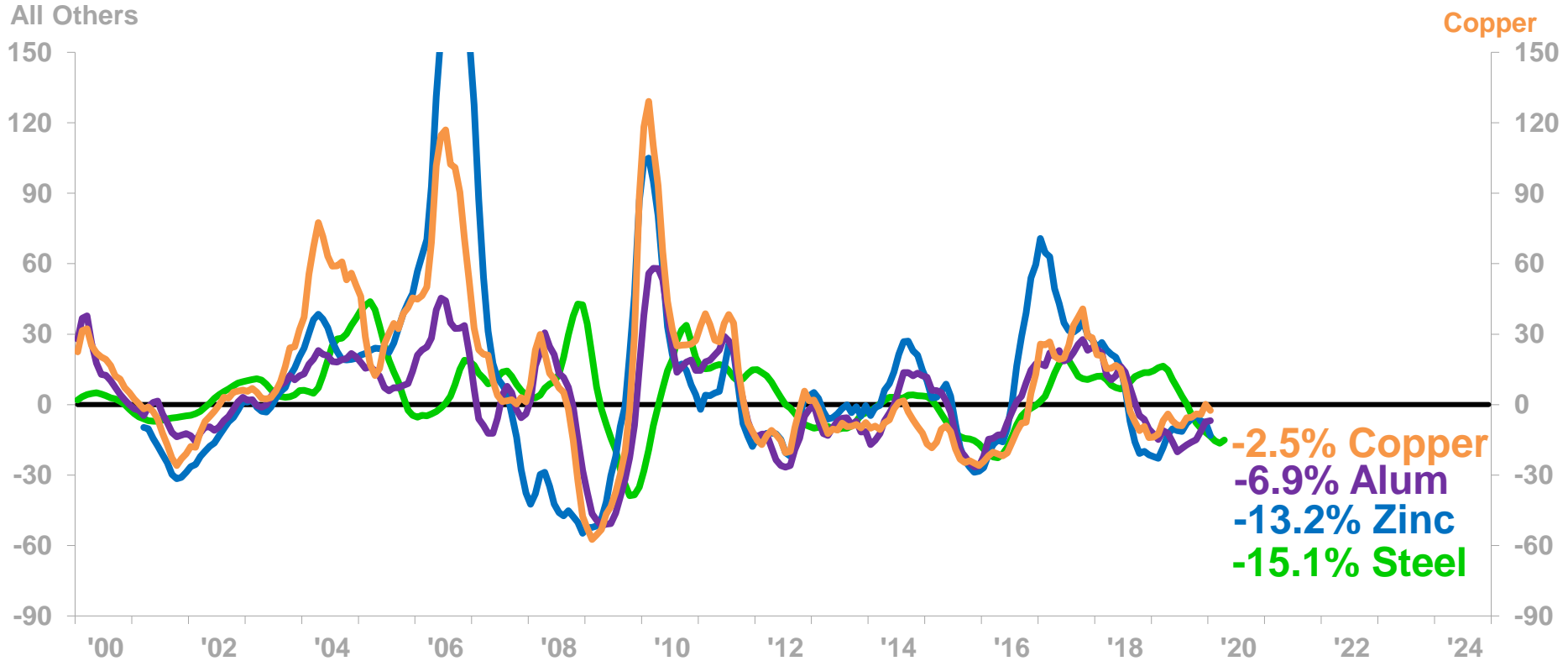


ITR ECONOMICS

First In Forecasts Worldwide

Rates-of-Change Signal Pricing Pressure is Building

Commodity Prices



First In Forecasts Worldwide

3/12 Rates-of-Change

ITR ECONOMICS

Sources: Wall Street Journal, London Metal Exchange, Bureau of Labor Statistics



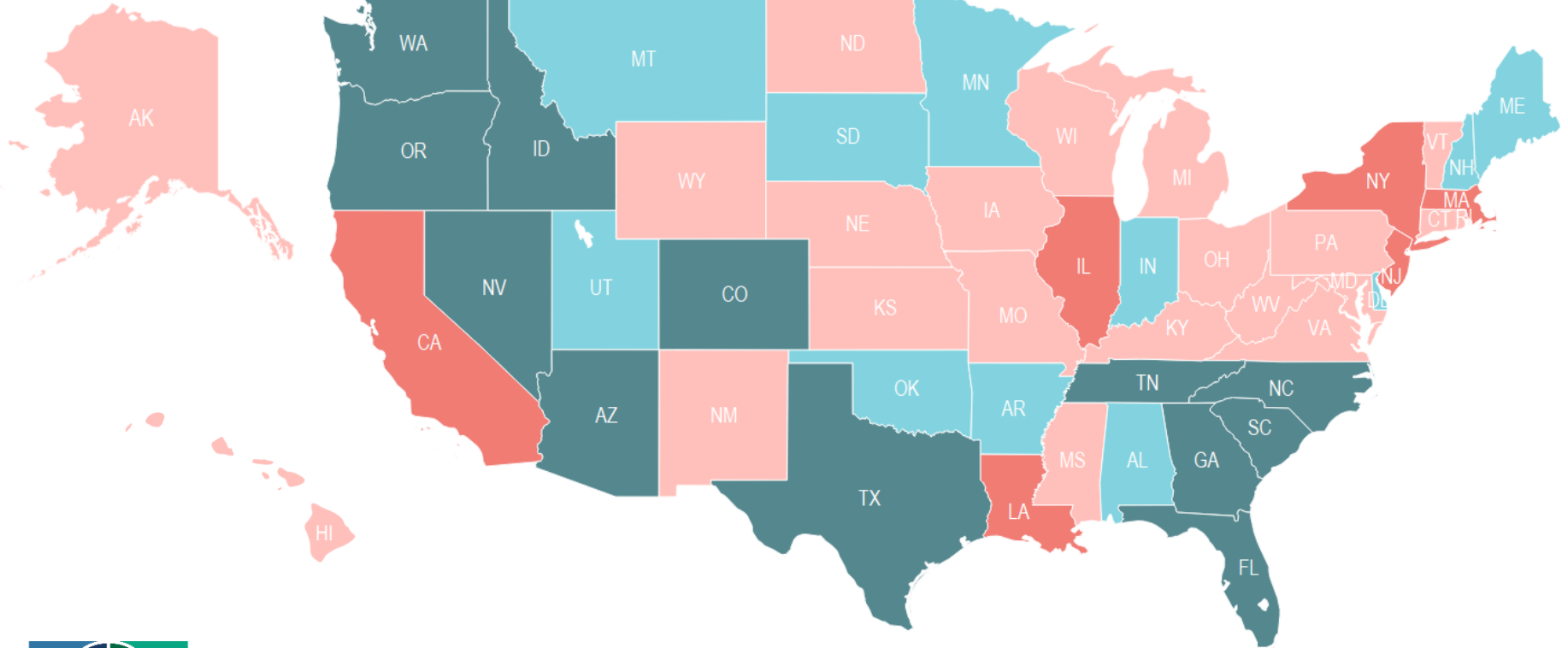
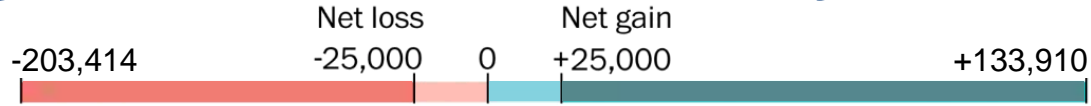
Employment



ITR ECONOMICS

First In Forecasts Worldwide

Net Migration Between States, July 2018-July 2019

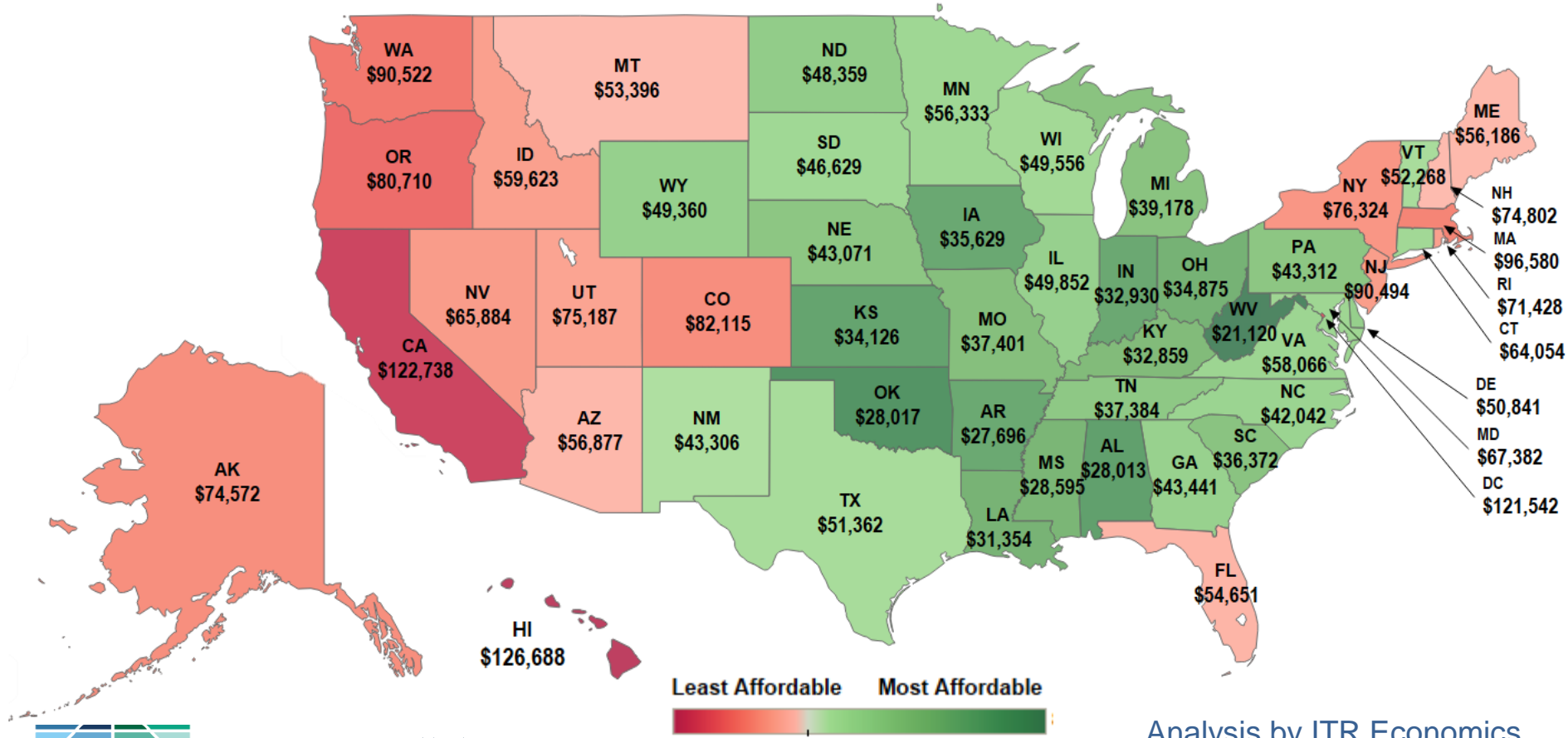


First In Forecasts Worldwide

Does not include immigration into the US

Source: US Census Bureau

Household Income Needed to Afford an Average Home

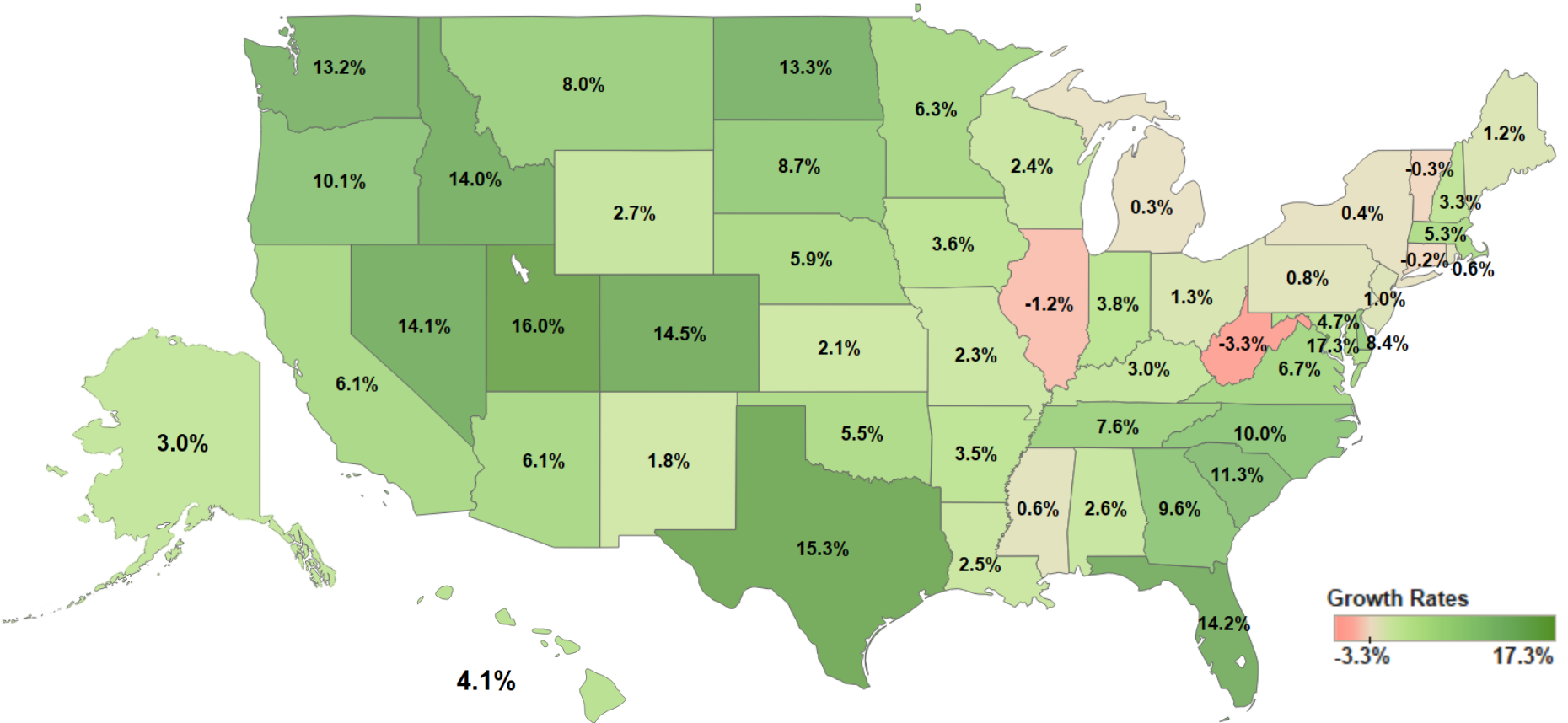


First In Forecasts Worldwide

Analysis by ITR Economics

Sources: Zillow, Tax Foundation, Wall Street Journal, Federal Housing Agency, BLS, US Census Bureau

State Population Growth Rates





The Long View

Prosperity in the Age of Decline

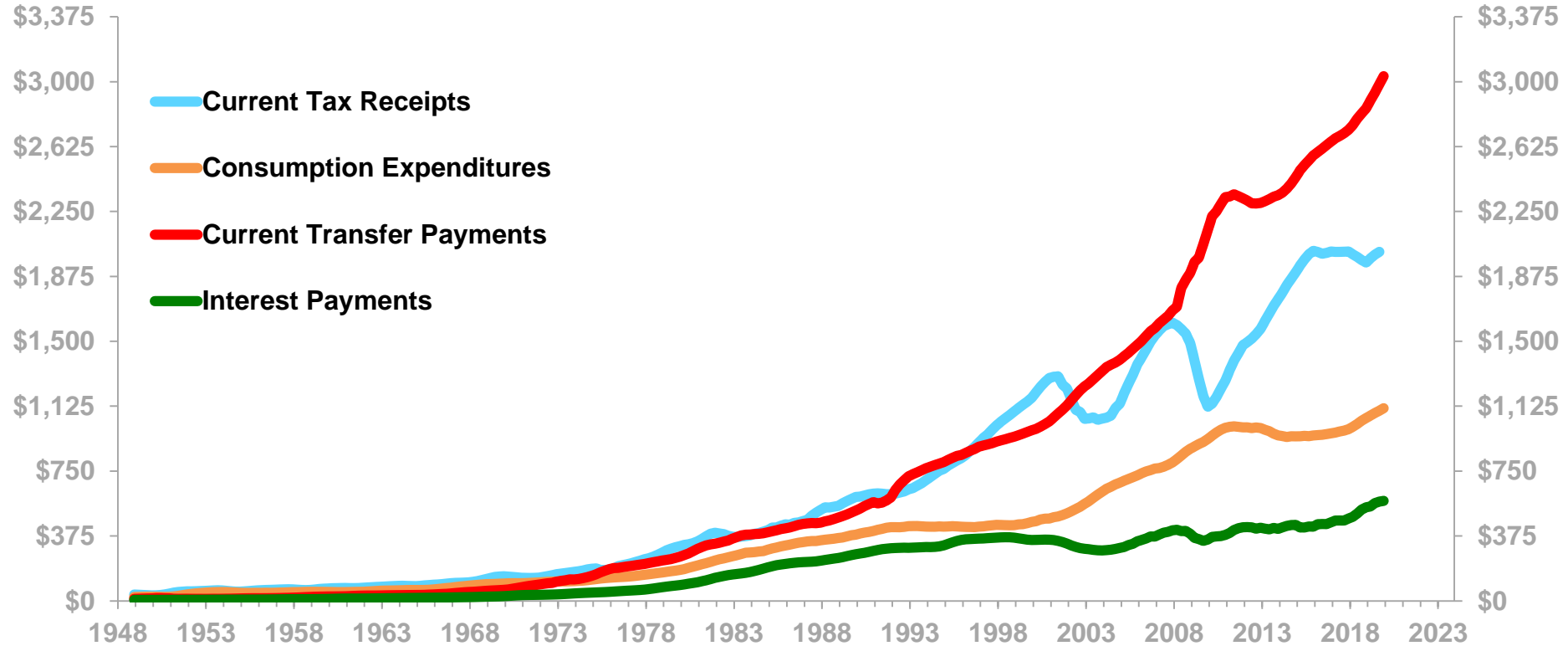


ITR ECONOMICS

First In Forecasts Worldwide

Issues Government Will and Won't Tackle

US Federal Government Receipts and Payments

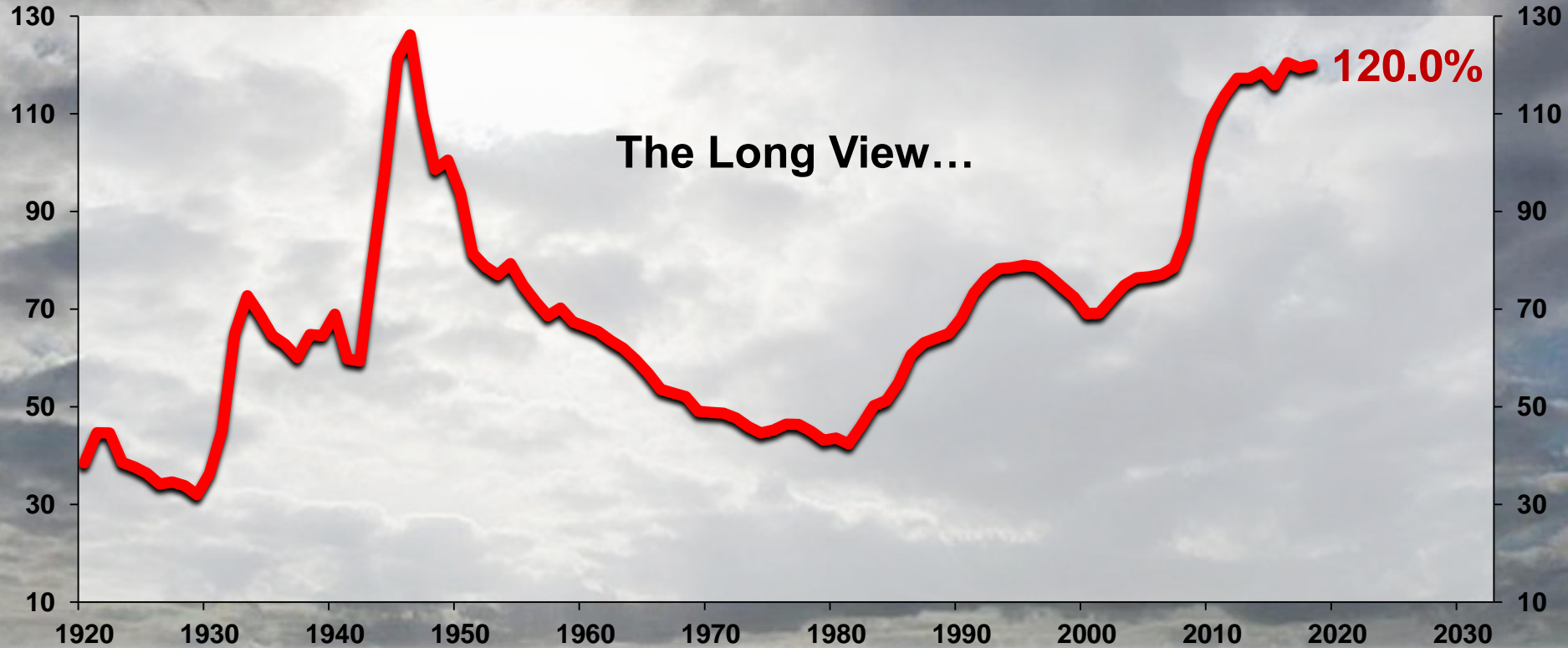


First In Forecasts Worldwide

Billions of Dollars

Source: BEA

Total U.S. Public Debt



First In Forecasts Worldwide

(% of GDP)

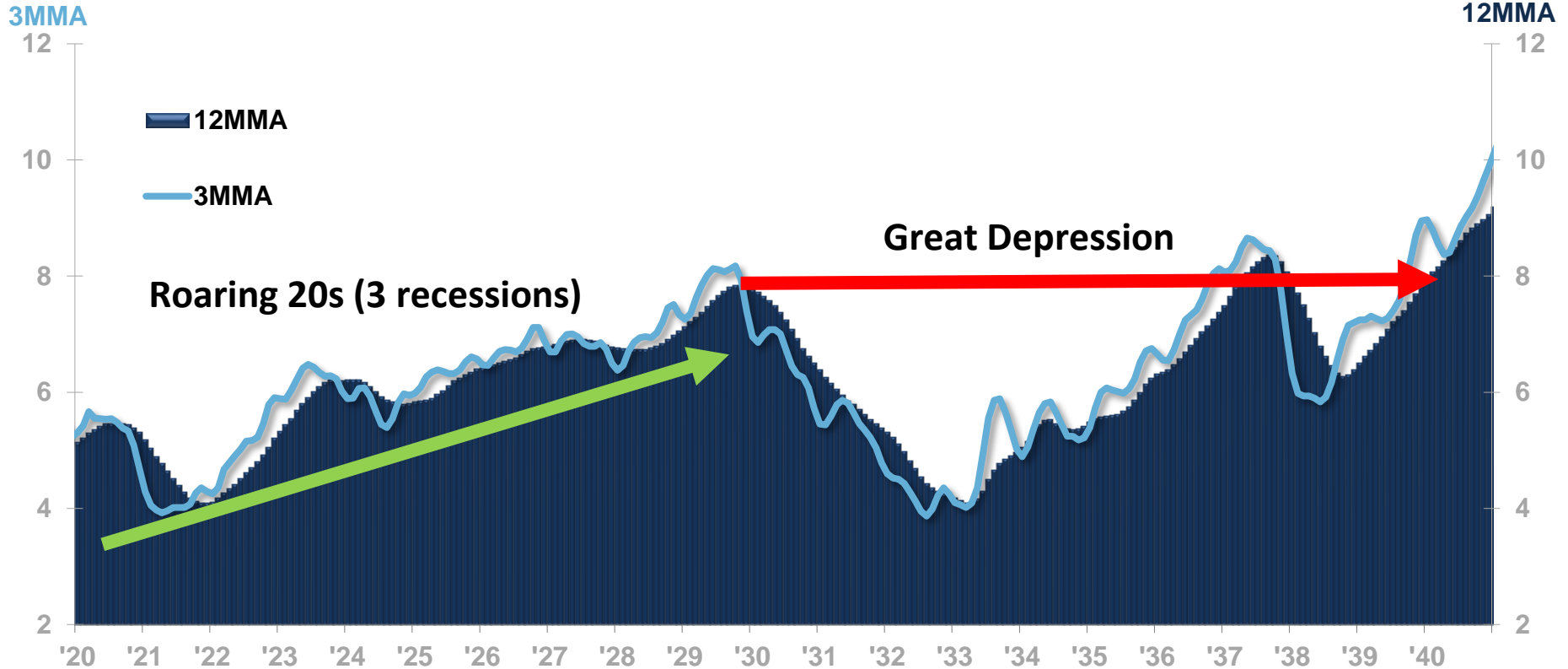
CBO Projection Statistics

	A	B	C	D	E
	<u>(B+C+D)/E</u>	<u>Net Interest</u>	<u>Healthcare</u>	<u>Social Security</u>	<u>Total Spending as % of GDP</u>
2018	56.8%	1.6%	5.2%	4.9%	20.6%
2019 - 2028	63.4%	2.7%	6.0%	5.5%	22.4%
2029 - 2038	69.1%	3.6%	7.4%	6.2%	24.9%



A Model for the Future

US Industrial Production Index



First In Forecasts Worldwide

Data Trends

Source: FRB

What to Tell the Kids

1. Live *below* their means
2. Learn a second language
3. Each household should have multiple or diverse income streams
4. Choose career(s) oriented toward the “opportunities”
5. Pay off as much debt as possible by 2030
6. Be ready to *buy* at the price cycle low in the depression
7. Be self-reliant



The Road Ahead

It is important to know where you are relative to the general economic trend

2020 Mid-20 low point in the business cycle, growth in 2H20

2021 Growth

2022-23 Backside of the Business Cycle



4 Pieces of Actionable Advice for Late Phase C

1. Develop your rates-of-change so you will know when the trough is near
(Use the ITR Checking Points™)
2. Cash Management for proper allocation and Inventory Control if applicable
3. Prepare to be busier in 2H20 – set proper expectations.
4. Start thinking about opportunistic purchases in late 2022





ITR Economics
Dallas-Fort Worth Office

579 N Valley Pwky Suite 120
Lewisville, TX 75067

(469).458.9057

90 Day Trial Offer

Receive monthly updates on the economy

Text ***TR TRIAL*** to ***444999***
for a 90 day trial of our
Trends Report

Follow us

 @ITREconomics77

 @ITRoutlook

 ITR Economics