

# ON THE ECONOMIC, BUSINESS AND POLITICAL CLIMATE

***Synthetic Yarn & Fiber Association  
2019 Fall Conference  
November 8, 2019  
Charlotte, NC***

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## Expansion Getting Tired?

(Source: National Bureau Economic Research)

Trough	Peak	Months
October 1945 (IV)	November 1948(IV)	37
October 1949 (IV)	July 1953(II)	45
May 1954 (II)	August 1957(III)	39
April 1958 (II)	April 1960(II)	24
February 1961 (I)	December 1969(IV)	106
November 1970 (IV)	November 1973(IV)	36
March 1975 (I)	January 1980(I)	58
July 1980 (III)	July 1981(III)	12
November 1982 (IV)	July 1990(III)	92
March 1991(I)	March 2001(I)	120
November 2001 (IV)	December 2007 (IV)	73
June 2009 (II)	???	125
<b>Average Expansion, Post WWII</b>		<b>58.4</b>



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## Contributions To GDP Growth

(Source: Bureau of Economic Analysis)

	GDP =	Consumption	Gross Investment	Net Exports	Government
2017: Q4	3.5%	3.12%	0.80%	-0.80%	0.42%
2018: Q1	2.5%	1.15%	1.07%	0.00%	0.33%
2018: Q2	3.5%	2.7%	-0.30%	0.67%	0.44%
2018: Q3	2.9%	2.34%	2.27%	-2.05%	0.36%
2018: Q4	1.1%	0.97%	0.53%	-0.35%	-0.07%
2019: Q1	3.1%	0.78%	1.09%	0.73%	0.50%
2019: Q2	2.0%	3.03%	-1.16%	-0.68%	0.82%
2019: Q3	1.9%	1.93%	-0.27%	-0.08%	0.35%

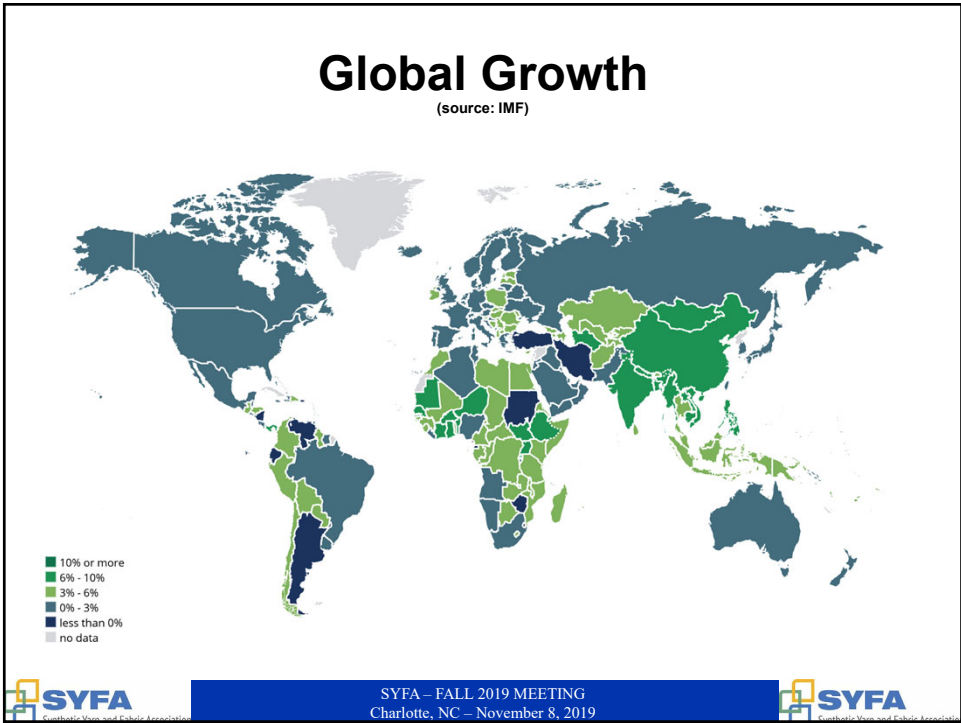
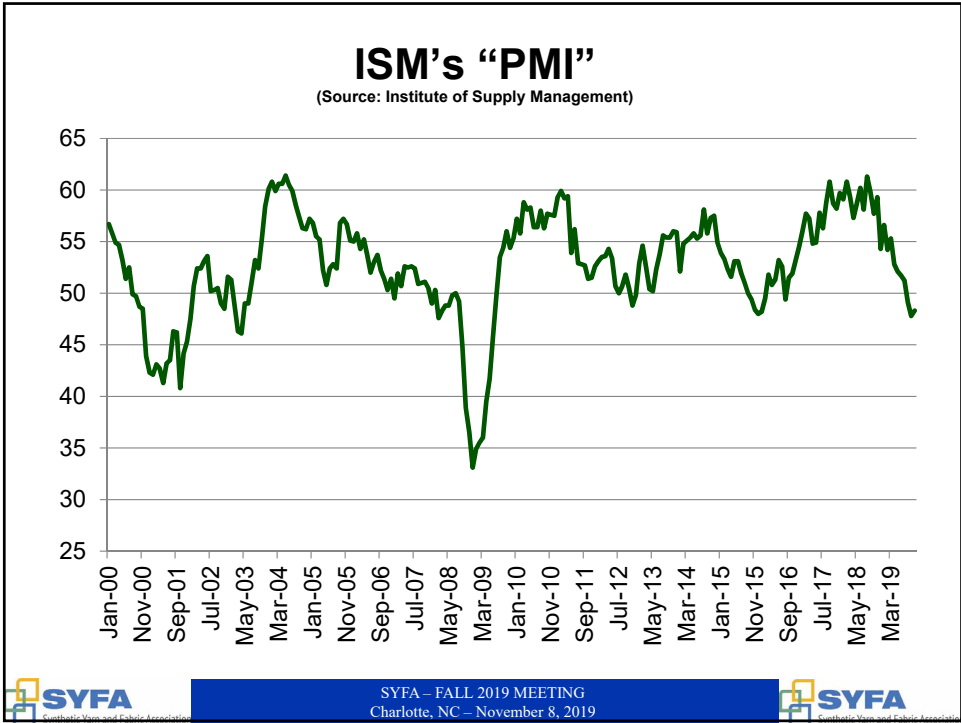
  

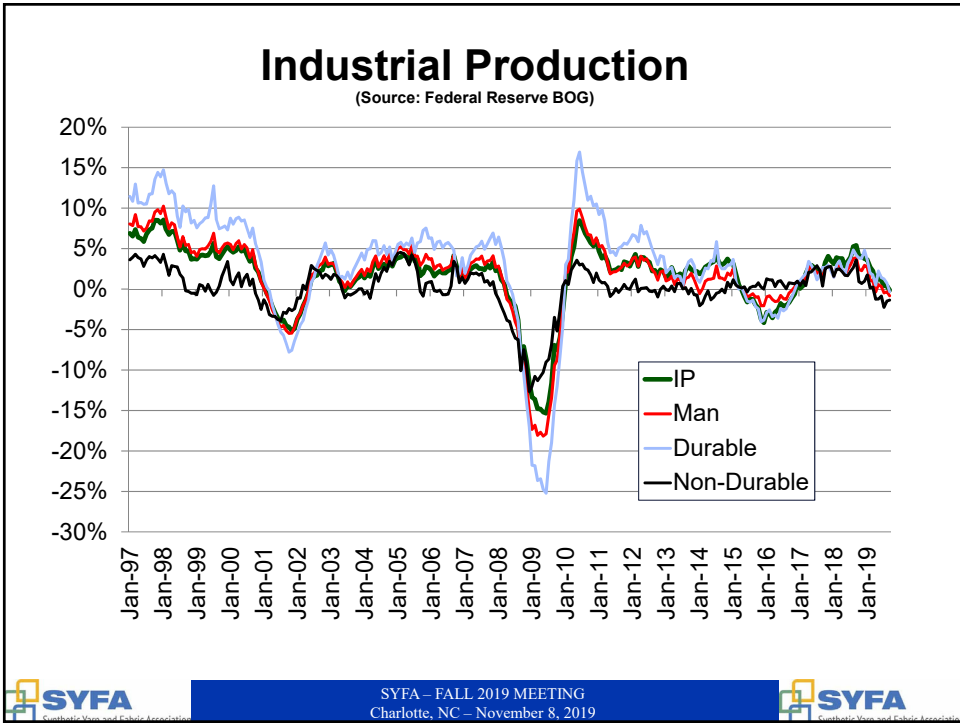
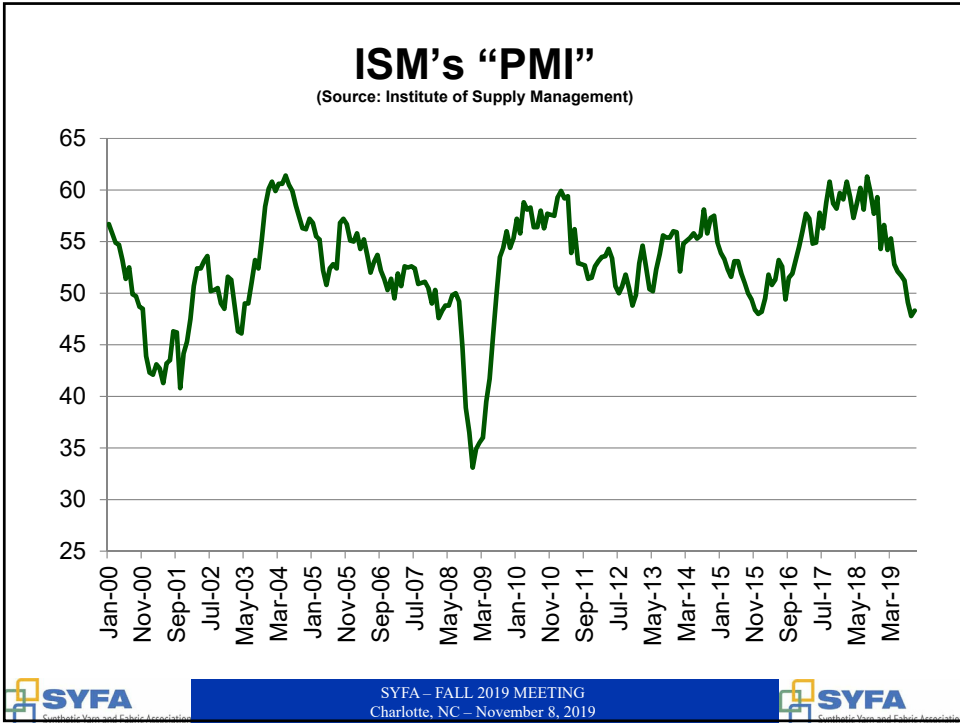
	Gross Investment =	Nonresidential	Residential	Inventory
2017: Q4	0.80%	1.08%	0.37%	-0.64%
2018: Q1	1.07%	1.15%	-0.21%	0.13%
2018: Q2	-0.30%	1.04%	-0.15%	-1.20%
2018: Q3	2.27%	0.29%	-0.16%	2.14%
2018: Q4	0.53%	0.64%	-0.18%	0.07%
2019: Q1	1.09%	0.60%	-0.04%	0.53%
2019: Q2	-1.16%	-0.14%	-0.11%	-0.91%
2019: Q3	-0.27%	-0.40%	0.18%	-0.05%

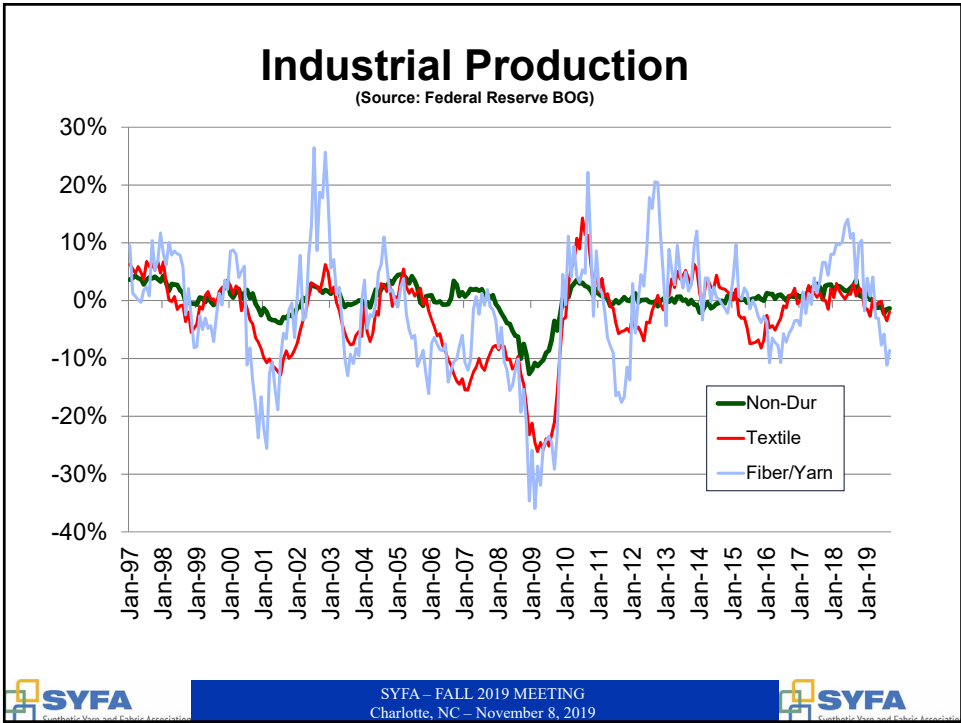
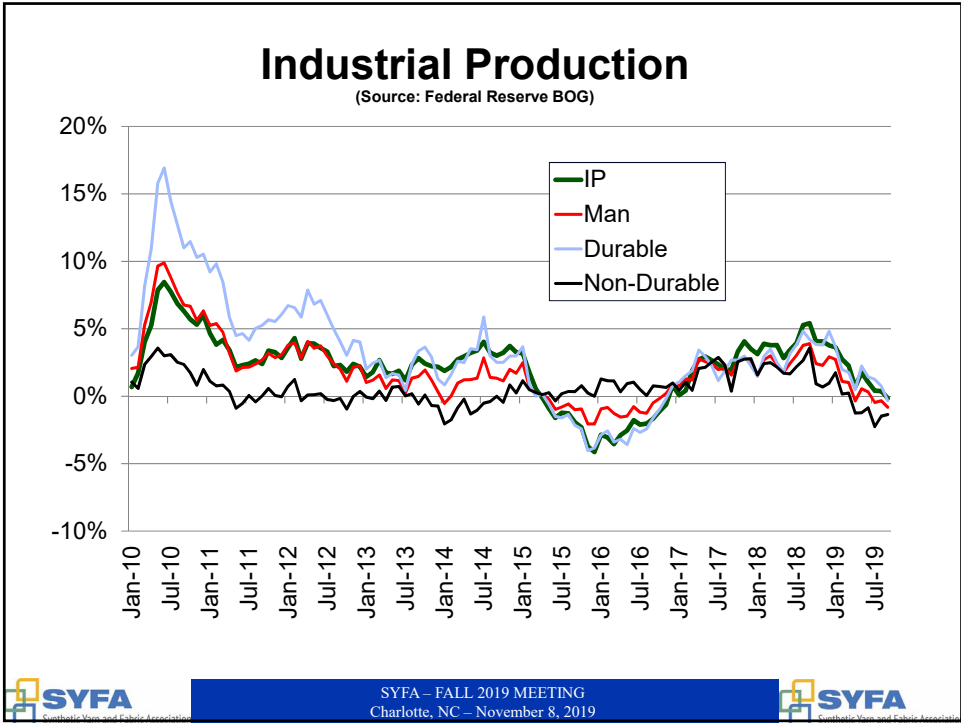


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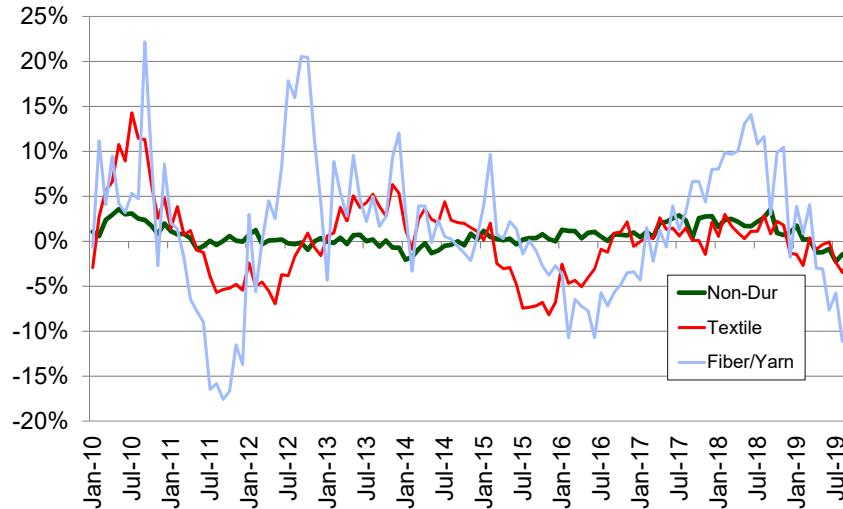






## Industrial Production

(Source: Federal Reserve BOG)

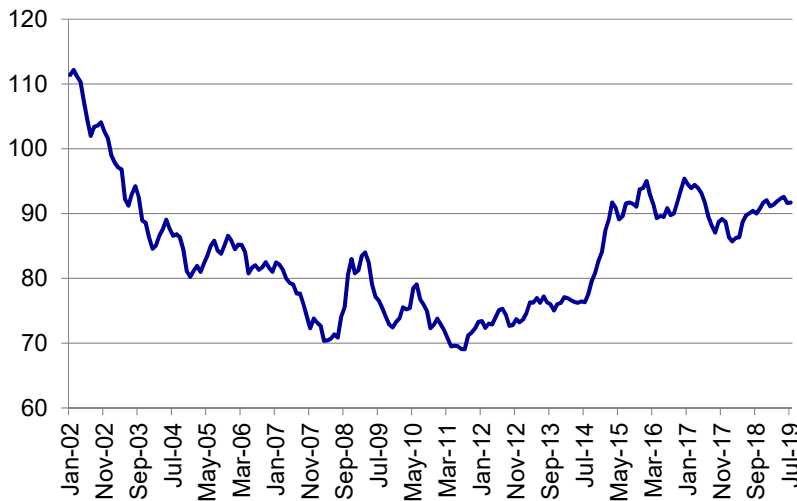


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## Foreign Exchange: Dollar & Major Currencies

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



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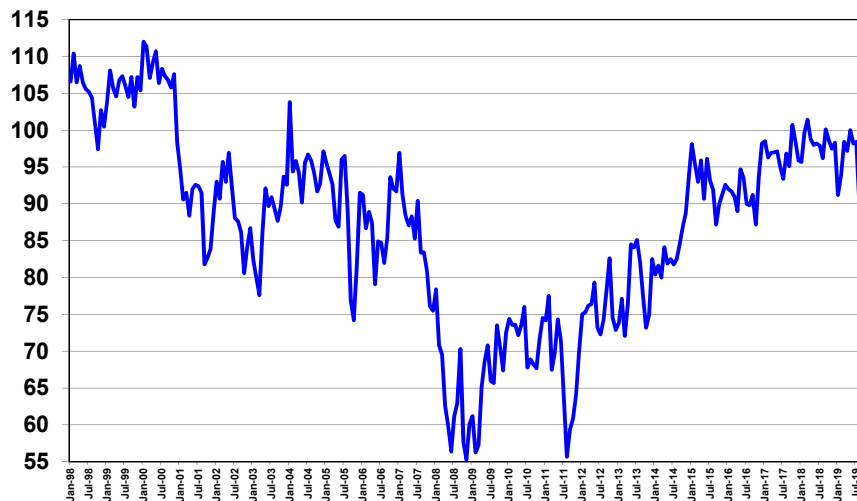


## Basis of Tariffs

- **Section 232:** certain circumstances allows the president to impose tariffs based on the recommendation from the Secretary of Commerce if "an article is being imported into the United States in such quantities or under such circumstances as to threaten or impair the national security.
- **Section 301:** designed to eliminate unfair foreign trade practices that adversely affect U.S. trade and investment in both goods and services.

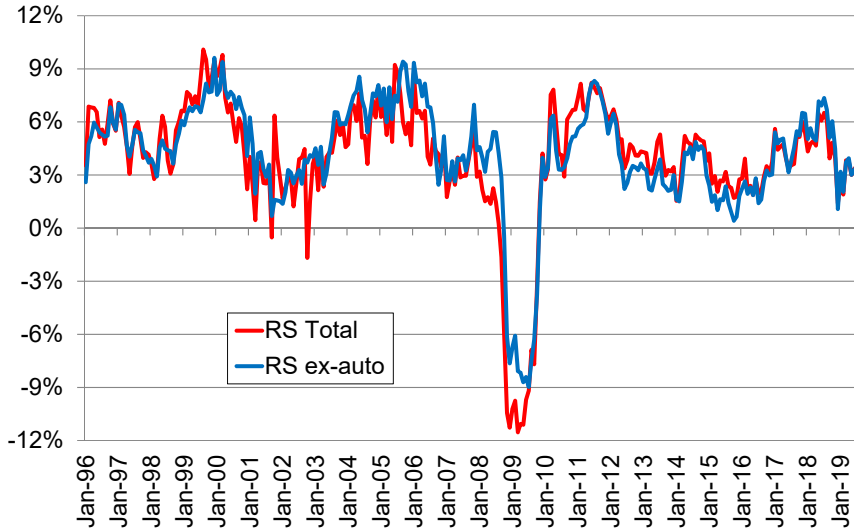
## Consumer Sentiment

(source: University of Michigan, Survey Research Center)



# Retail Sales

(source: U.S. Bureau of the Census, annual rate of growth)

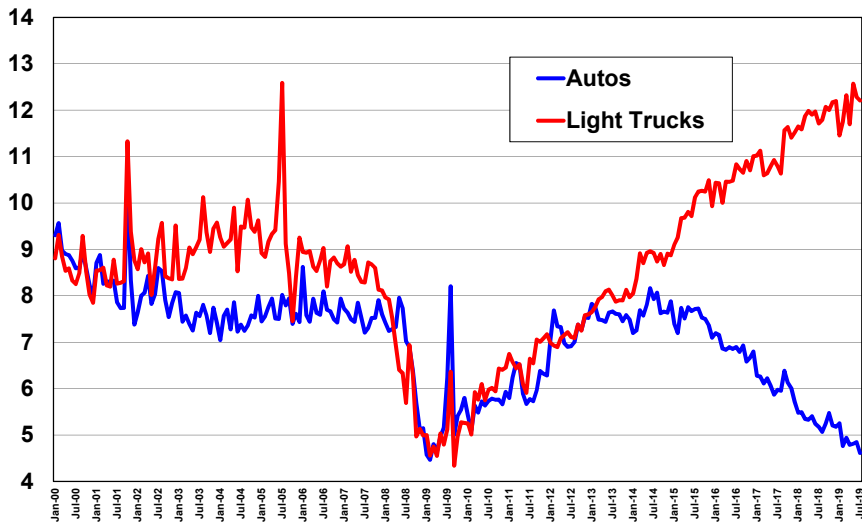


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# Auto & Light Truck Sales

(Source: Department of Commerce, in millions)



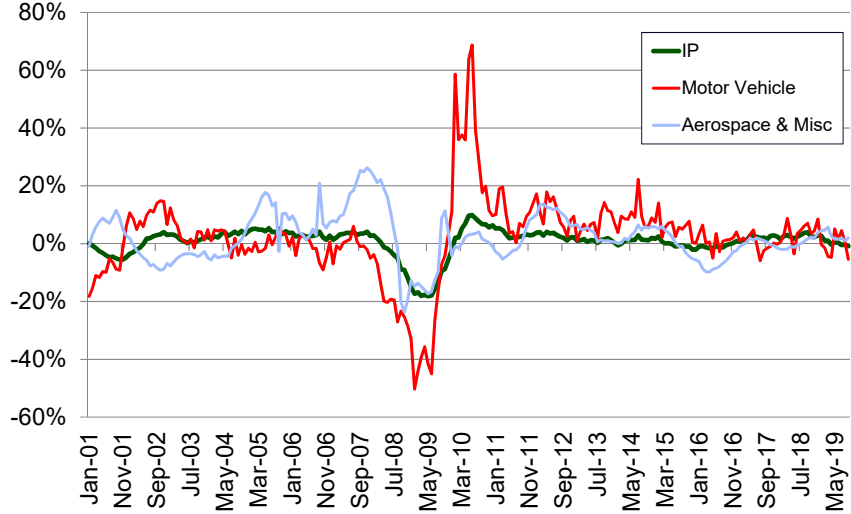
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# Industrial Production: Transportation

(Source: Federal Reserve BOG)

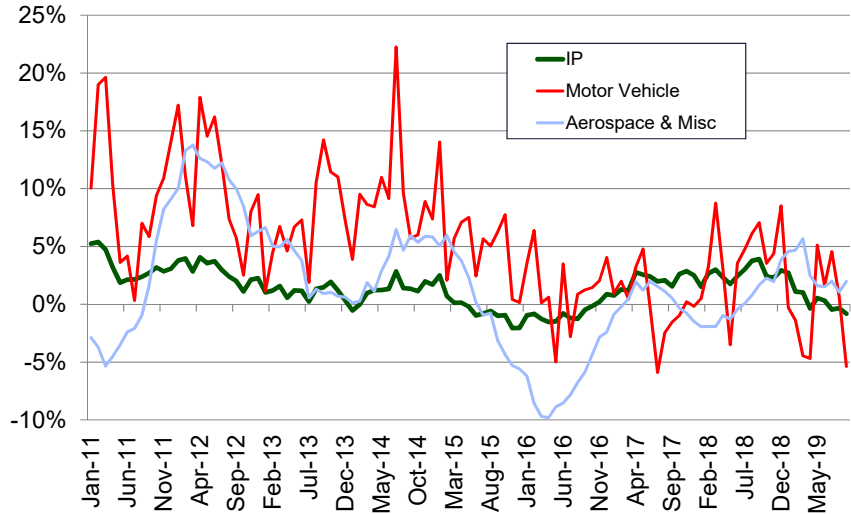


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# Industrial Production: Transportation

(Source: Federal Reserve BOG)

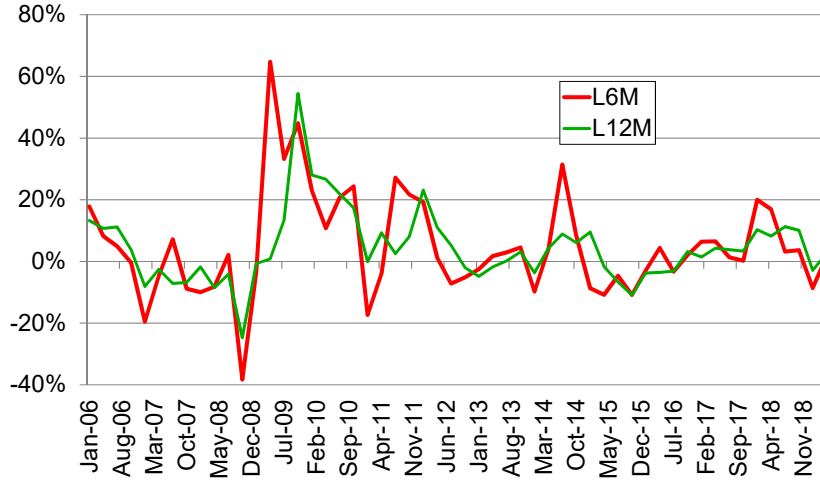


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## Corporate Profits (with CCA & Inventory adjustment)

(source: U.S. Bureau of the Census, annual rate of growth)



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## Leading Economic Indicators

(source: Conference Board, % change in last 6 months)

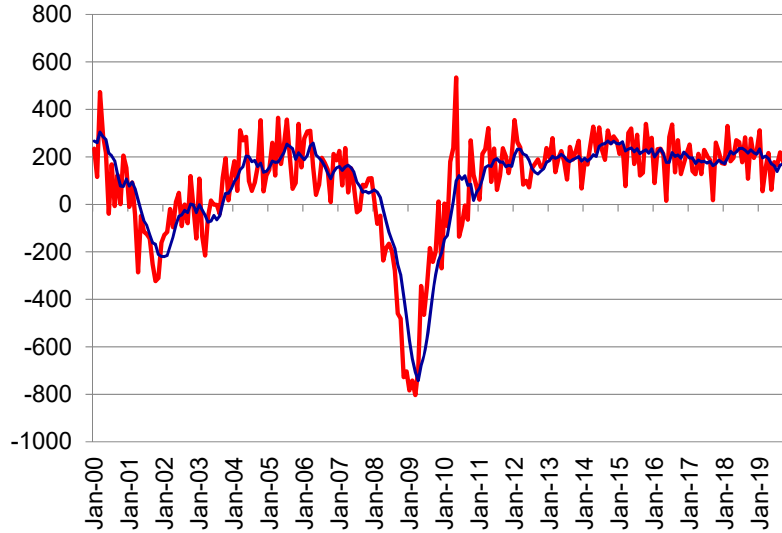


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## Change in Payroll Employment

(Source: Bureau of Labor Statistics)

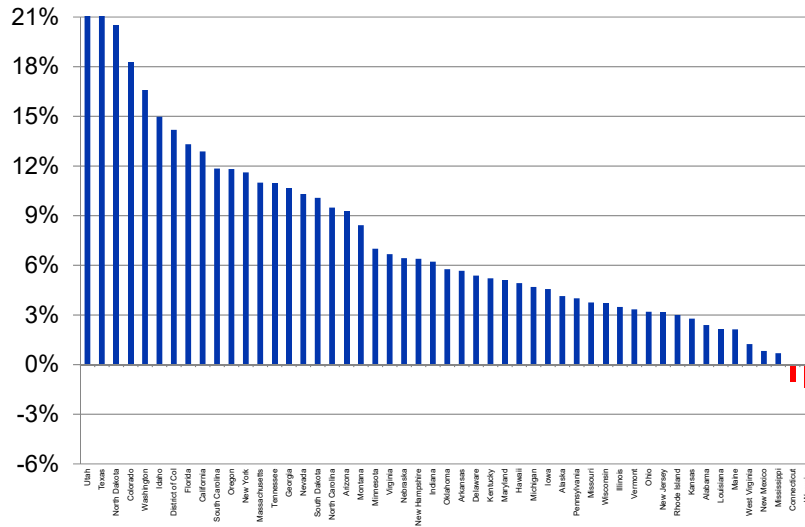


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## State Employment (Net Change)

(source: Bureau of Labor Statistics)

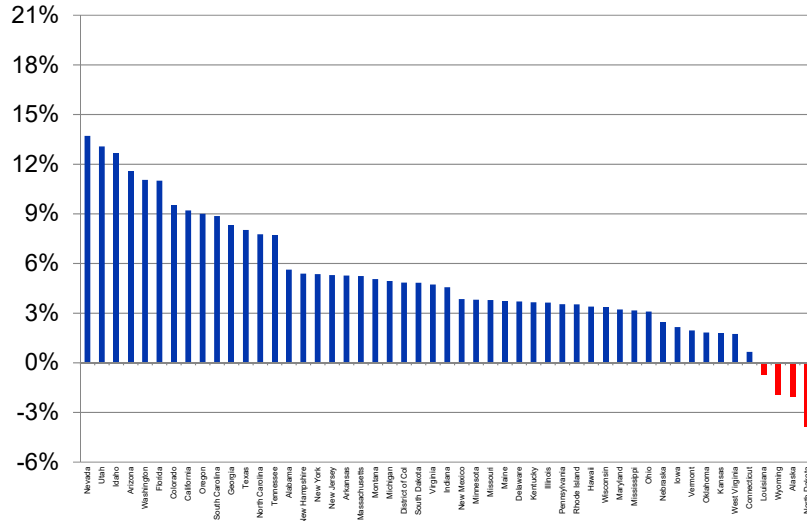


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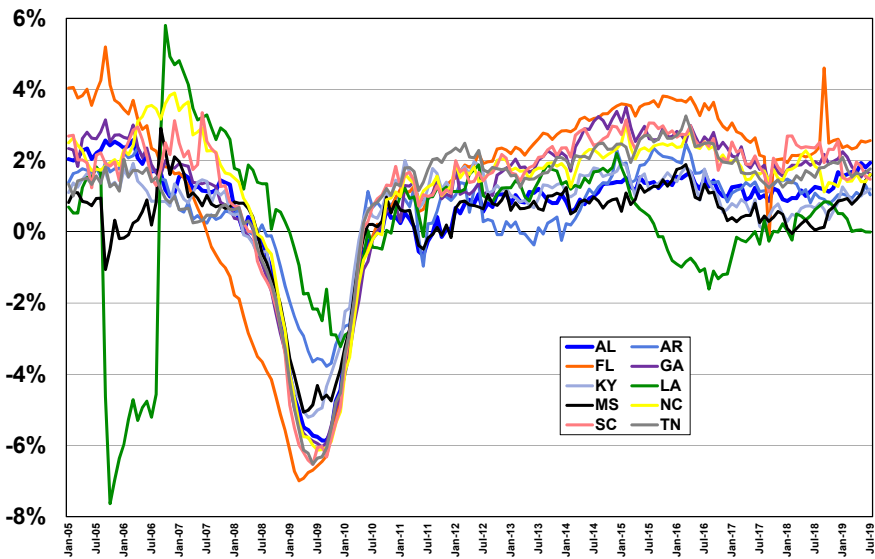


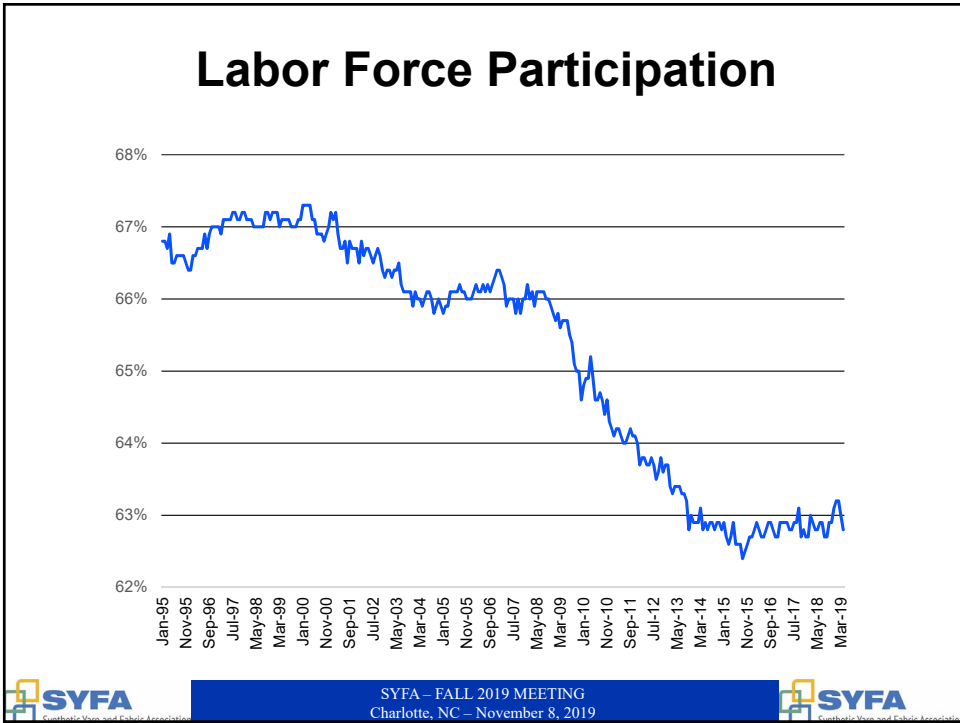
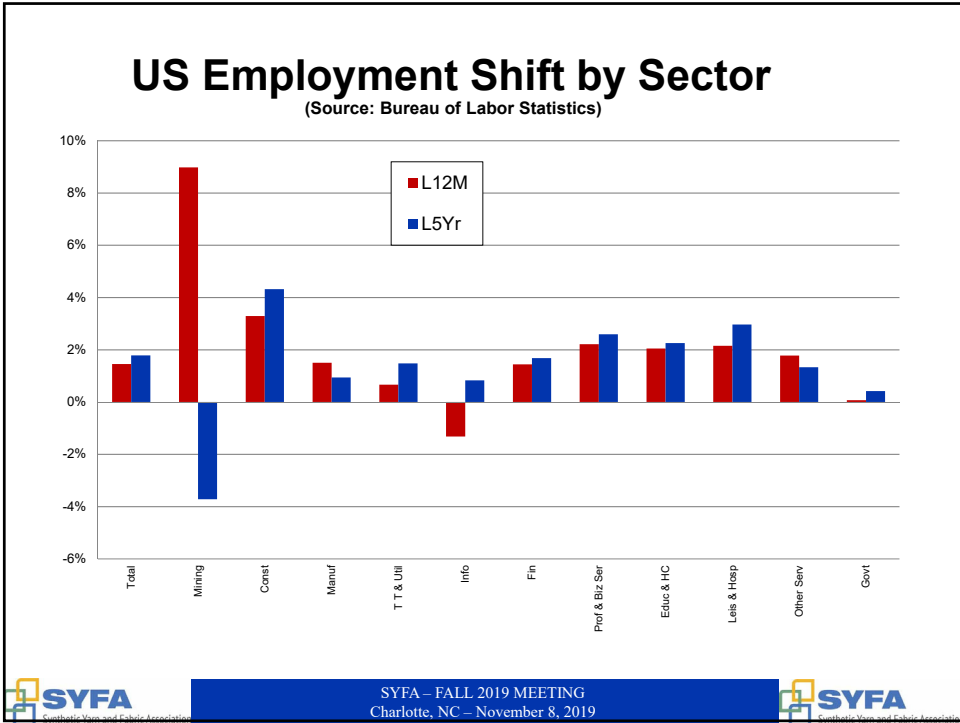
# State Employment (5 Year Change )

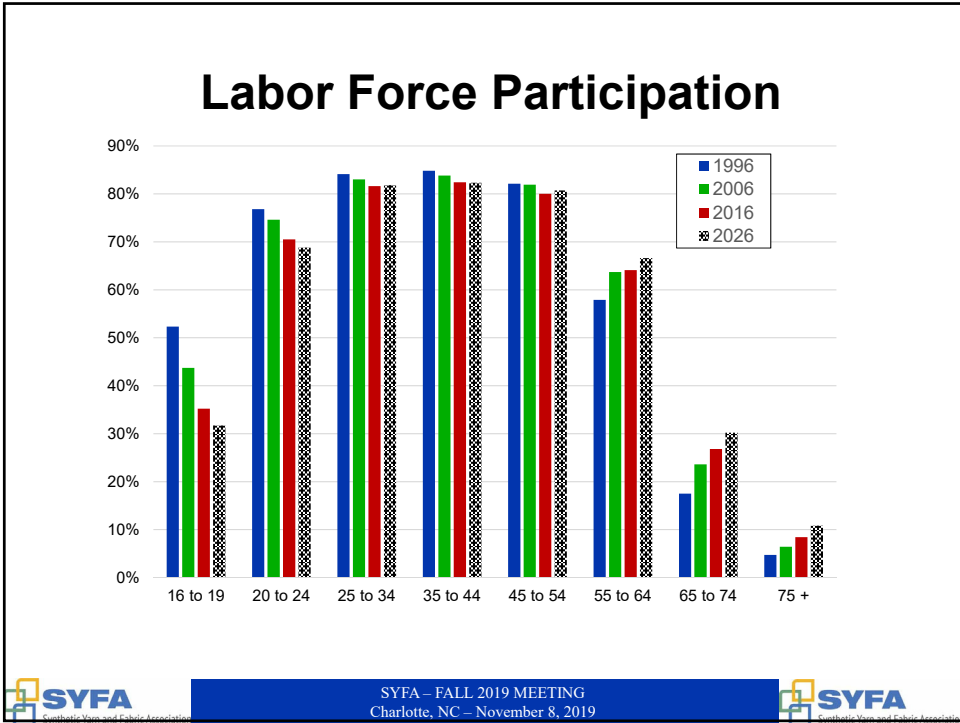
(source: Bureau of Labor Statistics)



# SE State Employment





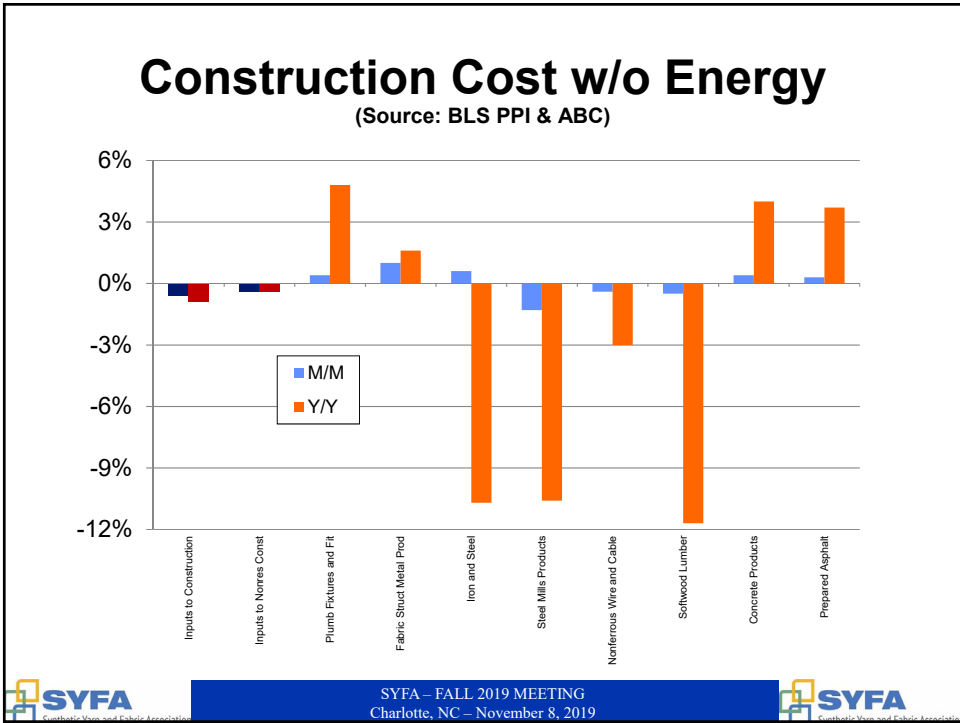
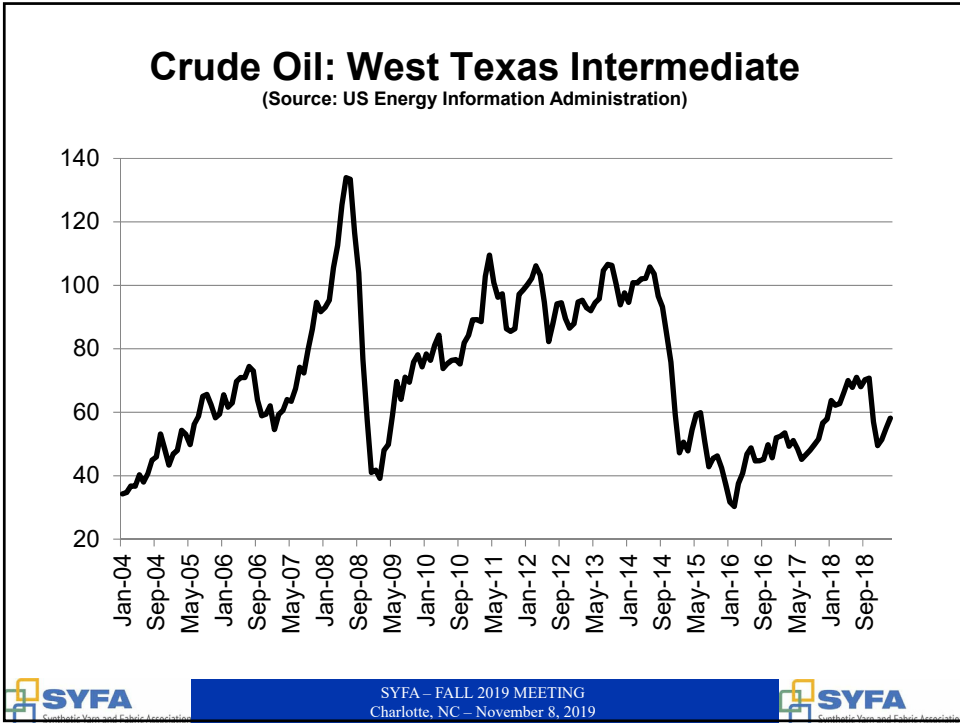


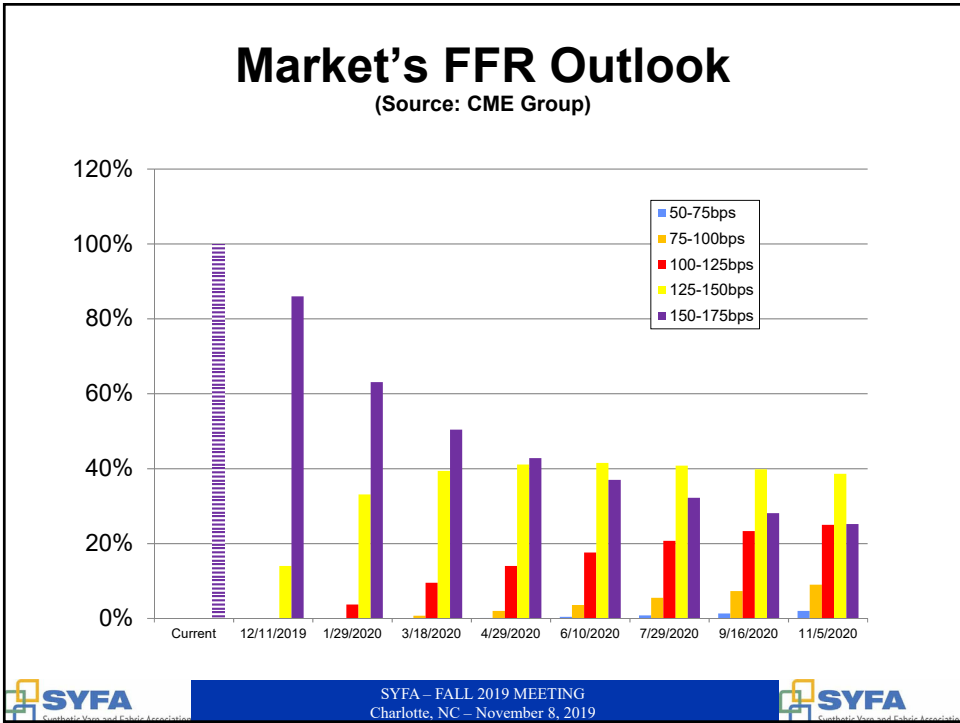
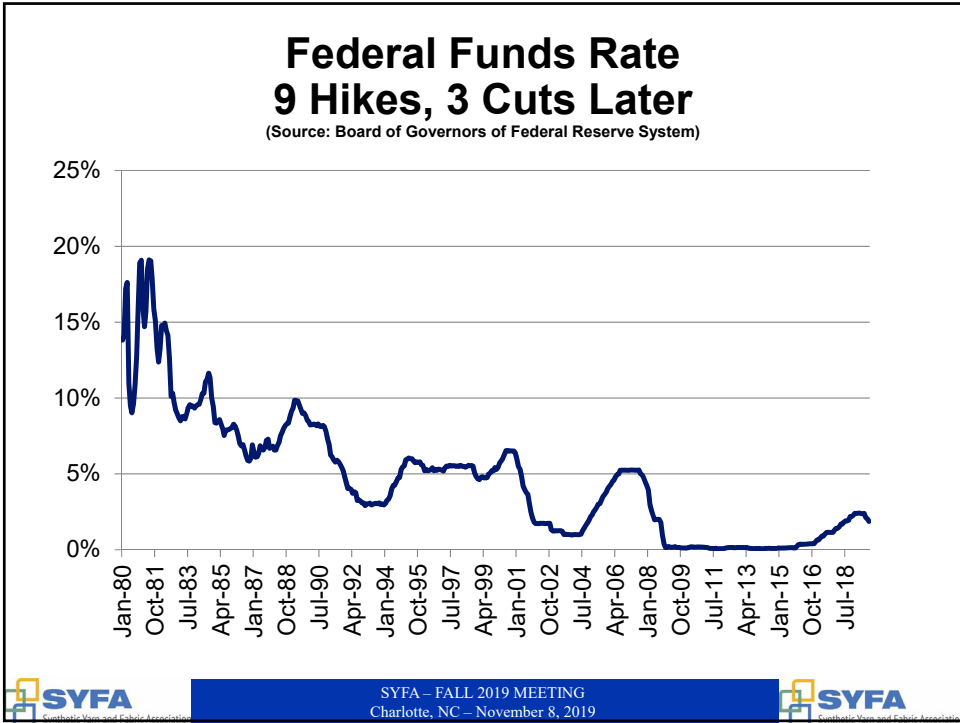
## Prices: Still talk of Deflation/Inflation?

(source: Bureau of Labor Statistics)

- **CPI was flat in September – after being up 0.1% and 0.3% in August and July.**
- **Core CPI up 0.1% in September – after rising by 0.3% in each of the previous three months.**
- **Overall CPI up 1.7% over last 12 months. Core up 2.4% over same period.**
- **Energy component down by 4.8% over the last 12 months.**

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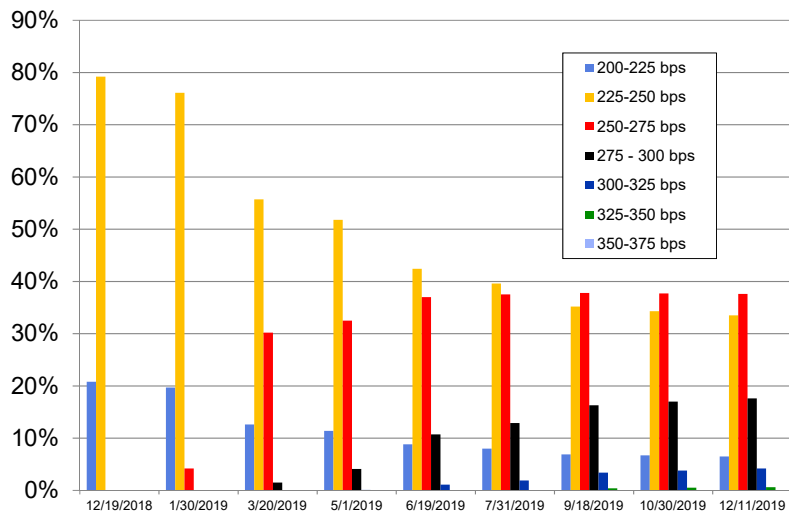






## Market's FFR Outlook: December 2018

(Source: CME Group)



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## Comments on LIBOR/SOFR

- LIBOR fading away?
- SOFE is secured, based on actual transactions.
- Transitions on exiting contract will be challenging.
- Derivatives have longest exposure



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## 10-Year Treasury Bonds

(Source: Board of Governors of Federal Reserve System)

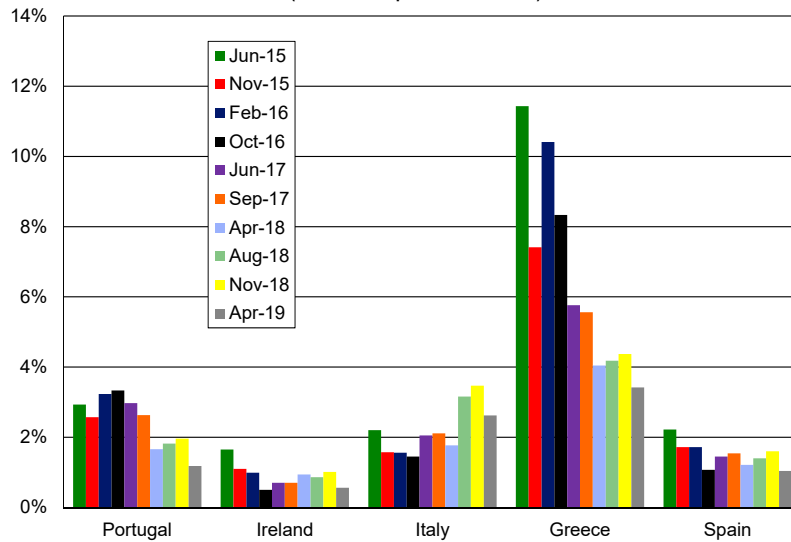


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## “PIIGS Revisited”

(Source: European Central Bank)



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# Large Scale Asset Purchases

(source: Federal Reserve System)

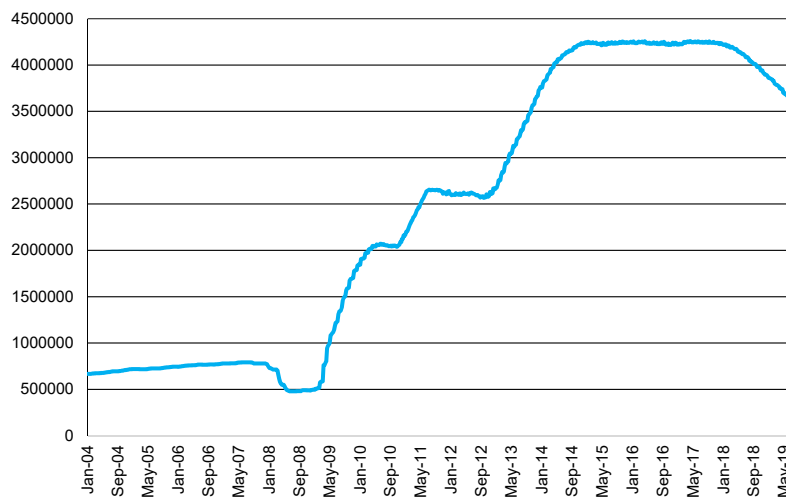
- **QE1 (March 2009)**
  - \$1.25 T in MBS
  - \$200B in Agencies
  - \$300M in Treasuries
- **QE2 (November 2010)**
  - \$600B in Treasuries
- **Operation Twist**
  - Swapped \$667B in longs for shorts
- **QE3 (September 2012)**
  - \$85B/month agency MBS & Treasuries
  - Taper begins December 2012



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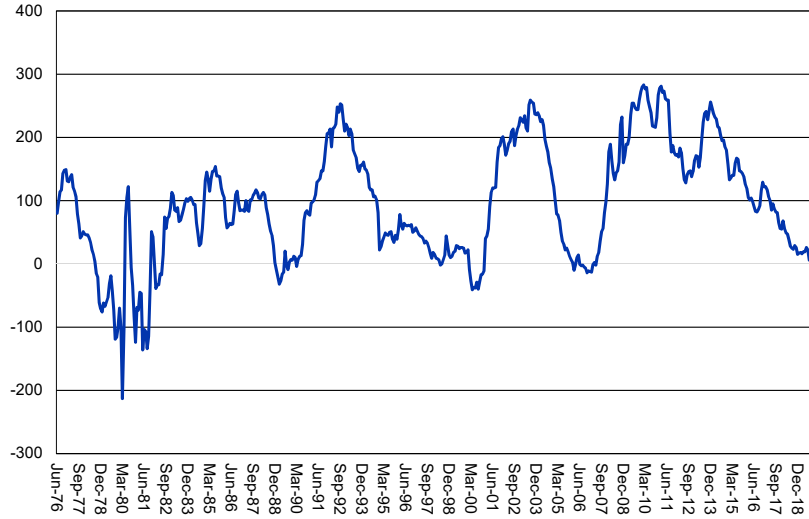
# Fed: Securities Held Outright



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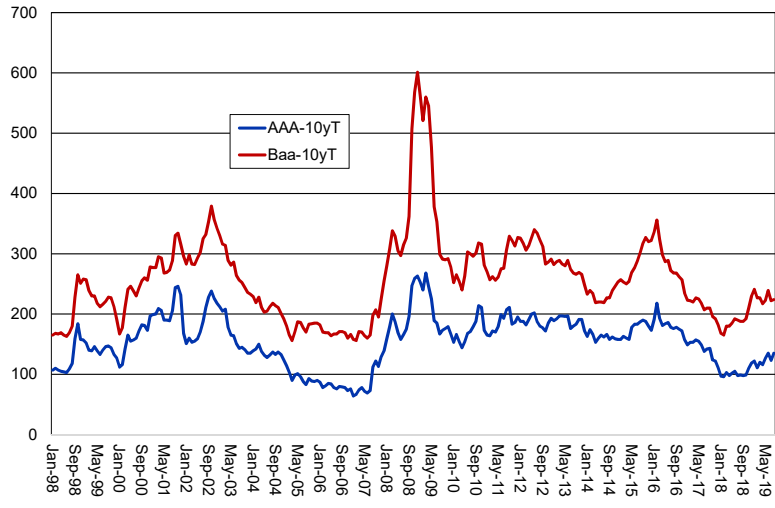
## 2-10 Treasury Spread (bps)



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## Corp to Treasury Spread (bps)

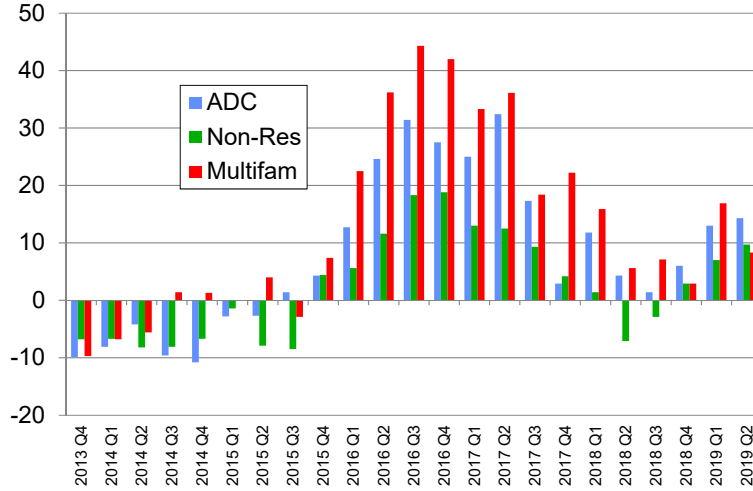


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# CRE Loan Standards: Net Tightening

(Source: Federal Reserve System, Senior Officers Lending Survey)

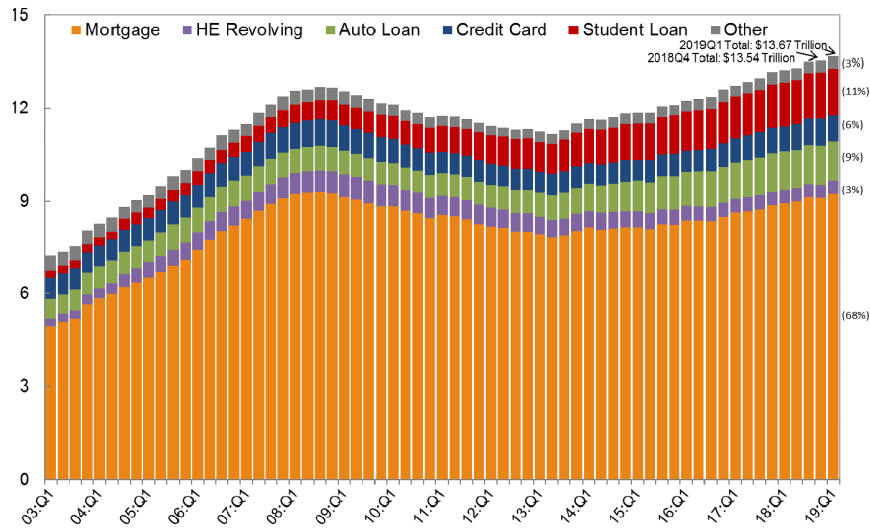


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# Total Debt Balance and Composition

(source: Federal Reserve Bank of New York Credit Panel/Equifax)

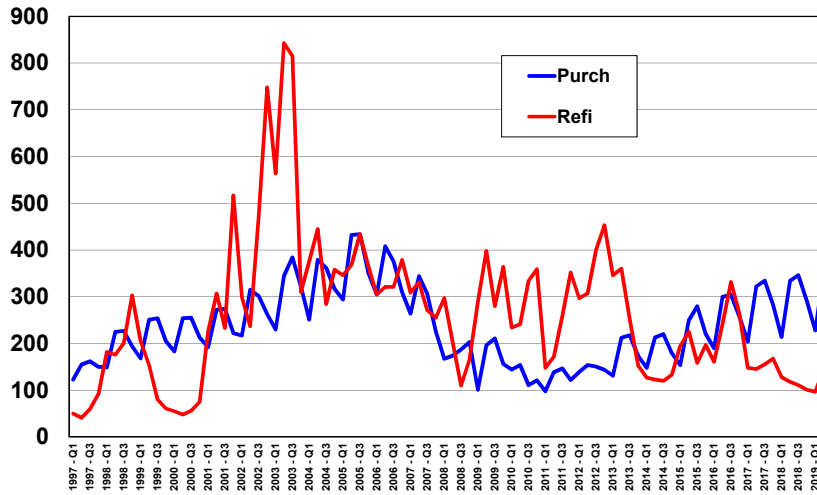


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## MBA Mortgage Activity: Purchase & Refinance

(Source: Mortgage Bankers Association)

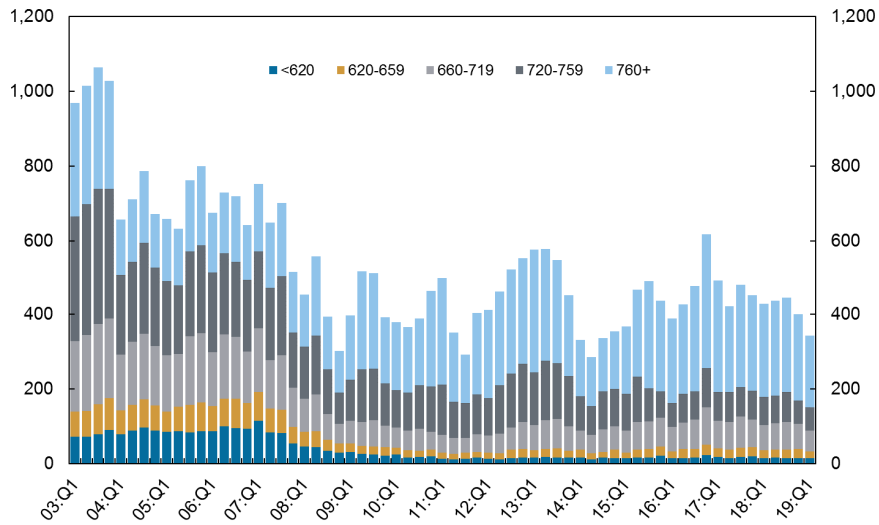


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## Mortgage Origination by Score

(source: Federal Reserve Bank of New York Credit Panel/Equifax)

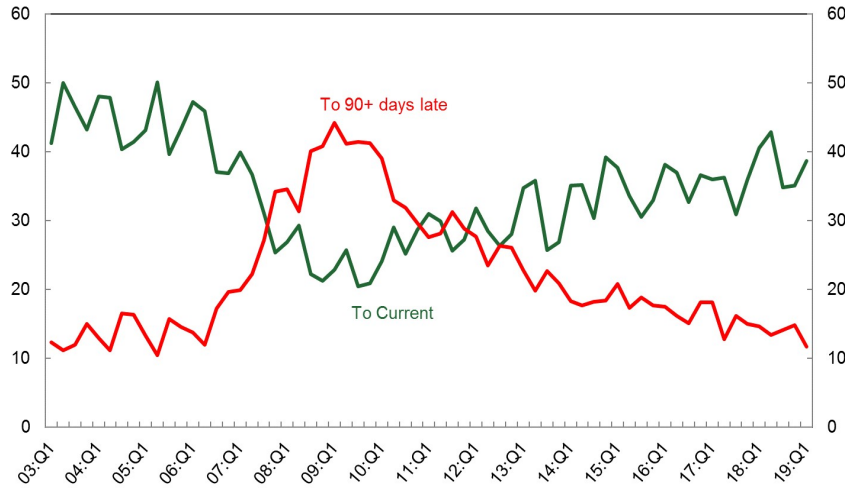


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## Quarterly Transition: 30-60 Days Late Mortgages

(source: Federal Reserve Bank of New York Credit Panel/Equifax)

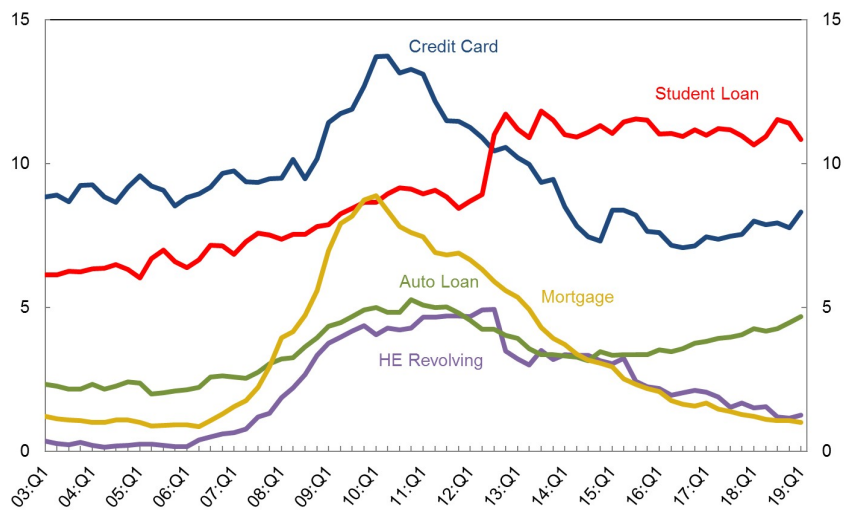


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## 90+ Days Delinquent by Loan Type

(source: Federal Reserve Bank of New York Credit Panel/Equifax)

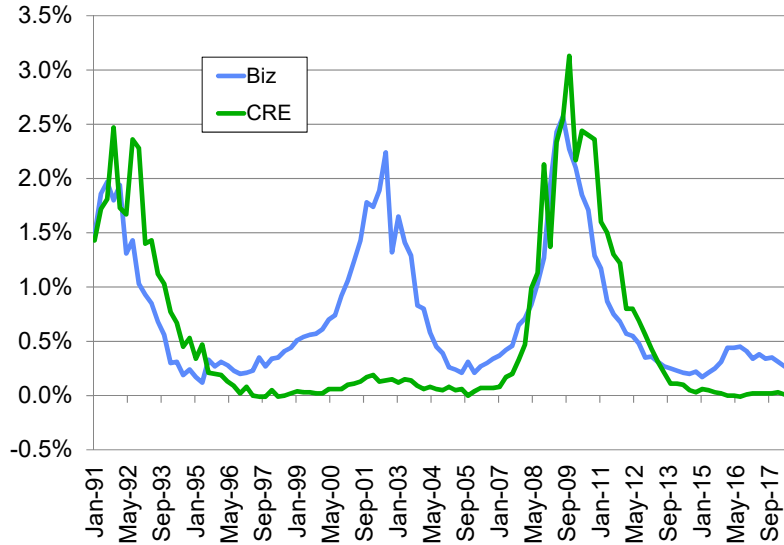


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## Charge Off Rates at Banks

(source: Board of Governors of the Federal Reserve System)

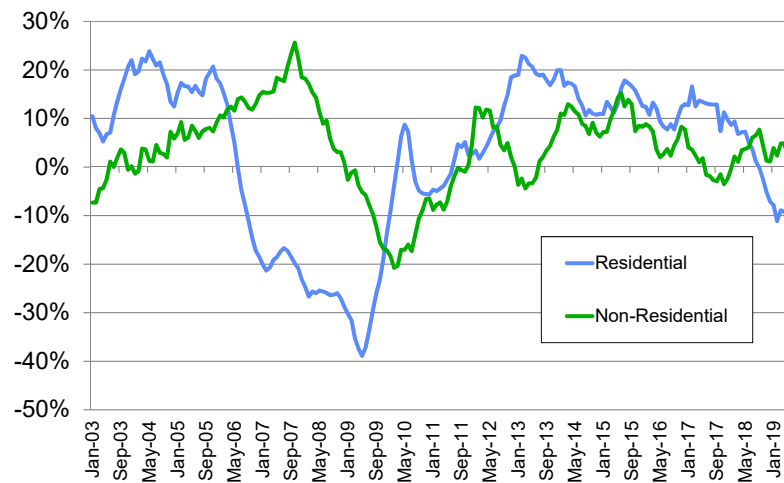


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## Construction Spending

(Source: U.S. Bureau of Census)



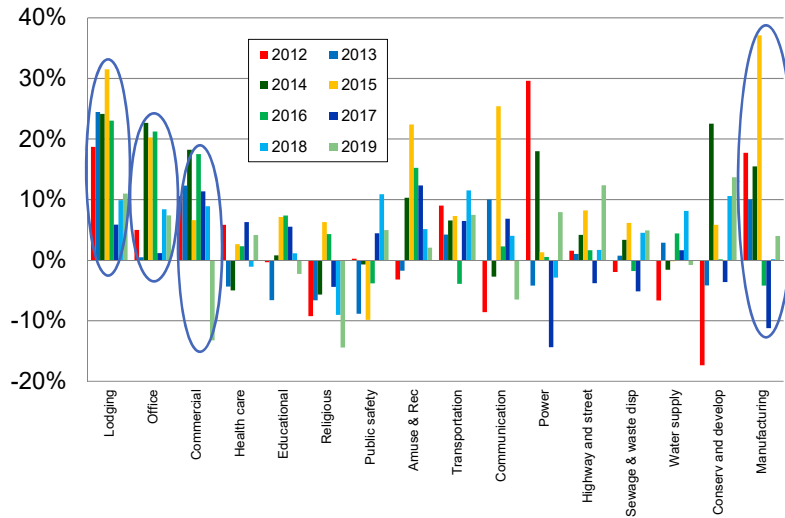
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## Non-Residential Construction

(Source: U.S. Bureau of Census)

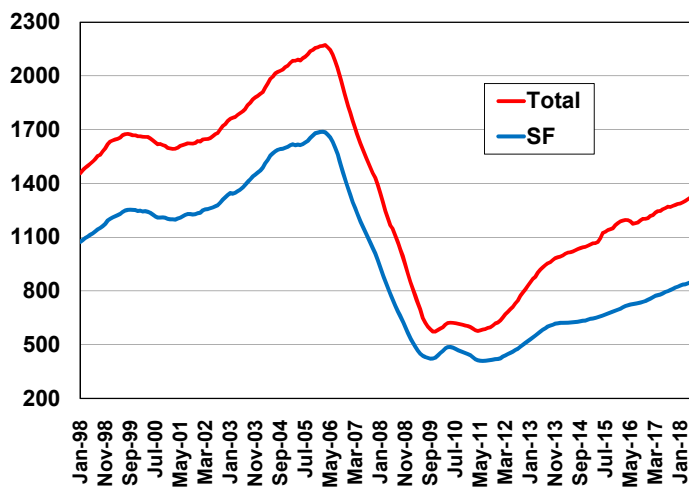


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## US Housing Permits: SF and Total

(source: U.S. Bureau of Census)

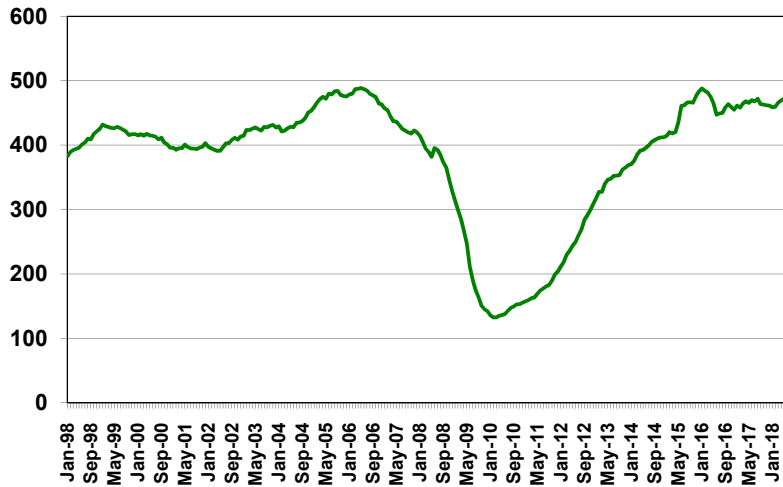


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## US Housing Permits: Multi-family

(Source: U.S. Bureau of Census)

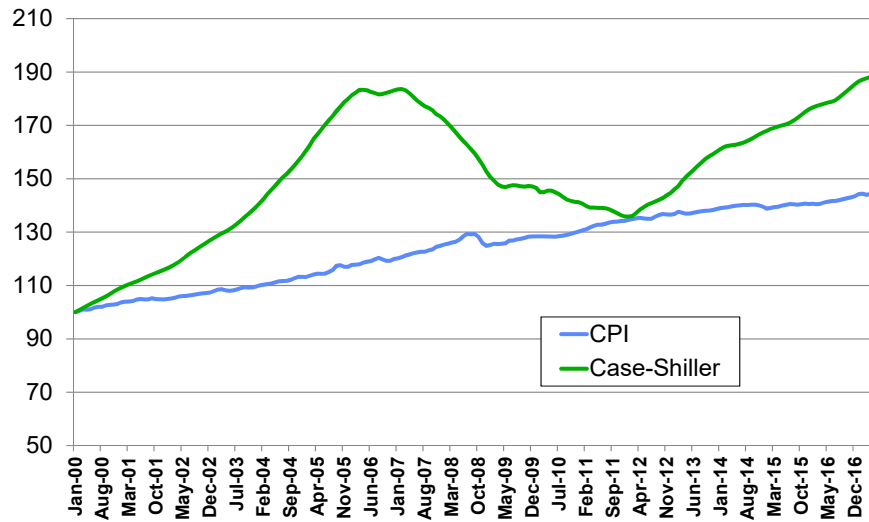


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## Home Prices & CPI

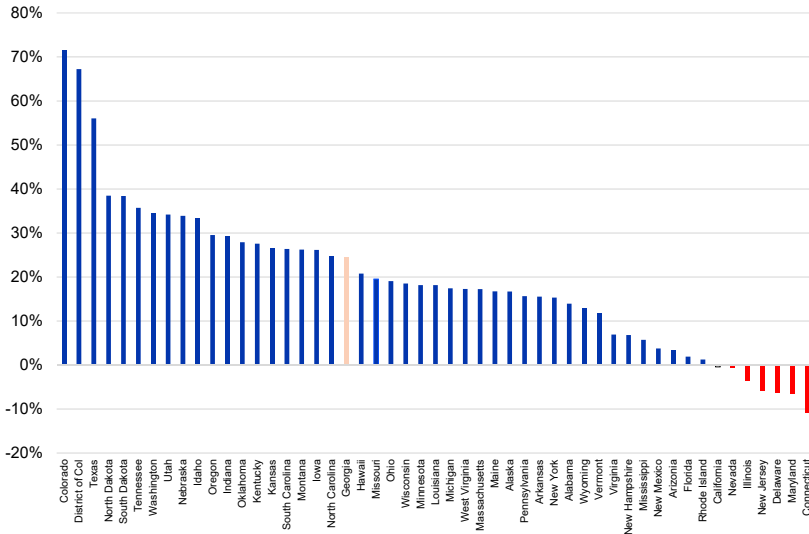
(Source: S&P Case-Shiller & Bureau of Labor Statistics)



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# House Prices: Net

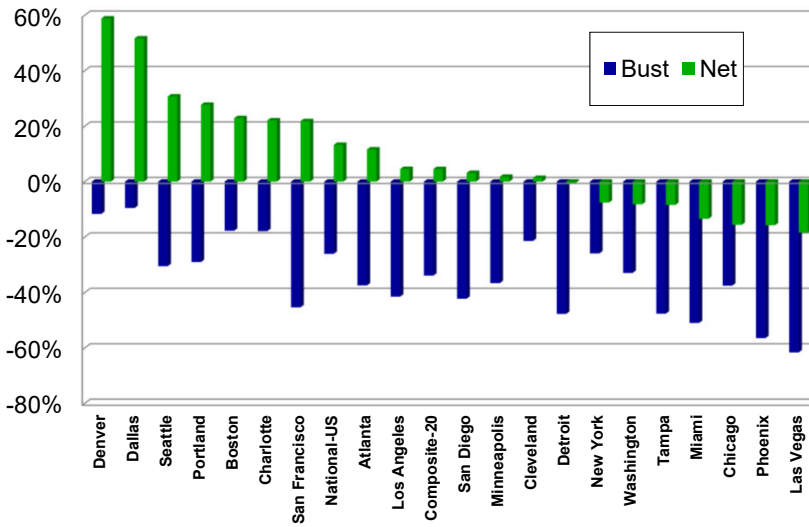


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# CS/S&P Home Price Index

(Source: S&P Case Shiller)

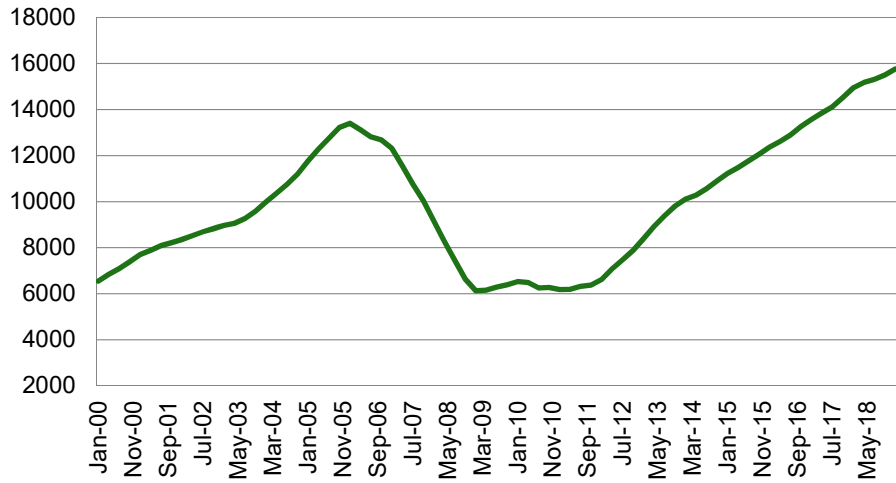


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# Household RE Equity

(Source: Board of Governors of Federal Reserve System)

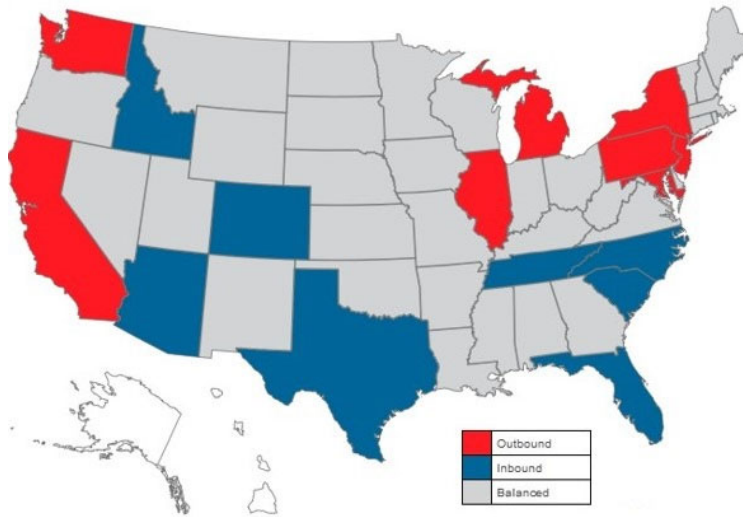


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# 2018 Migration

(source: NAMS Report)



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## Currents Issues in Fiscal Affairs

- **Federal:**
  - **Shutdown** – longest, done for now
  - **2017's Biggest Play:** Tax Reform – but 2.0 unlikely w/o SALT
  - **Still in Play:**, Keystone, Dodd-Frank, EPA, NLRB
  - **Next in Play:** Infrastructure
  - **Always in Play:** SCOTUS, ACA challenges
  - **Ongoing Play:** Revising Trade
    - » Bilateral vs Multilateral, Lumber deals and tariffs
- **States:**
  - Tax Reform Initiatives in other States slow, but **SALT consideration** weigh in
  - Recent gains in manufacturing facilities due to “reshoring”
  - SE states domination biz location ranking, but not exclusive.
- **Local:**
  - RE valuation rising = tax revenues, fiscal distress moderating



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