

Normalizing the Abnormal

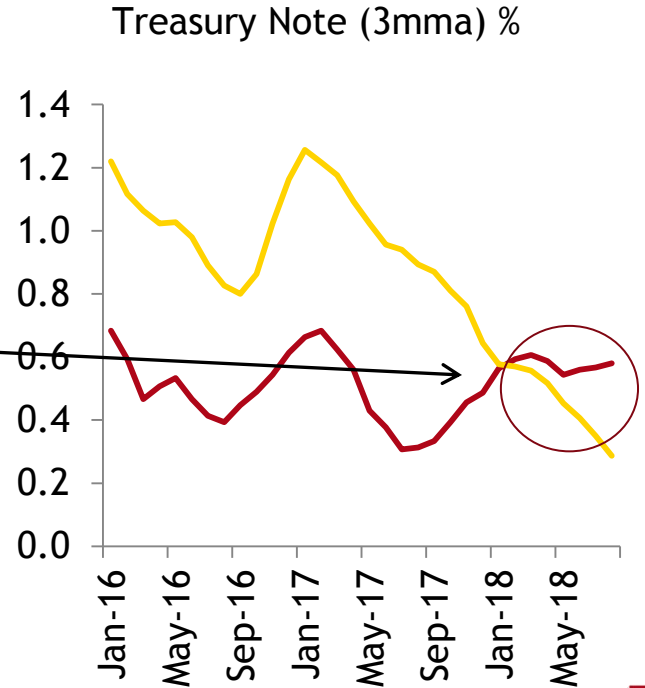
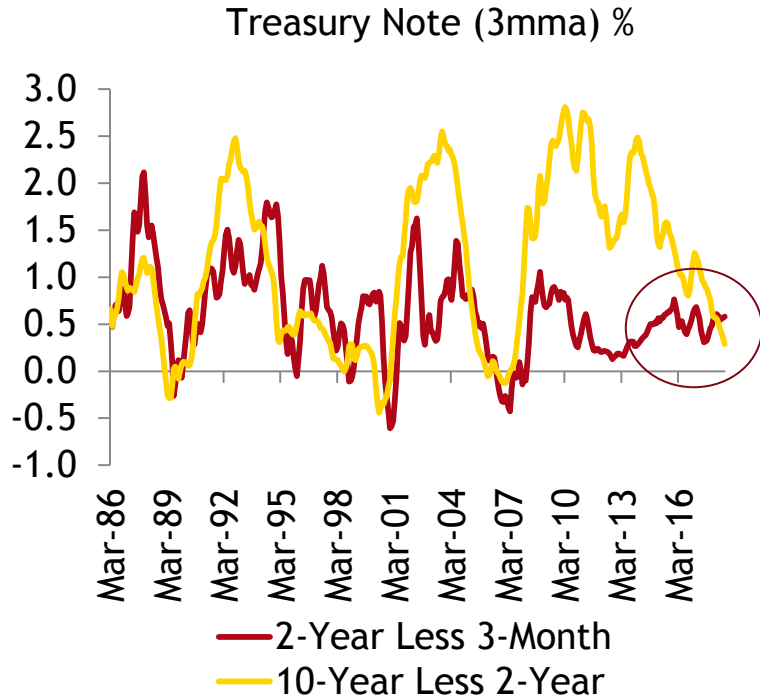


Benjamin Tal

October 2018



Yield Curve: Conflicting Signals

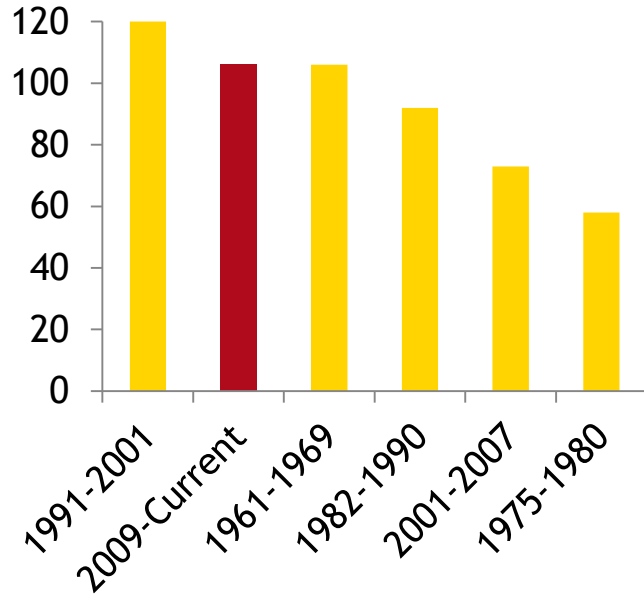


Source: FRB, CIBC

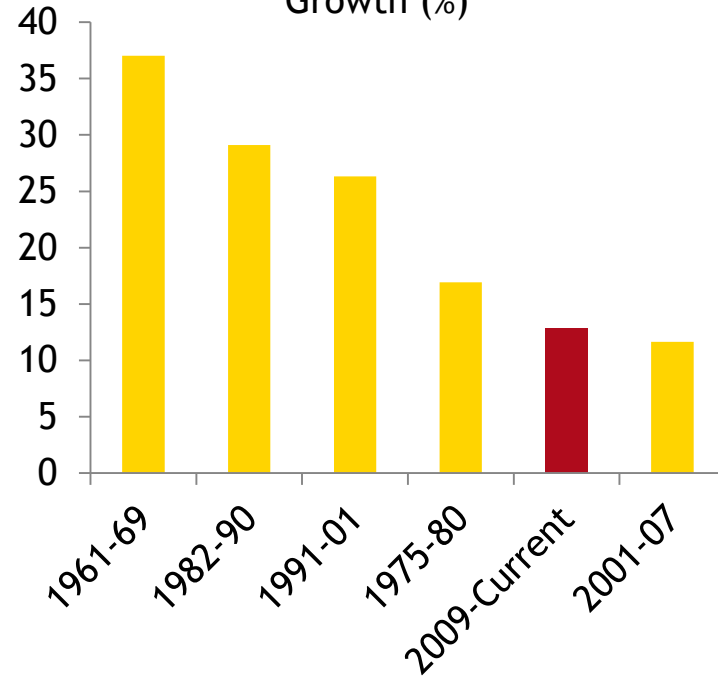


Expansion Has Been Long (L), But Not Strong (R)

US Economic Expansions (Months)

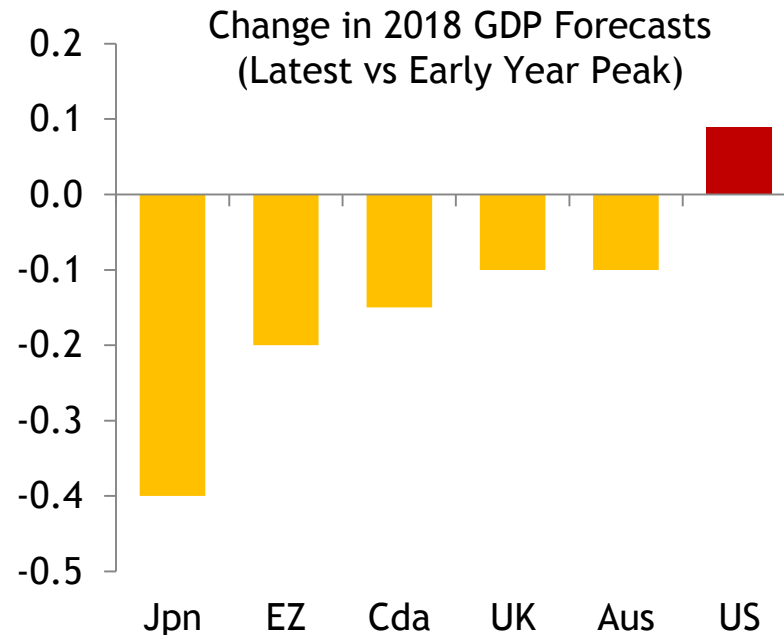
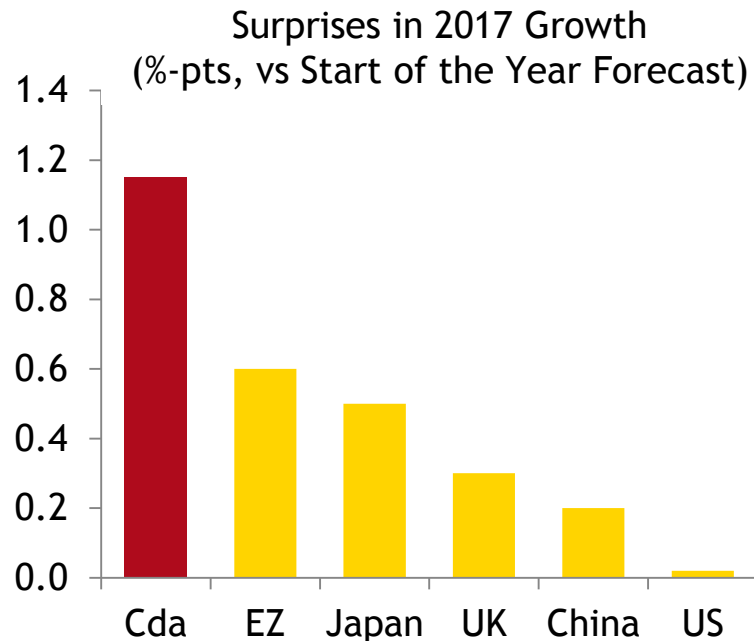


Cumulative Real GDP Per Capita Growth (%)



Source: BEA, CIBC

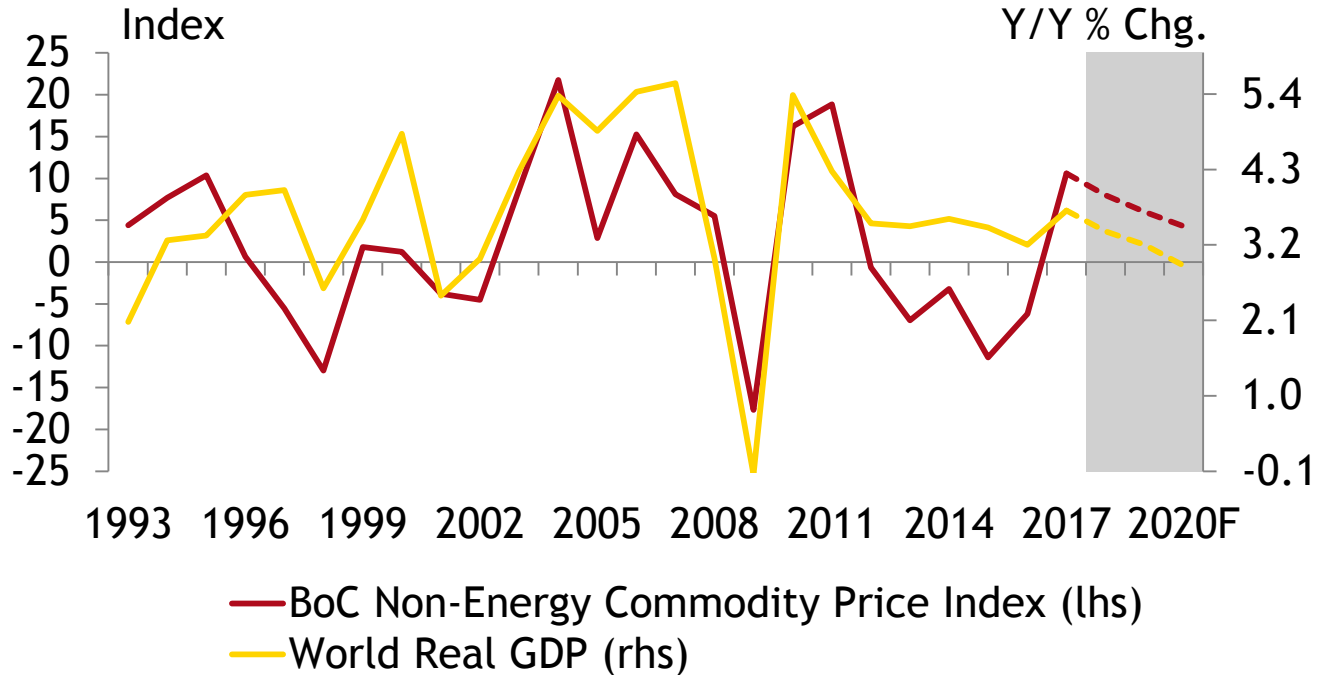




Source: Bloomberg, CPB, CIBC

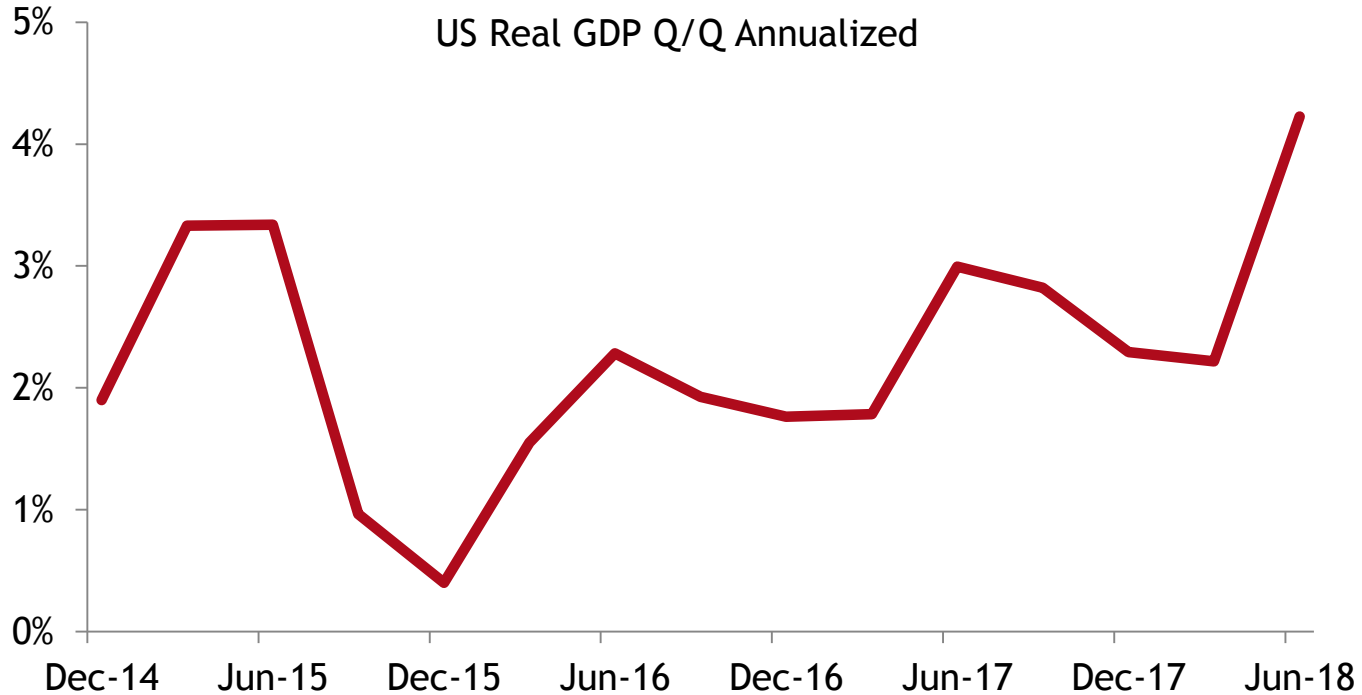


Yes, Commodities Are Cyclical



Source: Bloomberg, Bank of Canada, CIBC





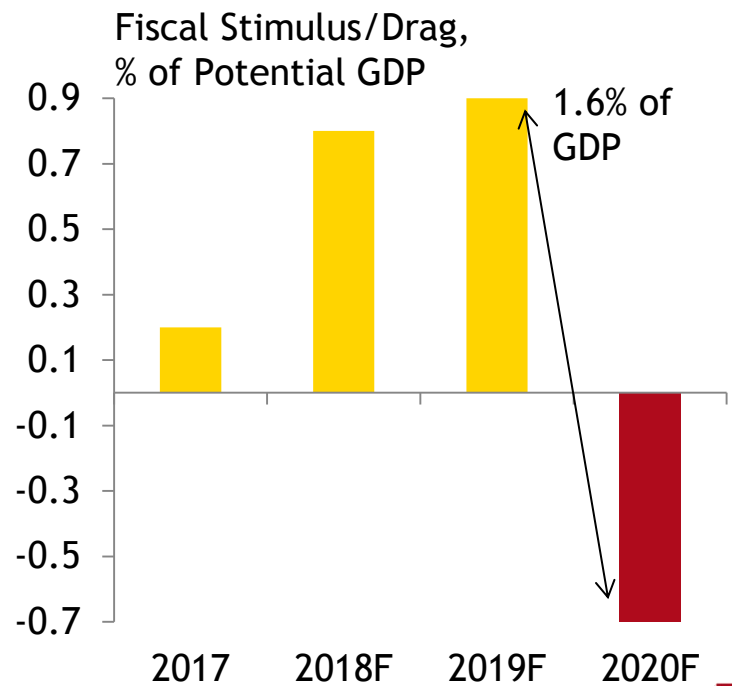
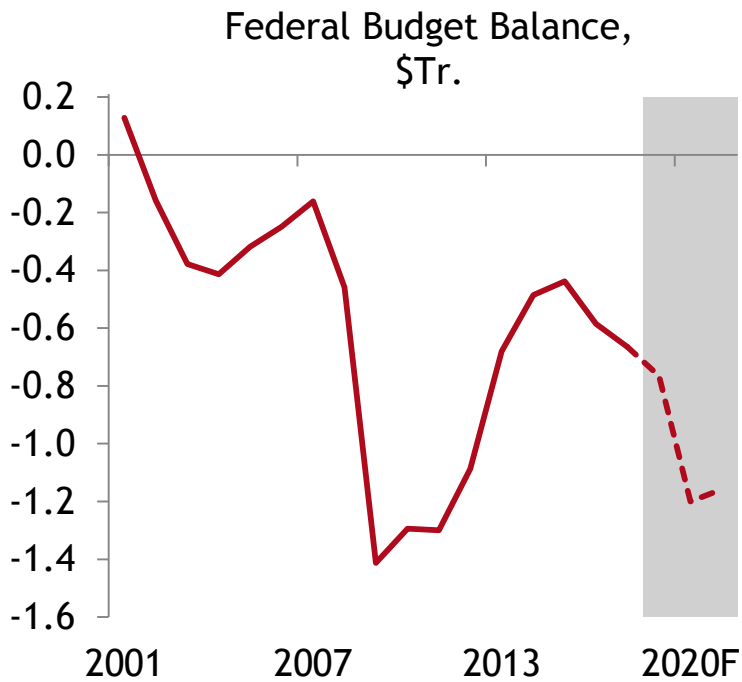
Source: BEA, CIBC



Which Way are Deficits Going?



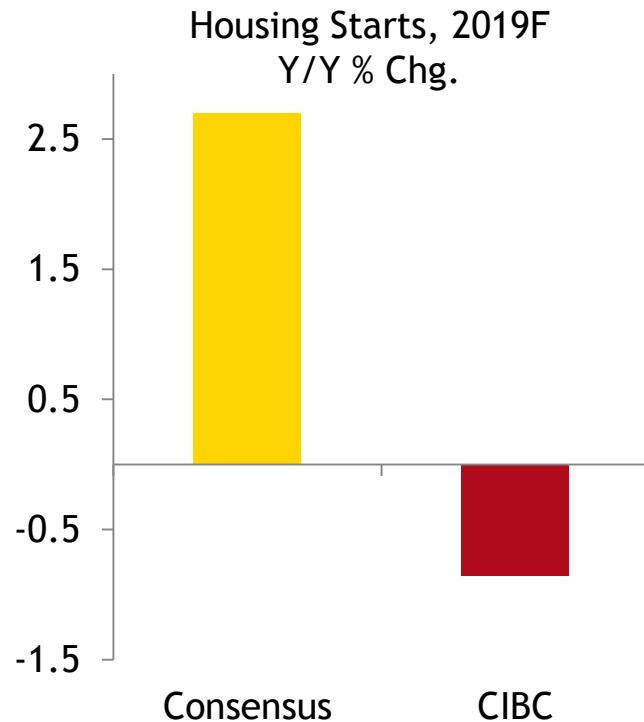
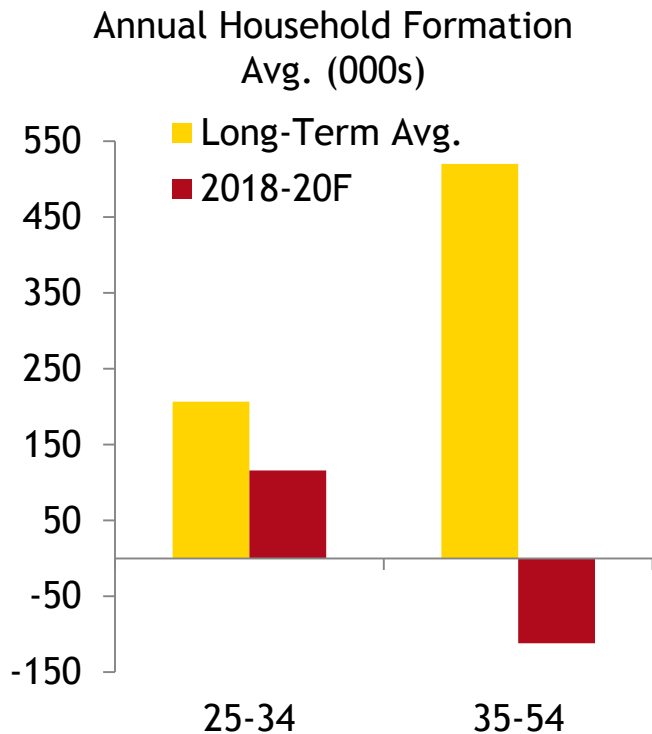
A \$1.2 Trillion Fiscal Hole (L) Fiscal Policy to Subtract from Growth by 2020 (R)



Source: IMF, CBO, CIBC



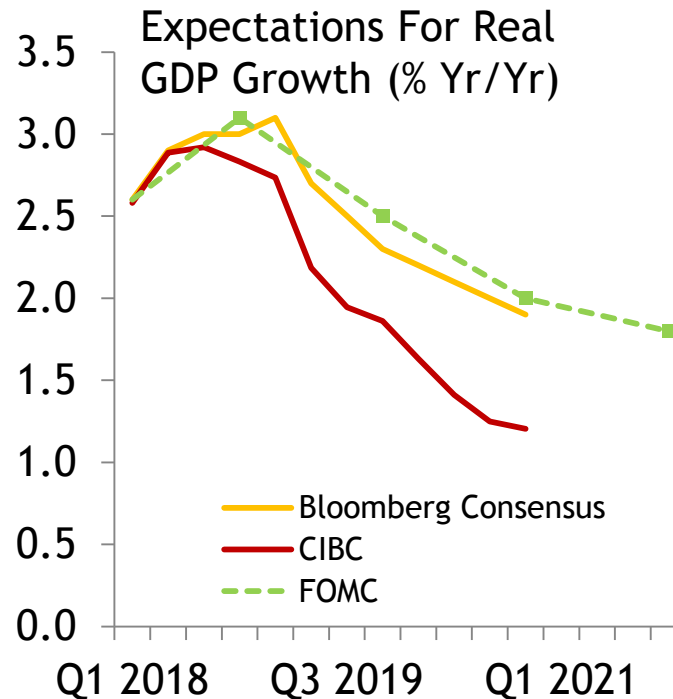
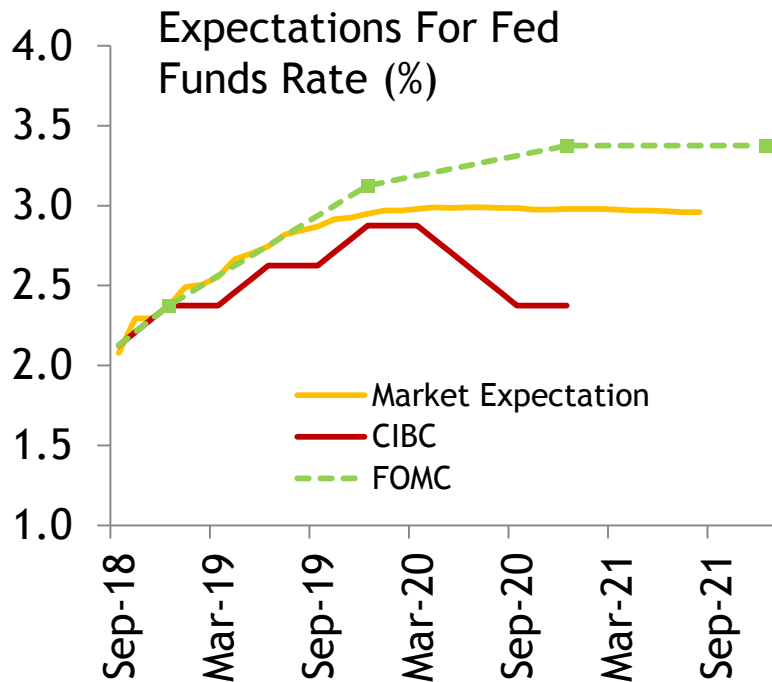
Fewer New Households (L) Triggers Downside In Housing Starts (R)



Source: Bloomberg, Census Bureau, CIBC



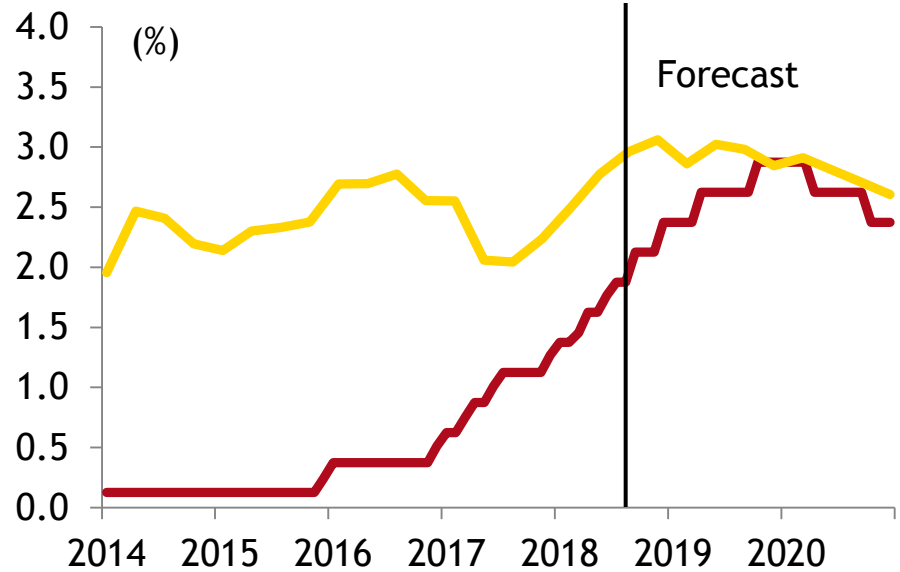
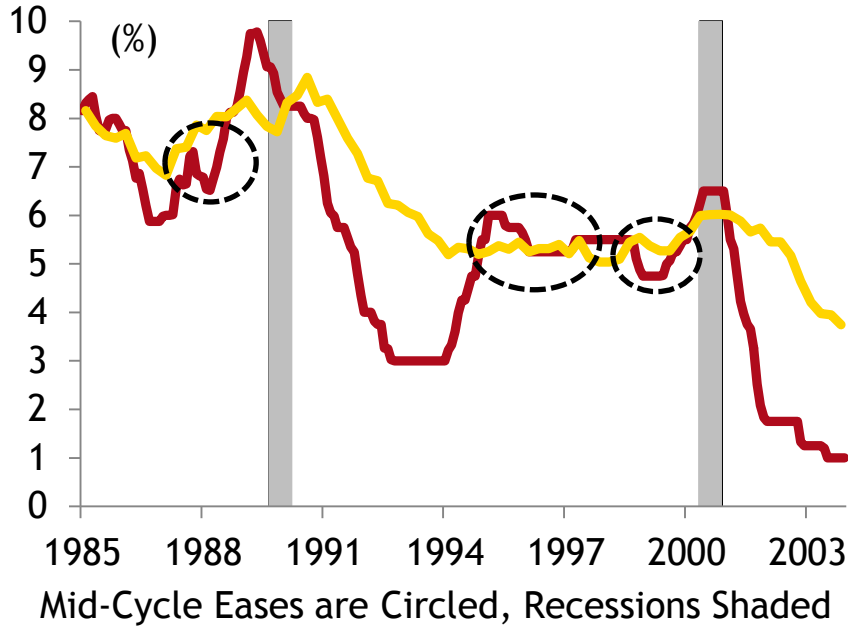
Ignore the “Dots” Forecast from the FOMC Actual Fed Trajectory Will Depend on US Growth Path



Source: Federal Reserve, Bloomberg, CIBC



A Mid-cycle Night's Dream: A 2020 Fed Ease Would Not Be Unusual vs. Past History

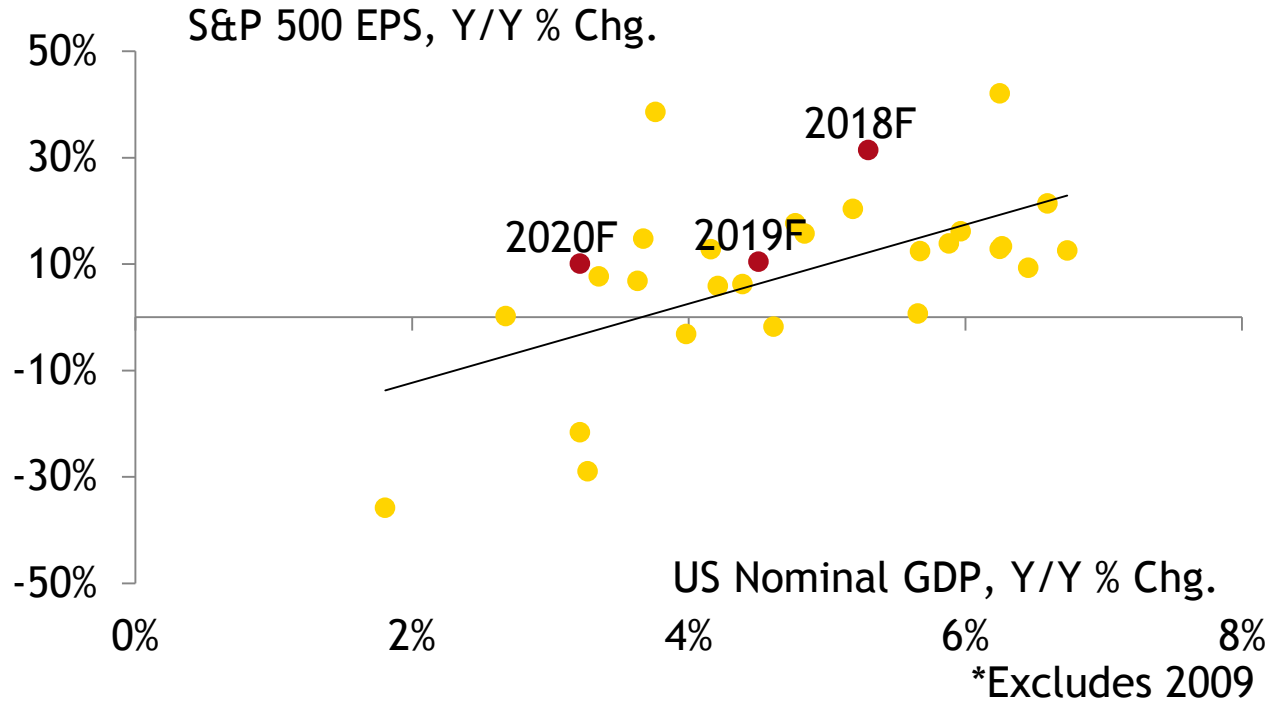


- Fed Funds Rate
- Est. Nominal Neutral Rate

Source: Bloomberg, CIBC



2020 Earnings Expectations a Bit Stretched vs Nominal GDP Pace

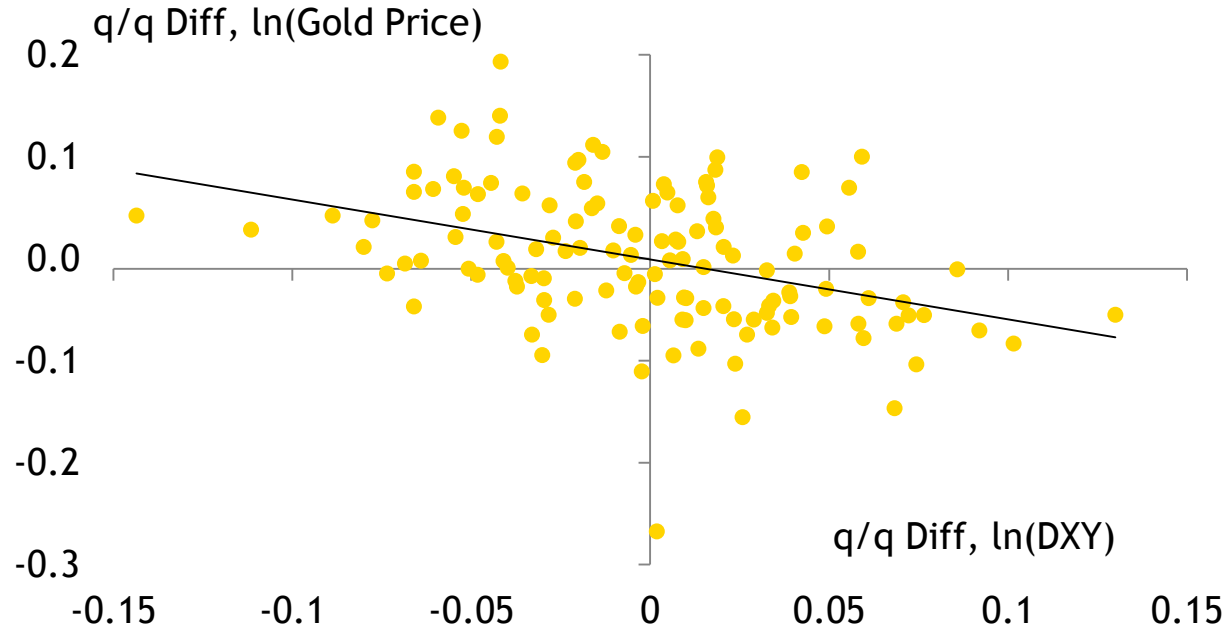


Source: Bloomberg, BEA, CIBC



Dollar Loosely Drives Movements in Price of Gold

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Source: Bloomberg, CIBC





Great That Trudeau and Trump Get Along So Well...

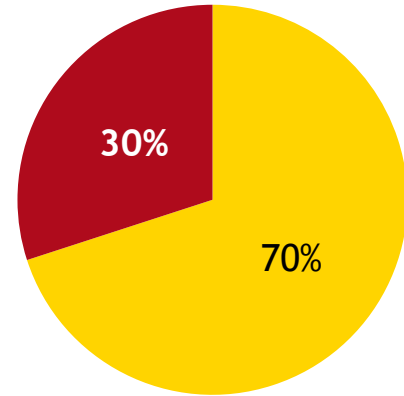
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Made in China 2025

- 1 Next-generation information technology (IT)
- 2 High-end numerical control tools and robotics
- 3 Aerospace equipment
- 4 Ocean engineering equipment and high-tech ships
- 5 Advanced railway equipment
- 6 Energy saving and new energy vehicles
- 7 Power equipment
- 8 Agricultural machinery
- 9 New materials
- 10 Biomedicine and high-performance medical devices

Source: USTR, CIBC



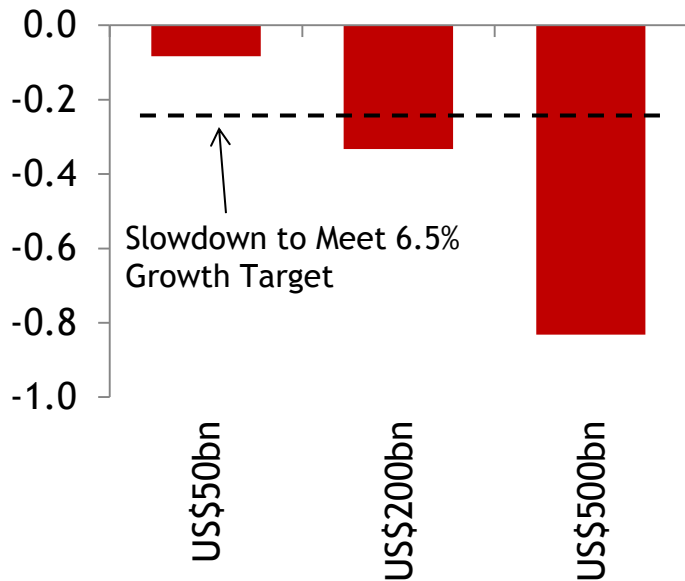
■ Share of "Made in China 2025" covered by US targeted products

■ The rest

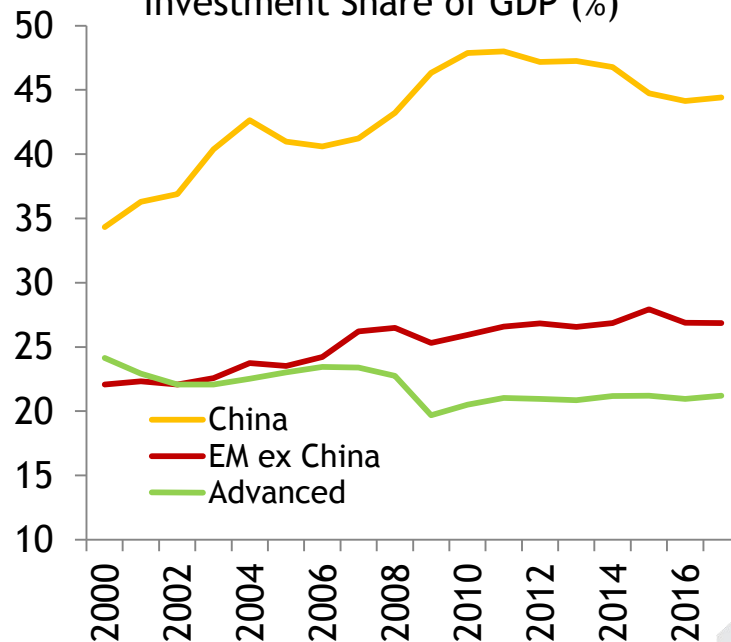


US Tariffs Could Slow China Below Target for Growth (L), Limited Room to Boost Investment as an Offset (R)

Direct GDP Impact on China of US Tariffs on Different Values of Goods (%-pts)



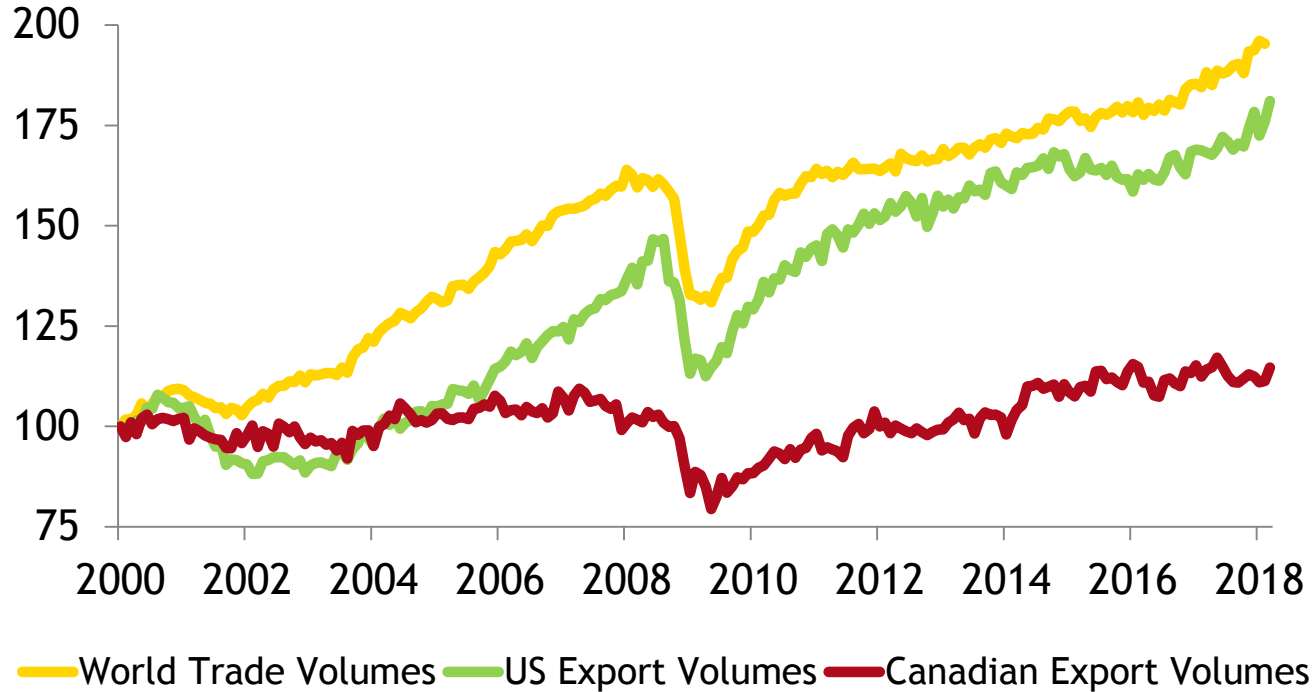
Investment Share of GDP (%)



Source: IMF, CIBC



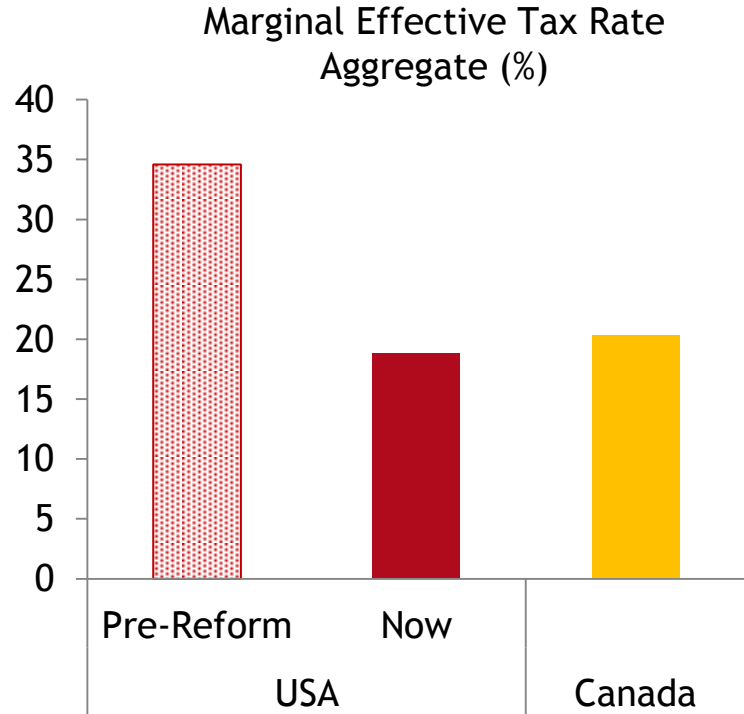
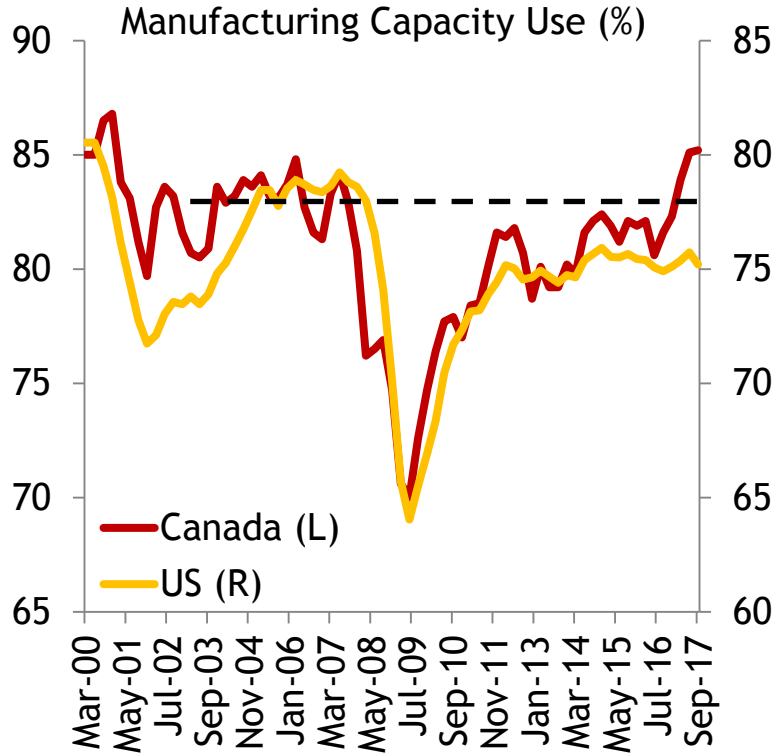
New Millennium Has Seen Listless Trend in Canadian Exports 17



Source: CPB, Haver Analytics, CIBC



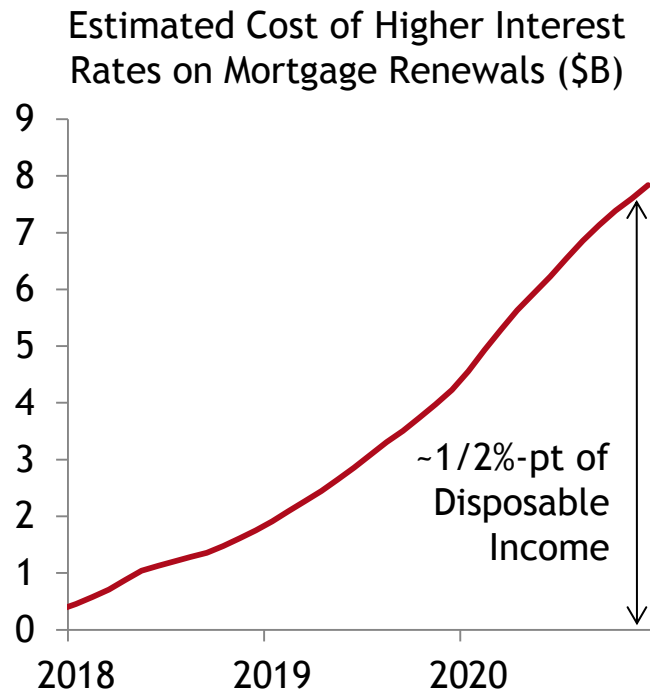
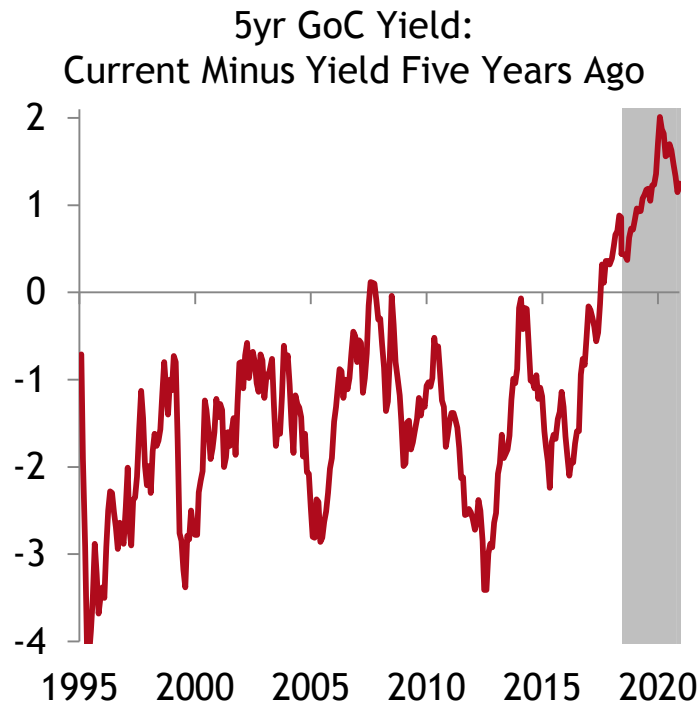
Canada Needs Investment More Than The US (L) But Corporate Tax Advantage Has Vanished (R)



Source: Statistics Canada, BEA, CIBC



5-Year Yields Now Higher Than Five Years Ago (L), Many Canadians to Feel Pinch by 2020 (R)



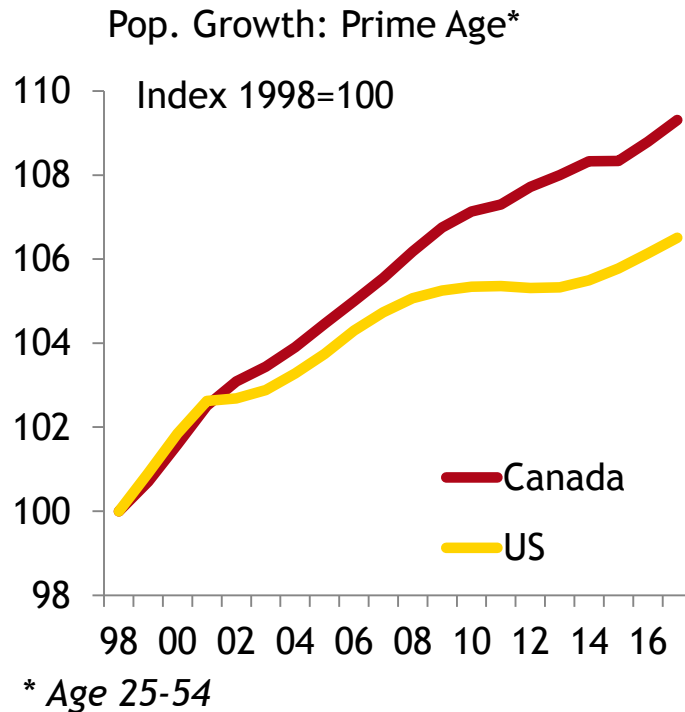
Source: Haver Analytics, CIBC



Household Credit Growth Slower Than in Recession



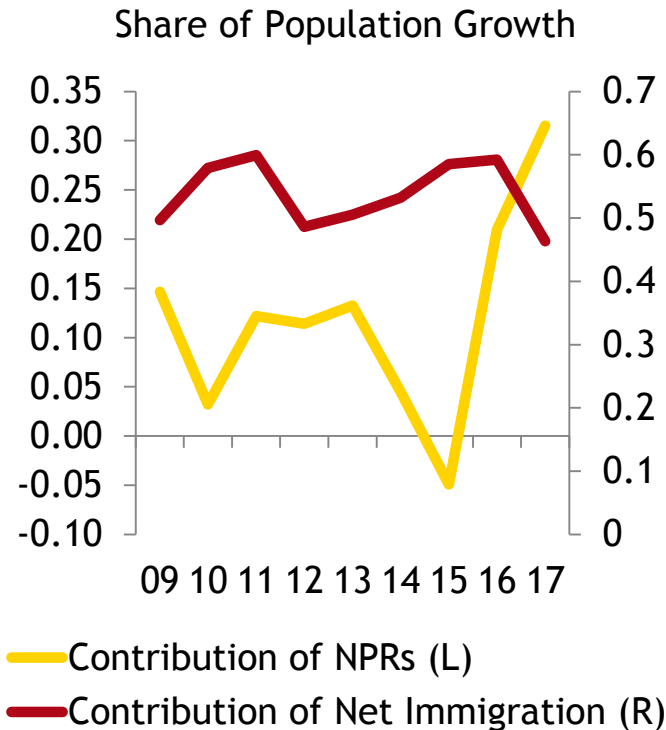
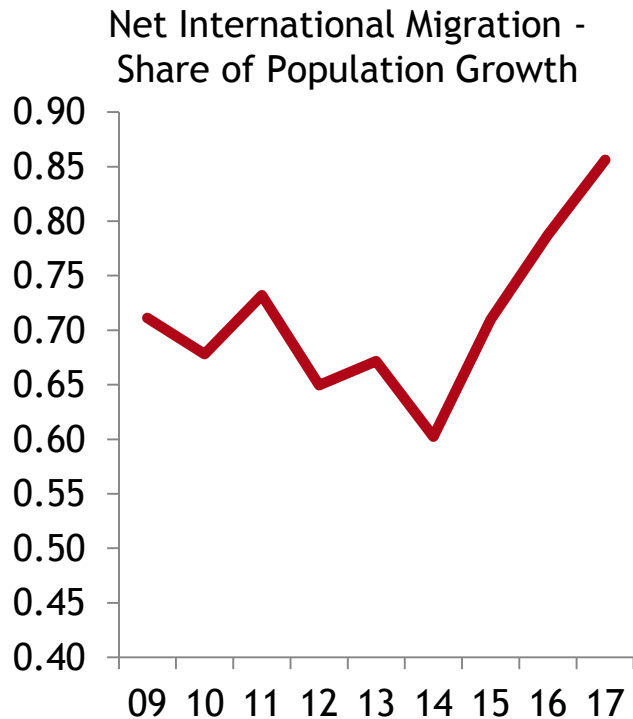
Population Growth UP (L), With Prime Working Age Leading US (R)



Source: Statistics Canada, Census, CIBC



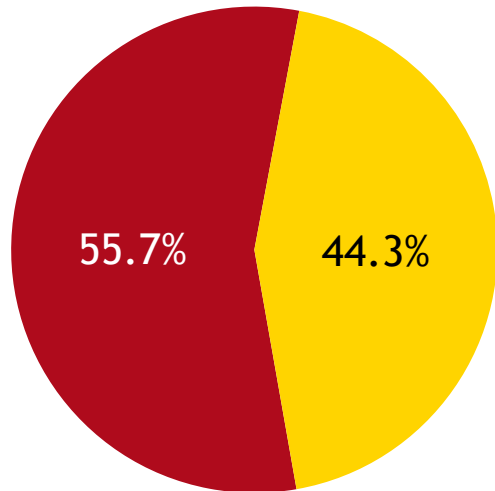
Non-Permanent Residents Have Become Increasingly Important



Source: Statistics Canada, CIBC



For Possession in 2017



■ Positive ■ Negative

	<u>Positive</u>	<u>Negative</u>
\$0.00 - \$500	78.4%	45.4%
\$500.01 - \$1000	16.3%	20.1%
>\$1000.01	5.3%	34.5%
	<hr/> 100.0%	<hr/> 100.0%