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November 8, 2019

In this week's Highlights, Ryan Grabinski suggests there are signs global growth may be bottoming, a trade "deal" may be approaching, and small caps are gaining traction.

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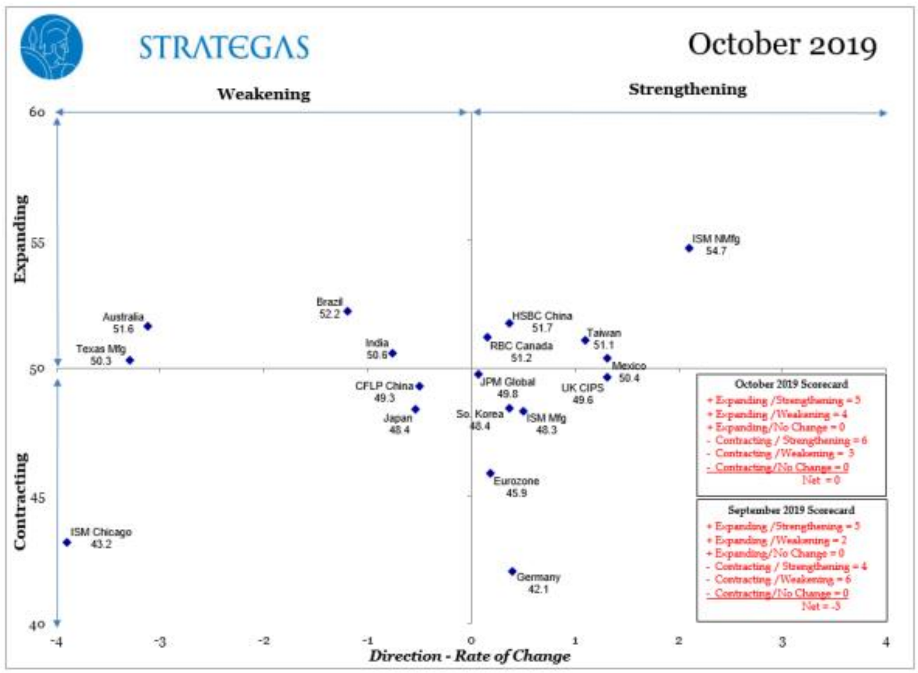
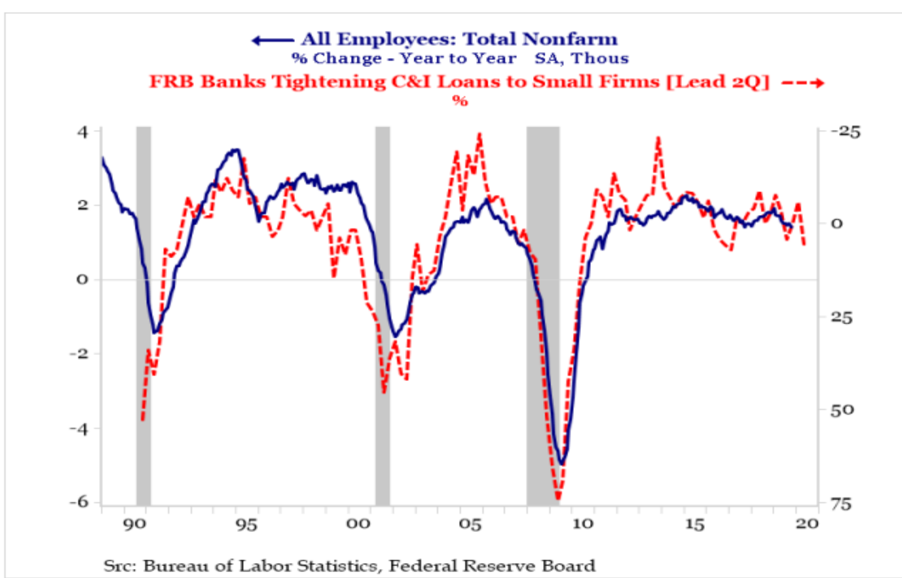
Package of U.S. Soft-Landing Evidence

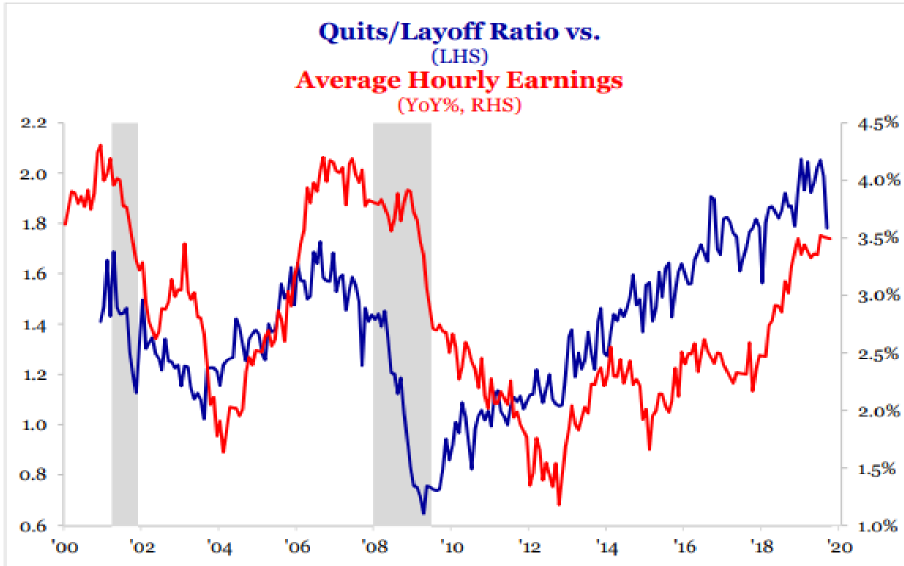
- October surveys saw a continuation of recent trends in manufacturing that define the current state of the global economy. Half of the indexes are growing while the other half are contracting. While we would like to see global economic growth reaccelerate, we accept the current landscape in which manufacturing is bottoming.



- Credit still not too burdensome.



- Further improvement to wage growth and the unemployment rate looks limited.

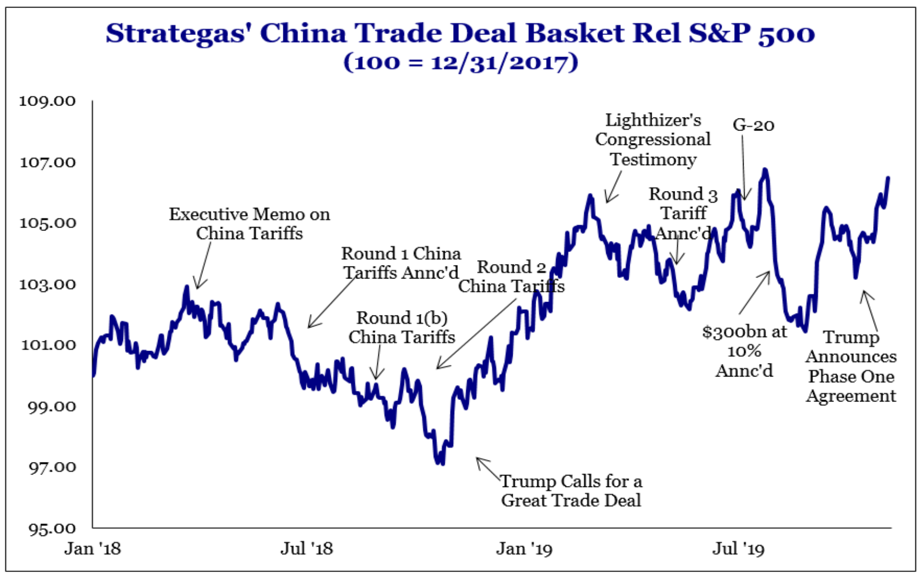


- Global data is improving on the margin. Investor sentiment (current & expectations) rebounded meaningfully in November, manufacturing PMIs improved, and as the chart below shows, German new orders appears to be bottoming.

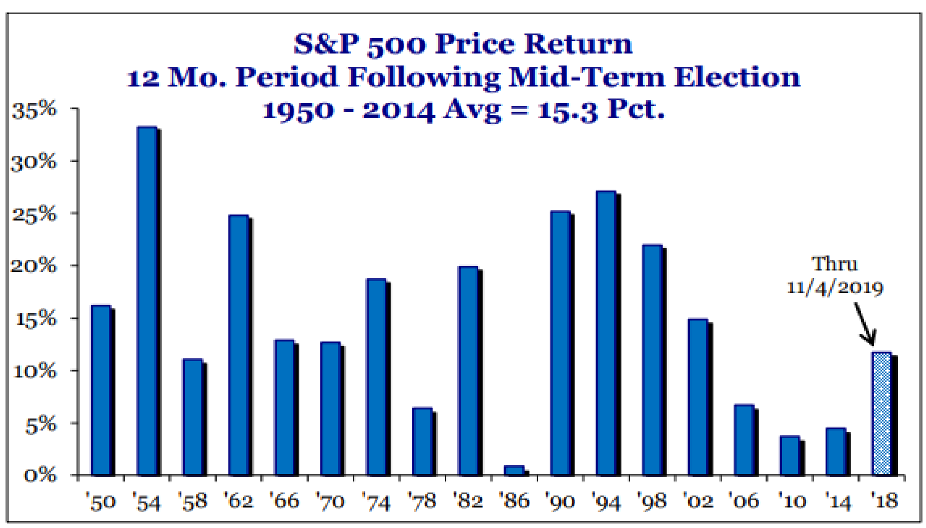
Source: Deutsche Bundesbank

China Trade Negotiations Happening Piece By Piece: August's Damage Is Nearly Reversed

- In May 2018, China offered to purchase US agriculture products, lower auto tariffs, and open up its financial services sector, and provided vague language about protecting IP. Trump rejected that offer and tariffs were implemented. The current Phase 1 components look similar. The only difference is that today, $400bn of Chinese goods currently have tariffs placed on them that did not exist 18 months ago. Negotiators have been more optimistic than the market, but now financial markets seem to be catching up, with August's damage nearly reversed.

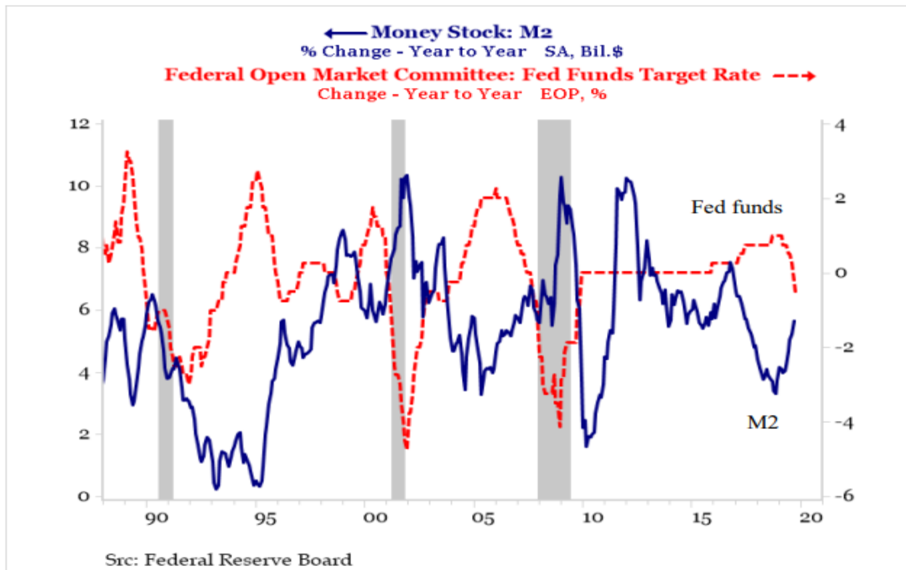


- The S&P 500 has not declined in the year following a mid-term election since 1946, keeping the streak alive.

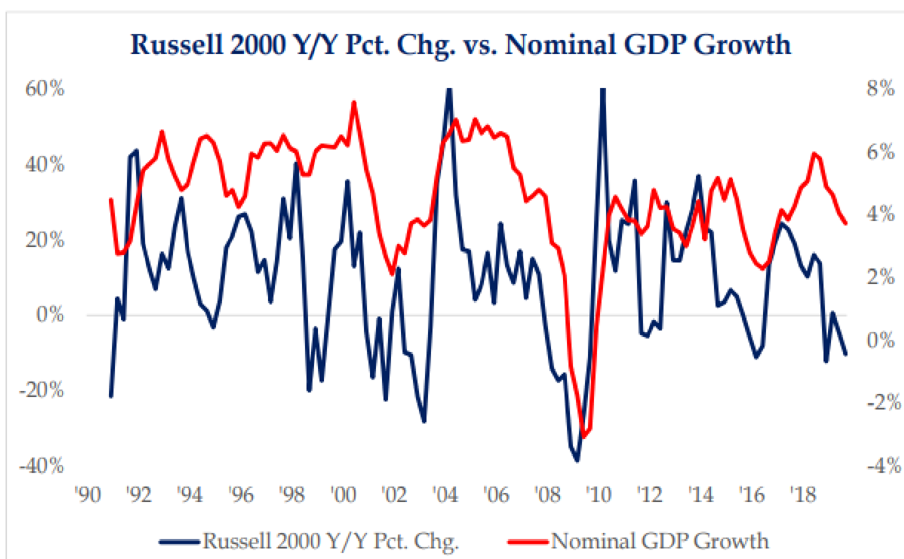


Equity Markets Continue To Be Driven By Liquidity

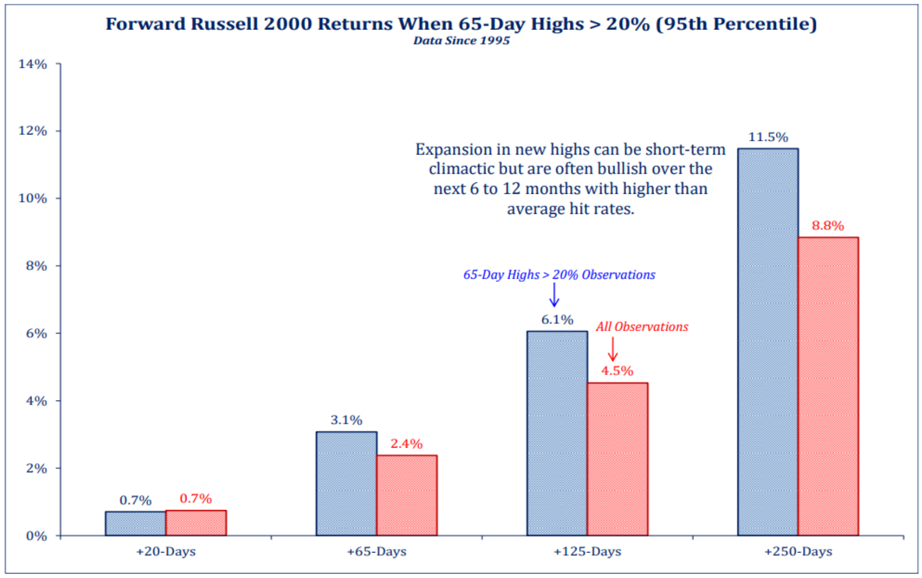
- As the Fed has cut rates, U.S. M2 money supply growth has reaccelerated (i.e., we're seeing increased liquidity growth). This makes sense since it's the purpose of central bank easing, i.e., there's a good inverse correlation between fed funds (down) and liquidity (up). Stable lending standards for loans are enhancing liquidity too. If the economy experiences a soft landing, as we expect, this liquidity should continue to boost asset prices.



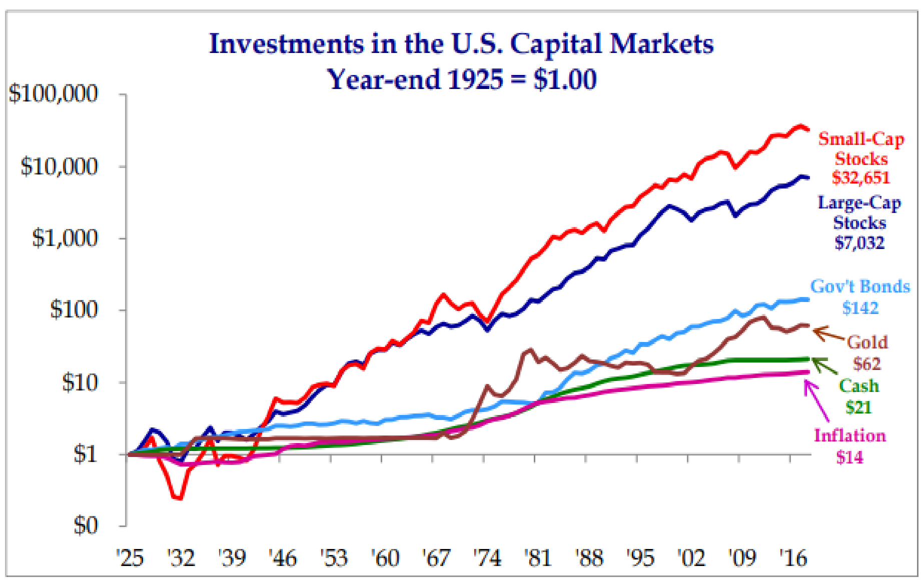
- Any pick-up in nominal GDP should bode well for small-cap equities.



- Recently there has been an expansion in new highs for small-caps, which has been historically bullish for the asset class.



- From a longer-term perspective, equities have been the best asset class, especially down the cap spectrum.



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