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In this week's Highlights, Ryan Grabinski suggests the economy is still weakening, but policymakers are active, the senate will not remove Trump without new information, and signs currently point toward a risk-on environment.

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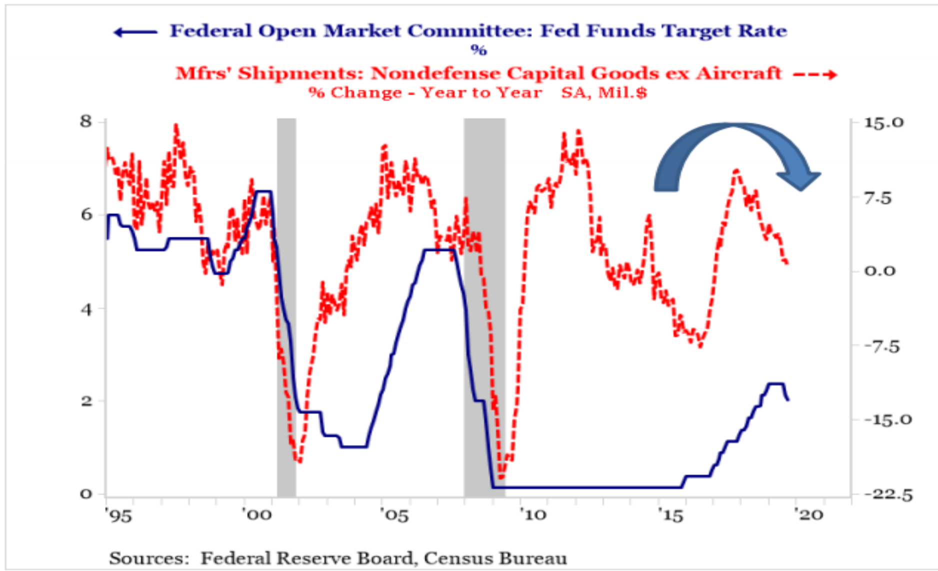
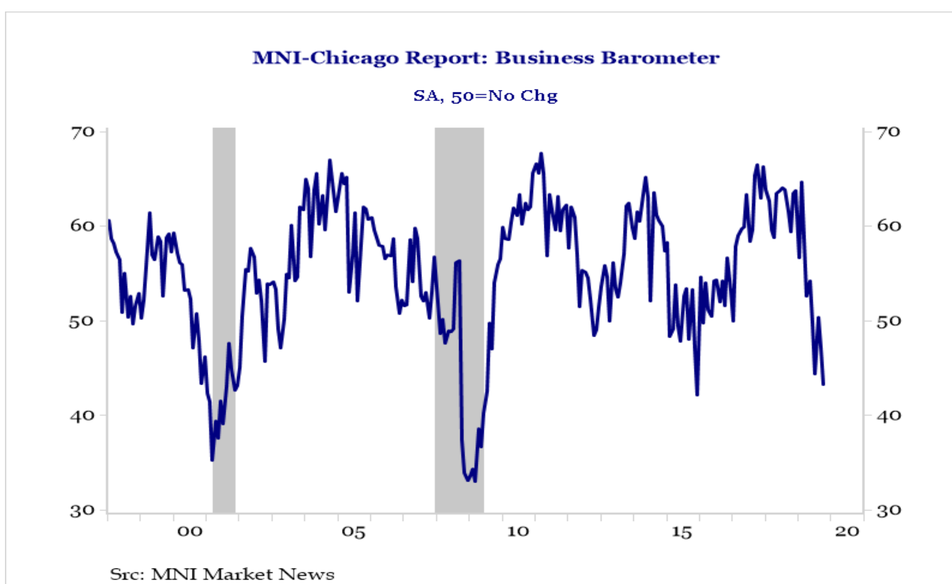
U.S Economy Still Weakening But Policymakers Are Active

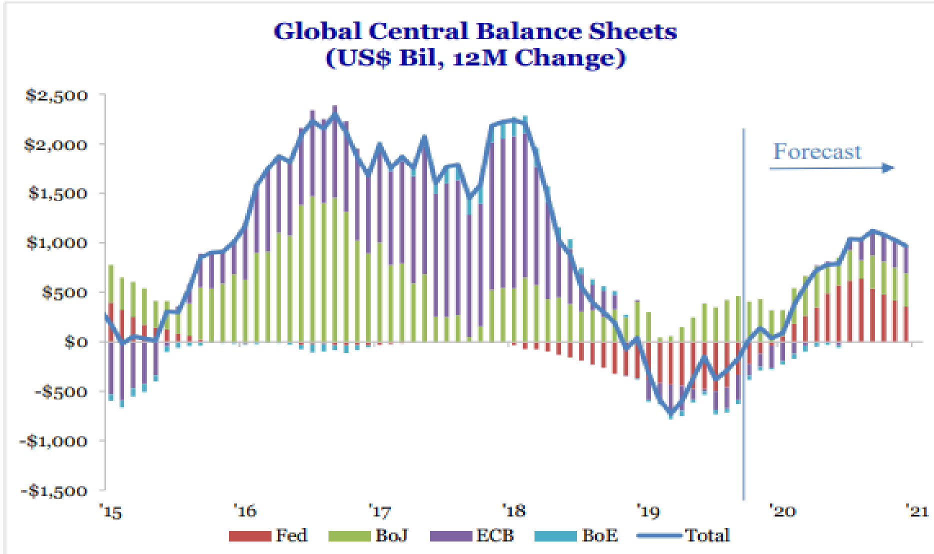
- There is lots of additional evidence of an economic slowdown in the U.S. For example, manufacturing shipments of non-defense capital goods ex aircraft is decelerating.



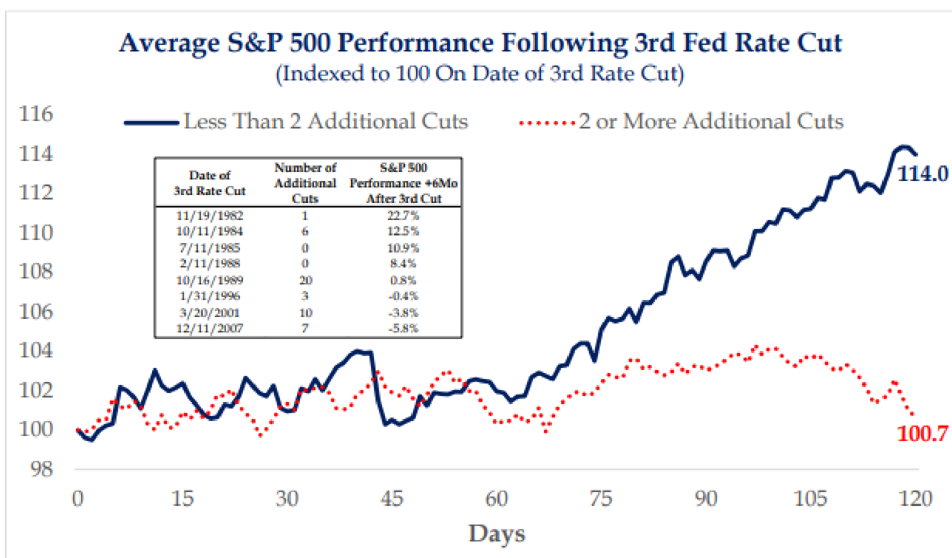
- The MNI Chicago business barometer this past week showed a sharp decline.



- Policymakers are trying to come to the rescue and expanding balance sheets.



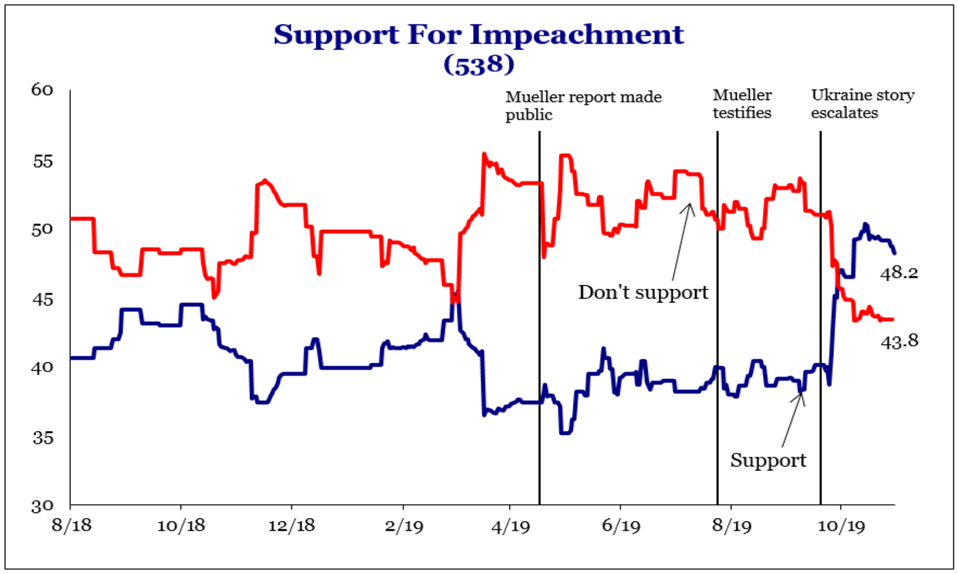
- The Federal Reserve cut interest rates for the third time this year. If this truly is a "midcycle adjustment," history indicates equities should rally roughly +14%, further supporting consumers and warding off a recession.



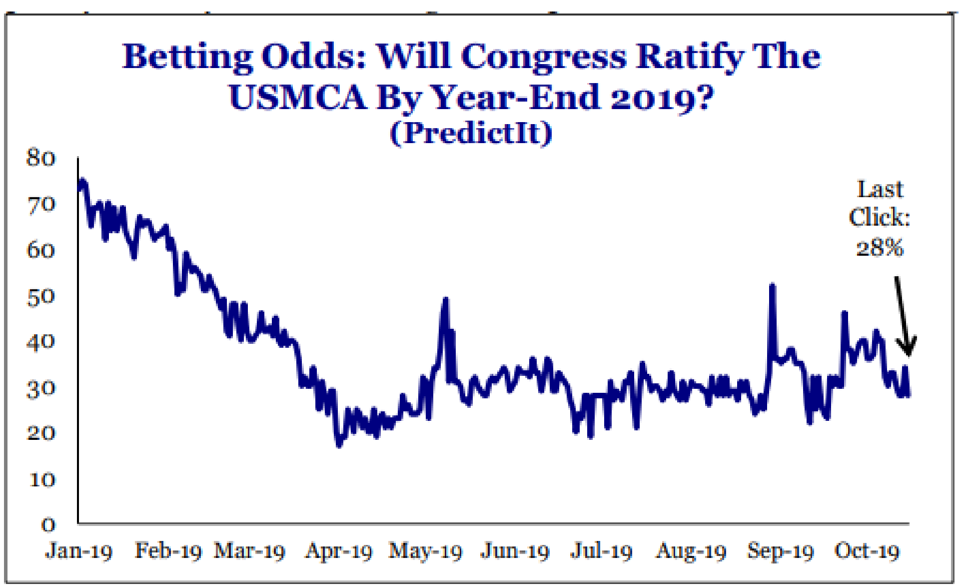
Date of 3rd Rate Cut	Number of Additional Cuts	S&P 500 Performance +6Mo After 3rd Cut
11/19/1982	1	22.7%
10/11/1984	6	12.5%
7/11/1985	0	10.9%
2/11/1988	0	8.4%
10/16/1989	20	0.8%
1/31/1996	3	-0.4%
3/20/2001	10	-3.8%
12/11/2007	7	-5.8%

House Vote Shows Long Odds the Senate Removes Trump From Office; NAFTA Close to Being Finalized

- All Democrats, except for two members, voted for the inquiry, and no Republicans voted for the inquiry. This suggests it is a long shot the senate removes Trump from office unless new information surfaces. It is also worth noting that support for impeachment is falling.



- We believe the negotiations are no longer about "if" a deal will be reached, but "when." Labor enforcement remains a vital issue. The fact that the US does not have a budget currently means that there is no budget vehicle to increase funding to Mexico for labor enforcement.

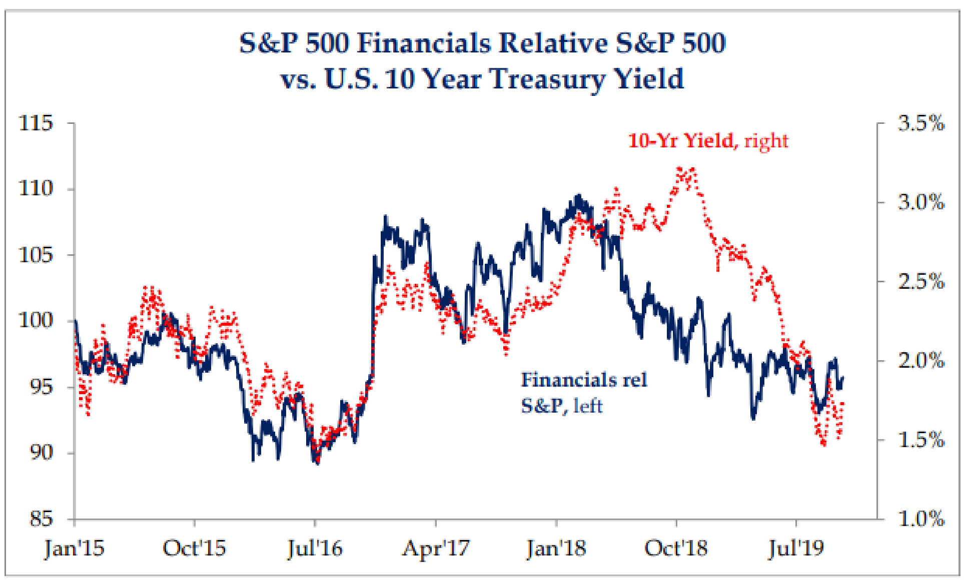


The List of Items to More Fully Embrace Risk-On Is Getting Checked Off

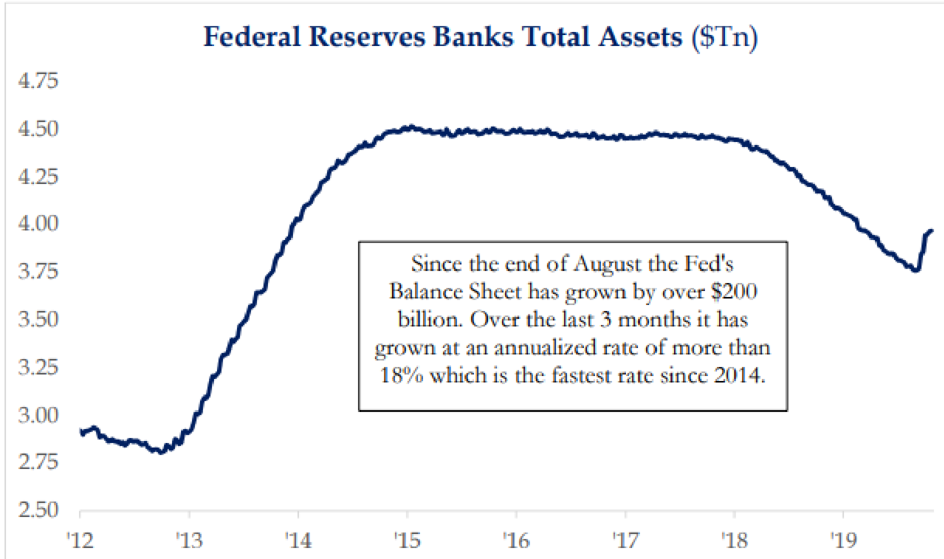
- This week we published a list of nine items that we need to see to embrace more risk-on:

  1. A détente in US/China trade relations
  2. A pick-up in the economic data surprises
  3. Strategas RAG (risk appetite gauge) > +2
  4. FOMC speeches indicating no further need to ease
  5. Evidence the CLO sell-off is contained
  6. U.S. weekly jobless claims staying low
  7. A bottom in Germany's PMI
  8. Oil prices > $50.
  9. A stabilization in China's producer prices

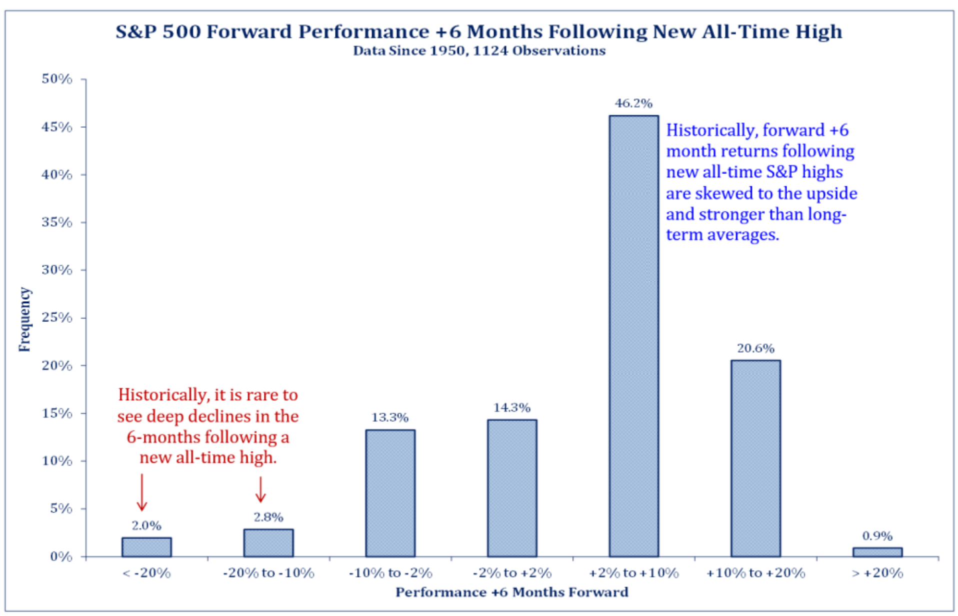
- The recent back up in global long-term bond yields, signs that global central bank balance sheets are once again growing, and the steepening, albeit modest, of the U.S. yield curve, are enough for us to at least make a step in the direction by overweighting Financials and dropping Consumer Staples to market weight.



- Call it QE or call it a technical adjustment; it may be a distinction without a difference and is bullish regardless for risk assets.



- New highs for the S&P are generally not a time to worry over the next six months. In the past, the market has declined greater than -2%, only 18% of the time, and has been skewed to the upside with returns higher than 2% more than 67% of the time.



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