



In this week's *Highlights*, Ryan Grabinski sees signs that global growth is bottoming as we get a policy response from the Fed and discusses how the third rate cut is a pivotal point in the Fed's rate cutting cycle.

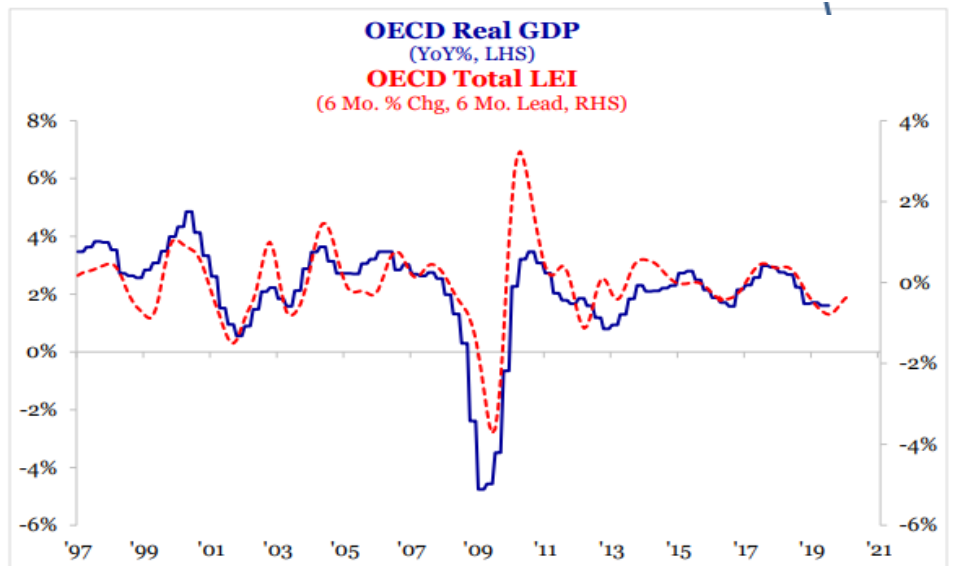


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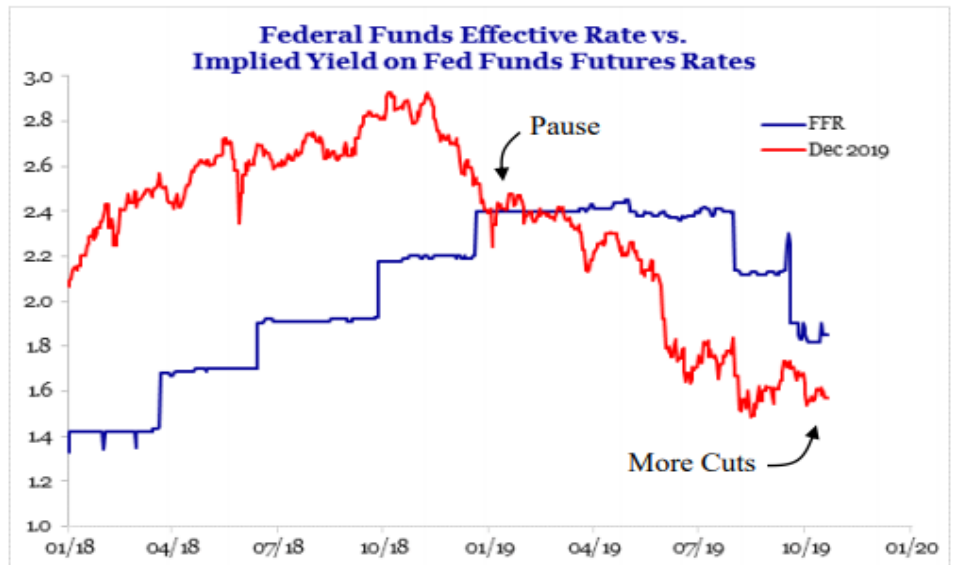
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U.S. Economy Slowing Now. Global Economy Already Slow. Perhaps Bottoming?

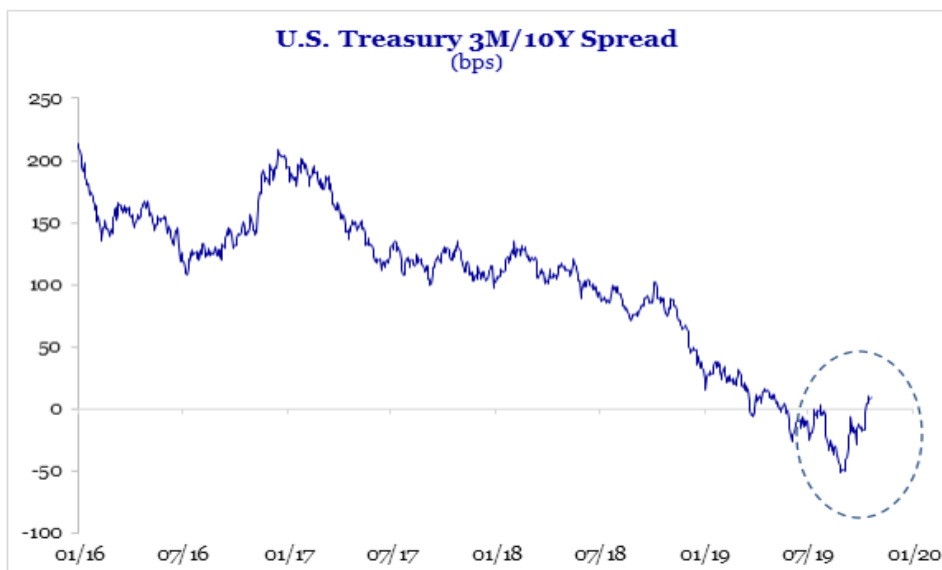
- Leading economic indicators suggest global growth may be bottoming.



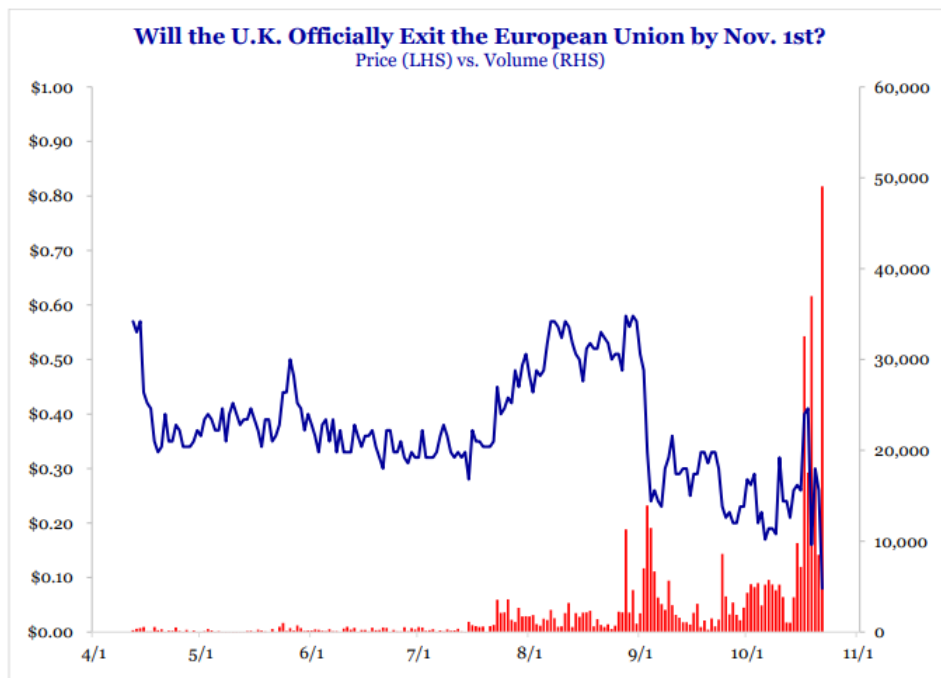
- In addition, we are getting a policy response.



- The U.S. 3 month/10-year yield curve has un-inverted for now.

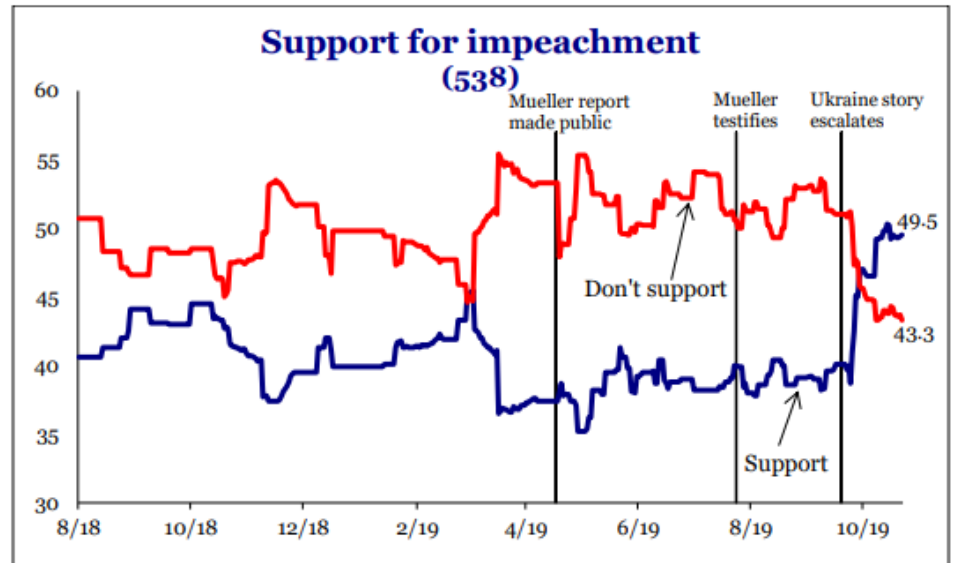


- Brexit still unlikely on October 31st.

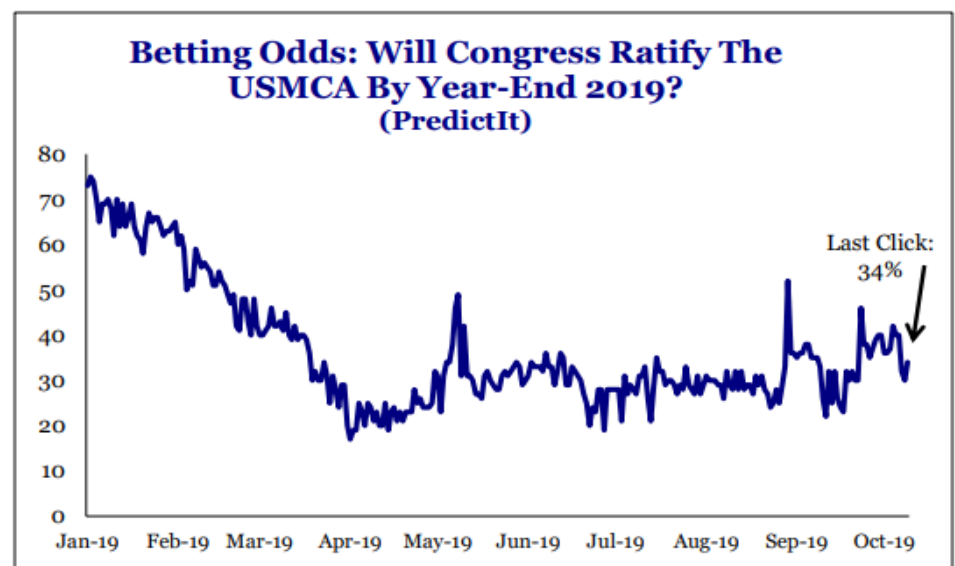


Impeachment Timeline Moving Past Thanksgiving; NAFTA Hiccups In the Final Round of Negotiations

- Speaker Pelosi wanted to move quickly to strike while the issue was hot, but now the risk is that the process drags on over a longer period and gets too close to the election. More importantly, the timing of House action matters for the Senate because holding a trial in January takes key Democrats off the presidential primary campaign trail ahead of IA and NH.

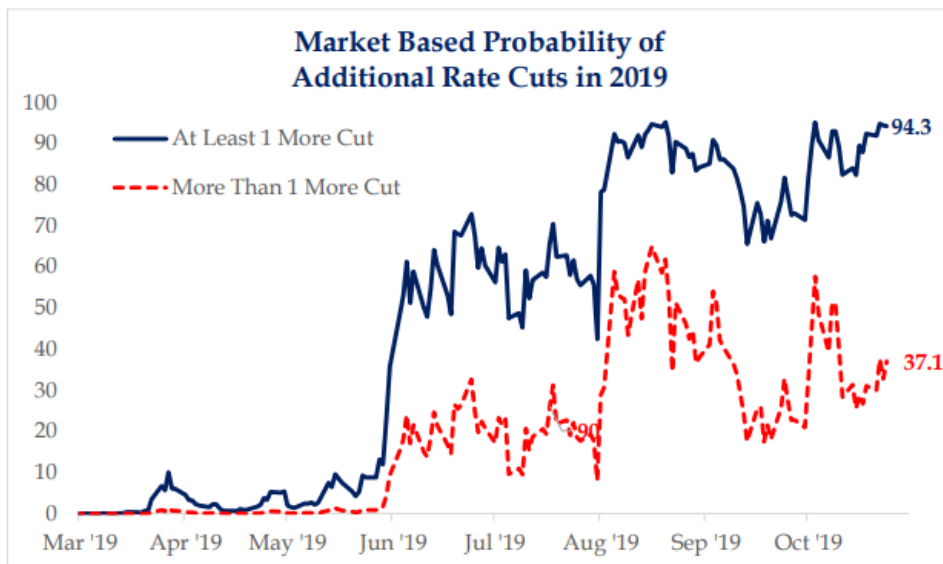


- Key Republican Senators and the President remarked on the timing of the negotiations this week, a sign of problems developing in the late stages. Labor unions have not come on board yet and a pharma compromise is needed as well.

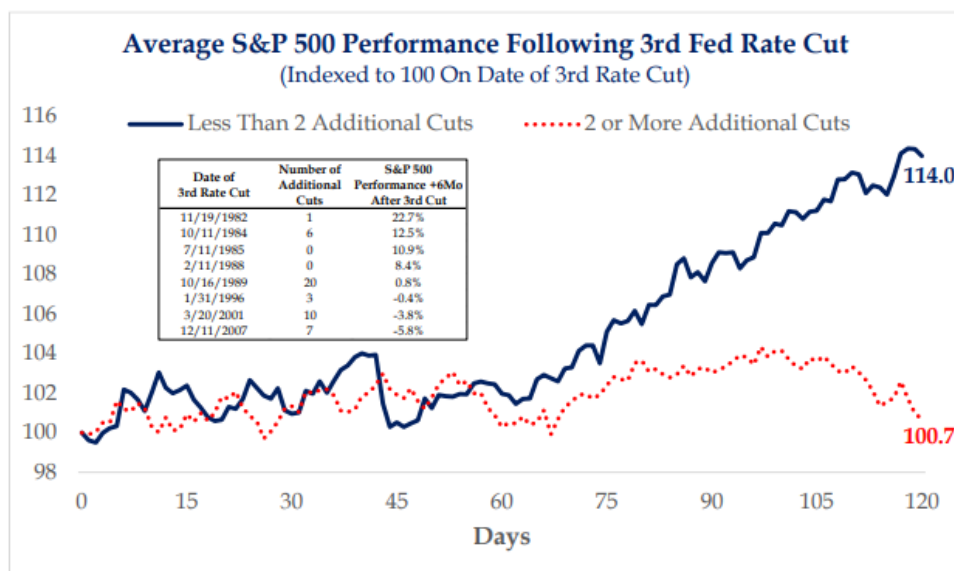


At A Pivotal Point In the Fed Rate Cutting Cycle; The 3rd Rate Cut Is Make Or Break For Equities

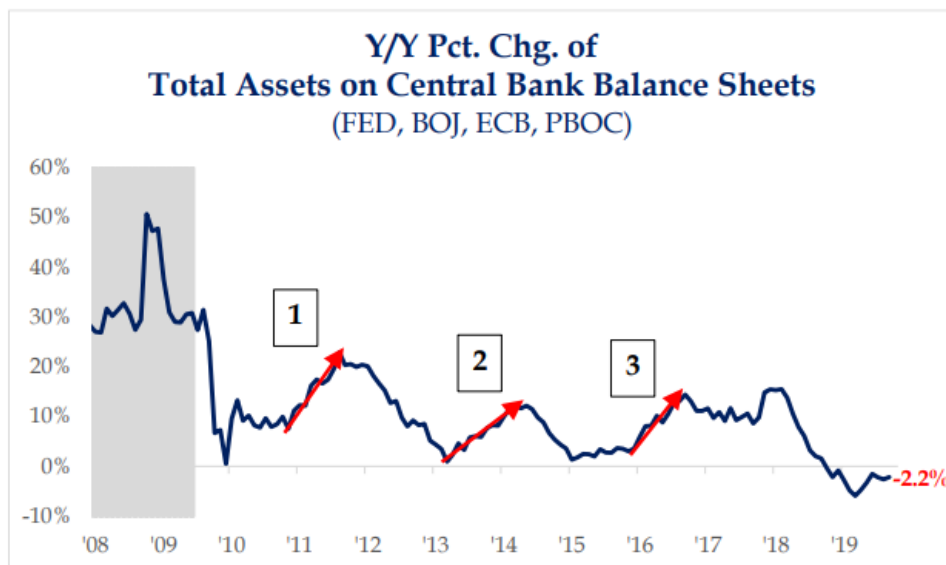
- As it stands today, there is a 94% probability the Fed will cut rates at least once and a not insignificant chance they cut twice before year-end.



- If this is truly a “mid-cycle” adjustment, the stock market should take off (+14% on avg.) within the next couple of months, otherwise, a recession or the end of the cycle becomes more likely.



- Regardless of whether you want to call it QE or not, it's evident that central bank balance sheets around the world are going to be growing again in the near future. The ECB announced it will restart its asset purchase program at a monthly pace of €20B starting November 1st while the Fed has announced plans to purchase \$60 billion in Treasury bills per month shortly to shore up market liquidity concerns.



- Signs are emerging globally that cyclical shares could take the lead. Below we list 10:

- 1) Semiconductors at absolute and relative highs.
- 2) 52-week relative high for Industrials sector (equal-weight).
- 3) Global shipping stocks starting to bottom, now positive in trend model.
- 4) Housing / Building / Construction stocks remain leadership.
- 5) Bank stocks acting better, with JPMorgan taking the lead.
- 6) German DAX at 52-week high.
- 7) Consumer Discretionary outperforming Consumer Staples in Europe.
- 8) Auto stocks are bottoming in both Europe and Japan.
- 9) Trucking stocks starting to outperform.
- 10) Industrial Metals starting to bottom out & Japanese Yen weakening.

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