



# Weekly Snapshots

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September 1, 2023

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**denotes Position Change**

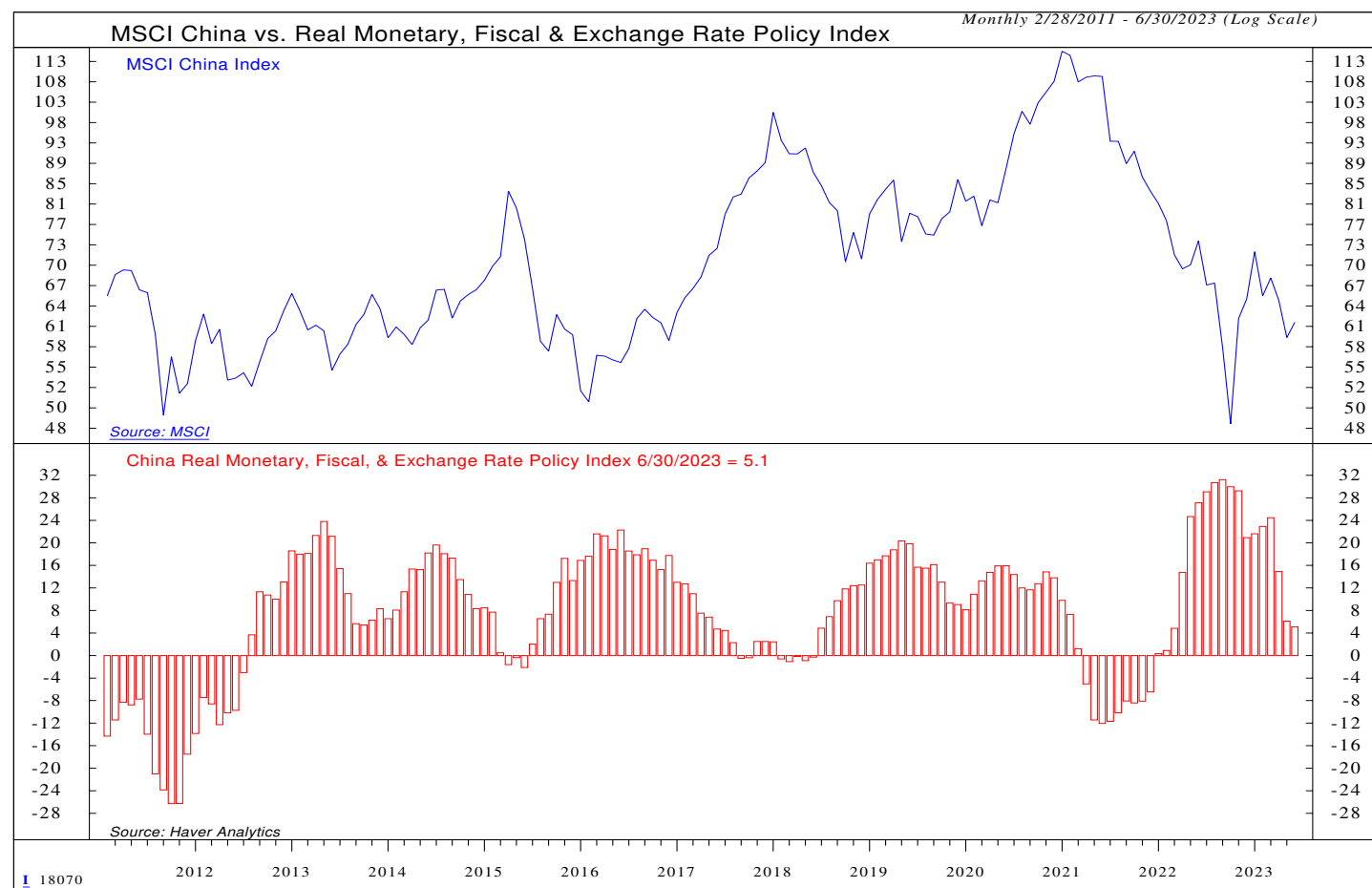


## G7 and BIC Outlook — Diverging trends

### Key Takeaways

- Since our last quarterly update, the economic picture has diverged among the world's largest economies.
- The outlooks for China and Eurozone have worsened, while the U.S. is now seeing signs of a soft landing. Growth trends remain positive in Japan and India.
- Most economies see downside risks, as sticky core price pressures argue against central bank cuts in the near-term.

### China is keeping monetary and fiscal stimulus limited



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TIM HAYES, CMT, CHIEF GLOBAL INVESTMENT STRATEGIST

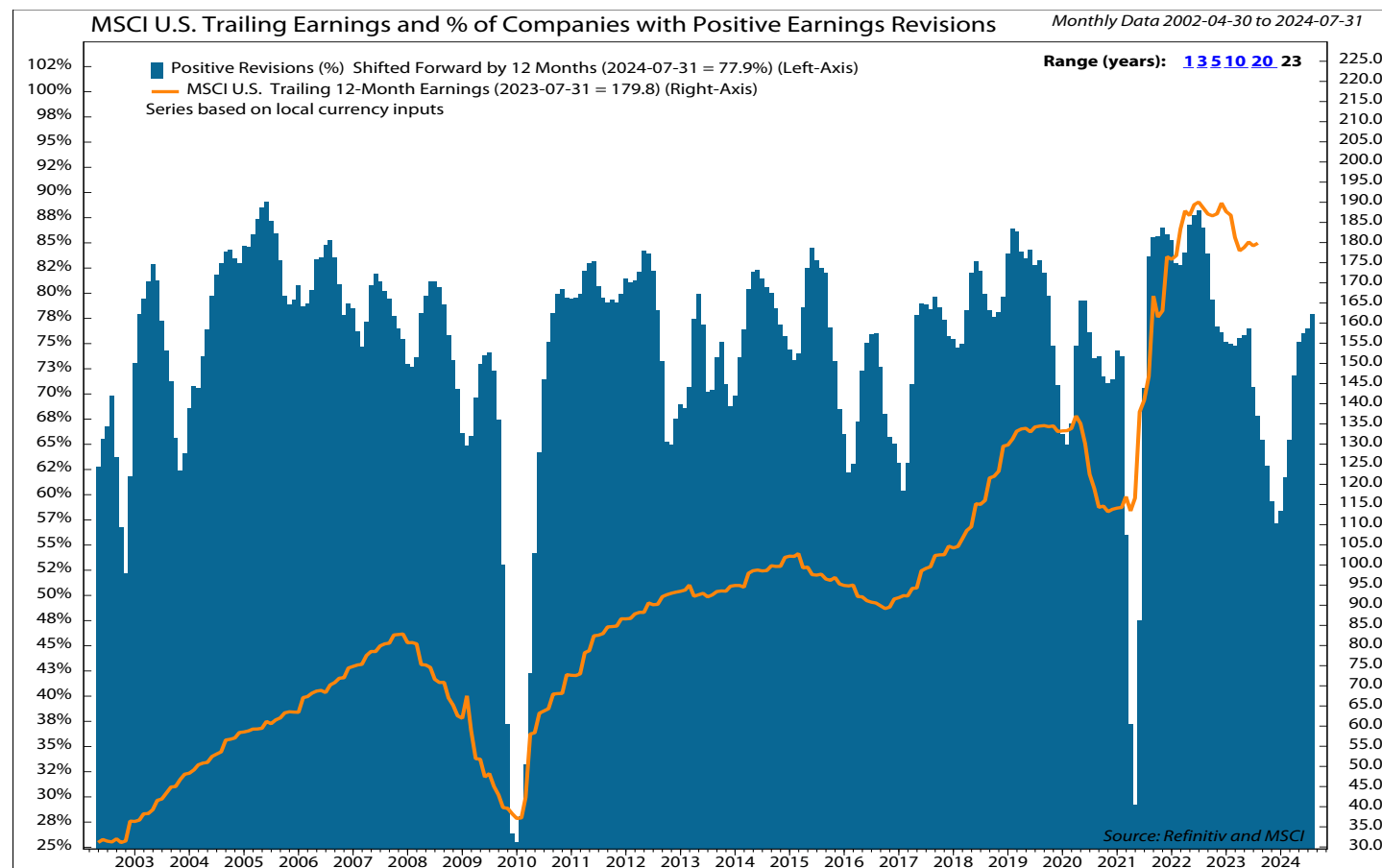
AUGUST 31, 2023

## A bullish earnings influence

### Key Takeaways

- The current phase of the earnings cycle is a bullish influence on global stocks.
- Regional index earnings are set to be the most favorable for the U.S., followed by Japan, Emerging Markets, and Canada.
- Consumer Discretionary and Information Technology stand out among global equity sectors.

### U.S. has the highest rate of earnings upgrades



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JOSEPH F. KALISH, CHIEF GLOBAL MACRO STRATEGIST

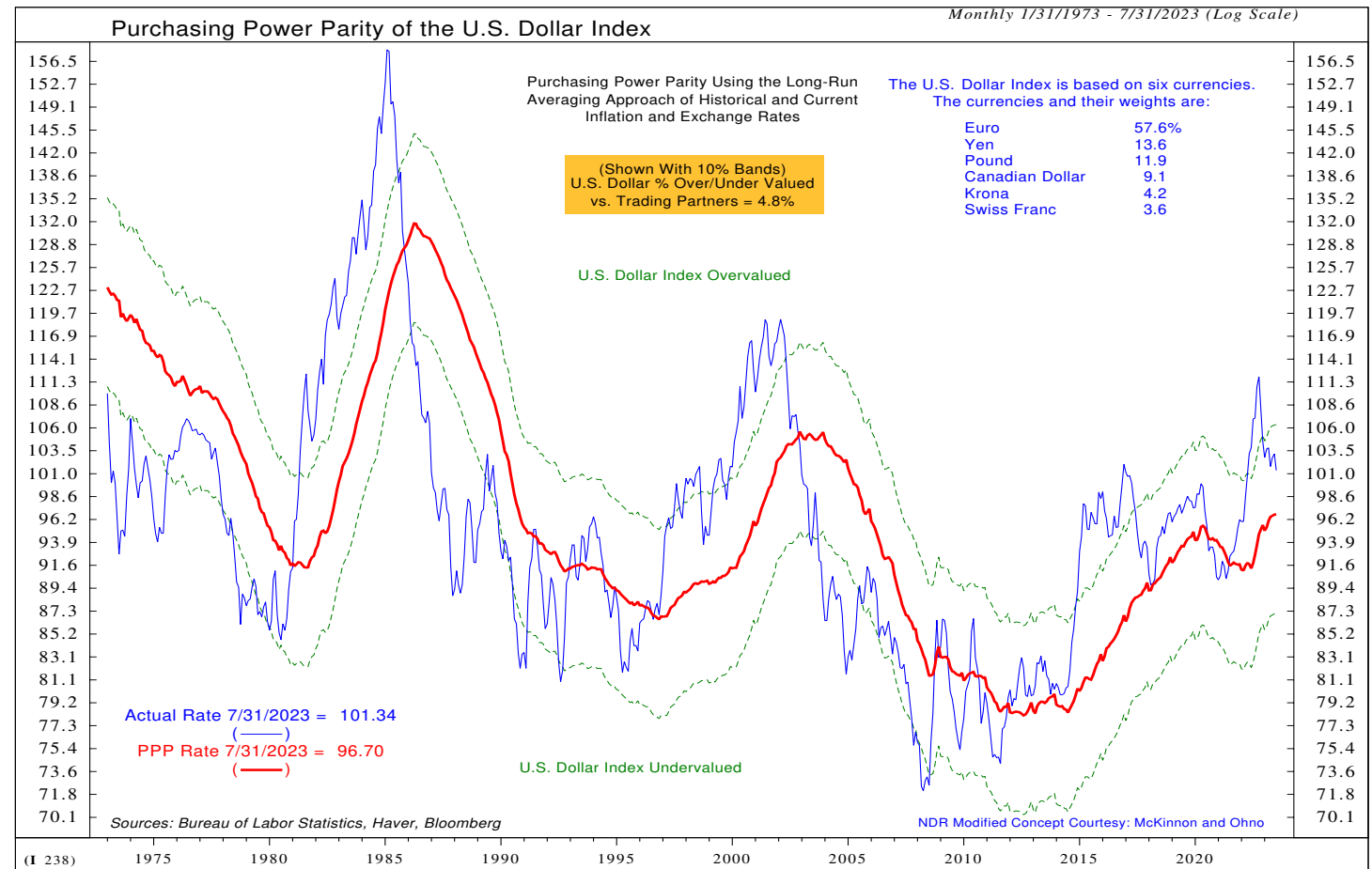
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## Our biggest macro trade

### Key Takeaways

- A weaker U.S. dollar (USD) is our biggest macro trade over the next 3-5 years. Continued overvaluation and bullish sentiment makes this an attractive entry point.
- Cracks in the labor market and narrowing rate differentials should weigh on the USD, along with political polarization and waning foreign demand for U.S. Treasuries.
- Beneficiaries include gold, commodities, foreign bonds, and foreign stocks.

### U.S. Dollar Index retreating from overvalued territory



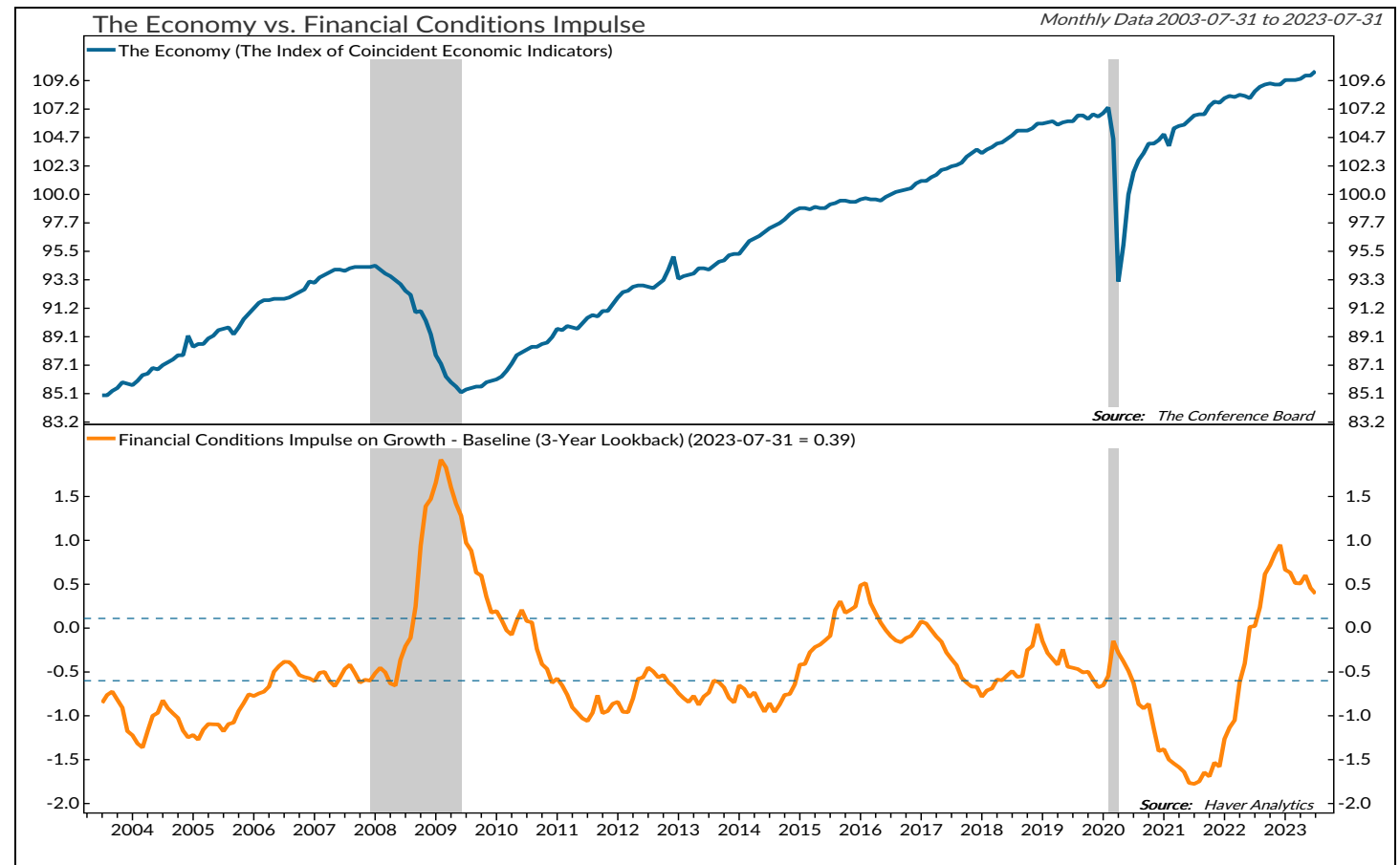
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## Some key points on the economy from Powell's speech

### Key Takeaways

- The economy's resilience has been surprising, but past tightening should slow down growth in the coming year.
- A steeper Phillips curve (the inverse relationship between inflation and unemployment) may help bring down inflation without a big hit on employment.
- A soft landing is more likely, but Fed policy will remain restrictive. Rising real fed funds rate is a headwind to equities.

### Tighter financial conditions are a drag on the economy



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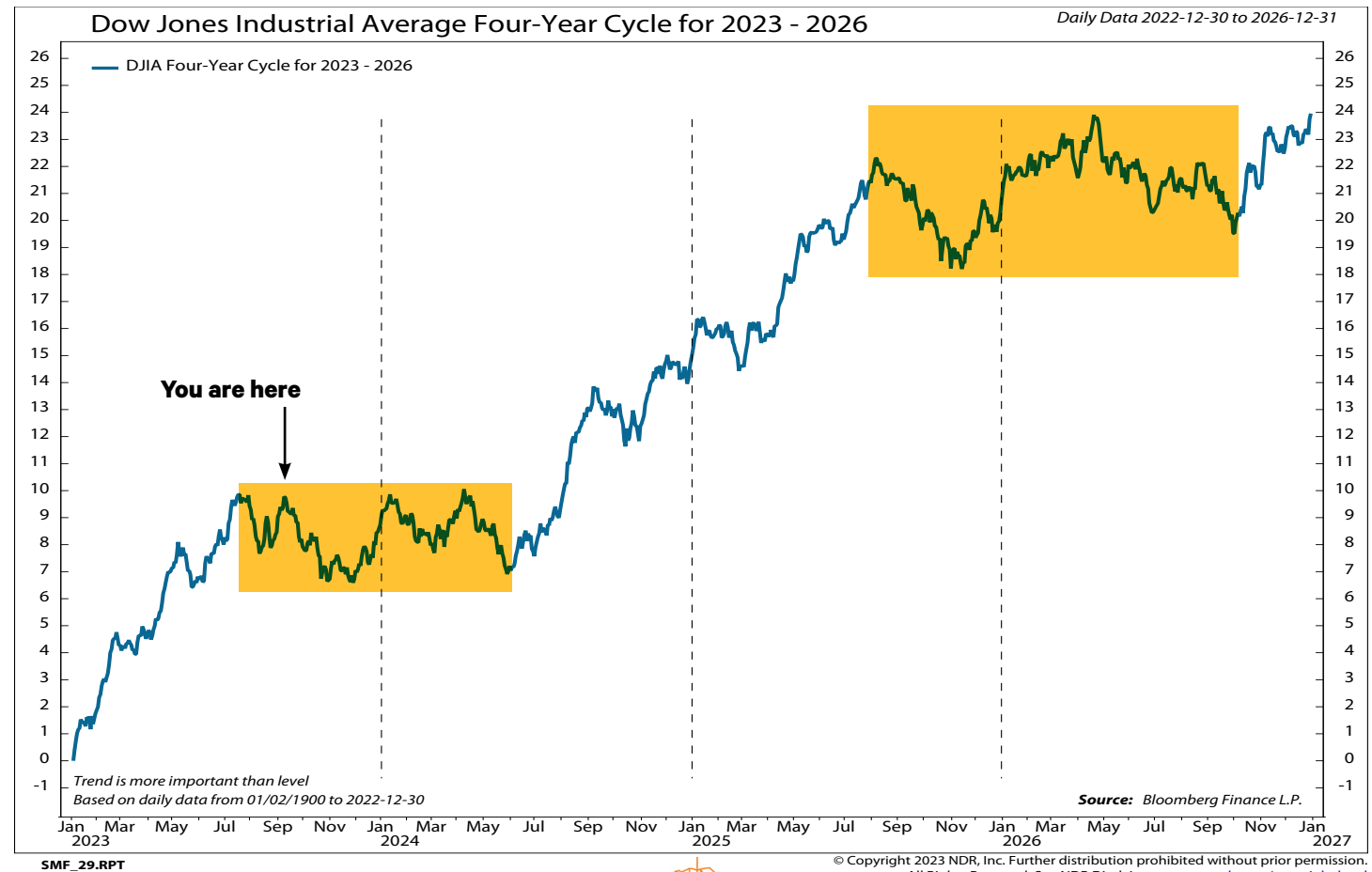


## Entering second-weakest phase of presidential cycle

### Key Takeaways

- The second half of pre-election years into the first half of election years, is the second-weakest part of the four-year presidential cycle.
- Weakness also has generally been less severe under first-term presidents.
- Election-year rallies often begin after political uncertainty dissipates.

### Leaving one of the best phases of the 4-year cycle



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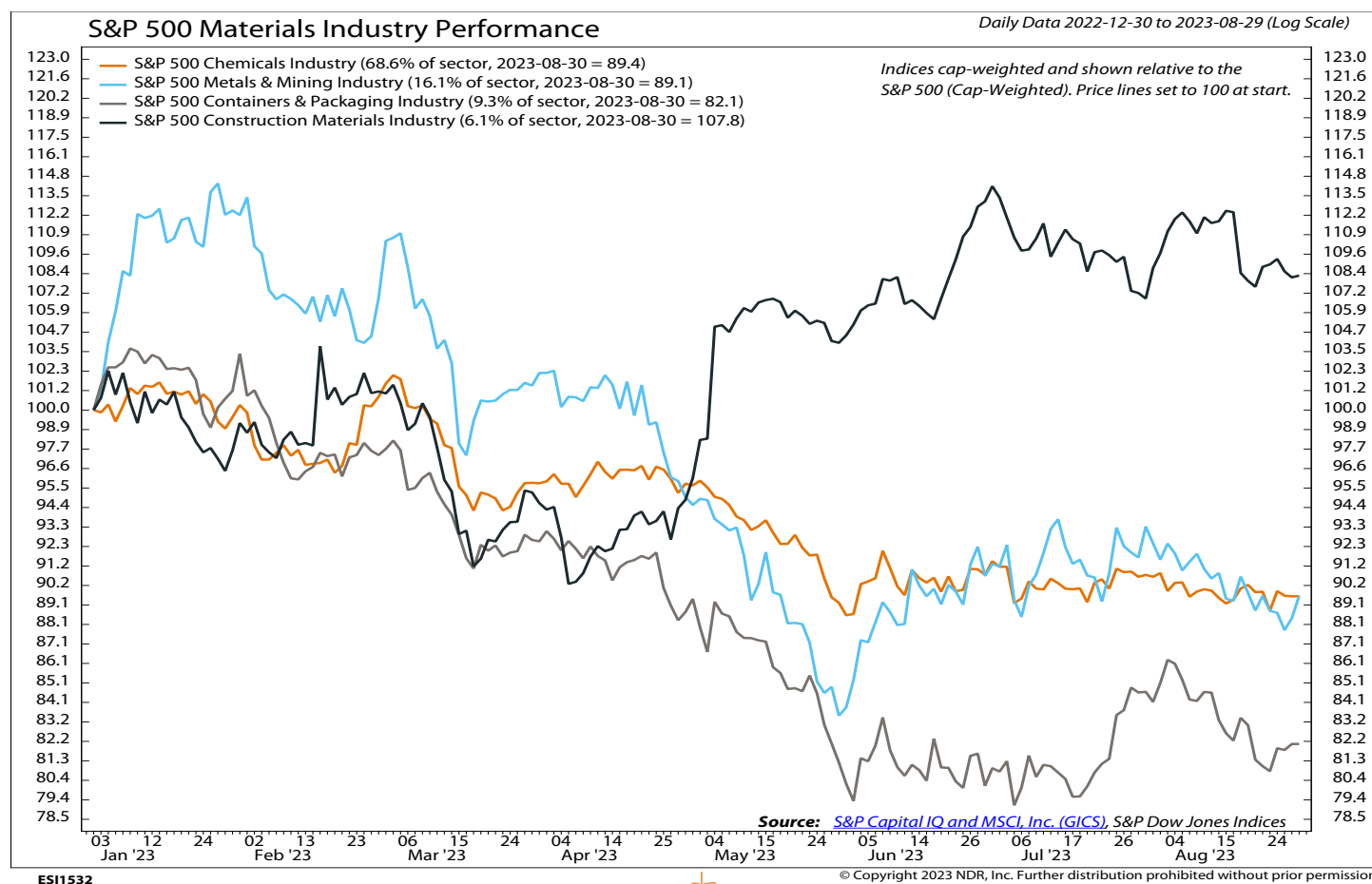


## Examining the link between emerging markets and Materials

### Key Takeaways

- Unlike Energy, Materials hasn't really benefitted from the summer commodity rally.
- Energy's relative performance has delinked from Chinese stocks, while Materials' correlation is at a decade high.
- All four of Materials' commodity-related sector model indicators are bearish.

### Materials' industries weak in 1H, market performers in 2H





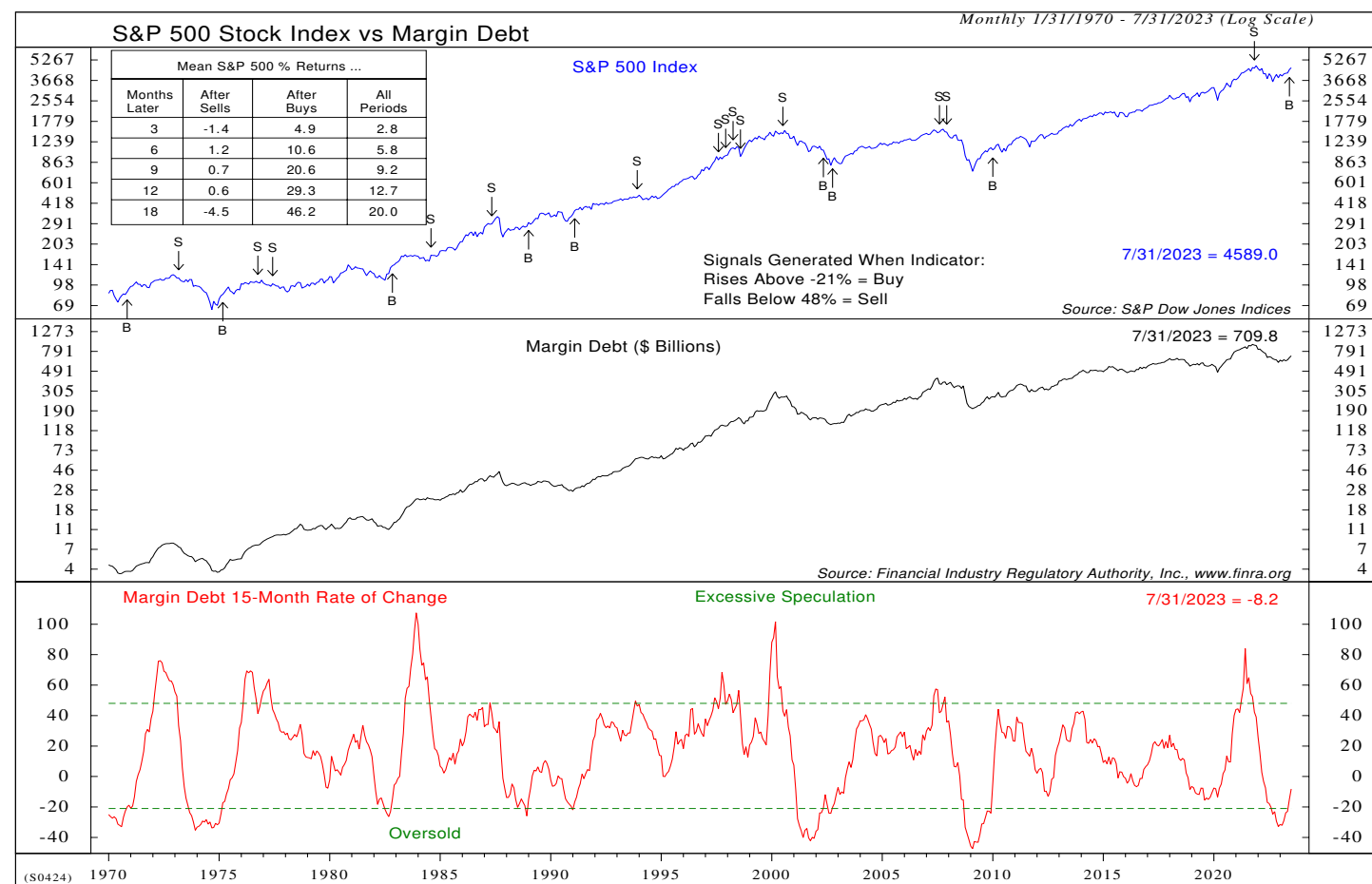


# Margin debt returns, and other supply/demand observations

## Key Takeaways

- Margin debt has risen from oversold levels, thus triggering a new buy signal for the stock market.
- Household cash and relative money market assets are low versus long-term averages.
- Foreign investors and corporations have been good sources of demand in 2023.

## Margin debt rising from oversold levels



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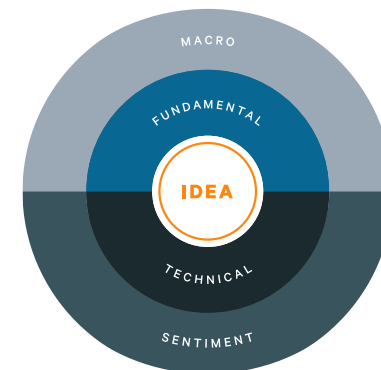


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