



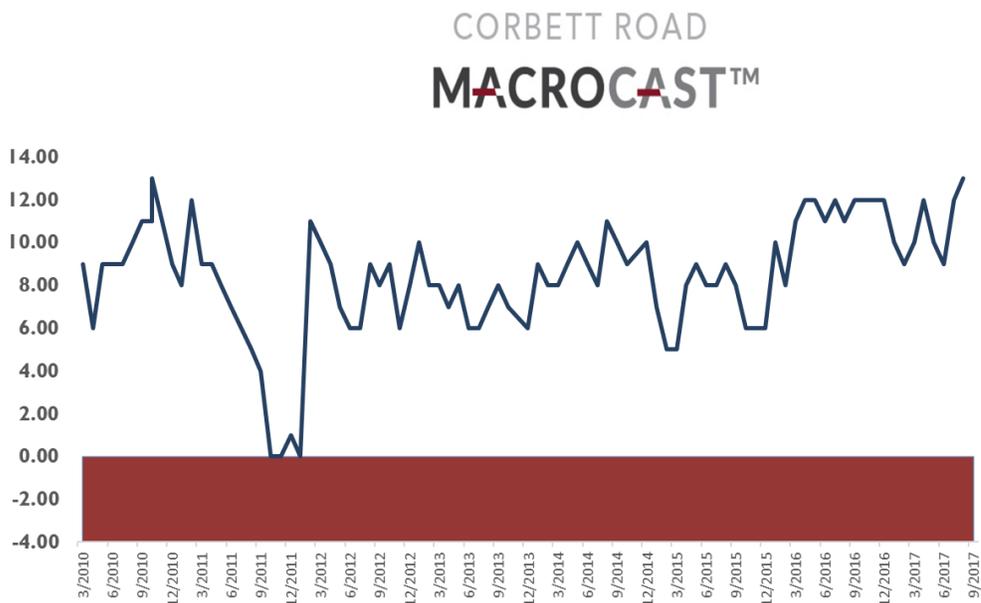
## CHARTING THE COURSE 2017

### SUMMARY

- In this issue, we “Chart the Course” by looking at key charts regarding the US economy, inflation and market performance. We find that the data in many of the following charts is consistent with what we see in MACROCAST™. We hope you enjoy these, and will publish our next traditional Macro Musings at the end of September.

### CHARTING THE COURSE: MACROCAST™

**MACROCAST™ remains firm.** The latest reading was strong at +13. According to the model, there is a low probability of recession and/or a major bear market.



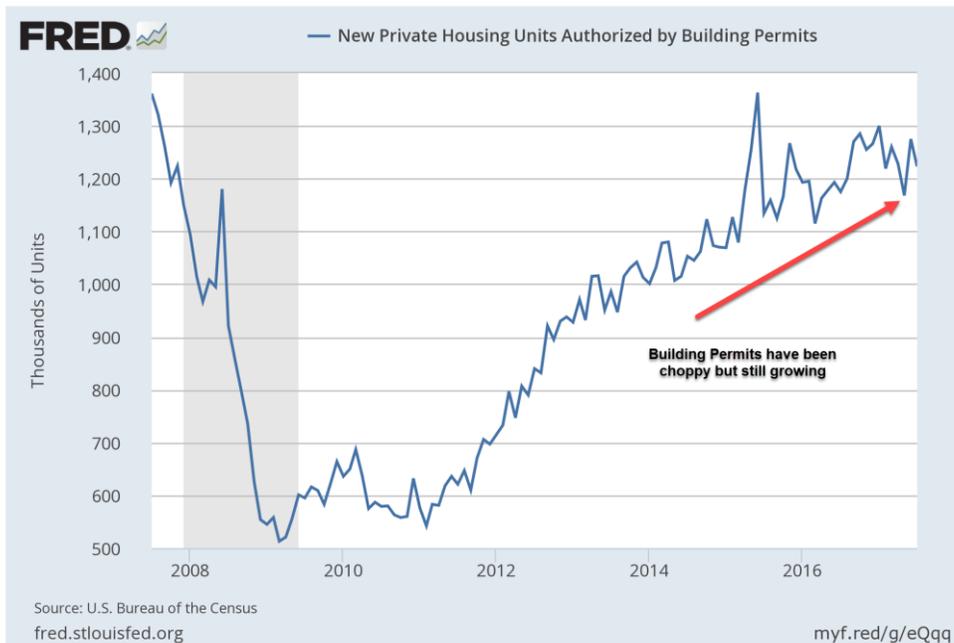
### CHARTING THE COURSE: THE ECONOMY



**Retail Sales remain robust.** There is no sign of economic slowdown from Retail Sales, which often stalls ahead of a recession.

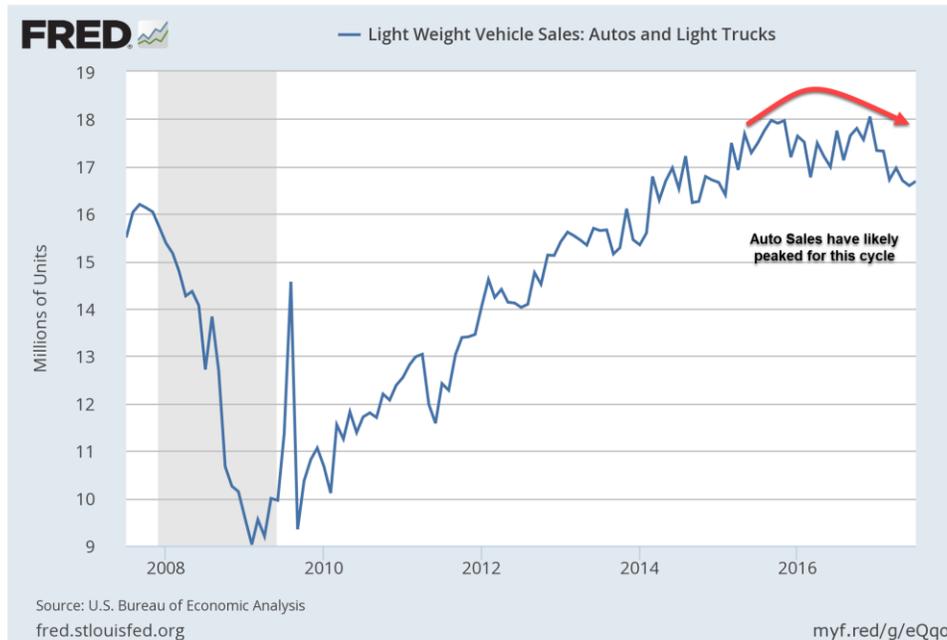


**The future of housing looks good.** Building Permits are volatile but the trend remains up.



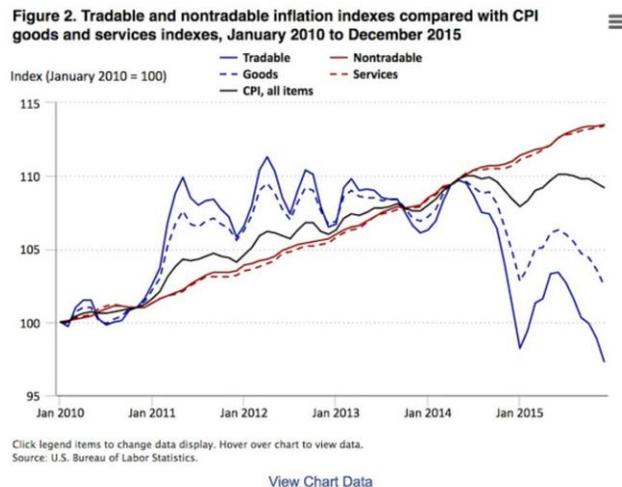


**Vehicle Sales are rolling over.** With an economy as large and complex as the United States, not every aspect will be performing well. Auto sales remain high, but have likely peaked for this business cycle.



## CHARTING THE COURSE. INFLATION

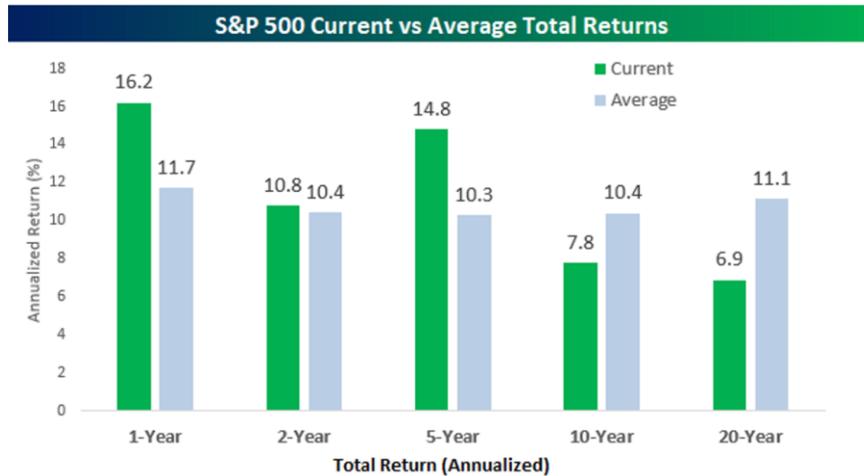
**Inflation varies significantly depending on whether or not an item is tradeable.** A recent study from the U.S Bureau of Labor Statistics shows that inflation from tradeable goods (like oil) has collapsed, while non-tradeable items (like childcare) are more stable and continue to rise.



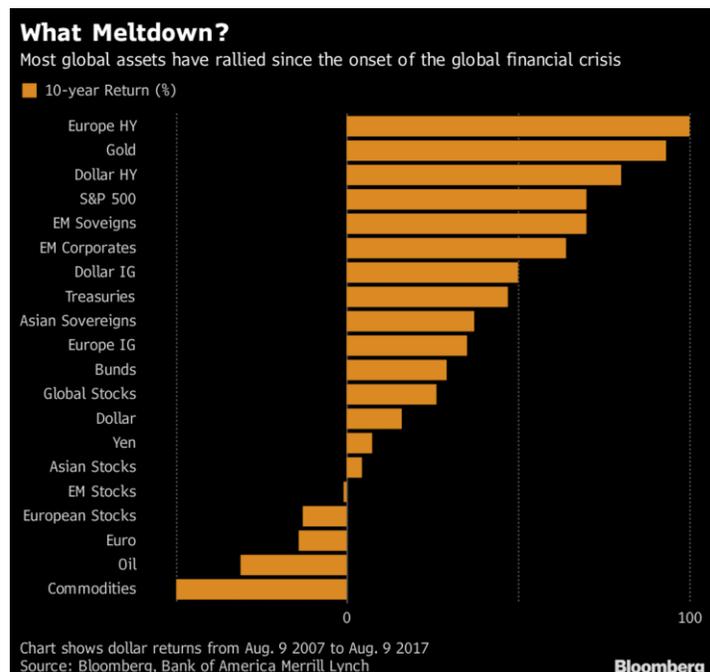


## CHARTING THE COURSE: MARKET & ASSET CLASS PERFORMANCE

*The market's performance is lagging on a long-term basis.* The market has performed better than history over the past 5 years, but its performance over 10 and 20 years is nothing to write home about (data from Bespoke Investment Group).



*Most asset classes are way up since the onset of the Global Financial Crisis.* We've come a long way since the unofficial start of the Global Financial Crisis in August of 2007. Most major asset classes are higher, led by European High Yield Bonds, while Commodities have lost the most value.





***Selling after a geopolitical crisis breaks out can hurt.*** Ned Davis Research looked at market performance after various crises and found selling hurt, on average in the long run. (Data from Mark Hulbert)

## Selling into a panic: a bad idea

Average % change in the Dow Jones Industrial Average following major geopolitical crises, 1900 - 2014



Source: Ned Davis Research

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