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2nd Quarter 2017

Global Macro Webcast

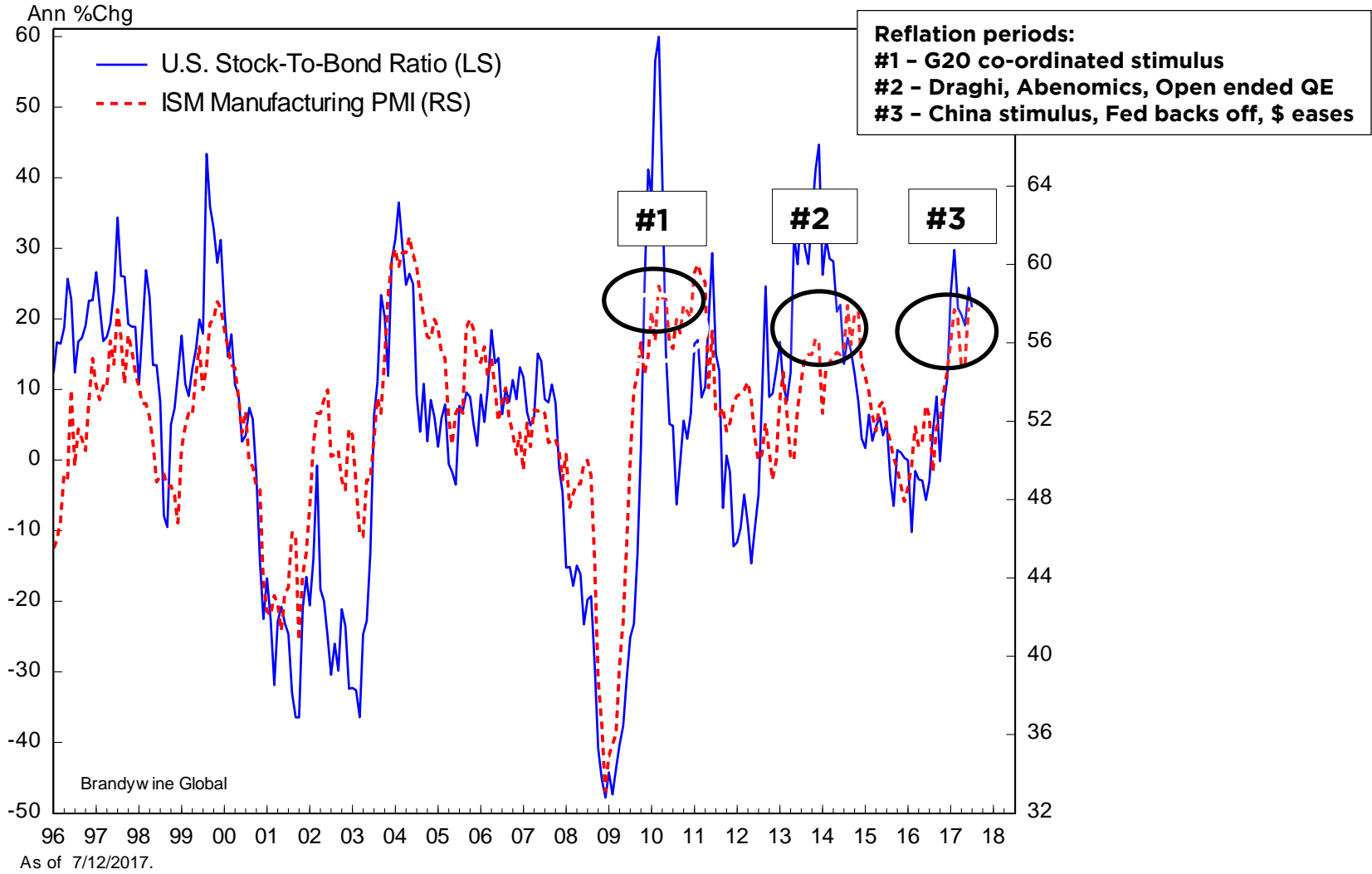
Presented by

Francis A. Scotland

Director of Global Macro Research

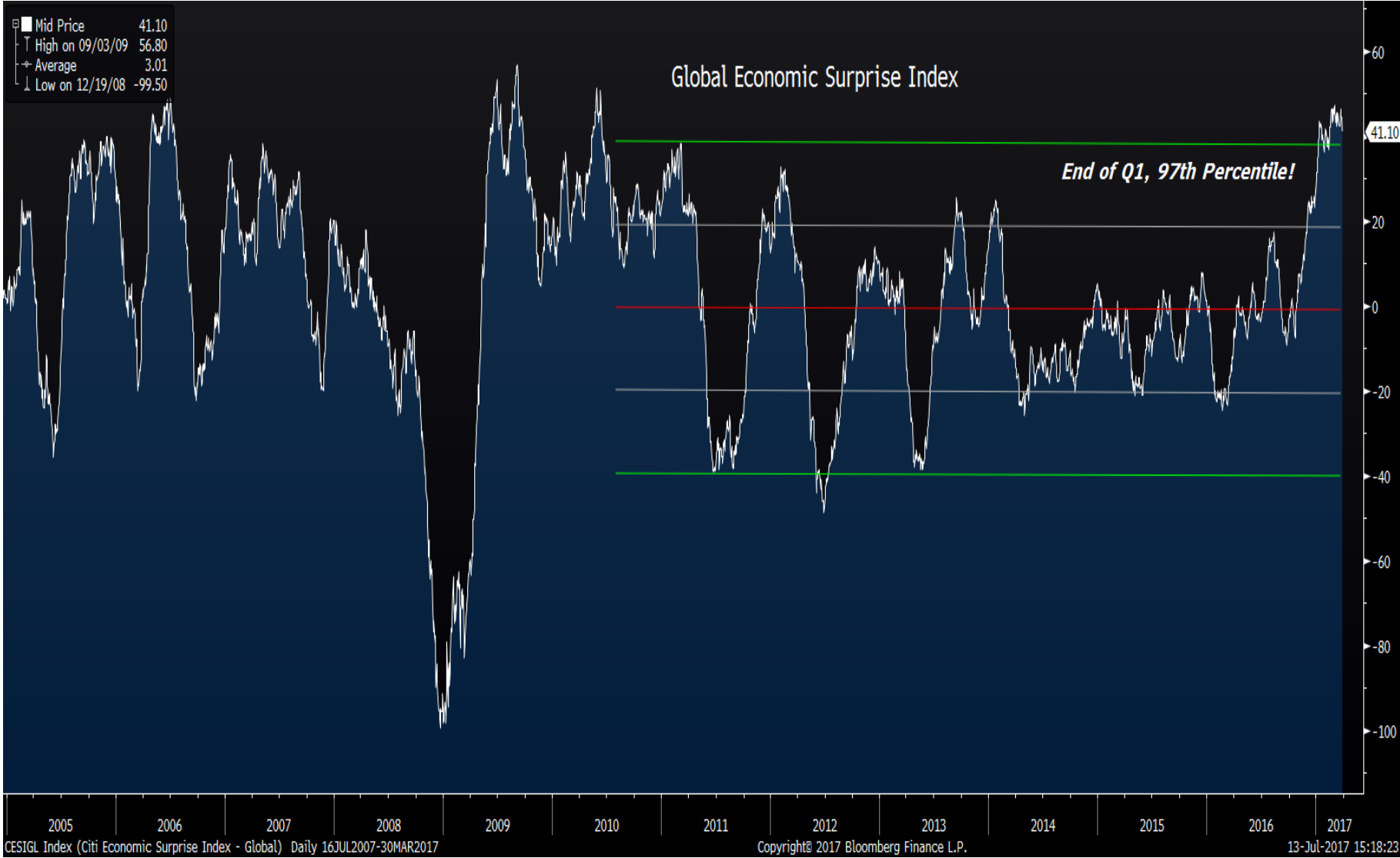
Reflation to Normalization

Third Time Lucky?



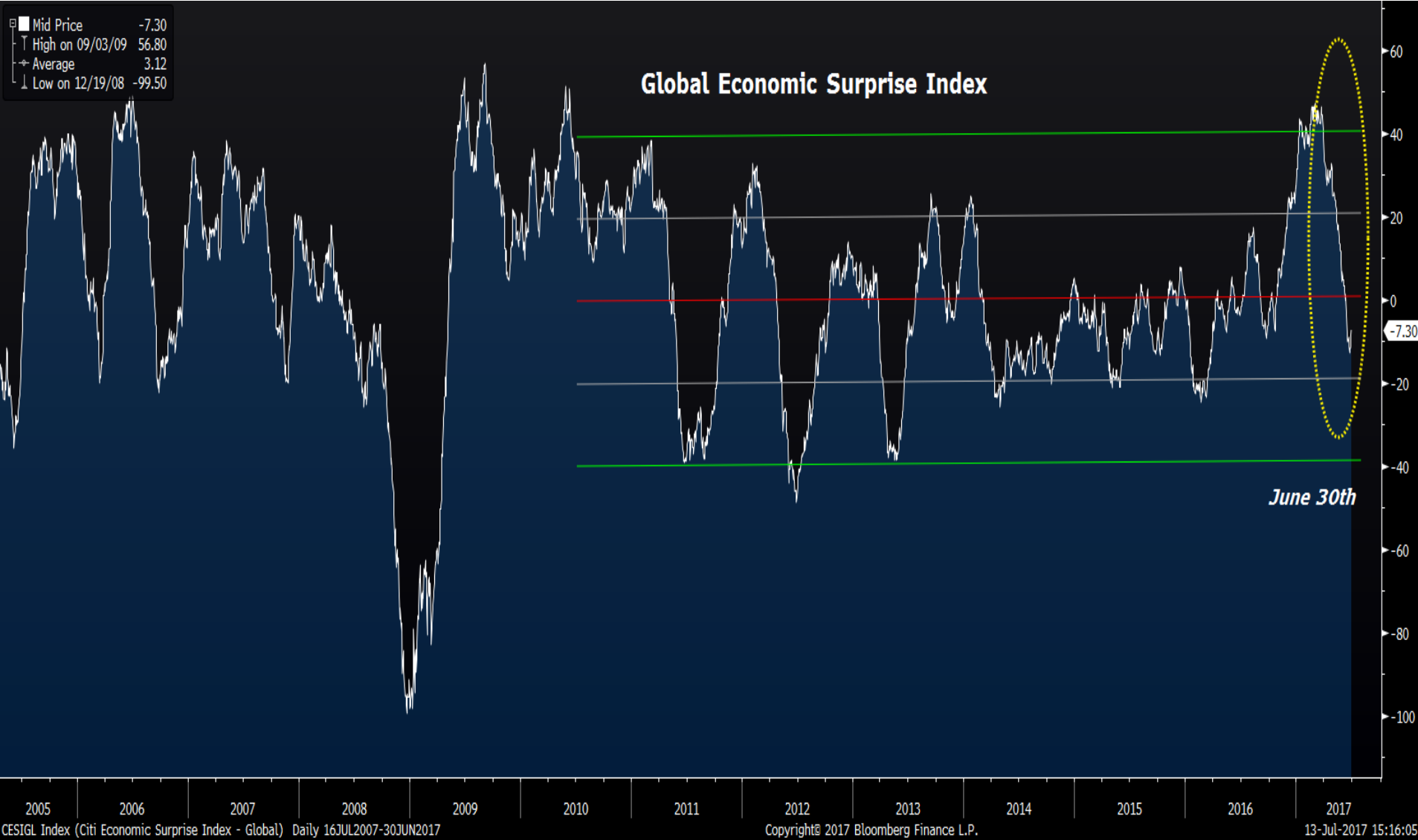
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Q1 Surprise Made Believers in Reflation



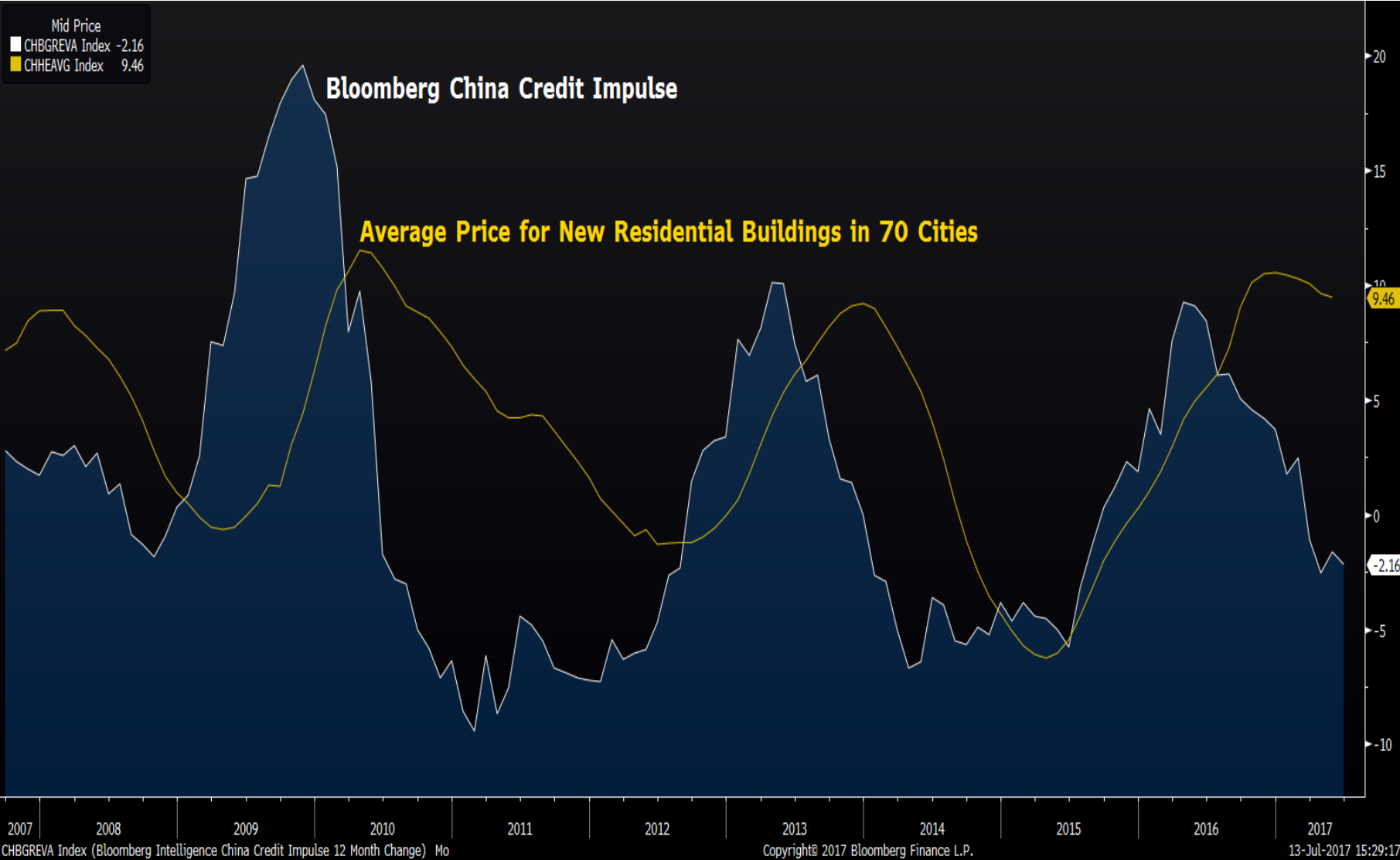
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Doubt Creeps Back During Q2



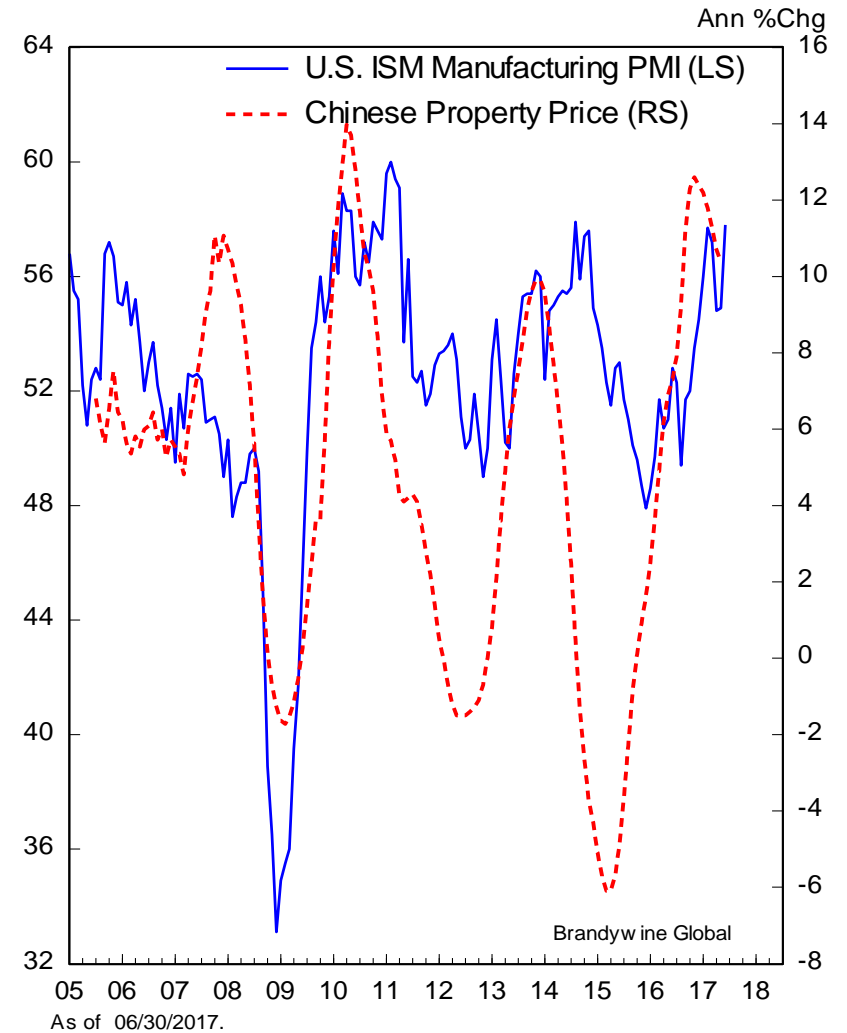
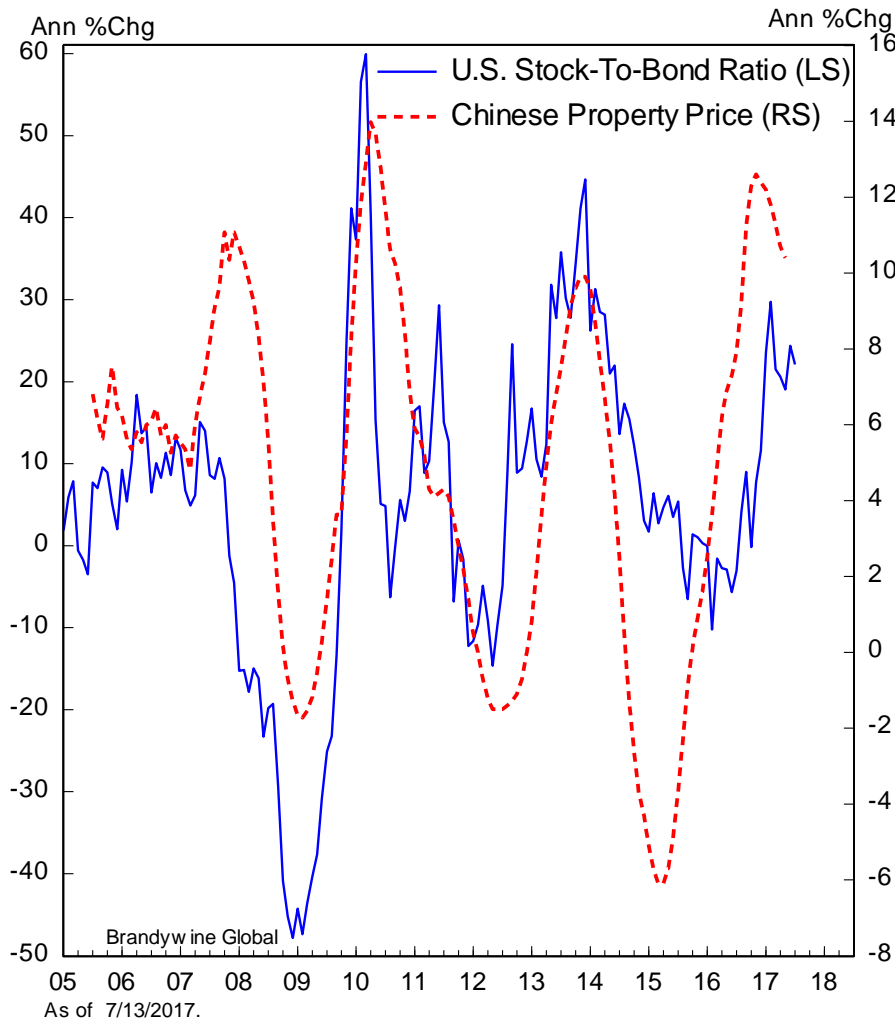
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Slower Chinese Credit Growth Cools out House Price Inflation

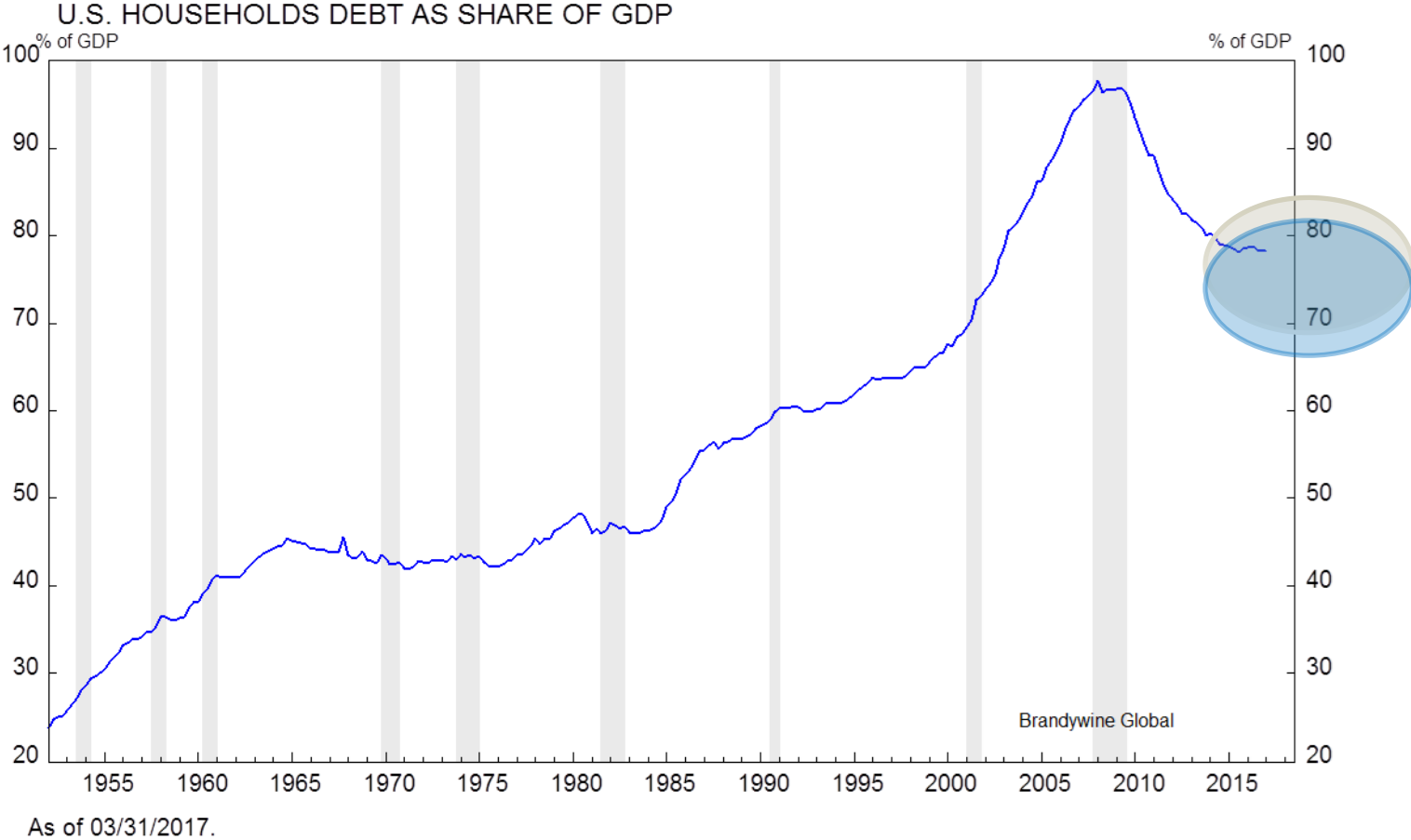


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Will That Mean Another Slump in U.S.?

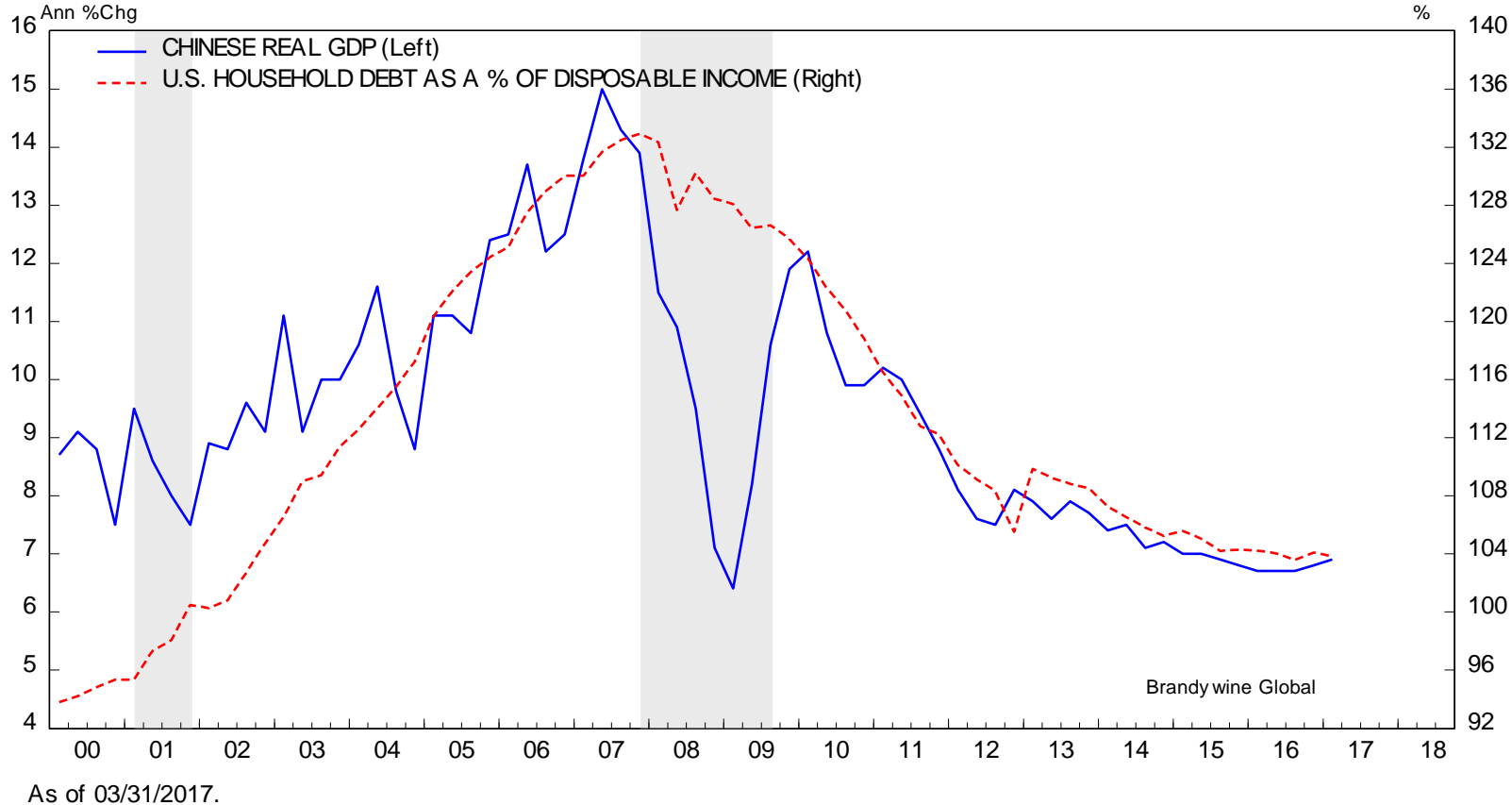


Our Story---"Stirrings of an end to Financial Repression"



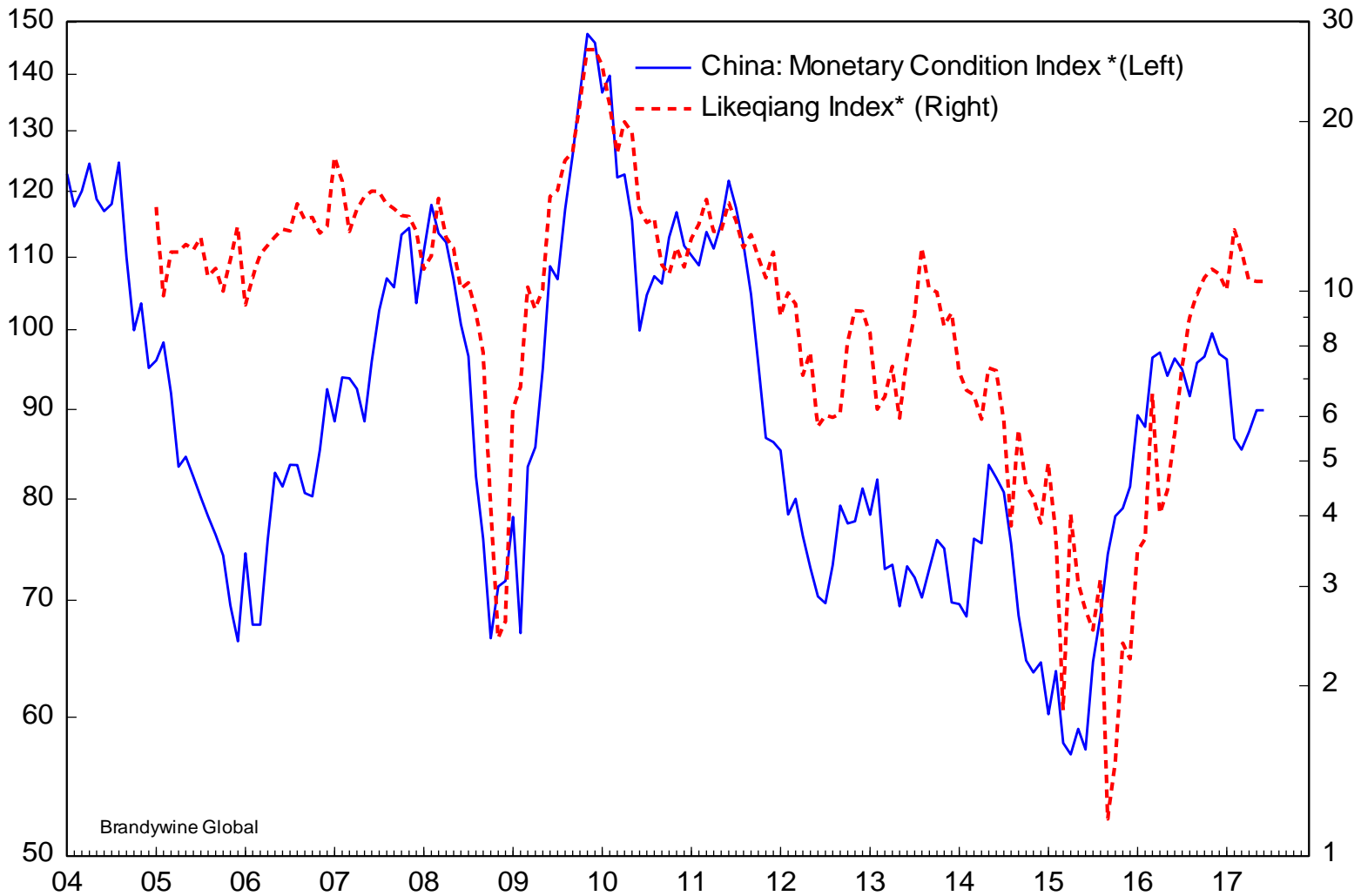
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American Households' Favorite Factory Outlet: China, Also Stabilizing



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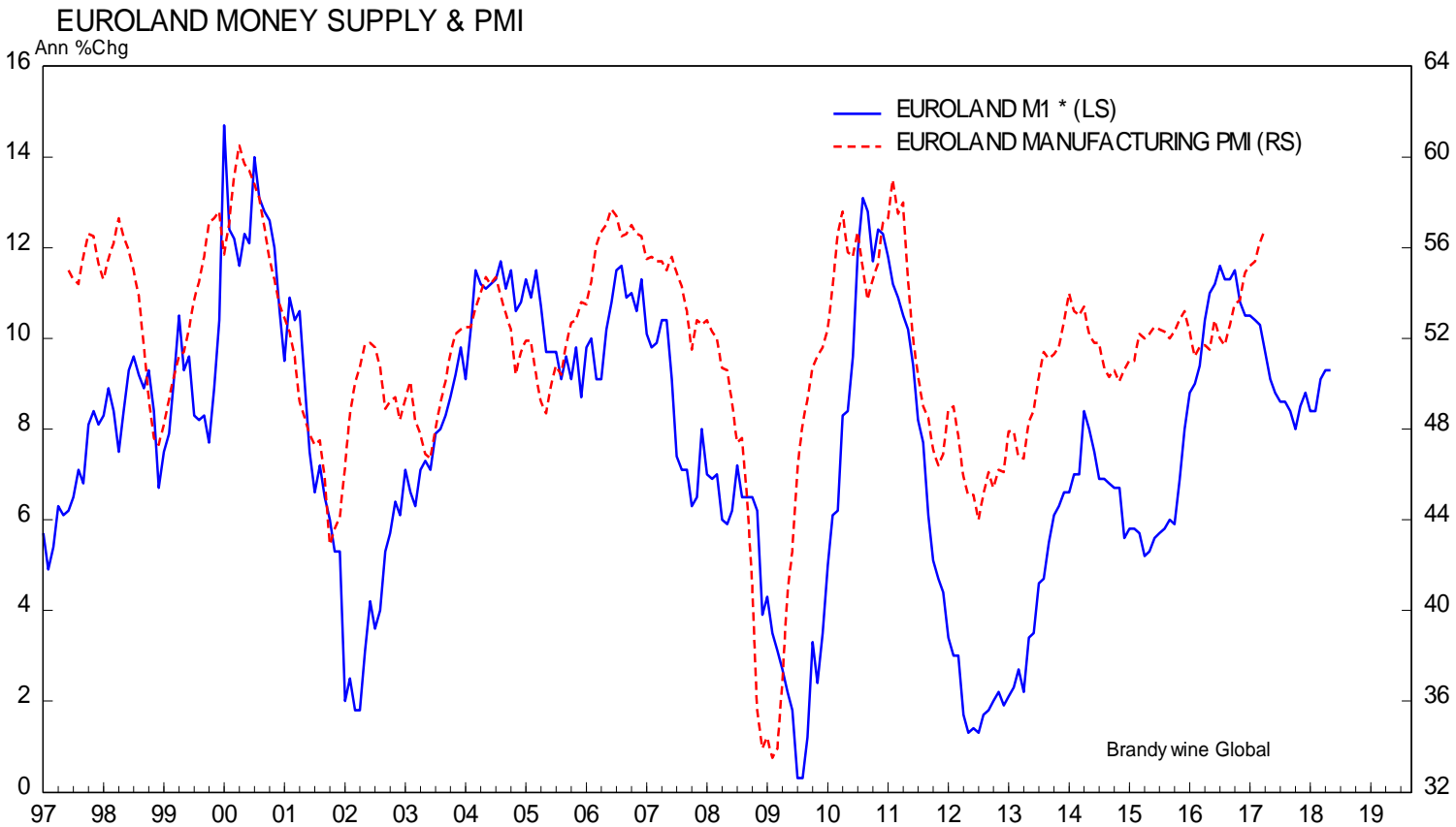
Monetary Conditions in China Still Support Profits and Economic Growth



*Source: Bloomberg
As of 06/30/2017.

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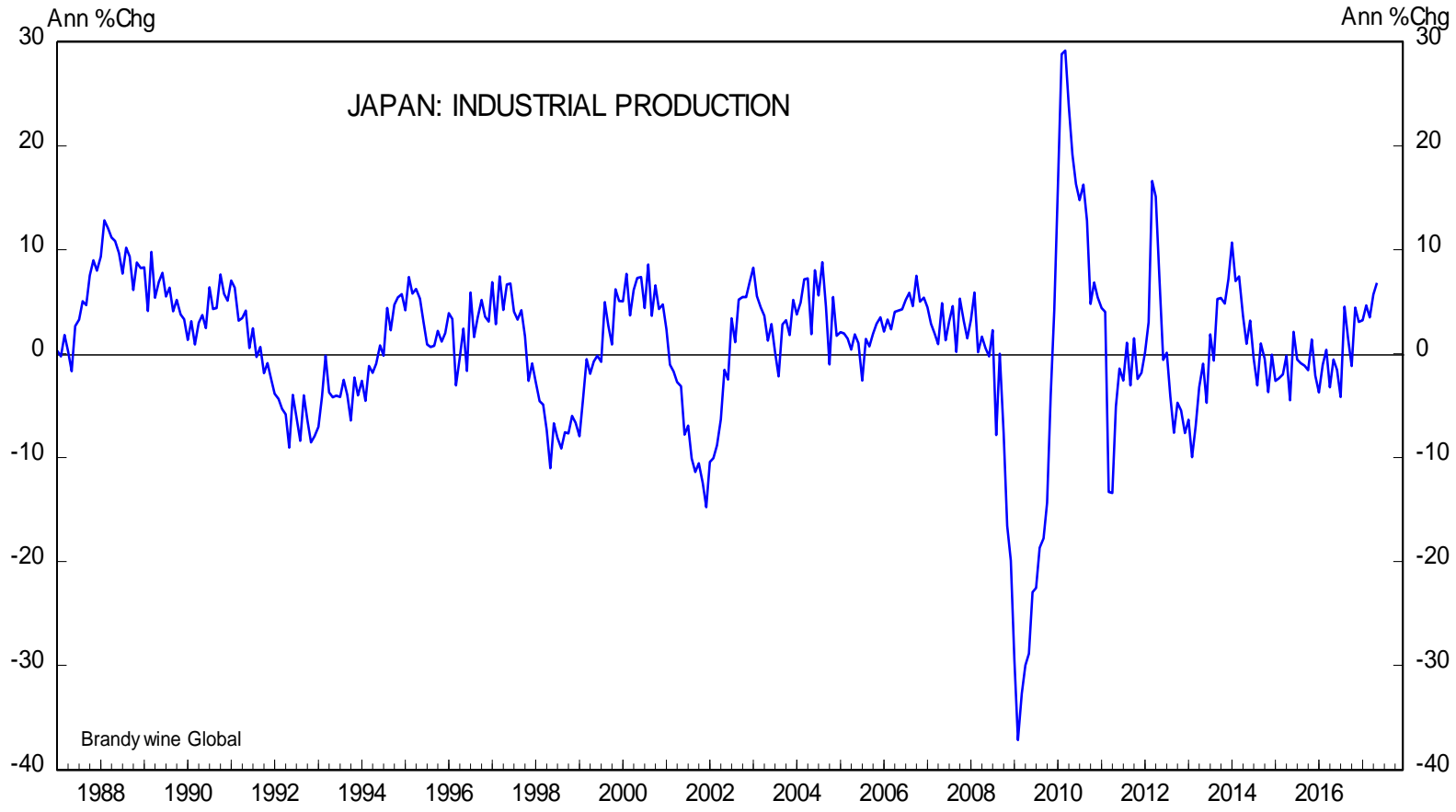
Leading Monetary Indicator Still Positive on European Growth



* SHOWN ADVANCED BY 6 MONTHS.
As of 05/31/2017

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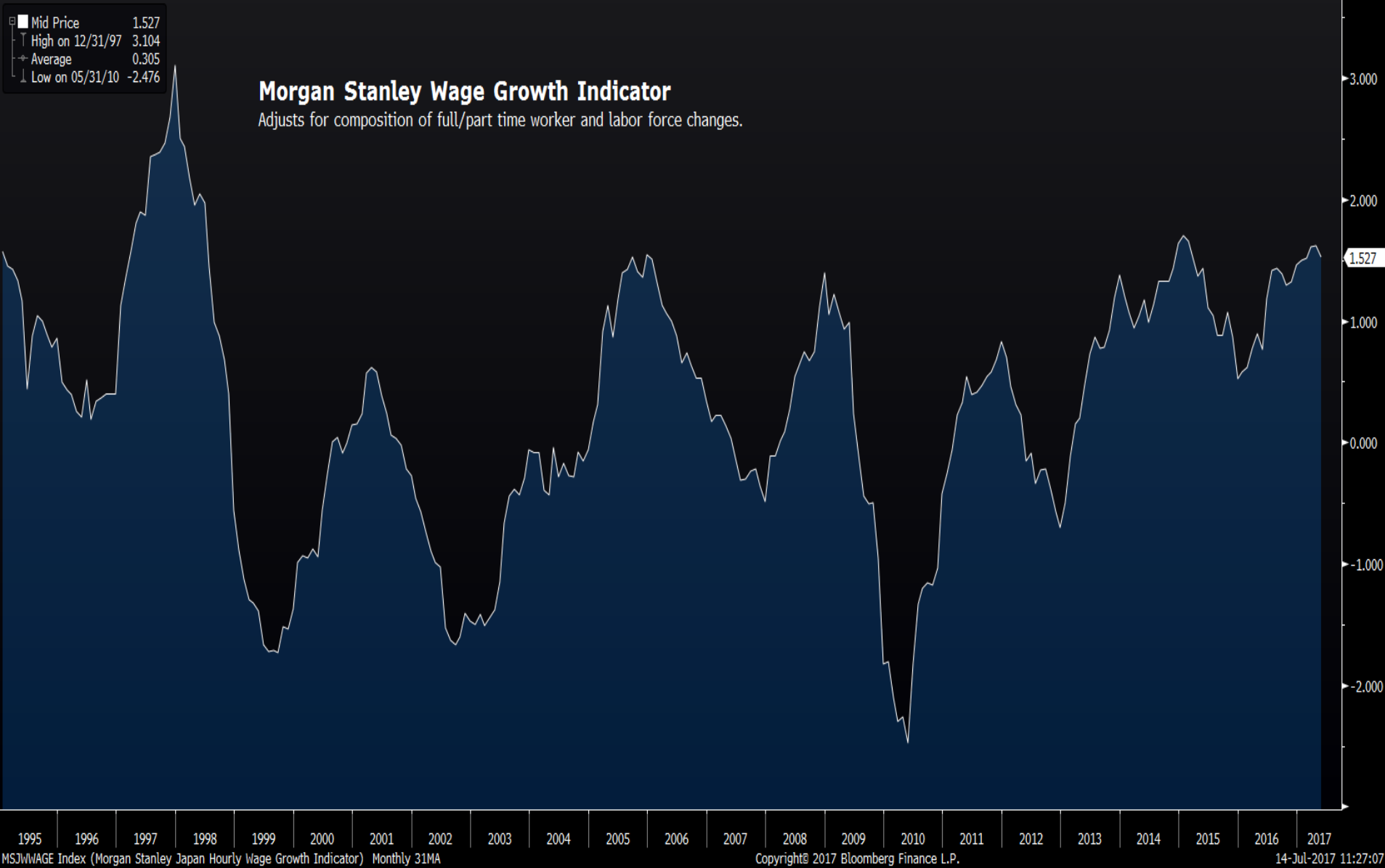
Industrial Production Growth of 7% in... Japan!



As of 05/31/2017.

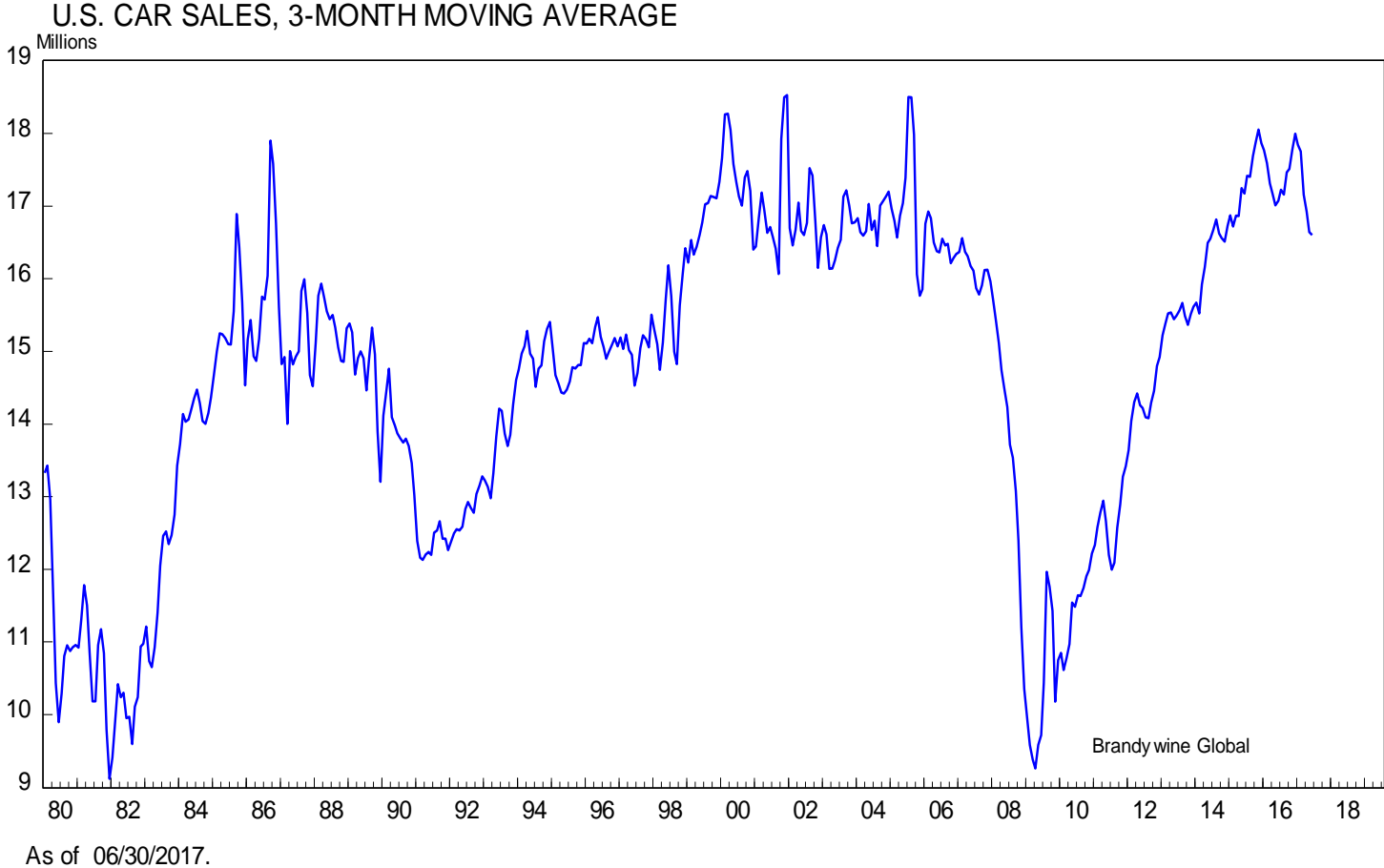
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Wage Growth in Japan - More Than Meets the Eye



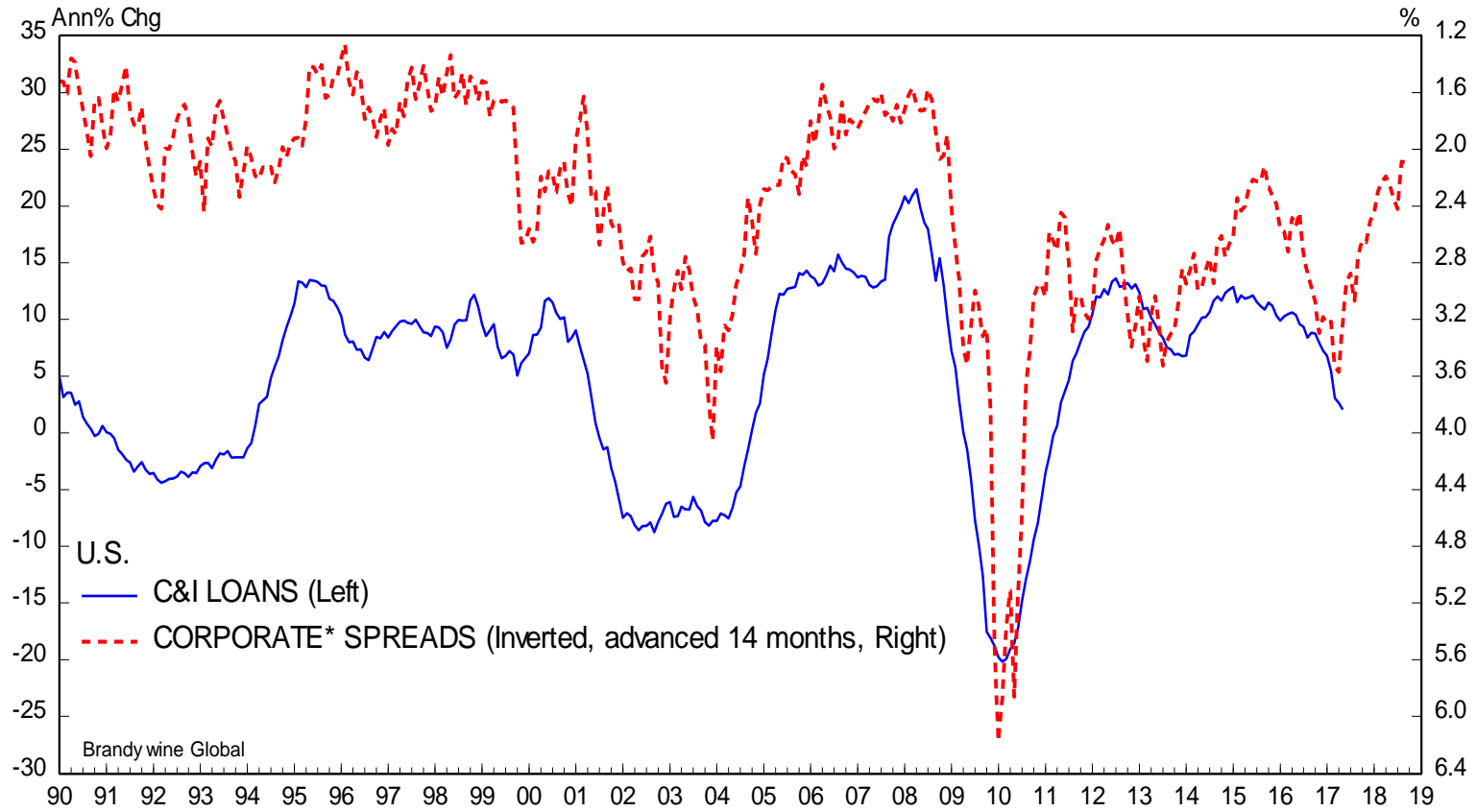
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How's the Economy? Ask the Auto Industry... at Capacity?



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C&I Lending Always Lags Credit Spreads

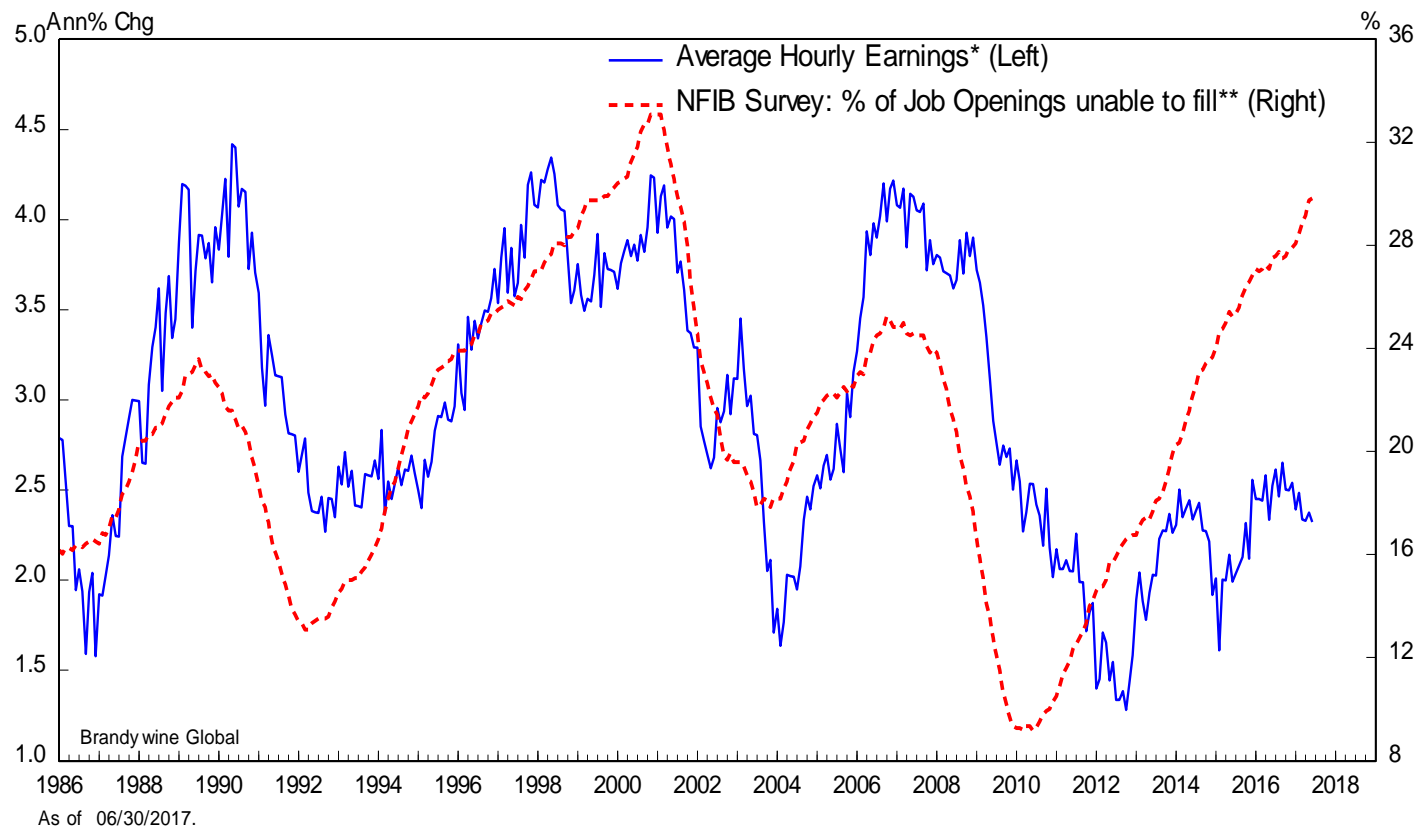


As of 7/12/2017.

* Moody's Baa Corporates less 10-year Treasury yield

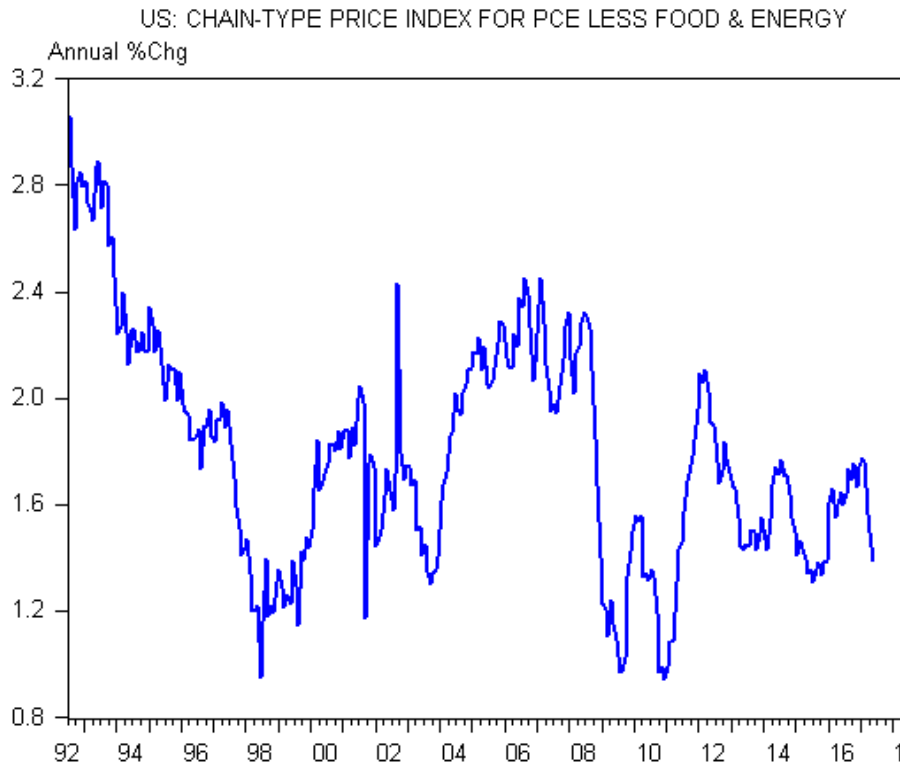
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Small Business Can't Find People but Not Lifting Wages



* Production and non-supervisory workers
 ** Shown as a 12-month moving average

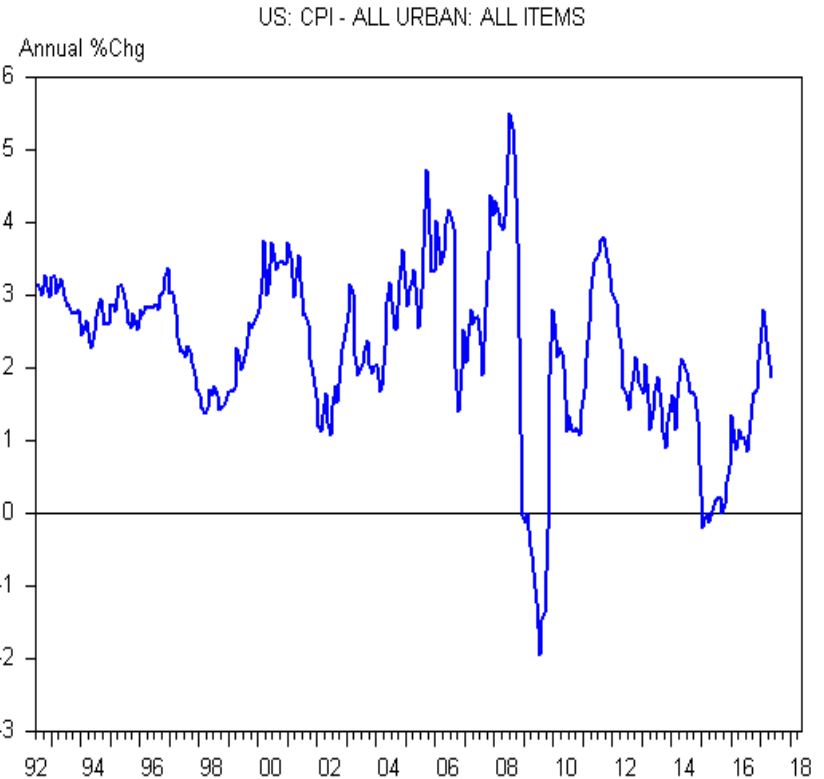
Inflation Peak a Normal Lagged Reaction to 2014/16 Slowdown; Will Nominal GDP Be Strong Enough to Lift Inflation over Next 2years? Bond Market Not Convinced



Chain weighted price index,seasonally adjusted

Source: BUREAU OF ECONOMIC ANALYSIS,USDOC

As of 05/31/2017

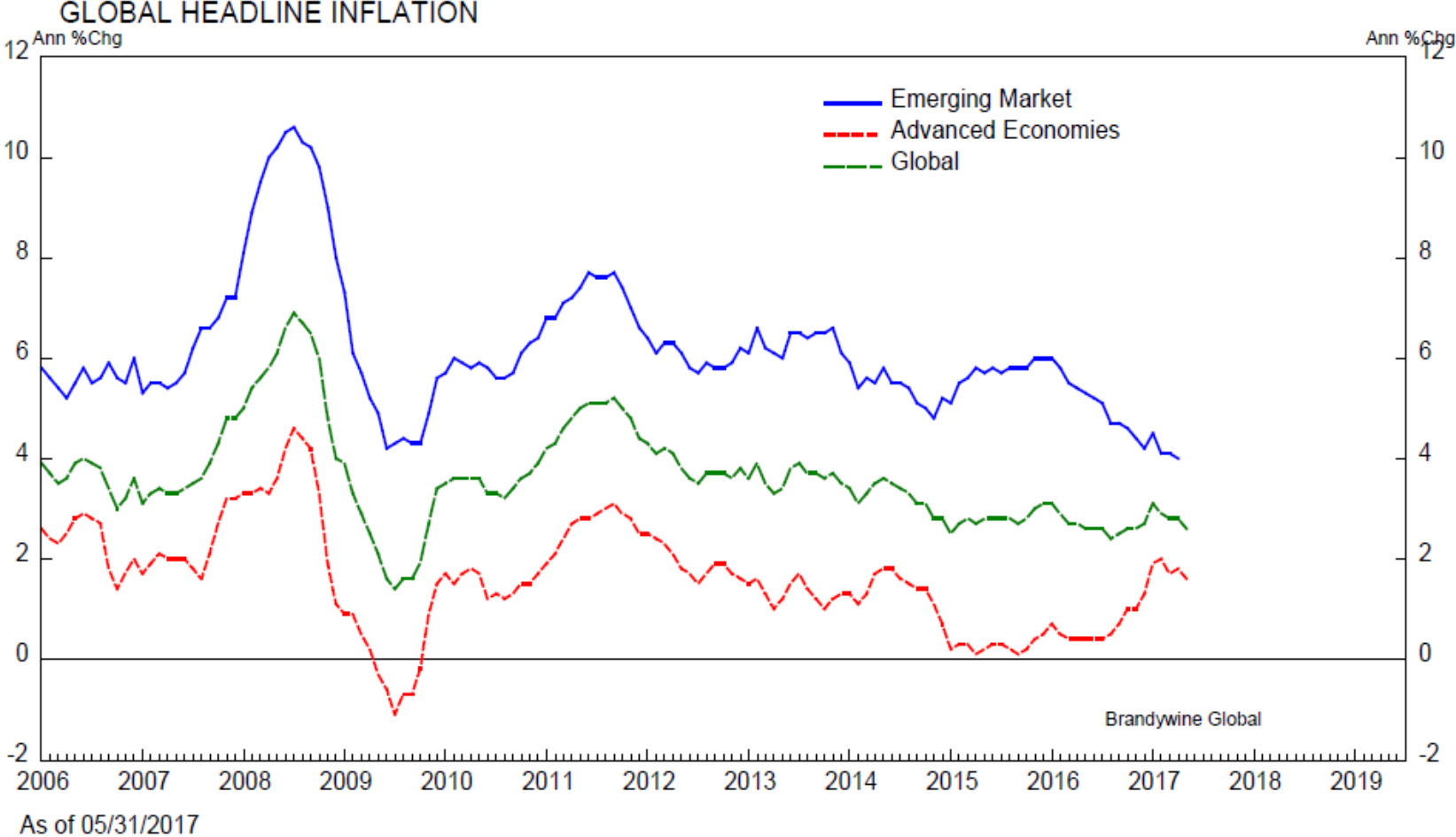


Price index,seasonally adjusted

Source: BUREAU OF LABOR STATISTICS,USDOL

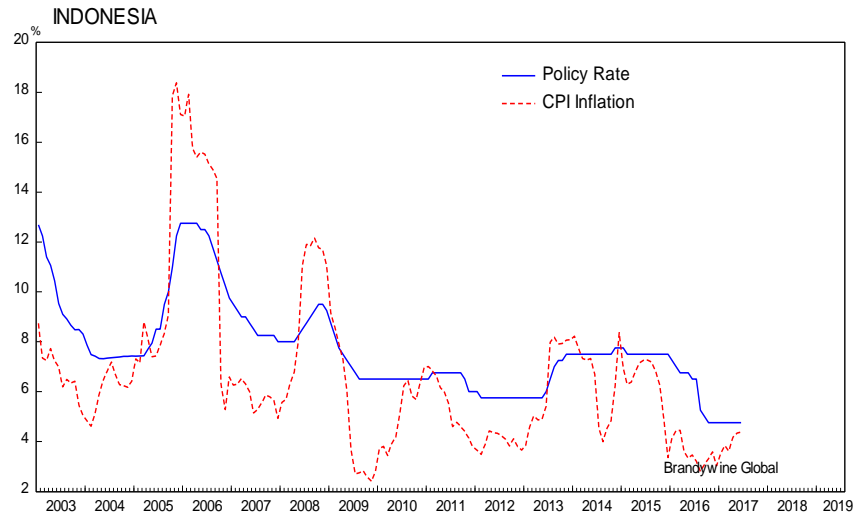
As of 05/31/2017

Missing Inflation a Global Story

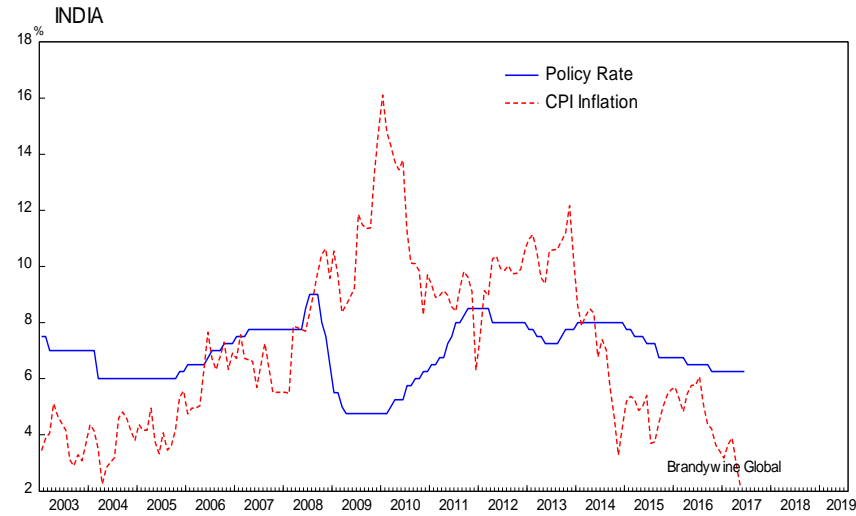


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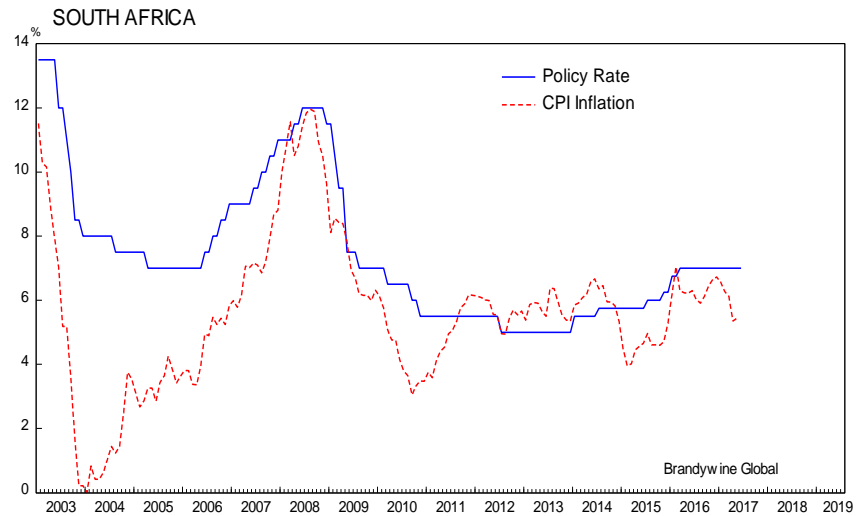
EM Central Banks Behind the Inflation Curve; More Reflation to Come, Better Growth



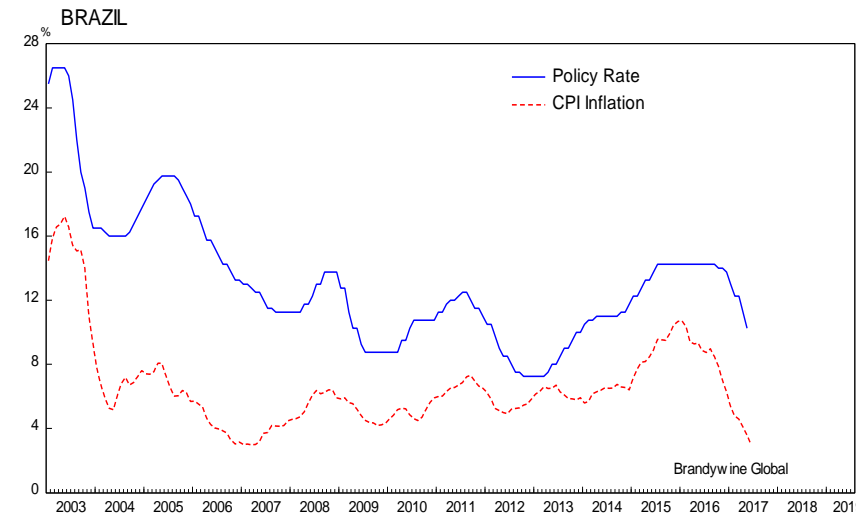
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As of 06/30/2017.



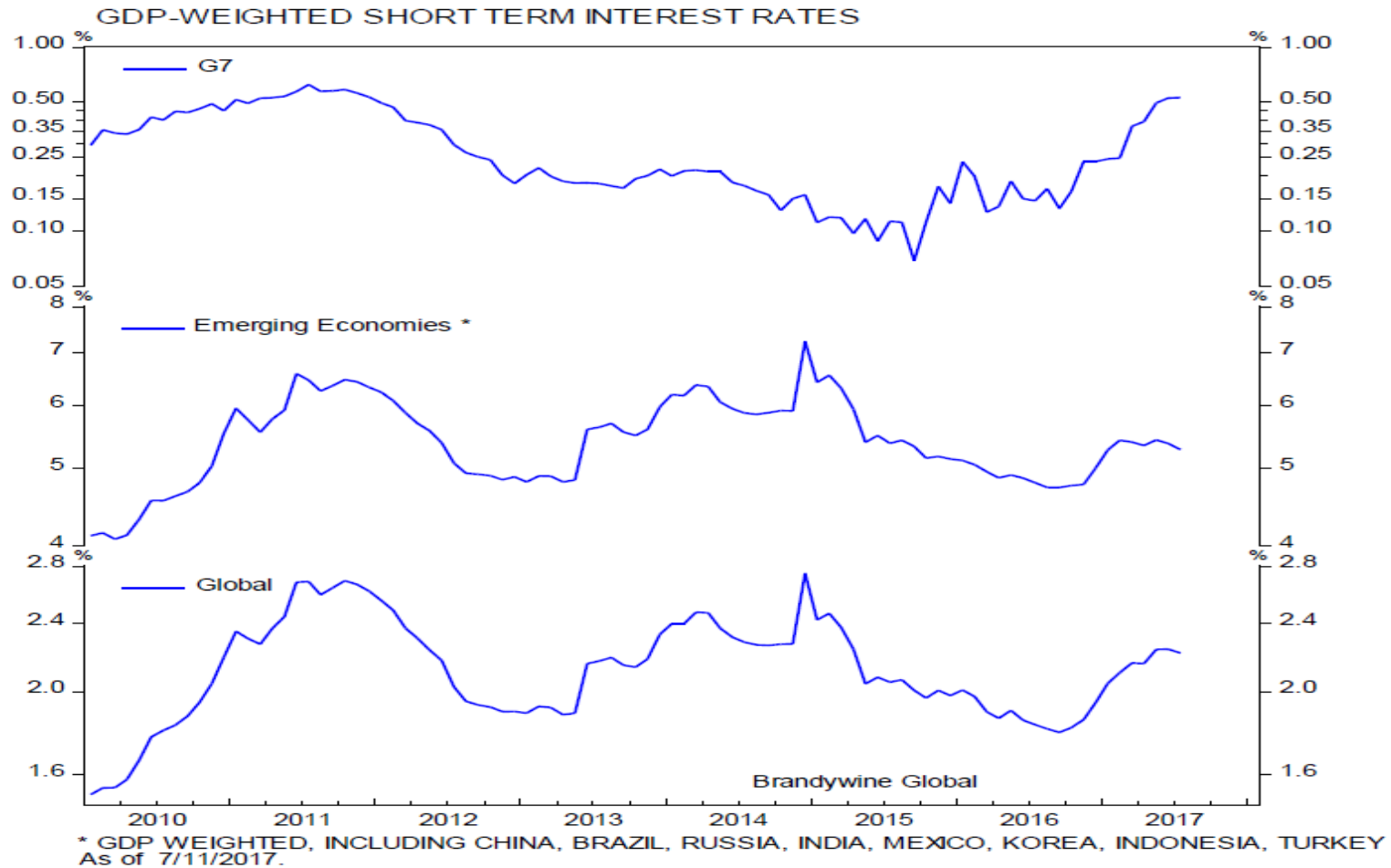
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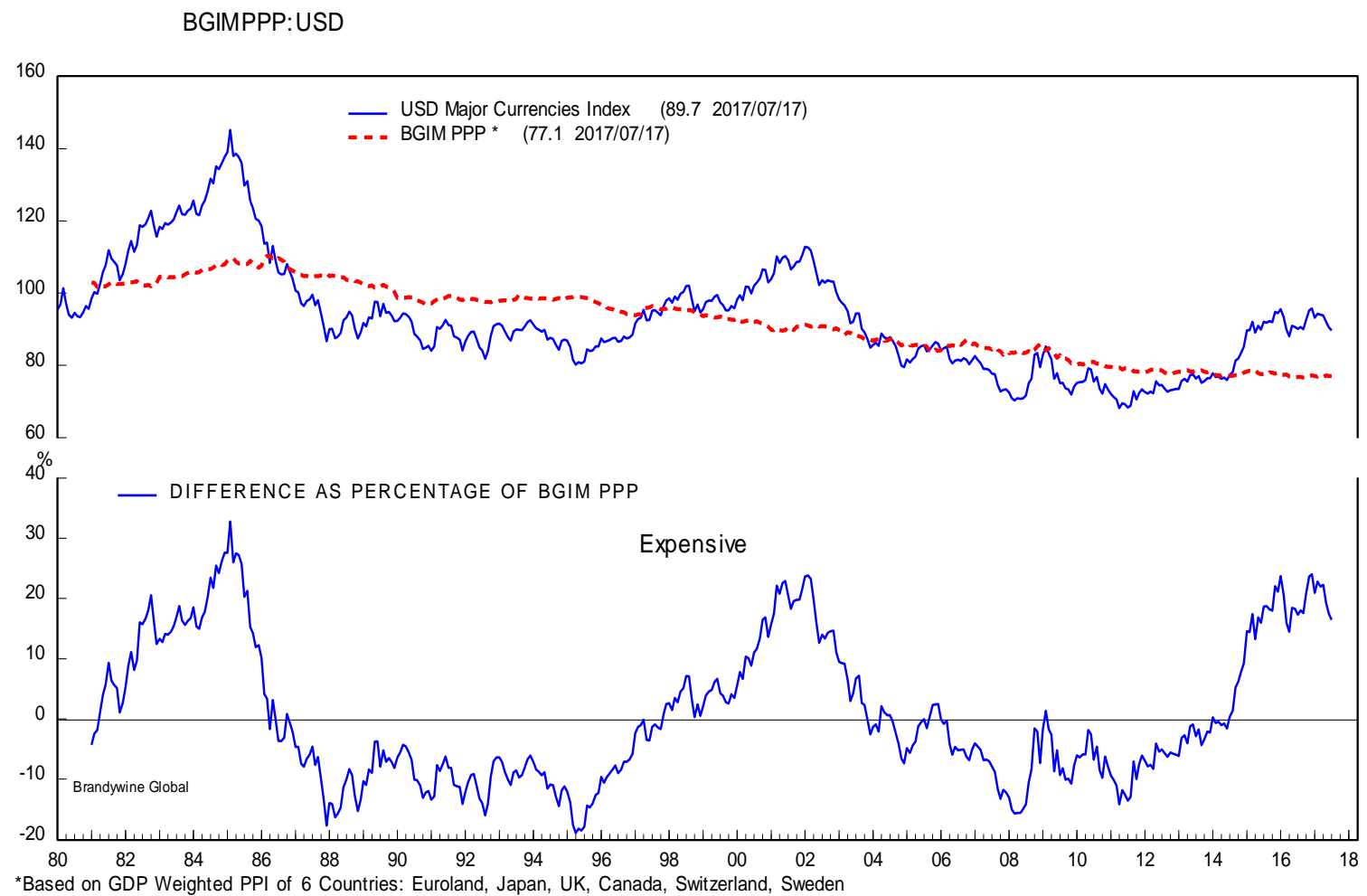
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Implies Global GDP-Weighted Short-Term Rates Could Still Fall

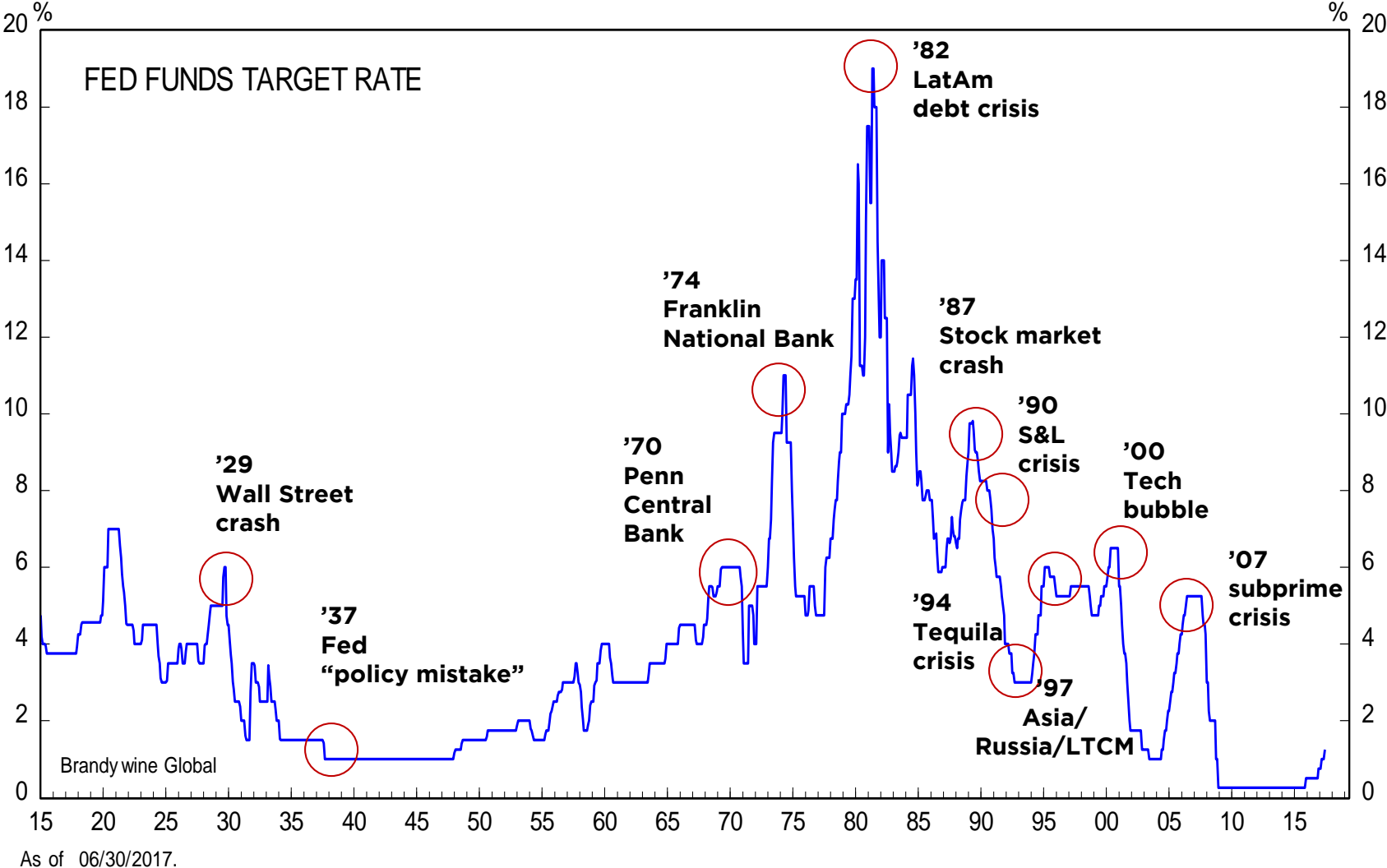


Dollar Weakness Key to Sustained Reflation/Global Growth Story - Valuations Argue More Likely down Than Up



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The Business Cycle Killer Is Back



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