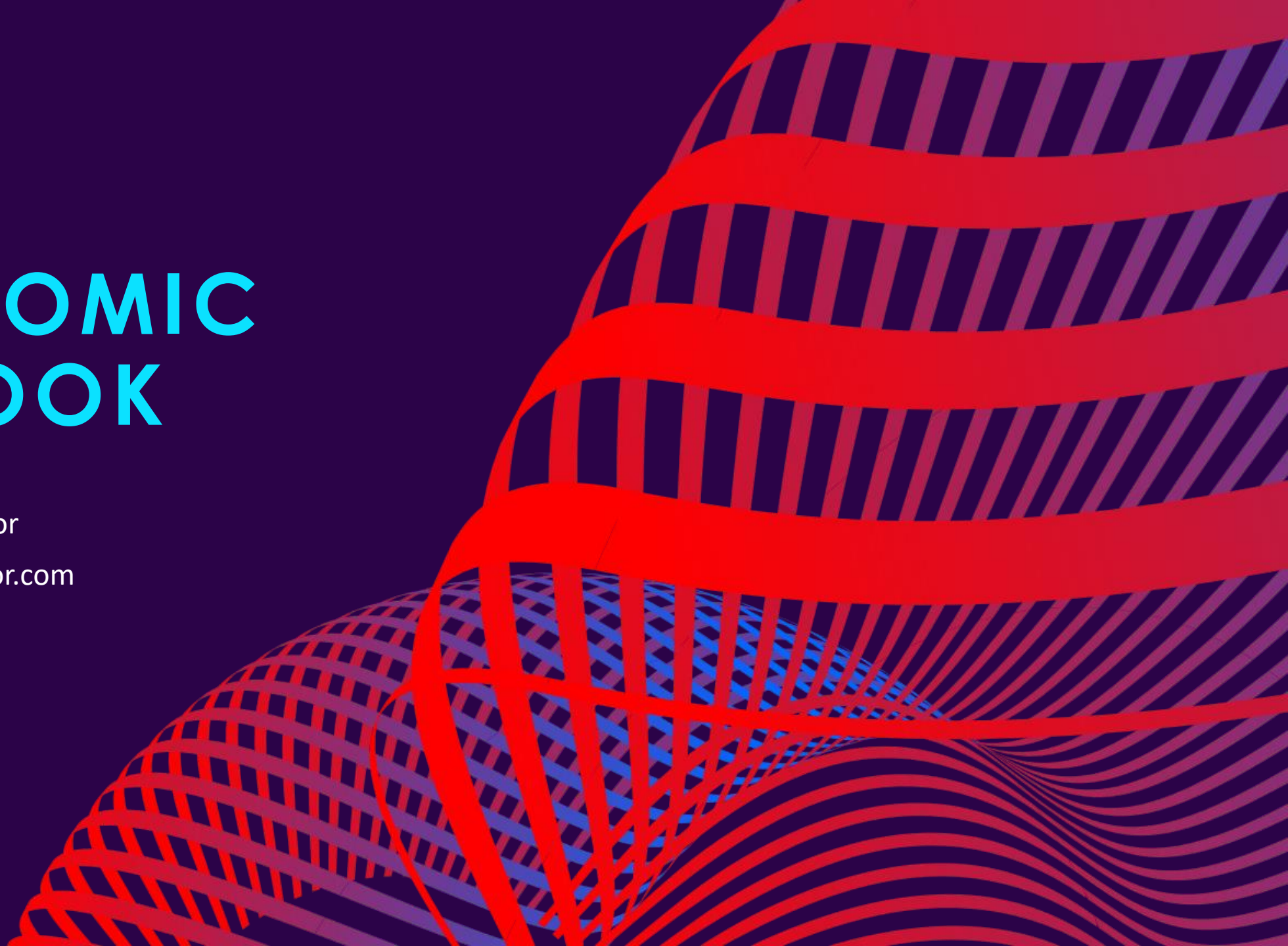


ECONOMIC OUTLOOK

Gary Evans

Global Macro Monitor

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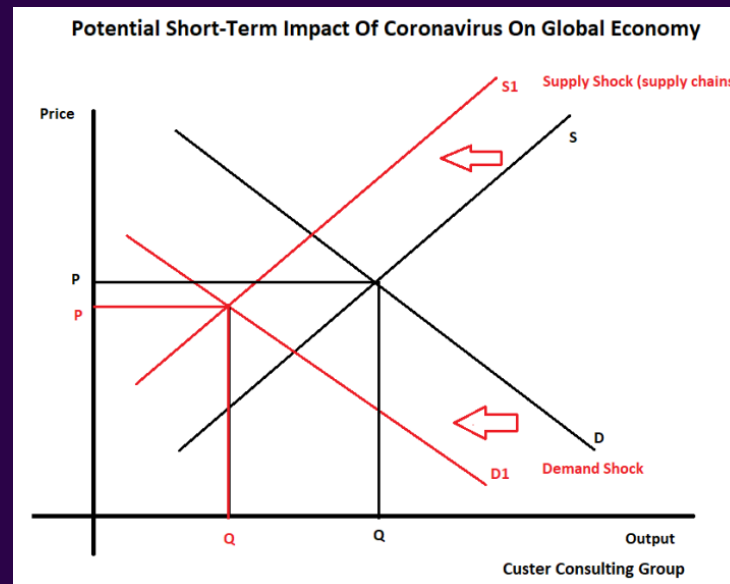


VICTORY LAPS

We Were First To Warn Of The Economic Risks Of Covid In January 2020

The Global Supply & Demand Shock Of The Coronavirus – January 31, 2020

“There is a supply shock to global manufacturing as many factories in the world’s supply chain will be shuttered for longer, which shifts the global supply curve left, increasing-price and production pressures. Ergo component shortages, higher prices, and lower production.”



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VICTORY LAPS

We Nailed The Timeline On The Recovery From The COVID Economic Collapse & Provided Timely Business Advice

The Future Of Supply Chains And The Curves That Matter Most – April 2, 2020

- Though it appears the U.S. and U.K. have its darkest days ahead, we still maintain our “best guess” — everyone is in the guessing game, by the way — that the case and death curves peak in the U.S. in early to mid-May and the economy begins to recover sometime in August. The next few weeks will be dark and cause some panic, but we advise our customers to keep an eye on these curves.
- Setting aside the sorting out supply chain issues, we believe the electronics sector will be well-positioned to take advantage of the new reality. The relative demand for electronic products will increase as business models, and even cultures, are transformed by a new reality of protracted social distancing, such as working from home and less business travel.
- Manufacturers can take advantage of this crisis by 1) re-accessing and developing a rigorous mapping of their supply chains; 2) using the weakness in commodities to lock-in longer-term contracts or hedge price increases, 3) taking advantage of the collapse in interest rates by refinancing outstanding debt, locking in long-term financing, or hedging a future increase in interest rates.

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VICTORY LAPS

Our Inflation Call Was Early And Timely

Business Outlook – January 6, 2021

“Supply chain disruptions and rising input costs, largely due to major central bank balance sheet expansion, will make rising inflation a headline issue in 2021.”

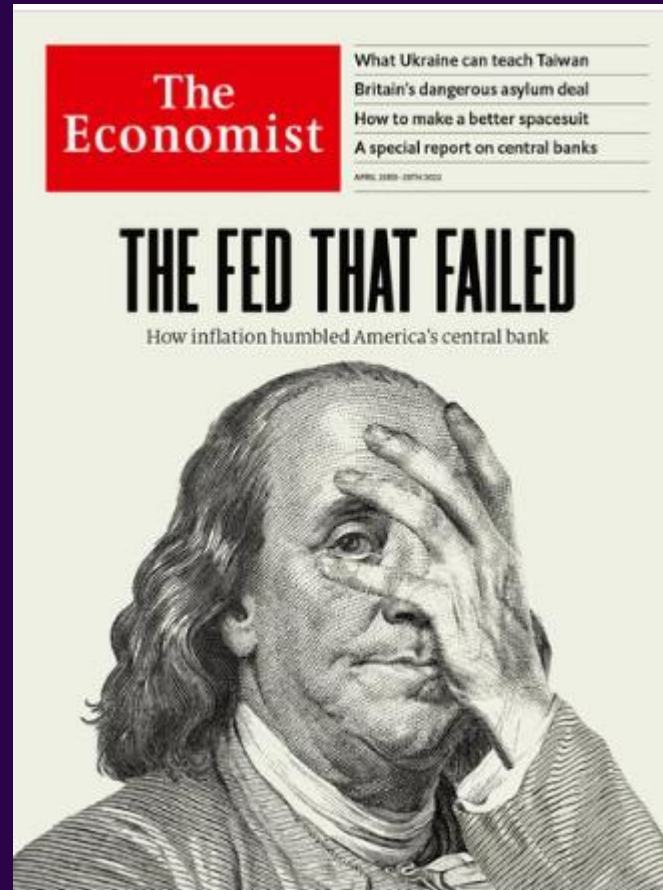
We Were Early Calling Out Central Banks And Warning “Stagflation Cometh”

Weekly Comments – September 12, 2021

- We question the need to continue such policies, especially further monetary injections.
- We believe only when demand returns to trend will the global supply chains begin to heal.
- Christine Lagarde, president of the European Central Bank, who has started baby steps in pulling back Europe's stimulus, recently stated, "The lady isn't tapering."
- It doesn't appear governments have the stomach to take the economic pain of clamping down on demand, and our takeaway from the soft rhetoric from the central banks is "stagflation" cometh.

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The Economist, April 23, 2022



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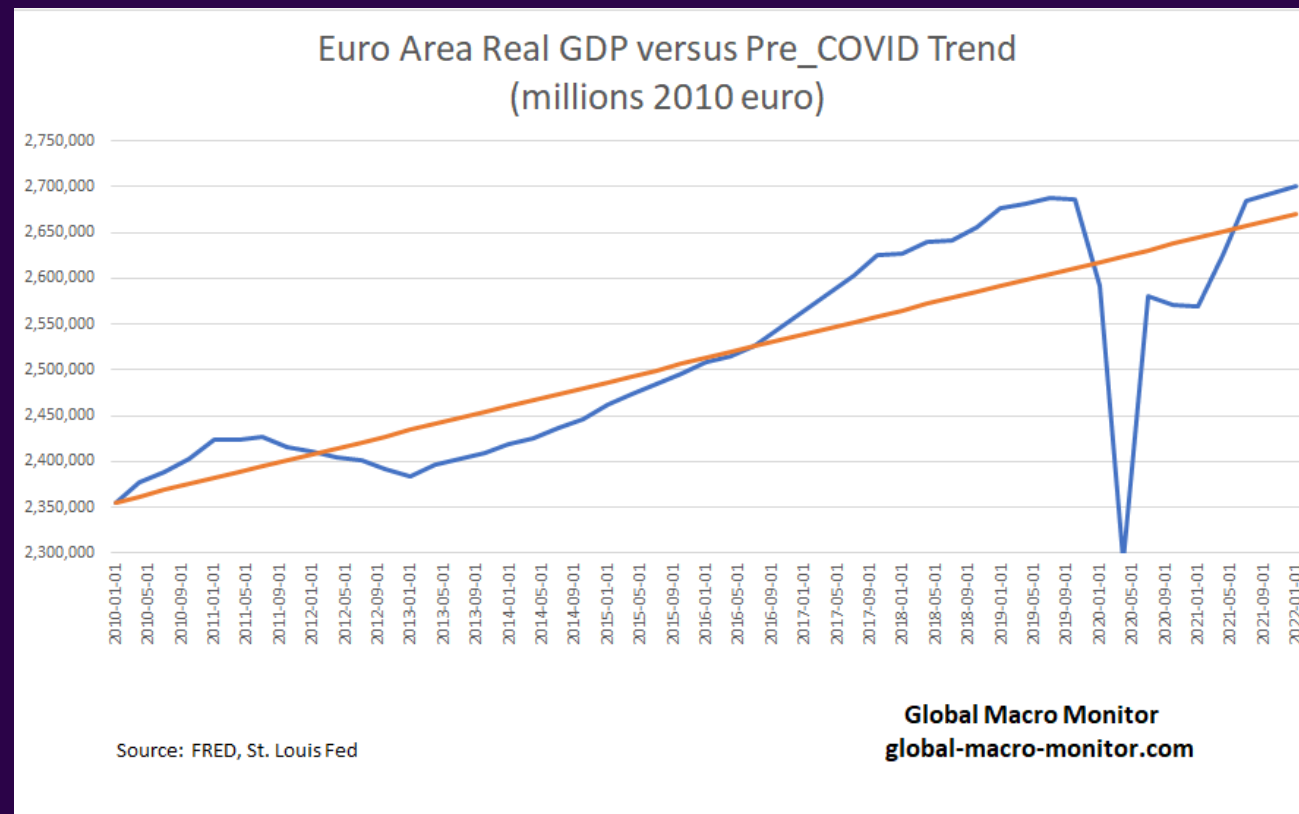


WE ARE LAUNCHING OUR
ECONOMIC NEWSLETTER IN
SEPTEMBER

WATCH FOR IT!

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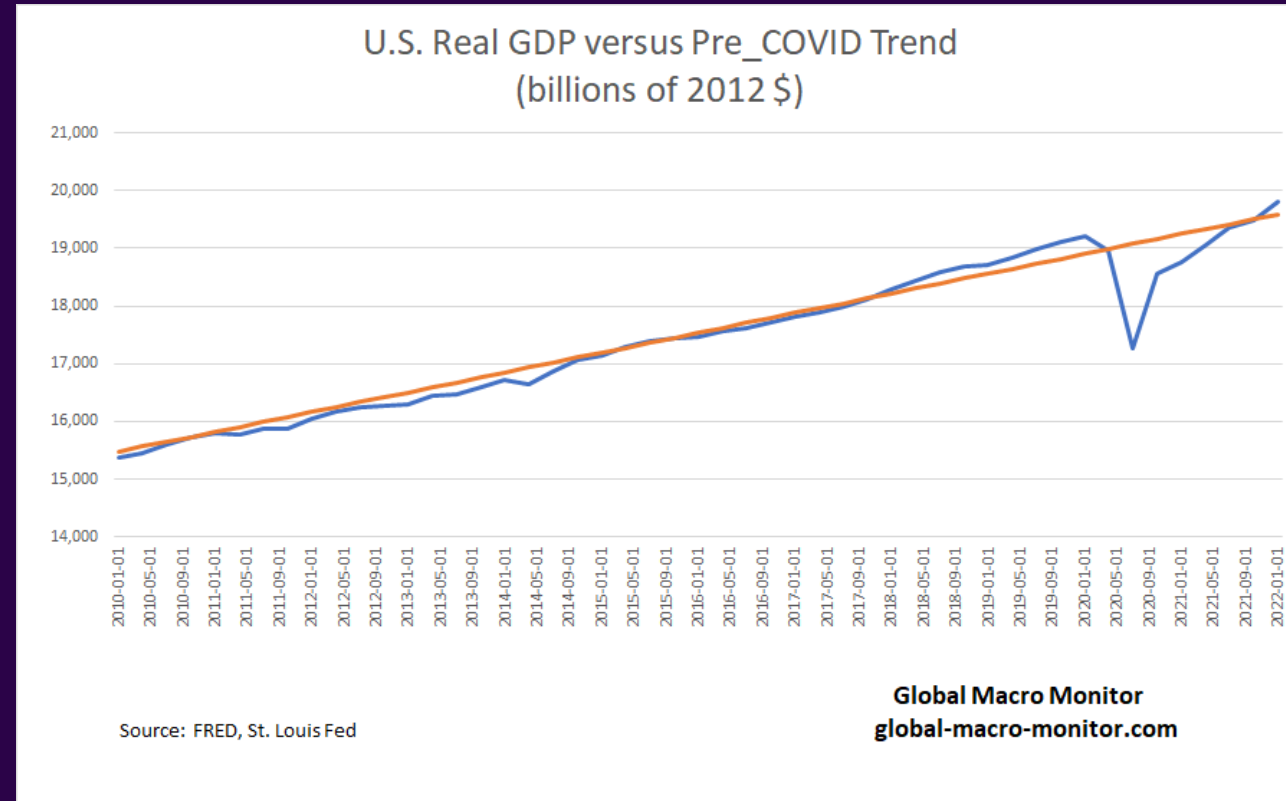
EURO AREA AND U.S. GDP BACK ABOVE PRE-COVID TREND*



* Post GFC data

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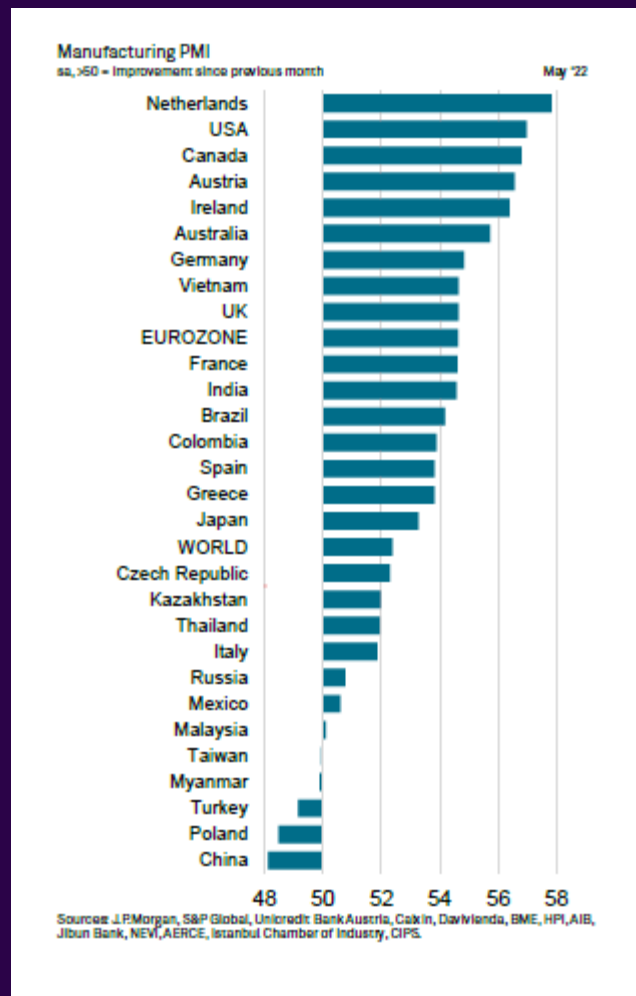
EURO AREA AND U.S. GDP BACK ABOVE PRE-COVID TREND*



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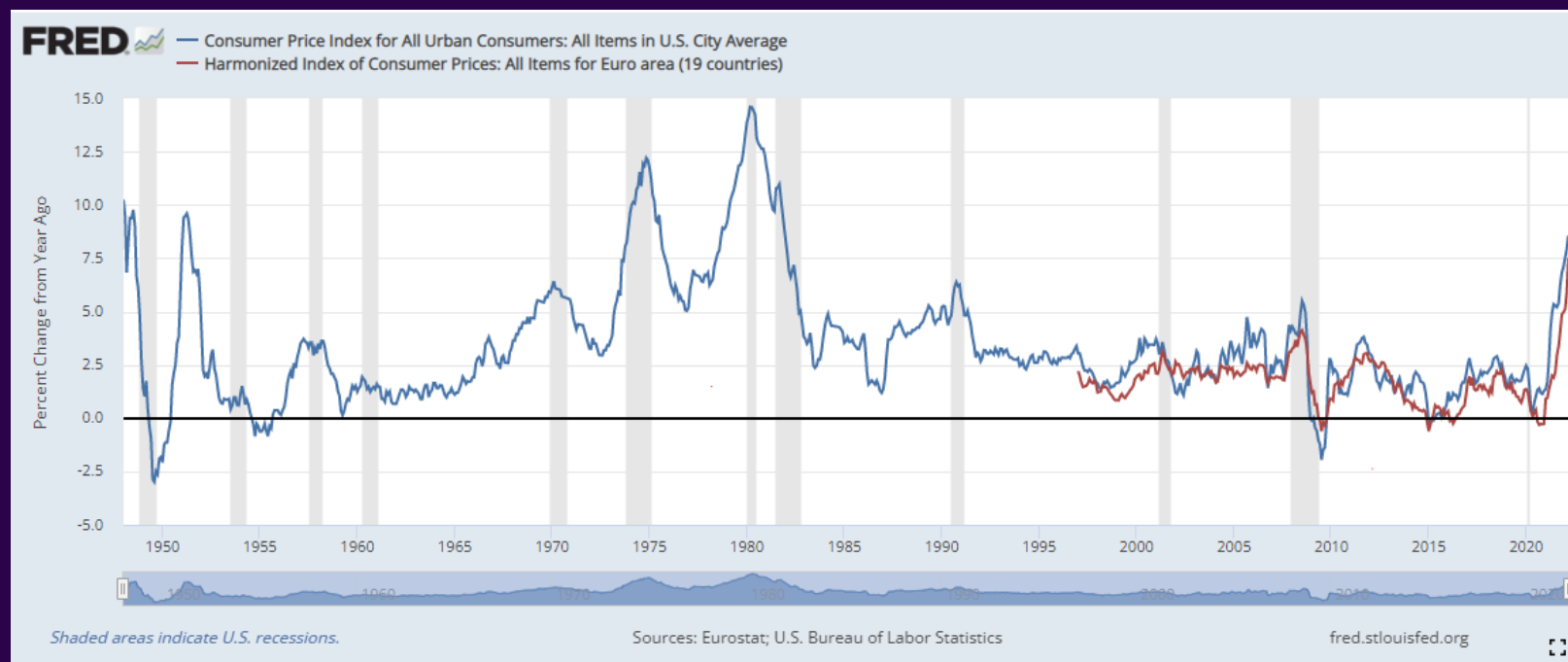
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MOST COUNTRY MANUFACTURING SECTORS ARE STILL EXPANDING BUT AT A SLOWING RATE



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EXCESS FISCAL & MONETARY EXPANSION COUPLED WITH SUPPLY CHAIN ISSUES HAVE SPIKED INFLATION



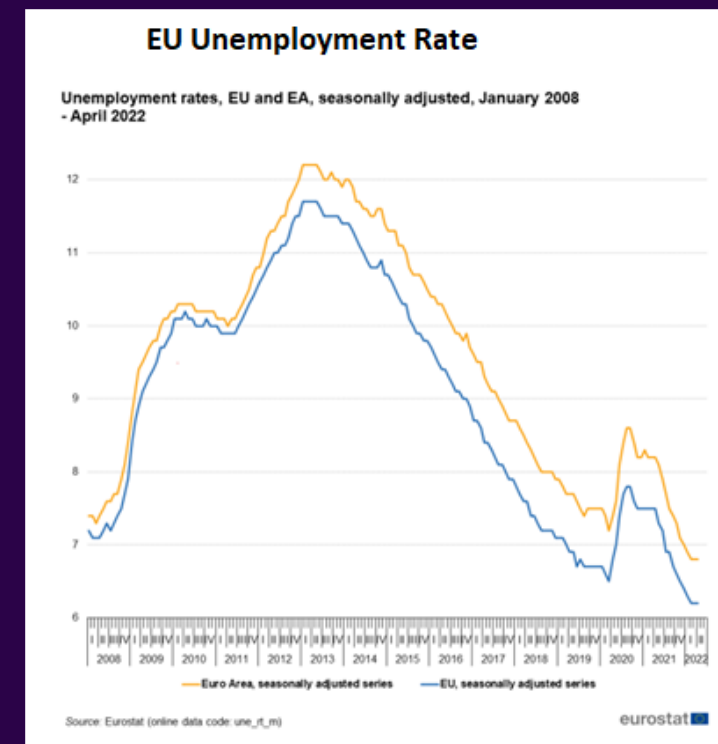
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EUROPEAN & U.S. ECONOMIES ARE ENTERING A PERIOD OF “UNIQUE STAGFLATION” WITH VERY LOW UNEMPLOYMENT

Stagflation is characterized by slow economic growth and relatively high unemployment—or economic stagnation—which is at the same time accompanied by rising prices (i.e., inflation). Stagflation can be alternatively defined as a period of inflation combined with a decline in the gross domestic product (GDP). - [Investopedia](#)

THE TIGHT LABOR MARKETS WILL COMPLICATE MONETARY POLICY'S QUEST TO REDUCE INFLATION



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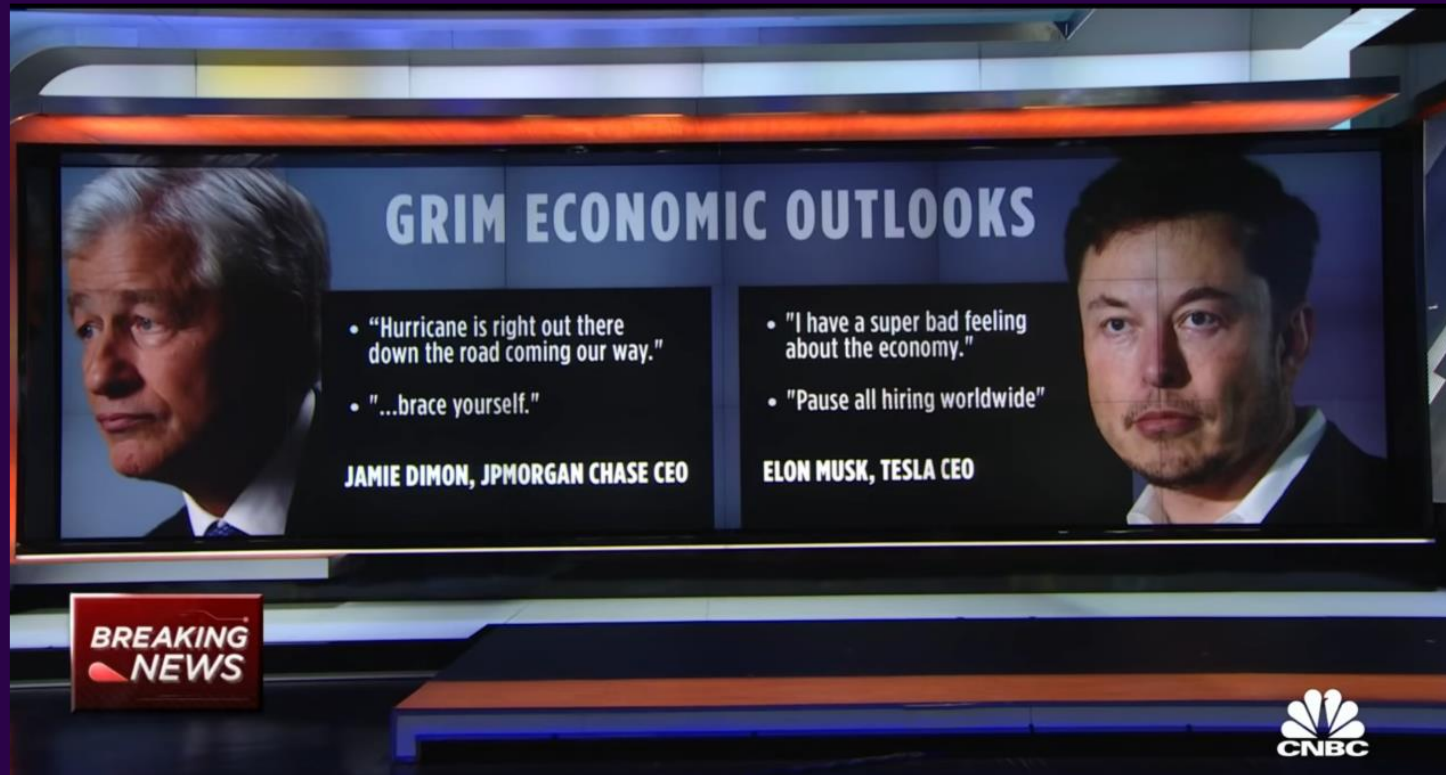


THE ECONOMIC OUTLOOK IS THEREFORE VERY CLOUDY

“Uncertainty is very, very high at the moment,” said University of Michigan economic forecaster Daniil Manaenkov.

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SOME SEE DOOM & GLOOM



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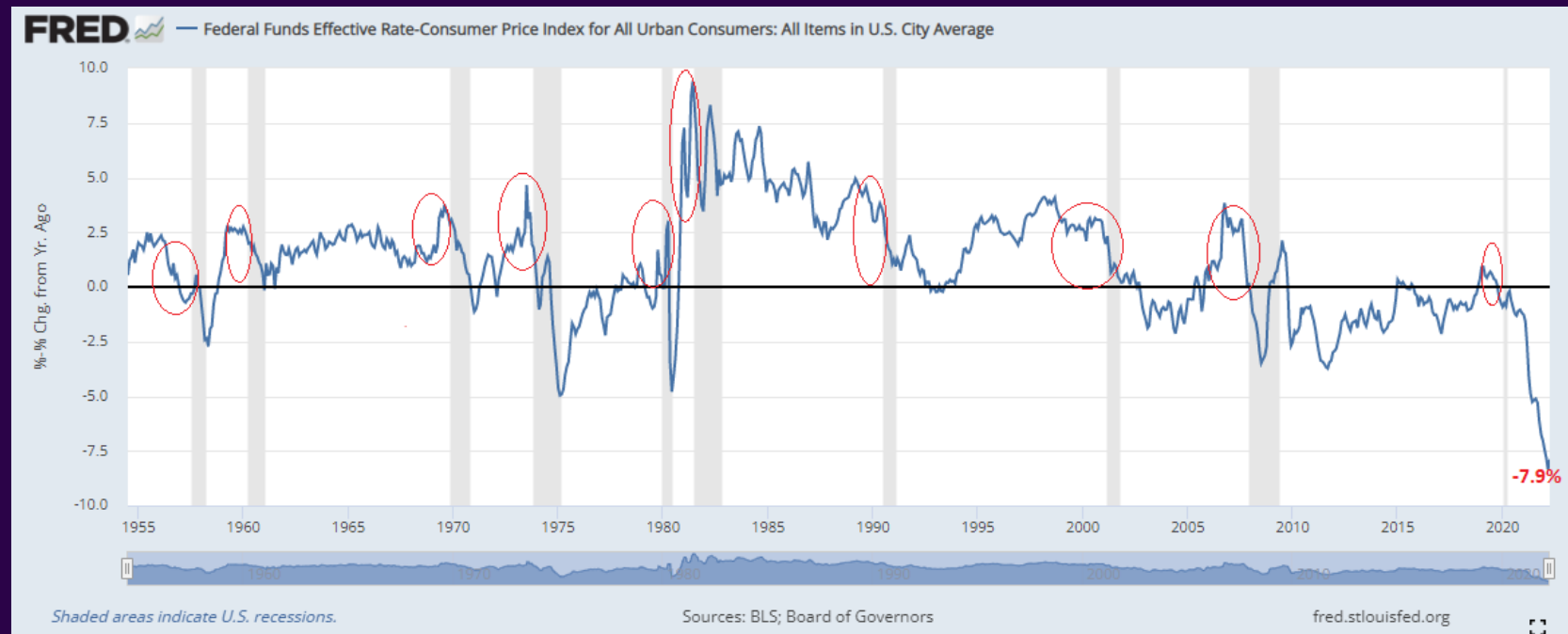
FIVE FACTORS WILL DETERMINE THE ECONOMIC TRAJECTORY OVER THE NEXT TWELVE MONTHS

- Can the major central banks bring inflation down without causing a recession?
- The trajectory of the war in Europe
- How Europe absorbs the coming supply shock as it imposes a partial ban on imports of Russian oil
- The path the pandemic takes
- How Quickly China Recovers From Its Recent Lockdowns

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THE ECB & FEDERAL RESERVE ARE WAY BEHIND AND HAVE A LOT OF WORK TO DO

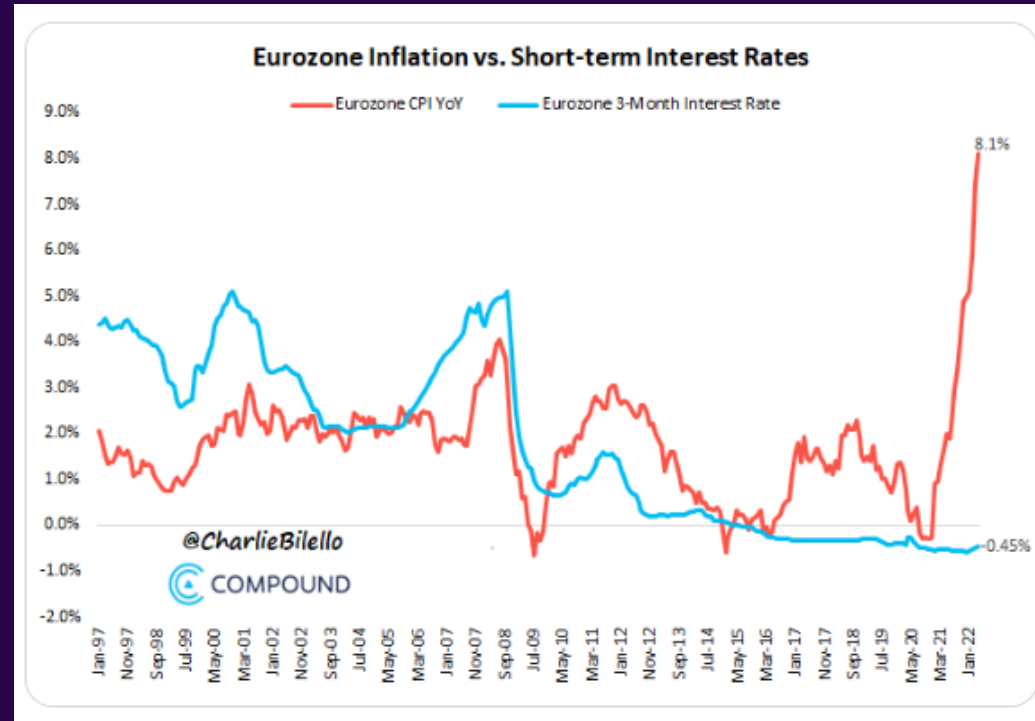
- There has never been a post-war U.S. recession without a positive “real” Fed Funds interest rate, now at **-7.9%**



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THE ECB & FEDERAL RESERVE ARE WAY BEHIND AND HAVE A LOT OF WORK TO DO

- The ECB has yet to reverse its easy money stance with a - 0.45% policy with inflation raging
- The ECB may move this week, however



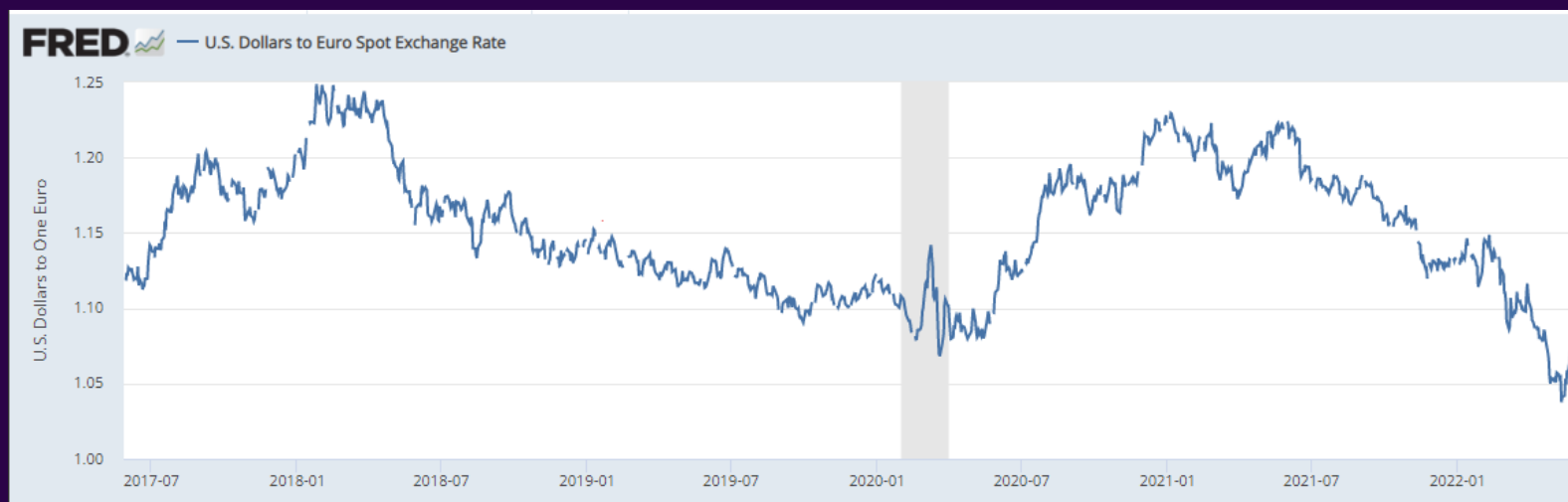
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THE ECB & FEDERAL RESERVE ARE WAY BEHIND AND HAVE A LOT OF WORK TO DO

- To be sure, the ECB has to grapple with bigger problems than does the Fed or the Bank of England. The EU is more heavily dependent on Russian energy, so the supply-side component of its spike in inflation is bigger. Its baseline levels of growth and employment are lower, giving less room for error on the downside. Economic conditions also vary widely across the euro area, along with degrees of tolerance for inflation. (Prices are rising an estimated 5.8% a year in France, 8.7% in Germany, and 20.1% in Estonia.) The right monetary policy in one country won't fit the case in another. – [Washington Post](#)

THE EURO SHOULD STRENGTHEN AGAINST THE DOLLAR

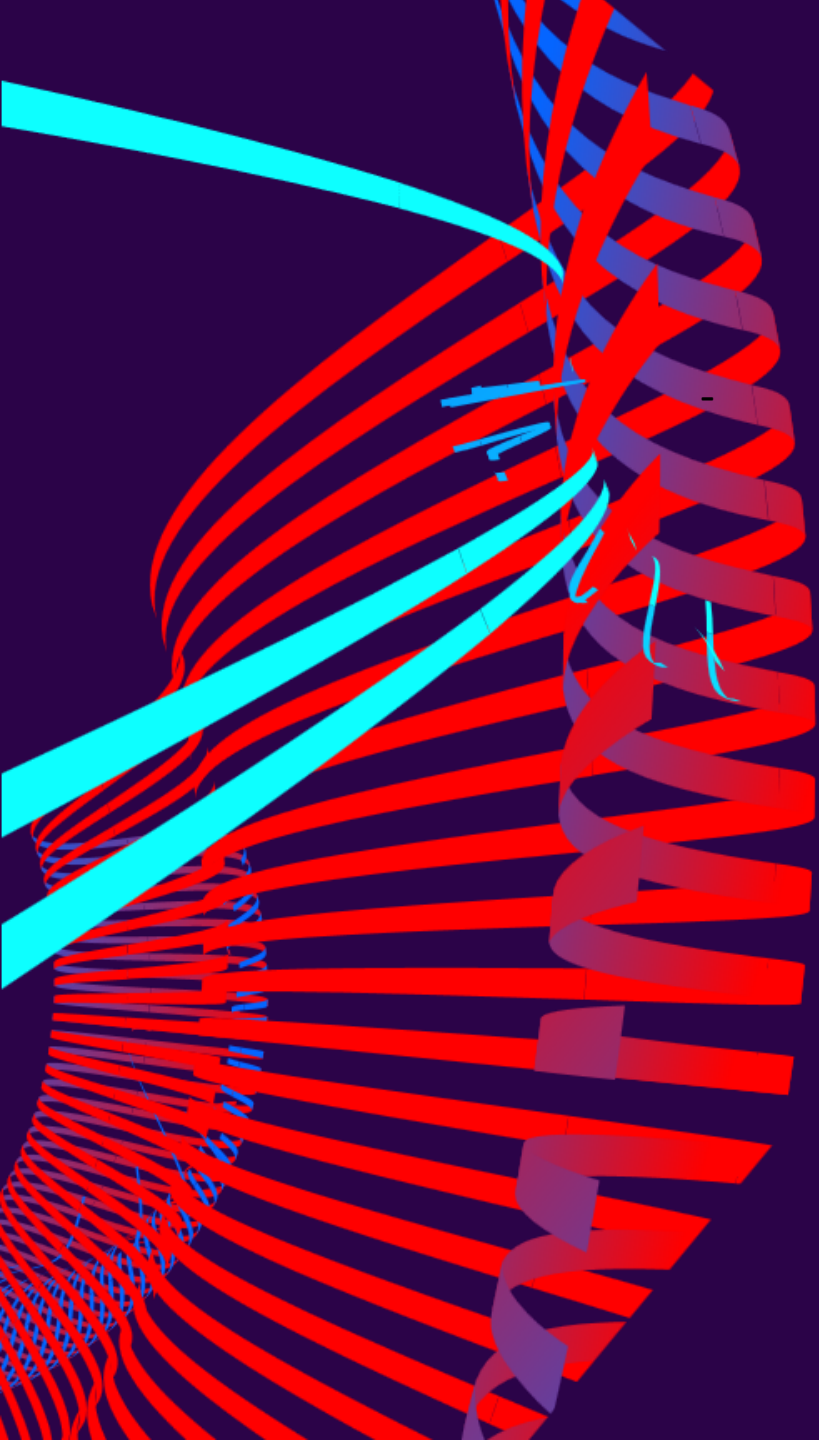
- As the ECB reverses policy, possibly this week, the Euro should strengthen versus the dollar over the next year



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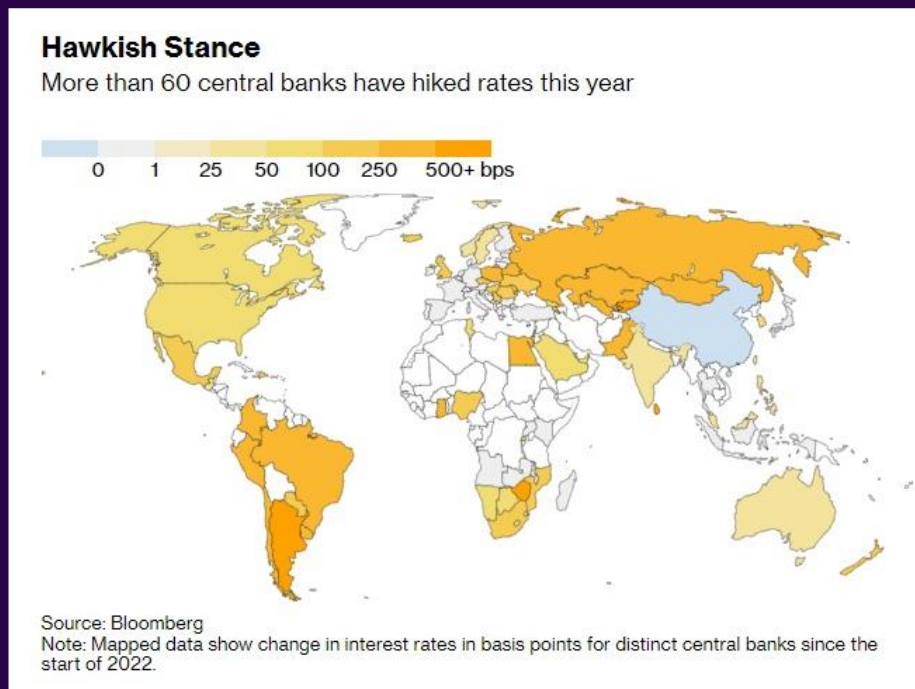
CONCLUSION

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POLICIES THAT LIFTED THE GLOBAL ECONOMY OUT OF THE COVID DEPRESSION ARE BEING REVERSED

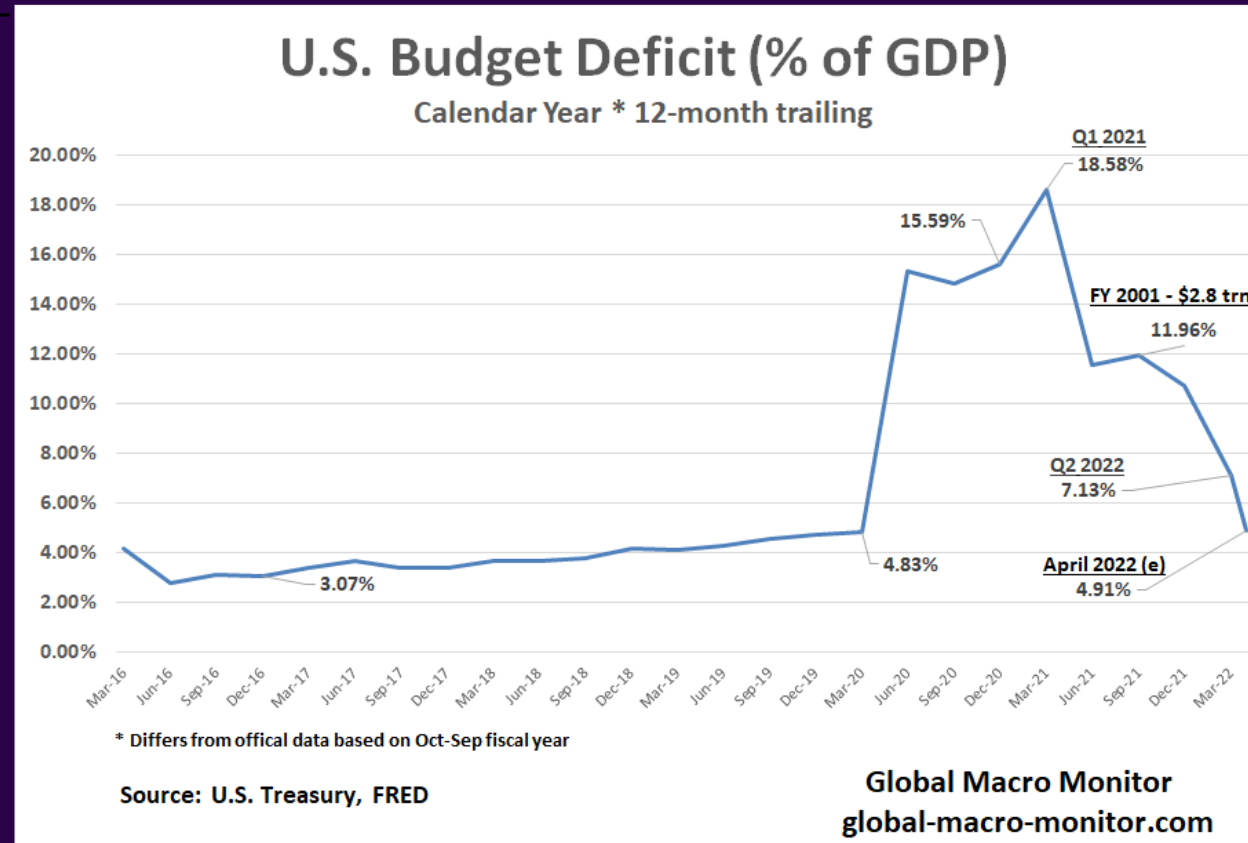
The Era of “Free Money” Is Over



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POLICIES THAT LIFTED THE GLOBAL ECONOMY OUT OF THE COVID DEPRESSION ARE BEING REVERSED

The U.S. “Fiscal Cliff” Is Slowing Economic Growth



PROJECTIONS & “BEST GUESSES”

- Economic and Political Uncertainty Will Rise As Central Banks Tighten Policy And Geopolitical Frictions Flare
- The U.S. Is Set To Drain Over \$1 trillion From The Economy Through Quantitative Tightening From June '22 to December '23
- Economic Growth Will Slow And Inflation Will Remain Stubbornly High

“BEST GUESS” PROJECTIONS GDP GROWTH

Quarterly Data Economic Growth and Inflation Q1 2021 - Q4 2023												
Gross domestic product	2021				2022				2023			
yoy var. in %	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
World	3.5	11.7	4.7	4.7	4.2	3.4	3.0	2.5	2.8	3.2	3.1	3.1
Major Economies	-0.5	13.3	4.4	4.7	4.0	2.9	2.5	1.8	2.2	2.1	2.0	1.9
United States	0.5	12.2	4.9	5.5	3.5	2.9	2.9	1.8	2.4	2.0	1.8	1.7
Canada	0.2	11.7	3.8	3.3	3.2	5.2	4.6	3.5	3.1	2.6	2.2	2.1
Japan	-1.7	7.3	1.2	0.4	0.2	1.3	2.8	2.4	2.8	2.0	1.6	1.3
United Kingdom	-5.0	24.5	6.9	6.6	8.7	2.9	2.2	1.0	0.7	1.2	1.4	1.7
Euro Area	-0.9	14.6	4.1	4.7	5.1	3.0	1.3	1.5	1.9	2.3	2.4	2.4
France	1.6	19.1	3.5	5.5	5.3	4.0	1.3	0.9	1.4	1.8	2.0	2.1
Germany	-3.0	10.8	2.8	1.8	4.0	1.7	0.6	1.6	2.5	2.6	2.6	2.4
Italy	0.1	17.7	3.9	6.2	5.8	2.9	0.8	0.6	1.5	2.0	2.0	2.0
BRIC	13.6	10.0	5.2	4.1	4.4	3.9	3.5	3.3	3.6	5.0	4.8	4.9
Brazil	1.3	12.3	4.0	1.6	0.9	1.0	1.1	0.5	0.6	0.9	1.4	1.9
Russia	-0.3	10.5	4.0	5.0	3.5	-10.7	-14.6	-16.4	-10.4	0.3	3.9	6.3
India	1.6	20.3	8.5	5.4	4.2	13.6	6.7	5.1	4.7	5.8	5.8	6.1
China	18.3	7.9	4.9	4.0	4.8	3.7	4.7	4.9	4.9	5.6	5.0	4.8
Switzerland	-0.4	8.1	3.6	3.9	4.3	2.8	1.5	1.7	1.8	1.9	1.9	1.7

Source:

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“BEST GUESS” PROJECTIONS INFLATION

Inflation, yoy var. of quarterly avg. CPI in %	2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
World	2.7	4.1	4.4	5.6	6.8	7.5	7.5	6.7	-	-	-	-
Major Economies	1.3	3.1	3.8	5.2	6.6	7.3	6.9	5.9	4.4	2.9	2.4	2.2
United States	1.9	4.8	5.3	6.7	8.0	8.0	7.5	6.2	4.7	3.3	2.7	2.6
Canada	1.4	3.3	4.1	4.7	5.8	6.4	5.9	5.2	4.0	2.7	2.3	2.3
Japan	-0.5	-0.8	-0.2	0.5	0.9	2.1	2.0	2.0	1.5	1.1	0.9	0.7
United Kingdom	0.6	2.1	2.8	4.9	6.2	8.7	8.5	8.4	7.2	4.2	3.7	2.1
Euro Area	1.1	1.8	2.8	4.6	6.1	7.5	7.3	6.1	4.1	2.6	2.2	1.9
France	1.0	1.8	2.2	3.3	4.2	5.5	5.6	4.9	3.6	2.5	2.1	1.9
Germany	1.7	2.2	3.5	5.4	6.1	7.7	7.5	6.6	4.6	3.1	2.8	2.4
Italy	0.7	1.2	2.2	3.8	6.0	6.8	6.7	5.6	3.3	2.3	1.7	1.6
BRIC	1.4	2.5	2.5	3.3	3.5	4.6	5.1	4.8	4.1	3.2	2.9	2.8
Brazil	5.3	7.7	9.6	10.5	10.7	11.4	10.1	8.2	7.1	5.3	4.6	4.1
Russia	5.8	6.5	7.4	8.4	16.7	20.3	22.5	22.3	14.8	10.2	7.7	6.9
India	4.9	5.6	5.1	5.0	6.3	6.4	6.6	6.1	6.0	5.1	5.0	5.0
China	0.0	1.1	0.8	1.8	1.1	2.2	2.9	2.7	2.6	2.1	2.0	1.9
Switzerland	-0.4	0.5	0.8	1.4	2.1	2.4	2.3	2.0	1.5	1.0	0.8	0.7

Source:

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“BEST GUESS” PROJECTIONS BASE METALS

Base Metals - Nominal Prices - Average of Period			2021				2022				2023			
Commodity		Unit	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Aluminium	LME	USD per metric ton	2,094	2,396	2,646	2,756	3,255	3,242	3,109	2,996	2,913	2,873	2,811	2,749
Alumina	COMEX	USD per metric ton	300	277	316	417	411	429	386	349	338	331	324	330
Copper	LME	USD per metric ton	8,490	9,679	9,383	9,700	9,993	9,959	9,703	9,497	9,125	8,875	8,770	8,714
Iron Ore	CFR China	USD per metric ton	167.1	199.5	166.7	111.7	143.1	141.8	132.6	123.8	118.4	114.1	104.8	101.4
Lead	LME	USD per metric ton	2,011	2,125	2,334	2,325	2,326	2,281	2,198	2,164	2,077	2,059	2,052	2,055
Nickel	LME	USD per metric ton	17,545	17,354	19,111	19,784	28,348	31,171	29,059	27,078	24,959	24,333	23,281	22,830
Tin	LME	USD per metric ton	25,120	30,959	34,631	38,808	43,214	41,086	39,376	36,395	35,133	34,546	32,458	32,075
Zinc	LME	USD per metric ton	2,749	2,913	2,991	3,362	3,736	3,941	3,735	3,544	3,430	3,327	3,173	3,098
Cobalt	LME	USD per metric ton	46,024	45,868	51,673	61,760	74,418	81,185	76,611	73,744	70,388	71,221	74,994	74,357
Molybdenum	NW EUR	USD per metric ton	23,613	30,114	42,809	43,135	42,359	-	-	-	-	-	-	-
Steel (EUR)	HRC EUR	USD per metric ton	851	1,212	1,351	1,131	1,154	1,150	1,040	1,035	-	-	-	-
Steel (USA)	HRC USA	USD per metric ton	1,174	1,526	1,873	1,742	1,215	1,485	1,200	1,050	945	883	845	833

Source:

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THANK YOU

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