



In this week's Highlights, Ryan Grabinski believes a "V" shaped bottom in the U.S. is unlikely and trade is at an impasse for now but markets remain risk on.



Ryan Grabinski  
Equity Strategist

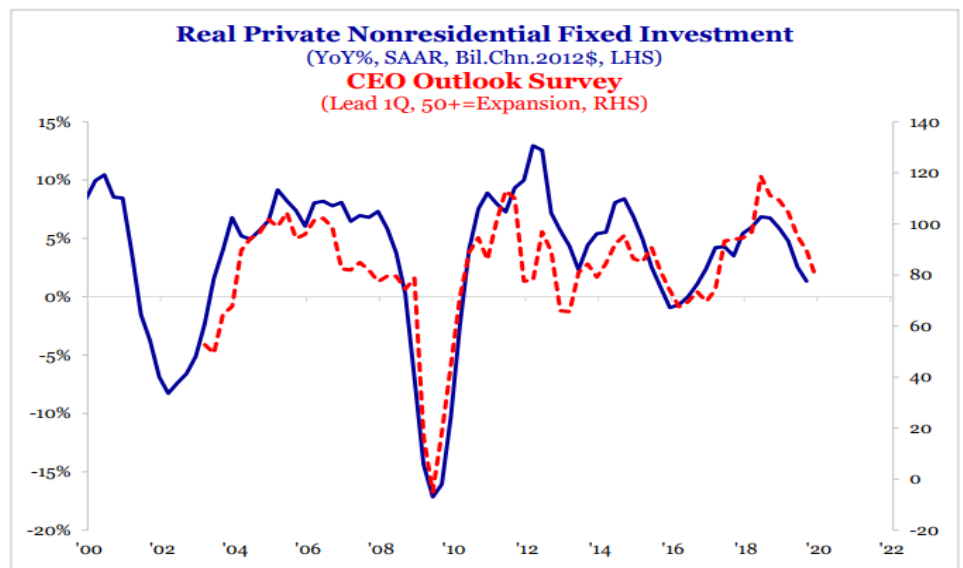
[rgrabinski@strategasrp.com](mailto:rgrabinski@strategasrp.com)

### Not Looking Like A "V" Shaped Bottom For the U.S. Economy

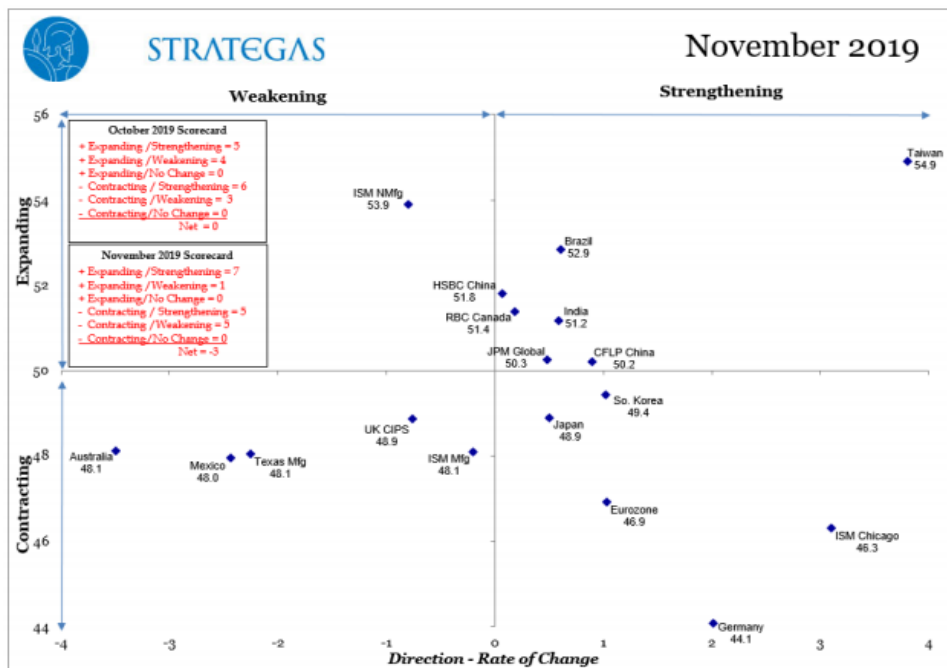
- The Fed has cut rates 3 times in 2019, but wants to pause in December. There have been some modestly encouraging signs in the global economy from countries such as Germany and China (eg, the Caixin PMI) recently. However, as we continue to monitor the incoming U.S. data, we see an economy that is still slowing.



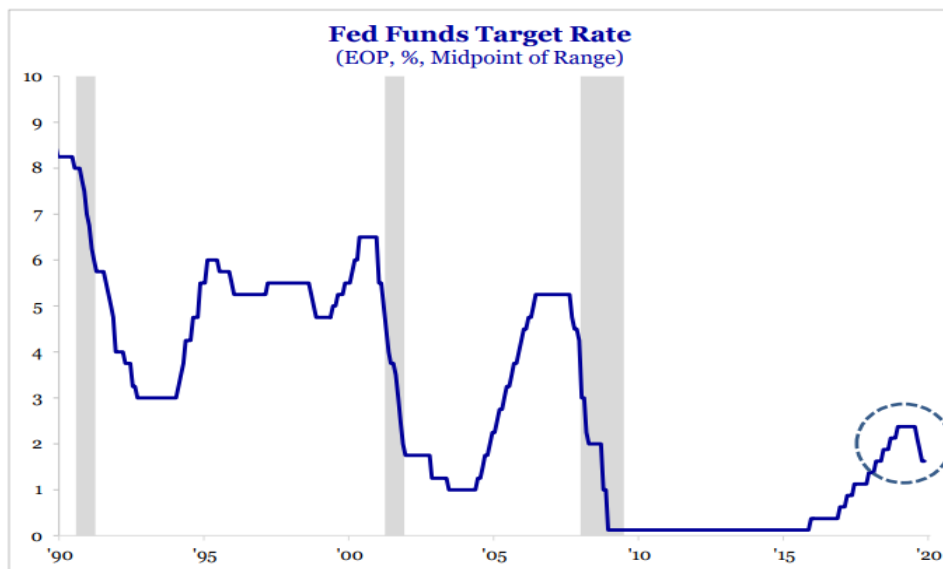
- Also, remains difficult to see a "V" bounce in investment.



- In November, we saw a global economy that continued to slow but gave some encouragement that we are at/near a bottom. Of the eighteen indexes we monitor, ten were contractionary and eight were expansionary with seven of those eight strengthening.



- As previously mentioned, December pause looks likely, but there is more room to go in 2020 if the fed needs it.

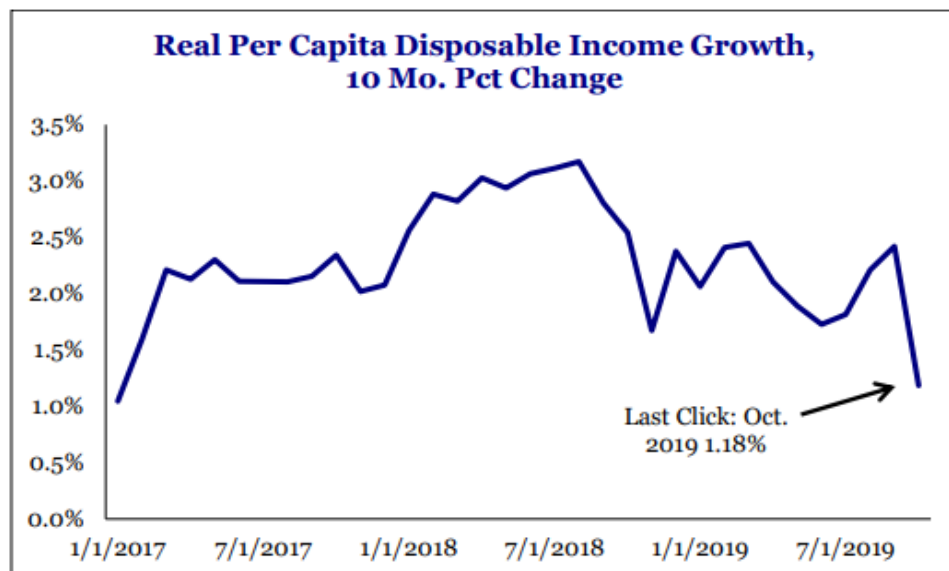


### Latest On Trade & Trump Reelection

- Most recently, we have not seen a big bounce in our China trade basket despite the news stories talking of trade progress.



- The best predictor of whether US presidents get re-elected is after-tax, after-inflation income. This economic indicator has worked linearly, with faster income growth tied to a larger share of the vote for presidents. Historically, presidents were reelected with 1.4 percent growth and Trump had been well over 2 percent for most of his presidency due to tax cuts, wage growth, and low oil prices. However, the data released last week showed a marked deceleration in the 10-month growth rate to 1.18 percent.



## Majority of Signs Point to a Risk-On Environment

- Our market balance sheet, which categorizes 16 building blocks of the market's strengths, remains unchanged at an elevated level.



- The markets are more vulnerable to accidents when fewer than 50% of stocks are above their 200-day averages. Currently the read is higher than 70%.



- The valuation premium of US equities to European equities is close to as wide as it was back in 2012, the last time the premium was sustained. To the extent to which Europe, given its dependence on net exports, was the biggest loser in the growing trade tensions between the U.S. and China, it should also have the most to gain should those tensions ease. This puts equity investors with a global mandate in the unenviable position of needing to increase their exposure to markets that are likely to continue to face a poor policy backdrop indefinitely.

<b>International Equity Risk Premia</b>			
<b>Country</b>	<b>Earnings Yield</b>	<b>Local 10-Year</b>	<b>Eq Risk Premium</b>
Austria	10.5%	-0.1%	10.6%
Spain	8.7%	0.4%	8.3%
Poland	9.8%	2.0%	7.8%
Germany	7.3%	-0.3%	7.6%
Italy	8.7%	1.3%	7.4%
United Kingdom	8.1%	0.7%	7.4%
Japan	7.1%	0.0%	7.1%
France	6.9%	0.0%	6.9%
Belgium	6.5%	0.0%	6.6%
Sweden	6.4%	0.0%	6.4%
Norway	7.7%	1.4%	6.3%
Switzerland	5.7%	-0.6%	6.3%
Finland	6.2%	-0.1%	6.3%
Singapore	8.0%	1.7%	6.3%
Netherlands	5.9%	-0.2%	6.1%
Portugal	6.4%	0.4%	6.0%
Ireland	6.0%	0.0%	6.0%
China	9.1%	3.2%	5.9%
Greece	7.4%	1.5%	5.9%
Hong Kong	7.1%	1.6%	5.5%
Canada	7.0%	1.5%	5.5%
Thailand	6.7%	1.5%	5.2%
Denmark	4.7%	-0.3%	5.0%
Australia	6.0%	1.1%	4.9%
<b>United States</b>	<b>5.5%</b>	<b>1.8%</b>	<b>3.8%</b>
New Zealand	3.5%	1.4%	2.1%
Philippines	6.5%	4.6%	1.9%
Mexico	7.6%	7.1%	0.5%
Indonesia	6.7%	7.1%	-0.4%
India	5.3%	6.5%	-1.2%

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