



Managing in an Uncertain Economy

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2018 Forecast Results

If you heard ITR around two years prior...

	Duration	Accuracy
US GDP	24	99.9%
US Ind. Production	34	99.4%
Europe Ind. Production	24	99.2%
Canada Ind. Production	27	97.1%
China Ind. Production	30	99.9%
Retail Sales	28	99.6%
Housing (Single Family Units)	26	99.2%
Employment (Private Sector)	30	99.4%

ITR Economics provides the best economic intelligence to reduce risk and drive practical and profitable business decisions.

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Macroeconomic Trends



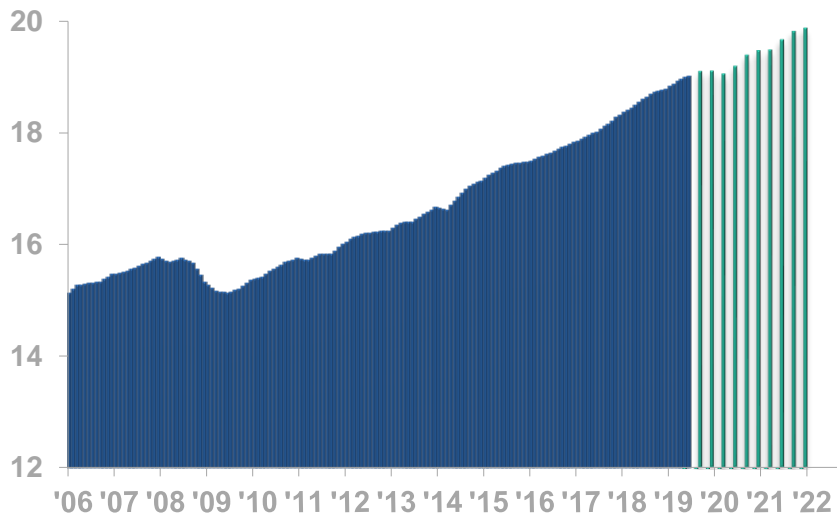
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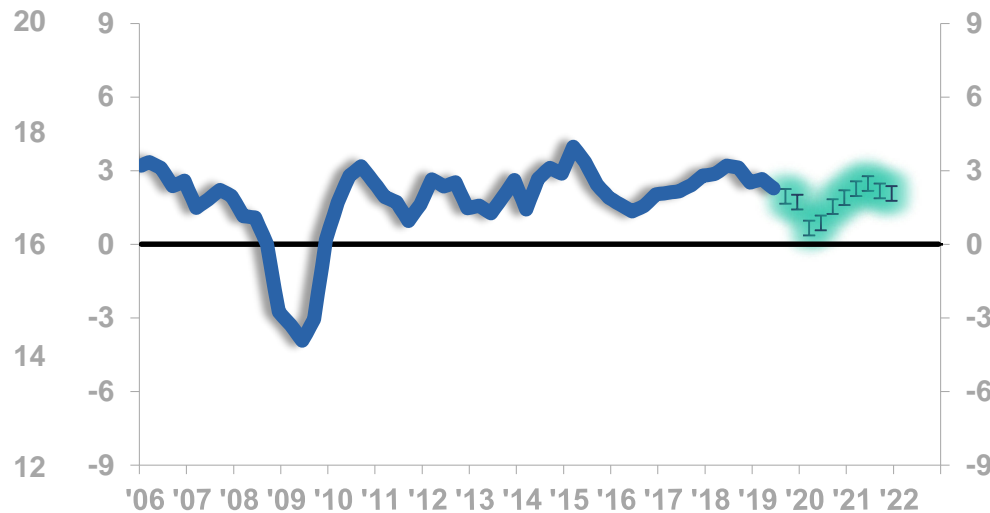
US Economy Stalls in 2019 and Into 2020

US Gross Domestic Product, SAAR, Chained 2012 \$

US Gross Domestic Product 3-Month Moving Average



Quarter-over-Quarter Growth Rate 3/12 Rate-of-Change



- Annual Trend \$19.0 trillion
- Phase: C
- Quarter-over-Quarter: 2.3%

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Outlook

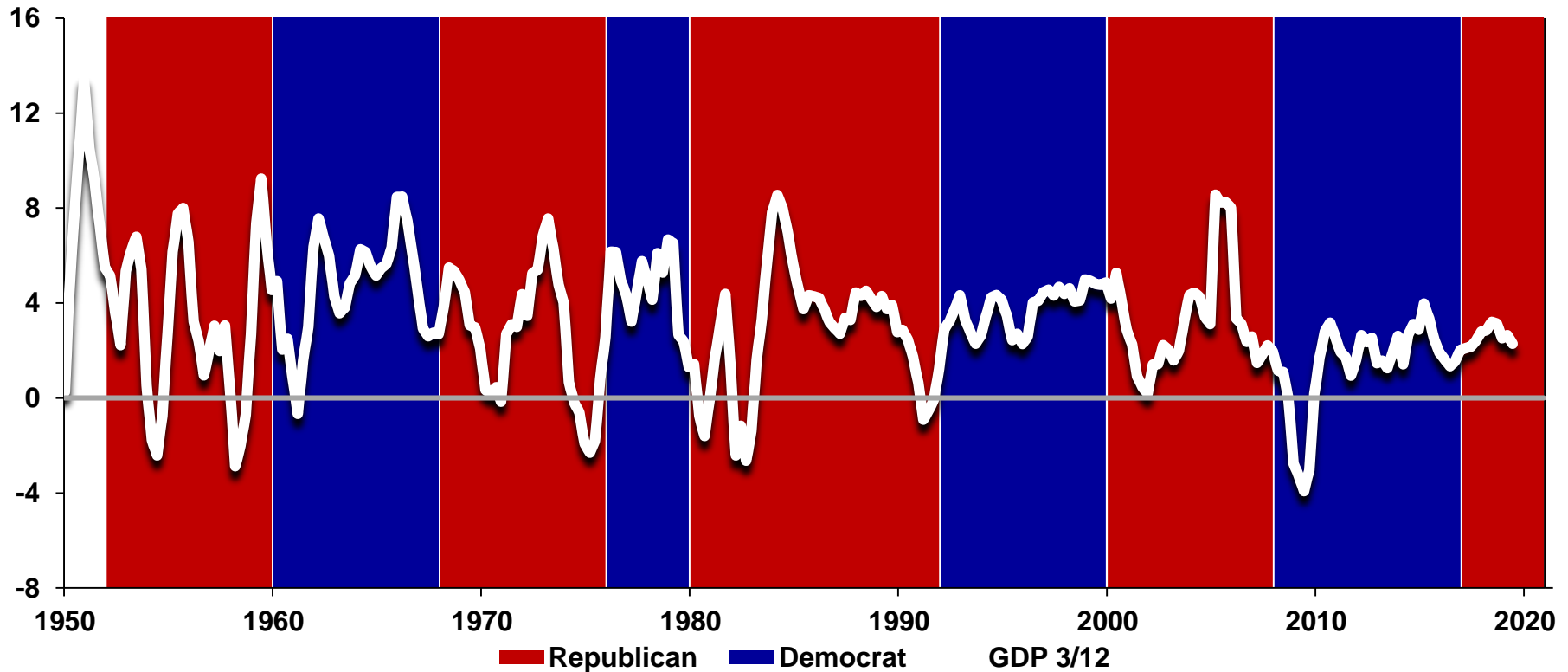
2019: 1.7%
2020: 1.9%
2021: 2.1%



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It's About the Business Cycle, not Politics

Real Gross Domestic Product

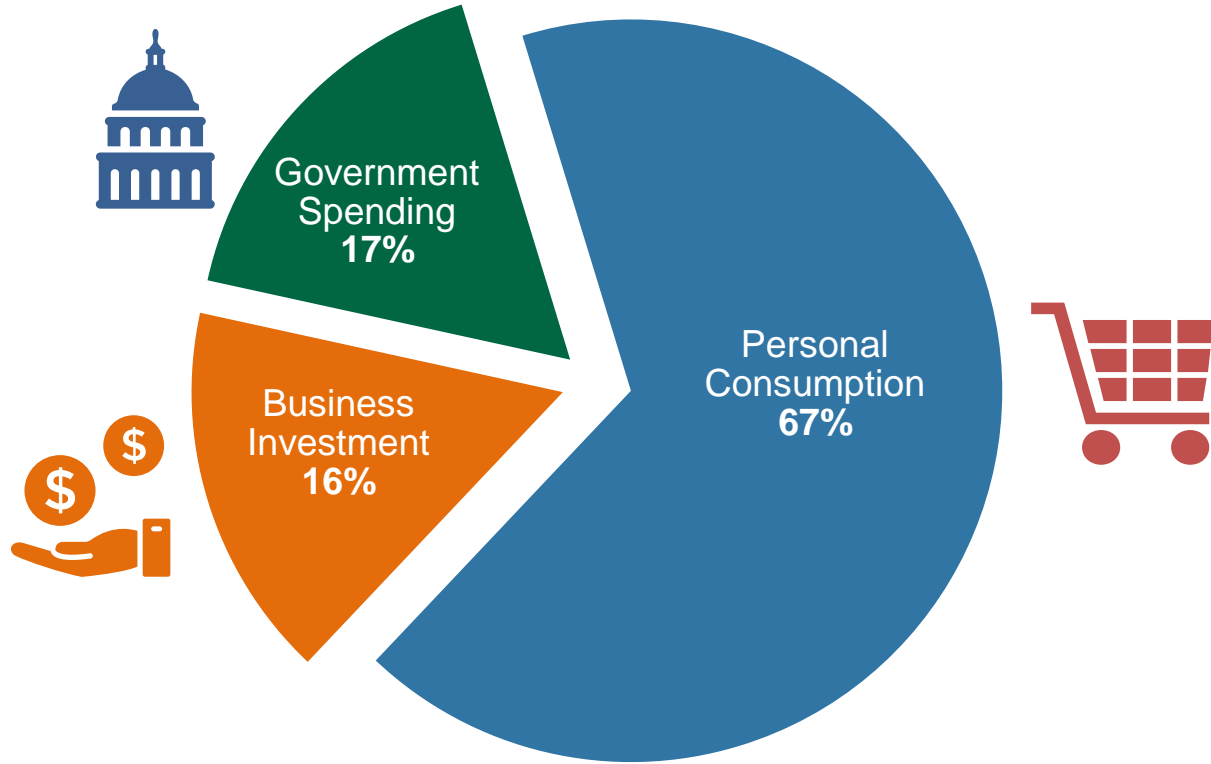


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3/12 Rate-of-Change

Source: BEA

US GDP by Consumption



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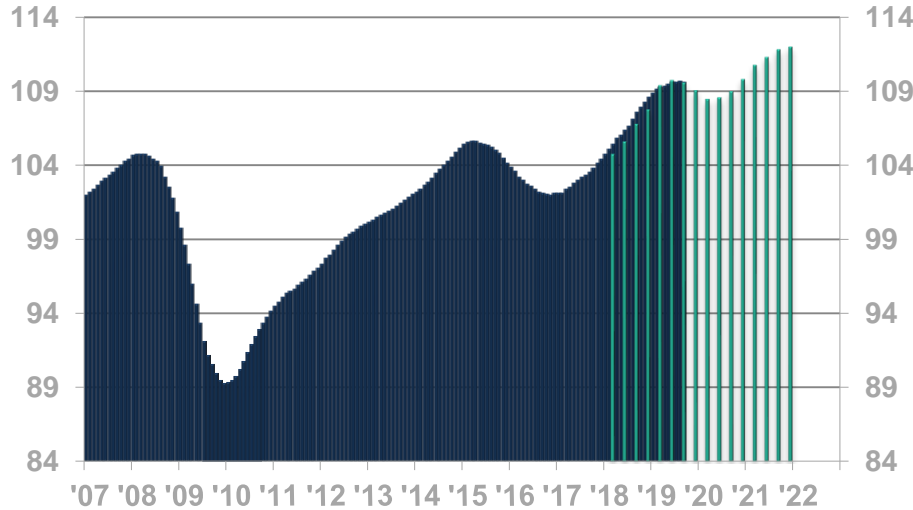
Percent

Sources: BEA, ITR Economics

Slowing Growth in 2019; Mild Recession in 2020

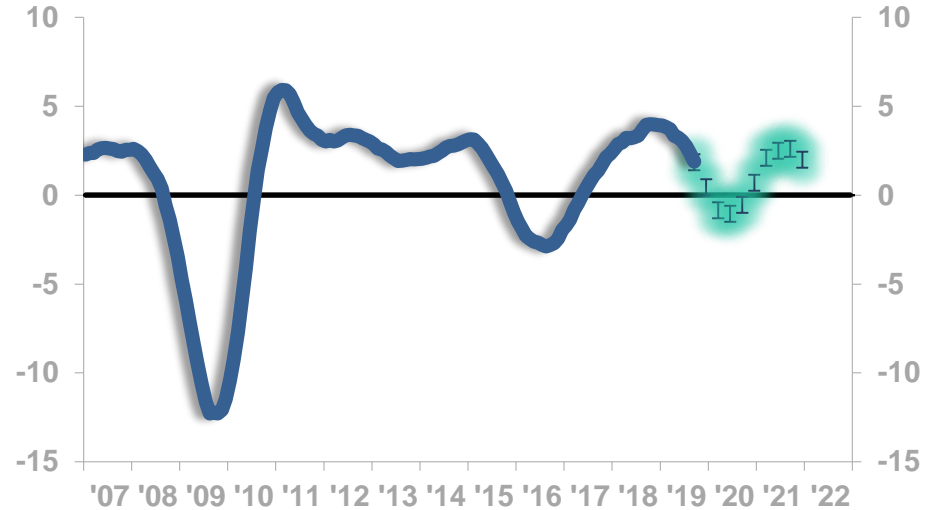
US Industrial Production Index

US Industrial Production Index 12-Month Moving Average



- Annual Trend: 109.6
- Phase: C
- Year-over-Year: 1.9%

Year-over-Year Growth Rate 12/12 Rate-of-Change



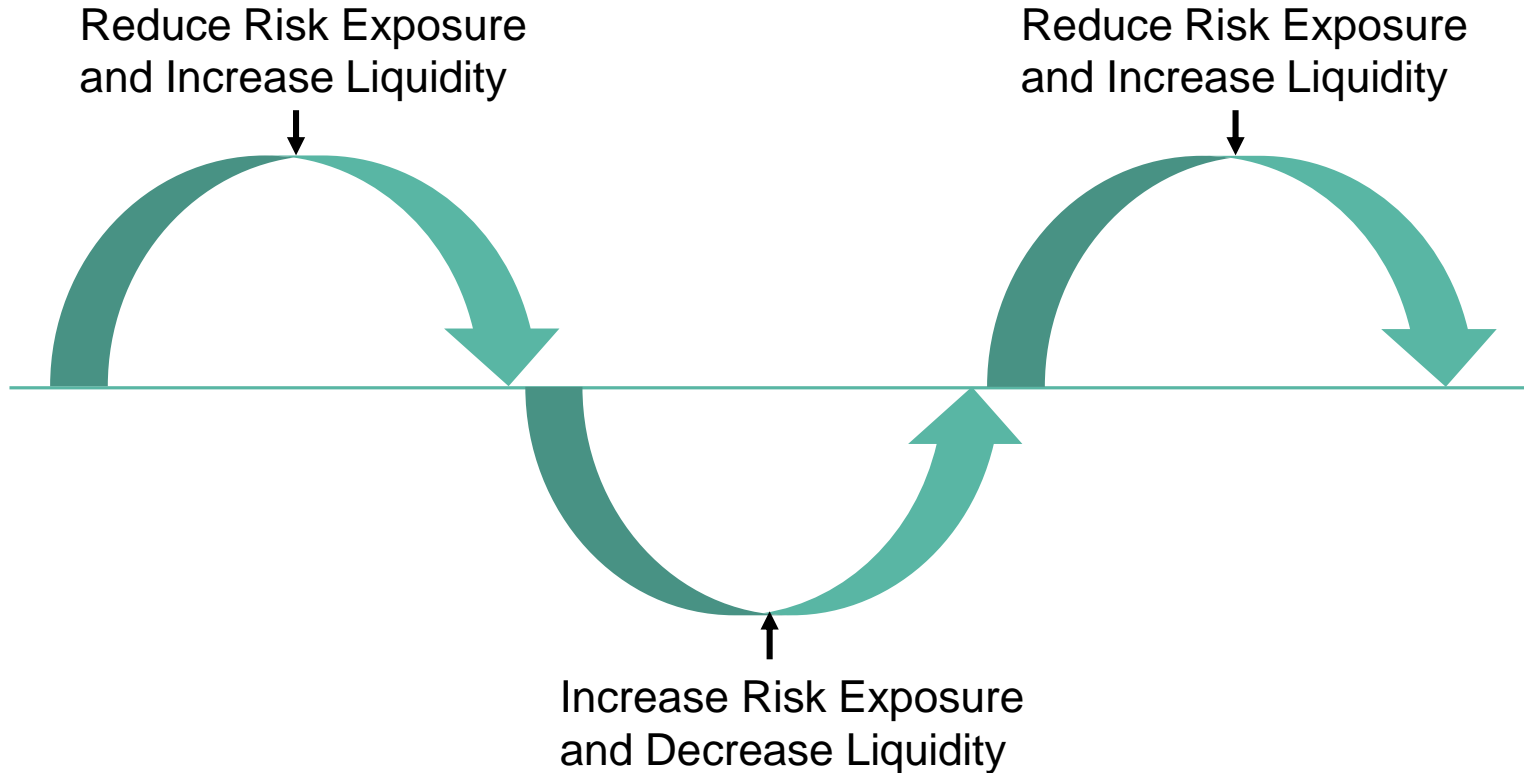
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2019: 0.5%
2020: 0.7%
2021: 2.0%



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Riding the Business Cycle





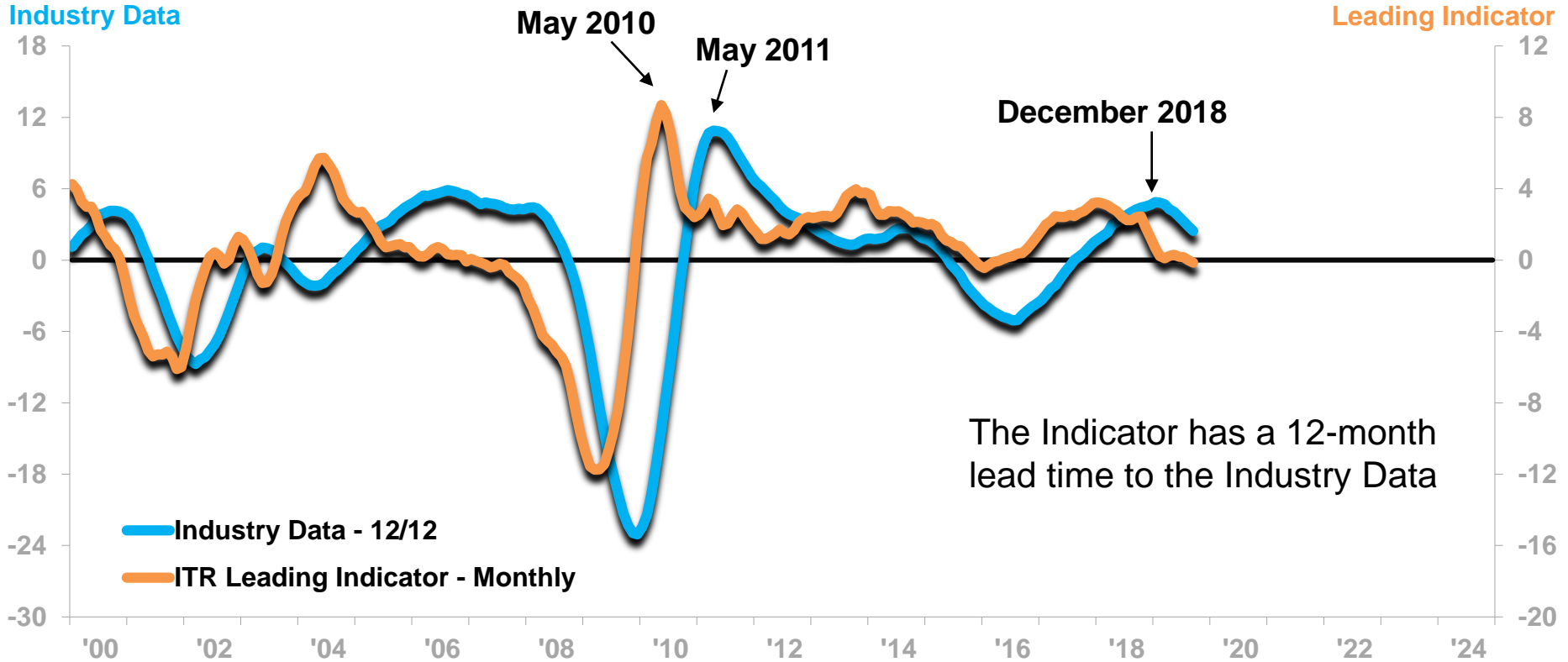
Leading Indicators System Approach



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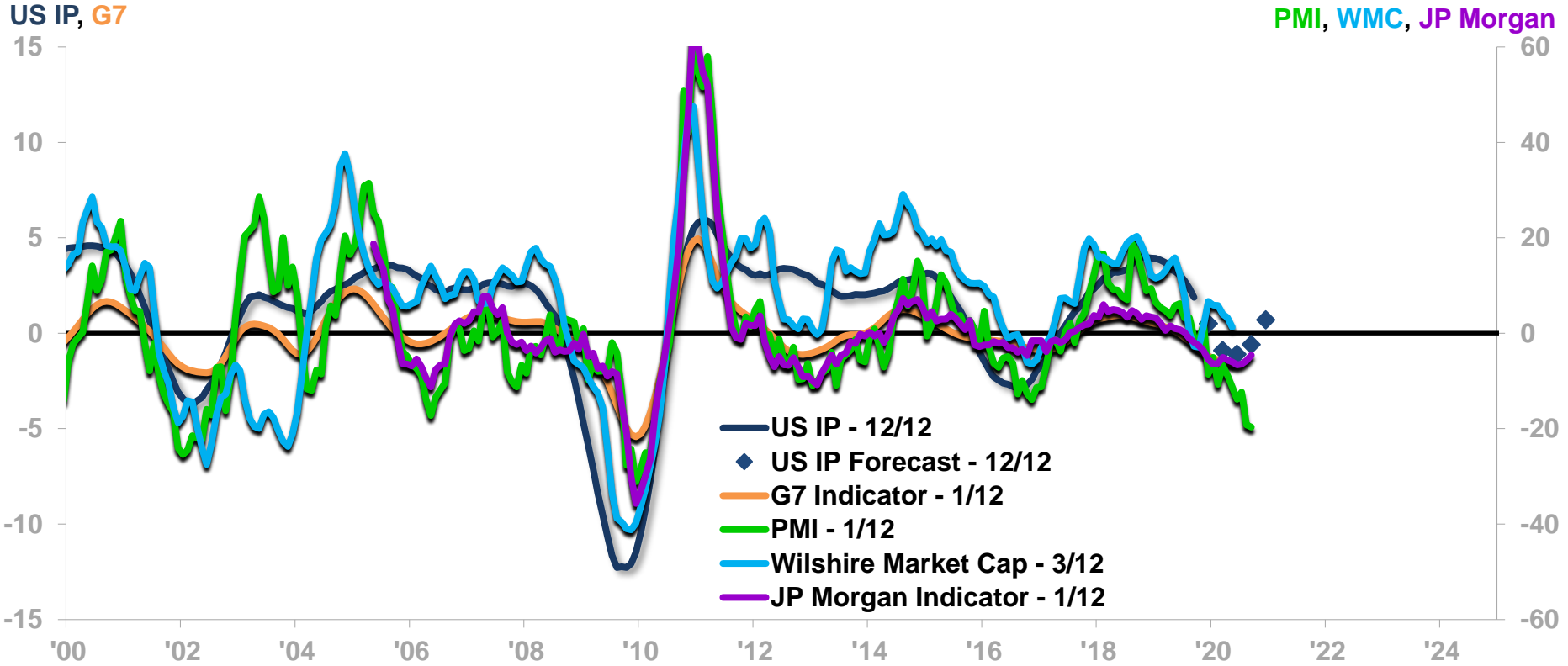
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How do Leading Indicators Work?



Leading Indicator System as a Powerful Tool

US Industrial Production Index to Various Leading Indicators

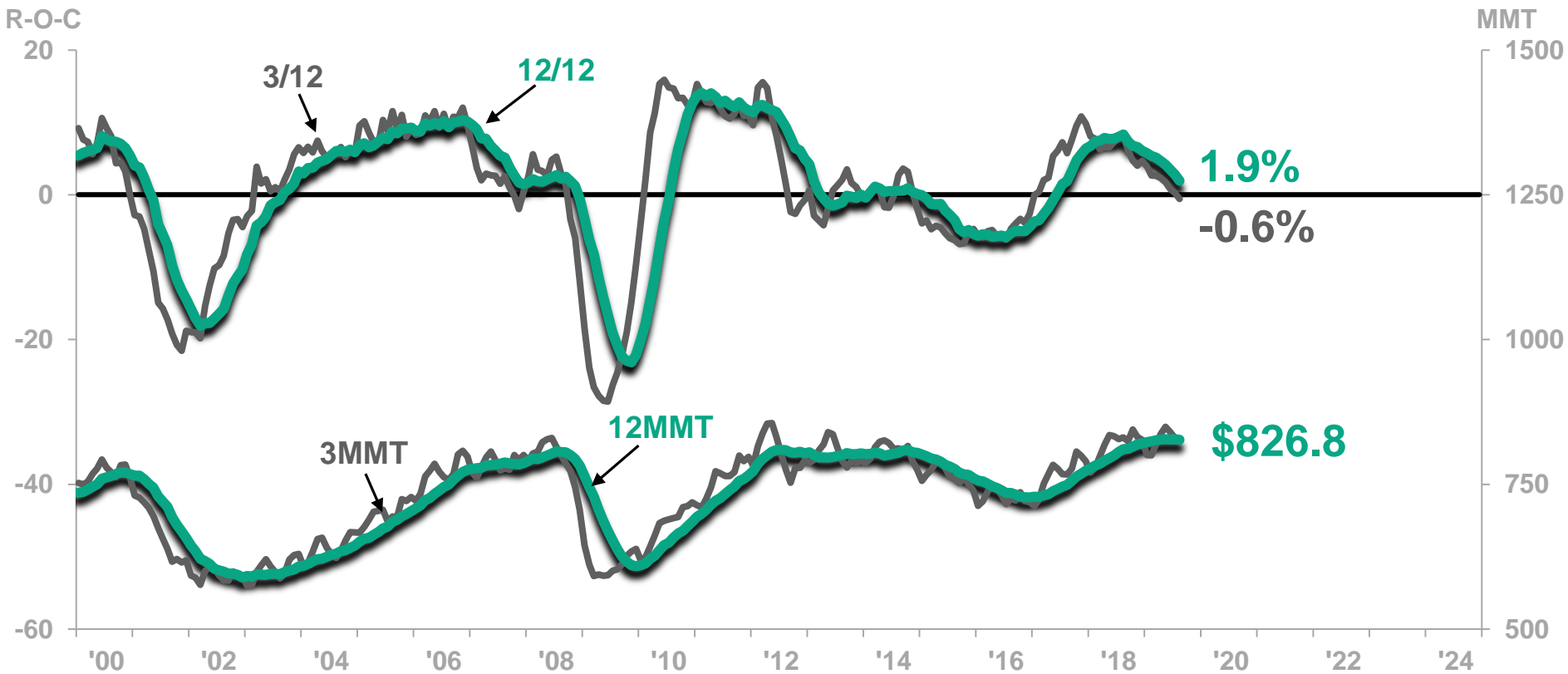


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Rates-of-Change

Slowing Rate of Rise in CAPEX Trend

US Nondefense Capital Goods New Orders w/o Aircraft



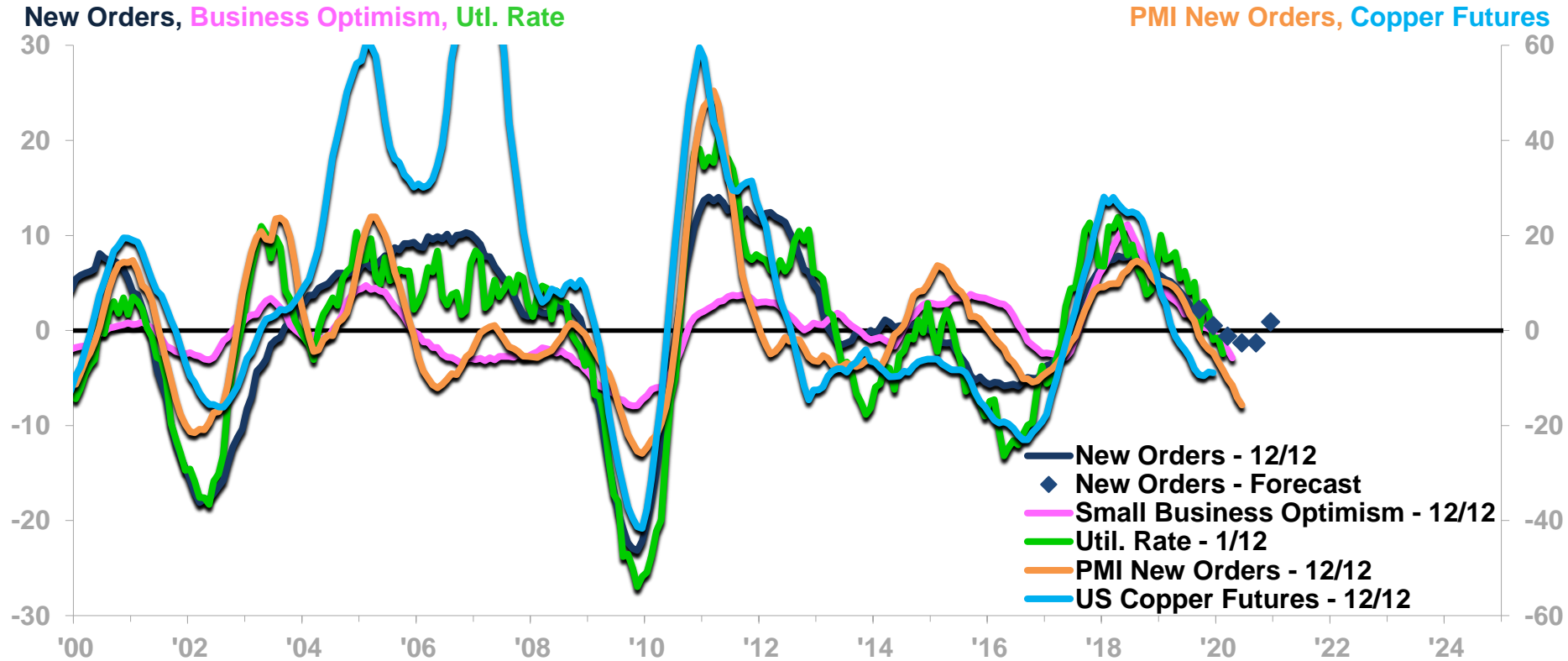
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Billions of Dollars

Source: Census Bureau

Leading Indicators Signal Business Cycle Decline for CAPEX

US Nondefense Capital Goods New Orders to Leading Indicators



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Rates-of-Change



Tariffs and Interest Rates

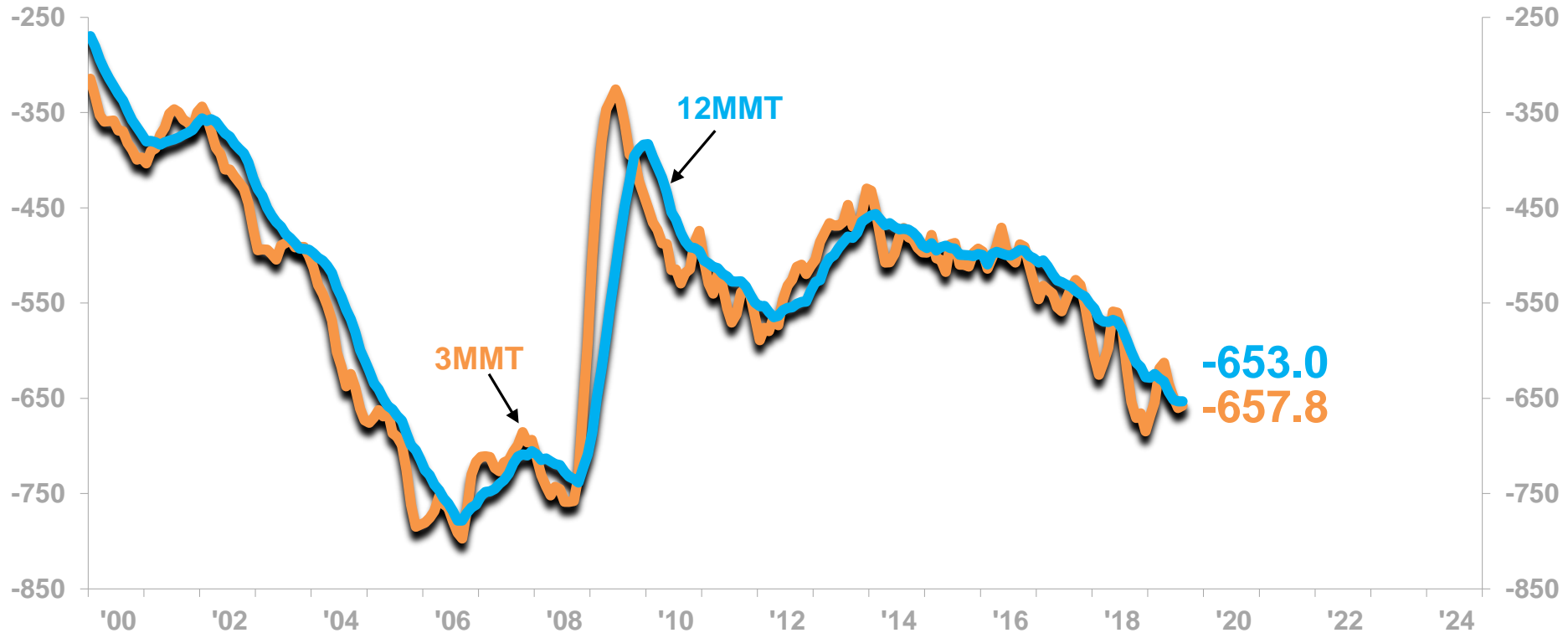


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Is the Current Trade Policy Having the Desired Effect?

US Trade Balance for Goods and Services

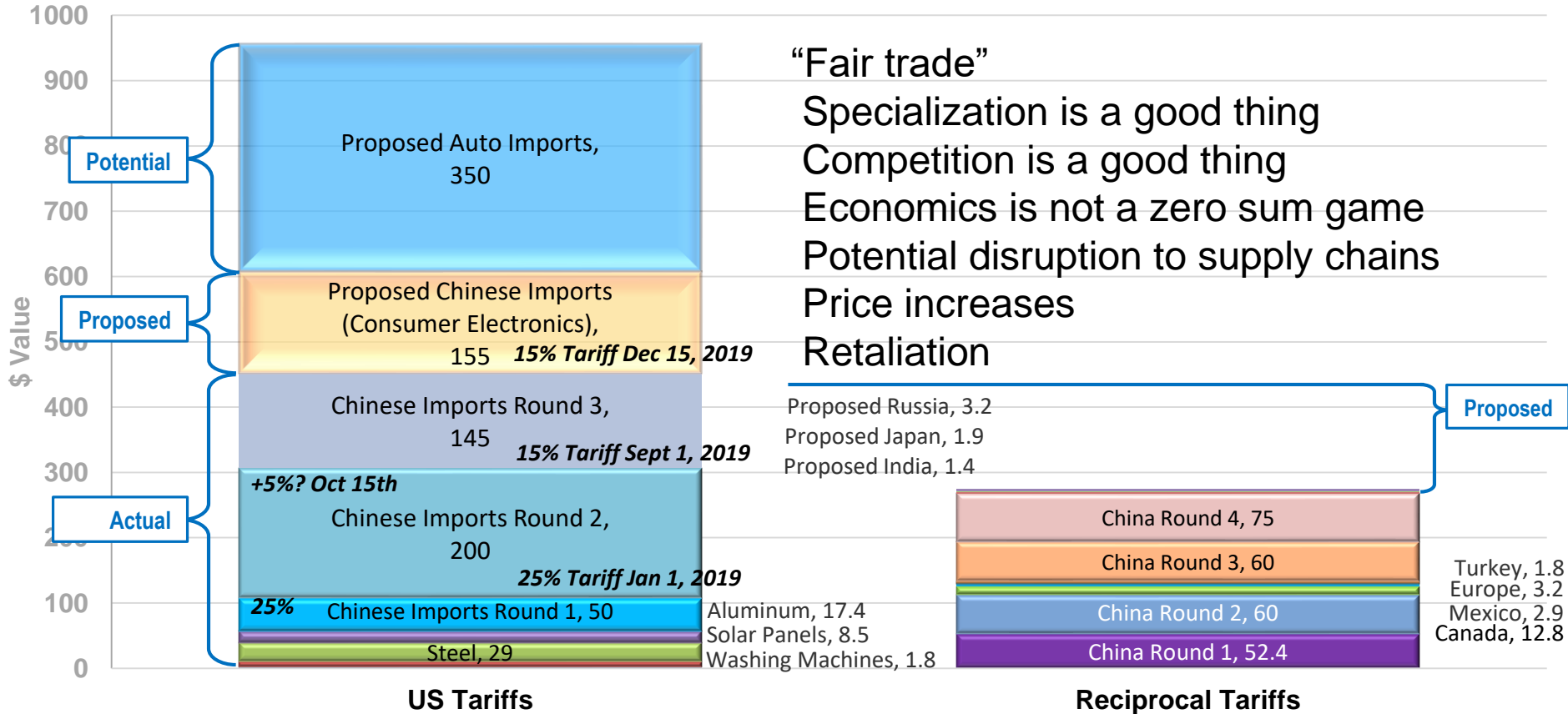


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Billions of Dollars

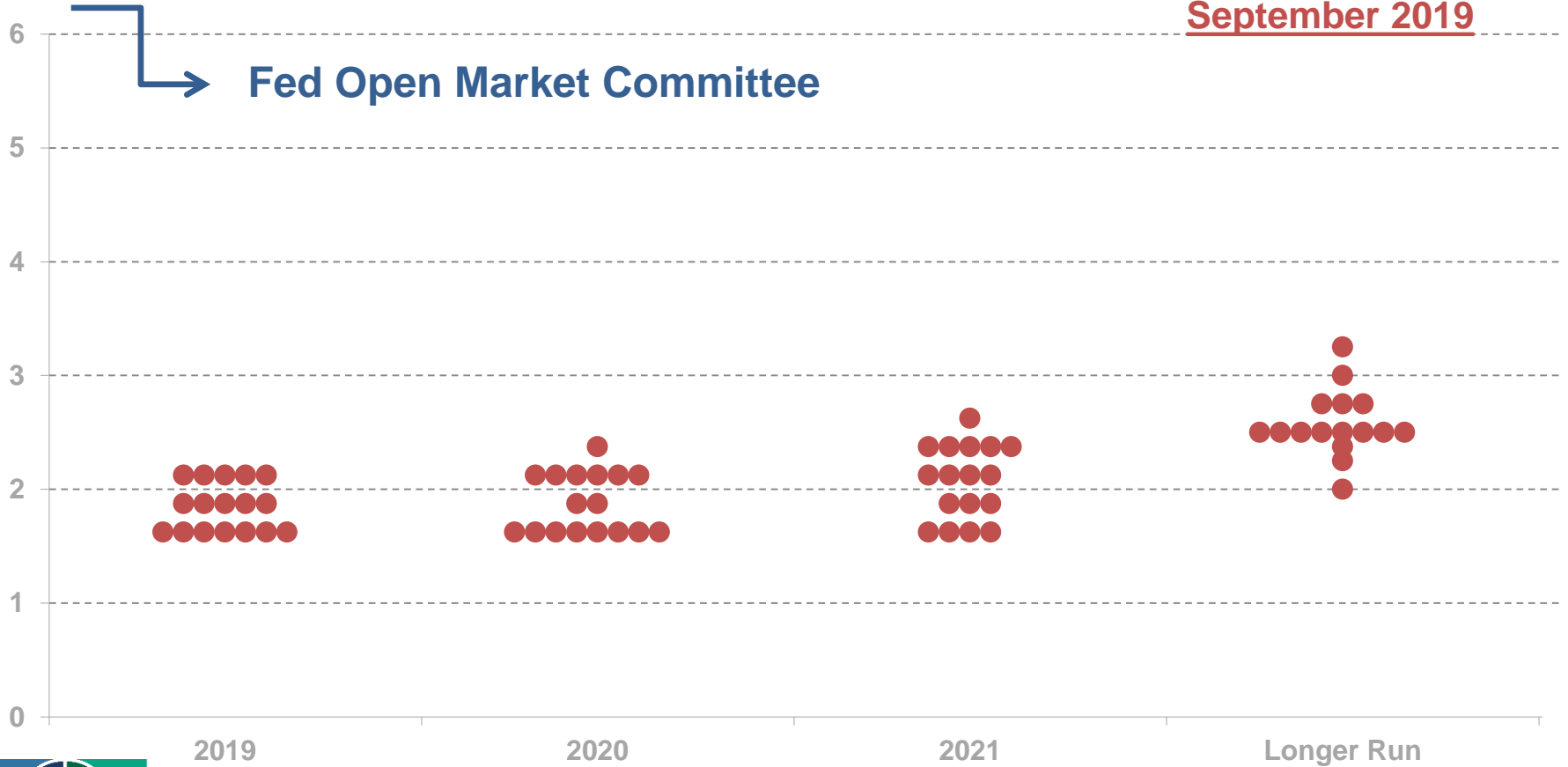
Source: US Census Bureau

Tariffs: There Will Be Winners and Losers



FOMC Member Interest Rate Projections

September 2019



2019

2020

2021

Longer Run

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Financial Indicators

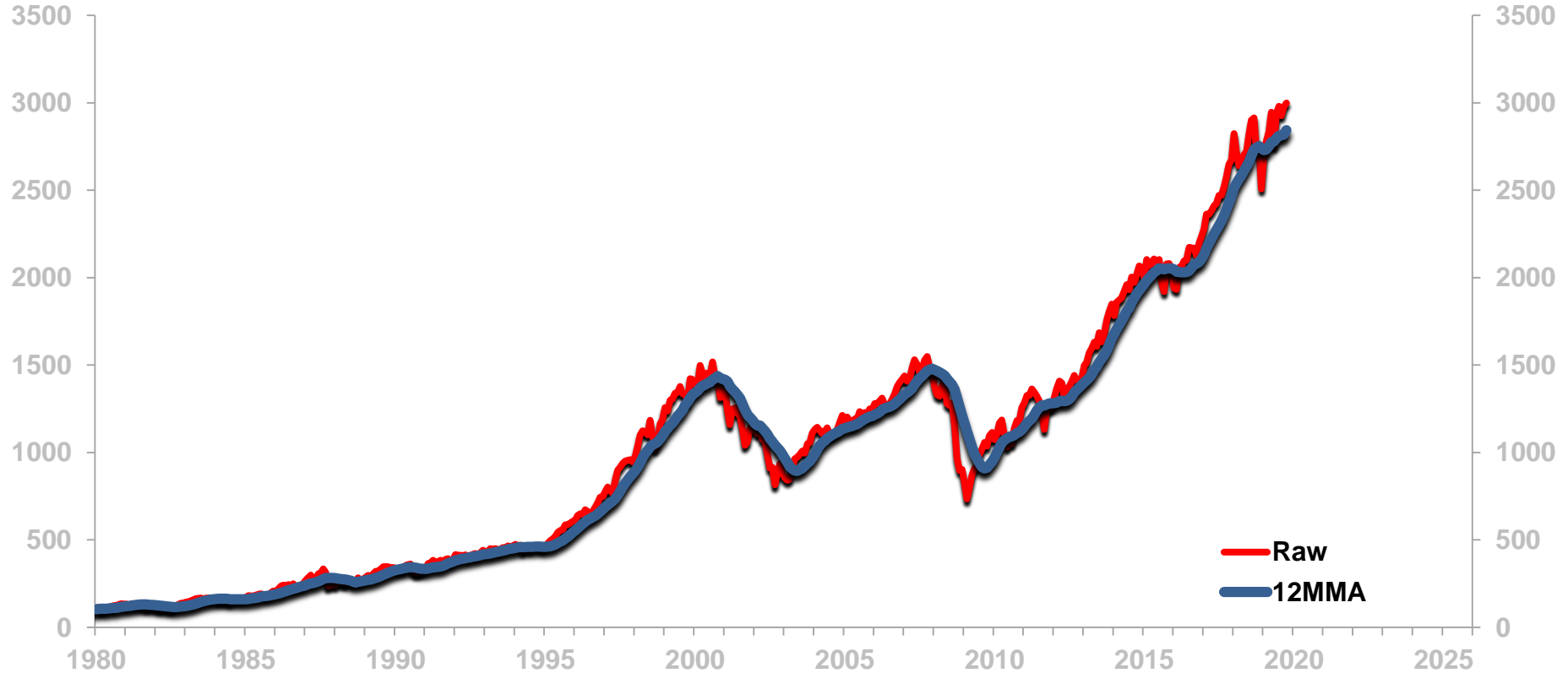


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Perilous Heights?

S&P500 Stock Prices Index



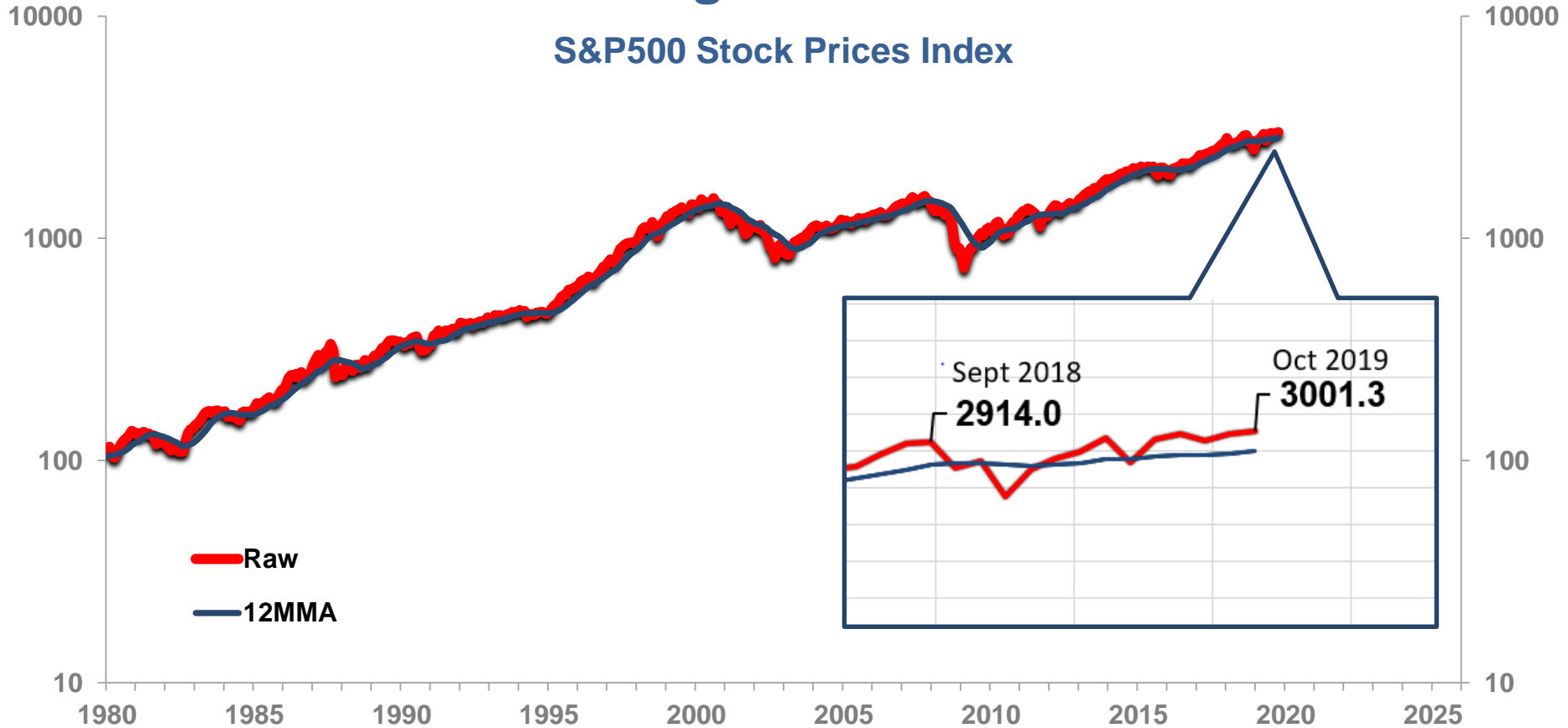
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Data Trends

Source: Wall Street Journal

Perilous Height Is Not the Issue

S&P500 Stock Prices Index

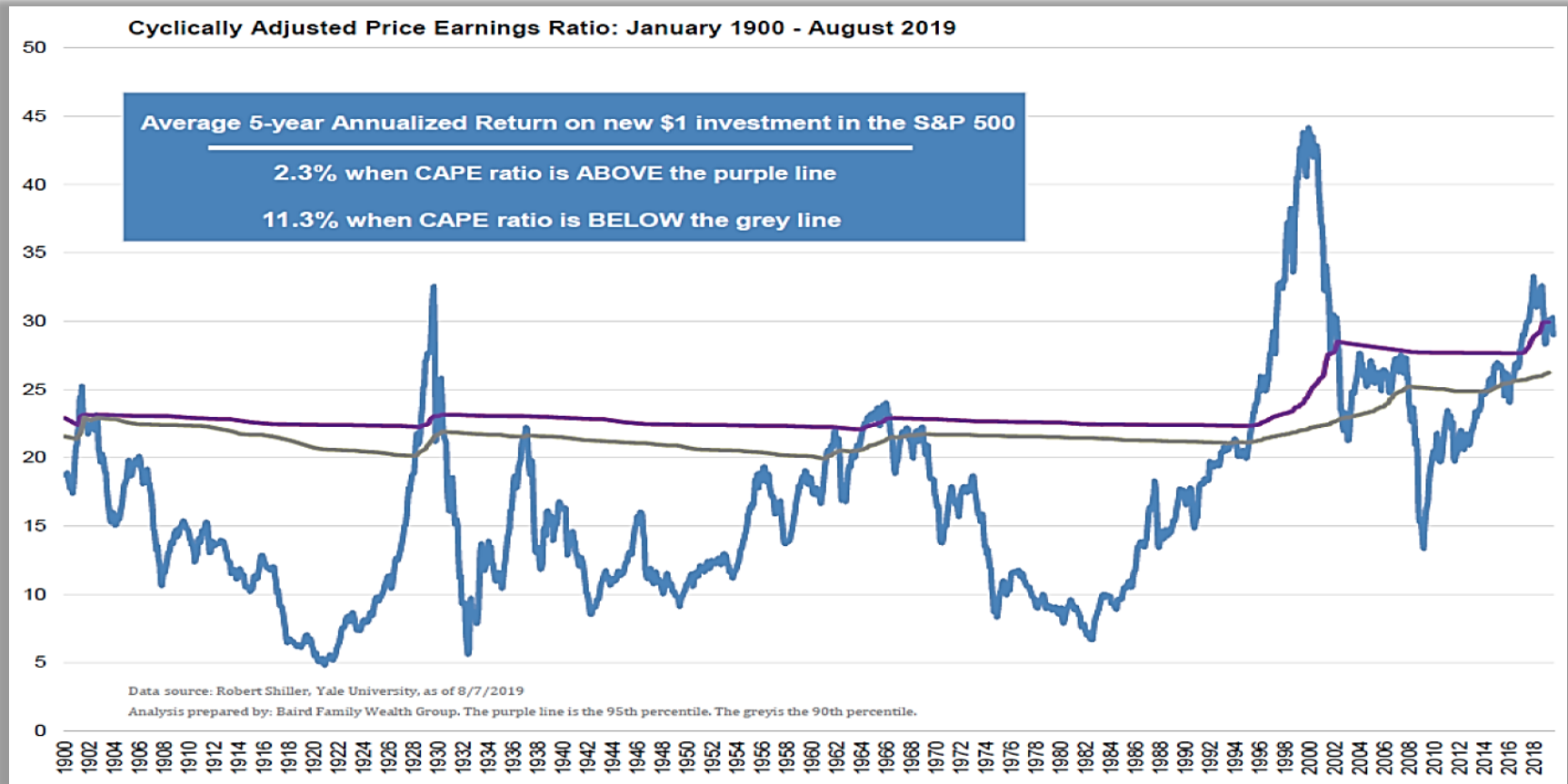


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Data Trends

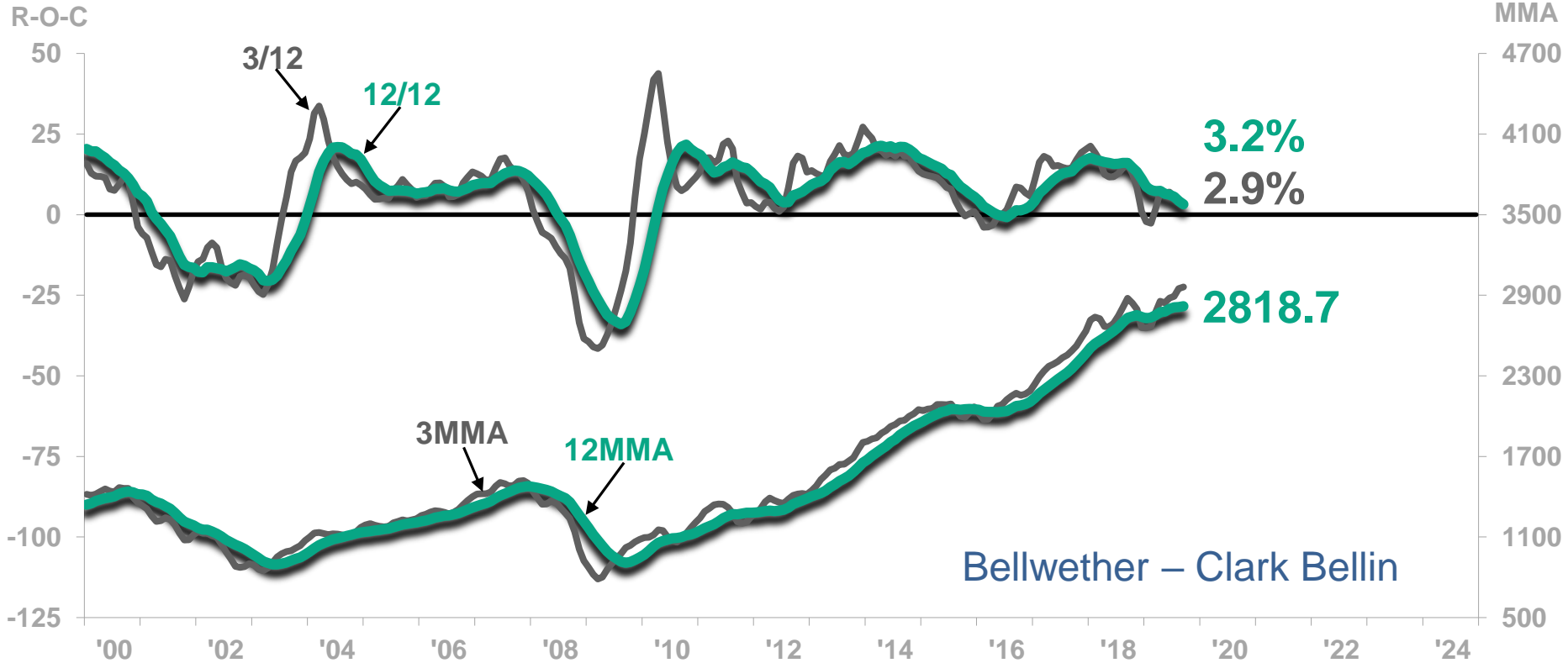
Source: Wall Street Journal

Valuations Matter



Cyclical Pressure Remains Negative

US Stock Prices Index



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1941-43=10

Source: Wall Street Journal



Construction Markets

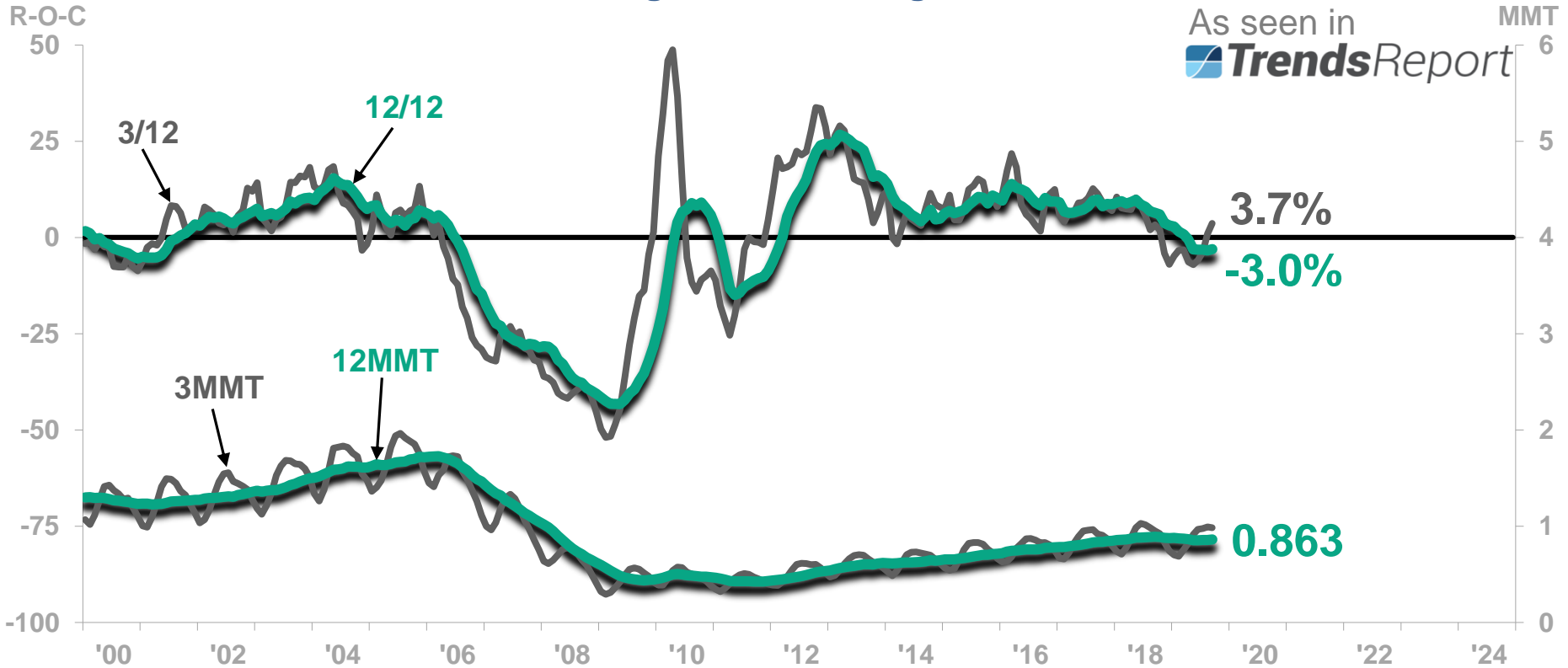


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General Rise with No Great Recession Cliff for Now

US Single Unit Housing Starts



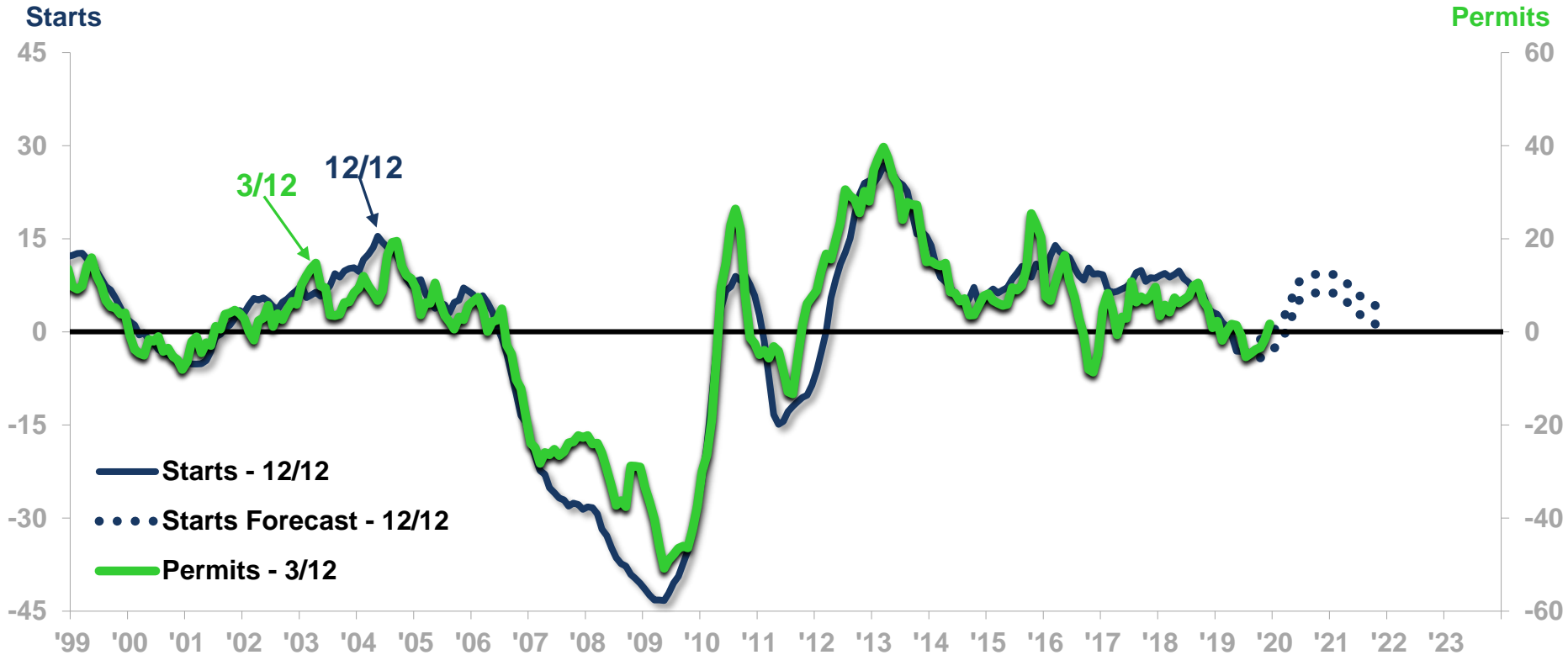
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Millions of Units

Source: Census Bureau

Leading the Traditional Leading Indicator

US Single-Unit Housing Starts to US Housing Unit Building Permits



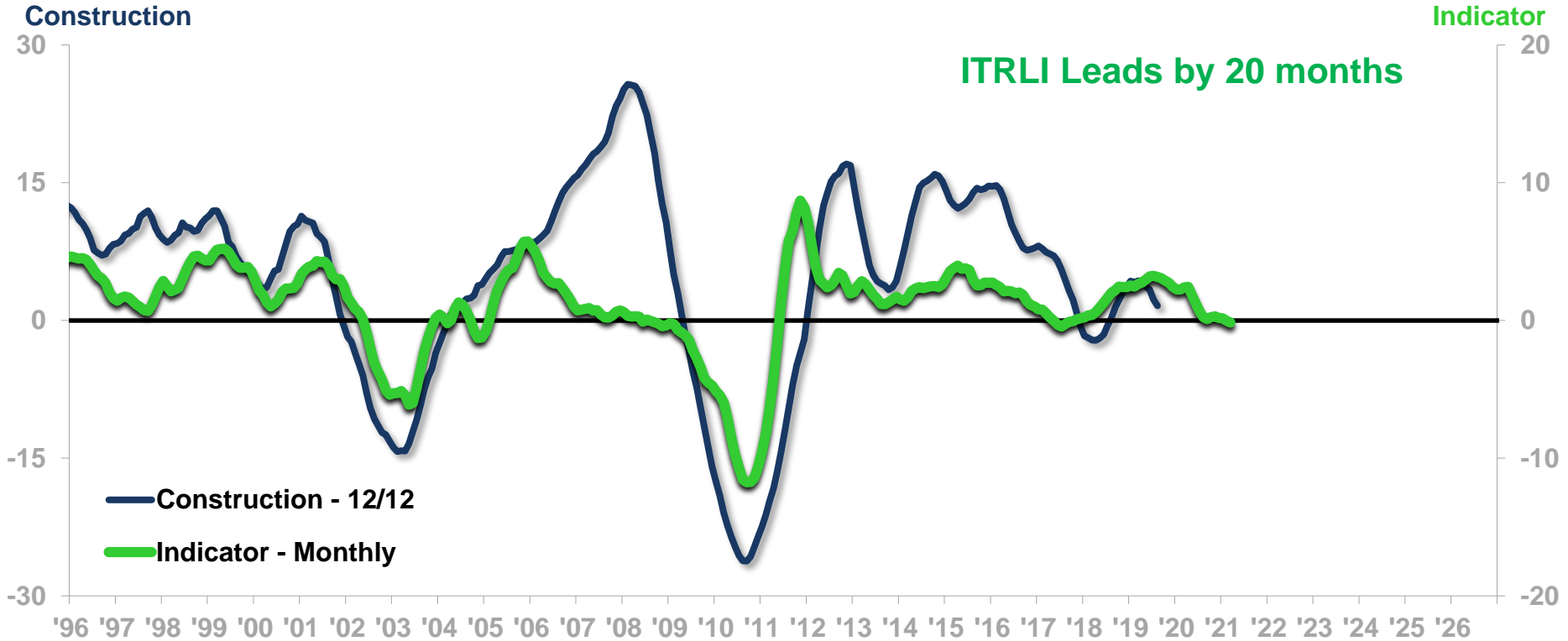
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Rates-of-Change

Sources: US Census Bureau

ITR's Leading Indicator Says Cyclical Decline in 2020

US Private Nonresidential Construction to ITR Leading Indicator



Summary



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The Road Ahead

It is important to know where you are relative to the general economic trend

2019 Decelerating growth through the rest of the year

2020 1H20 low point in the business cycle, growth in 2H20

2021 Growth

2022 Backside of the Business Cycle



5 Pieces of Actionable Advice for Phase C

1. Develop your rates-of-change so you will know when the trough is near
(Use the ITR Checking Points™)
2. Focus on the segments of the business that are the most profitable in Phase C
3. Trumpet your Phase C competitive advantages and start developing your message for the next phase (B or D, depending on your industry)
4. Cash Management for proper allocation and Inventory Control if applicable
5. Ask yourself what you shouldn't be doing? (resource management and diversion to more profitable parts of the company)



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