2020 Vision
The Longest US Expansion Ever

Source: BEA, CIBC
The Yield Curve

US 2Yr-3Mo Bond Yield Spread (%-Pts)

Source: Bloomberg, CIBC
Negative Yield Debt - Record High

Global Negative Yielding Debt (% of Total)

Source: Bloomberg, CIBC
Interest Rate Cuts Haven’t Worked (L)
Eurozone Needs Germany to Take the Brake Off Debt (R)

German 10Y Yield (L)
German HH Savings Rate (R)

EZ Fiscal Stimulus/Drag (%-GDP)

CIBC base case - Debt Limit deficit in 2020, higher in 2021
+Germany Allows Debt-Brake Limit Deficit by 2021
Current Policy

Source: Eurostat, European Commission, IMF, CIBC
Global Trade Recession (L)
Bump in Q3 Largely Due to China Front Running Tariffs (R)

Source: CBP, CIBC
Triple Dipping

- Fed Cutting
- Government Spending
- Trump Type Deal with China
...My only question is, who is our bigger enemy, Jay Powell or Chairman Xi?
7:57 AM - 23 Aug 2019

...The USA should always be paying the the lowest rate. No Inflation! It is only the naïveté of Jay Powell and the Federal Reserve that doesn’t allow us to do what other countries are already doing. A once in a lifetime opportunity that we are missing because of “Boneheads.”
3:42 AM - 11 Sep 2019
“We cannot continue to allow China to rape our country, and that’s what they’re doing.”

“Jade can be polished by stones from other hills.”
US, Mexico, Israel, Chile, Costa Rica, Iceland, Liechtenstein, Norway, Switzerland, Peru, Colombia, Jordan, Panama, Honduras, South Korea, Ukraine, UK, Germany, France, Italy, Sweden, Poland, Romania, Spain, Netherlands, Denmark, Croatia, Bulgaria, Ireland, Greece, Czechia, Belgium, Finland, Hungary, Portugal, Austria, Malta, Luxembourg, Lithuania, Cyprus, Slovenia, Estonia, Latvia, Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, Vietnam.
New Tariffs Will Slow China More Than Desired (L)
Beijing Can’t Keep Up Pace of Fiscal Rescue (R)

China GDP (% Yr/Yr)

Target Range

Current Rate (Q2)  Minus Impact of new and higher tarriffs

General Government Cyclically Adjusted Balance (% GDP)

Source: National Statistics Agencies, Bloomberg, CIBC
Why The US Pushed For A Deal: Consumer Impacts

TRUMP'S 2018 CHINA TARIFFS ($250 B)

- Intermediate Goods: 53%
- Capital Goods: 42%
- Others: 4%
- Consumer Goods: 1%

**Tariff Round 1: $50 Billion**

TRUMP'S 2019 CHINA TARIFFS ($295 B)

- Intermediate Goods: 50%
- Capital Goods: 44%
- Others: 1%
- Consumer Goods: 15%

**Tariff Round 3: $295 Billion**

**Tariff Rate**: 15%

Source: PIIE, CIBC Equity Research
12 of Canada’s Top 15 Export Categories to China At Risk From Phase One Deal

Avg. 2017-19 Canadian Exports to China (Bn of $)*

*Red Bars Indicate Inclusion in Phase One Deal

Source: Statistics Canada, CIBC
Consumption Has Slowed to Levels That Have Previously Been Associated With Rate Cuts

Source: Statistics Canada, CIBC
2020 Canadian Fiscal Stimulus in Context

Maximum Fiscal Stimulus (and Year) as % national GDP

- China (2015)
- Canada (2017)
- EZ (2019)
- Canada 2020F

*Historic data based on change in IMF cyclically adjusted general government.

Source: IMF, Government Publications, CIBC
Energy Has Driven Export Growth Since the Crisis (L); But Oil Production Growth is Set to Slow (R)

Real Export Volumes (1997 = 100)

Crude Oil Production Growth (%)

Source: Statistics Canada, Canada Energy Regulator, CIBC
Canada Lost Share When Oil Prices Fell, But Leakage Continues

Change in US Import Market Share (%pts)

Source: BEA, Census Bureau, CIBC
Housing Starts Recovered All Lost Ground

Housing Starts
(6-mo moving average)

Source: CMHC, CIBC

Growth (19Q1-19Q3)

Source: CMHC, CIBC
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