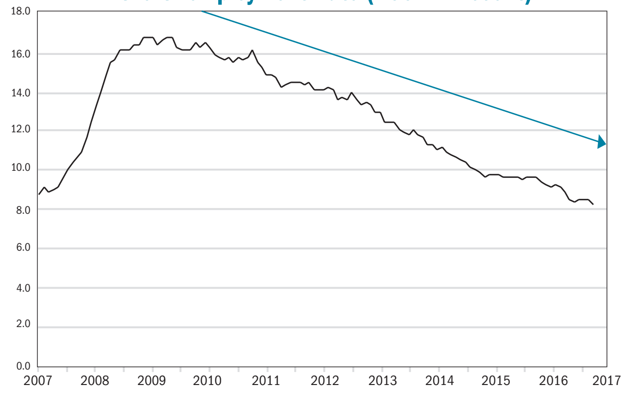
Jim Woods'
INTELLIGENCE REPORT®

Economic Analysis

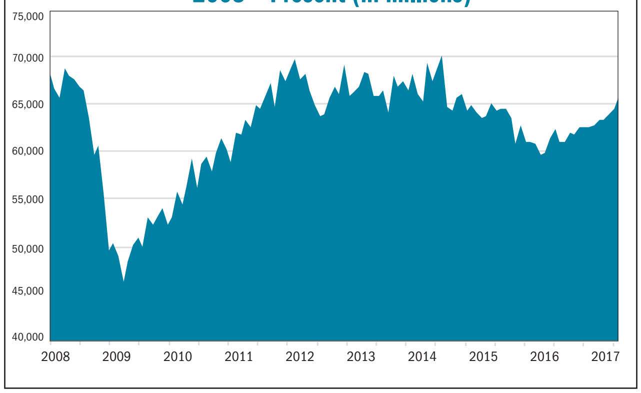
— REPORT —

U-6 Unemployment Rate (2007 - Present)



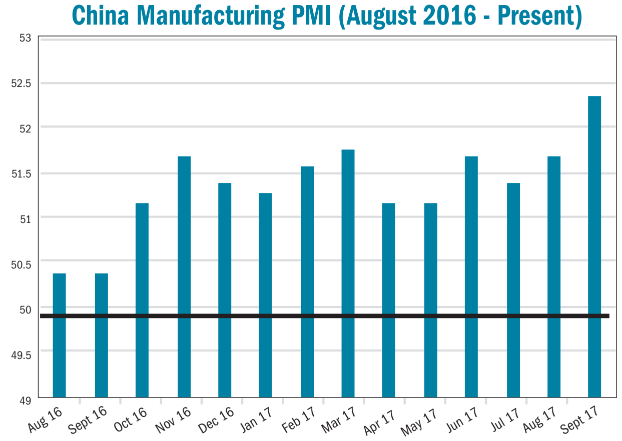
U-6 unemployment continues to grind relentlessly lower, as the U.S. economy is at full employment, and that will put pressure on inflation. It also will put pressure on the Fed to raise rates.

New Orders for Non-Defense Capital Goods ex-Aircraft 2008 – Present (in millions)



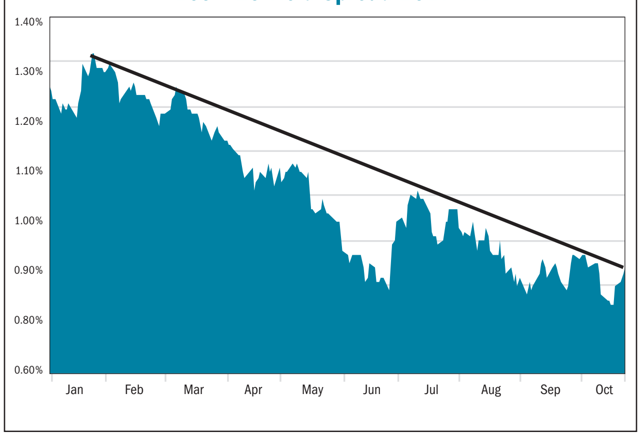
New Orders for Non-Defense Capital Goods ex-Aircraft is the best measure of business spending, and the trend there is higher, which is positive for the U.S. economy.

China Manufacturing PMI (August 2016 - Present)



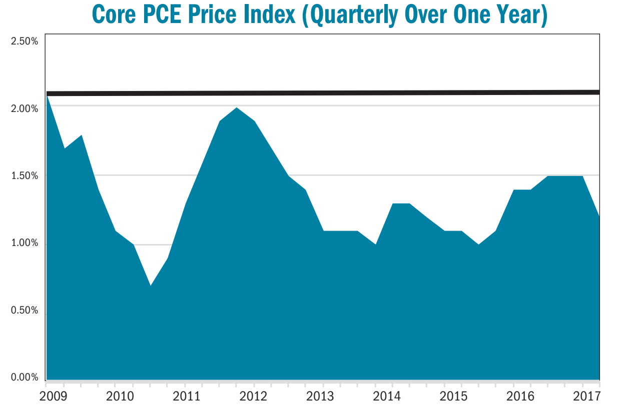
The uptick in growth is global, as Chinese economic activity is accelerating, which also is a positive for global stocks.

10s – 2s Yield Spread 2017 YTD



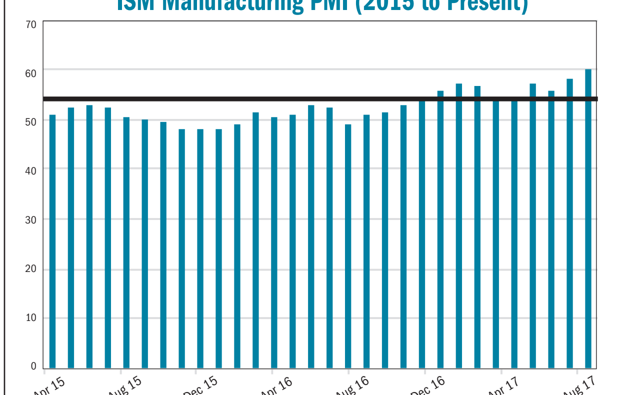
After hitting fresh 2017 lows, the yield curve has started to steepen, and that needs to continue if we are going to see materially higher stock prices.

Core PCE Price Index (Quarterly Over One Year)



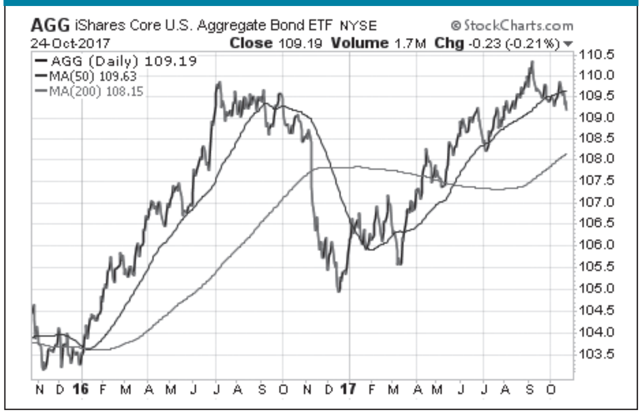
The missing piece of this "economic reflation" remains an increase in inflation metrics. However, if inflation does start to accelerate, bond yields will rise… and quickly.

ISM Manufacturing PMI (2015 to Present)



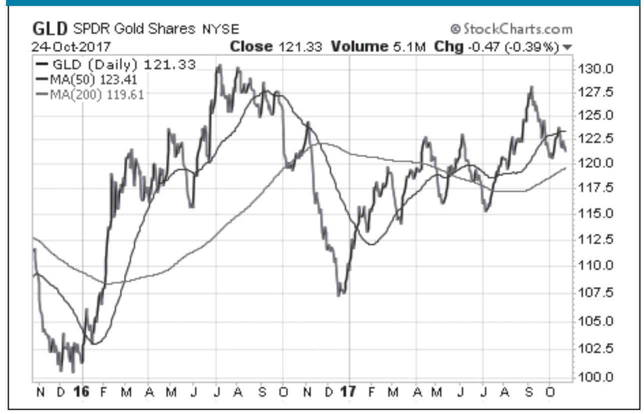
The ISM Manufacturing PMI shows that economic data in the United States is accelerating, and that is a tailwind pushing equity prices higher.

iShares Core U.S. Aggregate Bond ETF (AGG)



Bonds are at a potential tipping point, and the 2017 uptrend appears to have been broken, as global central banks go from incrementally adding accommodation to incrementally removing it.

SPDR Gold Shares (GLD)



This is a dangerous time for gold as the dollar potentially is entering an uptrend. If we don't see an uptick in inflation, a move lower in gold potentially to support levels around $1,200 is likely.

S&P 500 Index ($SPX)

Despite domestic political noise on tax cuts, high valuations and the risk of an overdue correction, the trend in U.S. stocks remains definitively higher.

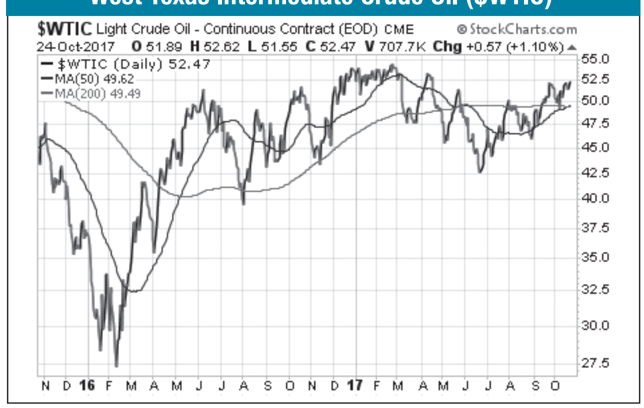
U.S. Dollar Index ($USD)

An important trend change has occurred in the greenback, and if the Dollar Index can hold 94.10, the trend will be decidedly higher. As long as economic growth continues to accelerate, the stronger dollar shouldn't hurt U.S. stocks. However, this is a potential headwind to watch.

Vanguard Total World Stock ETF (VT)

Despite the geopolitical noise, the simple fact is that the trend in global stocks is higher, as global equities recently have hit fresh highs.

West Texas Intermediate Crude Oil ($WTIC)



Oil prices are at six-month highs, reflecting an uptick in demand. This also should be read as a macroeconomic positive.

Data and chart analysis provided by Sevens Report Research, www.sevensreport.com.