

A background image of terraced rice fields in a misty, mountainous landscape. The fields are lush green and arranged in a series of steps that recede into the distance. A small wooden house is visible on one of the terraces. The overall atmosphere is serene and natural.

Blue Line Futures

Macro Corner

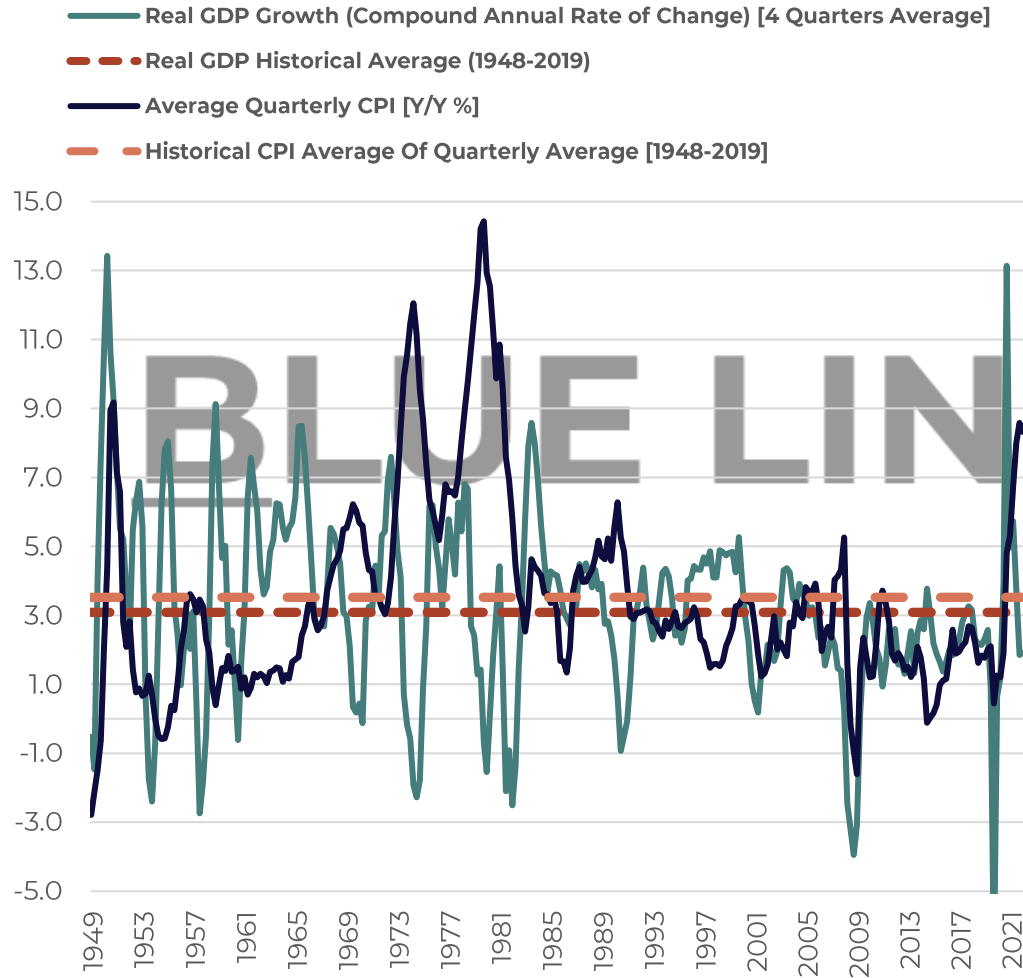
The Prospects For Future Growth

Episode 26

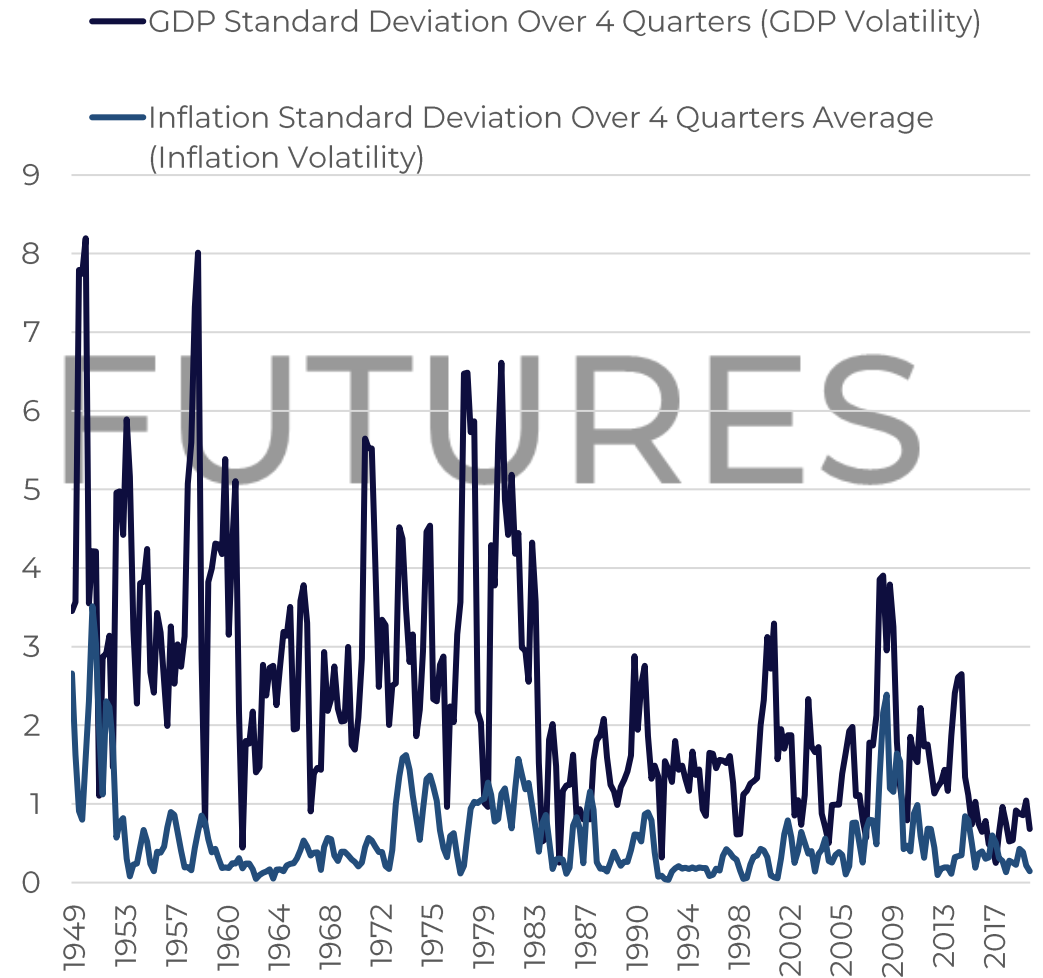
Paul Wankmueller, CMT & Jannis Meindl

The Goldilocks Scenario For Financial Markets

Financial markets love stable growth and inflation due to high predictability.



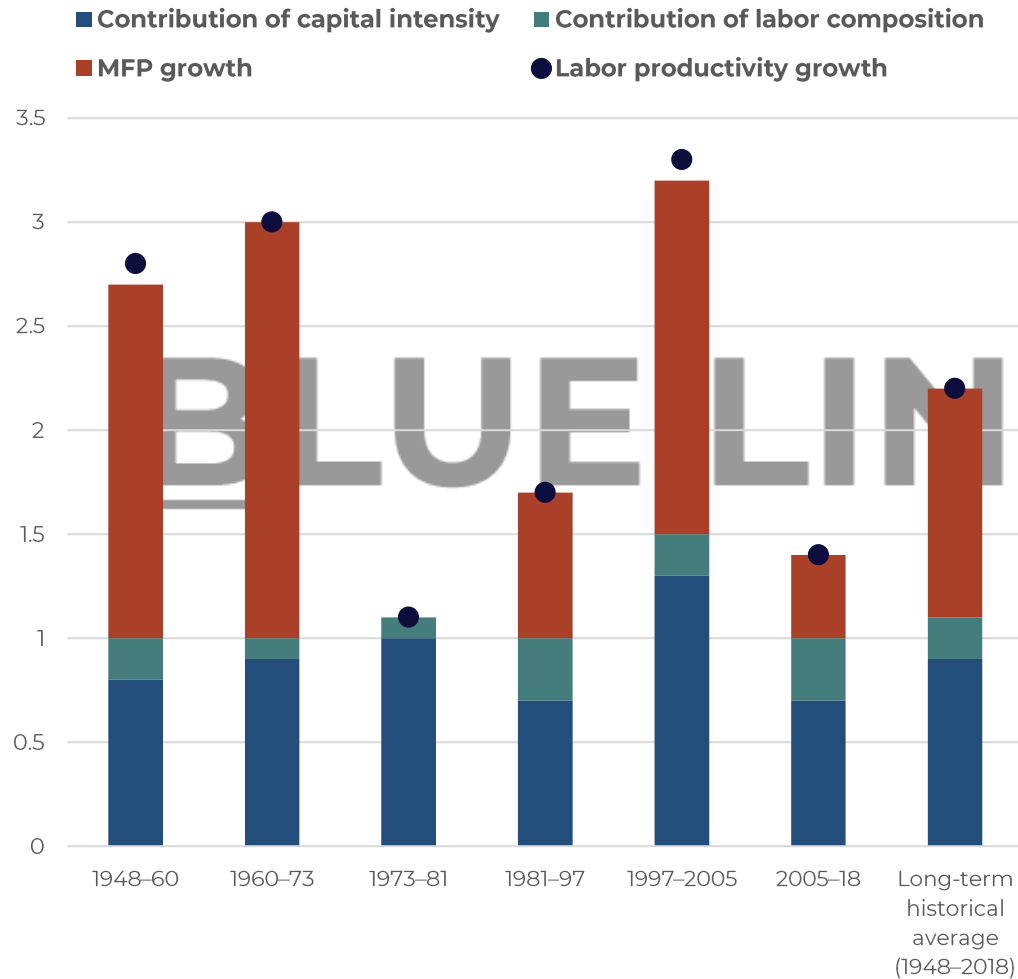
Volatility of growth and inflation was tremendously low pre-Covid.



Sources: FRED, Blue Line Futures

Productivity Trends Point In The Wrong Direction

Multifactor productivity (output/combined inputs) trends in the U.S. have not looked favorable for a while.



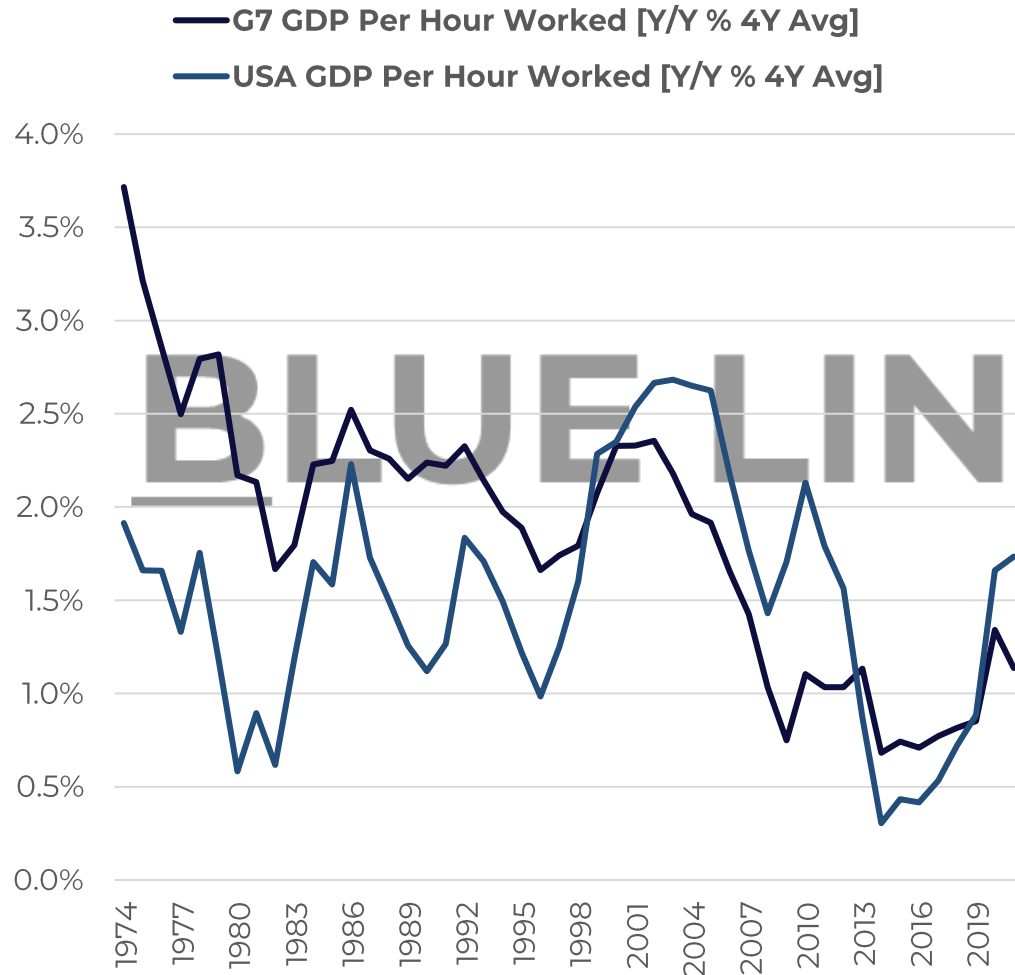
Labor productivity uncomfortably low absent other tailwinds.



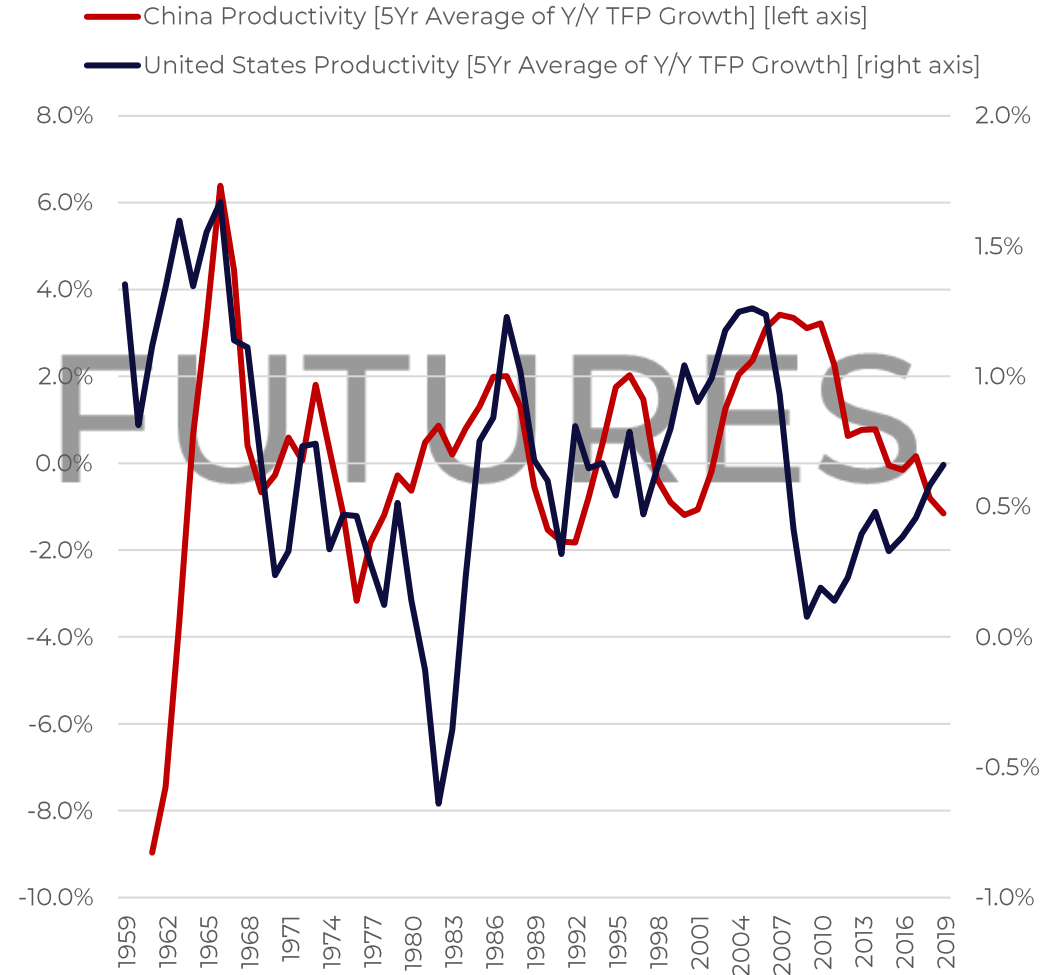
Sources: BLS, Blue Line Futures

Output Per Worker & Productivity Trends Call For Structural Reforms

Slowing globalization, an aging population, and poor allocation of resources have led to less output per hour worked globally.



Productivity trends are especially profound in China where growth oftentimes means unproductive growth (real estate, state-subsidized expansion etc.)

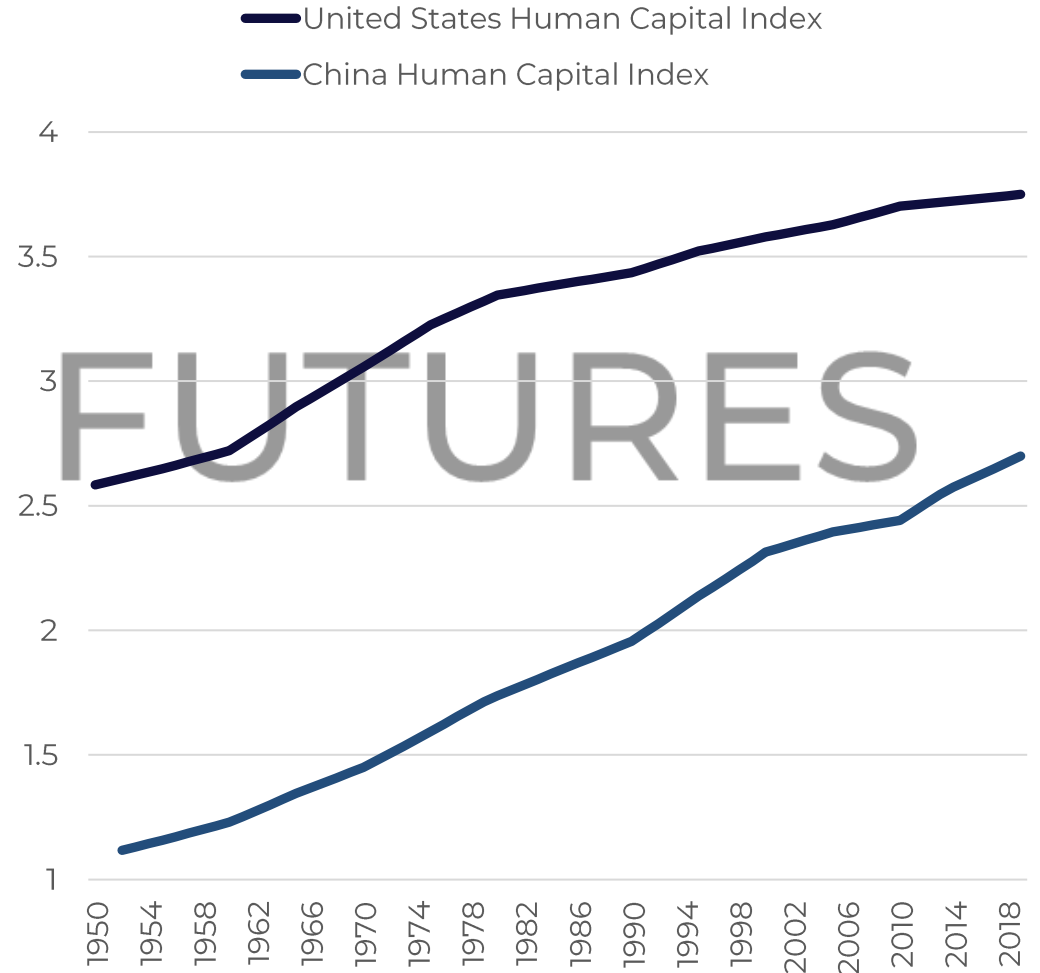
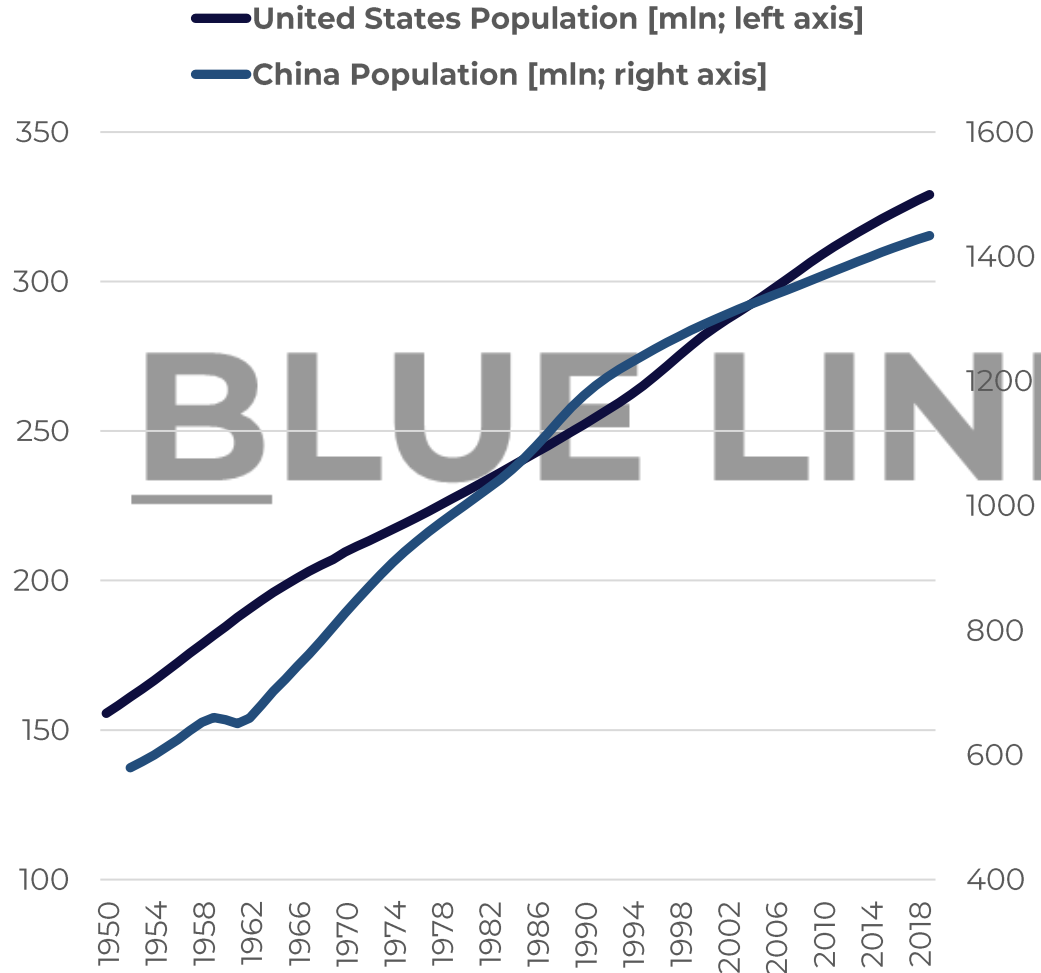


Sources: OECD, Penn World Table, Blue Line Futures

Population Trends Less Supportive For Growth

The global labor arbitrage is increasingly in question as China's population is rapidly decreasing in size due to a lack of births.

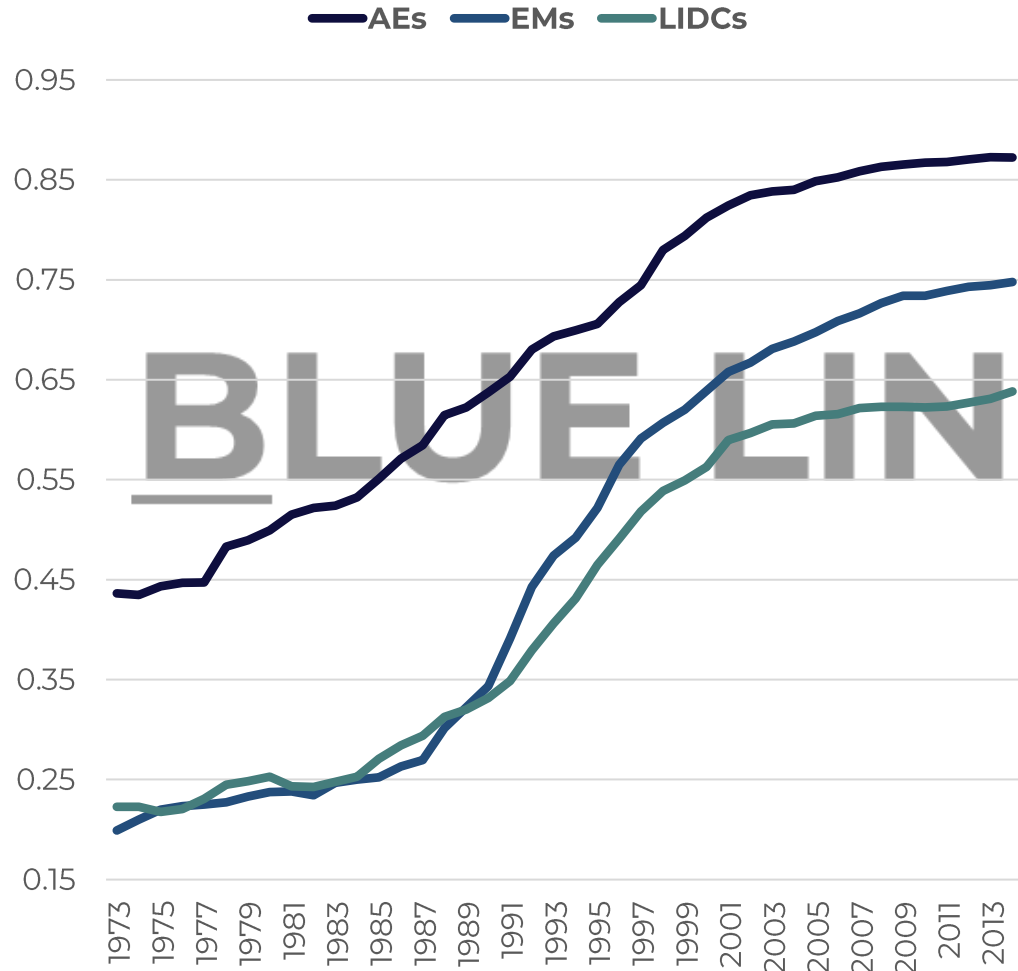
The Human Capital Index measures the average years of schooling and the rate of return on education. The return is slowing along with less population growth.



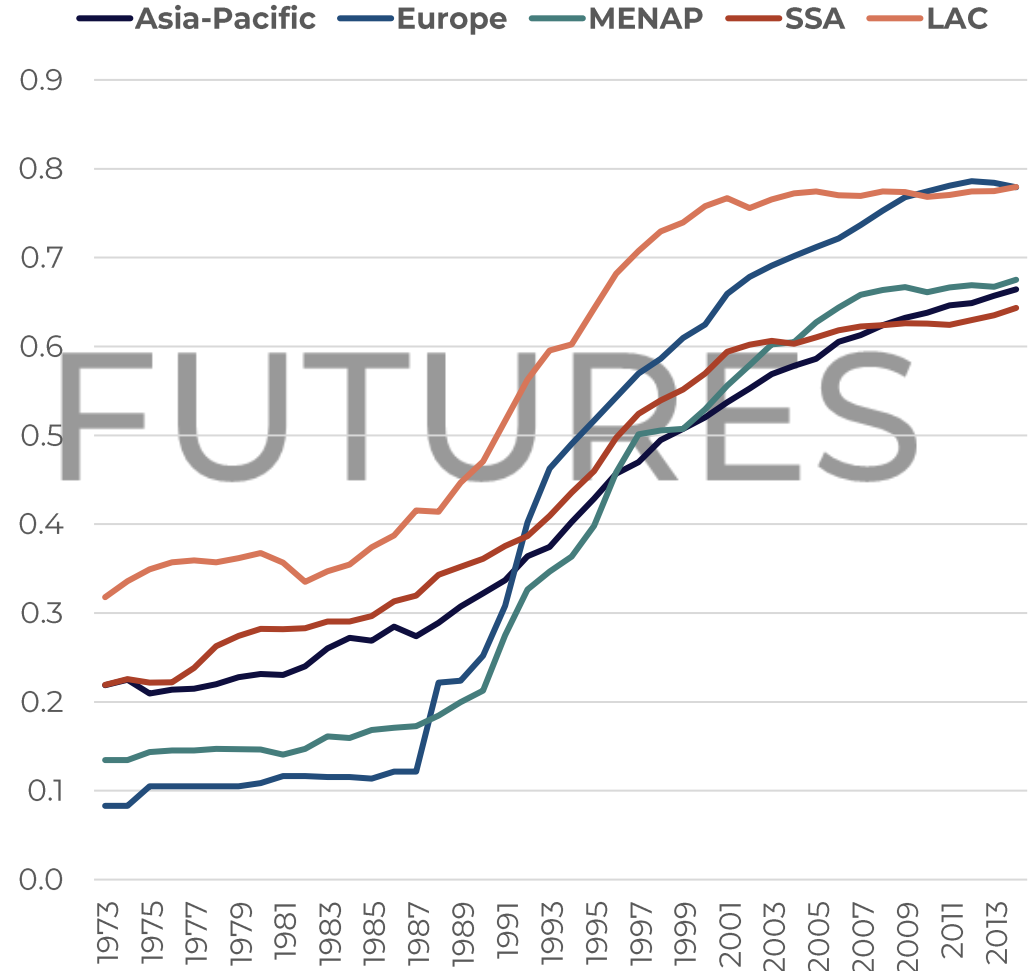
Sources: Penn World Table, Blue Line Futures

Long-Term Structural Reforms Are Politically Unpopular & Past Benefits Are Waning

Structural reforms with long-term benefits have decreased in quantity, reducing long-term benefits down the road (Average Reform Index ranges from 0-1.)



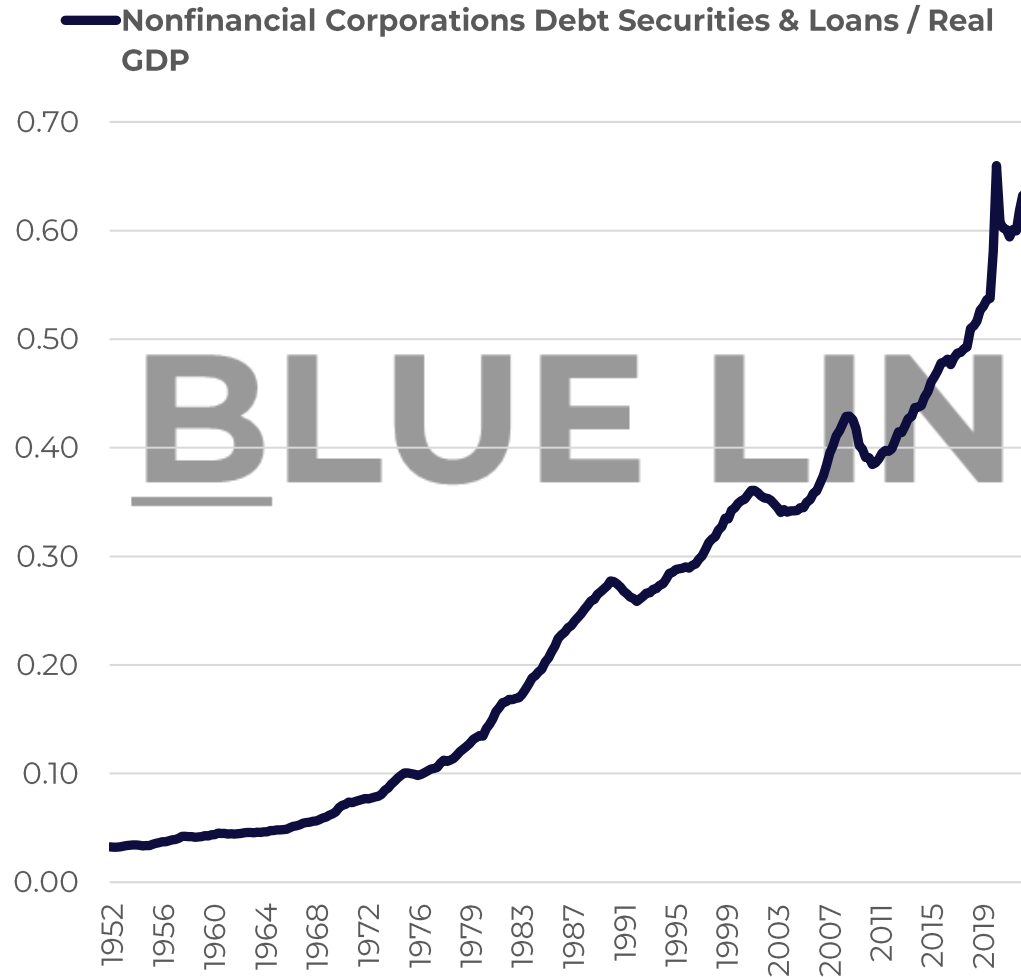
Politically unpopular structural reforms show similar trends across regions as measured by the IMF's Average Reform Index.



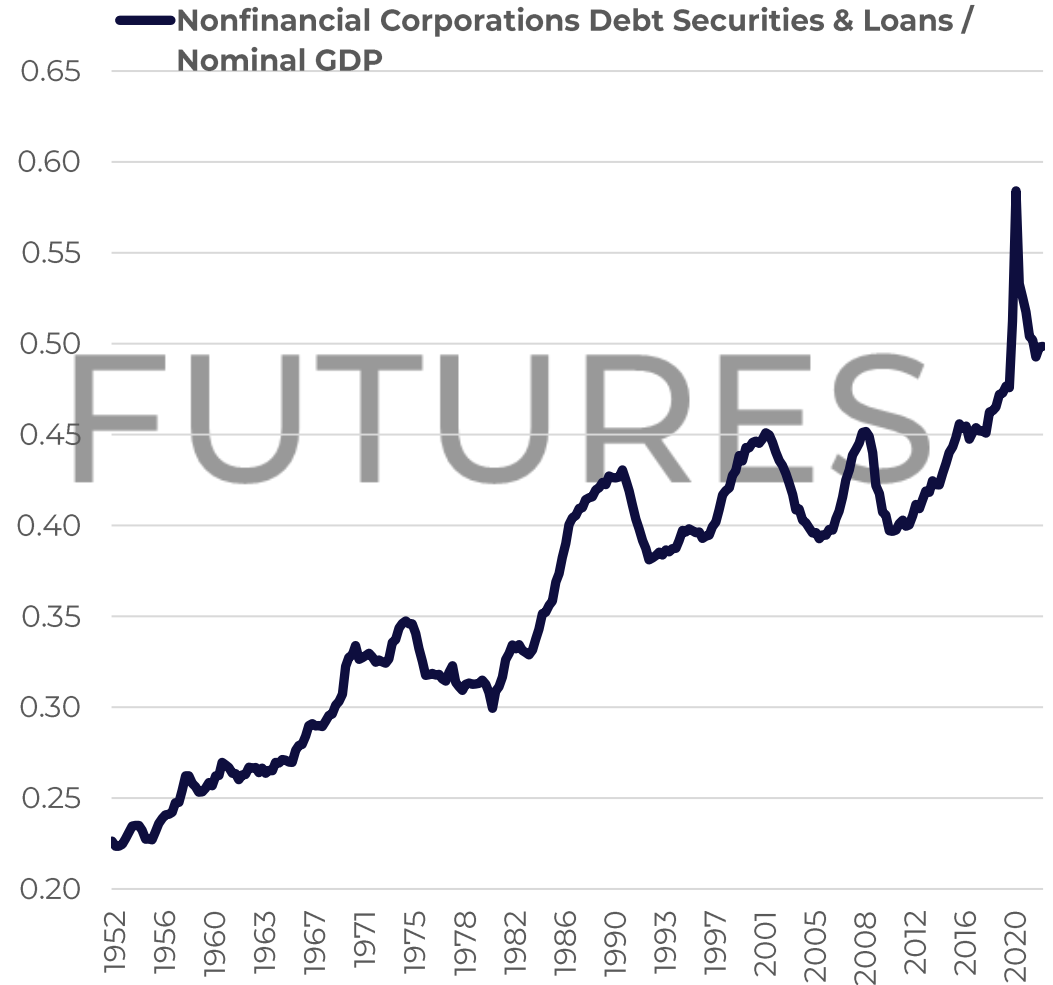
Sources: IMF, Blue Line Futures

Debt-Driven Growth By Corporations

Debt-driven growth compared to real-GDP has been substantial and is concerning as more debt maturities come due next year.



Globally low interest rates have encouraged borrowing, often absent a price signal as many would wish for. Not all debt is bad, however.

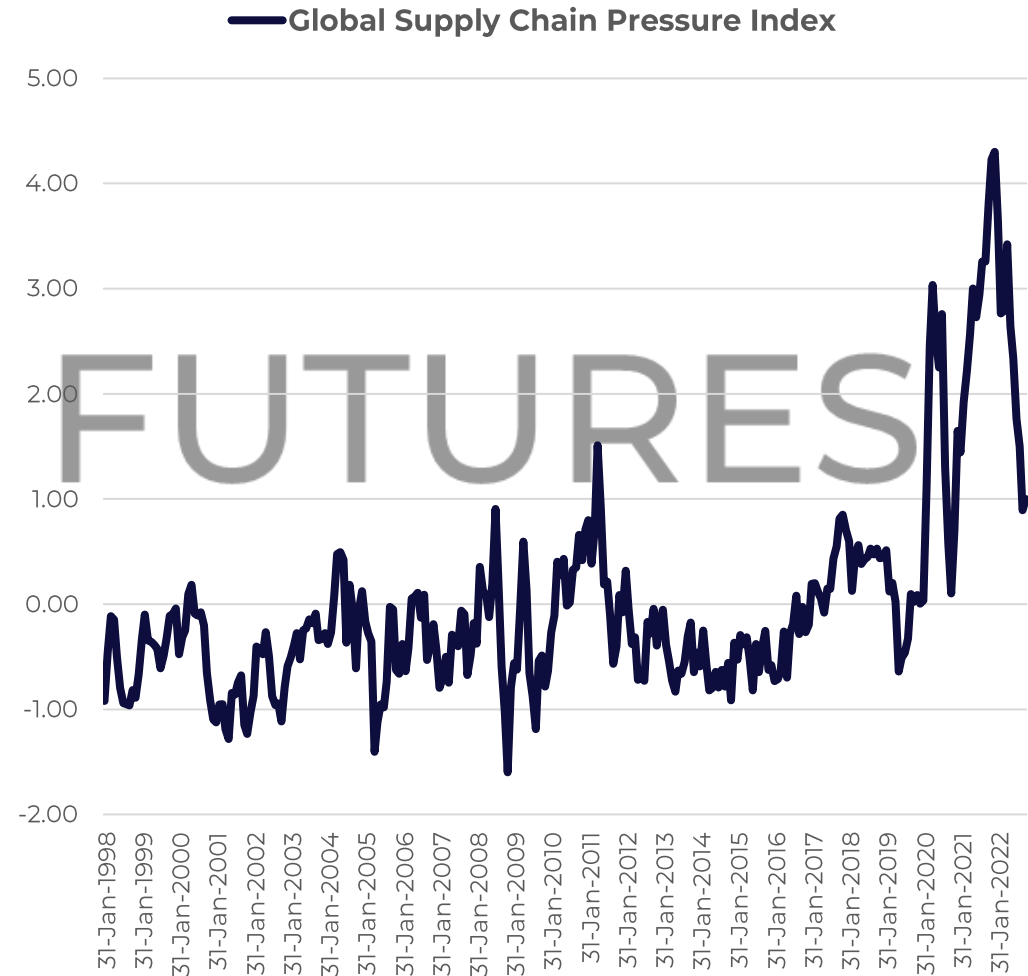
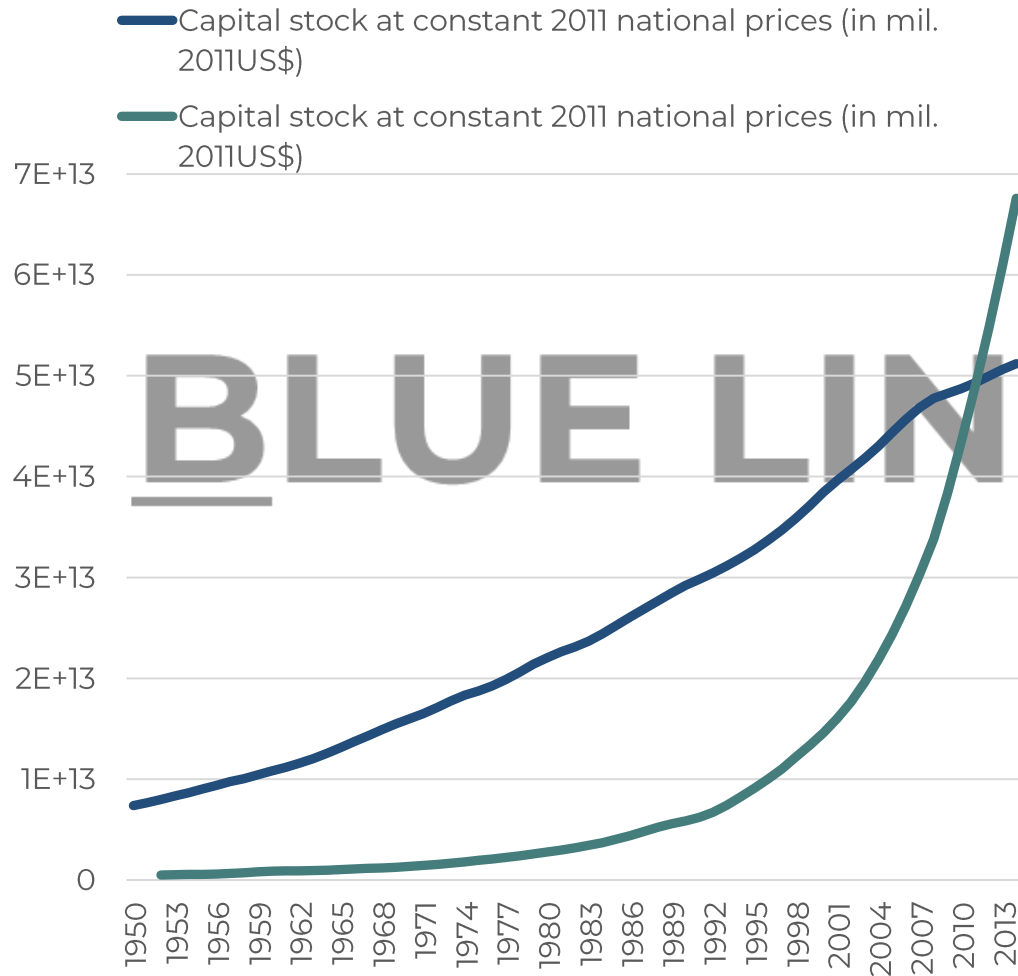


Sources: FRED, Blue Line Futures

Capital Stock Dynamics Amidst Geopolitical Uncertainty

China has been the major driver of disinflation on the goods side for decades. The question is whether countries like the U.S. will stay committed on increasing resiliency.

Supply chain pressures have eased substantially and may continue to do so as China re-opens and a degree of global collaboration returns despite tensions.

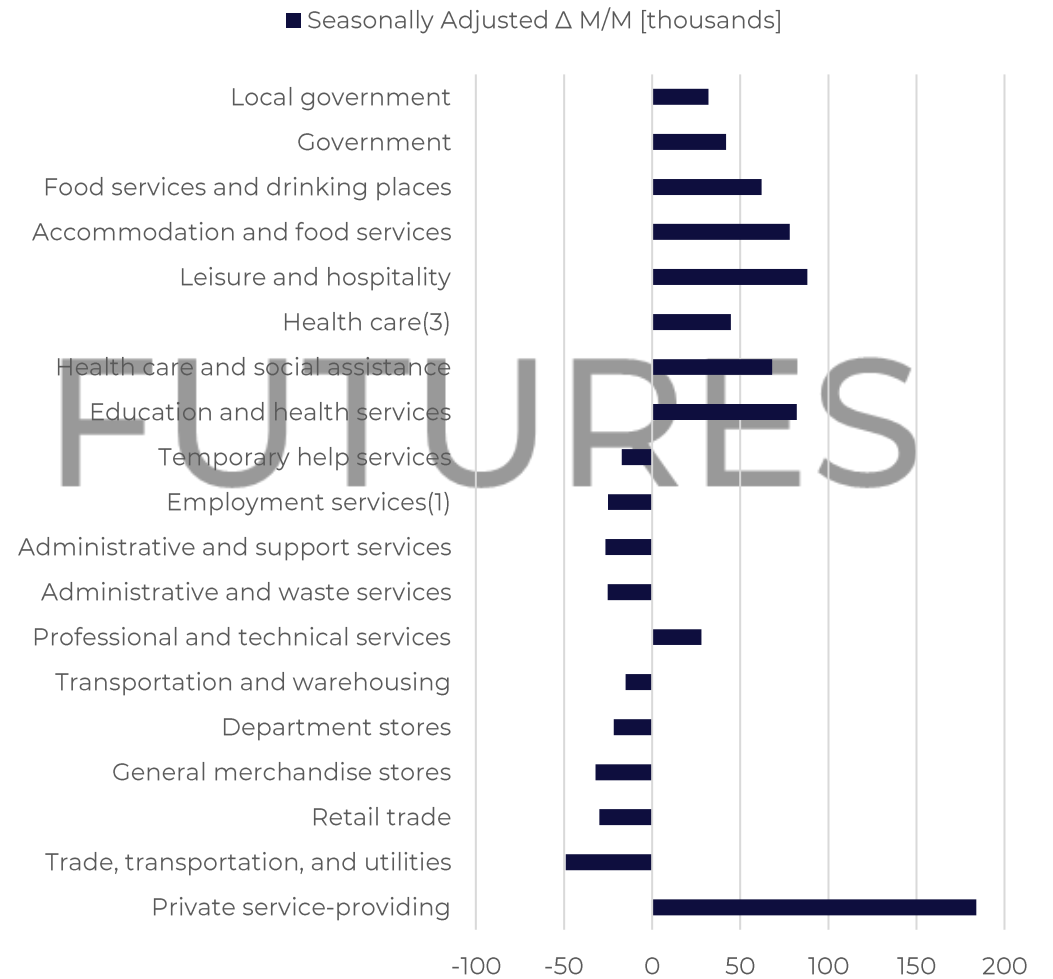
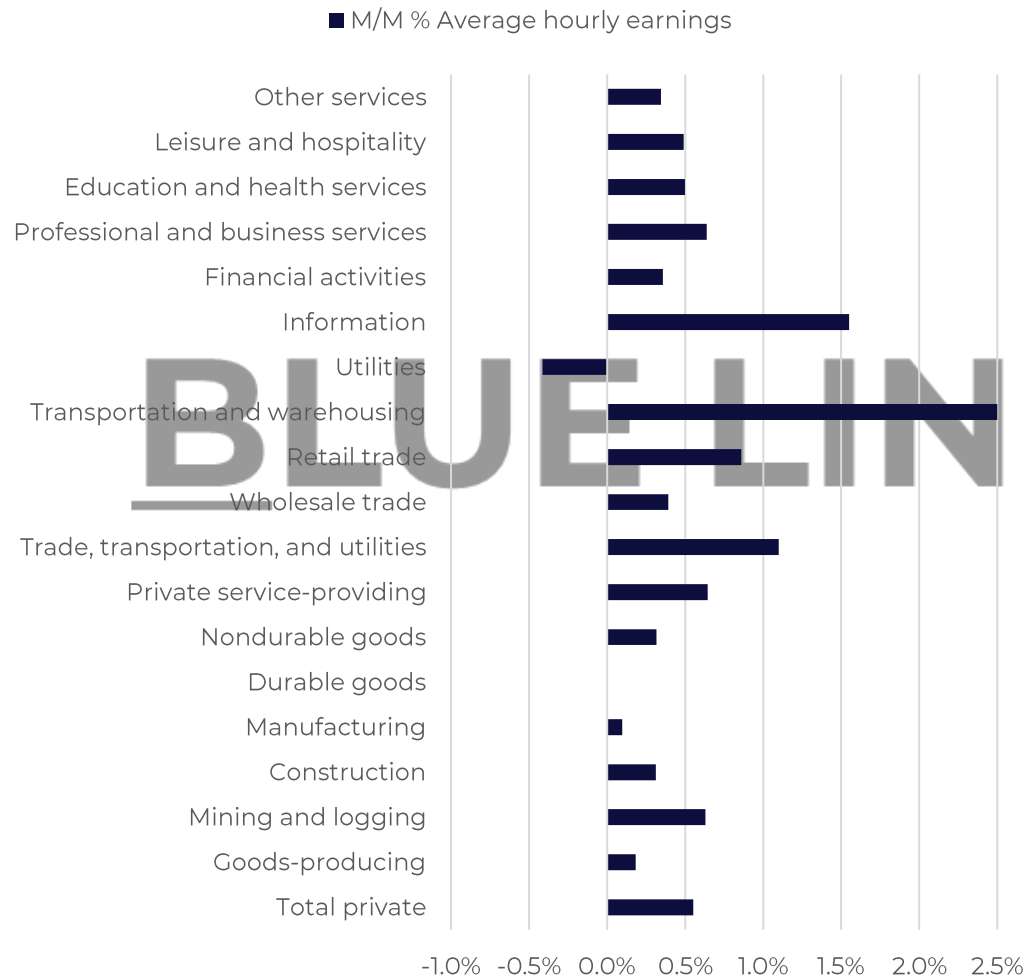


Sources: Penn World Table, NY Fed, Blue Line Futures

Nonfarm Payrolls Highlights I

Wage pressure in transportation ahead of the holiday shopping season. That's despite lots of weak earnings data from FedEx and its peers.

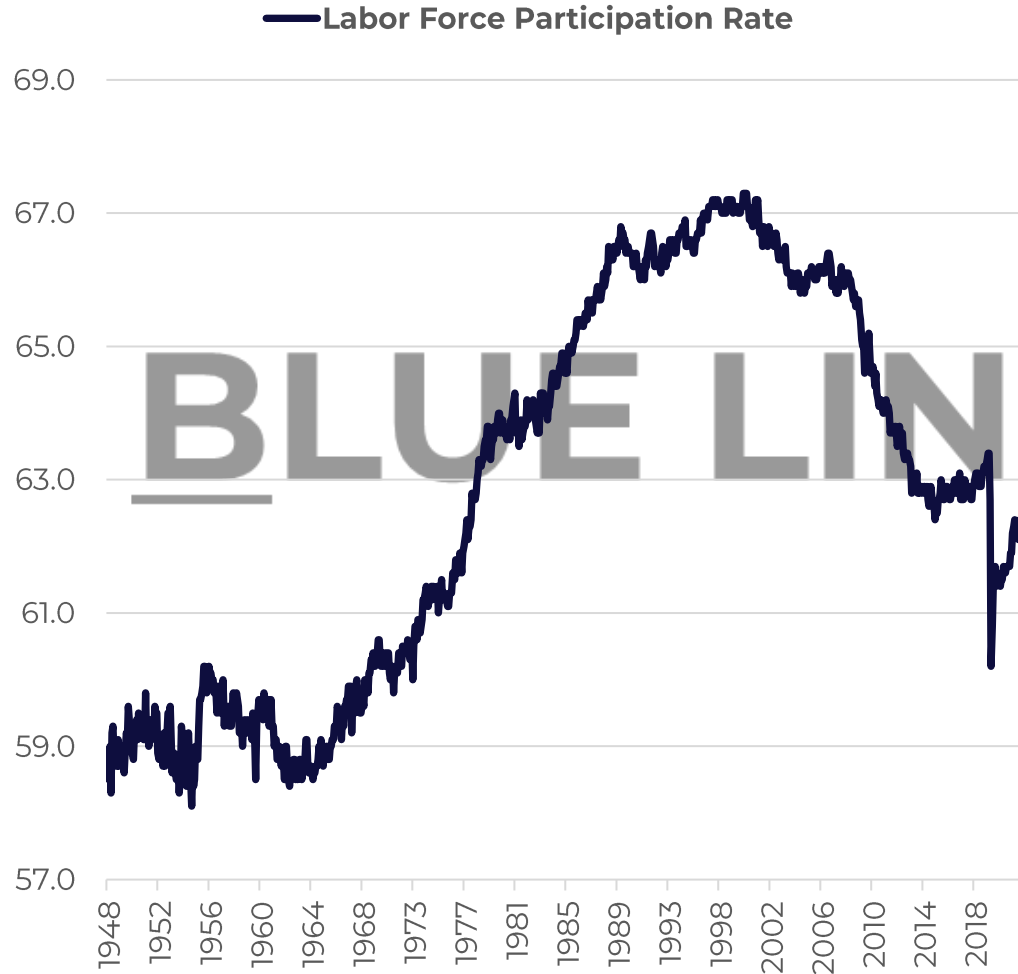
Most job creations are occurring on the services side as spending continues to shift.



Sources: BLS, Blue Line Futures

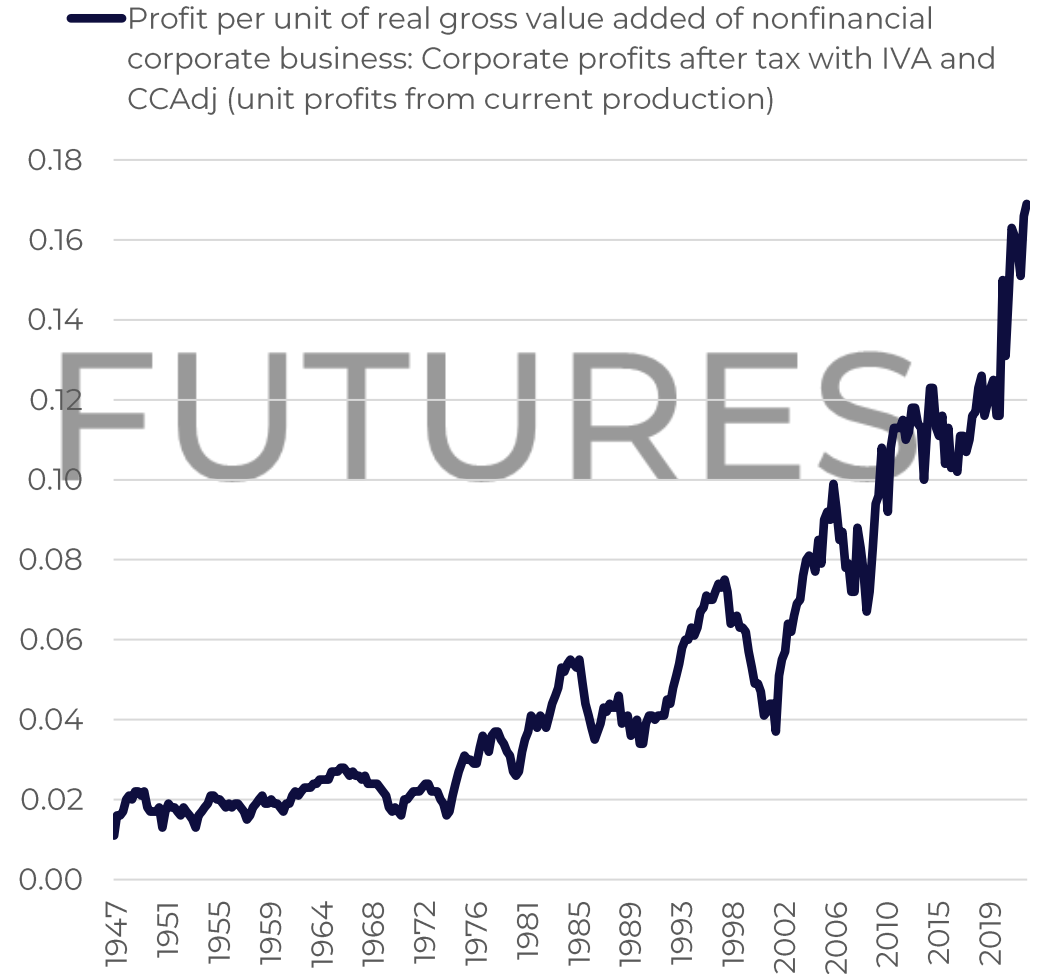
Nonfarm Payrolls Highlights II

At the Brookings Institution this week, Jay Powell made it clear that labor force participation continues to disappoint.



Sources: FRED, Blue Line Futures

Have businesses reached peak value-capture as the positive effects of global labor fade while domestic availability of workers decreases.?



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