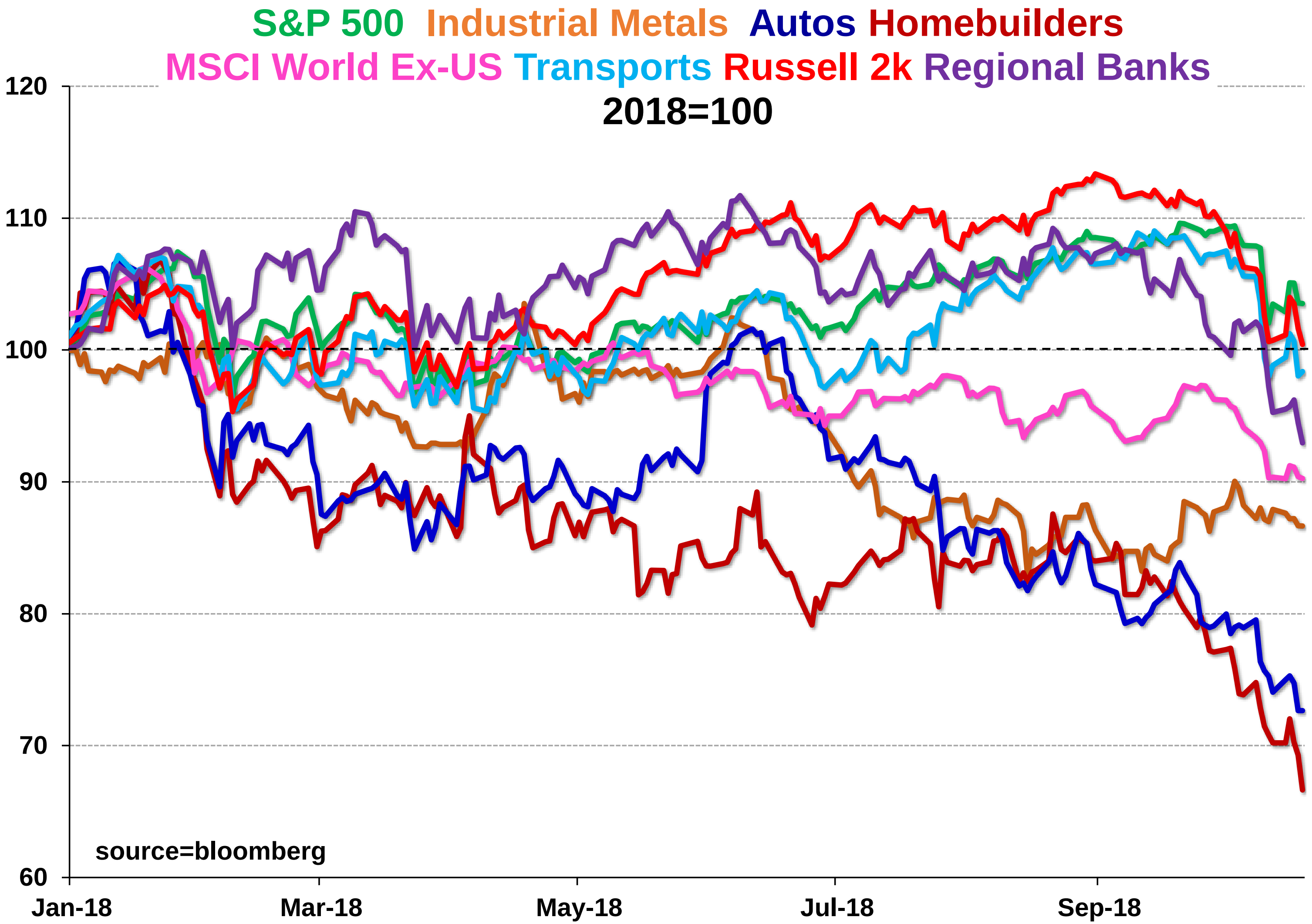
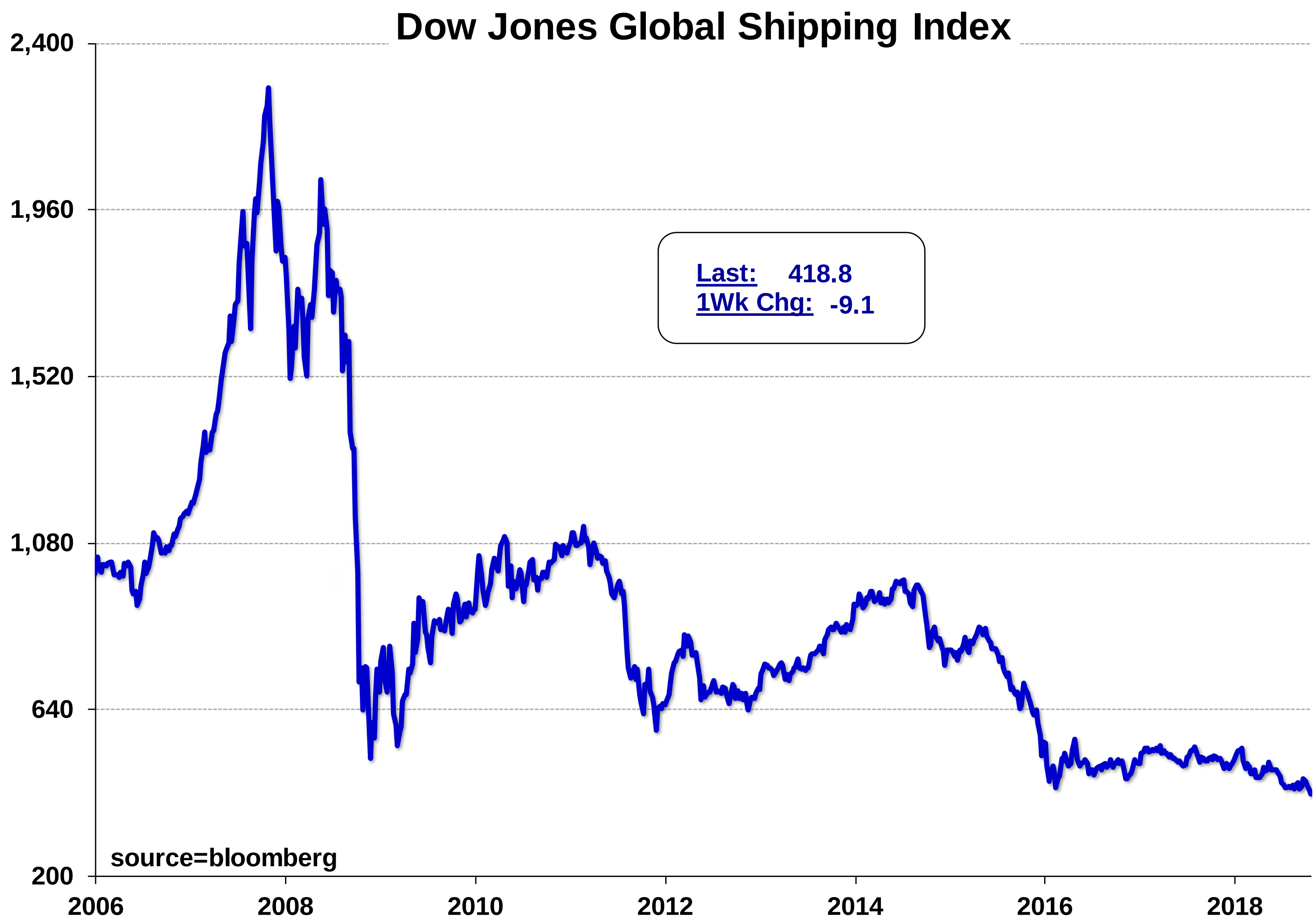
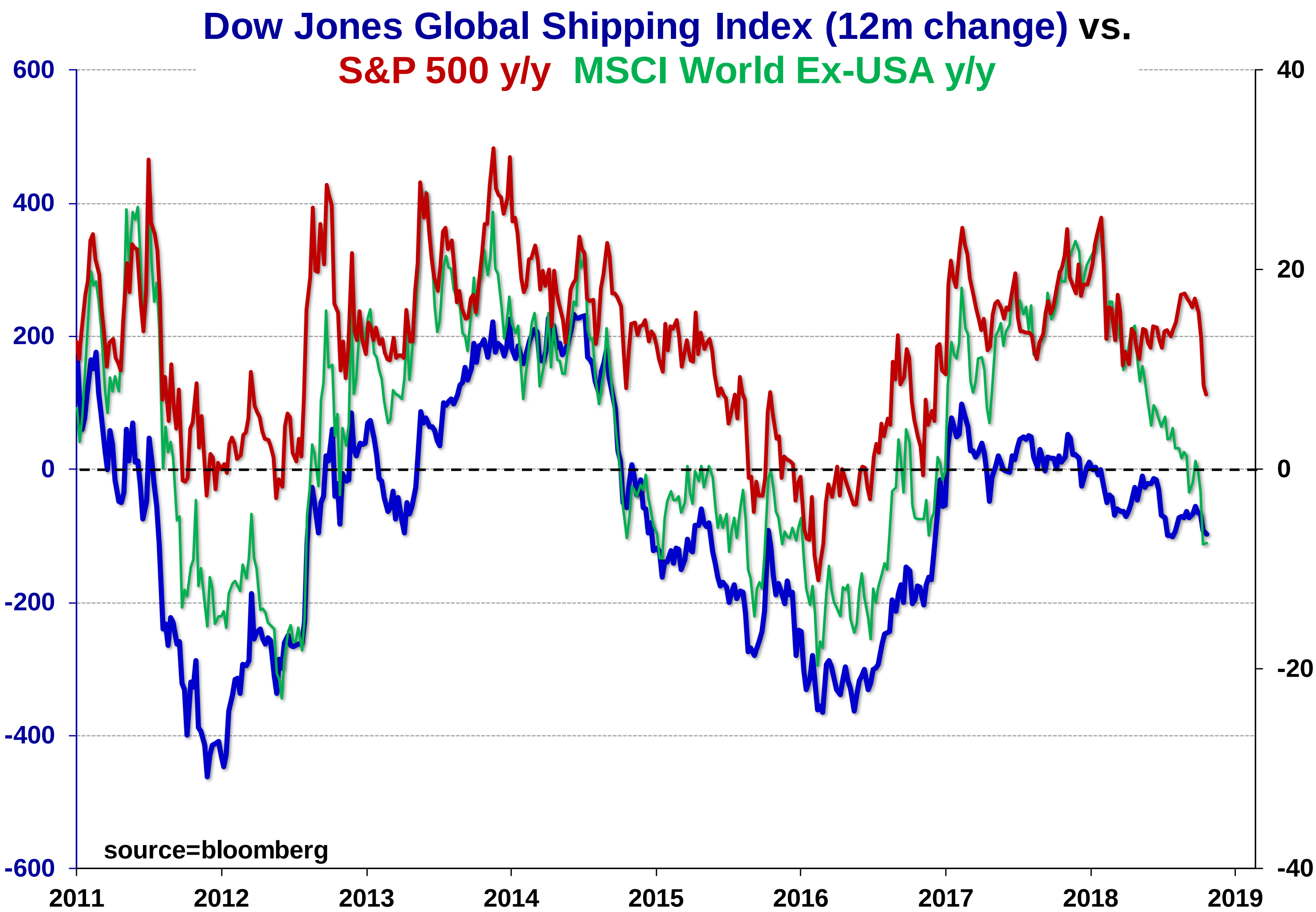
Indicators of economic growth are weakening apace, thus odds of continued market weakness remain.
Chart: equity Indices (S&P, Russell 2k) elevated relative to several pillars of growth.



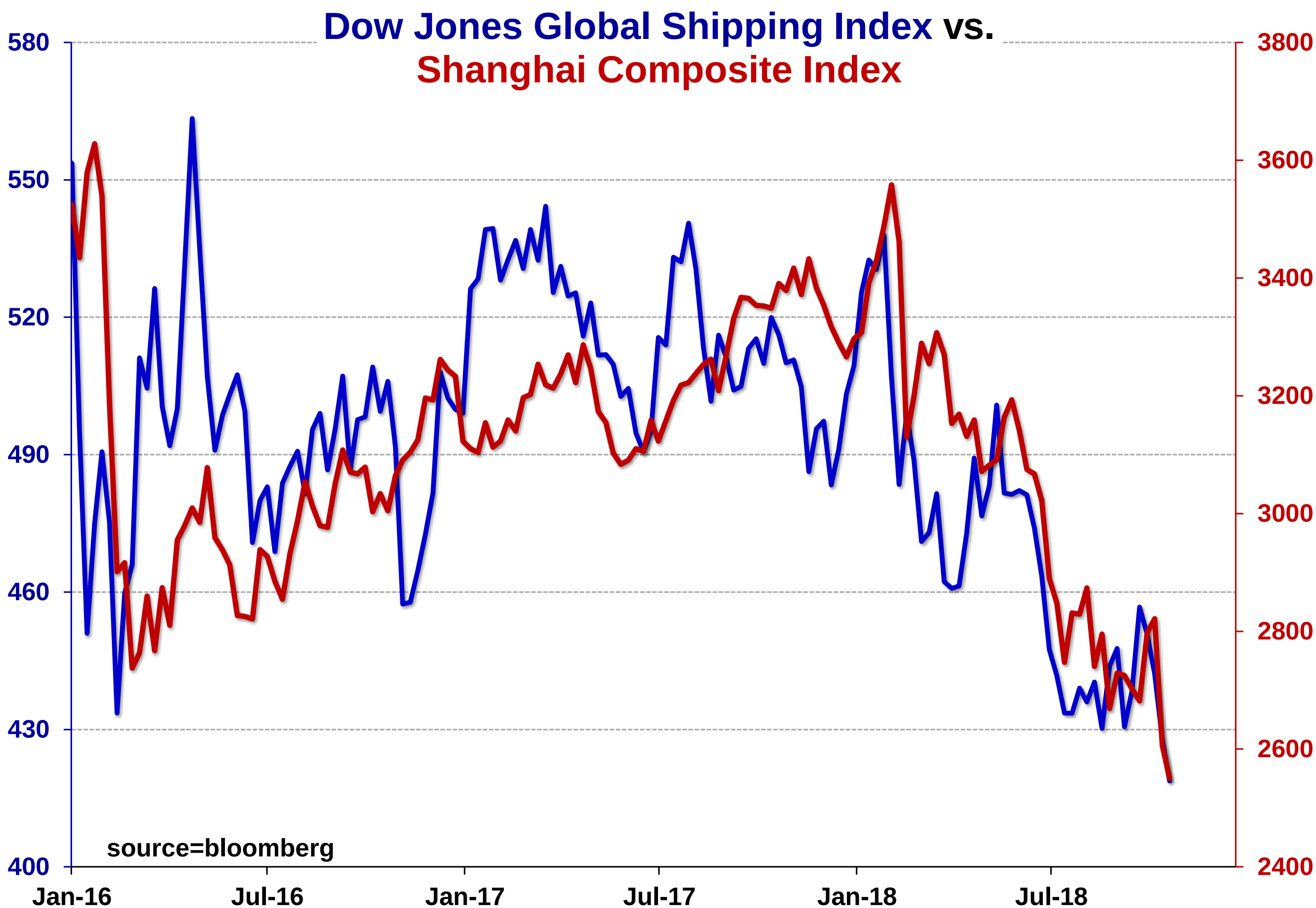
Global growth red flag: ***Global Shipping Index finished the week at an all-time low***



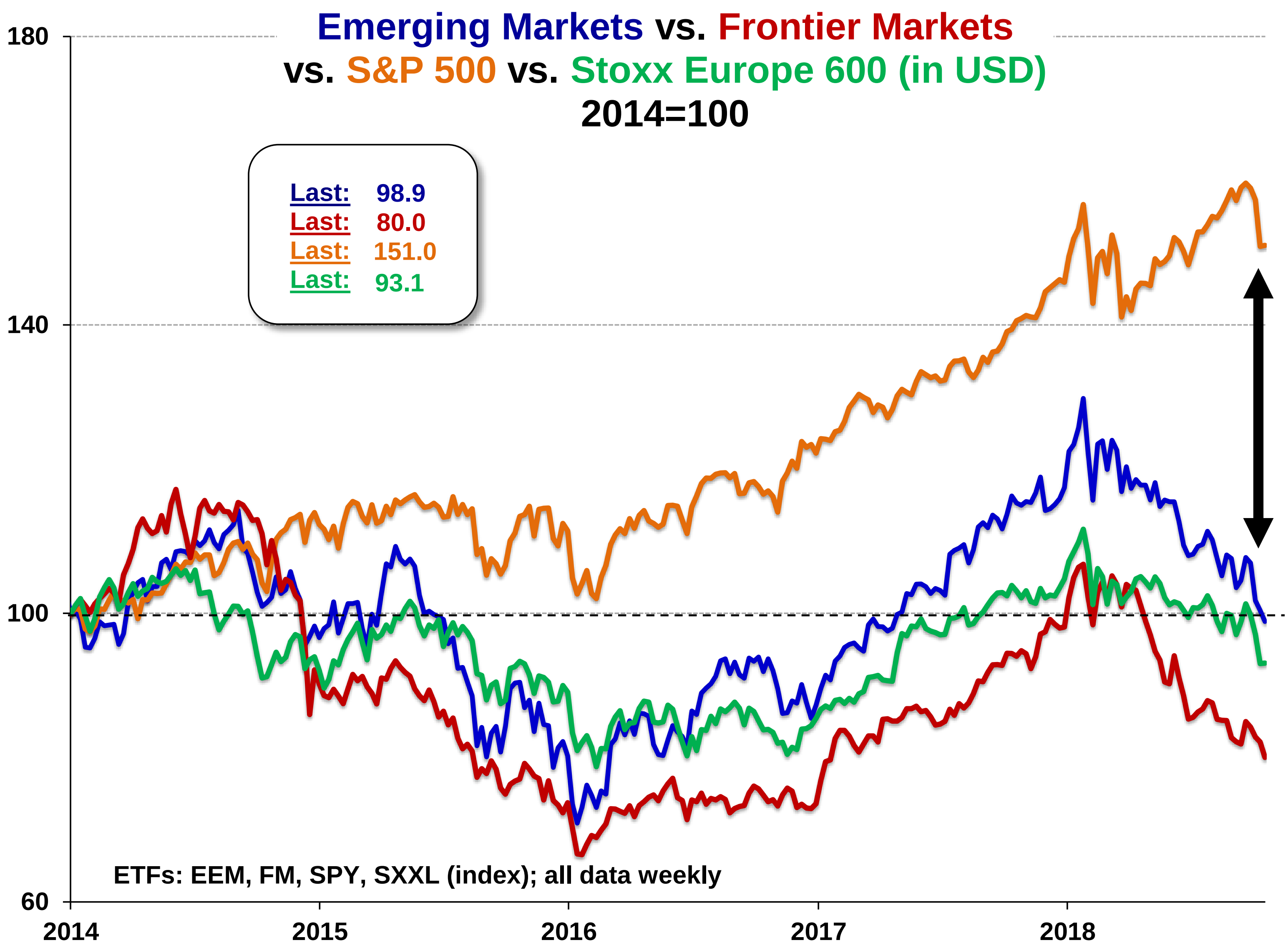
Equities decoupled from Global Shipping index for last couple of years, now beginning to track lower.
Big gap remains: S&P 500 is up +7.5% y/y as MSCI World Ex-USA is down -7.3% y/y.



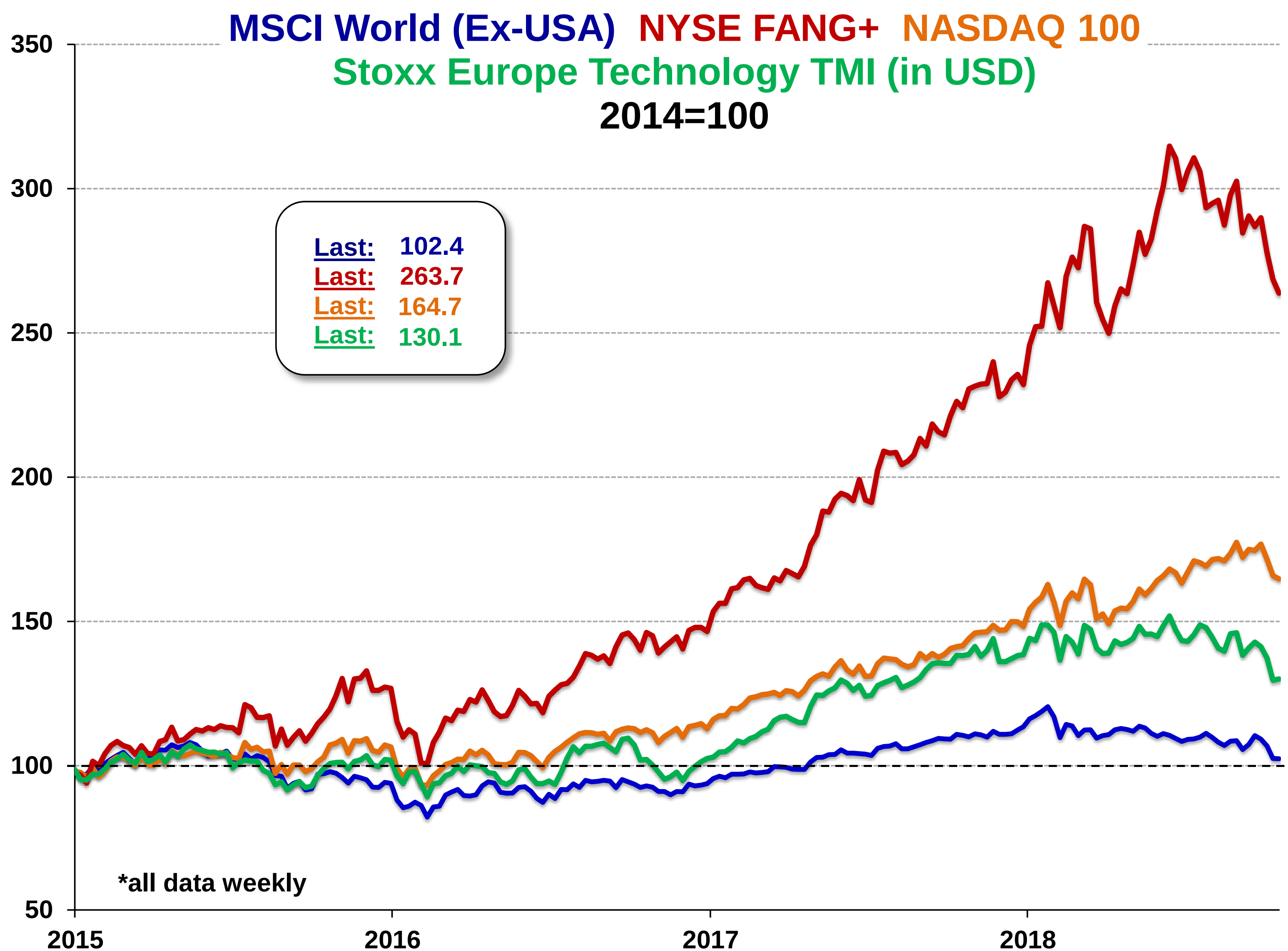
One index has closely tracked Global Shipping index since 2016: Shanghai Composite.
Note: Shanghai Composite is down -24% y/y, S&P 500 is up +7.5% y/y



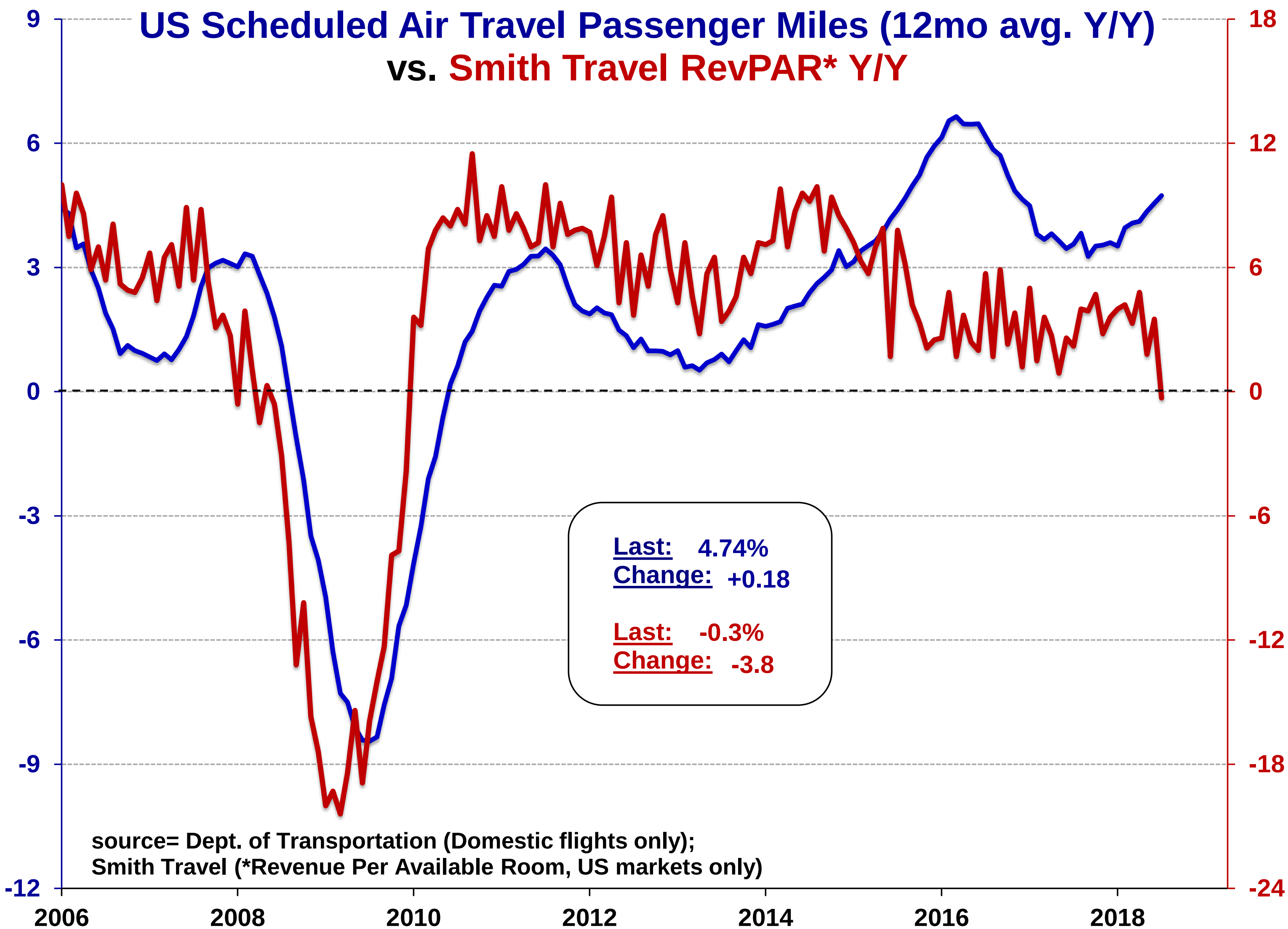
Still In Thin Air: despite correction, S&P outperformance vs. world indicators is quite extreme; up +50% since 2014 while others are negative.



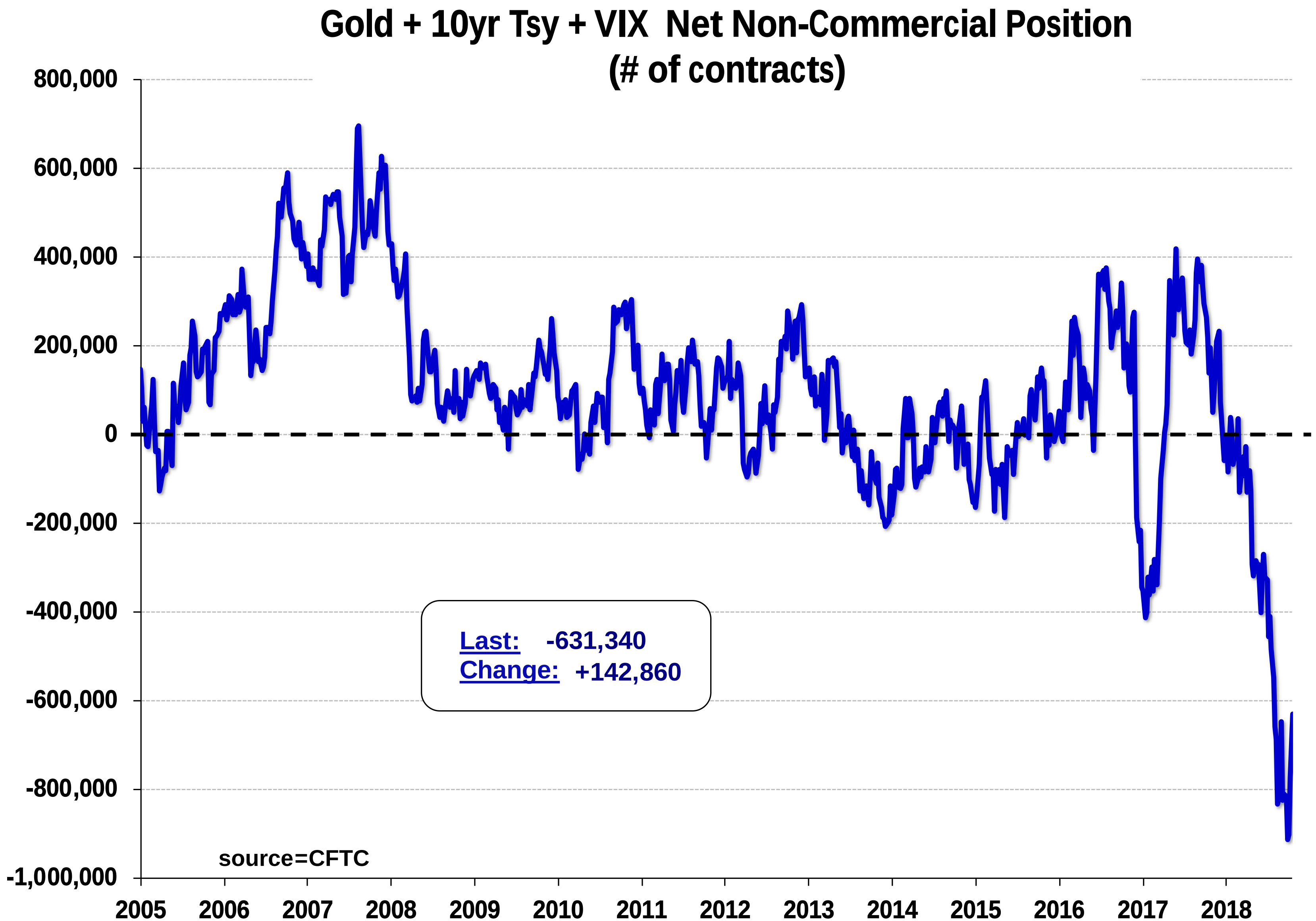
FANG stocks, while down -17% from 2018 record highs, remain extremely elevated



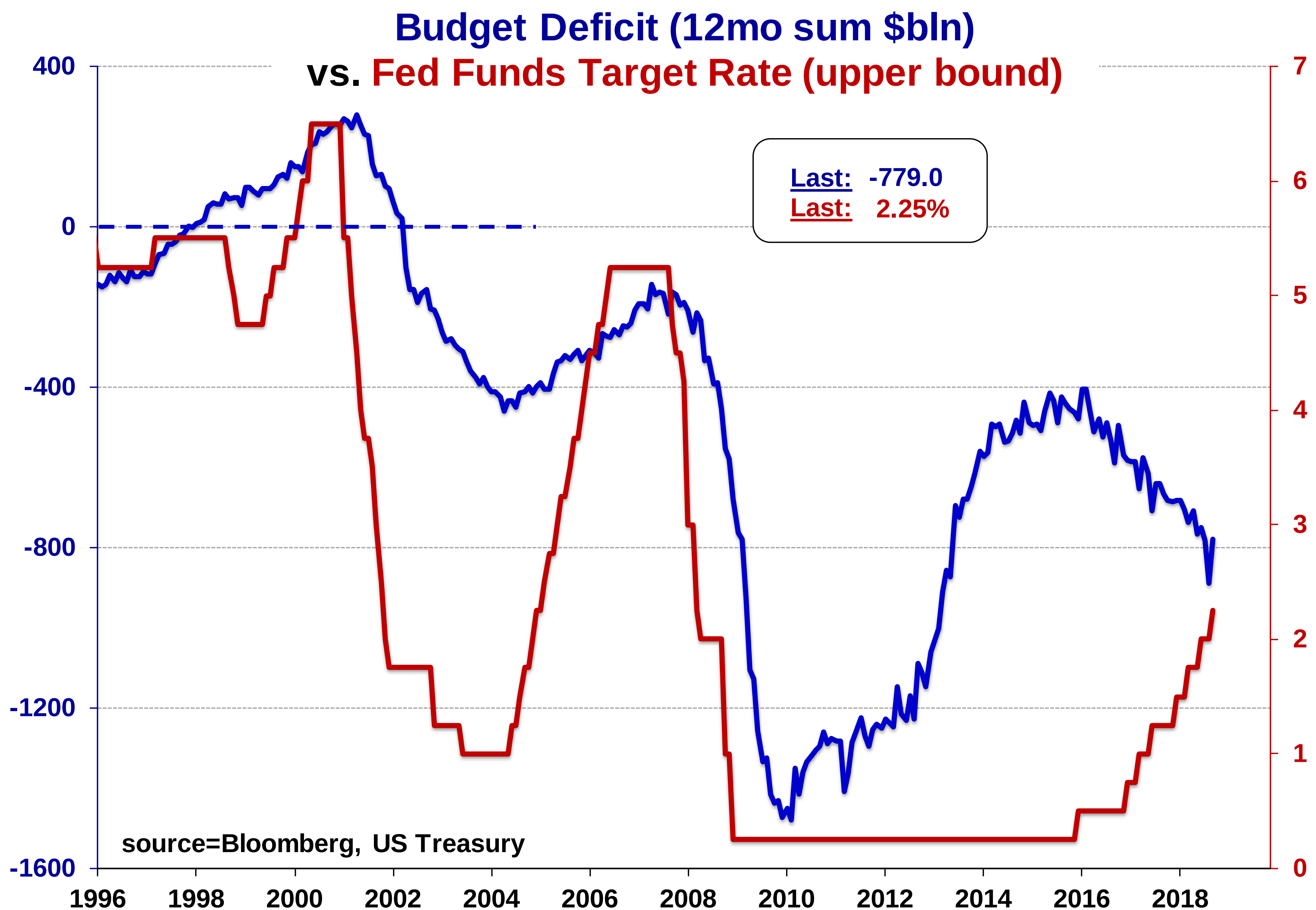
We came across an interesting data set this week: US Hotel Revenue Per Available *Room…**which just posted its first y/y decline since the recession***. Yet another red flag for economic growth outlook. Should RevPAR data remain weak, we should see Air Travel Passenger Miles data follow lower in coming months.



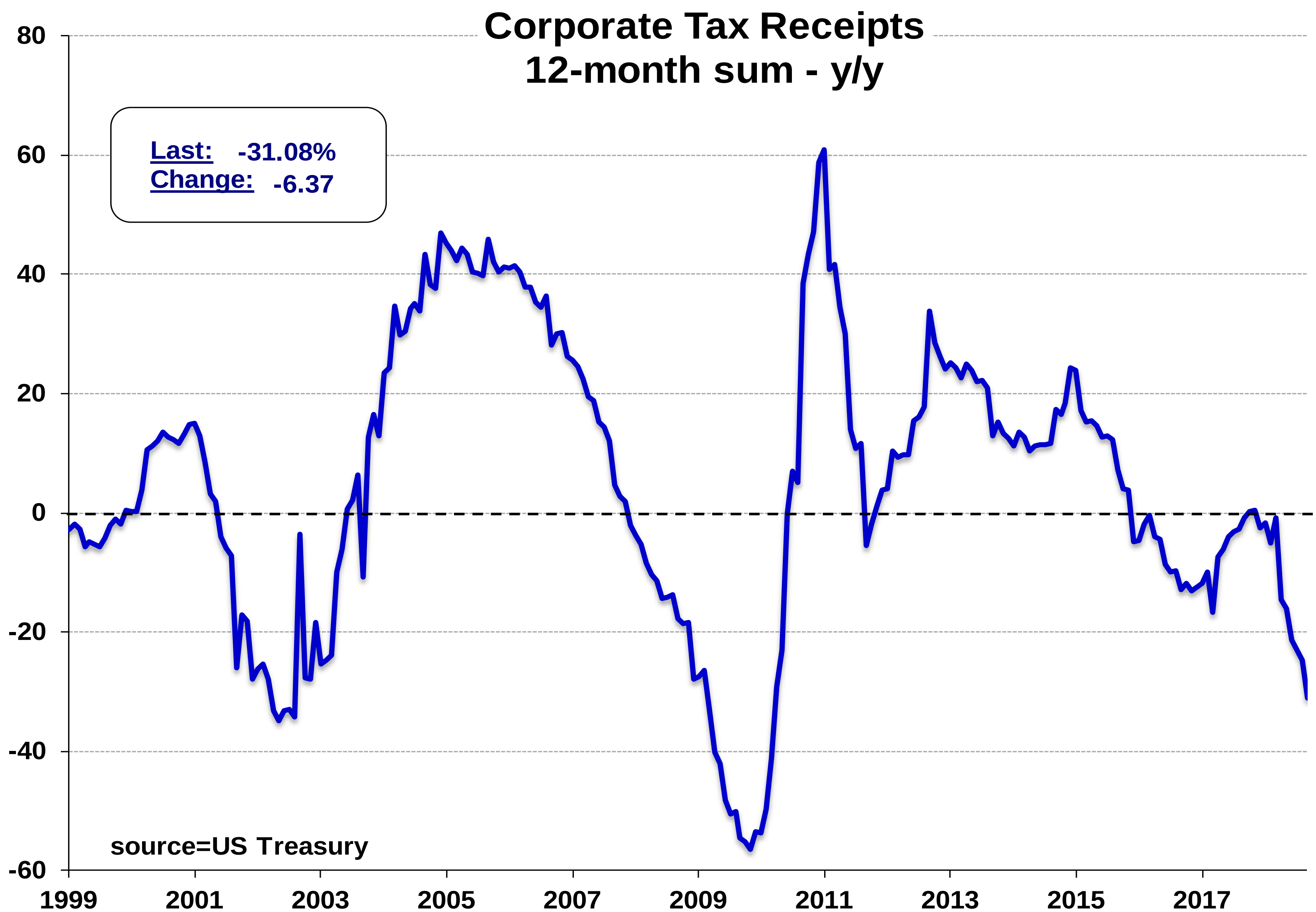
All of the above charts as the ‘complacency trade’ unwind looks to have begun in earnest: Gold + 10yr + VIX Net Spec position reduced by 18.2% this past week, ***reduced by 31% from record net short 3 weeks ago***.



Fiscal Year 2018 Budget Deficit: $779bln.

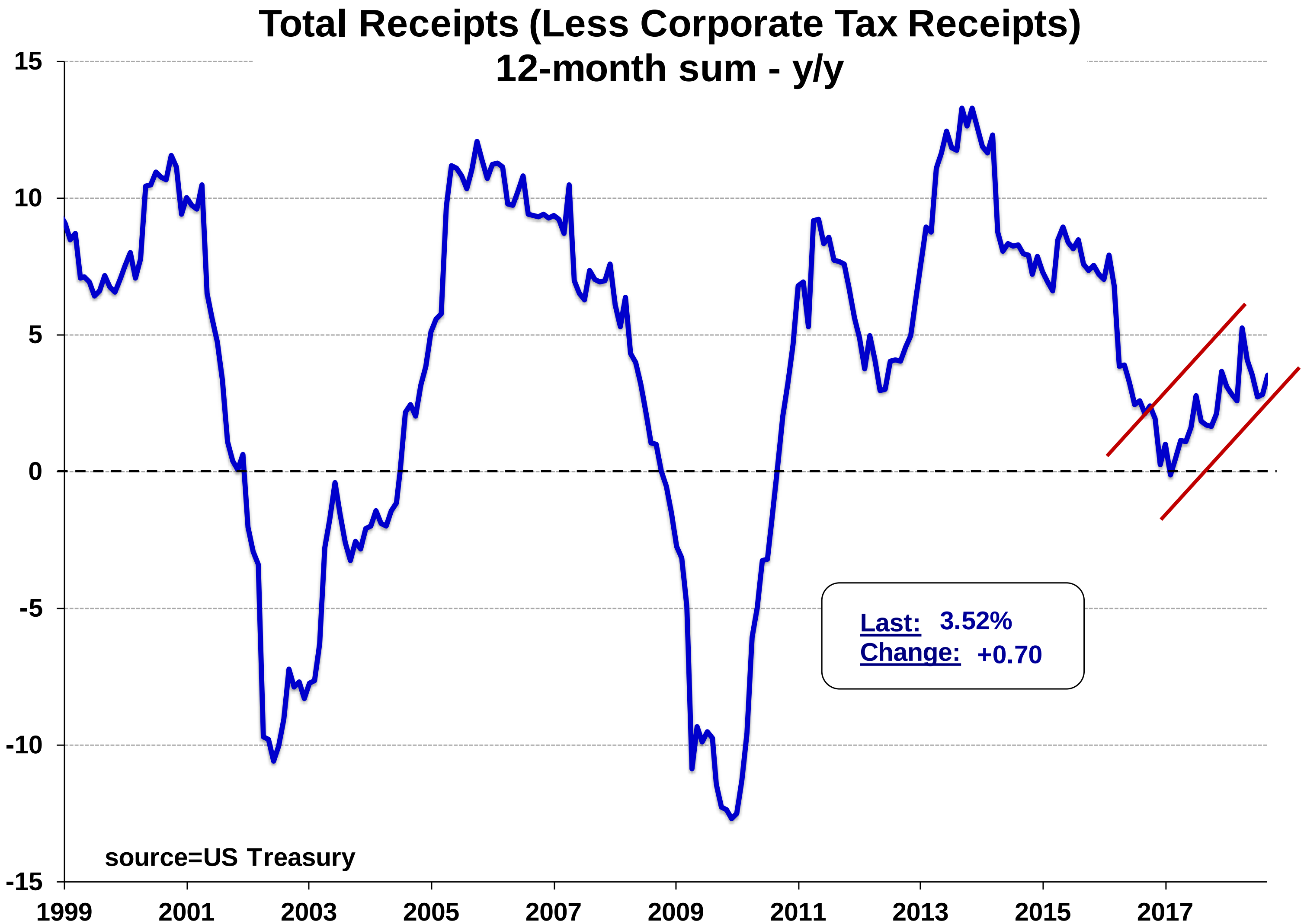


Corporate tax receipts continue their rapid decline…

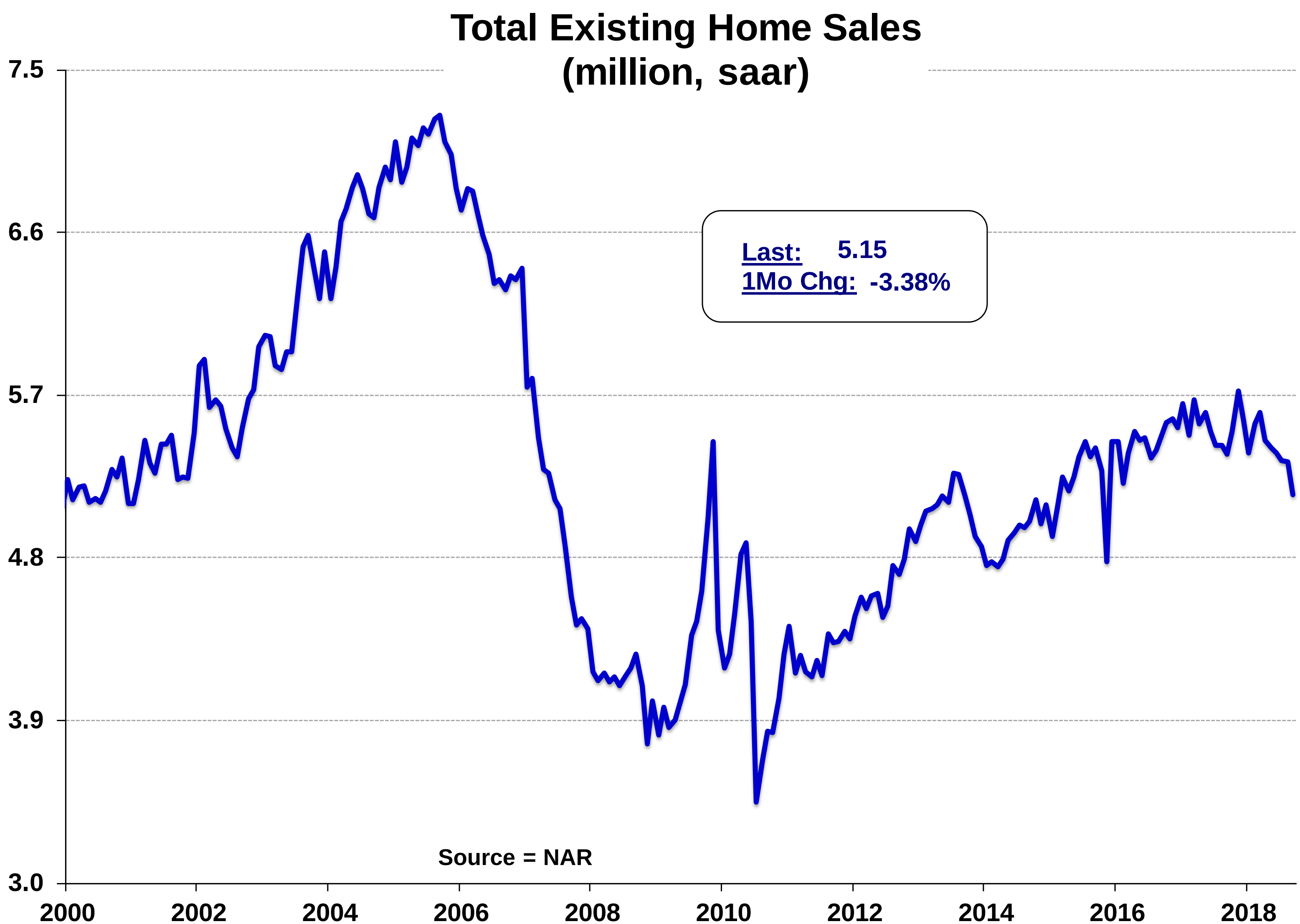


…as interest expense hits record high $325bln; jumping higher as % total outlays to 8%

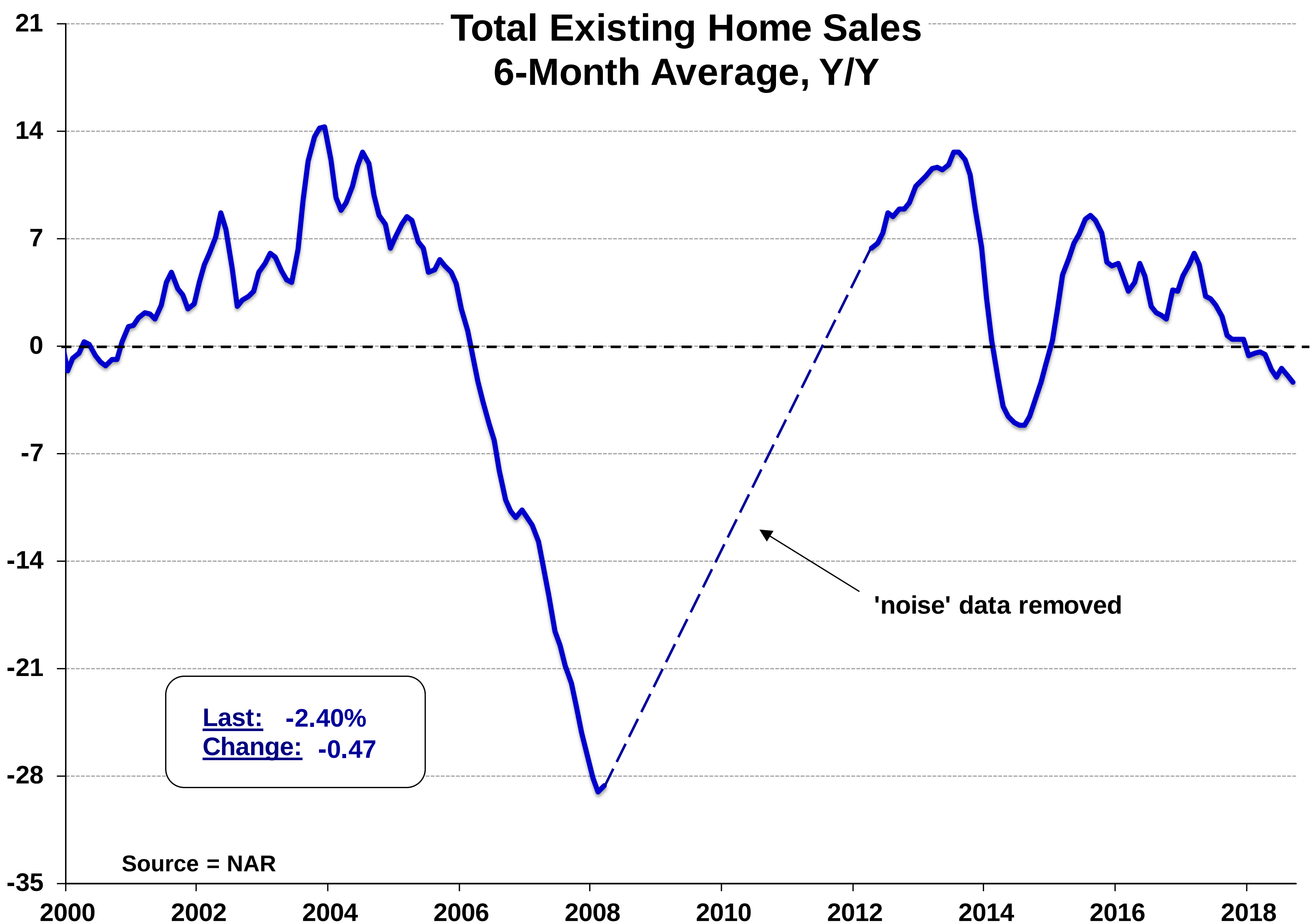
Total Tax Receipts are nearly negative y/y (dragged down by sharp drop in Corp. Tax Receipts). Excluding Corporate taxes (chart below), receipts continue to trend higher y/y…+0.7pts to 3.5% y/y at last reading. However, should the administration follow-through with middle-income tax cuts, total tax receipt data is sure to turn lower thus adding to deficit and debt woes. This should be considered dollar negative.



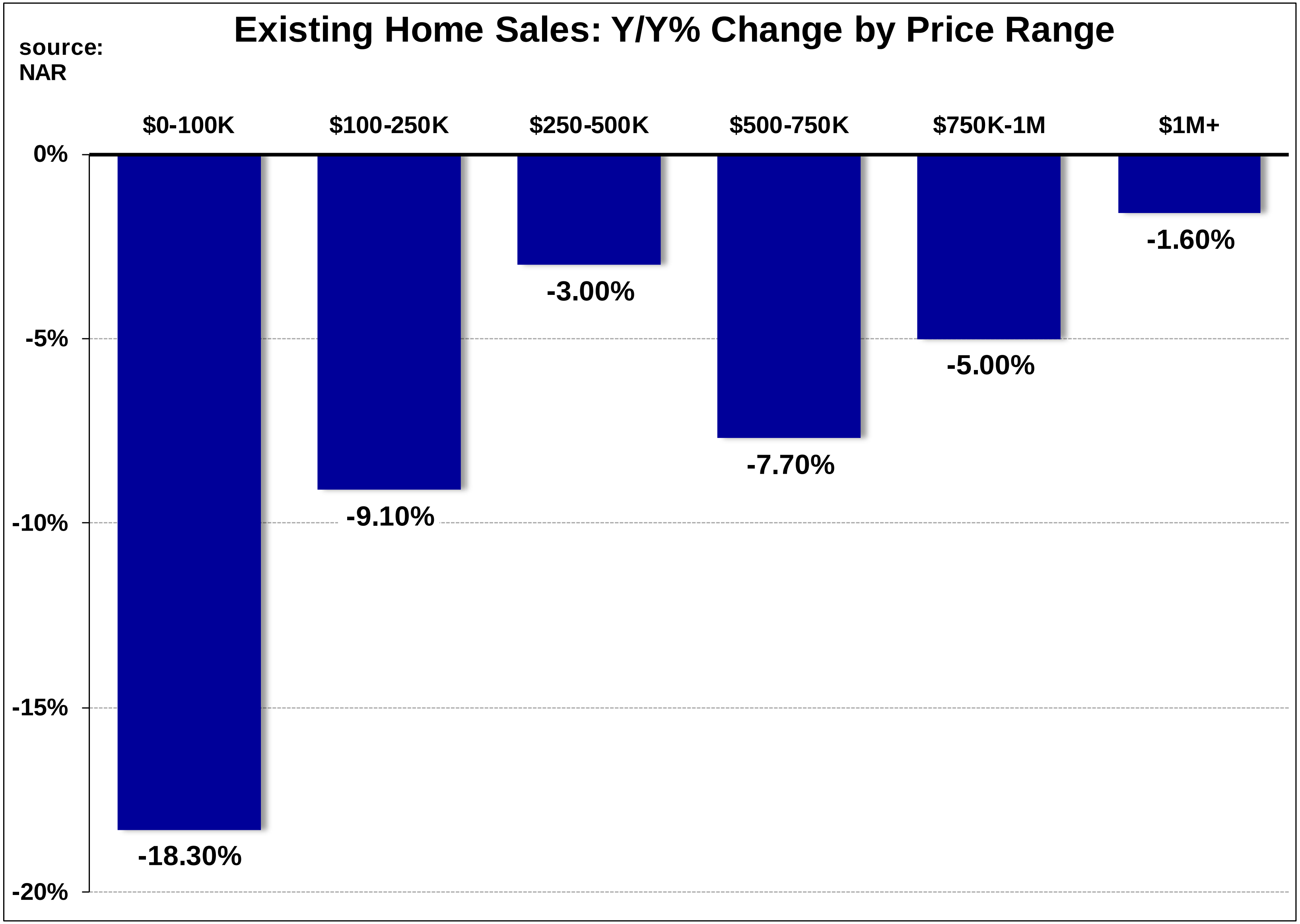
Total Existing Home Sales drop -3.4% m/m vs. expectations of -0.9% to lowest level since Nov. 2015.
This is the 6th straight monthly drop in sales.



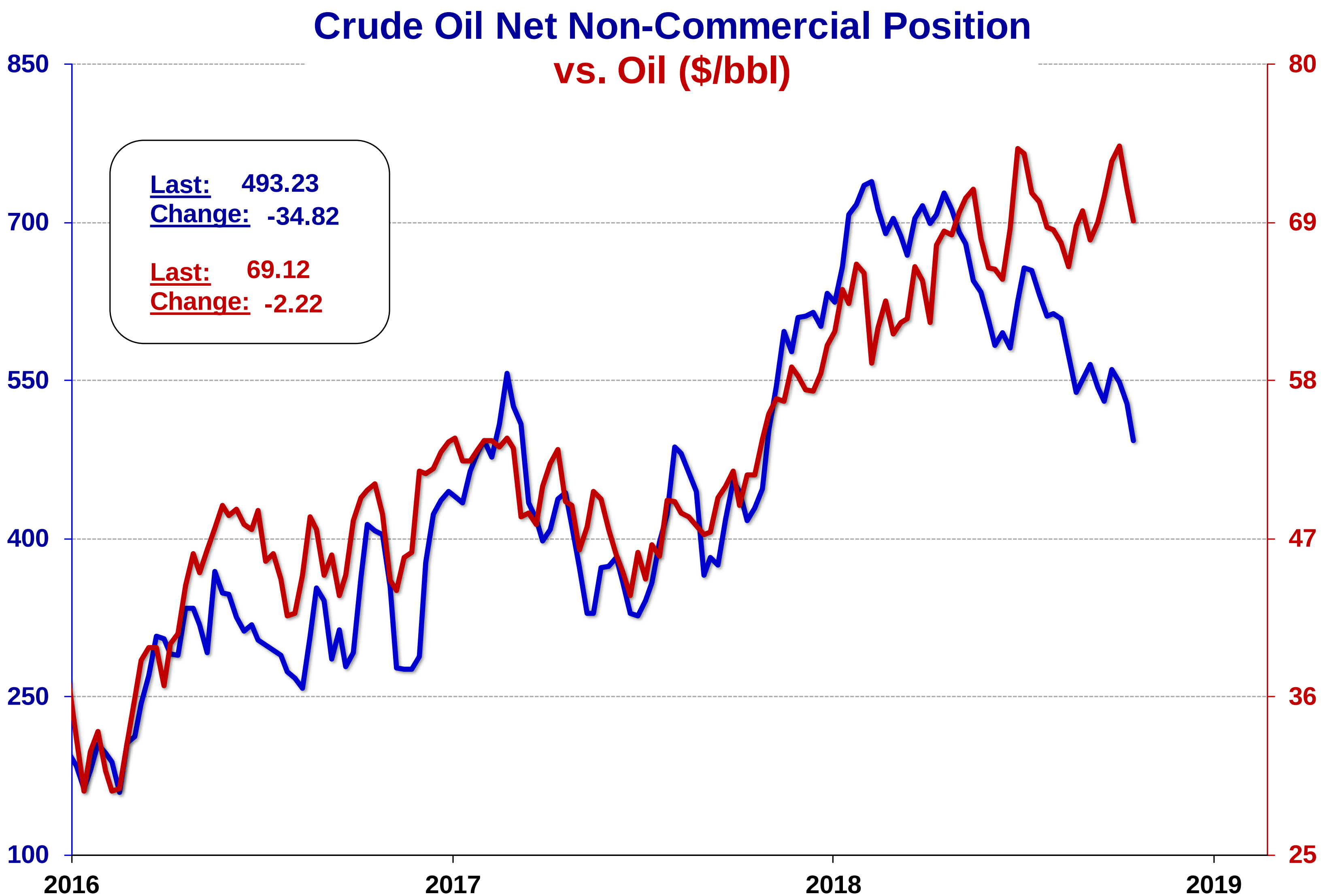
Existing Home Sales 6-Month Average y/y: negative readings last 9 months in a row…



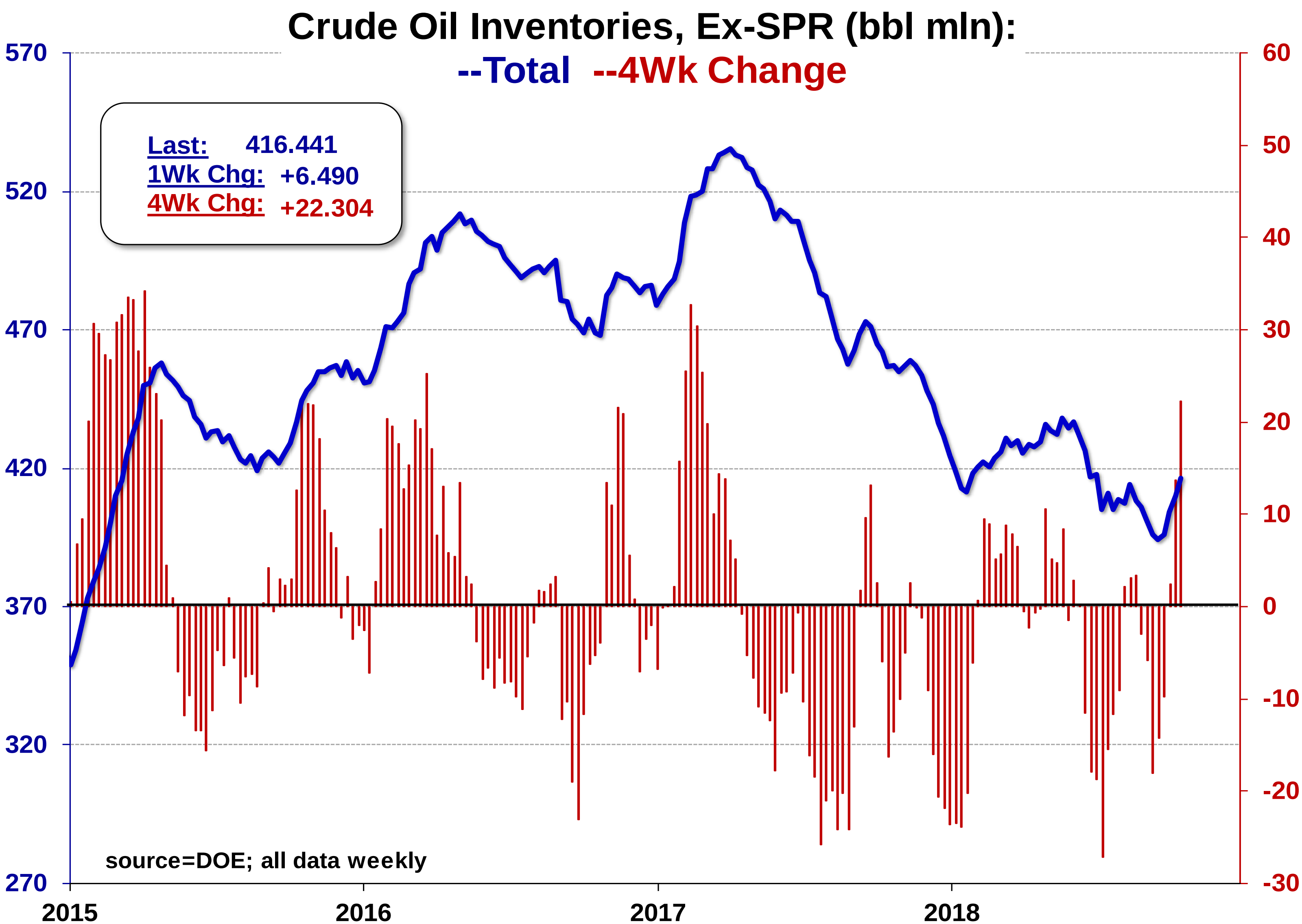
…and this the ***first time we've seen all 6 price range categories turn negative y/y*** (data only back to 2013)



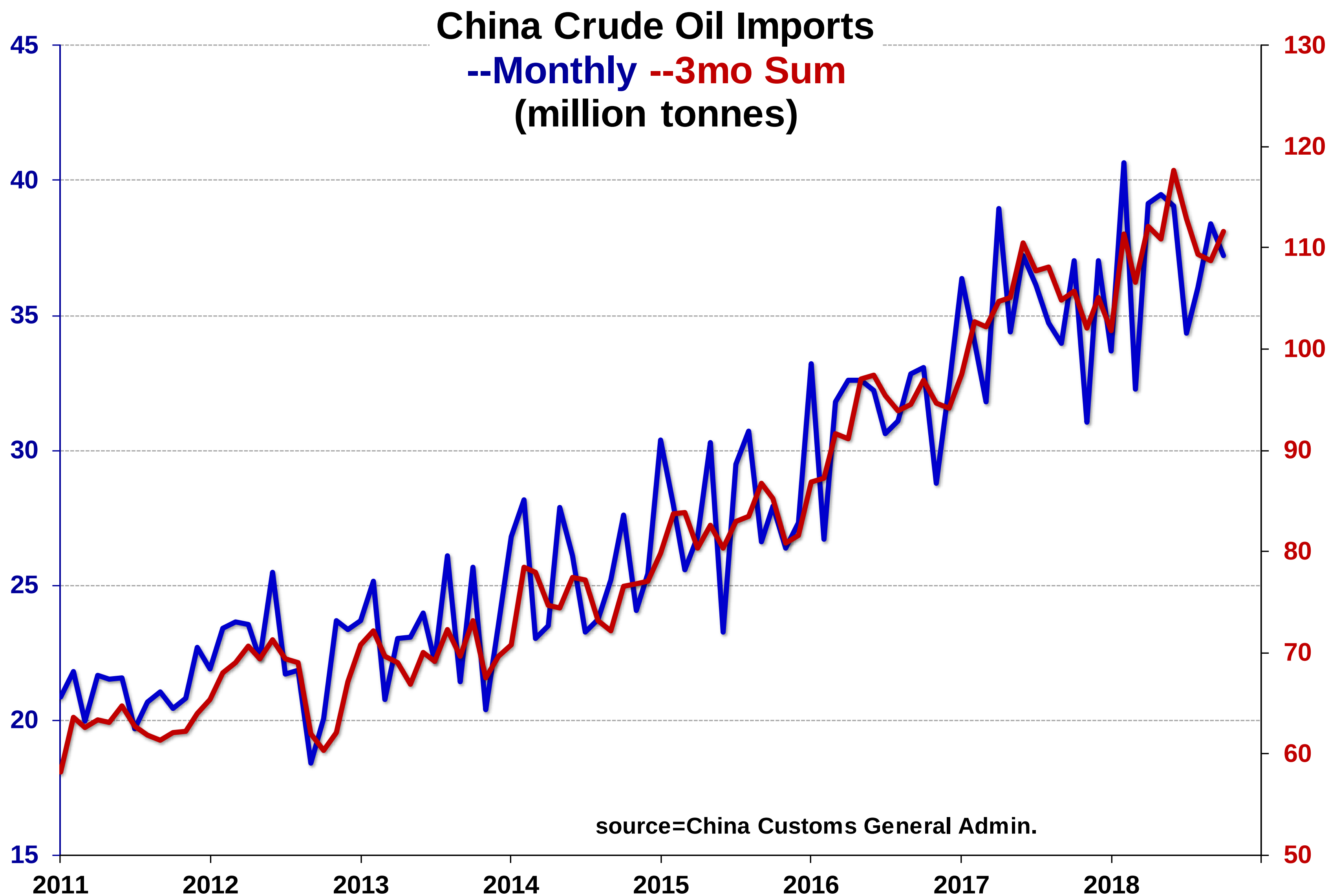
Oil retreats from a near 4-year high as Speculative bet unwind begins, suggesting further downside ahead. Net Spec Position down -33% from February record high of 739k contracts…



…as inventories post biggest 4-week jump since early 2017

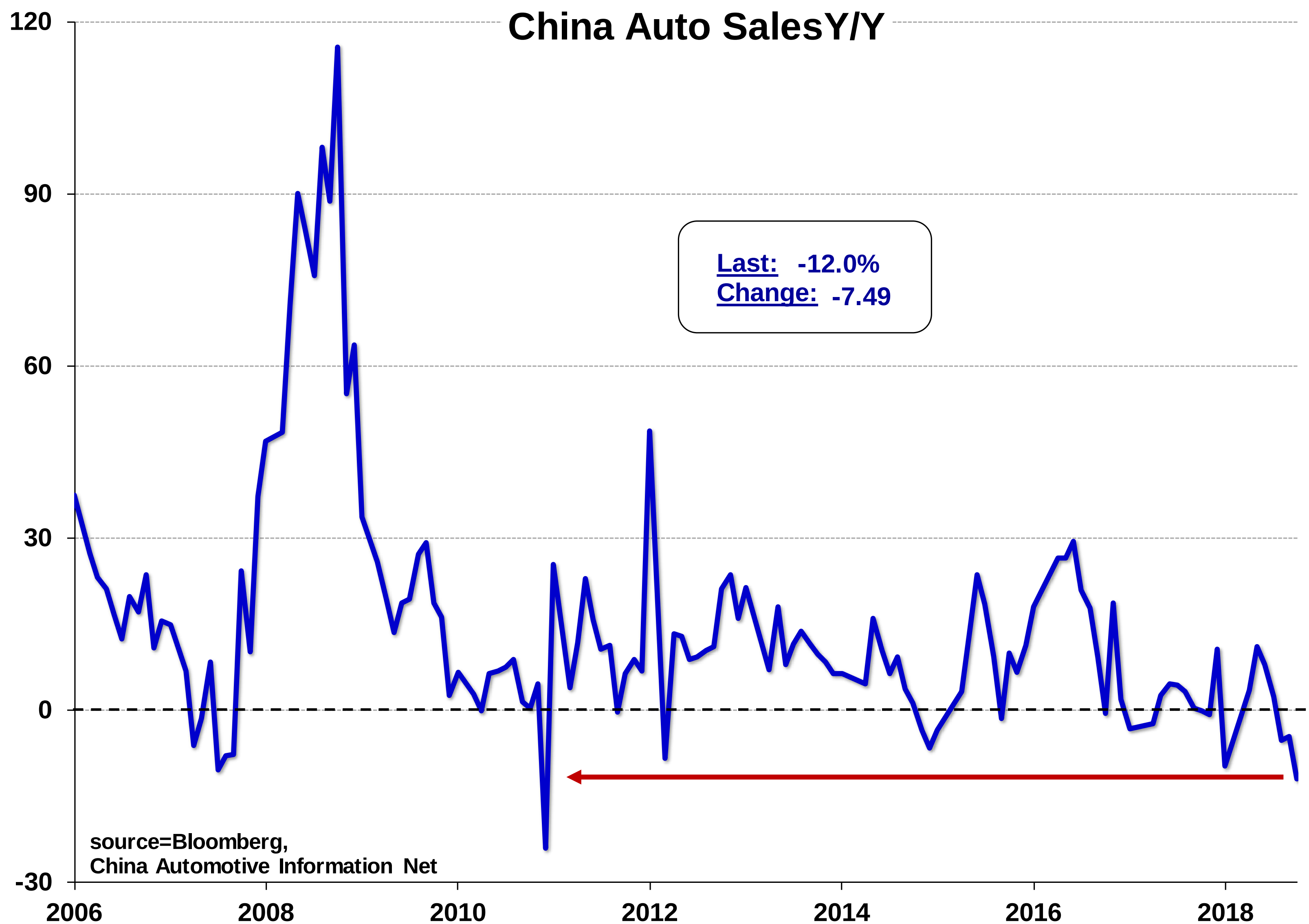


China continues to import near record amounts of Oil…

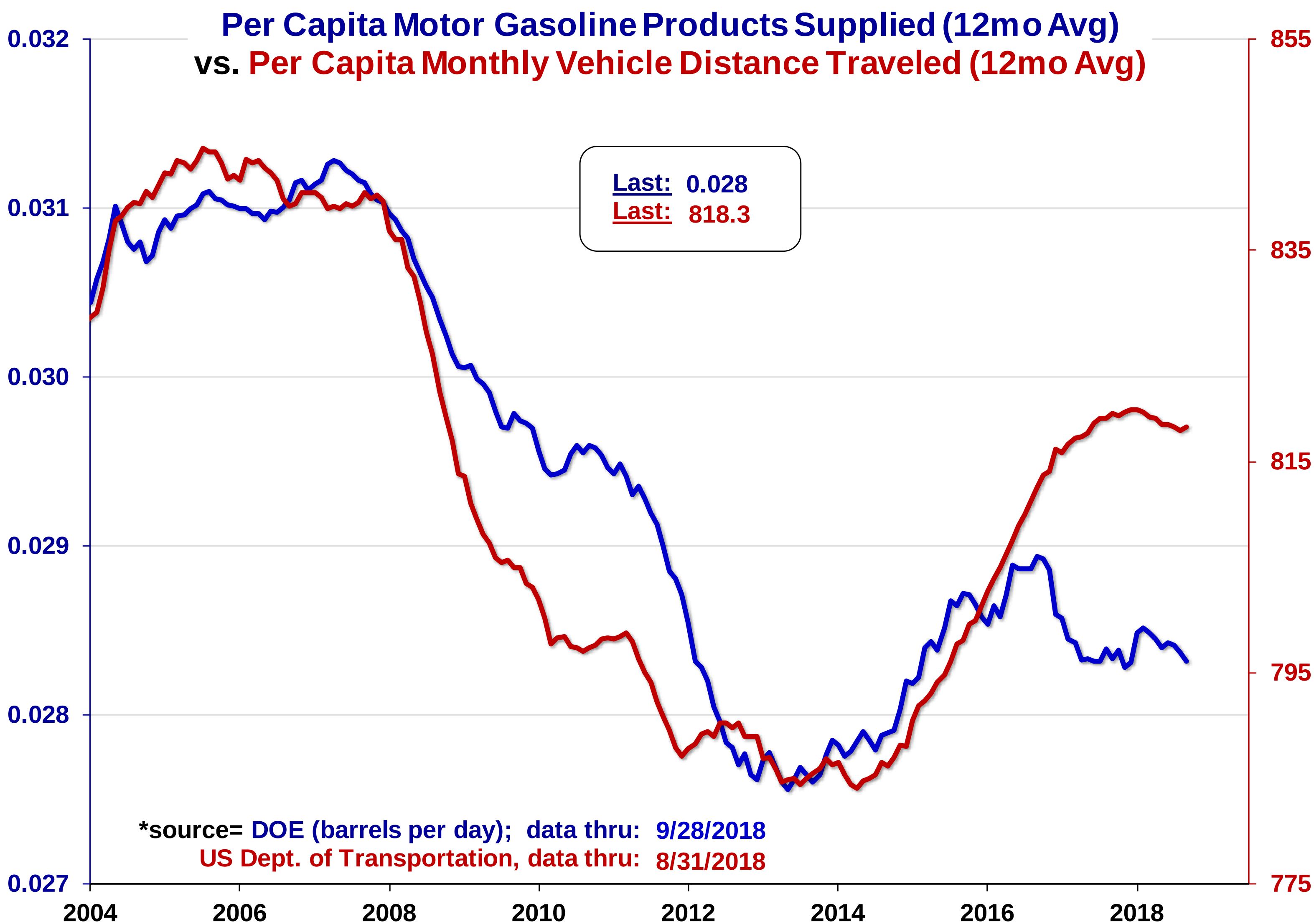


…however, their latest (September) reading of Industrial Production missed expectations: 5.8% y/y vs. 6% expected, third lowest print since the recession.

In addition, China Auto Sales just posted 2nd worst y/y print on record: -12%; all pointing to a slowdown in China's economy which should lead to softening demand for oil.



Meanwhile in the US, consumer gasoline demand turning south along with road distance traveled, a sign of slowing economic activity.



Road distance traveled continues to decline y/y