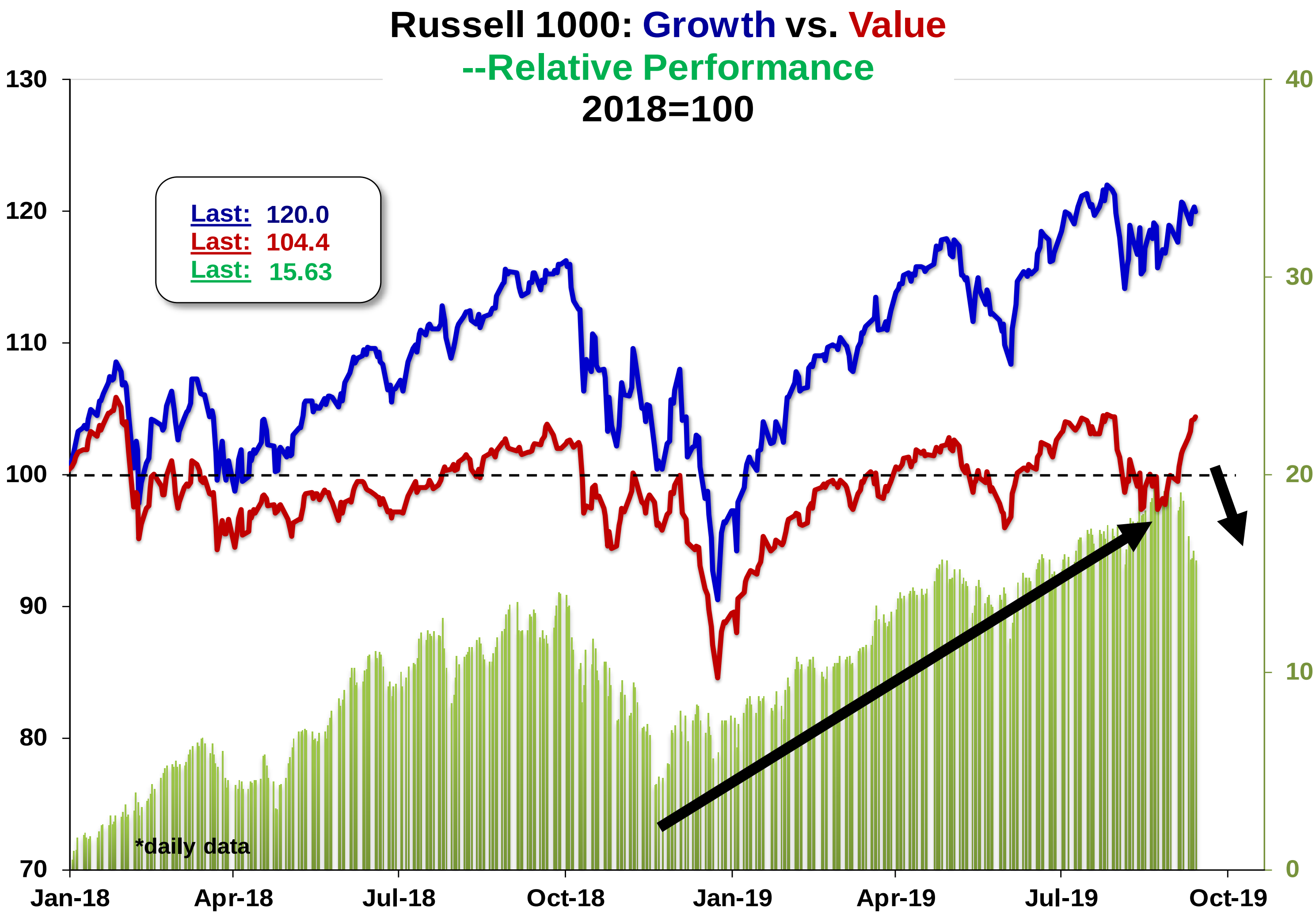
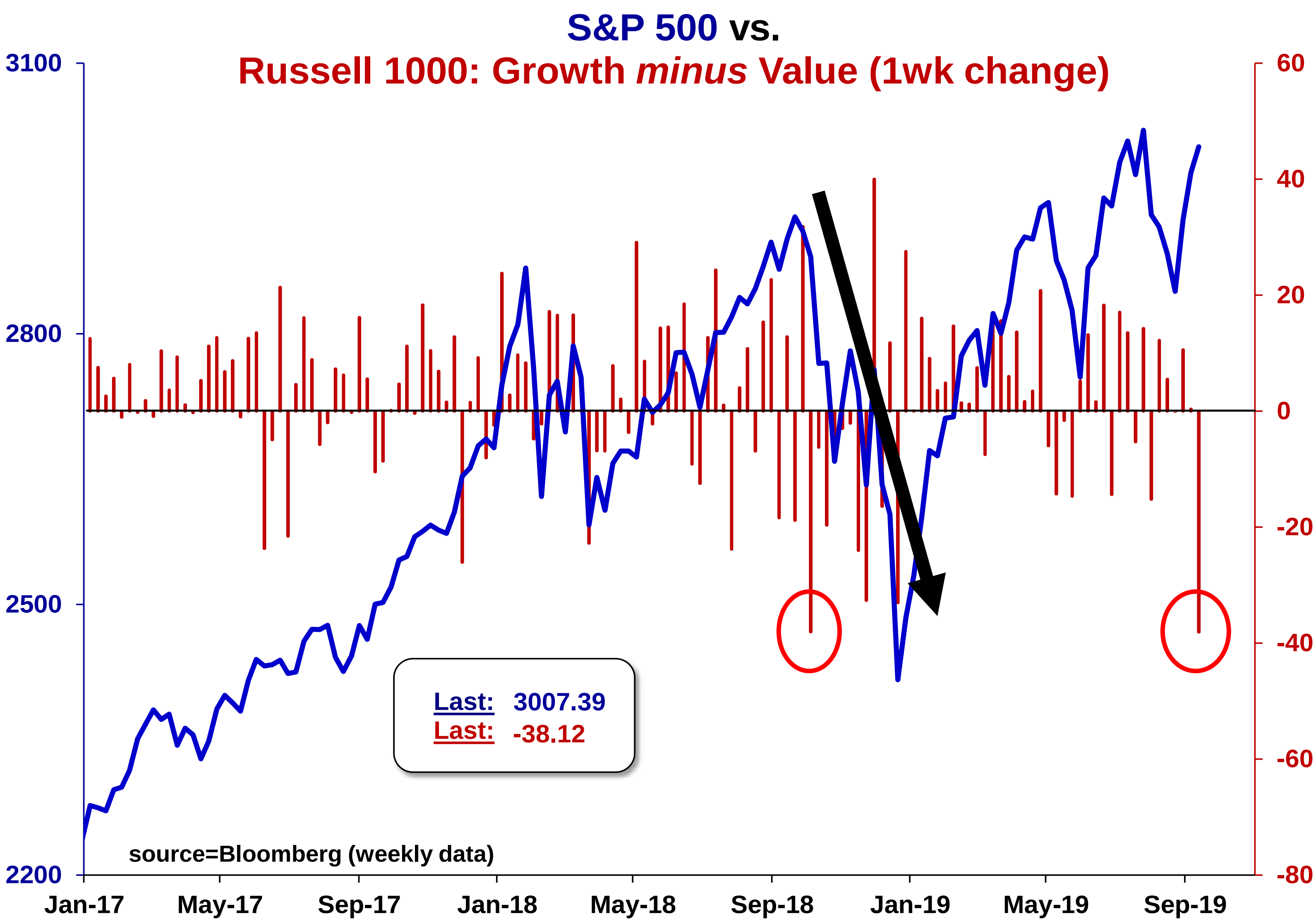
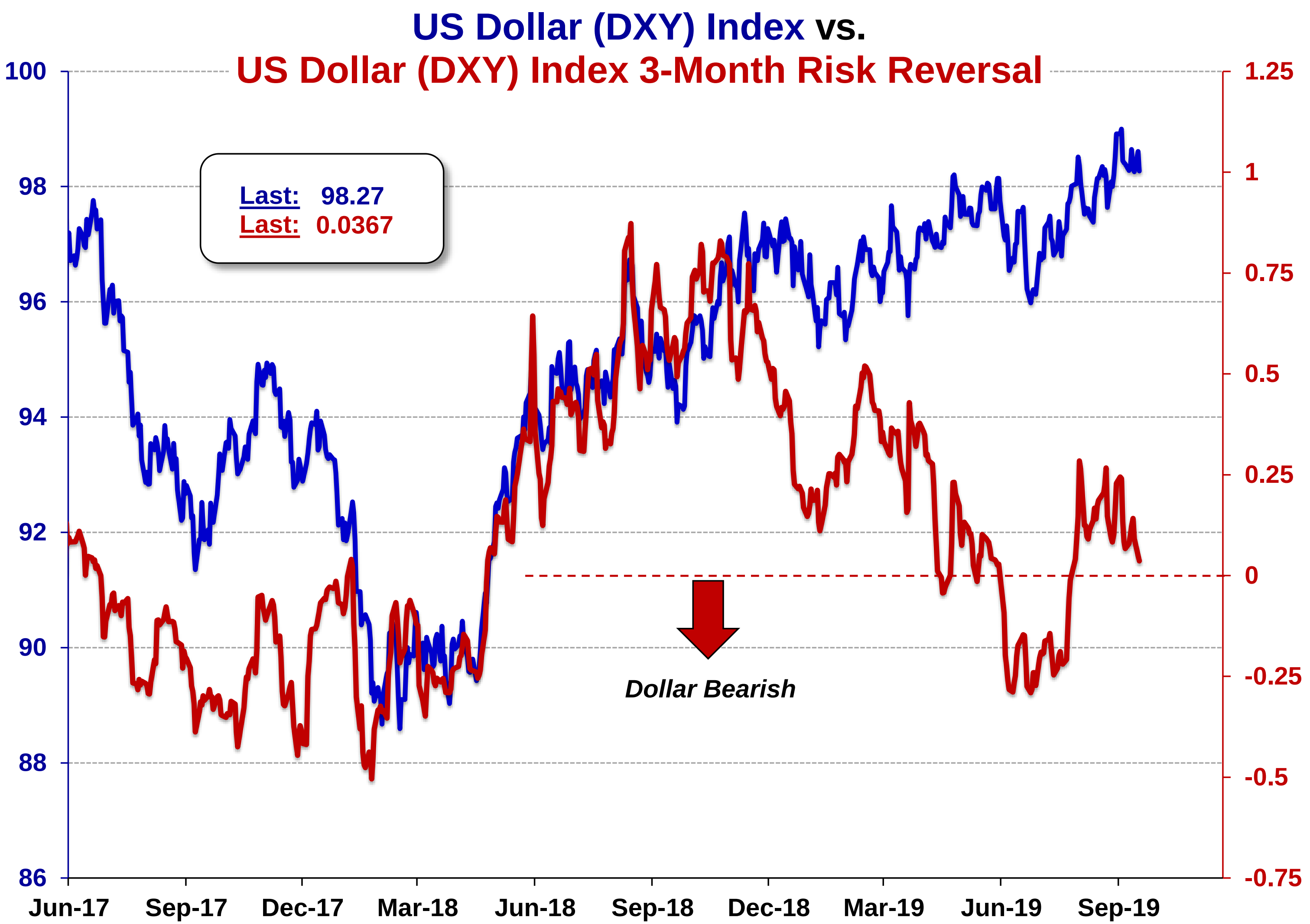
In our last report, we posted the MSCI World version of this chart suggesting '*something's gotta give*' as Growth was vastly outperforming Value in the face of deteriorating global macro data….and something did give: Value has jumped in last 2 weeks as Growth has lagged.



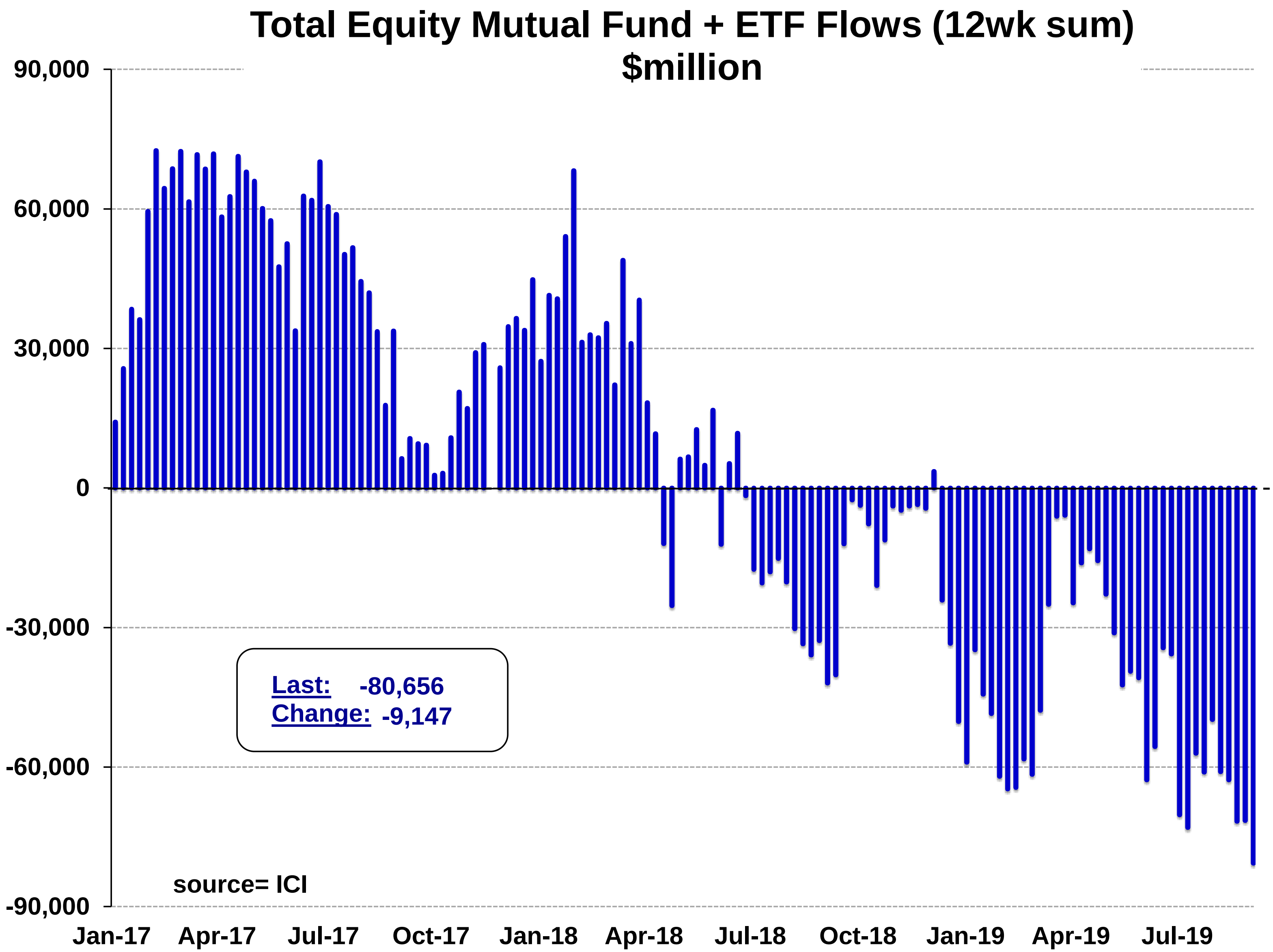
Our Russell 1000 Growth *minus* Value index tumbled -38pts (from record high) last week. The last time we saw such a dramatic reversal was week of October 5th 2018…just as S&P 500 began to roll over into end of the year.



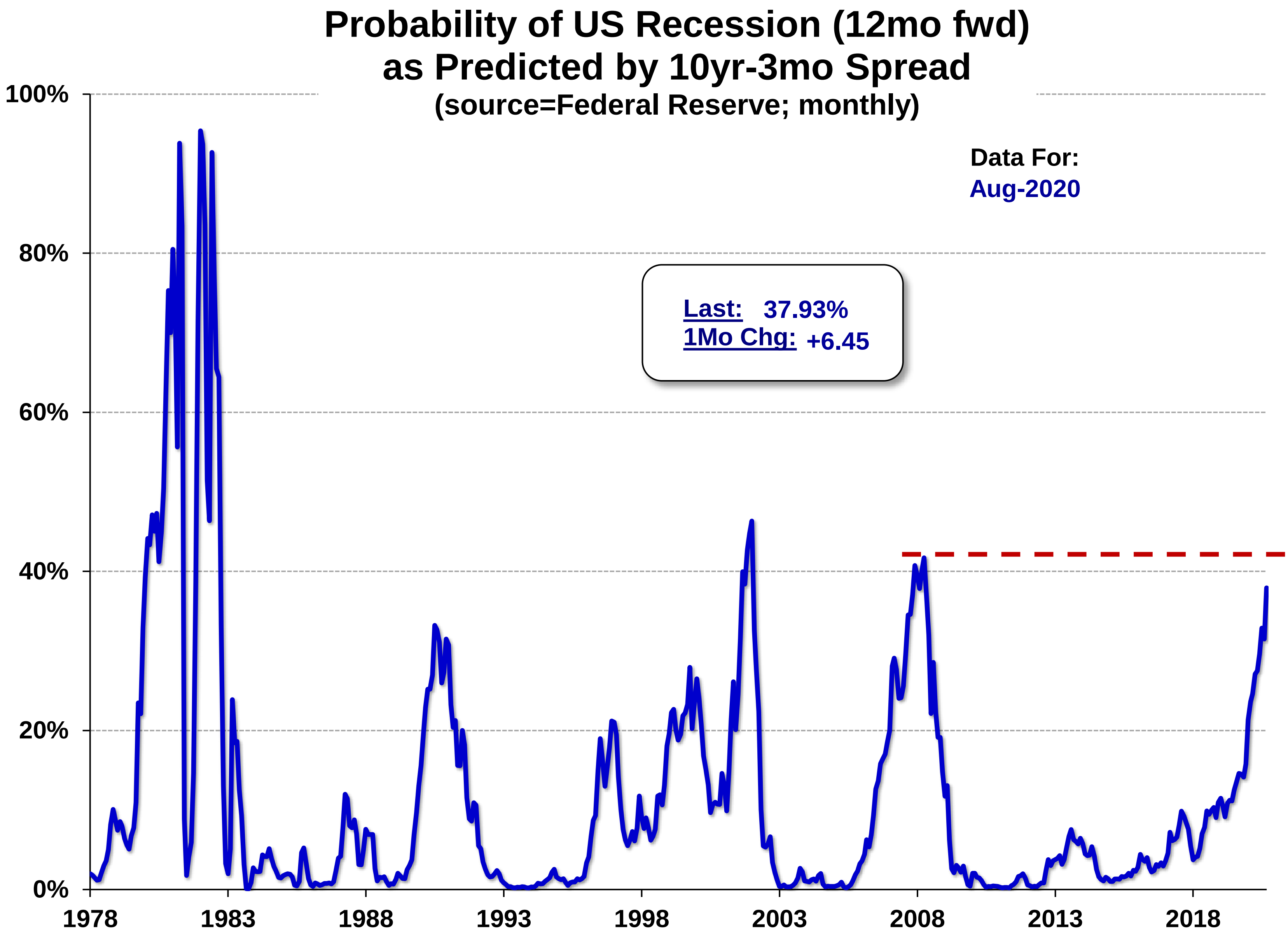
Should the Fed disappoint tomorrow (and, yes, POTUS may deem even a 50bp cut a 'disappointment'), we would expect calls for immediate Dollar intervention/devaluation. In addition, should Powell walk back his 'mid-cycle rate cut' outlook in favor of a far more dovish tone, no doubt the dollar is set for a move lower. Despite recent drift higher, Dollar downside expectations continue to lurk beneath the surface.



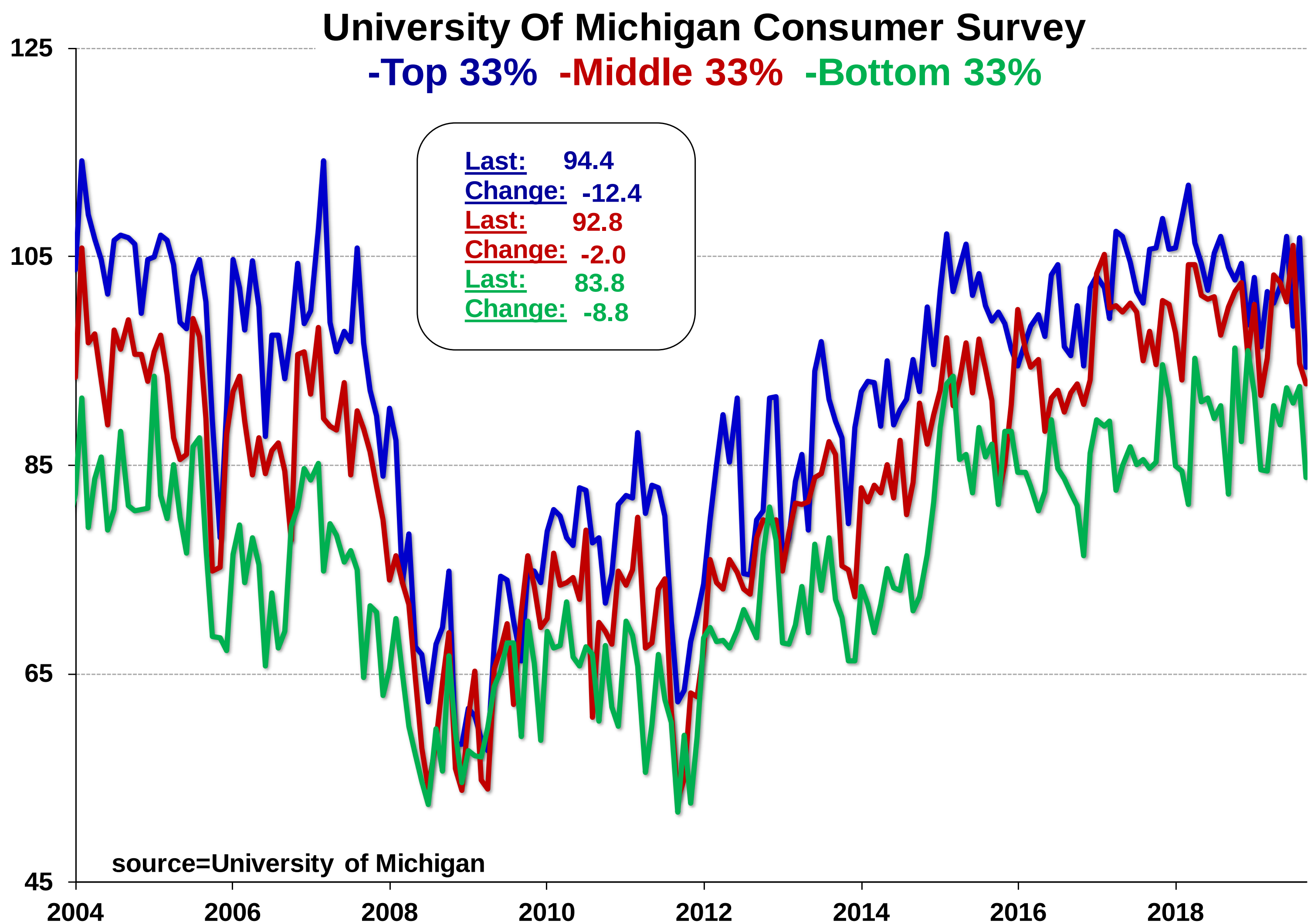
Latest ICI data reveal biggest MF + ETF (12wk) Equity outflow on record: -$80.6bln



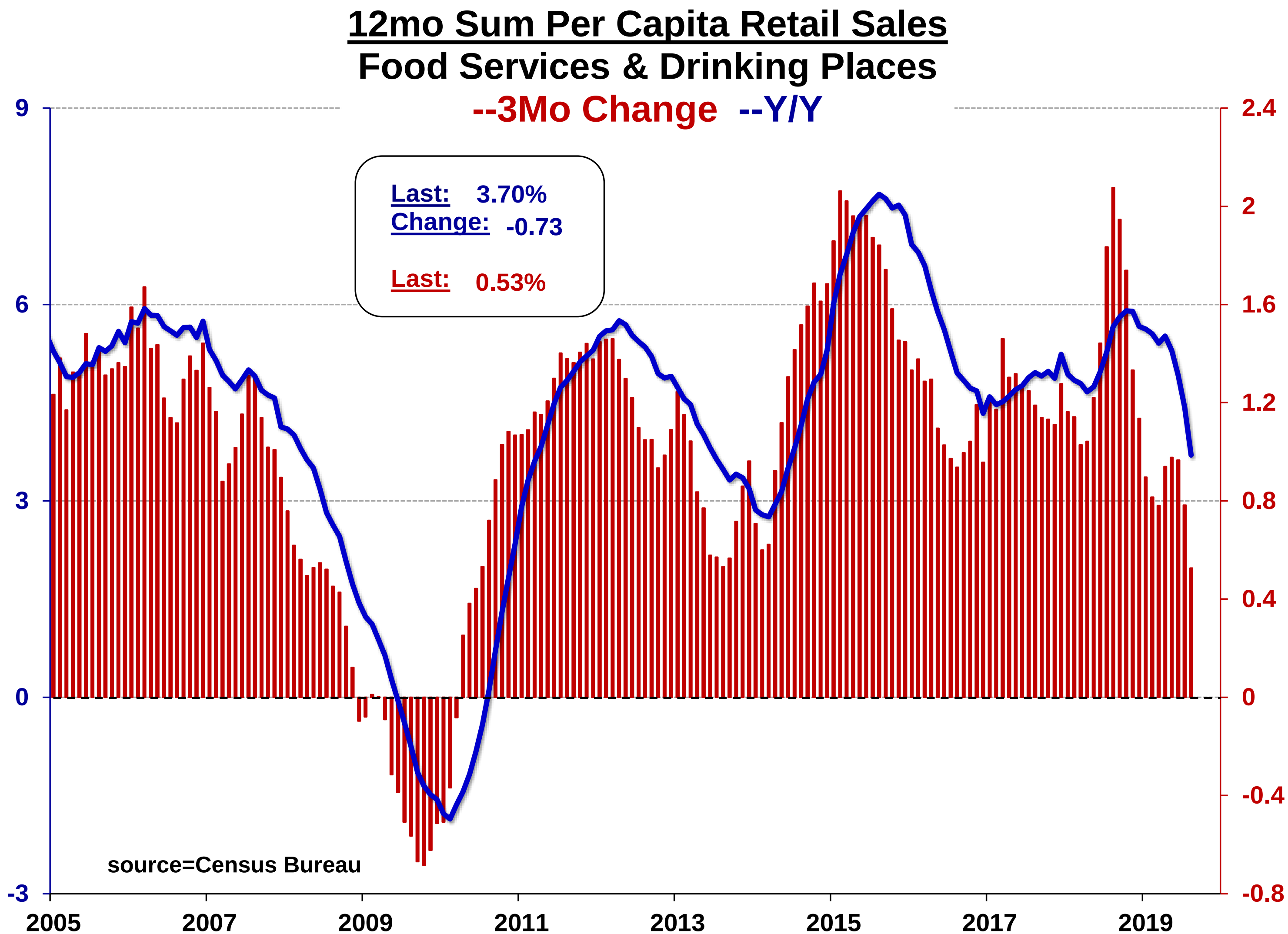
Recession Probability just shy of 2008 high



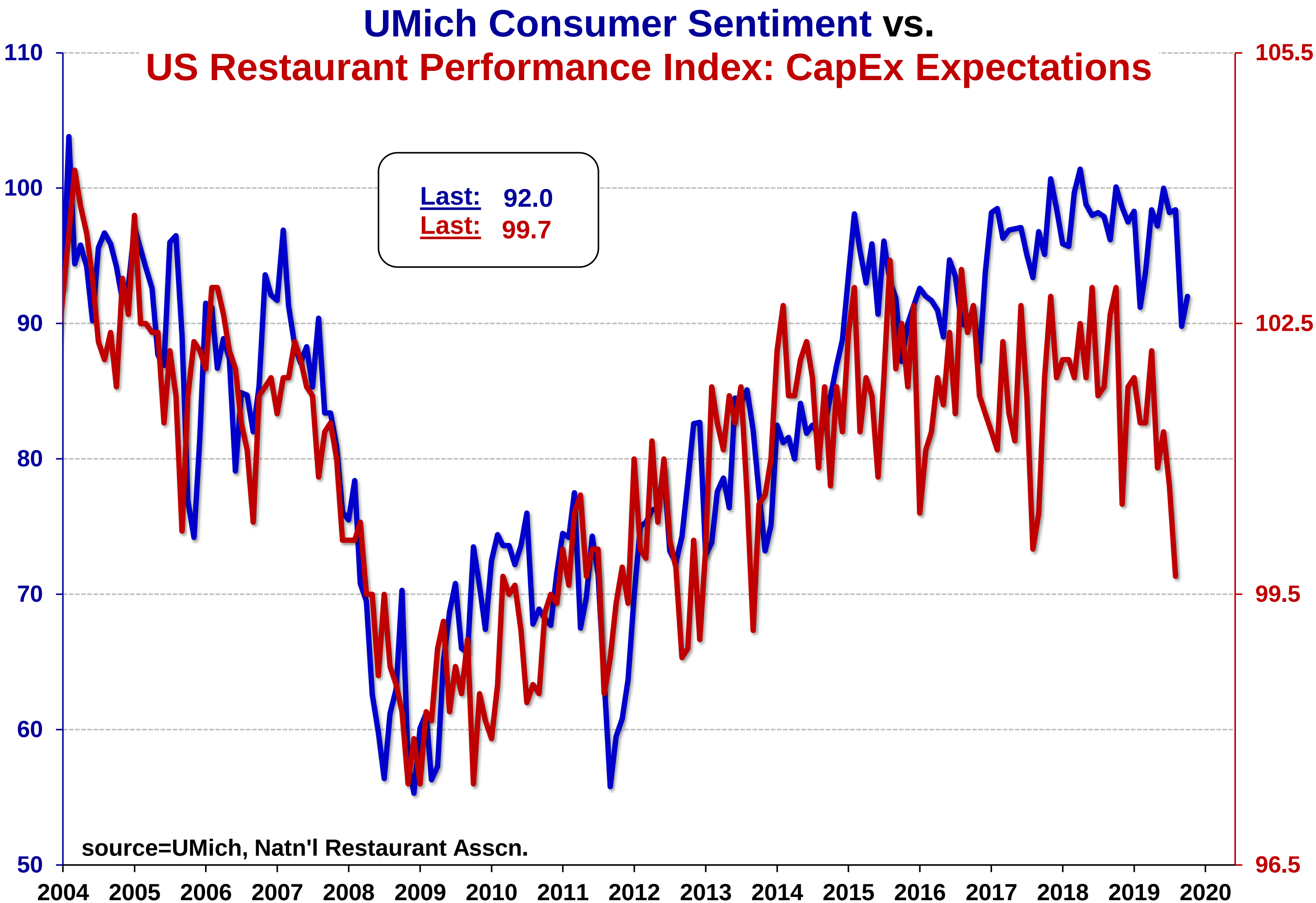
UMich consumer sentiment across all income categories dipped sharply in August. Of note: sentiment among top 33% income earners tumbled -12.4pts to 94.4….**lowest since September 2014**. This certainly supports recent data showing slowdown in luxury good spending….and if the wealthy are cutting back spending, this certainly does not bode well for overall consumption & sentiment indicators going forward.



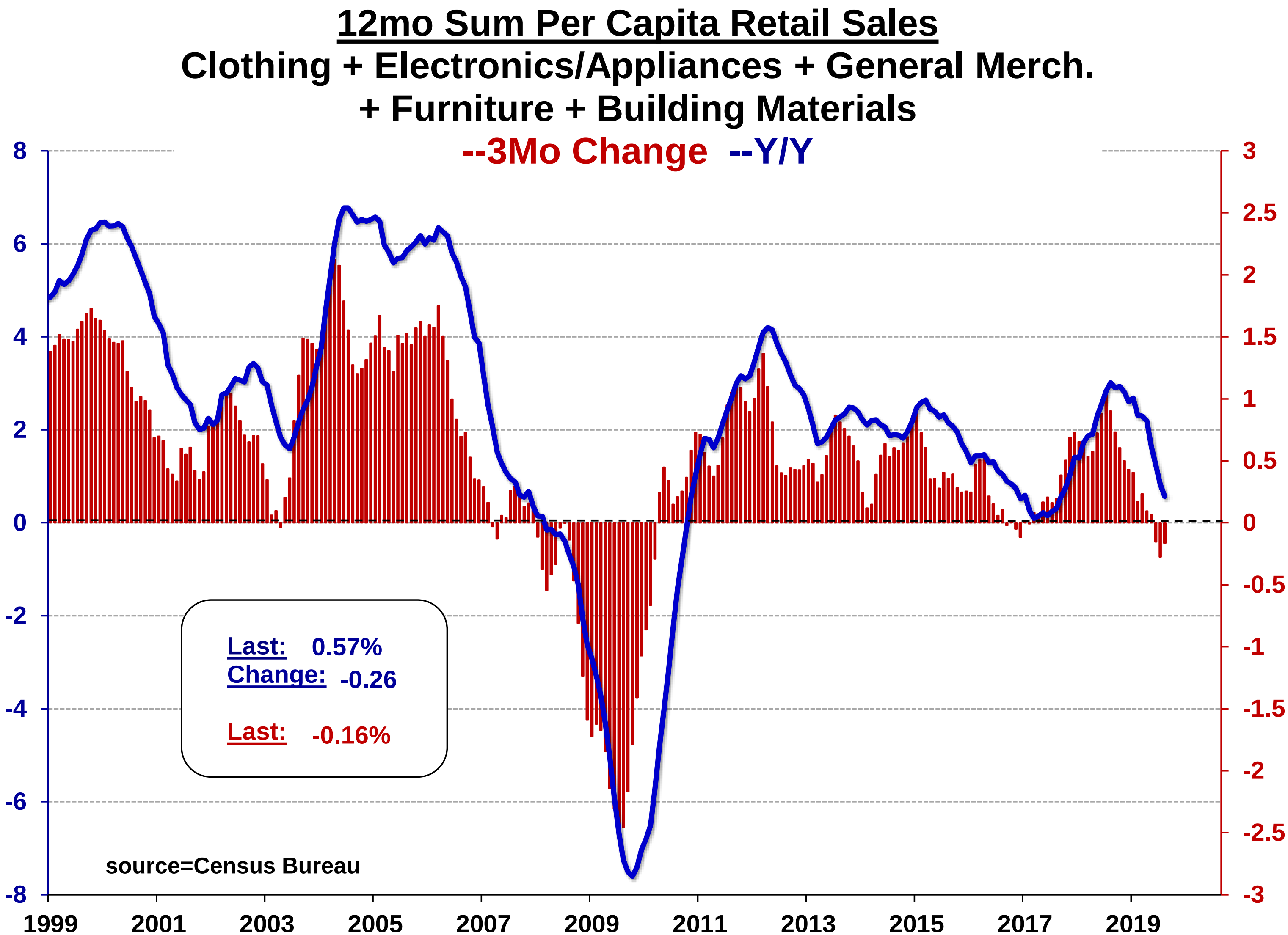
When assessing health of the consumer, there is one figure within Consumer Spending / Retail Sales data which speaks volumes. What is the ONE thing consumers spend more on when they have additional disposable income; the one thing they do less of when budgets are tight? You guessed it: they dine out. While Food & Drink spending rose sharply in 2018, they have deteriorated rather notably so far in 2019…



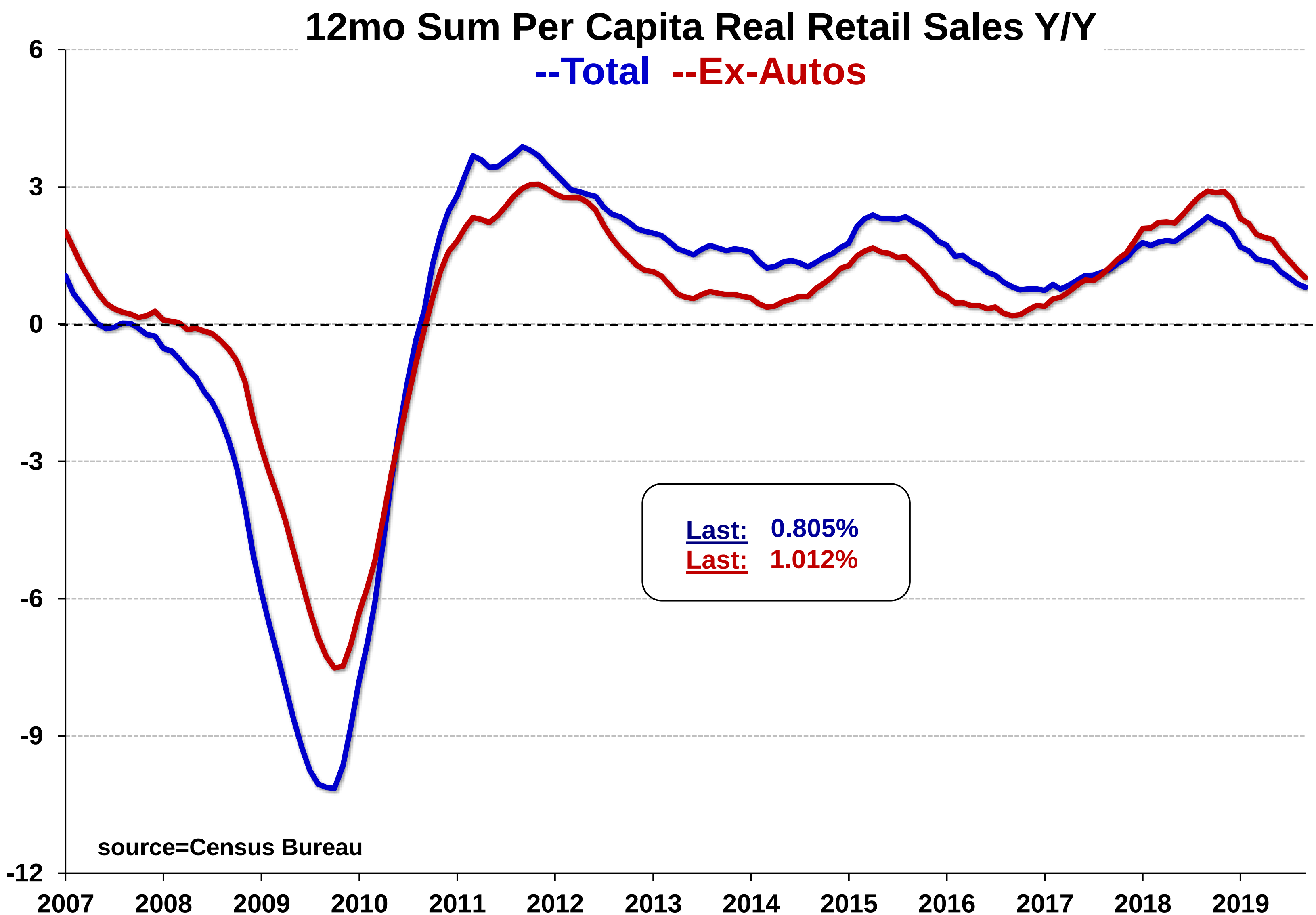
While restaurant traffic remains elevated per latest NRA data, a sharp drop-off in CapEx expectations (lowest since 2013) suggests consumers may be spending less per outing. In short: consumers are beginning to pull back discretionary spending once again, so how long until Consumer Sentiment really begins to sour?



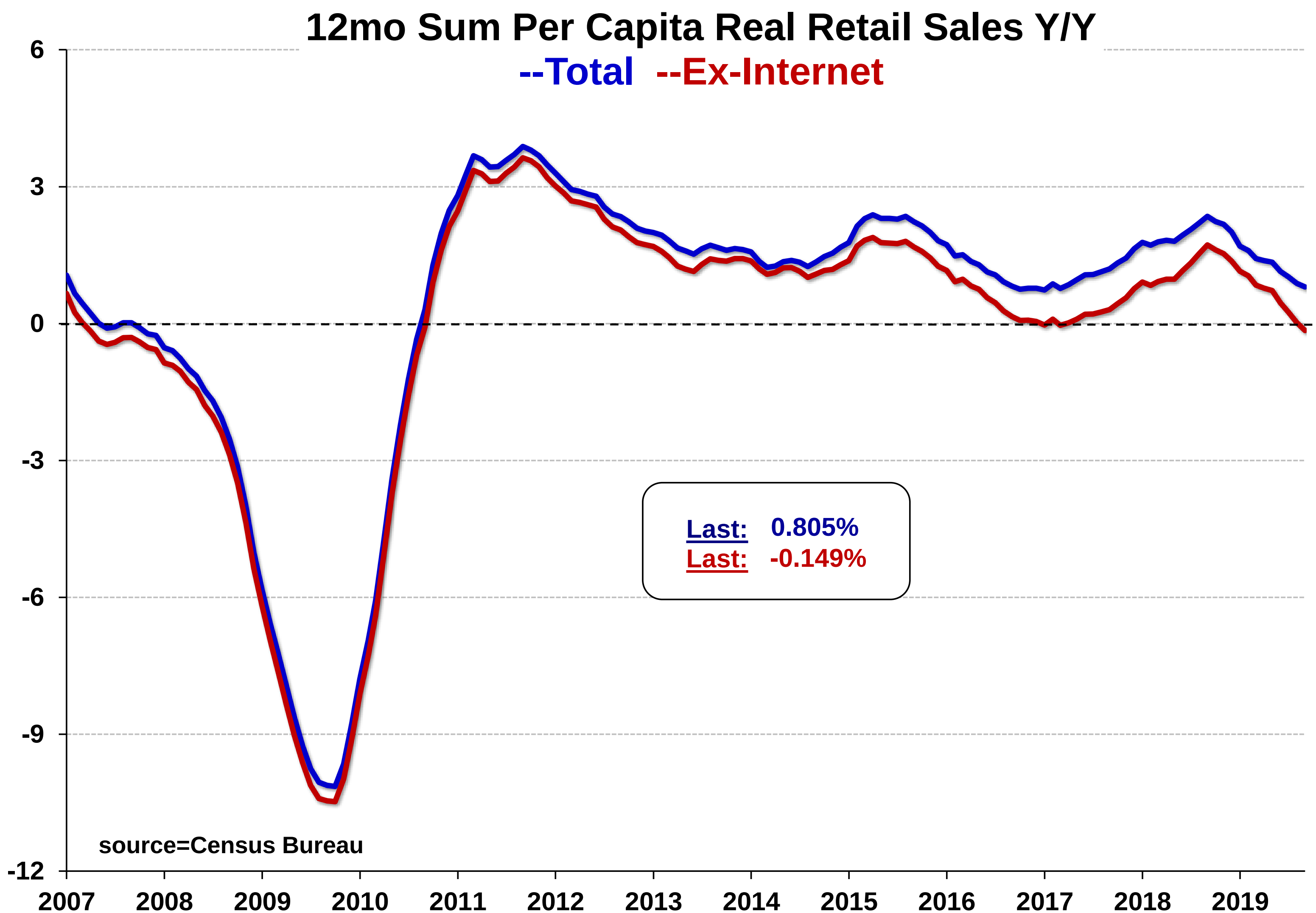
August Retail Sales beat expectations led by Autos, Internet, and Building Materials. Excluding Autos, sales were unchanged m/m. Chart: composite of key consumer categories continues to weaken: 3 months in a row of negative (3mo change) readings…and nearly turning negative y/y.



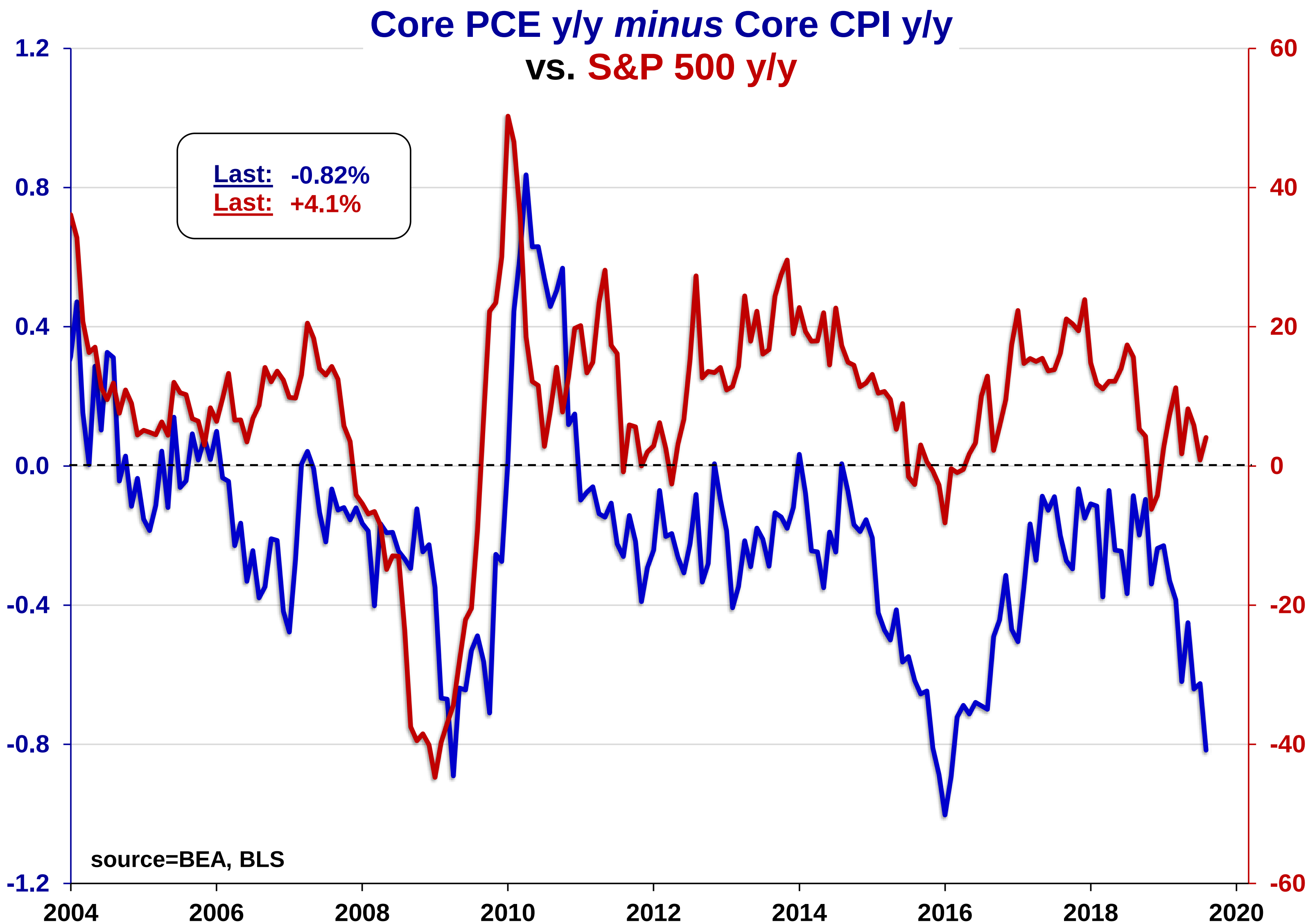
Long-term per capita, inflation-adjusted Retail Sales growth continues to slow.



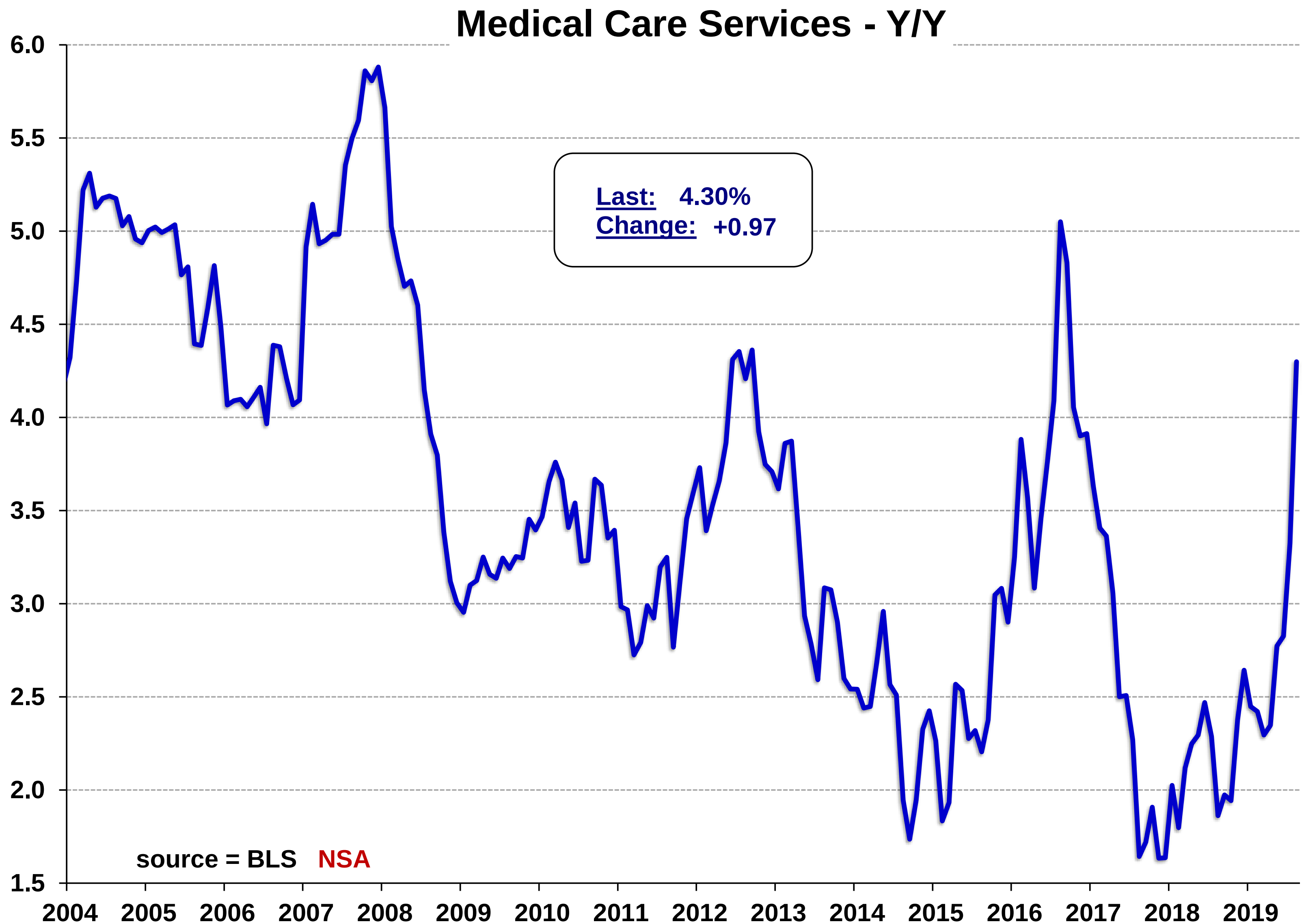
Excluding internet sales, Real Retail Sales turn negative y/y and post lowest print since the recession. The last time ex-internet sales dipped to this level was March 2007. What does it tell us about the consumer that they are shopping online more? Answer: it's not only convenient but it's the cheapest option available. More on this in next few charts…



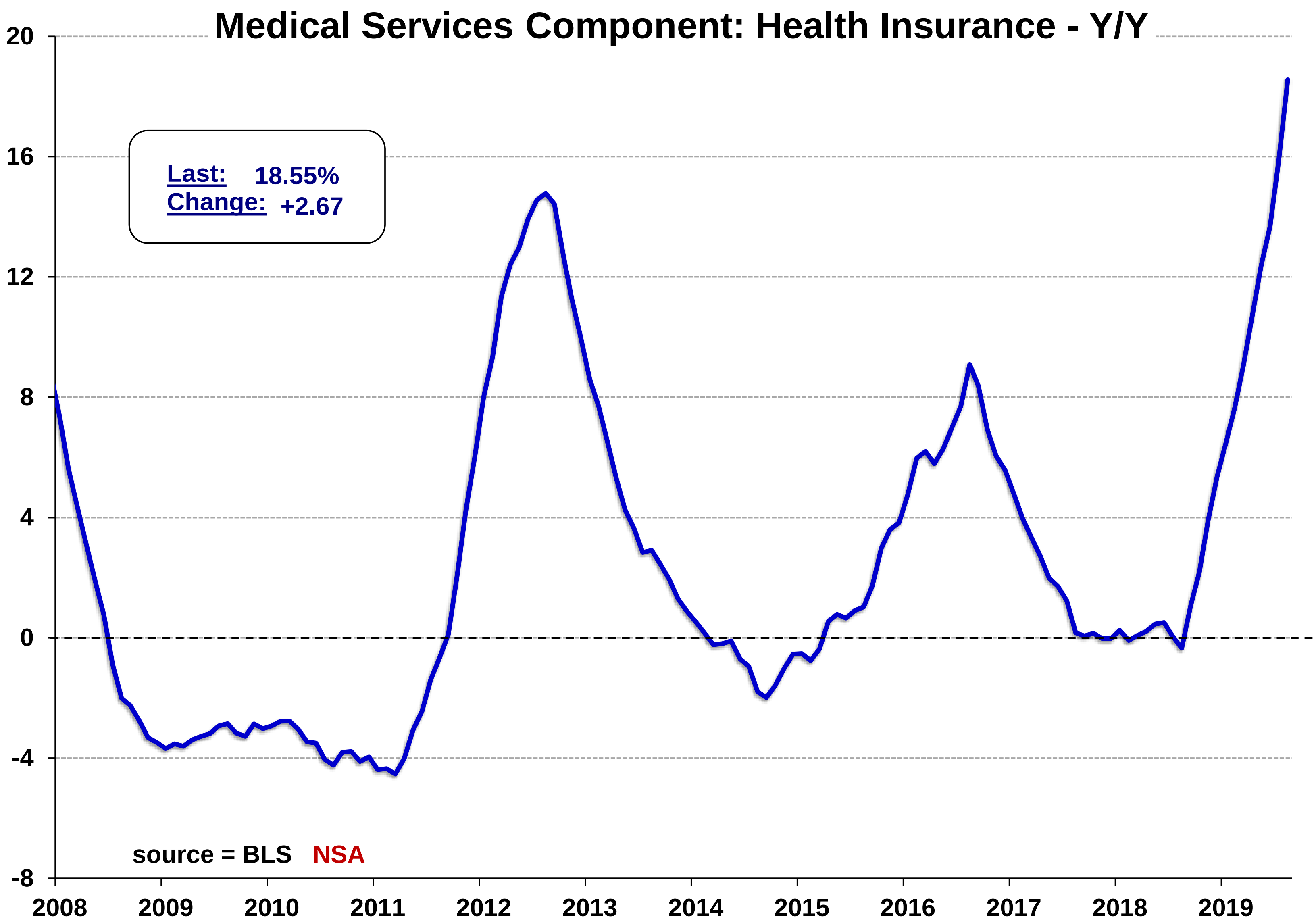
Latest Core CPI reading jumped to 2.4% (an 11yr high), however the gap with Core PCE widens to recession levels. In short: consumer spending ON things lagging behind price OF things…a consumer negative signal.



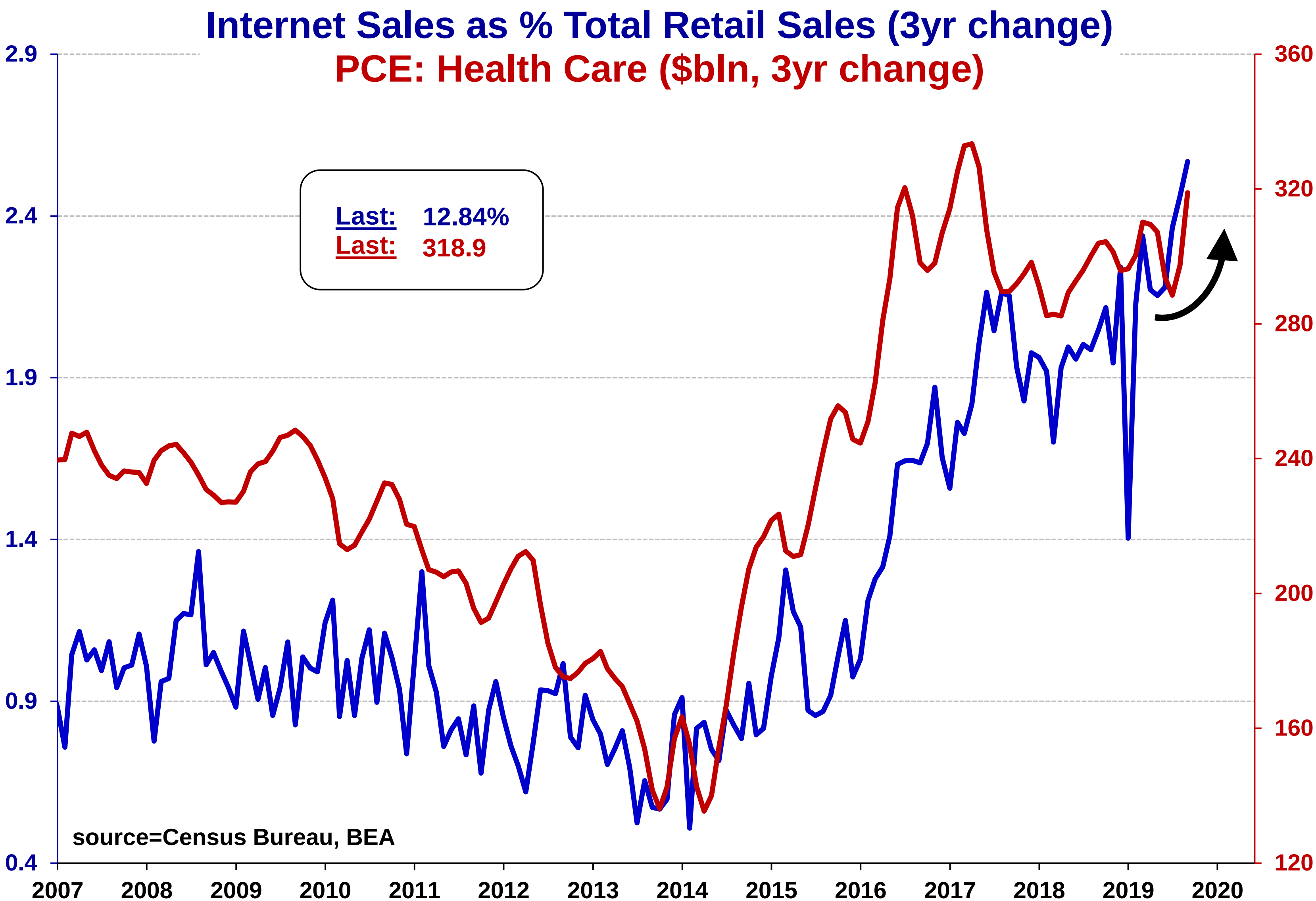
So why the sharp rise in Core CPI since April/May? Look no further than Medical-related costs.
Medical Care Services jumped 1pt to 4.3% y/y in August…up from 1.6% y/y at start of 2018



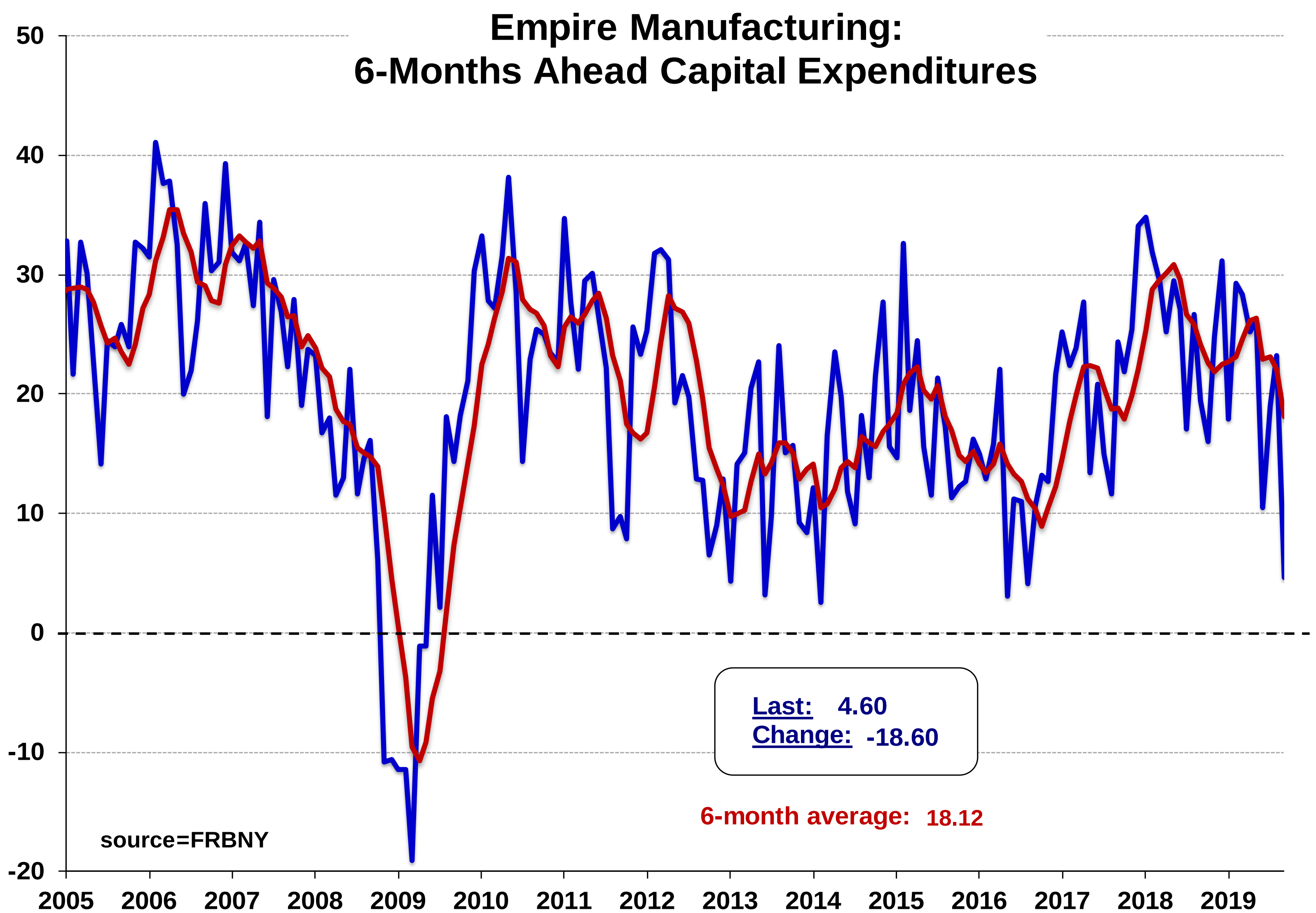
Health Insurance CPI spikes to 18.5% y/y



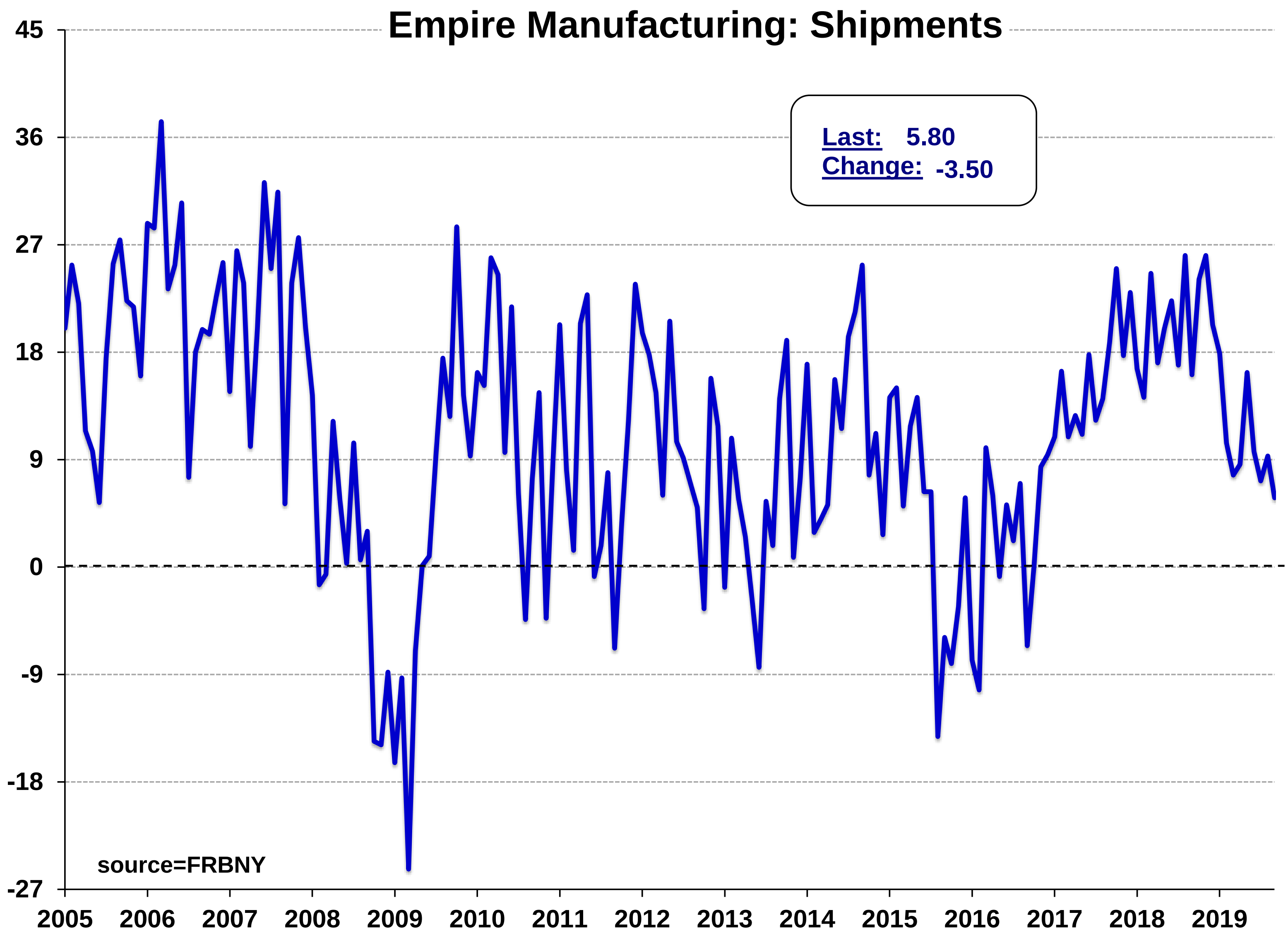
Turn higher in health-related expenditures pushing consumers to cheapest source possible for their needs: online (which, at least in part, explains retail store closings and layoffs). Should health costs continue to rise, consumer spending growth almost certain to slow further.



Empire Fed Manufacturing posts big miss: -2.8pts to 2 vs. expectations of -0.8pt drop to 4 as Shipments & New Orders tumble. The big shock in the report: CapEx Expectations fell -12pts to 13.7....**4th lowest print since the recession**

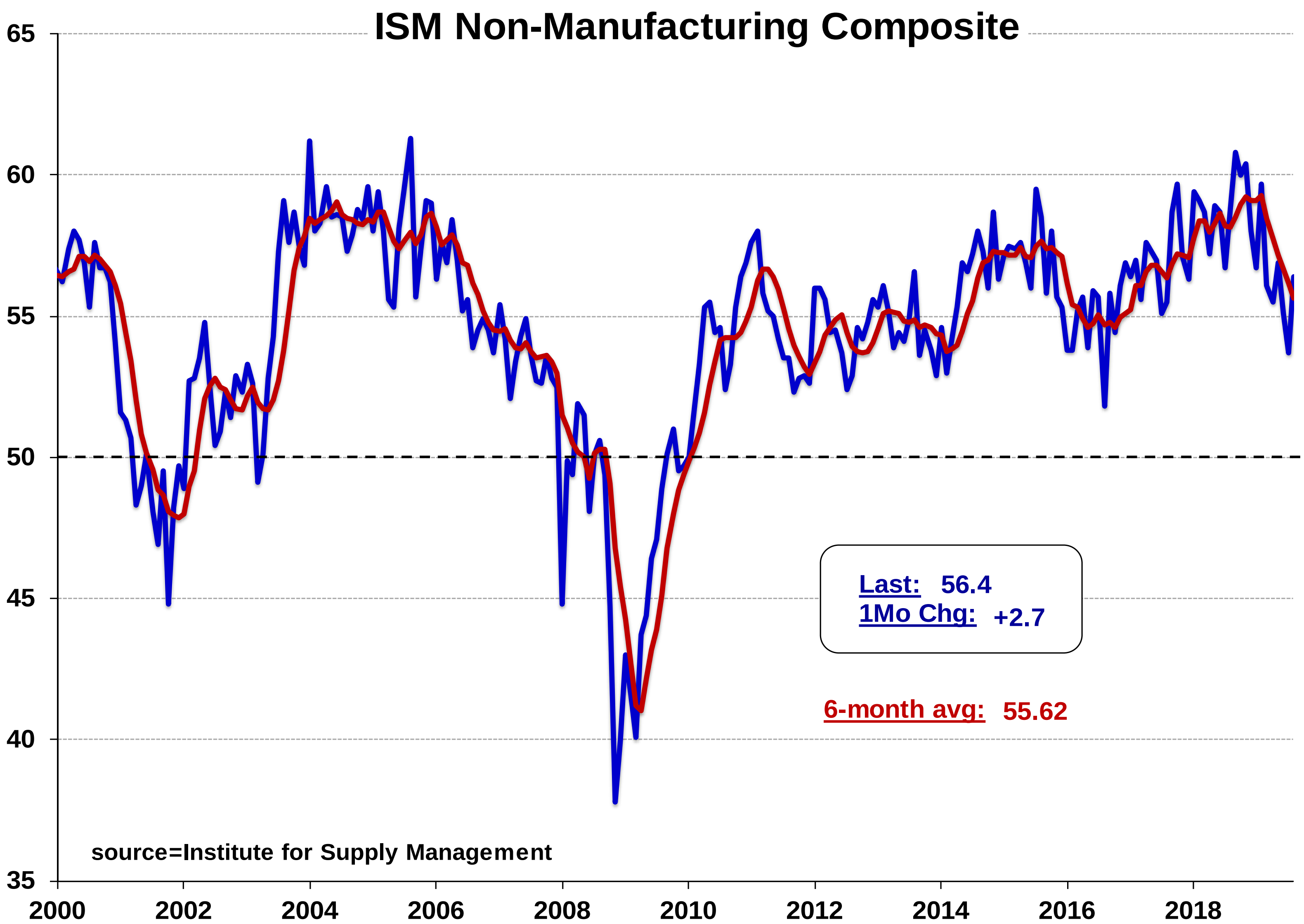


Shipments index: -2.5pts to 5.8...lowest since Oct. 2016 which was a negative print

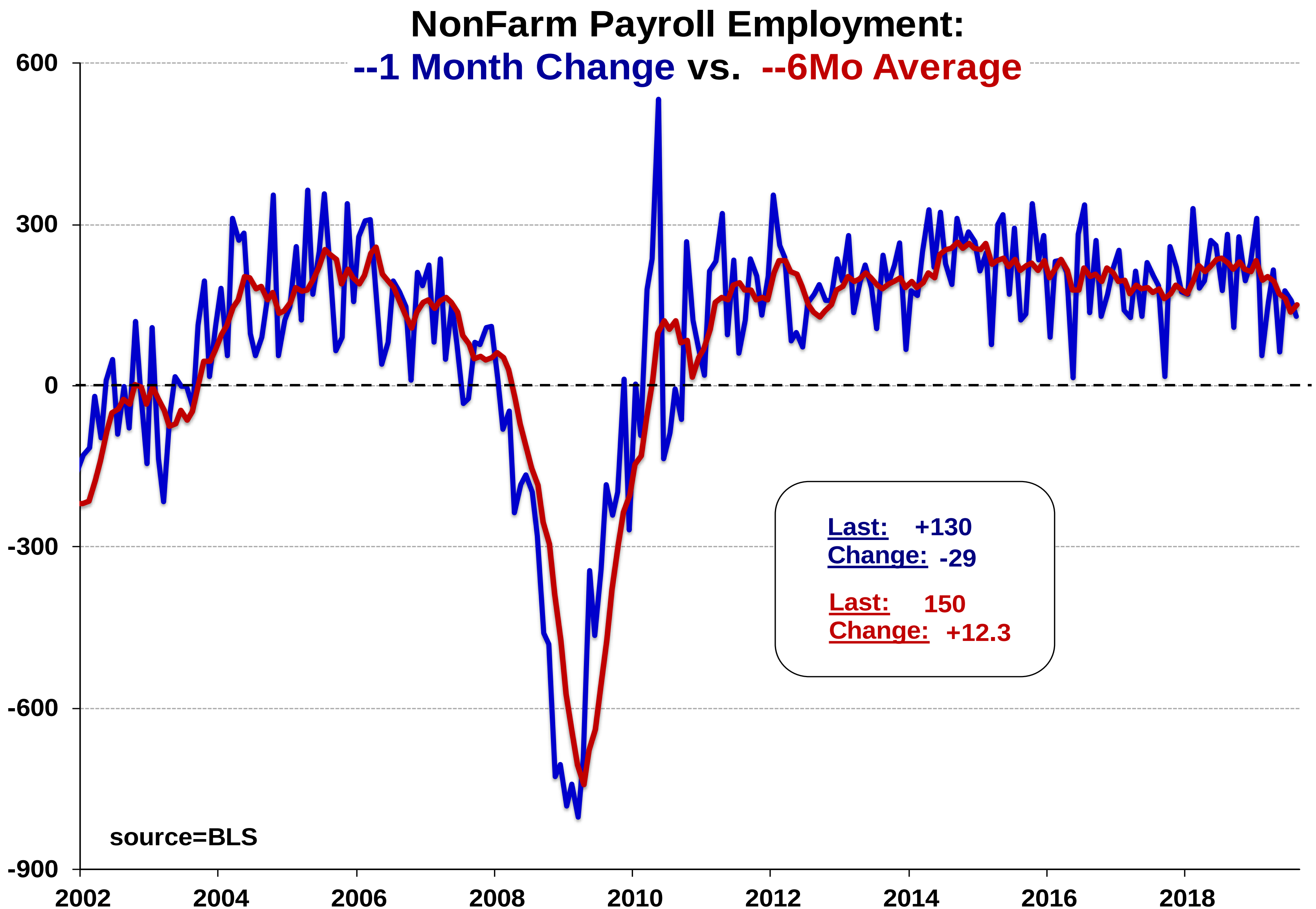


ISM Manufacturing (August): misses expectations, **falls into contraction territory (lowest since Jan. 2016)**

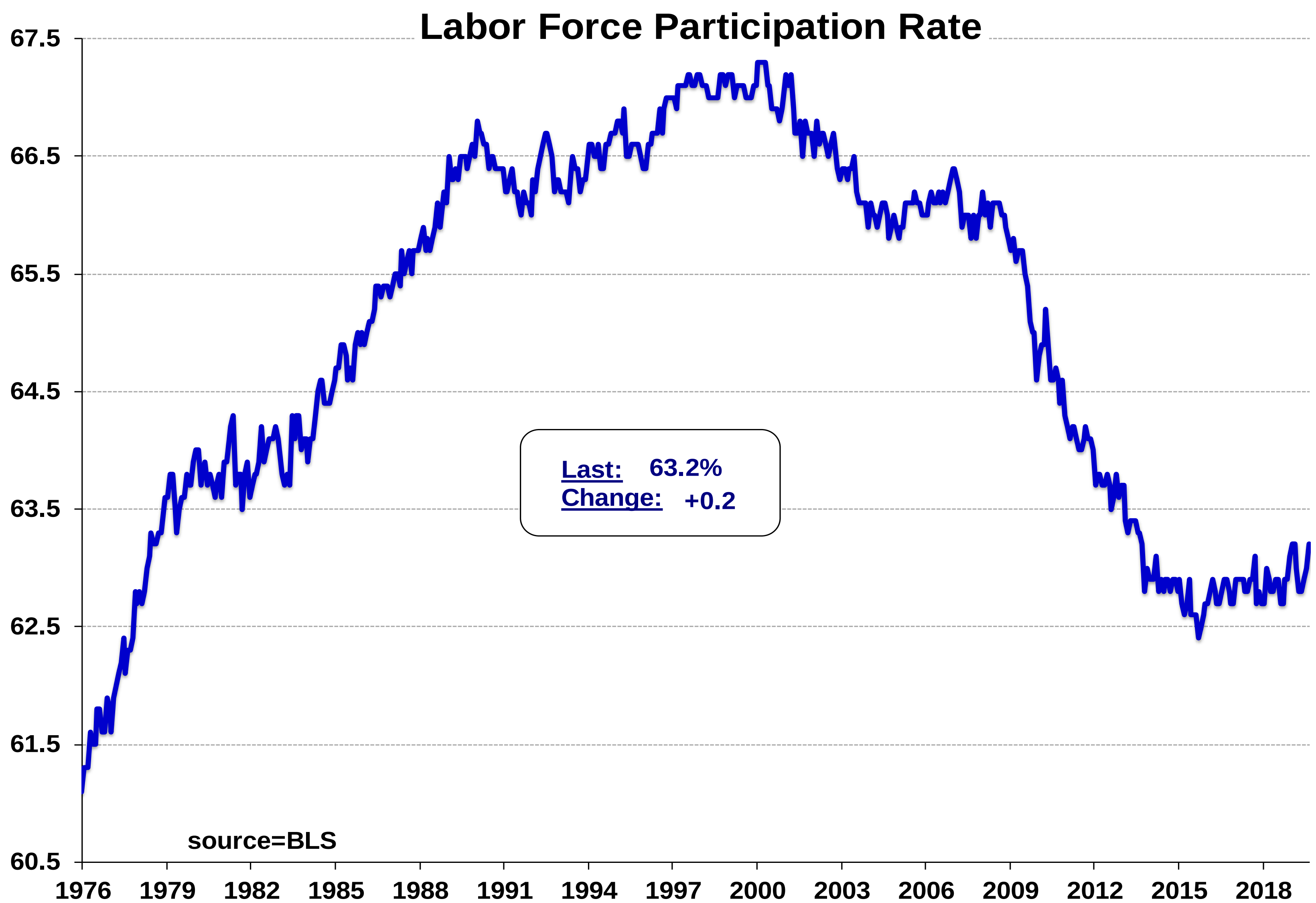
ISM Non-Manufacturing beats expectations as business activity and new orders jump, however 6mo average drops -0.55pts to 55.6



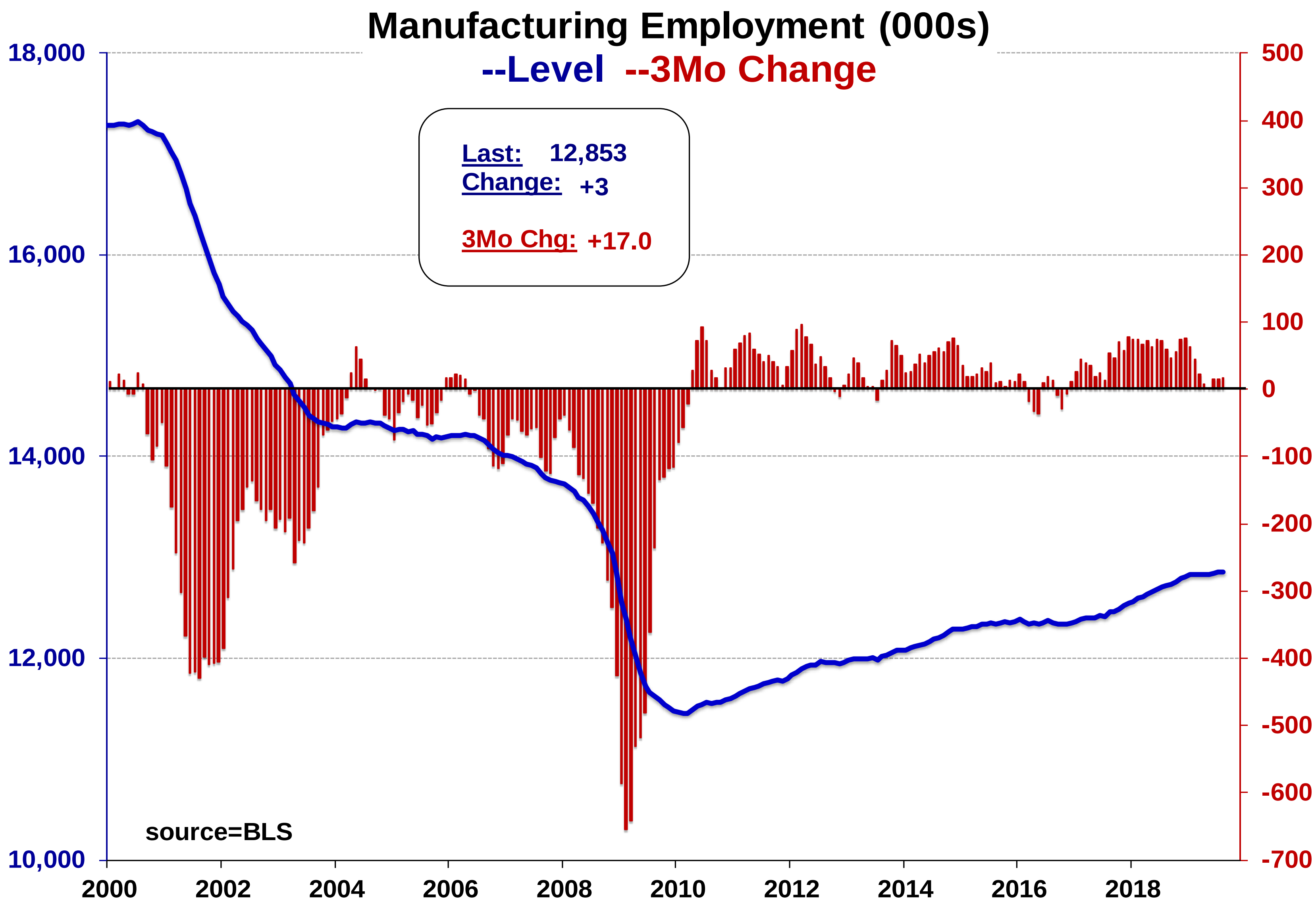
August Nonfarm and Private Payrolls both miss expectations: Nonfarm adds 130k vs. expectations of 160k; Private Payrolls add 96k vs. expectations of 150k…the third sub-100k print this year.



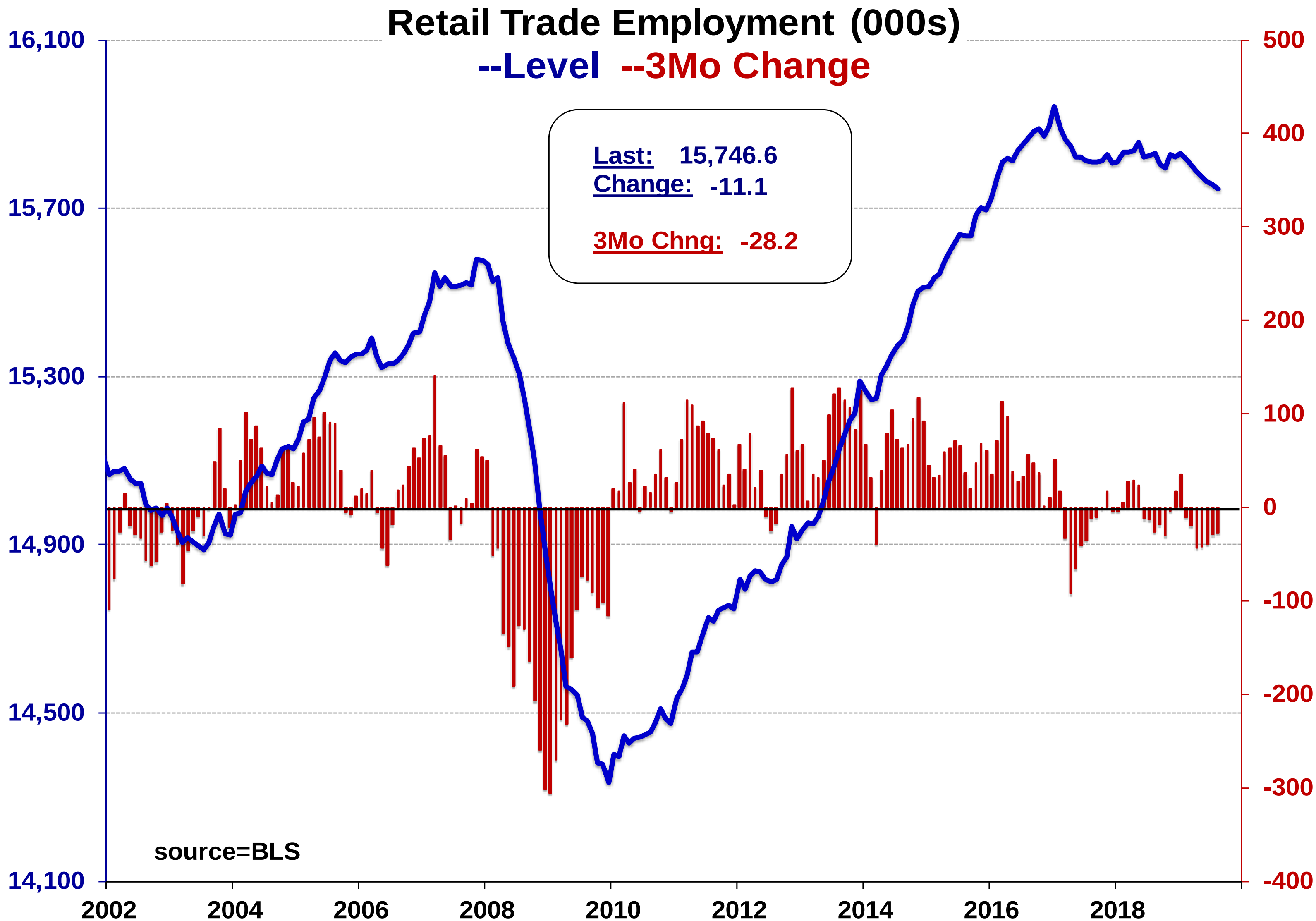
Labor Participation Rate ticks back up to 63.2%, essentially unchanged from 6 years ago. However, given slowing employment growth, this may be as good as it gets.



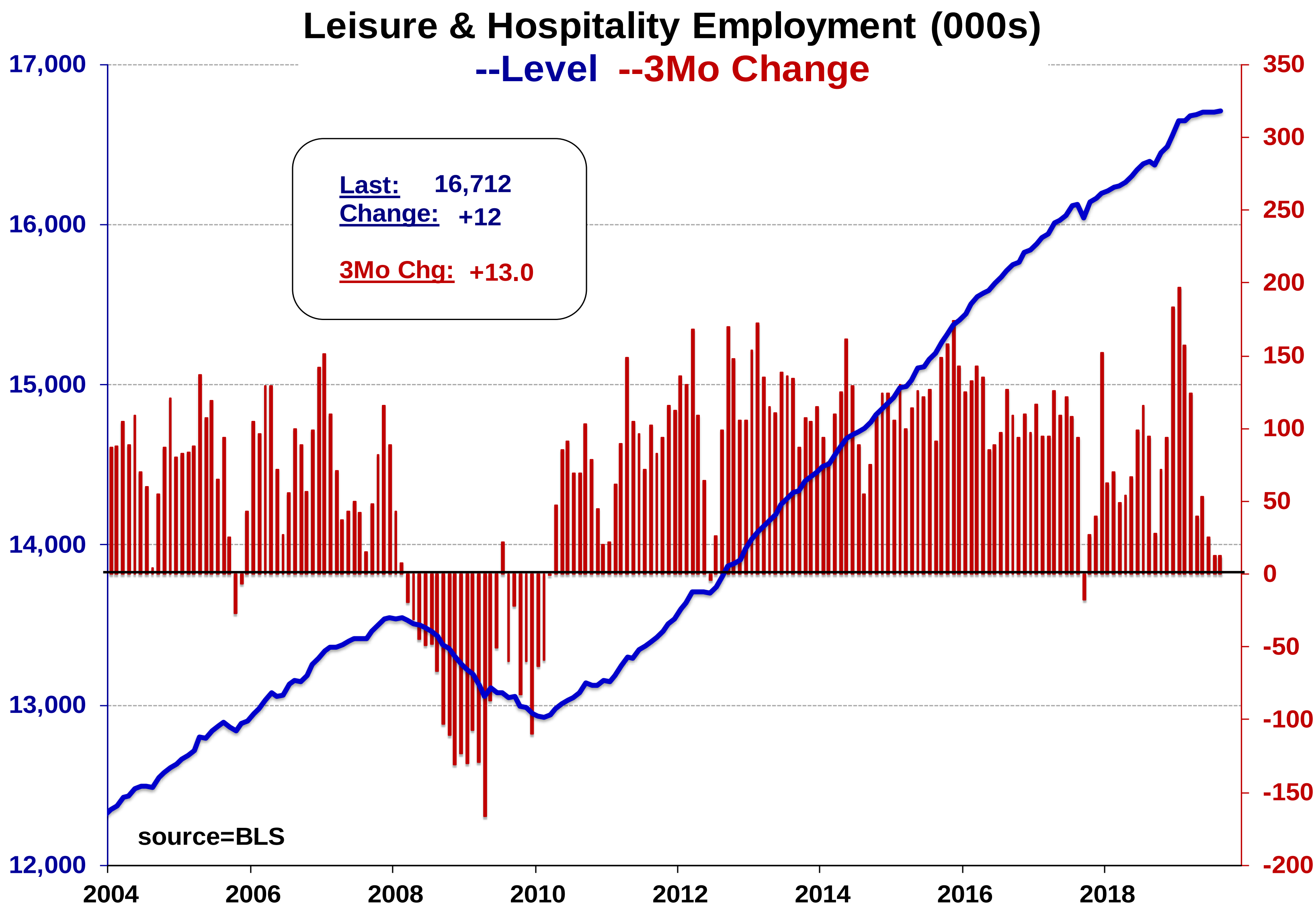
Steady job creation continues in Manufacturing sector



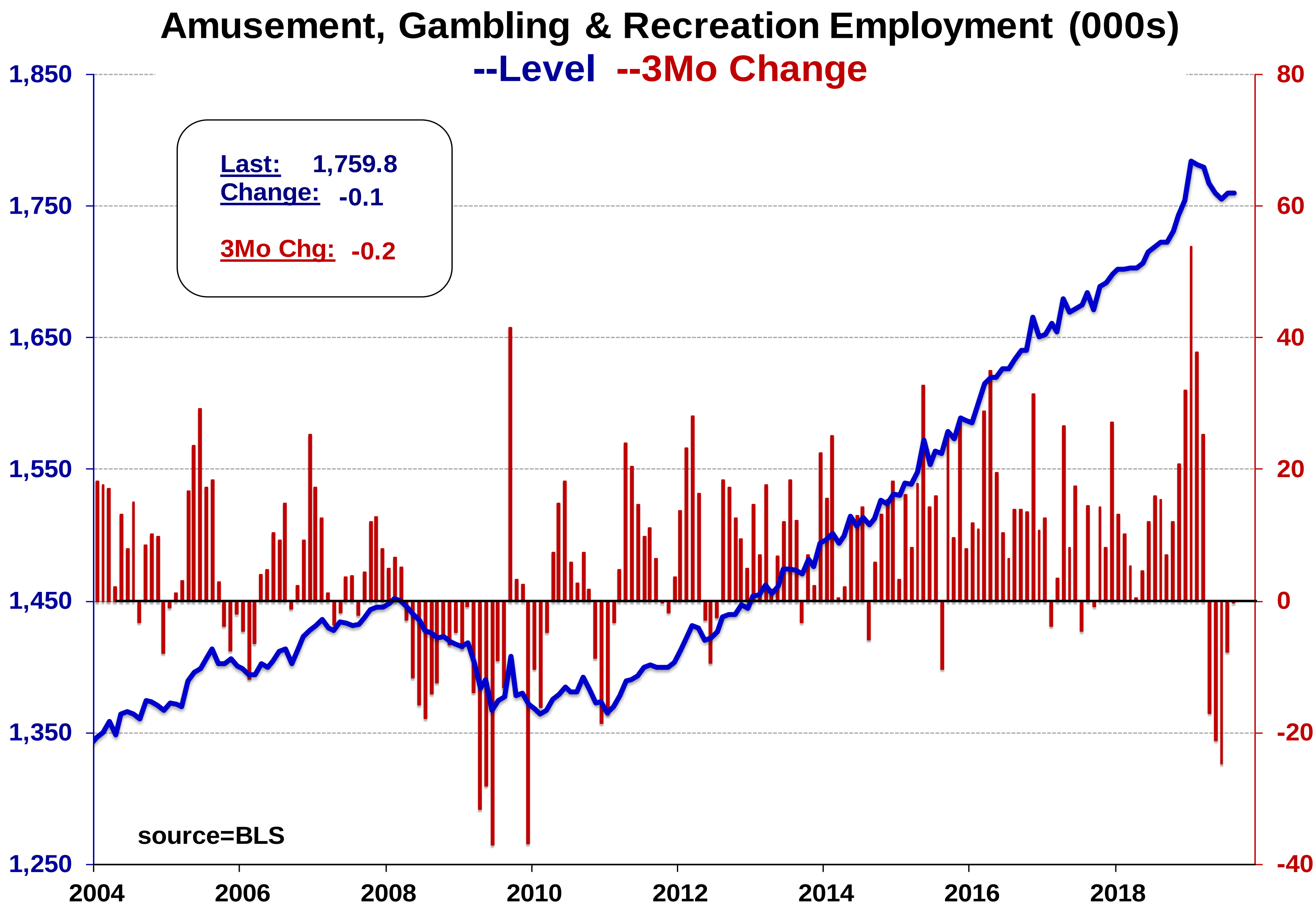
Retail employment continues to weaken: -28.2k jobs in las 3 months, -83.7k jobs in last 12 months. While internet sales continue to assume greater share of total Retail Sales, the fact that store closures have now eclipsed 2018 levels and layoffs continue does not paint a positive consumer picture.



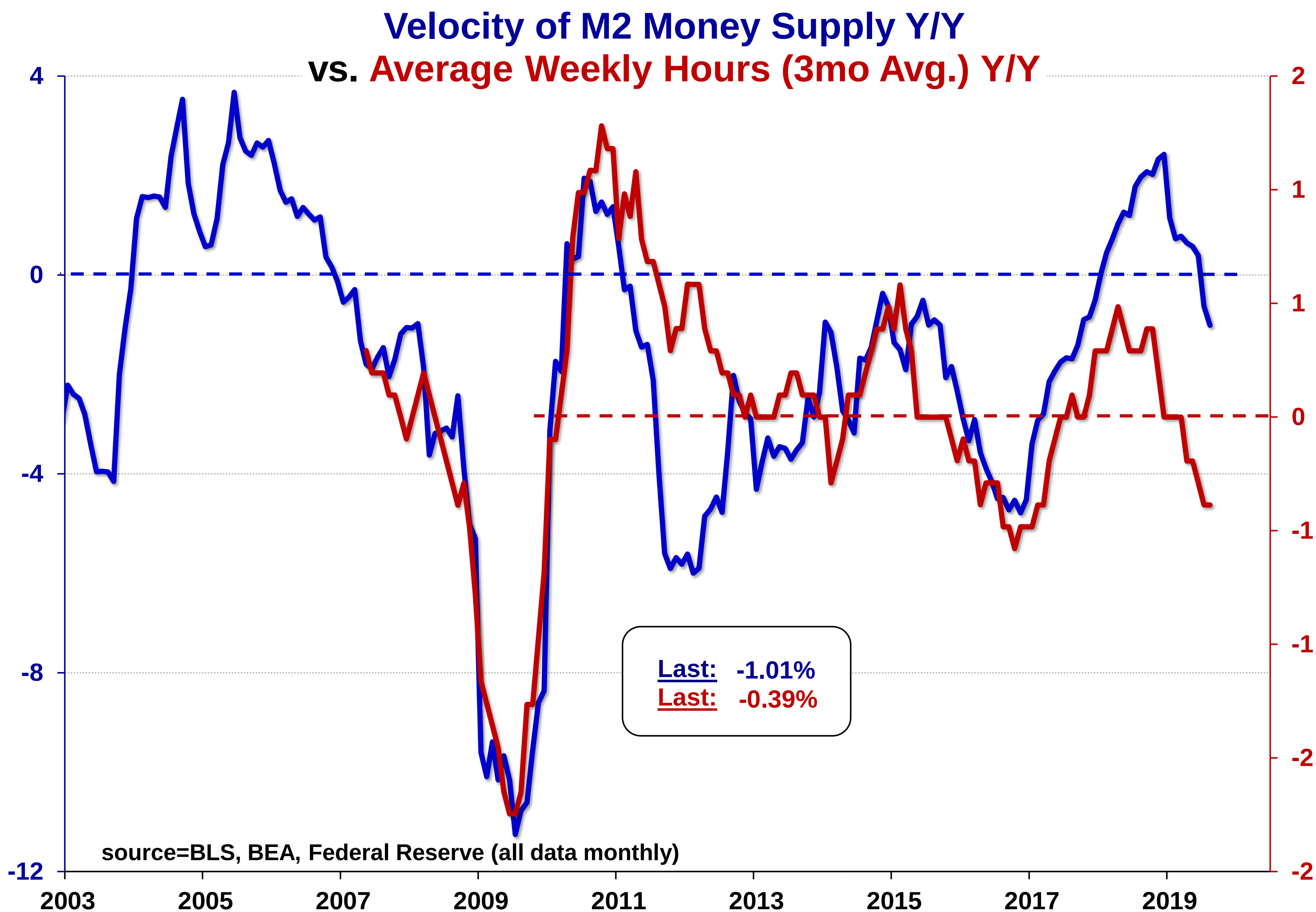
Consumers pulling back on discretionary spending? Leisure & Hospitality job creation has stalled, perhaps a signal consumers beginning to cut back on non-essential expenditures.



Amusement, Gambling & Recreation industries…representing the ultimate in non-essential consumer spending…has shed 25k jobs since January.

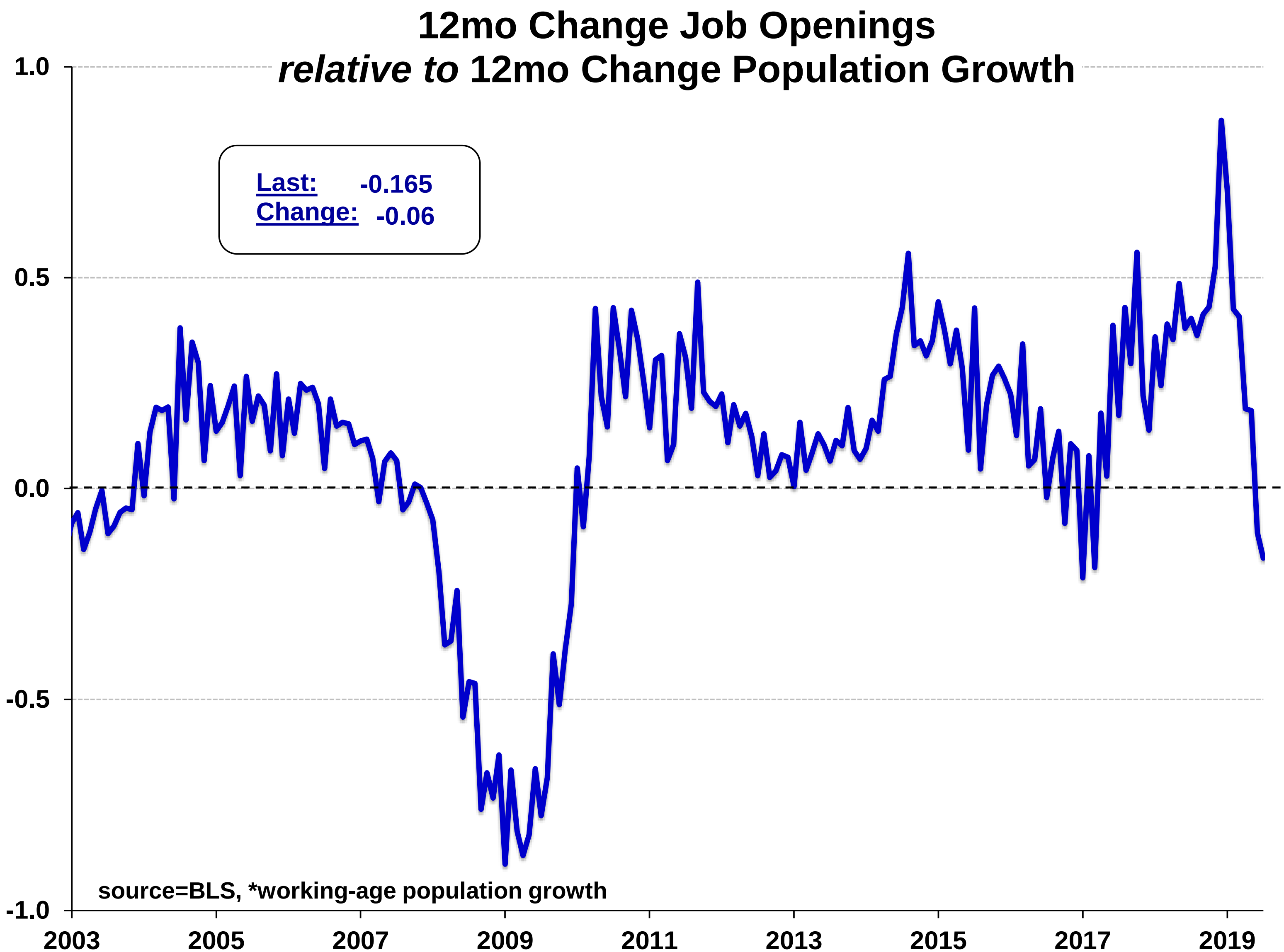


While average hourly earnings y/y beat expectations, weekly hours (3mo average y/y) remain in negative territory, with economic activity (Velocity of Money) tracking lower.

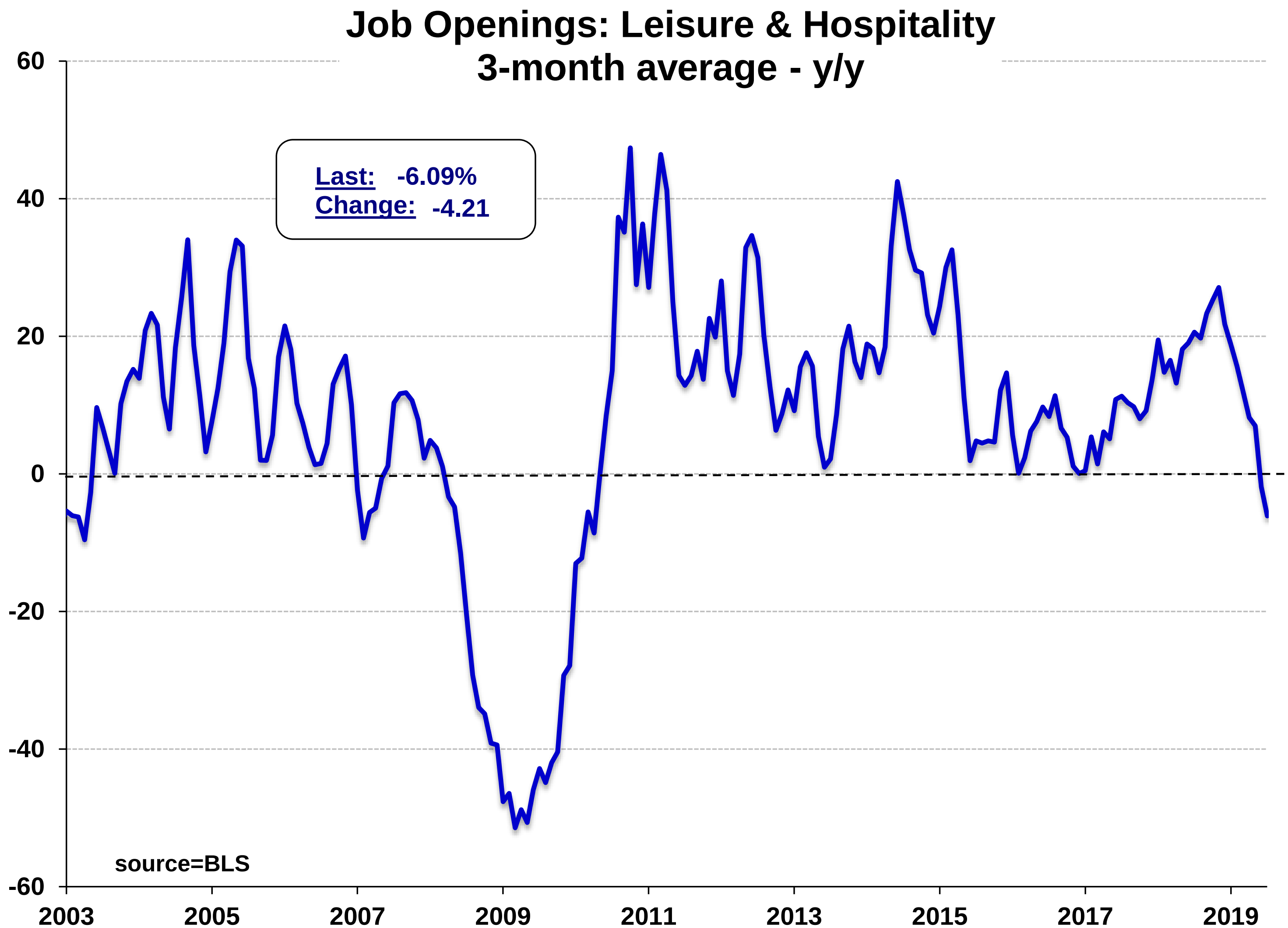


As economic growth slows, job openings have turned negative y/y

Job openings not keeping pace with Population growth.
On 12mo basis, Job Openings/Population ratio tumbles to 3rd lowest reading since the recession

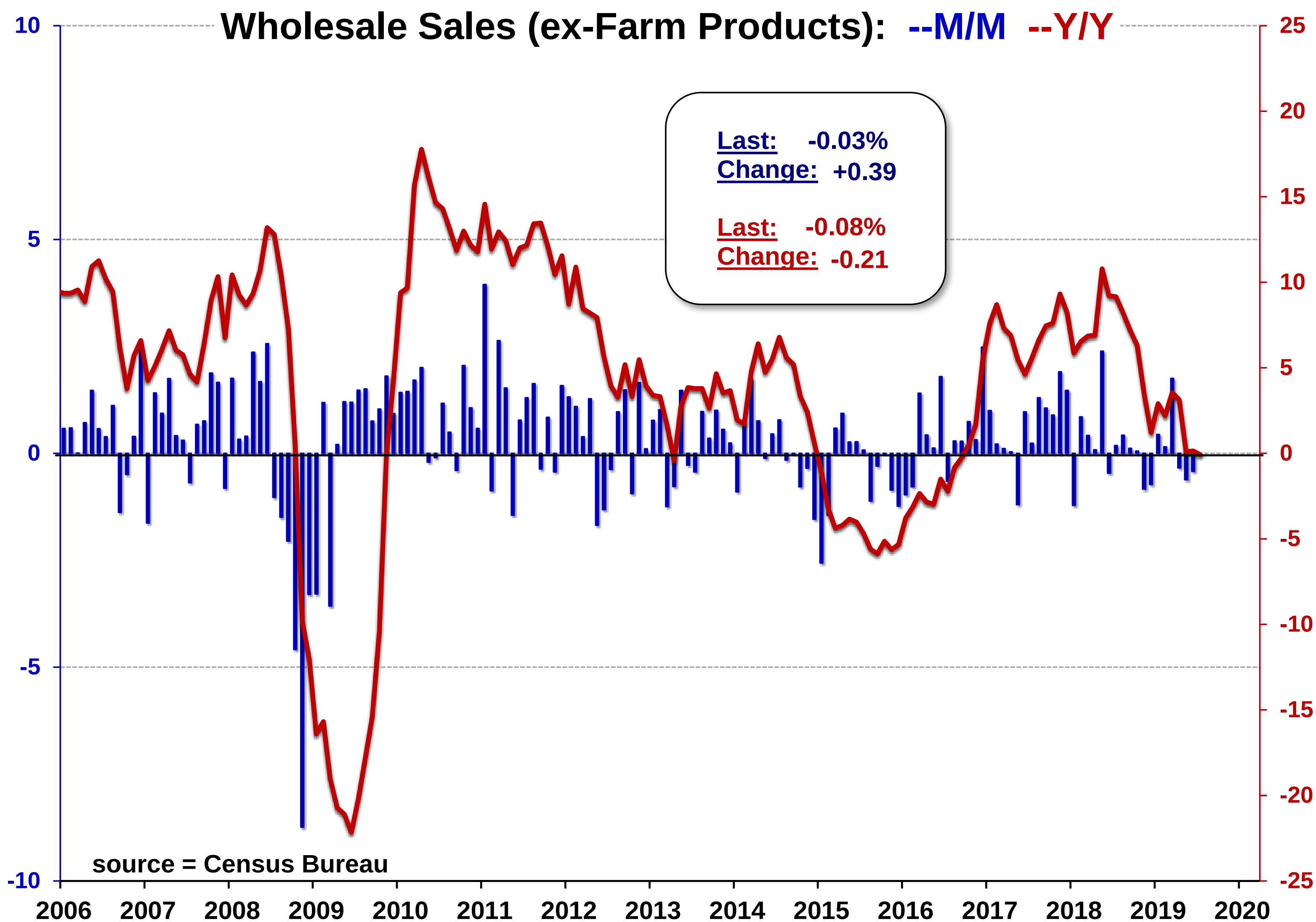


In addition to Trade, Transportation & Utilities openings posting biggest (3mo average y/y) drop since the recession (-10.5%), and Professional & Business Openings nearly turning negative (3mo average) y/y as well, we find Leisure & Hospitality openings at recession level y/y reading (a signal consumer discretionary spending may be slowing sharply)

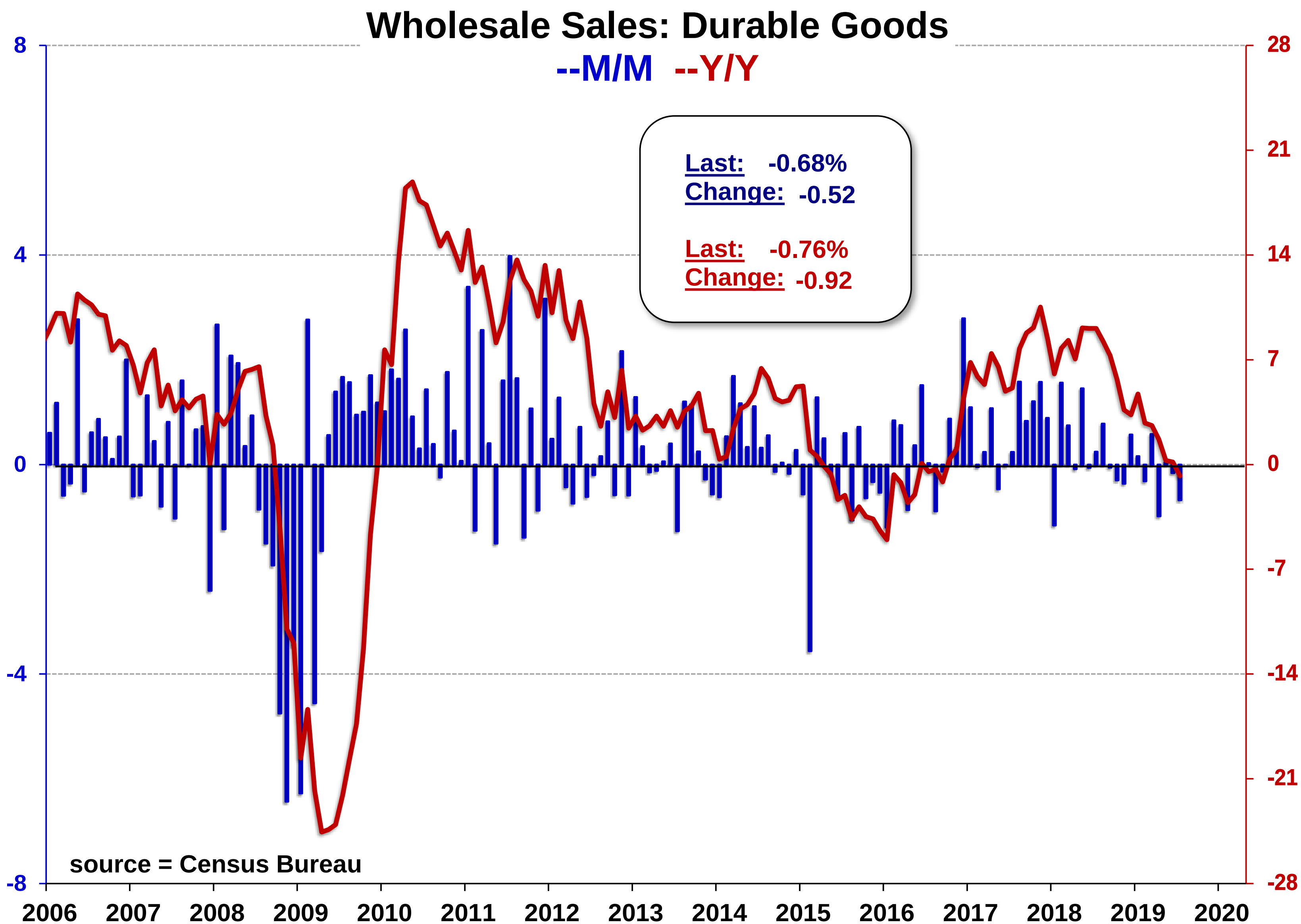


July final reading of Wholesale data: Inventories rise m/m after first monthly decline in 20 months; Sales post first monthly rise in 4 months led by Non-Durable Goods (specifically Farm Products which jumped 10% m/m).

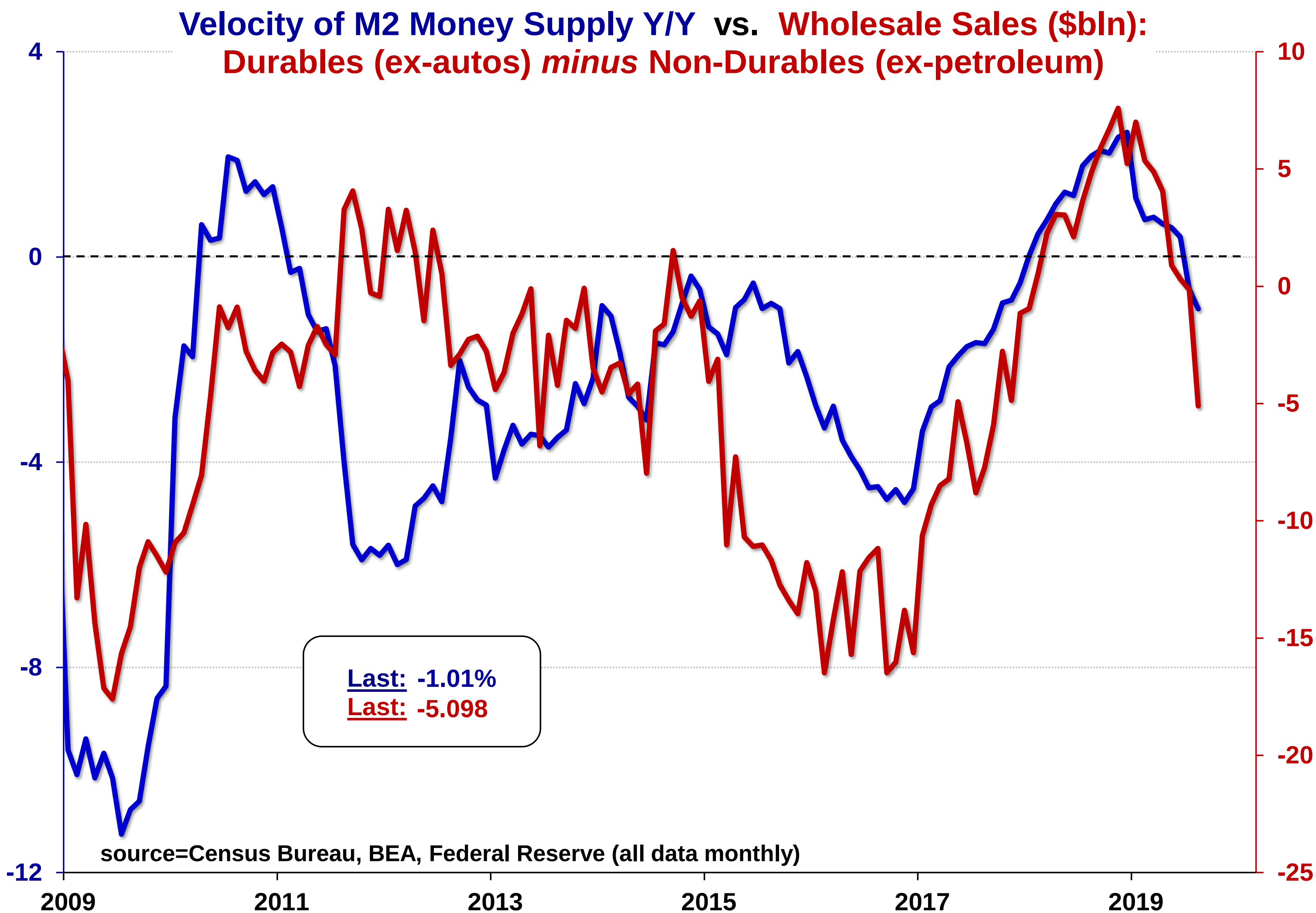
Excluding Farm Products, Sales declined for 4th straight month and turned negative y/y



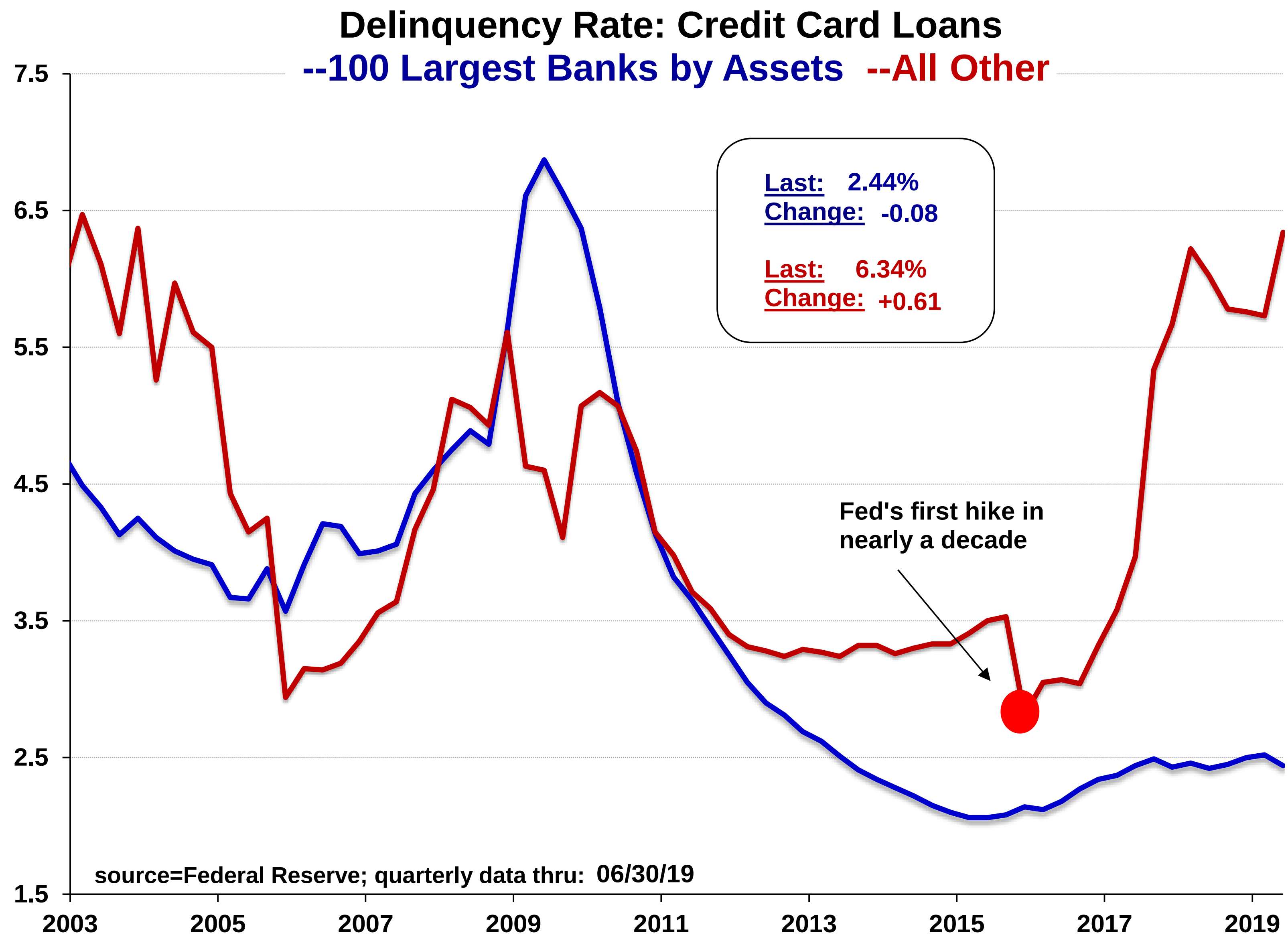
Durable Goods Sales turn negative y/y for first time since 2015. Decline led by: lumber, metals, electrical, hardware, and machinery…all categories which effectively track economic activity, or lack thereof.



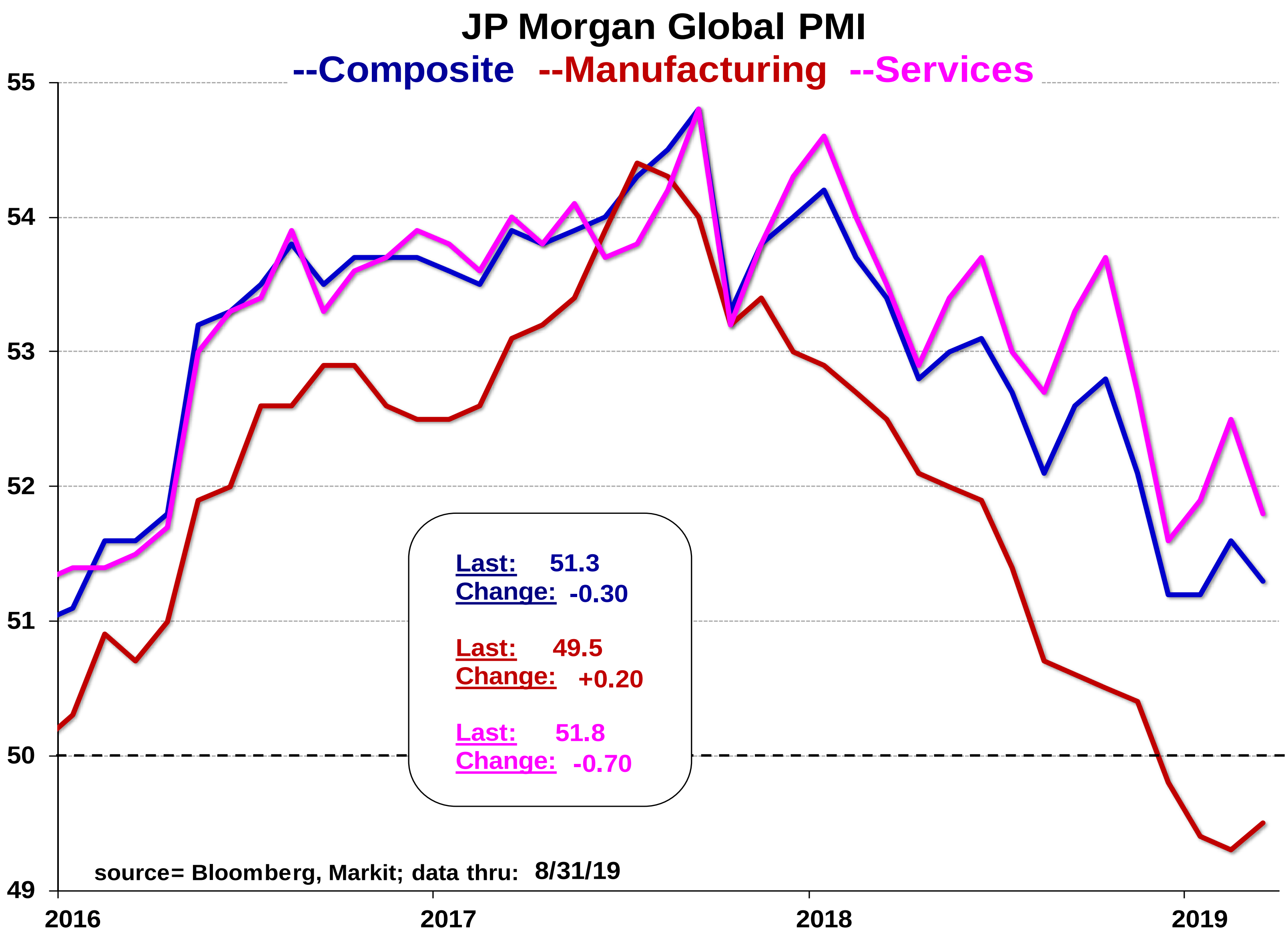
Wholesale Sales (durables *minus* non-durables) turns sharply lower (positive readings generally suggest economic expansion based on higher durable goods spending relative to non-durables)….mirrored by negative velocity of money y/y. Economic activity no doubt in sharp slowdown.



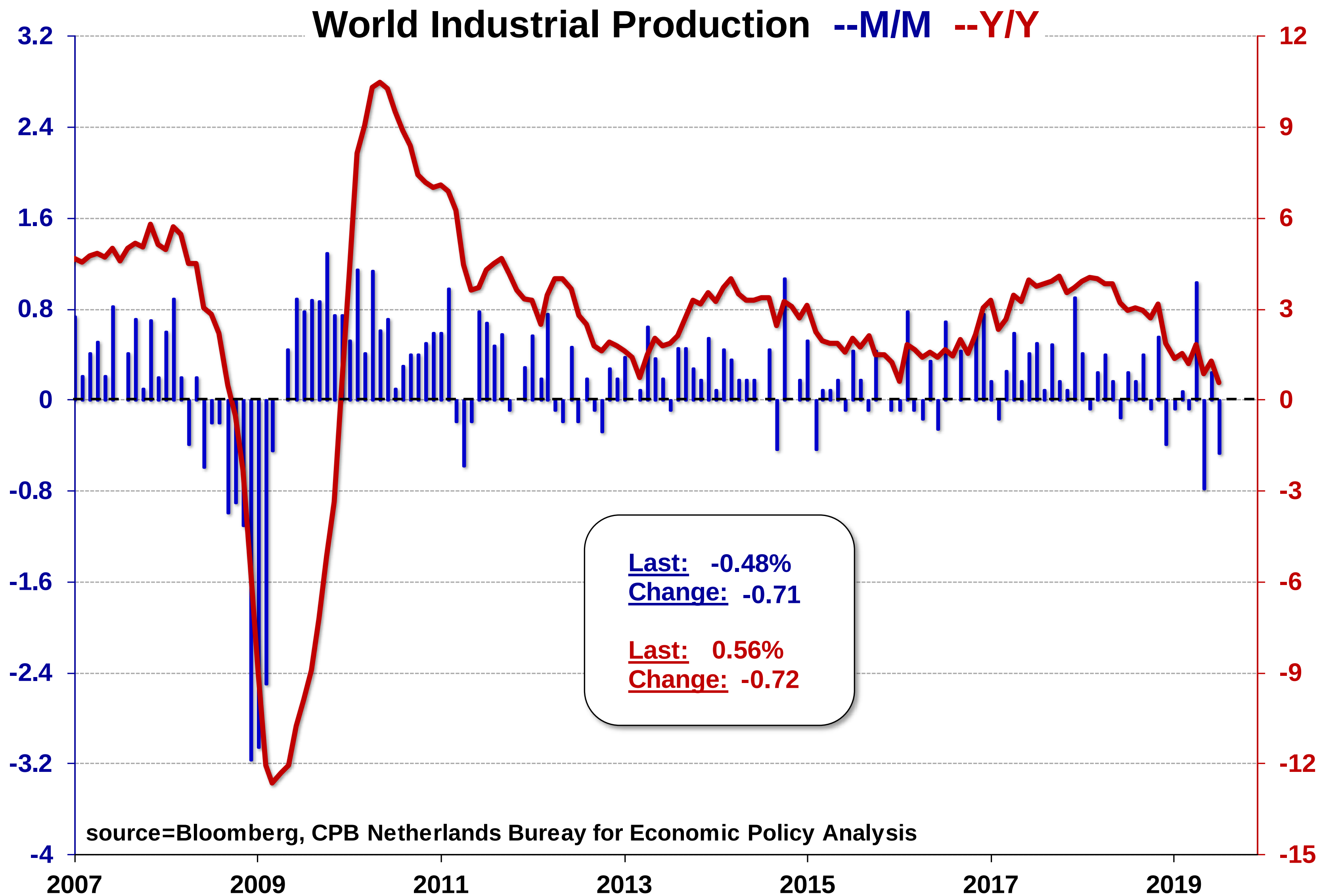
Consumer stress alive and well: while credit card delinquency rate for top 100 US banks has steadily trended higher since 2016, delinquency rate at all other banks jumped to 6.3% in Q2…highest since Q4 2003.



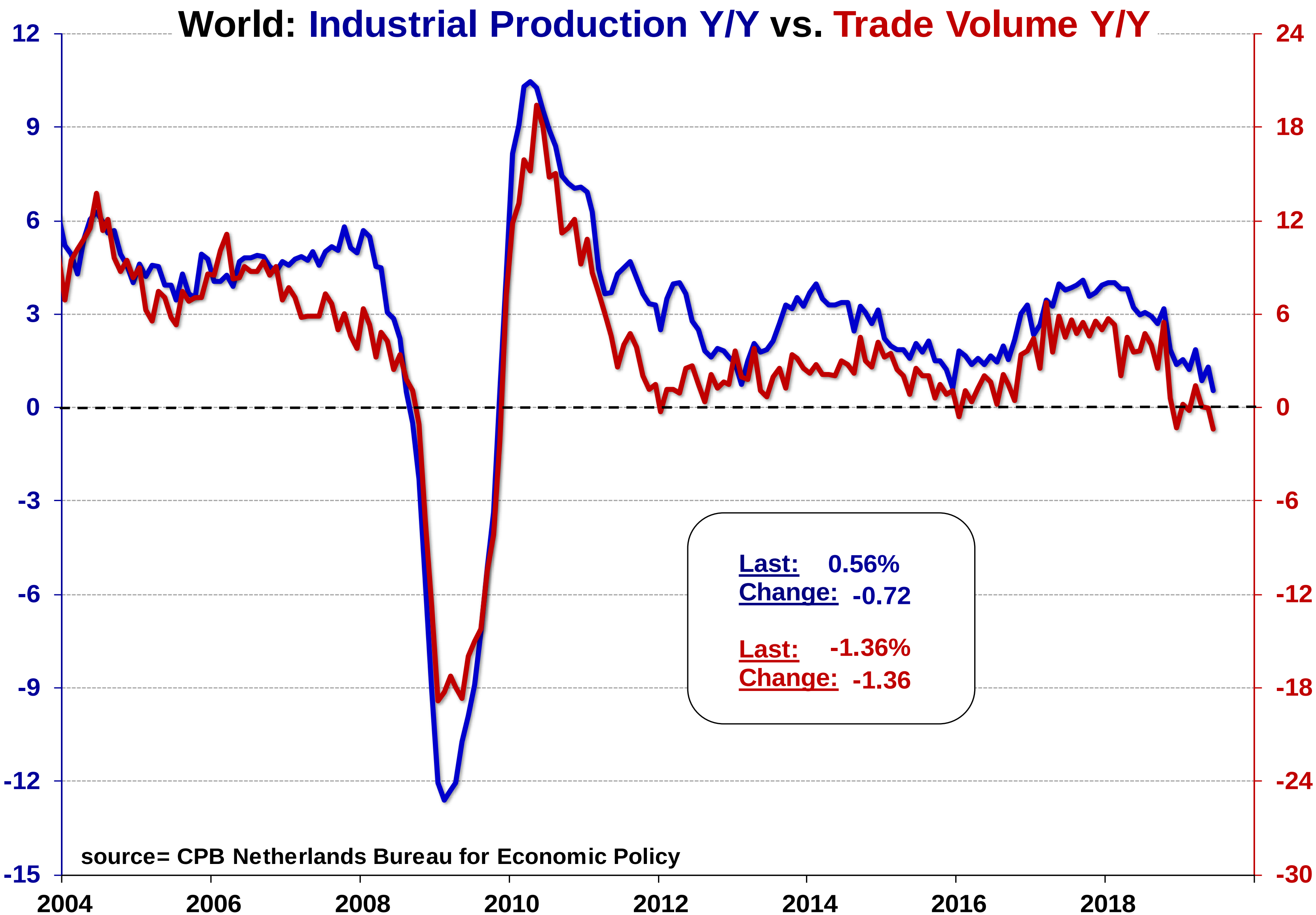
Global Manufacturing PMI (August): 4th month in a row of contraction readings



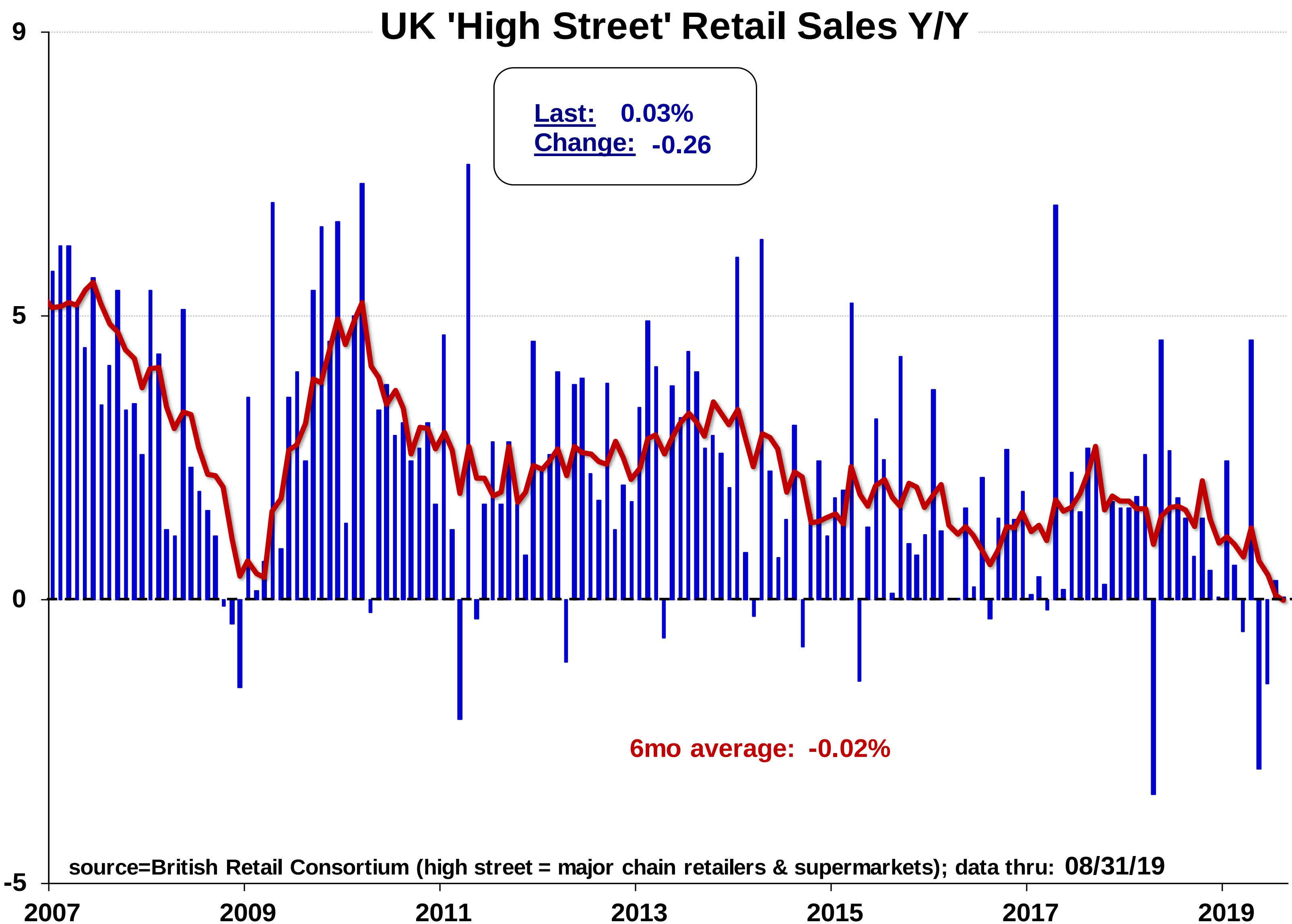
World Industrial Production (June**): lowest print since the recession**… 0.56% y/y



World Trade Volume (June)**: lowest print since the recession**…-1.36% y/y



UK consumer weakens further: High Street (equivalent of 'main street') Retail Sales post first negative Y/Y (6mo average) print on record



China data disappoints:
August Industrial Production drops -0.4pts to 4.4% y/y vs. expectations of +0.4pt rise to 5.2%

China August smartphone production down -11% y/y…**a record low reading (data only back to March 2016)**

Japan Q2 Corp. Profits tumble -22.3pts to -12% y/y….**lowest since the recession** (ex- post-recession 'noise')