

June 2019



Trends Report

ITR Economics

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Core

JUNE 2019



Trends Report

ITR Economics

Executive Summary

BY: BRIAN BEAULIEU

Timing Is Everything

WHAT TO DO

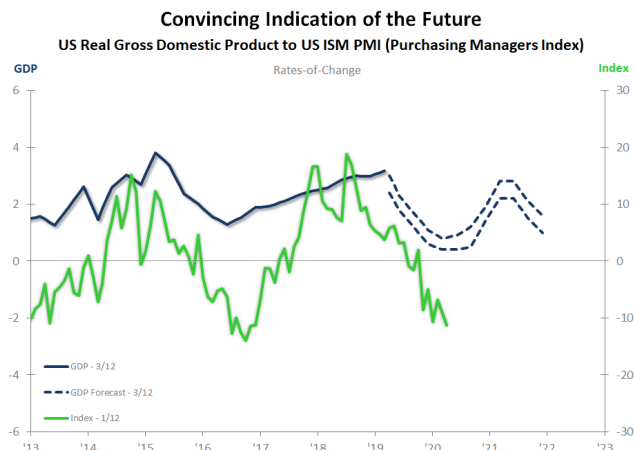
If you have not already done so, now is the time to initiate the plans you developed in preparation for further weakening in the economy in the second half of 2019. The weakness appears to be developing a month or two sooner than the mid-year expectation. Expect volatility in: the financial markets, your orders, and people's attitudes/expectations. Stay focused on your own rate-of-change trends and make sure you understand how they relate to the macro benchmarks included in the ITR Trends Report™, and learn what the leading indicators are telling you regarding when your business will pass through your next business cycle reversal.

This was not a “good news” month. Weakness was evident in many places, including: the leading indicators, the S&P 500, and commodity prices. Total Manufacturing New Orders in the US for the last three months are up only 0.9% year over year. This is down significantly from the 7.0% gain posted for 2018 as a whole.

While it is important to check that your plans for the slowdown in the economy are in effect and that the reality of the next three quarters is understood by your organization, there is no need for an unprepared knee-jerk reaction to the bad news yet to come. You've seen this part of the trend taking shape for a year now. Beyond this near-term cyclical trend, start to think about what you want to do to get the business ready for the next rising trend (second-half 2020 and 2021). It is paramount to develop a plan regarding how you will capitalize on the rising trend while also looking out for the next downturn (which Alan and I will discuss in greater detail during the June 27 webinar from 2:00 to 3:00 pm Eastern time).

WE LOST A TENTATIVE LEADING INDICATOR REVERSAL

The 1/12 rate-of-change for the US ISM PMI (Purchasing Managers Index) tentatively established a low in February 2019. The May result erased that tentative low, pushing the median timing of the GDP business cycle low out by three months. The loss of the low is not unusual (see chart below). It is encouraging that the trend is no longer careening downward. A sustained low in the near term will put us on target for a GDP business cycle low consistent with other leading indicators and in line with our forecast.

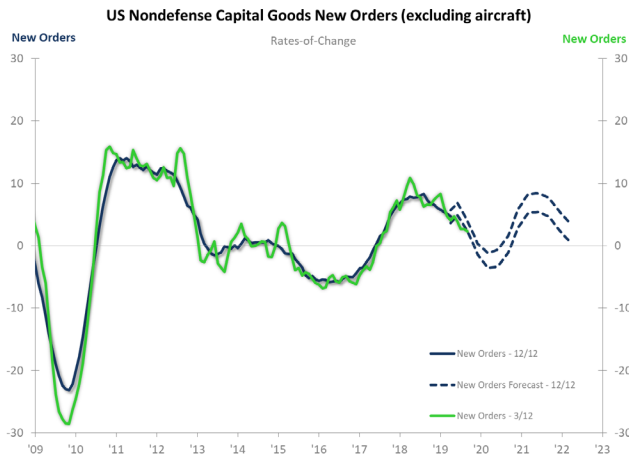


WE DIDN'T LOSE ALL THE TENTATIVE REVERSALS, BUT...

The ITR Leading Indicator™ rose in May. The Indicator is up from a possible March 2019 low. However, the trend reversal has an underwhelming 54.5% likelihood of being sustained as the low. If it is in fact sustained, it would indicate that the US Total Industrial Production 12/12 will likely establish a business cycle low in the fourth quarter of 2019, which is earlier than other inputs are giving us. This suggests to us that it would not be surprising to see the ITR Leading Indicator weaken again before reversing into sustainable ascent.

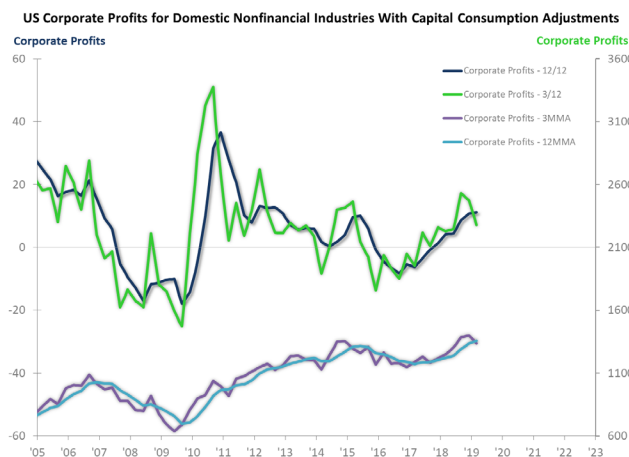
US CAPITAL SPENDING IS IN A WEAKENING TREND

The cyclical status of US Nondefense Capital Goods New Orders (excluding aircraft) is negative. Some companies operating in this space have no doubt felt a softening in the market and concerns commensurately rising. The New Orders 12/12 is 4.7% and declining; the 3/12 is providing a negative Checking Point™ by also declining at 2.3% (an amplitude below the 12/12). This measure of New Orders has a coincident relationship with US Total Industrial Production. The PMI 1/12, which resumed its decline (as stated above), is offering a mid-2020 estimate for the New Orders and Industrial Production 12/12 cyclical lows (on median, assuming a May 2019 low takes hold). The preponderance of inputs says a first-half-2020 cyclical low for Nondefense Capital Goods New Orders (excluding aircraft) is probable. We are projecting that the low will occur at -2.4%, signaling a mild year-over-year contraction is probable.



In addition to the traditional leading indicators, two other factors are suggesting that capital spending will ease off going forward. US Corporate Profits for Domestic Nonfinancial Industries With Capital Consumption Adjustments shifted from rise to decline, and the Corporate Cash Holdings trend also reversed direction. Both shifts could also explain the May weakness in the S&P 500 ([see US Stock Prices page](#)).

Note on the chart below that the 3/12 rate-of-change (7.0%) downward-passed the 12/12 (11.1%). The rate-of-change trends signify that the data trends (lower portion of the chart) are, at best, losing upward momentum or leveling off. That sort of trend in profits is not conducive to additional capital goods spending. The profit trend for Domestic Financial Industries With Capital Consumption Adjustments is already negative (12/12 -1.1%).



Cash holdings on a quarterly basis are 0.2% below the year-earlier level. Lessening profitability and a lack of free cash could combine to equal a relative dry spell for capex.

It is tough to argue against these trends. It is best to keep the reality of these trends in mind when managing the business.

The Core US Economy At-a-Glance

	12/12	12MMT/A	Current	2019	2020	2021	Highlights
US Industrial Production			3.7	0.5	0.7	2.0	The 12MMA will peak around the third quarter before declining into early next year.
US Nondefense Capital Goods New Orders			5.1	-0.6	4.4	4.1	New Orders will decline in the second half of this year and in early 2020.
US Private Sector Employment			2.0	1.6	1.3	2.0	Employment will rise throughout the length of this forecast, but the pace of growth will slow imminently.
US Total Retail Sales			4.2	2.4	3.1	3.0	The current slowing growth trend will persist into mid-2020.
US Wholesale Trade of Durable Goods			6.4	2.1	3.1	6.4	Wholesale Trade will rise at a slowing pace during the remainder of 2019 and in the first half of 2020.
US Wholesale Trade of Nondurable Goods			5.6	-0.2	2.2	5.9	Wholesale Trade will be relatively flat into the middle of next year.

Note: Forecast color represents what Phase the market will be in at the end of the year.

PHASE KEY



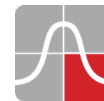
Phase A:
Recovery



Phase B:
Accelerating Growth



Phase C:
Slowing Growth

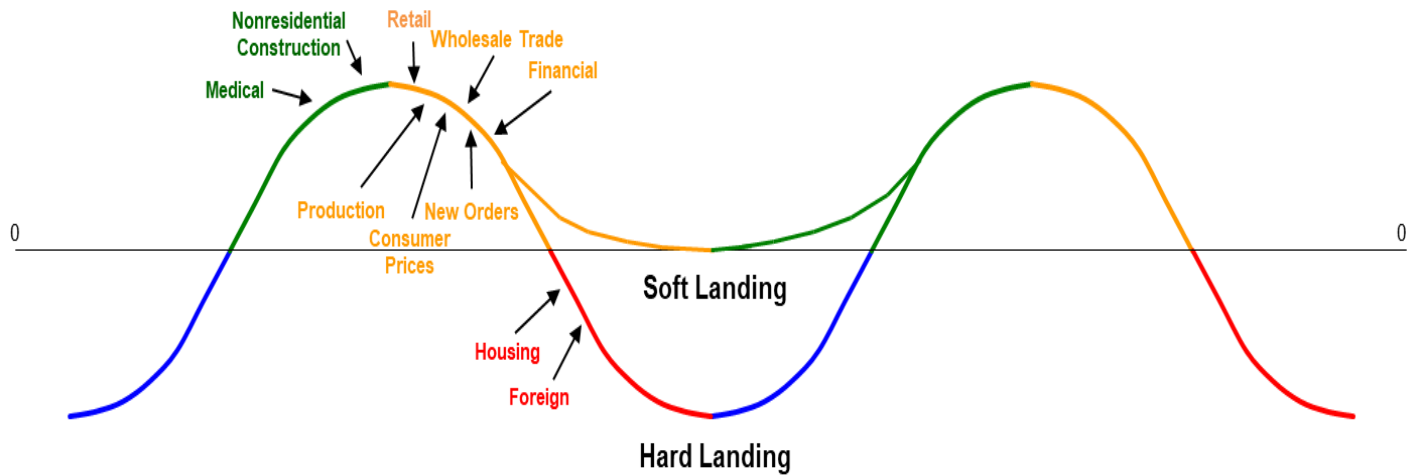


Phase D:
Recession

SUMMARY

The majority of our measures of the core economy are trending along the back side of the business cycle. US Industrial Production is unlikely to rise much further this year. The Manufacturing, Mining, and Utilities components are all in Phase C, Slowing Growth, trends. Similarly, US Nondefense Capital Goods New Orders (excluding aircraft) will likely transition to a declining trend imminently. US Total Retail Sales are slowing in their pace of growth. We do not expect the consumer sector to enter a recession during this business cycle, but firms closely tied to Retail Sales should invest with caution for the next several quarters. US Wholesale Trade of Durable Goods will likely slow in its pace of growth into mid-2020, while activity in the Nondurable Goods sector will be relatively flat during that time. US Private Sector Employment has transitioned to Phase C, Slowing Growth. Even as the business cycle turns downward, conditions in the labor market will remain tight. Therefore, ensure that you have competitive compensation packages to attract new workers and retain your top performers.

ITR Trends 10™



OVERVIEW

The Trends 10 summary provides a dynamic look at the economy. Each major segment of the economy is shown in terms of where it is in the business cycle. Each phase of the business cycle (A, B, C, D) carries its own Management Objectives™ which enable firms to enhance profitability while preparing for the next phase of the business cycle.

The Trends 10 also provides a view of the economy that is very similar to a train. The order of the cars on the train may vary slightly, but in general it is safe to assume that Housing is one of the first industries to move through a high or a low, and thus is a leading indicator to the industries that follow. Firms operating in the industries that follow, such as New Orders, Wholesale Trade, or Nonresidential Construction, can “see” what awaits them, and are empowered to prepare for the change in cyclical momentum before it actually occurs. These preparations can be in the form of cash planning, discretionary capital expenditures, sales promotions and projections, and marketing/sales plan rollouts. Firms operating in the nonresidential space tend to lag most of the economy, affording them the advantage of watching several “railroad cars” precede them through peaks and troughs, which thus gives them more than ample time for effective planning and internal changes.

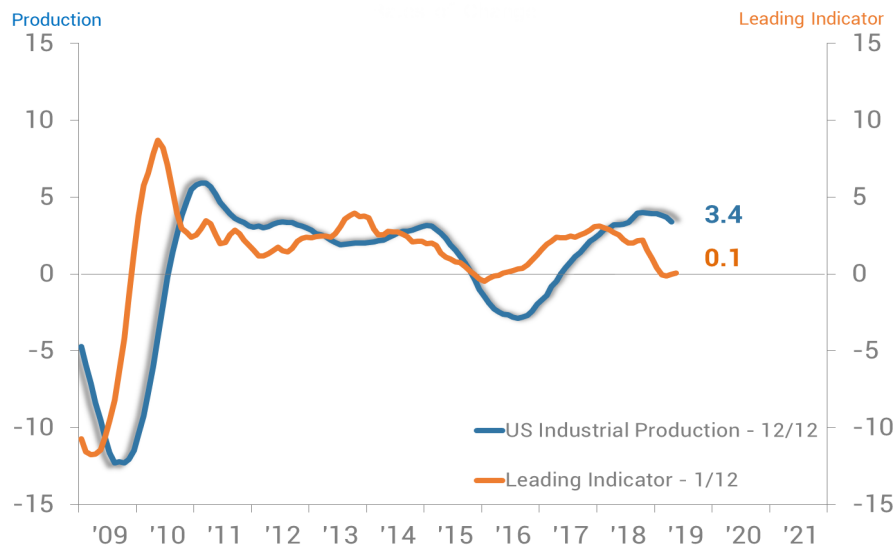
Individual companies can also compute their own rates-of-change, or ITR can compute them with you. Either way, the company 12/12 can be placed in the appropriate portion of the business cycle, and the company can gain specific insight as to where it stands in terms of the current phase, and what earlier-turning industries are saying in terms of the shift into the next phase of the business cycle. The benefit is real as firms plan with confidence. Timely, effective changes will greatly enhance a firm’s ability to realize maximum performance benefit in all phases of the business cycle.

ITR Leading Indicator™

INDICATOR RISE COULD MEAN INDUSTRIAL PRODUCTION RECOVERY LATE THIS YEAR

The ITR Leading Indicator rose in May. This is the second consecutive month of rise after general decline since early 2018. If this rising trend persists, it would suggest that US Industrial Production could transition to business cycle rise by the end of 2019.

INDICATOR ANALYSIS



ABOUT THE REPORT

Following a system of leading indicators, as outlined in the book *Make Your Move* by ITR Economics CEO Brian Beaulieu and President Alan Beaulieu, produces reliable insights pertaining to the future business cycle phases of the economy. Using that same system, ITR Economics has accurately forecasted future economic conditions and advised clients on how to increase profitability and reduce risk since 1948. Our forecast accuracy rating is 94.7% at four quarters out.

US Economic Outlook

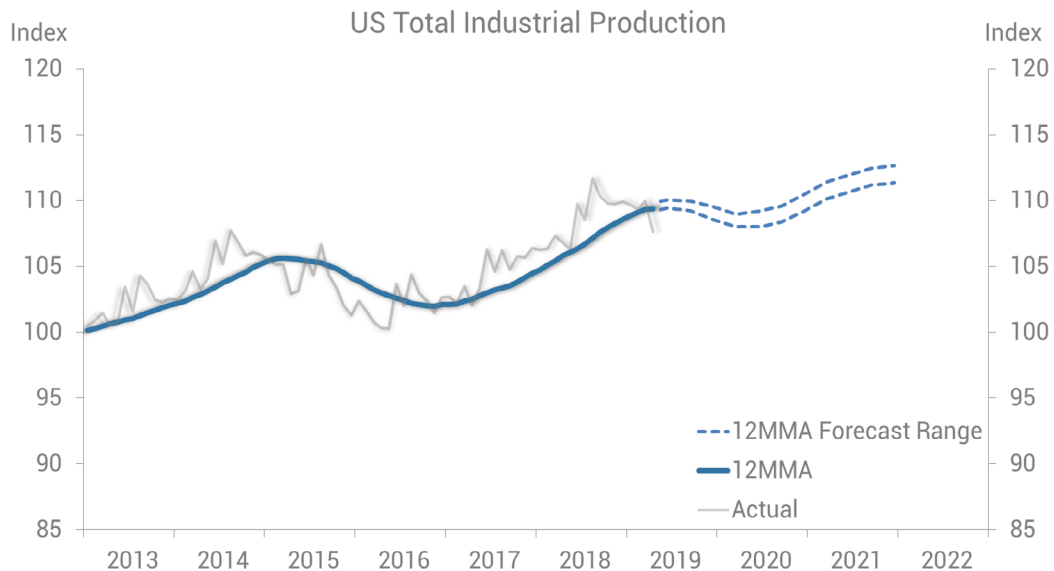
US Industrial Production during the 12 months through April was up 3.4% from a year ago. The three major segments of the industrial economy are rising at slowing rates. US Total Manufacturing Production, the largest segment, was up 2.2% from one year ago. Meanwhile, US Mining Production was up 12.7%, and US Electric and Gas Utilities Production was up 1.7%.

The Industrial Production 12MMA will likely peak around the third quarter of this year. Production will decline mildly late this year and early next year. Activity will then rise through the rest of 2020 and throughout 2021.

US Exports, up just 1.5% in the first quarter of 2019 from the same period in 2018, are slowing in their pace of growth. A strengthening dollar will likely exacerbate this trend. Production will be hindered by waning demand from foreign markets. Consider marketing products with a lower cost basis to compete with lower-cost foreign goods. Communicate the competitive advantages of your offerings to encourage customers to stay loyal to your brand rather than seek alternatives.

FORECAST PERIOD	12MMA FORECAST
Jun. 2019	109.4 - 110.1
Sep. 2019	109.2 - 110.0
Dec. 2019	108.5 - 109.5
Mar. 2020	108.0 - 109.0
Jun. 2020	108.0 - 109.2
Sep. 2020	108.4 - 109.6
Dec. 2020	109.2 - 110.5
Mar. 2021	110.1 - 111.4
Jun. 2021	110.6 - 111.9
Sep. 2021	111.2 - 112.5
Dec. 2021	111.3 - 112.7

INDICATOR ANALYSIS

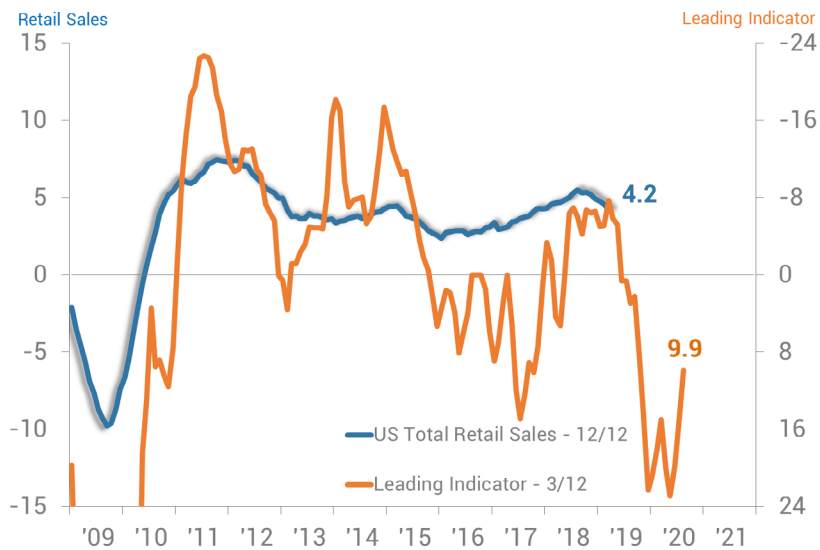


ITR Retail Sales Leading Indicator™

SLOWING GROWTH IN RETAIL SALES LIKELY INTO MID-2020

The new ITR Retail Sales Leading Indicator™ is a proprietary leading indicator designed to provide advanced insight into the US Retail Sales trend. Please note that this indicator has an inverse relationship with Retail Sales and typically leads by about 16 months. This indicator is signaling that the current slowing growth trend in the retail sector will persist into mid-2020 before cyclical rise takes hold.

ITR CURRENT DATA



ABOUT THE REPORT

We have an exciting update about our collection of proprietary leading indicators! The new ITR Retail Sales Leading Indicator™ is designed to provide advanced insight into the US Retail Sales trend. This new indicator is replacing the ITR Consumer Activity Leading Indicator™ previously included in your subscription because it provides a longer lead time, 16 months, to US Retail Sales, enabling you to confidently plan even further into the future. For any questions, please reach out to our Customer Care Team at customercare@itreconomics.com.

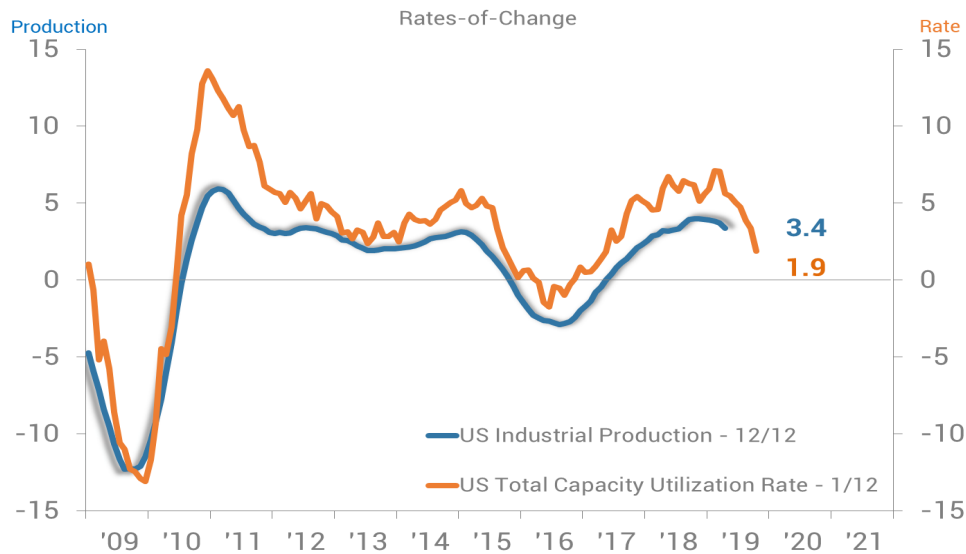
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US Total Industry Capacity Utilization Rate

UTILIZATION RATE SUGGESTS CYCLICAL DECLINE IN PRODUCTION INTO AT LEAST LATE THIS YEAR

The US Total Industry Capacity Utilization Rate 1/12 fell in April. This leading indicator is signaling that the US Industrial Production 12/12 will decline into at least late this year.

INDICATOR ANALYSIS



ABOUT THE REPORT

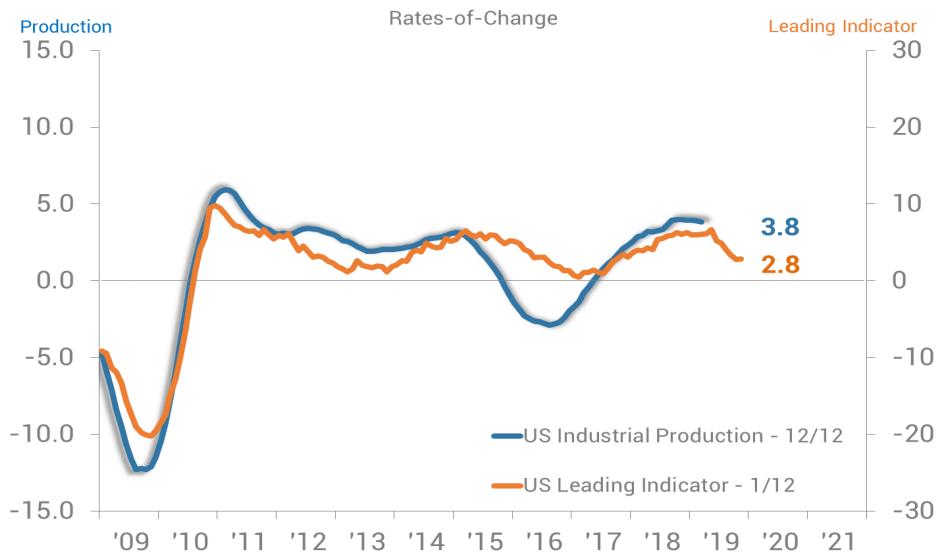
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US Conference Board Leading Indicator

BUSINESS CYCLE DECLINE LIKELY INTO AT LEAST LATE THIS YEAR

The US Conference Board Leading Indicator 1/12 was flat in March. However, it is too early to determine if the recent declining trend has ended. This indicator is signaling that business cycle decline in the industrial economy will persist into at least late this year.

ITR CURRENT DATA



ABOUT THE REPORT

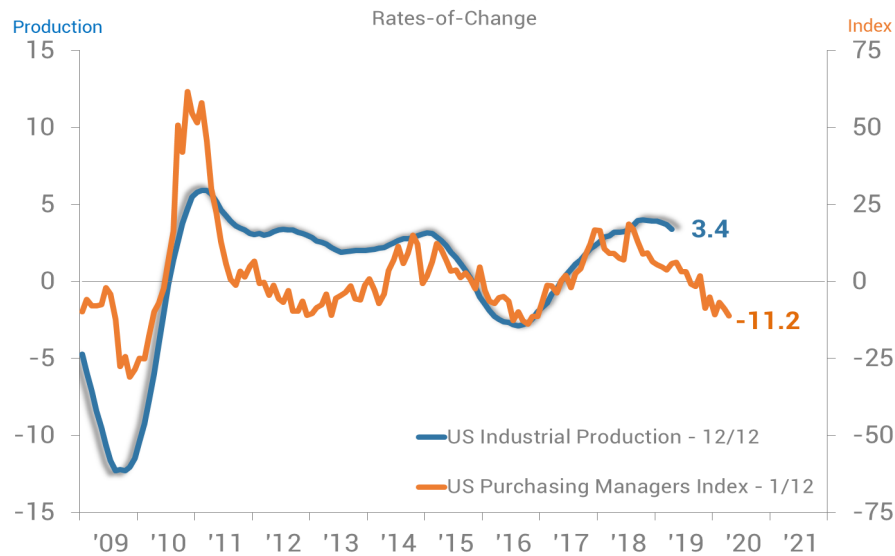
Following a system of leading indicators, as outlined in the book *Make Your Move* by ITR Economics' CEO Brian Beaulieu and President Alan Beaulieu, produces reliable insights pertaining to the future business-cycle phases of the economy. Using that same system, ITR Economics has been in the business of accurately forecasting future economic conditions and advising clients on how to increase profitability and reduce risk since 1948. Our forecast accuracy rating at four quarters out is 94.7%.

US ISM PMI (Purchasing Managers Index)

INDICATOR SUGGESTS CYCLICAL DECLINE IN INDUSTRIAL PRODUCTION INTO MID-2020

In May, the US ISM PMI (Purchasing Managers Index) 1/12 declined below the previous tentative low set in February 2019. The renewed decline in the indicator is signaling that the current declining trend in US Industrial Production could persist into at least mid-2020, consistent with our outlook for Production.

INDICATOR ANALYSIS



ABOUT THE REPORT

Following a system of leading indicators, as outlined in the book *Make Your Move* by ITR Economics CEO Brian Beaulieu and President Alan Beaulieu, produces reliable insights pertaining to the future business cycle phases of the economy. Using that same system, ITR Economics has accurately forecasted future economic conditions and advised clients on how to increase profitability and reduce risk since 1948. Our forecast accuracy rating is 94.7% at four quarters out.

US Industrial Production

Index, 2012 = 100, NSA

HIGHLIGHTS

- Production was up 3.4% from a year ago
- Production activity will rise into the middle of this year
- Activity will decline mildly late this year and early next year

FORECAST

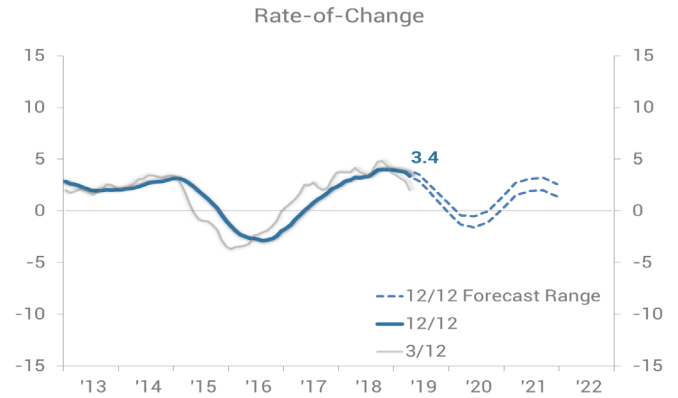
	12/12	12MMA
2019:	0.5%	109.0
2020:	0.7%	109.8
2021:	2.0%	112.0

OVERVIEW

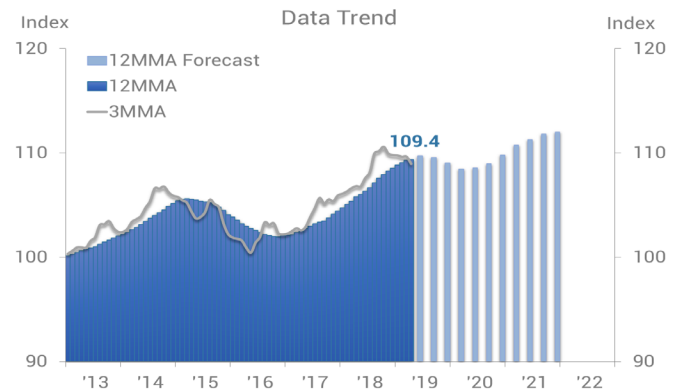
US Total Industrial Production during the 12 months through April was up 3.4% on a year-over-year basis. Production will rise at a slowing pace into the middle of this year. Activity will then decline mildly late this year and into early next year. The industrial economy will then expand through the remainder of 2020 and throughout 2021.

The US Business Confidence Index 12/12, which typically leads Production by about two to three quarters, is declining. This indicator corroborates our expectation of cyclical decline in Production into at least late this year. As business confidence wanes, focus on communicating the value of your products. Market their cost-effectiveness so that increasingly price-conscious clients do not forego purchases as the industrial economy contracts later this year.

RATE-OF-CHANGE



DATA TREND



LINKS

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[Data Methodology](#)



ITR MANAGEMENT OBJECTIVE

Build up your cash reserves today to position your firm to make investments during the upcoming recession. Then, you will be better prepared to take advantage of the next growth trend.

US Nondefense Capital Goods New Orders (excluding aircraft) *Billions of Dollars, NSA*

HIGHLIGHTS

- New Orders were up 4.7% from one year ago
- The New Orders 12MMT will peak imminently before declining into early 2020
- Spending will rise through much of 2020 and 2021

FORECAST

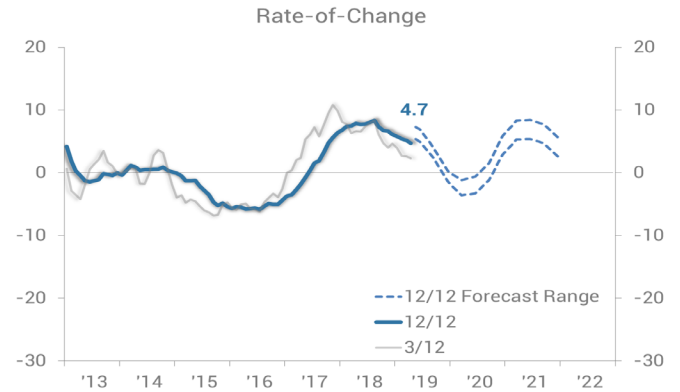
	12/12	12MMT
2019:	-0.6%	826.0
2020:	4.4%	862.3
2021:	4.1%	897.7

OVERVIEW

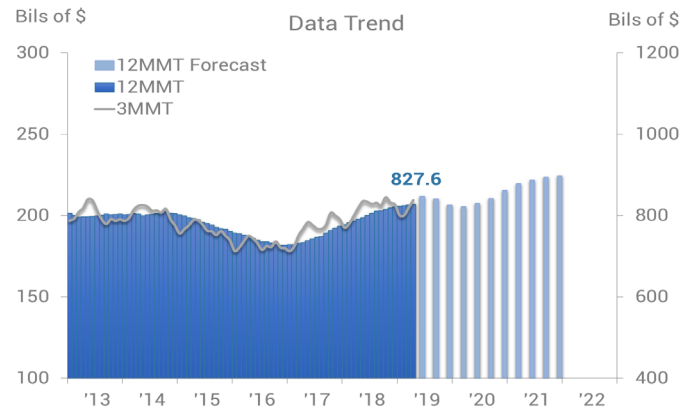
US Nondefense Capital Goods New Orders during the 12 months through April totaled \$827.6 billion, up 4.7% from the year-ago level. New Orders will peak imminently. Spending will then decline through the remainder of this year and into early next year. New Orders will subsequently rise through the remainder of 2020 and throughout 2021.

The US Conference Board Leading Indicator 1/12 and the US Total Industry Capacity Utilization Rate 1/12, both of which typically lead New Orders by about two to three quarters, are declining. These indicators are signaling that New Orders will trend along the back side of the business cycle into at least late this year, consistent with our outlook. If your business trends with New Orders, keep costs low in the near term.

RATE-OF-CHANGE



DATA TREND



LINKS

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[Data Methodology](#)



ITR MANAGEMENT OBJECTIVE

Focus on training during this period of cyclical decline to prepare your employees for the next growth trend.

US Private Sector Employment

Millions of Employees, NSA

HIGHLIGHTS

- Employment was up 2.0% from a year ago
- Growth will persist throughout the length of this forecast
- Employment tentatively transitioned to Phase C, Slowing Growth

FORECAST

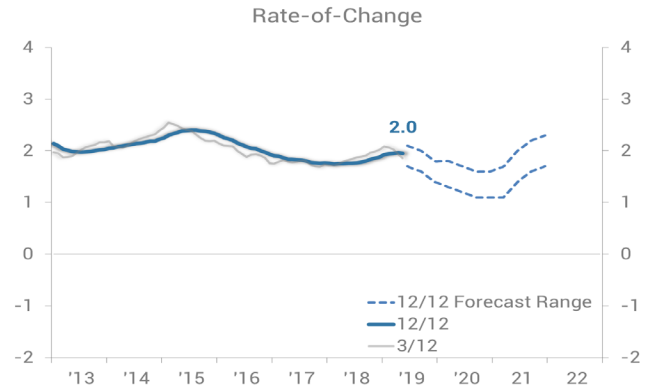
	12/12	12MMA
2019:	1.6%	128.7
2020:	1.3%	130.4
2021:	2.0%	133.0

OVERVIEW

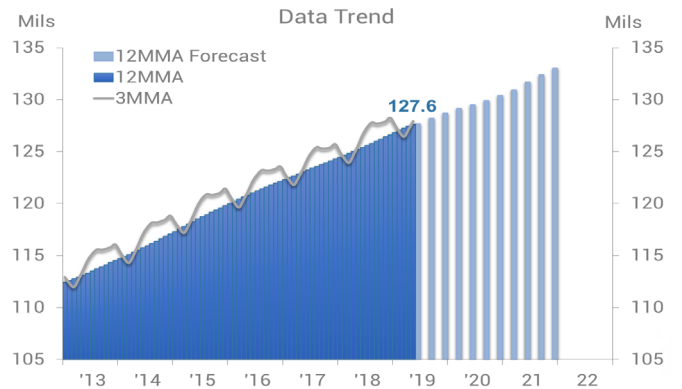
US Private Sector Employment during the 12 months through April was up 2.0% from the year-ago level. Employment will rise through at least 2021. However, the rate of growth tentatively transitioned to a slowing trend, which will persist through the remainder of this year and throughout 2020. Employment will then rise at an accelerating pace in 2021.

US Total Nonfarm Job Openings, which typically lead Employment by about five months, transitioned to a slowing growth trend early this year. This indicator supports our expectation that the recent slowing in the pace of growth for Employment is likely the start of a Phase C trend. Even as the pace of growth for Employment slows, conditions in the labor market will tighten further. Focus on employee retention; replacing workers that leave will likely be more challenging and costly than investing in your current staff.

RATE-OF-CHANGE



DATA TREND



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SLOWING GROWTH

ITR MANAGEMENT OBJECTIVE

With qualified workers difficult to find, invest in employee training programs to help inexperienced new hires get up to speed faster.

US Total Retail Sales

Trillions of Dollars, NSA

HIGHLIGHTS

- Retail Sales were up 4.3% from a year ago
- Retail Sales will rise at a slowing rate into mid-2020
- The ITR Leading Indicator™ suggests that the pace of growth for Retail Sales will slow through at least much of 2019

FORECAST

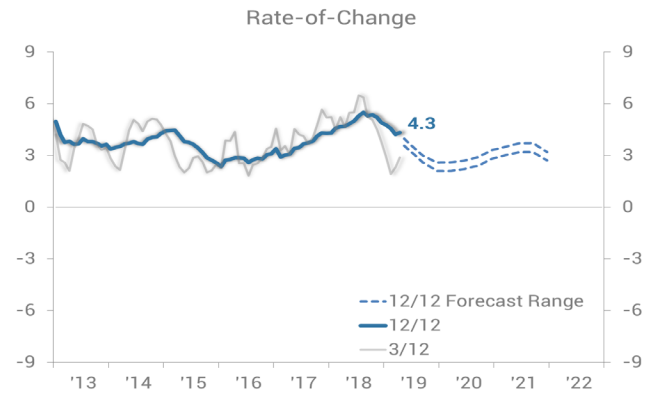
	12/12	12MMT
2019:	2.4%	\$6.2
2020:	3.1%	\$6.4
2021:	3.0%	\$6.5

OVERVIEW

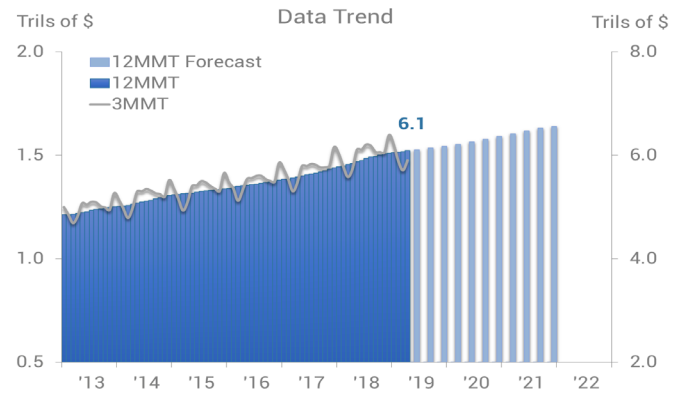
US Total Retail Sales during the 12 months through April were up 4.3% from the year-ago level. Retail Sales will rise through the length of this forecast. However, the current slowing growth trend will persist through the first half 2020. Accelerating growth will then take hold for the rest of that year and persist through mid-2021.

The ITR Leading Indicator™, which typically leads Retail Sales by about seven months, is in a declining trend. This indicator is signaling that the pace of rise for Retail Sales will fall through at least the majority of 2019. However, lead with optimism: we expect that Retail Sales will avoid a recession during this business cycle. Also understand that, as a result, your labor needs are unlikely to fall this year or next. With tight conditions in the labor market, employee retention will be critical. Invest accordingly.

RATE-OF-CHANGE



DATA TREND



LINKS

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ITR MANAGEMENT OBJECTIVE

Do not plan to cut capacity as the business cycle turns downward, but consider shifting resources to your more profitable business segments.

US Wholesale Trade of Durable Goods

Trillions of Dollars, NSA

HIGHLIGHTS

- Wholesale Trade was up 6.0% compared to the year-ago level
- The Wholesale Trade 12MMT will rise at a slowing rate into mid-2020
- Falling Steel Prices and Aluminum Prices verify our outlook for the Wholesale Trade 12/12

FORECAST

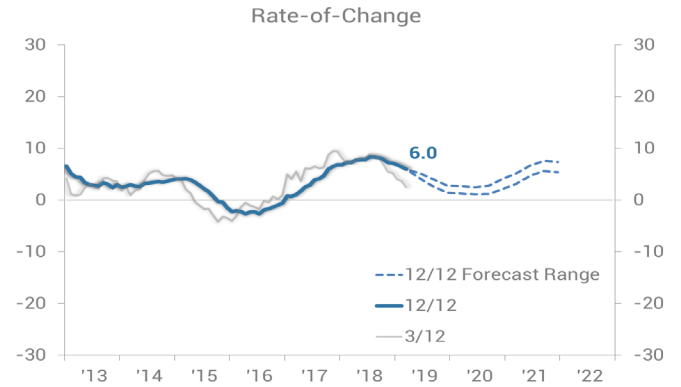
	12/12	12MMT
2019:	2.1%	\$2.9
2020:	3.1%	\$3.0
2021:	6.4%	\$3.2

OVERVIEW

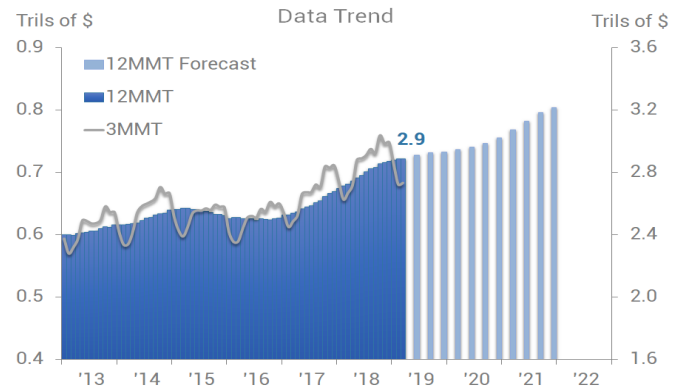
US Wholesale Trade of Durable Goods in the 12 months through March was up 6.0% from the year-ago level. Wholesale Trade spending will rise through at least the length of this forecast. However, slowing growth will persist through this year and into the middle of next year. Accelerating growth will take hold in the latter half of 2020 and persist through most of 2021.

The US Steel Scrap Producer Prices and Aluminum Spot Prices 3/12s are declining. The 3/12 rates-of-change for both metals lead Wholesale Trade by six months. This corroborates our outlook for the Wholesale Trade 12/12 to decline into at least late this year. However, lead with optimism, as Wholesale Trade spending will rise through 2021 despite the declining 12/12 this year.

RATE-OF-CHANGE



DATA TREND



LINKS

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[Data Methodology](#)



ITR MANAGEMENT OBJECTIVE

Stay on top of aging receivables during this period of slowing growth.

US Wholesale Trade of Nondurable Goods

Trillions of Dollars, NSA

HIGHLIGHTS

- Wholesale Trade was up 5.6% year over year
- Wholesale Trade will be near the current level into mid-2020
- Higher Oil Prices could boost the Petroleum and Petroleum Products component of Wholesale Trade

FORECAST

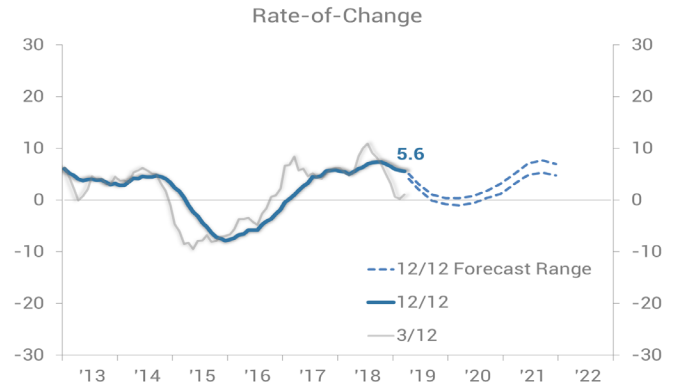
	12/12	12MMT
2019:	-0.2%	\$3.1
2020:	2.2%	\$3.1
2021:	5.9%	\$3.3

OVERVIEW

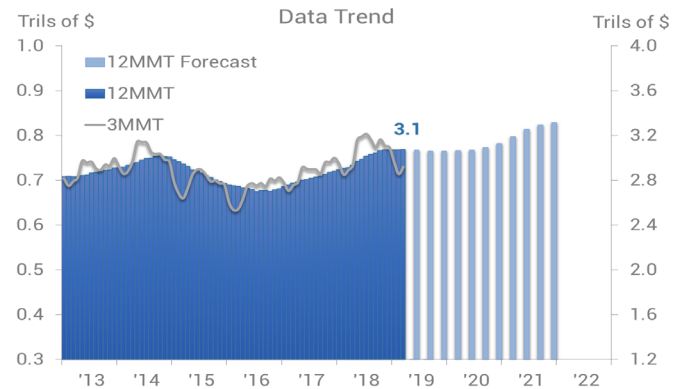
US Wholesale Trade of Nondurable Goods totaled \$3.076 trillion during the 12 months through March, an increase of 5.6% from the year-ago level. Wholesale Trade will be relatively flat into mid-2020 before a more pronounced rising trend takes hold and extends through at least 2021.

The declining trend in the Consumer Nondurable Goods New Orders 1/12 signals further slowing growth in Wholesale Trade into the second half of 2019, which is in line with our expectations. However, we do see some upside risk to the Wholesale Trade outlook. The recent OPEC supply cuts, coupled with uncertainty regarding recent US sentiment against Iranian oil exports, could impact Oil Prices in the near term. If Prices rise higher than expected, they could boost Petroleum and Petroleum Products, the largest component of Wholesale Trade, and pose an upside risk to the outlook.

RATE-OF-CHANGE



DATA TREND



LINKS

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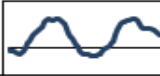

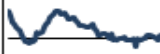

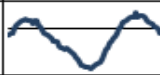









[Data Methodology](#)



ITR MANAGEMENT OBJECTIVE

Consider your onboarding process when hiring. Ensure you have sufficient labor in time for accelerating rise in Wholesale Trade by late 2020 and into 2021.

The Global Economy At-a-Glance

	12/12	12MMA	Current 12/12	2019	2020	2021
Canada Industrial Production			2.1	0.5	0.2	2.8
Mexico Industrial Production Index			0.2	-0.4	1.3	0.3
Brazil Manufacturing and Mining Industrial Production Index			-1.1	-1.4	1.9	1.1
Western Europe Industrial Production Index			0.3	-1.3	1.4	1.0
Eastern Europe Industrial Production Index			4.1	-1.3	4.3	3.2
India Industrial Production Index			3.6	0.9	3.7	4.3
China Industrial Production Index			6.0	5.2	6.1	5.9

Note: Forecast color represents what Phase the market will be in at the end of the year.

PHASE KEY



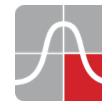
Phase A:
Recovery



Phase B:
Accelerating Growth



Phase C:
Slowing Growth



Phase D:
Recession

Financial

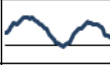

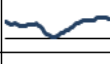



JUNE 2019

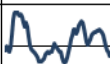

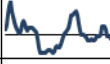



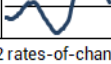



Trends Report

ITR Economics

The Financial US Economy At-a-Glance

	12/12	12MMA	Current 12/12	2019	2020	2021	Highlights
US Stock Prices			6.5				Prices returned to a cyclical declining trend during a weaker-than-typical May.
US Consumer Price Index			2.3	1.7	1.7	2.5	Prices will rise at a slowing pace through the remainder of this year and the first half of next year.
US Producer Price Index			2.5	0.5	1.8	3.3	Slowing rise will persist into mid-2020.

	3/12	3MMA	Current 3MMA	2Q19	3Q19	4Q19	
US Government Long-Term Bond Yields (%)			2.35	2.23	2.22	2.32	We revised our forecast for Bond Yields downward. Yields will be relatively flat this year.
US Natural Gas Futures Prices (\$ per MMBtu)			2.57	2.55	2.48	2.64	We revised our forecast for Prices downward. Decline will persist into late this year.
US Crude Oil Futures Prices (\$ per barrel)			59.40	61.12	55.32	57.49	Prices will likely oscillate near the current level for the next few months.
US Steel Scrap Producer Price Index (12/12)			8.0*	1.1	-5.8	-12.4	Prices will decline throughout this year.

*US Steel Scrap Producer Price Index is listed as 12/12 rates-of-change instead of three-month moving averages.

Note: Forecast color represents what Phase the market will be in at the end of the year.

PHASE KEY



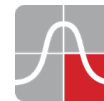
Phase A:
Recovery



Phase B:
Accelerating Growth



Phase C:
Slowing Growth



Phase D:
Recession

SUMMARY

The S&P 500 12/12 resumed its declining trend in May after rising in April. Prices have rebounded in early June, but it is too early to confirm a cyclical rising trend. We revised our forecast for Bond Yields downward. Yields will likely be relatively stable near the current level throughout 2019. Both Consumer and Producer Prices will rise at a slowing pace into 2020. US Natural Gas Prices will likely decline mildly into late this year. Meanwhile, US Crude Oil Prices will likely oscillate near the current level. US Steel Scrap Producer Prices will fall through this year. If your input prices fall this year, consider passing on some of your savings to your customers to ensure that your prices remain competitive.

US Stock Prices

S&P 500 Index, 1941-43 = 10, NSA

HIGHLIGHTS

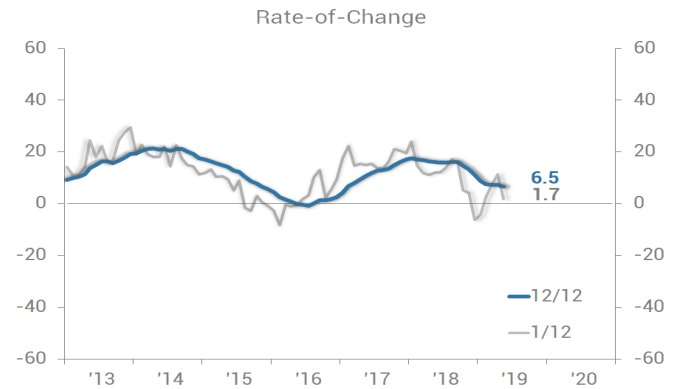
- April's better-than-normal gain gave way to worse-than-normal decline in May
- We lost the tentative 12/12 low
- Solid early-June rebound, but getting the 12/12 low re-established is important

OVERVIEW

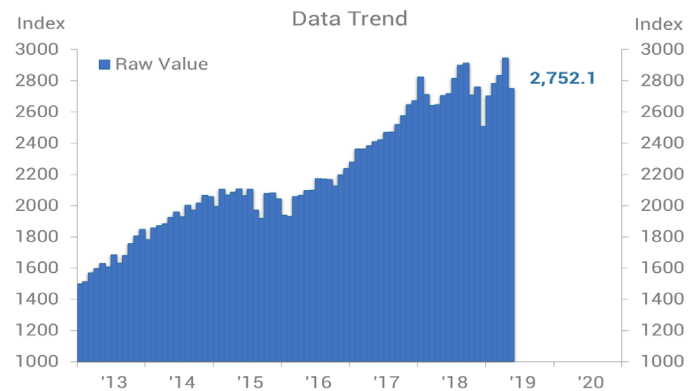
The S&P 500 dropped an unusually large 6.6% from April to May. This is about four percentage points weaker than normal and therefore suggests something greater than just "noise" was behind the drop. Trade concerns and some weak economic data suggest the decline was "for cause." Consistent with that thinking is that some of our clients are reporting a weakening in activity during April and/or May. The May weakness was enough to knock down the 12/12 rate-of-change and put this indicator back into a defined negative status (Phase C). This is consistent with losing another tentative leading indicator low when the PMI 1/12 trended lower in May.

The precedent of 2012 (when something like this last occurred) suggests a solid rebound could occur in June. We saw an early-June surge in the market (credited to the Fed's statement). The market needs to rise to about 2861 for us to see a June redemption off the May fall.

RATE-OF-CHANGE



DATA TREND



LINKS

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[Data Methodology](#)



ITR MANAGEMENT OBJECTIVE

There are worthwhile opportunities in the market (there almost always are), but an ETF based on the S&P 500 is likely to disappoint relative to active investing.

US Government Long-Term Bond Yields

10-Year Bonds, Percent, NSA
HIGHLIGHTS

- Yields dropped sharply from April to May
- We revised our forecast due to lower-than-anticipated Yields
- We expect Yields to remain close to the current level and then begin rising late in the year

FORECAST (3MMA)

2Q 2019:	2.23%
4Q 2019:	2.32%

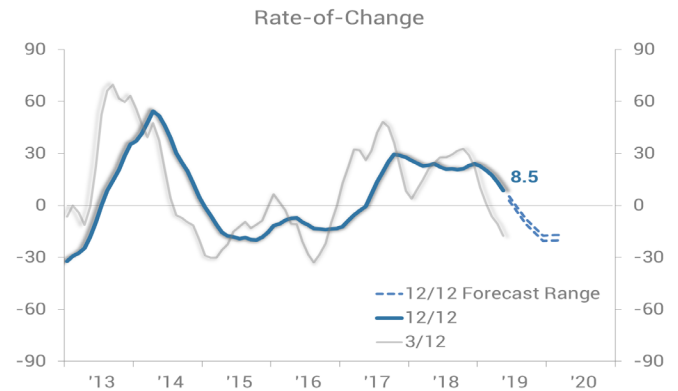
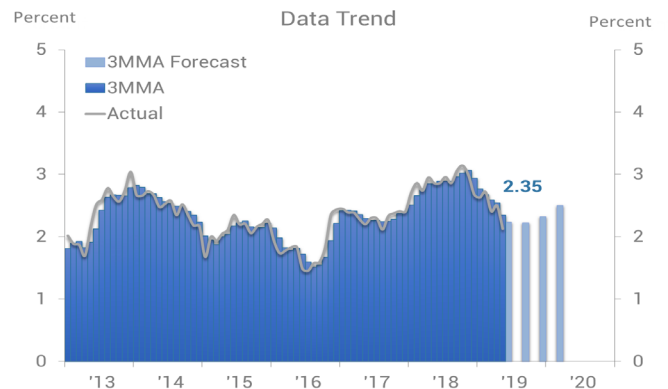
FORECAST RANGE

Jun 2019:	2.08% - 2.38%
Sep 2019:	2.07% - 2.37%
Dec 2019:	2.17% - 2.47%
Mar 2020:	2.35% - 2.65%

OVERVIEW

US Government Long-Term Bond Yields dropped 37 basis points from April to May, the largest one-month decline since early 2015, as the market digested news of looming tariffs on Mexico and recent data releases made the US economy's slowing growth trend more apparent.

We lowered the forecast due to weaker-than-projected results; we expect Yields to remain relatively flat into the third quarter of this year before slowly rising starting late this year. An amicable resolution to trade talks could increase investor confidence and pose an upside risk to our updated forecast. However, significant rise to Yields in the coming quarters is unlikely due to business cycle decline in the macroeconomy into 2020.

RATE-OF-CHANGE

DATA TREND

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ITR MANAGEMENT OBJECTIVE

Both the stock and bond markets indicated rising economic concerns in May. Evaluate the strength of your upstream and downstream distribution channels to hedge future risk.

US Natural Gas Futures Prices

Dollars per MMBtu, NSA

HIGHLIGHTS

- We revised our forecast for Prices downward
- The Prices 3MMA was down 8.8% from one year ago
- Prices will generally decline into late this year

FORECAST (3MMA)

2Q 2019:	\$2.55
4Q 2019:	\$2.64

FORECAST RANGE

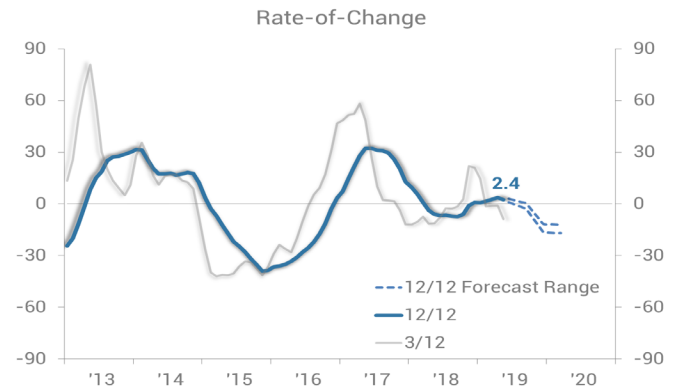
Jun 2019:	\$2.40 - \$2.70
Sep 2019:	\$2.33 - \$2.63
Dec 2019:	\$2.49 - \$2.79
Mar 2020:	\$2.54 - \$2.84

OVERVIEW

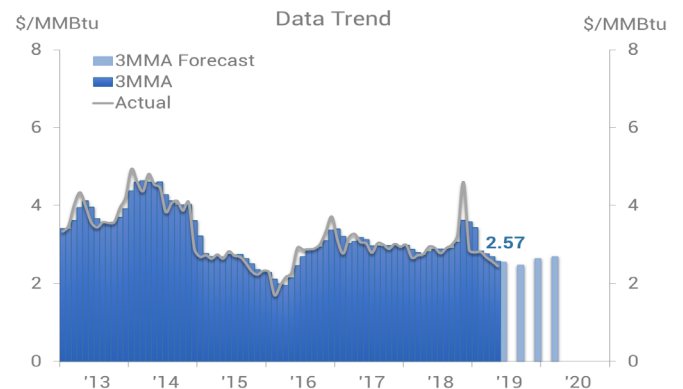
We revised our forecast for US Natural Gas Futures Prices downward. The forecast had been in place for 13 months. Prices were still trending within range, but recent supply and demand dynamics – with supply dramatically outpacing demand – indicate that Prices are likely to decline this year and fall below that range. We lowered our projections as a result.

Prices during the three months ending in May averaged \$2.57 per million BTUs, down 8.8% from the same period one year ago. The current declining trend will likely persist into late this year. Prices will subsequently recover and rise during at least the early part of 2020.

RATE-OF-CHANGE



DATA TREND



LINKS

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ITR MANAGEMENT OBJECTIVE

Note our newly revised forecast and ensure that your budgets reflect mild decline in Prices for most of this year.

US Crude Oil Futures Prices

Dollars per Barrel, NSA

HIGHLIGHTS

- The Prices 3MMA was down 11.1% from a year ago
- Prices dropped \$10 per barrel, the second-steepest April-to-May decline in the data history
- Rising US Crude Oil Exports are undermining the effects of OPEC's planned supply reduction

FORECAST (3MMA)

2Q 2019: \$61.12

4Q 2019: \$57.49

FORECAST RANGE

Jun 2019: \$59.12 - \$63.12

Sep 2019: \$53.32 - \$57.32

Dec 2019: \$55.49 - \$59.49

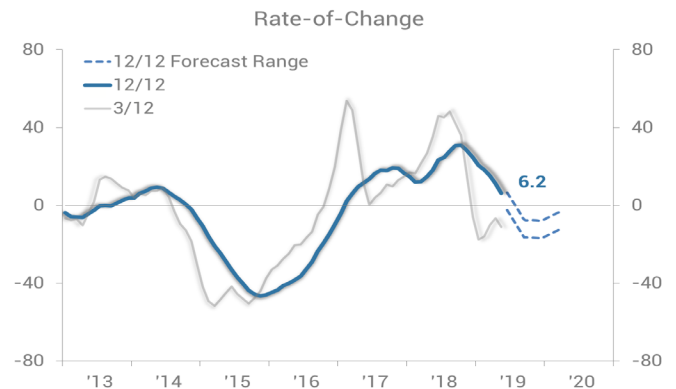
Mar 2020: \$58.08 - \$62.08

OVERVIEW

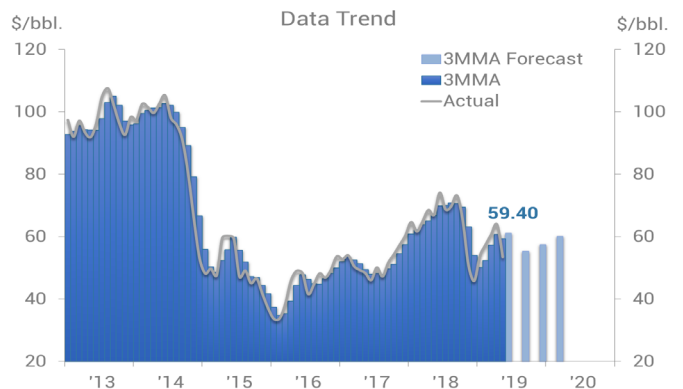
US Crude Oil Futures Prices during the three months through May averaged \$59.40 per barrel, down 11.1% from the same period one year ago. Prices fell \$10.41 from the last day of April to the last day of May. This is the steepest April-to-May decline since 2012 and likely due to pessimism stemming from the recent reopening of US trade disputes with Mexico and China. Meanwhile, US Crude Oil Exports have been rising, undermining the market-tightening effects of OPEC's planned supply reduction.

The Prices 3MMA ticked down in the most recent month of data. Should monthly Prices remain around the low \$50s, we expect the Prices 3MMA will trend below our forecast range in the near term. However, if this proves to be just short-term noise due to political news, Prices will likely return to the forecast range – the upper \$50s to lower \$60s – later this year.

RATE-OF-CHANGE



DATA TREND



LINKS

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ITR MANAGEMENT OBJECTIVE

Politics are impacting Prices more than supply and demand at the moment. Expect further volatility in the short term.

US Steel Scrap Producer Price Index

Index, 1982 = 100, NSA

HIGHLIGHTS

- The Prices 3MMA was down 11.6% from the year-ago level
- Prices will fall throughout 2019
- The US reached an agreement with Canada and Mexico on steel tariffs

FORECAST

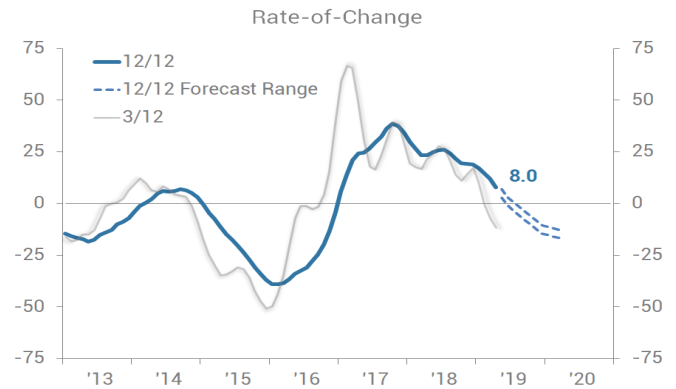
	12/12	3MMA
2Q19:	1.1%	467.21
3Q19:	-5.8%	429.94
4Q19:	-12.4%	422.04
1Q20:	-14.7%	442.19

OVERVIEW

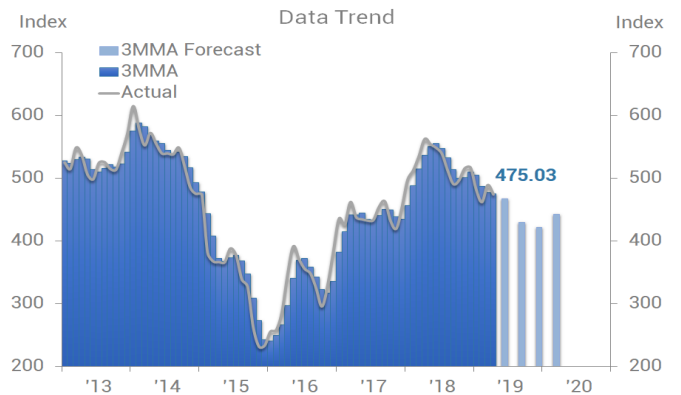
US Iron and Steel Scrap Producer Prices during the three months ending in April were down 11.6% from the same period in 2018. Prices will generally decline during the remainder of 2019 before rising in the first quarter of 2020.

The US reached an agreement with Mexico and Canada to suspend steel and aluminum tariffs. Steel imports from these countries, which were previously taxed at 25 percent, will likely fall in price as a result. This bodes well for firms using steel as an input. Note that tariffs on steel imports from the rest of the world currently remain, keeping Steel Prices above where they would be in the absence of such tariffs.

RATE-OF-CHANGE



DATA TREND



LINKS

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SLOWING GROWTH

ITR MANAGEMENT OBJECTIVE

Delay steel purchasing where possible, as Prices will likely fall further this year.

US Consumer Price Index (Consumer Inflation)

Index, 1982-84 = 100, NSA

HIGHLIGHTS

- Prices were up 2.0% from April of last year
- Prices will rise at a slowing pace into next year
- The increase in tariffs on Chinese goods to 25% is likely to further raise Prices this year

FORECAST

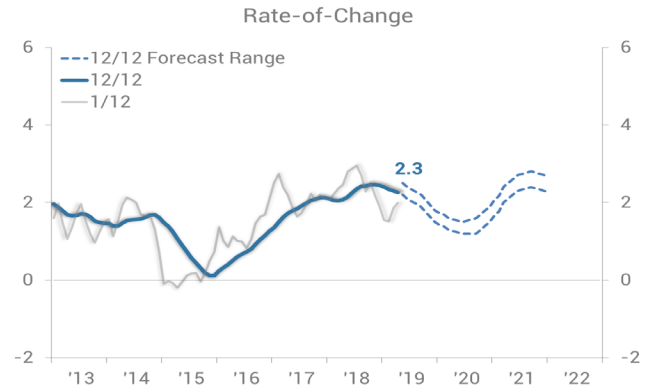
	12/12	12MMA
2019:	1.7%	255.5
2020:	1.7%	259.9
2021:	2.5%	266.4

OVERVIEW

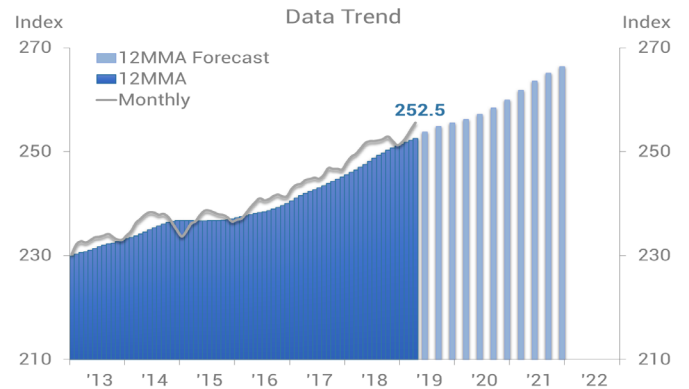
US Consumer Prices in April were up 2.0% from the same month last year. Prices will rise through at least the length of the forecast. However, Prices will rise at a slowing rate into 2020. Prices will then rise at an accelerating rate through the rest of 2020 and into 2021.

On May 10, the Office of the United States Trade Representative passed an adjustment to the Trump administration tariffs, increasing duties to 25% from 10% on about \$300 billion worth of Chinese imports. Products subject to the increase include foods, clothing, home goods, and jewelry — in short, items likely to impact the average consumer. The increase in tariffs poses a threat to our forecast as it could result in higher inflation rates through the economy.

RATE-OF-CHANGE



DATA TREND



LINKS

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SLOWING GROWTH

ITR MANAGEMENT OBJECTIVE

Our outlook calls for an overall slowing rate of inflation into 2020. However, varying degrees of inflation will apply to individual goods, depending on how they are impacted by the tariffs.

US Producer Price Index (Producer Inflation)

Index, 1982 = 100, NSA

HIGHLIGHTS

- Prices were up 2.0% from a year ago
- The inflation rate will slow next year
- Oil Prices are unlikely to rise much further this year, which should contribute to slowing producer-level inflation

FORECAST

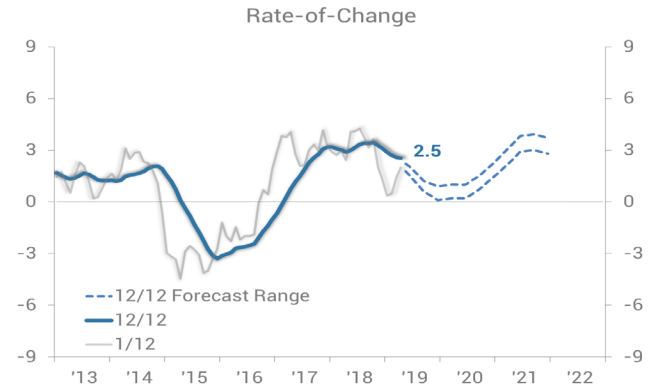
	12/12	12MMA
2019:	0.5%	205.1
2020:	1.8%	208.7
2021:	3.3%	215.5

OVERVIEW

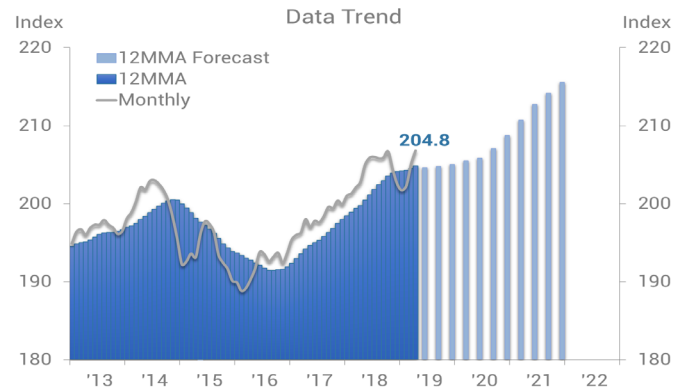
US Producer Prices in April were up 2.0% from the same month one year ago. Prices will generally rise through at least 2021. However, the pace of inflation will slow through the remainder of 2019 and into mid-2020. Prices will then rise at an accelerating pace in the latter half of that year and through the majority of 2021.

US Crude Oil Futures Prices have risen in recent months. However, we do not expect them to rise much above their current level during this cycle. As a result, inflation in the energy and transportation sectors will likely slow, thus slowing inflation throughout much of the economy. Ensure that you are not raising your own prices too rapidly as overall producer-level inflation slows. If your costs are falling, consider passing on some of your savings to your customers to help keep your prices competitive.

RATE-OF-CHANGE



DATA TREND



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SLOWING GROWTH

ITR MANAGEMENT OBJECTIVE

Revisit your budgets with the expectation of slowing inflation into mid-2020.

Construction



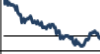













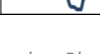

JUNE 2019



Trends Report

ITR Economics

The Construction US Economy At-a-Glance

	12/12	12MMT	Current 12/12	2019	2020	2021	Highlights
US Single-Unit Housing Starts			-0.8	-2.1	8.0	1.4	This market recently entered Phase D, Recession, but will recover later this year.
US Multi-Unit Housing Starts			-2.3	-9.2	-6.9	2.3	Starts will decline through the rest of 2019 and into mid-2020.
US Private Office Construction			9.4	9.6	0.3	8.7	Activity will generally rise through 2021.
US Total Education Construction			4.5	7.5	1.3	4.3	Construction will rise this year before plateauing next year.
US Total Hospital Construction			1.7	-3.0	-0.9	5.5	Construction will decline through the remainder of this year and the majority of next year.
US Private Manufacturing Construction			1.6	13.5	-2.4	0.3	Spending will rise this year and into early 2020.
US Private Multi-Tenant Retail Construction			-17.4	0.8	6.5	-4.2	Construction will enter a recovery trend in the second half of this year.
US Private Warehouse Construction			9.8	11.4	11.8	7.1	We revised our forecast downward. Spending will rise through at least 2021.
US Public Water & Sewer Facilities Construction			11.4	-1.2	2.4	2.3	Spending will decline during the latter half of this year.

Note: Forecast color represents what Phase the market will be in at the end of the year.

PHASE KEY



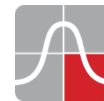
Phase A:
Recovery



Phase B:
Accelerating Growth



Phase C:
Slowing Growth



Phase D:
Recession

SUMMARY

Much of the nonresidential construction sector will expand this year. US Private Manufacturing Construction, US Private Warehouse Construction, and US Private Office Construction will likely rise at the fastest rates out of all the construction segments included in this report. US Public Water and Sewer Facilities Construction is currently an area of strength, but we expect contraction to take hold during the latter half of the year. Meanwhile, US Private Multi-Tenant Retail Construction is an area of weakness, but this market will likely recover this year. The residential sector is underperforming the nonresidential sector. Both Single-Unit and Multi-Unit Housing Starts will end 2019 below the 2018 level. Firms in the construction sector should look to the nonresidential sector for opportunities this year. We anticipate business cycle decline for much of the construction sector in 2020. Business cycle rise will resume in 2021.

US Single-Unit Housing Starts

Thousands of Units, NSA

HIGHLIGHTS

- Starts were 0.8% below the year-ago level
- Starts recently entered Phase D, Recession
- This market will expand through much of 2020 and 2021

FORECAST

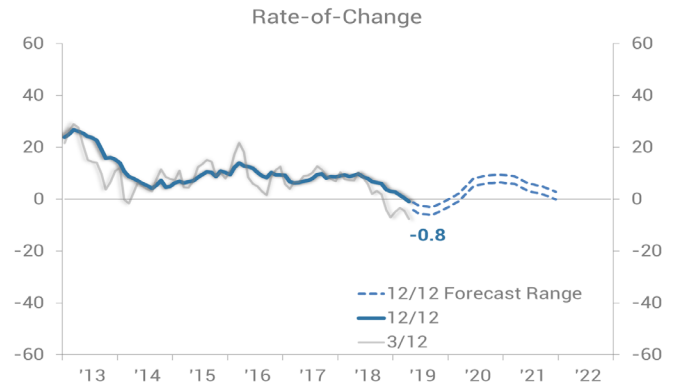
	12/12	12MMT
2019:	-2.1%	866.5
2020:	8.0%	935.9
2021:	1.4%	949.0

OVERVIEW

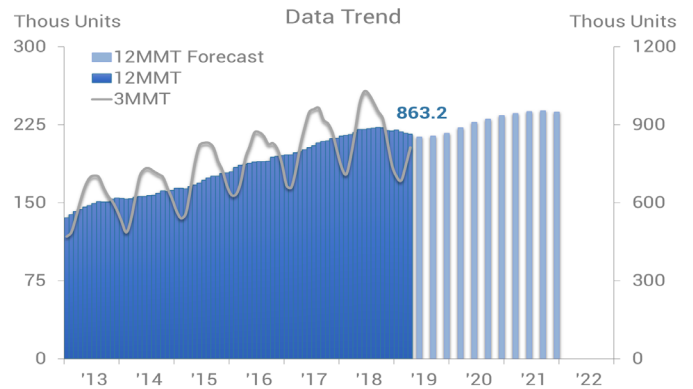
US Single-Unit Housing Starts during the 12 months through April were down 0.8% from the year-ago level. Starts recently transitioned to Phase D, Recession. However, we expect the recession to be relatively short-lived. Starts will recover in the second half of this year. Activity will then rise in 2020 and through the majority of 2021.

The National Association of Home Builders Housing Market Index 3/12, which typically leads Starts by about two to three quarters, is rising from an early-2018 low. This indicator is signaling that Starts will transition to Phase A, Recovery, in the latter half of this year, corroborating our expectations for this market. Although Starts have fallen below the year-ago level, lead with optimism. Contraction will be short-lived and there will be opportunities for growth in 2020 and 2021.

RATE-OF-CHANGE



DATA TREND



LINKS

[Ask an Analyst](#)

[Data Methodology](#)



ITR MANAGEMENT OBJECTIVE

Starts are declining, but take caution before cutting capacity. Decline will be brief.

US Multi-Unit Housing Starts

Thousands of Units, NSA

HIGHLIGHTS

- Starts were 2.3% below the year-ago level
- Starts will be below today's level through 2021
- Midwest Starts are outperforming the rest of the nation

FORECAST

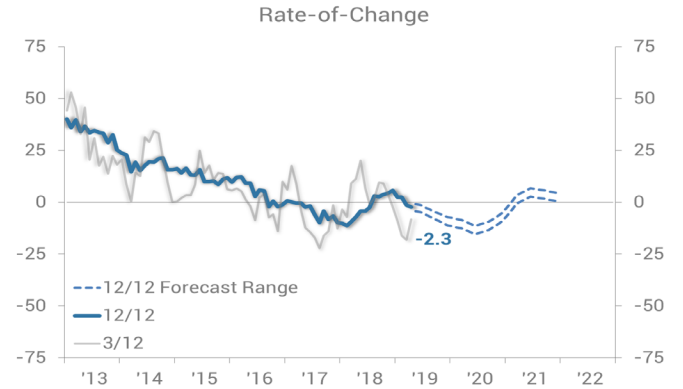
	12/12	12MMT
2019:	-9.2%	336.2
2020:	-6.9%	313.0
2021:	2.3%	320.2

OVERVIEW

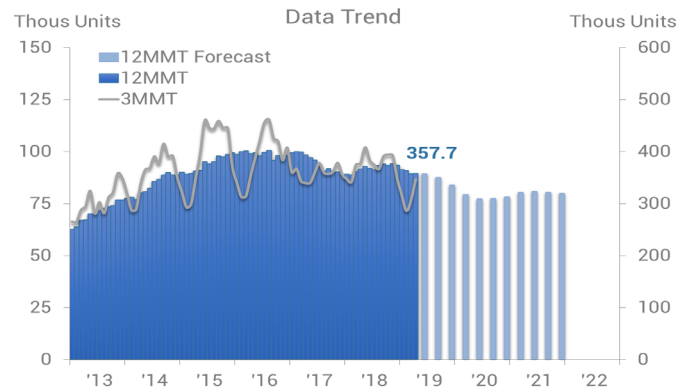
US Multi-Unit Housing Starts during the 12 months through April totaled \$357.7 million, down 2.3% from one year ago. Starts will decline at an accelerating rate into the first half of 2020. Multi-Unit Starts will recover during the remainder of 2020 and grow during the first half of 2021. Starts are not expected to reach current levels through at least 2021.

Both Northeast and West Multi-Unit Housing Starts are in Phase D, Recession, and South Starts are likely to wane rapidly. However, Midwest Starts recently transitioned to Phase B, Accelerating Growth and may be an area of opportunity during the next one to two quarters. Additionally, US Private Nonresidential Construction is expected to fare better than the residential market during early 2019 and, if feasible for your firm, could help mitigate decline there.

RATE-OF-CHANGE



DATA TREND



LINKS

[Ask an Analyst](#)

[Data Methodology](#)



ITR MANAGEMENT OBJECTIVE

Look to diversify into growing markets. If possible, look toward nonresidential construction to mitigate downward pressure in this industry.

US Private Office Construction

Billions of Dollars, NSA

HIGHLIGHTS

- Construction was up 9.4% from a year ago
- Except for mild decline in the second half of 2020, spending will generally rise through 2021
- The Small Business Optimism Index 12/12 suggests rise in the Construction 12/12 into mid 2019

FORECAST

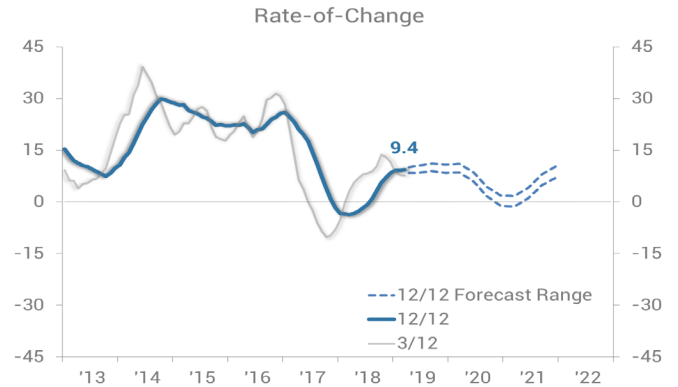
	12/12	12MMT
2019:	9.6%	\$69.5
2020:	0.3%	\$69.7
2021:	8.7%	\$75.7

OVERVIEW

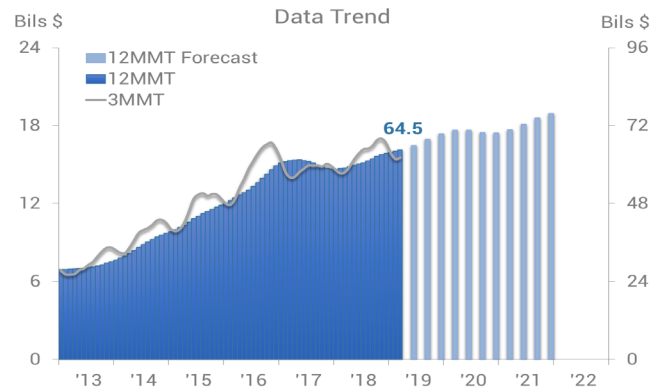
US Private Office Construction during the 12 months through March totaled \$64.5 billion, up 9.4% from the year-ago level. The Construction 12MMT will generally rise through the length of this forecast. However, there will be some mild decline in the latter part of 2020.

The US Small Business Optimism Index 12/12, which typically leads Construction by about 22 months, is declining from a late-2017 peak. This indicator suggests that the Construction 12/12 will transition to a declining trend around mid to late 2019, with 12/12 decline then persisting into at least 2021. This is consistent with our forecast for the Construction market. Although the pace of growth will slow, lead with optimism during this cycle as Construction will reach record-high levels by the end of 2021.

RATE-OF-CHANGE



DATA TREND



LINKS

[Ask an Analyst](#)

[Data Methodology](#)



ITR MANAGEMENT OBJECTIVE

Tightness in the labor market will make it challenging to hire sufficient workers to facilitate growth through 2021. Focus on training and retaining your existing employees.

US Total Education Construction

Billions of Dollars, NSA

HIGHLIGHTS

- Construction was up 4.5% from the year-ago level
- Spending will rise throughout 2019 before generally plateauing through 2020
- The Public Education component will transition to slowing growth in the near term

FORECAST

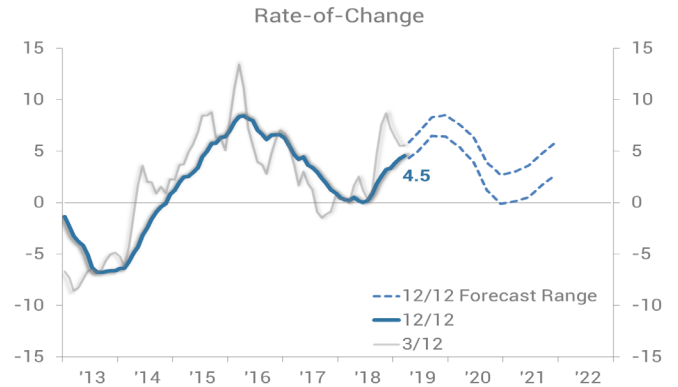
	12/12	12MMT
2019:	7.5%	\$101.3
2020:	1.3%	\$102.6
2021:	4.3%	\$107.0

OVERVIEW

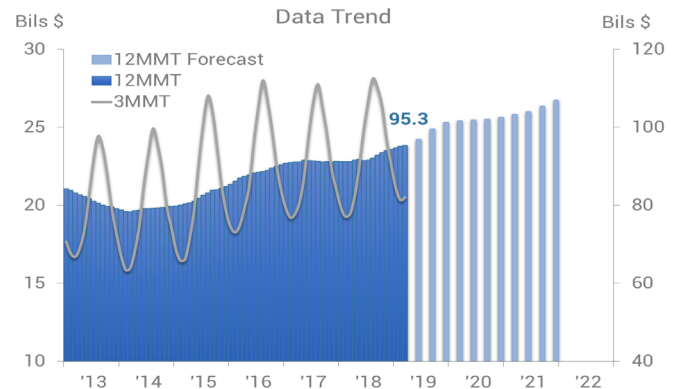
US Total Education Construction during the 12 months through March totaled \$95.3 billion, up 4.5% from one year ago. The Construction 12MMT will rise through this year before generally plateauing through 2020. Expect rise to then take hold in early 2021 and to last throughout that year.

The US Private Education Construction component in the 12 months through March was up 2.8%. Plan for accelerating growth in this segment to resume in the near term and persist into early 2020. Meanwhile, US Public Education Construction is rising at an accelerating rate, up 5.0% from the same time last year. We expect this sector to transition to a slowing growth trend in the near term. Public Education Construction will then trend on the back side of the business cycle through the rest of this year and early 2020. This will likely place downside pressure on Education Construction during that time.

RATE-OF-CHANGE



DATA TREND



LINKS

[Ask an Analyst](#)

[Data Methodology](#)



ITR MANAGEMENT OBJECTIVE

Consider expanding credit to worthy customers as Construction generally rises through 2021.

US Total Hospital Construction

Billions of Dollars, NSA

HIGHLIGHTS

- Construction was up 1.7% from one year ago
- Construction will decline through the remainder of this year and through most of next year
- Contraction will be milder than average during this cycle

FORECAST

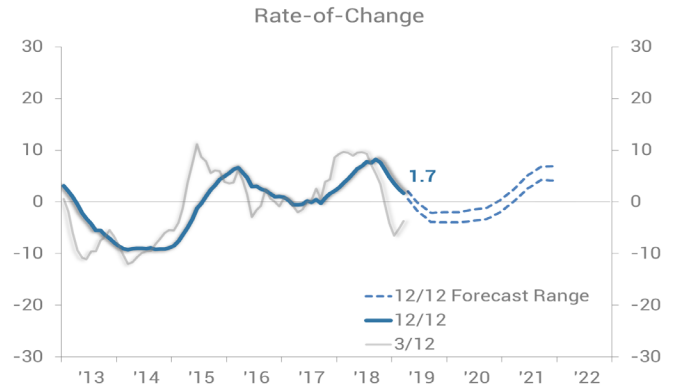
	12/12	12MMT
2019:	-3.0%	\$24.8
2020:	-0.9%	\$24.6
2021:	5.5%	\$25.9

OVERVIEW

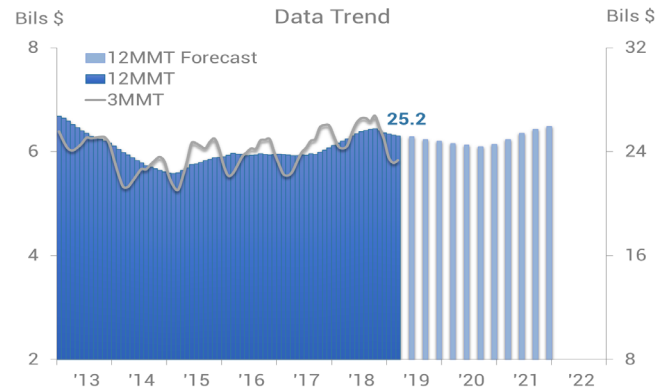
US Total Hospital Construction during the 12 months through March totaled \$25.2 billion. Construction will decline through the remainder of 2019 and through much of 2020. This market will then recover in the latter part of 2020 and expand through 2021.

US Hospital Services Revenue, which typically leads Construction by about a year, generally slowed in its pace of growth throughout 2018. This indicator is signaling that Construction will likely trend along the back side of the business cycle throughout 2019, consistent with our forecast. This recession will be more severe than the last recession, in 2017, but milder than average for this market. However, with other segments of the nonresidential construction sector expected to expand this year, such as the Warehouse and Manufacturing segments, firms should seek growth opportunities elsewhere if possible.

RATE-OF-CHANGE



DATA TREND



LINKS

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[Data Methodology](#)



SLOWING GROWTH

ITR MANAGEMENT OBJECTIVE

Keep costs low. Do not plan for this market to present the same growth potential as the nonresidential sector as a whole.

US Private Manufacturing Construction

Billions of Dollars, NSA

HIGHLIGHTS

- Construction was up 1.6% from one year ago
- Construction transitioned to Phase B, Accelerating Growth
- The Architecture Billings Index 12/12 suggests the Construction 12/12 will rise into early 2020

FORECAST

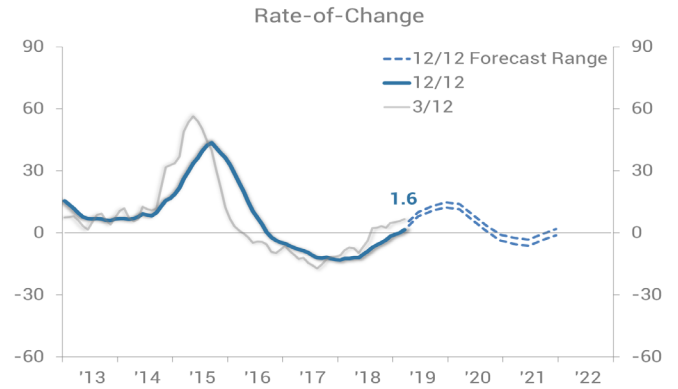
	12/12	12MMT
2019:	13.5%	\$73.9
2020:	-2.4%	\$72.2
2021:	0.3%	\$72.4

OVERVIEW

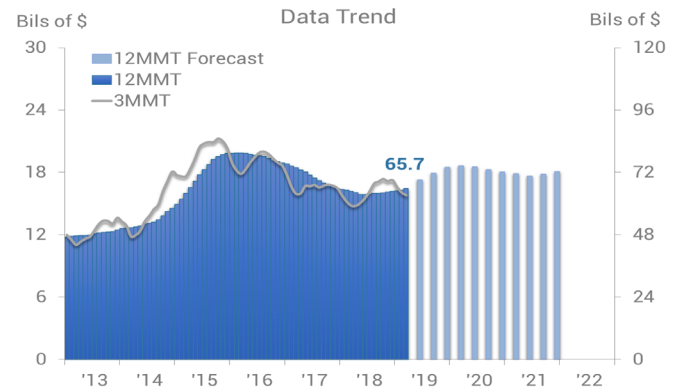
US Private Manufacturing Construction during the 12 months through March totaled \$65.7 billion, up 1.6% from one year ago. Construction transitioned to Phase B, Accelerating Growth. Construction spending will rise into early next year. Decline in the Construction 12MMT will then characterize the remainder of 2020 and the first half of 2021.

The US Commercial and Industrial Sector Architecture Billings Index 12/12 peaked in early 2018. Given that the Billings Index 12/12 typically leads the Construction 12/12 by almost two years, we anticipate that the Construction 12/12 will rise into early 2020. Firms should plan for Manufacturing Construction to be an area of opportunity this year. However, invest with caution, as recent decline in the Billings Index 12/12 suggests that business cycle decline is likely for this market during much of next year and into at least early 2021.

RATE-OF-CHANGE



DATA TREND



LINKS

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[Data Methodology](#)



ITR MANAGEMENT OBJECTIVE

Ensure quality control keeps pace with increasing volume through this year and early next year.

US Private Multi-Tenant Retail Construction

Billions of Dollars, NSA

HIGHLIGHTS

- Construction was down 17.4% year over year
- Construction will trend along the lower end of the forecast range during at least the next few quarters
- Stock market leading indicators suggest imminent recovery in this market

FORECAST

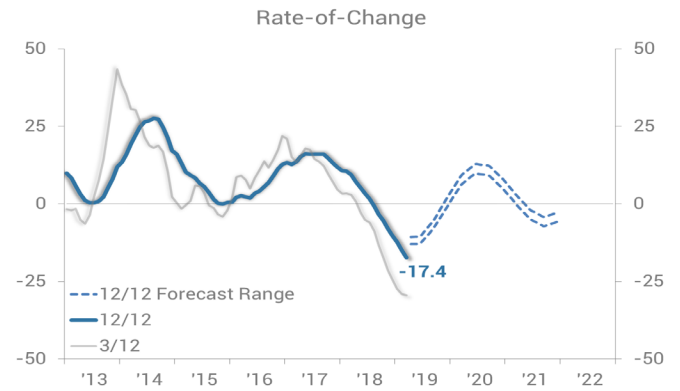
	12/12	12MMT
2019:	0.8%	\$22.9
2020:	6.5%	\$24.3
2021:	-4.2%	\$23.3

OVERVIEW

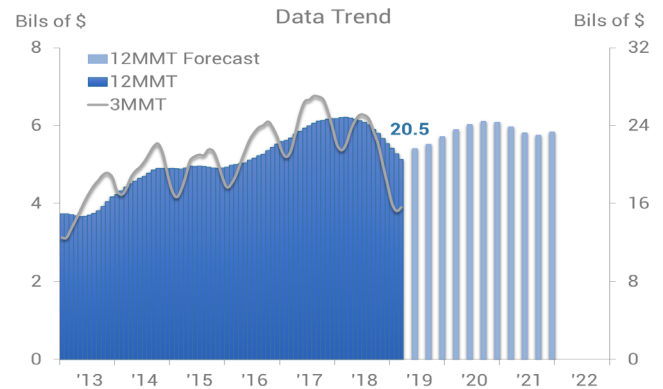
US Private Multi-Tenant Retail Construction during the 12 months through March totaled \$20.5 billion, down 17.4% from the year-ago level. Construction is declining at its fastest rate since the Great Recession and, due to this abnormality, is currently trending below our forecast range. However, stock prices for Simon Property Group and Kimco Realty, two real estate corporations operating shopping malls throughout the country, support our existing forecast and signal that Construction will enter a recovery trend imminently. We will monitor this forecast and reevaluate as more information becomes available. Plan for Construction to trend along the lower end of our forecast for at least the next few quarters.

Construction will rise in the latter half of this year and through much of 2020. Spending will then decline during much of 2021.

RATE-OF-CHANGE



DATA TREND



LINKS

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[Data Methodology](#)



ITR MANAGEMENT OBJECTIVE

Lead with optimism despite rapid decline. This market will enter a recovery trend in the near term.

US Private Warehouse Construction

Billions of Dollars, NSA

HIGHLIGHTS

- We revised our forecast for Construction downward
- Construction was up 9.8% from one year ago
- Spending will rise through at least the length of this forecast

FORECAST

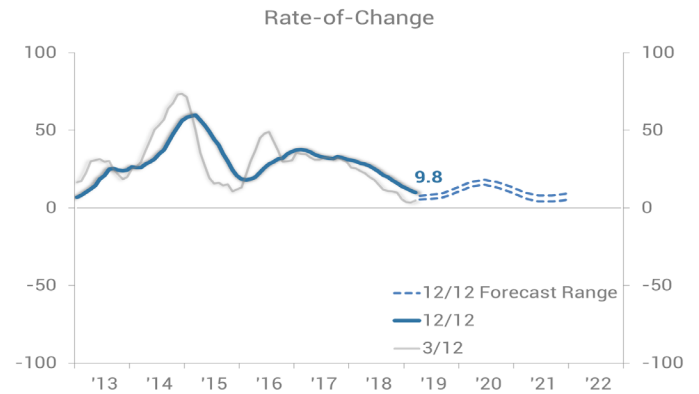
	12/12	12MMT
2019:	11.4%	\$37.6
2020:	11.8%	\$42.0
2021:	7.1%	\$45.0

OVERVIEW

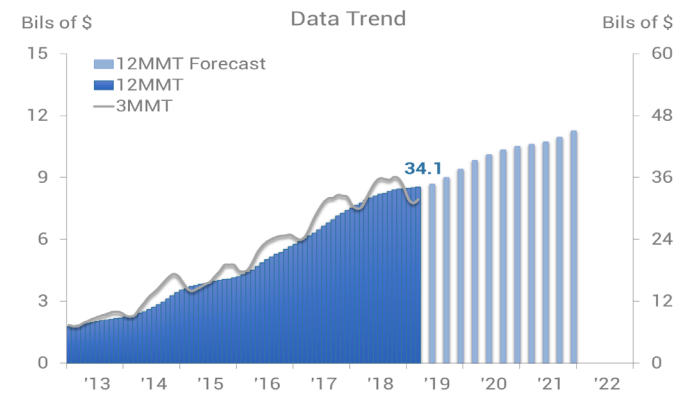
US Private Warehouse Construction through March was trending 1.3% below our forecast range. We revised the forecast downward to reflect a mild data revision, the most recent trends in the data, and new leading indicator evidence. Our expectation for expansion in this market through at least 2021 is unchanged. However, we lowered our projections for the Construction 12MMT by 4.7% for 2019, 7.0% for 2020, and 9.3% for 2021.

Construction during the 12 months through March totaled \$34.1 billion, a 9.8% increase from the year-ago level. Spending will rise at a slowing pace into the latter half of this year. Construction will then rise at an accelerating rate in late 2019 and the first half of 2020. Plan for the pace of growth to then slow through the second half of 2020 and much of 2021.

RATE-OF-CHANGE



DATA TREND



LINKS

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SLOWING GROWTH

ITR MANAGEMENT OBJECTIVE

Despite the downward revision to our forecast, this market will be a source of growth potential through at least 2021. Invest accordingly.

US Public Water & Sewer Facilities Construction

Billions of Dollars, NSA

HIGHLIGHTS

- Construction was up 11.4% from a year ago
- Spending will likely decline during the second half of this year
- Construction will finish 2019 1.2% below the 2018 level

FORECAST

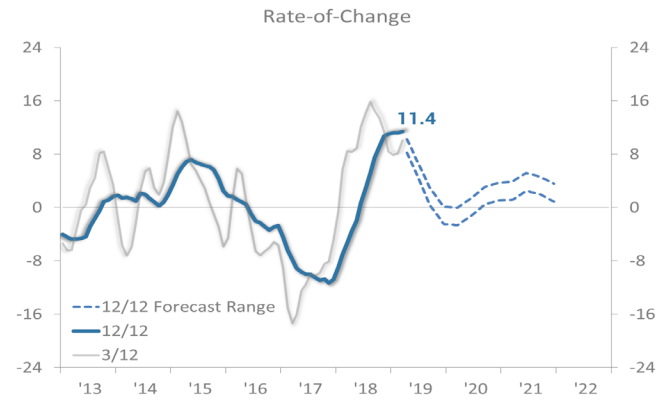
	12/12	12MMT
2019:	-1.2%	\$35.0
2020:	2.4%	\$35.9
2021:	2.3%	\$36.7

OVERVIEW

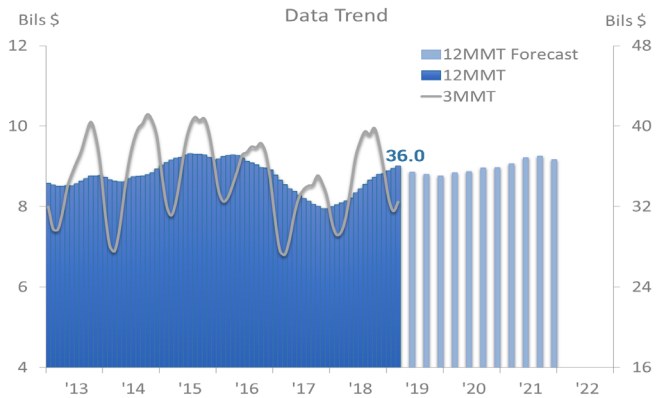
US Public Water and Sewer Facilities Construction during the 12 months through March totaled \$36.0 billion, up 11.4% on a year-over-year basis. Construction spending is unlikely to rise much further during this cycle. Spending is forecast to decline mildly during the latter half of this year before then recovering and rising through 2020 and the majority of 2021.

The US State and Local Sewer Line Construction 3/12 is declining. This five-month leading indicator is signaling that the Public Water and Sewer Facilities Construction 12/12 will likely decline into at least the second half of this year, consistent with our forecast. Take caution not to overinvest in this market despite the current double-digit rate of growth. Construction will end 2019 below the 2018 level. Budget accordingly.

RATE-OF-CHANGE



DATA TREND



LINKS

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ITR MANAGEMENT OBJECTIVE

Keep costs low as spending declines in the near term, but plan for growth to return in 2020.

Manufacturing

JUNE 2019



Trends Report

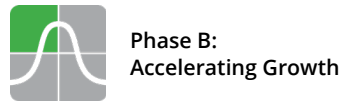
ITR Economics

The Manufacturing US Economy At-a-Glance

	12/12	12MMT/A	Current 12/12	2019	2020	2021	Highlights
US Metalworking Machinery New Orders			-6.8	-8.4	3.9	2.8	We revised our forecast downward. New Orders will decline into 2020.
US Industrial Machinery New Orders			0.9	-1.7	9.7	-0.6	New Orders will decline mildly during the second half of 2019.
US Construction Machinery New Orders			3.7	-4.9	6.6	3.2	Spending will generally decline this year before rising next year.
US Electrical Equipment New Orders			4.6	0.4	0.5	4.0	New Orders will peak imminently before then declining into mid-2020.
US Computers & Electronics New Orders			7.0	-1.2	4.4	2.8	Spending will decline in the latter half of this year before rising through most of 2020.
US Defense Capital Goods New Orders			20.6	4.6	16.8	-8.9	New Orders will plateau during the remainder of 2019 before growth resumes next year.
North America Light Vehicle Production			-0.2	-4.3	5.8	0.8	Decline will persist into the second half of 2020.
US Oil & Gas Extraction Production			15.9	8.7	2.7	6.0	Activity will expand through 2021, although the pace of growth will slow through the remainder of this year and much of next year.
US Mining Production (excluding oil & gas)			-0.2	-0.7	-0.9	1.2	Production will decline through the remainder of 2019 and during much of 2020.
US Chemicals & Chemical Products Production			3.7	0.4	-0.3	2.1	Decline will take hold in the second half of 2019 and persist through much of next year.
US Civilian Aircraft Equipment Production			4.7	10.2	-1.5	-1.1	Activity will rise into early next year before then declining into mid-2021.
US Medical Equipment & Supplies Production			1.8	4.3	-2.5	1.3	Production will grow into early next year.
US Heavy-Duty Truck Production			17.3	3.8	-2.3	12.6	Activity will peak around the middle of the year before declining into the second half of 2020.
US Food Production			2.0	0.0	1.6	1.1	Production will plateau into the middle of 2020.

Note: Forecast color represents what Phase the market will be in at the end of the year.

PHASE KEY



SUMMARY

US Total Manufacturing Production during the 12 months through April was up 2.2% from a year ago. Production is in Phase C, Slowing Growth. Activity will trend along the back side of the business cycle through the remainder of this year for much of the manufacturing sector, with several segments expected to contract this year. US Metalworking Machinery New Orders and US Construction Machinery New Orders in particular will be areas of weakness this year. The automotive sector is also unlikely to offer opportunities for growth in the latter half of 2019. US Heavy-Duty Truck Production has been an area of opportunity but will decline imminently. US Civilian Aircraft Equipment Production and US Medical Equipment and Supplies Production are trending countercyclically to the manufacturing sector and will likely provide growth opportunities throughout this year. Business cycle rise will take hold through much of the manufacturing sector in 2020. Build up your cash reserves now to prepare your company to invest and take advantage of the upcoming growth trend.

US Metalworking Machinery New Orders

Billions of Dollars, NSA
HIGHLIGHTS

- We revised our forecast for New Orders downward
- New Orders were down 6.8% from one year ago
- New Orders will decline into the first half of 2020

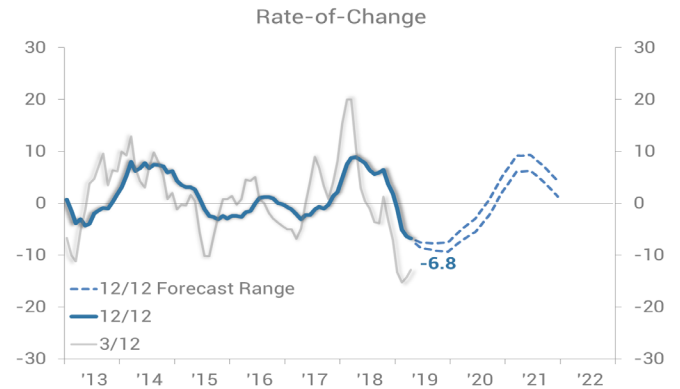
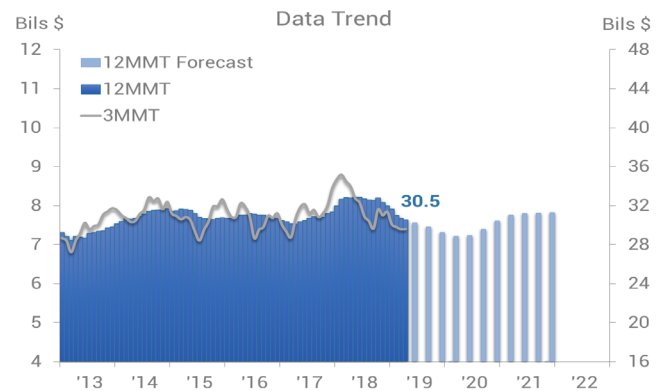
FORECAST

	12/12	12MMT
2019:	-8.4%	\$29.3
2020:	3.9%	\$30.4
2021:	2.8%	\$31.3

OVERVIEW

US Metalworking Machinery New Orders were trending only about 1% below our forecast range through March. However, leading indicator analysis suggested that New Orders were unlikely to return within range in the near term. As a result, we revised our forecast downward to account for the steeper-than-anticipated drop in New Orders. We adjusted our projections for the New Orders 12MMT downward by 4.3% for 2019, upward by 0.2% for 2020, and downward by 1.6% for 2021.

New Orders during the 12 months through April totaled \$30.5 billion, down 6.8% from one year ago. New Orders will decline into the first half of 2020 before rising throughout the rest of 2020 and 2021. The current declining trend will likely be sharper, but briefer, than previously projected.

RATE-OF-CHANGE

DATA TREND

LINKS
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[Data Methodology](#)

ITR MANAGEMENT OBJECTIVE

Consider renegotiating long-term leases to reduce expenses as New Orders decline into the middle of next year.

US Industrial Machinery New Orders

Billions of Dollars, NSA

HIGHLIGHTS

- New Orders were up 0.9% year over year
- New Orders will decline mildly in the latter half of this year
- Declining Wood Products Production will limit demand for related machinery

FORECAST

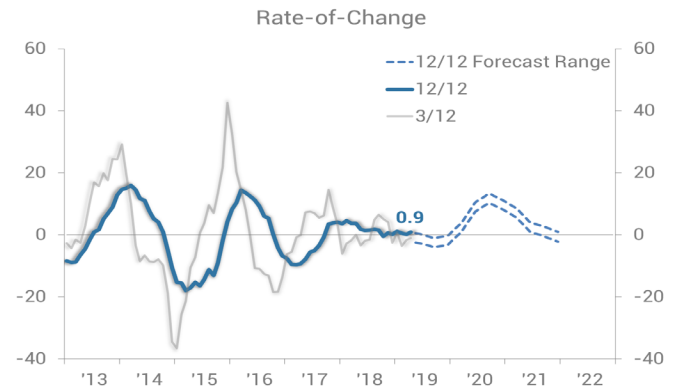
	12/12	12MMT
2019:	-1.7%	\$30.4
2020:	9.7%	\$33.3
2021:	-0.6%	\$33.1

OVERVIEW

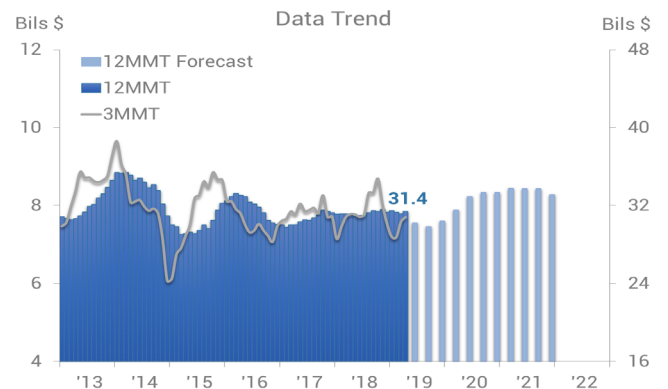
US Industrial Machinery New Orders during the 12 months through April totaled \$31.4 billion, up 0.9% from the year-ago level. New Orders have been relatively flat during the last several months. Spending will decline mildly in the latter half of this year before recovering and expanding throughout next year and into early 2021. New Orders will then plateau through the remainder of 2021.

US Wood Products Production is declining. We anticipate that this trend will likely persist through at least the end of this year. Contraction in this market will limit demand for related industrial machinery. Firms tied to the wood products industry should plan for activity to fall this year. Cut costs where possible to increase your profitability even as volume declines.

RATE-OF-CHANGE



DATA TREND



LINKS

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ITR MANAGEMENT OBJECTIVE

As New Orders decline later this year, market your products with a lower cost basis to appeal to increasingly price-conscious customers.

US Construction Machinery New Orders

Billions of Dollars, NSA

HIGHLIGHTS

- New Orders were up 3.7% from the year-ago level
- Spending will generally decline throughout this year before rising in early 2020
- Falling Exports and rising Imports pose a risk to domestic manufacturers

FORECAST

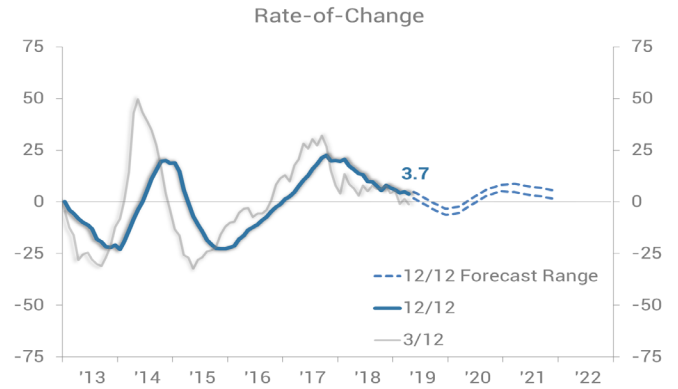
	12/12	12MMT
2019:	-4.9%	\$34.4
2020:	6.6%	\$36.7
2021:	3.2%	\$37.8

OVERVIEW

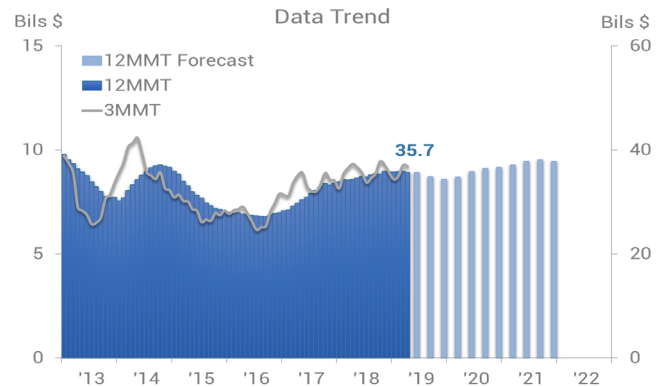
US Construction Machinery New Orders during the 12 months through April were up 3.7% from one year ago. The New Orders 12MMT will decline through the rest of this year. Expect New Orders spending to then rise through 2020 and most of 2021.

The US Exports of Construction Machinery 3MMT has generally declined in recent months, which suggests that there are likely less business opportunities in foreign markets. Meanwhile, US Imports of Construction Machinery are rising at a double-digit rate. Increasing foreign competition poses a risk to domestic manufacturers. Focus on differentiating your products to stand out from your competition. Communicate to your clients the unique nonmonetary value of your offerings, such as quality or localized customer service, to maintain your market share as competition increases.

RATE-OF-CHANGE



DATA TREND



LINKS

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[Data Methodology](#)



ITR MANAGEMENT OBJECTIVE

Stay on top of aging receivables as New Orders decline through this year.

US Electrical Equipment New Orders

Billions of Dollars, NSA

HIGHLIGHTS

- New Orders were up 4.6% from one year ago
- Spending will decline in the latter half of this year and the first half of 2020
- Expect 2021 to be a stronger year than 2019 or 2020

FORECAST

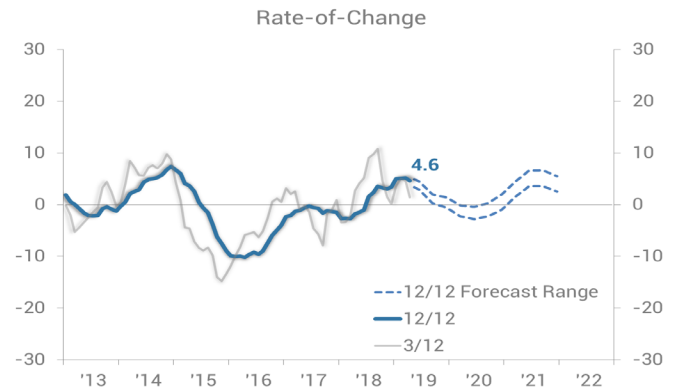
	12/12	12MMT
2019:	0.4%	\$36.9
2020:	0.5%	\$37.1
2021:	4.0%	\$38.6

OVERVIEW

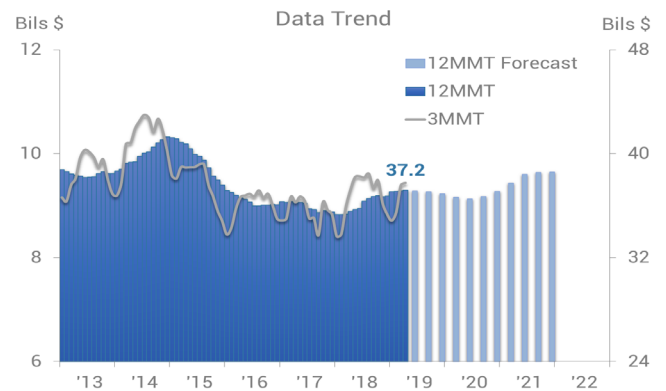
US Electrical Equipment New Orders during the 12 months through April totaled \$37.2 billion, up 4.6% year over year. New Orders tentatively transitioned to Phase C, Slowing Growth. The New Orders 12MMT will rise at a slowing rate into mid-2019 before declining into mid-2020. We expect spending for 2019 as a whole to be around the 2018 level. Ensure that your business is appropriately sized for this level of activity. Spending will then increase during the latter half of 2020 and throughout the majority of 2021.

The US Electric Power Generation, Transmission, and Distribution Production 12/12, which leads New Orders by about four months, is on the back side of the business cycle. This declining trend will persist into early next year and signals that the New Orders 12/12 will fall into mid-2020, which is consistent with our forecast.

RATE-OF-CHANGE



DATA TREND



LINKS

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ITR MANAGEMENT OBJECTIVE

Revisit your capital expenditure plans to help bolster your cash flow as New Orders decline into 2020.

US Computers & Electronics New Orders

Billions of Dollars, NSA

HIGHLIGHTS

- New Orders were up 7.0% from a year ago
- New Orders spending will decline imminently
- Exports are generally declining

FORECAST

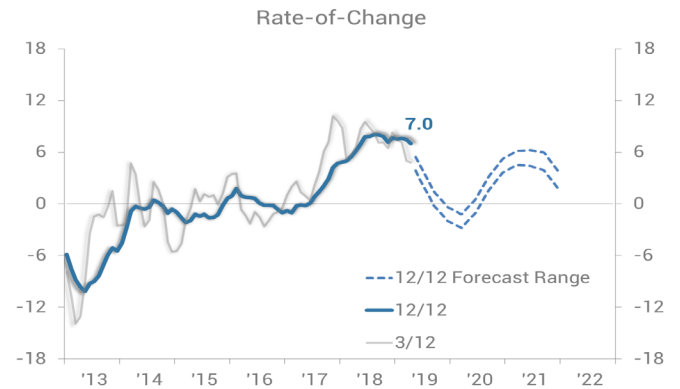
	12/12	12MMT
2019:	-1.2%	\$274.6
2020:	4.4%	\$286.7
2021:	2.8%	\$294.7

OVERVIEW

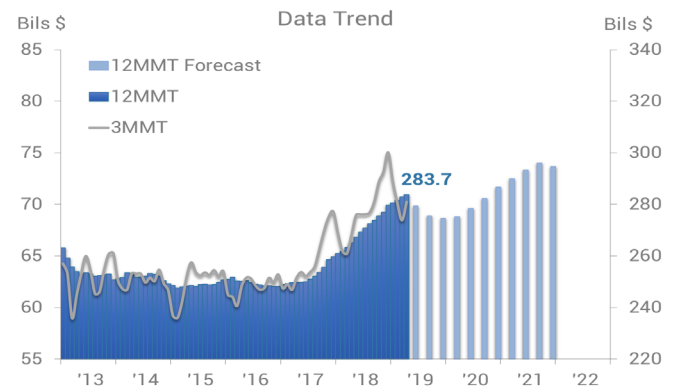
US Computers and Electronics New Orders during the 12 months through April were up 7.0% from one year ago. New Orders spending will peak imminently and transition to a declining trend. Spending will contract through the rest of this year. Expect New Orders to then rise through the majority of 2020 and most of 2021.

Do not plan for exports to be a source of opportunity when New Orders decline later this year. Long-term trends have been unfavorable for the export market. US Exports of Computers and Electronic Products have plateaued or declined during much of the past decade, including in recent months. Slowing growth in the global economy will likely further limit demand for US computers and electronics through the remainder of this year and into next year. Focus on your top-selling products and keep costs low.

RATE-OF-CHANGE



DATA TREND



LINKS

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[Data Methodology](#)



ITR MANAGEMENT OBJECTIVE

Your newer-to-market products can help you outperform the business cycle. Advertise accordingly.

US Defense Capital Goods New Orders

Billions of Dollars, NSA

HIGHLIGHTS

- New Orders were up 20.6% from one year ago
- Spending will be relatively flat into the fourth quarter of 2019
- New Orders will rise in 2020

FORECAST

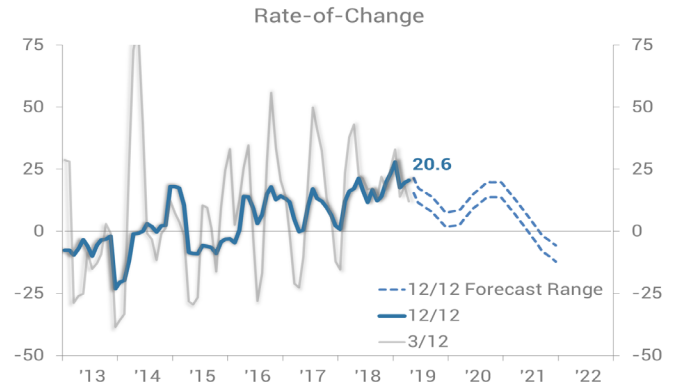
	12/12	12MMT
2019:	4.6%	\$166.3
2020:	16.8%	\$194.2
2021:	-8.9%	\$176.9

OVERVIEW

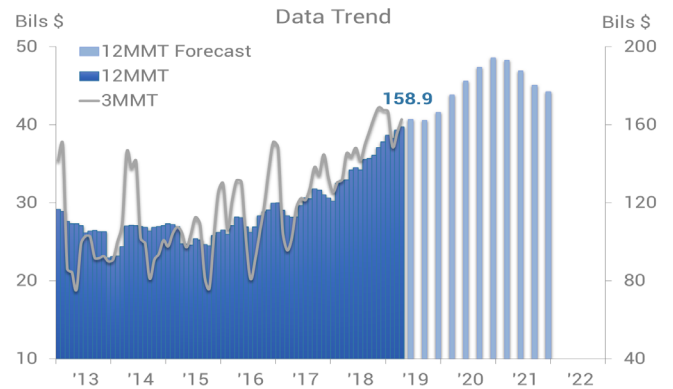
US Defense Capital Goods New Orders during the 12 months through April totaled \$158.9 billion, up 20.6% from the same period one year ago. New Orders will likely plateau during most of the second half of this year. Spending will then rise throughout 2020 before decline takes hold in 2021.

The stock price for Raytheon, one of the largest defense contractors in the country, is signaling that US Defense Capital Goods New Orders will trend along the back side of the business cycle through at least the end of this year, consistent with our outlook for this industry. Although the pace of growth will slow, we are not expecting New Orders to enter a recession during this cycle. A double-digit rate of growth will return in 2020. Ensure that you have the capacity to facilitate expansion next year.

RATE-OF-CHANGE



DATA TREND



LINKS

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[Data Methodology](#)



ITR MANAGEMENT OBJECTIVE

Invest in your process so you are able to expand capacity for next year.

North America Light Vehicle Production

Data Source: WardsAuto, Millions of Units, NSA

HIGHLIGHTS

- Production was down 1.4% from last year
- Production will decline into the latter half of 2020
- Both Passenger Car and Light Truck Production are declining

FORECAST

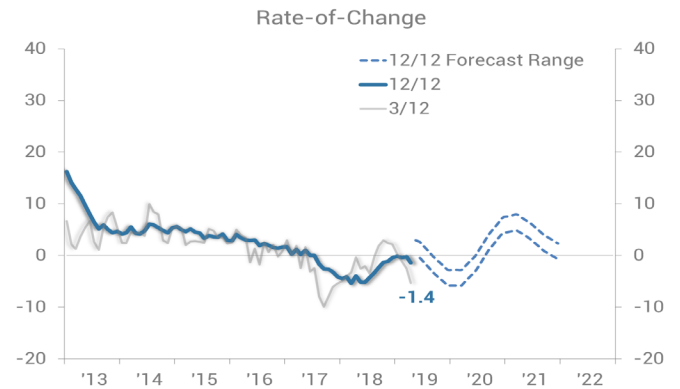
	12/12	12MMT
2019:	-4.3%	16.5
2020:	5.8%	17.5
2021:	0.8%	17.6

OVERVIEW

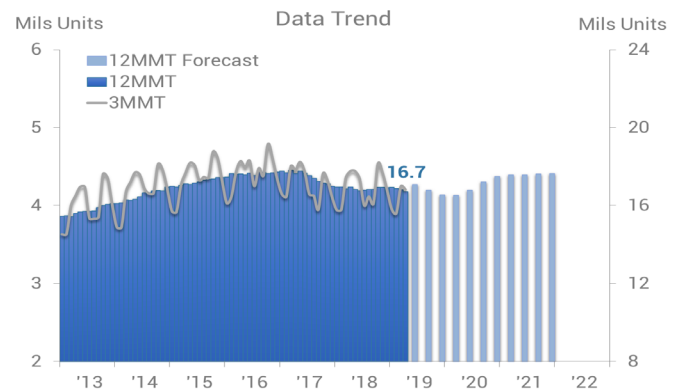
North America Light Vehicle Production totaled 16.7 million units during the 12 months through April, a 1.4% decrease from the year-ago level. Despite some potential for a mild tick-up in the Production 12/12 during the next quarter, Phase D Management Objectives™ will be most practical into early 2020 for those who align closely with this market. Production rise will return in mid-2020 and extend through 2021 but is not expected to exceed the early-2017 record-high level.

North America Passenger Car Production tentatively transitioned to Phase D, Recession, and is hindering overall Production. North America Light Truck Production, despite being above the year-ago level, is declining as well. This is consistent with our expectations for a mild recession in the US economy and North America Light Vehicle Production, building into late this year and into early 2020.

RATE-OF-CHANGE



DATA TREND



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ITR MANAGEMENT OBJECTIVE

Implement cost-cutting measures and conserve cash to persevere through Phase D, Recession, in the industry into early 2020.

US Oil & Gas Extraction Production

Index, 2012 =100, NSA
HIGHLIGHTS

- Production was up 15.9% year over year
- Production tentatively entered Phase C, Slowing Growth
- This industry will expand through at least 2021

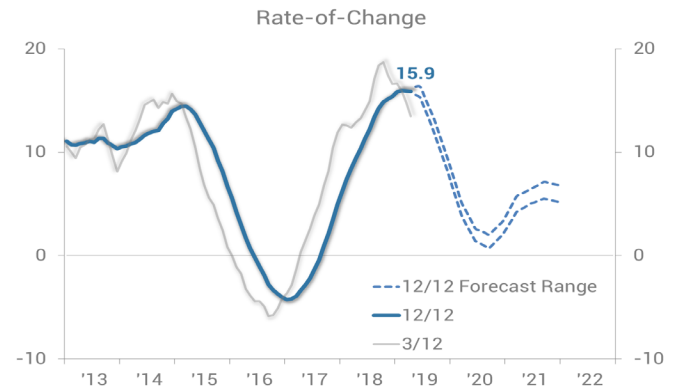
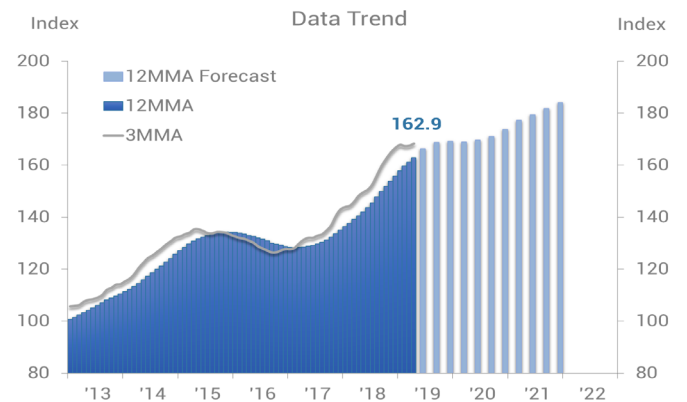
FORECAST

	12/12	12MMA
2019:	8.7%	169.2
2020:	2.7%	173.7
2021:	6.0%	184.1

OVERVIEW

US Oil and Gas Extraction Production during the 12 months through April was up 15.9% from the year-ago level. Production will generally rise through at least the length of this forecast. However, Production tentatively entered Phase C, Slowing Growth, and will likely rise at a slowing pace through the remainder of 2019 and through much of 2020. Production will then grow at an accelerating pace during the majority of 2021.

The World Oil Supply/Demand Gap 12/12 has generally declined since late 2017. This indicator, which typically leads Production by about one year, corroborates our designation of Phase C, Slowing Growth, for this industry. Since we are not anticipating a recession during this business cycle, firms should focus on expanding their capacity; however, they should do so with the understanding that growth rates will slow over the next several quarters.

RATE-OF-CHANGE

DATA TREND

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ITR MANAGEMENT OBJECTIVE

Consider expanding distribution channels to prepare for increasing activity relating to this sector through at least 2021.

US Mining Production (excluding oil & gas)

Index, 2012 = 100, NSA

HIGHLIGHTS

- Activity was down 0.2% from the year-ago level
- Production will fall through the rest of 2019 and much of 2020
- The Mining Utilization Rate 1/12 suggests that the Production 12/12 will transition to a declining trend in mid-2019

FORECAST

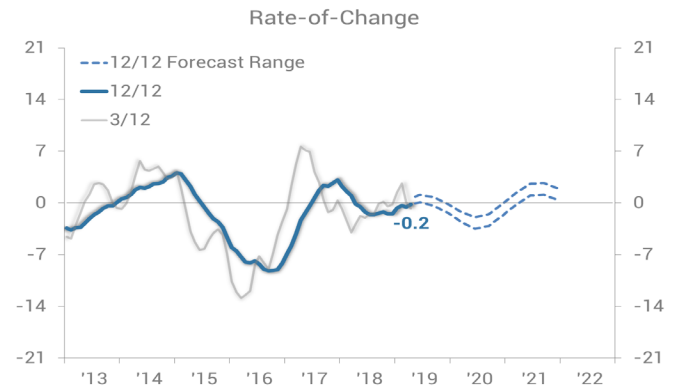
	12/12	12MMA
2019:	-0.7%	91.7
2020:	-0.9%	90.9
2021:	1.2%	92.0

OVERVIEW

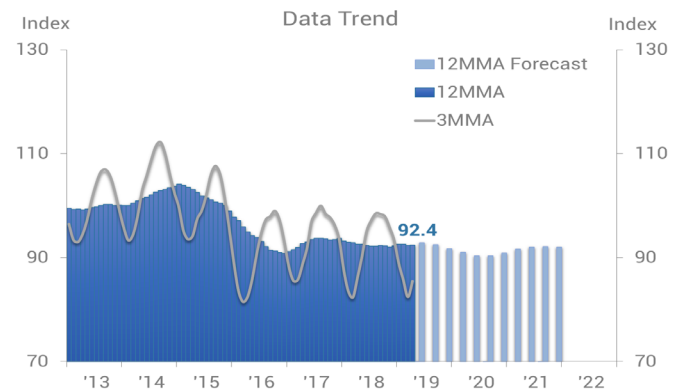
US Mining Production (excluding oil and gas) during the 12 months through April was down 0.2% from the year-ago level. Activity will generally fall through the remainder of this year and through most of next year. Expect the Production 12MMA to recover in late 2020 and then rise through much of 2021.

The Mining Utilization Rate (excluding oil and gas) 1/12, which leads Production by about two quarters, tentatively transitioned to a declining trend early this year. If the trend holds, this indicator would signal a mid-2019 transition to a declining trend for the Production 12/12. This is in line with our forecast for Production. The US Mining Machinery New Orders 12/12 is below the year-ago level and historically trends with the Production 12/12. As New Orders and Production draw from similar demand pools, expect the Production 12/12 to fall into the middle of next year.

RATE-OF-CHANGE



DATA TREND



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ITR MANAGEMENT OBJECTIVE

Evaluate your capital expenditure plans as Production will fall into the latter part of next year, reminiscent of the 2016 12MMA trough.

US Chemicals & Chemical Products Production

Index, 2012 =100, NSA
HIGHLIGHTS

- Activity was up 3.7% from one year ago
- Production activity will decline during the second half of 2019 and much of 2020
- The Utilization Rate 3/12 suggests the Production 12/12 will decline into at least late this year

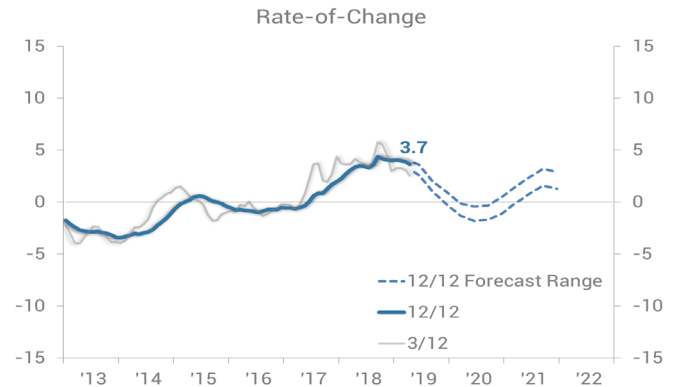
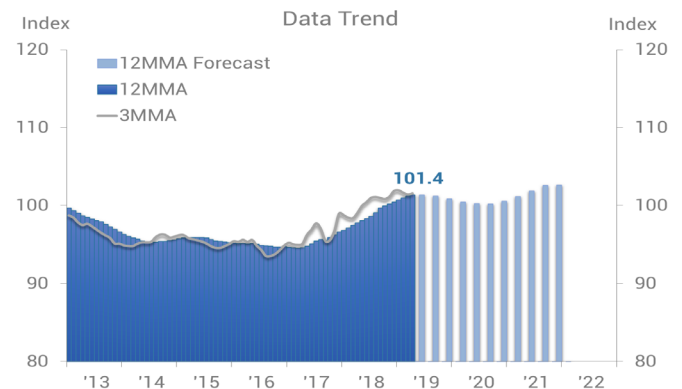
FORECAST

	12/12	12MMA
2019:	0.4%	100.8
2020:	-0.3%	100.5
2021:	2.1%	102.7

OVERVIEW

US Chemicals and Chemical Products Production during the 12 months through April was up 3.7% from the year-ago level. The Production 12MMA will generally decline during the second half of this year and most of next year. Activity will then recover in late 2020 and will rise through at least 2021.

The US Chemical Industry Capacity Utilization Rate 3/12 is in a declining trend. This indicator typically leads Production by about two quarters and is signaling that the slowing growth trend in Production will last into at least late this year. Fund initiatives that will help you beat the business cycle. Otherwise, evaluate your capital expenditure plans to avoid laying out cash now that you may want to have on hand during the upcoming contraction.

RATE-OF-CHANGE

DATA TREND

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ITR MANAGEMENT OBJECTIVE

Evaluate your vendors for financial strength as decline in this industry persists into late next year. Look for additional vendors as a safety net if necessary.

US Civilian Aircraft Equipment Production

Index, 2012 = 100, NSA

HIGHLIGHTS

- Production was up 4.7% from a year ago
- Activity will rise into early next year
- The Boeing Stock Price is signaling business cycle decline by early 2020

FORECAST

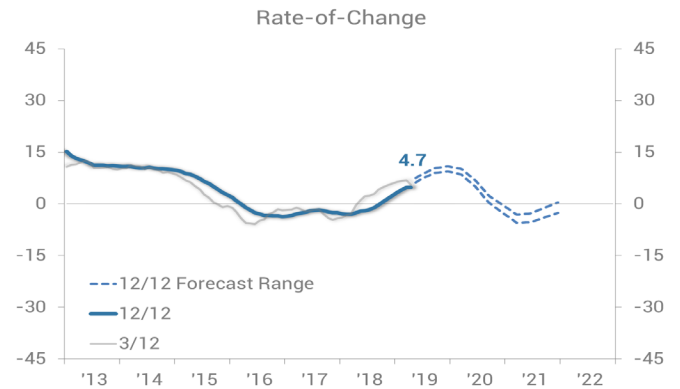
	12/12	12MMA
2019:	10.2%	132.2
2020:	-1.5%	130.2
2021:	-1.1%	128.7

OVERVIEW

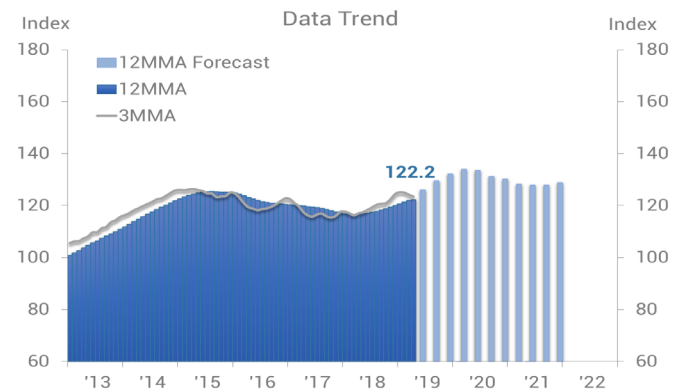
US Civilian Aircraft Equipment Production during the 12 months through April was up 4.7% from the year-ago level. Production will rise into early 2020. Activity will then decline through much of 2020 and during the first half of 2021.

The Civilian Aircraft Equipment sector will be an area of opportunity even as much of the rest of the industrial economy contracts in the latter half of 2019 and in early 2020. However, as you plan for next year, note that the Boeing Corporation Stock Price 12/12 was declining from a mid-2018 peak even before recent events put the aircraft maker in the news. As the Stock Price typically leads Production by about a year and a half, this suggests that the growth rate for Production will likely slow by early next year. Budget accordingly.

RATE-OF-CHANGE



DATA TREND



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ITR MANAGEMENT OBJECTIVE

Expand your capacity with caution. Leading indicators are signaling that 2020 will be weaker than 2019.

US Medical Equipment & Supplies Production

Index, 2012 =100, NSA
HIGHLIGHTS

- Production was up 1.8% from one year ago
- Growth will persist into early 2020
- Production will remain above the 2018 level throughout this cycle

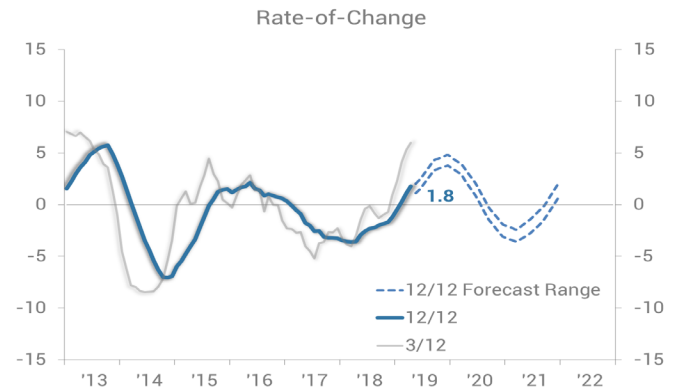
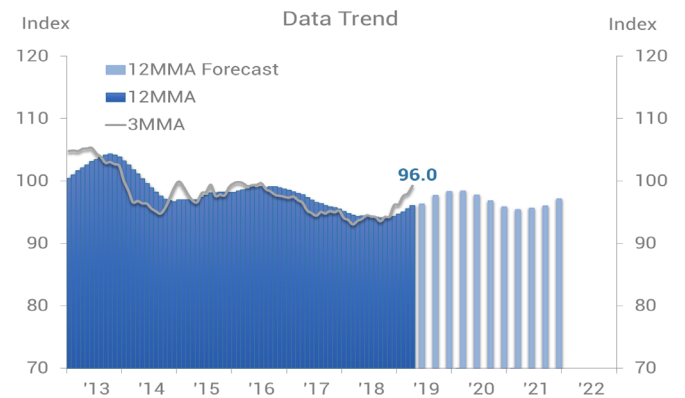
FORECAST

	12/12	12MMA
2019:	4.3%	98.3
2020:	-2.5%	95.9
2021:	1.3%	97.1

OVERVIEW

US Medical Equipment and Supplies Production during the 12 months through April was up 1.8% on a year-over-year basis. Production will grow through the remainder of this year and into early 2020. Activity will then fall through the rest of 2020 and into mid-2021.

Despite slowing growth in the industrial economy as a whole, this industry is growing at an accelerating pace and will likely be an area of opportunity in 2019. However, decline in the US Personal Consumption Expenditures for Medical Laboratories 3/12, which typically leads Production by about two years, suggests that Production will transition to the back side of the business cycle late this year. Production will remain above the 2018 level during this cycle, but plan for activity levels to be higher in 2019 than in 2020.

RATE-OF-CHANGE

DATA TREND

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ITR MANAGEMENT OBJECTIVE

Lead with optimism despite recent weakness in this market and current cyclical decline in the macroeconomy. Activity will rise into next year.

US Heavy-Duty Truck Production

Index, 2012 =100, NSA

HIGHLIGHTS

- Production was up 15.5% from a year ago
- The Production 12MMA will peak around the middle of this year
- Activity will decline in the latter half of this year and through much of next year

FORECAST

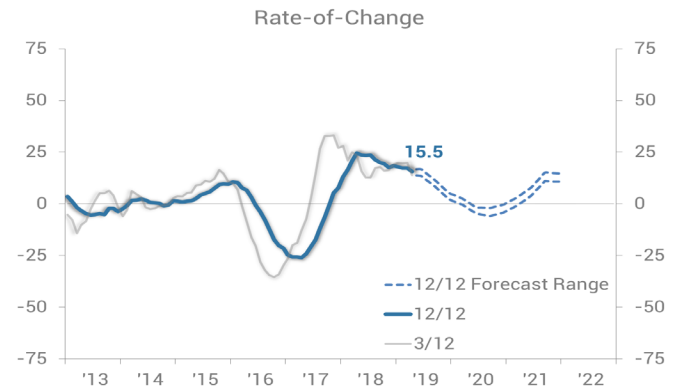
	12/12	12MMA
2019:	3.8%	113.1
2020:	-2.3%	110.5
2021:	12.6%	124.4

OVERVIEW

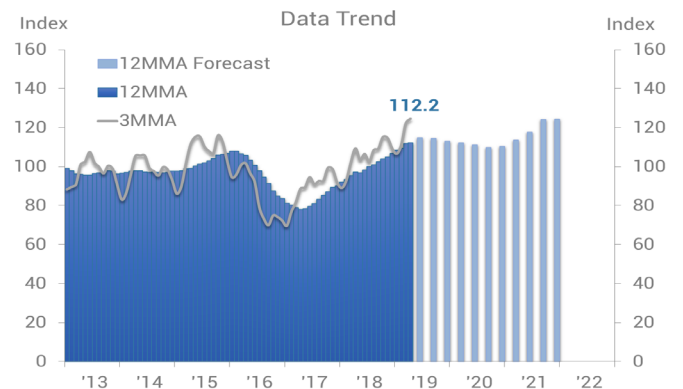
US Heavy-Duty Truck Production during the 12 months through April was up 15.5% from one year ago. Annual Production is unlikely to rise much above its current level during this cycle. Activity will likely decline during the latter half of this year and into the latter half of next year. Production will recover in late 2020 and rise throughout 2021.

The US ISM PMI (Purchasing Managers Index) 1/12, which typically leads Production by about three to four quarters, is generally declining. This indicator is signaling that the Production 12/12 will likely decline through at least the end of this year. The Heavy-Duty Truck industry has been a source of growth in recent months, but firms should invest with caution going forward, as growth is unlikely to persist this year.

RATE-OF-CHANGE



DATA TREND



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ITR MANAGEMENT OBJECTIVE

Avoid linear budgeting. Despite recent rapid growth, plan for contraction later this year and through much of next year.

US Food Production

Index, 2012 =100, NSA

HIGHLIGHTS

- Production was up 2.0% from one year ago
- Activity will plateau into mid-2020
- The Grain and Oilseed Milling and Dairy segments are underperforming the industry as a whole

FORECAST

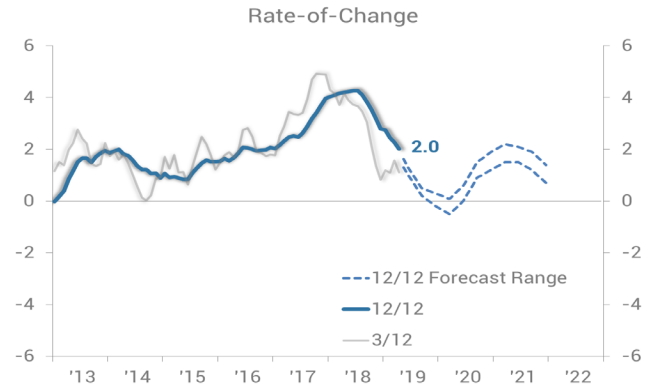
	12/12	12MMA
2019:	0.0%	113.9
2020:	1.6%	115.7
2021:	1.1%	116.9

OVERVIEW

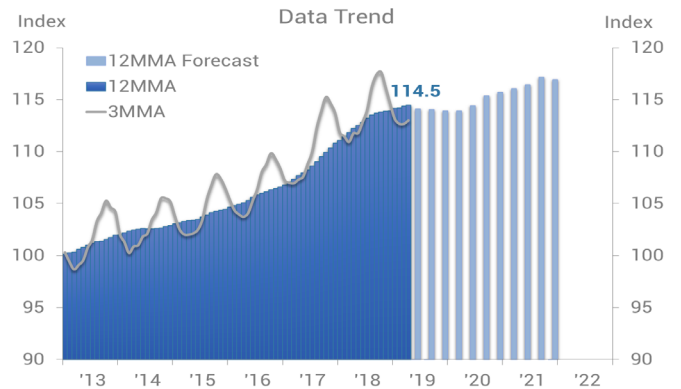
US Food Production during the 12 months through April was up 2.0% on a year-over-year basis. Production will be relatively flat during the latter half of this year and the first half of next year. Activity will then rise during the second half of 2020 and through at least 2021.

US Grain and Oilseed Milling Production is underperforming the food industry as a whole. Production in this segment was up just 1.5% from the year-ago level, and activity has fallen in recent months. US Dairy Products Production has also been an area of weakness. Activity in this segment declined 0.5% from one year ago. We are not expecting a severe recession in overall Food Production, but plan for stagnation. Exercise caution before expanding capacity. Make sure you know what your customers value as the business cycle trends downward.

RATE-OF-CHANGE



DATA TREND



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ITR MANAGEMENT OBJECTIVE

Ensure your business is right-sized for activity to remain near its current level into mid-2020.