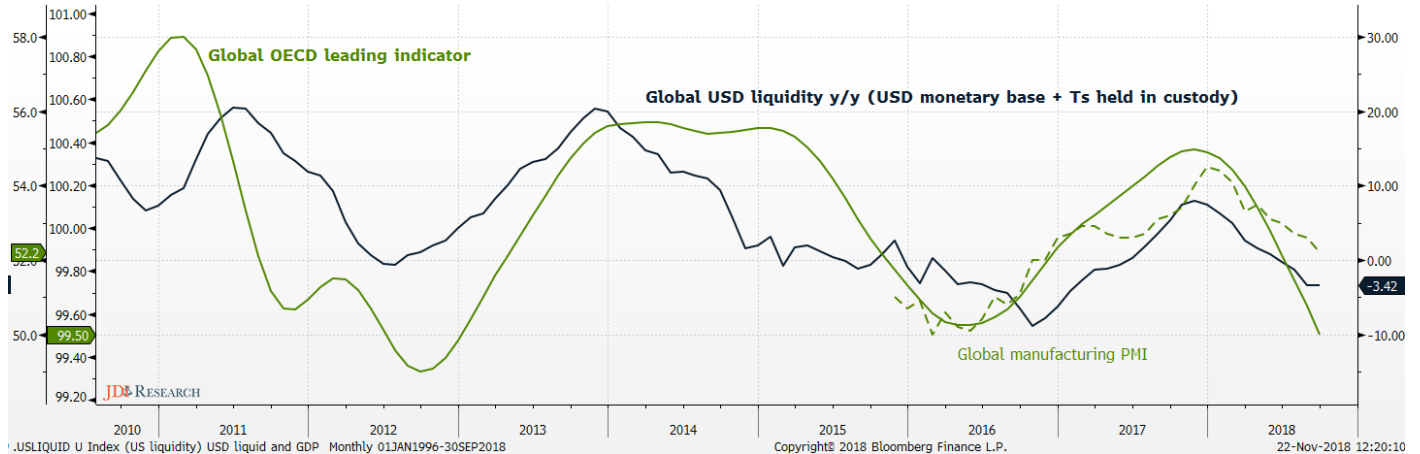


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## Chart 1:

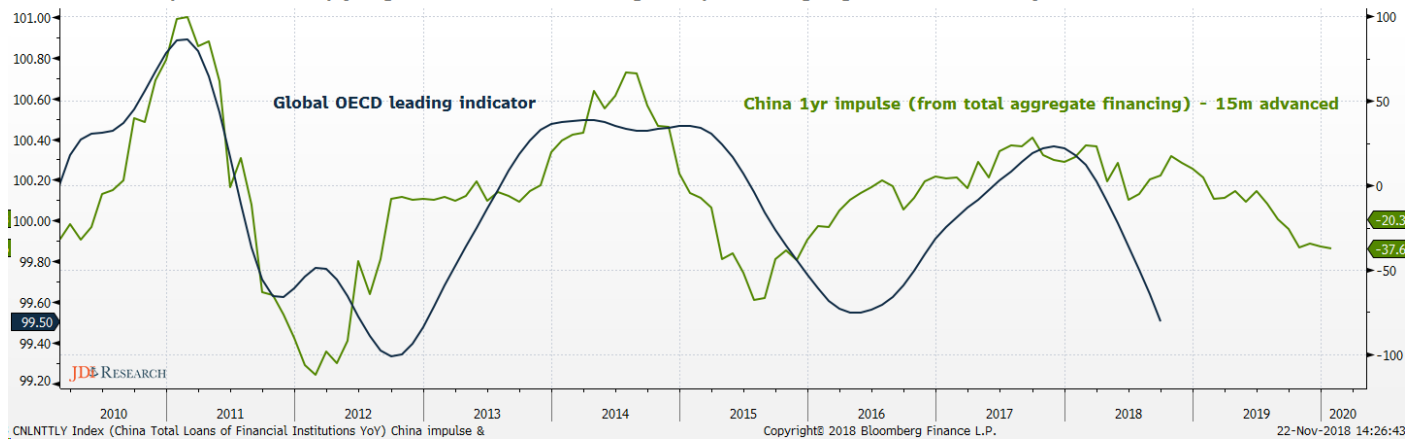
**The 2018 slowdown was predicated on a Fed-driven global USD liquidity shrinkage:**



## Chart 2:

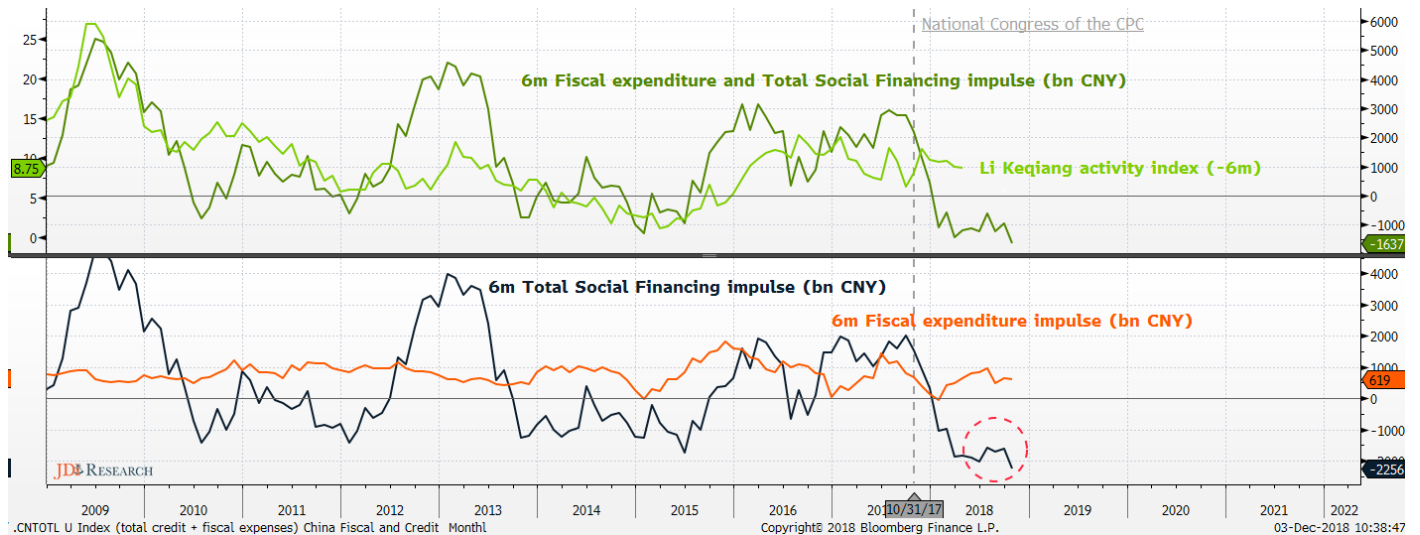
**When China sneezes, the world catches a cold ...**

China's credit impulse is now deeply negative with no bottom in sight despite the ongoing fiscal and monetary stimulus:



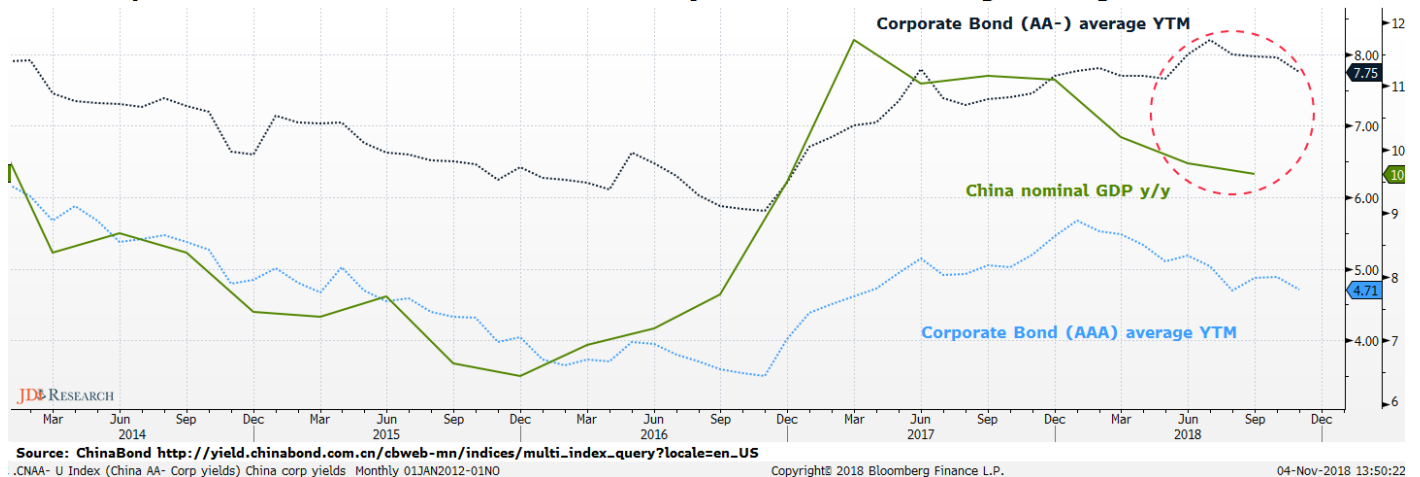
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**Chart 3:**



**Chart 4:**

**It is the price of credit (rather than its availability) that is undermining credit growth in China:**



Source: ChinaBond [http://yield.chinabond.com.cn/cbweb-mn/indices/multi\\_index\\_query?locale=en\\_US](http://yield.chinabond.com.cn/cbweb-mn/indices/multi_index_query?locale=en_US)

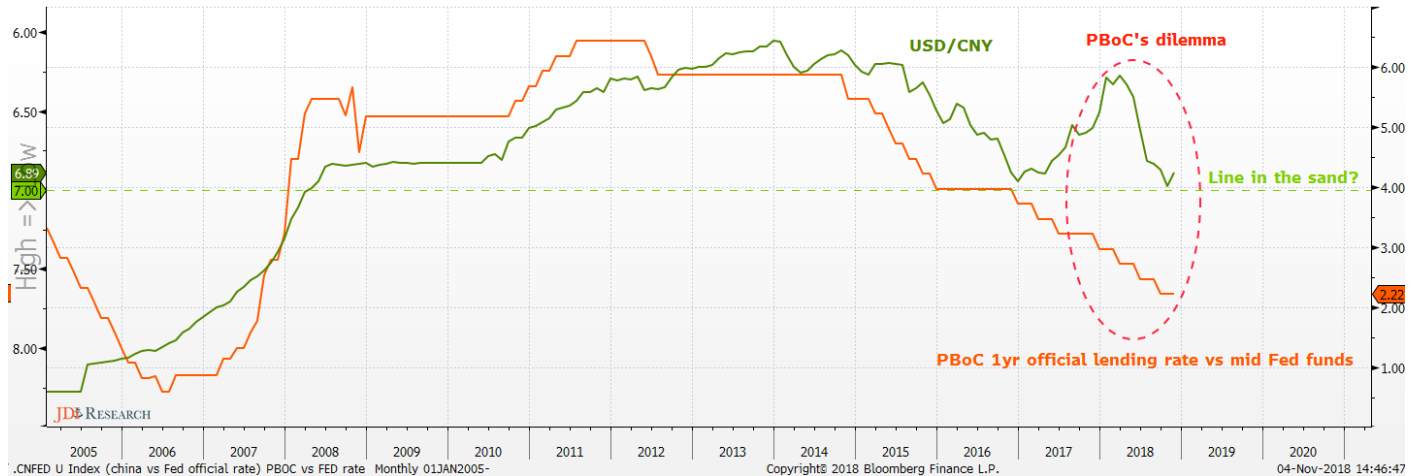
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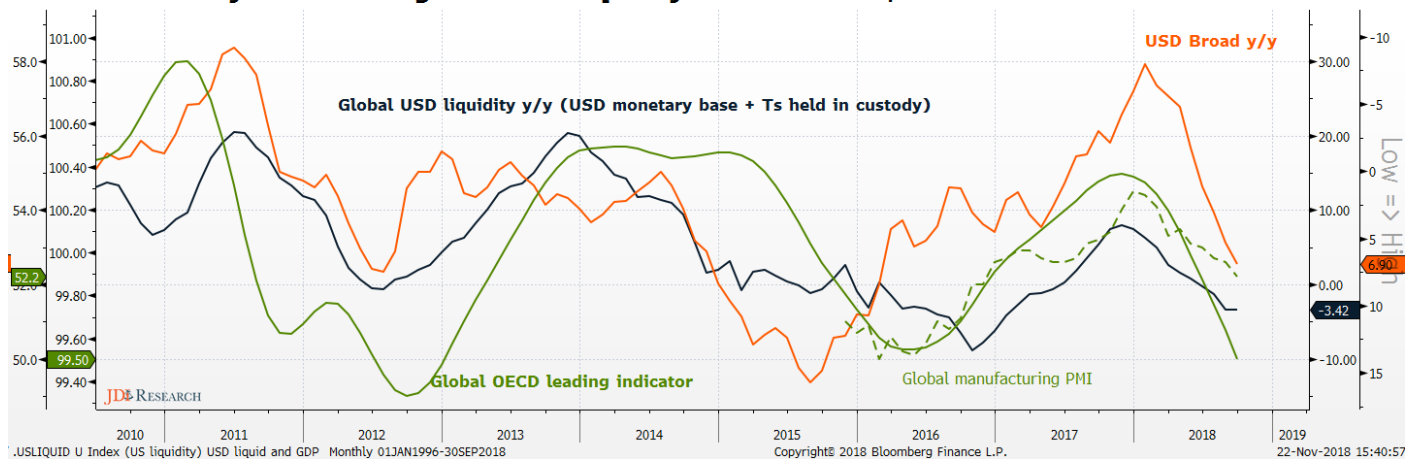
## Chart 5:

**The Chinese credit channel is clogged due to Yuan's stability constraints:**



## Chart 6:

**There is one way to stabilize global USD liquidity: a weaker US\$!**

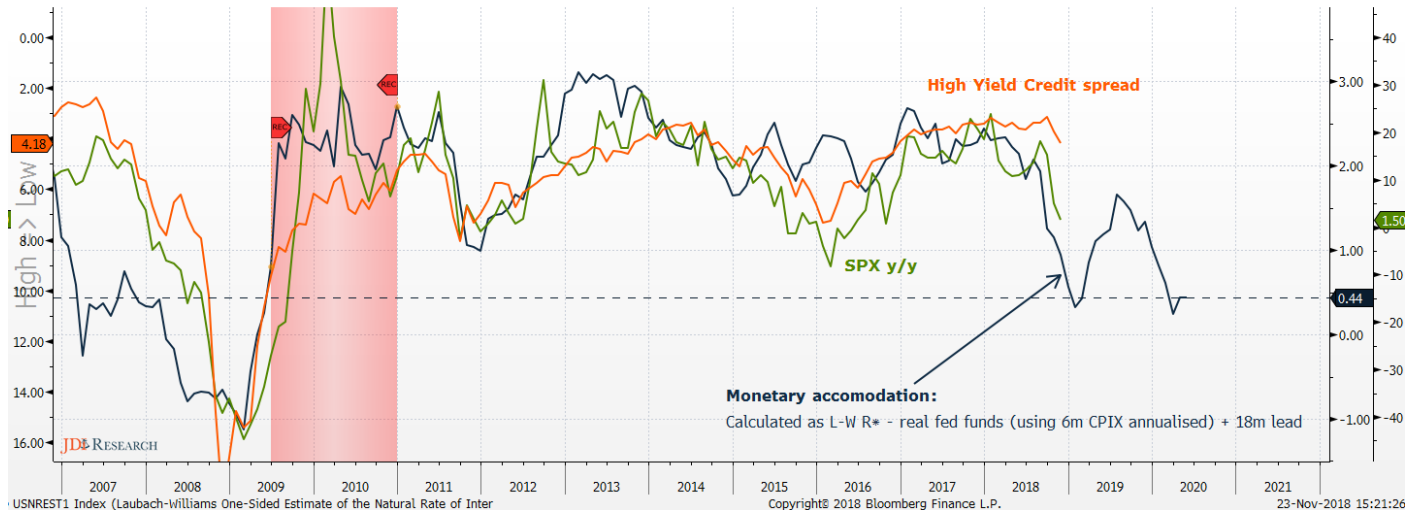


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## Chart 7:

**Asset returns have been a mind-blowing function of monetary conditions ...**

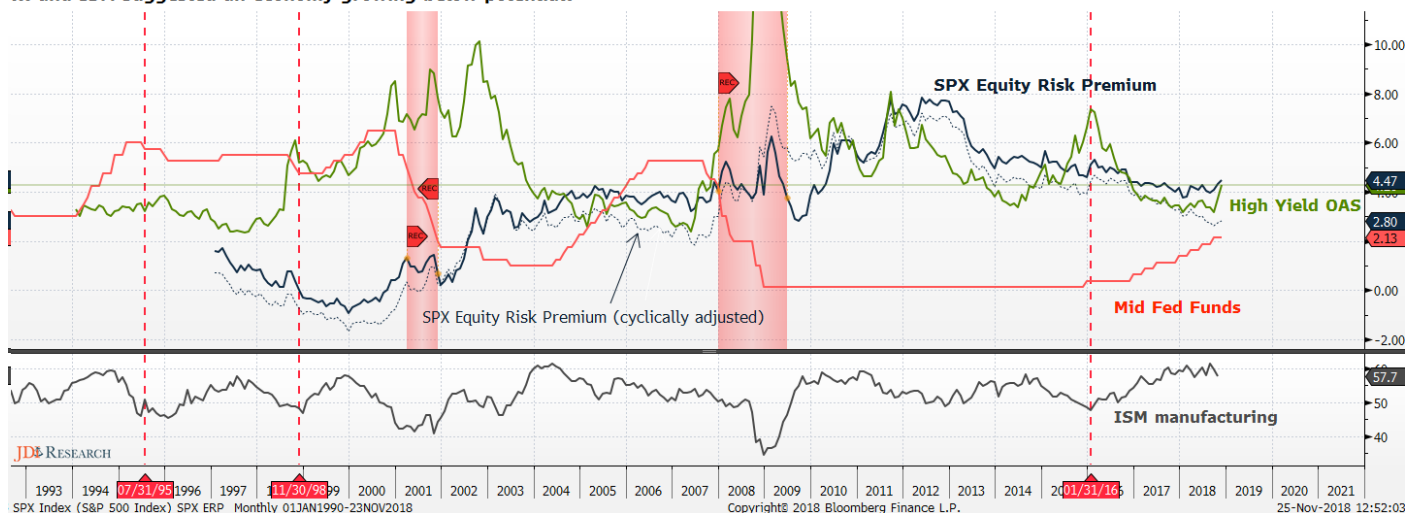
... with an 18m lag:



## Chart 8:

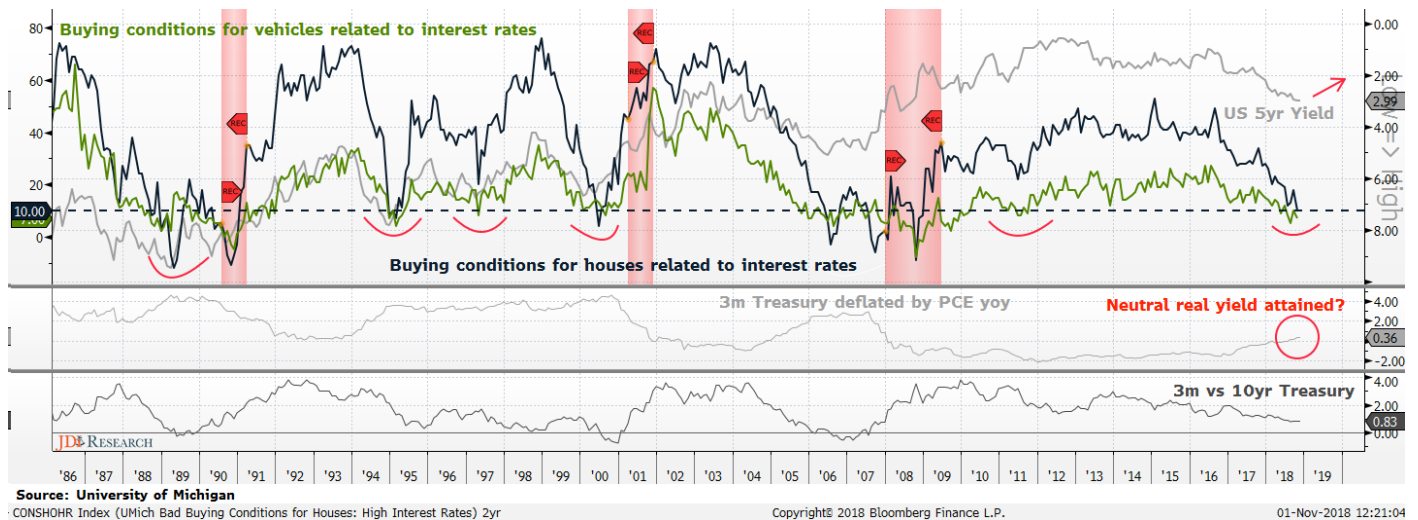
**Historically, the Fed responded to a financial riot when credit spreads widened ...**

... and ISM suggested an economy growing below potential:



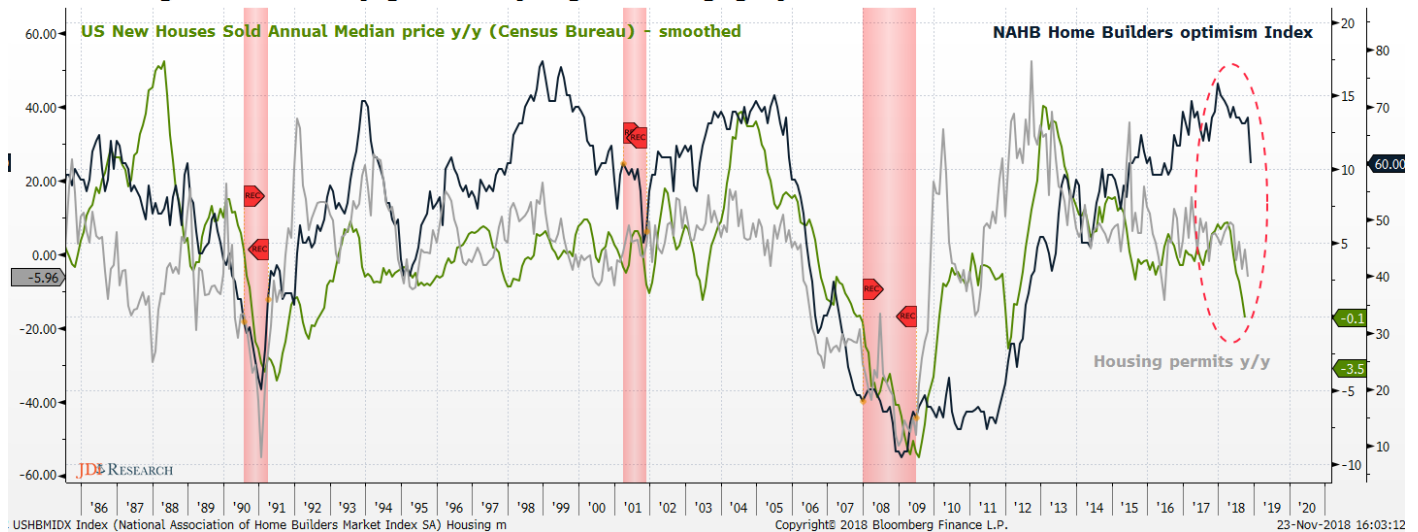
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**Chart 9:**



**Chart 10:**

**The housing market finally gets hit by higher mortgage yields...**



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## Chart 11:

### The housing supply has grown in line with demand

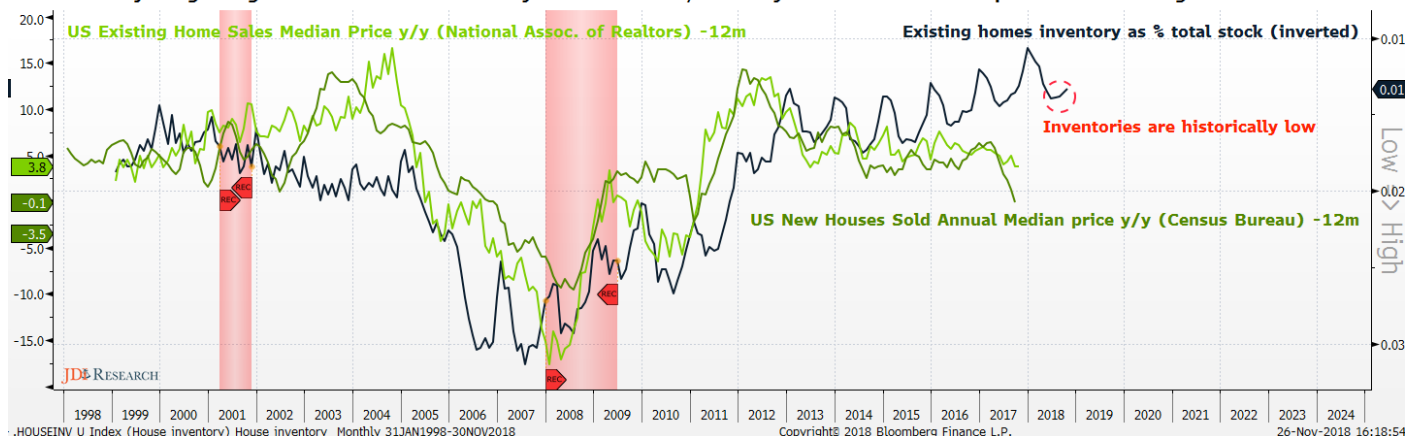
Since the GFC, the pace of housing starts has slightly underperformed the pace of household formation:



## Chart 12:

### Inventories are strikingly low as a tight regulatory framework kept excesses in check:

Prices are adjusting to higher real rates so affordability can be restored, a healthy move rather than the prelude to a housing recession:



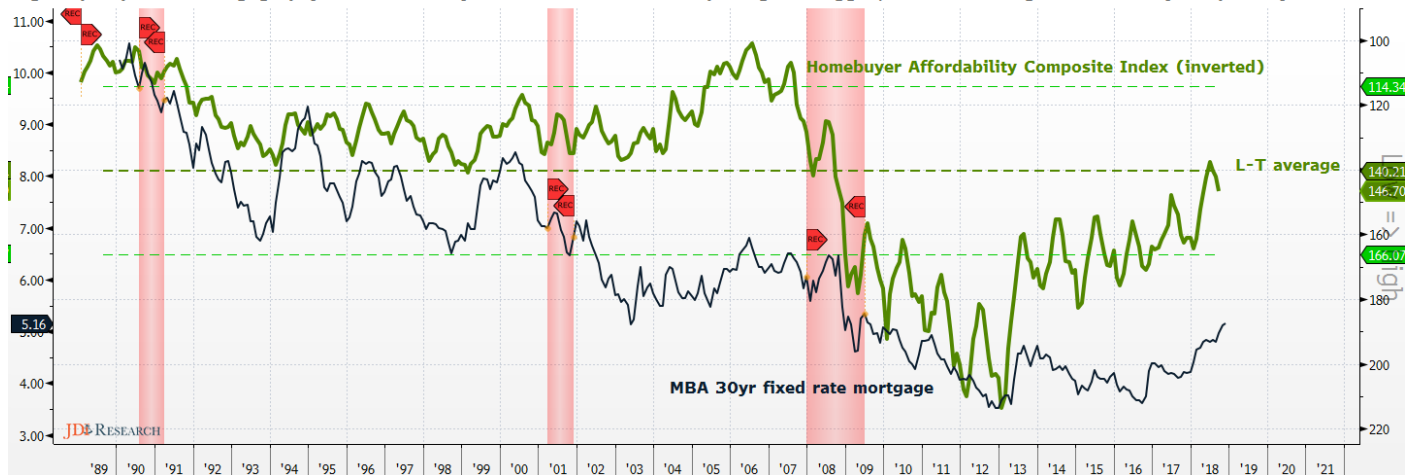


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## Chart 13:

### Affordability has no doubt worsened but it remains historically good:

Higher prospective mortgage payments force buyers to think twice before pulling the trigger, but the housing market is only temporarily frozen:



Source: National Assoc. of Realtors, Mortgage Bank Association

CONSHOHR Index (UMich Bad Buying Conditions for Houses: High Interest Rates) Hou

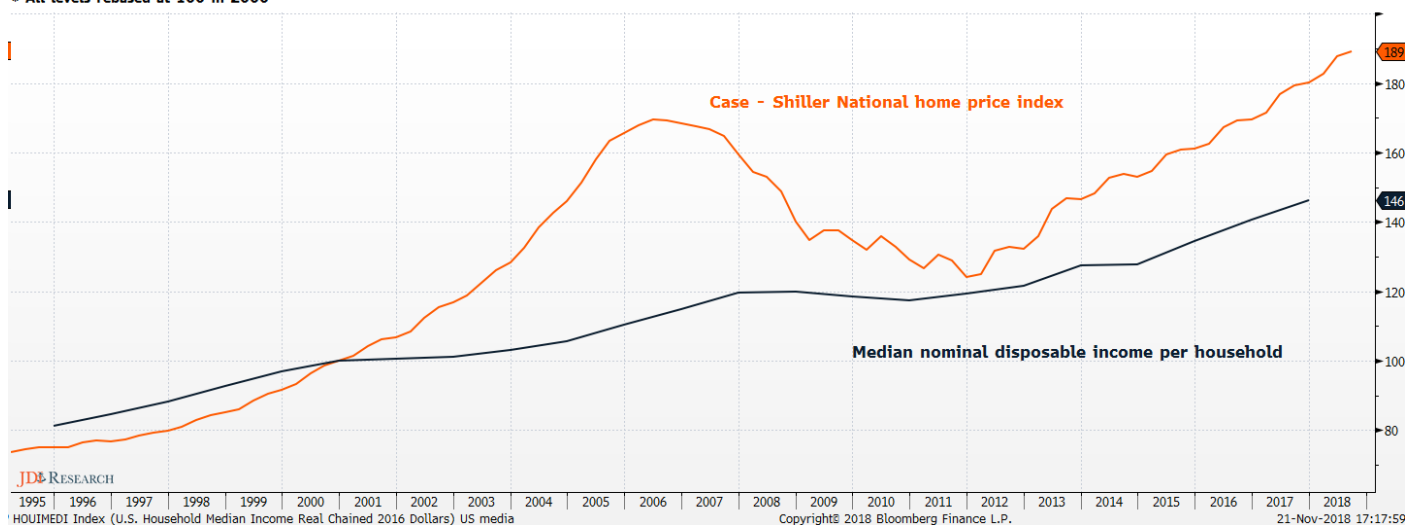
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## Chart 14:

### Home ownership is still out of reach for the median household:

\* All levels rebased at 100 in 2000



HOUIMEDI Index (U.S. Household Median Income Real Chained 2016 Dollars) US media

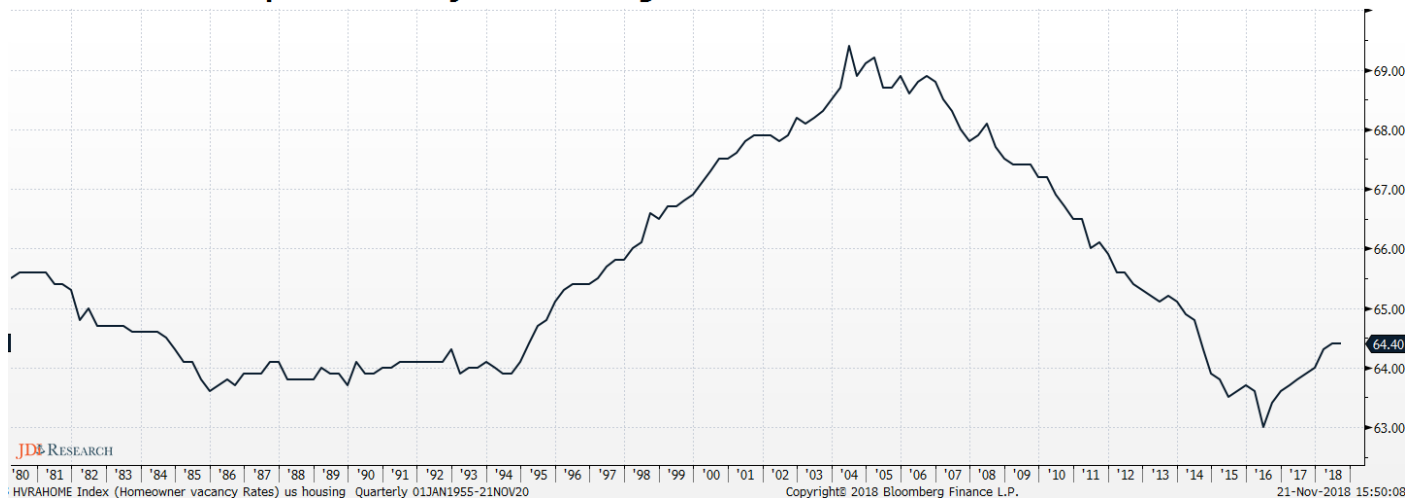
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## Chart 15:

**The homeownership rate is still just recovering:**



## Chart 16:

**Paradigm shift in the Fed's reaction function?  
... Or opportunity?**



The above is only meant to be a roadmap to help CIOs navigate risks more safely. Specific levels and trades can be discussed separately on BBG or phone.



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