

Macro Scouting Report

Abridged For Macro Voices



Darius Dale, Founder & CEO

Tuesday, July 20, 2021

Disclaimer

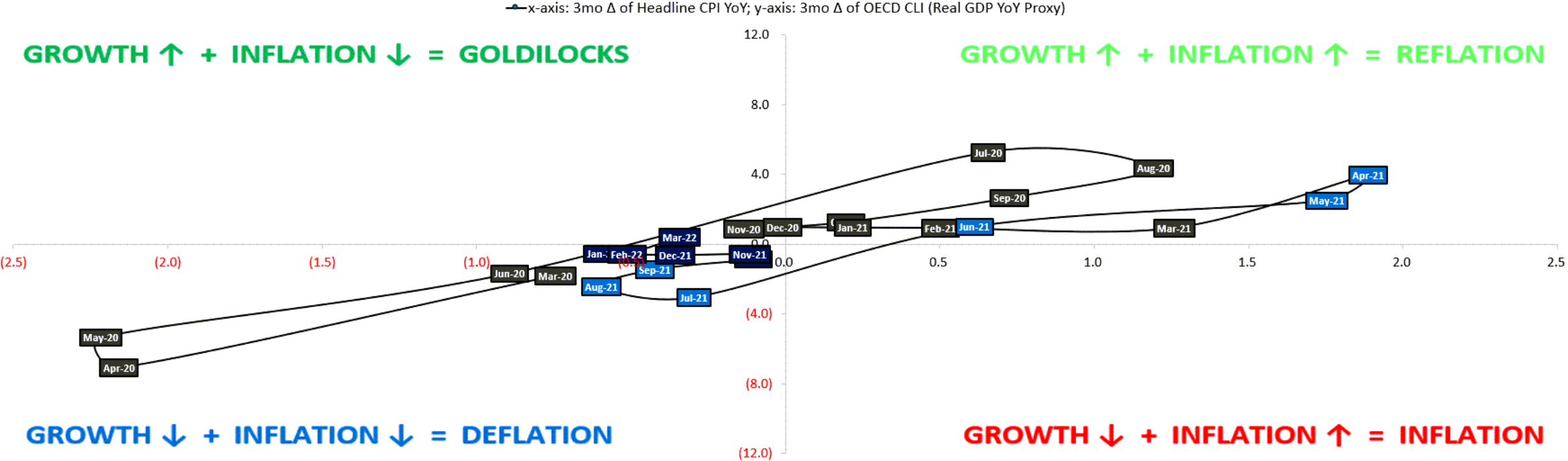
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Introducing The 42 Macro GRID Framework, Which We Use To Measure And Map Bottom-Up MACRO Regime Cycles



The GRIDs Are Global

42 Macro	Actuals																														Projections											
Macro Regime	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22					
United States	D	D	D	I	D	I	R	I	I	D	D	D	D	R	R	R	R	G	G	R	R	R	R	R	R	R	R	D	D	D	D	D	D	D	D	G	G	D				
Australia	G	R	G	G	D	D	D	I	I	I	D	D	D	D	R	R	R	R	G	R	R	R	R	R	R	R	R	D	D	D	D	D	D	D	D	G	G	D				
Austria	D	D	D	D	D	D	R	R	R	D	D	D	D	R	R	R	R	G	G	G	G	G	R	R	R	R	R	G	G	G	D	D	D	D	D	D	G	G	D			
Belgium	D	D	D	D	D	D	G	I	I	D	D	D	D	R	R	R	R	G	G	G	G	R	R	R	R	R	R	G	D	D	I	D	D	D	D	G	G	G	D			
Brazil	G	G	G	G	G	G	I	I	I	D	D	D	D	G	R	R	R	R	R	R	R	I	I	I	I	I	I	D	D	D	D	D	D	G	G	G	G	D				
Canada	I	D	D	D	D	I	I	R	G	D	D	D	D	G	R	R	G	R	R	R	R	R	R	R	R	R	R	R	G	D	D	D	D	D	D	D	G	G	D			
Chile	I	I	D	D	I	I	I	R	R	I	D	D	G	G	G	R	R	R	G	R	R	G	R	R	R	I	I	I	D	D	D	D	D	D	D	G	G	D	D			
China	I	I	I	I	I	I	I	I	I	D	D	G	G	G	G	G	G	G	G	G	R	R	R	R	R	R	G	D	I	I	I	I	D	G	G	R	I	I				
Denmark	D	D	D	D	I	I	I	I	I	D	D	D	G	R	R	R	R	G	G	G	I	I	R	R	R	R	R	D	D	D	D	D	D	G	G	D	D	D				
Finland	D	D	D	D	D	D	G	R	R	D	D	D	D	R	R	R	R	G	R	R	R	R	R	R	R	R	R	G	D	D	D	D	D	D	D	D	D	D				
France	R	G	R	G	G	D	I	I	I	D	D	D	G	R	G	G	G	G	G	I	R	R	R	R	R	R	G	G	G	R	D	D	D	D	D	D	G	G	D			
Germany	I	D	D	D	D	G	R	R	R	D	D	D	D	G	G	G	G	G	G	R	R	R	R	R	R	R	R	G	G	D	G	D	D	D	D	D	G	G	D			
Greece	G	G	G	R	G	R	I	I	I	D	D	D	D	G	G	G	R	G	G	G	R	R	R	R	R	R	R	G	G	D	D	D	D	D	D	D	G	D	D			
India	I	I	I	I	I	I	I	I	R	D	D	D	D	R	G	R	R	R	R	G	G	R	R	R	R	R	R	R	G	D	D	D	D	D	D	D	G	G	D			
Indonesia	R	R	R	R	R	G	D	D	I	I	D	D	D	G	G	G	G	R	R	R	G	G	G	G	R	G	R	G	G	D	D	D	D	D	D	D	G	G	R	I		
Ireland	G	G	G	G	R	R	I	I	D	D	D	D	D	G	G	G	G	G	R	R	R	R	R	R	R	R	R	G	G	G	G	G	G	G	G	G	G	G	D			
Israel	D	D	D	D	G	G	R	G	D	D	D	D	D	G	G	I	I	D	R	R	R	R	R	R	R	R	R	G	G	G	D	D	D	D	D	D	G	G	D			
Italy	D	D	D	D	D	D	I	I	I	D	D	D	D	G	G	G	R	R	R	R	R	R	R	R	R	R	R	G	D	D	D	D	D	D	D	G	G	D	D			
Japan	I	D	D	D	D	I	I	I	I	D	D	D	D	R	R	G	G	G	G	G	R	R	R	R	R	R	R	I	I	I	I	D	D	D	D	D	G	D				
Korea	I	I	D	D	G	R	R	R	R	I	D	G	G	R	R	R	R	G	G	G	R	R	R	R	R	R	G	G	D	D	D	D	D	D	D	D	D	D				
Mexico	D	D	D	D	D	D	G	R	R	I	D	D	I	R	R	R	R	R	G	G	R	R	R	R	R	R	G	G	D	D	I	R	G	D	D	G	D	D				
Netherlands	D	D	D	D	I	D	I	D	D	D	D	D	I	R	G	G	G	R	R	R	R	R	R	R	R	R	R	G	D	D	D	D	D	D	D	D	G	D	D			
Norway	D	D	D	D	D	I	D	D	D	D	D	I	R	R	R	R	R	R	G	G	R	R	R	R	R	G	G	G	D	D	D	I	D	D	D	D	G	R	D			
Poland	I	I	I	D	D	D	I	I	R	I	D	D	D	D	G	G	G	G	R	G	G	G	R	R	R	R	G	G	G	D	D	D	D	D	D	D	D	D	D			
Portugal	G	G	G	G	R	R	I	I	I	D	D	D	I	R	R	R	G	G	G	R	R	R	R	R	R	R	R	G	R	D	D	D	G	G	D	D	D	D	D			
Russia	D	D	D	D	D	D	D	D	D	D	D	I	I	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	G	G	G	D	D	D	D	G	G	G	D			
South Africa	D	D	D	D	D	D	G	I	I	I	D	D	D	G	R	R	R	R	R	R	G	G	R	R	R	R	R	G	G	I	I	I	D	D	D	G	G	R	D			
Spain	D	D	D	D	D	I	I	I	I	D	D	D	D	G	R	R	D	D	G	G	R	R	R	R	R	R	R	G	G	G	D	D	D	D	D	D	D	G	D			
Sweden	D	D	D	D	D	I	I	D	D	D	D	D	I	R	R	R	G	G	G	R	R	R	R	R	R	R	G	G	D	D	D	D	D	D	D	D	D	G	D			
Switzerland	G	G	G	D	D	D	I	I	I	D	D	D	D	R	R	R	R	R	R	G	R	R	R	R	R	R	R	D	D	D	D	D	D	D	D	D	D	D	D			
Taiwan	R	G	G	G	G	R	I	I	D	D	D	D	G	R	R	R	R	R	R	R	R	R	R	R	R	R	D	D	D	D	D	D	D	D	D	D	D	G	G			
Turkey	G	G	G	G	G	G	R	R	R	I	D	D	I	R	R	R	G	R	R	R	R	R	R	R	R	R	R	R	R	I	D	D	D	D	D	D	D	G	G	D		
United Kingdom	I	D	D	D	D	D	G	R	R	I	D	D	G	R	G	G	D	I	I	R	R	R	R	R	R	R	R	D	R	R	G	R	D	D	D	D	G	G	D			
Eurozone	D	D	D	D	D	D	I	I	I	D	D	D	D	G	R	G	G	G	G	R	R	R	R	R	R	R	R	R	I	I	I	D	D	D	D	D	G	G	D			
World	D	D	D	D	D	D	I	I	I	D	D	D	D	G	R	R	R	R	G	R	R	R	R	R	R	R	R	G	D	I	I	I	D	D	D	G	G	G	D			

Data Source: Bloomberg. Intellectual property of 42 Macro LLC. Macro Regime backtests performed on monthly observations on a rolling out of sample basis since the start of 1998.

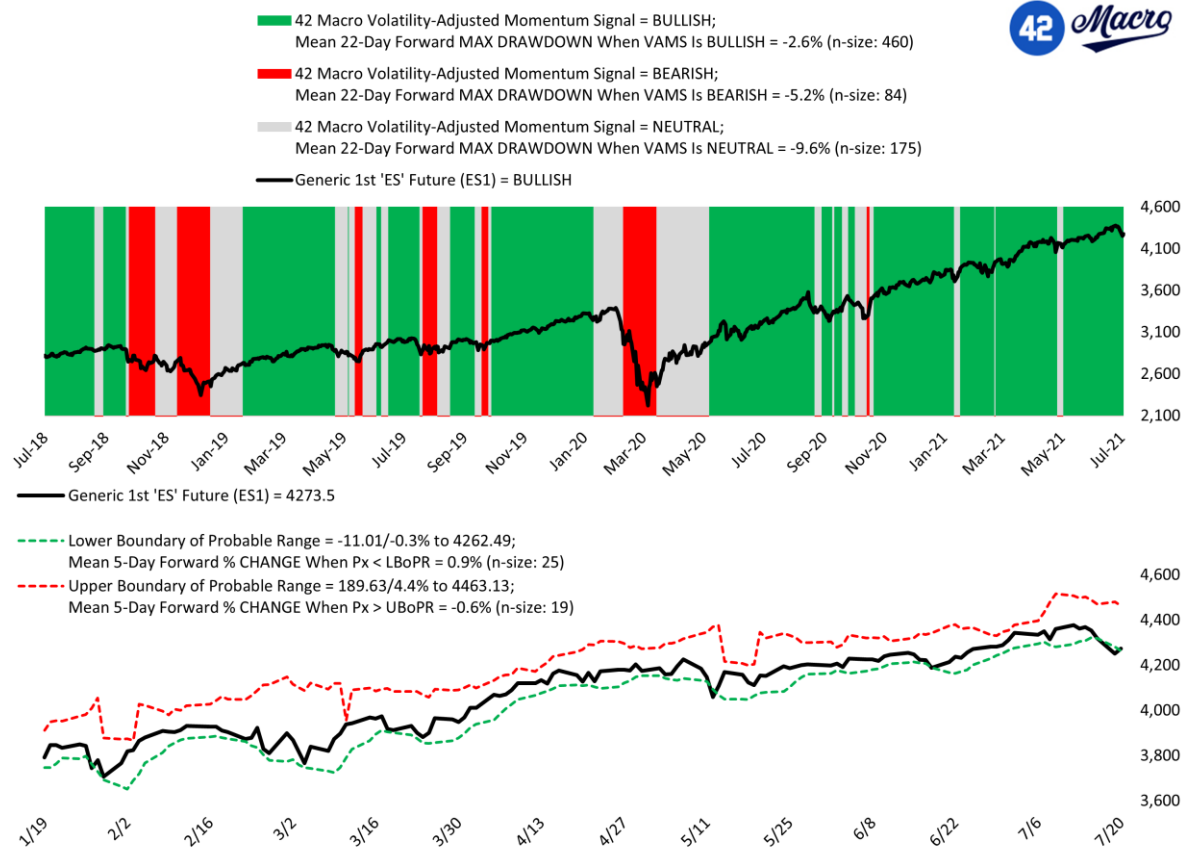
Why GRID Works

- “I knew which shifts in the environment caused asset classes to move around, and I knew that those relationships had remained essentially the same for hundreds of years. There were only two big forces to worry about: growth and inflation. *Each could be rising or falling, so I saw that by finding four different investment strategies – each one of which would do well in a particular environment (rising growth with rising inflation, rising growth with falling inflation, and so on) – I could construct an asset allocation mix that was balanced to do well over time while being protected against unacceptable losses.*”
–Ray Dalio, Principles pg. 70
- “Subjective confidence in a judgment is not a reasoned evaluation of the probability that this judgment is correct. Confidence is a feeling, which reflects the coherence of the information and the cognitive ease of processing it. It is wise to take admissions of uncertainty serious, but *declarations of high confidence mainly tell you that an individual has constructed a coherent story in his mind, not necessarily that the story is true.*”
–Danny Kahneman, Thinking, Fast and Slow pg. 212
- “You cannot beat the market, says the standard market doctrine. Granted. But *you can sidestep its worst punches.*”
–Benoit Mandelbot, The (Mis)Behavior of Markets pg. 249

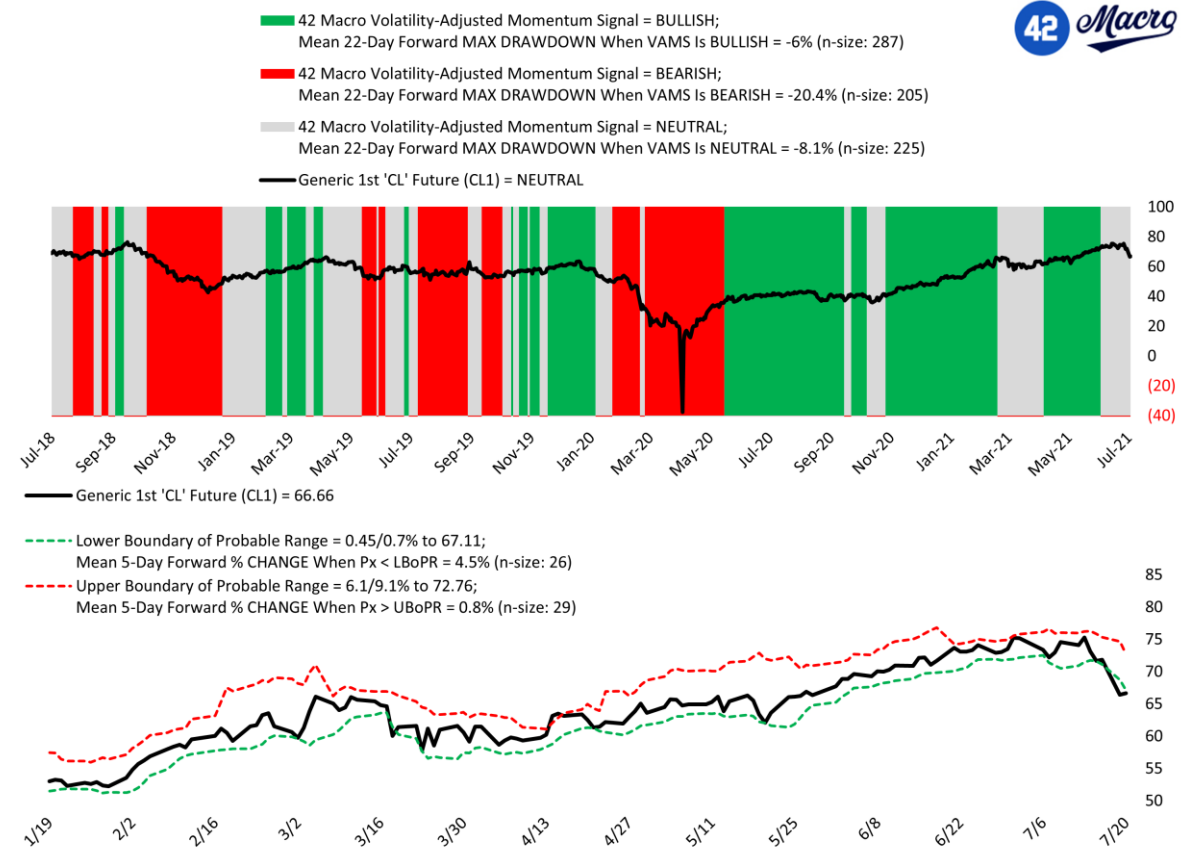
Introducing The **42 Macro Global Macro Risk Matrix**, Which We Use To Measure And Map Top-Down MARKET Regime Cycles

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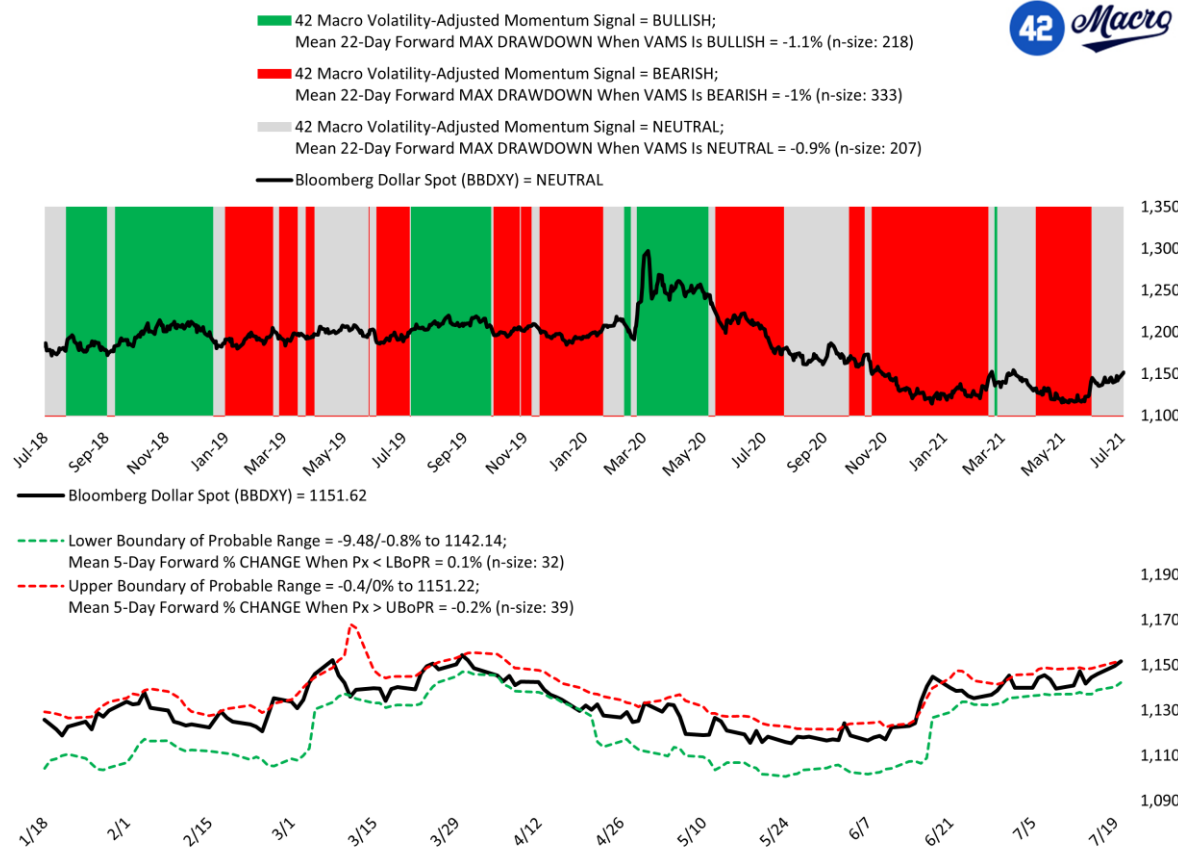
S&P 500 VAMS & Probable Range Model



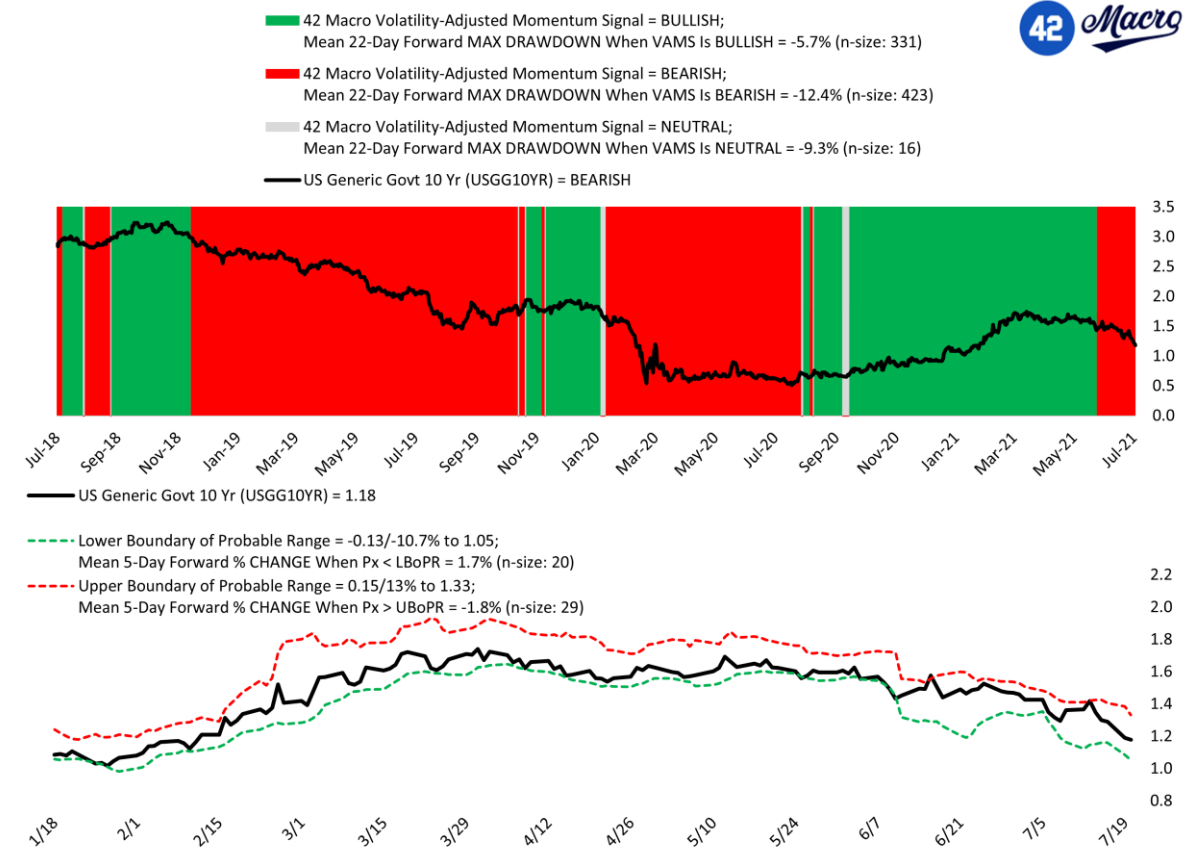
WTI VAMS & Probable Range Model



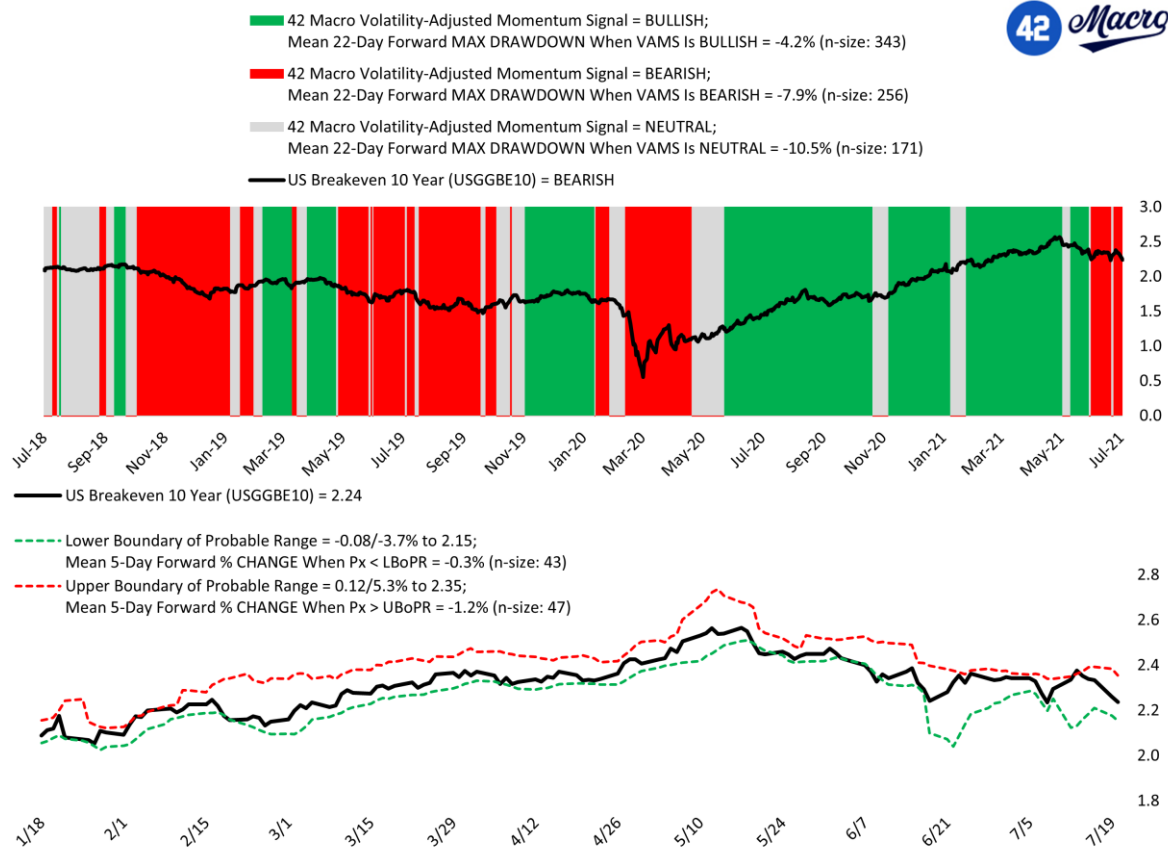
Bloomberg US Dollar Index VAMS & Probable Range Model



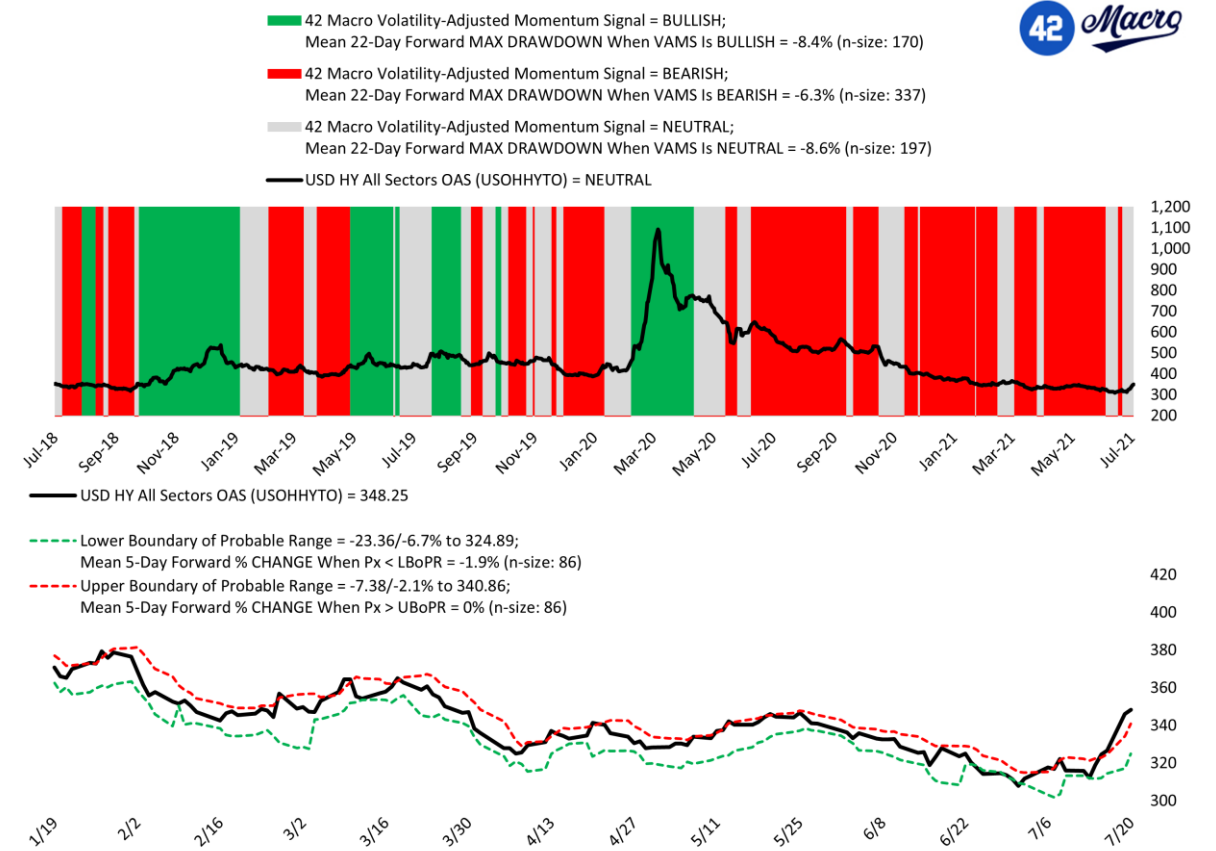
10yr Nominal Treasury Yield VAMS & Probable Range Model



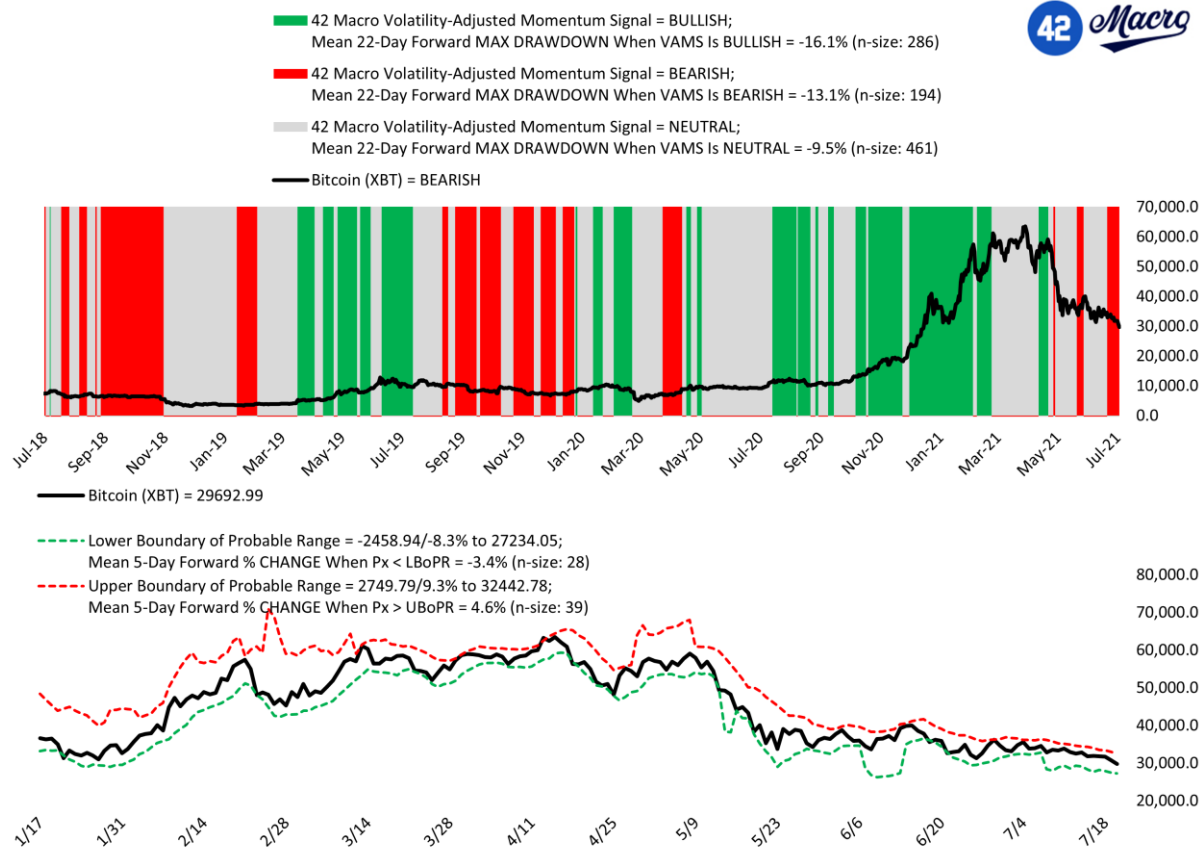
10yr TIPS Breakeven Rate VAMS & Probable Range Model



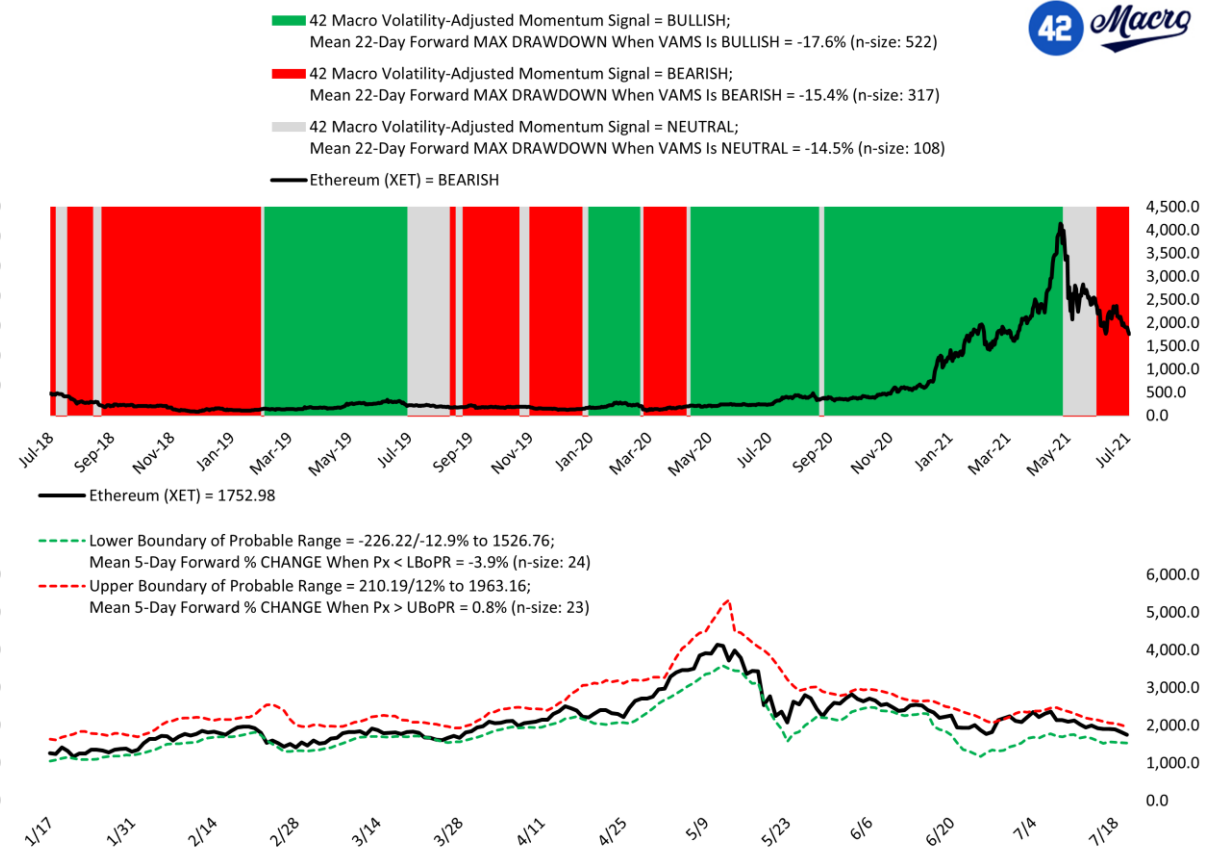
USD High Yield OAS VAMS & Probable Range Model



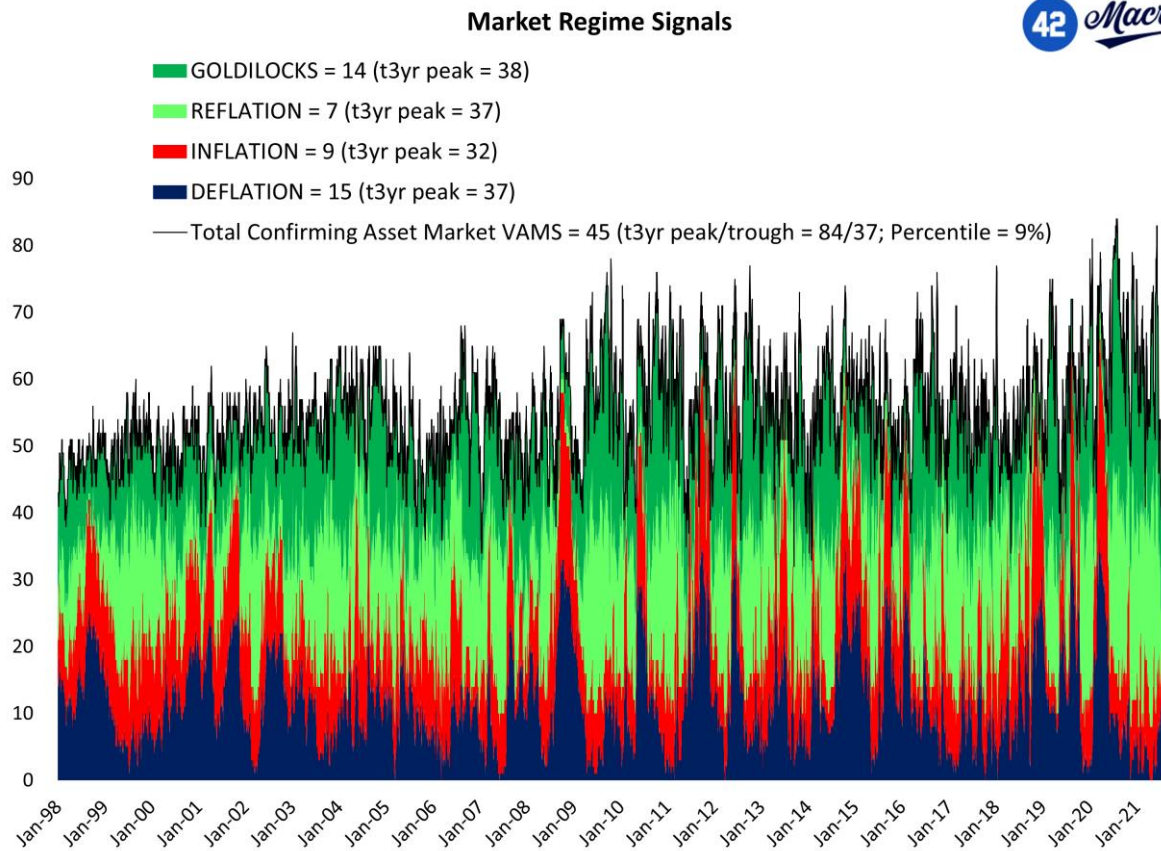
Bitcoin Breakeven Rate VAMS & Probable Range Model



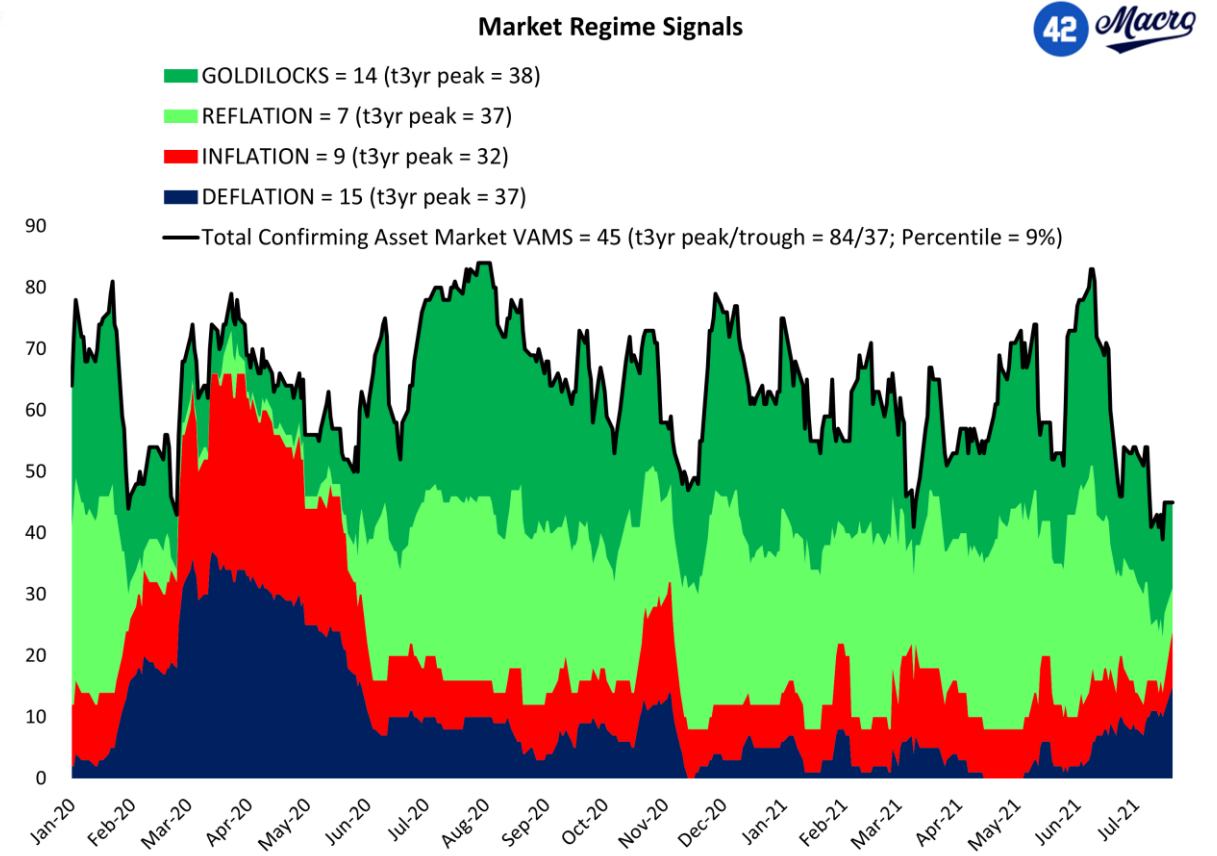
Ethereum VAMS & Probable Range Model



Global Macro Risk Matrix: Market Regime Signals



Trailing 18mo View

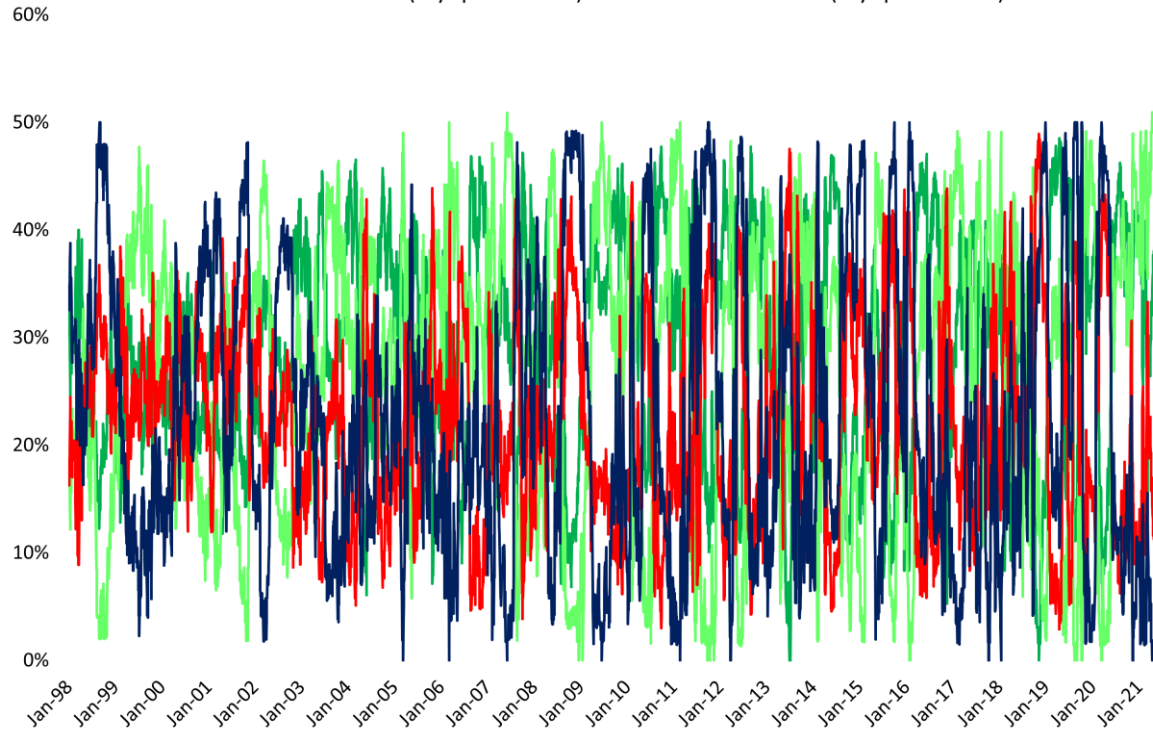


Global Macro Risk Matrix: Market Regime Probabilities

Market Regime Probabilities



GOLDILOCKS = 31% (t3yr peak = 49%) REFLATION = 16% (t3yr peak = 51%)
INFLATION = 20% (t3yr peak = 49%) DEFLATION = 33% (t3yr peak = 50%)

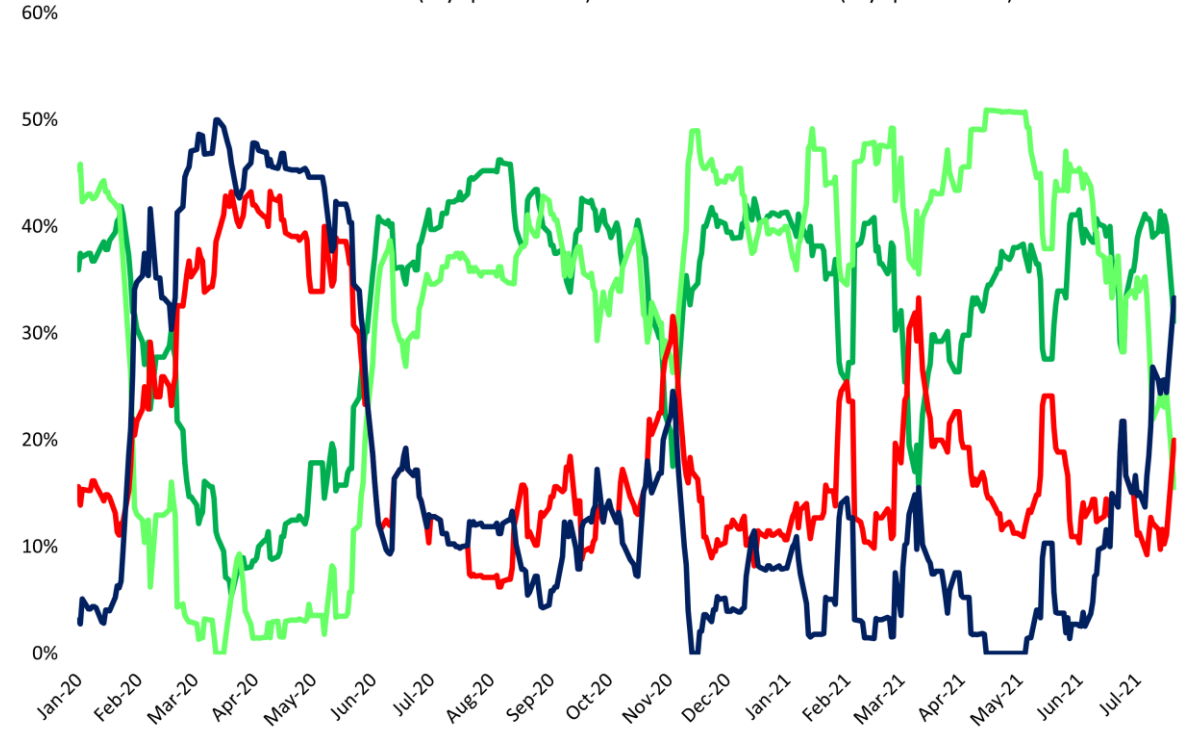


Trailing 18mo View

Market Regime Probabilities



GOLDILOCKS = 31% (t3yr peak = 49%) REFLATION = 16% (t3yr peak = 51%)
INFLATION = 20% (t3yr peak = 49%) DEFLATION = 33% (t3yr peak = 50%)

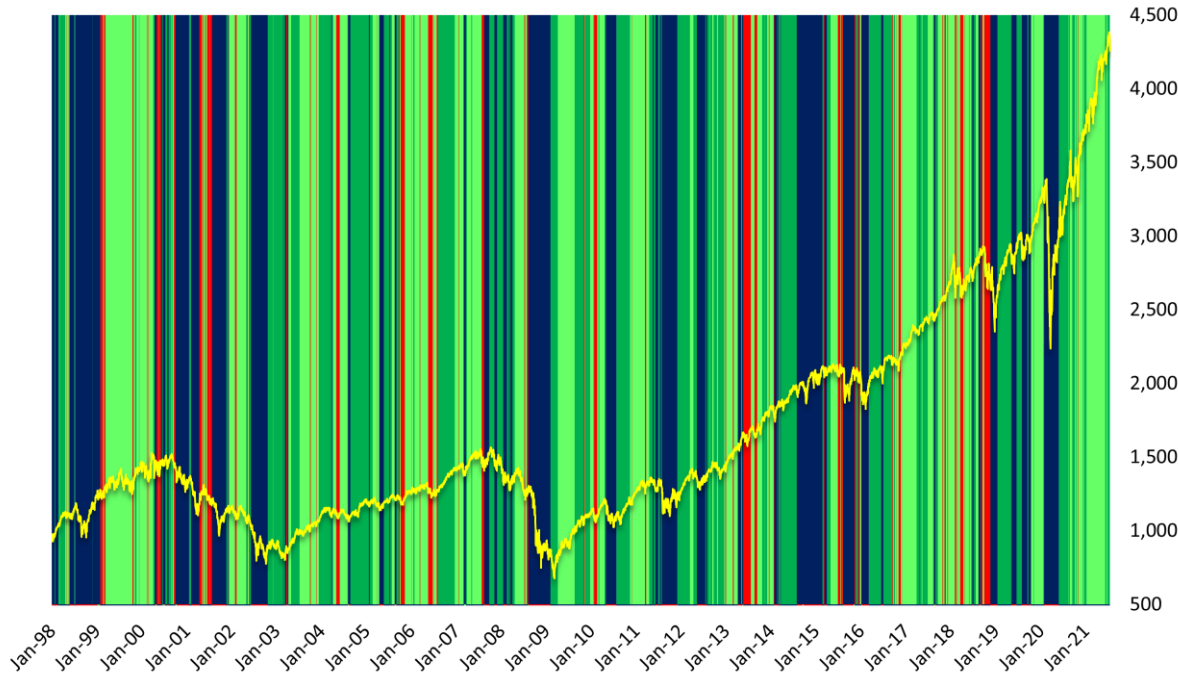


Global Macro Risk Matrix: Dominant Market Regime

Dominant Market Regime



■ GOLDDILOCKS = 31% (t3yr peak = 49%)
 ■ REFLATION = 16% (t3yr peak = 51%)
■ INFLATION = 20% (t3yr peak = 49%)
 ■ DEFLATION = 33% (t3yr peak = 50%)
— S&P 500 INDEX (SPX)

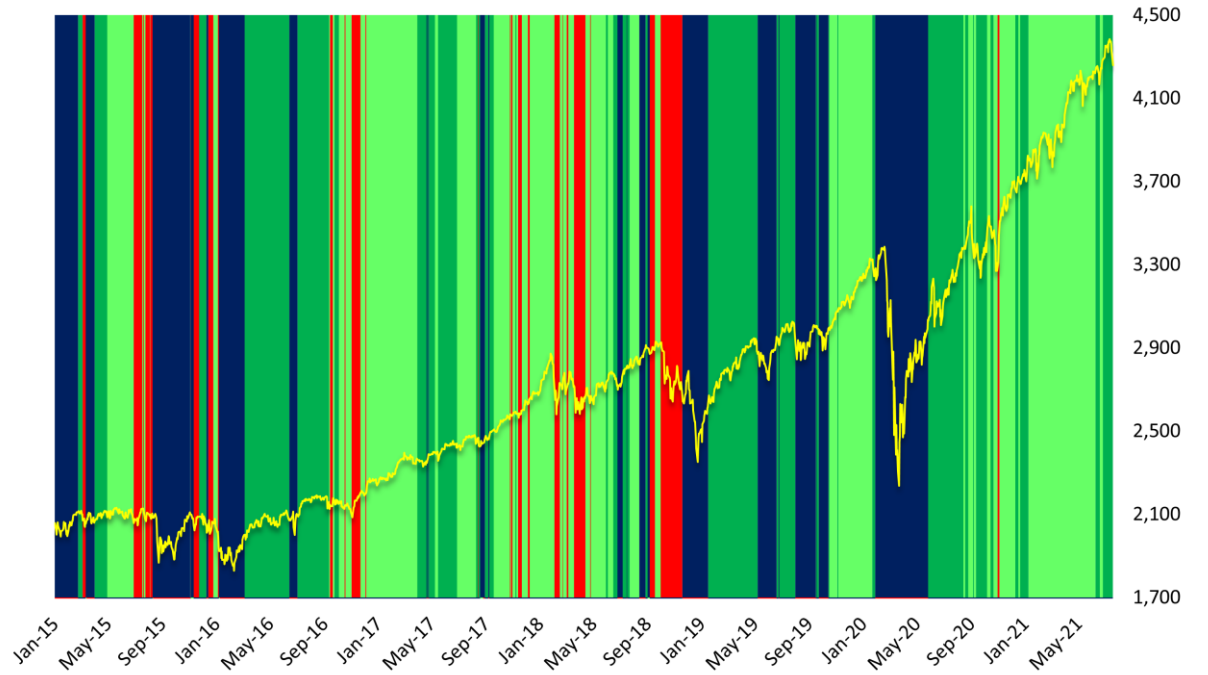


Since 2015

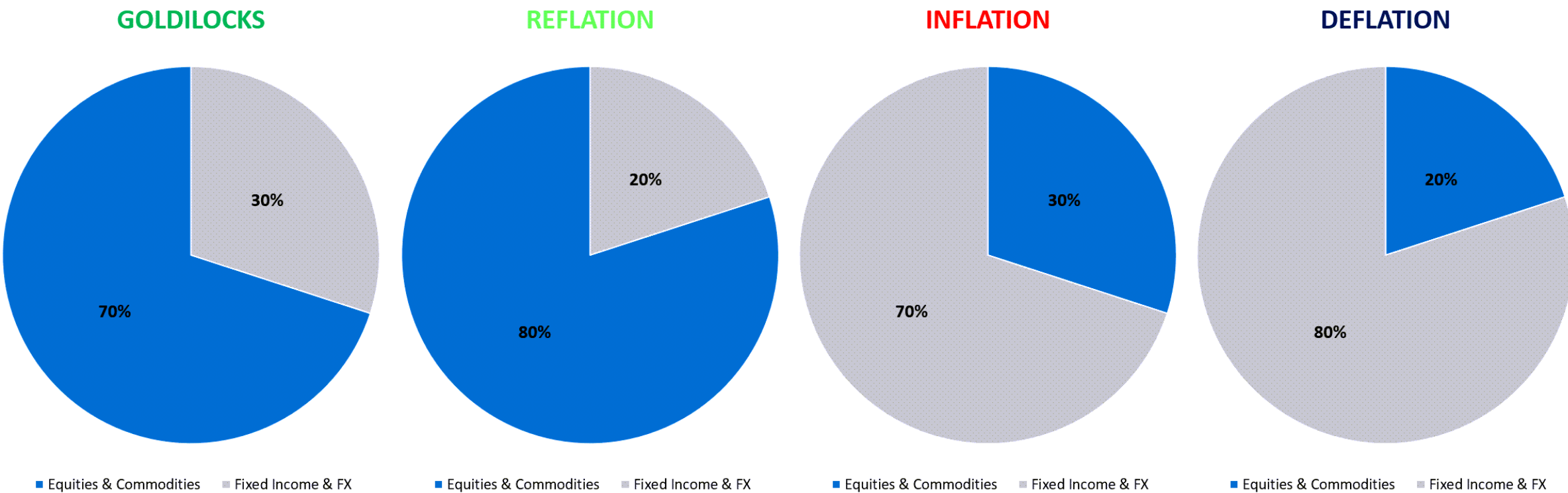
Dominant Market Regime



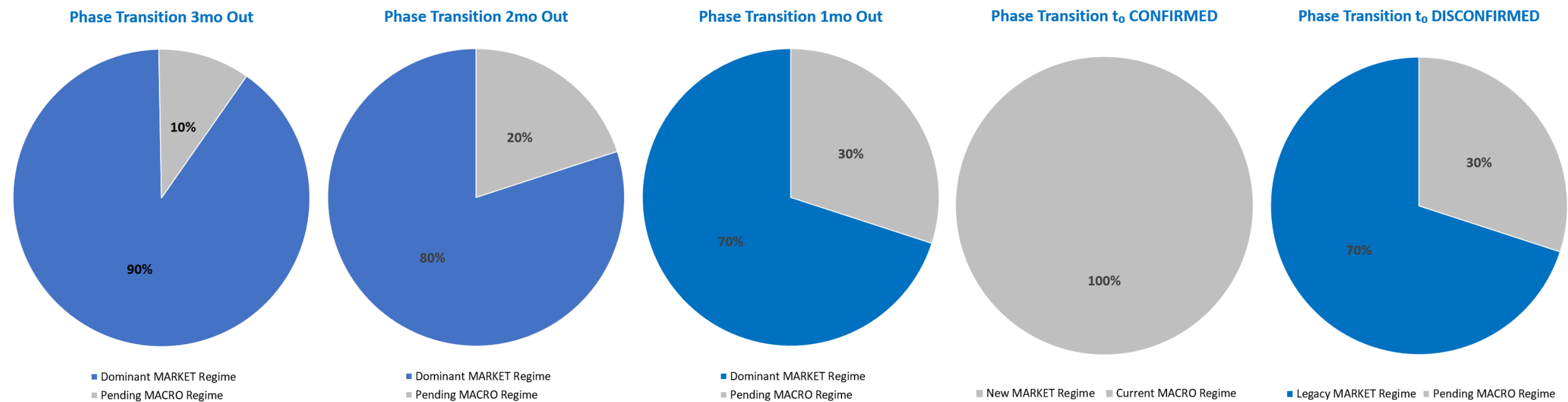
■ GOLDDILOCKS = 31% (t3yr peak = 49%)
 ■ REFLATION = 16% (t3yr peak = 51%)
■ INFLATION = 20% (t3yr peak = 49%)
 ■ DEFLATION = 33% (t3yr peak = 50%)
— S&P 500 INDEX (SPX)



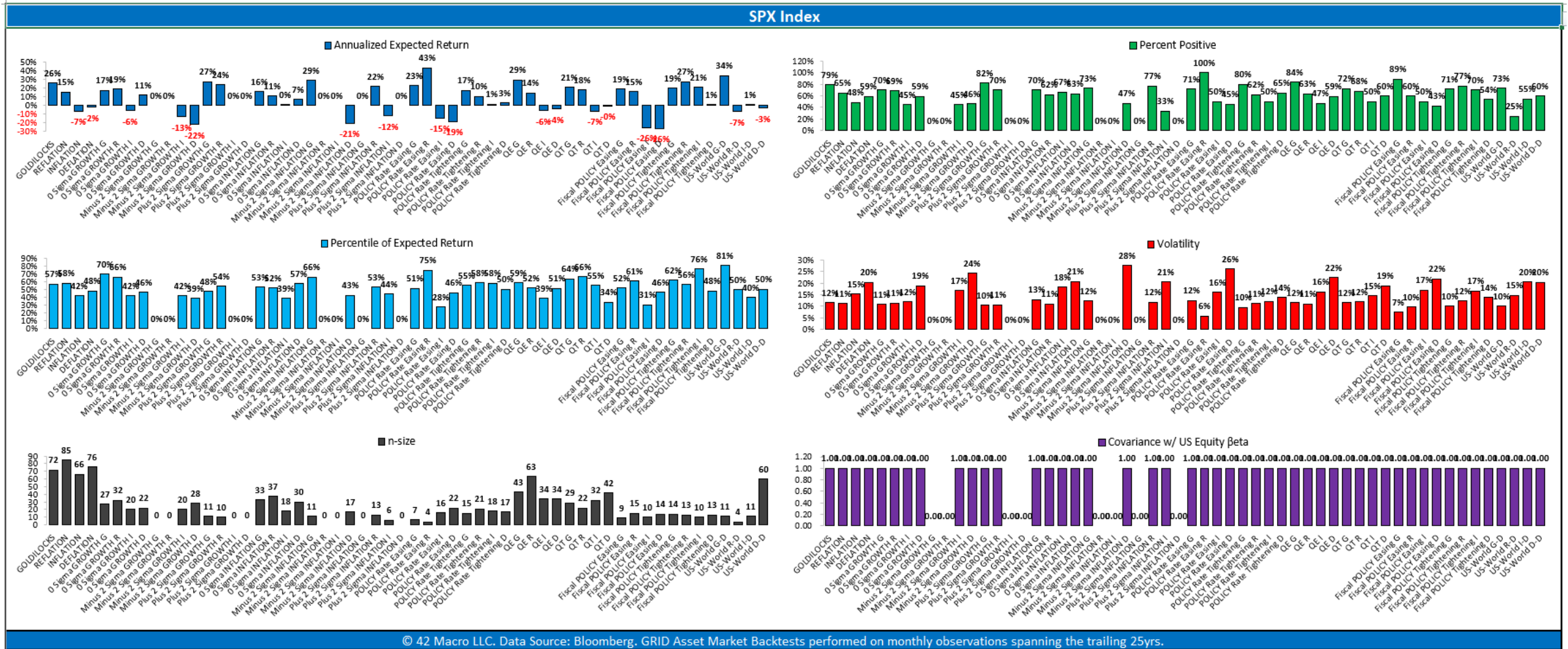
42 Macro Dynamic Asset Allocation Framework

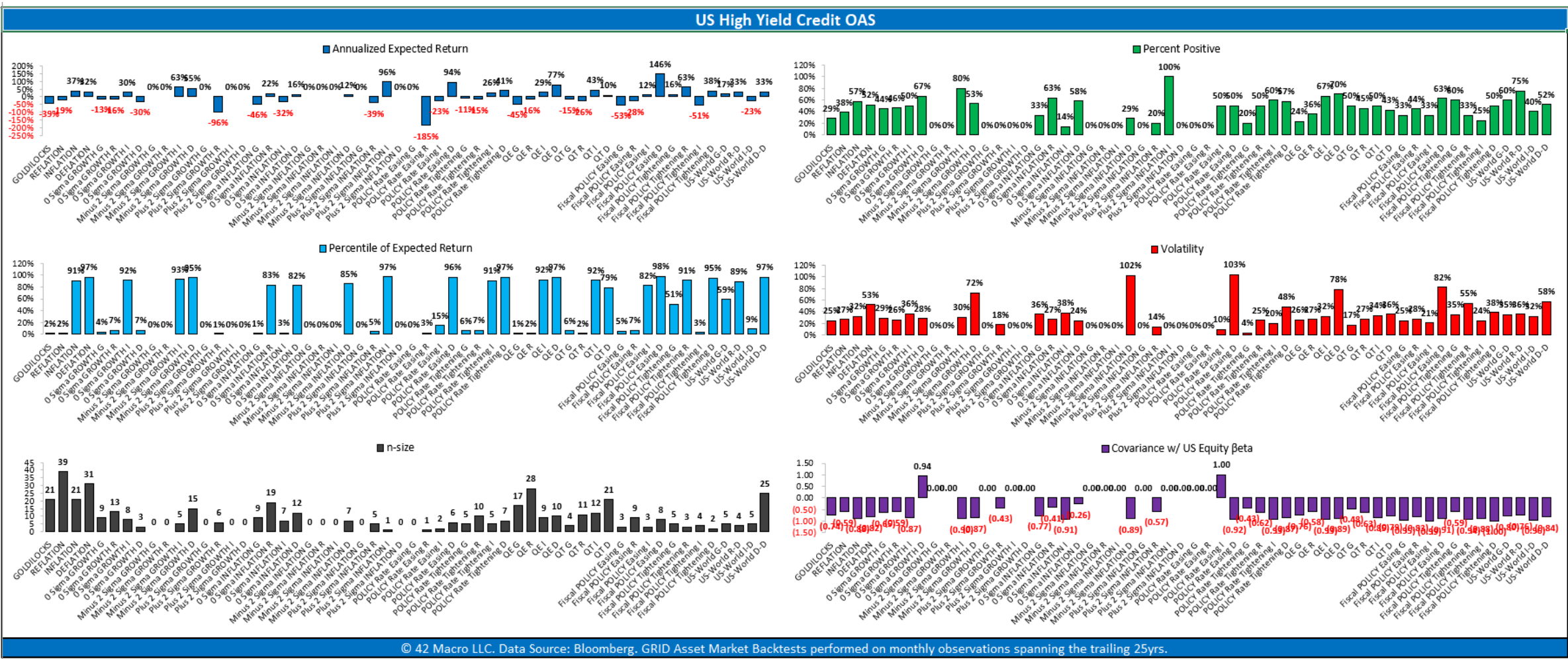


42 Macro Portfolio Construction Process

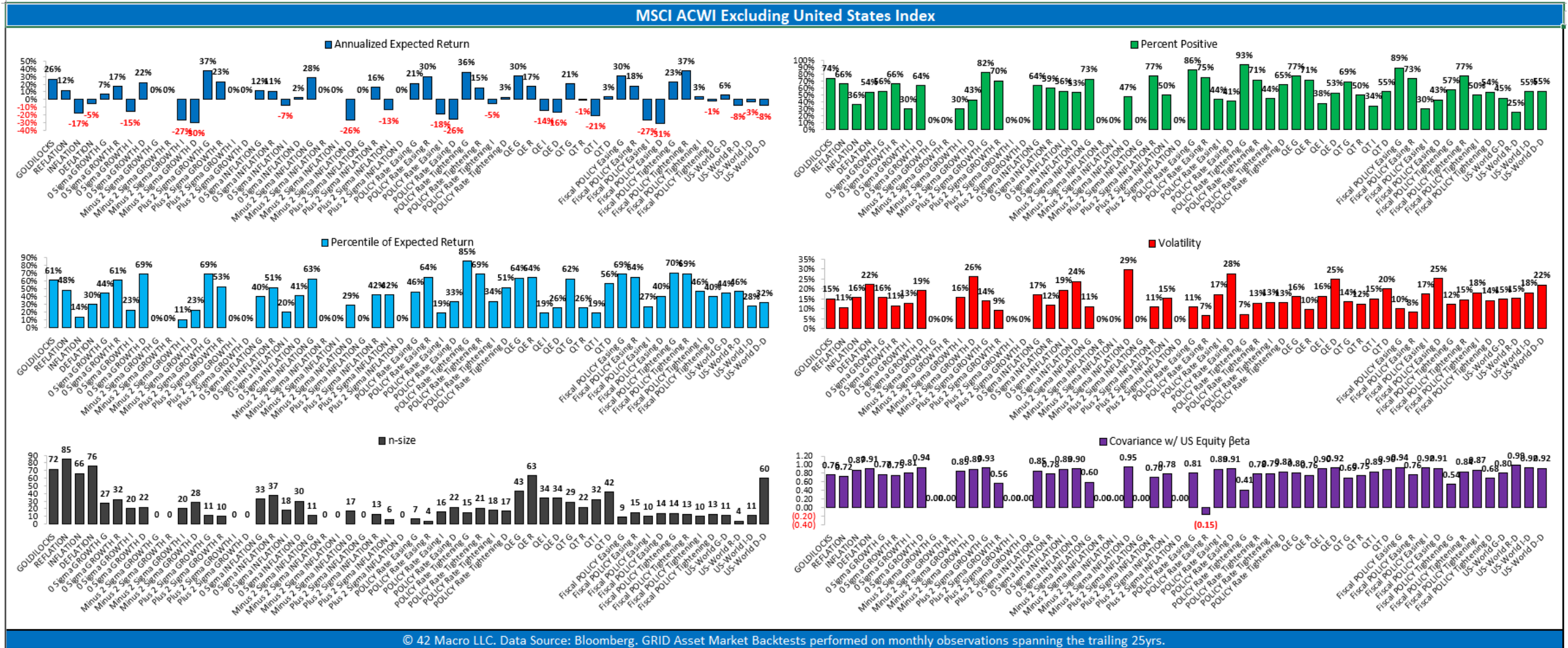


GRID Asset Market Backtests: US Equities



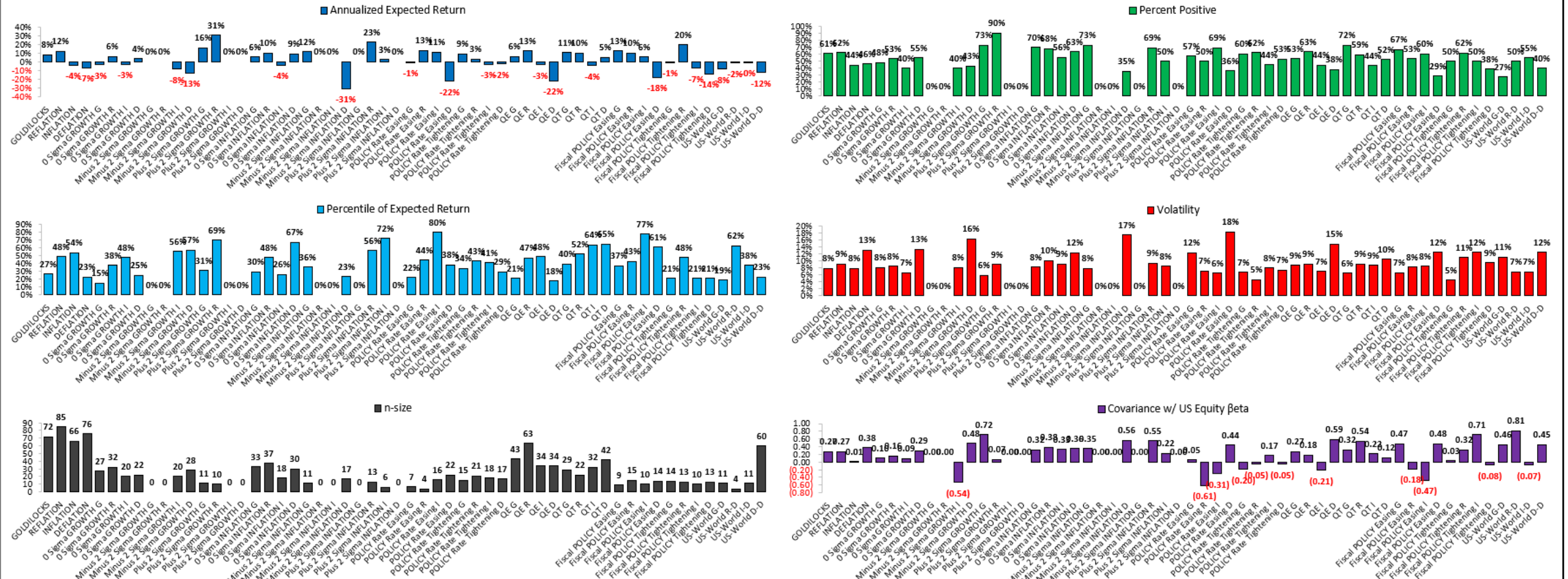


GRID Asset Market Backtests: Global Equities



GRID Asset Market Backtests: Commodities

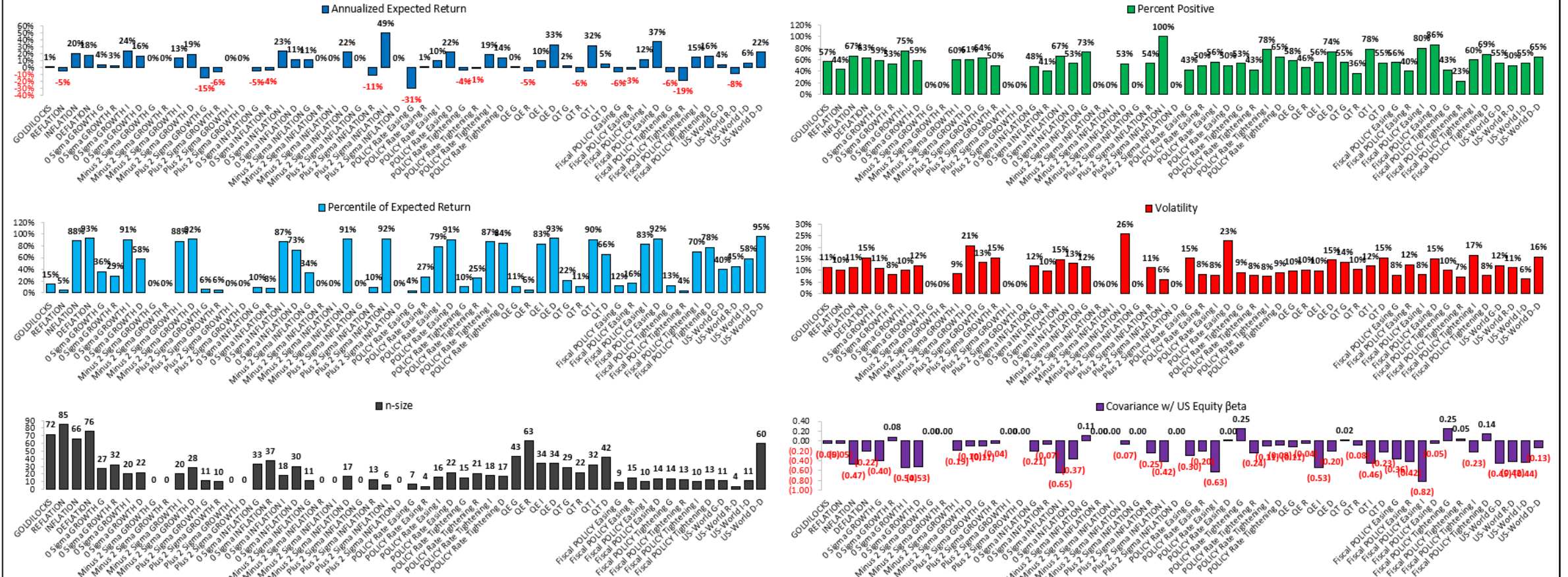
Commodity Research Bureau BLS/US Spot All Commodities



© 42 Macro LLC. Data Source: Bloomberg. GRID Asset Market Backtests performed on monthly observations spanning the trailing 25yrs.

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GRID Asset Market Backtests: Fixed Income

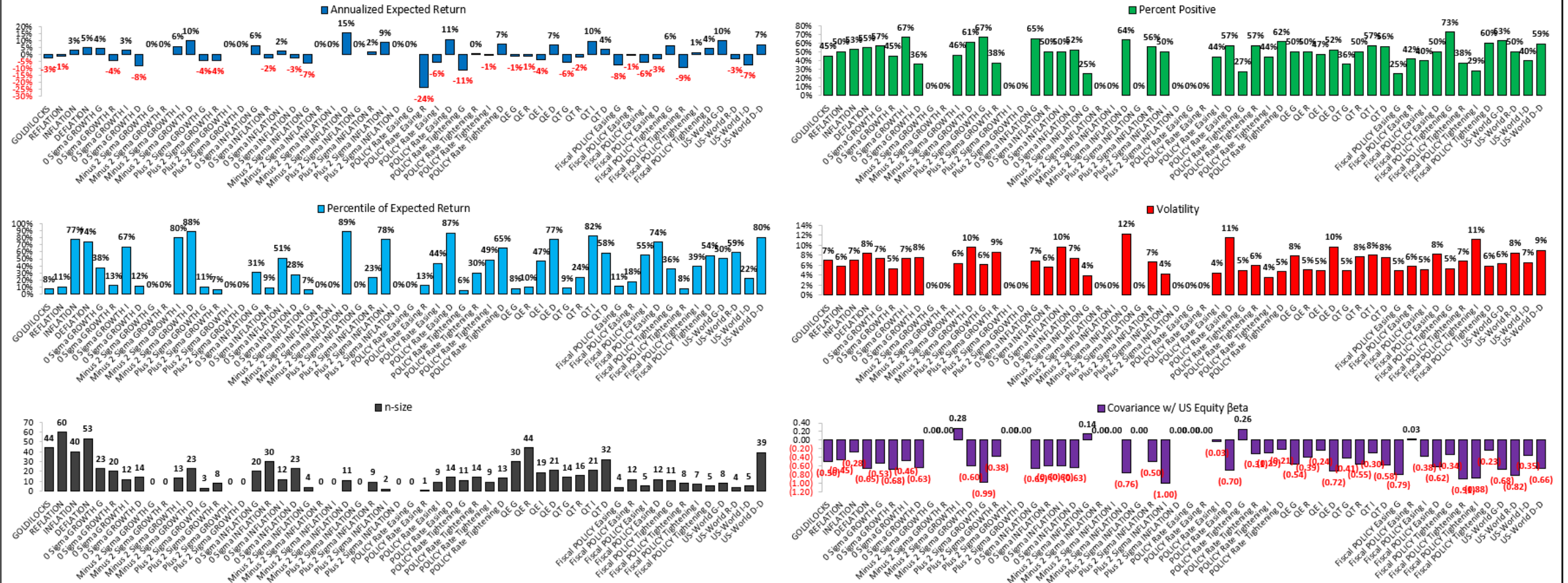


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GRID Asset Market Backtests: Foreign Exchange

Bloomberg Dollar Index



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Systematic Tracking Of CROWDING & DISPERSION Helps #Team42 Identify What GRID Regime Investor Consensus Is Rotating Into In Real-Time

GOLDILOCKS

Top 5 Equity Style Factors

High Beta
Small Cap Growth
Small Caps
Mid Cap Growth
Small Cap Value

Bottom 5 Equity Style Factors

Low Beta
Defensives
Large Cap Value
Quality
Dividends

Top 5 Equity Sectors

Consumer Discretionary
Financials
Technology
Materials
Industrials

Bottom 5 Equity Sectors

Utilities
Communication Services
Real Estate
Consumer Staples
Health Care

Top 3 Fixed Income Sectors

BDCs
Convertibles
High Yield

Bottom 3 Fixed Income Sectors

Long Bond
0-5yr TIPS
Treasury Belly

REFLATION

Top 5 Equity Style Factors

High Beta
SMID Cap Growth
Small Cap Growth
Cyclicals
Momentum

Bottom 5 Equity Style Factors

Low Beta
Dividends
Large Cap Value
Value
Defensives

Top 5 Equity Sectors

Technology
Industrials
Consumer Discretionary
Financials
Energy

Bottom 5 Equity Sectors

Real Estate
Consumer Staples
Utilities
Communication Services
Health Care

Top 3 Fixed Income Sectors

BDCs
Convertibles
High Yield

Bottom 3 Fixed Income Sectors

Long Bond
Treasury Belly
Short Rates

INFLATION

Top 5 Equity Style Factors

Low Beta
Dividend
Quality
Mega Cap Growth
Defensive

Bottom 5 Equity Style Factors

High Beta
Mid Cap Value
Mid Cap Growth
Small Caps
Small Cap Growth

Top 5 Equity Sectors

Utilities
Health Care
Real Estate
Consumer Staples
Communication Services

Bottom 5 Equity Sectors

Energy
Materials
Financials
Industrials
Consumer Discretionary

Top 3 Fixed Income Sectors

Long Bond
EM \$ Debt
5-10yr TIPS

Bottom 3 Fixed Income Sectors

BDCs
Convertibles
EM Local Currency

DEFLATION

Top 5 Equity Style Factors

Large Cap Growth
Dividends
Quality
Mid Cap Growth
Low Beta

Bottom 5 Equity Style Factors

High Beta
Cyclicals
Mid Cap Value
Small Cap Value
SMID Cap Value

Top 5 Equity Sectors

Real Estate
Health Care
Consumer Staples
Utilities
Consumer Discretionary

Bottom 5 Equity Sectors

Financials
Industrials
Technology
Communication Services
Energy

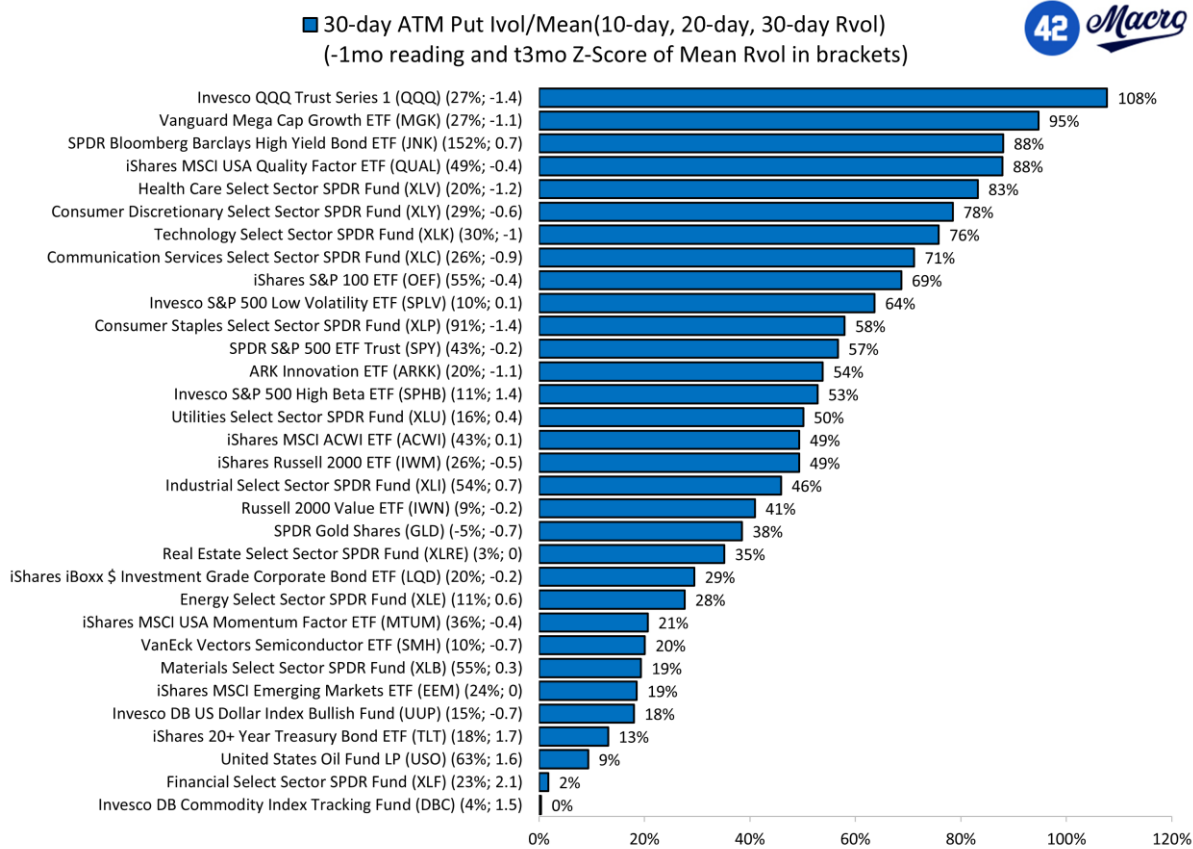
Top 3 Fixed Income Sectors

Long Bond
Treasury Belly
IG Credit

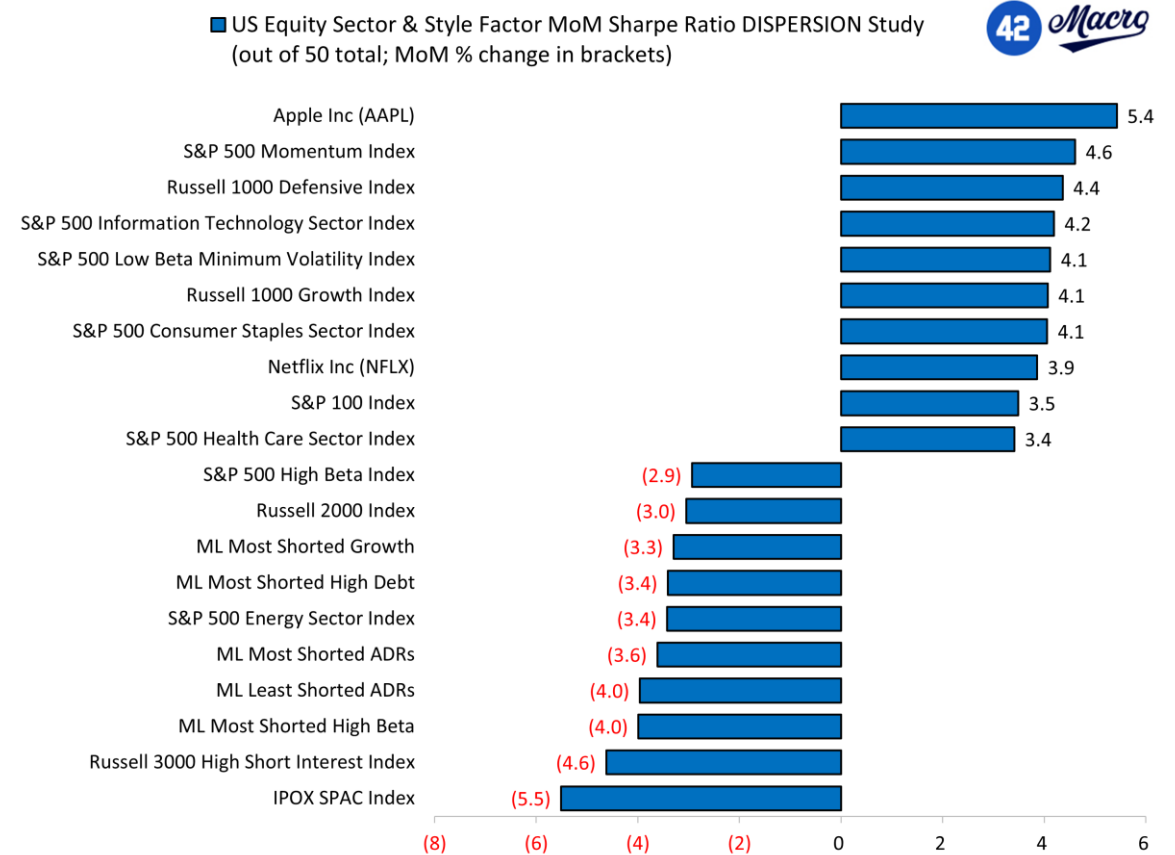
Bottom 3 Fixed Income Sectors

Preferreds
BDCs
EM Local Currency

CROWDING: Ivol/Rvol % Spreads



DISPERSION: MoM Sharpe Ratios



POSITIONING: CFTC CoT Net Speculative Futures & Options Positions

42 Macro CFTC CoT Crowding Analysis	Non- Commercial Net Length	3yr Z-Score	Mean 6mo Forward Performance ≤ -2σ	Mean 6mo Forward Performance ≥ +2σ	WoW Δ	1yr Z-Score	Mean 3wk Forward Performance ≤ -2σ	Mean 3wk Forward Performance ≥ +2σ	MoM Δ	1yr Z-Score	Mean 1mo Forward Performance ≤ -2σ	Mean 1mo Forward Performance ≥ +2σ	3mo Δ	3yr Z-Score	Mean 6mo Forward Performance ≤ -2σ	Mean 6mo Forward Performance ≥ +2σ
10yr	167,434	1.4	1.5%	-2.4%	92,740	1.5	-0.4%	0.5%	14,016	0.1	-0.3%	0.1%	136,794	0.5	0.5%	-0.4%
2yr	(131,247)	1.0	-0.1%	-0.1%	67,321	1.1	0.0%	0.0%	(13,993)	(0.2)	0.0%	-0.0%	176,487	1.2	0.0%	-0.1%
3mo Eurodollars	(569,299)	(0.5)	-0.1%	0.9%	164,416	1.1	0.0%	0.0%	(515,779)	(1.5)	-0.0%	0.0%	(1,261,217)	(1.8)	-0.1%	-0.0%
5yr	(131,511)	0.4	0.0%	-0.2%	51,583	0.7	0.1%	0.1%	(59,262)	(0.4)	0.1%	-0.0%	(92,272)	(0.5)	-0.1%	0.7%
AUD	(30,002)	0.1	-0.9%	-2.8%	(2,848)	(0.4)	0.1%	-0.1%	(9,916)	(0.8)	1.8%	0.2%	(33,279)	(1.7)	-0.1%	-1.0%
Bitcoin	(1,099)	0.3	103.4%	-14.5%	121	0.2	9.7%	1.8%	545	0.7	10.1%	6.5%	1,376	2.4	103.0%	96.5%
BRL	22,220	2.5	-12.6%	-13.0%	915	0.1	-0.9%	-0.6%	3,581	0.1	-1.7%	-2.8%	48,810	2.2	-14.7%	-15.0%
CAD	26,089	1.2	1.4%	-2.6%	(13,889)	(2.4)	0.8%	0.5%	(17,882)	(1.6)	0.2%	0.4%	24,908	0.7	1.1%	-2.7%
CHF	5,770	0.7	0.5%	2.0%	(3,146)	(1.1)	-0.5%	-1.9%	(3,183)	(0.7)	1.4%	-1.6%	4,962	0.1	0.4%	0.6%
Cocoa	6,006	(0.6)	-5.7%	8.2%	5,754	0.7	2.2%	-3.5%	(10,637)	(0.6)	3.2%	-2.4%	(23,705)	(0.5)	6.1%	-0.8%
Coffee	41,254	1.0	-3.5%	-6.3%	(3,223)	(0.6)	1.7%	-0.5%	(14,547)	(1.0)	3.3%	-2.7%	13,999	0.1	-6.7%	3.3%
Copper	17,259	0.2	-0.0%	6.0%	861	0.2	-0.3%	-0.3%	4,711	0.4	-4.0%	-3.1%	(19,473)	(0.6)	1.9%	-0.2%
Corn	295,107	0.8	1.0%	35.1%	(19,565)	(0.9)	-4.0%	1.6%	(72,892)	(1.2)	3.4%	0.9%	(230,952)	(1.0)	13.7%	-18.5%
Cotton	75,300	1.0	4.6%	-0.9%	4,769	0.7	-0.6%	-2.1%	11,024	0.6	-0.7%	-1.2%	3,720	0.2	12.5%	5.7%
Dow Jones	9,207	(0.1)	10.8%	9.7%	2,892	0.5	-0.6%	0.1%	19,413	1.7	0.2%	2.8%	20,671	1.2	8.2%	8.1%
DXY	11,288	(0.3)	-3.4%	1.2%	3,724	1.1	0.6%	0.6%	13,591	1.9	-0.3%	-0.2%	5,351	0.4	1.3%	-1.6%
EUR	61,283	0.4	-2.3%	2.9%	(11,620)	(0.8)	-0.4%	-1.1%	(57,133)	(1.6)	1.1%	-0.9%	(1,631)	(0.1)	-4.2%	7.4%
GBP	6,323	0.7	0.3%	-4.8%	(9,782)	(1.5)	-1.0%	-1.8%	(24,689)	(2.0)	-0.9%	-0.8%	(18,631)	(0.5)	2.0%	3.5%
Gold	201,655	(0.0)	1.1%	-0.9%	9,604	0.7	1.7%	1.1%	(9,116)	(0.0)	2.7%	0.7%	21,820	0.1	2.0%	1.2%
JPY	(58,752)	(0.8)	-3.1%	8.7%	14,523	1.7	1.0%	-0.8%	(10,122)	(0.1)	0.0%	-1.3%	(832)	0.0	1.0%	4.9%
Lean Hogs	82,245	1.3	-14.1%	12.7%	1,822	0.1	-1.5%	4.3%	(19,460)	(2.0)	-4.8%	7.1%	(10,969)	(0.6)	7.0%	-18.4%
Long Bond	(83,425)	0.1	-3.7%	-3.0%	14,405	0.8	0.7%	0.3%	(23,778)	(0.8)	-0.7%	1.6%	42,024	0.9	-5.5%	0.6%
MXN	(27,498)	(1.4)	-3.8%	-3.8%	(5,112)	(0.5)	-1.2%	-0.0%	(3,597)	(0.0)	1.7%	-0.6%	(15,473)	(0.2)	6.5%	-0.8%
NASDAQ	(1,198)	(0.4)	9.8%	6.5%	(2,422)	(0.1)	1.0%	-1.2%	9,582	0.3	3.1%	0.3%	4,388	0.1	13.3%	8.6%
Natural Gas	(117,559)	(0.6)	-13.3%	-8.7%	(10,977)	(0.7)	2.7%	0.2%	(11,775)	(0.2)	7.4%	-1.6%	(65,588)	(0.8)	-1.8%	11.6%
NZD	3,230	0.7	0.8%	-2.8%	1,466	0.6	-0.7%	0.7%	(39)	(0.1)	-1.0%	-1.2%	710	(0.0)	2.6%	-1.5%
Platinum	16,242	(0.4)	-1.5%	-8.9%	2,010	0.6	-1.4%	0.4%	(4,756)	(0.7)	-1.2%	-0.4%	(8,628)	(0.5)	0.2%	-4.3%
Russell 2000	(42,528)	(1.0)	3.6%	-8.1%	(1,064)	(0.0)	-8.4%	3.8%	7,064	0.7	5.3%	2.9%	(21,062)	(0.3)	-0.9%	
S&P 400	7,780	(0.1)	20.9%	10.2%	1,089	0.9	0.8%	1.9%	2,298	1.0	5.4%	-0.7%	4,024	0.9	10.4%	11.6%
S&P 500	67,090	0.5	13.0%	7.9%	(3,871)	(0.2)	0.9%	2.4%	87,597	1.3	2.8%	3.1%	107,641	0.9	12.4%	9.7%
Silver	42,752	0.3	-1.6%	-1.6%	(957)	(0.2)	0.0%	1.1%	(10,557)	(1.2)	4.8%	-2.5%	6,677	0.1	-3.2%	-14.9%
Soybeans	87,632	0.3	-6.1%	17.6%	(4,779)	(0.2)	2.1%	-0.3%	(43,057)	(0.9)	2.7%	-3.3%	(84,705)	(1.0)	-2.0%	-1.1%
Sugar	241,778	1.1	-6.0%	7.8%	(24,188)	(1.4)	-0.4%	1.5%	(30,168)	(0.9)	1.0%	-3.2%	42,340	0.1	-2.7%	-8.0%
VIX	(61,349)	0.6			5,749	0.5		7.4%	7,398	0.3		13.0%	41,298	0.5		
Wheat	(2,683)	(0.5)	-4.4%	-10.4%	(9,220)	(0.9)	-1.5%	0.7%	(12,000)	(0.6)	-0.2%	-1.9%	(12,122)	(0.3)		-12.4%
WTI	576,034	1.1	53.7%	-1.7%	6,684	0.4	-1.8%	13.1%	(295)	(0.1)	0.0%	22.4%	42,248	0.5	-18.0%	0.9%

Data Source: Bloomberg. Intellectual Property of 42 Macro LLC. Trailing 10yr backtests performed on the underlying front-month futures contract for each exposure.

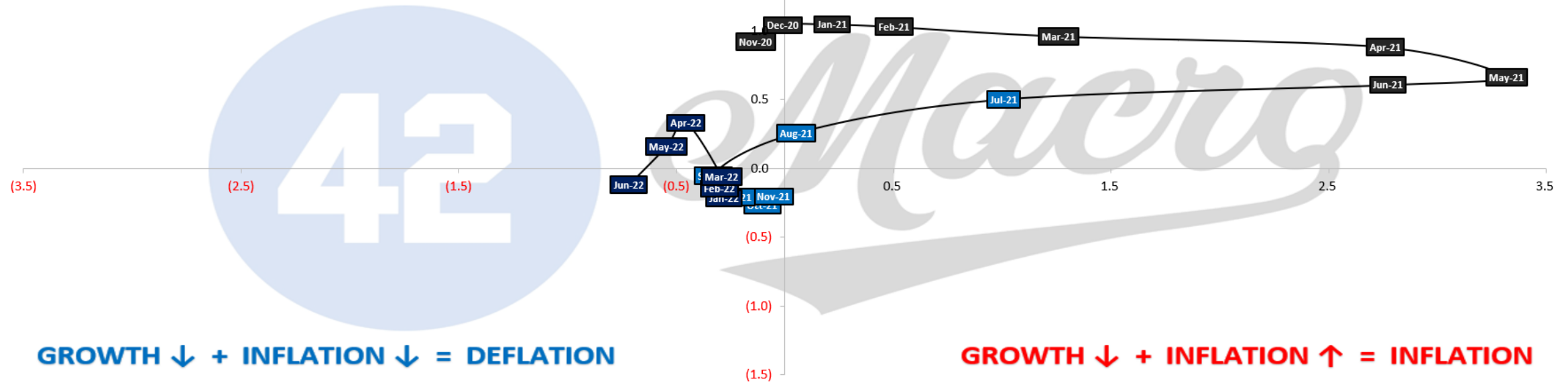
US GRID Outlook: Transitioning From "R" To "D" Later This Summer

United States		Actuals																		Projections													
42 Macro GRID Framework		Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	
Macro Regime		R	I	I	D	D	D	D	R	R	R	R	G	G	R	R	R	R	R	R	R	R	D	D	D	D	D	D	D	D	G	G	D
Conditional Probability of GOLDILOCKS		8%	5%	16%	2%	2%	2%	2%	26%	4%	11%	27%	52%	53%	27%	18%	10%	2%	2%	2%	4%	32%	32%	16%	17%	20%	20%	25%	29%	61%	53%	32%	
Conditional Probability of REFLATION		49%	38%	25%	1%	0%	0%	0%	72%	93%	87%	69%	43%	42%	70%	66%	87%	95%	95%	91%	85%	40%	12%	12%	14%	11%	10%	11%	14%	19%	13%	5%	
Conditional Probability of INFLATION		36%	50%	36%	22%	2%	2%	4%	2%	2%	2%	2%	2%	2%	2%	12%	2%	2%	3%	7%	10%	16%	16%	31%	31%	25%	23%	20%	18%	5%	7%	8%	
Conditional Probability of DEFLATION		6%	7%	23%	76%	95%	95%	94%	1%	0%	0%	1%	3%	3%	1%	3%	0%	0%	0%	0%	1%	13%	41%	42%	38%	44%	46%	44%	39%	15%	28%	54%	
OECD CLI (Real GDP YoY Proxy)		99.0	99.0	98.8	96.9	91.9	93.4	95.4	97.1	97.8	98.1	98.4	98.7	99.1	99.4	99.8	100.1	100.3	100.4	100.7	100.8	100.7	100.6	100.5	100.5	100.4	100.3	100.3	100.6	100.5	100.2		
3mo Δ		0.0	0.0	-0.2	-2.1	-7.1	-5.5	-1.5	5.1	4.4	2.6	1.3	0.9	1.0	1.0	1.0	1.0	0.9	0.7	0.6	0.5	0.3	-0.1	-0.3	-0.2	-0.2	-0.2	-0.1	0.3	0.2	-0.1		
Headline CPI YoY		2.3	2.5	2.3	1.5	0.3	0.1	0.6	1.0	1.3	1.4	1.2	1.2	1.4	1.4	1.7	2.6	4.2	5.0	5.4	5.2	5.0	5.1	5.1	5.0	4.8	4.8	4.7	4.5	4.3	4.1	3.8	
3mo Δ		0.6	0.7	0.3	-0.7	-2.2	-2.2	-0.9	0.7	1.2	0.7	0.2	-0.1	0.0	0.2	0.5	1.3	2.8	3.3	2.8	1.0	0.1	-0.3	-0.1	-0.1	-0.2	-0.3	-0.3	-0.3	-0.5	-0.5	-0.7	

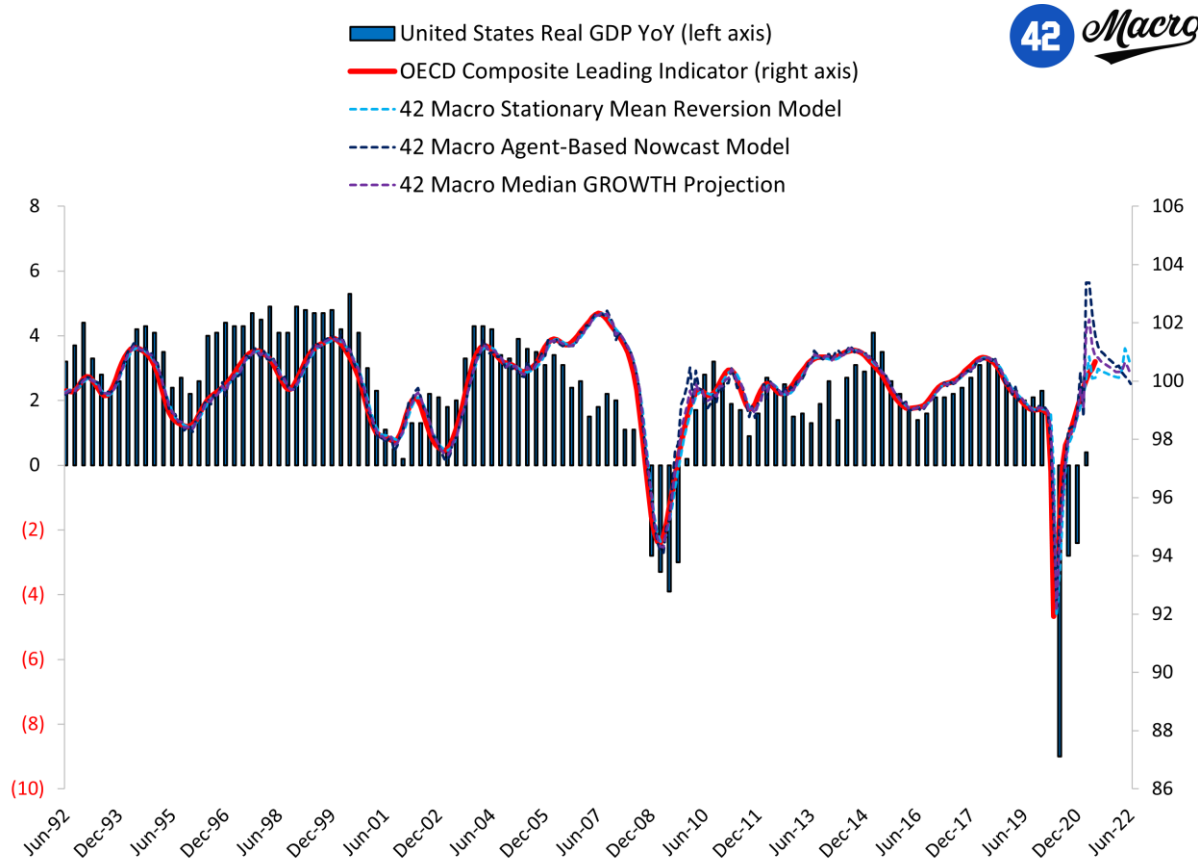
→ x-axis: 3mo Δ of Headline CPI YoY; y-axis: 3mo Δ of OECD CLI (Real GDP YoY Proxy)

GROWTH ↑ + INFLATION ↓ = GOLDILOCKS

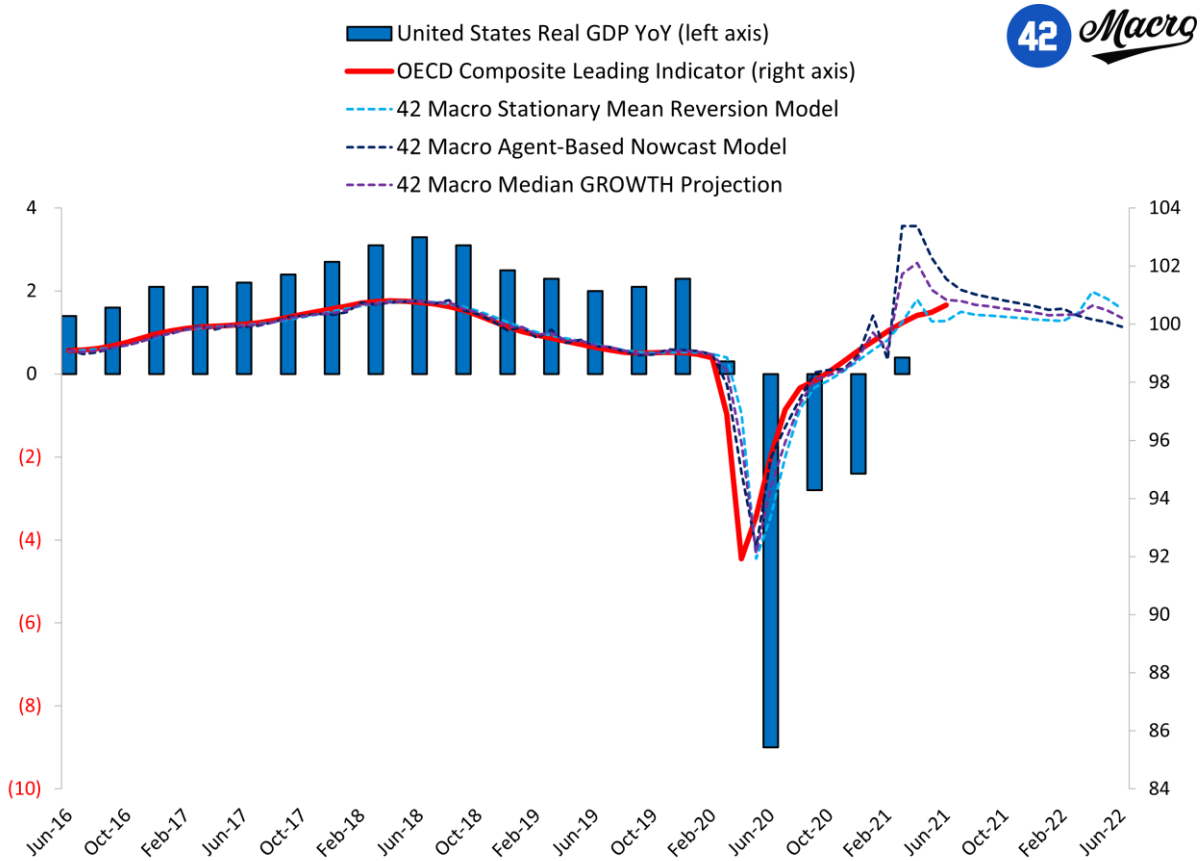
GROWTH ↑ + INFLATION ↑ = REFLATION



US GROWTH: Secular View



US GROWTH: Cyclical View

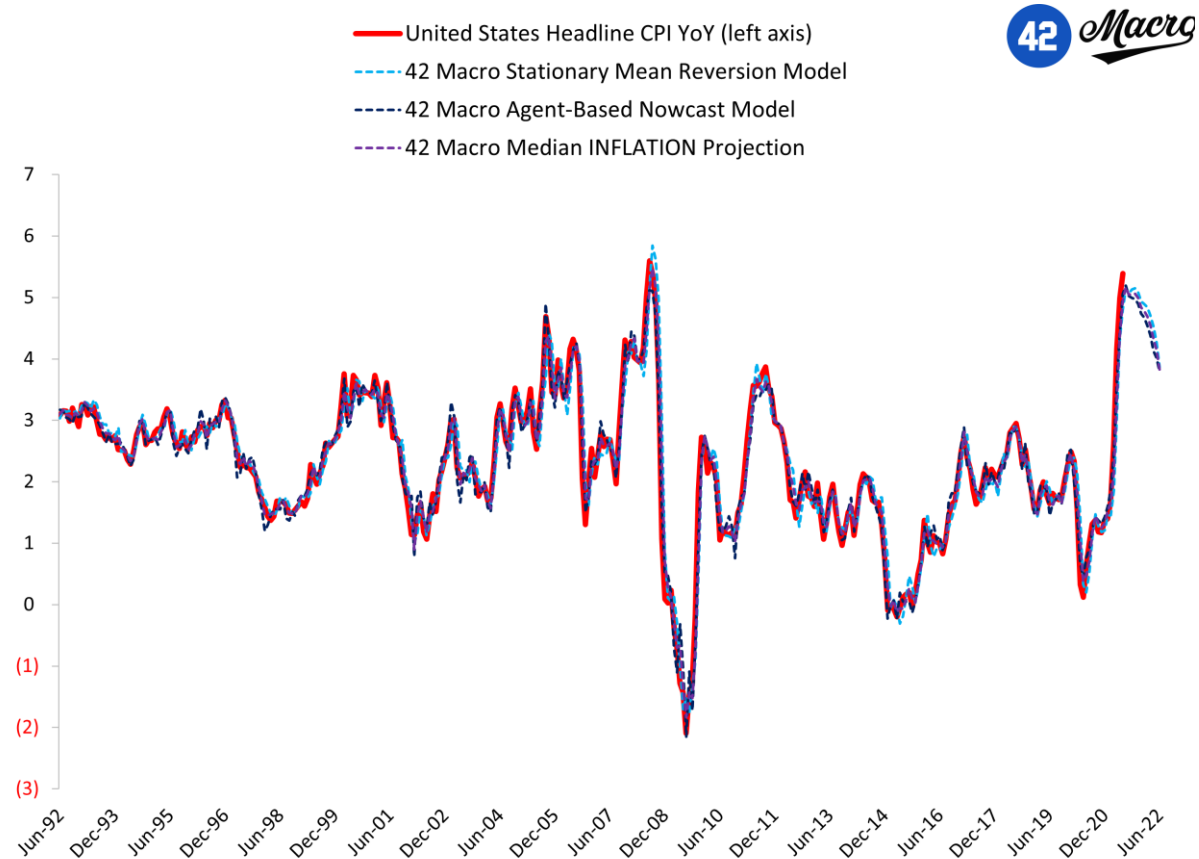


US GROWTH Agent-Based Nowcast Model

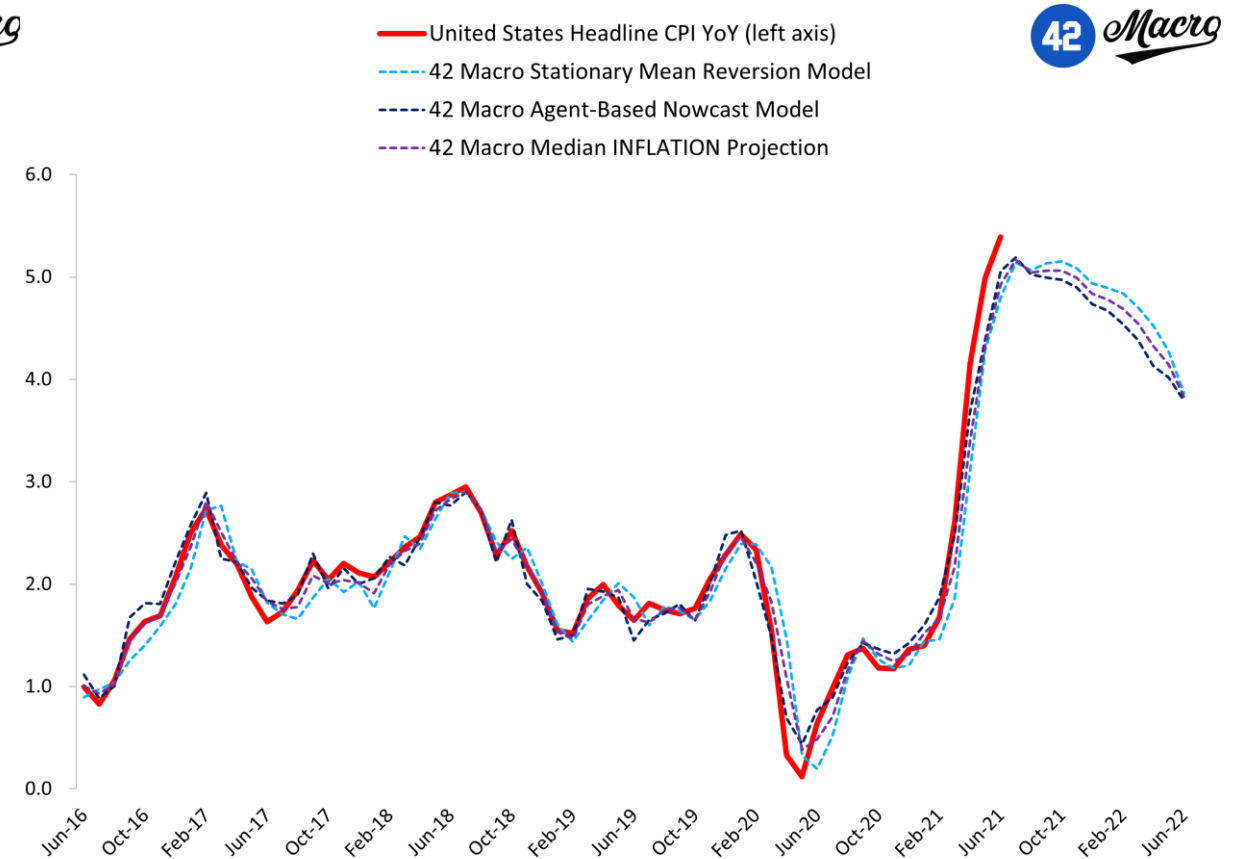
		42 Macro Agent-Based Nowcast GROWTH Model Features																																			
United States		Jan-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21					
USA OECD Leading Indicators CLI Amplitude Adjusted SA		99.9	99.8	99.6	99.5	99.4	99.3	99.2	99.1	99.0	99.0	99.0	99.0	99.0	98.8	96.9	91.9	93.4	95.4	97.1	97.8	98.1	98.4	98.7	99.1	99.4	99.8	100.1	100.3	100.4	100.7						
US Industrial Production YOY SA (9%)		2.5	1.9	1.1	0.6	-1.1	-0.1	-0.9	-1.4	-1.4	-1.8	-2.4	-1.9	-2.2	-2.1	-1.4	-5.3	-17.7	-16.2	-11.0	-7.0	-6.6	-6.6	-4.8	-4.7	-3.3	-1.7	-4.9	1.5	17.5	16.1	9.8					
US Trade Balance of Exports YOY SA (4%)		-0.6	1.5	0.6	0.3	-1.4	-1.0	-1.5	-0.2	-0.3	-1.9	-1.7	-0.3	1.0	-1.9	-2.5	-12.3	-28.6	-31.7	-24.6	-19.2	-17.2	-14.7	-13.0	-11.7	-9.1	-5.8	-7.9	8.1	36.4	41.0						
Retail Sales Less Food Services Auto Dealers & Building Mat& Gas Station SA YoY (5%)		0.3	3.4	2.5	3.6	3.5	3.1	4.5	4.4	4.7	4.1	3.8	2.4	6.0	3.9	4.4	6.3	-7.1	1.8	7.3	8.6	8.5	10.6	10.2	9.3	6.0	14.1	10.2	16.3	31.7	17.9	12.5					
ISM Manufacturing PMI SA (11%)		54.8	55.7	54.2	55.3	53.6	52.2	51.3	51.0	48.4	48.3	48.3	48.2	47.7	51.1	50.3	49.7	41.7	43.1	52.2	53.7	55.6	55.7	58.8	57.7	60.5	58.7	60.8	64.7	60.7	61.2	60.6					
ISM Services PMI (13%)		58.2	56.5	58.8	57.0	55.6	56.2	55.0	54.2	55.8	52.9	54.6	53.9	55.6	55.9	56.7	53.6	41.6	45.4	56.5	56.6	57.2	57.2	56.2	56.8	57.7	58.7	55.3	63.7	62.7	64.0	60.1					
USA Business Tendency Manufacturing Confidence Composite OECD Normalisd SA (5%)		100.7	100.6	100.4	100.2	100.0	99.8	99.6	99.4	99.1	98.8	98.8	98.8	98.9	99.1	99.0	98.5	98.1	98.3	99.2	100.0	100.5	100.8	101.1	101.3	101.5	101.6	101.9	102.1	102.0	101.9	101.8					
USA Consumer Opinion Confidence Composite OECD Normalised SA (6%)		101.3	101.0	101.1	101.3	101.5	101.6	101.5	101.3	100.9	100.9	101.2	101.5	101.7	101.7	101.2	100.1	98.9	98.3	98.3	98.3	98.5	98.9	99.0	99.0	99.0	99.0	99.1	99.5	99.8	99.8	99.9					
US Employees on Nonfarm Payrolls Total SA YoY (9%)		1.6	1.7	1.4	1.4	1.4	1.3	1.2	1.3	1.2	1.3	1.3	1.4	1.3	1.4	1.6	0.4	-13.5	-11.7	-8.5	-7.5	-6.6	-6.3	-5.9	-5.9	-6.2	-6.2	-6.1	-4.5	10.9	9.0	5.7					
US Employees on Nonfarm Payrolls Total Private SA YoY (9%)		1.8	1.9	1.5	1.5	1.5	1.4	1.4	1.4	1.3	1.4	1.4	1.5	1.4	1.4	1.6	0.3	-15.3	-12.7	-9.1	-8.0	-7.3	-6.7	-6.1	-6.0	-6.3	-6.4	-6.1	-4.3	13.3	10.4	6.4					
US Avg Weekly Hours Nonfarm Total Private Production and Nonsupervisory SA YoY (0%)		0.0	0.6	-0.6	0.0	-0.3	-0.6	-0.6	-0.6	-0.6	-0.3	-0.3	-0.6	-0.6	-0.6	0.3	-0.9	-0.6	1.5	0.9	1.2	1.2	1.5	1.8	2.1	2.1	2.4	0.9	3.0	2.4	0.6	0.6					
US Avg Hourly Earnings NonsupervisoryPrivate Nonfarm Payrolls TTL Nom Dollars SA YoY (11%)		3.6	3.4	3.5	3.6	3.5	3.6	3.5	3.6	3.7	3.7	3.8	3.5	3.2	3.3	3.3	3.7	7.8	6.8	5.5	4.8	4.9	4.6	4.5	4.7	5.5	5.3	5.2	4.6	1.2	2.3	3.7					
US Job Openings By Industry Total SA YoY (2%)		16.9	13.3	7.2	7.3	5.0	4.2	-1.5	-1.0	-0.7	-3.4	0.6	-8.7	-9.5	-4.3	-0.7	-21.3	-36.2	-25.2	-14.7	-5.9	-9.8	-6.9	-6.4	-2.2	0.3	-0.8	7.3	43.7	98.6	69.1						
Bureau of Labor Statistics Employment Diffusion Nonfarm Payrolls +1 Month SA YoY (4%)		65.2	62.3	58.4	55.8	59.7	53.7	58.6	55.3	54.7	58.0	55.3	67.1	55.3	58.2	55.1	12.5	4.5	63.2	76.1	61.9	69.1	70.6	70.4	64.4	61.7	50.4	61.7	73.0	60.9	63.0	66.1					
US Personal Consumption Expenditures Chained 2012 Dollars SAAR YoY (5%)		1.3	2.2	2.2	2.5	2.4	2.3	2.6	2.4	2.3	2.6	2.3	2.1	3.0	2.7	2.6	-4.7	-16.5	-9.6	-4.6	-3.6	-2.9	-1.9	-1.9	-2.6	-3.5	-1.1	-2.2	9.2	24.7	14.5						
Real Personal Consumption Expenditures of Goods YoY (3%)		0.6	3.0	2.5	3.6	3.9	3.3	4.4	4.3	4.2	4.2	3.6	2.4	5.2	3.8	3.9	1.6	-11.5	0.6	5.8	6.5	6.7	8.5	8.3	7.0	4.7	11.8	8.3	19.5	36.0	16.6						
US Personal Consumption Expenditures Services Chained 2012 Dollars SAAR YoY (5%)		1.6	1.8	2.1	2.0	1.8	1.9	1.7	1.6	1.5	1.9	1.7	1.9	2.1	2.2	2.0	-7.5	-18.7	-14.2	-9.2	-8.1	-7.2	-6.6	-6.4	-6.8	-7.2	-6.7	-6.8	4.2	19.4	13.3						
US Disposable Personal Income Chained 2012 Dollars SA (1%)		4.3	3.5	3.4	2.9	2.4	2.0	1.9	1.6	1.8	2.0	1.8	2.1	0.8	1.5	2.0	0.6	16.7	11.1	8.9	9.2	4.9	5.2	4.8	3.1	3.7	14.5	4.6	30.3	-4.4	-2.3						
Adjusted Retail & Food Services Sales Total SA YoY (4%)		0.9	2.3	1.8	3.4	3.5	2.6	3.3	3.3	4.0	3.6	3.0	3.1	5.5	4.8	4.6	-5.9	-20.0	-5.8	2.1	2.9	3.2	6.0	5.6	3.8	2.3	9.4	6.5	29.7	53.4	27.6	18.0					
MBA US Purchase Index SA YoY (1%)		-5.2	4.2	3.2	9.6	0.5	4.3	9.7	6.3	4.8	9.6	9.9	7.8	16.7	6.6	7.6	-23.5	-19.8	16.9	14.6	18.9	27.6	21.6	21.8	27.3	24.7	17.9	1.5	40.4	32.0	-11.7	-17.3					
US Auto Sales Total Annualized SAAR YoY (2%)		-1.5	-2.8	-2.4	0.6	-3.9	2.9	-0.5	0.8	2.2	-1.2	-5.4	-1.8	-4.6	1.4	1.6	-35.0	-47.7	-29.4	-24.6	-13.7	-10.5	-4.9	-2.1	-9.0	-2.6	-1.2	-6.9	56.1	115.7	39.1	17.7					
US Capacity Utilization % of Total Capacity SA YoY (9%)		1.7	0.9	-0.1	-0.8	-2.5	-1.6	-2.5	-3.0	-3.0	-3.3	-3.9	-3.2	-3.4	-3.2	-2.3	-6.0	-18.2	-16.6	-11.3	-7.2	-6.7	-6.6	-4.7	-4.6	-3.2	-1.5	-4.8	1.6	17.6	16.1	9.8					
US Manufacturers New Orders Total SA YoY (4%)		0.8	4.5	1.8	2.3	1.6	-2.4	-2.3	0.6	-3.5	-3.1	-0.9	-0.6	-0.7	-5.4	-4.3	-18.6	-26.5	-20.5	-13.8	-10.0	-7.7	-6.7	-6.8	-2.1	-2.0	3.2	4.0	21.2	34.7	30.4						
Capital Goods New Orders Nondefense Excluding Aircraft SA YoY (4%)		1.7	4.0	1.8	4.6	1.3	-1.4	-1.6	-4.3	-1.8	-1.8	-2.2	1.4	0.2	-0.1	-0.5	-3.5	-8.9	-6.1	-2.8	0.6	3.4	5.3	6.1	8.2	10.1	10.1	11.2	14.4	25.8	23.0						
US Durable Goods New Orders Industries SA YoY (3%)		3.1	11.9	5.6	7.0	5.4	-0.5	1.4	6.8	-1.0	0.1	4.7	2.1	-0.8	-9.3	-5.1	-28.5	-36.0	-25.4	-18.6	-12.4	-9.2	-7.6	-8.7	-0.1	-1.2	6.2	6.7	36.3	53.0	41.6						
US Trade Balance of Imports SA YoY (5%)		3.2	1.9	0.1	2.5	0.8	3.3	0.9	0.0	0.0	-2.8	-5.0	-4.1	-3.1	-2.9	-4.5	-11.0	-22.0	-24.4	-19.7	-11.4	-8.8	-6.4	-2.6	0.9	0.5	3.9	5.2	18.3	34.8	37.9						
Association of American Railroads Total Traffic US Freight Carloads YoY (2%)		5.1	-4.0	-1.1	-4.6	-3.2	-15.4	-5.5	-4.4	-4.6	-7.4	-8.8	-23.0	-9.2	-2.3	-8.5	-11.9	-22.4	-17.4	-13.8	-8.7	-6.2	-2.1	1.5	3.7	8.4	2.1	1.7	16.1	30.6	34.0	12.4					
Census Bureau US Construction Spending Total SA YoY (2%)		-1.9	-2.8	-2.9	-1.3	0.2	0.2	3.0	5.5	6.3	8.1	9.7	12.3	13.5	13.9	13.6	12.8	6.5	5.0	3.6	2.2	2.5	2.2	2.9	2.5	3.1	4.3	2.1	2.8	6.7	7.5						
Data Source: Bloomberg. Intellectual Property of 42 Macro LLC. Nowcast feature weights are dynamically retrained monthly according to the relative strength of the first difference regressions between the independent and the dependent variables.																																					

Data Source: Bloomberg. Intellectual Property of 42 Macro LLC. Nowcast feature weights are dynamically retrained monthly according to the relative strength of the first difference regressions between the independent and the dependent variables.

US INFLATION: Secular View



US INFLATION: Cyclical View



US INFLATION Agent-Based Nowcast Model

42 Macro Agent-Based INFLATION Nowcast Model Features																																
United States	c-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	
US CPI Urban Consumers NSA YoY	1.9	1.6	1.5	1.9	2.0	1.8	1.6	1.8	1.7	1.7	1.8	2.1	2.3	2.5	2.3	1.5	0.3	0.1	0.6	1.0	1.3	1.4	1.2	1.2	1.4	1.4	1.7	2.6	4.2	5.0	5.4	
US CPI Urban Consumers Less Food & Energy YoY NSA (9%)	2.2	2.2	2.1	2.0	2.1	2.0	2.1	2.2	2.4	2.4	2.3	2.3	2.3	2.3	2.4	2.1	1.4	1.2	1.2	1.6	1.7	1.7	1.6	1.6	1.6	1.4	1.3	1.6	3.0	3.8	4.5	
US PPI Final Demand YoY NSA (9%)	2.6	1.9	1.9	2.0	2.4	2.1	1.6	1.6	1.9	1.5	1.0	1.0	1.4	2.0	1.1	0.3	-1.5	-1.1	-0.7	-0.3	-0.3	0.3	0.6	0.8	0.8	1.6	3.0	4.2	6.2	6.6	7.3	
FX adj. Commodity Research Bureau BLS/US Spot All Commodities YoY (6%)	-5.4	-6.9	-7.0	-2.4	-5.2	-6.8	-7.1	-6.9	-5.9	-6.6	-6.4	-7.1	-1.9	-2.1	-4.3	-13.2	-16.3	-11.7	-11.7	-6.3	2.0	4.7	5.2	10.9	10.5	13.4	23.1	36.9	50.6	49.4	54.4	
FX adj. Commodity Research Bureau BLS/US Spot Foodstuff YoY (5%)	-3.5	-4.4	-6.5	1.6	-3.3	-1.2	-0.3	1.7	-0.3	-3.4	-2.1	-2.7	4.4	1.6	0.3	-10.0	-17.4	-13.0	-16.5	-11.6	2.4	5.2	2.6	10.6	7.0	9.5	23.4	39.6	66.0	57.3	68.3	
FX adj. Commodity Research Bureau BLS/US Spot Raw Industrials YoY (5%)	-6.6	-8.6	-7.4	-5.4	-6.5	-10.5	-11.6	-12.5	-9.6	-8.7	-9.3	-10.1	-6.0	-4.6	-7.3	-15.1	-15.5	-10.8	-8.2	-2.5	1.6	4.4	7.0	11.1	13.0	16.2	22.9	35.0	40.8	44.2	45.5	
US CPI Urban Consumers Food NSA YoY (6%)	1.6	1.6	2.0	2.1	1.8	2.0	1.9	1.8	1.7	1.8	2.1	2.0	1.8	1.8	1.8	1.9	3.5	4.0	4.5	4.1	4.1	3.9	3.9	3.7	3.9	3.8	3.6	3.5	2.4	2.2	2.4	
US CPI Urban Consumers Energy NSA YoY (11%)	-0.3	-4.8	-5.0	-0.4	1.7	-0.5	-3.4	-2.0	-4.4	-4.8	-4.2	-0.6	3.4	6.2	2.8	-5.7	-17.7	-18.9	-12.6	-11.2	-9.0	-7.7	-9.2	-9.4	-7.0	-3.6	2.4	13.2	25.1	28.5	24.5	
US CPI Urban Consumers Commodities Less Food & Energy NSA YoY (6%)	0.1	0.3	0.1	0.0	-0.2	-0.2	0.2	0.4	0.8	0.7	0.3	0.1	0.1	-0.3	0.0	-0.2	-0.9	-1.0	-1.1	-0.5	0.4	1.0	1.2	1.4	1.7	1.7	1.3	1.7	4.4	6.5	8.7	
US CPI Household Furnishings & Supplies NSA YoY (0%)	0.9	1.2	1.5	1.5	0.4	1.1	1.6	1.6	1.4	1.6	0.9	0.6	0.3	0.0	-0.2	-0.4	0.6	0.9	1.3	1.5	2.6	2.1	1.9	2.9	2.9	2.4	2.3	2.8	3.2	3.7	3.4	
US CPI Urban Consumers Apparel NSA YoY (7%)	-0.1	0.1	-0.8	-2.2	-3.0	-3.1	-1.3	-0.5	1.0	-0.3	-2.3	-1.6	-1.2	-1.3	-0.9	-1.6	-5.7	-7.9	-7.3	-6.5	-5.9	-6.0	-5.5	-5.2	-3.9	-2.5	-3.6	-2.5	1.9	5.6	4.9	
US CPI Transportation Commodities Less Motor Fuel NSA YoY (3%)	0.5	0.8	0.7	0.7	1.1	0.7	0.9	0.8	1.0	1.1	0.7	-0.1	-0.1	-0.6	-0.2	-0.1	-0.5	-0.2	-1.1	0.1	2.0	4.5	5.3	5.1	5.0	4.6	4.2	4.5	9.2	13.3	20.3	
US CPI Urban Consumers Medical Care Commodities NSA YoY (1%)	-0.5	-0.3	-1.1	-0.6	0.2	-0.7	-1.5	-0.4	0.1	-0.3	1.0	0.6	2.5	1.7	1.8	1.3	0.7	0.8	1.3	1.1	0.8	0.9	-0.8	-1.1	-2.5	-2.3	-2.5	-2.4	-1.7	-1.9	-2.2	
US CPI Recreation Commodities NSA YoY (4%)	-1.3	-0.8	-1.4	-1.7	-1.7	-1.0	-0.9	-1.4	-0.9	-0.2	0.7	0.8	-0.9	-1.1	-0.4	-1.1	-2.0	-2.1	-2.1	-1.3	-0.4	-0.8	-1.3	-1.0	-0.2	-0.2	0.3	0.8	2.9	3.5	3.2	
US CPI Education & Communication Commodities NSA YoY (0%)	-3.3	-4.5	-4.7	-4.4	-5.0	-6.0	-6.1	-4.1	-3.4	-4.7	-5.2	-4.2	-6.0	-6.4	-5.2	-4.7	-3.8	-3.5	-3.0	-4.3	-4.8	-6.0	-5.0	-4.3	-2.5	-1.9	-2.7	-4.9	-2.2	-1.4	-1.2	
US CPI Urban Consumers Alcoholic Beverages NSA YoY (2%)	1.8	1.8	1.8	1.5	1.2	1.6	1.5	1.9	2.0	1.3	1.0	0.5	0.5	0.8	0.9	1.4	1.9	2.2	2.2	1.5	1.7	1.8	2.3	3.0	2.8	2.4	2.0	2.0	1.9	1.6	1.9	
US CPI Urban Consumers Services Less Energy Services NSA YoY (9%)	2.9	2.8	2.7	2.7	2.8	2.7	2.8	2.8	2.9	2.9	3.0	3.0	3.0	3.1	3.1	2.8	2.2	2.0	1.9	2.3	2.2	1.9	1.7	1.7	1.6	1.3	1.3	1.6	2.5	2.9	3.1	
US CPI Urban Consumers Shelter NSA YoY (5%)	3.2	3.2	3.4	3.4	3.4	3.3	3.5	3.5	3.4	3.5	3.3	3.3	3.2	3.3	3.3	3.0	2.6	2.5	2.4	2.3	2.3	2.0	2.0	1.9	1.8	1.6	1.5	1.7	2.1	2.2	2.6	
US CPI Urban Consumers Water and Sewer and Trash Collection Services NSA YoY (0%)	4.5	3.7	3.5	3.6	3.6	3.3	3.3	3.3	3.0	3.1	3.3	2.3	2.2	3.0	3.2	3.2	3.0	2.9	2.9	3.0	3.4	3.4	3.3	3.3	3.6	3.6	3.6	3.5	3.6	3.4	3.6	
CPI All Urban Consumers Household Operations Not Seasonally Adjusted 1997=100 YoY (0%)	6.8	5.6	3.8	3.4	3.9	2.7	5.2	5.4	5.4	5.2	5.5	5.4	3.5	3.2	4.3	4.5	3.9	4.5	1.8	1.5	2.1	2.7	2.7	2.2	4.1	4.7	4.3	4.3	4.9	8.3	7.2	
US CPI Urban Consumers Medical Care Services NSA YoY (2%)	2.6	2.4	2.4	2.3	2.3	2.8	2.8	3.3	4.3	4.4	5.1	5.1	5.1	5.1	5.3	5.5	5.8	5.9	6.0	5.9	5.3	4.9	3.7	3.2	2.8	2.9	3.0	2.7	2.2	1.5	1.0	
US CPI Urban Consumers Transportation Services NSA YoY (9%)	2.8	2.0	1.1	1.0	1.1	1.1	0.9	0.7	0.9	0.8	0.8	0.6	0.7	1.2	-0.7	-5.5	-8.7	-7.0	-3.7	-4.0	-5.1	-5.1	-3.4	-3.5	-4.1	-4.4	-1.6	5.6	11.2	10.4		
US CPI Recreation Services NSA YoY (0%)	2.3	2.4	2.2	2.6	3.1	2.2	1.7	1.7	2.2	1.6	2.3	2.4	2.7	2.6	2.3	2.4	2.4	4.3	3.4	2.1	2.2	2.7	2.6	2.6	1.6	0.3	1.1	1.2	1.8	0.6	1.9	
US CPI Education & Communication Services NSA YoY (0%)	0.5	0.7	1.1	1.3	1.5	1.3	1.2	1.0	1.0	0.9	1.1	1.9	2.0	2.2	2.1	2.1	2.1	2.0	1.8	2.9	2.9	2.8	2.7	2.4	2.3	2.0	2.1	2.0	2.0	4.2	2.4	
US Personal Consumption Expenditures Chain Type Price Index SA YoY (9%)	1.9	1.5	1.4	1.5	1.6	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.6	1.9	1.8	1.3	0.5	0.5	0.9	1.0	1.2	1.4	1.2	1.1	1.2	1.4	1.6	2.4	3.6	3.9		
US Personal Consumption Expenditures Ex Food & Energy Deflator SA YoY (8%)	2.1	1.8	1.7	1.6	1.7	1.6	1.7	1.7	1.9	1.7	1.7	1.6	1.6	1.8	1.9	1.7	0.9	1.0	1.1	1.3	1.4	1.5	1.4	1.3	1.4	1.4	1.4	1.9	3.1	3.4		
ISM Manufacturing Report on Business Prices Index NSA (2%)	54.9	49.6	49.4	54.3	50.0	53.2	47.9	45.1	46.0	49.7	45.5	46.7	51.7	53.3	45.9	37.4	35.3	40.8	51.3	53.2	59.5	62.8	65.5	65.4	77.6	82.1	86.0	85.6	89.6	88.0	92.1	
ISM Services PMI Report on Business Prices SA (0%)	58.7	59.0	55.7	58.4	56.5	56.5	58.6	57.0	57.8	58.5	56.3	56.8	59.1	55.8	52.3	50.9	56.1	56.4	62.1	57.6	63.4	58.0	62.7	63.9	64.4	64.2	71.8	74.0	76.8	80.6	79.5	
Data Source: Bloomberg. Intellectual Property of 42 Macro LLC. Nowcast feature weights are dynamically retrained monthly according to the relative strength of the first difference regressions between the independent and the dependent variables.																																

US VALUATION Overlay

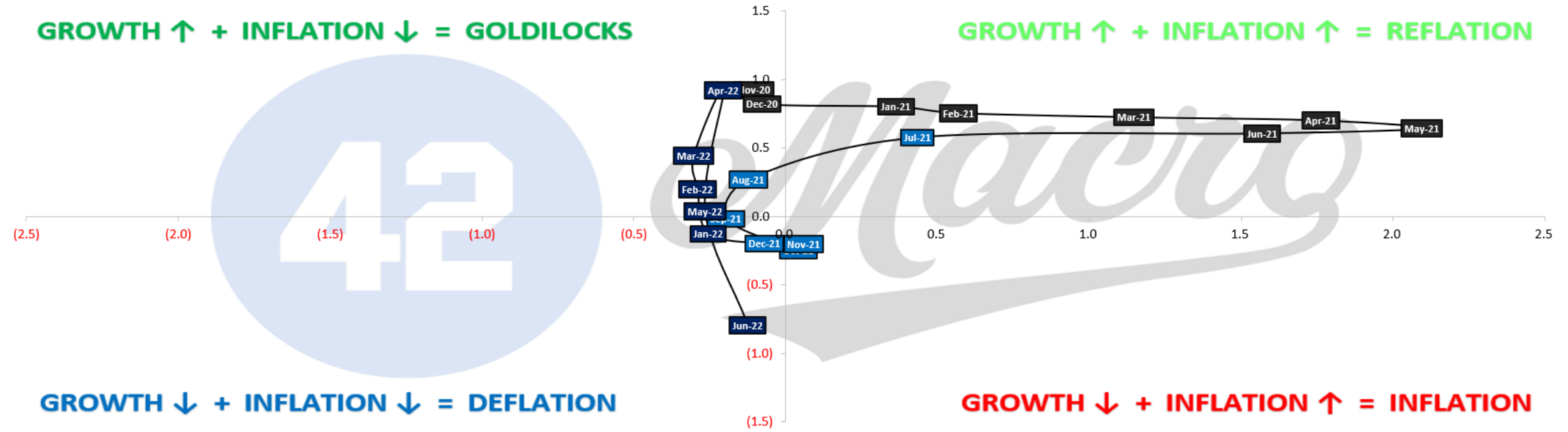
42 Macro Asset Market VALUATION Overlay																																												
United States	Jun-00	Dec-00	Jun-01	Dec-01	Jun-02	Dec-02	Jun-03	Dec-03	Jun-04	Dec-04	Jun-05	Dec-05	Jun-06	Dec-06	Jun-07	Dec-07	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13	Dec-13	Jun-14	Dec-14	Jun-15	Dec-15	Jun-16	Dec-16	Jun-17	Dec-17	Jun-18	Dec-18	Jun-19	Dec-19	Jun-20	Dec-20	Jun-21	
NTM P/E Ratio Spread 1yr Z-Score				-1.6	-0.2	0.1	1.2	-2.1	-0.2	1.2	1.7	0.0	-1.2	-2.1	-0.6	0.4	0.2	-0.6	-1.3	-0.5	0.7	1.5	0.7	0.5	1.6	-1.7	1.3	1.0	1.3	1.3	1.3	0.6	2.2	0.2	1.5	1.3	-0.7	-1.3	0.8	1.4	1.1	-0.1	1.7	
REER 1yr Z-Score			1.4	0.8	-0.9	-0.9	-2.5	-1.5	0.5	-2.0	-0.3	1.3	-2.2	-2.1	-1.4	-2.1	-1.0	2.1	0.1	-1.5	0.7	-1.8	-1.1	1.4	1.5	-0.6	0.3	0.0	0.4	2.2	1.1	1.3	0.2	2.1	-0.1	-0.9	0.8	1.4	1.7	0.3	1.7	-1.3	-0.6	
10yr Spread vs. Barclays Global Agg YTW 1yr Z-Score			1.3	0.1	-0.7	0.0	0.5	0.9	0.5	0.3	-1.2	-1.3	-0.1	-1.2	-1.0	-1.8	-1.5	-2.3	1.8	1.5	-0.7	0.2	-0.2	-1.2	-0.5	1.4	1.7	1.7	0.5	-1.8	0.2	0.3	-1.3	2.1	0.2	0.3	0.3	-2.4	-1.4	-0.3	-1.0	1.0	0.7	
Communication Services MSCI Index Weight	5%	6%	11%	10%	4%	4%	4%	3%	3%	3%	3%	3%	3%	3%	4%	3%	3%	4%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	2%	2%	3%	3%	3%	2%	2%	2%	10%	10%	11%	11%	11%	11%	
Consumer Discretionary MSCI Index Weight	13%	12%	14%	13%	14%	14%	12%	12%	12%	13%	13%	12%	12%	12%	12%	10%	9%	9%	10%	10%	11%	12%	12%	12%	12%	13%	13%	13%	13%	13%	14%	14%	13%	13%	13%	13%	14%	11%	11%	10%	12%	13%	13%	
Consumer Staples MSCI Index Weight	6%	8%	7%	7%	9%	9%	11%	11%	11%	10%	10%	9%	9%	9%	9%	10%	11%	13%	12%	12%	12%	11%	11%	12%	12%	11%	11%	10%	10%	10%	10%	10%	11%	10%	10%	9%	7%	8%	8%	7%	7%	7%	6%	
Energy MSCI Index Weight	5%	5%	5%	5%	6%	6%	6%	6%	6%	7%	8%	9%	9%	9%	10%	12%	15%	13%	12%	11%	11%	12%	12%	12%	11%	11%	10%	10%	11%	8%	8%	6%	7%	7%	6%	6%	5%	5%	4%	3%	2%	3%		
Financials MSCI Index Weight	12%	16%	16%	18%	20%	20%	21%	21%	21%	21%	21%	21%	22%	22%	21%	17%	14%	14%	14%	15%	16%	16%	15%	13%	15%	15%	16%	16%	16%	16%	16%	16%	15%	14%	14%	15%	14%	13%	13%	13%	10%	10%	11%	
Health Care MSCI Index Weight	13%	15%	13%	14%	14%	15%	15%	13%	13%	13%	13%	13%	12%	12%	11%	12%	12%	15%	13%	12%	12%	11%	11%	12%	11%	11%	12%	12%	13%	14%	15%	15%	14%	13%	14%	13%	13%	15%	14%	14%	14%	13%	13%	
Industrials MSCI Index Weight	10%	11%	11%	11%	12%	11%	10%	11%	11%	11%	10%	11%	11%	10%	11%	11%	11%	11%	10%	10%	10%	11%	11%	10%	10%	10%	10%	11%	10%	10%	10%	10%	10%	10%	10%	10%	9%	10%	9%	8%	8%	9%		
Information Technology MSCI Index Weight	32%	21%	18%	17%	15%	15%	17%	18%	17%	16%	15%	16%	15%	15%	16%	17%	16%	15%	18%	19%	19%	19%	18%	19%	20%	19%	18%	18%	19%	19%	19%	20%	20%	20%	22%	24%	26%	20%	22%	23%	27%	28%	28%	
Materials MSCI Index Weight	2%	2%	2%	2%	3%	3%	2%	3%	3%	3%	3%	3%	3%	3%	3%	3%	4%	3%	3%	4%	3%	4%	4%	4%	3%	4%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	2%	2%	2%	
Real Estate MSCI Index Weight											1%	1%	2%	2%	2%	1%	1%	1%	1%	1%	2%	2%	2%	2%	3%	3%	3%	2%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	2%	3%	
Utilities MSCI Index Weight	2%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	4%	4%	4%	4%	4%	3%	3%	4%	4%	3%	3%	3%	3%	3%	3%	3%	3%	4%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	2%

Data Source: Bloomberg. Intellectual Property of 42 Macro LLC. Color coding endemic to each indicator.

Global GRID Outlook: Heading For A Soft Patch In GROWTH Later This Summer

World		Actuals																								Projections											
42 Macro GRID Framework		Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22					
Macro Regime		I	I	I	D	D	D	G	R	R	R	G	G	G	R	R	R	R	R	R	R	G	D	I	I	D	D	G	G	G	G	D					
Conditional Probability of GOLDILOCKS		8%	2%	8%	2%	2%	2%	92%	20%	3%	23%	60%	58%	54%	28%	3%	2%	2%	2%	2%	13%	52%	31%	9%	12%	16%	24%	52%	68%	64%	39%	3%					
Conditional Probability of REFLATION		40%	38%	36%	1%	0%	0%	3%	78%	95%	74%	36%	38%	40%	68%	93%	95%	95%	94%	93%	78%	33%	16%	11%	15%	12%	10%	20%	24%	31%	16%	2%					
Conditional Probability of INFLATION		44%	57%	47%	36%	2%	2%	0%	2%	2%	2%	1%	2%	3%	3%	4%	3%	3%	4%	5%	7%	6%	18%	45%	41%	31%	19%	8%	2%	1%	13%	36%					
Conditional Probability of DEFLATION		8%	4%	10%	62%	95%	95%	5%	1%	0%	1%	2%	3%	4%	1%	0%	0%	0%	0%	0%	1%	10%	35%	35%	32%	41%	47%	21%	6%	3%	32%	58%					
OECD CLI (Real GDP YoY Proxy)		99.0	99.0	95.8	94.1	89.3	92.7	95.7	97.4	98.4	98.7	99.0	99.3	99.5	99.8	100.0	100.3	100.5	100.7	100.9	101.1	100.9	100.9	100.8	100.7	100.7	100.7	100.9	101.1	101.6	101.0	100.3					
3mo Δ		-0.1	-0.1	-3.2	-4.9	-9.6	-3.2	1.6	8.1	5.7	3.0	1.6	0.9	0.8	0.8	0.8	0.7	0.7	0.6	0.6	0.6	0.3	0.0	-0.2	-0.2	-0.2	-0.1	0.2	0.4	0.9	0.0	-0.8					
Headline CPI YoY		2.2	2.4	2.3	1.7	0.8	0.7	1.1	1.2	1.3	1.3	1.2	1.2	1.2	1.6	1.7	2.4	3.3	3.8	4.0	3.7	3.7	3.8	3.8	3.8	3.7	3.5	3.5	3.4	3.3	3.2	3.3					
3mo Δ		0.5	0.7	0.4	-0.4	-1.5	-1.6	-0.7	0.4	0.6	0.2	0.0	-0.1	-0.1	0.4	0.6	1.1	1.8	2.1	1.6	0.4	-0.1	-0.2	0.0	0.1	-0.1	-0.3	-0.3	-0.3	-0.2	-0.3	-0.1					

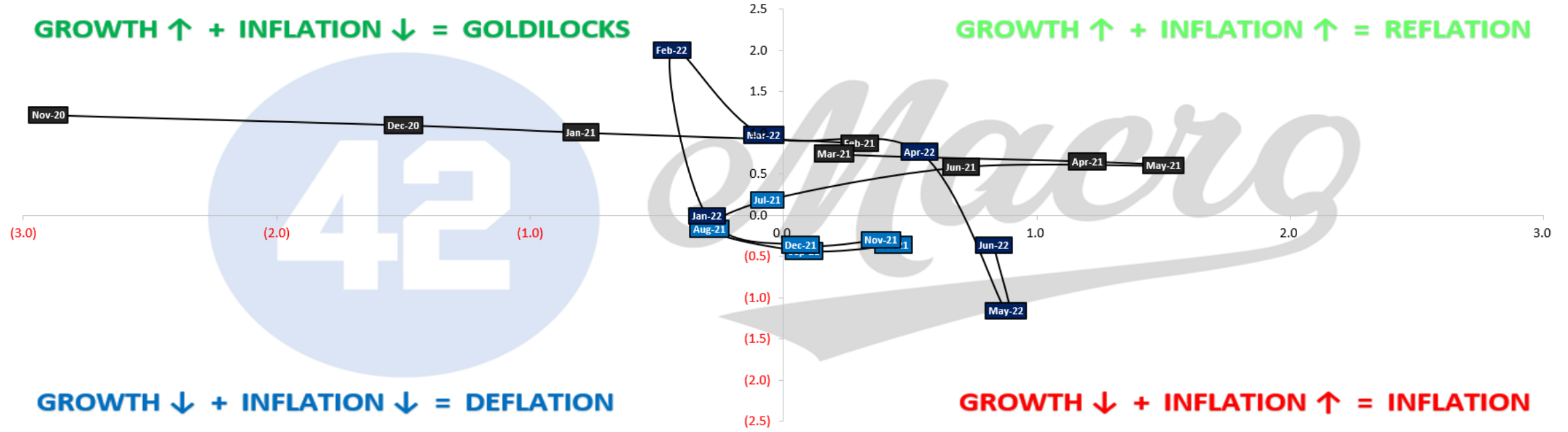
→ x-axis: 3mo Δ of Headline CPI YoY; y-axis: 3mo Δ of OECD CLI (Real GDP YoY Proxy)



China GRID Outlook: Slowing GROWTH Accelerating To The Downside

China		Actuals																		Projections													
42 Macro GRID Framework		Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	
Macro Regime		I	I	I	D	D	G	G	G	G	G	G	G	G	G	R	R	R	R	R	G	D	I	I	I	I	D	G	G	R	I	I	
Conditional Probability of GOLDILOCKS		2%	2%	3%	1%	2%	95%	95%	78%	77%	85%	94%	93%	93%	60%	42%	32%	12%	5%	18%	32%	25%	8%	6%	9%	10%	33%	68%	50%	22%	1%	3%	
Conditional Probability of REFLATION		40%	38%	46%	1%	0%	2%	2%	20%	20%	13%	2%	2%	3%	25%	55%	64%	80%	73%	54%	29%	16%	9%	15%	18%	11%	17%	28%	45%	72%	4%	19%	
Conditional Probability of INFLATION		55%	57%	47%	43%	2%	0%	0%	1%	1%	0%	0%	0%	0%	5%	1%	2%	7%	20%	21%	19%	23%	44%	55%	48%	41%	17%	1%	3%	4%	85%	69%	
Conditional Probability of DEFLATION		3%	3%	3%	55%	95%	2%	2%	2%	2%	3%	4%	4%	4%	11%	1%	1%	1%	1%	7%	21%	36%	40%	23%	24%	37%	34%	3%	3%	1%	11%	9%	
OECD CLI (Real GDP YoY Proxy)		97.5	97.5	83.6	88.2	91.8	94.8	96.4	97.9	99.4	99.9	100.3	100.7	101.0	101.3	101.5	101.7	101.9	102.1	102.3	102.1	102.0	101.9	101.8	101.7	101.5	101.8	103.7	102.5	102.5	102.5	102.1	
3mo Δ		-0.2	-0.1	-13.9	-9.3	-5.7	11.2	8.1	6.1	4.6	3.5	2.4	1.2	1.1	1.0	0.9	0.7	0.7	0.6	0.6	0.2	-0.2	-0.4	-0.4	-0.3	-0.4	0.0	2.0	1.0	0.8	-1.2	-0.4	
Headline CPI YoY		4.5	5.4	5.2	4.3	3.3	2.4	2.5	2.7	2.4	1.7	0.5	-0.5	0.2	-0.3	-0.2	0.4	0.9	1.3	1.1	0.8	1.0	1.2	1.3	1.4	1.2	1.0	1.0	1.2	1.5	1.8	2.0	
3mo Δ		1.5	1.6	0.7	-0.2	-2.1	-2.8	-1.8	-0.6	0.0	-0.8	-2.2	-2.9	-1.5	-0.8	0.3	0.2	1.2	1.5	0.7	-0.1	-0.3	0.1	0.4	0.4	0.1	-0.3	-0.4	-0.1	0.5	0.9	0.8	

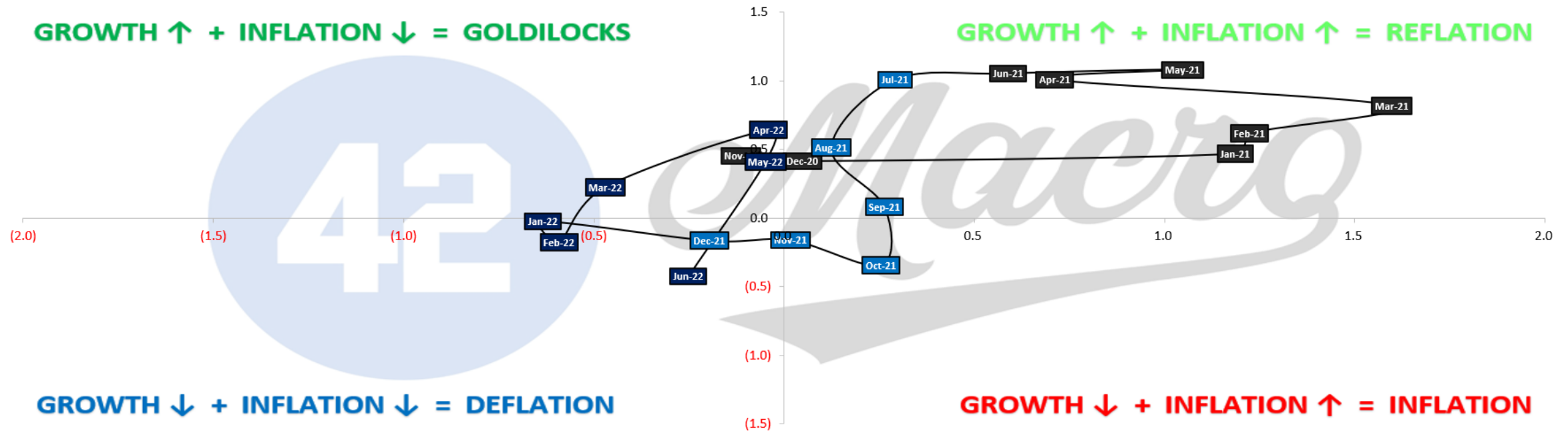
—x-axis: 3mo Δ of Headline CPI YoY; y-axis: 3mo Δ of OECD CLI (Real GDP YoY Proxy)



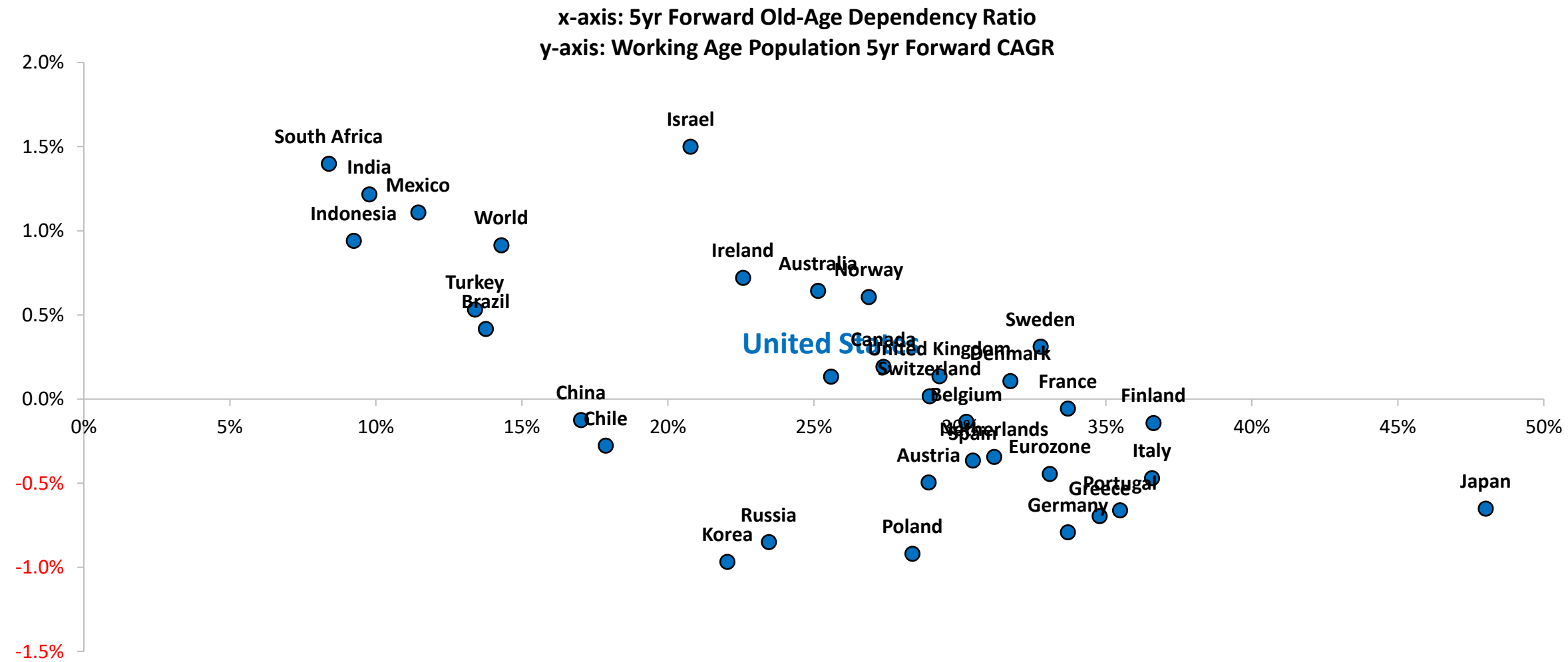
Eurozone GRID Outlook: Transitioning From “R” To “I” This Fall

Eurozone		Actuals																				Projections											
42 Macro GRID Framework		Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	
Macro Regime		I	I	I	D	D	D	G	R	G	G	G	G	R	R	R	R	R	R	R	R	R	R	I	I	D	D	D	G	G	G	D	
Conditional Probability of GOLDILOCKS		9%	4%	10%	4%	2%	2%	72%	45%	73%	80%	84%	33%	35%	16%	2%	2%	7%	3%	9%	26%	34%	16%	8%	19%	26%	44%	35%	54%	48%	43%	11%	
Conditional Probability of REFLATION		40%	46%	31%	1%	0%	0%	8%	53%	25%	18%	6%	27%	60%	64%	87%	95%	90%	94%	89%	69%	53%	40%	18%	20%	13%	4%	4%	11%	43%	38%	5%	
Conditional Probability of INFLATION		42%	46%	45%	17%	2%	2%	2%	1%	1%	0%	1%	18%	3%	17%	11%	2%	2%	2%	2%	4%	8%	32%	52%	31%	20%	5%	6%	6%	4%	9%	25%	
Conditional Probability of DEFLATION		9%	4%	14%	78%	95%	95%	18%	1%	2%	2%	9%	22%	2%	4%	0%	0%	0%	0%	0%	1%	5%	13%	22%	29%	40%	47%	55%	29%	5%	10%	59%	
OECD CLI (Real GDP YoY Proxy)		99.5	99.4	99.3	96.1	90.7	93.2	96.9	97.7	98.1	98.3	98.5	98.6	98.7	98.9	99.2	99.6	99.9	100.3	100.6	100.9	100.8	100.7	100.6	100.6	100.5	100.6	100.5	100.7	101.2	100.9	100.3	
3mo Δ		-0.1	-0.2	-0.3	-3.4	-8.8	-6.1	0.8	7.0	4.9	1.4	0.7	0.5	0.4	0.5	0.6	0.8	1.0	1.1	1.1	1.0	0.5	0.1	-0.3	-0.2	-0.2	0.0	-0.2	0.2	0.6	0.4	-0.4	
Headline CPI YoY		1.3	1.4	1.2	0.7	0.3	0.1	0.3	0.4	-0.2	-0.3	-0.3	-0.3	-0.3	0.9	0.9	1.3	1.6	2.0	1.9	1.9	2.1	2.2	2.2	2.1	2.0	1.5	1.5	1.5	1.5	1.5	1.3	
3mo Δ		0.5	0.6	0.3	-0.6	-1.0	-1.1	-0.5	0.1	-0.3	-0.6	-0.7	-0.1	0.0	1.2	1.2	1.6	0.7	1.0	0.6	0.3	0.1	0.3	0.3	0.0	-0.2	-0.6	-0.6	-0.5	0.0	0.0	-0.3	

— x-axis: 3mo Δ of Headline CPI YoY; y-axis: 3mo Δ of OECD CLI (Real GDP YoY Proxy)

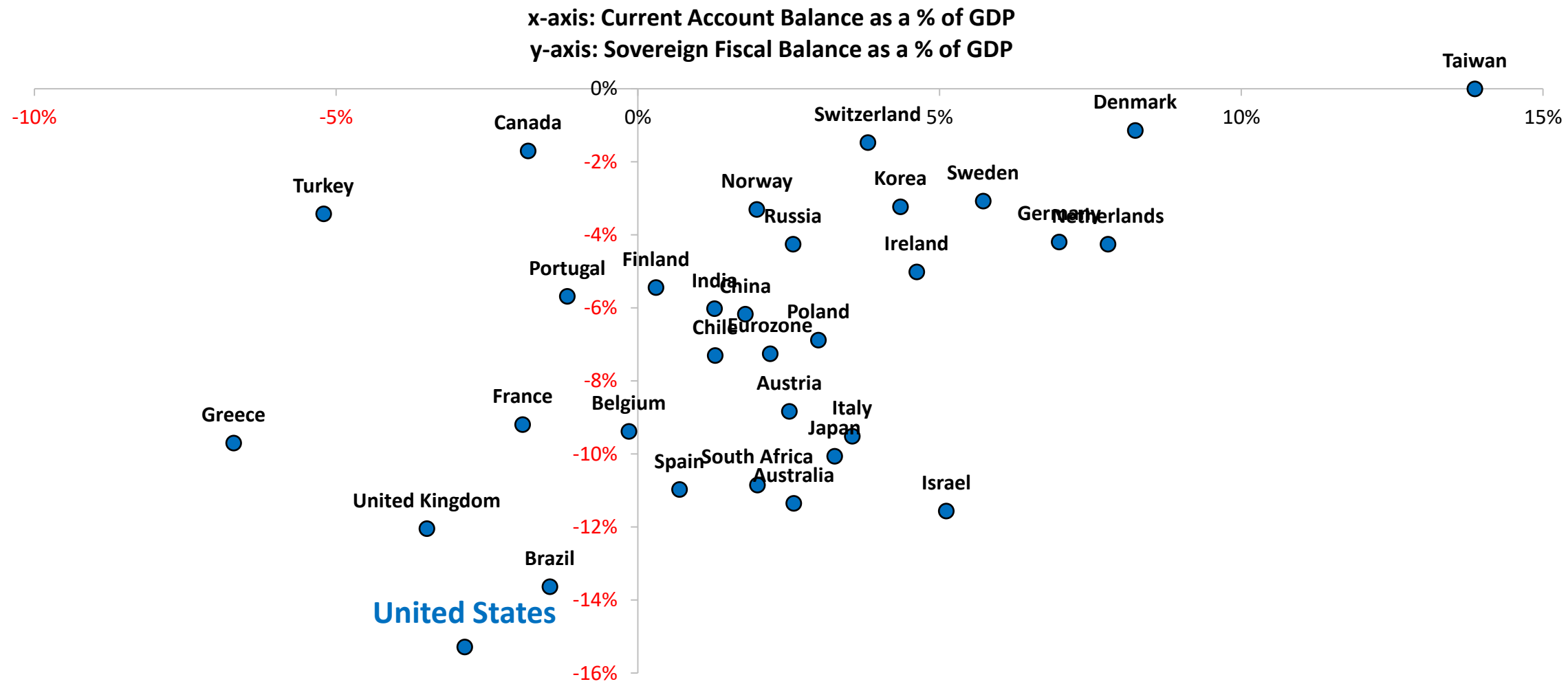


DEMOGRAPHICS: Still Disinflationary Across The Developed World



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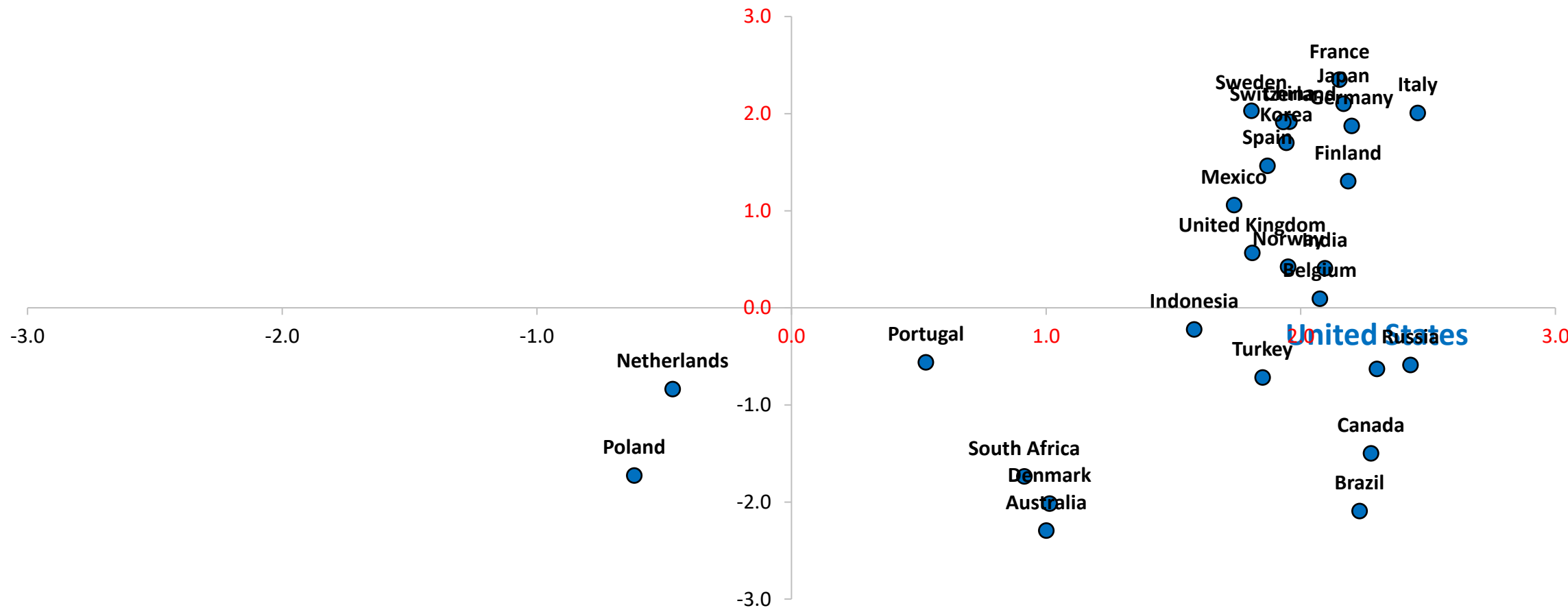
BALANCE OF PAYMENTS: Who/What Will Be Called Upon To Finance Bipartisan Populism In The US?



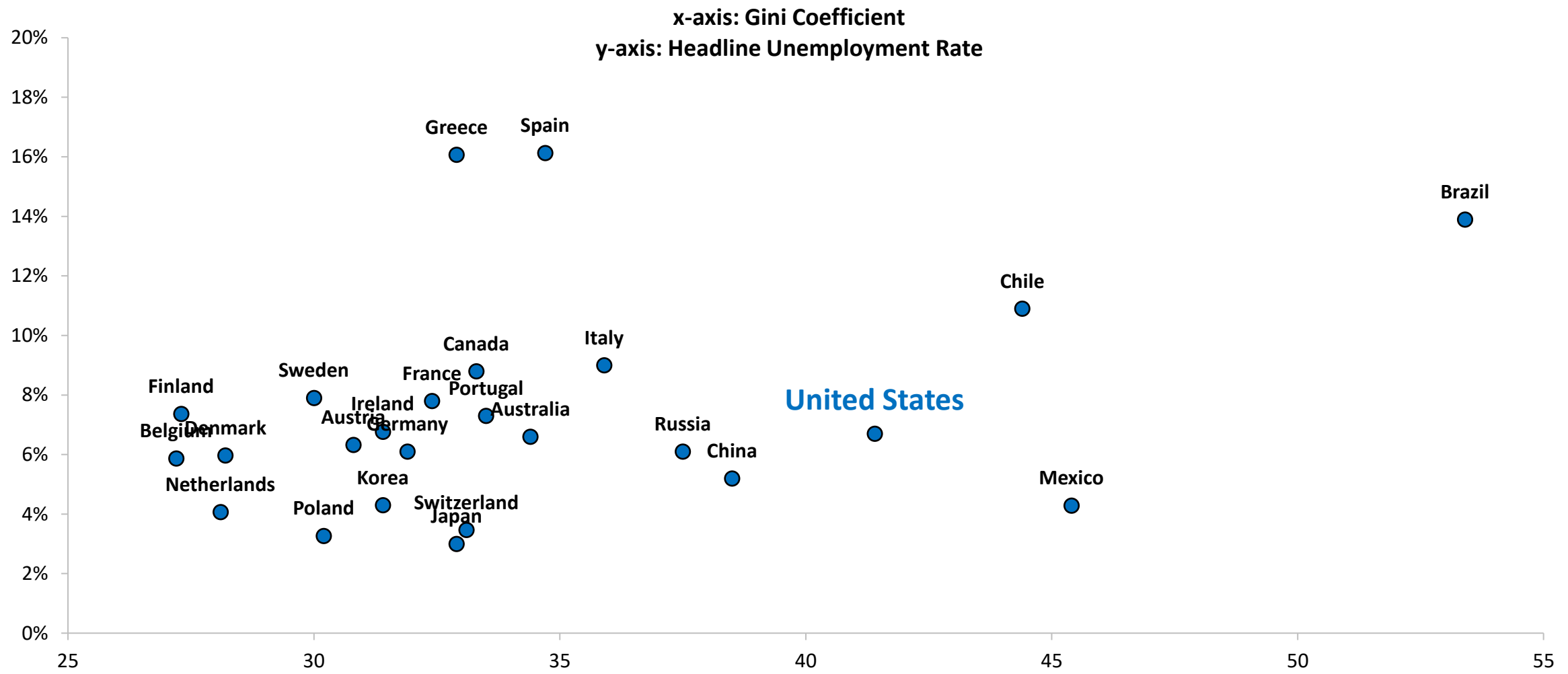
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LEVERAGE: In Line With Past Cycles, “Extend And Pretend” Was The Global POLICY Response To The COVID Crisis As Well

x-axis: Private Nonfinancial Sector Credit/GDP Ratio 3yr Z-Score
y-axis: Private Nonfinancial Sector Debt Service Ratio 3yr Z-Score

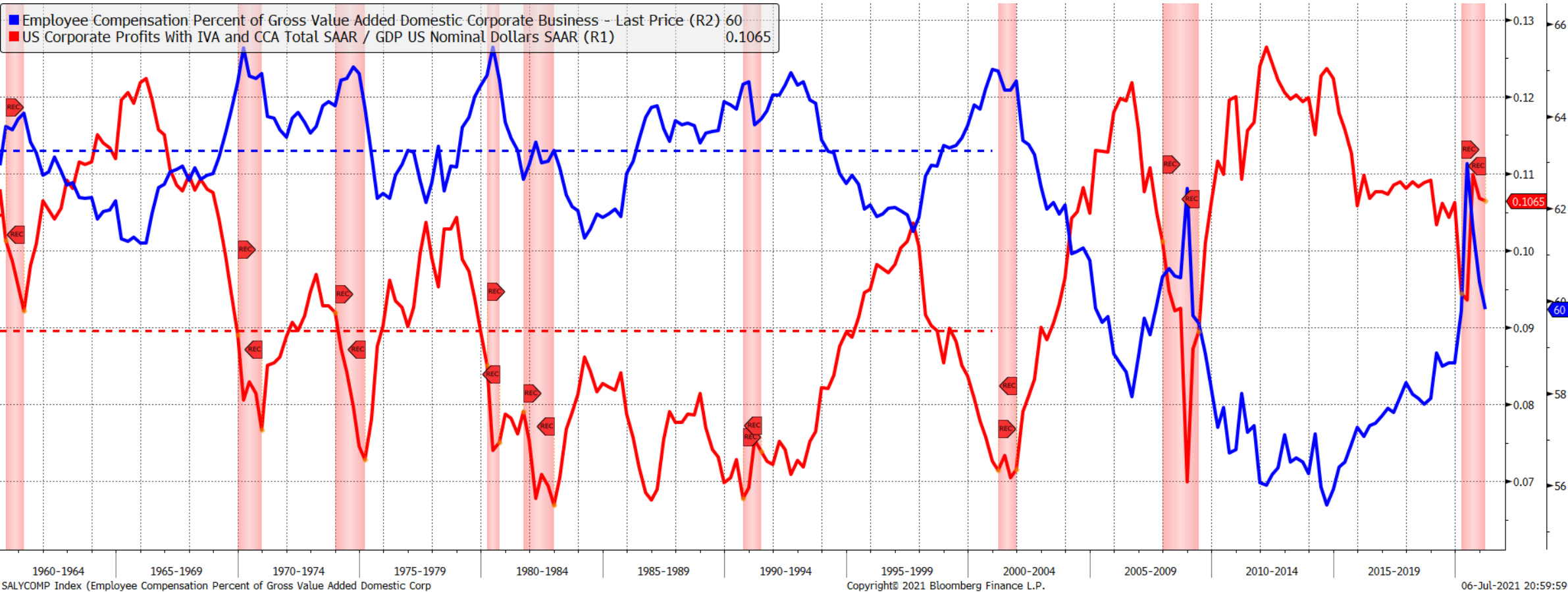


POLITICS: The Drivers Of Populism Suggest The US Has Become An Emerging Market From A Political Risk Perspective



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The Most Important Chart In Macro Proves Why [Inflationary] Populism Has Bi-Partisan Support In The US

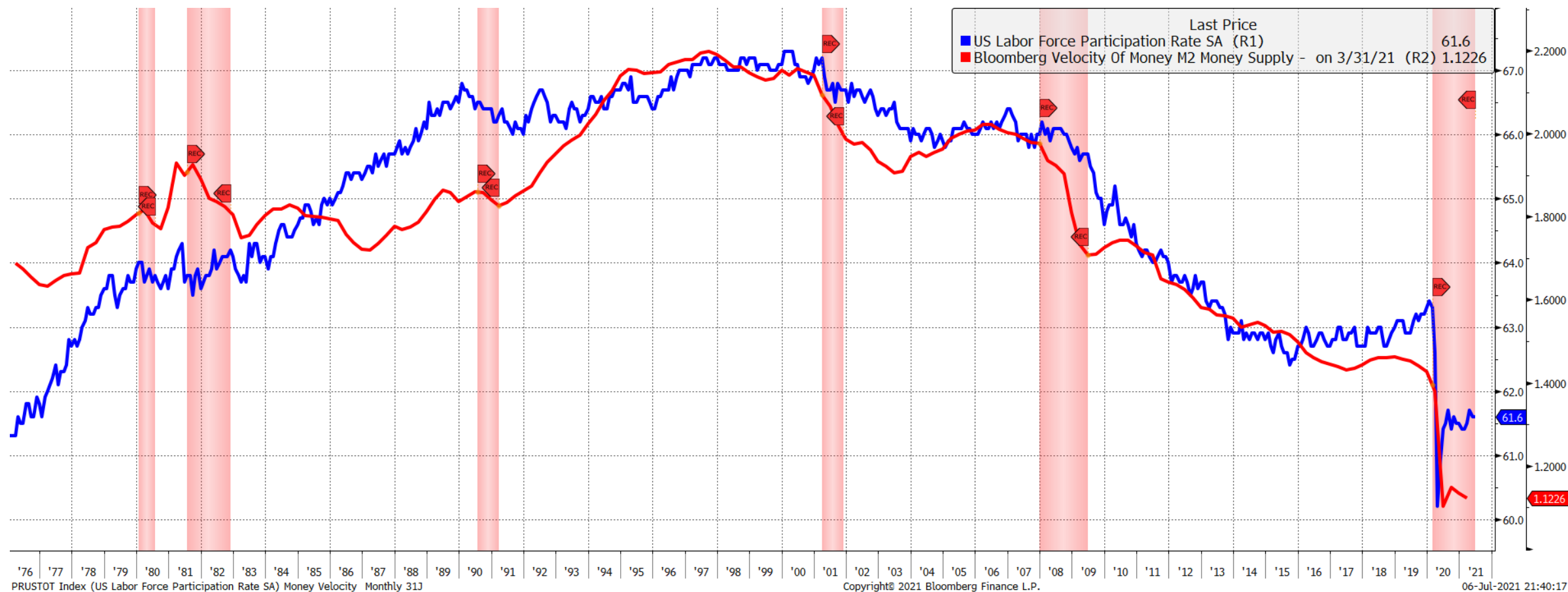


The Ratio Of Cyclical To Defensives Suggests We May Have Already Undergone A Phase Transition In The Secular Market Regime... Too Much Too Soon, However?



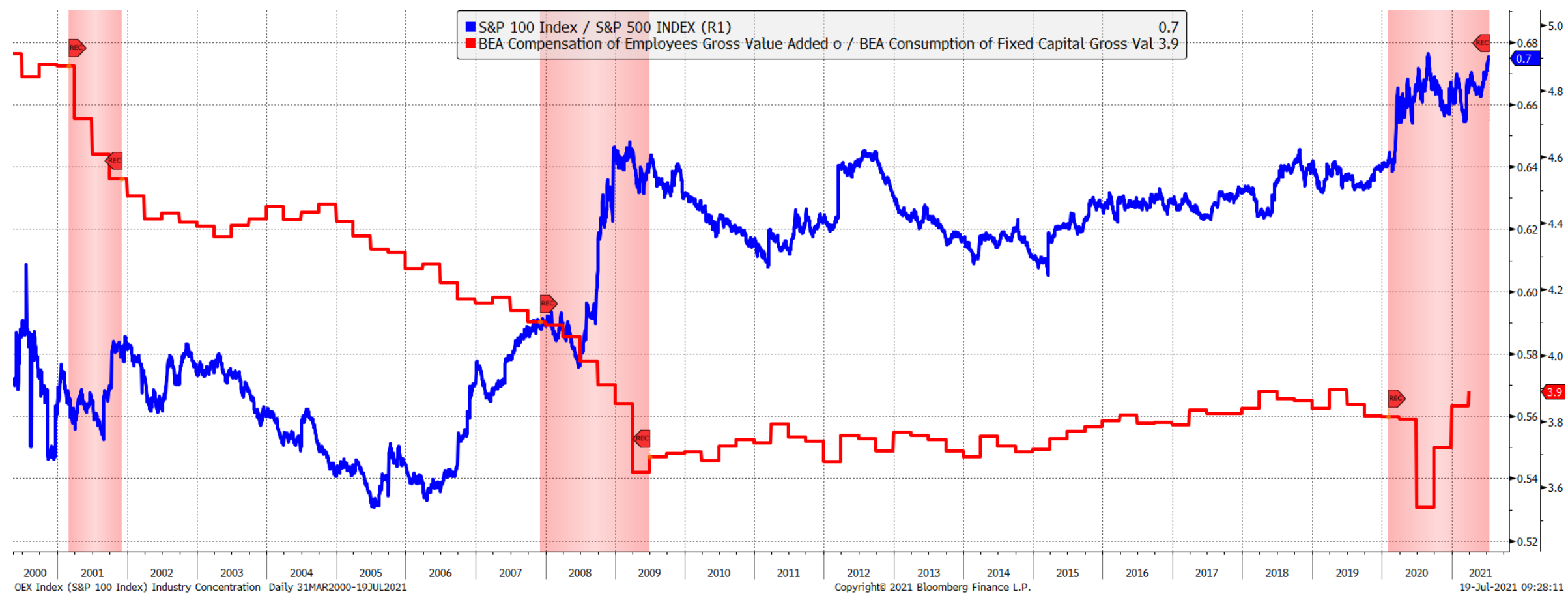
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The Secular Drivers Of US Disinflation Are Still Intact



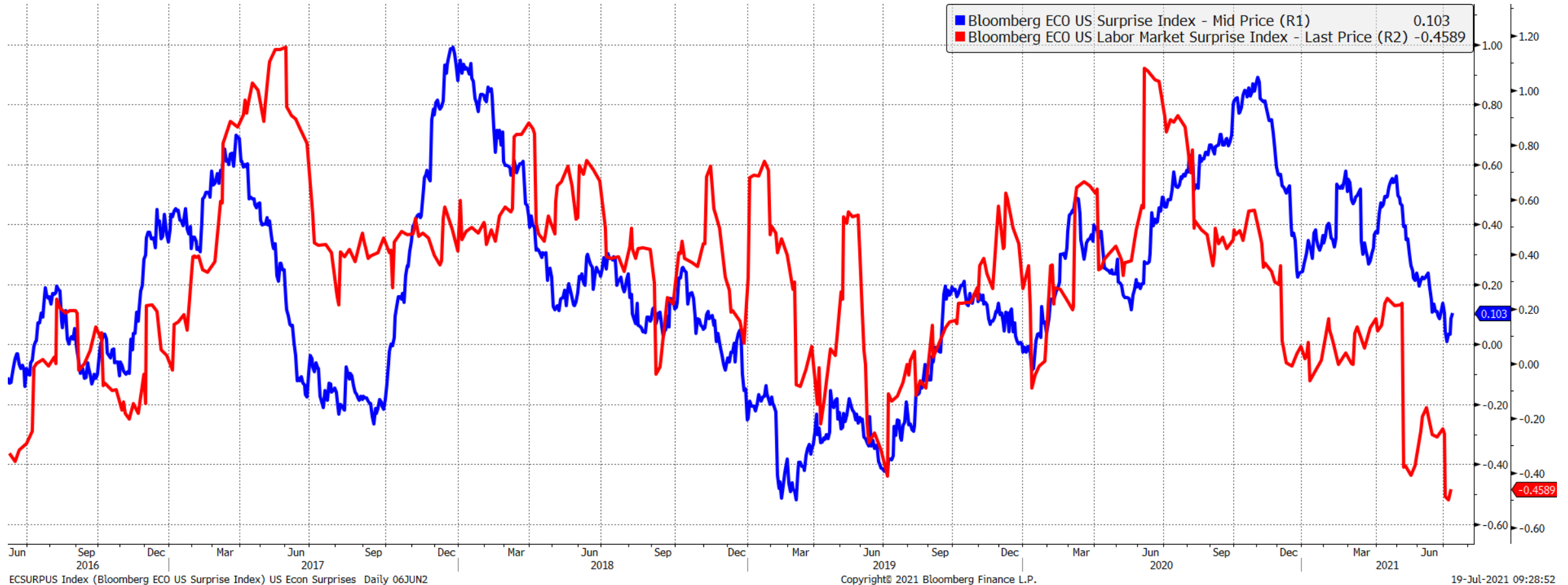
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Corporate America Continues To Be Dominated By Monopsonies And A Broad-Based Preference For Capital Expenditures Over Labor



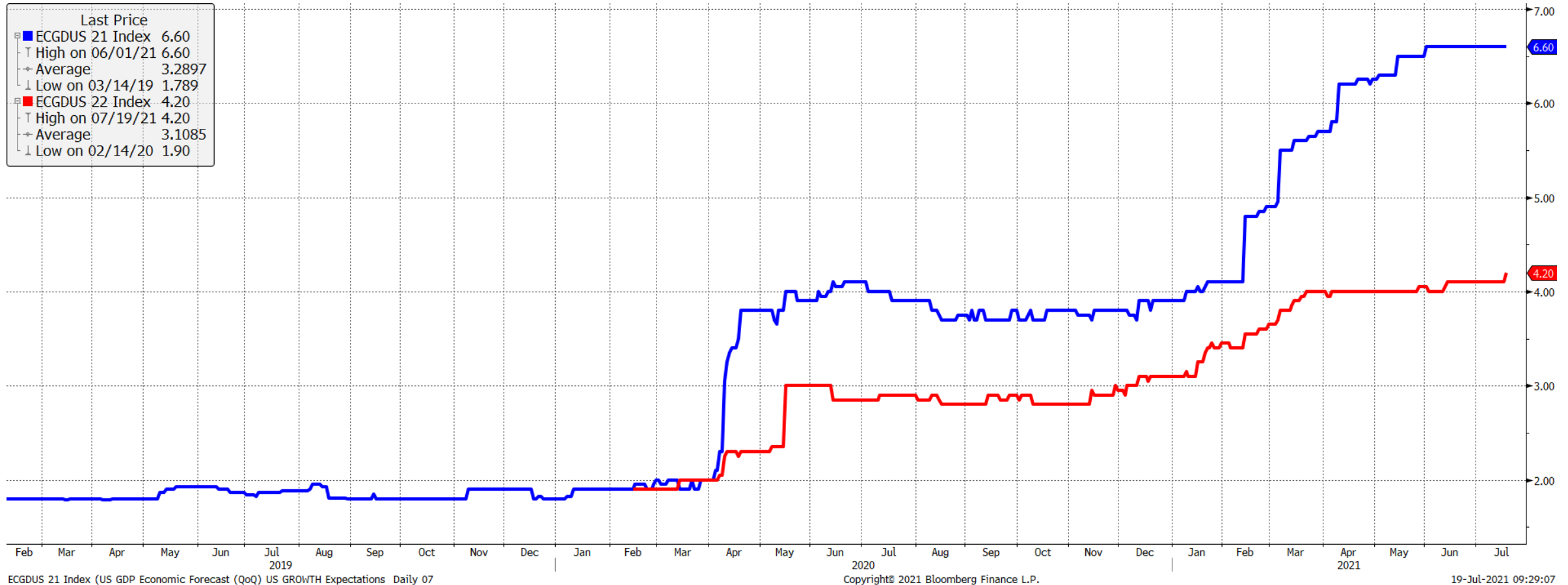
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US Economic Surprises Are Likely To Be Persistently Negative Throughout 2H21E, Which May Catalyze Earnings Disappointments As Well

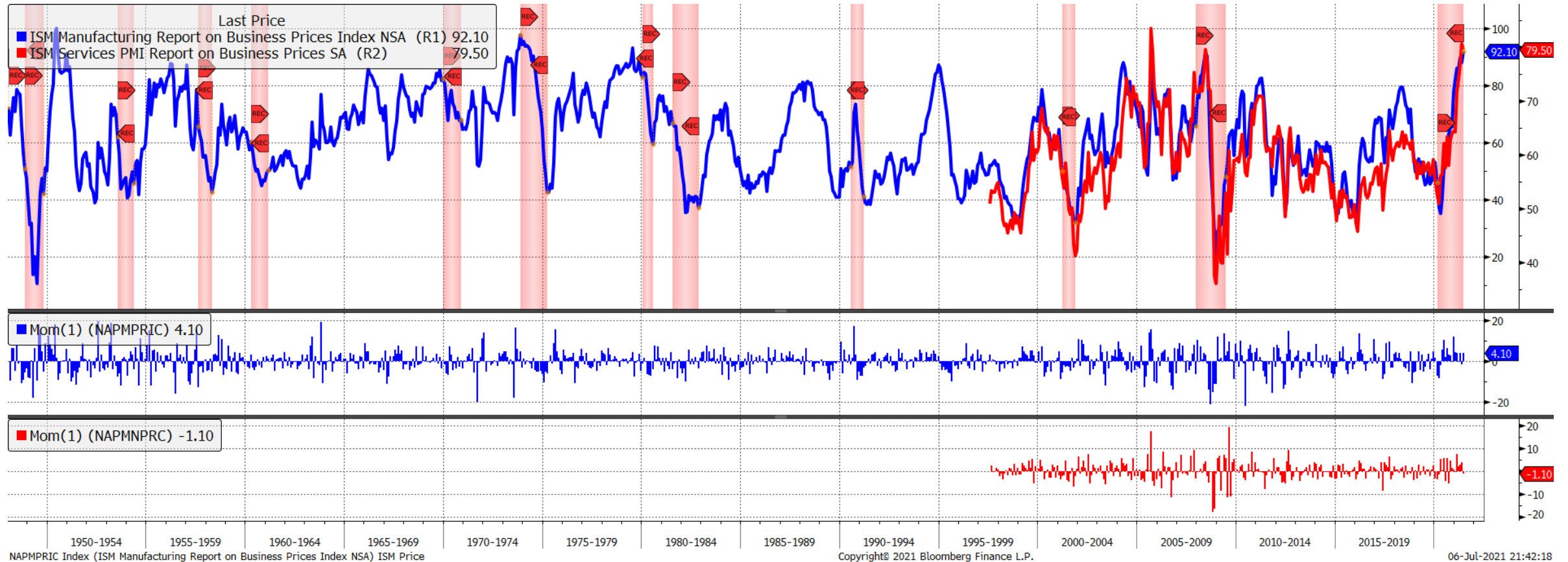


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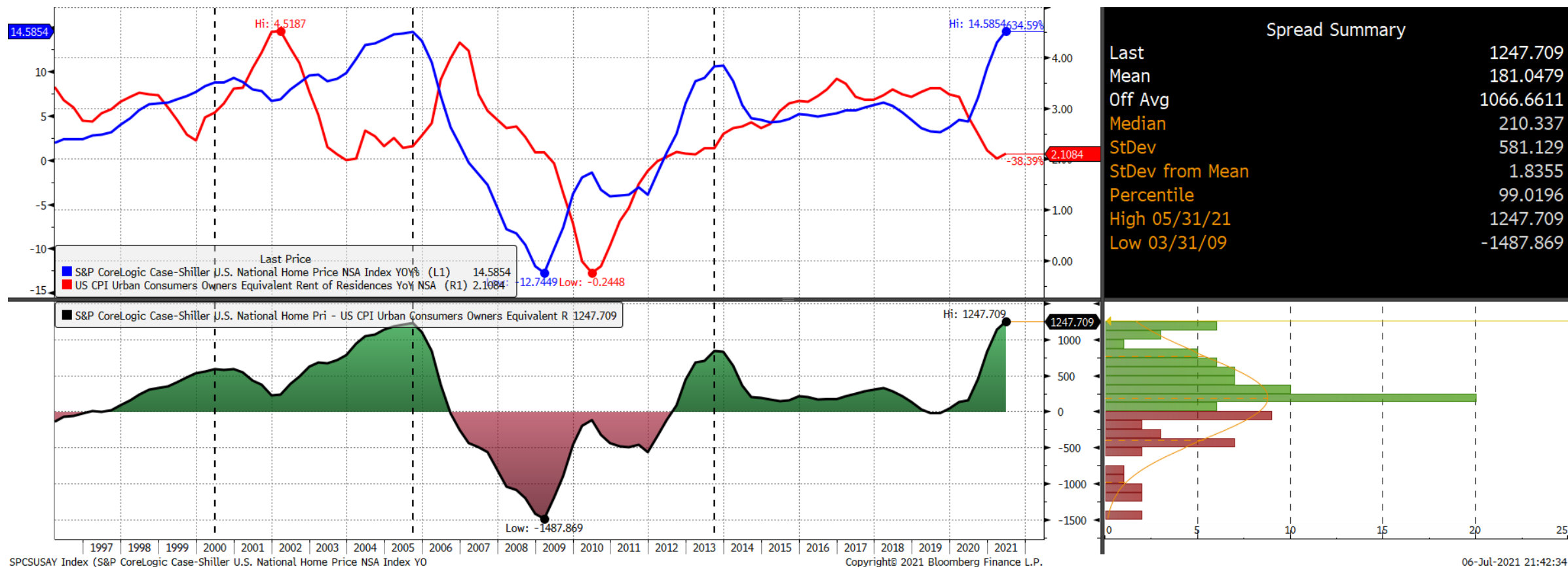
... Especially With GROWTH Expectations This Elevated And Unlikely To Be Downwardly Revised By A Meaningful Degree



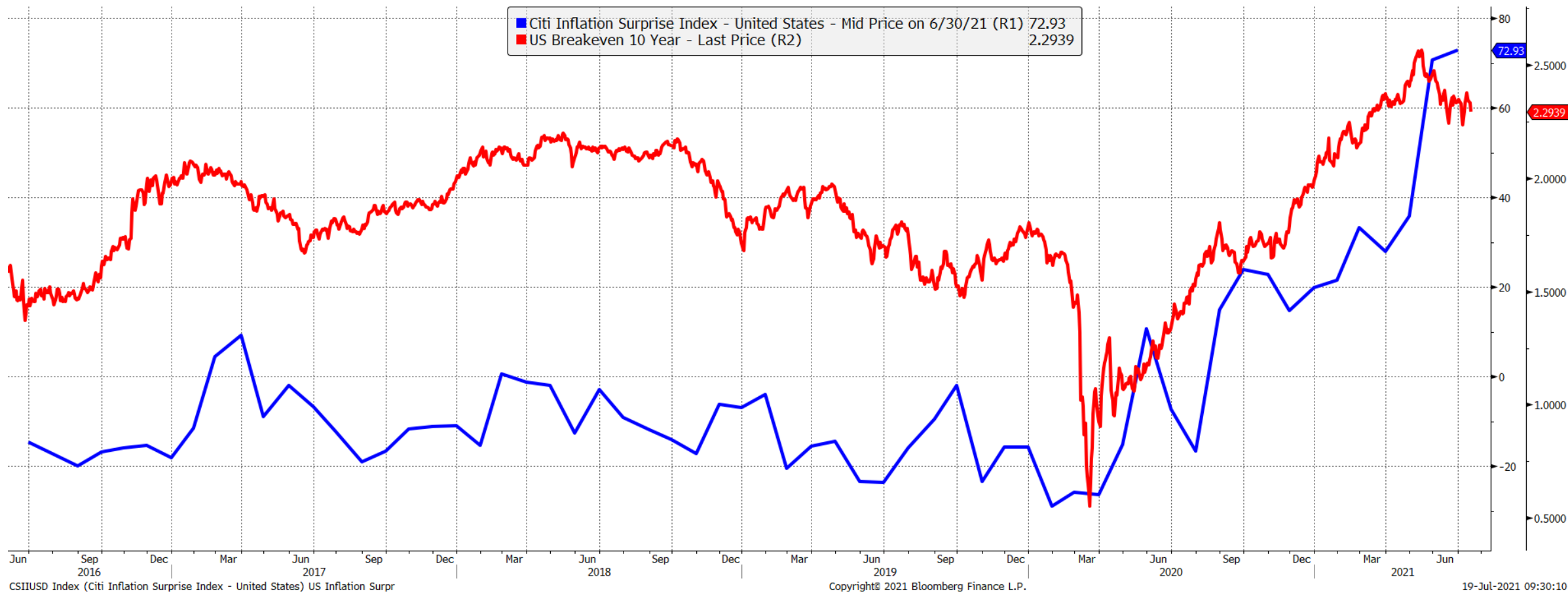
No Firm Evidence Of Peaking Domestic Price Pressures Yet



OER Will Likely Keep An Elevated Floor Under US CPI, Even As INFLATION Trends Lower Throughout 2H21E

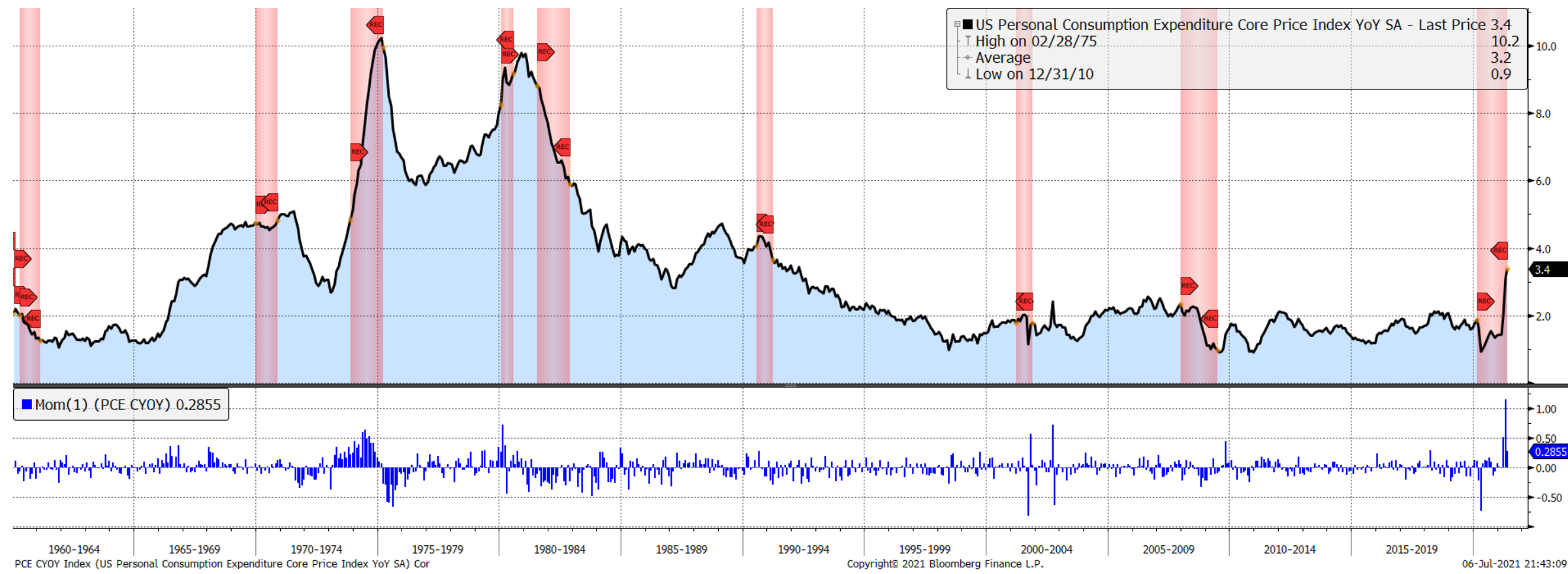


All-Time High US INFLATION Surprises = Only One Way To Go From Here... This Dynamic Has Helped Drive Bearish VAMS Inflections In Interest Rates



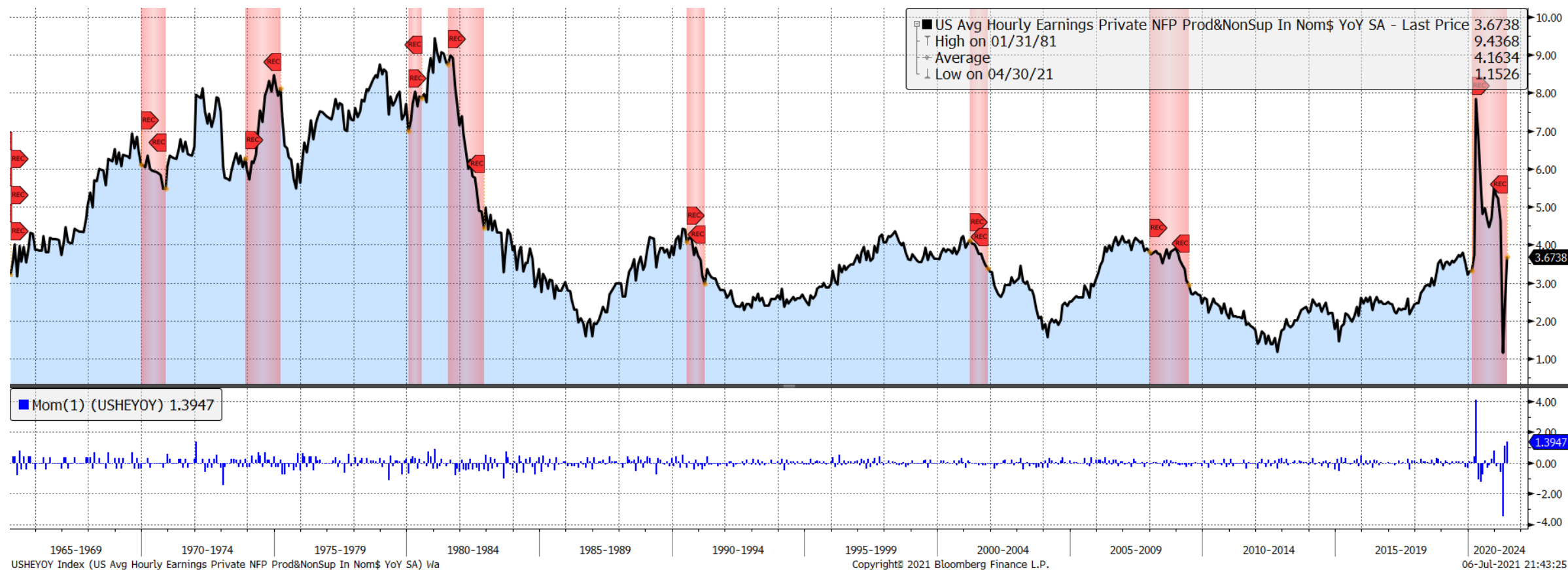
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Fastest Rate Of Change In Core PCE Ever = Firms Have Pricing Power



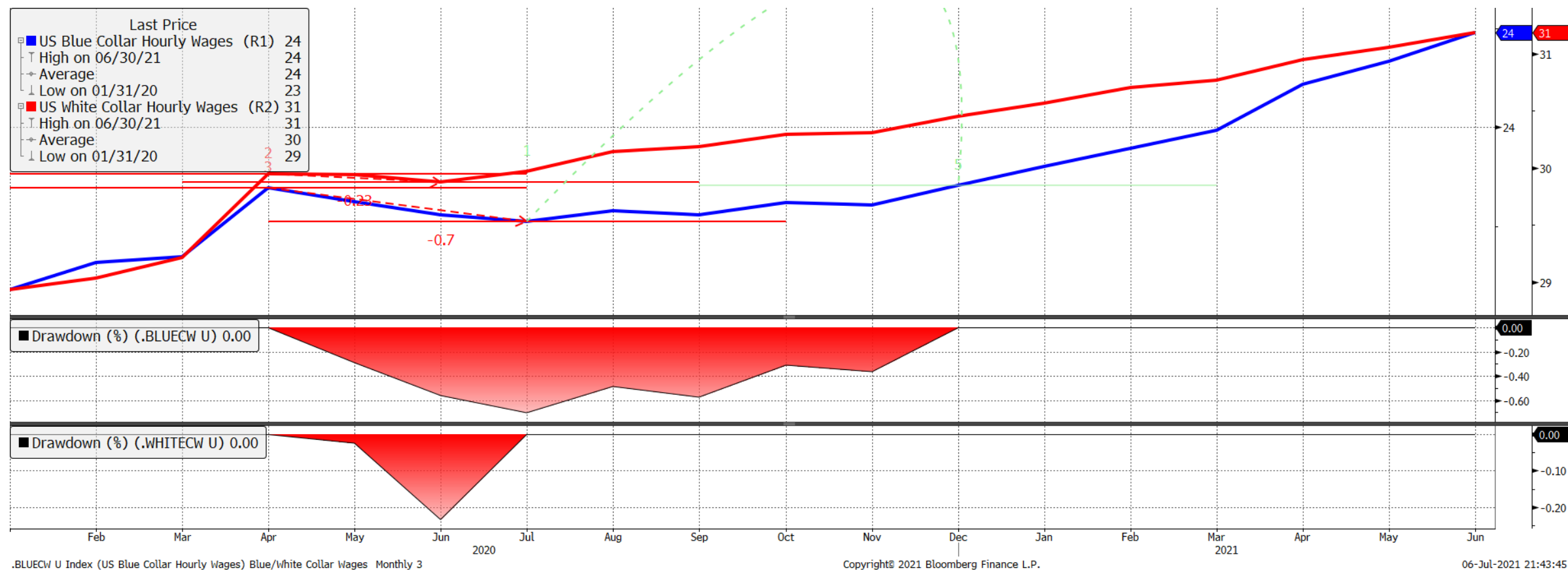
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Pricing Power Among Workers Is Finally Catching Up



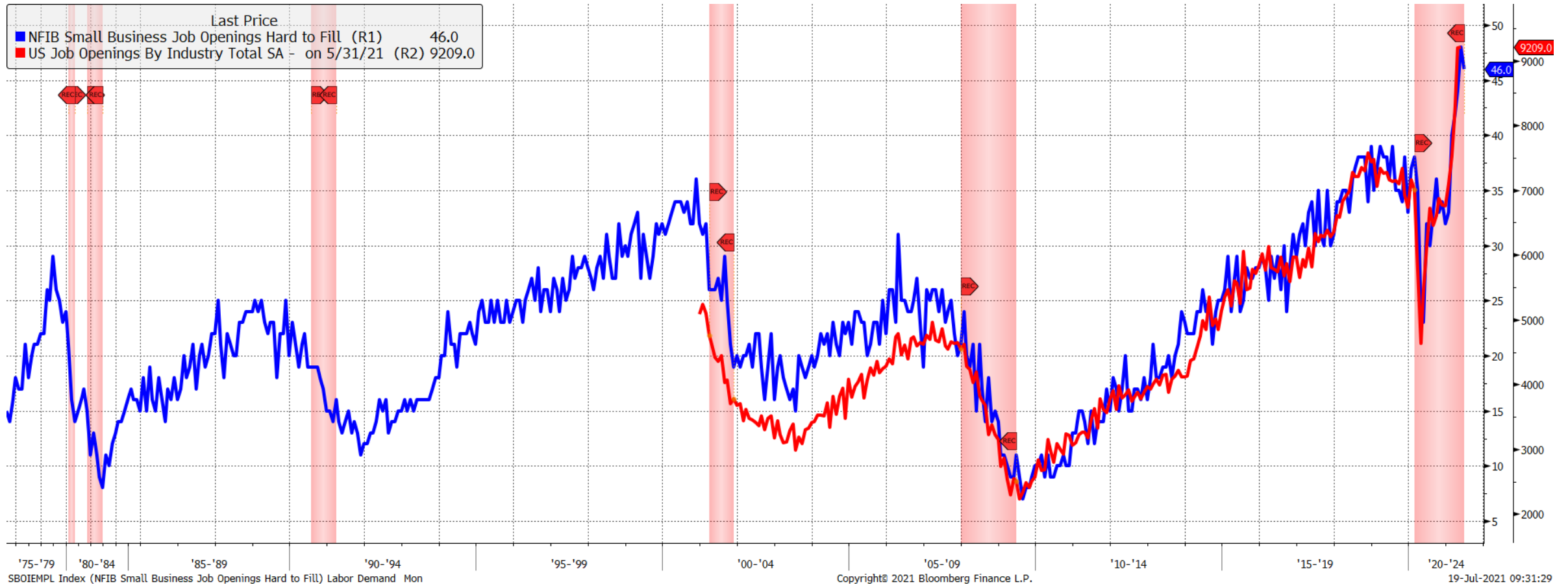
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Wage Gains Have Been Broad Based



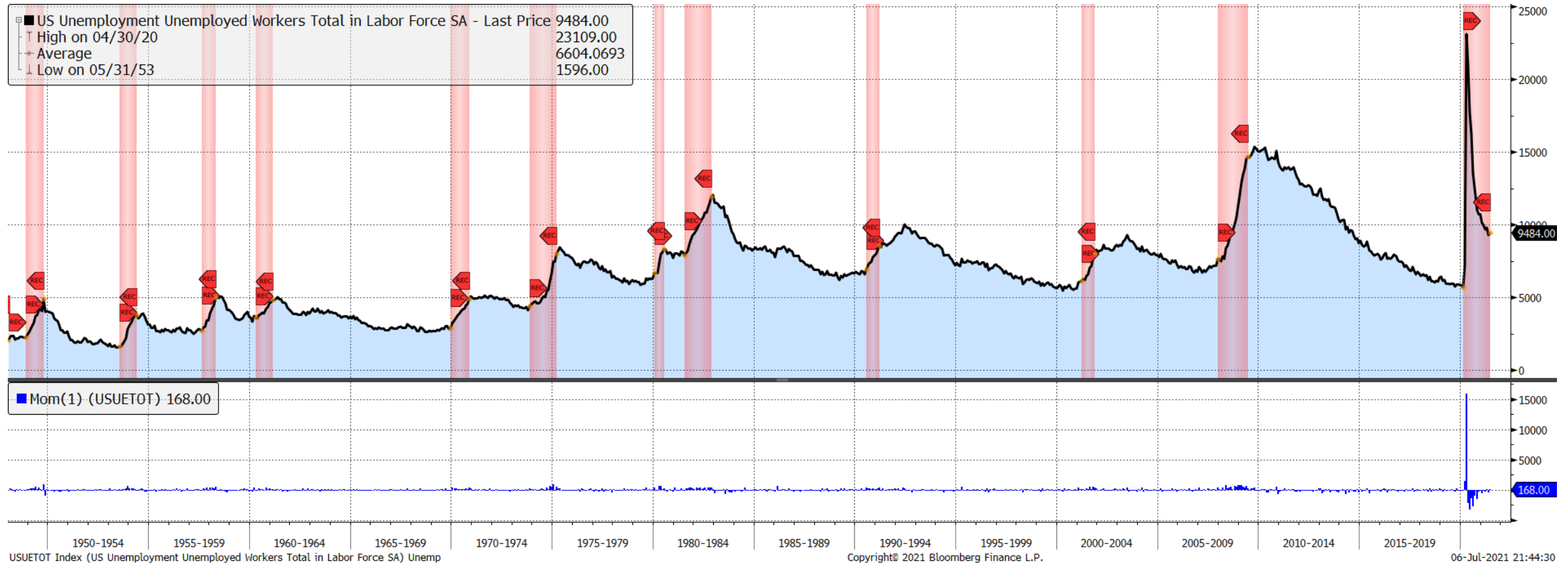
© 42 Macro LLC. Data Source: Bloomberg. Blue Collar: Mining, Construction, Manufacturing, Trade/Transportation/Utilities, Leisure & Hospitality, And Other

... Thanks To All-Time High Labor Demand

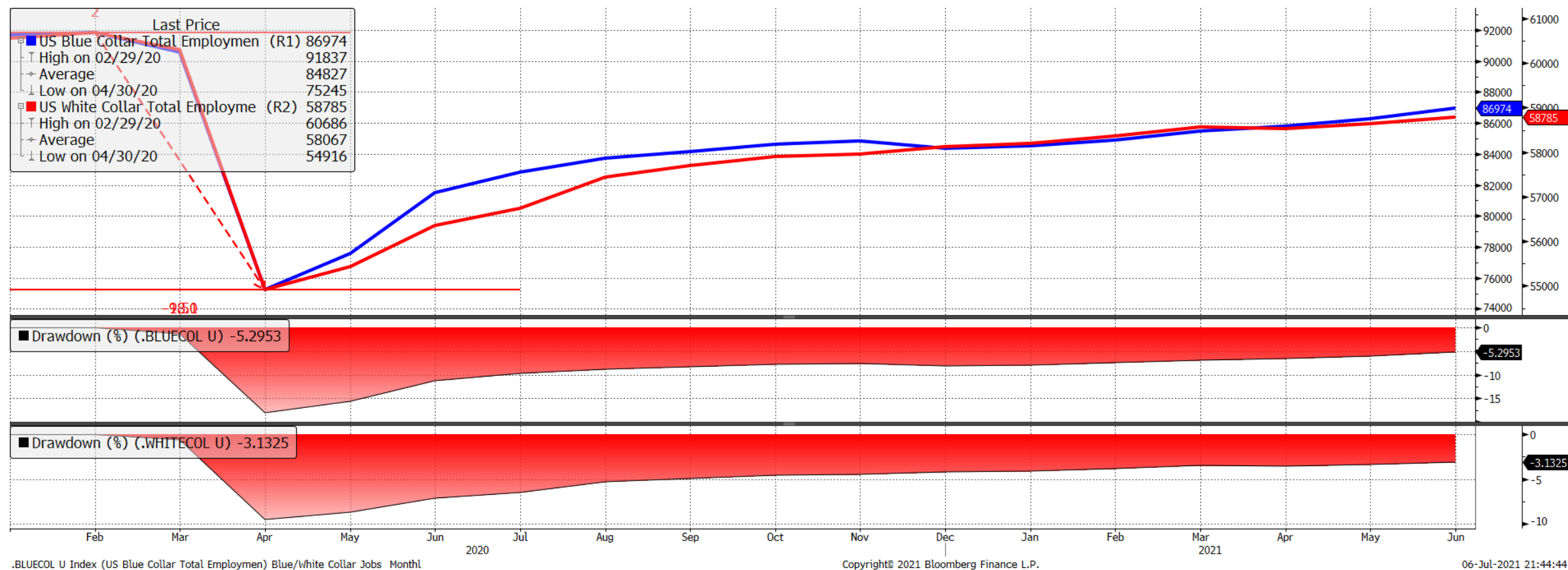


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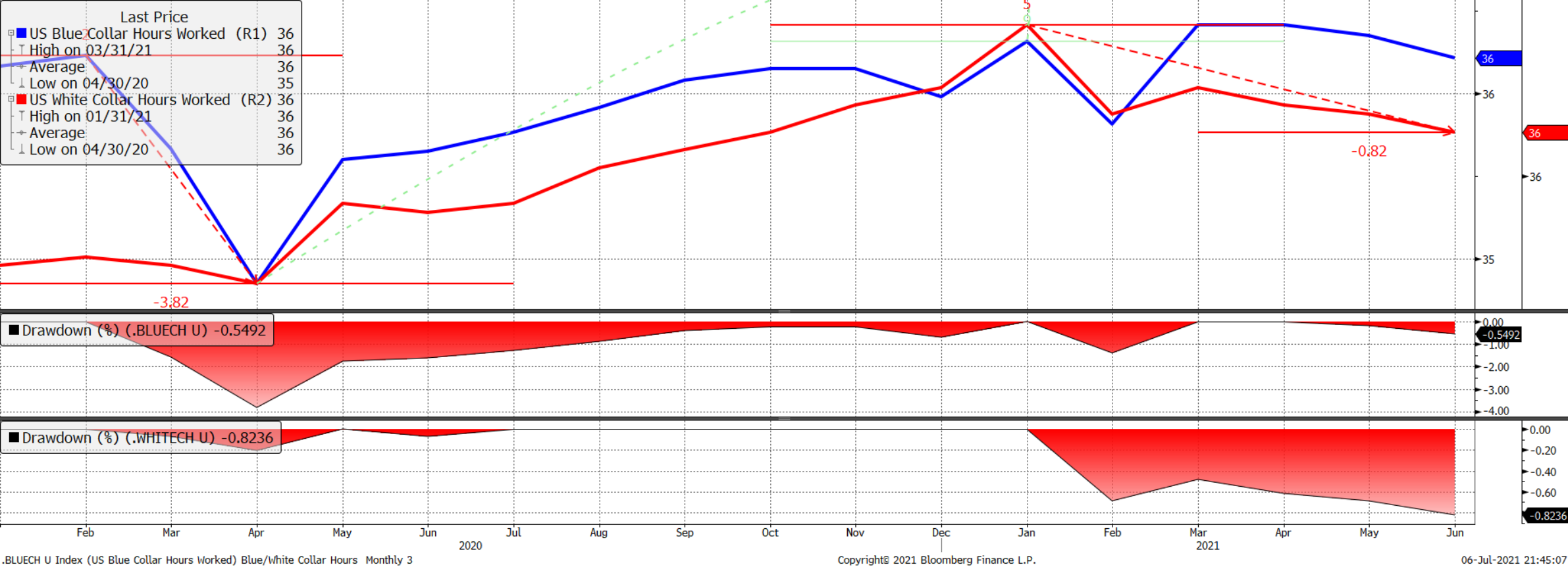
Unemployment, However, Remains Stubbornly High



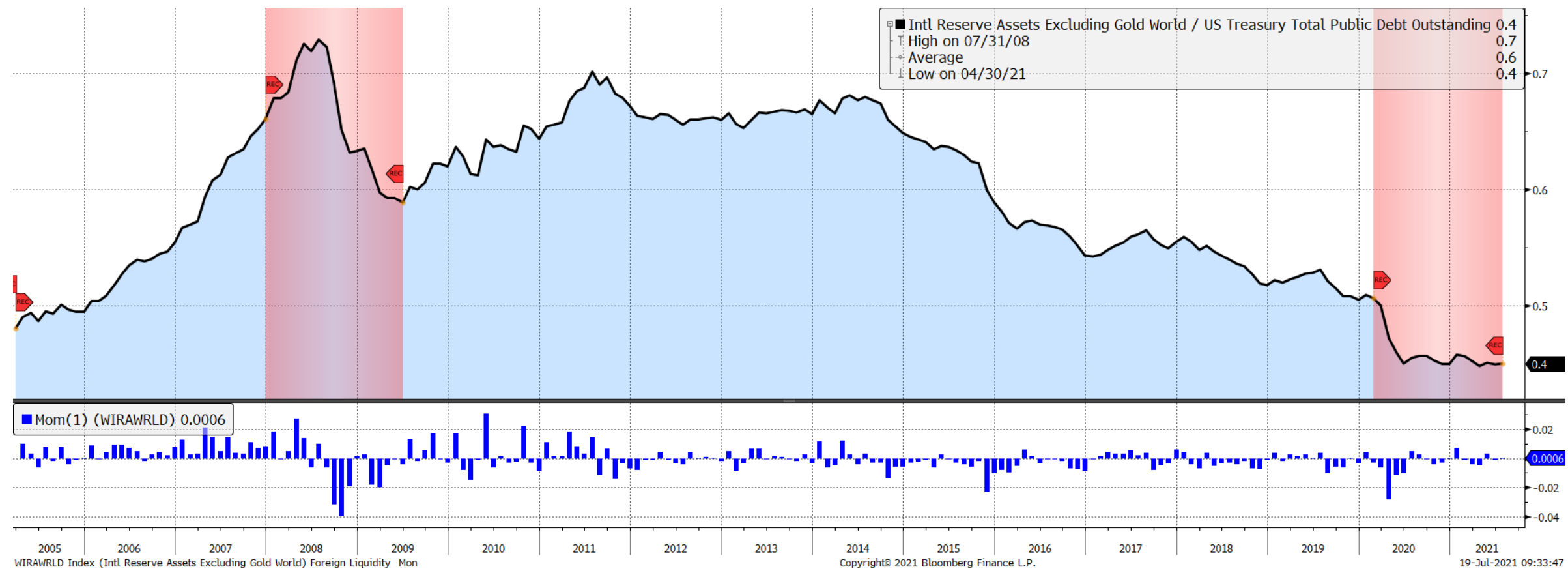
Blue Collar Workers Remain At The Epicenter Of The Employment Crisis



Broadly Decelerating Hours Worked Are Indicative Of More Labor Market Slack Than Generally Assumed

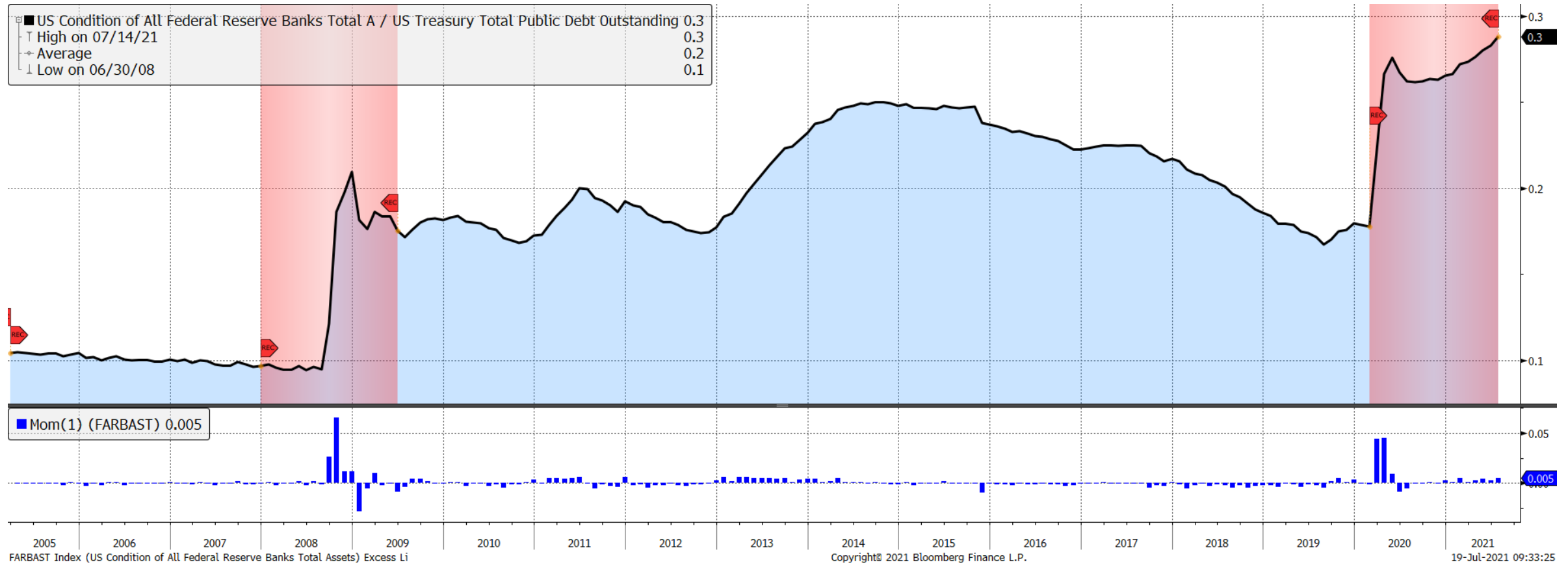


Foreign Central Banks Have Eschewed Dollar Recycling Since 2015



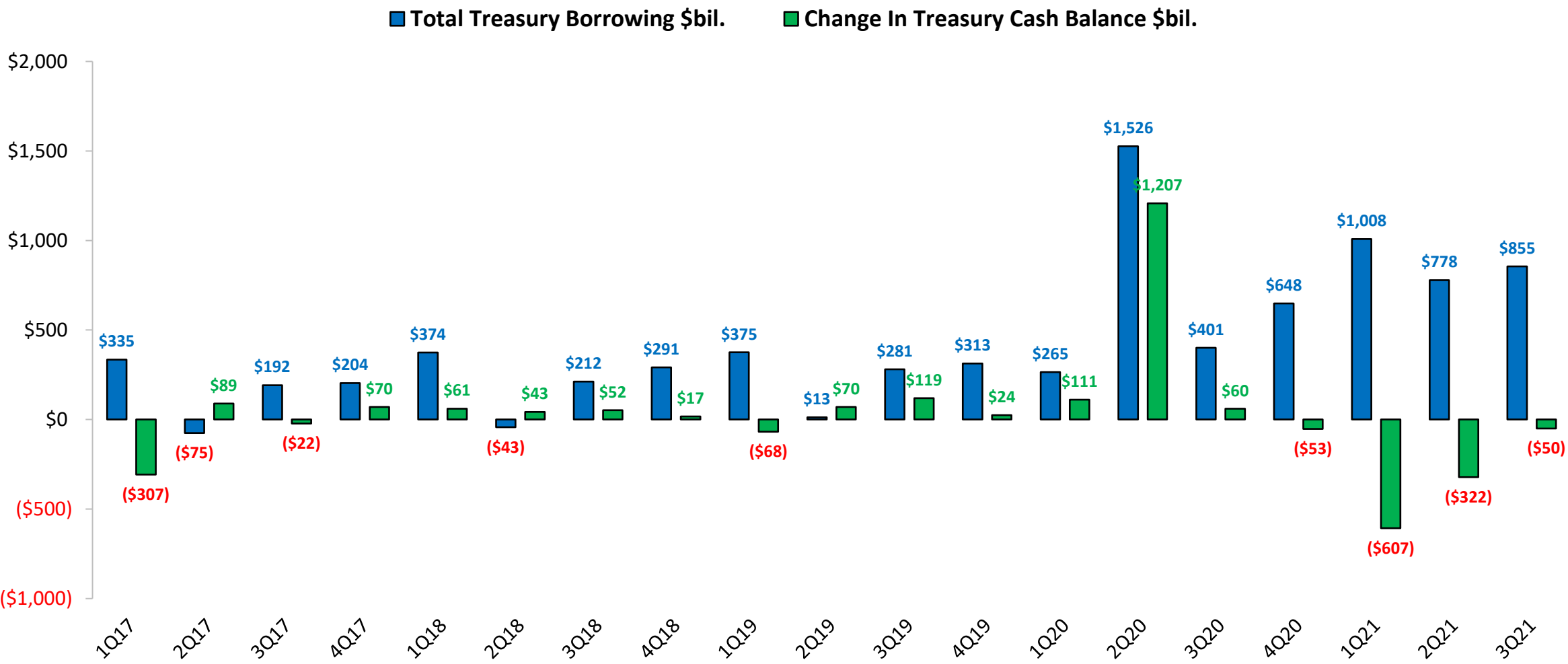
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... Which Implies The Fed Will Be Increasingly Called Upon To Finance Bloated US Budget Deficits Throughout The Remainder Of This Fourth Turning



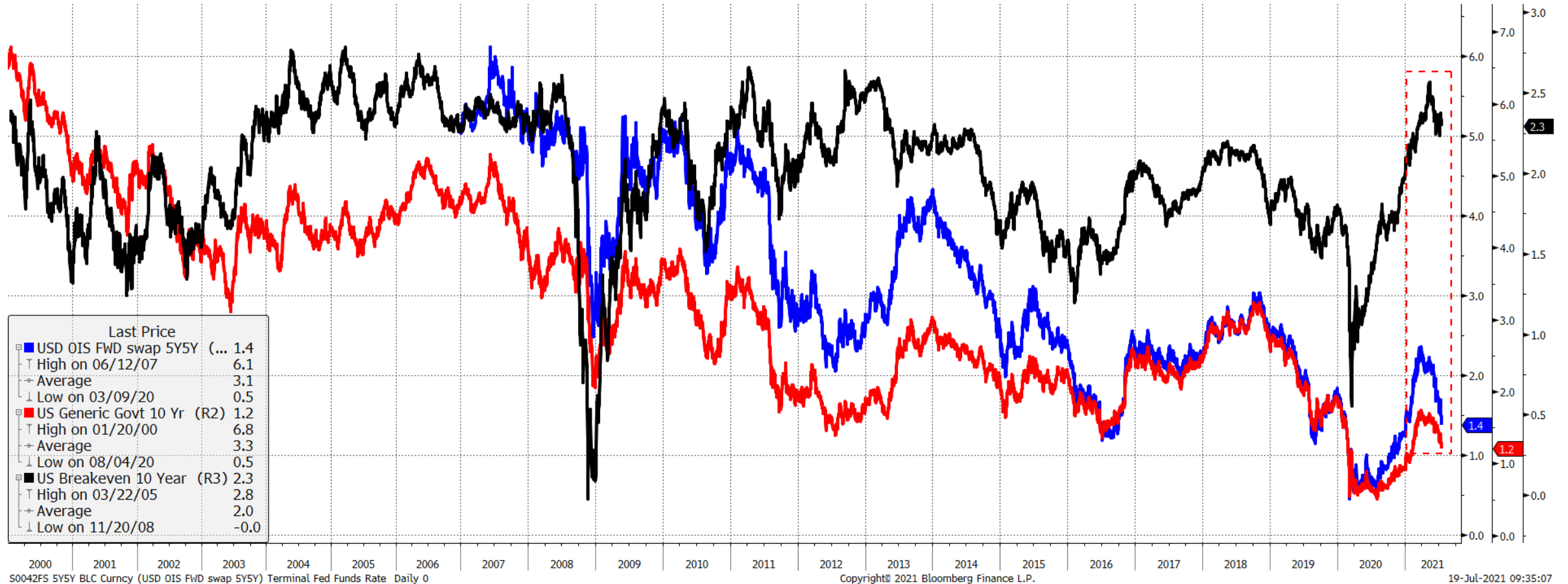
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Will The Fed Be A Willing Participant Or Will They Be Dragged Along By Intermittent, Material Corrections In Risk Assets?

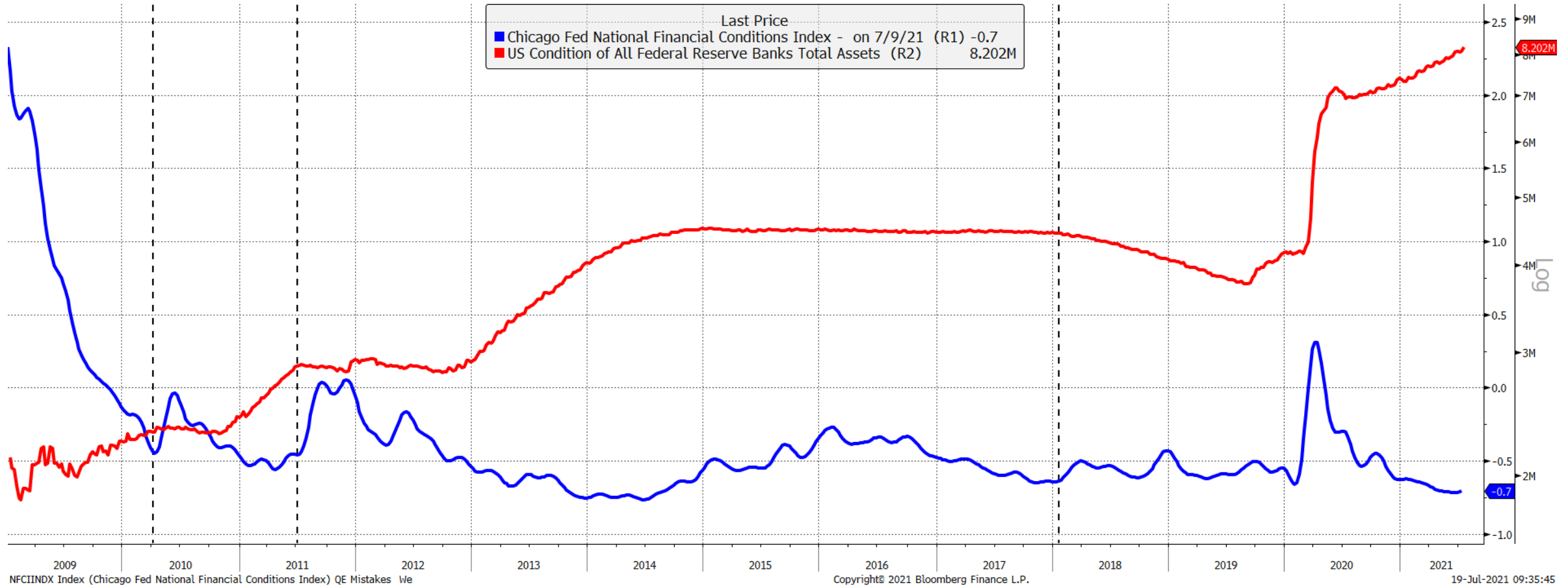


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... Declining Terminal Fed Funds Rate Expectations Suggest The Latter Catalyst Is A Higher Probability Outcome At The Current Juncture

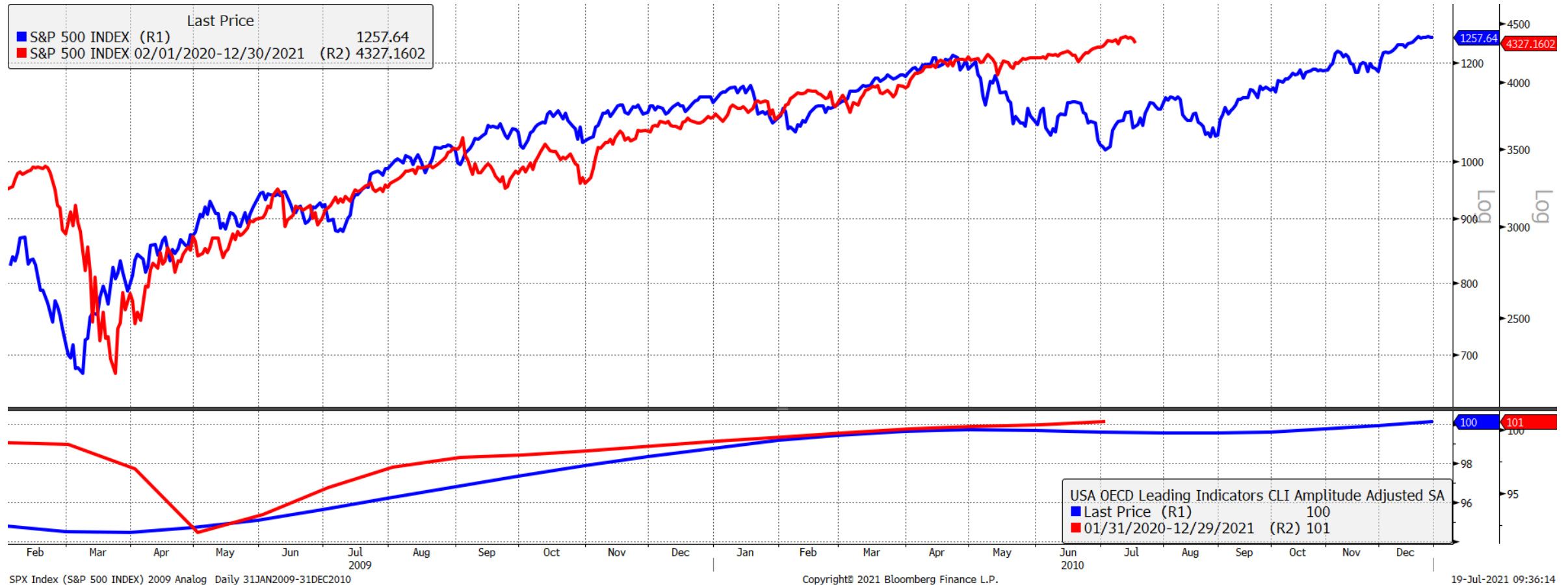


The Fed Has A History Of Prematurely Tightening

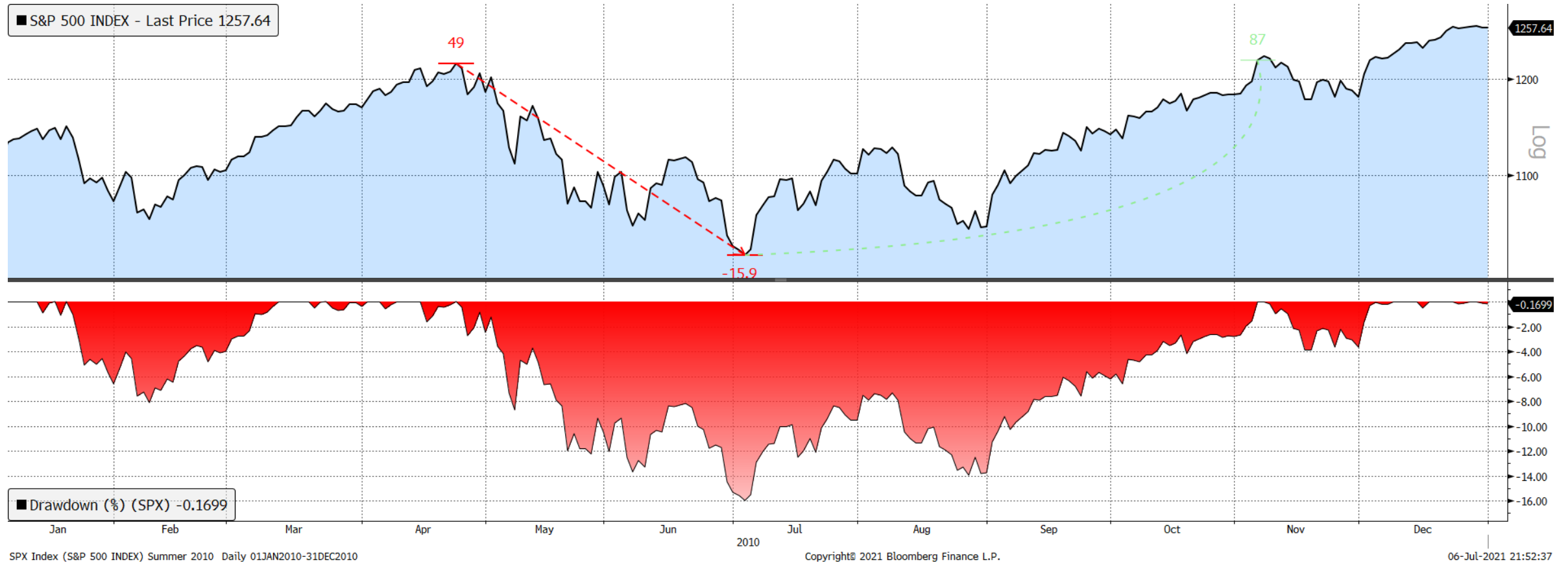


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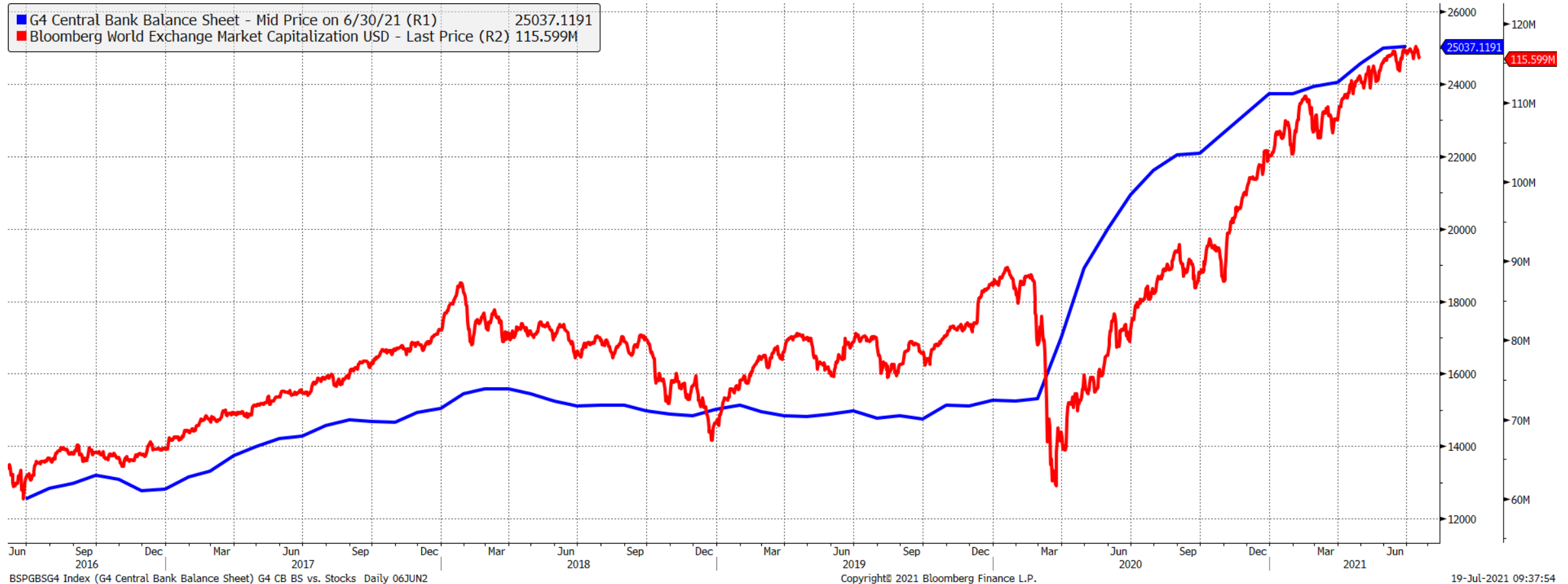
... Which Is Why Investor Consensus Is Broadly On Edge Of Late



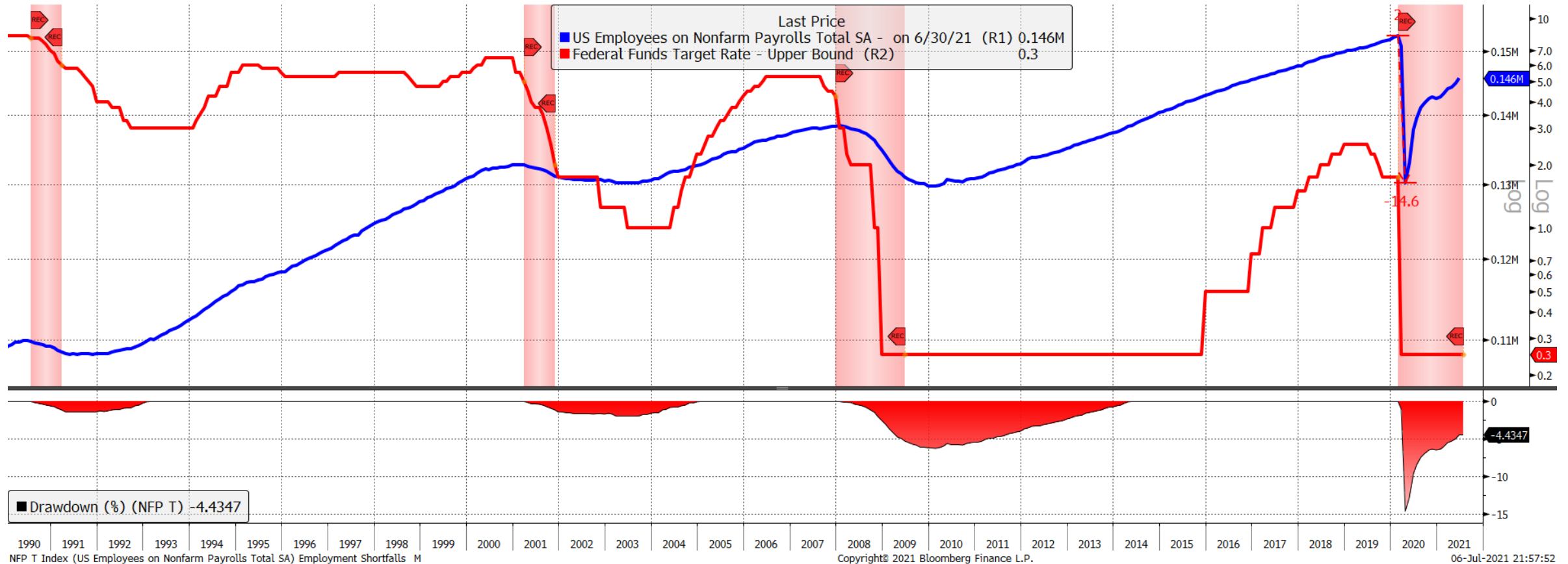
Remember The Summer Of 2010?



... Surely Powell (Fed), Kuroda (BoJ), Lagarde (ECB), And Bailey (BoE) Do



We Are Unlikely To Observe “Substantial Further Progress” Before The Jackson Hole Catalyst (August 26-28)



... Because The Headwinds To Labor Supply Are More Complicated Than Generally Assumed



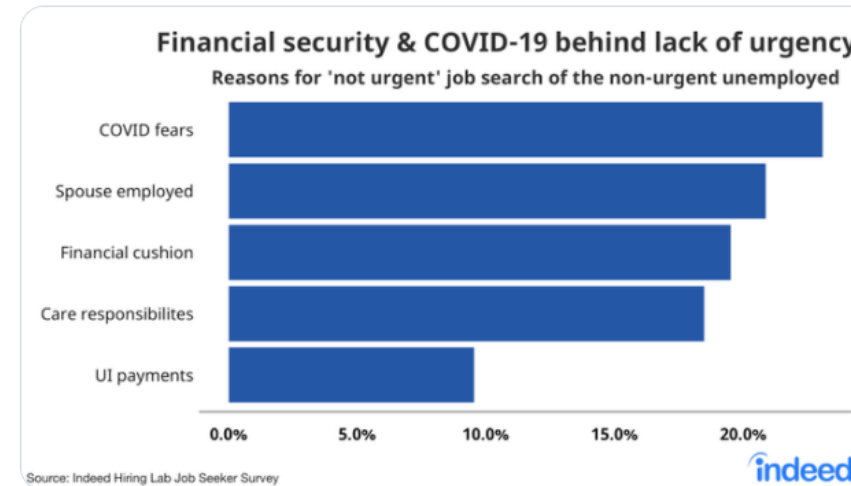
Nick Bunker
@nick_bunker

...

Replying to @nick_bunker

Why are so many unemployed workers feeling less need to jump into a job right now? Among the unemployed, fear about going to workplaces in-person while COVID-19 is still with us is the most commonly cited reason for not searching urgently.

/6



8:55 AM · Jun 29, 2021 · Twitter Web App

... Hence The Squishy June Jobs Report



Jed Kolko
@JedKolko

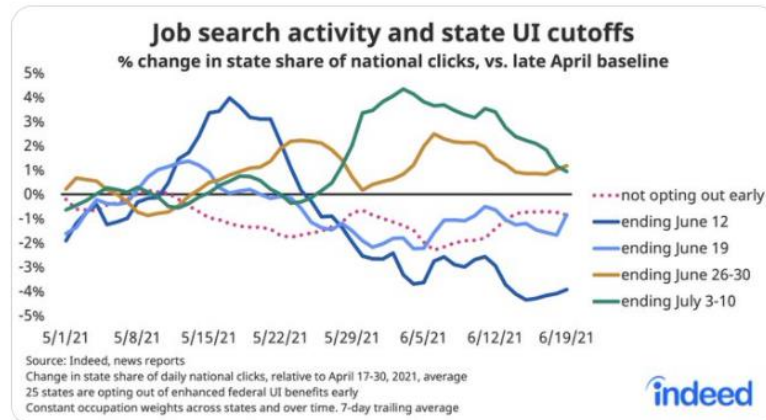
Replying to @JedKolko

Search activity remains below national trend in twelve states that prematurely opted out of enhanced federal UI benefits on June 12 or 19.

Overall, relative search activity in states _not_ opting out early is only slightly below national trend.

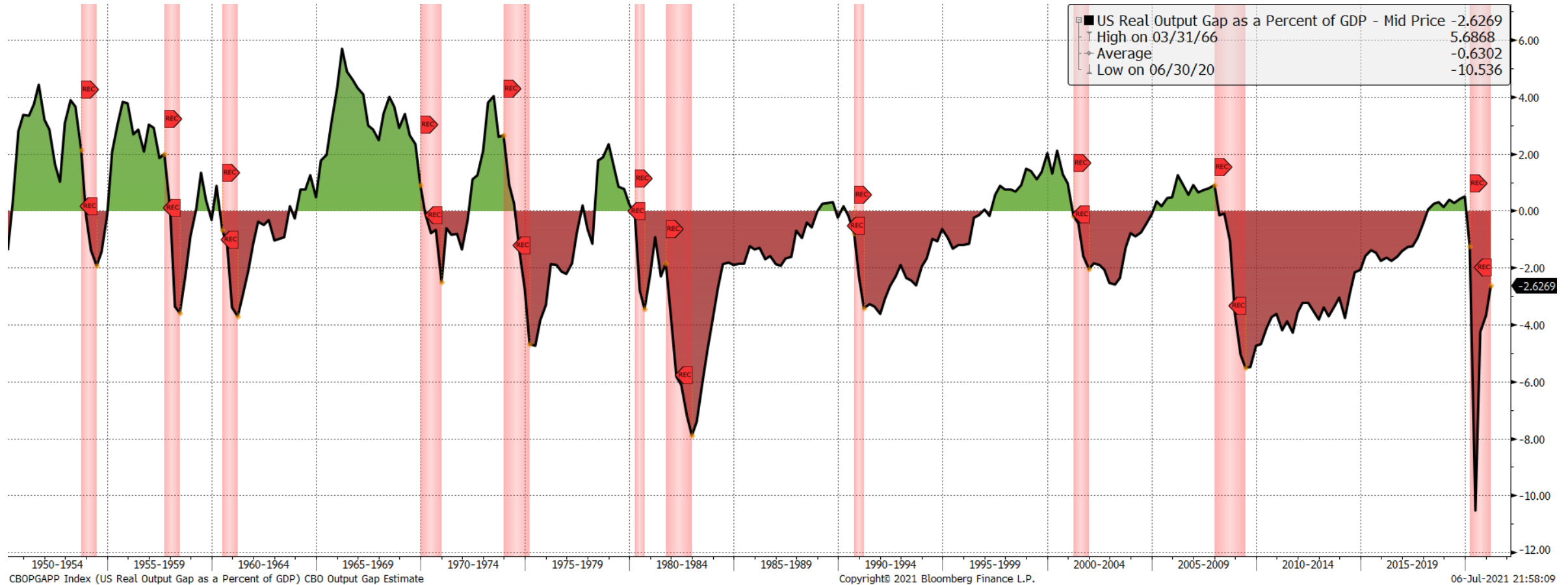
hiringlab.org/2021/06/22/job...

6/end



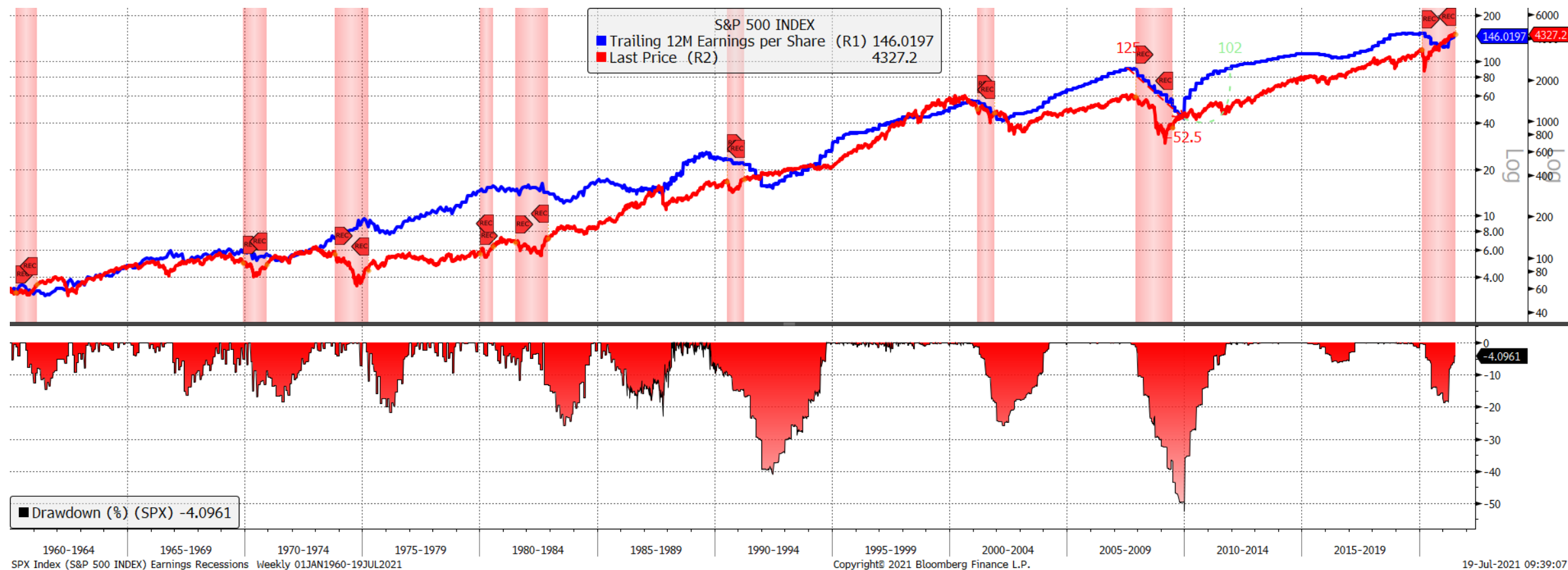
9:47 AM · Jun 22, 2021 · Twitter Web App

Reminder: The US Economy Is Technically Still In A Recession

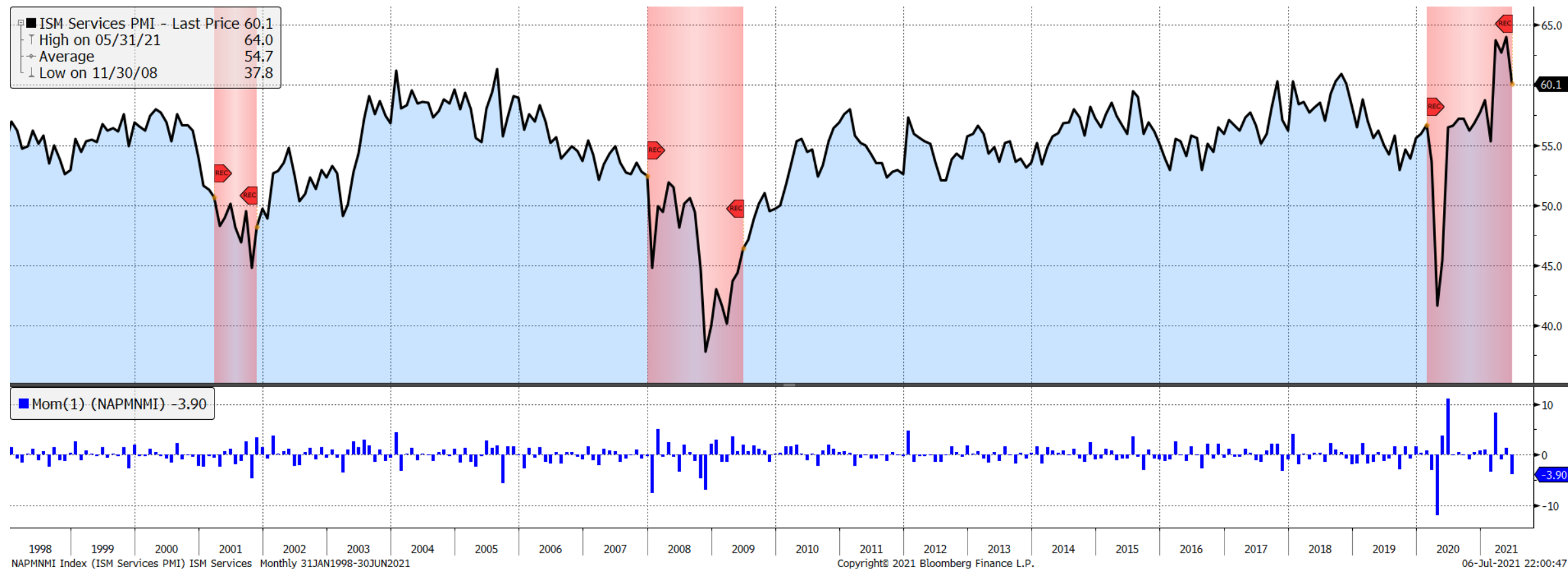


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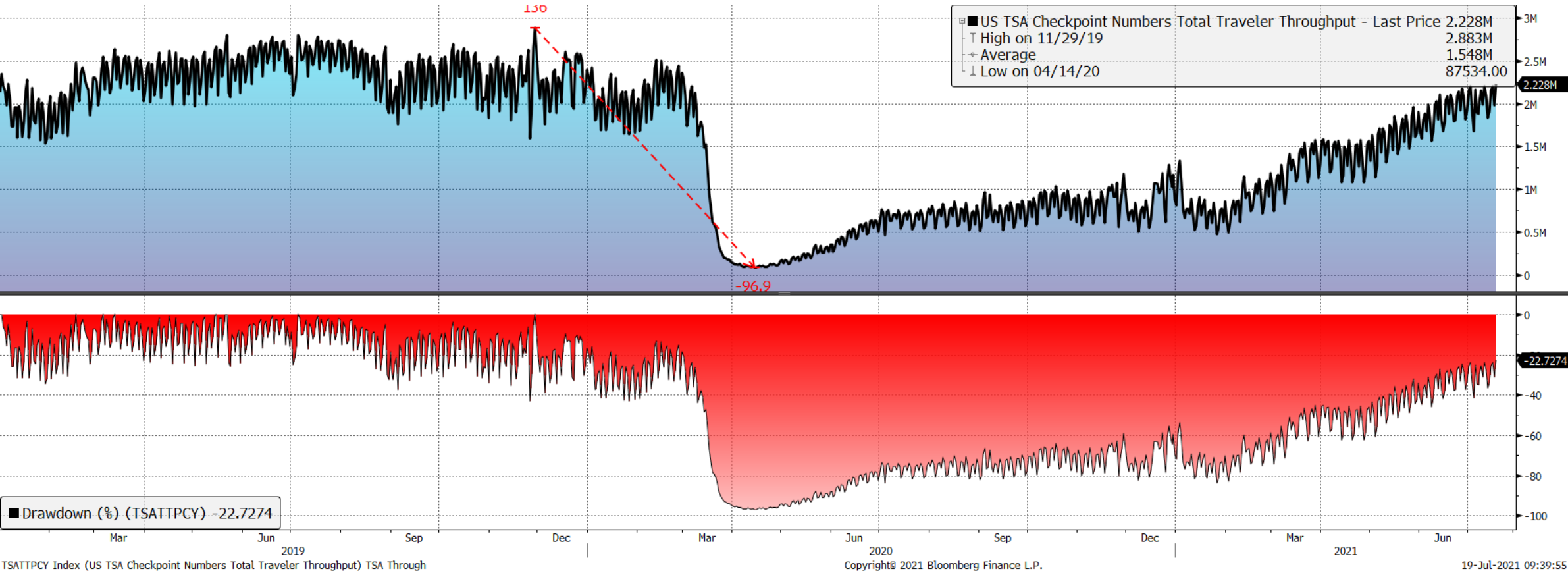
Corporate Profits Have Yet To Recover



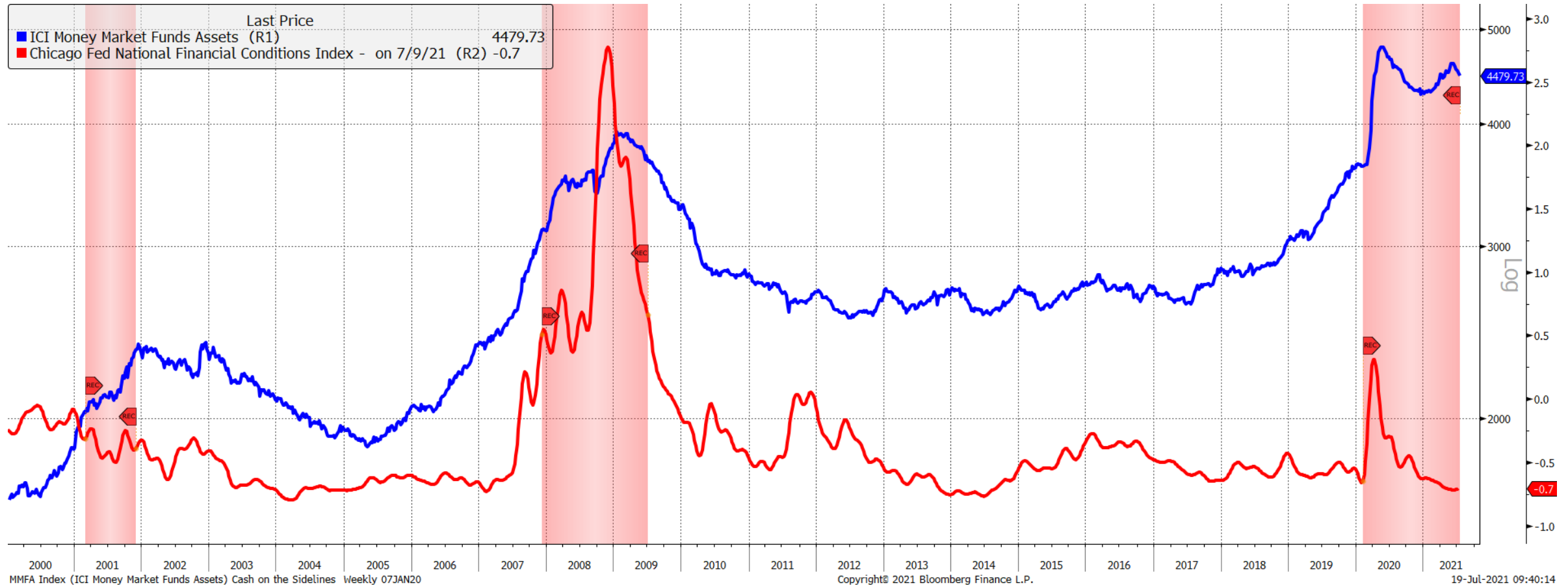
The US Services Economy Slowed Sharply In June Amid Rising Fears Of COVID-19 Variants



Things Are Clearly Not Back To Normal To Begin With And Likely Won't Be Until Well After Labor Day



Investors Have Cash On Hand... How Will It Be Deployed In The Coming Months?



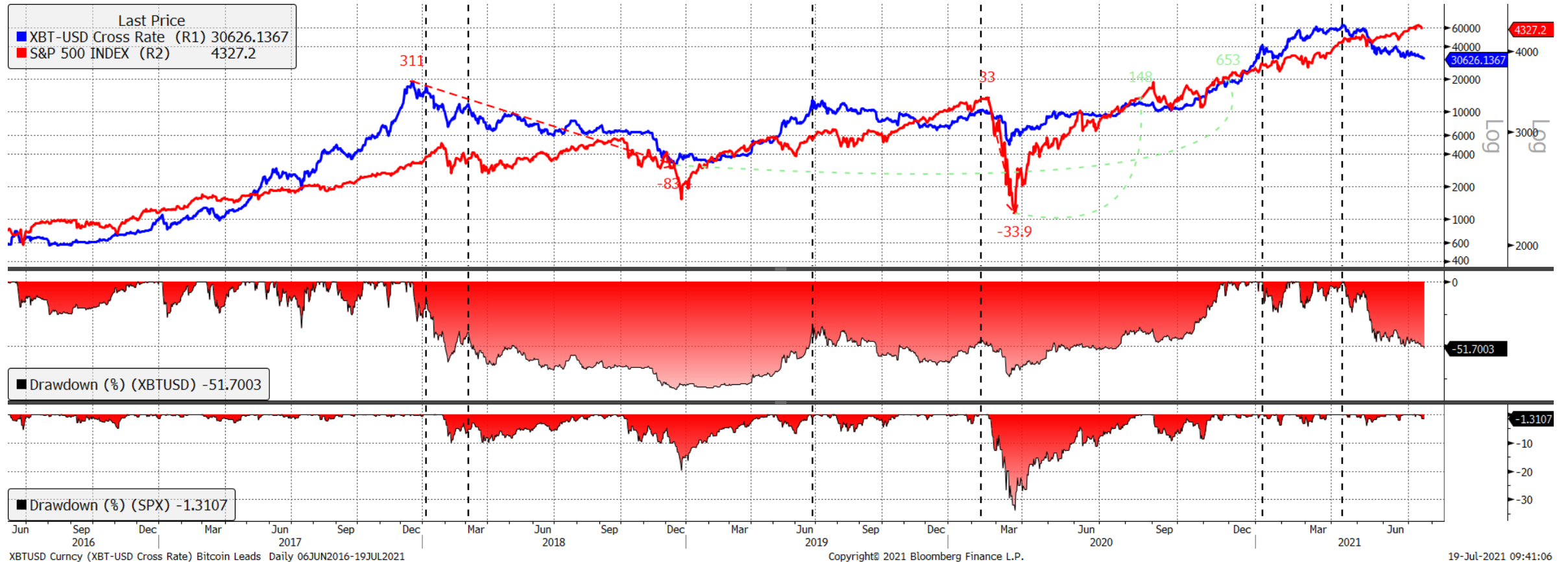
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We Still Believe The Current GOLDILOCKS Market Regime May Persist Through Late-July/Early-August; From There It Could Get Ugly, However

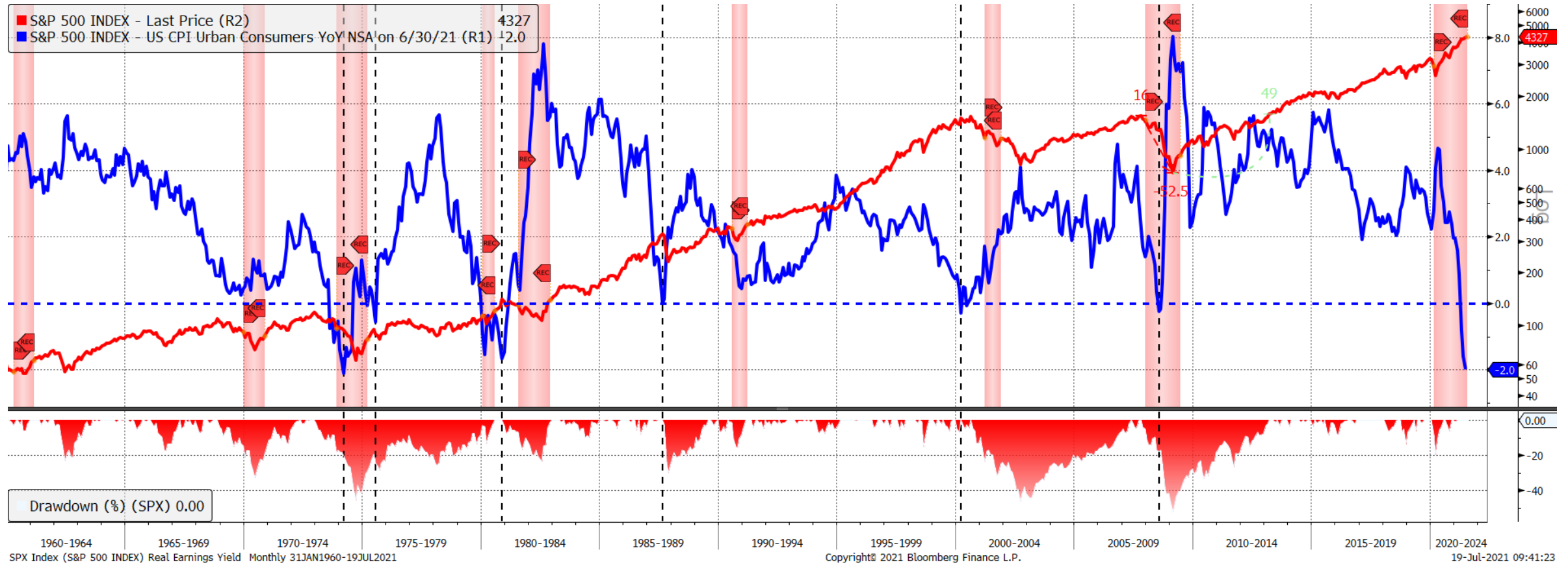


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Bitcoin Is Sending A Bearish Medium-Term Warning Signal To Equity Investors



The Real S&P 500 Earnings Yield Is Sending A Bearish Long-Term Warning Signal To Equity Investors



Commodities Are Seasonally Weak Throughout The Second Half Of The Year



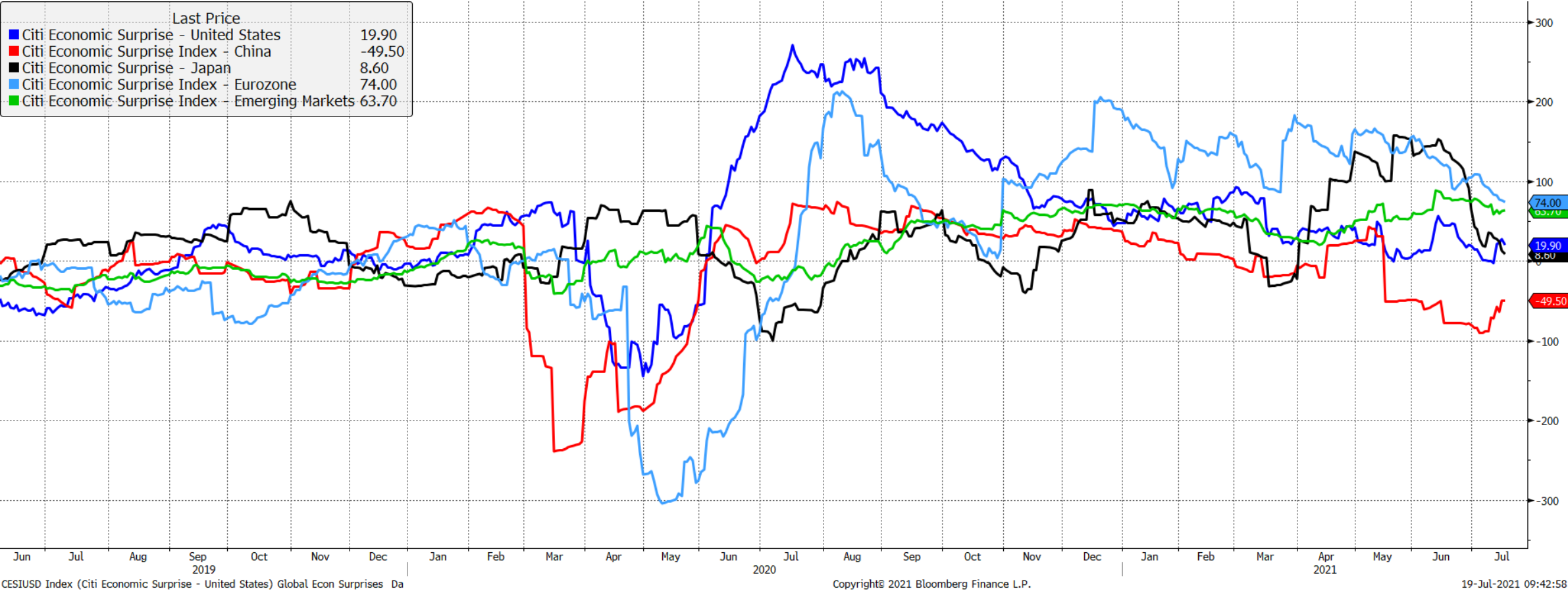
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Bonds Are Seasonally Strong Throughout The Summer And Early-Fall

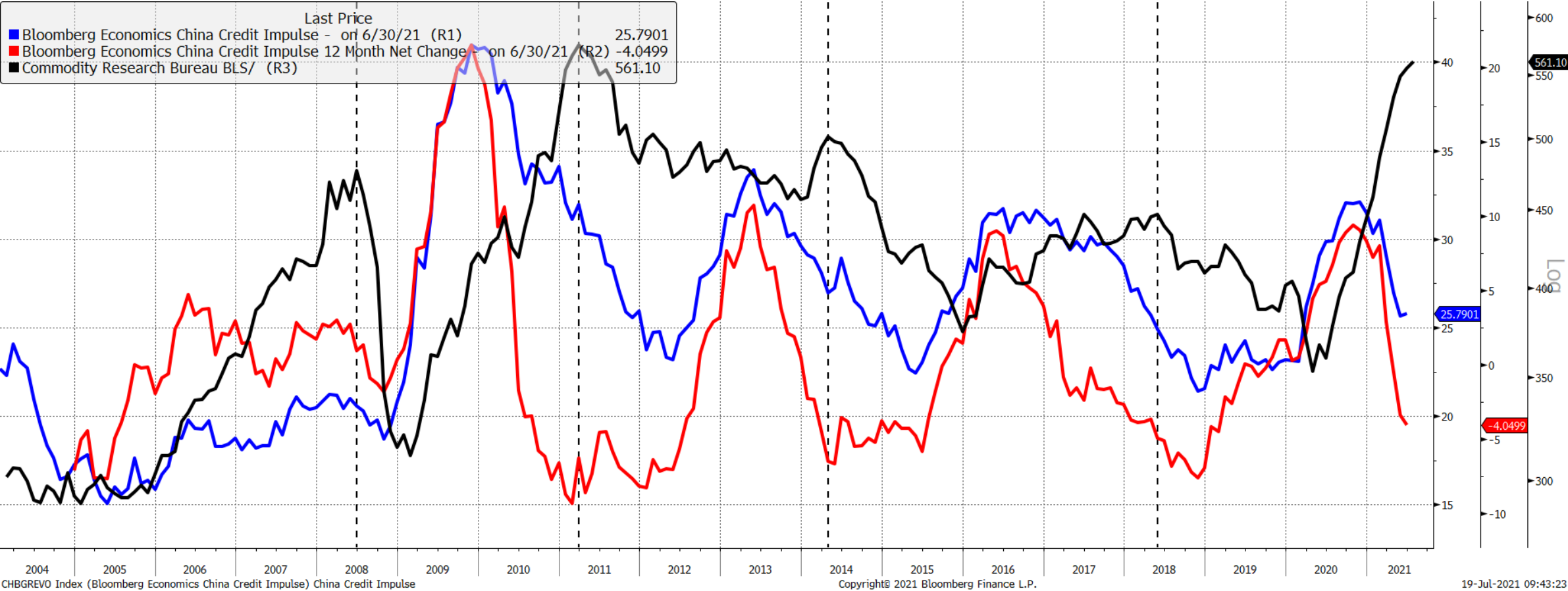


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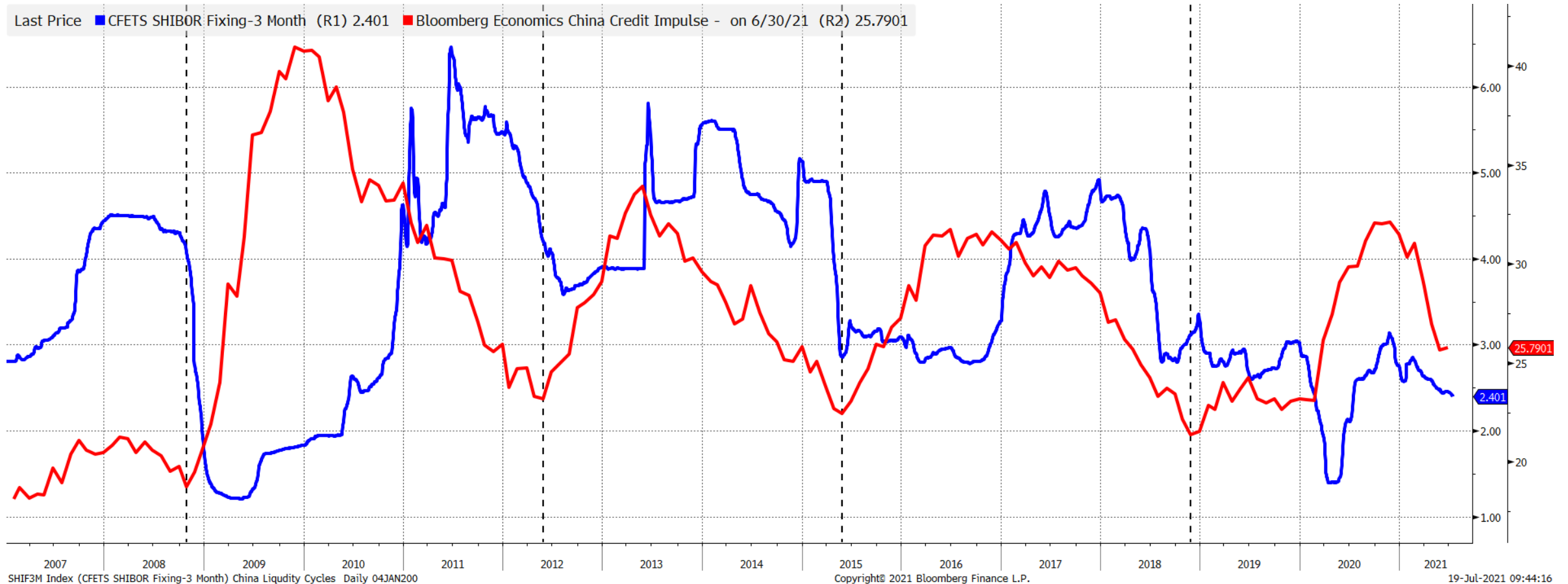
Global Reopening Momentum Is Being Threatened By The Confluence Of Waning Fiscal Support, The Proliferation Of COVID-19 Variants, And China's Economic Slowdown



China's Credit Impulse Continues To Trend Lower, Increasingly Threatening The Sustainability Of The Commodity Bull Market

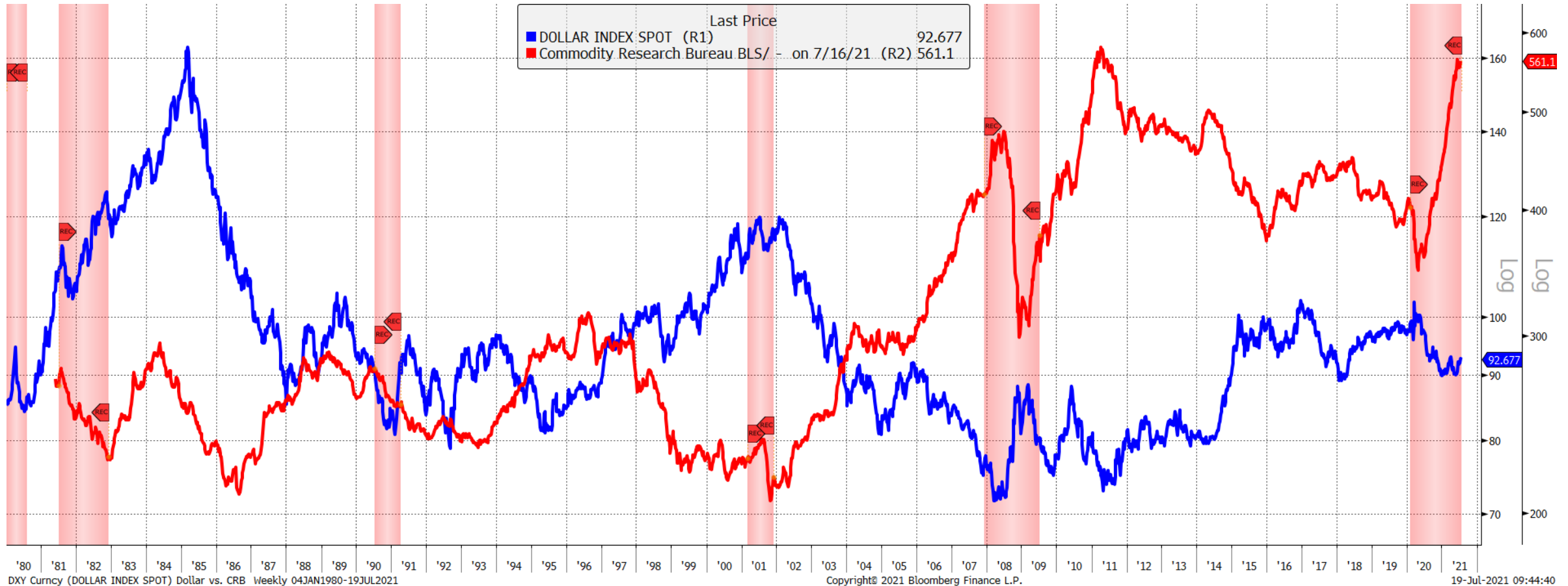


Liquidity Dynamics On The Mainland Suggest China's Credit Impulse May Inflect Higher By Mid-To-Late Q4, But Not Much Sooner



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Ultimately The Dollar Will Determine Whether Commodity Reflation Can Persist Throughout The Duration Of This GOLDILOCKS Market Regime



Thank you for participating.
We look forward to [#collaborating](#) with you next month.