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Advanced Technical Analysis



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ELECTION ECONOMICS

BY THE UNELECTED, INDENTURED TRIUMVIRATE



AGENDA

- **2024 ELECTION YEAR ECONOMICS**
 - TRAPPED - FINDING A WAY OUT
 - WAR TIME ECONOMY IN PEACE TIME?
- **THE RE-ELECTION YEAR NARRATIVE**
- **THE CONTROLLING TRIUMVIRATE**
 - **JANET YELLEN – TREASURY SECRETARY**
 - FISCAL POLICY, SSR, TGA & STEALTH LIQUIDITY
 - **JEROME POWELL – FED CHAIRMAN**
 - MONETARY POLICY & FED “PIVOT”
 - **JULIE SU – ACTING LABOR SECRETARY**
 - THE BUREAU OF ECONOMIC ANALYSIS
- **CONCLUSION**
 - 2025 - HARSH CONSEQUENCES



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Biden's Election Budget

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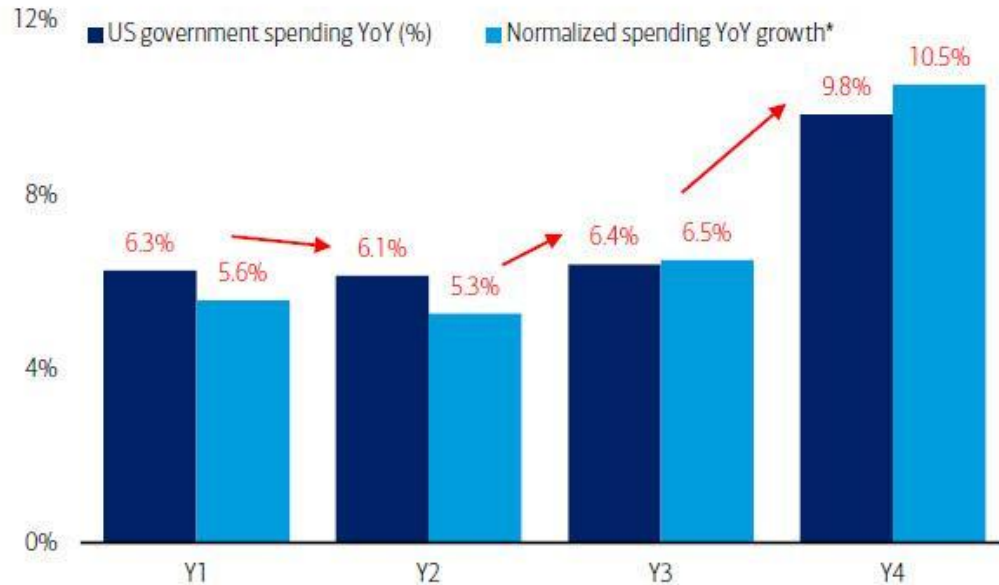
■ **\$3.3 billion** for Drug Enforcement Administration (DEA) “to combat drug trafficking, including \$1.2 billion to combat opioid trafficking”

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Chart 8: 4th year of US presidential cycle tends to see big spending boost

YoY change in US govt spending in US presidential cycle since 1959



Source: BofA Global Investment Strategy, Haver. *average YoY growth since 1959 outside US recessions.

Chart 9: FMS investors indicate 'peak' fiscal stimulus

BofA Global FMS % saying global fiscal policy is "too stimulative"

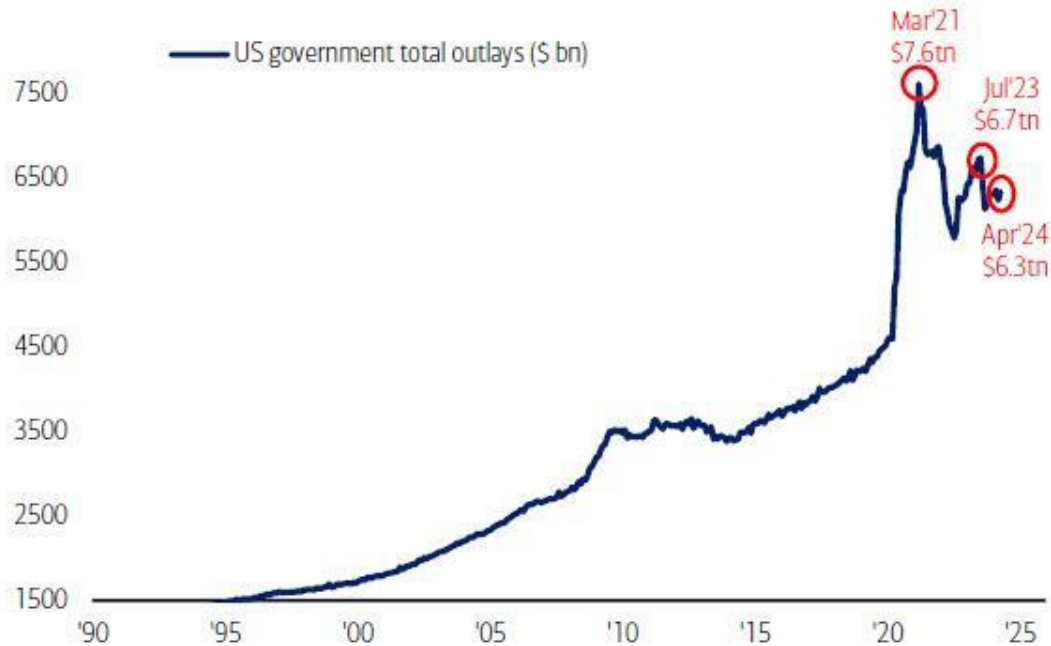


Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

Chart 7: US government = world's 3rd largest economy

US government total outlay (\$ bn, 12-month cumulative)



Source: BofA Global Investment Strategy, Haver

BofA GLOBAL RESEARCH

Chart 5: Real retail sales flat past three years

US real retail sales (\$bn, adjusted for CPI)



Source: BofA Global Investment Strategy, Bloomberg, Haver

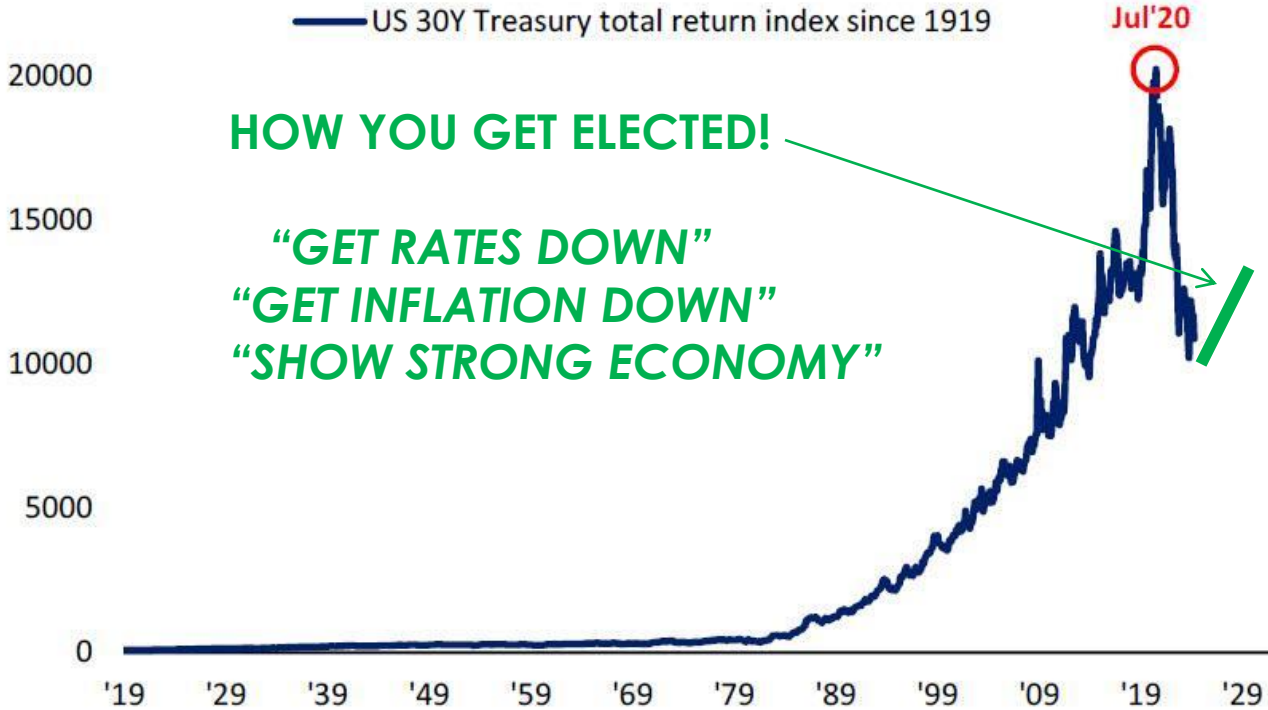
BofA GLOBAL RESEARCH

Chart 2: 45% loss since April 2020, greatest four-year loss in over 100 years
30-year US Treasury Total Return Index since 1919



Source: BofA Global Investment Strategy, GFD Finaeon

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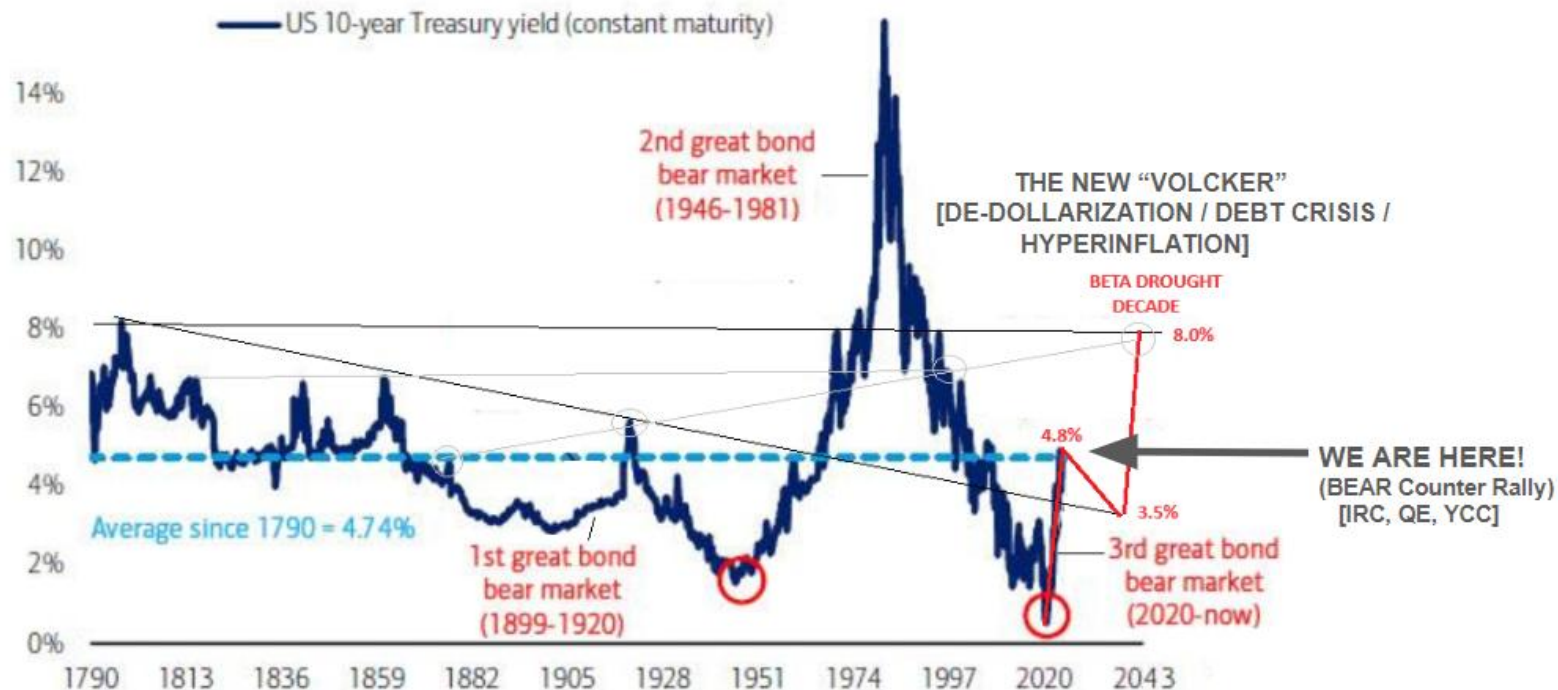


Source: BofA Global Investment Strategy, GFD Finaeon

BofA GLOBAL RESEARCH

4th year of secular bear market in bonds follows 40-year bull

US 10-year Treasury yield (constant maturity)

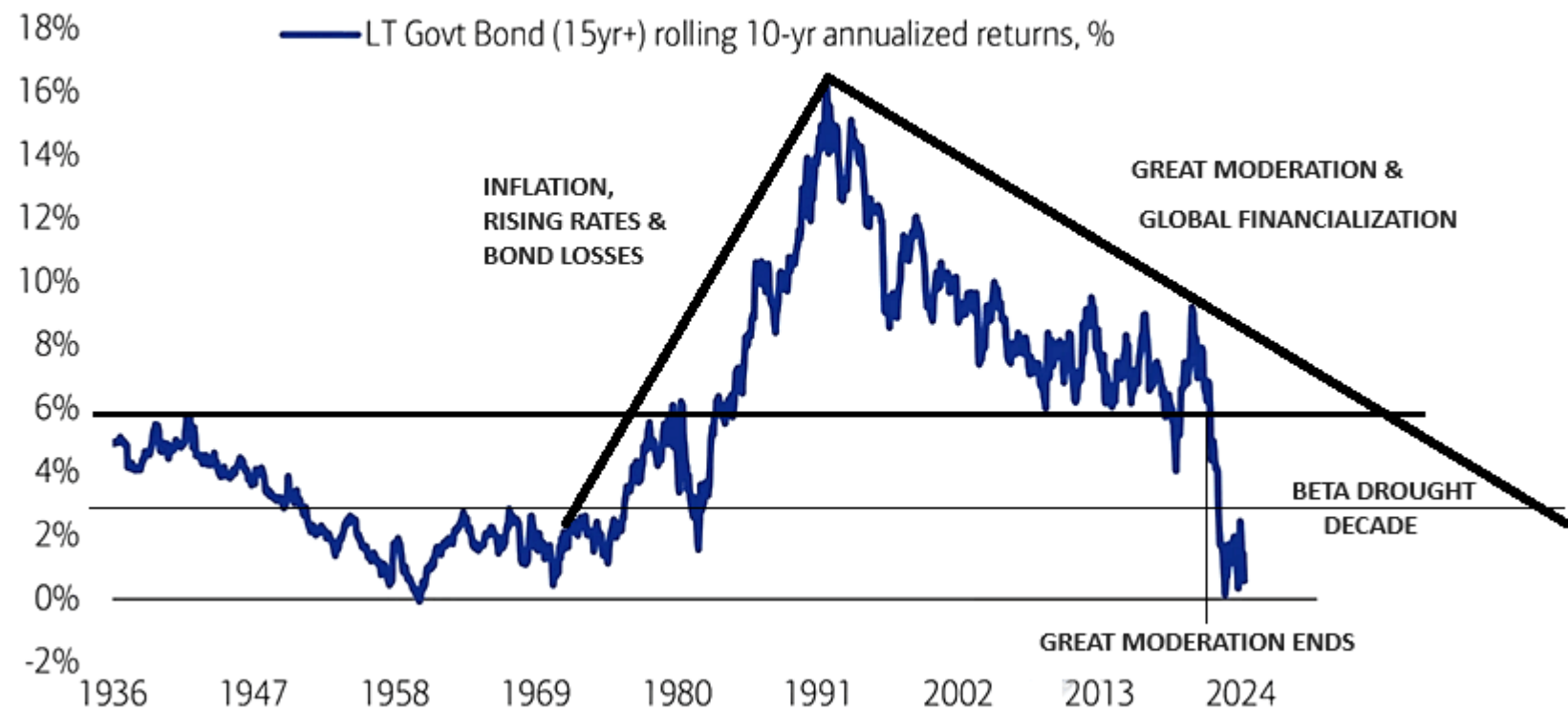


Source: BofA Global Investment Strategy, GFD Finaeon, Bloomberg

BofA GLOBAL RESEARCH

Biggest Story of 2020s...Ugly End of 40-year Bond Bull

Long-term US government bond (15+ year) rolling 10-year annualized returns, %



Source: BofA Global Investment Strategy, Ibbotson, Bloomberg, Refinitiv Datastream

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ELECTION YEAR NARRATIVE:

ECONOMIC SITUATION TO SOON CHANGE

NEXT 90 DAYS

1. Unemployment to hit and push through 4.0%
2. Jobless Claims to begin rising
3. Inflation appear to be weakening again
4. An GDP projections to begin falling.

ELECTION YEAR NARRATIVE:

SLOWING GDP => **Fiscal Deficit Spending**

SPENDING RATIONALE:

- SUSTAINABILITY = Fiscal Deficit Spending
- CLIMATE CHANGE = Fiscal Deficit Spending
- FOREIGN THREATS = Fiscal Deficit Spending
- MASS IMMIGRATION = Fiscal Deficit Spending
- STUDENT LOANS = Fiscal Deficit Spending
- CRE / BANKING CRISIS = Fiscal Deficit Spending

SPENDING WILL MAKE THIS EVEN WORSE IN POST ELECTION 2025

TARIFFS & CHINESE TRADE BATTLES

LOOSE FINANCIAL CONISITIONS INDEX

Chart 6: US Inflation on course to be 3¾-4½% by Nov'23

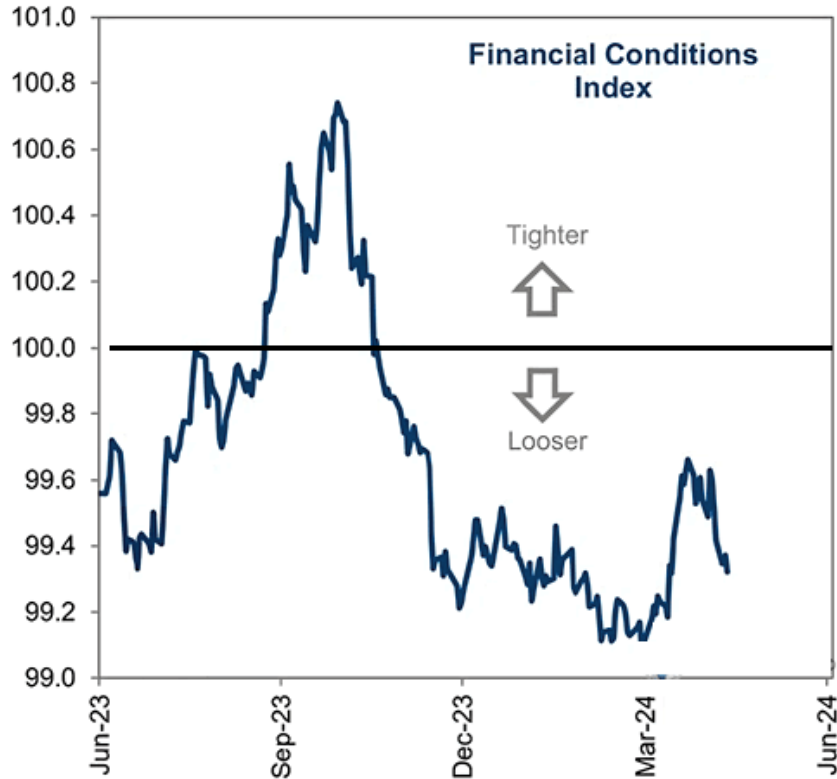
US headline CPI YoY projections based on MoM prints



Source: BofA Global Investment Strategy, Bloomberg

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Financial Conditions (FCI)



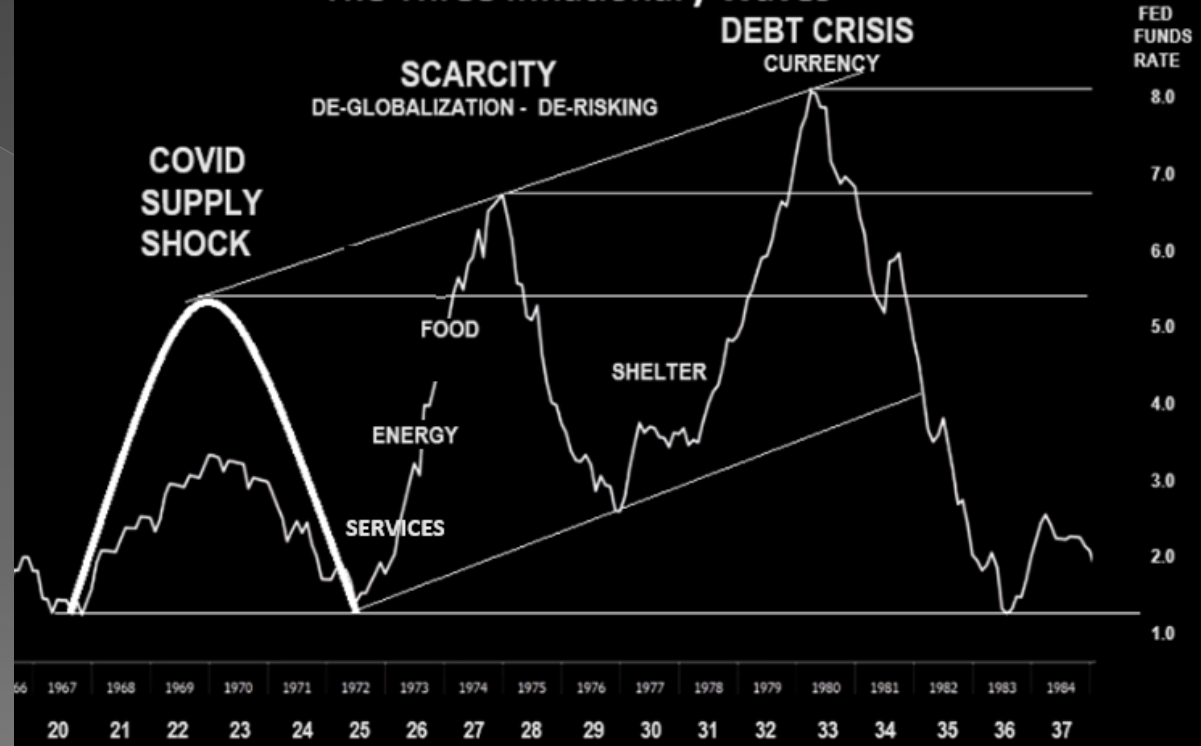
source: Goldman Sachs



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2019 2020 2021 2022 2023 2024
Australia 61 2 9777 8600 Brazil 5511 2325 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
India 91 91 4566 4500 Singapore 65 6519 1100 US 1 212 510 2000

The Three Inflationary Waves

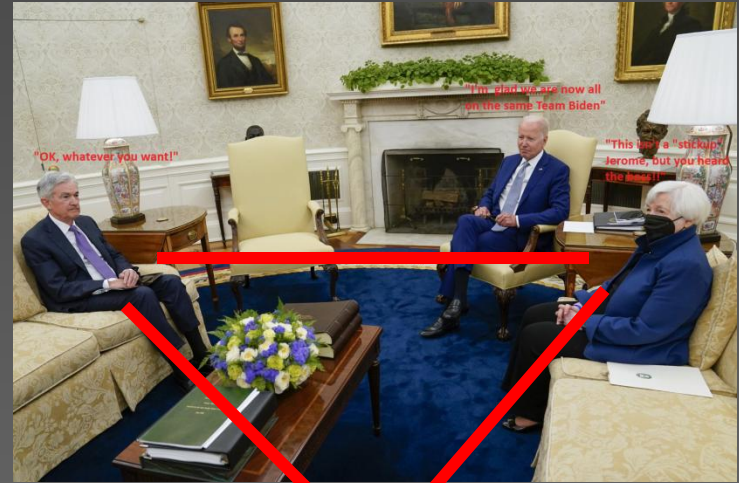


STAGNATION STAGFLATION HYPERINFLATION

BETA DROUGHT DECADE

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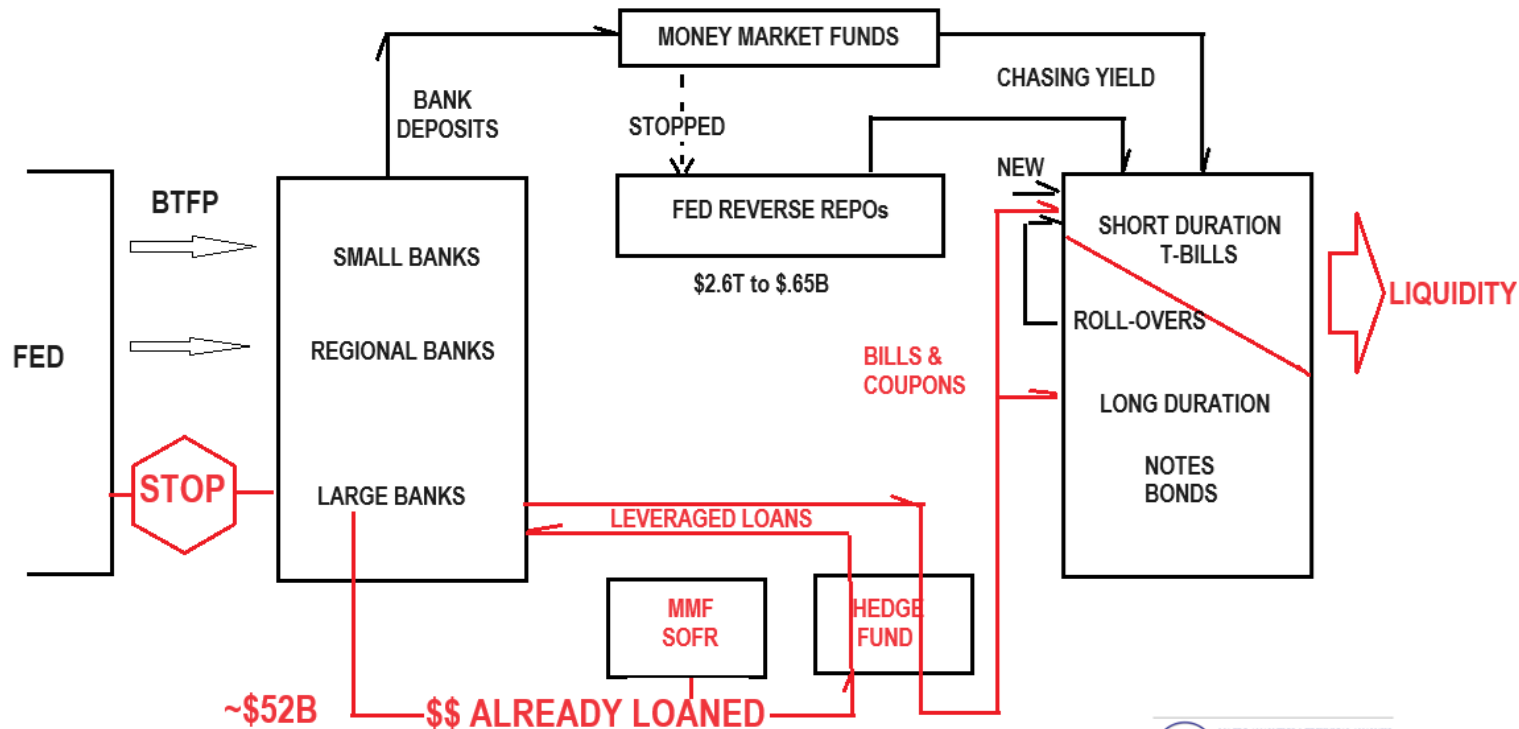


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STAGE I



STAGE II

JANET YELLEN – TREASURY SECRETARY

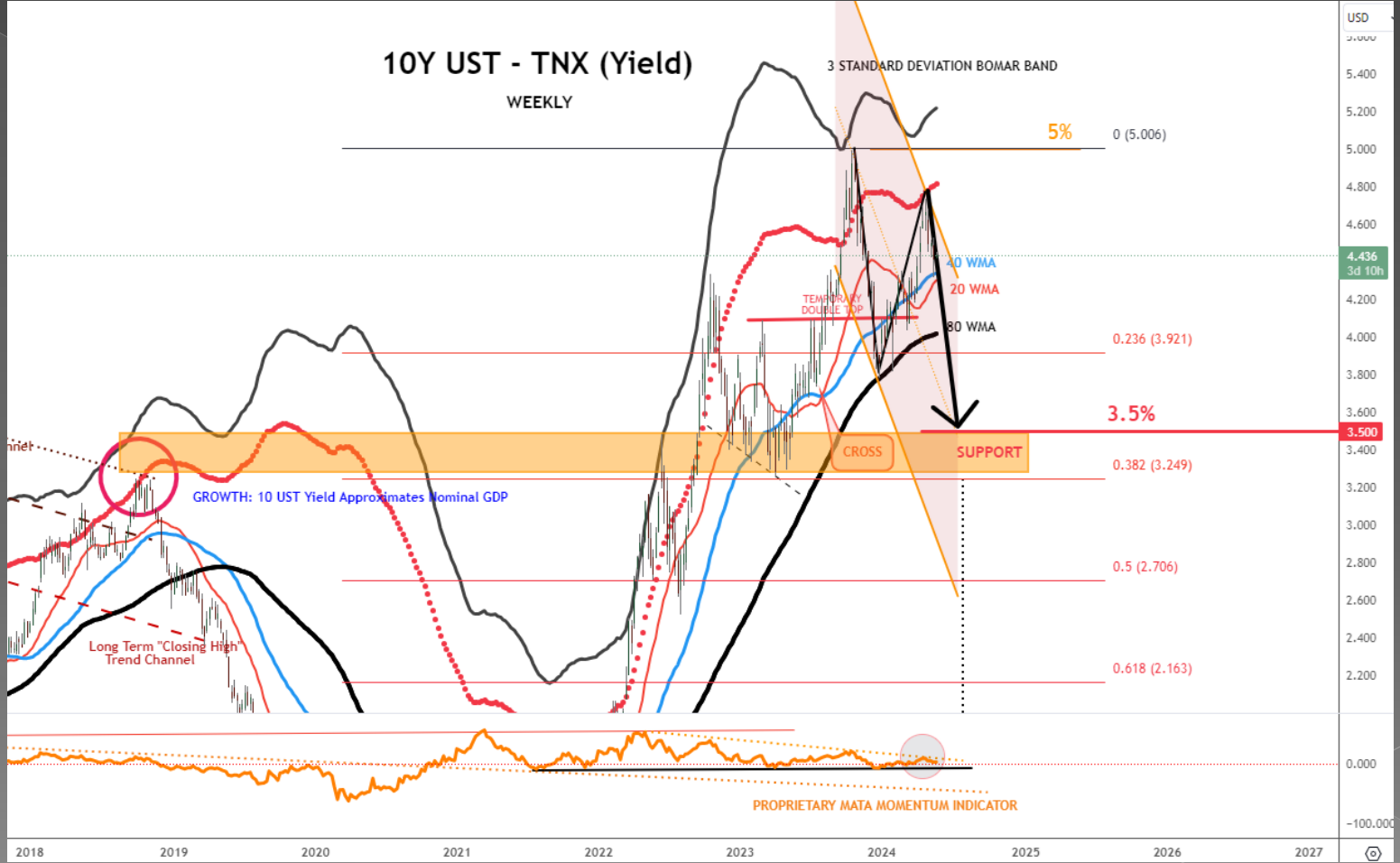
- Yellen's QRA (Quarterly Refunding Announcement) showed limited growth in auction size (suggesting that fiscal spending would be brought under control). Of course now that she has topped up the TGA to nearly \$1T she has plenty of money to pump liquidity into the financial markets between now and the election.
- Yellen's QRA also focused allocation supply on short term T-Bills versus long term coupons. Less coupon supply helps alleviate demand pressures which would force prices down and yields up if foreign buying continued, as expected to be a potential strain at Treasury auctions.

▪THE GLOBAL TREASURY MARKET AUCTION PARTICIPANTS WATCH THE QRA CLOSELY FOR SIGNALS



10Y UST - TNX (Yield)

WEEKLY



USD
5.400
5.200
5.000
4.800
4.600
4.436 (3d 10h)
4.200
4.000
3.800
3.600
3.500
3.400
3.200
3.000
2.800
2.600
2.400
2.200
0.000
-100.000

2018 2019 2020 2021 2022 2023 2024 2025 2026 2027

JANET YELLEN – TREASURY SECRETARY

- Yellen announced a Treasury Buyback Program that allows her to buyback Treasuries in the open market, thereby impacting price & yields based on Treasury created demand where needed. In many ways this is how Japan used Yield Curve Control (YCC) to manipulate Treasury Yields anywhere on the curve.
- Yellen has pressured China who had previously been the second largest holder of US debt, (having reduced their Treasury holding from ~1.3T to ~\$750B), to assist in halting further selling. She likely gave some sort of incentives to China in her recent hasty trip to Beijing. We speculate it involved deferring Trade tariff implementation on China until after the election.

JANET YELLEN – TREASURY SECRETARY

- Yellen is expected to have changes finalized in the Basel III SLR (Supplemental Leverage Ratio) before August. This would effectively incentivize banks to increase Treasury holdings which they have been limited by as the Banks have reduced being market makers carrying inventory.
- ... these are only those we are currently aware of remembering that Yellen's Stealth Liquidity Stage II is still operational but needing only Yellen to ensure that rates would be heading lower (prices up) so that the leverage loan hedge fund operators would not be exposed to "holding the bag" on their purchases by Yields rose.

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JEROME POWELL – TREASURY SECRETARY

- Powell was extremely clear and reassuring at Wednesday's press conference that the FOMC did not see rates heading higher - only potentially "higher for longer". This was what the markets needed to hear and bond yields fell.
- Powell has been clear that, though he does not see rates going higher, he sees rates going down if the strong Employment momentum starts was to weaken.
- PRESTO - the April Labor Report on Friday suddenly plummets! We have long advocated it was much weaker than the Labor Secretary's BLS was reporting. It was time for the BLS to be more inline with fellow Biden Cabinet member Janet Yellen & Powell's needs.

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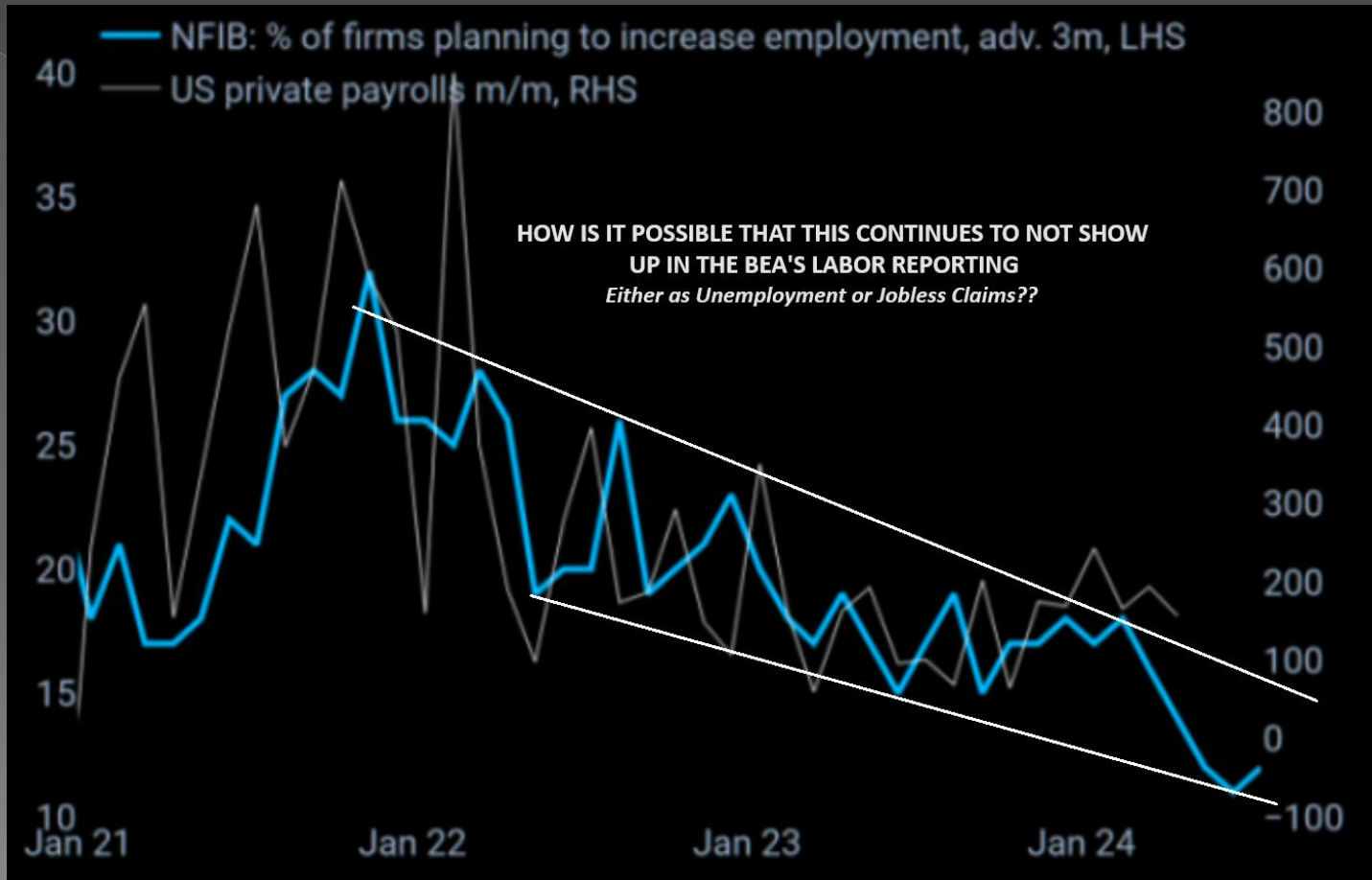
SHOULD THE BUREAU OF ECONOMIC ANALYSIS (BEA) BE AUDITED?

LOST CONFIDENCE IN BEA DATA POINTS

Since the abrupt resignation of the Labor Secretary directly responsible for the BEA, there has been a steady erosion of trust in the statistics coming out of the BEA.

"OBSCURING" DATA

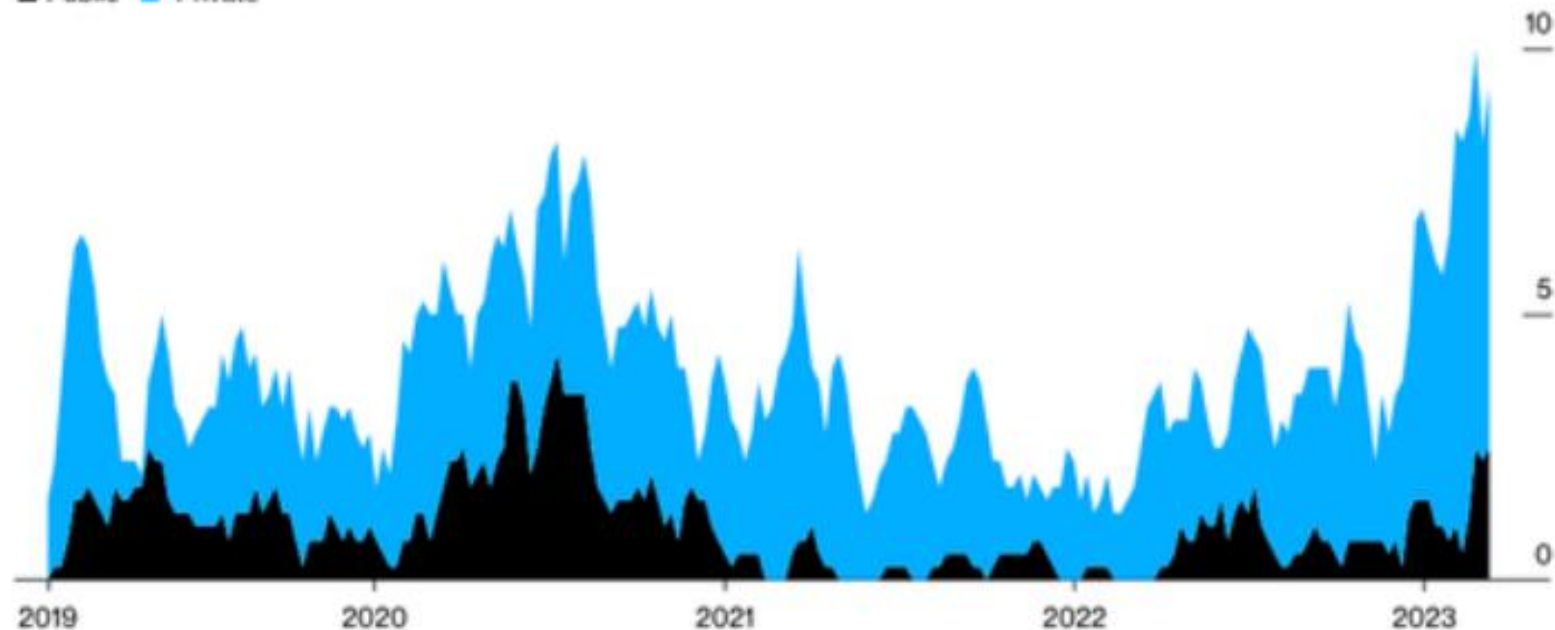
Long used Private Data, which has traditionally supported the BEA statistics, no longer matches nor supports BEA reporting. The divergences have become larger and more consistent. It has become such a major issue that it is amazing more public outcry is not being raised for an independent audit process being implemented. Issues with scoring budget proposals became such a similar political game years ago that an independent, non-partisan process was forced to be implemented. Are we at such a point with the BEA?



Bankruptcies Spike Among Small, Private Companies

Average number of companies filing for bankruptcy each week

■ Public ■ Private



Note: Four-week moving average of consolidated bankruptcy data of US companies with assets of \$10 million or more

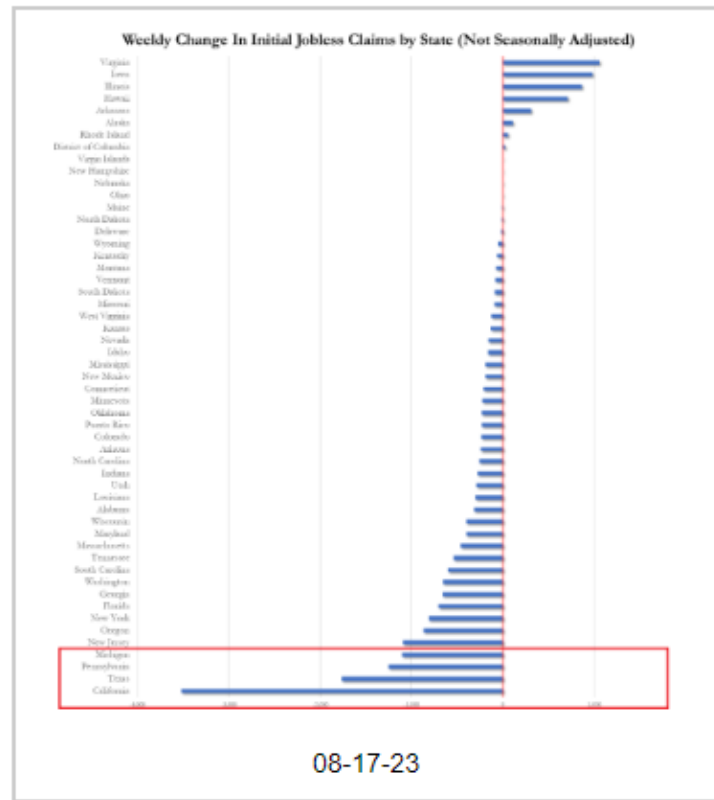
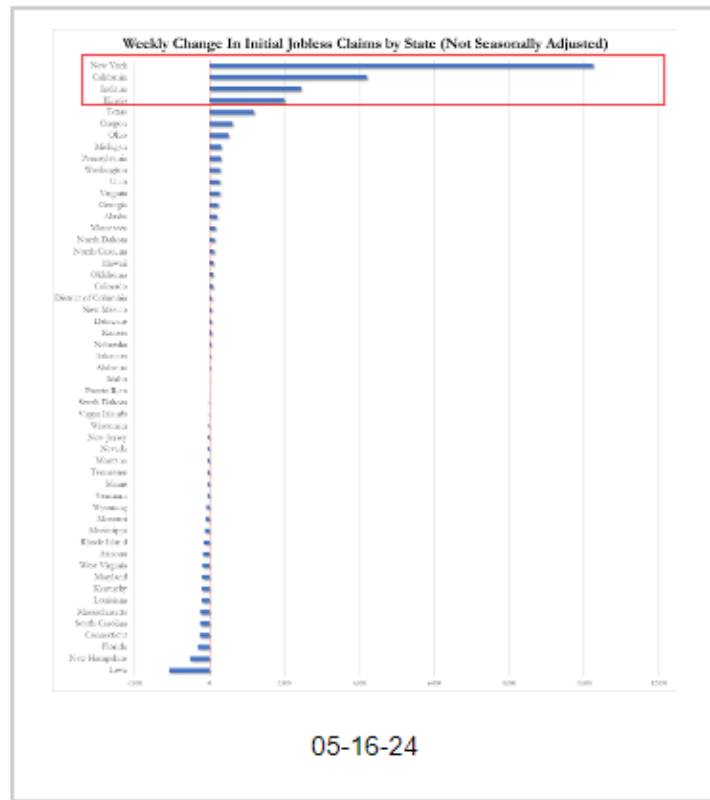
Source: UBS Group AG

1. Everybuddy: 100% of workforce
2. Wisense: 100% of workforce
3. CodeSee: 100% of workforce
4. Twig: 100% of workforce
5. Twitch: 35% of workforce
6. Roomba: 31% of workforce
7. Bumble: 30% of workforce
8. Farfetch: 25% of workforce
9. Away: 25% of workforce
10. Hasbro: 20% of workforce
11. LA Times: 20% of workforce
12. Wint Wealth: 20% of workforce
13. Finder: 17% of workforce
14. Spotify: 17% of workforce
15. BuzzFeed: 16% of workforce
16. Levi's: 15% of workforce
17. Xerox: 15% of workforce
18. Qualtrics: 14% of workforce
19. Wayfair: 13% of workforce
20. Duolingo: 10% of workforce
21. Rivian: 10% of workforce
22. Washington Post: 10% of workforce
23. Snap: 10% of workforce
24. eBay: 9% of workforce
25. Sony Interactive: 8% of workforce
26. Expedia: 8% of workforce

27. Business Insider: 8% of workforce
28. Instacart: 7% of workforce
29. Paypal: 7% of workforce
30. Okta: 7% of workforce
31. Charles Schwab: 6% of workforce
32. Docusign: 6% of workforce
33. Riskified: 6% of workforce
34. EA: 5% of workforce
35. Motional: 5% of workforce
36. Mozilla: 5% of workforce
37. Vacasa: 5% of workforce
38. CISCO: 5% of workforce
39. UPS: 2% of workforce
40. Nike: 2% of workforce
41. Blackrock: 3% of workforce
42. Paramount: 3% of workforce
43. Citigroup: 20,000 employees
44. ThyssenKrupp: 5,000 employees
45. Best Buy: 3,500 employees
46. Barry Callebaut: 2,500 employees
47. Outback Steakhouse: 1,000
48. Northrop Grumman: 1,000 employees
49. Pixar: 1,300 employees
50. Perrigo: 500 employees
51. Tesla: 10% of workforce

DATA MADE TO SUPPORT REQUIRED NARRATIVE

We have reported continuously the 3-6 SIGMA reporting anomalies over the last year which we would refer you to prior newsletters. The one thing that has consistently stood out to us is how the Job Reports from major Democratic states (specifically CA, NY, PA, IL & MI) are off the scale on either end, depending on the data required to support the current Bidenomics narrative.



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US 10-year Treasury yield (constant maturity)



Source: BofA Global Investment Strategy, GFD Finaeon, Bloomberg

BofA GLOBAL RESEARCH

STAGNATION

INFLATION

Crushes Consumer Disposable Income
Reversing Wealth Effect

DEFLATION

THE GREAT STAGFLATION

Insufficient Real
Economic
Growth

SURGING UNEMPLOYMENT



2020's

THE BETA DROUGHT DECADE

DEBT CRISIS

DEBT CRISIS

Collateral Failure
Leverage Failures

DE-DOLLARIZATION

HYPERINFLATION

Fiat
Currency
Failure

BRETTON WOODS II

**DEBT
CRISIS**



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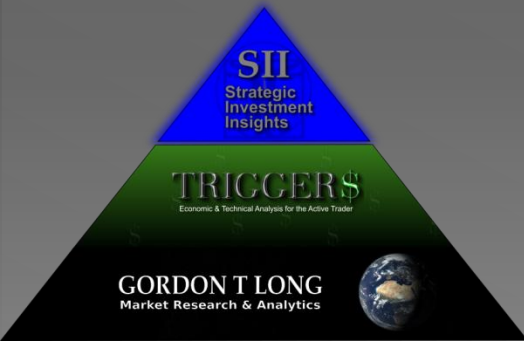
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