

Victims Of Our Own Success



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Even Without a Trade War, Growth Was Set to Slow

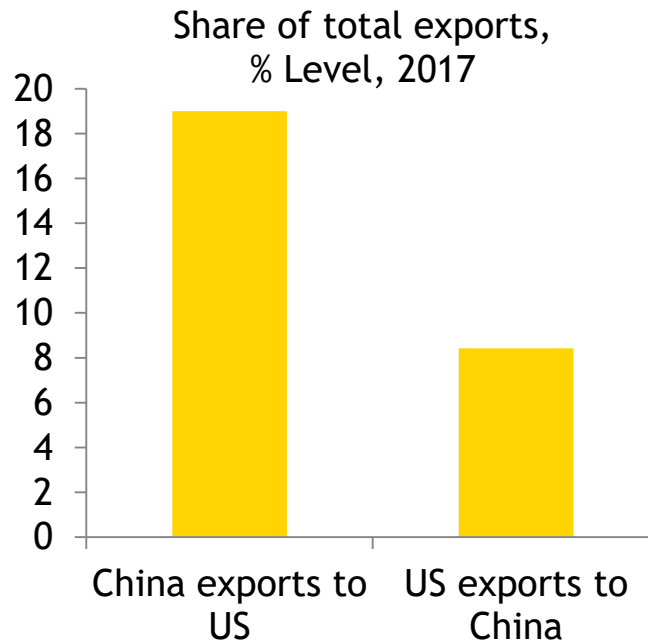
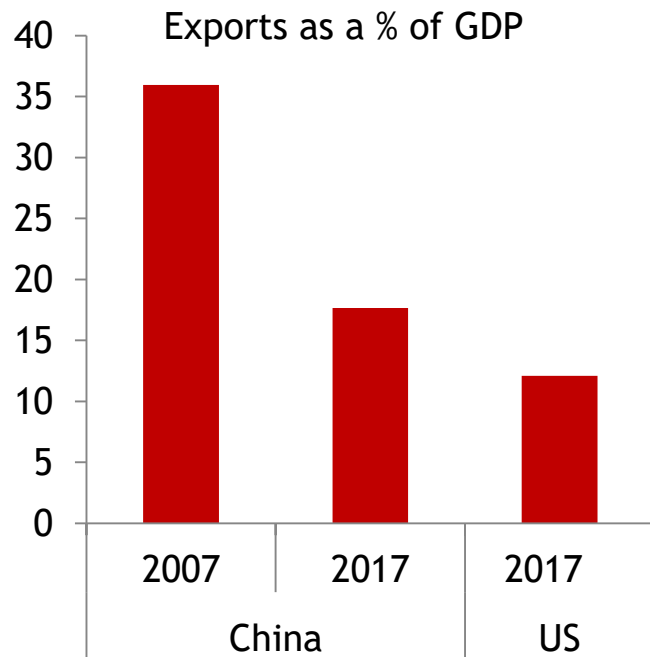
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	5 yrs before recession, avg	2015A	2016A	2017A	2018F	2019F
World*	4.8	3.5	3.2	3.7	3.3	3.1
US	2.9	2.9	1.6	2.2	2.8	2.0
Canada	2.6	1.0	1.4	3.0	2.0	1.6
Euroland	2.2	2.0	1.8	2.5	2.1	1.5
UK	3.3	2.3	1.9	1.8	1.3	1.3
Japan	1.8	1.4	0.9	1.6	1.2	0.8
China	11.6	6.9	6.7	6.9	6.5	6.2

* at Purchasing Power Parity



China is Less Export-Dependent Than a Decade Ago, But is Still More Vulnerable to a Trade War Than the US



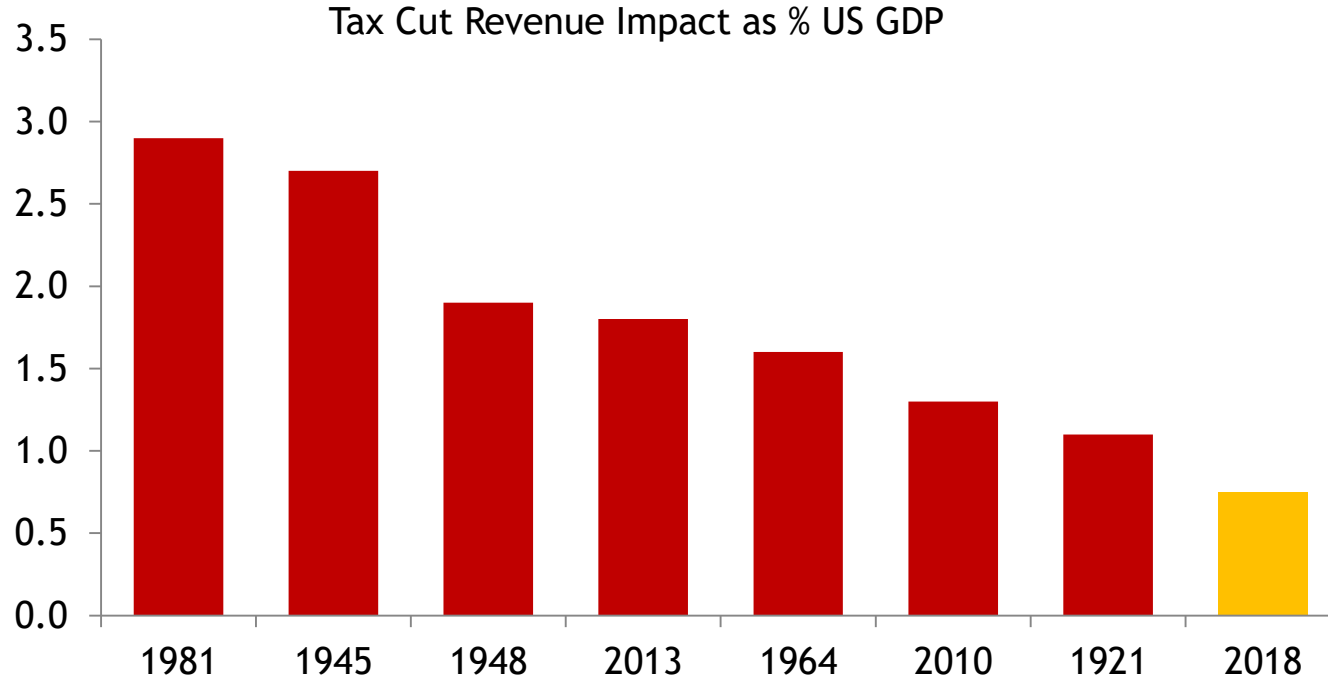
Source: ITC, World Bank, CIBC



- US and EU agree on no auto tariffs for European vehicles, launch negotiations on existing tariff elimination
- US Trade Rep and Treasury Secretary say NAFTA deal coming “soon”
- Despite pledge to talk, tariffs with China keep on coming
- Pompeo says US will keep Russian sanctions and never accept Crimea occupation
- Putin fall visit to White House is cancelled
- **BOTTOM LINE:** Russia back on bad boy list with Iran and China, but the US is trying to make nice with everybody else



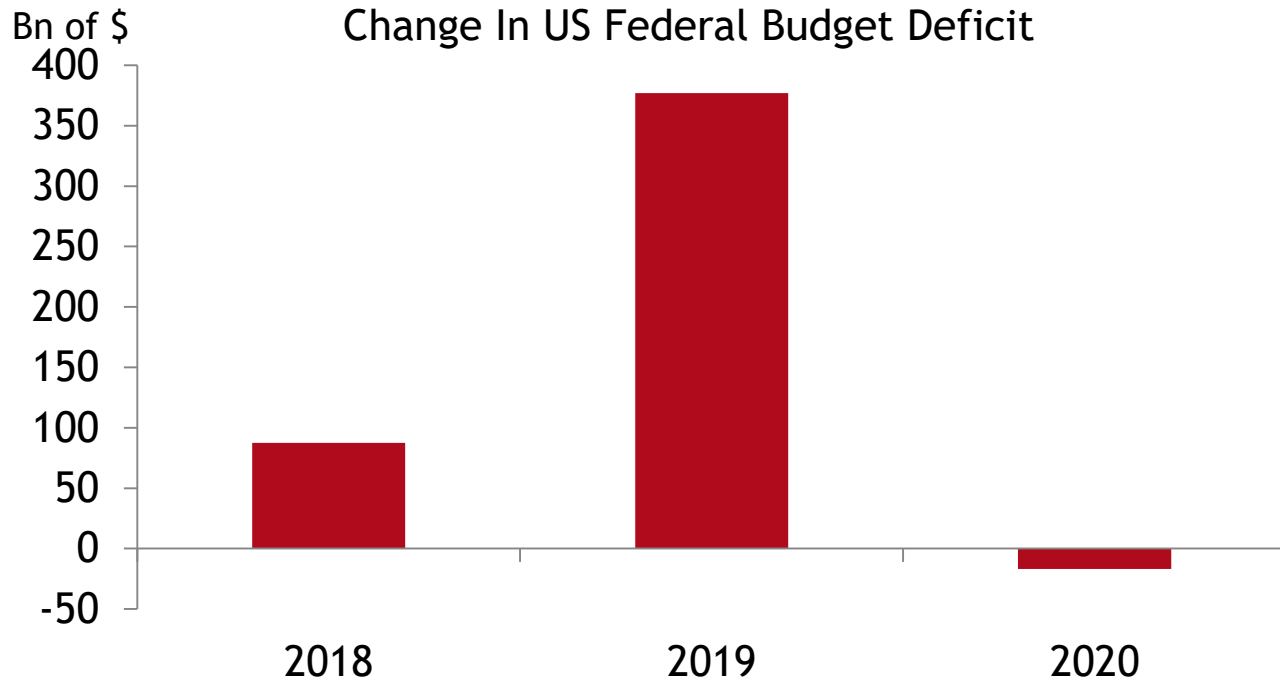
Trump's "Biggest Tax Cut Ever"....Not Quite But Still a Bump in US 2018 GDP



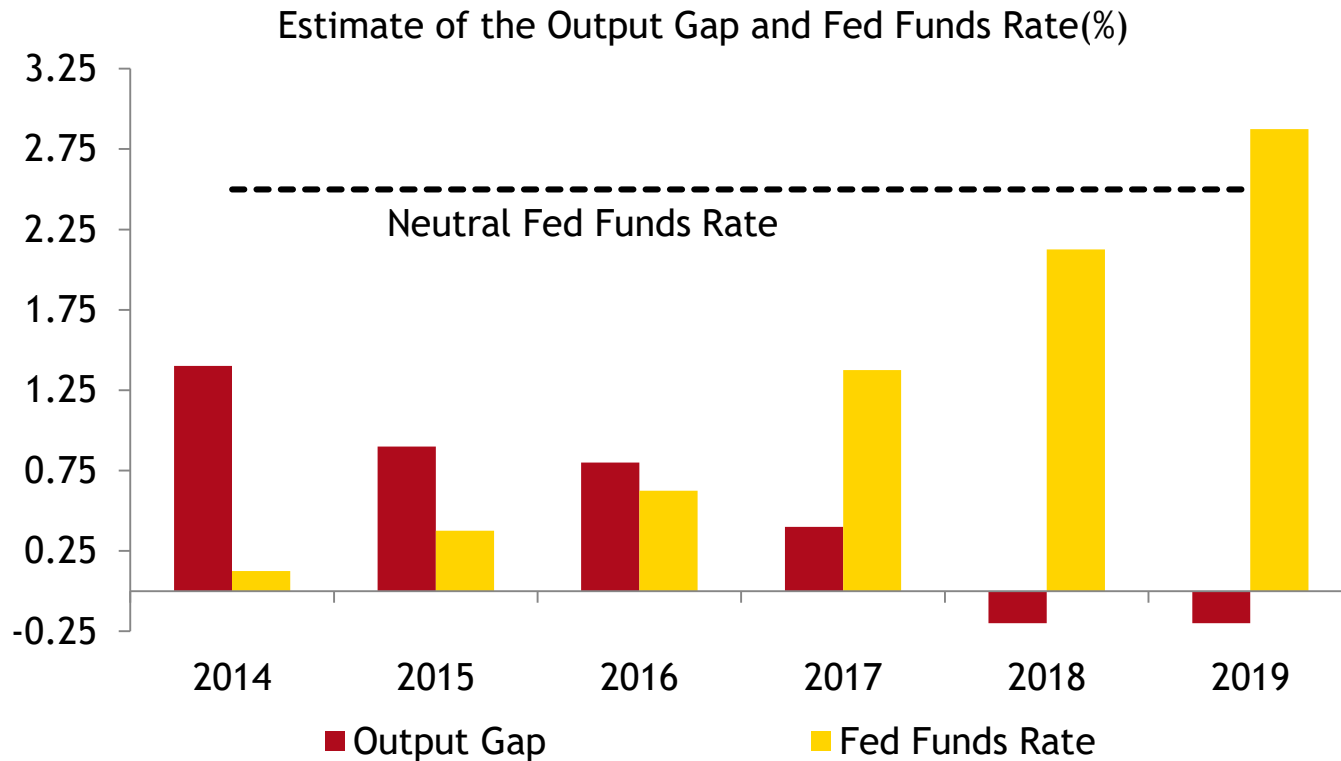
Source: Committee for a Responsible Federal Budget, CIBC



US Fiscal Policy Boosts 18/19 Growth But Economy Will Slow as Fiscal Policy Tightens in 2020

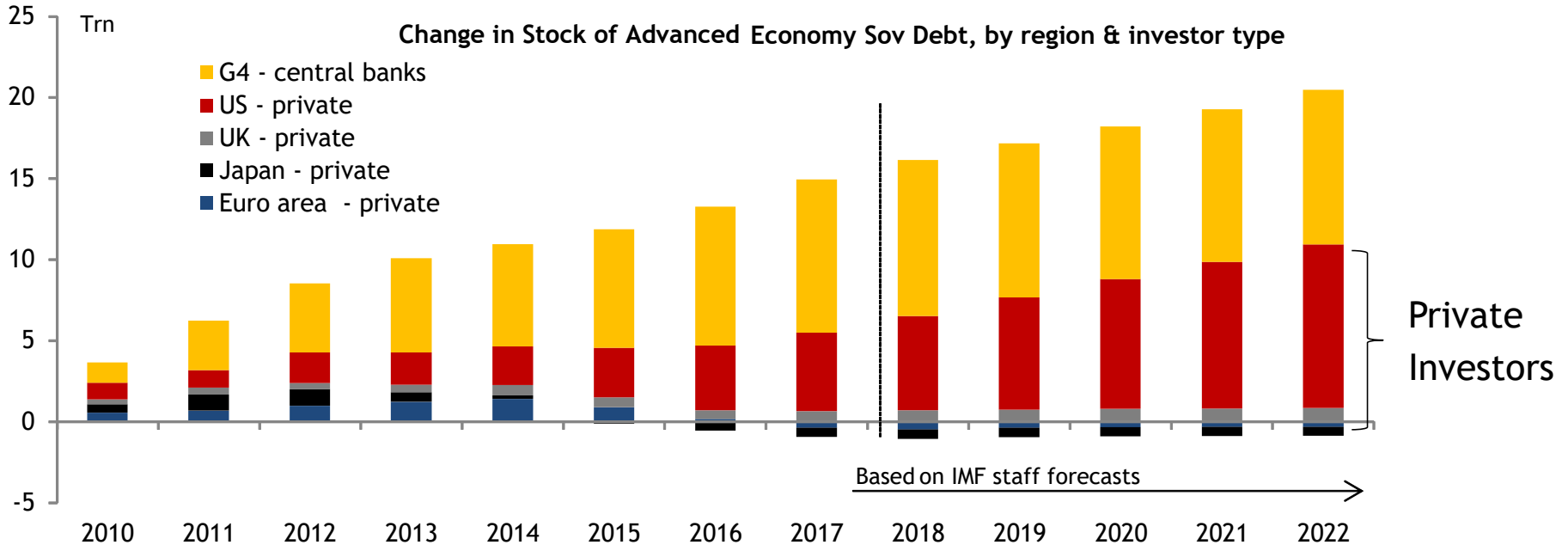


Fed Hikes US Short-Term Interest Rates to Nearly 3% Leaving Room to Trim Rates in 2020 If Fiscal Policy Tightens



Central Banks Bought Trillions in Bonds Since 2010

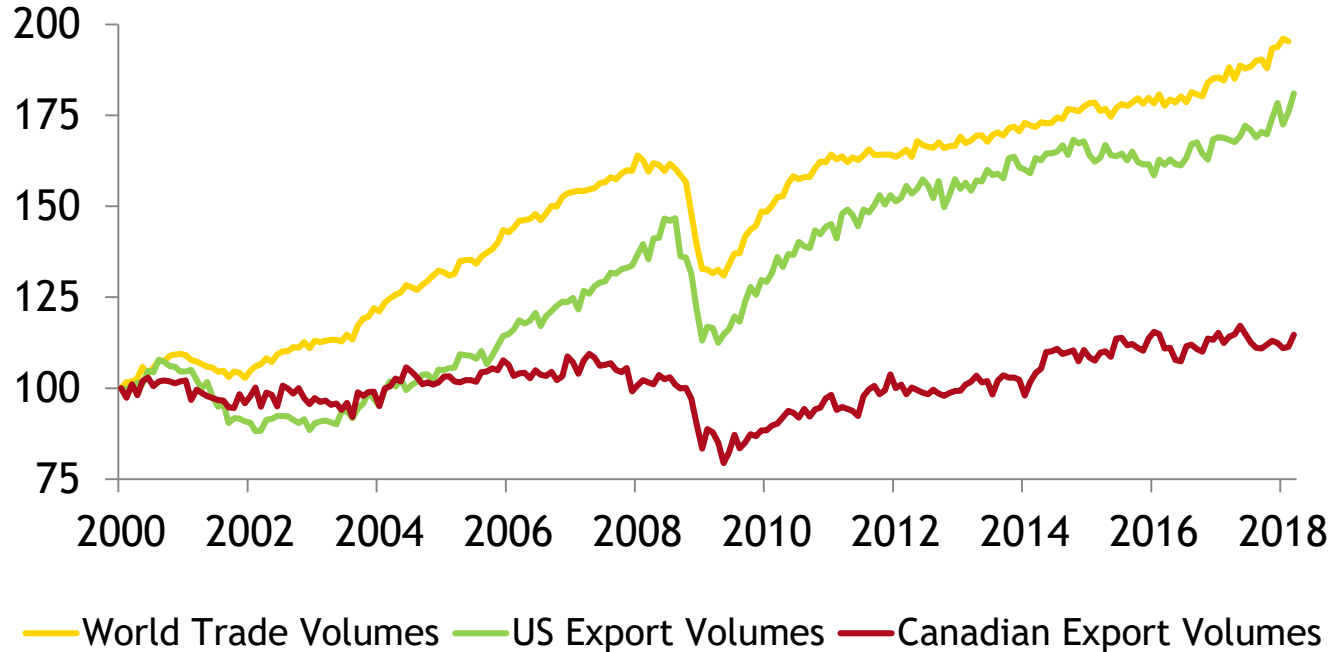
Long Bond Yields Will Creep Higher as They Unwind That



Source: IMF, CIBC Capital Markets



New Millennium Has Seen Listless Trend in Canadian Exports



Source: CPB, Haver Analytics, CIBC



How Have the NAFTA Talks Gone? Read the Body Language

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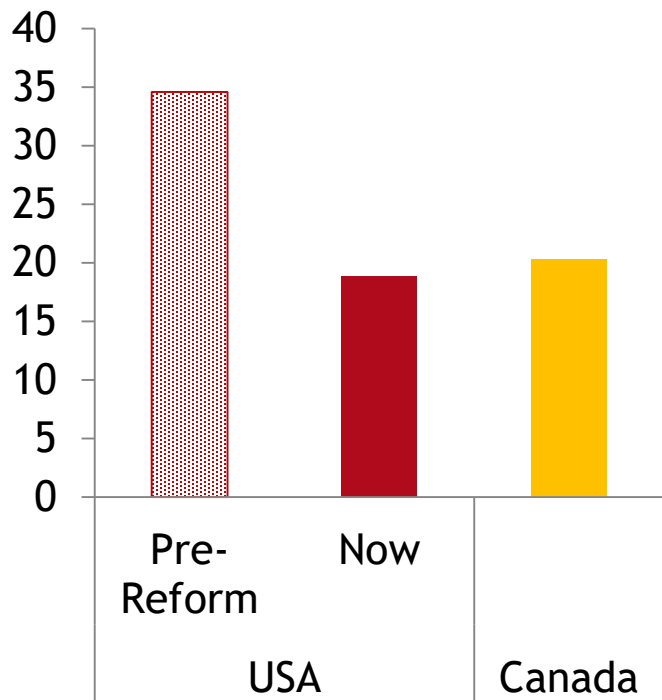


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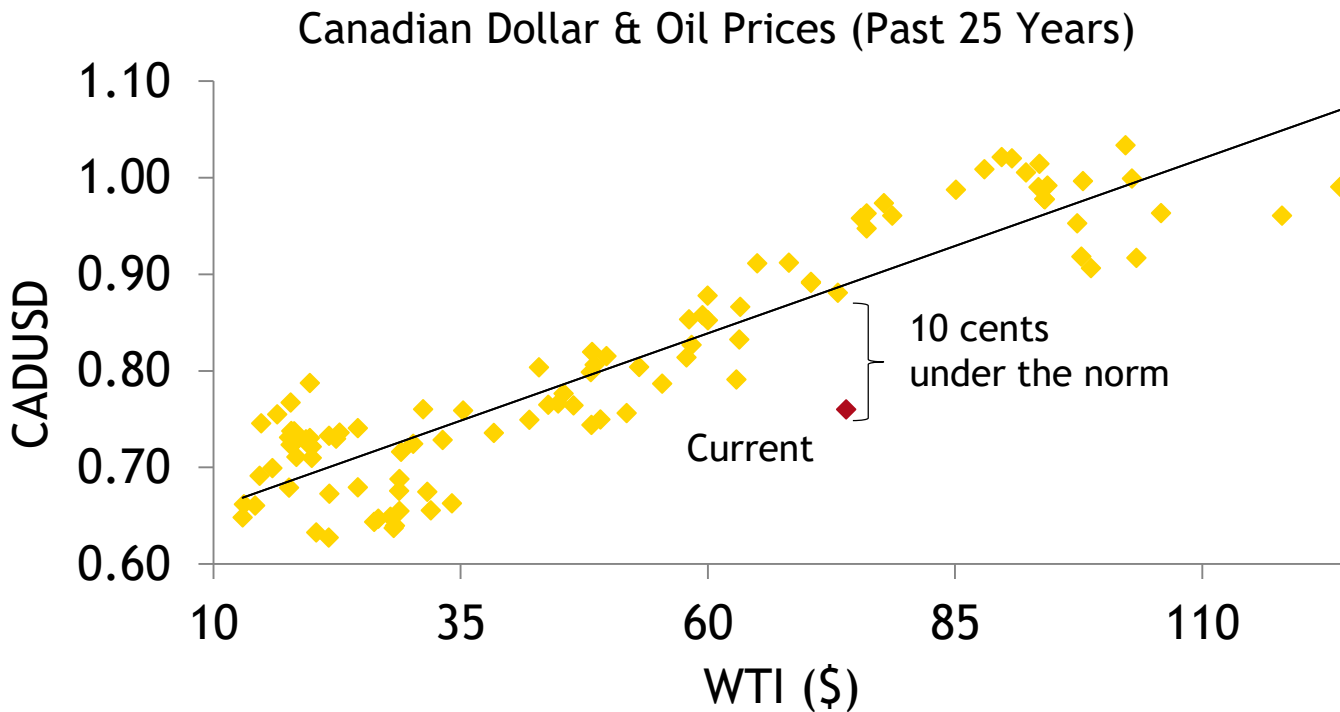
Canada Lost Its Corporate Tax Advantage (L), While US Shifts to Lighter Regulatory Burden (R)

Effective Corporate Tax Rate (%)

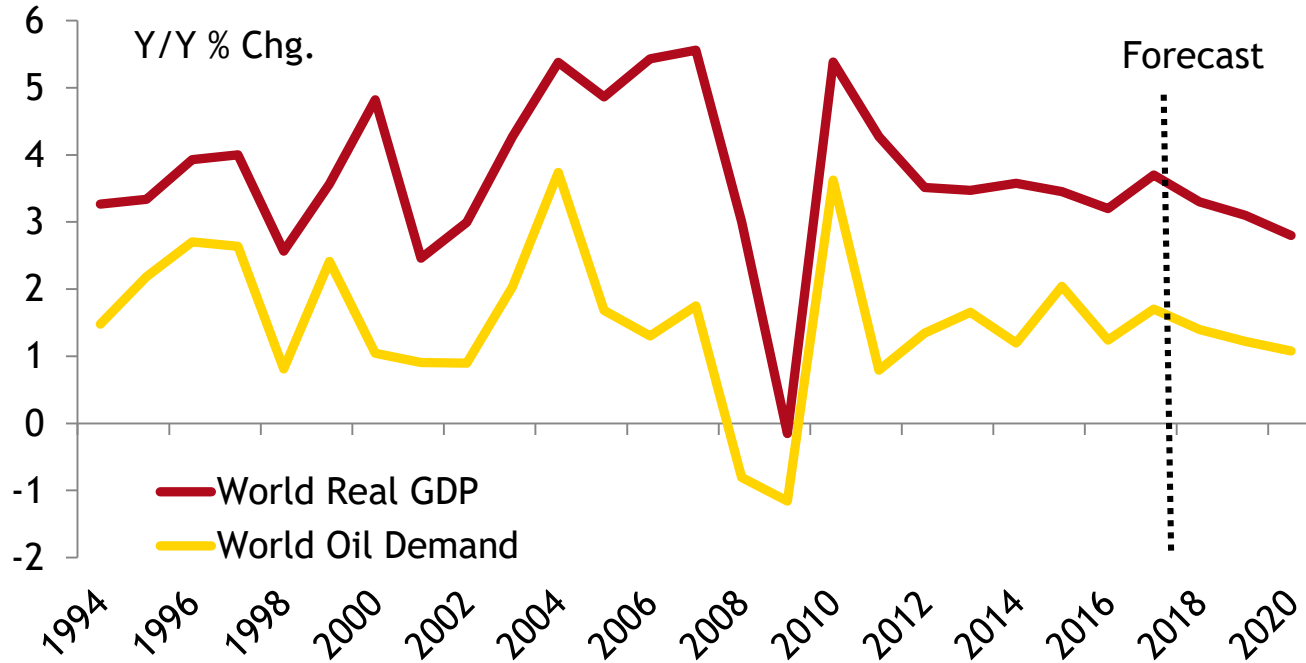


Source: P. Bazel, J. Mintz and A. Thompson





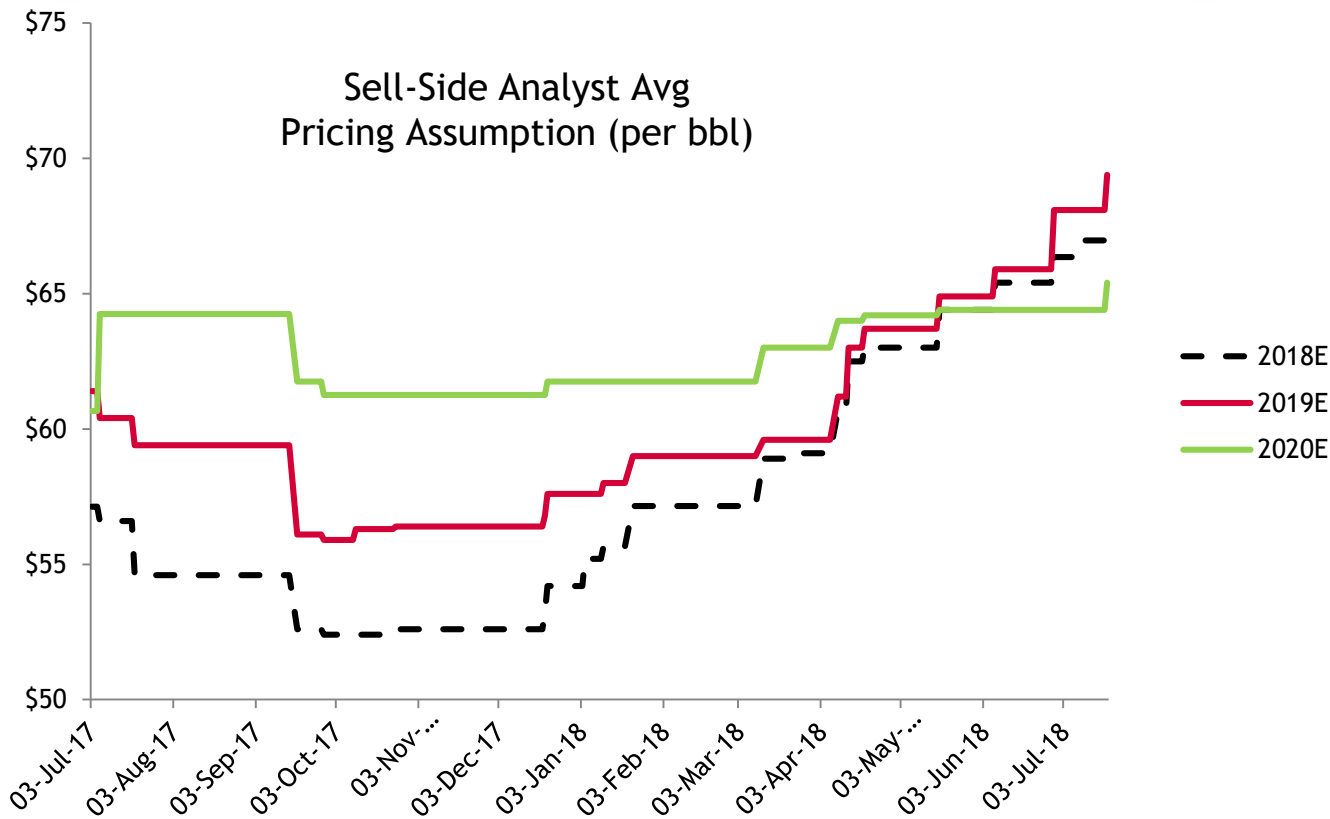
Oil Demand at Risk as Global Growth Slows



Source: IEA, IMF, Bloomberg, CIBC

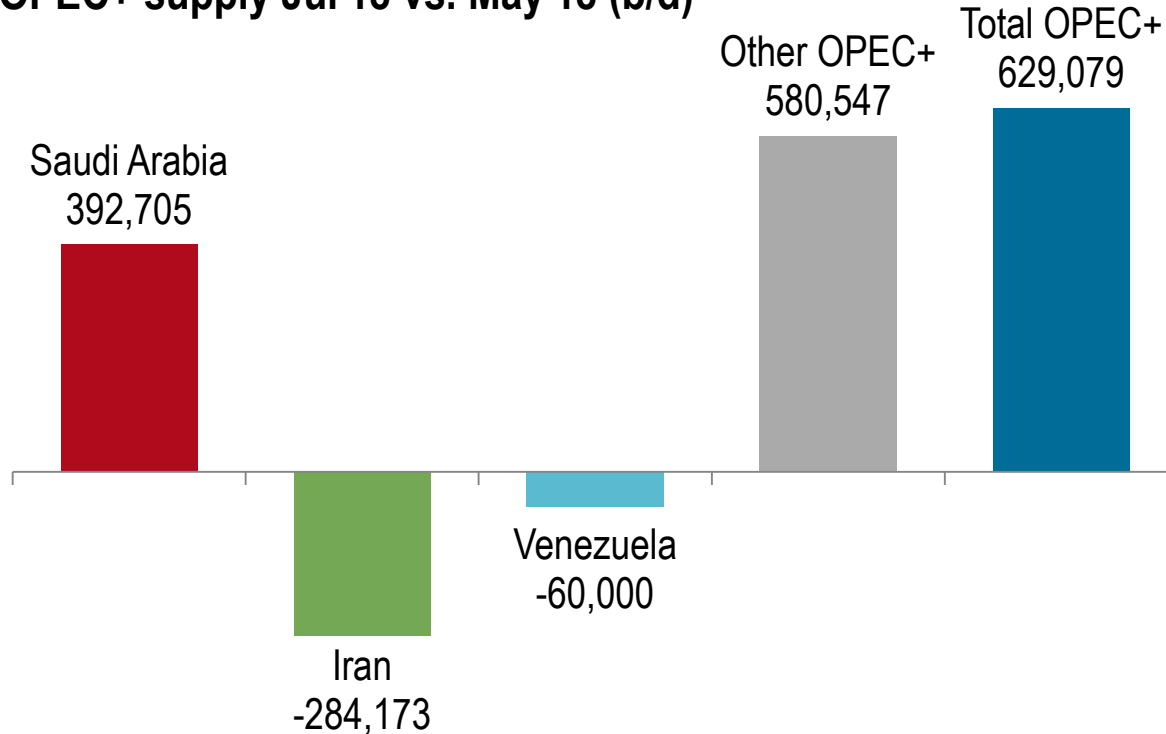


Equity Analysts Already Assuming \$70 Oil World But Not Getting Overdone on 2020 Views



OPEC+ Group Tempted By Firmer Prices to Produce More, Saudi's Living Up to Pledge to Fill In for Iran

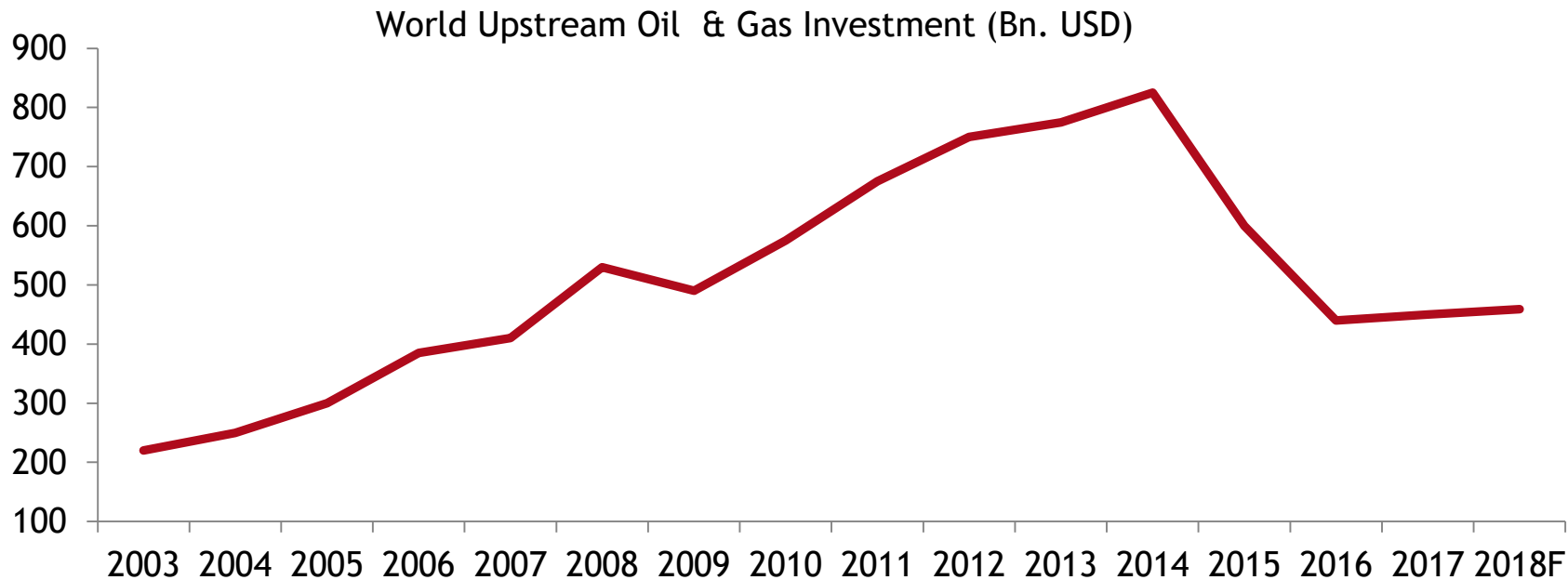
OPEC+ supply Jul'18 vs. May'18 (b/d)



Source: IEA, CIBC



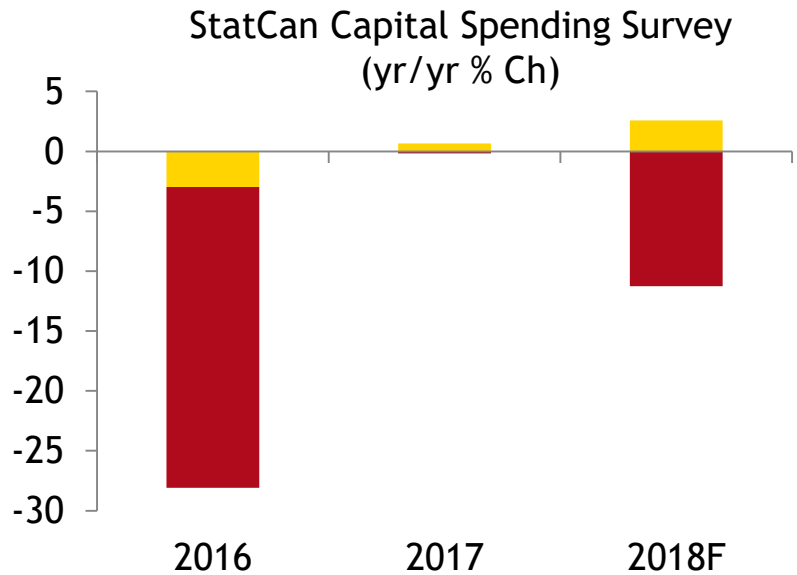
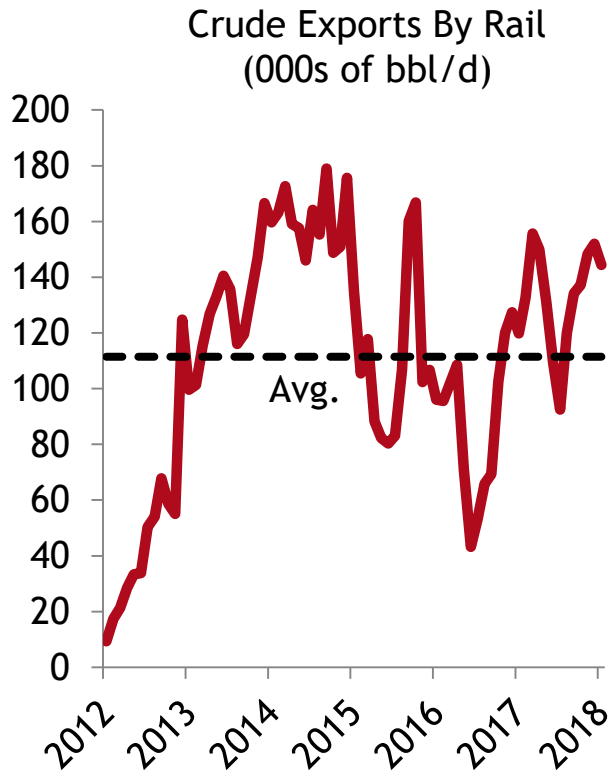
Global Investment in New Projects Still Sluggish, But It's Too Early to Pass Judgement



Source: IEA, CIBC



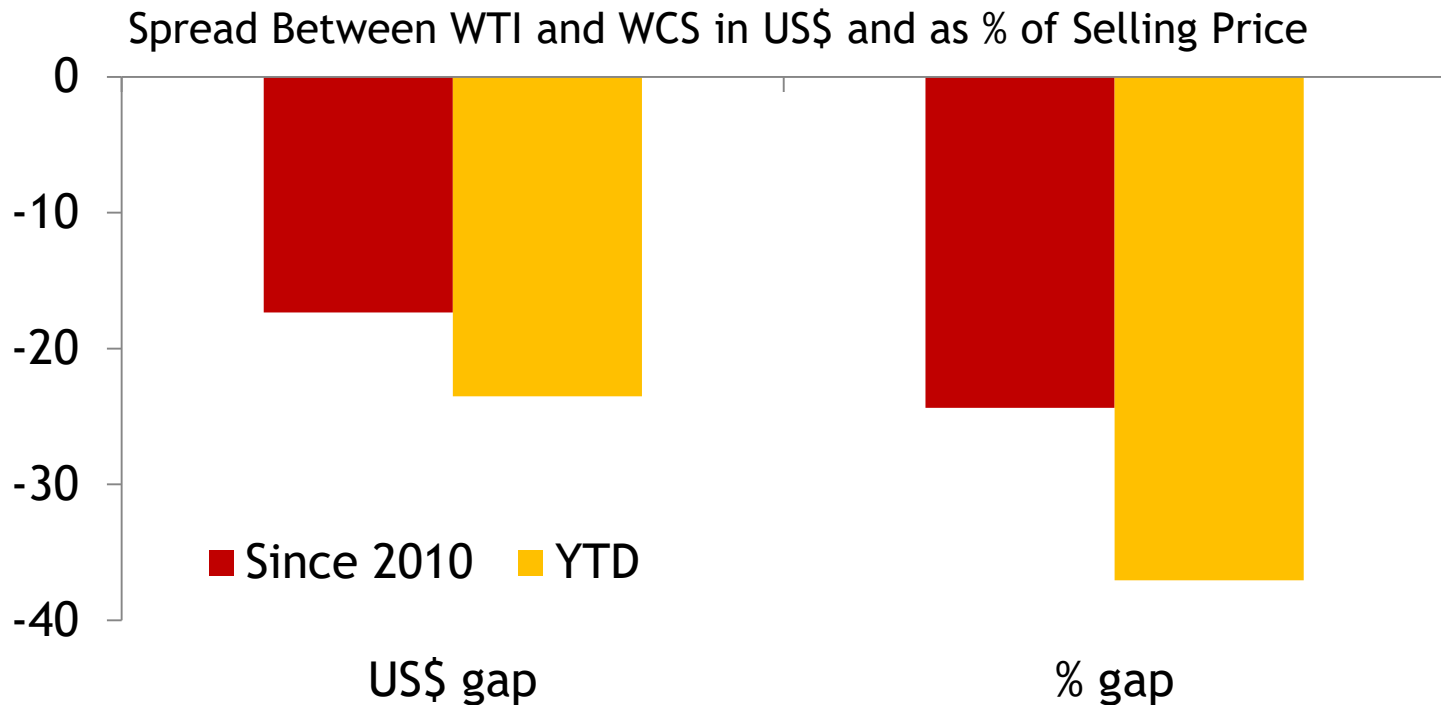
Canadian Crude Oil By Rail Already Running Atop Recent Range(L), Transport Bottlenecks a Headwind to Capital Spending (R)



- Oil & Gas Extraction
- Support for Mining/Oil/Gas Extraction

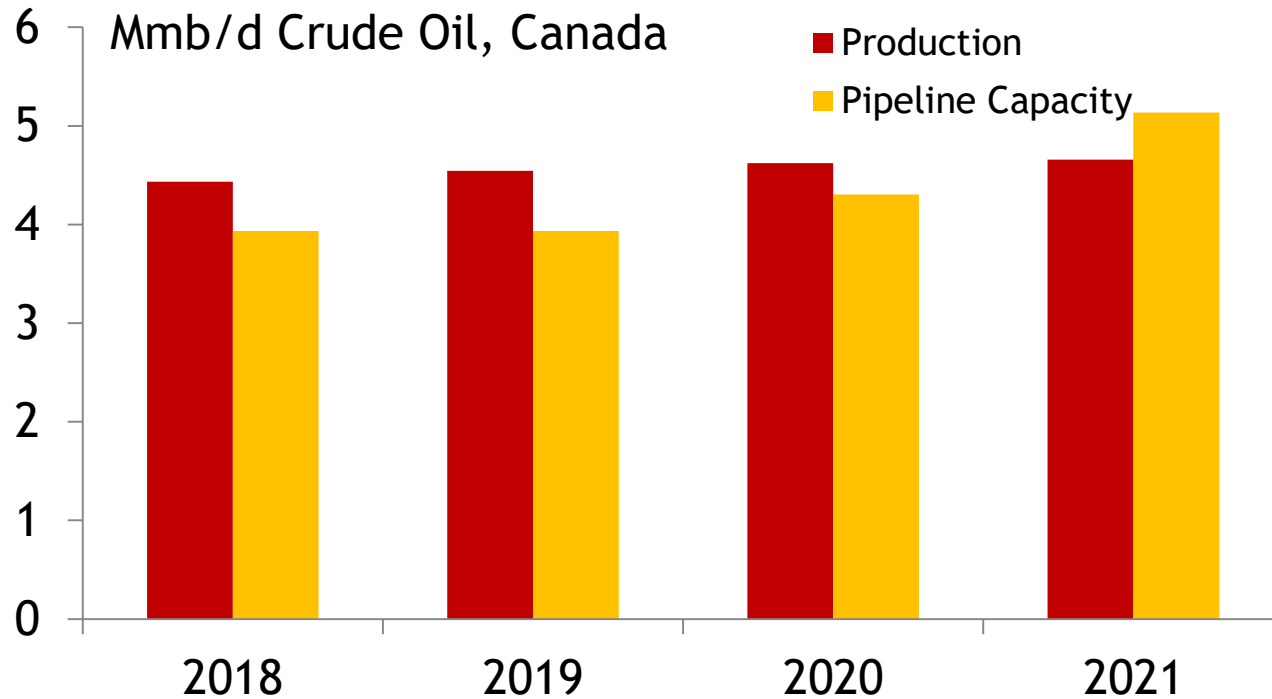
Source: Statistics Canada, CIBC





Source: Bloomberg, NEB, Statistics Canada, CIBC

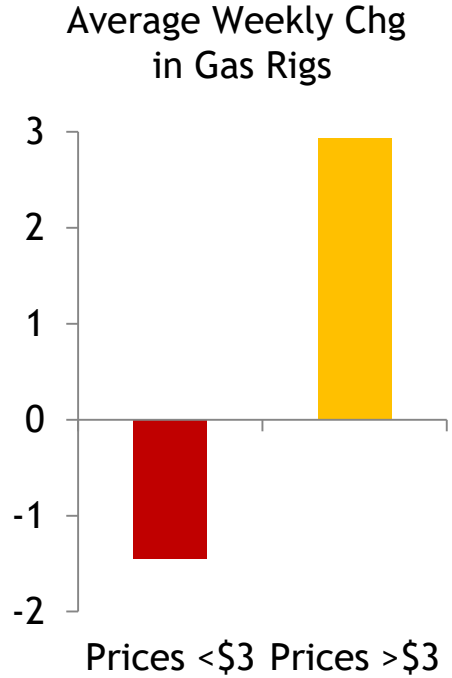
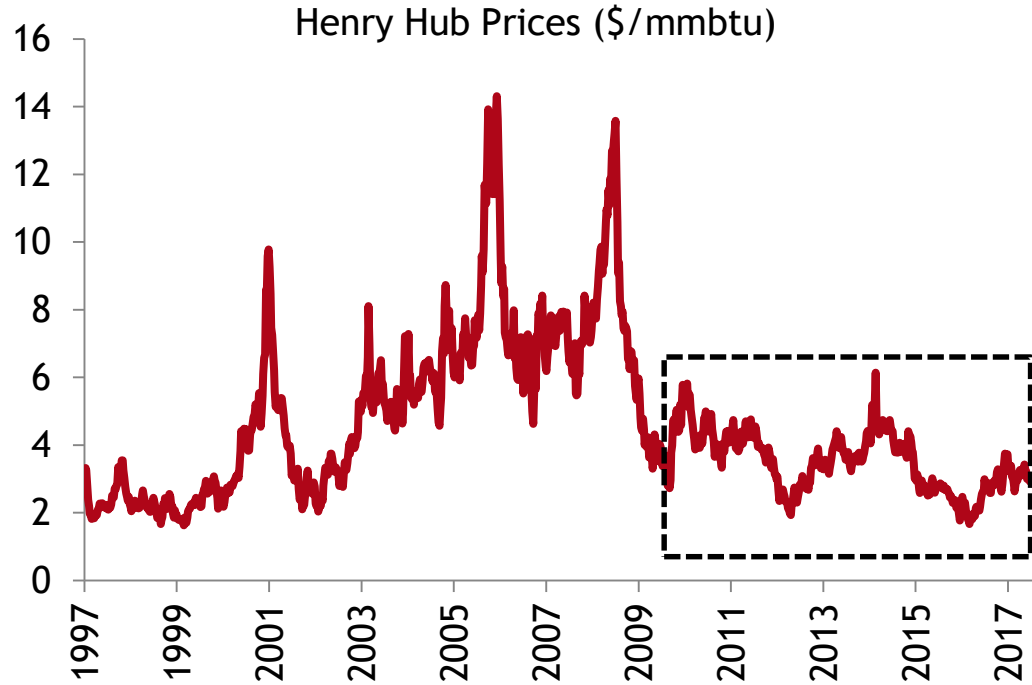




Source: CAPP, CIBC



A Greatest Hits Slide from Enercom 2017! Nothing Much Has Changed for Nat-Gas Pricing



Source: Bloomberg, Baker Hughes, CIBC



- ❑ US and global economy decelerate in 2019 and 2020
- ❑ Fed has 125 bps of hikes through 2019.
- ❑ Europe and Japan start to tighten monetary policy in 2019
- ❑ US\$ softens vs overseas majors, stable vs. Canadian dollar
- ❑ 10-year Treasury rates up 30 bps in the US, and corporate spreads widen.
- ❑ Oil prices average just under \$70 through 2019, but 2020 could be a softer year.
- ❑ Longer term, need to see more cap-ex or prices will shift higher.
- ❑ Nat-gas prices still range-bound... nothing new under the sun.

