

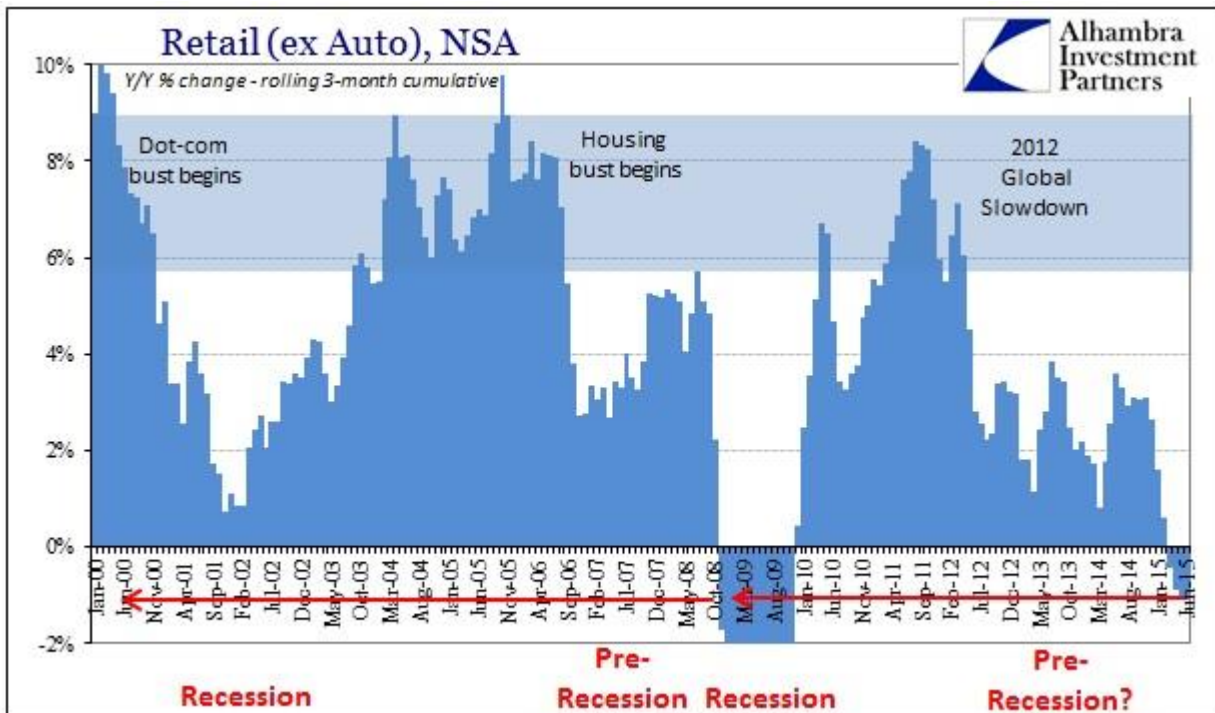
# MONTHLY ECONOMIC CHART REVIEW

**'DEMAND' RECESSION:** Consumer spending has dropped off dramatically, but as of June still has not yet rebounded. Recession is an accumulation of downward deviation, meaning the longer this goes on unabated the more likely of total dislocation in the coming months.

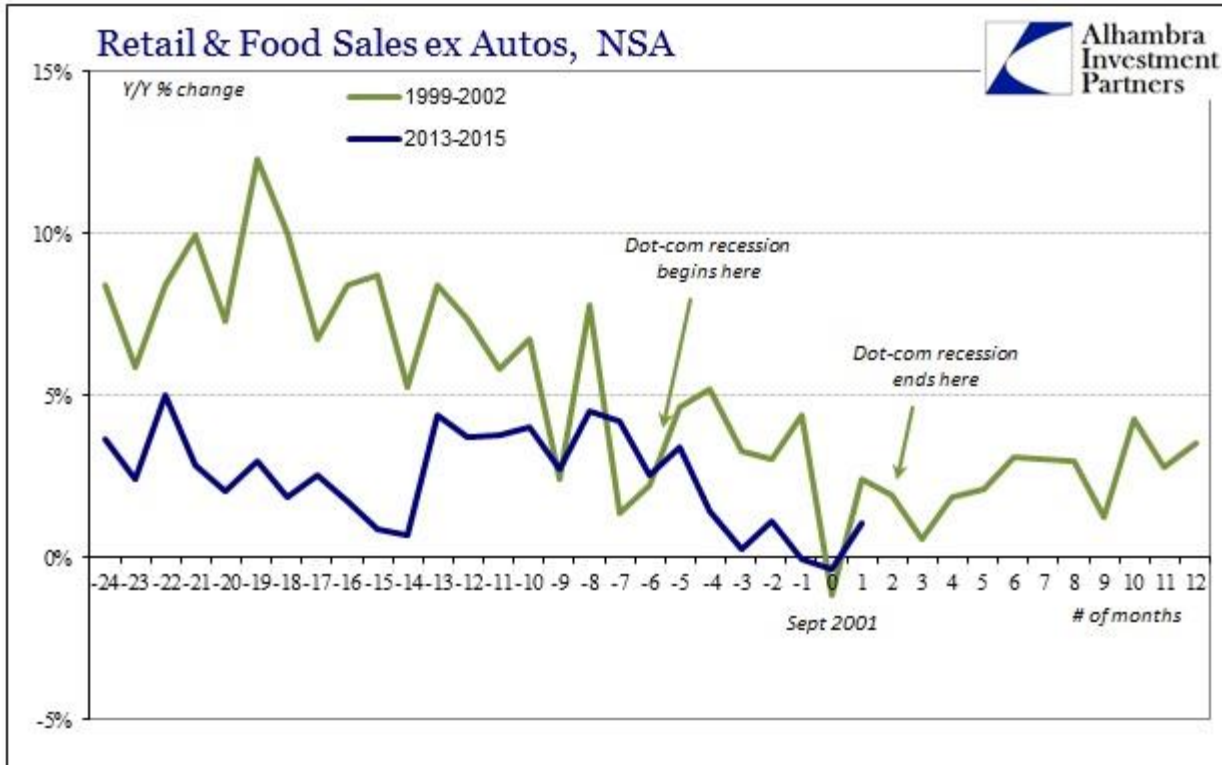
**DESPITE 'DEMAND', FULL RECESSION PRESSURES REMAIN 'FURLED':** Disparity in inventory and production so far; as employment.

**YELLEN DOCTRINE:** Odd occurrences in 'dollar' liquidity as eurodollar decay continues.

DEMAND RECESSION



Retail sales still contracting on a *nominal* basis, not accounting for 'inflation'

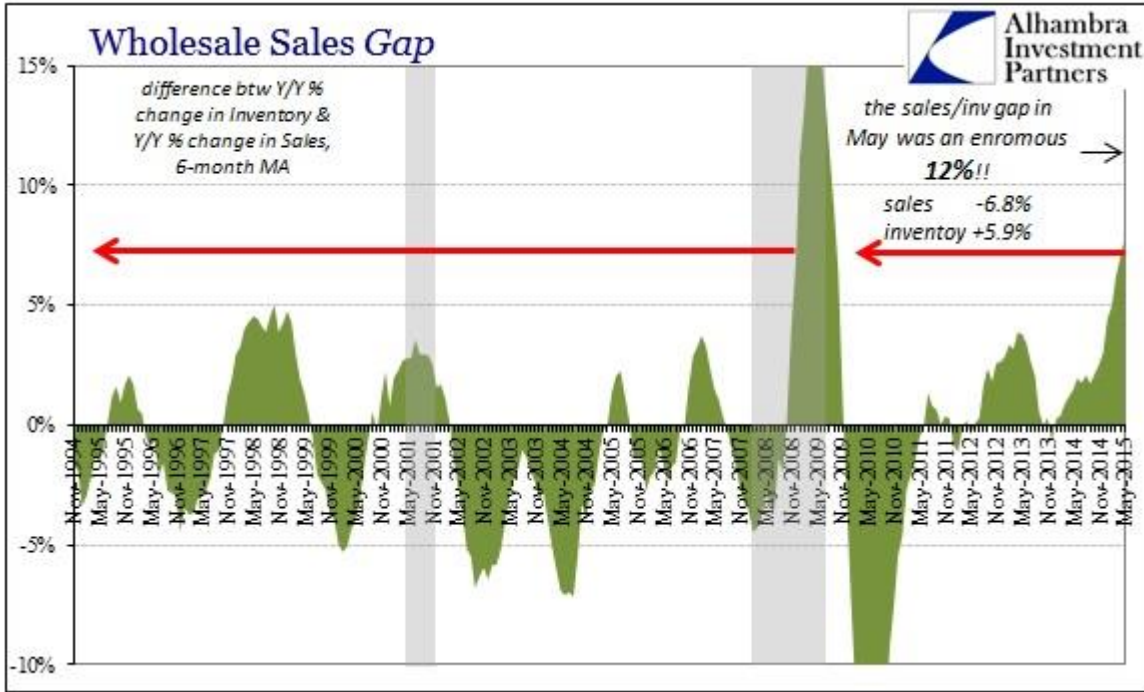


Retail sales actually worse than dot-com recession already

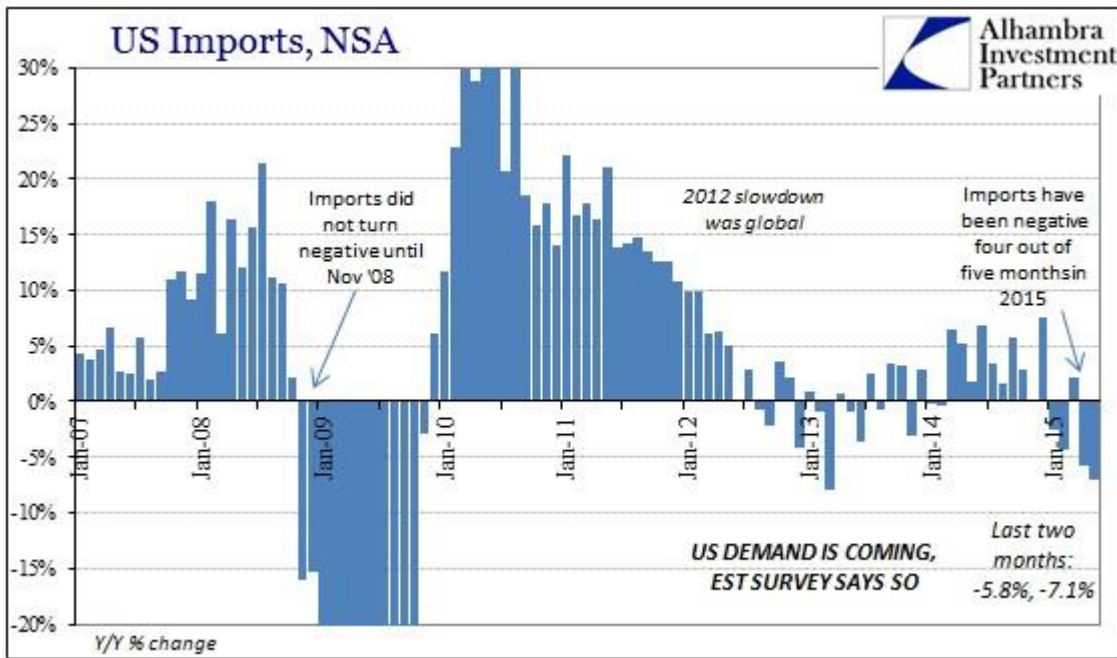


Wholesale sales have nearly collapsed, again worse than dot-com recession already.



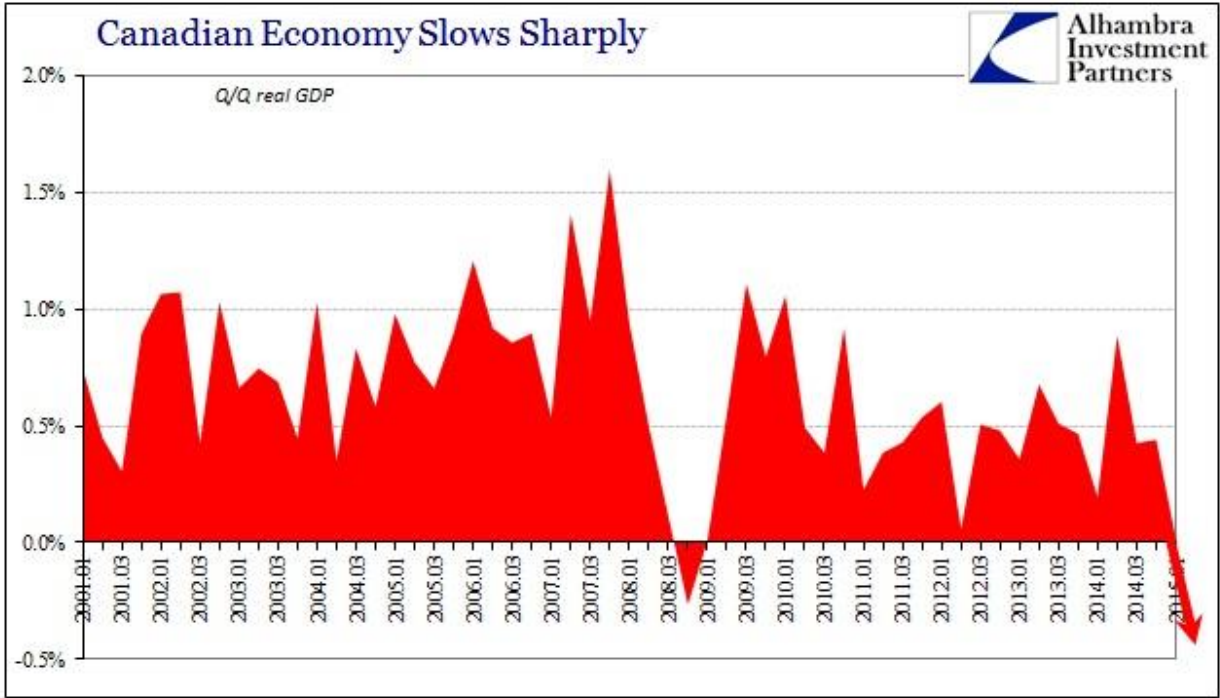


Gap between sales and inventory the highest since the Great Recession, and about equal to Nov. 2008.

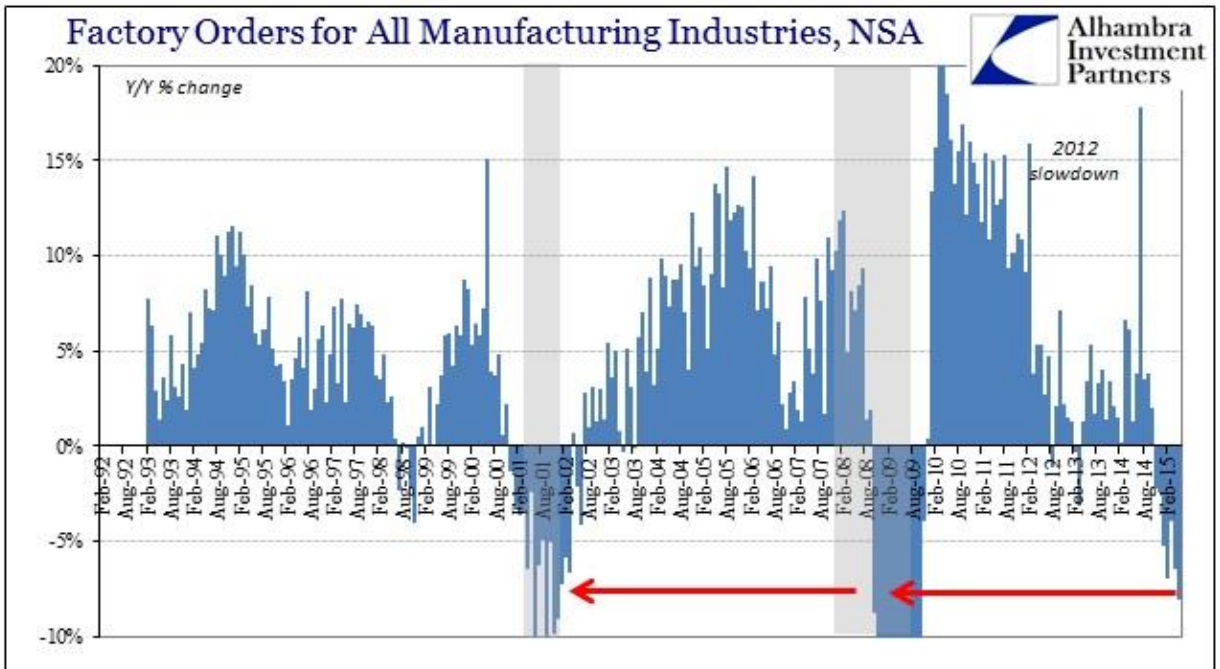


Imports fell 7% in May, as 'demand' for goods is declining in widespread fashion. This contradicts how it is 'supposed' to go with a 'strong dollar'



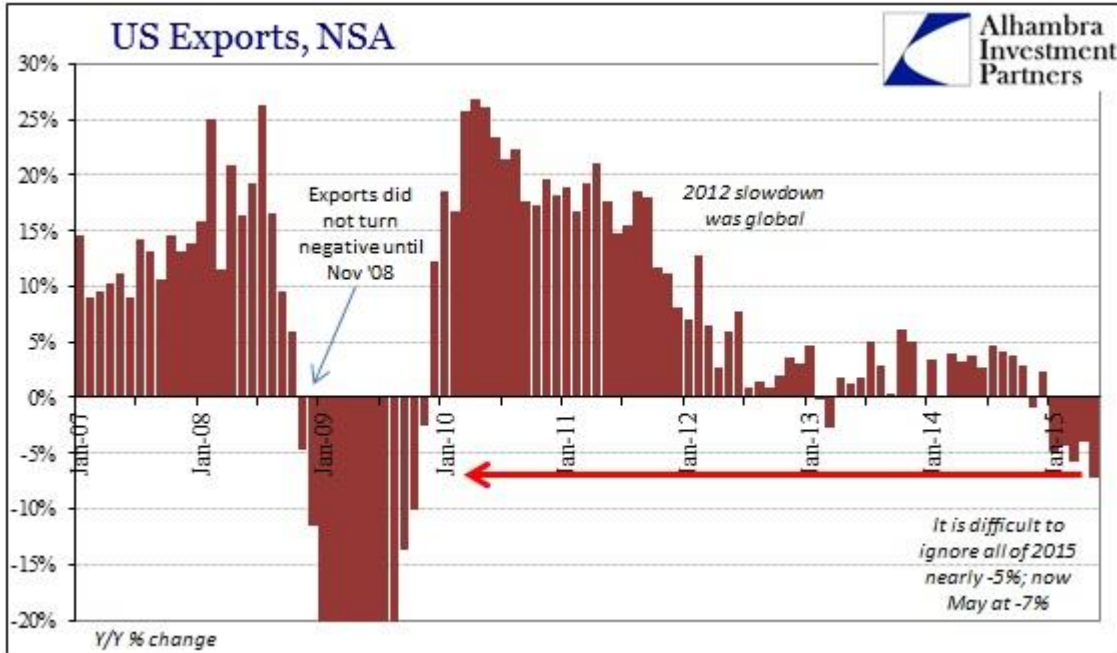


Recessionary US 'demand' has already claimed the Canadian economy, as far more than just petroleum. Bank of Canada, typical, is 'puzzled' by the sudden and sharp decline in **non-petroleum** exports from Canada (reminder, US is their biggest customer, by far)

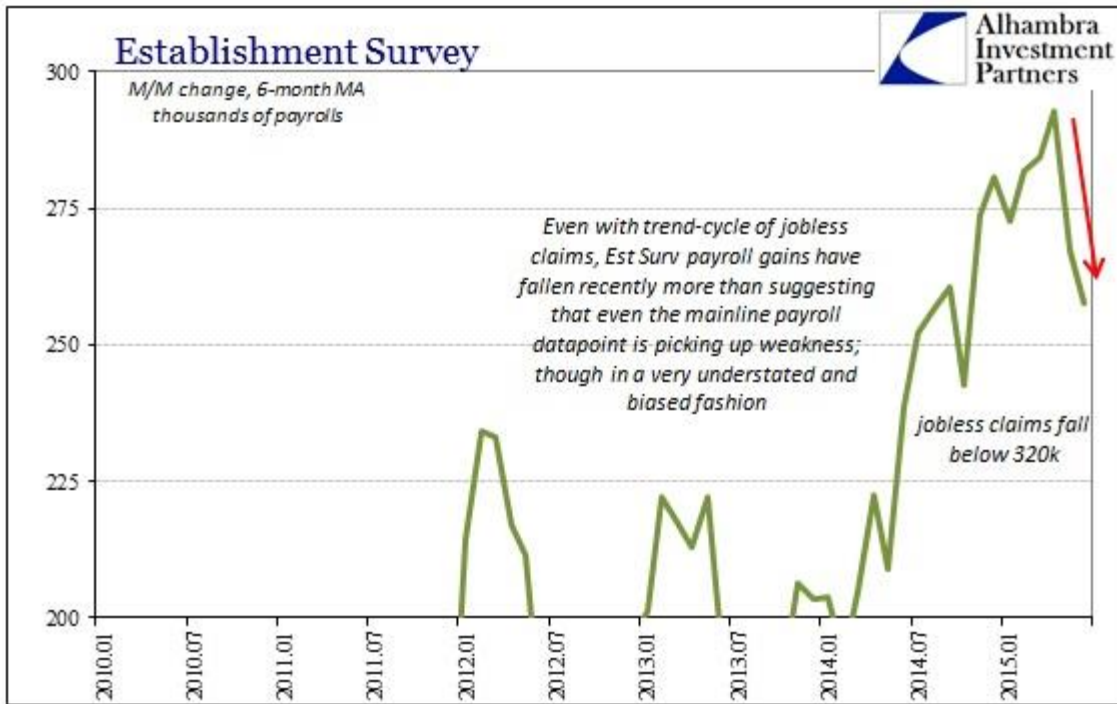


Production inside the US is also adjusting, with all of 2015 in contraction. With inventory still being added, that is a highly worrisome trend to not have production, already in contraction, even coming close to equalizing and aligning inventory with top level sales



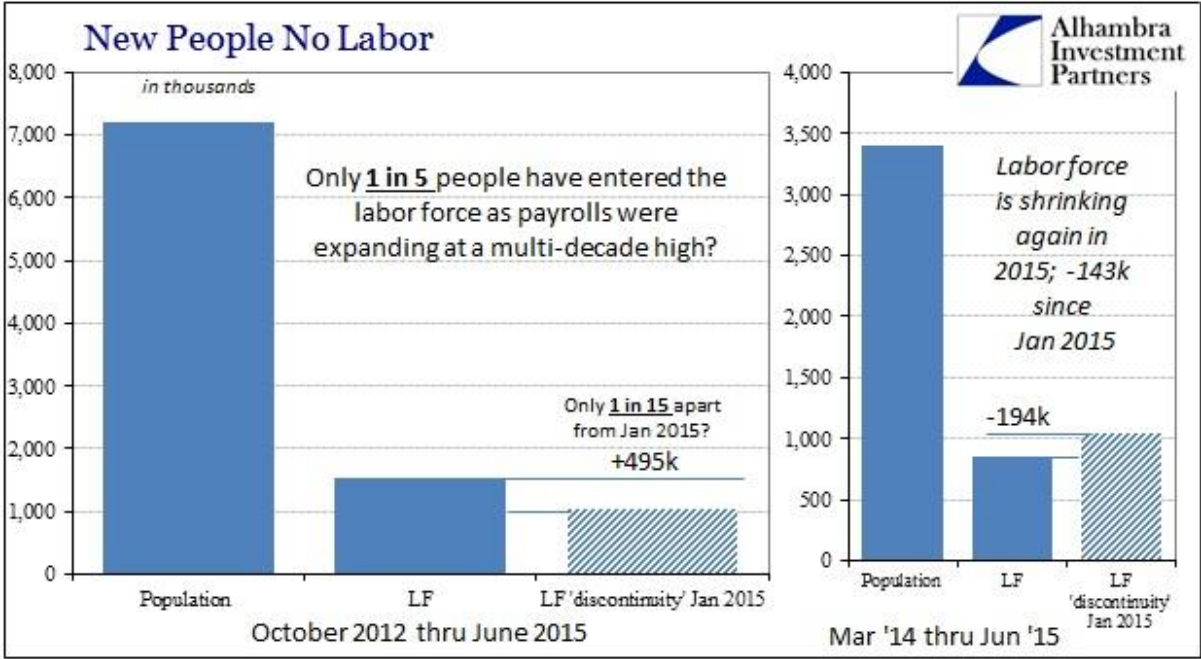


Exports also fell 7% in May, which means US production is being pressured from all sides (global recession)



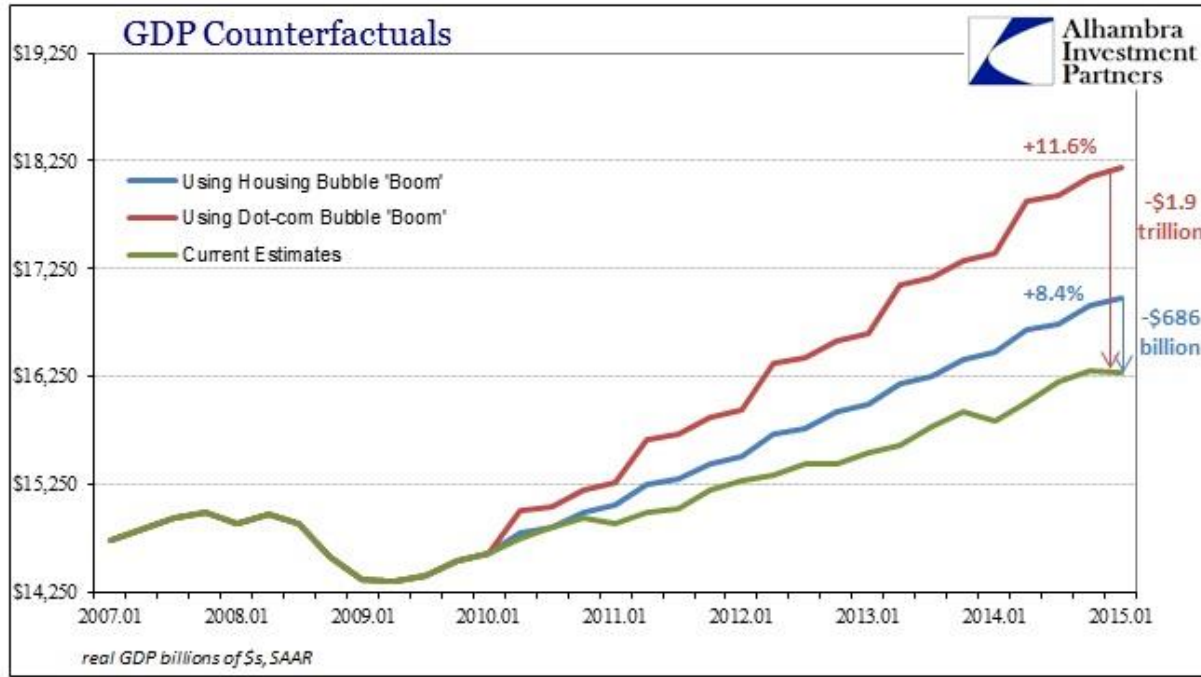
Establishment Survey view of employment and payrolls suggests elevated employment still, but that 'trend-cycle' bias may be masking greater economic deficiency. Even with that bias, payroll expansion has begun to slow which may mean labor market is much, much softer than projected





JANET YELLEN JULY 10:

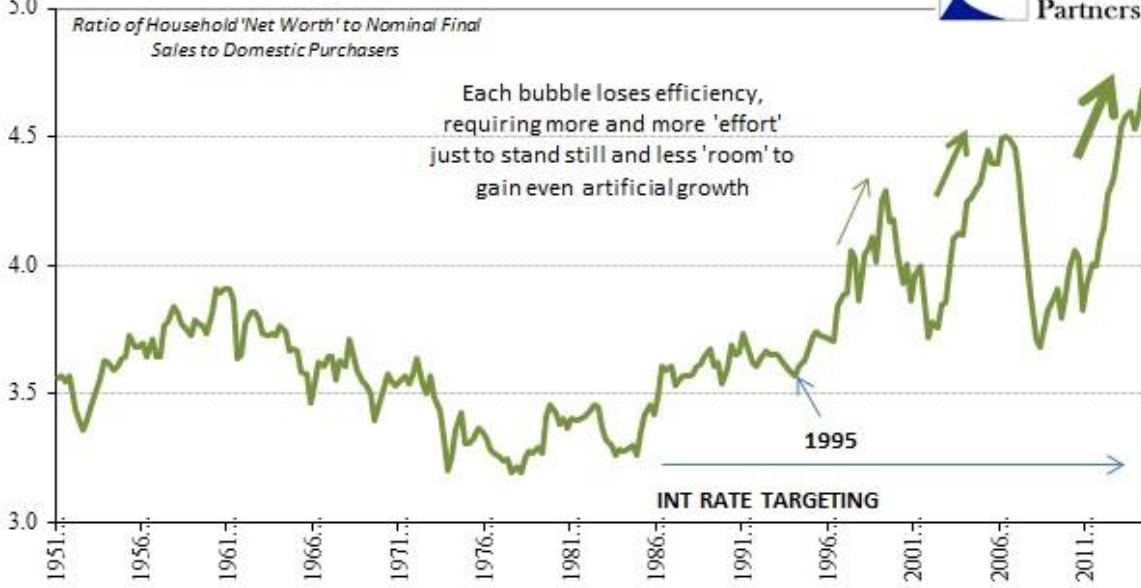
*"The low unemployment rate 'does not fully capture the extent of slack,' she said. 'I think a significant number of individuals still are not seeking work because they perceive a lack of good job opportunities and that a stronger economy would draw some of them back into the labor force.'"*



Economic underperformance is chronic, and that is a major factor in perhaps the US (and global economy) heading toward recession

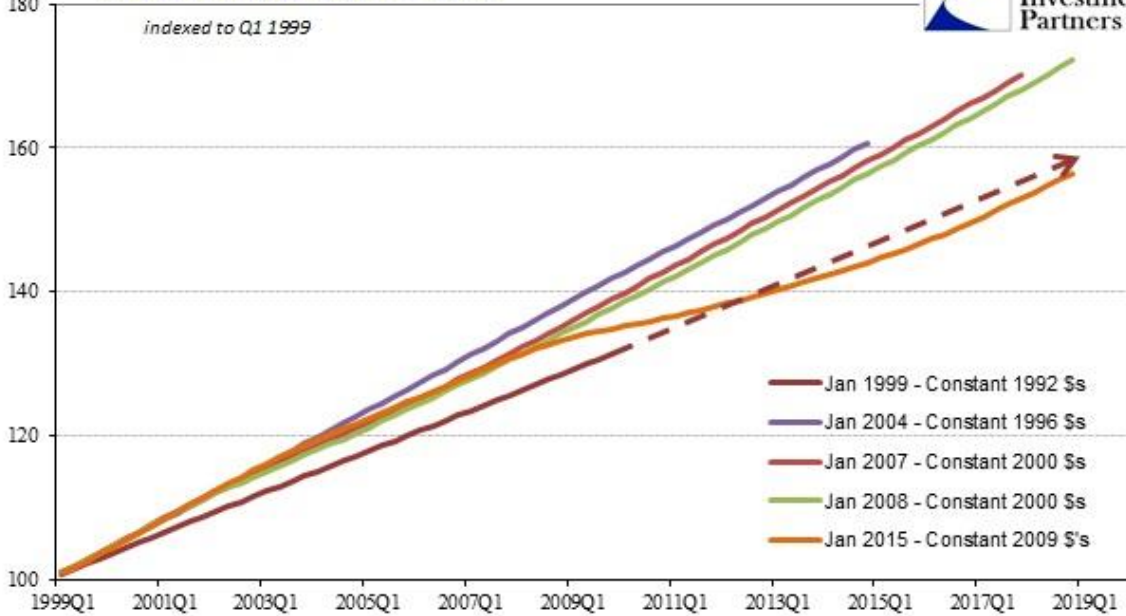


## Increasingly Inefficient Asset Bubbles



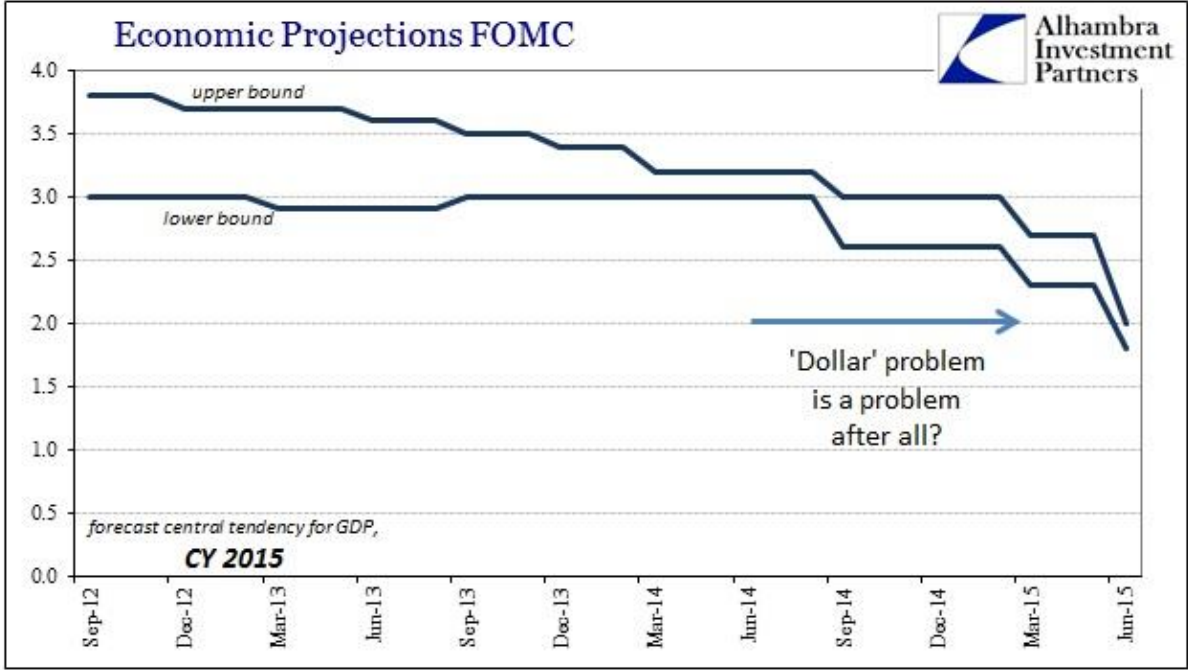
Economists don't understand asset bubbles, and thus the economy

## Potential Real GDP: CBO



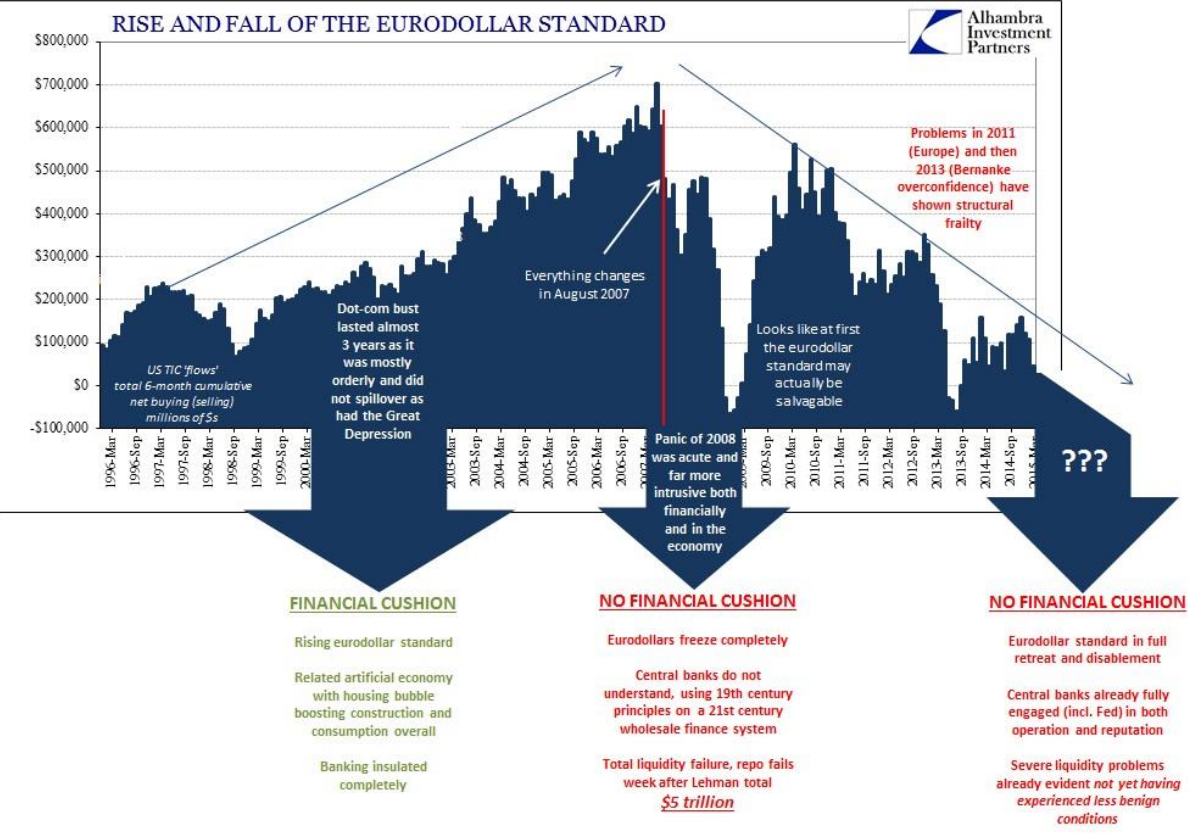
Such confusion leads to bad policy, which is, over time, depressive as it amounts to great instability...





...which is why they cannot anticipate or even comprehend downturns; especially with monetary policy.

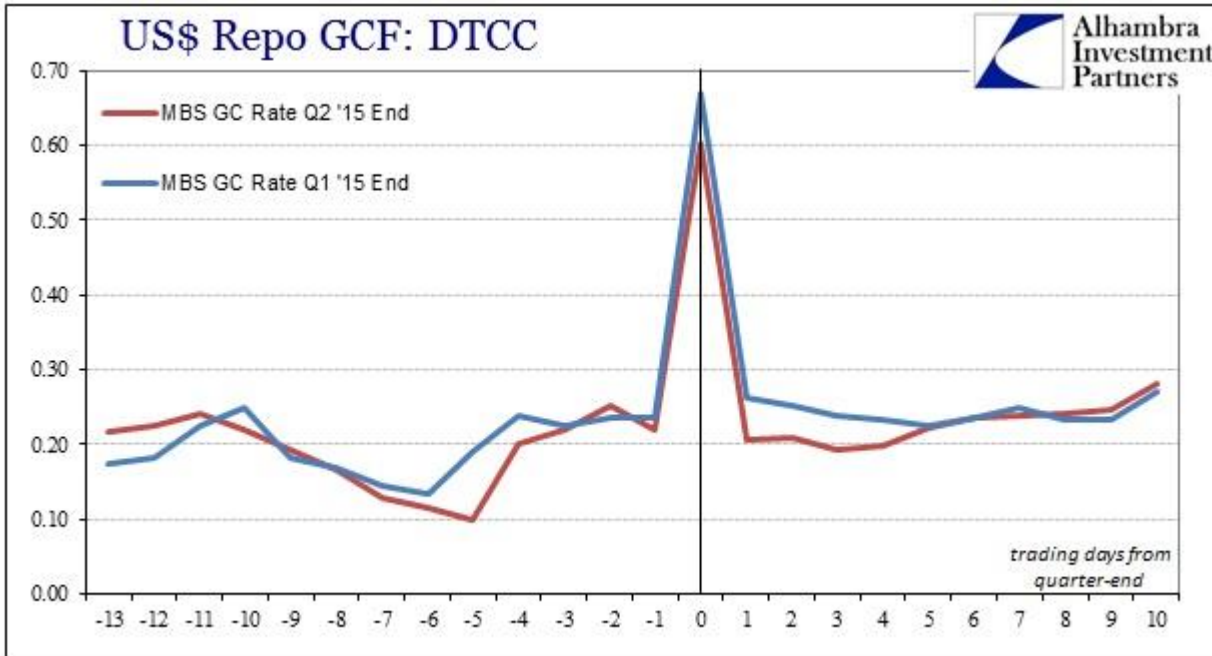
YELLEN DOCTRINE STILL VERY SUSCEPTIBLE



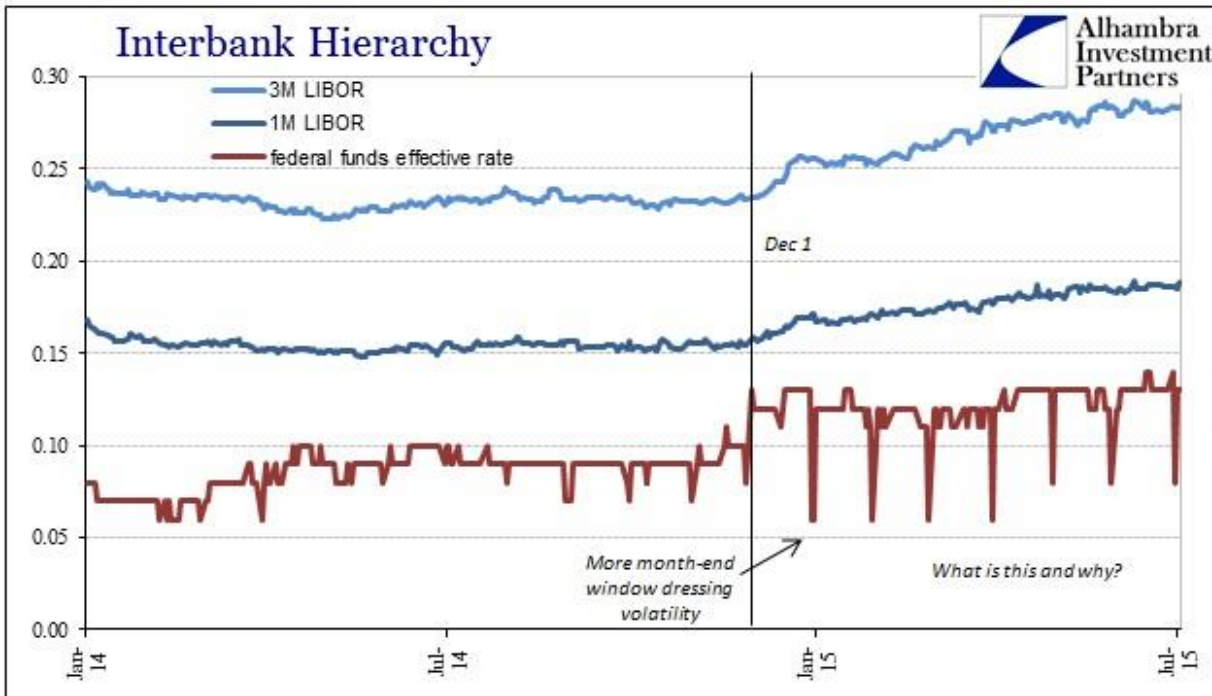
The second part of the Yellen Doctrine wishes for, if a wave of selling, an orderly withdrawal of asset imbalance not unlike the dot-com bubble. Despite the massive size, there was little economic damage which has been credited to Alan Greenspan and monetary 'genius.' None of that makes sense; instead the rising eurodollar standard provided the necessary cushion. Unfortunately for Yellen's tenure, the eurodollar standard has been on consistent and persistent decay since August 2007 – recently reaching very concerning levels.





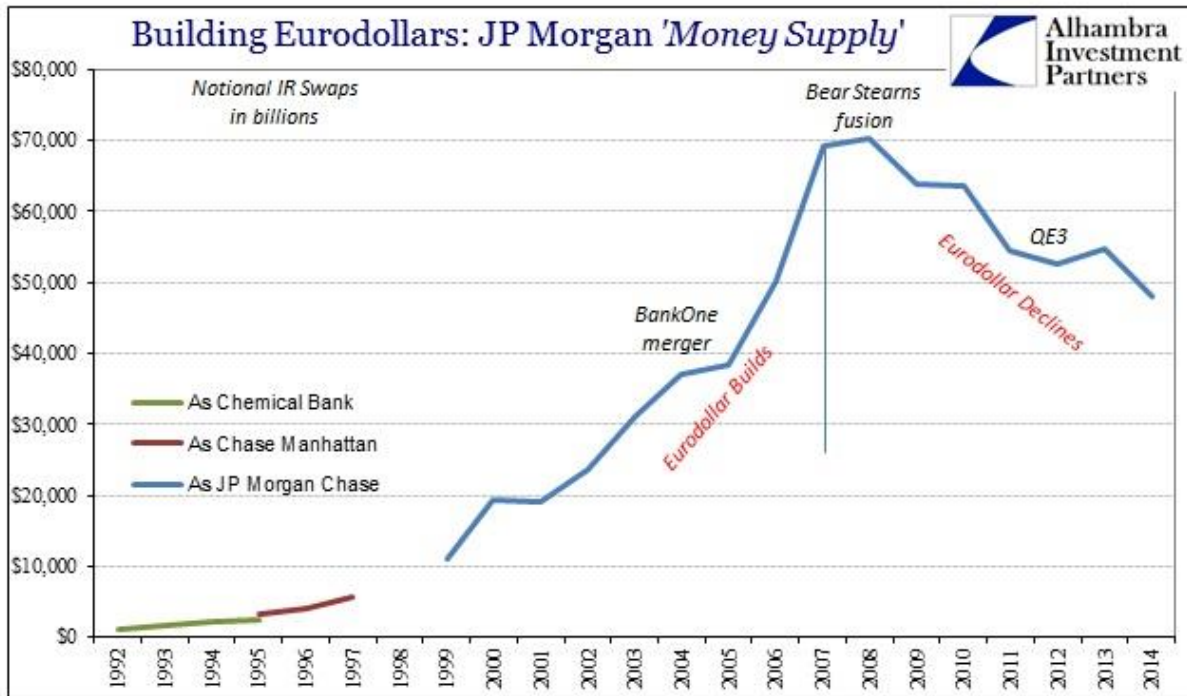


Markets are not supposed to be repeated patterns; the presence of repetition is a clear sign of systemic issues. It is actually not surprising, though the degree of being a near perfect copy is, given dealer balance sheet drawdowns. IOW, as balance sheet factors are as eurodollar 'money supply', less dealer capacity 'on offer' is equivalent to tightening globally.

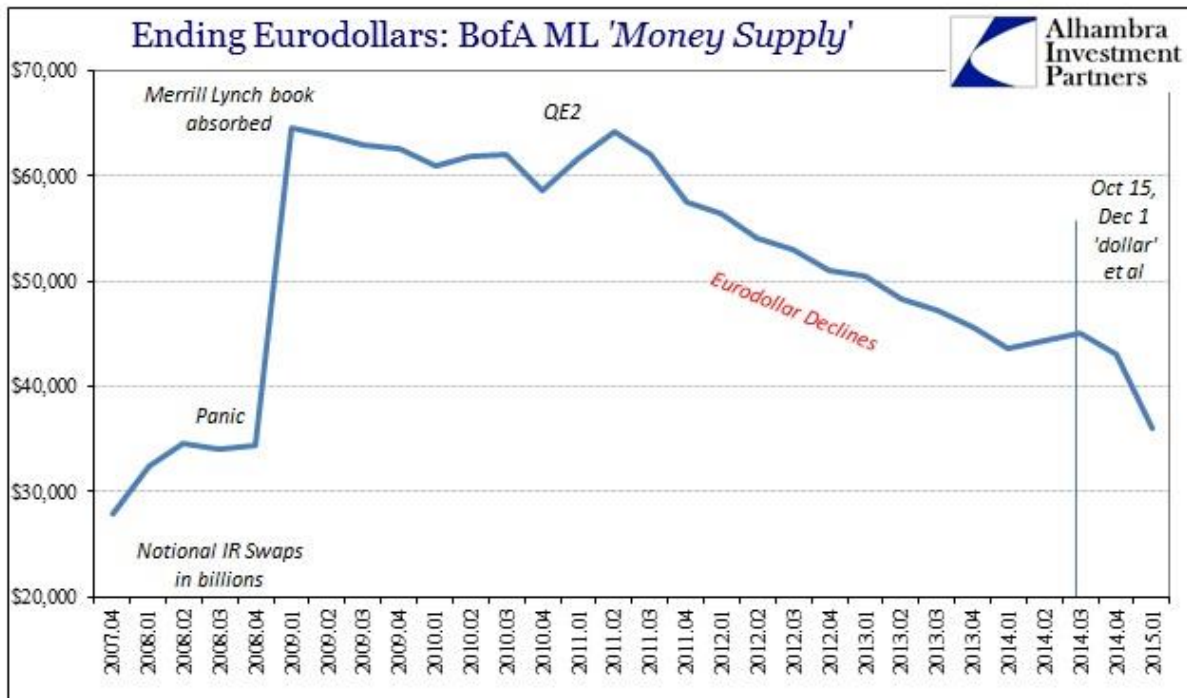


Tightening, US\$ interbank globally; unsecured



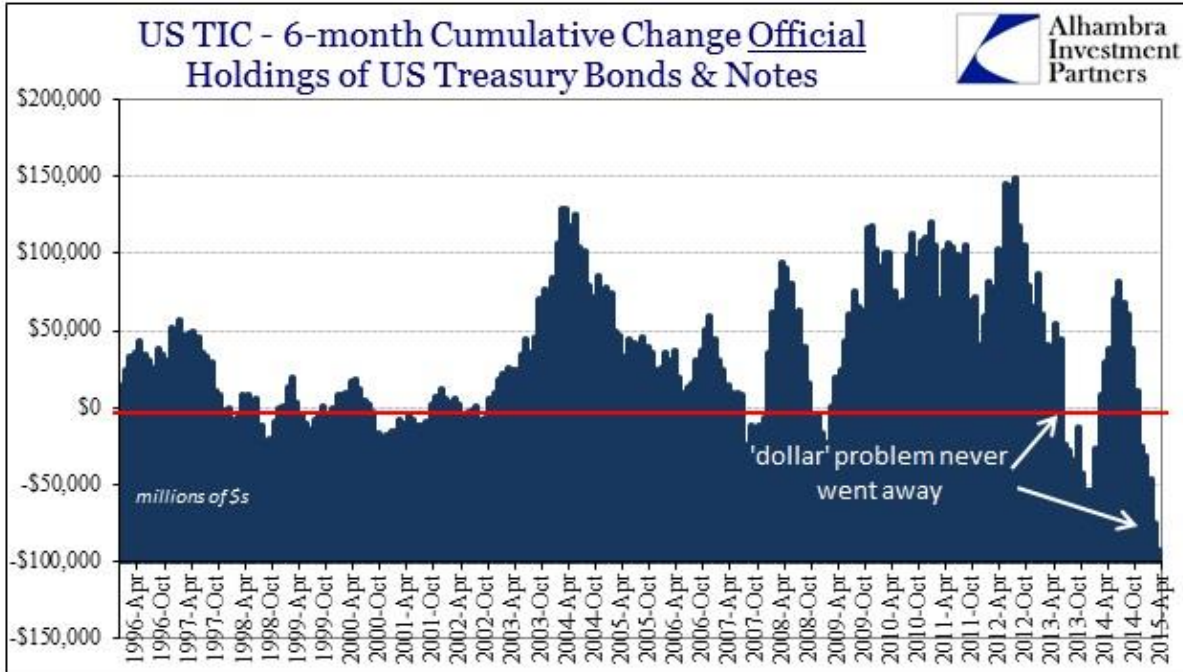


JPM exiting dealer activities, gross notional derivatives as proxy of balance sheet factors in traded liabilities (eurodollar 'money supply')

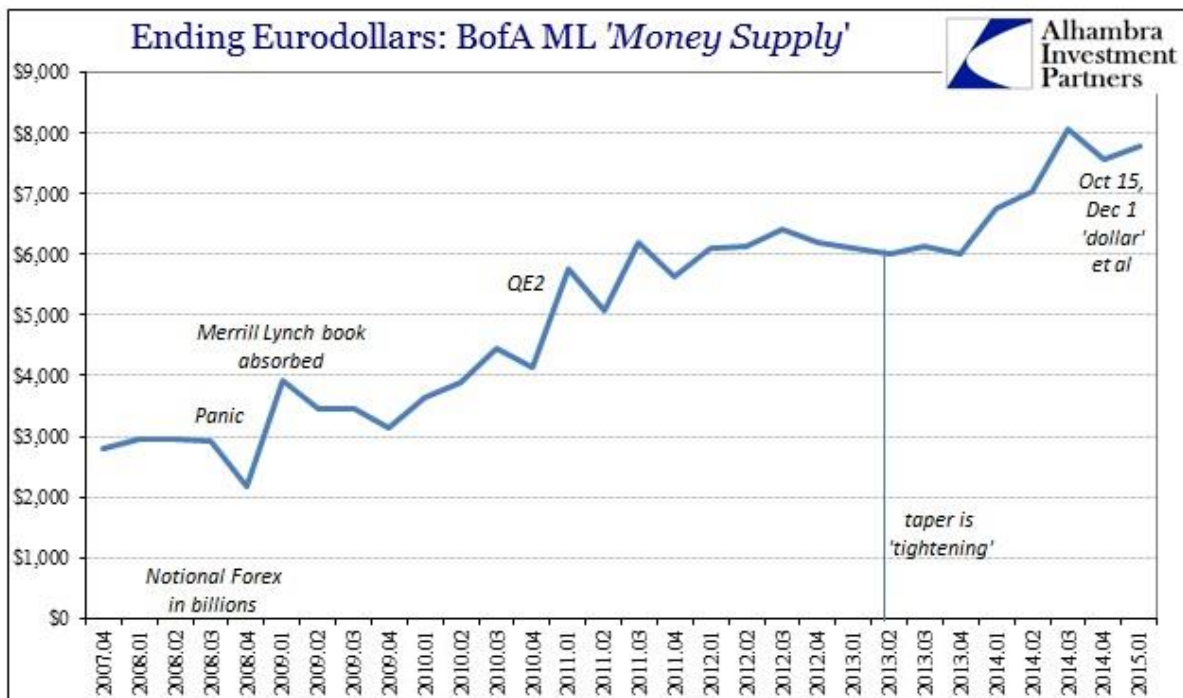


Bank of American Merrill Lynch same as JPM.



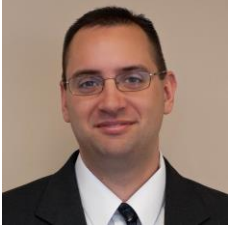


Absent that robust and global 'supply' of traded liabilities, central banks (foreign) have thus far tried to fill that gap...



...as have, apparently, other forms of traded liabilities including currency basis swaps and derivatives that can and do act 'money-like'. This may ultimately suggest why the 'dollar' in 2014-15 has been so upsetting globally, as these amount to almost last resort kinds of means.





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*"Wealth preservation and accumulation through thoughtful investing."*

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