

U.S. Economic Activity Looks Robust

eResearch Corporation is pleased to provide an article by Scott Grannis for his Blog, "Calafia Beach Pundit".

In this article, Mr. Grannis provides four charts that indicate that the recent performance of the stock market is out-of-step with the performance of the economy.

The article is reproduced below, beginning on the next page, or you can go to this specific Blog at the following link: [US Economic Activity Looks Robust](#)

You can also visit Scott Grannis' Home Page for his Blog at the link below:
<http://scottgrannis.blogspot.ca/>



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As a general angst continues to grip global markets (Are China and Europe headed for a recession? Are we facing a debt crisis? Is Trump not only guilty but insane?), and while the world awaits the FOMC's rate-hike decision later today (Wednesday; and, yes, rates were raised 0.25%) with a degree of trepidation, I want to show some charts that suggest the U.S. economy is doing quite well. All of these charts measure recent, actual, *physical* economic activity—not surveys, not sentiment, not estimates.

Chart #1



As Chart #1 shows, U.S. industrial production stands out for its ongoing strength, a phenomenon that emerged almost immediately following the November 2016 elections.

Eurozone activity, in contrast, has stagnated, and this jibes with the recent announcement by Fedex that its overseas earnings outlook has deteriorated significantly.

There is little doubt that the U.S. economy is doing better than most others.

<continued>



Chart #2



Chart #2 is a composite of truck, rail, waterways, pipeline, and air freight shipments as of October 2018. As with industrial production, physical shipment activity has surged in recent years.

Chart #3



Chart #3 focuses on shipments by train, and includes data as of a week ago (btw, this does not include shipments of crude oil). Here, too, we see that activity has picked up in the last year or so.



Chart #4

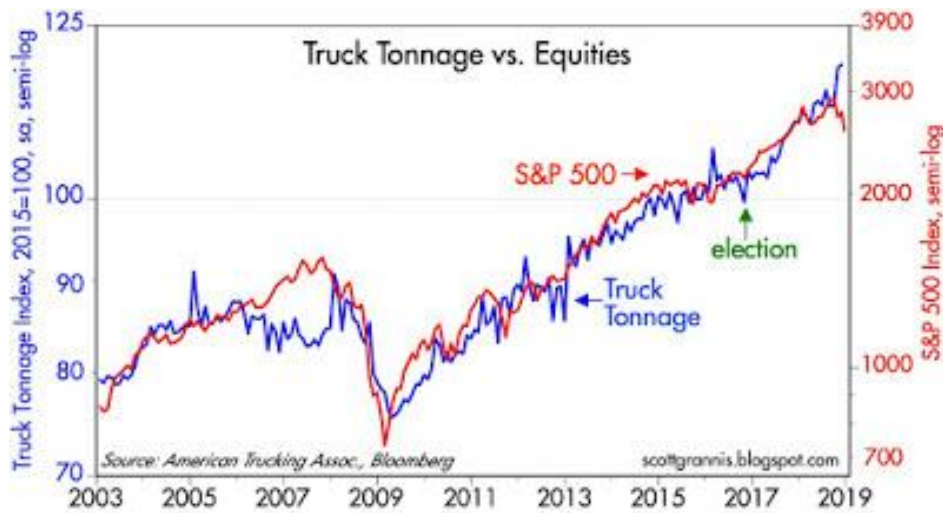


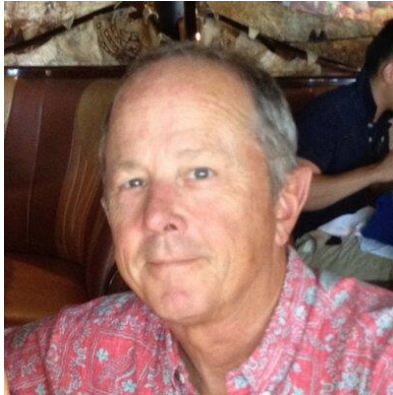
Chart #4 compares truck tonnage with equity prices.

Here we see a dramatic divergence between physical activity and the mood of the stock market. Financial markets appear to be completely out of step with the economy's physical fundamentals.

BW: See ABOUT THE AUTHOR on the following page.



ABOUT THE AUTHOR



Scott Grannis was Chief Economist from 1979-2007 at Western Asset Management, a Pasadena-based, global manager of fixed-income portfolios for institutional clients.

He now enjoys keeping up on economics, markets, and politics from his condo overlooking Calafia Beach on the southern California coast, where he likes to think that he is immune to Wall Street group-think.

Married for 45 years to his Argentine wife, Norma, he has four children and five grandchildren (four boys and one girl).

He is a believer in supply-side economic theory, as practiced by his mentors, the late Jude Wanniski, Art Laffer, and Larry Kudlow. John Rutledge is another of his mentors, from the days that they worked together at Claremont Economics Institute.

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