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# P.M.I. ANALYST

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## US Manufacturing PMI

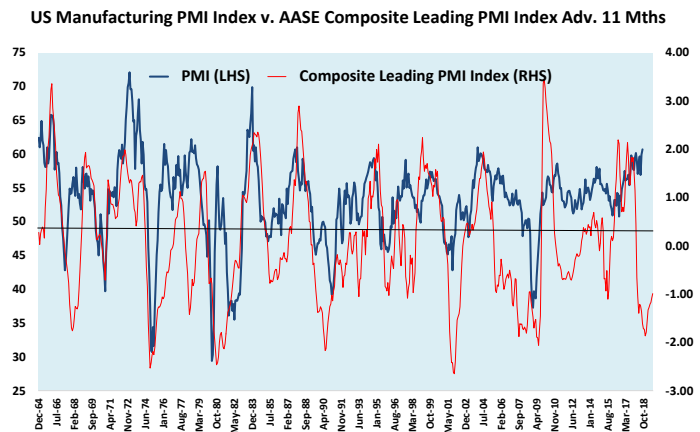
The ISM US Manufacturing PMI settled at 57.7 in October.

In order to predict the future trajectory of the PMI we have constructed a Composite Leading PMI Index (CLPI) which uses monetary and central bank variables from the US and its major trading partners. The constituent countries are:

- US
- China
- EU
- Canada
- Mexico
- Japan

These monetary and central banking factors drive economic growth in these countries and therefore are important to the decisions of purchasing managers in the US.

The CLPI has decelerated dramatically since the end of QE. **If past relationships hold then the contraction in growth of money supply and Federal Reserve balance sheet is likely to be felt within the next six months and our expectation is that the reduction in the PMI will be quite dramatic.** This is consistent with our overall outlook for the US economy and US equity market.



## Eurozone Manufacturing PMI

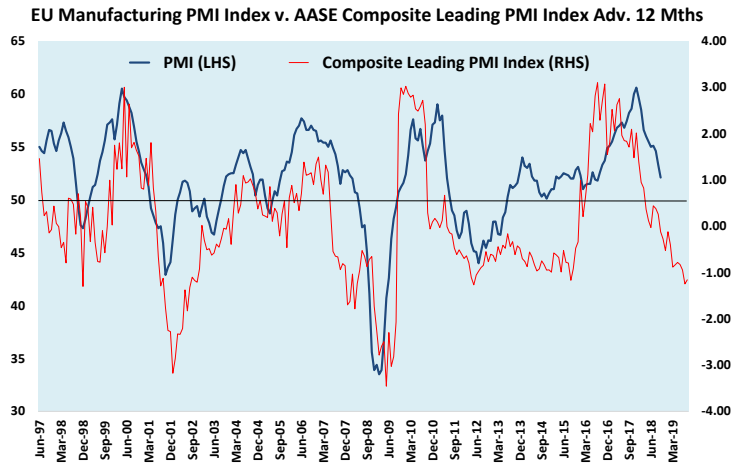
The Eurozone Manufacturing PMI settled at 51.5 in November.

Our approach to forecasting the PMI is the same as that as for the US. We construct a Composite Leading PMI Index (CLPI) which uses monetary and central bank variables of the EU and its major trading partners. The constituent countries are:

- EU
- US
- China
- Japan

Consistent with the forecasts of our money and credit models in other reports, the Eurozone’s PMI is heading towards 50. As with the US, the winding back of monetary stimulus from the ECB is rippling through the EU economies.

As can be seen in the chart above, the levels of the CLPI in the first quarter of 2019 are historically consistent with the PMI below 50.

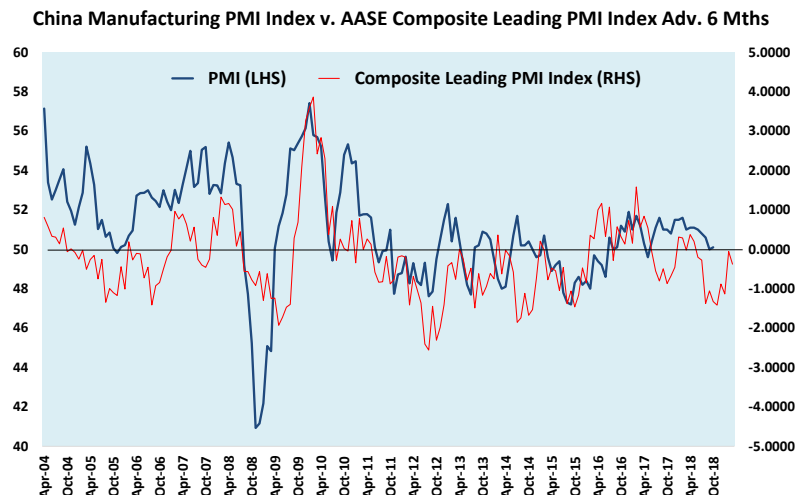


## China Manufacturing PMI

China’s Manufacturing PMI (Caixan) settled at 50.1 in October.

Our Composite Leading PMI Index (CLPI) is constructed, as described earlier, using a weighting algorithm of monetary and CB trends in China itself and a range of trading partners. Constituent countries in our CLPI are:

- China
- US
- Germany
- South Korea



Consistent with our forecasts for the Chinese economy in other reports we see the Chinese PMI continuing to decelerate over the short term. Based on historical relationships the forthcoming dip below 50 could commence soon but, however, could be relatively short-lived. It is also worth noting that since 2007 the PMI falling below 50 has always been preceded by the CLPI index falling below 0.

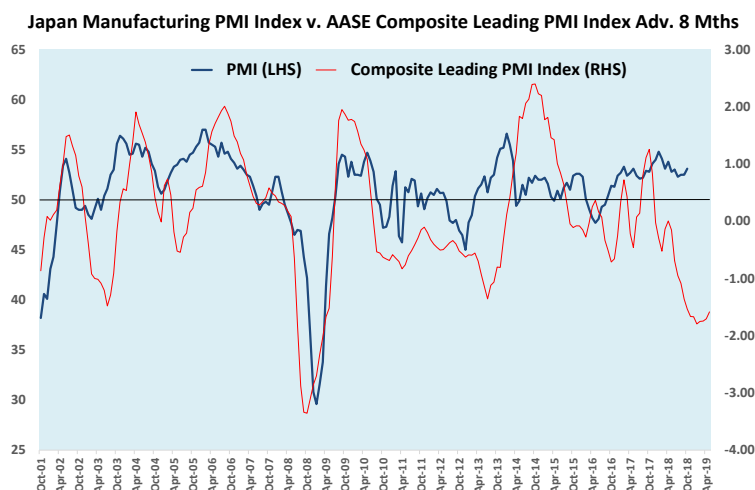
## Japan Manufacturing PMI

Japan's Manufacturing PMI settled at 53.1 in October.

Applying our composite analyses of Japanese and trading partner money and central banking trends we have built a CLPI which includes the following countries expected to influence the activity of Japanese purchasing managers. The constituent countries for the Japanese CLPI are:

- Japan
- US
- China
- Australia

Consistent with our other Japan forecasts, Japan's PMI is likely to head quite lower. **Current levels of the CLPI have not been seen since the Global Financial Crisis** and therefore the prognosis for Japan's PMI is not encouraging over the next six months.

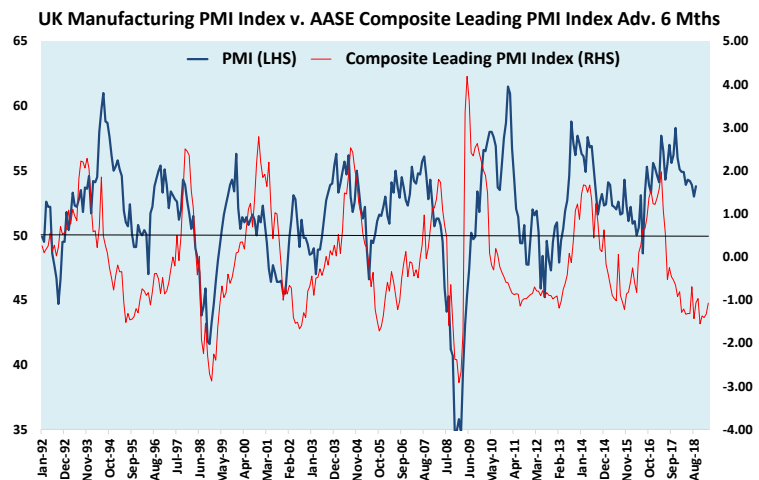


## UK Manufacturing PMI

The UK Manufacturing PMI settled at 53.8 in September.

Our Composite Leading PMI Index for the UK has used monetary and central banking activity in the UK and in those countries expected to have significant influence on purchasing manager decisions in the UK. The countries included are:

- UK
- US
- China
- Germany



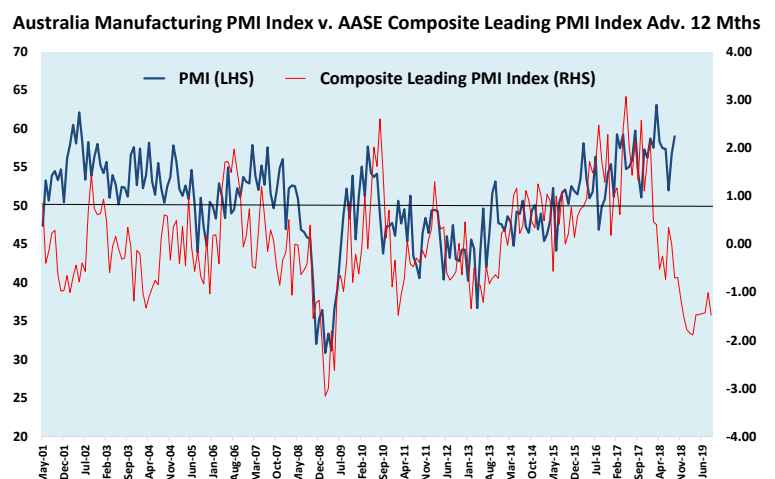
As with the CLPI of some other countries, the UK CLPI is currently at levels near those that reigned during the GFC. It thus appears that the UK's PMI will continue to remain under pressure in the near term.

## Australia Manufacturing PMI

The Australian Manufacturing PMI settled at 59.0 in September.

Our Composite Leading PMI Index (CLPI) for Australia is in accord with those of the other countries in this report: monetary and central banking conditions in Australia and major trading partners are integrated into a coherent variable. The countries included in the Australian CLPI are:

- Australia
- US
- China
- Japan
- South Korea



Once again a clear and sharp decline in the CLPI is evident and once again

the CLPI has hit levels which prevailed during the Global Financial Crisis. Indeed the CLPI for Australia has not been this low since the GFC.

The resultant outlook for the Australian PMI is quite negative, with a significant dip below 50 highly likely over the next year.

**For Further Information**

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