Enclosed are select charts from Torsten’s October Economic Chart Book discussing:

- Key Risks to the US Employment Outlook
- Key Risks to Capex & Corporate Spending
- Central Bank Policy Actions for the next Recession

[Link to Torsten Slok’s full October Economic Chart Book can be found here.]
Risks to the outlook

1. Trade war
2. Weak growth in Europe, China, and Japan
3. Positive effects of corporate tax cuts fading
4. US consumer getting tired
5. Treasury issuance growing
6. Inequality, populism, and markets
7. German fiscal expansion
8. Negative interest rates
9. Policy options when the next recession comes

Investment implications for rates, FX, credit, and equities
Downside risks to employment

Source: BLS, NFIB, Haver Analytics, DB Global Research
Downside risks to employment

% chg, y/y
-30 -25 -20 -15 -10 -5 0 5 10 15 20
95 97 99 01 03 05 07 09 11 13 15 17 19

NFIB: % planing to increase employment PLUS % of firms with positions not able to fill right now (6m lead, ls)
Total nonfarm: all employees (rs)

Source: NFIB, BLS, Haver Analytics, DB Global Research
Fewer job openings

Source: JOLTS, BLS, Haver Analytics, DB Global Research
Overtime hours in manufacturing suggests sharp slowdown is underway in manufacturing.

Source: BLS, Haver Analytics, DB Global Research
More downside risk to ISM in coming months

ISM Manufacturing: New export orders and PMI composite index

Source: ISM, Haver Analytics, DB Global Research
Downside risks to capex

NFIB: Percent of firms planning capital expenditures next 3 to 6 Months (ls)

Chg y/y, Real pvt nonresidential fixed investment in equipments (rs)

3 month MA

% chg q/q, AR

Source: NFIB, BEA, Haver Analytics, DB Global Research
Overview: Policy options for US, Europe, and Japan when the next recession hits

**United States:**
**Monetary policy:** Rate cuts, forward guidance, average inflation targeting, QE, yield curve control, and CCyB. Negative interest rates unlikely, changing inflation target unlikely.
**Fiscal policy:** Automatic stabilizers, active countercyclical policies, infrastructure spending

**Europe:**
**Monetary policy:** Forward guidance, TLTRO, credit easing, depo tiering, QE, increase the 33% issuer-limit, add more asset classes to the eligible QE list.
**Fiscal policy:** Automatic stabilizers, German fiscal stimulus package, Italian structural reforms, complete banking union and capital markets union, more fiscal risk sharing.

**Japan:**
**Monetary policy:** Rate cuts, forward guidance, lower 10y yield target, increase ETF purchase volume, increase JGB purchase volume, purchase other assets such as mortgages or munis. Impact of these initiatives would likely be minimal. TLTRO expected to harm bank earnings.
**Fiscal policy:** Postpone October’s consumption tax hike, increase infrastructure spending
Torsten Slok, Ph.D.

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- Torsten Slok joined Deutsche Bank Securities in the fall of 2005.
- Mr. Slok’s Economics team has been top-ranked by Institutional Investor in fixed income and equities since 2010. Slok currently serves as a member of the Economic Club of New York.
- Prior to joining the firm, Mr. Slok worked at the OECD in Paris in the Money and Finance Division and the Structural Policy Analysis Division. Before joining the OECD he worked for four years at the IMF in the Division responsible for writing the World Economic Outlook and the Division responsible for China, Hong Kong, and Mongolia.
- Mr. Slok studied at University of Copenhagen and Princeton University. He has published numerous journal articles and reviews on economics and policy analysis, including in Journal of International Economics, Journal of International Money and Finance, and The Econometric Journal.
Appendix 1

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