

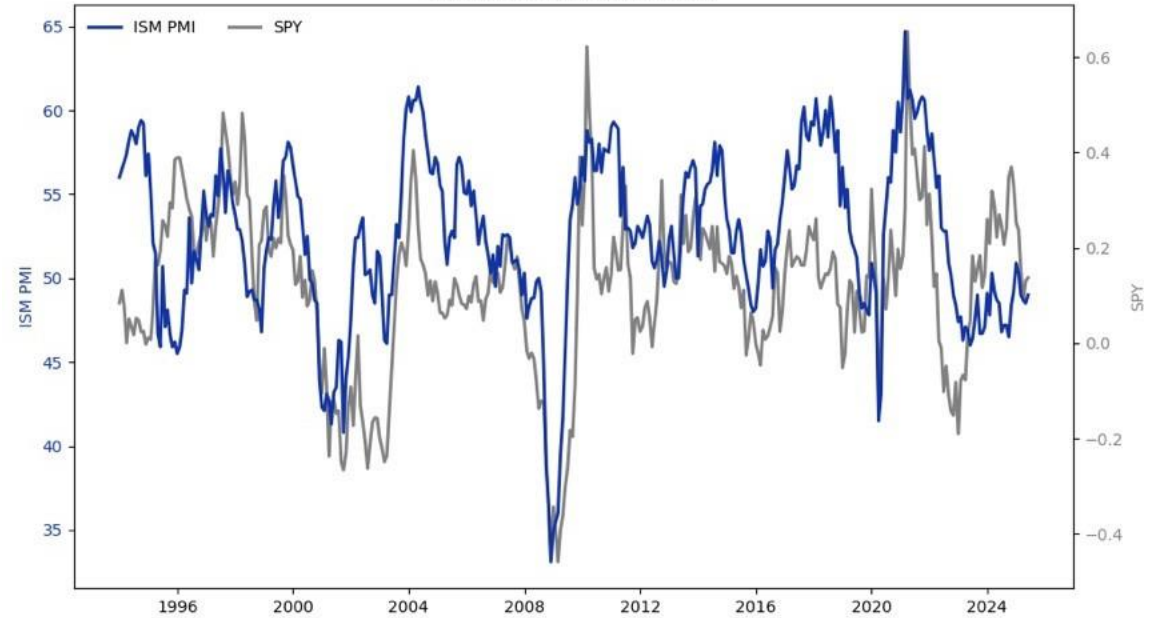
# TIMING THE CYCLE BEFORE CONSENSUS

- While broad indices like the S&P 500 tend to move coincidentally with ISM, certain sector relationships provide true lead time
- One of the most reliable is the Consumer Discretionary vs Consumer Staples ratio
- When discretionary outperforms, it reflects rising consumer confidence and growth optimism
- When staples lead, it indicates defensive positioning and caution about future conditions

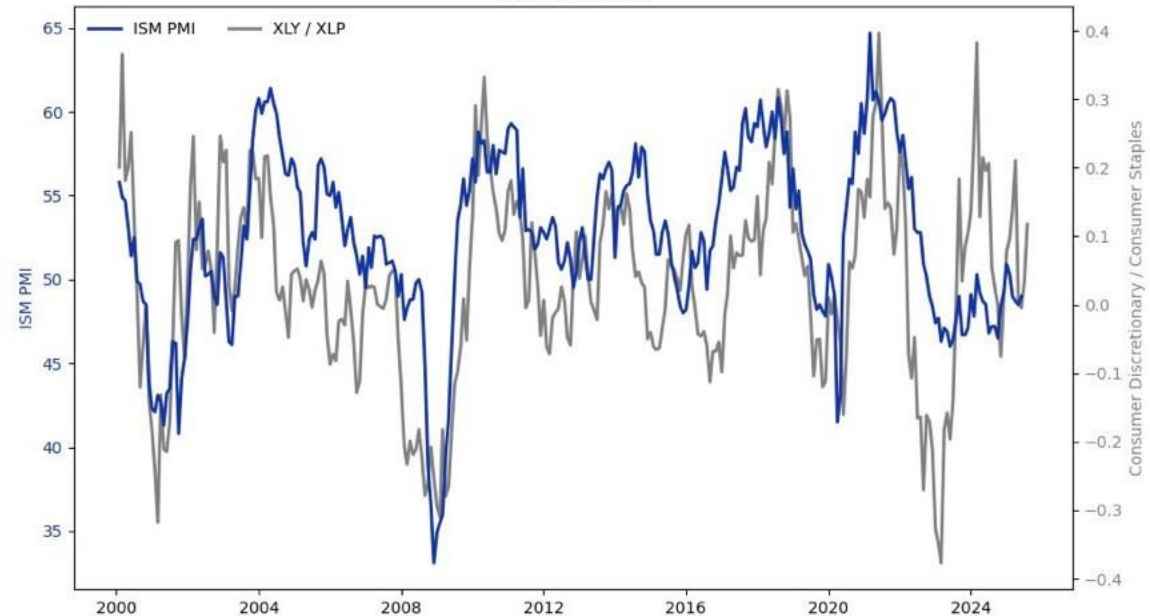
## Cycle Positioning Insight:

- These two sectors anchor at opposite ends of the spending cycle. Shifts in their relative performance capture turning points in consumer sentiment before they show up in manufacturing new orders

ISM PMI vs. SPY  
No Lead (Coincident) Indicator



ISM PMI vs. Consumer Discretionary / Consumer Staples  
Short-term Lead



# IDENTIFYING RELIABLE MACRO LEAD INDICATORS

Some international and cross-asset signals offer powerful lead time over U.S. manufacturing cycles:

## CQQQ (China Tech ETF):

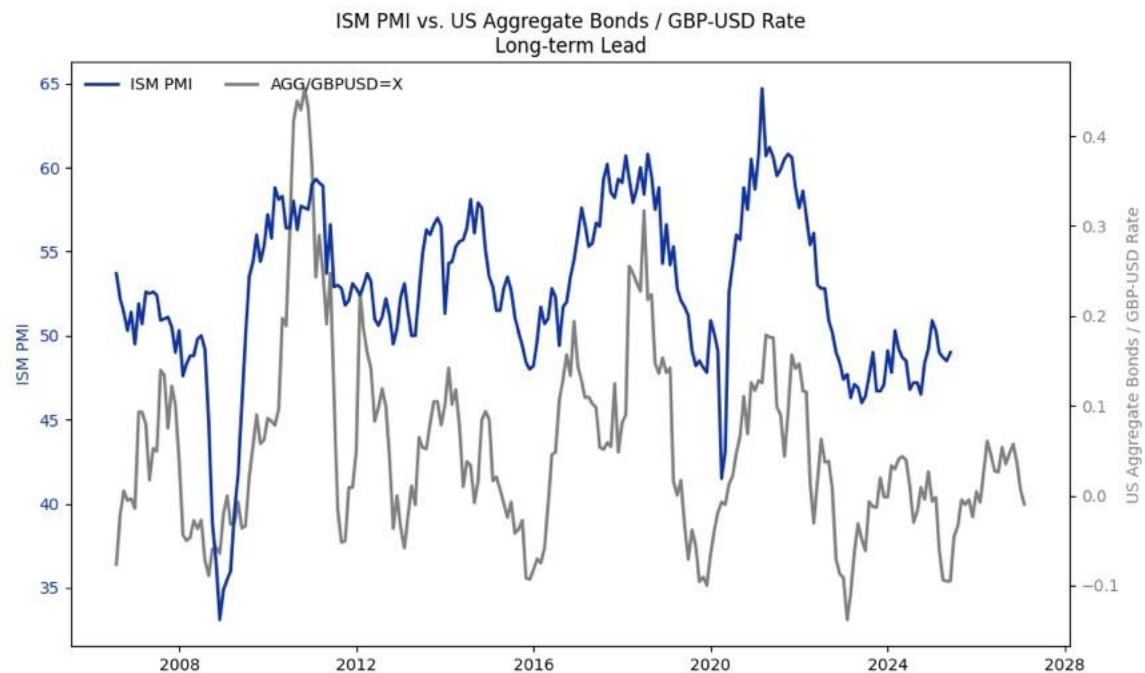
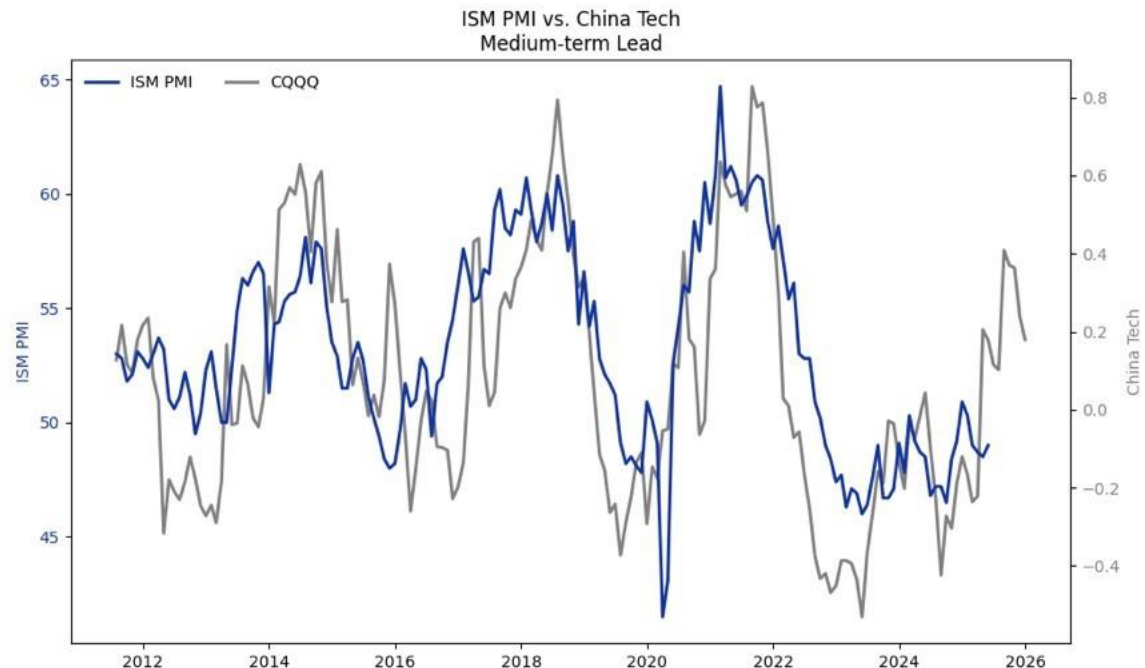
- Reflects Chinese economic and credit momentum
- China's stimulus and credit cycles often lead U.S. industrial activity

## AGG / GBPUSD (Bonds vs FX):

- FX alone is noisy, pairing it with bonds filters signal
- A rising AGG/GBPUSD ratio = flight to safety, falling = reflation

## Global Lead Indicators:

- Global supply-chain & risk sentiment ahead of U.S. factories: Shifts in China's tech cycle and bond/FX safe-haven flows often materialize before U.S. manufacturing turns, giving a tactical window to position for growth or defensiveness



# HISTORICAL AND NEW DRIVERS OF GROWTH

Emerging sectors are already shaping the cycle, especially AI and cloud infrastructure:

## Cloud Computing ETF:

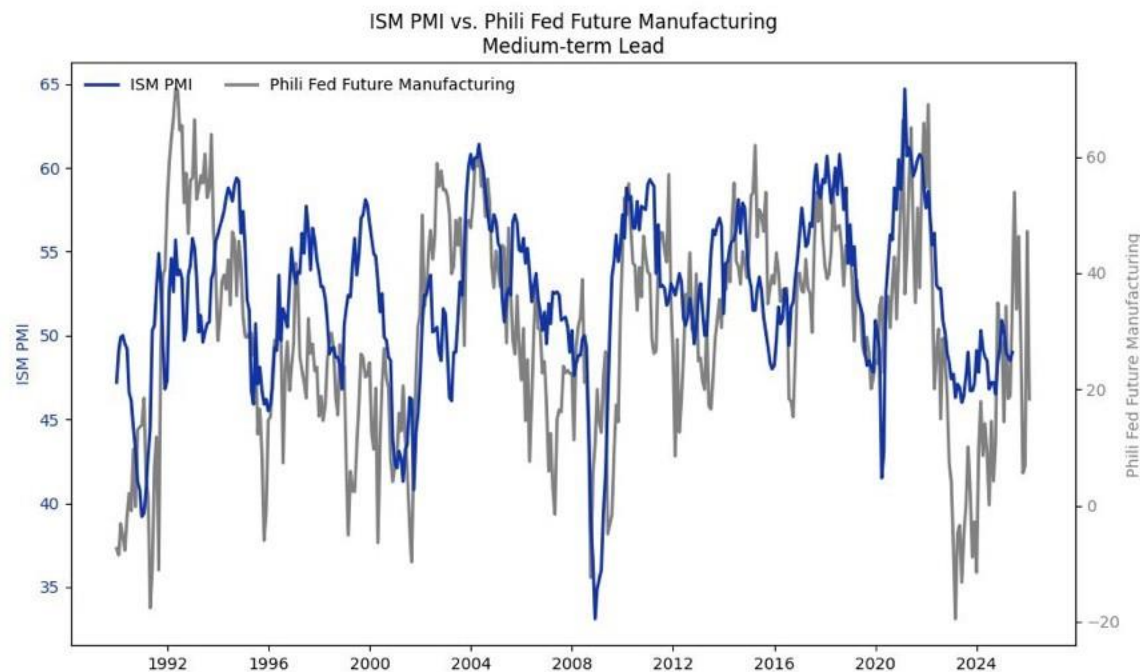
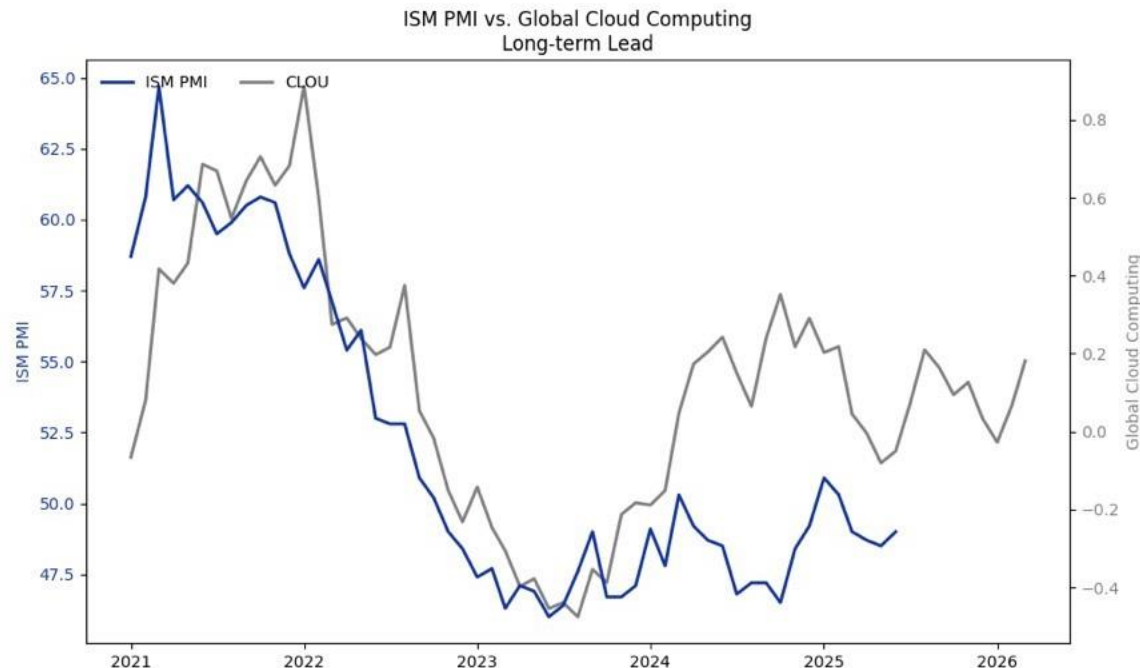
- Captures forward-looking capex trends and corporate digital expenditure
- Strong recent performance aligns with improving ISM outlook

## Philly Fed Future Manufacturing Index:

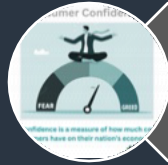
- One of the most consistent regional forward indicators
- Reflects manufacturer expectations before they show up in national data

## Firm-Level Confidence Signal:

- Early-cycle tech capex and regional order expectations both capture firm-level confidence long before it shows up in broad surveys; cloud expenditure and Philly Fed forward orders typically lead national ISM



# Recap of Leading Indicators for ISM



**Consumer Confidence Signals:** Shifts in discretionary vs. staple spending precede overall manufacturing activity



**China Technology:** Technology in China tends to lead US manufacturing as China credit leads US credit



**Risk-Sentiment Measures:** Broad bond-and-FX sentiment swings often lead manufacturing cycles by long horizons



**Capex Indicators:** Investment flow patterns into tech and cloud sectors capture future capital-expenditure trends



**Regional Manufacturing Expectations:** Forward-looking surveys from key districts tend to signal national manufacturing shifts

# FORECASTING INFLATION BEFORE IT HITS THE HEADLINES

- Certain asset-class ratios & commodity metrics lead CPI
- Screen for those with the strongest historical leads

## Broad commodities and input costs:

- Some aggregate commodity and input-cost signals offer powerful lead time over U.S. inflation cycles:

## DBC (Invesco Commodity Index):

- Captures broad energy, metals & agriculture price shifts
- Raw-material cost swings pass through to consumer prices

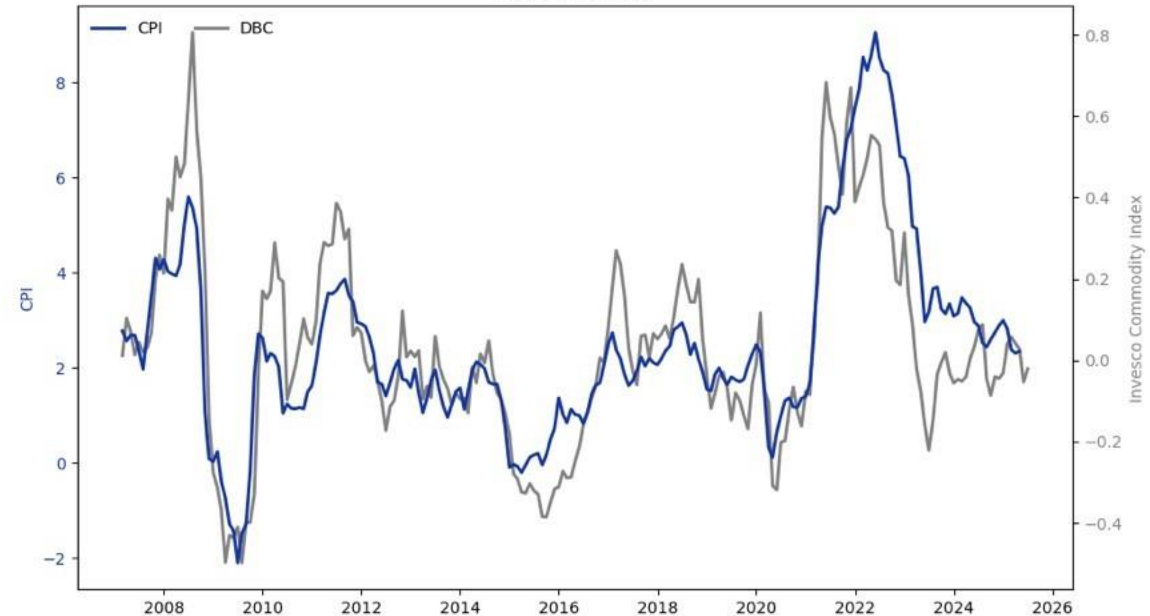
## ISM “Prices Paid” Index:

- Direct survey of what manufacturers pay for inputs
- Input-price pressures later feed into CPI

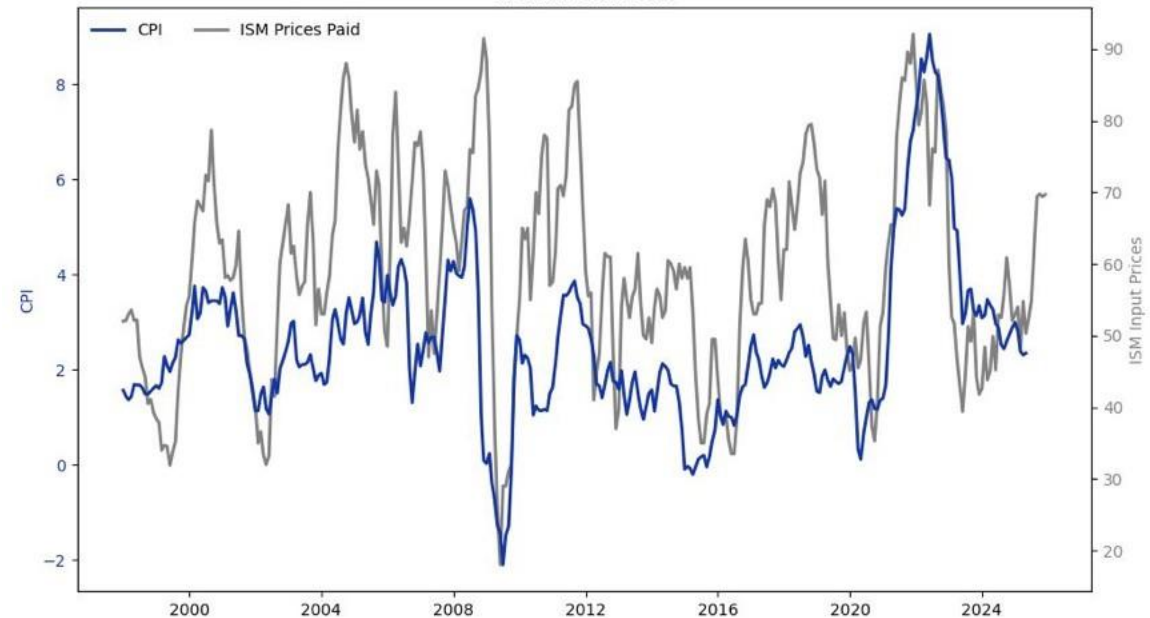
## Cost-Pressure Early Warning:

- These gauges track feedstock cost channels, from farm to factory, before they show up at the pump or grocery store

YoY CPI vs. Invesco Commodity Index  
Short-term Lead



YoY CPI vs. ISM Input Prices  
Medium-term Lead





# PRECIOUS METALS VS ENERGY & LUMBER

- Targeted commodity ratios signal structural cost pivots well ahead of CPI:

## Gold / XOP (Gold ETF / Energy ETF)

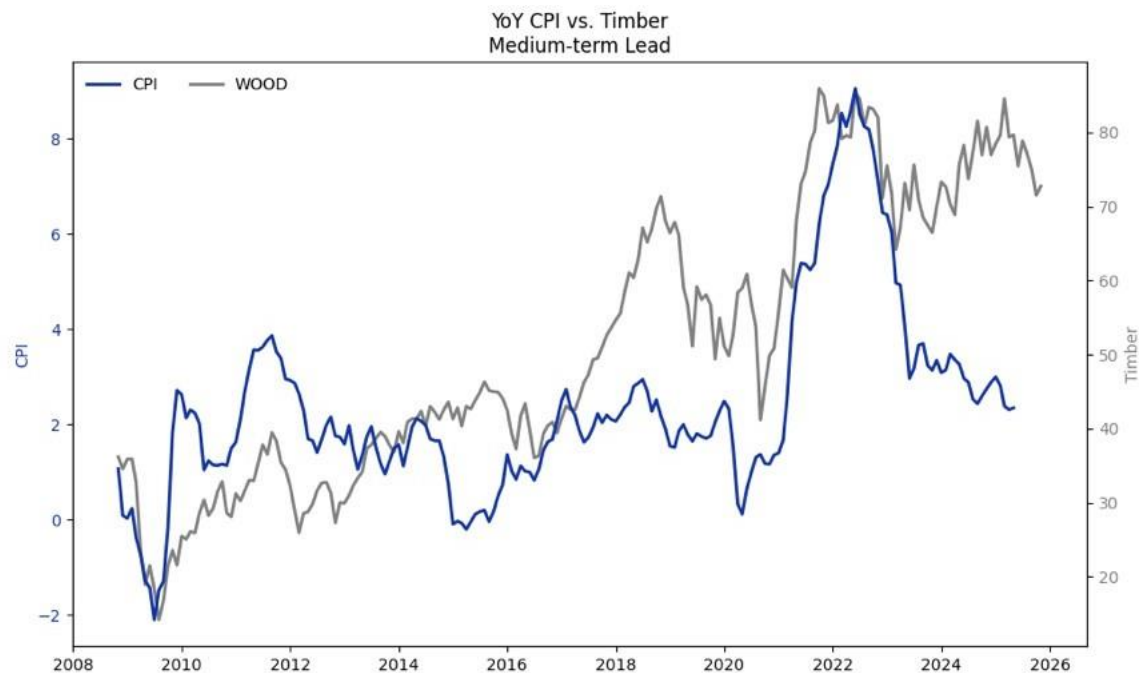
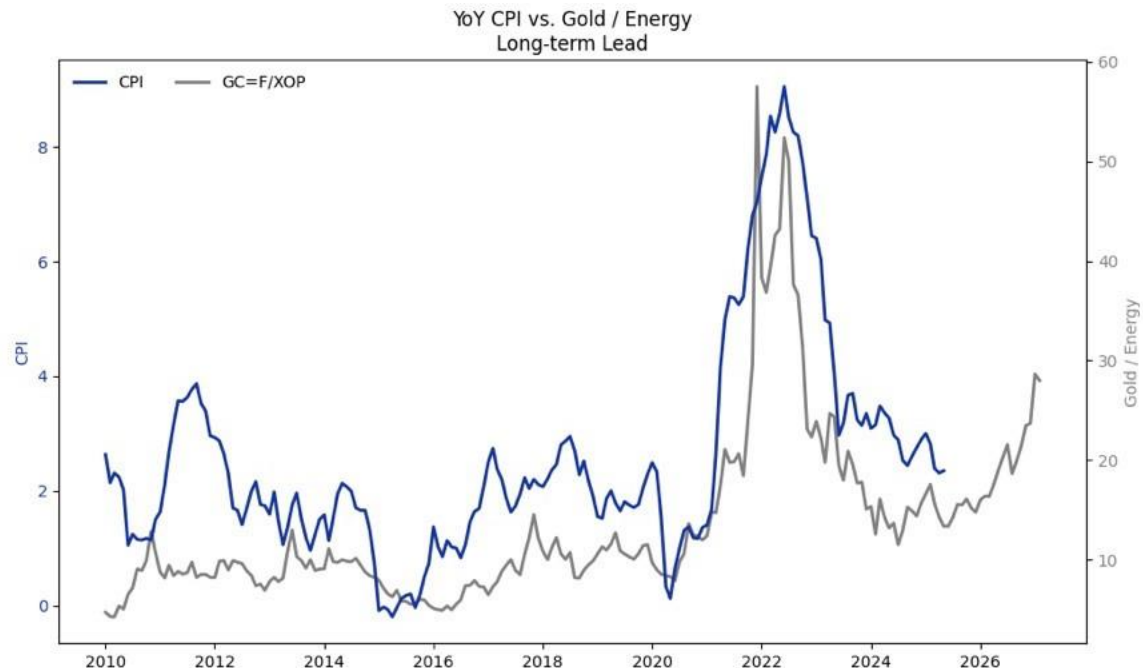
- Gold outperformance signals stagflation expectations; energy strength signals reflation

## WOOD (Lumber ETF)

- Lumber prices feed directly into shelter and building-material costs

## Input-Cost Insight:

- By isolating key cost inputs; energy vs. precious metals, and timber for housing, you get early warning on both headline and shelter components of inflation



# SPECIALTY MATERIALS & RISK APPETITE

- Niche inputs and market sentiment ratios flag price pressures

## REMX / CARZ (Rare Earths / Automakers)

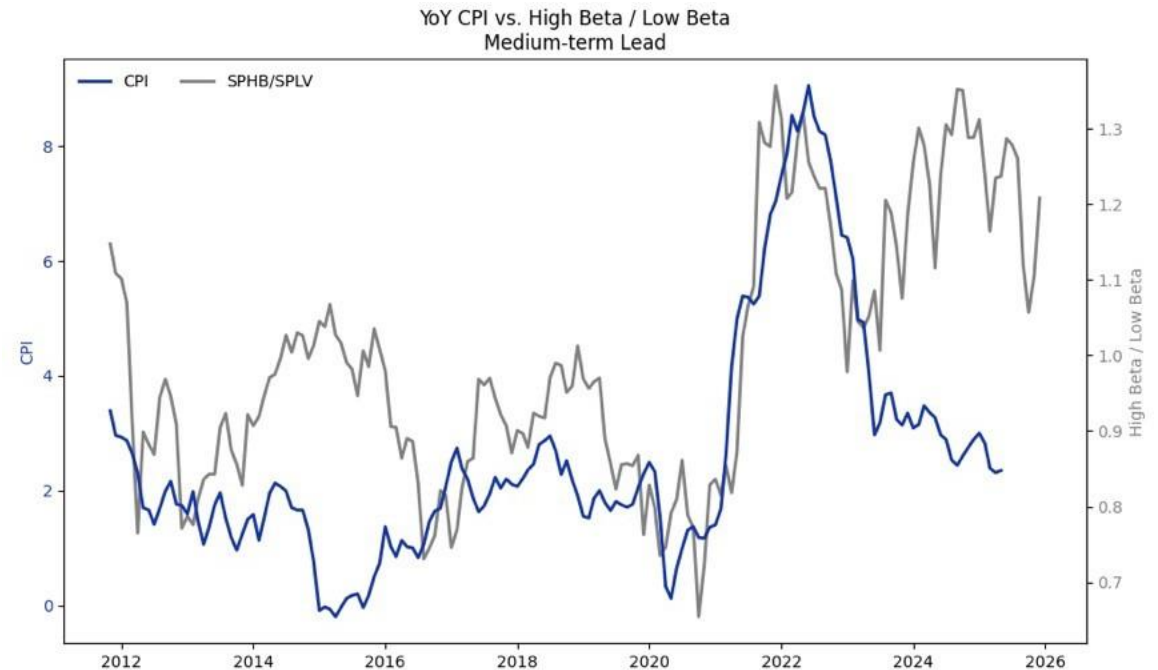
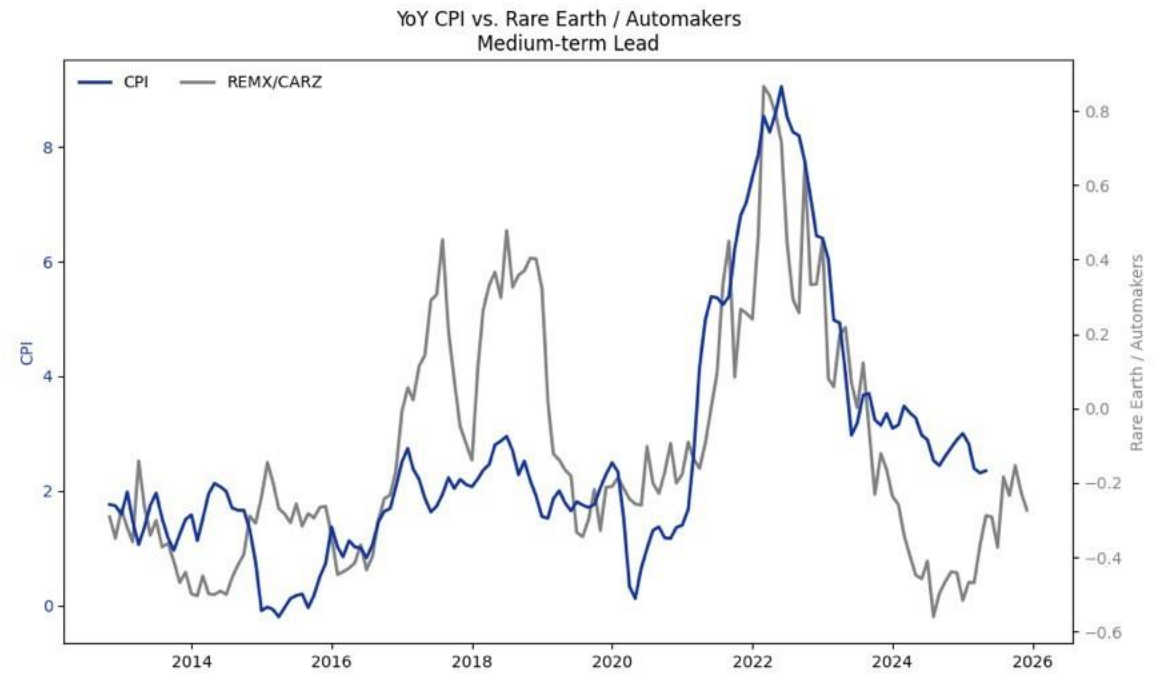
- Tracks supply-chain tightness in EV/mineral inputs vs OEM production

## SPHB / SPLV (High-Beta / Low-Beta)

- Gauges investors' willingness to chase cyclical vs defensives

## Materials & Risk Sentiment Lead:

- Specialty-material costs and risk-on/off flows often build before broad consumer-price moves appear, giving a tactical window to tilt or de-risk



# Recap of Leading Indicators for CPI



**Commodity Cost Shifts:** Broad commodity price movements flow through to consumer inflation



**Input-Cost Surveys:** Business surveys on prices paid signal changes in consumer inflation



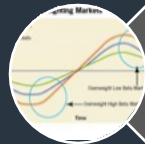
**Stagflation vs. Reflation Gauges:** Relative readings between essential commodity and energy cost trends tend to have a long lead on inflation



**Housing/Materials Indicators:** Peaks in building-materials costs foreshadow shelter and durable-goods CPI moves



**Supply-Chain Stress Measures:** Shifts in resource vs. manufacturing sector pressures preannounce broader price pressures



**Risk-Appetite Signals:** Investor sentiment swings precede overall consumer price momentum