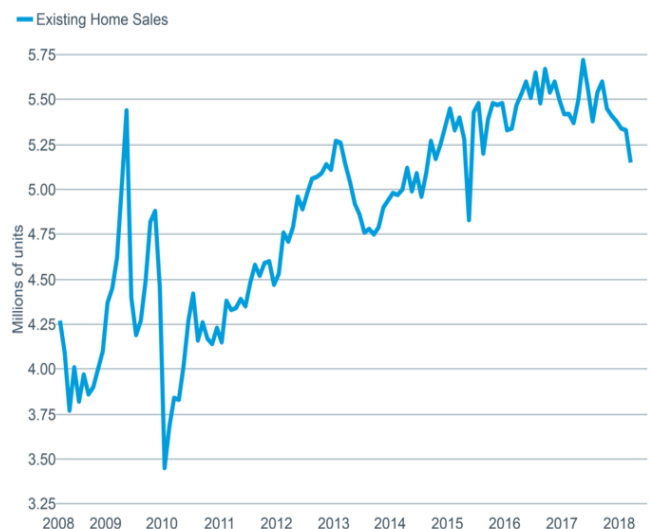
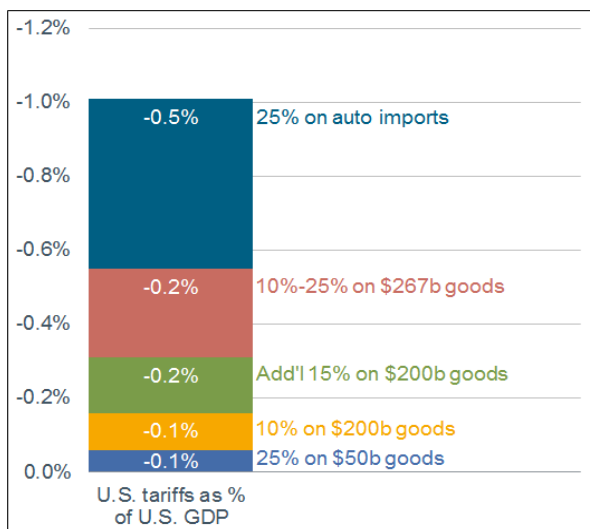
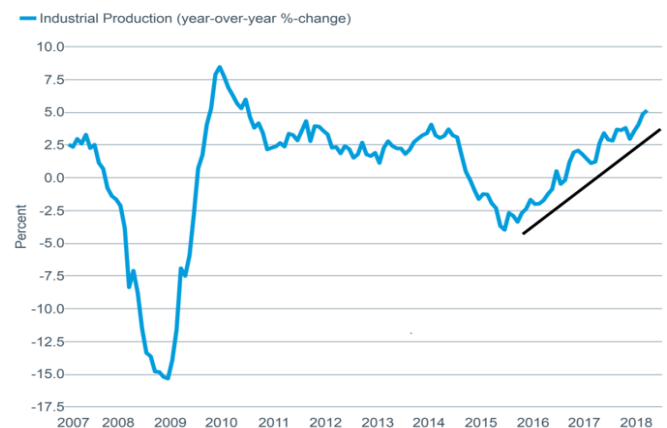
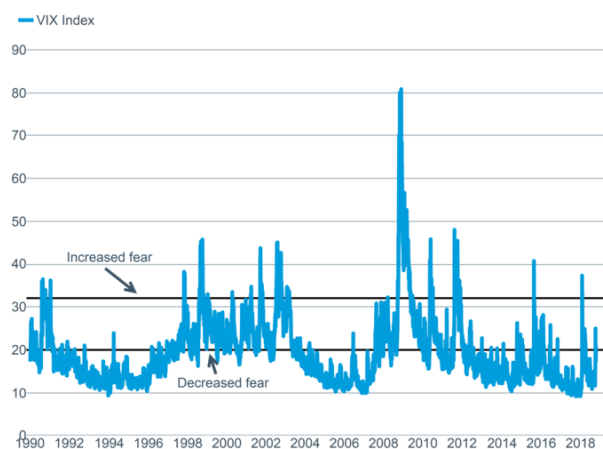


I am writing this blog to have a broader look on the performance of the year 2018 with respect to economy. Is year 2018 good or bad in-terms of economy. Where it is likely headed. Stock market is volatile in the recent months. There has been triple digit moves in DOW and Global stock markets have been struggling. It has allowed investor sentiment to drop out of the excessive optimism zone. Interest rates are moving higher. Trade concerns have grown due to policy changes.

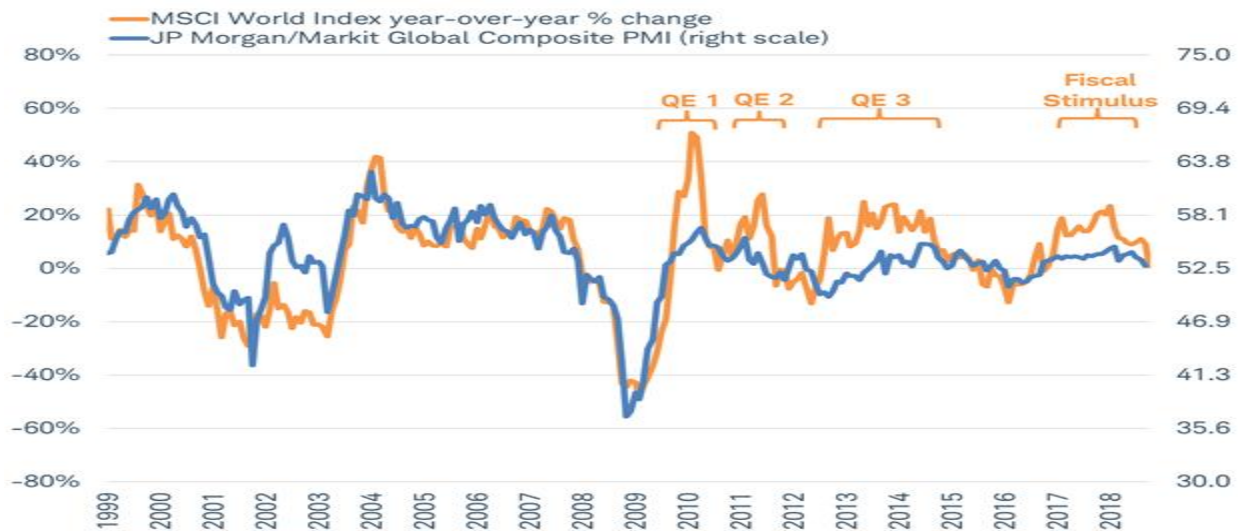
Earnings season has been decent as far as results go. Earnings growth rates have been trending down this year, from 27% in the first quarter, to 25% in the second quarter, to an expected 24% in the third quarter and an expected 19% in the fourth quarter.

Manufacturing Index remaining elevated and the employment rate was high. Home sales shows weakness which could be due to higher interest rates. Tariffs on trade had potential impact on GDP.



The global composite Purchasing Managers Index (PMI) is a widely-watched and timely economic indicator incorporating over 30 countries and representing about 85% of global GDP. Global stock market performance (in orange) and the economy—as measured by the global composite PMI (in blue)—have generally tracked each other over the past 20 years since the inception of the PMI. As you can see in the chart below, global stock market performance has now reconnected with the underlying trend in the global economy. There is a downward trend on both in 2018.

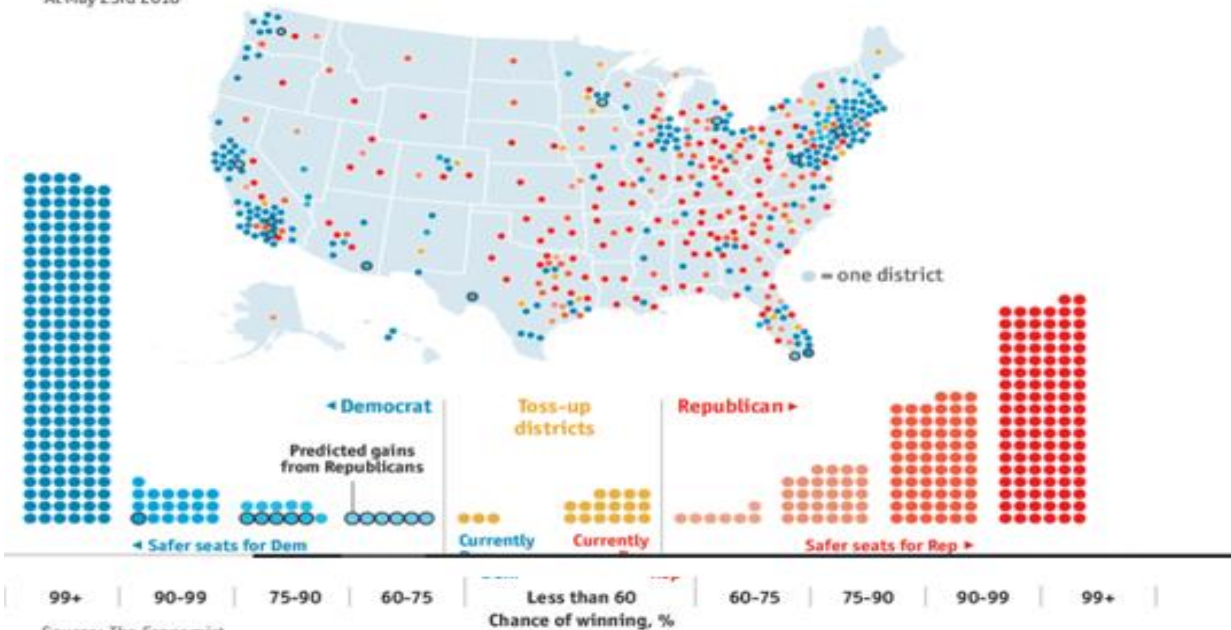
Stocks and economy have reconnected



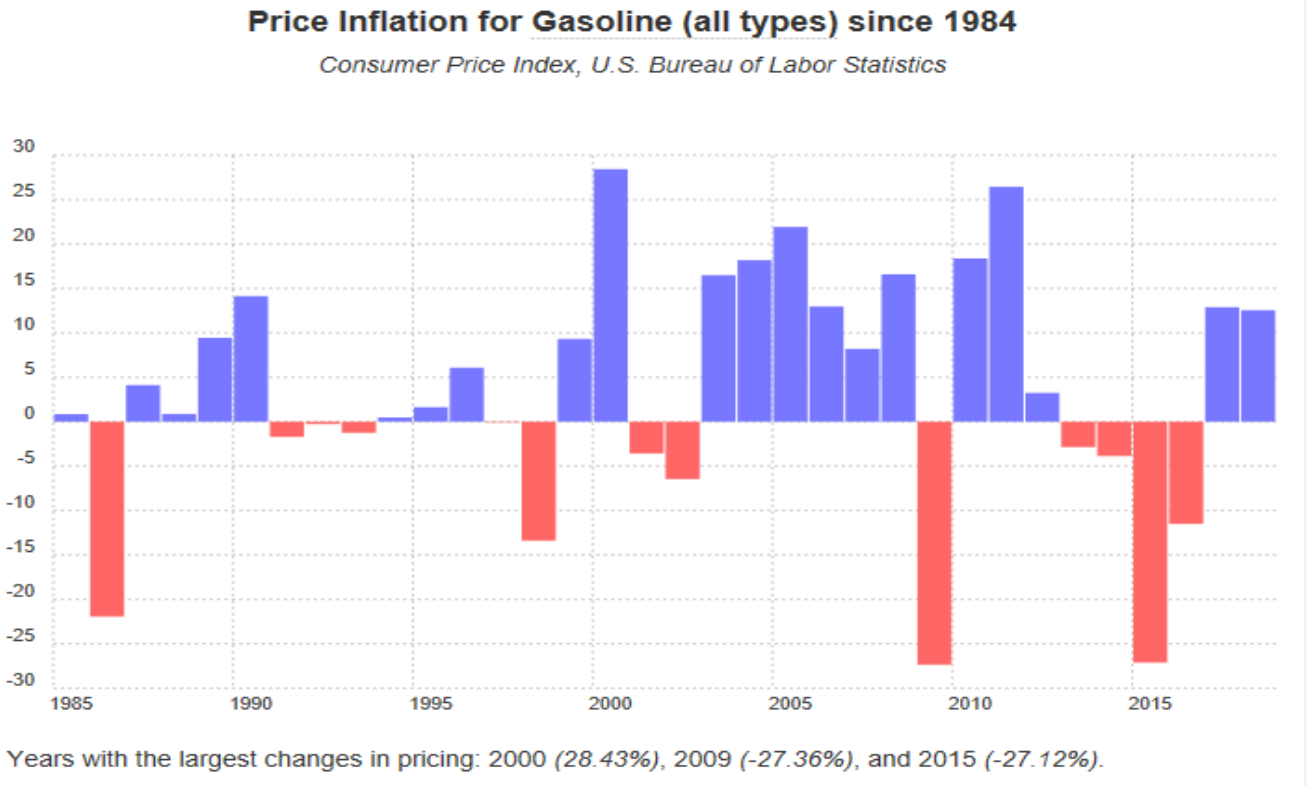
Midterm elections are around the corner. In another couple of weeks, we will know what impact would that bring to the economy.

US mid-term elections

Predicted win probability, by district
At May 23rd 2018



According to the U.S. Bureau of Labor Statistics, prices for gasoline (all types) were 85.33% higher in 2018 versus 2000 (a \$17.07 difference in value). \$20 in 2000 has the same "purchasing power" as \$37.07 in 2018 (in the CPI category of Gasoline (all types)).



Overall there has been impact to the economy due to policy changes like tariffs, immigration and higher interest rates which has a cascading effect on stock market, home sales and economy. This in-turn impact other sectors like construction industry and auto industries. But the unemployment rate is low during the year. How the current trend of the volatility on the stock market, housing market combined with the mid-term election results would lead coming months is a big question. There could be other indicators that might help to predict the performance ahead.