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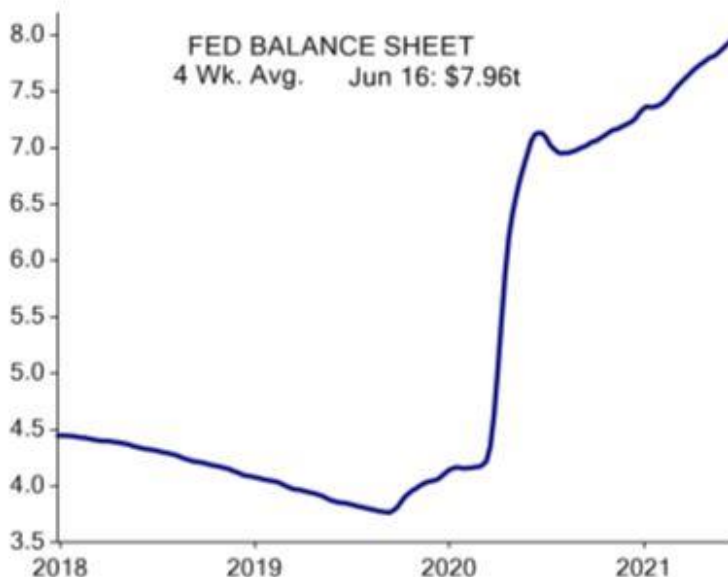
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Fed Surprised But Probably Not A Significant Negative

Global Short Rates are now headed up, but from a very low level. Tapering is coming, but for now the balance sheet is still surging.



GLOBAL SHORT RATES



FED BALANCE SHEET

Surprising Edging Lower In Some Inflation Metrics

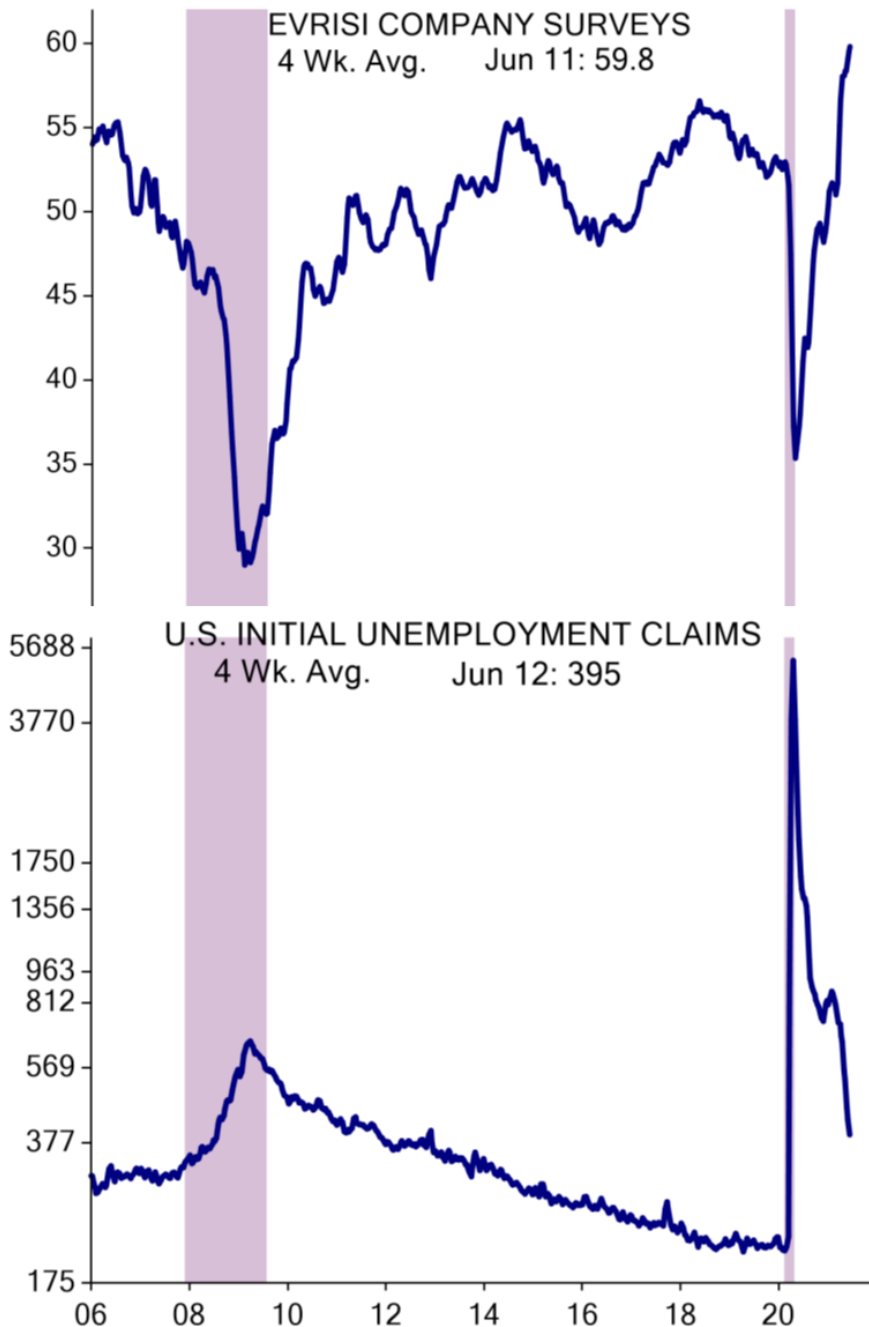
As shown on the following pages, economic activity is still getting stronger, both real and prices. But our clients are a little less concerned about inflation, and *inflation expectations* have declined significantly.

(Oscar Sloterbeck) -- Worries over U.S. inflation ticked down, but remain elevated with 61% reporting concern, down from 75% a month ago. 220 investors contributed to this survey.



U.S. Economy Really Coming Back

EVRISI company surveys suggest unemployment claims continue to move lower in June.



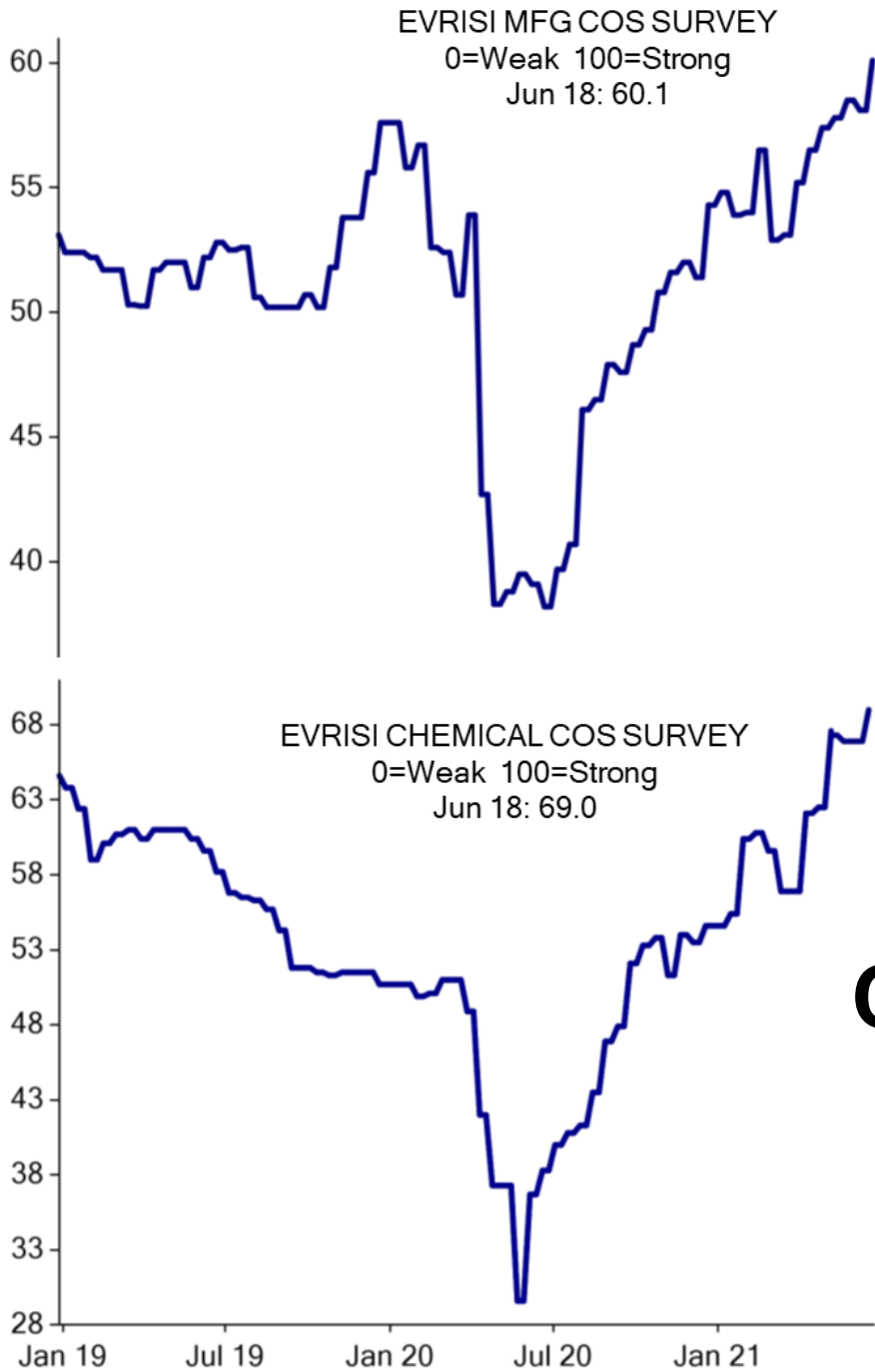
EVRISI COMPANY SURVEYS

INITIAL CLAIMS

Unemployment claims increased last week, but their 4 wk avg, which typically has more signal, continued to decline. And claims are still being elevated by extended benefits.

U.S. Economy Really Coming Back

Contd



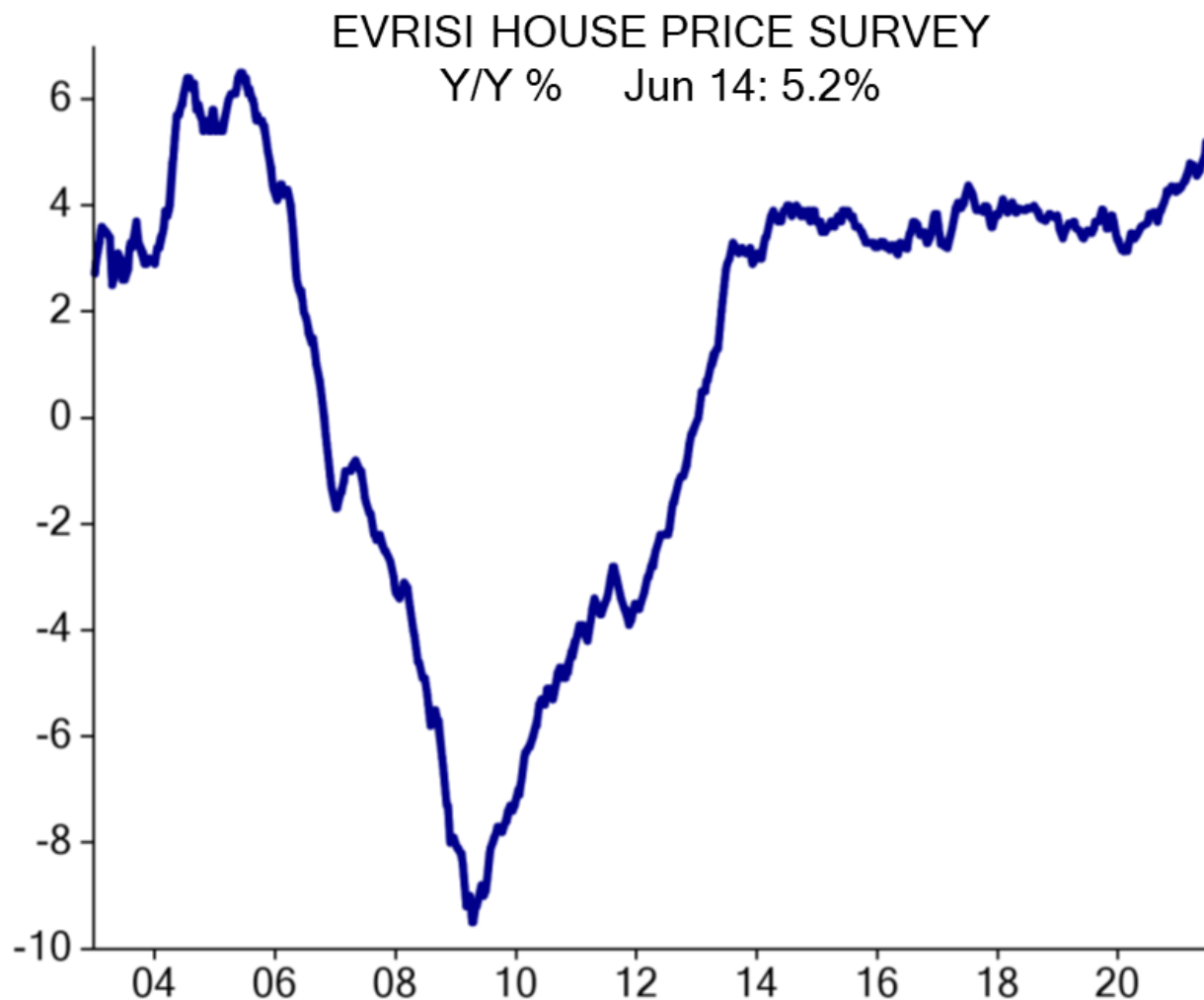
**EVRISI
MFG COS
SURVEY**

**EVRISI
CHEMICAL COS
SURVEY**

U.S. Economy Really Coming Back

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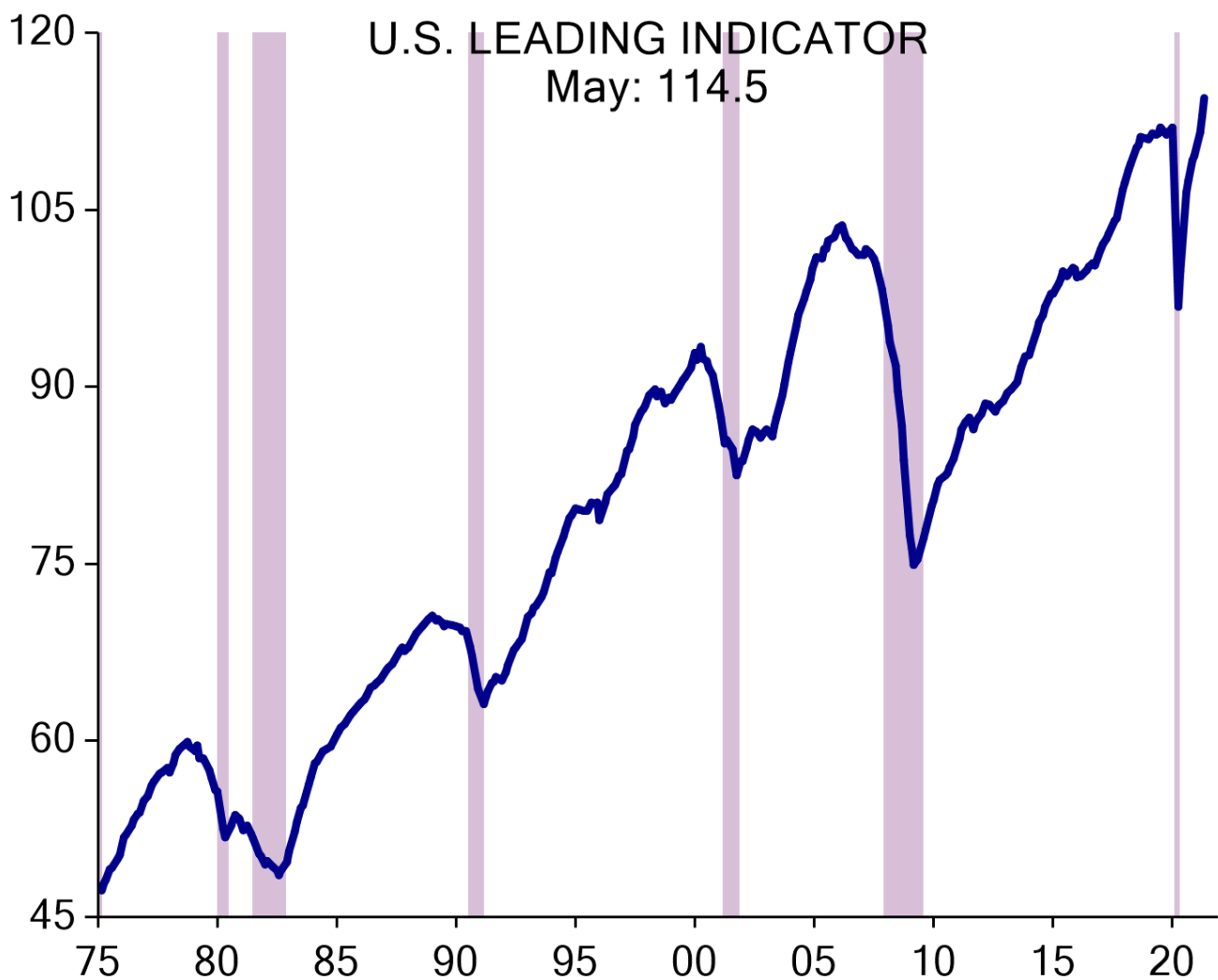
EVRISI homebuilders survey surged +1.7 this week to a very strong 78.6, and EVRISI house price survey continued to increase this week. On top of this, with bond yields back down to 1.48% today, mtg rates are set to remain low.



U.S. Economy Really Coming Back

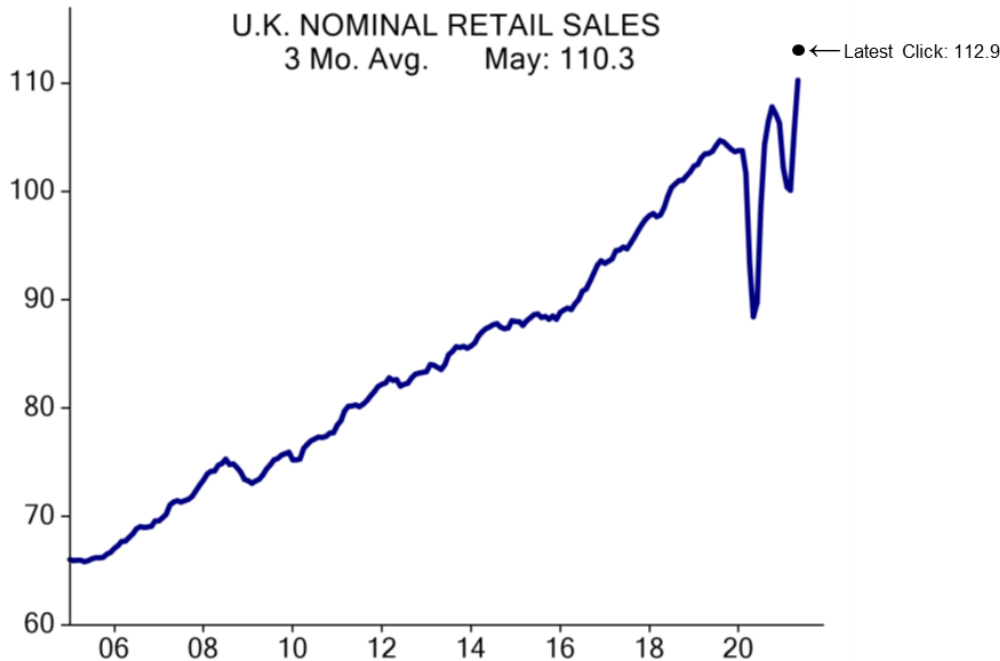
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In just one year, the LEI has surged back to a new high. So have S&P earnings, nominal GDP, retail sales, and PMIs, not to mention EVRISI company surveys.

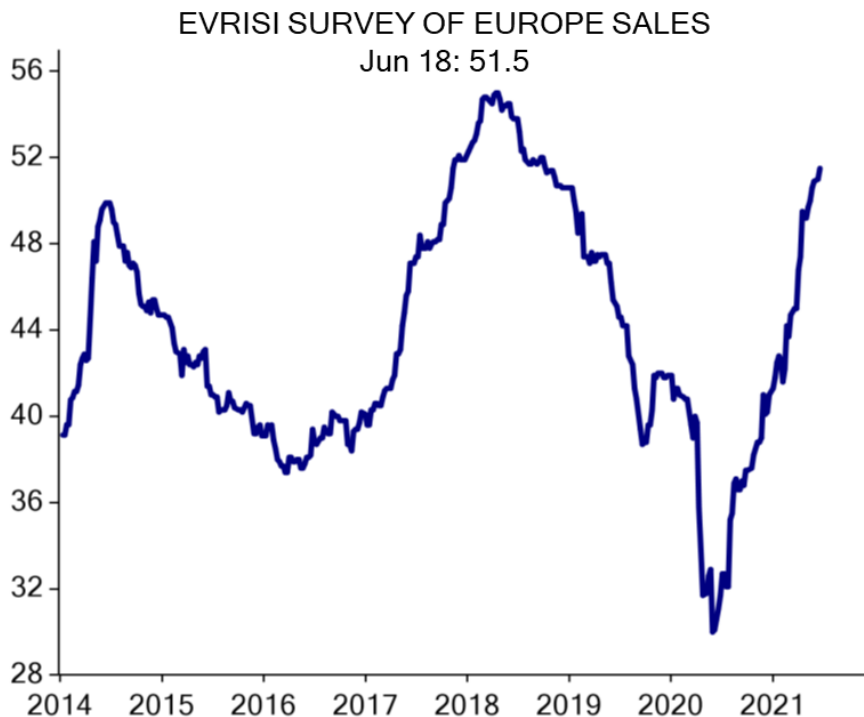


Foreign Economies Coming Back

UK retail sales have moved up significantly, similar to the US. And EVRISI's proprietary survey of company sales in Europe moved up again this week.



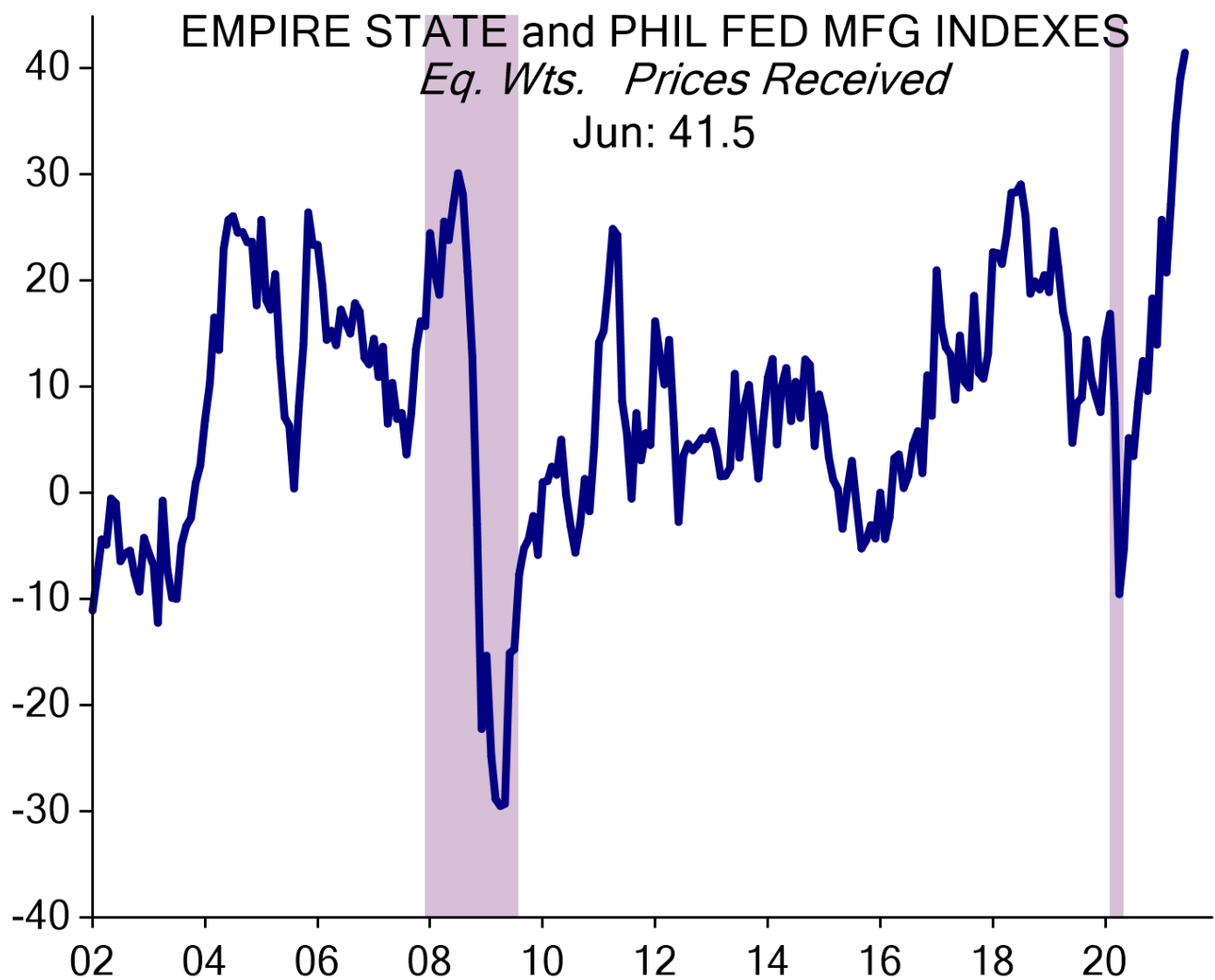
**U.K.
RETAIL
SALES**



**EVRISI
EUROPE
SURVEY**

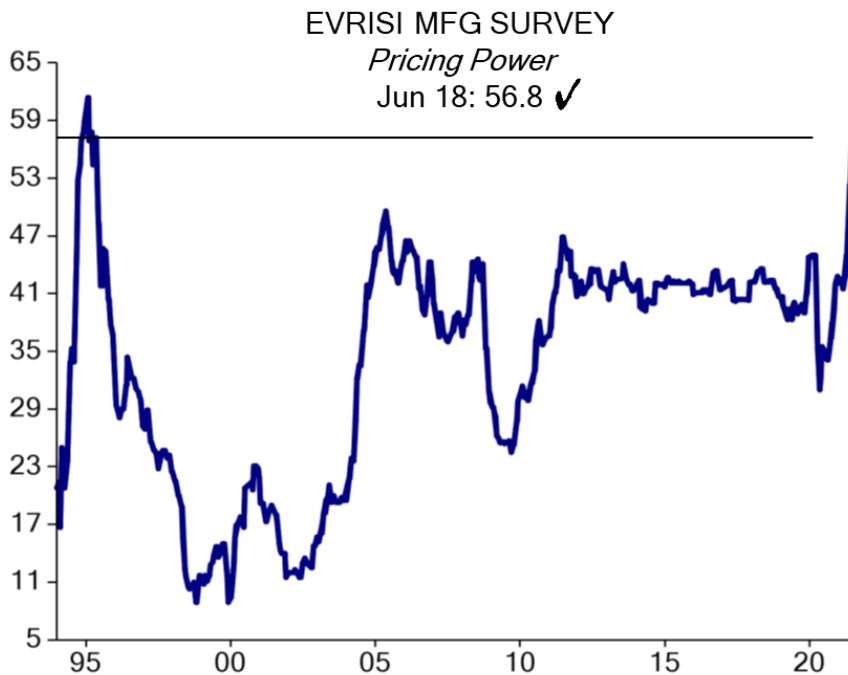
Scary

This is not just a repeat of higher commodity prices and input costs, it's a measure of prices received, which seems a little less transitory.

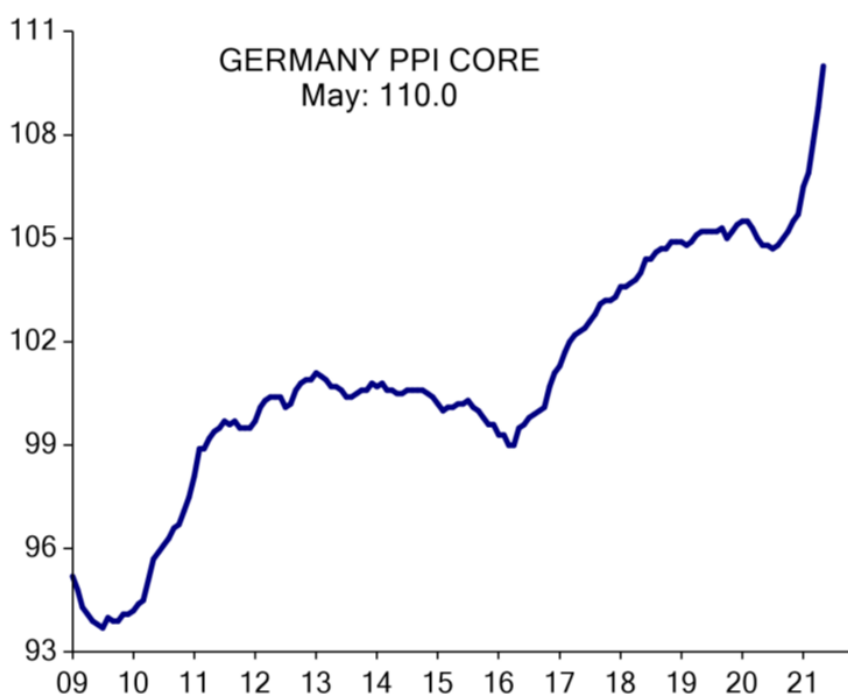


Scary Contd

Of particular note, mfg companies told us this week that their pricing power continued to increase. Germany's core PPI surged +1.1% m/m in May and increased +5.0% y/y.



**MFG COS
PRICING
POWER**

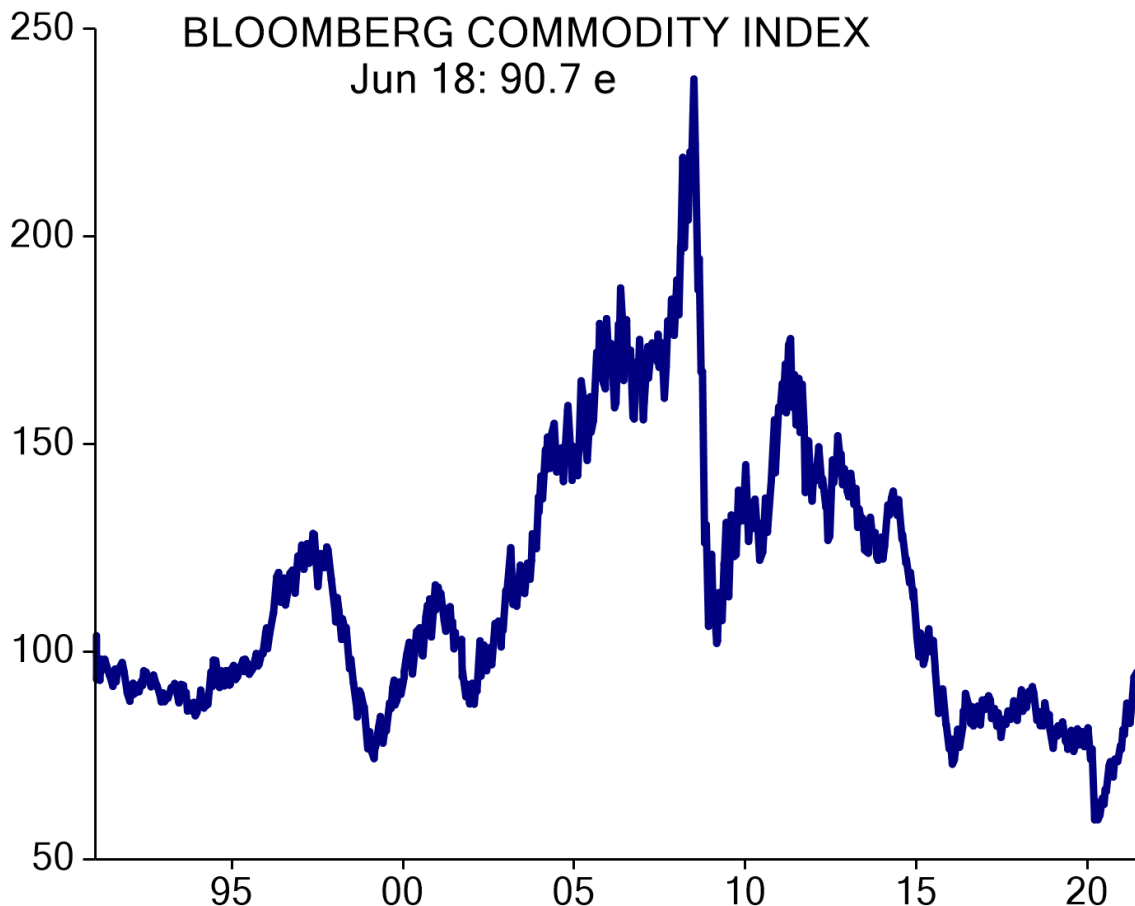


**+1.1% M/M
+5.0% Y/Y**

**GEMRANY
PPI CORE**

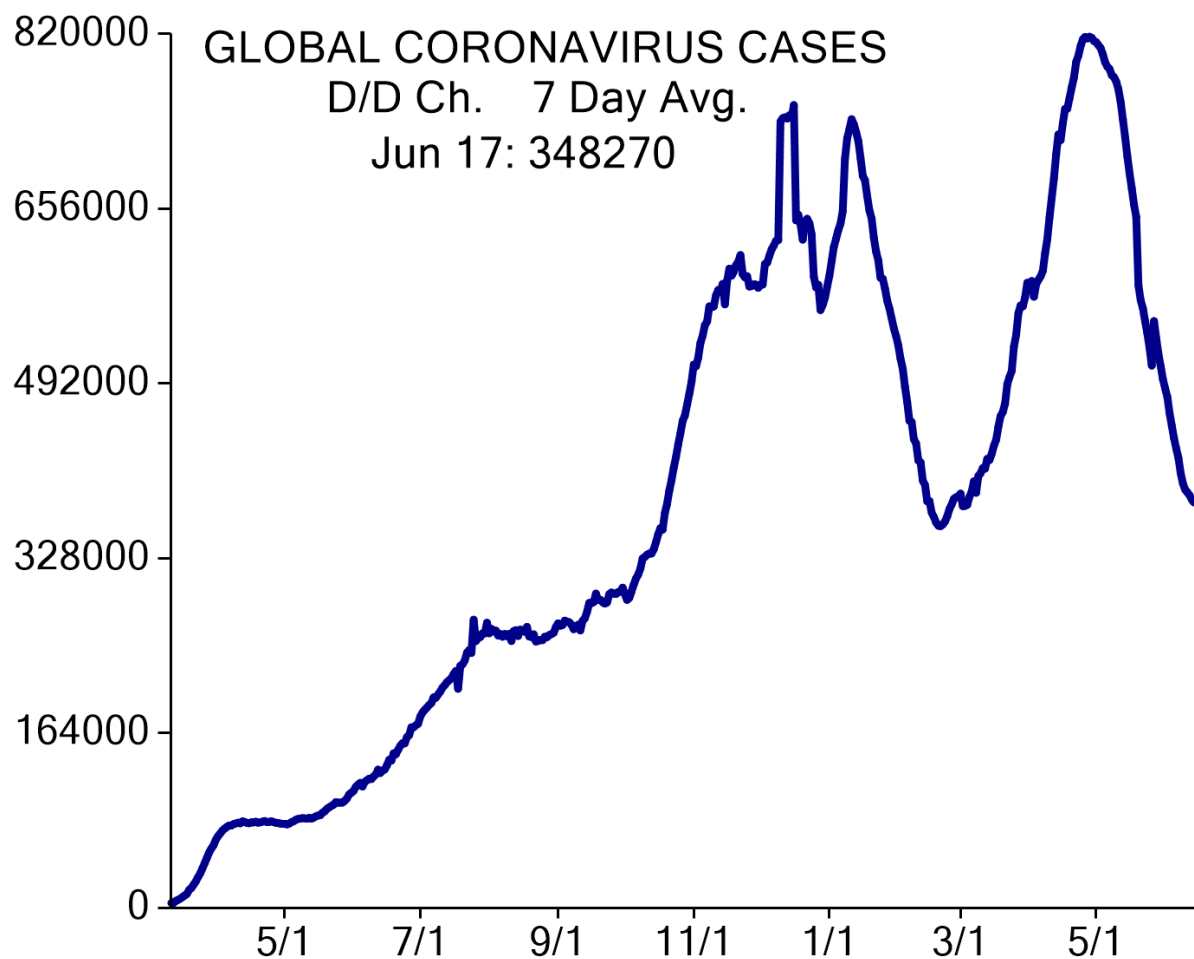
Commodity Prices Overall Still In Uptrend

Some commodity prices have cracked, eg, lumber and copper, but the Bloomberg commodity price index is still in an uptrend.



Global Reopening

With global CV cases making a downside breakout, reopening will continue around the world. This is a powerful lift to economic activity.



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