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First In Forecasts Worldwide



AWPA
American Wire Producers Association

Prepare for 2024

**Presented by ITR Economics
Senior Forecaster
Connor Lokar**

Summary – September 2023


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Macroeconomic Signals for 2023-24

- US/Global Economy Decelerates '23
- Decline Probable for 2024
- Leading Indicators Beginning to Lift

Uncertainty Drivers

- Higher Interest Rates Are a Threat
- Wage Inflation Pressuring Margins
- Corporate Profits Are Weakening

Highlights

- There Are Opportunities Out There
- Commercial Markets Solid for 2024
- Commercial Markets Lag; Beware 2025



2022 Forecast Results

	Duration	Accuracy
US GDP	18	98.9%
US Ind. Production	18	98.9%
Europe Ind. Production	23	99.6%
Canada Ind. Production	24	99.5%
China Ind. Production	16	98.5%
Retail Sales	13	98.0%
Housing - Single Family	17	84.8%
Employment-Private Sector	13	98.7%

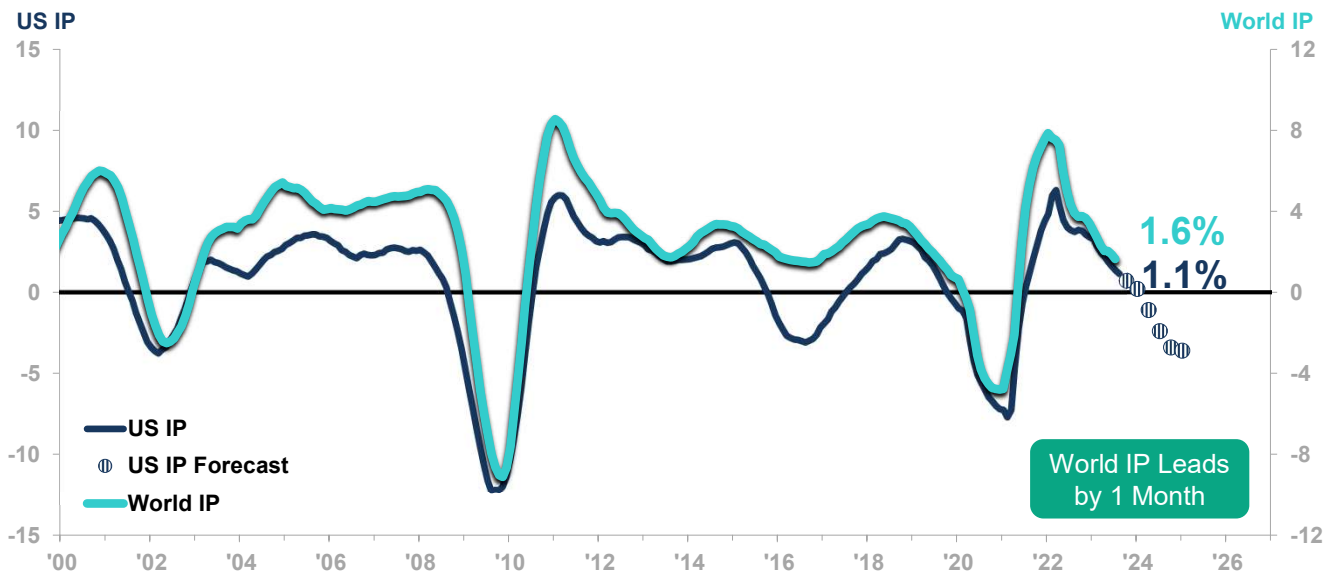
ITR Economics provides the best economic intelligence to reduce risk and drive practical and profitable business decisions.

The Cyclical View; Recession Closing In

Sources: FRB, CPB Netherlands Bureau For Economic Policy Analysis

US Industrial Production Index to World Industrial Production Index

12/12 Rates-of-Change



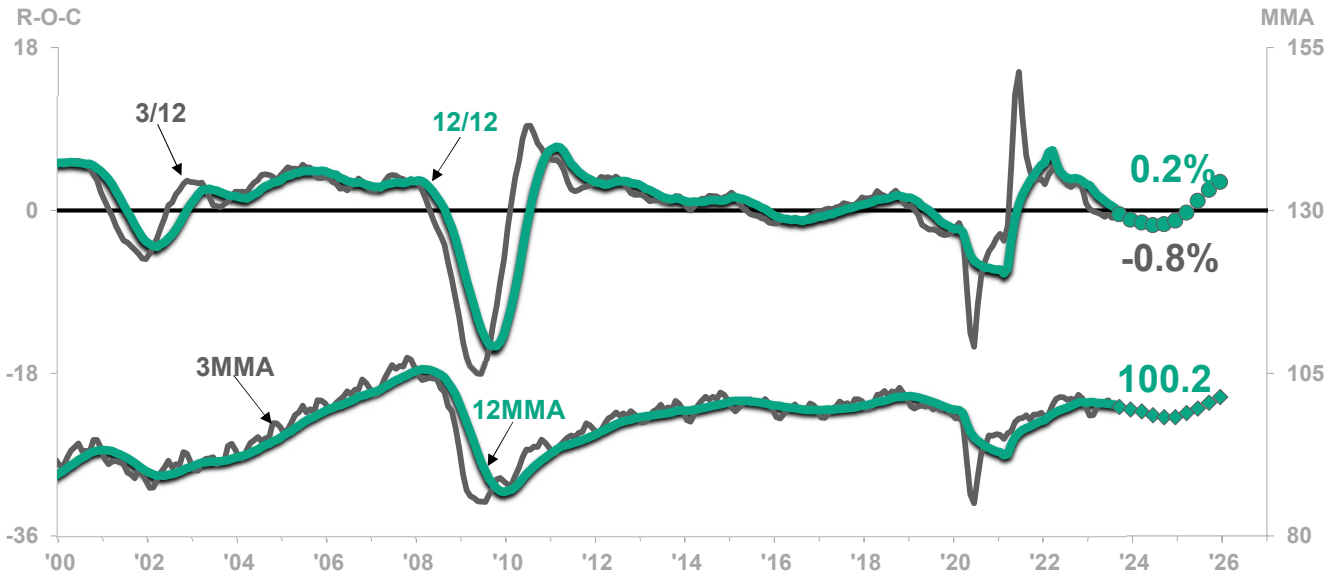
US Manufacturing Output is Falling (3/12)

Source: FRB

US Total Manufacturing Production Index

2017 = 100

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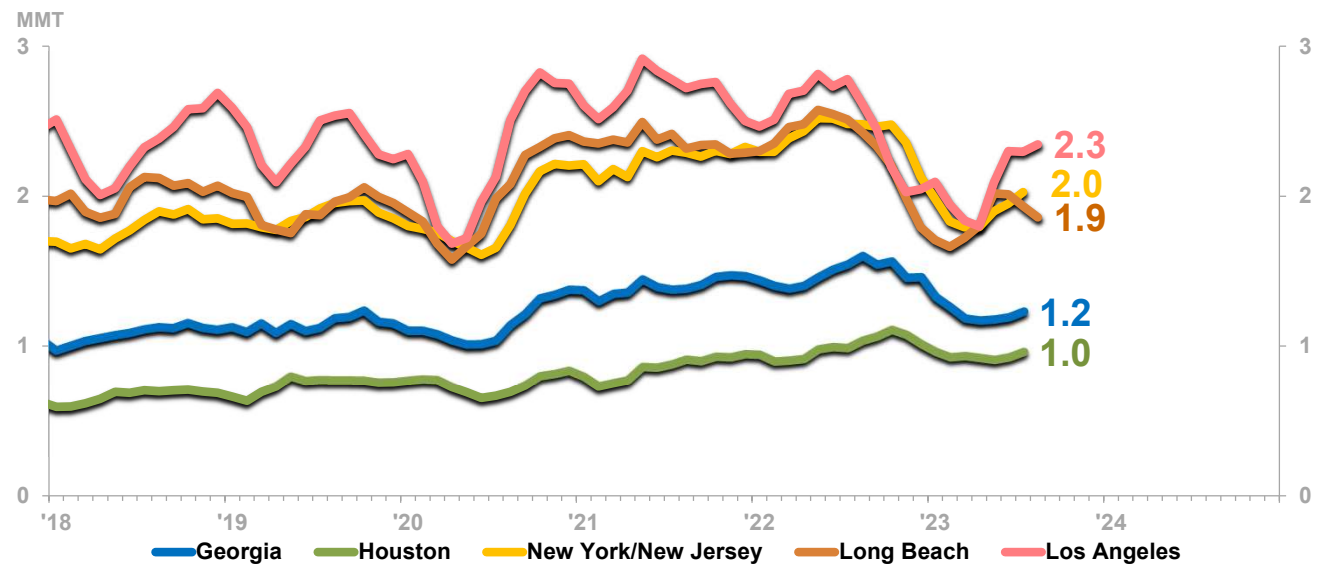
Freight Volumes Tell the Story

Sources: Port of Authority Statistics NY & NJ, GA, Los Angeles, CA, Long Beach, CA, Houston, TX

Total Intermodal Container Traffic | Top Five US Ports

Millions of TEU

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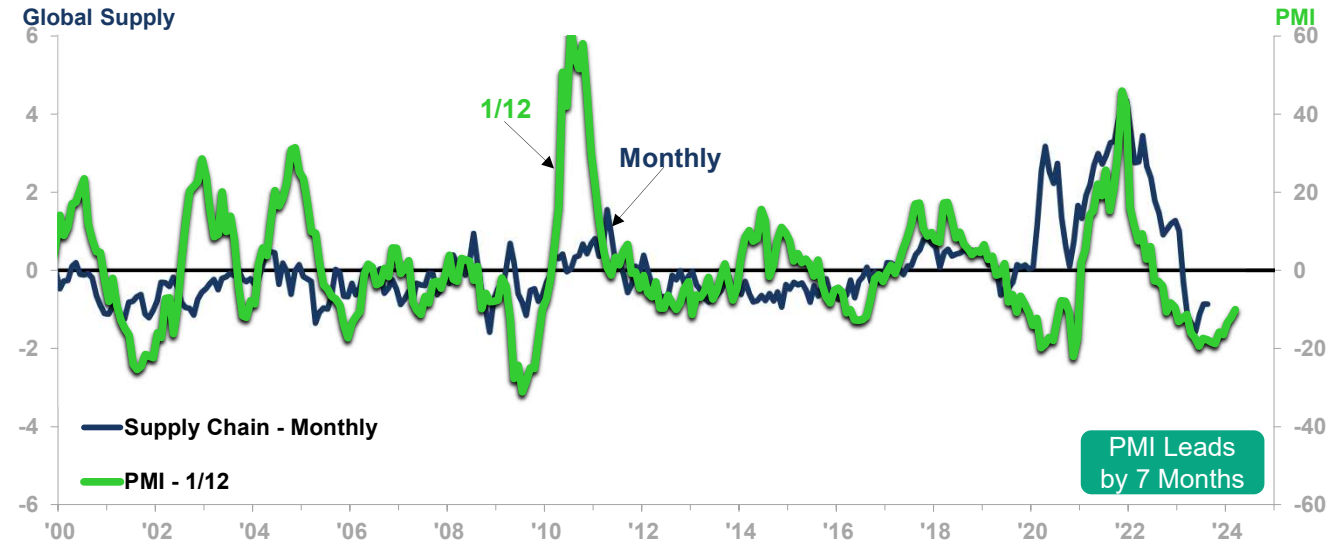
Slowing Economic Growth Means Less Supply Chain Pressure

Sources:
FRBNY, ISM

Global Supply Chain Pressure Index to US Purchasing Managers Index

Pressure Index, Raw to PMI 1/12 Rate-of-Change

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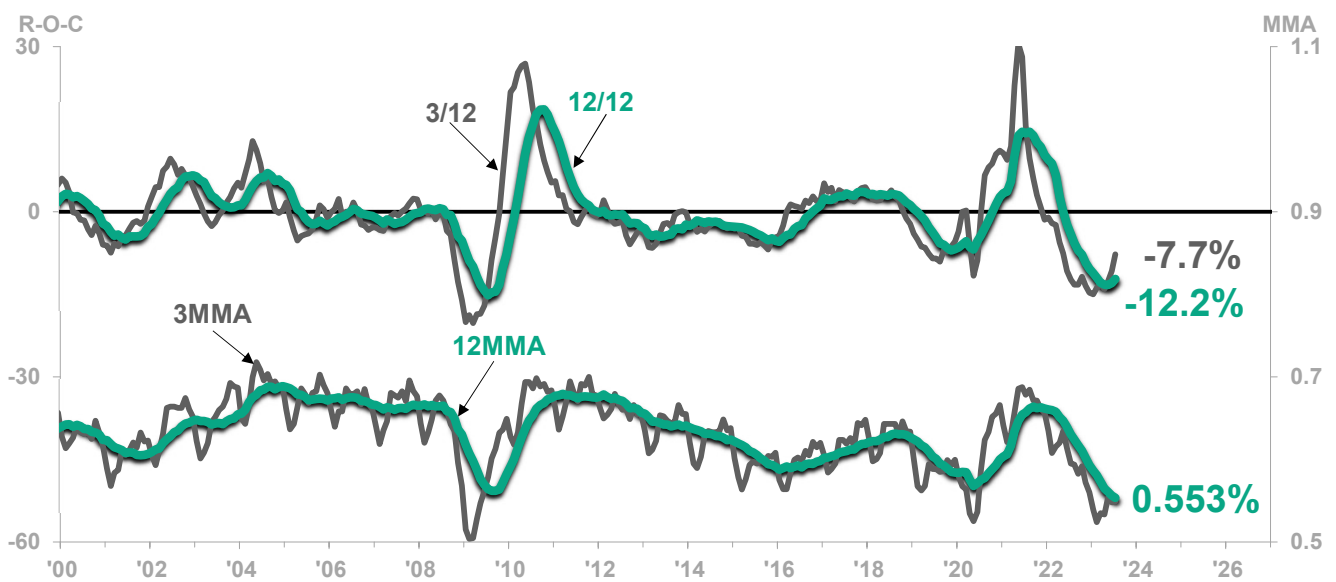
Supply Chain Recovery Creating Excess Inventory Issues

Source: US Census Bureau

US Durable Goods Wholesale Sales/Inventory Ratio

Ratio

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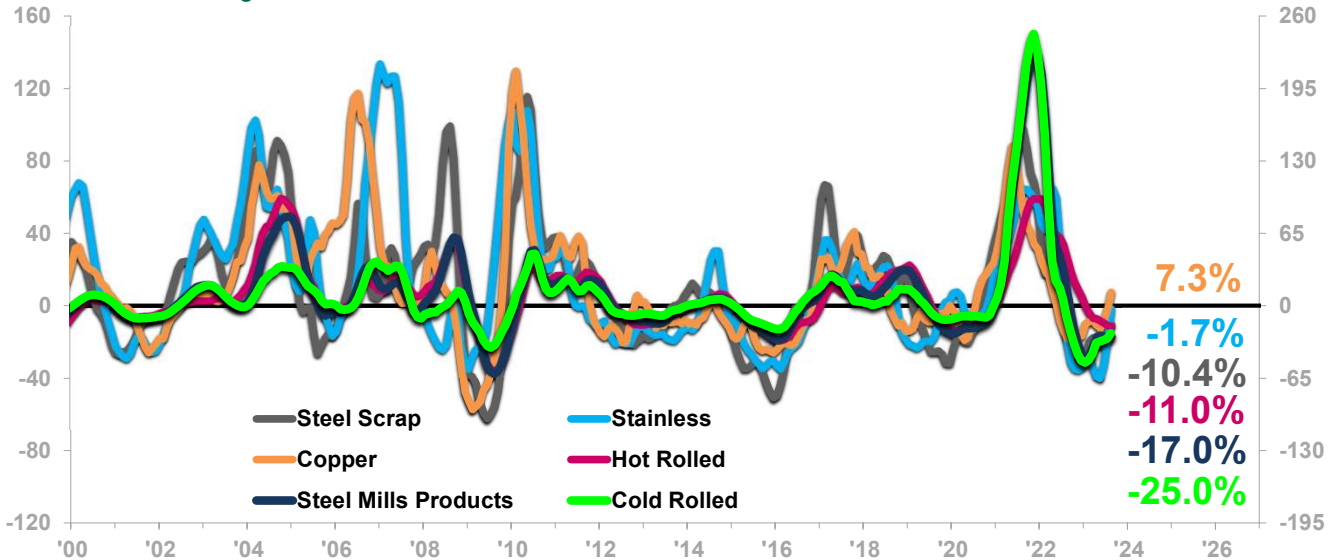
Deflationary Metals Trends

Sources: WSJ, BLS

Commodity Prices Copper to US Producer Price Indexes for Steel Scrap, Stainless, Hot Rolled Steel, Cold Rolled Steel and Steel Mills Products

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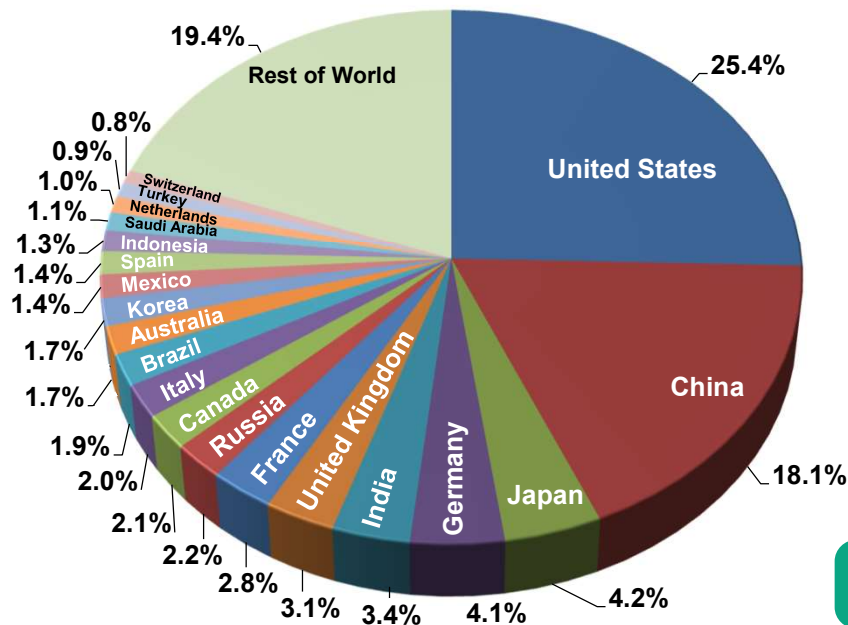
3/12 Rates-of-Change



Percent of World GDP by Country

Source: IMF, *ROW: 70% are IMF Estimated Figures

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*Total World GDP:
\$100.2 Trillion US \$

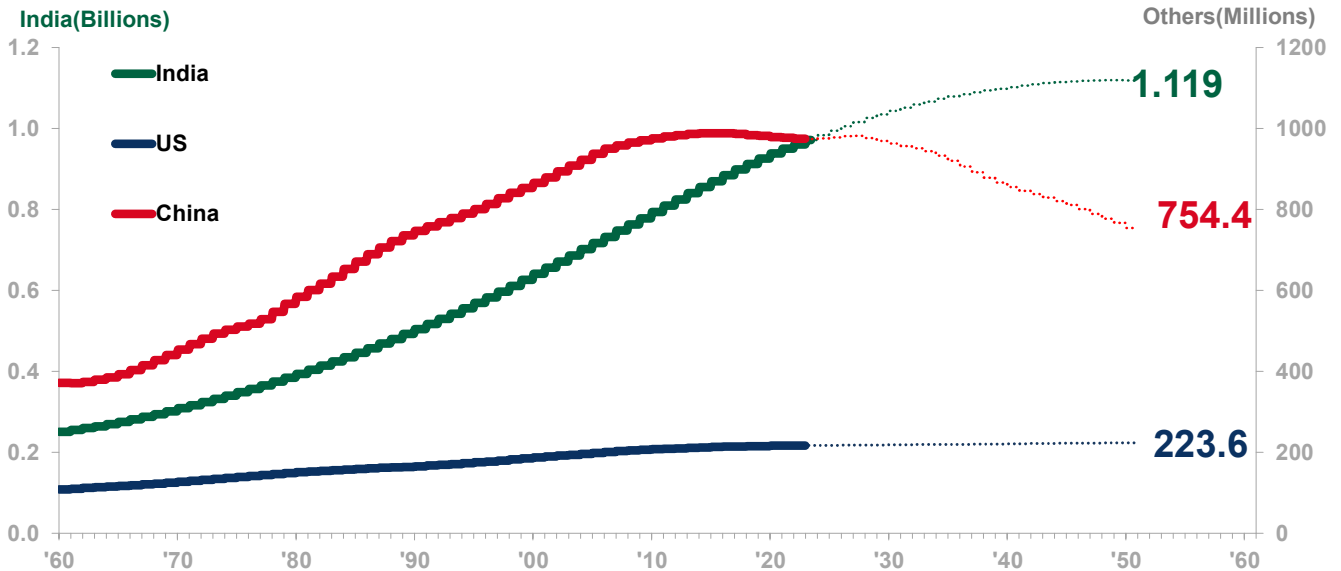
India is Now the Most Populous Country

Source: World Bank

Total Population Age 15-64 With Projections

Millions of Persons

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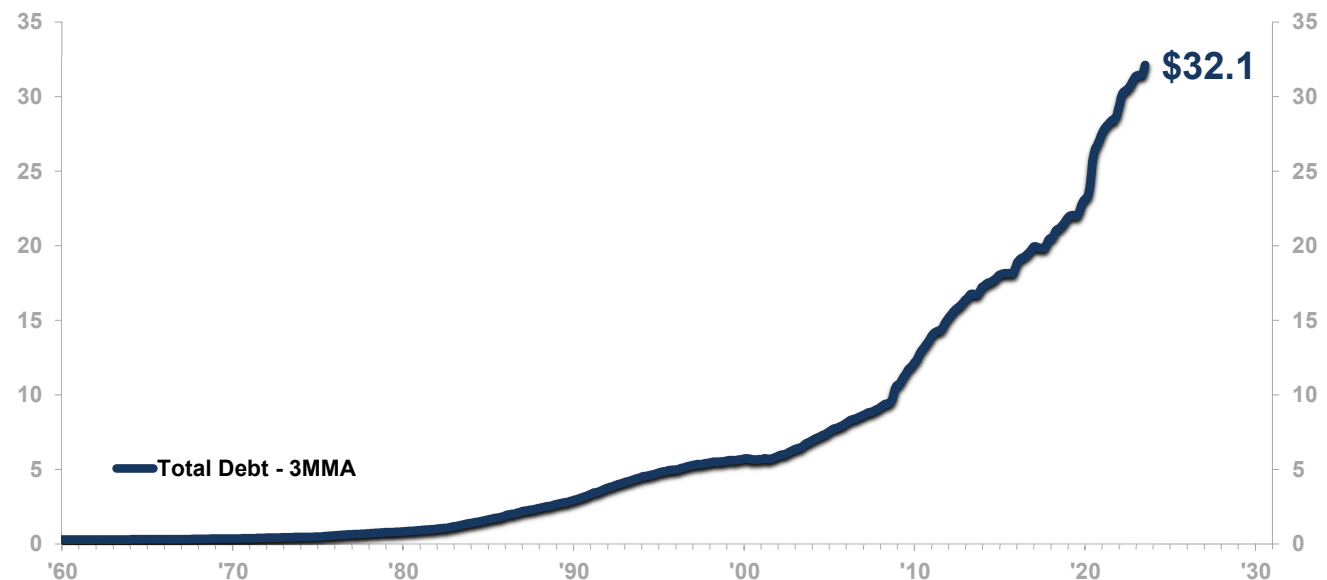
The Mountain of Debt Continues to Grow

Source: US Department of the Treasury

US Total Public Debt Outstanding

Quarterly Data Trends: Trillions of Dollars

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2030 - Breaking Down the Causal Factors



1. Demographics



2. Health Care Costs



3. Entitlements



4. Inflation



5. US National Debt



Global Factors Impacting the US Economy Summary



Expect inflation to diminish over the course of 2023-24 as global growth slows



Supply chain stress will generally diminish into 2024 barring disruptors



Follow the leading indicators to determine if they are sustained and becoming more widespread

Next Steps

- Nationalism is providing opportunities in the US market
- On-shoring is real as supply chains must be made more secure

Expect an Essentially Flat 2024

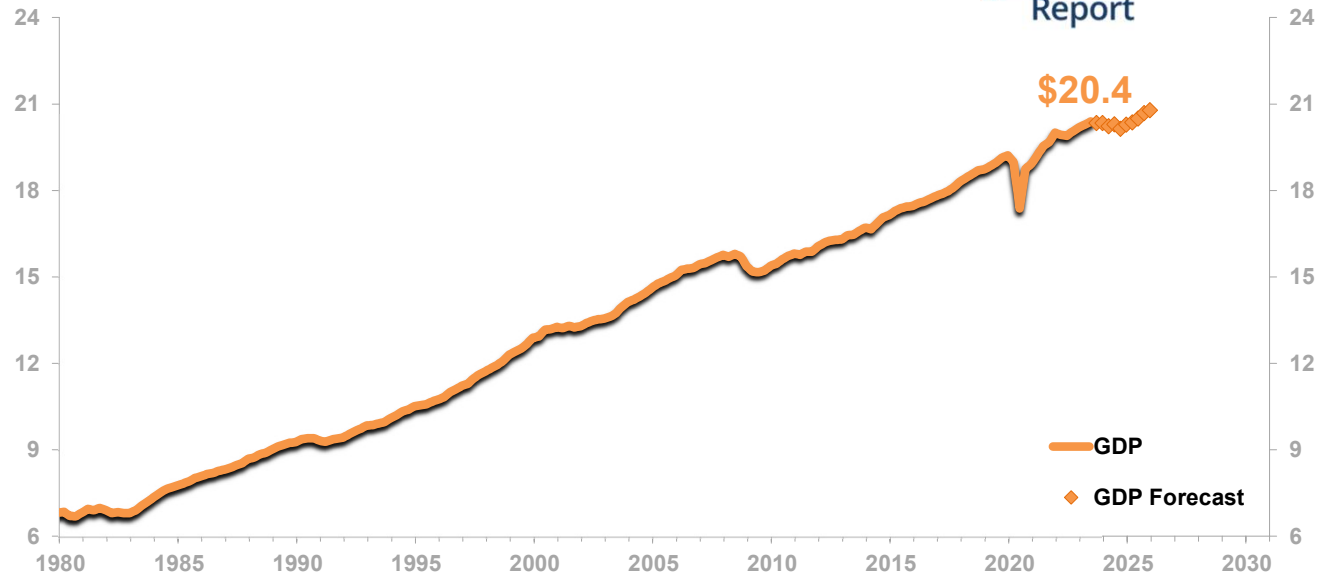
Source: BEA

US Real Gross Domestic Product

Quarterly Data Trends: Trillions of Chained 2012 Dollars

as seen in
ITR Economics'
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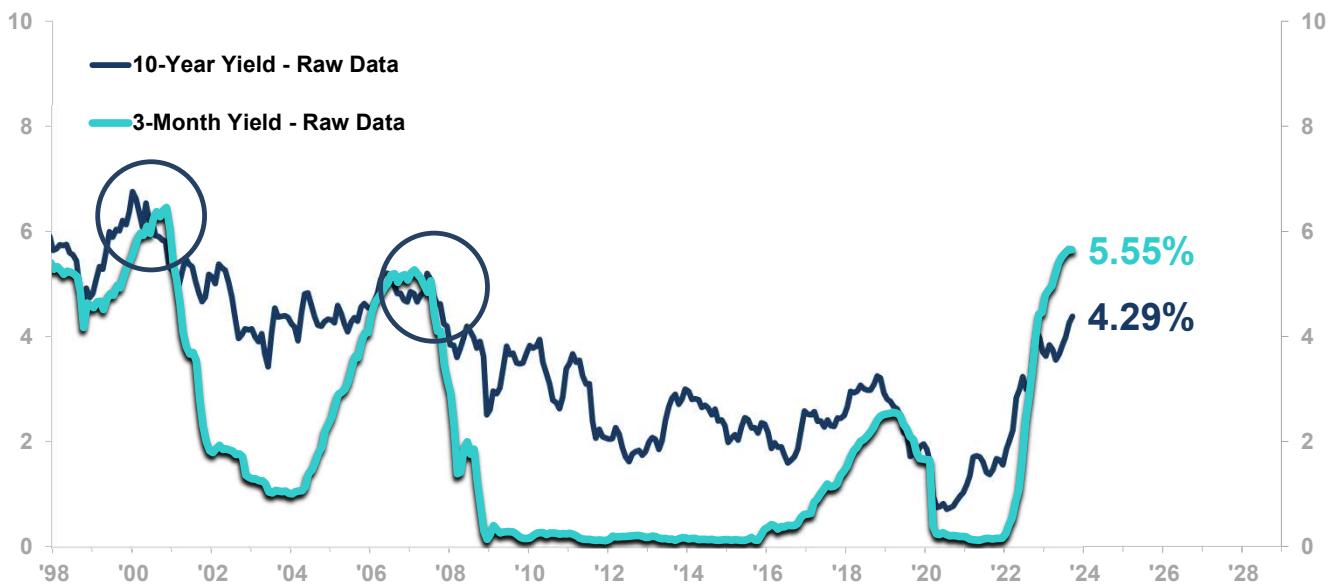
Inverse Yield Curve in Place: Business Cycle Decline Ahead

Source:
US Treasury Dept.

US Government Long-Term Bond Yields to US 3-Month Treasury Bond Yield

Raw Data: Percent

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Rates Tipped Over Housing First – Leading Sector

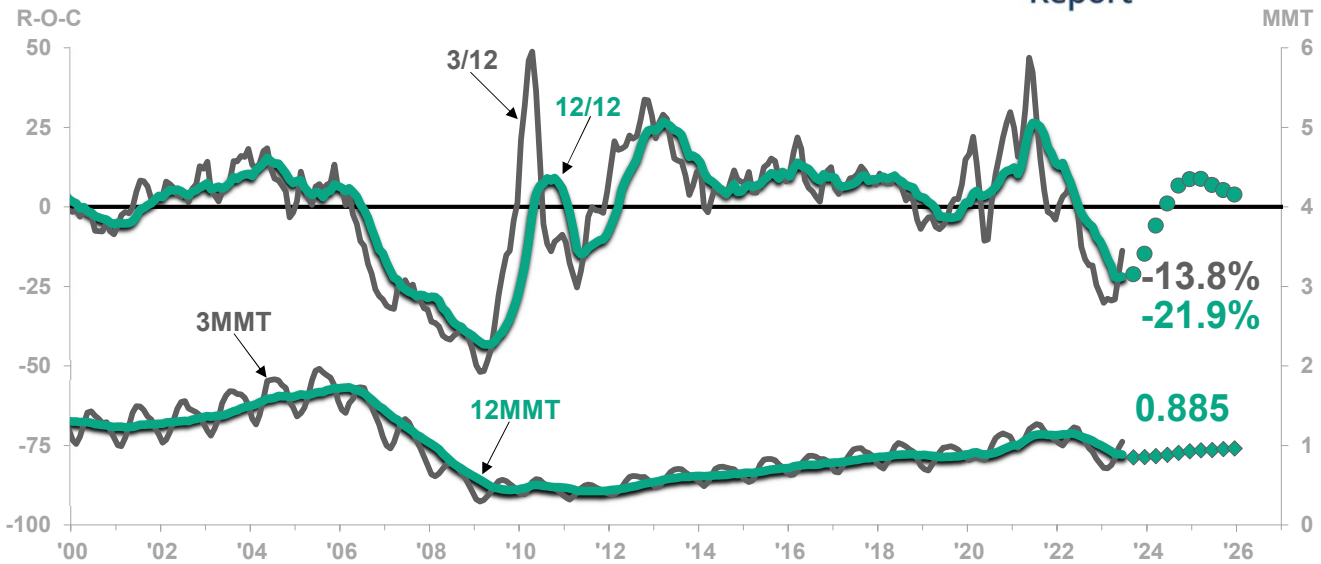
Source: US Census Bureau

US Single Unit Housing Starts

Millions of Units

as seen in
ITR Economics'
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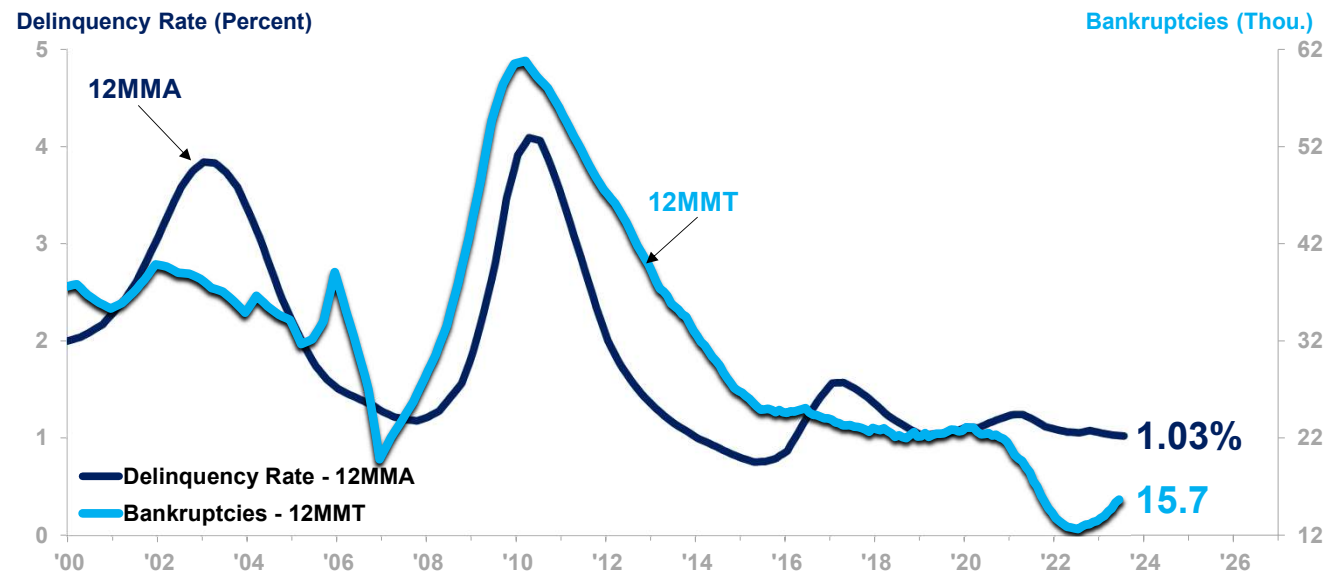
Bankruptcies Still Very Low, But Rising – Lag Effect

Sources: FRB, US Courts

US Commercial and Industrial Loan Delinquency Rate to US Business Bankruptcies

Annual Data Trends

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Service Sector Showing Signs of Strength Relative to Total GDP

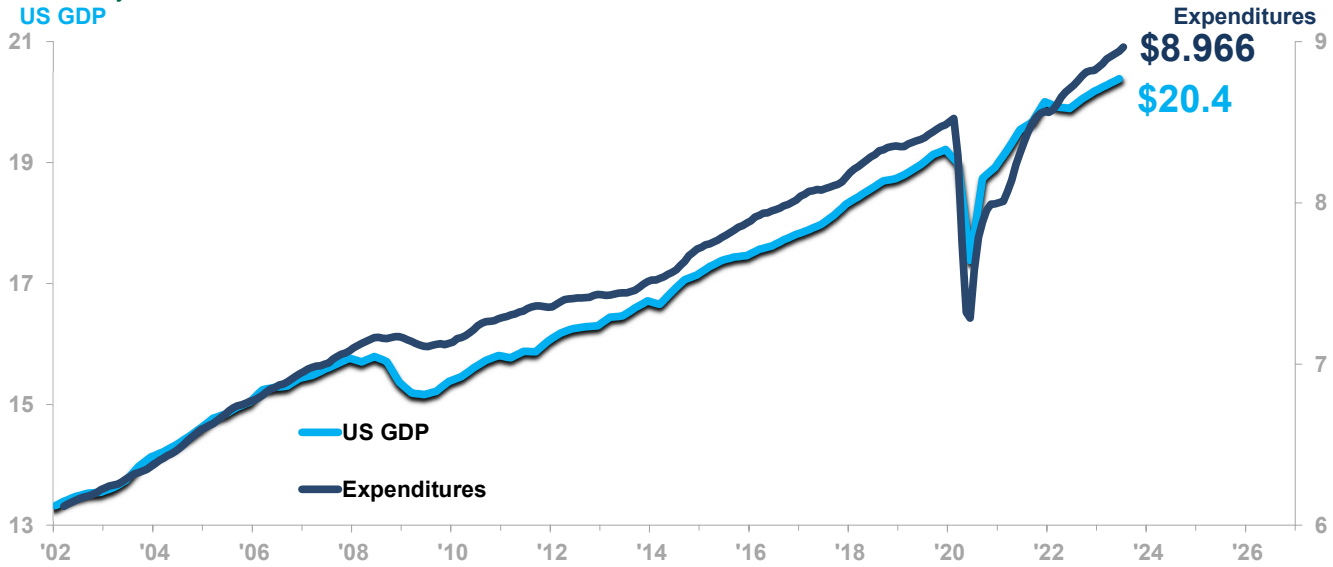
Source: BEA

**US Real Gross Domestic Product to
US Services Personal Consumption Expenditures (deflated)**

Quarterly Data Trends: Trillions of Chained 2012 Dollars

US GDP

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Deflated Retail Sales Trend is Now Mildly Negative

Source: US Census Bureau, BEA

US Total Retail Sales (deflated) to US Real Gross Domestic Product

Rates-of-Change

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Inflation Adjusted Wages Rising Trend

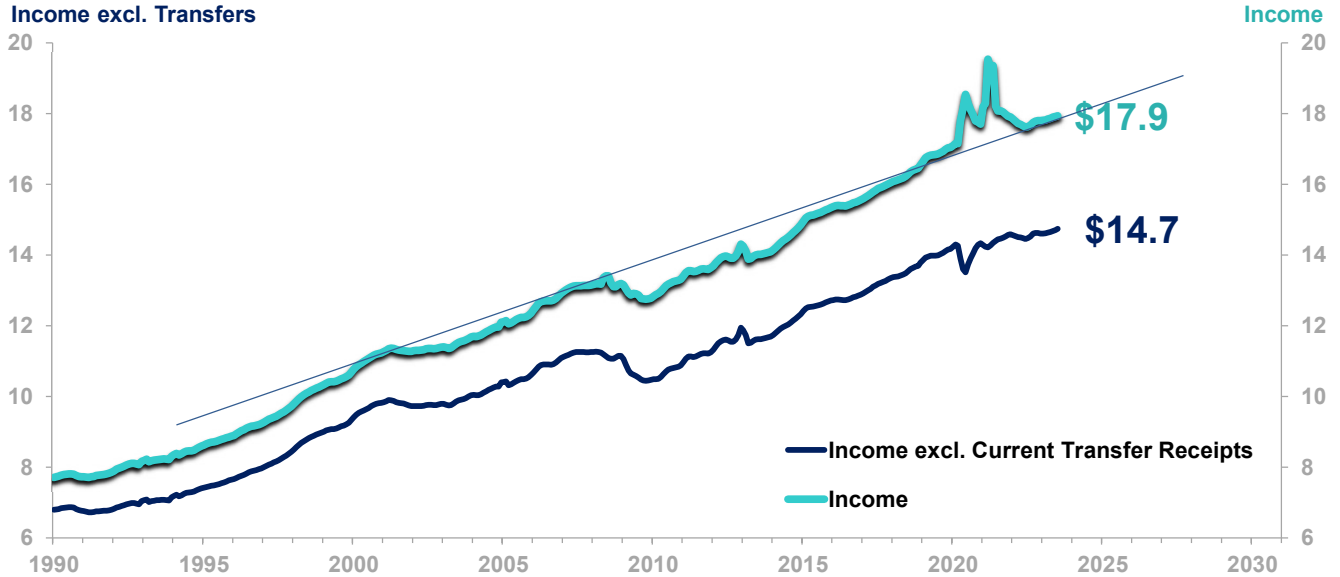
Source: BEA

US Real Personal Income (excluding current transfer receipts) to US Real Personal Income

Quarterly Data Trends in Trillions of Chained 2012 Dollars



Income excl. Transfers






Consumer is Able to Service the Debt Loads

Source: FRBNY, FRB, BEA

US Profits and Delinquency Rates



	Monthly	Notes
Auto Loan Delinquency	3.82%	Up from Oct '22 5-yr low of 3.73%
Credit Card Delinquency	2.58%	Pre-Covid 10yr avg 2.76%
Residential Delinquency (>90 days)	1.68%	Lowest in 16 ¾ years
Domestic Nonfinancial Corp Profits	\$1.98T	Down 5.3% from a Sept '22 ^

-  Ignore the political noise
-  Businesses are less profitable and cash is below year ago level
-  Inverse Yield Curve is signaling decline for 2024

Next Steps

- Watch the inverse yield curve
- Invest in your business
- Good opportunity for organic growth in 2025



Pricing Pressures

Disinflation Through Most of 2024

Sources: BLS

US Consumer Price Index

3/12 Rates-of-Change

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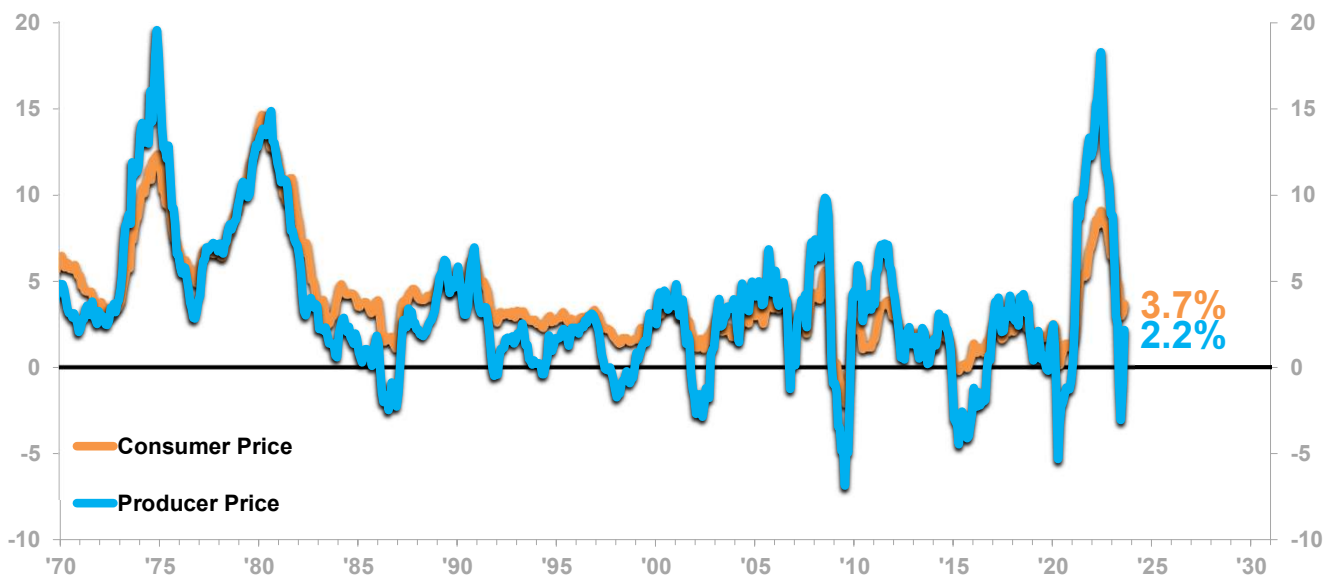
Deflationary PPI Trend In 2024

Source: BLS

US Consumer Price Index to US Producer Price Index

1/12 Rates-of-Change

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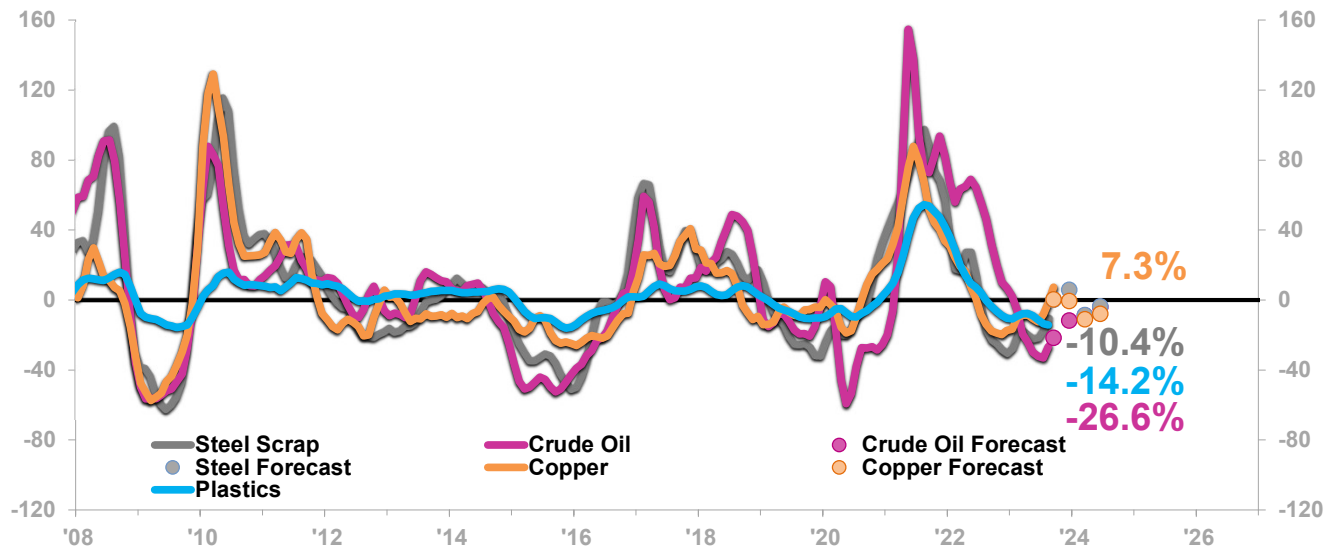


Metals Generally Down From A Year Ago – Watching Copper

Sources: EIA, WSJ, BLS

Commodity Prices for Crude Oil and Copper to US Producer Price Indexes for Plastic Resins & Materials and Steel Scrap
3/12 Rates-of-Change

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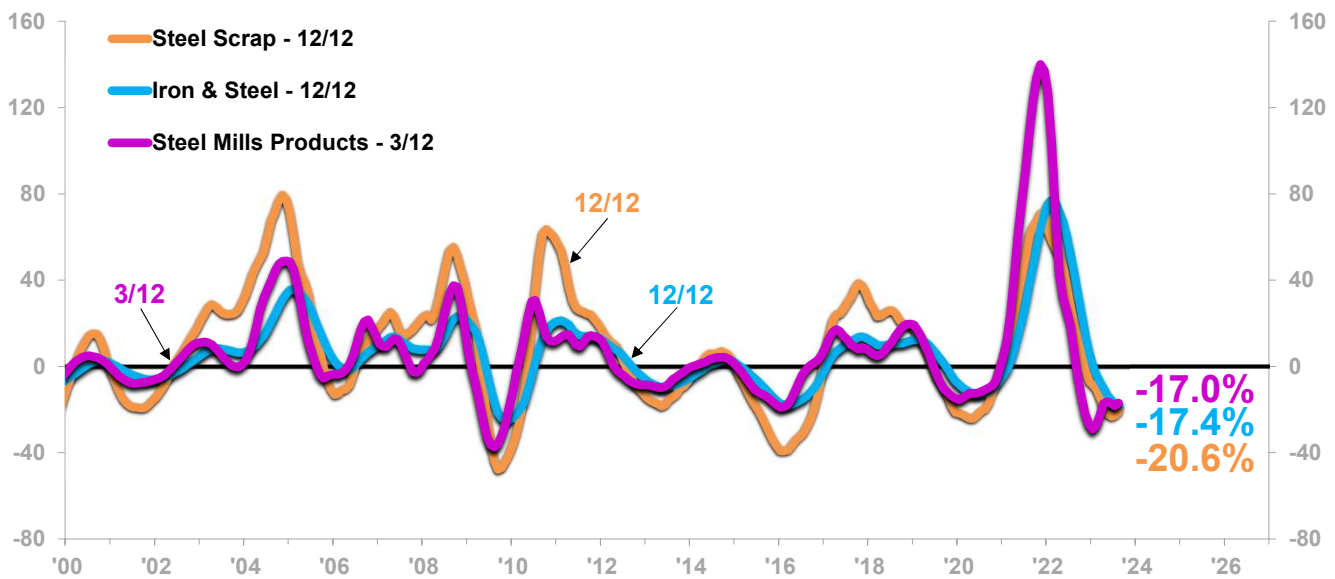


Demand Slowdown Dragging on Pricing

Source: BLS

US Producer Price Indexes for Steel Scrap, Steel Mills Products and Iron & Steel
Rates-of-Change

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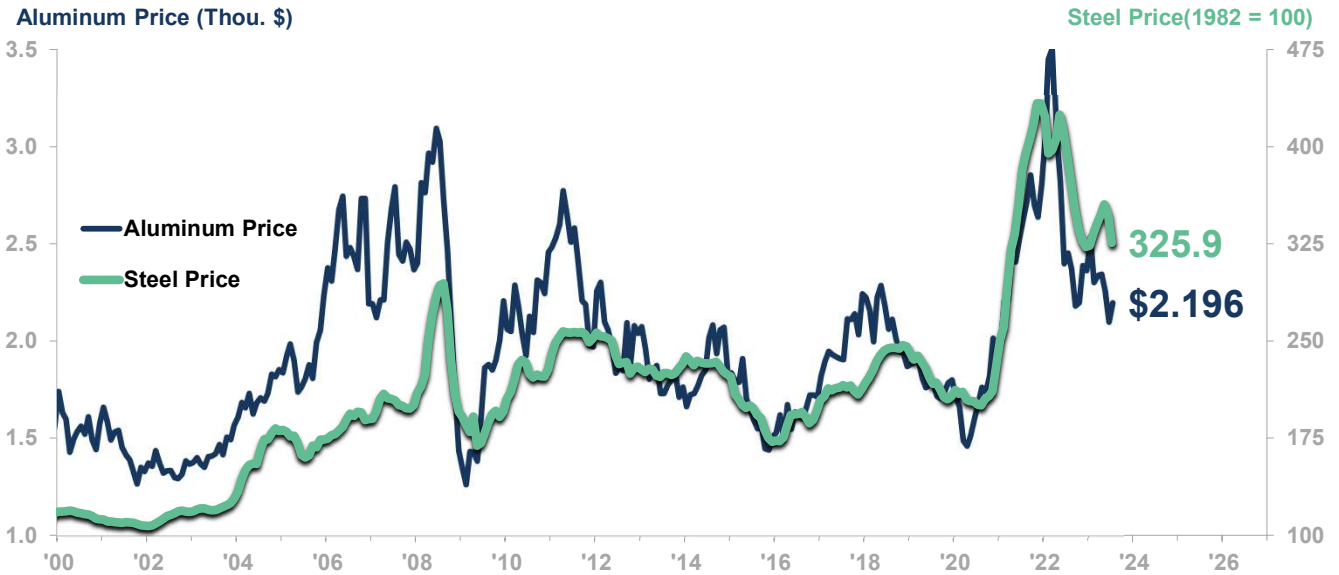
Deflation Context

Sources: LME, BLS

Aluminum Spot Prices to US Iron and Steel Producer Price Index

Raw Data Trends

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Steel Trails Copper by 7 Months – Recovery Ahead

Sources: BLS, WSJ

US Steel Scrap Producer Price Index to Copper Futures Prices

Rates-of-Change

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Mixed Inputs From China

Sources: WSJ, Markit Economics

Copper Futures Prices to China Purchasing Managers Index for Manufacturing

Rates-of-Change

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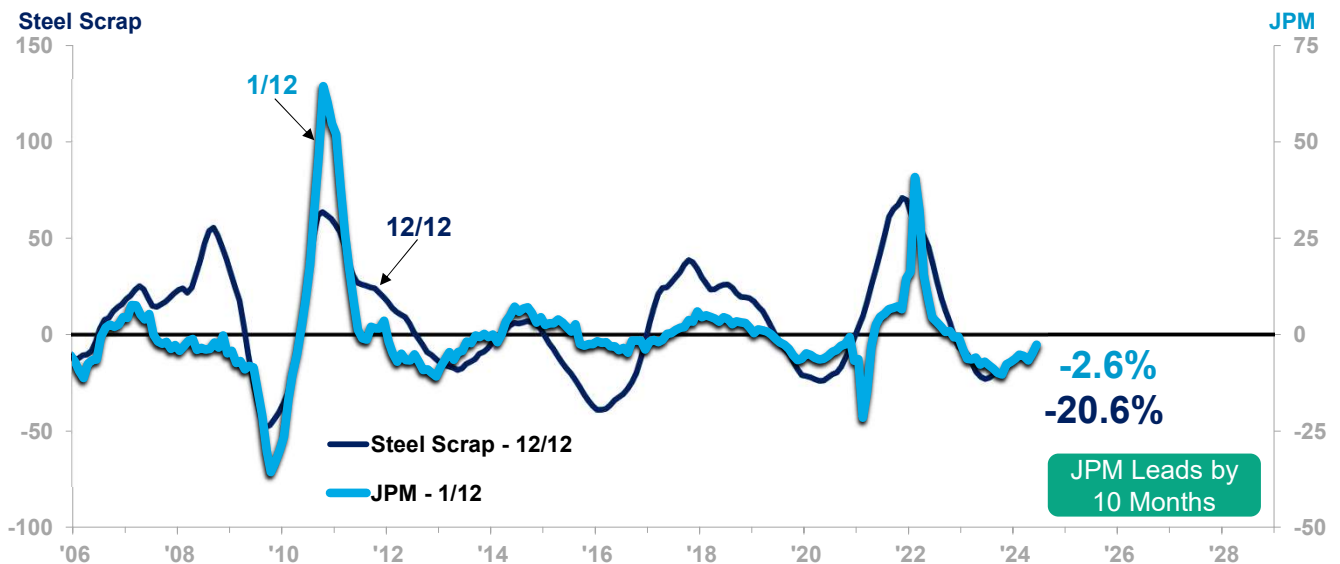
A Global Indicator Signaling Stalling Downward Pressure

Sources: BLS, Markit Economics

US Steel Scrap Producer Price Index to JP Morgan Global Manufacturing PMI

Rates-of-Change

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-  Inflation is decreasing
-  Fed should stop raising interest rates in the next quarter or two
-  Banks tightening credit

Next Steps

- Budget understanding that wage inflation will abate for 2023 & 2024
- Tout your competitive advantages to protect margins



Industrial & Construction Markets

US Industrial Production Will Decline In 2024

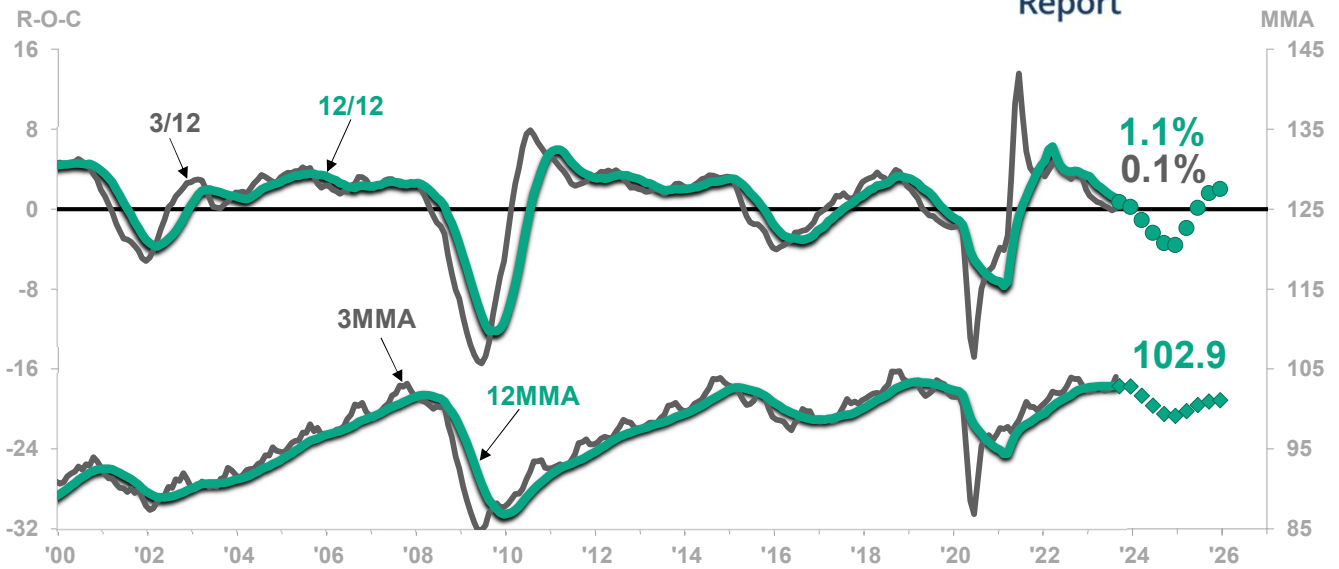
Source: FRB

US Industrial Production Index

2017 = 100

as seen in
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Capital Goods Spending Slowing

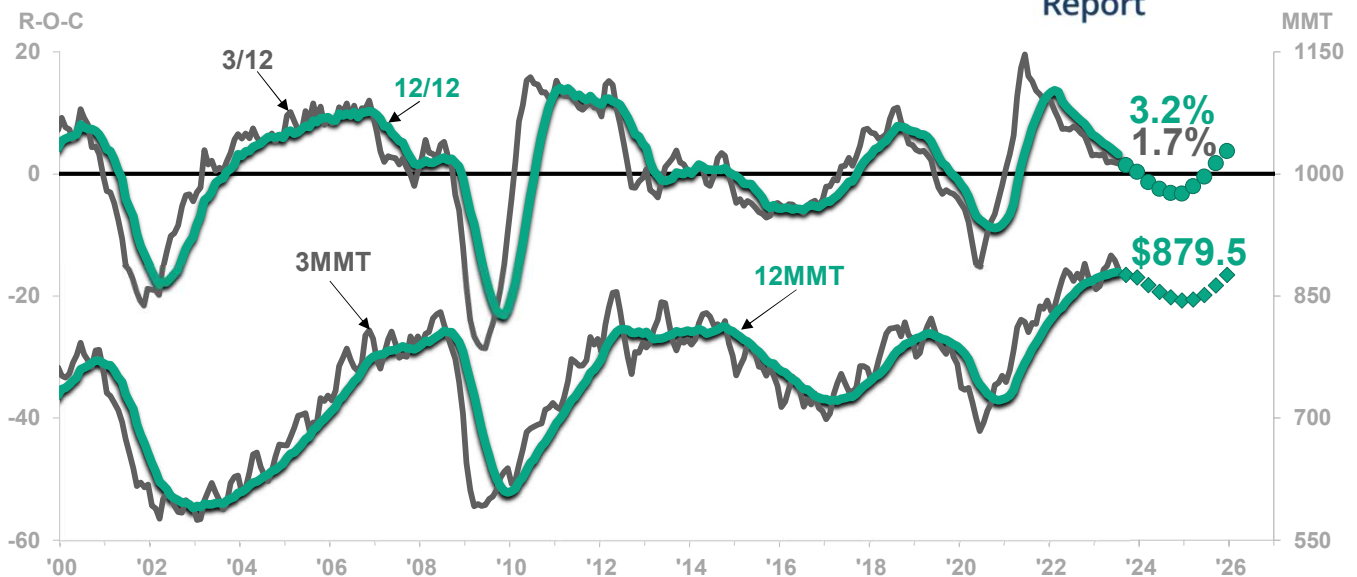
Source: US Census Bureau

US Nondefense Capital Goods New Orders (excluding aircraft)

Billions of Dollars

as seen in
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Iron & Steel Mill Orders Are Contracting

Sources: FRB, Census Bureau

US Iron & Steel Mills New Orders is signaling downside pressure on US Iron & Steel Products Production Index

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Rates-of-Change



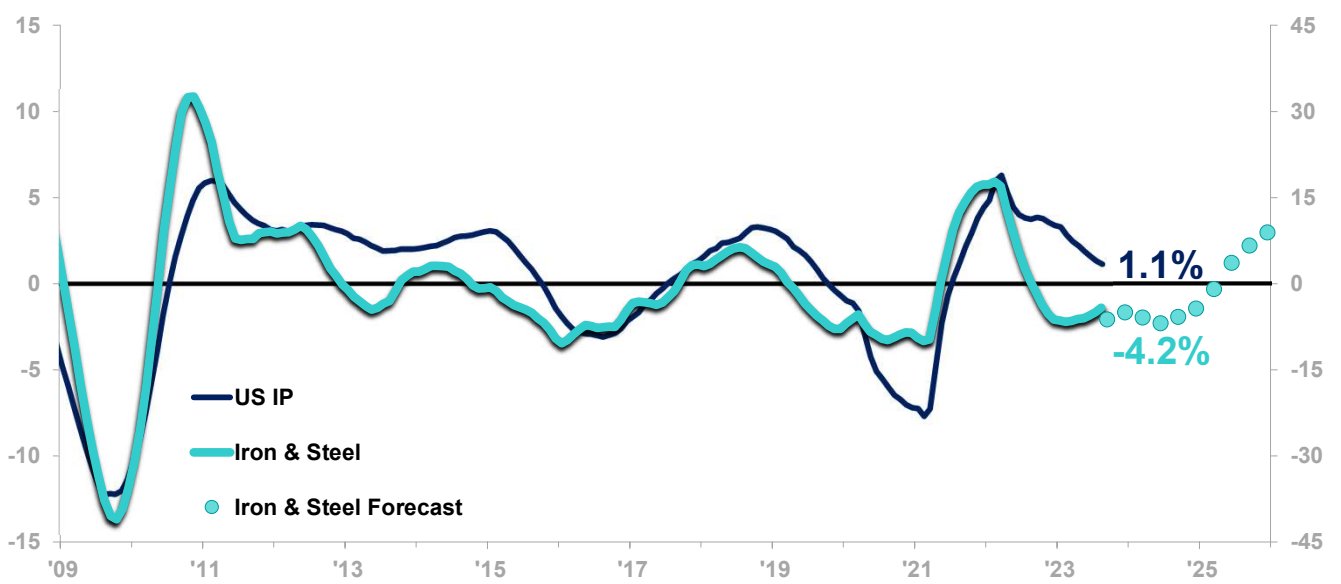
Decline Expected Until 2025

Source: FRB

US Industrial Production Index to US Iron & Steel Products Production Index

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12/12 Rates-of-Change



Production Volume Down 4.2% From A Year Ago

Source: FRB

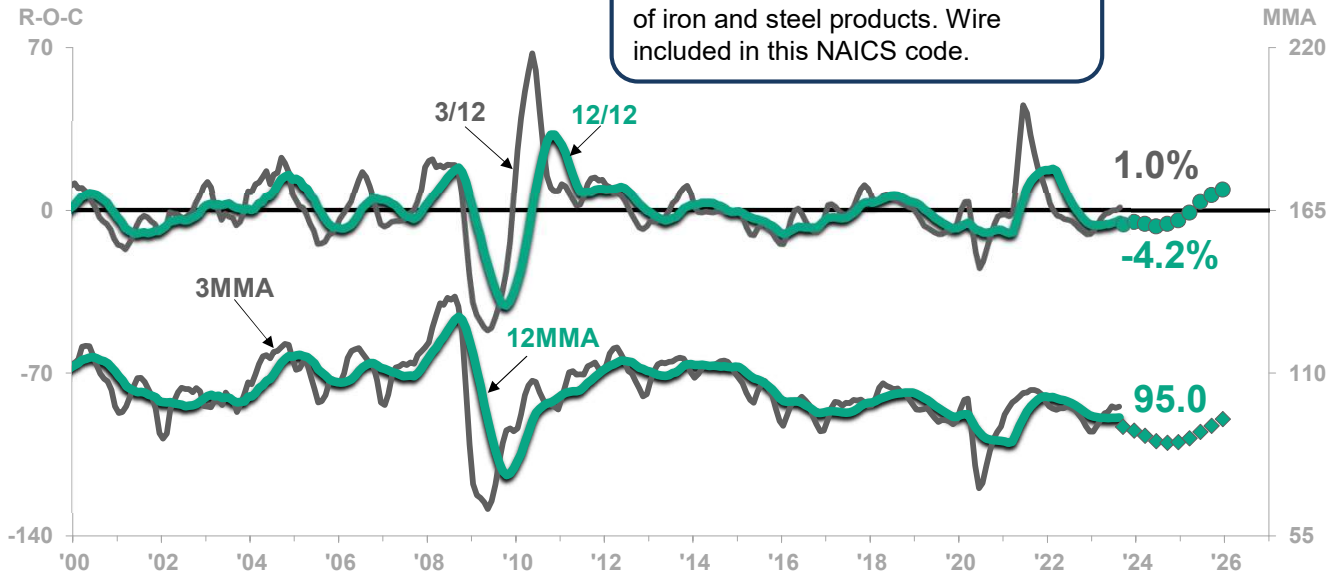
US Iron & Steel Products Production Index

2017 = 100

NAICS 3311, 2

Production index for the manufacture of iron and steel products. Wire included in this NAICS code.

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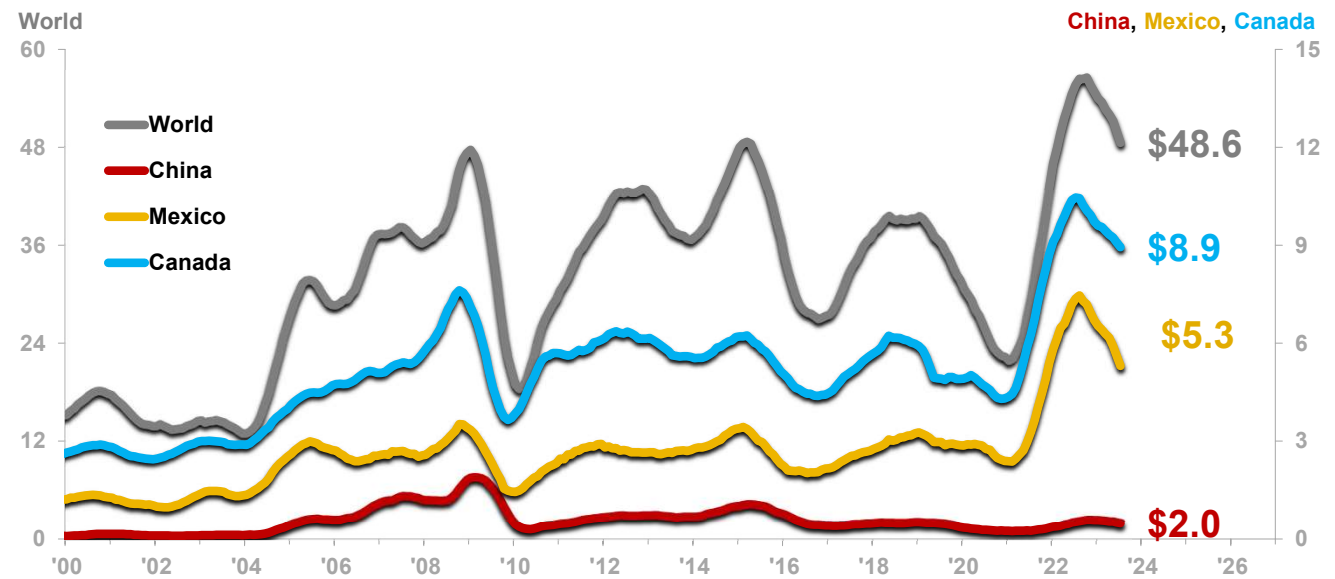
Imports Declining As Demand Wanes

Source: US Census Bureau

US Imports of Iron and Steel from World, China, Canada, and Mexico

Annual Data Trends in Billions of Dollars

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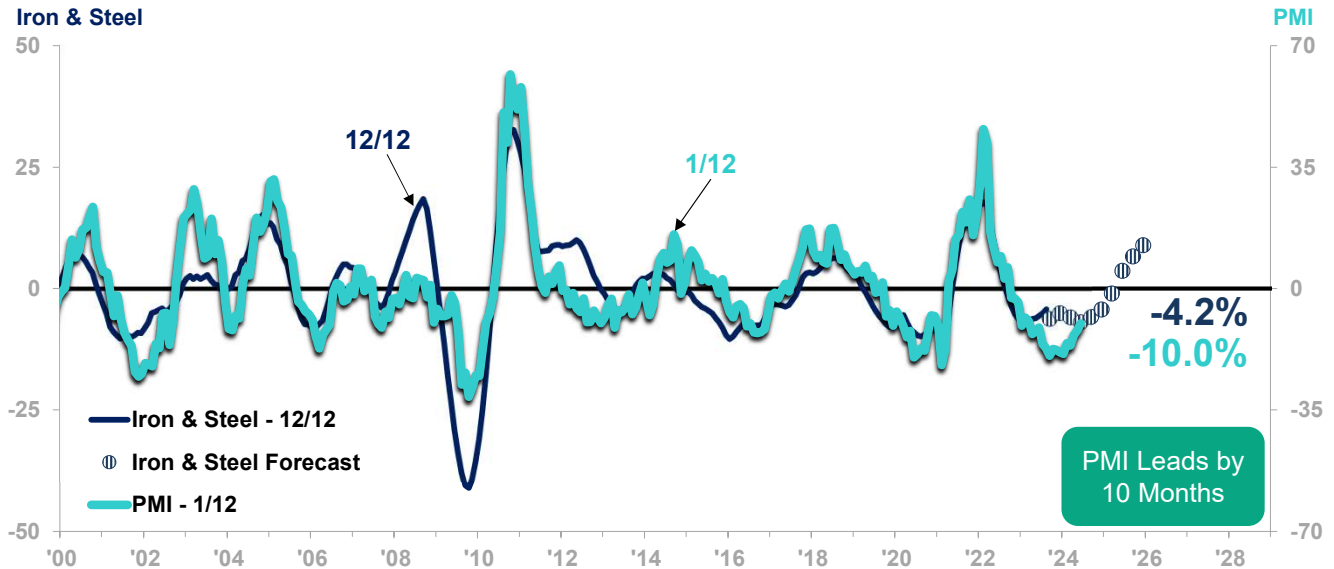
Leveraging Leading Indicators To Look Around Corners

Sources: FRB, Institute for Supply Management

US Iron & Steel Products Production Index to US Purchasing Managers Index

Rates-of-Change

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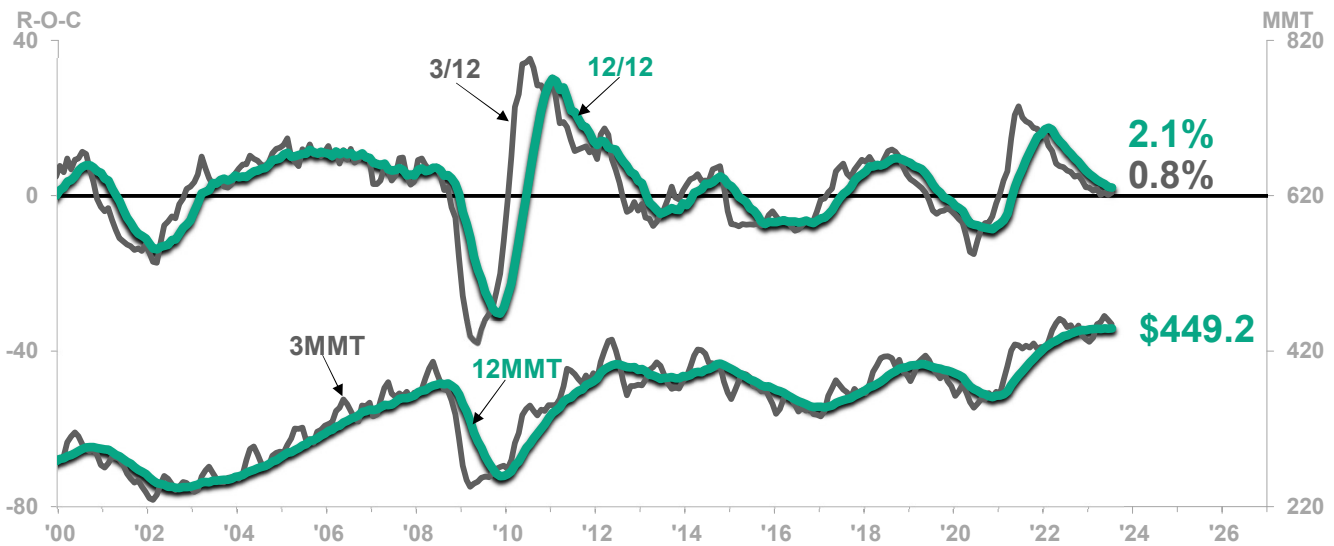
General Machine Demand Slowing

Source: US Census Bureau

US Machinery New Orders

N333, Billions of Dollars

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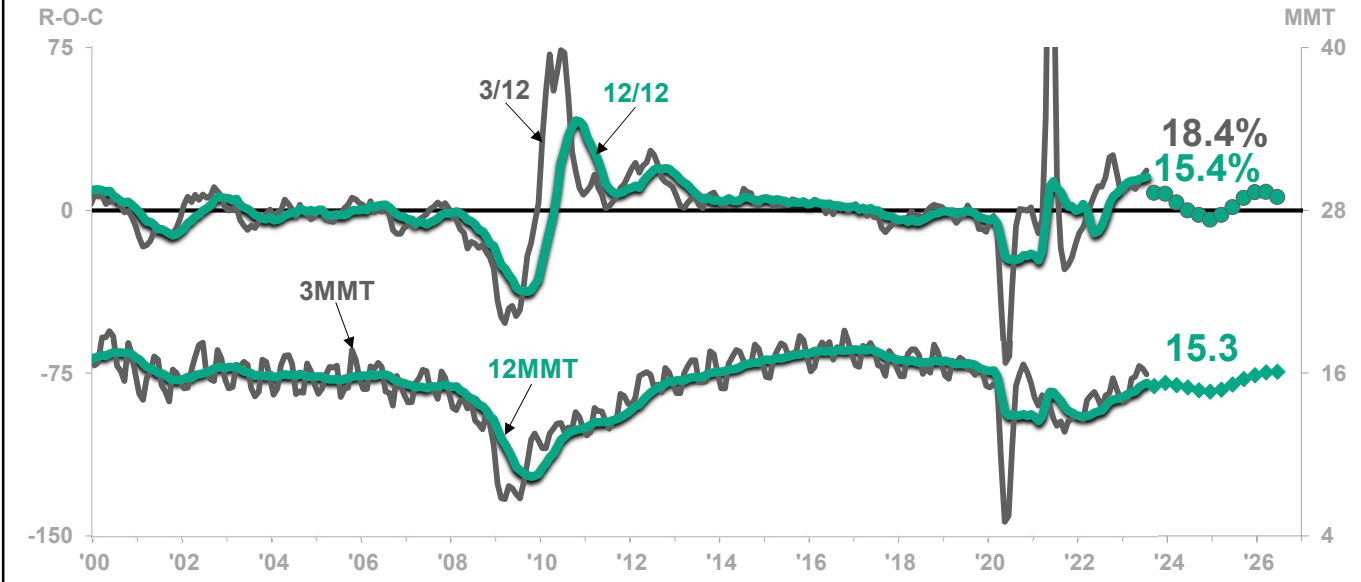
Auto Market Rebounding In 2023; UAW Strike A Risk

Source: WardsAuto

North America Light Vehicle Production

Millions of Units

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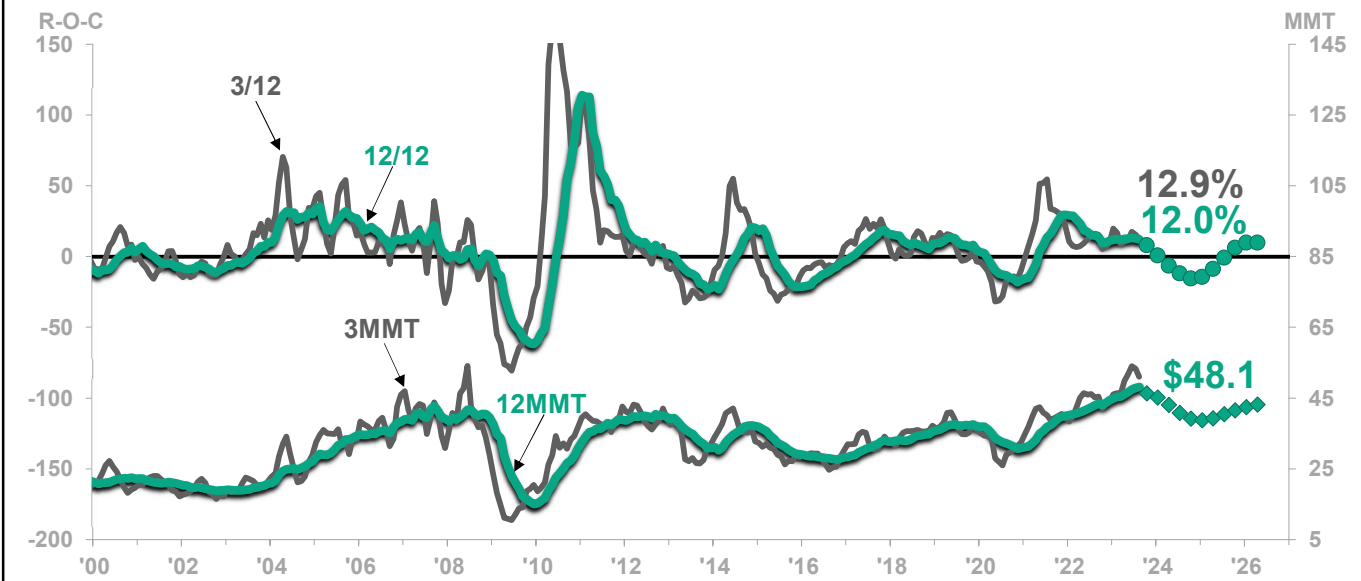
Construction Machinery Orders Continue to Rise

Source: US Census Bureau

US Construction Machinery New Orders

Billions of Dollars

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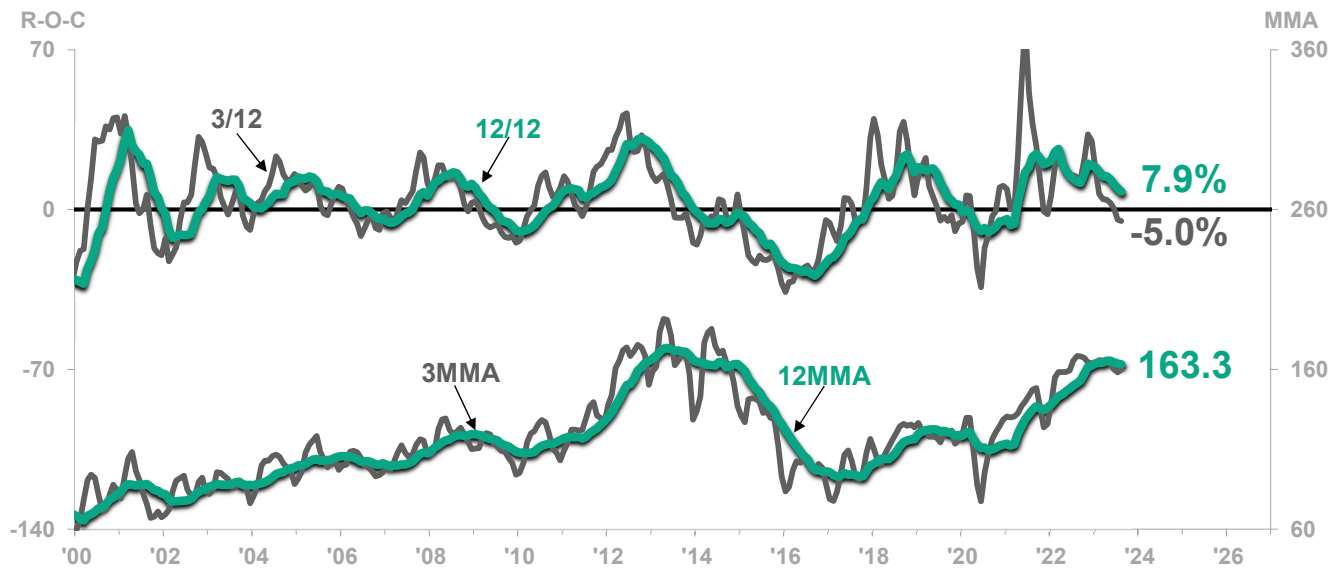
Strong Ag Equipment Cycle Finally Showing Signs of Weakness

Source: FRB

US Farm Machinery and Equipment Production Index

2017 = 100

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Housing Leads – Nonresidential Lags

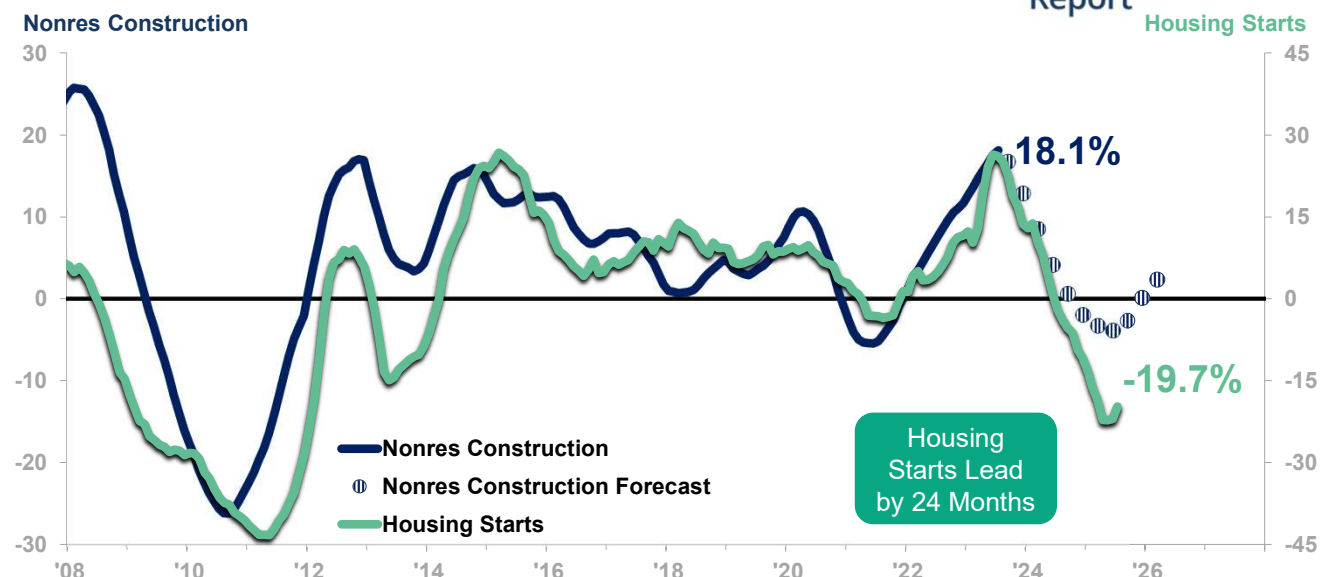
Source: US Census Bureau

US Private Nonresidential Construction to US Single-Unit Housing Starts

12/12 Rates-of-Change

as seen in
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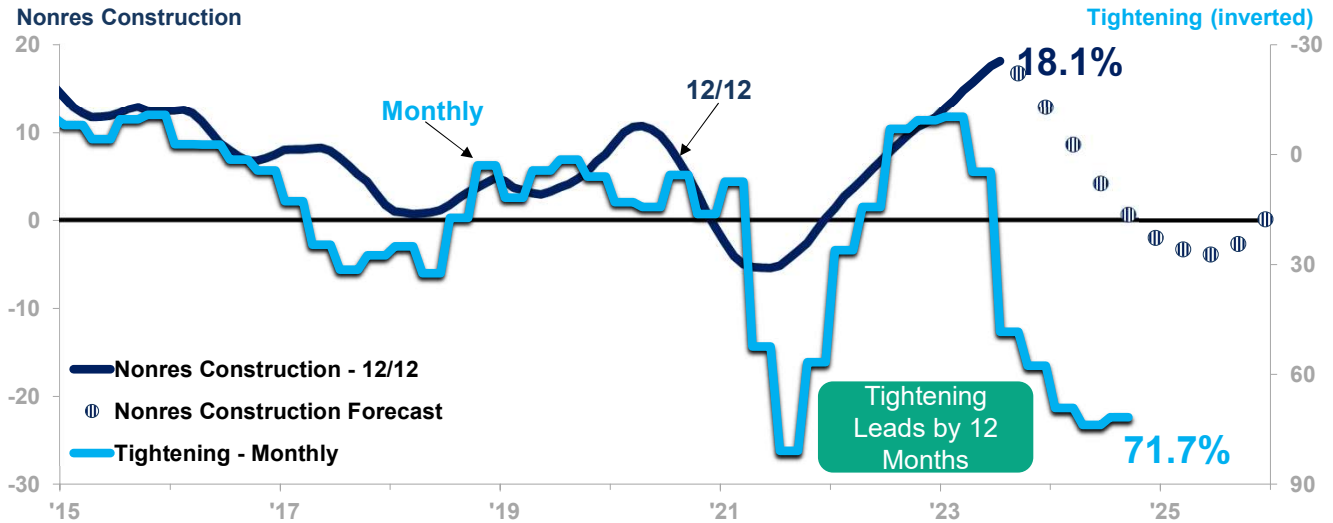
Credit Tightening Portends Slowing Growth, Then Recession

Sources: US Census Bureau, FRB

US Private Nonresidential Construction to US Net Percentage of Domestic Respondents Tightening Standards for Commercial Real Estate Construction & Land Development Loans

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12/12 Rate-of-Change to Raw Data



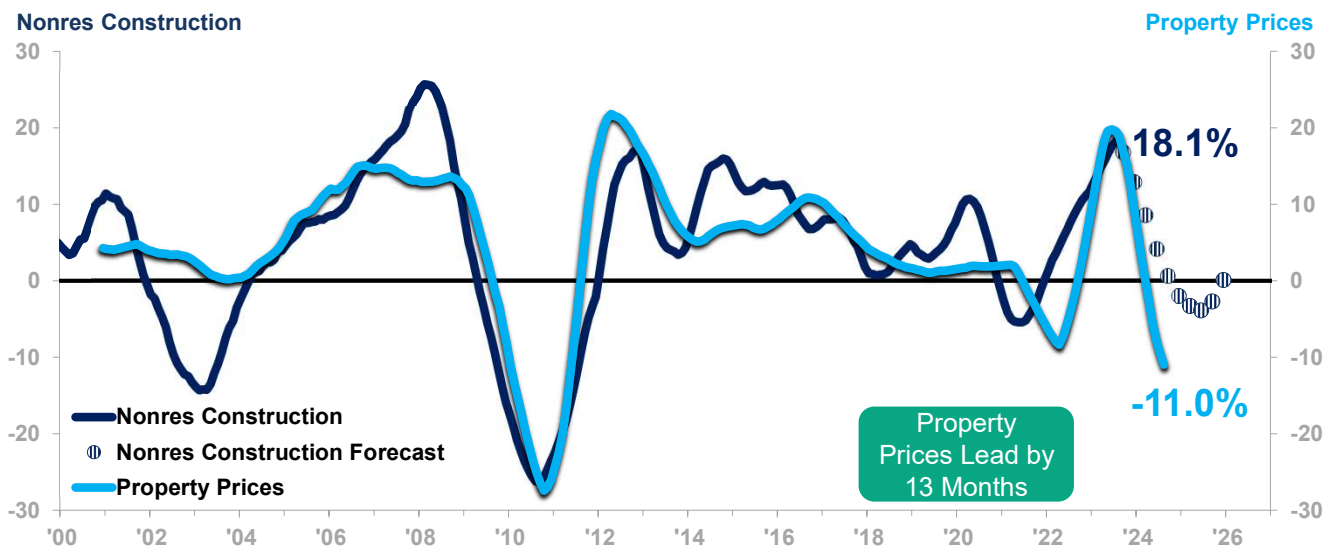
Declining Prices an Indicator of Future Downturn in Construction

Sources: US Census Bureau, Green Street

US Private Nonresidential Construction to Green Street All Commercial Property Price Index

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12/12 Rates-of-Change



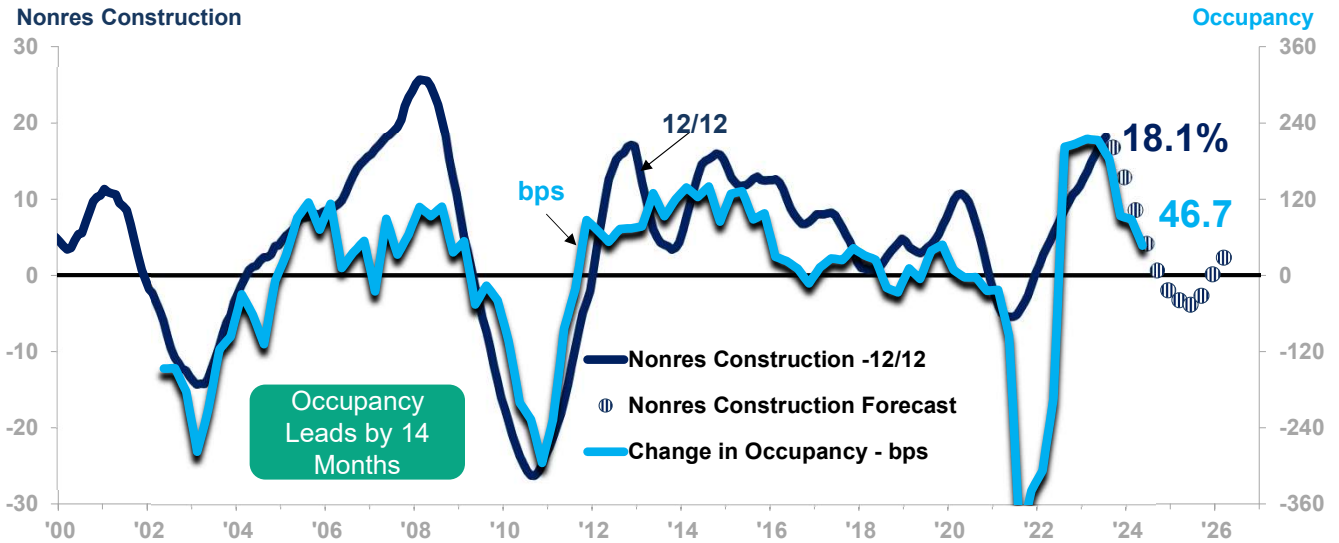
Occupancy Foreshadows Softer Nonres Construction

Sources: US Census Bureau, Nareit

US Private Nonresidential Construction to US Commercial Real Estate Occupancy Rate

12/12 Rate-of-Change to Change in 3MMA vs. one year ago

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People

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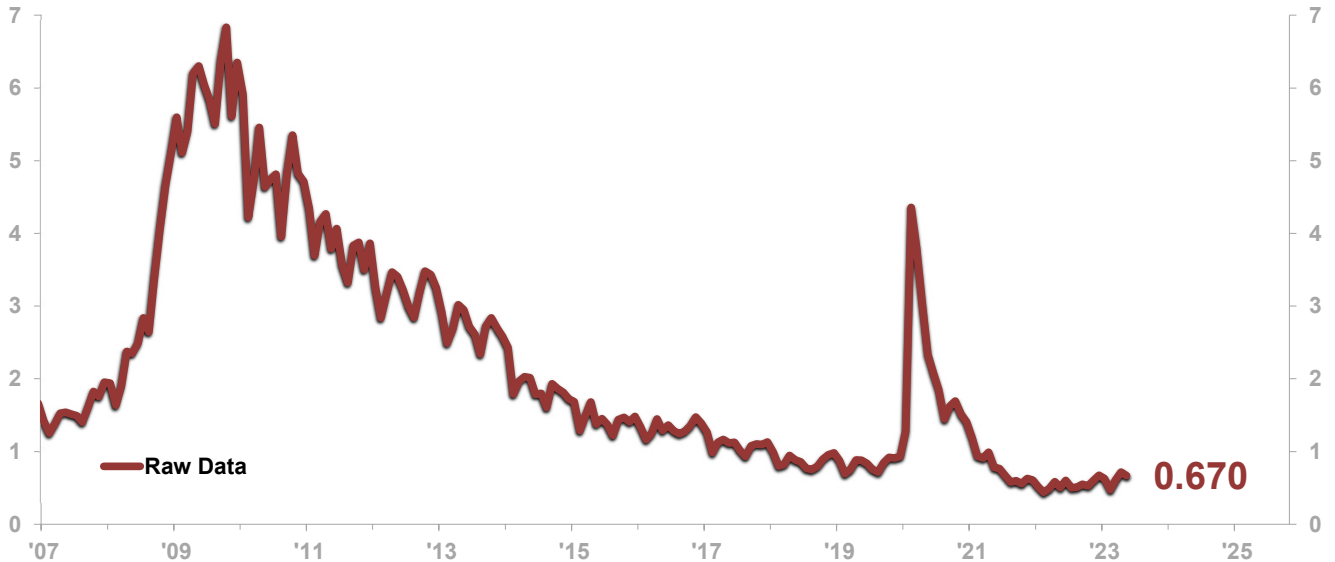
Interest Rate Pressure Has Yet to Emerge in Labor Market

Source: BLS

US Number of Unemployed Persons per Job Opening

Raw Data, Number of Persons

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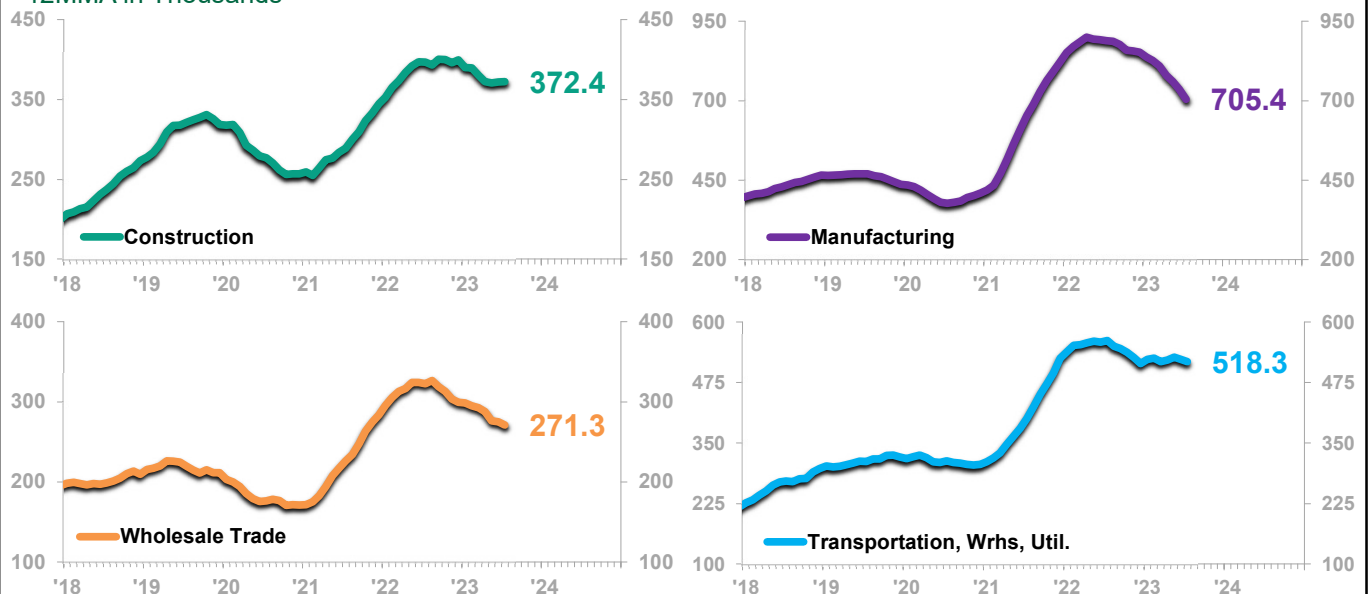
Long-Term Labor Shortage Will Not End Anytime Soon

Source: BLS

US Job Openings by Industry

12MMA in Thousands

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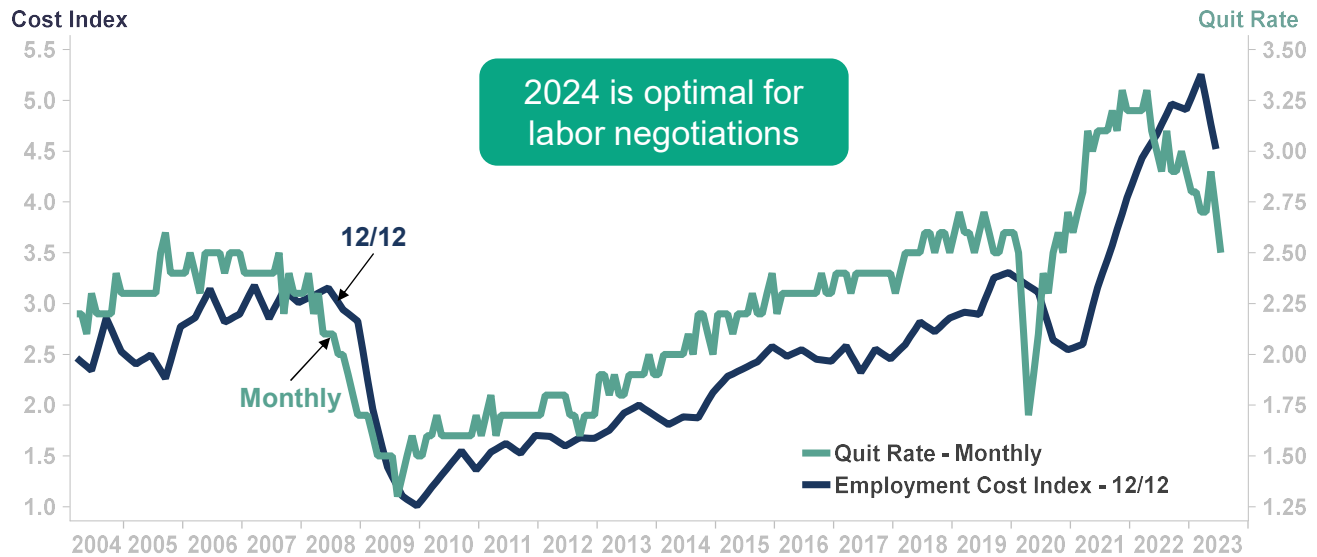
Falling Quits a Good Sign For Retention/Easing Wage Pressure

Source: BLS

US Employment Cost Index to US Quit Rate

Index: 12/12 Rate-of-Change, Quit Rate: Percent

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Financial Markets

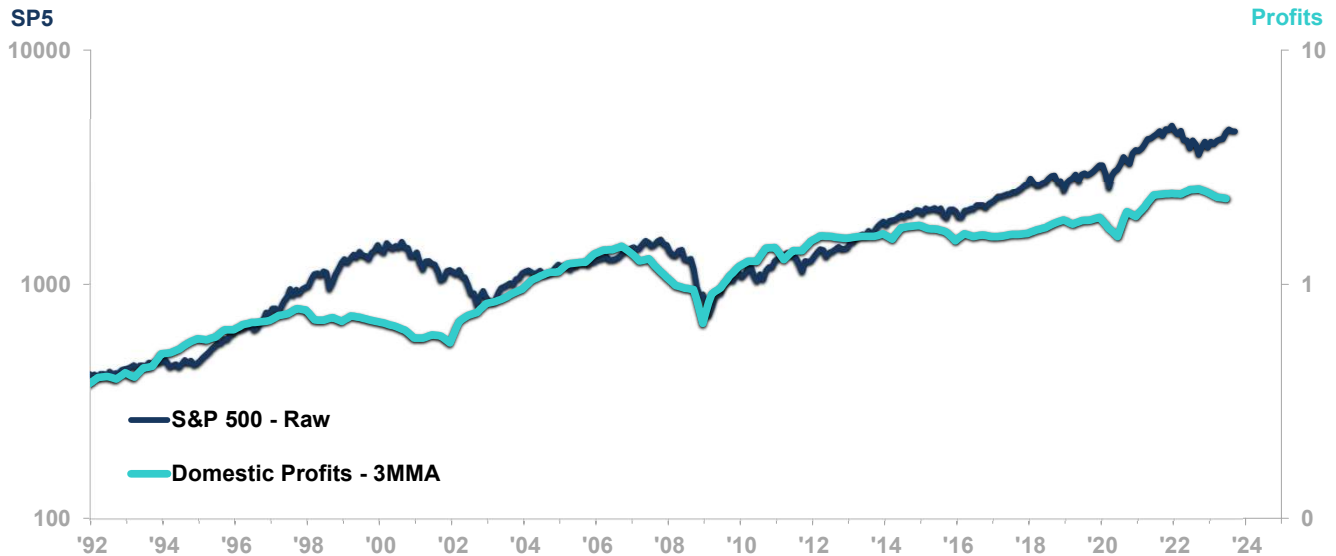
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Increasingly Risk Laden

Sources: WSJ, BEA

US Stock Prices Index to US Domestic Corporate Profits with
Capital Consumption Adjustments
Data Trends

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Downside Pressure Stemming from Monetary Policy

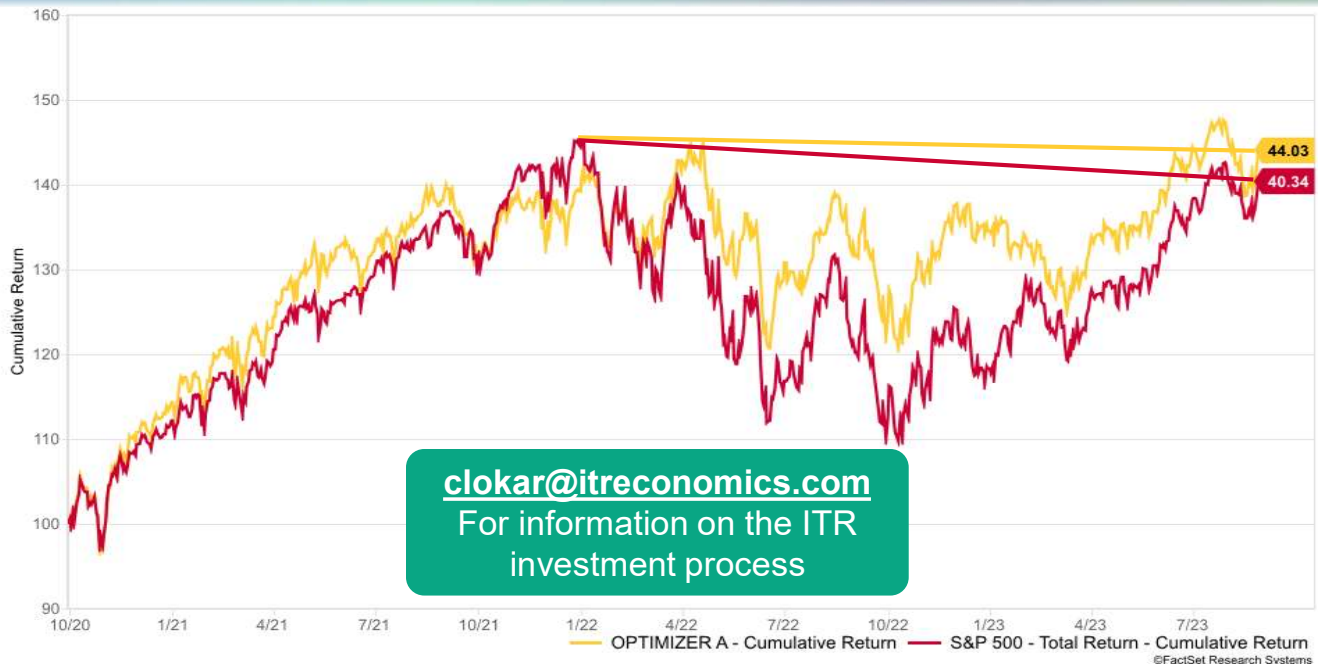
Sources: WSJ, FRB

US S&P 500 Stock Prices Index to M2 Money Supply (deflated)
Rates-of-Change

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Optimizer A Oct 1, 2020 through August 31, 2023



Financial Markets Summary



- ☐ → Higher inflation/interest rates will compress multiples
- ☐ → Optimizer Leading Indicator, M2, & Margin Debt signal caution regarding S&P 500
- ☐ → Caution does not mean exit the market; continue to build wealth but the strategies will change

Next Steps

Assess exposure to a future bear trend by market.

Today's price correction is different than a bear market. Stay engaged.

Looking Ahead



- Disinflation/deflation will characterize 2023 and 2024 with an attendant easing of wage inflation.
- The Fed's actions gave rise to an inverse yield curve. Join us for [Fed Watch](#) to keep track of how this unfolds.
- Expect a recession to begin in the second half of 2023 and extend through 2024.
- Mild recession will not be true of every market.
- Market share gains are key to riding out the downturn.
- Assess cash needs; credit conditions are tightening.
- Maximize competitive advantages to protect margins.
- Think about expanding the asset classes you are invested in and how you invest in securities.

Any questions?



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