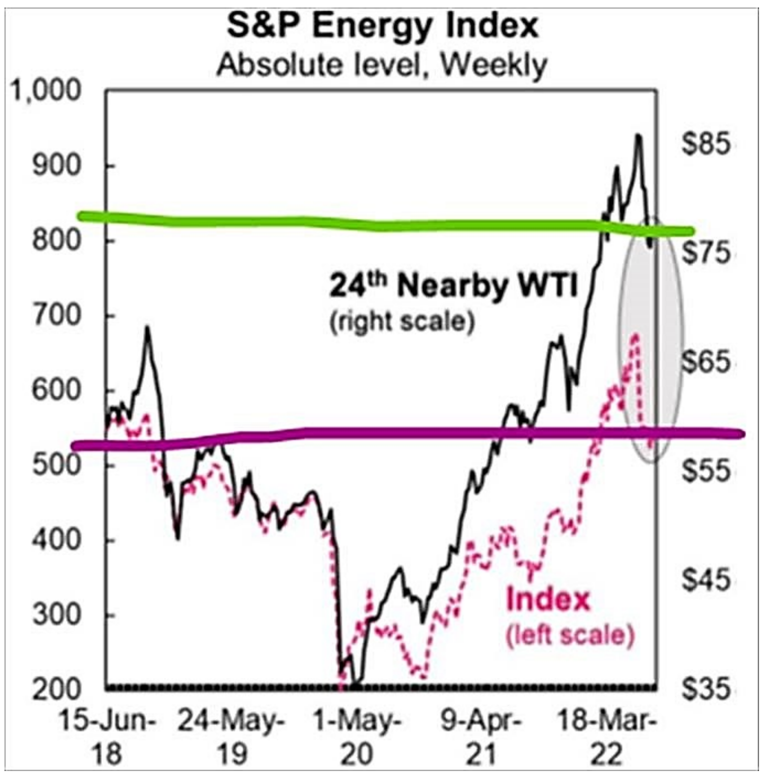
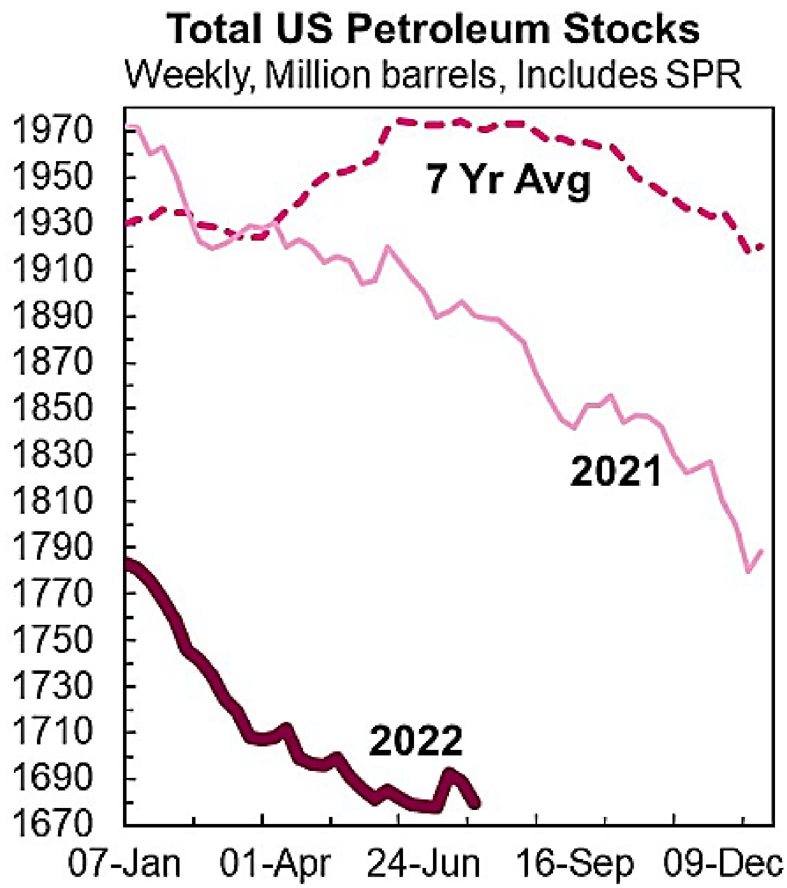
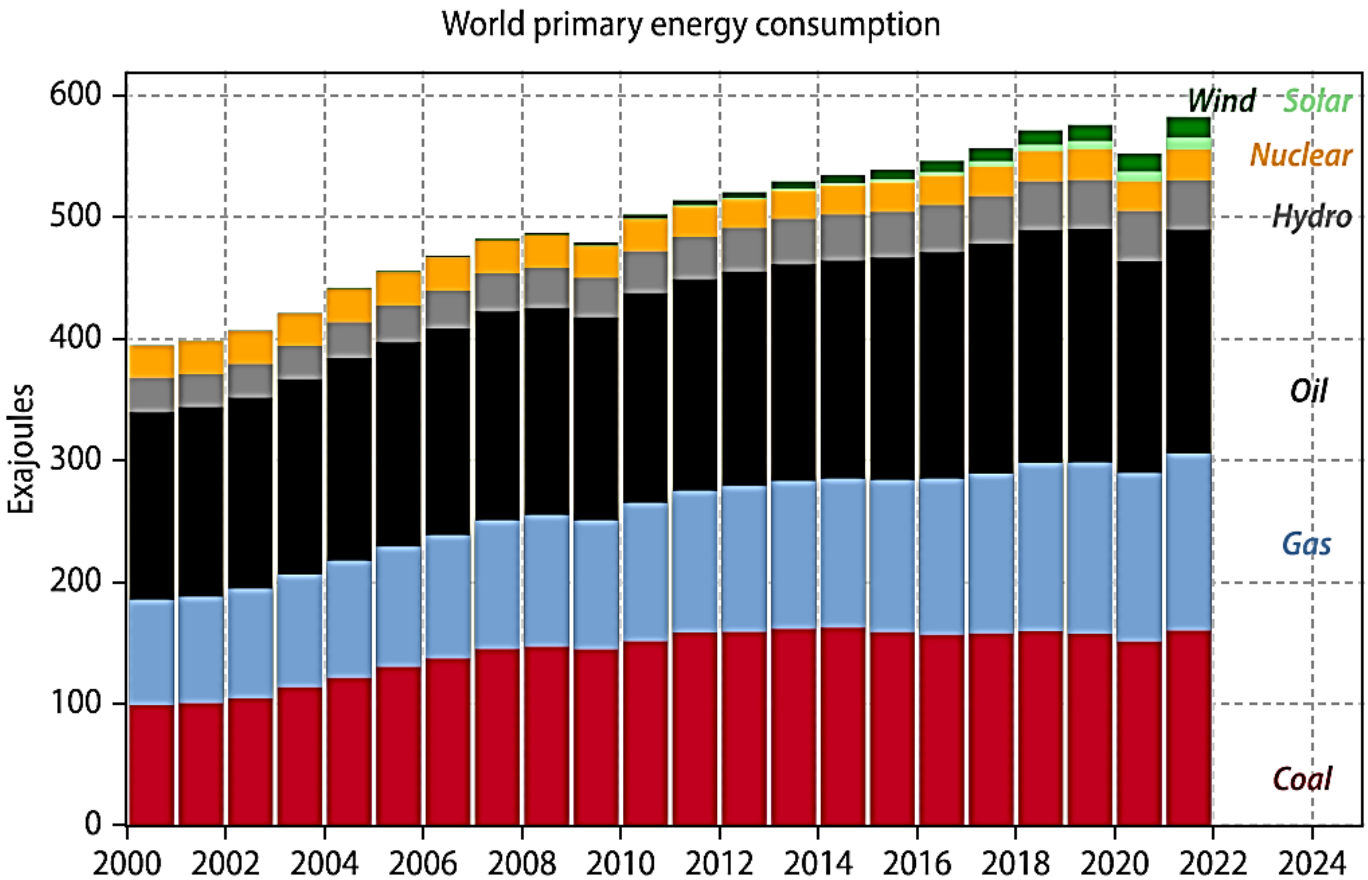
Energy Equity Prices Currently Discounting Around $60/Barrel



Crude Inventories are Alarmingly Low, Especially Adjusting for the SPR Releases. (Deep Backwardation: Approximately $20 Over Two Years)



Hydrocarbons still dominate the global energy mix



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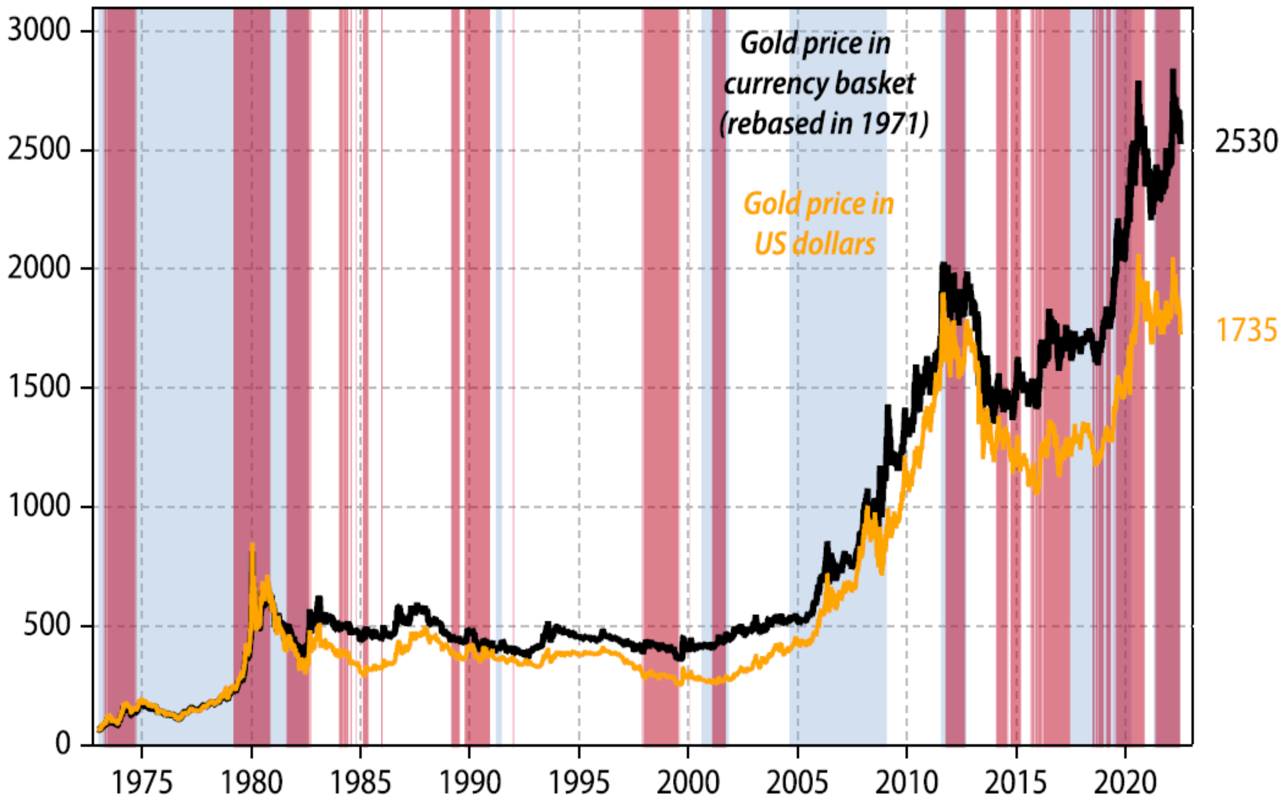
Gold is near an all-time high in non-US-dollar currencies

Red: ILCs | Blue: US inflation accelerating



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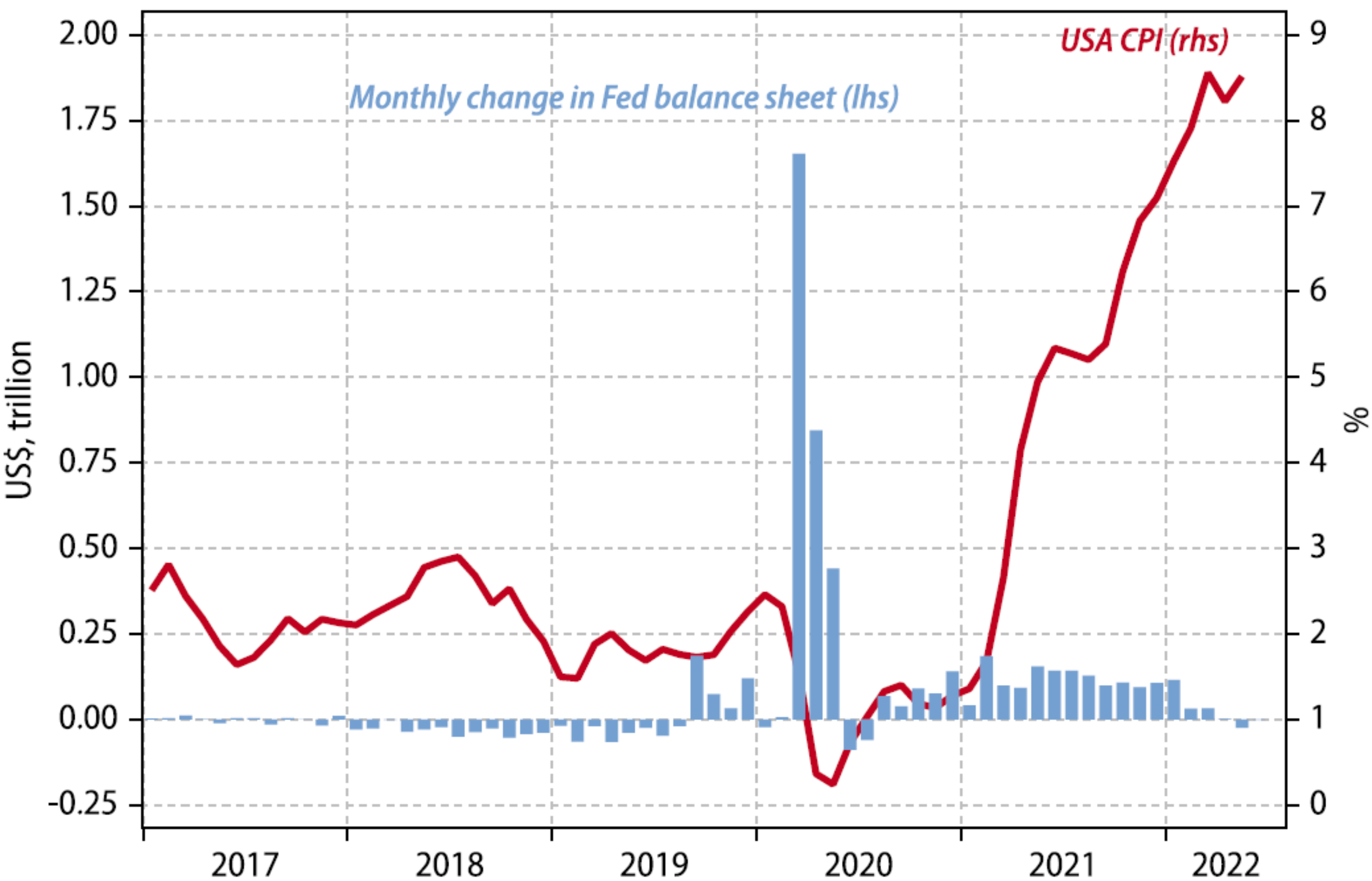
The Fed's balance sheet has continued to expand despite high inflation



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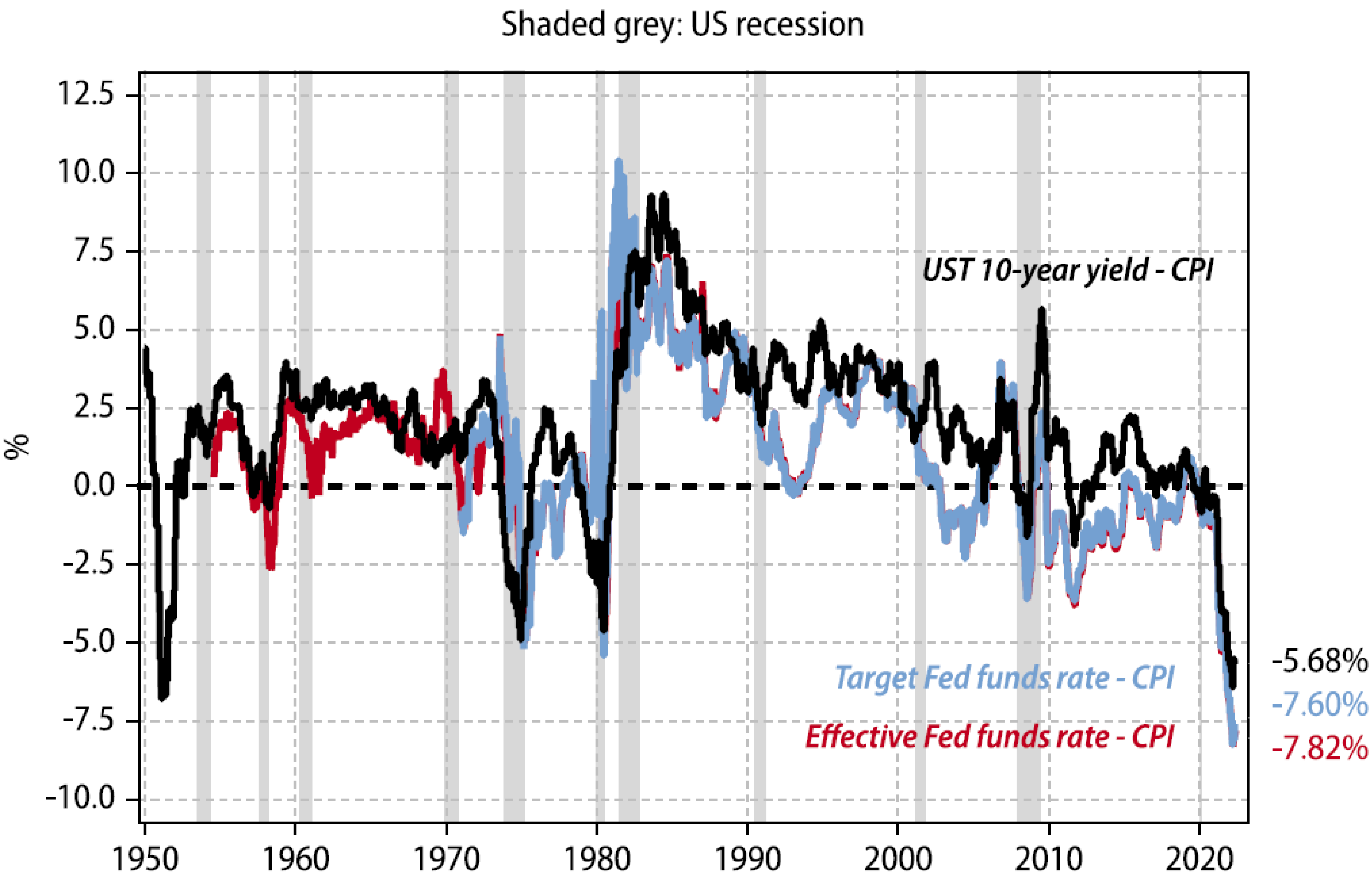
Recession has never struck with negative real overnight or 10y rates



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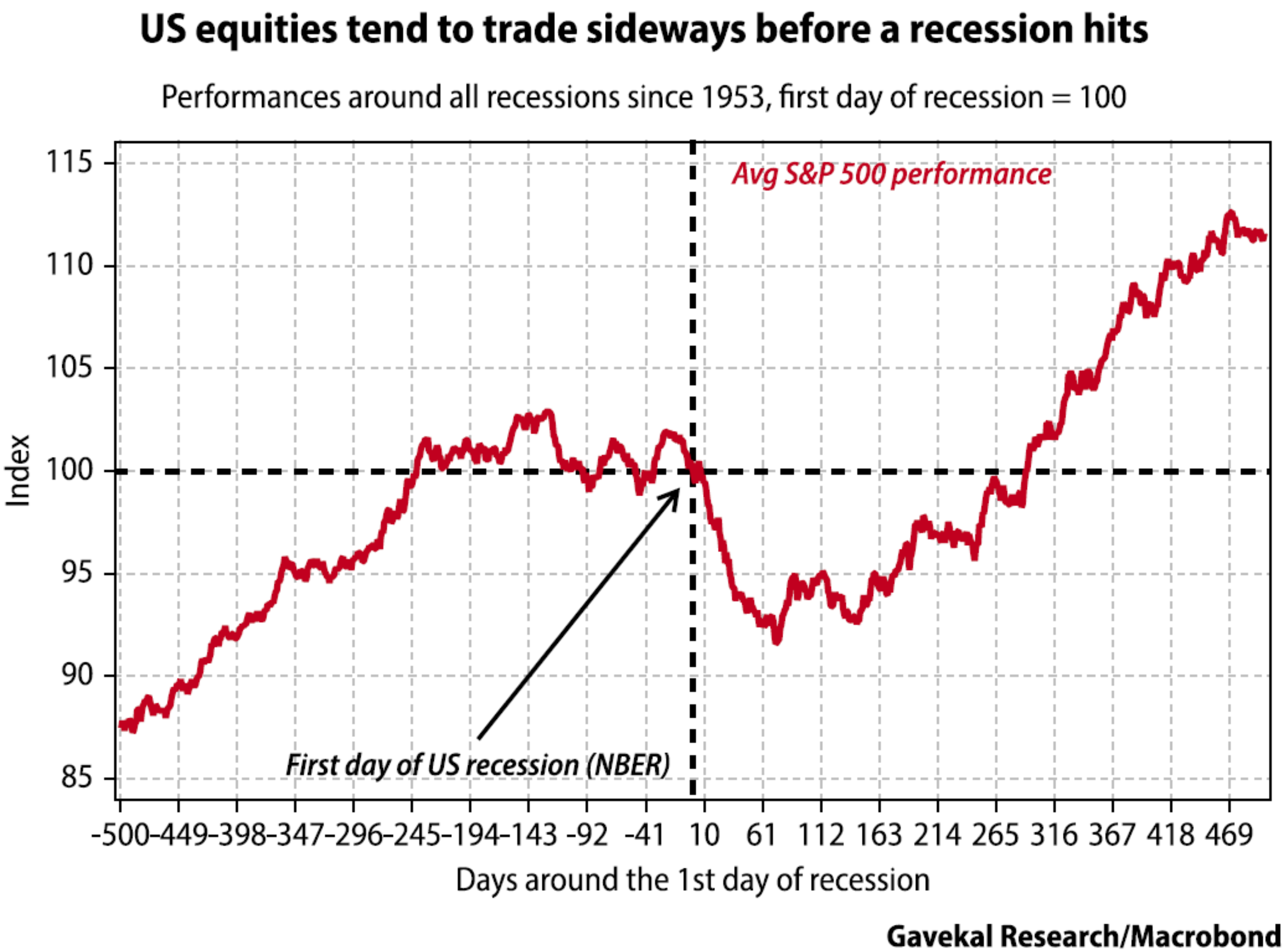
EVERGREEN gavekal

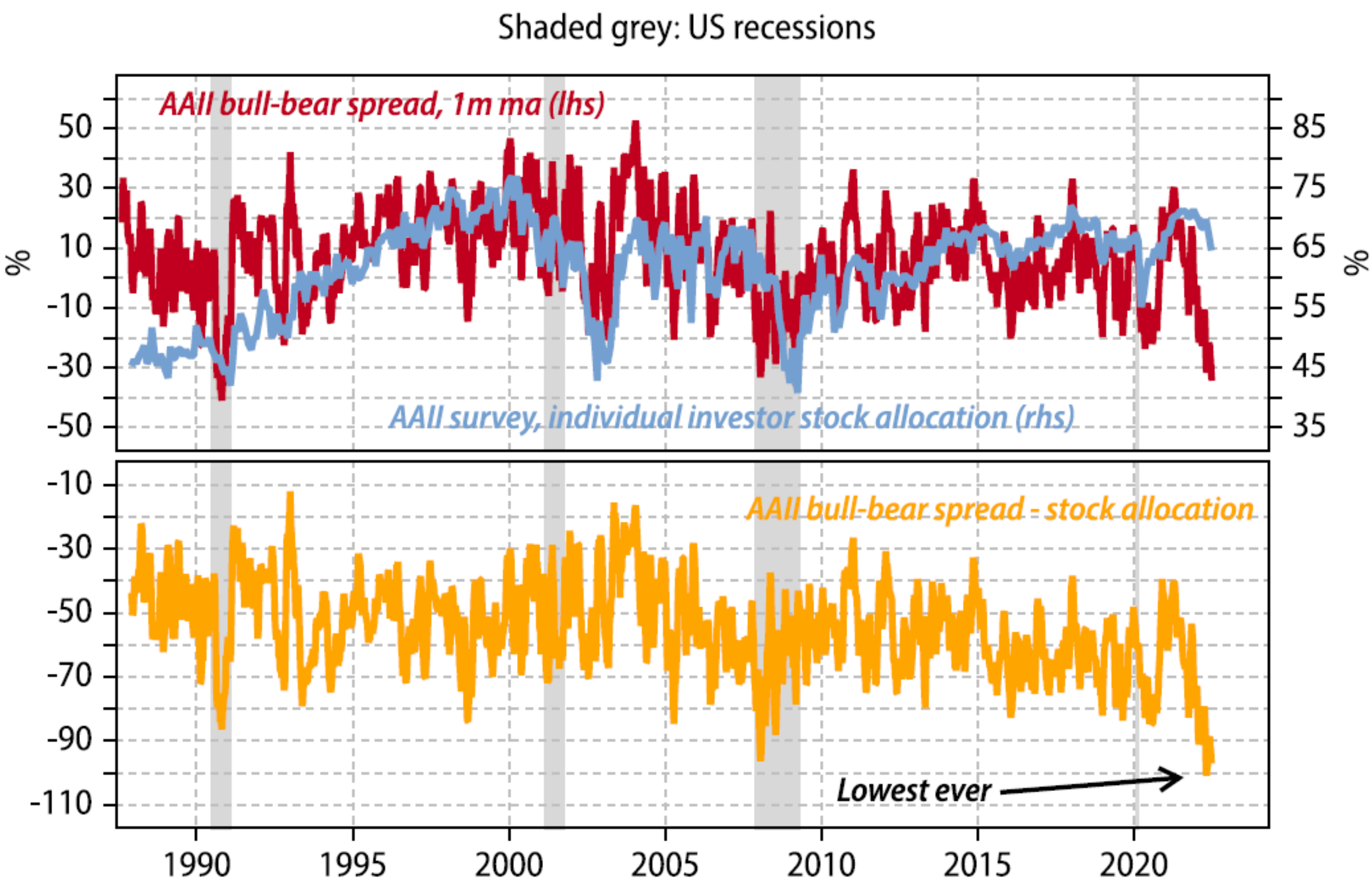
Macro Outlook – David Hay

- Bubblenomics: the core of our problems

  - Fed and other central banks have relied on inflating asset prices to propel economies.
  - It hasn't worked. The problem with Bubbles is they always pop.
  - Then CBs feel need for even more helium
  - End result is a series of Bubbles
  - Bubbles 1.0 (tech), 2.0 (housing) and 3.0 (everything, the BBE) all connected
  - Fed panicked after tech crash (Krugman): kept rates too low, too long (Greenspan encouraged ARMs); after housing crashed then QE 1 thru 4 (last unofficial).
  - The reality is that Capitalism doesn't work when interest rates are MIA
  - Money for, and from nothing, ends up depressing growth due to the bubble sequence above


US equities tend to trade sideways before a recession hits
Performances around all recessions since 1953, first day of recession = 100
Avg S&P 500 performance
First day of US recession (NBER)
Index
115
110
105
100
95
90
85
-500 -449 -398 -347 -296 -245 -194 -143 -92 -41 10 61 112 163 214 265 316 367 418 469
Days around the 1st day of recession
Gavekal Research/Macrobond

"Diamond hands" mentality at work?



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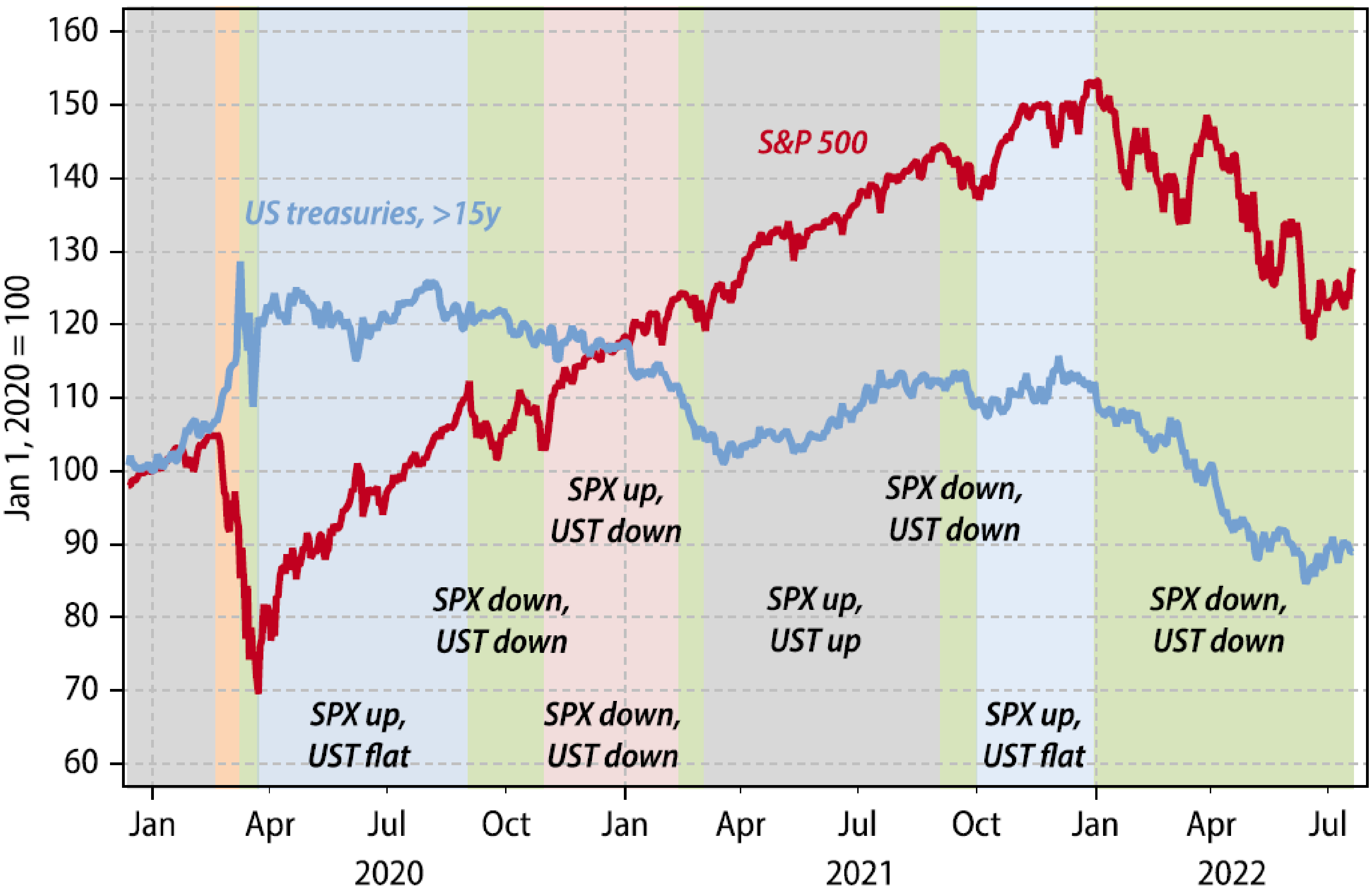
US buyback yields could fall to the pre-2001 level of 1%

Gavekal Research/Macrobond

US treasuries no longer hedge the risk of equity pullbacks



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