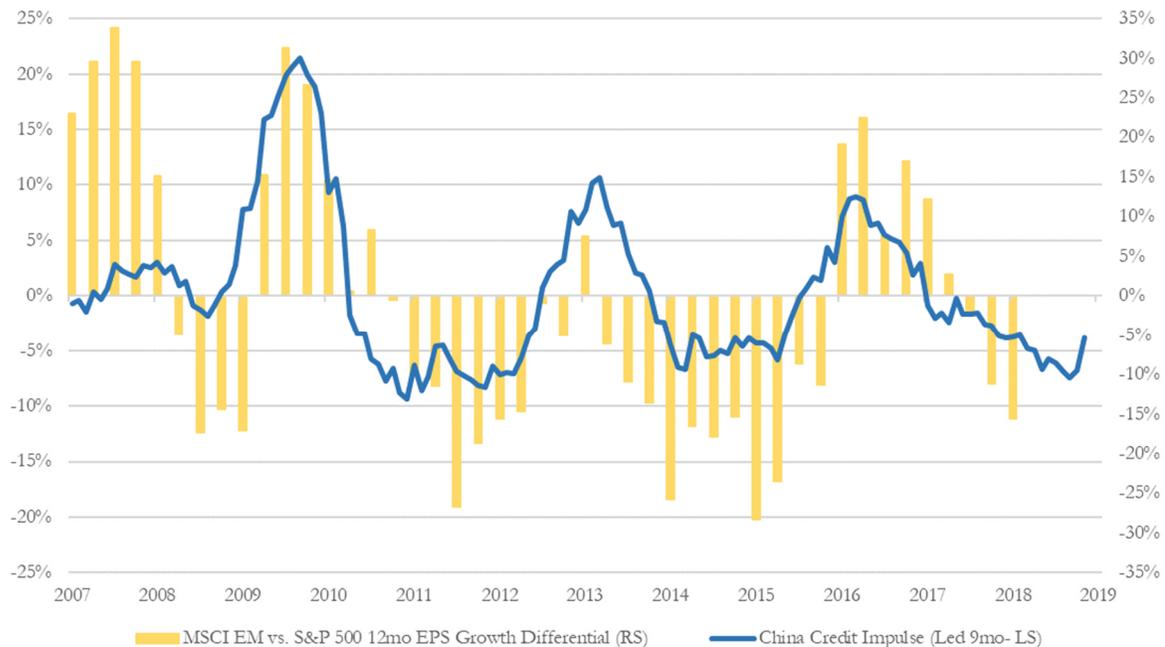


Follow Your Impulse

China Credit Impulse and EM vs. US Earnings Growth



Source: Bloomberg, MSCI, S&P and Todd Asset Management. Data as of 1/31/2019.

Credit Impulse measures the 12mo percent change in social financing as a percent of nominal GDP. This series is then led by 9 months.

- Credit impulse measures new credit issued as a percentage of GDP, a variation of liquidity in the Chinese economy.
- After several years of contracting credit growth led by a deleveraging campaign in China, we are seeing a shift emerge as stimulative measures are implemented.
- Importantly, trends in China's credit impulse tend to lead Emerging Market earnings growth. If history is a guide, this suggests that **we should see activity recover in the second half of 2019.**
- While we continue to think that a US/China trade agreement in the coming months will support international stocks and earnings in general (and Emerging Markets in particular), a return to expansionary credit impulse further strengthens our conviction in a continued recovery as the year progresses.

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S&P 500® Index is a widely recognized index of market activity based on the aggregate performance of a selected portfolio of publicly traded common US stocks.



Todd's Chart of Interest

March 12, 2019

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