

APOLLO GLOBAL MANAGEMENT

Slowdown Watch: Daily and weekly indicators for the US economy

Torsten Slok, Chief Economist

Jyoti Agarwal, Senior Economist

Rajvi Shah, Economist

July 2022

Unless otherwise noted, information as of July 2022

Confidential and Proprietary - Not for distribution, in whole or in part, without the express written consent of Apollo Global Management, Inc.

It should not be assumed that investments made in the future will be profitable or will equal the performance of the investments shown in this document.

Legal Disclaimer

Unless otherwise noted, information included herein is presented as of the dates indicated. Apollo Global Management, Inc. (together with its subsidiaries, “Apollo”) makes no representation or warranty, expressed or implied, with respect to the accuracy, reasonableness, or completeness of any of the information contained herein, including, but not limited to, information obtained from third parties. Opinions, estimates and projections constitute the current judgment of the author as of the date indicated. They do not necessarily reflect the views and opinions of Apollo and are subject to change at any time without notice. Apollo does not have any responsibility to update the information to account for such changes. Hyperlinks to third-party websites in these materials are provided for reader convenience only. There can be no assurance that any trends discussed herein will continue.

The information contained herein is not intended to provide, and should not be relied upon for, accounting, legal or tax advice and does not constitute an investment recommendation or investment advice. Investors should make an independent investigation of the information contained herein, including consulting their tax, legal, accounting or other advisors about such information. Apollo does not act for you and is not responsible for providing you with the protections afforded to its clients.

Certain information contained herein may be “forward-looking” in nature. Due to various risks and uncertainties, actual events or results may differ materially from those reflected or contemplated in such forward-looking information. As such, undue reliance should not be placed on such information. Forward-looking statements may be identified by the use of terminology including, but not limited to, “may”, “will”, “should”, “expect”, “anticipate”, “target”, “project”, “estimate”, “intend”, “continue” or “believe” or the negatives thereof or other variations thereon or comparable terminology.

Arguments for inflation coming down

Commodity prices are trending lower

With China reopening and supply chains normalizing, transportation costs for goods are coming down

Inventories are growing at many retailers, and this is putting downward pressure on goods prices

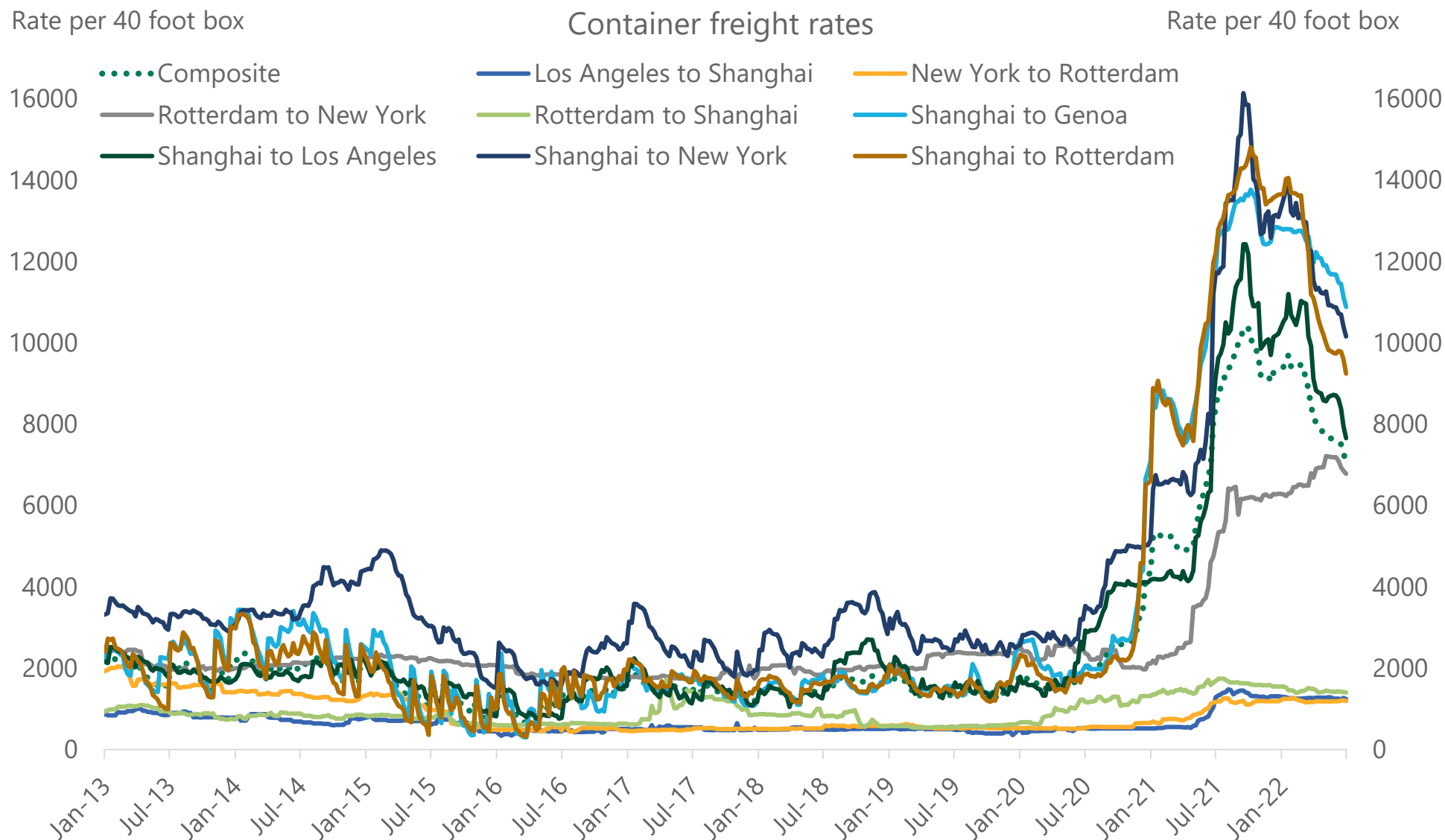
Rising car production is putting downward pressure on new and used vehicle prices

Airline ticket prices have been falling during June

Increases in rents and home prices are moderating

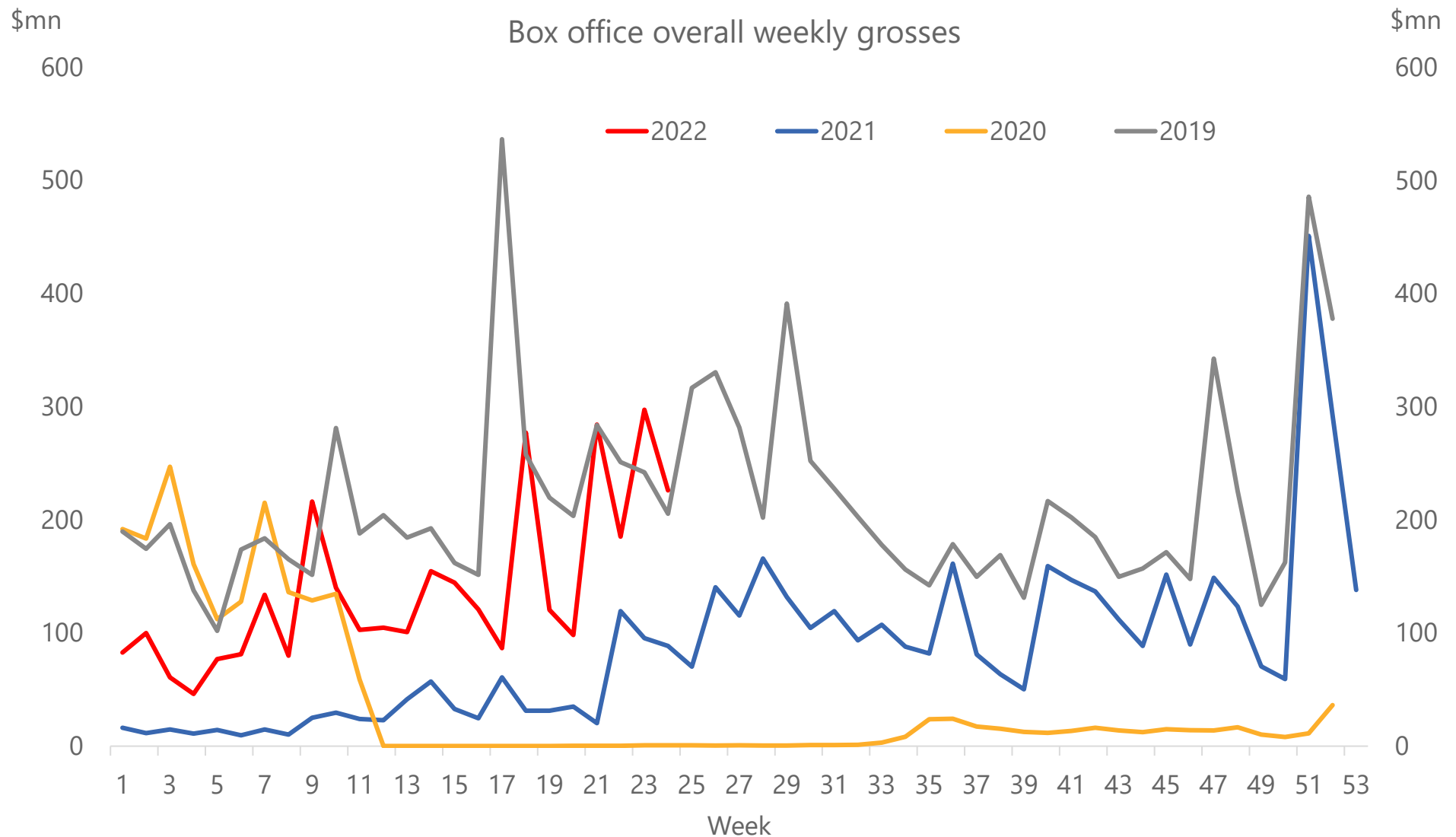
A higher dollar is lowering import prices

Container freight rates falling: Inflation pressures are easing



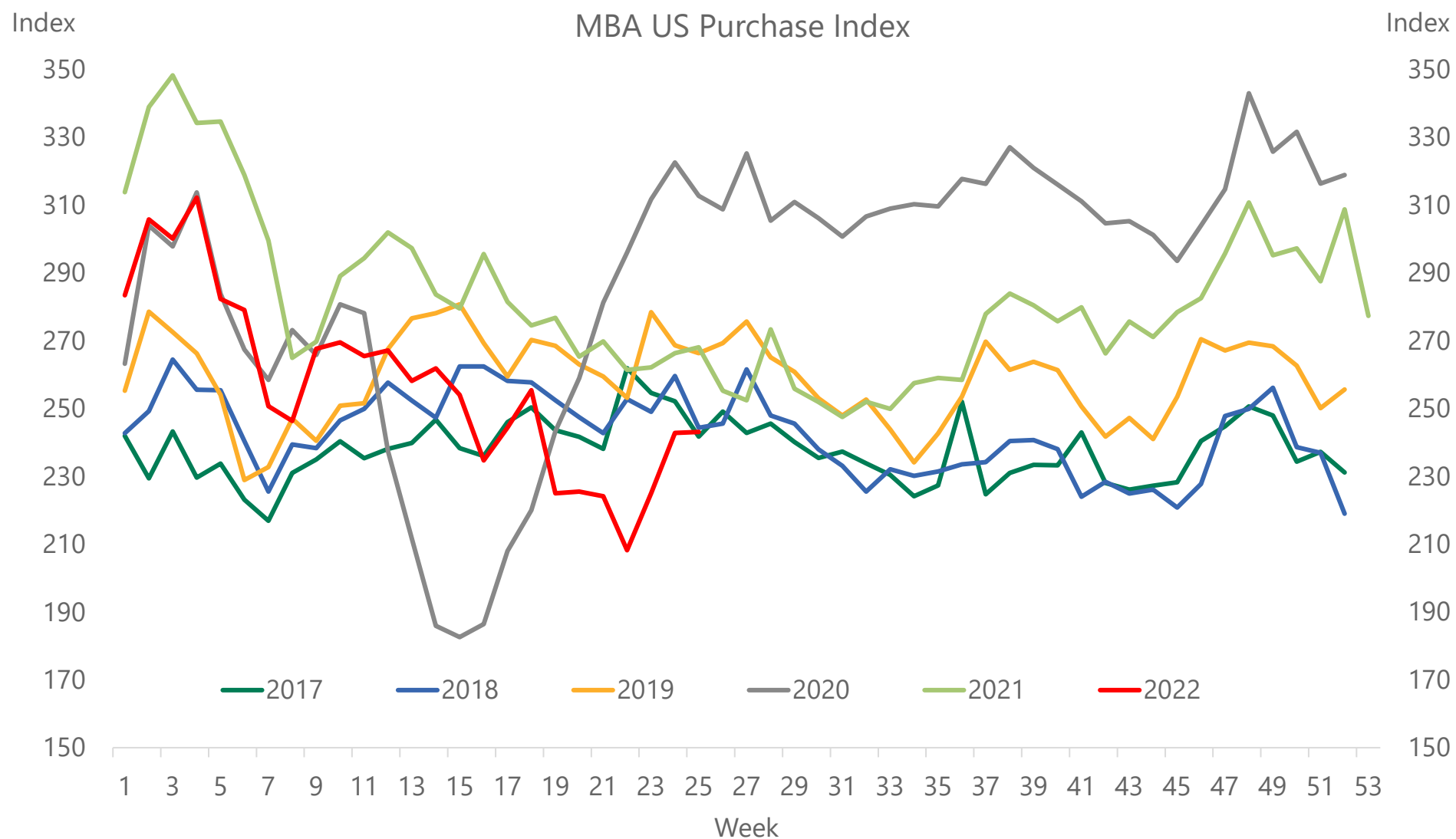
Source: WCI, Bloomberg, Apollo Chief Economist

From Top Gun to Jurassic World: Movie theatre visits trending higher



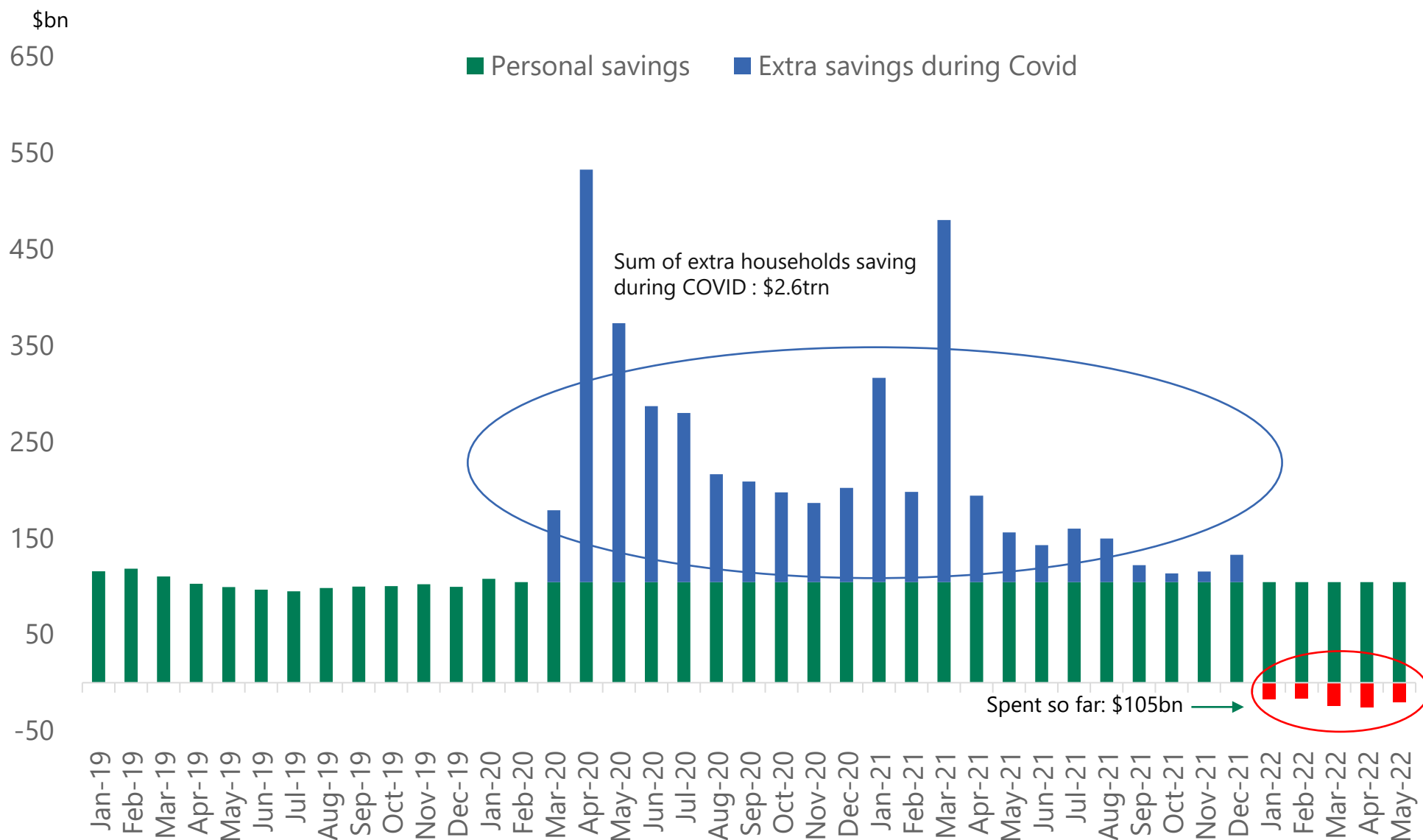
Source: Boxofficemojo.com, Apollo Chief Economist

Weekly mortgage purchase applications increased this week



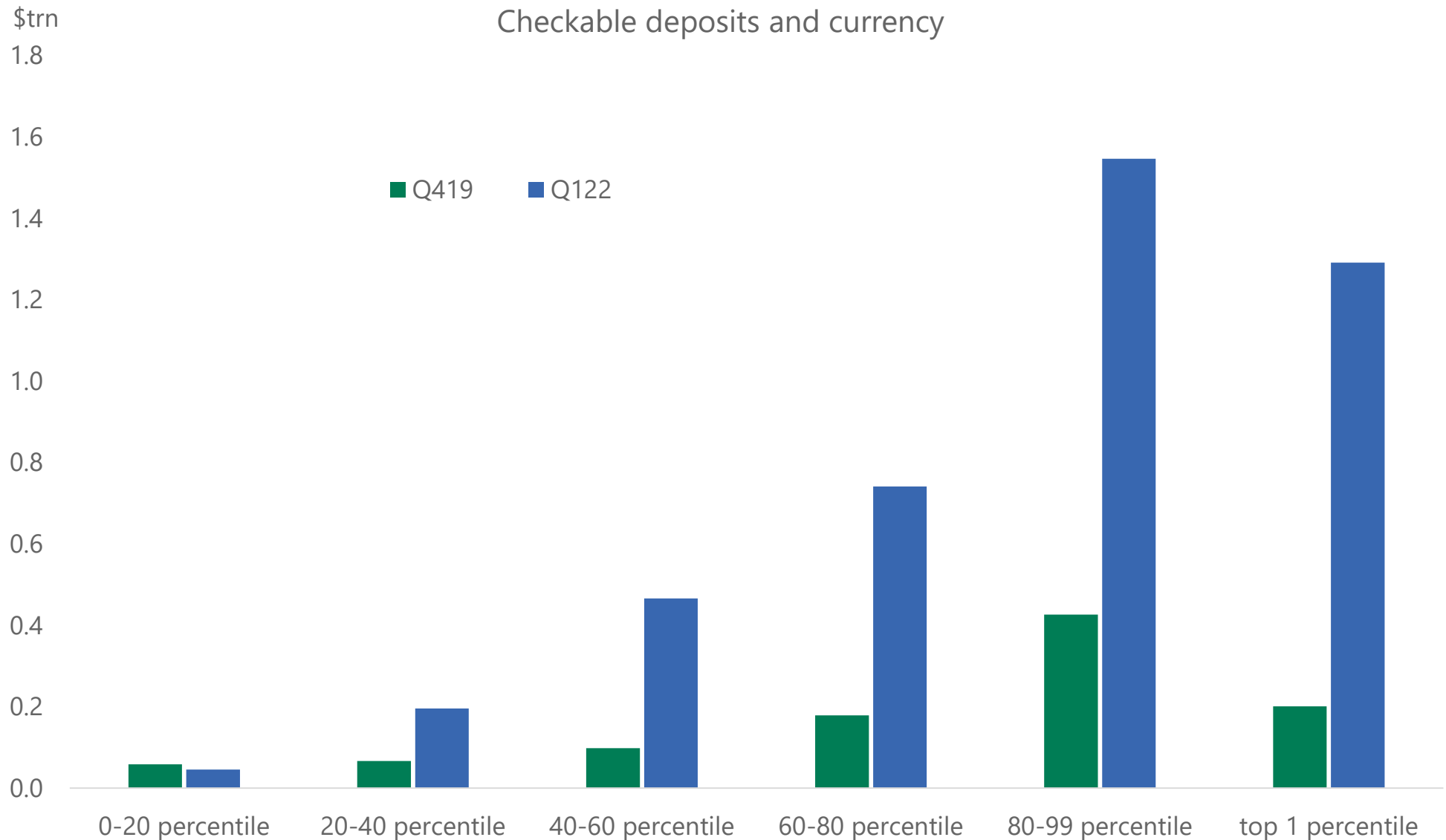
Source: Mortgage Bankers Association, Bloomberg, Apollo Chief Economist

Households have \$2.5trn in excess dry powder, saved during the pandemic



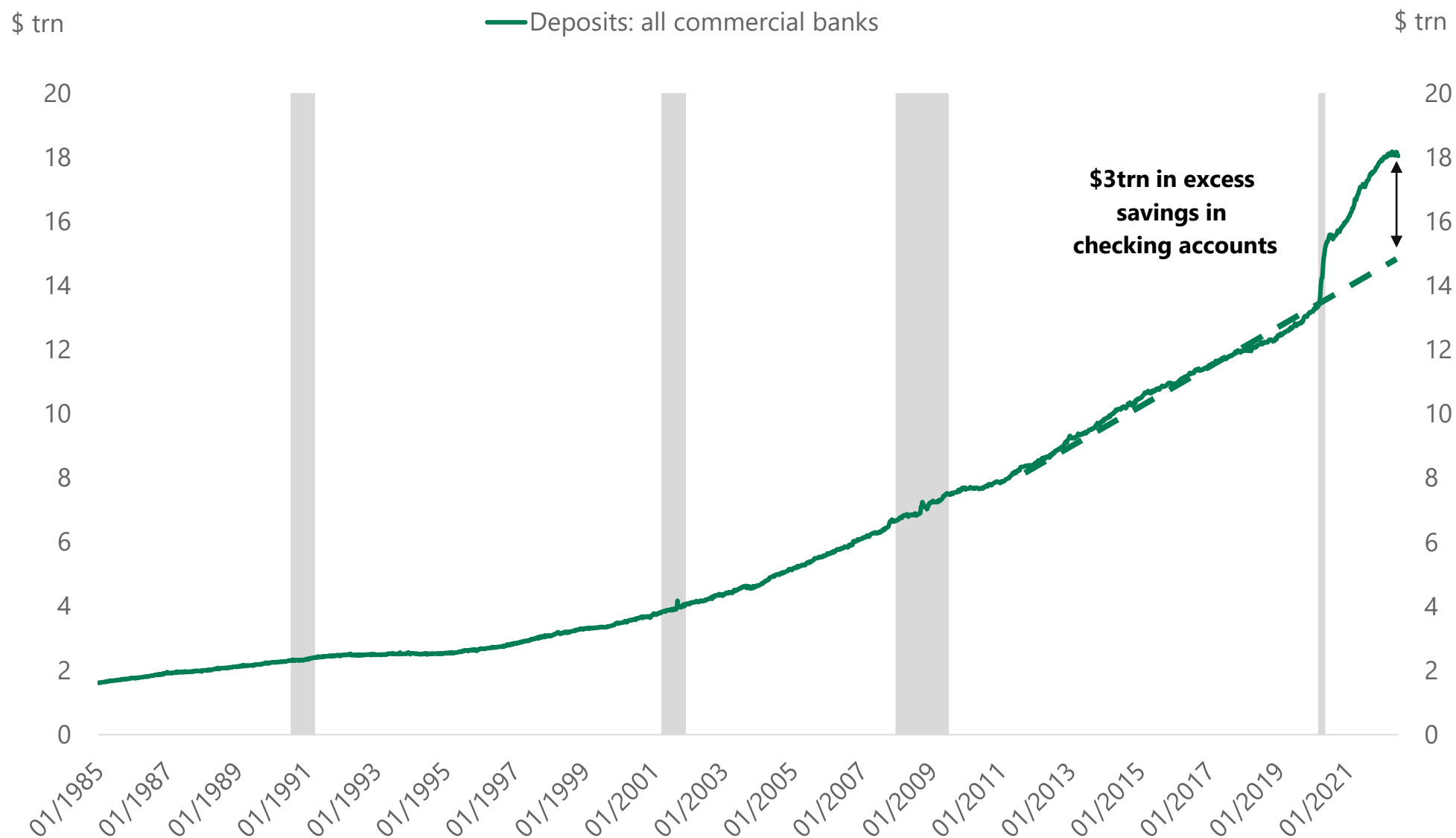
Note: Bloomberg, Apollo Chief Economist

Household savings across different income groups



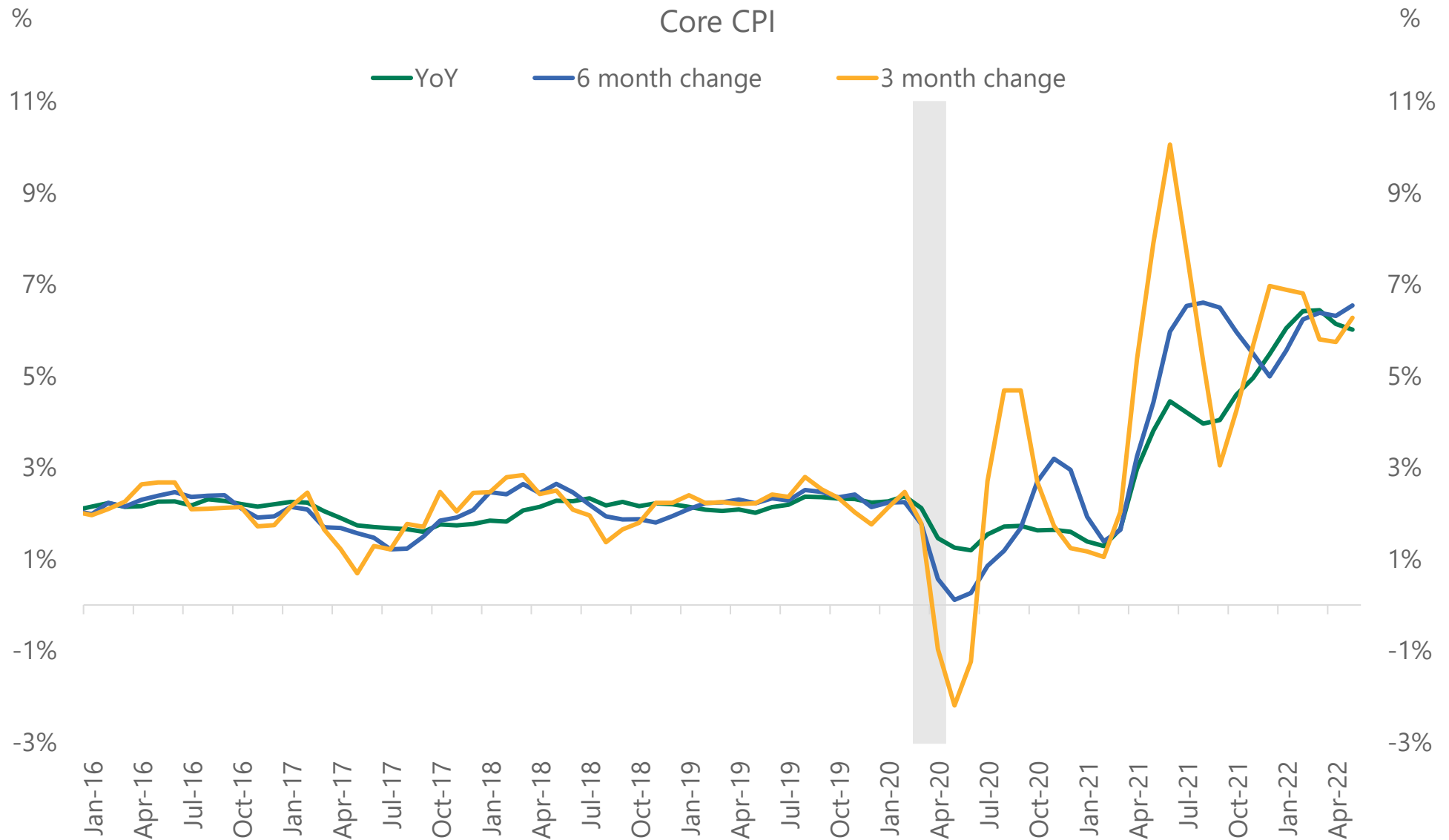
Source: FRB, Haver Analytics, Apollo Chief Economist

Record-high level of deposits at commercial banks



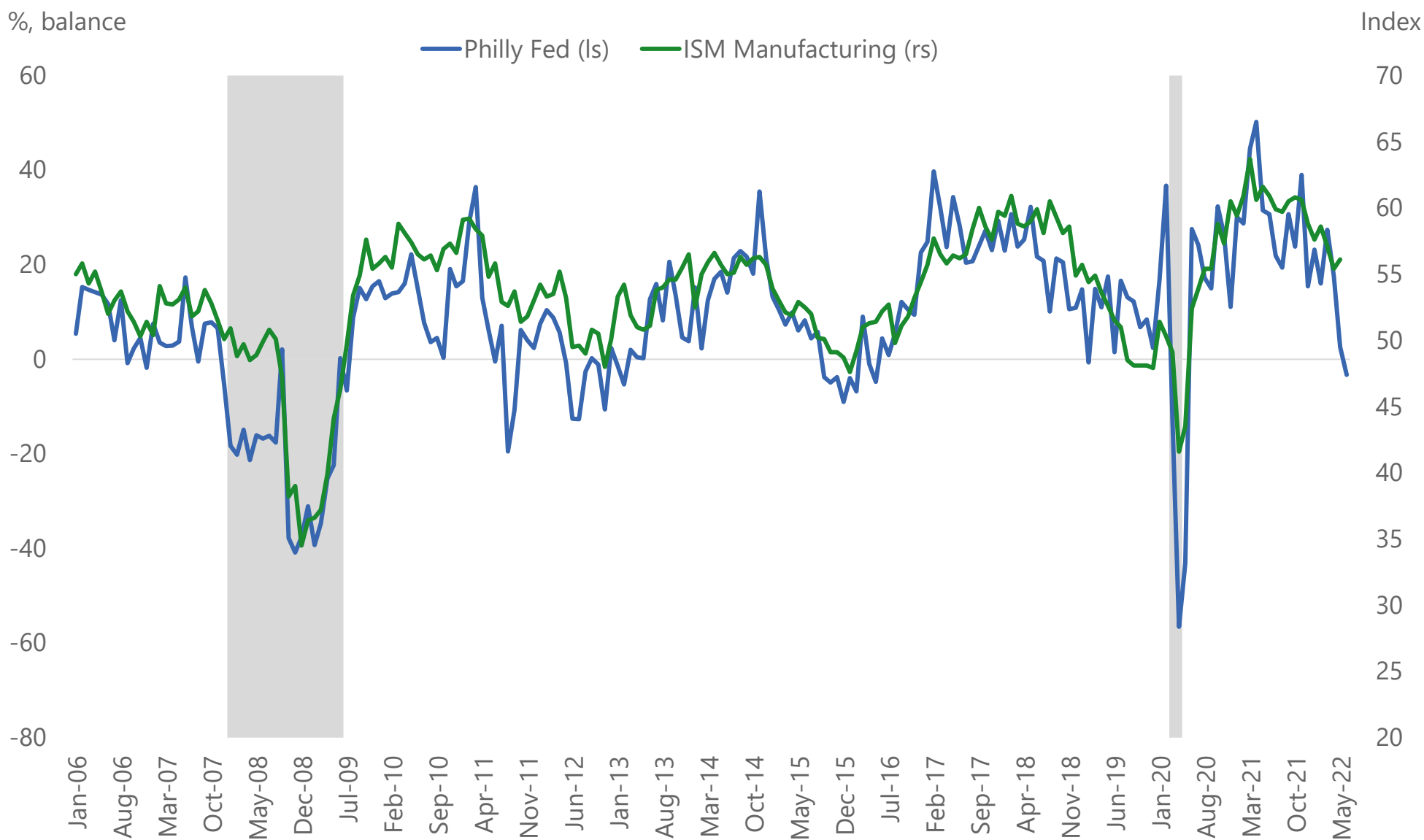
Source: FRB, Haver, Apollo Chief Economist

3- and 6-month change in core inflation is rising

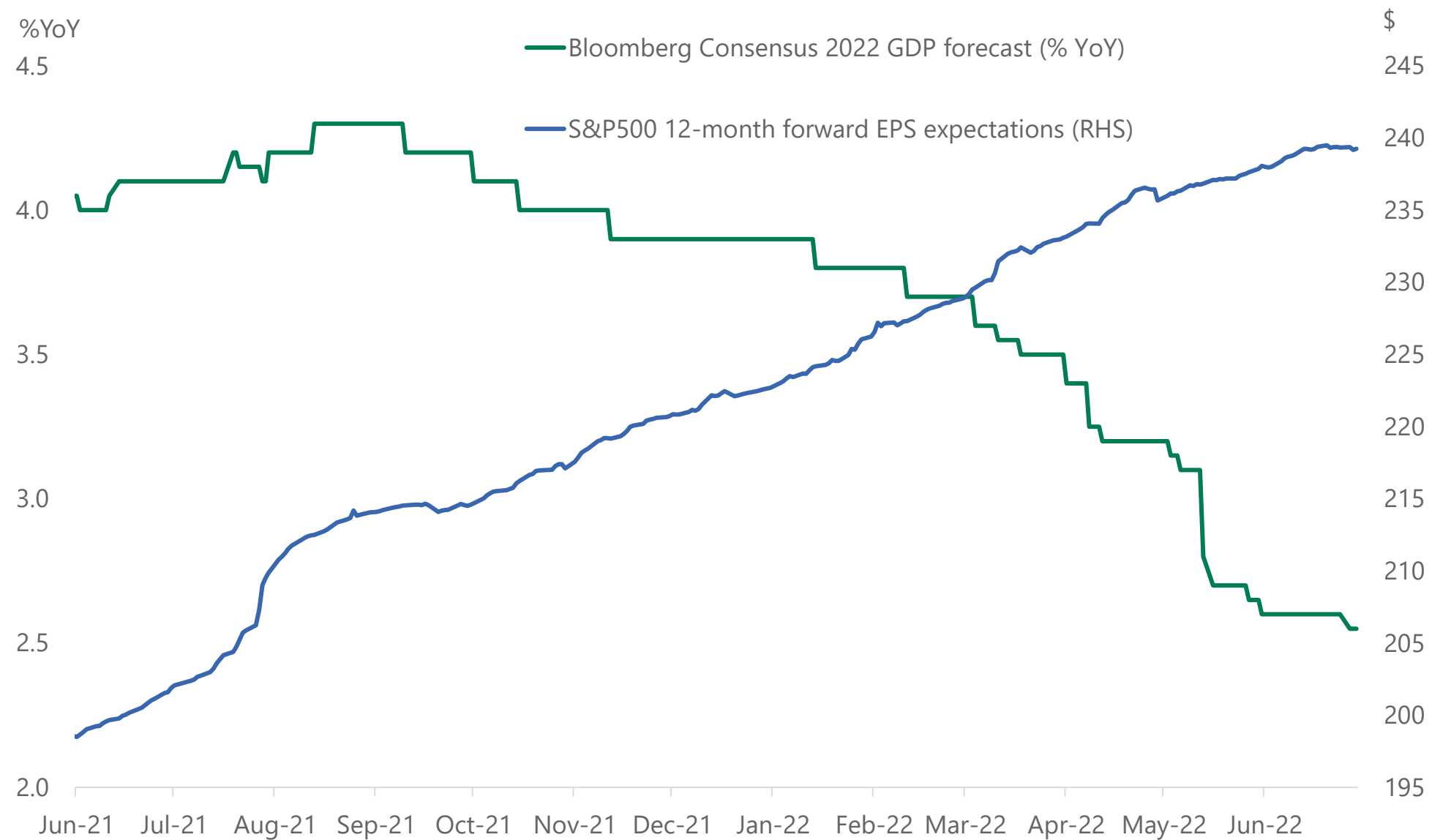


Source: BLS, Haver Analytics, Apollo Chief Economist

Manufacturing slowdown is coming



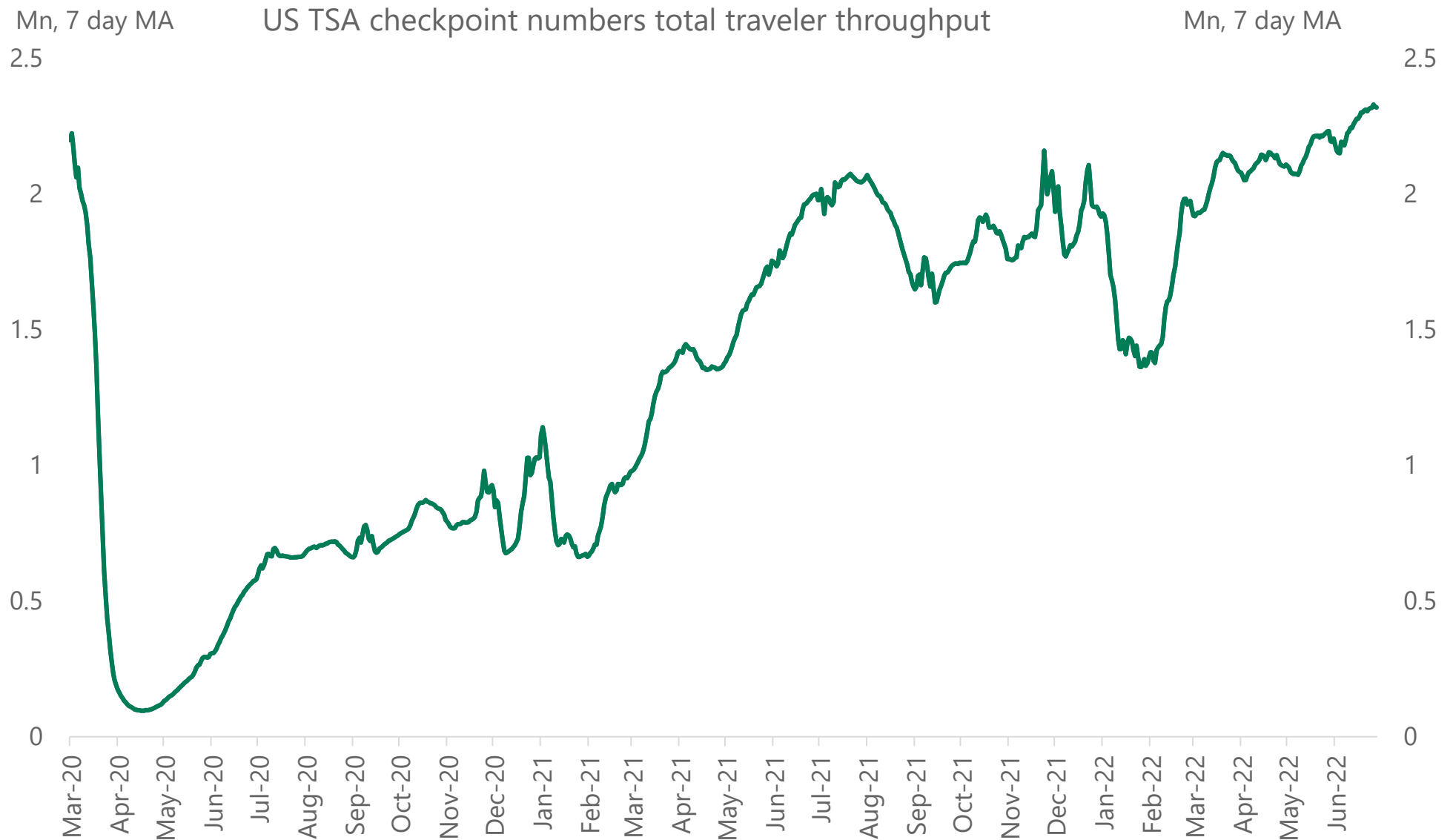
Divergence between S&P500 earnings expectations and GDP growth expectations



Source: Bloomberg, Apollo Chief Economist

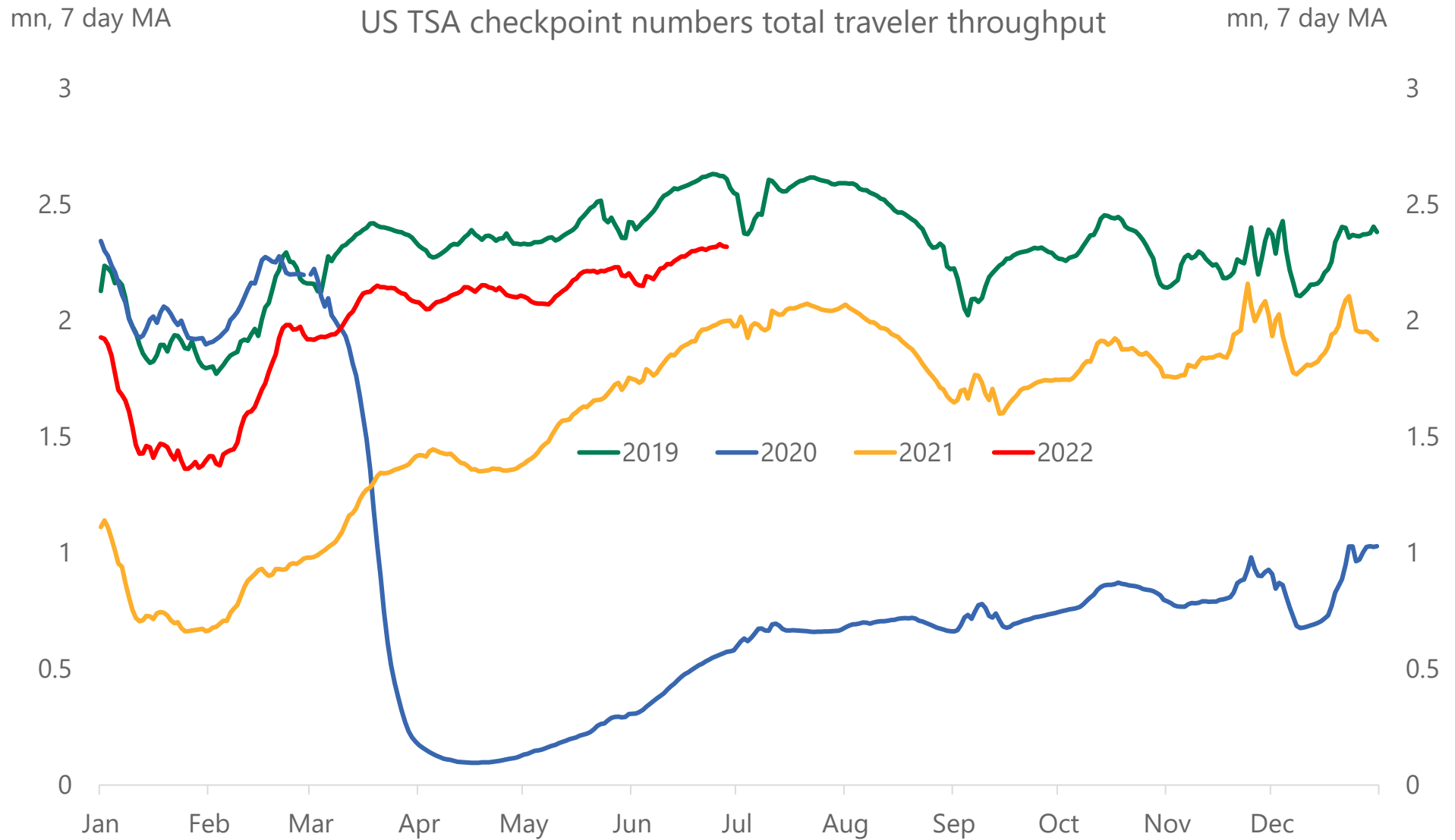
Daily economic indicators

US air travel is strong



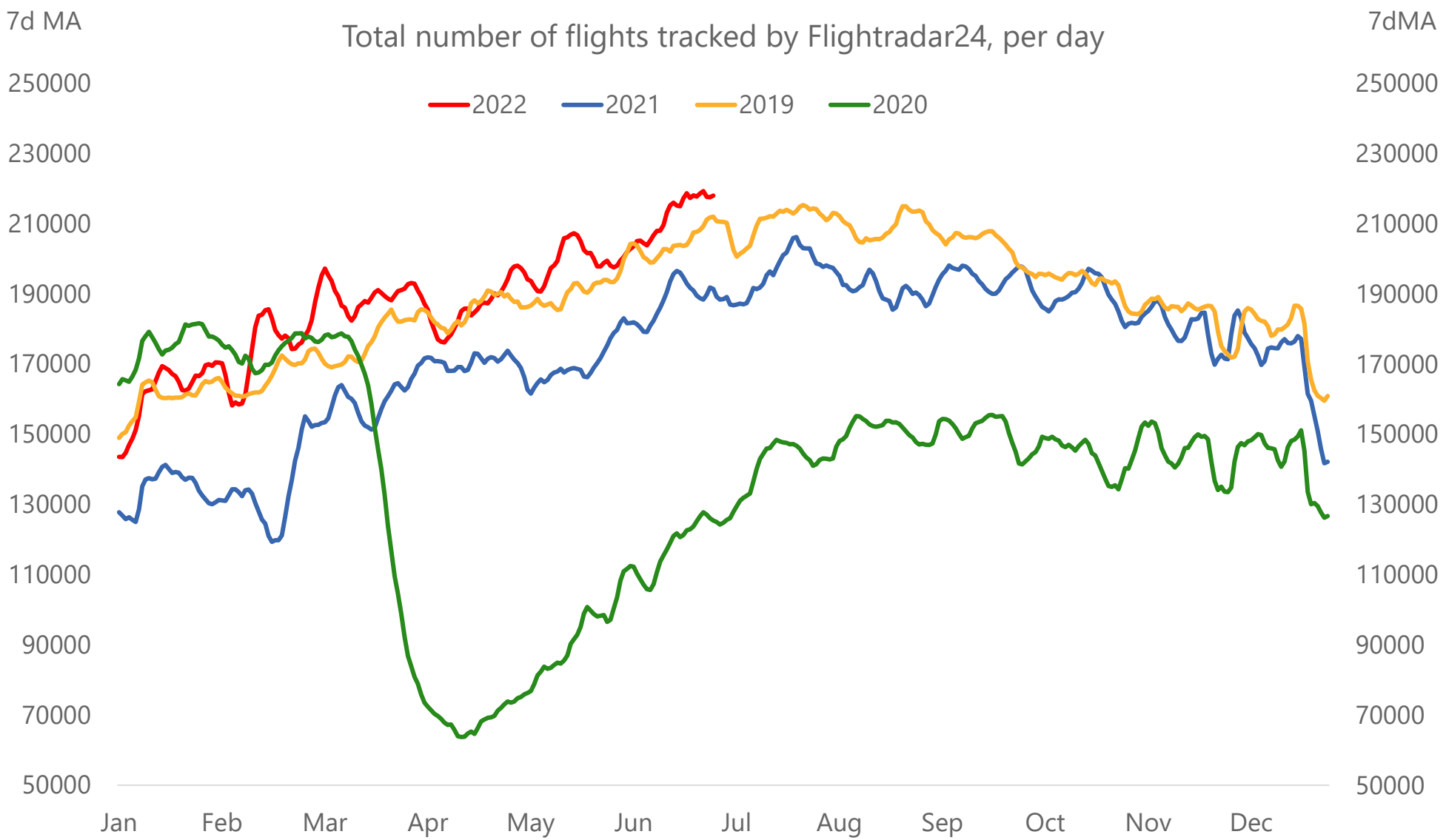
Source: TSA, Bloomberg, Apollo Chief Economist

US air travel near 2019 levels



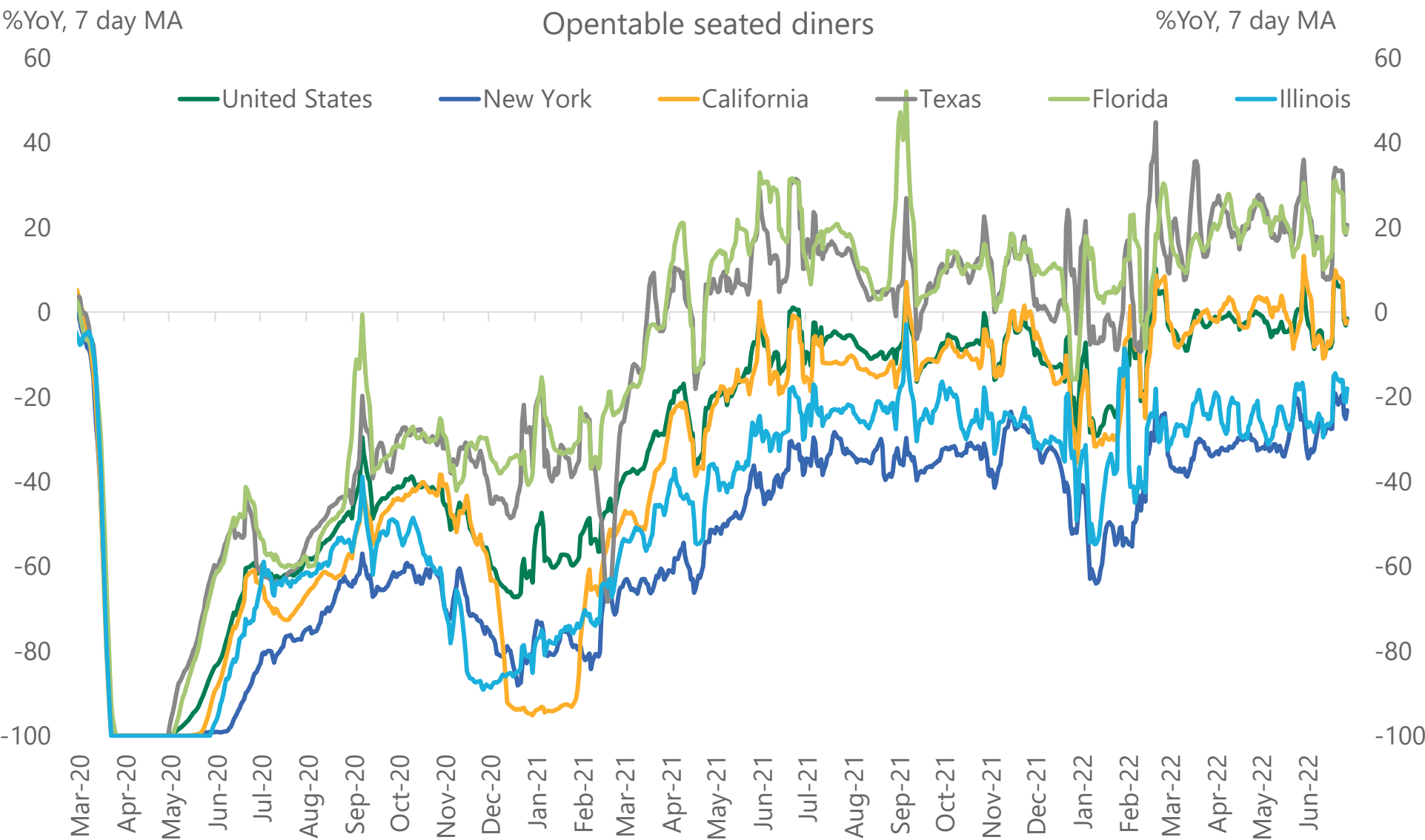
Source: TSA, Bloomberg, Apollo Chief Economist

Global air traffic is at record-high levels



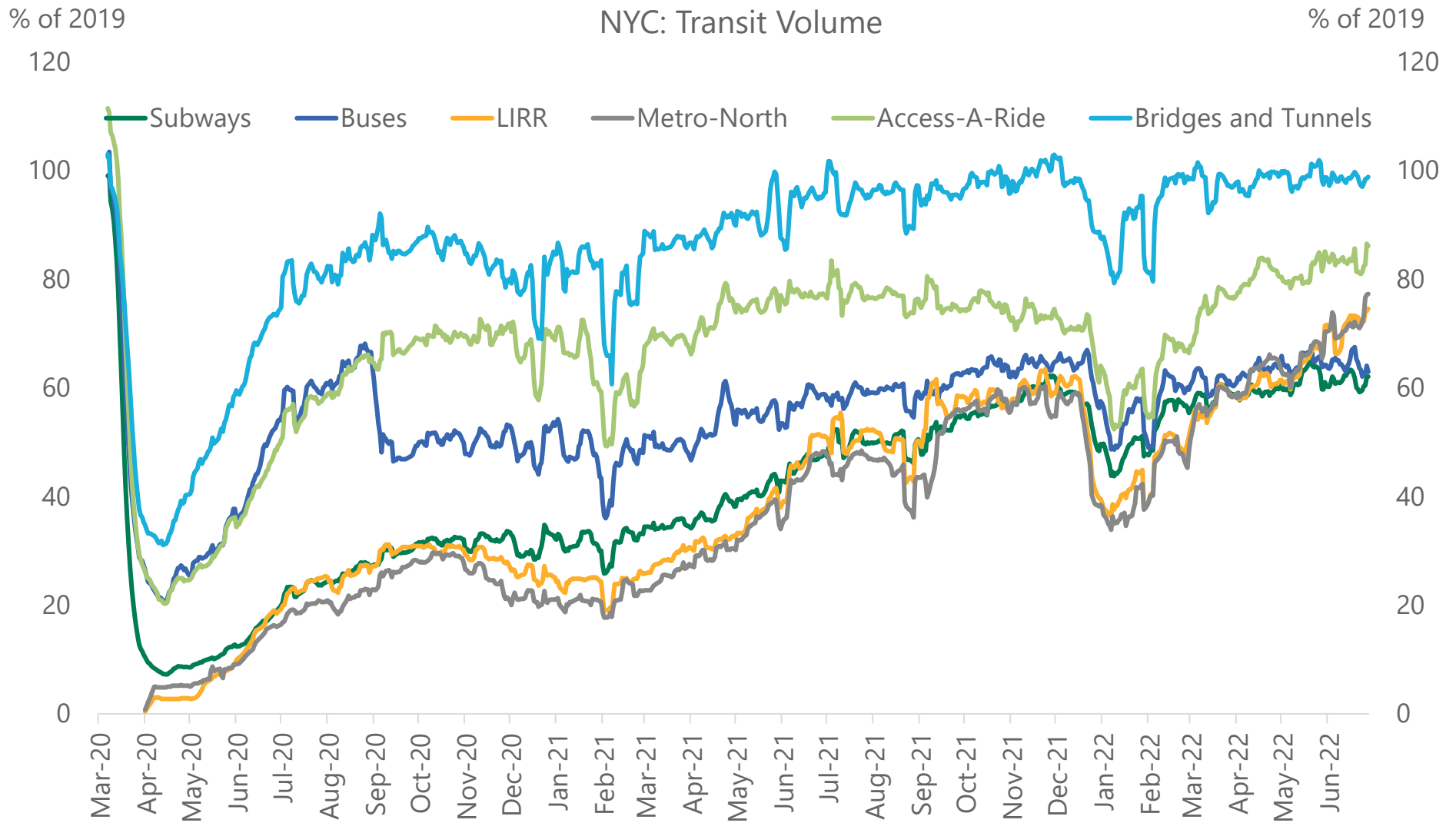
Source: Flightradar24.com, Apollo Chief Economist

Restaurant bookings strong



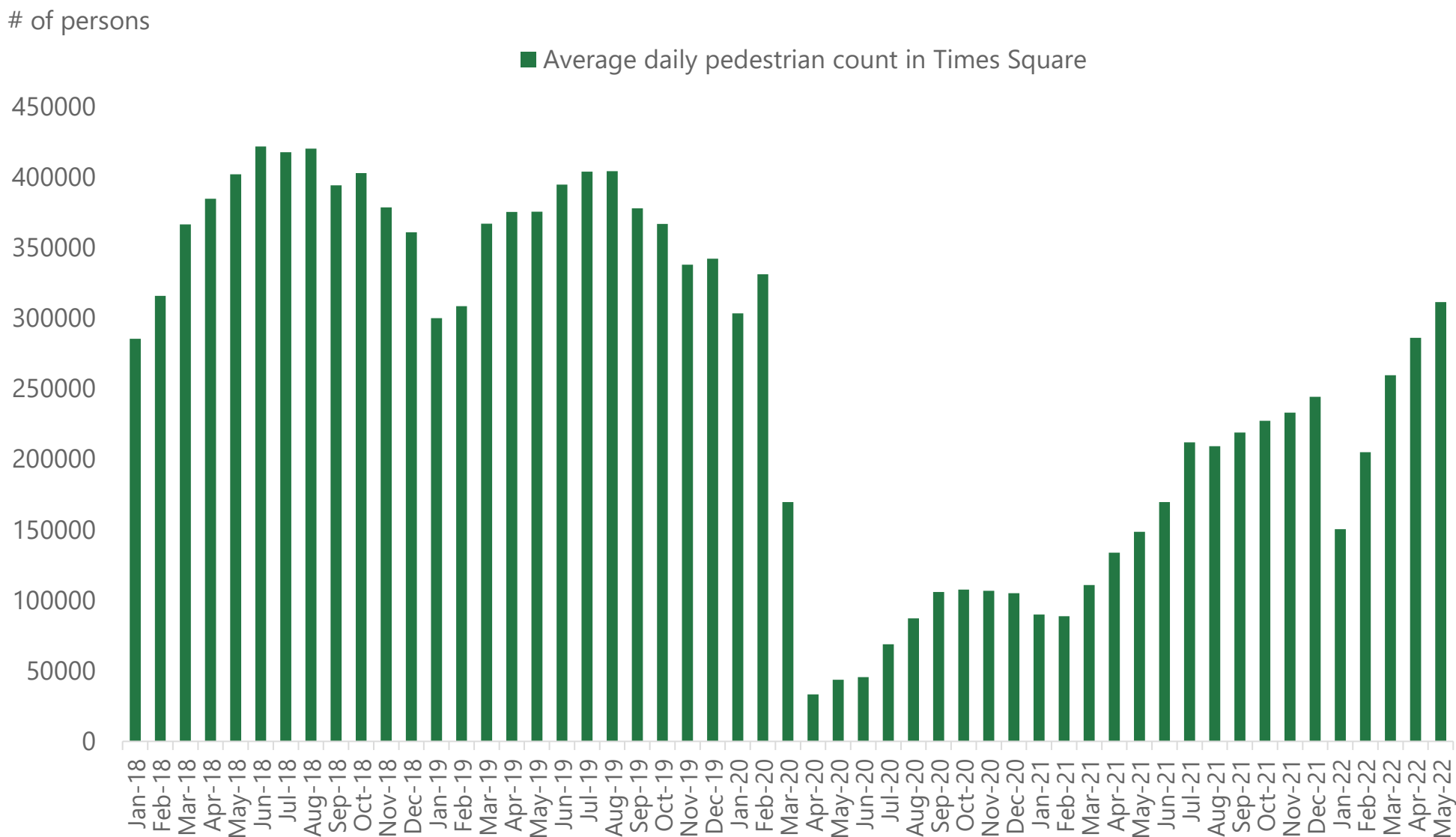
Source: OpenTable, Apollo Chief Economist

NYC mobility indicators improving



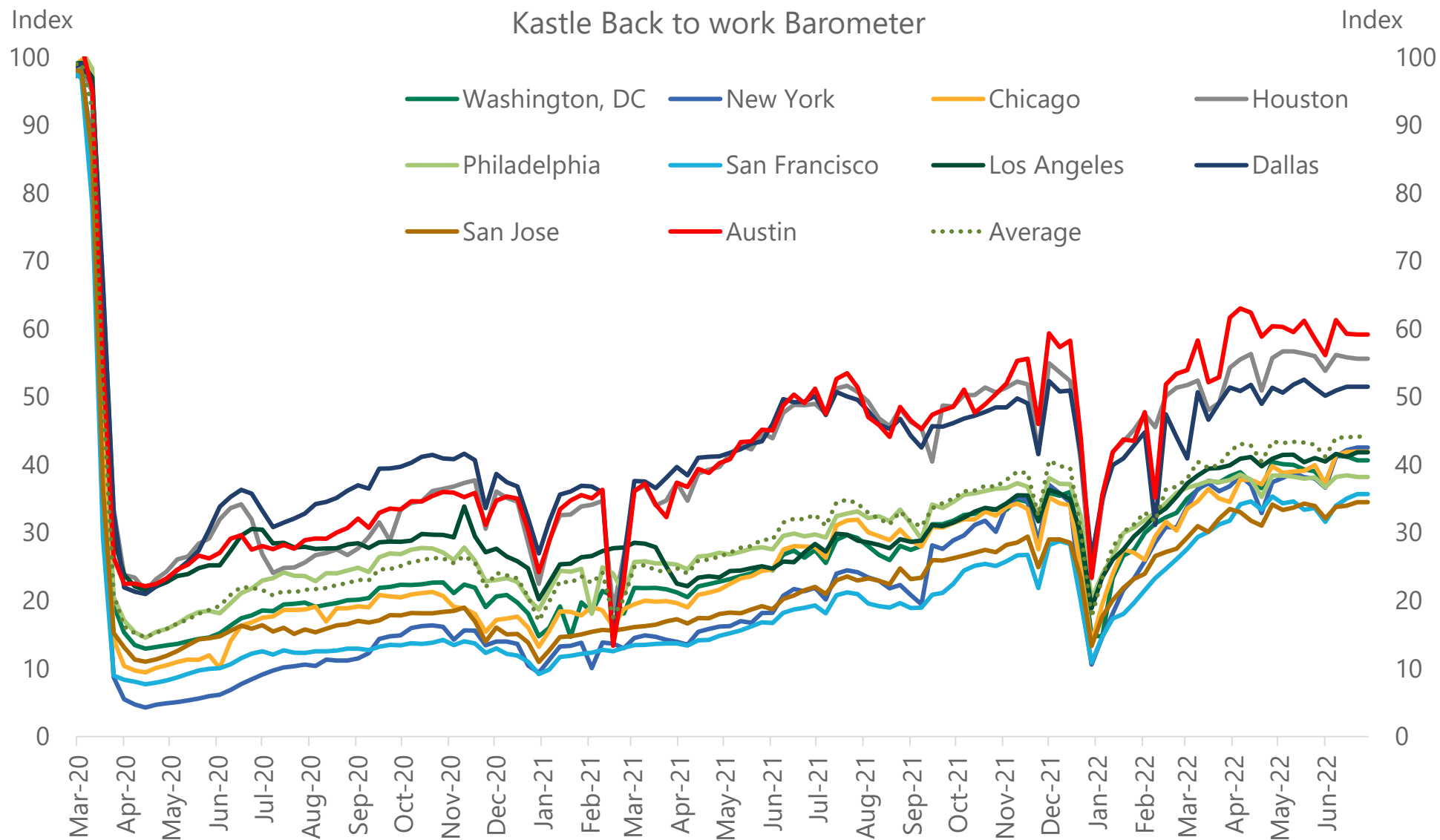
Source: MTA, Apollo Chief Economist

Average daily pedestrian count in Times Square



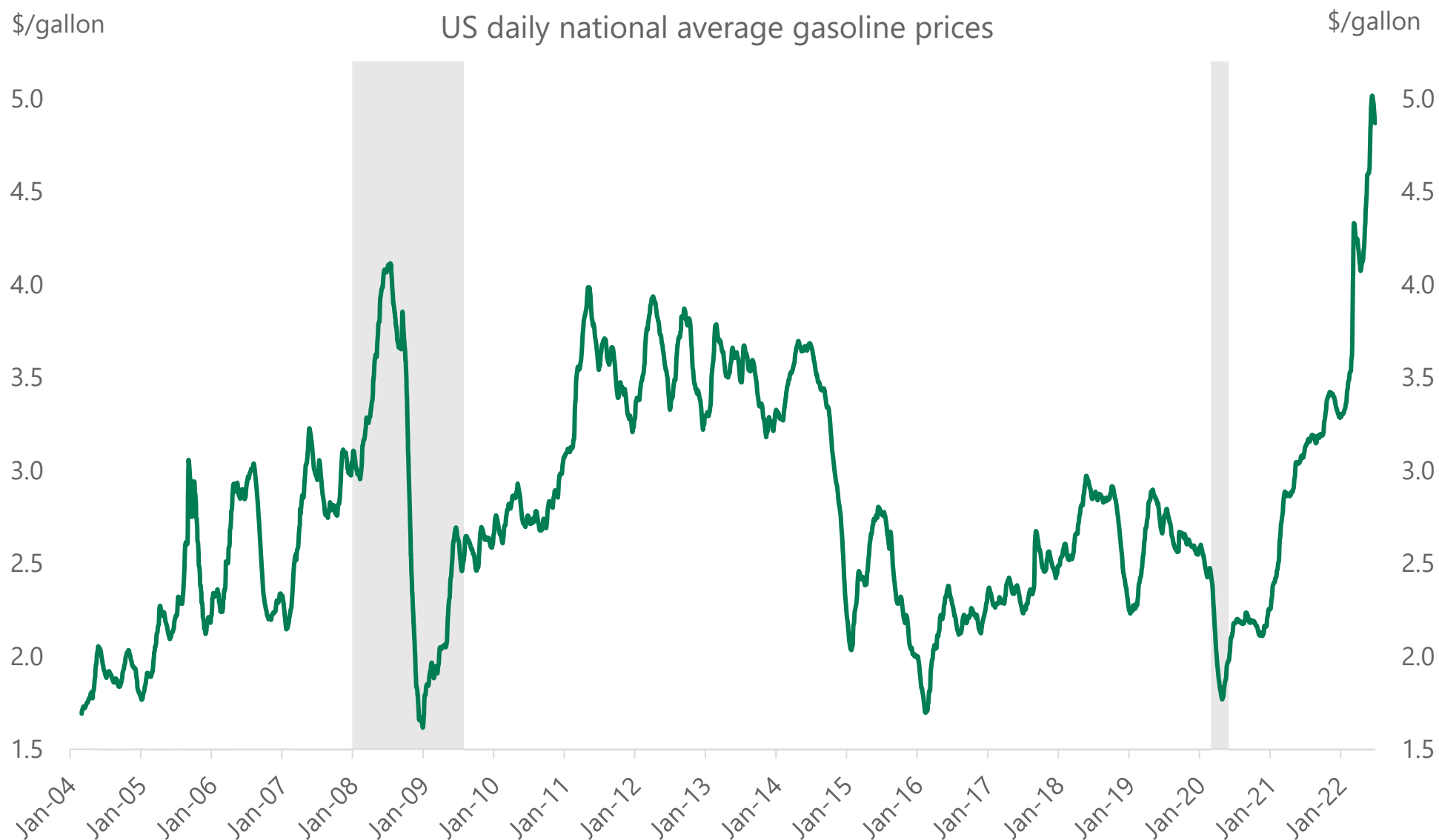
Source: [timessquarenyc.com](https://www.timessquarenyc.com), Apollo Chief Economist

New York City: Office use 43% of pre-pandemic levels



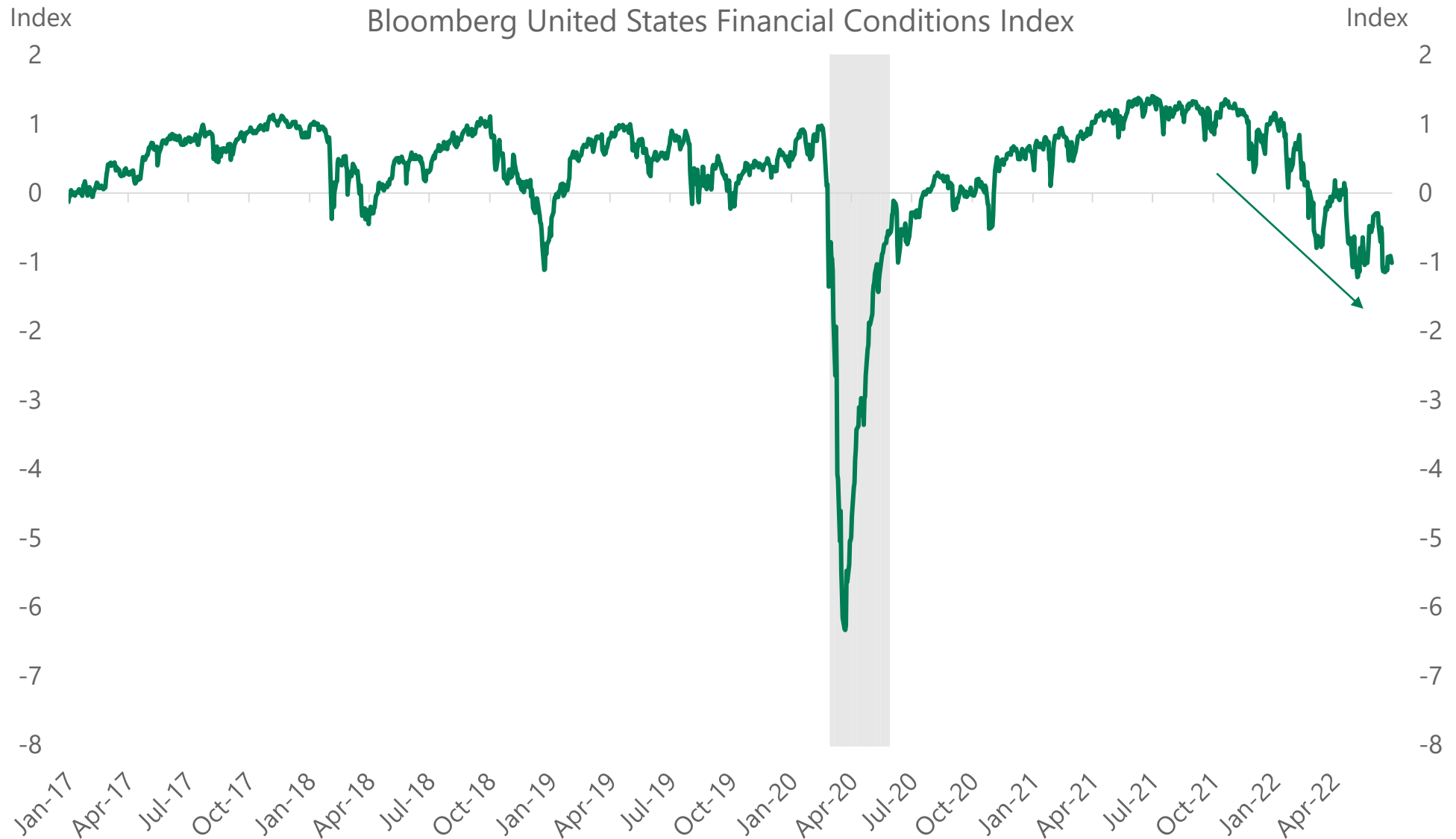
Source: Bloomberg, Apollo Chief Economist

US retail gas price at record-high levels: \$5 per gallon



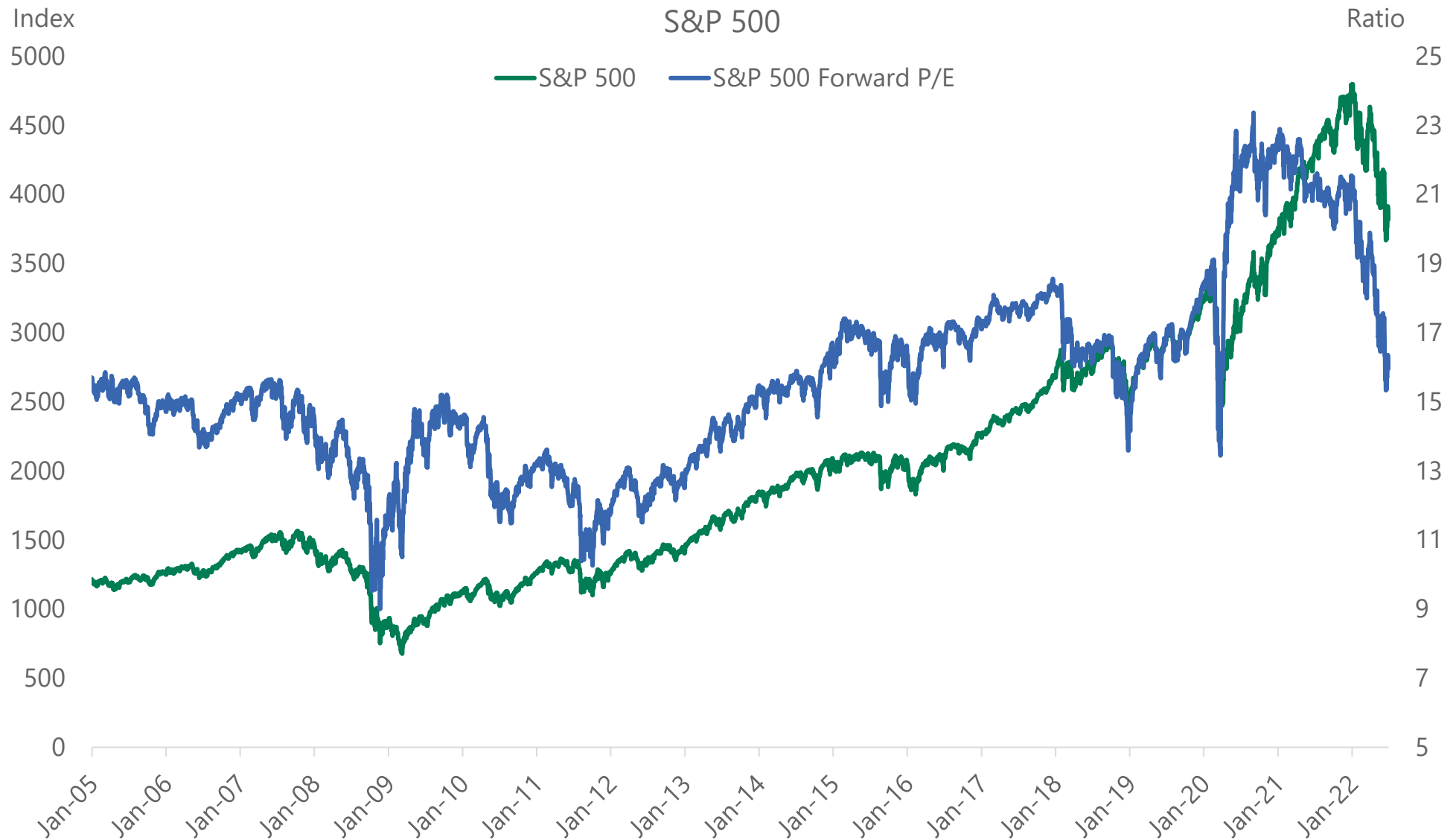
Source: Bloomberg, Apollo Chief Economist

Financial conditions tightening



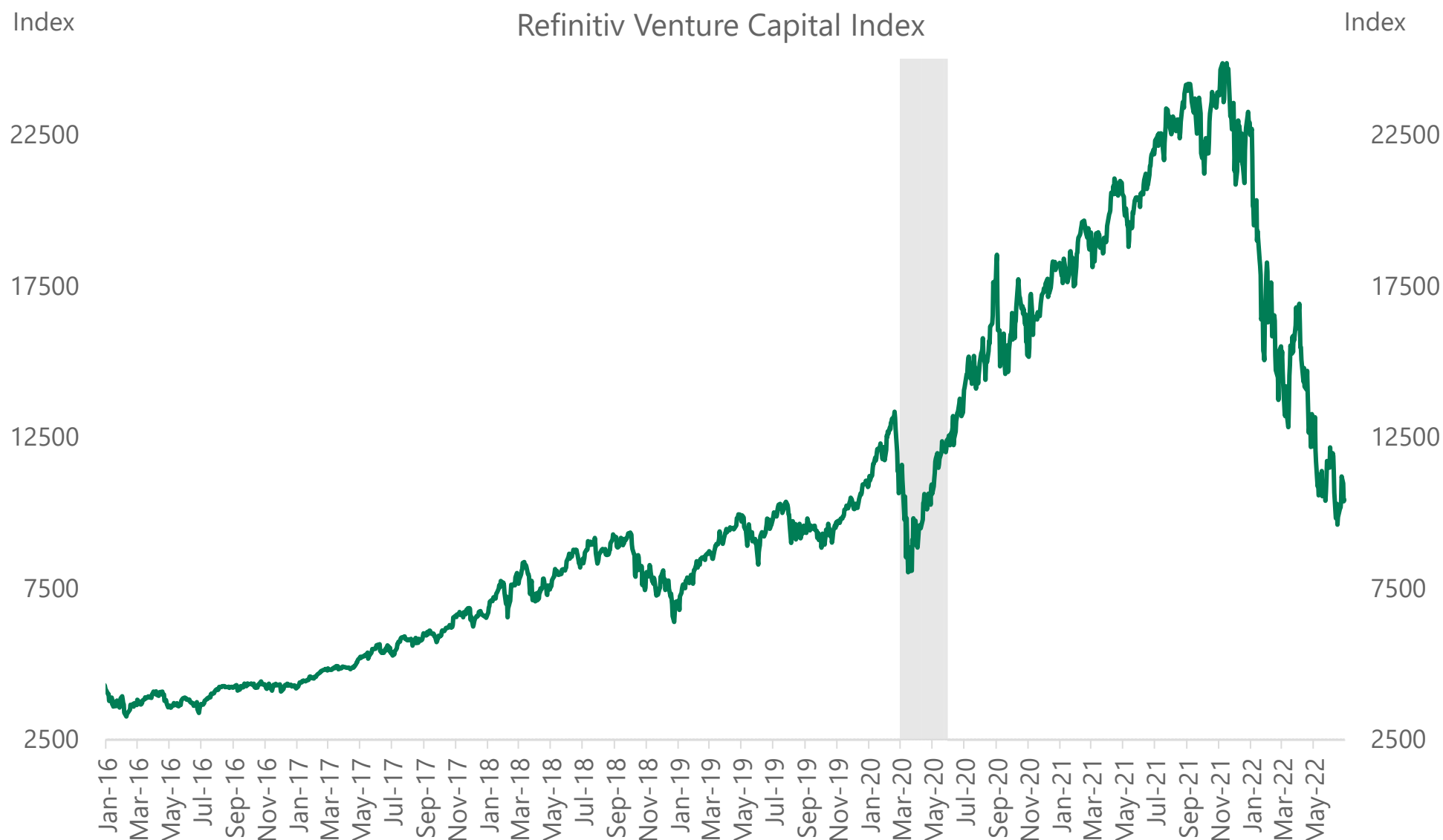
Source: Bloomberg, Apollo Chief Economist

S&P500 P/E ratio is lower



Source: Bloomberg, Apollo Chief Economist

US venture capital valuations down more than 60% from the peak



Source: Bloomberg, Apollo Chief economist. Note: The Thomson Reuters Venture Capital Index is designed to measure the value of the US-based venture capital private company universe in which venture capital funds invest.

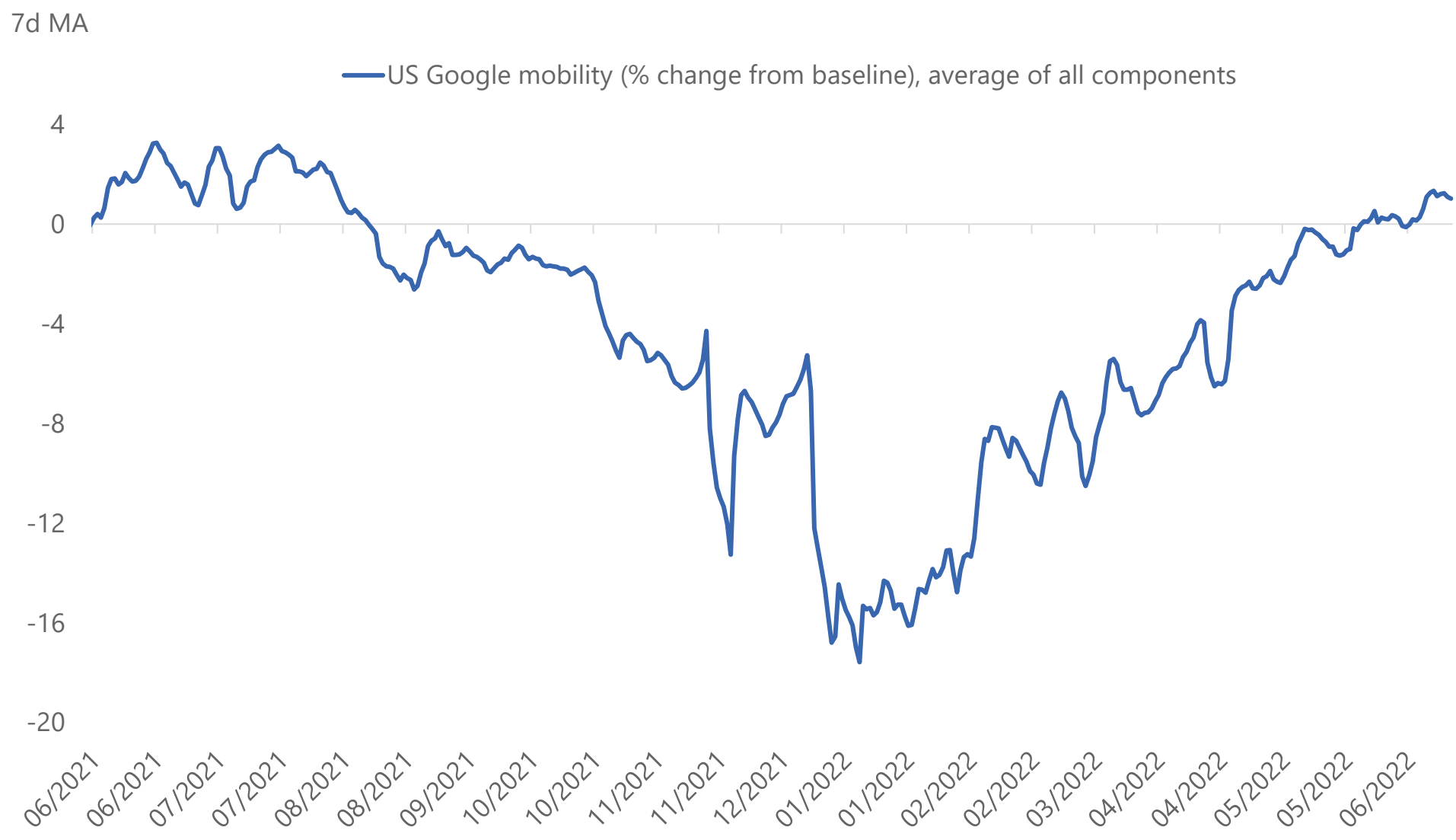
Corporate earnings revisions: Upgrades minus downgrades



Source: Citi Research, Apollo Chief Economist. Note: Citi's Earnings Revision Index is defined as number of upgrades minus downgrades divided by number of upgrades plus downgrades

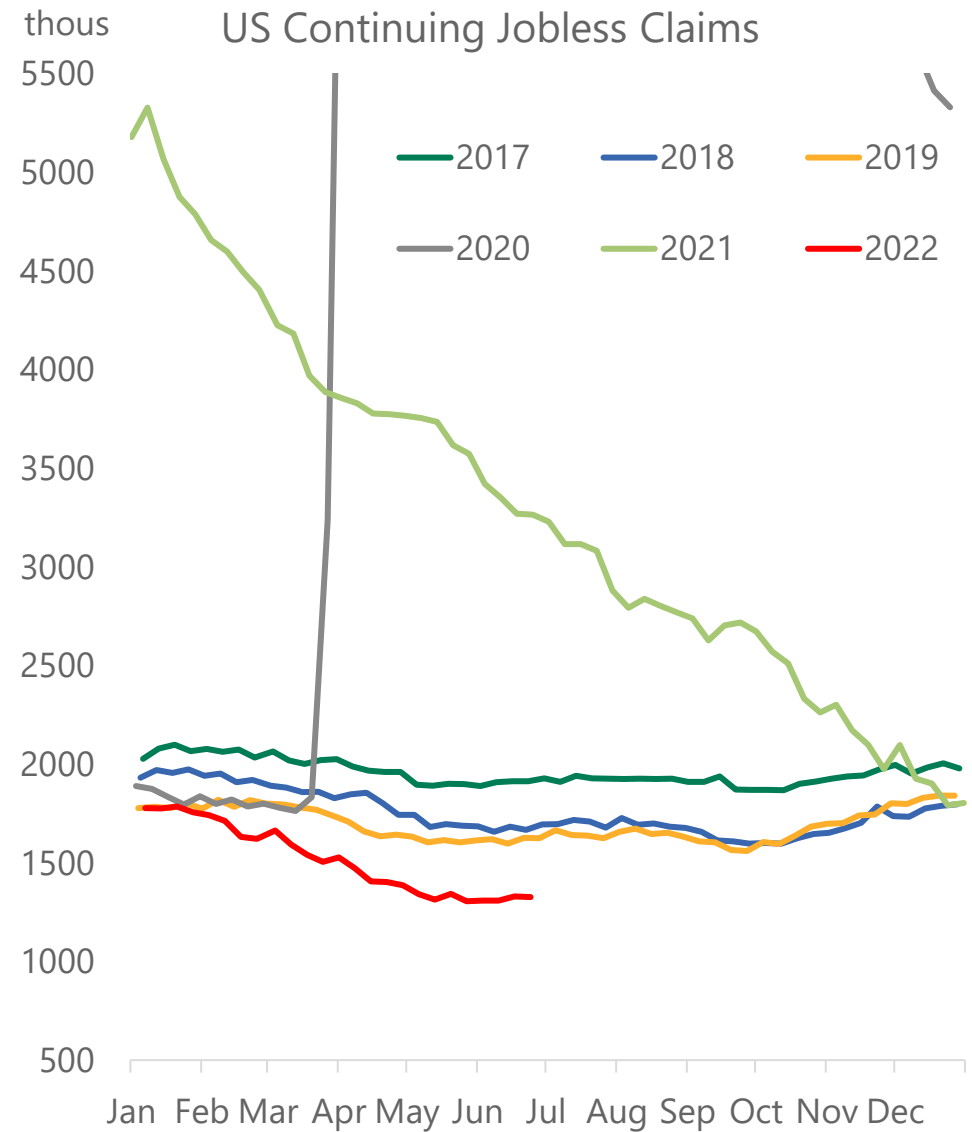
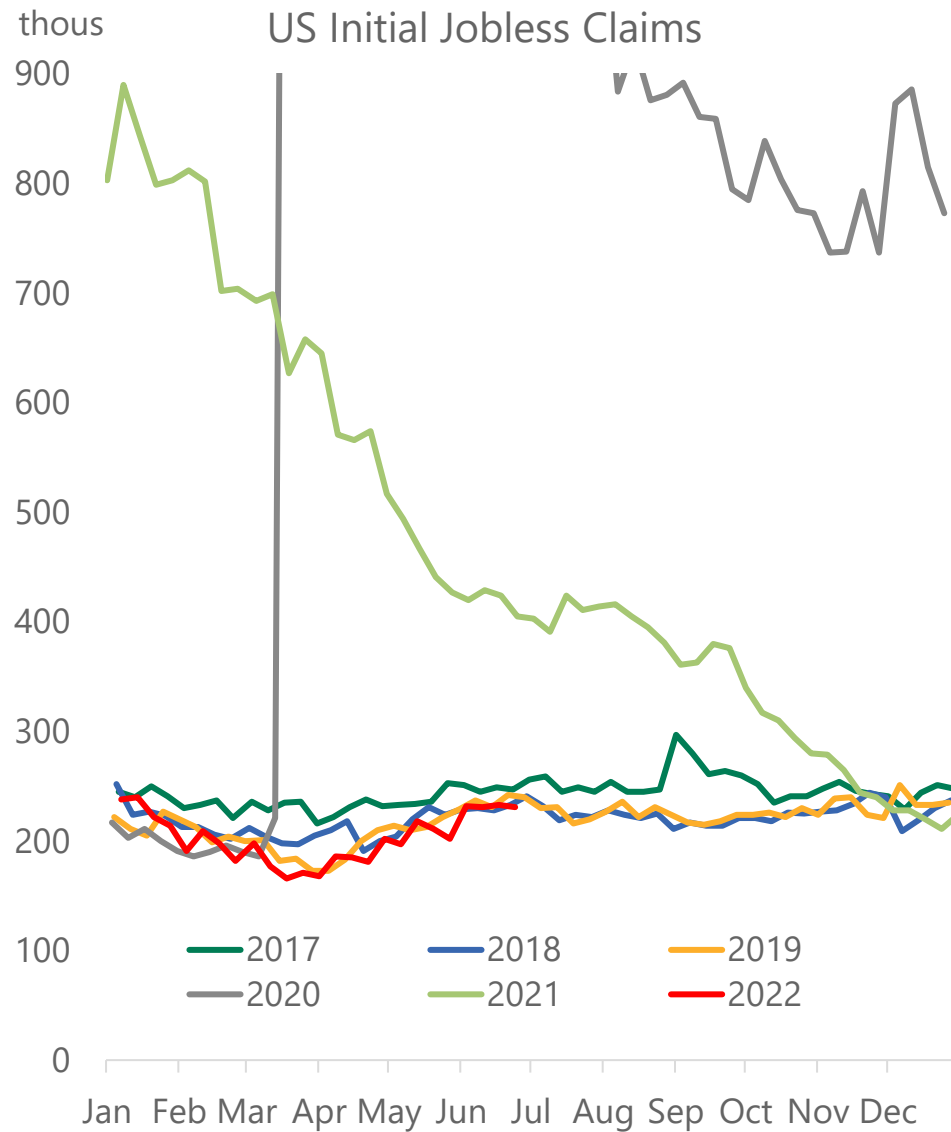
Weekly economic indicators

The economy is reopening: US nationwide consumer mobility above 2019 levels



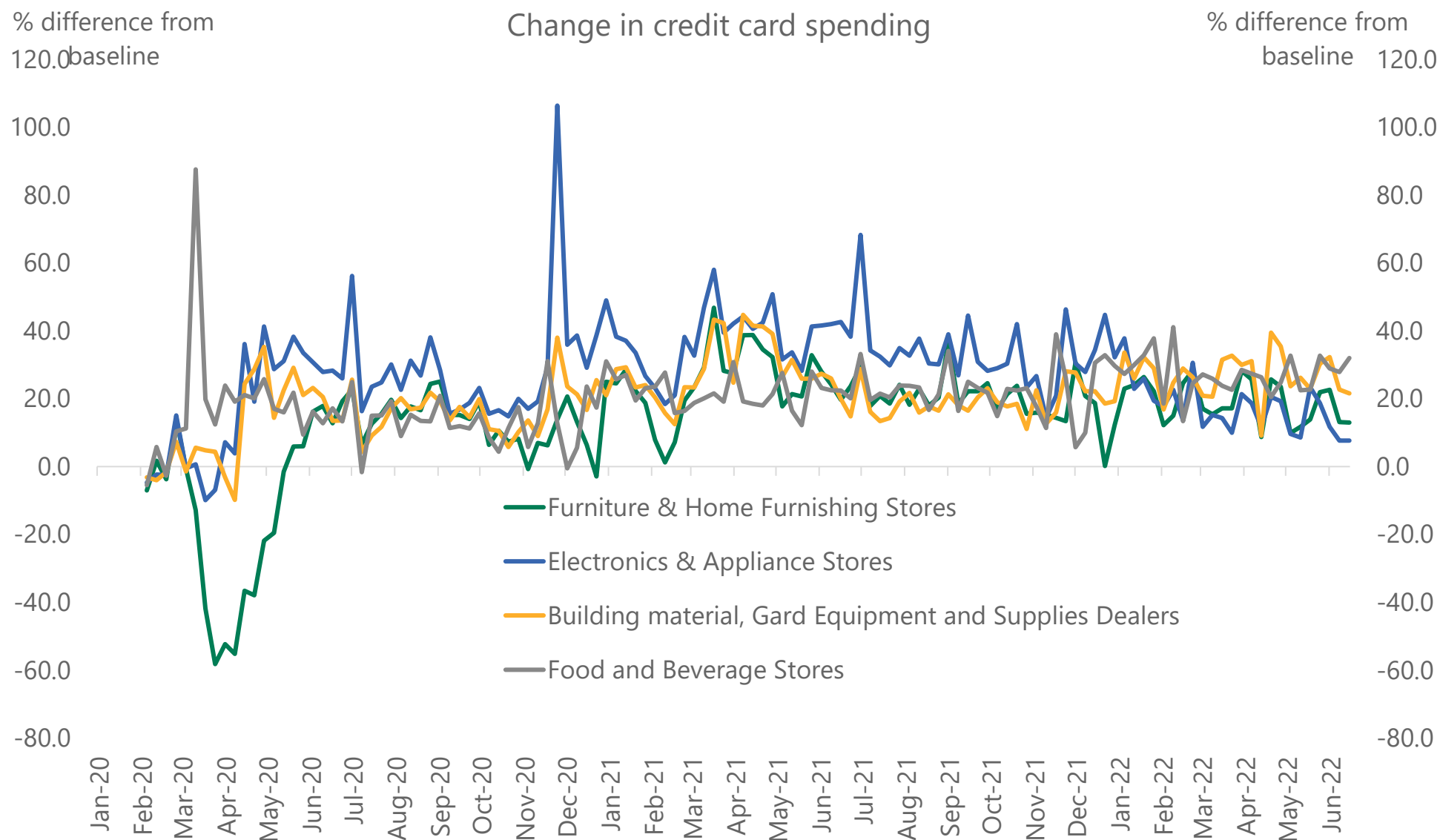
Source: Google mobility reports, Apollo Chief Economist

Jobless claims declined this week



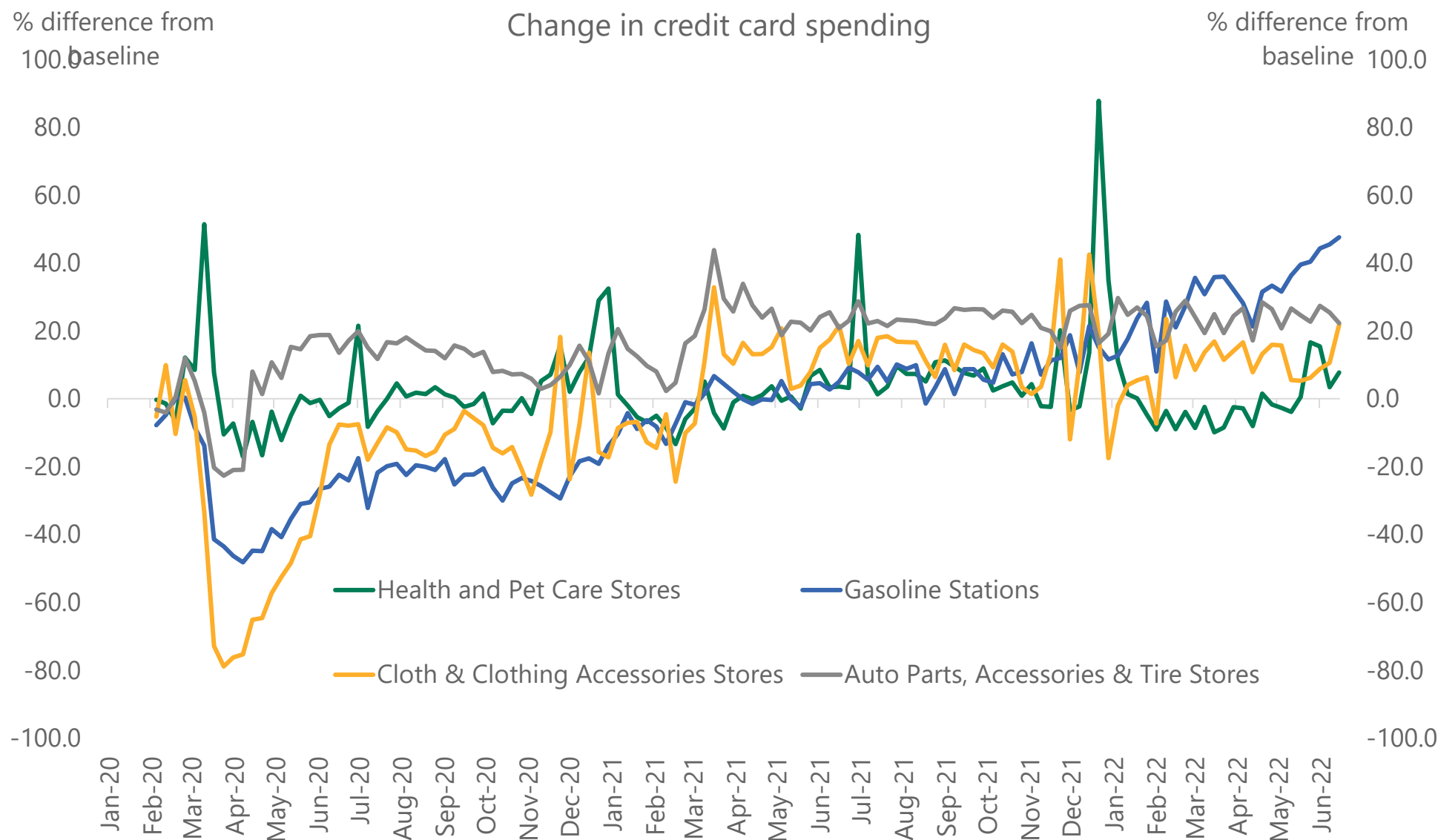
Source: Department of labor, Bloomberg, Apollo Chief Economist

US consumer still strong



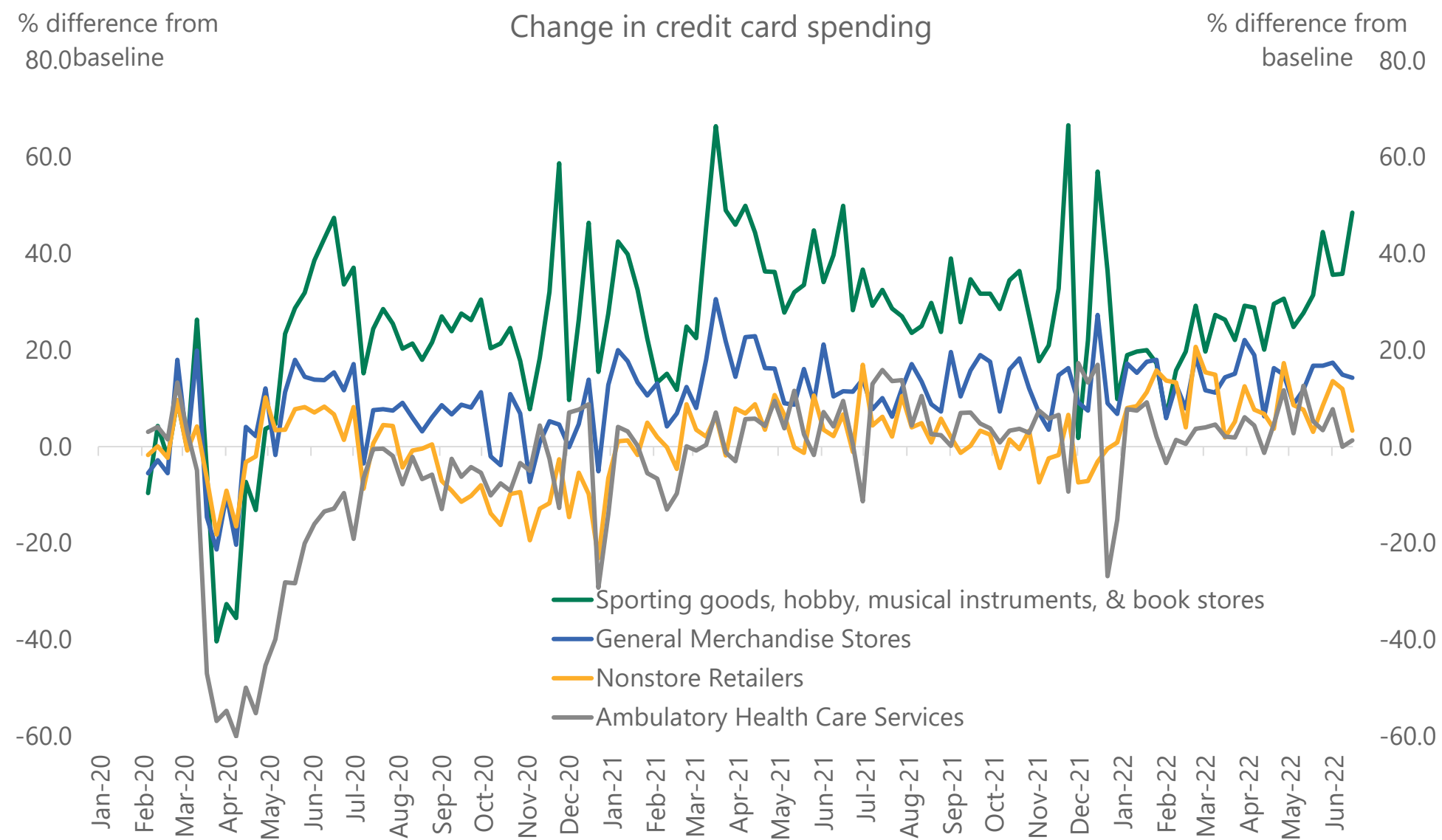
Source: BEA, Haver analytics, Apollo Chief Economist. Note: The weekly values represent the predicted percentage difference from the typical level of spending (prior to the pandemic declared by the World Health Organization on March 11, 2020) after adjusting for day-of-week, month, and year effects, based on daily data. The typical level corresponds to a value of zero.

US consumer still strong



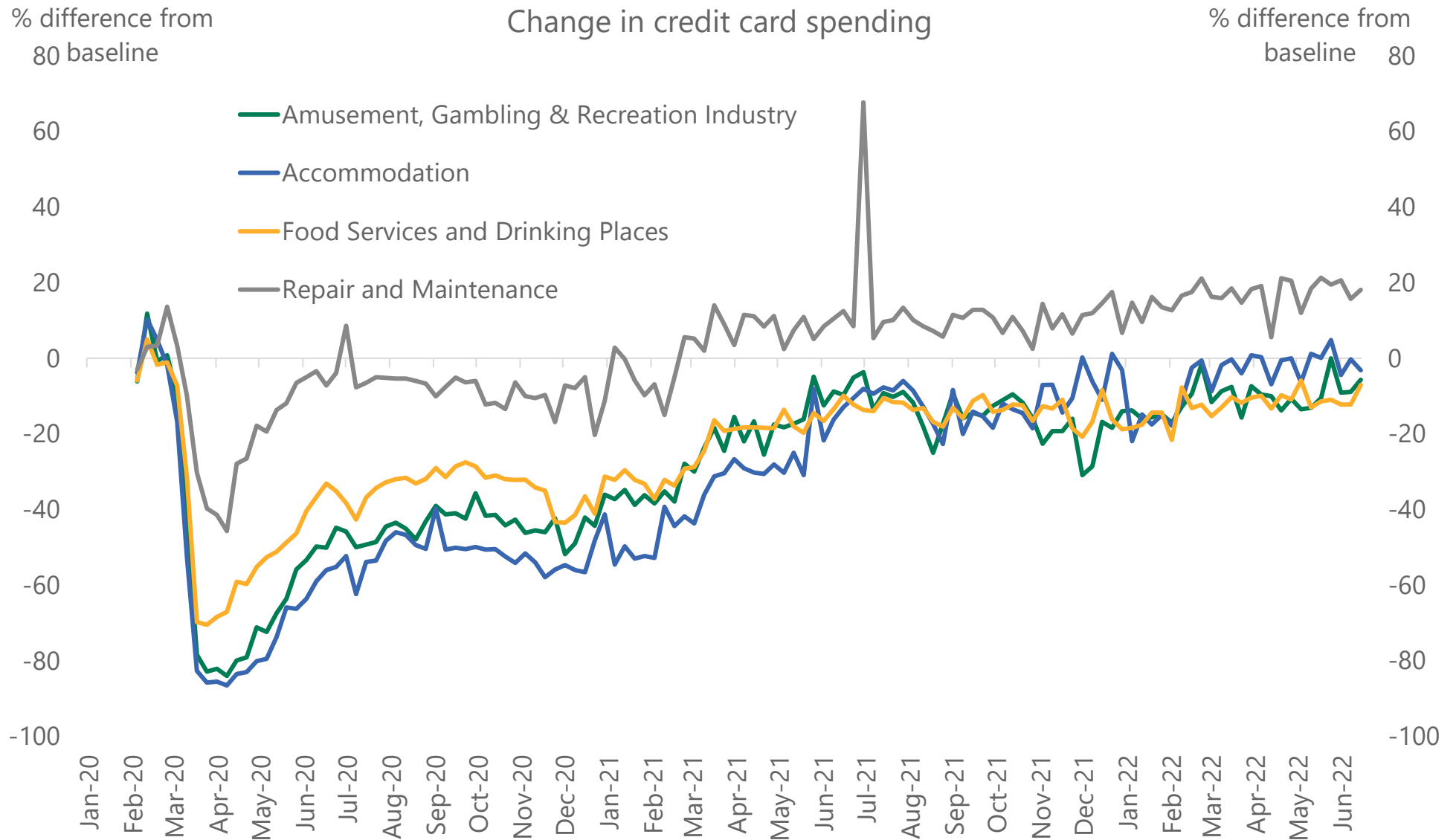
Source: BEA, Haver analytics, Apollo Chief Economist. Note: The weekly values represent the predicted percentage difference from the typical level of spending (prior to the pandemic declared by the World Health Organization on March 11, 2020) after adjusting for day-of-week, month, and year effects, based on daily data. The typical level corresponds to a value of zero.

US consumer still strong



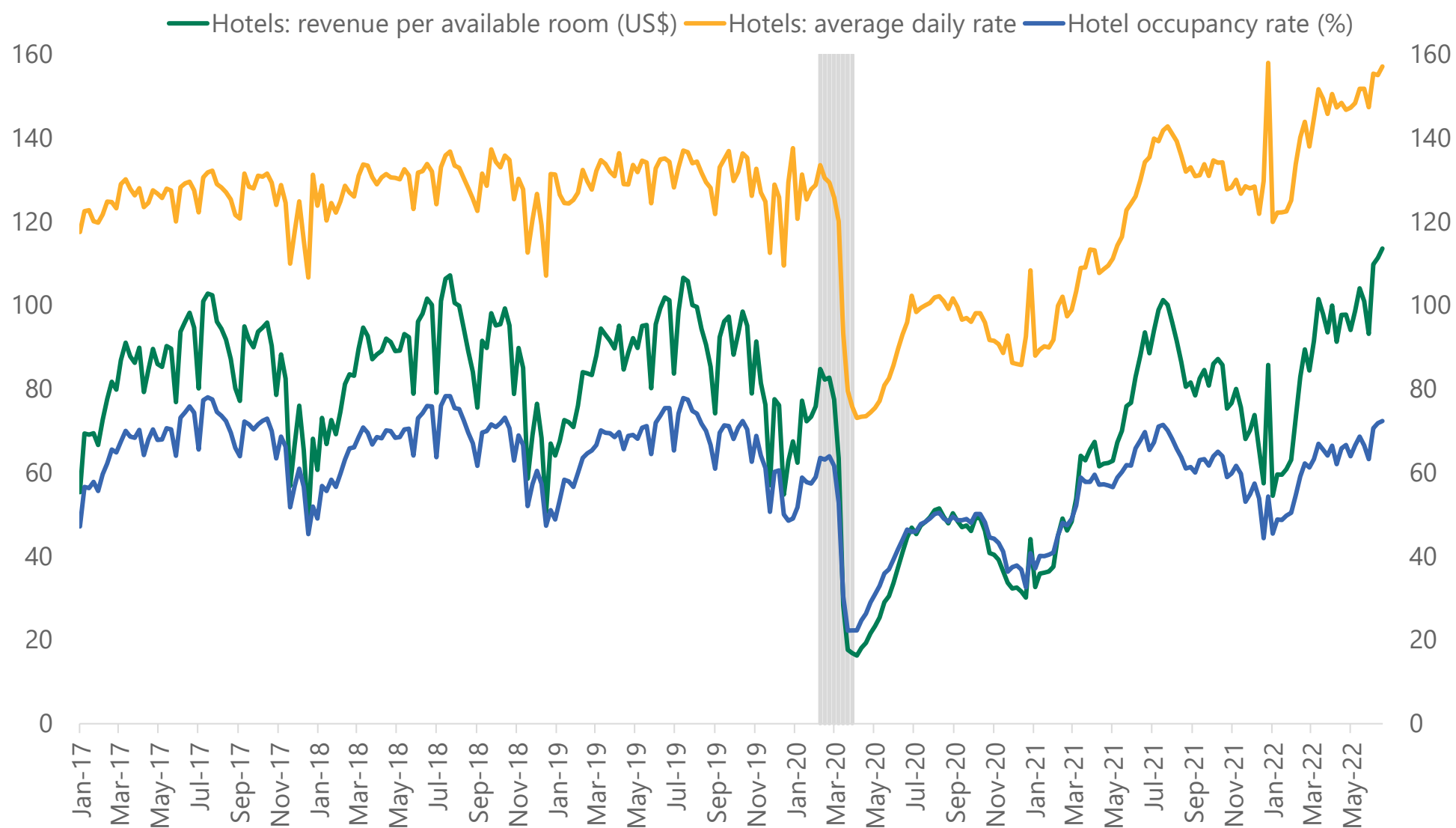
Source: BEA, Haver analytics, Apollo Chief Economist. Note: The weekly values represent the predicted percentage difference from the typical level of spending (prior to the pandemic declared by the World Health Organization on March 11, 2020) after adjusting for day-of-week, month, and year effects, based on daily data. The typical level corresponds to a value of zero.

US consumer still strong



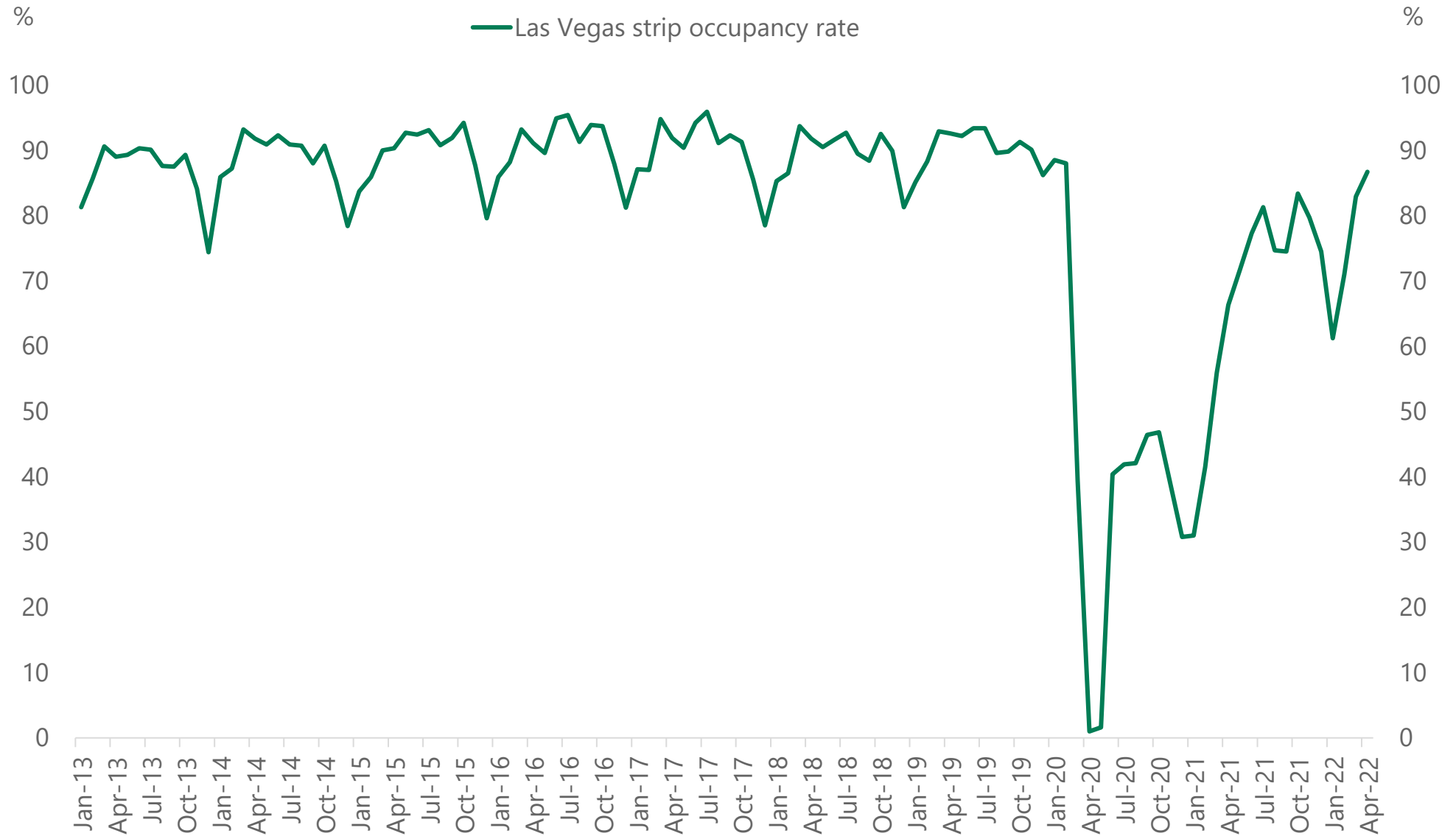
Source: BEA, Haver analytics, Apollo Chief Economist. Note: The weekly values represent the predicted percentage difference from the typical level of spending (prior to the pandemic declared by the World Health Organization on March 11, 2020) after adjusting for day-of-week, month, and year effects, based on daily data. The typical level corresponds to a value of zero.

Weekly data for hotel demand still strong



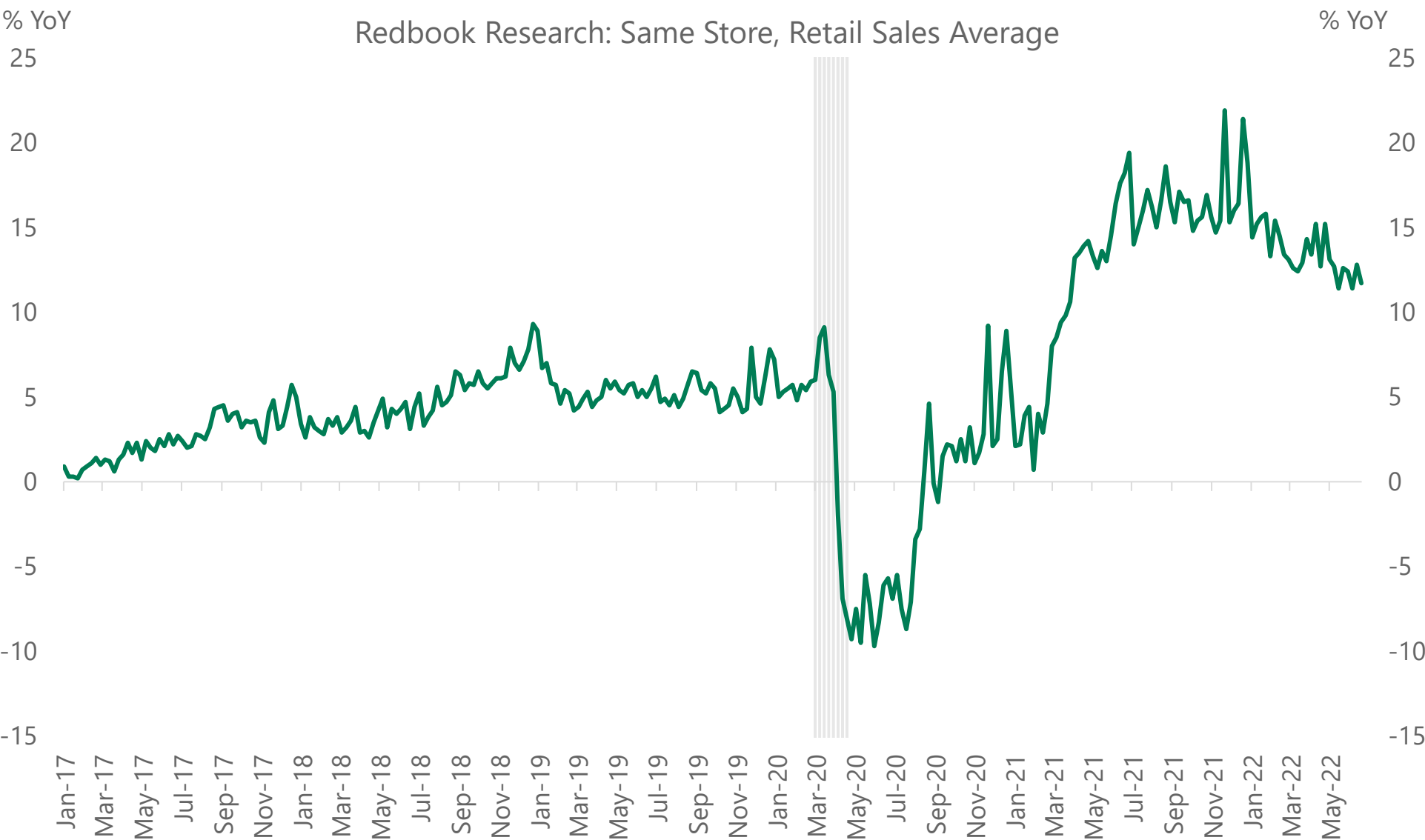
Source: STR, Haver Analytics, Apollo Chief Economist

Las Vegas occupancy rate at pre-pandemic level



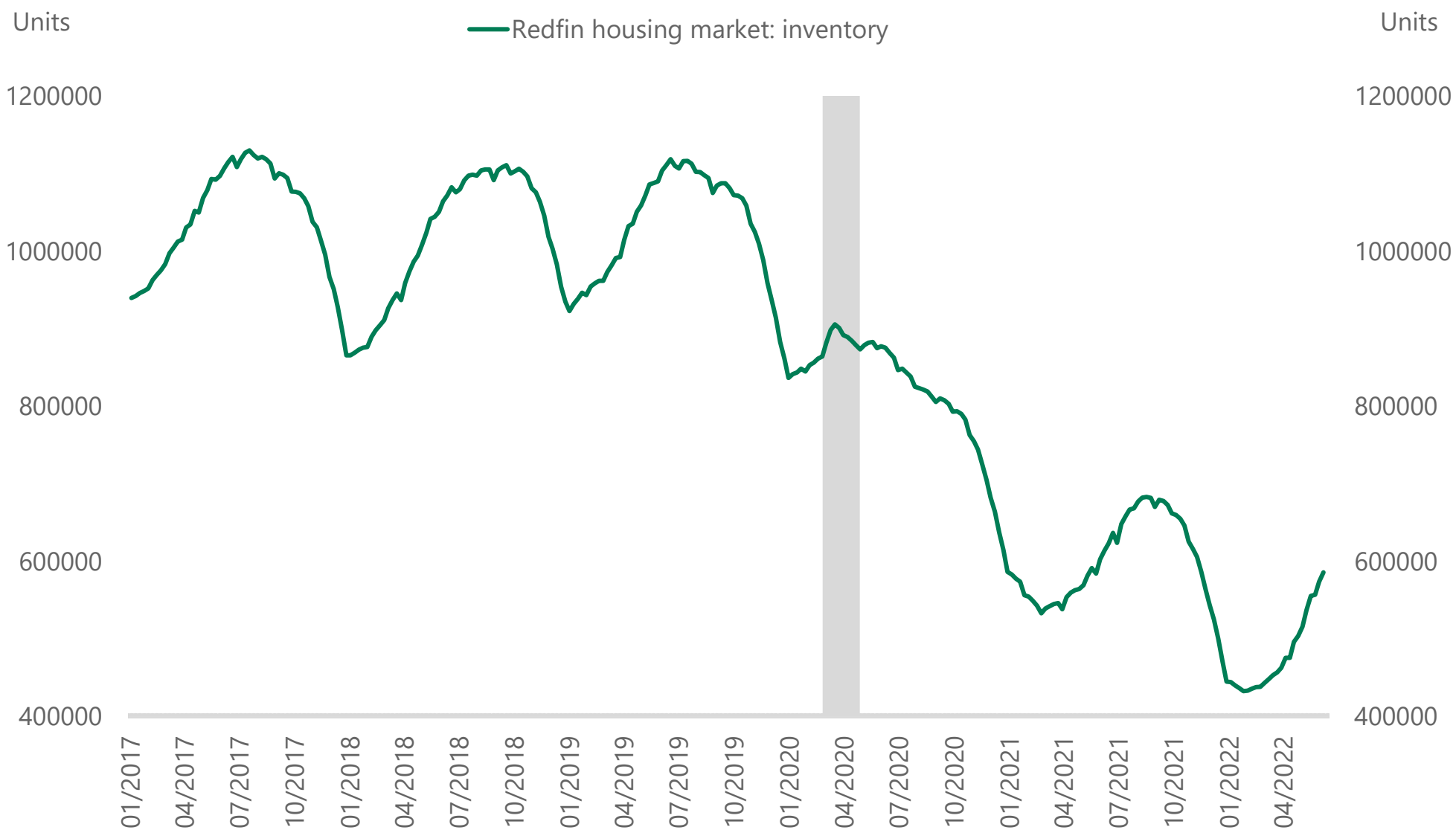
Source: Bloomberg, Apollo Chief Economist

Slowdown in same-store retail sales consistent with shift from goods to services



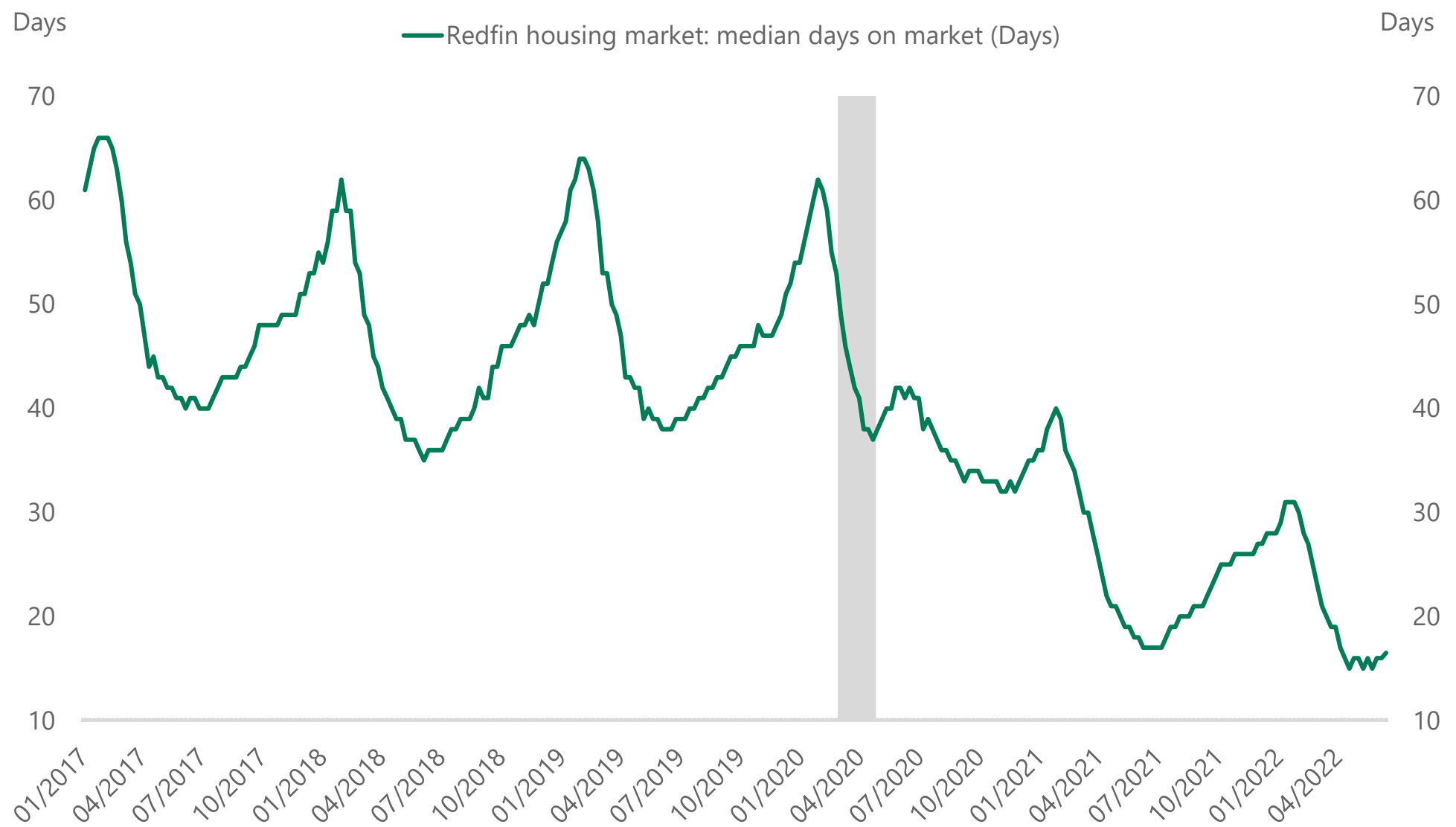
Source: Redbook, Haver Analytics, Apollo Chief Economist

Weekly housing inventory starting to trend higher



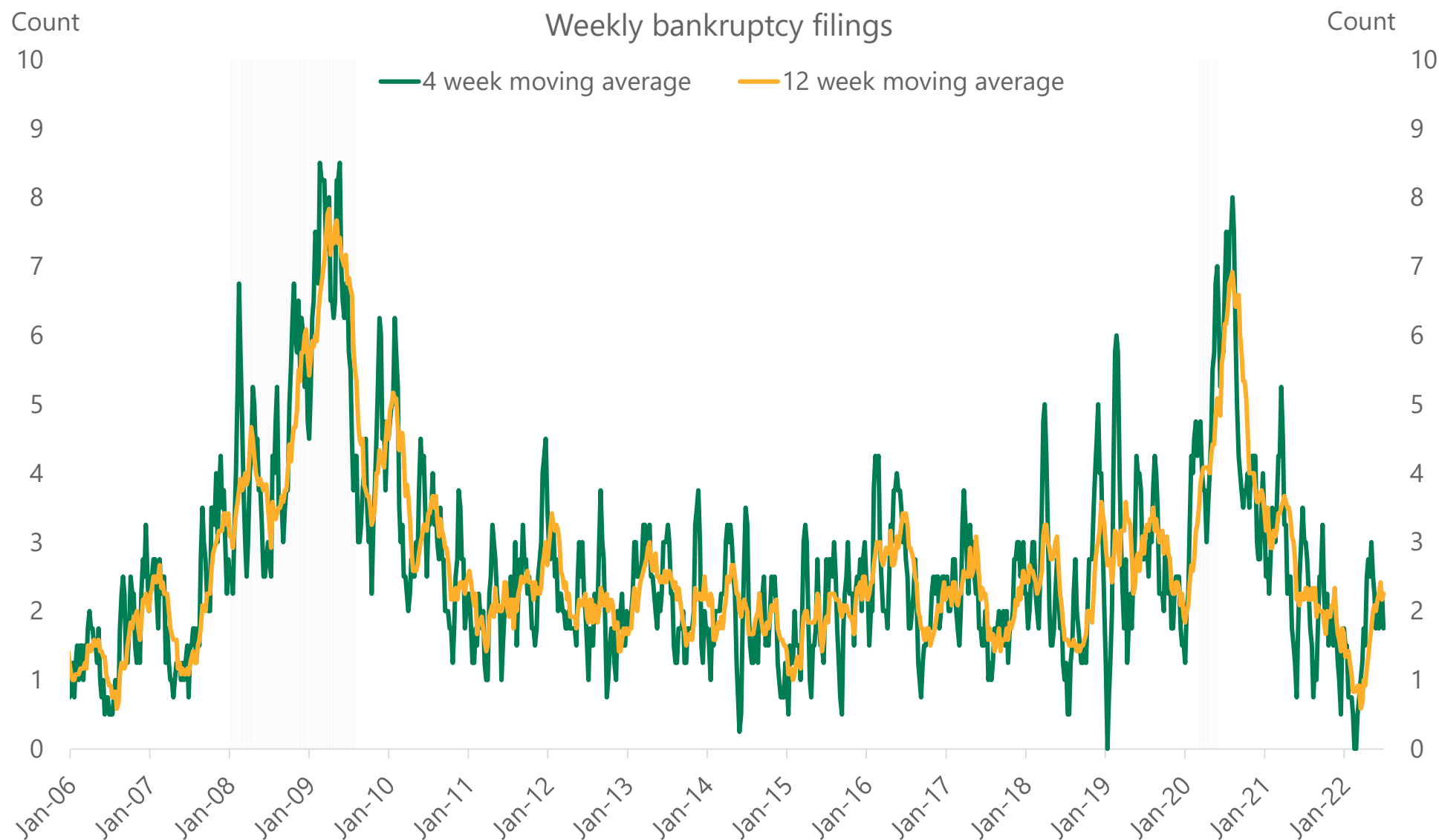
Source: Redfin, Haver, Apollo Chief Economist

Homes typically sold in 17 days compared to 61 days before pandemic



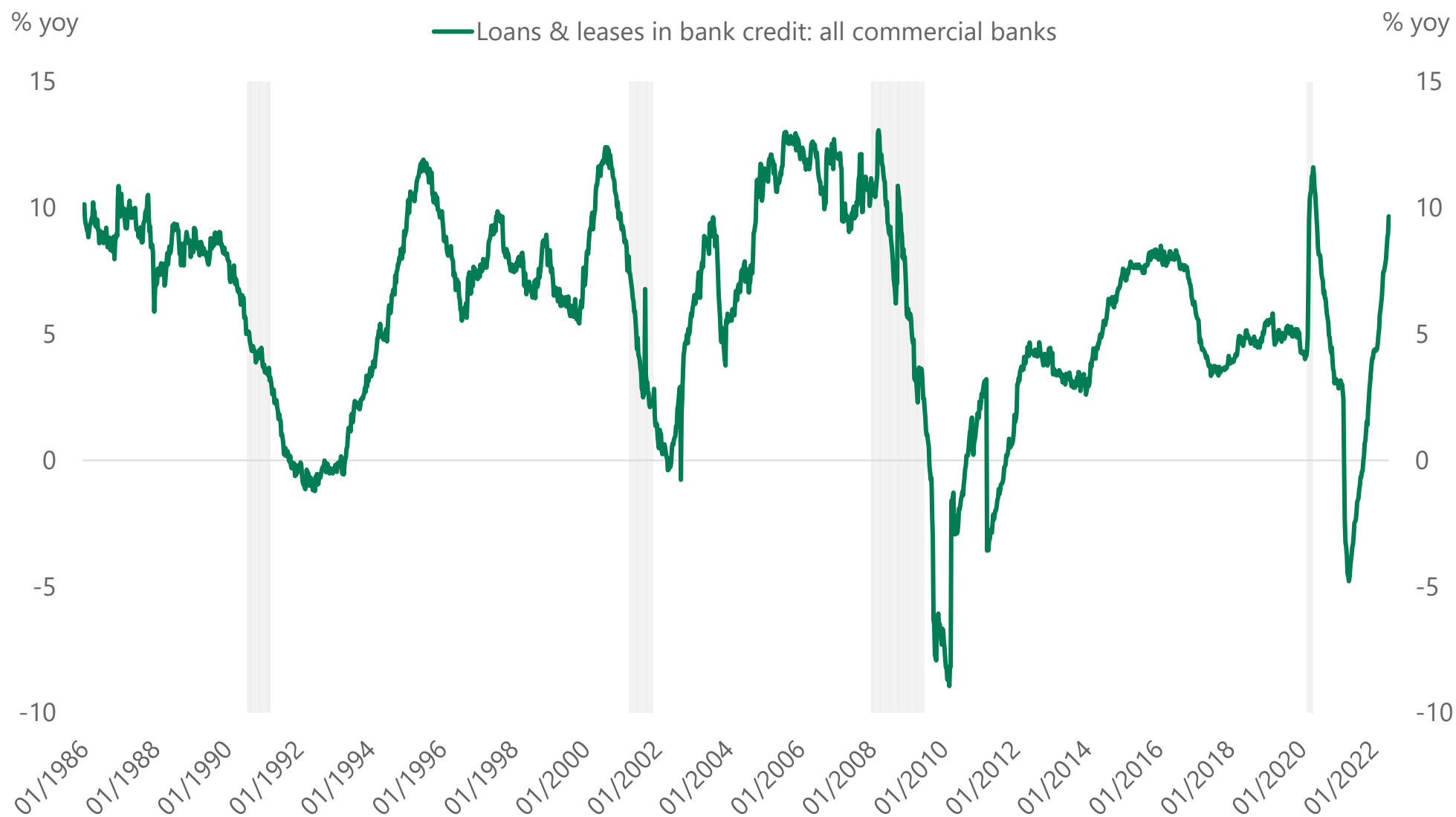
Source: Redfin, Haver, Apollo Chief Economist

Bankruptcy filings stabilizing at normal levels



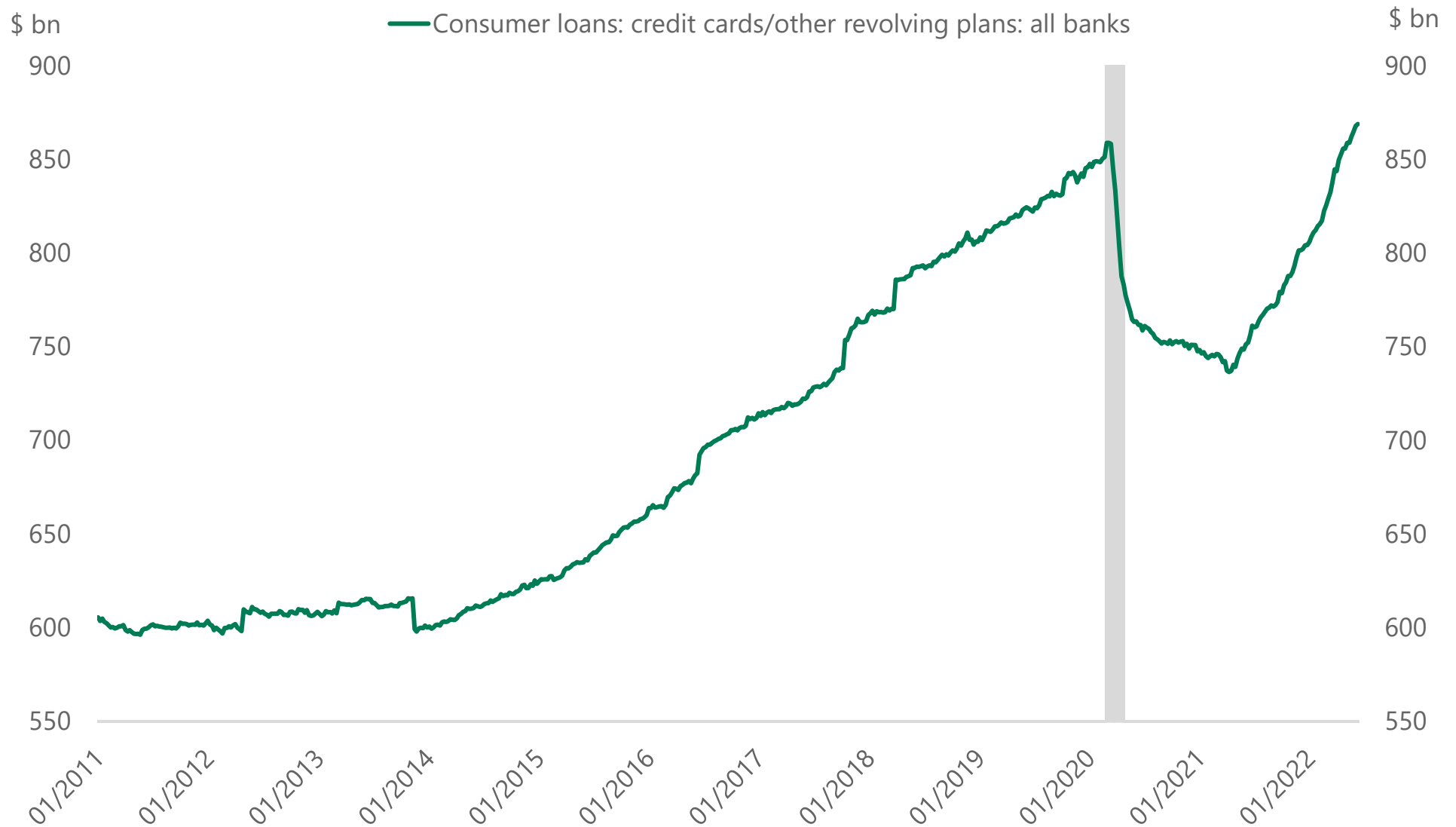
Source: Bloomberg, Apollo Chief Economist. Note: Filings are for companies with more than \$50mn in liabilities. For week ending on Thursday

Banks' weekly loan growth is still strong



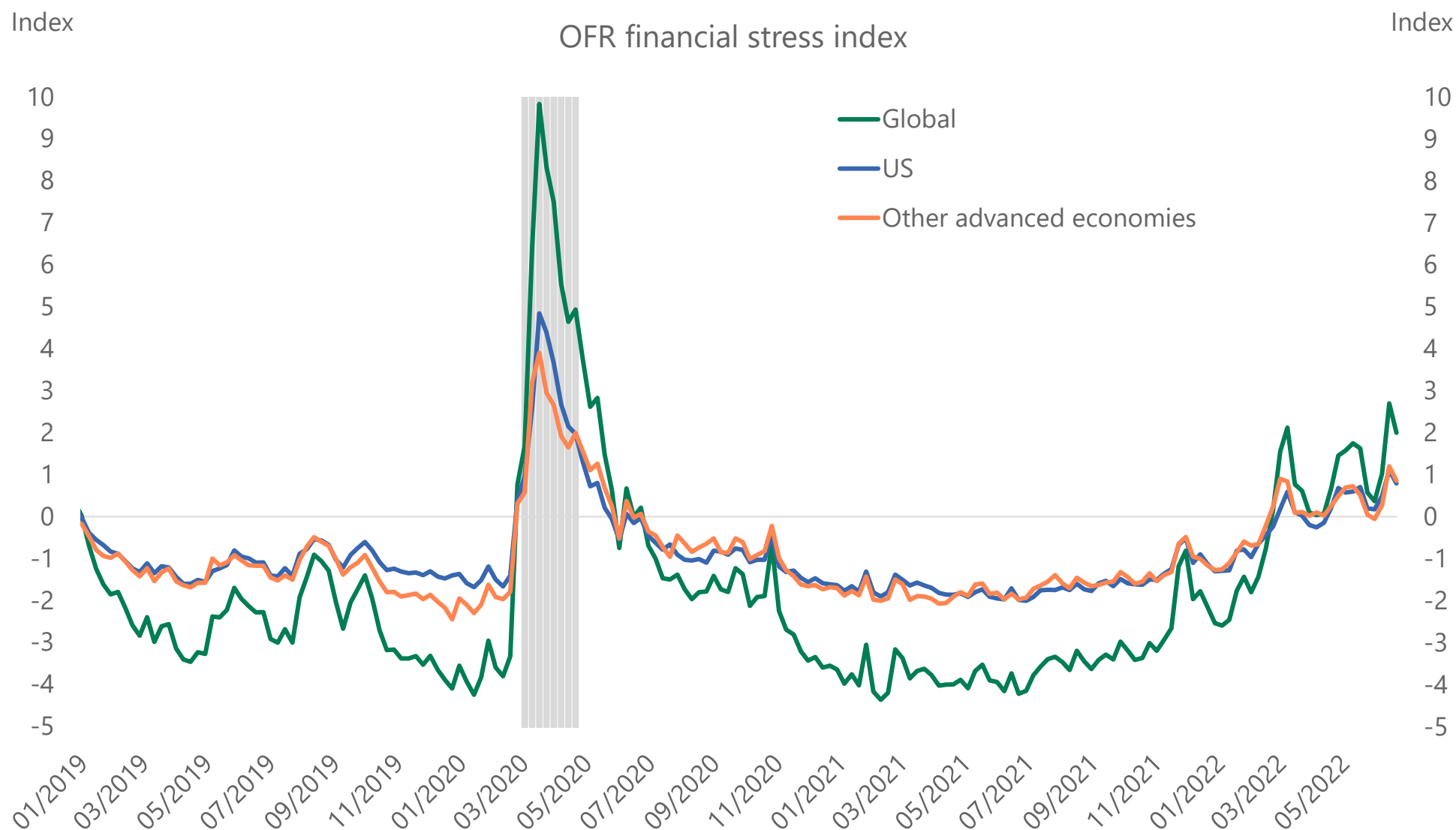
Source: FRB, Haver, Apollo Chief Economist

Weekly credit card debt is rising as the economy re-opens



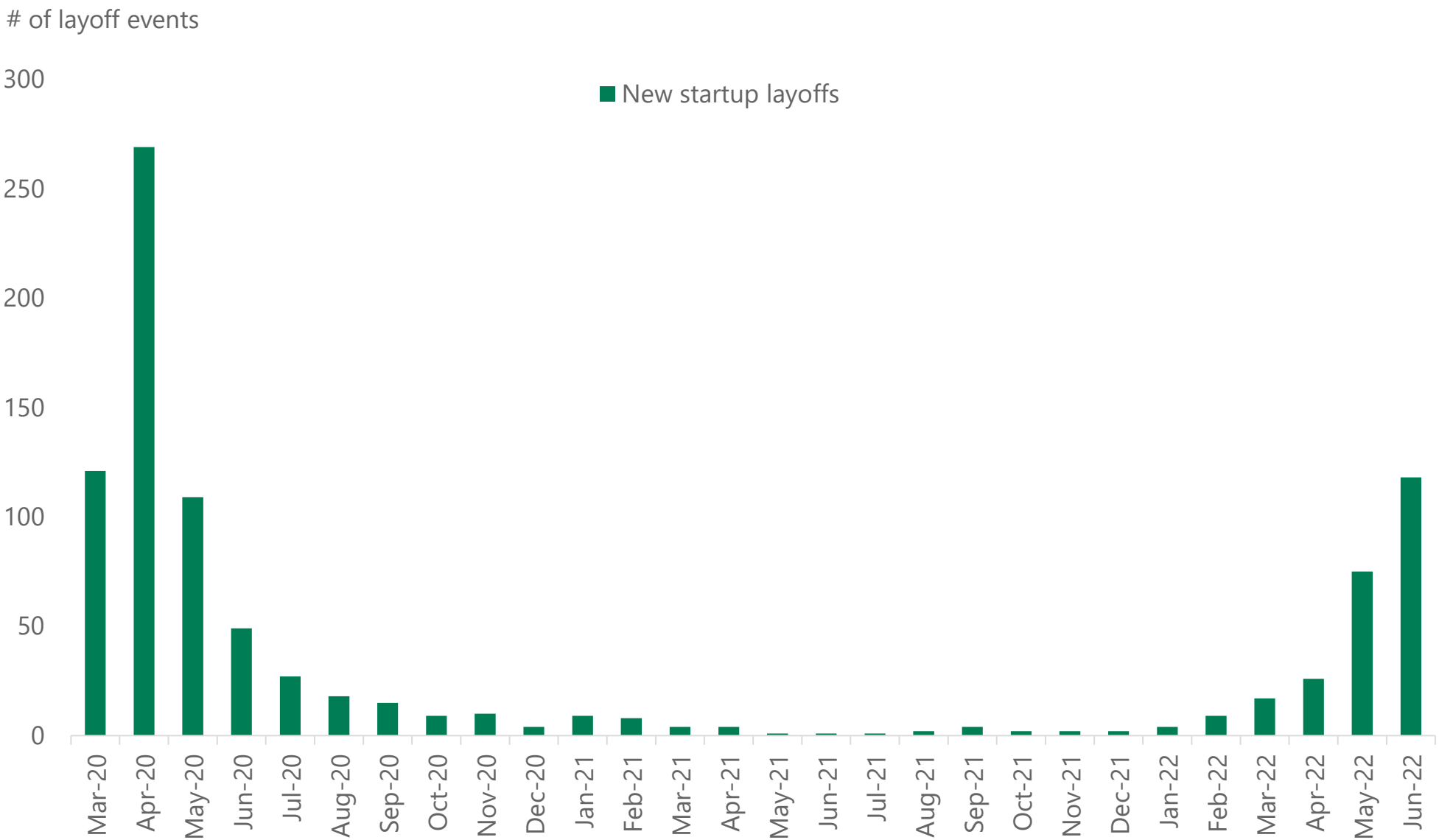
Source: FRB, Haver, Apollo Chief Economist

Stress in financial markets still relatively limited in Fed measures



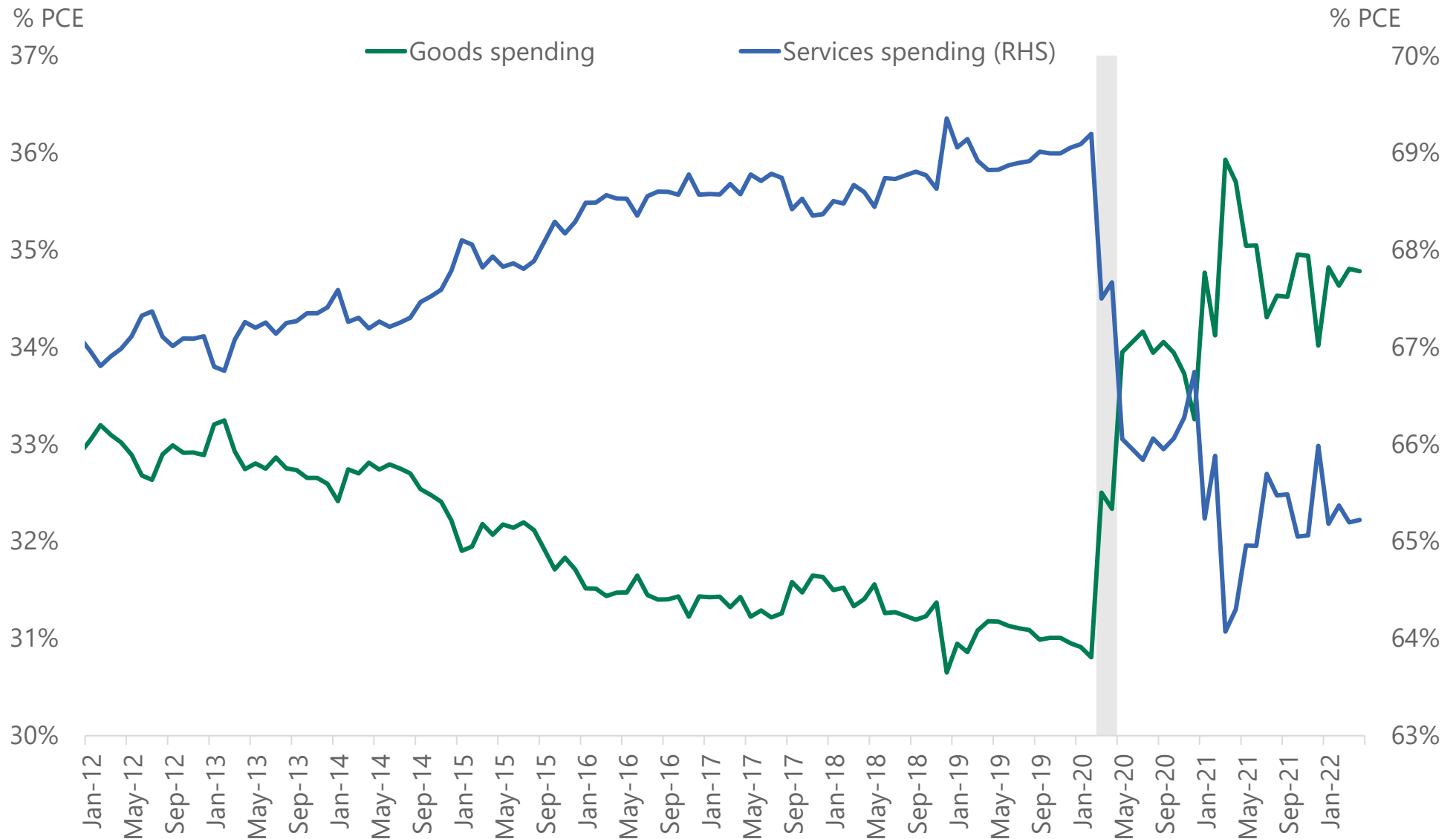
Source: Office for Financial Research, Haver, Apollo Chief Economist (Note: The OFR Financial Stress Index (OFR FSI) is a daily market-based snapshot of stress in global financial markets. It is constructed from 33 financial market variables, such as yield spreads, valuation measures, and interest rates. The OFR FSI is positive when stress levels are above average, and negative when stress levels are below average.)

Rising number of layoffs at tech startups



Source: Layoffs.fyi, Apollo Chief Economist. Note: Top 5 sectors that account for layoffs in May 2022: Transportation, Food, Travel, Finance, and Real Estate.

Shift from goods to services coming in US consumer spending



Source: BEA, Haver Analytics, Apollo Chief Economist

Heatmap for the US economy and US financial markets

		Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Latest
ECONOMIC CYCLE	Inflation (% YoY)	2.3	1.5	0.6	1.4	1.4	2.6	5.4	5.4	7.0	8.5	8.6
	Core Inflation (% YoY)	2.3	2.1	1.2	1.7	1.6	1.6	4.5	4.0	5.5	6.5	6.0
	Economic Growth (% YoY)	2.6	0.6	-9.1	-2.9	-2.3	0.5	12.2	4.9	5.5	3.5	3.5
	New Home sales (000s)	688.0	610.0	922.0	991.0	871.0	881.0	714.0	732.0	839.0	715.0	696.0
	Consumer Sentiment	99.3	89.1	78.1	80.4	80.7	84.9	85.5	72.8	70.6	59.4	50.0
	Inventory to sales ratio (retailers)	1.4	1.5	1.2	1.2	1.3	1.1	1.1	1.1	1.2	1.2	1.2
	ISM Manufacturing PMI	47.9	49.1	52.4	55.4	60.5	63.7	60.9	60.5	58.8	57.1	56.1
	Homebuilder sentiment	76	72	58	83	86	82	81	76	84	79	67
	Unemployment rate (%)	3.6	4.4	11.0	7.9	6.7	6.0	5.9	4.7	3.9	3.6	3.6
	Average hourly wage (% YoY)	2.9	3.6	5.1	4.8	5.5	4.4	4.0	4.8	4.9	5.6	5.2
	JOLTS Quits rate (%)	2.3	2.0	1.9	2.2	2.4	2.6	2.8	2.9	3.0	2.9	2.9
	Jobless claims	238.0	2316.8	1490.3	851.8	836.8	669.3	419.5	370.0	221.8	178.0	207.0
MARKET CYCLE	S&P 500 Forward P/E ratio	18.3	16.3	21.7	21.5	22.7	21.9	21.3	20.1	21.4	19.4	16.0
	IG Spread (bps)	101	305	160	144	103	97	86	89	98	122	158
	HY Spread (bps)	360	877	644.0	541	386	336.0	304	315	310	343	562
	Yield curve (bps)	31	22	65	59	84	154	144	129	139	193	242
	10 year yield	1.92	0.67	0.66	0.69	0.92	1.74	1.47	1.49	1.51	2.34	3.07
	VIX	13.8	53.5	30.4	26.4	22.8	19.4	15.8	23.1	17.2	20.6	28.2
	MOVE Index	58.3	83.9	54.1	39.2	49.0	71.3	57.3	61.1	77.1	106.9	130.4
	M&A Transaction value (\$bn)	483.2	365.0	155.9	557.8	762.8	716.0	929.7	859.7	850.1	714.6	714.6
	S&P 500 buybacks (\$bn)	181.6	198.7	88.7	101.8	130.6	178.1	198.8	234.6	270.1	281.0	281.0
	IPO volume (\$bn, 3 month sum)	12.2	23.0	29.3	65.5	65.7	155.0	49.8	40.0	54.2	6.9	3.6
	SPAC volume (\$bn, 3 month sum)	3.8	5.9	11.9	40.4	39.3	113.4	15.1	14.1	22.7	4.6	2.9

Source: Apollo Chief Economist. Colours based on deviation from mean. Green = mean +/- 0.5 stdev; Yellow = +/- 0.5 to 1 stdev; Red = +/- 1 stdev. For PMI>50 is red and less than 50 is green. Consumer sentiment and MOVE > mean is red and < mean is green and for jobless claims vice-versa. Data starts in 2010.

Biography



Torsten Slok, Ph.D.

Chief Economist

Apollo Global Management

tslok@apollo.com

Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade, including #1 in 2019. Prior to joining Deutsche Bank Mr. Slok worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D in Economics and has studied at the University of Copenhagen and Princeton University.