

Chart of the Day

Weighing the Good & the Bad



The Good

2022 GDP	3.5%	<ul style="list-style-type: none"> • 2021 US GDP growth (5.7%) was strongest in 40 years • 2022 US GDP growth (3.5%) is nearly 2x "normal" trend growth
"Excess" Savings	\$2.6 trillion	<ul style="list-style-type: none"> • > \$5 trillion "excess" consumer savings globally (\$2.6 trillion in US)
Household Wealth	\$144 trillion	<ul style="list-style-type: none"> • US household wealth increased \$28 trillion to \$144 trillion during COVID (\$4 trillion increase in liquid; \$16 trillion housing & securities)
Unemployment Rate	4%	<ul style="list-style-type: none"> • Near multi-decade lows; 85% of 22mm US COVID job losses recovered • +647k, +510k and +467k job gains in US in Nov, Dec and January despite Omicron
Wage Growth	5.7%	<ul style="list-style-type: none"> • US wage growth in January was the highest in 12 months, with lower income brackets out-performing
Consumer Spending	4%	<ul style="list-style-type: none"> • 2022 US consumer spending growth forecast at +4%, below record of 8% in 2021, but still 25% above pre-pandemic levels
Default Rate	0.8%	<ul style="list-style-type: none"> • USD HY default rate hit an all-time record low of 0.8% in January • Zero defaults in 6 of the last 12 months



The Bad

Inflation	7.5%	<ul style="list-style-type: none"> • 7.5% headline US inflation highest since Feb 1982; 6% core inflation highest since Aug 1982 • Primarily driven by COVID sensitive sectors, but expanding to non-COVID categories
Oil Prices	>\$100	<ul style="list-style-type: none"> • Low \$90s now, but heading above \$100 by year-end (strong demand, low supply, geo-political risk premium)
Labor Force Participation	62.2%	<ul style="list-style-type: none"> • Declining in US for 20 years; still below pre-pandemic level of 63.4%, though stronger improvement in January than anticipated
Consumer Confidence	61.7	<ul style="list-style-type: none"> • Univ of Michigan consumer sentiment index declined 5.5 points in early Feb to 61.7, the lowest reading in a decade (October 2011); • Declines highest among upper income households
Credit Spreads	> +40 bps	<ul style="list-style-type: none"> • USD HY & IG spreads +41 and +22 bps wider, respectively, than June multi-decade tight • HY index nearly +35 bps wider in 2022 YTD (IG +10 bps)
Volatility	29	<ul style="list-style-type: none"> • US equity volatility index (VIX) at 29, > 50% above 10 year average of 17
2s-10s YC	40 bps	<ul style="list-style-type: none"> • Historically, YC inversion has been the most accurate predictor of every US recession since 1970, typically with a lead time of 8-9 months

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