

APOLLO GLOBAL MANAGEMENT

Slowdown Watch: Daily and weekly indicators for the US economy

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Unless otherwise noted, information as of July 2022

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Arguments for inflation coming down

Commodity prices are trending lower

The Manheim used car price index has been declining in recent months, and rising car production is putting downward pressure on new and used vehicle prices

Airline ticket prices have been falling in June and July according to Hopper data

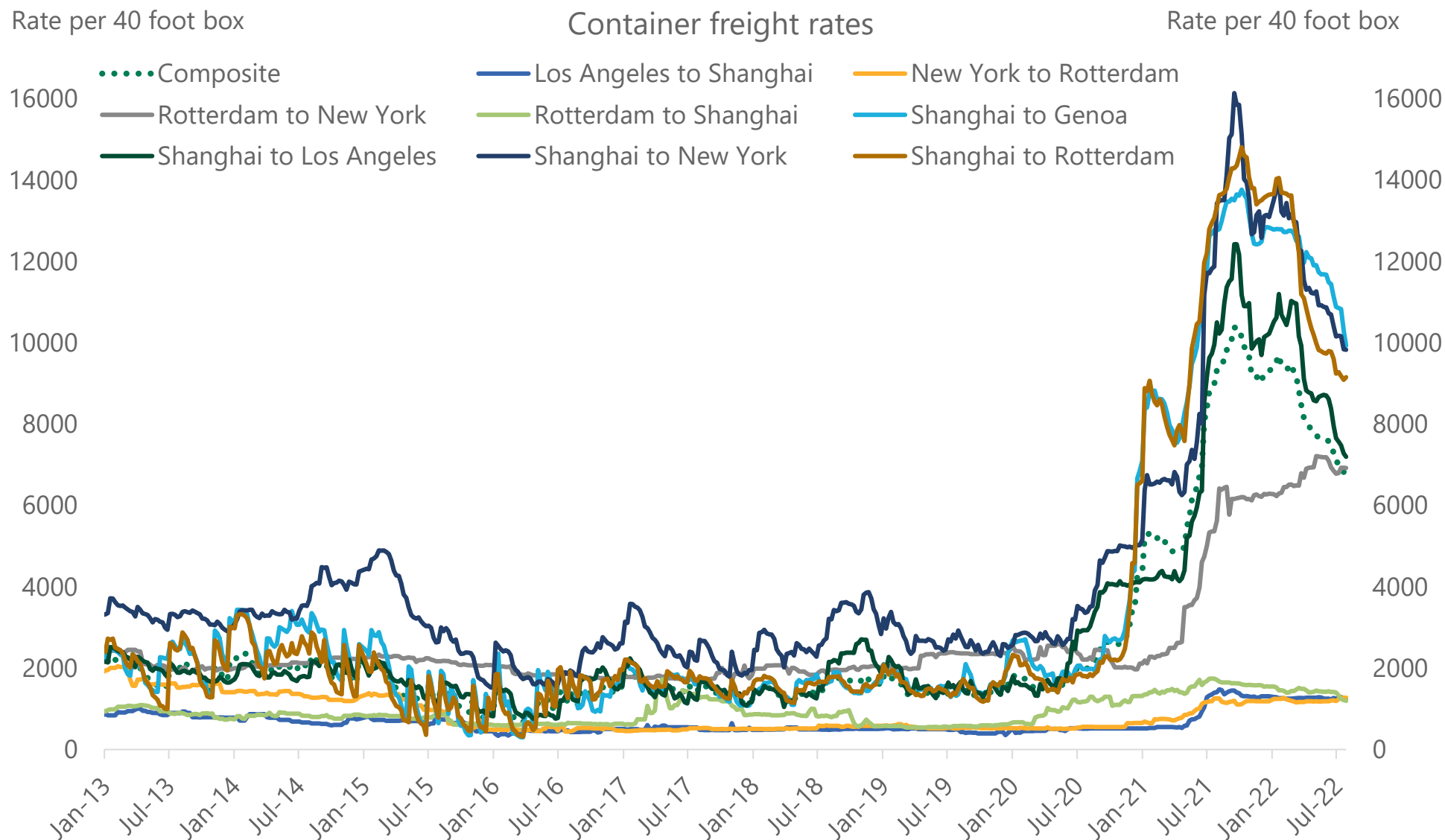
Increases in rents and home prices are moderating according to Zumper data

Supply chains are normalizing and transportation costs for goods are coming down across truck, train, container, and air freight.

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

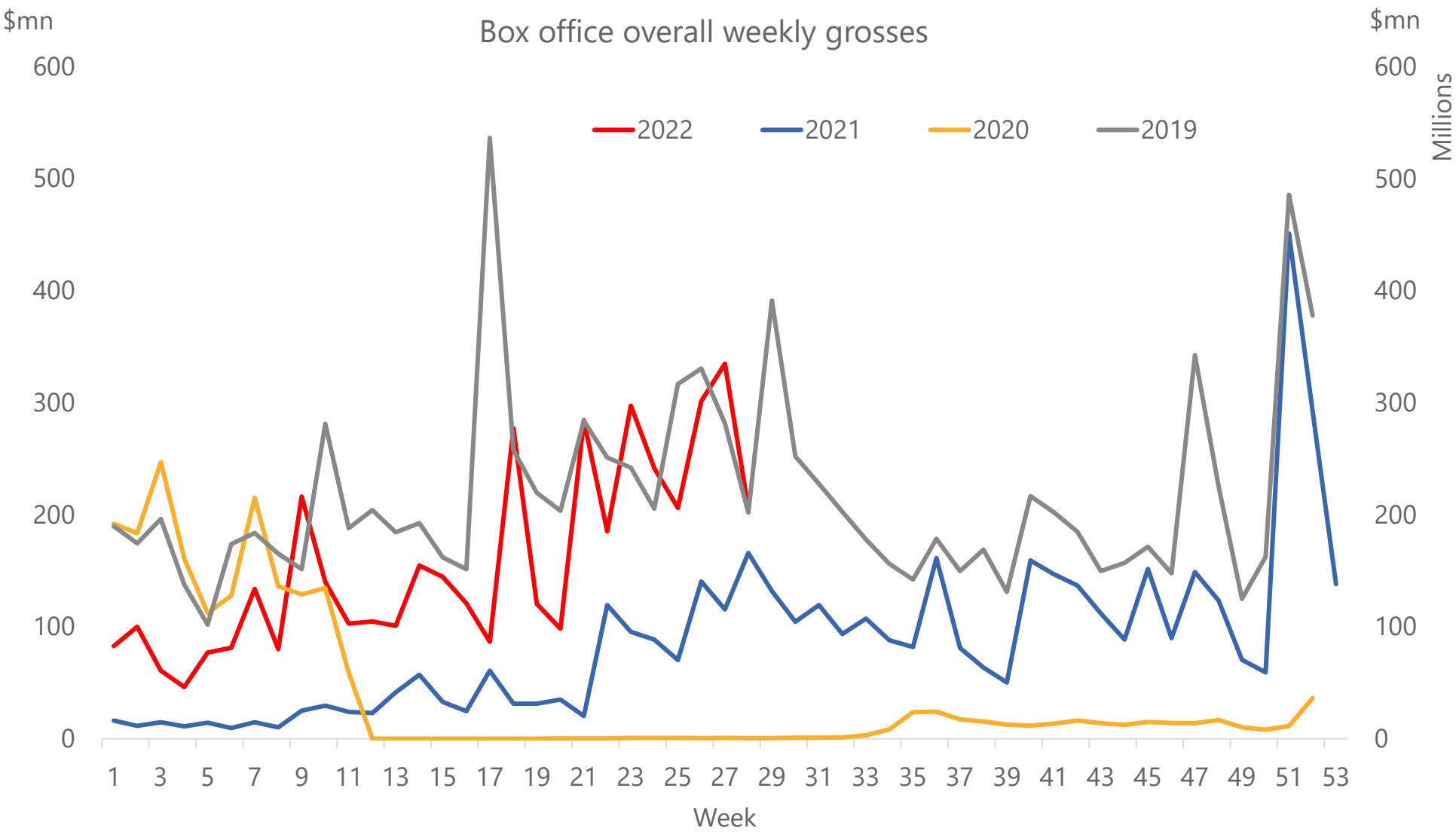
A higher dollar is lowering import prices

Container freight rates falling: Inflation pressures are easing



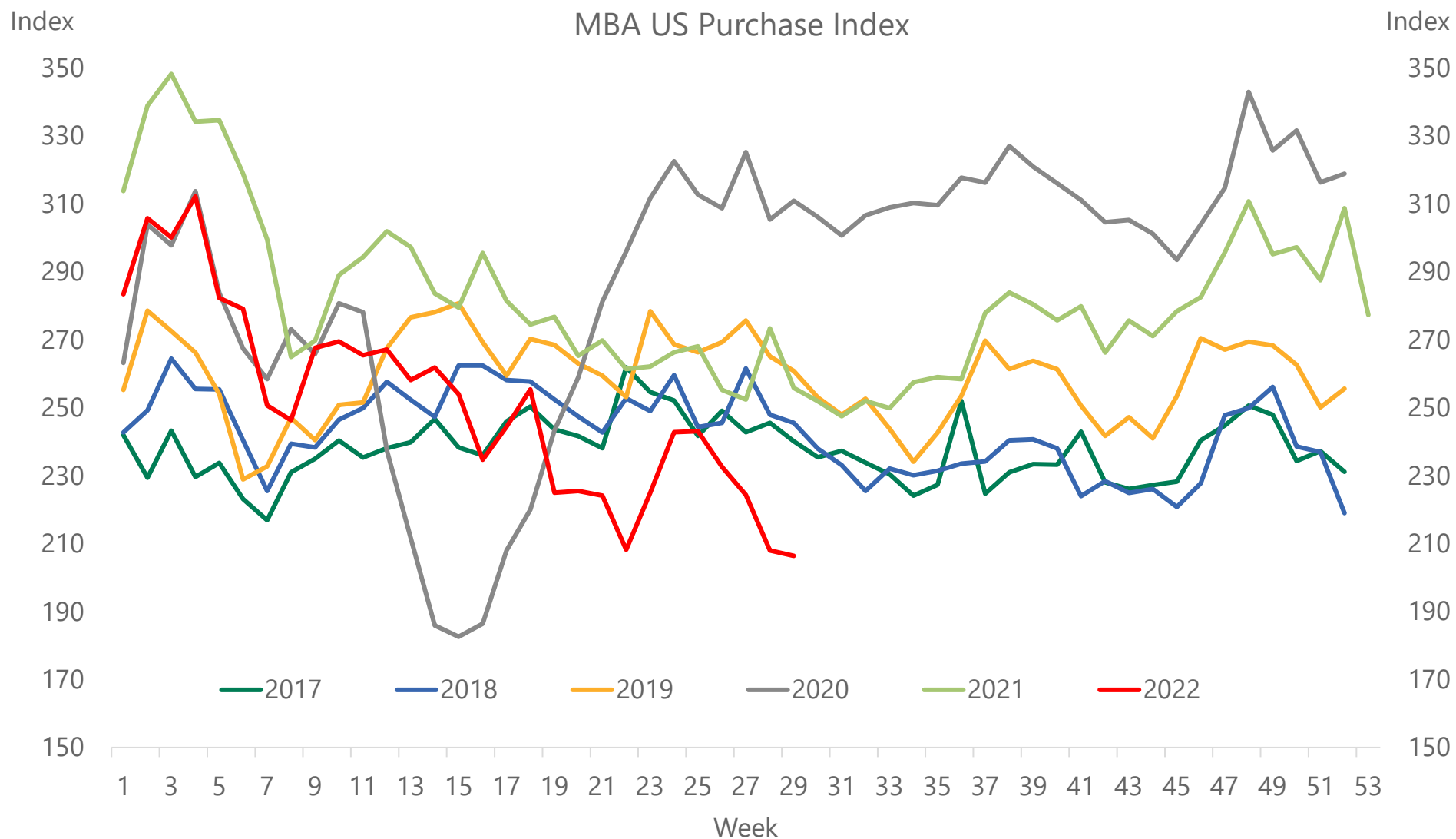
Source: WCI, Bloomberg, Apollo Chief Economist

Top Gun, Jurassic World, Minions, and Lightyear: Movie theatre visits trending higher



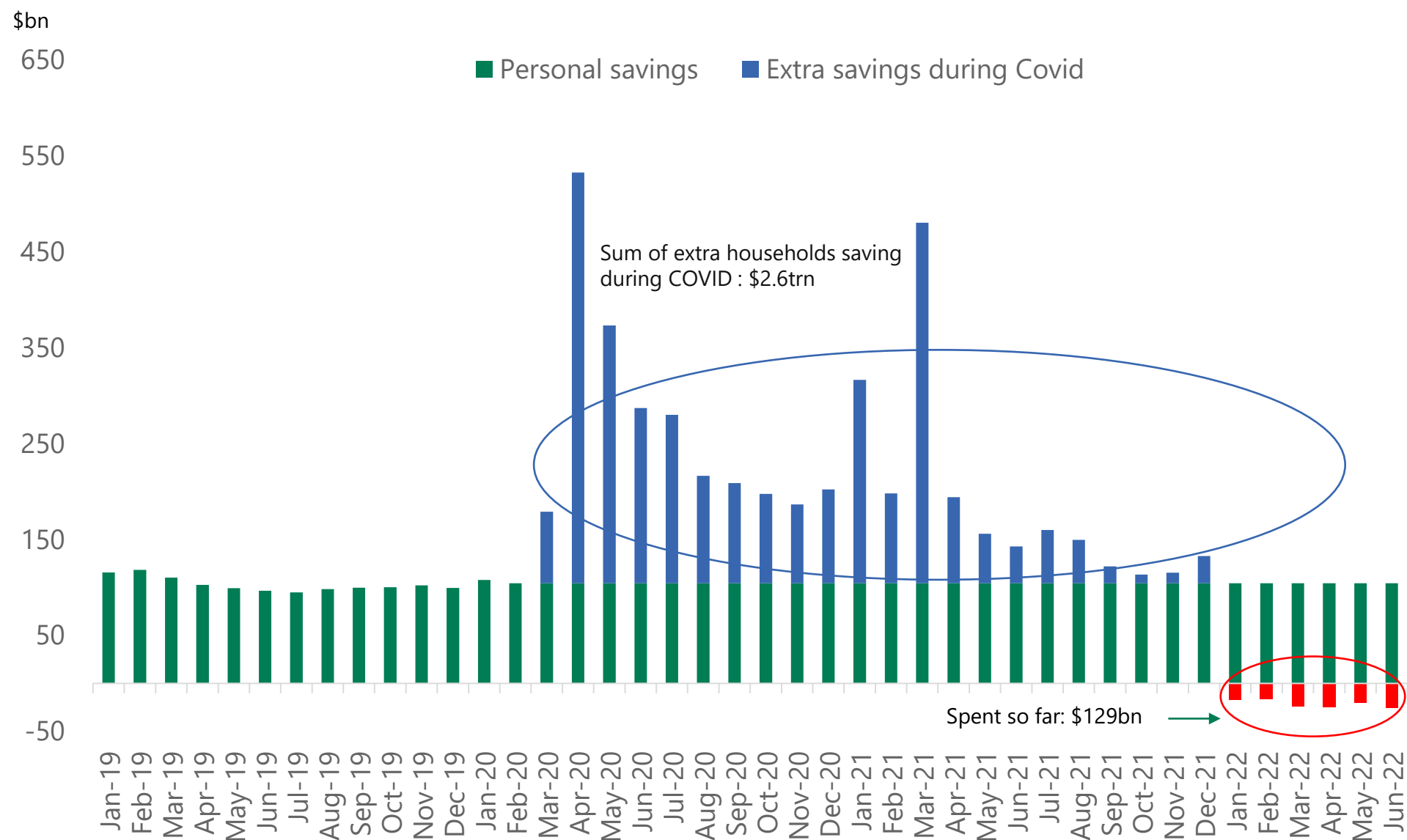
Source: Boxofficemojo.com, Apollo Chief Economist

Weekly mortgage purchase applications moving down



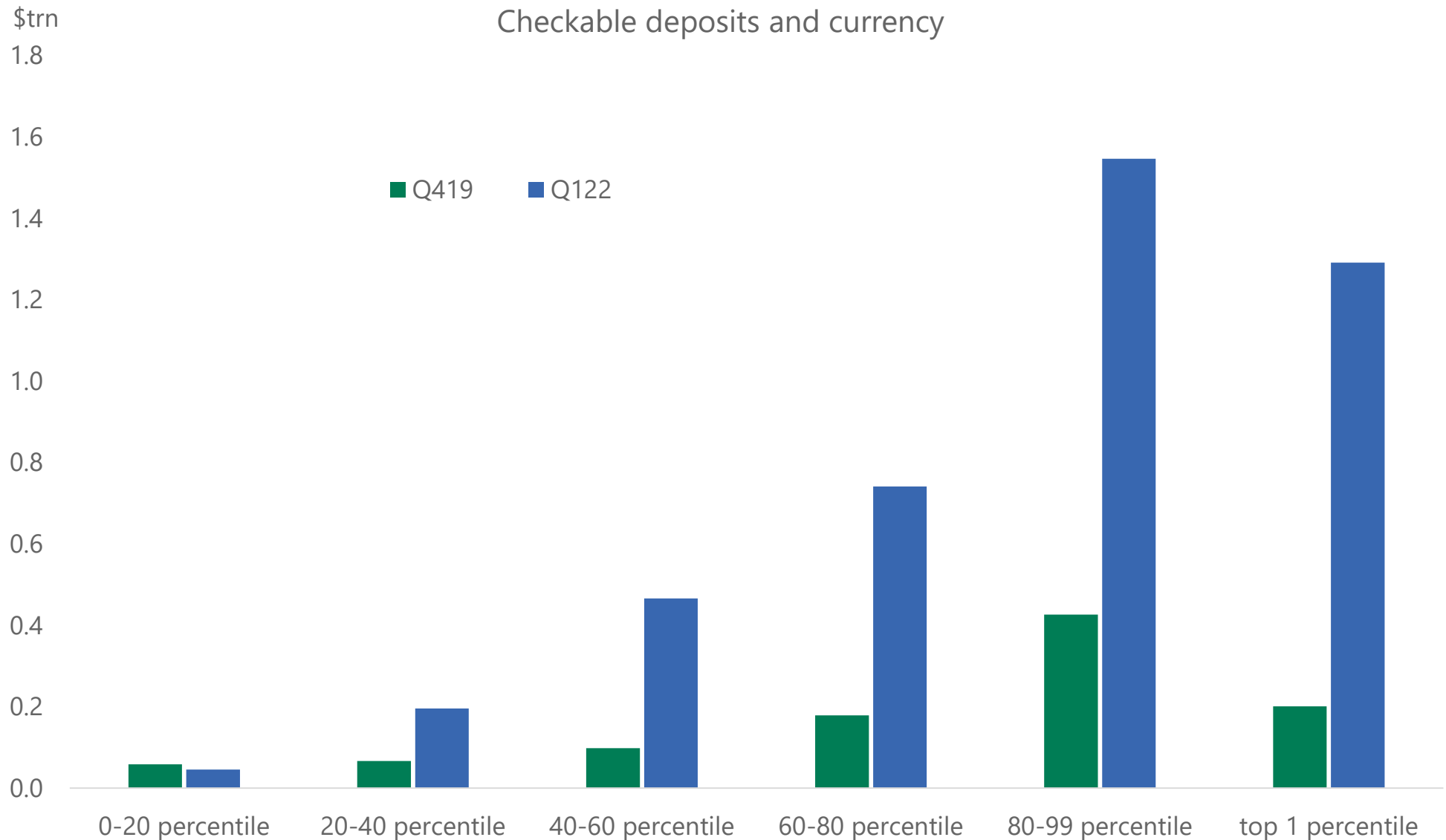
Source: Mortgage Bankers Association, Bloomberg, Apollo Chief Economist

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



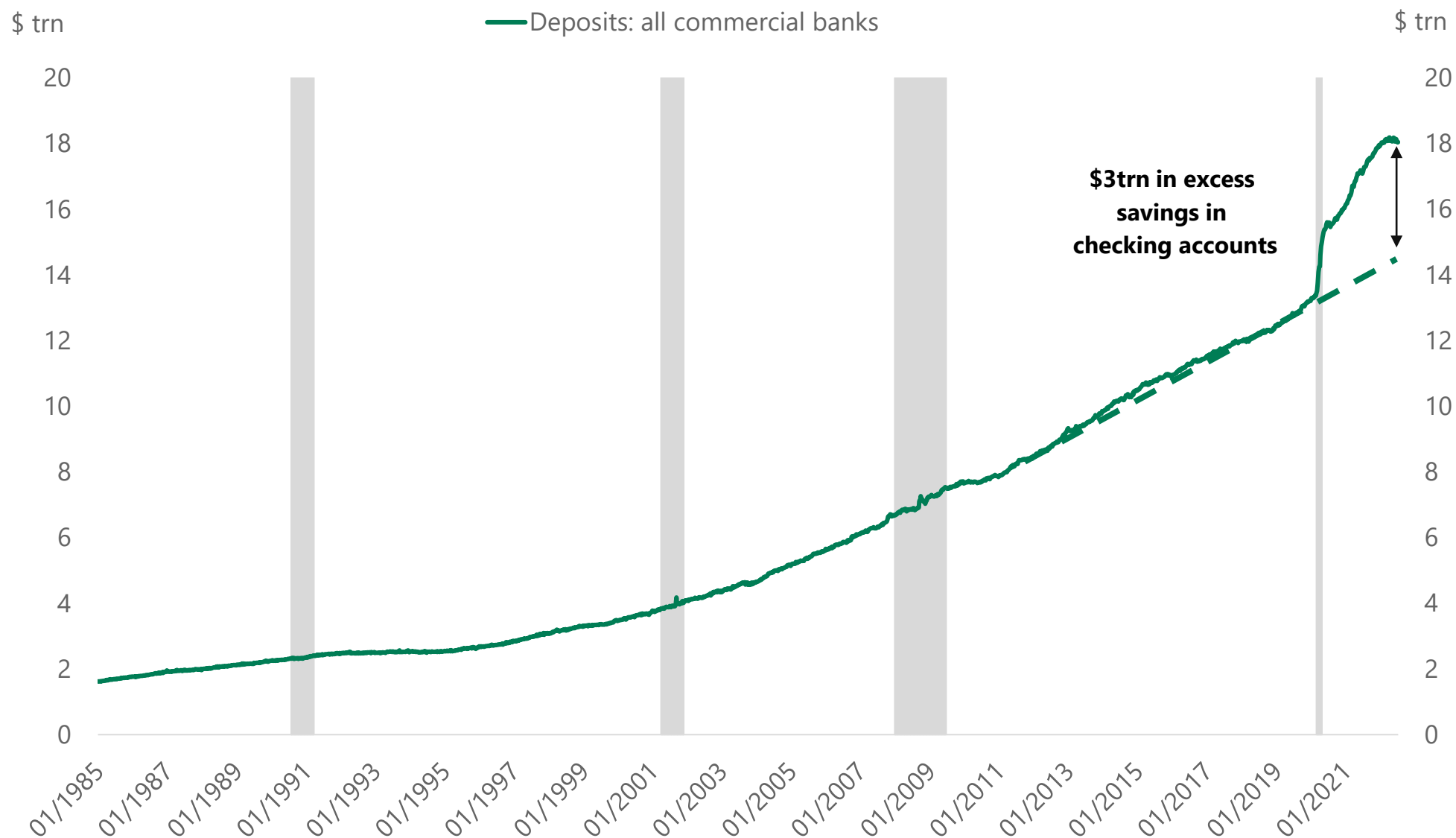
Note: Bloomberg, Apollo Chief Economist

Household savings across different income groups



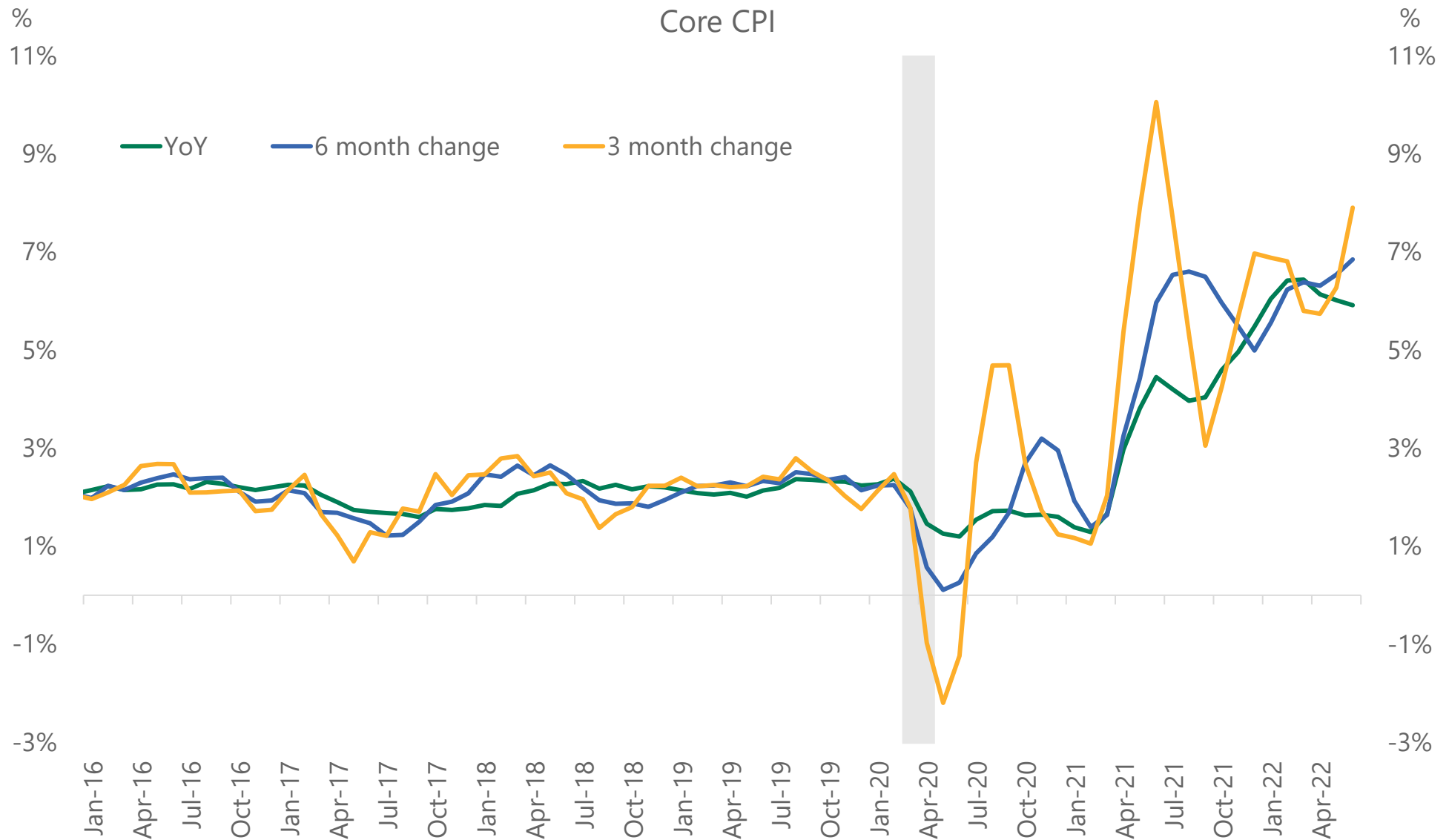
Source: FRB, Haver Analytics, Apollo Chief Economist

Record-high level of deposits at commercial banks



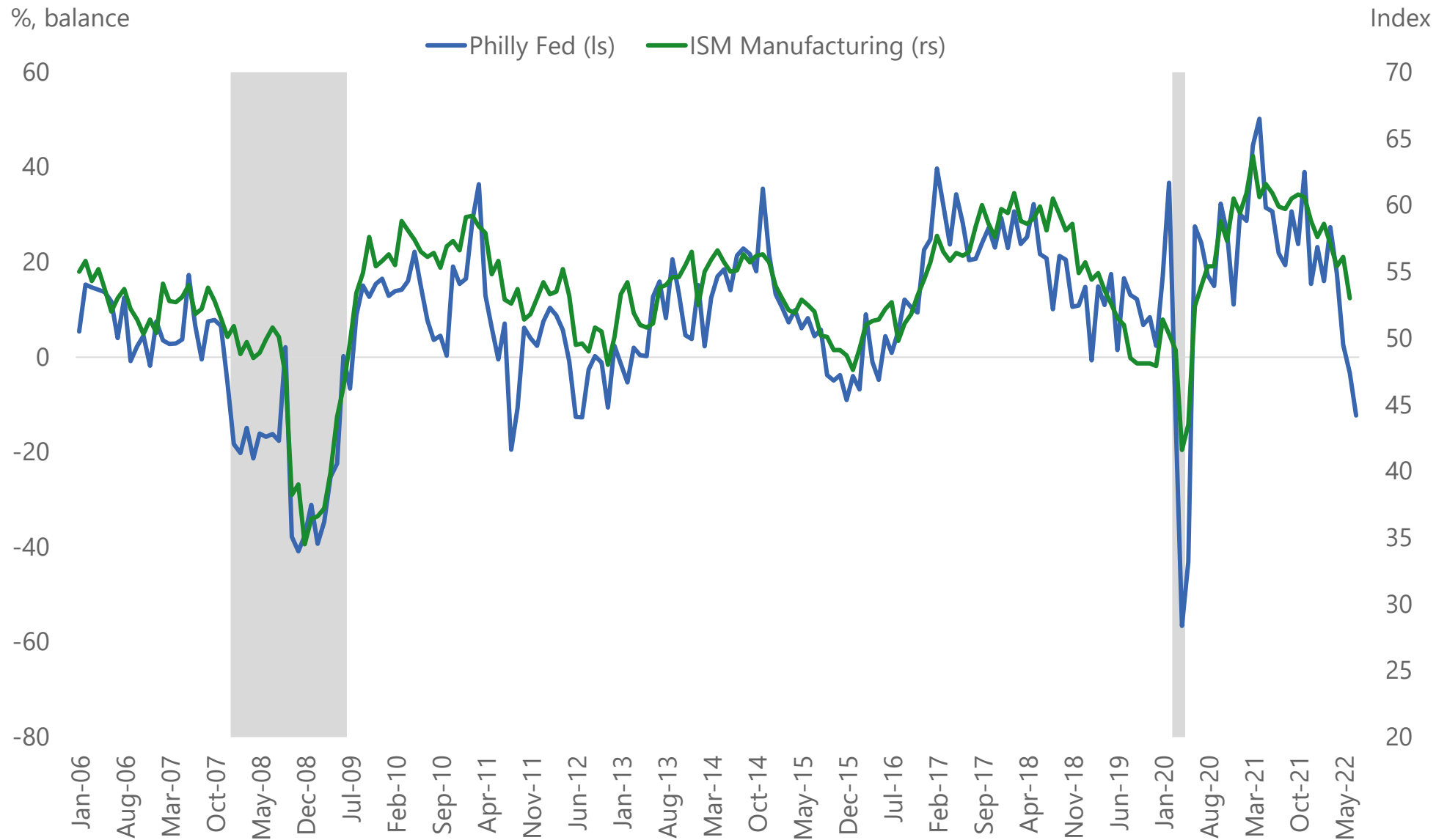
Source: FRB, Haver, Apollo Chief Economist

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



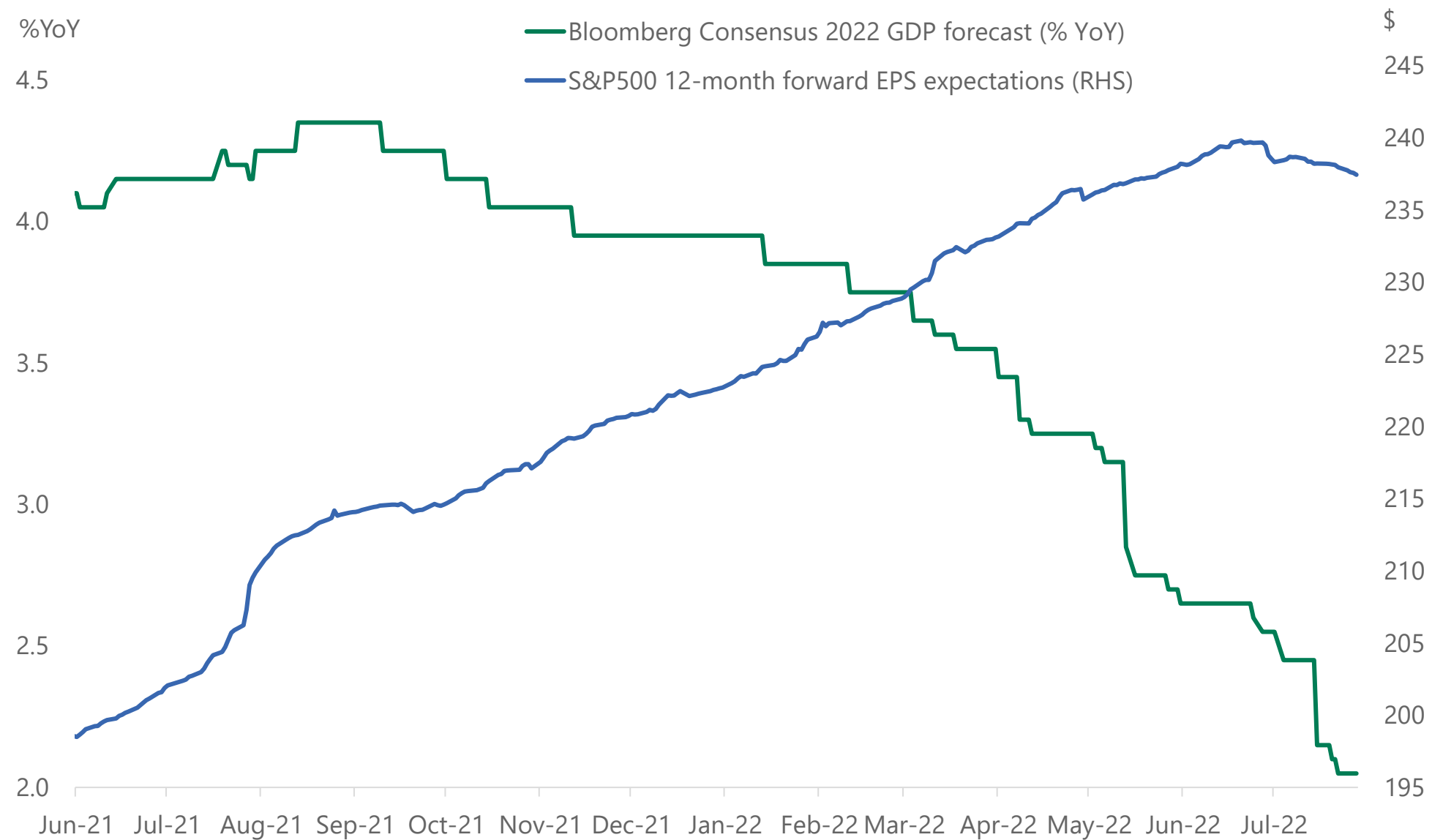
Source: BLS, Haver Analytics, Apollo Chief Economist

Manufacturing slowdown is ongoing



Source: ISM, Haver Analytics, Apollo Chief Economist

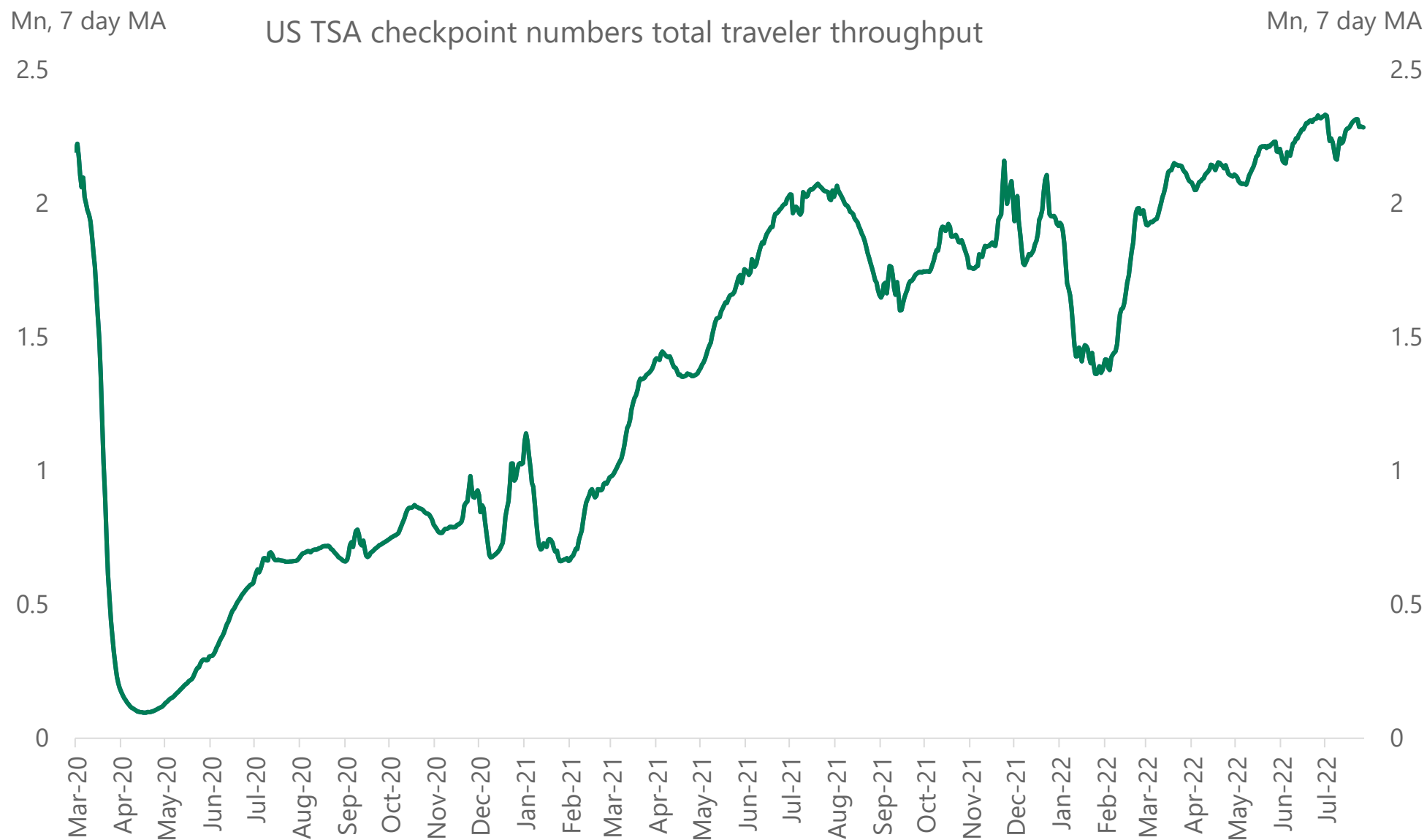
Divergence between S&P500 earnings expectations and GDP growth expectations



Source: Bloomberg, Apollo Chief Economist

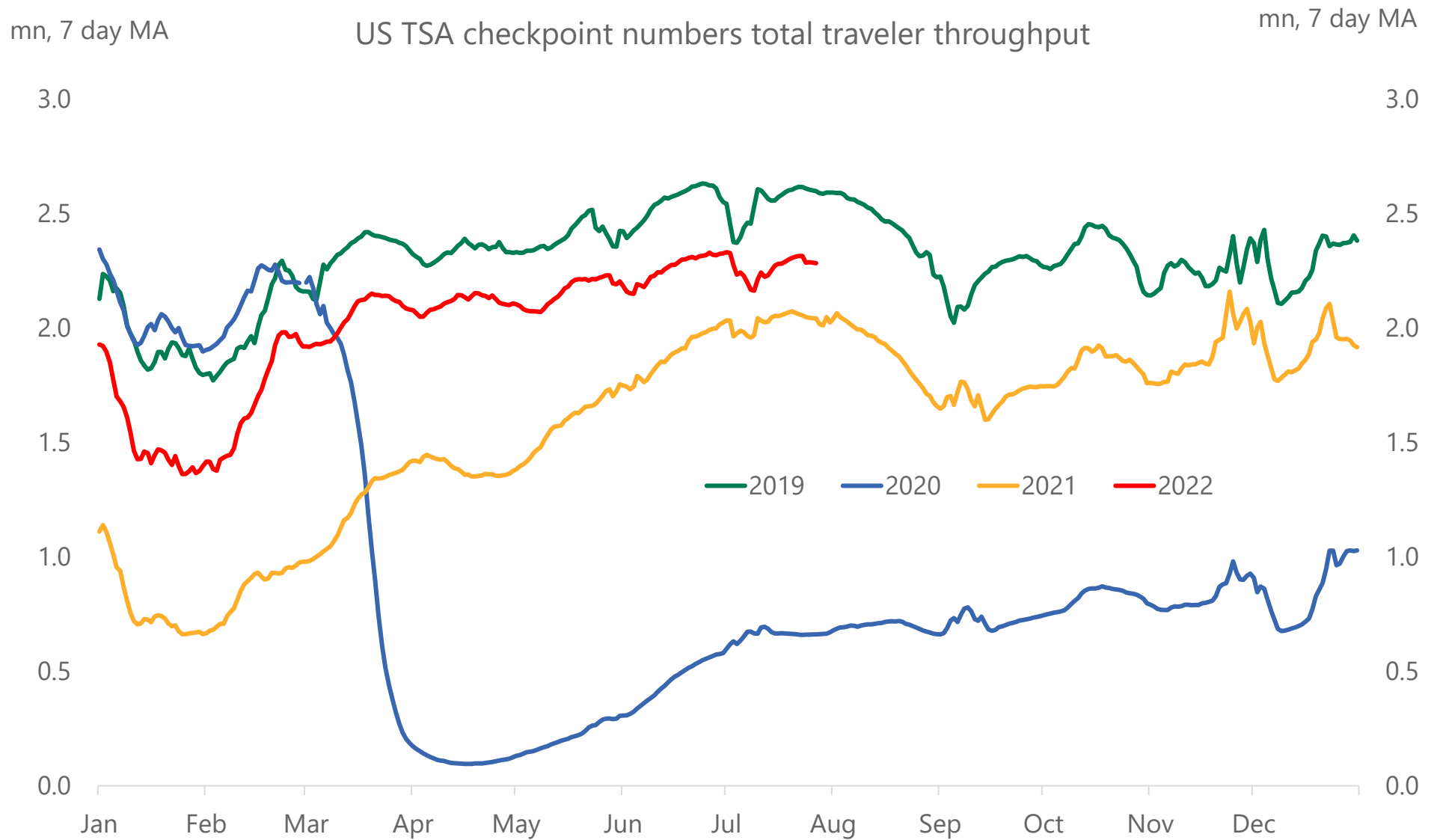
Daily economic indicators

US air travel is strong



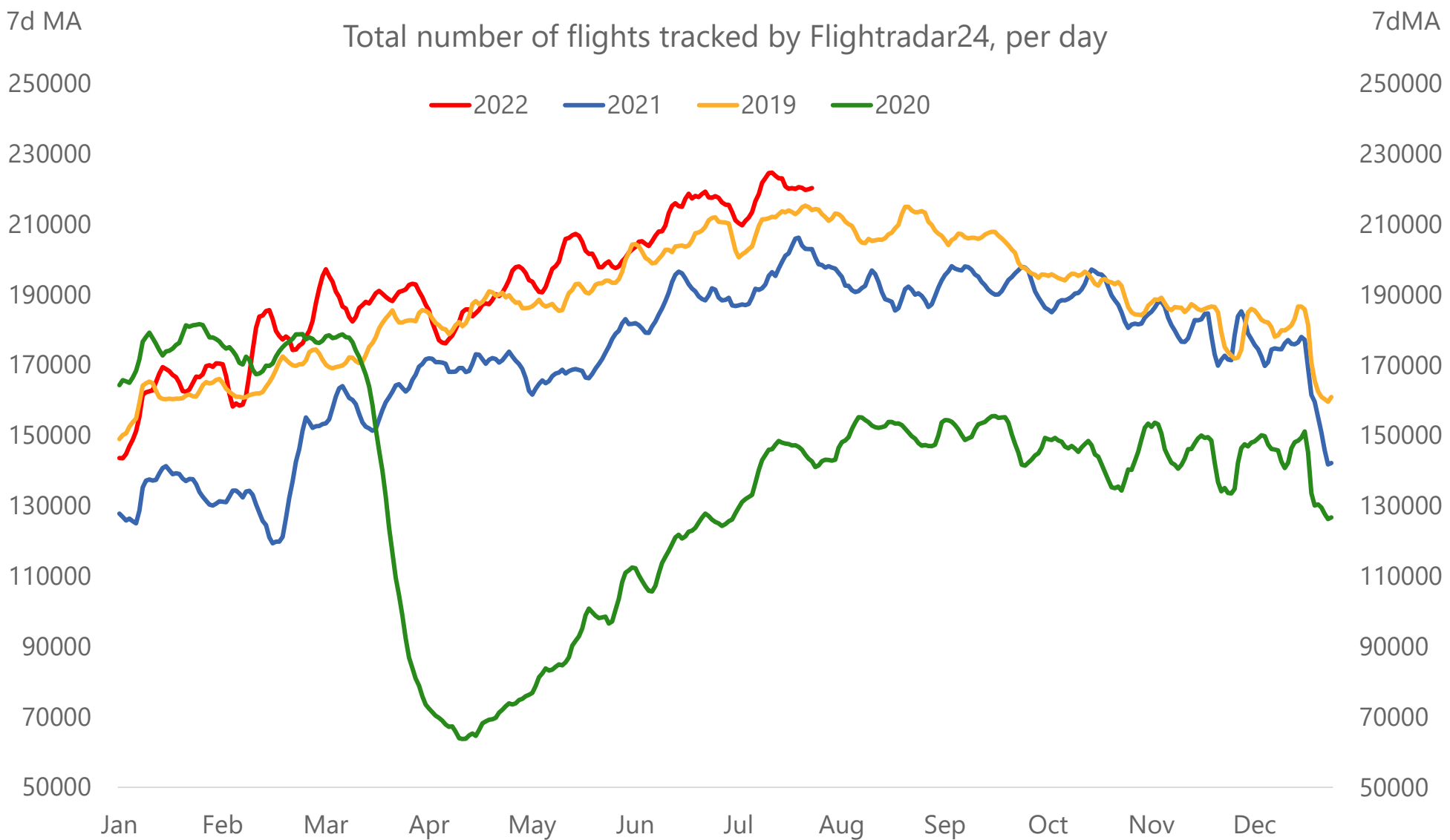
Source: TSA, Bloomberg, Apollo Chief Economist

US air travel near 2019 levels



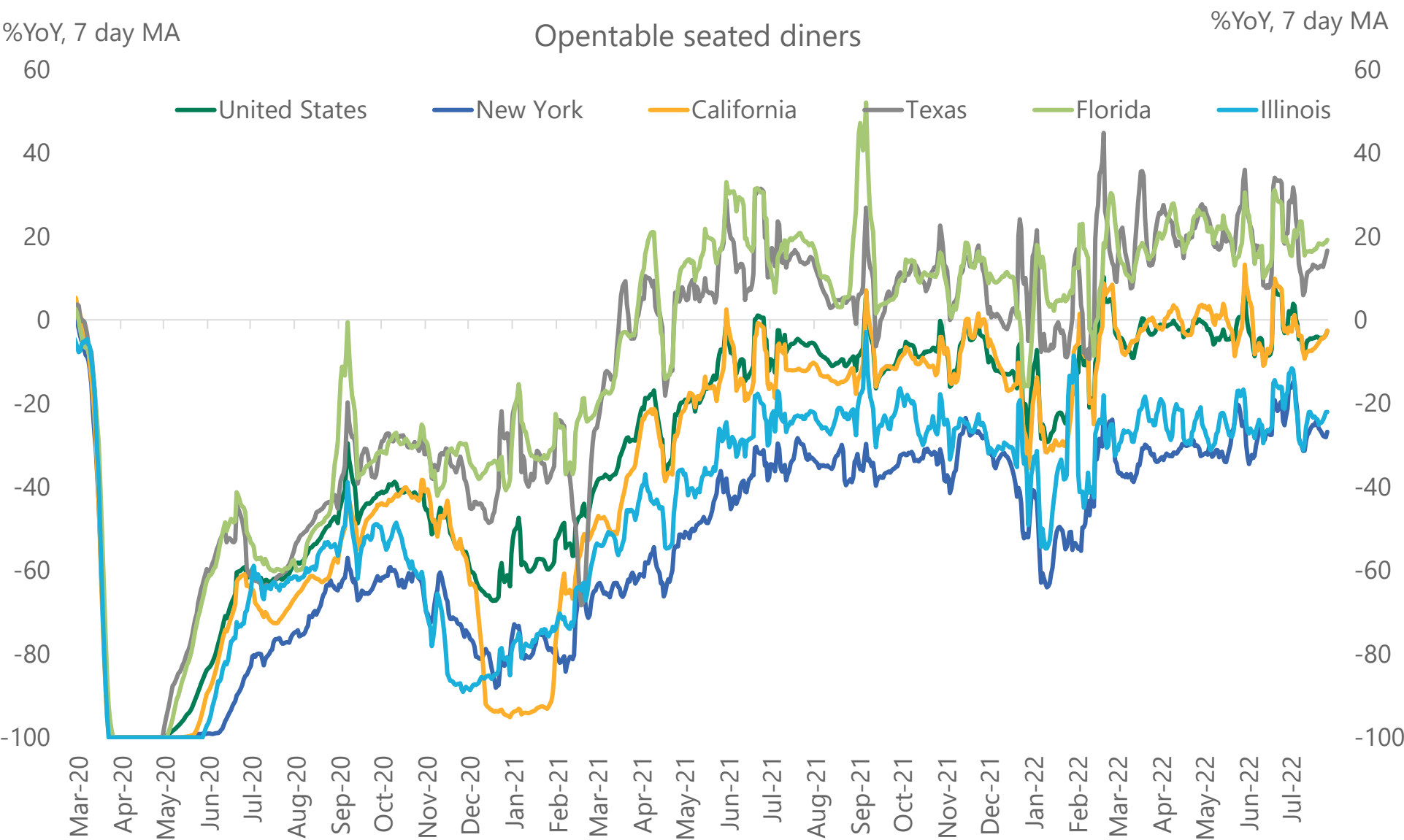
Source: TSA, Bloomberg, Apollo Chief Economist

Global air traffic is at record-high levels



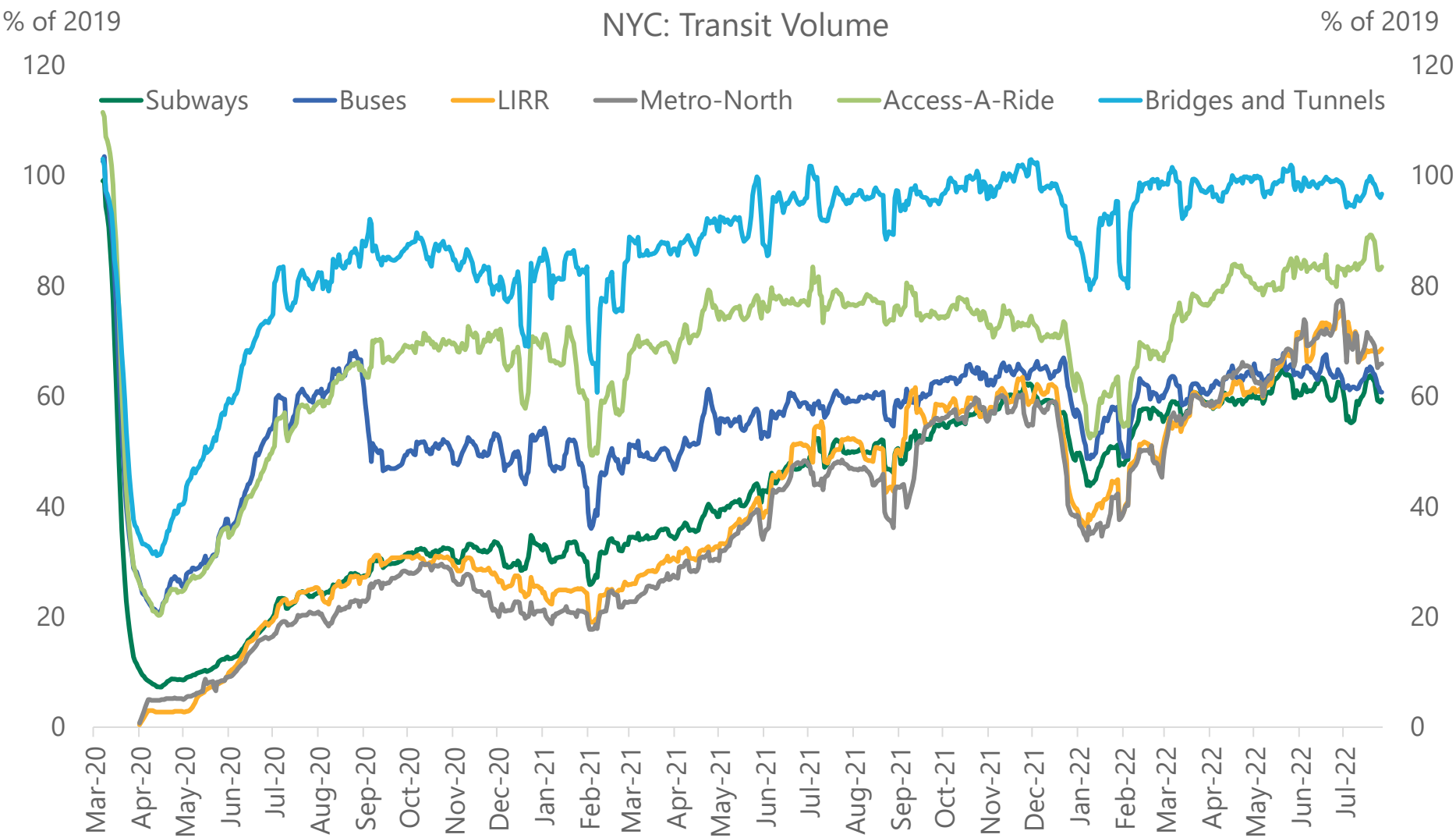
Source: Flightradar24.com, Apollo Chief Economist

Restaurant bookings still strong



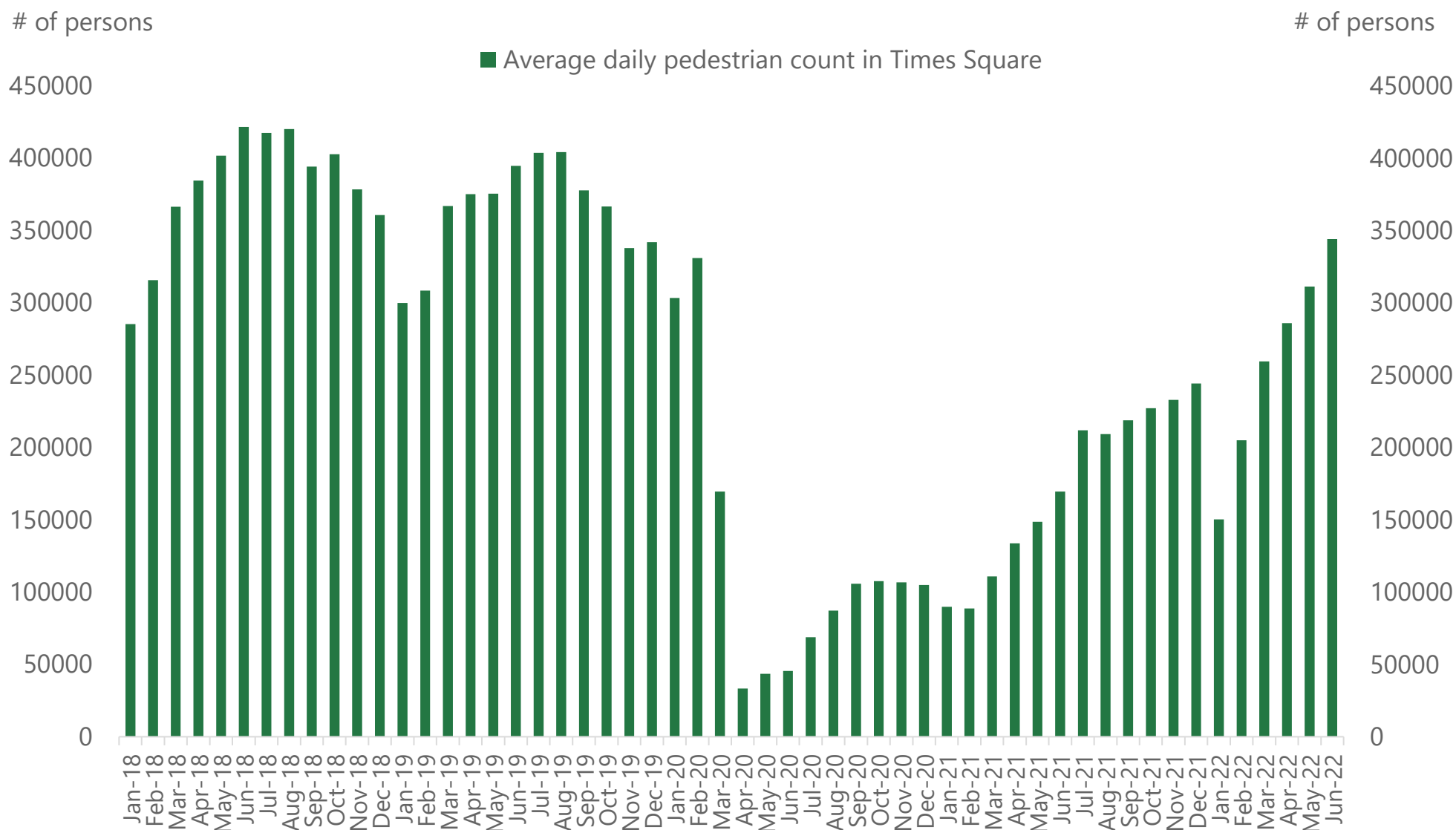
Source: OpenTable, Apollo Chief Economist

NYC mobility indicators improving



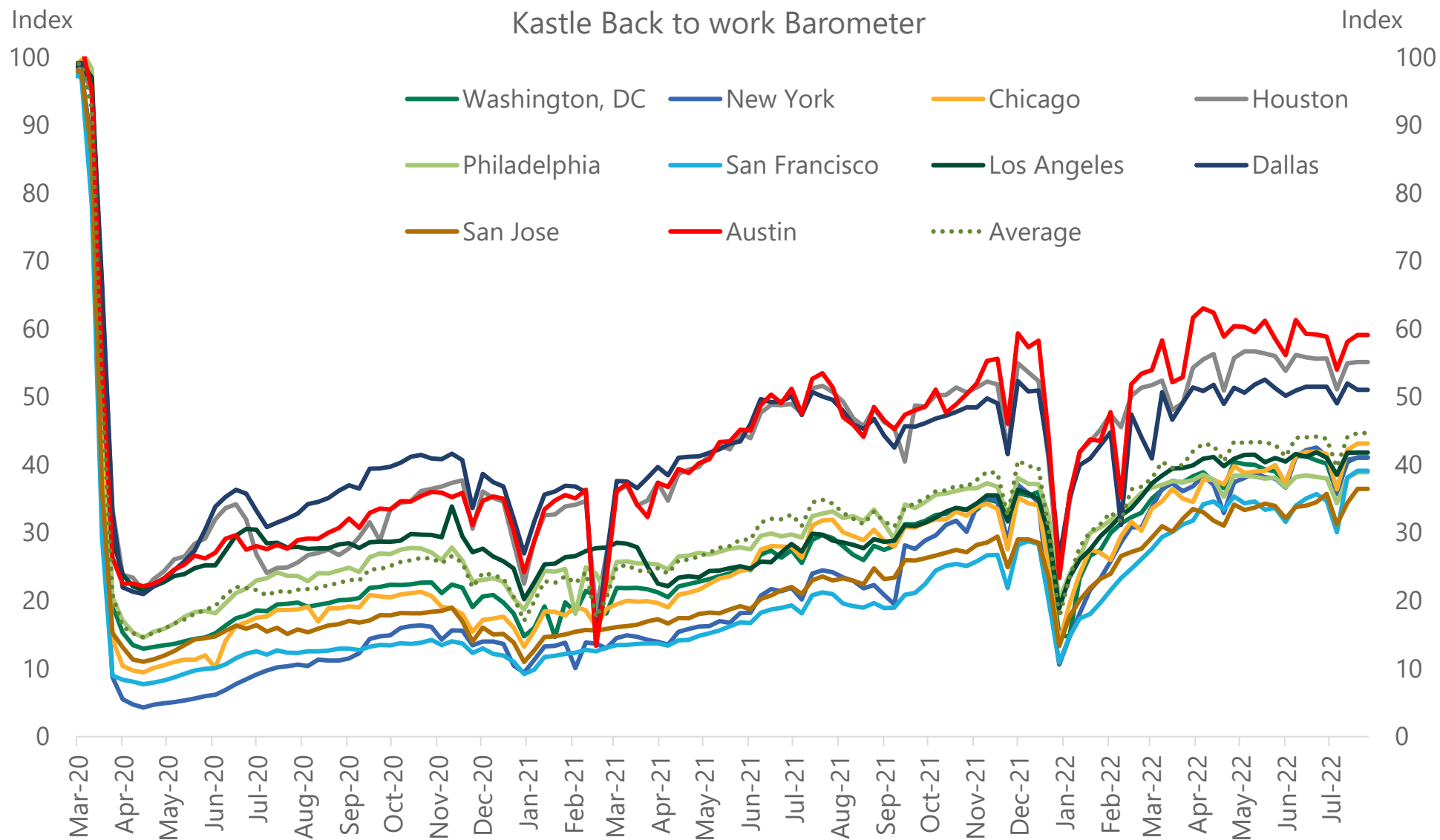
Source: MTA, Apollo Chief Economist

Average daily pedestrian count in Times Square now back at pre-pandemic levels



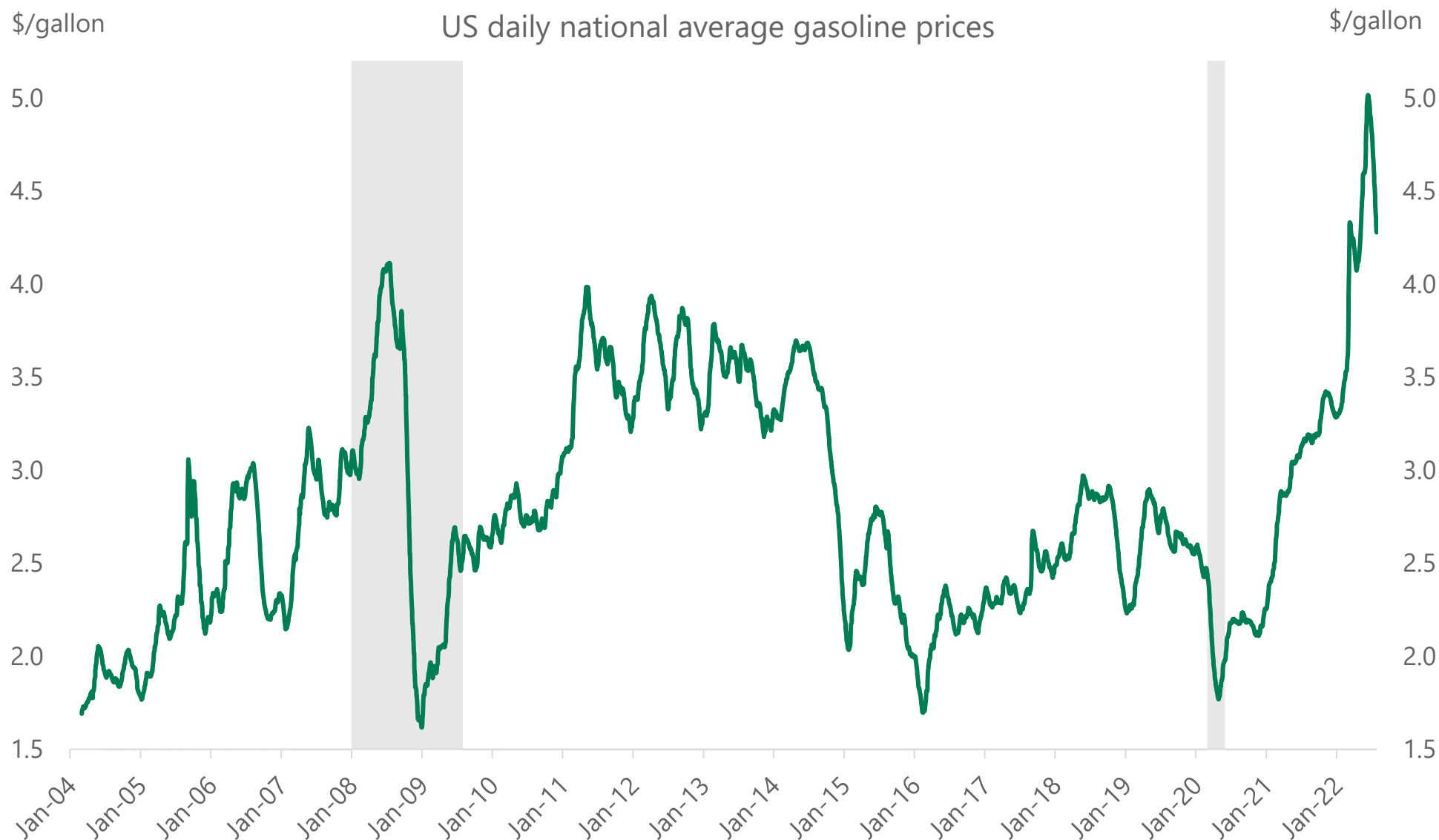
Source: timessquarenyc.com, Apollo Chief Economist

New York City: Office use 41% of capacity



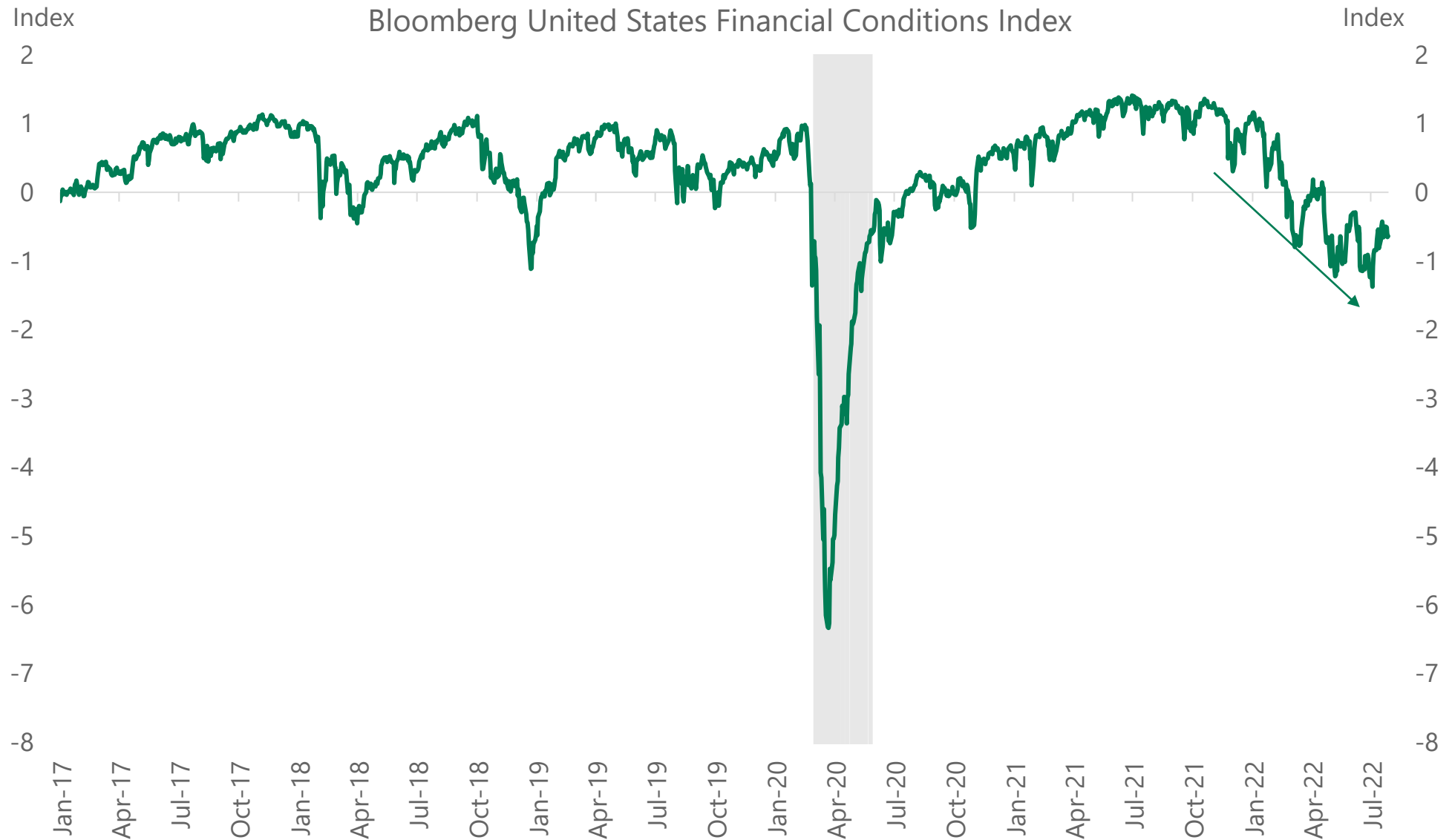
Source: Bloomberg, Apollo Chief Economist

US retail gas prices coming down: \$4.3 per gallon



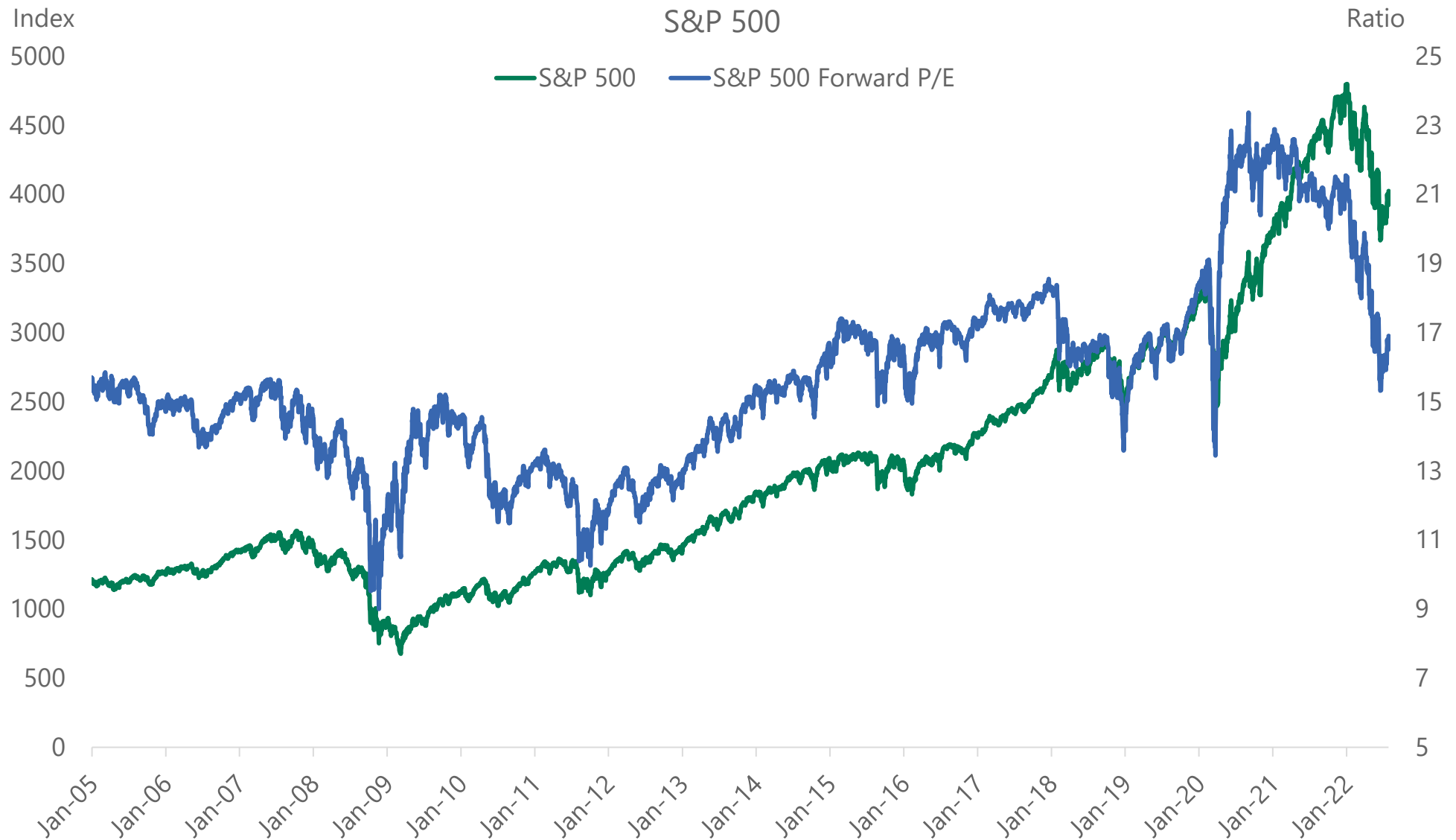
Source: Bloomberg, Apollo Chief Economist

Financial conditions tightening



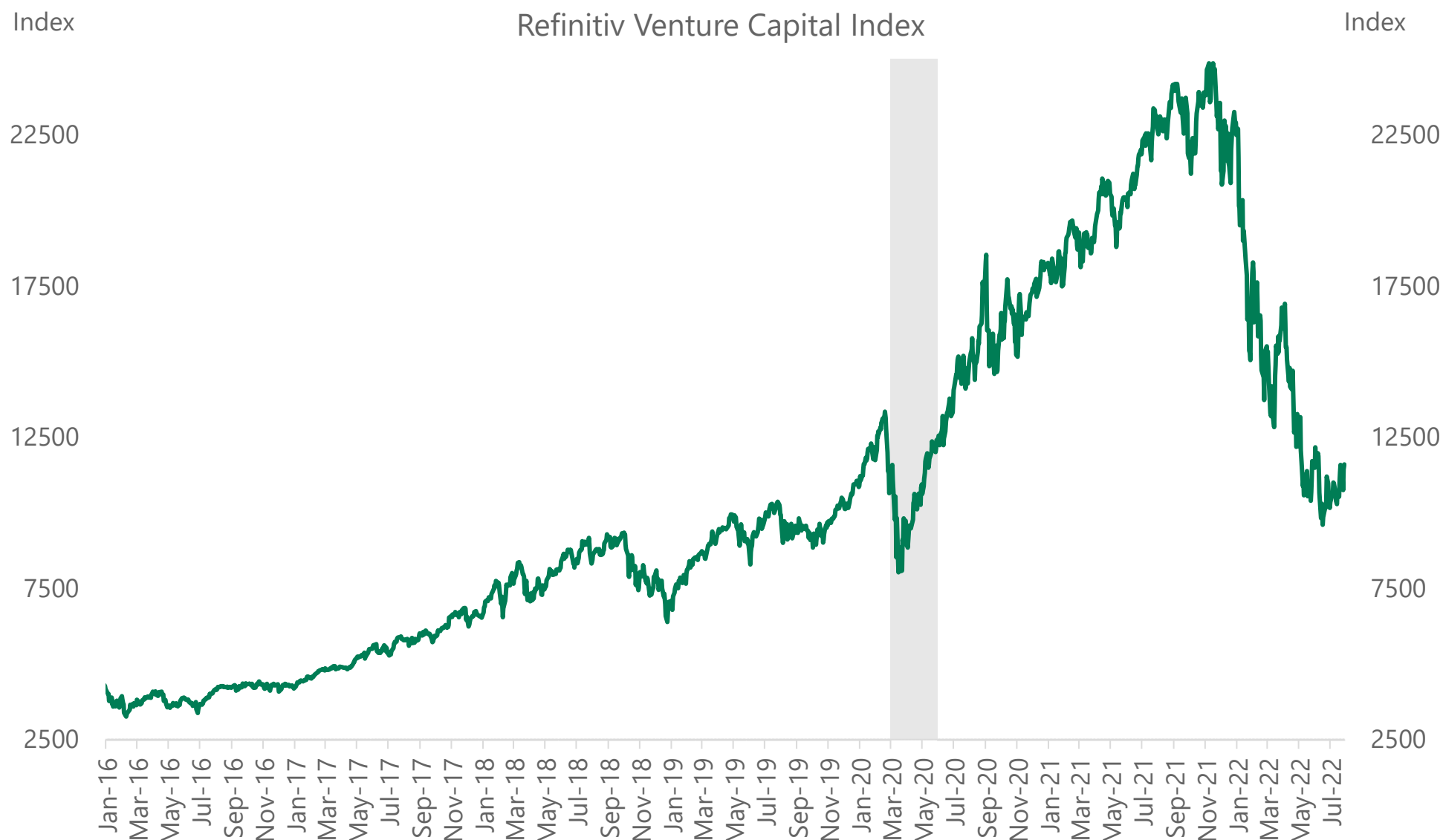
Source: Bloomberg, Apollo Chief Economist

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.

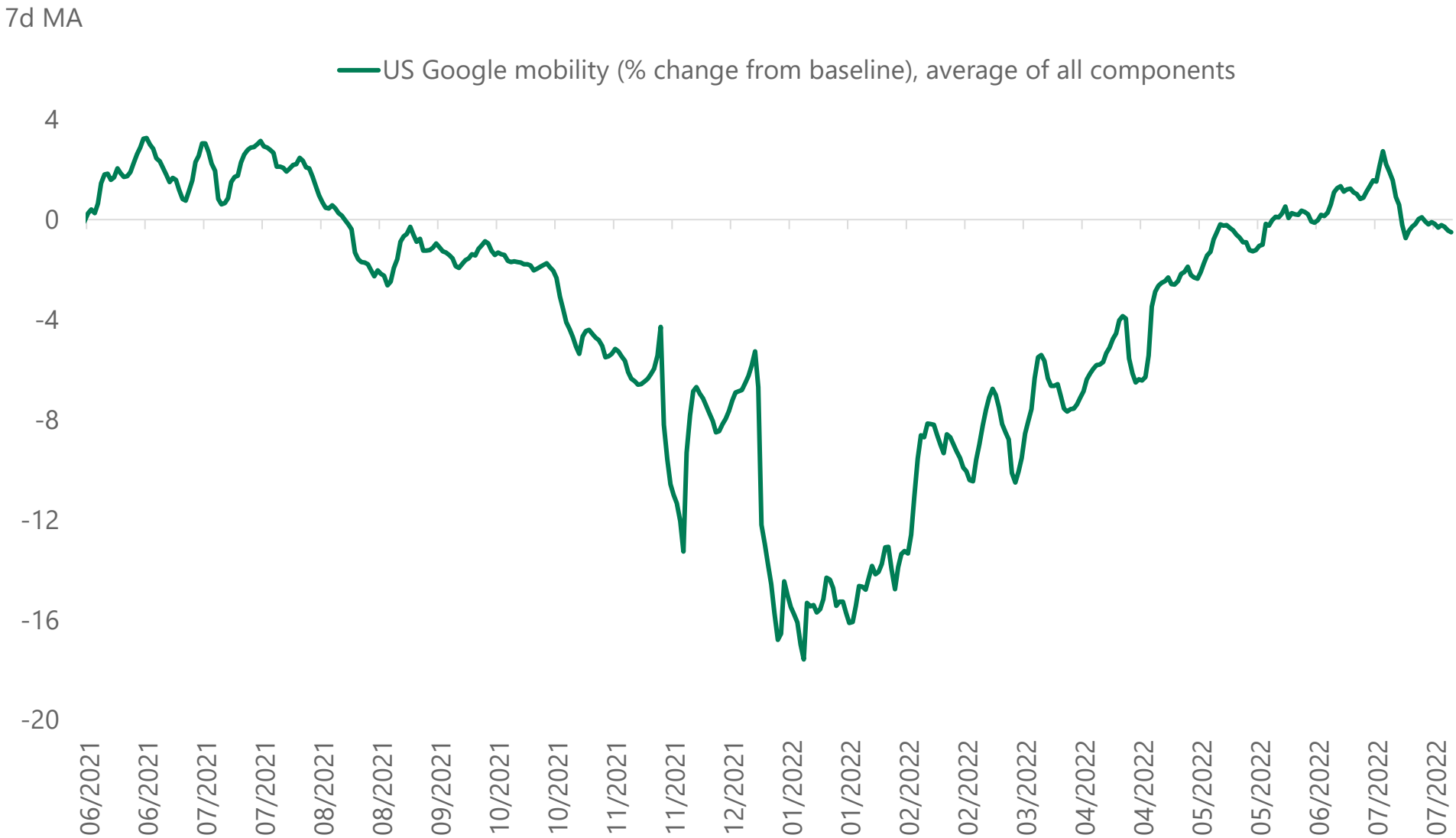
Corporate earnings revisions: Upgrades minus downgrades



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

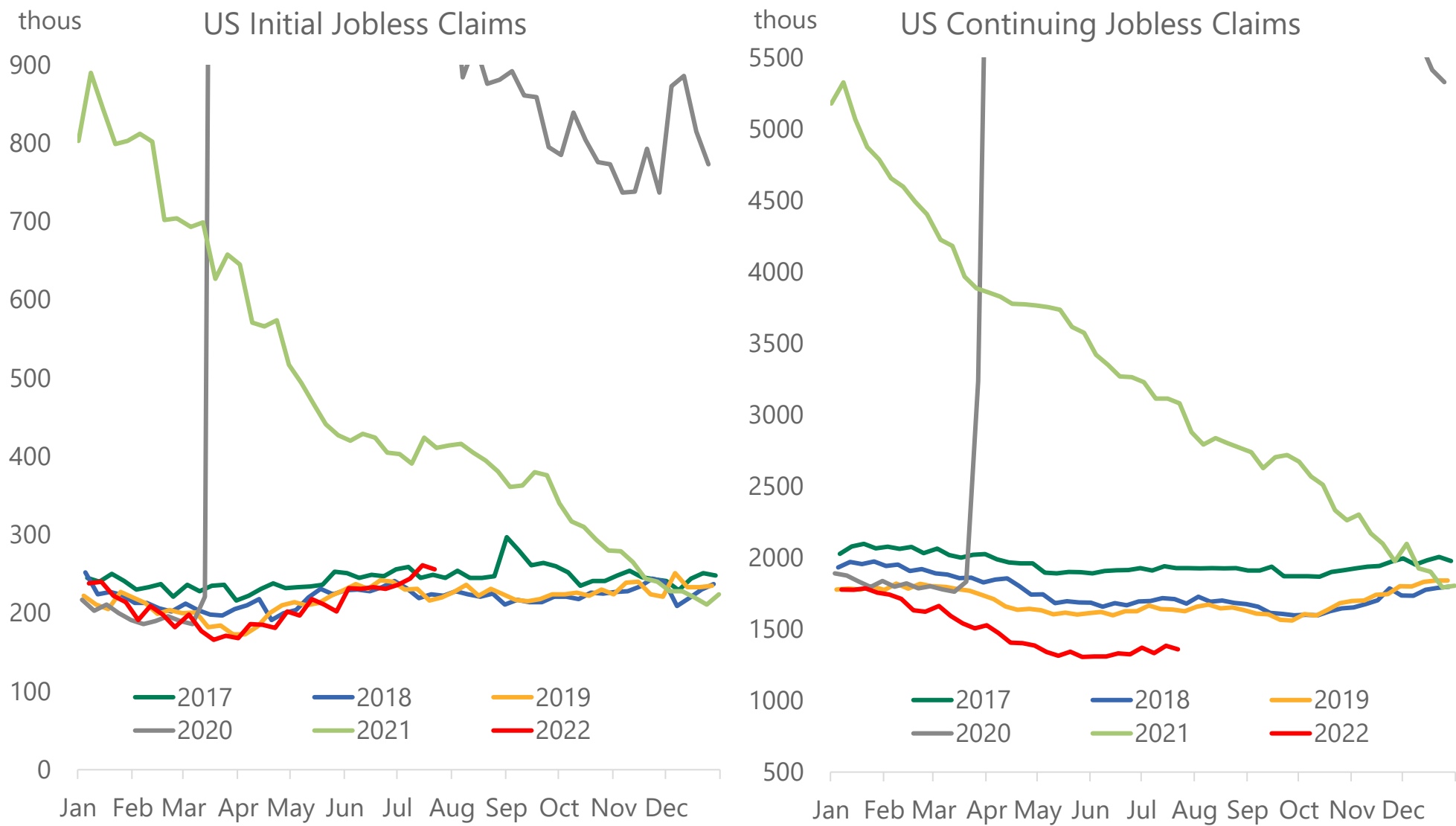
Weekly economic indicators

The economy is reopening: US nationwide consumer mobility



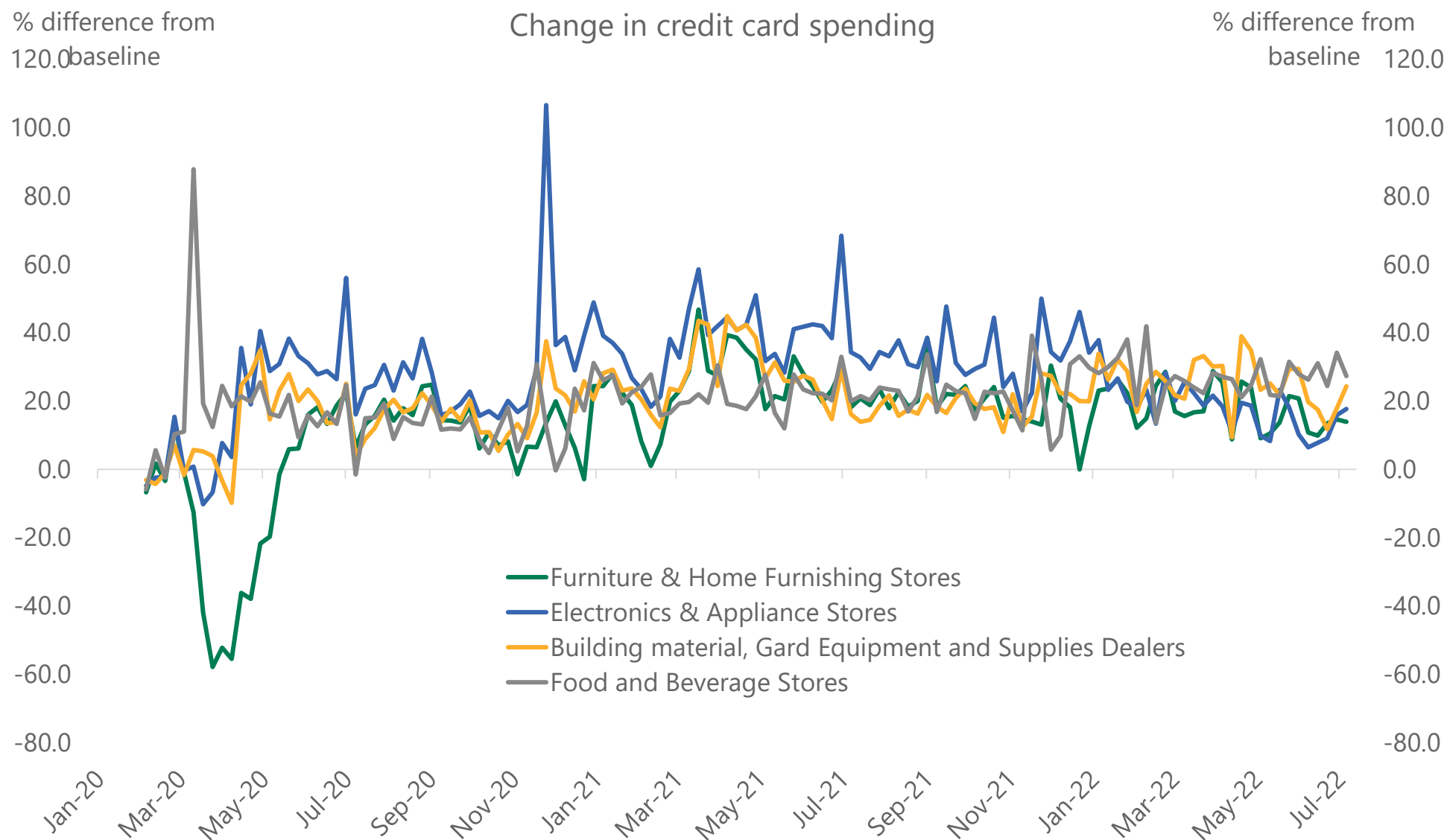
Source: Google mobility reports, Apollo Chief Economist

Jobless claims slowly moving higher



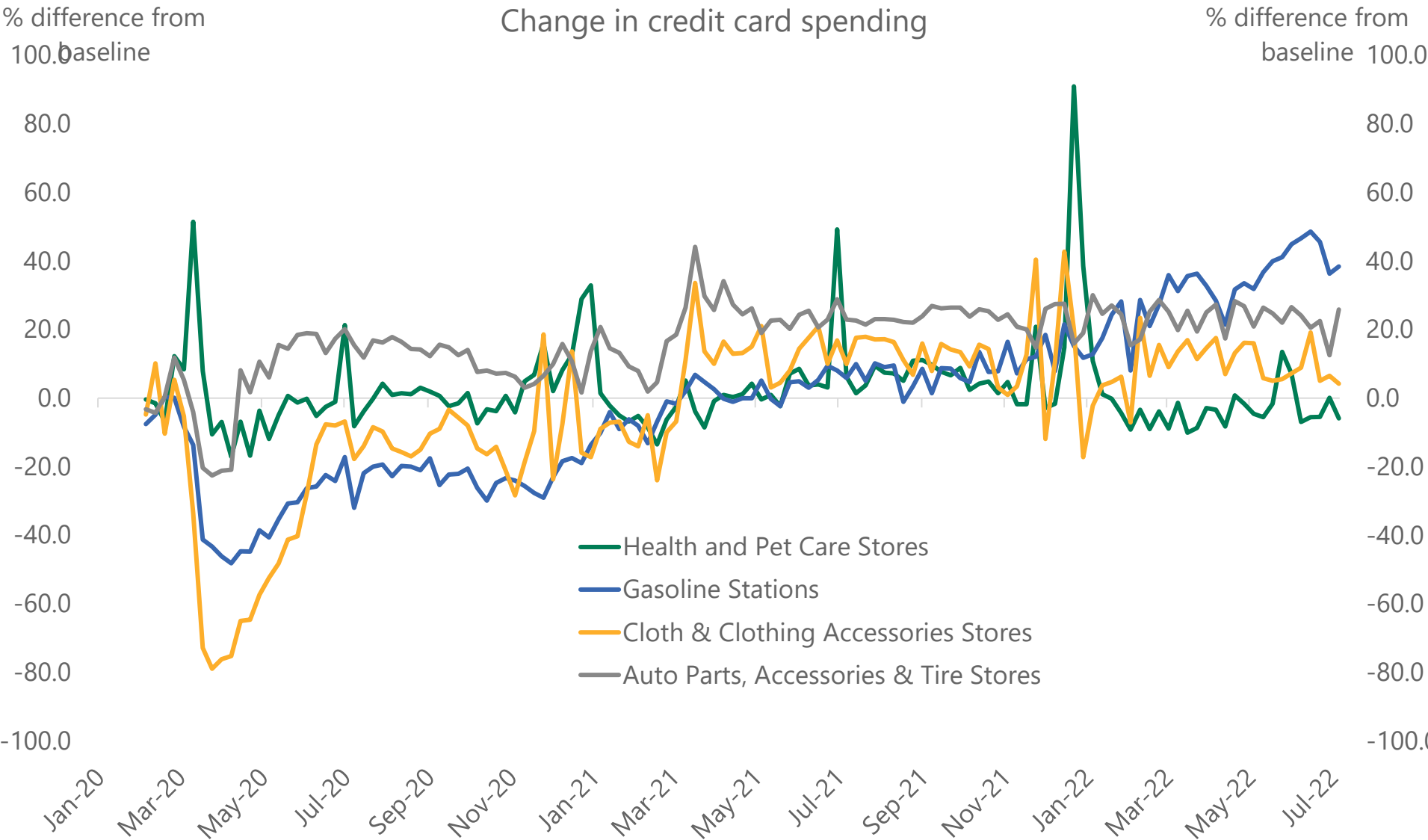
Source: Department of Labor, Bloomberg, Apollo Chief Economist

US consumer still strong



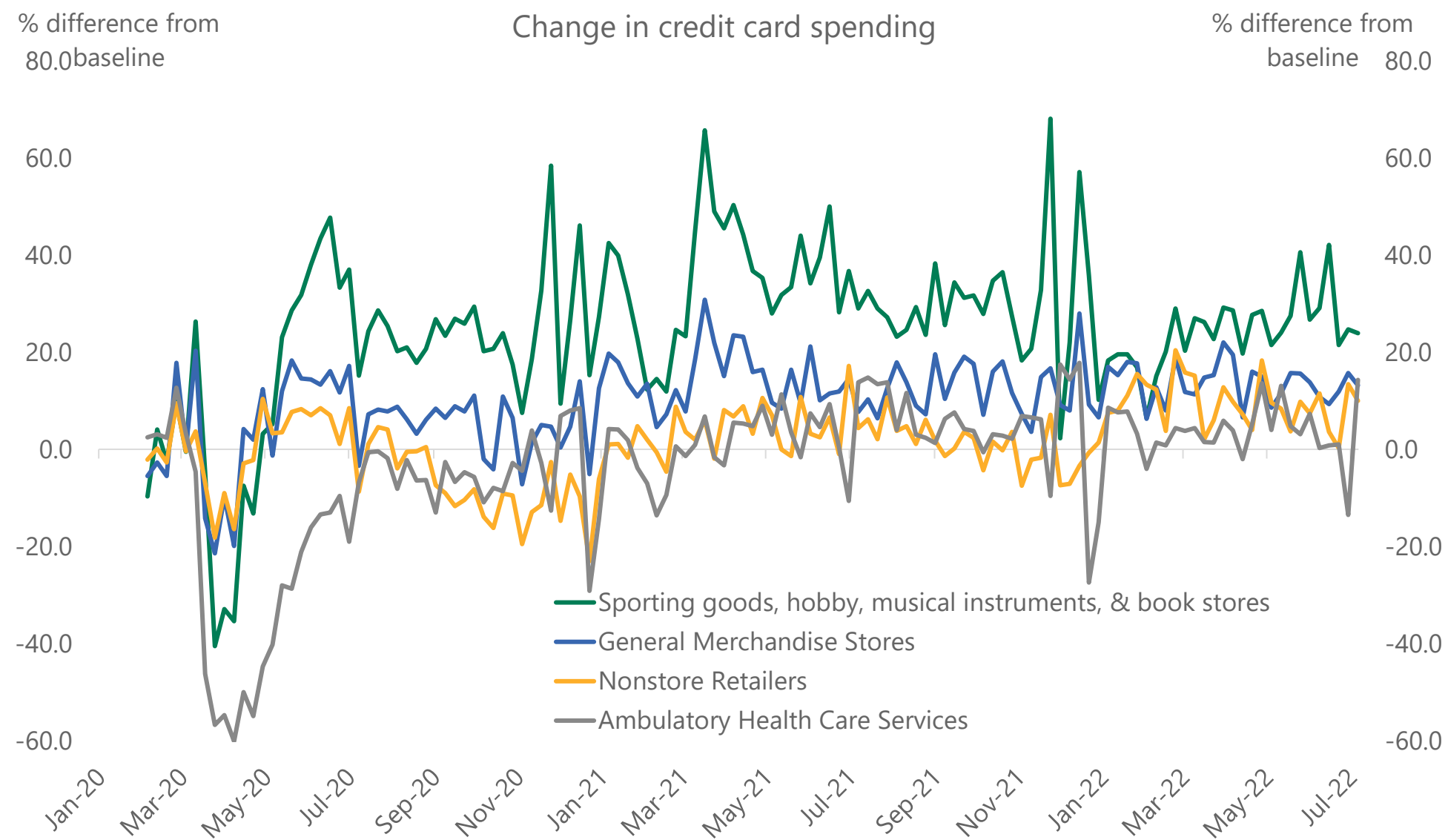
Source: BEA, Haver analytics, Apollo Chief Economist. Note: The weekly values represent the predicted percentage difference from the typical level of spending (prior to the pandemic declared by the World Health Organization on March 11, 2020) after adjusting for day-of-week, month, and year effects,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

US consumer still strong



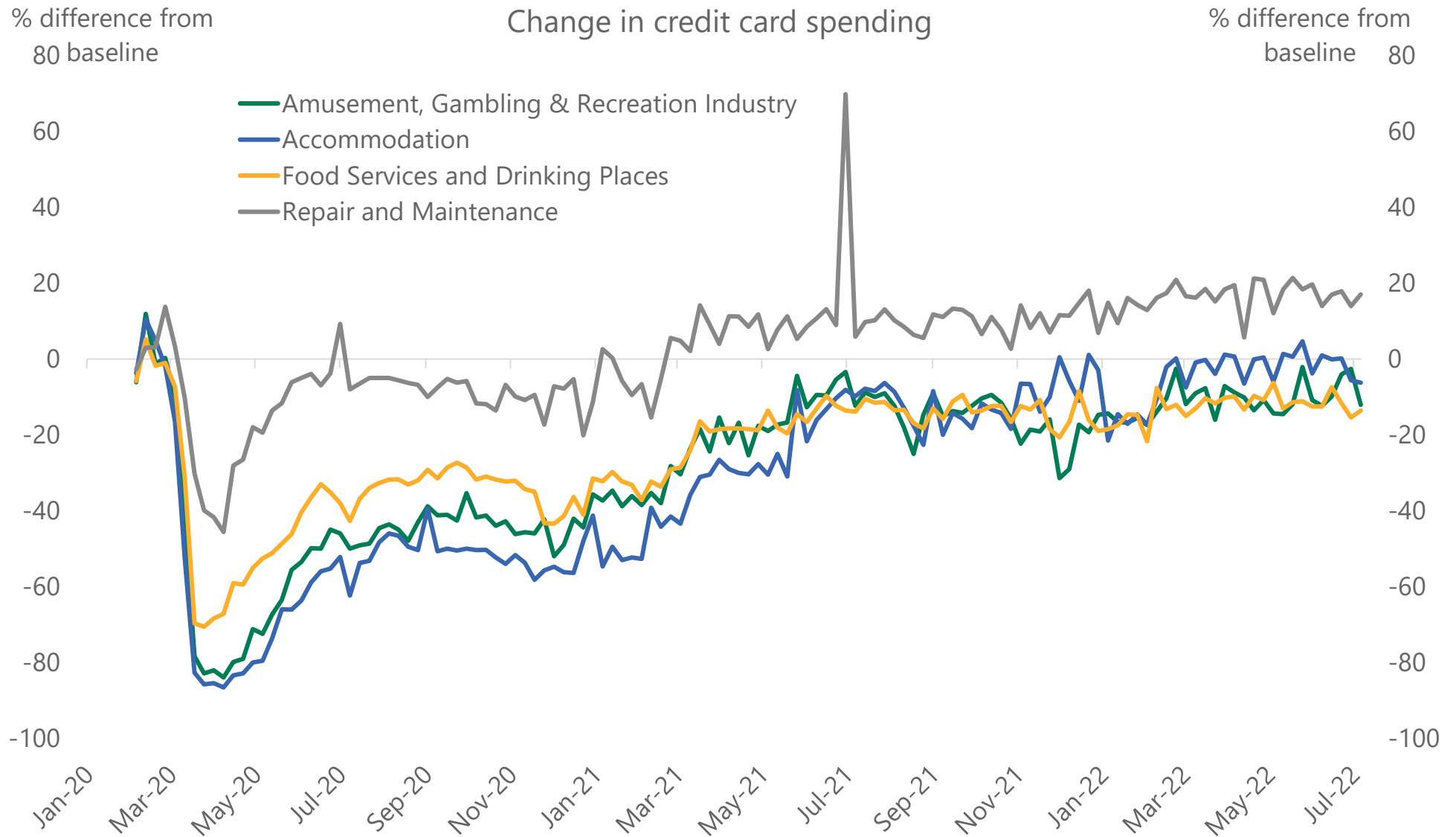
Source: BEA, Haver analytics, Apollo Chief Economist. Note: The weekly values represent the predicted percentage difference from the typical level of spending (prior to the pandemic declared by the World Health Organization on March 11, 2020) after adjusting for day-of-week, month, and year effects,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

US consumer still strong



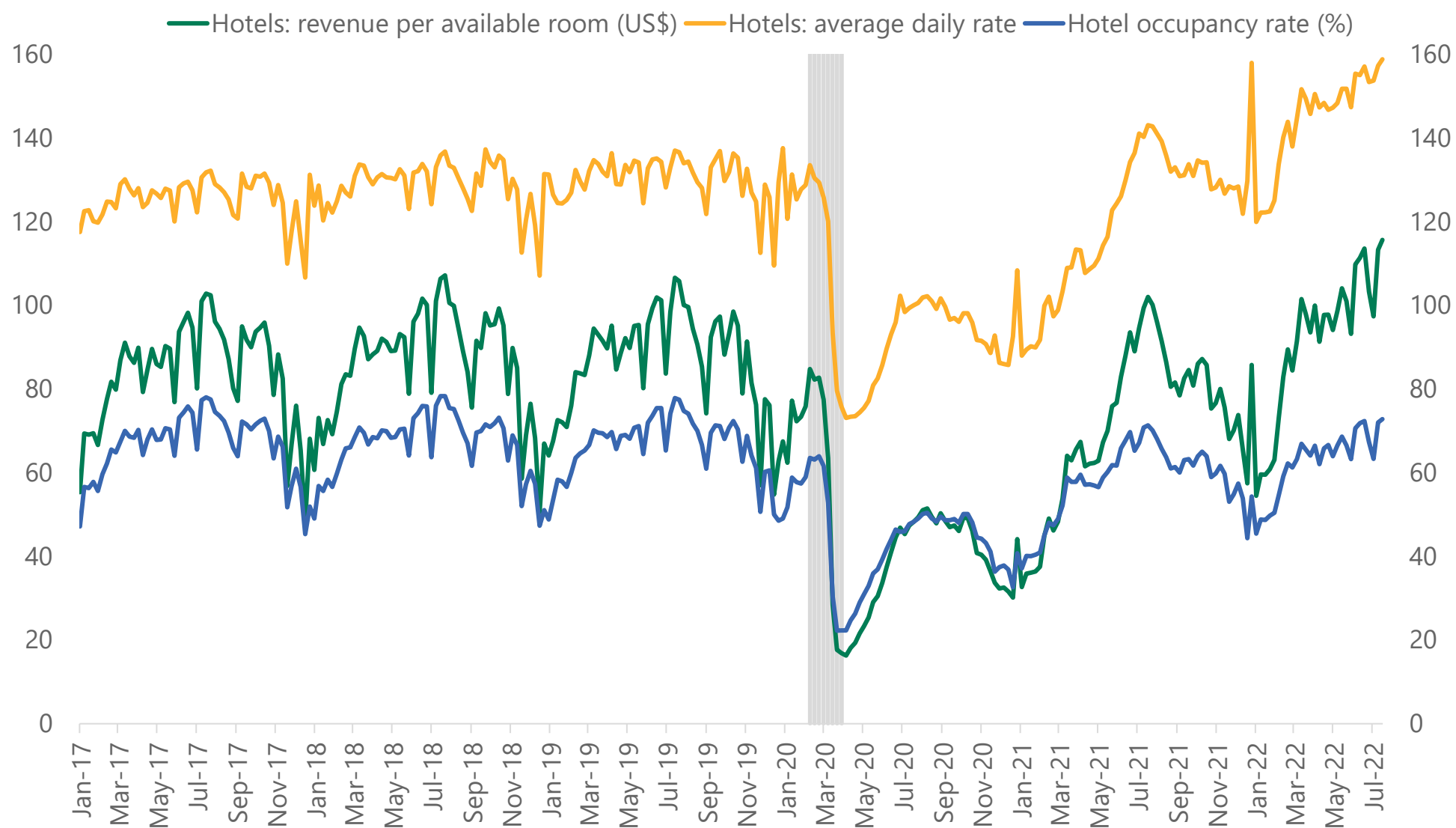
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US consumer still strong



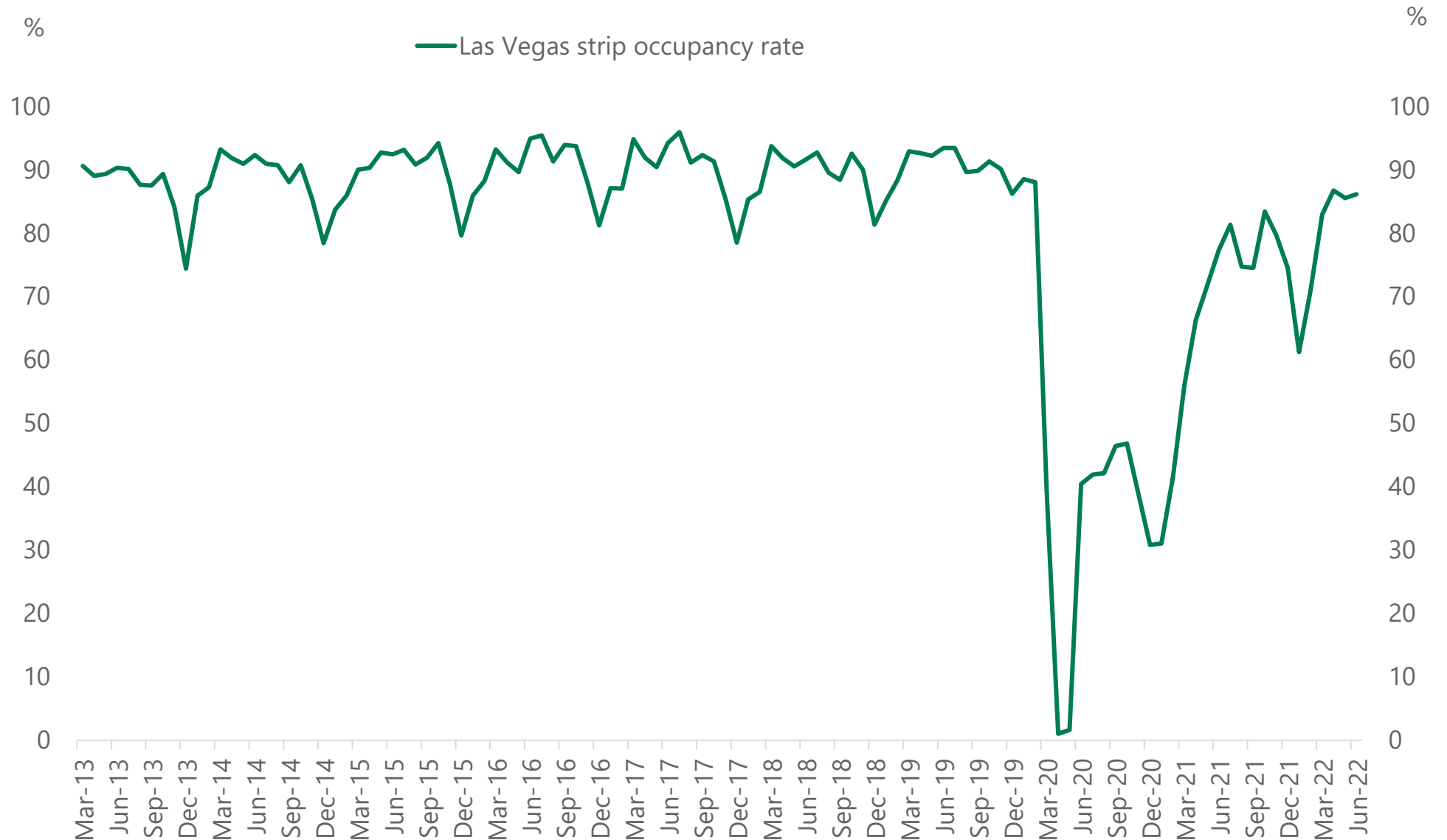
Source: BEA, Haver analytics, Apollo Chief Economist. Note: The weekly values represent the predicted percentage difference from the typical level of spending (prior to the pandemic declared by the World Health Organization on March 11, 2020) after adjusting for day-of-week, month, and year effects,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



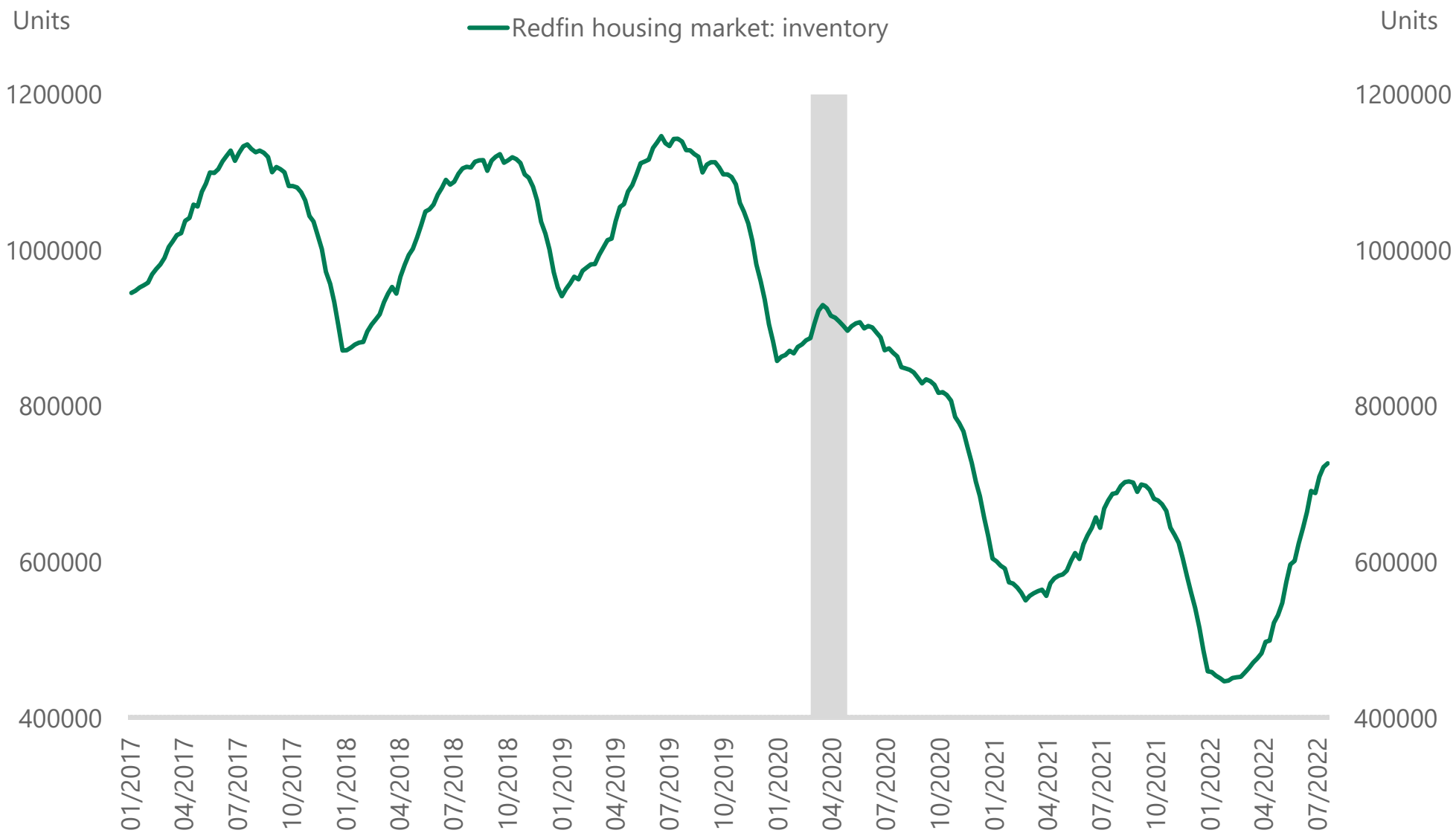
Source: Bloomberg, Apollo Chief Economist

Same-store retail sales moving up recently



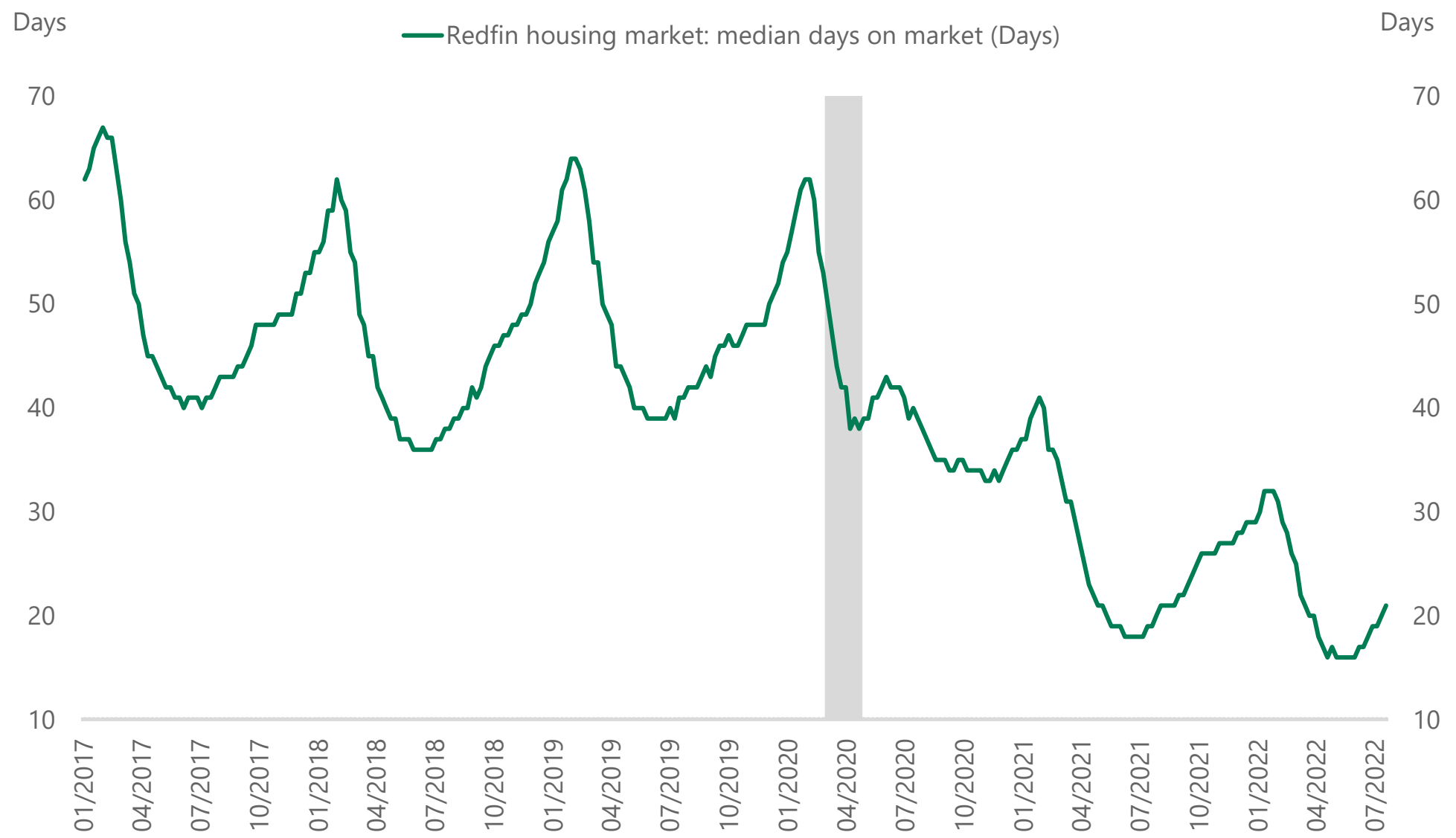
Source: Redbook, Haver Analytics, Apollo Chief Economist

Weekly housing inventory starting to trend higher



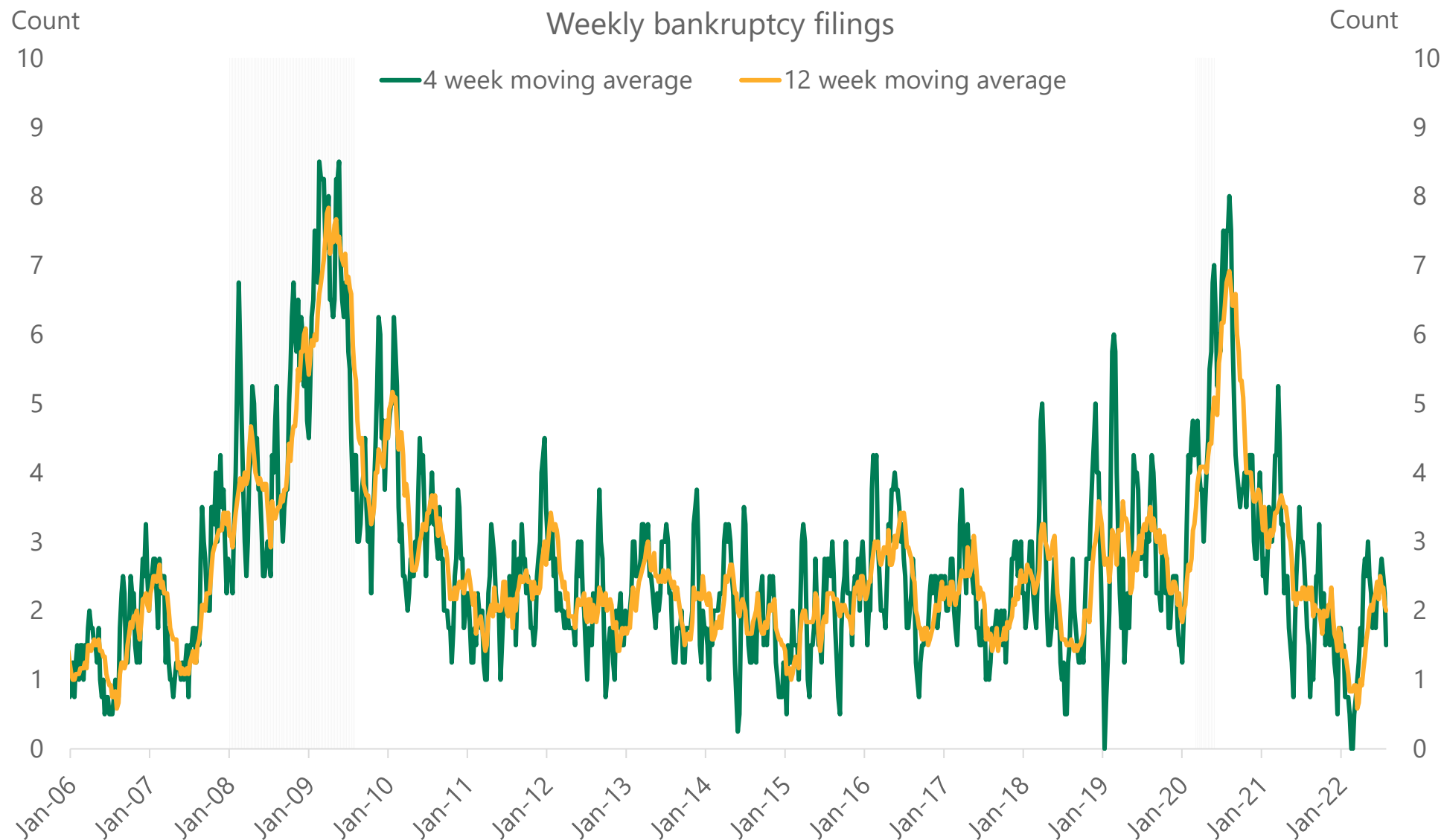
Source: Redfin, Haver, Apollo Chief Economist

Homes typically sold in 21 days compared to 61 days before pandemic



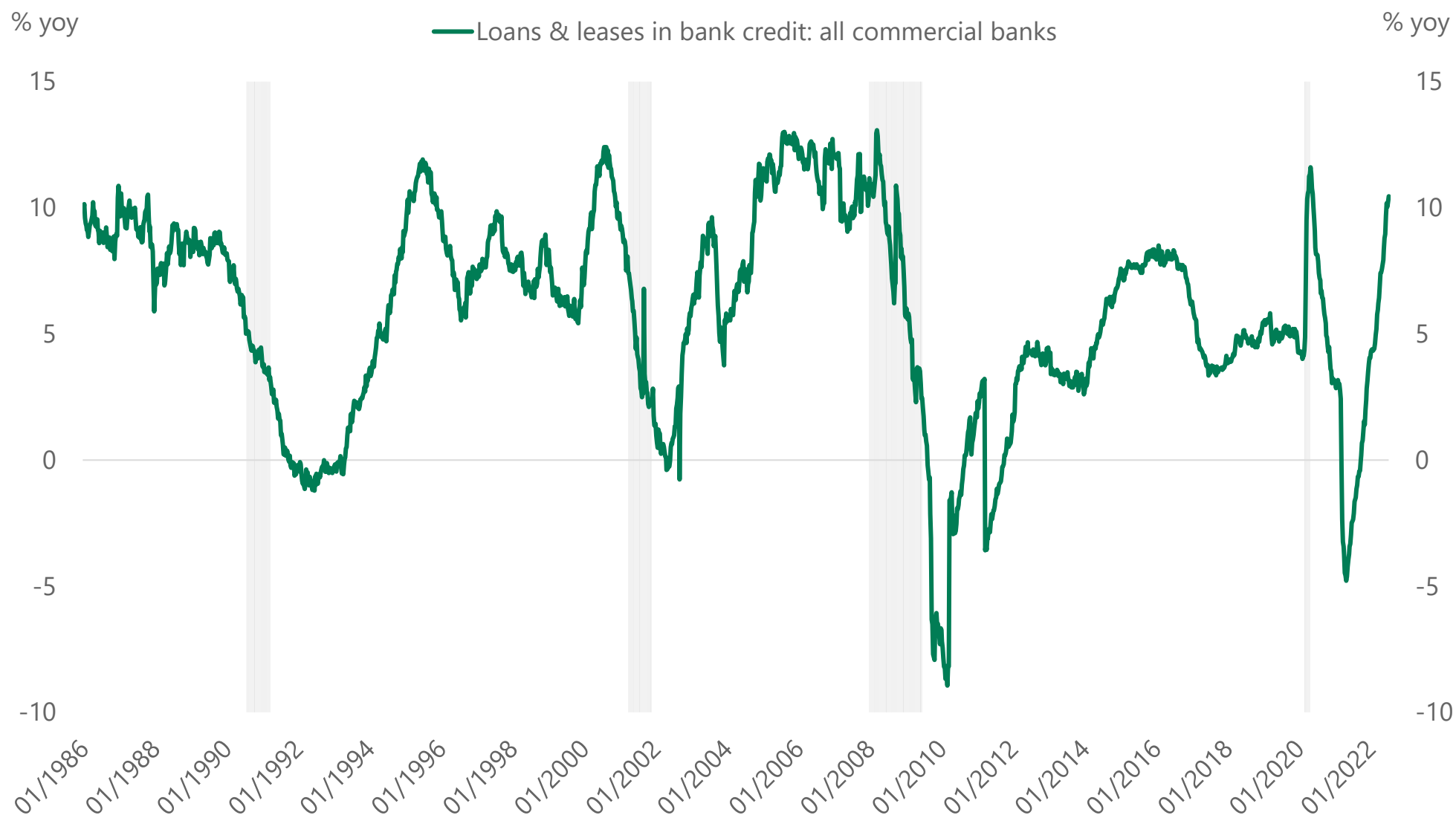
Source: Redfin, Haver, Apollo Chief Economist

Weekly bankruptcy filings still at normal levels



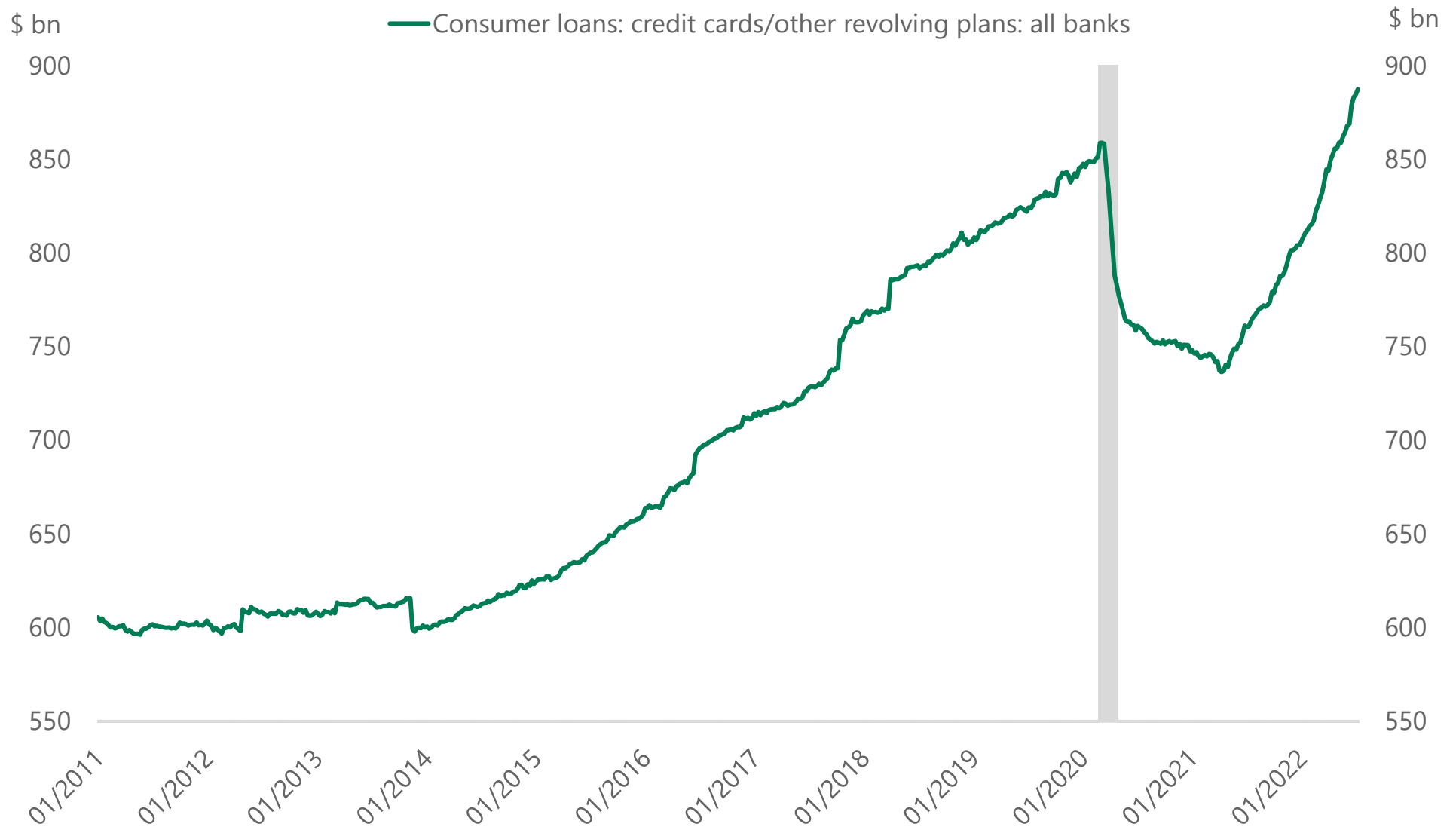
Source: Bloomberg, Apollo Chief Economist. Note: Filings are for companies with more than \$50mn in liabilities. For week ending on Thursday

Banks' weekly loan growth is still strong



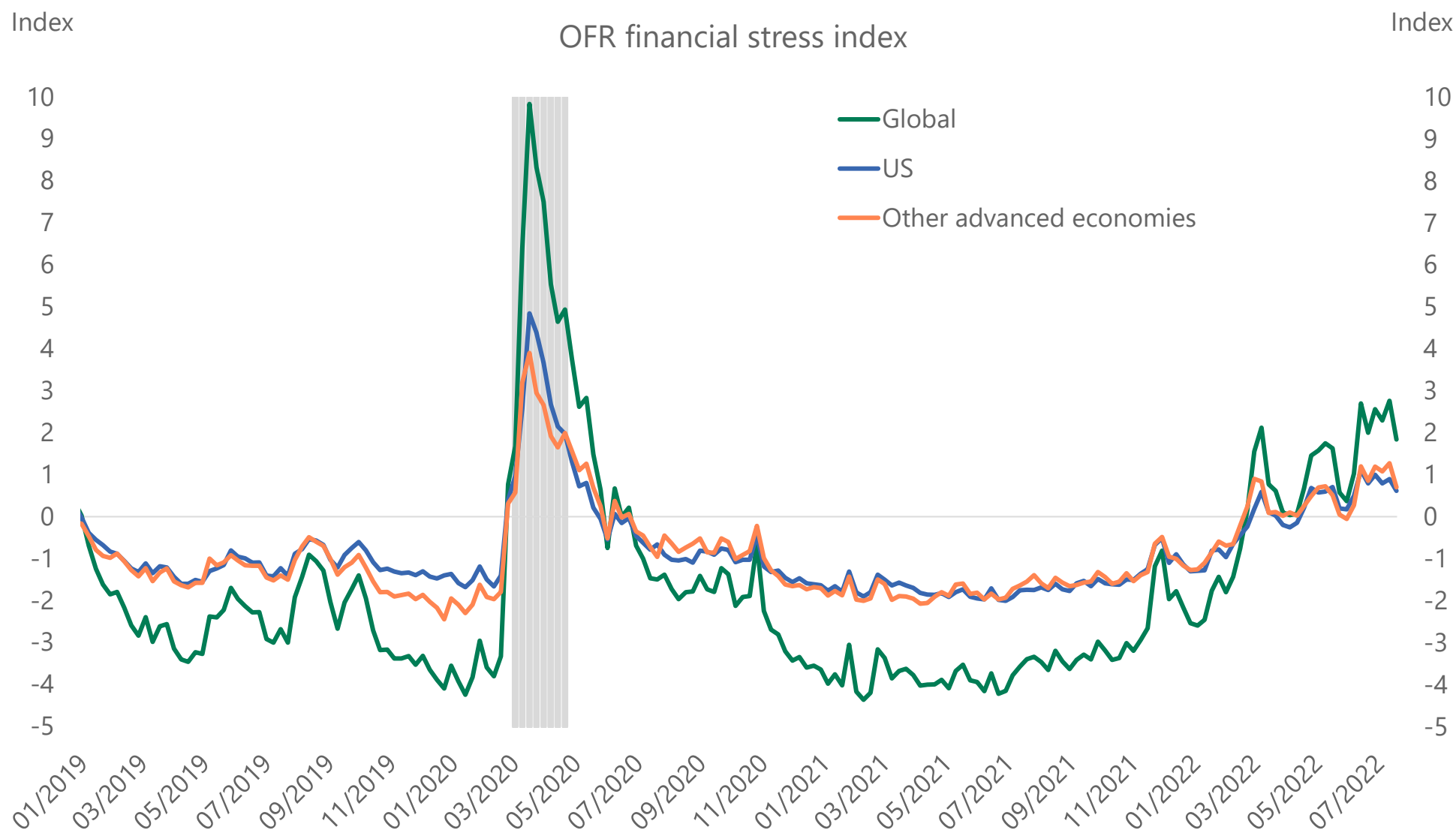
Source: FRB, Haver, Apollo Chief Economist

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



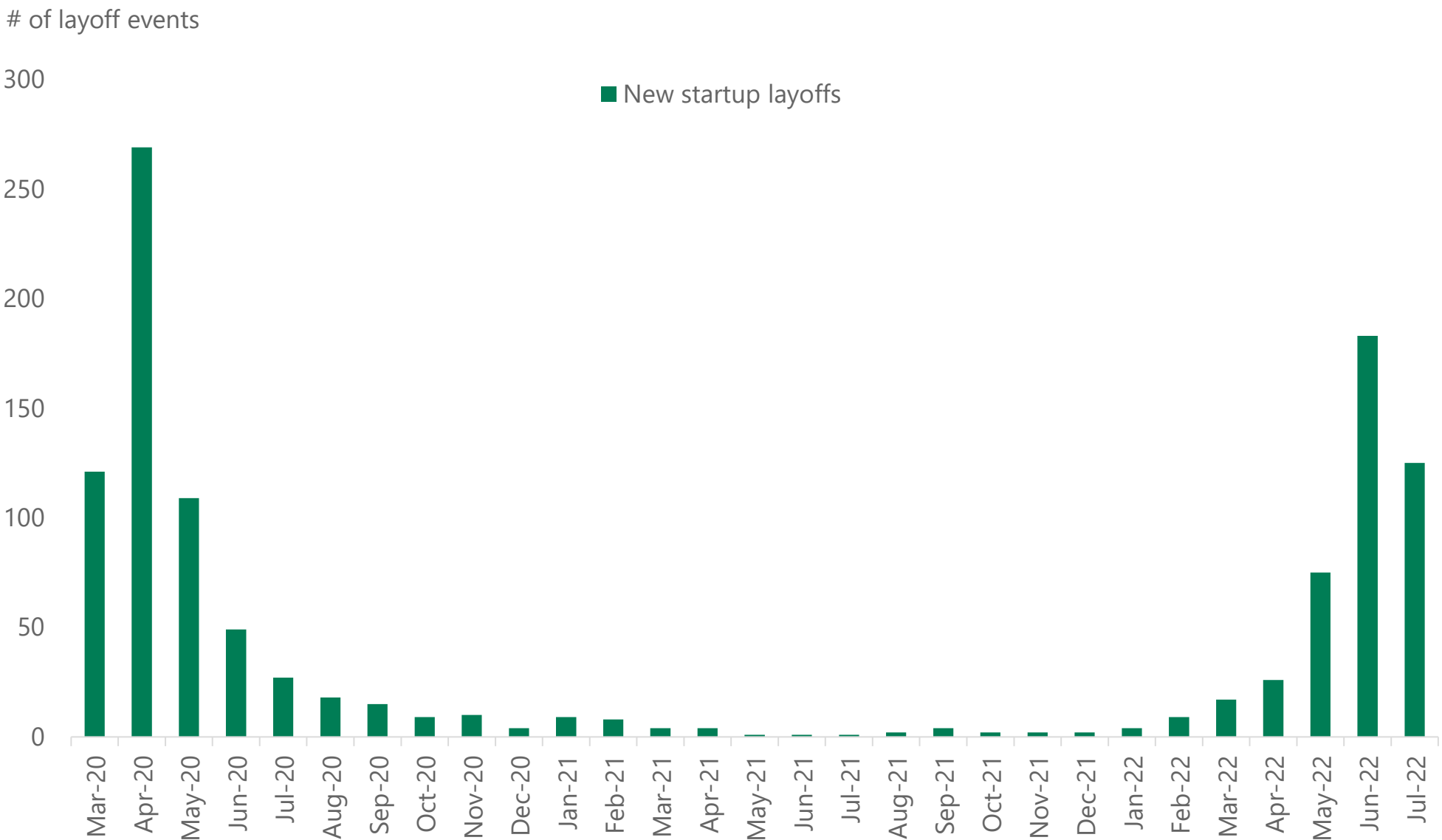
Source: FRB, Haver, Apollo Chief Economist

Stress in financial markets still relatively limited in Fed measures



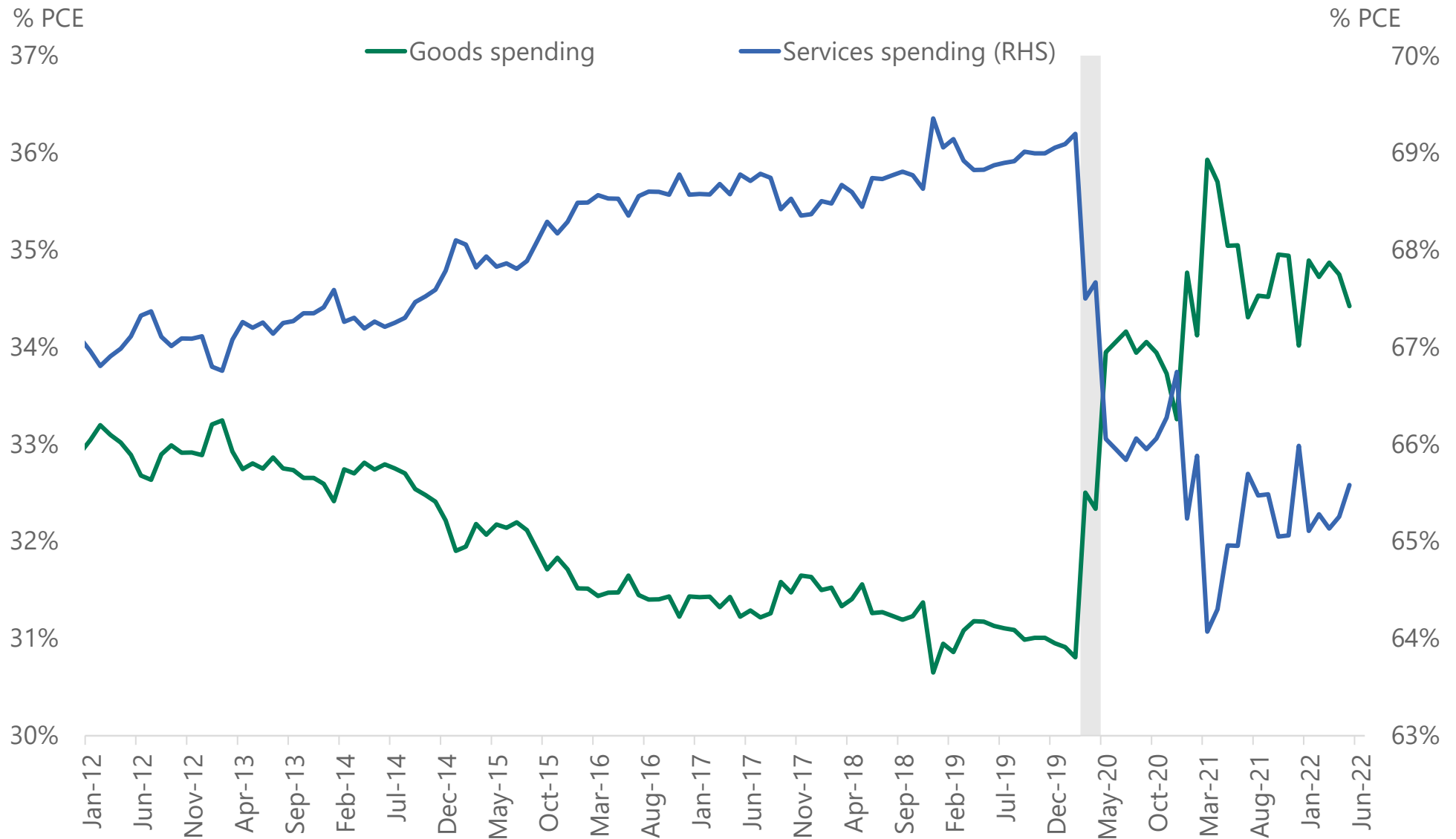
Source: Office for Financial Research, Haver, Apollo Chief Economist (Note: The OFR Financial Stress Index (OFR FSI) is a daily market-based snapshot of stress in global financial markets. It is constructed from 33 financial market variables, such as yield spreads, valuation measures, and interest rates.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



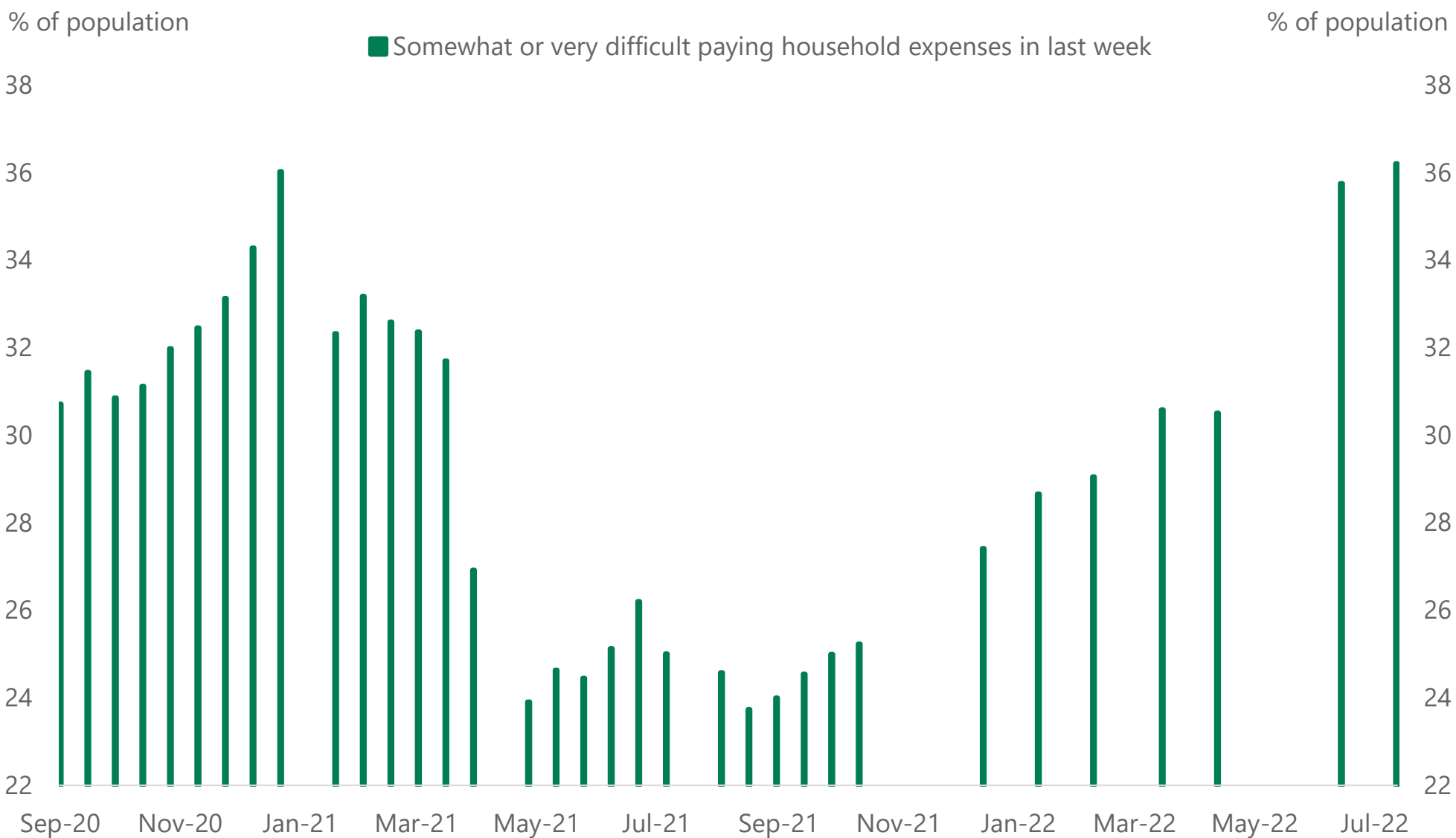
Source: Layoffs.fyi, Apollo Chief Economist. Note: Top 5 sectors that account for layoffs in May 2022: Transportation, Food, Travel, Finance, and Real Estate.

Shift from goods to services coming in US consumer spending



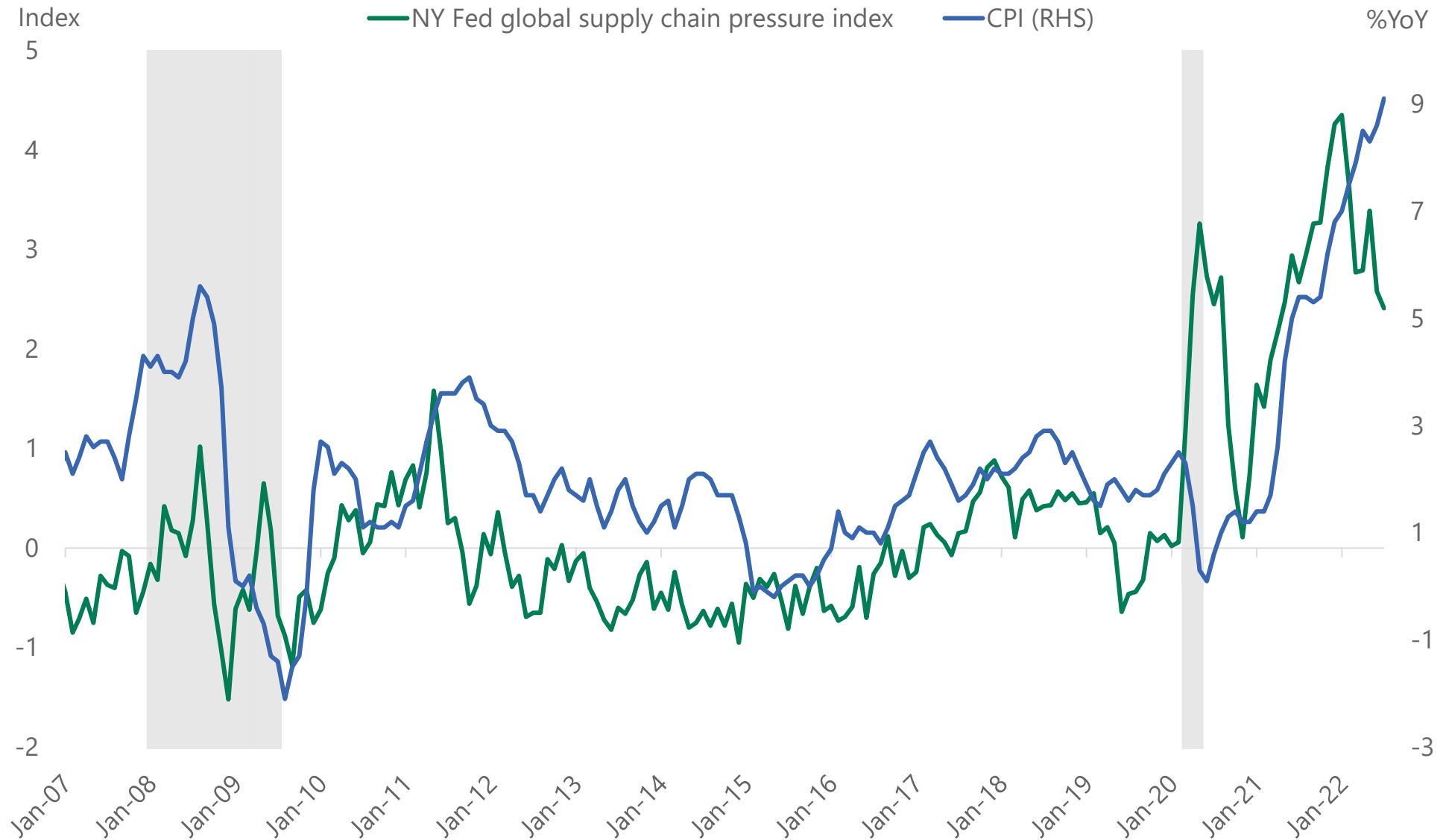
Source: BEA, Haver Analytics, Apollo Chief Economist

More households having difficulties paying expenses



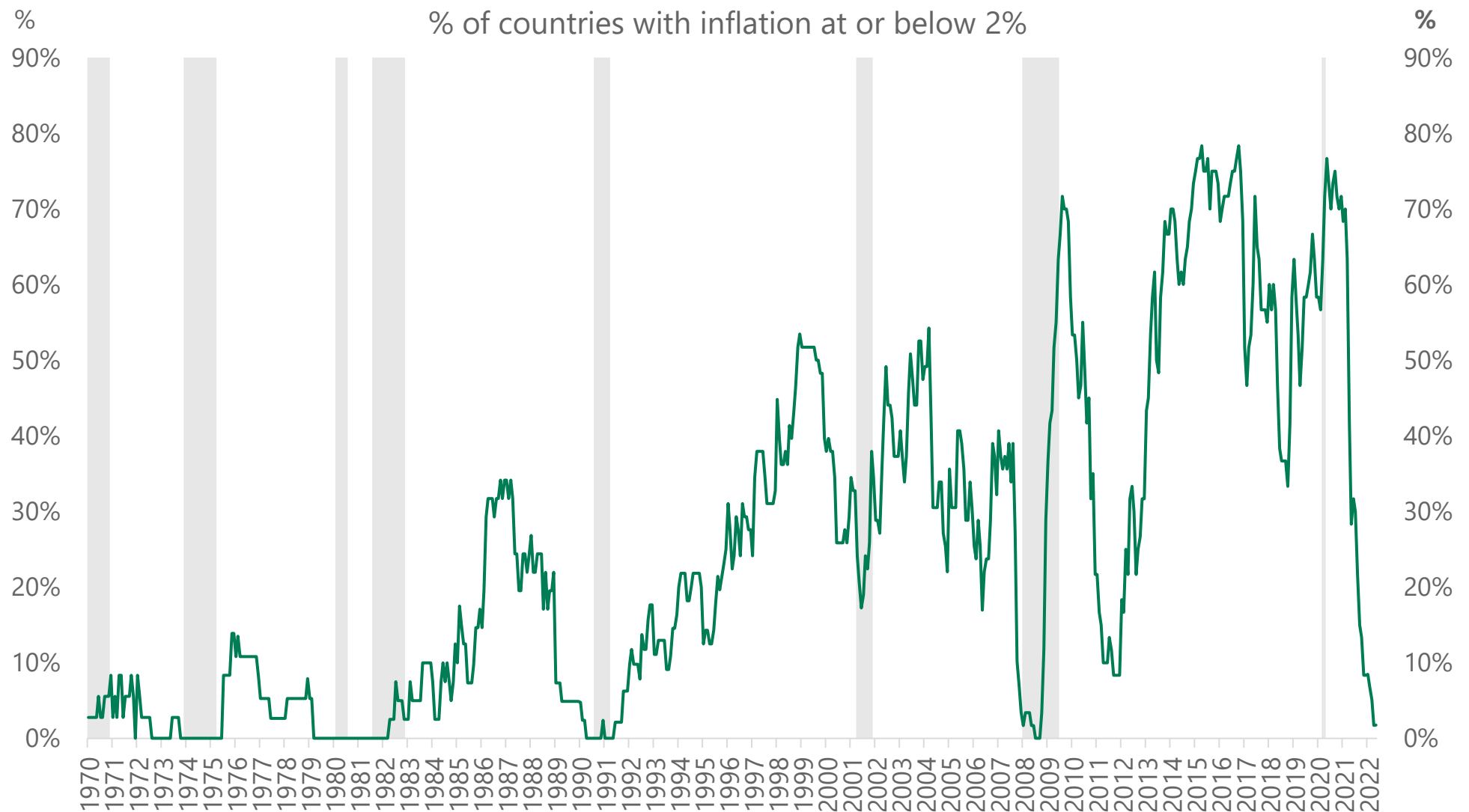
Source: Census Bureau, Apollo Chief Economist (Note: Household Pulse Survey)

Easing supply chain pressures putting downward pressure on inflation



Source: NY Fed, BLS, Haver Analytics, Apollo Chief Economist

Share of countries in the world with inflation at or below 2%



Source: BIS, Haver Analytics, Apollo Chief Economist. Note: Data till May 2022 (46 countries reported). The dataset includes the following 60 countries Euro Area, United States, United Kingdom, Austria, Belgium, Denmark, France, Germany, Italy, Luxembourg, Netherlands, Norway, Sweden, Switzerland, Canada, Japan, Finland, Greece, Iceland, Ireland, Malta, Portugal, Spain, Turkey, Australia, New Zealand, South Africa, Argentina, Brazil, Chile, Mexico, Peru, Cyprus, Israel, Saudi Arabia, United Arab Emirates, Hong Kong, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Thailand, Algeria, Bulgaria, Russia, China, Czech Republic, Slovakia, Estonia, Latvia, Serbia, Hungary, Lithuania, Croatia, Slovenia, Macedonia, Poland, and Romania

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 | 9.1 |
| | Core Inflation (% YoY) | 2.3 | 2.1 | 1.2 | 1.7 | 1.6 | 1.6 | 4.5 | 4.0 | 5.5 | 6.5 | 5.9 |
| | Economic Growth (% YoY) | 2.6 | 0.6 | -9.1 | -2.9 | -2.3 | 0.5 | 12.2 | 4.9 | 5.5 | 3.5 | 1.6 |
| | New Home sales (000s) | 688.0 | 610.0 | 922.0 | 991.0 | 871.0 | 881.0 | 714.0 | 732.0 | 839.0 | 707.0 | 590.0 |
| | Consumer Sentiment | 99.3 | 89.1 | 78.1 | 80.4 | 80.7 | 84.9 | 85.5 | 72.8 | 70.6 | 59.4 | 51.1 |
| | 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 | 53.0 |
| | Homebuilder sentiment | 76 | 72 | 58 | 83 | 86 | 82 | 81 | 76 | 84 | 79 | 55 |
| | 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 | 5.1 |
| | JOLTS Quits rate (%) | 2.3 | 2.0 | 1.9 | 2.2 | 2.4 | 2.6 | 2.8 | 2.9 | 3.0 | 2.9 | 2.8 |
| | Jobless claims | 238.0 | 2316.8 | 1490.3 | 851.8 | 836.8 | 669.3 | 419.5 | 370.0 | 221.8 | 178.0 | 231.8 |
| 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 | 17.2 |
| | IG Spread (bps) | 101 | 305 | 160 | 144 | 103 | 97 | 86 | 89 | 98 | 122 | 154 |
| | HY Spread (bps) | 360 | 877 | 644.0 | 541 | 386 | 336.0 | 304 | 315 | 310 | 343 | 498 |
| | Yield curve (bps) | 31 | 22 | 65 | 59 | 84 | 154 | 144 | 129 | 139 | 193 | 193 |
| | 10 year yield | 1.92 | 0.67 | 0.66 | 0.69 | 0.92 | 1.74 | 1.47 | 1.49 | 1.51 | 2.34 | 2.66 |
| | VIX | 13.8 | 53.5 | 30.4 | 26.4 | 22.8 | 19.4 | 15.8 | 23.1 | 17.2 | 20.6 | 22.3 |
| | MOVE Index | 58.3 | 83.9 | 54.1 | 39.2 | 49.0 | 71.3 | 57.3 | 61.1 | 77.1 | 106.9 | 119.9 |
| | 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 | 685.6 |
| | 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 | 65.4 | 65.7 | 154.0 | 49.1 | 39.9 | 54.1 | 7.0 | 3.2 |
| | SPAC volume (\$bn, 3 month sum) | 3.8 | 5.9 | 11.9 | 40.4 | 39.3 | 112.5 | 14.3 | 14.1 | 22.5 | 4.7 | 2.6 |

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



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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.