

APOLLO GLOBAL MANAGEMENT

Slowdown Watch: Daily and weekly indicators for the US economy

Torsten Slok, Chief Economist

Jyoti Agarwal, Senior Economist

Rajvi Shah, Economist

October 2022

Unless otherwise noted, information as of October 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.

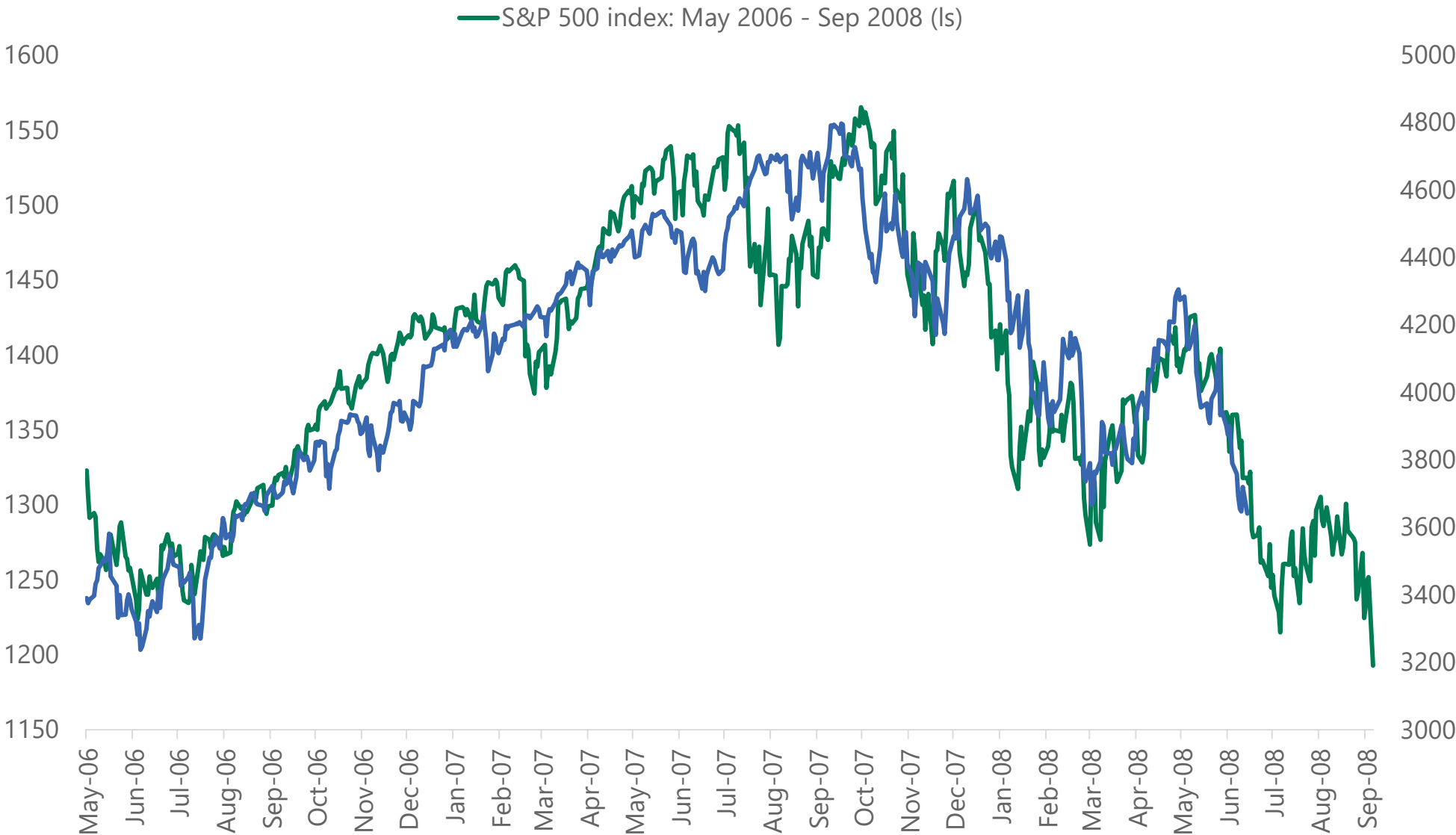
Legal Disclaimer

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.

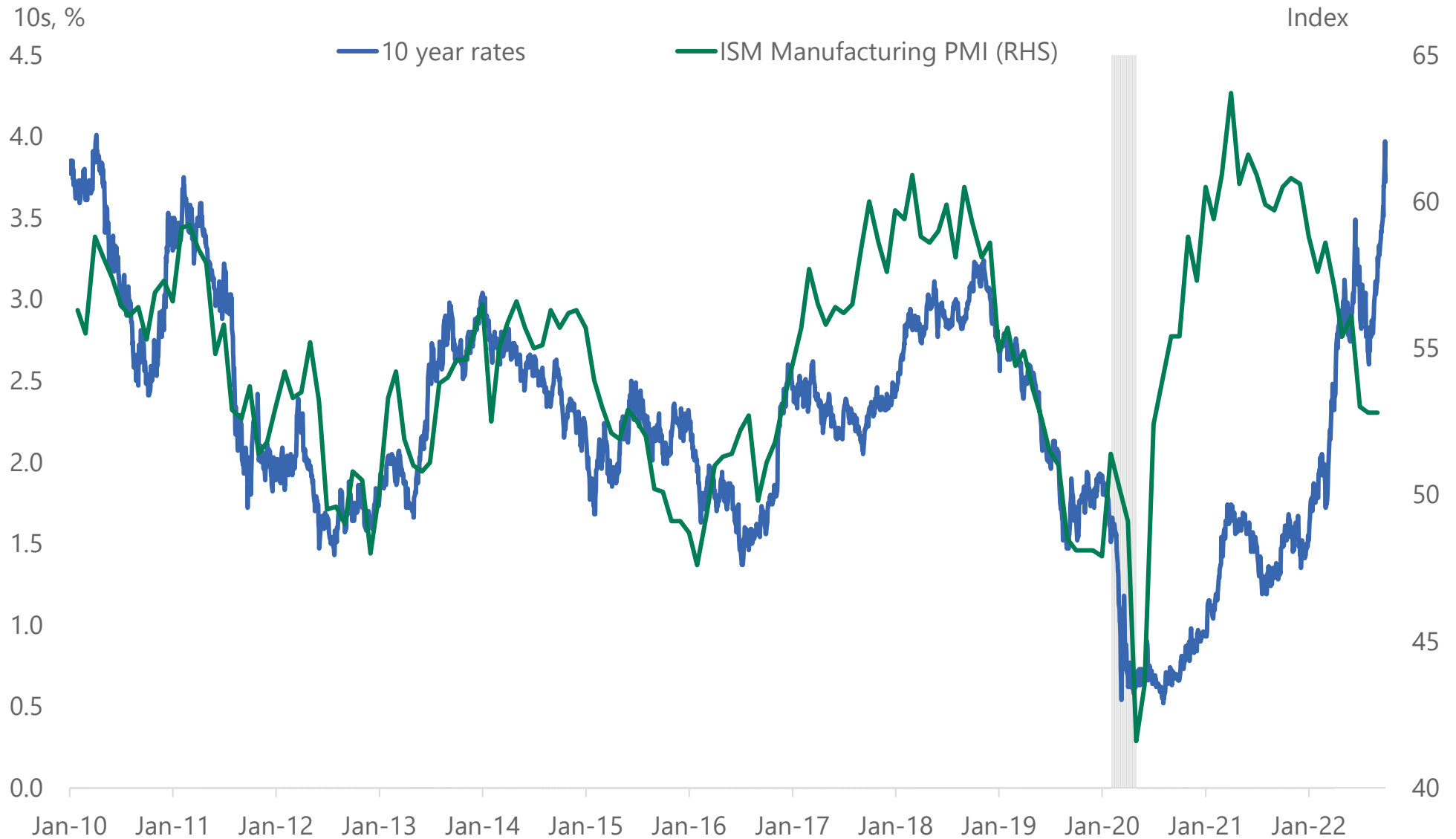
Certain information contained herein may be “forward-looking” in nature. Due to various risks and uncertainties, actual events or results may differ materially from those reflected or contemplated in such forward-looking information. As such, undue reliance should not be placed on such information. Forward-looking 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.

S&P500 is following a pattern similar to 2007-08



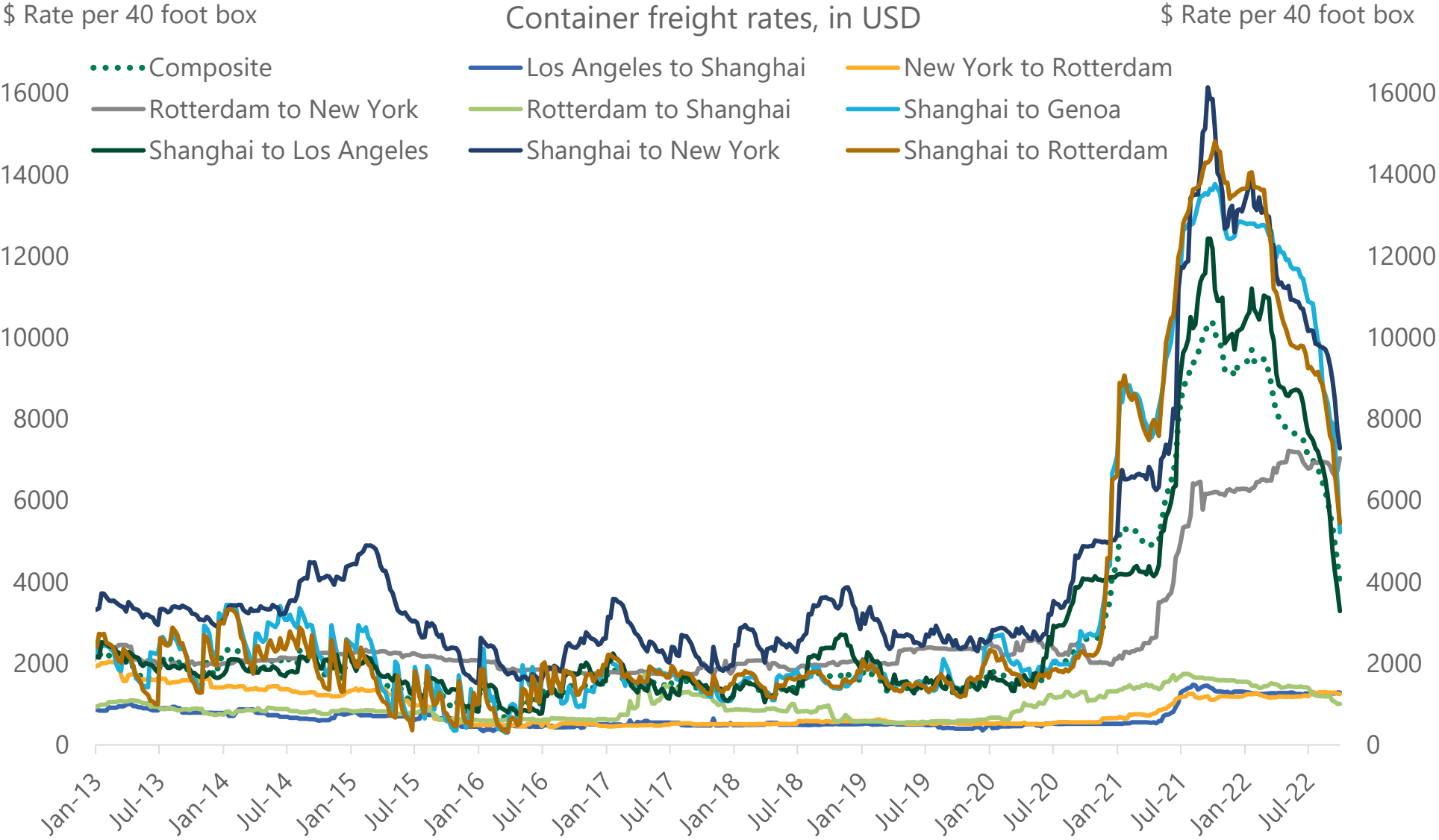
Source: Bloomberg, Apollo Chief Economist

ISM falling and 10-year rates going up?



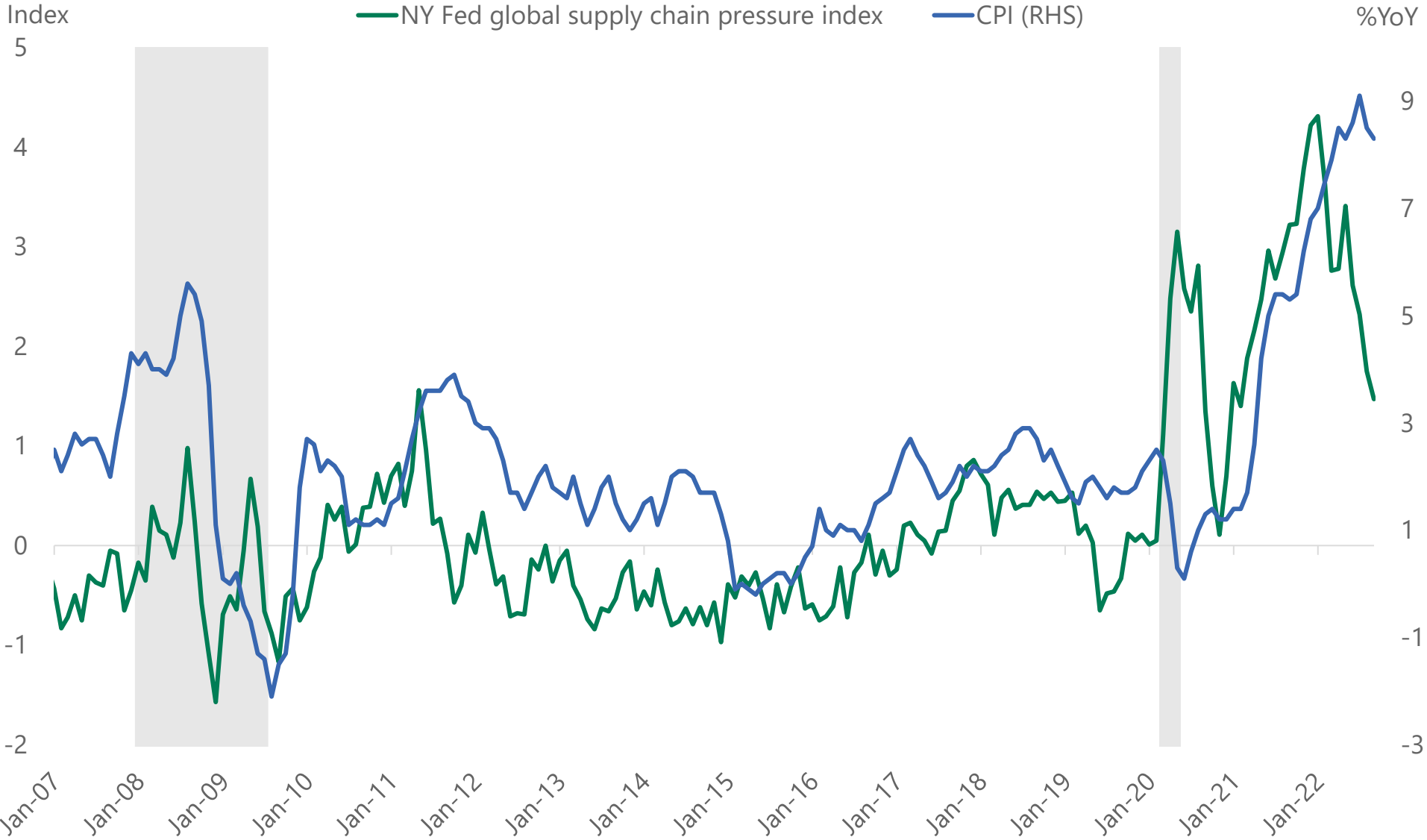
Source: ISM, FRB, Haver Analytics, Apollo Chief Economist

Container freight rates falling: Inflation pressures are easing



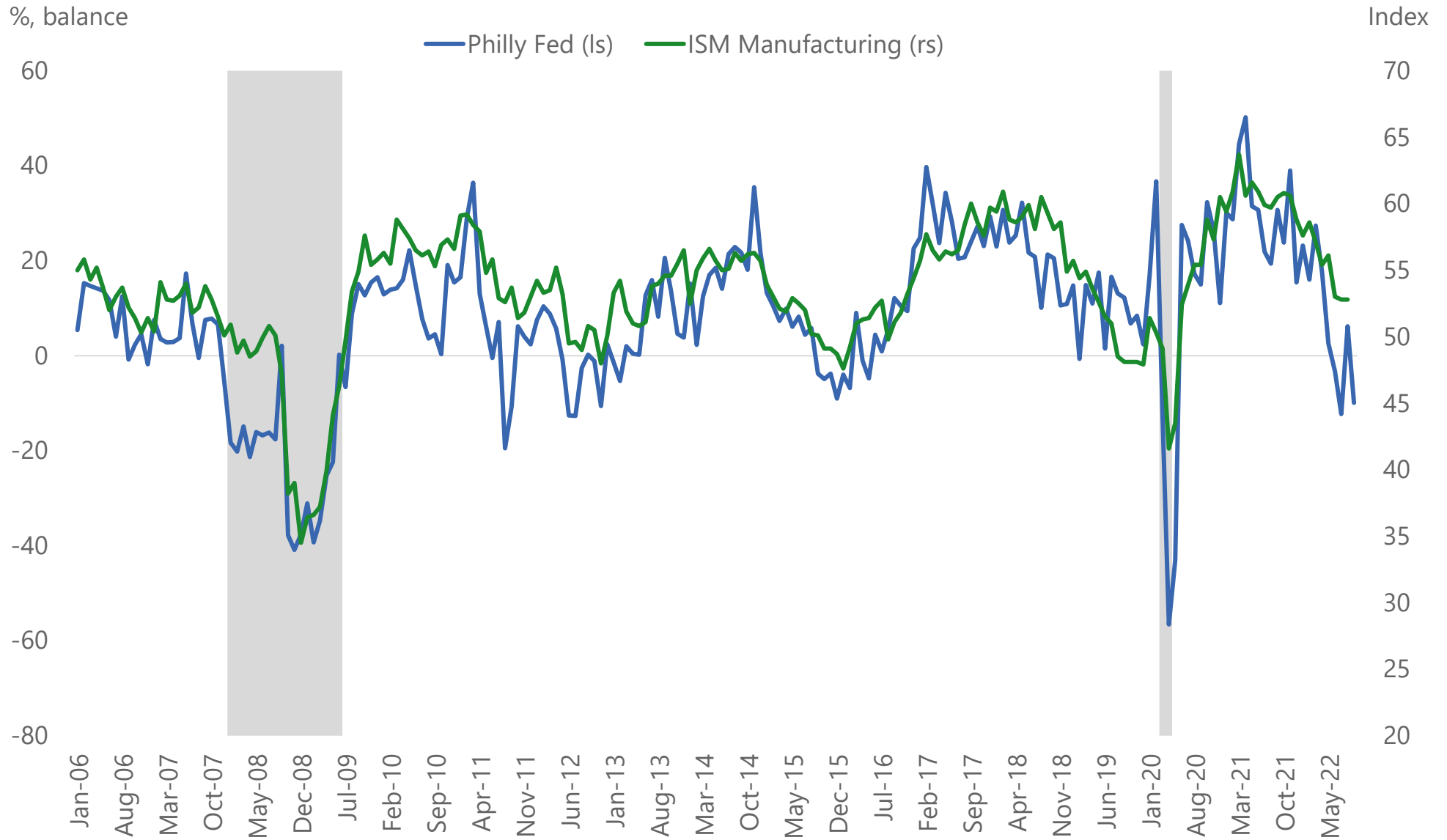
Source: WCI, Bloomberg, Apollo Chief Economist

Supply chain improvements putting downward pressure on inflation



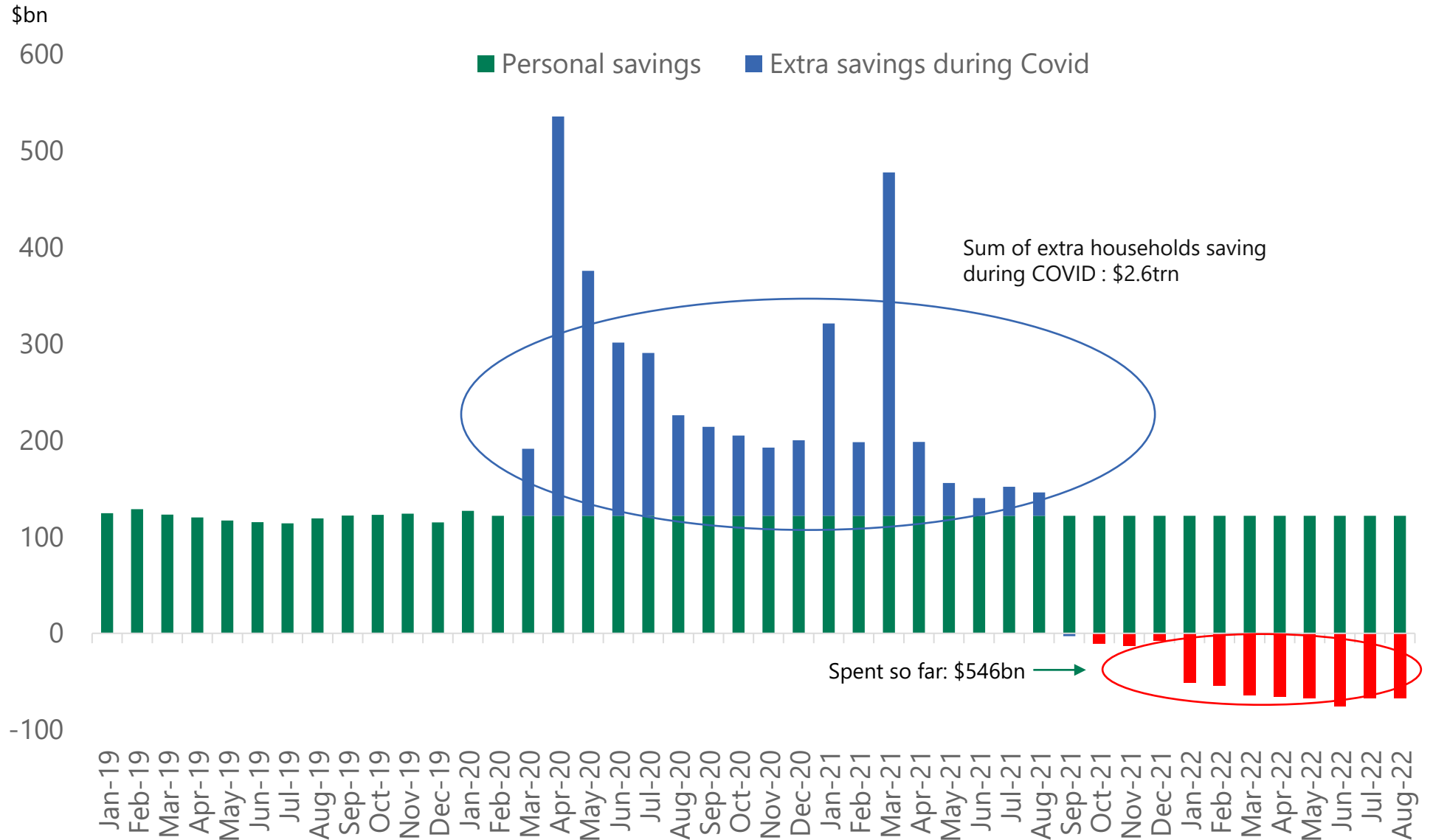
Source: NY Fed, BLS, Haver Analytics, Apollo Chief Economist

Manufacturing sector cooling down



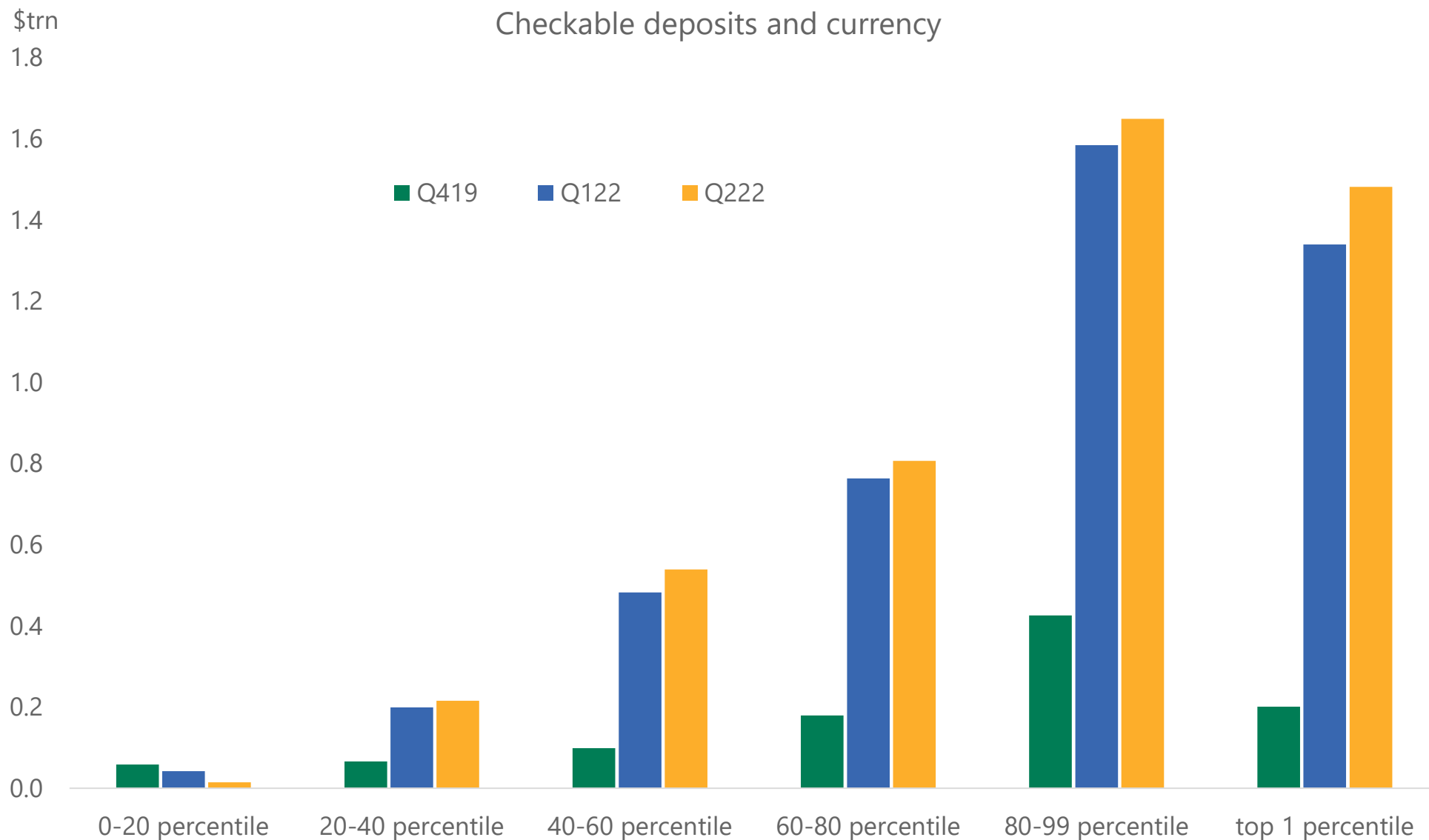
Source: ISM, Haver Analytics, Apollo Chief Economist

Households have \$2.1trn in excess dry powder, saved during the pandemic



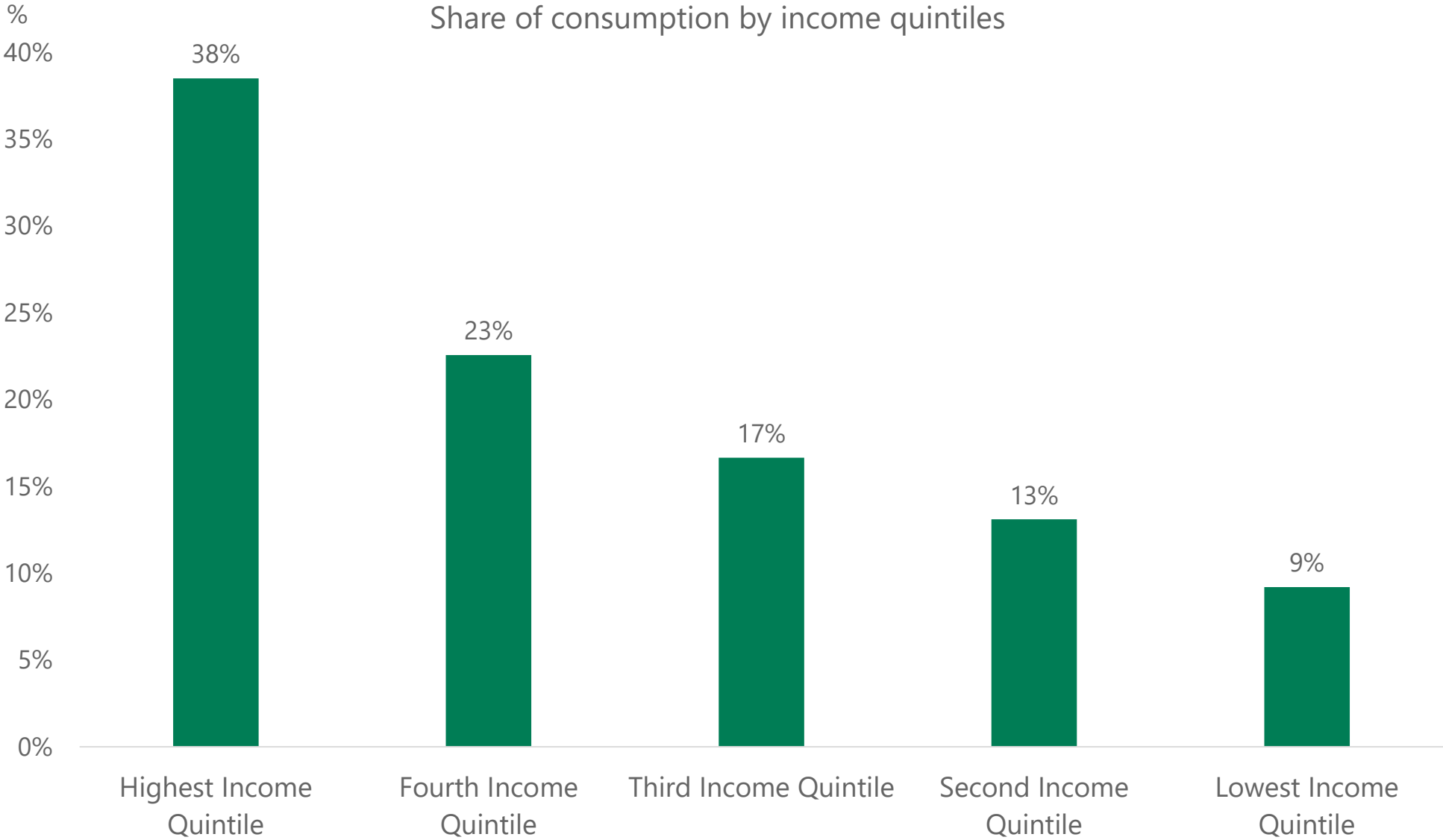
Note: Bloomberg, Apollo Chief Economist

Household savings across different income groups



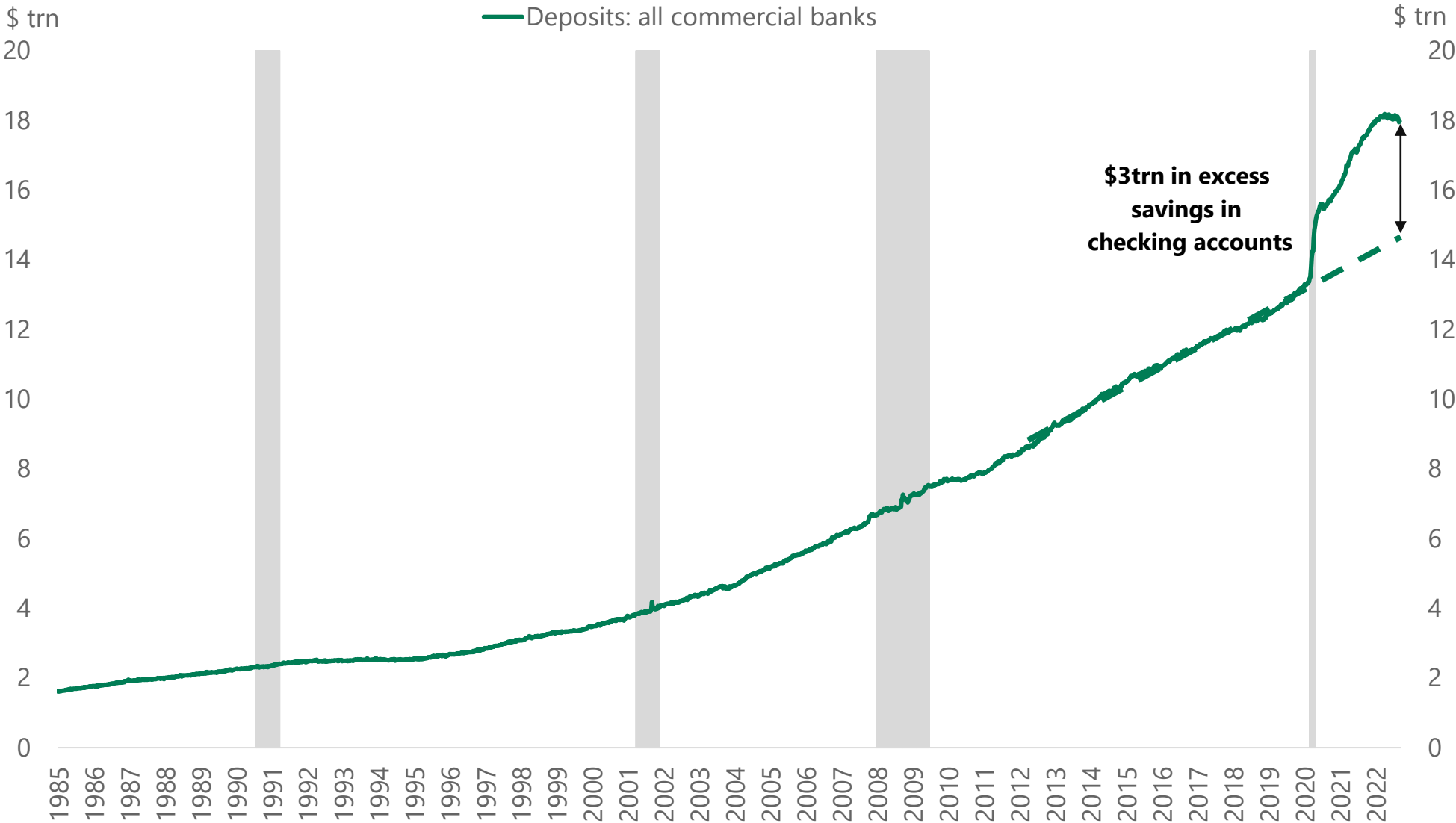
Source: FRB, Haver Analytics, Apollo Chief Economist

Share of US total consumer spending, by income



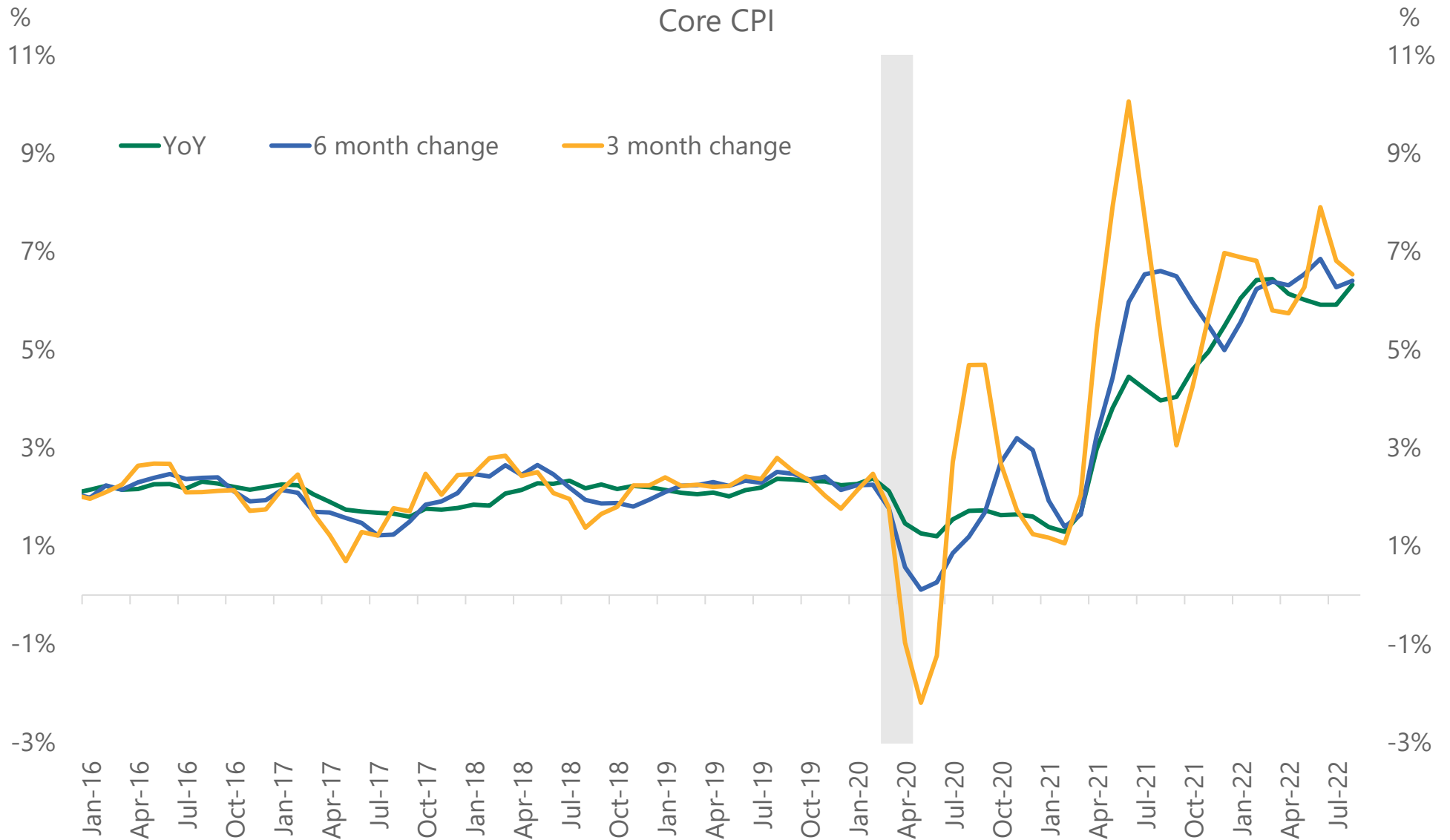
Source: Consumer Expenditure Survey, Haver Analytics, Apollo Chief Economist (latest data includes 2021)

Record-high level of deposits at commercial banks



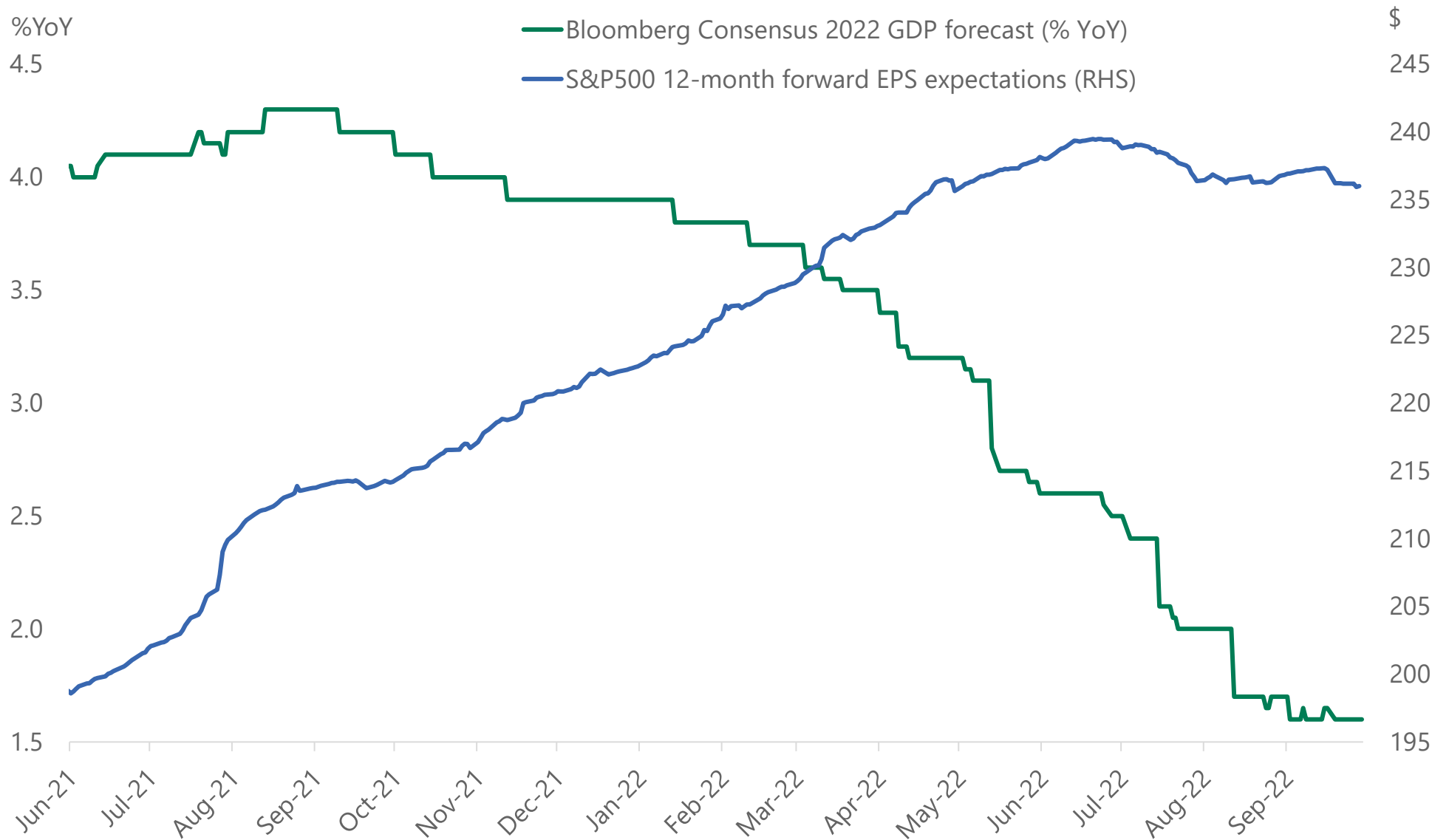
Source: FRB, Haver, Apollo Chief Economist

3- and 6-month change in core inflation around 6%



Source: BLS, Haver Analytics, Apollo Chief Economist

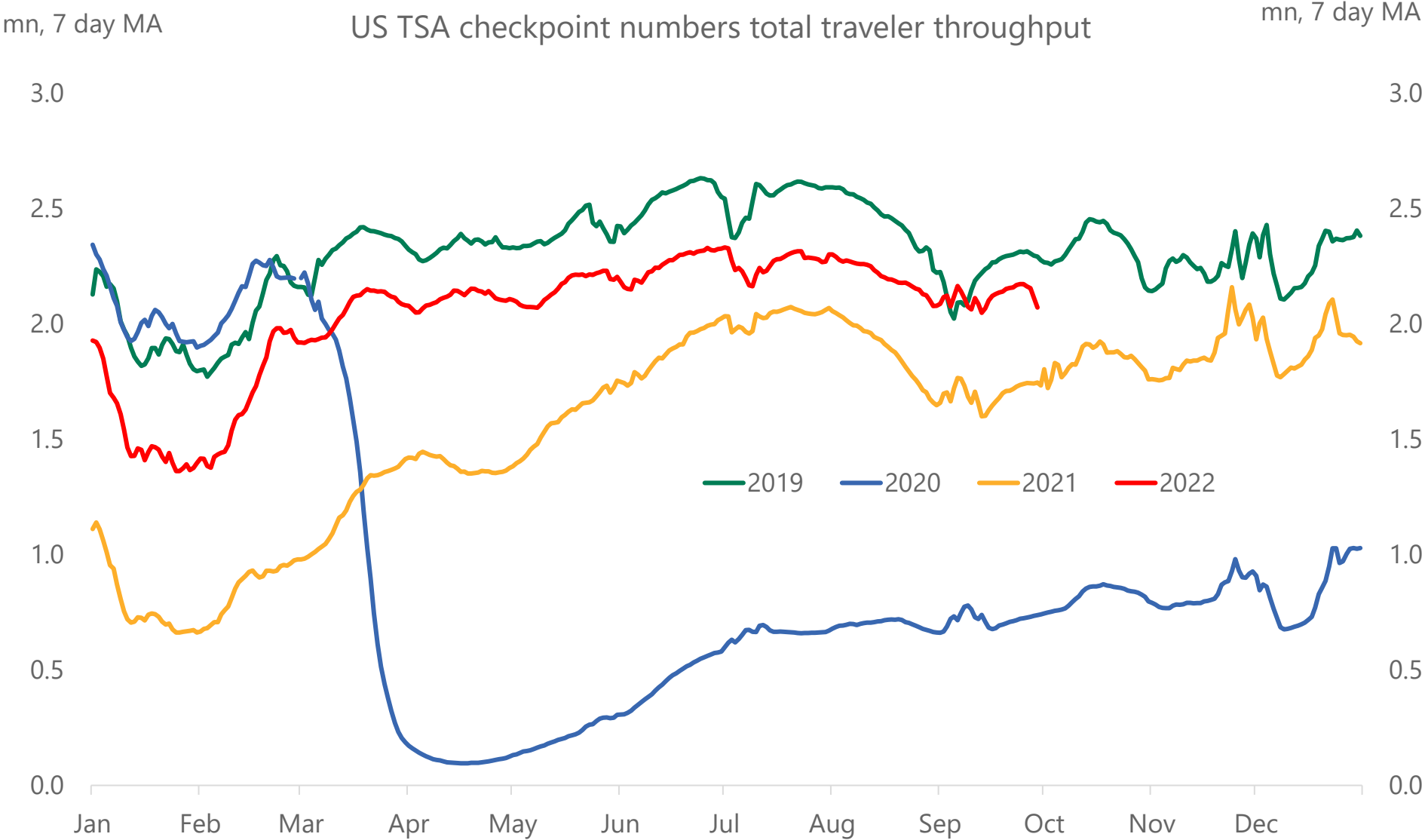
Divergence between S&P500 earnings expectations and GDP growth expectations



Source: Bloomberg, Apollo Chief Economist

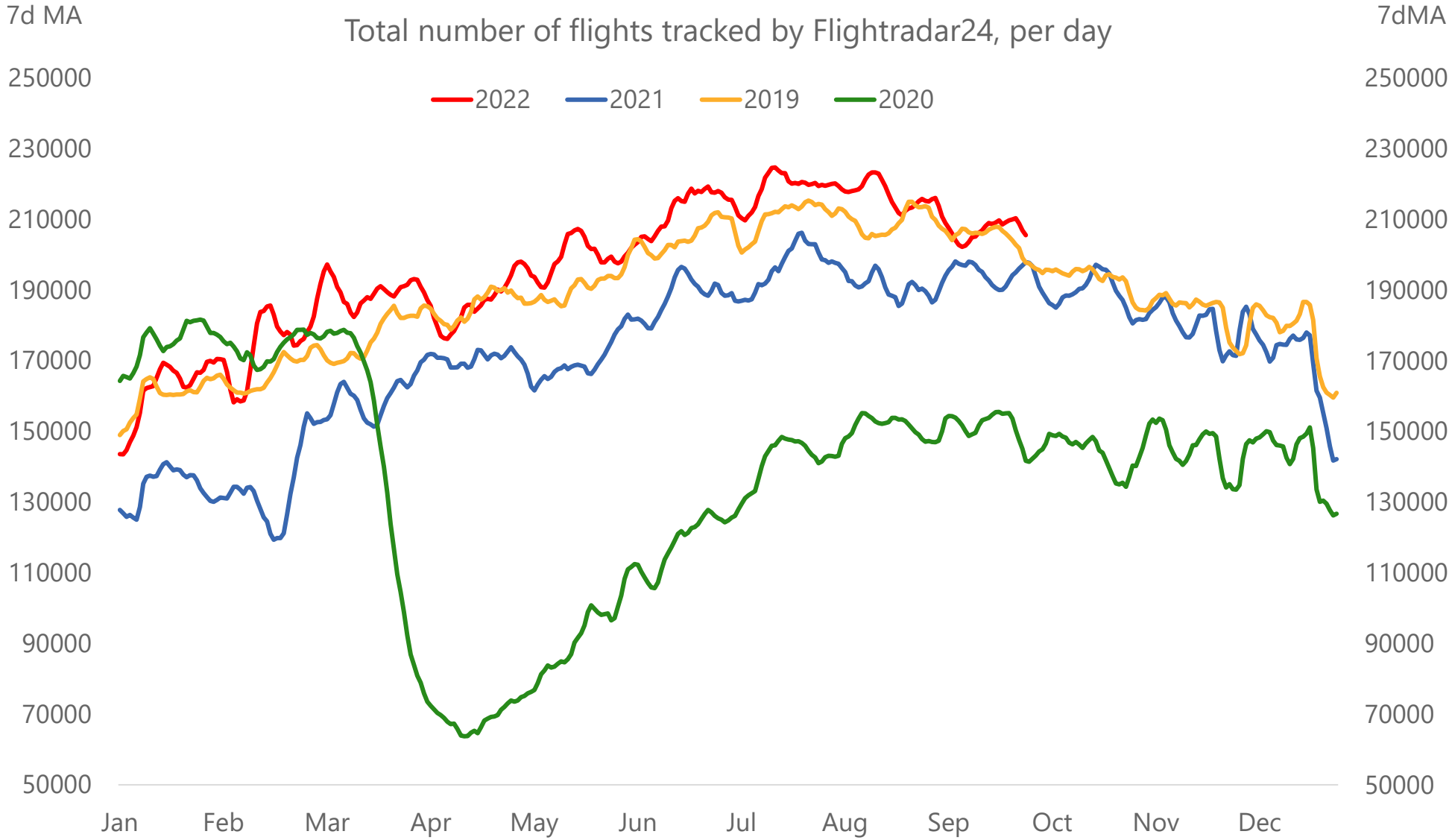
Daily economic indicators

US air travel still strong



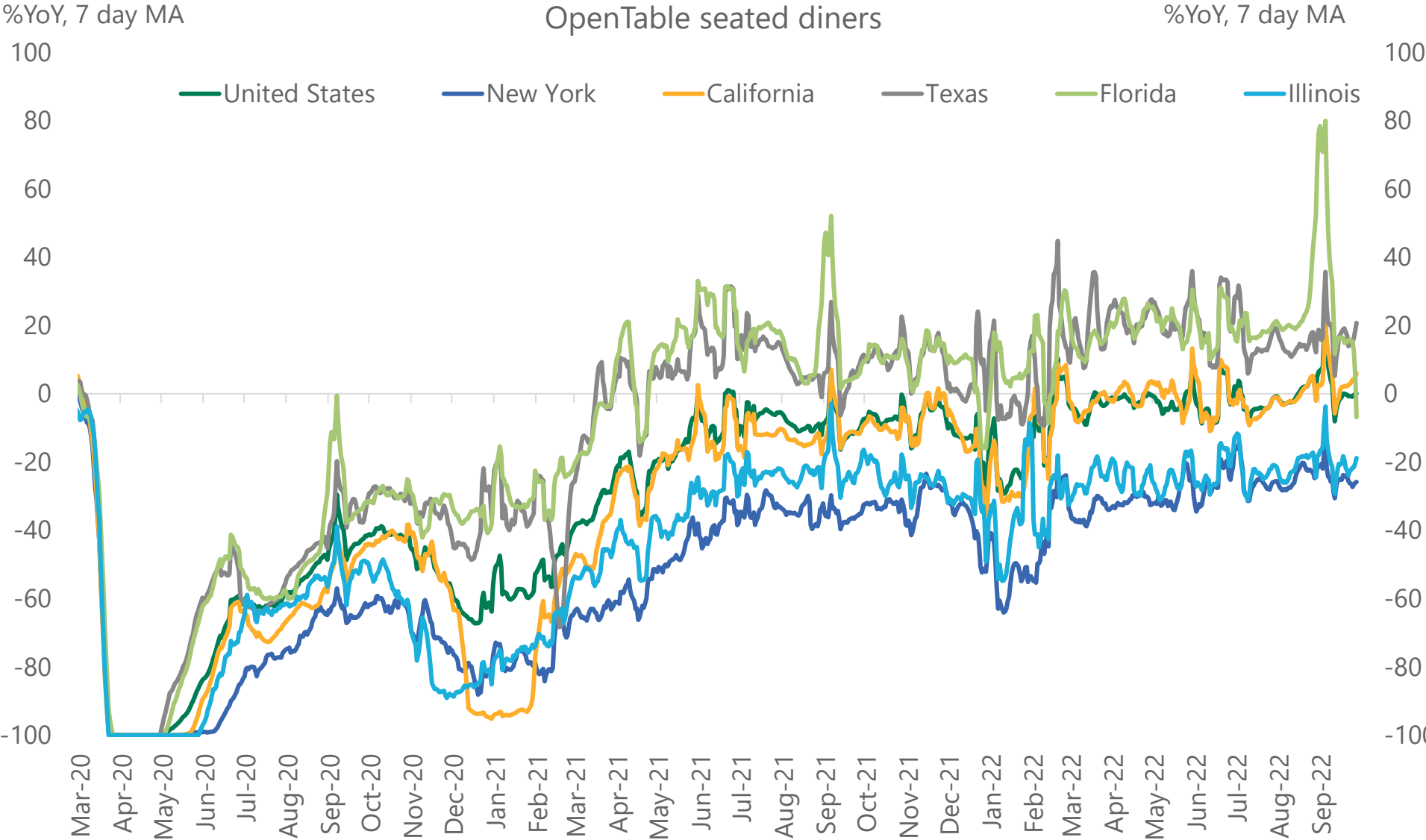
Source: TSA, Bloomberg, Apollo Chief Economist

Global air traffic still high



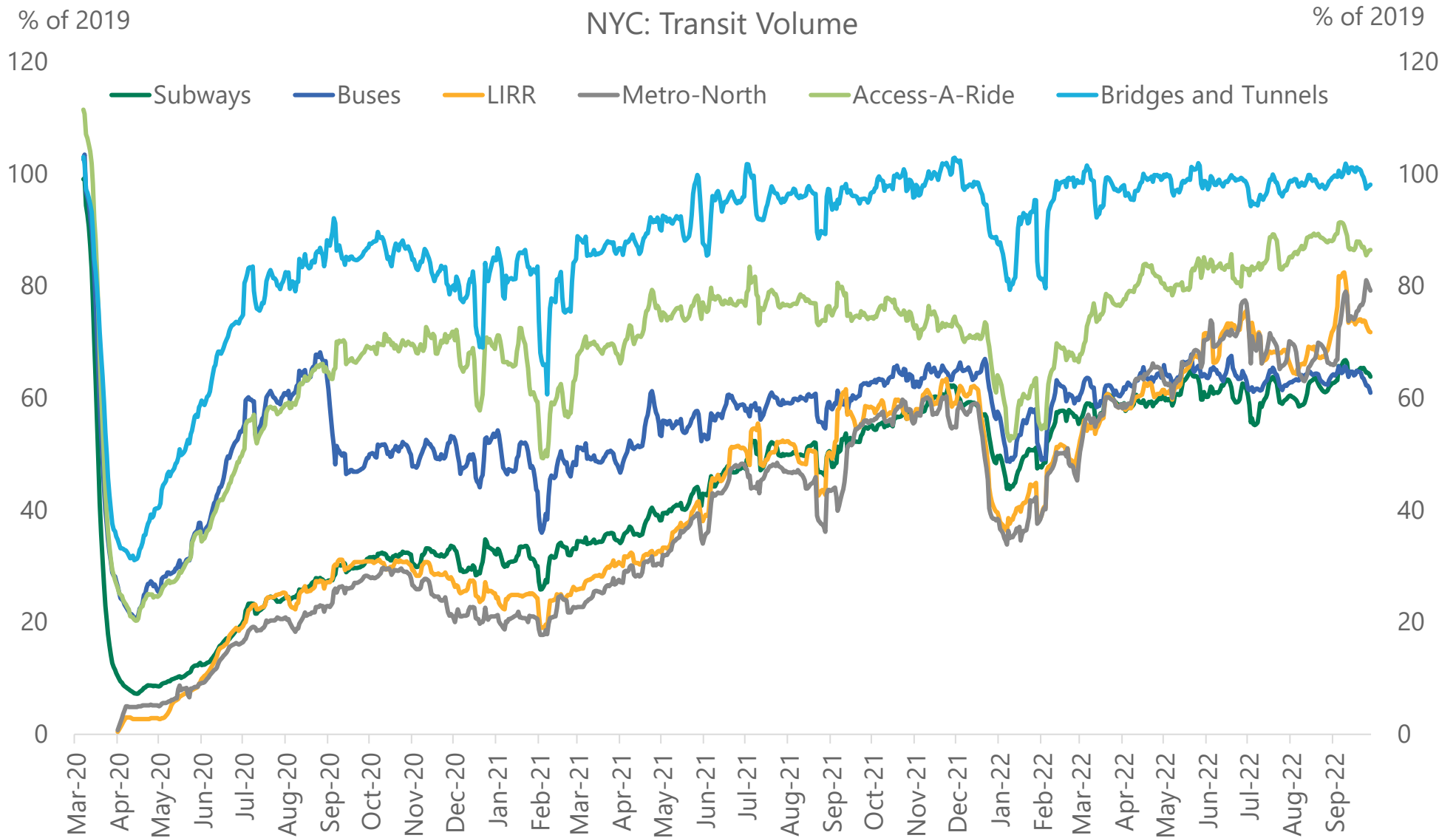
Source: Flightradar24.com, Apollo Chief Economist

Restaurant bookings still strong



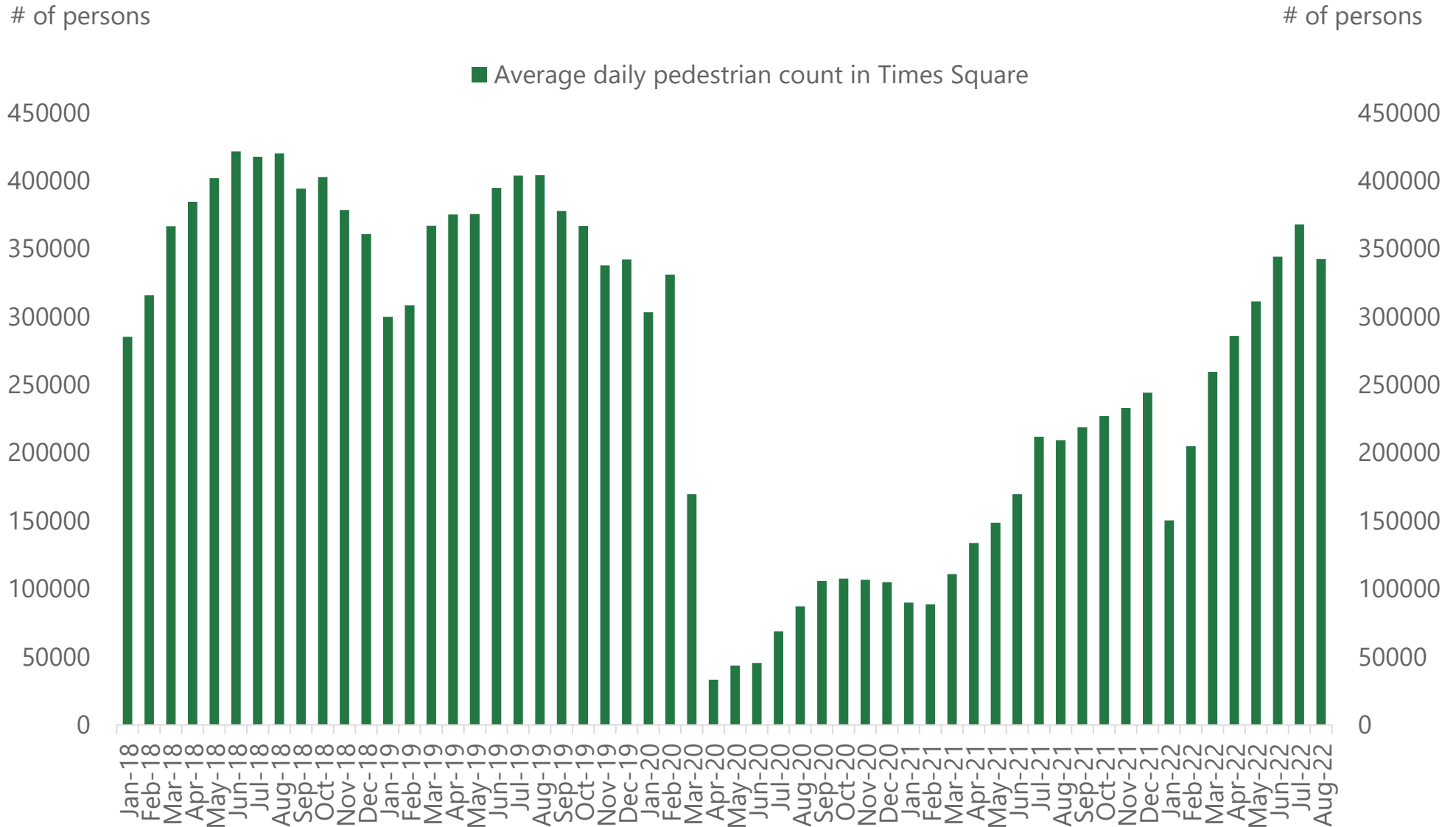
Source: OpenTable, Apollo Chief Economist

NYC mobility indicators improving



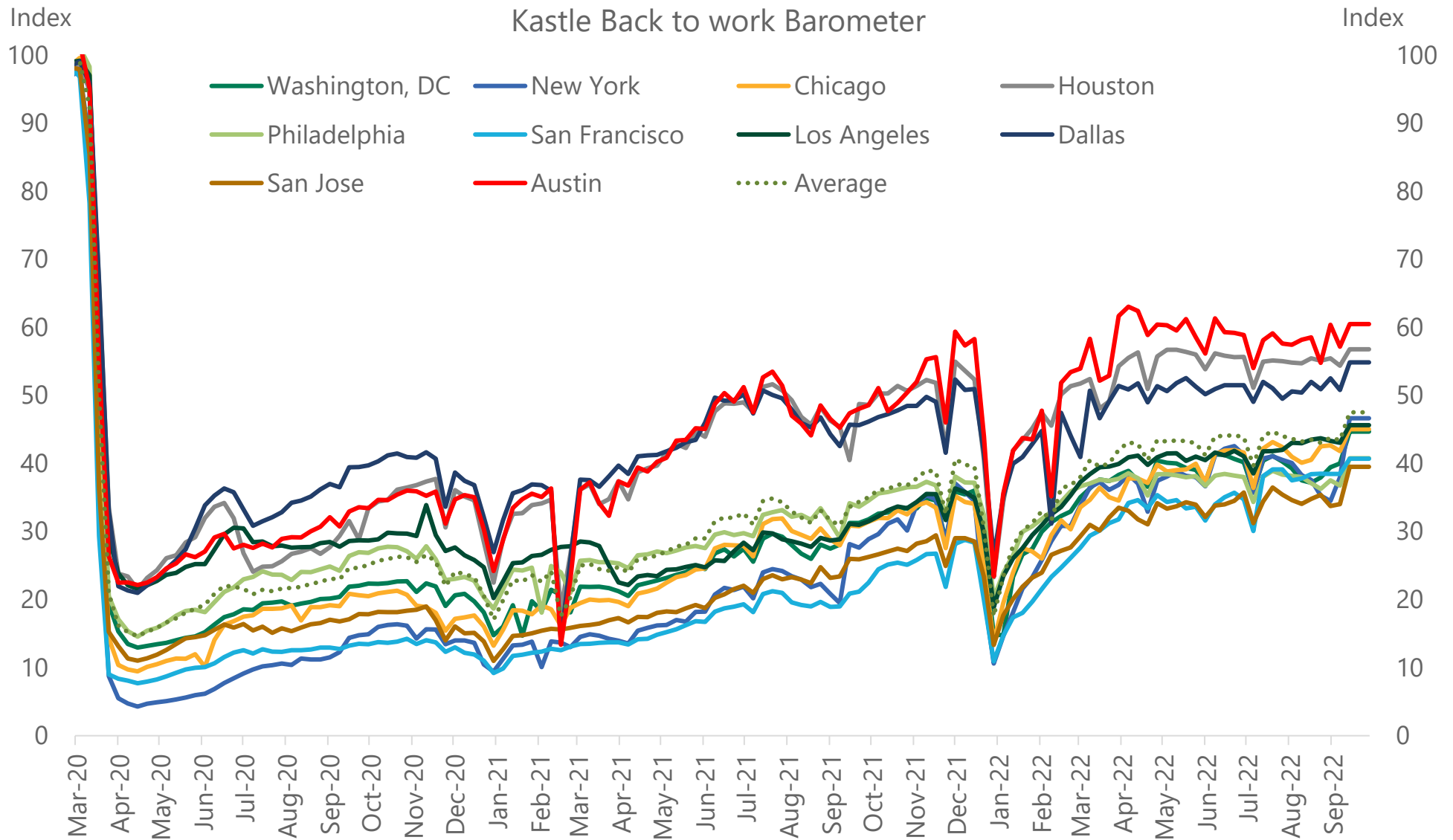
Source: MTA, Apollo Chief Economist

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



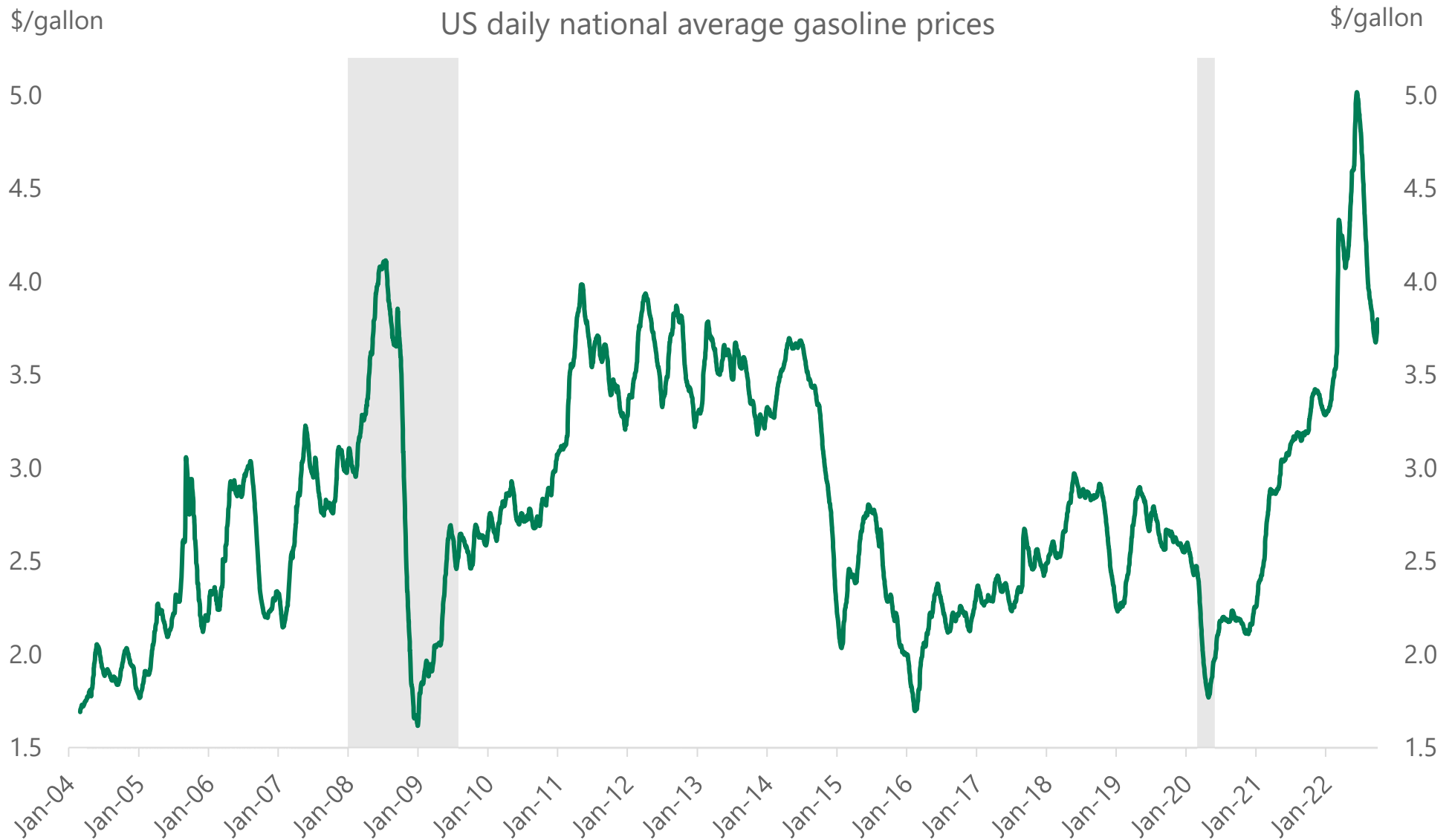
Source: [timessquarenyc.com](https://www.timessquarenyc.com), Apollo Chief Economist

New York City: Office use 46% of capacity



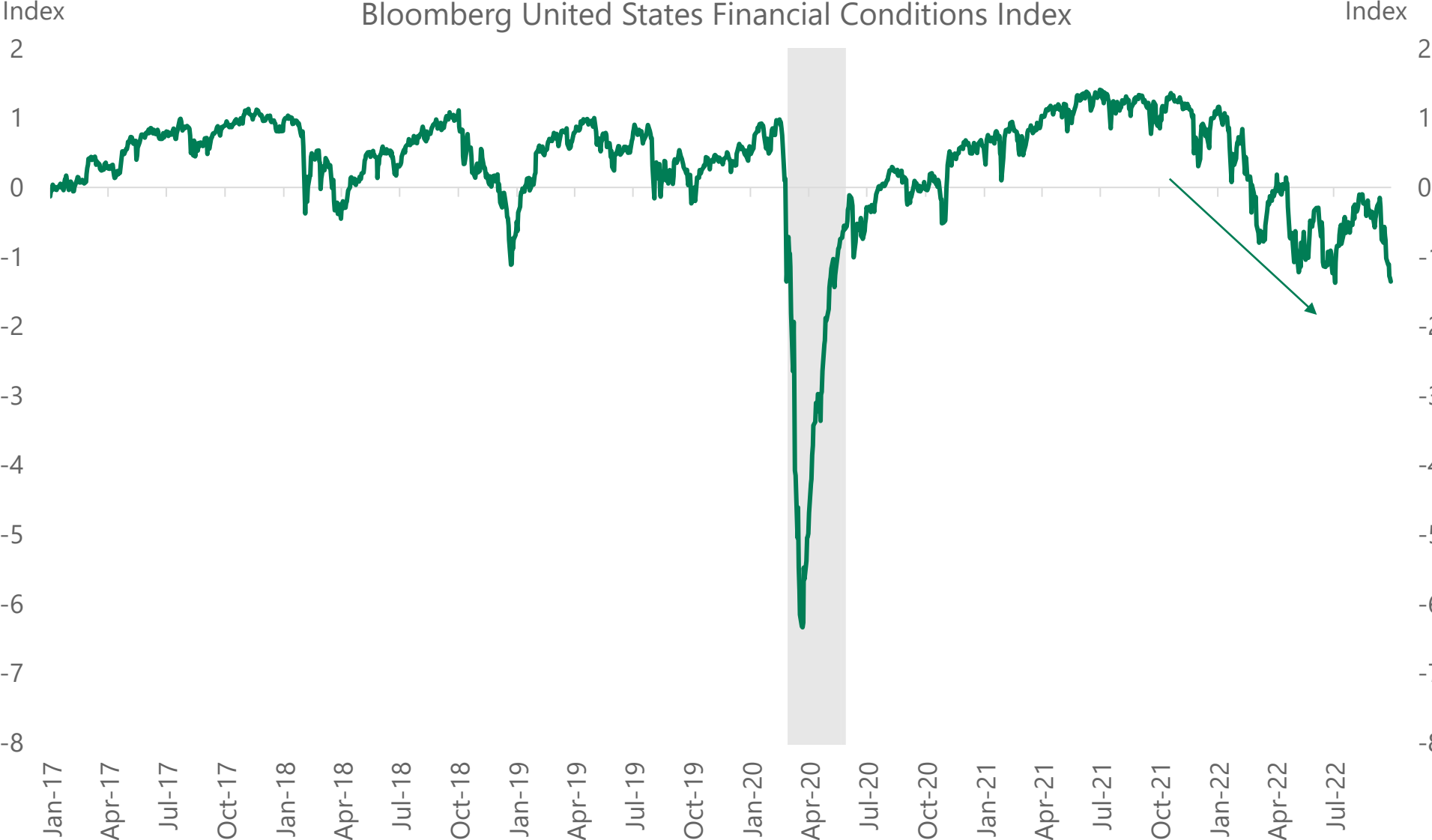
Source: Bloomberg, Apollo Chief Economist

Average US retail gas prices coming down from \$5 to \$3.8 per gallon



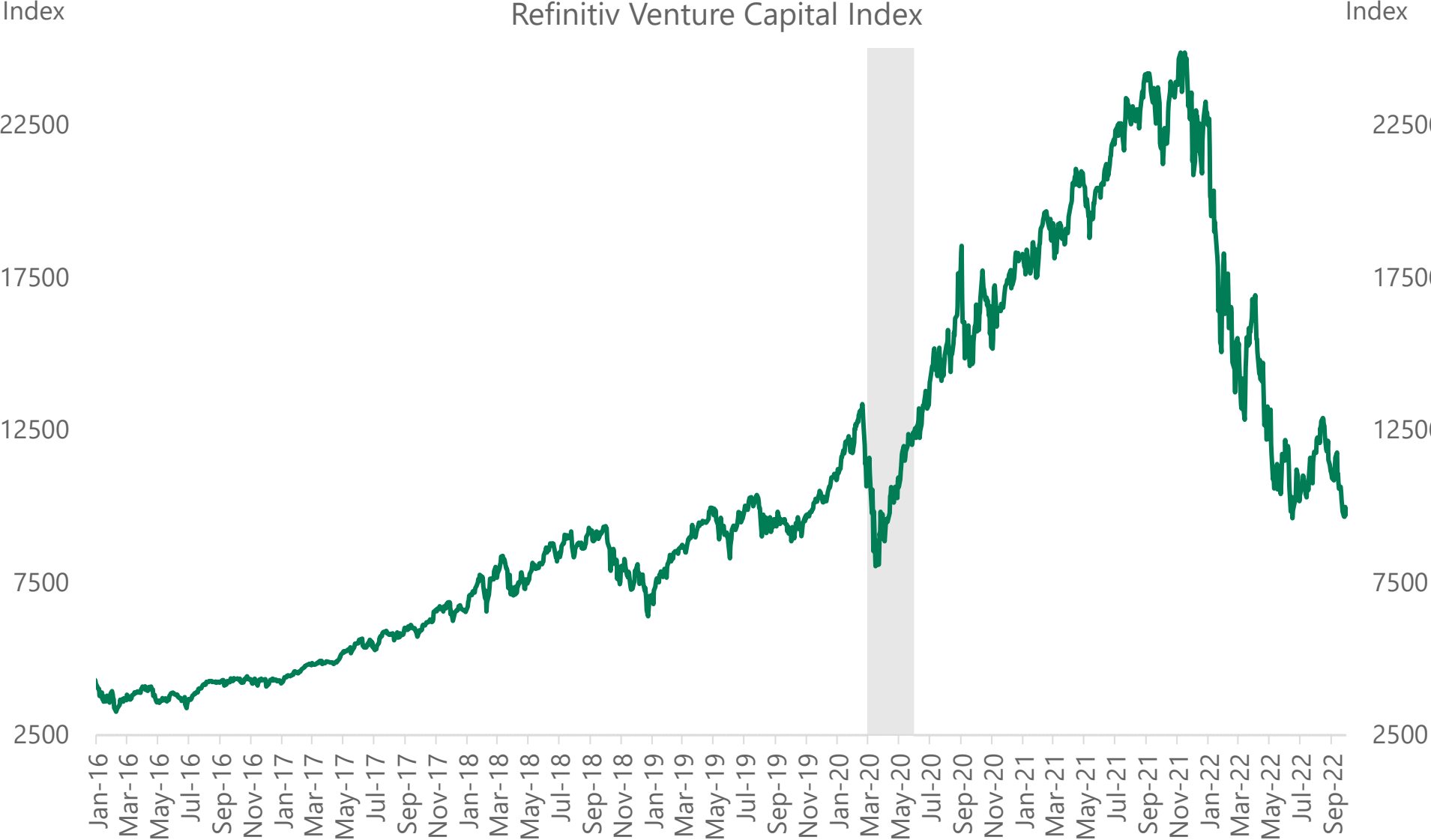
Source: Bloomberg, Apollo Chief Economist

Financial conditions tightening again



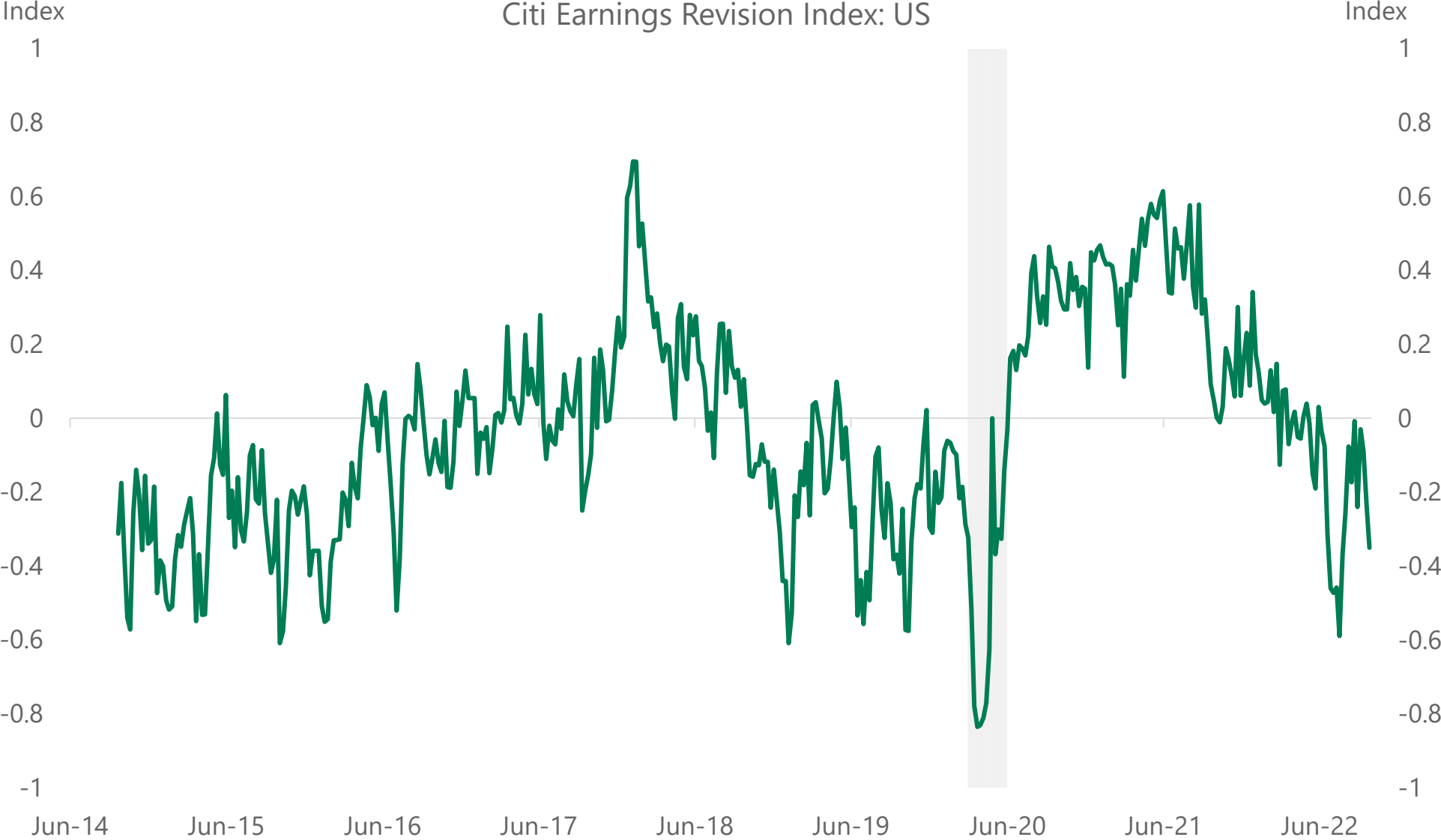
Source: Bloomberg, Apollo Chief Economist

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.

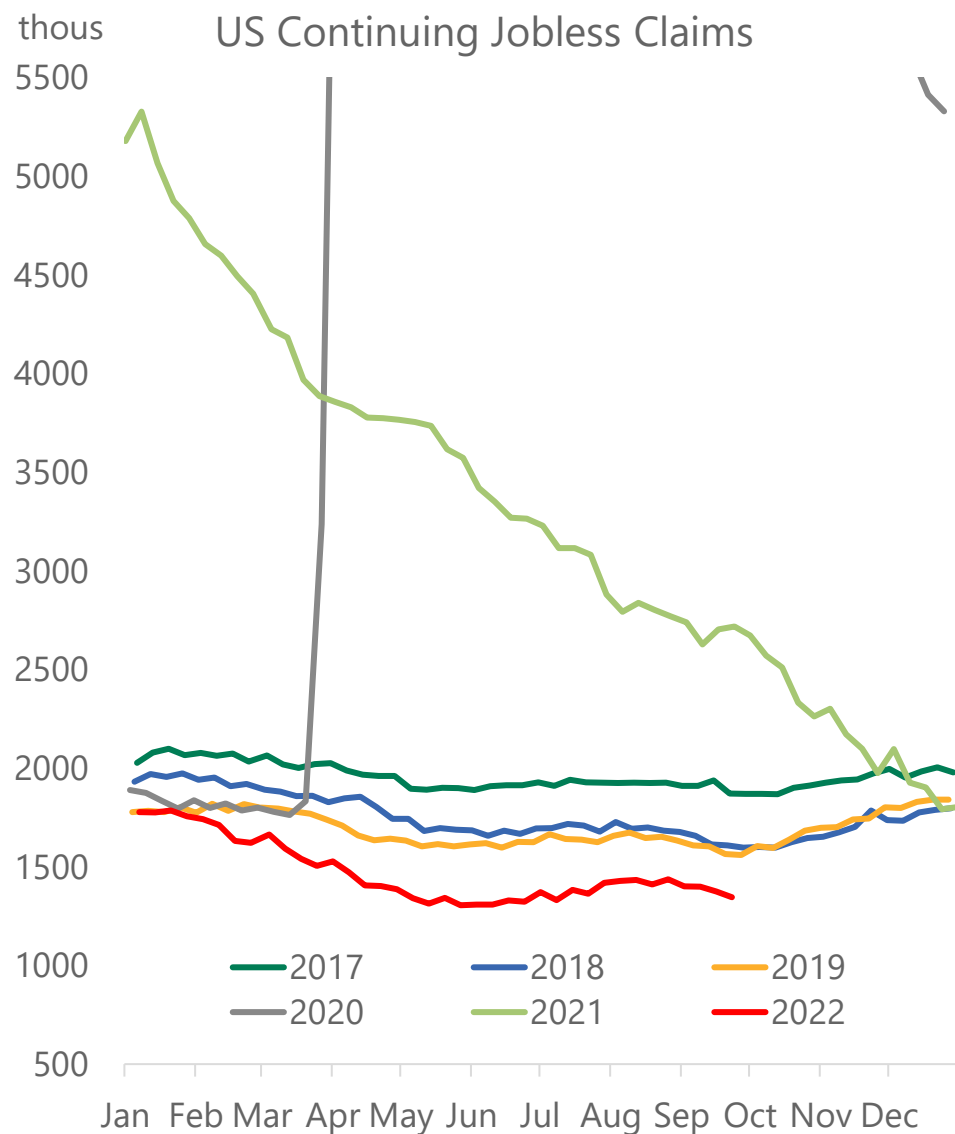
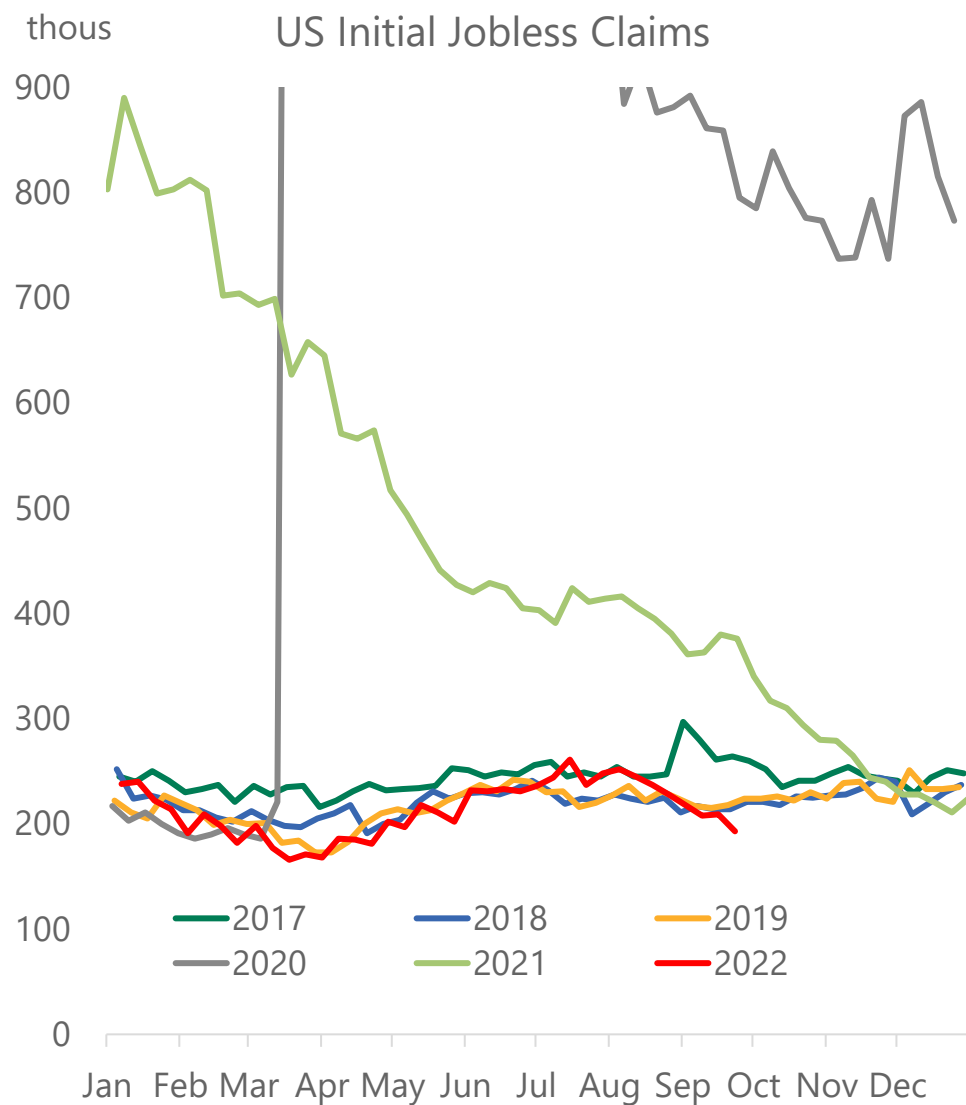
Corporate earnings revisions: Upgrades minus downgrades



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

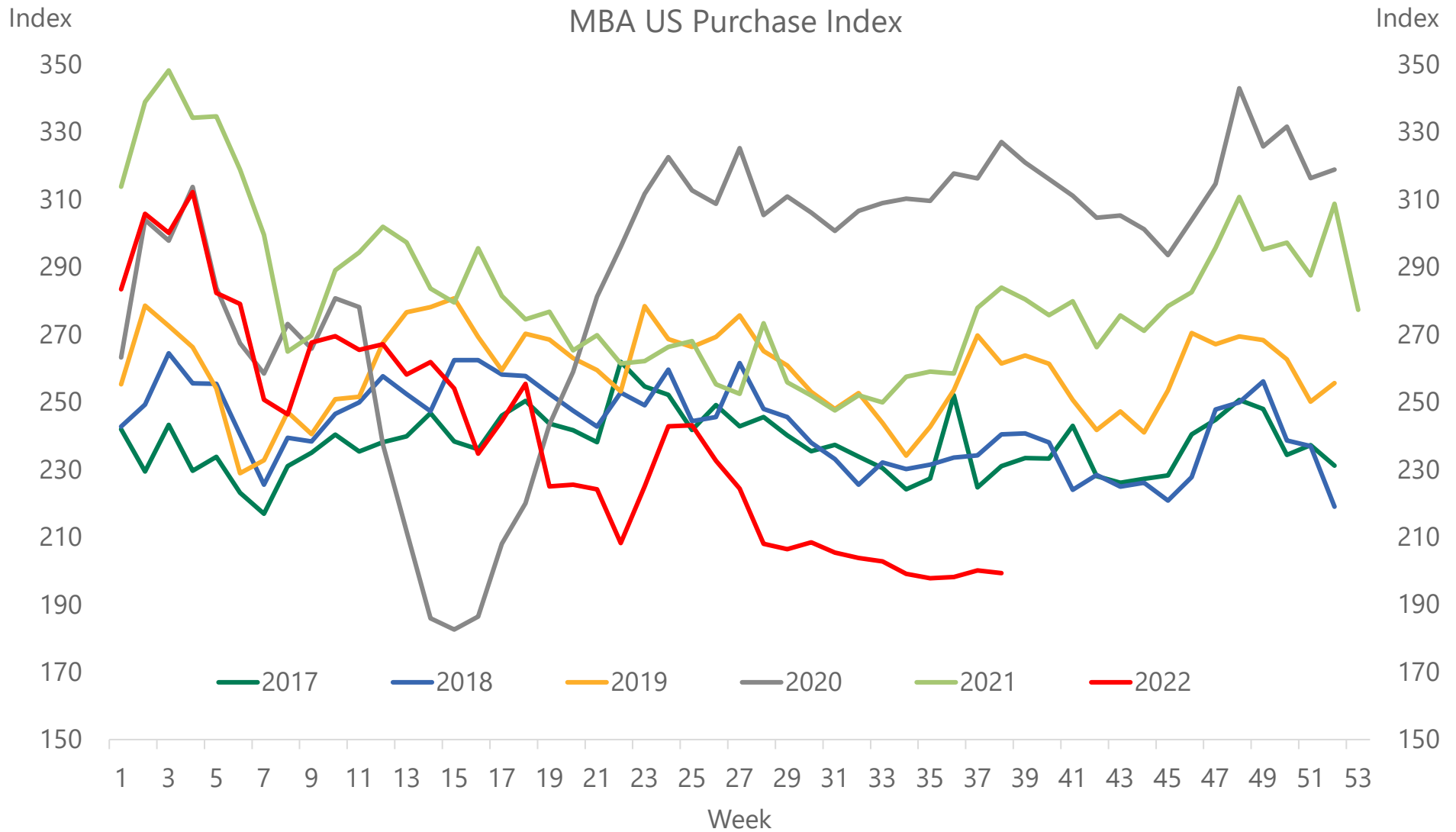
Weekly economic indicators

Jobless claims still declining: No signs of a slowdown in the labor market



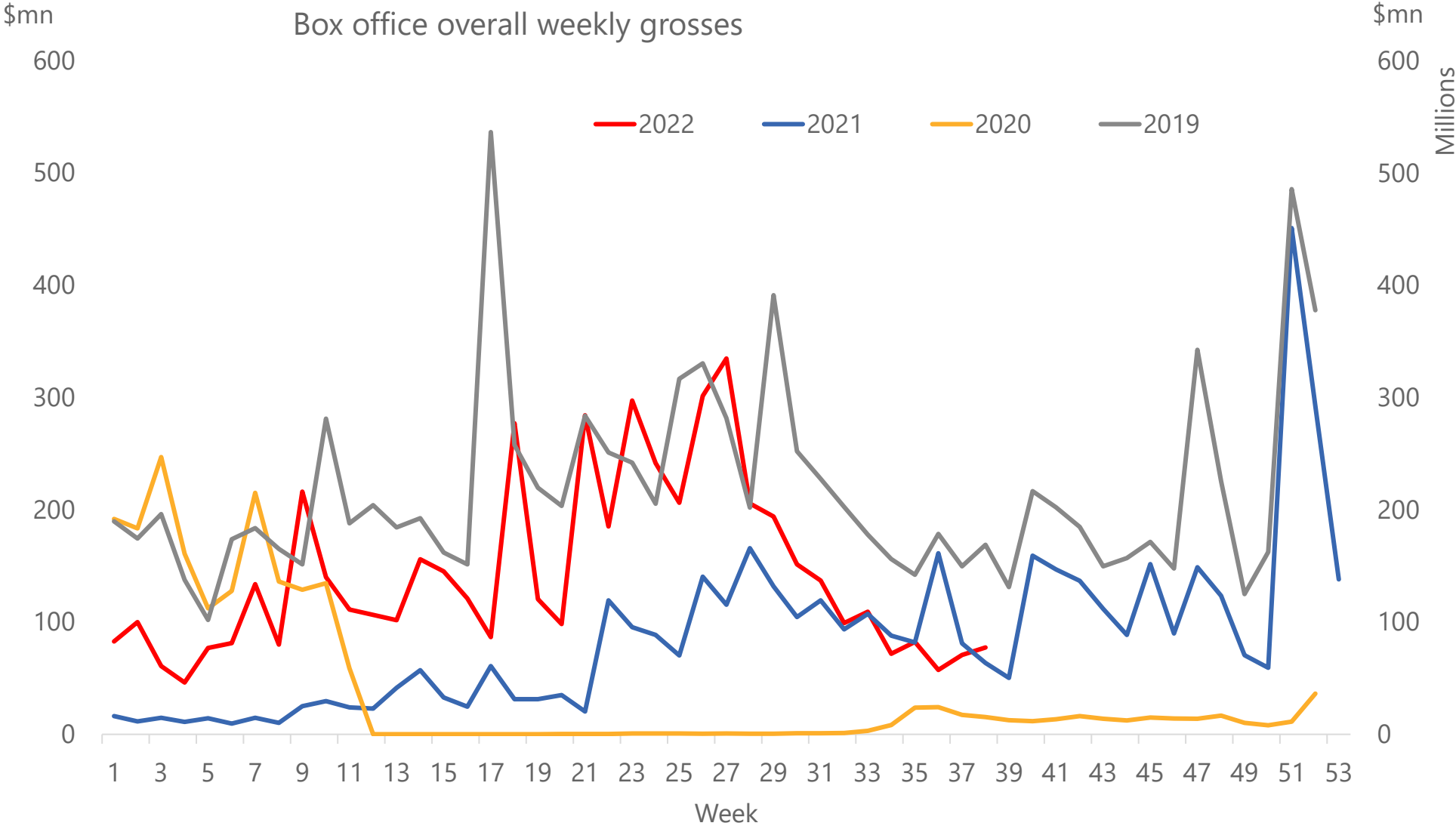
Source: Department of Labor, Bloomberg, Apollo Chief Economist

Weekly mortgage purchase applications softening



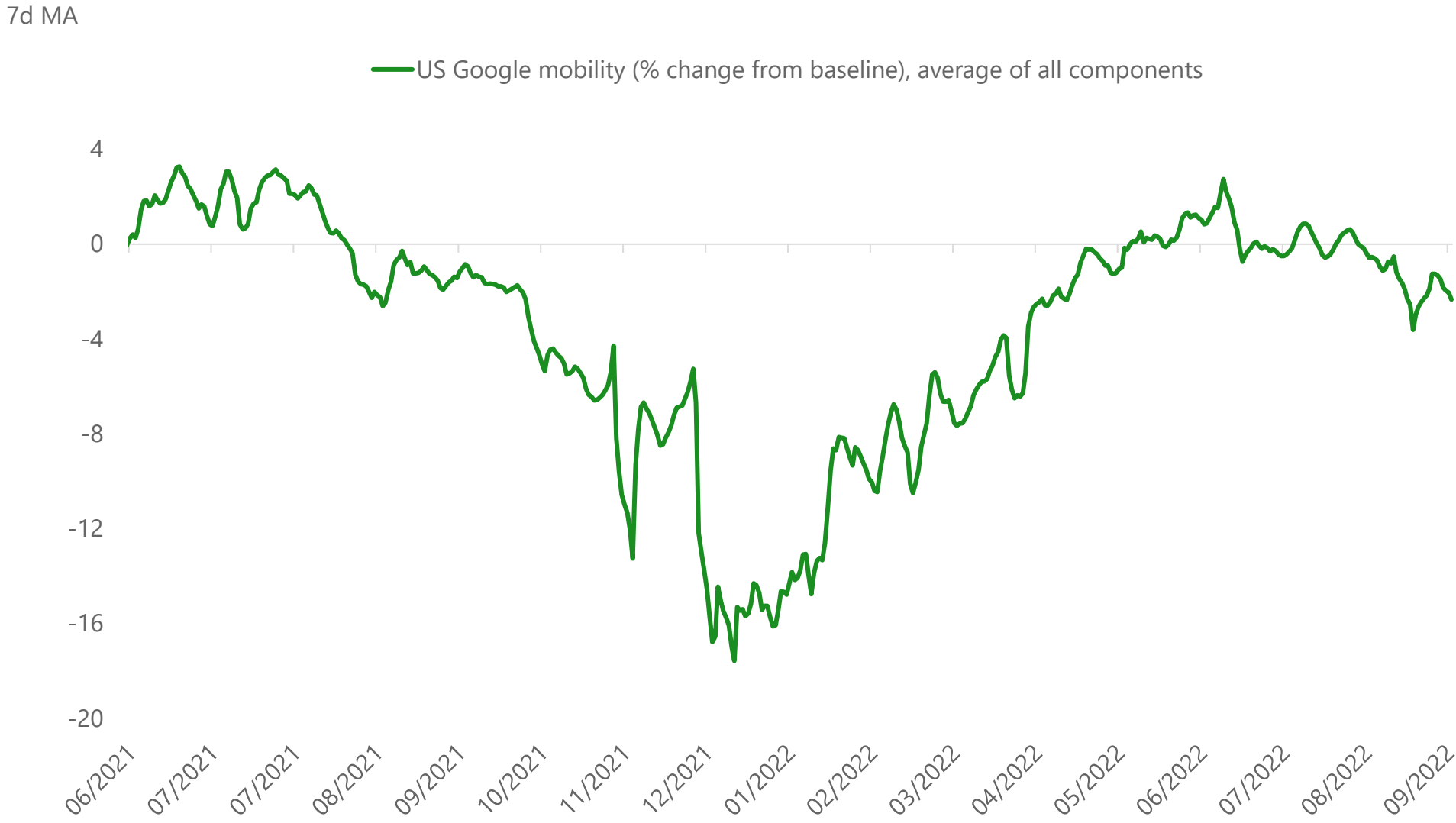
Source: Mortgage Bankers Association, Bloomberg, Apollo Chief Economist

Slowdown in movie theatre visits



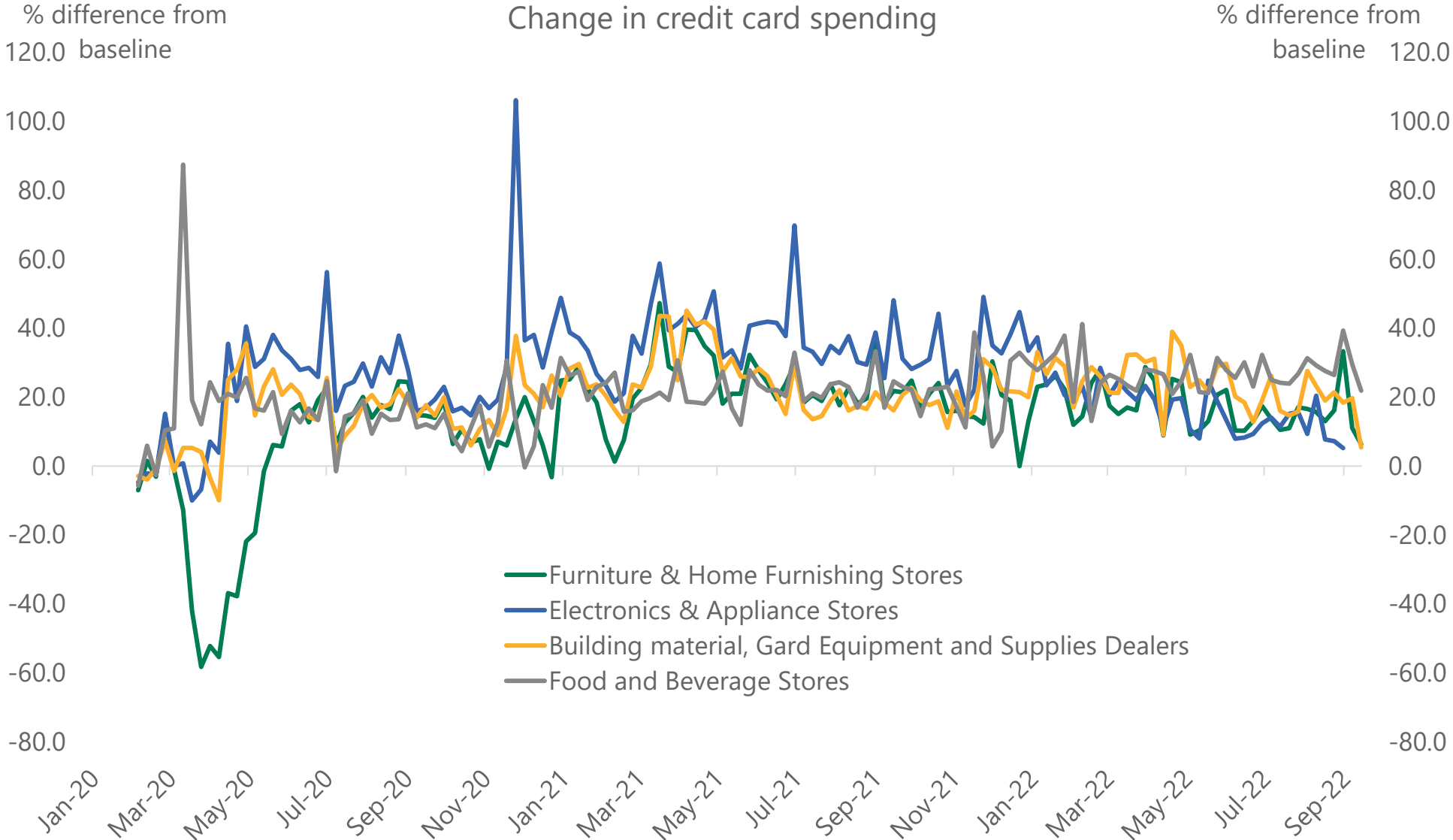
Source: Boxofficemojo.com, Apollo Chief Economist

US nationwide consumer mobility



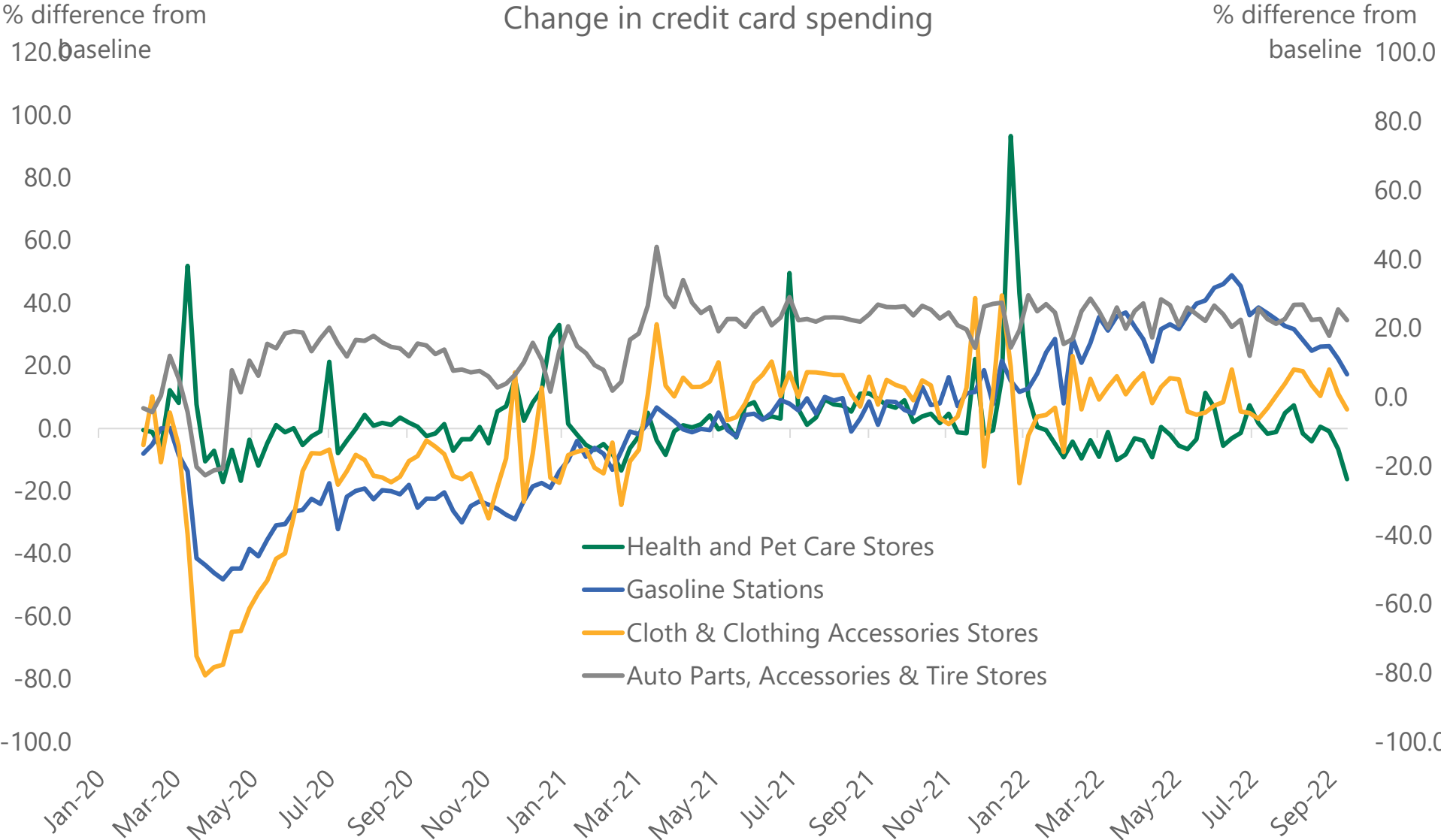
Source: Google mobility reports, Apollo Chief Economist

US consumer still strong



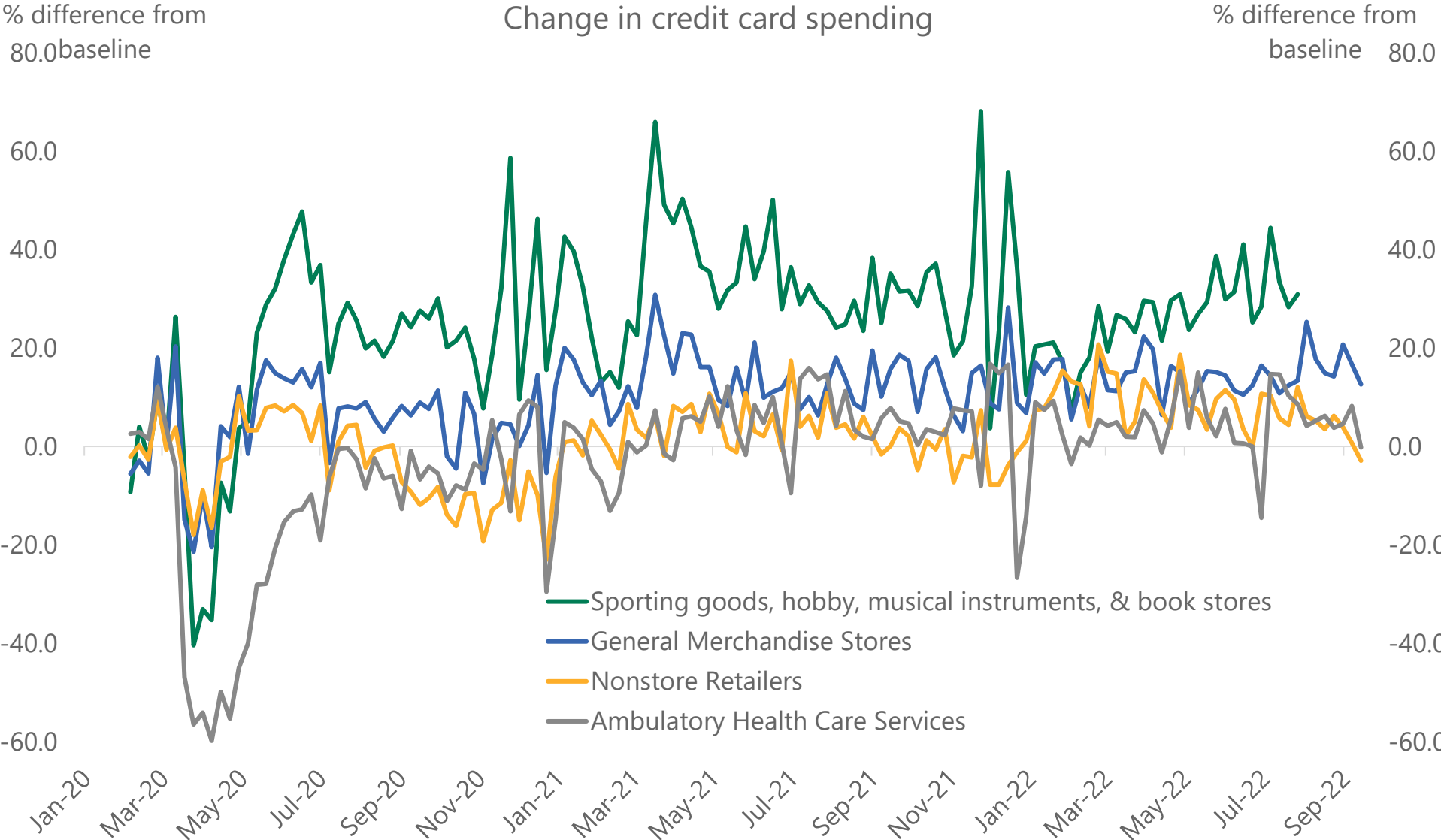
Source: BEA, Haver analytics, Apollo Chief Economist. Note: The weekly values represent the predicted percentage difference from the typical level of spending (prior to the pandemic declared by the World Health Organization on March 11, 2020) after adjusting for day-of-week, month, and year effects,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

US consumer still strong



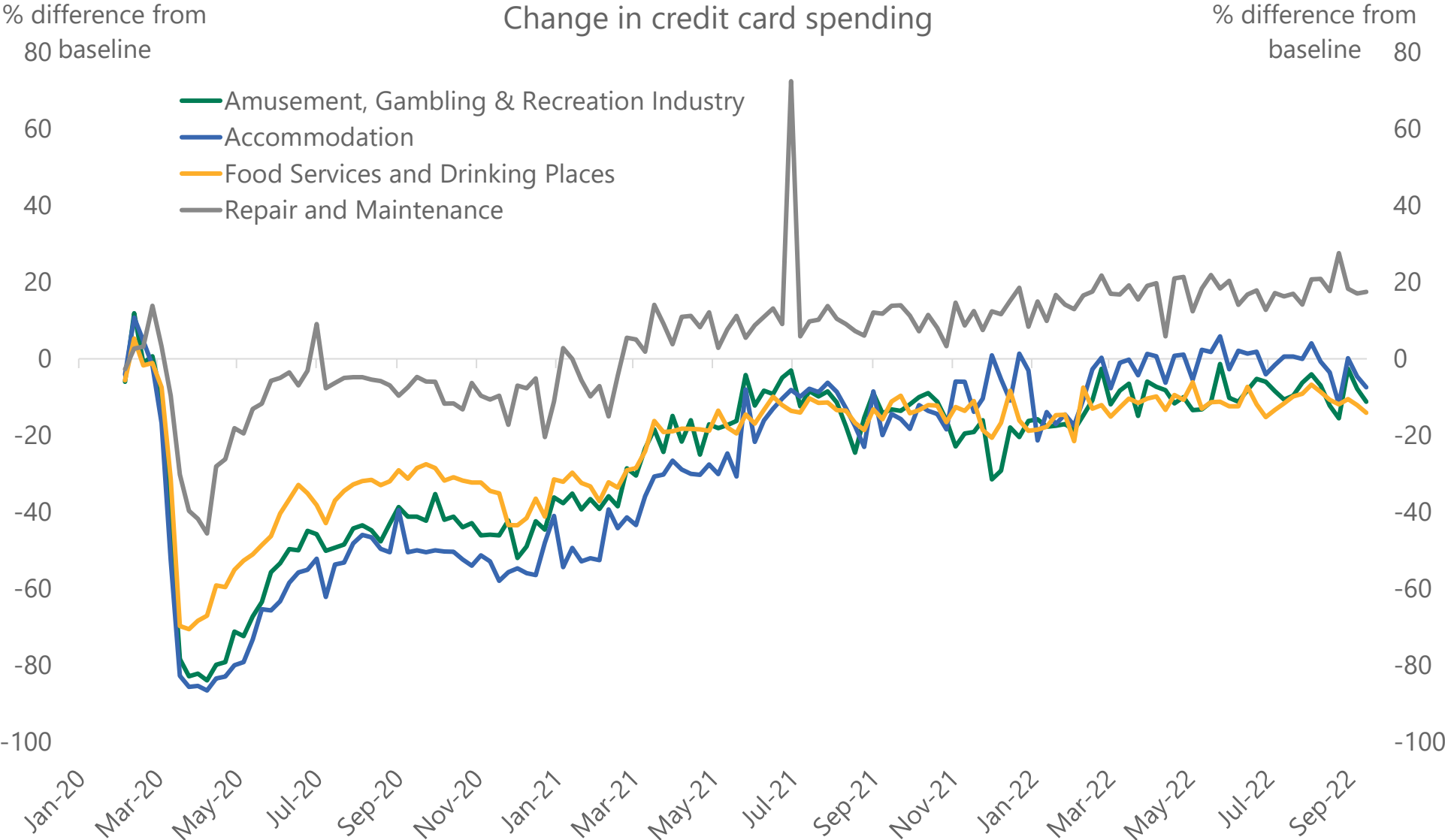
Source: BEA, Haver analytics, Apollo Chief Economist. Note: The weekly values represent the predicted percentage difference from the typical level of spending (prior to the pandemic declared by the World Health Organization on March 11, 2020) after adjusting for day-of-week, month, and year effects,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

US consumer still strong



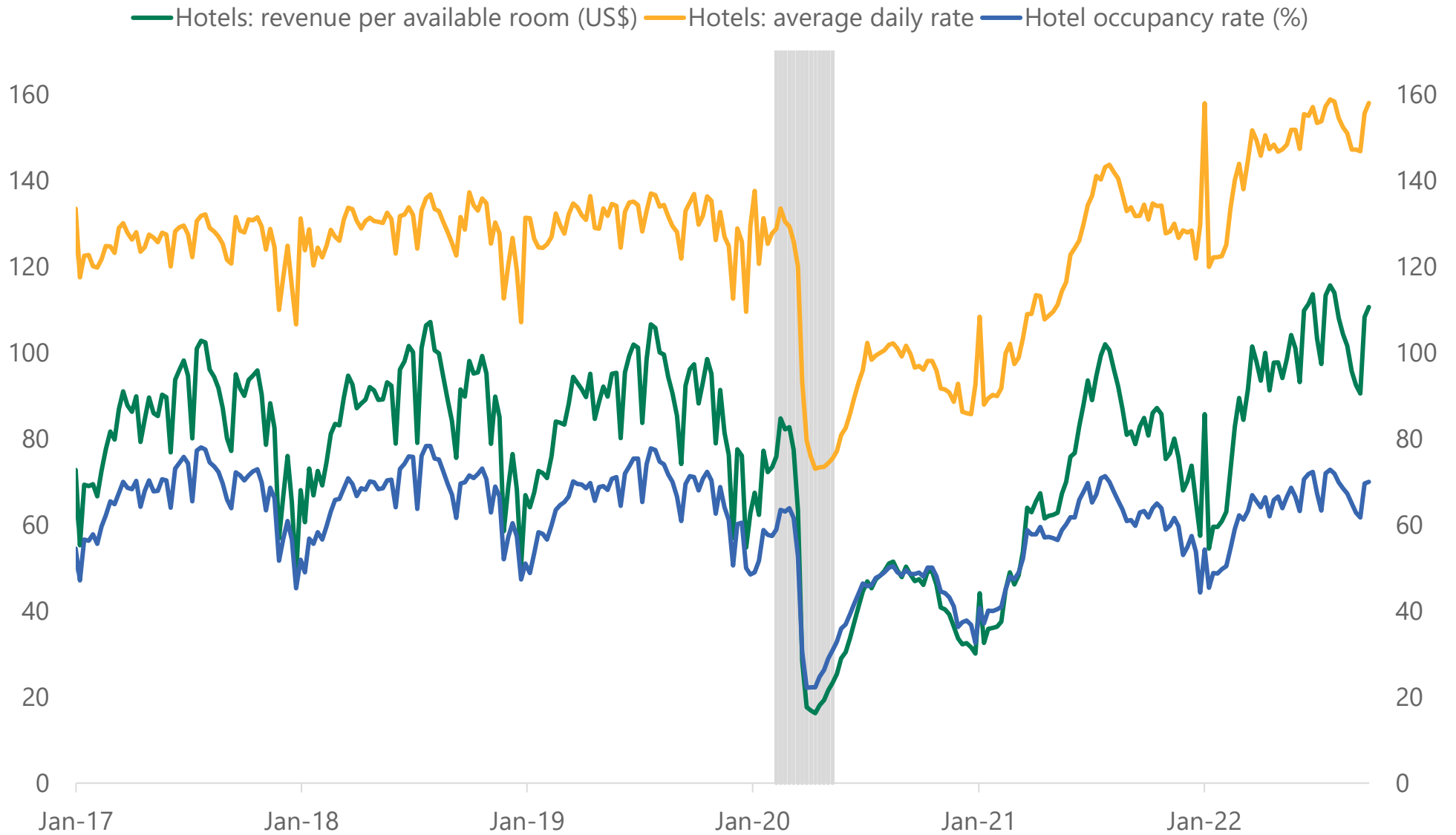
Source: BEA, Haver analytics, Apollo Chief Economist. Note: The weekly values represent the predicted percentage difference from the typical level of spending (prior to the pandemic declared by the World Health Organization on March 11, 2020) after adjusting for day-of-week, month, and year effects,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

US consumer still strong



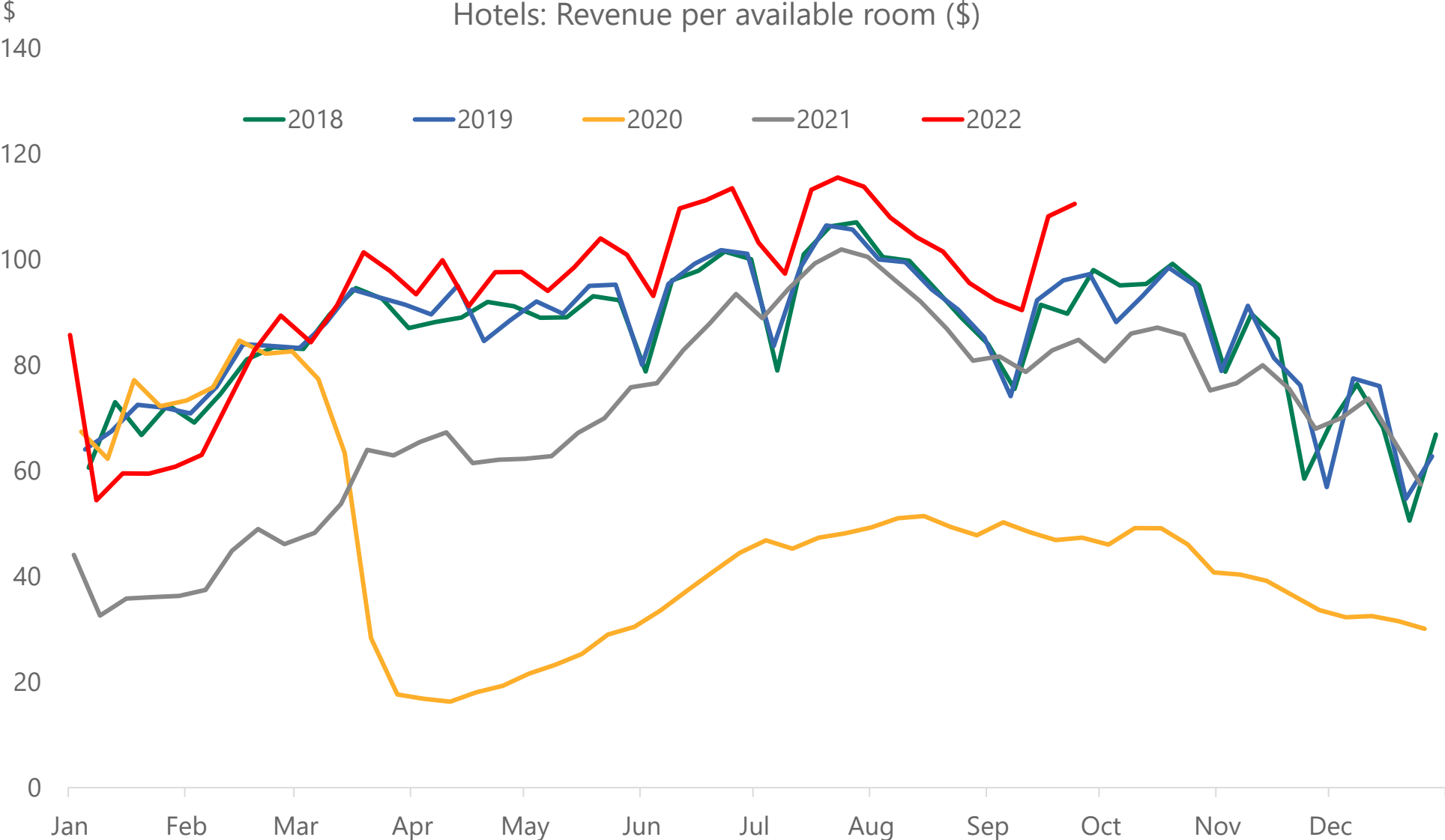
Source: BEA, Haver analytics, Apollo Chief Economist. Note: The weekly values represent the predicted percentage difference from the typical level of spending (prior to the pandemic declared by the World Health Organization on March 11, 2020) after adjusting for day-of-week, month, and year effects,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

Weekly data for hotel demand still strong



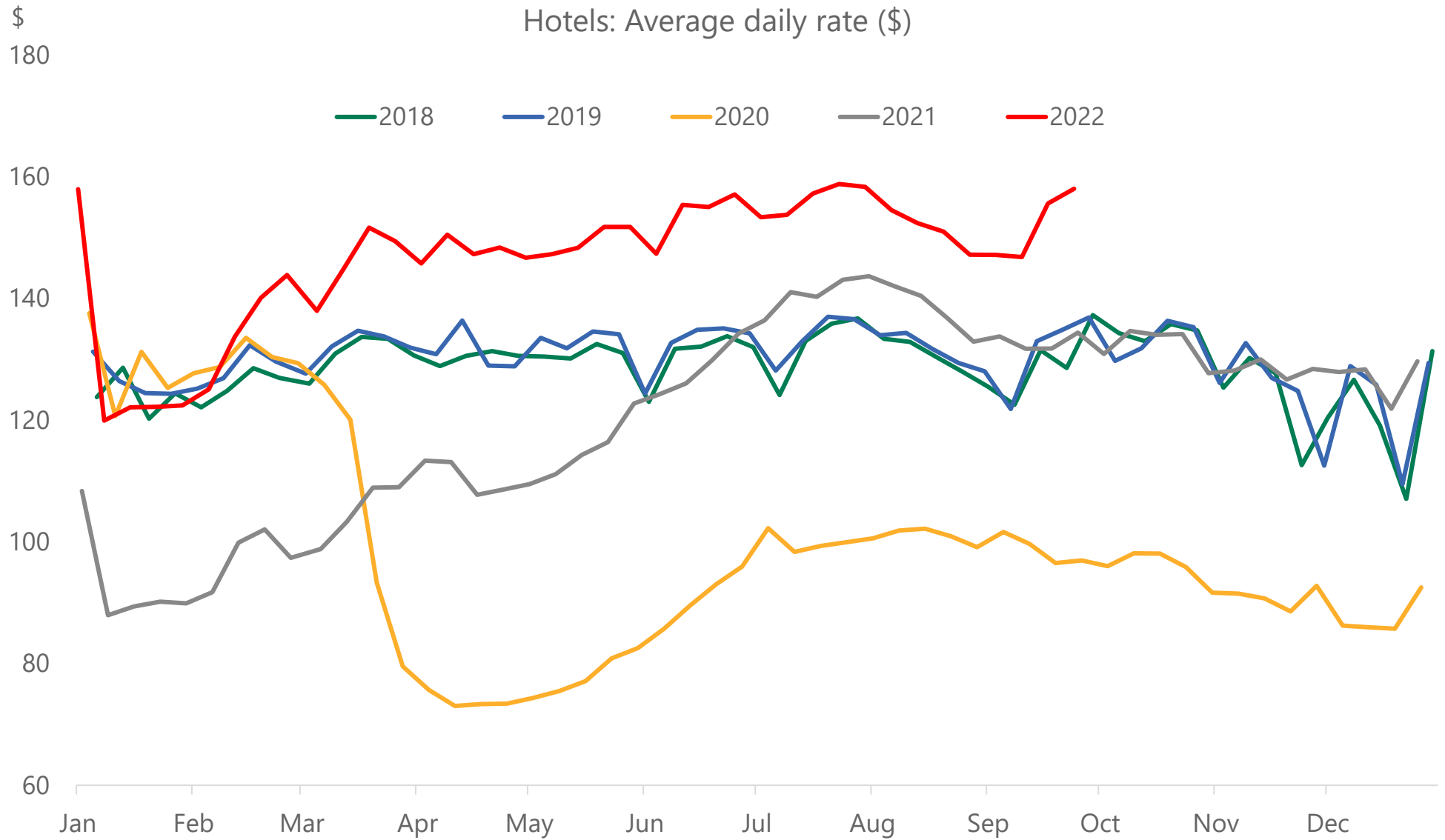
Source: STR, Haver Analytics, Apollo Chief Economist

Weekly data for hotel demand still strong



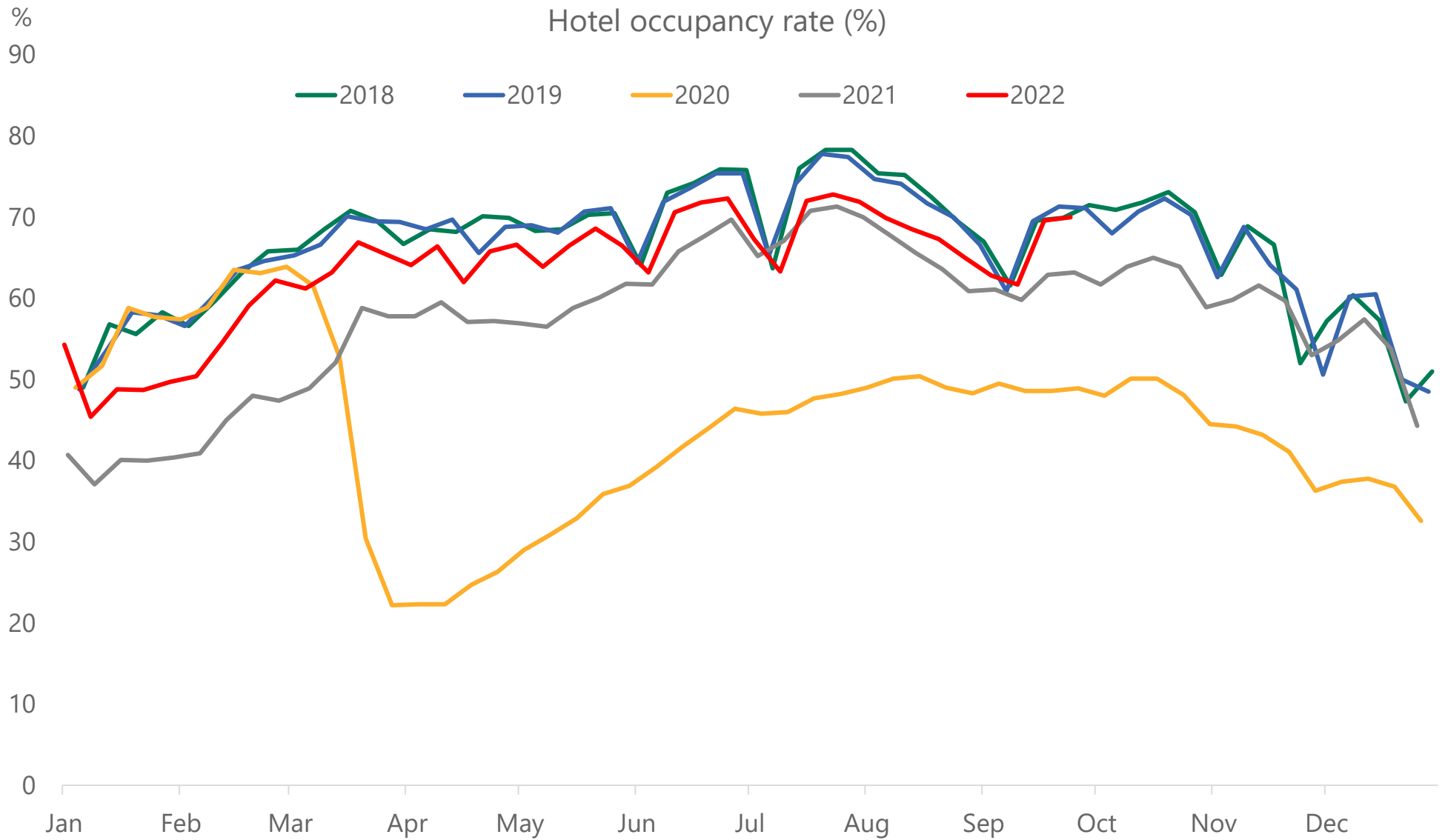
Source: STR, Haver Analytics, Apollo Chief Economist

Weekly data for hotel demand



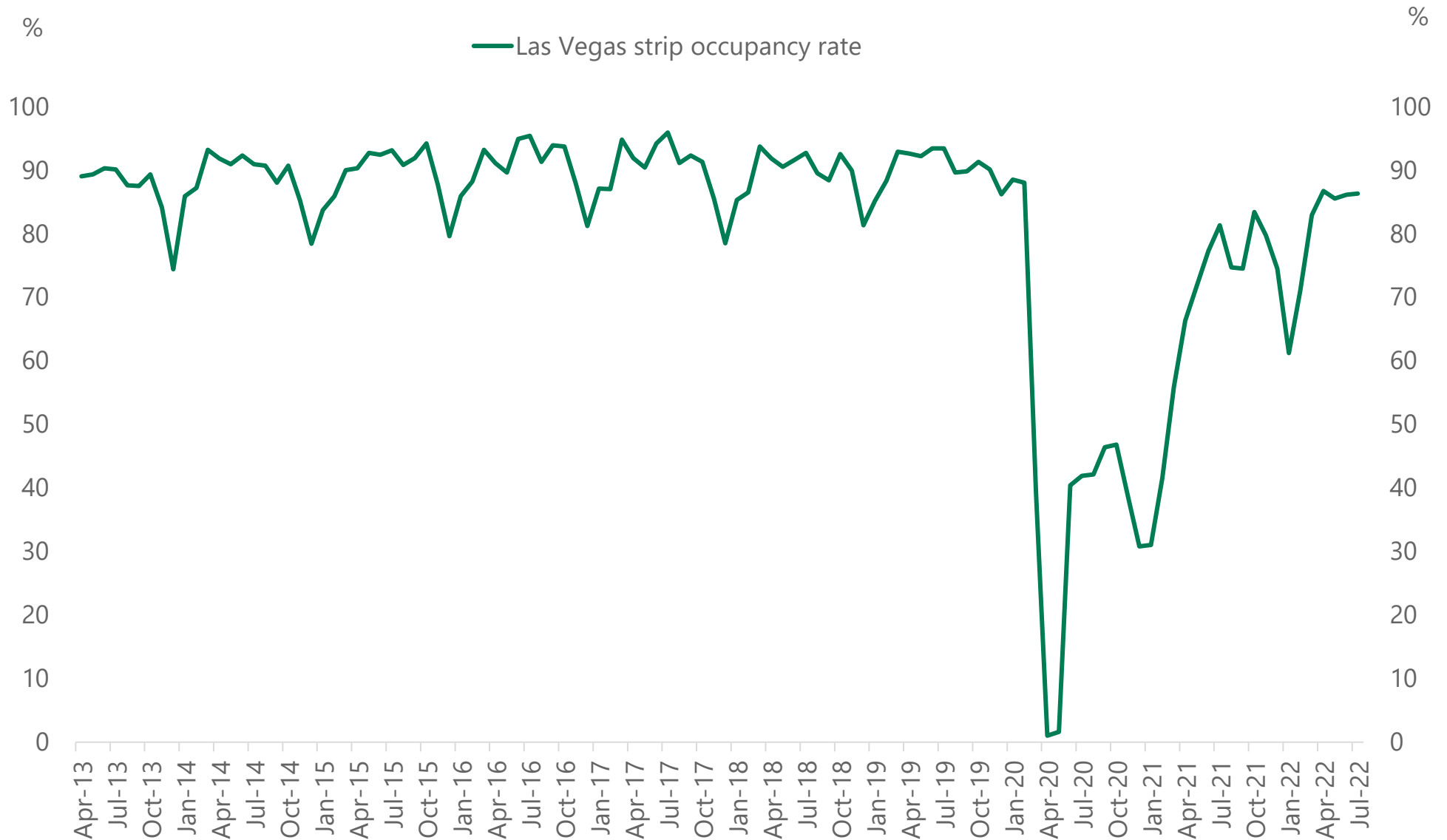
Source: STR, Haver Analytics, Apollo Chief Economist

Weekly data for hotel demand



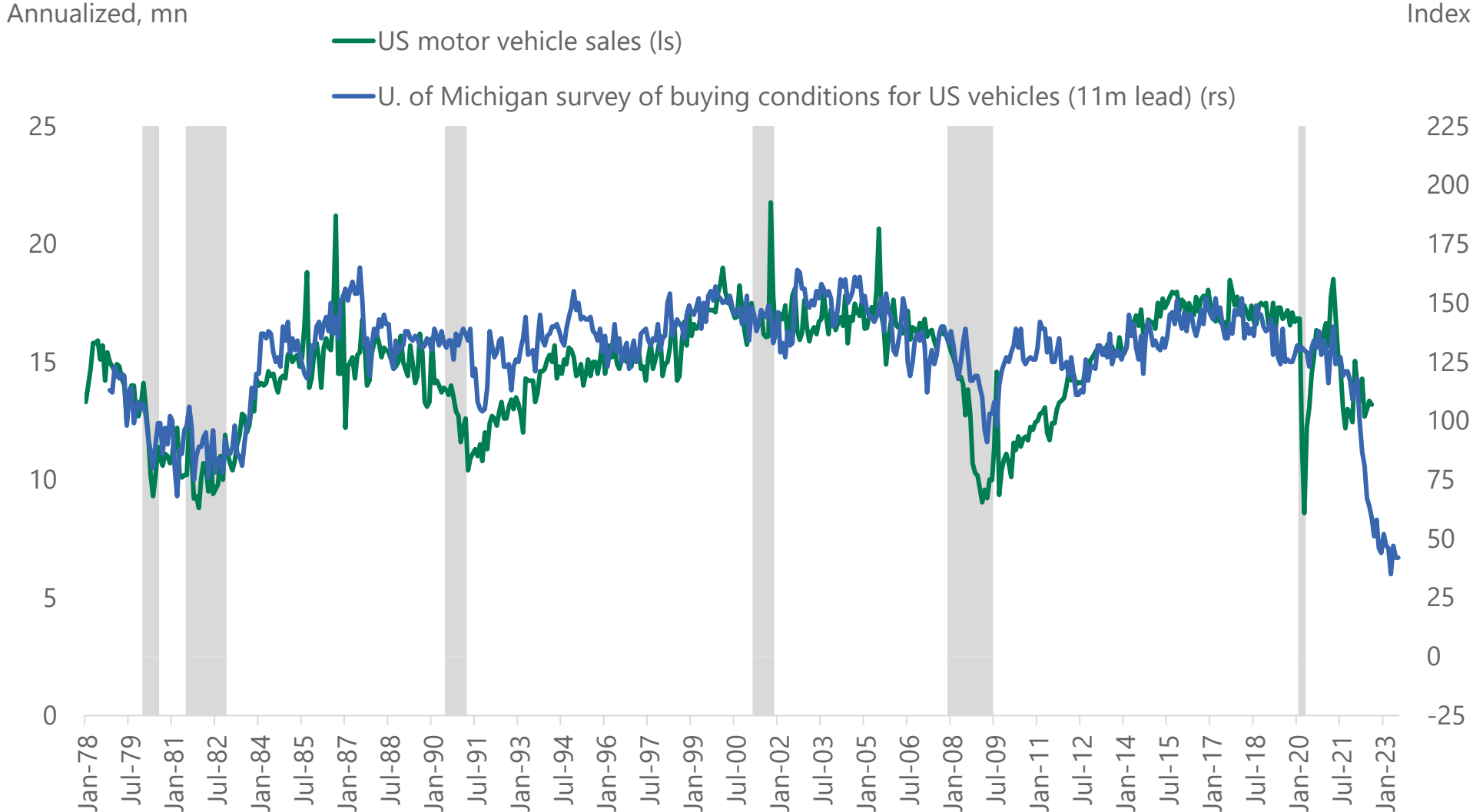
Source: STR, Haver Analytics, Apollo Chief Economist

Las Vegas occupancy rate at pre-pandemic level



Source: Bloomberg, Apollo Chief Economist

Significant downside risks to US car sales



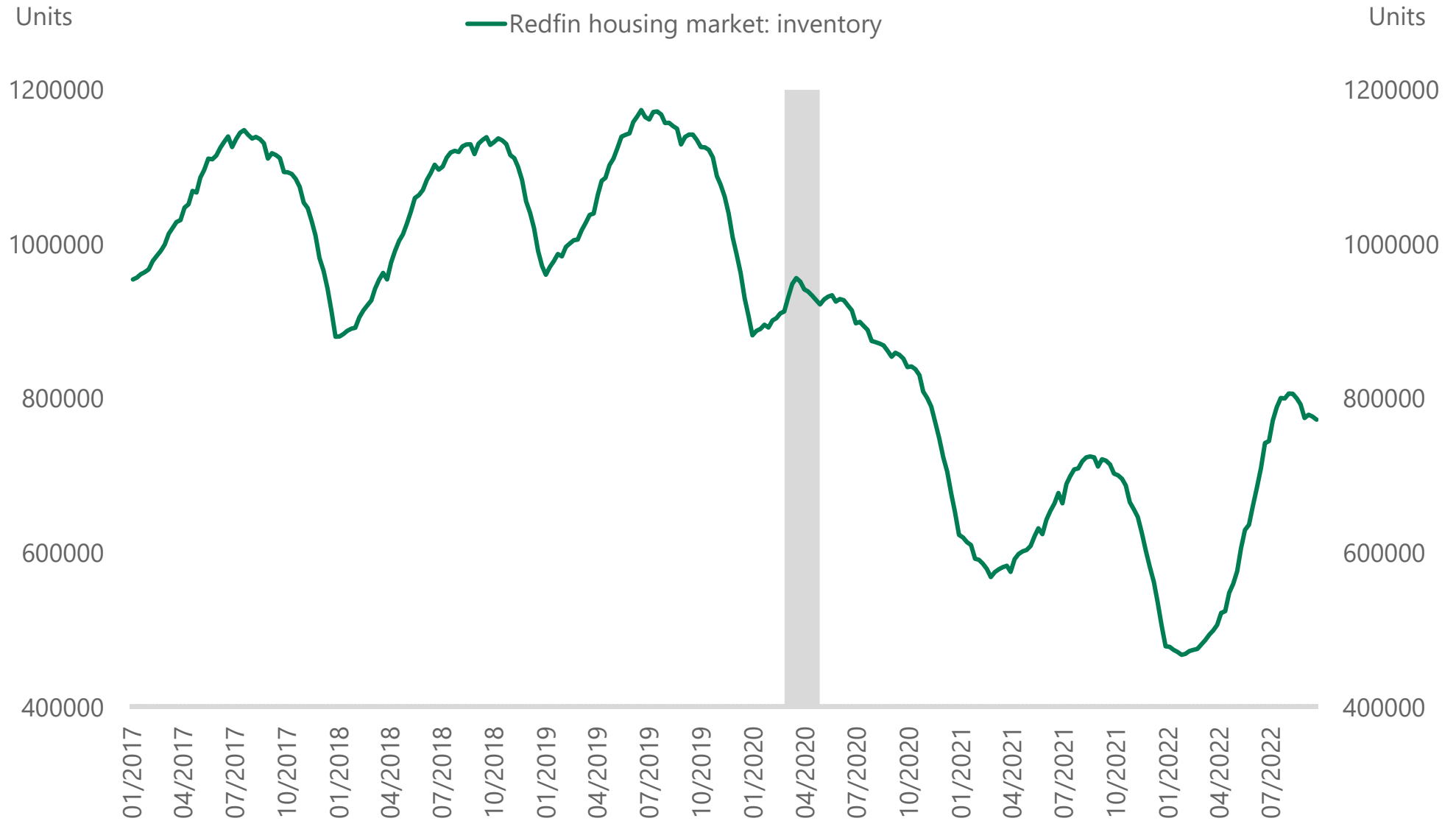
Source: Bloomberg, Apollo Chief Economist

Same-store retail sales still solid



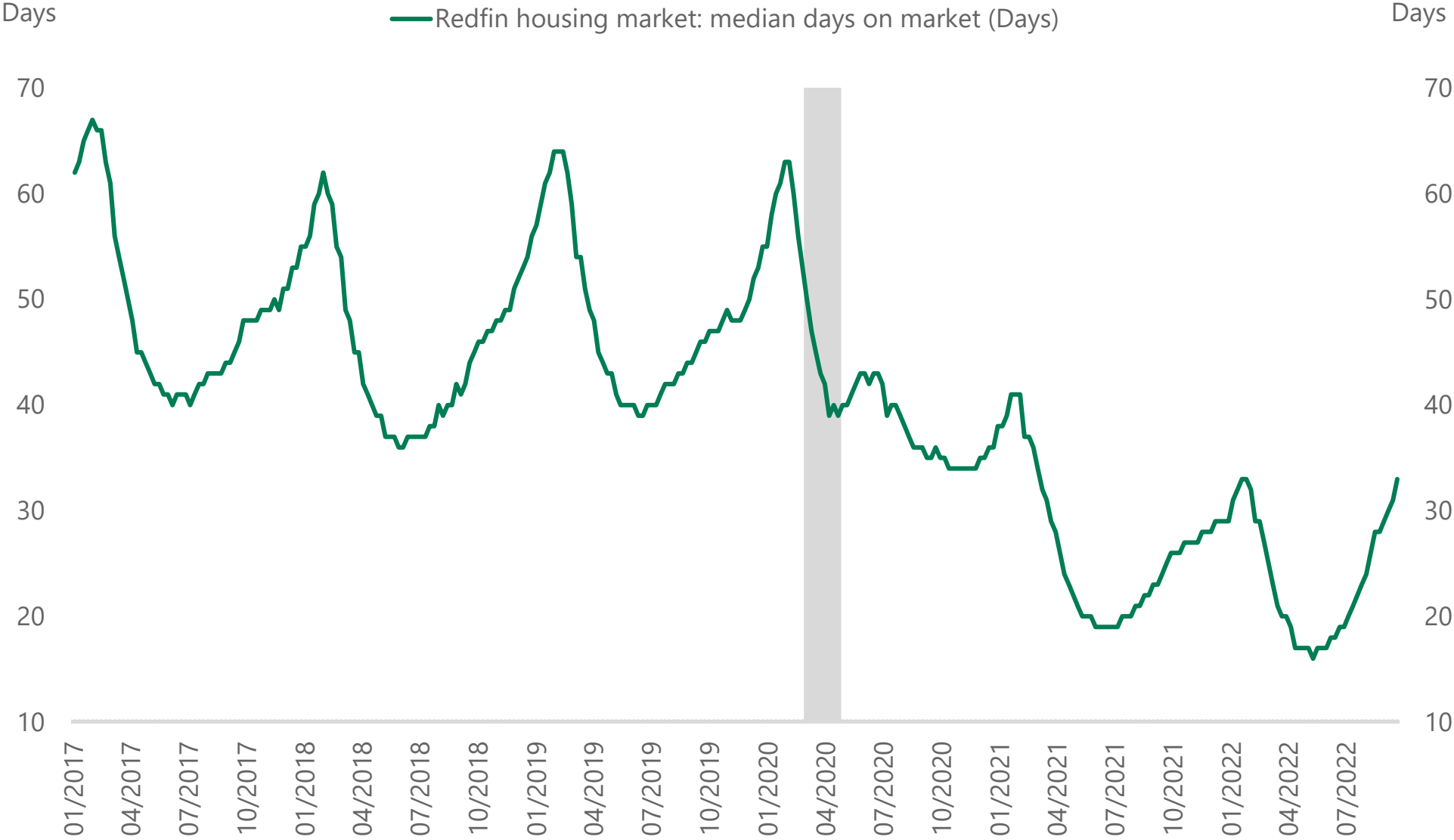
Source: Redbook, Haver Analytics, Apollo Chief Economist

Weekly housing inventory starting to roll over?



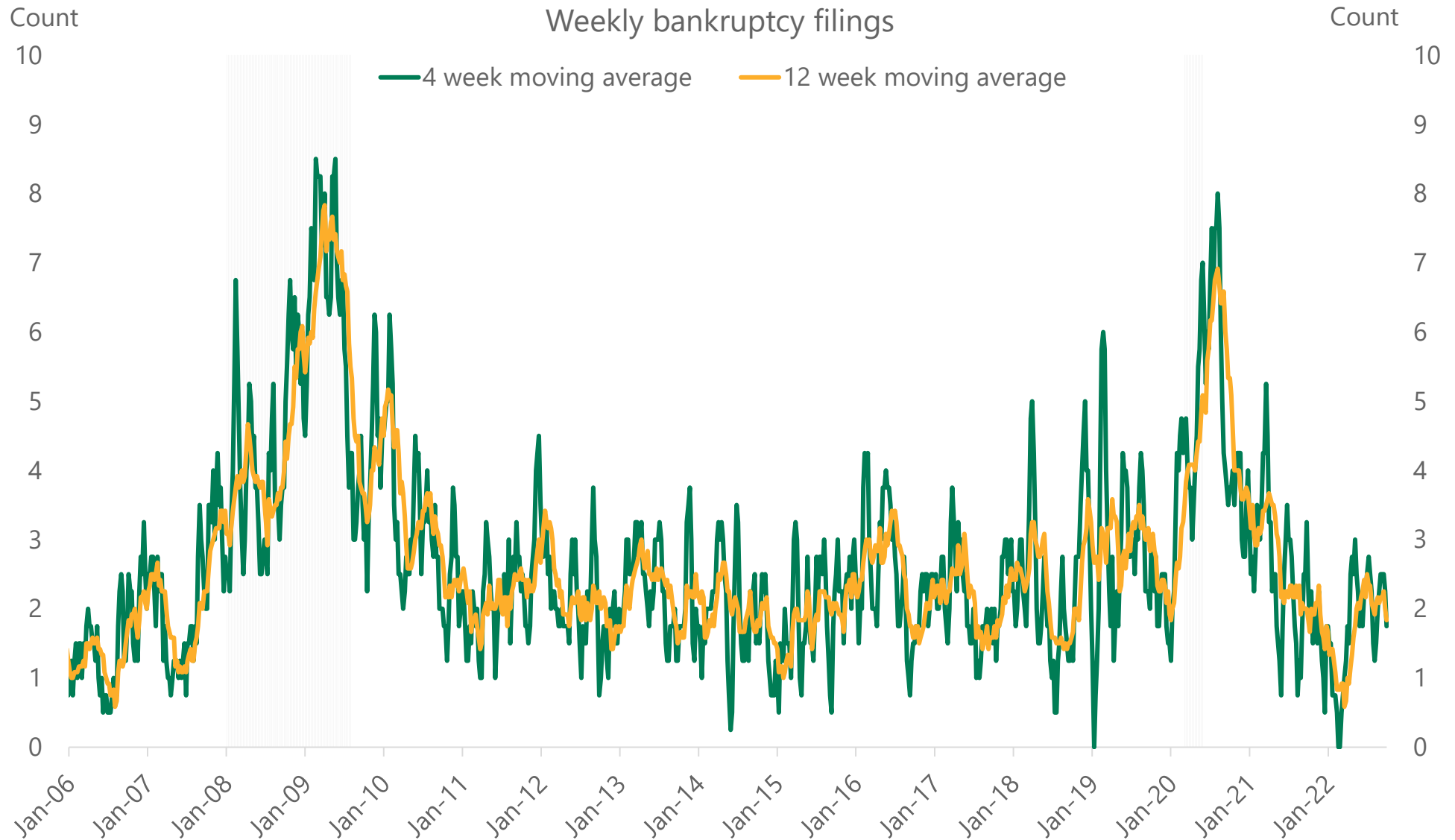
Source: Redfin, Haver, Apollo Chief Economist

Homes typically sold in 33 days compared to 61 days before pandemic



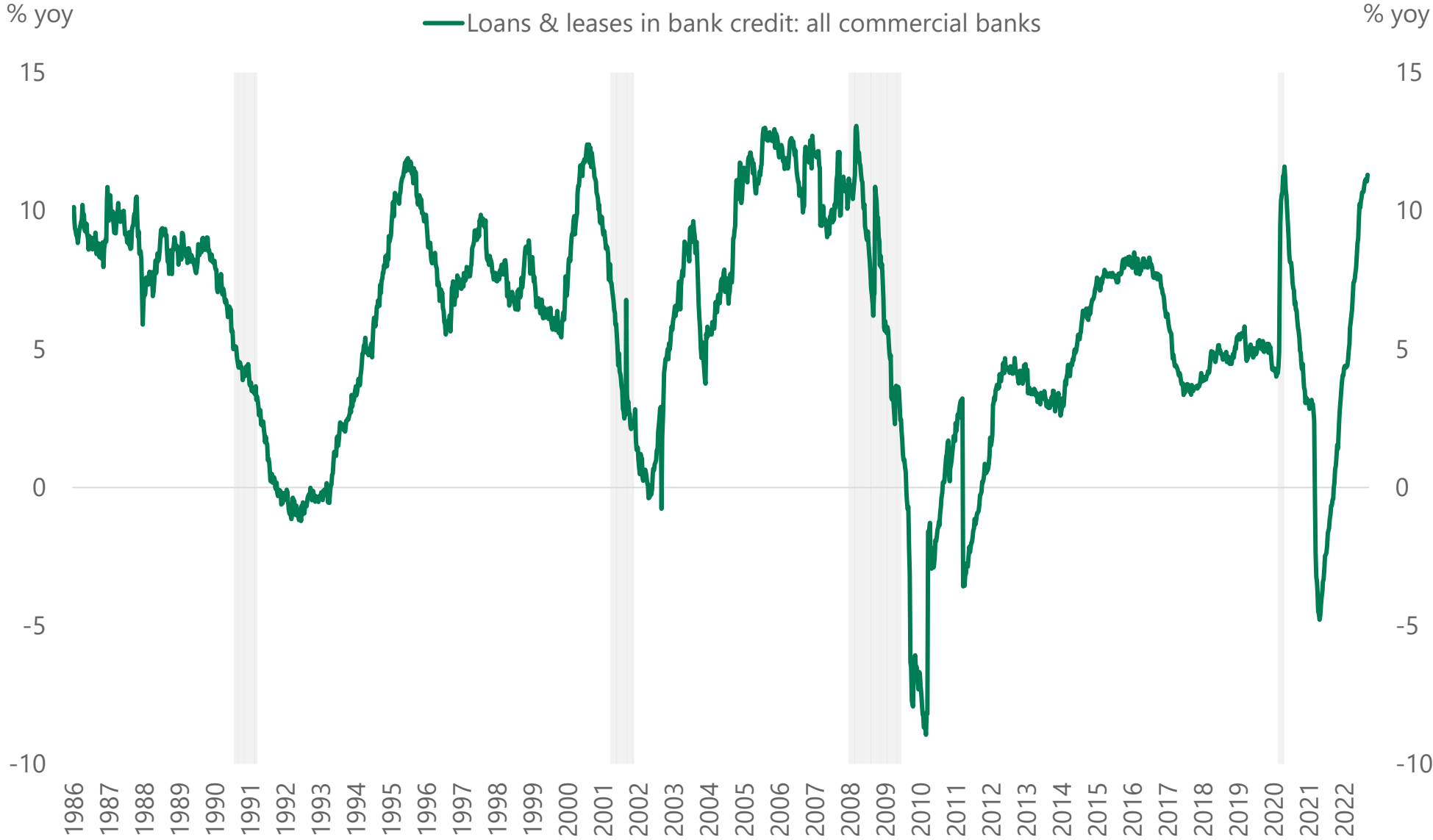
Source: Redfin, Haver, Apollo Chief Economist

Weekly bankruptcy filings still at normal levels



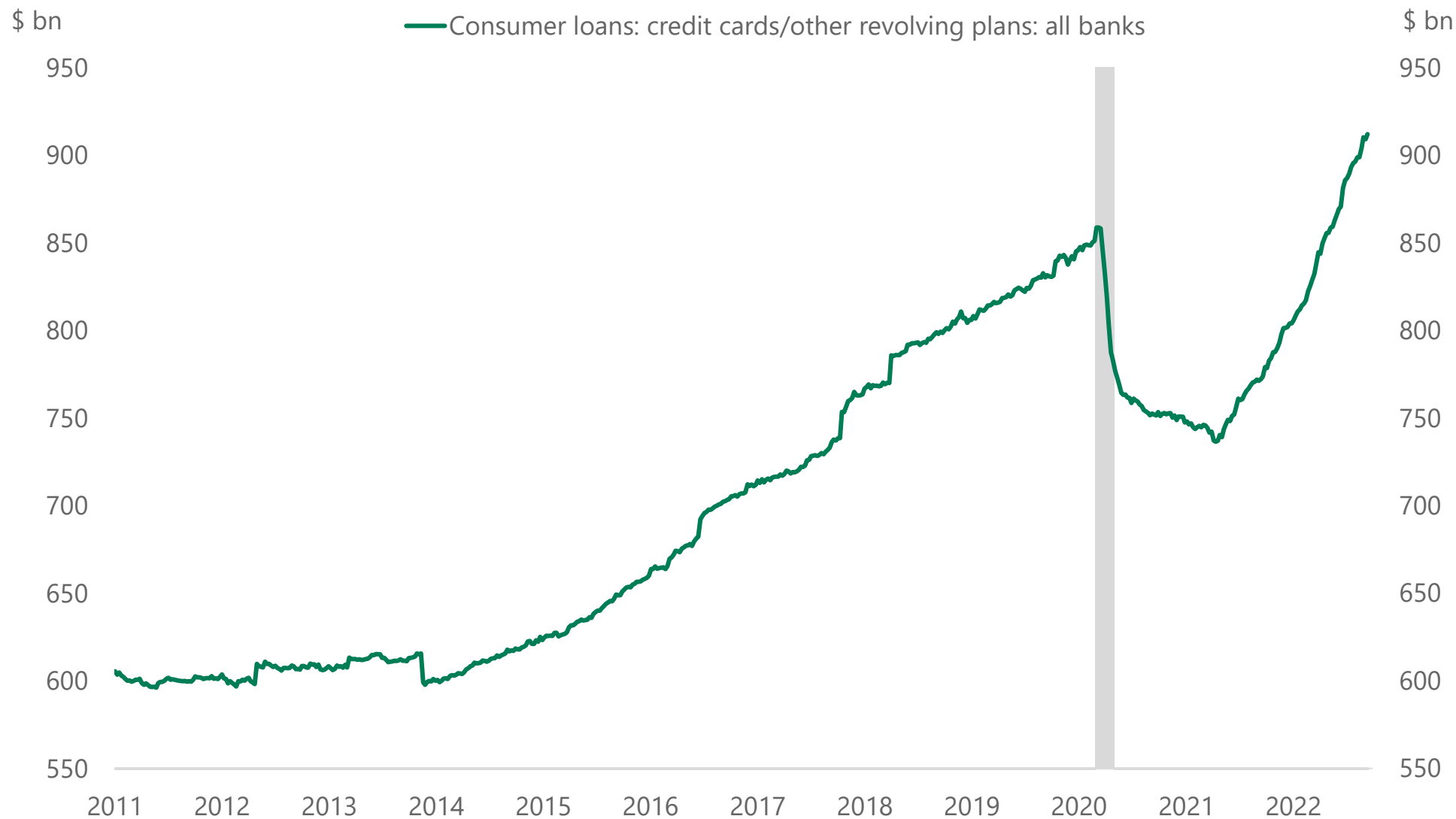
Source: Bloomberg, Apollo Chief Economist. Note: Filings are for companies with more than \$50mn in liabilities. For week ending on Thursday

Banks' loan growth still strong



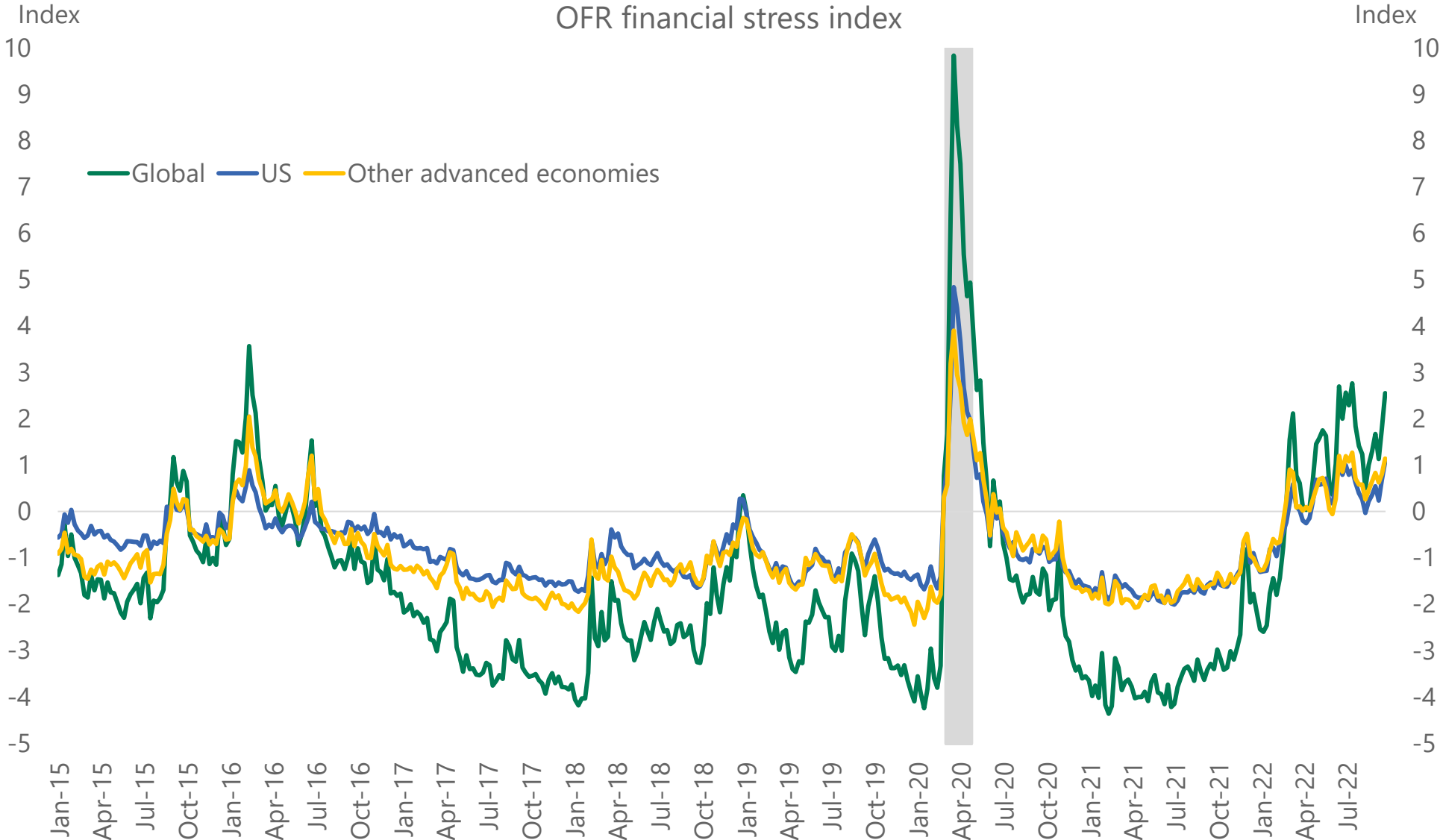
Source: FRB, Haver, Apollo Chief Economist

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



Source: FRB, Haver, Apollo Chief Economist

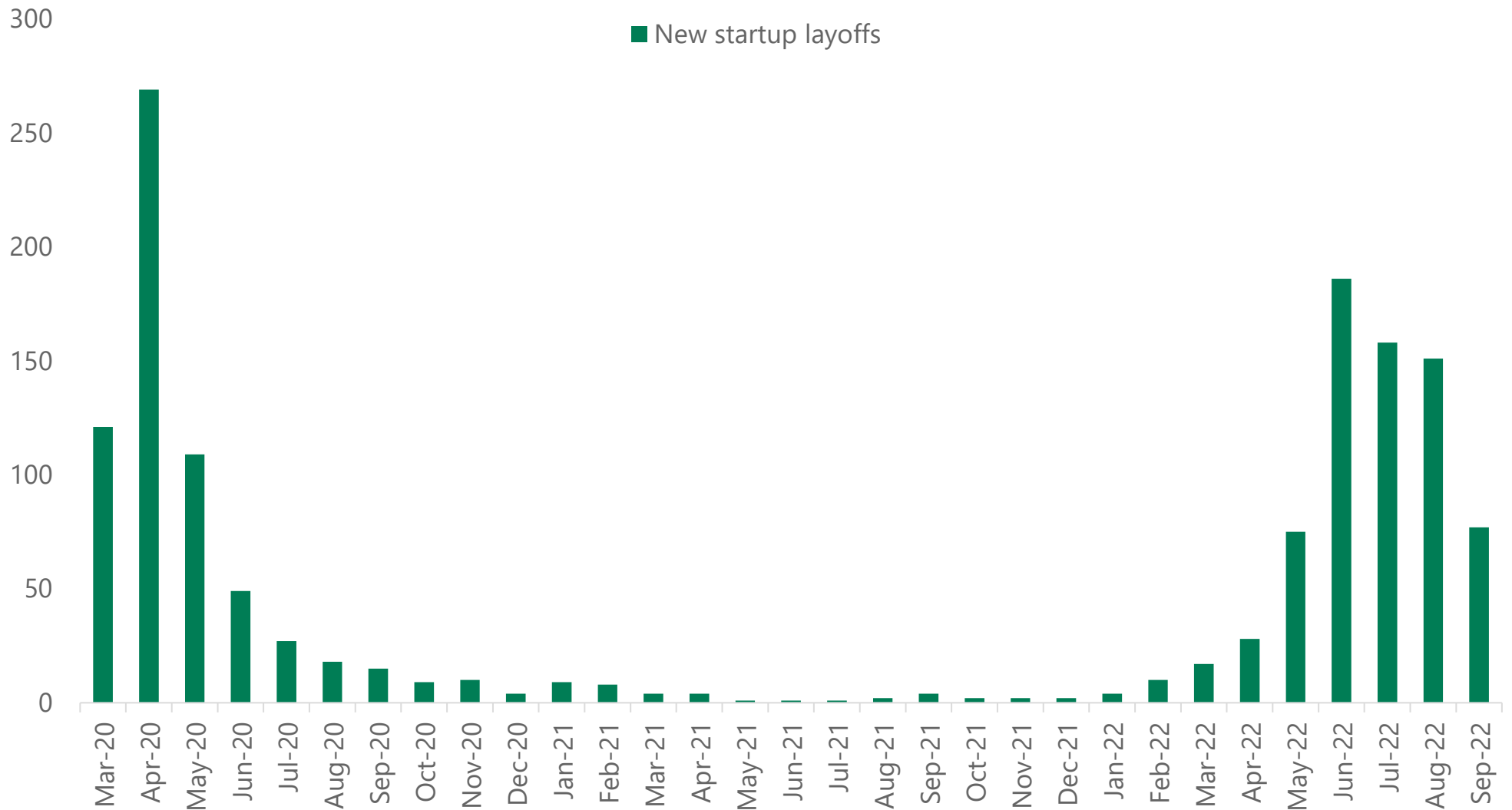
Stress in financial markets still relatively limited in Fed measures



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.)

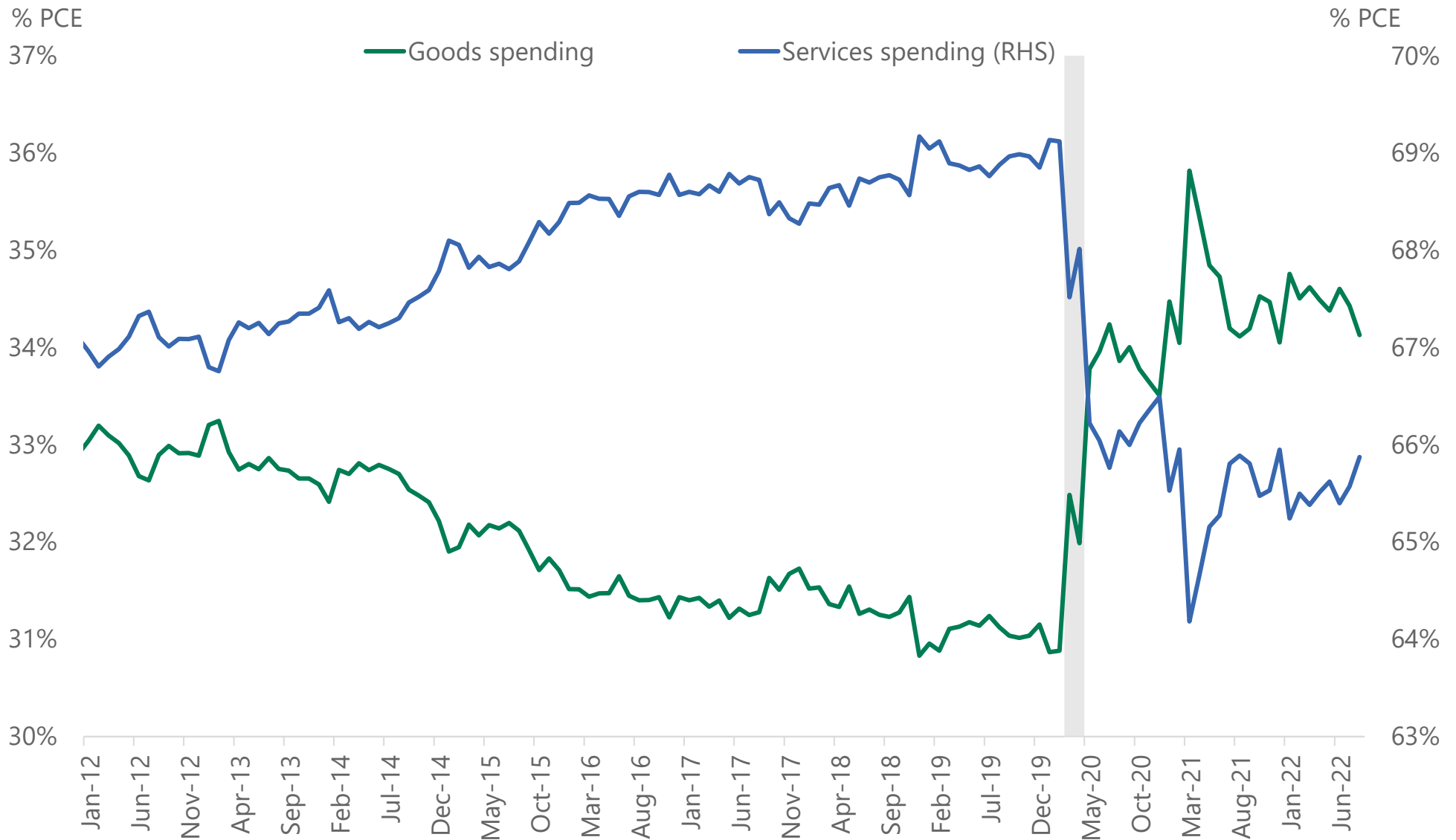
Number of layoffs at tech startups slowing down

of layoff events



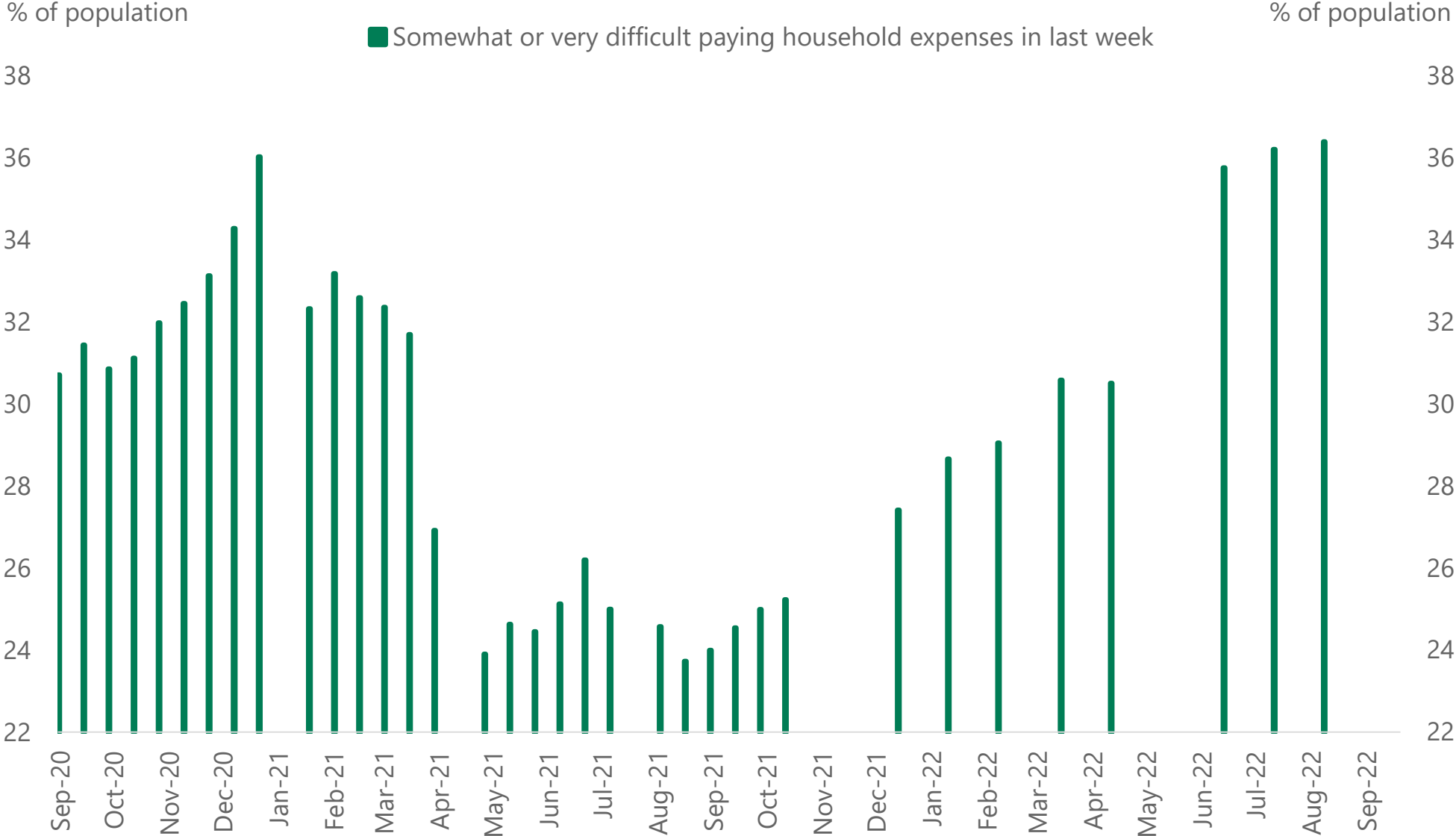
Source: Layoffs.fyi, Apollo Chief Economist. Note: Top 5 sectors that account for layoffs in May 2022: Transportation, Food, Travel, Finance, and Real Estate. (Sep as of 01.09.2022)

Shift from goods to services coming in US consumer spending



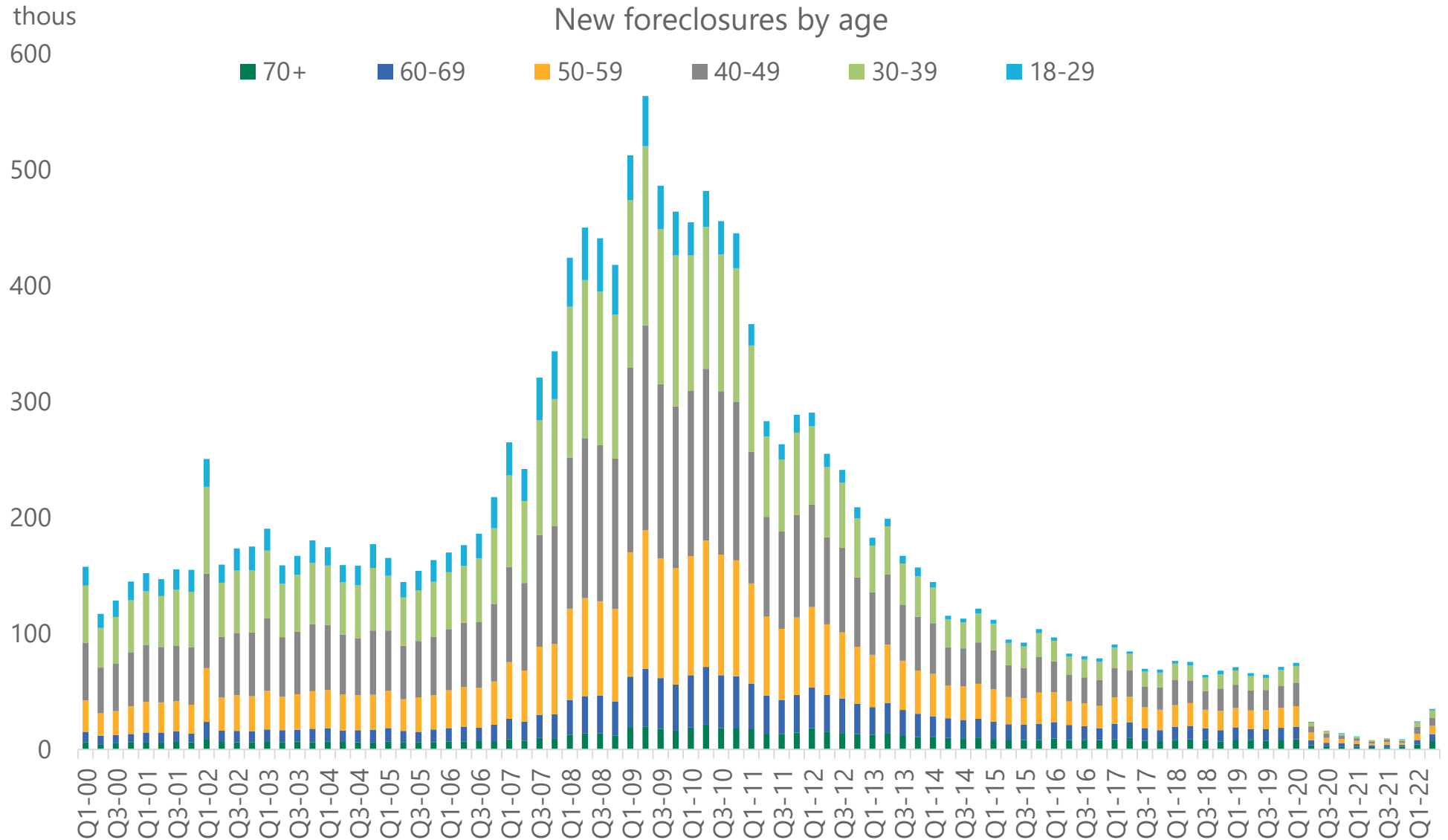
Source: BEA, Haver Analytics, Apollo Chief Economist

More households having difficulties paying expenses



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

New foreclosures starting to move up



Source: FRBNY Consumer Credit Panel, Equifax, 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	Jun-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	8.3
	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	6.3
	Economic Growth (% YoY)	2.6	0.6	-9.1	-2.9	-2.3	0.5	12.2	4.9	5.5	3.5	1.7	1.7
	New Home sales (000s)	688.0	610.0	922.0	991.0	871.0	881.0	714.0	732.0	839.0	707.0	582.0	685.0
	Consumer Sentiment	99.3	89.1	78.1	80.4	80.7	84.9	85.5	72.8	70.6	59.4	50.0	59.5
	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	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	52.8
	Homebuilder sentiment	76	72	58	83	86	82	81	76	84	79	67	46
	Unemployment rate (%)	3.6	4.4	11.0	7.9	6.7	6.0	5.9	4.7	3.9	3.6	3.6	3.7
	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	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	2.8	2.7
	Jobless claims	238.0	2316.8	1490.3	851.8	836.8	669.3	419.5	370.0	221.8	178.0	231.8	240.5
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	15.8	15.8
	IG Spread (bps)	101	305	160	144	103	97	86	89	98	122	164	167
	HY Spread (bps)	360	877	644.0	541	386	336.0	304	315	310	343	587	547
	Yield curve (bps)	31	22	65	59	84	154	144	129	139	193	193	57
	10 year yield	1.92	0.67	0.66	0.69	0.92	1.74	1.47	1.49	1.51	2.34	3.02	3.84
	VIX	13.8	53.5	30.4	26.4	22.8	19.4	15.8	23.1	17.2	20.6	28.7	32.0
	MOVE Index	58.3	83.9	54.1	39.2	49.0	71.3	57.3	61.1	77.1	106.9	135.5	159.0
	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	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	219.6	219.6
	IPO volume (\$bn, 3 month sum)	12.2	23.0	29.3	65.5	65.7	152.5	48.7	39.7	53.8	6.9	3.2	1.3
	SPAC volume (\$bn, 3 month sum)	3.8	5.9	11.9	40.4	39.3	111.0	14.0	14.1	22.4	4.7	2.7	1.2

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.

Outlook for Europe deteriorating



Source: Bloomberg, Apollo Chief Economist

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.