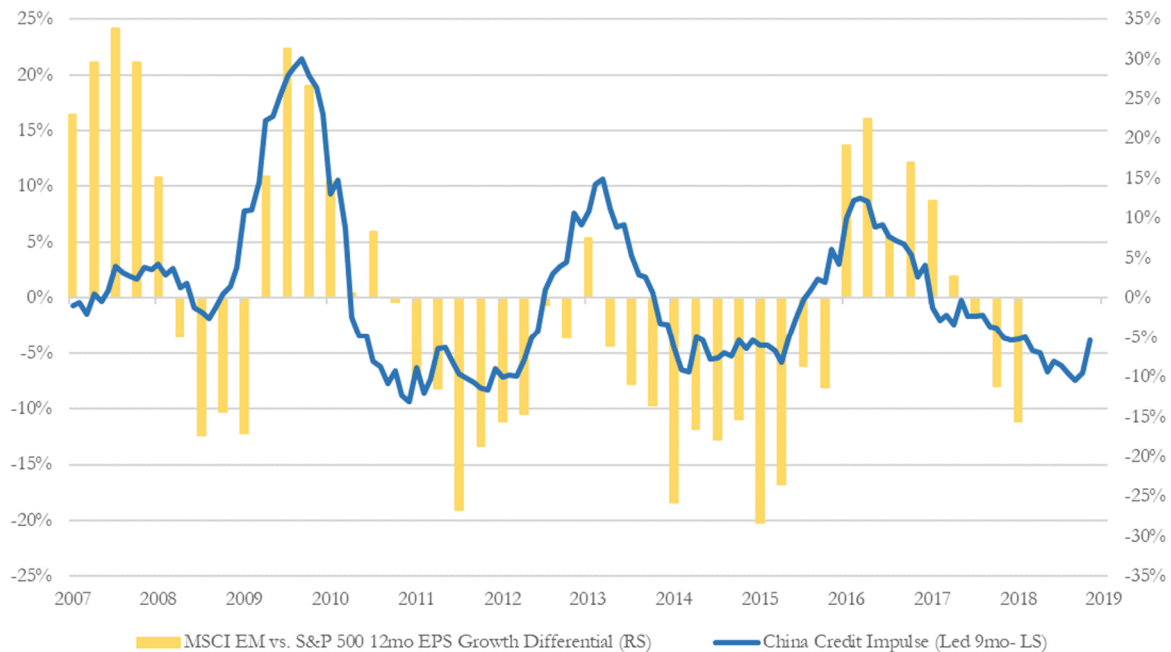


Follow Your Impulse

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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MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries. With 1,125 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. EM countries include: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. **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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