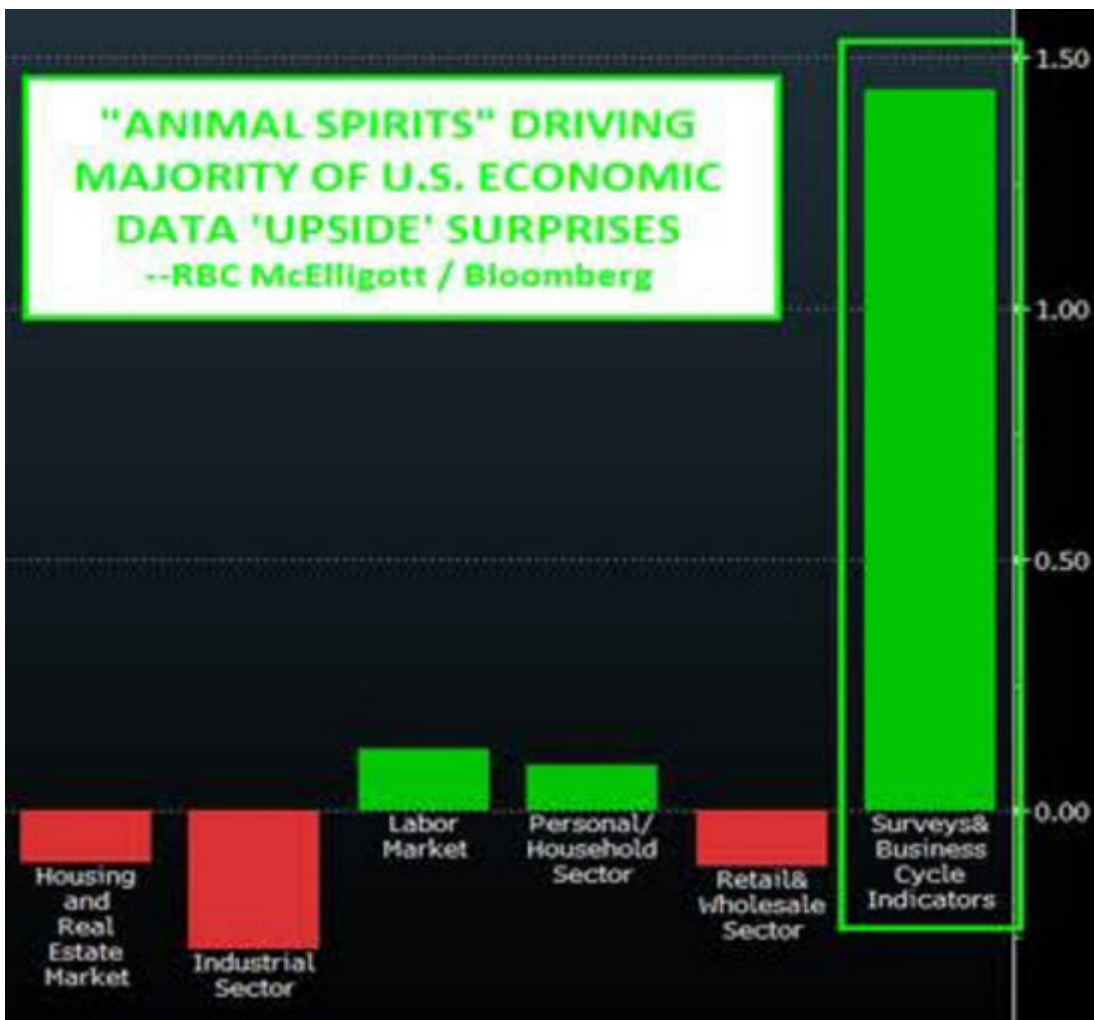




As we conclude **week two** of the new Presidential cycle, it certainly has not been dull. The markets have started struggling with an Administration which is hanging up on heads of state, threatening to send troops to Mexico, discussing border taxes and thinking about doubling the required wages for HB-1 visas. Of course, those issues are still currently offset by hopes for a sea of infrastructure spending, tax cuts and reform and an increase in jobs and wages. The "hope" is most clearly seen in the sentiment surveys, but remains elusive in the "hard data." As noted recently by [Charlie McElligott via RBC](#):

*"The US data has been running at such a clip, as a matter of fact, it's an increasingly (and massively rhetorical) popular question asked by clients: **when do analyst / strategist expectations begin to overshoot?** Tied-into this, the Bloomberg 'econ surprise' series gives an interesting breakout of the drivers of the directional data surprises, and it crystalizes one area that Mark Orlsey and I have been paying a lot of attention to with regards to **where the largest beats are coming from. The economic surveys and 'animal spirits' indicators have been en fuego?**"(see*



below captures
ating - it's
coming

We can see this

more real time by looking at the Chicago Fed National Activity Index (CFNAI) which is arguably one of the more important economic indicators. **The index is a composite made up of 85 subcomponents which give a broad overview of overall economic activity in the U.S.** However, unlike backward-looking statistics like GDP, **the CFNAI is a forward-looking metric that gives some indication of how the economy is likely to look in the coming months.** Importantly, understanding the message the index is designed to deliver is critical. From the [Chicago Fed website](#):

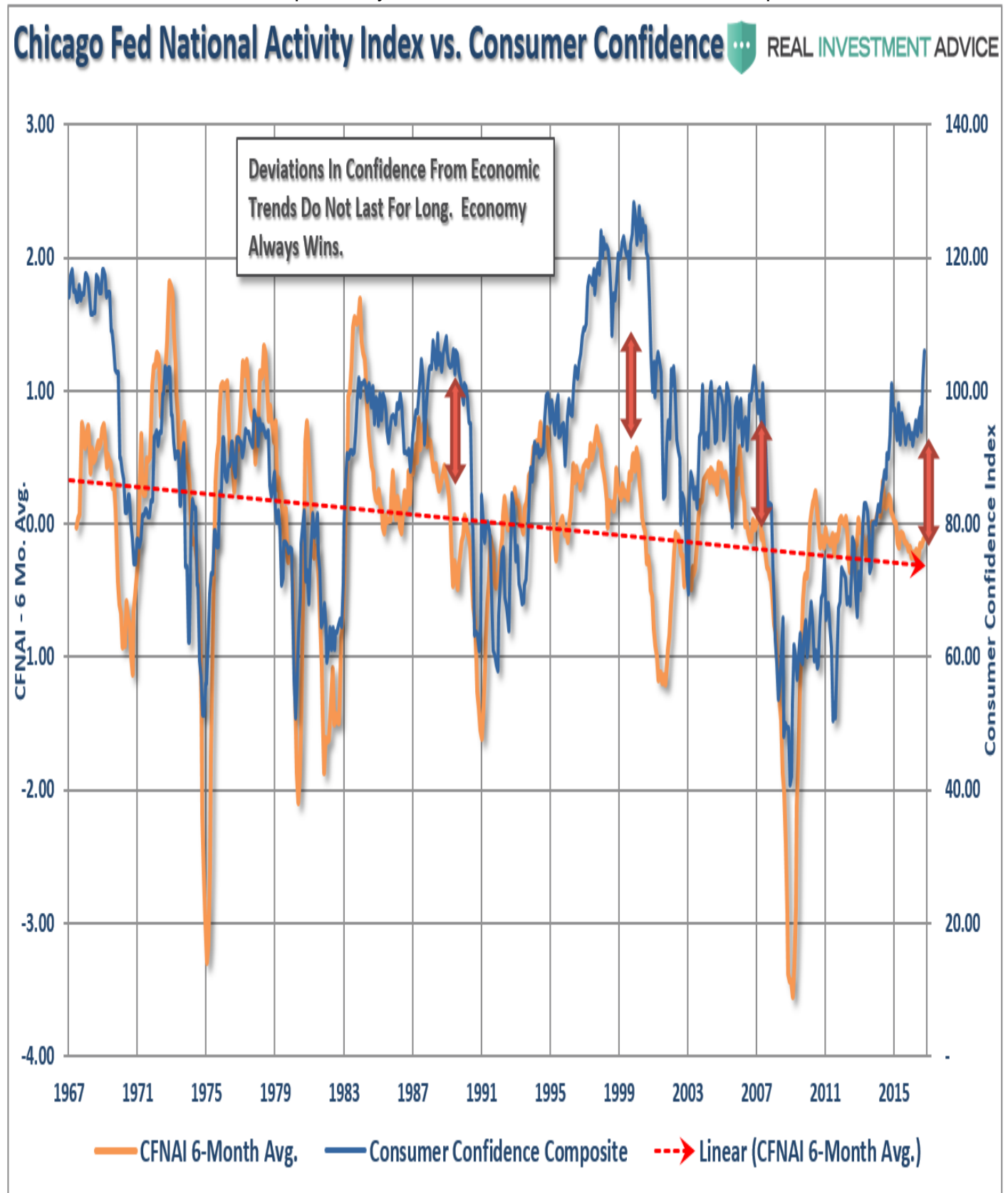
*"The Chicago Fed National Activity Index (CFNAI) is a monthly index designed to gauge overall economic activity and related inflationary pressure. **A zero value for the index indicates that the national economy is expanding at its historical trend rate of growth; negative values indicate below-average growth, and positive values indicate above-average growth.**"*

The overall index is broken down into four major sub-categories which cover:

- **Production & Income**
- **Employment, Unemployment & Hours**
- **Personal Consumption & Housing**
- **Sales, Orders & Inventories**

Here is my point. While "exuberance" in terms of "attitudes" is surging, actual activity remains quite

subdued. The first chart compares my combined consumer confidence composite to the CFNAI.



The next chart is the dispersion of the components of the CFNAI also compared to consumer "confidence."



In both instances there is a wide deviation between *"attitude"* and *"activity."* **More importantly, "attitudes" have typically reverted back to "activity" rather than the other way around.**•This potentially leaves the market set up for disappointment in the months ahead. **Be careful.** In the meantime, here is what I am reading this weekend as I put my "Dow 20,000" hat back in the drawer for now.

Trump/Economy

- **Peril In The Casino - You're Fired** [by David Stockman via Daily Reckoning](#)
 - **The Vampire Squid Is Back** [by Nomi Prins via The Daily Reckoning](#)
 - **My Trump Bubble Bursts** [by John Stossel via Reason.com](#)
 - **Trump & Trade** [by Eduardo Porter via NY Times](#)
 - **Optimistic Growth Forecasts Miss The Risk** [by Ashoka Mody via Project Syndicate](#)
 - **The Left Underestimates Trump's Plans** [by Tyler Cowen via Bloomberg](#)
 - **Fed Rates Hikes May Haunt Trump** [by Paul La Monica via CNN Money](#)
 - **Border Tax May Backfire On Economy** [by Brad McMillan via Commonwealth](#)
 - **Sharing Economy: Does It Create Real Jobs?** [by Shellie Karabell via Forbes](#)
 - **Biggest Test For Trump Is Trump** [by Matt Egan via CNN Money](#)
 - **What Happens Next May Scare You** [by Lawrence Summers via Wonkblog](#)
 - **Trade Is Not The Driver Of Job Loss** [by Robert Samuelson via Real Clear Markets](#)
 - **Trump Tweets Won't Stop Job Departure** [by Justin Wolfers via NYT](#)
 - **So Goes Tax Reform, So Goes The Nation** [by Ernest Christian via IBD](#)
-

Markets/Fed

- **Fed: The Cash Menagerie** [by Danielle DiMartino-Booth via Money Strong](#)
 - **The Bond Bull Isn't Dead Yet** [by Jim Rickards via The Daily Reckoning](#)
 - **Everything You Know About Bonds Is Wrong** [by Sid Verma via Bloomberg](#)
 - **The Stock Market Bubble Is Inflating** [by Michael Sincere via MarketWatch](#)
 - **3-Trends Point To Stock Upside** [by Sue Chang via MarketWatch](#)
 - **The Honeymoon Is Over** [by Tim Mullaney via MarketWatch](#)
 - **Wall Street Faces Rude Awakening** [by Matt O'Brien via Wonkblog](#)
 - **Phase 3 Of The Trump Rally** [by Mohamed El-Erian via Bloomberg](#)
 - **Has The Love Affair Already Ended?** [by Anthony Mirhaydari via Fiscal Times](#)
 - **Don't Worry About Bond Pullback** [by Simon Constable via US News](#)
 - **Trump Will Market Uncertainty Great Again** [by Doug Kass via Real Clear Markets](#)
 - **Is The Trump Rally Over Already** [by Edward Harrison via Credit Writedowns](#)
 - **Dow 20,000 Running On Fumes** [by Kenneth Rapoza via Forbes](#)
 - **How To Confuse The Markets** [by Buttonwood via The Economist](#)
-

Favorite / Interesting Reads

- **Countries Where Millennials Will Support Parents** [by Tyler Durden via ZeroHedge](#)
- **Will Trump's Walls Literally Divide Us** [by Caroline Baum via MarketWatch](#)
- **America's Declining Dynamism** [by The Economic Innovation Group](#)
- **The Delusion Of Wind/Solar Salvation** [by Gail Tverberg via Our Finite World](#)
- **America's Student Debt Problem Larger Than Imagined** [by Shaun Bradley via TheAntiMedia.org](#)

- Retirement: \$350k For Healthcare? [by Robert Powell via MarketWatch](#)
- Apple's Results Worse Than You Think [by Thomas Kee via MarketWatch](#)
- Surviving The next Housing Market Crash [by Mark Roe via Project Syndicate](#)
- America's Great Divergence [by Alana Semuels via The Atlantic](#)
- The \$60 Billion Euro Brexit Battle [by Mark Gilbert via Bloomberg View](#)
- **Millennial's Doing Worse Than Boomers** [by Jim Probasco via Investopedia](#)
- Earnings Are Still A Confusing Mess [by Clara Linnane via MarketWatch](#)
- **Watch Out FedEx, Amazon Is Coming After You** [by Tyler Durden via ZeroHedge](#)
- Harry Dent: A 70% Correction Is Coming [by Adam Taggart via Peak Prosperity](#)
- The Case For A 50% Correction [by John Hussman via Hussman Funds](#)
- **So Goes January, So Goes The Year?** [by Dana Lyons via Tumblr](#)
- **The Unintended Consequences Of QE** [by Jesse Felder via The Felder Report](#)

"Bubbles Are Invisible To Those Inside The Bubble." -•••Jim Dines

Questions, comments, suggestions ? please [email me](#).