

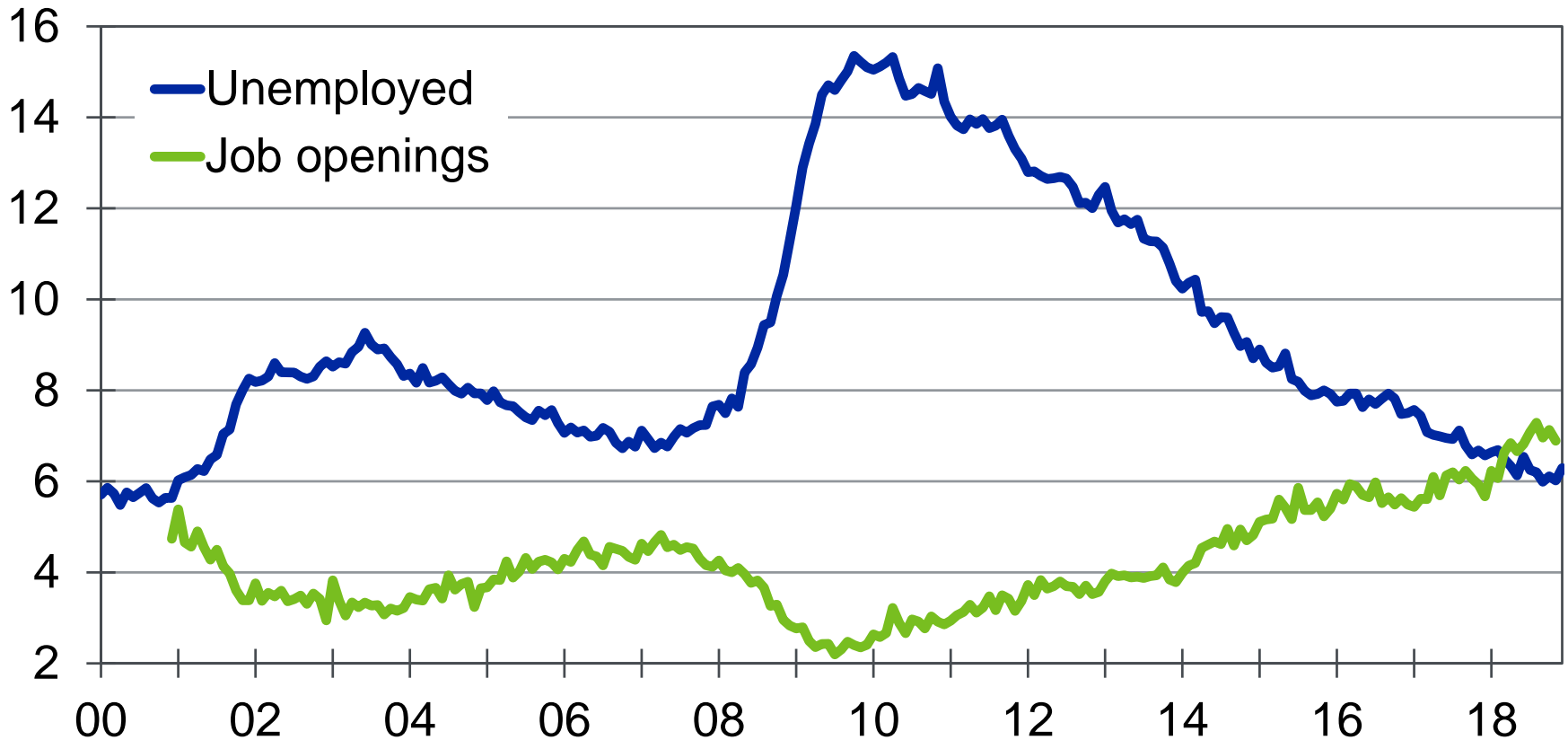
From Virtuous to Vicious Cycle

Mark Zandi, Chief Economist, Moody's Analytics

January 2019

U.S. Economy is in a Virtuous Cycle...

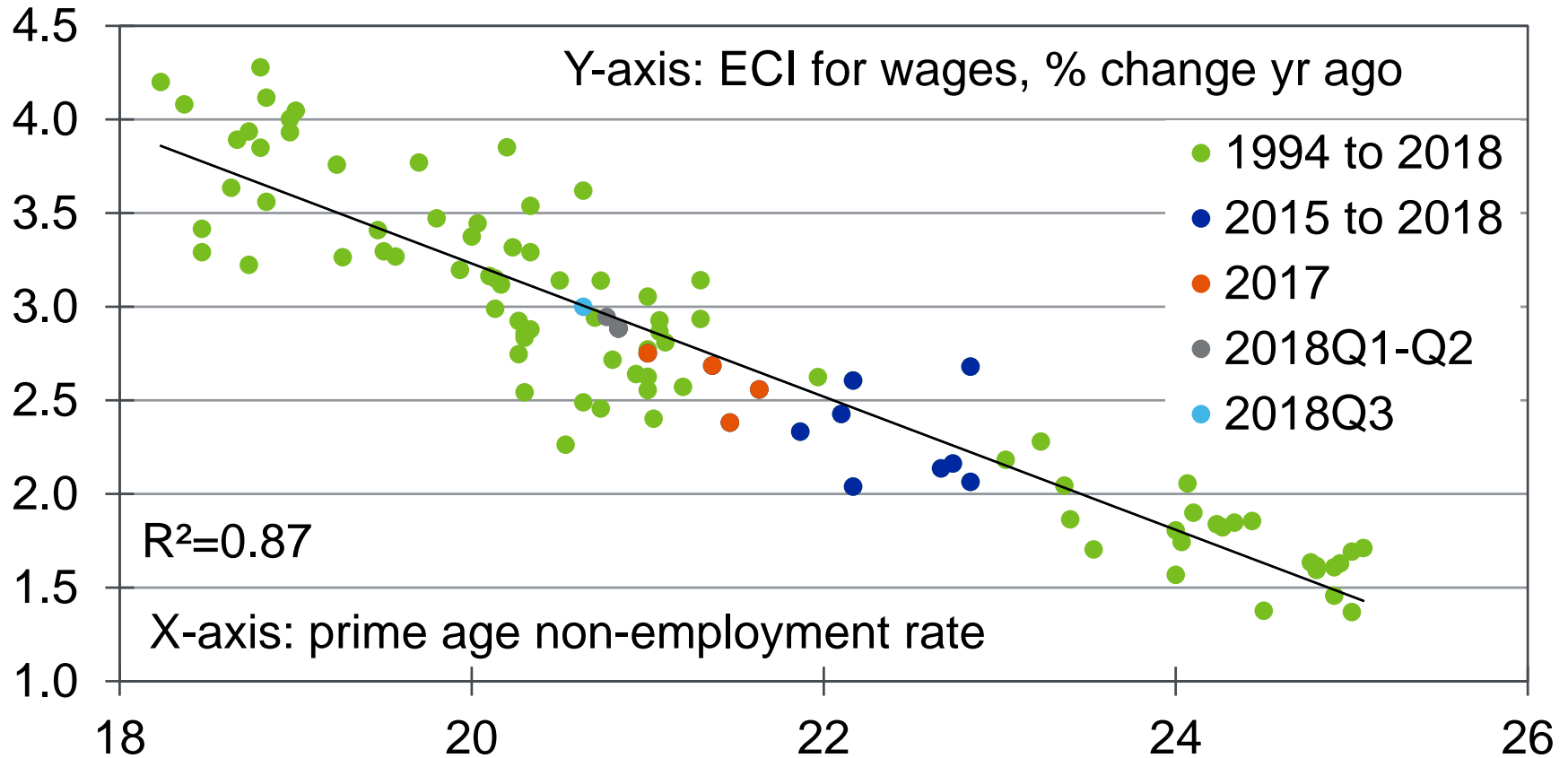
Mil



Sources: BLS, Moody's Analytics

...Fueled by Stronger Wage Growth...

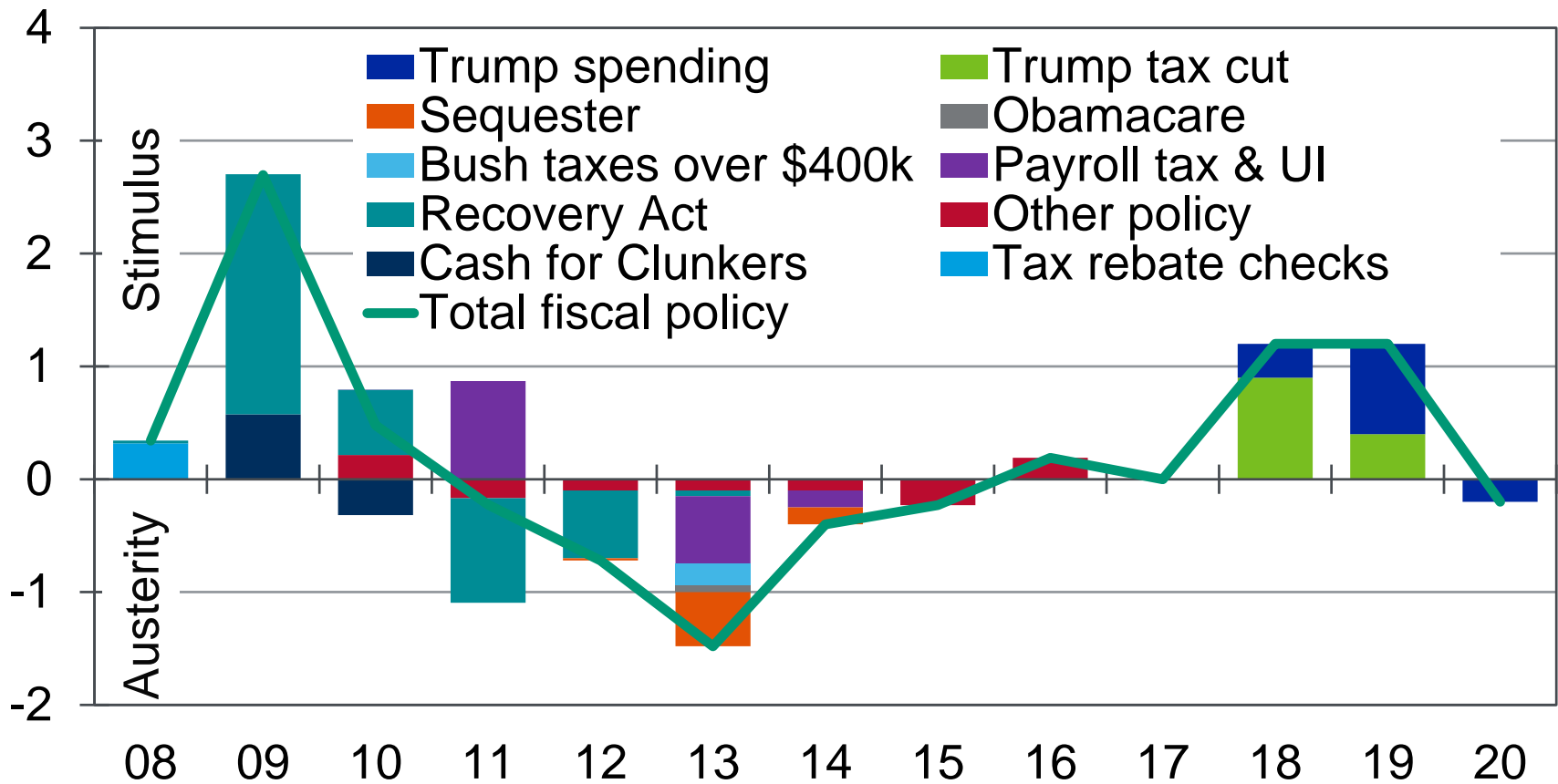
Wage growth Phillips Curve, quarterly 1994Q1 to 2018Q3



Sources: BLS, Moody's Analytics

...and Charged Up by Fiscal Stimulus...

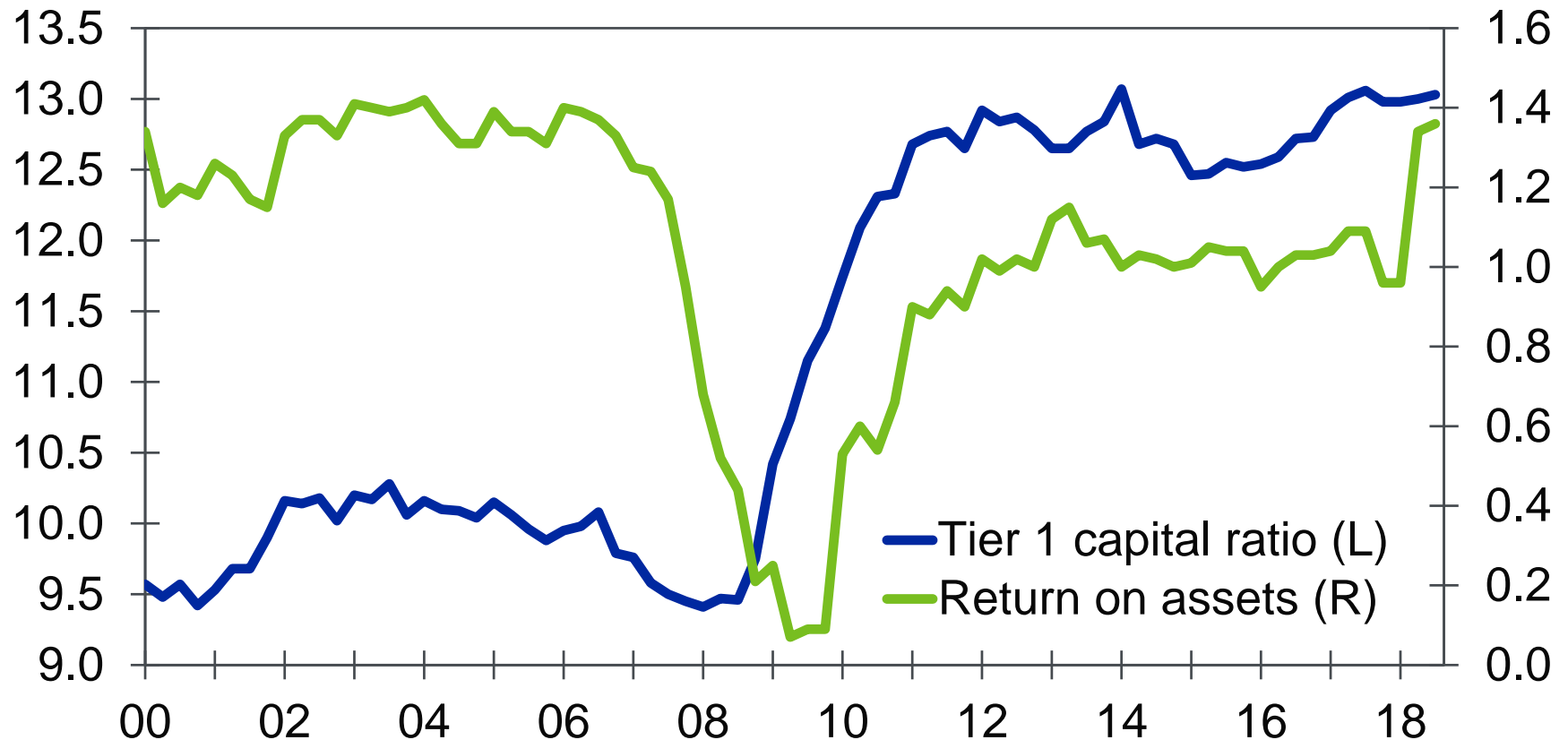
Federal discretionary fiscal policy as a % of GDP



Source: Moody's Analytics

...and Ample Credit

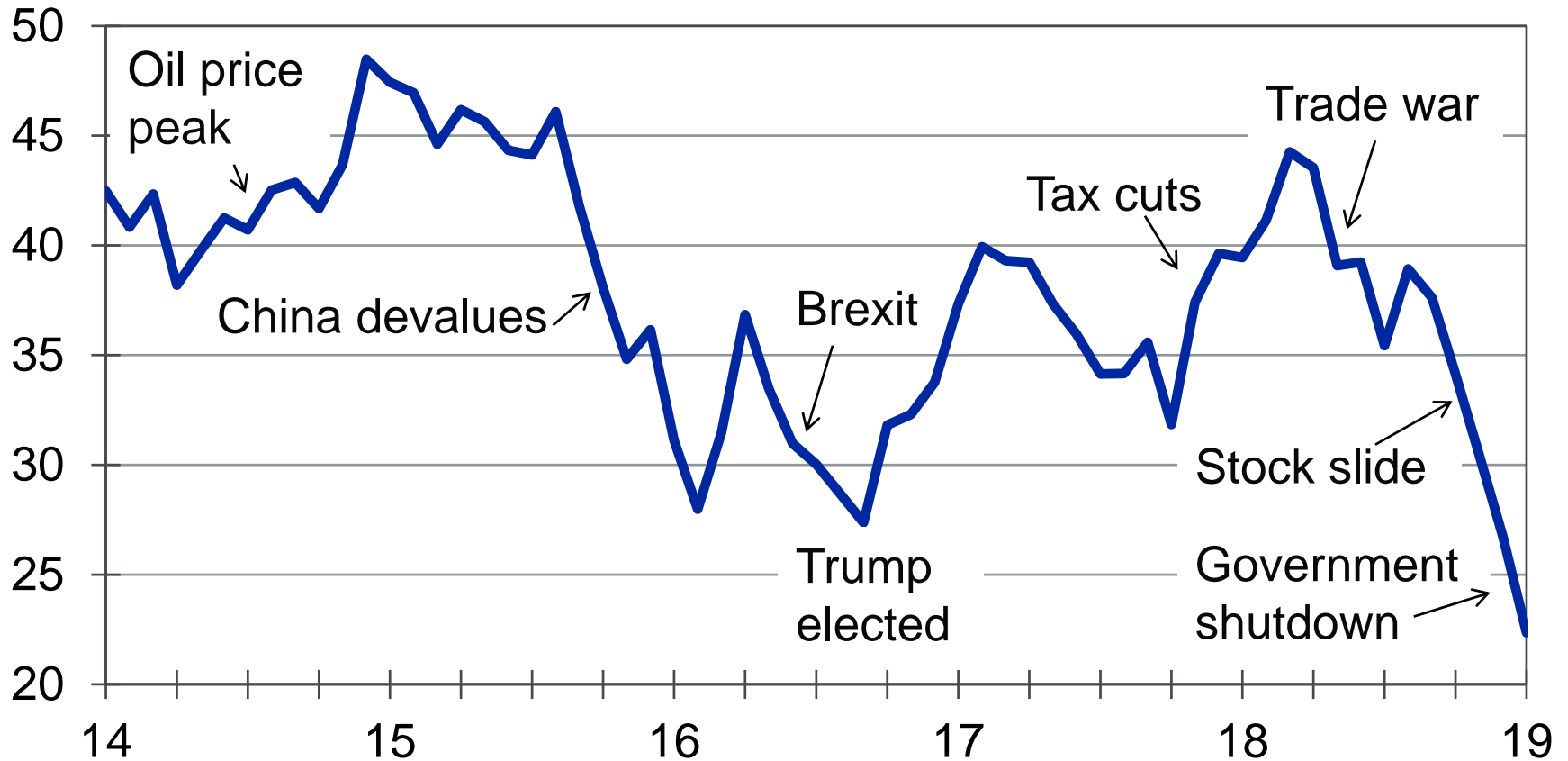
Commercial banks, %



Sources: FDIC, Moody's Analytics

Geopolitics Are a Serious Threat...

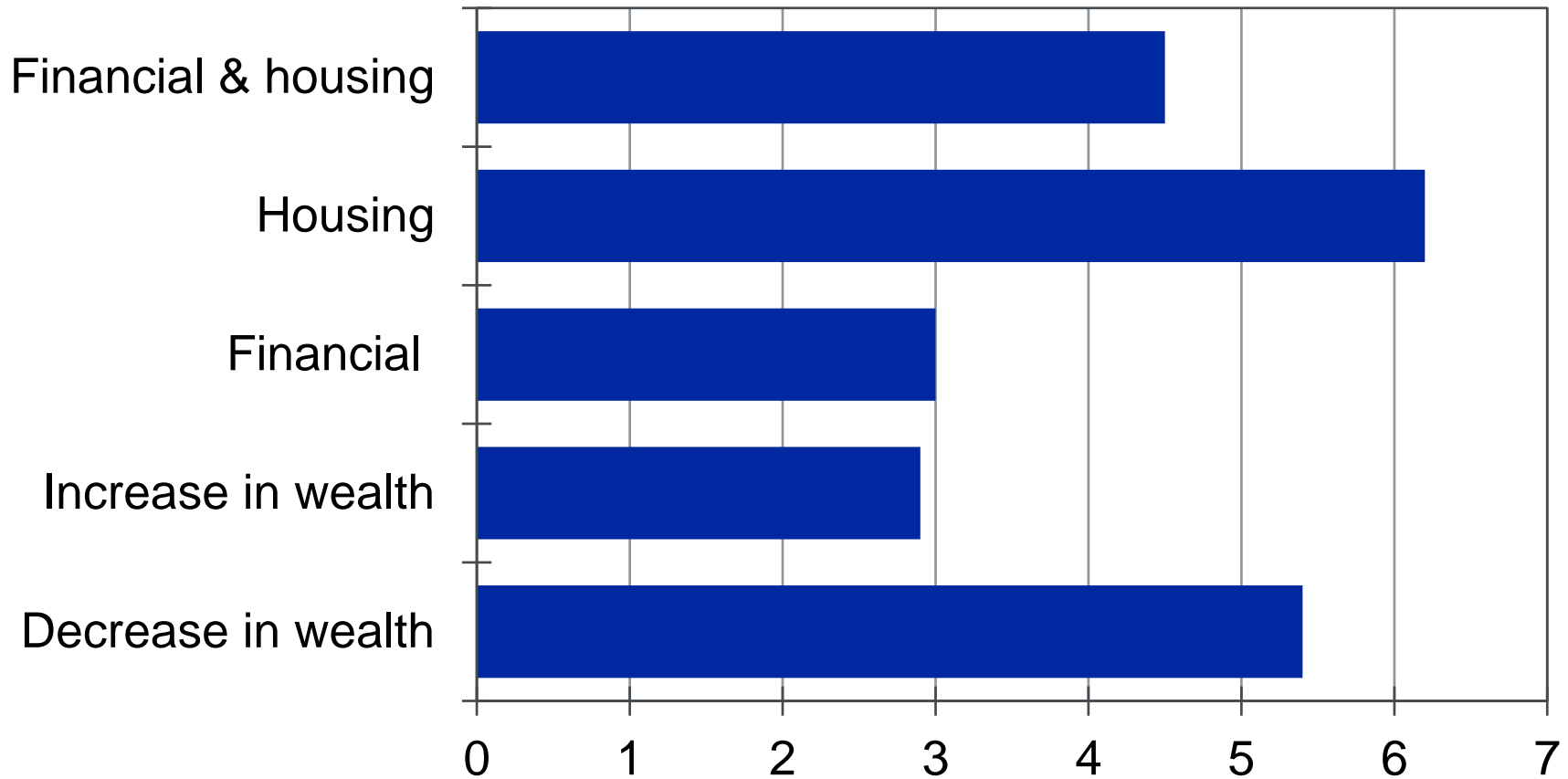
Business sentiment diffusion index, net % positive



Source: Moody's Analytics

...As Are Tighter Financial Conditions

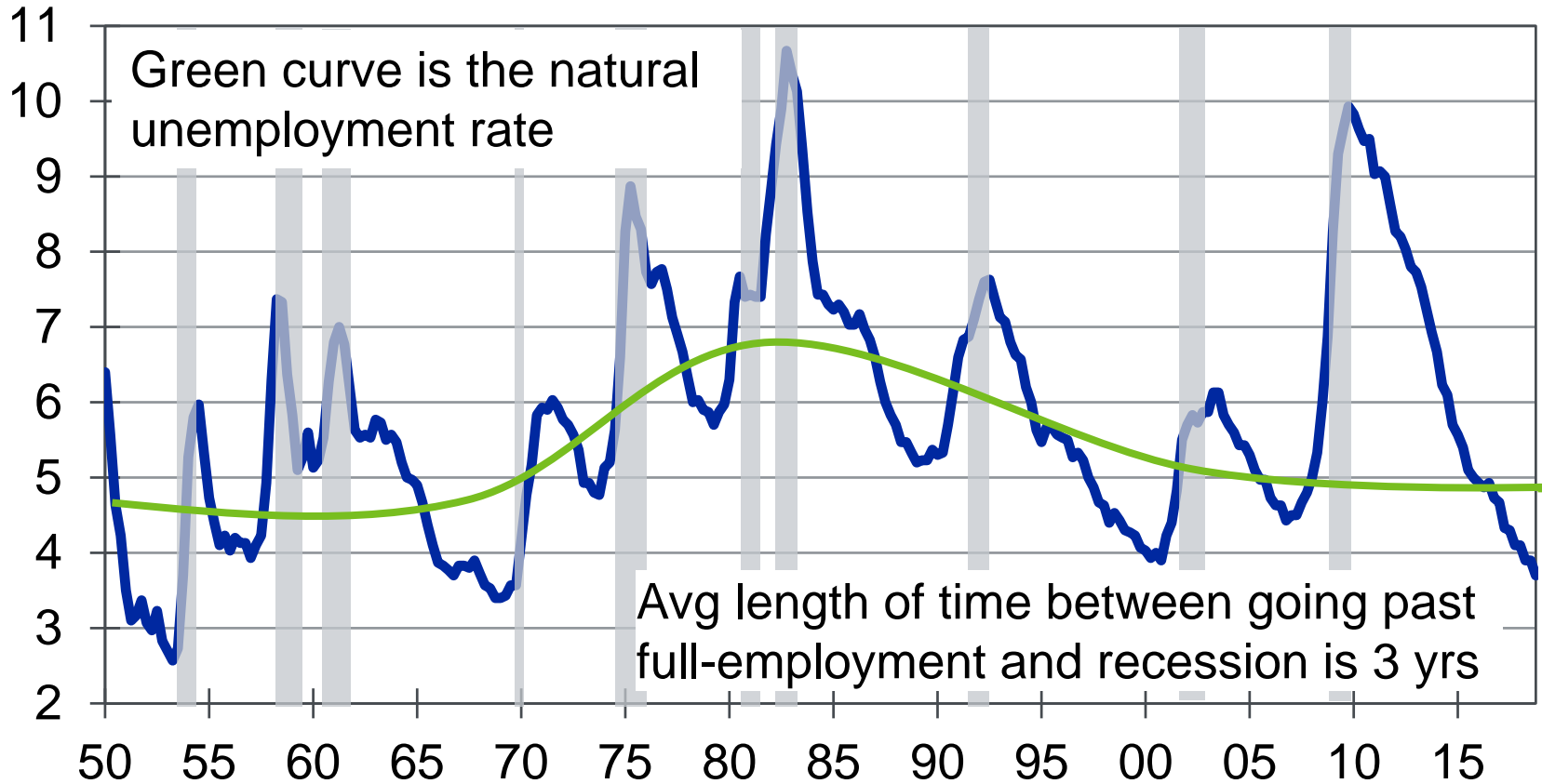
Change in consumer spending for \$100 change in wealth, \$



Sources: VISA, Moody's Analytics

The Next Recession Comes Into View...

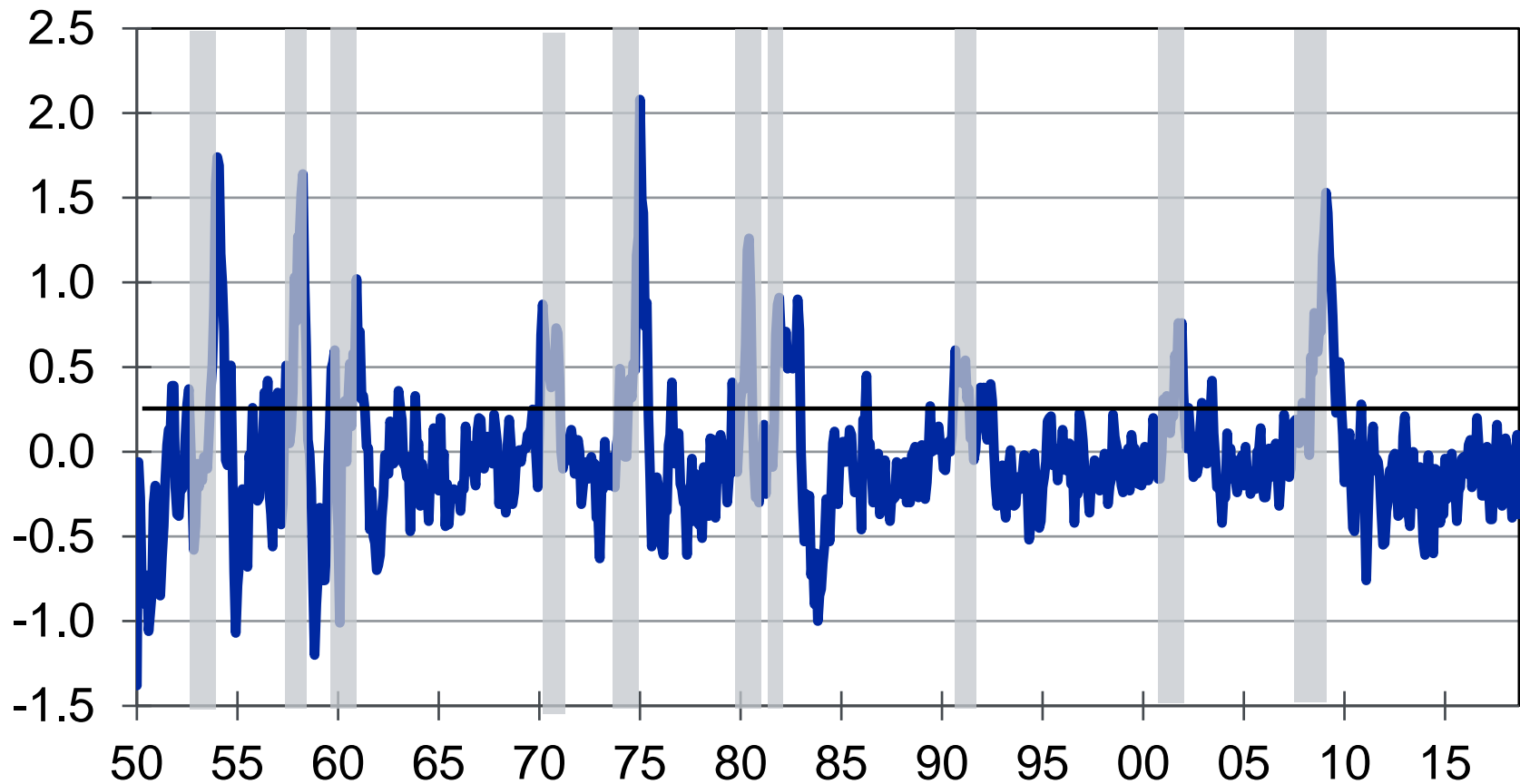
Unemployment rate, %



Sources: BLS, Moody's Analytics

...As it is Hard to Land the Economic Plane

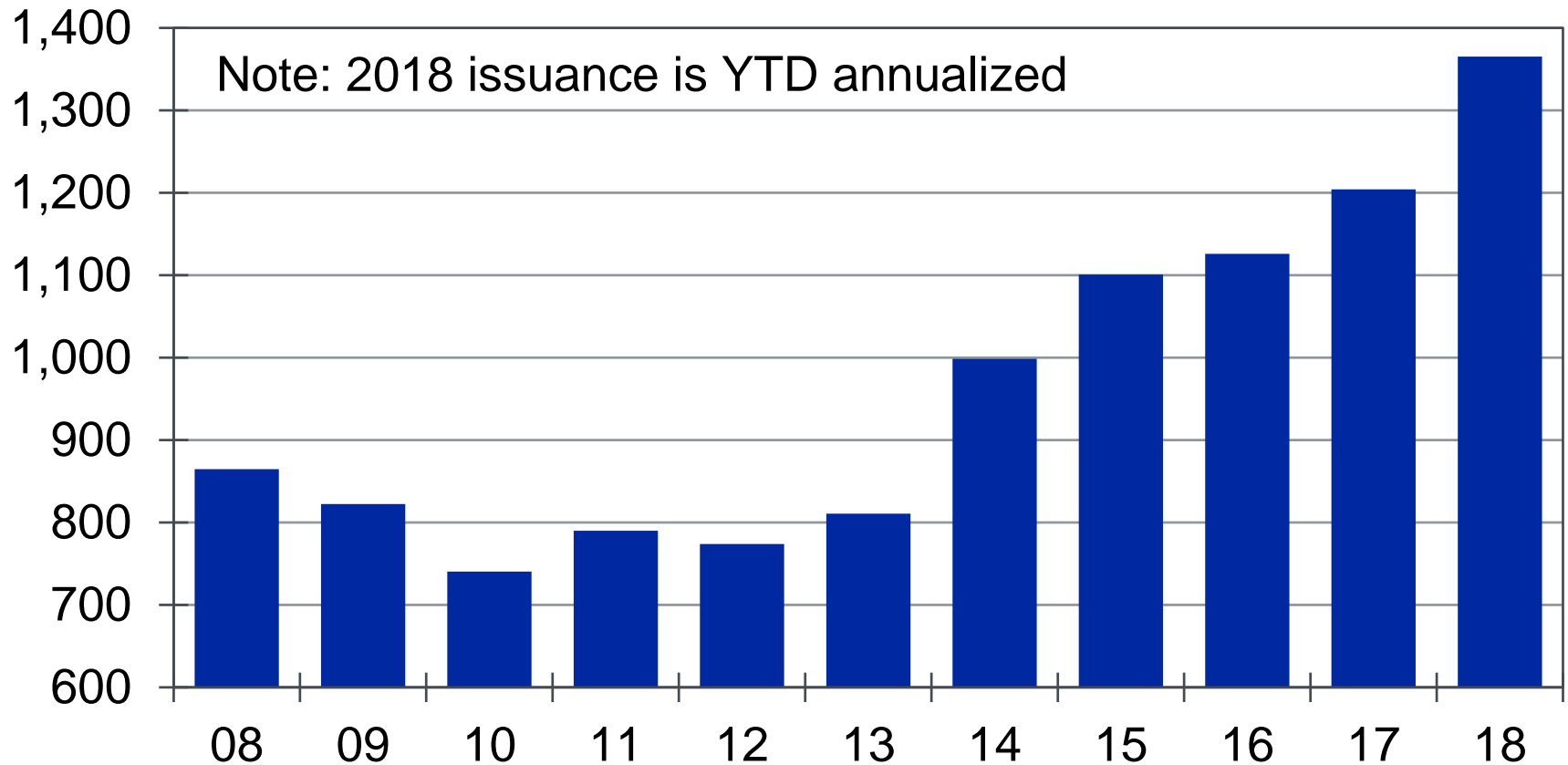
3-mo change in the unemployment rate, ppt



Sources: BLS, Moody's Analytics

Leveraged Firms Leverage Up...

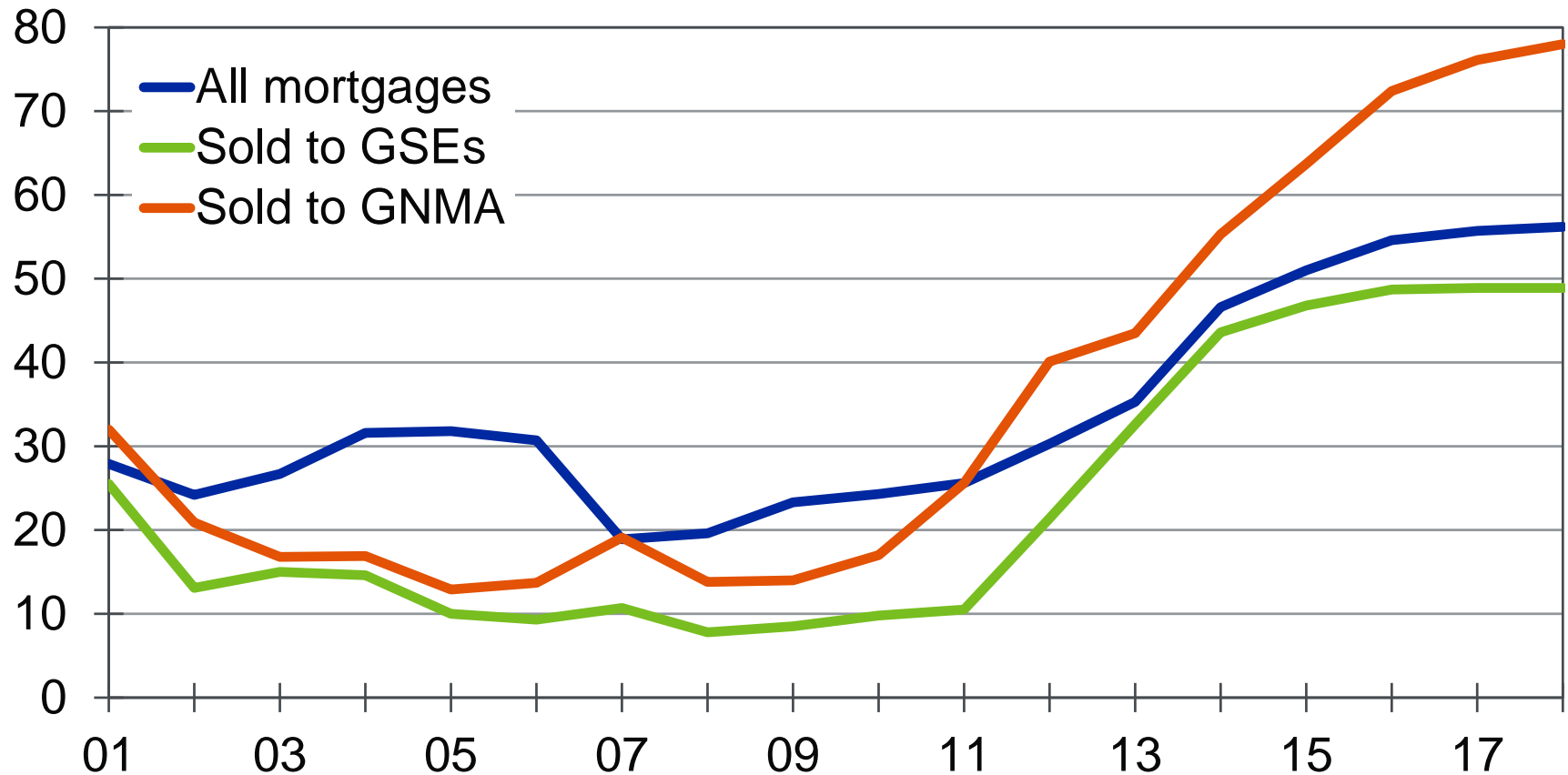
Leveraged loans, \$ bil



Sources: IMF, Moody's Analytics

...And the Shadow System Expands

% of mortgage originations originated by nonbanks



Sources: Federal Reserve, Brookings, Moody's Analytics

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