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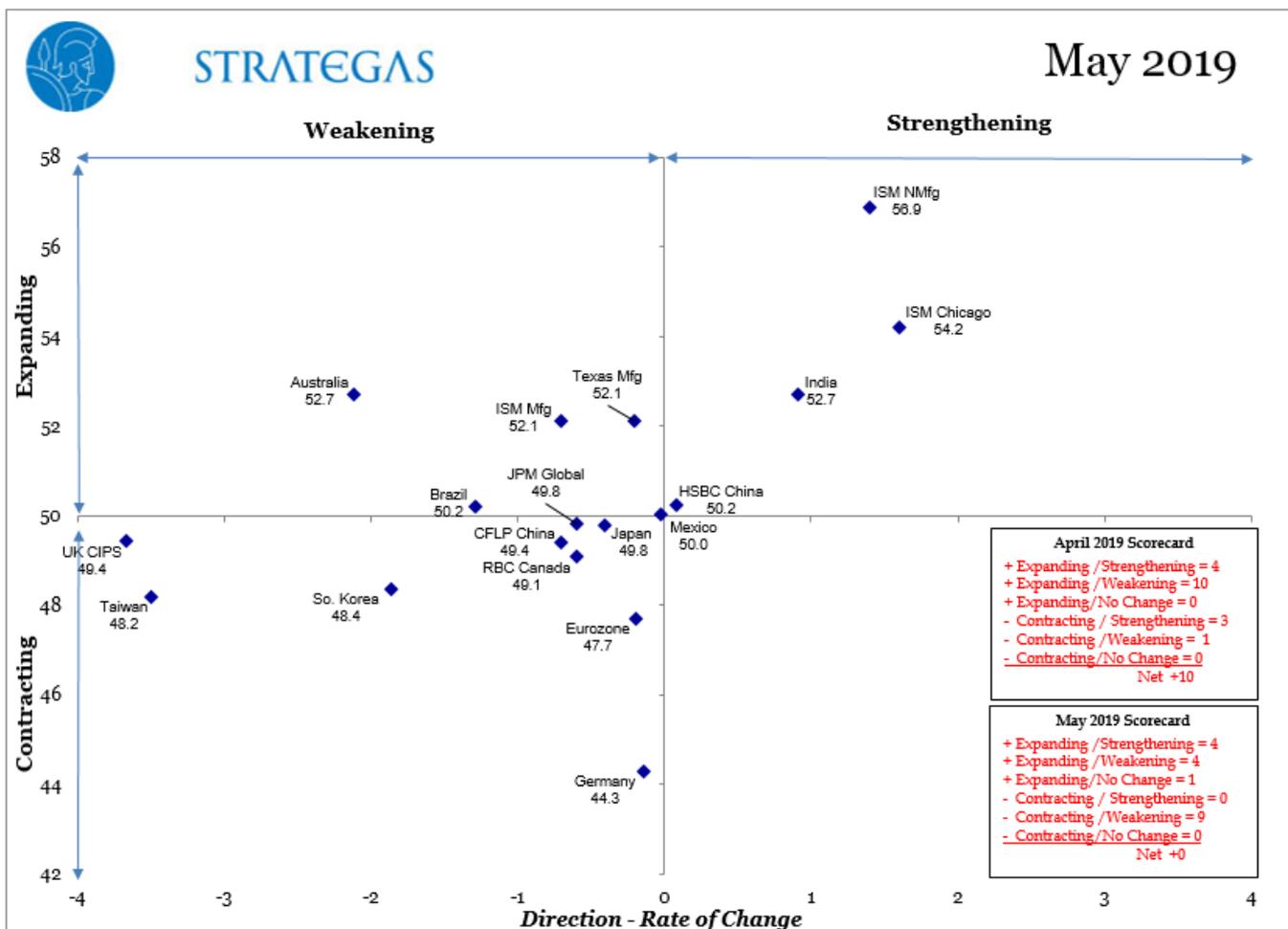
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GLOBAL GROWTH WEAK, U.S. NMI AN OUTLIER MAY 2019 BUSINESS SURVEY INSIGHTS

Survey data from around the world continues to identify a trend of slowing growth, particularly in manufacturing. The ISM Manufacturing PMI recorded its lowest reading in May since October 2016. As manufacturing has more leading properties, concerns about near-term growth persists.

The non-manufacturing sector is strengthening in the U.S. Non-manufacturing typically outperforms manufacturing in this part of the U.S. business cycle by at least two percentage points. Also, the contribution of services is four times greater than that of manufacturing. The strength of New Orders and Business Activity in non-manufacturing is more than enough to carry the U.S. through this soft patch in manufacturing.



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Please see Appendix for Important Disclosures.

GLOBAL GROWTH WEAK, U.S. NMI AN OUTLIER *Cont'd*

Eurozone: The Eurozone PMI (47.7, -0.2) contracted for the fourth consecutive month in May. There is less of a divide between expansion and contraction in the EZ this month: Greece (54.5, -2.1) and Netherlands (52.2, +0.2) strengthened; France (50.6, +0.6) and Spain (50.2, -1.6) were at the mid-point; Italy (49.5, 0.4), Austria (48.3, -0.9), and Germany (44.3, -0.1) declined. Germany registered its fifth consecutive month below 50!

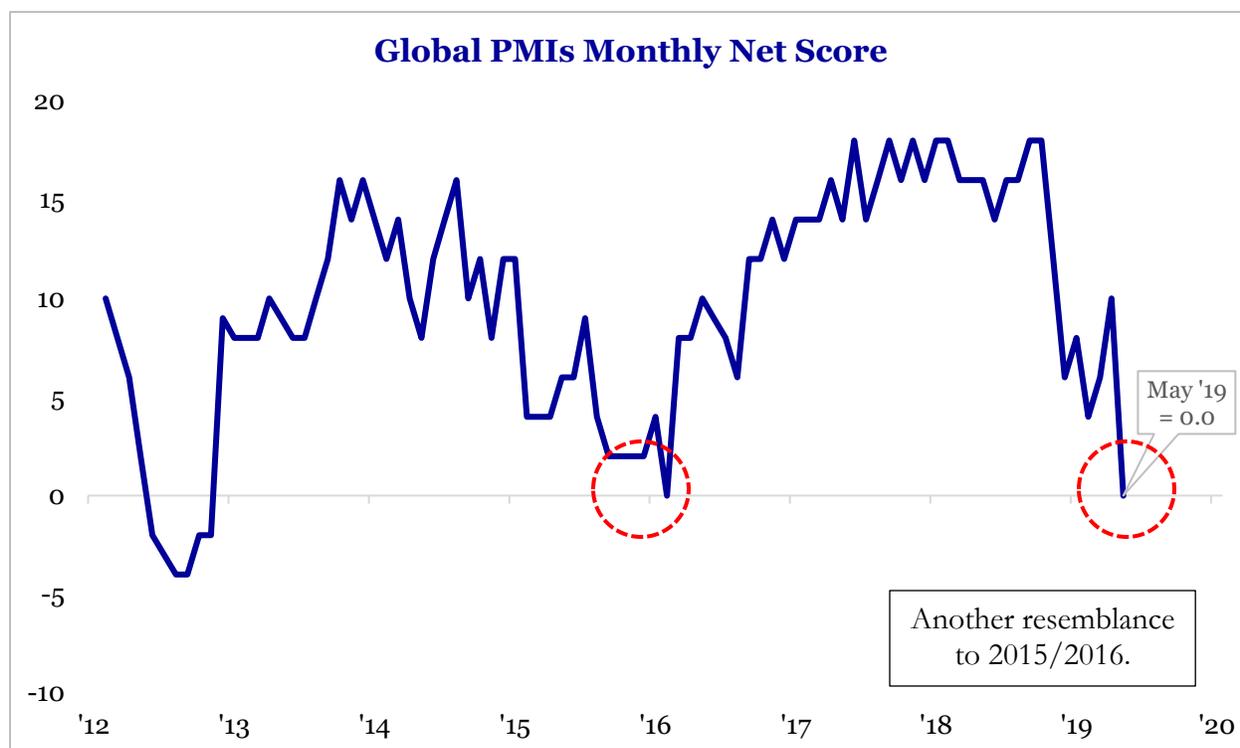
United Kingdom: The UK/CIPS PMI (49.4, -3.7) fell into negative territory and ended its 33-month expansion. It appears that the uncertainty surrounding BREXIT has finally slowed the manufacturing sector.

China: China's Official Report, the CFLP PMI (49.4, -0.7), and the Caixin Manufacturing PMI (50.2, 0.1) remain anchored near the mid-point.

India: India's PMI (52.7, +0.9) expansion continued for its 22nd consecutive month. May improved on April's weak start to Q2 as it fell just under the 12-month average (52.8).

South Korea: The PMI (48.4, -1.9) fell back into contractionary territory in May. The PMI had ended five consecutive months of contraction in April. Low business confidence prevails.

North America: Canada's PMI (49.1, -0.6) contracted for a second consecutive month after 37 consecutive months of growth dating back to March 2016. Mexico's PMI (50.0, 0.0) held at the critical 50-mark again.



The ISM PMI™

U.S. manufacturing expanded in May, albeit at a slower rate. The manufacturing sector is losing momentum. The PMI registered 52.1 which is the lowest reading since October 2016. The past relationship between the PMI® and the overall economy indicates that the PMI® for May (52.1) corresponds to a 2.7% increase in real gross domestic product (GDP) on annualized basis according to the press release.



Drivers: New Orders (52.7, +1.0) and Employment (53.7, +1.3) were drivers of growth. Supplier Deliveries (52.0, -2.6), Inventories (50.9, -2.0), and Production (51.3, -1.0) compressed the composite index.

New Orders Minus Inventories: This key manufacturing measure (1.8, -3.0) shows New Orders are outpacing Inventories. Compared to the average gap (+8.1 pp beginning in 2011), New Orders are outpacing Inventories, but has room for continuing correction.

Customers' Inventories: Customers' Inventories (43.7, +1.1) noted four industries reporting customers' inventories as "too high" in May: Apparel; Wood Products; Primary Metals; and Electrical Equipment, Appliances. The 11 industries reporting customers' inventories as "too low" were: Textile Mills; Petroleum & Coal; Fabricated Metal; Machinery; Computer & Electronic; Plastics & Rubber Products; Paper; Transportation Equipment; Miscellaneous Manufacturing; Food, Beverage; and Chemical Products.

Prices: The Prices Index (53.2, +3.2) signaled a boost to suppliers' pricing power as six of 18 industries reported paying higher prices in May.

Commodities Up in Price: Aluminum*; Dairy Products; Electronic Components (10); Integrated Circuits; Nylons; Printed Circuit Board Assemblies; Solvents; Steel* (9); and Steel Products*.

Commodities Down in Price: Aluminum* (2); Caustic Soda (2); Memory; Natural Gas; Polypropylene (3); Scrap Metal; Soybean Products; Steel*; Steel — Hot Rolled (2); and Steel Products* (5).

Commodities in Short Supply: Aluminum Products (3); Capacitors (2); Electronic Components (13); and Integrated Circuits.

**Indicates both up and down in price.*

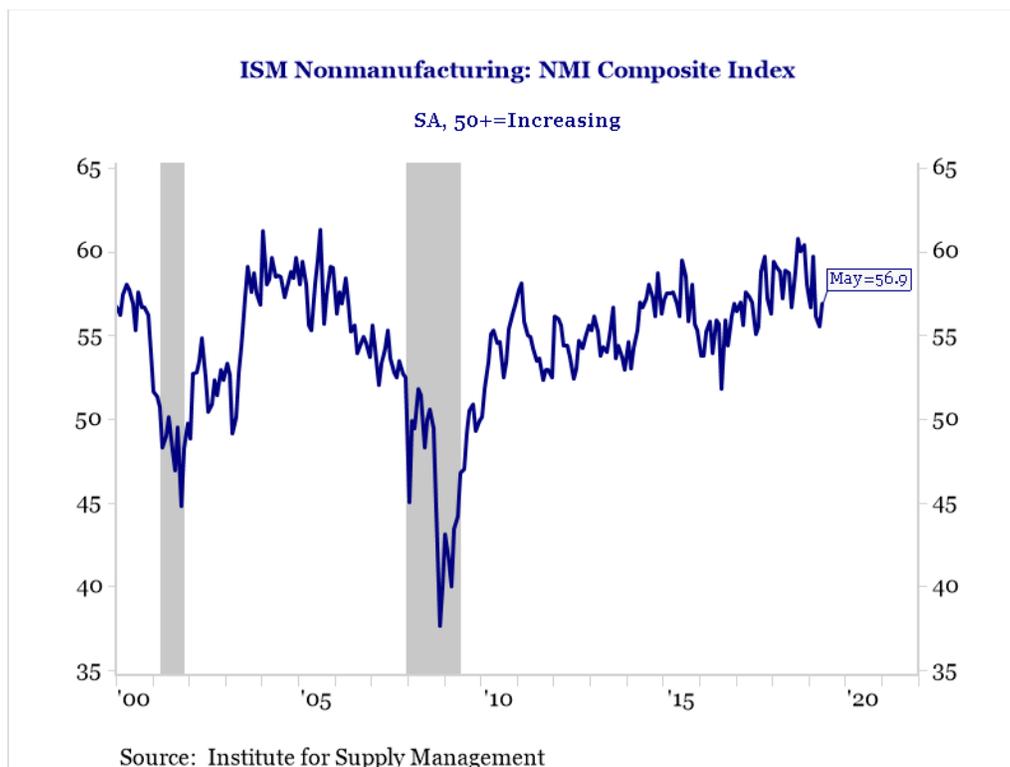
(Note: The number of consecutive months the commodity is listed is indicated after each item.)

Sectoral Breakdown: Of the 18 manufacturing industries, 11 reported growth in May: Printing & Related Support Activities; Furniture & Related Products; Plastics & Rubber Products; Textile Mills; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Chemical Products; Food, Beverage & Tobacco Products; Nonmetallic Mineral Products; and Machinery. Six industries reported contraction in May: Apparel, Leather & Allied Products; Primary Metals; Petroleum & Coal Products; Wood Products; Paper Products; and Fabricated Metal Products.

	2/28/2019	3/31/2019	4/30/2019	5/31/2019
ISM Mfg PMI (SA)	54.2	55.3	52.8	52.1
New Orders (SA)	55.5	57.4	51.7	52.7
Production (SA)	54.8	55.8	52.3	51.3
Employment (SA)	52.3	57.5	52.4	53.7
Supplier Deliveries (SA)	54.9	54.2	54.6	52.0
Inventories (SA)	53.4	51.8	52.9	50.9
New Orders - Inv	2.1	5.6	-1.2	1.8
Customers' Inventories (NSA)	39.0	42.7	42.6	43.7
Prices (NSA)	49.4	54.3	50.0	53.2
Backlogs (NSA)	52.3	50.4	53.9	47.2
New Export Orders (NSA)	52.9	51.7	49.5	50.9
Imports (NSA)	55.4	51.1	49.7	49.4

ISM NMI™

The rate of growth for U.S. companies engaged in services, mining, and agriculture rebounded in May. The non-manufacturing sector continues to enjoy significant expansion compared to manufacturing sector. The May NMI (56.9, +1.4) continued to signal strength in segments that are the source of growth and job creation.



Drivers: The composite index is supported by Employment (58.1, +4.4), Business Activity (61.2, +1.7), and New Orders (58.6, +0.5). Meanwhile, the only negative contributor to the NMI is Supplier Deliveries (49.5, -1.0) which is relatively unchanged and below its long-term average (53.1)

Prices: While New Orders and Business Activity continue to signal strong demand, the Prices Index (55.4, -0.3) continues to offer price stability when compared to the Apr '18 – Mar '19 average of 61.0.

Commodities Up in Price: Dairy; Diesel Fuel (3); Freight; Fuel (2); Gasoline (3); Labor (8); Labor — Construction (3); and Labor — Temporary (3).

Commodities Down in Price: Oriented Strand Board (OSB); and Steel Products (2).

Commodities in Short Supply: Construction Subcontractors (17); Labor (8); Labor — Construction (38); Labor — Temporary (9); Trays; and Tubing (2).

(Note: The number of consecutive months the commodity is listed is indicated after each item.)

Sectoral Breakdown: 16 non-manufacturing industries reported growth in May: Accommodation & Food Services; Educational Services; Management of Companies & Support Services; Construction; Transportation & Warehousing; Real Estate, Rental & Leasing; Utilities; Wholesale Trade; Public Administration; Professional, Scientific & Technical Services; Mining; Health Care & Social Assistance; Other Services; Finance & Insurance; Information; and Retail Trade. One industry reported a decrease: Agriculture, Forestry, Fishing & Hunting.

	2/28/2019	3/31/2019	4/30/2019	5/31/2019
ISM NMfg PMI (SA)	59.7	56.1	55.5	56.9
Business Activity (SA)	64.7	57.4	59.5	61.2
New Orders	65.2	59.0	58.1	58.6
Employment (SA)	55.2	55.9	53.7	58.1
Supplier Deliveries (SA)	53.5	52.0	50.5	49.5
Prices (SA)	54.4	58.7	55.7	55.4
Inventory Change (NSA)	51.0	50.0	51.5	54.0
Inventory Sentiment (NSA)	59.0	62.5	60.0	58.5
Backlogs (NSA)	55.5	56.5	55.0	52.5
New Export Orders (NSA)	55.0	52.5	57.0	55.5
Imports (NSA)	48.5	51.5	55.0	50.0

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