



Moving Forward With Confidence

Alan Beaulieu, PhD
President



Post-COVID Forecast Accuracy

When Things Were First Starting to Go Awry...

	Data is Through	Date of Forecast	Duration	Accuracy
US GDP	Dec 2019	Mar 20th	9	98.4%
US Ind. Prod.	Feb 2020	Mar 25th	9	96.5%
Europe Ind. Prod.	Jan 2020	Mar 25th	9	98.7%
Canada Ind. Prod.	Dec 2019	Mar 25th	9	94.9%
China Ind. Prod.	Feb 2020	Mar 29th	9	92.8%
Retail Sales	Jan 2020	Mar 21st	9	98.7%
Housing	Jan 2020	Mar 26th	9	99.6%
Employment	Feb 2020	Mar 28th	9	93.7%

ITR Economics provides the best economic intelligence to reduce risk and drive practical and profitable business decisions.



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Washington DC

A wide-angle photograph of the United States Capitol building in Washington, D.C. The building is a large, white, neoclassical structure with a prominent central dome topped by a statue. The building is surrounded by green lawns and trees. The sky is clear and blue.

Debt disaster?

Tax increase

Emphasis on Climate Change

Relationship with China



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June 2021

Fed Open Market Committee

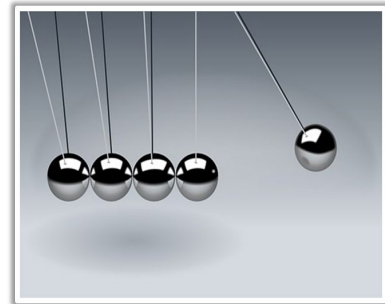
1. Make acquisitions
2. Invest in your products – innovate
3. Invest in your processes – efficiency gains, supply chain



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Management Objectives™

**Separate near-term events
from fundamental economics
and determine which will
likely prevail
in your markets.**



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A Powerful Management Tool

Rate-of-Change

	Raw	3MMT	3/12	12MMT	12/12
Jun-19	5.066				
Jul-19	5.162				
Aug-19	5.202	15.4			
Sep-19	5.057	15.4			
Oct-19	5.392	15.7			
Nov-19	4.956	15.4			
Dec-19	5.114	15.5			
Jan-20	4.892	15.0			
Feb-20	4.585	14.6			
Mar-20	4.981	14.5			
Apr-20	4.066	13.6			
May-20	4.198	13.2		58.7	
Jun-20	4.873	13.1		58.5	
Jul-20	4.939	14.0		58.3	
Aug-20	4.894	14.7	-4.7%	57.9	
Sep-20	5.084	14.9	-3.3%	58.0	
Oct-20	5.312	15.3	-2.3%	57.9	
Nov-20	5.000	15.4	-0.1%	57.9	-4.6%
Dec-20	5.414	15.7	1.7%	58.2	-4.3%
Jan-21	4.915	15.3	2.4%	58.3	-4.5%
Feb-21	4.811	15.1	3.8%	58.5	-4.3%
Mar-21	6.080	15.8	9.3%	59.6	-2.2%
Apr-21	5.853	16.7	22.8%	61.4	2.5%
May-21	5.781	17.7	33.7%	63.0	7.3%

3/12 Rate-of-Change

$$= \frac{\text{May 2021 3MMT}}{\text{May 2020 3MMT}} \times 100 - 100$$

$$= \frac{17.7}{13.2} \times 100 - 100 = 34.0\%$$

12/12 Rate-of-Change

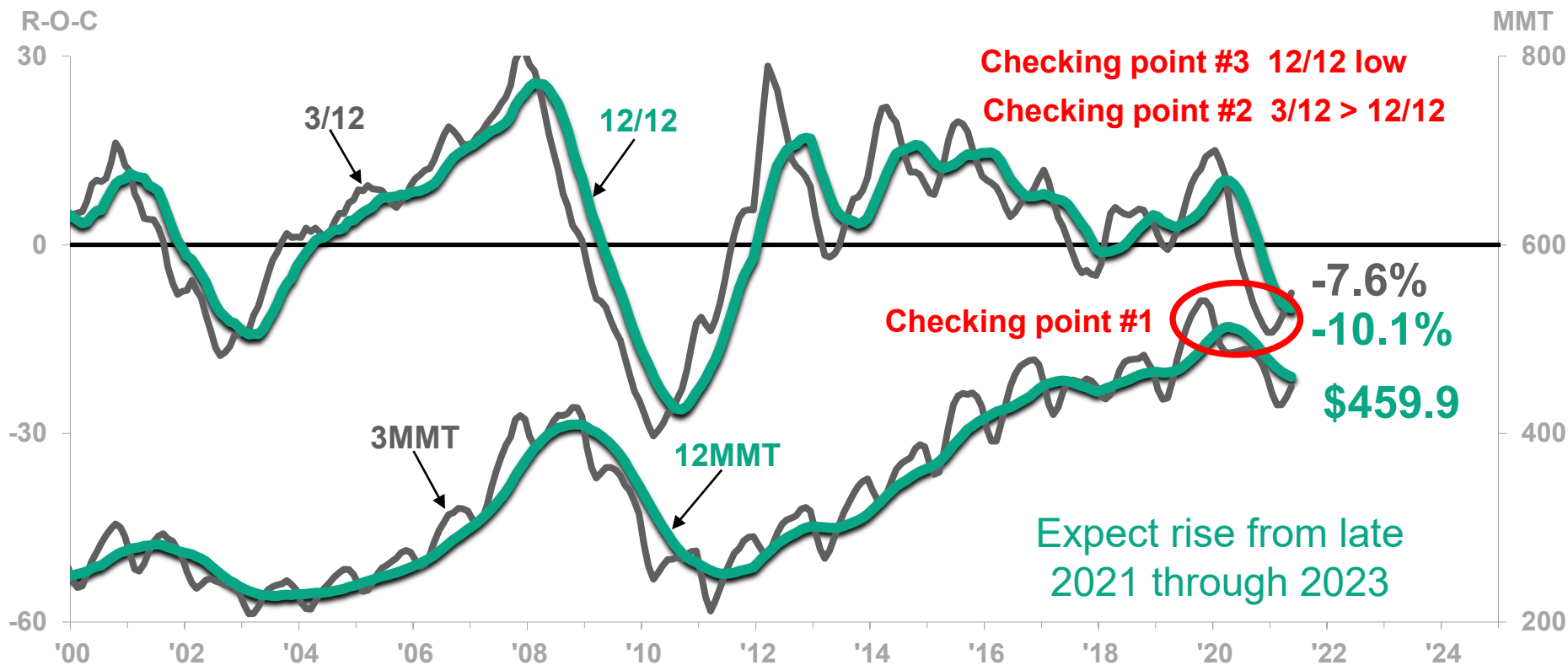
$$= \frac{\text{May 2021 12MMT}}{\text{May 2020 12MMT}} \times 100 - 100$$

$$= \frac{63.0}{58.7} \times 100 - 100 = 7.3\%$$



Early Indications of Near-Term Cyclical Low

US Private Nonresidential Construction



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Billions of Dollars

Source: US Census Bureau



Macroeconomic Trends



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U.S. Economic Leading Indicators

Indicator	Trend	Macro Indication
ITR Retail Sales Leading Indicator	Rise	Positive through next four quarters...
ITR Financial Leading Indicator	Decline	Tentative signal of deceleration in 2022
JPMorgan Global PMI	Decline	Tentative signal of deceleration in 2022
OECD Leading Indicator	Decline	Tentative signal of deceleration in 2022
G7 Leading Indicator	Decline	Tentative signal of deceleration in 2022
Purchasing Managers Index (PMI)	Decline	Tentative signal of deceleration in 2022
ITR Leading Indicator	Rise	Positive through next three quarters...
Wilshire Total Market Cap	Decline	Tentative signal of deceleration in 2022
US Business Confidence Index	Decline	Tentative signal of deceleration in 2022
Single-Family Housing Starts	Rise	Positive through next three quarters...
Total Industry Capacity Utilization	Decline	Tentative signal of deceleration in 2022
US Exports, Goods – World	Rise	Positive through next quarter...



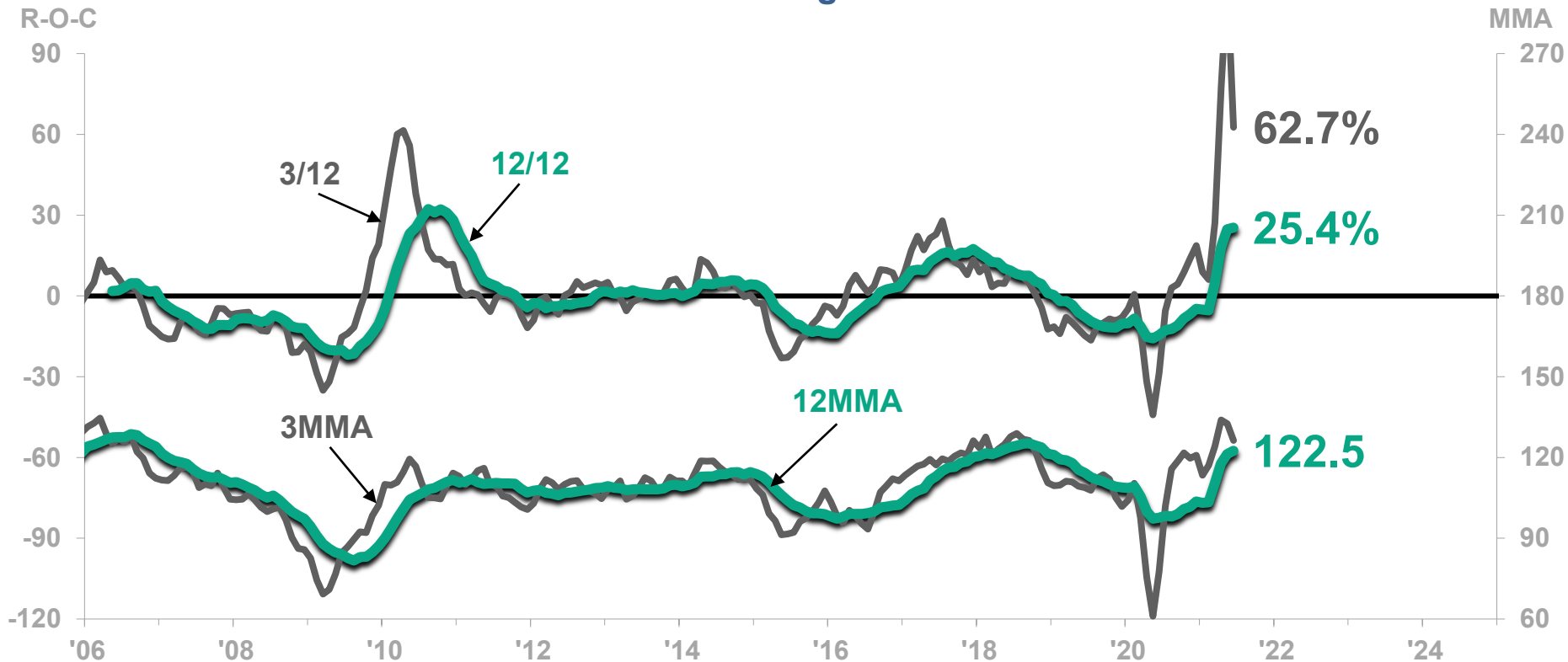
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Sources: ITR Economics, Institute for Supply Management, OECD, Yahoo Finance, US Census Bureau, FRB

Notice the Potential Early Signals Regarding 2022

Texas Manufacturing Outlook Index



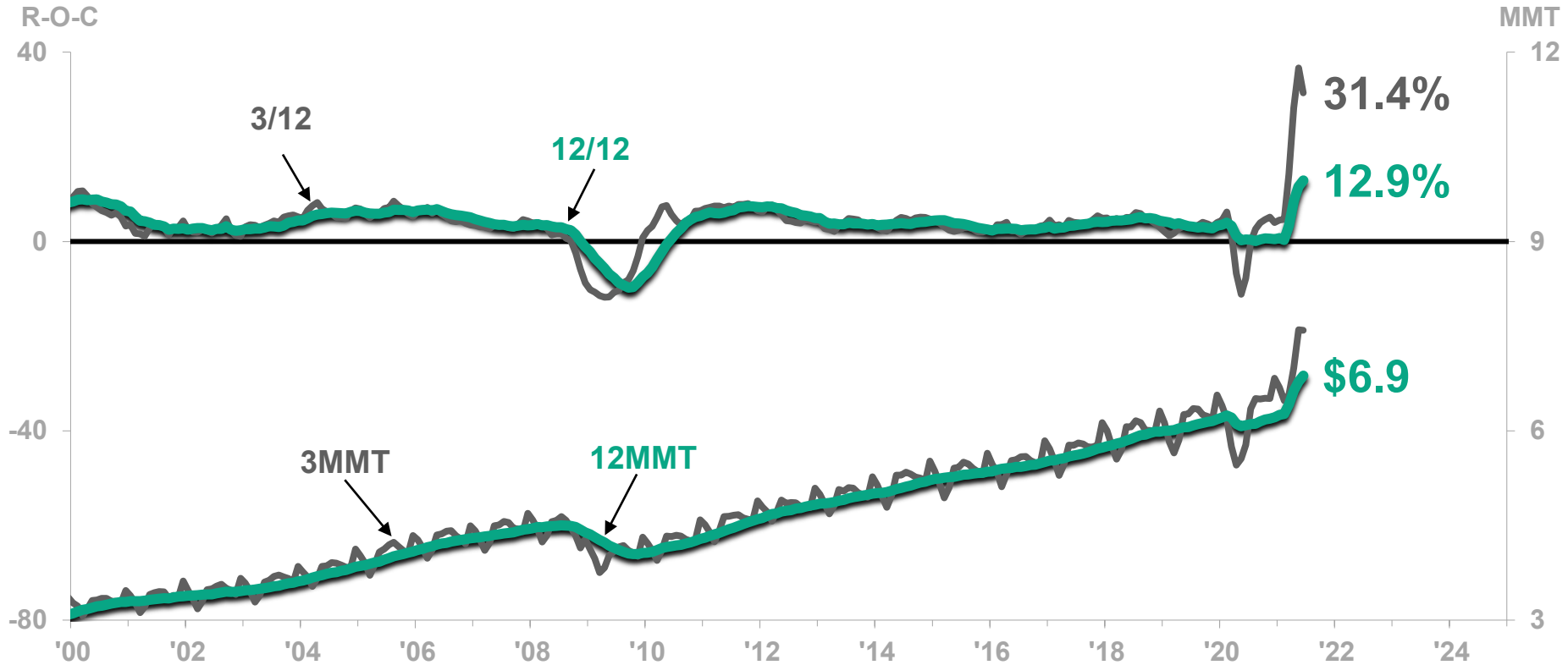
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<50=Decreased Activity, >50=Increased Activity

Source: Federal Reserve Bank of Dallas

Positive Input from the 3/12 and the 3MMT

US Total Retail Sales



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Trillions of Dollars

Source: US Census Bureau

Positive News for the Texas Economy

Texas Housing Permits

Location	12/12	Phase	Annual Trend	Direction
Texas Total	19.3%	B	245.6	↑
Texas Single-Family	34.2%	B	175.2	↑
Texas Multi-Family	-6.6%	A	70.4	↓
*San Antonio Single-Family	39.4%	B	13.1	↑
*Houston Single-Family	35.2%	B	52.4	↑
*Dallas Single-Family	35.6%	B	50.4	↑
*Austin Single-Family	34.0%	B	24.8	↑

**Metropolitan Statistical Areas*



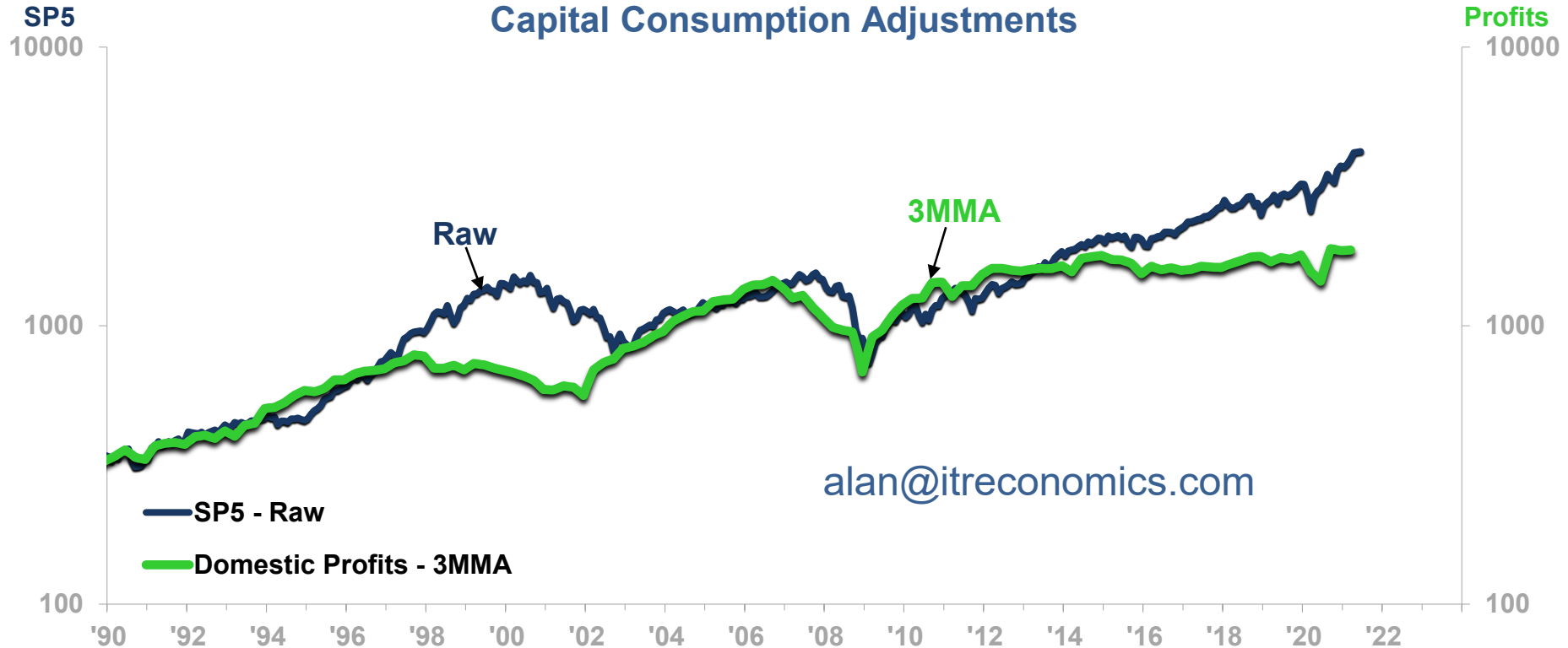
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Thousands of Permits

Source: US Census Bureau

An Overpriced US Market

US Stock Prices Index to US Domestic Corporate Profits with
Capital Consumption Adjustments



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Data Trends

Source: Wall Street Journal, BEA

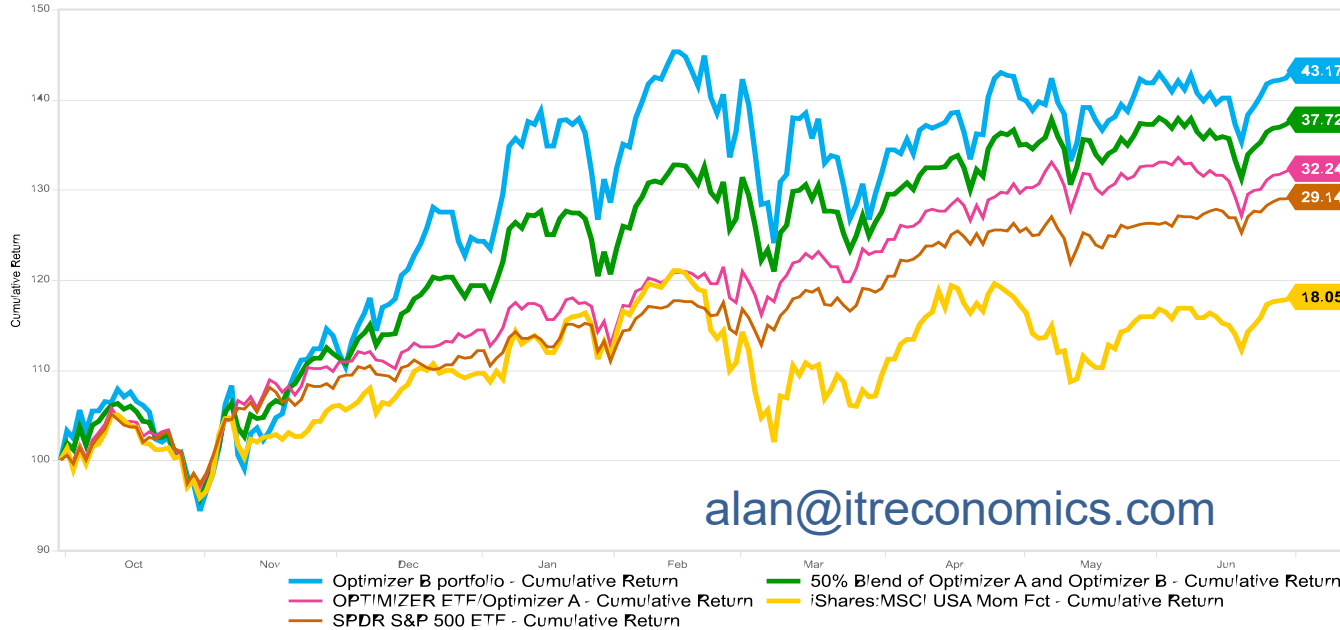
Optimizer

Portfolio: OPTIMIZER_B_PORTFOLIO
 Benchmark: SPDR S&P 500 ETF
 Currency: USD

Start Date: 10/01/2020
 End Date: 06/30/2021
 Holdings Type: Direct

Hypothetical Growth of 10,000

09/30/2020 to 06/30/2021 (D) Currency: USD Portfolio: Optimizer B portfolio Benchmark: SPDR S&P 500 ETF Cumulative Return



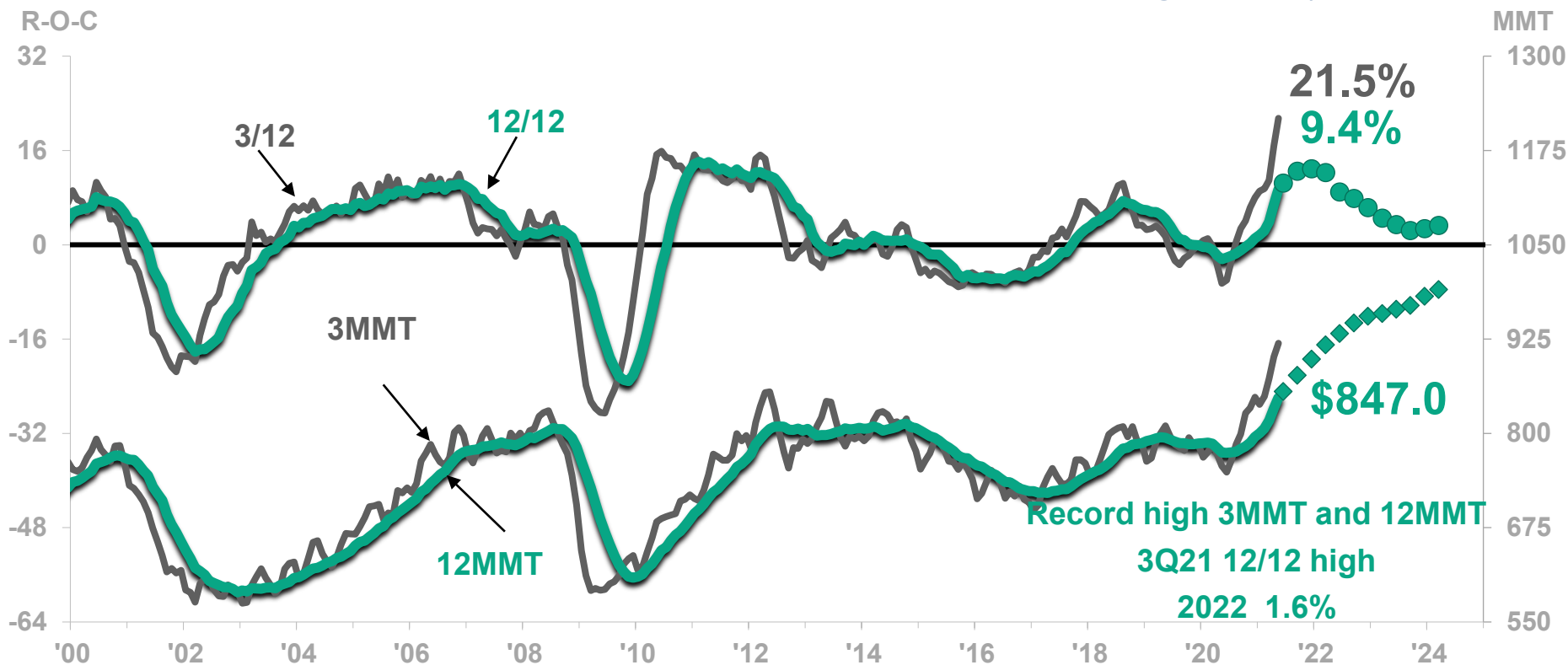
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Notes:

1. Bellwether Advisors, LLC is a registered investment adviser whose principal office is located in Nebraska. Information here is directed toward U.S. Residents only. Bellwether only transacts business in states where it is properly registered or excluded or exempted from registration requirements.
2. The composite contains 100% Equity Stocks, and is managed for aggressive capital appreciation. The composite is being used as only a portion of an investor's or account's overall investment portfolio. Investing in 100% stocks can provide significant potential for capital loss, and investors should only invest in the amount of risk consistent with their risk tolerance.
3. The comparison benchmarks are the SPDR S&P 500 ETF (Ticker: SPY) and the iShares MSCI USA Momentum Factor ETF (Ticker: MTUM). Further information regarding the benchmarks is available upon request.
4. Valuations are computed and performance reported in U.S. Dollars.
5. Net-of-fees performance returns are presented after investment management fees (based on maximum fee of 1.25% annualized but billed monthly) and direct trading expenses. Performance results include the reinvestment of all income. Returns are presented gross of all income taxes.
6. This composite was created in September 2020. A complete list and description of firm composites is available upon request.
7. Additional information regarding policies for calculating and reporting returns is available upon request.
8. Cumulative returns are the compounded daily returns assuming constant-dollar (time-weighted) returns over the time period presented, from 1 October 2020 through 30 June 2021. They are not annualized. Standard Deviations (where presented) are annualized.
9. Past performance is not necessarily an indicator of future results. Information included here is not an offer to buy or sell or a solicitation of any offer to buy or sell the securities mentioned herein.
10. The results for holdings are obtained from third parties deemed by the adviser to be reliable. Nonetheless, the adviser has not verified the results and cannot be assured of their accuracy.
11. The 50/50 Blend of Optimizer and Optimizer B is a 50% allocation each of Optimizer B, and of Optimizer ETF.

Rise Through 2022

US Nondefense Capital Goods New Orders (excluding aircraft)



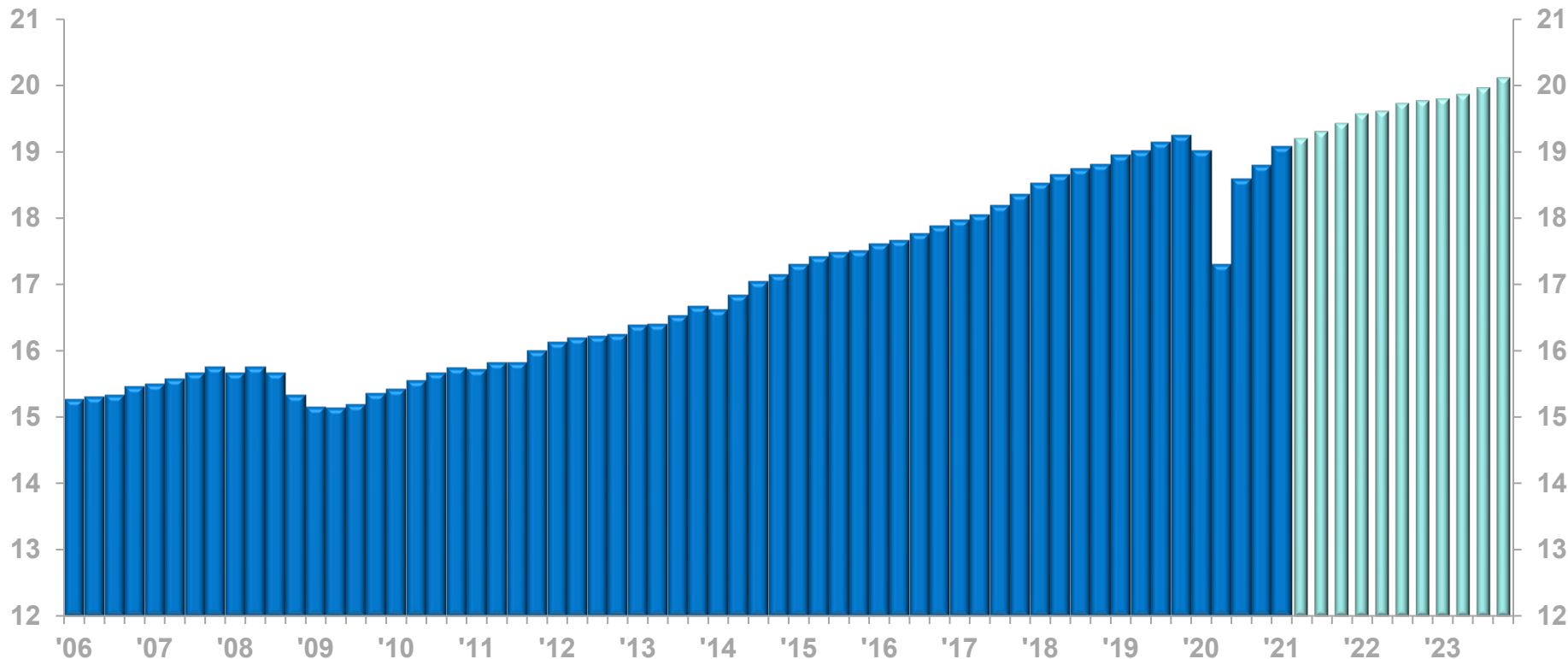
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Billions of Dollars

Source: US Census Bureau

Real Growth Returns 3Q21 & Runs Through 2023

US Gross Domestic Product, SAAR, Chained 2012 \$



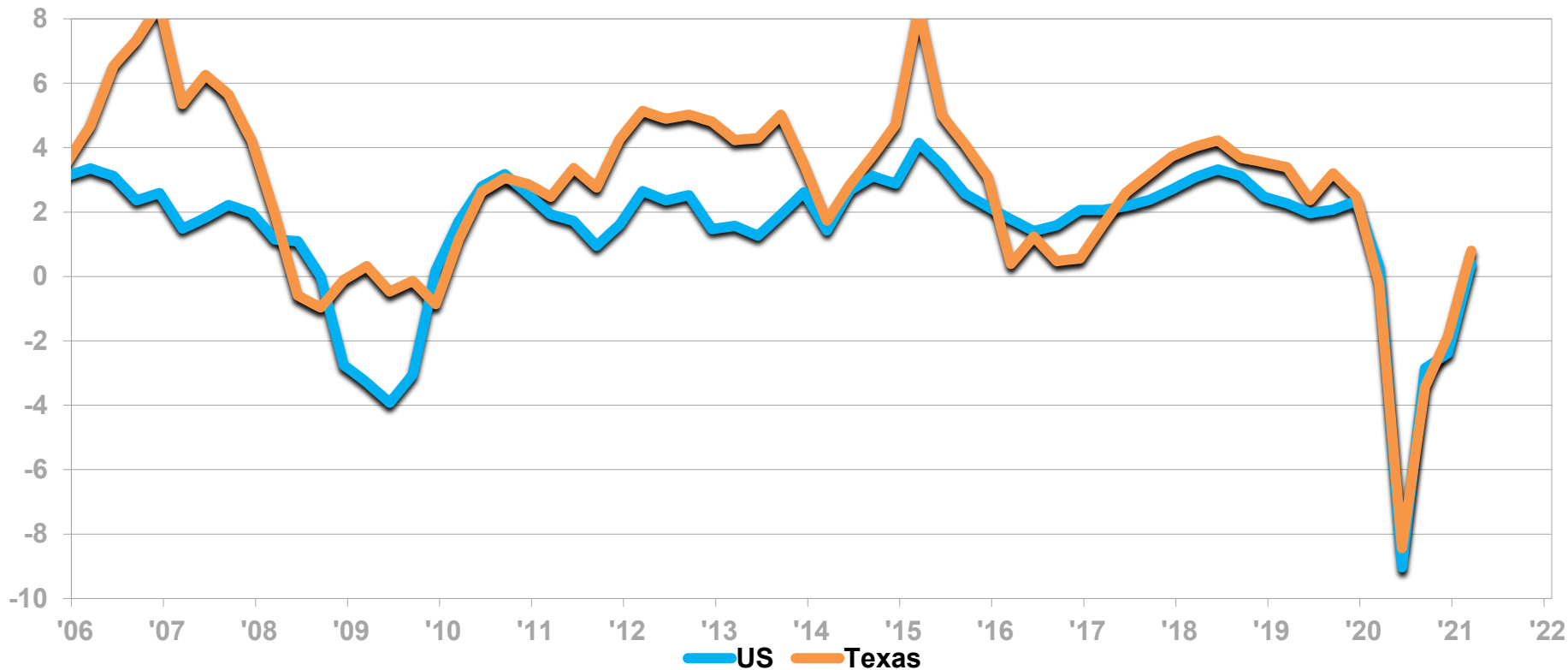
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3-Month Moving Average

Source: BEA

Close Cyclical Relationship

US and Texas GDP Growth Rate



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3/12 Rates-of-Change

Source: Bureau of Economic Analysis

Economic Power

Texas MSA GDP 2019

Austin GDP: \$ 143.1 bn

Austin GDP is equal to the state of Nevada, and the country of Kuwait

Dallas GDP: \$472.3 bn

Dallas GDP is equal to the state of Michigan, and the country of Nigeria

Houston GDP: \$472.1 bn

Houston GDP is equal to the state of Michigan, and the country of Nigeria

San Antonio GDP: \$115.6 bn

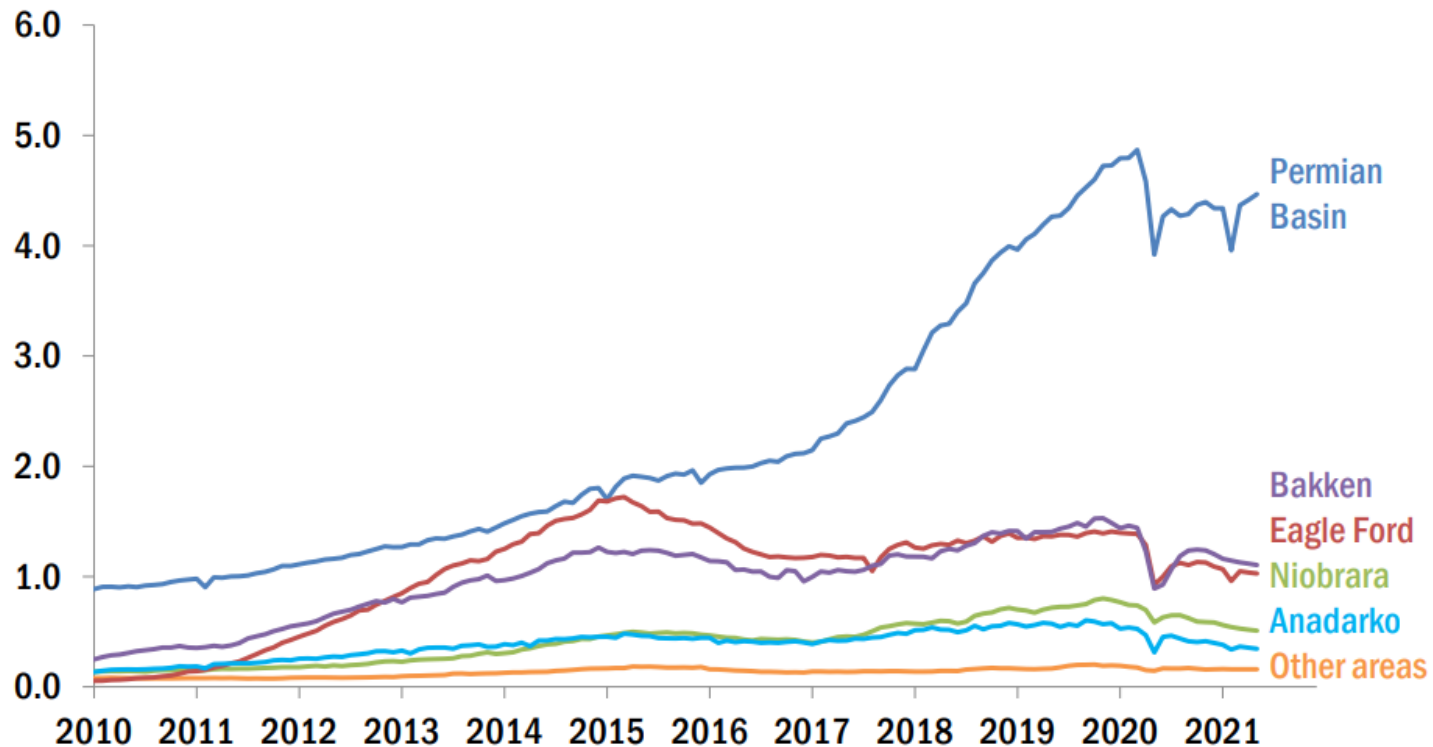
San Antonio GDP is equal to the state of Arkansas, and the country of Morocco



No Surge Evident or Anticipated

Crude Oil Production by Region

Million barrels per day

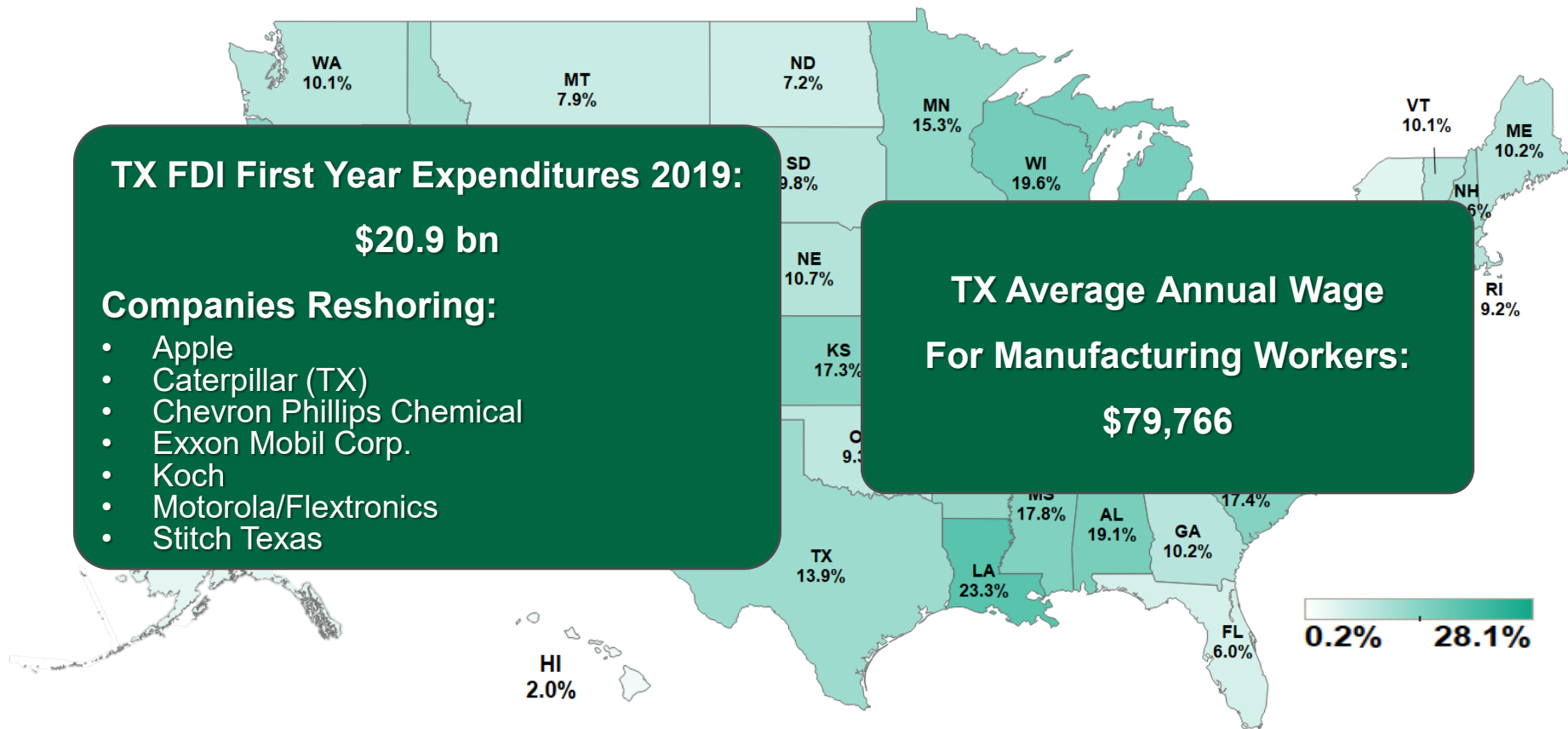


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Million Barrels per Day

Source: EIA via Federal Reserve Bank of Dallas

Manufacturing Output by State





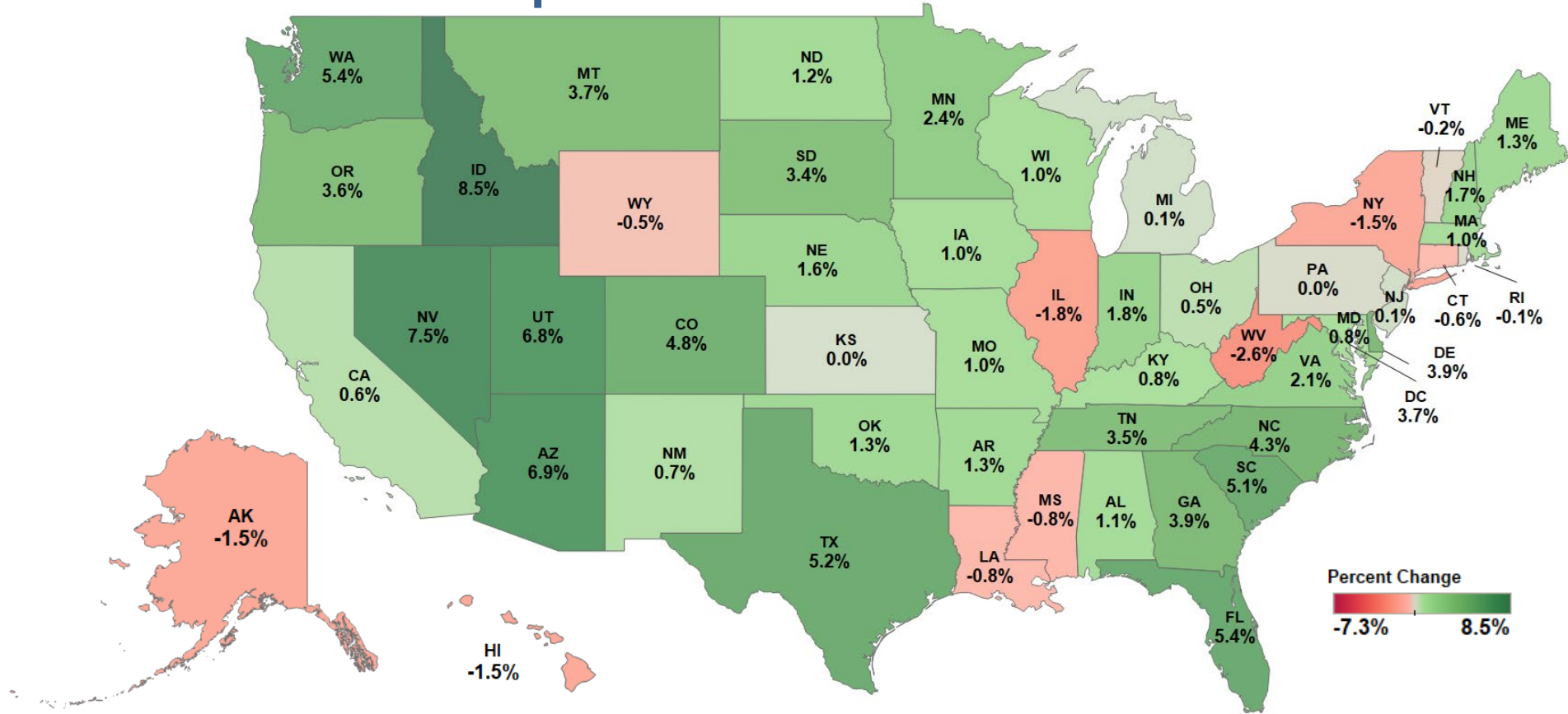
People



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State Population Growth 2016 to 2020



Percent Change
-7.3% 8.5%



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Population Growth 2016 – 2020, Percent Change

Source: US Census Bureau

Texas Population Growth Rate

<u>City</u>	<u>Growth Rate</u>
Houston	1.5%
San Antonio	5.7%
Dallas	3.2%
Austin	6.3%
Fort Worth	8.9%
El Paso	0.8%
United States Total	2.6%



The Positive Implications of Younger Workforces

Available Workforce

Gen X 1965-1980
Gen Y 1981-1996



Gen Z 1997-2015

	Gen Z	Millennials	Gen X	Boomers
US	20.8%	21.7%	20.4%	21.3%
TX	23.1%	23.0%	20.5%	18.1%
*Austin	21.4%	26.5%	22.0%	16.9%
*Dallas	22.8%	23.3%	21.8%	17.5%
*Houston	22.9%	23.6%	21.3%	17.5%
*San Antonio	22.9%	23.4%	20.2%	18.2%

**Metropolitan Statistical Area*



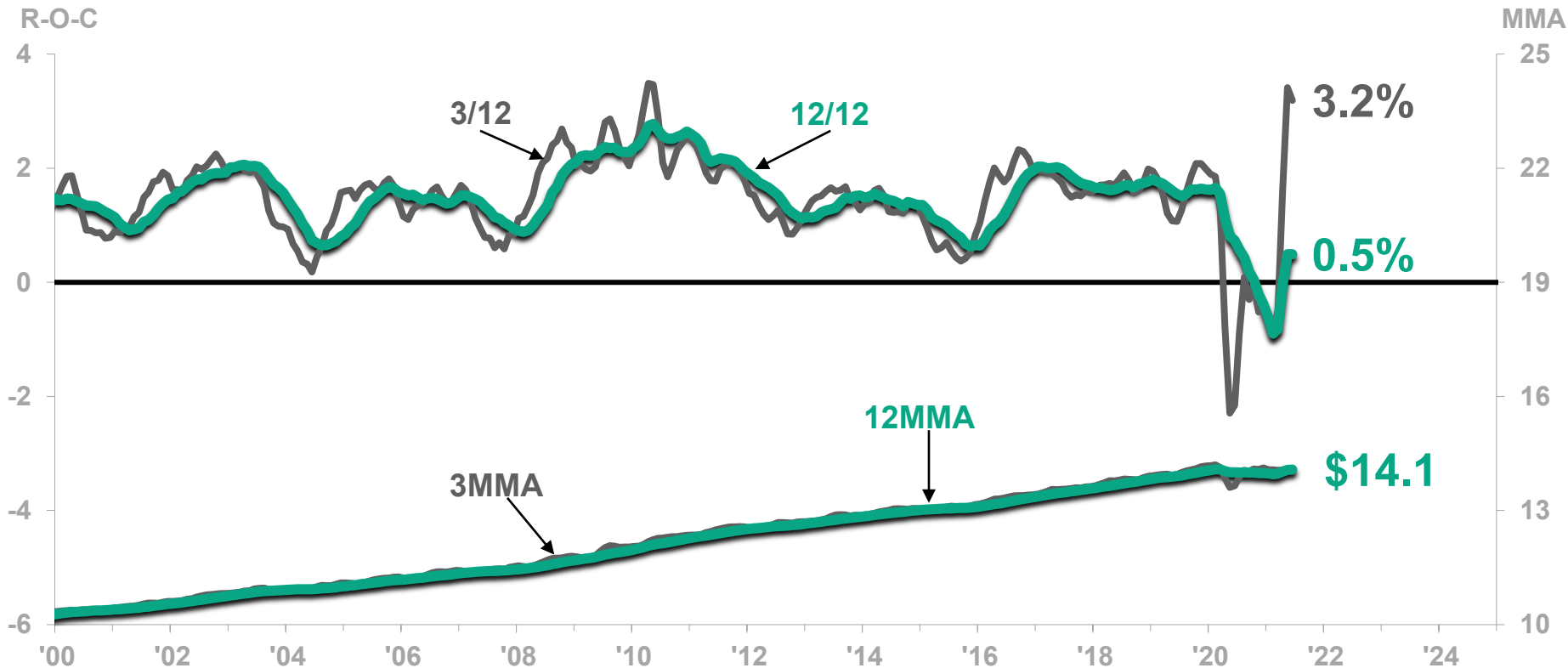
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Percent of Total Population

Source: US Census Bureau

Growth Rate is Struggling to Return to Normal

Texas Labor Force



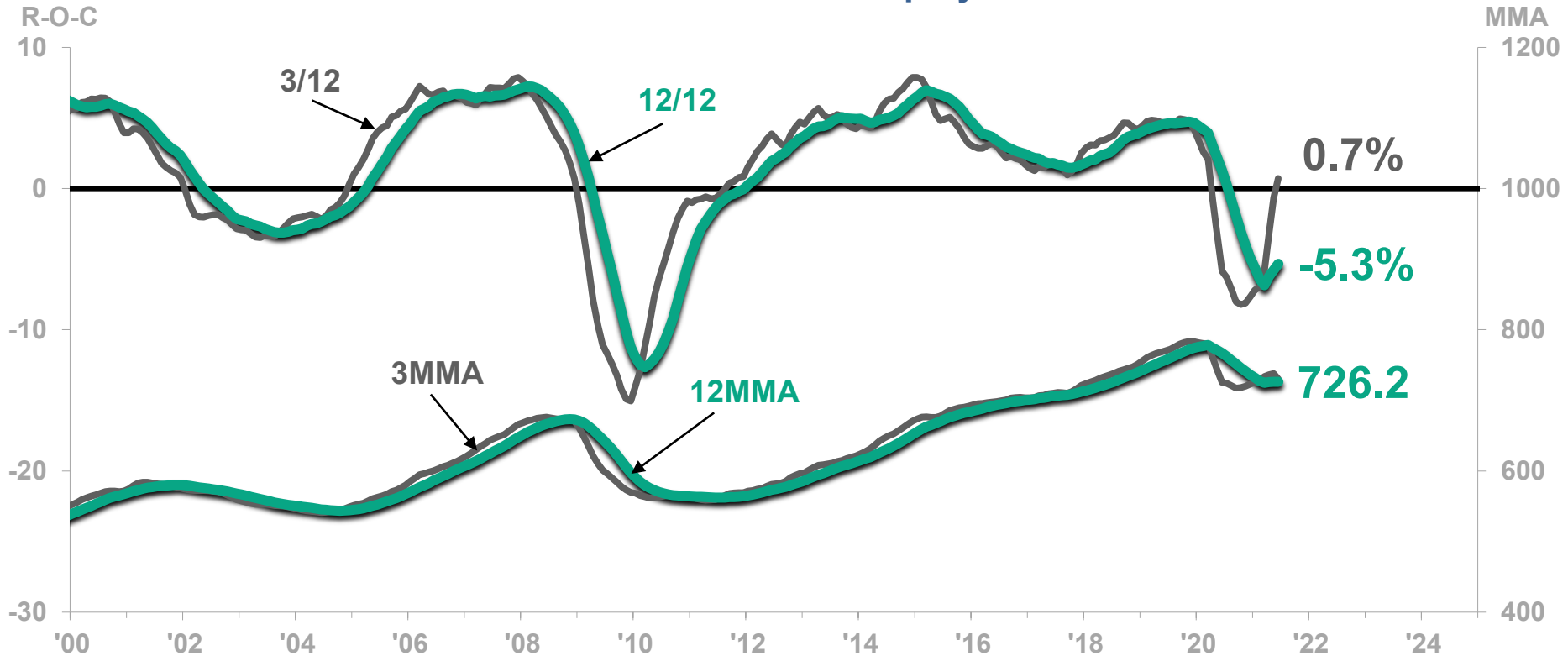
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Millions of People

Source: Bureau of Labor Statistics

Ongoing Struggle

Texas Construction Employment



First In Forecasts Worldwide

Thousands of People

Source: Bureau of Labor Statistics



Construction Markets

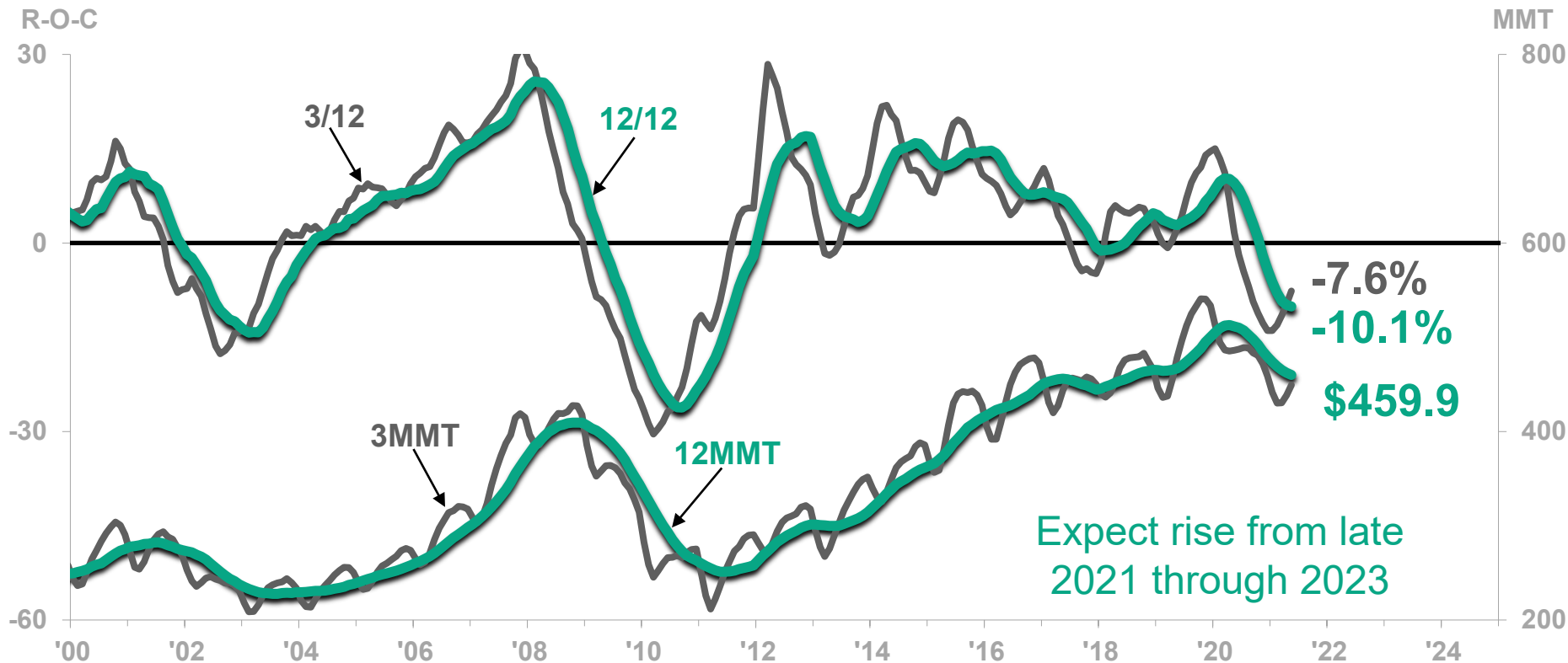


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Early Indications of Near-Term Cyclical Low

US Private Nonresidential Construction



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Billions of Dollars

Source: US Census Bureau

Indication of Construction Recovery in 2022

US Private Nonresidential Construction to US Total Construction Job Openings



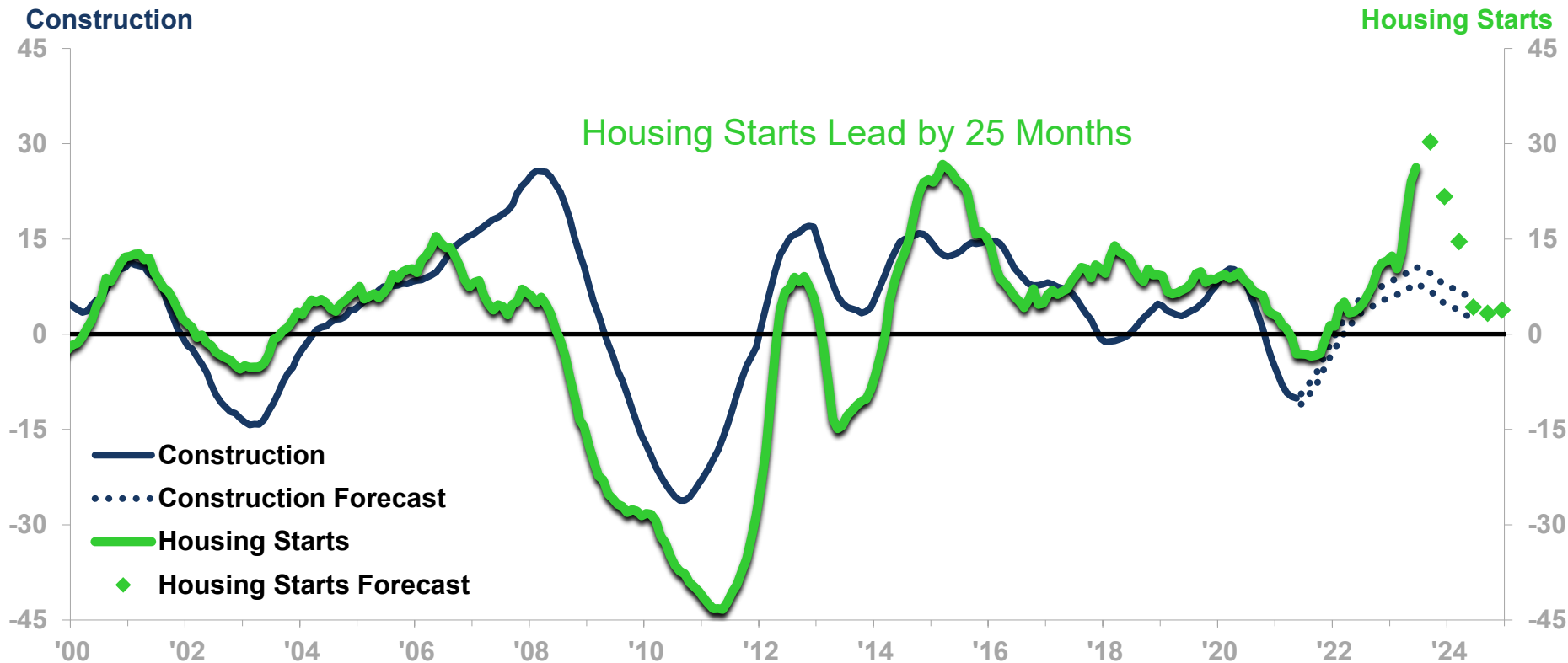
First In Forecasts Worldwide

12/12 Rates-of-Change

Sources: US Census Bureau, Bureau of Labor Statistics

Indicating Construction Rise in 2022 and into 2023

US Private Nonresidential Construction to US Single-Unit Housing Starts



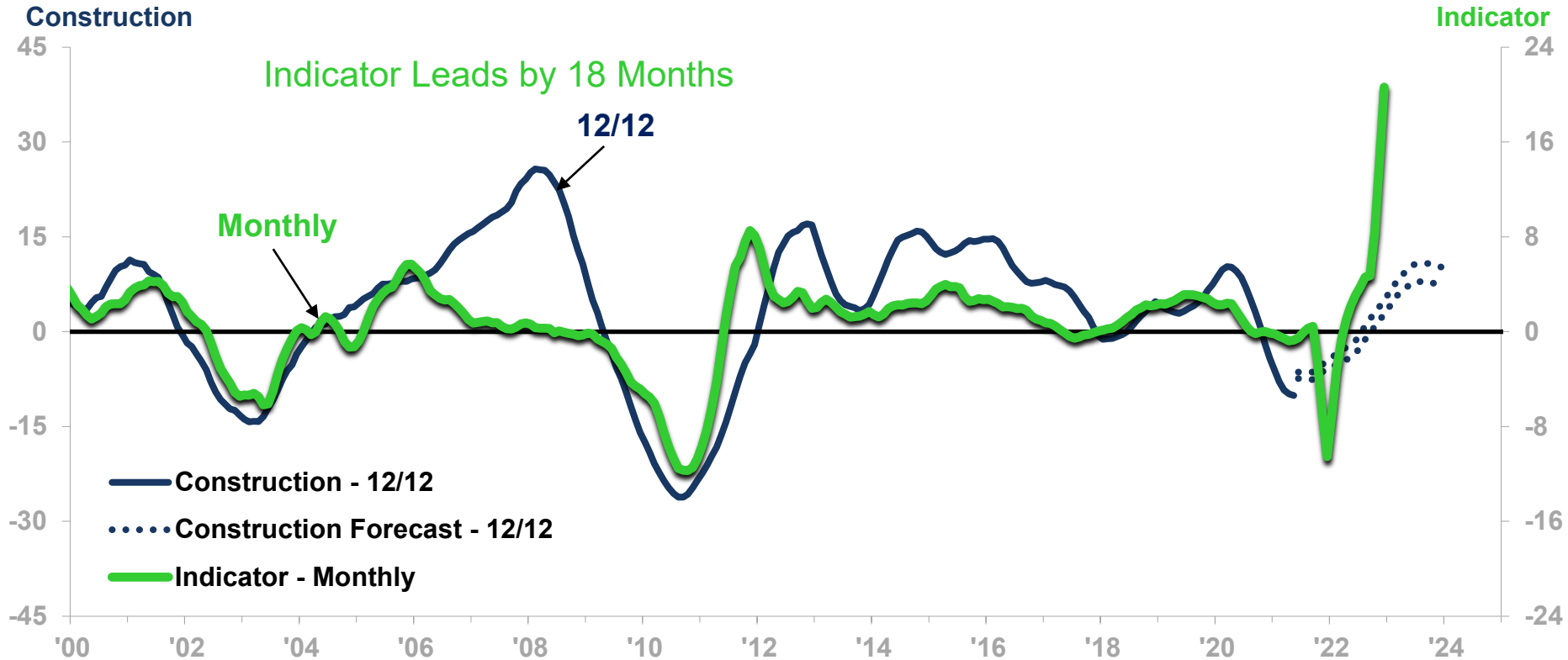
First In Forecasts Worldwide

12/12 Rates-of-Change

Source: US Census Bureau

Indicating Cyclical Rise Through at Least Late 2022

US Private Nonresidential Construction to ITR Leading Indicator™



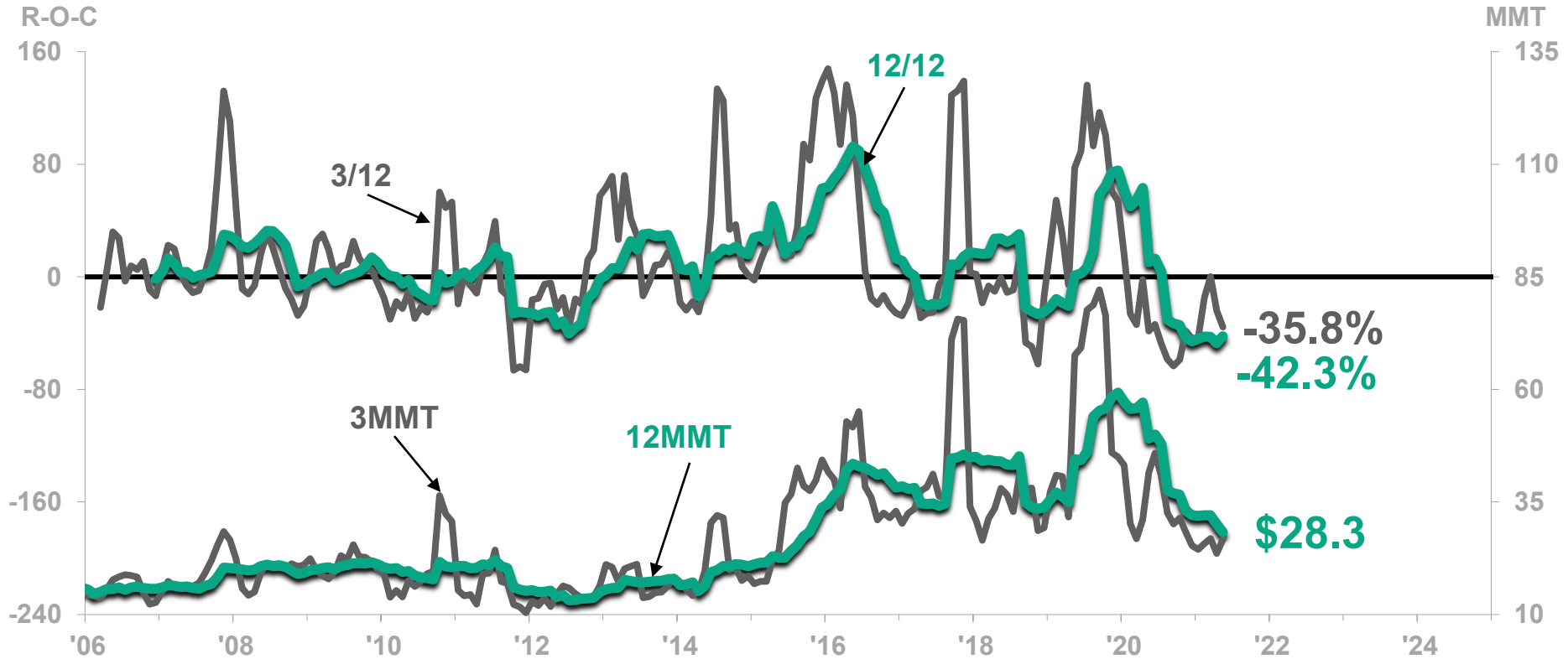
First In Forecasts Worldwide

12/12 Rates-of-Change

Sources: US Census Bureau, ITR Economics

Early Indication of a Cyclical Low

US Texas Total Value of Nonresidential Construction



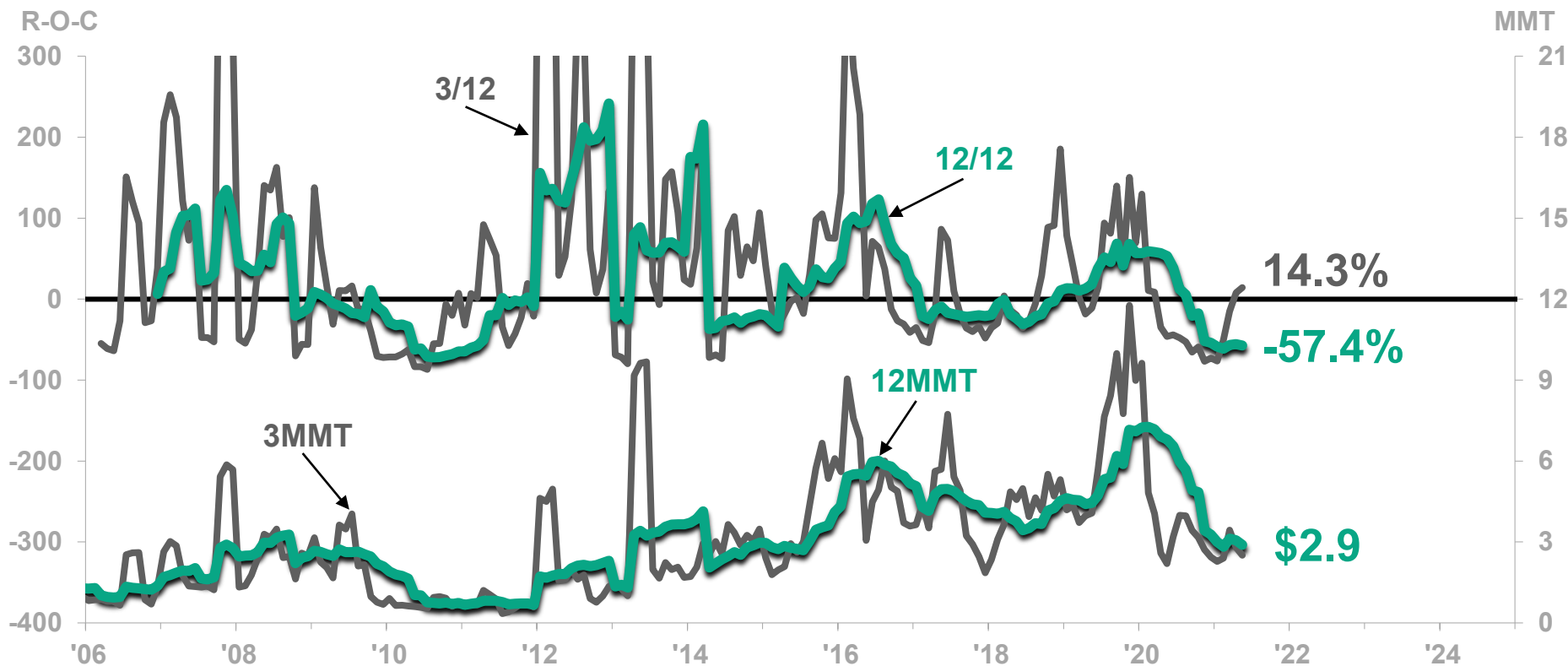
First In Forecasts Worldwide

Billions of Dollars

Source: ConstructConnect

Shift to Cyclical Rise Has Begun

US Texas Total Value of Commercial Construction



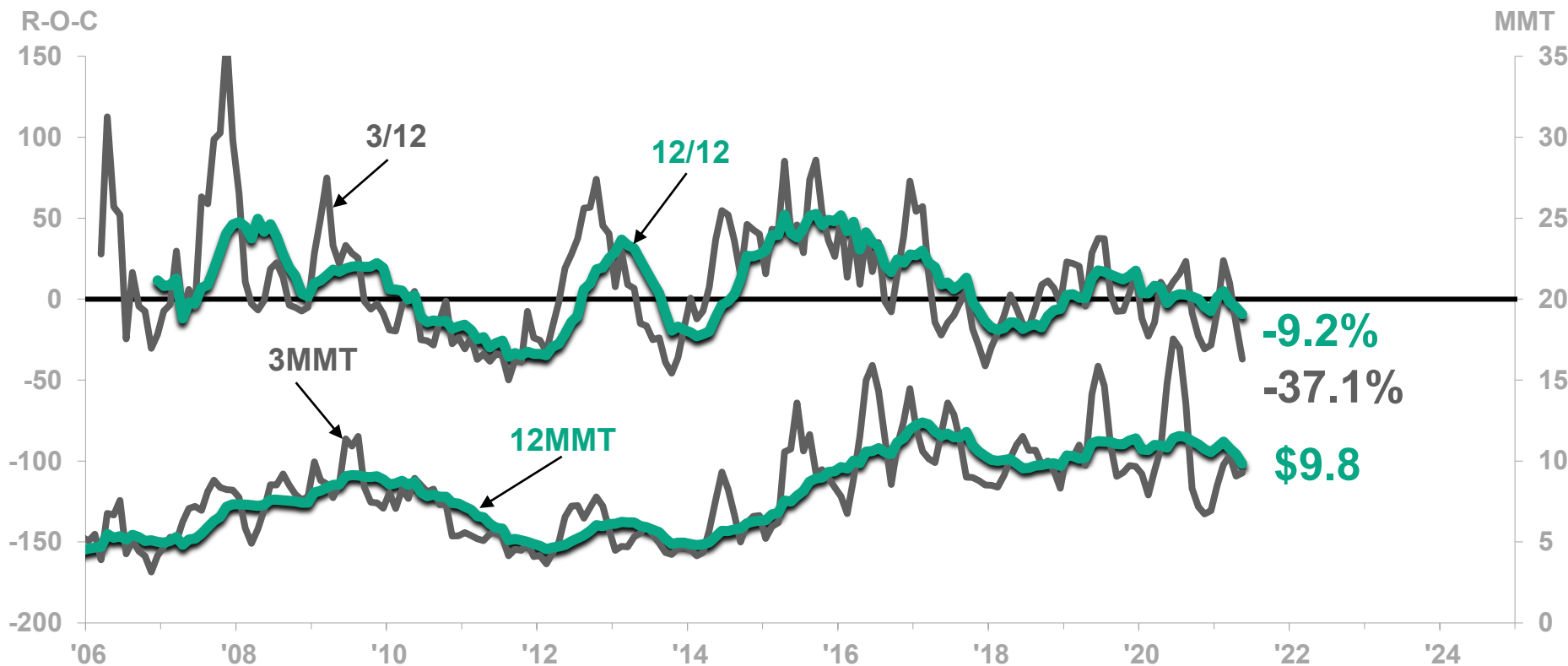
First In Forecasts Worldwide

Billions of Dollars

Source: ConstructConnect

Declining Opportunities

Texas Total Value of Educational Construction



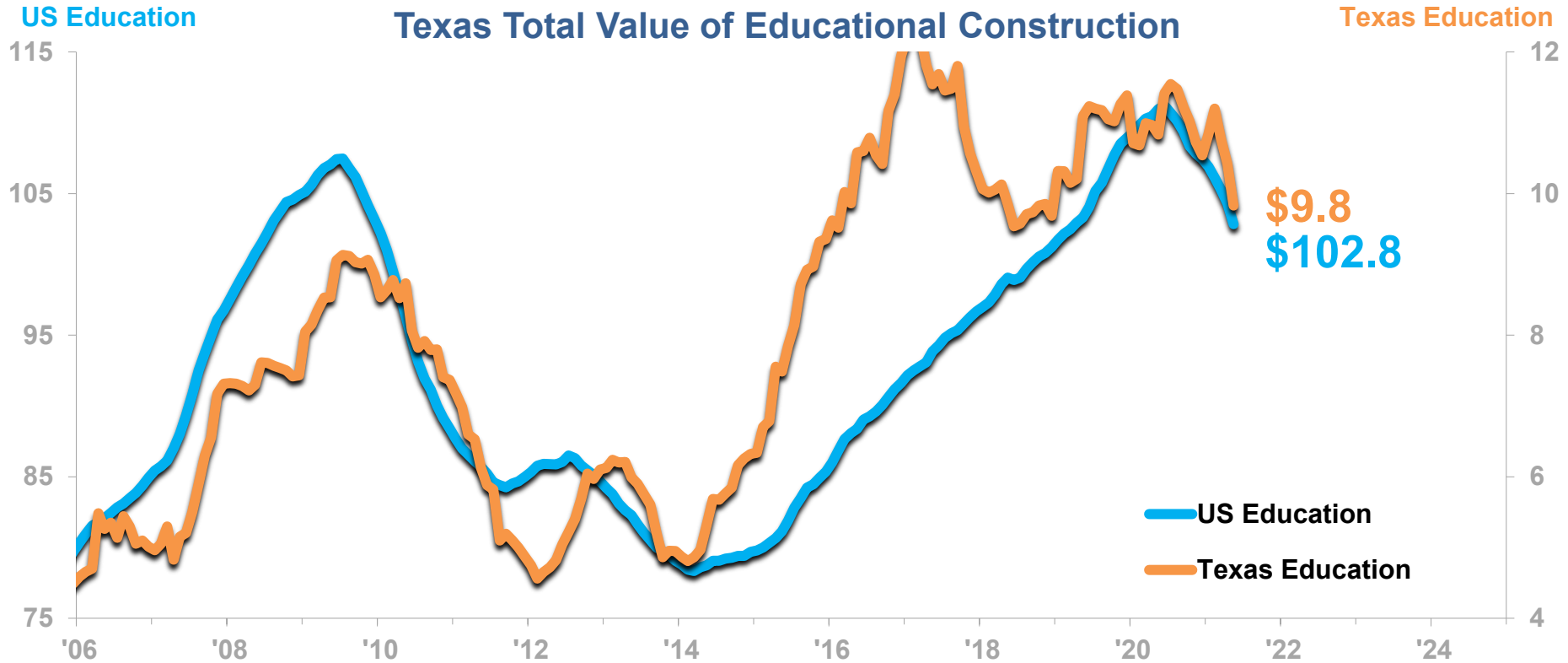
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Billions of Dollars

Source: ConstructConnect

Texas is Moving With the Overall US Trend

US Total Education Construction to Texas Total Value of Educational Construction



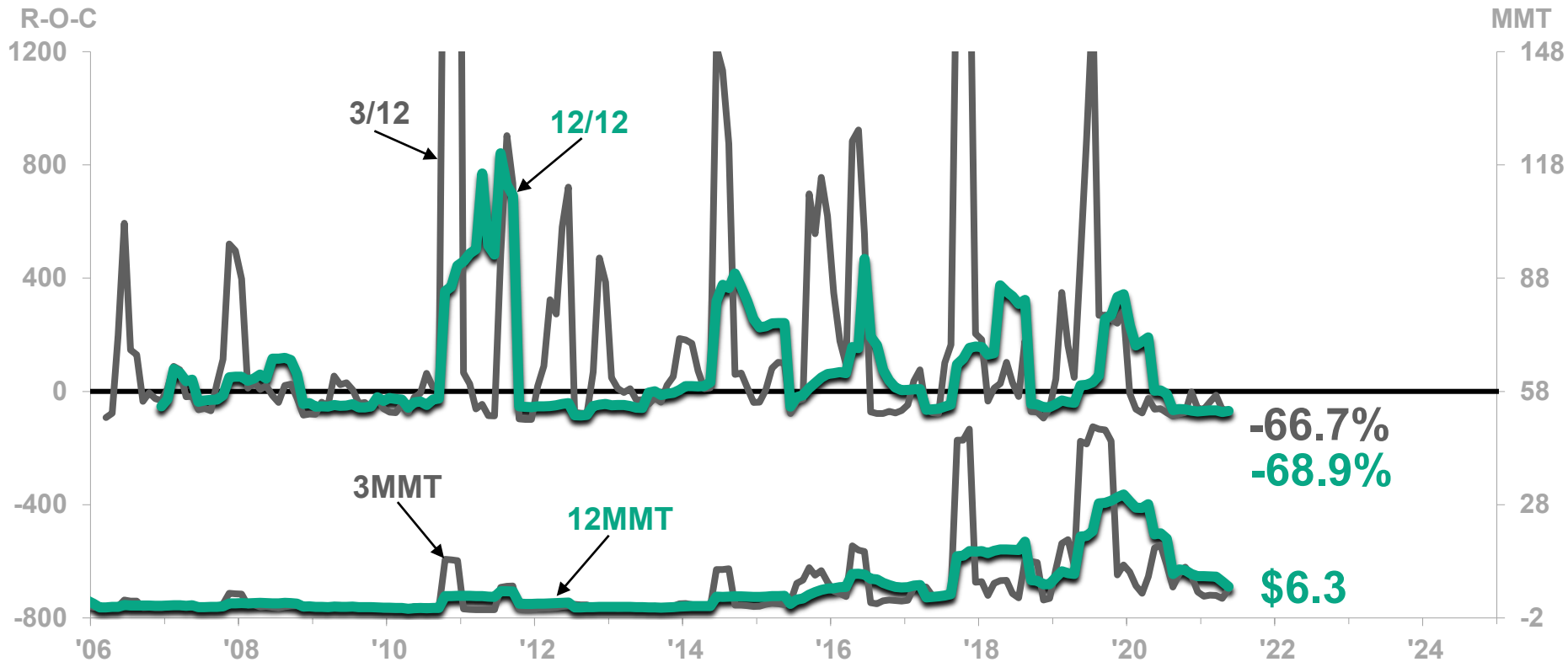
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Annual Data Trends: Billions of Dollars

Sources: US Census Bureau, ConstructConnect

Mild Near-Term Decline Likely

Texas Total Value of Industrial Construction



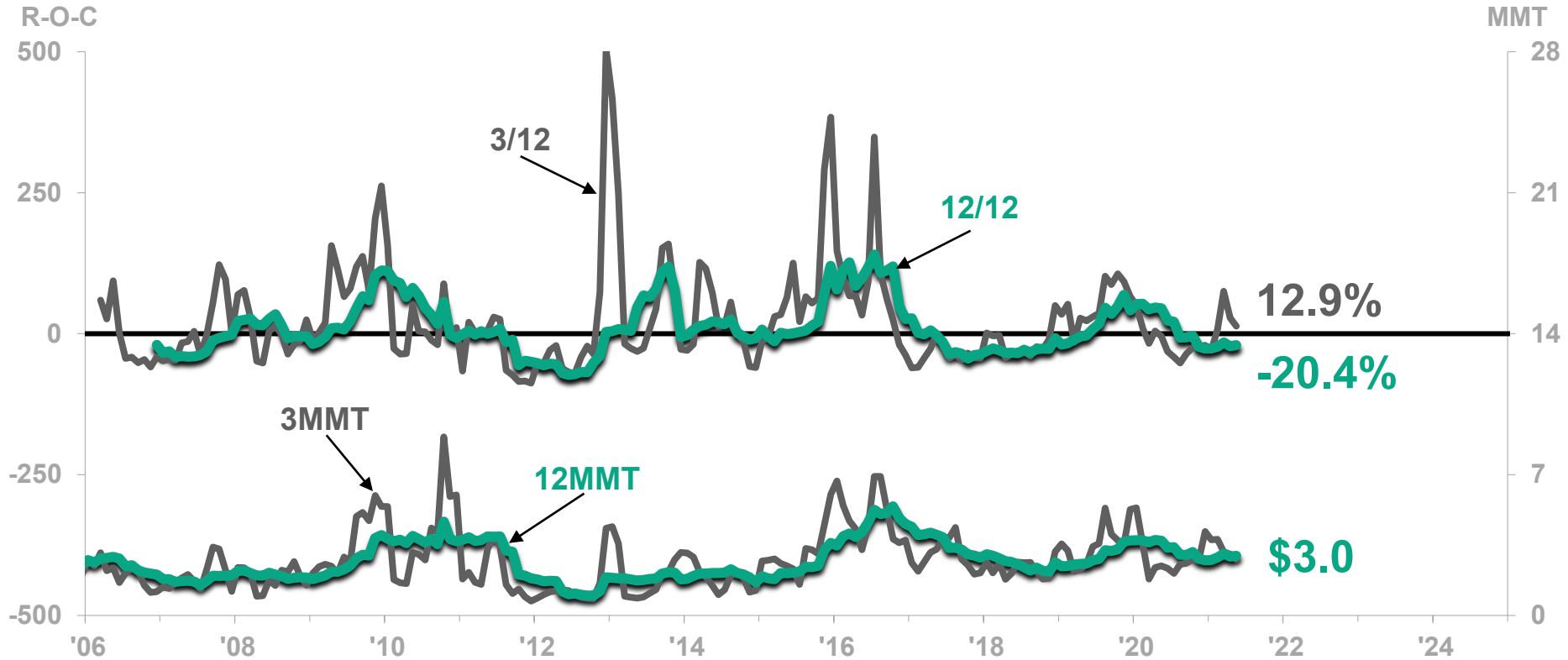
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Billions of Dollars

Source: ConstructConnect

Indication of Mild Rise

Texas Total Value of Medical Construction



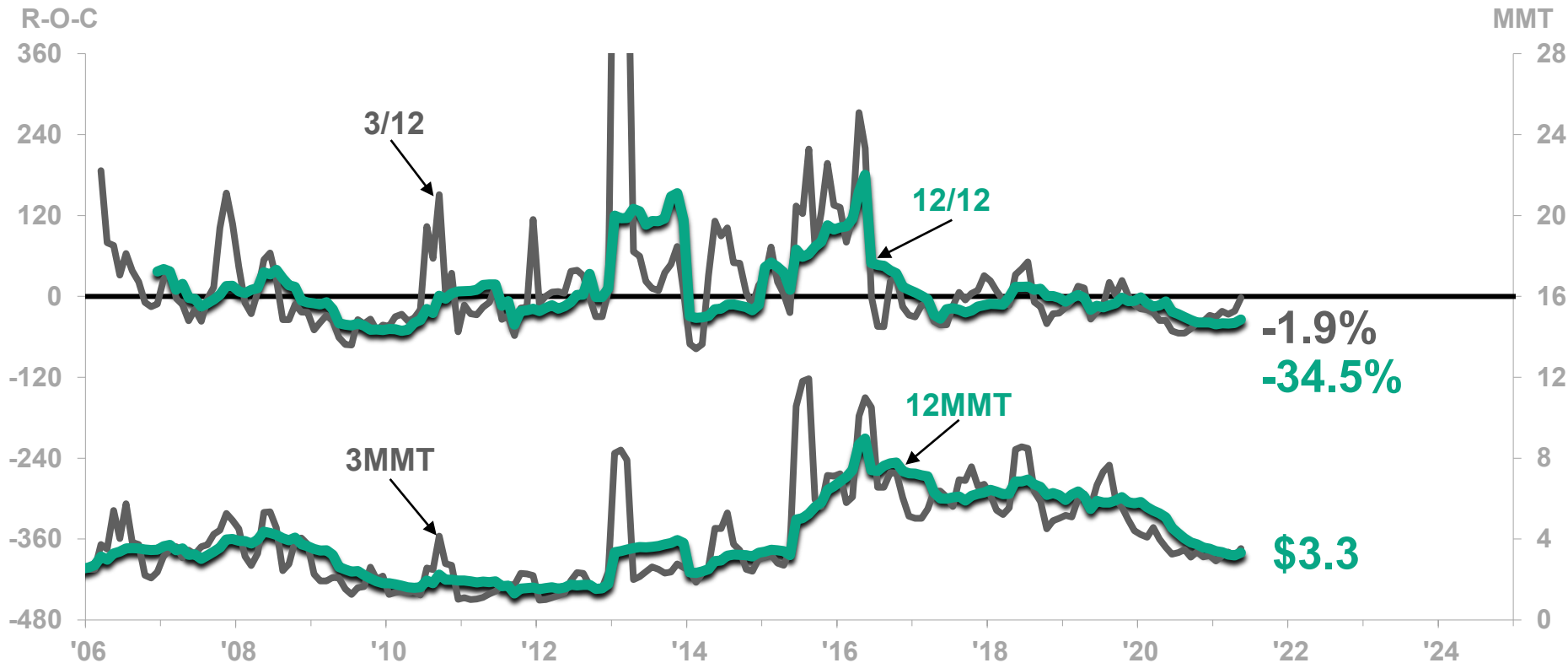
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Billions of Dollars

Source: ConstructConnect

Early Cyclical Improvement

Texas Total Value of Retail Construction



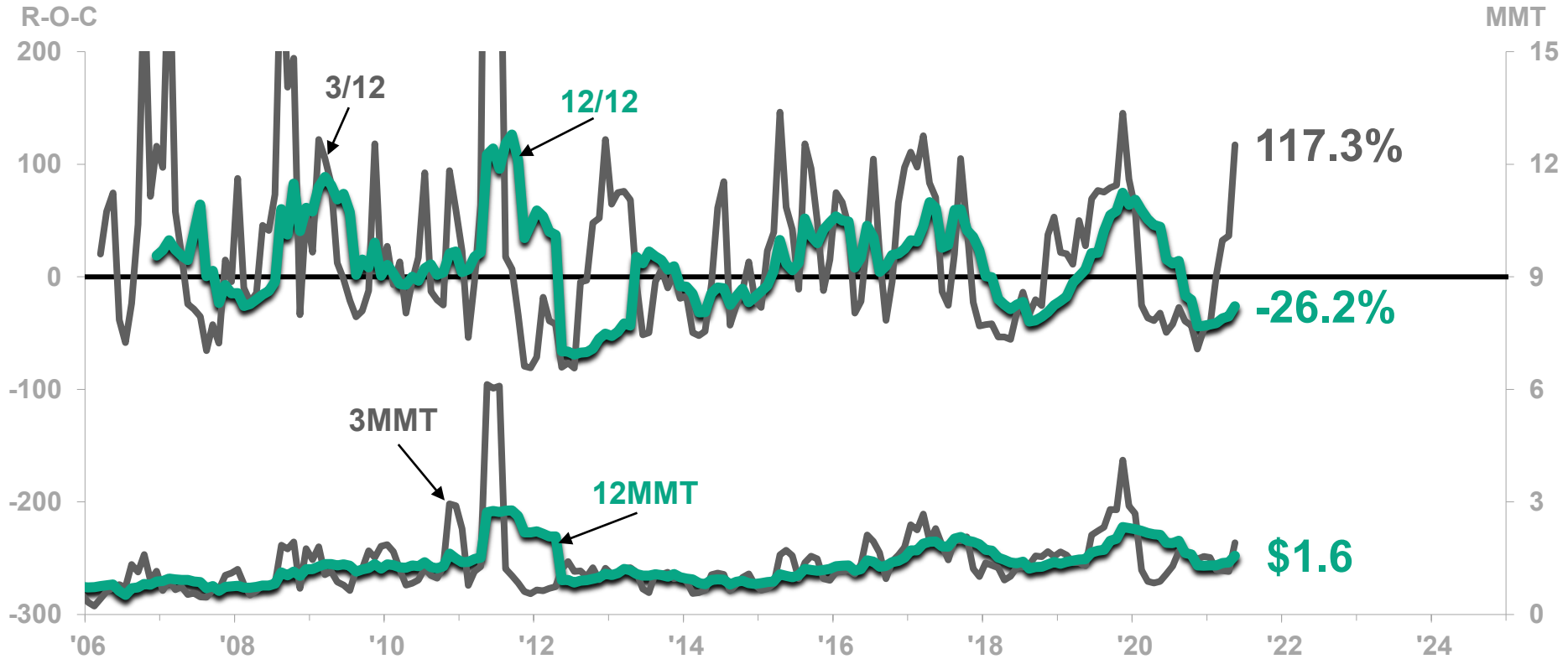
First In Forecasts Worldwide

Billions of Dollars

Source: ConstructConnect

Ongoing Rise

Texas Total Value of Government Construction



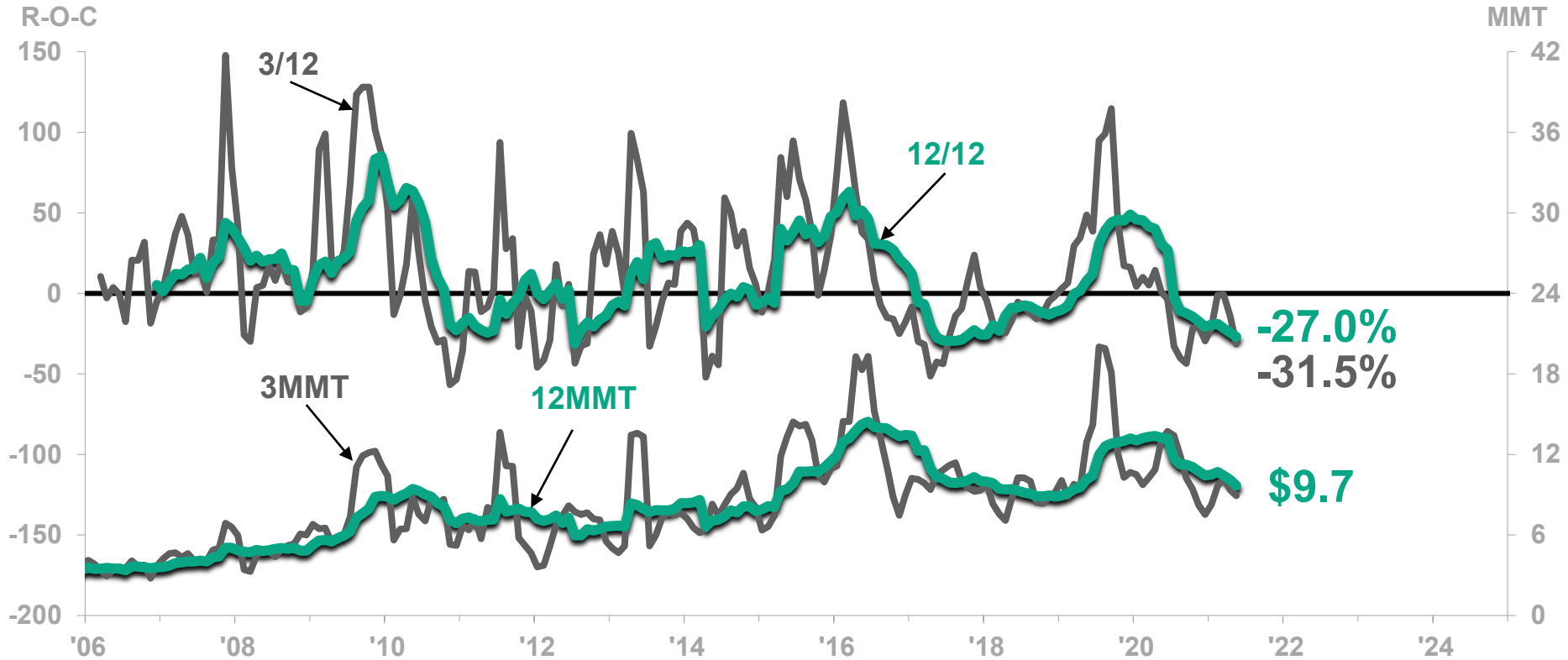
First In Forecasts Worldwide

Billions of Dollars

Source: ConstructConnect

Negative Cyclical Pressure

Texas Total Value of Nonresidential Remodeling Construction



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Billions of Dollars

Source: ConstructConnect



Prices

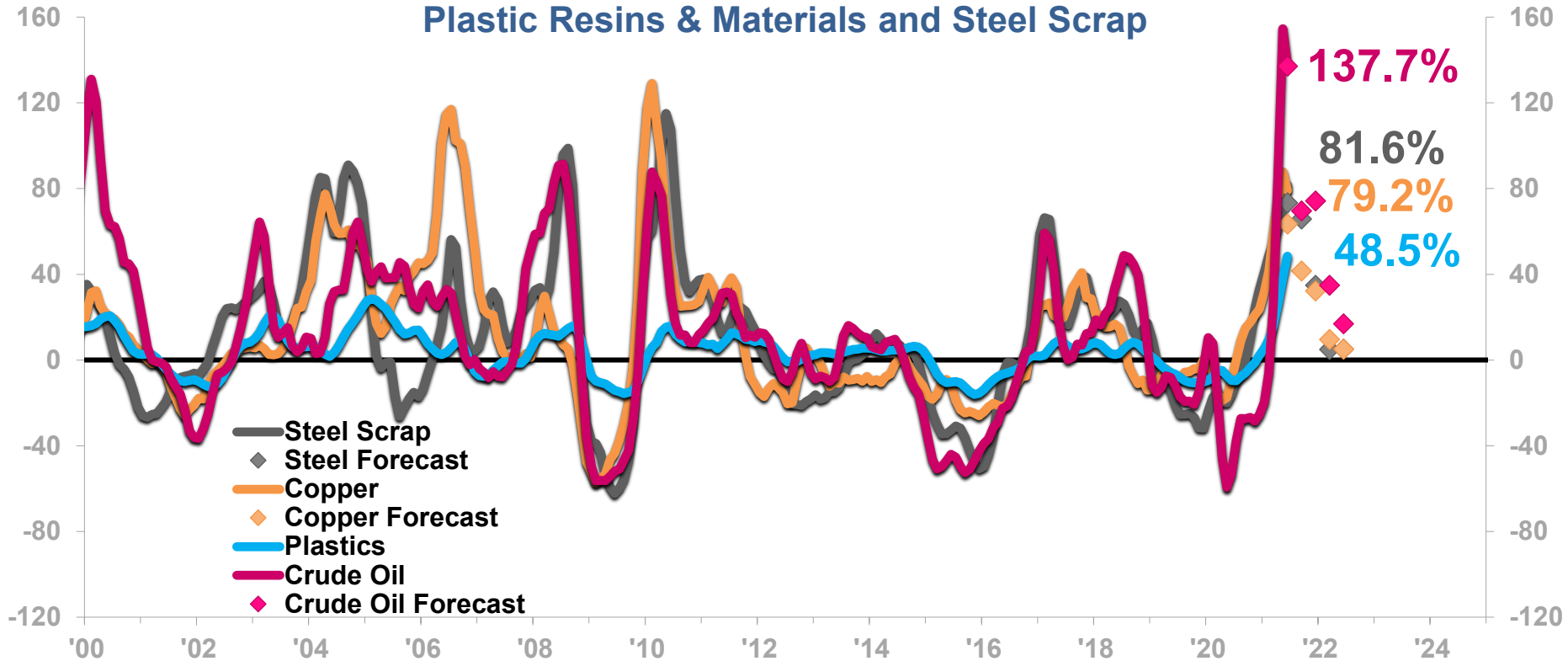


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Price Pressures Ease in 2022

Commodity Prices for Crude Oil and Copper to Producer Price Indexes for Plastic Resins & Materials and Steel Scrap



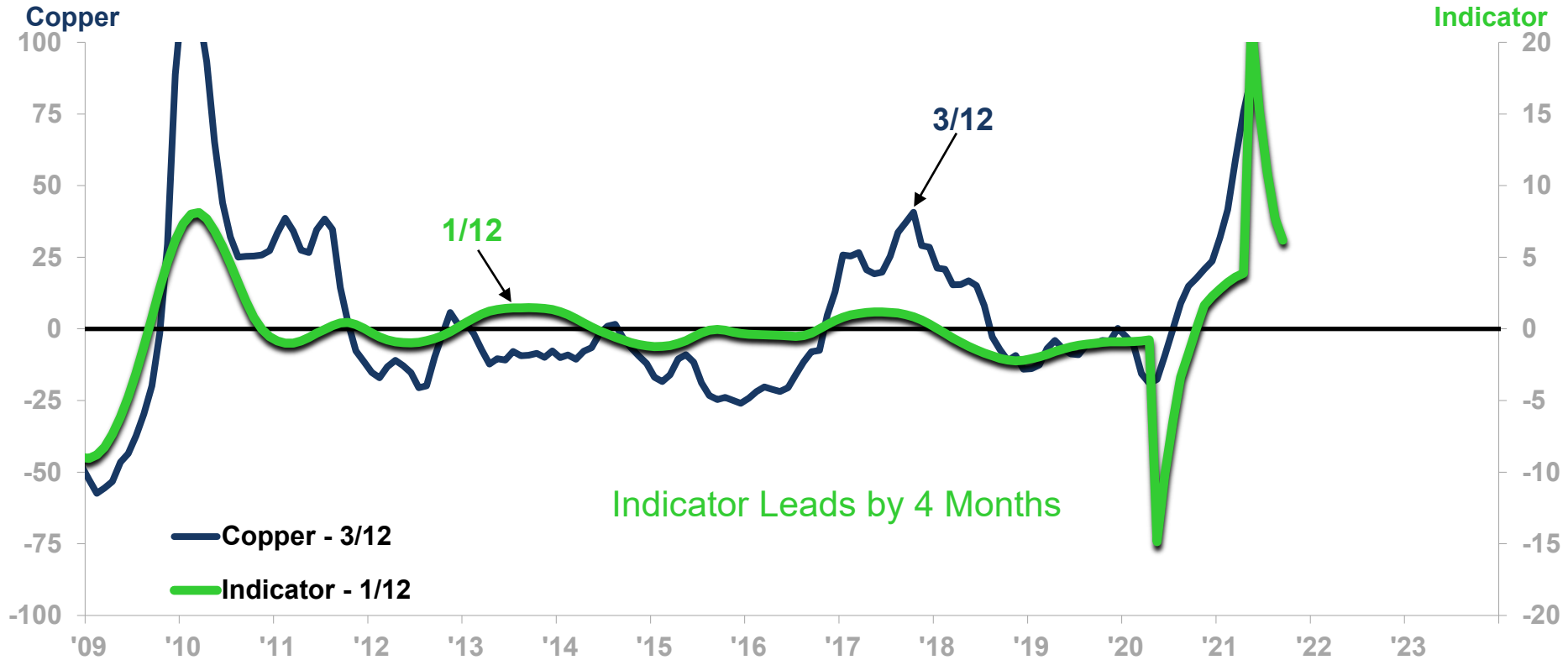
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3/12 Rates-of-Change

Sources: EIA, WSJ, BLS

Signaling 3/12 Decline for Copper Prices

US Copper Futures Prices to China Leading Indicator



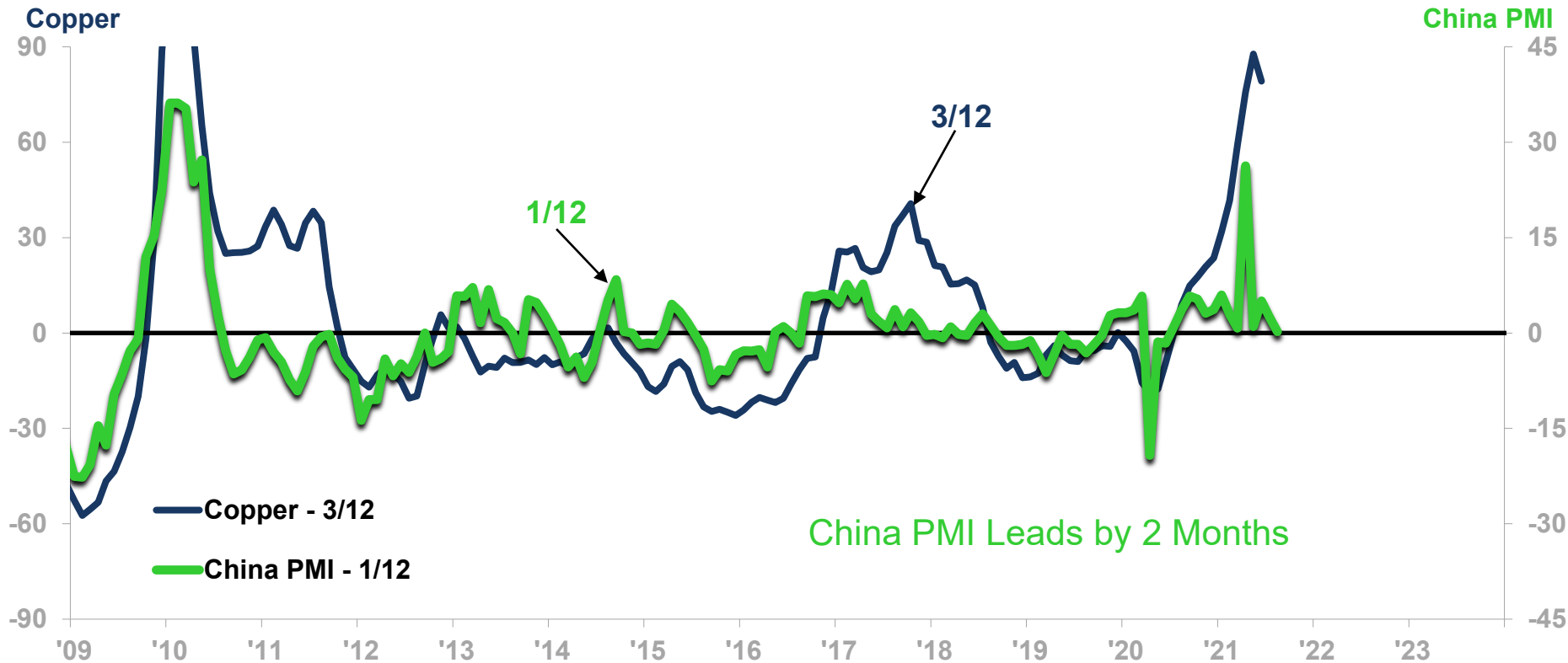
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Rates-of-Change

Sources: WSJ, OECD

External Signal of Decline in the Copper 3/12

US Copper Futures Prices to China Purchasing Managers Index for Manufacturing



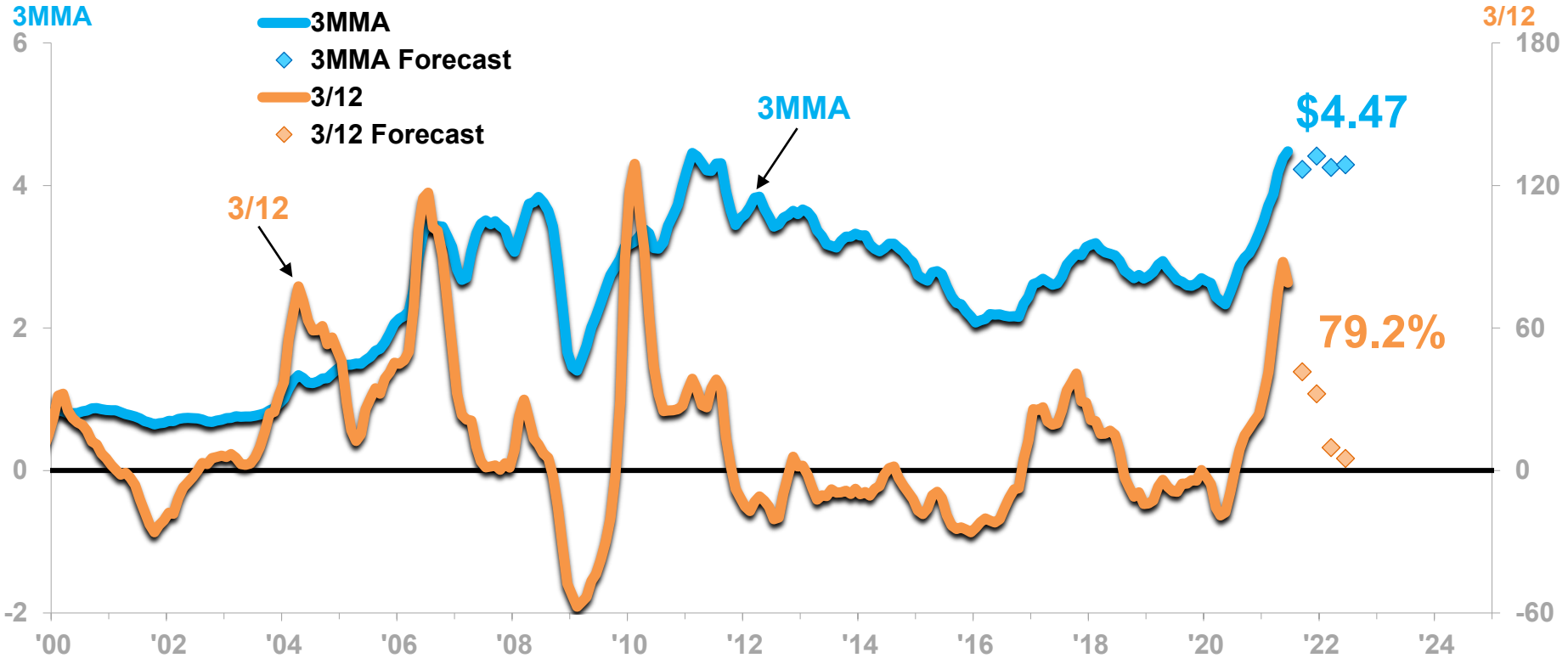
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Rates-of-Change

Sources: WSJ, Markit Economics

3MMA Rise Slows and Levels Out Through Mid-2022

US Copper Futures Prices



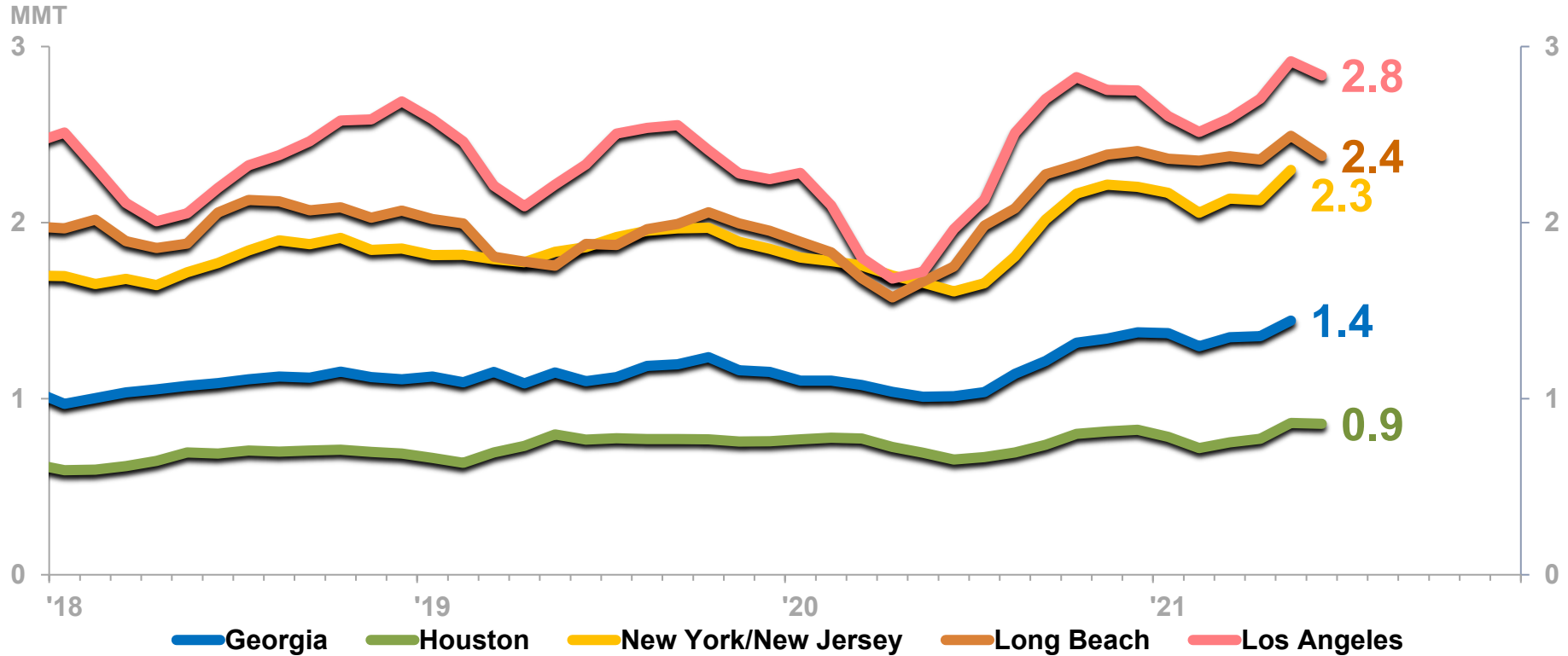
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Dollars per Pound

Source: WSJ

Early Indications of Improvement

Total Intermodal Container Traffic | Top Five US Ports



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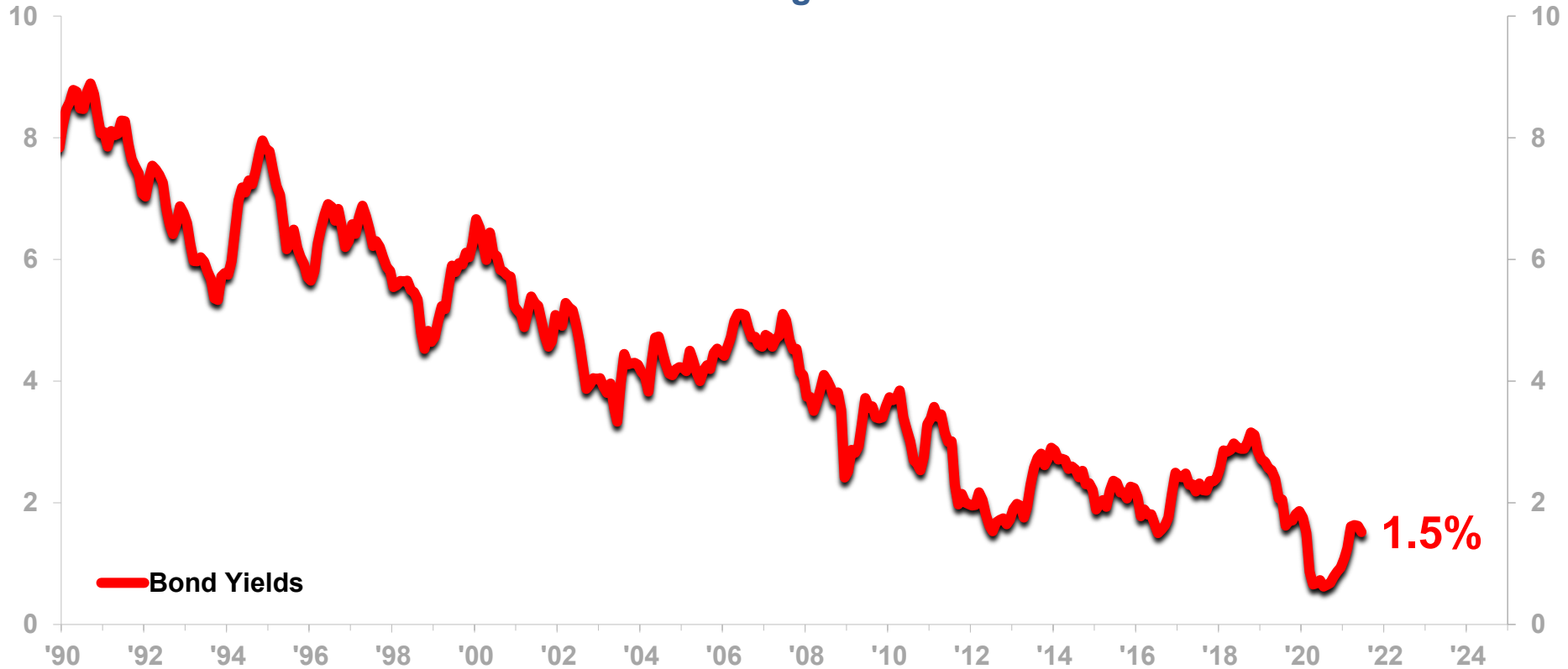
Millions of TEU

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Sources: Port of Authority Statistics NY & NJ, GA, Los Angeles, CA, Long Beach, CA, Houston, TX

US Bond Yields and Inflation Concerns

US Government Long-Term Bond Yields



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Raw Data, Percent

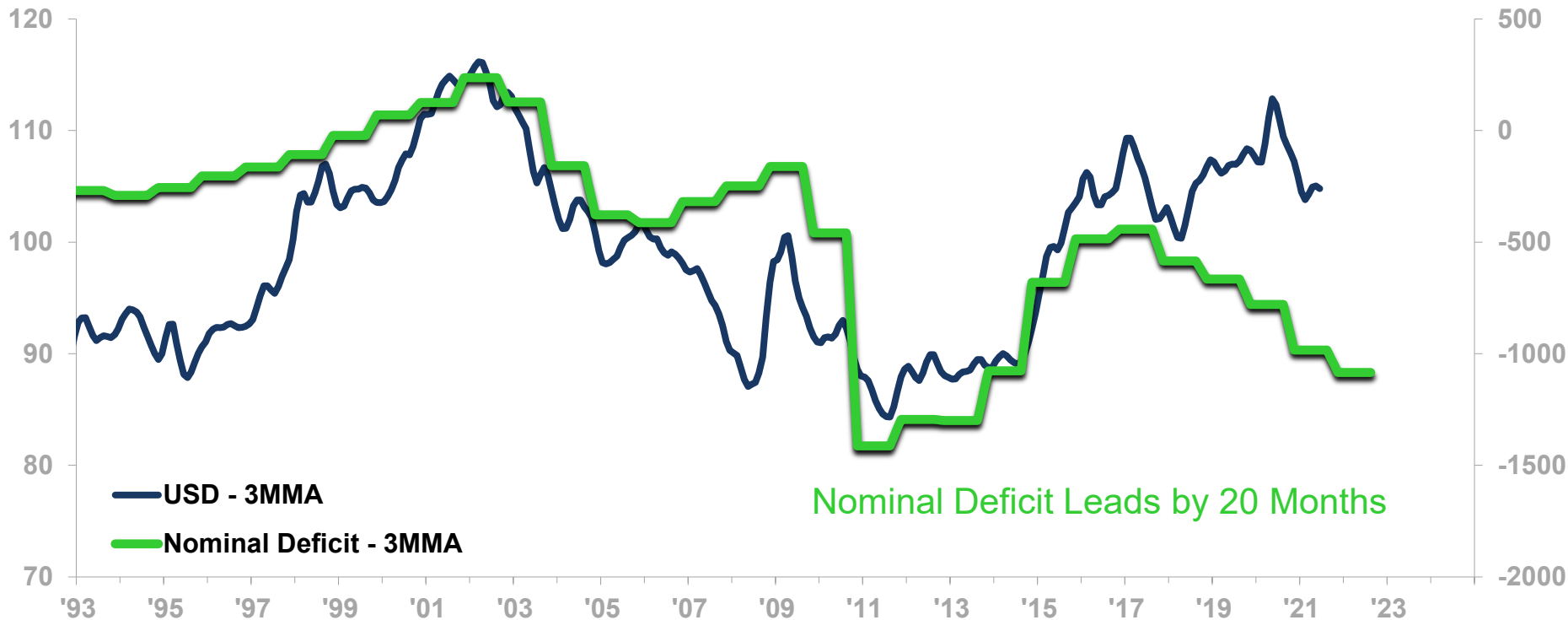
Source: FRB

Deficit Spending Puts Downward Pressure on the USD

US Dollar Broad Real Trade Weighted Exchange Rate Index to
US Nominal Federal Government Deficit

USD (2006 = 100)

Nominal Deficit (Bil. \$)



Nominal Deficit Leads by 20 Months



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Quarterly Trends

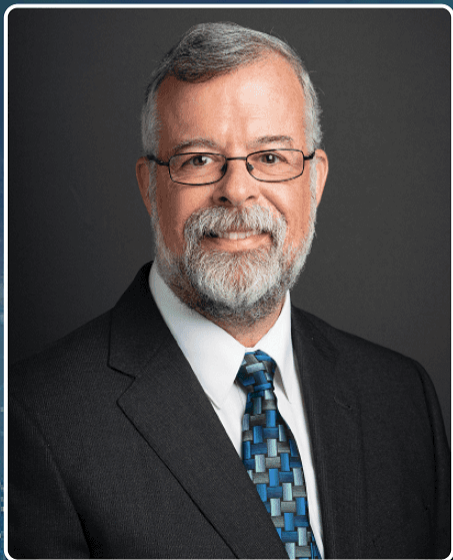
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Sources: FRB, White House Office of Management and Budget



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Any questions?



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with ITR Economics

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