

The Three Pivots

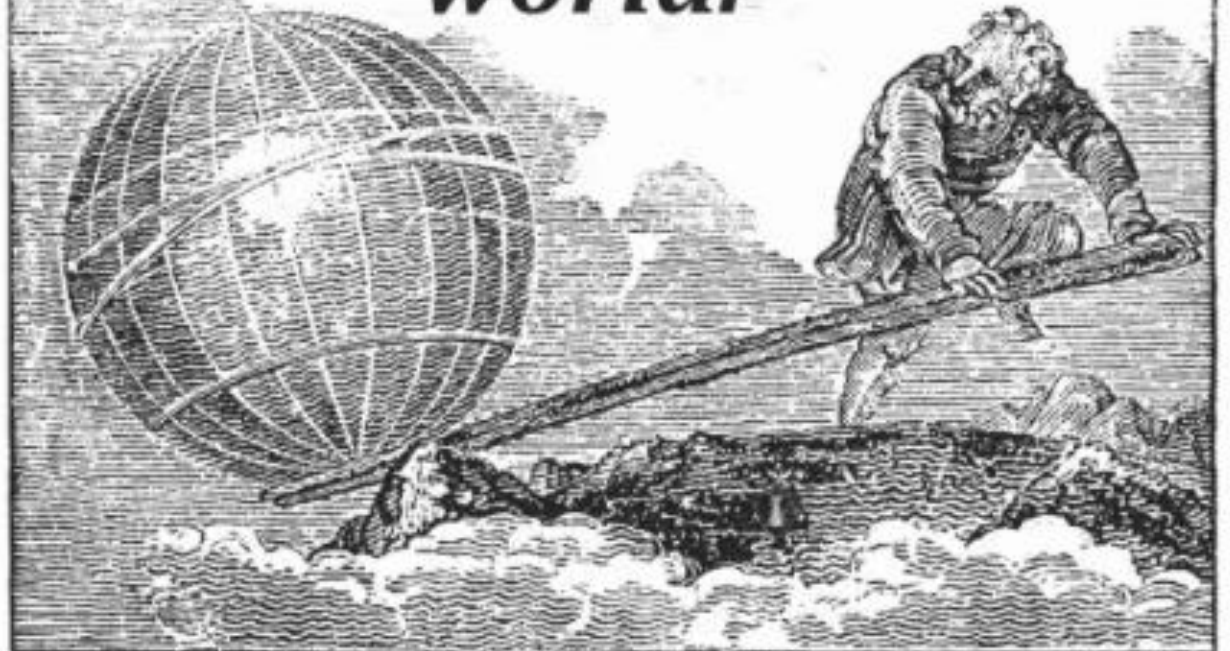
Vincent Deluard, CFA

Madrid, October 2024

StoneX Group, Inc.

Nasdaq: SNEX

"Give me a lever long enough and a fulcrum on which to place it, and I shall move the world."



ARCHIMEDES OF SYRACUSE



99+

Years of experience

A member of the Fortune 100 with 3,200 employees, StoneX Group Inc., through its subsidiaries, has nearly 100 years of experience.

140+

Currencies

StoneX Group Inc. offers currencies across 185 countries.

180+

Countries

StoneX Group Inc. connects with clients in nearly 80 offices across 6 continents.

We Connect Clients to Markets

StoneX Group Inc. is a diversified global financial services organization providing execution, risk management and advisory services, market intelligence and clearing services across asset classes and markets around the world.

Fortune 100

NASDAQ (SNEX)

146M

Derivatives Contracts Traded

32,000+

Commercial/Institutional Clients

3,200+

Employees

185

Countries

Expertise

Ags, Dairy, Energy, Meats, Softs,
FX, Interest Rates & More!



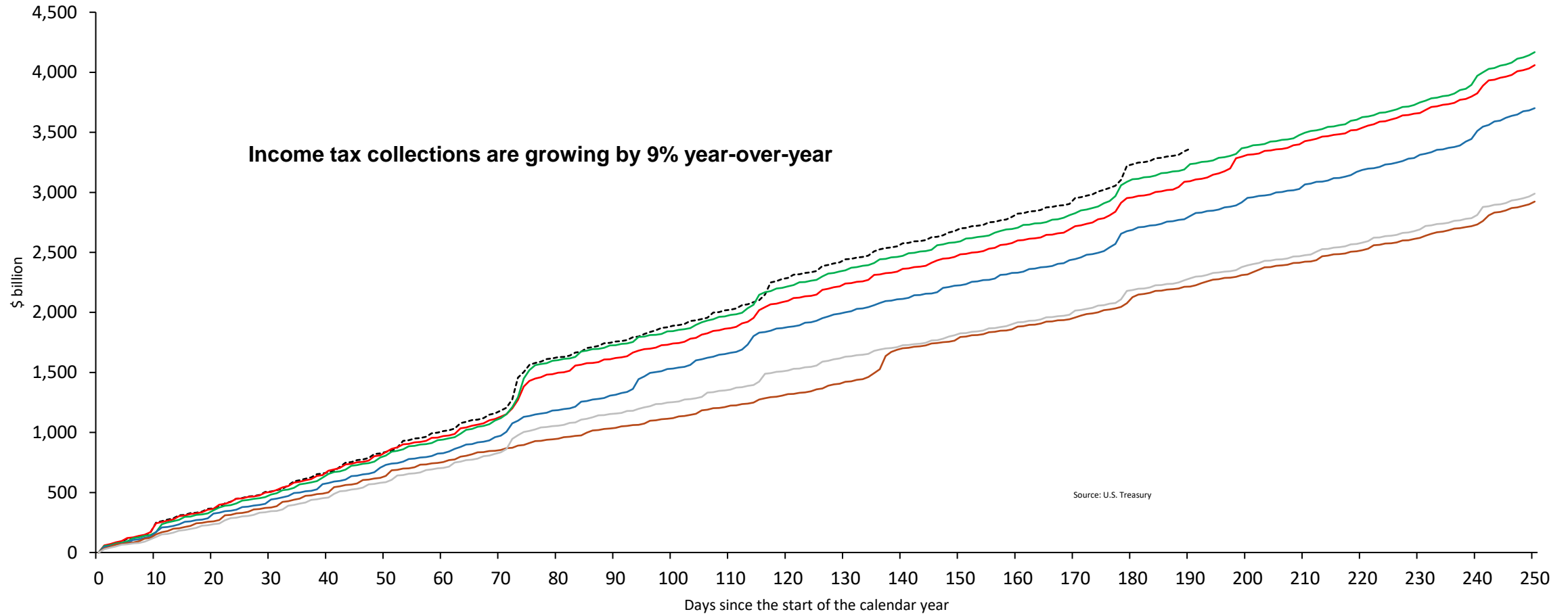
- **The Pivot Towards Higher Growth**
- **The Pivot Towards Reflation**
- **The Pivot Towards International Stocks**
- **Other Trades**

The Pivot Towards Higher Growth

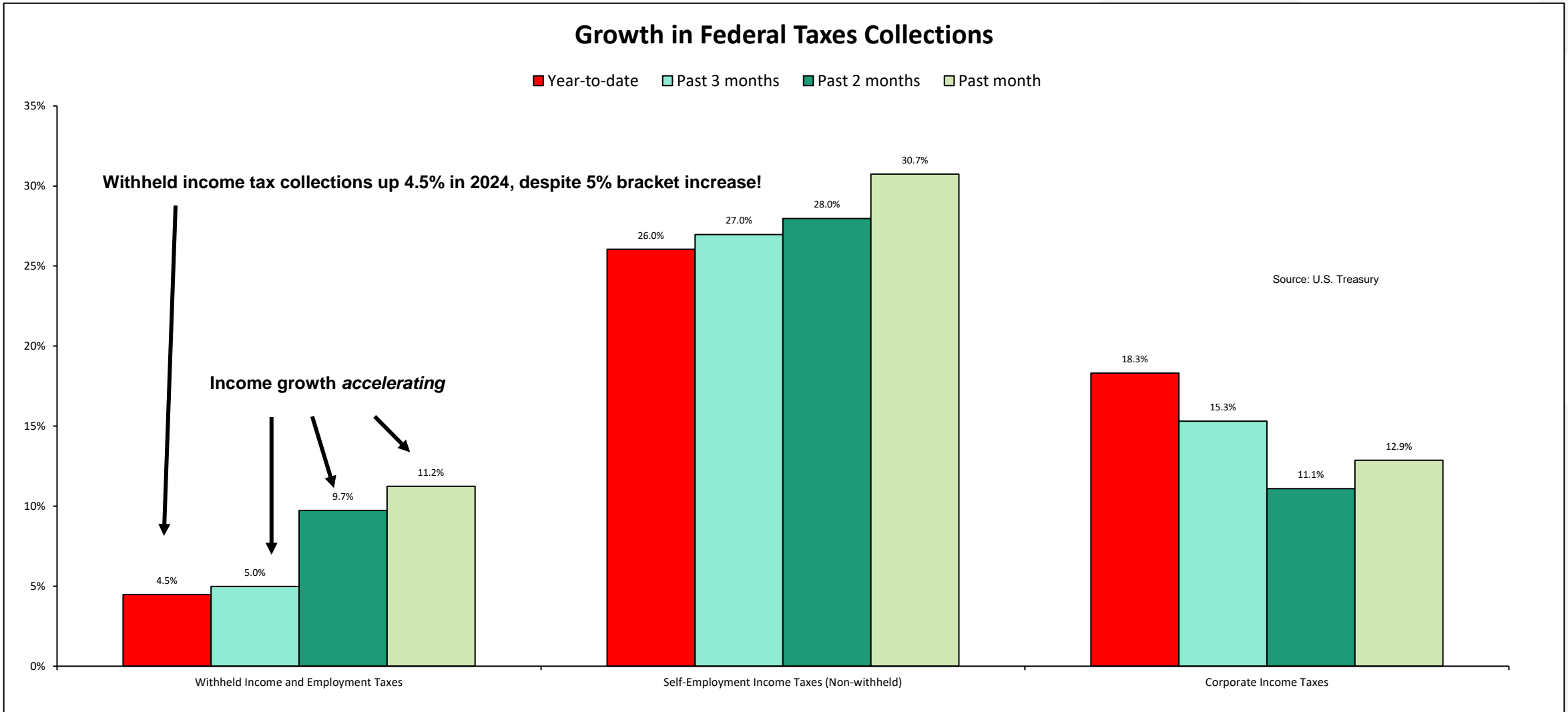
Total Federal Income Tax Deposits

Cumulative Data by Year in USD billion

----- 2024 — 2023 — 2022 — 2021 — 2020 — 2019



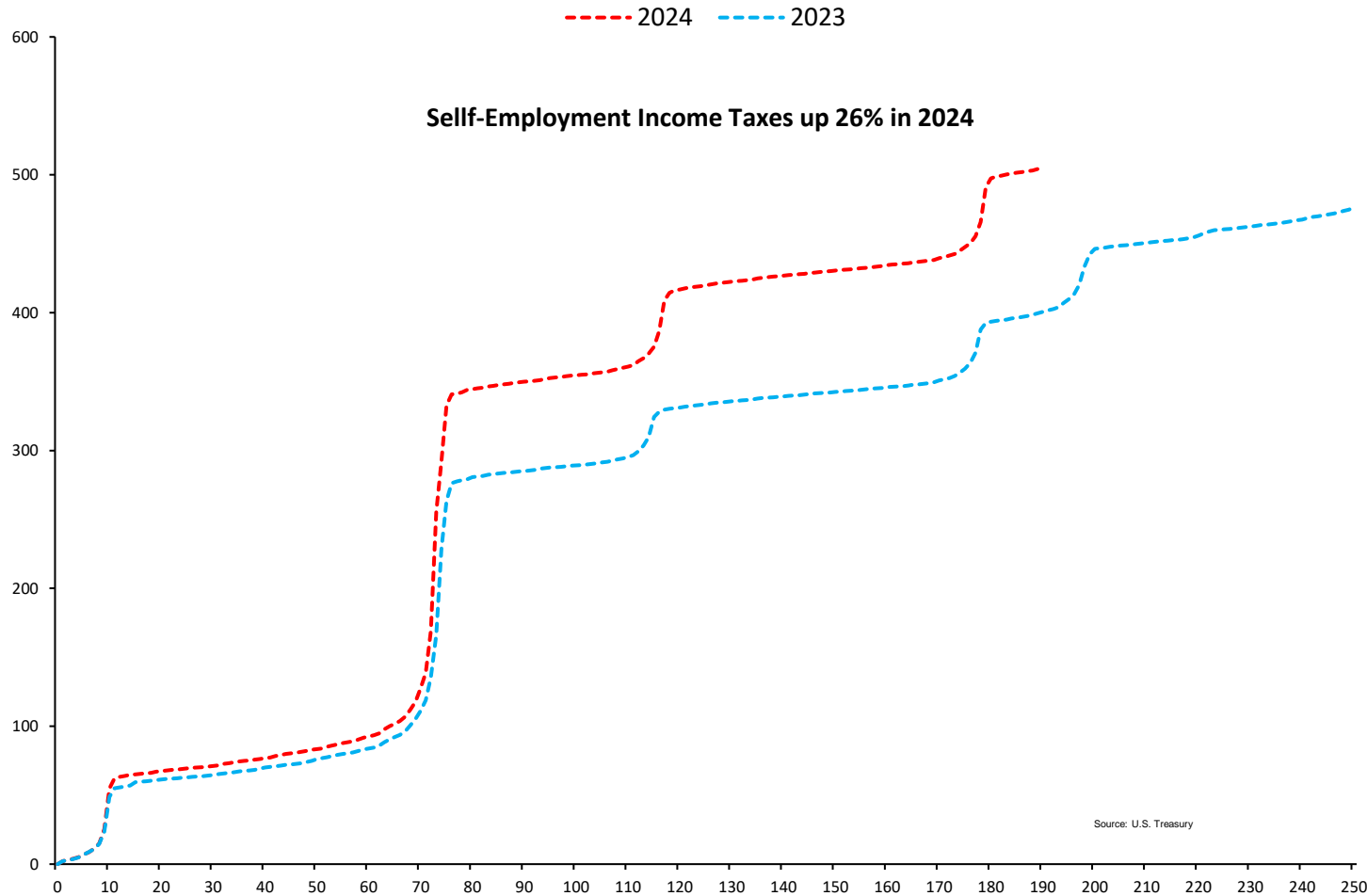
The Pivot Towards Higher Growth



The Pivot Towards Higher Growth

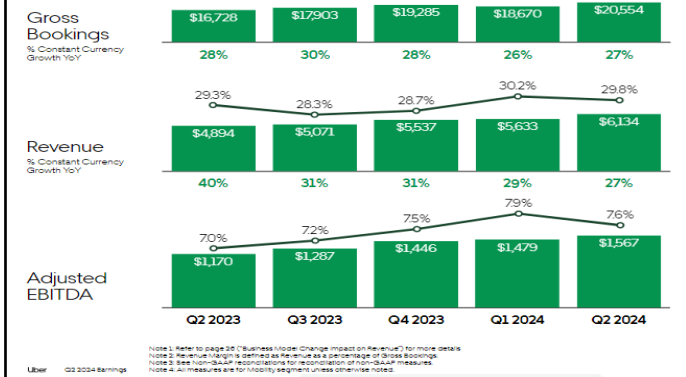
Individual/Self-Employment Contributions Act Taxes Collected

Cumulative Data by Year in USD billion



Mobility Highlights

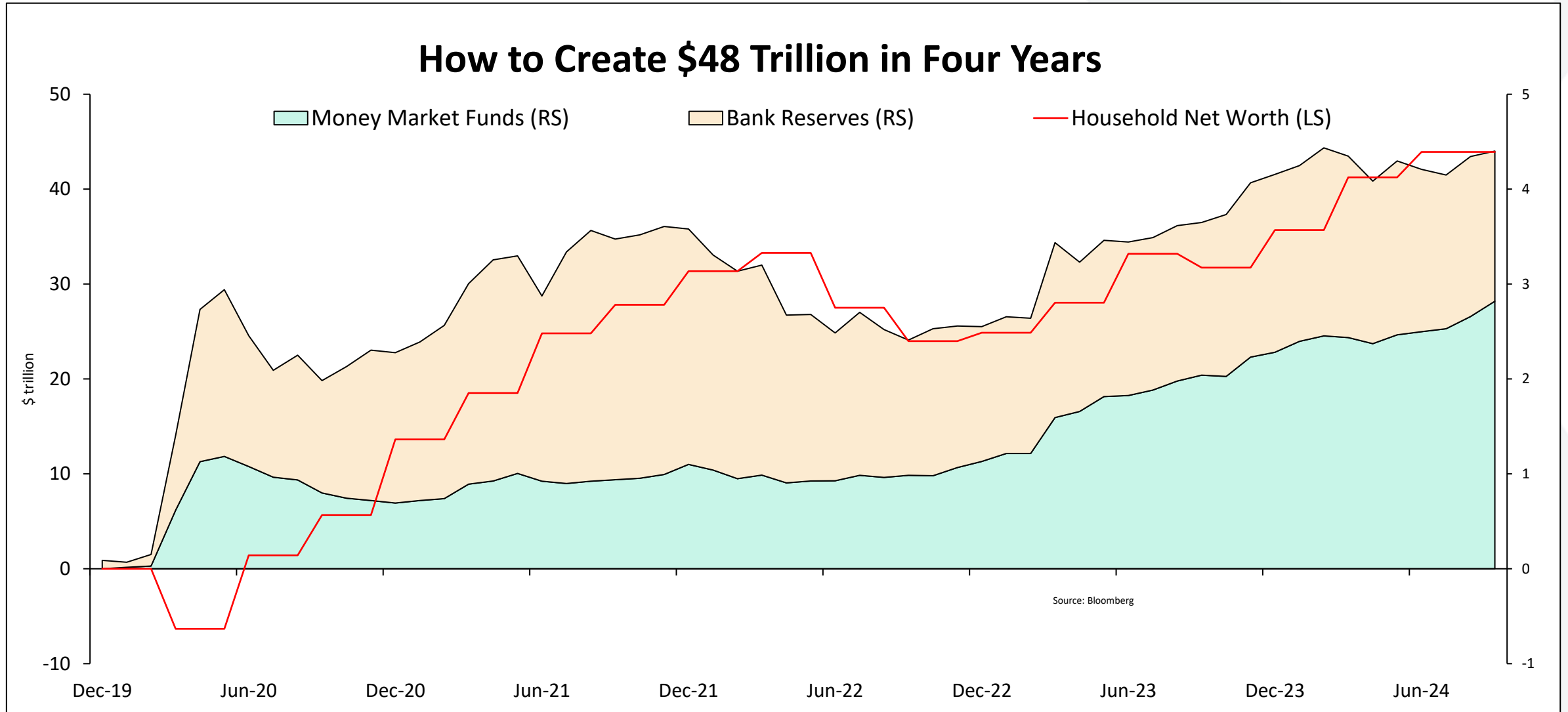
\$ in Millions



“when there's a weaker job market, typically our driver supply on the Mobility side significantly improves. Average earnings per utilized hour for drivers in the US, for example, is \$33 per utilized hour.”

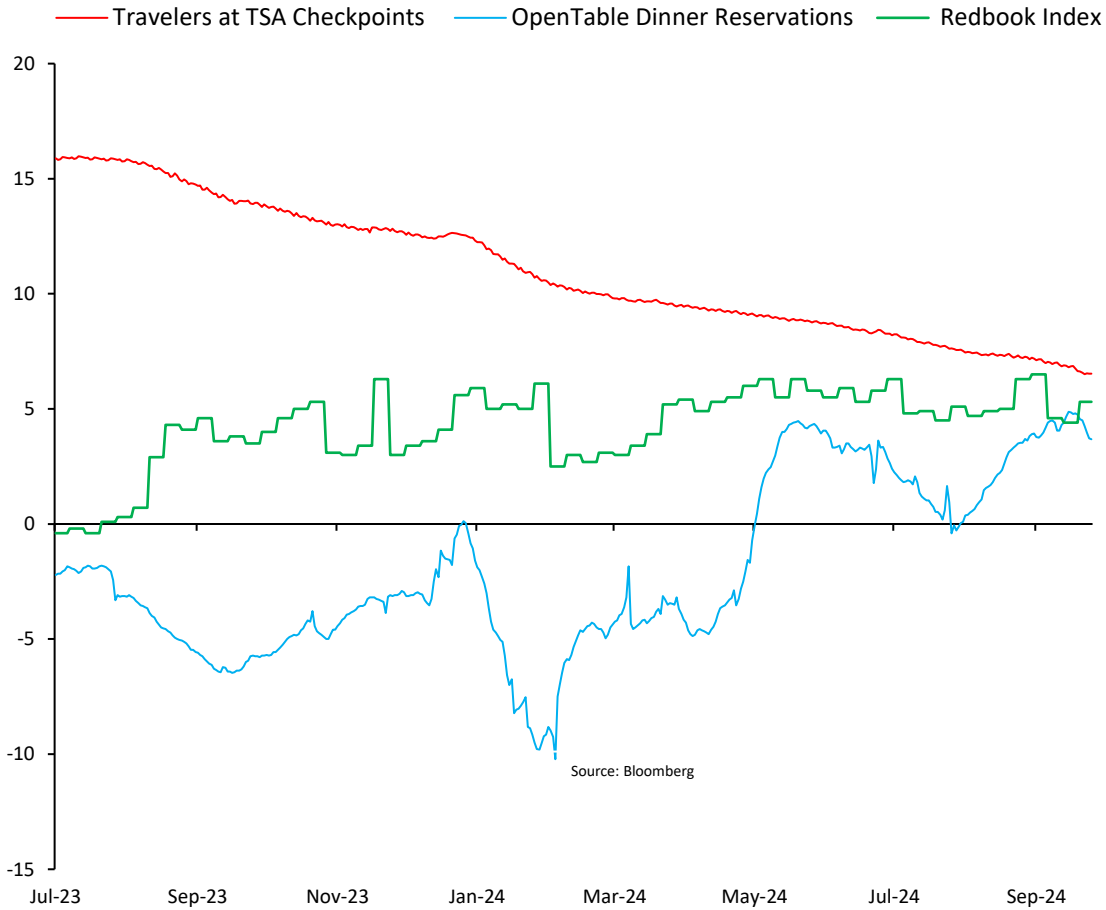
Uber CFO, Q2 2024 earnings call

The Pivot Towards Higher Growth

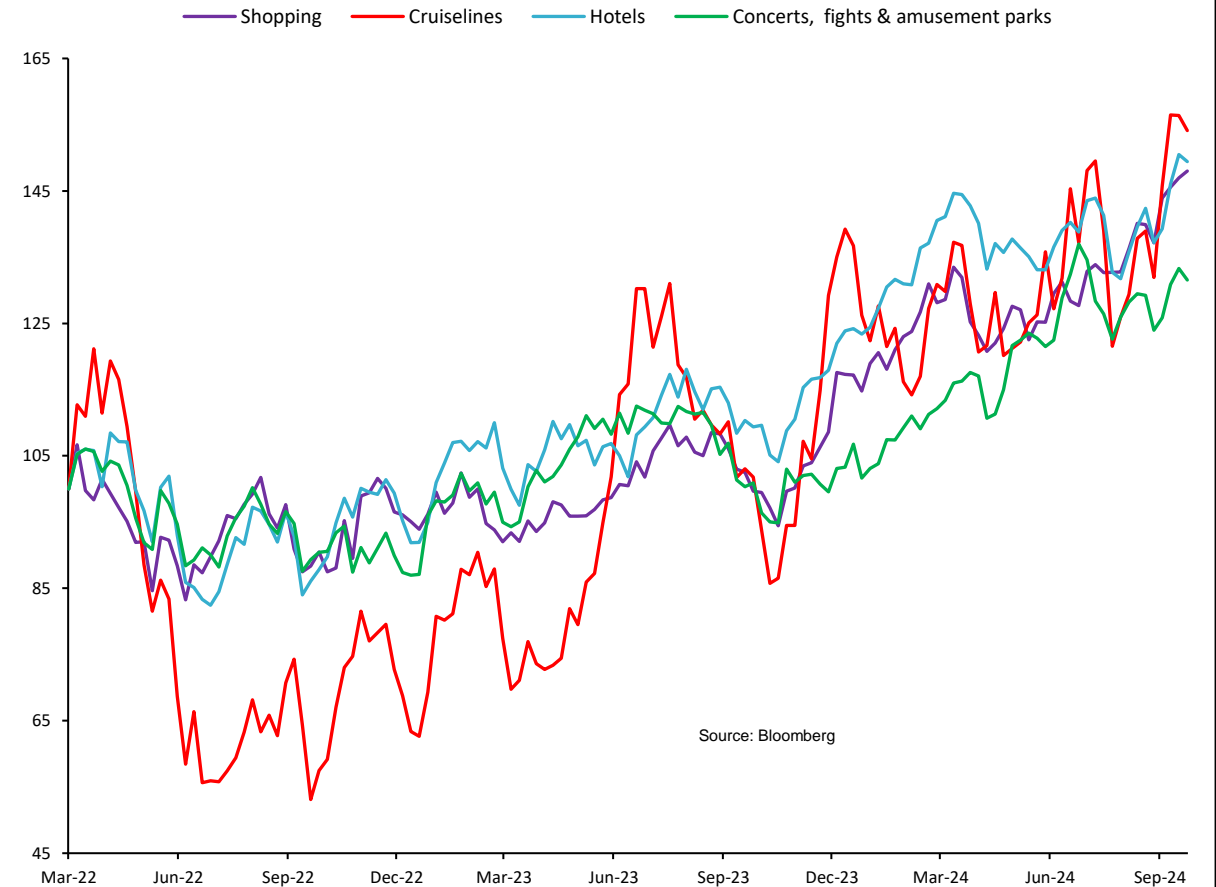


The Pivot Towards Higher Growth

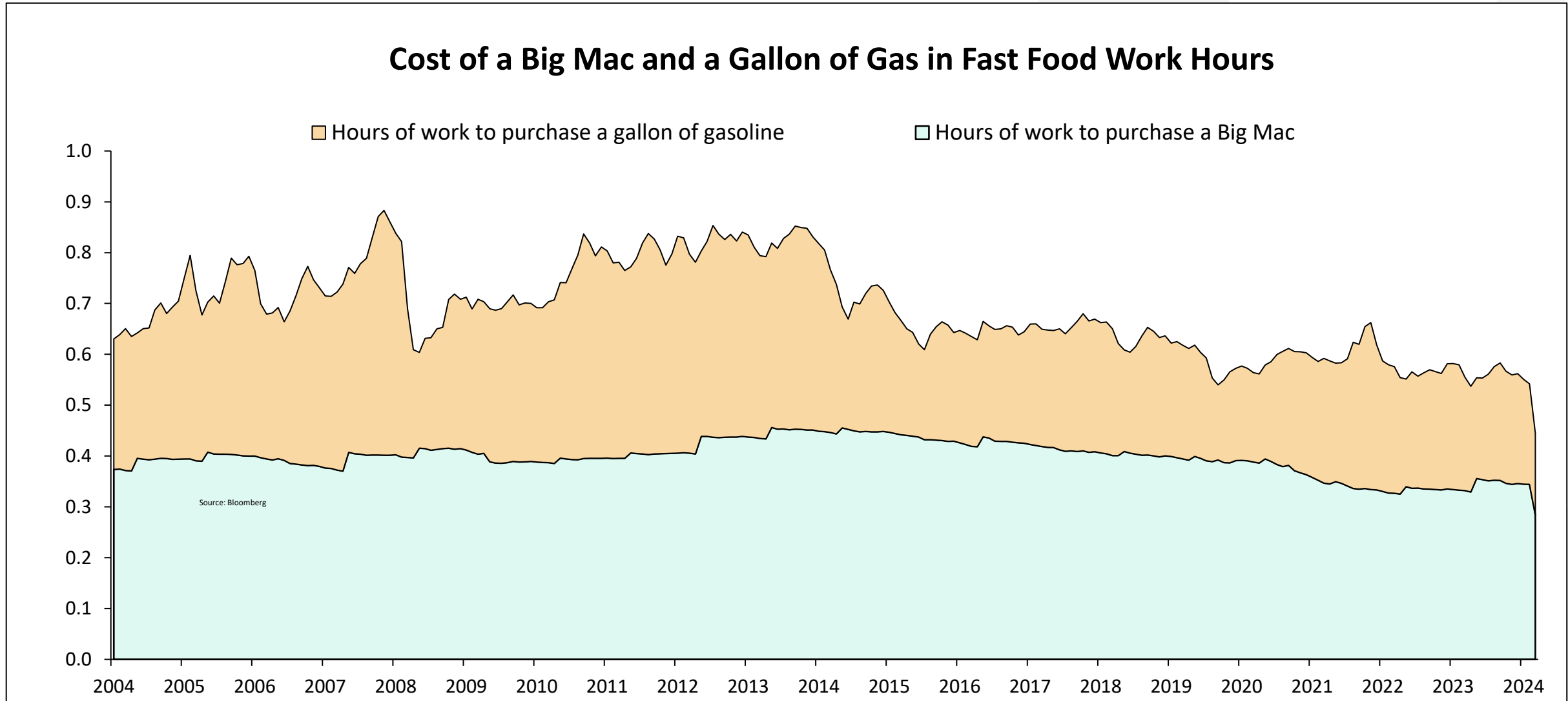
Growth in US Air Travel, Dinner Reservations, & Same-Store Sales



Performance of Middle-Class Discretionary Stocks Since First Hike



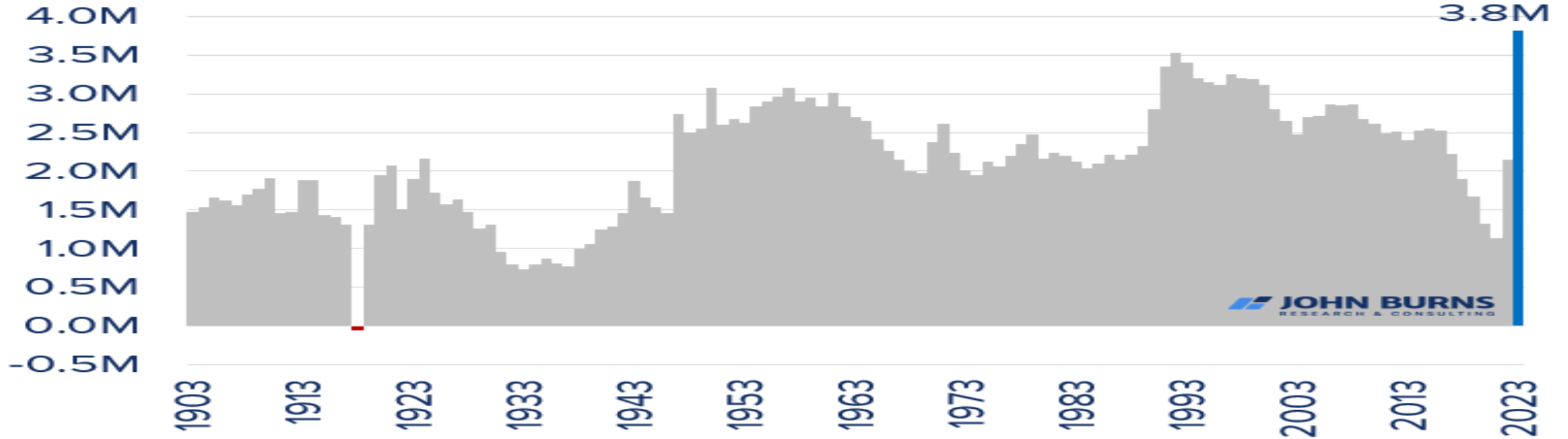
The Pivot Towards Higher Growth



The Pivot Towards US Reflation

Largest one-year population increase in US history

US Annual Net Population Growth

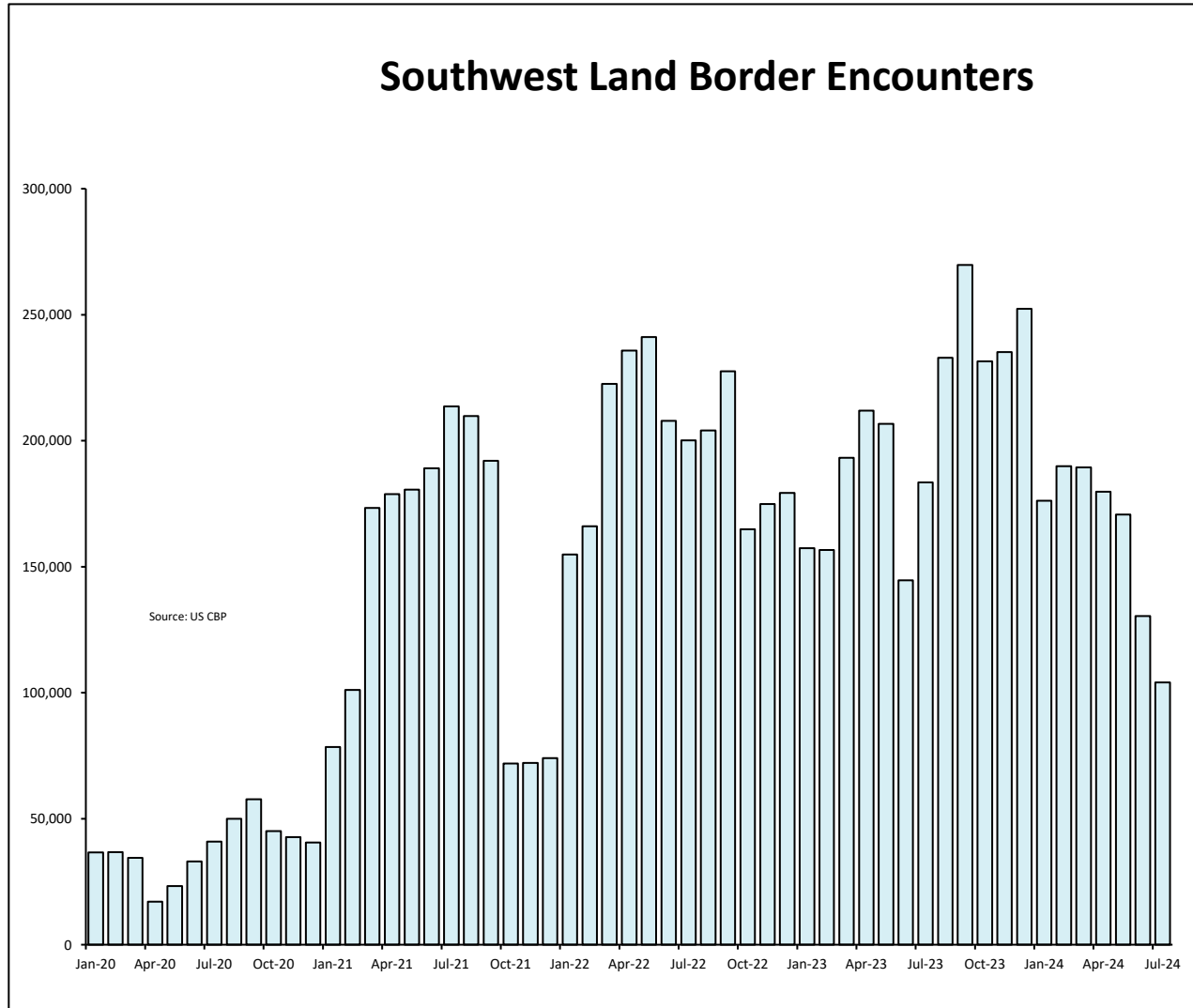


JOHN BURNS
RESEARCH & CONSULTING

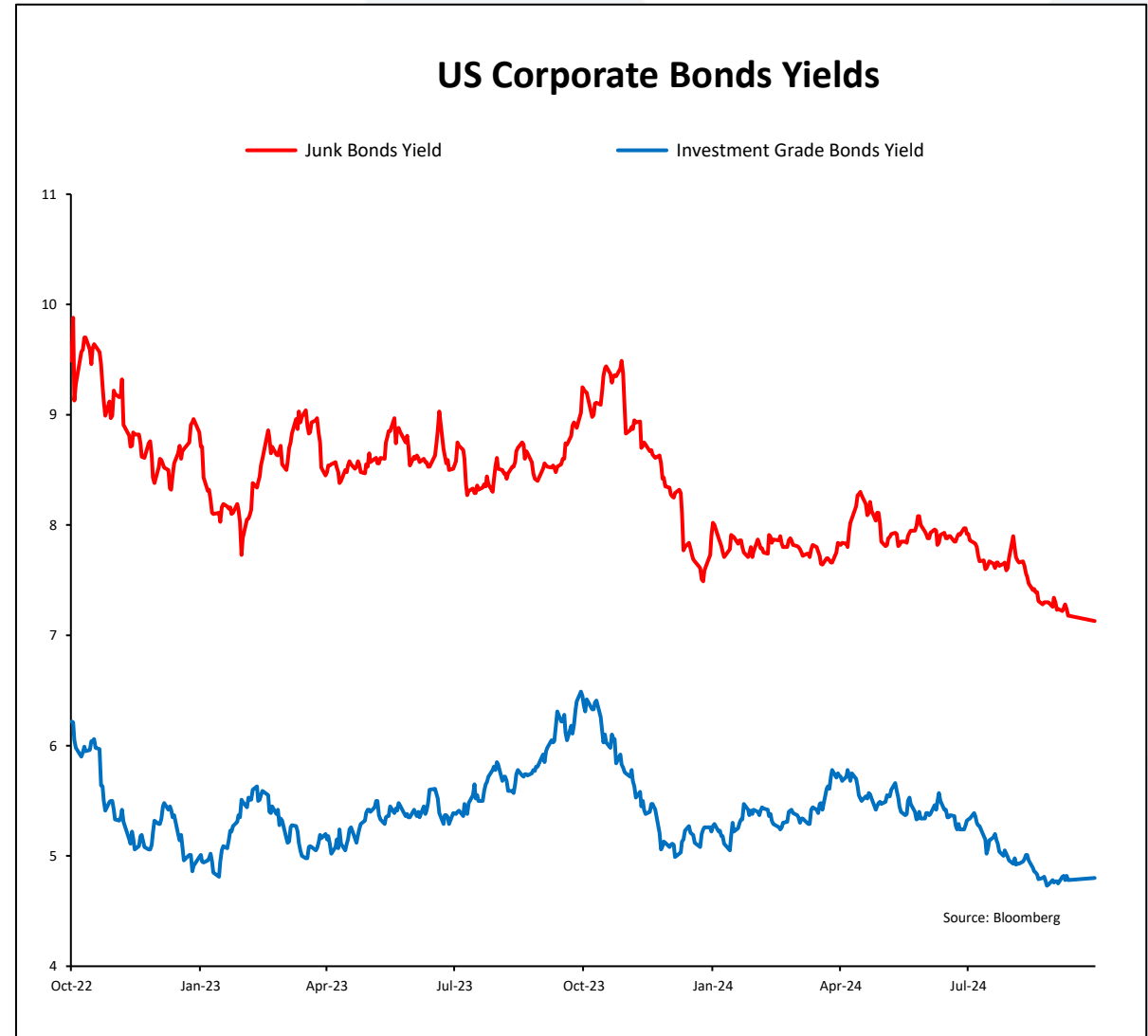
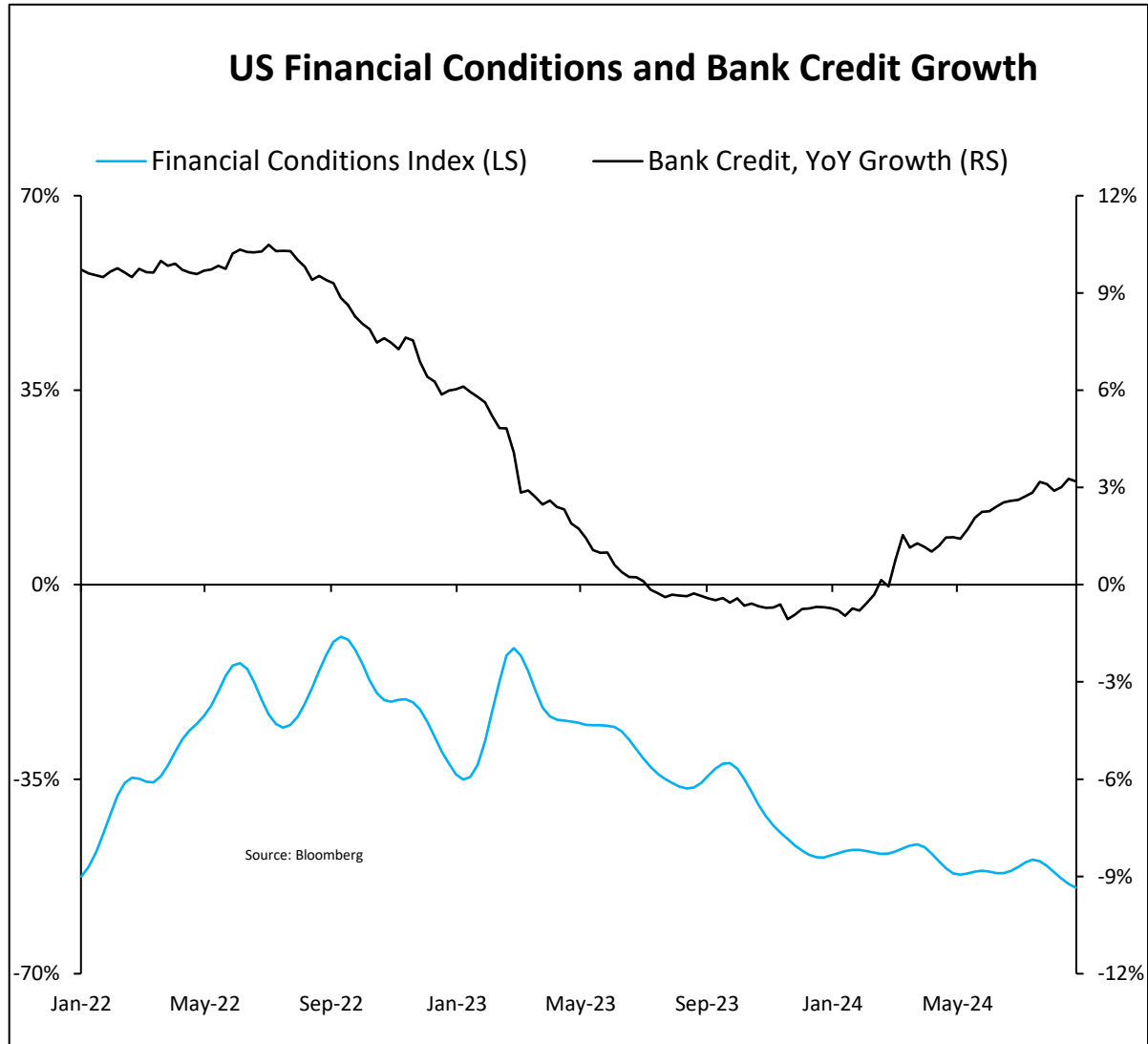
Sources: CBO, US Census, John Burns Research and Consulting, LLC (Data: Q23; Pub: Feb-24)

As seen in **Burns US Demographics Analysis and Forecast (coming soon in 1Q24)**

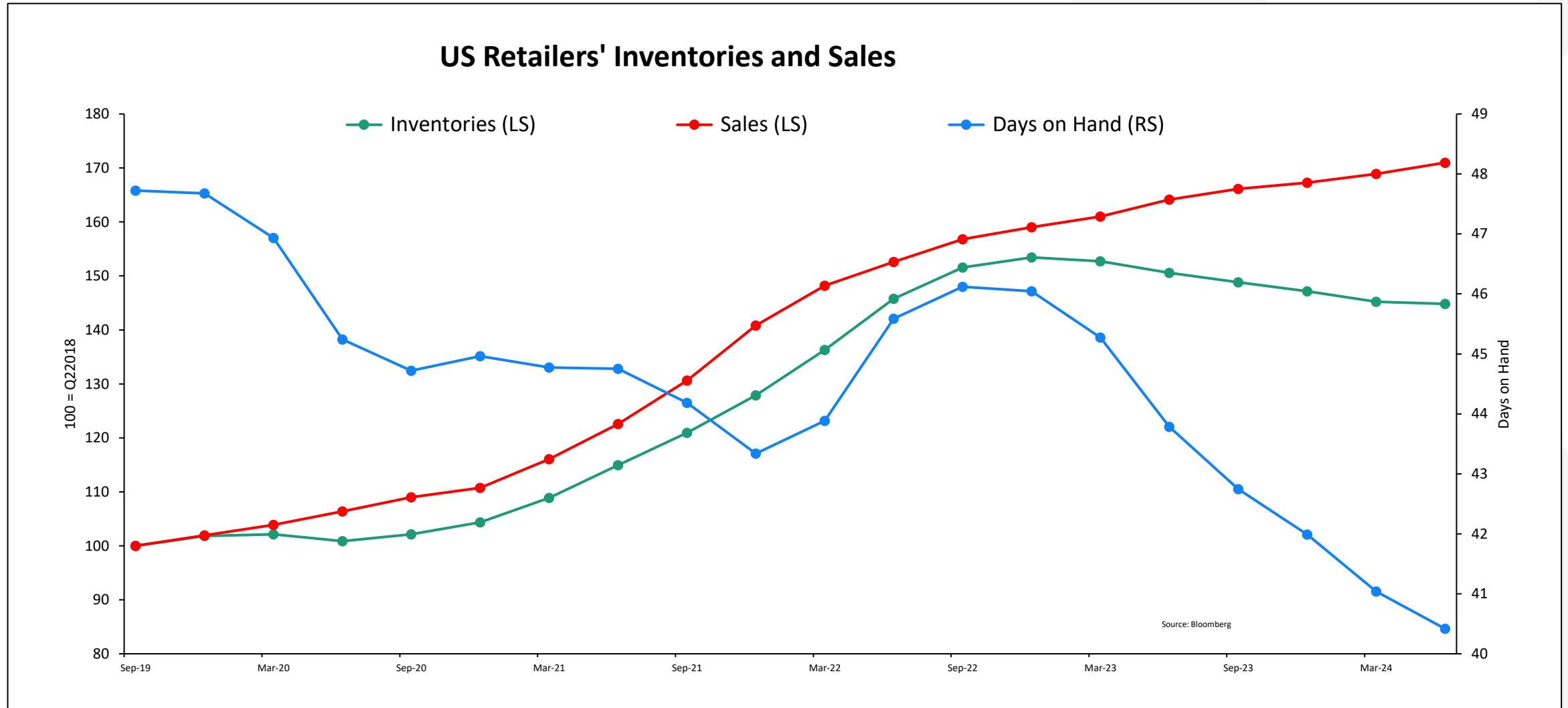
The Pivot Towards Reflation



The Pivot Towards Reflation

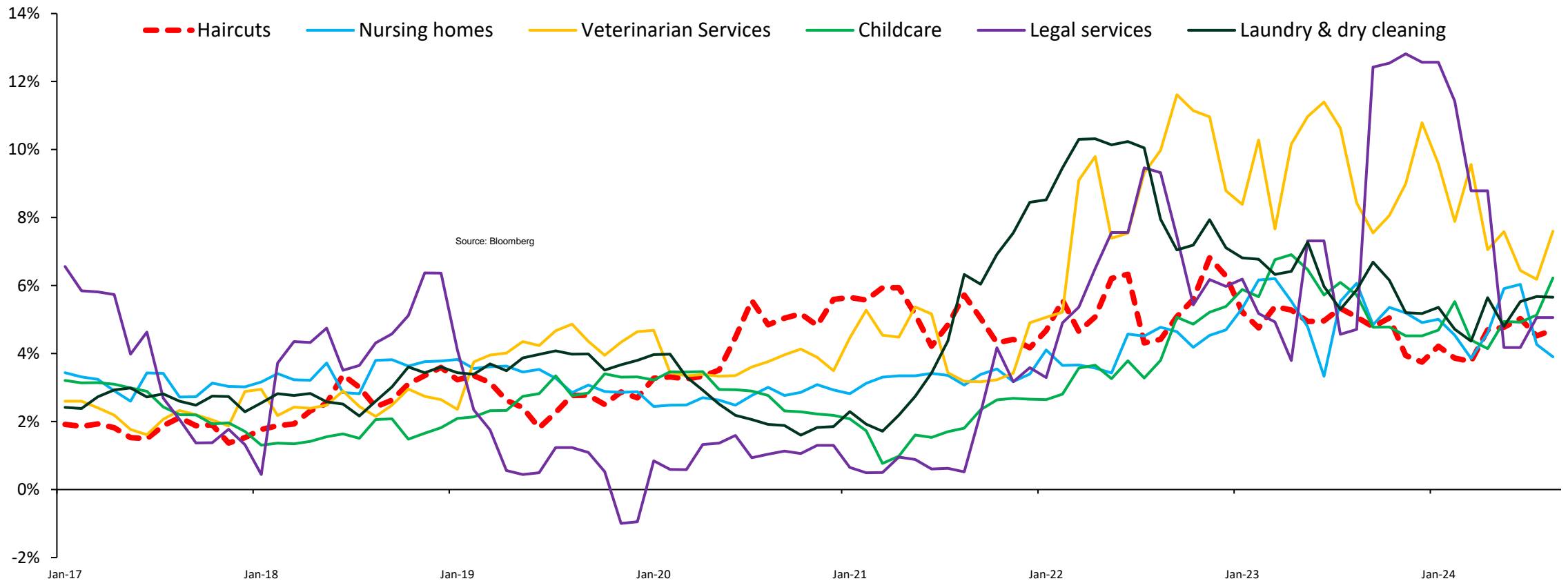


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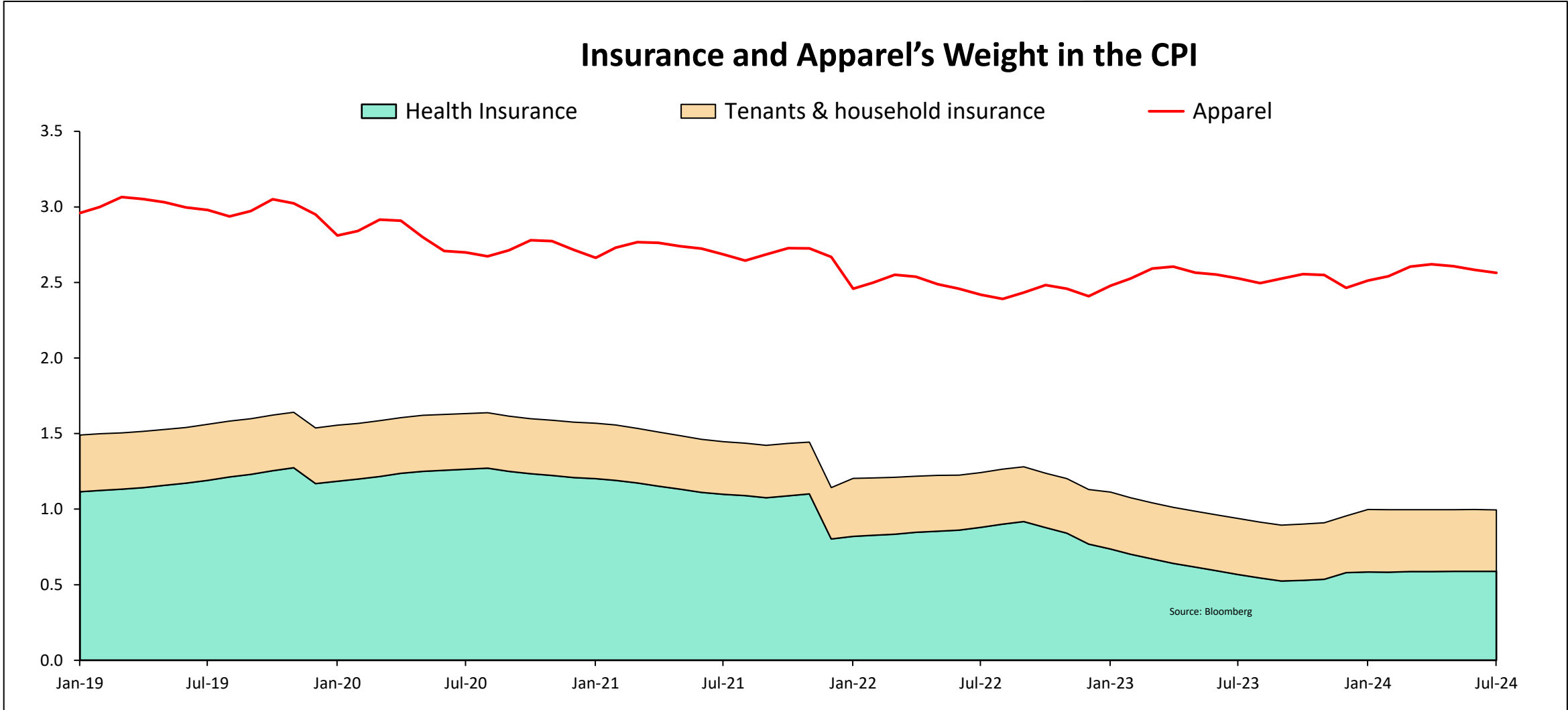


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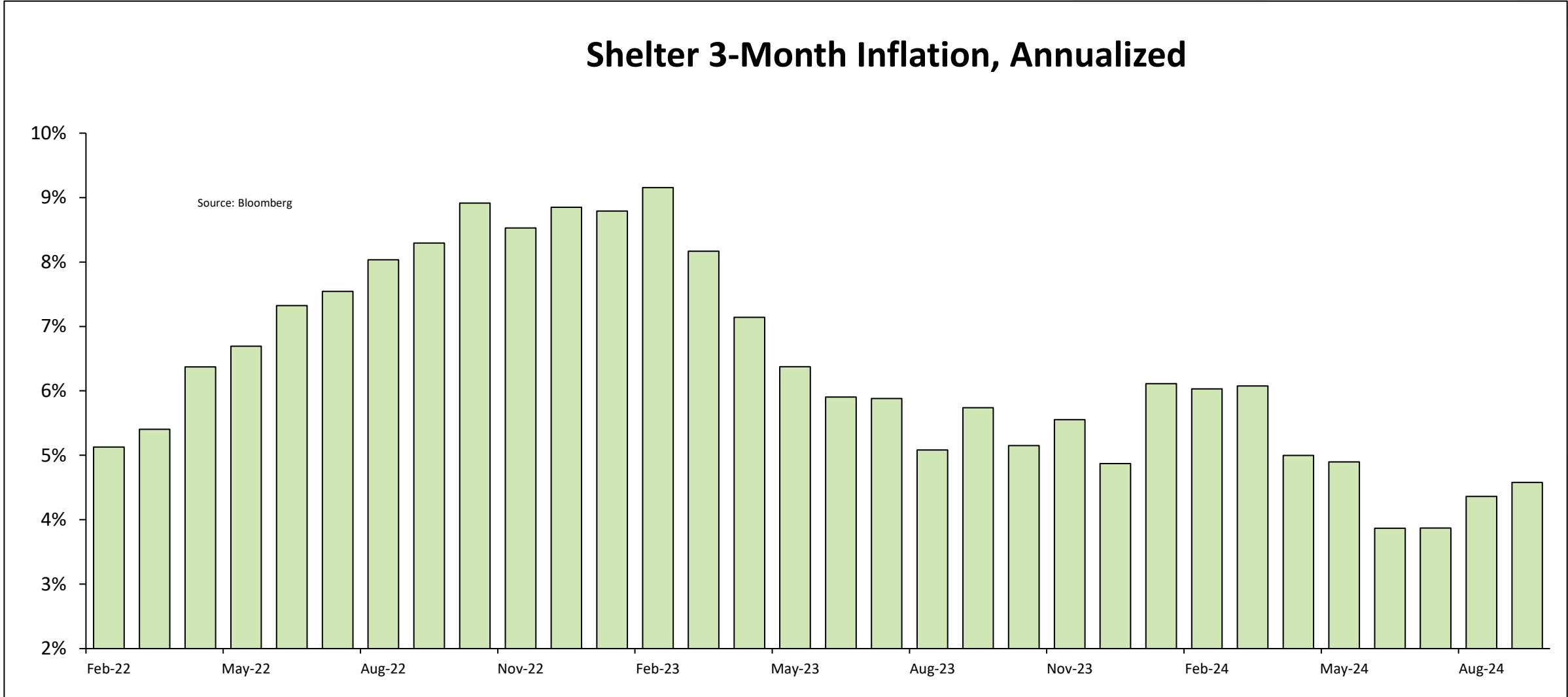
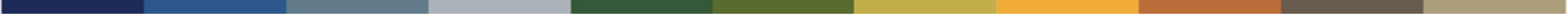
Inflation in Wage-Intensive Services



The Pivot Towards Reflation

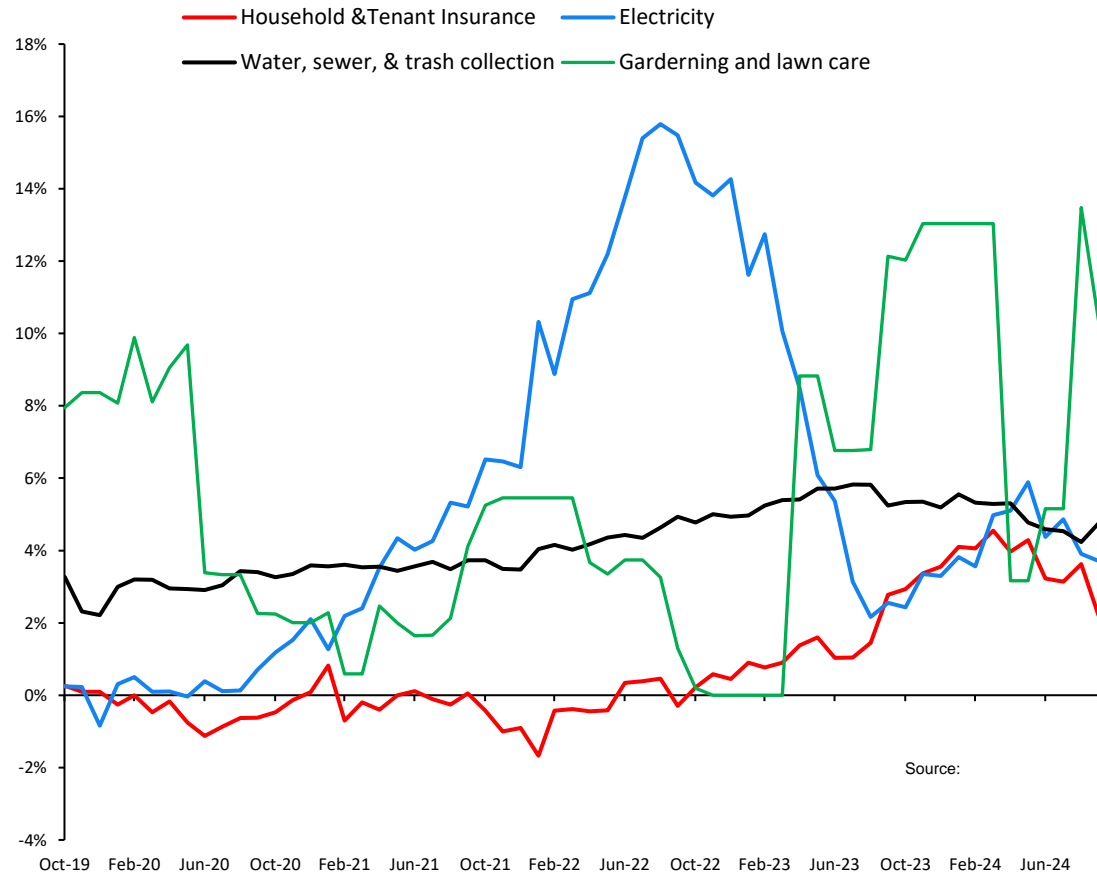


The Pivot Towards Reflation



Inflation is NOT Dead : Shelter

Landlord Costs Are Rising by 4-5%



US Home Prices, 10 Major Metro Areas

Source: CME, Bloomberg

	3-month	1-year	2-year	Since COVID	Distance from all-time high
Boston	-0.9%	4.3%	8.7%	46.8%	-1.5%
Chicago	0.5%	6.6%	16.6%	45.7%	0.0%
Denver	-1.1%	-0.6%	0.4%	38.3%	-3.8%
Las Vegas	-0.1%	8.3%	3.4%	52.5%	-0.1%
Los Angeles	0.2%	6.4%	13.7%	50.5%	-0.1%
Miami	-0.6%	4.7%	9.3%	75.5%	-0.6%
San Diego	-0.9%	6.6%	11.6%	64.9%	-0.9%
San Francisco	-2.6%	3.0%	1.2%	33.4%	-8.0%
Washington DC	-0.3%	4.8%	11.5%	36.1%	-0.3%
New York	0.4%	7.6%	17.7%	54.0%	0.0%
Composite Index	-0.2%	5.6%	12.1%	49.7%	-0.4%
Owners' equivalent rent - CPI	1.1%	5.4%	13.1%	23.3%	0.0%

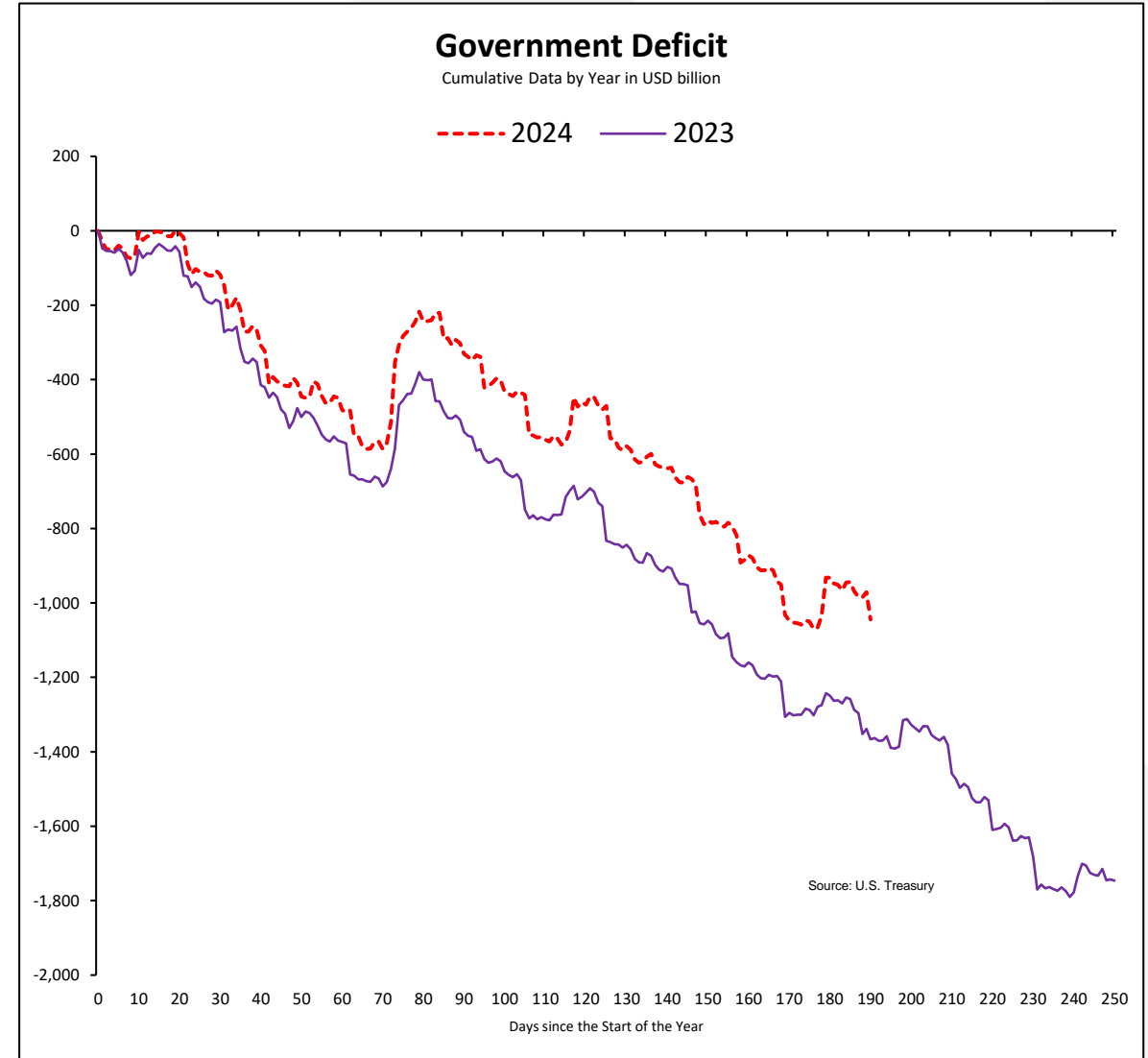
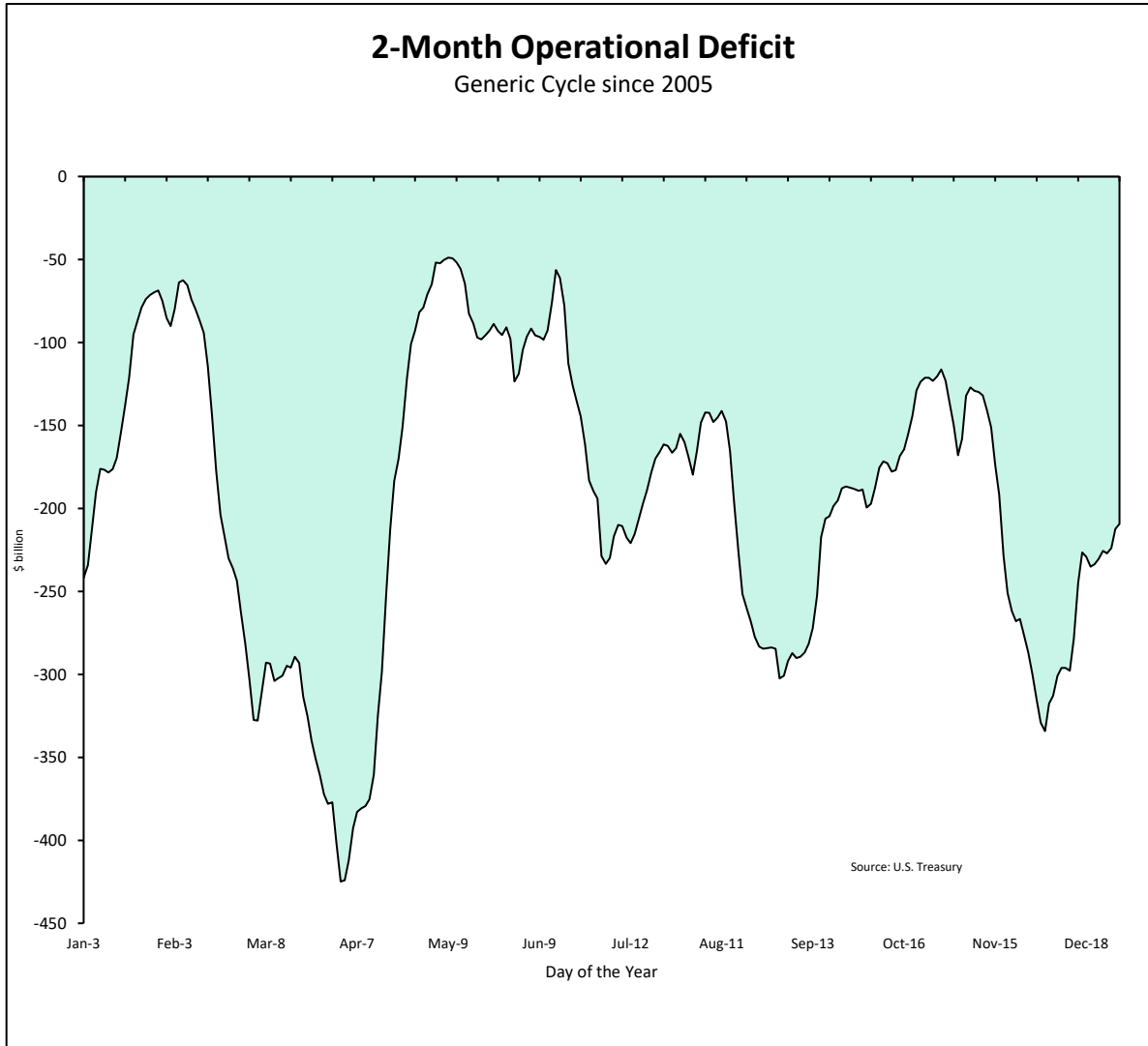
Investment Implications - Yields



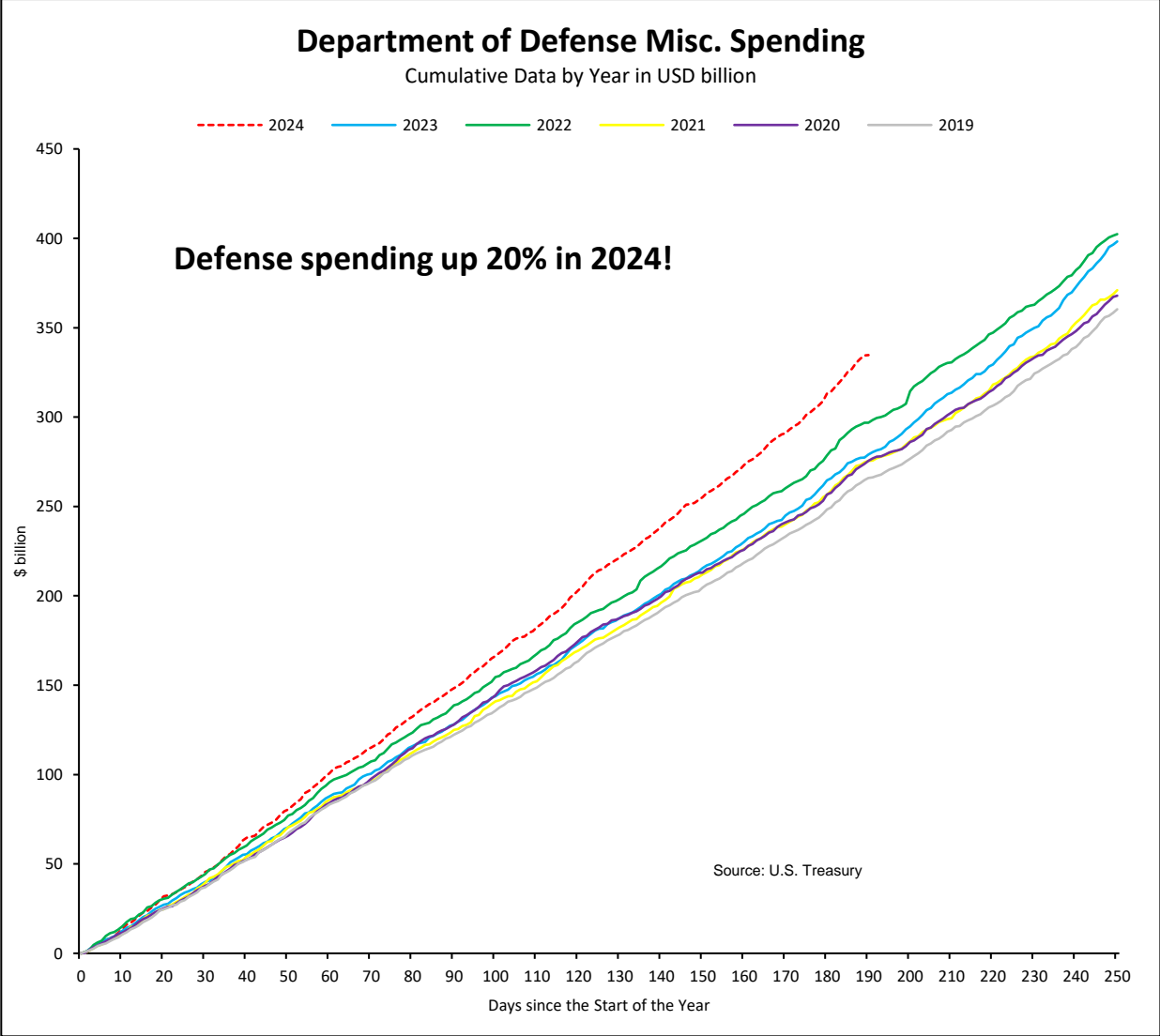
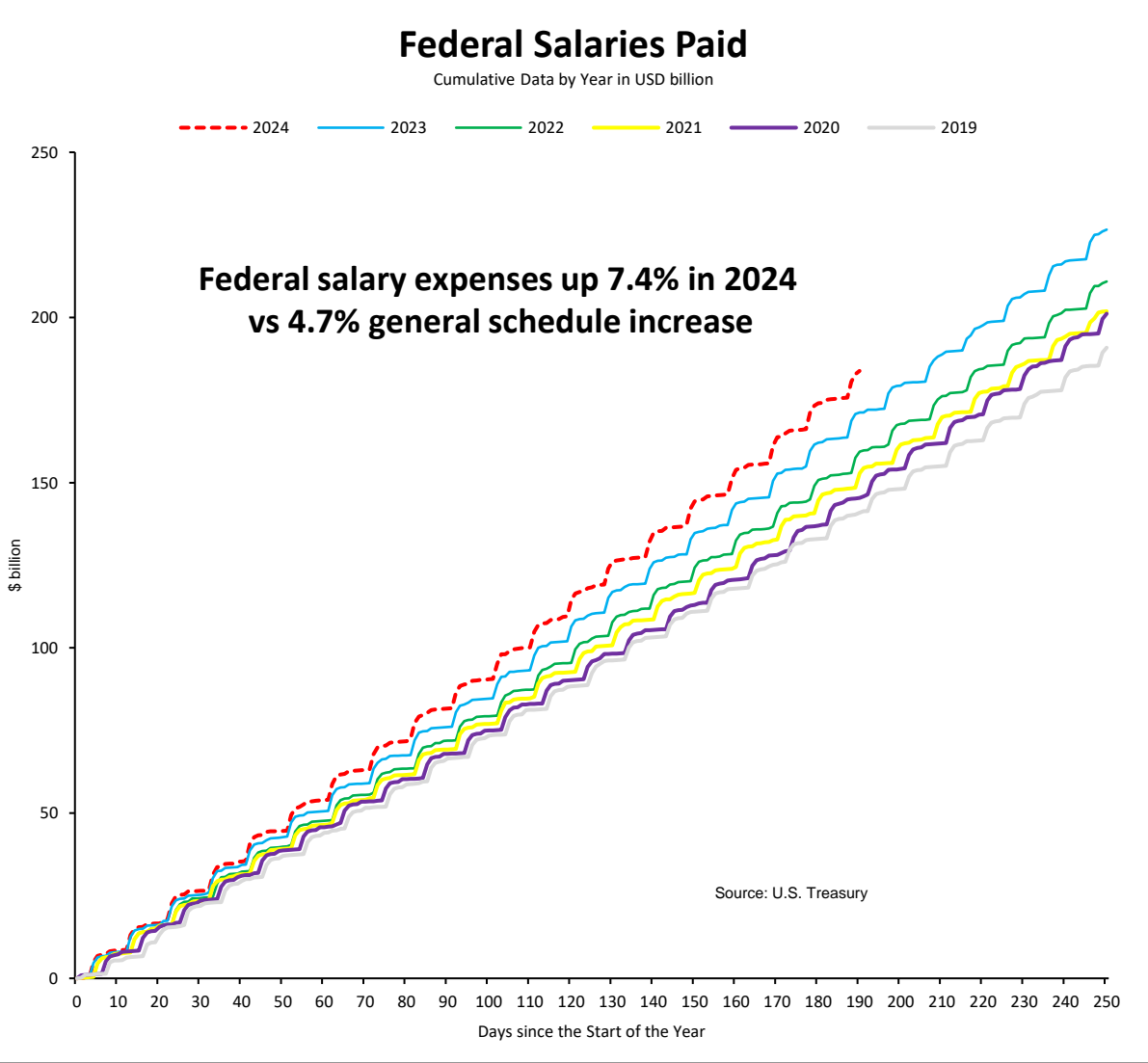
Source: Stonex

imgflip.com

Investment Implications - Yields



Investment Implications - Yields



Investment Implications - Yields

Net Revenue Impact of President Trump's Proposal to Exempt Tips from Federal Taxes

	Low	High
Static Estimate	\$150 billion	\$250 billion
With 10% More Tips	\$165 billion	\$275 billion
With 50% More Tips	\$225 billion	\$375 billion
With 100% More Tips	\$300 billion	\$500 billion
<i>Memo: Static Estimate w/ TCJA Extension</i>	\$125 billion	\$225 billion

Sources: Committee for a Responsible Federal Budget, Internal Revenue Service, Tax Policy Center

ARTICLE AUG 14, 2024

Harris' Plan To Raise the Minimum Wage and Eliminate Tax on Tips Would Benefit Service and Hospitality Workers

Crucially, the vice president's proposal would provide guardrails to keep the policy aimed at low-paid workers, in contrast to Trump's plan, which would allow the wealthy to skirt taxes.

Source: Reuters

Effects of Ending Taxation of Social Security Benefits

	Ten-Year Revenue Impact (CBO)	Ten-Year Revenue Impact (Trustees)	Effect on 75-Year Actuarial Balance	New Insolvency Date
Social Security Revenue	-\$950 billion	-\$1.05 trillion	-0.9% of payroll	2032 (-1 year)
Medicare HI Revenue	-\$650 billion	-\$750 billion	-0.6% of payroll	2030 (-6 years)
Total	-\$1.6 trillion	-\$1.8 trillion	N/A*	N/A

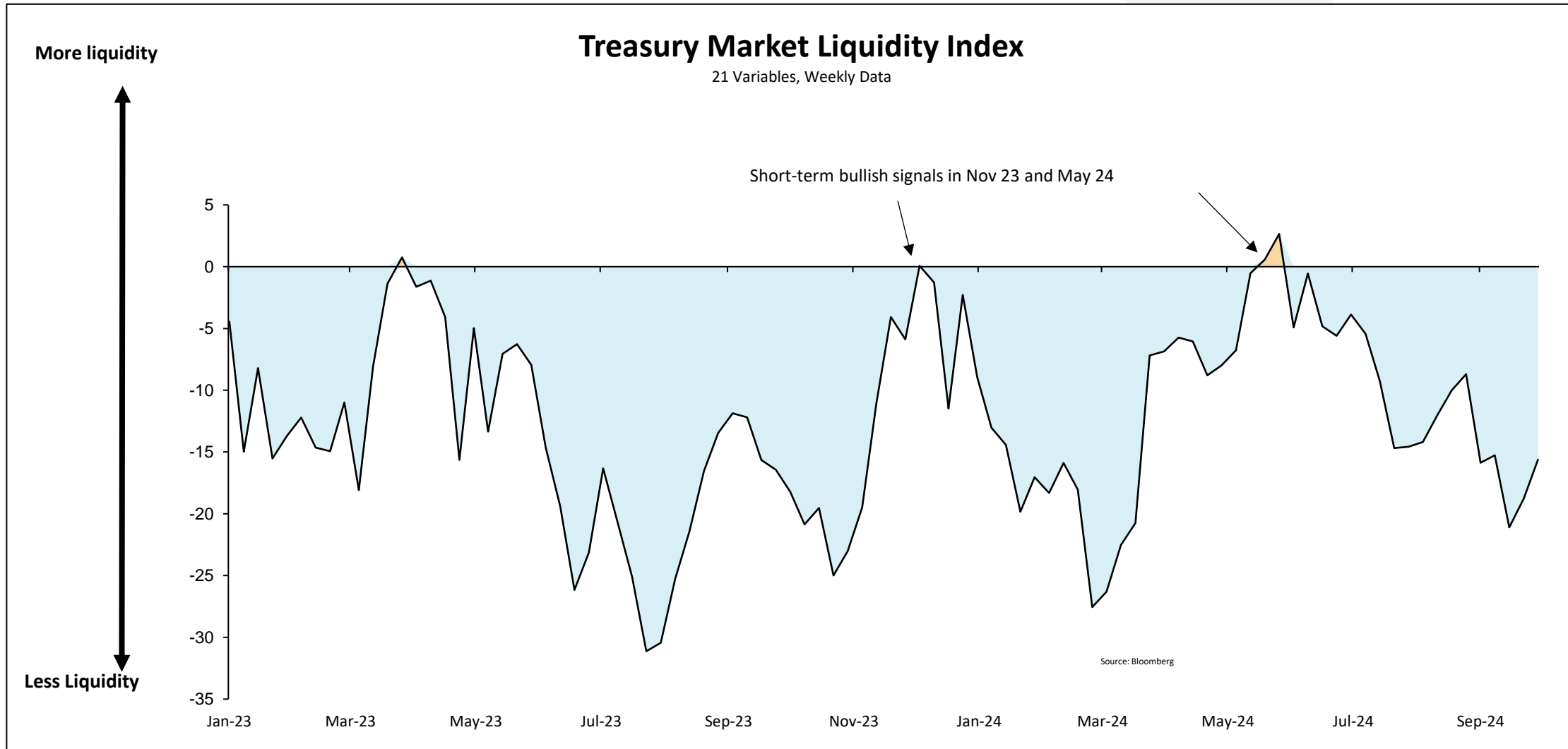
Note: Ten-year budget window is from FY 2026 through FY 2035.
 *Percentages of payroll are relative to the Social Security and Medicare tax bases, and thus are not additive.
 Sources: CRFB estimates based on Congressional Budget Office, Social Security Trustees, and Medicare Trustees data.

Table 1
Costs to buyers of imports from Trump tariff waves

Tariff wave	Targeted imports as a share of GDP	Average import price increase	Total cost as a share of GDP
US China trade war (2018-2019)	1.8%	20%	0.4%
10 percent across-the-board tariff	9.8%	10%	1.0%
60 percent China tariff on trade war goods	1.0%	44%	0.4%
60 percent China tariff on other Chinese goods	0.6%	60%	0.4%
New tariffs, total			1.8%

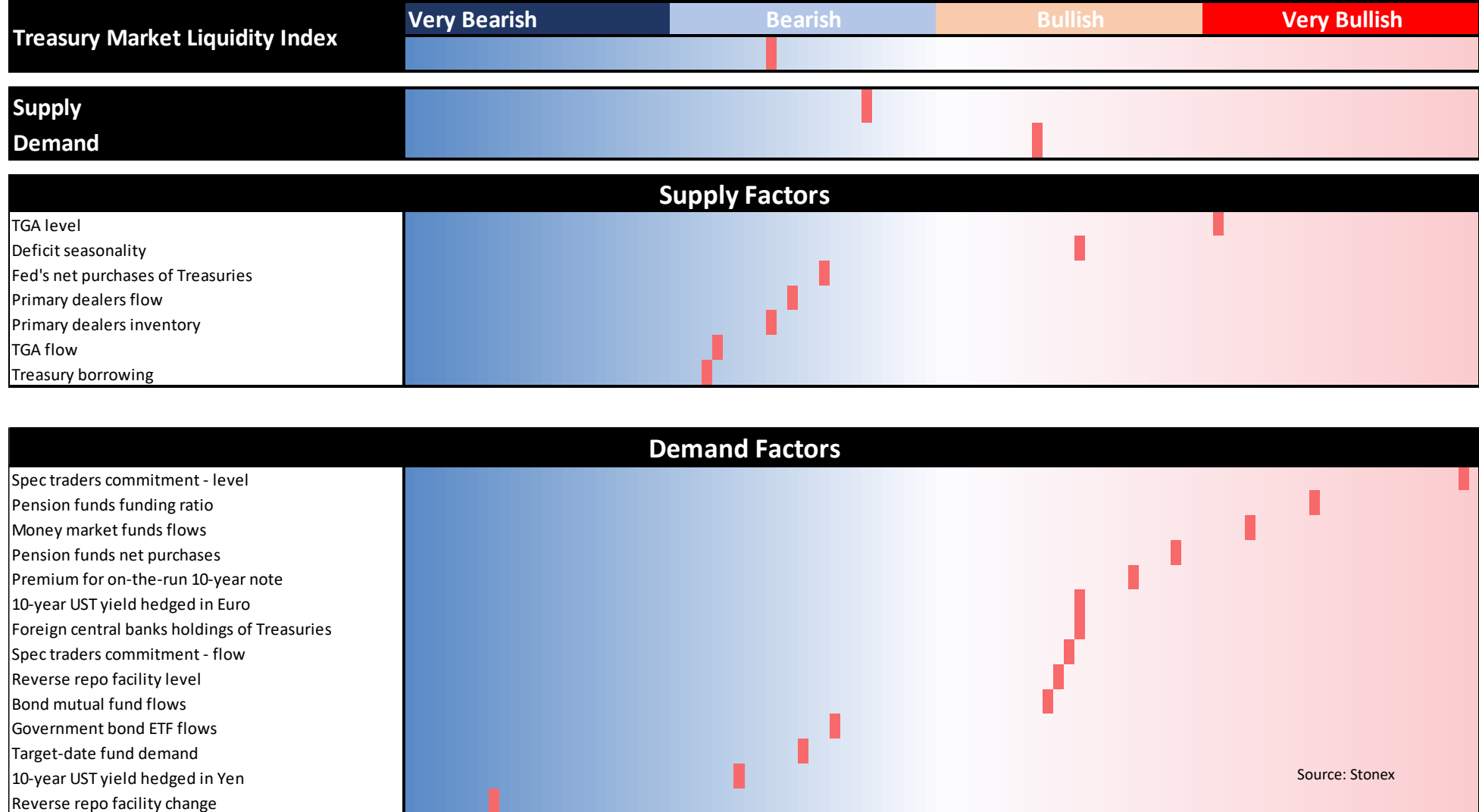
Sources: US-China average import price increase calculated by authors based on announced tariff increases and tariff coverage. Total US trade comes from [US Bureau of the Census](#), and GDP comes from the Federal Reserve Economic Data ([FRED](#)).

Investment Implications - Yields



Investment Implications - Yields

StoneX Treasury Market Liquidity Scorecard as of Oct 2, 2024



Source: Stonex

The Pivot Towards International Stocks

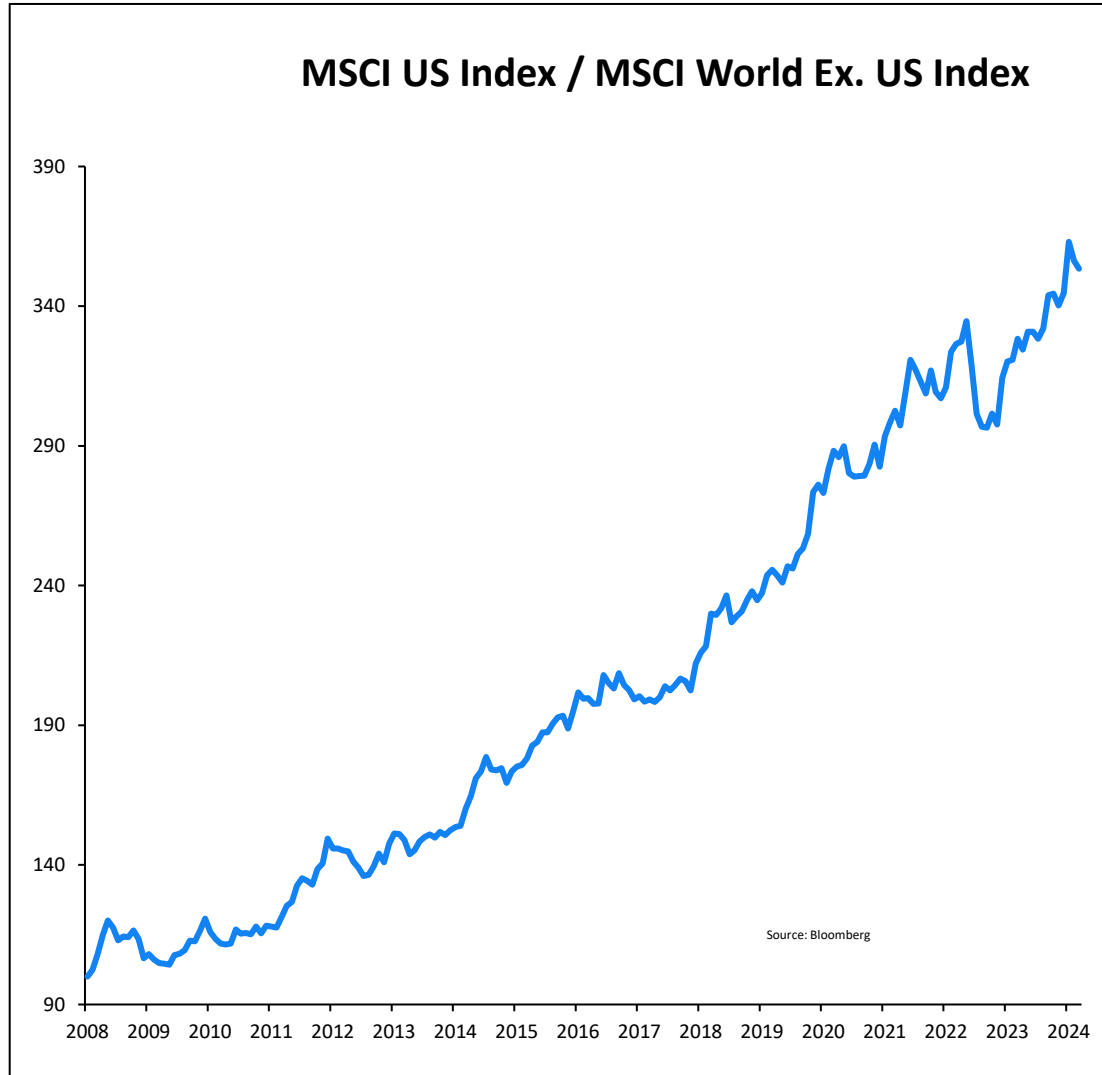
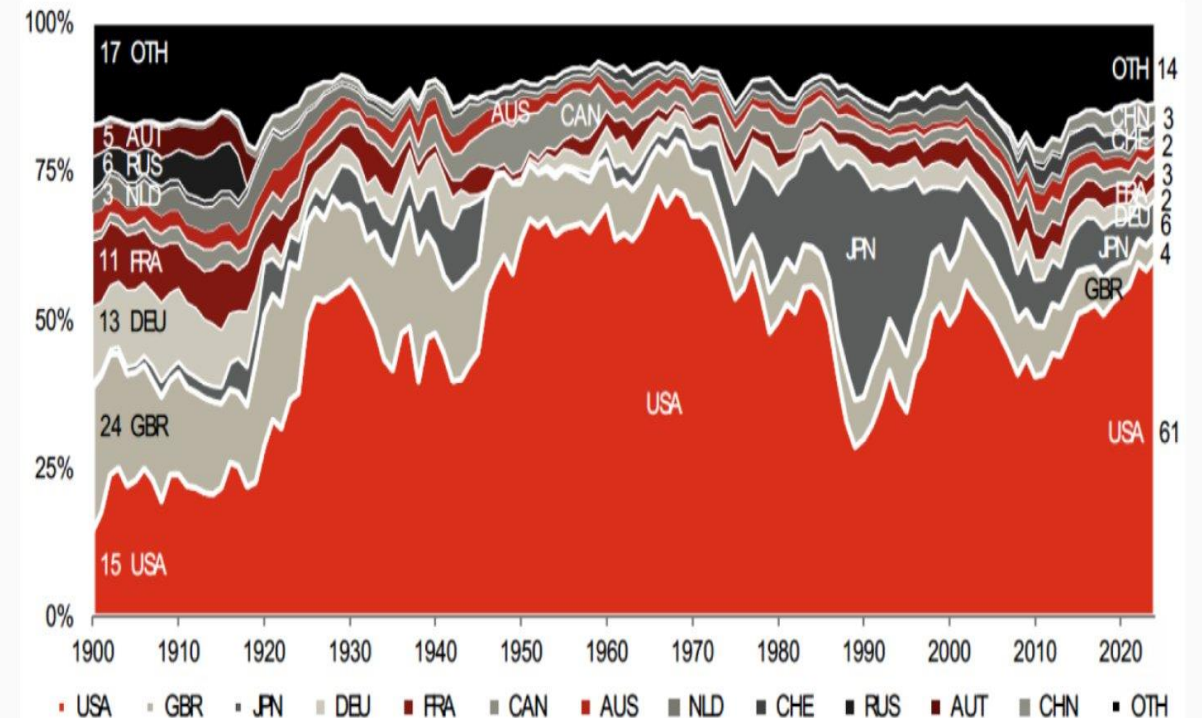
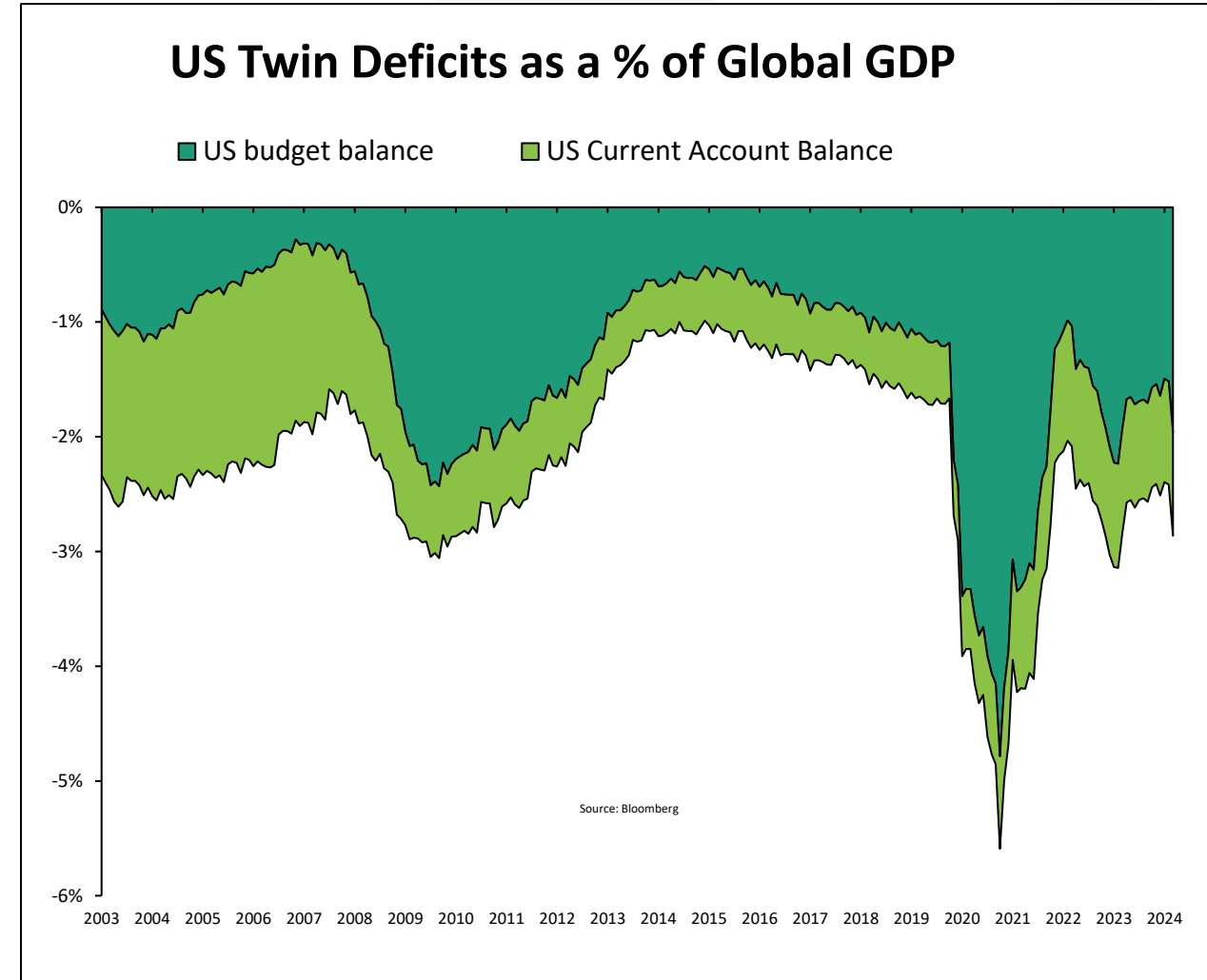
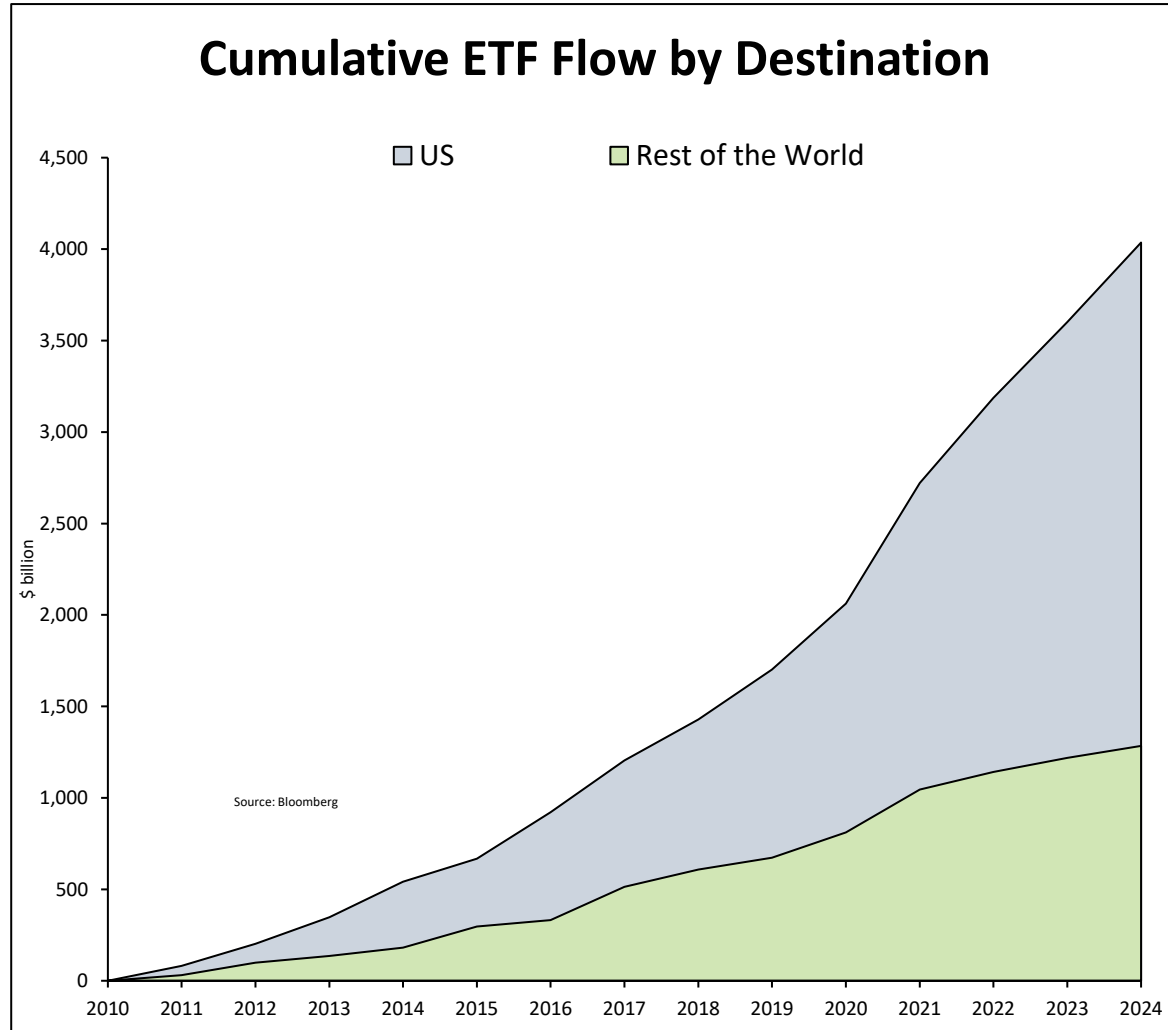


Figure 1: The Evolution of Equity Markets Over Time (1900 – 2023)

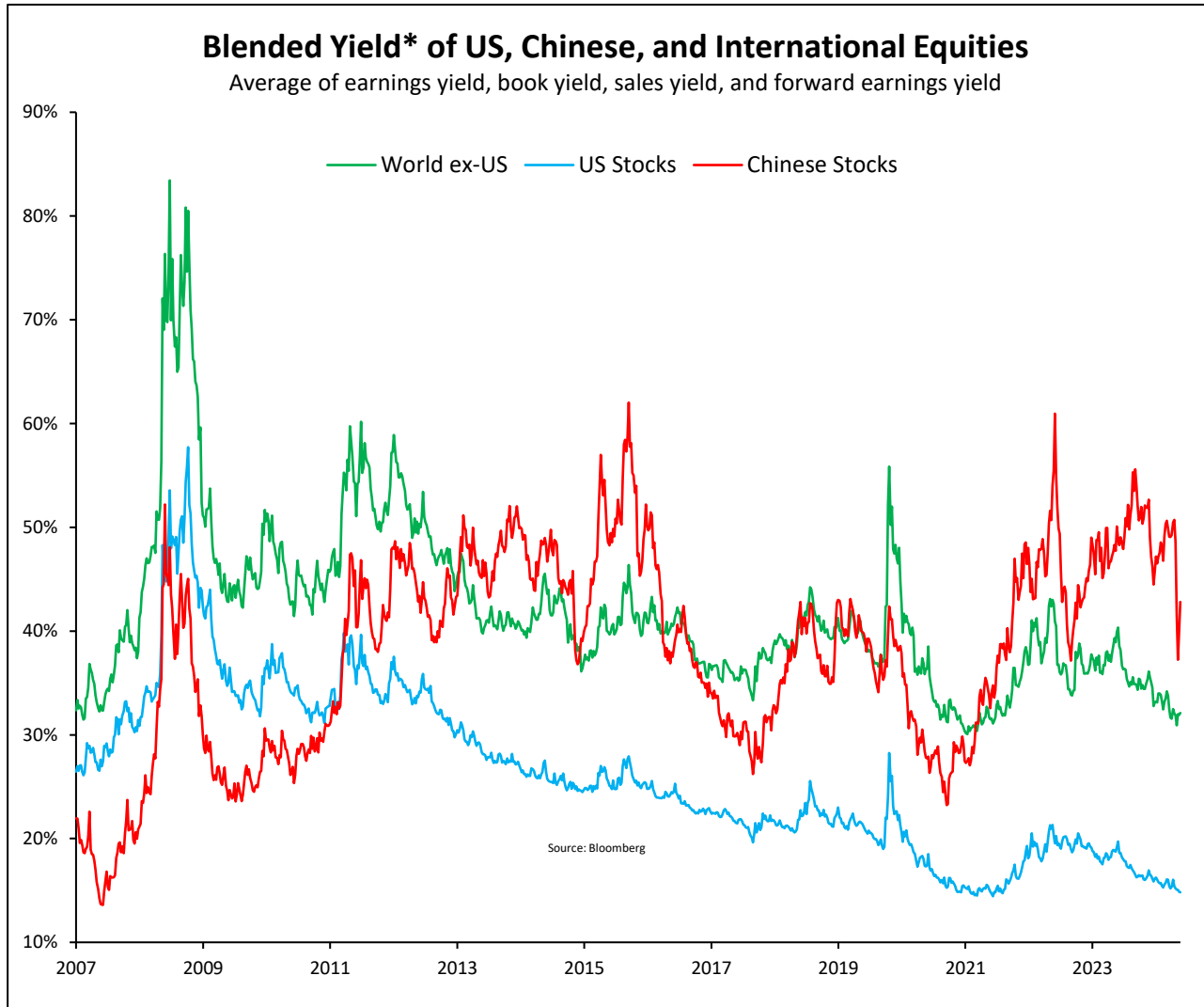


Sources: Elroy Dimson, Paul Marsh and Mike Staunton, DMS Database 2024 and FTSE Russell All-World Index Series weights (recent years).

The Pivot Towards International Stocks



The Pivot Towards International Stocks



StoneX Country Scorecard as of October 3, 2024

	Fundamentals		Valuations		Technicals		Blended Country Rank
	Growth	Quality	Absolute	Relative	Risk	Momentum	
U.S. (SPY)	3.0	2.0	10.2	10.2	6.3	6.0	9.0
Canada (EWC)	5.0	7.0	8.0	6.0	5.3	4.5	5.0
Euro Area (EZU)	7.2	7.7	6.6	8.2	6.3	5.5	11.0
U.K. (EWU)	6.2	8.7	5.0	3.4	3.5	6.5	2.0
Japan (EWJ)	4.0	11.0	6.2	5.4	7.3	5.0	10.0
China (FXI)	4.4	7.7	3.6	3.2	7.0	2.8	1.0
Pacific Ex. Japan (EPP)	5.4	5.0	7.8	7.8	6.0	3.3	3.0
India (INDA)	4.2	2.3	10.8	10.4	4.8	3.0	4.0
Latin America (ILF)	9.8	4.7	2.4	3.6	6.0	9.8	7.0
Mexico (EWW)	5.8	5.7	4.0	3.8	8.0	10.3	8.0
Brazil (EWZ)	11.0	4.3	1.4	4.0	5.8	9.5	6.0

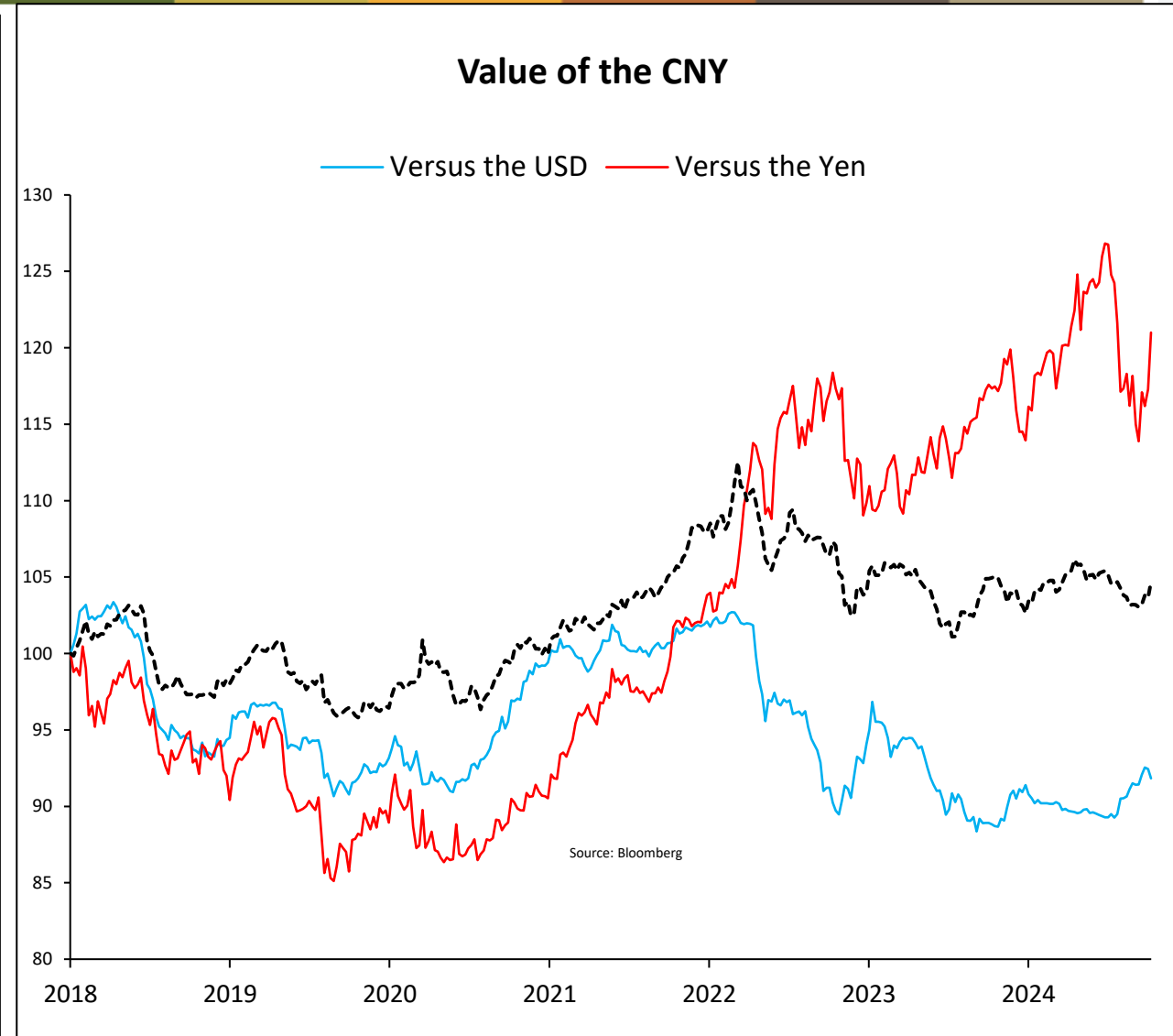
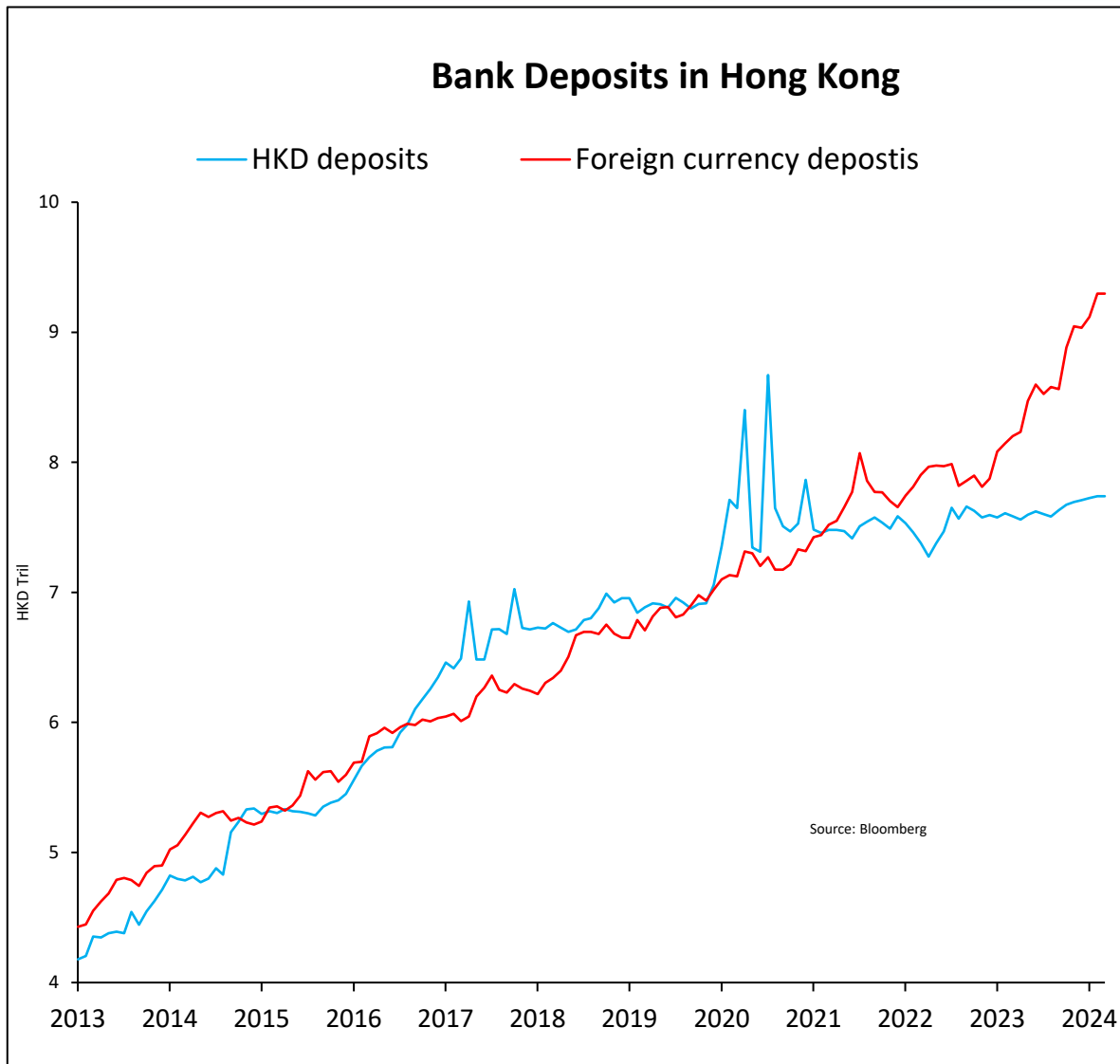
The **fundamental rank** is the average of the growth and quality ranks.
 The **growth rank** is based on trailing and forward earnings and sales growth and recent trends in growth estimates.
 The **quality rank** is based on margins, return on equity, and leverage.

The **valuation rank** is the average of the absolute and relative valuation ranks.
 The **absolute valuation rank** is based on the absolute level of forward and trailing P/Es, P/B, P/CF, and dividend yield.
 The **relative valuation rank** is based on the level of forward and trailing P/Es, P/B, P/CF, and dividend yield relative to each sector's history.

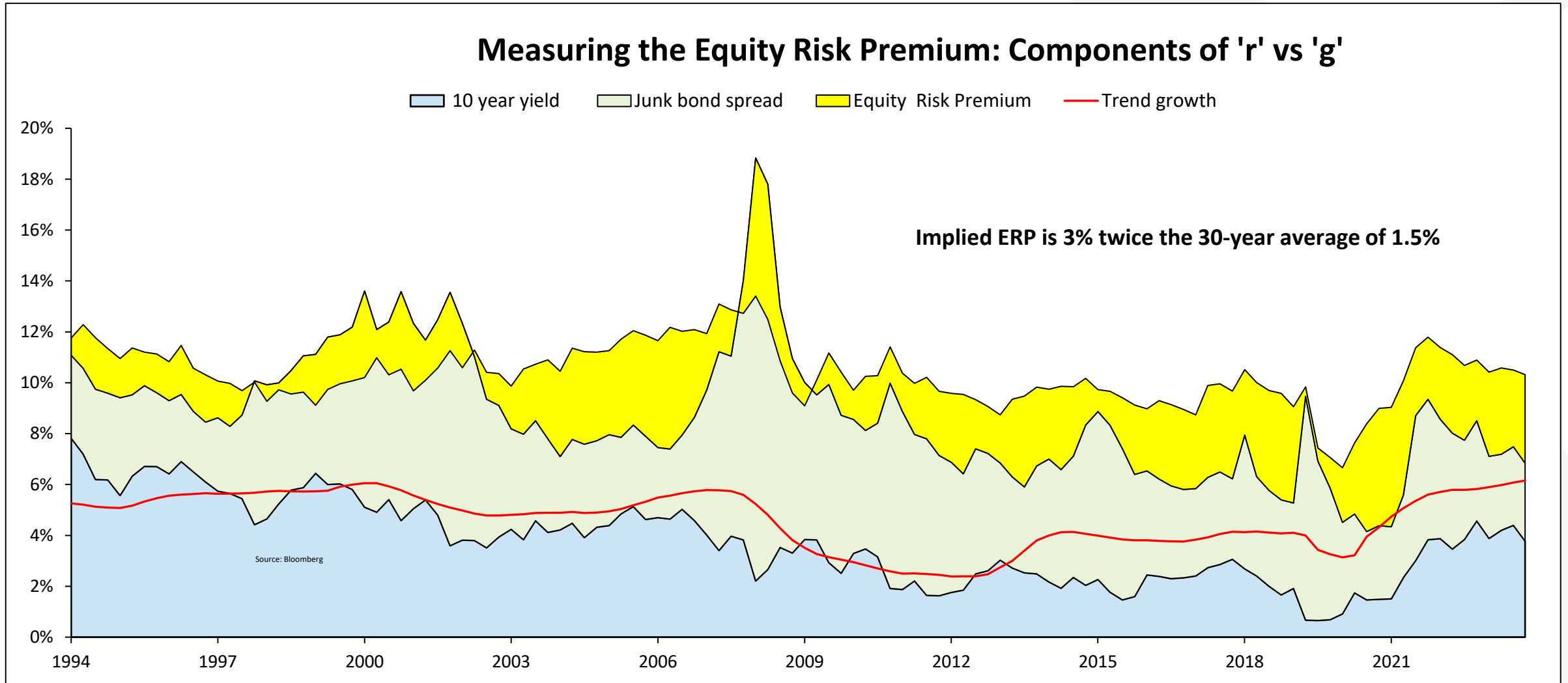
The **technical rank** is the average of the risk and momentum ranks.
 The **risk rank** is based on volatility, beta and breadth.
 The **momentum rank** is based on short, medium, and long-term momentum.

Source: Stonex

The Pivot Towards International Stocks



Other Trades: Still Overweight Stocks



Other Trades: US Financials

StoneX U.S. Sector Scorecard as of Oct 22, 2024								
	Fundamentals		Valuations		Technicals		Blended Sector Rank	Macro Risk Exposure
	Growth	Quality	Absolute	Relative	Risk	Momentum		
Consumer Discretionary	6.8	4.7	8.8	6.0	7.3	7.0	10.0	Yield curve slope
Consumer Staples	6.2	6.0	5.2	4.8	4.3	8.3	6.0	US Economic Surprise Index
Energy	10.4	4.3	1.0	1.0	5.8	9.8	2.0	Oil Prices
Financials	4.4	7.7	4.4	4.4	5.0	2.5	1.0	High Yield Bond Spread
Health care	5.0	8.7	7.0	5.0	4.5	10.3	8.0	China Economic Surprise Index
Industrials	8.0	6.3	7.8	9.6	5.5	3.3	9.0	High Yield Bond Spread
Information Technology	2.6	1.7	10.6	6.4	9.0	3.3	4.0	Yield curve slope
Materials	8.4	7.3	5.4	8.8	6.5	6.5	11.0	Dollar Index
Real Estate	3.4	3.7	5.0	7.8	6.8	7.3	5.0	Oil Prices
Communications Services	5.6	7.7	7.6	2.8	6.5	5.3	7.0	10-Year yield
Utilities	5.2	8.0	3.2	9.4	4.8	2.8	3.0	Fed Balance Sheet

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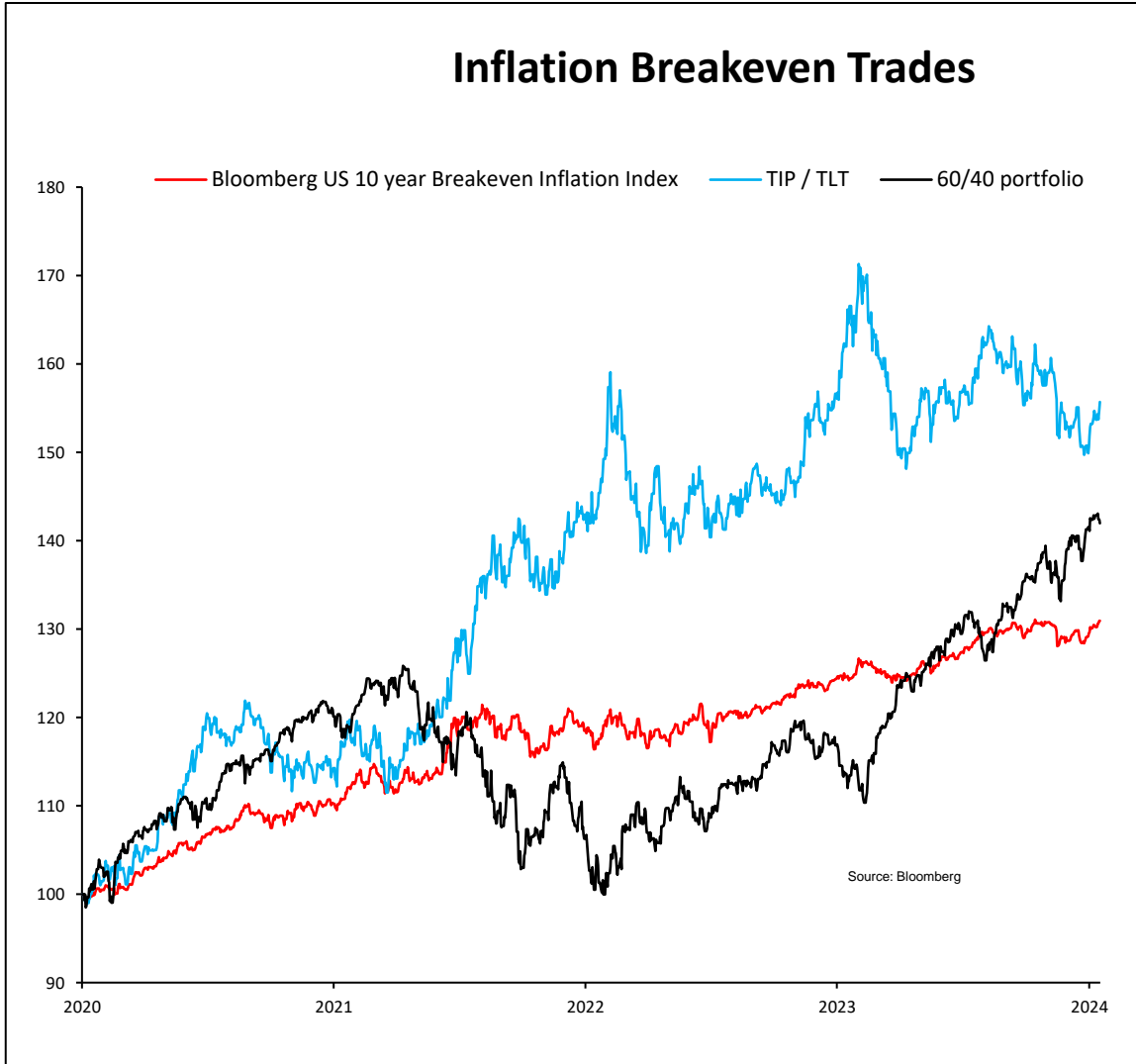
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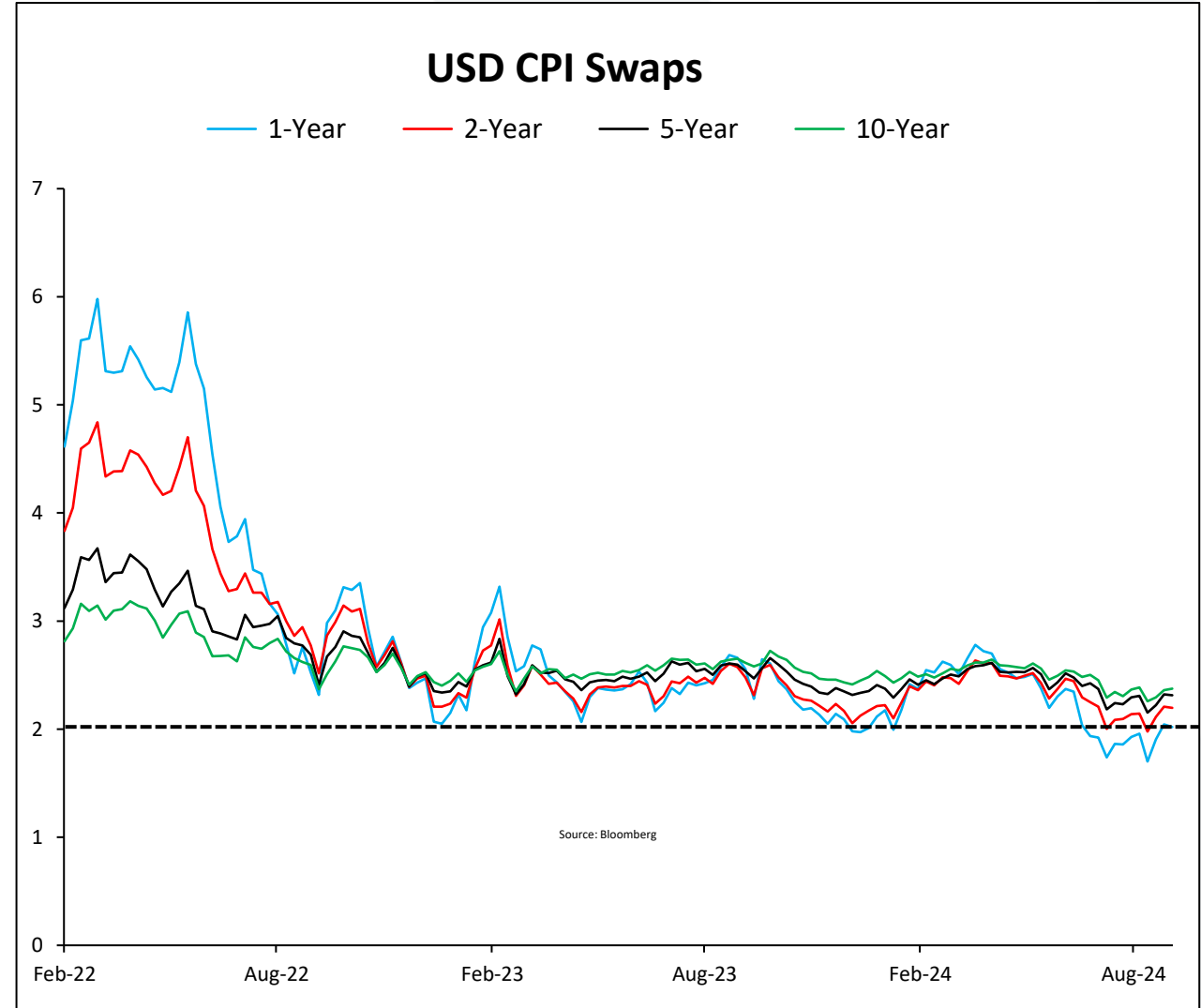
Source: Stonex

Other Trades: Long Breakevens

Inflation Breakeven Trades

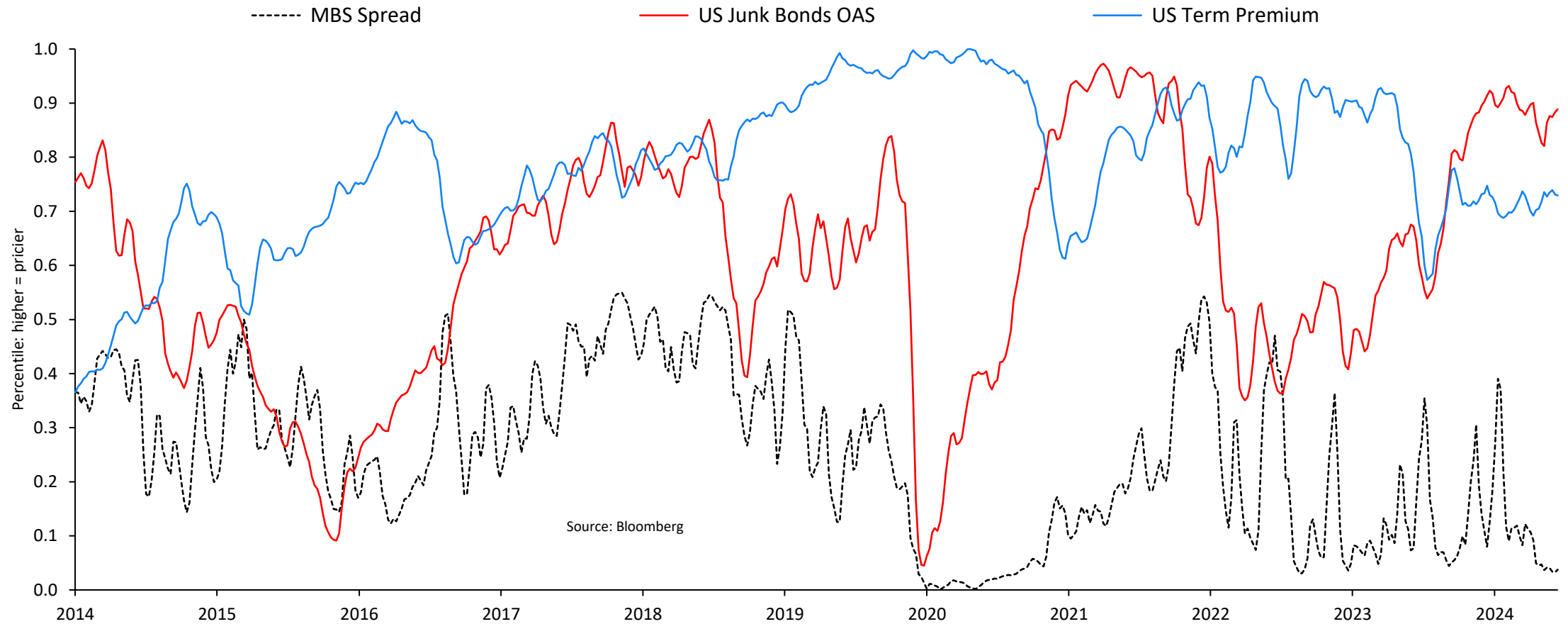


USD CPI Swaps

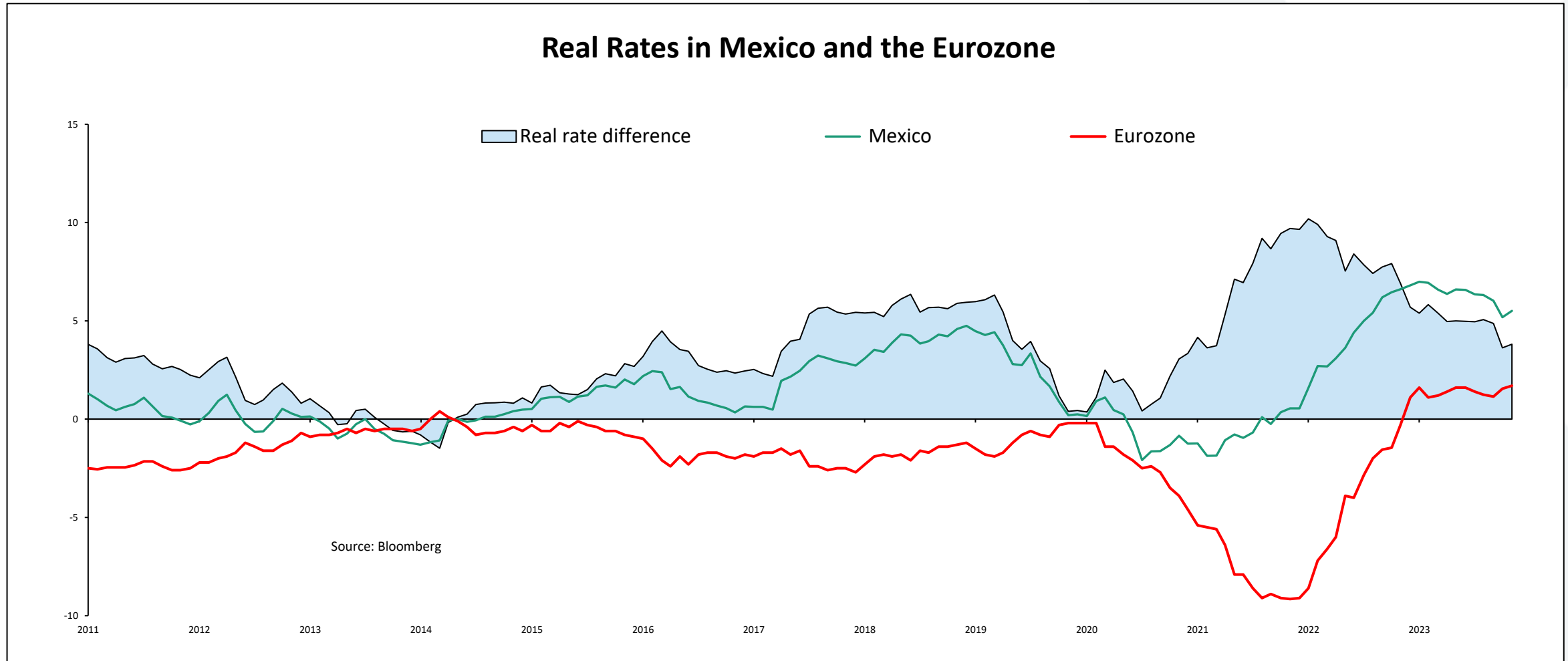


Other Trades: Long MBS (if you have to...)

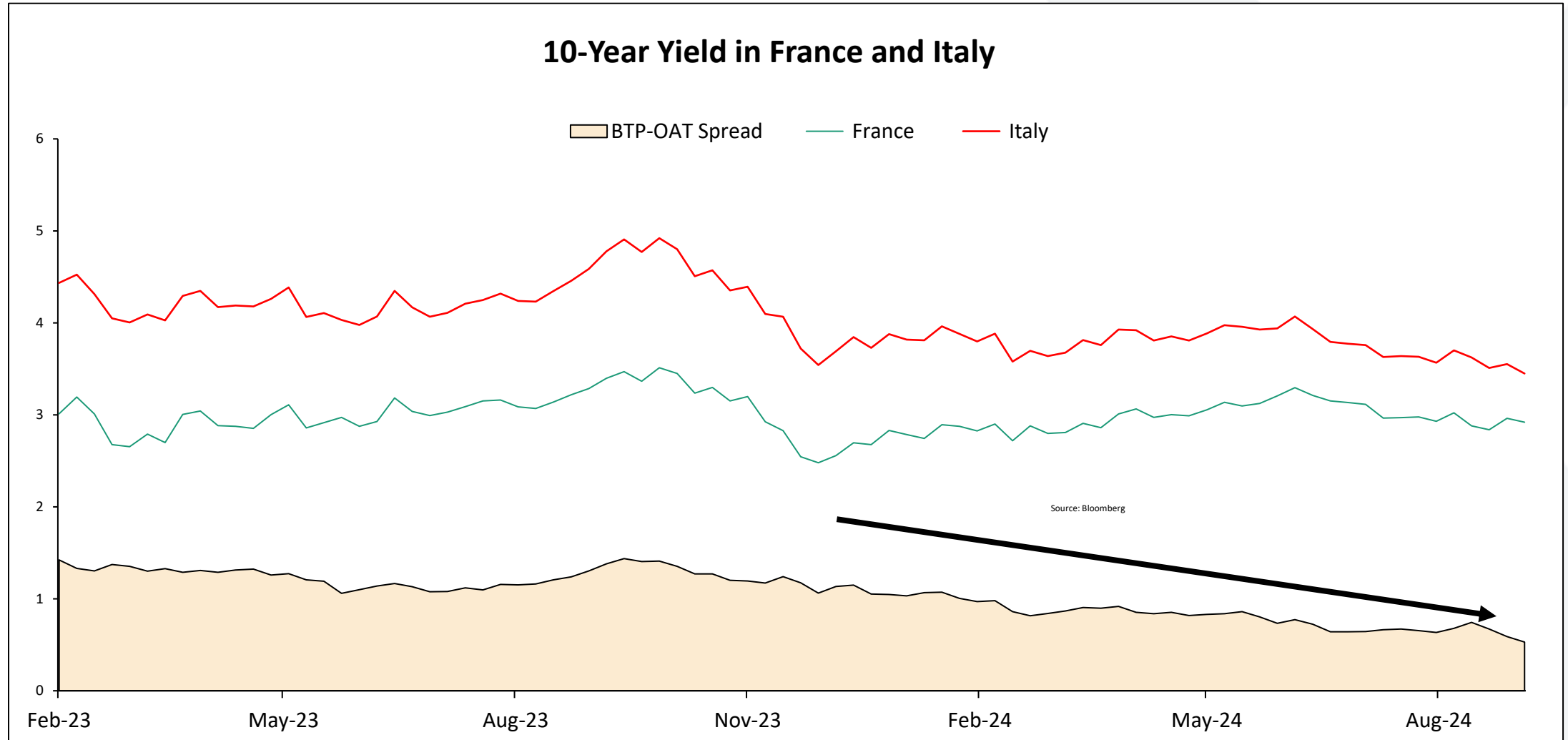
Compensation for Fixed Income Risks



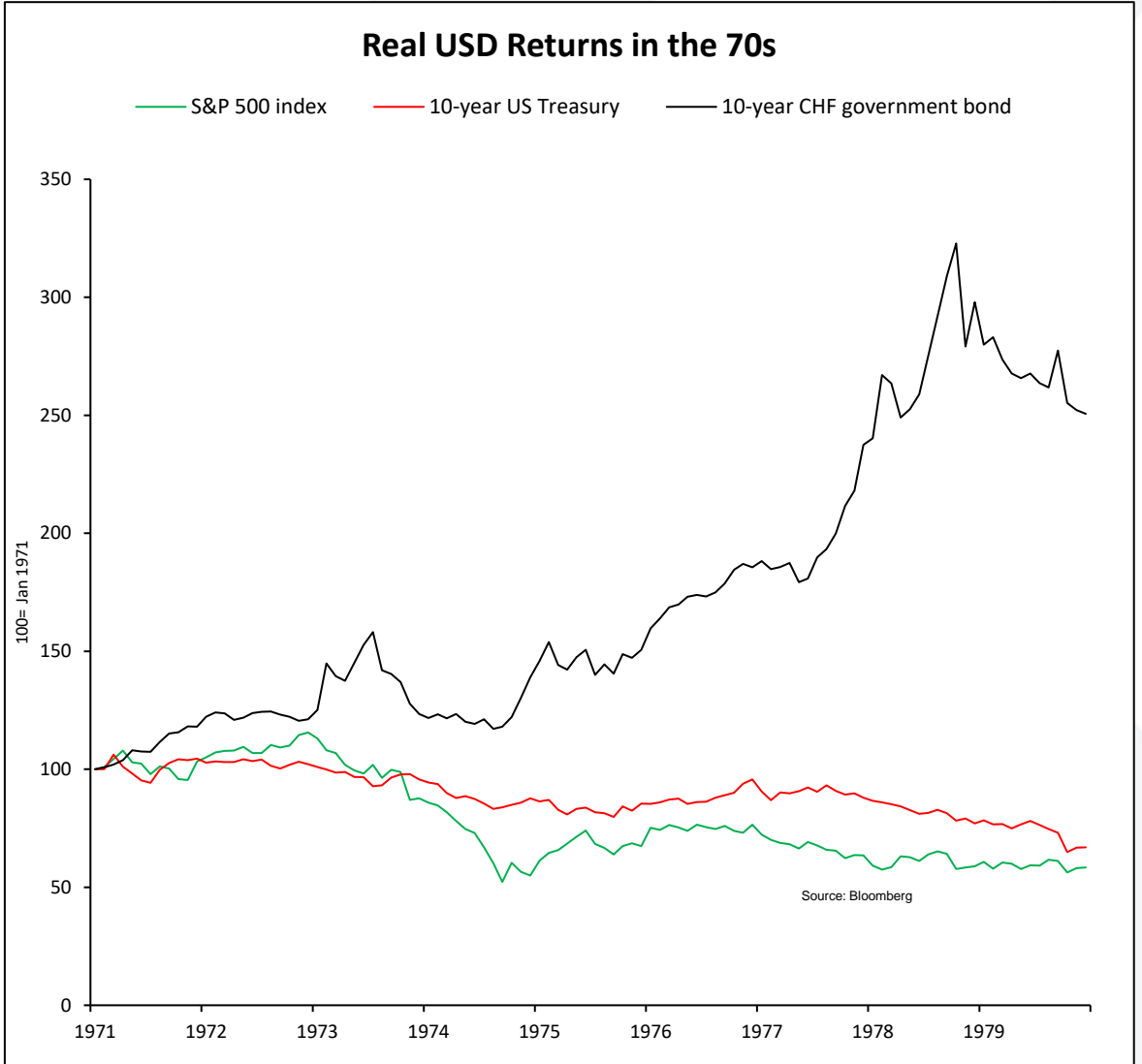
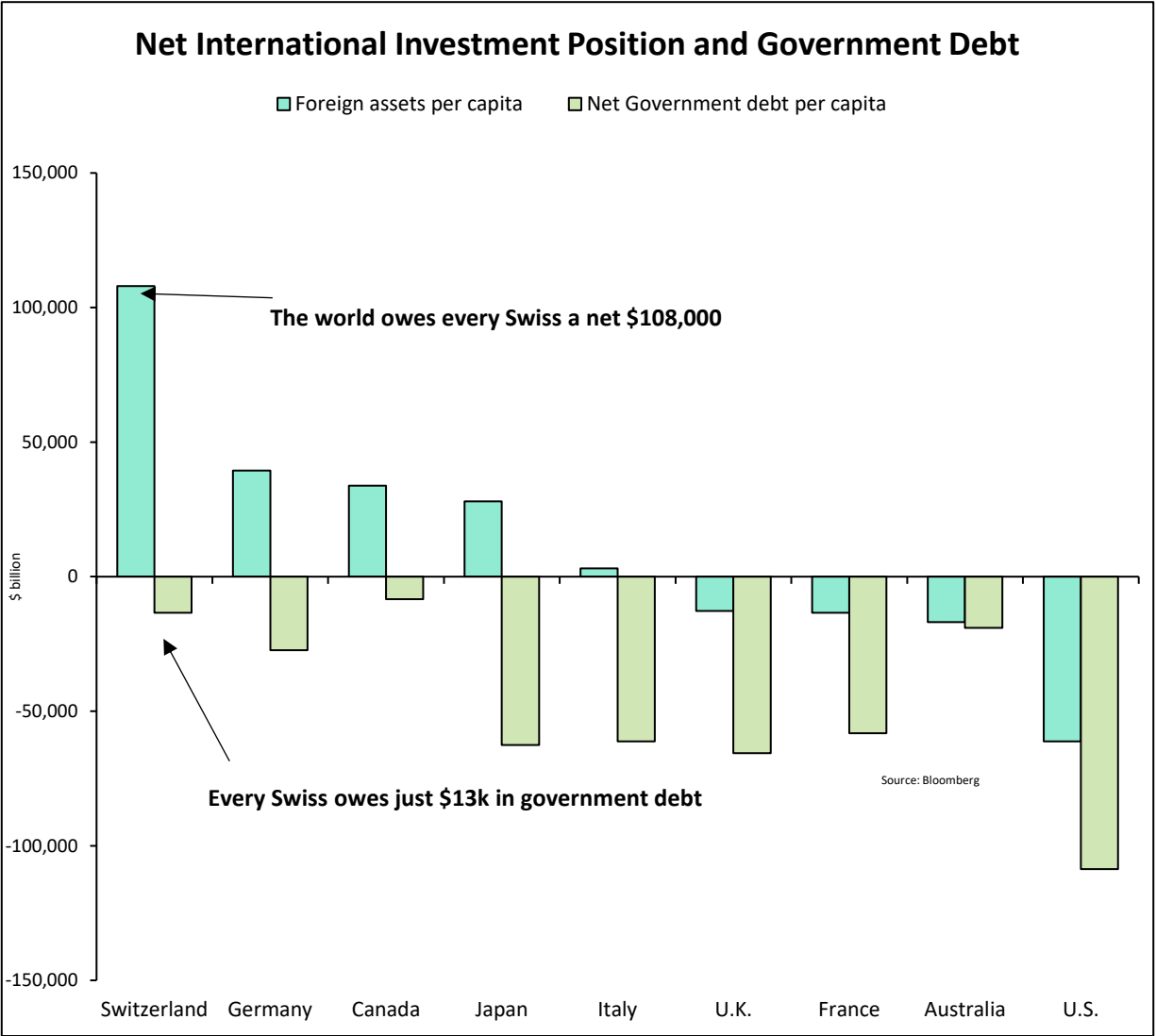
Other Trades: the Euro Is the New Yen



Other Trades: Short French Bonds, Still



Other Trades: Long CHF



Conclusions

- **The July panic was a market event, not an economic one**
 - Immigration skewed the Sahm rule and weather skewed July's (not-so) bad job number
 - The weakening of the labor market is due to immigration and a shift to the gig economy
 - **Tax collections are soaring by 9% YoY,** causing a negative fiscal impulse of \$300 billion
 - Fiscal policy will remain accommodative for structural and electoral reasons
 - **Inflation is down but not out.** Brace for a second wave in the winter
 - **Brace for Higher Yields:** the Fed may not be able to cut more than 3-4 times
 - The rally of the Yen, the Chinese stimulus, and the Fed have started **a cycle of intl outperformance**
 - **Limit US exposure to reasonably-priced large financial stocks** and MBS
 - **The Euro is the new Yen:** use it to fund carry trades and hedge with the CHF
-

Biography

Vincent is the global macro strategist for StoneX Financial Inc, BD Division, where he authors weekly commentary on asset allocation, flows, Europe equities and quantitative topics.

Prior to joining StoneX Financial Inc., Vincent served as Europe Strategist for Ned Davis Research Group where he started the firm's European product. Vincent authored weekly publications on European markets, and designed proprietary trading models that combined fundamental, technical and macro indicators to identify major investment themes and market trends.

In November 2013, Vincent was awarded the Euromoney Padraic Fallon Editorial Prize for his in-depth study of the investment opportunities offered by the European debt crisis.

Prior to joining Ned Davis Research, Vincent was the Executive Vice President of TrimTabs Investment Research, where he headed the firm's quantitative research. At TrimTabs, Vincent authored weekly research reports on flows, sentiment, and European capital markets. Vincent designed and traded large and profitable strategies based on supply and demand indicators for top-tier hedge funds.

He has been frequently quoted in the Financial Times, Wall Street Journal, Bloomberg, Forbes Magazine, and Barron's.

Vincent is an adjunct professor of finance at Saint Mary's College Master's in Finance program, and he teaches a module on ESG at McGill University. Vincent was a subject matter expert on asset allocation for the level 3 of the CFA exam at the American College and an adjunct professor in finance at Golden Gate's University Executive MBA program.

Vincent is a CFA charterholder. He completed a dual master's degree at Sciences-Po Paris (Cum Laude) and Columbia University and speaks English, French, Italian, and Indonesian.

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