

Presentation

by

A. Gary Shilling, Ph.D.

to

Texas Municipal Retirement System

May 2020

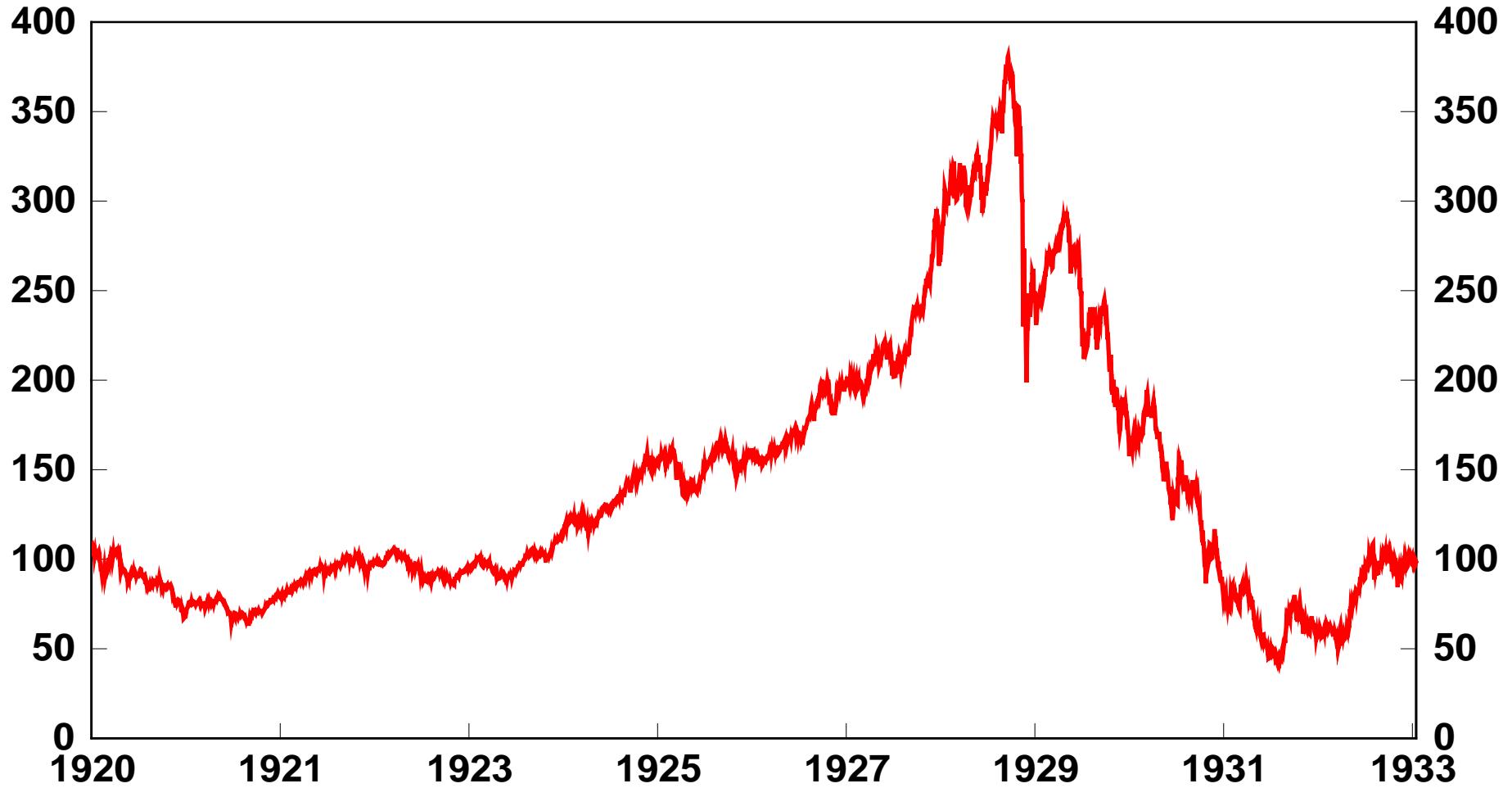
A. Gary Shilling & Co., Inc.

500 Morris Avenue, Springfield, NJ 07081

Telephone: 973.467.0070 Fax: 973.467.1943

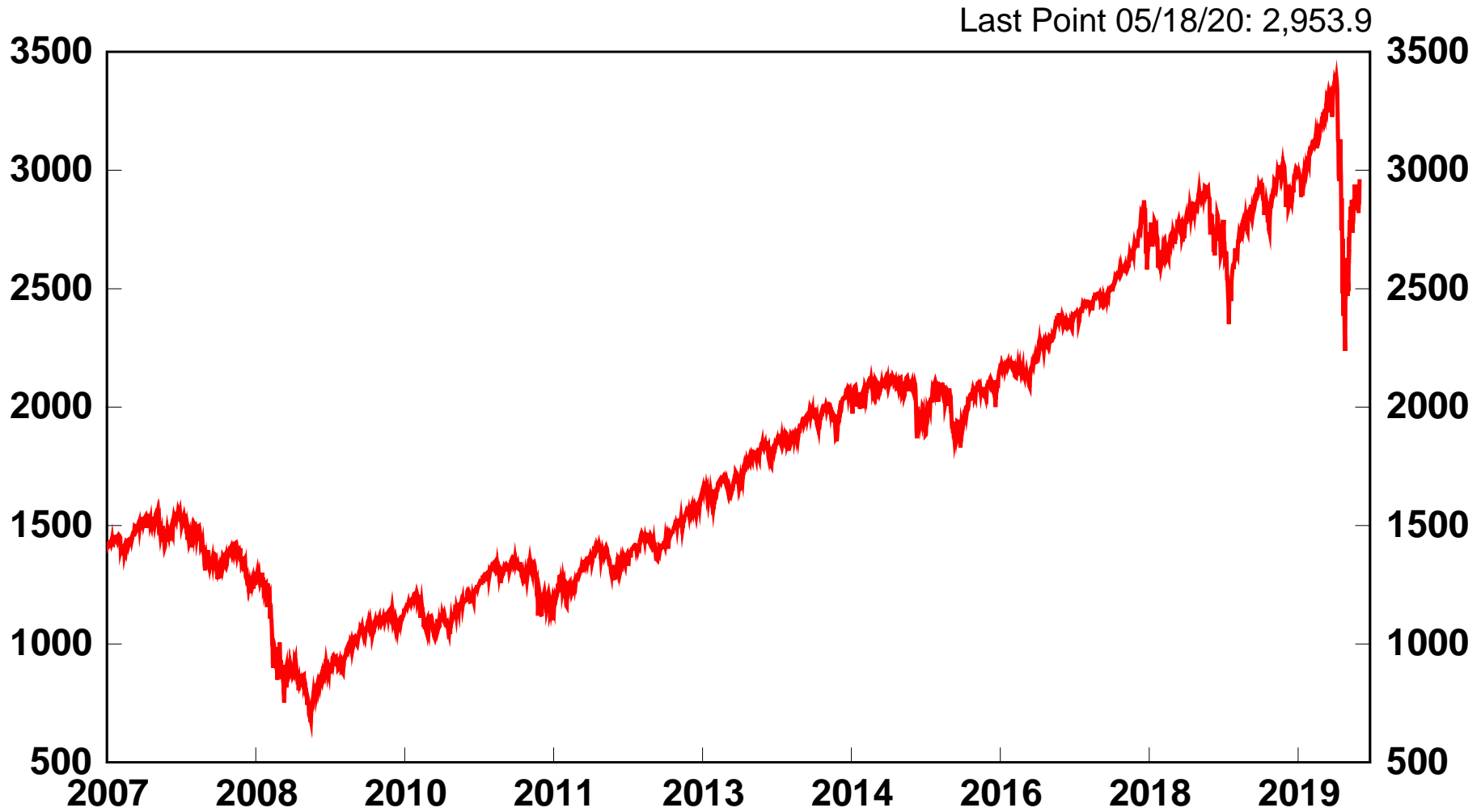
e-mail: gary@agaryshilling.com Web: www.agaryshilling.com

Chart 1 Dow Jones Industrial Average



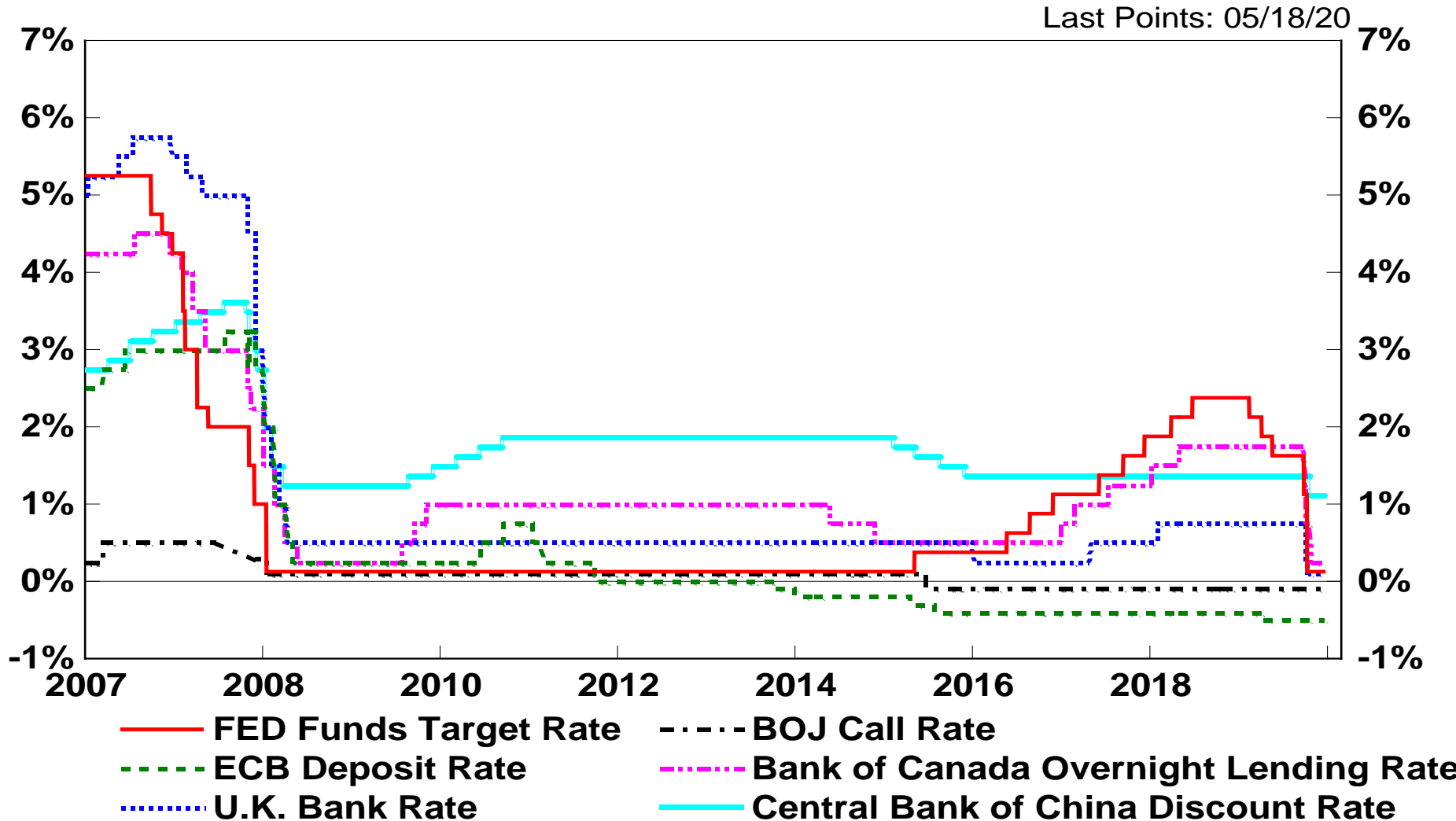
Source: Bloomberg

Chart 2 S&P 500 Index



Source: Bloomberg

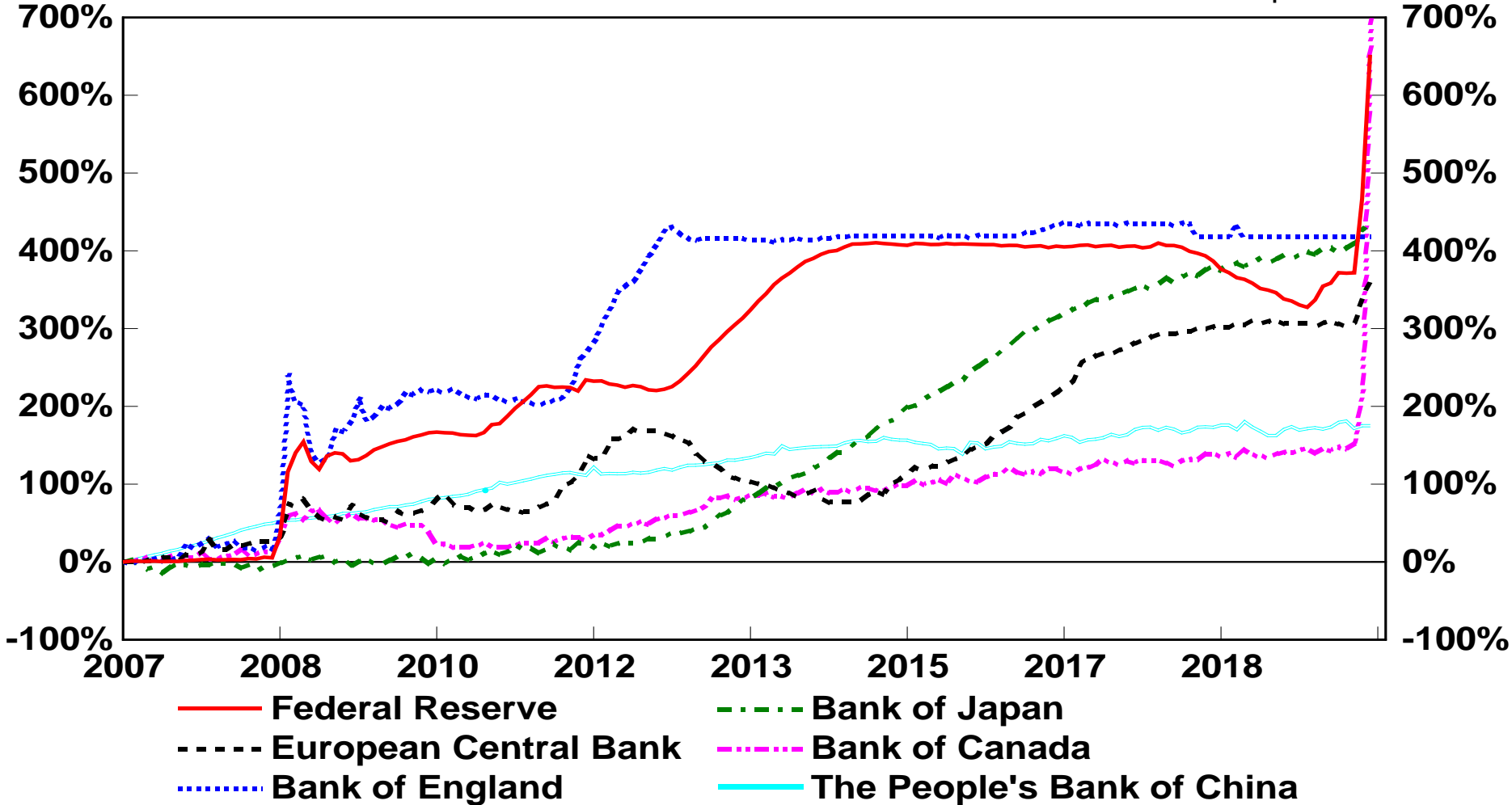
Chart 3 Central Bank Rates



Source: The Central Banks; Bloomberg

Chart 4 Central Bank Assets change since January 2007

Last Points: April 2020



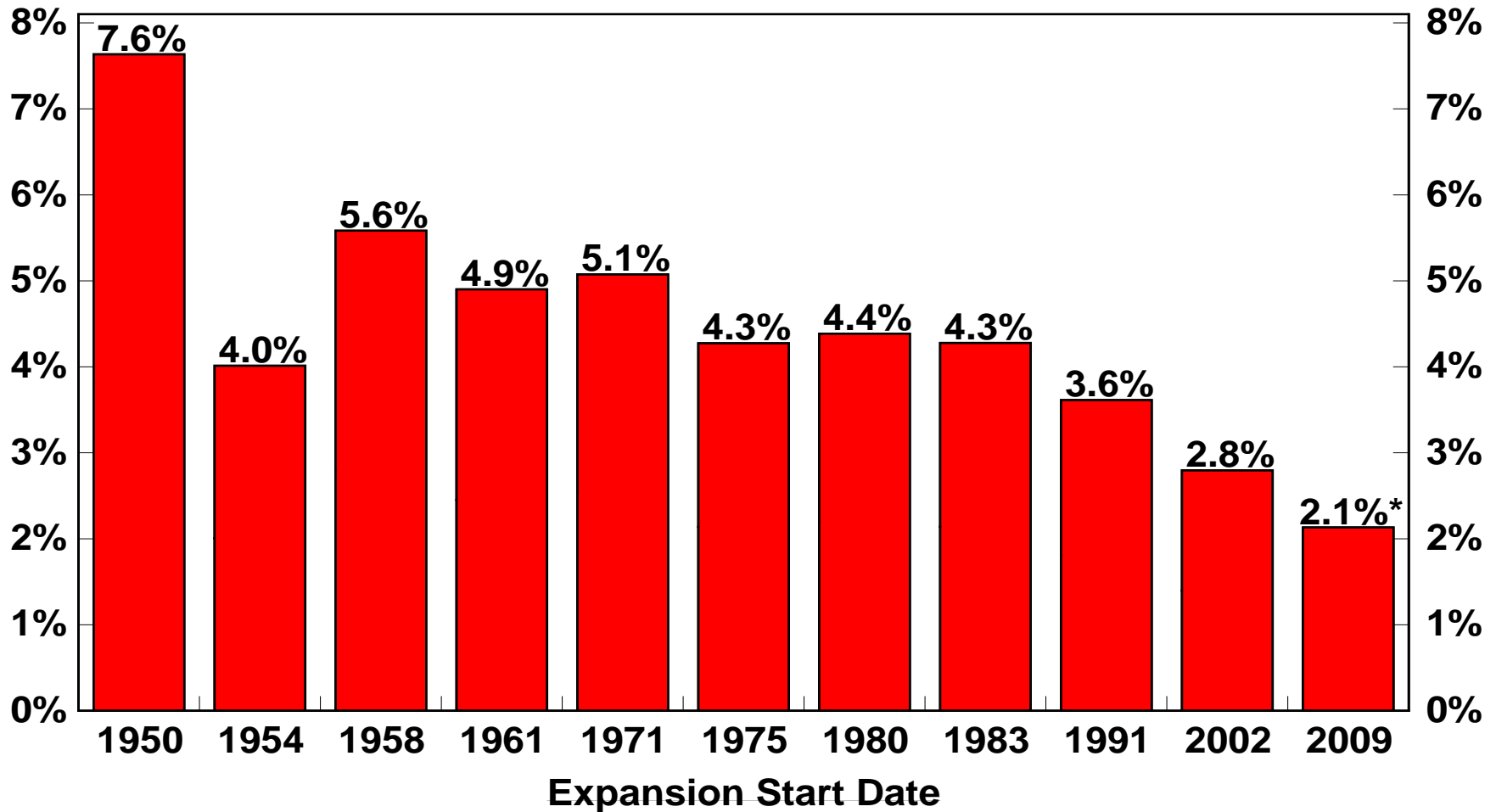
Note: Growth in Gilt purchases used after Q3 2014 for BOE due to lack of data.

Source: Bloomberg; The Central Banks

Chart 5

Real GDP Growth During Expansions

annualized rates of expansion from NBER trough-to-peak

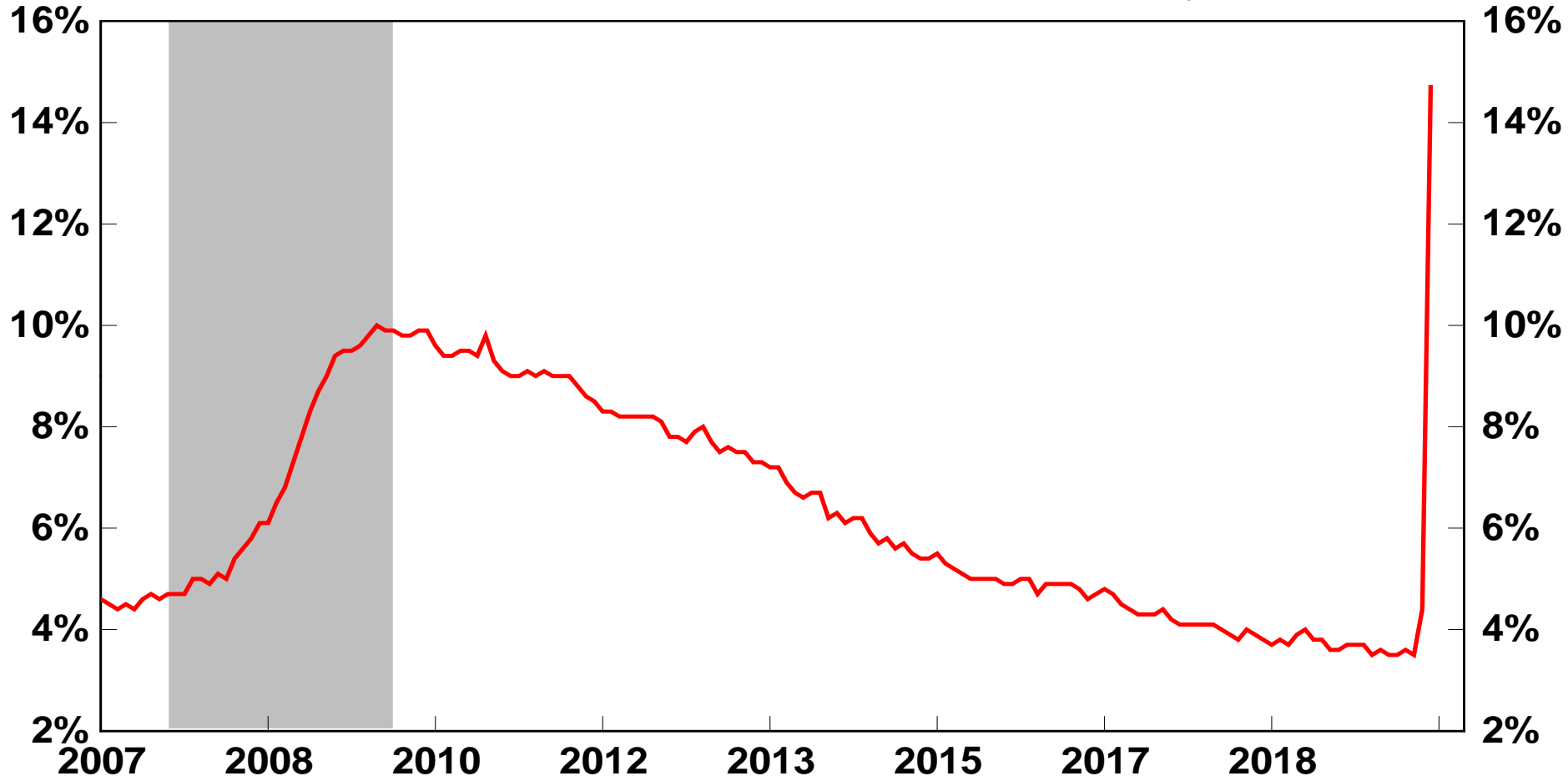


*Through Q1 2020
Source: BEA; NBER

Chart 6

U-3 Unemployment Rate

Last Point April 2020: 14.7%

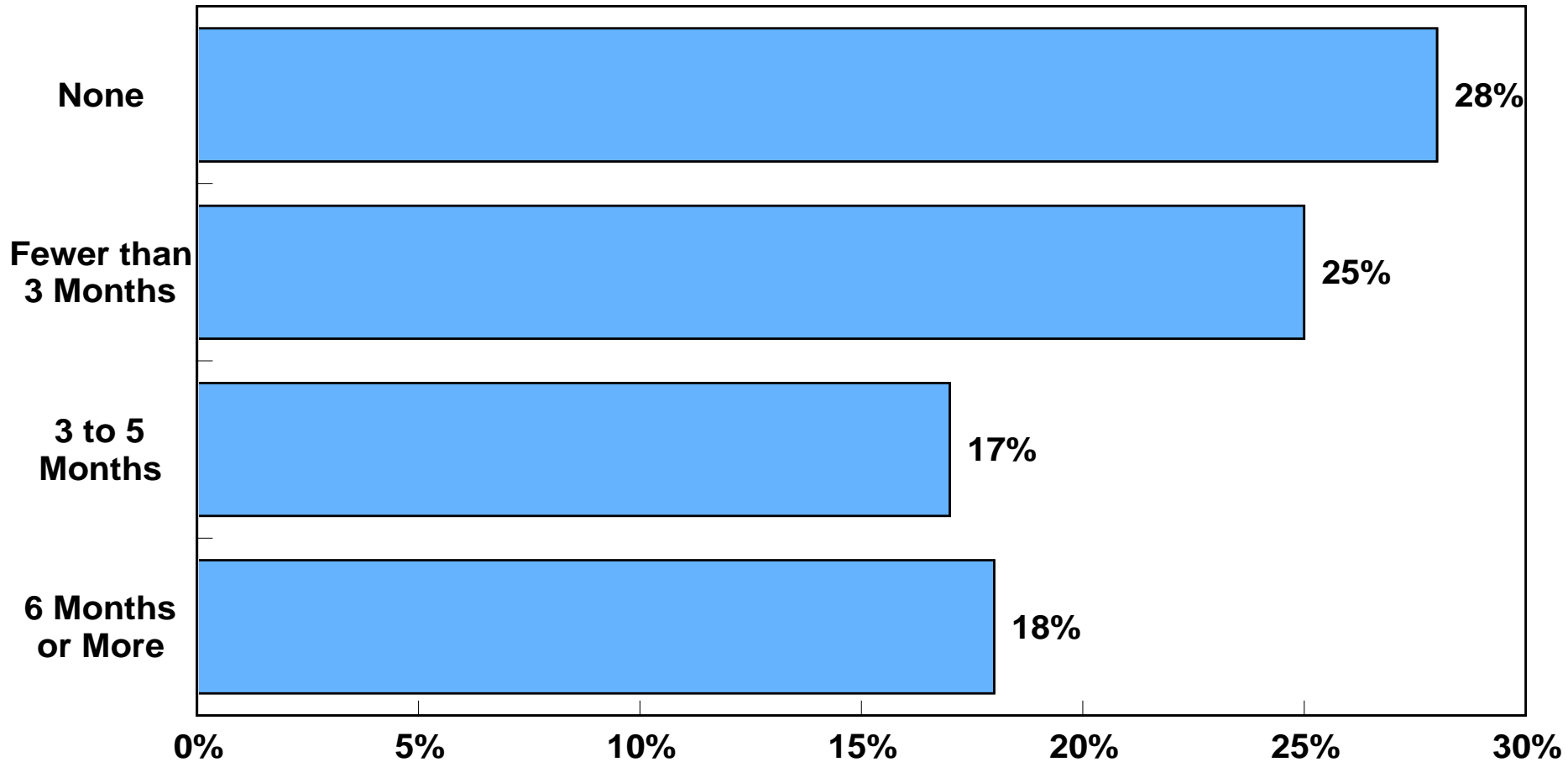


Source: Bureau of Labor Statistics

Chart 7

Americans' Emergency Savings

number of months expenses can be covered using money in checking, savings or money market account



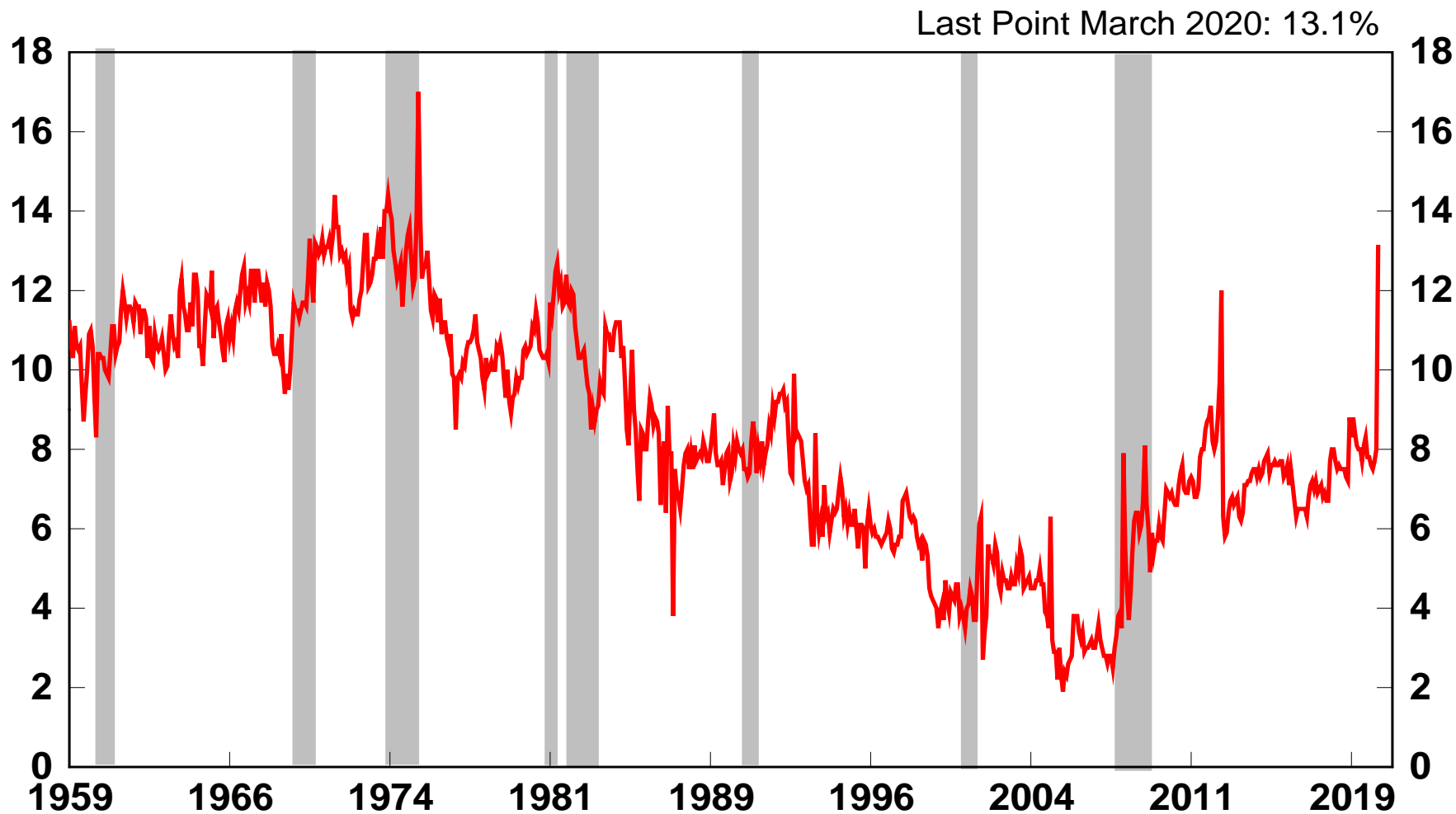
Note: From Bankrate's Financial Security Poll, May 21-26, 2019

Source: www.bankrate.com

Chart 8

U.S. Personal Saving Rate

seasonally-adjusted annual rate



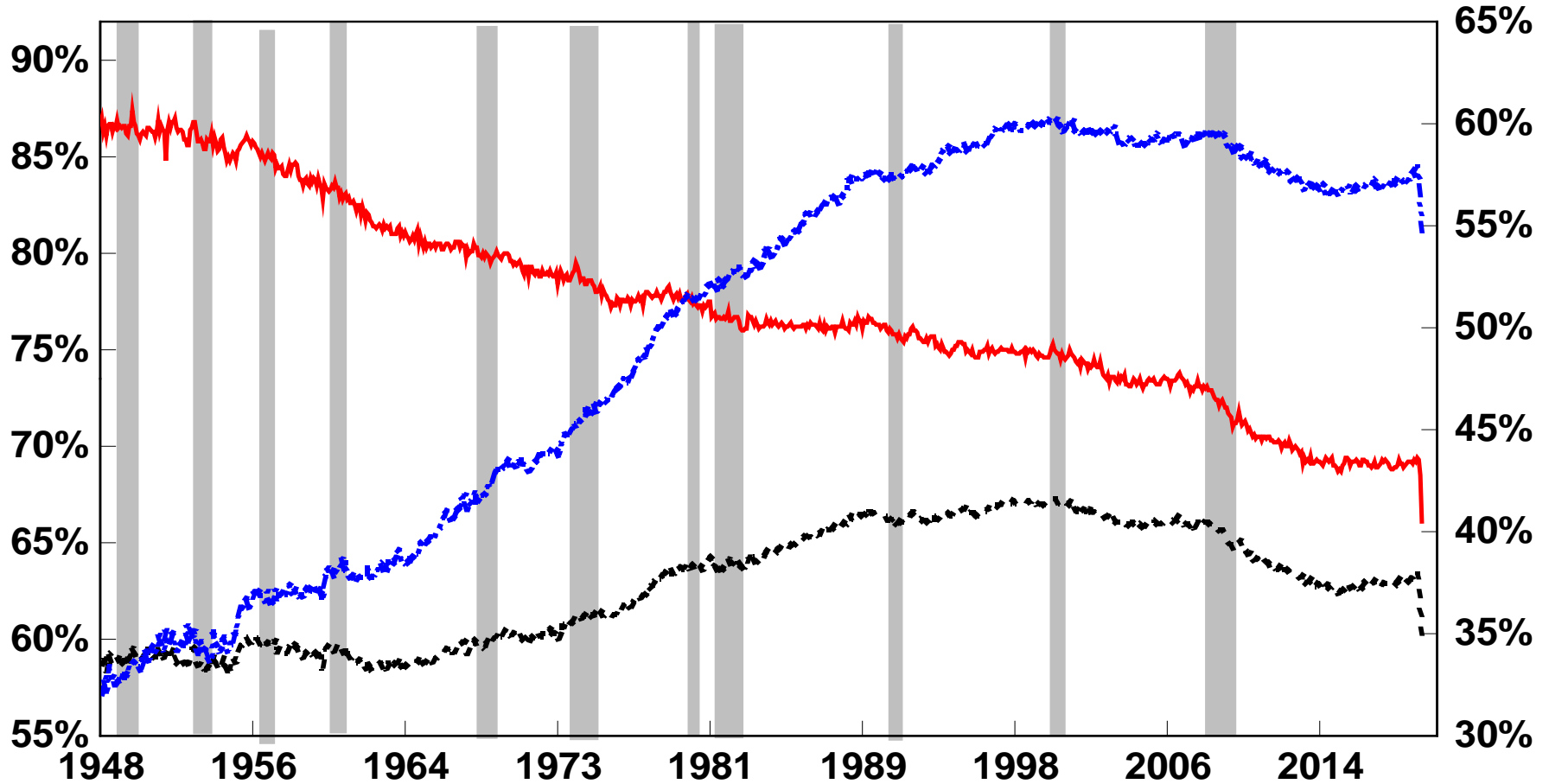
Source: Bureau of Economic Analysis

Chart 9

Labor Force Participation Rate

seasonally-adjusted

Last Points April 2020 - Male, 66.1%; Total, 60.2%; Female, 54.7%



— Male - left axis
- - - Total - left axis
- · - · Female - right axis

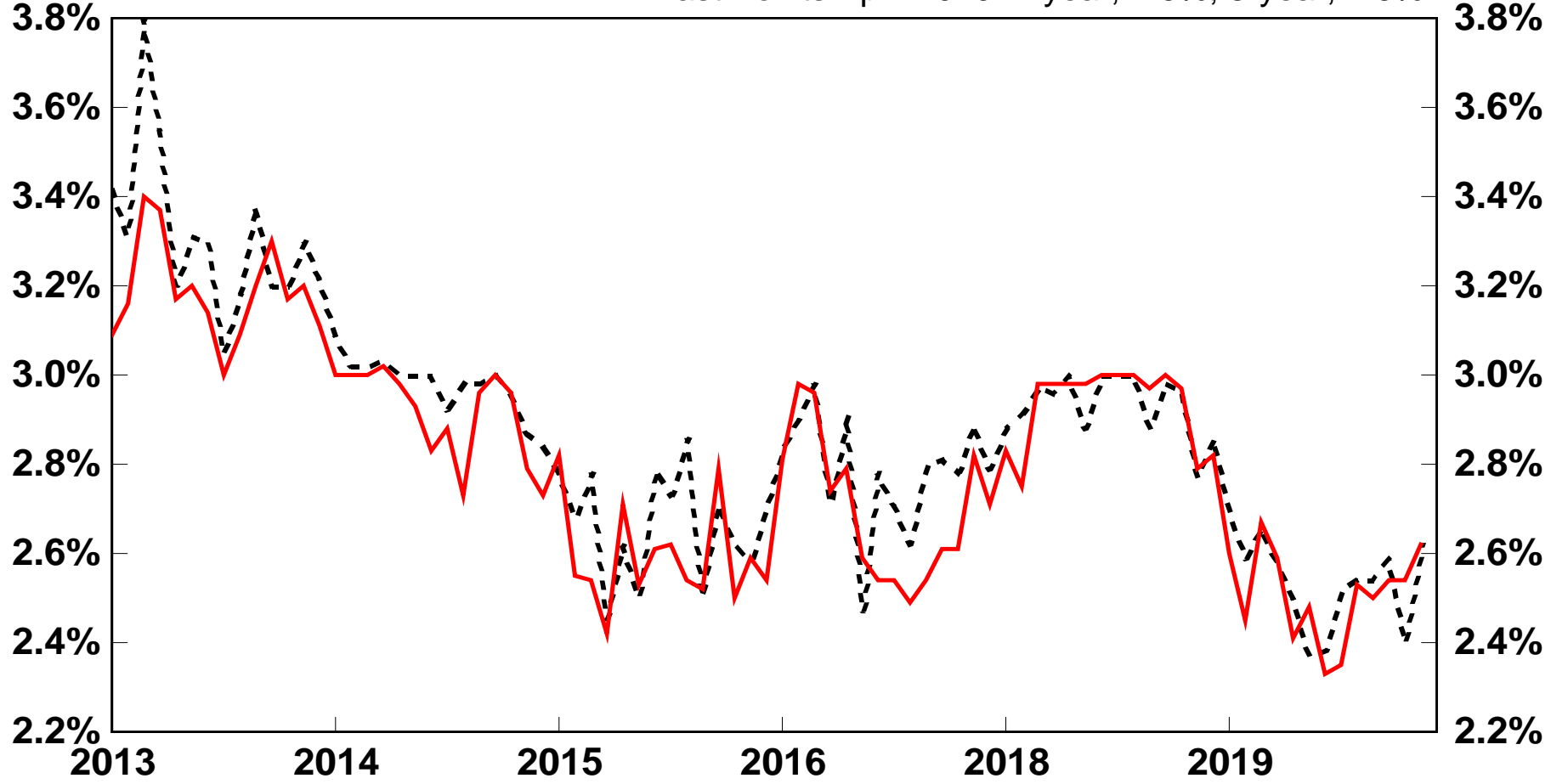
Source: Bureau of Labor Statistics

Chart 10

NY Federal Reserve Survey of Consumer Expectations

median inflation expectations

Last Points April 2020: 1-year, 2.6%; 3-year, 2.6%



— 1-year ahead
- - - 3-year ahead

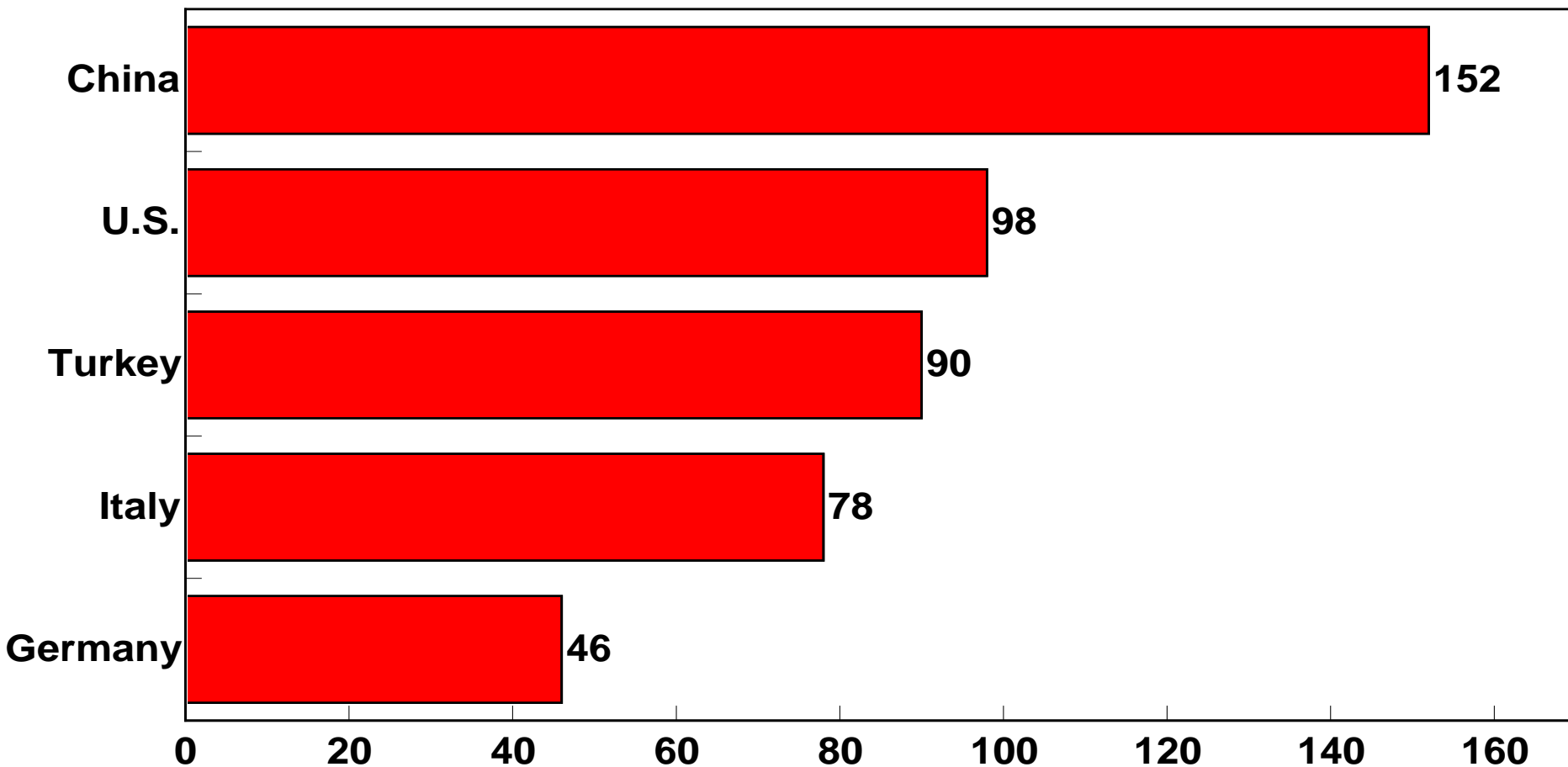
Source: Federal Reserve Bank of New York

Chart 11

Exports of Non-Woven Man-Made Filaments

million kilograms

Last Point: 2017

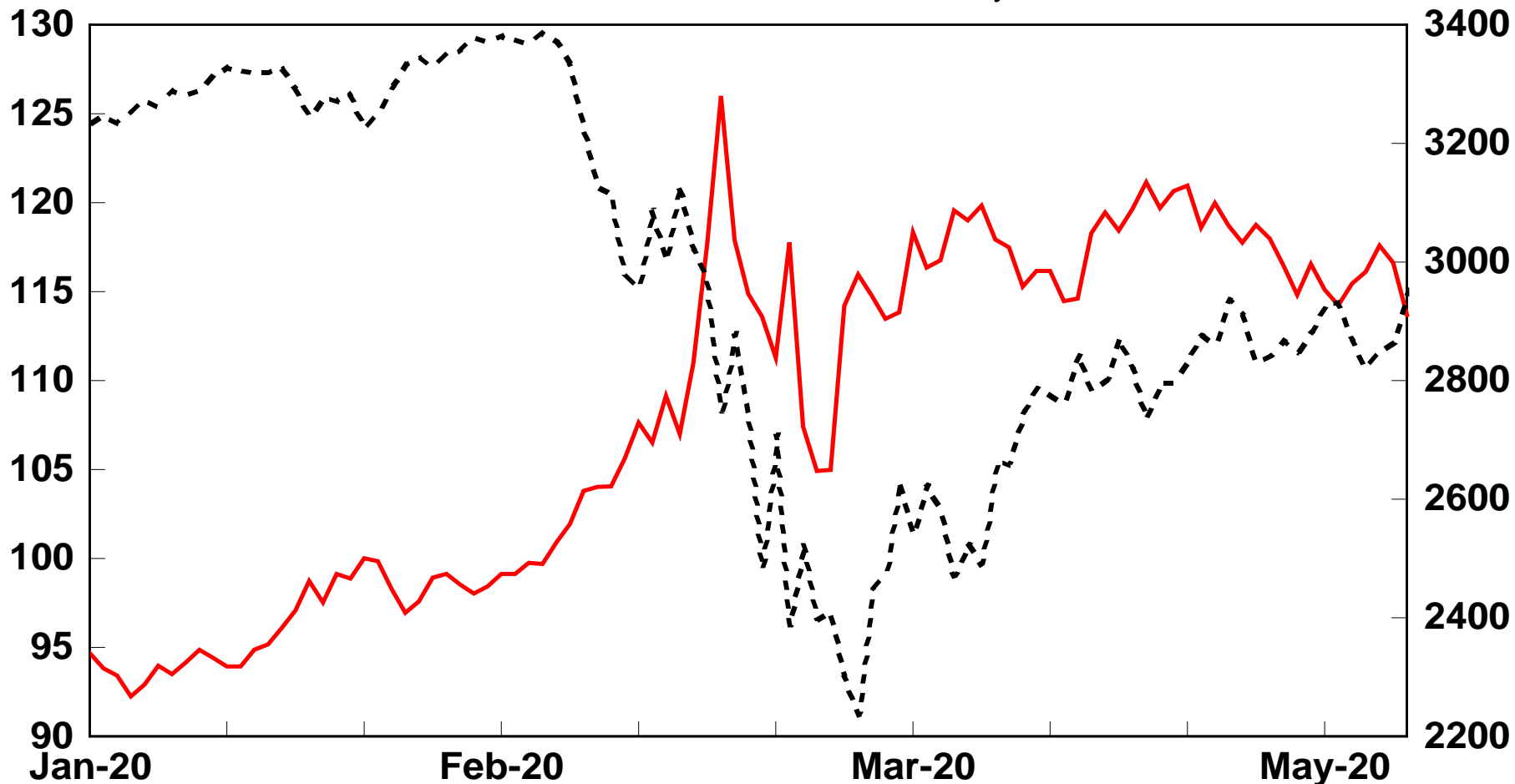


Source: United Nations; The Wall Street Journal

Chart 12

30-year Treasury Bond Price and S&P 500 Index

Last Points 05/18/20: 30-yr, 113.70; S&P, 2,953.91



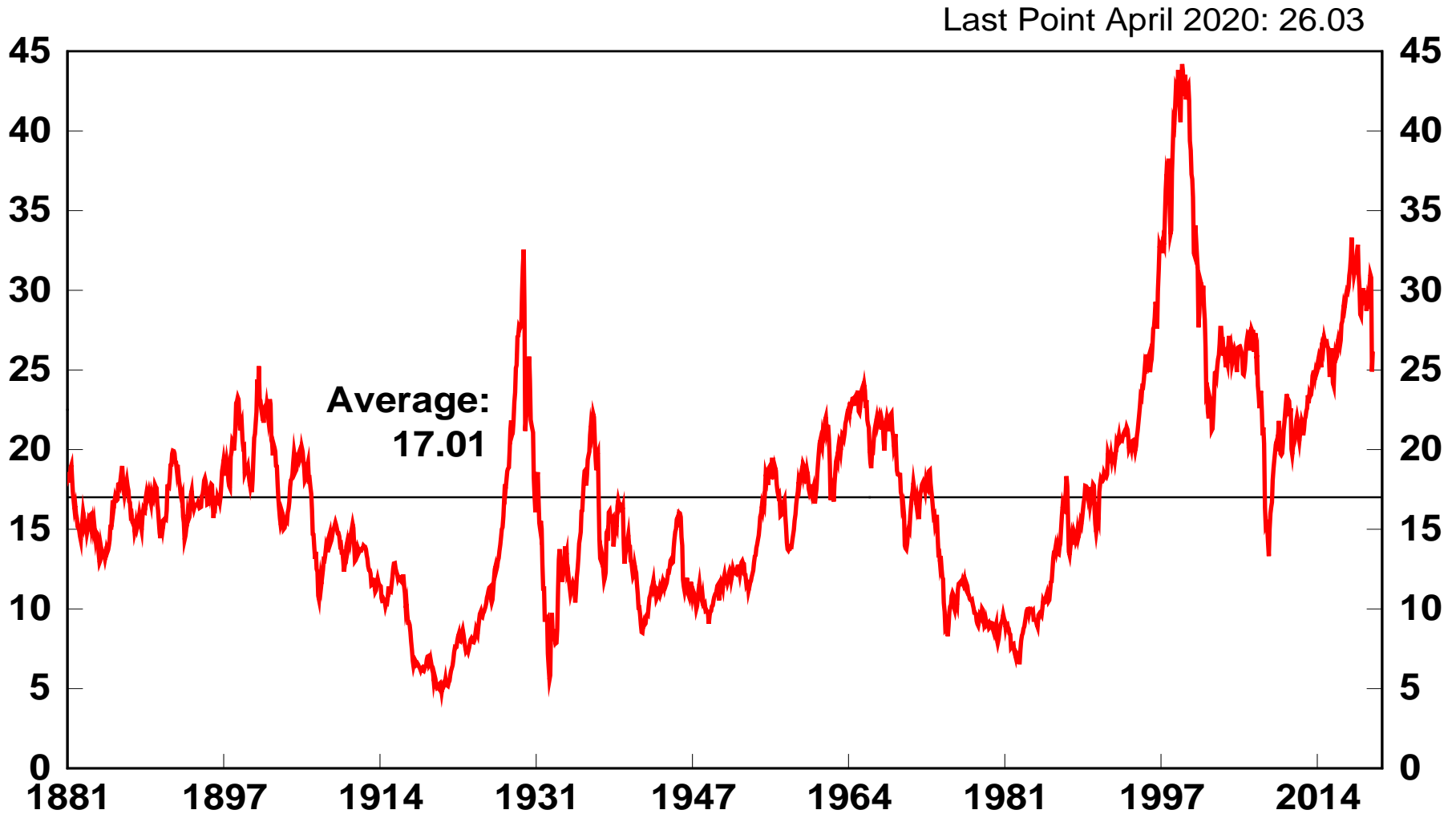
— 30-year Treasury Bond Price - left axis
- - - S&P 500 Index - right axis

Source: Bloomberg

Chart 13

Cyclically Adjusted Stock Price to Earnings Ratio

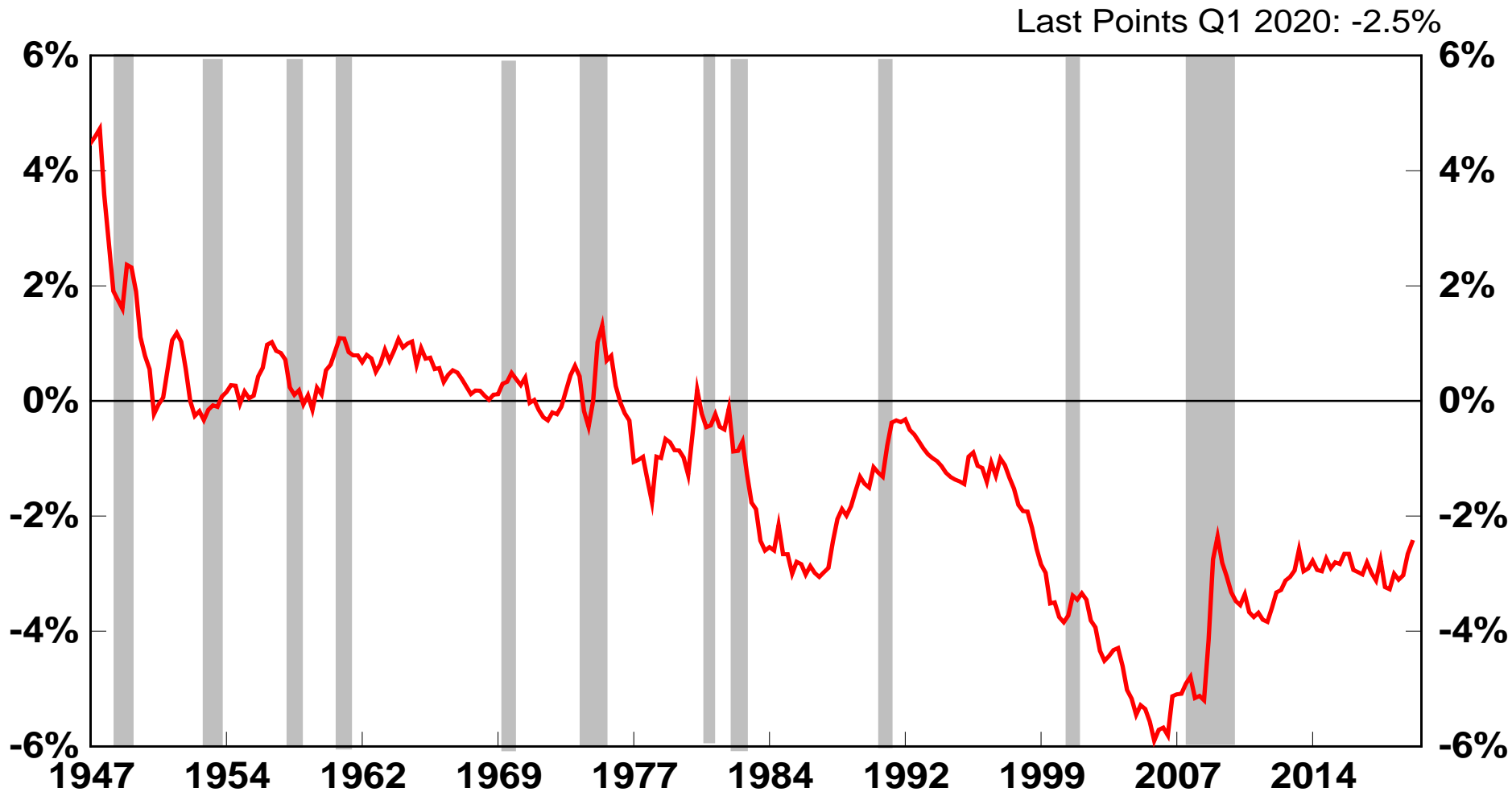
S&P 500 price /avg. earnings from previous 10 years



Source: Robert Shiller

Chart 14

United States International Trade Balance as a percent of GDP



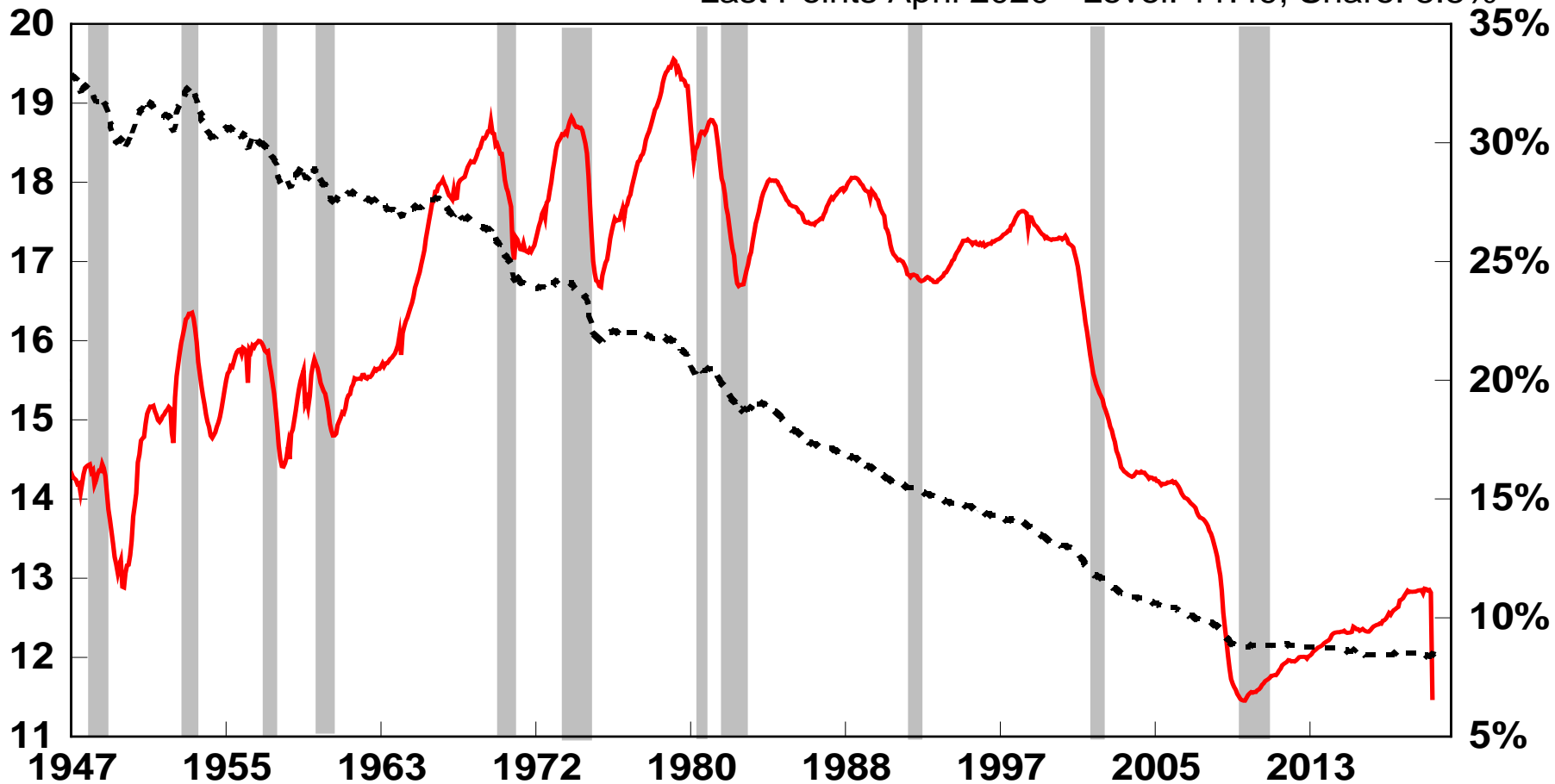
Source: Bureau of Economic Analysis

Chart 15

Manufacturing Payroll Employment

level and share of total nonfarm payroll

Last Points April 2020 - Level: 11.49, Share: 8.8%



— Level (millions of employees) - left axis
- - - - Share of Total Nonfarm Payrolls - right axis

Source: Bureau of Labor Statistics

Chart 16

Partial List of Great Society Programs and Agencies

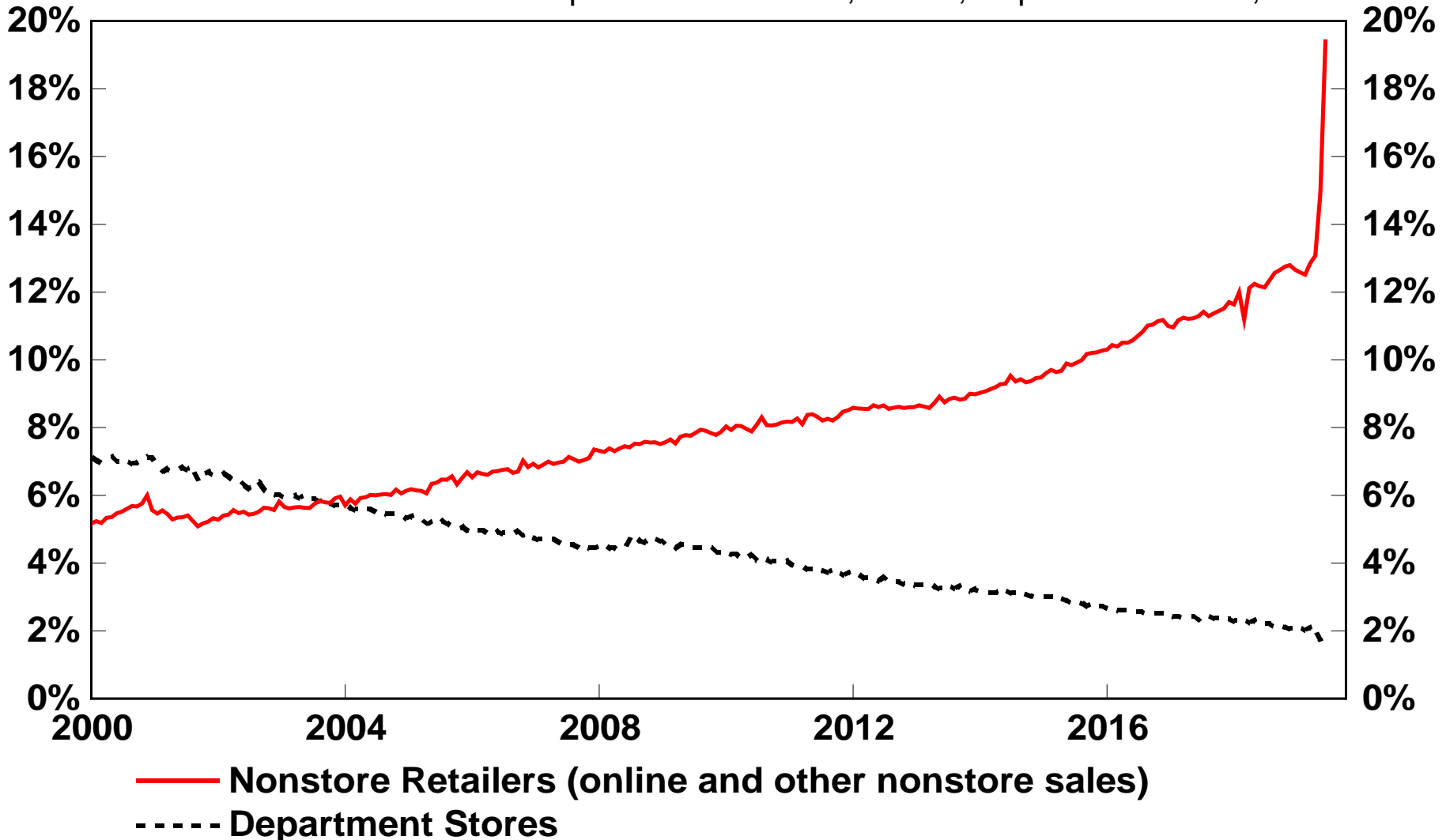
- Appalachian Regional Development Act of 1965
- Cigarette Labeling & Advertising Act of 1965
- Corporation for Public Broadcasting
- Economic Development Administration
- Economic Opportunity Act of 1964 (War on Poverty)
- Elementary and Secondary Education Act of 1965
- Food Stamp Act of 1964
- Head Start
- Higher Education Act of 1965
- Job Corps
- Medicaid
- Medicare
- Model Cities Program
- Motor Vehicle Air Pollution Control Act
- National Endowment for the Arts
- National Endowments for the Humanities
- National Highway Transportation Safety Administration
- National Transportation Safety Board
- Older Americans Act of 1965
- Volunteers in Service to America (VISTA)
- Water Quality Act

Chart 17

Department and Nonstore Retail Sales

as percent share of total retail sales

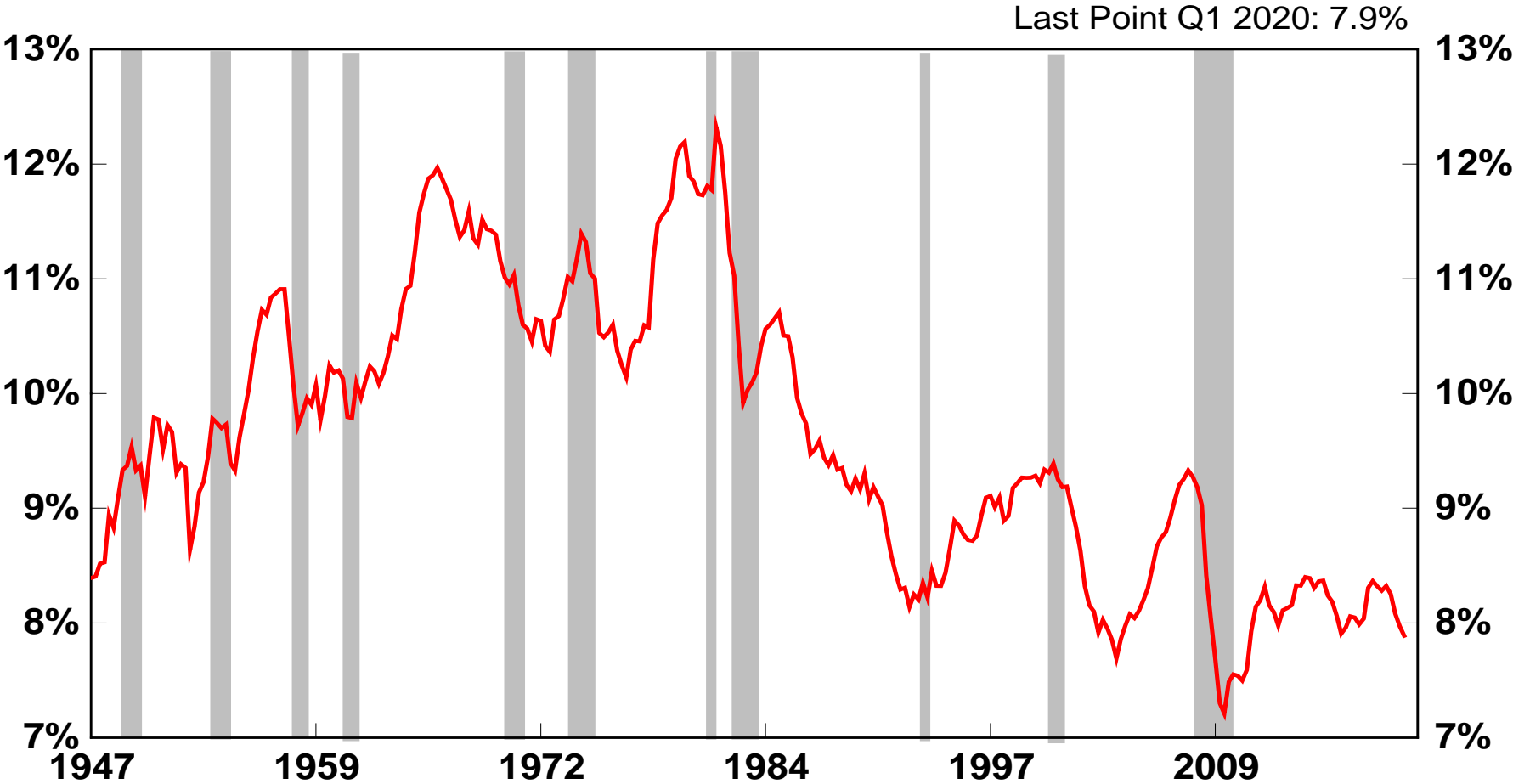
Last Points April 2020: Nonstore, 19.4%; Department Stores, 1.5%



Source: U.S. Census Bureau

Chart 18

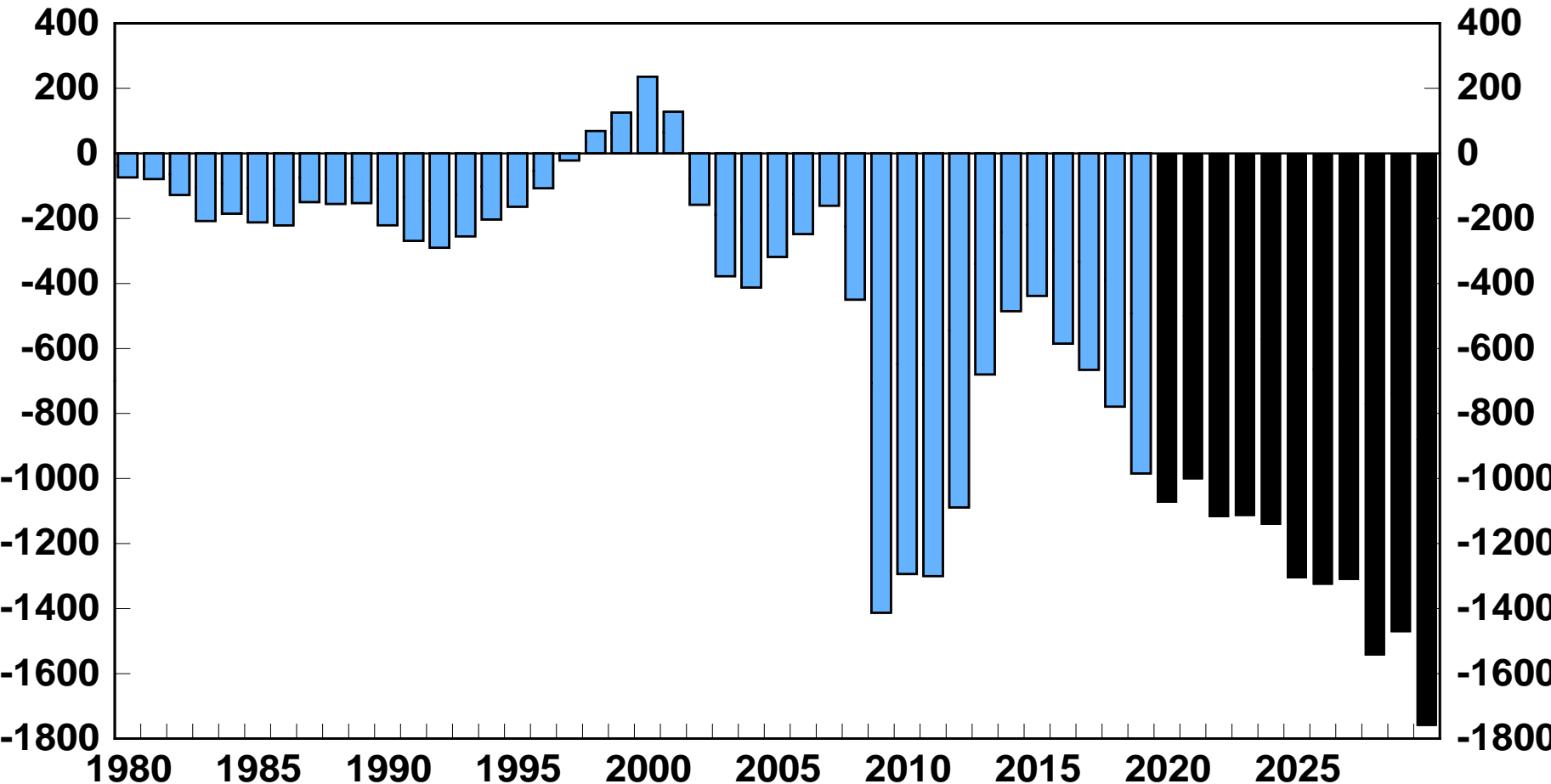
United States Infrastructure Spending as a percent of GDP



Note: Includes private fixed investment in structures, industrial equipment and transportation equipment. Includes federal nondefense gross investment and state & local gross investment.

Source: Bureau of Economic Analysis

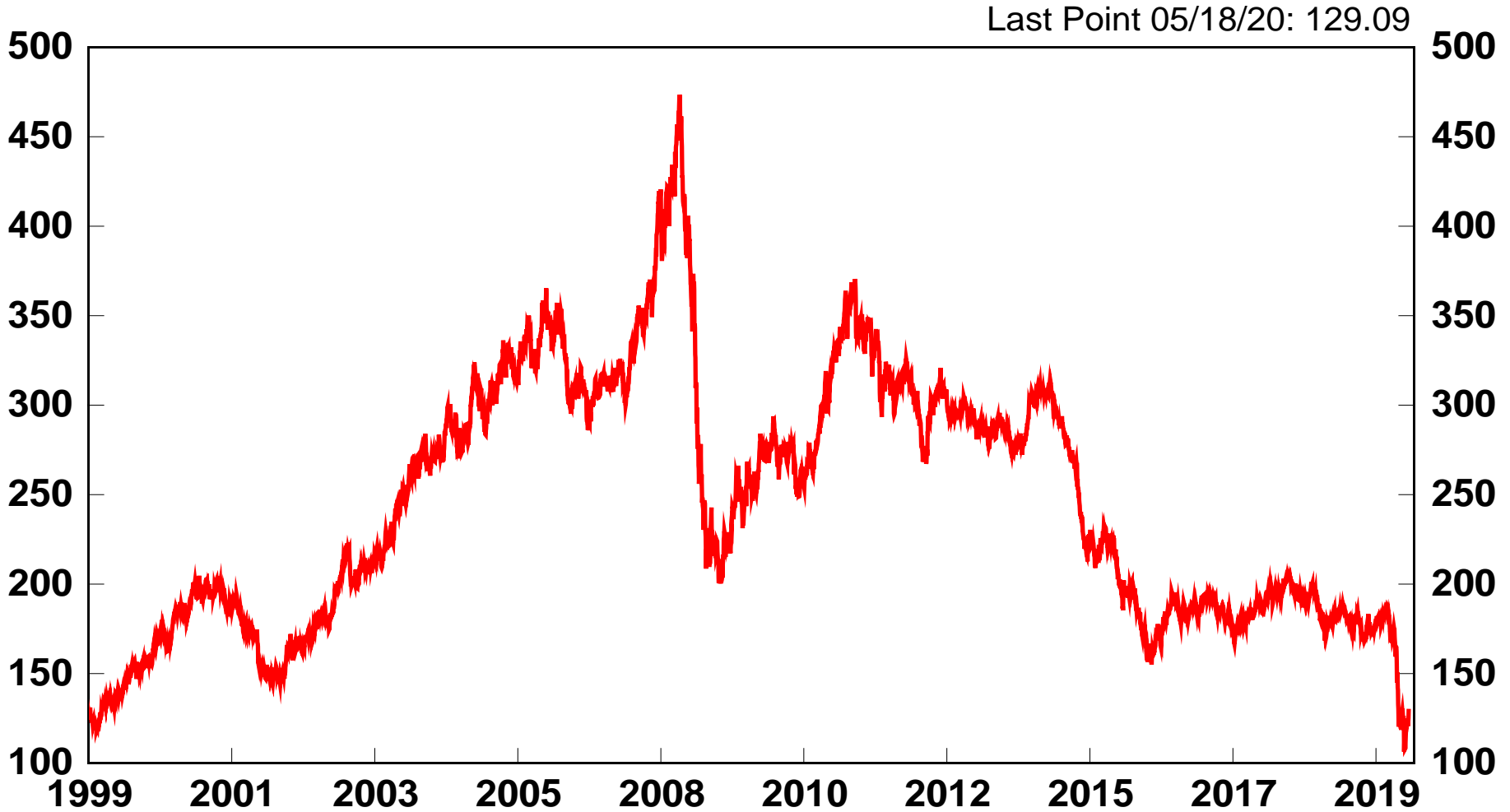
Chart 19 Federal Budget Balance billion USD



■ Historical
■ CBO Projections

Source: Congressional Budget Office

Chart 20 Thomson Reuters CRB Index



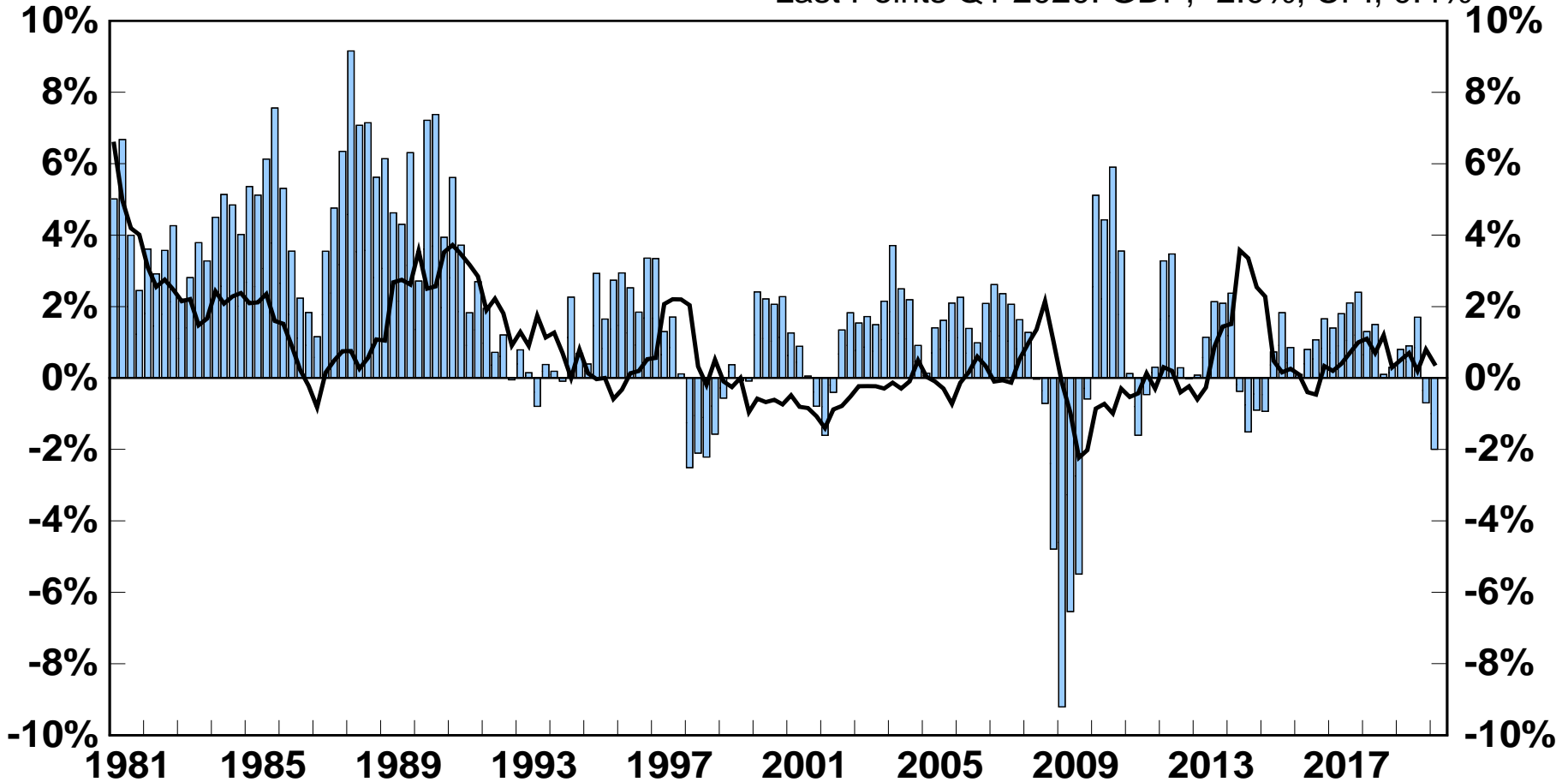
Source: Bloomberg

Chart 21

Japanese CPI and Real GDP

year/year percent change

Last Points Q1 2020: GDP, -2.0%; CPI, 0.4%



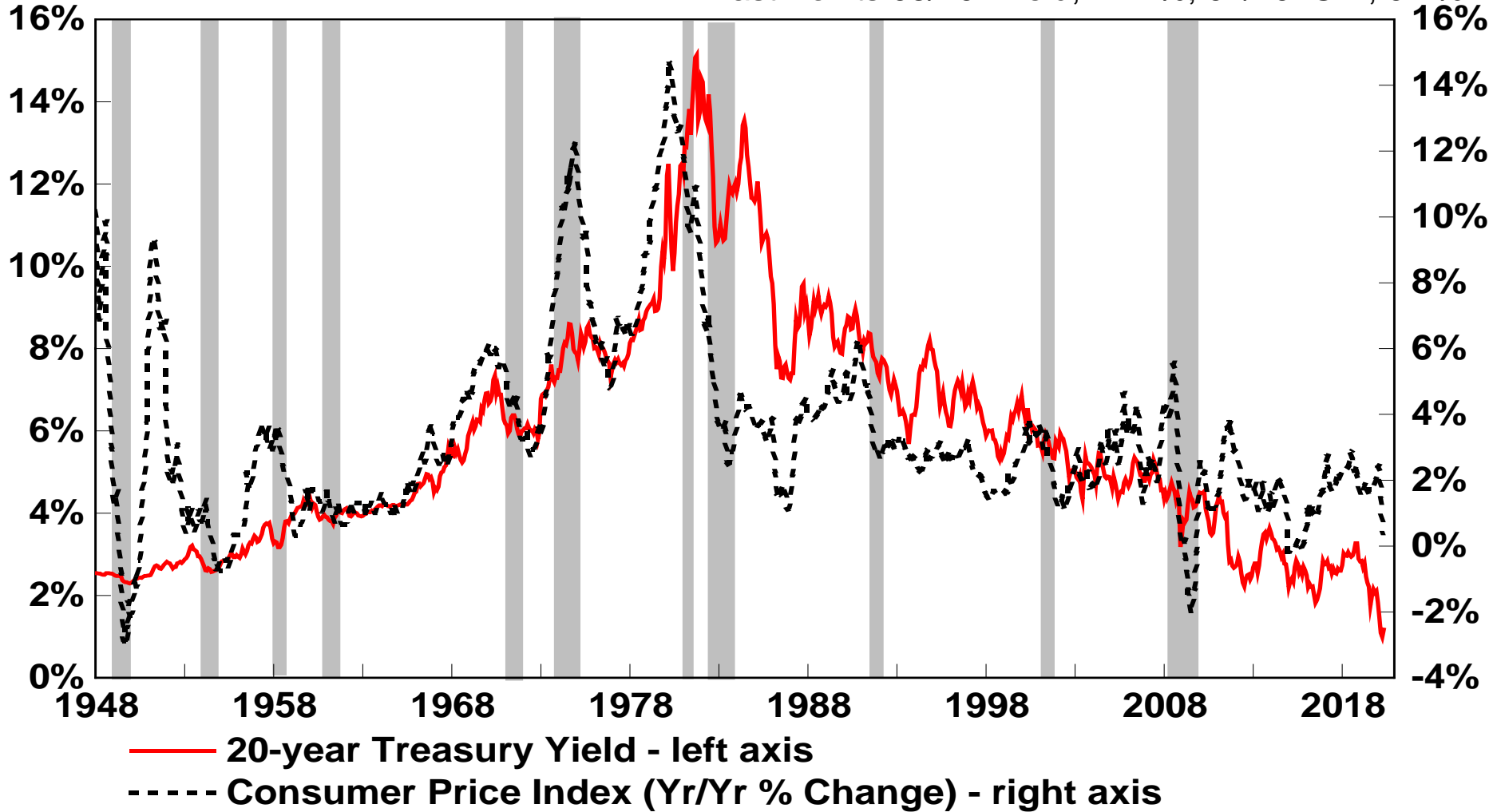
■ Real GDP
— Consumer Price Index

Source: Japanese Cabinet Office

Chart 22

20-year Treasury Yield and Consumer Price Index

Last Points 05/20: Yield, 1.17%; 04/20: CPI, 0.4%

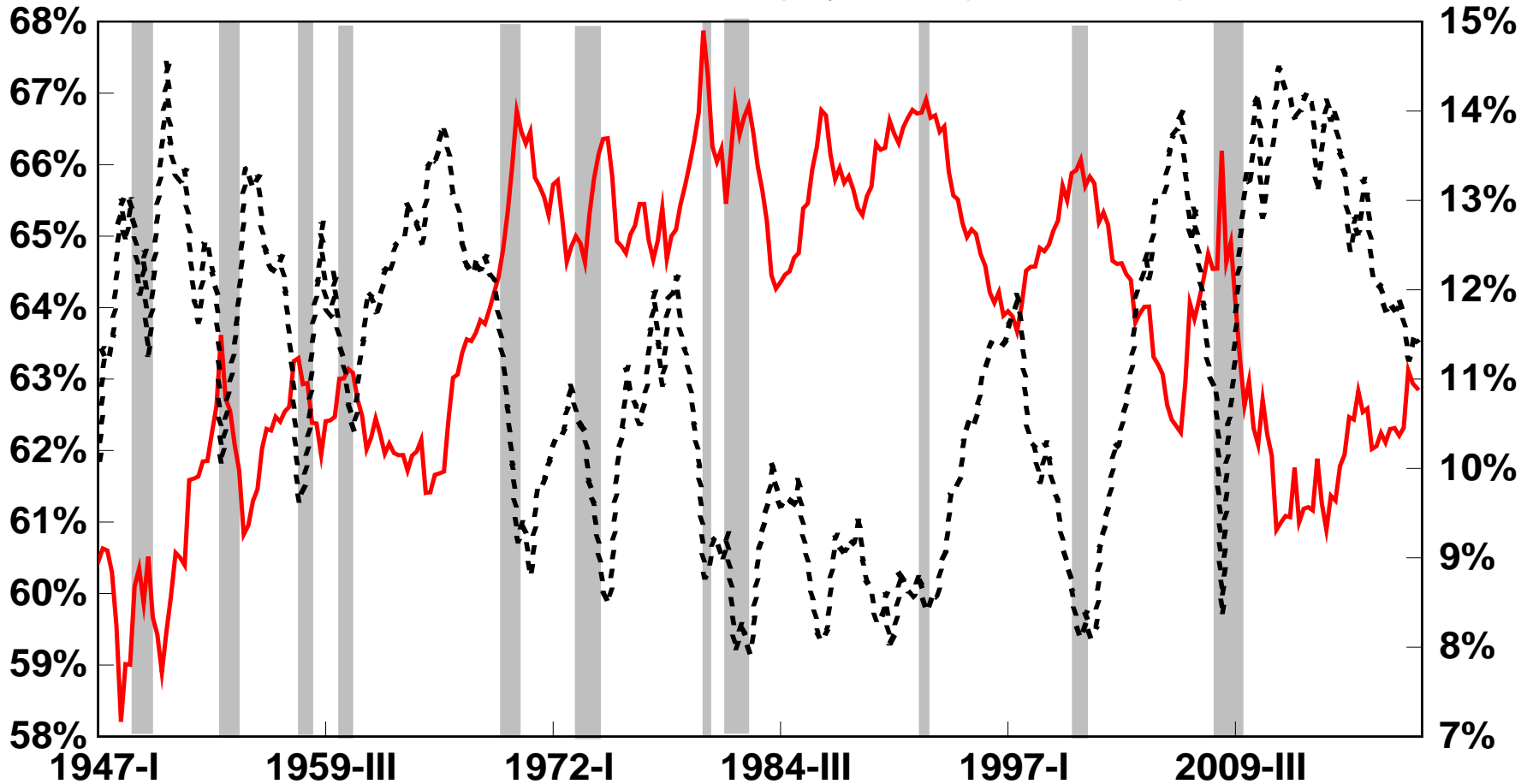


Source: Federal Reserve Board; Bureau of Labor Statistics

Chart 23

Corporate Profits and Employee Compensation as a percent of national income

Last Points Q4 2019 - Employee Comp: 62.9%; Corp. Profits: 11.4%



— Compensation of Employees - left axis
 - - - - Corp. Profits with IVA and CCAdj - right axis

Source: Bureau of Economic Analysis

Disclaimer

This information contained is the property of A. Gary Shilling & Co., Inc. (AGS) and we provide it for information and educational purposes only. Since we cannot anticipate all the requisites of each individual recipient, there is no consideration given for the specific investment needs, objectives or tolerances of any of the recipients. Additionally, AGS's actual investment positions may, and often will, vary from the conclusions discussed herein based upon any number of factors, such as client or potential client investment restrictions, portfolio rebalancing and transaction costs, among others. Reasonable people may disagree about a variety of factors discussed in this document, including, but not limited to, key macroeconomic factors, the types of investments expected to perform well during periods in which certain key economic factors are dominant, risk factors and various assumptions used. Recipients should consult their own advisors, including tax advisors, before making any investment decision. This report is not an offer to sell or the solicitation of an offer to buy any securities or instruments, whether mentioned or not. No part of this document or its subject matter may be reproduced, disseminated, or disclosed without the prior written approval of A. Gary Shilling & Co., Inc.

FORWARD LOOKING STATEMENTS AND OPINION:

Certain statements contained in this presentation may be forward-looking statements that, by their nature, involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially, potentially in an adverse manner, from those expressed or implied herein. Forward-looking statements contained in this presentation that reference past trends or activities should not be taken as a representation that such trends or activities will necessarily continue in the future. AGS undertakes no obligation to update or revise any forward—looking statements, whether as a result of new information, future events or otherwise. Opinions offered herein constitute the judgment of AGS, as of the date of this presentation, and are subject to change. You should not place undue reliance on forward-looking statements or opinions, as each is based on assumptions, all of which are difficult to predict and many of which are beyond the control of AGS. AGS believes that the information provided herein is reliable; however, we do not warrant its accuracy or completeness.

The information contained in this document is current as of the date shown.. Additional information regarding the analysis shown is available upon request, except where the proprietary nature precludes such dissemination.

Information presented herein (including market data and statistical information) has been obtained from various sources which AGS considers to be reliable. However, we make no representation as to, and accept no responsibility or liability whatsoever for, the accuracy or completeness of such information. All projections, valuations and statistical analyses are provided to assist the recipient in the evaluation of the matters described herein.

This material is not intended to represent a comprehensive overview of any law, rule or regulation and does not constitute investment, legal, or tax advice. You should exercise discretion before relying on the statements and information contained herein because such statements and information do not take into consideration the particular circumstances or needs of any specific client or potential client. Accordingly, AGS shall have no liability, howsoever arising to the maximum extent permitted by law, for any loss or damage, direct or indirect, arising from the use of this information by you or any third party relying on this information.