

Webcast titled "YouTube University" after the time that Gundlach was told by an Uber driver he learned how to fix his car and lots of other stuff at YouTube University.

Next week's press conference from Powell is going to be a very difficult "balancing act," and Gundlach expects a record short prepared statement from Powell as well as a record short Q&A. Does not think Fed will cut next week, but notes very high market implied probability of a cut at the July meeting.

Thinks the base line expectation might be for a 50bp cut in Sep, noting the precedence for the Fed to begin cutting cycles with a 50bp cut...at least a 25bp cut is "virtually a lock" if market keeps "tightening the noose" around Fed's dots.

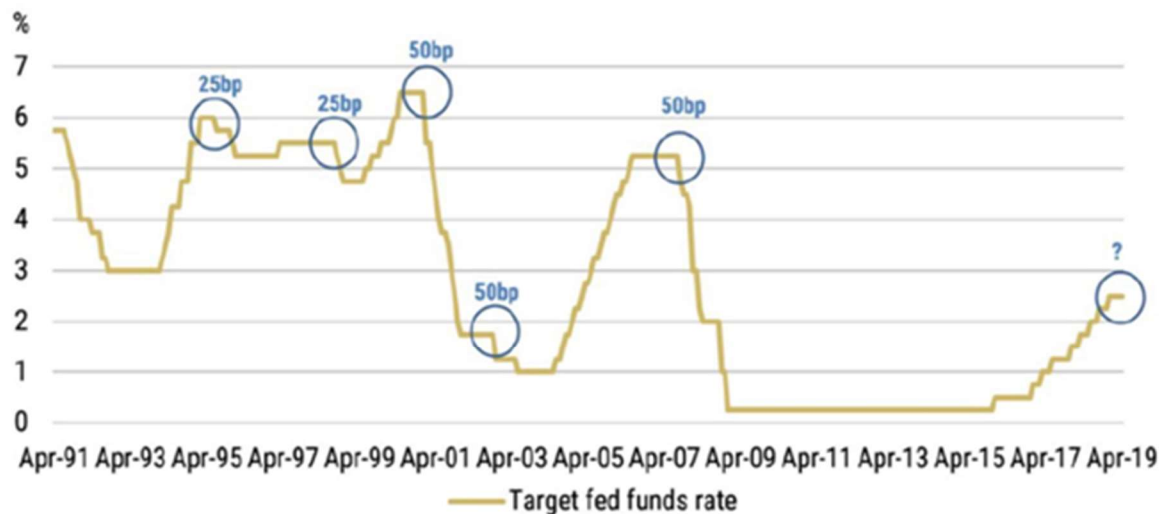
History of First Cuts by Fed

As of May 14, 2019



If the Fed does end up cutting rates will it be a 50bps cuts?

Exhibit 1: Target fed funds rate and the history of first cuts



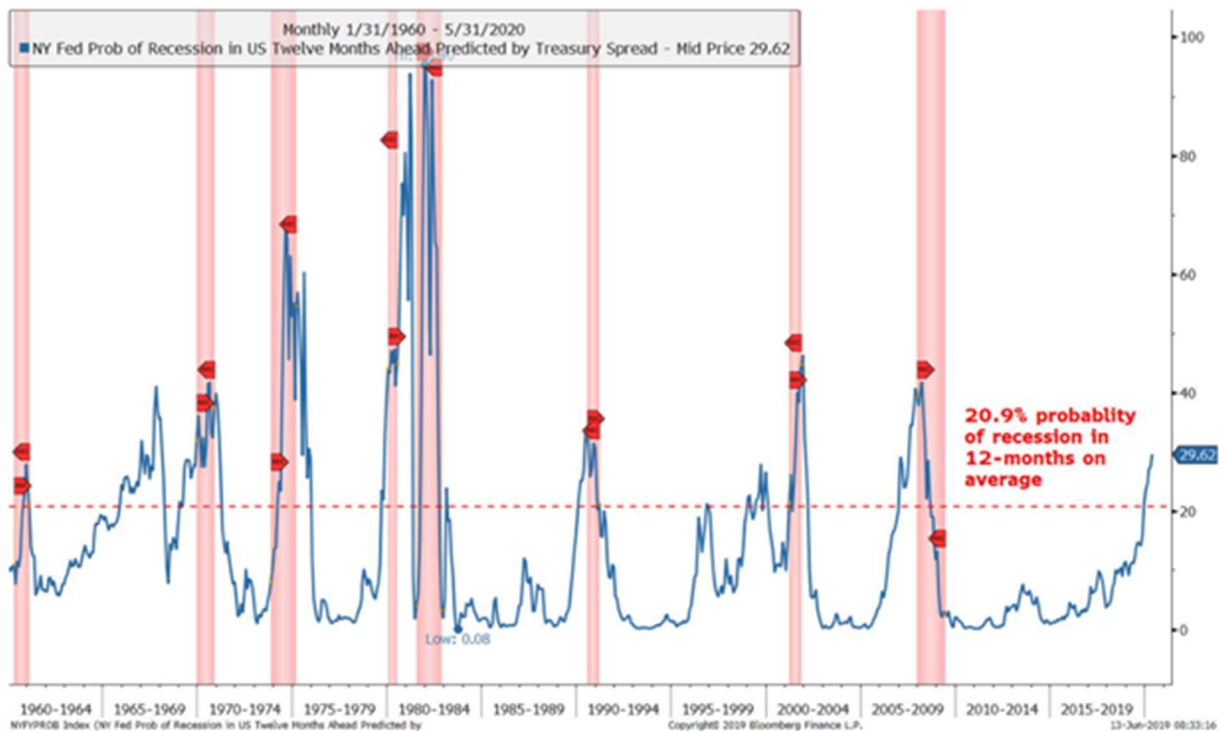
Source: Morgan Stanley Research

Gundlach notes the theory that Trump may be so "diabolical" he is intentionally trying to tank the economy and stock market in order to get the Fed to cut, and then remove tariffs next year in the lead

up to election. He doesn't offer his opinion on the theory though. Later when asked about it in Q&A, says it's a bit of a conspiracy theory but that may be what he's doing.

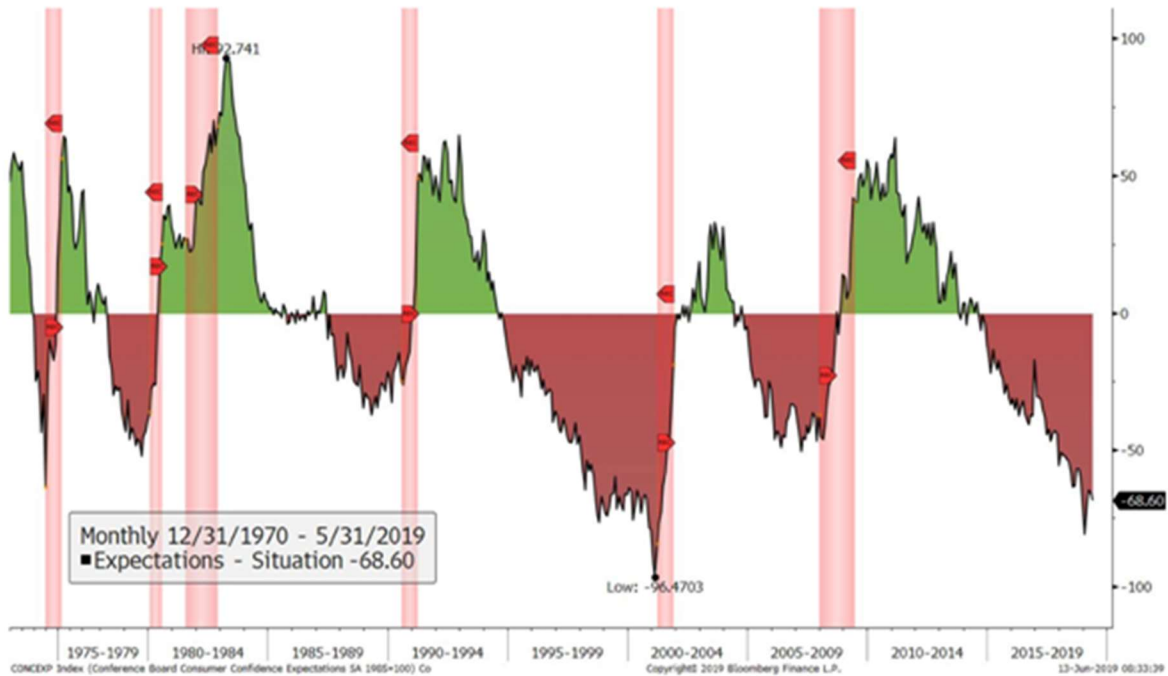
He does note that several key recession indicators are increasingly flashing red, particularly the yield curve based NY Fed recession probability measure and the differential between consumer expectations and present situation assessment.

NY Fed Recession Probability Model



Source: Bloomberg, DoubleLine.

U.S. Conference Board Consumer Expectations Less Current Situation

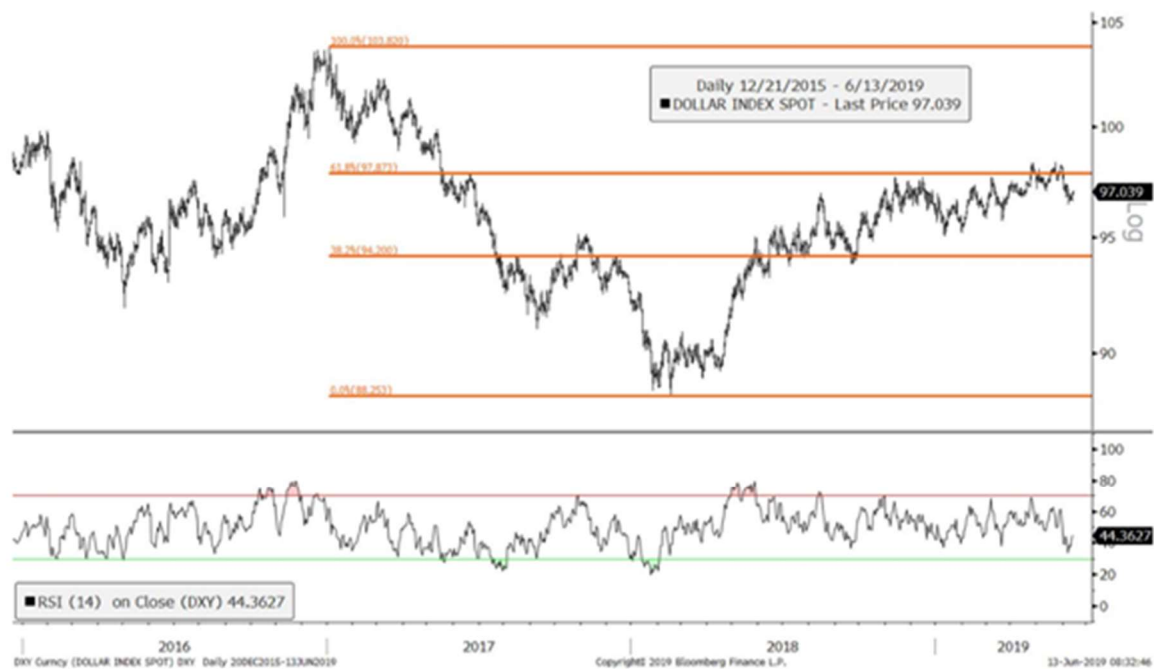


Source: Bloomberg, DoubleLine

Conference Board US Leading Index Leading indicators include economic variables that tend to move before changes in the overall economy including average workweek, production, jobless claims, new order manufacturing, build permits, S&P 500 stock index, leading credit index, average consumer expectations, etc. You cannot invest directly in an index.

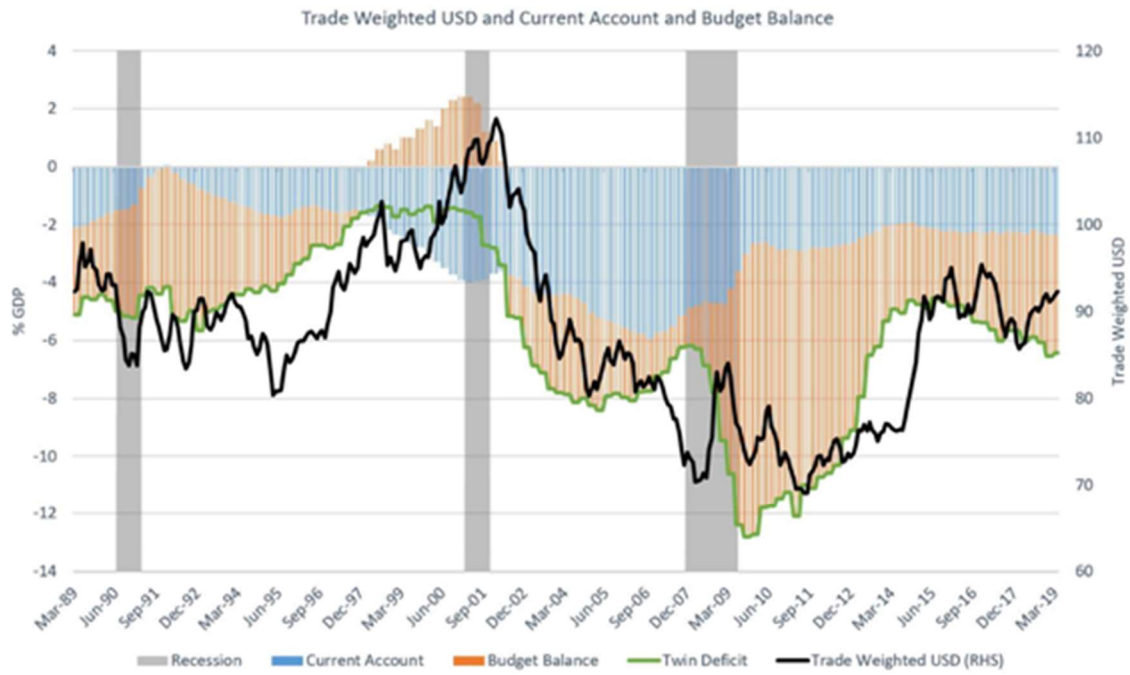
Gundlach is bearish USD here on technicals with 62% retracement of 2017 selloff in DXY being rejected, along with Fed likely shifting to rate cutting cycle and continued worsening debt/deficit outlook. Still bullish gold. Asked in Q&A what he thinks about Bitcoin, says he doesn't like it at these levels, would "rather own gold."

U.S. Dollar Index (DXY)



Source: DoubleLine, Bloomberg
DXY: The U.S. Dollar Index is an index that values the dollar relative to a basket of foreign currencies. You cannot invest directly in an index.

U.S. Dollar and Twin Deficits



Source: DoubleLine, Bloomberg