

# U.S. Current Account

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A World in Deficit

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TIG | Trading & Investing Working Group

March 20, 2026

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# US Current Account

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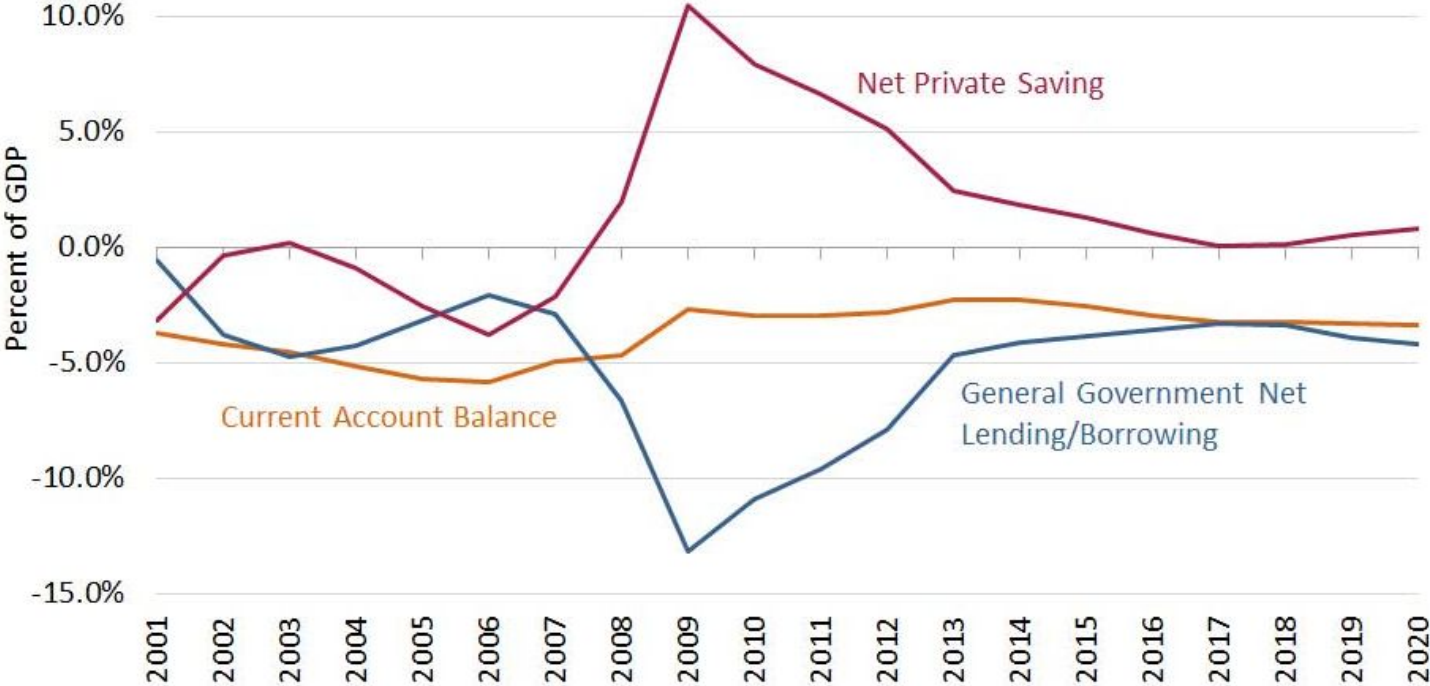
*Despite President Trump's claims to the contrary, the US balance of payments deficit is essentially zero.*

# The U.S. Balance-of-Payments Deficit Is Essentially Zero



(marcosciseti/iStock/Getty Images)

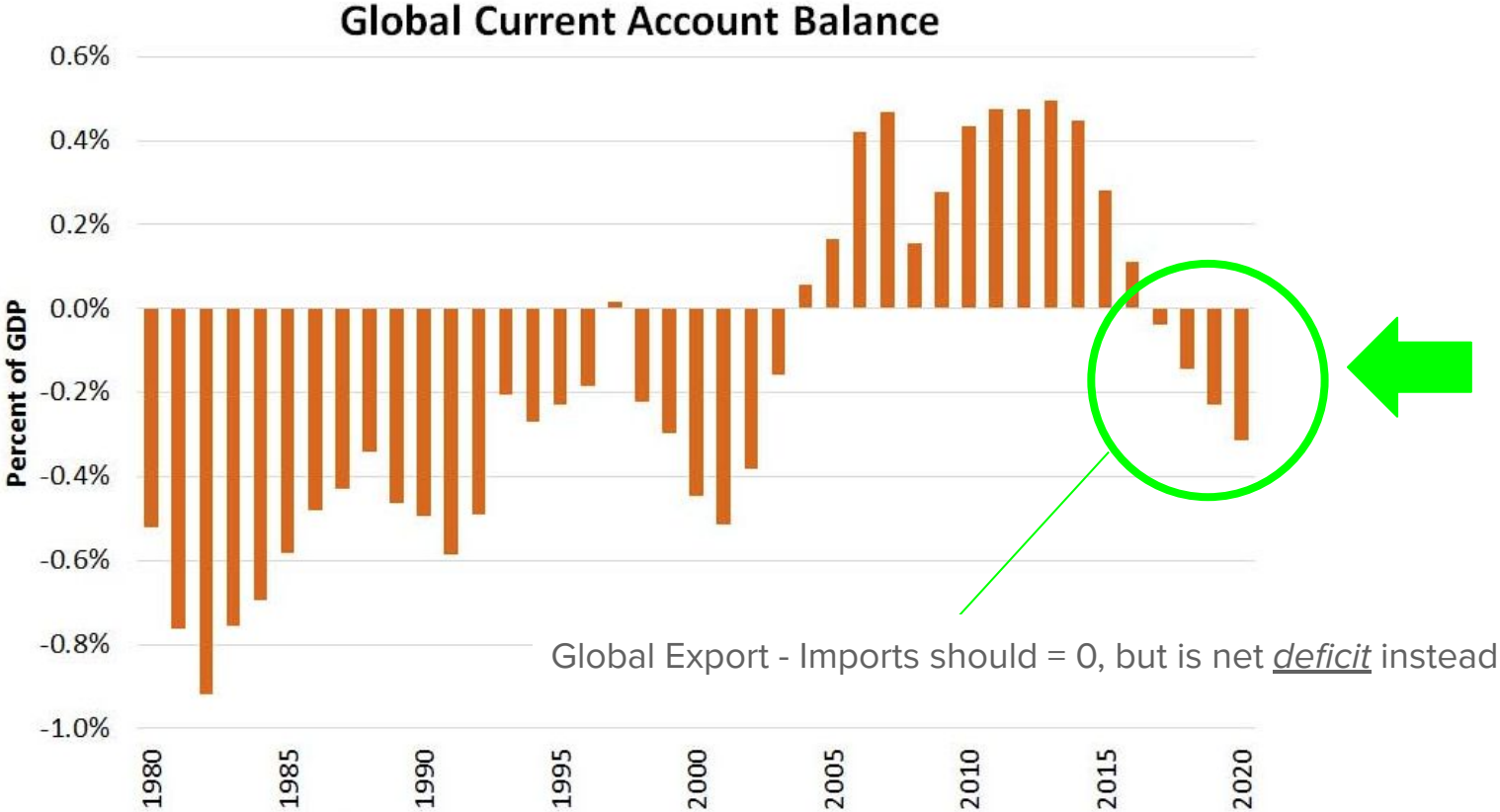
# U.S. Current Account (2001 - 2020)



NOTE: Net private saving is defined by the difference between the current account and the general government net lending divided by borrowing. Estimates start after 2014.

SOURCES: IMF World Economic Outlook (October 2015) and author's calculations.

# Current Account Deficits: A Global Norm



NOTE: 2015-2020 values are IMF estimates.  
SOURCES: International Monetary Fund and author's calcul

# Current Account Deficit vs. Surplus

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For a given, constant level of Investment:

- If a country's **exports** are larger than its imports, the country runs a current account surplus; i.e. country is a net lender to the rest of the world.
- If a country's **imports** are larger than its exports, the country runs a current account deficit, it is a net borrower from the rest of the world.

# Current Account Deficits & Surplus

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- **By definition, the current account of all countries should sum to zero**, since one country's exports is another country's imports.
- When the net balance of the global economy is taken as a whole, *reality is slightly different*.
- The global net balance of trade, and by extension, the net balance of payments, *is a deficit*.

# China || U.S.

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*Relative Size of the 2 Economies Compared;  
adjusted for Purchasing Power Parity (PPP)*

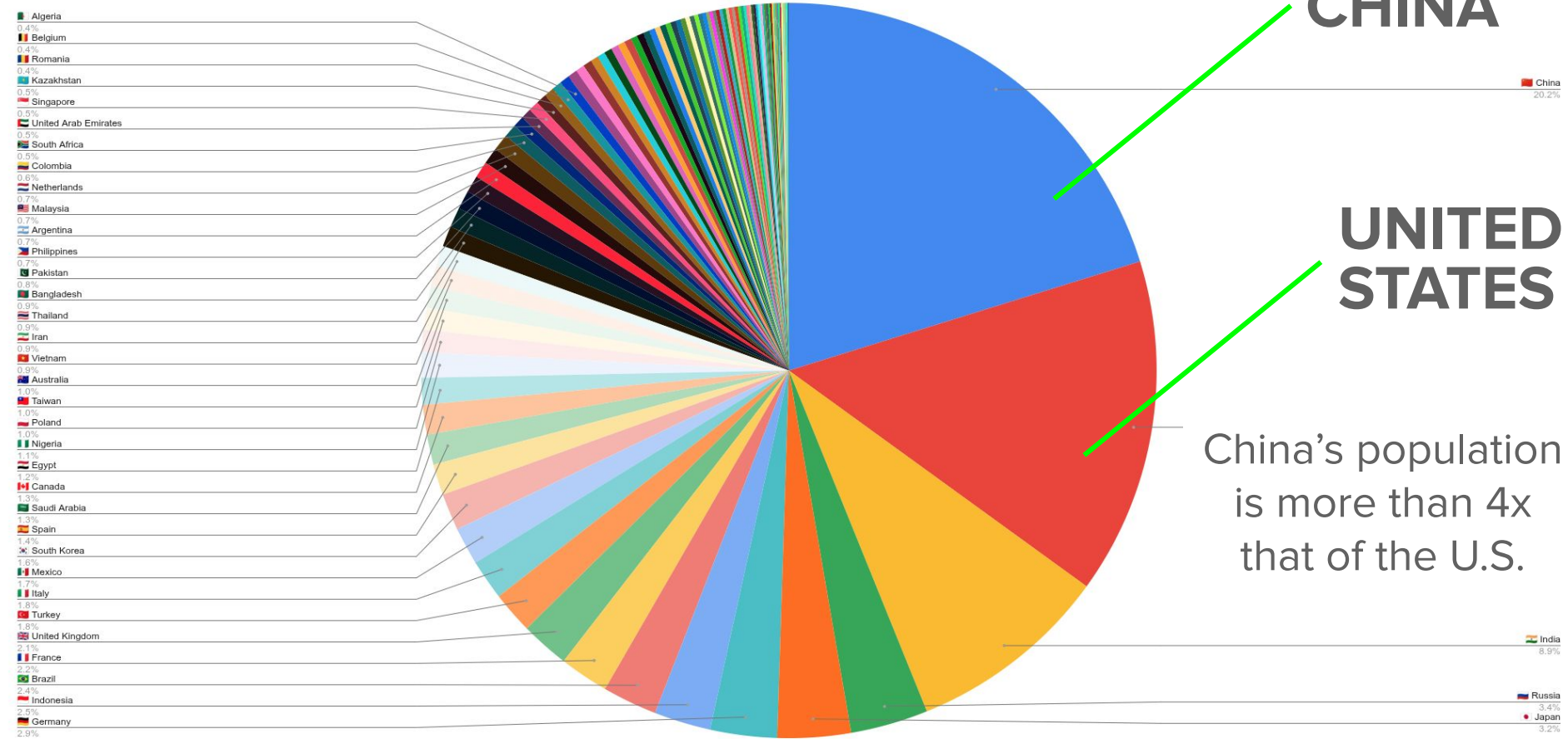
# Relative Size of a International Economies Compared

Adj for PPP to remove currency conversion effects

**CHINA**

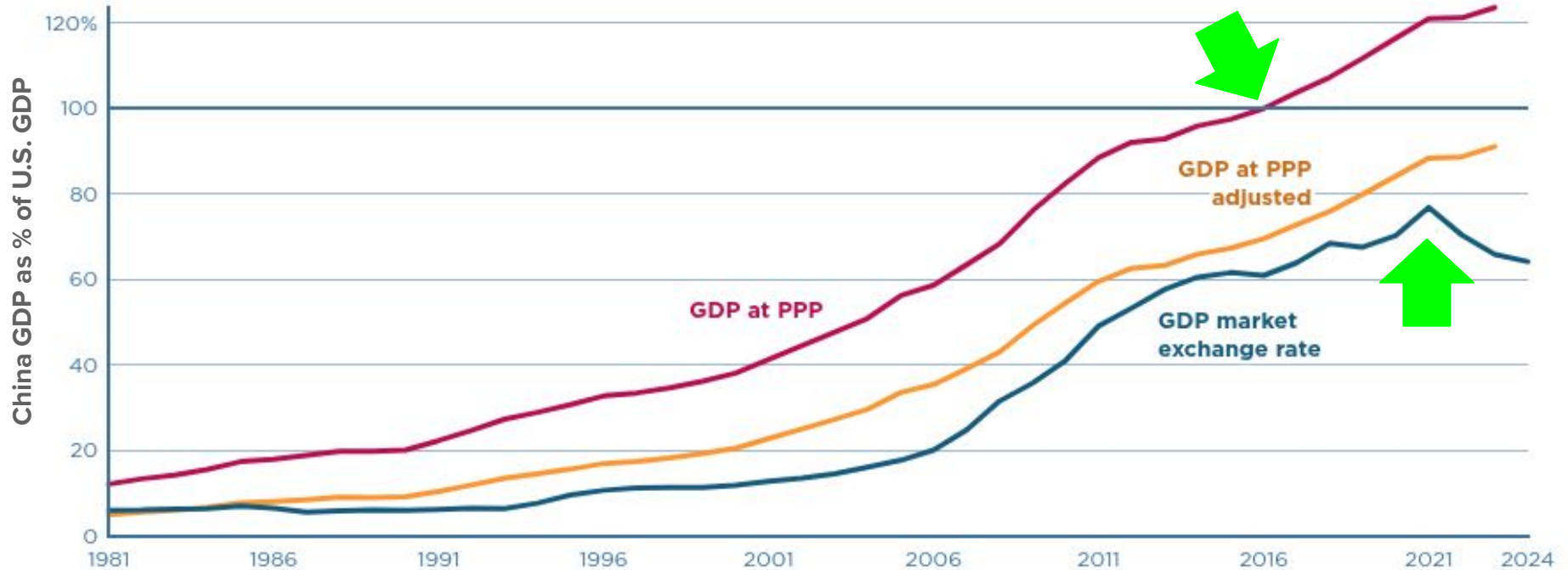
**UNITED STATES**

China's population is more than 4x that of the U.S.



# China's GDP (adj for PPP), is larger than the U.S as of 2016. In constant FX terms, the US's economy is still larger than China's

China's GDP-based measures of relative economic power, as a % of US GDP, 1981-2024



PPP = purchasing power parity

# China vs U.S. Economy Compared

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- When China's economy is compared to the U.S. in constant FX (foreign currency) terms, the U.S. economy is slightly larger.
- When currency effects are normalised on a Purchasing Power Parity (PPP) basis, China's economy is slightly larger.
- Since the size of the 2 countries' economies are similar, trade with China is likely not the reason the U.S. runs a Trade, nor a Current Account, deficit.

# US Economy

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*ADP Employment Report and US Payrolls were released, plus US Producer Price Inflation Report.*

## ECONOMY

# Private companies added 63,000 jobs in February, January revised to just 11,000 additions, ADP says

PUBLISHED WED, MAR 4 2026-8:15 AM EST | UPDATED 4 HOURS AGO



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@JEFF.COX.7528  
@JEFFCOXCNBCCOM

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## KEY POINTS

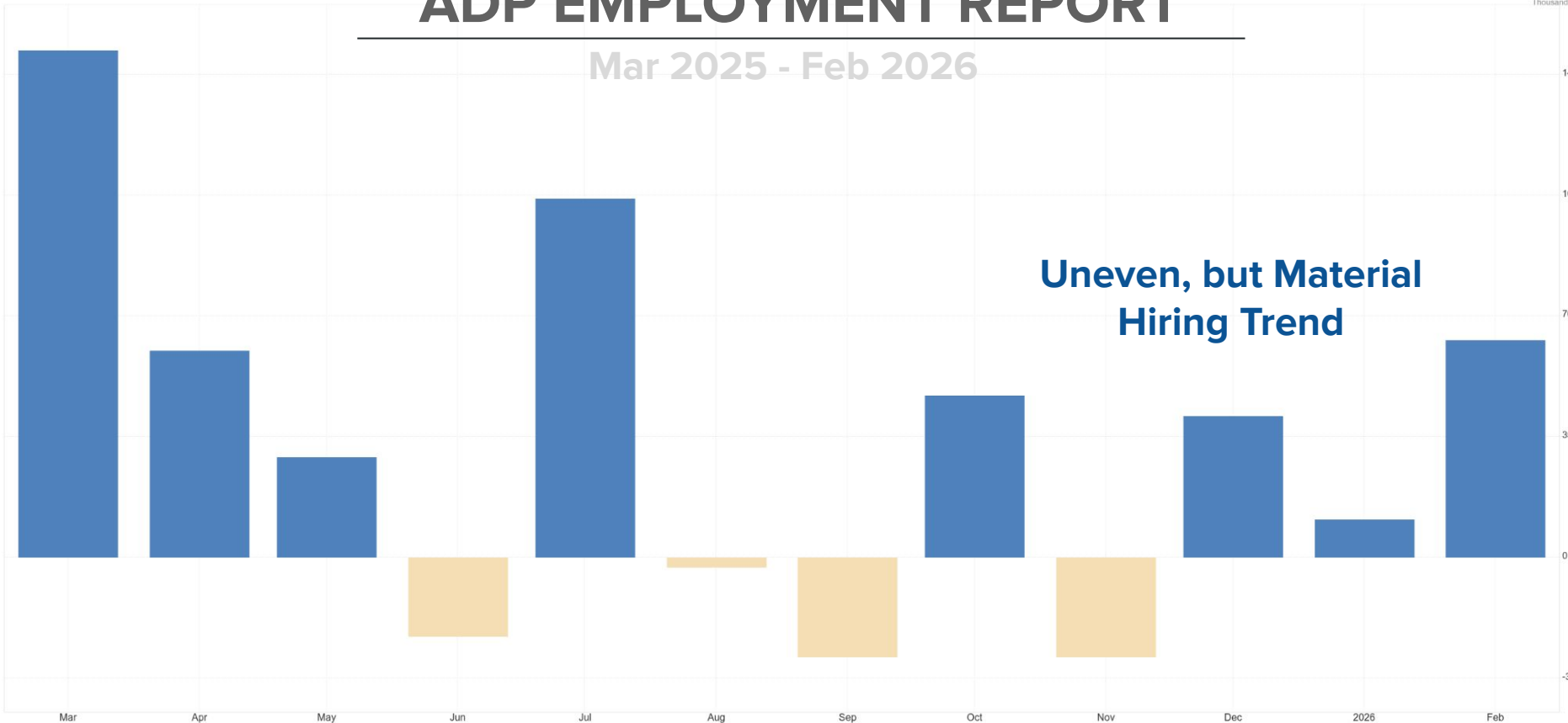
- Companies added 63,000 workers in February, an improvement from the downwardly revised 11,000 in January and better than the consensus estimate for 48,000.
- Most of the hiring came in just two sectors: health services and construction. Job growth in other sectors either was flat or lower.
- Pay grew 4.5% for those staying in their jobs while wage gains for job switchers moved down to 6.3%, the smallest gap since ADP began tracking the metric.

ADP

# ADP EMPLOYMENT REPORT

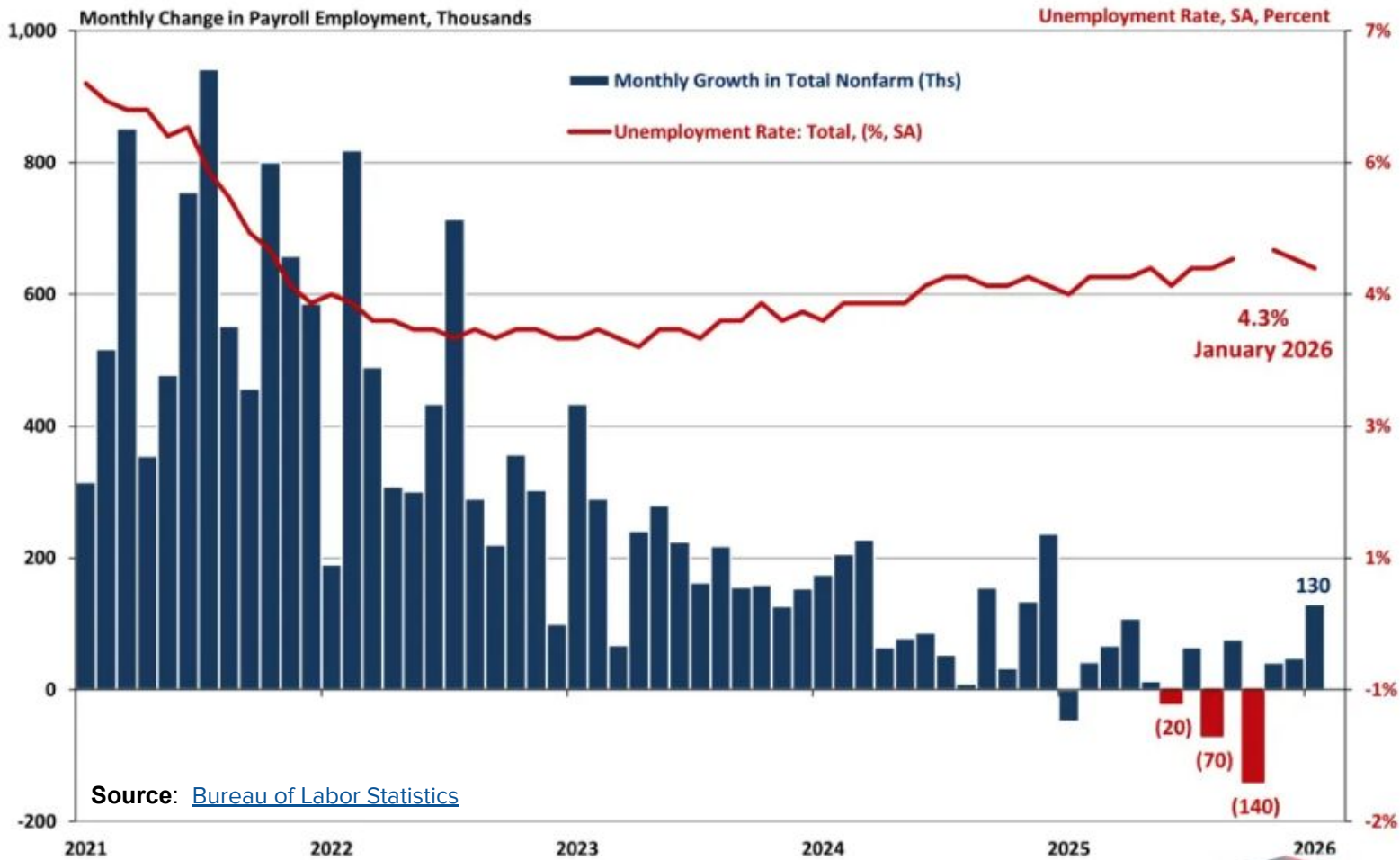
Mar 2025 - Feb 2026

Thousand

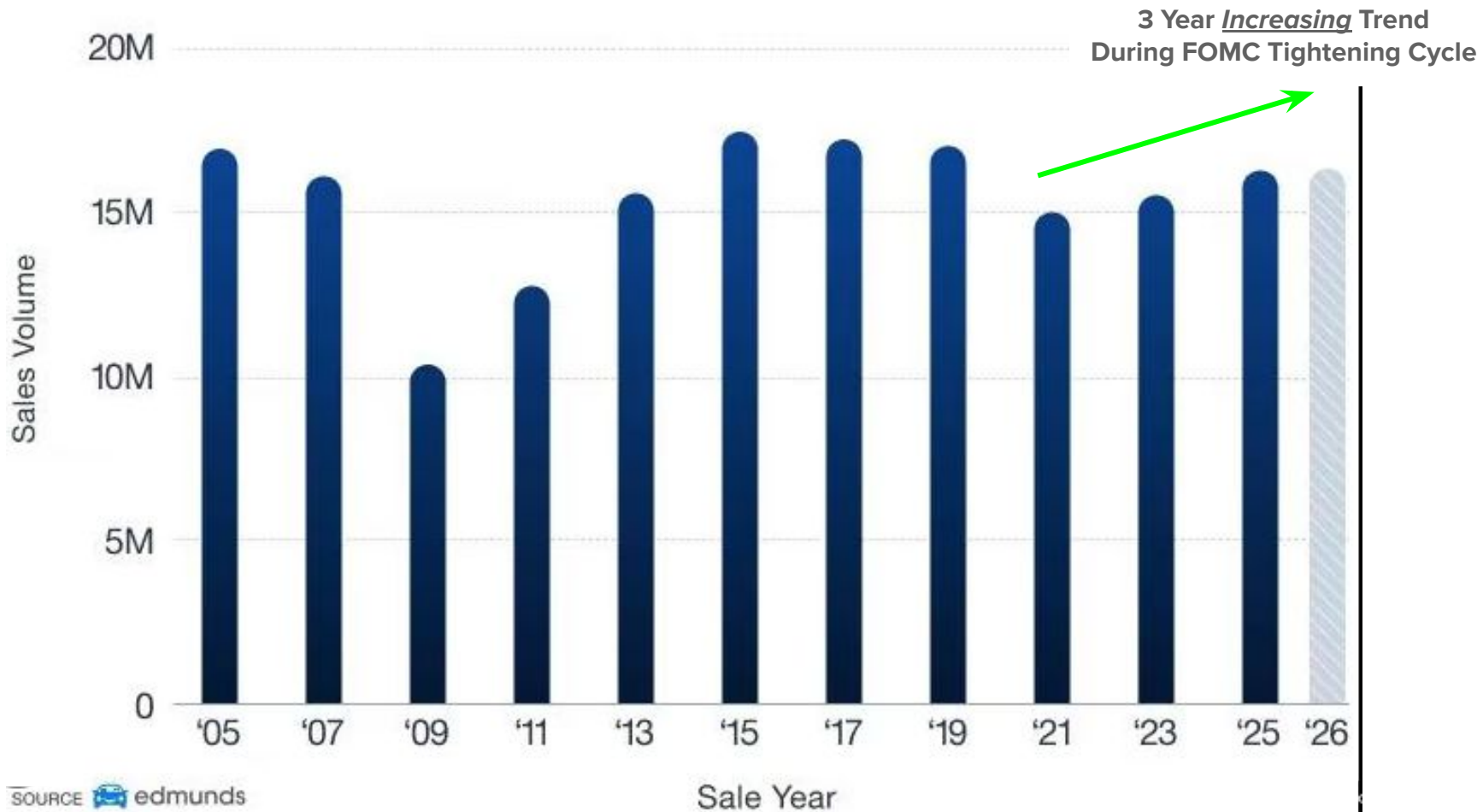


**Uneven, but Material  
Hiring Trend**

# Monthly Change in Payroll Employment and Unemployment Rate

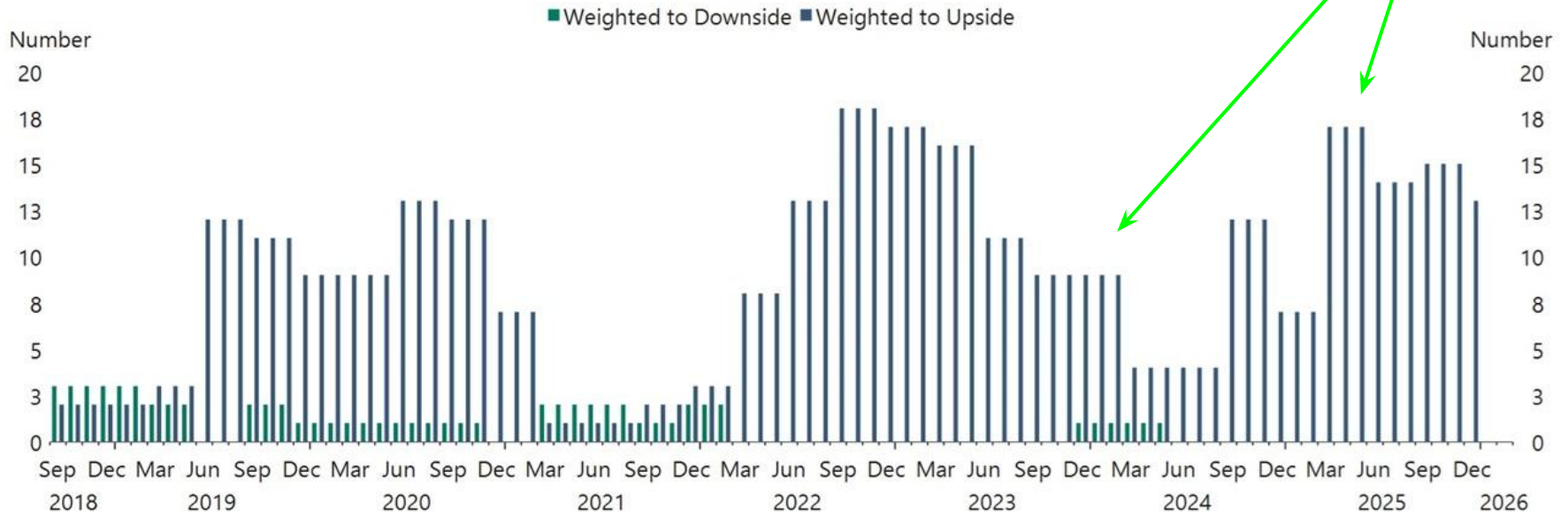


# U.S. Annual New-Vehicle Sales (2005 - 2025)



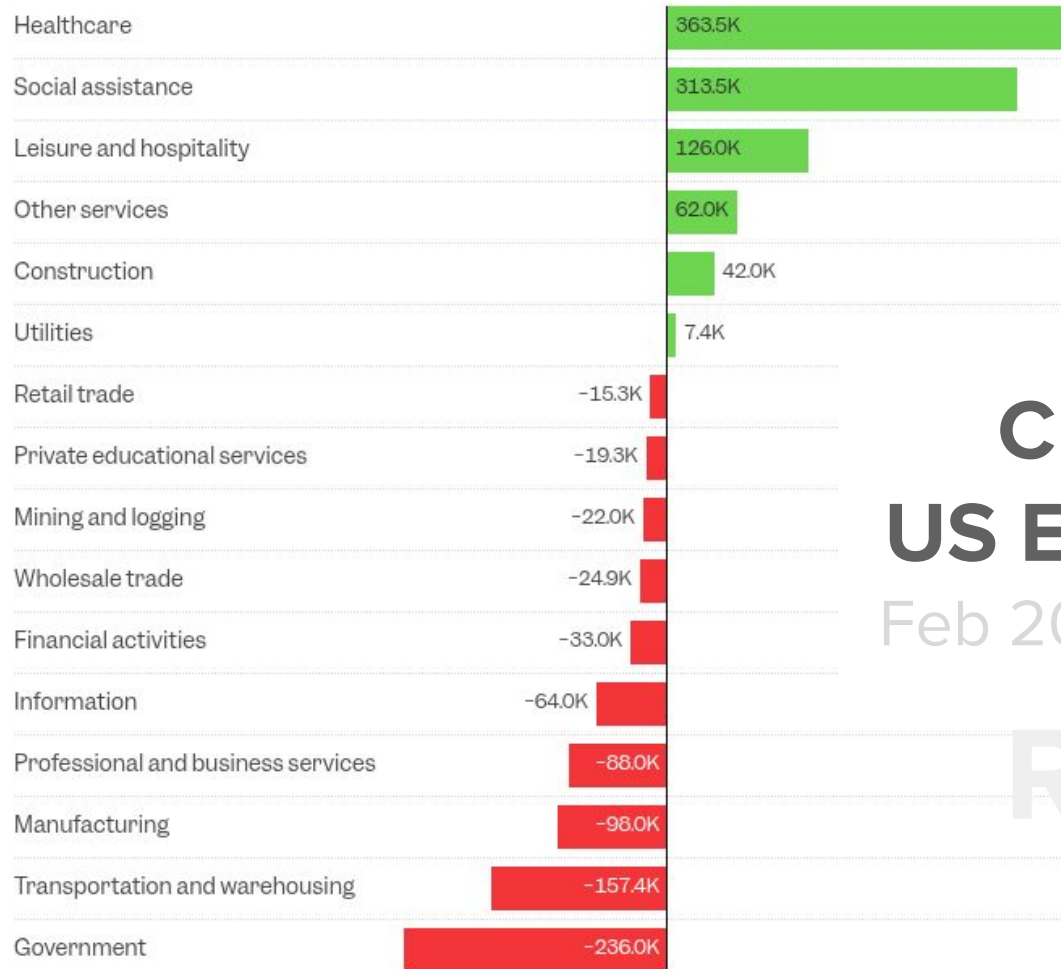
# FOMC members see upside risks to their unemployment rate forecasts

Number of FOMC members who think the risk to their unemployment forecast is:



Members Predicting  
Upside Labor Market  
Risk





# Change in US Employment

Feb 2025 - Feb 2026

Reality

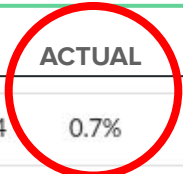
Source: [Bureau of Labor Statistics](#)

Madison Hoff/BI

# Economic Data: Friday, March 13

Q4 GDP Cut by 50%

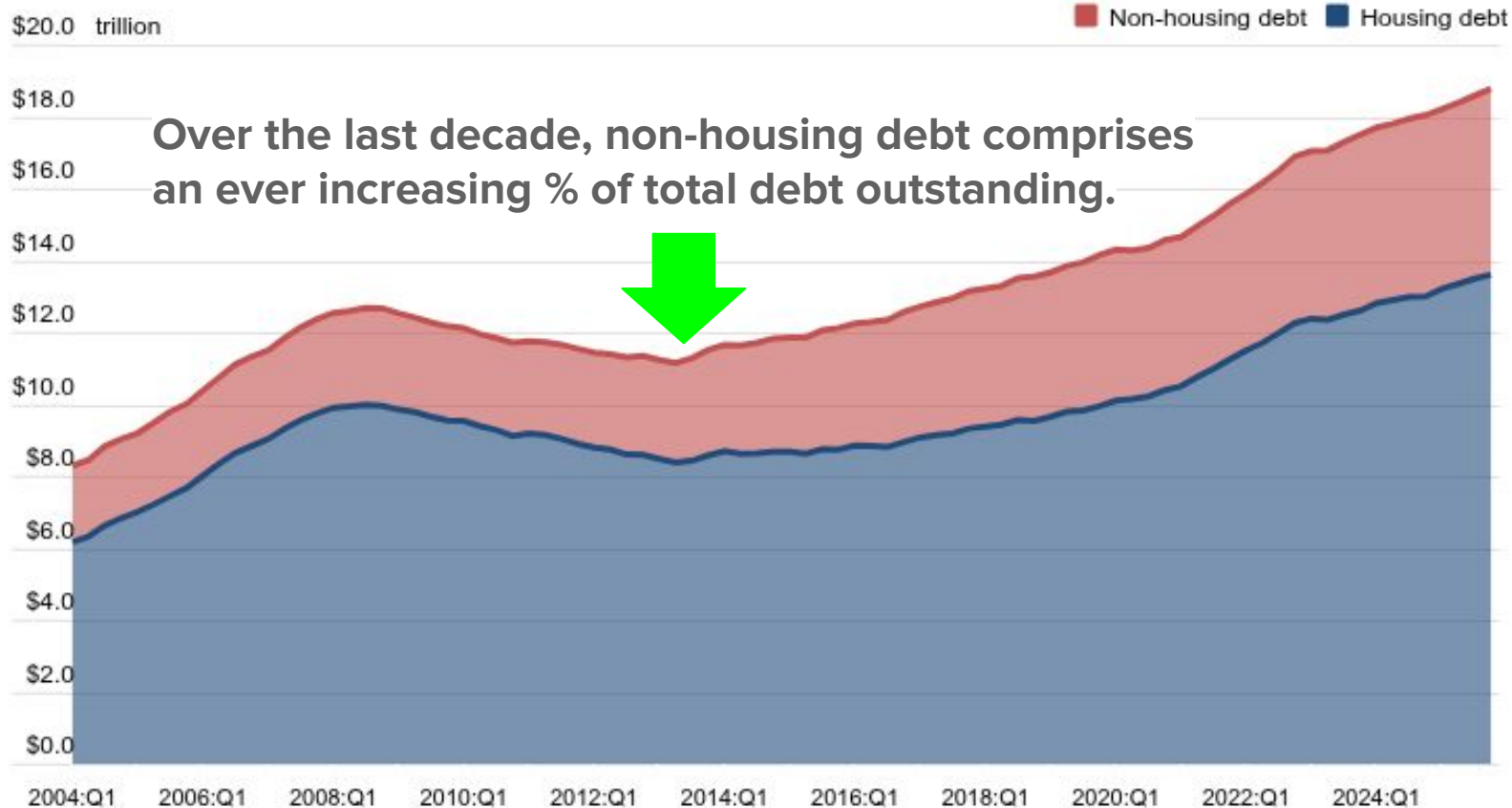
			ACTUAL	FORECAST	PREVIOUS
8:30 am	GDP (first revision)	Q4	0.7%	1.5%	1.4%
8:30 am	Personal income	Jan.	0.4%	0.5%	0.3%
8:30 am	Consumer spending	Jan.	0.4%	0.3%	0.4%
8:30 am	PCE index (delayed report)	Jan.	0.3%	0.3%	0.4%
8:30 am	PCE (year-over-year)		2.8%	2.9%	2.9%
8:30 am	Core PCE index	Jan.	0.4%	0.4%	0.4%
8:30 am	Core PCE (year-over-year)		3.1%	3.1%	3.0%
8:30 am	Durable-goods orders	Jan.	0.0	1.3%	-1.4%
8:30 am	Durable-goods minus transportation	Jan.	0.4%	--	1.3%
10:00 am	Job openings	Jan.	6.9 million	6.7 million	6.6 million
10:00 am	Consumer sentiment (prelim)	March	55.5	55.3	56.6



~5% Annualised



# Total Debt Balance



Source: FRBNY Consumer Credit Panel/Equifax

EXCLUSIVE BANKING

# Morgan Stanley Lays Off 2,500 Employees Across All Divisions

The layoffs of 3% of the workforce are tied to shifting business priorities and individual job performance

By [AnnaMaria Andriotis](#) [Follow](#)



Morgan Stanley's layoffs come after the bank reported a banner year in 2025. MICHAEL NAGLE/BLOOMBERG NEWS

[Morgan Stanley](#) [MS](#) -3.00% ▼ is laying off around 3% of its workforce or about 2,500 people, according to people familiar with the matter.

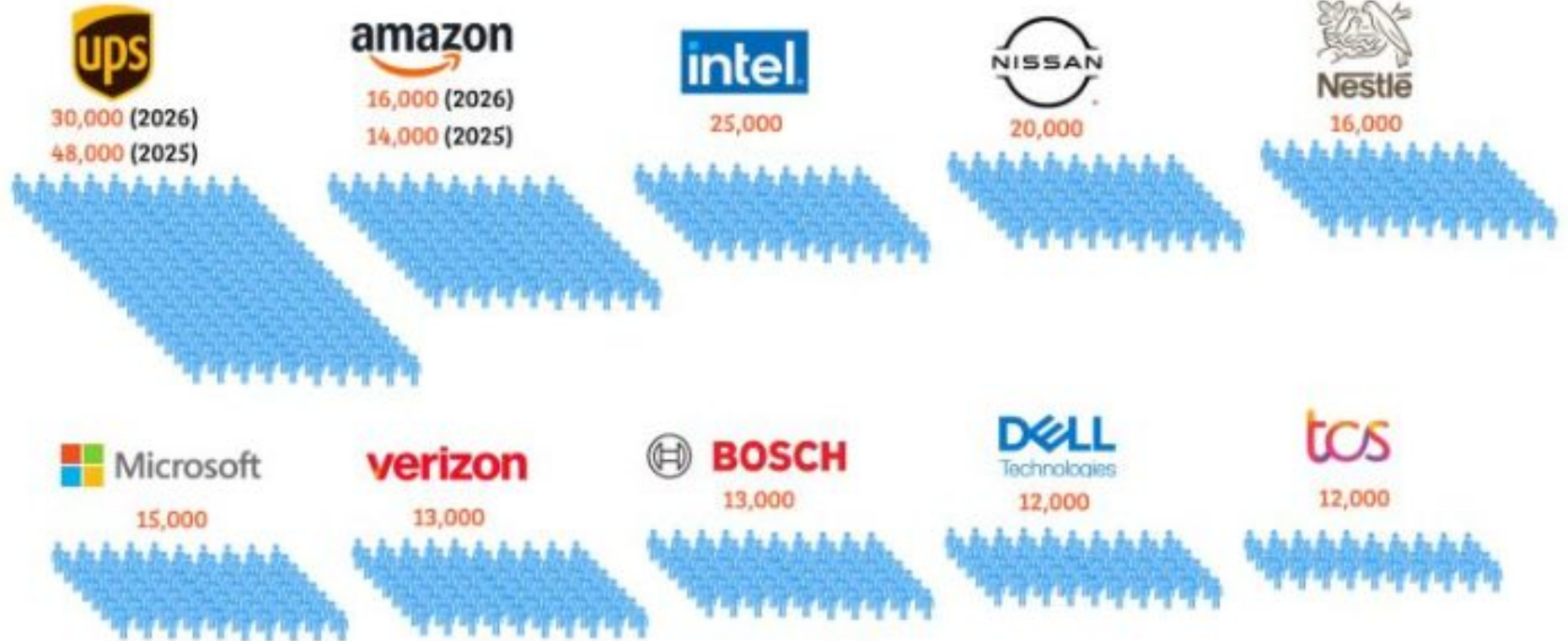
March 4,  
2026

# Notable 2026 Layoff Announcements

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- [Amazon](#): 16,000 corporate roles.
- [UPS](#): Up to 30,000 operational jobs.
- [Block](#): Reduced staff by 40%.
- [Dow](#): 4,500 roles.
- [Nike](#): 775, mostly in Tennessee/Mississippi distribution.
- [Pinterest](#): <15% of workforce.
- [Mastercard](#): ~4% of global workforce.
- [Citigroup](#): Multi-year plan to shed 20,000 positions to boost operational efficiency.
- [eBay](#): Ongoing staff reductions.
- [TrueCar](#): 30% of workforce.
- [WiseTech Global](#): 2,000 people (29% of company).
- [Meta](#): Over 1,000 in Reality Labs.
- [Saks](#): 74+ following facility closure.
- [DraftKings](#): Reorganization and job cuts.
- [Tencent](#): Closing TiMi Montreal studio.
- [AOL](#): 100+ employees.

# Layoffs in 2025 - 2026: 234,000 Total



# Equity Market Disruption in 1H 2026

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## **Consumer Suffers:**

- High gas prices
- High rent/ home prices

## **Consumer Stressed about Job Stability:**

- Low attrition/ low firing/ low hiring environment

## **War Influence:**

- Inflation driver, see Inflation during Ukraine War start
- Strait of Hormuz closed, increases transport costs for all goods due to longer alternative shipping routes

Slide Material:  
Teresa Marziano

# US producer inflation runs hotter in February, expected to accelerate further amid Iran war

By Lucia Mutikani

March 18, 2026 7:41 AM CDT · Updated 1 hour ago

Mar 18, 2026



# S&P 500: FOMC Press Conference Reaction



## Anatomy of a Market Sell-Off

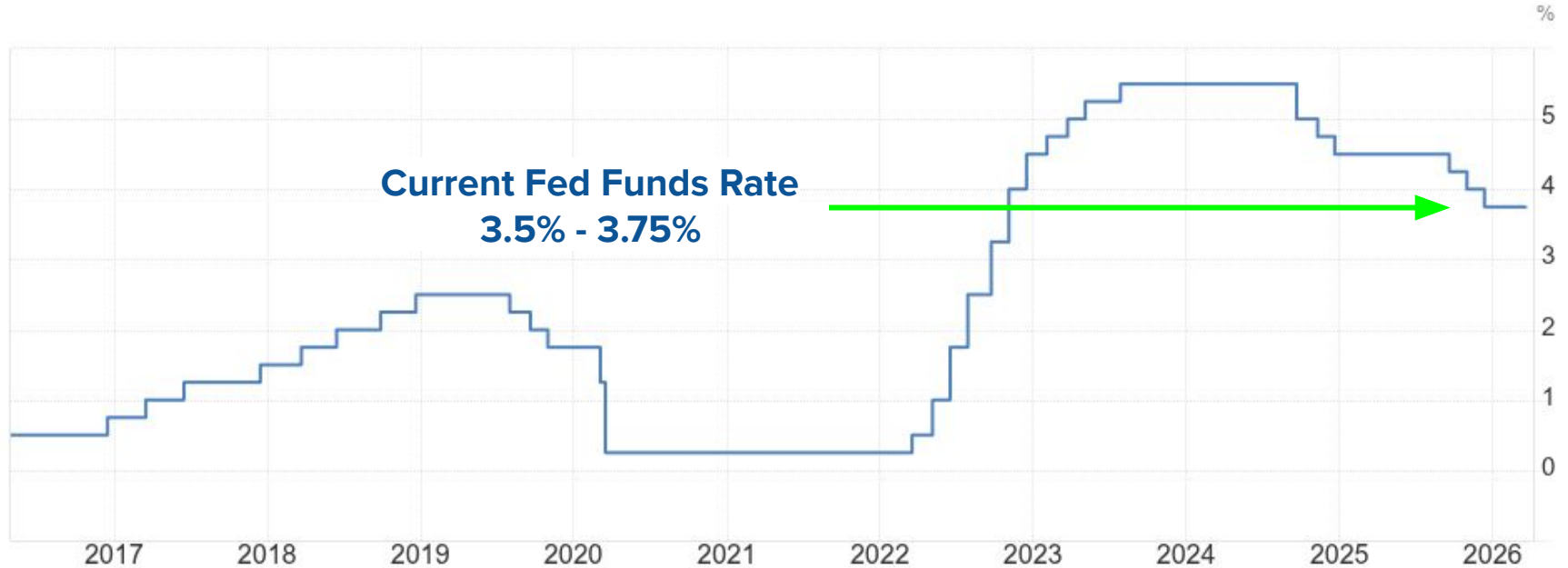
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# Fed Meeting Fallout: Timeline to a Tightening Bias

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<b>Dec 2024</b>	<ul style="list-style-type: none"><li>● Disinflation process bottomed and reversed at EOY 2024.</li></ul>
<b>FY 2025</b>	<ul style="list-style-type: none"><li>● Inflation rose sequentially nearly every month in 2025.</li></ul>
<b>Q4 2025</b>	<ul style="list-style-type: none"><li>● Despite this, Fed resumed rate cuts by cutting Fed Funds rate in <i>September, November, and December 2025</i>.</li></ul>
<b>Mar 2026</b>	<ul style="list-style-type: none"><li>● Federal Reserve March 2026 meeting held Wednesday.</li></ul>
<b>Now</b>	<ul style="list-style-type: none"><li>● Fed removes 1 rate cut from 2026. Equity &amp; Bond markets falling as market prices <i>50+bps of tightening</i> overnight on March 18, 2026.</li><li>● Event sequence above is potentially a prelude to Fed bias change followed by Fed admission of a policy error of premature rate cuts.</li></ul>

# Fed Funds Rate Over A Decade (2016 - 2026)



# Closing Thoughts

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*Fed policy backpedaling potentially foreshadows  
policy reversal to a tightening bias.*

# Conclusions - Current Account

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- Globally, the average developed economy runs a current account deficit.
- China's economy is roughly same size as the United States measured under 2 different FX paradigms.
- These facts largely invalidate President Trump's ascertain that U.S. trade partners take advantage of the United States and that trade is unbalanced in favor of foreign powers.

# Conclusions - Fed March 2026 Meeting

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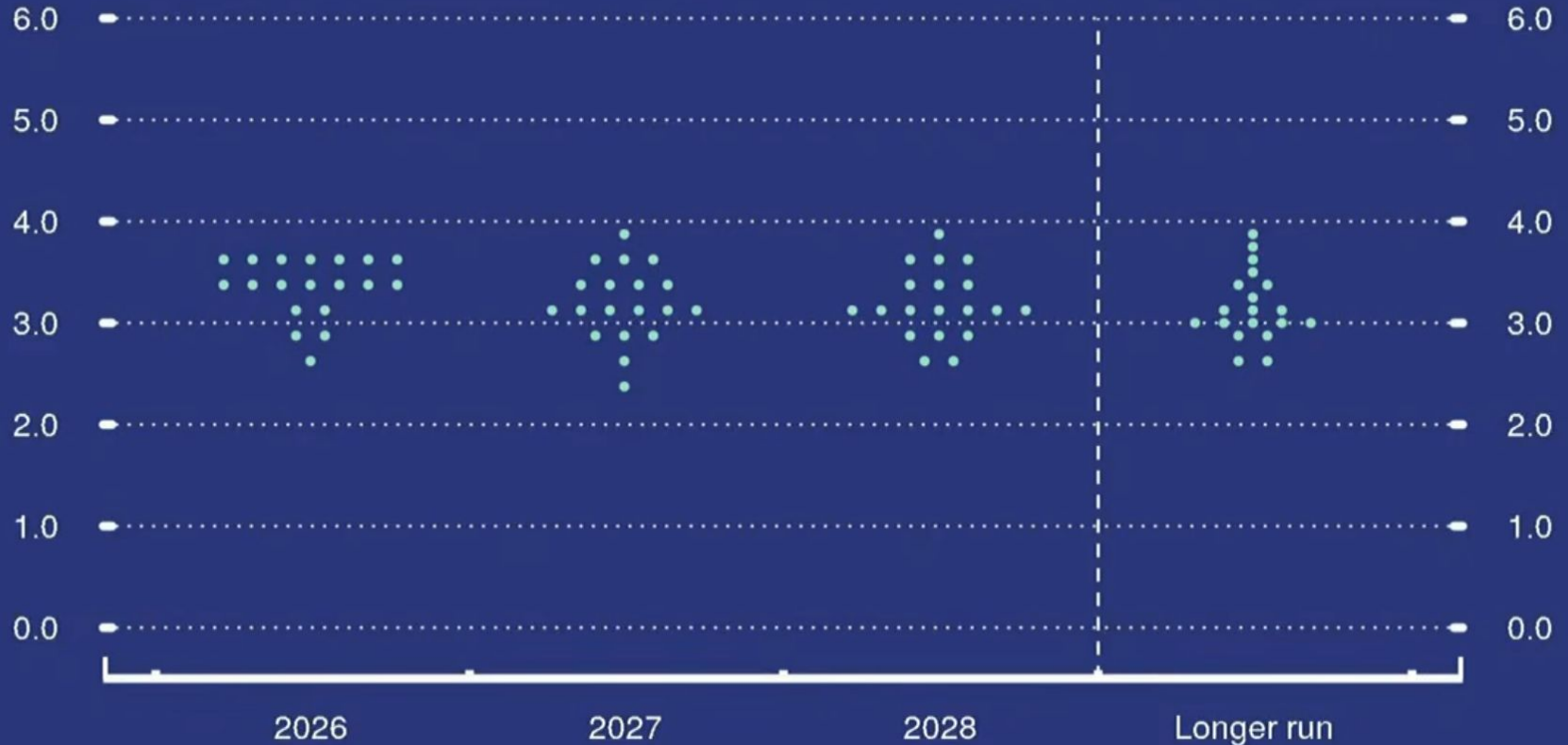
- March 2026 Fed meeting was a “soft” policy reversal cancelling current Fed cutting cycle.
- 1 of 2 FF rate cuts in 2026 removed from dot-plot (see updated dot plot, next slide).
- Meeting potentially a build up to stated policy reversal and committee bias change at a meeting later in 2026.
- Market now pricing 25 bps of tightening in next year.



# Assessments of Appropriate Monetary Policy

March 2026 Economic Projections

Midpoint of target range or target level for the federal funds rate (Percent)



# Appendix

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*Miscellaneous Material*

END

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PRESENTATION