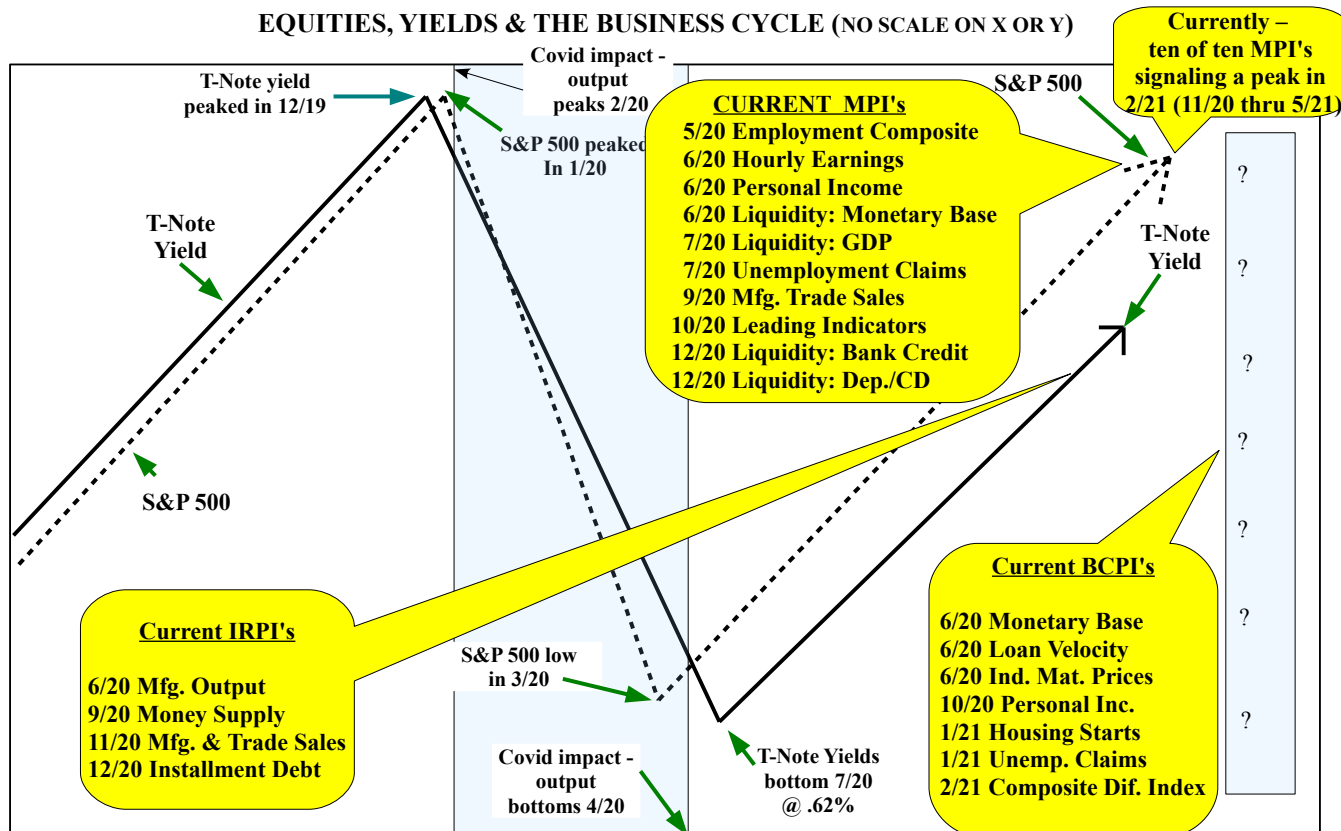


BUSINESS CYCLE DEVELOPMENTS

Business Cycle: There are now seven of eight **Business Cycle Peak Indicators** signaling. Since 2000 – with this many **BCPI's** – the peak in output has been observed within a quarter of the most recent **BCPI**, which signaled in February 2021. Slowing will be blamed on the recent weather, or ignored, as the -5% decline in output – from late 2014 thru March 2016 – was an inconvenient reality in an election year! However, yields are expected to recognize the peak in output and decline also.

T-Note Yields: Currently, there are four of six **Interest Rate Peak Indicators** signaling. At the 4th **IRPI** the average lead time to a peak in T-Note yields is four months (+/- 4 mo.), which centers a peak in April 2021 (December thru August). The monthly average T-Note yield was .93% in December, which is the date of the 4th **IRPI**. The monthly average appreciation in yields from the 4th **IRPI** has been 20 basis points (+/- 32 bps). December's .93% - plus 20 basis points - equals 1.13% - plus a mean-absolute-deviation of 32 basis points - equals 1.45%, which is where T-Note yields are today. **Bonds** look attractive on any weakness.

INEXTRICABLY CONNECTED CYCLES IN THE COVID SHOCK EQUITIES, YIELDS & THE BUSINESS CYCLE (NO SCALE ON X OR Y)



Equities: All ten of 10 **Market Peak Indicators** are signaling. At the tenth **MPI** a peak has occurred within three months of the date of the 10th **MPI**. The juncture of a peak in output, yields and equities appears to be developing again, as pointed out in detail in the September 29th **BCD** update. The only detraction from this forecast – based on the tumbling of coinciding data points – is the current fiscal package. It must be passed by mid March, or current benefits will fall off steeply and – if passed – has it been discounted? Past fiscal packages have fueled equity rallies; however, it's believed this \$2T has been thoroughly vetted, so the best policy is sell – the average decline in the S&P is -20%.