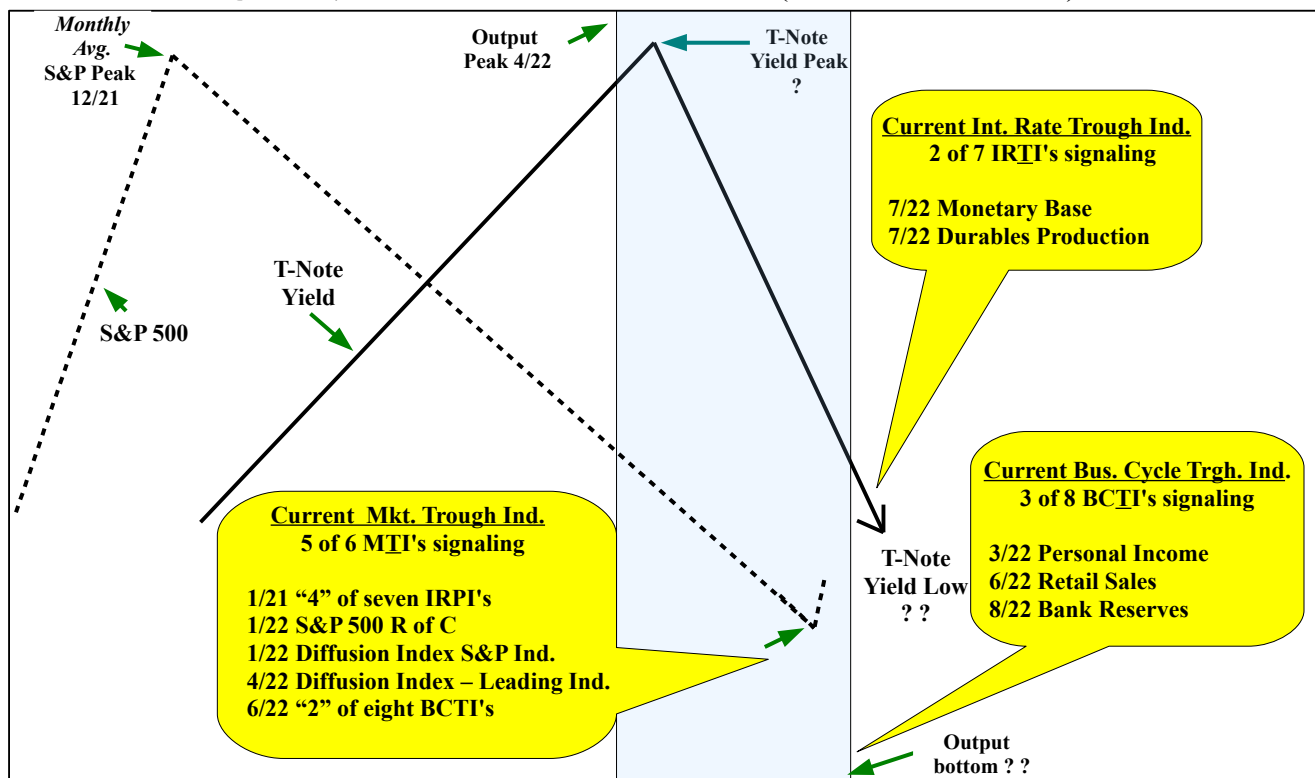


# BUSINESS CYCLE DEVELOPMENTS

**Business Cycle:** There were seven of eight **Business Cycle Peak Indicators** evidencing a peak in output at year end 2021, but Trump's \$2.2T and Biden's \$1.9T spending packages pushed the peak in output ahead to April 2022, which is the peak for the current slowing. In the spring of 2022 there were four of eight **Business Cycle Trough Indicators** – today there's just three of eight. Expectations about a trough in output have been shifted ahead and likely could change again – read on.

**T-Note Yields:** There were six of six **Interest Rate Peak Indicators** signaling in the spring of 2021 and all six of six IRPI's are still signaling. However, fiscal packages and Powell's May '22 late tightening pushed T-Note yields higher. There's more – the dollar – the primary reserve currency, has been hijacked by geopolitical factors. Because it's the foremost reserve currency, it's being impacted by OPEC's cuts (10/5/22) and the Nord Stream bombing (9/26/22). This pushes oil and the dollar higher – importers of oil must sell dollars to defend their currency and yet use dollars to buy oil. T-Note yields peak with output, but are temporarily higher due to the geopolitics of oil and a laudable, but hopeless policy of Fed tightening. Once again, legislative and geopolitical events are influencing the *Indicators*.

## INEXTRICABLY CONNECTED CYCLES EQUITIES, YIELDS & THE BUSINESS CYCLE (NO SCALE ON X OR Y AXIS)



**Equities:** There are five of six **Market Trough Indicators** – enough **MTI's** to buy weakness into slowdowns or recessions – see the call out (lower left above). The Fed started tightening very late into the peak in output and equities and the more they tighten the more the dollar and oil prices remain elevated putting pressure on levered economies and business – dollar up (i.e. oil up) and yields up – are going to bust some politically influential creditor/debtor. See the detailed June 1<sup>st</sup> *BCD* update for evidence of the past five of six tightening experiences. **Continue to buy into market weakness.**