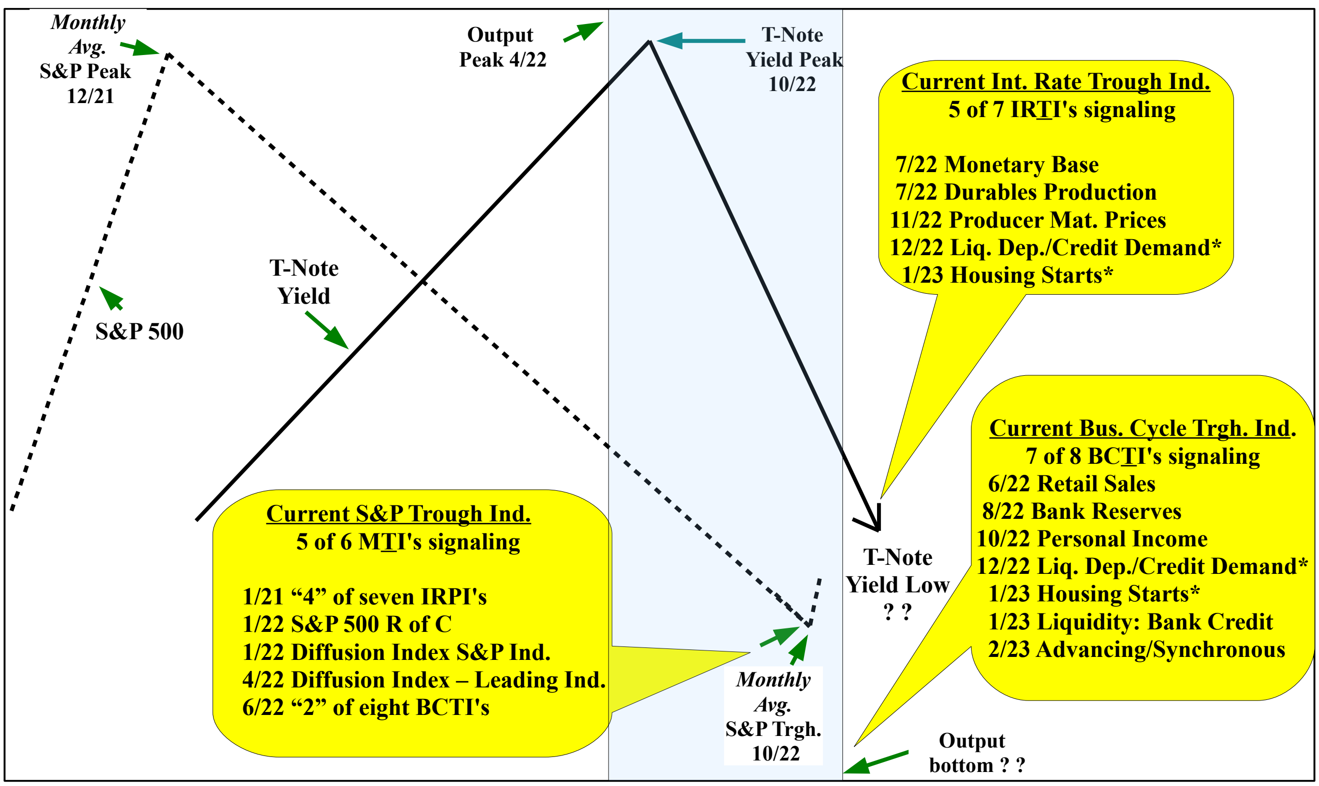
BUSINESS CYCLE DEVELOPMENTS

Business Cycle: Currently there's seven of eight **Business Cycle Trough Indicators** evidencing an upturn – or more likely a plateauing – of output - see bottom right callout below. The last **BCTI** signaled in February and the average lead-time since 2000 from the seventh **BCTI** has been 4 months (+/- 3 mo.), which centers an improvement in output trends in June 2023 (Mar. thru Sept.).

T-Note Yields: There's also five of seven **Interest Rate Trough Indicators** signaling. Since 2000 the average lead-time from the fifth **IRTI** to the trough in the 10 yr. T-Note yield has also been four months (+/- 3 mo.). The most recent **IRTI** signaled in January, so that centers a trough in May 2023 (Apr. thru Aug.). Typically yields will trough slightly after output bottoms out. Also, note the asterisk in the **BCTI's** and **IRTI's** below – both use the same data points, but have different rates of change. The *monthly average* T-Note yield on the January 2023 Housing Starts **IRTI** signal (callout below) was 3.53%, so the T-Note target is 3.06% (3.48% to 2.64%). Today's *monthly average* (17 trading days in April) T-Note yield is 3.47%.

INEXTRICABLY CONNECTED CYCLES

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



Equities: There are still five of six **Market Trough Indicators** – enough **MTI's** to buy weakness into slowdowns or recessions – see the callout (above left). If the S&P is discounting a slowing, only two of six **MTI's** are needed; if it's recession, then five of six **MTI's**. Slowing was an easy choice with three fiscal packages totaling $6.5T in the previous 22 months before the 2nd **MTI** (i.e. Cares, Spending Relief & Am. Rescue plans) and more fiscal spending ahead with the Democrats in office (i.e. another $3.6T in 2022). In addition, there's now five **MTI's** and it looks like October '22 was the bottom, as the S&P leads the trough in output by an average of six months (+/- 3 mo.), which currently satisfies the time frame for the expected trough in output. Continue to buy into weakness.