

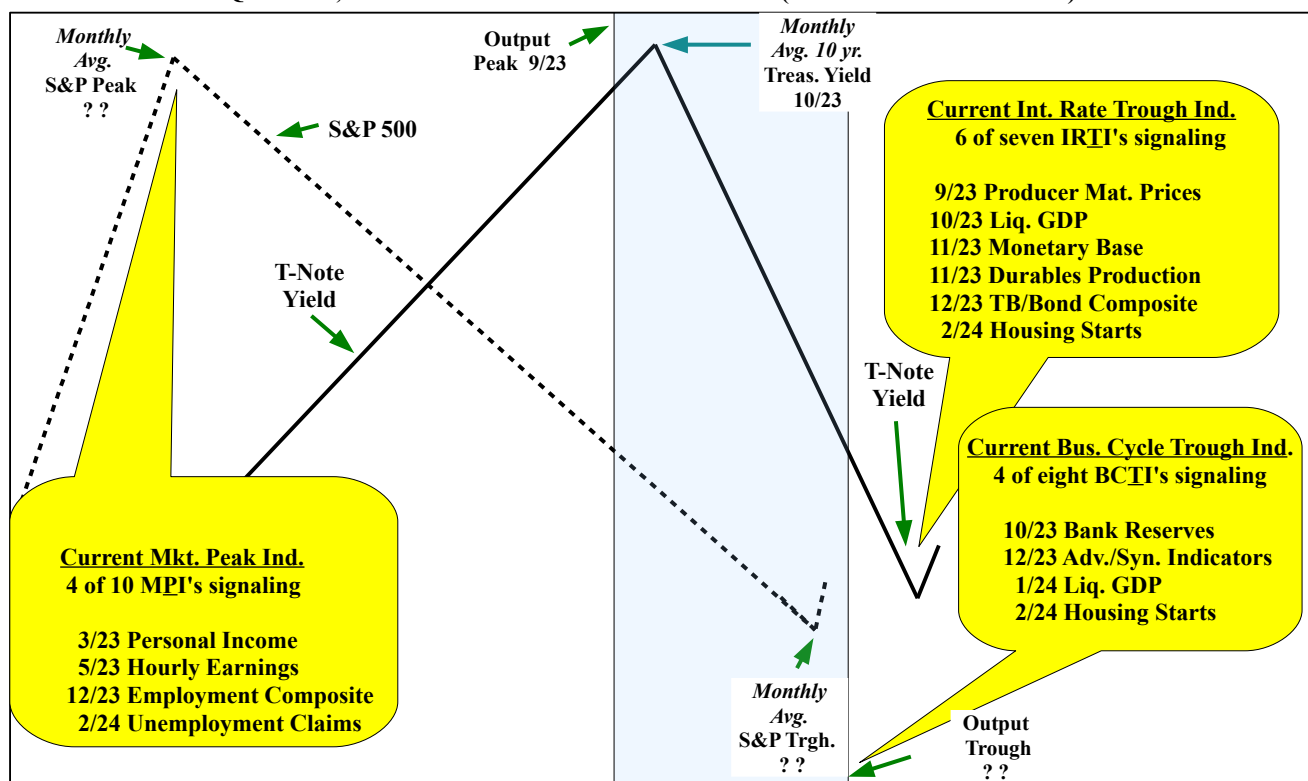
BUSINESS CYCLE DEVELOPMENTS

Business Cycle: US output peaked in September '22 as measured by the *Total Index of Industrial Production*. The *BEA* growth numbers are not reliable and – to add support to the *Total Index* data – Utility output also peaked in September '22! So, we're now resorting to measures (i.e. utility output) used in third world data releases to gain a true perspective on output! Conclusion: we're eight months into an economic slowdown and we have four of eight **Business Cycle Trough Indicators** signaling. A couple more of the **BCTI's** would add credibility to a forecasted target; however, extrapolating with just the current four **BCTI's** centers a recovery in September '24 (May '24 thru January '25).

Interest Rates: Currently there's six of seven **Interest Rate Trough Indicators** signaling. This is significant, as T-Note yields bottom a few months before or after output bottoms. Cyclically, higher-lows and higher-highs are expected and these **IRTI's** confirm that we've likely seen the lows for this cyclical slowing! When six of seven **IRTI's** have signaled, the targeted low in yields averages one month (+/- 2 mo.) from the date of the six **IRTI**. That sixth came in February '24, and Feb. 1st was the low at 3.87%!

TYPICALLY CONNECTED CYCLES

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



Equities: The '*Typically Connected Cycles*' title above is what usually happens – equities peak before output. This cycle is surely different, as output peaked in September '22 and the S&P is still advancing with only four of 10 **Market Peak Indicators!** This is not the normal symmetry; however, it's happened once before in the late '90's. Output peaked in December '99 and the S&P climbed until August '00 – eight months later. Currently the S&P has been climbing 20 months beyond the peak in output! What's the similarity? Y2K fiscal and monetary stimulation was excessive then and the current fiscal accommodation exceeds that late 90's period. The S&P is elevated and likely to continue so, as there are only four of 10 **MPI's** signaling. Historically when Argentina or Venezuela kept spending their equity markets remained elevated in relation to output until a more disciplined administration emerged. Equities are a claim on a real asset and – real assets thrive in this financial atmosphere. No sell signal yet with only four of 10 **MPI's!** Keep watching, as there's usually eight of 10 **MPI's**.