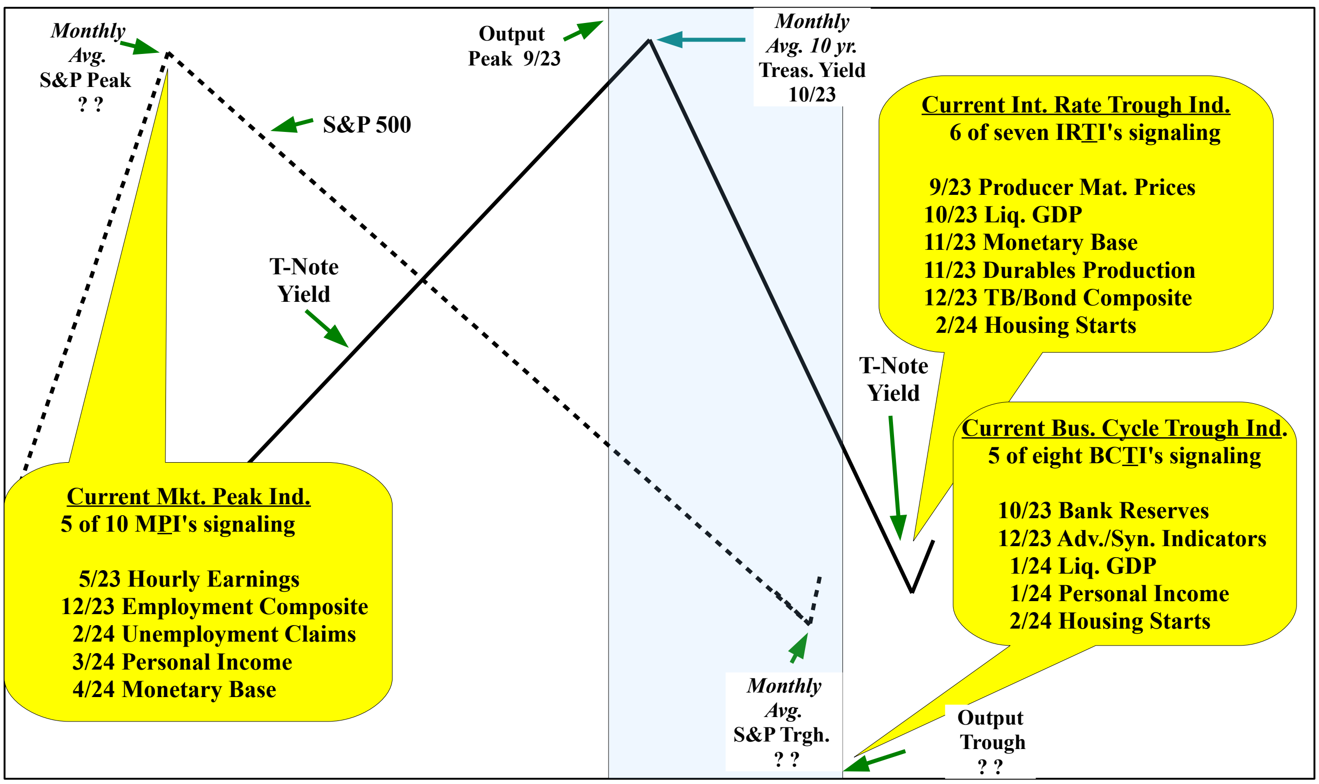
BUSINESS CYCLE DEVELOPMENTS

Business Cycle: US output peaked in September '22 as measured by the *Total Index of Industrial Production*. The U.S. is currently thriving solely on government spending. There are now five of eight **Business Cycle Trough Indicators** signaling. With five of the eight the average lead-time to a trough in output – from the date of the most recent **BCTI** has been six months (+/- 3 mo.) the – which centers the low point in output in August 2024 (May 2024 thru November 2024).

Interest Rates: Currently there are six of seven **Interest Rate Trough Indicators** signaling. Consensus believes T-Note yields are going lower. The six of seven **IRTI's** argue that this recent decline in yields will fade! 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** signaled, the targeted low averages one month (+/- 2 mo.) from the date of the six **IRTI**. That sixth came in February '24, and the *daily-close* low was 3.87%!

INEXTRICABLY CONNECTED CYCLES

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



Equities: There are now five of 10 **Market Peak Indicators** signaling. There's always been at least eight of 10 signaling before equities peak. Two exceptions, where there were fewer than eight, were related to external shocks like Fukushima and China's two devaluations in 2014. There were six of 10 **MPI's** signaling with those shocks. Continue to invest focusing on short pay-back horizons.

Treasury and Fed are behaving like emerging market players, as the incumbent is behind and there is a need to engineer a boom going into the election cycle. So real assets (i.e. stocks, housing & commodities) thrive as spending exceeds output (i.e. inflation) and the spending is supported by borrowing – using short term borrowing to finance the debt. This isn't going to stop between now and the election, which the five **MPI's** seem to be pointing out and explains why equities are still elevated 21 months after output has peaked – equities usually lead peaks in output (another exception Y2K)!