BUSINESS CYCLE DEVELOPMENTS

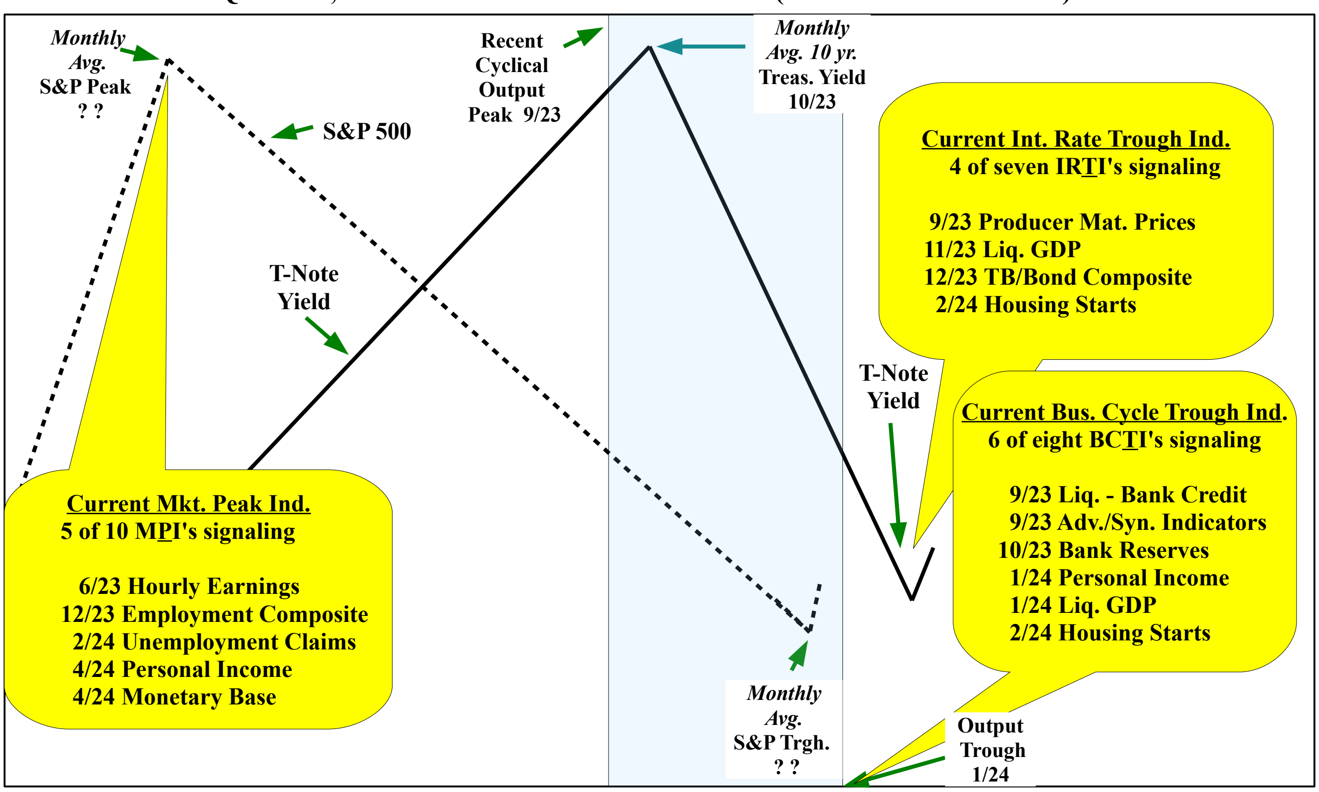
Business Cycle: There are still six of eight **Business Cycle Trough Indicators Indicators** signaling (see lower right)**.** The *Index of Industrial Production* bottomed in January 2024 after falling 51 months from September 2018. This output evidence isn't in accord with the current cacophony about slow growth, which is motivated by an approaching election and the desire for monetary stimulation. Like a junkie, the US has been thriving on fiscal stimulus packages ($12T) over four years, which masked the reality of no/slow growth, so it's been painful since December 2022 – the last of seven stimmy's!

Interest Rates: There are now four of seven **Interest Rate Trough Indicators** signaling (see upper right). There were six of seven **IRTI's**, but two rolled off and yields have now rolled lower than the previous low (3.79%) in December '23. Obviously, the normal pattern of T-Note yields bottoming with output (i.e. Jan. '24) isn't happening in this cycle. See here the history of yields and output bottoming: http://www.bcdresearch.com/wp-content/uploads/2024/07/BCD-0806202.pdf

As shown in the above link, for over 87 years only six yields have bottomed months after output bottomed: two due to war, two bailouts, one devaluation, and one budget control act. None of these compare with the several month, hyped-up discussion about an approaching Fed cut. This decline in T-Note yields doesn't have the looks of those six historic outliers. Albeit, there are two fewer **IRTI's** signaling, which implies lower yields, but a spendthrift government can only guarantee higher-lows and higher- highs in yields ahead. Also, note the 20 year and six attempts to quell inflation from Martin to Volcker in the 11/9/23 ***BCD*** Update. This is only the first attempt, because elections interfered then too with the overall policy.

INEXTRICABLY CONNECTED CYCLES

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



Equities: There are still only five of 10 **Market Peak Indicators** signaling. This implies more upside, or an elevated outlook for the S&P 500. Equities are a claim on a real asset and real assets thrive in the history of spendthrift governments, until some austerity and/or spending discipline surfaces. Continue to invest, but new money should focus on a short term payback horizon.