

# BUSINESS CYCLE DEVELOPMENTS

There are now seven of 10 **Market Peak Indicators** signaling. The seventh **MPI** surfaced in August 2024. Since 2000 the average lead-time to a peak in the S&P 500 has been five months, which centers a very preliminary peak in January 2025 (Nov. '24 thru Mar. '25). Those targets are considered preliminary because an eighth **MPI** would refocus the expected area for a peak – usually a month or two forward. There has always been at least eight of 10 **MPI's** signaling before an S&P peak with two exceptions – Fukushima (2011) and the two 2015 Chinese devaluations. When these two shocks appeared there were only six of 10 **MPI's** signaling both times.

<b>QUALITY SPREADS &amp; THE BUSINESS CYCLE</b>		
SPREAD: 10 Yr – Baa Yield. OUTPUT: Industrial Production Index		
<u>SPREAD TROUGH</u>	<u>BUSINESS CYCLE PEAK</u>	<u>LEAD (-) / LAG (+) SPRD. TRGH. to BCP</u>
8/55	1/56 sd	-5 mo
None	2/57 r	-
4/59	1/60 r	-9 mo
2/66	10/66 sd	-8 mo
11/67	n/a	-
9/69	10/69 r	-1 mo
7/73	11/73 r	-4 mo
9/76	n/a	-
12/78	12/78 sd/r	-0-
8/81	7/81 r	+1 mo
7/82	n/a	-
5/84	6/84 sd	-1 mo
3/89	1/89 sd	+2 mo
4/90	9/90 r	-5 mo
3/92	n/a	-
12/94	1/95 sd	-1 mo
4/97	n/a	-
1/00	12/99 sd/r	+1 mo
4/02	6/02 sd	-2 mo
3/05	1/06 sd	-10 mo
2/07	7/07 sd/r	-5 mo
4/10	5/10 sd	-1 mo
4/11	2/12 sd	-10 mo
None	12/13 sd	-
7/14	11/14 sd/r	-4 mo
2/18	7/18 sd/r	-5 mo
1/20	2/20 r	-1 mo
11/21	3/22 sd	<u>-4 mo</u>
→ 4/24 ←	??	<b>Average: -3 mo (+/-3 mo)</b>
	Japan hikes rates on carry trade positions?	??

sd: slowdown. r: recession.

The April 2024 trough in the US quality spread coincided with Japan's end of negative short term rates. US equities fell -5% and fell again when Japan's yields went positive in July – the carry trade is unwinding! Japan's new PM advocates higher rates and BOJ's Uchida said he won't raise rates into unstable markets (i.e. US elections). Widening quality spreads reflect external shocks and deleveraging the S&P would be one – see above.

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