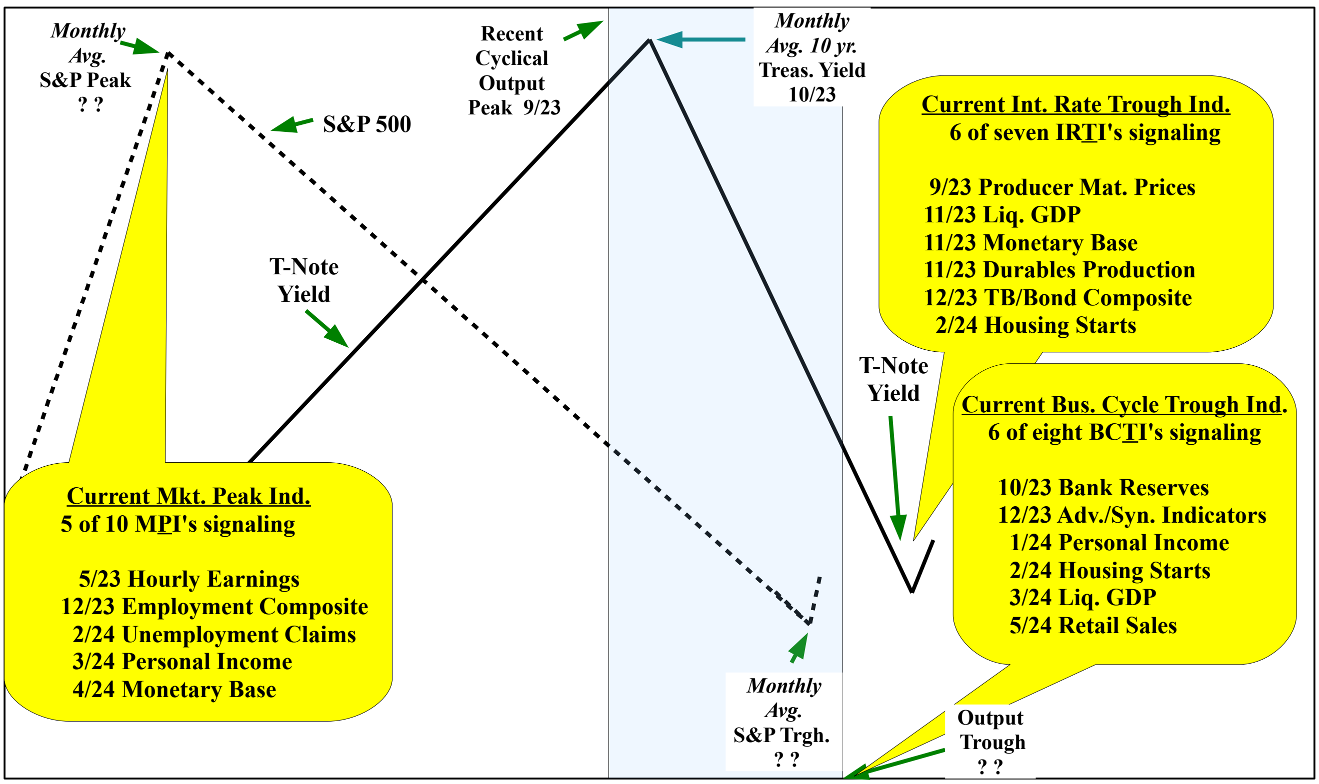
BUSINESS CYCLE DEVELOPMENTS

It's axiomatic that the consensus view is never correct when it comes to market forecasts. The prevailing consensus is that the Fed's going to lower interest rates and yields will respond. The data points below argue that when and if this occurs, it's likely to be only a short-lived rally in bond prices. The pattern for T-Note yields is to bottom with output and the Fed's revised output data from 2012 is showing signs of economic improvement since this spring, which is what the majority of interest rate and business cycle data points were acknowledging.

The sixth of seven **Interest Rate Trough Indicators** focused on a trough in April 2024 (Jan. thru Jul.). The *monthly average* trough in T-Note yields was 4.02% in December 2023 – coincident with the 5th **IRTI**. The *daily-close* low was 3.87% in February 2024! The **IRTI's** confirm that we've likely seen the cyclical low for this cyclical slowing! So, the lows in yields was earlier this year.

INEXTRICABLY CONNECTED CYCLES

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



This http://www.bcdresearch.com/wp-content/uploads/2024/07/BCD-0806202.pdf August 2020 ***BCD*** Update* shows where T-Note yields bottomed over 87 years in relation to output – almost always near the trough in output. The six exceptions (red shading) are due to a *Term Premium* on the 10 year. The marketplace wanted more compensation for prevailing risk for these times. The same demands are for a higher *Term Premium* today. This is why the secular yield has been climbing since July 2020 and will continue the secular staircase (i.e. higher lows & higher highs) until the U.S. controls spending. Creditors want a premium for a spendthrift government! The cyclical climb in T-Note yields beginning in December 2023 thru February 2024 is now appearing to have been a few months within the lows in output. Don't expect much of a rally in bond prices when the Fed eases before the election.

* Note in the 1st paragraph this report identified the secular trough (@ .59%) in T-Note yields and was off by a couple months on the estimated. month.