BUSINESS CYCLE DEVELOPMENTS

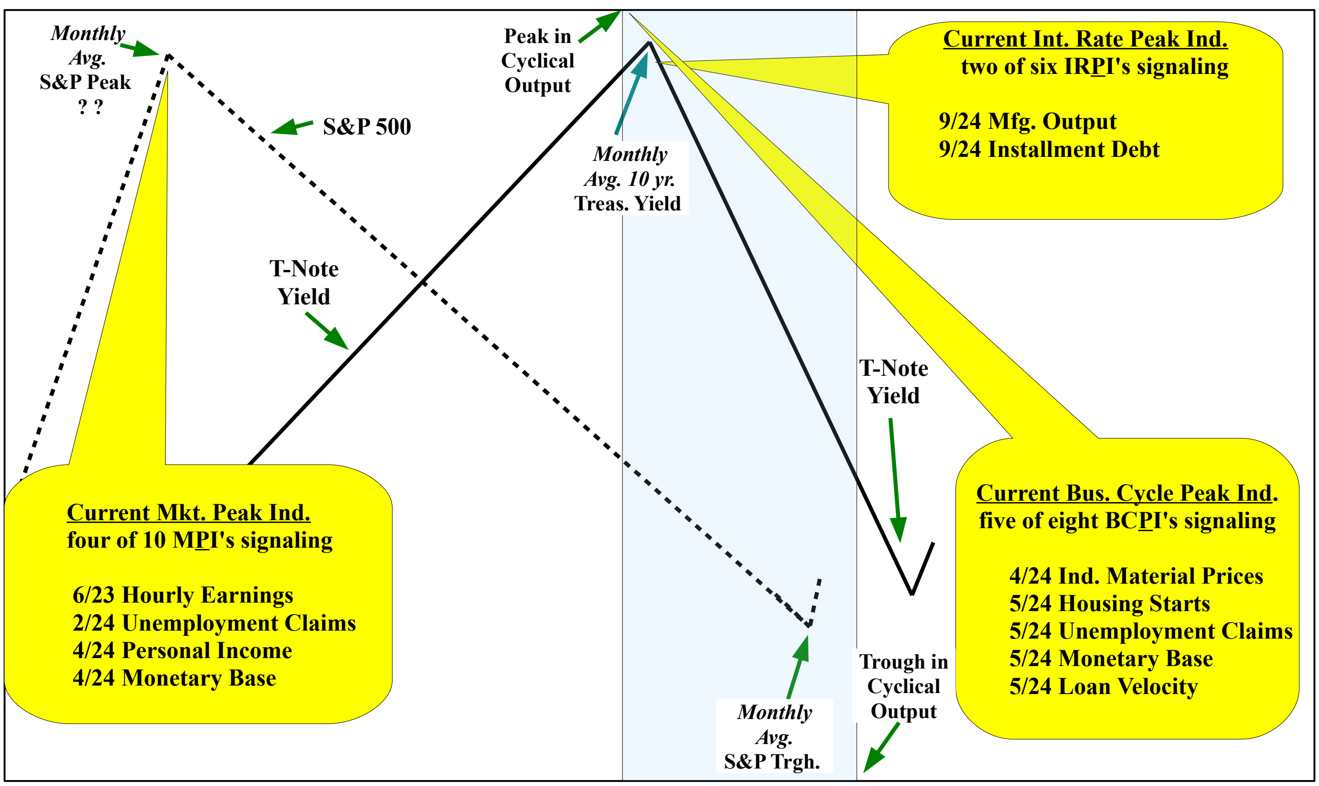
Business Cycle: There are five of eight **Business Cycle Peak Indicators** signaling (see lower right)**.** US *Industrial Production* peaked in September '18 and we haven't been above that peak level for six years – we've been thriving on government spending. The stimmy's (i.e. Fed. Debt) added by Trump ($8.5T) and Biden ($9.3T) has totaled $18T for the past eight years – there's the growth!

There have been four peaks and troughs in output since late 2018 – three slowdowns and one recession (Covid). A normal cyclical expansion/contraction of business cycles used to occur over a four year period. Over the past six years of no growth in output, we've had four expansions/contractions – all short-lived cycles thriving on spending bills! The last was The Omnibus Spending Bill in December '22 – no wonder we're slowing again!

Interest Rates: There are now two of six **Interest Rate Peak Indicators** signaling (see upper right). 10 year T-Note yields usually peak with output – its' normal for these two Indicators to build up simultaneously. It took 20 years and six tightening followed by six pauses to overcome the last bout of inflation – the six pauses averaged 15 months (+/- 8 mo.). Applying this 15 month average 'pause-following-tightening' implies the Fed will likely tighten again about November '25 (4/25 thru 4/26). This is only the Fed's first attempt! Surprisingly, Powell tightened for 27 months – the exact average of 'tightening periods' for the previous 20 years by six Fed chairmen and their attempt to quell inflation! The **IRPI's** point to higher-highs and higher-lows, as we saw in the 20 years from 1960 - 80. See the November 9, 2023 ***BCD*** update for details on the six attempts to stop inflation.

INEXTRICABLY CONNECTED CYCLES

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



Equities: There are now only four of 10 **Market Peak Indicators** signaling. The S&P 500 P/E multiple is currently at 21.7X and ranks at the 93rd historical percentile. At the end of 2022, this *Index* traded at a multiple of 17X! Stocks are pricey, but four of 10 **MPI's** implies more S&P upside. 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 – there's none yet, only talk. An external shock like Fukushima, or the two 2015 Chinese devaluations could break the trend in the S&P. Continue to invest in equities until there's eight of 10 **MPI's**.