BUSINESS CYCLE DEVELOPMENTS

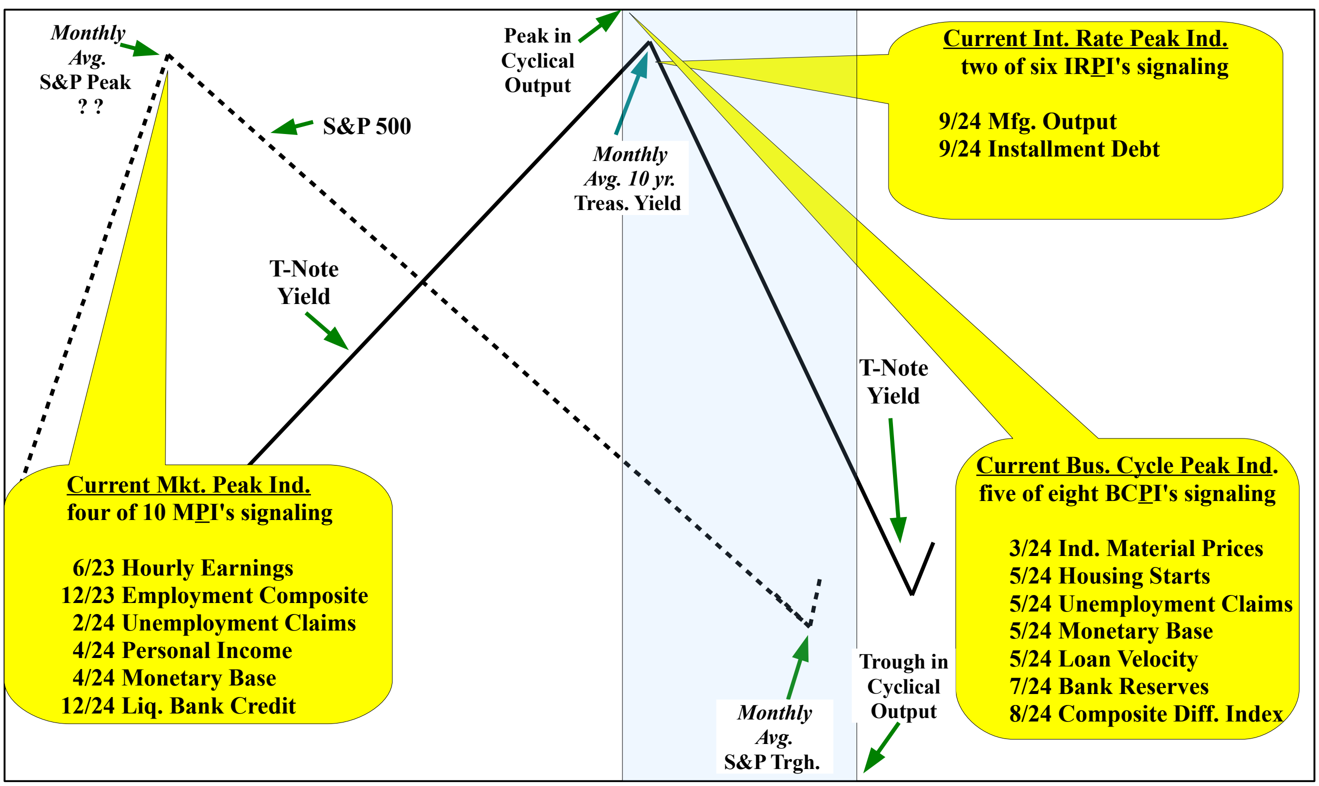
Business Cycle: There are now seven of eight **Business Cycle Peak Indicators** signaling (see lower right)**.** This implies the U.S. is already in – or about to enter – the fifth slowing/recession since the peak in Industrial Production back in September 2018. Output today is no higher than it was back in September 2018, but we've passed six fiscal spending bills totaling $12T since Covid and these government spending bills are what we've been thriving on since Covid. The last bill was the $1.7T Omnibus Spending Bill of 12/22.

Interest Rates: There are still only two of six **Interest Rate Peak Indicators** signaling. Output and T-Note yields usually coincide with each other and output has always appeared to be the primary driver of the cyclical pattern of 10 yr. T-Note yields. For proof of the peak in output and yields – see January 13th ***BCD*** update. With only two of six **IRPI's** – when output dominates the relationship – speaks to a possible cyclical peak in T-Note yields has occurred (4.79%), or is about to peak. If so, expect retracement to a higher-low.

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! Volcker proved that the FF's must be held above the inflation rate for several months to stomp out inflation – Powell never got there. The **IRPI's** should continue to point to cyclical higher-highs and higher-lows in T-Note yields, as we saw in the 20 years from 1960 - 80. See the November 9, 2023 ***BCD*** update for history on the six attempts by six Fed chairmen to stop inflation.

INEXTRICABLY CONNECTED CYCLES

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



Equities: There are now six of 10 **Market Peak Indicators** signaling. Trump's agenda of domestic growth can be easily solved through a devaluation, which would obviously help real assets (i.e. equities). Such a policy can't be discussed prior to its use, but it's a possibility. Also, in the capital markets (i.e. the recent T-Note yield behavior) has been a 'discipline' on Biden's spending agenda. Likewise, Trump's 'Putting America First' can raise new possibilities of investor base risk and possible capital controls: The U.S. has been categorized as 'high debt and resilient to a run', but that can change: https://www.imf.org/en/Blogs/Articles/2013/01/17/the-ties-that-bond-us-what-demand-for-government-debt-can-tell-us-about-the-risks-ahead