

# BUSINESS CYCLE DEVELOPMENTS

U.S. output (i.e. Ind. Prod.) peaked in September 2018. Output has been porposing at lower-highs and lower-lows since then, as we've had four slowdowns and one recession (Covid) within the past seven years. Before September 2018 output moved in tandem with *BEA's* GDP data, but they've been going in different directions since – stimmies are the difference! In the first year of Obama's administration the deficit jumped 300% to \$1.4T – the largest in history! It's not a coincidence, that 2009 is also when **BRIC's** formed-up – they moved from the drawing board into action, as some central bankers could see they are better off holding real money (i.e. gold) than some other spendthrift country credits.

We are into another slowing, as output peaked again in June '24 coincident with seven of eight **Business Cycle Peak Indicators** signaling. Quality spreads confirm the current slowing – see the peak in quality spreads in August '24 – below. This spread leads the trough in output by an average of three months (+/-3 mo.); however, this lead-time is running long, as it's almost March 2025 and there's still only four of eight **Business Cycle Trough Indicators** signaling.

Dollar strength also confirms an economic slowing. It typically peaks three months (+/- 4 mo.) prior to the trough in output. See the 12/23/24 **BCD** Update here: <https://www.bcdresearch.com/wp-content/uploads/2024/12/bcd-122324.pdf> Like the **BCTI's**, the dollar hasn't peaked yet and that peak may be slow to deliver because of budget cutting!

<b>QUALITY SPREADS PEAK BEFORE OUTPUT TROUGHS</b>		
Quality Spread: 10 Yr – Baa Yield (monthly averages). OUTPUT: Industrial Production Index		
<u>SPREAD PEAK</u>	<u>OUTPUT TROUGHS</u>	<u>LEAD (-) / LAG (+) SPREAD to OUTPUT</u>
12/57	4/58 sd/r	-4 mo
7/60	2/61 r	-7
1/67	7/67 sd	-6
3/71	11/70 r	+4
1/75	5/75 r	-4
12/76	n/a Mexico's devaluation 9/76	
5/80 Monetary Control Act (3/80)	7/80 sd/r	-2
10/82	12/82 r	-2
n/a	7/85 sd	
8/86	n/a Oil & commodity prices bottom 7/86	
12/89	7/89 sd	+5
1/91 Gulf War #1 (8/90)	3/91 r	-2
1/93	n/a Sterling exits ERM 9/92	
1/96	1/96 sd	-0-
10/98	n/a LTCM bailout 9/98	
10/01	11/01 sd/r	-1
10/02	8/03 sd	-10
12/05	n/a Katrina 8/05	
n/a	11/06 sd	
12/08	6/09 sd/r	6-
10/10	2/11 sd	-4
6/12	10/12 sd	-4
n/a	2/14 sd	
2/16	3/16 sd/r	-1
1/19	10/19 sd 45 day auto strike prolonged upturn	-9
4/20	4/20 r Covid	-0-
7/22	12/22 sd	-5
8/24	??	<b>Average: -3 mo (+/-3 mo)</b>

sd – Slowdown; r – Recession; sd/r – Started as a slowing and morphed into recession.

Today there's only four of eight **Business Cycle Trough Indicators** and not one **Interest Rate Trough Indicator** signaling! **BCTI's** and **IRTI's** are like bookends – the peaks/troughs in yields tend to coincide with the peaks/troughs output. This lack of **IRTI's** is like the strong dollar, or small number of **BCTI's** – not too convincing that we're going to see an improvement yet in genuine output vs. the stimmies we've been thriving on for several years. The slowing will likely continue to drag-on due to deflationary impacts of trimming government spending and jobs – i.e. cutting some stimmies – the government is 25% of GDP!