

BUSINESS CYCLE DEVELOPMENTS

The current S&P decline of -10% is still viewed as an intermediate decline in a bull market. Bull markets average intermediate declines of -5% (+/- 1.5%) and have fat-tailed outliers – there are 25 of them that range from -7% to -11% extending declines from 10 days to 45 days. Then the S&P recovers – see the March 7th *BCD* update for details on outliers.

There's still only seven of 10 **Market Peak Indicators** signaling. The one exception is seen in column #1: Greenspan delivered a surprise, but necessary hike of FF's – then an all-time low of .98%! The *BCD Research* strategy has been to sell into market strength with eight **MPI's** and there's still time to sell into that strength with eight or more **MPI's**.

Look closely again in column #1 and you'll see four shocks, where sizable declines occurred with only a few, or no, **MPI's** signaling at the time. Last month's high in the S&P isn't considered a shock, as Trump's agenda has been known and discounted for months. The average *AII* Bull-Bear Spread at major market bottoms is -25 (+/- 11) and its recent low in February 2025 was -41! The three largest spreads at market bottoms have been -54, -43 and -37 over a 38 year history. This 'spread' doesn't correlate with the bullish **MPI's**. The **MPI's** are measures of fundamentals – rates-of-change of consumer spending and liquidity – so the bullish history of the fundamentals is supported by the technical extremes found at bottoms.

BEAR MARKET PATTERNS						
S&P 500 – Daily Close Except the Last Column (Mo. Avg.)						
Col. #1	S&P 500 Peak	5% Decline	Col. #4	10% Decline	Total % Decline	S&P Mo. Avg. Low & Number of Months
# of MPI's @ the S&P Peak	2/37	10 Days	41 Days		-52.3%	4/38 & 14 mo.
↓	10/39	23	162		-43.4	4/42 & 30 mo.
	5/46	15	62		-29.6	6/49 & 37 mo.
no hist.	1/53	59	108		-14.8	9/53 & 8 mo.
no hist.	7/56	20	41		-21.6	12/57 & 17 mo.
10 MPI's	7/59	26	149		-13.9	10/60 & 15 mo.
9 MPI's	12/61	19	95		-28.0	6/62 & 6 mo.
10 MPI's	1/66	14	66		-22.2	10/66 & 9 mo.
10 MPI's	12/68	20	133		-35.9	5/70 & 17 mo.
10 MPI's	1/73	16	73		-48.2	12/74 & 23 mo.
10 MPI's	9/76	14	149		-19.4	3/78 & 18 mo.
Shock	2/80	9	⇒ 17 Credit Controls		-17.1	3/80 & 1 mo.
10 MPI's	4/81	6	185		-27.1	8/82 & 20 mo.
10 MPI's	10/83	14	85		-14.4	7/84 & 9 mo.
10 MPI's	8/87	8	36		-33.5	12/87 & 4 mo.
Shock	6/90	14	25 Gulf War #1		-19.9	10/90 & 4 mo.
10 MPI's	1/94	18	n/a		-8.9	4/94 & 3 mo.
9 MPI's	7/98	8	20		-19.3	9/98 & 2 mo.
10 MPI's	8/00	15	27		-36.5	9/01 & 13 mo.
9 MPI's	3/02	16	33		-31.8	2/03 & 11 mo.
7 MPI's	2/04	27 Greenspan hikes @ .98%	n/a		-8.2	8/04 & 6 mo.
10 MPI's	10/07	21	33		-56.3	3/09 & 17 mo.
10 MPI's	4/10	9	⇒ 19 Flash Crash		-16.0	7/10 & 3 mo.
9 MPI's	3/12	29	42		-10.0	6/12 & 3 mo.
Shock	5/15	64	65 China's two devaluations		-14.2	2/16 & 9 mo.
10 MPI's	9/18	15	45		-19.8	12/18 & 3 mo.
Shock	2/20	6	⇒ 8 Covid-19		-33.9	3/20 & 1 mo.
10 MPI's	12/21	14	43		-25.4	10/22 & 10 mo.
		Avg. : 19 days (+/- 9 days)	68 days (+/- 42 days)		-25.8 % (+/- 11%)	
	2/25 ?	9 days	16 days		??	??

Also note in column #4 that it took only 16 days to deliver a -10% correction – see the gray shading. Three of the shortest histories for -10% declines were shocks – see the blue arrows. From a fundamental and technical viewpoint, this S&P looks like a fat-tailed intermediate correction and there's an opportunity for another run to higher-highs before it peaks.