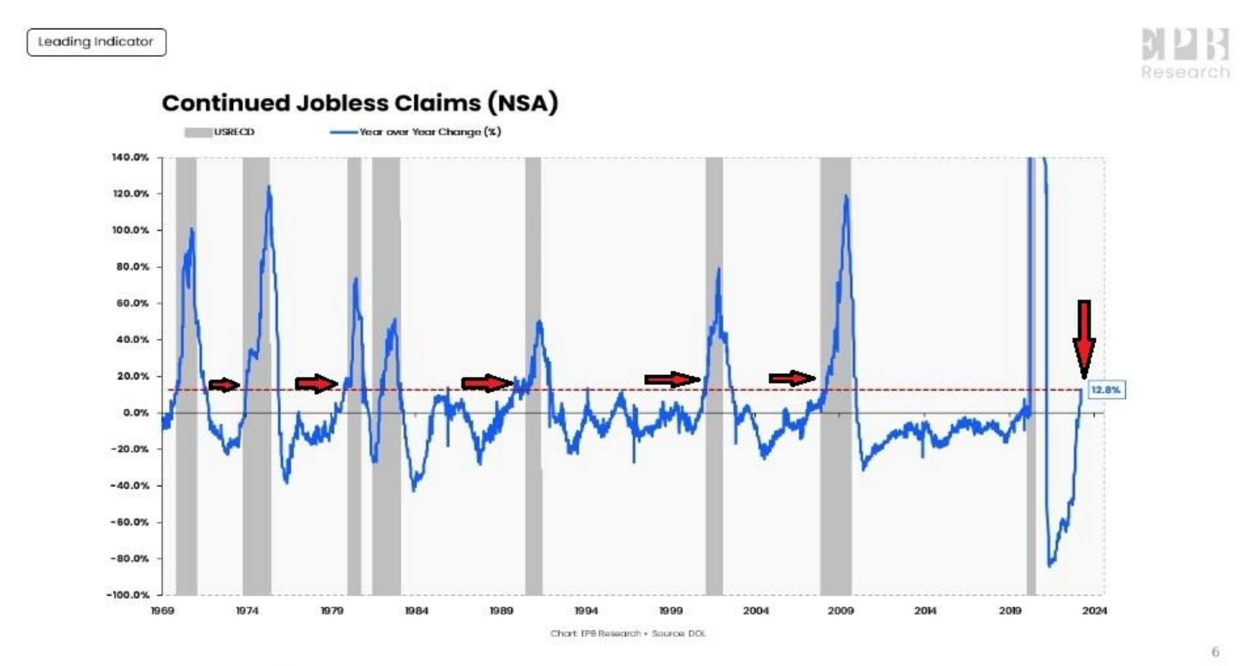
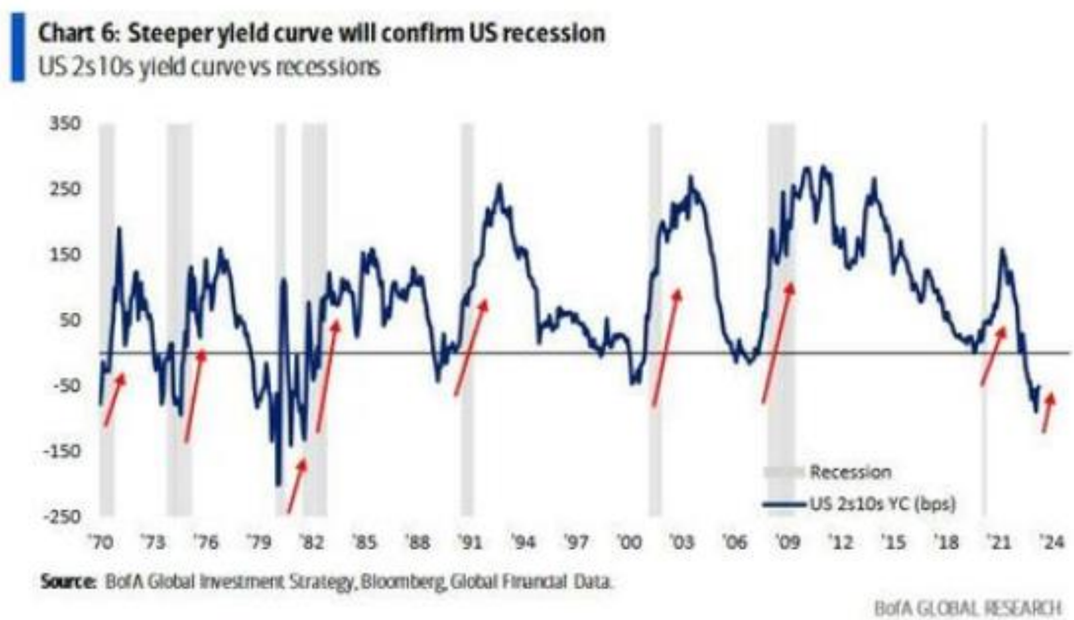
04/18/2023 Addendum to Squirrel and Moose

The following charts/graphs in combination indicate with almost 100% certainty a recession is going to happen.



Continuing jobless claims are a "leading" indicator of the economy and have been rising for many months now. They have approached a threshold (see red dotted line and red arrows) that has preceded every recession (gray shading) over the past 50 years. Source; https://seekingalpha.com/article/4593519-three-sequential-signals-of-recession?mailingid=31133812&messageid=2850&serial=31133812.9061&utm_campaign=rta-author-article&utm_medium=email&utm_source=seeking_alpha&utm_term=31133812.9061)

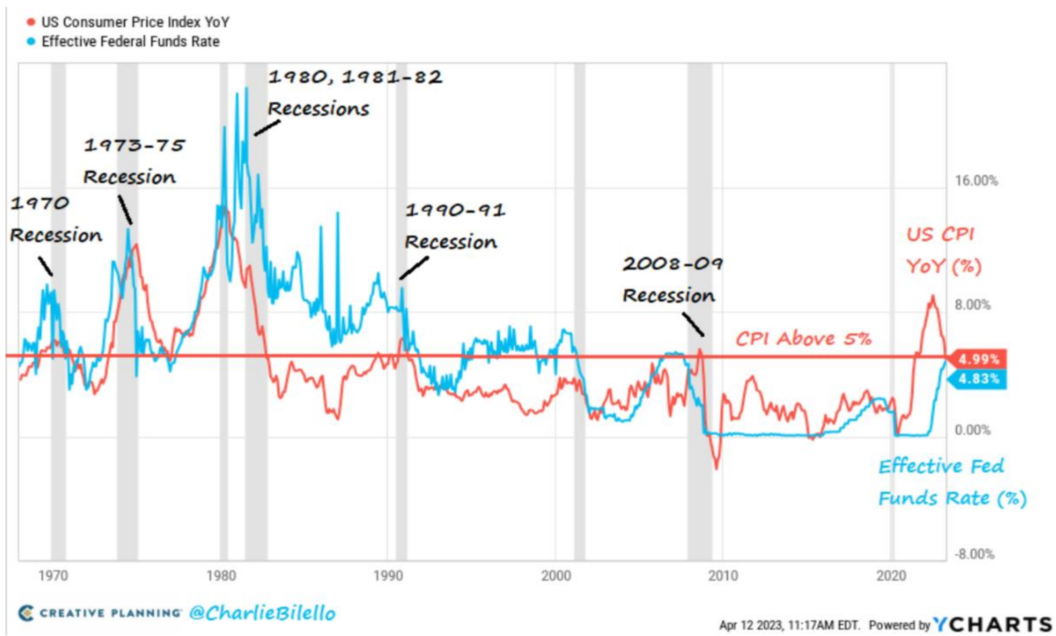


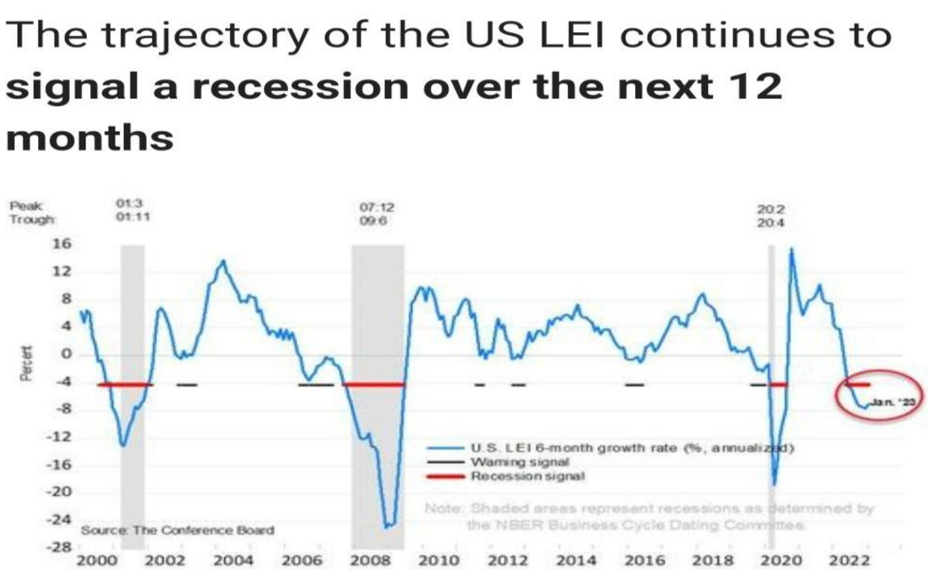
When short-term borrowing rates (3-month, 1 year, 2 year) are higher than long term rates (7 year, 10 year, 30 year), that is called an "inverted yield curve." As one can see from the chart (blue line far right), we are about as inverted (blue line below the grey line) as we've ever been. Banks like to borrow "short" and lend "long" and make money on the spread when short rates are lower than long rates. If short rates are higher than long rates, that's a losing strategy so lending stops, hence a recession.

You'll notice the line has turned up a bit causing a "steeper" yield curve. This means short term rates have come down relative to long term rates. This change has preceded every recession (see red arrows and gray shading) since 1970 as the market starts anticipating the Fed is going to cut short term rates in order to stimulate the economy, they just de-stimulated by raising rates. Sort of a Ferris wheel approach to money management.

This chart shows a survey of purchasing managers of large corporations. Anything over 50 means expansion and under 50 means contraction. The blue line now sits at about 46. You'll notice every time since 1950 it has dropped to this level, we were either in a recession or shortly will be.

When the CPI (consumer price index – red line) goes above 5% it has led to a recession 100% of the time. The blue line shows the Fed Funds interest rate.





The "Leading Economic Indicators" (LEI) continue to decline and are now in negative territory. This has preceded a recession the last 3 times.

All in all, it doesn't look good for the US economy over the next 6-9 months.

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