

## SPX 2008 analogy updated...



No doubt some of you have been following the market action the past month as the major indexes are down 11% or more and about 21% - 31% for the year. It has been brutal as there has been no place to hide other cash. At this point, in my opinion, it is almost a certainty that we are racing into a full-blown recession (see the chart and table below). My immediate concern is a replay of 2008 where, at about this date, the stock indexes plunged about 15% in a waterfall decline in a matter of weeks.

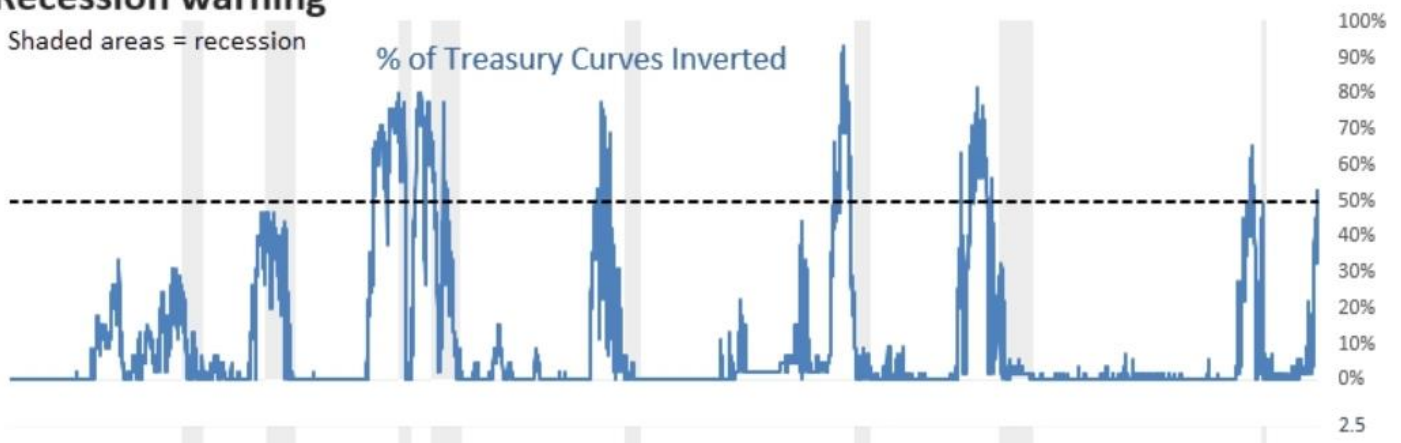
In the comparison graph showing 2022 and 2008, at this point in the year they are neck and neck. Out of these concerns, we have gradually reduced exposure and have gone to “defcon 5” in our accounts at Nationwide. Essentially, we are neutral so that if markets go down, we shouldn't be greatly affected. For example, the markets were down about 1.75% yesterday and our accounts were hardly affected. Whether this is

the right move over the next week, I don't know. If the recession predictor below is accurate, it will be the right strategy.

## Recession warning

Shaded areas = recession

% of Treasury Curves Inverted



\*Here is a chart and table showing the number of inversions in the yield curve, which means that short term interest rates are higher than long term rates. Generally, when it's only a few inversions, it's not a big deal. When over 50% of them invert, which is where we are now, a recession has always followed. What's also of interest is that other than 2000, returns 12 months out were not bad. However, returns over the next few months were poor.

\*From Sentiment Trader 09/22/2022



Finally, a macro index model that looks at a variety of data in the marketplace has averaged 40% which is suggesting a 60% recession probability. When this has occurred, returns in the next 3 to 6 months have been negative every time but once.

At some point I will feel comfortable becoming aggressive I again. Now is not that time. Please call if you have any questions or concerns.

Enjoy,

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