

# BUSINESS CYCLE DEVELOPMENTS

## SUMMARY: ECONOMY

Six of eight **Business Cycle Trough Indicators (BCTI's)** are signaling. These signals - based on their historical pattern - project an end to the current economic slowing in October '03 (July thru January). This implies a few more months of sluggish data - usually the level of concern is the greatest at the bottom. Industrial Production has dropped 1.8% through May '03 (2% @ the lowest point), from its nominal peak in July '02. Declines in I.P. of 3% have correlated with negative GDP quarters; however, this downturn has passed all the litmus tests of a slowing not a recession.

## SUMMARY: BONDS

Five of seven **Interest Rate Trough Indicators** are pointing to a cyclical low in the 10

year T-Note yields immediately ahead. They may have reached those cyclical lows last month, as yields typically bottom slightly ahead of the trough in an economic slowdown. The secular pattern of lower lows and lower highs (5.3% @ 3/02) is expected to continue, if US

growth is relatively anemic, as it has been since mid 2000 and the dollar continues a manageable decline. Any serious dollar fall would remove the Fed's options to accommodate growth thru the election and beyond.

**Sell bonds on strength.**

## SUMMARY: STOCKS

Five of 6 **Market Trough Indicators** continue to point to a cyclical bull market. The average gain in the 4 cyclical bull markets from the mid 1960's thru 1982 was 50% (range: 38% to 57%). This S&P bull market began in Feb. '03 @ 838 (*mo. avg.*), which would project the *month average* S&P to 1257 (range: 1156 to 1316). The lower end of the 1156 range is the previous 3/02 high. No **Market Peak Indicators** are signaling.

Bill Weissert 6/26/03

