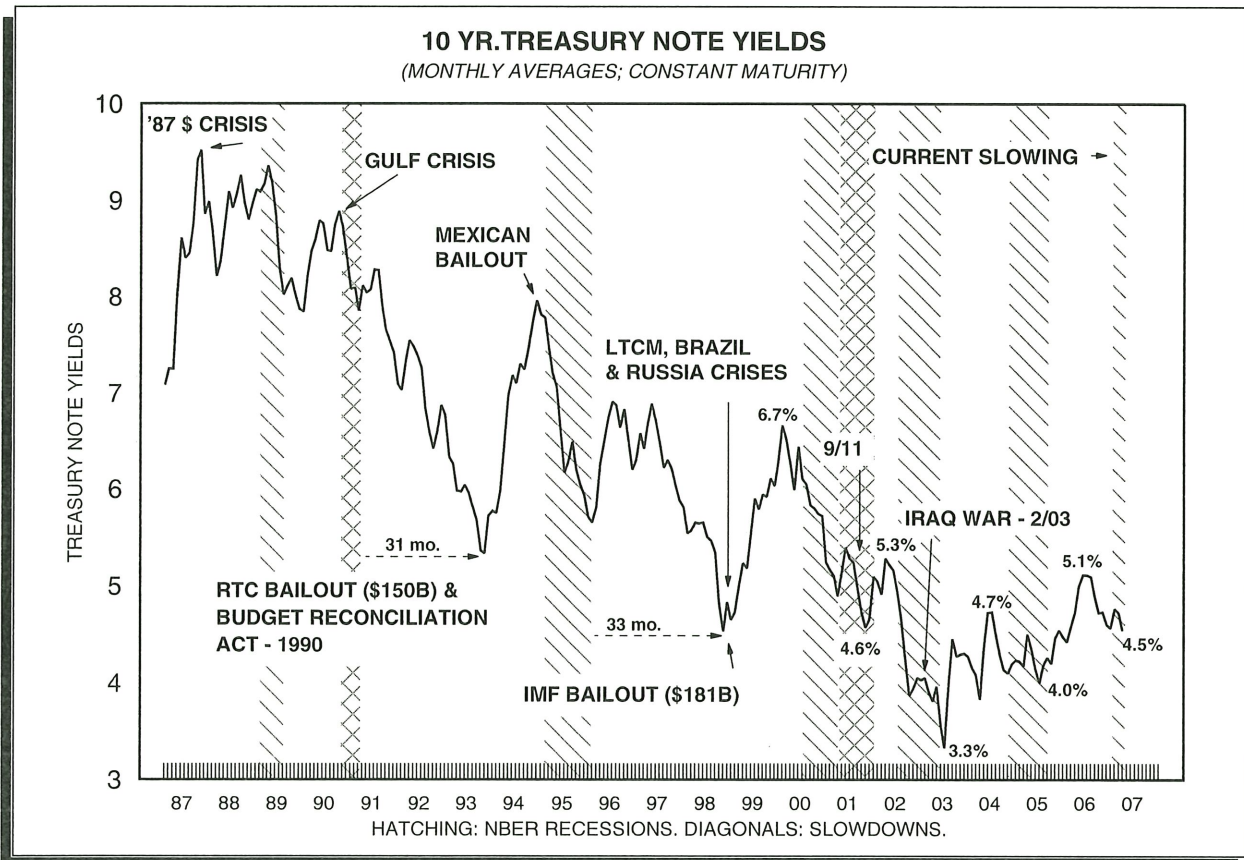


# BUSINESS CYCLE DEVELOPMENTS

Surprisingly there are five of 8 **Business Cycle Trough Indicators (BCTI's)** and **six of 7 Interest Rate Trough Indicators (IRTI's)** signaling. The five **BCTI's** center an expected end, to the current slowing, in June '07 (Feb. '07 thru Oct. '07). **The IRTI's point to a bottom in 10 yr. Treasury yields in March '07 (Dec. '06 thru July '07).** **Yields typically trough with the bottom in the business cycle, so this build up of both trough Indicators is significant because it points to an immediate recovery from the current mild**



**economic slowing.** This fact implies the Fed will revisit their policy, which has been on hold since last summer. This revisit 'of the tightening process' may be what the equity market appears to be starting to discount since February '07. Any further ratcheting of rates, on a slow recovering and levered economy, would set-up the typical stage where the Fed finishes the cyclical tightening process about the time the economy peaks again. **Hold bonds, for what is expected will be a short period, until another BCTI or two appear to confirm a recovery from the current slowing.**

Bill Weissert

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