

BUSINESS CYCLE DEVELOPMENTS

Two of six **Market Trough Indicators** are needed to re-enter the S&P on weakness, with no proof of recession. Five of six **MTI's** are needed, to buy into weakness, in a recession. Two **MTI's** are currently signaling and no recession is expected due to continued stimmy's. The lead-time from the 2nd **MTI** has been three months (+/- 1 mo.). The 2nd **MTI** signaled in March 2025, so extrapolating the average lead-time centers an S&P trough in June '25 (May '25 thru July '25).

There's currently five of eight **Business Cycle Trough Indicators** signaling. The fifth lower-high in output was in June '24 – output is still oscillating 78 months below the September 2018 peak! The five **BCTI's** point to a recovery in output, not a downturn. Output hasn't been growing, only government spending! We're still operating on stimmy's, or CR's, and proposing a \$5T debt ceiling for an October budget! Equities (i.e. real assets) thrive with profligate governments.

This decline looks like a shock, due to the April 2nd evening reciprocal tariffs. Shocks don't last long – see the four **yellow** experiences below – they average four months (+/- 3 mo.) and -21% (+/- 6%) In Trump's *Art of the Deal* he emphasizes leverage – having something the other guy wants, or better yet, needs. Checkmating foreign tariff levels, with greater or equal tariffs, was to get the 'other guy' to the table. This is intended as bluster (i.e. leverage) - not permanent.

BEAR MARKET PATTERNS					
S&P 500 – Daily Close Except the Last Column (Mo. Avg.)					
Col. #1	Col. #4				
# of MPI's @ the S&P Peak	S&P 500 Peak	5% Decline	10% Decline	Total % Decline	S&P Mo. Avg. Low & Number of Months↓
	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.
8 MPI's to date →	2/25	Avg. : 19 days (+/- 9 days)	68 days (+/- 42 days)	-25.8 % (+/- 11%)	??
		9 days	16 days	??	??

The recent eighth **MPI** coincided with the shock of reciprocal tariffs – there's usually several months upside in the S&P from an eighth **MPI** level. However, a similar front-running of **MPI's** occurred in February '04 (see **blue**), where there were seven of 10 **MPI's** signaling and a similar surprise hike in FF's after a 41 month decline following the dotcom bubble.