

MarketDesk U.S. Business Cycle Indicator

Composite of Leading Consumer and Business Cycle Data Points

Economics

Current Takeaway The U.S. economy entered the "slowdown" phase in April 2022; Labor markets remain the largest source of strength

Overview of Indicator

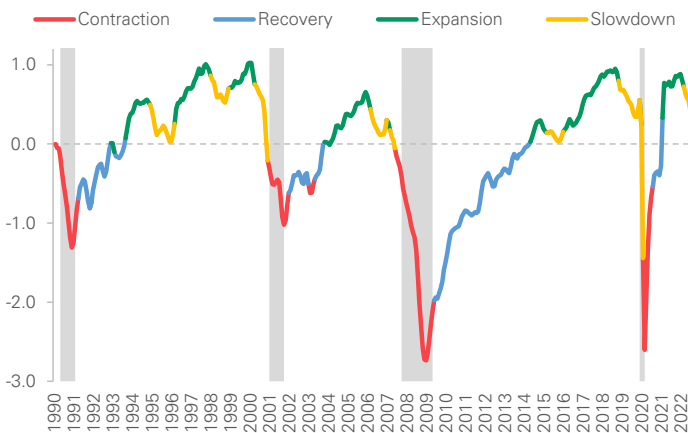
The U.S. Business Cycle Indicator aggregates key data points to objectively label where we are in the current economic cycle. There are four stages of the business cycle: Early Cycle (Recovery), Mid Cycle (Expansion), Late Cycle (Slowdown), and End of Cycle (Contraction). The indicator tracks eight macro inputs that are historically correlated to the business cycle and uses collective changes in the datapoints to identify the current stage of the business cycle.

How to Use

Defining the current stage of the business cycle is a crucial step to developing an asset allocation framework. The indicator is best used to identify the overall macro environment and associated investment themes, such as cyclical vs defensive positioning, equity vs credit, and various equity factors. Use the projected business cycle stage to create a short list of asset allocation ideas that will allow you to position in line with macro tailwinds and avoid macro headwinds, both now and in the coming quarters.

Figure 31 – MarketDesk U.S. Business Cycle Indicator

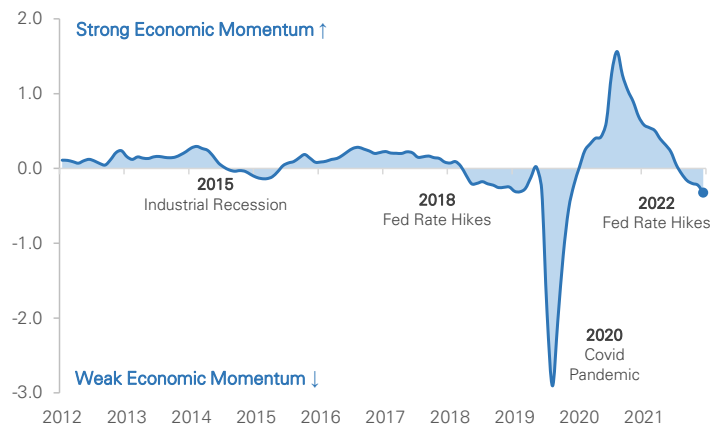
Composite Indicator & Historical Recession Periods



Source: www.QuantPack.com. Grey shaded areas represent NBER recessions.

Figure 32 – Rolling 6-Month Change in Business Cycle Indicator

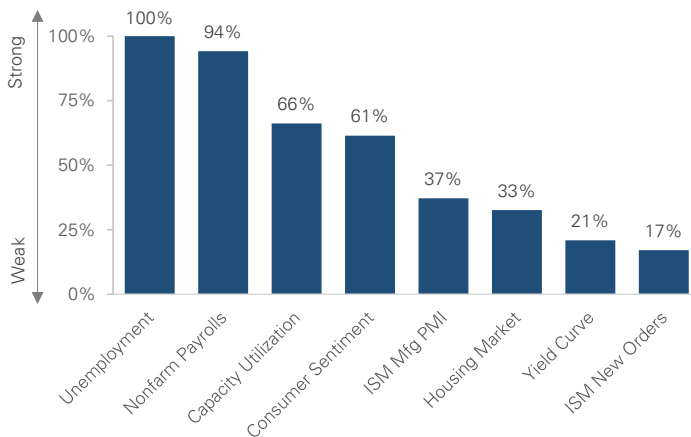
Measuring Near-term Economic Momentum



Source: www.QuantPack.com

Figure 33 – Business Cycle Composite Inputs

Historical percentiles based on monthly data since 1980



Source: www.QuantPack.com

Figure 34 – Asset Class Performance by Business Cycle Stage

Next 12-month Price Return vs the Historical NTM Average Price Return since 1990

U.S. Equities	Contraction	Recovery	Expansion	Slowdown
S&P 500	-7.2%	2.2%	2.1%	0.3%
S&P 500 - Growth	-11.6%	2.6%	2.1%	1.5%
S&P 500 - Value	-11.0%	4.9%	1.9%	-1.7%
Global Equities				
MSCI EAFE	-8.5%	3.5%	3.2%	-1.5%
MSCI EM	6.2%	11.0%	-11.8%	-3.0%
FX				
U.S. Dollar	-1.0%	0.0%	1.1%	-0.2%
U.S. Bonds				
Trsy Bonds (5-10Y)	0.5%	-0.9%	0.3%	0.4%
Trsy Bonds (+10Y)	-1.2%	0.3%	0.0%	0.9%
Corp Bonds (IG)	2.6%	-0.4%	-1.0%	0.0%
Corp Bonds (HY)	7.3%	1.7%	-3.7%	-2.1%

Source: www.QuantPack.com

Weekly Quant Pack

This is a complimentary version (from October 7, 2022) showing one of the many indicators included in the Weekly Quant Pack.

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