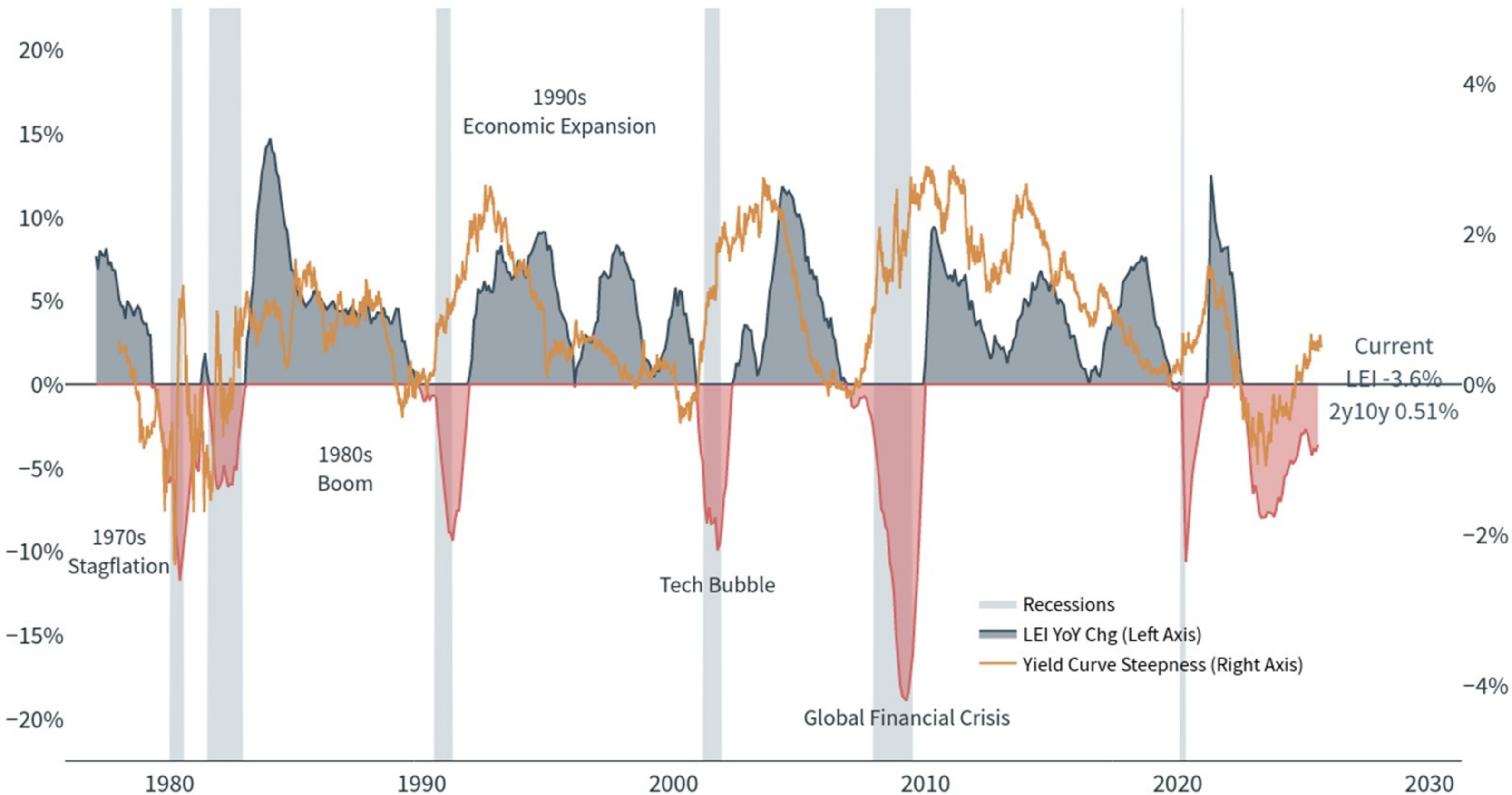
Economy

Brian Jones, CRPC® | Financial Planner | September 16, 2025

The Yield Curve and LEIs

Yield curve steepness and the Conference Board LEI year-over-year change
Recessions are shaded



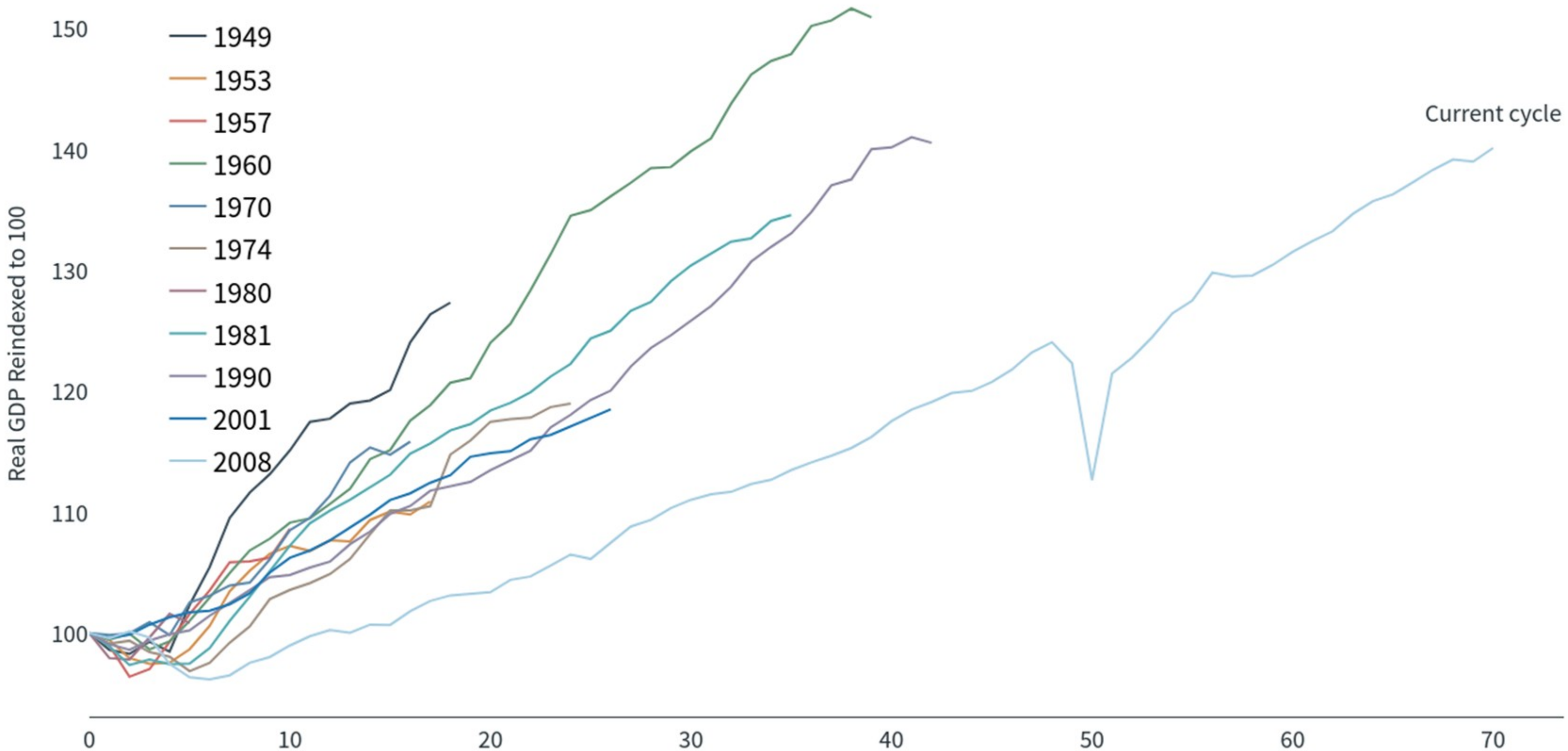
Latest data point is Sep 2025

- The Leading Economic Index and the yield curve turn negative before a recession as the economy decelerates.
- When the Yield Curve (orange line) goes positive, the stock market and economy take a big turn for the worse.
- The LEI (red line) gets more negative when the Yield Curve turns positive. LEI has been going down since late 2022.

Sources: Clearnomics, Conference Board, NBER, LSEG

U.S. Business Cycles

Since World War II, Relative to Prior Cycle Peak, Duration in Quarters

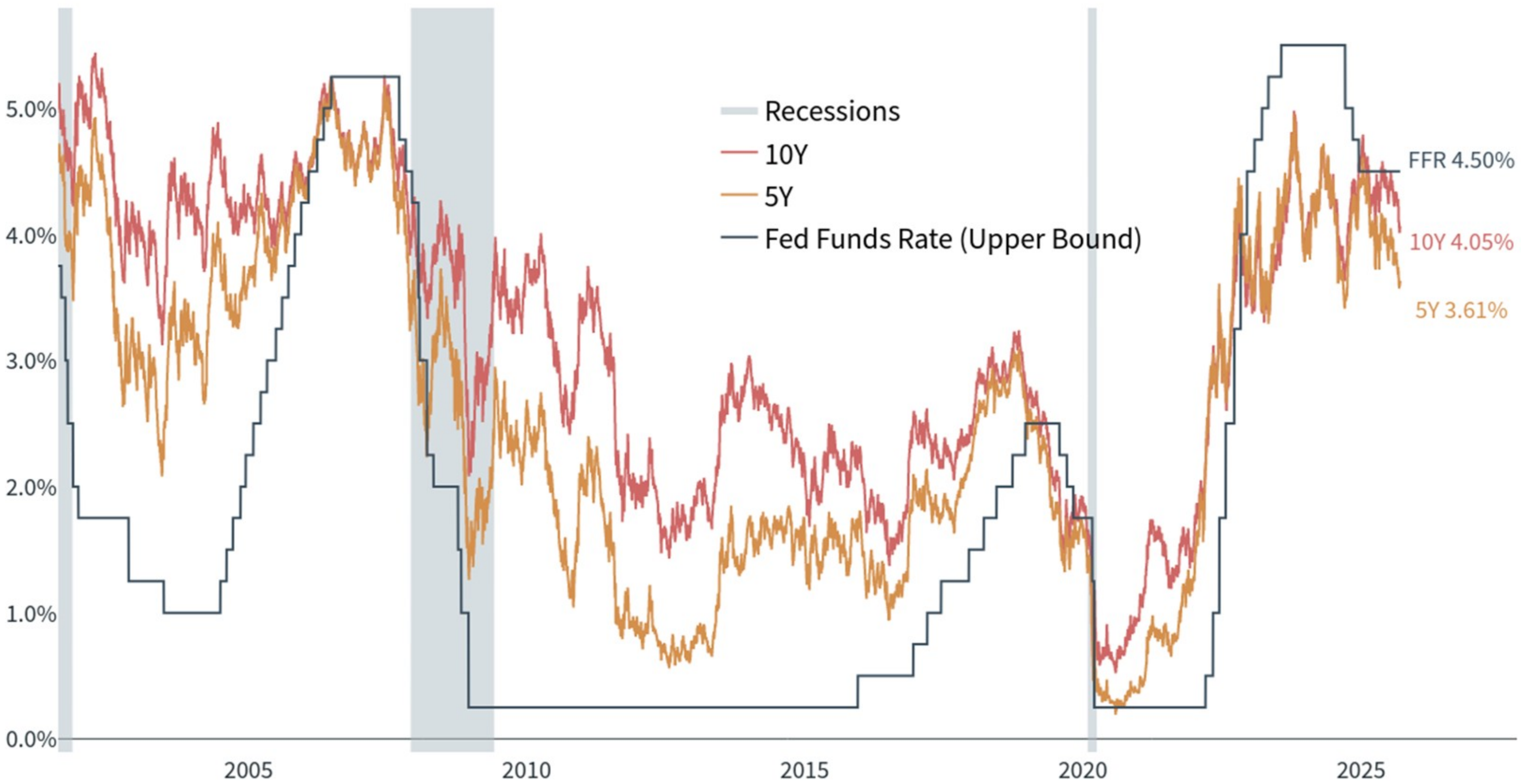


Latest data point is Q2 2025

Sources: Clearnomics, BEA, NBER

Historical Interest Rate Cycles

10-year, 5-year and fed funds upper bound. Recessions are shaded



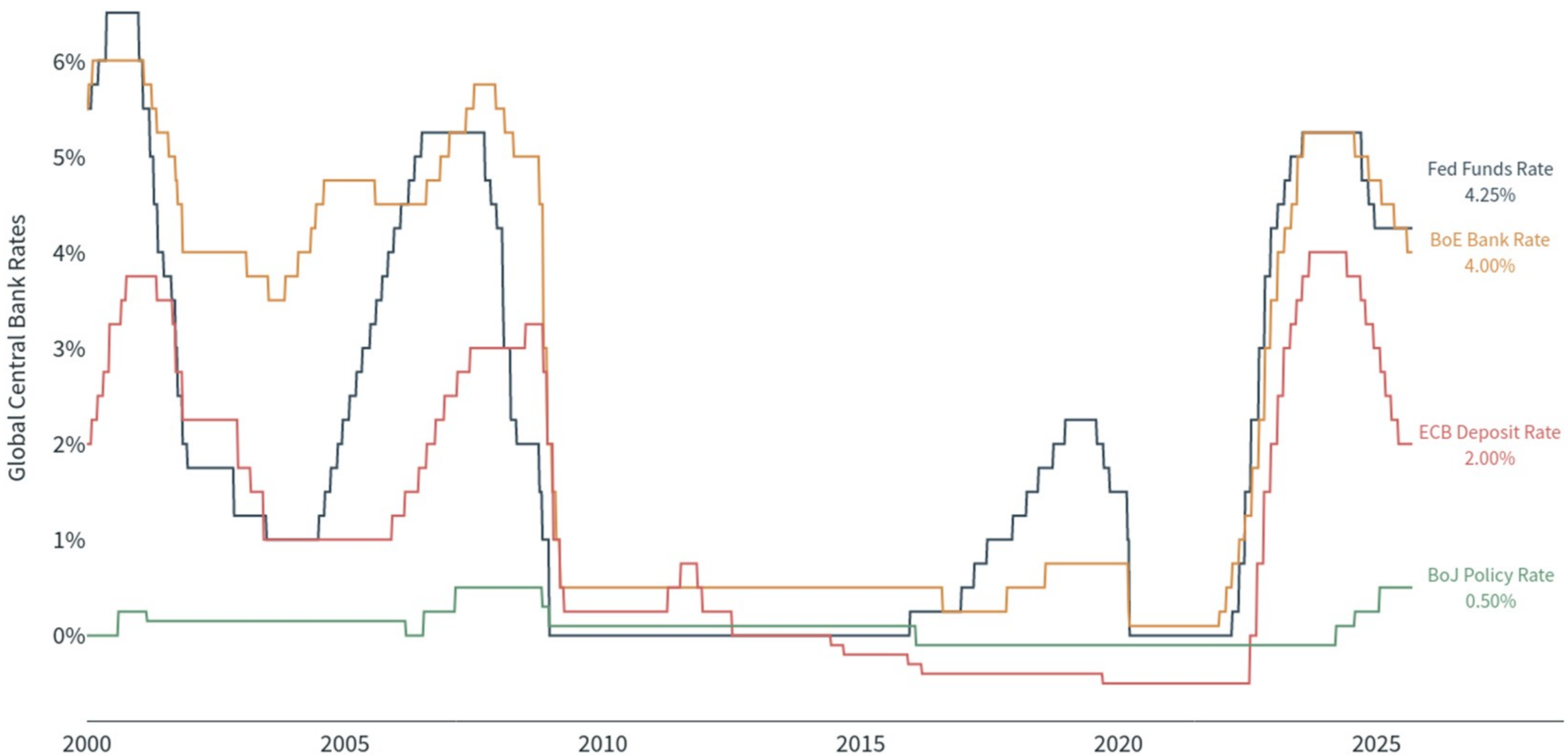
Latest data point is Sep 15, 2025

- The business cycle ends with the FED raising interest rates (FFR) and keeps them steady. A new cycle begins with low rates after the cuts.
- This slows the economy down over time and causes a recession. They start cutting rates when the economy has started to deteriorate alot.
- The stock market may start selling off before the rate cuts. History shows rate cuts are very negative for stocks.

Sources: Clearnomics, LSEG, Federal Reserve, NBER

Global Central Bank Policy Rates

Federal Reserve, Bank of England and European Central Bank Rates



Latest data point is Sep 2025

Sources: Clearnomics, Federal Reserve, ECB, Bank of England, Bank of Japan

Unemployment Rates

U-3 unemployment and U-6 under-employment rates, since 1960

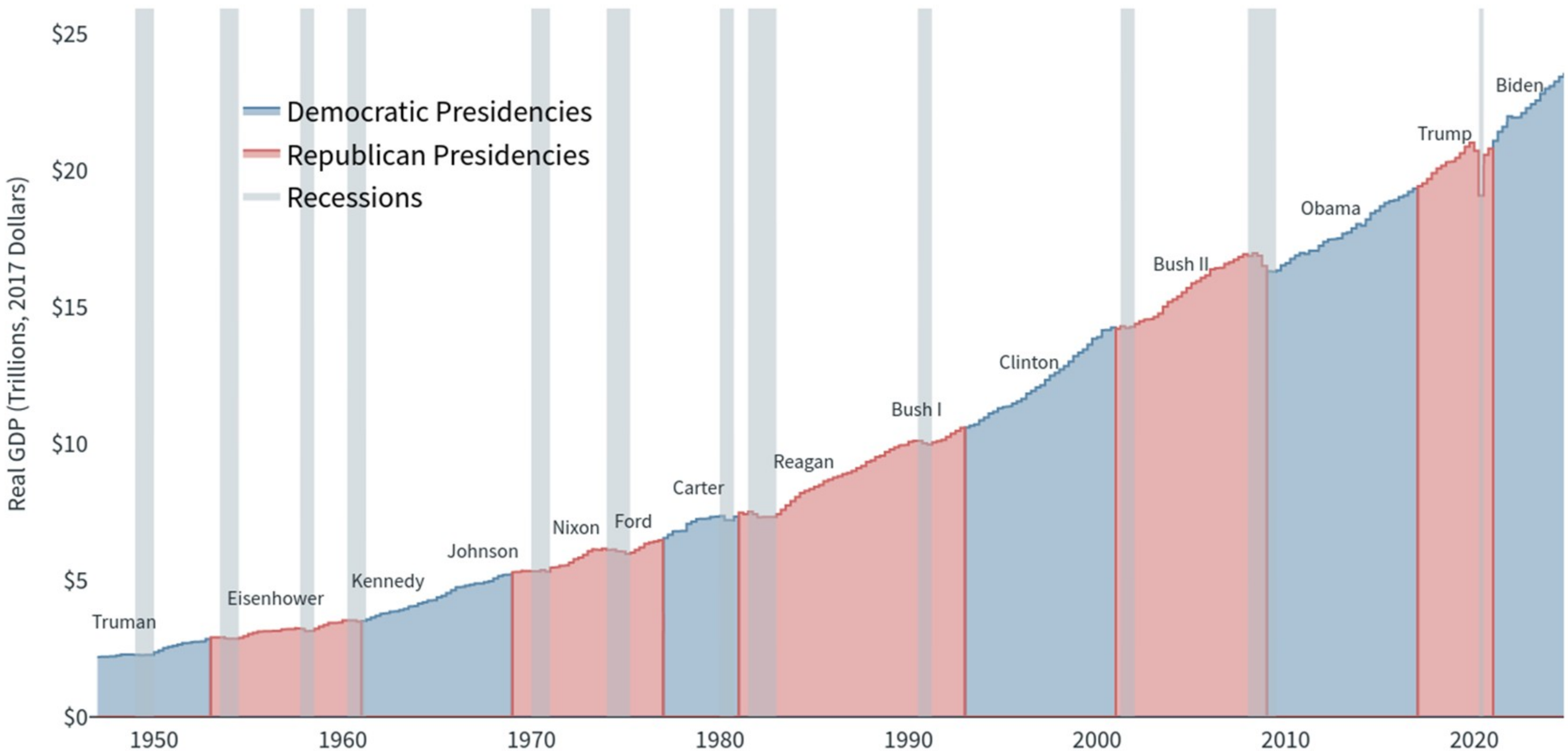
Latest data point is Aug 2025

- The U3 number is the official unemployment rate. It really starts going up fast after an uptrend has started.
- Layoffs and corporate bankrupcies dramatically accelerate as more people cut back on spending. It's a snowball effect.
- The unemployment rate should be 5-6% in early 2025.

Sources: Clearnomics,
Bureau of Labor Statistics

The Economy and Presidencies

U.S. real GDP with presidents and their parties highlighted since 1947



Latest data point is Q4 2024

Sources: Clearnomics,
Bureau of Economic Analysis, NBER

Definitions and Methodology

The **S&P 500** is a market capitalization-weighted index of large cap U.S. stocks. U.S. **mid cap** and **small cap** are the S&P 400 and S&P 600, respectively. **Value** and **growth** are the corresponding Standard & Poor's value and growth indices.

MSCI EM is an index of emerging market stocks. **MSCI EAFE** is an index of developed market stocks. **MSCI ACWI** is an index of global stocks.

The **forward P/E** is a ratio of the current market price of an index divided by an estimate of earnings over the next twelve months. The **Shiller P/E** is based on Robert Shiller's cyclically adjusted price-to-earnings ratio.

The **AAII Investor Sentiment** index is based on a weekly survey conducted by AAII.

Unless stated otherwise, **earnings** and **valuations** data are from LSEG indices.

The **LEI**, or Leading Economic Index, is produced monthly by the Conference Board.

Consumer sentiment indices are based on surveys conducted by the University of Michigan Surveys of Consumers.

Asset Class Performance and Asset Classes Relative to U.S. Stocks charts: The EM, EAFE, Small Cap, Fixed Income and Commodities are these indices, respectively: MSCI EM, MSCI EAFE, Russell 2000, Bloomberg U.S. Aggregate Bond Index, Bloomberg Commodity Index.

Fixed Income Performance: All sectors are represented by the Bloomberg bond indices except for EMD USD and Local which are the JPMorgan EMBIG Diversified Index and JPMorgan GBI-EM Core Index, respectively.

The Balanced Portfolio is a historical 60/40 index calculation consisting of 40% U.S. Large Cap, 5% Small Cap, 10% International Developed Equities, 5% Emerging Market Equities, 35% U.S. Bonds, and 5% Commodities.

The **Bloomberg Commodity Index** is a broadly diversified basket of physical commodities futures contracts.

The **DXY** is a U.S. dollar index based on a basket of currencies, including the Euro, Yen, Pound, Canadian Dollar, Swedish Krona and Swiss Franc.

Portfolio Risk/Reward and Portfolio Drift Since 2009 charts: stocks and bonds are the S&P 500 and Bloomberg U.S. Aggregate bond index, respectively. Each portfolio represents a historical stock/bond asset allocation.

The **MSCI Factor** indices are created and maintained by MSCI to capture factor returns. They cover various factors including Quality, Size, Momentum, Volatility, Value and Yield. The Multi-Factor index tracks the performance of Value, Momentum, Quality and Size.

The **MSCI USA** index tracks large and mid cap U.S. stocks.

Clearnomics Disclosures

NextGen Financial Advice Disclosures

NextGen Financial Advice LLC is an Investment Adviser registered with the State of Minnesota. All views, expressions, and opinions included in this communication are subject to change. This communication is not intended as an offer or solicitation to buy, hold or sell any financial instrument or investment advisory services. Any information provided has been obtained from sources considered reliable, but we do not guarantee the accuracy or the completeness of any description of securities, markets or developments mentioned. We may, from time to time, have a position in the securities mentioned and may execute transactions that may not be consistent with this communication's conclusions. Please contact us at 952-373-1362 if there is any change in your financial situation, needs, goals or objectives, or if you wish to initiate any restrictions on the management of the account or modify existing restrictions. Additionally, we recommend you compare any account reports from NGFA with the account statements from your Custodian. Please notify us if you do not receive statements from your Custodian on at least a quarterly basis. Our current disclosure brochure, Form ADV Part 2, is available for your review upon request, and on our website www.nextgenfinancialadvice.com. This disclosure brochure, or a summary of material changes made, is also provided to our clients on an annual basis.