



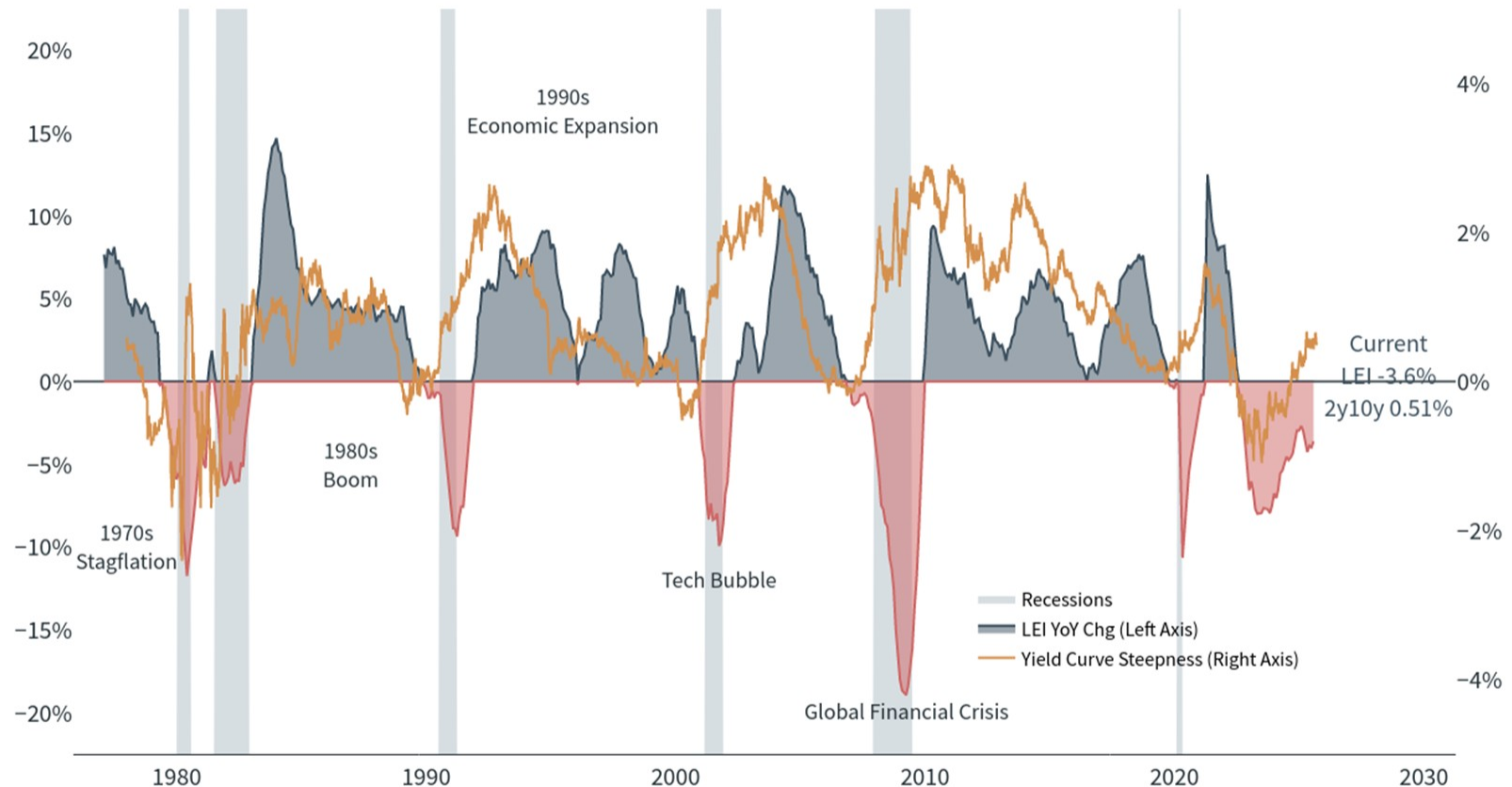
# Economy

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*



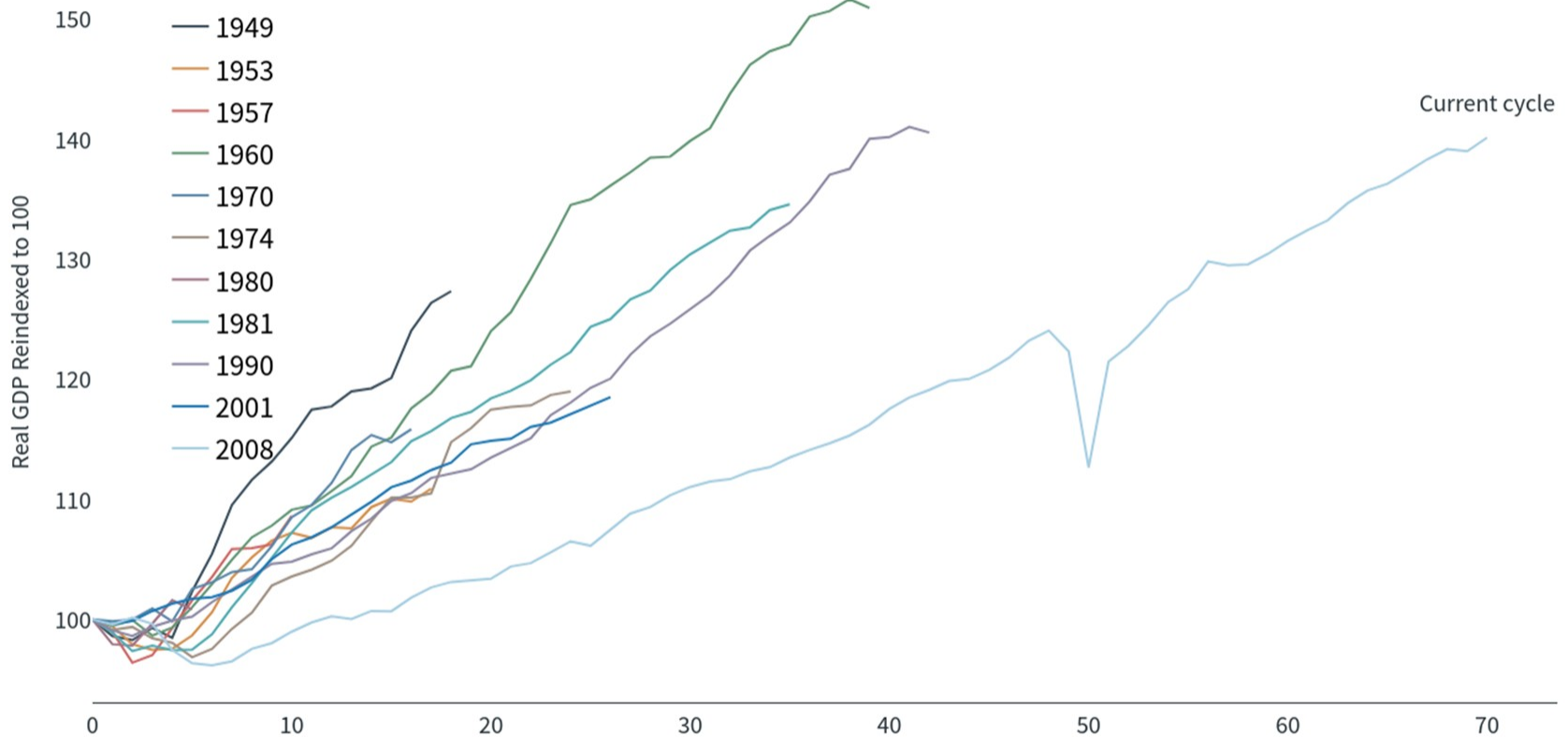
- The Leading Economic Index and the yield curve turn negative before a recession as the economy decelerates.
- When the Yield Curve (orange line) goes positive, the stock market and economy take a big turn for the worse.
- The LEI (red line) gets more negative when the Yield Curve turns positive. LEI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

*Latest data point is Sep 2025*

Sources: Clearnomics,  
Conference Board,  
NBER, LSEG  
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# U.S. Business Cycles

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



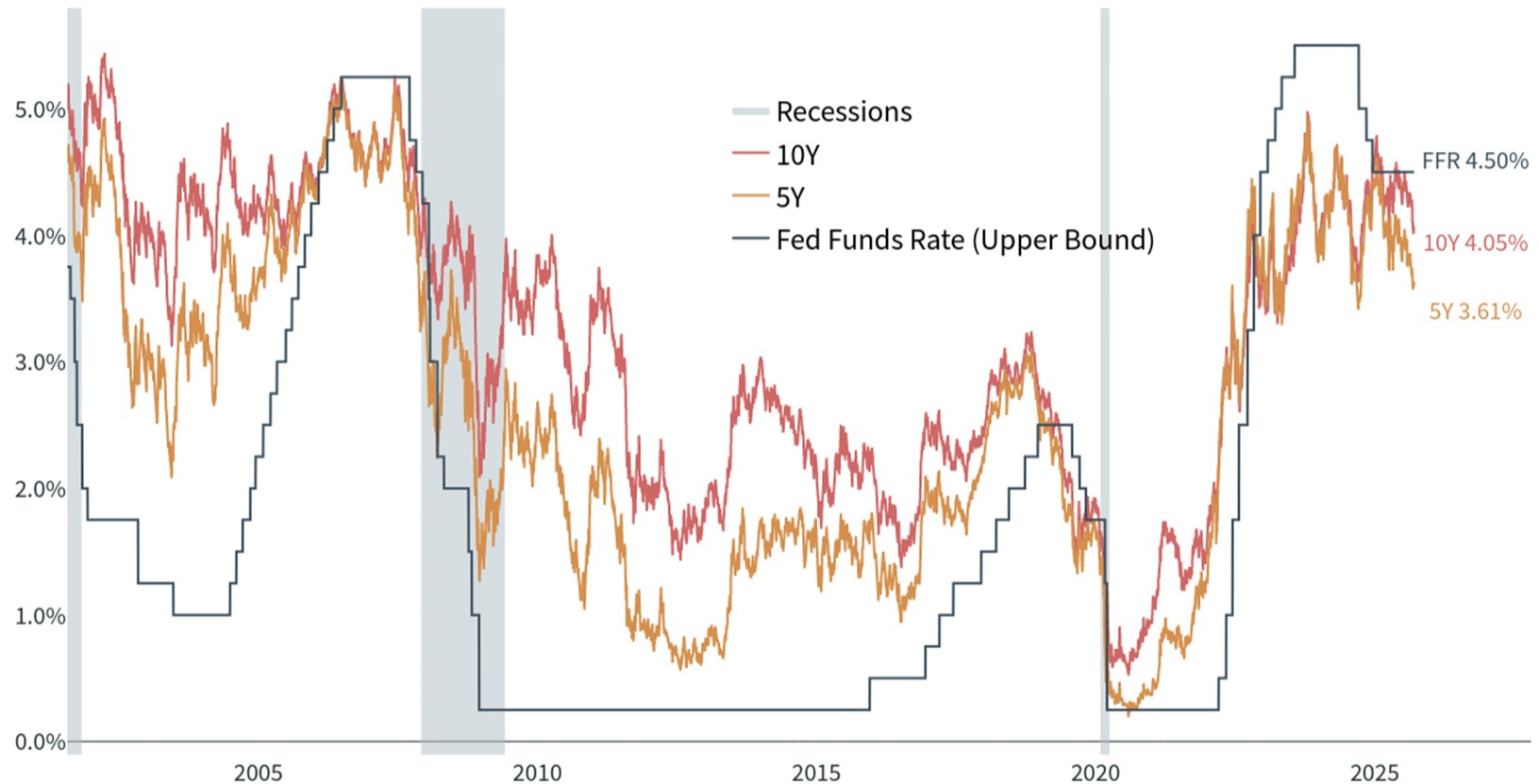
Latest data point is Q2 2025

Sources: Clearnomics,  
BEA, NBER

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# Historical Interest Rate Cycles

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



- 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 a lot.
- The stock market may start selling off before the rate cuts. History shows rate cuts are very negative for stocks.

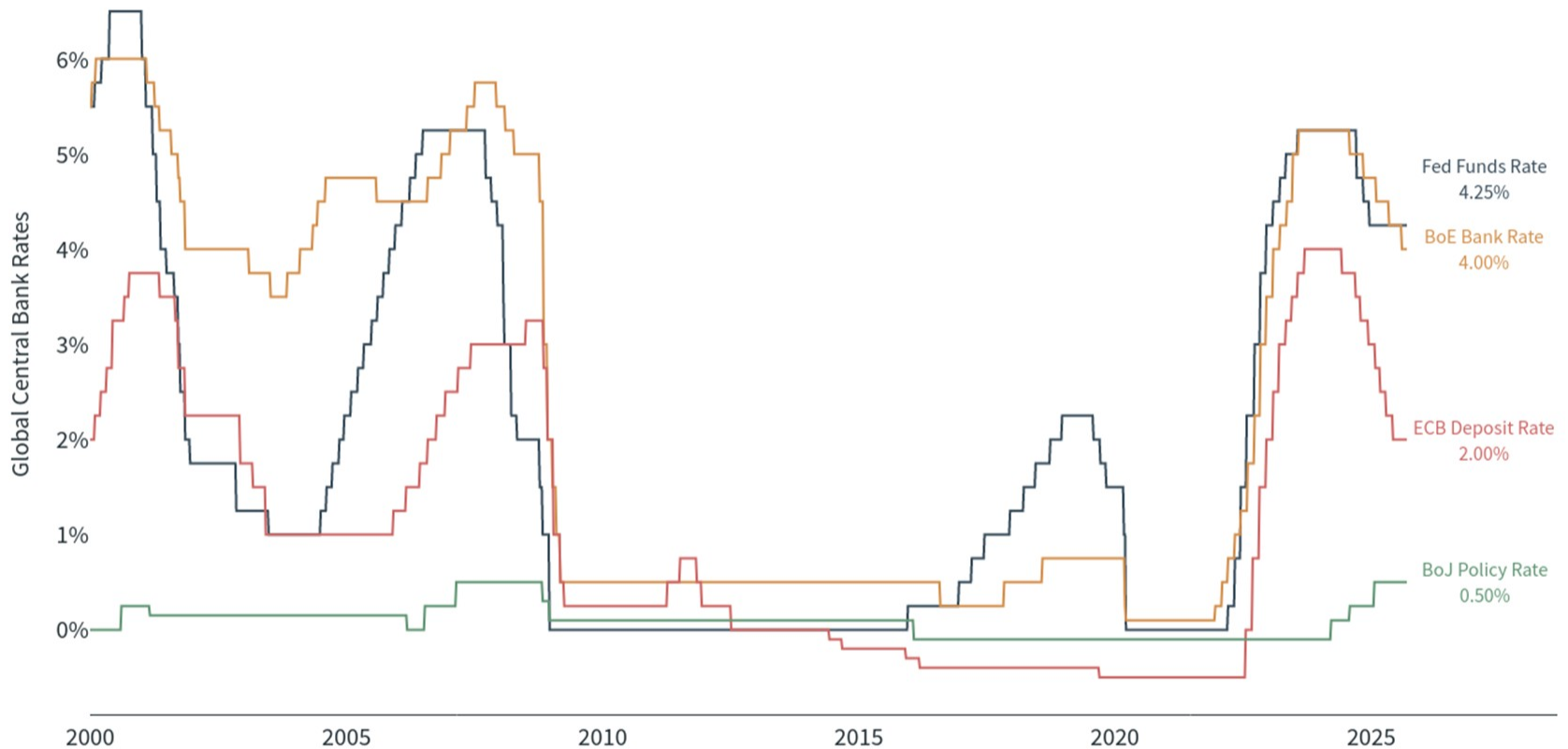
*Latest data point is Sep 15, 2025*

Sources: Clearnomics, LSEG,  
Federal Reserve, NBER

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# Global Central Bank Policy Rates

*Federal Reserve, Bank of England and European Central Bank Rates*



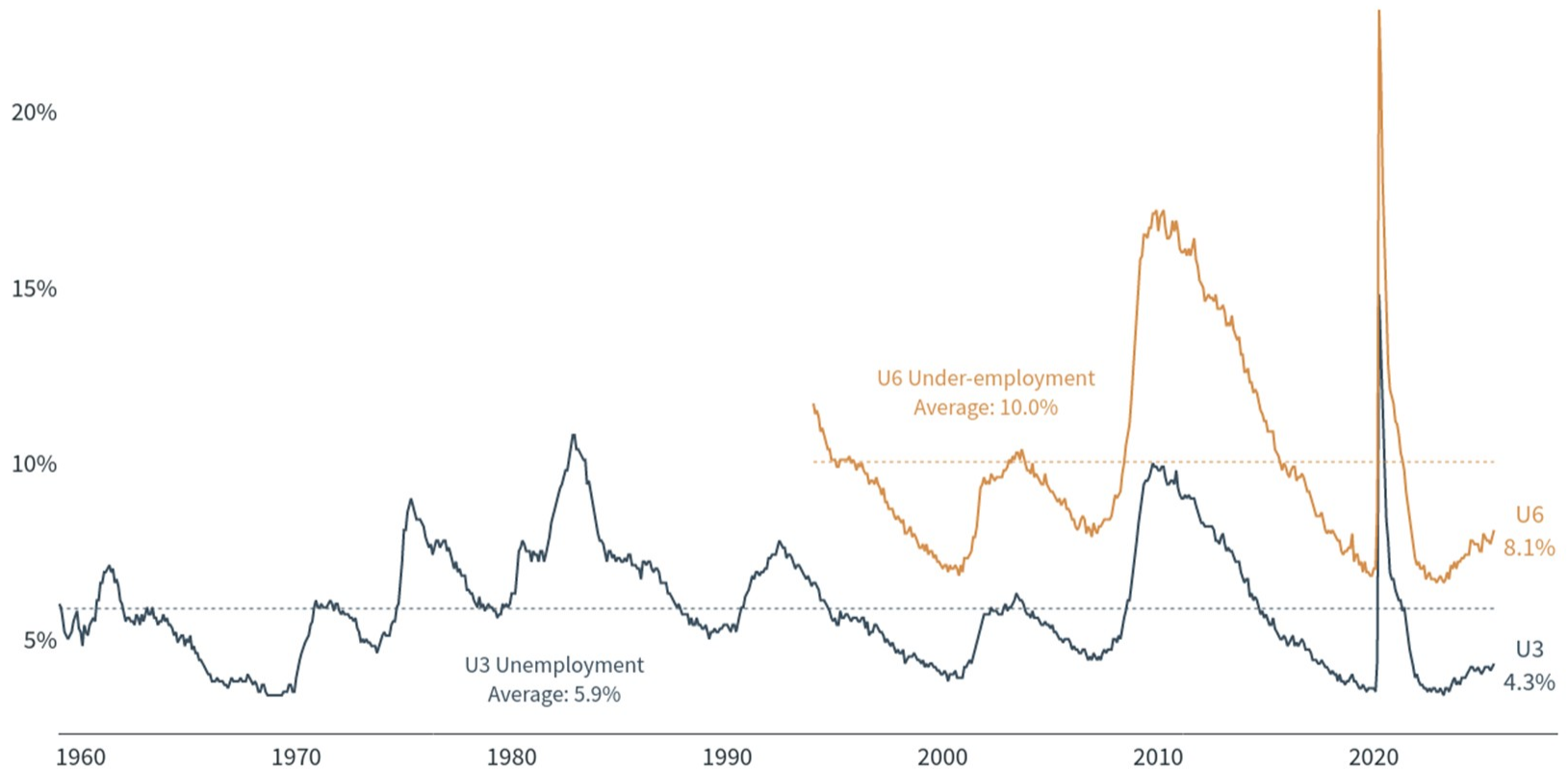
*Latest data point is Sep 2025*

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

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# Unemployment Rates

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



*Latest data point is Aug 2025*

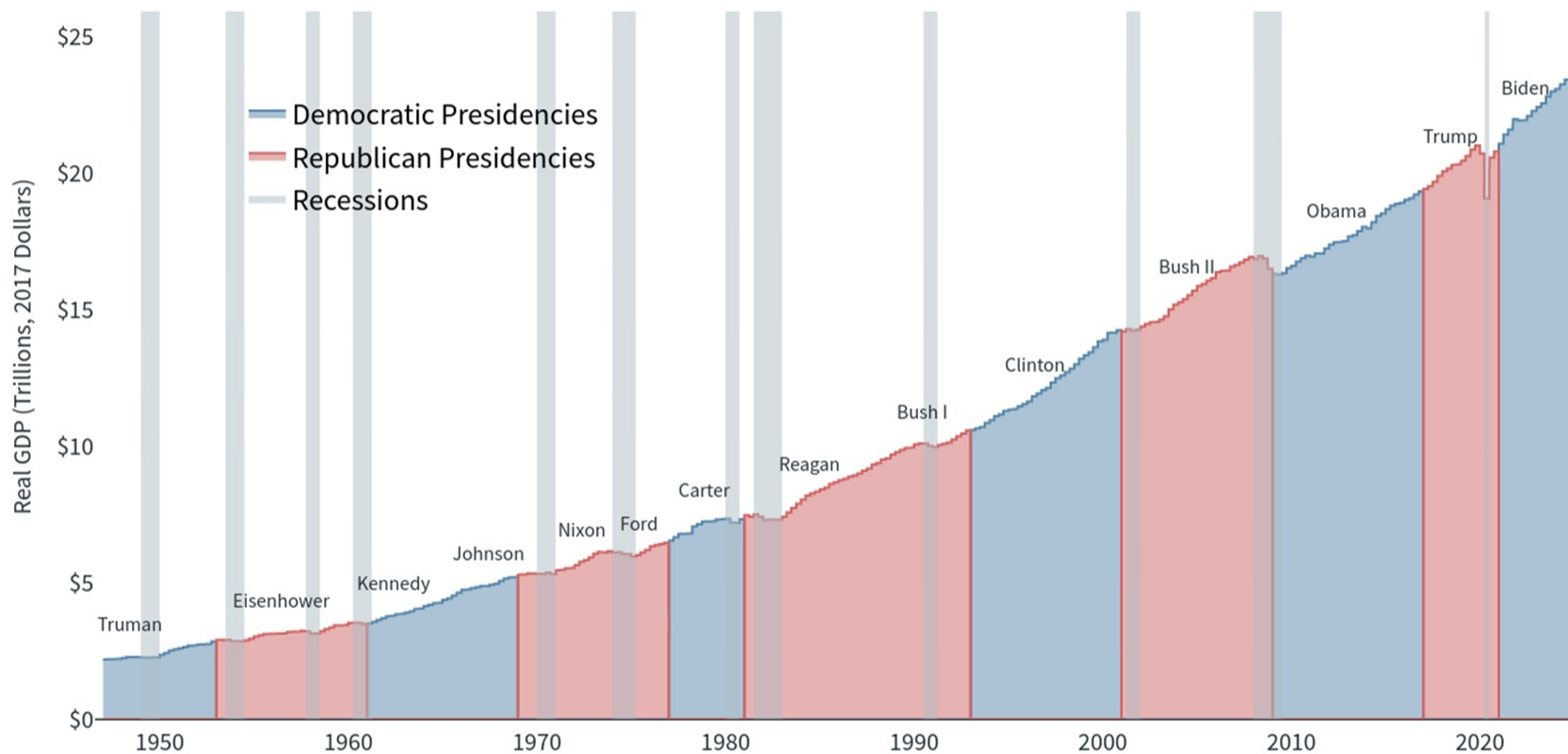
- The U3 number is the official unemployment rate. It really starts going up fast after an uptrend has started.
- Layoffs and corporate bankruptcies dramatically accelerate as more people cut back on spending. It's a snowball effect.
- The unemployment rate should be 5-6% in early 2025.

Sources: Clearnomics,  
Bureau of Labor Statistics

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# 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

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# 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 **AAll Investor Sentiment** index is based on a weekly survey conducted by AAll.

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.



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