NOVEMBER 2023

CHARTS OF THE MONTH

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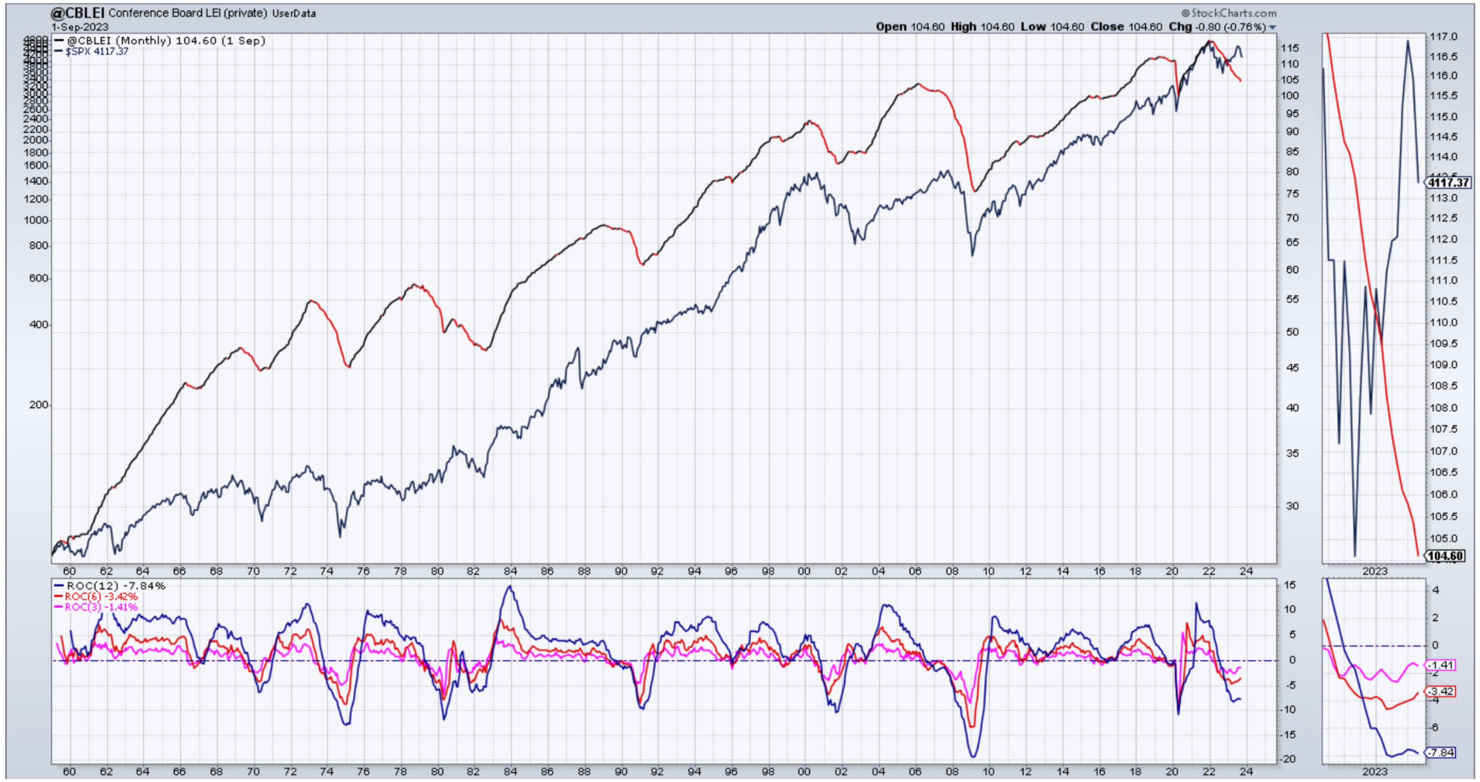
2022 Inversion is at the Same Level as 1928

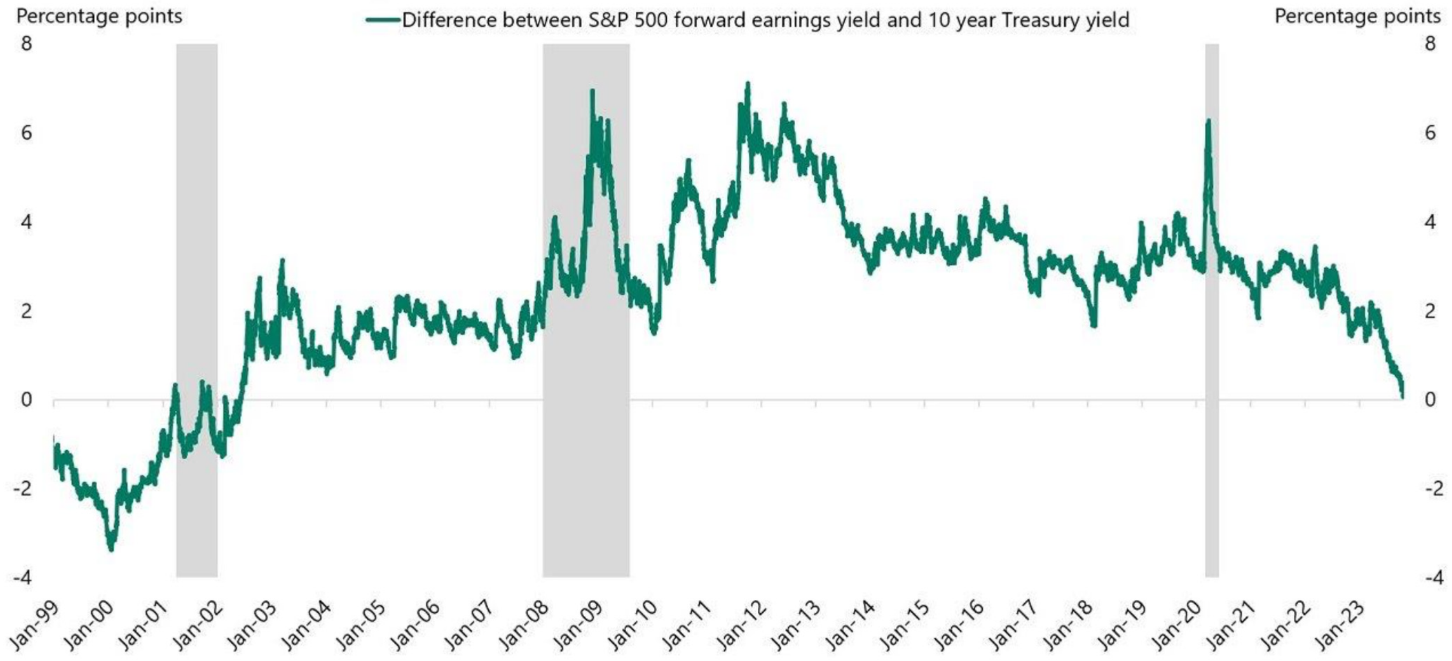
10-Year/3-Month U.S. Treasury Yield Spread and U.S. Recessions



The Conference Board's leading indicators continue to show negative trends, pointing to a persistent slowdown in the US economy. This is in stark contrast to stable coincident indicators such as durable goods orders, employment, and consumption data. This dichotomy places the Federal Reserve in a challenging position, as they may need to maintain tighter monetary policies for an extended period, given that the foundational elements for persistent inflation still exist.

CB LEI | **RISK PREMIUM** | BUY BACKS | CC DELINQUENCIES

The Stock Market is more overvalued than it has been in the past 20 years



The most precise indicators of risk premium indicate that the S&P 500 is trading at a significantly negative risk premium relative to Treasury bonds. Furthermore, even forward-looking estimates of the earnings yield on the S&P 500—which are subject to the pitfalls of prediction—reveal a negative risk premium in comparison to 10-year Treasuries. Based on these observations, I anticipate that, on average, the S&P 500 will underperform 10-year Treasuries over the next decade. It is a simple matter of mathematics.

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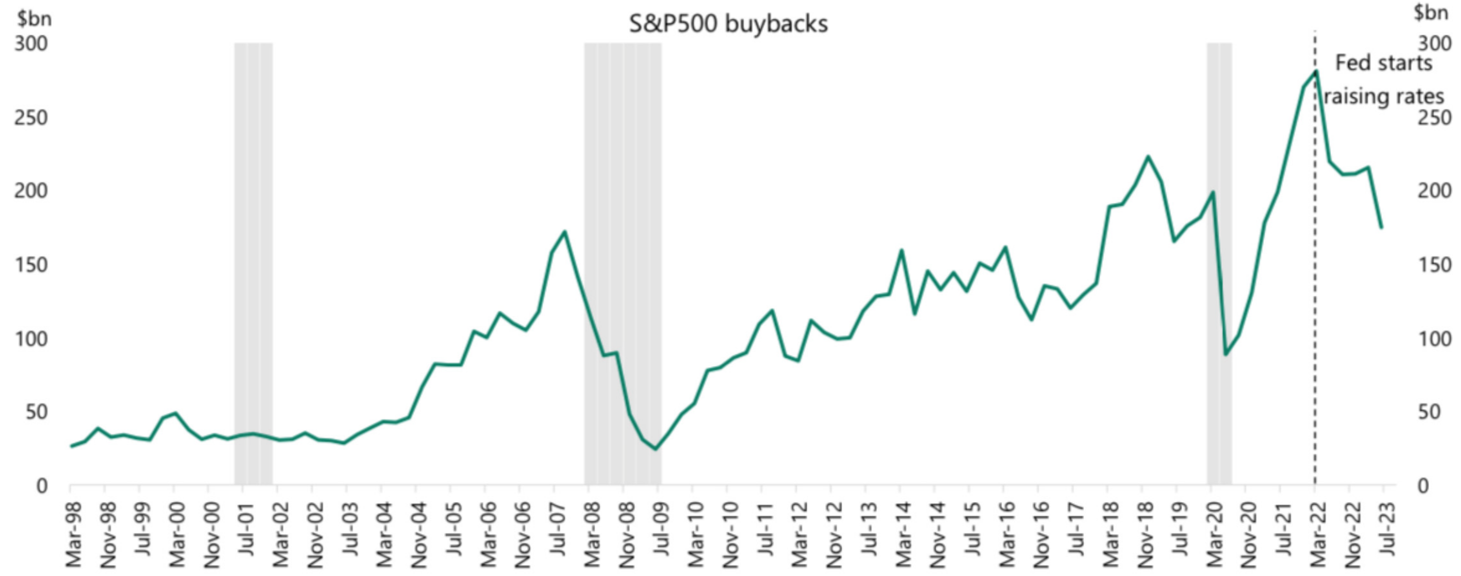
Higher costs of capital putting downward pressure on buybacks



The Federal Reserve's stringent monetary policy is having a tangible impact on corporate America, particularly in the realm of stock buybacks. Data from Apollo indicates that stock buybacks have plummeted by nearly 50% since the initiation of interest rate hikes by the Fed. Consequently, the largest purchaser of equities has markedly retracted its activity.

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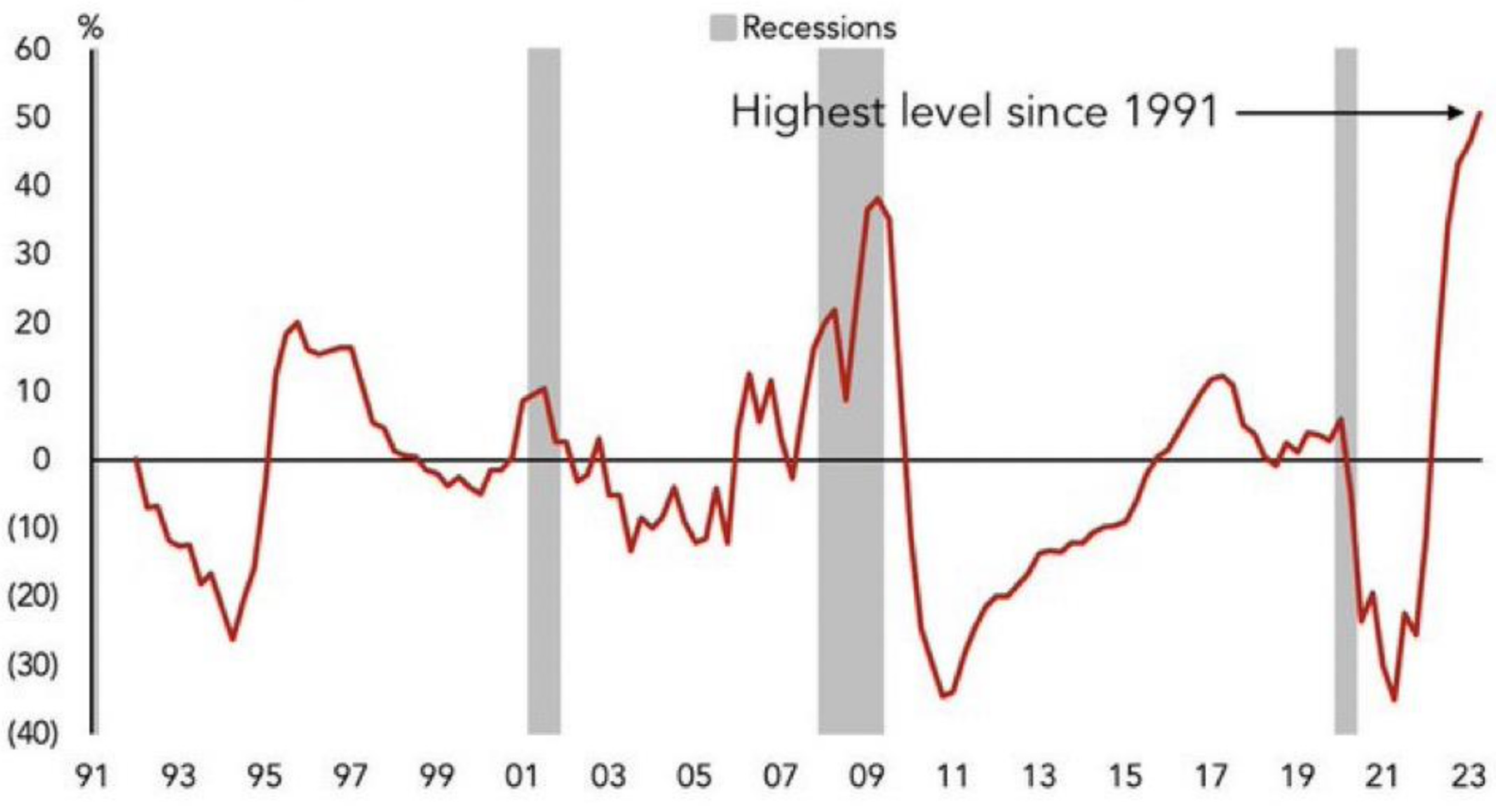
Credit Card Delinquencies are Rising Fast

Year-Over-Year Change in Credit Card Delinquency Rate as Reported by All Commercial Banks



Credit card delinquencies are surging at an alarming rate, with year-over-year delinquency rates having escalated by over 50%. This figure surpasses the peak observed during the global financial crisis. Such a trend prompts the question: Is the consumer financially exhausted?

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