

Macro Roundup Article

Headline: [Cicadian Rhythms](#)

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Tweet: Michael Cembalest @jpmorgan notes that the US corporate sector is generating positive cash flow and that interest expenses are stable, but the “fading prospects of a disinflationary boom are a risk to P/E multiples, particularly for tech stocks.”

Summary: We see limited signs of a large profits or capital spending decline that often coincides with recessions. While an inverted yield curve has a pattern of predicting recessions, prior inversions were also accompanied by deeply negative corporate cash flow and rising corporate interest costs. This time, the story is different: the corporate sector is in surplus and corporate interest expense is still stable. Fading prospects of a disinflationary boom are a risk to P/E multiples, particularly for tech stocks. The [12 months ending] early April showed tech P/Es back at 2020/2021 highs; since that time, almost all NASDAQ 100 and S&P 500 Tech Sector YTD gains have been erased. Investors may be tempted to hold onto excess cash now that the ratio of cash yields to S&P dividend yields is at its highest level on record other than a spike in August 2000. While US equities may experience the same kind of 10% correction we saw last summer, 2024 still looks like a year of high single-digit returns on US equities.

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