

## Macro Roundup Article

**Headline:** [Cicadian Rhythms](#)

**Article Link:** <https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/insights/eye-on-the-market/cicadian-rhythms-amv.pdf>

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Publication	J.P. Morgan
Publication Date	April 23, 2024

**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. Related: Pillow Talk and How Fast Can the Fed Ease? The Private Sector Response to Easier Conditions Will Be a Key Factor and Global Views: Friendly Baseline, Greater Risks

**Primary Topic:** Financial Markets

**Topics:** Financial Markets, GDP, Op-Ed/Blog Post

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