



OW EE.UU.

Evolución PMI Compuesto

Recession Dashboard

	Start of Recession	Yield Curve	Inflation Trends	Job Creation	Credit Perform	ISM Mfg.	Earnings Quality	Housing Market
Recessionary indicators point to limited downside risk	Nov-73	↓	↓	↓	↓	↓	--	↓
	Jan-80	↓	↓	↓	↓	↓	--	↓
	Jul-81	↓	↑	↑	↓	↓	--	↓
Inflation and real estate trends are in the yellow-zone	Jul-90	↓	↓	↓	↓	↓	↓	↓
	Mar-01	↓	↓	↓	↓	↓	↓	↔
	Dec-07	↓	↓	↔	↓	↓	↓	↓
Present		↑	↔	↑	↑	↑	↑	↔

Key: ↓ Recessionary ↑ Expansionary ↔ Neutral

Source: Standard & Poor's, Federal Reserve, BLS, National Statistical Agencies, NBER, ISM, Census Bureau, Haver Analytics®, Credit Suisse

Credit Suisse

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Deutsche Bank

Where are we in the cycle?

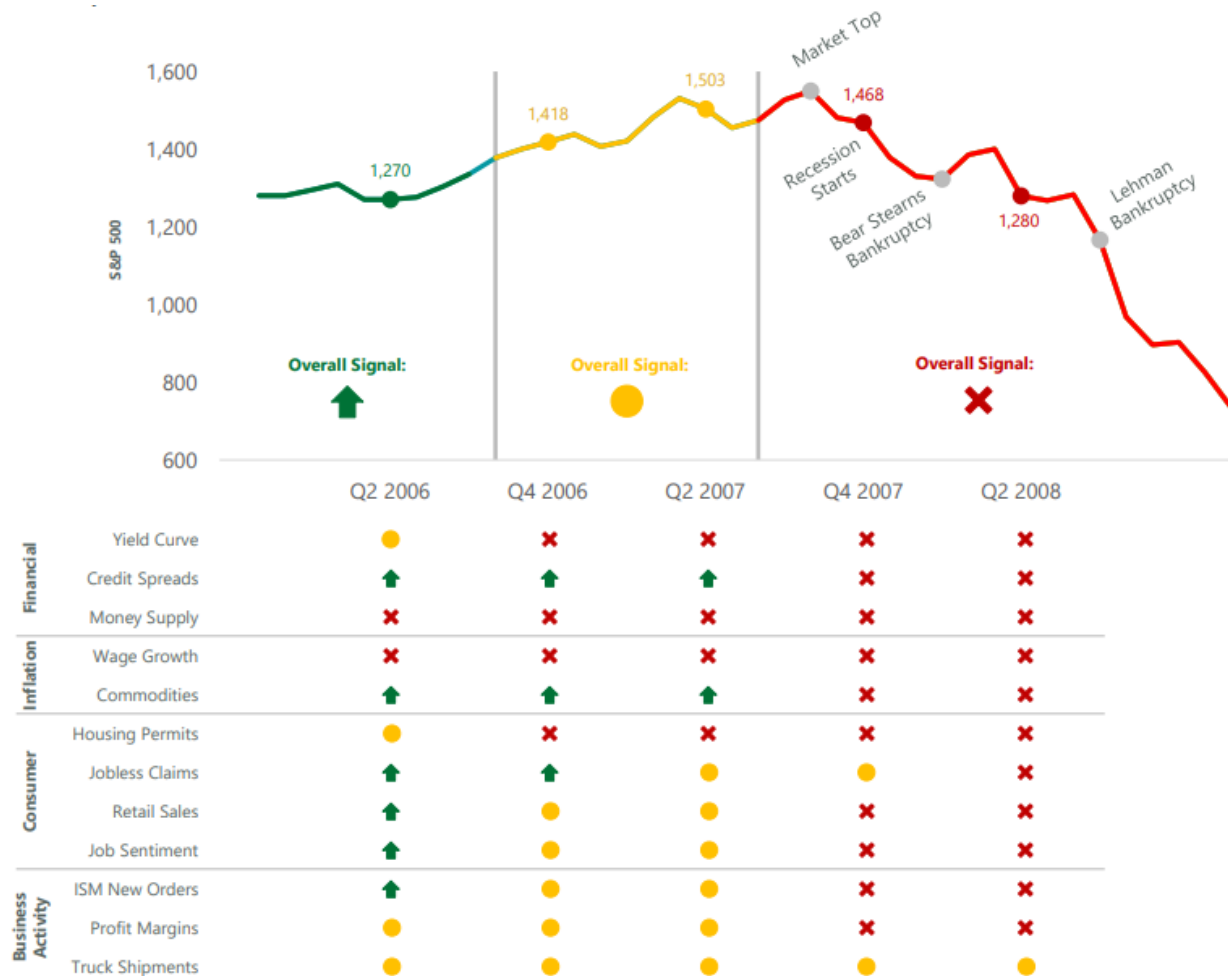
Duration	Length of cycle	Late
Slack	Labor market slack	Late
	Output market slack	Late
Cost pressures	Wage Growth	Mid
	Unit labor cost Growth	Mid
Cyclical demand	Resi investment/GDP	Early
	Housing starts	Mid
	Consumer durables/GDP	Early
	Capital spending	Mid
Confidence	Cyclically adj. confidence	Mid
Leverage	Household leverage	Early
	Most levered companies	Mid
Credit	Bond default rates	Mid
	Loan delinquencies	Mid
	Bank lending standards	Mid
Profits	S&P 500 margins	Late
	Earnings rel. to normalized	Mid

Source: DB US Equity Strategy, Haver

Legg Masson / ClearBridge

		Recession							
		Current	2007-2009	2001	1990-1991	1981-1982	1980	1973-1975	1969-1970
Financial	Yield Curve	🟡	🔴	🔴	🔴	🔴	🔴	🔴	🔴
	Credit Spreads	🟡	🔴	🔴	🔴	🔴	🔴	🟢	🟡
	Money Supply	🟡	🔴	🔴	🔴	🔴	🔴	🔴	🔴
Inflation	Wage Growth	🟢	🔴	🔴	🔴	🔴	🔴	🔴	🔴
	Commodities	🟡	🔴	🔴	🔴	🔴	🟡	🟡	🟡
Consumer	Housing Permits	🟢	🔴	🟡	🔴	🔴	🔴	🔴	🔴
	Jobless Claims	🟢	🟡	🔴	🔴	🔴	🔴	🟢	🔴
	Retail Sales	🟢	🔴	🔴	🔴	🔴	🔴	🟡	🔴
	Job Sentiment	🟢	🔴	🔴	🔴	🔴	🟡	🟡	🟡
Business Activity	ISM New Orders	🟢	🔴	🔴	🔴	🔴	🔴	🔴	🔴
	Profit Margins	🟢	🔴	🔴	🔴	🔴	🔴	🟡	🔴
	Truck Shipments	🟢	🟡	🔴	🔴	🔴	🔴	n/a	n/a
	Overall	🟢	🔴	🔴	🔴	🔴	🔴	🟡	🔴
		🟢 Expansion	🟡 Caution	🔴 Recession					

Legg Masson / ClearBridge



Mid Cycle

- Economic recovery is robust
- Plenty of slack in the labor market
- S&P 500 rose annualized 10%

Late Cycle

- Growth is still robust
- Labor market has tightened and unemployment fallen below the natural rate
- S&P 500 rose annualized 17%

End Cycle

- Index of leading indicators start to fall sharply going into recession and continuing until the equity market bottoms
- S&P 500 fell annualized -33%

Mid Cycle Basket

- Quality growth at cheap valuations
- Good at growing and converting earnings into free cash flow
- Dash to trash abates

Late Cycle Basket

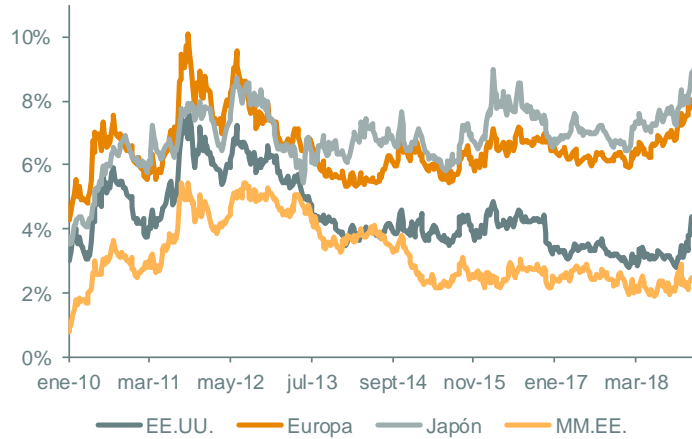
- Quality companies cheap on cash Flow
- Growth is still strong but cost pressures and risks are rising
- There is a premium for prudence as investors start worrying about a potential end of the cycle

End Cycle Basket

- Emphasis shifts sharply to safety and quality
- Companies with low volatility, low beta, high cash Flow yields and high return on assets outperform

		Phase			
		Early Cycle	Mid Cycle	Late Cycle	End Cycle
Basket	Early Cycle	44,5%	-2,1%	-6,8%	-21,8%
	Mid Cycle	11,9%	12,4%	10,9%	11,6%
	Late Cycle	-18,9%	7,9%	12,4%	4,7%
	End Cycle	-19,0%	5,3%	4,7%	39,8%

Fed Model



ISM

ISM Phase	S&P 500 Average Monthly Return	GDP Growth
Trough to 50	1,6%	3,9%
50 to peak	1,2%	2,6%
Peak to 50	0,8%	2,6%
50 to trough	-0,4%	-1,3%

Niveles Relevantes

