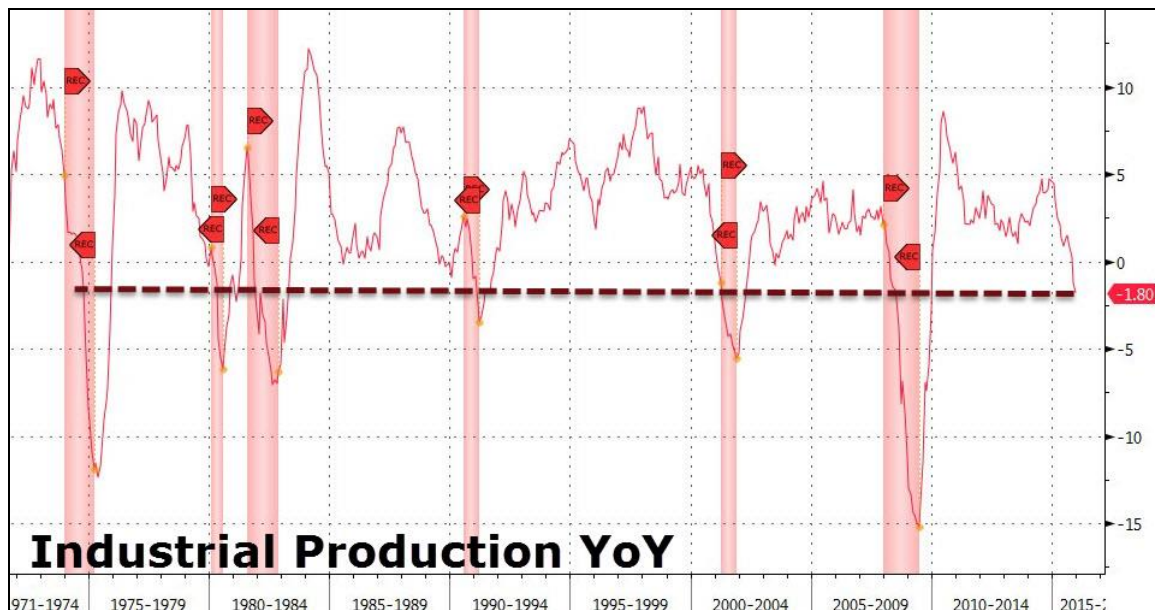


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When Did The Present Recession Start?



- With data back to 1854, the NBER determines the start and end of each business cycle.
- Their research is not a forecast as typically the announcement is made some 6 to 12 months after the actual start of the recession.
- The last one started in December 2007 and the announcement was made on December 1, 2008.
- The previous one started in March 2001 and announced on November 26, 2001.
- **We think it is now possible to determine the start of this recession well before the NBER does. It will take some history.**

On the usual business cycle, the stock market peaks some 6 to 12 months before the recession starts. The S&P 500 is included in the calculation of the "Leading Indicators".

However, there have been times when the stock market does not lead but is concurrent with the start of the recession. That is at the end of a great bubble. It makes sense because in a great mania so much activity is tied to or inspired by inflation in financial assets. On each example back to the first one in 1720, speculation failed suddenly and the economy collapsed with the crash. Journals and newspapers of the day provide the record.

With the NBER data back to 1854, one agent covers the great bubbles of 1873, 1929 and 2007.

Speculation peaked in September 1873 and the recession started in that fateful October. The September blow-out in 1929 is well known and the recession began in that fateful August. In the 2007 example, stocks peaked in October and the recession started in December.

Close enough to fit the typical start of post-bubble contraction. Each great credit contraction was consequent to a frenzy of credit abuse by both the private and government sectors. Probity is buried by recklessness, which is inevitably followed by remorse.

The first US bull market out of the crash topped in May and in breaking down this month has set a cyclical bear market. The Great Complacency has ended.

With the Tech Bubble that climaxed in March 2000 the recession started in March 2001. This did not set up the "Great Recession". That occurred immediate to the collapse of the 2007 Bubble.

The intensity of speculation in stocks and bonds ranks with the greatest examples. History suggests that the recession will have started soon after the peak of the NYSE in May.

The break in Industrial Production below the Zero line confirms that industry is in recession. Rapidly plunging prices for lower-grade bonds suggests that another magnificent credit contraction is underway.

Both suggest a general contraction has started and the mystery is when will the NBER make the formal announcement?

By how much will it be backdated?