

# The Leuthold Group

## A New Policy Paradigm?

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July 20, 2024



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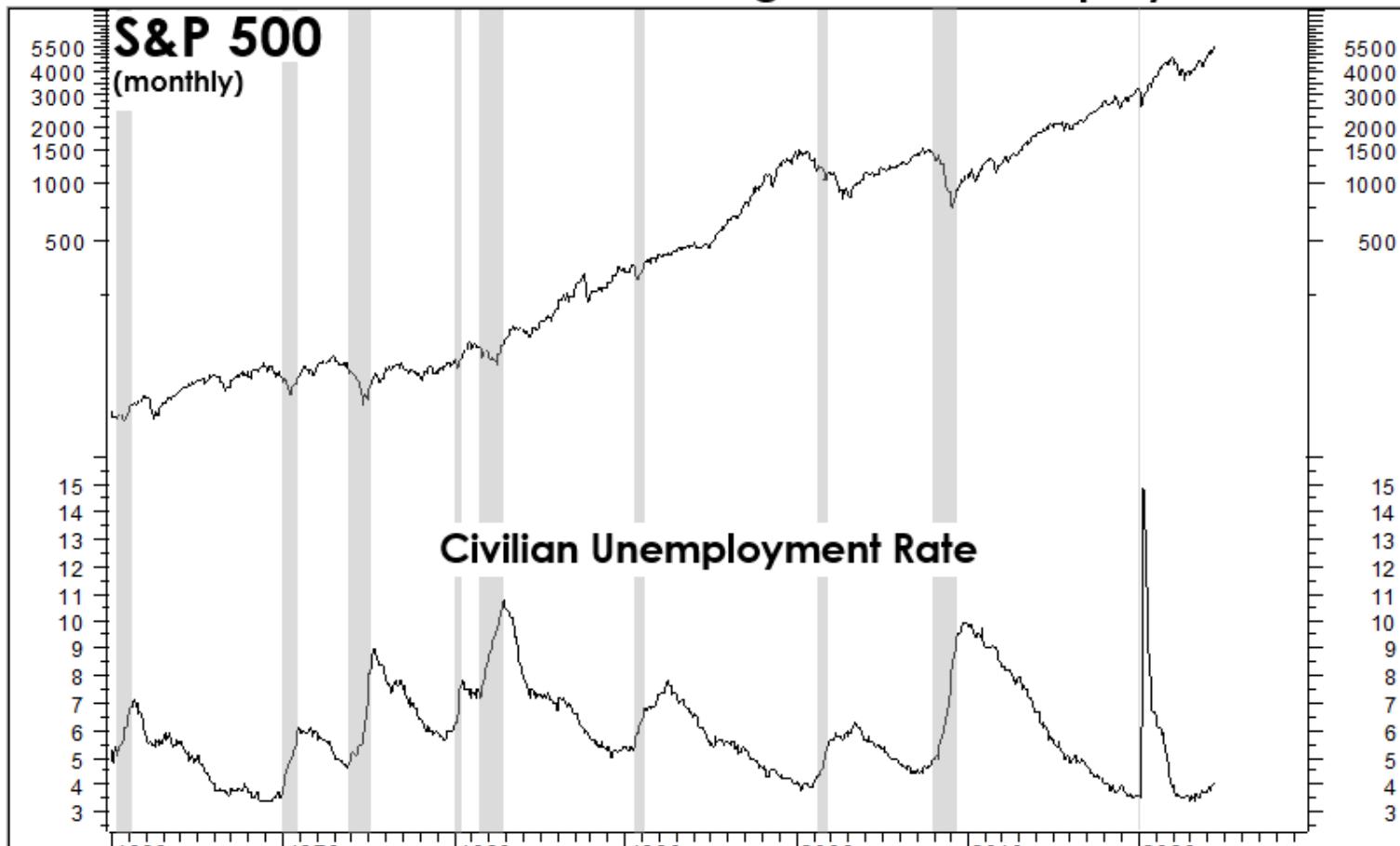


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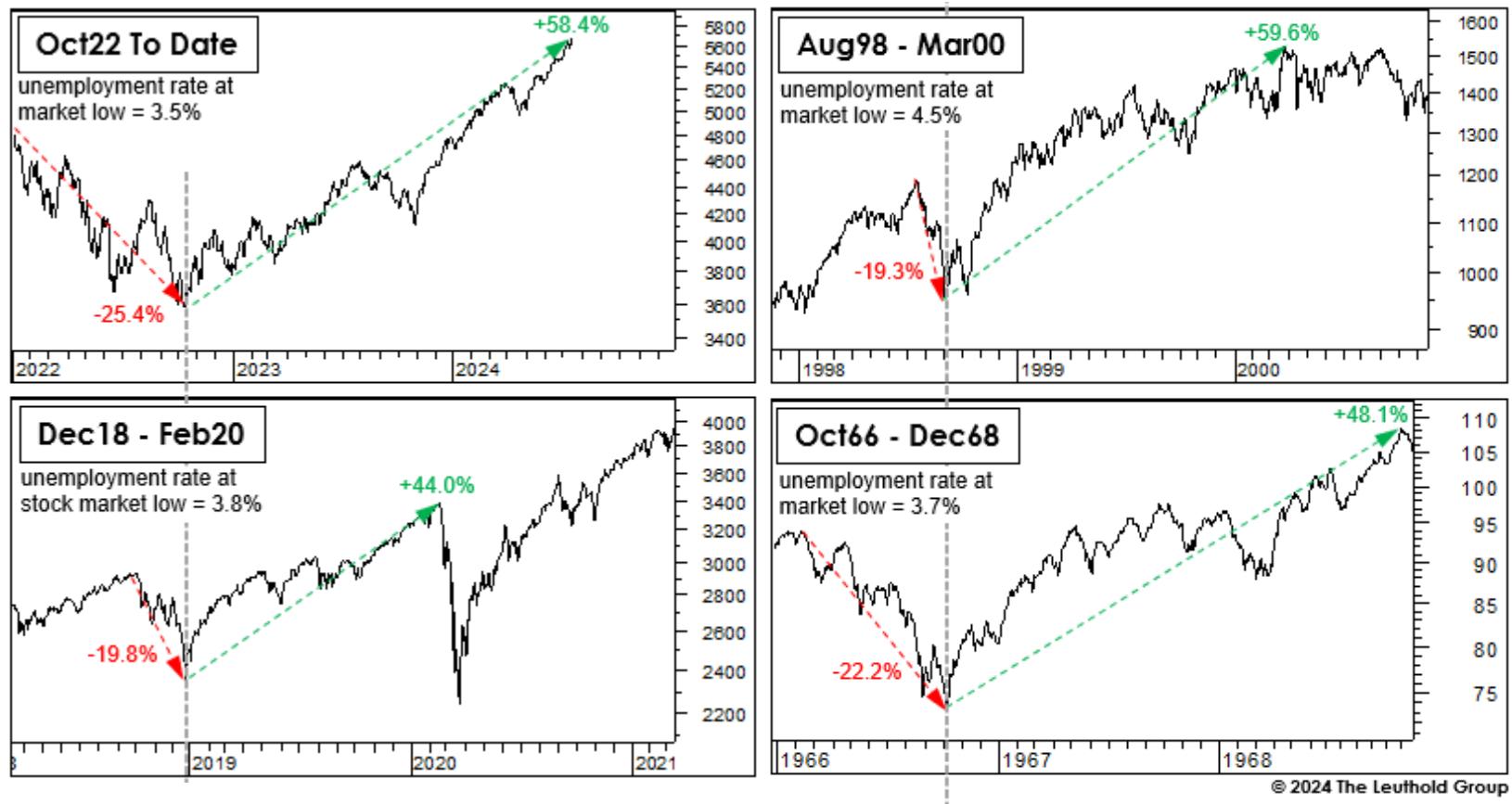
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## Great Bull Markets Don't Begin With Full Employment...

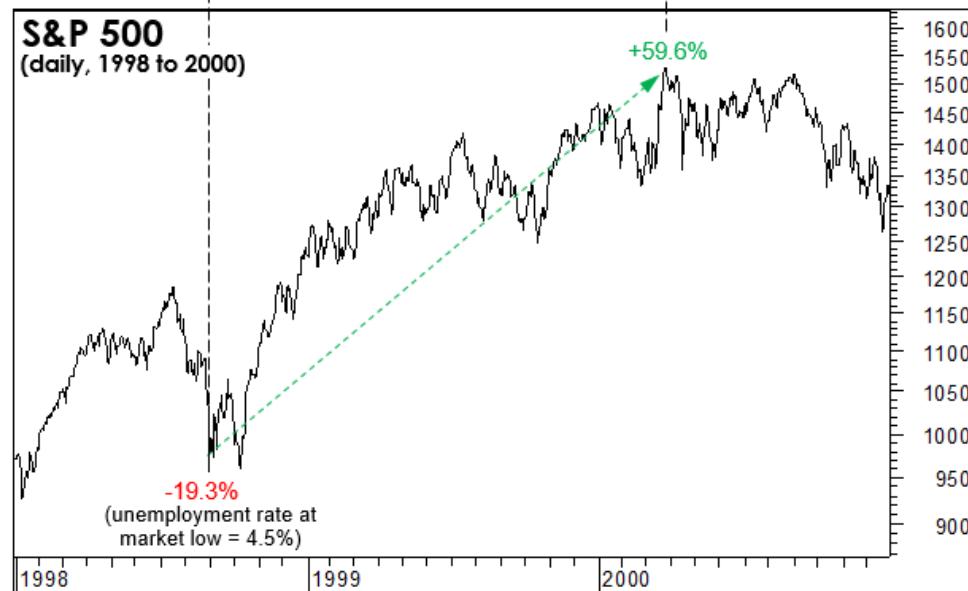


## Major Upswings Which Began With The Economy At Or Near Full Employment



All four of these lows occurred in the second half of a mid-term election year--a zone that's contained a wildly disproportionate share of major U.S. stock market lows.

## Two Major Upswings Which Began With The Economy At Or Near Full Employment

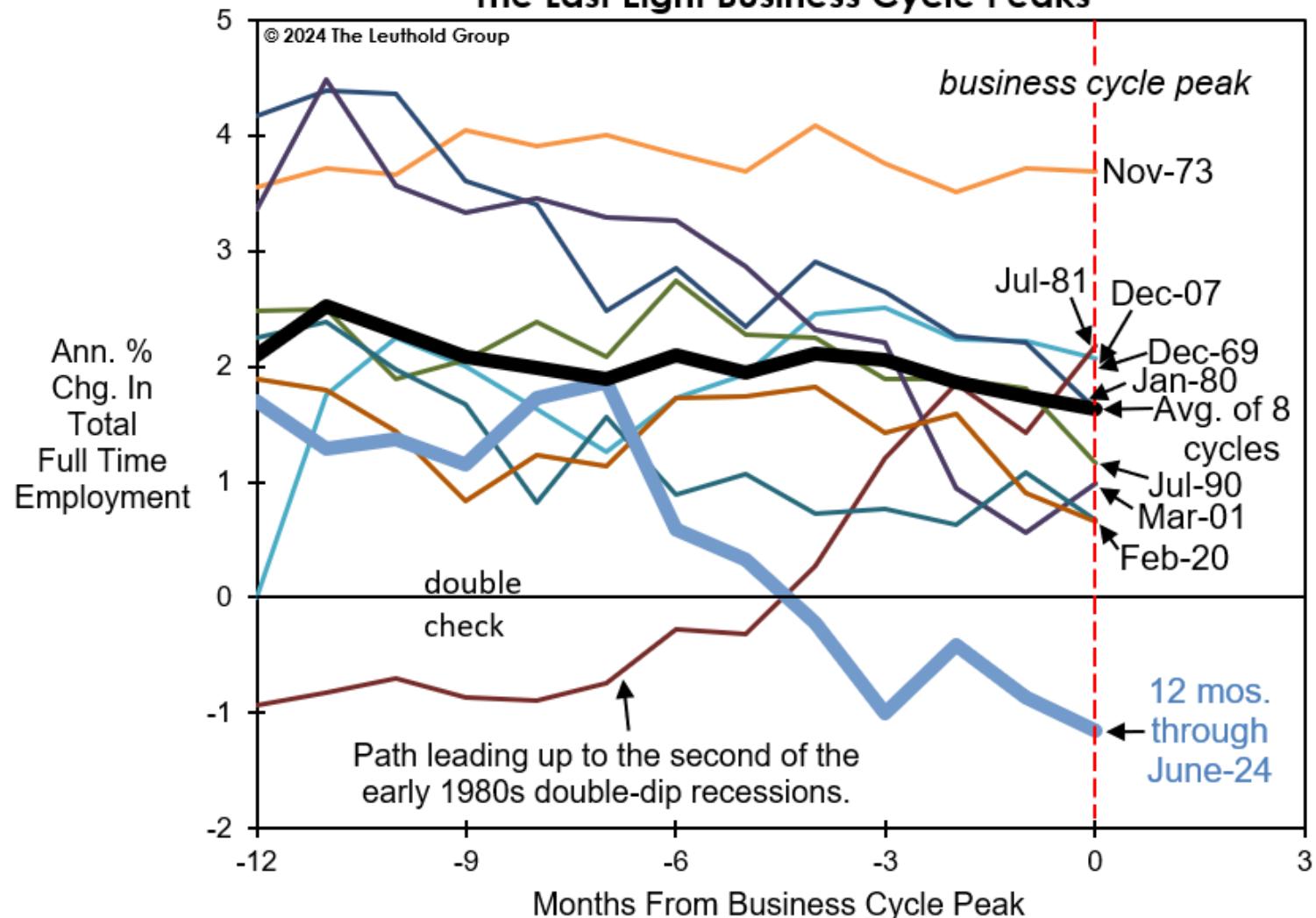


*A Recession Has Usually Been  
Underway When The Unemployment  
Rate Has Risen This Much...*

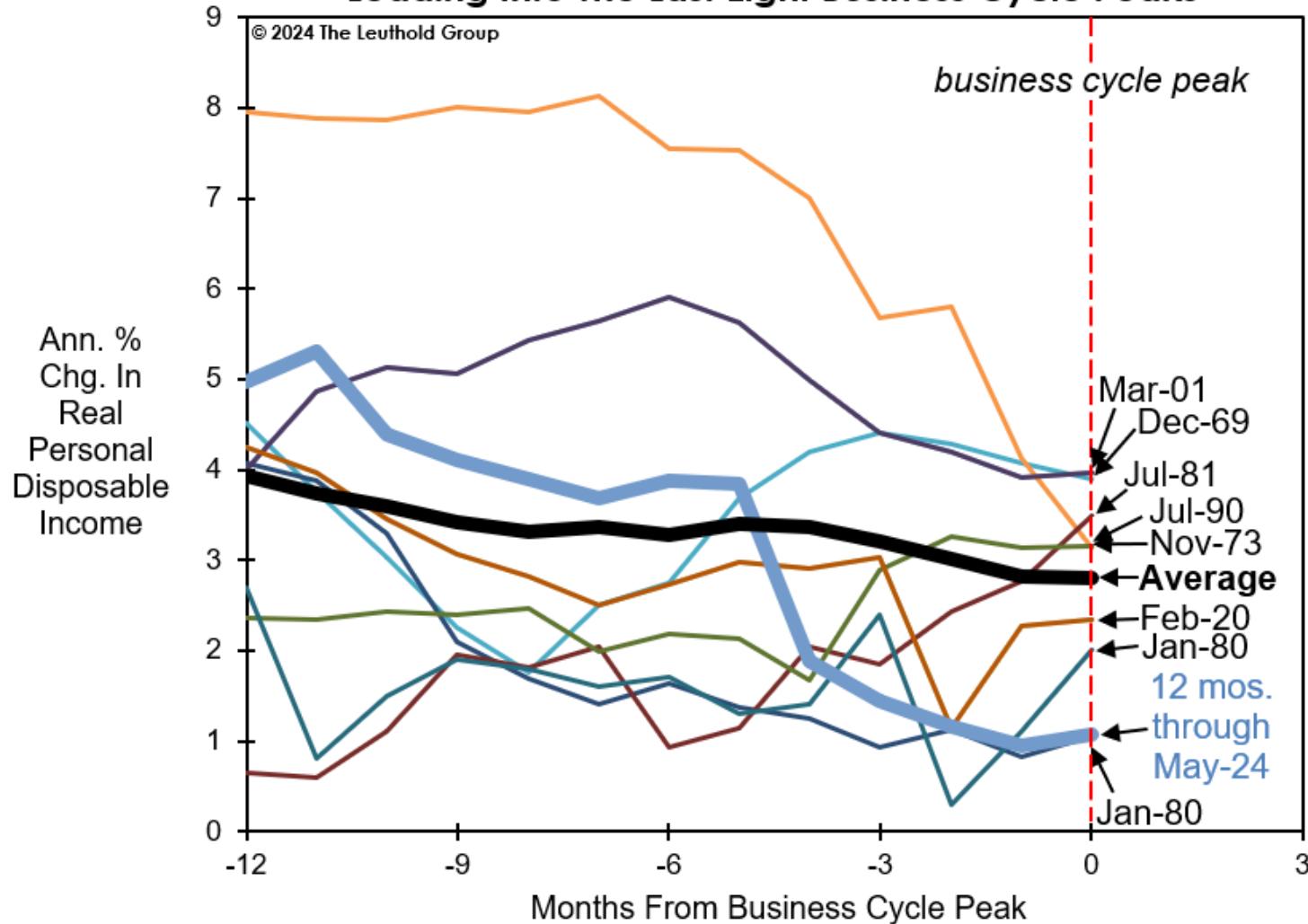
<b>Month of Business Cycle Peak</b>	<b>Increase In Unemploy- ment Rate From Low</b>
July 1953	0.1
August 1957	0.4
April 1960	0.4
December 1969	0.1
November 1973	0.2
January 1980	0.7
July 1981	0.0
July 1990	0.5
March 2001	0.6
December 2007	0.6
February 2020	0.0
<b>Average</b>	<b>0.3 %</b>
→ June 2024	0.7 %

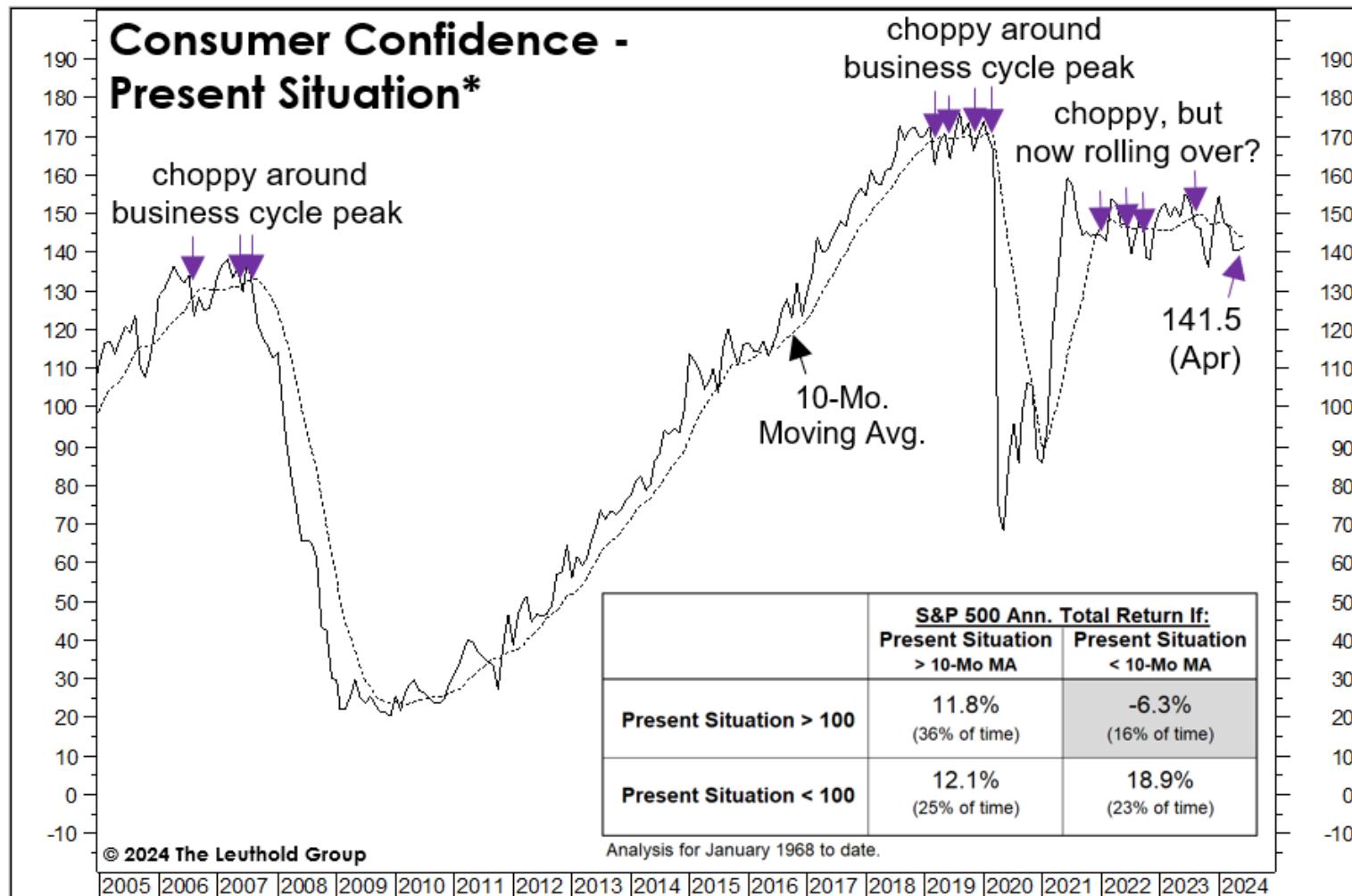
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## 12-Mo. % Chg. In Full-Time Employment Leading Into The Last Eight Business Cycle Peaks

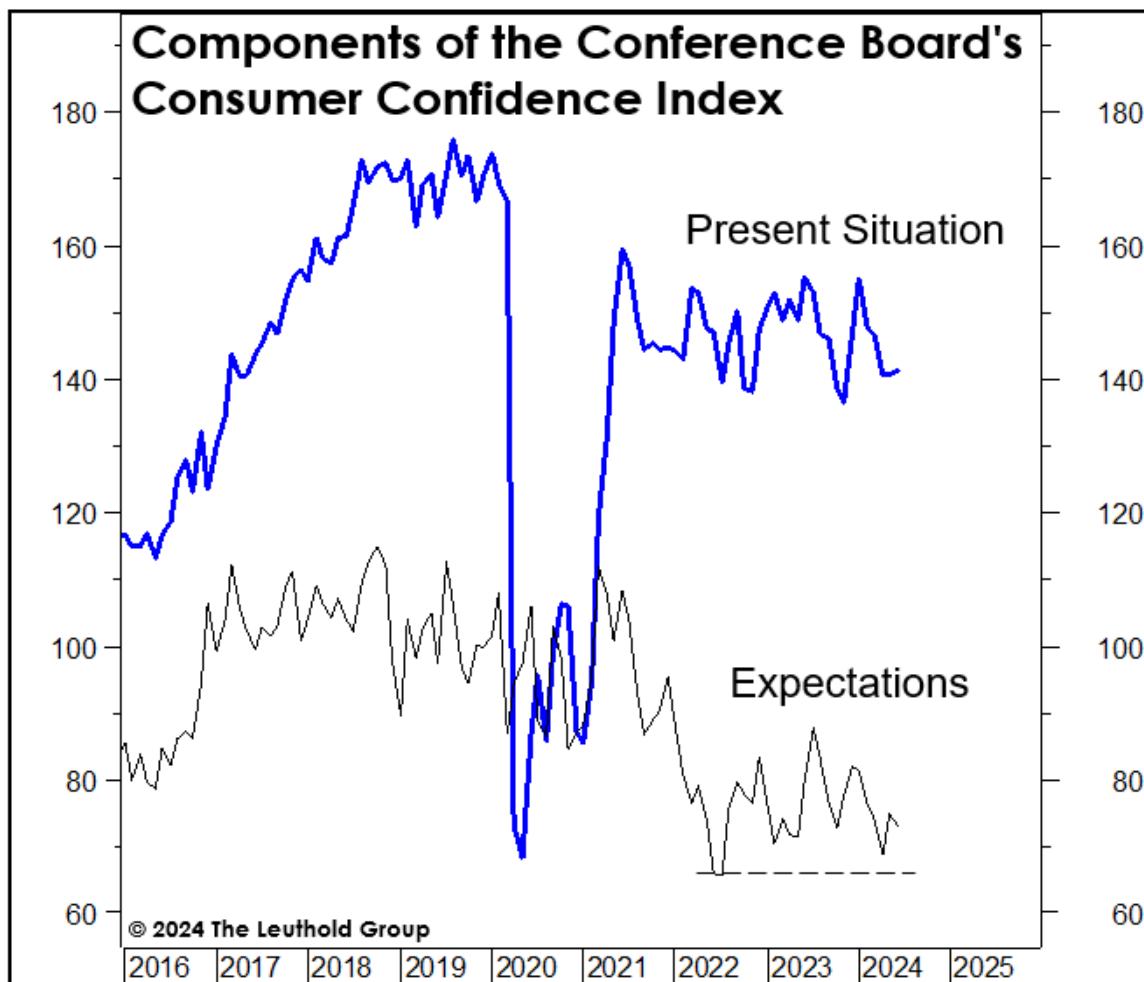


## 12-Mo. % Chg. In Real Personal Disposable Income Leading Into The Last Eight Business Cycle Peaks



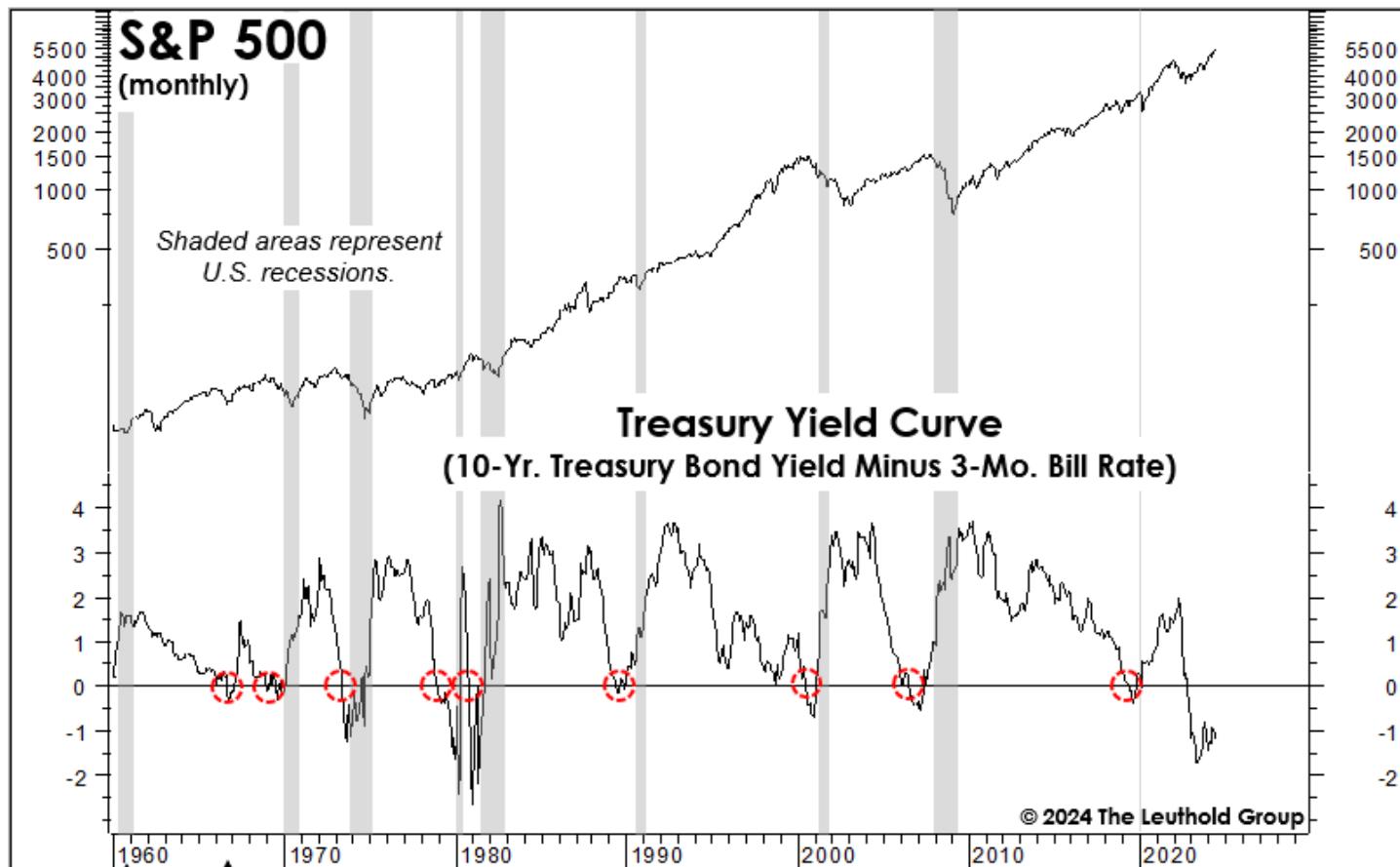


\*Source: Conference Board



These confidence measures have been in a "late cycle" configuration from almost the start of the COVID rebound.

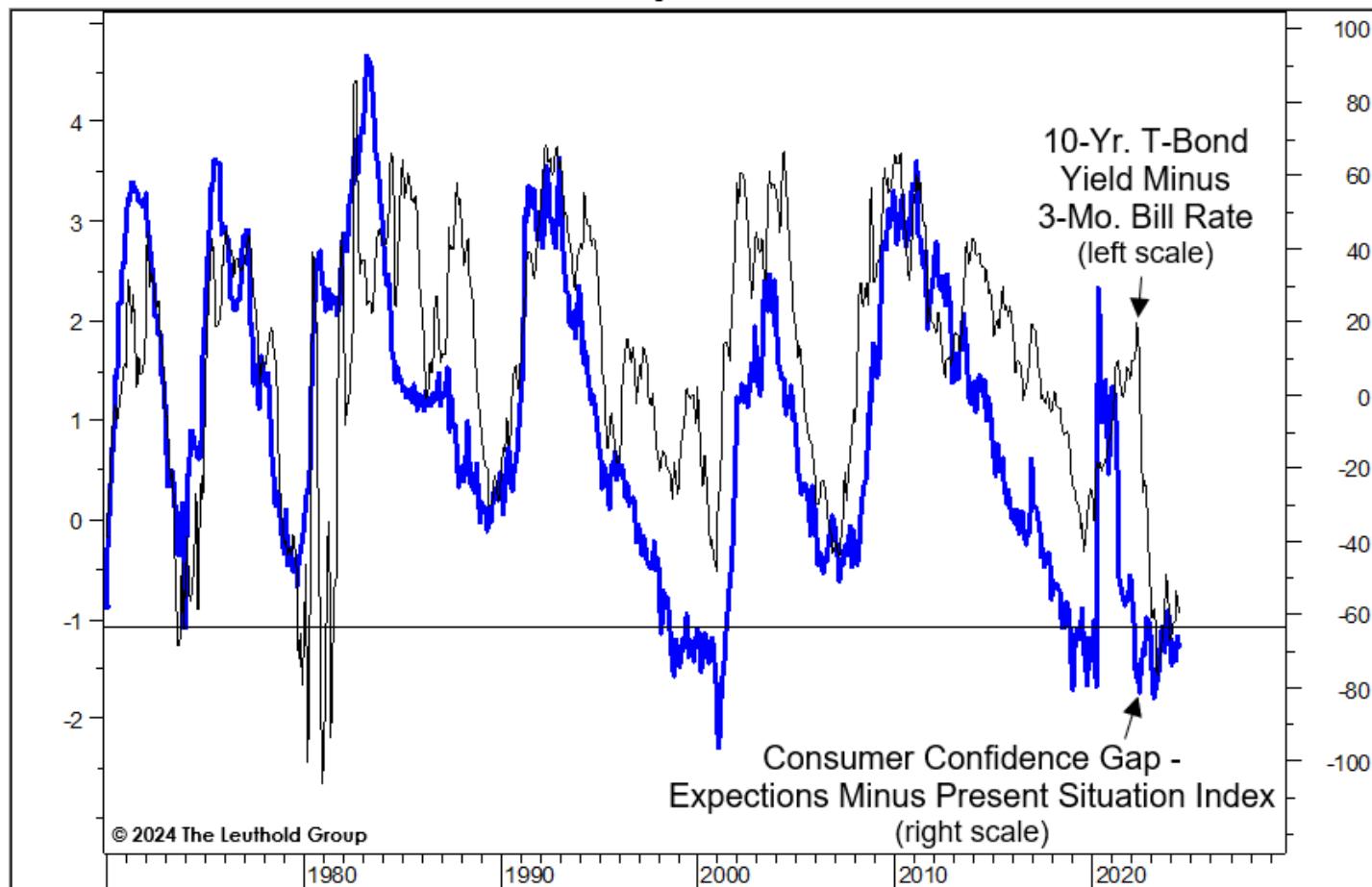


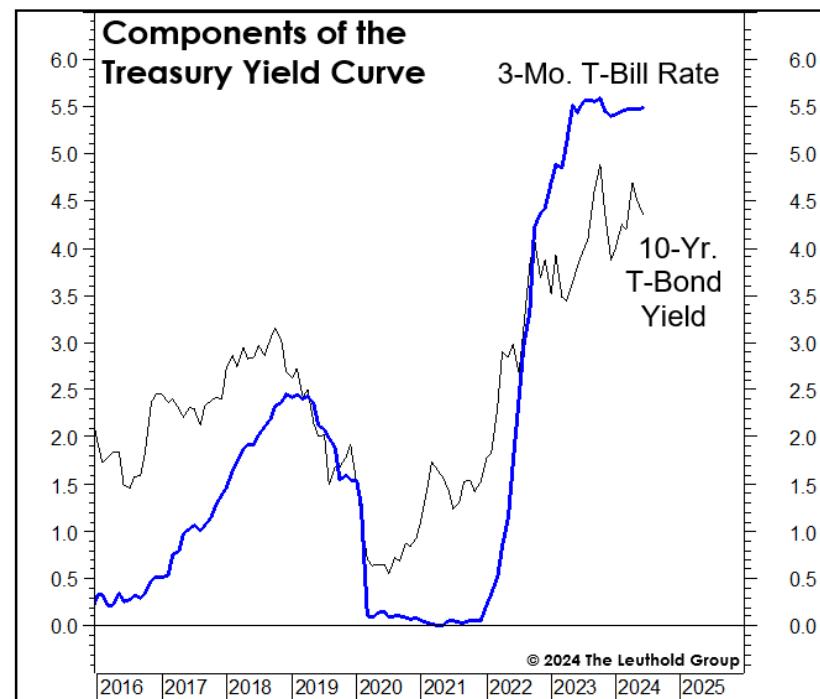


↑ Inversion of 1966-67 was not followed by recession. (Type I error)  
 No inversion prior to 1960-61 recession. (Type II error)

→ Following two miscues in the 1960s, an inverted yield curve has correctly predicted eight of the last eight recessions with no false signals.

## Confidence Gap & The Yield Curve





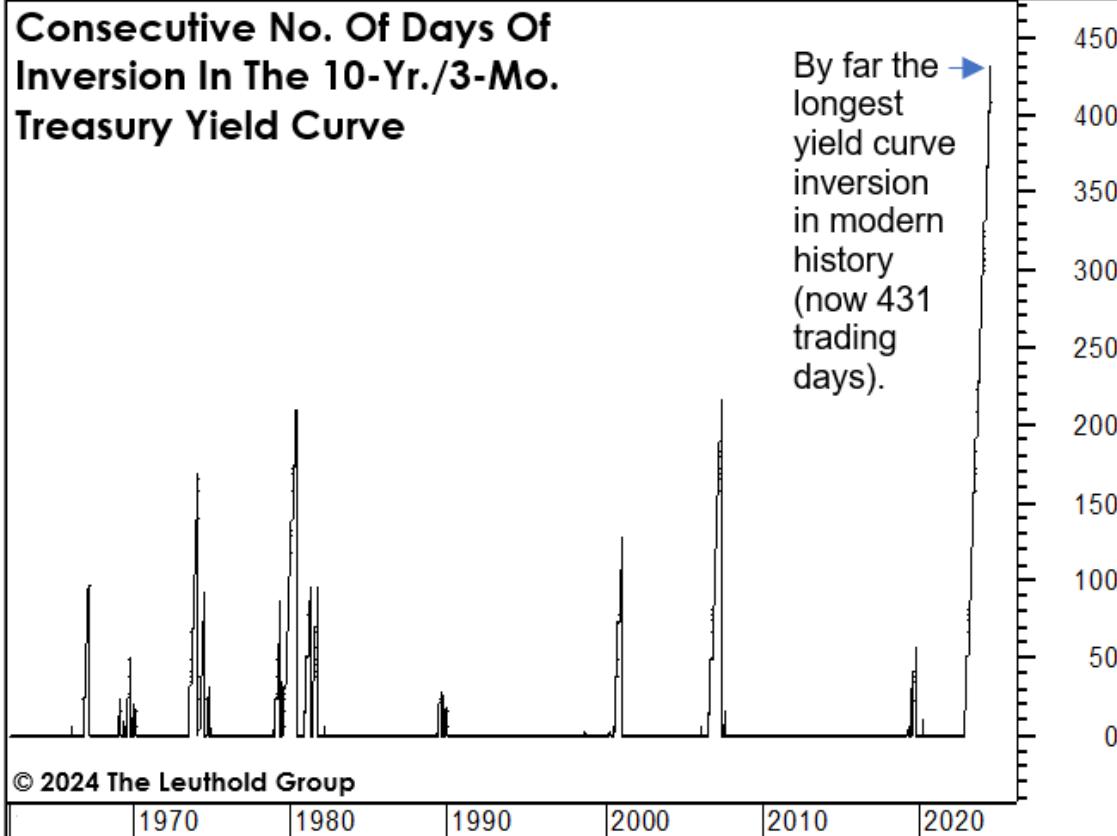
## **Yield Curve Inversions & U.S. Recessions**

<b>First Month In Which 10-Yr./3-Mo. Spread Inverts For Ten Consecutive Days</b>	<b>Months To Business Cycle Peak</b>
January 1969	11
June 1973	5
December 1978	13
November 1980	8
June 1989	13
August 2000	7
August 2006	16
June 2019	8
November 2022	<i>19 months and counting!</i>
<b>Average Lead Time</b>	<b>10</b>

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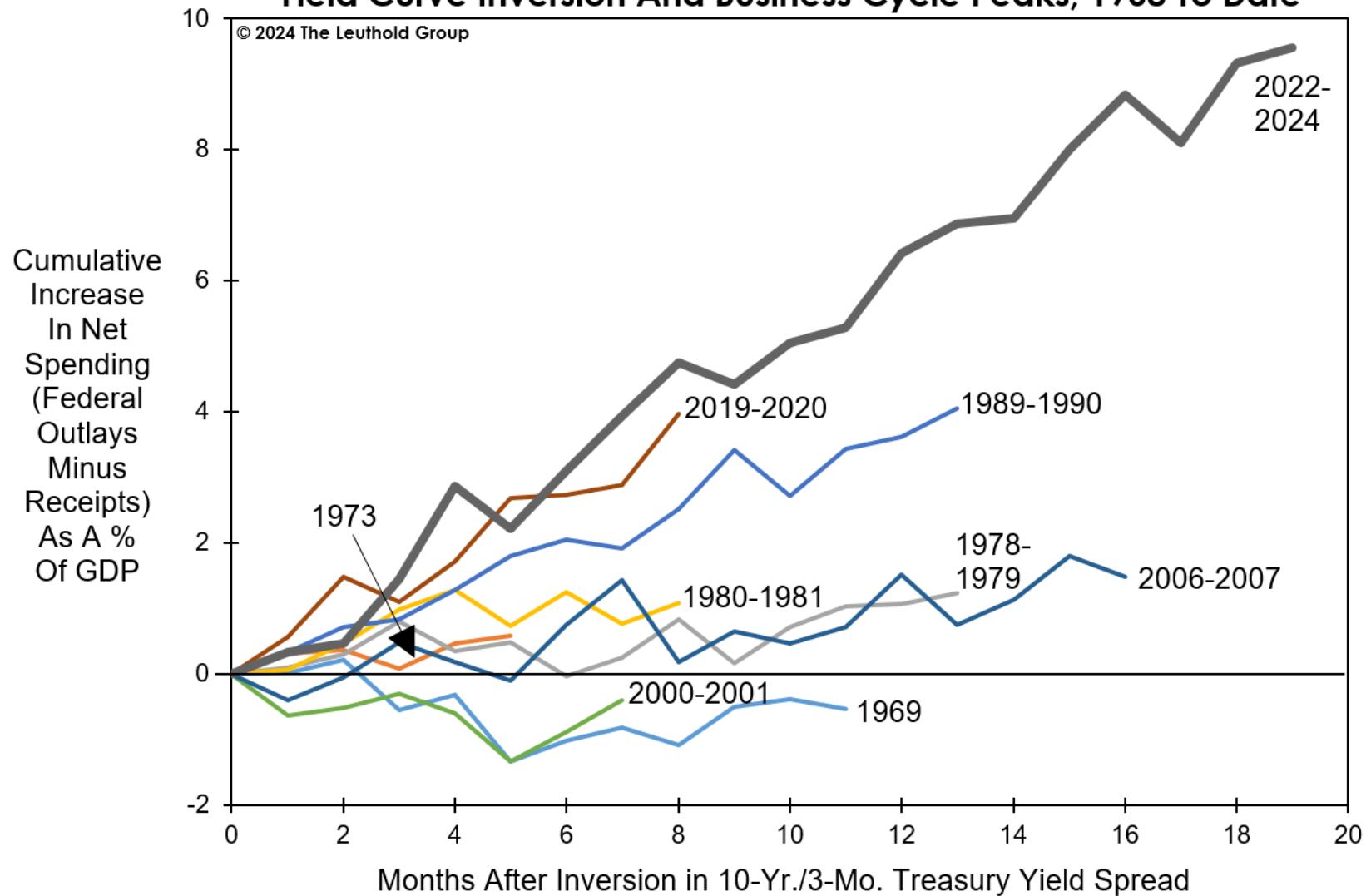
### Consecutive No. Of Days Of Inversion In The 10-Yr./3-Mo. Treasury Yield Curve

By far the → longest yield curve inversion in modern history (now 431 trading days).

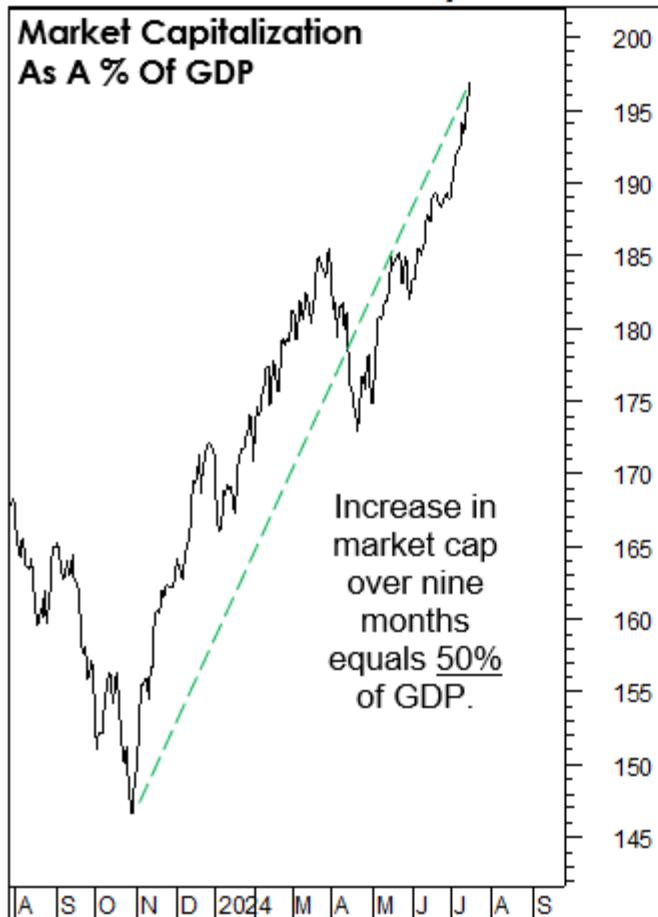


\*Secondary-market 3-mo. bill rate used until January 1982;  
constant-maturity rate used thereafter.

## Cumulative Deficit Spending Occurring Between Yield Curve Inversion And Business Cycle Peaks, 1968 To Date



October 2023 - July 2024



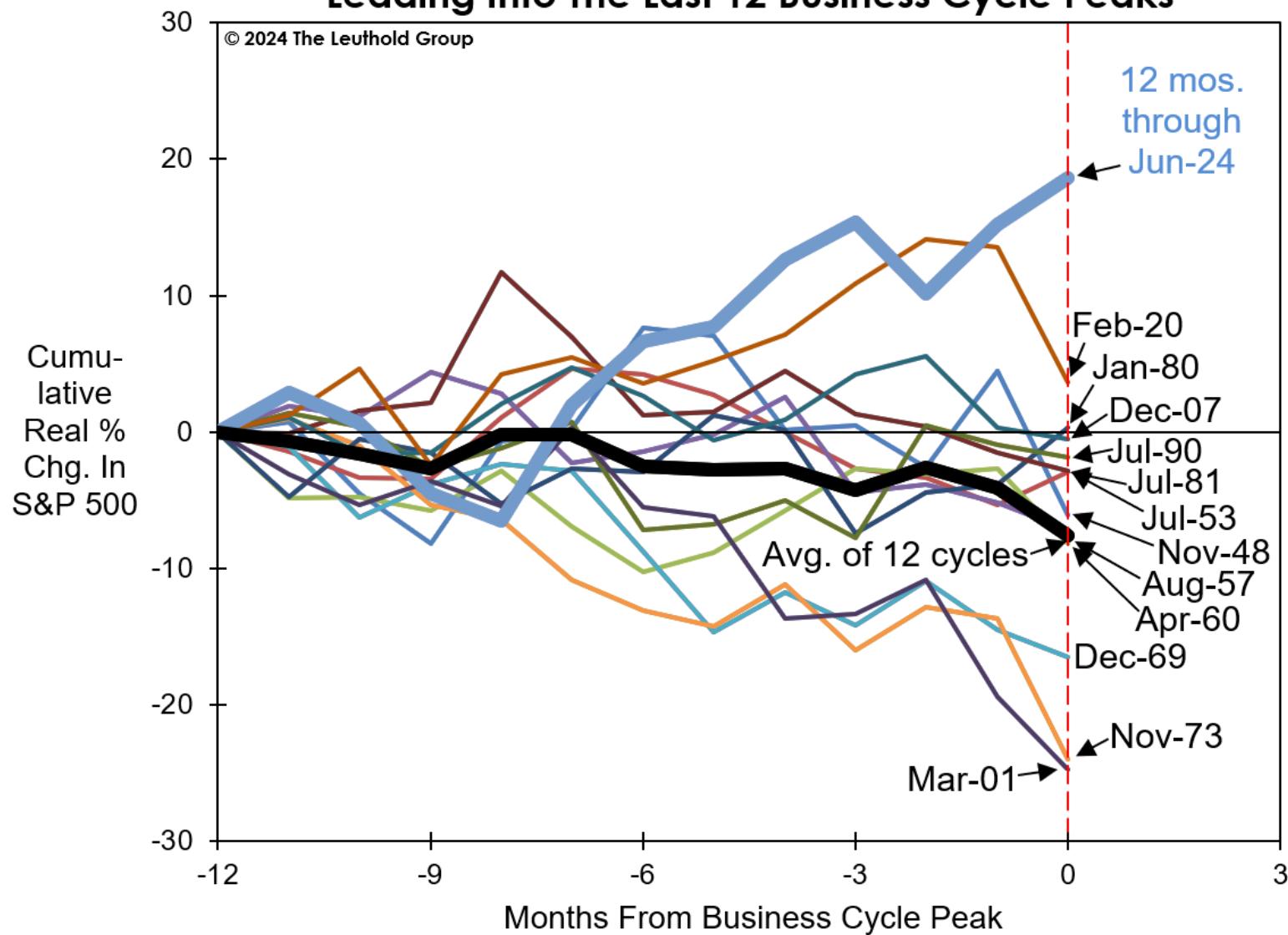
\*FT Wilshire 5000 Full Cap index as a pct. of prior quarter's GDP.

August 1982 - August 1987

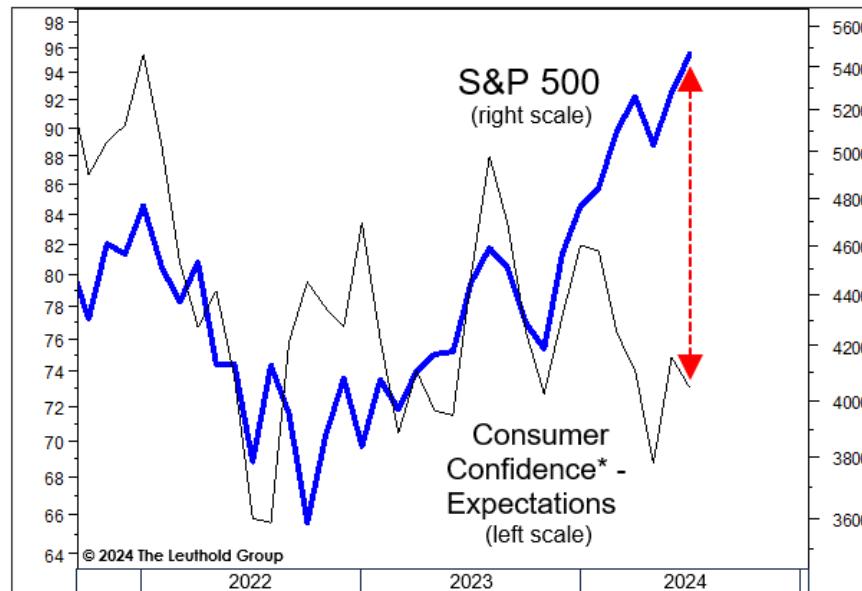


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## Real 12-Mo. Performance Of The S&P 500 Leading Into The Last 12 Business Cycle Peaks



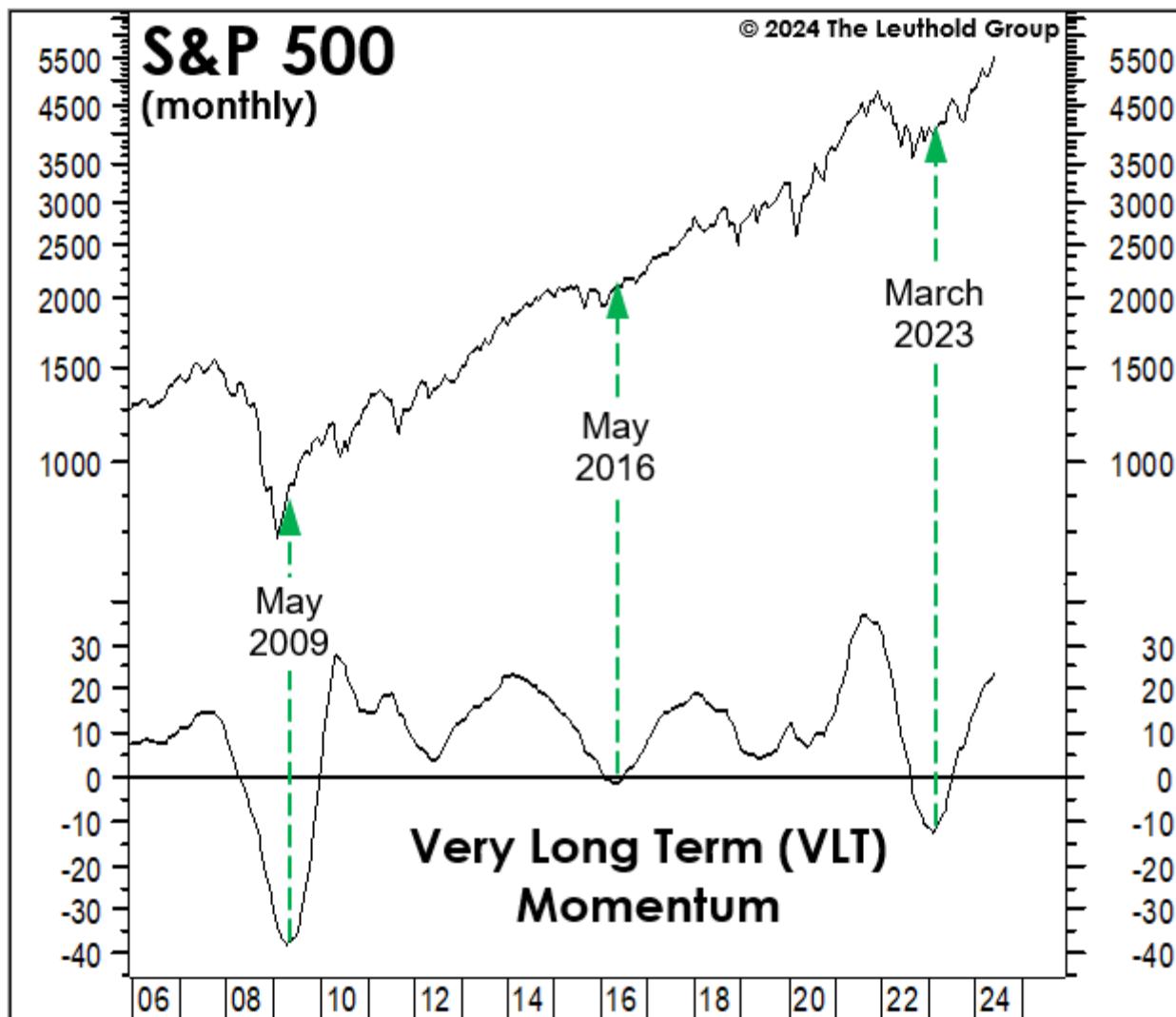
## Rising Stocks Haven't Lifted Expectations...



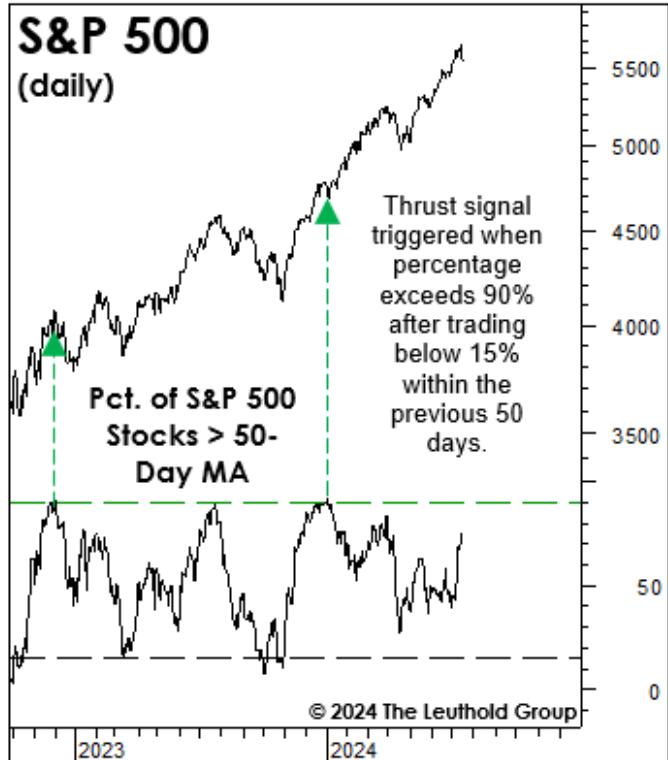
## ...Other Than That Stock Prices Will Rise!



\*Source: Conference Board



Arrows denote long-term, low-risk BUY signals occurring when VLT Momentum turns up from below zero.



Pct. Of S&P 500 Stocks Above  
50-Day MA Tops 90% Within 50 Days Of A  
Reading Below 15%, 1957 To Date

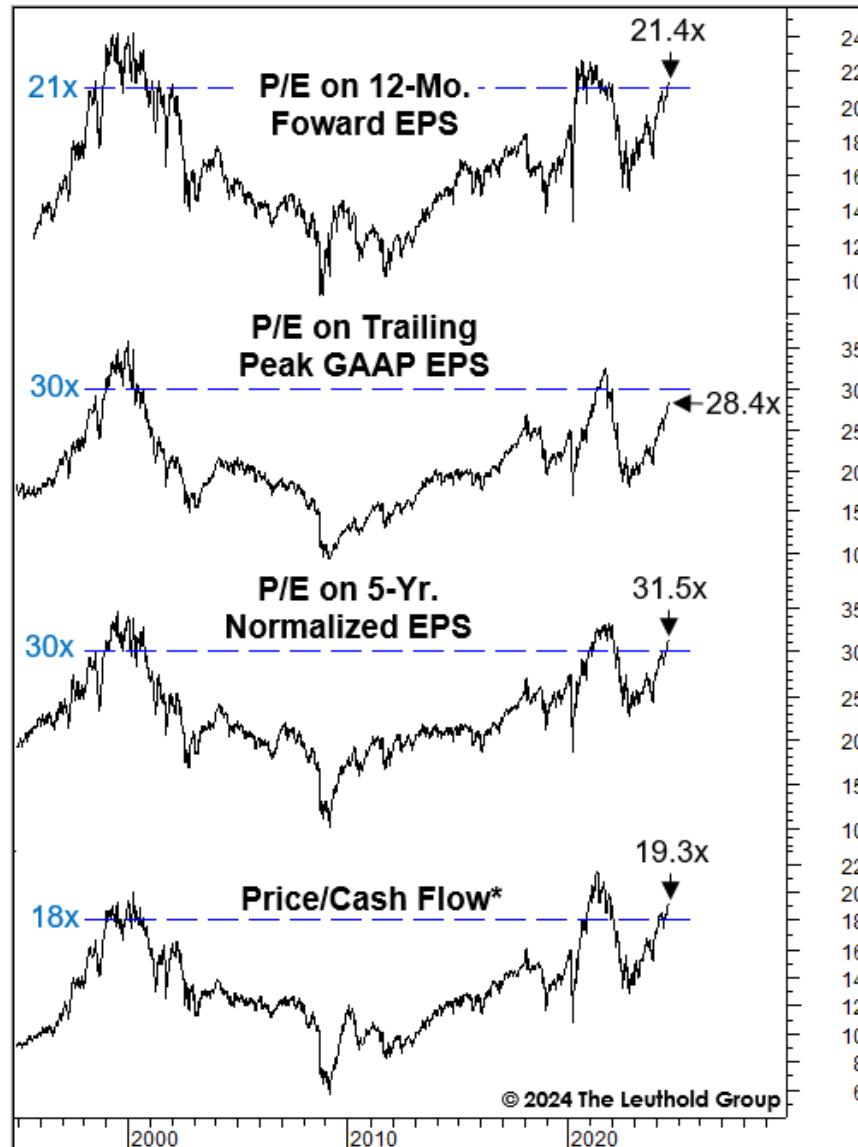
© 2024 The Leuthold Group	S&P 500 Performance		
	3 Mos. Later	6 Mos. Later	1 Yr. Later
November 23, 1962	6.4	13.8	13.1
September 4, 1970	8.0	20.0	21.6
December 29, 1971	4.9	5.0	14.4
January 27, 1975	14.4	17.7	32.3
May 23, 1980	13.9	25.8	20.0
August 26, 1982	12.9	26.2	36.0
November 22, 1985	11.1	21.5	22.0
January 7, 1988	1.9	4.1	7.3
January 18, 1989	7.2	17.2	17.8
June 9, 1997	7.9	14.0	29.6
November 5, 1998	9.7	18.2	20.8
May 5, 2003	6.1	13.4	20.8
May 4, 2009	10.5	14.2	29.4
October 24, 2011	5.7	10.9	12.7
March 16, 2016	2.2	4.9	17.5
February 15, 2019	3.0	4.1	21.4
May 26, 2020	14.7	18.9	40.0
August 12, 2022	-7.6	-3.3	3.7
November 30, 2022	-0.8	5.0	12.6
January 2, 2024	9.9	16.7	?
Average for signals	7.1	13.2	20.7
Average for all periods, 1957 to date	2.1	4.2	8.5

So far, the market has outperformed the average thrust signal.

## Return To Bubble Zone?



**Valuations Are At Or Near Levels  
Seen In the Past Two Market Bubbles**



\*Data for the MSCI USA Index.  
Weekly data through July 12th

### S&P 500 Median Stock Valuations

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June 28, 2024	24.7 x	27.4 x	15.3 x	2.85 x	3.46 x	
1994-To-Date Percentile	92	83	91	94	92	90

### S&P MidCap 400 Median Stock Valuations

© 2024 The Leuthold Group	Trailing P/E	Normalized P/E	Price/Cash Flow	Price/Sales	Price-to-Book	Average
June 28, 2024	20.5 x	25.3 x	12.1 x	2.07 x	2.58 x	
1994-To-Date Percentile	62	57	47	91	83	68

### S&P SmallCap 600 Median Stock Valuations

© 2024 The Leuthold Group	Trailing P/E	Normalized P/E	Price/Cash Flow	Price/Sales	Price-to-Book	Average
June 28, 2024	18.0 x	20.7 x	9.4 x	1.49 x	1.73 x	
1994-To-Date Percentile	33	15	13	77	21	32



## Russell 2000/S&P 500 Total Return Ratio

← end of 1999-2011 Small Cap leadership cycle

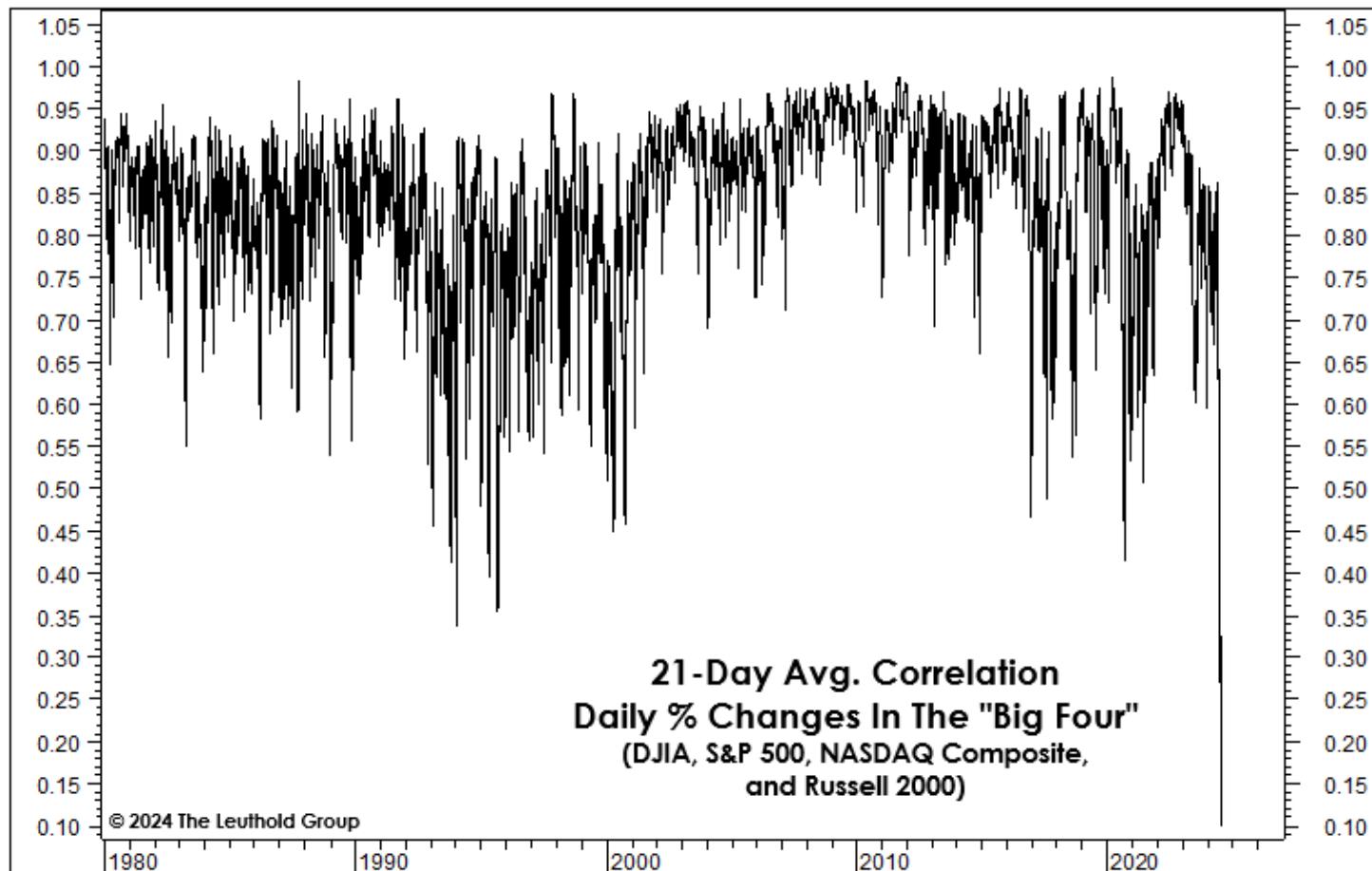
March 2021

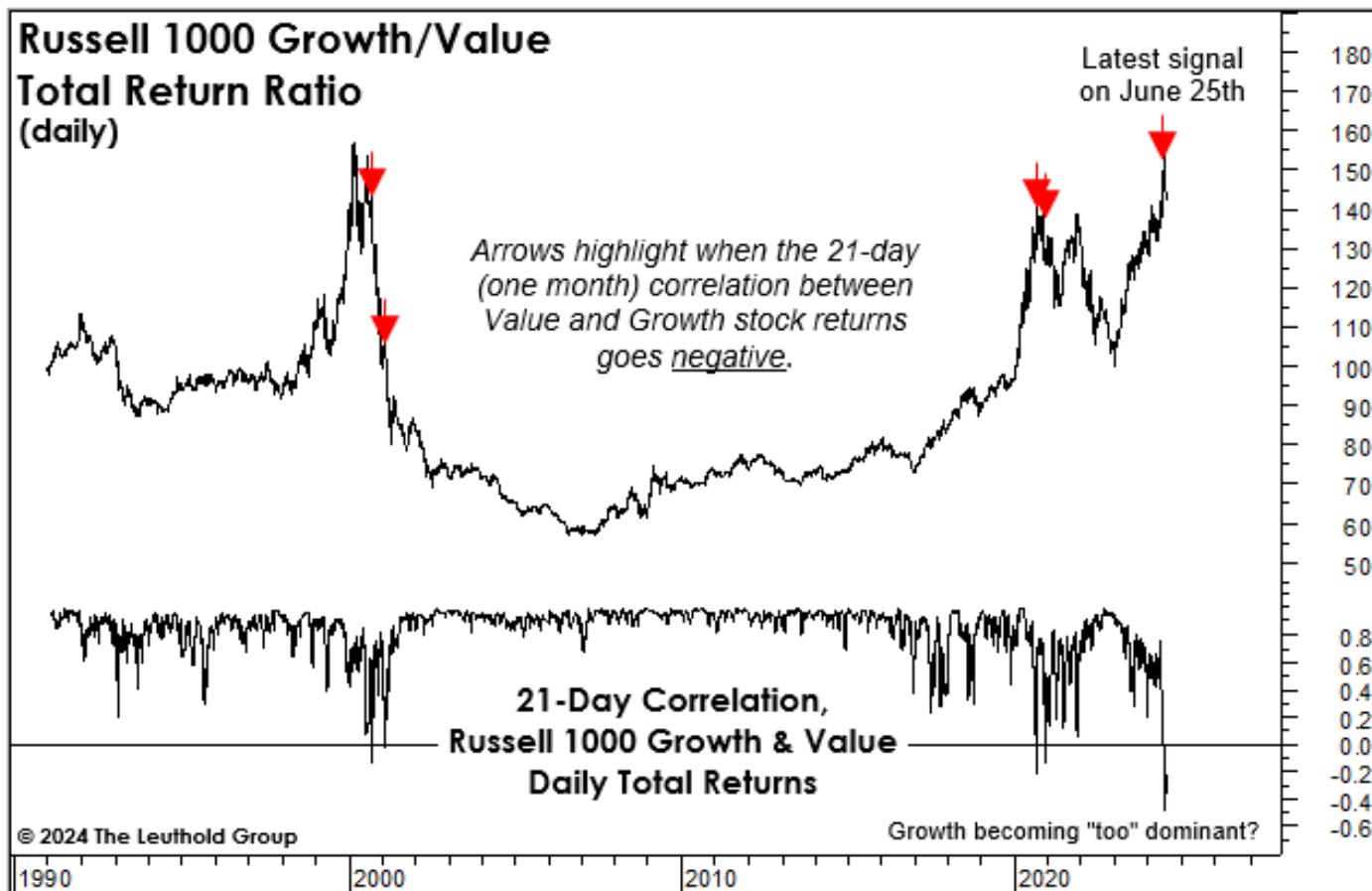
*Annualized Total Returns,  
April 5, 2011 to July 18, 2024:*  
S&P 500 = +13.5%  
Russell 2000 = +8.9%

March 2020 low

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10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
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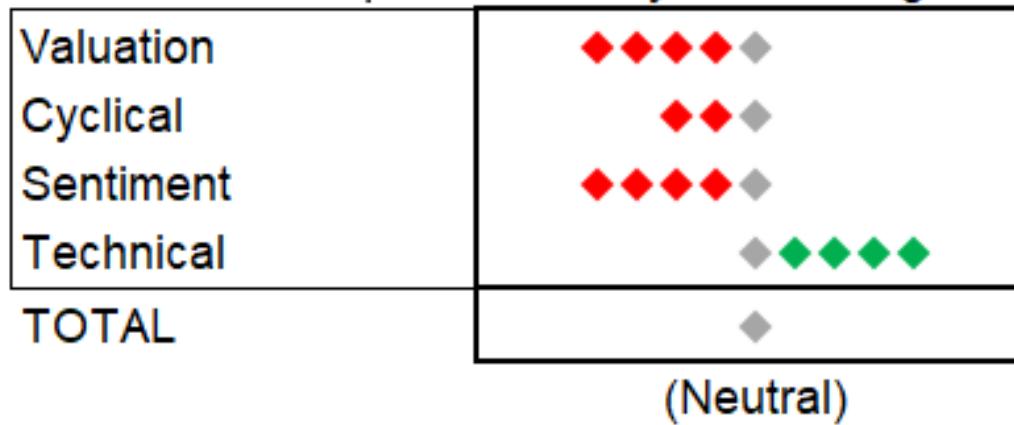




## Major Trend Index Looks Lopsided...

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- July 12 Reading +



## Core Portfolio Asset Allocation

July 18, 2024

