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U.S. Cyclical Outlook
ESSENTIALS

Growth Rate Cycle Upturn at Hand

U.S. Long Leading Index growth is now in a pronounced, pervasive and persistent upturn.

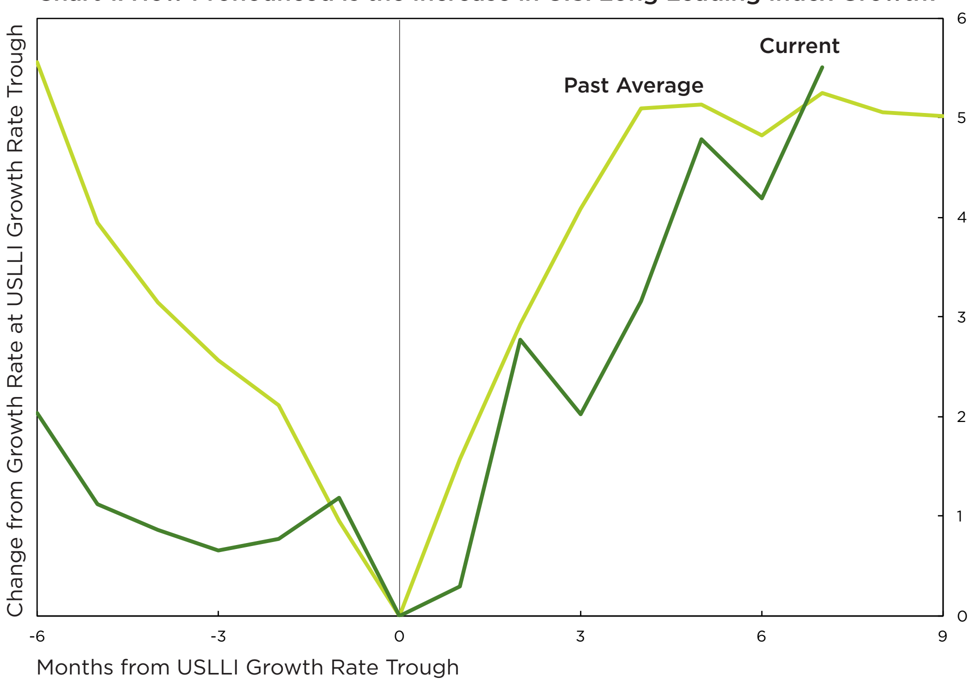
We Have Ignition Building on the gradual improvement that has been evident in recent months, the latest forward-looking data finally provides clear evidence that a growth rate cycle (GRC) upturn is now at hand. Specifically, the upswing in U.S. Long Leading Index (USLLI) growth is about as pronounced as the median pattern in past GRC upturns (Chart 1).

Back in the summer, we reported that the "upturn in the growth rates of the USLLI and its components is about as pervasive and persistent as the median of comparable past upswings in USLLI growth ahead of GRC upturns. However, it is nowhere near as *pronounced* as the median pattern in those earlier upswings" (*↗USCO Essentials, August 2016*). The following month, we noted that the "improvement in USLLI growth clearly satisfies two of the three P's. But all three P's must be satisfied in order for us to make a GRC upturn call" (*↗USCO Essentials, September 2016*).

The latest data shows that third P to be in place, with the USLLI growth upswing becoming sufficiently pronounced, while becoming more pervasive (Chart 2), and also more persistent (Chart 3) than the median in earlier cyclical upswings in USLLI growth. Therefore, the latest advance in USLLI growth qualifies as a cyclical upturn, pointing to the end of the GRC downturn that began at the end of 2014 and the start of a fresh GRC upturn.

Many think the 35-year secular bond bull market is now over. But the evidence points to a *cyclical* upturn in economic growth and inflation, not a regime shift away from long-term *secular* downtrends.

Chart 1: How Pronounced is the Increase in U.S. Long Leading Index Growth?



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