

U.S. Macroeconomic Outlook: Knife Edge

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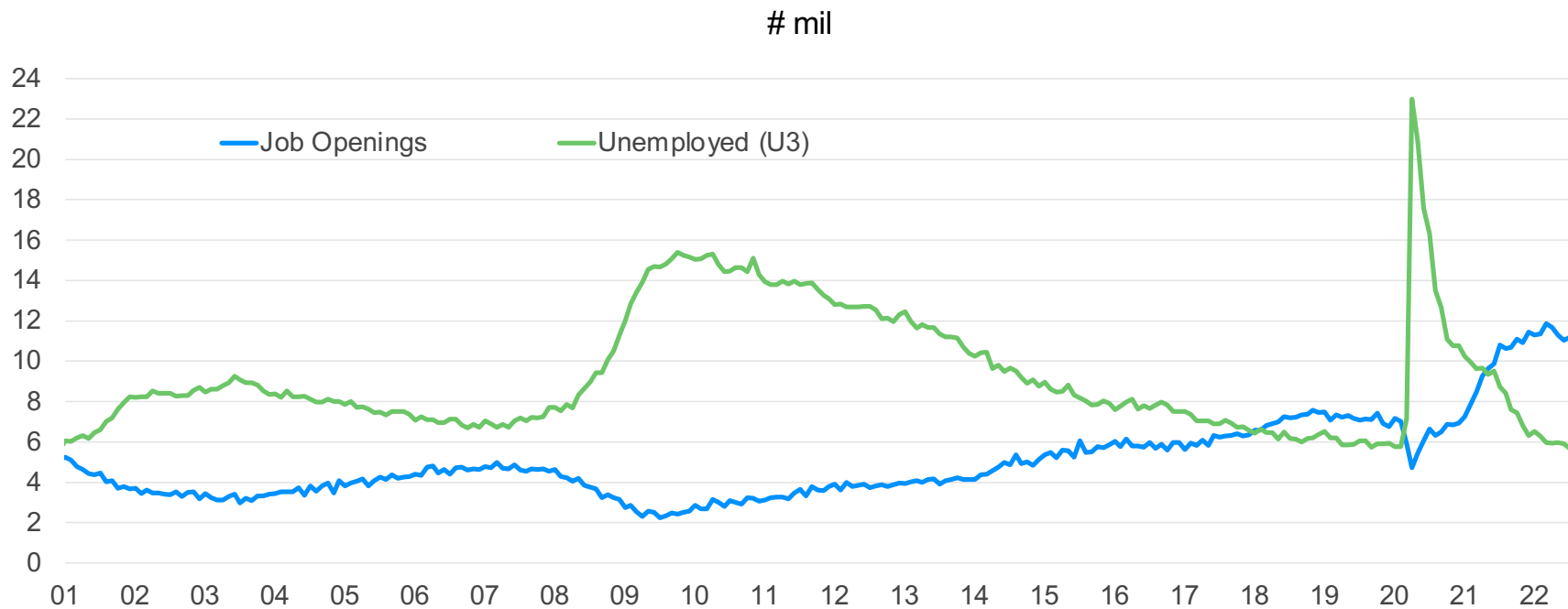
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Not a Recession...Yet



Sources: BLS, Moody's Analytics

Multiple Warning Signs Point to Mild Recession

Indicator	Business Cycle Timing	Time to recession, mo	Threshold	Current Value	Risk
Financial stress index	Leading	11 to 15	>0	-0.06	Moderate
Housing permits	Leading	10 to 12	yr-over-yr decline	-13.0%	High
Yield curve 10-yr minus 3-mo	Leading	8 to 15	<0	0.25	Moderate
Yield curve 10-yr minus 2-yr	Leading	8 to 14	<0	-0.50	High
TED spread	Leading	7 to 8	>100 bps	33.2	Moderate
Consumer confidence	Leading	5 to 10	30-point decline from peak	-20.9	Moderate
Jobless claims	Leading	4 to 5	>240k (breakeven)	207	Low
S&P 500	Leading	3 to 9	20% correction	-18%	High
ISM manufacturing index	Leading	3 to 6	43.2	50.9	Low
Hrs worked for manufacturing workers	Leading	1 to 10	yr-over-yr decline	-1.2%	Moderate
Banks tightening lending standards on C&I	Leading	1 to 5	>20%	33.3%	High
Core capital goods orders	Coincident	0	yr-over-yr decline	8.8%	Low
Unemployment rate	Coincident	0	+50 bps yr-over-yr	-1.5%	Low
Industrial production	Coincident	0	yr-over-yr decline	3.7%	Low
ISM nonmanufacturing index	Lagging	1	49	56.7	Low
Employment	Lagging	2 to 4	yr-over-yr decline	4.0%	Low
Job quits rate	Lagging	2 to 4	>0.3 decline in 6 months	-0.1%	Low
Real monthly GDP - Potential GDP	Lagging	3 to 6	<0	-0.9%	High

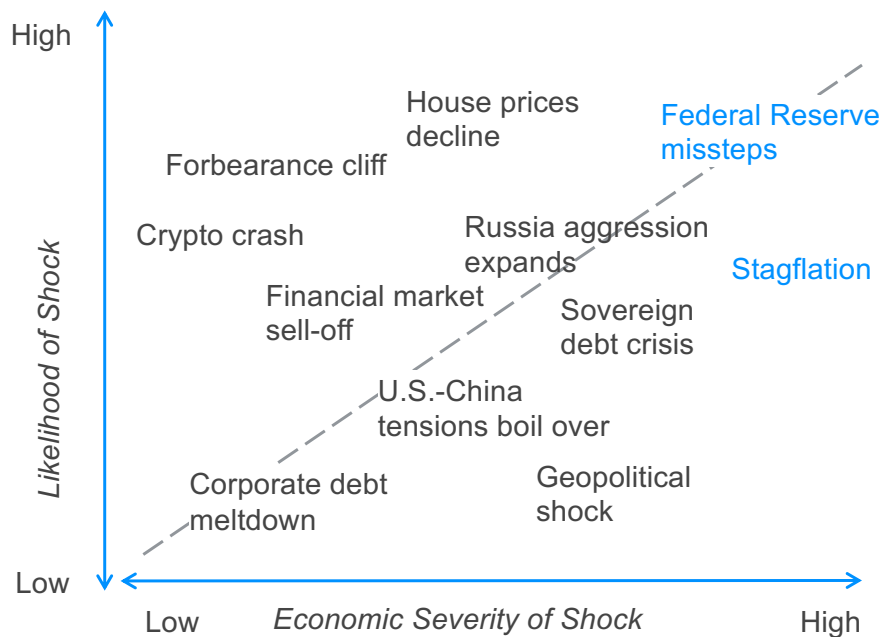
Source: Moody's Analytics

Moody's Analytics

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So Long As Nothing Else Goes Wrong



#1 Downside Risk to the Outlook – Fed Policy

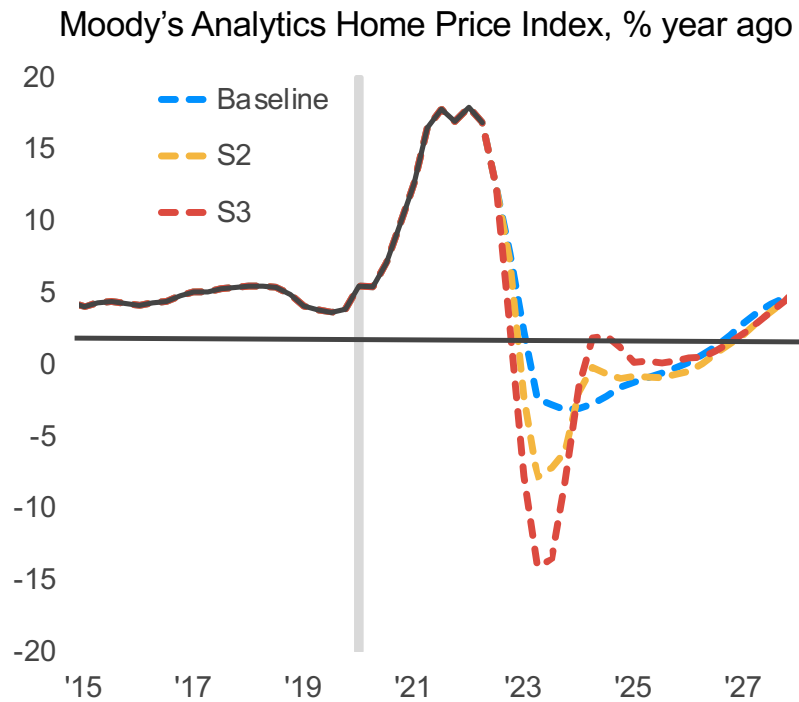
- » Policy Error
- » Intentional Demand Destruction
- » Potential Outcome – Moderate Recession

#2 Downside Risk to the Outlook – Supply Constraints

- » Additional Energy Shocks
- » Russia/Ukraine
- » Global Slowdown
- » Potential Outcome – Stagflation

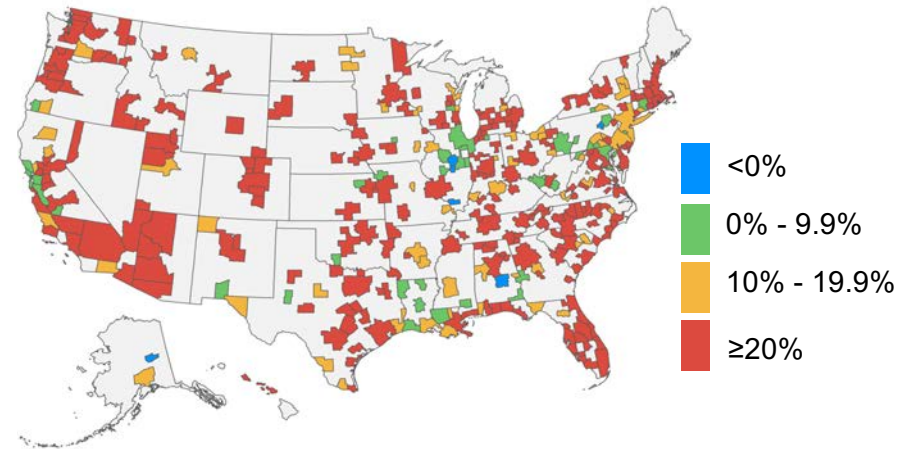
Source: Moody's Analytics

Home prices expected to fall 5-15% nationally

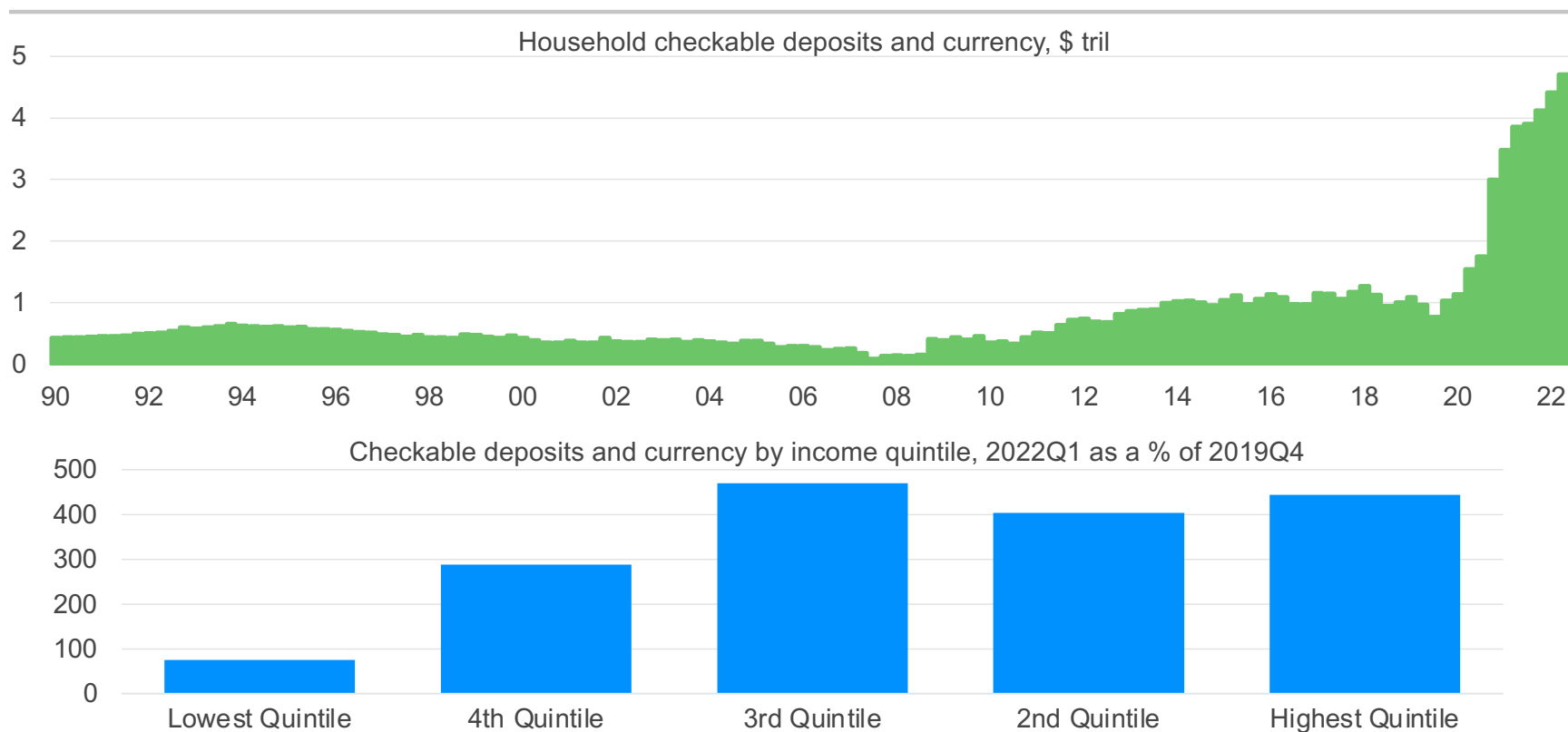


Sources: Moody's Analytics

Home price as % above/below estimated fundamental value



A Mountain of Money Is Cushioning (Most) Consumers



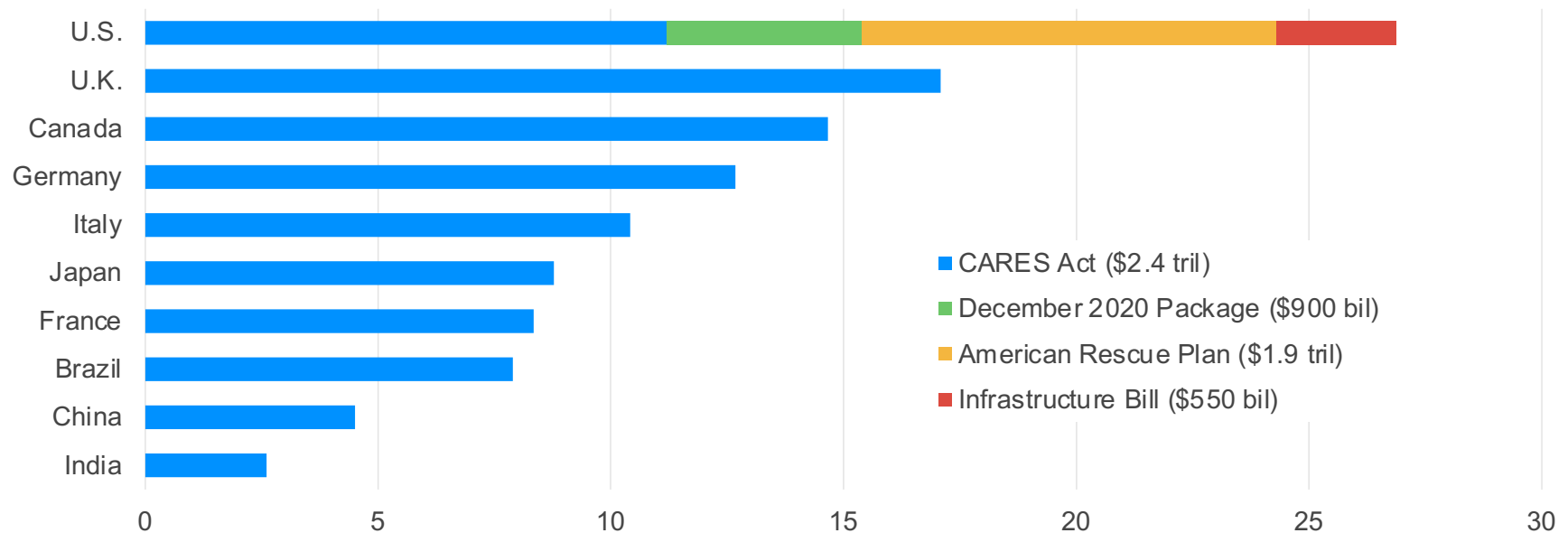
Sources: Federal Reserve Board, BEA, Census Bureau, Moody's Analytics
Moody's Analytics

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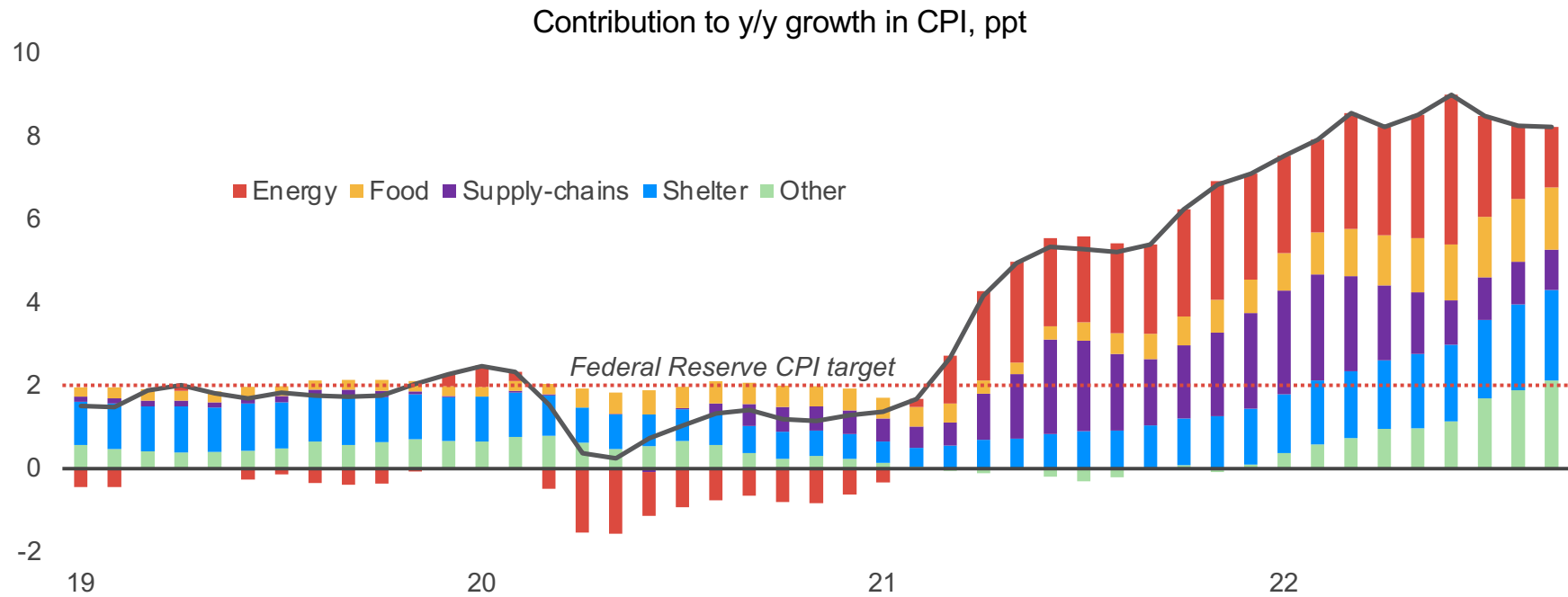
Record Level of Fiscal Support

Fiscal Support Since Start of the Pandemic, % of 2019 GDP



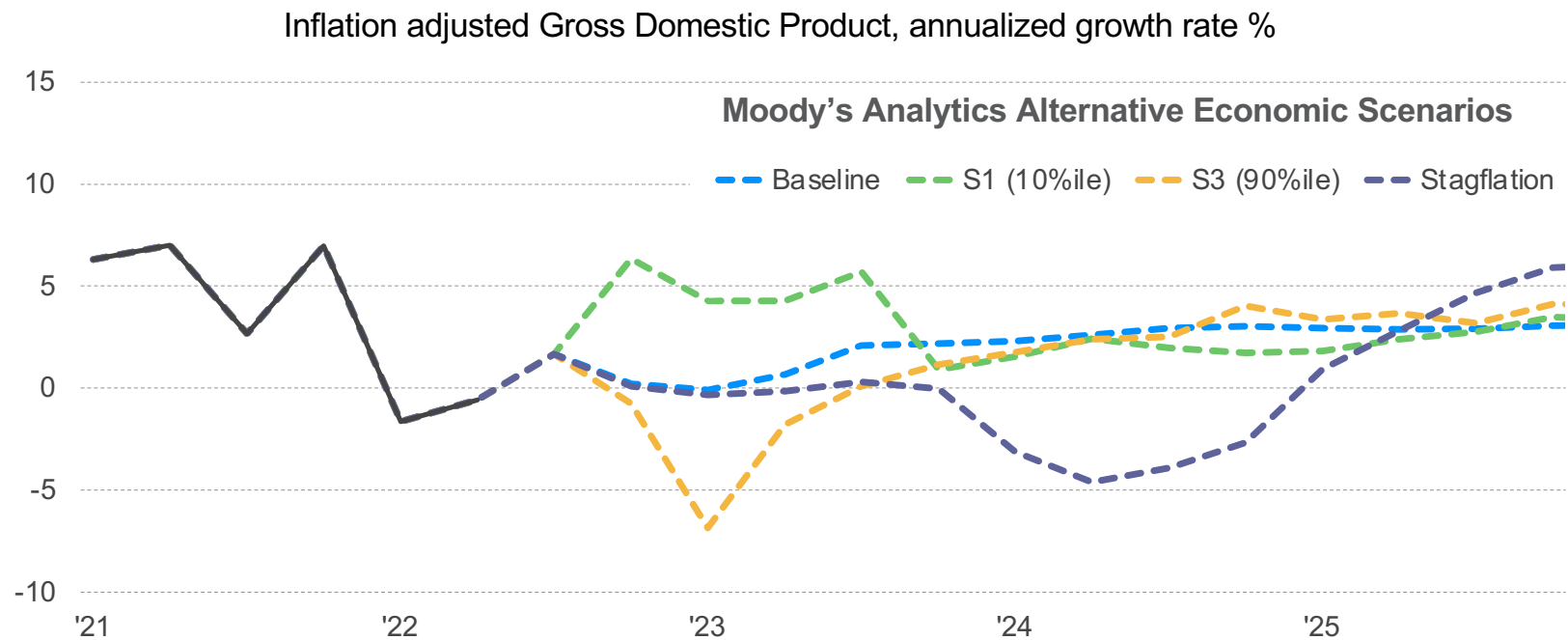
Sources: BEA, National Finance Ministries Moody's Analytics

Price Picture Remains Extremely Nuanced...



Sources: BLS, Moody's Analytics

...Leaving Several Different Paths Forward



Source: BLS, Moody's Analytics



Questions?

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