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Given the growing fears of a recession in the U.S., we have decided to resurrect our tracking table for recession indicators. The table below shows the current reading and recent momentum of several indicators compared to the ones observed three months before the eight previous recessions. Red indicates that the current reading is worse than any historical episodes while green is better. Both yellow and orange are in the historical range, the former indicating a better situation compared to the median while the latter shows the opposite.

In terms of the economic indicators tracked in this dashboard, the past week was quiet in the United States. The main events were the preliminary reading of the University of Michigan Consumer Sentiment index for August, and the July reading of the NFIB Small Business Optimism index. Overall, data released over the past week send an unchanged signal compared to the prior reading.

U.S.: Economic and financial indicators 3 months before recessions As of August 12, 2022

	Last reading	Prior reading*	Value 3 months before U.S. Recessions								Median	
			2020	2007-09	2001	1990-91	1981-82	1980	1973-75	1970		
Financial												
S&P 500 (% drawdown from past year max)	-10.8%	-13.6%	-1%	0%	-14%	-8%	-6%	-8%	-13%	-15%	-8%	
BBB spread (increase from past year min, bps)	61.0	61.8	2	46	134	6	0	41	43	23	32	
Copper price (% drawdown from past year max)	-28%	-30%	-11%	-2%	-10%	-12%	-16%	-1%	0%	-2%	-6%	
Oil price (% drawdown from past year max)	-26%	-28%	-16%	-4%	-31%	-21%	-4%	0%	0%	0%	-4%	
U.S. Dollar (% increase from past year min)	7.5%	8.5%	3%	0%	7%	11%	12%	6%	NA	NA	7%	
Yield curve (10-year minus 3-month, bps)	29	31	26	77	-76	98	-62	-127	-157	35	-18	
3 month treasury - core PCE (percentage points)	-2.2	-2.3	0.0	1.6	3.9	4.2	5.6	4.5	4.5	2.5	4.0	
Soft data												
Consumer sentiment (Michigan)	55.1	51.5	99.3	80.9	94.7	90.6	76.3	63.3	72.0	86.4	83.7	
SME confidence	89.9	89.5	102.7	96.1	96.4	99.4	97.4	93.3	NA	NA	96.9	
CEO confidence (quarterly data)	42.0	57.0	43.0	44.0	31.0	48.0	61.0	32.0	NA	NA	43.5	
ISM manufacturing	52.8	53.0	47.9	52.8	42.3	49.5	53.5	48.0	63.5	54.6	51.2	
ISM services	56.7	55.3	55.7	53.5	52	NA	NA	NA	NA	NA	53.5	
Hard data												
UI Claims 4-week ave. (% increase from past year min)	47.8%	45.2%	6%	8%	26%	6%	2%	20%	12%	10%	9%	
Temp. help services jobs (% drawdown from past year max)	0.0%	-0.04%	0.0%	-3.2%	-4.3%	NA	NA	NA	NA	NA	-3.2%	
Average hours worked (% drawdown from past year max)	-0.9%	-0.9%	-0.9%	-0.3%	-0.6%	-0.9%	-0.3%	-0.6%	-0.5%	-0.8%	-0.6%	
Building permits (% drawdown from past year max)	-10.5%	-10.6%	-5%	-27%	-2%	-39%	-21%	-30%	-30%	-19%	-24%	
Real consumption (3-month, % ann)	0.2%	0.8%	1.3%	2.4%	2.3%	1.8%	-0.1%	0.7%	4.1%	6.4%	2.1%	

*Previous Friday for financial data, previous month for hard and soft data (quarter for CEO confidence)
NBF Economics and Strategy (data via Refinitiv, Bloomberg)

The signal sent by **financial market** remained unchanged compared to a week ago. The S&P 500 crawled 2.8% closer to its 12-month peak but remained below its median drawdown 3 months ahead of a recession. Meanwhile, the prices of copper and oil both moved 2.0% closer to their annual peak, the safe-haven U.S. dollar gravitated 1.0% closer to its 12-month through, BBB spreads narrowed 0.8 bps and the real policy rate remained essentially unchanged. The yield curve, for its part, flattened 3.0 bps but its signal as monitored by the colours of the dashboard remained unchanged. In short, equities, corporate bond market, commodities and the U.S. dollar are still at risk-off levels, while the still accommodative real rates suggest a pro-growth environment. As for the slope of the yield curve, despite having slightly flattened in the past week, it is still standing above the median observed a quarter before a recession.

On the **soft data** side, consumer sentiment gained 3.6 points while small business optimism grew 0.4 points. However, both indicators still stood at their worst levels 3 months prior to a recession. There were no other updates as of last Friday. ISM manufacturing PMI for July remained in expansion (i.e., above 50) and above the median, while ISM services showed an even more upbeat picture and reached its highest level three months ahead of a recession. Meanwhile, CEO confidence stood below its median. No release of soft data in the U.S. is expected this week.

For **hard data**, average UI claims climbed further to remain at their worst deterioration 3 months ahead of a recession. There was no other update as of last Friday. The latest employment numbers painted a picture of a resilient labour market, with average hours worked remaining unchanged and temporary help services jobs climbing further. Latest data showed building permits down from their peak but still standing above the median drawdown observed a quarter before a recession. We will get an update of this indicator on Tuesday. The growth of real consumption slowed even more, and while its signal as monitored by the colours of the dashboard remained unchanged, it now stands close to its worst reading 3 months before a recession.



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