MOULTON WEALTH MANAGEMENT INC.

MOULTON HOT MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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Where do we stand? We hear from many that we've avoided a recession, and in fact forget a soft landing, how about no landing? This is usually based on the low unemployment rate and the jobs reports. So, let's consider the good, the bad and the ugly.

But before we do, Investech Research reminds us that recessions are historically not identified in a timely manner. The official arbiter of recessions is the NBER (National Bureau of Economic Research). The following table shows that by the time they officially announce a recession, it's normally close to being over. What's that mean to us today? Don't assume we missed a recession because it's not yet been officially recognized.

Recessions vs. NBER Recognition

	Recession Start	NBER Recognition	Lag Time
COVID Pandemic	Feb 2020	Jun 2020	4 mos
Great Recession	Dec 2007	Dec 2008	12
Tech Bubble	Mar 2001	Nov 2001	8
	Jul 1990	Apr 1991	9
	Jul 1981	Jan 1982	6
	Jan 1980	Jun 1980	5
	Nov 1973	Sep 1974	10
	Dec 1969	Sep 1971	21
			Avg 9 mos

National Bureau of Economic Research

Let's consider what we know right now.

The good. Certainly, jobs would have to be first under good. The BLS (Bureau of Labor Statistics) tells us the U.S. has created an average of almost 411,000 jobs a month since the beginning of 2021. Although some give pause due to heavy adjustments embedded in the job's numbers, they are undoubtedly strong.

The other "good" is that inflation has likely peaked in rate of change, although still about three times higher than the Fed's target.

Now the bad. The latest GDP report was hailed as yet another sign we are no where near a recession. The announced number was +2.9% on an annualized basis. In reality this number is simply the change between quarter 4 and quarter 3 of 2022 times four, for four quarters. If we look at the actual data for 2022, the real GDP was a much more subdued +0.96%. That is stall speed and down from +5.7% in 2021.

At the same time those rosy jobs numbers may be starting to show some strains. Job Openings on a 6-month average basis have rolled over and begun to decline. Although still not dramatic, this is where we'd expect to see the first impact of a slowing economy. The second place we'd expect to see strains in employment would be temporary services payroll which has also peaked and begun to decline. As business slows, companies first slow hiring and then start laying off temporary workers.

This is happening while consumers, whose spending accounts for 70% of the economy, begin to feel squeezed. After the dramatic uptick in the U.S. Personal Savings Rate fueled in large part by government checks, the rate has now dropped near its historically low level. Consumers who are doing well, don't normally spend all of their income.

Finally, the Fed's Yield Spread Model which they use to predict upcoming recessions is certainly not favorable. It has risen to 57%, a level rarely seen going back 60 years. The last time it hit this level was in the late 1970s / early 1980s. Since 1959, levels above 50% have always seen a recession within the following 12 months.

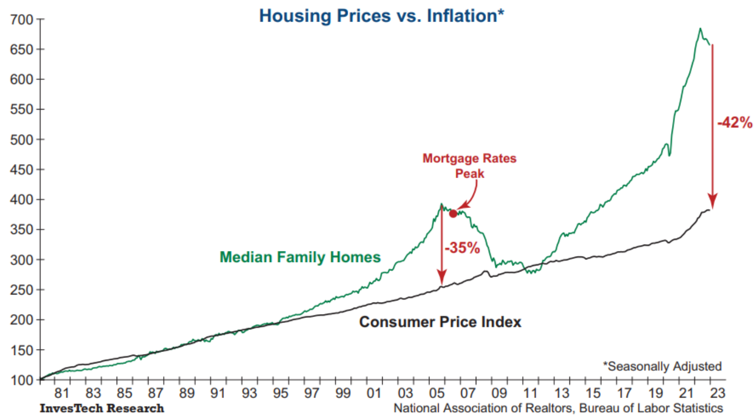
Now, unfortunately, the ugly. Unlike the Covid recession, the Great Financial Crisis recession or the Dot.com bubble recession, the Fed is still raising rates. The Fed is working against the economy and stock market as opposed to trying to prop them up.

This difference should not be underestimated.

The Atlanta Fed publishes something they call "Sticky Price CPI" or inflation. These are prices that are less likely to change quickly in either direction. Currently, the 12 month rate of change of their sticky CPI is at the highest level in 40 years. Like many of our other metrics, this level of sticky inflation always included recessions nearby.

Finally, let's consider housing. We know what happened to the economy when the last housing bubble burst. Many argue that this time is different because there aren't so many variable rate loans and we think there is some truth to that. However, the sheer magnitude of housing prices versus their historical norms cannot be ignored.

The following chart from Investech Research puts the current housing price bubble into historical context. Housing prices would have to fall -42% from here to return to broader inflation trend line.



As the chart shows, this far surpasses the previous housing bubble. ***And it does so at the same time that the Fed is hiking rates.***

Housing is a major component of the economy and consumers' wealth. How far will prices have to fall before we see a similar, major (negative) impact to the economy?

It's not too late to protect yourself.

What is your defensive plan? Attend a free seminar or call the office to hear about ours.

Waiting could be costly.

Yours truly,

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P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please ask them to send an email with their information and permission to be added.

Where do we stand?
The Good, the Bad and the Ugly!

Weekly Radio Show
Saturday Morning:

8:00 AM KXLY 920 AM
Spokane and Area

9:30 AM KFLD 870 AM
Tri-Cities and Area

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- **How employing and consistently following a defensive system could help you to a better retirement.**
- The Secure Act tax law change could alter how you leave your retirement accounts!
- What happens when an economic downturn makes it difficult for companies to pay back their massive debt?
- Why Buy and Hold Investing was right for the 80's and 90's yet very wrong for today.
- Will inflation eat up your assets?
- How to potentially decrease taxes on your hard earned Social Security Income
- To Roth or not to Roth?

And so much more!

SPOKANE
Hampton Inn—Valley
BREAKFAST!
16418 E. Indiana; Spokane
March 22nd @ 9:30 AM

TRI-CITIES
Hampton Inn
486 Bradley Blvd; Richland
March 29th @ 11:00 AM

COMPLIMENTARY SEMINAR

For those 50 years old and older

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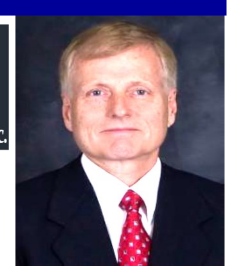

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Call to reserve a spot: 509-922-3110

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The Good, the Bad and the Ugly!

Jobs, Inflation, GDP, Consumers, Fed Rate Hikes and the Housing Bubble.

Spokane	No Cost Seminars for Retirees and those close to Retirement	Richland
March 22nd @ 9:30 AM		March 29th @ 11:00 AM
Details Inside		*Details Inside*