

# Ishka Aviation Finance Conference: The Upcoming Recession And Its Delay

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## Our Calls

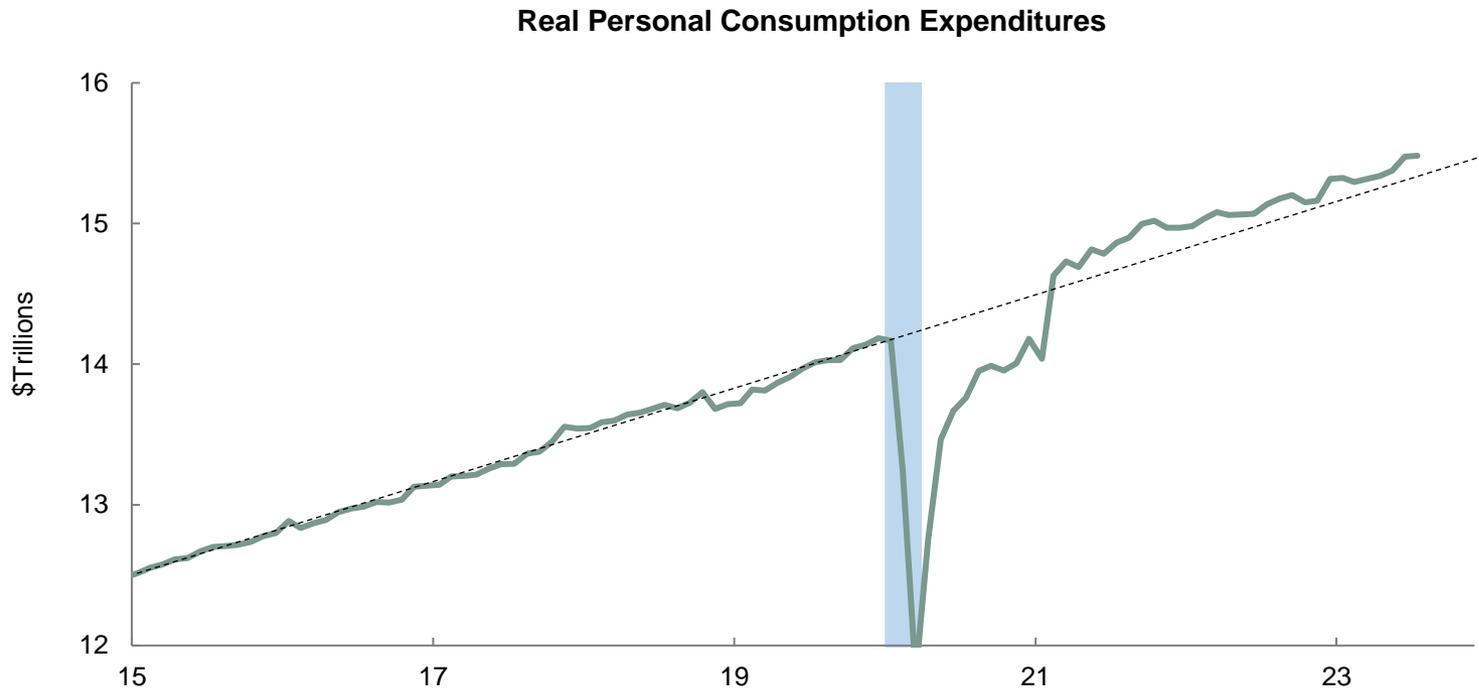
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- **US economy falls into recession in 2024, although the timing of this is highly uncertain due to a unique set of factors discussed here.**
- **Inflation falls back to 2% and possibly below if certain conditions are met.**
- **The Federal Reserve is taking a couple month breather on their tightening cycle. Deteriorating growth will stymie further hikes.**
- **Corporates are locked in at ultra low interest rates. Thus, consumers, banks, and the foreign sector (China, Europe, UK, Australia) present the biggest macro risks for now.**

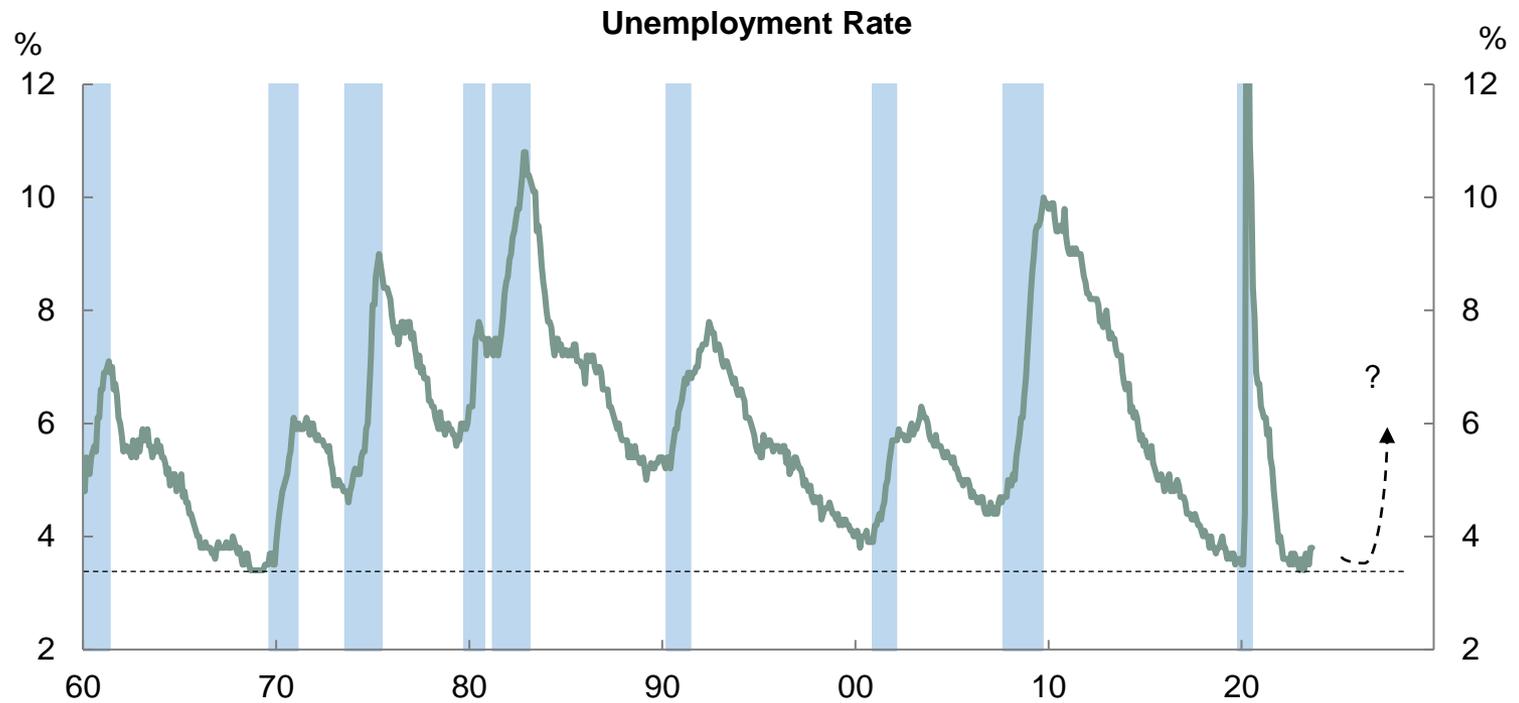
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## How Are Things Currently?

# Above Trend Consumption

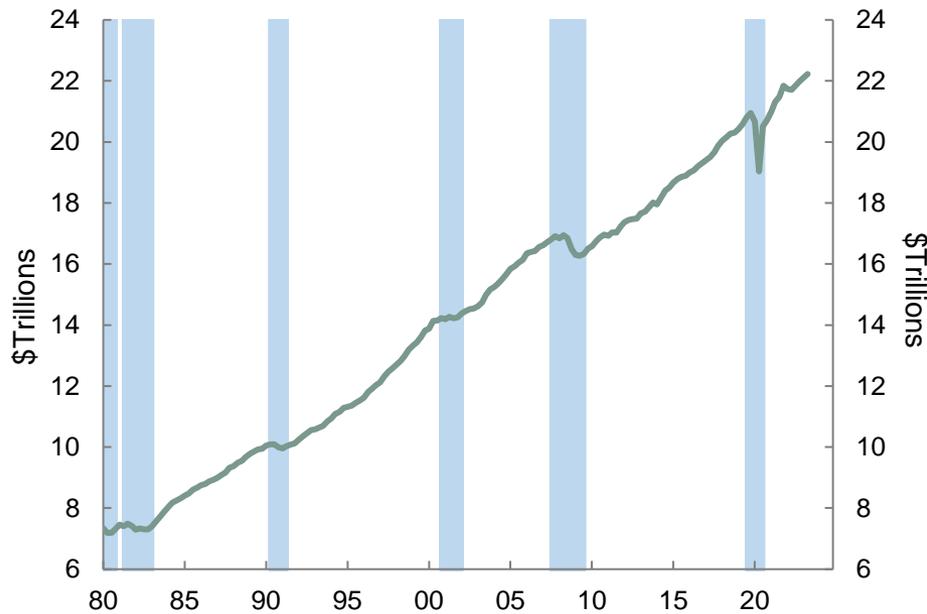


# Ultra Low Unemployment Drifting Higher

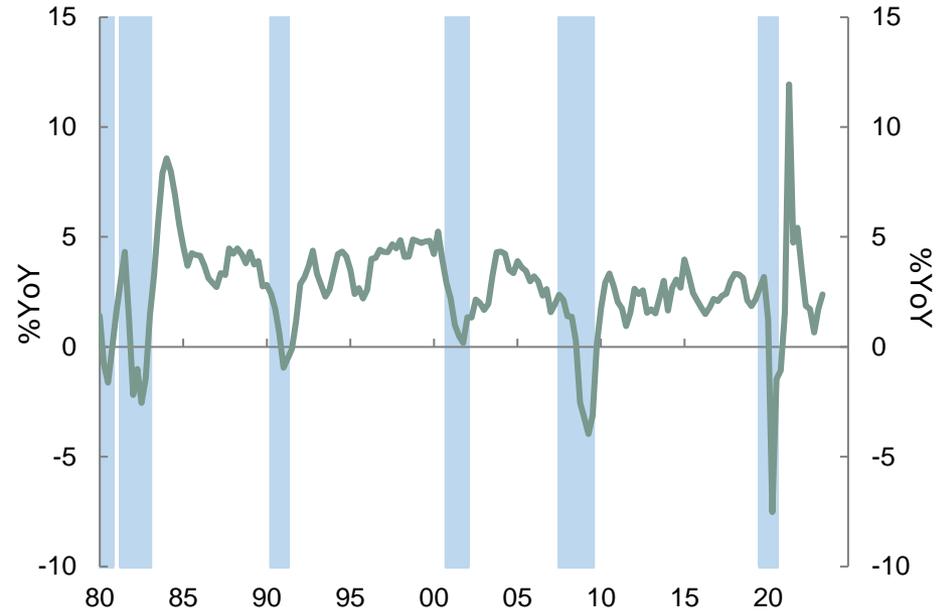


# Strong Activity Levels and Growth Rates

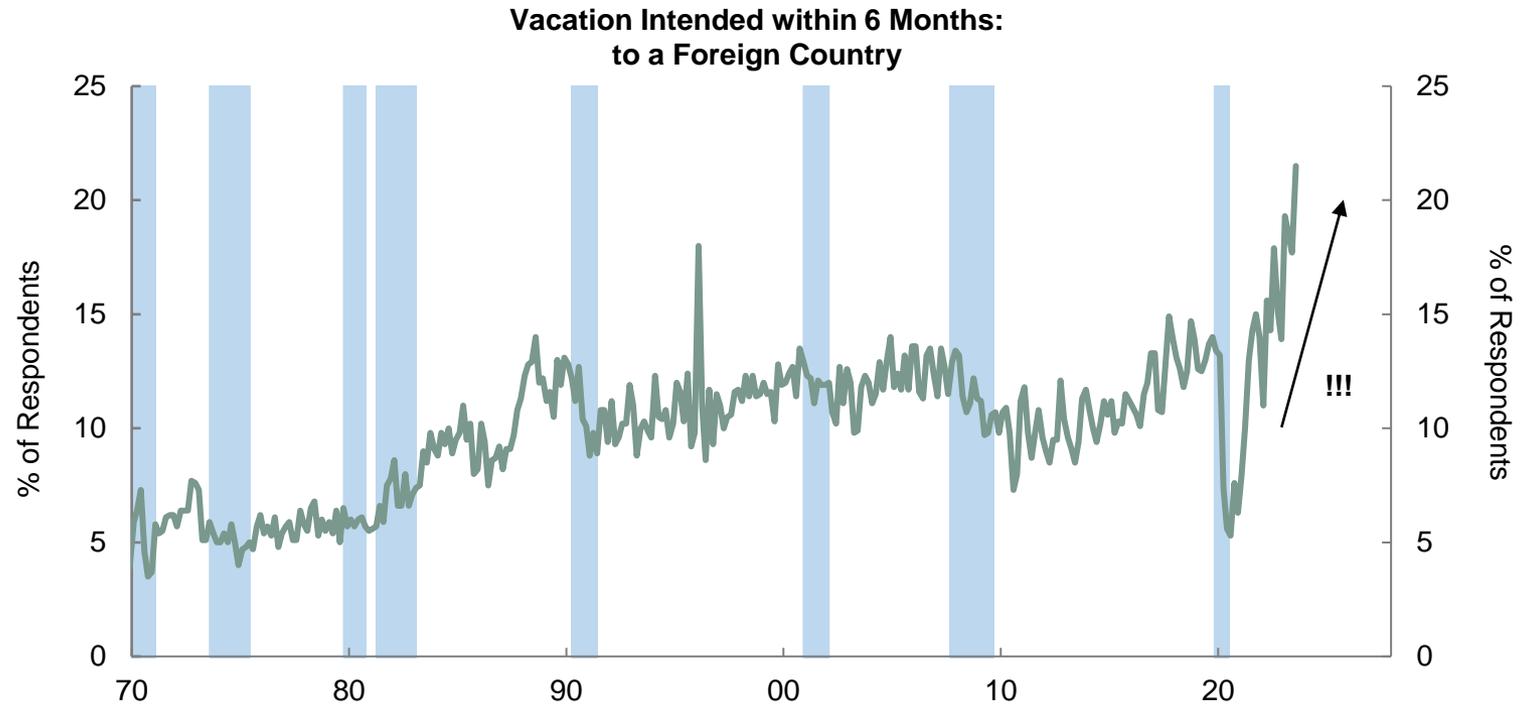
## Real Gross Domestic Product



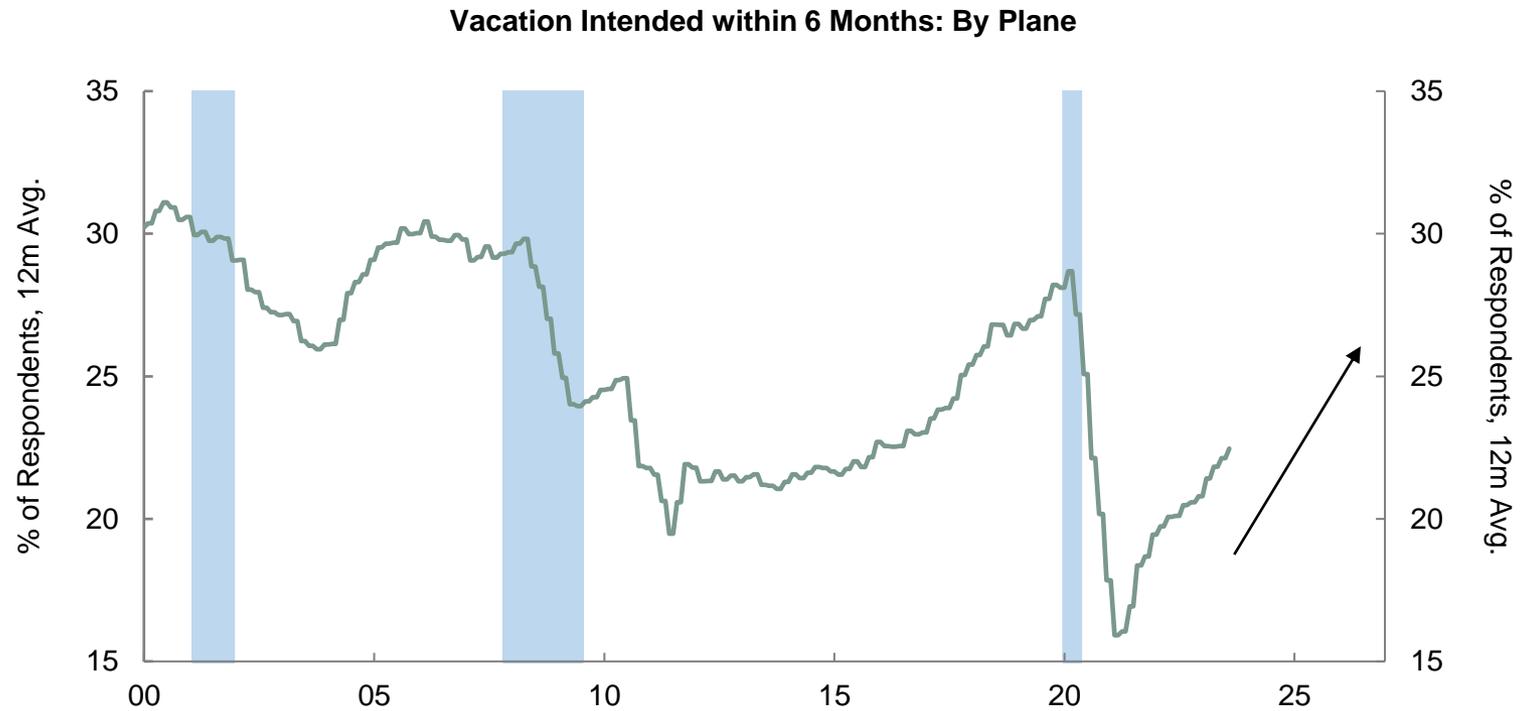
## Real Gross Domestic Product



# Vacation Anyone?



# Plane Travel on the Ascent



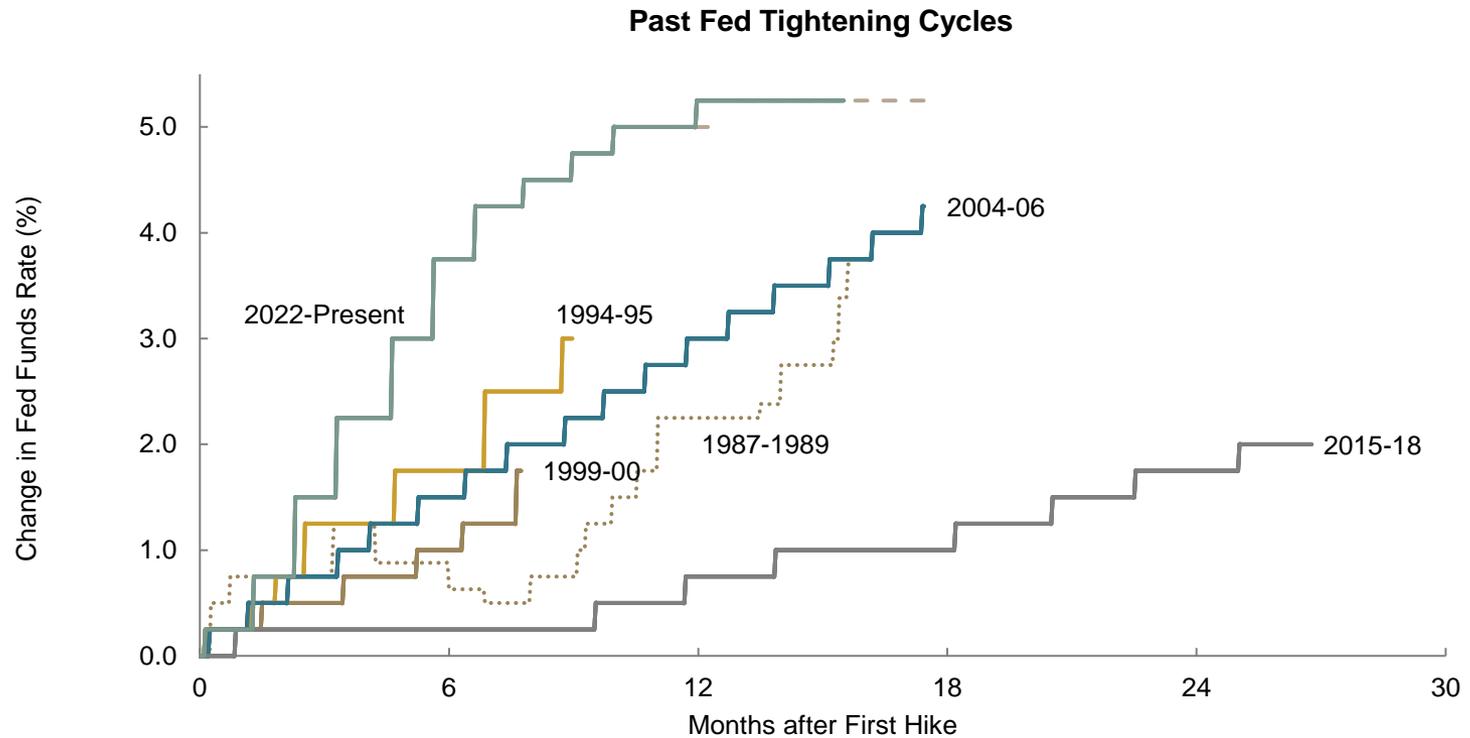
# We Are So Back!...(And Then Some)



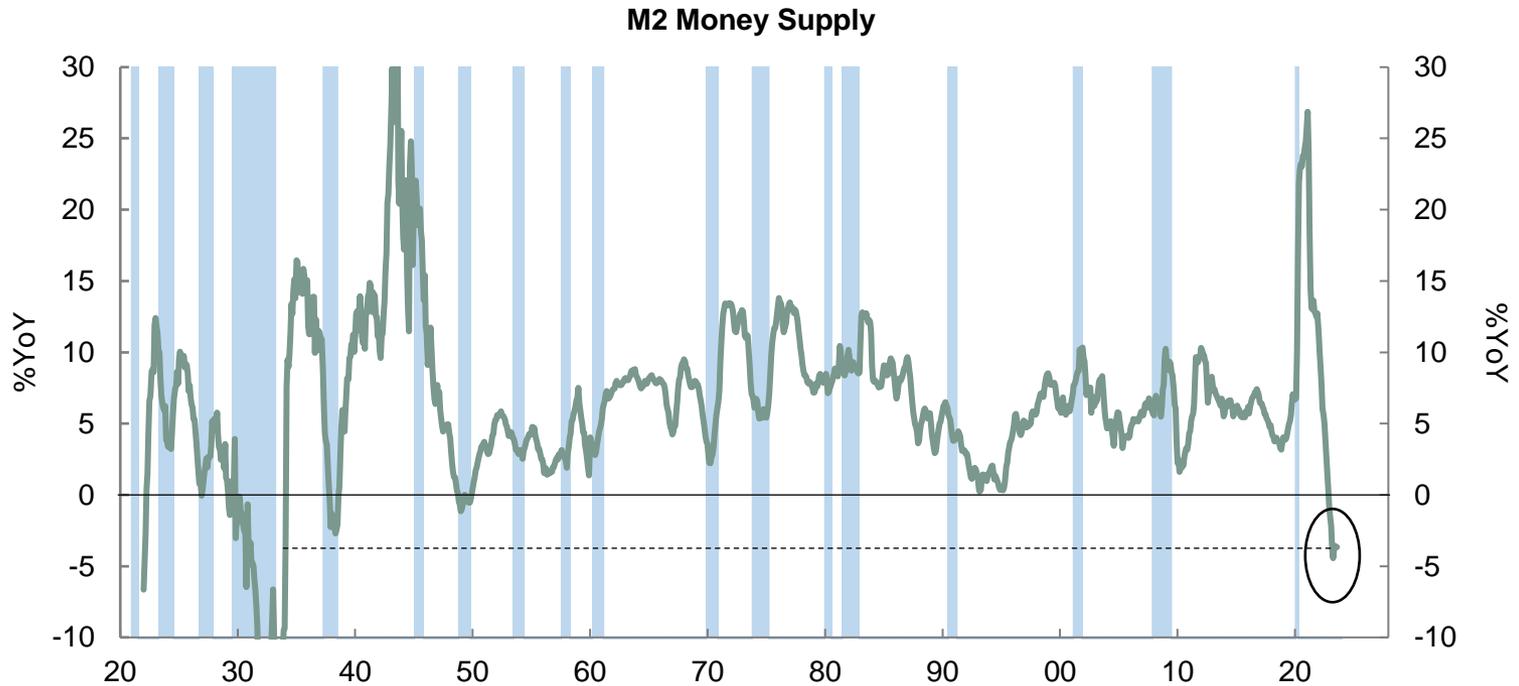
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## Why Recession?

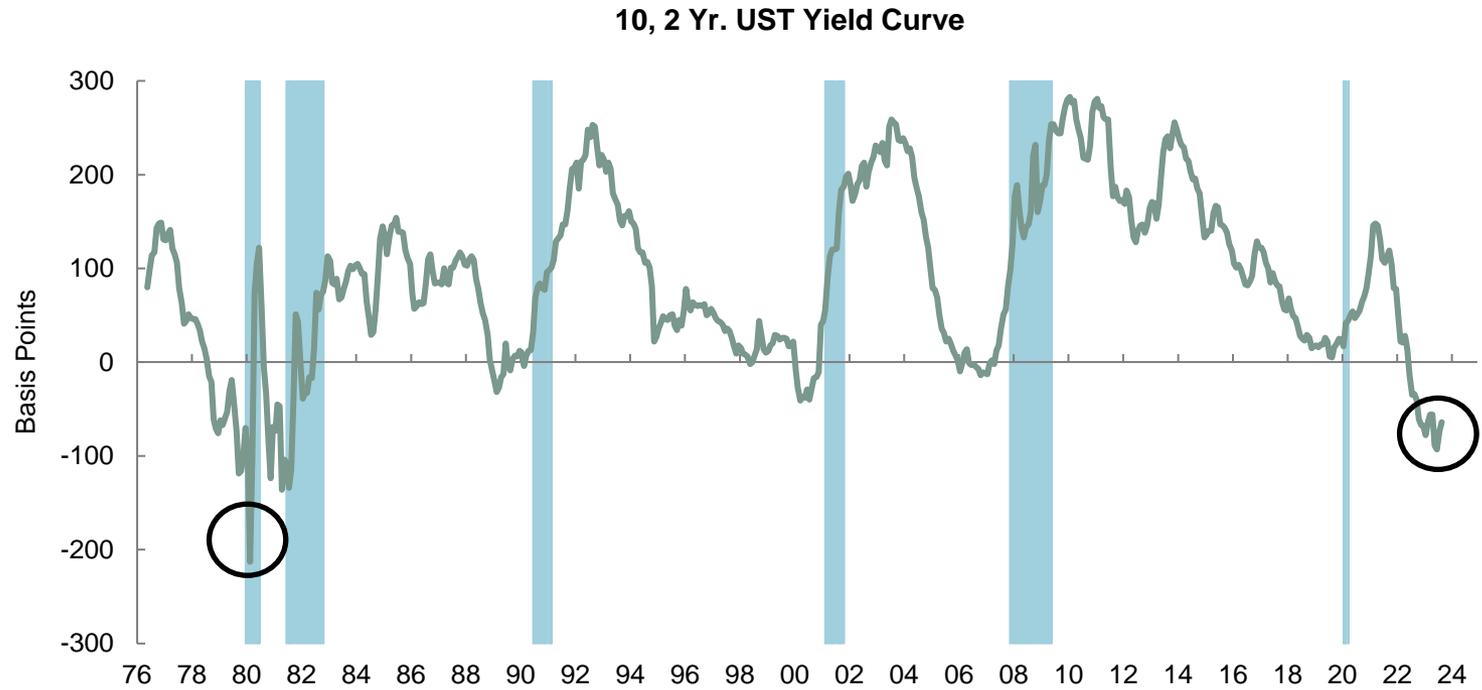
# A Record Rise in Fed Funds



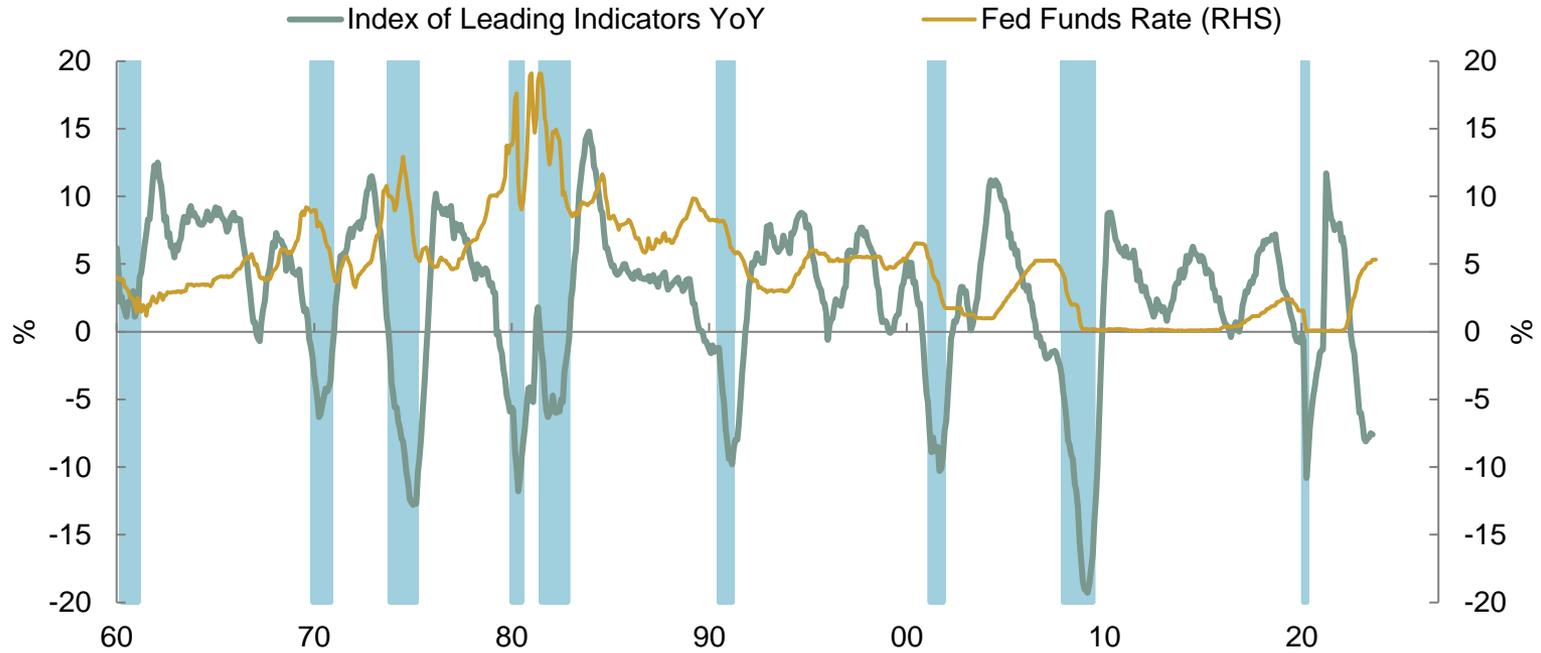
# Sharpest Decline in Money Supply Since...The Great Depression



# Generational Curve Inversion

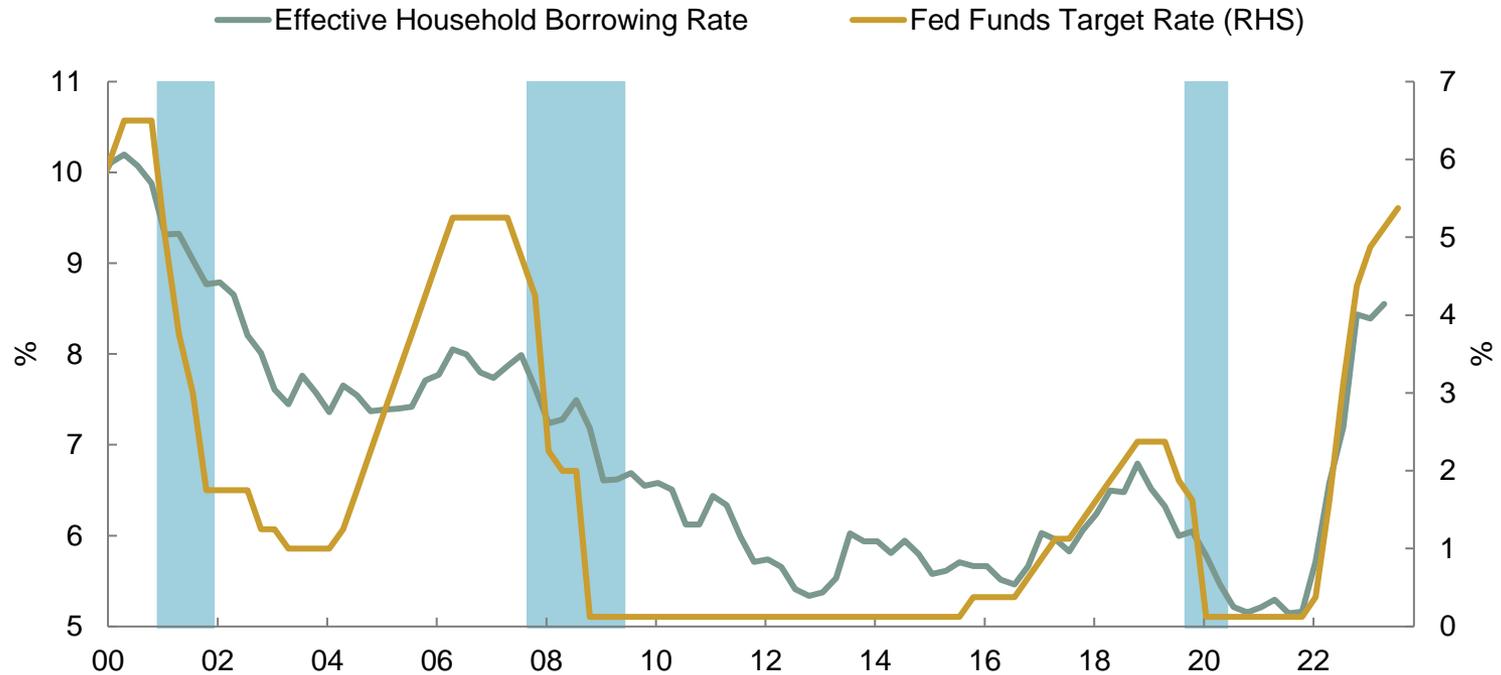


# Tightening Into a Downturn



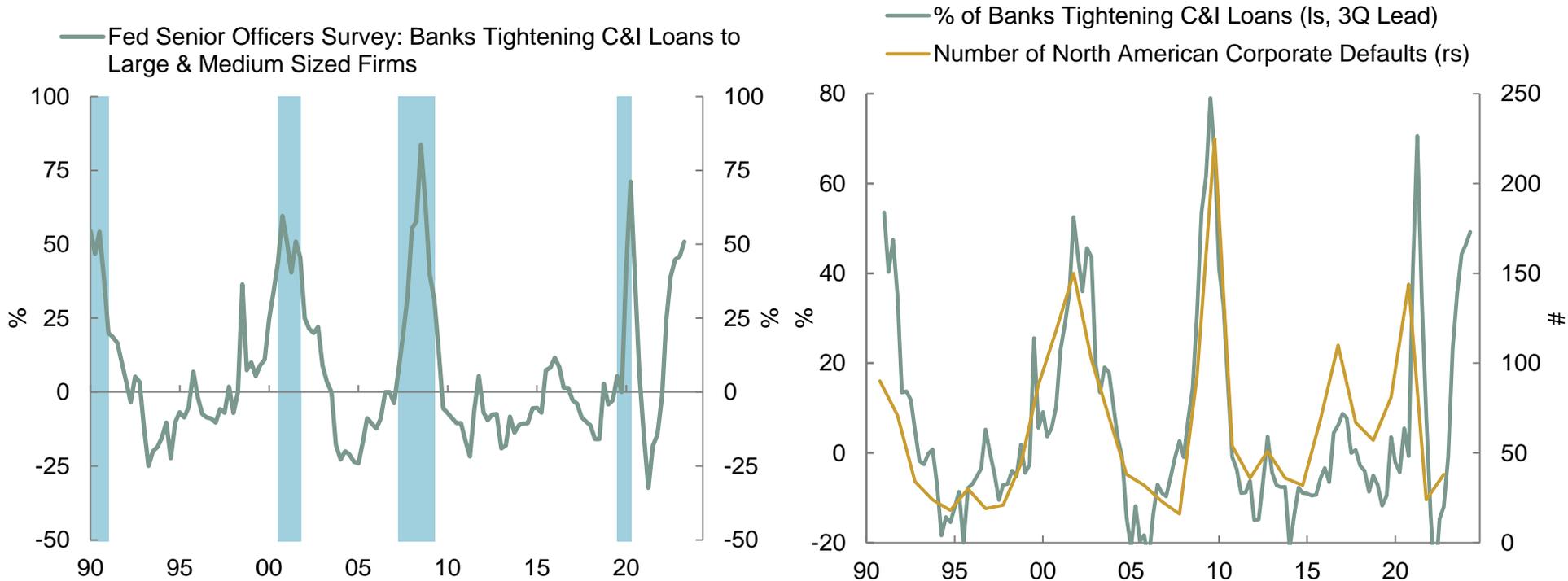
Sources: Conference Board, Federal Reserve, NBER, Haver, SMBC Nikko

# Soaring Consumer Borrowing Costs



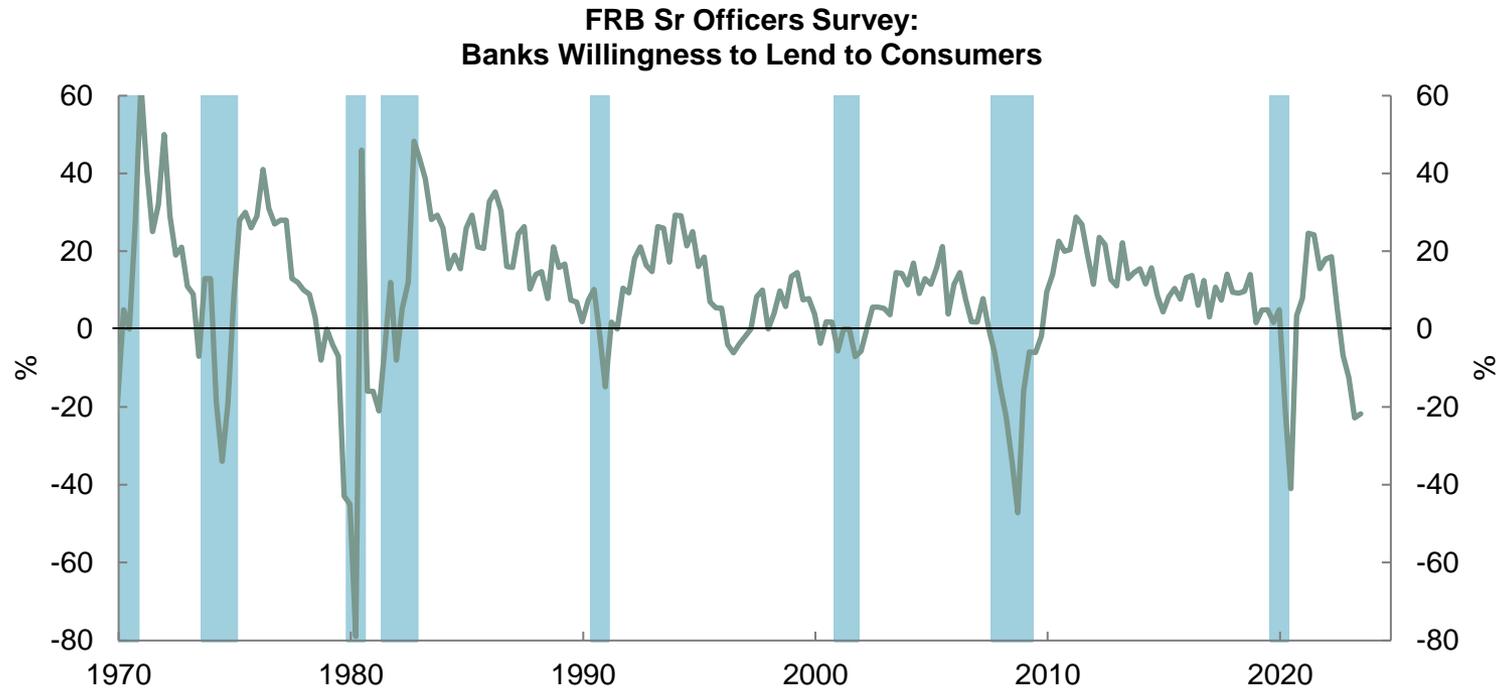
Sources: Federal Reserve, Freddie Mac, NBER, Haver, SMBC Nikko

# When Banks Pull Back, Corporate Defaults Rise

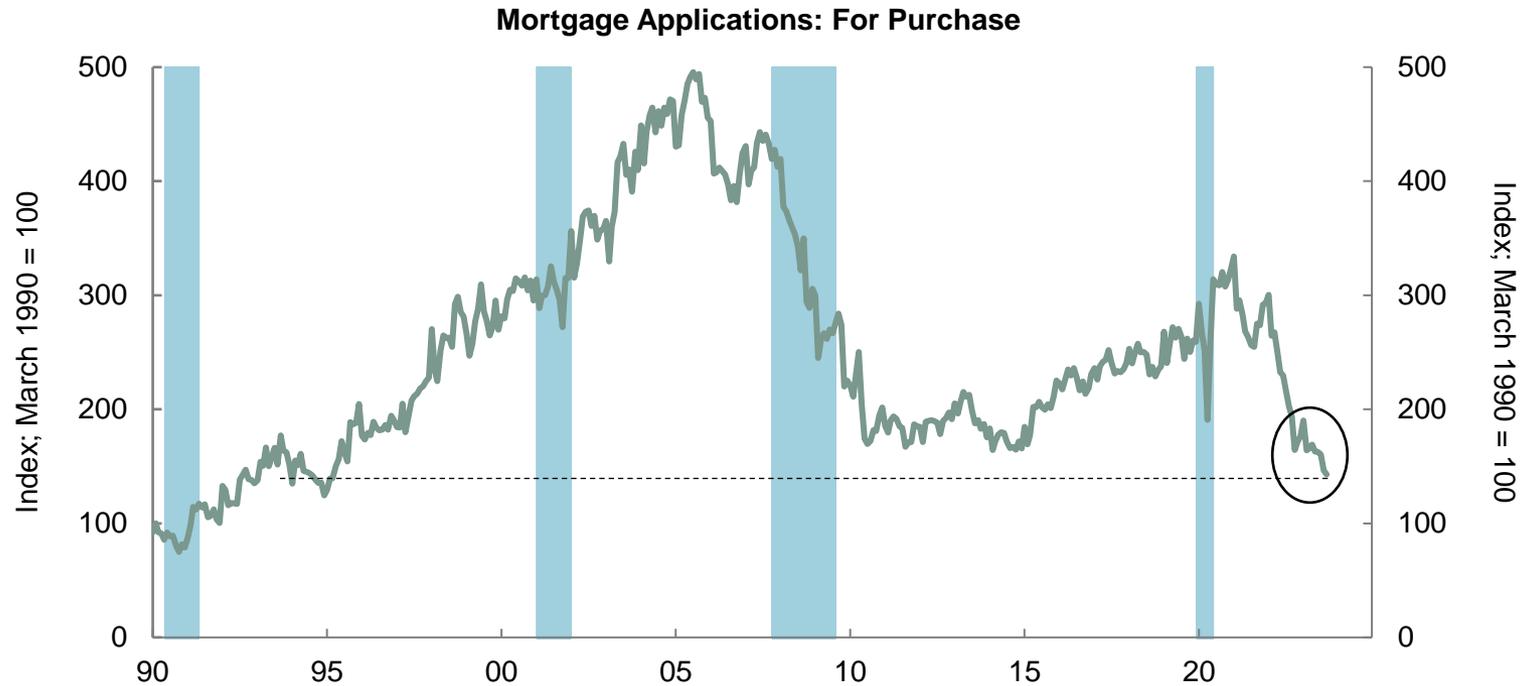


Sources: Federal Reserve, Moody's, NBER, Haver, SMBC Nikko

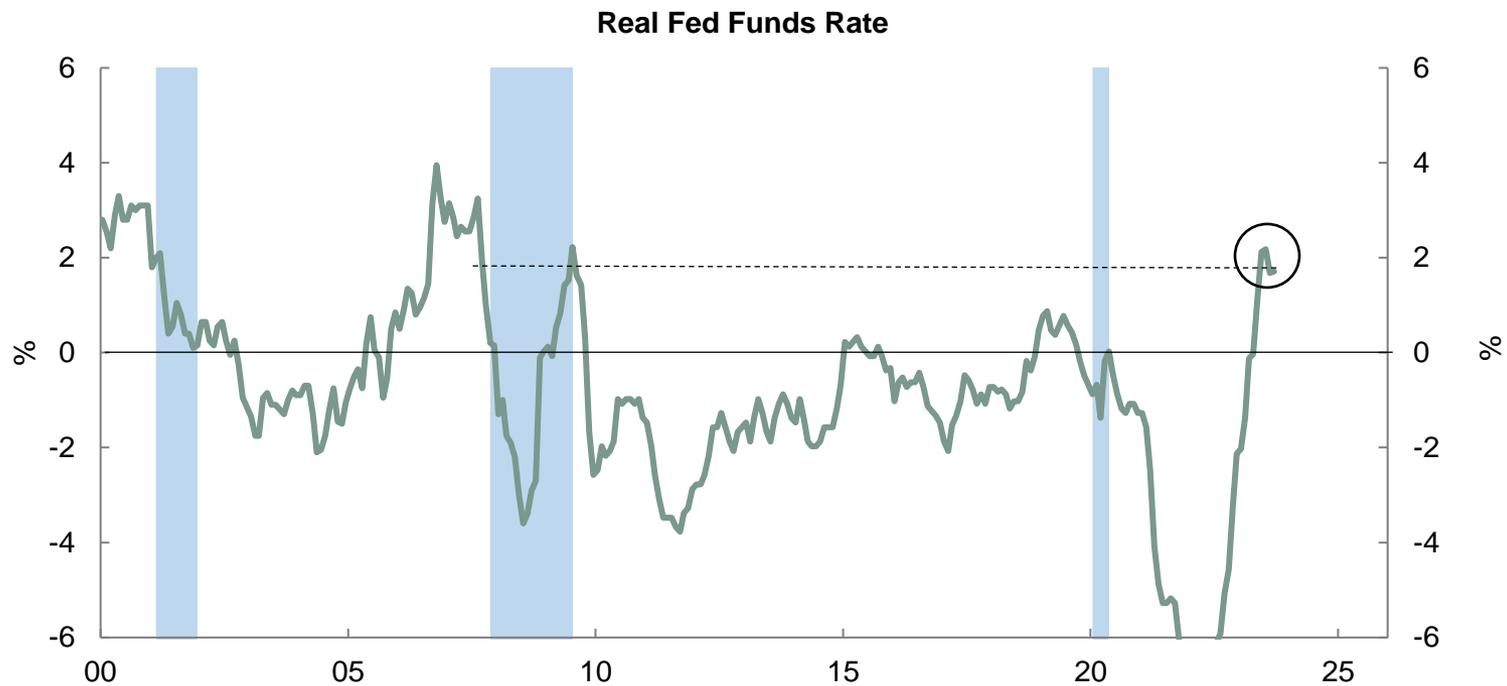
# Credit to Consumers Drying Up Too



# Housing — Any Takers? Anyone At All?

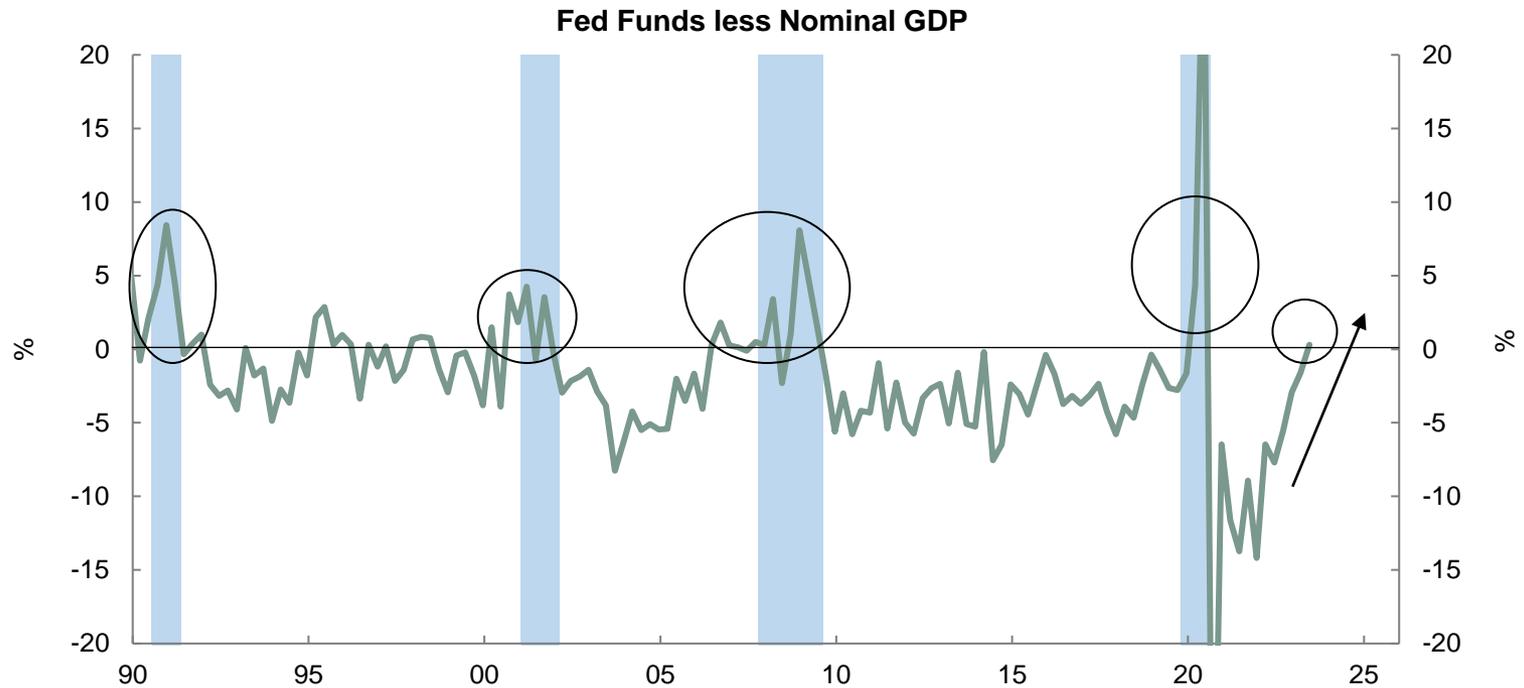


# Debt Is No Longer Being Inflated Away



Sources: Federal Reserve, BLS, NBER, Haver, SMBC Nikko

# Debt Obligations Not Being Outgrown Either

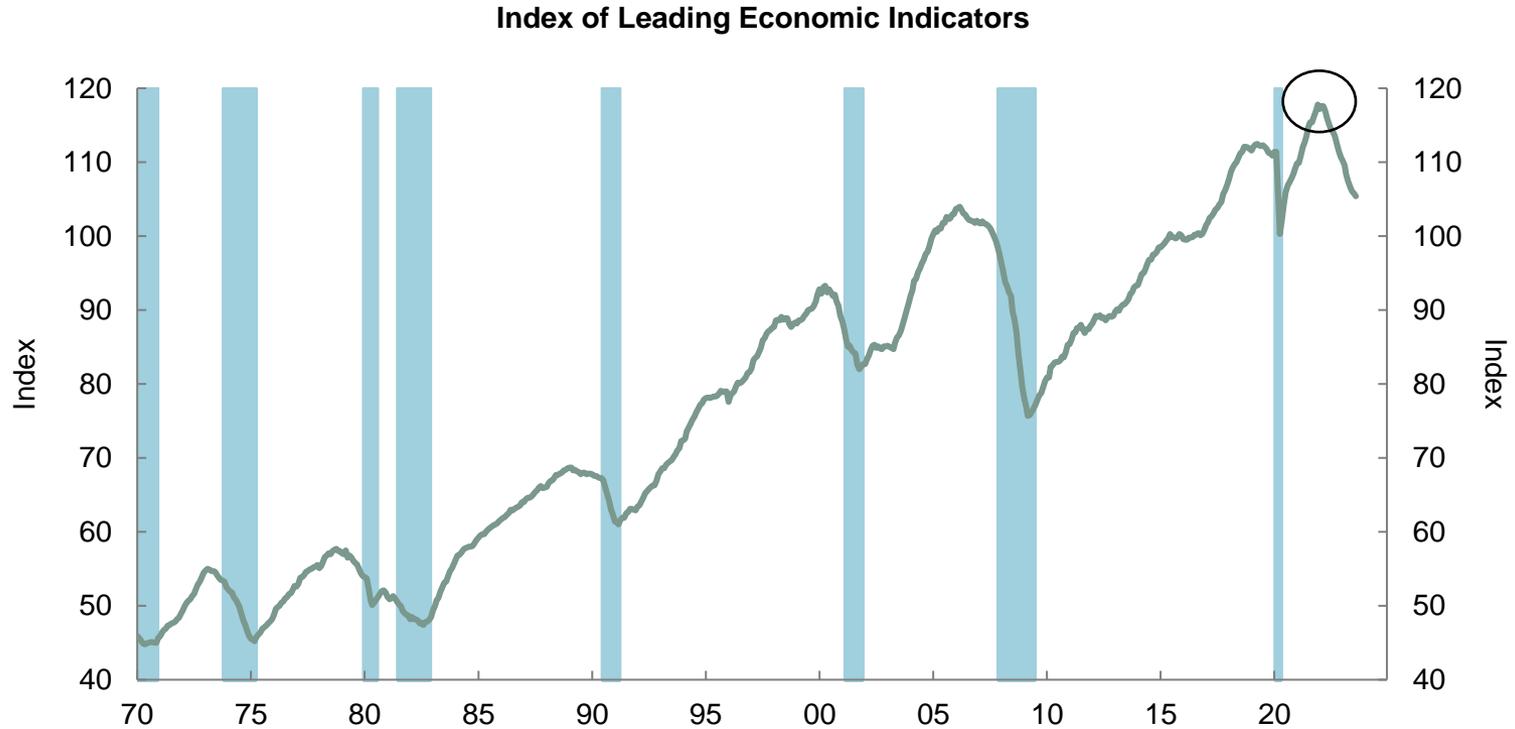


Sources: BEA, Federal Reserve, NBER, Haver, SMBC Nikko

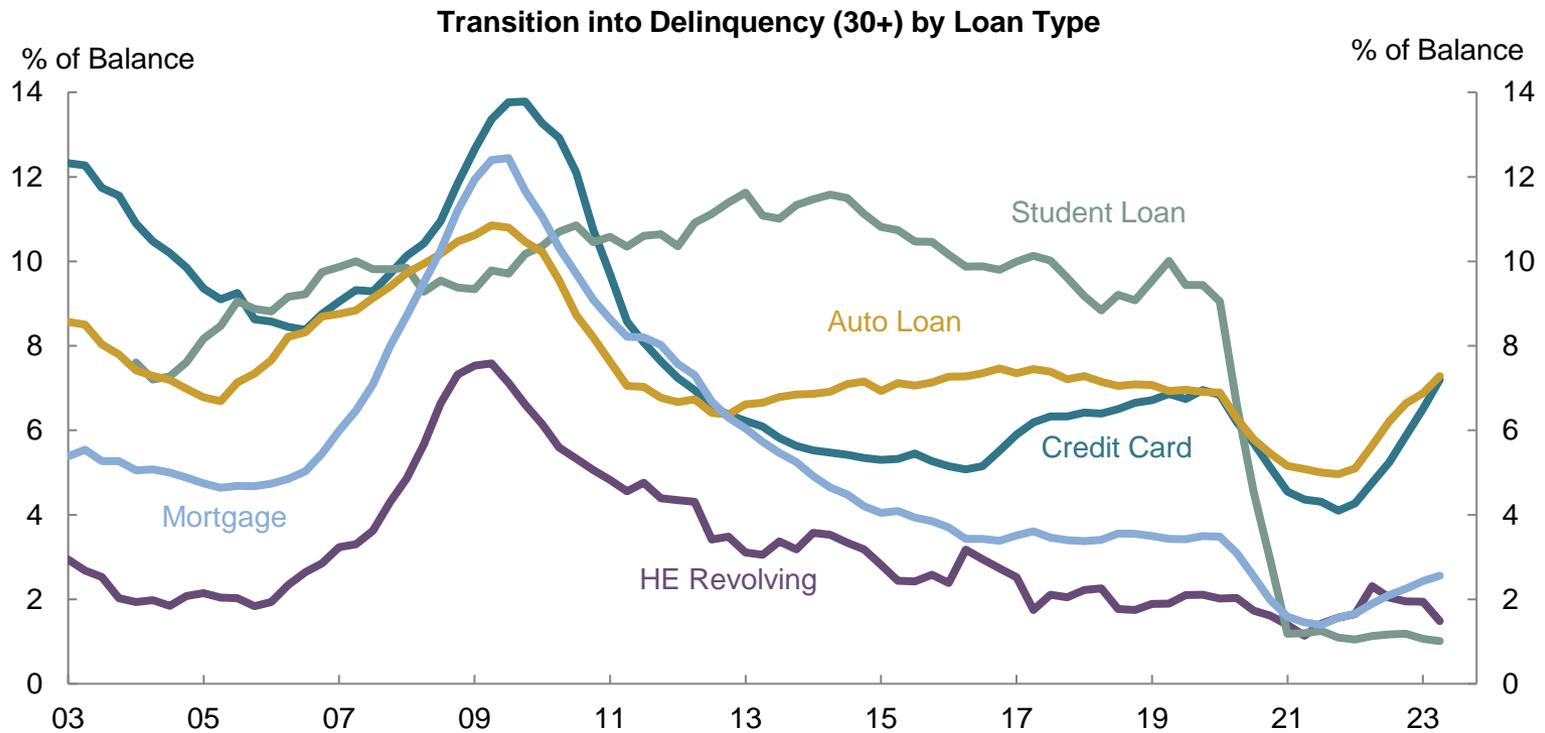
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# Timing

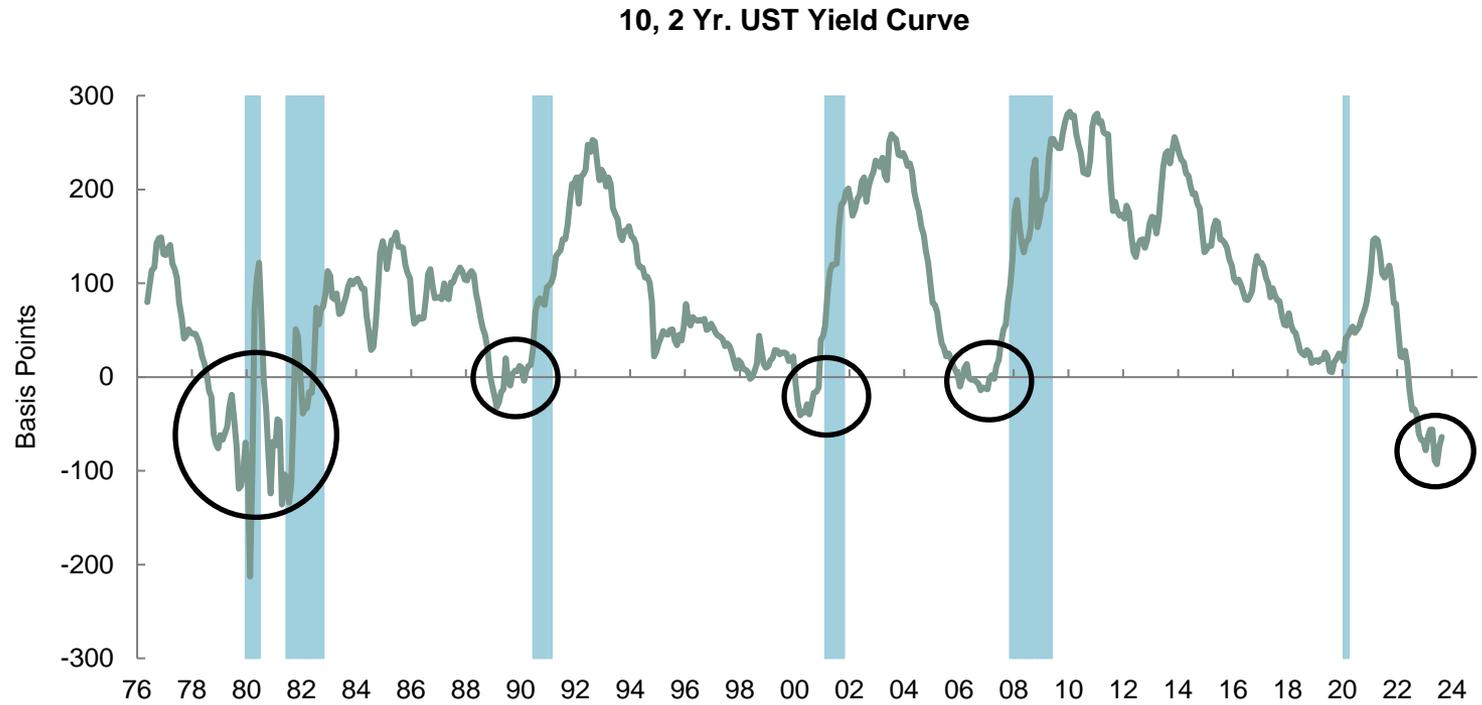
# Leading Indicators Say September 2023



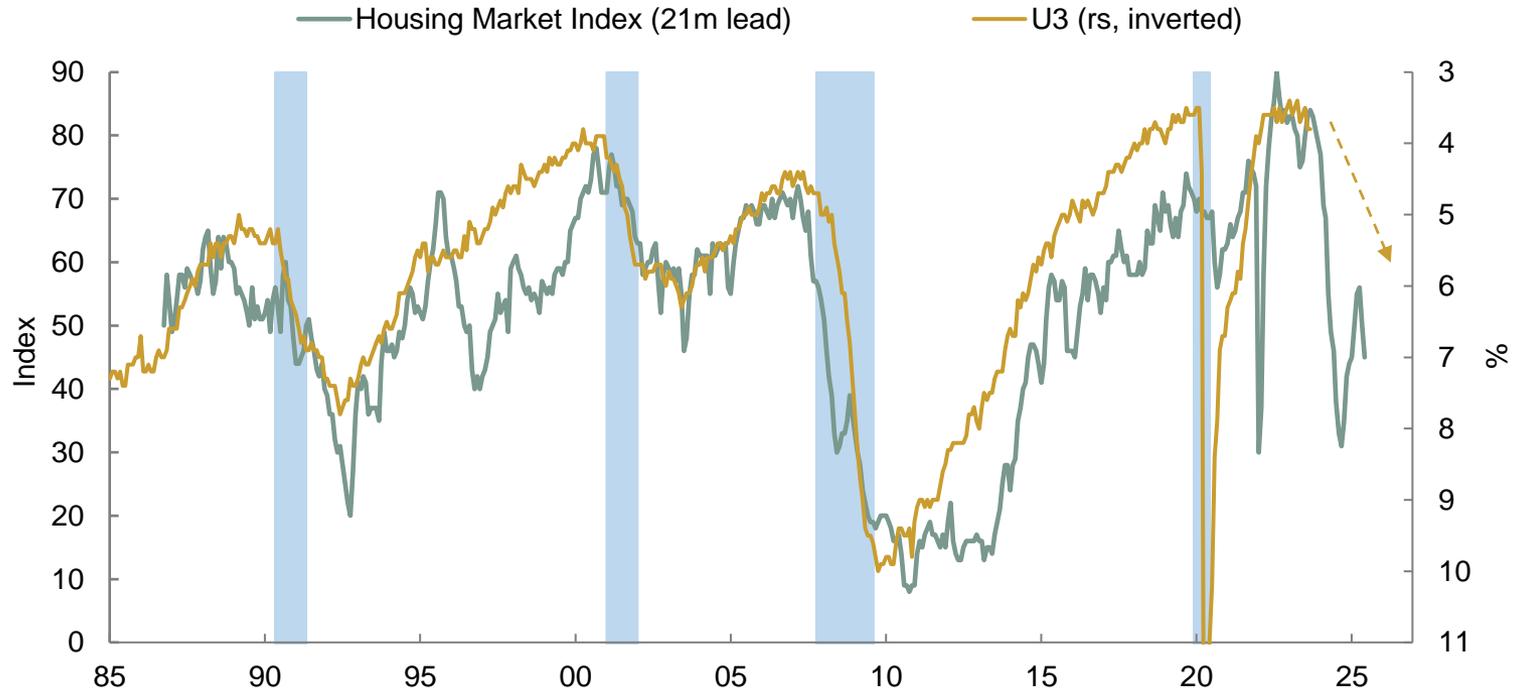
# Student Loans Restart October 1<sup>st</sup>



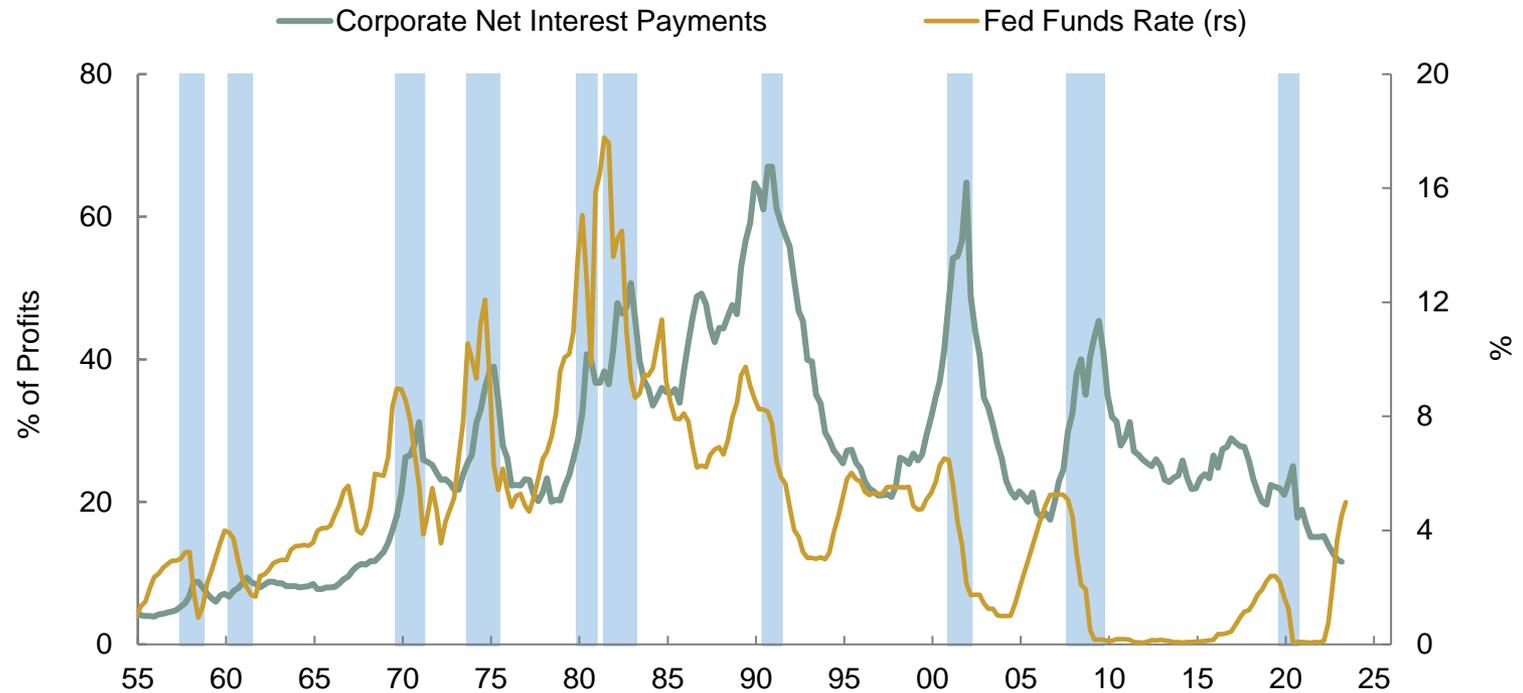
# Yield Curve Says February 2024



# The 50 Bp Rule and HMI Say We're Nearly There



# Higher For Longer = Trouble for Corporate Borrowers



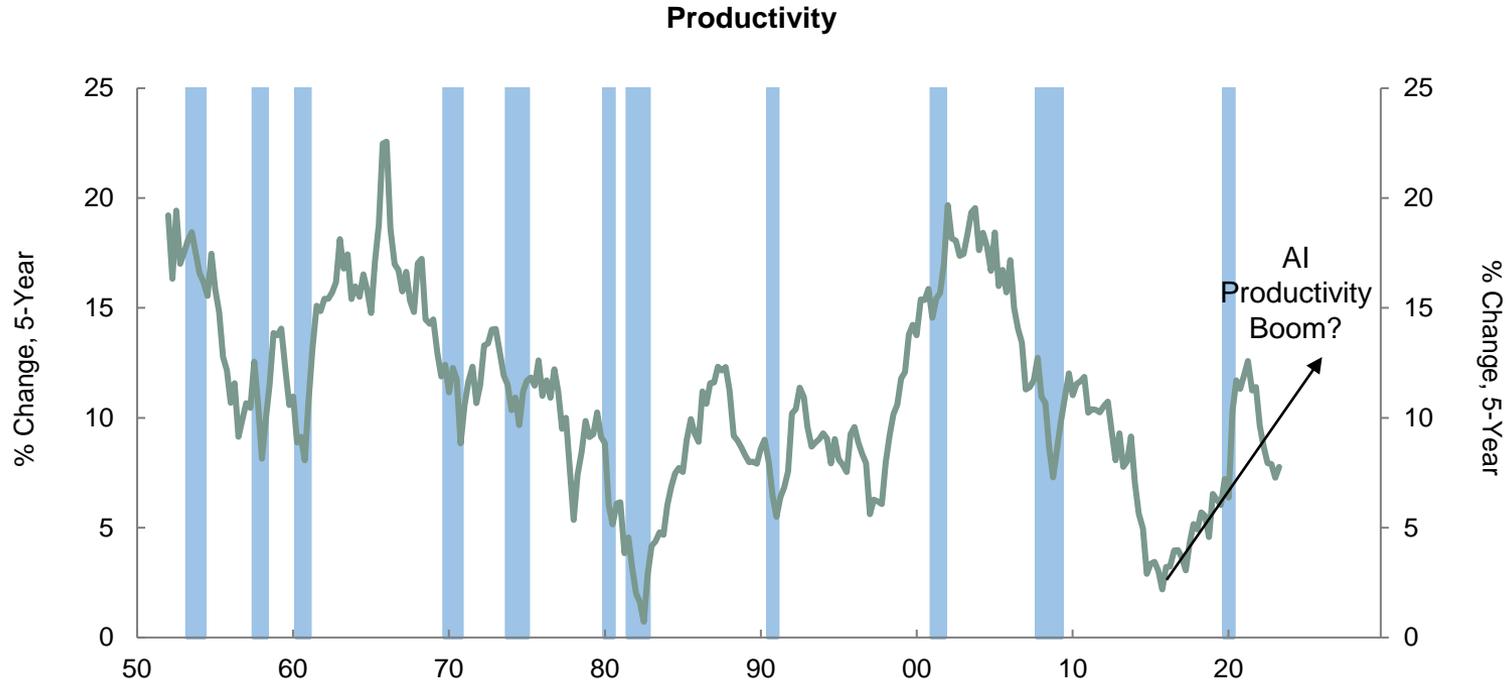
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## Reasons for Optimism

# American Manufacturing Renaissance?



# AI Inspired Productivity Boom?



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