Lakshman Achuthan: What cycles teach us about what to expect post coronavirus

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Erik: Joining me now is Lakshman Achuthan, founder of the Economic Cycles Research Institute.

Lak has prepared a terrific slide deck to accompany today's interview. I encourage you to download it. You'll find the download link in your Research Roundup email. Now, if you don't have a Research Roundup email, that means you haven't yet registered for a free account at macrovoices.com. Just go to our home page at macrovoices.com, look for the red button that says Looking for the Downloads? just above Lak's picture on the home page.

Lak, it's great to have you back on the show. You are Mr. Economic Cycles. Your whole career has focused on economic cycles. I'm at a loss here as to even where to start, because how does a cycles guy look at the current situation?

Do you look at the virus cycle of what happened in the 1918 Spanish flu? Or do you look at this in terms of what we know about economic cycles affecting recessions, which we're clearly in now? Or some other way? How do you even approach this?

Lak: Thank you for having me, Erik. And it's an amazing cycle to be experiencing here, from a research point of view. It's certainly a brutal recession and cycle to be experiencing as a person and a citizen of the world here.

Look, it's not one or the other. It is a combination of things, looking at it through a cyclical lens, looking through it, in this case, through a virus lens. There have been other shocks over the centuries that have interacted with cycles.

Up front, it's important I think to understand some of our foundational approach to cycles.

And I'm going to put words in the consensus's view for a minute and just say there are a lot of observers out there who, when a recession hits say, hey, it was not really foreseeable because there was this shock, an unpredictable shock that occurred. In this case, a virus. And that's what causes cycles.

And what we've found over, as you were alluding to, my whole entire career – but really my mentor's and my mentor's mentor's careers of looking at cycles, over a century of looking at looking at US cycles, even international cycles – is that recessions come out of an endogenous and inherent cycle that occurs inside of a free-market-oriented economy combining with a shock.

And the shock doesn't necessarily have to be really big. It can be a relatively small shock at the right time, at a time of vulnerability in the economic cycle.

And then there can be times when you're less vulnerable but there's a huge shock. That is also recessionary.

So it's really the combination of what's going on in the economic cycle and the timing of when these shocks are hitting. Are they hitting at times when there is some vulnerability?

Now, in the current case, we literally flicked the switch and said we're shutting down the economy. So you can, by edict, create a recession. You can flick a switch and say, okay, everybody stop. You're not allowed to do anything. And, as a result, activity is going to collapse and you will have a recession.

Now, the issue at hand – and we'll get into this – is that by flicking that switch back up it doesn't necessarily mean, okay, here is a sustainable recovery that is going to, as in past recoveries from recessions, be something that can really persist in a healthier way.

And so I think we look both at what's going on in the endogenous business cycle that we see in free-market-oriented economies everywhere and how is that interacting with shocks?

And in this case, it's obviously one for the history books. This is a doozy. You've heard all of the descriptions of it being record-breaking on so many differently levels. And that is all true.

Erik: Let's go ahead and take a look at your slide deck. You talk about the Three Ds, referring to how you think about the dimensions, if you will, of recessions. Why don't we get into that discussion?

Lak: So is it a recession? Is it a bad recession? Is it a depression? You know, what does it all mean?

Really, a recession is a contraction when the level of activity is falling – measured by output, income, employment, and sales. Big, very broad aggregate measures of economic activity. This is a brutal recession.

But in one respect, actually, it may not be as bad as feared.

And to understand why, if I could have it both ways there for a moment, you need to really understand how a recession's severity is measured. And we look at something called the Three Ds (as in "dog"): the **depth** of the recession, the **diffusion** of the recession, and the **duration** of the recession.

Now, in terms of **depth**, this recession is extraordinarily deep. Well over 30 million people have filed for jobless claims. You're blowing out the jobs that were lost over two years during the Great Recession, just for some comparison.

And it's far from over. We're going to see some jaw-dropping job losses in the upcoming jobs report. And, without a doubt, this is a very deep recession. The GDP is going to plunge in Q2. These are going to be big numbers.

But a recession is not really just a statistic. It's a vicious cycle with declines in one of these measures, like output, triggering the job losses, triggering or pushing down incomes, and therefore pulling down sales, which then feeds back into even weaker output.

And so it's the cascading declines that are integral to the second D of how you measure the severity of a recession. And that's **diffusion**. How is it spreading across the economy? Pretty much like wildfire during a recession. And it cascades from industry to industry and from even region to region in the country. There is really no stone that gets left untouched there.

And so in terms of diffusion, also, this recession is very severe. It's hard to find pockets of the economy that are unaffected.

But on the third D, **duration**, this recession could be among the shortest on record. And here's why: With economic activity plunging so deeply, even a slow or partial opening up of the economy can lift activity off of these extreme lows.

So if a gradual opening of the economy begins soon, it's plausible that the recession would technically end by summertime. And, if so, this recession would have lasted around a half a year.

And if we look to the last recession, the last recession, the Great Recession, was a year and a half long. So it would just be some one-third of that, in terms of duration.

So that's kind of what we're experiencing right now, in terms of the technical measures of recession.

Erik: Okay, I just want to push back a little bit on the duration. I see a technical argument that if you go deep enough, any recovery could technically qualify as pulling you out of that condition of recession. But it doesn't get you back to where you were when you started. And it seems to me that there is a long way to go to get back to where we were pre-crisis.

So if we say that the duration of the technical recession condition, when the formal definition of recession of consecutive quarters of GDP growth and so forth, it's over because we went from just scary, horrific, bad GDP to only modestly horrific, bad GDP. Well, okay it increased and so therefore we're out of the recession technically. But we're still in bad shape.

So are there other cycles or other analogs that we should look to for where things got so bad that even the recovery felt worse than the average recession does?

Lak: Sure. You don't even have to look that far back. I mean, you might look at '01 to '03, the early part of this century. And the recovery out of that recession was pretty wobbly for an extended period of time.

So I would just say you don't even have to push back. I'm not going to argue with you on this point at all. Just because the recession is relatively brief because there was an expansion off of the very, very low readings, in no way am I saying that we're going back to anything near where we were in short order.

The recovery begins when that vicious cycle of output pushing down jobs pushing down income pushing down sales runs its course. And it begins – the key is, can it begin a virtuous cycle where some pop in demand increases production, employment, incomes, and therefore further demand growth?

That is a critical question about under what conditions can that happen going forward.

And, as I was saying earlier, you can't just flip a switch and make that occur. We can have states and perhaps much of the country say, oh, okay, it's okay to go outside and it's okay to go around and start reclaiming your lives.

But it's only when the virtuous cycle takes hold that we're going to see some sort of more persistent recovery or expansion. That's an open question. That's where the leading indexes really come into play.

Said another way, you can force a recession, you can mandate one. Which is what happened. But you cannot force a recovery.

Now, every analyst out there is focused on the epidemiology, on when effective therapeutics will become widely available and when different governors and mayors are going to allow schools and businesses to open up.

But the beginning and the end of this recession are not symmetric. It's not flipping a switch.

I was trying to think of different analogies. And this is going to be a little tortured, but I was just thinking of cars because I've been at home with my car.

Now, if you drive home, you switch off the engine, and you leave the car in the driveway through a bitterly cold winter. You know, I got sick, I didn't want to go outside, I just left it there. And I couldn't get out of the house for a lot of weeks. So it's just sitting there. You don't want to do that with your car, but sometimes that might happen.

Now, I have an older car and it'll have an iced-up carburetor. Maybe water in the fuel lines, maybe has gotten in the fuel lines and frozen up. The oil is sticky. The battery is drained. All this stuff.

It's not that I'm not going to be able to drive that car again. I will. I'll fix it up. I'll work on it. But I have no misconception that it's just going to start right up and I'm going to buzz off without doing anything. I know it's going to take some time and some work and some thoughtful work.

And if I think about the economy now, when will we really be able to get some traction to the upside? As we were saying earlier, it's not imminent. It's not happening right away, even if everybody goes outside tomorrow. Technically, the recession may shortly end, but it doesn't mean we're back to normal.

This is where the good leading indexes come in. If they can put together a pronounced, a pervasive, a persistent rise, then that signals that things will be ready to really start turning. We're not there today.

Erik: I want to come back to your earlier point about exogenous shock factors and how they play in.

Because as you pointed out, a lot of times the recessions – and I would say the biggest and most important recessions, even the 1929, the beginning of the Great Depression – there was really no exogenous shock there. That was an overcooked economy that was just too heated up and it was time for gravity to set in.

I would argue that the same thing is really true of 2008. We had a whole lot of just pent-up, overpriced financial assets. The sub-prime debacle and what happened in housing was kind of the – you could think of it as a shock, but it was really part of the process. It was part of the overvalued financial asset. It wasn't some war that started or some external thing.

Now, what seems ironic to me, Lak, is, if I think about, okay, where is there an analog to the current situation where there was a major exogenous event where all of a sudden everything changed because of something that had nothing to do with the financial system, that nobody anticipated was coming?

Well, World War II comes to mind. But, ironically, in a lot of ways, World War II ended the Great Depression. So how do we make sense of – clearly, this particular crisis is an exogenous shock event. It's about the virus. It's not about whether or not commercial paper was overvalued before it started. It's about the fact that we had to shut the whole economy down.

What do we learn from other cycles that tells us how this might be different from other sessions?

Lak: I'm jumping around in history now, over the past century. But certainly in the Depression, as you said, overcooked, financially related shock, I would say, combines with the endogenous cyclical forces, what the leading indexes are trying to pick up. Which is much broader than what's going on in the markets.

And, of course, in the Great Recession, also some of those financial failures and things we were talking about coming at a time when there was vulnerability, a cyclical window of vulnerability.

So it's the combination of the two that gives you the recession.

When Pearl Harbor – that's kind of the big shock, out of left field – when that occurs, the leading indexes were actually ramping up. So the window of vulnerability isn't there. And, to your point, it helps drag us out of that earlier depressionary situation.

In 1990, Saddam invades Kuwait. It's not the end of the world for the US or anything. We get a little spike in oil prices. But that ends up being a recessionary event.

And so here, actually, going into the coronavirus pandemic, the cyclical indexes were starting to turn up. They weren't running away, but they were starting to turn up. And you even see some of the PMI data at the beginning of the year following suit and starting to firm a little bit.

And then it gets walloped by the biggest shock that we've been all living through with the virus and the mandated recession through the shutdown.

It's kind of interesting, though, because – I don't know if I would go as far as to say that this is a black swan event. I was listening the other day to Taleb, Nassim Taleb, who coined the term "black swan," as far as I know. And he cautions not to just use that term as a cliché for any bad thing that surprises.

You've heard all the stories of various people, including him and Navarro in the White House and Bill Gates and others saying, hey – everybody is saying this is a real issue here, we've got to get in front of it. I think Taleb phrased it as you should kill it in the egg, we've got to jump on this.

But it didn't happen.

When I look separately from all of that, from all the viral analysis, back at ECRI's research, our leading indexes turned down, they started to weaken in January. And that's around the time that Navarro was privately talking inside the Administration and Taleb was saying what he was saying and Gates was saying what he was saying, all from different vantage points. Totally different measures of vulnerability or of threats or of risk.

And so it's complicated. We've got to, by definition, watch out for things that are going to surprise us. And we also have to have – no, we don't have to, but I think it's a good idea to have some sort of framework, some sort of way of getting your bearings.

I'm not dissing any other approach to getting your bearings. But I think, on this kind of directional analysis of where free-market activity is going, I'm quite sold on a cyclical framework. I've always thought – I really minimally want to know which way to look.

I'll worry about magnitude second. And that's not really the strength of the cyclical indicators. But which direction should I be looking?

Even though it sounds crazy – and I'm not pushing back on your original objection that, while, technically, the recession could end this summer, we're not getting back to normal soon – I still know the direction I'm starting to look.

I don't think it's going to be a big V for all of the reasons everybody's been talking about. I really need to see where the leading indexes are going to be heading to see how durable the recovery is going to be. And much of it may depend on the epidemiology of what happens here.

Erik: Lak, talk to us about how you see this playing out from here. I know you've written about a so-called bullwhip effect that comes into this. But, in general, what should we expect in terms of a roadmap of what cycles teach us about what to expect from here to an eventual recovery?

Lak: Great question.

That's where we're spending all of our time. We certainly are watching the high-frequency leading indicators. And some of them, maybe if you squint, are trying to find the bottom here.

The weekly leading index has kind of been bouncing at a very low reading, but not at all plunging the way it was earlier.

Some of our global sensitive industrial material price measures – so we look at things that are very early in the production chain. And those, again, have obviously been crushed. But they seem to be starting to try and bottom.

So, when we look at those types of high-frequency data and possible bottomings in that data, we really have to look at what's going on globally. It's much bigger than the US.

And here, one of the dominant factors, especially in larger cyclical moves, is what we call the bullwhip effect, where the farther away you are from the end consumer, the larger the amplitude of your cycle.

And so this means if someone in New York City is buying something on the street, they are the end consumer, but it could ripple all the way back to some early input commodity in an emerging market where a small cycle in New York is a massive cycle in the emerging market.

This is originally, just to give credit to the origins of this concept, it's a colleague of my mentor, Geoffrey Moore, who is a woman named Ruth Mack. And in the 1950s wrote a paper about the shoe leather and hide sequence.

So shoes being the front-end consumer, if you go to buy a shoe. The leather is that intermediate input. And hides is the very early commodity, and often with a relatively fixed supply because there's so much – in this case, hides are produced, they are a byproduct of meat production.

But you could imagine semiconductors or oil. You have this big investment in the production and you're going to produce. And the prices swing massively as a result when the bullwhip gets into effect.

So what we've seen isn't a modest downshift in consumer demand. We've seen a collapse in the current cycle. And that's amplified up the supply chain. And the supplier to the supplier is just getting – I almost feel sorry for these guys because they are just getting crushed.

For example, China, despite signs of a modest domestic rebound, the collapse globally in end-consumer demand as a result of the virus is boomeranging back on the Chinese economy now. Because it's reverberating right up the supply chain.

So they can restart and say, oh, we've got back orders and we're going to start to fill those and whatnot. But they are going to have a tsunami of collapse in demand hit them. And that's starting to happen now.

And so you see their exporters are already seeing new orders nosedive very recently and the worker layoffs. And all that is cranking up.

So this global recession is – China is one example. I think commodity prices are another great example. The production, as I suggested, tends to be relatively inelastic. And so when the demand is collapsing, the prices, the moves there are just incredible.

We saw oil, for example. That was about as big a collapse as you could see. It starts off in a fight between Russia and Saudi Arabia. And then there is storage capacity. But at its root, the collapse in the price is really about a massive bullwhip effect, which is just crushing it.

Now, we track these – oil prices, other exchange-traded prices. And they, as you know, got crushed.

And then we also track these non-exchange-traded inputs. And those have also – they kind of hung in a little longer than the exchange traded commodities, but then they also really collapsed. And just recently, they're just starting to maybe find a floor.

So this may be the trough in the bullwhip effect. But the numbers are just going to be really dramatic for early exporters like China and some of the other Asian economies and commodity-driven economies.

And currently that's just crushing. That will really knock the air out of inflation and other things for the time being.

Now, at some point – and this, again, is where the leading indexes come in – the bullwhip will flick the other way. It works both ways.

And this is another reason why I don't want to belittle necessarily the technical end of the recession, even though we are nowhere near recovered. Just because the recession ends doesn't – you're going to have millions of people unemployed. It's not going to be a good economy.

But these directional shifts can support a flick of the bullwhip the other way and so we have to keep an eye out for that with the leading indexes.

Erik: Lak, last time we had you on the show, one of the things we talked about was the Japanification of the US economy and, really, more so, the monetary system and low bond yields and lots and lots of quantitative easing and so forth.

Now, in recent months, a trend that I've seen with a lot of our expert guests on this program, is, where it used to be just people, would laugh you out of the room if you even mentioned secular inflation, what they're saying now is it's not quite time yet.

They're saying, hey, we've still got a deflationary backdrop. But you're right, it's on the horizon, it's coming. We're going to get to that point with all of this fiscal spending and all of the monetary intervention that's occurred. Eventually it all has to become inflationary.

And I'd say probably the consensus among our guests is, first of all, they don't know. But if they have to guess, they think maybe it's about three years off before we get a major shift out of deflation into inflation or stagflation.

What do economic cycles and the study of cycles teach us that might help us to navigate that path as we figure out where we are on this voyage towards eventually getting out of deflation?

Lak: Huge question.

You know, they always talk about the bond investors being the smart guys. They certainly – over decades we have a lot of fixed-income and global fixed-income managers use cycles.

And the equity guys can get caught up in the stories. Right now it's all the tech stocks and you've got to chase those and so on and so forth. And those are really good stories; I understand them.

But this is a huge question.

We've been talking about the decline in trend growth for over a decade. It was in the summer of '08 that we started talking about this, way before Larry Summers and all that discussion a few years later.

There are structural problems that are holding down growth. And it relates to demographics and productivity growth on an aggregate scale. And those things haven't gone anywhere.

So prior to this recession, you saw what seemed like unthinkable amounts of growth in debt, public and private, in order to get what was kind of okay growth in the economy. I think the growth in debt – this is pre-COVID crisis – the growth in debt of the US, Europe, China, Japan, was 10 times larger than the growth in the economy. So that gives you an idea of where the growth in the economy was coming from.

And the US was the least dirty shirt in that group for much of that time. But we were kind of doing the same thing, going with this debt expansion in various policy ways or corporate debt or whatever, in order to pursue growth. And under the condition of low productivity growth and low demographic growth.

That's our structural challenge. How do we have growth with those facts on the ground? We were getting it and the rest of the world was getting it through debt growth.

Now you come into this brutal recession, US and globally. And, boy oh boy, there's been a lot of debt growth. So, as everybody is saying, hey, this can't last. At some point this is going to cause some inflation in terms of currency, in terms of inflation.

And maybe it's a few years out there. I think that a reasonable, sober thing to say. I wouldn't disagree with that.

But I know a couple of things from cycles.

One is that cycles in inflation are totally distinct and different than cycles in growth. And this is – it sounds easy to say that. But, my gosh, central banks globally are set up differently than what I just said. And it was only for a brief period in the 1990s when the US Fed actually acted that way, where they recognized the difference between cycles in inflation and growth.

Now, if we fast-forward a couple of decades to the middle of 2016, our leading indicators of inflation – they are separate from our leading indicators of growth, so most people don't even think about the world this way. But we're tracking a separate set of cycles in inflation.

And globally, our leading indicators of inflation directionally turned up. And if you recall back then, inflation expectations that summer were on the floor. And then we had this inflation trade that occurs subsequently, following that inflation cycle upturn.

Now, it was not a big upturn. It was just a directional turn. And the direction, it was a big deal because everybody had been looking the other way. It wasn't big in terms of magnitude of inflation.

And now, in the current cycle, we're still watching the inflation indicators. They're all falling. There's no inflation imminent.

Everybody listening has heard everything about this from every economist, but I'll try to boil it down to what I think is the one truism in economics, which is that recession kills inflation.

I think you can kind of bank on that here. But what about a few quarters from now? A few years from now, as other guests have opined? That's where these leading indicators of inflation come in.

If they turn up – and I'm not going to predict the predictors – but if they turn up, then you have to deal with directionally a higher inflation.

Structurally higher inflation? Maybe more difficult to come by. But unless you're investing for decades, that may not be the call. Everybody has to perform in the next quarter or two or three. And that's much more of a cyclical timeframe.

So if there is a cyclical upturn inside of a secular disinflation, you still have to deal with it and maneuver for it. I think that with the global recession that you have, you certainly have continued low inflation for the time being. That's not over.

Erik: I'd like to move on to a final topic, which is, I think, one of the biggest, longest-term cycles that's known in economic research is the East-West power cycle, which, as I understand it, runs about every 500 years.

Now, a view that I've held for more than a decade is that the US and China were in the early stages of a cold war that I think is going to go to the same proportions as the US-Soviet Cold War. And I think that this crisis could very easily be the catalyst to ratchet things up quite a bit.

So far in my coverage of the coronavirus crisis, I have avoided all of the conspiracy theories and ideas that it's a bioweapon and so forth. I just don't want to talk about it because I can't prove any of that.

Just this last week, I saw the first what I consider to be really credible evidence that this was lab-made. No evidence that it's a weapon, but that this was lab-made and very, very likely an accidental leak out of the Wuhan Institute of Virology, probably because they were doing research that was bought and paid for by Americans. But it looks like it probably did come out of a laboratory.

And, boy, what a hotbed of finger pointing. If the US is going to say, look, it's all China's fault, China's going to say you hired us to do this research. It's all your fault.

Where does this go? And what do cycles teach us about escalation in major cold-war types of conflicts between nations? Is this the kind of catalyst that could really ratchet things up?

Lak: Well, it certainly moves the ball down the playing field a little quicker than you might have expected. I don't know if we're at the end zone just yet.

But on this road to Japanification, for example, which isn't even about necessarily China directly, we've accomplished in a few months, this year in 2020, what otherwise may have taken us a handful of years or more in terms of the debt growth and some of the other things that have occurred to the economy, in terms of the downside damage.

So things have certainly accelerated.

And when the economies, when our economy and other economies, China's economy, become more precarious, there's all kinds of political pressures that are going to pop up.

I've kind of lost track of time during being sequestered here – but it was roughly a year ago, I would say, that Vice President Pence gave a very important, I thought very clear speech on China and the US attitude. Not our attitude. The near-term, the mid-term, and the longer-term kind of issues that, as a superpower, the US has with China rising as a superpower.

And none of that is going away. And it probably, as you're saying, gets accelerated during this time of great flux. Everybody's untethered. So those kind of things can accelerate quickly in that kind of environment.

I don't know the details of the origins or the facts. I think it's hard about the virus and where it came from. But one of the other books I've been starting to look through is Bob Shiller's *Narrative Economics*.

So the actual whatever, what actually literally happened may be less important compared to the narrative that takes hold here. And that's going to take hold in the context of the geopolitical tug of war that's going on.

A couple of years ago, we did a report – which I'll give to you so listeners can look at it – about the century-long flow of wealth East and West. The rise of the West really comes with industrialization, the industrial revolution in Europe, and then colonialism. These are two huge things where the West really dominated the world.

I think it's in the middle of the last century, in the '50s or so, the West is dominating the entire world. And the US is most of the West at that point. We were the really big player.

Ever since then, it's been slowly swinging back the other way, until the last couple of decades where that's accelerated. We're still the biggest. The West is still bigger. But the swing of the pendulum back has accelerated a bit further, when you talk about the centuries view of this.

And so that does get a little exciting when you're a global superpower, as the US is. You're the military dominator of the world, yet this is still happening. Largest market, most productive market, all of those things. Yet the pendulum is still, just by dint of (for lack of a better word) physics, swinging back a bit.

Erik: How do you even look at something like this? It seems to me there's conundrum here, which is you'd think, okay, let's look at economic cycles history and what it teaches about cold wars and major rifts between nations and so forth.

But all the history on that stuff goes back to a time period before globalization. So when you had the US and the Soviet Union not being friends with one another, neither one was dependent on the other for most of its export business. But now with China, it's a completely different story. And I don't think there is a historic precedent for this situation.

What do you do in that case?

Lak: You literally just hit on a report that we're doing right now, which is – look, stock prices are related to cycles. You can't literally time stock prices on it, but they're related to them. And stock prices will typically bottom in the vicinity of a business cycle trough. Especially, this is especially true in the United States.

What's interesting is, when you look internationally – let's say UK, Germany, France, China, Japan, any of these big countries – now, when you look there, that's not actually the rule.

And the reason is because we're so interdependent. Global investors have bought a lot of the US. I mean, they're invested here. There's nothing insidious about it. They want to invest in what's a good bet and they're buying US companies as shareholders.

And what happens is you end up seeing international equity markets have a very tight relationship. They're tethered to the US market, which is tethered to the US economy. So, as you're suggesting, it's harder to say "us and them" because we're inter-invested with each other quite a bit.

And when you look at markets abroad, it's really about the domestic economy is maybe 50% of the equation of the risk equation on equities. And the other 50% is what's going on with the US.

That's where that risk equation gets really fuzzy, that you cannot divorce yourself from the other country that easily.

And you see that even happening now in some of the issues that Vice President Pence brought up about the relationship between the US and China – near-term, the short-term stuff, the trade stuff that we're doing.

Even right there, making some shifts just because of the interdependence, it becomes – it's not straightforward. We've all been talking about this for a few years now. So, to be continued for sure.

But I think, ultimately, there's an aspect of us all being in the same boat.

Erik: Lak, before we close, I know that ECRI publishes some indices which are very widely followed, extremely popular with analysts. Tell us a little bit about what you guys do at businesscycle.com, what people can find on the website, and particularly the indices that you publish.

Lak: Sure. Businesscycle.com is where everything is presented. And we freely have been releasing something called the Weekly Leading Index. My mentor, Geoffrey Moore, created the original leading index. And this is half a century ago.

And in the '80s developed something called – we distributed it through *Businessweek Magazine* back then – was a really big deal and it was the *Businessweek* leading index. And then we took it private and we just give it away to everybody on our website. It's a very prompt leading index of US economic cycles.

And, as I mentioned during the interview, it looks like it's trying to bottom here. It's so prompt that every Friday we have it through the previous week. So this Friday, it will be through the end of April. And you get a really quick read on what the cyclical drivers of the economy are objectively saying.

Because, who knows, the market goes up, the market goes down. Do you believe it? What was it? There are a lot of non-market related indicators also in there. So you have kind of a one-armed economist. Instead of saying "on the one hand, on the other hand," it's just "it is what it is." It's either going down or going up.

And it looks like it's stopped going down. So we want to keep a really close eye on it right here.

Erik: Lak, I can't thank you enough for a terrific interview. Patrick Ceresna and I will be back as MacroVoices continues, right here at macrovoices.com.