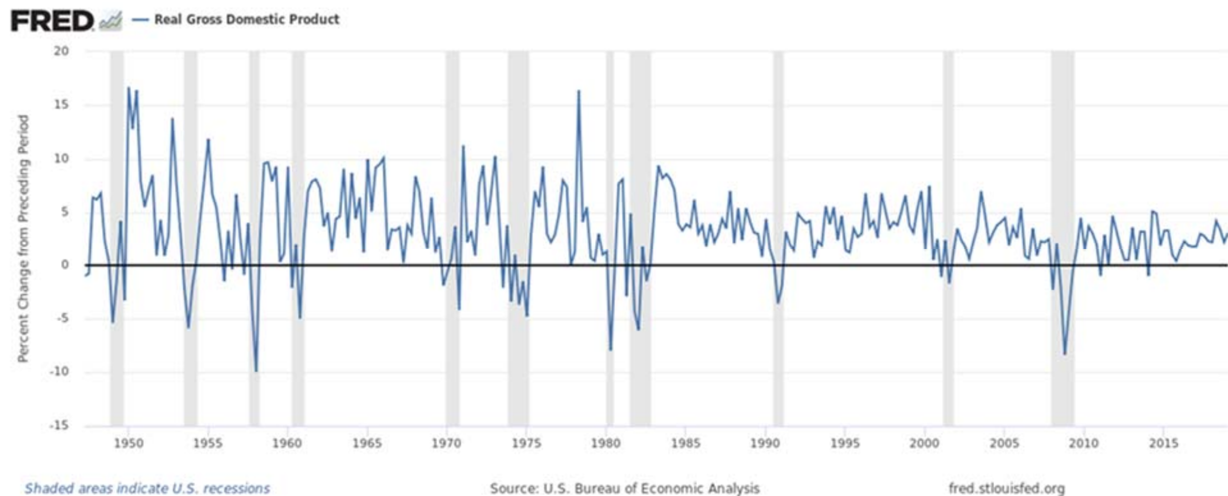
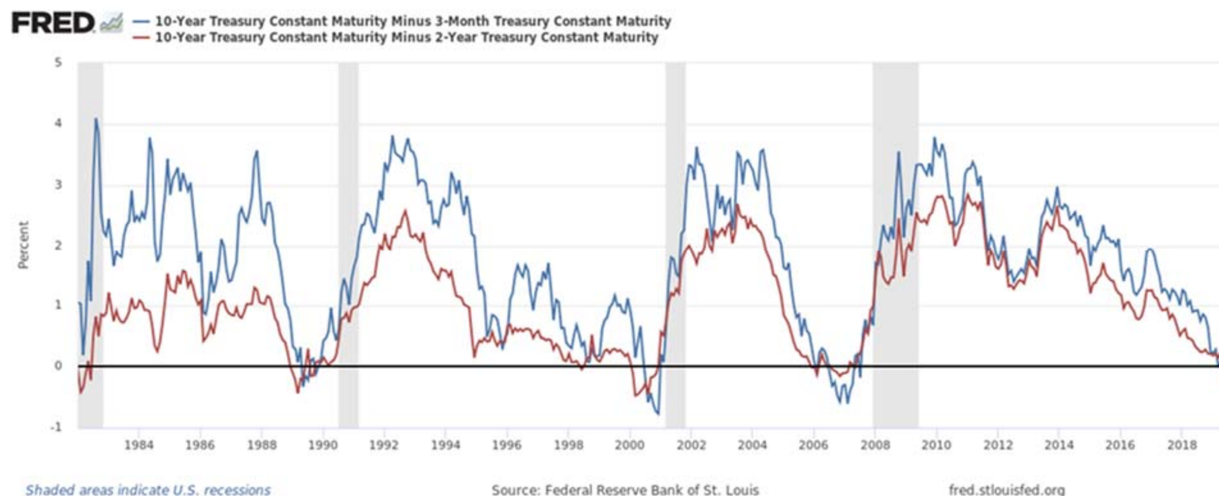
The United States broke its record for time without an economic recession Monday, July 1, as it began the 121st consecutive month of gross domestic product (GDP) growth since the 2008 recession. The rate of growth, however, has been slower than during other periods of economic expansion. For example, during the previous record-holding period in the '90s, the average growth was 3.6 percent per year. The 10 previous economic expansions, going back to World War II, averaged a 4.3 percent. But this current expansion period has averaged just 2.3 percent growth per year.



It is important to remind investors that expansions do not die of old age - yet the markets have increasingly become wary of the length of this cycle. Just take a look at the slope of U.S. yield curve. Interest rates are perhaps the most important indicator of how an economy is performing. Short-term interest rates can show investors how central banks are reacting to increases or decreases in economic growth, while long-term rates show where markets expect inflation to land in the coming years. Since the Federal Reserve began hiking short-term interest rates in 2015, the slope of the Treasury yield curve has flattened by more than 3 percentage points.

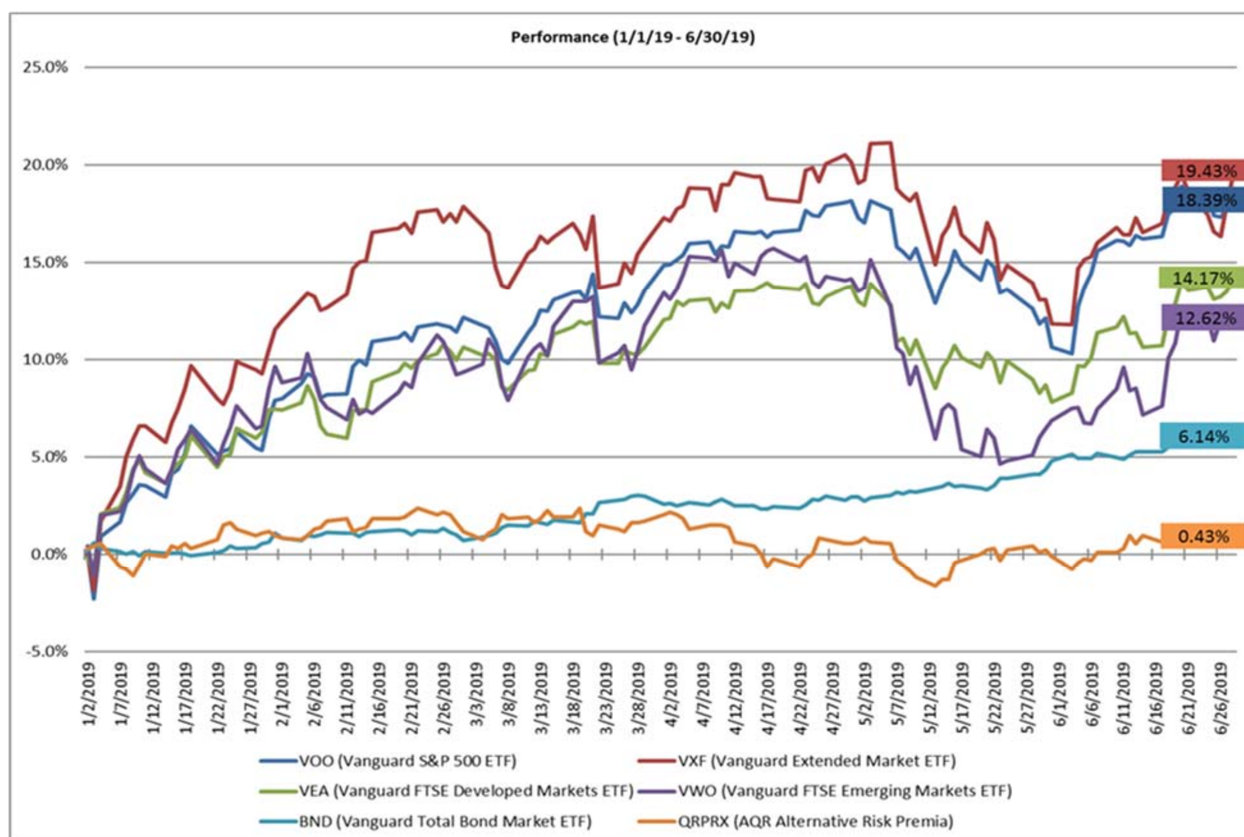


Historically, a sustained inverted yield curve has reliably predicted recessions, and the time between an inverted yield curve and the subsequent recession has ranged from 5 to 17 months. Although this cycle is old, the current fundamentals are healthier than in the past, and typical end-of-cycle excesses that would normally precede a recession do not appear to be here.

- Housing prices and demand are not out of line
- Neither wages nor commodity prices are appreciating at a high pace.
- Global monetary policy remains accommodative – In particular, Federal Reserve Chairman Jerome Powell said the Fed will "act as appropriate to sustain the expansion."
- Company balance sheets are solid and free cash flow is high.
- Credit spreads – the difference in yield between corporate bonds and Treasuries of comparable maturity – are tight, a sign of corporate health.

While the inversion of the yield curve suggests caution, it is important to remember that this is only one of many indicators and should be thought of in conjunction with others. Although trade tensions remain, a robust American labor market may be on the precipice of higher wages. The U.S. economy is growing, and there is little reason to believe it will slow much more in the next couple of quarters. After taking a step back, the U.S. economy remains in good shape.

Much in contrast to last year, most of the assets have delivered positive performance year-to-date.



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