

# Business Cycle's Moment of Truth

Mark Zandi, Chief Economist

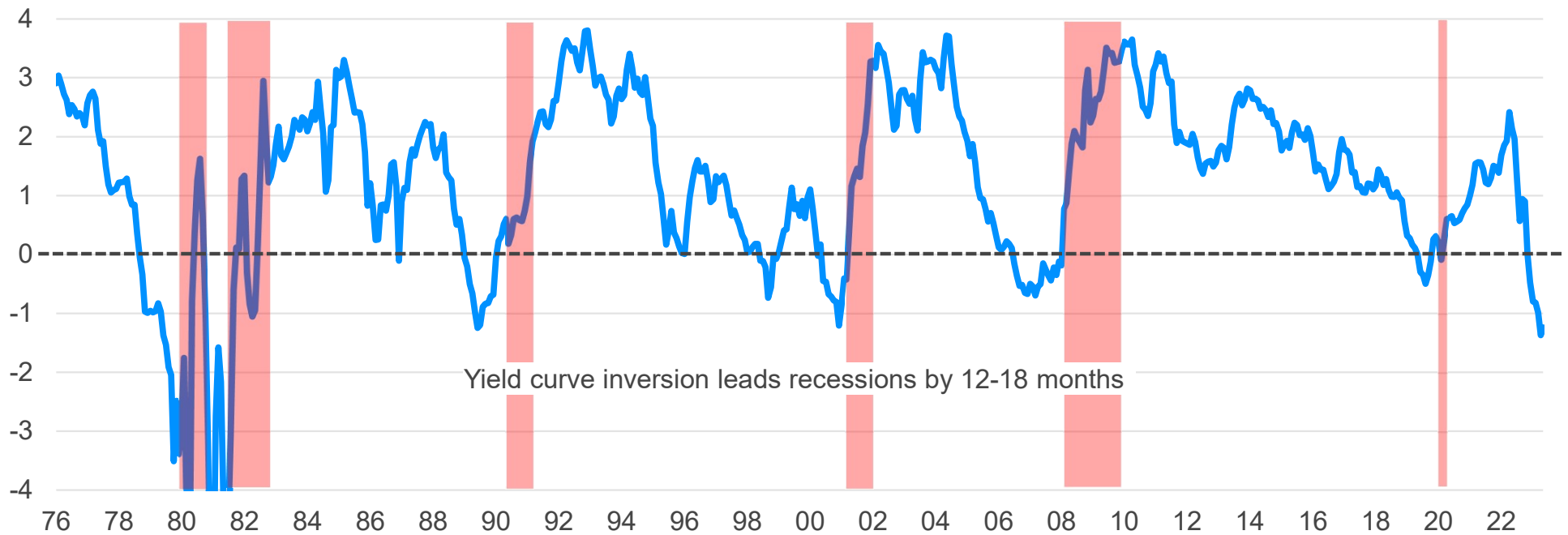
June 2023

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Recession Risks Are High

## Leading Indicators Sound the Recession Alarm

Difference between 10-yr Treasury and Federal Funds Rate, ppt

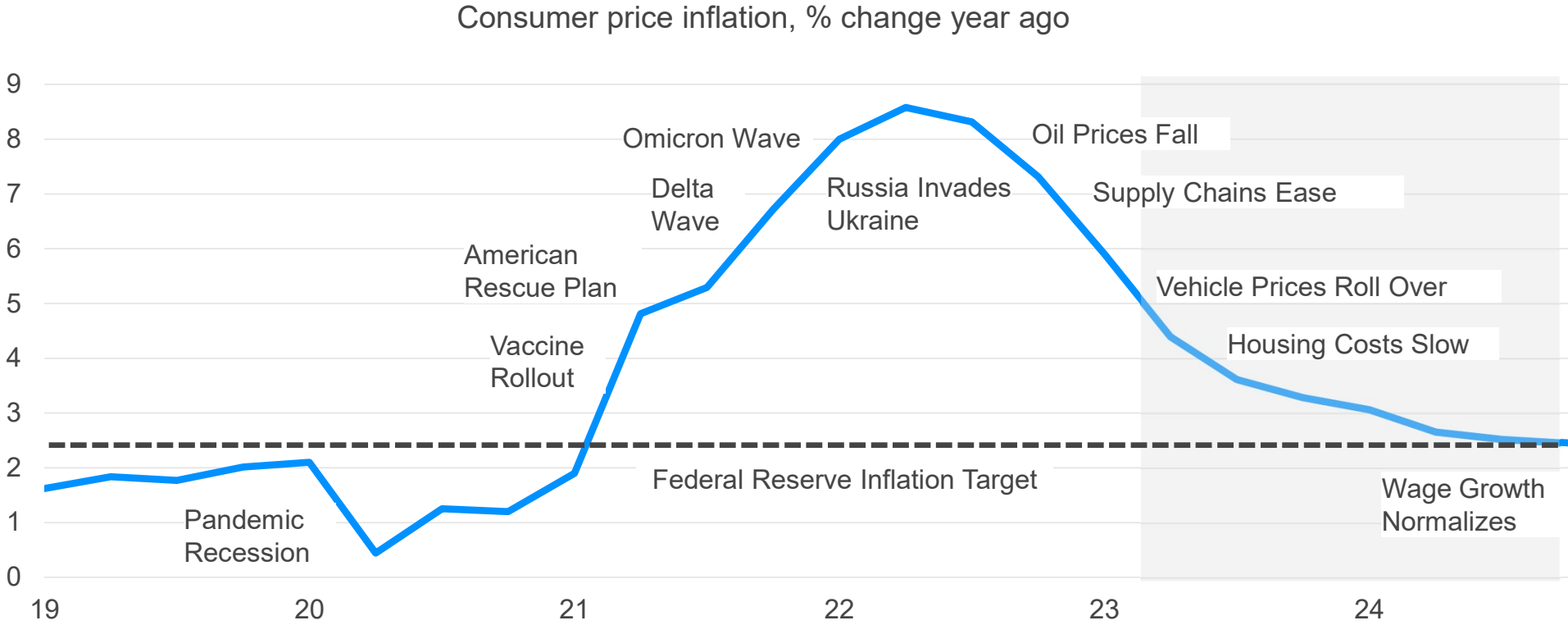


Sources: Federal Reserve Board, Moody's Analytics

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Slowcession Baseline  
*60% Probability*

# Inflation Is Headed Back To the Fed's Target

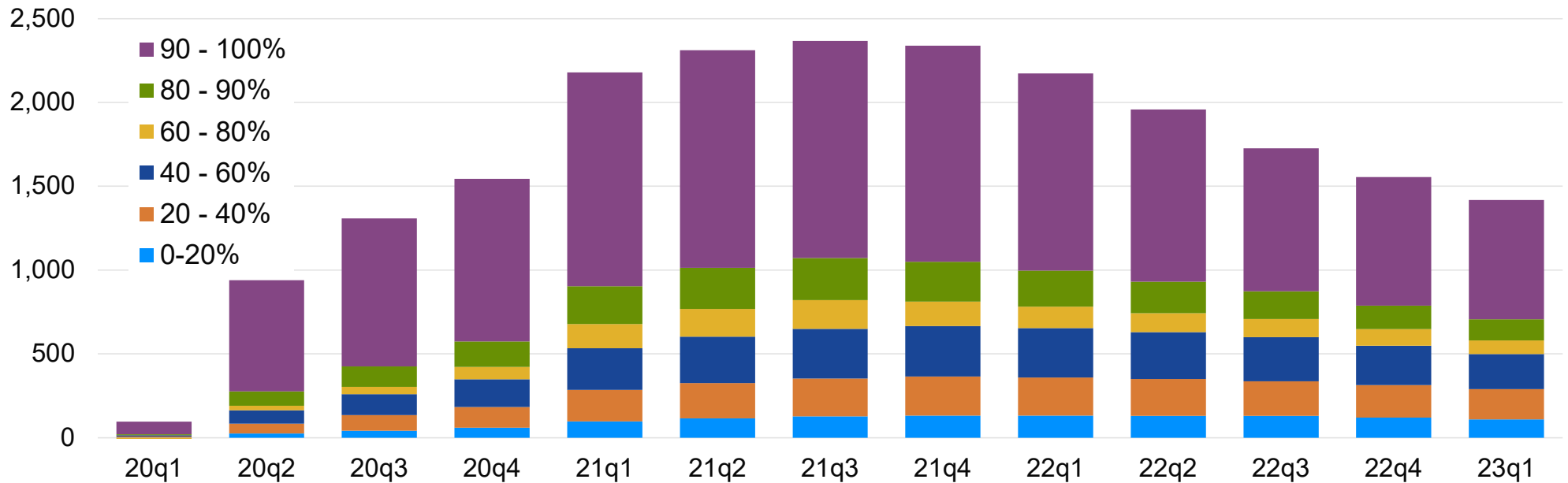


Sources: Bureau of Labor Statistics, Moody's Analytics

## Consumers Remain a Sturdy Economic Firewall

Excess household saving, \$ tril, 2020

*Income distribution*

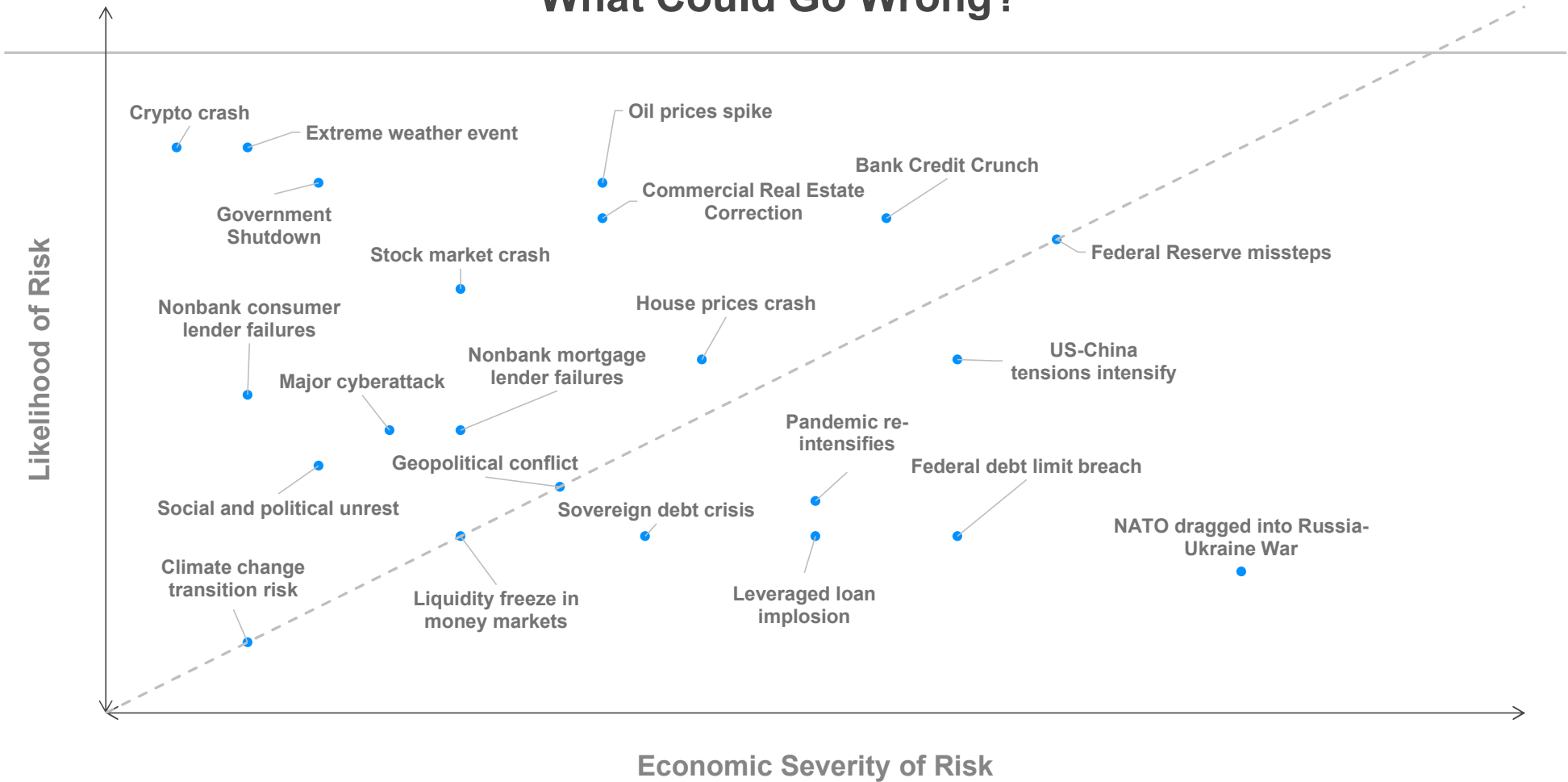


Sources: BEA, Moody's Analytics

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Recession  
*40% Probability*

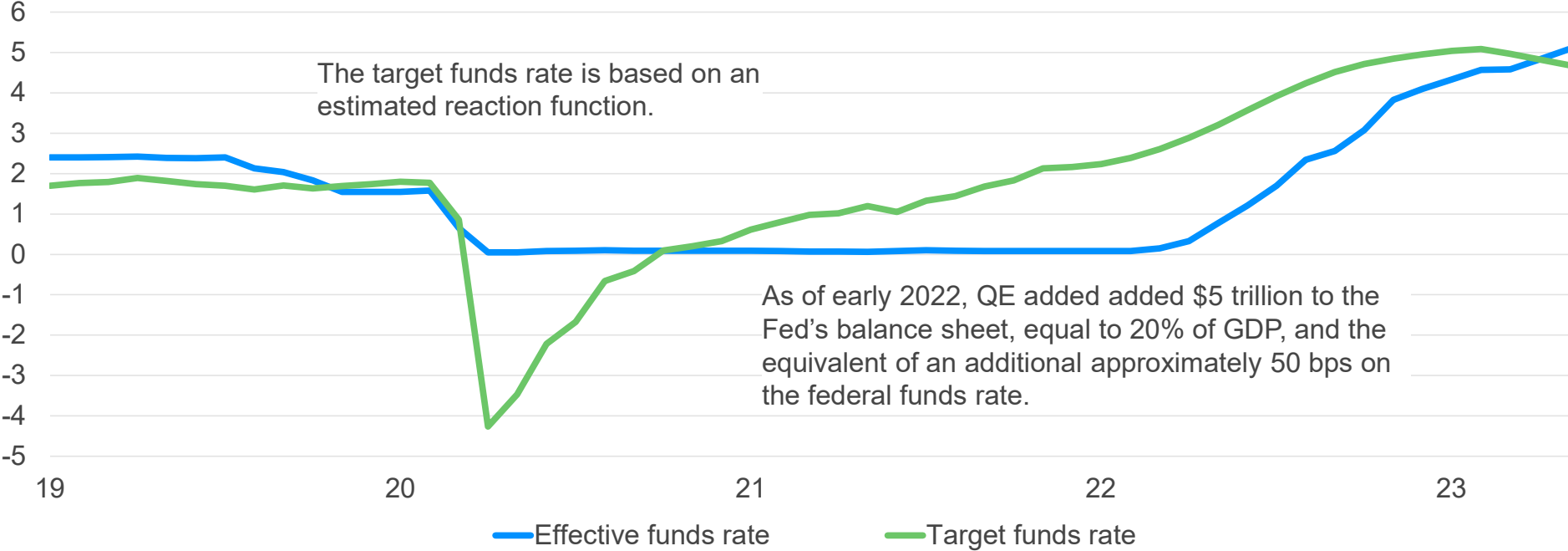
# What Could Go Wrong?





# Federal Reserve Threatens To Step Too Hard

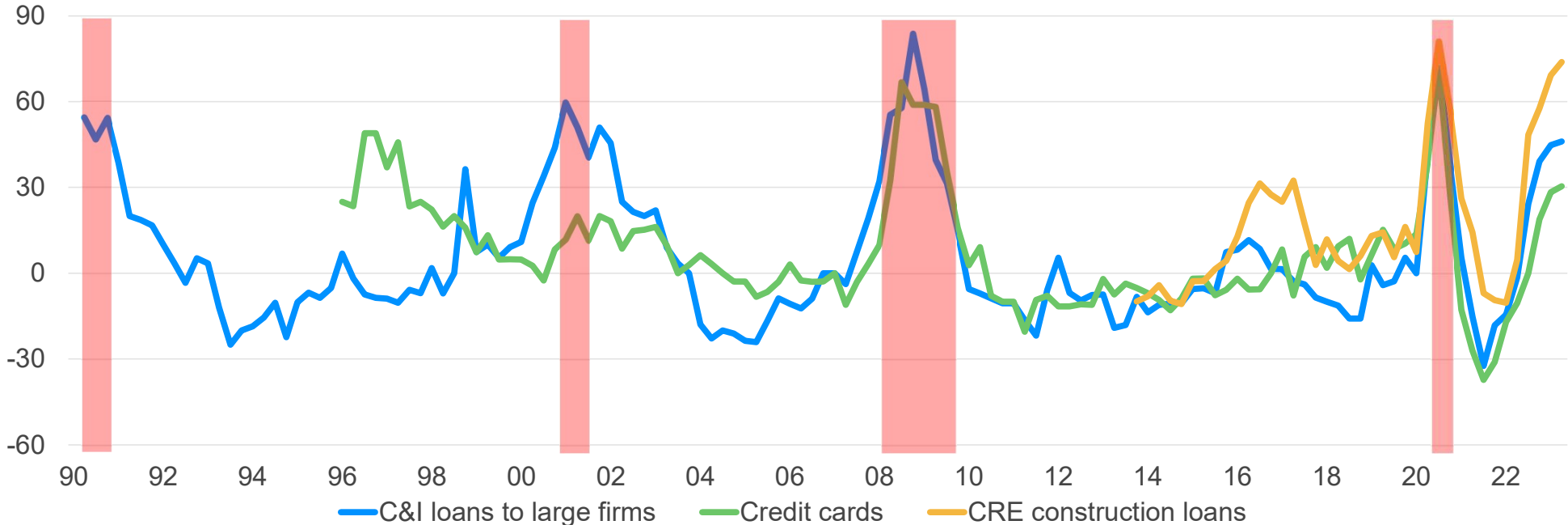
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Sources: Federal Reserve, Moody's Analytics

# Banks Batten Down the Hatches

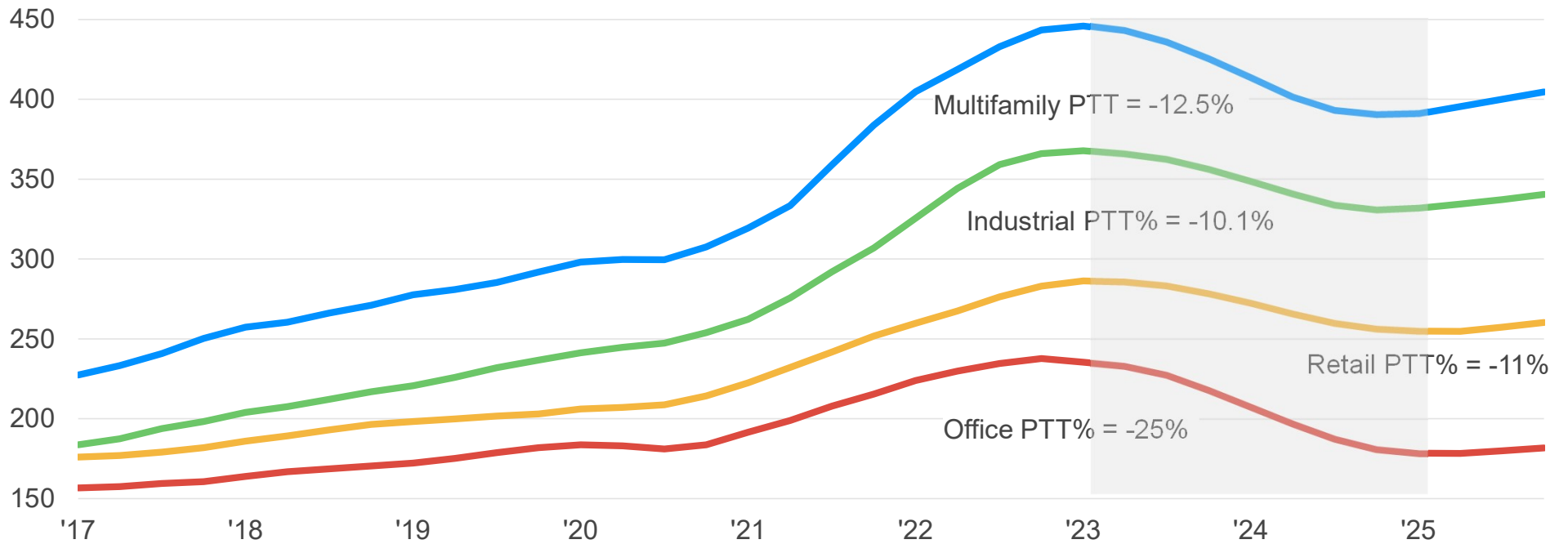
Net % of banks tightening their lending standards



Sources: Federal Reserve, Moody's Analytics

## Commercial Real Estate Prices Are Under Pressure...

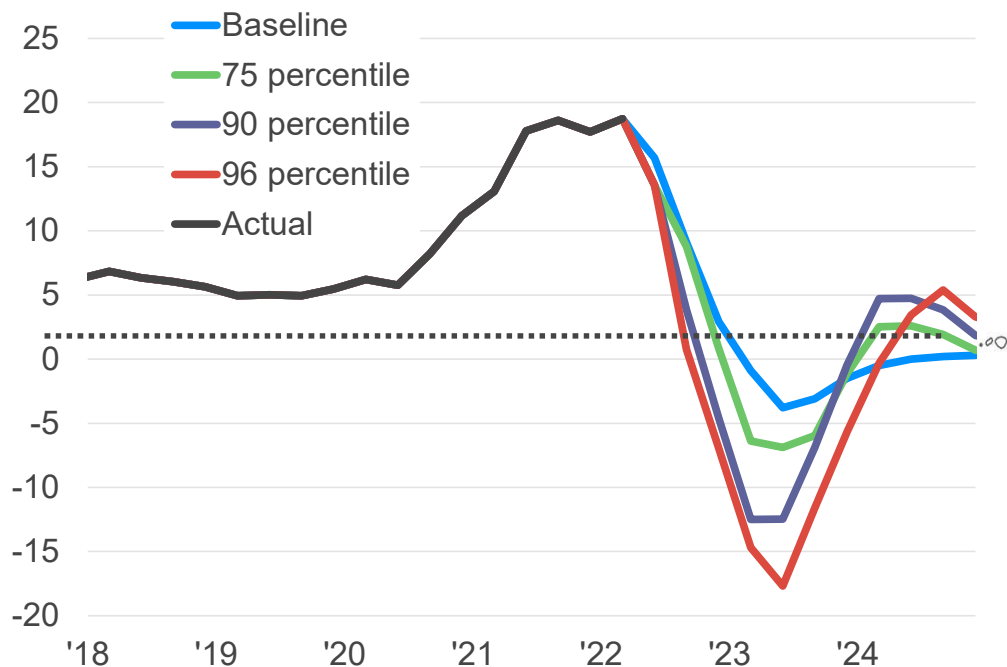
Commercial Real Estate Repeat Sales Index, 2002q4 = 100



Source: Moody's Analytics

## ...As Are House Prices

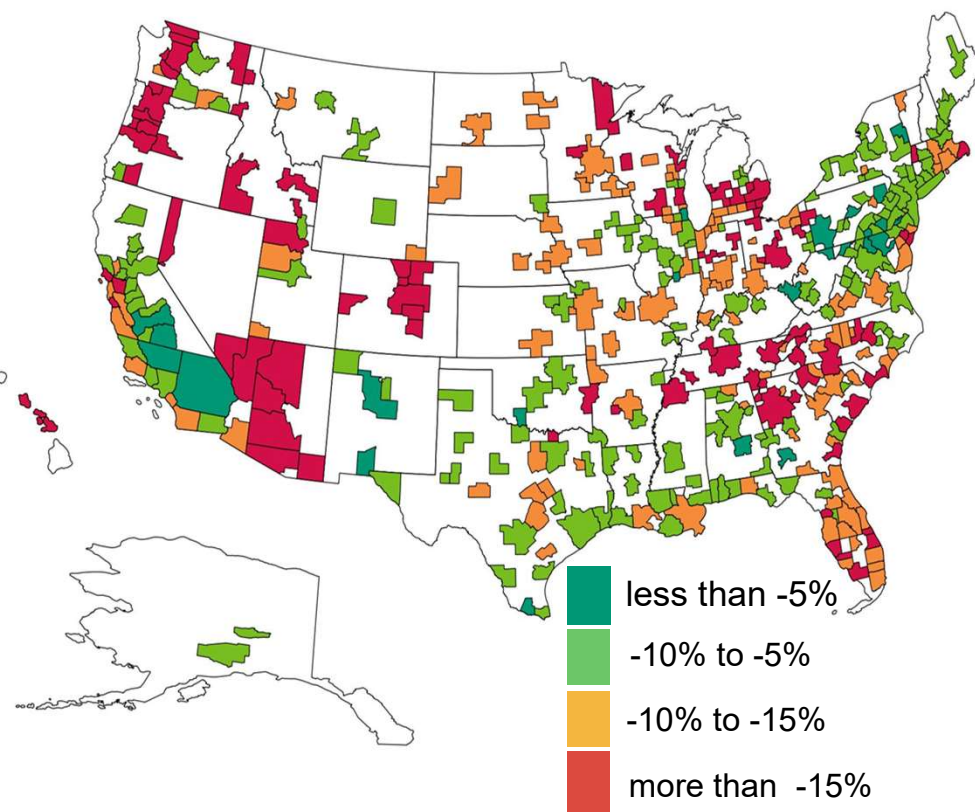
Moody's Analytics Home Price Index, % year ago



Sources: FHFA, NAR, Moody's Analytics

Moody's Analytics

Peak-to-Trough House Price Decline, U.S. = -10%



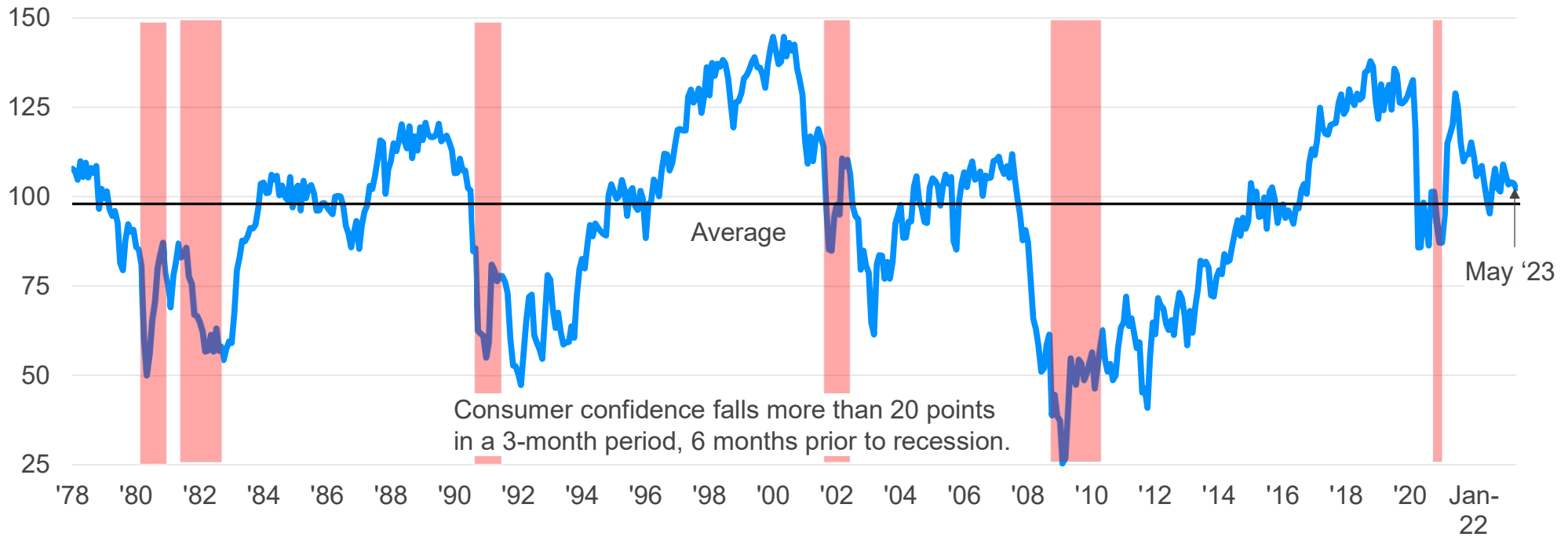
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What to Watch Out For

## Consumers Are Anxious, But Haven't Lost Faith

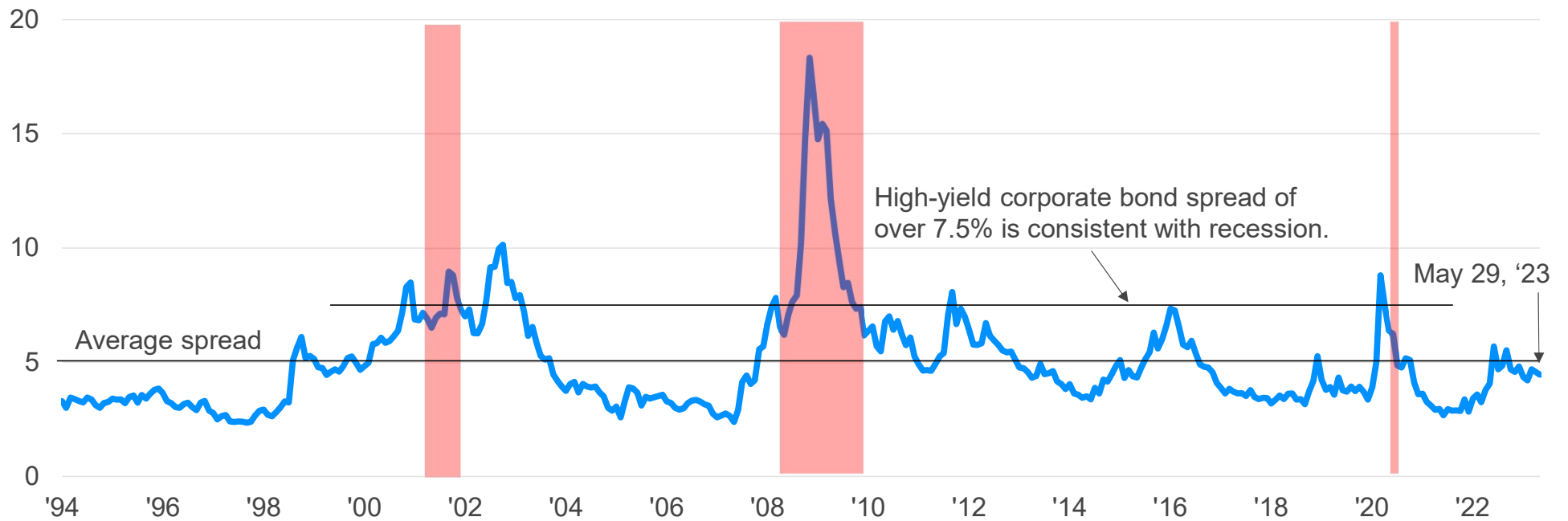
Conference Board consumer confidence index



Sources: Conference Board, Moody's Analytics

## Corporate Bond Investors Remain Sanguine

High-yield corporate bond spread, %



Sources: ICE, Moody's Analytics

## Contact Us: Predictive Analytics - Economics Offices

West Chester, Economics-HQ  
+1.610.235.5299  
121 North Walnut Street  
Suite 500  
West Chester PA 19380  
USA

New York, Corporate-HQ  
+1.212.553.1653  
7 World Trade Center, 14th Floor  
250 Greenwich Street  
New York, NY 10007  
USA

London  
+44.20.7772.5454  
One Canada Square  
Canary Wharf  
London E14 5FA  
United Kingdom

Prague  
+420.22.422.2929  
AFI Butterfly  
B1 3rd Floor, Pernerova 691/42  
186 00 Prague 8 - Karlin  
Czech Republic

Singapore  
+65.6511.4400  
6 Shenton Way  
#14-08 OUE Downtown 2  
Singapore 068809

Sydney  
+61.2.9270.8111  
Level 10, 1 O'Connell Street  
Sydney, NSW, 2000  
Australia

Tokyo  
+81.3.5408.4100  
Atago Green Hills Mori Tower 20th Floor  
2-5-1 Atago, Minato-ku, Tokyo 105-6220  
Japan



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