

# The Line is Behind You



Stock market investors tell us they want to know when the market crosses the line into the danger zone. The thinking is that the market will immediately top out and decline. In reality though, the danger zone can last a long time: months or even years.

Unfortunately for most investors, many indicators already crossed into the danger zone months and years ago. (Watch for an upcoming white paper on the lines that have been crossed.)

Last week, the BEA (Bureau of Economic Analysis) announced 1<sup>st</sup> quarter GDP was down .7%. This was the second negative quarter in the past 5 quarters.

The GDP's decline should not have taken anyone by surprise. The consumer makes up a large part of

the GDP and is an integral part of the Fed's plan for economic recovery. However, various consumer indicators are already over the line and dropping.

As you can see, steep declines in these consumer indicators coincide with recessions (gray areas). If the second quarter comes in negative, then the BEA may have to say that a recession started in the first quarter of 2015.

The stock market, however, has not priced-in a recession and may be caught off-guard. It seems while Wall Street is partying, Main Street is slowing down. This could be the recipe for an abrupt correction.

Warnings are all around. Last week's negative GDP announcement was just one more line to cross.





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