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**Baron Point Research
U.S. Recession or Not?
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Baron Point issue research describing current intermediate term trends and topics we find interesting. This research is intended to complement the regular Monthly Fact Sheets which include our monthly return updates.

A summary table of contents is shown below. **If you have any comments please feel free to email us at info@baronpoint.com or call +1 (212) 248-2733 x701.**



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U.S. Recession or Not?

Baron Point Financial with the Curmudgeon

We believe that the U.S. is officially in a recession now (i.e., two consecutive quarters of negative real GDP), and further, aggressive rate increases could possibly cause a depression. Therefore, the markets are likely to be free from future Fed rate hikes this year due to a weak economy, the November election cycle, and the Christmas holiday season.

The ongoing recession debate is absurd! The Fed and Biden administration are attempting to deny that the U.S. is currently in a recession, by refuting a simple Econ 101 definition that we all learned and have used for at least 50 years, now. Despite two consecutive quarters of declining GDP growth, the National Economic Council Director Brian Deese even said Thursday, "virtually nothing signals this period in the second quarter is recessionary." Mr. Deese is the same guy who last year told staffers to create talking points about inflation being "transitory." Another swing and a misleading spin to a very serious economic condition!

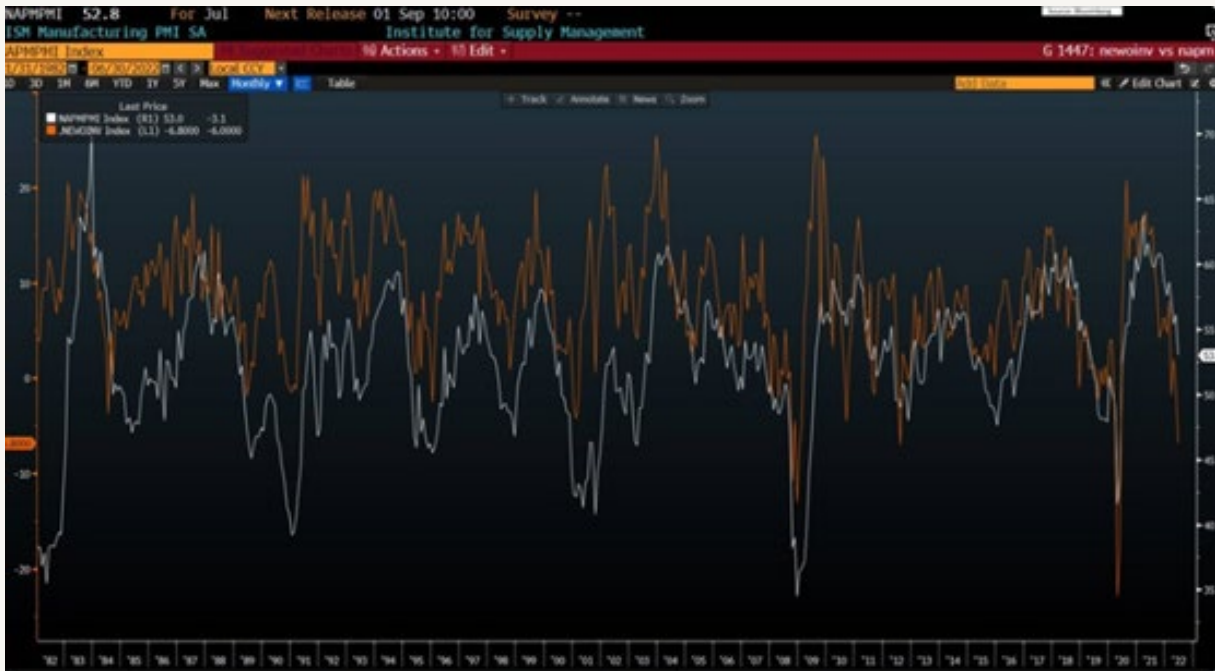
The NBER has defined a recession as two down quarters of GDP since the 1970's. The definition was changed so that a recession is marked by "a significant decline in economic activity that is spread across the economy and lasts more than a few months." However, this new guidance was not followed for the 2020 recession, which the NBER said lasted only one month!

Some say the U.S. can't be in a recession with such strong employment numbers. We disagree! The so called "strong" employment data is bogus as we've pointed out before. The Seasonally Adjusted payroll numbers are 40% above the Non-Seasonally Adjusted numbers, largely due to the estimated Birth Death Model (BDM) statistics for the first six months of 2022!

Also, the employment data is a lagging economic indicator. On the other hand, the "Index of Leading Economic Indicators (LEI)" is intended to predict future economic activity. The LEI decreased by 0.8% in June 2022 to 117.1 (2016=100), after declining by 0.6% in May. The LEI was down by 1.8% over the first half of 2022, a sharp reversal from its 3.3% growth over the second half of 2021.



Moreover, Institute for Supply Management (ISM) new orders, less inventories are at its 4th lowest reading in the past 40 years, with the only readings lower being during the Great Recession and the 2020 COVID lock downs.



To sum up, the discrepancy between what the public sees versus how policymakers see the U.S. economy could not be starker.

U.S. Propaganda is Off the Wall!

The dichotomy between economic reality and the U.S. government's rosy talking points is an example of propaganda in politics. It's somewhat due to a change in U.S. propaganda law during the Obama administration in 2013. Passed as the Smith Mundt Modernization Act in 2013 (<https://www.congress.gov/bill/112th-congress/house-bill/5736>), the law:

“Amends the United States Information and Educational Exchange Act of 1948 to authorize the Secretary of State and the Broadcasting Board of Governors to provide for the preparation and dissemination of information intended for foreign audiences abroad about the United States, including about its people, its history, and the federal government's policies, through press, publications, radio, motion pictures, the Internet, and other information media, including



social media, and through information centers and instructors. (Under current law such authority is restricted to information disseminated abroad, with a limited domestic exception.)”

In effect, that law has allowed the U.S. government to use propaganda (lie, mislead, make-up, distort, deceive, fabricate, and falsify any information it wants) without legal liability.

This 1948 law used to apply to foreign countries only, but the 2013 Smith Mundt Modernization Act broadened the dissemination of information to also included the U.S. audience.

This is sort of like the 4th Amendment which disallowed spying on U.S. citizens by the CIA, until the October 2001 “Patriot Act” allowed spying on U.S. citizens ever since then.

Thanks for reading,



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If you would like to discuss anything in this paper or any other topic, email us at info@baronpoint.com or call +1 212 248 2733.