# Leading Indexes Begin to Improve

## The revival in less cyclically sensitive nonfinancial services jobs — where the carnage is concentrated — will be painfully slow.

**Hopeful Harbingers** Even as the Covid crisis continues to crush the economy, early signs of recovery have started to emerge. Indeed, sighting some light at the end of the tunnel, some of our leading indexes have begun to show sequential improvement.

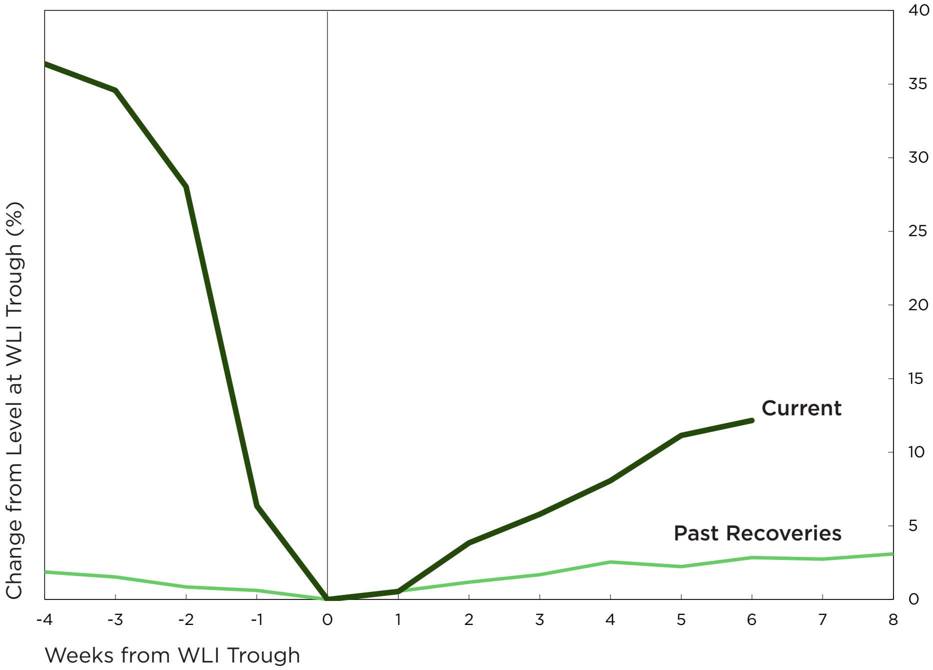
In fact, those leading indexes are the first sources of objective support to our earlier view that, "after the economy's engines are restarted, it will pull out of its nosedive." If so, "this would be among the shortest recessions on record" *(↗USCO Essentials, April 2020)*. A case in point is the Weekly Leading Index (WLI), which – after plunging to an 11-year low in the week of March 21-27 – has risen for six straight weeks.

Notably, a three P's analysis shows that this increase in the WLI is more pronounced than the median trajectory in upturns preceding past business cycle recoveries (Chart 1). In other words, this is a relatively steep snapback in the WLI.

That said, the rise in the WLI is currently a little less pervasive than the median at this stage of its past upturns before recoveries from recession (Chart 2). Meanwhile, the increases in the WLI and its components are almost as persistent as the past average (Chart 3); of course, only six weeks have elapsed since its March low. In essence, this is not far from a three P's upturn, and therefore bears watching.

> **While the recession should end soon, it is already twice as deep as the Great Recession. And with job losses concentrated in less cyclical industries, it could take years for economic activity to fully recover.**

**Chart 1: How Pronounced an Increase in Weekly Leading Index?**



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