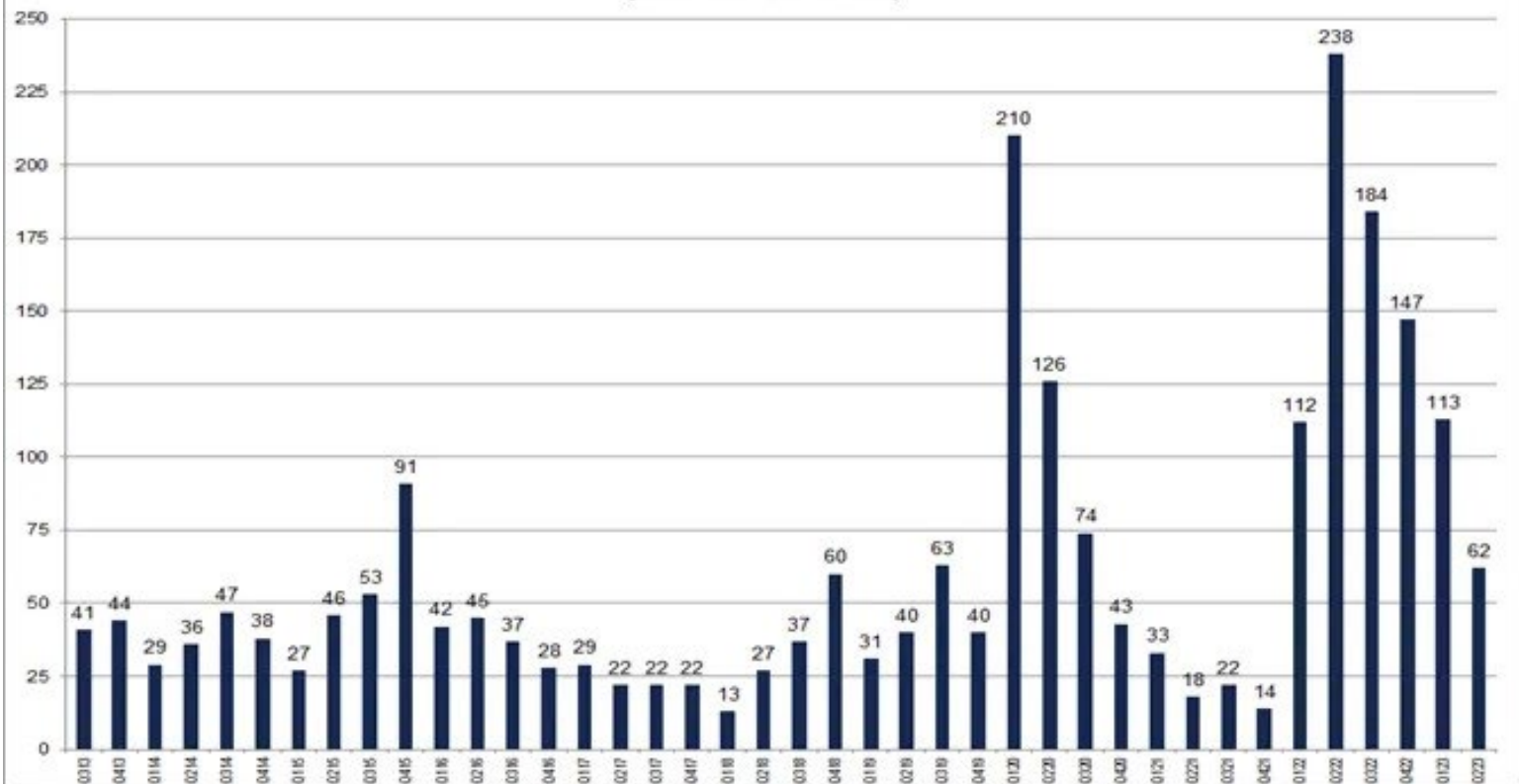


Have Recessionary fears finally passed?

Investors and analysts have debated for the past 12 months whether the intense hiking cycles implemented by Central banks would lead to a hard landing for economies such as the US. This fear of recession was most apparent in Q2 of 2022, when the term “recession” was used 238 times on S&P 500 earnings calls. However, even after all the uncertainty that we have endured since this, such as the SVB collapse, Chinese property on the brink of collapse and a continued war in Europe, S&P companies are clearly not as concerned about the risk of recession now as they were last year. In Q2 of this year, the term “recession” was cited 62 times across the earnings calls of the S&P 500. This is 74% lower than the same time in 2022. This is also the 4th straight quarter where the usage of the term has fallen.

of S&P 500 Cos. Citing "recession" on Earnings Calls
(Source: FactSet)



Source: Insight.factset.com

Coinciding with this chart is the news that Goldman Sachs have lowered the probability of the US economy entering a recession over the next 12 months to 15% in September. Goldman lowered their probability due to the continued disinflation progress being seen across the globe. It is important to note that back in March of 2023 Goldman had forecasted a 35% chance of a US recession due to the banking crisis, however lower volatility and higher rates have helped bring down their estimate.

What we can gather from these two charts is that due to the continued efforts of Central Banks, along with positive labour market trends and record equity indices levels, the probability of a prolonged and damaging period of economic stagnation is becoming increasingly unlikely in the short term.

Exhibit 1: We Have Lowered Our 12-Month US Recession Probability Further to 15%



Source: Bloomberg, Goldman Sachs Global Investment Research