Written by **Bob Adelmann** on October 4, 2018

Clouds Appearing on the Economic Horizon

The bright blue sky that represents the U.S. economy got a little brighter on Wednesday with the release of ADP's jobs report for September. Not only did the 230,000 new jobs beat forecasters' estimates, ADP also adjusted upward August's jobs numbers by 5,000. That means that since the first of the year, the booming U.S. economy has added nearly two million new jobs. Mark Zandi, chief economist at Moody's Analytics, which partners with ADP in its jobs reporting, declared that "this labor market is rip-roaring hot."

And then Zandi went and spoiled it all by adding, "The risk is that this economy overheats is very high, and this is one more piece of evidence of that."

It's unclear exactly what Zandi means when an economy "overheats," but there are a few clouds appearing in that bright blue sky to which he might be referring.

There's a cloud in the housing market that could spell trouble for the economy, according to Lakshman Achuthan, co-founder of the Economic Cycle Research Institute (ECRI). He told CNBC's *Trading Nation* on Wednesday, "Our leading home price index has made a downturn that it hasn't made in a long time. The last time it was this weak … was in 2009 coming out of the last recession, and this leading index in 2006 really did call the housing bust [that triggered the Great Recession]."

There's the new car "dealer doldrums indicator," which also is clouding part of the sky. According to *AutoNews*, September auto sales year-over-year were off severely, many by double digits, among the nation's biggest carmakers. Ford sales are off 11.5 percent, General Motors' sales are off 15.8 percent, Fiat Chrysler's sales are off 11.5 percent, Honda's are off seven percent, Nissan's are down 13.3 percent, while Toyota's sales are down 10.4 percent.

Floyd Norris, long a financial correspondent for the *New York Times*, says that when that "dealer doldrums indicator … is down two percent or more, a recession is either under way or set to begin within a few months."

Another cloud in that bright blue sky is consumer debt (that excludes home mortgages) that has returned to historic levels and is estimated to hit $4 trillion before the end of the year.

Still another is the age of both the bull market in stocks and the economic recovery from the Great Recession. The bull market celebrated its ninth birthday in March and continues to set records as the longest bull market in U.S. history. And right behind it is the economic expansion, which is now 111 months old and will become the longest ever if it continues to next June.

There are sky-high stock evaluations compared to earnings that have reached towering proportions. Goldman Sachs just analyzed 40 years' worth of data and found that the valuation of the average stock in the S&P 500 index "is now in the 97th percentile" of the historic average.

There's the price of crude oil, which just hit a four-year high, a harbinger of gas prices at the pump easily hitting and then exceeding three dollars a gallon before the end of the year.

According to one market bear, even the good news from the Conference Board that consumer confidence now hovers at an 18-year high is bad news. Wrote Albert Edwards to his clients at Societe Generale, the French international banking and investment firm last month: "The U.S. consumer has gorged on optimism until they are fit to burst. This [report from the Conference Board] is as good a contrary indicator as [any]."

The biggest cloud in the sky is the incomprehensibly large and growing national debt. As *The New American* just noted, "The government's national debt jumped in the fiscal year ending September 30 from $20.2 trillion to $21.5 trillion or by $1.3 trillion. That's more than a six-percent increase year over year which, if not reined in, will double the national debt to $43 trillion in less than 12 years."

By themselves these clouds mean little — there's no single weather bureau red light flashing or siren sounding — but taken together there's enough evidence that there may be a storm brewing on the horizon.

Conor Lynch, writing at TheWeek.com on Wednesday, prefers a baseball analogy: "More than a century of data on business cycles show that recessions tend to come every five to 10 years, indicating that [this] boom may be entering its final innings"

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An Ivy League graduate and former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at LightFromTheRight.com, primarily on economics and politics. He can be reached at badelmann@thenewamerican.com.

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