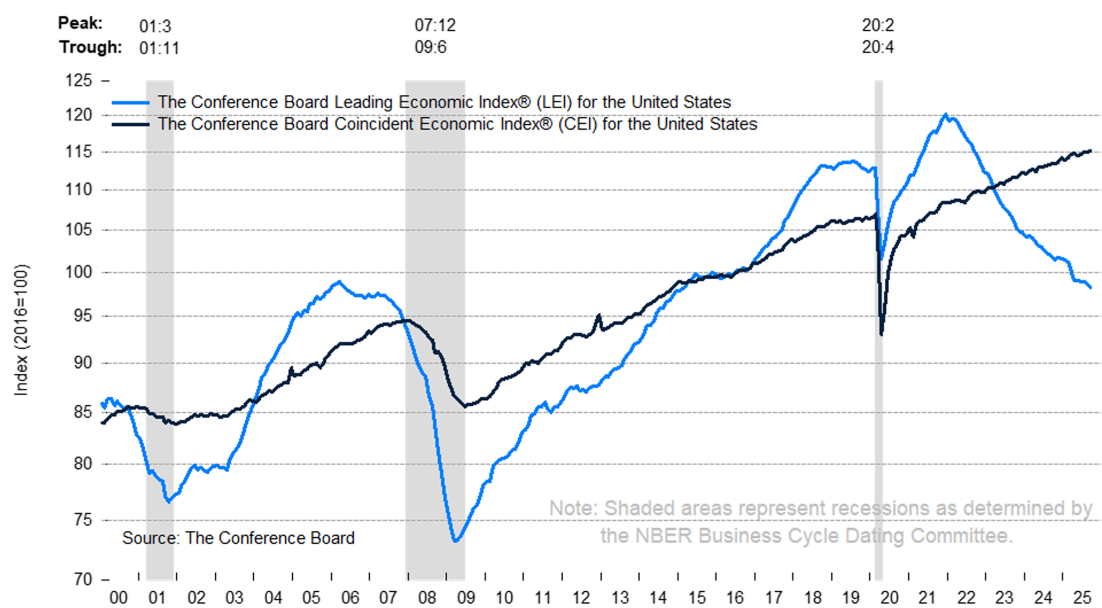
Harry's Take

January 13, 2026

Major Divergence in Conference Board Leading Indicator

This chart from the Conference Board shows a rare and huge divergence between its LEI (Leading Index) and its CEI (Coincident Index) that reflects the current economy. You can see in this chart that after the LEI crossed below the CEI in late 2023 a recession should have followed in 2024. But I chalk that up to the unprecedented nonstop stimulus since 2008 that has distorted our economy beyond any previous conceptions.

Leading vs. Coincident Indicator Suggests a Huge Pent-Up Downturn?



Source: https://www.conference-board.org/topics/us-leading-indicators/

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I think this best tells the story I'm trying to convey. You can't just print money and stimulate your way out of a long economic downturn like the Gen X Spending Wave decline of 2008 – 2023. I would read this unprecedented divergence in these very good indicators as another sign that we won't likely see a modest slowdown, recession or crash ahead… but a major one!

The LEI has already fallen from a peak of just over 120 down to 98. A serious recession should take its ultimate decline down to at least the 2009 low of 73. That would entail a much larger fall of 45 points vs. the 2006 to 2009 fall of 25 points. That could mean a recession roughly twice as deep as 2008 to 2009… and that is clearly in the realm I am expecting: a 3-year plus depression, not just another deep recession like 2008 to 2009. Some would think this divergence simply means this indicator is not working so well. I think it's flashing an "extreme danger" warning.

Harry

Got a question or comment? You can reach us at info@hsdent.com.