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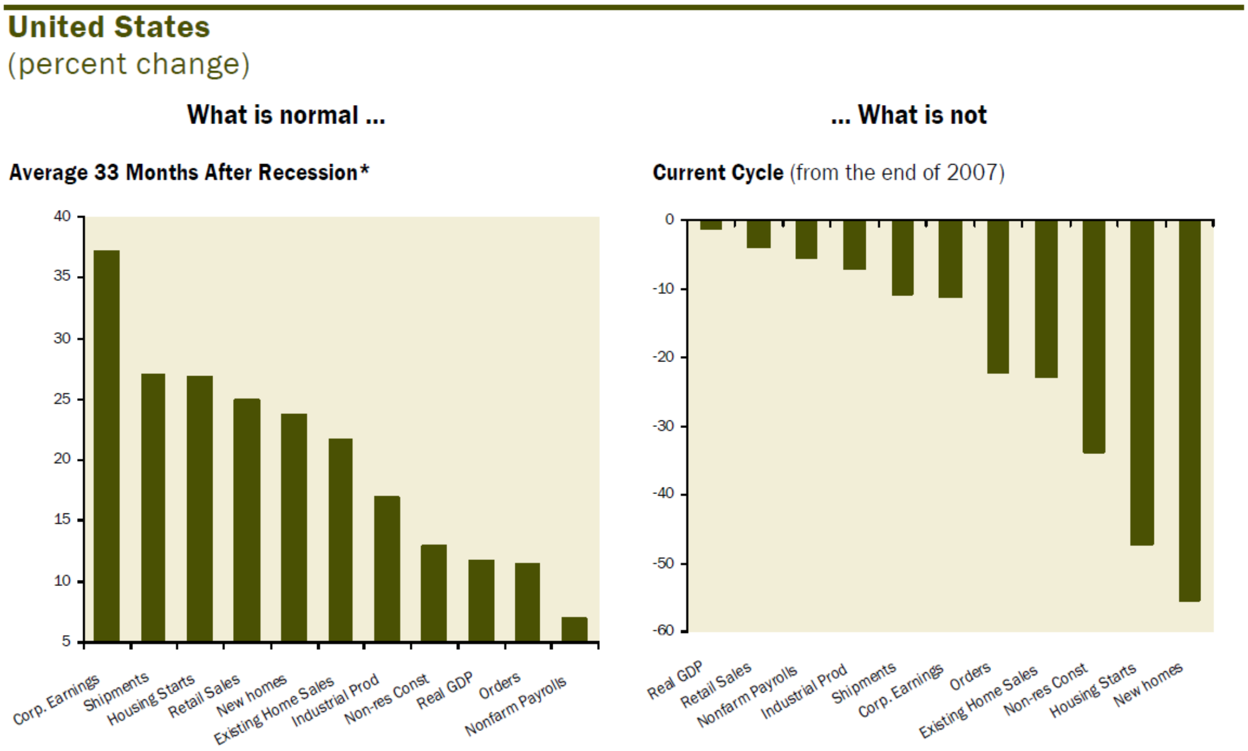
Double-Dip, or the Same Hard Slog?

"The NBER does not define a special category called a double-dip recession. Two periods of contraction either will be two separate recessions or parts of the same recession. One criterion that the Committee applies is whether economic activity surpassed its previous peak between the two contractions… The Committee also has to guard against the possibility, even if very small, that what seems to be the beginning of an expansion is actually just an interruption in a longer contraction."

Business Cycle Dating Committee FAQs, National Bureau of Economic Research website

The NBER marks December 2007 as the beginning of a recession whose end it has yet to declare. Nonetheless, many commentators have already chosen the 2nd Quarter 2009 trough in real GDP as the recession's final hour. We've been loath to embrace that view, mainly because economic activity has yet to surpass its previous peak as defined by a variety of measures. This chart from economist David Rosenberg (Gluskin Sheff) speaks volumes.



***Covers eight recession cycles going back to 1950 (does not include truncated 1980 recession).**

Source: Haver Analytics, Gluskin Sheff. From David Rosenberg's September 8, 2010 commentary. Reprinted by permission. Thank you, Mr. Rosenberg and Gluskin Sheff + Associates Inc., for sharing your superb work.

If the December 2007 recession hasn't ended, arguments about whether we're going "back into" recession are words wasted. Semantics aside, the important thing is discerning the long trend amidst short-term noise, and that trend is a debt deflation stronger than government attempts to reflate the torn credit balloon. Equity-wise, this plays to our focus on high quality companies with robust dividend payouts, and bond-wise, it has us tolerating long durations, even as we remain vigilant for the day inflation rouses and demands the bloody bill be paid.