From the Desk of Hugh Johnson
Chairman and Chief Economist, Hugh Johnson Economics
Prepared for attendees of the Sunrise Multifamily Summit
SunriseMC.com October 30, 2025

Sunrise Management & Consulting
Multifamily Summit

Introduction

This handout summarizes the main points from my presentation at the Sunrise Multifamily Summit on October 30, 2025. It provides an overview of postwar market cycles, current financial and economic conditions, and forecasts for growth, employment, inflation, and interest rates through 2027. The information presented here reflects data and analysis from Hugh Johnson Economics, prepared for distribution to Summit attendees.

Lessons from 11 Post-War Bull Markets

Since WWII (Starting in 1949), there have been 11 Complete Bull Markets and 11 Complete Bear Markets, each accompanied by a recession. Bull markets have averaged 63.9 months with a magnitude of 147.5%, while bear markets have averaged 13.4 months with an average magnitude of 29.5%.

Four bull markets have been longer than average (1960–68, 1982–1990, 1990–2000, 2009–2020), lasting an average of 108.8 months. If the current bull market lasts 108.8 months, it would end in March 2029. *Bull markets can last a long time.*

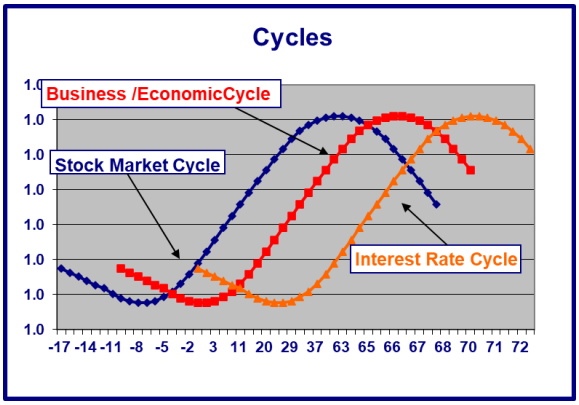
If the bear market that follows the bull market is average, it will begin in March 2029 and end in April 2030. *Bear markets can also last a somewhat long time.*

(The recession, if average, that accompanies the bear market will last 10.4 months and contract 3.0%.)

Methodology:

It is better to be a *trend follower* than a *trend forecaster.*

- **Trends of the Financial Markets.**
- **Trends of Important Monetary and Economic Variables.**



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The Kindleberger-Fischer-Minsky Model

"The circumstances that induce recurrent lapses into financial dementia have not changed in any truly operative fashion since the Tulip Mania of 1636-1637."

Johns Kenneth Galbraith

1. **The Investment Stage**
2. **The Stage of Speculation**
3. **The Stage of Financial Distress**
4. **The Stage of Revulsion**

The Stage of Speculation

Minsky suggested that the events that lead to a crisis start with a "displacement" or innovation, an exogenous shock to the macroeconomic system. If the shock was sufficiently large and pervasive, the economic outlook and the anticipated profit opportunities would improve in at least one important sector of the economy. Business firms and individuals borrow to take advantage of the increase in the anticipated profits in this sector. Economic growth would quicken, and in turn, there might be feedback to even greater optimism.

The Stage of Distress

As buyers become less eager and the sellers become more eager, an uneasy period of "financial distress" followed: the term reflects that a firm is unable to fulfill its debt servicing commitments. For the economy, the equivalent is the awareness by many firms and individual investors that it is time to become more liquid-to increase their money holdings. They sell real estate and stocks, and their prices fall sharply…. Some highly leveraged investors may tumble into bankruptcy because the decline in prices is so large that the market value of their securities and real estate declines below their indebtedness; some homeowners may have 'upside-down mortgages.' Some investors continue to hold the securities because they believe that the price decline is temporary, a hiccup.

The Stage of Revulsion

The race from securities to money may become a stampede…. The rush is on -prices decline, and bankruptcies increase. Liquidation sometimes is orderly but may escalate into panic as investors realize that only a few can sell while prices remain modestly below their peak values. …The banks become much more cautious in making new loans based on the collateral of commodities, securities, and real estate because their prices have been declining and are more uncertain.

A timely comment from Carmen Reinhart and Kenneth Rogoff is worth including.

> **For banking crises, real housing prices are nearly at the top of the list of reliable indicators (early warning signs), surpassing the current account balance and real stock prices by producing fewer false alarms. Monitoring developments in the price of this asset has clear value added for helping to anticipate potential banking crisis scenarios.[1]**

Financial Market Trends

- **The S&P 500 has increased 7.4%. The S&P 500 increased 10.6% in Q2.**
- **"Bull market sectors" (technology, communications services, industrials, consumer discretionary) have outperformed "bear market sectors" (utilities, consumer staples, real estate, healthcare).**

Q2	%
Technology	22.3%
Communications Services	18.1%
Industrial	12.7%
Consumer Discretionary	12.1%
S&P 500	10.6%
Financials	5.5%
Utilities	4.2%
Basic Materials	3.6%
Consumer Staples	1.7%
Real Estate	-0.8%
Healthcare	-7.4%
Energy	-7.8%

July 2025-	%
Technology	14.1%
Utilities	13.0%
Communications Services	11.5%
S&P 500	7.4%
Healthcare	6.1%
Consumer Discretionary	5.2%
Industrial	3.3%
Real Estate	1.8%
Basic Materials	1.0%
Energy	0.1%
Financials	-0.4%
Consumer Staples	-2.0%

- **Growth stocks have outperformed value stocks.**

Q3	%
Growth Index	10.6%
Value Index	6.4%

- **Small Cap now outperforming Large Cap**

Q3	%
Small	7.4%
Large	3.7%
Mid	9.1%

[1] **Carmen Reinhart and Kenneth Rogoff This Time is Different pages 279-281.**

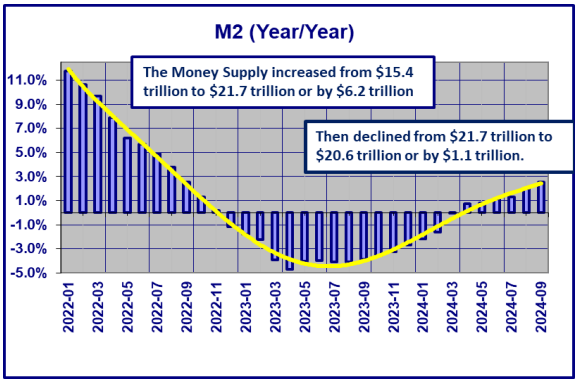
- **Quality spreads, as measured by the difference between the yield on investment grade fixed income securities (bonds) and U.S. Treasury notes, have narrowed. Quality spreads, as measured by the difference between the yield on below investment grade fixed income securities (bonds) and U.S. Treasury notes, have narrowed.**

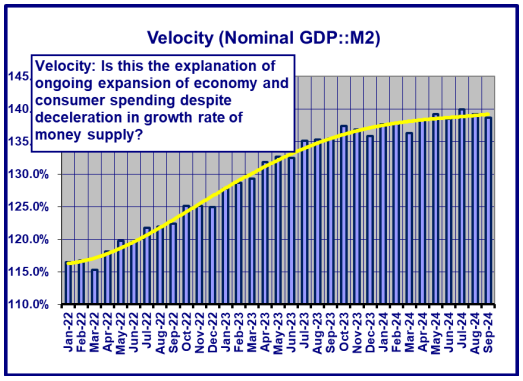
- **The yield curve, as measured by the difference between the yield on a 10-year U.S. Treasury note and a 91-day U.S. Treasury bill, has widened. The probability of a recession starting in 12 months has declined from 30.22% (March) to 28.72% (June) to 27.42% in September.[2]**

Monetary and Economic Trends

The Federal Reserve *increased* its holdings of financial assets by $4.5 trillion. (2020-2021).
The Federal Government *increased* its spending by $2.1 trillion. (2020-2021)
M2 *increased* by $6.2 trillion (2020-2021).
Consumer Price Index increased 1.2% (2020), 4.7% (2021), and 8.0% (2022).

The Federal Reserve *reduced* its holdings of financial assets by $2.1 trillion. (2022-2023).
The Federal Government *reduced* spending by $1.1 trillion. (2022-2023).
M2 declined by $1.1 trillion. (2022-2023).
Consumer Price Index increased by +4.7% (2021), +8.0% (2022), and 4.3% (2023).





Forecast for the Economy, Employment, Inflation, Federal Reserve Policy, Longer-Term Interest Rates, and Stock Prices

The consensus forecasts that (1) the economy expanded 2.8% in Q3, will expand 1.1% in Q4, 1.5% in Q1, 1.9% in Q2, and 2.0% in Q3. The consensus forecasts that (2) the unemployment rate increased 4.3% in Q3, and will average 4.4% in Q4, 4.5% in Q1, 4.5% in Q2, and 4.5% in Q3. The consensus

[2] **The yield curve has inverted 10 times. 8 have been accompanied by a hard landing or recession. 2 have not been.**

forecasts that (3) inflation increased 2.7% in Q3 and will increase 2.9% in Q4 and 2.8% in Q1, Q2, and Q3.

Quarter	HJ Economics-Real GDP	HJ Economics-Unemployment Rate	HJ Economics-PCE Price Index
2025-Q1	-0.5%	4.1	2.3%
2025-Q2	3.8%	4.2	2.6%
2025-Q3	1.3%	4.3	2.6%
2025-Q4	1.2%	4.3	2.6%
2026-Q1	1.6%	4.2	2.3%
2026-Q2	1.9%	4.1	2.3%
2026-Q3	2.0%	3.9	2.4%
2026-Q4	2.0%	3.8	2.4%
2027-Q1	2.0%	3.7	2.4%
2027-Q2	2.4%	3.5	2.5%
2027-Q3	2.4%	3.4	2.5%
2027-Q4	2.4%	3.2	2.5%
2025	1.8%	4.2	2.5%
2026	1.8%	4.0	2.4%
2027	2.1%	3.5	2.5%

Based upon the forecast for the unemployment rate and inflation, HJ Economics forecasts that the Federal Reserve will reduce interest rates at the October meeting, at the December meeting, one time in 2026, and one time in 2027. The forecast for Federal Reserve interest rate policy implies that longer-term interest rates as measured by the yield on 10-year U.S. Treasury notes will average 4.04% in Q4 2025, 3.88% in Q4 2026, and 3.75% in Q4 2027.

Based upon the forecast for Federal Reserve interest rate policy and the yield on longer-term interest rates, HJ Economics anticipates that the S&P 500 will average 6634 in Q4 2025, 7534 in Q4 2026, and 8490 in Q4 2027.

Quarter	HJ Economics-Federal Funds Rate	HJ Economics-10-Year US Treasury	HJ Economics-S^&P 500
2025-Q1	4.375%	4.25%	5901
2025-Q2	4.375%	4.27%	5737
2025-Q3	4.125%	4.17%	6433
2025-Q4	3.625%	4.04%	6634
2026-Q1	3.375%	3.99%	6804
2026-Q2	3.375%	3.95%	7038
2026-Q3	3.375%	3.91%	7285
2026-Q4	3.375%	3.88%	7535
2027-Q1	3.125%	3.84%	7722
2027-Q2	3.125%	3.80%	7964
2027-Q3	3.125%	3.78%	8223
2027-Q4	3.125%	3.75%	8490
2025	4.125%	4.18%	6176
2026	3.375%	3.93%	7165
2027	3.125%	3.79%	8100

Summary of Risks

Federal Deficits. The One Big Beautiful Bill Act (the 2025 Reconciliation Act) is forecast to increase the federal budget deficit by $3.1 trillion and reduce real Gross Domestic Product by .3% per year between 2025 and 2035. (The Penn Wharton Budget Model). While the tax reductions may stimulate the economy modestly, they are not expected to generate enough growth to meaningfully offset the large increase in deficits.

Tariff Revenues and Deficits. Based upon 2025 tariff receipts, federal government deposits from tariff revenues have increased at an annual rate of $3.242 billion in 2025. Effectively (in theory), tariff revenues are forecast to offset deficit increases and, hence, finance the tax reductions of the 2025 Reconciliation Act (One Big Beautiful Budget Act). Importantly, while the tax reductions may stimulate the economy modestly, they are not expected to generate enough growth to meaningfully offset the large increase in deficits (Penn Wharton Budget Model).

Deportation and Immigration. The number of foreign-born in the U.S. population has declined by 1.4 million from 53.3 million to 51.9 million in 2025. The number of foreign-born (immigrants) in the labor force has declined from 31.7 million to 30.95 million, or by "approximately 750,000" in 2025. HJ Economics estimates that the labor force has declined in 2025. U.S. Real Gross Domestic Product is a function of the size of labor force/number employed and productivity. (Productivity declined 1.8% in Q1 and increased 3.3% in Q2.)

A Financial/Banking Crisis? Foreign public and private investors have (1) borrowed money, (2) increased their buying of US financial assets (cross-border investment flows have increased), and (3) increased their buying of US equities and US residential real estate in particular. In response, the US dollar has appreciated, and the US economy has expanded.

For the 2020 through 2025 period, lending by U.S. financial institutions to foreign public and private investors has increased at a 5.0% annual rate; buying of U.S. financial market instruments has increased at a 9.8% annual rate; buying of U.S. equities has increased at a 15.3% annual rate; and this has been reflected in a 4.3% increase in the dollar. The risks of reversed capital flows (cross-border investment flows is meaningful.

In time, cross-border investment flows will slow, economic conditions will slow, lending will slow, real estate and securities prices will decline, the dollar will decline, and US economic conditions will contract.