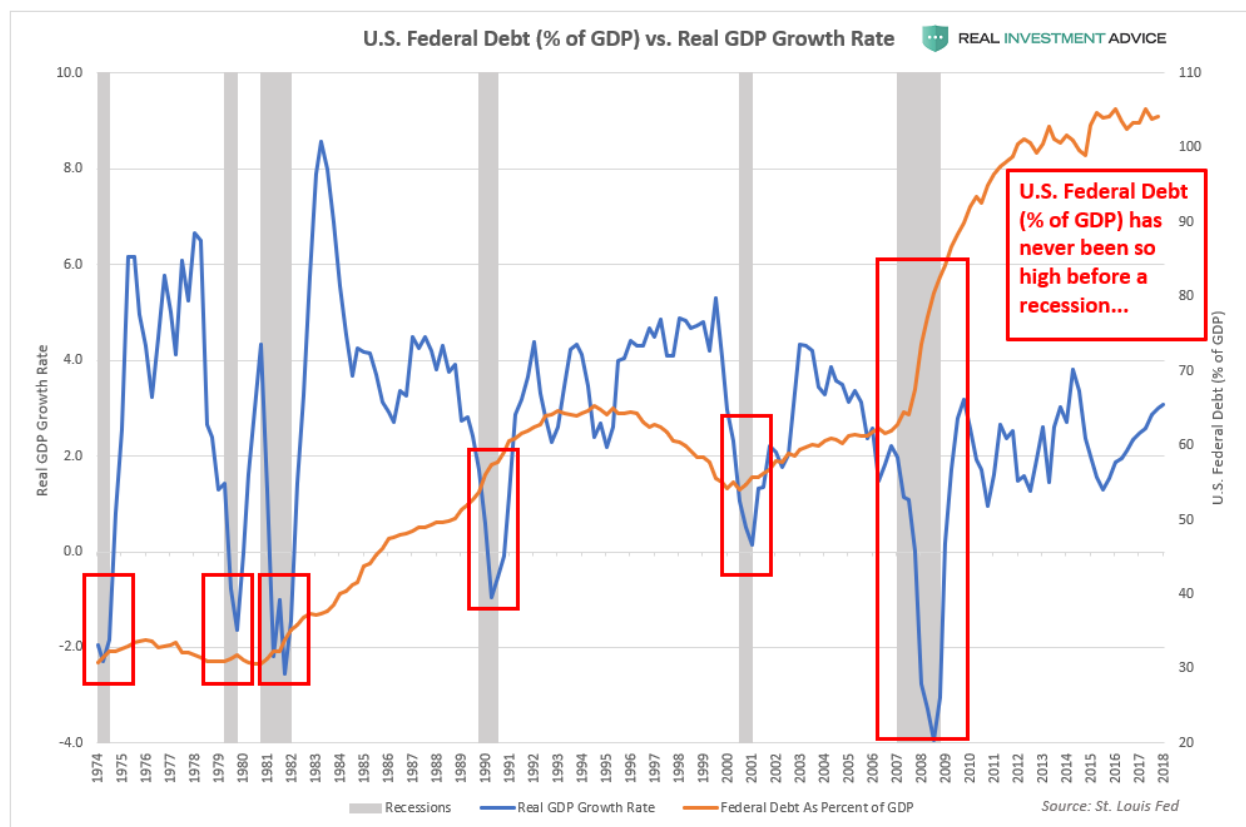
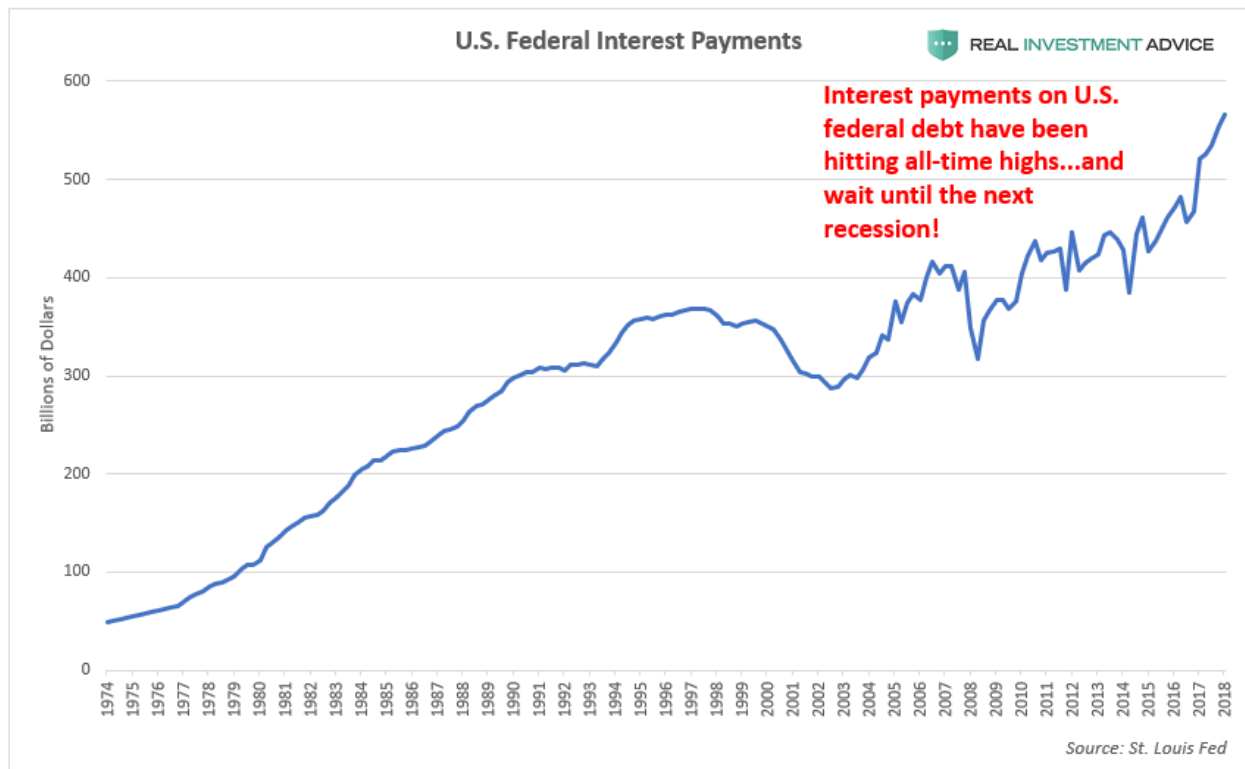


As the current economic cycle becomes increasingly long-in-the-tooth and macroeconomic and earnings data [deteriorate](#), it is time to start thinking about the next recession. In particular, I wanted to point out that **the U.S. federal debt burden has never been so high before a recession**, as the chart below shows (hat tip to my Twitter follower [@grimacemcdonald](#) for the idea). In past recessions (see gray bars on chart), the U.S. federal government ramped up spending in order to help support the economy. With federal debt at over 100% of the GDP (vs. 62% before the Great Recession), however, it will be a much greater challenge to keep the economy afloat in the coming recession.



Though interest rates have been at ultra-low levels for the past decade, the sheer amount of U.S. federal debt (over \$22 trillion) is the reason why interest payments have spiked over the past couple years. To make matters worse, this debt will eventually need to be refinanced at higher interest rates, which means that interest payments will rise even more. Another recession combined with another ramp-up of federal debt will cause these payments to rise even more. This is how sovereign debt crises happen.

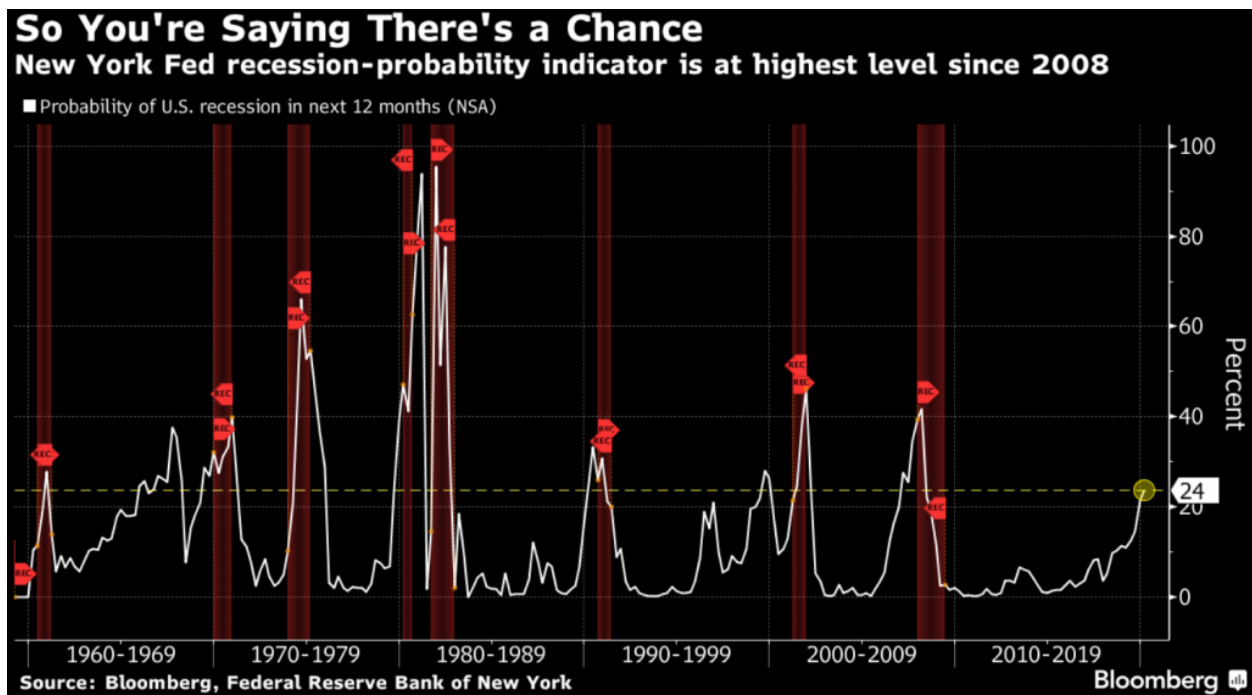


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Think another U.S. recession is unlikely any time soon? As Lance Roberts has [been saying](#), the odds are much higher than most people think. For example, the extremely accurate New York Federal Reserve recession indicator is now at its highest level since 2008:



Though the stock market has been rallying in the face of deteriorating data, now is not the time for complacency. In [my view](#), the fact that the stock market has been rallying for the past two months is a sign of an extremely unhealthy market in which the Fed/central banks are panicking and doing whatever they can to prop it up as recession odds increase.

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