November 17, 2016

Business Cycle Index

The BCI at 213.6 is up from last week's 212.1 and it is above its previous high for this Business Cycle as indicated by the BCIp at 100. Also, the 6-month smoothed annualized growth BCIg at 14.9 is above last week's 14.5. No recession is signaled.

November 18, 2016

Market Signals Summary:

The MAC-US model is invested. Also invested is the "VMNFX vs. SPY Timer". The "3-mo Hi-Lo Index of the S&P500" generated a sell signal on 9/27/2016 . The monthly updated S&P500 Coppock indicator entered the markets in May. The MAC-AU is also invested. The recession indicators COMP and iM-BCIg do not signal a recession. The bond market model avoids high beta (long) bonds, the yield curve is steepening. The gold model is invested and the silver model exited the market on June 24.

Stock-markets:

The MAC-US model generated a buy-signal 4/5/2016 and thus is invested in the stock-markets. The sell-spread (red graph) is down from last week's level and has to fall below zero to signal a sell.

The 3-mo Hi-Lo Index of the S&P500 is above last week's level and at -1.94% (last week -2.19%) and is not invested the stock markets since 9/27/2016. It has to rise above 5% to generate a entry signal.

The VMNFX vs. SPY Timer signaled an entry into the stock markets on 3/28/2016. For this model to exit the markets the indicator has to rise above the 2% trigger line, the indicator is near last week's level.

The MAC-AU model is invested in the markets after it generated a buy signal on March 21, 2016. The sell-spread is below last week's level and has to fall below zero to signal a sell. This model and its application is described in MAC-Australia: A Moving Average Crossover System for Superannuation Asset Allocations.

Recession:

Figure 3 shows the COMP near last week's level. No recession is indicated. COMP can be used for stock market exit timing as discussed in this article The Use of Recession Indicators in Stock Market Timing.

Figure 3.1 shows the recession indicator iM-BCIg up from last week's level. An imminent recession is not signaled. Please also refer to the BCI page

The Forward Rate Ratio between the 2-year and 10-year U.S. Treasury yields (FRR2-10) is near the previous week's level and far away from signaling a recession. A description of this indicator can be found here.

November 18, 2016

Bond-market:

The BVR-model avoids high beta bonds (long-bonds) and also intermediate duration bonds.

The Bond Value Ratio is shown in Fig 4. The BVR is below last week's level. According to the model, only when BVR turns upward after having been lower than the lower offset-line should one consider long bonds again.

The Yield Curve:

The yield curve model indicates the trend of the 10-year and 2-year Treasuries yield spread. Figure 5 charts (i10 – i2) which declined over the last year, and has formed a trough and is rising. A buy STPP signal was generated on 11/7/2016. FLAT and STPP are ETNs; STPP profits from a steepening yield curve and FLAT increases in value when the yield curve flattens. This model confirms the direction of the BVR.

Gold:

The modified Coppock Gold indicator shown in Fig 6. This model generated a new buy signal early November 2016 and is invested in gold. This indicator is described in Is it Time to Buy Gold Again? – Wait for the buy signal …….

The iM GOLD-TIMER is invested in gold. This indicator is described in the article: The iM Gold-Timer

Silver:

The modified Coppock Silver indicator shown in Fig 7 and exited the market on June 24, 2016, as the holding period since the last buy has expired .

This indicator is described in Silver – Better Than Gold: A Modified Coppock Indicator for Silver.

Monthly Updates

November 4, 2016 (next update December 02, 2016)

Unemployment

The unemployment rate recession model (article link), has been updated with the October UER of 4.9%. Based on the historic patterns of the unemployment rate indicators prior to recessions one can reasonably conclude that the U.S. economy is not likely to go into recession anytime soon. However, the growth rate UERg continues to rise (now at -3.15%) and EMA spread of the UER is near last month's value (now at -0.10), supporting the trend of the long leading indicator DAGS. Here is the link to the full update.

The Dynamic Linearly Detrended Enhanced Aggregate Spread:

Long leading indicator DAGS at 9 (last month 19), a level from which it has never recovered in the past. Should this downward trend continue then, according to this indicator, a recession could be expected to begin after August-2017.

Coppock Indicator for the S&P500

The Coppock indicator for the S&P500 generated a buy signal on May 19, 2016. This model is now in the market. This indicator is described here.

Trade Weighted USD

The TW$ value has steadied, and the 6 month moving is near the 4wk average.

TIAA Real Estate Account

The 1-year rolling return for the end of last month is 5.02%. The Vanguard REIT Index Fund is at an all-time high; the good positive returns of TIAA Real Estate Account are expected to continue. A sell signal is not imminent.

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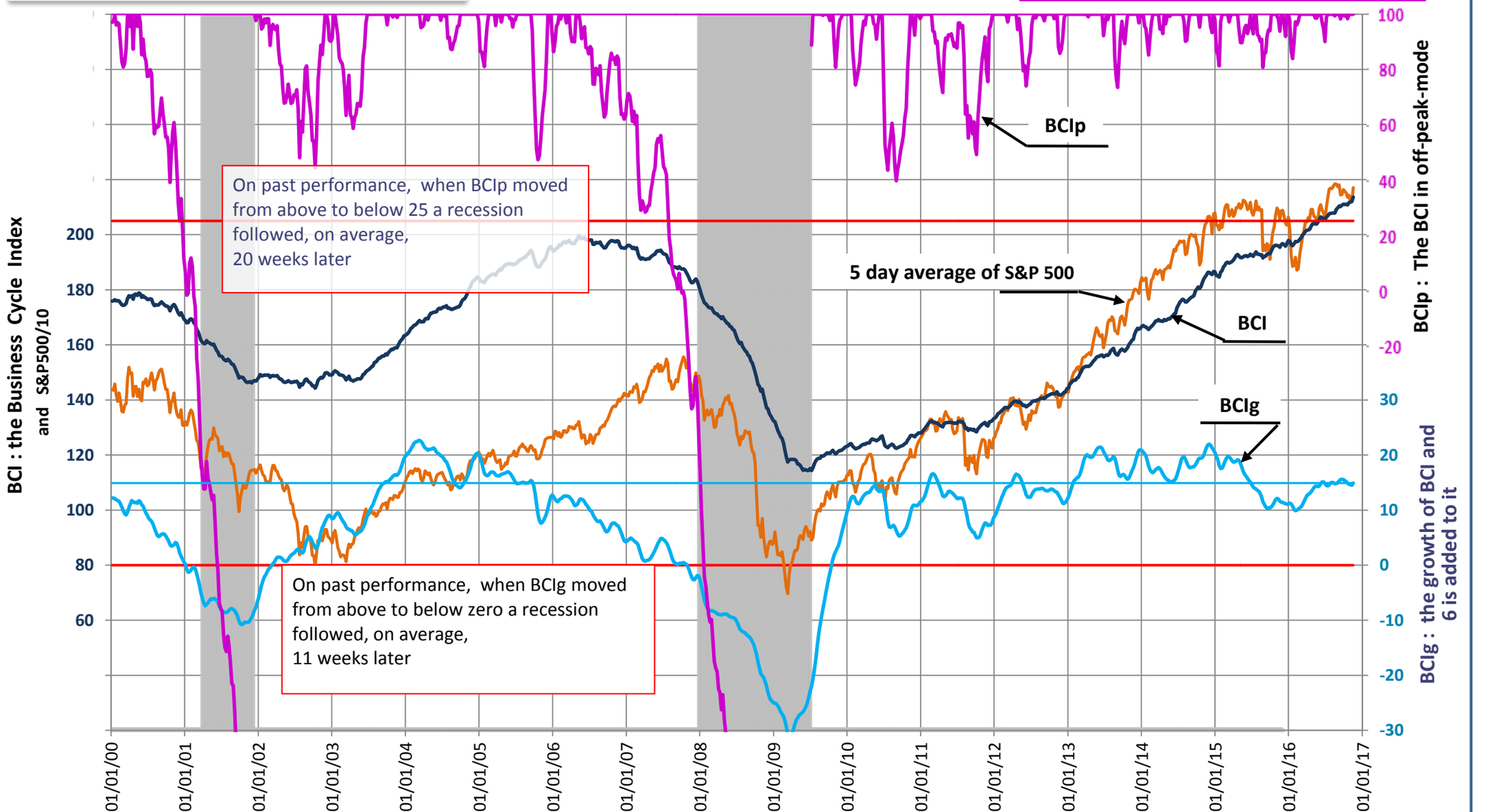
iM's Business Cycle Index (BCI)

Date	10/20	10/27	11/03	11/10	**11/17**
BCIp	98.4	100.0	100.0	100.0	**100.0**
BCI	210.9	211.6	211.8	212.1	**213.6**
BCIg	14.9	14.7	14.6	14.5	**14.9**

BCIp, BCI and BCIg
updated to November 17, 2016

On past performance, BCIp = 100 can be interpreted as an average one year "time-to-live" to a recession.



Please note: Past performance does not guarantee future returns, investments may increase or decrease in value and you may lose money using this model.

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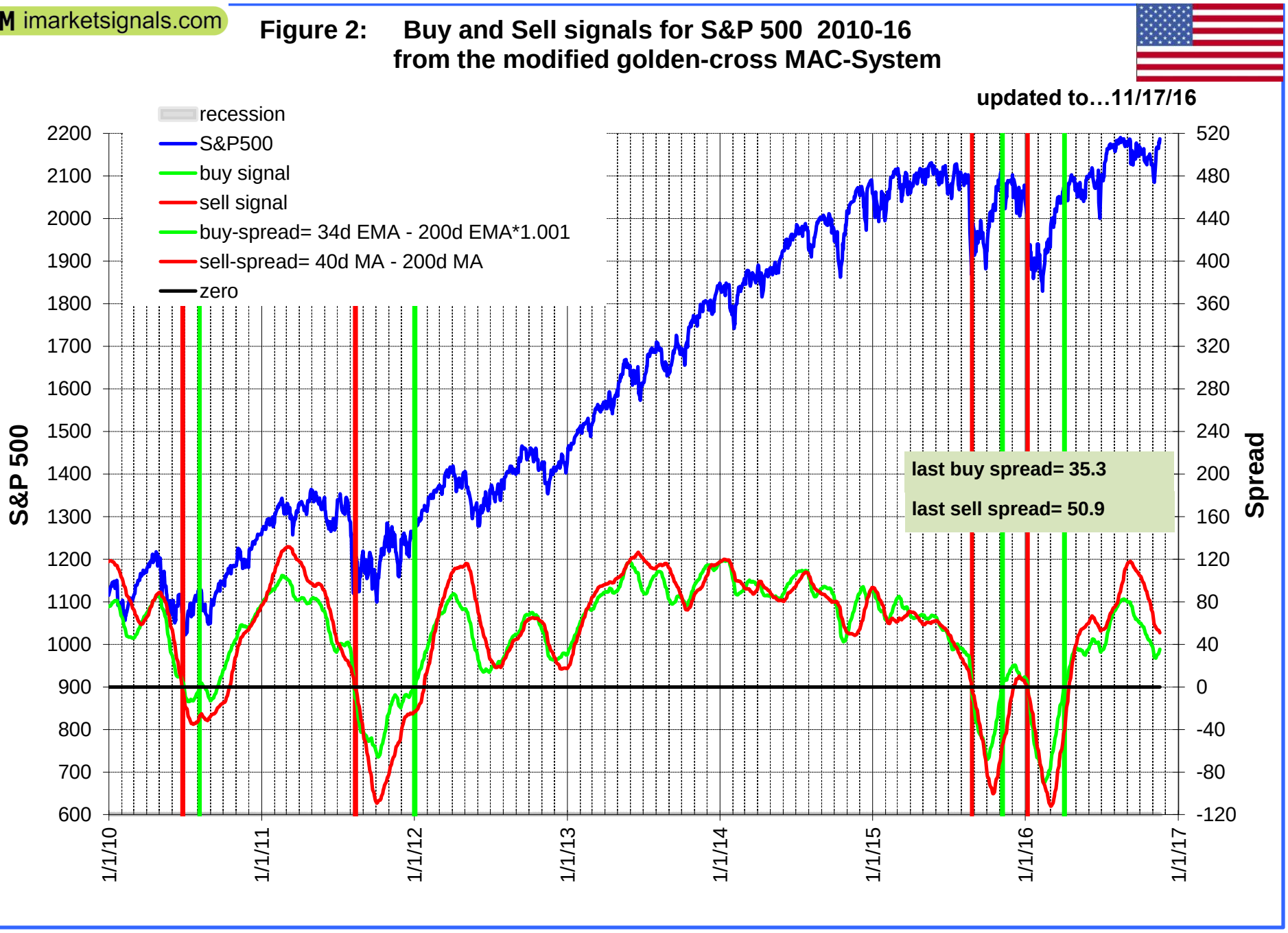
Figure 2: Buy and Sell signals for S&P 500 2010-16 from the modified golden-cross MAC-System



2-MAC rev8-27-15.xlsm

Please note: Past performance does not guarantee future returns, investments may increase or decrease in value and you may lose money using this model.

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Fig 2.1: Buy and Sell signals for the Australia All Ordinaries Index from the MAC-AU System

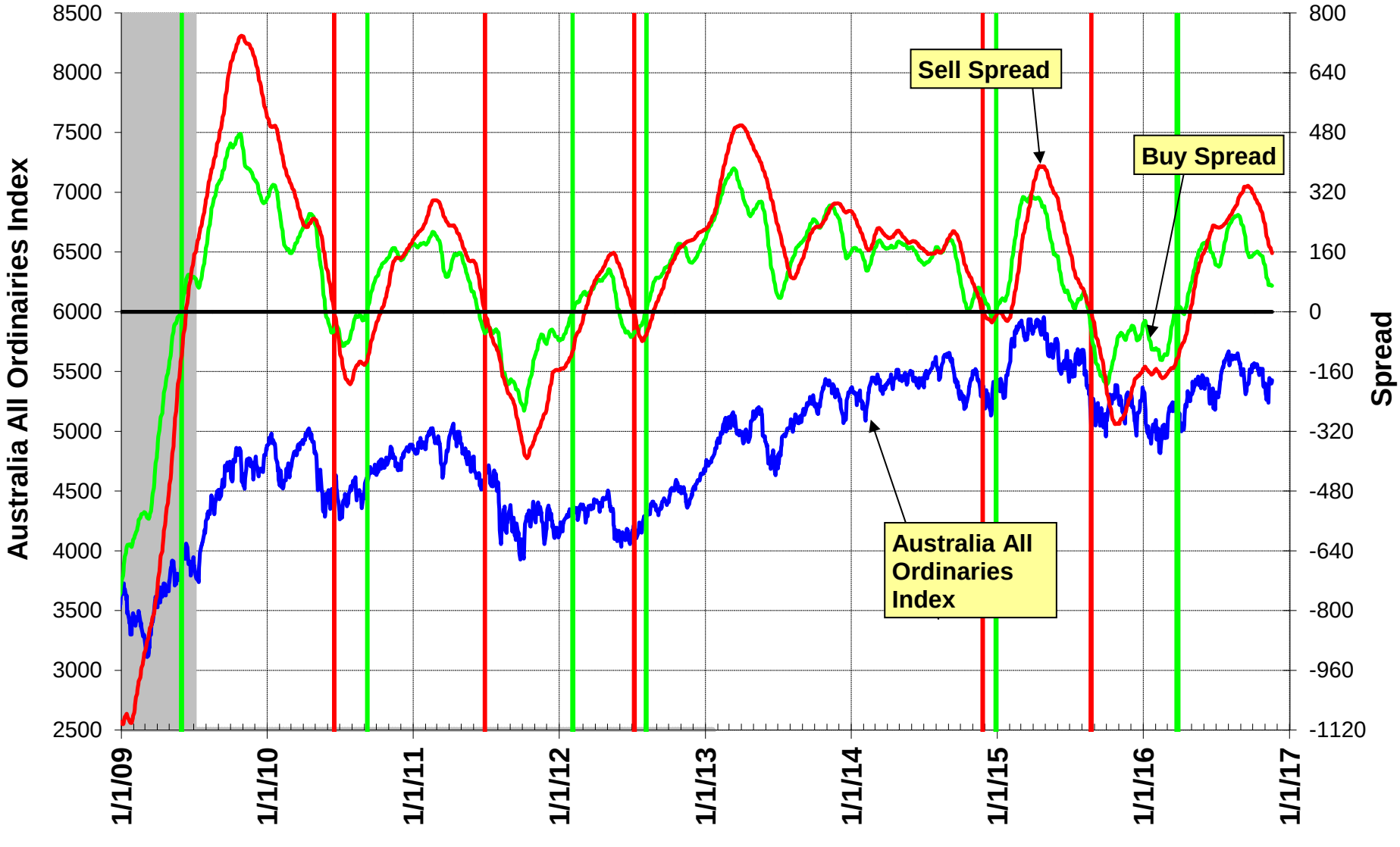

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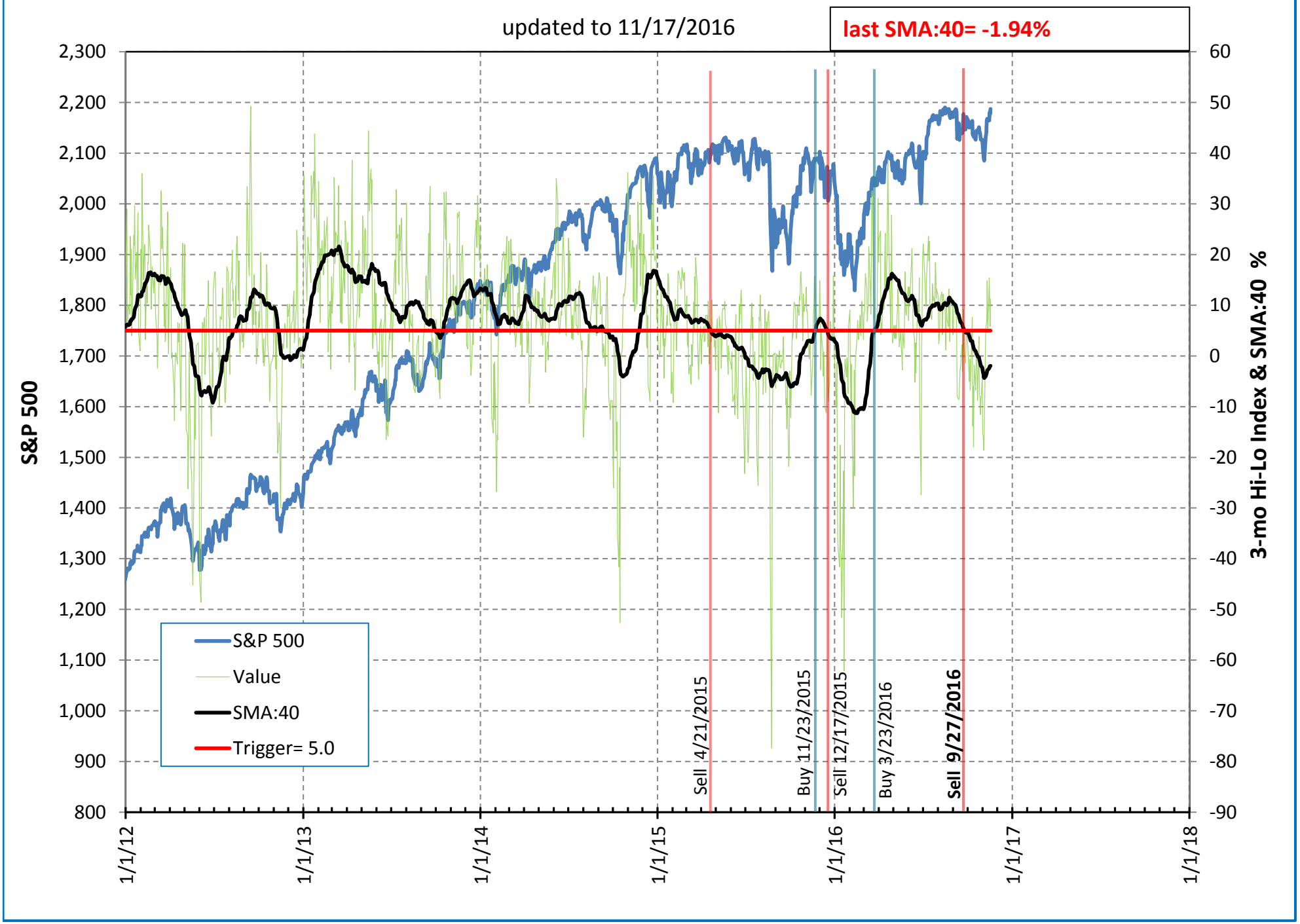
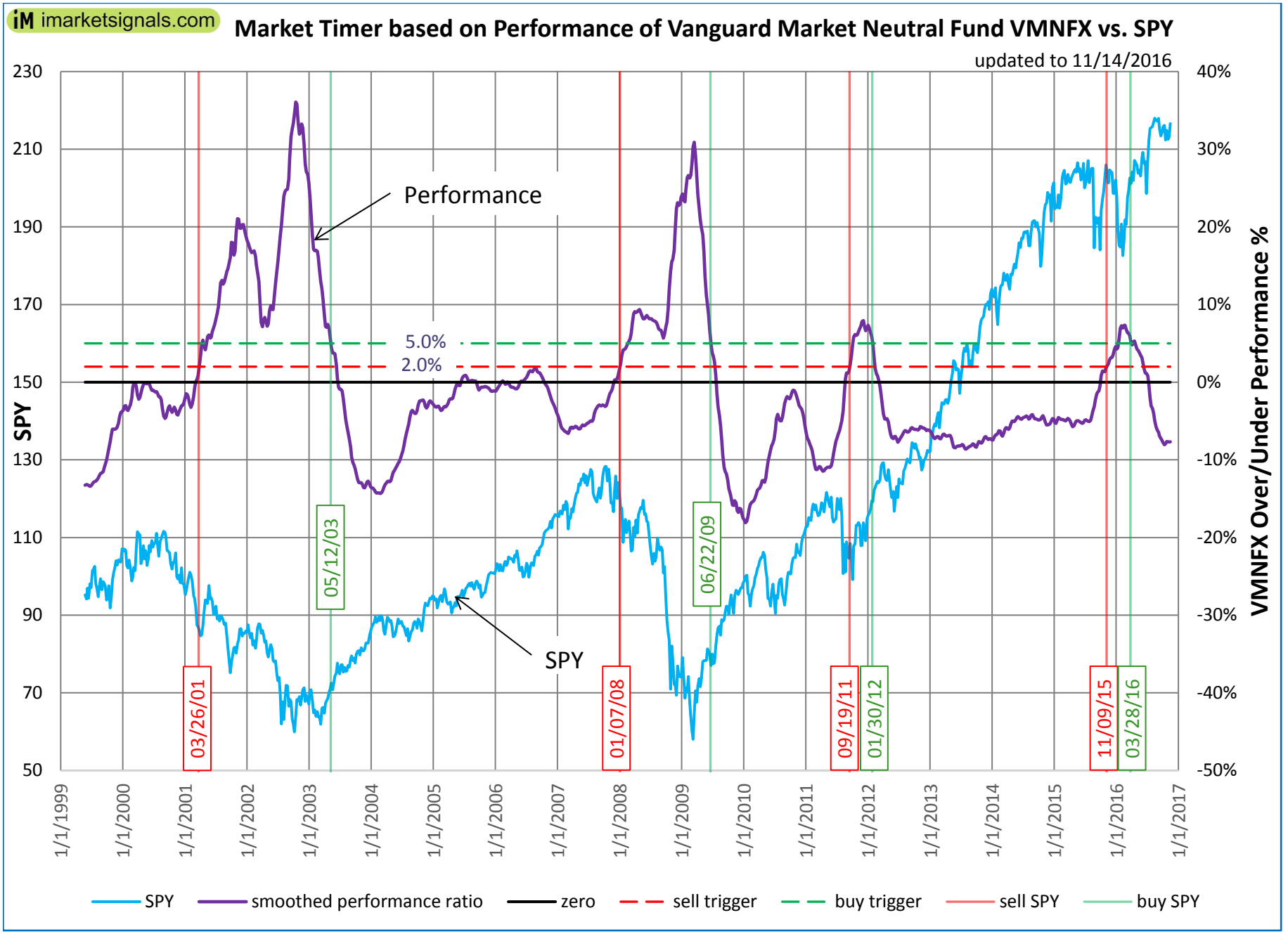
Fig 2.2 3-mo Hi-Lo Index of the S&P500 & 40-day SMA of Index

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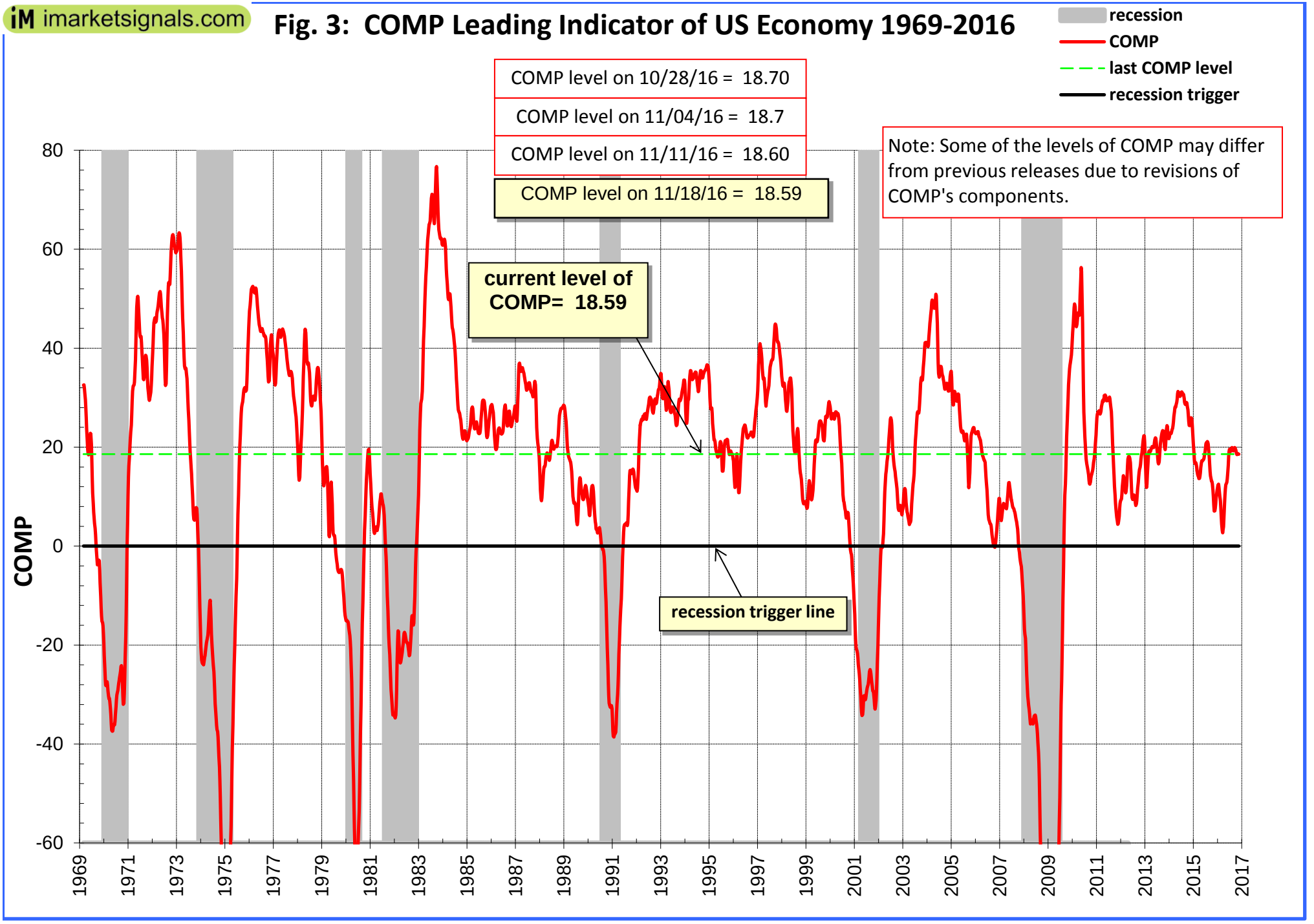
Market Timer based on Performance of Vanguard Market Neutral Fund VMNFX vs. SPY
updated to 11/14/2016
SPY
VMNFX Over/Under Performance %
Performance
SPY
5.0%
2.0%
03/26/01
05/12/03
01/07/08
06/22/09
09/19/11
01/30/12
11/09/15
03/28/16
230
210
190
170
150
130
110
90
70
50
40%
30%
20%
10%
0%
-10%
-20%
-30%
-40%
-50%
1/1/1999
1/1/2000
1/1/2001
1/1/2002
1/1/2003
1/1/2004
1/1/2005
1/1/2006
1/1/2007
1/1/2008
1/1/2009
1/1/2010
1/1/2011
1/1/2012
1/1/2013
1/1/2014
1/1/2015
1/1/2016
1/1/2017
SPY
smoothed performance ratio
zero
sell trigger
buy trigger
sell SPY
buy SPY

iM imarketsignals.com

Fig. 3: COMP Leading Indicator of US Economy 1969-2016



3-COMP.xlsm

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Fig 3.1: iM-BCIg 1969-2016

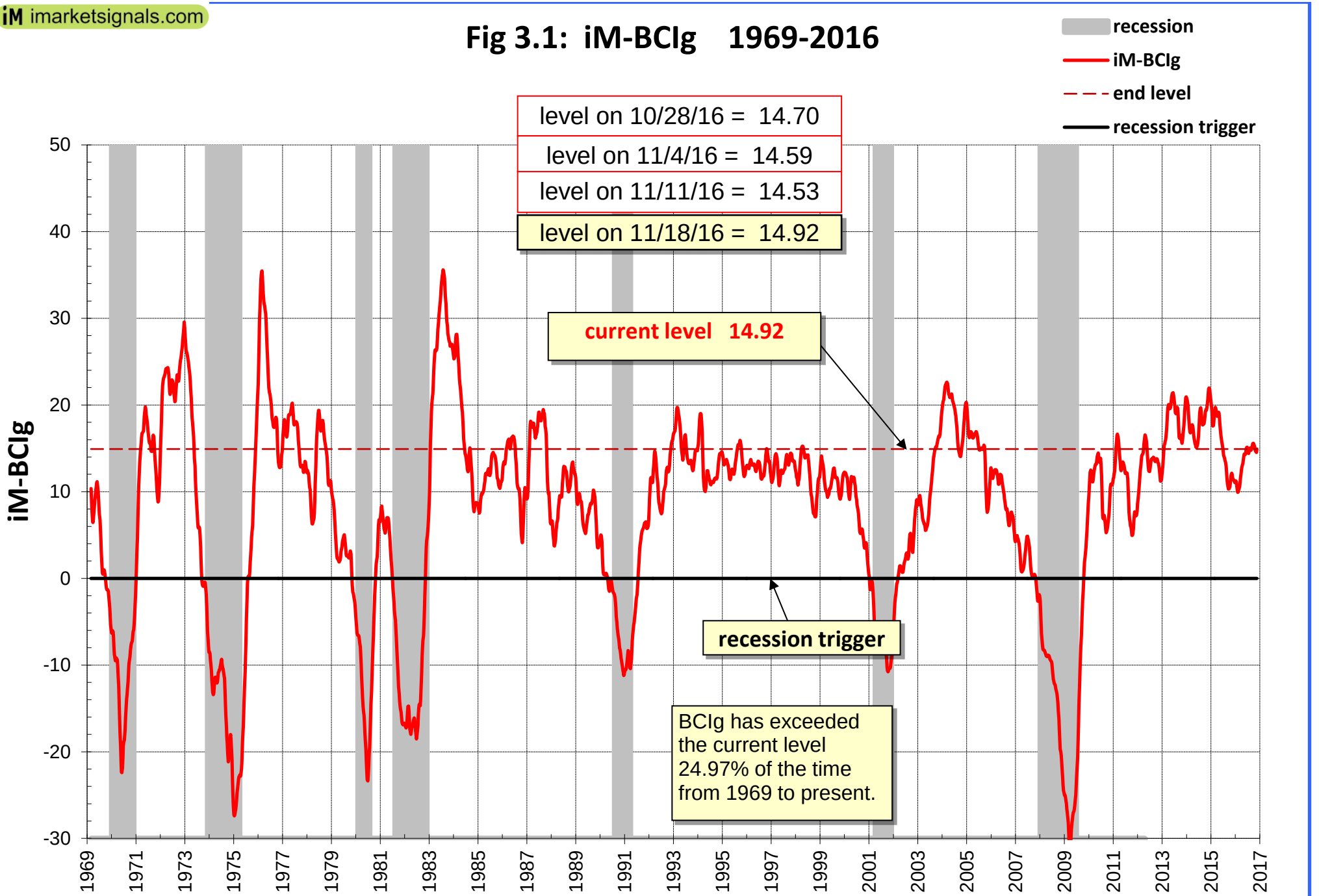

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Figure 3.2: Forward Rate Ratio FRR2-10 - leads to Recessions

FRR2-10 is the ratio of the rate at which one can lock in borrowing for the eight year period starting two years from now, and the ten-year rate itself.

The FRR2-10 is indicative of the slope of the yield curve between the two-year and the ten-year note yields; a FRR2-10 greater than 1.00 indicates a positively sloped yield curve (ten-year note yields are higher than two-year note yields);

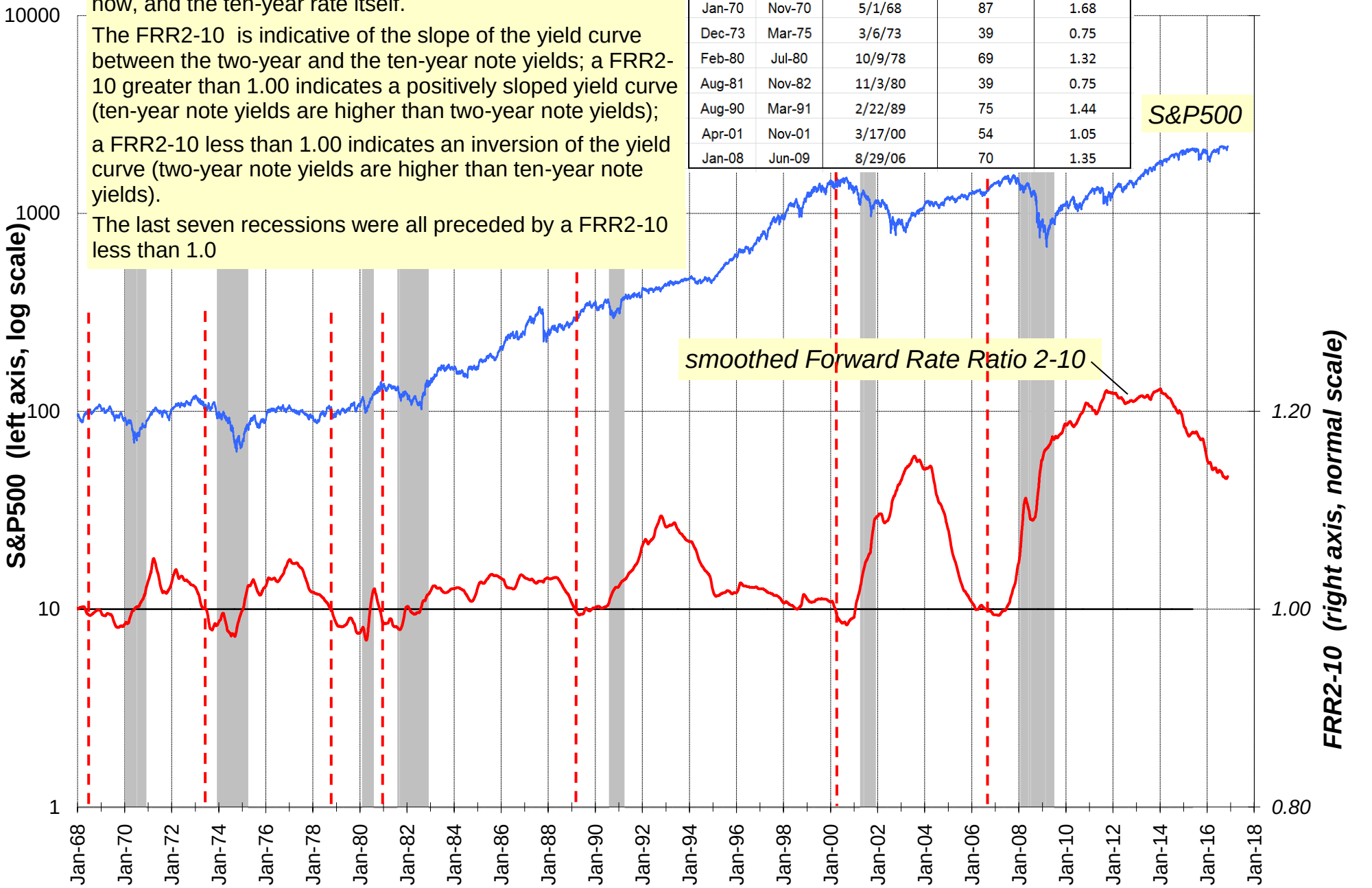
a FRR2-10 less than 1.00 indicates an inversion of the yield curve (two-year note yields are higher than ten-year note yields).

The last seven recessions were all preceded by a FRR2-10 less than 1.0

Recessions start	Recessions end	Date when EMA of FRR2-10 less than 1.0	Lead to Ression start (weeks)	Lead to Ression start (years)
Jan-70	Nov-70	5/1/68	87	1.68
Dec-73	Mar-75	3/6/73	39	0.75
Feb-80	Jul-80	10/9/78	69	1.32
Aug-81	Nov-82	11/3/80	39	0.75
Aug-90	Mar-91	2/22/89	75	1.44
Apr-01	Nov-01	3/17/00	54	1.05
Jan-08	Jun-09	8/29/06	70	1.35

updated to 11/17/2016

EMA of FRR2-10 = 1.13



Note: Past performance does not guarantee future returns, investments may increase or decrease in value and you may lose money using this model

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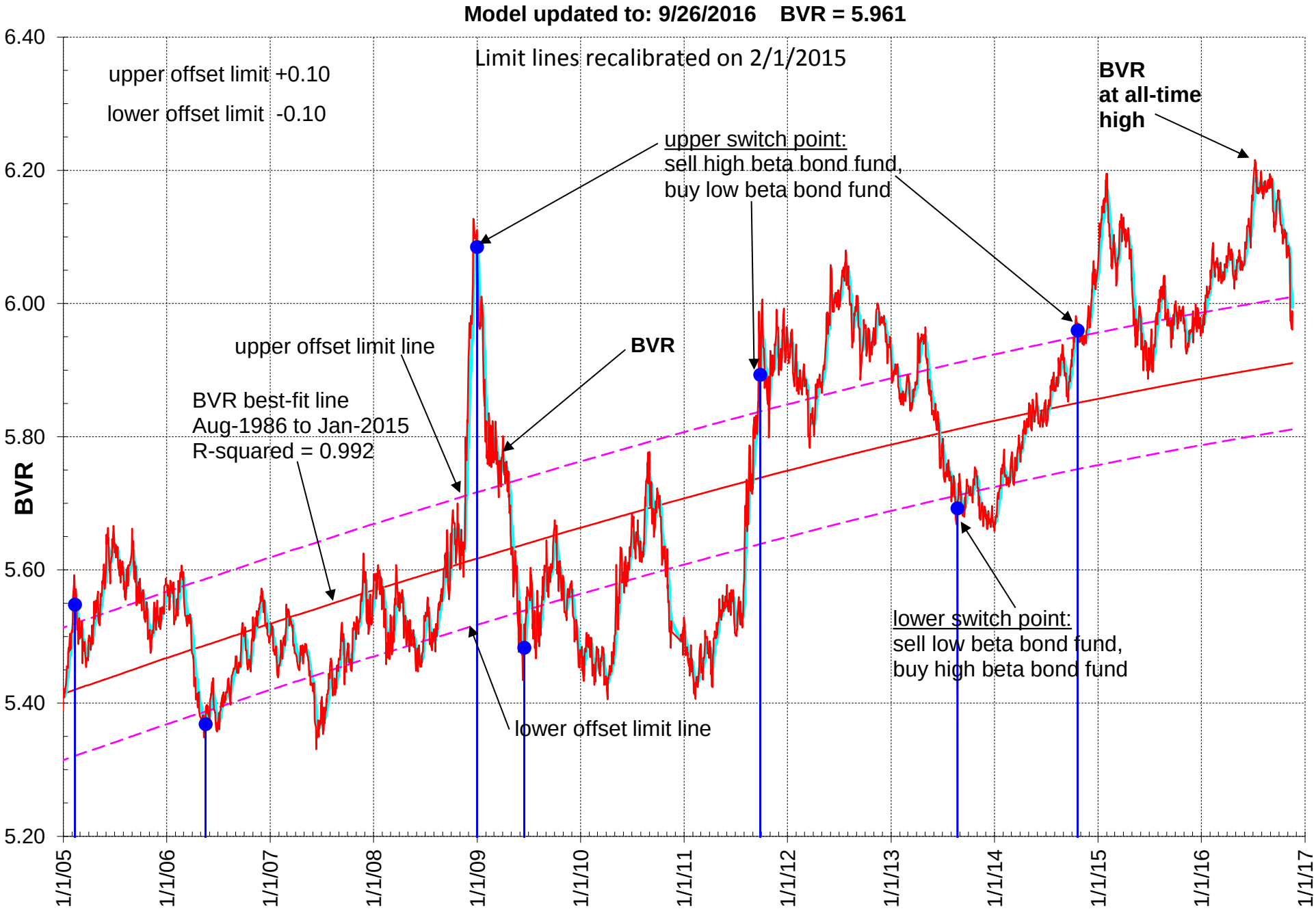
Figure 4: Bond Value Ratio (BVR) from 2005 to 2016



Note: Past performance does not guarantee future returns, investments may increase or decrease in value and you may lose money using this model

Figure 5: i10 - i2

Updated to…..11/17/16

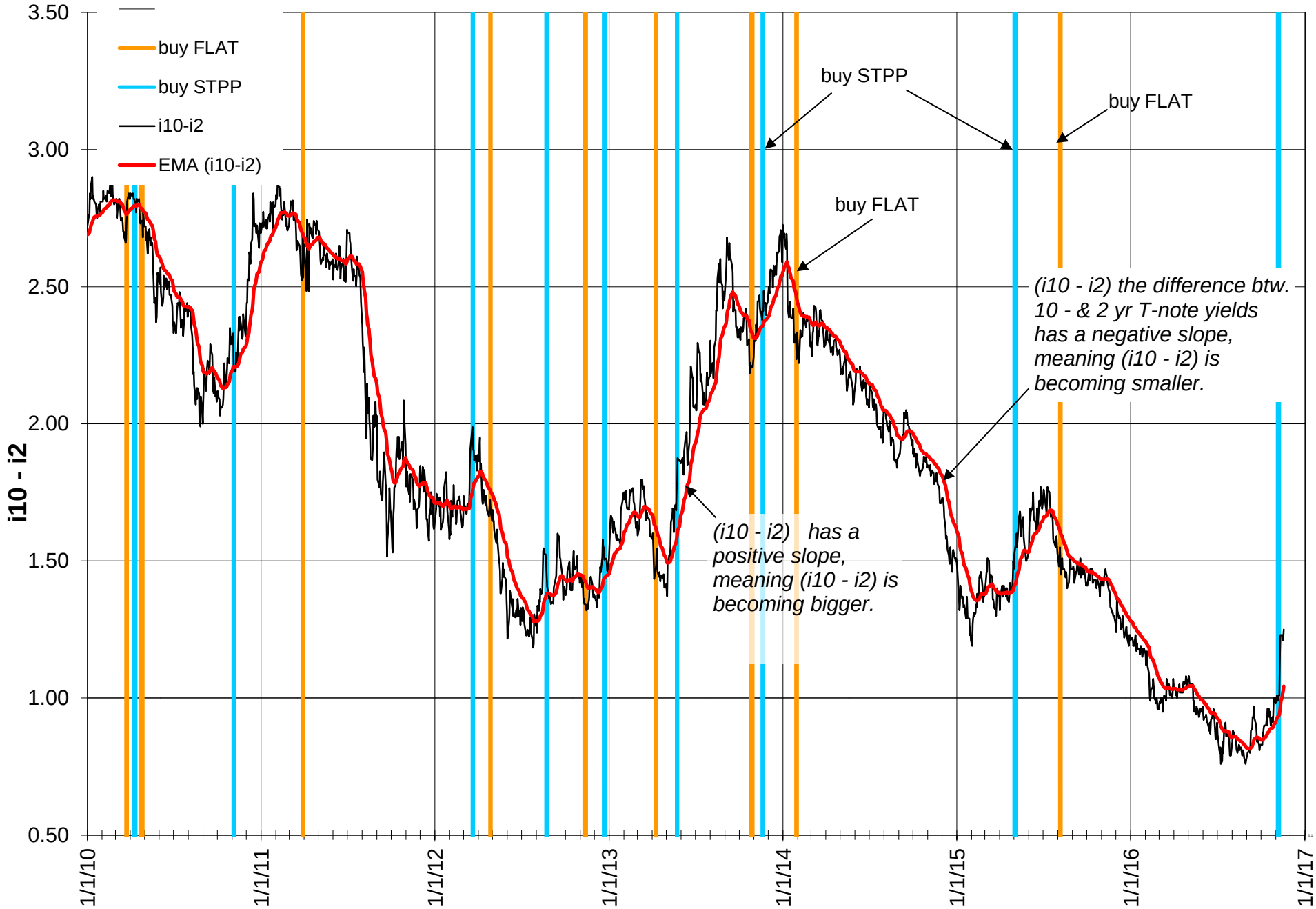


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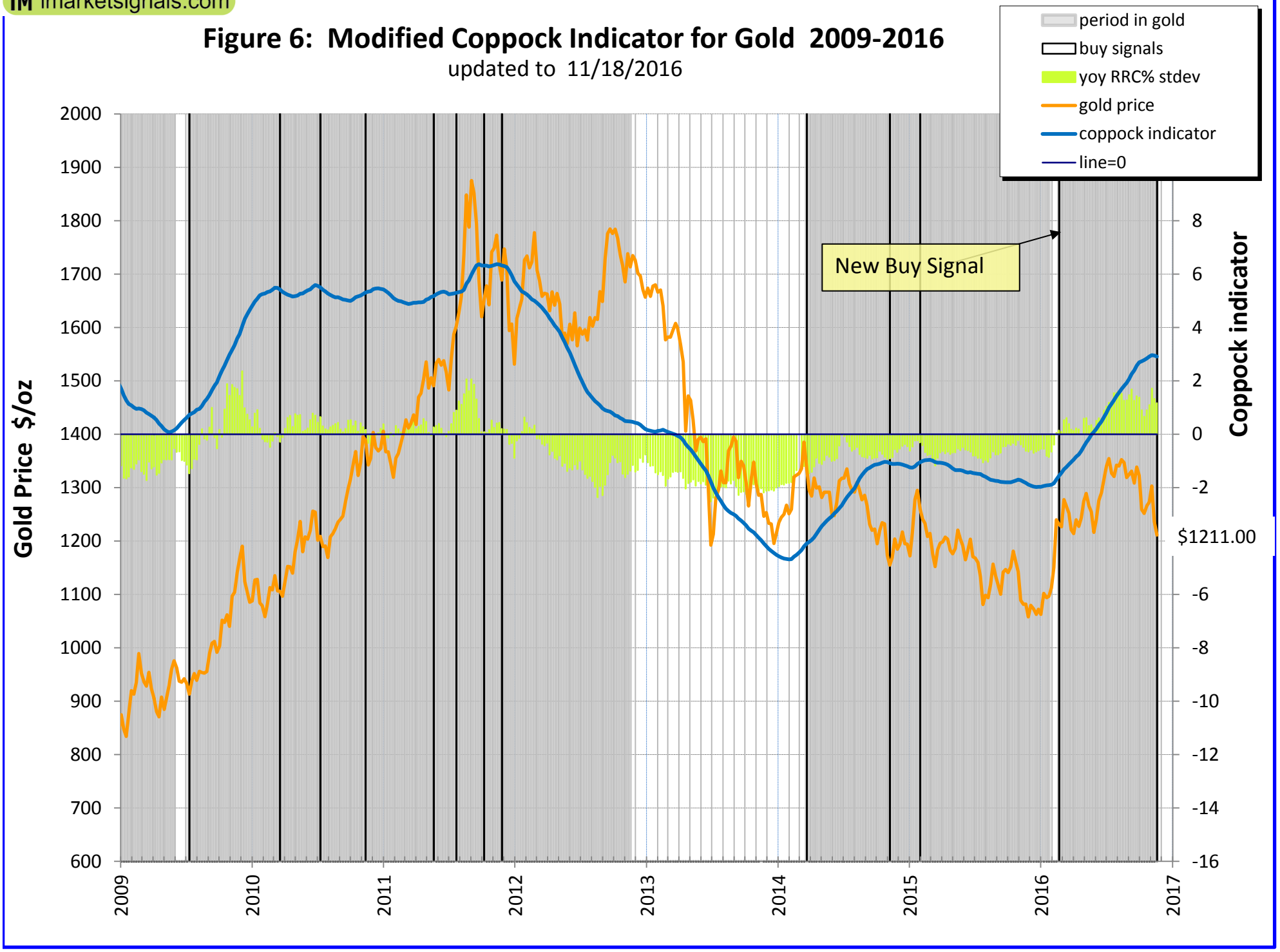
Figure 6: Modified Coppock Indicator for Gold 2009-2016

updated to 11/18/2016



6-COPPOCK GOLD for updates.xlsm

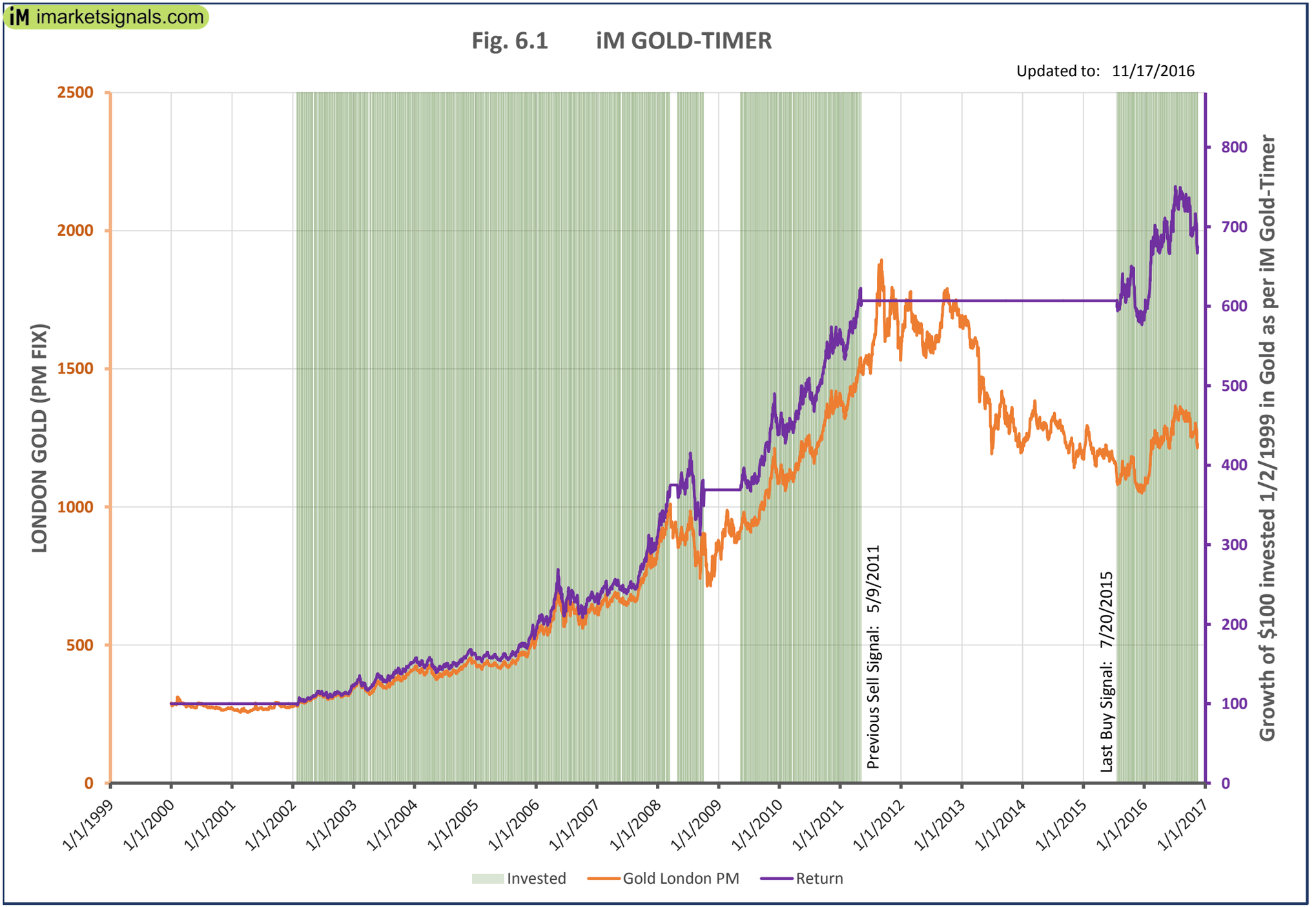

imarketsignals.com
Fig. 6.1 iM GOLD-TIMER
Updated to: 11/17/2016
LONDON GOLD (PM FIX)
Growth of $100 invested 1/2/1999 in Gold as per iM Gold-Timer
2500
2000
1500
1000
500
0
800
700
600
500
400
300
200
100
0
Previous Sell Signal: 5/9/2011
Last Buy Signal: 7/20/2015
1/1/1999
1/1/2000
1/1/2001
1/1/2002
1/1/2003
1/1/2004
1/1/2005
1/1/2006
1/1/2007
1/1/2008
1/1/2009
1/1/2010
1/1/2011
1/1/2012
1/1/2013
1/1/2014
1/1/2015
1/1/2016
1/1/2017
Invested
Gold London PM
Return

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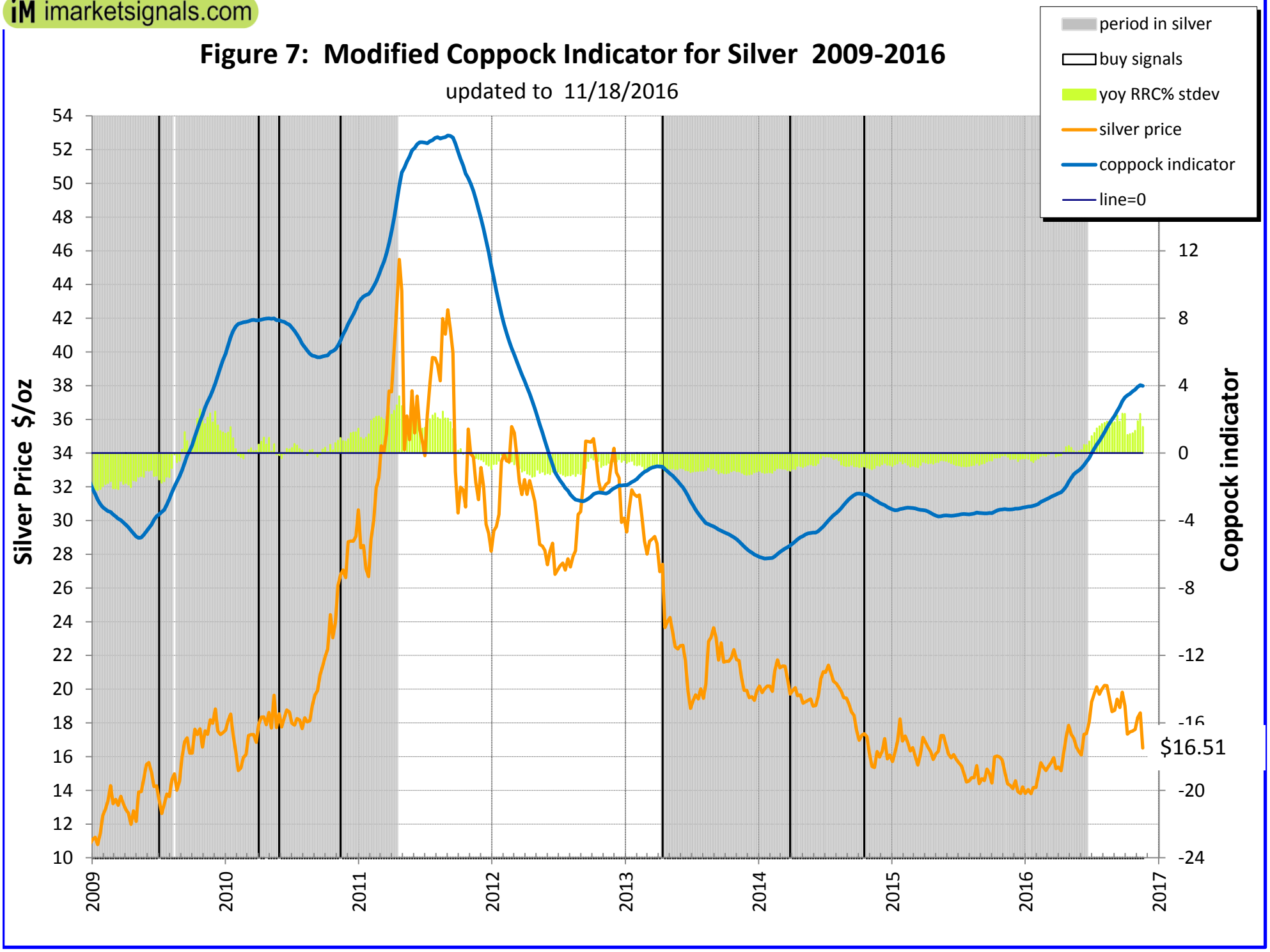
Figure 7: Modified Coppock Indicator for Silver 2009-2016

updated to 11/18/2016