Business Cycle Index 12-25-2014

The BCI at 184.9 is up from last week's downwards revised 183.9. No recession is signaled by both the derived indicators; BCIg, expressed to one decimal place at 19.1 is down from last week's downward revised 19.8, and BCIp at 92.8 indicates that, for this business cycle, BCI is slightly down from its previous peak.

Summary 12-26-14:

The IBH stock market model is out of the market. The MAC stock market model is invested, the bond market model avoids high beta (long) bonds, the yield curve has a long-term steepening trend, the gold and silver models are invested. The recession indicator COMP is near last week's level, and iM-BCIg is down from last week's level. MAC-AU is out of the market.

Stock-market:

The IBH-model is out of the market as shown in Fig. 1. A Sell A signal was generated 26 weeks ago. The IBH-model is described here and the latest rules can be found here .

The MAC-US model stays invested. MAC-US Fig 2 shows the spreads of the moving averages. The sell-spread is up from last week's level. A sell signals is not imminent. The sell spread (red graph) has to move below the zero line for a sell signal.

The MAC-AU model is out of the market. A sell signal was generated on Nov-25. The model switched to interest bearing instruments. MAC-AU Fig 2.1 shows the spreads of the moving averages of the Australia All Ordinaries Index. The buy-spread is higher than last week's level but still below zero. A buy signal will only be generated when the buy-spread (green graph) moves from below to above zero. This model and its application is described in MAC-Australia: A Moving Average Crossover System for Superannuation Asset Allocations.

Recession:

In Fig. 3 one can see that COMP is near last week's level, and far away from signaling recession. COMP can be used for stock market exit timing as discussed in this article The Use of Recession Indicators in Stock Market Timing.

Fig. 3.1 shows our recession indicator iM-BCIg, is down from last week's level. A recession is not imminent as one can clearly see.

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 down from 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. One can from the upward sloping graph that long bonds gained from January 2014 onward. The model failed to signal the lower turning point of BVR.

The Yield Curve:

The [yield curve model](#) shows the generally steepening trend from mid 2012 of the 10-year and 2-year Treasuries yield spread.   Figure 5 charts (i10 – i2). Although the curve has flattened from the beginning of 2014, the general trend from the middle of 2012 is up. 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 is shown in Fig 6. and is now invested. This indicator is described in [Is it Time to Buy Gold Again? - Wait for the buy signal ....](#)

Silver:

The modified Coppock Silver indicator shown in Fig 7 and is currently invested. This indicator is described in [Silver - Better Than Gold: A Modified Coppock Indicator for Silver.](#)

iM's Business Cycle Index (BCI)

BCIp, BCI and BCIg
updated to December 25, 2014

Date	11/27	12/04	12/11	12/18	12/25
BCIp	100.0	97.9	85.2	84.3	92.8
BCI	185.7	185.4	184.0	183.9	184.9
BCIg	21.3	21.2	20.6	19.8	19.1

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

On past performance, when BCIp moved from above to below 25 a recession followed, on average, 20 weeks later

On past performance, when BCIg moved from above to below zero a recession followed, on average, 11 weeks later

BCIp : The BCI in off-peak-mode

BCI : the Business Cycle Index and S&P500/10

BCIg : the growth of BCI and 6 is added to it

BCIp

BCI

S&P 500

BCIg

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

iM imarketsignals.com

Figure 1 : 2009-14 Fed Funds Rate, S&P 500, FRR, WLIg, slope WLIg, slope WLI

updated to….12/26/14
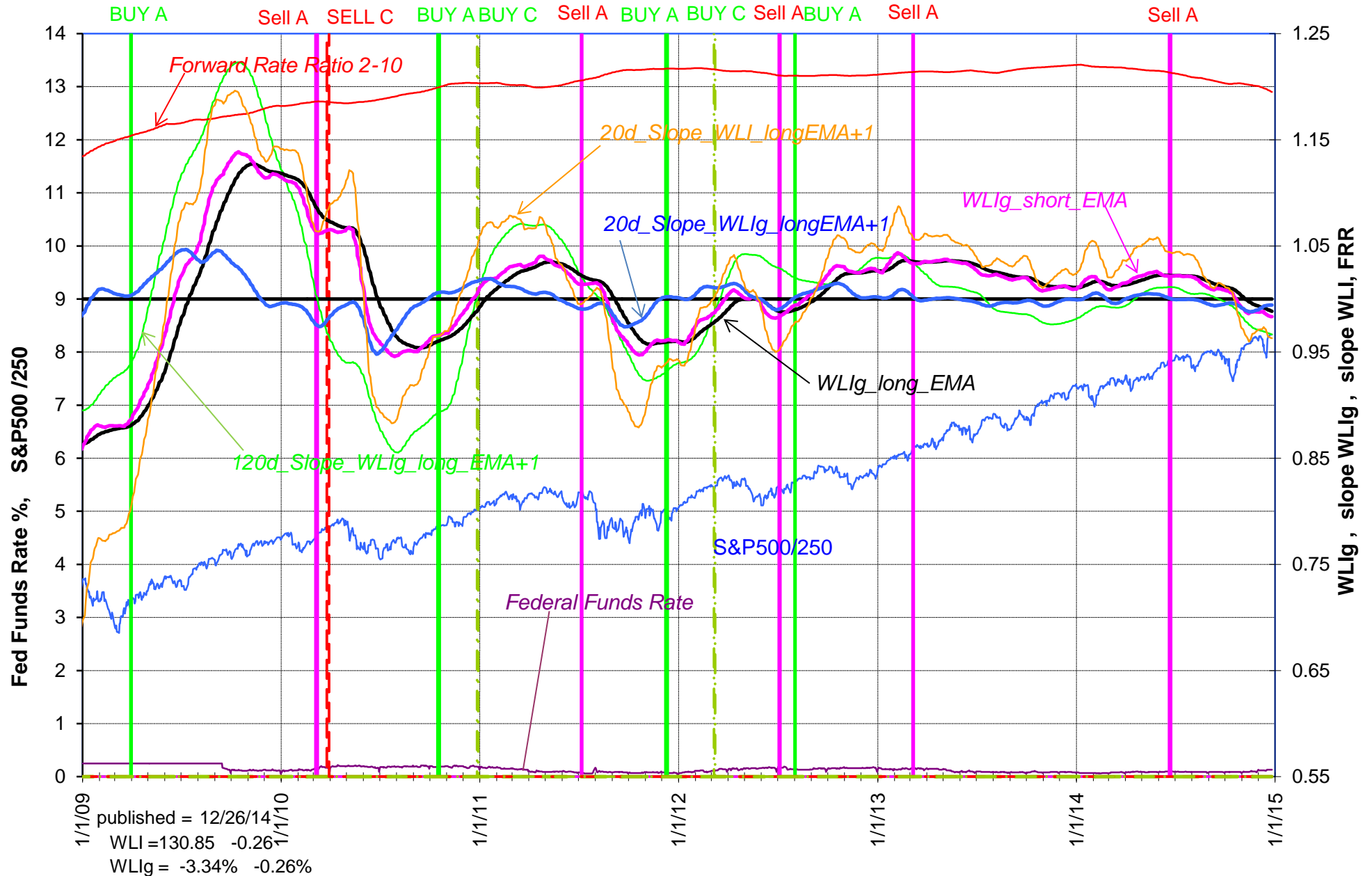
BUY A   Sell A   SELL C   BUY A BUY C   Sell A   BUY A   BUY C   Sell A BUY A   Sell A   Sell A

Forward Rate Ratio 2-10

20d_Slope_WLI_longEMA+1

20d_Slope_WLIg_longEMA+1

WLIg_short_EMA

120d_Slope_WLIg_long_EMA+1

WLIg_long_EMA

S&P500/250

Federal Funds Rate

published = 12/26/14
    WLI =130.85   -0.26
    WLIg = -3.34%   -0.26%

WLIg = ECRI Weekly Leading Index growth/200 +1   WLI = (ECRI Weekly Leading Index -50)/10

1-IBH.xlsm

Fig 2.1: Buy and Sell signals for the Australia All Ordinaries Index from the MAC-AU System
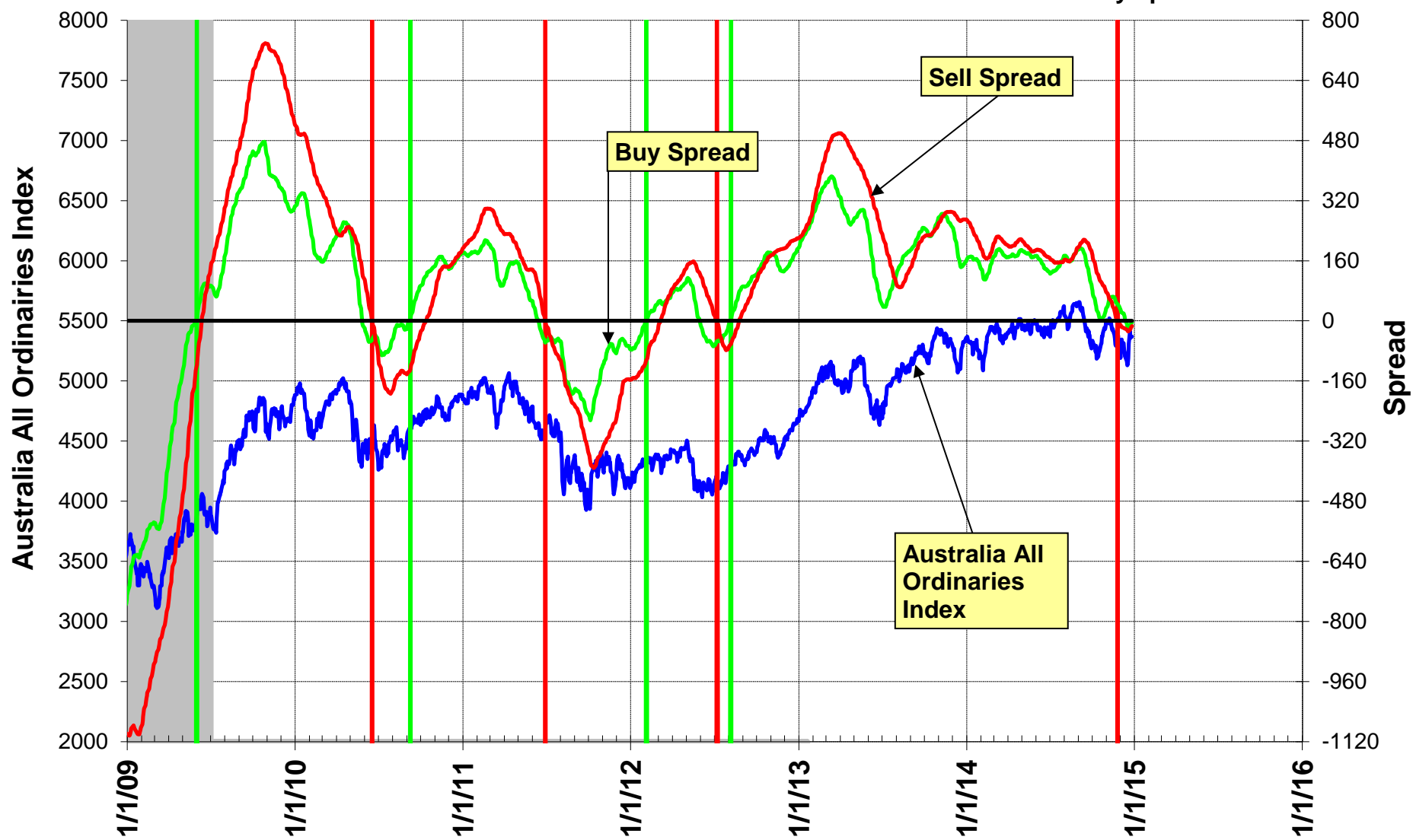
Please note: Past performance does not guarantee future returns, investments may increase or decrease in value and you may lose money using this model.

iM imarketsignals.com

**Figure 2:   Buy and Sell signals for S&P 500 2009-14
from the modified golden-cross MAC system**

updated to…12/26/14

recession
S&P500
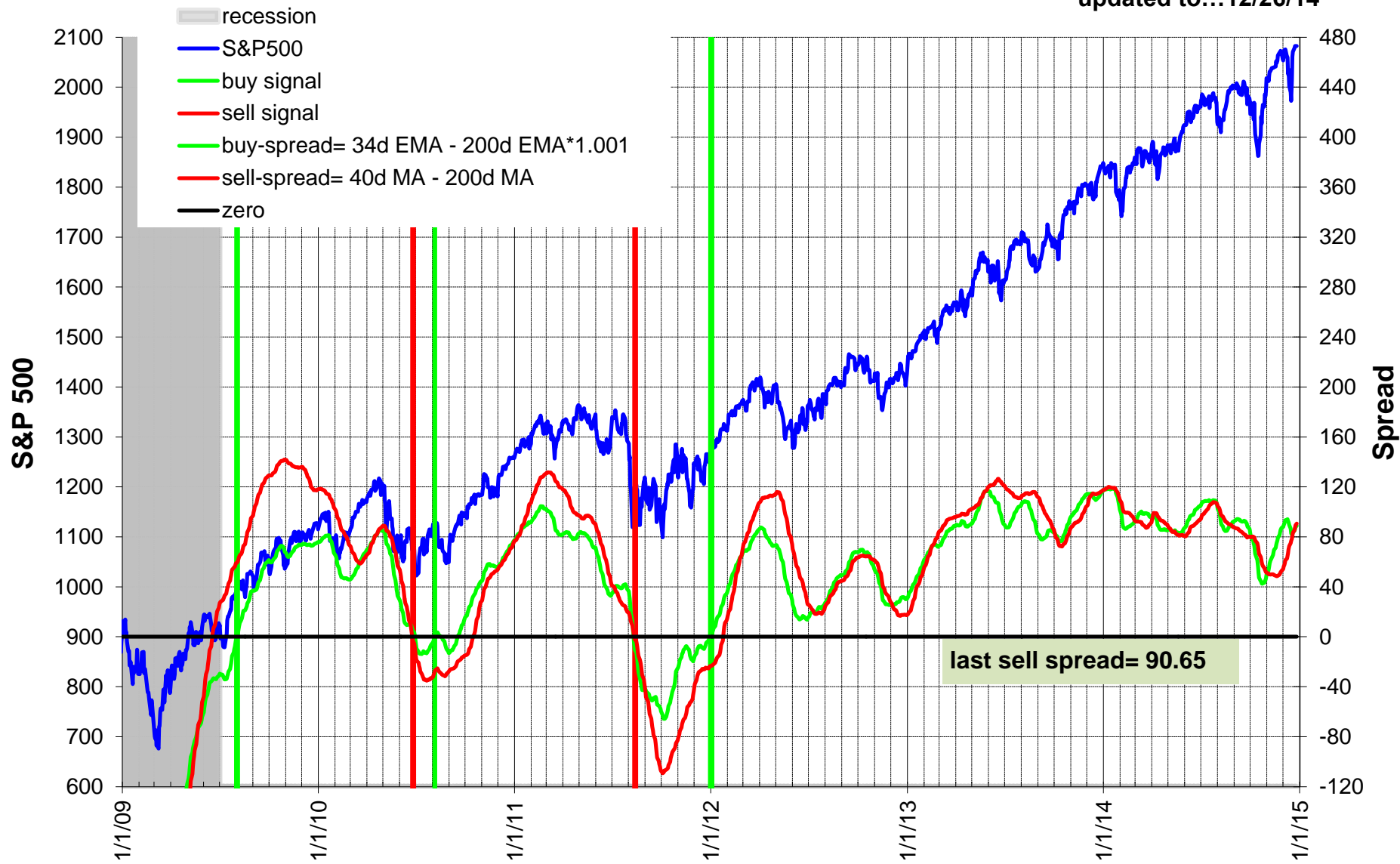buy signal
sell signal
buy-spread= 34d EMA - 200d EMA*1.001
sell-spread= 40d MA - 200d MA
zero

S&P 500

Spread

last sell spread= 90.65

2-MAC.xlsm

Fig 3.1: iM-BCIg   1969-2014
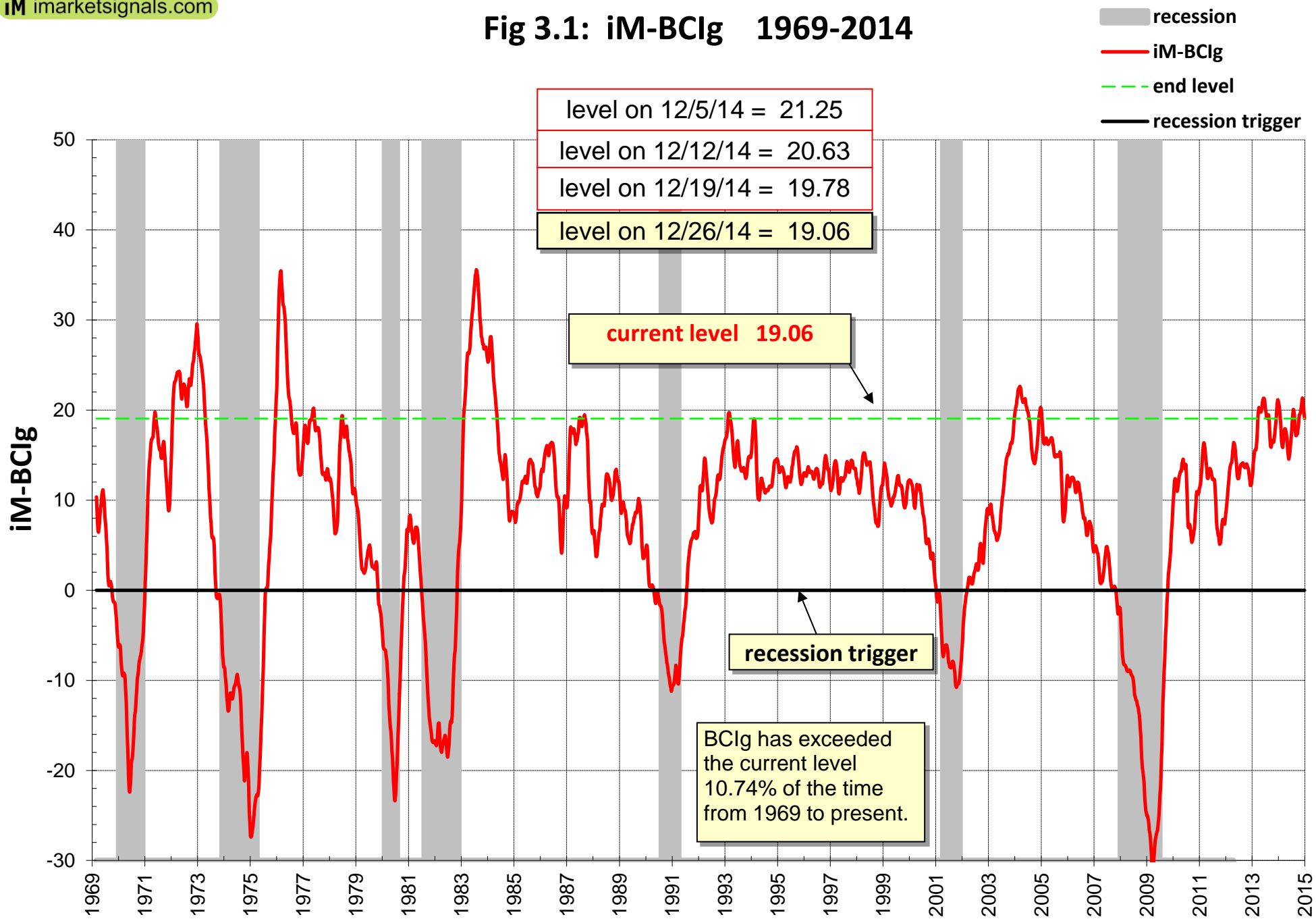
Fig. 3: COMP Leading Indicator of US Economy 1969-2014

- recession
- COMP
- last COMP level
- recession trigger

COMP level on 12/05/14 = 31.01

COMP level on 12/12/14 = 31.07

COMP level on 12/19/14 = 30.49

COMP level on 12/26/14 = 29.68

Note: Some of the levels of COMP may differ from previous releases due to revisions of COMP's components.

current level of COMP= 29.68

recession trigger line

iM imarketsignals.com

3-COMP.xlsm

iM imarketsignals.com
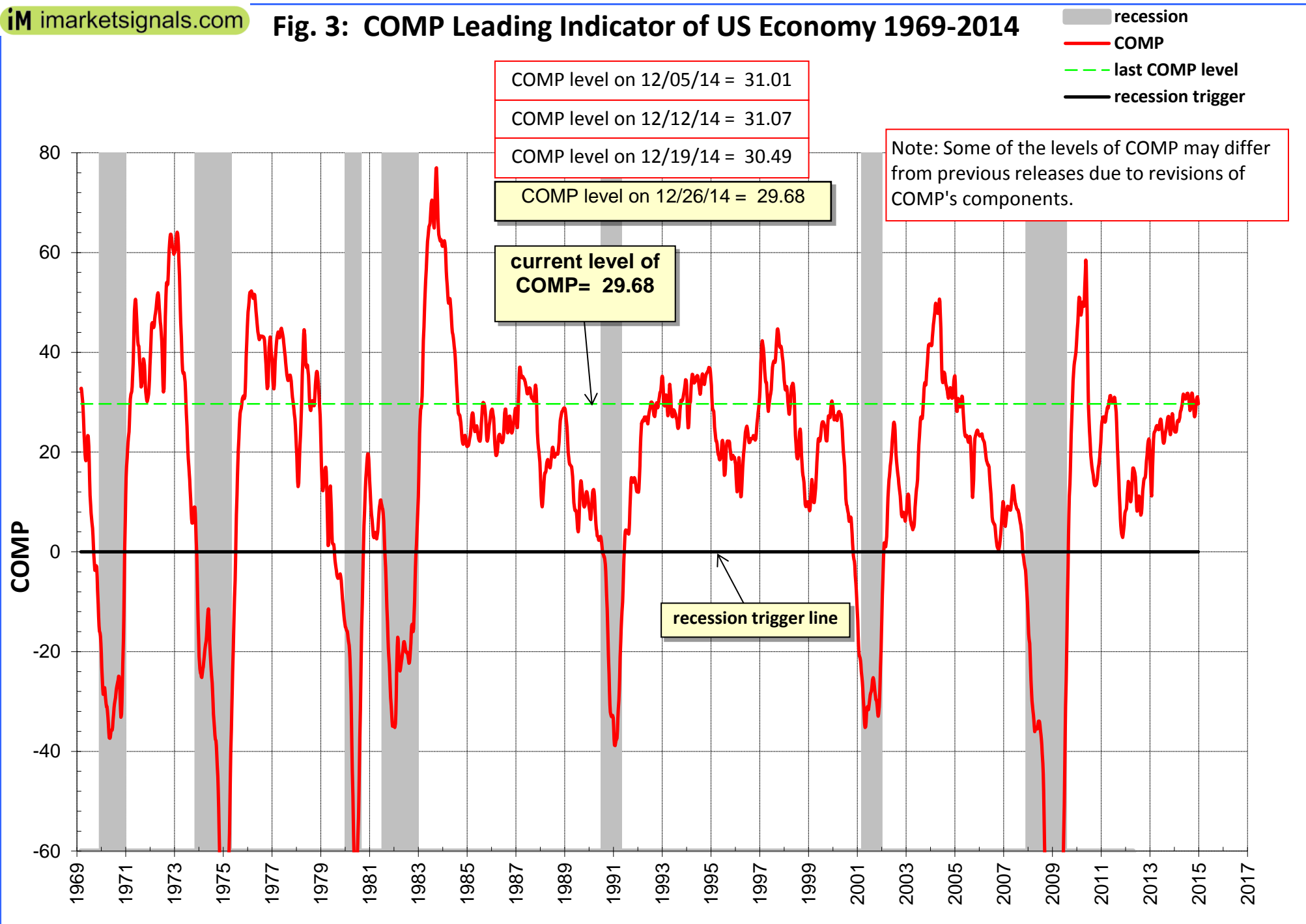
Figure 4: Bond Value Ratio (BVR) from 2005 to 2014

Model updated to:…12/26/14   BVR = 6.021

recalibrated on 3/26/2013

upper offset limit +0.1

lower offset limit -0.1

upper switch point:
sell high beta bond fund,
buy low beta bond fund

BVR

upper offset limit line

BVR best-fit line

lower offset limit line

lower switch point:
sell low beta bond fund,
buy high beta bond fund

4-BVR.xlsm fig4BVR06-14

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

iM imarketsignals.com

Figure 5: i10 - i2   **Updated to.....12/26/14**

buy FLAT
buy STPP
i10-i2
EMA (i10-i2)

(i10 - i2) the difference btw. 10 - & 2 yr T-note yields has a negative slope, meaning (i10 - i2) is becoming smaller.

buy STPP (8-22-12)

(i10 - i2) has a positive slope, meaning (i10 - i2) is becoming bigger.

buy FLAT

5-Yield Curve.xlsm 09-15

iM imarketsignals.com
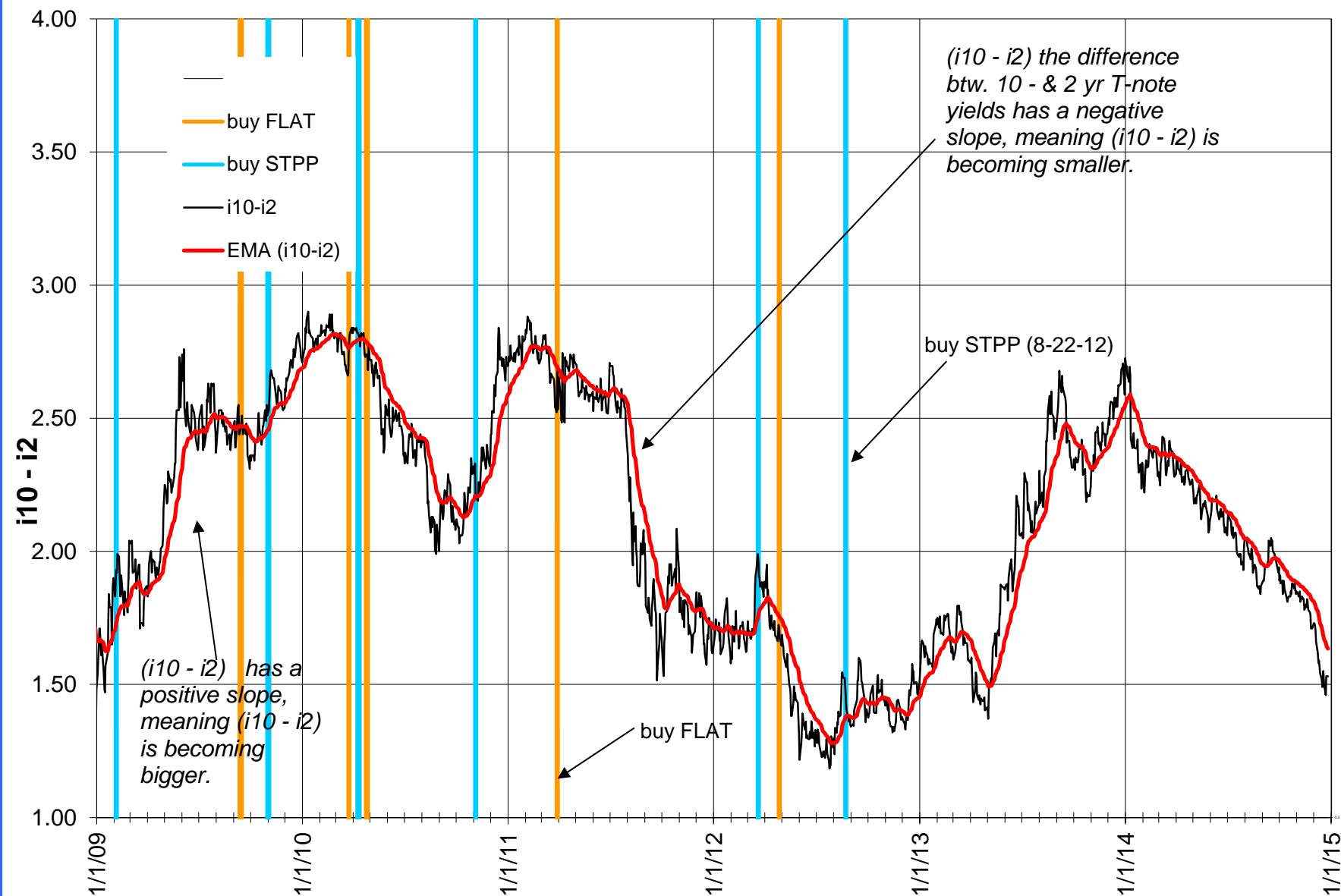
Figure 6: Modified Coppock Indicator for Gold 2005-2014
updated to 12/26/2014

Legend:
- period in gold
- buy signals
- yoy RRC% stdev
- gold price
- coppock indicator
- line=0

Gold Price $/oz

Coppock indicator

New Buy Signal

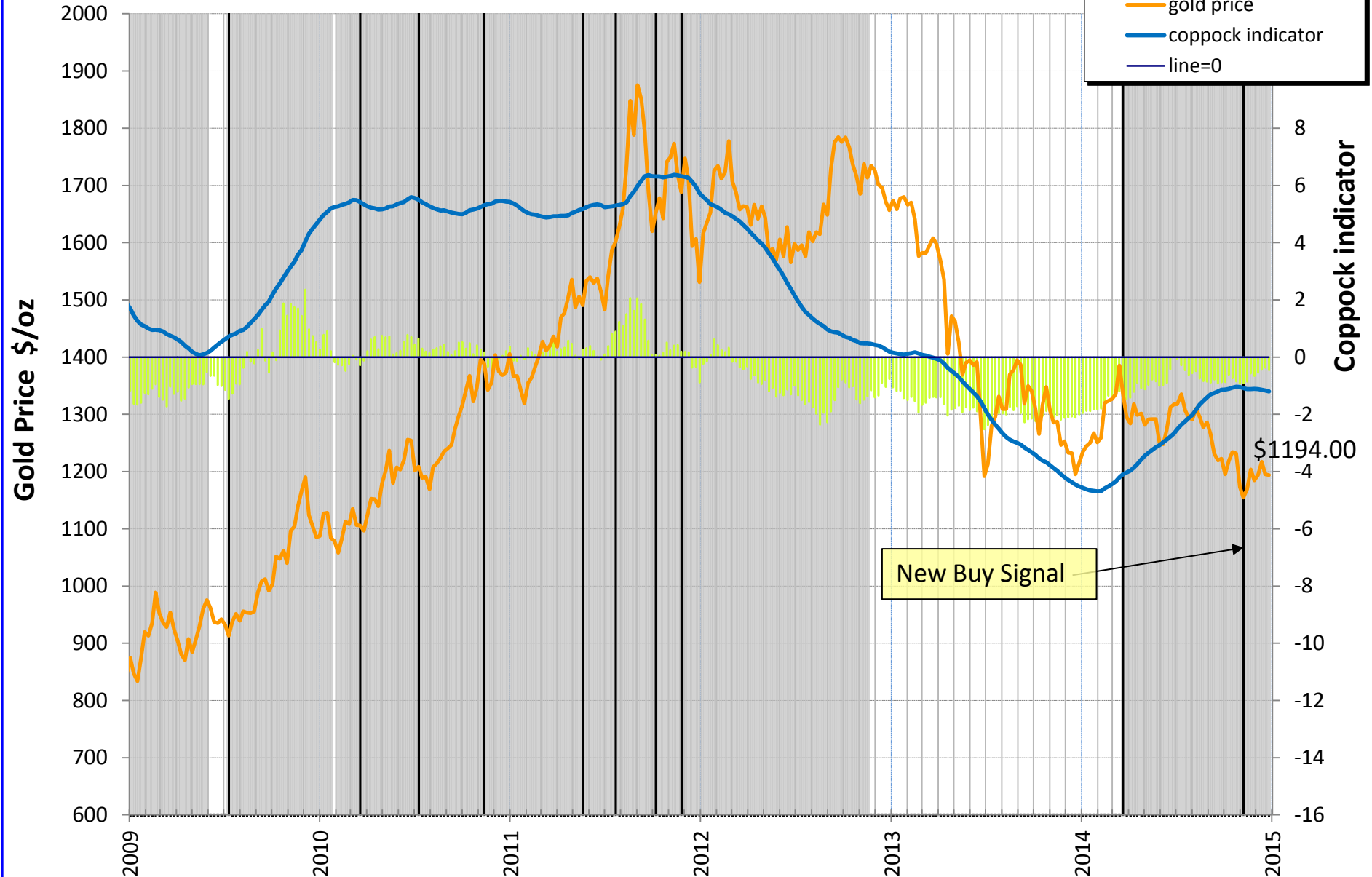$1194.00

6-COPPOCK GOLD for updates.xlsm

Figure 7: Modified Coppock Indicator for Silver 2005-2014
updated to 12/26/2014