Business Cycle Indicator 8-14-14

The BCI at 174.9 is marginally down from last week's 175.0. The BCIg, the smoothed annualized growth of BCI, at 17.9 is also down from last week's 18.6.

However, BCI does not indicate a possible recession in the near future.

Summary 8-15-14:

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 is steepening, the gold and silver models are invested. The recession indicator COMP is lower than last week's revised level, and iM-BCIg is also lower from last week's level. MAC-AU is invested.

Stock-market:

The IBH-model is out of the market as shown in Fig. 1. A sell signal was generated 73 weeks ago when the WLIg_shortEMA moved below the WLIg_longEMA. Another Sell A signal was generated 7 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 lower 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 stays invested. MAC-AU Fig 2.1 shows the spreads of the moving averages of the Australia All Ordinaries Index. The sell-spread is higher than last week's level. The sell spread (red graph) has to move below the zero line for a sell signal. 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 lower than last week's level, but 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, lower 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 near 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 shows the generally steepening trend of the 10-year and 2-year Treasuries yield spread. Figure 5 charts (i10 – i2). The general trend is up, as one can see, although the yield curve has flattened recently. 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.

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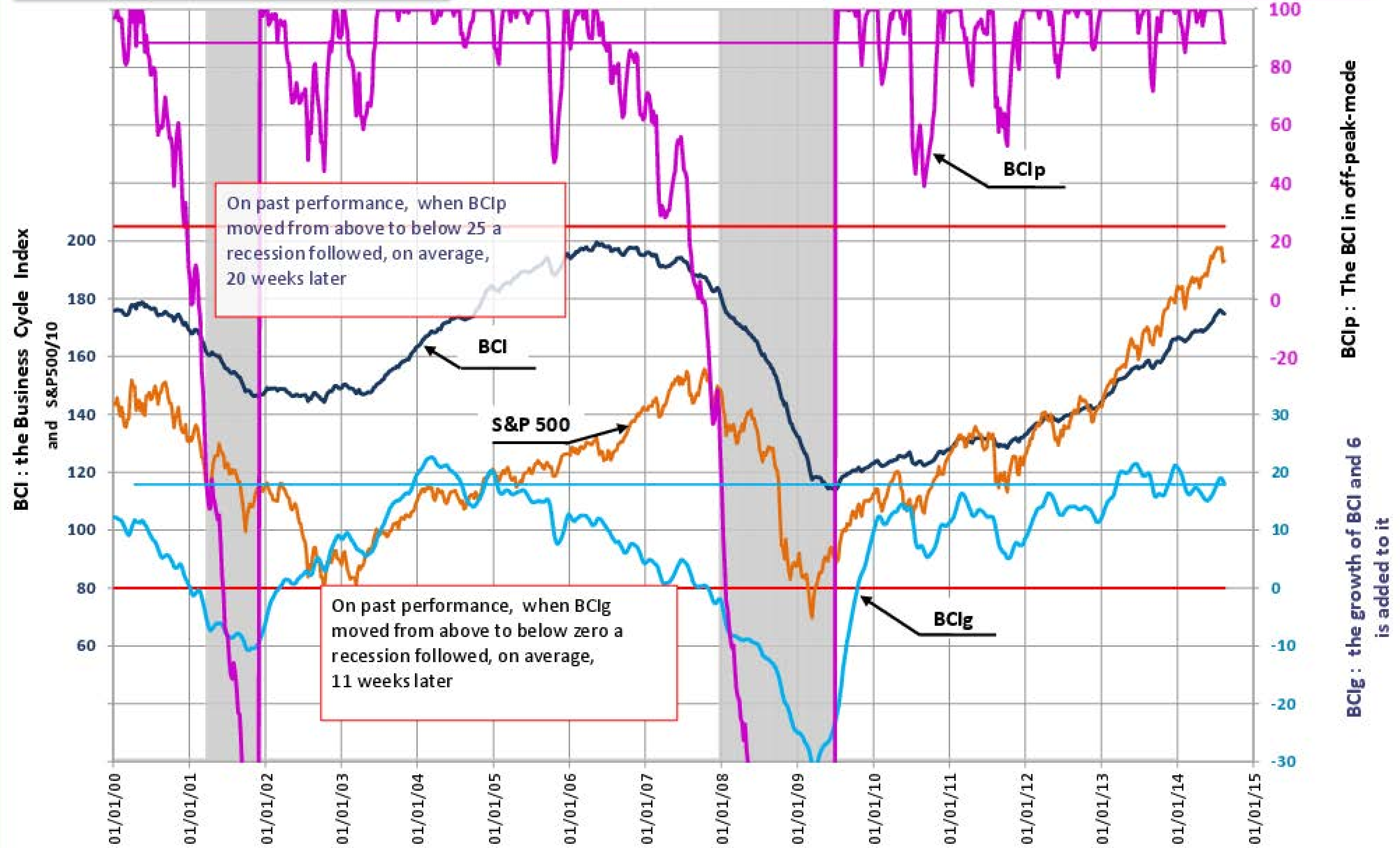
iM's Business Cycle Index (BCI)

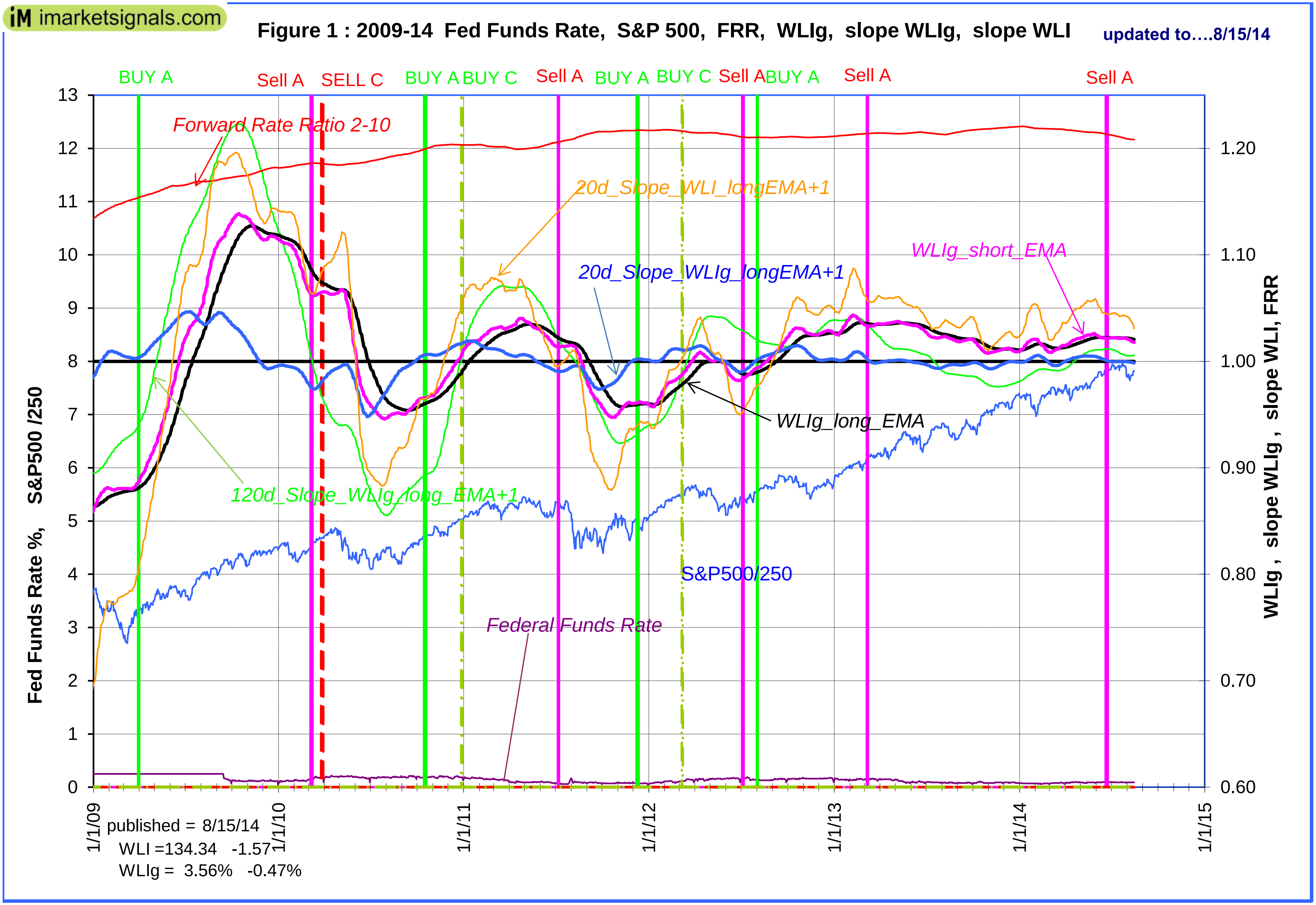
Date	07/17	07/24	07/31	08/07	**08/14**
BClp	100.0	100.0	96.3	89.9	**88.5**
BCI	175.6	176.1	175.7	175.0	**174.9**
BCIg	18.6	19.0	19.0	18.6	**17.9**

BCIp, BCI and BCIg
updated to August 14, 2014

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



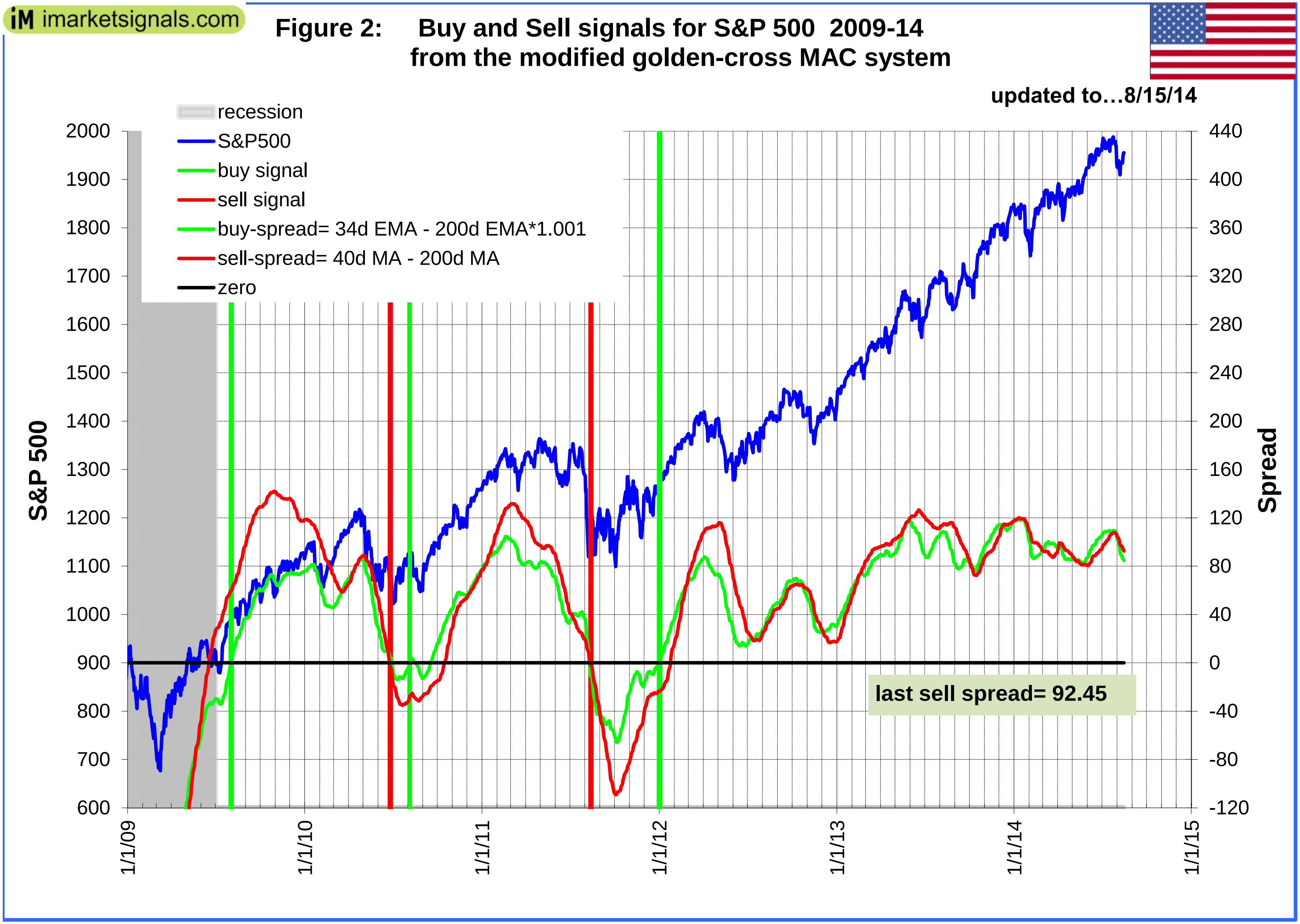
Please note: Past performance does not guarantee future returns, investments may increase or decrease in value and you may lose money using this model.



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

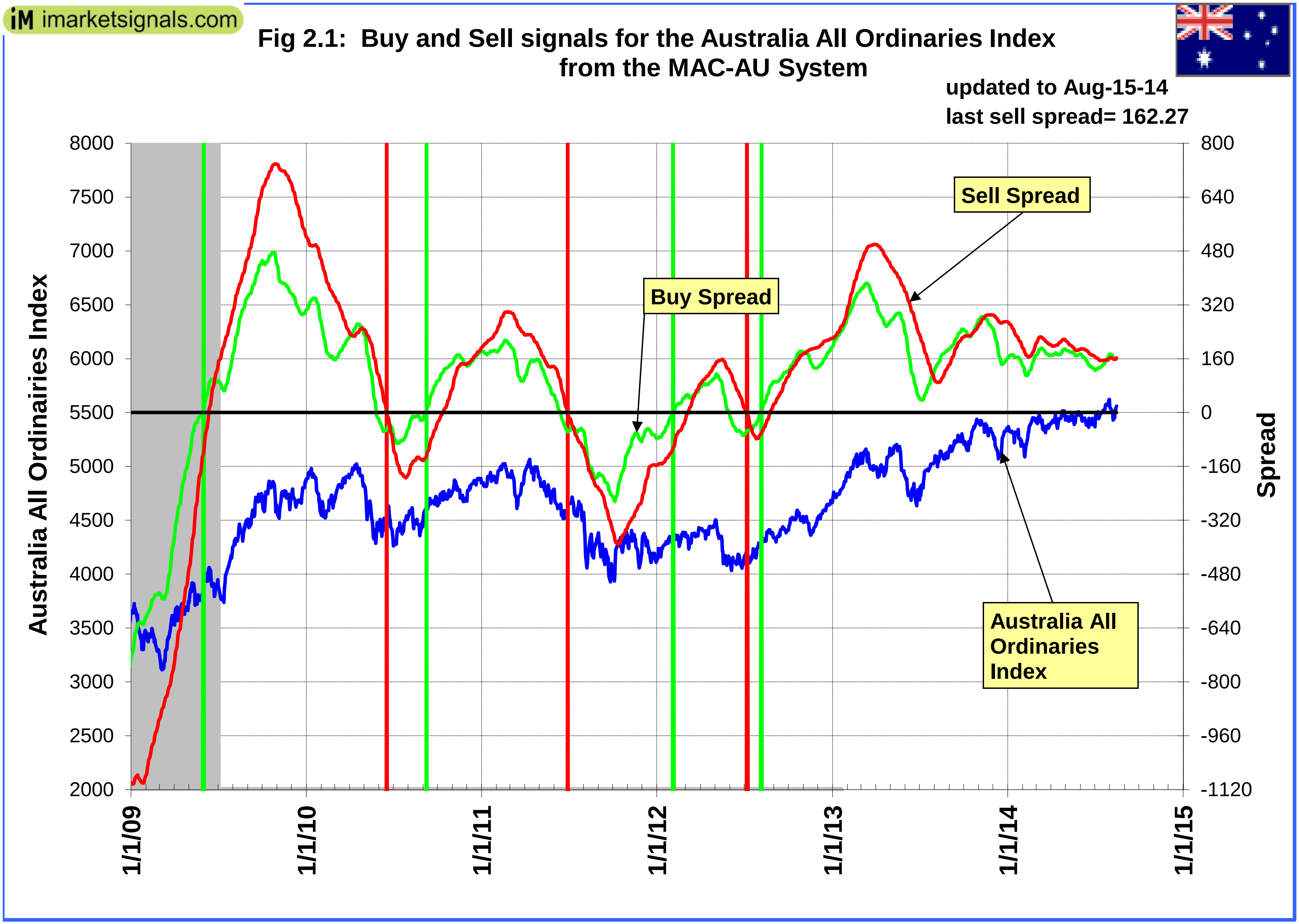
IBH.xlsm

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

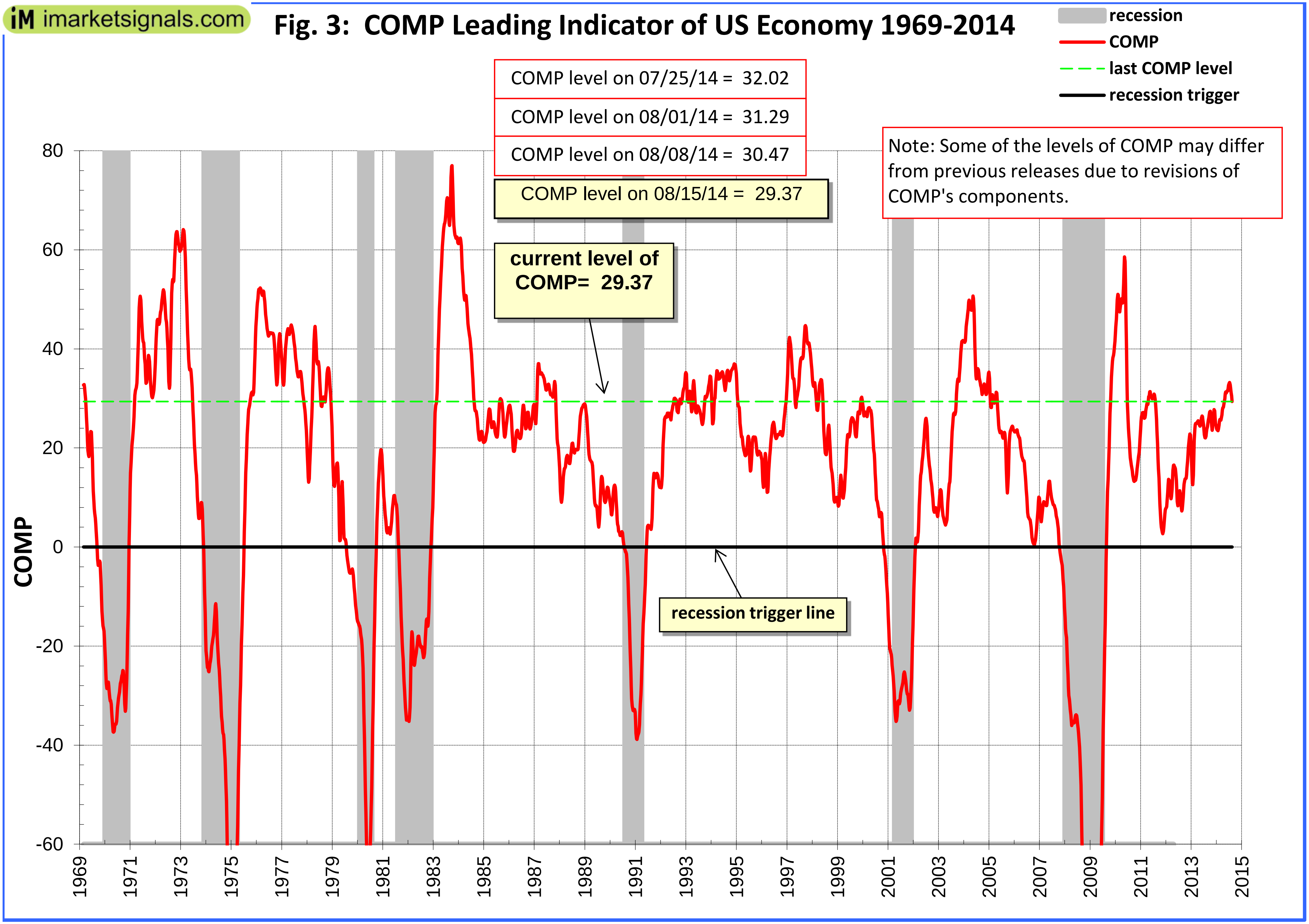


MAC.xlsm

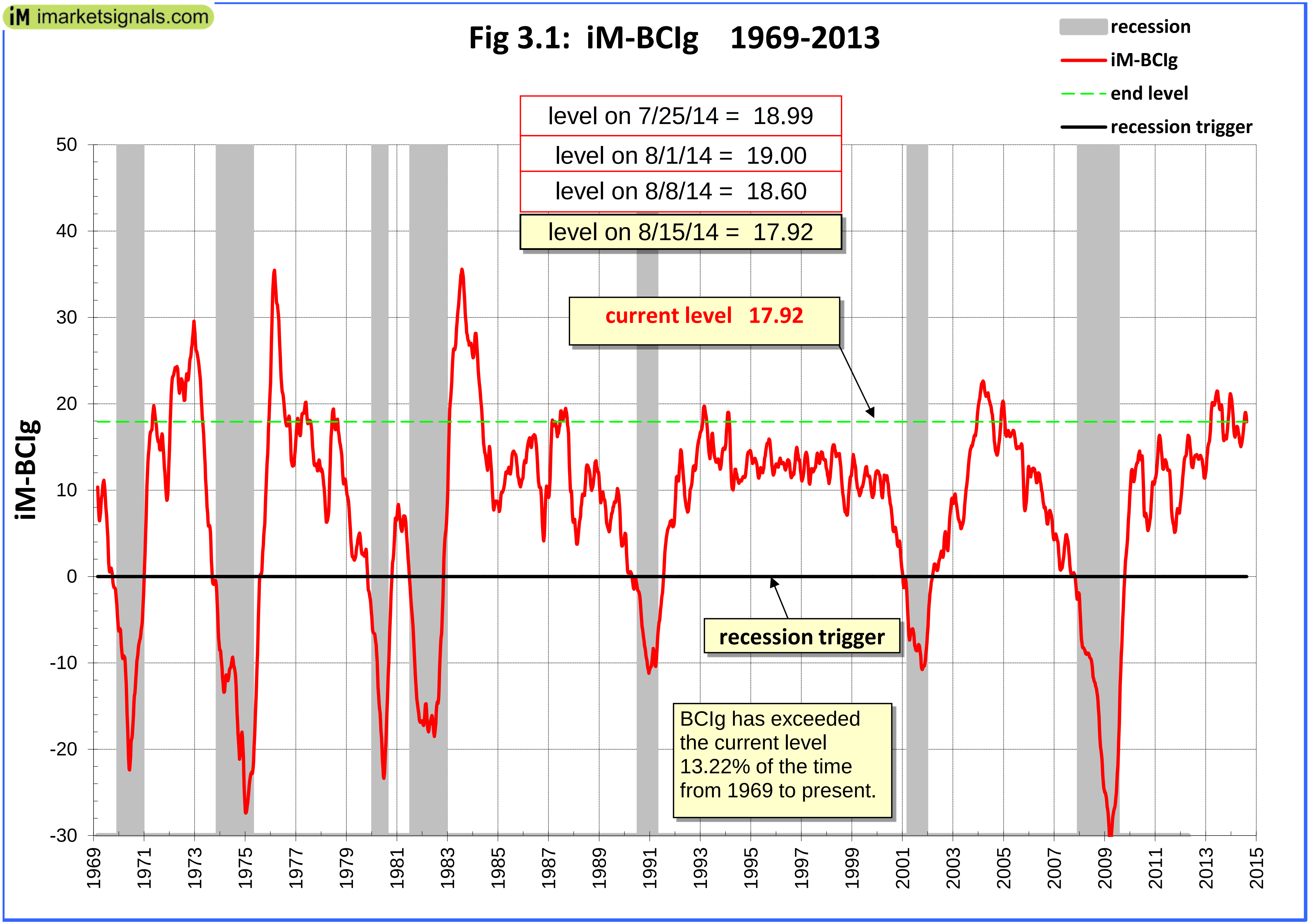
Please note: Past performance does not guarantee future returns, investments may increase or decrease in value and you may lose money using this model.



MAC Australia.xlsm

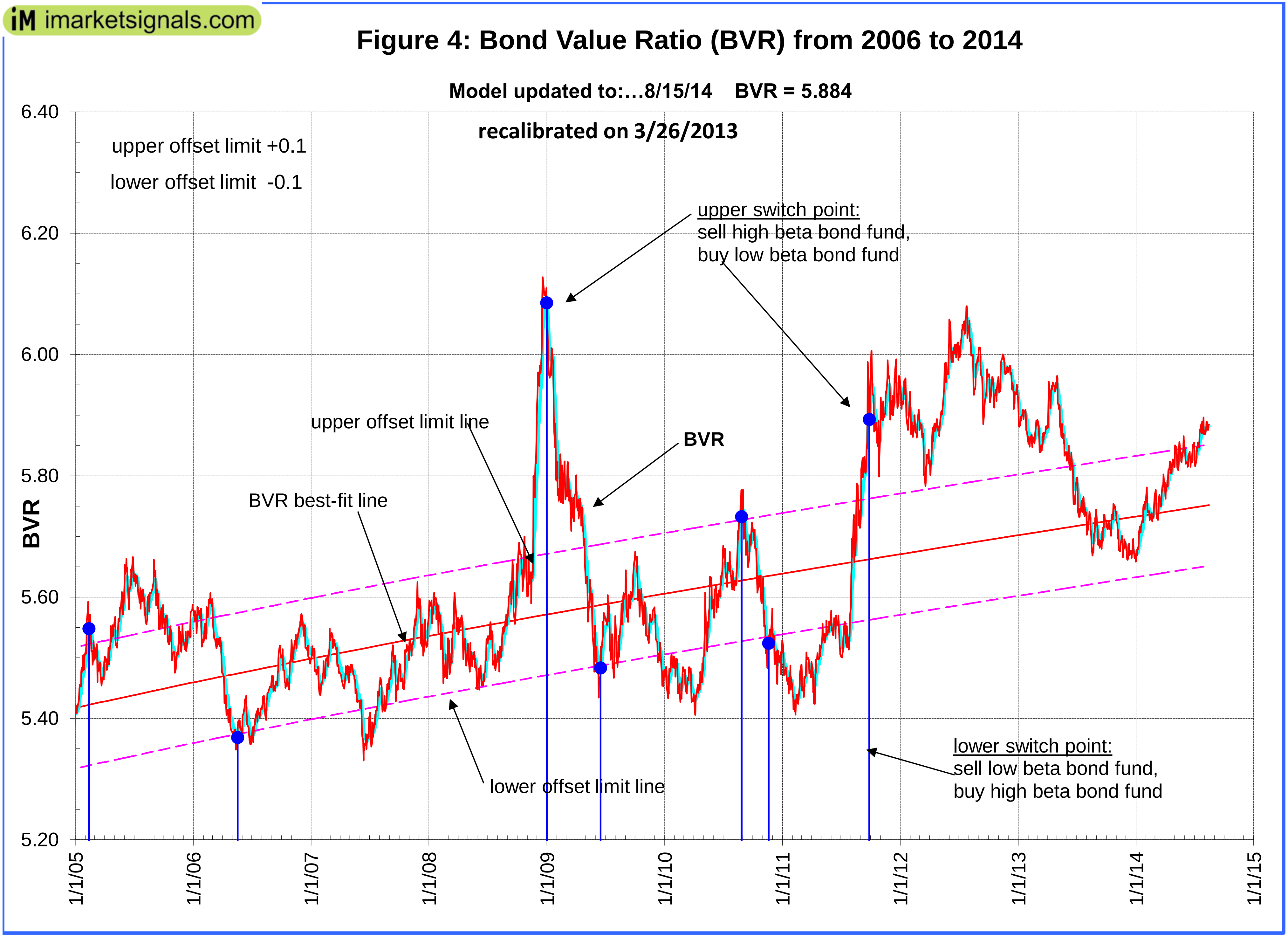

iM imarketsignals.com
Fig. 3: COMP Leading Indicator of US Economy 1969-2014
recession
COMP
last COMP level
recession trigger
COMP level on 07/25/14 = 32.02
COMP level on 08/01/14 = 31.29
COMP level on 08/08/14 = 30.47
COMP level on 08/15/14 = 29.37
Note: Some of the levels of COMP may differ from previous releases due to revisions of COMP's components.
current level of COMP= 29.37
recession trigger line
COMP
80
60
40
20
0
-20
-40
-60
1969
1971
1973
1975
1977
1979
1981
1983
1985
1987
1989
1991
1993
1995
1997
1999
2001
2003
2005
2007
2009
2011
2013
2015

COMP.xls



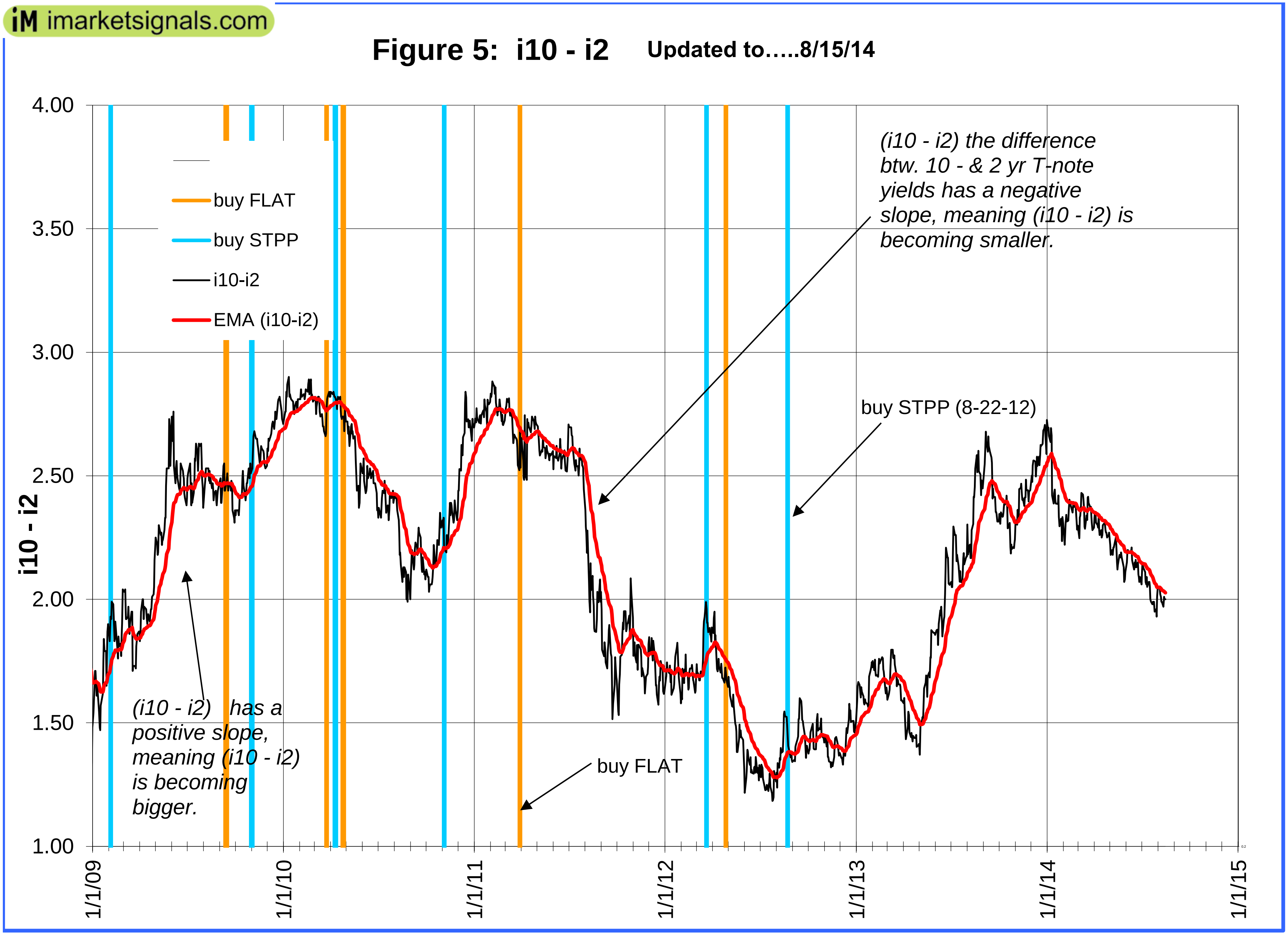
BCIg Toni.xlsm

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



BVR.xlsm fig4 BVR06-14

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



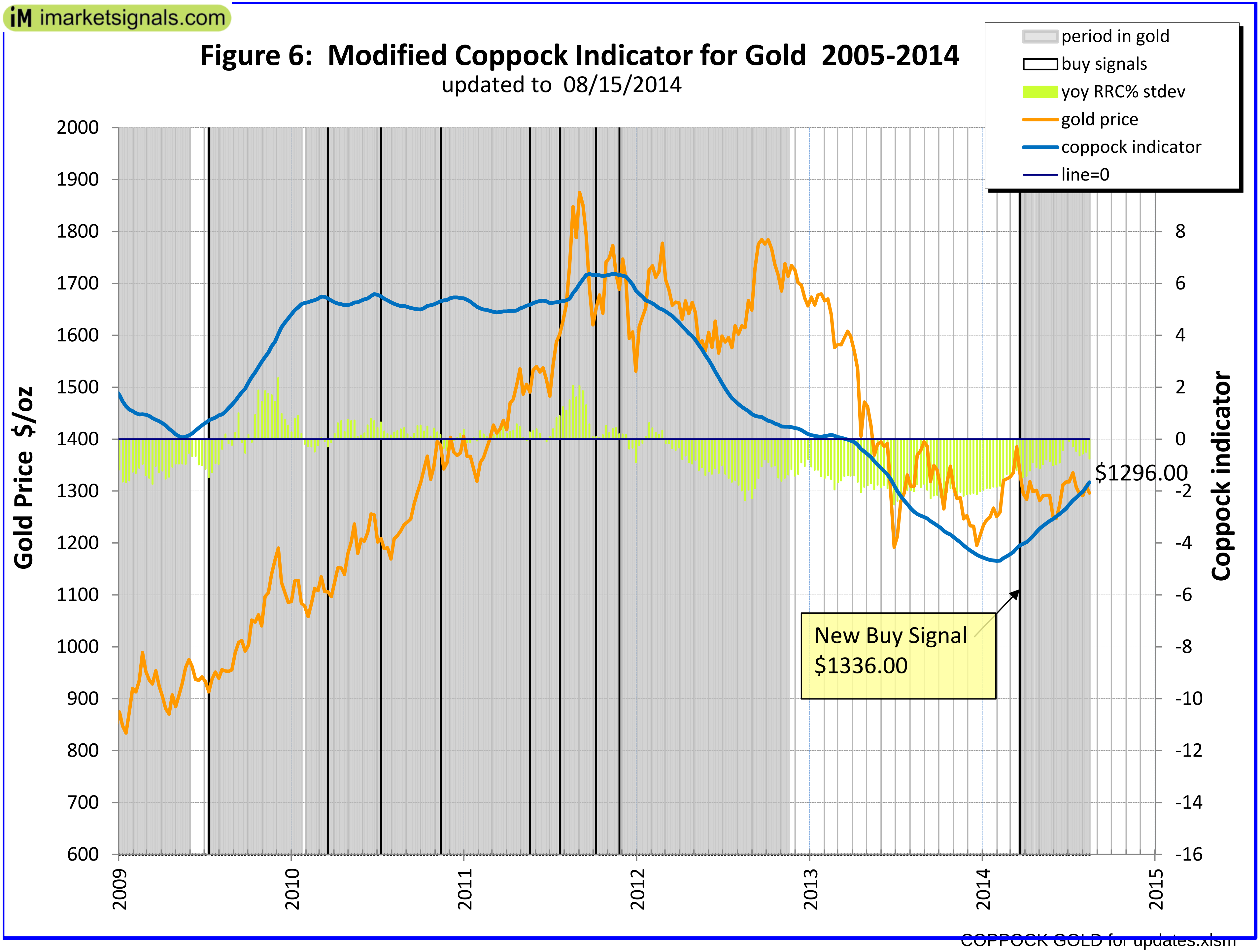


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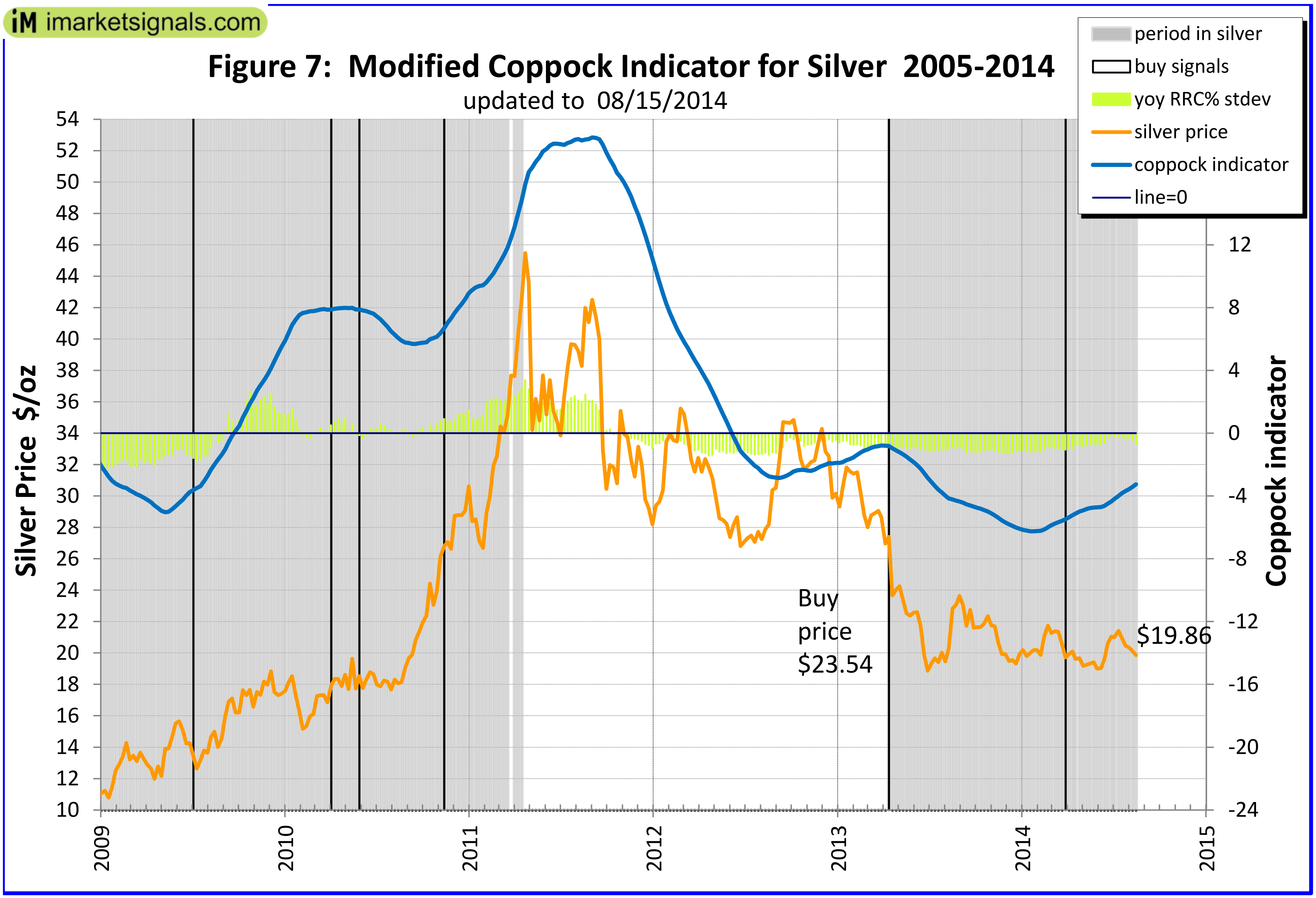
Figure 6: Modified Coppock Indicator for Gold 2005-2014
updated to 08/15/2014
period in gold
buy signals
yoy RRC% stdev
gold price
coppock indicator
line=0
Gold Price $/oz
Coppock indicator
2000
1900
1800
1700
1600
1500
1400
1300
1200
1100
1000
900
800
700
600
8
6
4
2
0
-2
-4
-6
-8
-10
-12
-14
-16
2009
2010
2011
2012
2013
2014
2015
$1296.00
New Buy Signal
$1336.00
COPPOCK GOLD for updates.xlsm



iM imarketsignals.com
Figure 7: Modified Coppock Indicator for Silver 2005-2014
updated to 08/15/2014
period in silver
buy signals
yoy RRC% stdev
silver price
coppock indicator
line=0
Silver Price $/oz
Coppock indicator
54
52
50
48
46
44
42
40
38
36
34
32
30
28
26
24
22
20
18
16
14
12
10
12
8
4
0
-4
-8
-12
-16
-20
-24
2009
2010
2011
2012
2013
2014
2015
Buy price $23.54
$19.86