## Business Cycle Index 9-4-14

The BCI at 177.7 is up from last week's 177.0. The BCIg, the smoothed annualized growth of BCI, at 18.0 is also up from last week's upward revised 17.9. However, BCI does not indicate a possible recession in the near future.

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


## Summary 9-5-14:

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 near 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 76 weeks ago when the WLIg_shortEMA moved below the WLIg_longEMA. This signal was obviously incorrect.   Another Sell A signal was generated 10 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 higher 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, near 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.

### Monthly Updates

### Unemployment

The unemployment rate recession model has been updated with the August UER of 6.1%.  Here is the link to latest update.

### Coppock Indicator for the S&P500

The Coppock indicator for the S&P500 generated the last interim buy signal on January 31, 2014.  This indicator is described here and now signals investment in the S&P500 to the end of 2014, unless the S&P500 gains 38% over shorter period.

### TIAA Real Estate Account

Currently the 1-year rolling return is 10.85%. The Vanguard REIT Index Fund is at a new all time high signaling that there is further upside potential for the TIAA Real Estate Account.  A sell signal is not imminent.
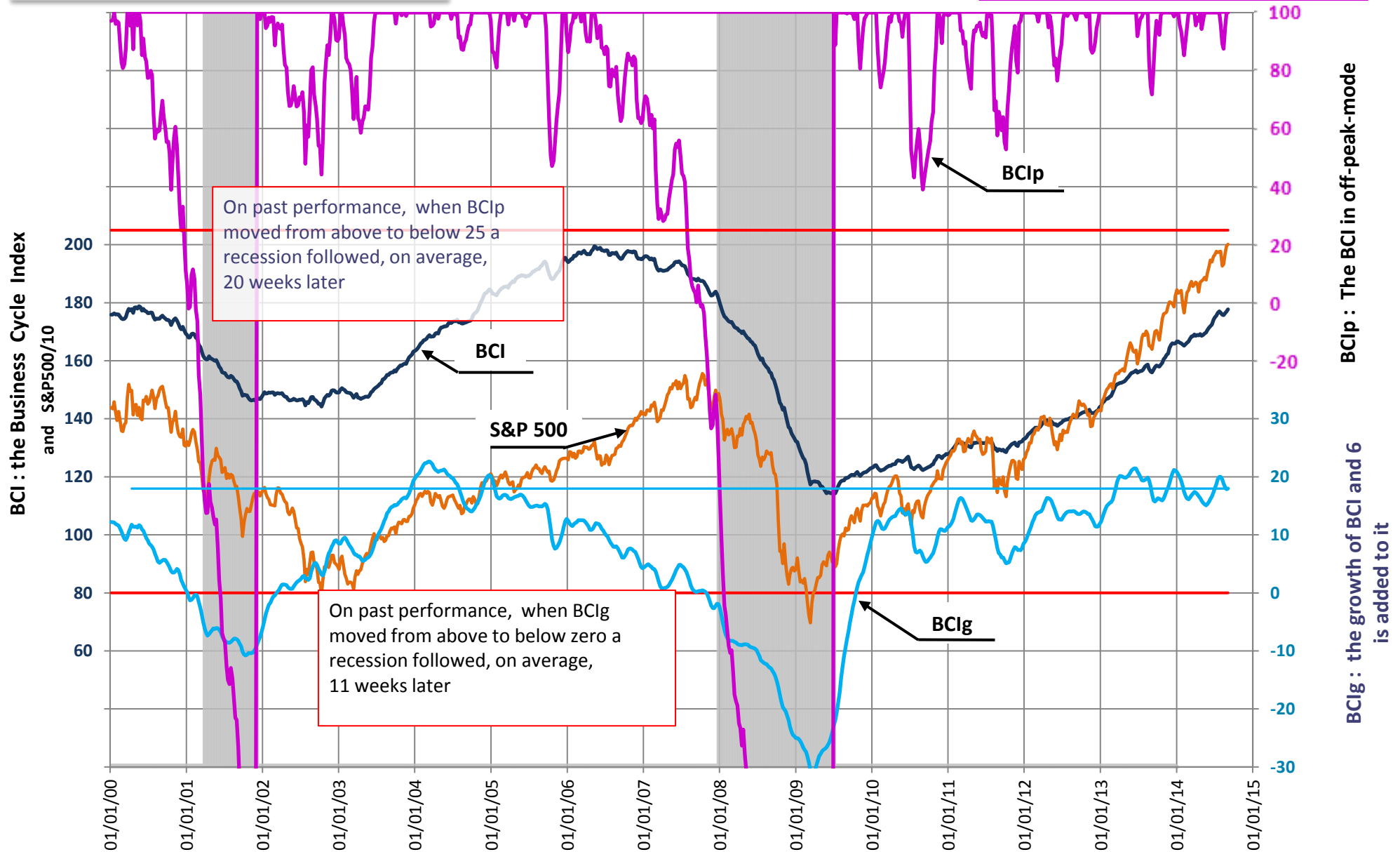
Read more …

# iM's Business Cycle Index (BCI)

## BCIp, BCI and BCIg
## updated to September 04, 2014

| Date | 08/07 | 08/14 | 08/21 | 08/28 | **09/04** |
|------|-------|-------|-------|-------|-----------|
| BCIp | 89.4 | 87.5 | 94.8 | 99.9 | **100.0** |
| BCI | 175.9 | 175.7 | 176.4 | 177.0 | **177.7** |
| BCIg | 19.6 | 18.8 | 18.2 | 17.9 | **18.0** |

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

BCI

S&P 500

BCIg

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

**BCIp : The BCI in off-peak-mode**

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

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 1 : 2009-14  Fed Funds Rate,  S&P 500,  FRR,  WLIg,  slope WLIg,  slope WLI**    updated to….9/5/14

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*

*WLIg_short_EMA*

*20d_Slope_WLIg_longEMA+1*

*WLIg_long_EMA*

*120d_Slope_WLIg_long_EMA+1*

S&P500/250

*Federal Funds Rate*

published = 9/5/14
   WLI =134.88   +0.05
   WLIg =  1.83%   -0.48%
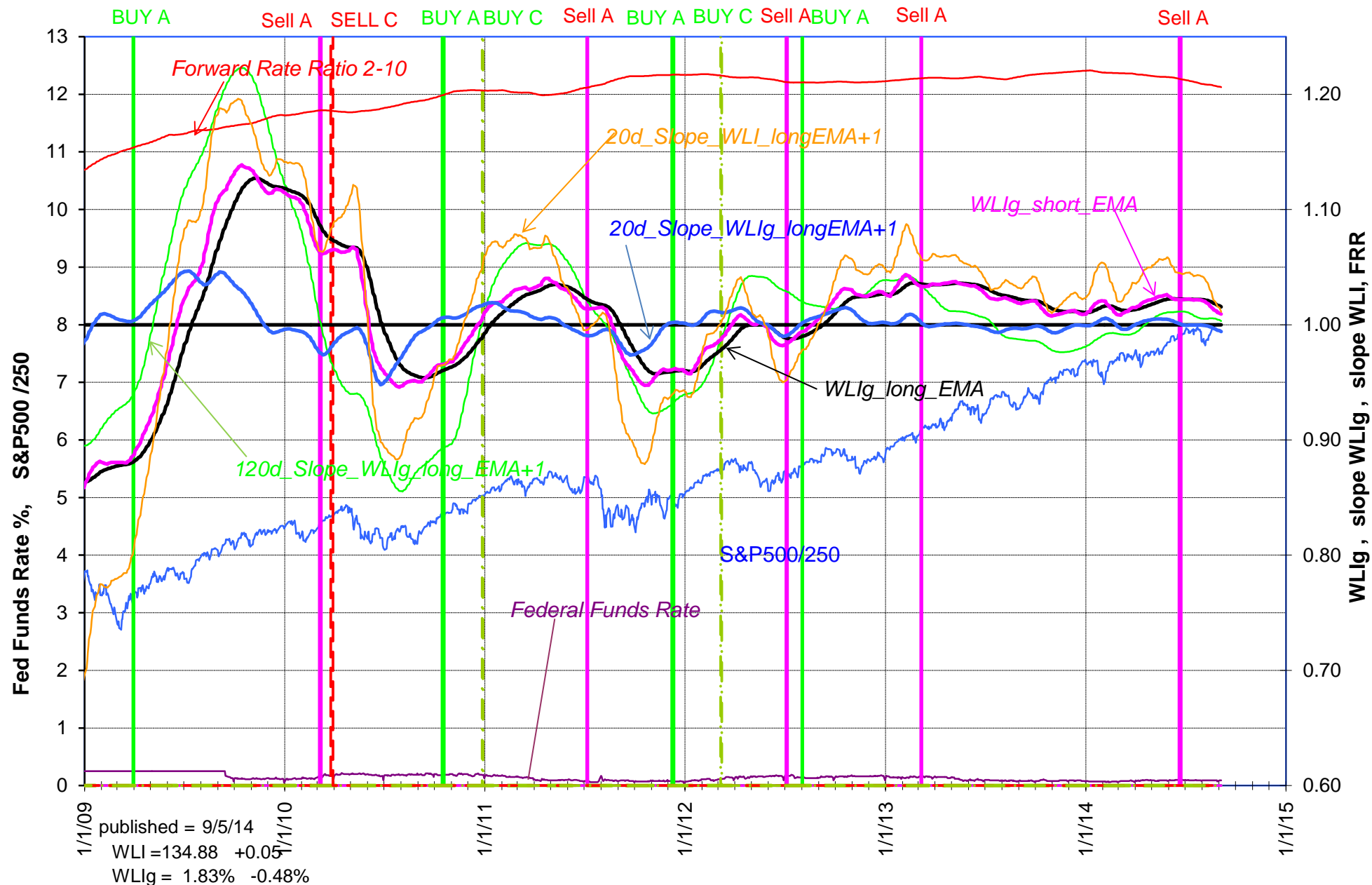
*WLIg = ECRI Weekly Leading Index growth/200 +1      WLI = (ECRI Weekly Leading Index -50)/10*
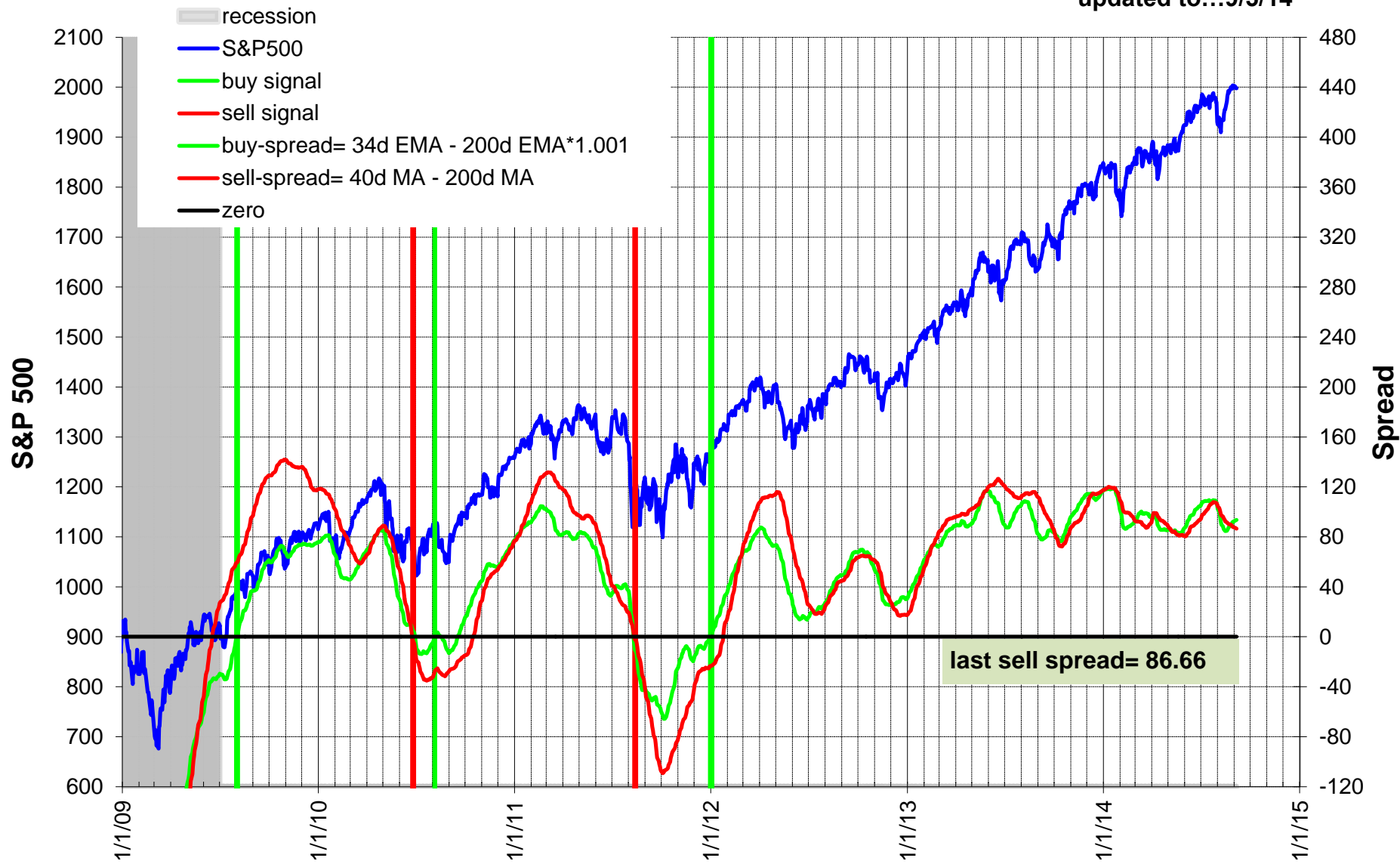
IBH.xlsm

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



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

updated to…9/5/14

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= 86.66

MAC.xlsm

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**Fig 2.1: Buy and Sell signals for the Australia All Ordinaries Index from the MAC-AU System**
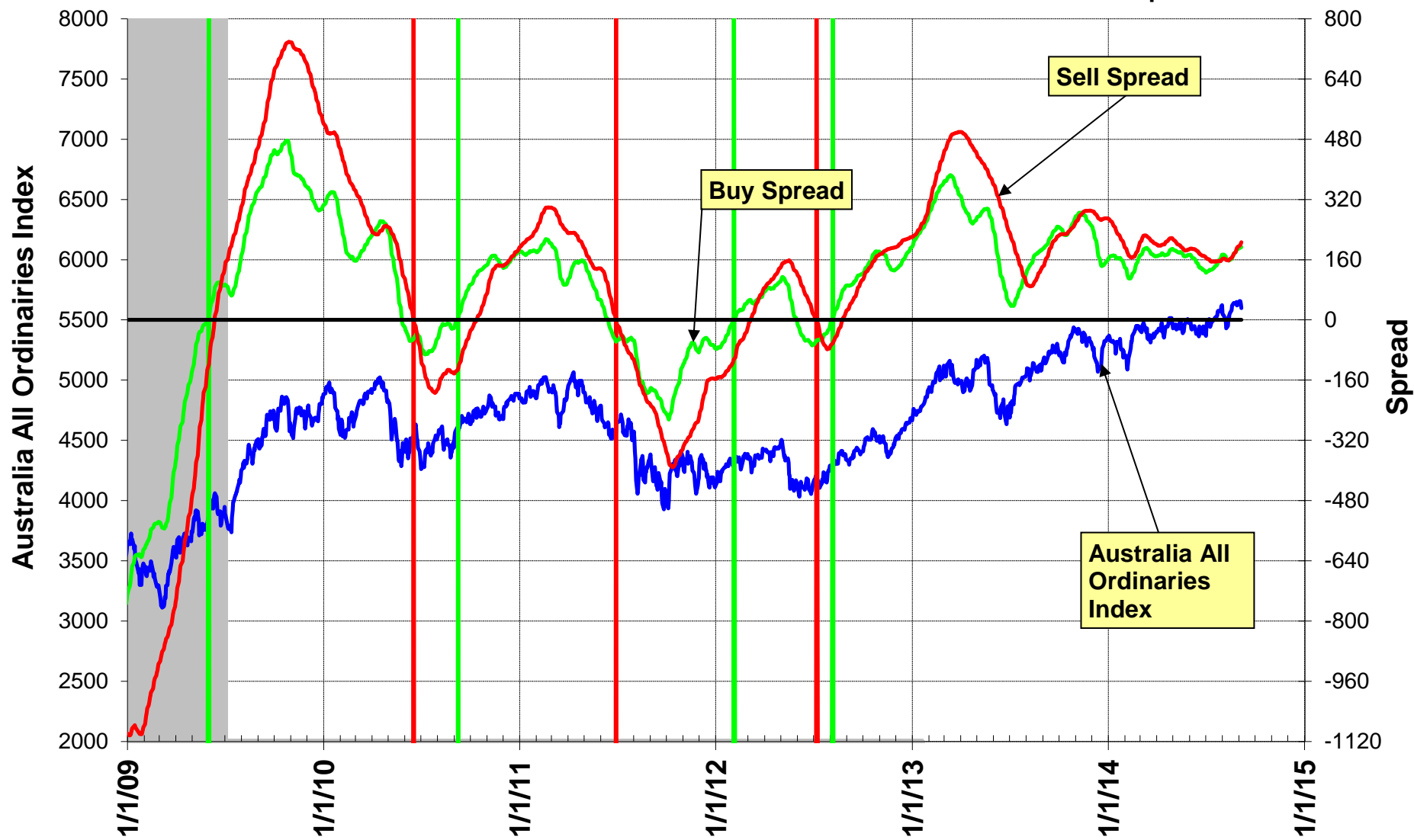
**updated to Sep-5-14**
**last sell spread= 206.49**



Sell Spread

Buy Spread

Australia All Ordinaries Index

MAC Australia.xlsm

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

Fig 3.1: iM-BCIg 1969-2013

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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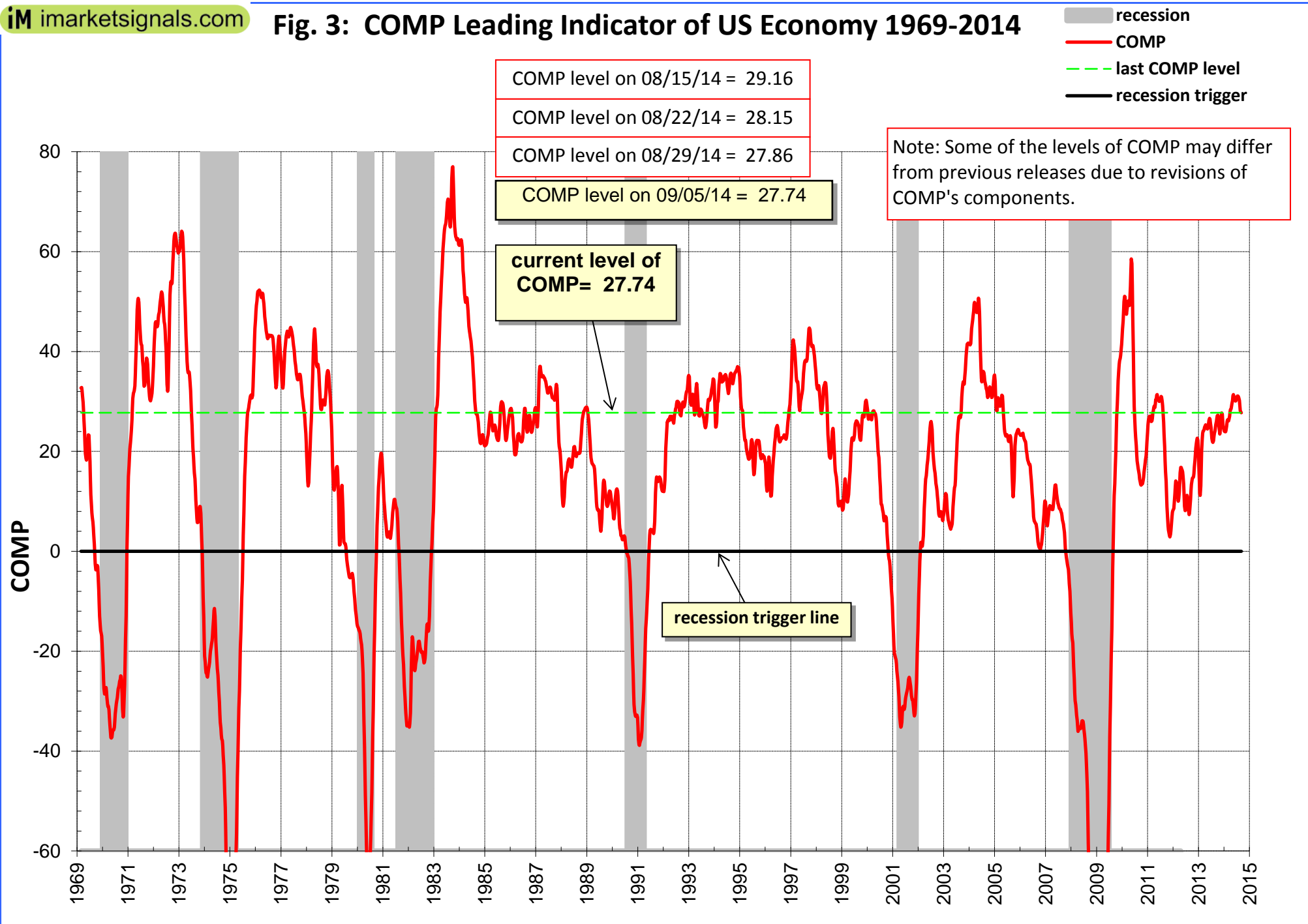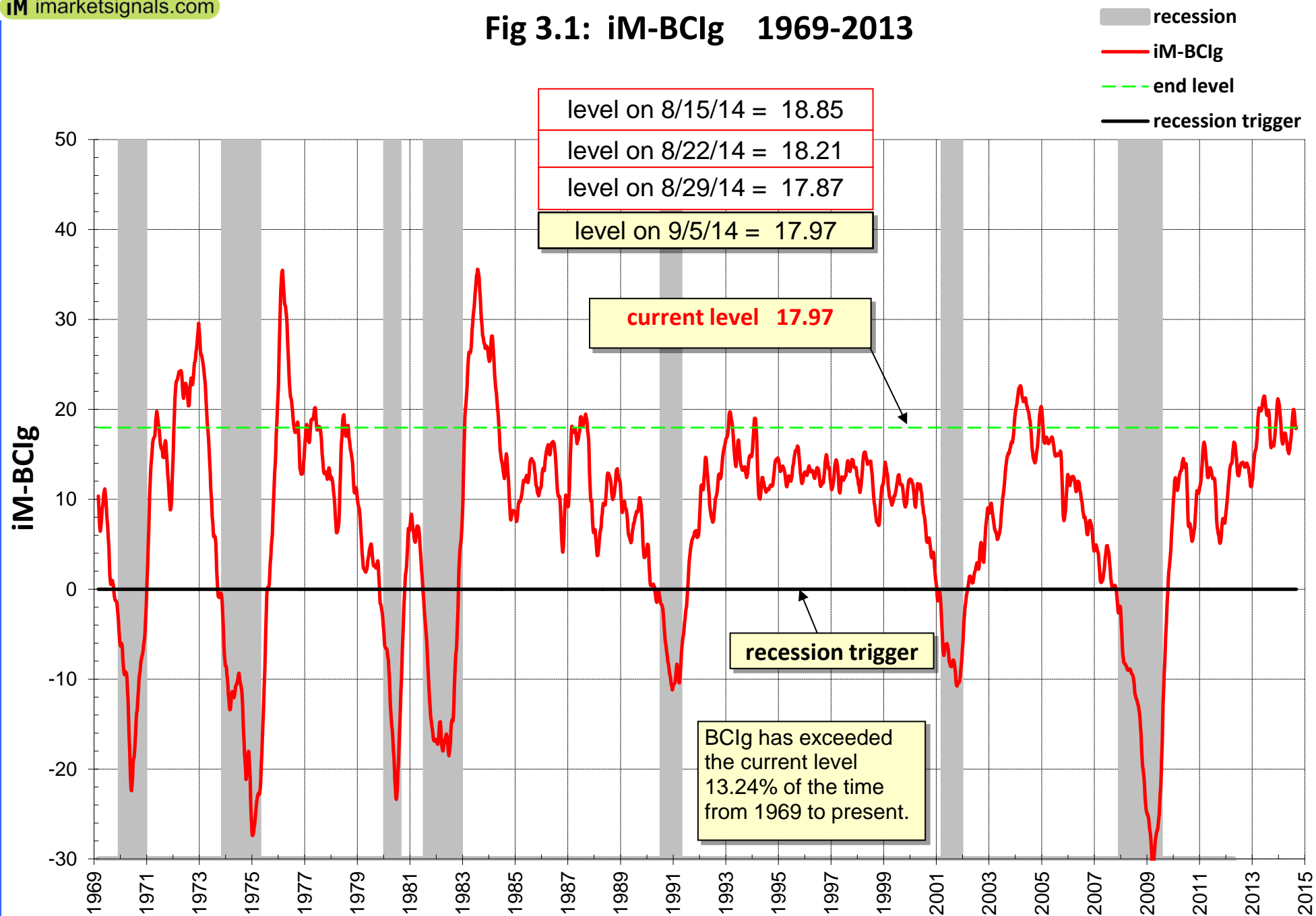
**Figure 4: Bond Value Ratio (BVR) from 2006 to 2014**

**Model updated to:…9/5/14    BVR = 5.918**

**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

upper offset limit line

BVR

BVR best-fit line

lower offset limit line

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

BVR.xlsm  fig4 BVR06-14

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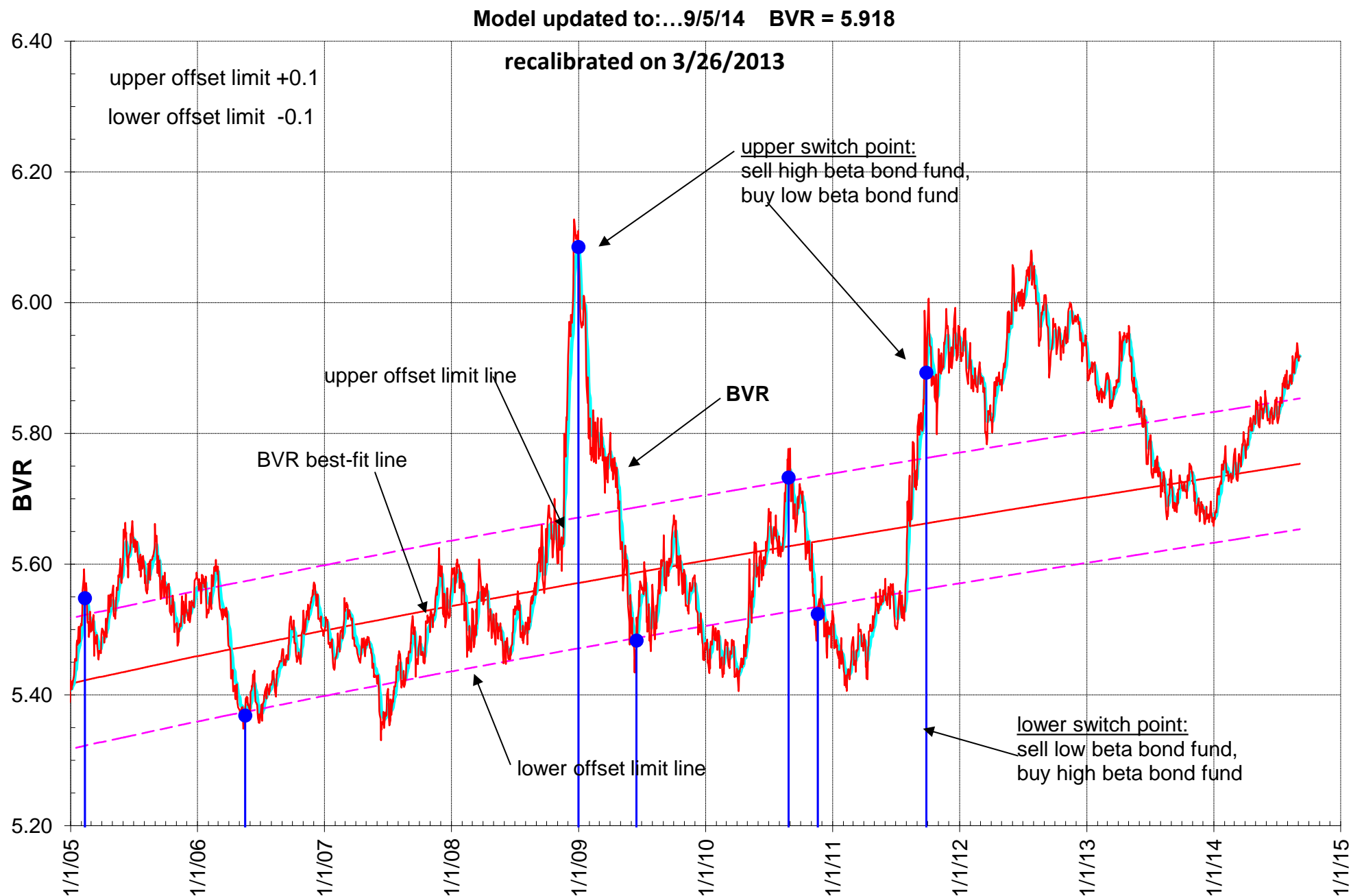
**Figure 5:  i10 - i2**    **Updated to…..9/5/14**

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

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

buy STPP (8-22-12)

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

buy FLAT

Yield Curve.xlsm  09-14
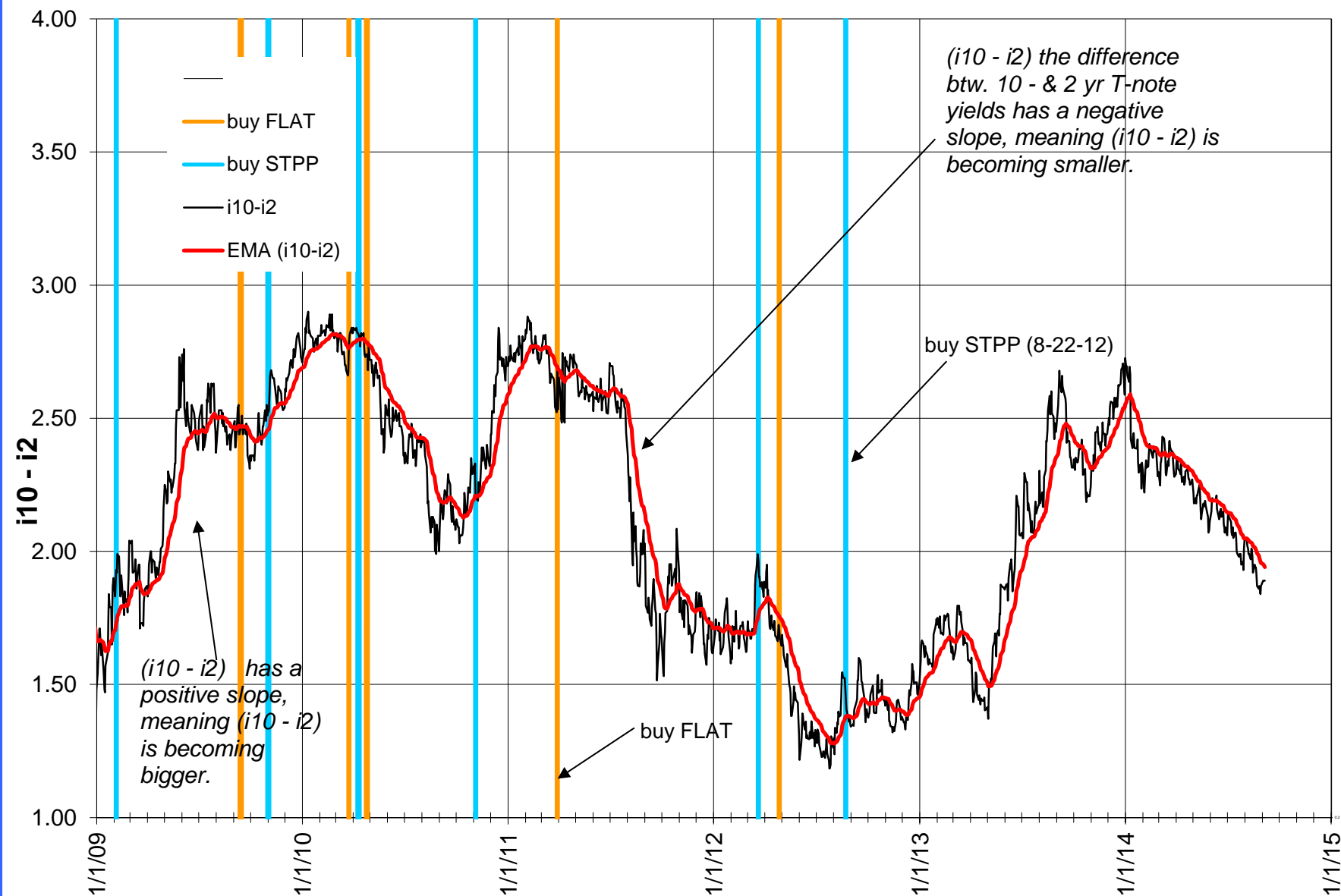
Figure 6: Modified Coppock Indicator for Gold 2005-2014
updated to 09/05/2014
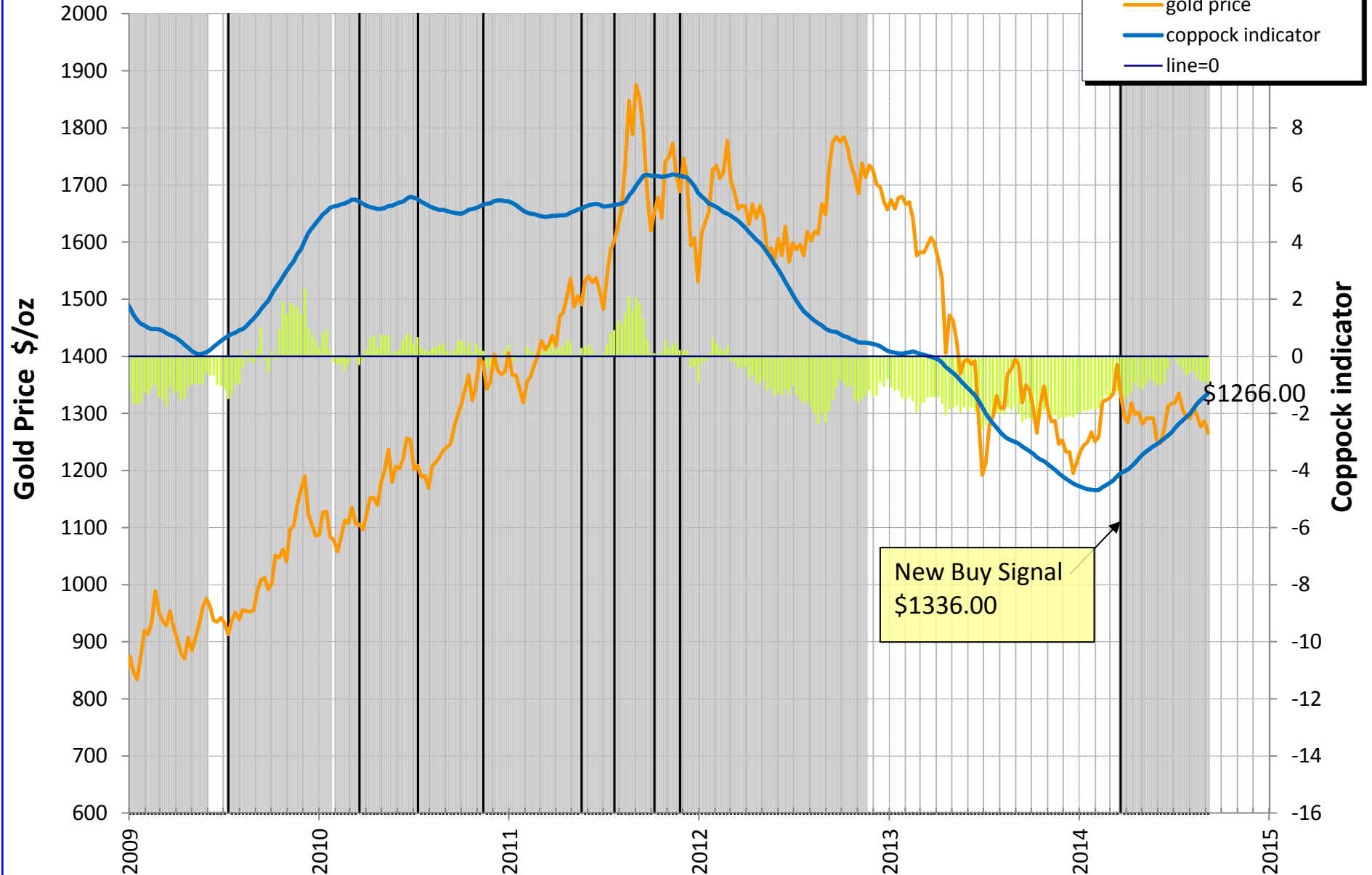
Figure 7: Modified Coppock Indicator for Silver 2005-2014
updated to 09/05/2014

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

Buy price $23.54

$19.13
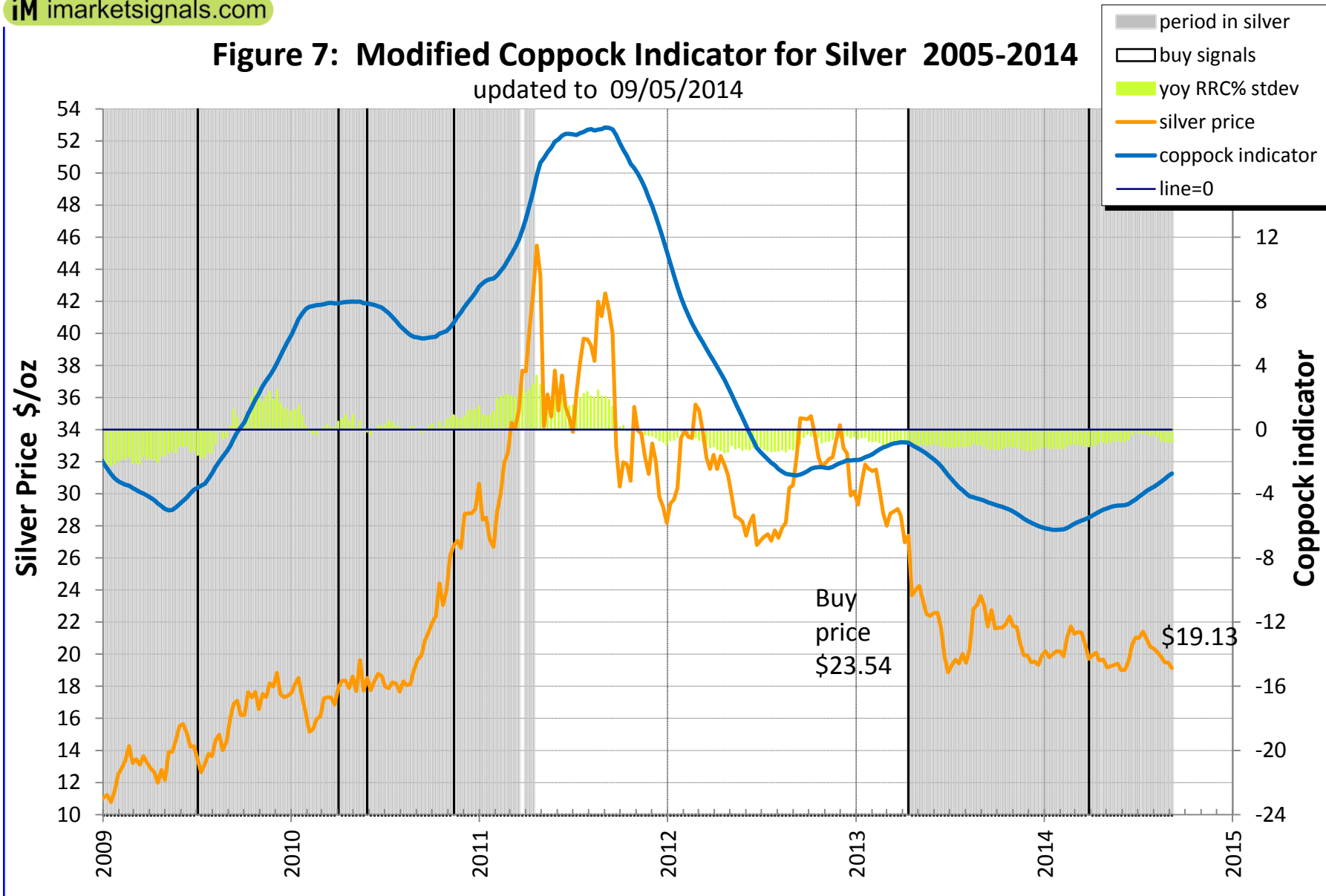
**Unemployment Rate and Recessions (real-time) 2000-2014**
Leads to recession starts and to recession ends are positive numbers in weeks, lags are negative numbers.

**updated to 9-26-2014 with August UER= 6.1%**

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Legend:
- ▨ Recession
- ▨ Recession Signal
- ▬ UER shortEMA
- ▬ UER longEMA
- ▬ UERg
- ▬ 0
- ▬ 19-wk rate of change UER

④ Lead to rec. start - weeks
-12 Lead to rec. end - weeks

UER shortEMA is below UER longEMA, no recession possibility. Spread= -0.50%

UERg= -17.03%

Y-axis left: Unemployment Rate (UER) %
Y-axis right: Growth of UER (UERg) & 19-wk rate of change UER
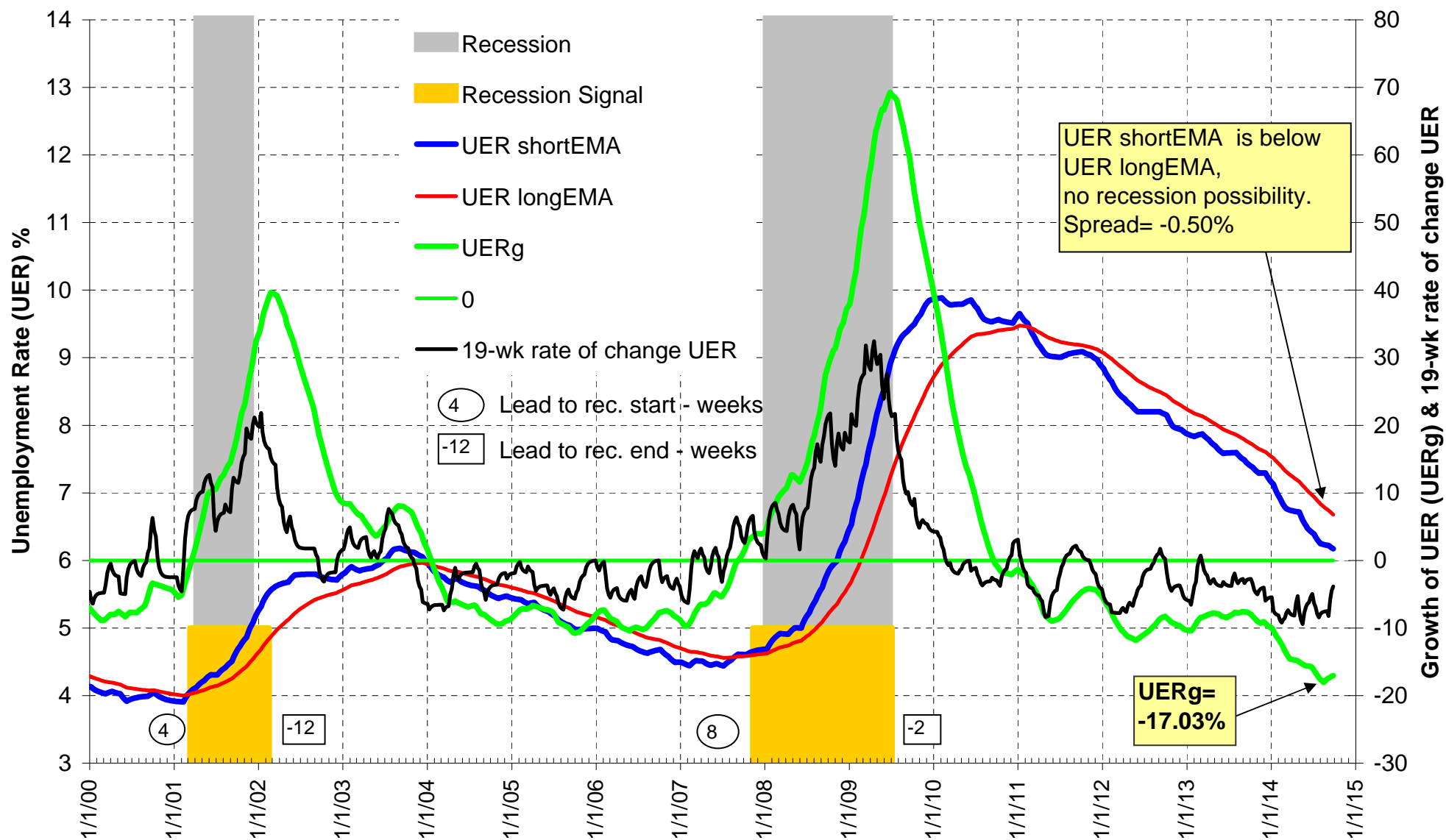
9/5/2014

Modified Coppock Indicator for S&P500
2005-2014

updated to 09/05/2014

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period in S&P500
buy signals
yoy RRC% stdev
S&P500
coppock indicator
line=0

S&P500

Coppock indicator

New interim
buy signal
Jan-31-14
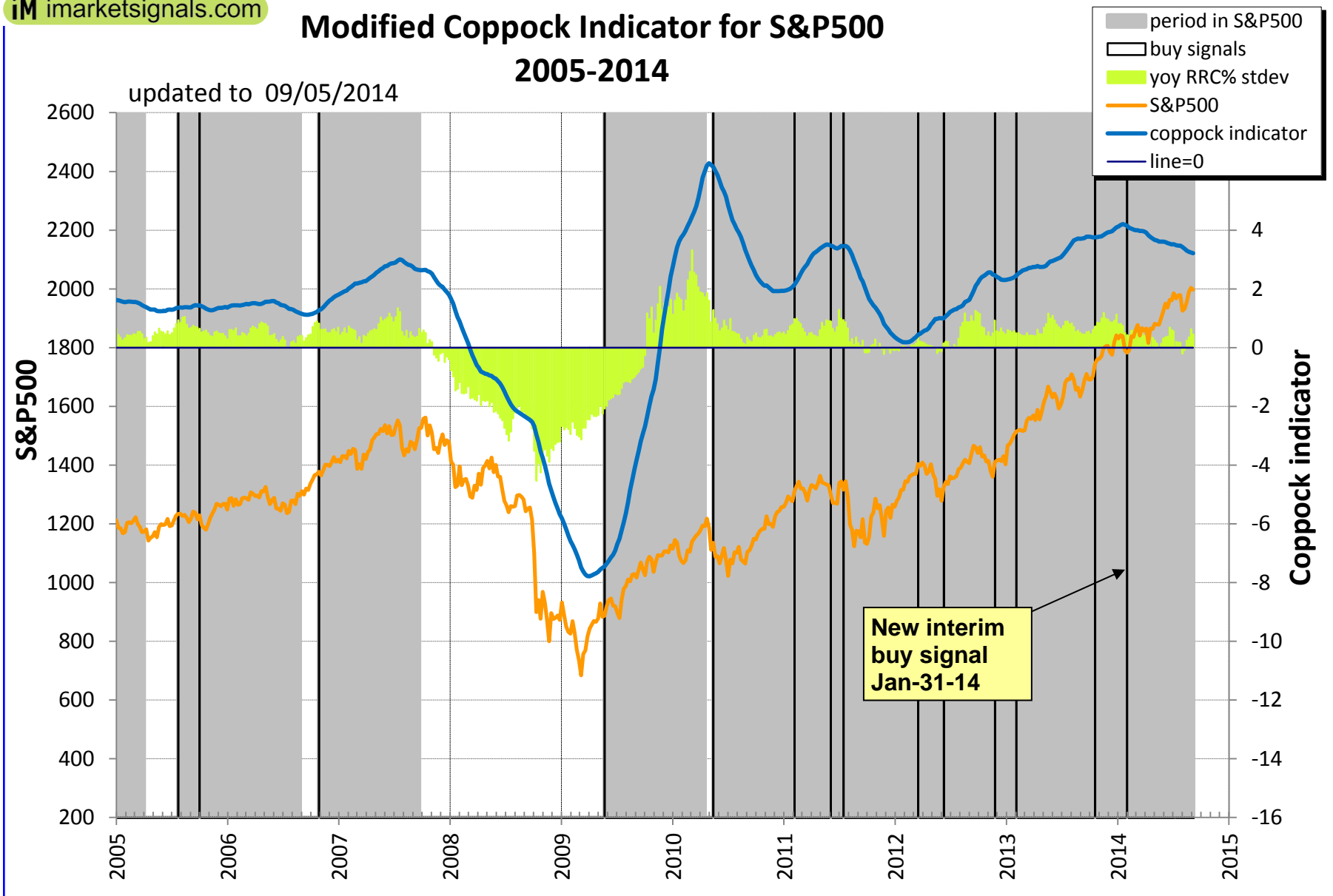
TIAA Real Estate Account vs. Vanguard REIT Index Fund (VGSIX) 2000 - 2014

updated to 9/4/14, current 1-year rolling return= 10.85%

Legend:
- recession
- TIAA Real Estate norm.
- Vang REIT Index Fund VGSIX norm.
- Sell TIAA Real Estate
- Buy TIAA Real Estate
- 1-yr Rolling Return TIAA Real Estate
- 0

Y-axis (left): TIAA Real Estate & VGSIX normalized to 100 (1/1/2000)
Y-axis (right): 1-yr Rolling Return TIAA Real Estate

Annotations: REIT VGSIX norm., 1-yr Rolling Return TIAA Real Estate, TIAA Real Estate norm., Sell TIAA Real Estate, Buy TIAA Real Estate

Vang REIT Index VGSIX vs TIAA Real Estate for updates.xls   TIAA vs REIT norm