

## **Business Cycle Index 11-12-2015:**

The BCI at 197.5 is down from week's 197.8, this is marginally down from the previous peak indicated by BCIP at 197.9. The 6-month smoothed annualized growth BCIG at 13.4 is lower compared to last week's revised 13.6.

No recession is signaled.

## **Summary 11-13-2015:**

The MAC-US model generated a buy signal this week, thus it and the IBH stock market model are invested in the markets, however this signal should be evaluated together with our other indicators. The MAC-AU remains out of the markets. The bond market model avoids high beta (long) bonds, the trend of yield spread is indeterminate. Both the gold and silver models are invested. The recession indicators COMP, as well as the BCIG, are down from last week.

## **Stock-market:**

The IBH-model is invested in the markets., The IBH model relies mostly on the long and short EMAs of the U.S. Weekly Leading Index's growth rate. The IBH-model is described [here](#) and the latest rules can be found [here](#) .

The [MAC-US](#) model generated a buy-signal this week when the buy-spread became positive. In evaluating this signal one should be aware that the sell-spread is still negative. The possibility exist that if there is a significant market downturn the sell-spread will remain negative and will thus not generate a sell signal. Our Best(SPY-IEF) Market-Timer still indicates a 50% allocation to stocks, our Climate-Grader remains in Zone-3 (NNP) and our 3-mo Hi-Lo Index remains out of market. Under these circumstances we will wait until the sell-spread becomes positive as well before changing from down-market to up-market condition for our Vanguard/TIAA-CREF systems.

.The [3-mo Hi-Lo Index](#) of the S&P500 signaled an exit from the stock market at the end of April 2015. For a buy signal to emerge the 40-day moving average (MA<sub>40</sub>) of the index must move from below to above 5.0%. The upward trend of the MA<sub>40</sub> has been reversed this week.

The MAC-AU model generated a sell signal end of August and thus in cash. The buy-spread is lower than last week's level. The next buy signal will emerge once the buy spread (green graph) moves above the zero line. This model and its application is described in [MAC-Australia: A Moving Average Crossover System for Superannuation Asset Allocations.](#)

## **Recession:**

Fig. 3 shows the COMP is down from last week's revised 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 recession indicator iM-BCI<sub>g</sub> is also down last week's level. A imminent recession is not signaled.

Fig 3.2 shows the long leading recession indicator FFR2-10. This indicates we are far from a recession.

### **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. It would appear that [BVR has peaked](#) end of January 2015.

### **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) and it would appear that the spread has formed a trough and was rising and now the general trend is indeterminate. 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 Update Summary 11-5-2015:** (next update 12/4/2015)

### **Unemployment**

The unemployment rate recession model ([article link](#)), has been updated with the September UER of 5.0%. 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.

### **Coppock Indicator for the S&P500**

The Coppock indicator for the S&P500 generated the last interim buy signal on January 31, 2014 and a sell signal early in January. This model is now out of the market. This indicator is described [here](#) .

### **Trade Weighted USD**

A downward trend of the Trade Weighted USD (TW\$) could signal the start of possible increases in federal fund rates. The TW\$ after an interim decline is recovering and the 6 month moving average trend remains upward.

### **TIAA Real Estate Account**

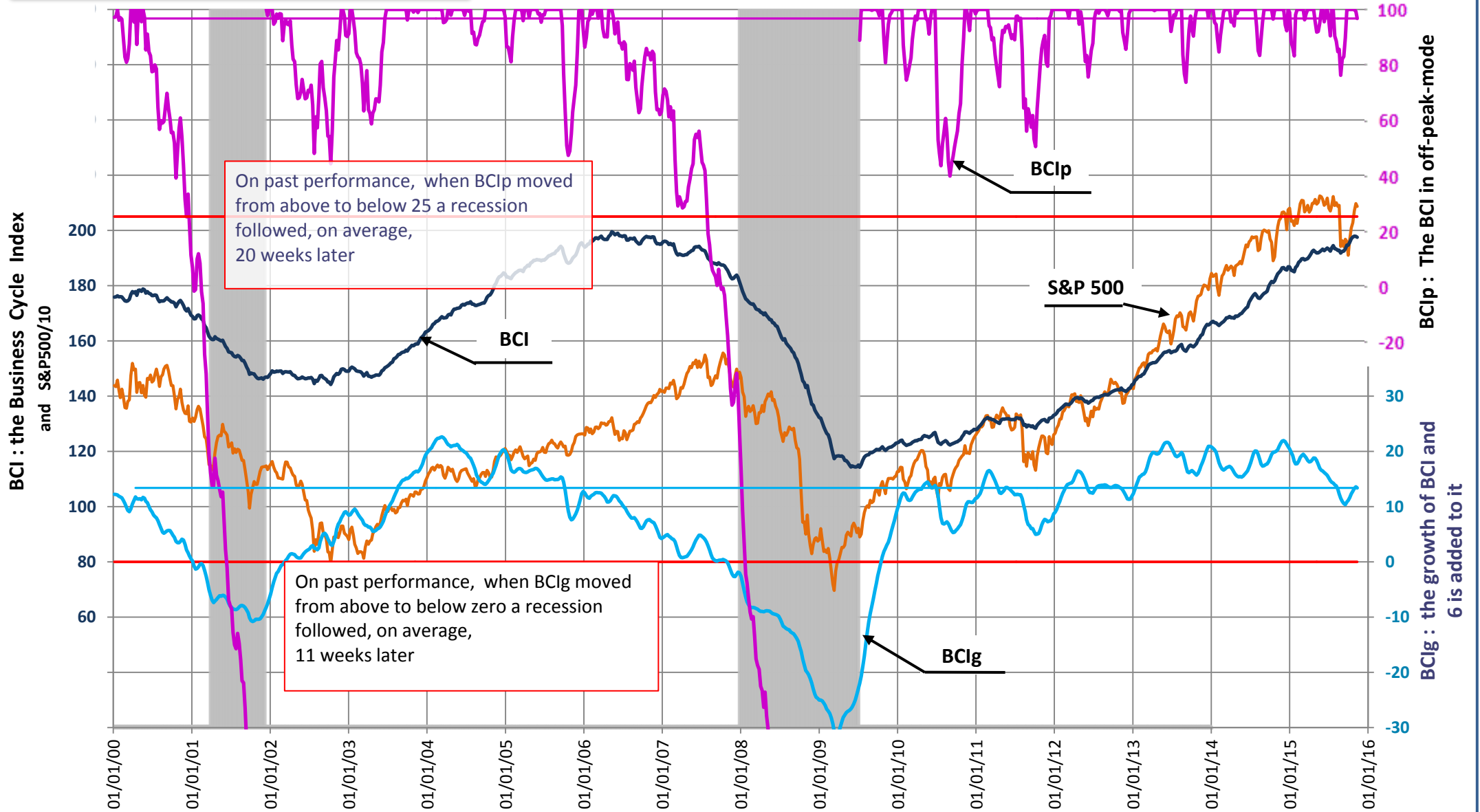
As of end of October 2015 the 1-year rolling return is 9.70%. The Vanguard REIT Index Fund has retreated from the all-time high; however, the good positive returns of TIAA Real Estate Account are expected to continue. A sell signal is not imminent. [Read more ...](#)

# iM's Business Cycle Index (BCI)

Date	10/15	10/22	10/29	11/05	11/12
BCIp	100.0	100.0	100.0	99.3	96.7
BCI	197.0	197.6	197.9	197.8	197.5
BCIg	12.3	12.8	13.3	13.6	13.4

BCIp, BCI and BCIG  
updated to November 12, 2015

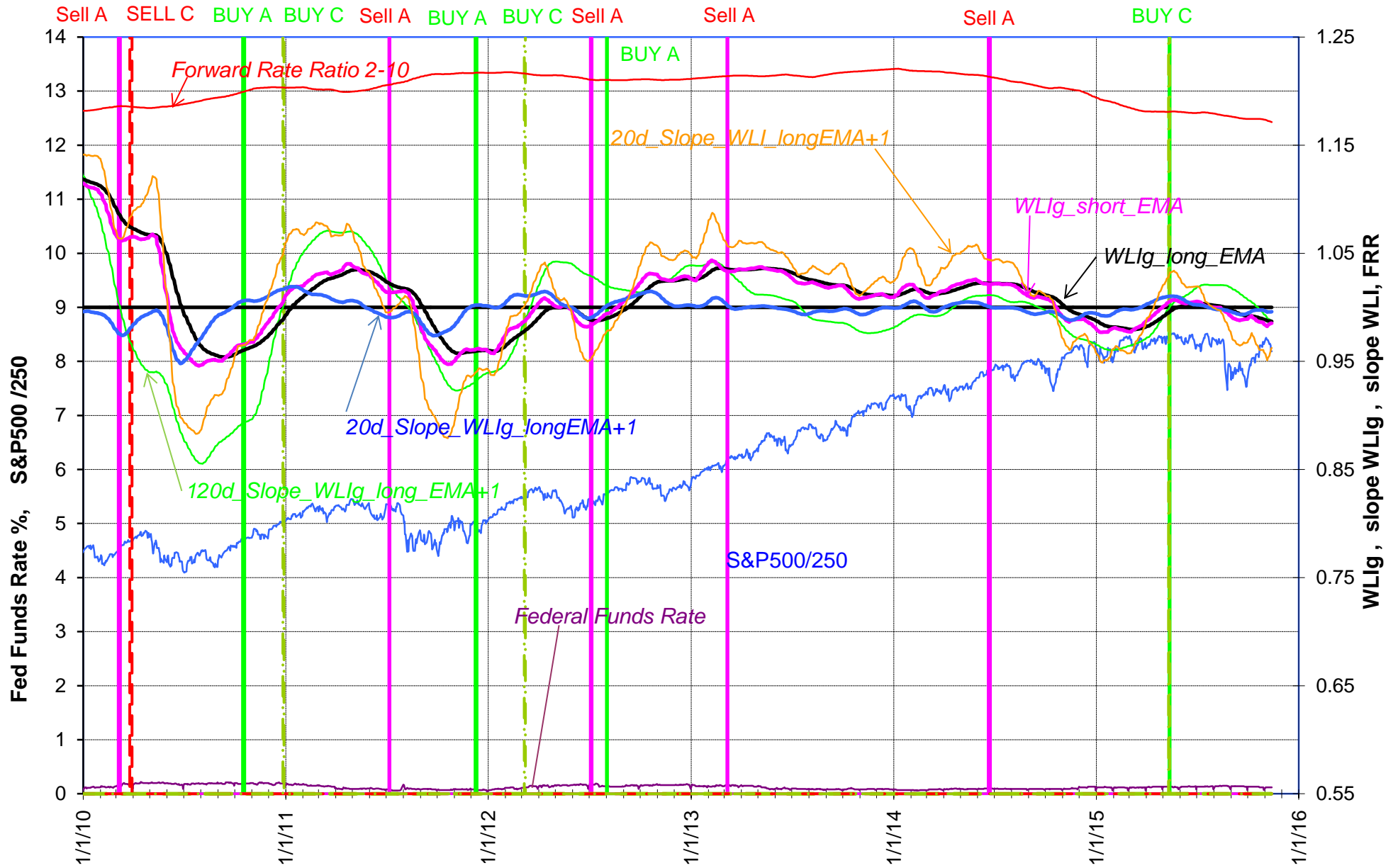
On past performance, BCIp = 100 can be interpreted as an average one year "time-to-live" to a recession.



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

Figure 1 : 2010-15 Fed Funds Rate, S&P 500, FRR, WLIg, slope WLIg, slope WLI

updated to 11/13/15



WLIg = -2.9% +0.69%  
WLI = 130.35 +0.58

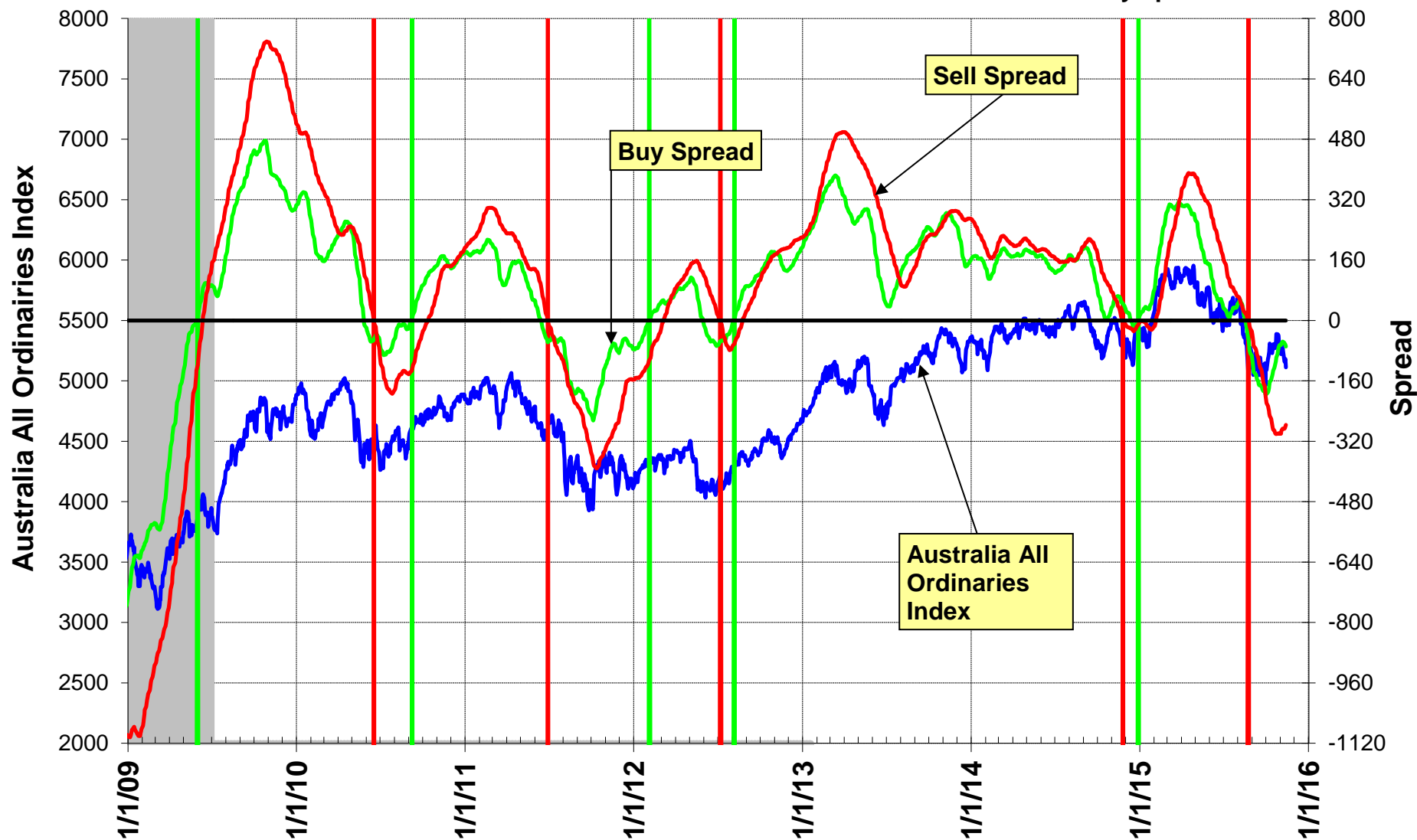
published = 11/13/15

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



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

updated to Nov-13-15  
last buy spread= -68.7



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

### Figure 2: Buy and Sell signals for S&P 500 2010-15 from the modified golden-cross MAC-System



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

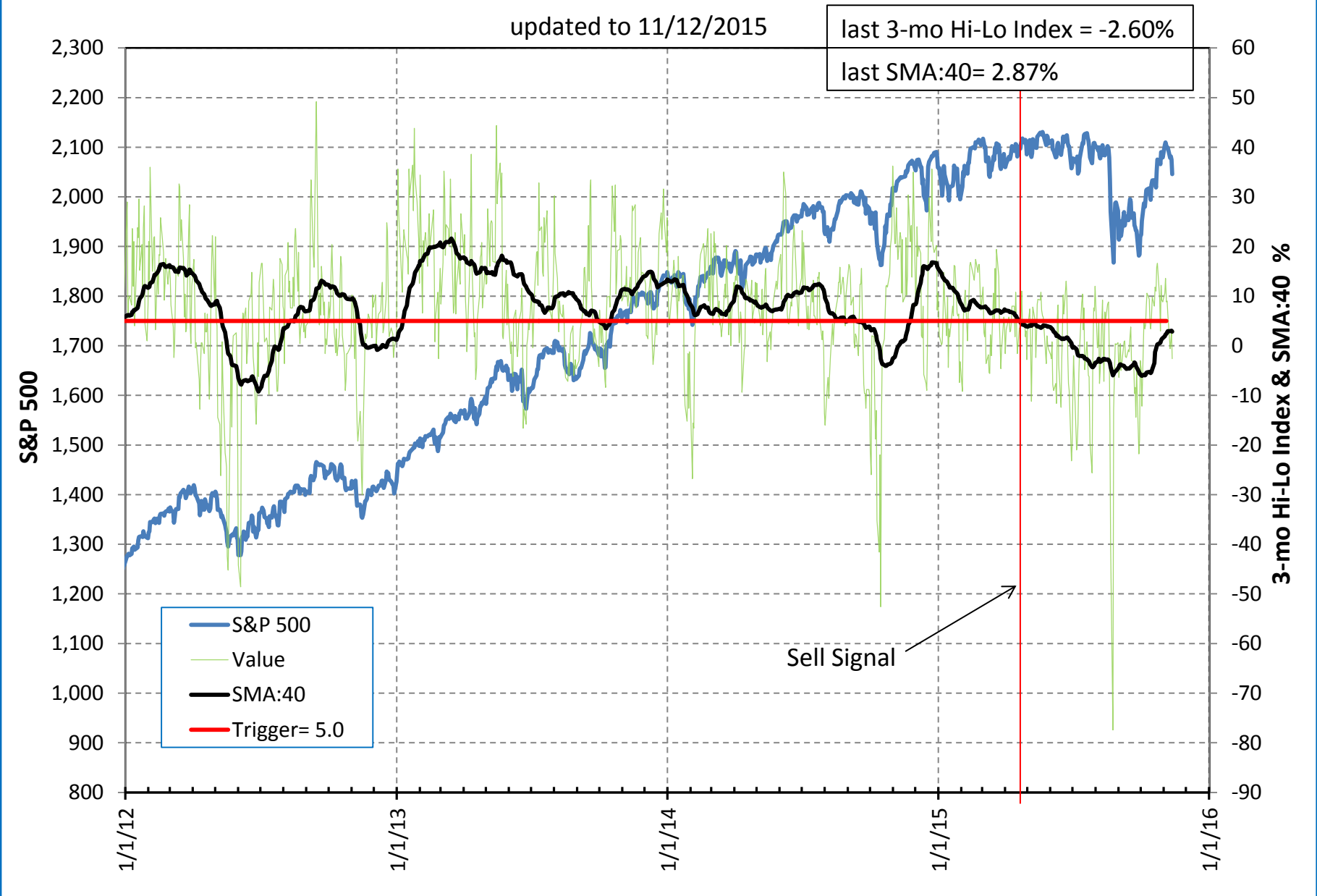


Fig 3.1: iM-BCI<sub>g</sub> 1969-2015

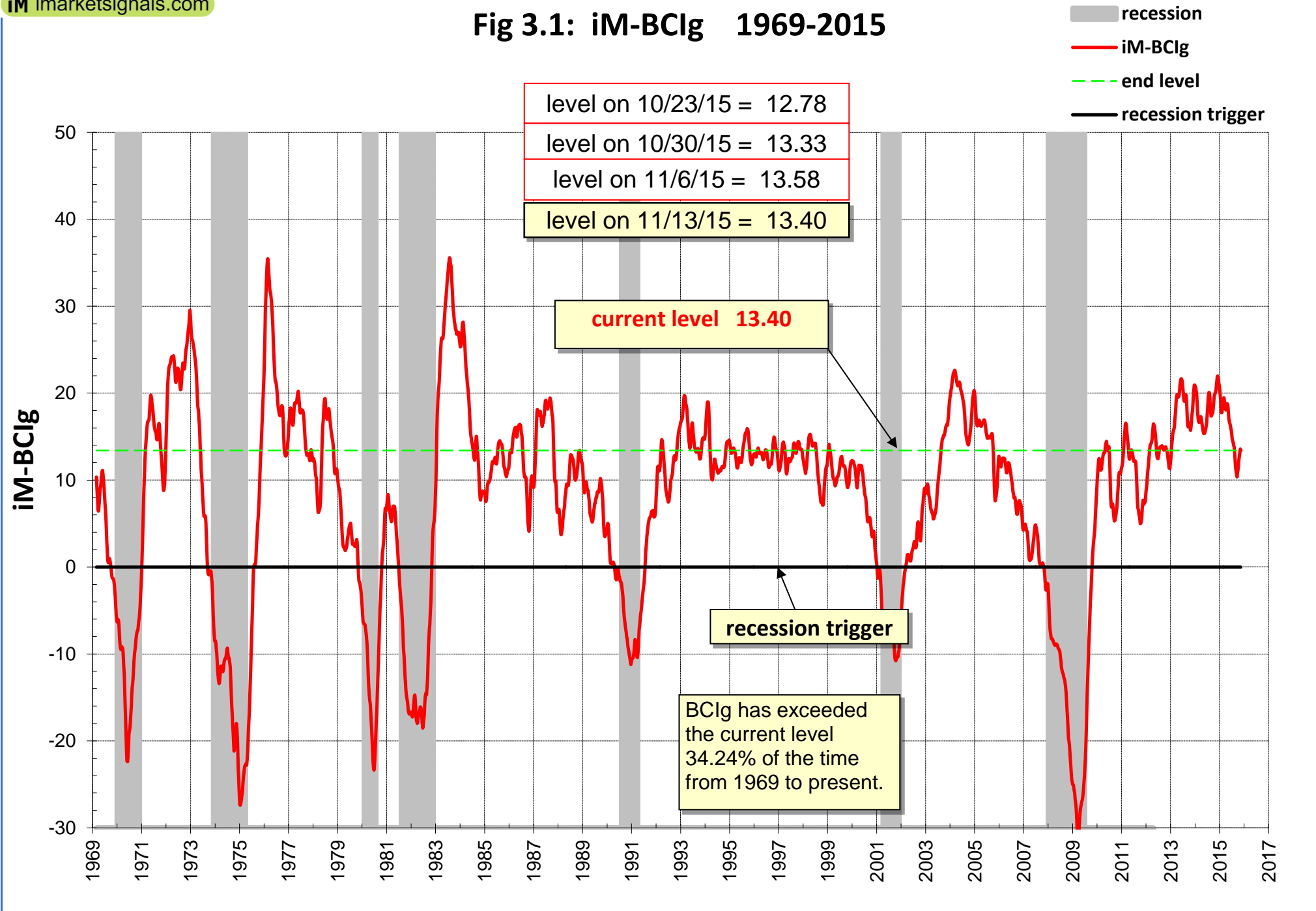
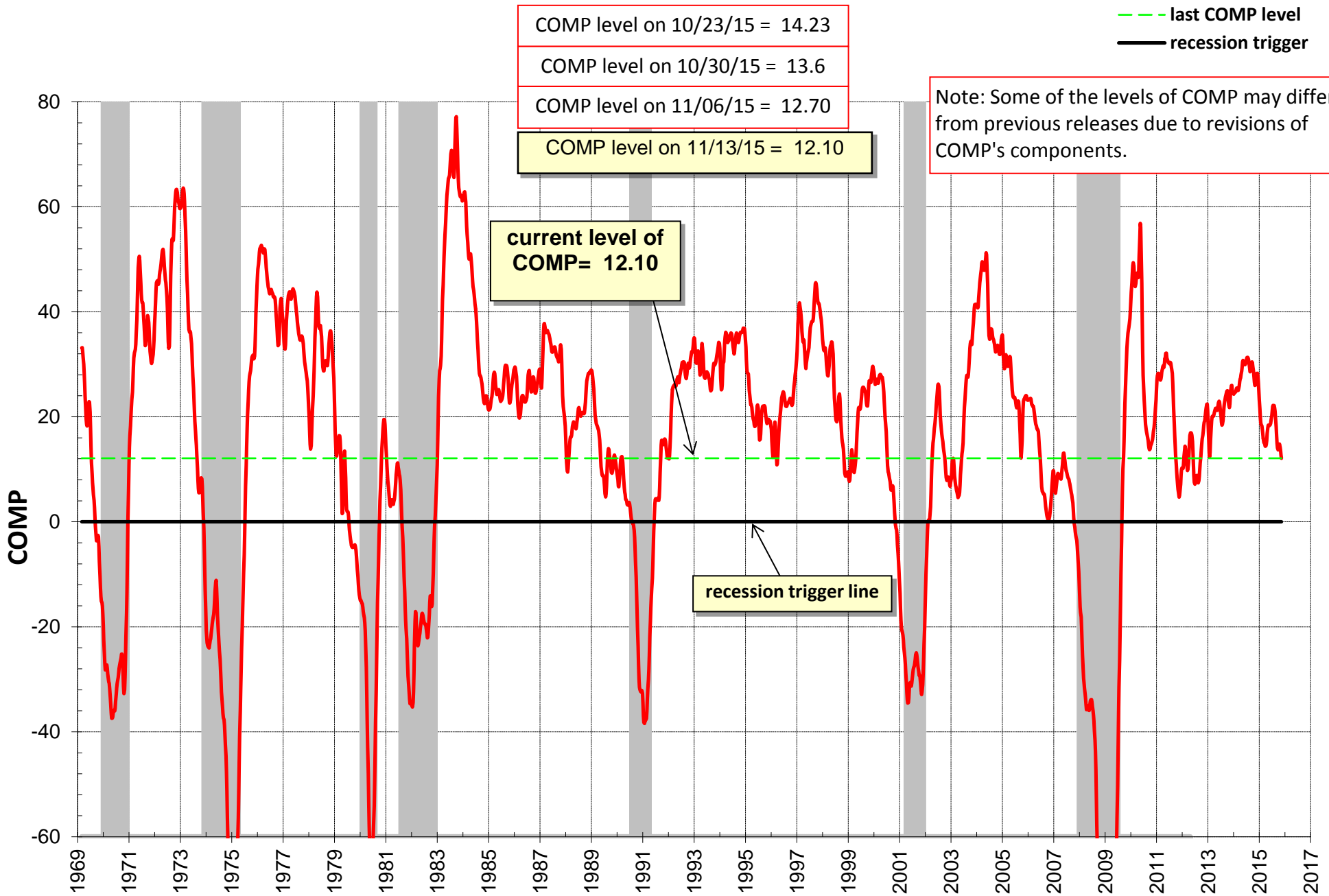


Fig. 3: COMP Leading Indicator of US Economy 1969-2015

- recession
- COMP
- last COMP level
- recession trigger



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

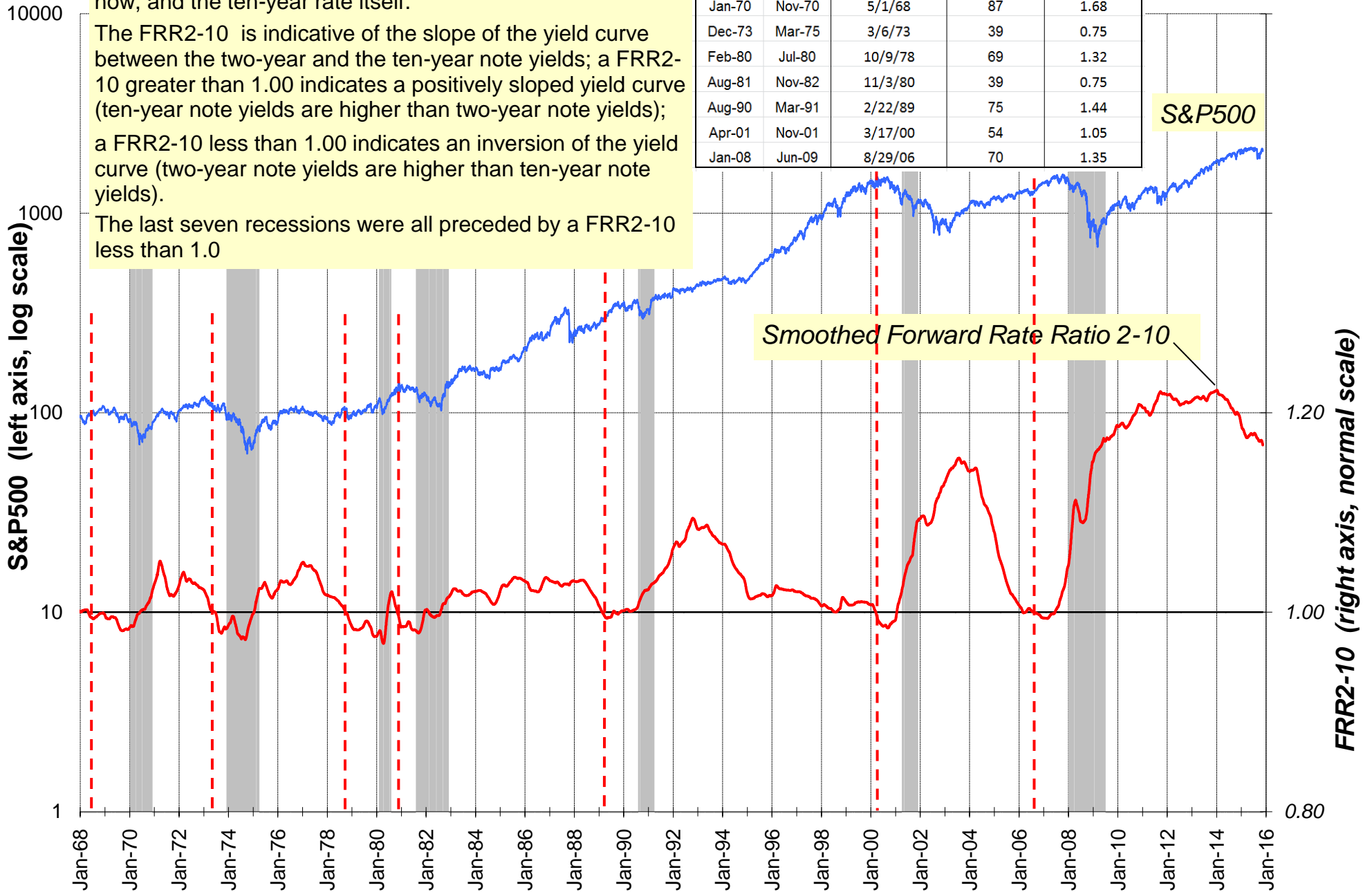
updated to 11/13/15  
EMA of FRR2-10 = 1.17

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).

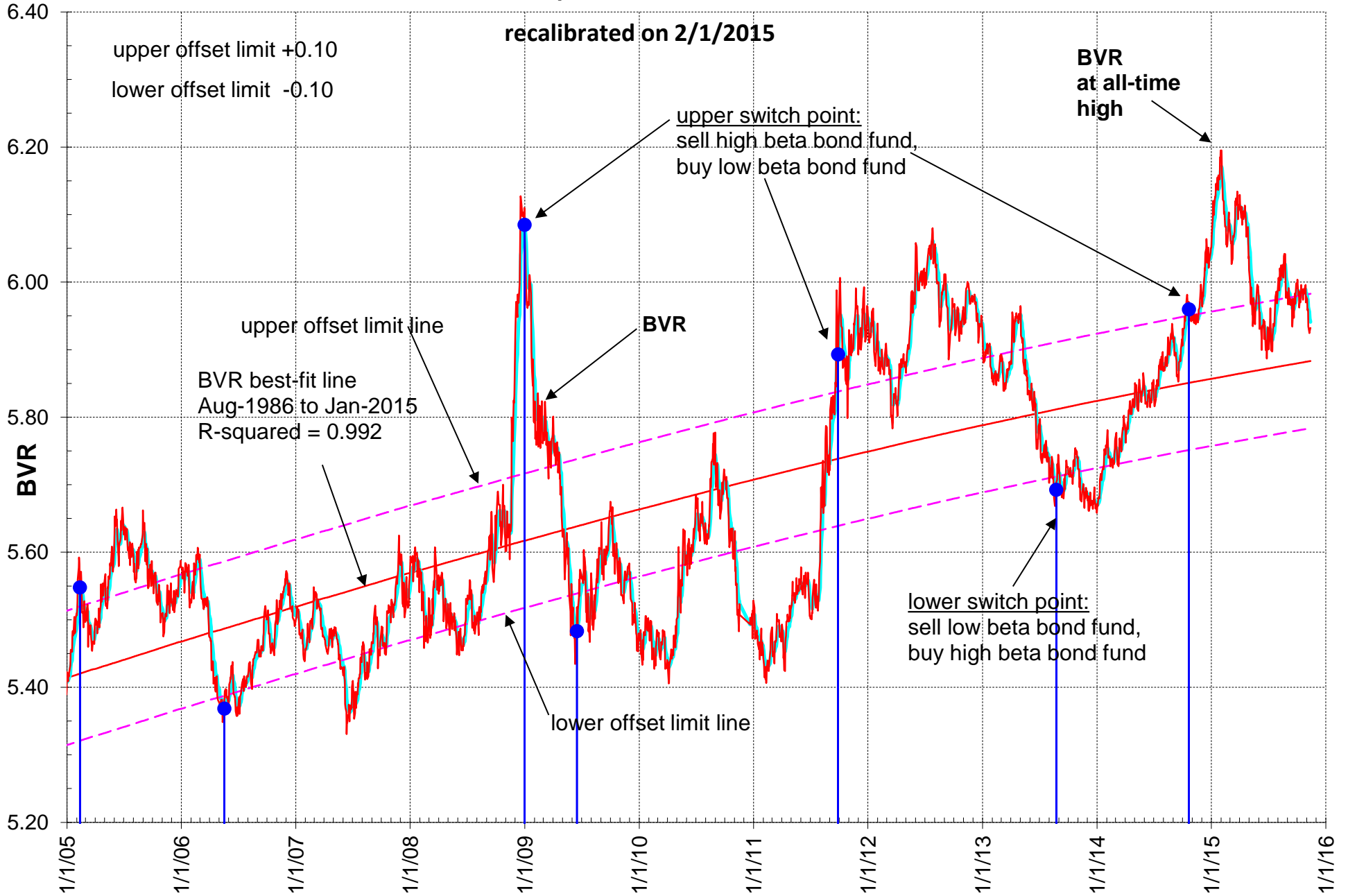
The last seven recessions were all preceded by a FRR2-10 less than 1.0

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

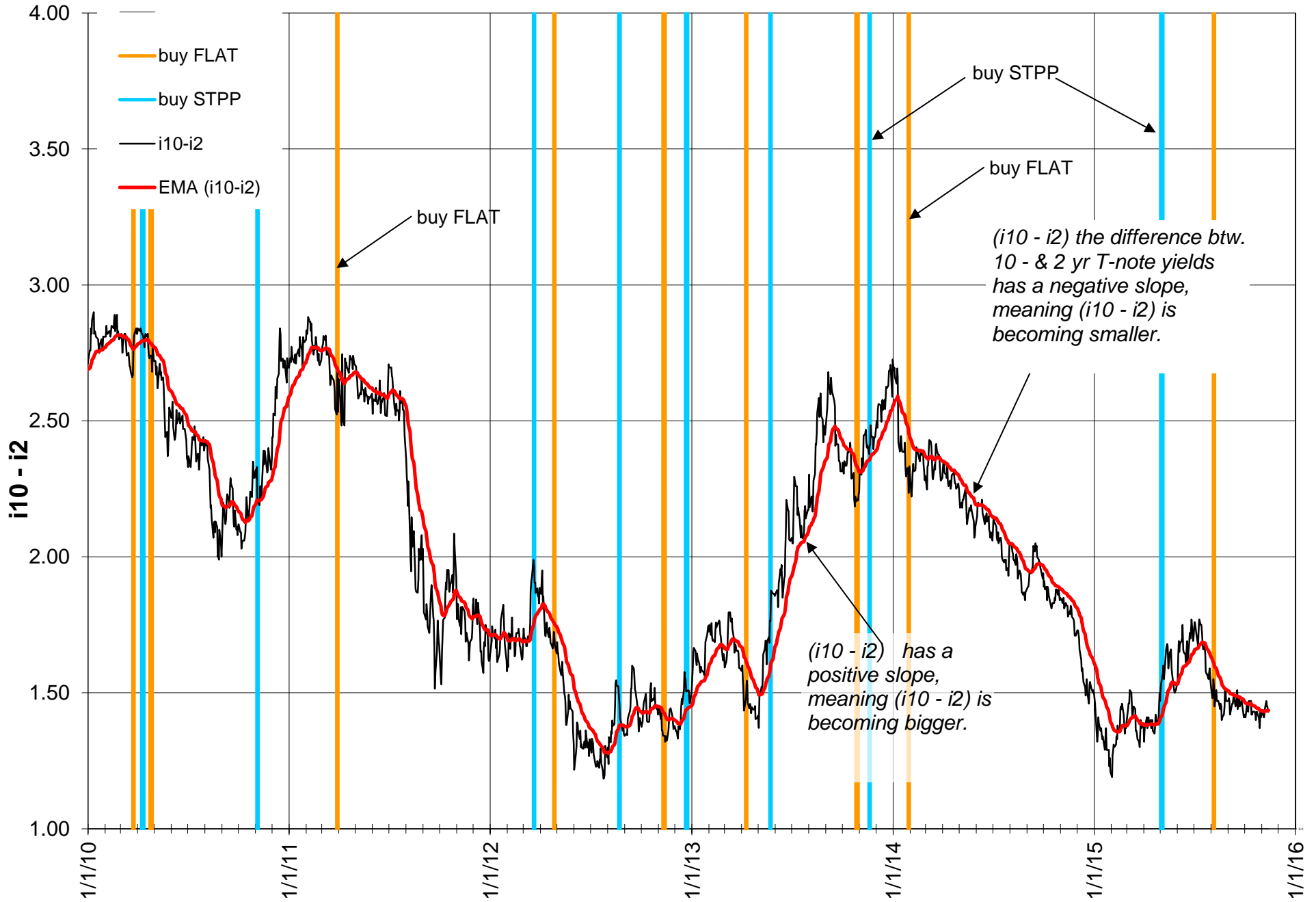


### Figure 4: Bond Value Ratio (BVR) from 2005 to 2015

Model updated to: 11/13/2015 BVR = 5.932

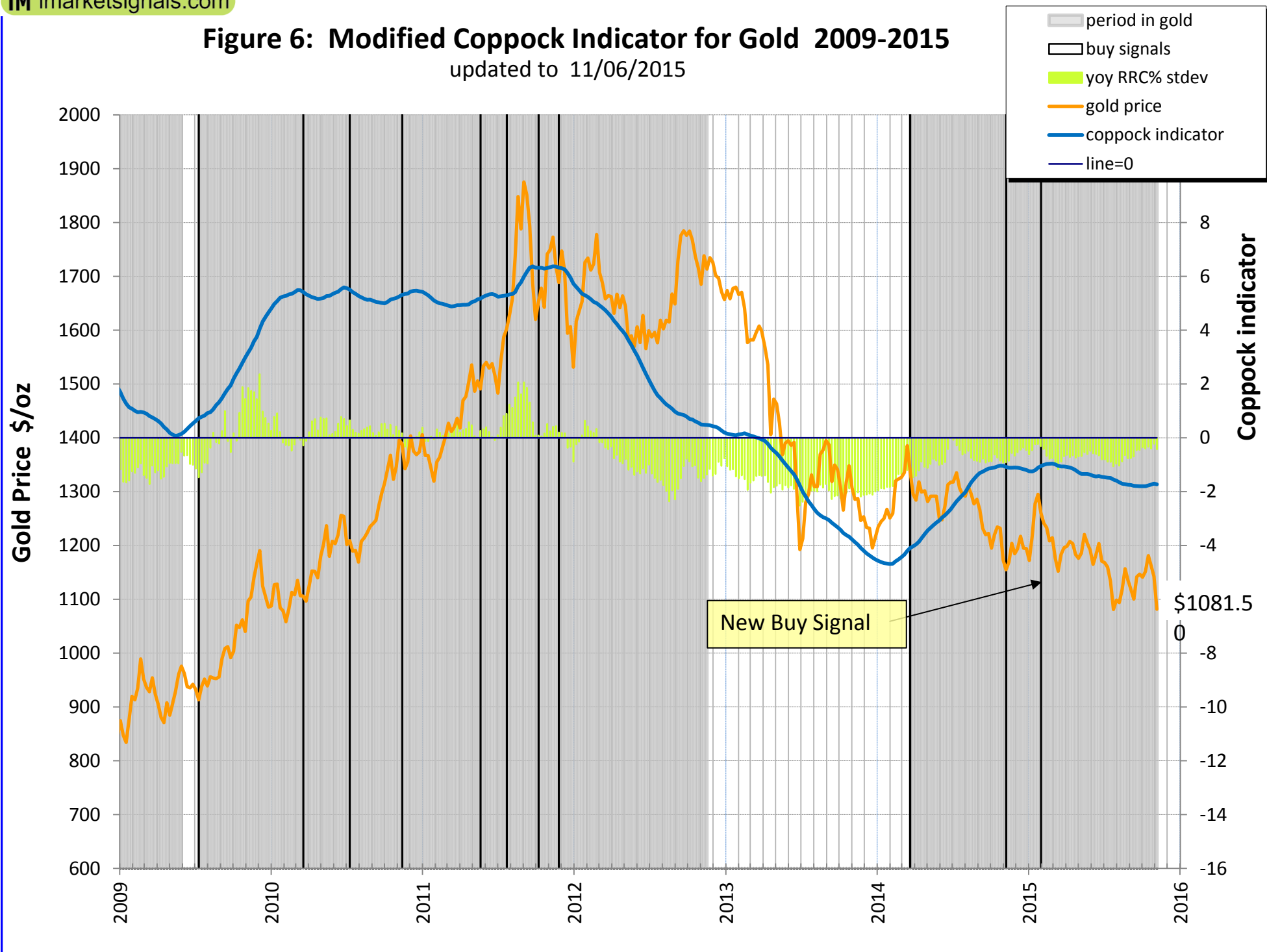


**Figure 5: i10 - i2 Updated to.....11/13/15**



### Figure 6: Modified Coppock Indicator for Gold 2009-2015

updated to 11/06/2015



### Figure 7: Modified Coppock Indicator for Silver 2009-2016

updated to 11/06/2015

