June 22, 2017

Business Cycle Index

The BCI at 223.3 is below last week's 223.5, and for this Business Cycle is below the previous high as indicated by the BCIp at 83.3. Also, the 6-month smoothed annualized growth BCIg at 15.3 is below last week's 15.9

No recession is signaled.

June 23, 2017

Market Signals Summary:

The MAC-US model is invested. Also invested are the "VMNFX vs. SPY Timer" and the "3-mo Hi-Lo Index of the S&P500". The monthly updated S&P500 Coppock indicator is also invested. 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, and the downward trend in the yield curve continues. Both the gold and silver Coppock models are invested, and the iM-Gold Timer bought gold on 5/1/2017. 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 above 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 below last week's level and at 8.27% (last week 9.01%) and is in the market since 5/25/2017.

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 below 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 below 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 which is also down 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 below previous week's level and far away from signalling a recession. A downward trend of the FRR2-10 has set in. A description of this indicator can be found here.

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 above 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) showing a continued downward trend. A buy FLAT signal was generated on 2/8/2017. 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 Rev-1 bought gold on 5/1/2017 and is invested in gold.

Silver:

The modified Coppock Silver indicator shown in Fig 7. This model generated a new buy signal late November 2016 and is invested in silver.

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

Monthly Updates

June 2, 2017 (next update July 7, 2017)

Unemployment

The unemployment rate recession model (article link), has been updated with the May UER of 4.3%. 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. The growth rate UERg is unchanged at -7.81% (previous at -7.81%) and EMA spread of the UER is -0.31% (previous at -0.26).

Here is the link to the full update.

The Dynamic Linearly Detrended Enhanced Aggregate Spread:

The updated level of this indicator, -88bps, confirms the January 20, 2017 signal. Based on past history a recession could start at the earliest in October 2017, but not later than May 2019. The average lead time to previous recessions provided by DAGS was 15 months which would indicate a recession start for April 2018.

Coppock Indicator for the S&P500

The Coppock indicator for the S&P500 entered the market end May 2017. This model is in stocks. This indicator is described here.

CAPE-Cycle-ID

Fig 9a depicts the CAPE-Cycle-ID and the year-on-year rate-of-change of the Shiller CAPE. A model using this indicator invests in the market when the Cycle-ID is +2 or 0, and when the Cycle-ID equals -2 the model is in cash. This indicator is described here.

Trade Weighted USD

The rise of the TW$ value seems to be halted for now and is possible trending downwards.

TIAA Real Estate Account

The 1-year rolling return for the end of last month is 4.09%. A sell signal is not imminent. Read more …

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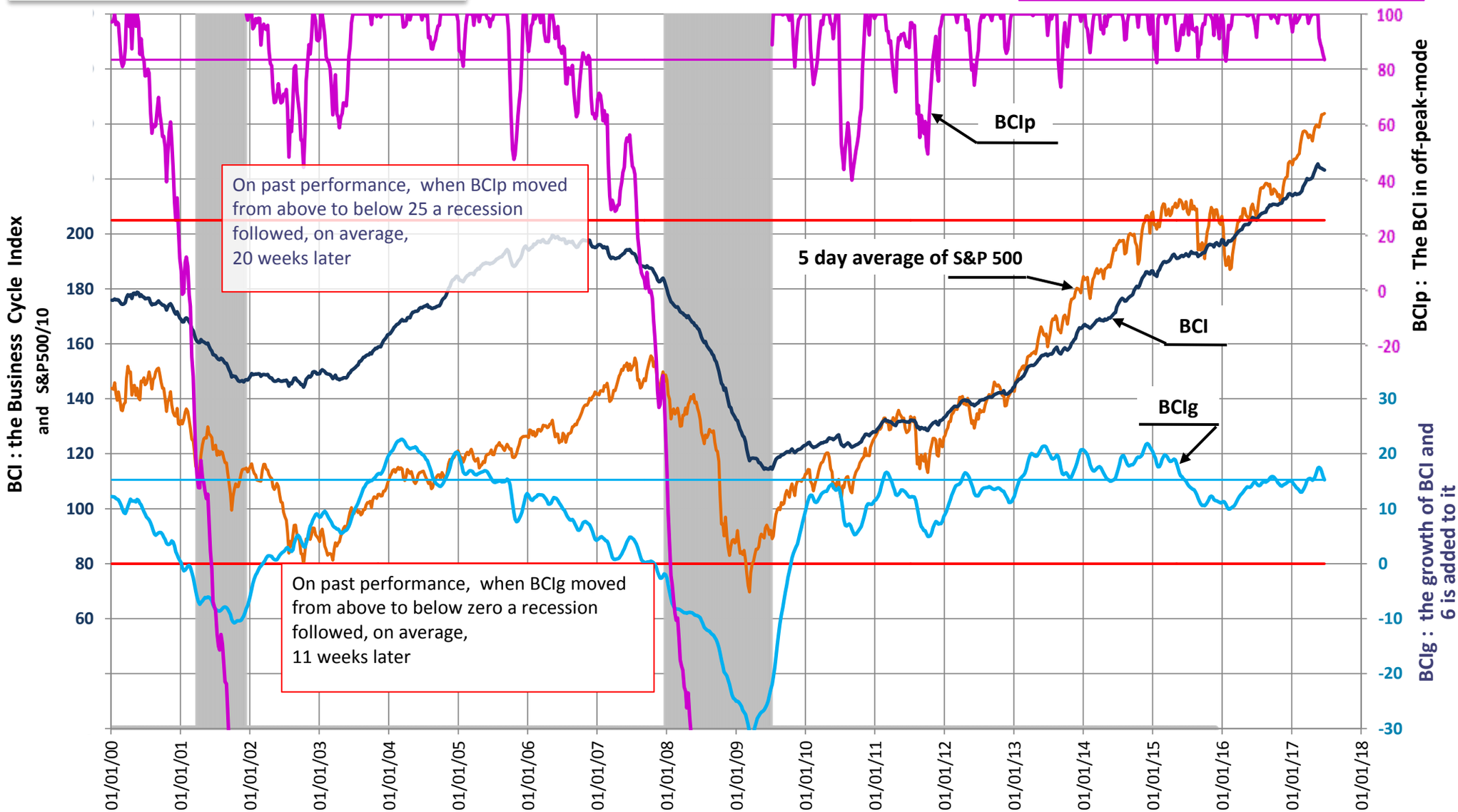
iM's Business Cycle Index (BCI)

Date	05/25	06/01	06/08	06/15	**06/22**
BCIp	91.5	89.0	87.7	85.3	**83.3**
BCI	224.3	224.0	223.8	223.5	**223.3**
BCIg	17.5	17.3	16.7	15.9	**15.3**

BCIp, BCI and BCIg
updated to June 22, 2017

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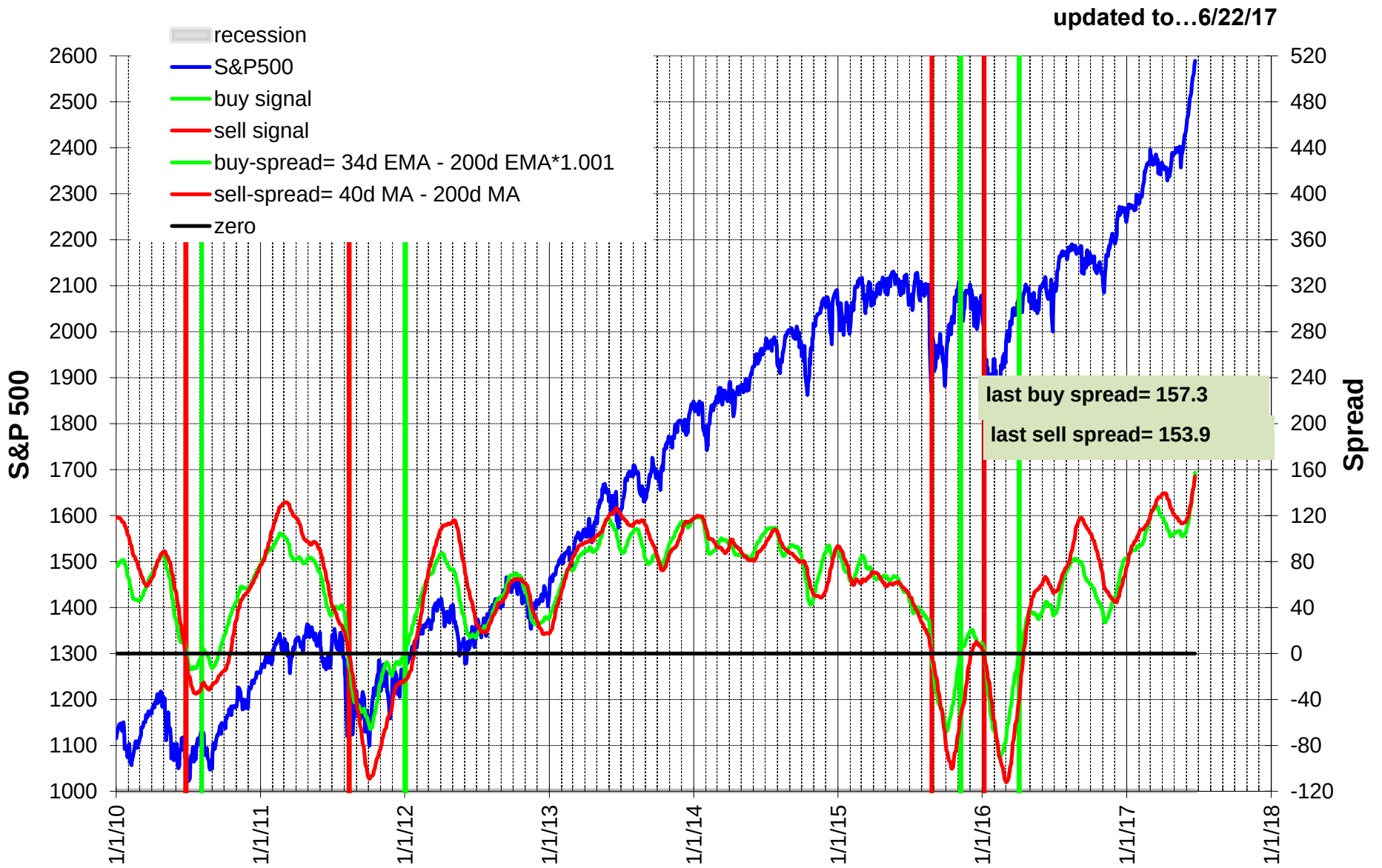
Figure 2: Buy and Sell signals for S&P 500 2010-16 from the modified golden-cross MAC-System



2-MAC rev8-27-15.xlsm

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

updated to Jun-23-17

last sell spread= 222.2

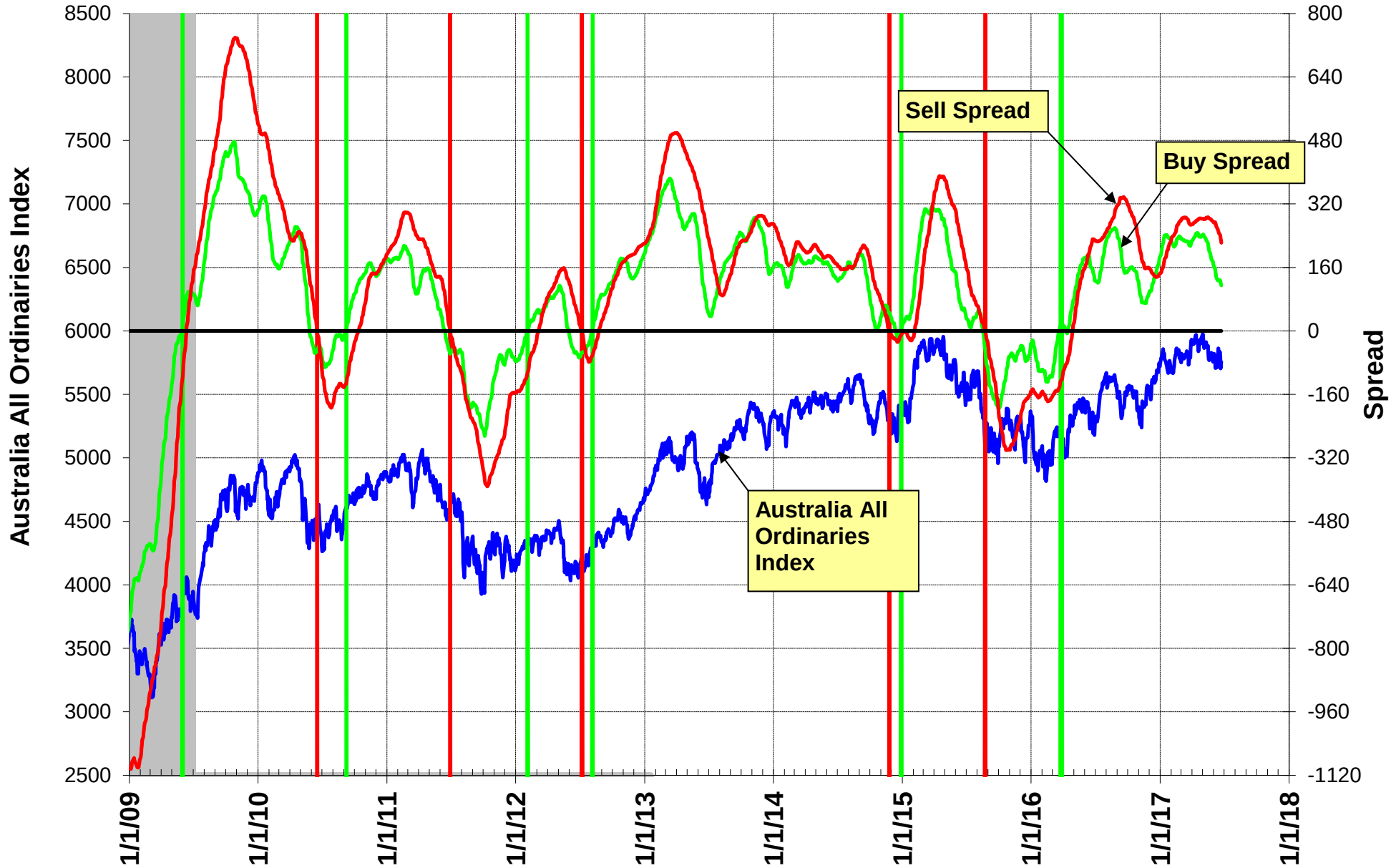

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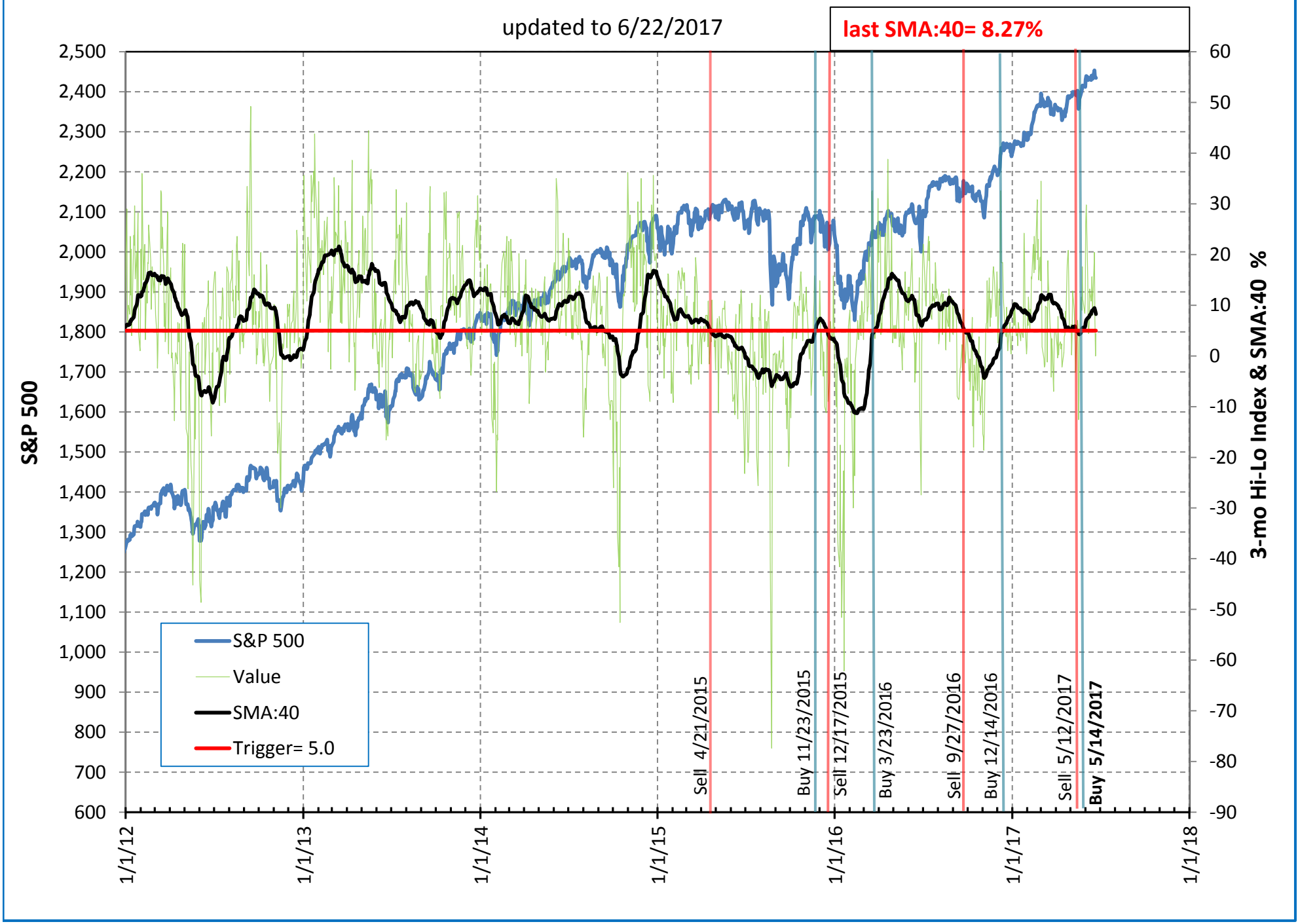
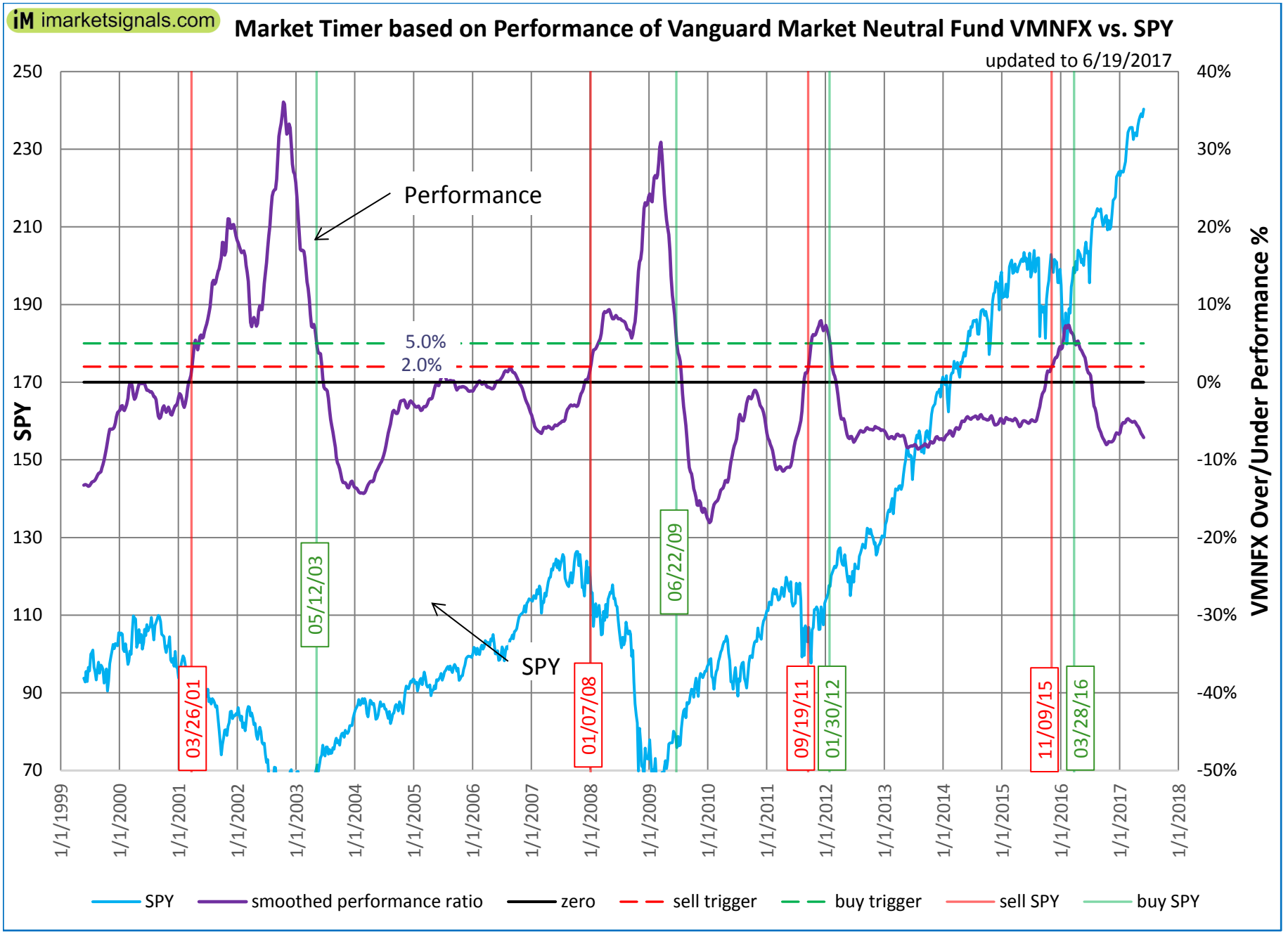
Fig 2.2 3-mo Hi-Lo Index of the S&P500 & 40-day SMA of Index

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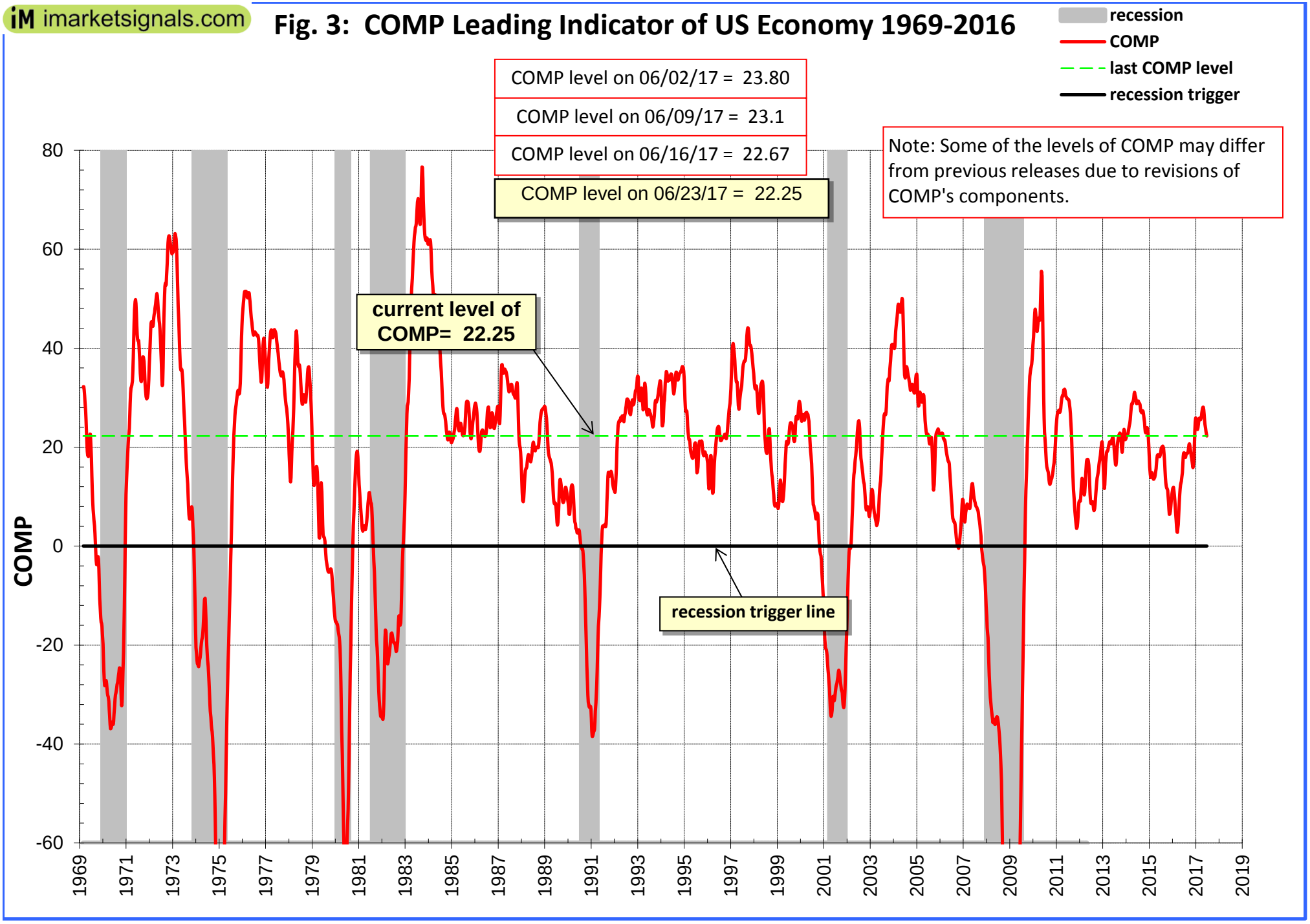
Market Timer based on Performance of Vanguard Market Neutral Fund VMNFX vs. SPY
updated to 6/19/2017
SPY
VMNFX Over/Under Performance %
Performance
SPY
5.0%
2.0%
03/26/01
05/12/03
01/07/08
06/22/09
09/19/11
01/30/12
11/09/15
03/28/16
250
230
210
190
170
150
130
110
90
70
40%
30%
20%
10%
0%
-10%
-20%
-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
1/1/2018
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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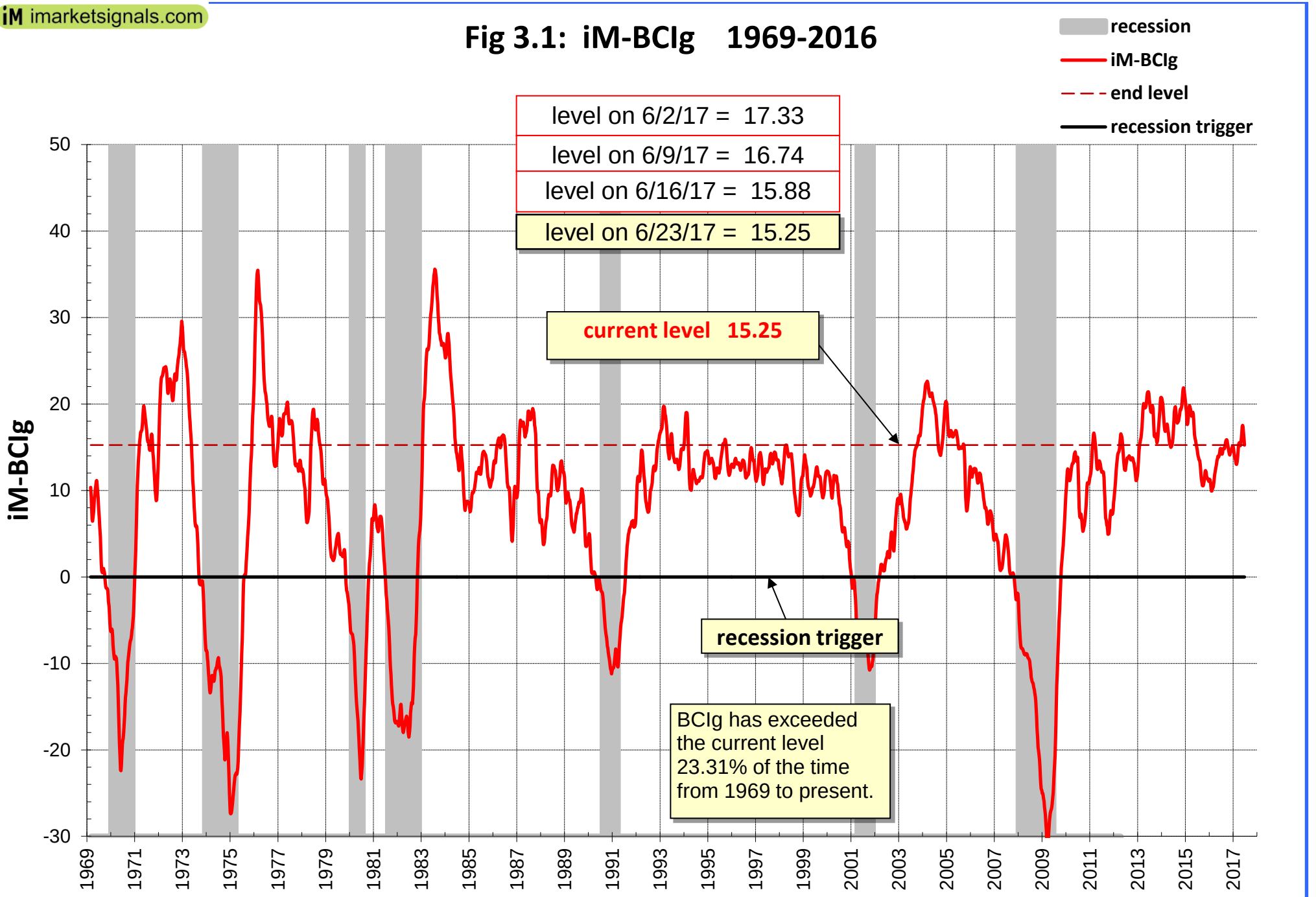
Fig 3.1: iM-BCIg 1969-2016



BCIg Toni.xlsm

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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);

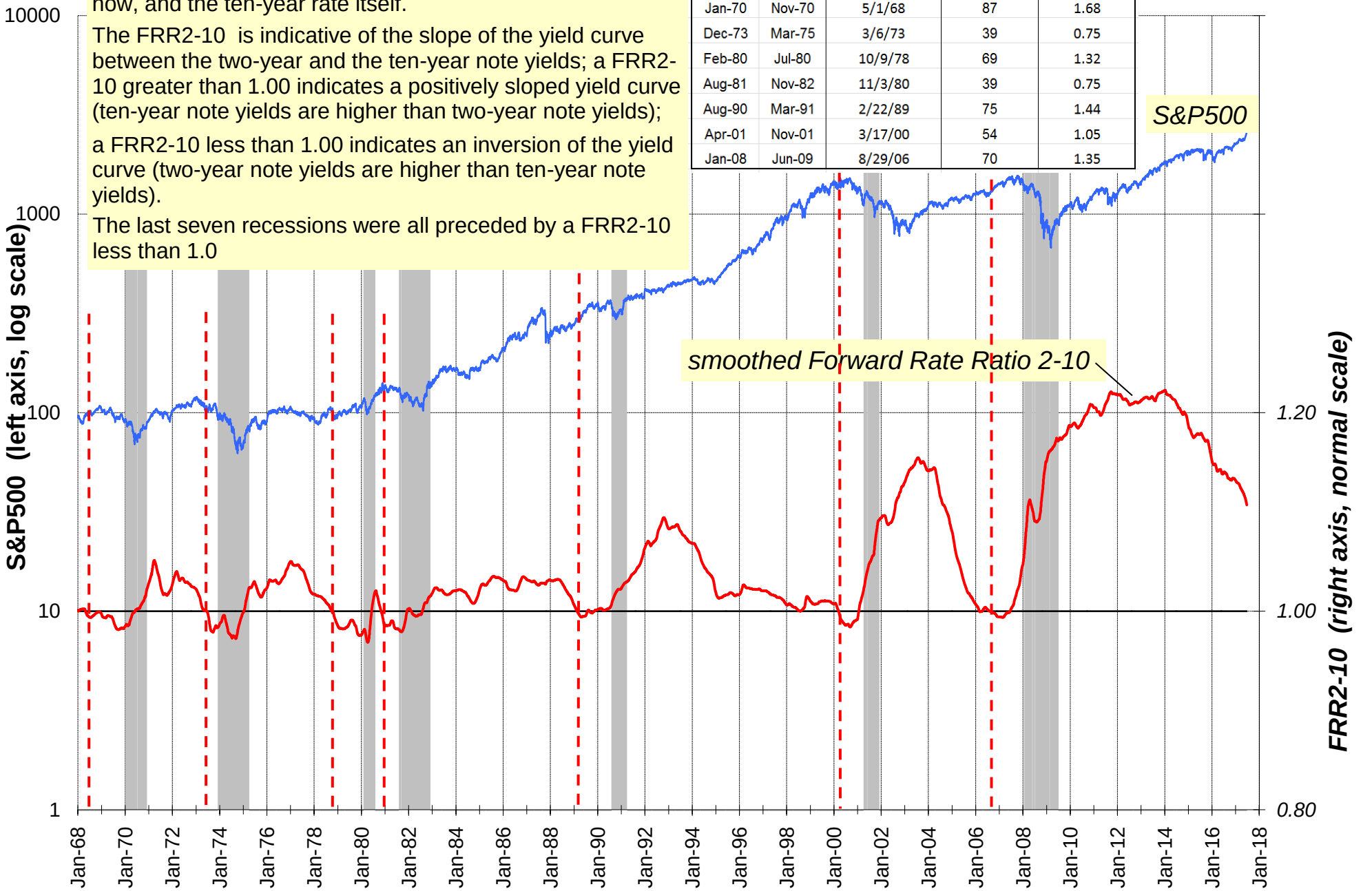
a FRR2-10 less than 1.00 indicates an inversion of the yield curve (two-year note yields are higher than ten-year note yields).

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 06/22/2017

EMA of FRR2-10 = 1.11



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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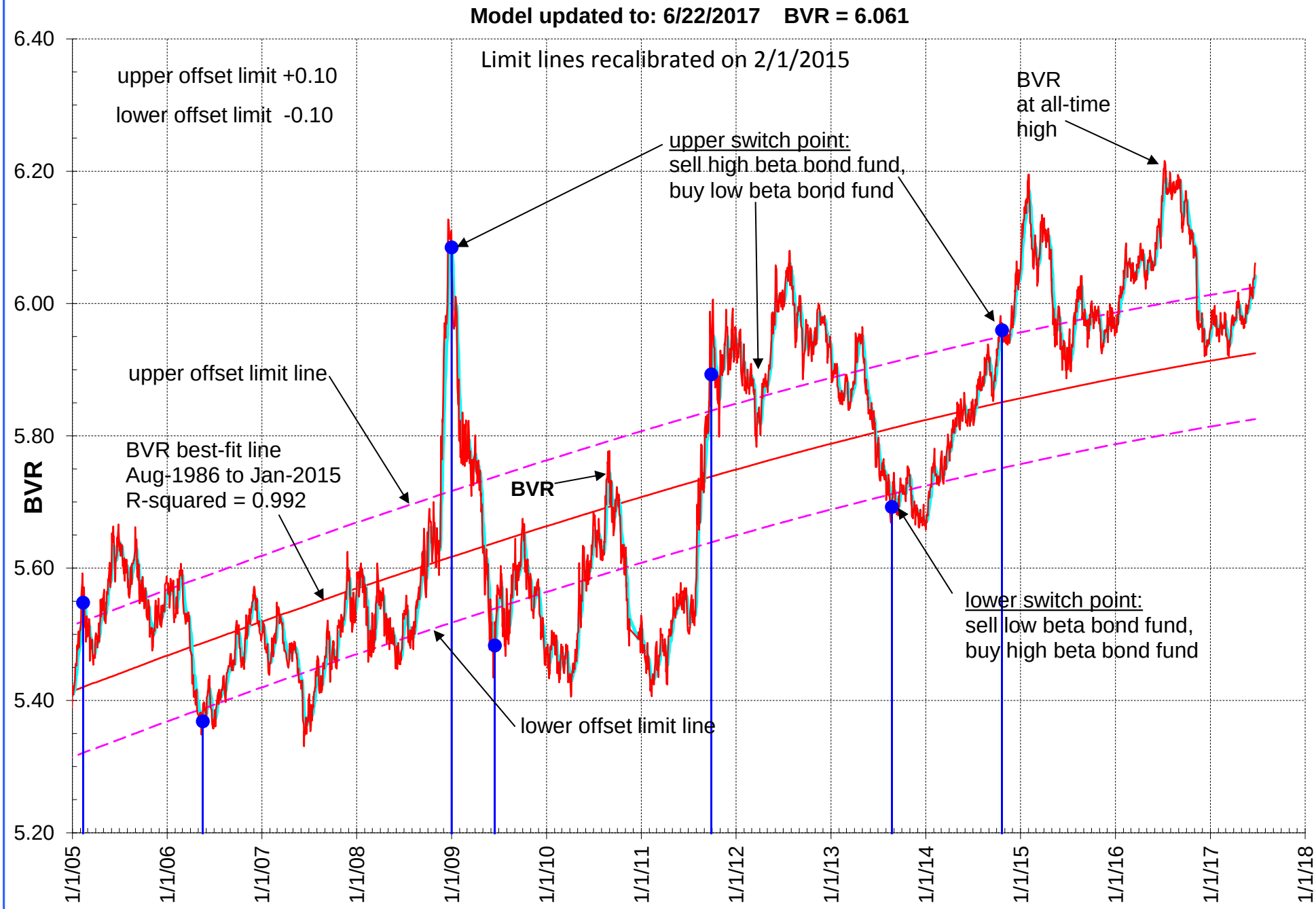
Figure 4: Bond Value Ratio (BVR) from 2005 to 2017



4-BVR recalibrated.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

Figure 5: i10 - i2

Updated to…..6/22/17

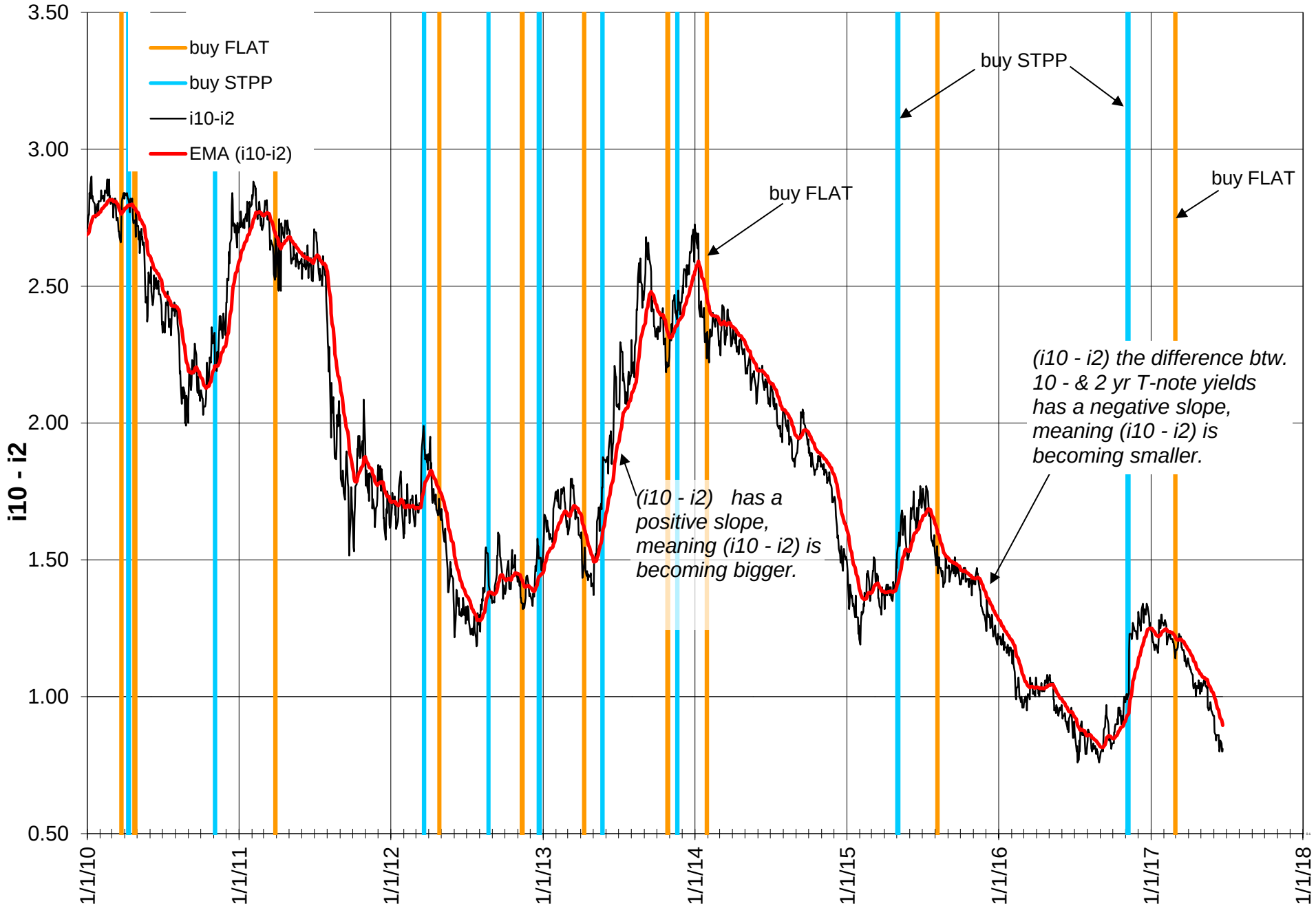


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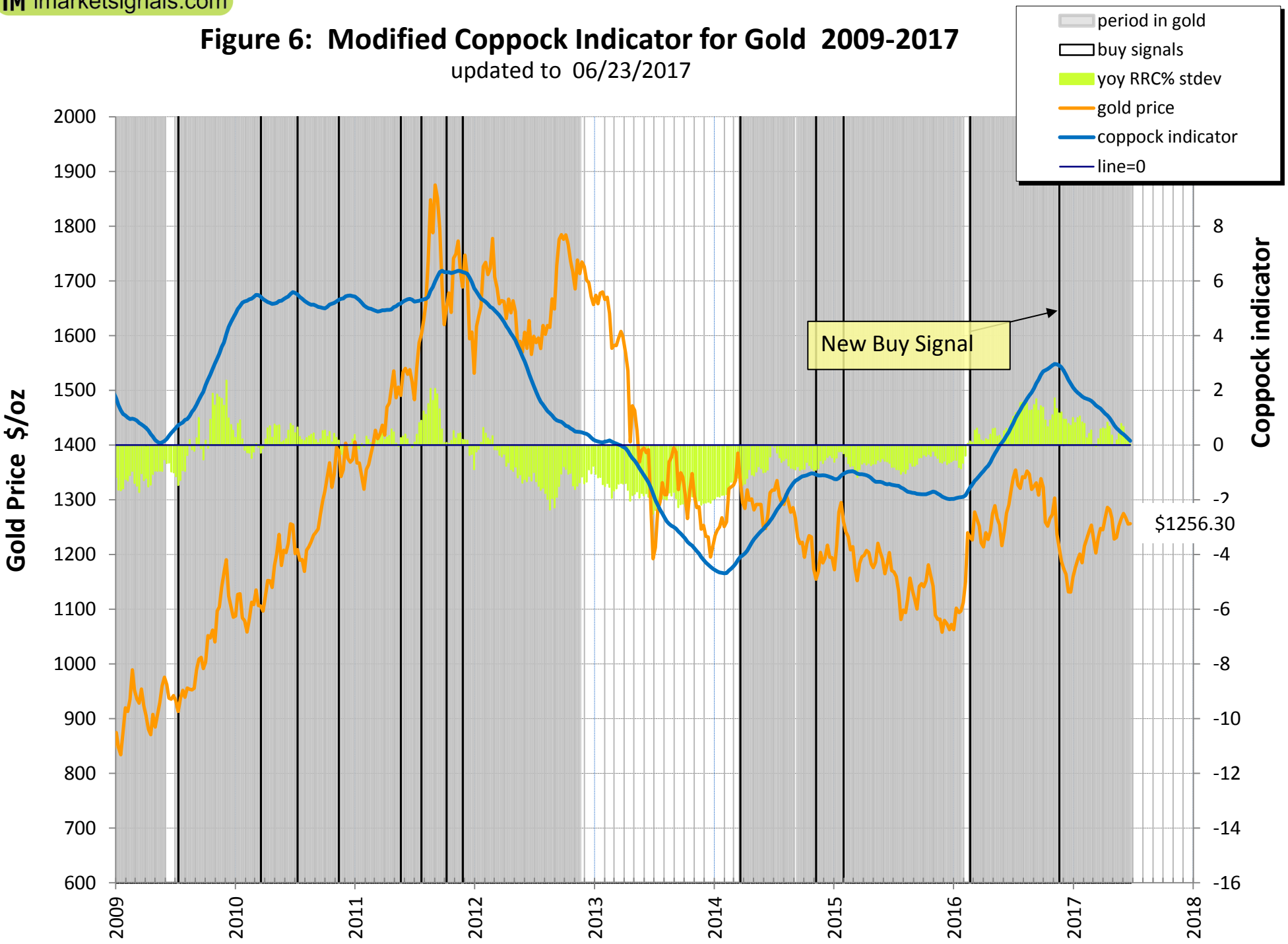
Figure 6: Modified Coppock Indicator for Gold 2009-2017

updated to 06/23/2017



6-COPPOCK GOLD for updates.xlsm

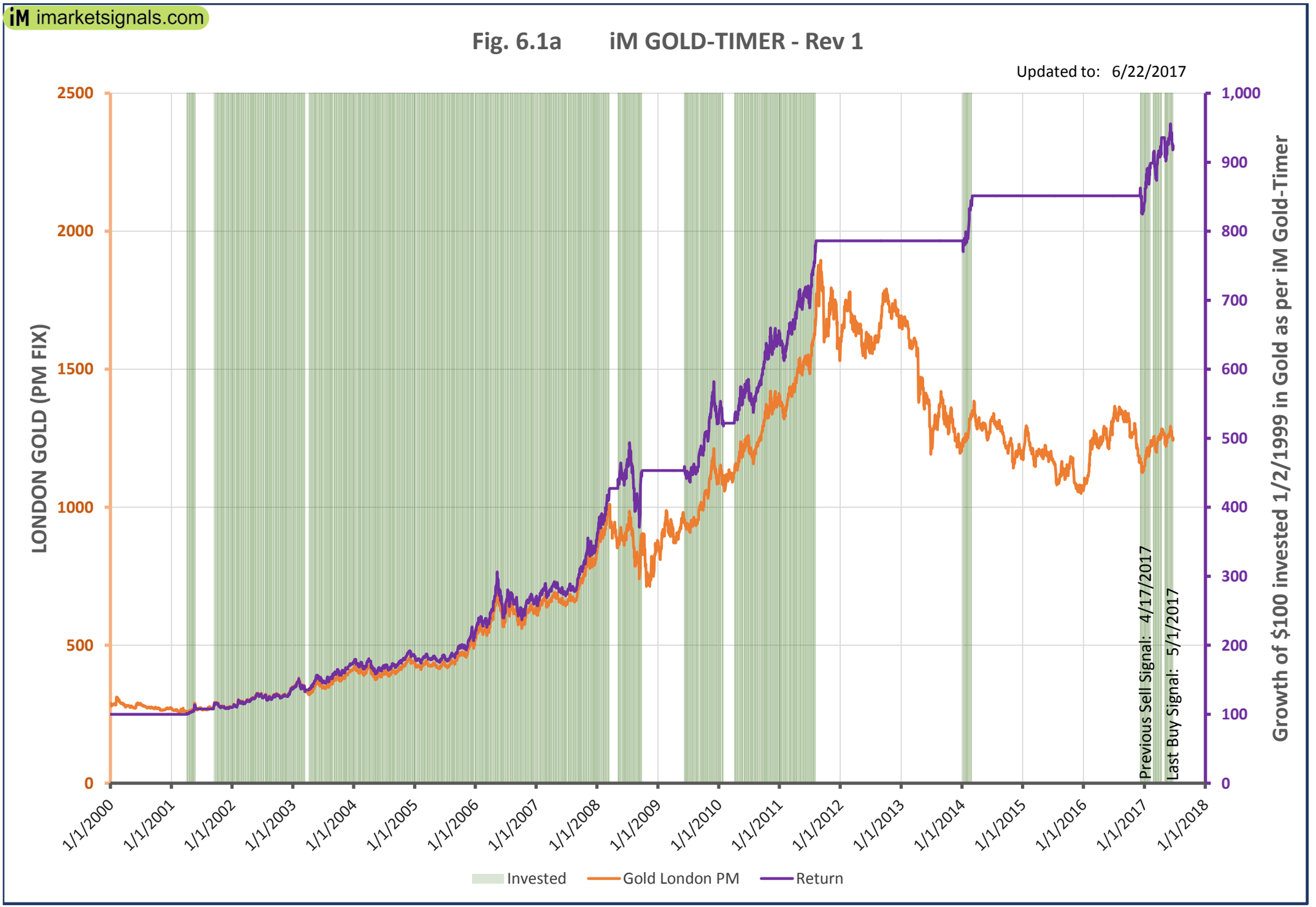

imarketsignals.com
Fig. 6.1a iM GOLD-TIMER - Rev 1
Updated to: 6/22/2017
LONDON GOLD (PM FIX)
Growth of $100 invested 1/2/1999 in Gold as per iM Gold-Timer
2500
2000
1500
1000
500
0
1,000
900
800
700
600
500
400
300
200
100
0
1/1/2000
1/1/2001
1/1/2002
1/1/2003
1/1/2004
1/1/2005
1/1/2006
1/1/2007
1/1/2008
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
1/1/2018
Previous Sell Signal: 4/17/2017
Last Buy Signal: 5/1/2017
Invested
Gold London PM
Return

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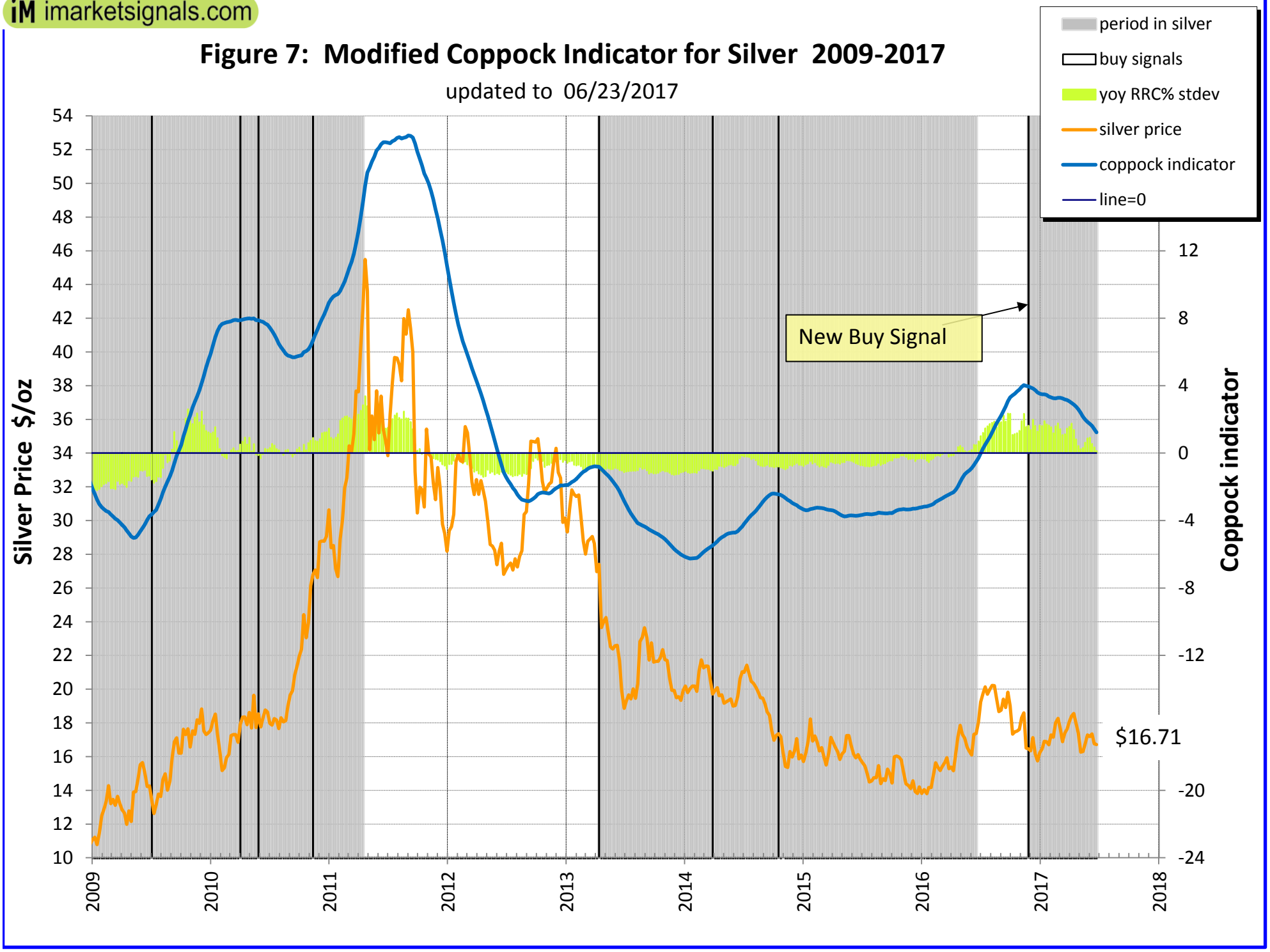
Figure 7: Modified Coppock Indicator for Silver 2009-2017

updated to 06/23/2017