August 24, 2017

Business Cycle Index

The BCI at 227.3 is below last week's upward revised 227.4, and the BCIp is at 99.2. The 6-month smoothed annualized growth BCIg at 15.3 is below last week's 15.4.

No recession is signaled.

August 25, 2017

Market Signals Summary:

The MAC-US model is invested, however **the "3-mo Hi-Lo Index of the S&P500" generated a sell signal on 8/22/2017 and is in cash**. 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 yield curve trend is indeterminate. Both the gold and silver Coppock models are invested, and the iM-Gold Timer is in gold since 7/10/2017.

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 below 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 4.62% (last week 5.59%) and is out of the market since 8/22/2017.

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 revised 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 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 near the previous week's level and far away from signaling 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 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 indicates the trend of the 10-year and 2-year Treasuries yield spread. Figure 5 charts (i10 – i2) still showing an indeterminate 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 is again invested in gold since 7/10/2017.

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

August 4, 2017 (next update September 1, 2017)

Unemployment

The unemployment rate recession model (article link), has been updated with the July 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 at minus 12.68% (last month minus 12.28%) and EMA spread of the UER is at minus 0.27% (last month minus 0.27%). Here is the link to the full update.

The Dynamic Linearly Detrended Enhanced Aggregate Spread:

The updated level of this indicator, -96bps (last months -95bps), 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 TW$ value seems to be trending downwards in spite of increasing federal fund rates.

TIAA Real Estate Account

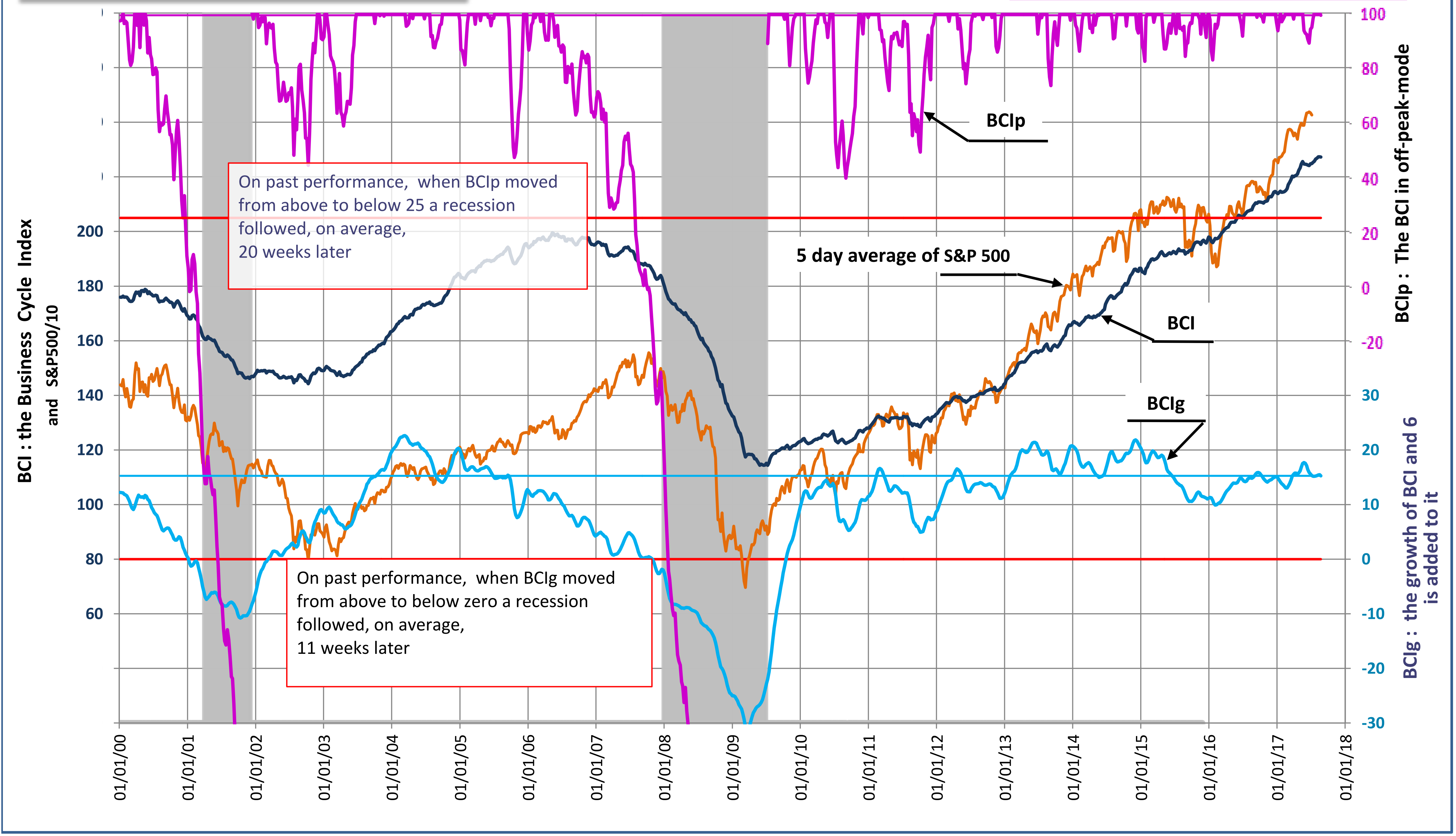
The 1-year rolling return for the end of last month is 3.86%. A sell signal is not imminent. Read more …

iM's Business Cycle Index (BCI)

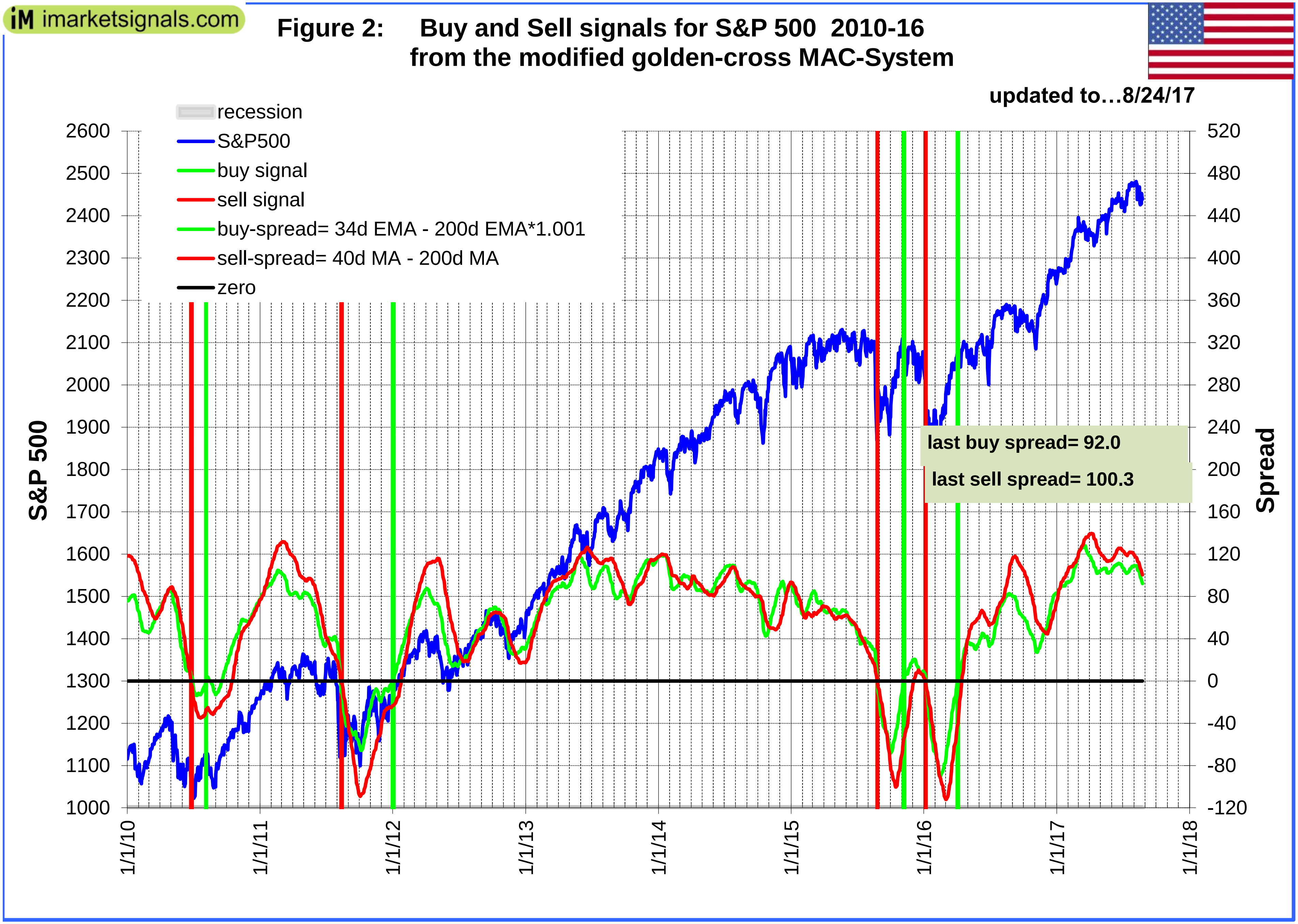
Date	07/27	08/03	08/10	08/17	**08/24**
BCIp	100.0	100.0	100.0	100.0	**99.2**
BCI	226.5	226.8	227.3	227.4	**227.3**
BCIg	15.2	15.3	15.4	15.4	**15.3**

BCIp, BCI and BCIg
updated to August 24, 2017

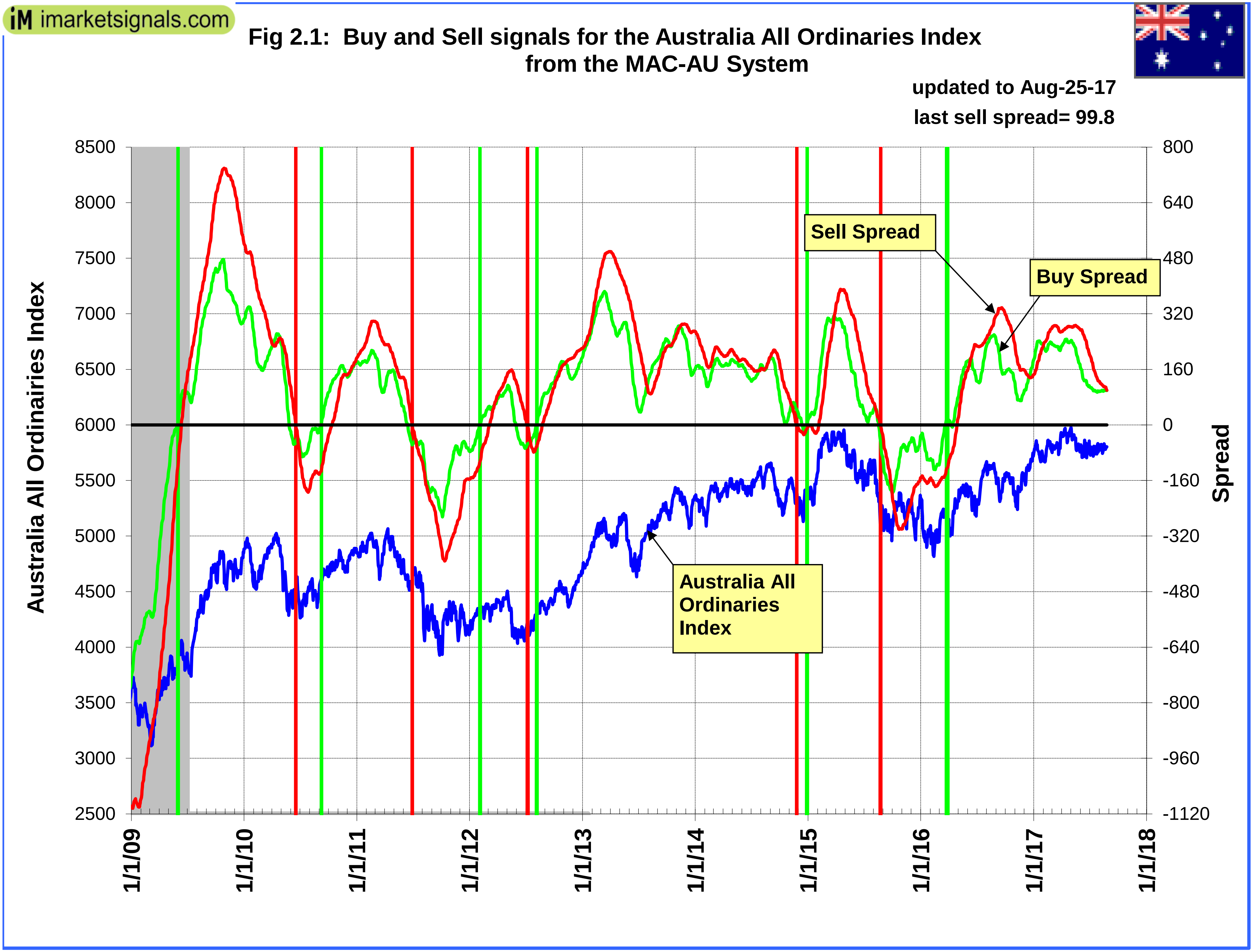
On past performance, BCIp = 100 can be interpreted as an average one year "time-to-live" to a recession.



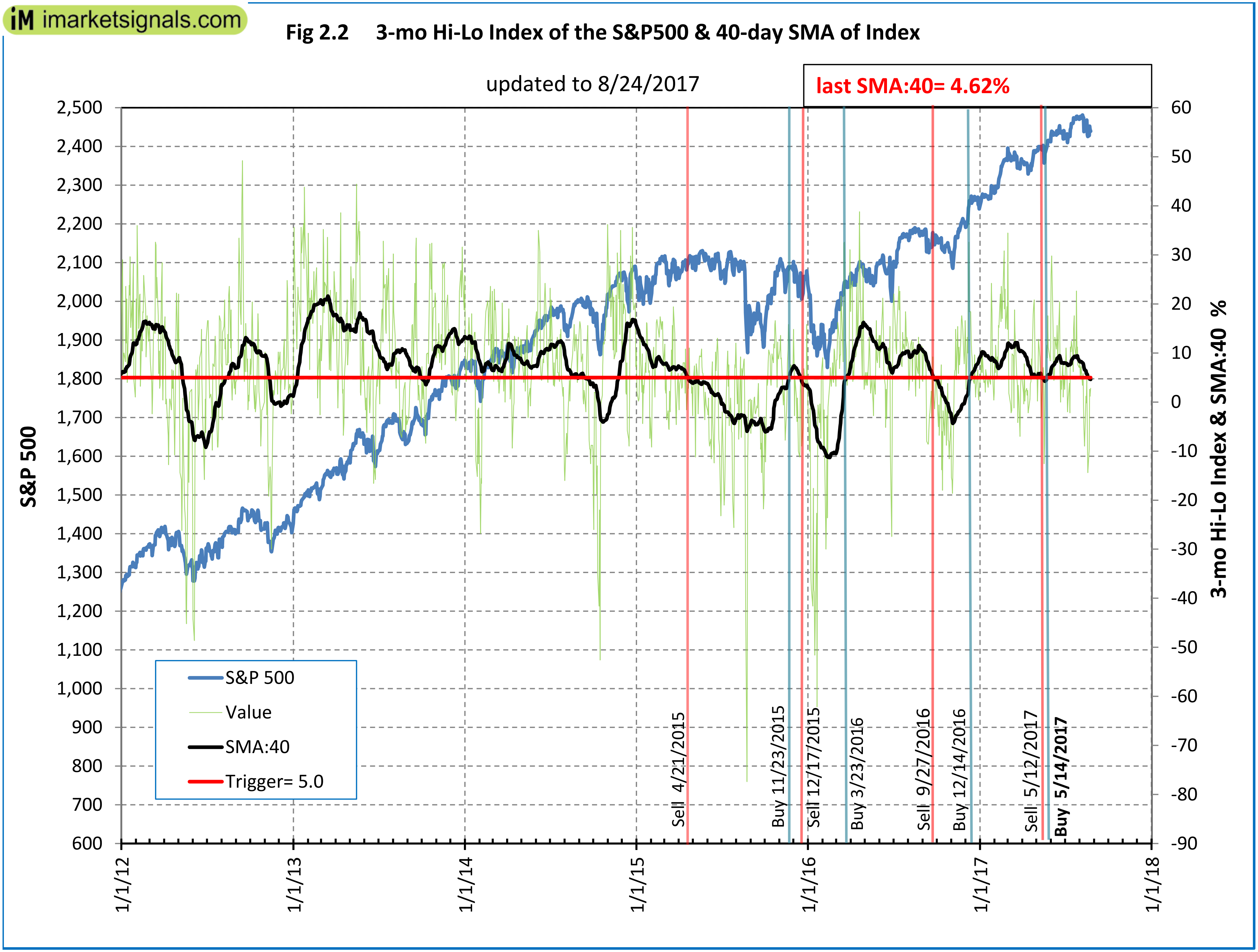
Please note: Past performance does not guarantee future returns, investments may increase or decrease in value and you may lose money using this model.



2-MAC rev8-27-15.xlsm



imarketsignals.com
Fig 2.1: Buy and Sell signals for the Australia All Ordinaries Index
from the MAC-AU System
updated to Aug-25-17
last sell spread= 99.8
Sell Spread
Buy Spread
Australia All Ordinaries Index
Australia All Ordinairies Index
Spread
8500
8000
7500
7000
6500
6000
5500
5000
4500
4000
3500
3000
2500
800
640
480
320
160
0
-160
-320
-480
-640
-800
-960
-1120
1/1/09
1/1/10
1/1/11
1/1/12
1/1/13
1/1/14
1/1/15
1/1/16
1/1/17
1/1/18



imarketsignals.com
Fig 2.2 3-mo Hi-Lo Index of the S&P500 & 40-day SMA of Index
updated to 8/24/2017
last SMA:40= 4.62%
S&P 500
3-mo Hi-Lo Index & SMA:40 %
S&P 500
Value
SMA:40
Trigger= 5.0
Sell 4/21/2015
Buy 11/23/2015
Sell 12/17/2015
Buy 3/23/2016
Sell 9/27/2016
Buy 12/14/2016
Sell 5/12/2017
Buy 5/14/2017

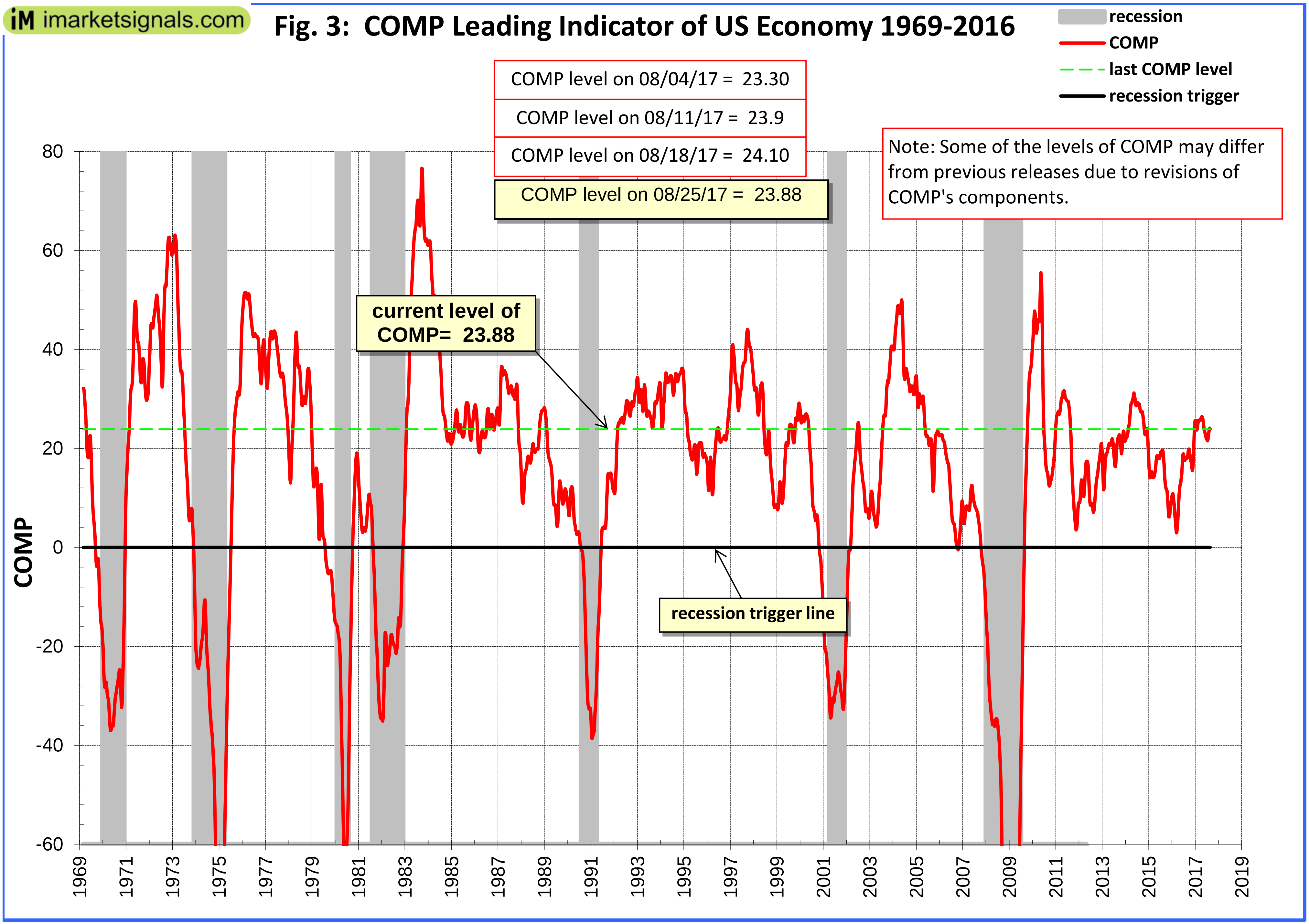


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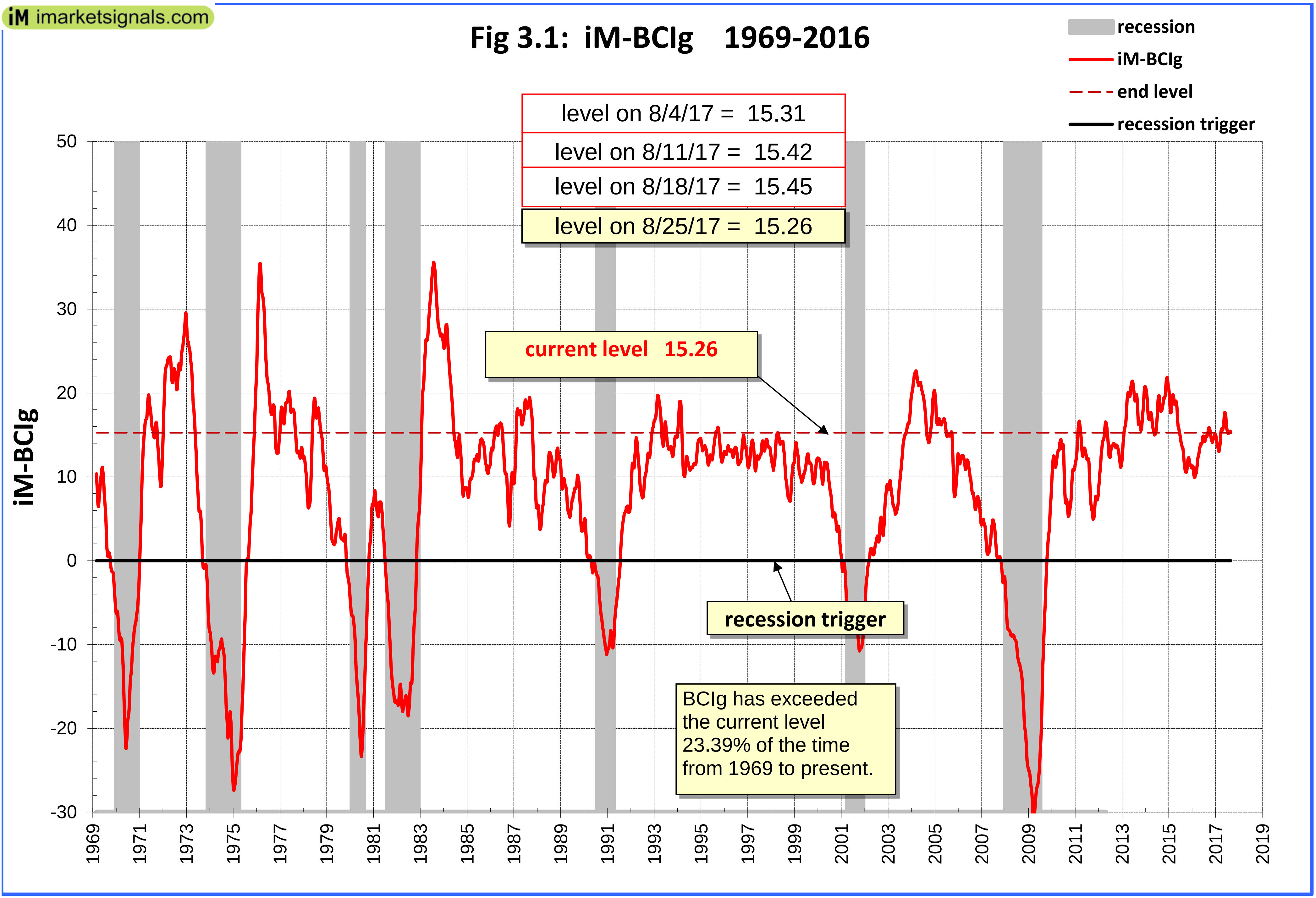
Fig. 3: COMP Leading Indicator of US Economy 1969-2016
recession
COMP
last COMP level
recession trigger
COMP level on 08/04/17 = 23.30
COMP level on 08/11/17 = 23.9
COMP level on 08/18/17 = 24.10
COMP level on 08/25/17 = 23.88
Note: Some of the levels of COMP may differ from previous releases due to revisions of COMP's components.
current level of COMP= 23.88
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
2017
2019

3-COMP.xlsm



BCIg Toni.xlsm

iM imarketsignals.com

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.

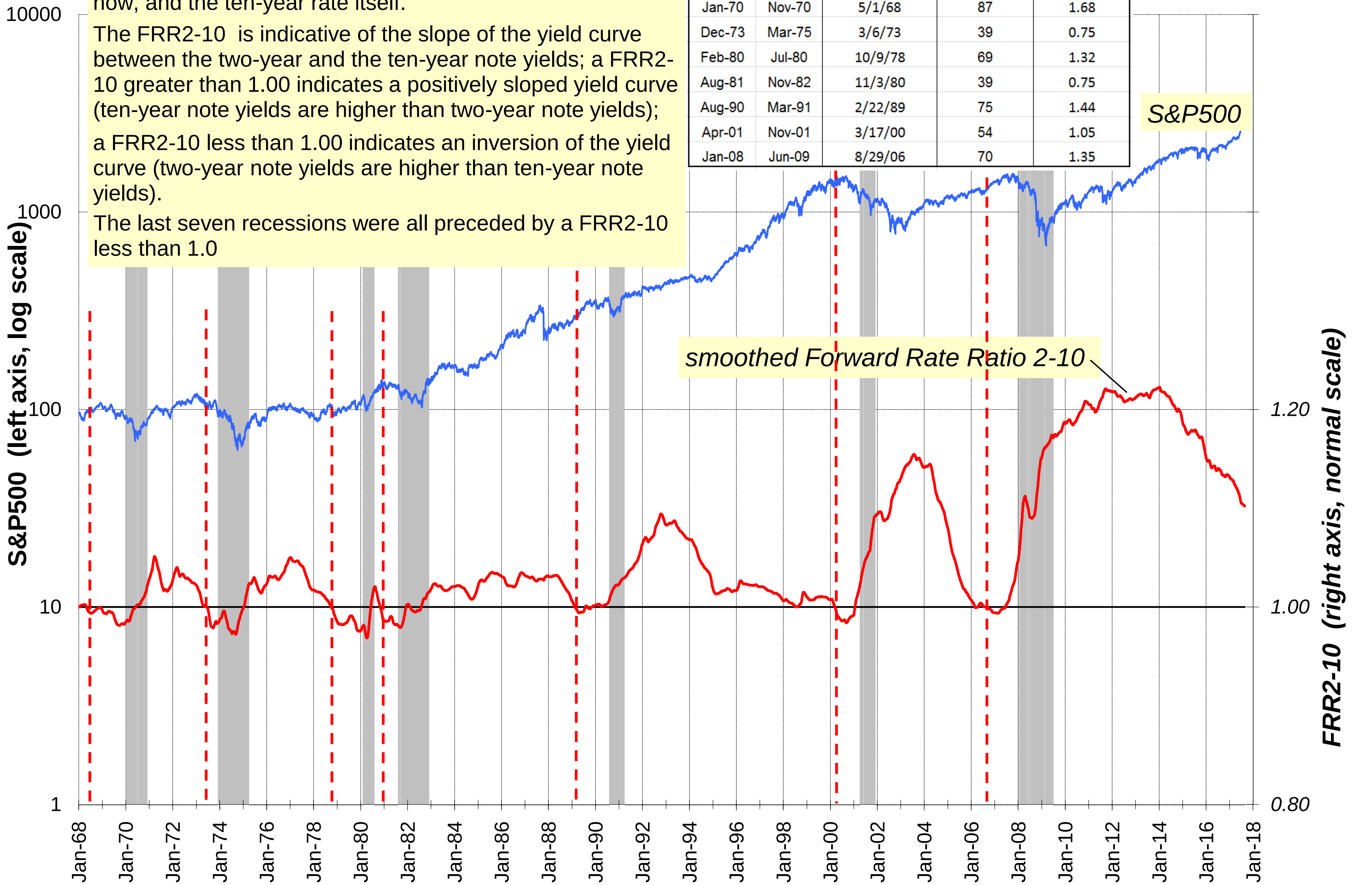
The FRR2-10 is indicative of the slope of the yield curve between the two-year and the ten-year note yields; a FRR2-10 greater than 1.00 indicates a positively sloped yield curve (ten-year note yields are higher than two-year note yields);

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).

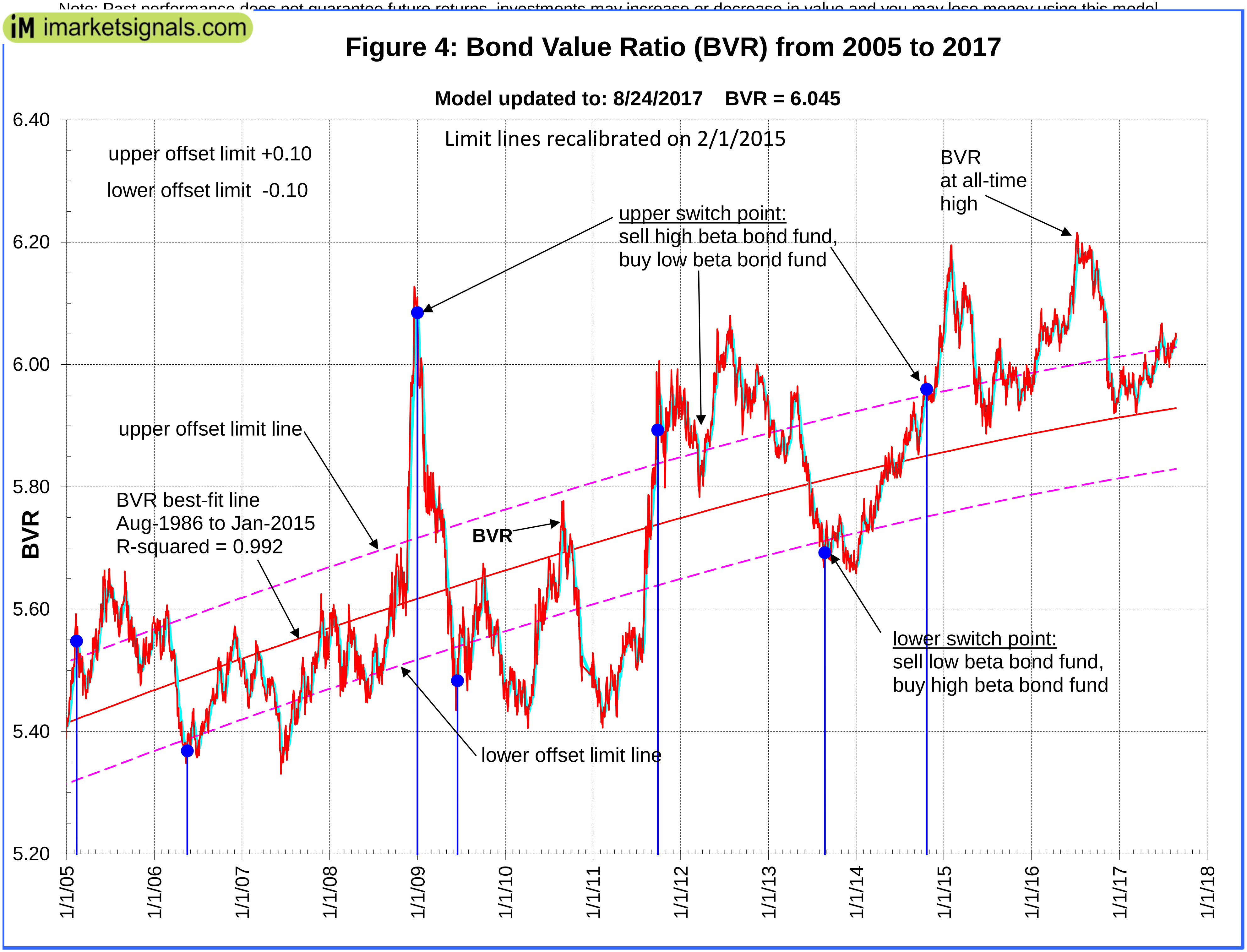
The last seven recessions were all preceded by a FRR2-10 less than 1.0

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 08/24/2017
EMA of FRR2-10 = 1.10



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



4-BVR recalibrated.xlsm fig4BVR06-14

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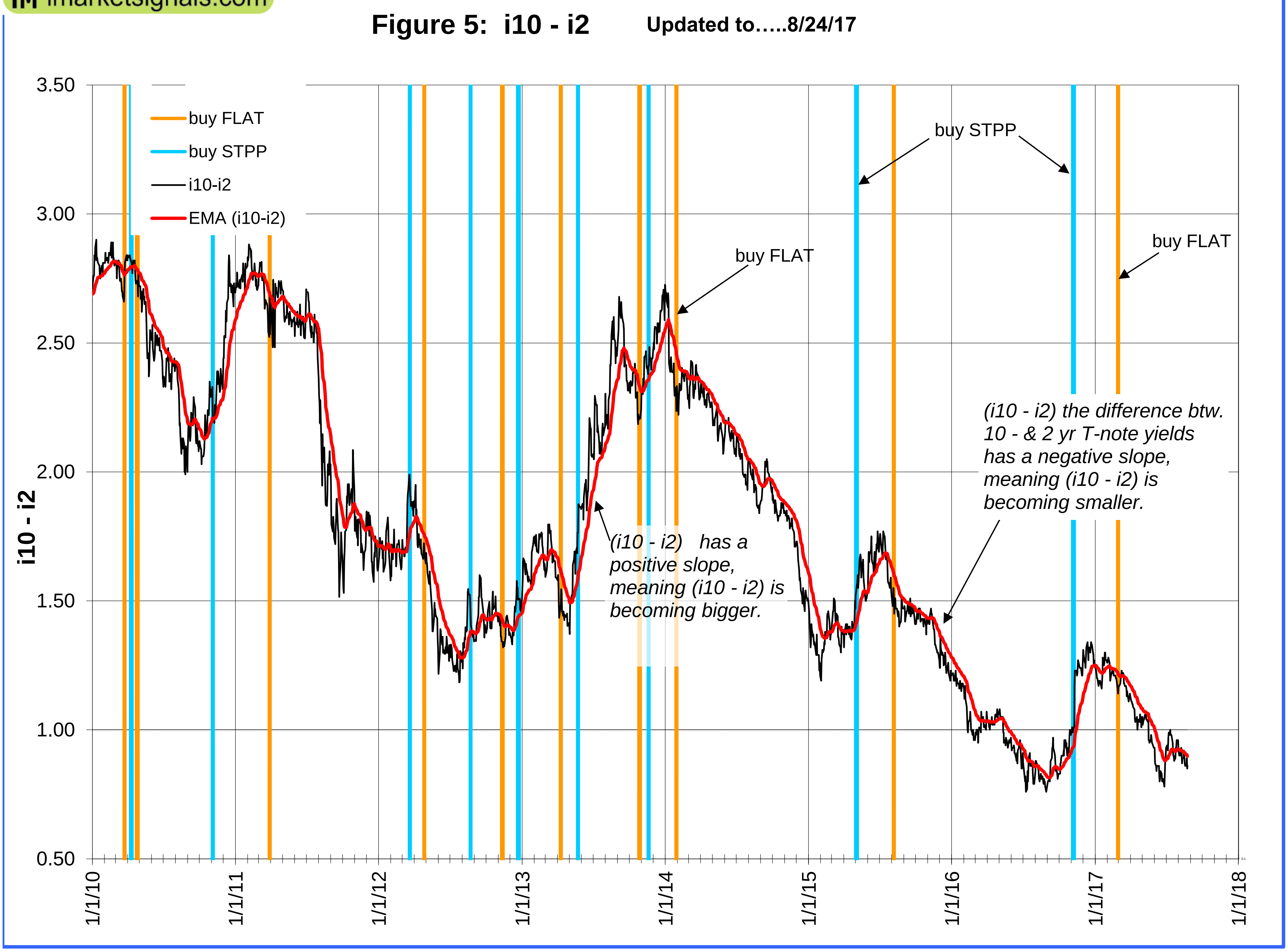
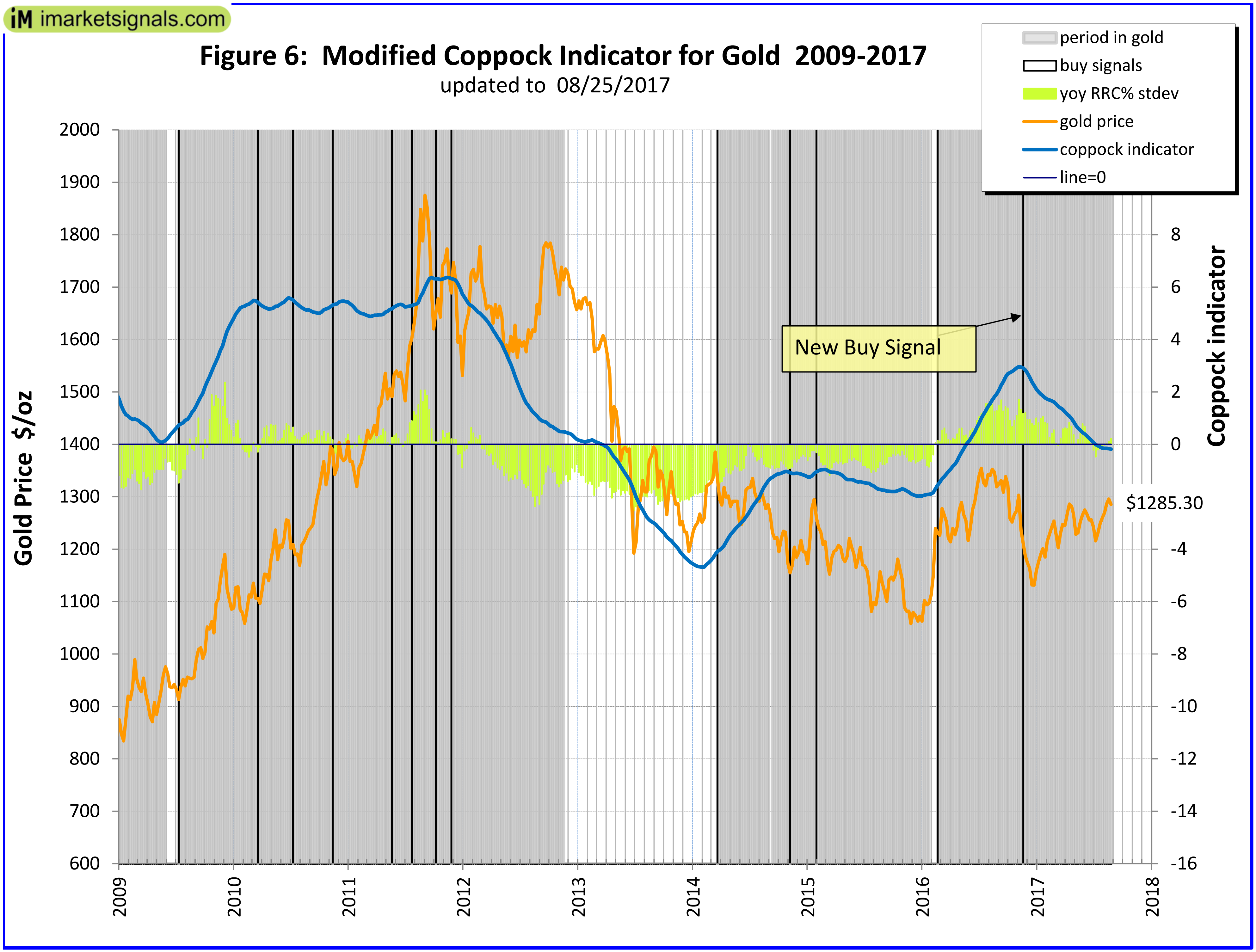
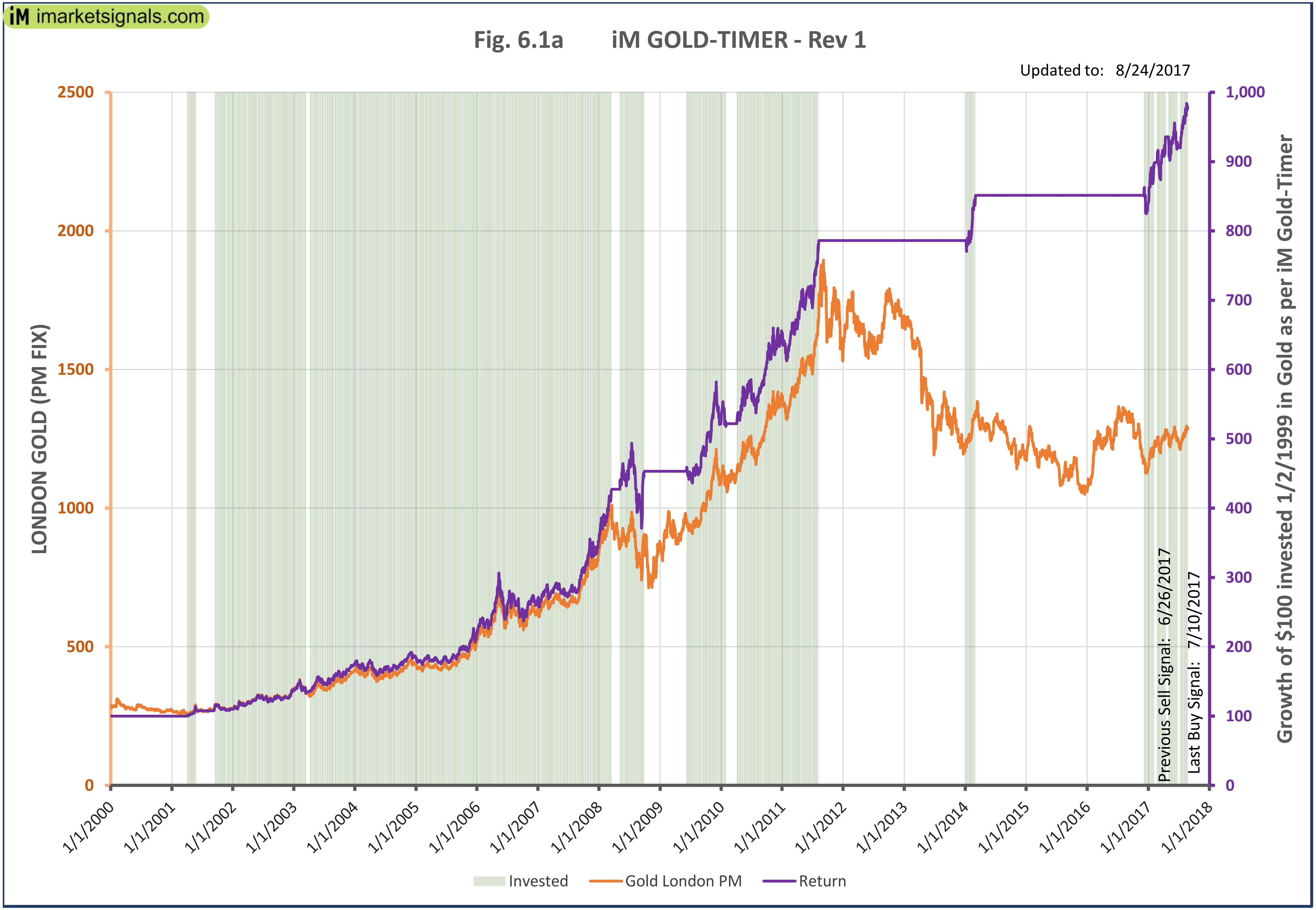
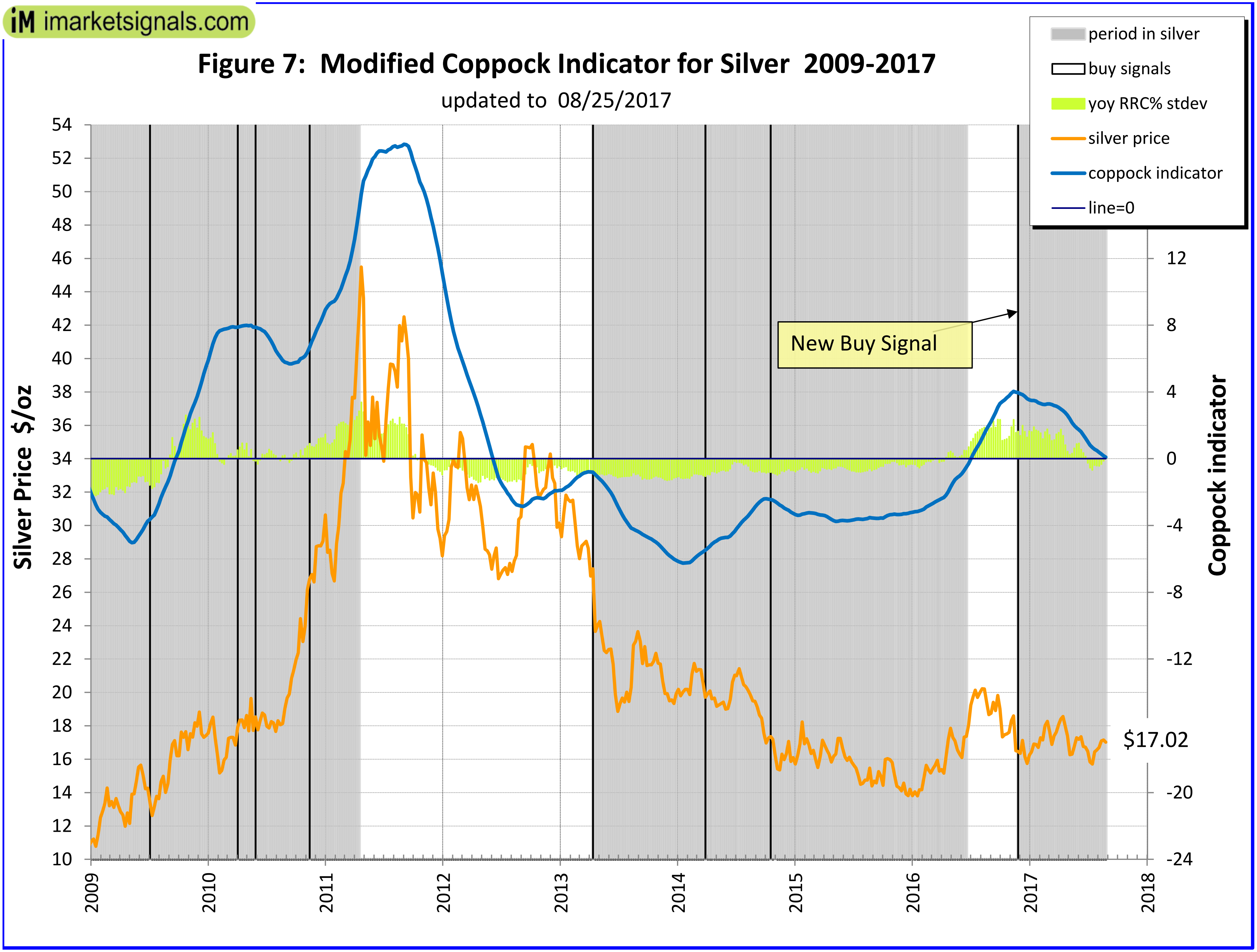




6-COPPOCK GOLD for updates.xlsm



iM imarketsignals.com
Fig. 6.1a iM GOLD-TIMER - Rev 1
Updated to: 8/24/2017
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
Previous Sell Signal: 6/26/2017
Last Buy Signal: 7/10/2017
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
Invested
Gold London PM
Return



iM imarketsignals.com
Figure 7: Modified Coppock Indicator for Silver 2009-2017
updated to 08/25/2017
period in silver
buy signals
yoy RRC% stdev
silver price
coppock indicator
line=0
New Buy Signal
Silver Price $/oz
Coppock indicator
$17.02
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
-20
-24
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018