

November 1 2018

## Business Cycle Index

The BCI at 2477.7 is below last week's downward revised level of 248.6, and it is below this business cycle's peak as indicated by the BCIP at 83.5. Also, the 6-month smoothed annualized growth BCIg at 12.2, is below last week's downward revised 13.1.

No recession is signaled.

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November 2, 2018

## Market Signals Summary:

The MAC-US model is invested. The "3-mo Hi-Lo Index of the S&P500" generated a sell signal on 10/17/2018 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 is flattening and signaled buy FLAT end March 2018. The gold Coppock model is invested, however the silver model is in cash since early August 2018. The iM-Gold Timer **sold gold on 10/29/2017 and is in cash.**

The montly iM-GT-Timer, which is based on Google trends, **has switched to cash on November 1, 2018.**

## 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 at -3.64% (last week -0.77%), generated the sell signal on 10/17/2018 and is in cash.

The MAC-AU model is invested in the markets after it generated a buy signal on March 21, 2016. The sell-spread is remains below last week's level and has to fall below zero to signal a sell.

## Recession:

Figure 3 shows the **COMP** down from 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-BCI<sub>g</sub>** below last week's level. An imminent recession is not signaled .

The **Forward Rate Ratio** between the 2-year and 10-year U.S. Treasury yields (FRR2-10) is at last week's level and is not signaling a recession. The FRR2-10 general trend is downwards.

The **iM-Low Frequency Timer** is invested in the markets

### **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) shows that the yield curve's trend is indeterminate. It signaled a buy STPP mid October 2018. 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 end May 2018 2017 and is invested in gold.

The [iM GOLD-TIMER Rev-1](#) **sold gold on 10/29/2017 and is in cash.**

### **Silver:**

The modified Coppock Silver indicator shown in Fig 7. This model generated a sell signal early August 2018 and is in cash.

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## **Monthly Updates** (next update 11/7/2018)

**November 2, 2018**

### **Unemployment**

The unemployment rate recession model ([article link](#)), has been updated with the October UER of 3.7%. 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 10.94% (last month minus 9.51%) and EMA spread of the UER is at minus 0.24% (last month minus 0.23%).

### **The Dynamic Linearly Detrended Enhanced Aggregate Spread:**

The updated level of this indicator, -184bps, is above last months -198bps, confirms the January 20, 2017 signal.. Based on past history a recession could have started 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. (Note: All our other recession indicators are far from signal a recession.)

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

The Coppock indicator for the S&P500 entered the market end May 2017 and generated a new buy signal in mid February 2018 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](#).

### **iM GT Timer**

The iM-GT Timer, based on Google Search Trends volume **switched to cash on 11/1/2018**. This indicator is described [here](#).

### **Trade Weighted USD**

The Trade Weighted \$ value continues to strengthen.

### **TIAA Real Estate Account**

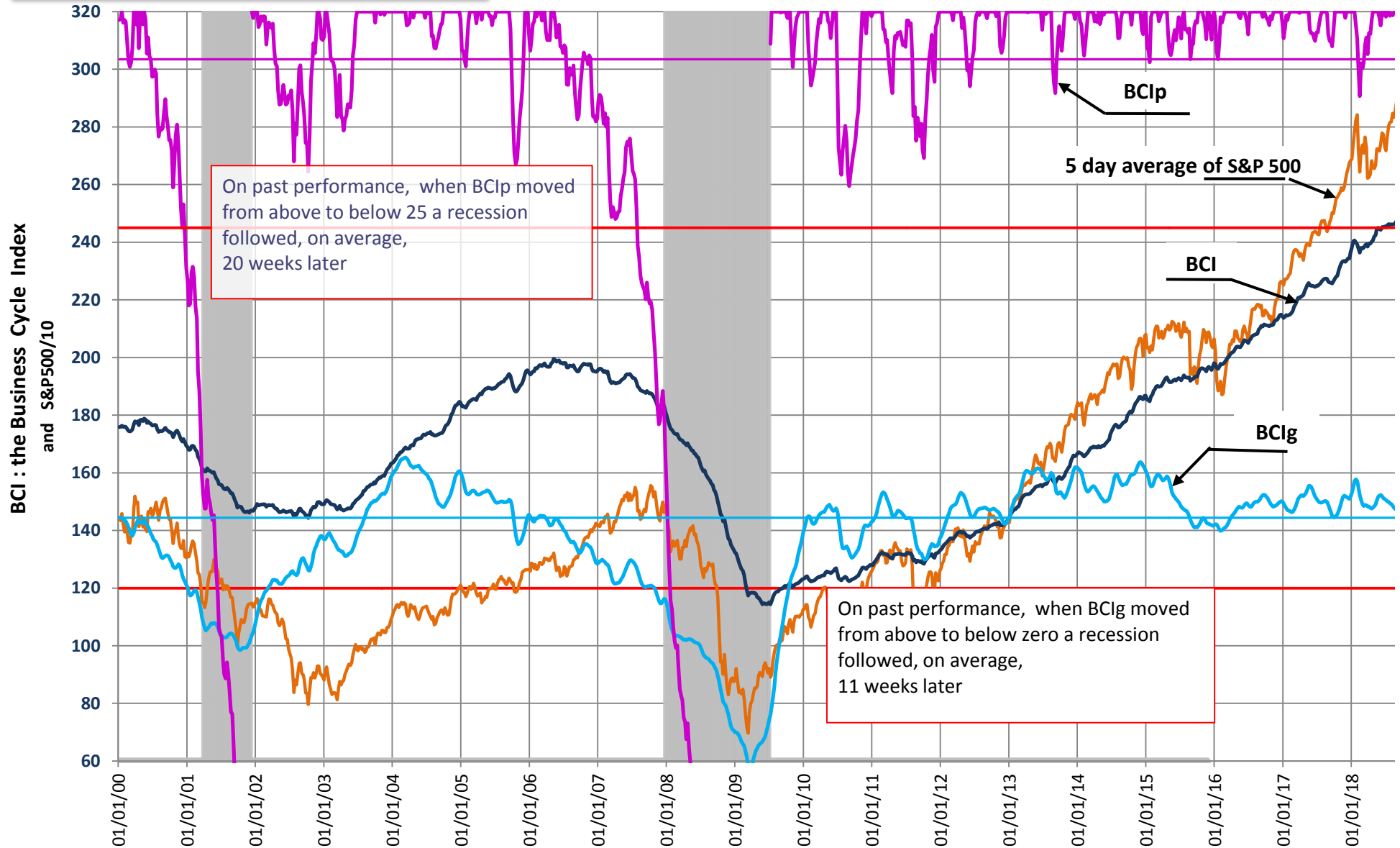
The 1-year rolling return for the end of last month is 4.88%. A sell signal is not imminent.

# iM's Business Cycle Index (BCI)

**BCIp, BCI and BCIG**  
**updated to November 01, 2018**

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

Date	10/04	10/11	10/18	10/25	11/01
BCIp	100.0	97.7	92.1	89.9	<b>83.5</b>
BCI	250.1	249.8	248.9	248.6	<b>247.7</b>
BCIg	14.2	14.2	13.7	13.1	<b>12.2</b>



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 2010-18**  
from the modified golden-cross MAC-System



updated to...11/1/18

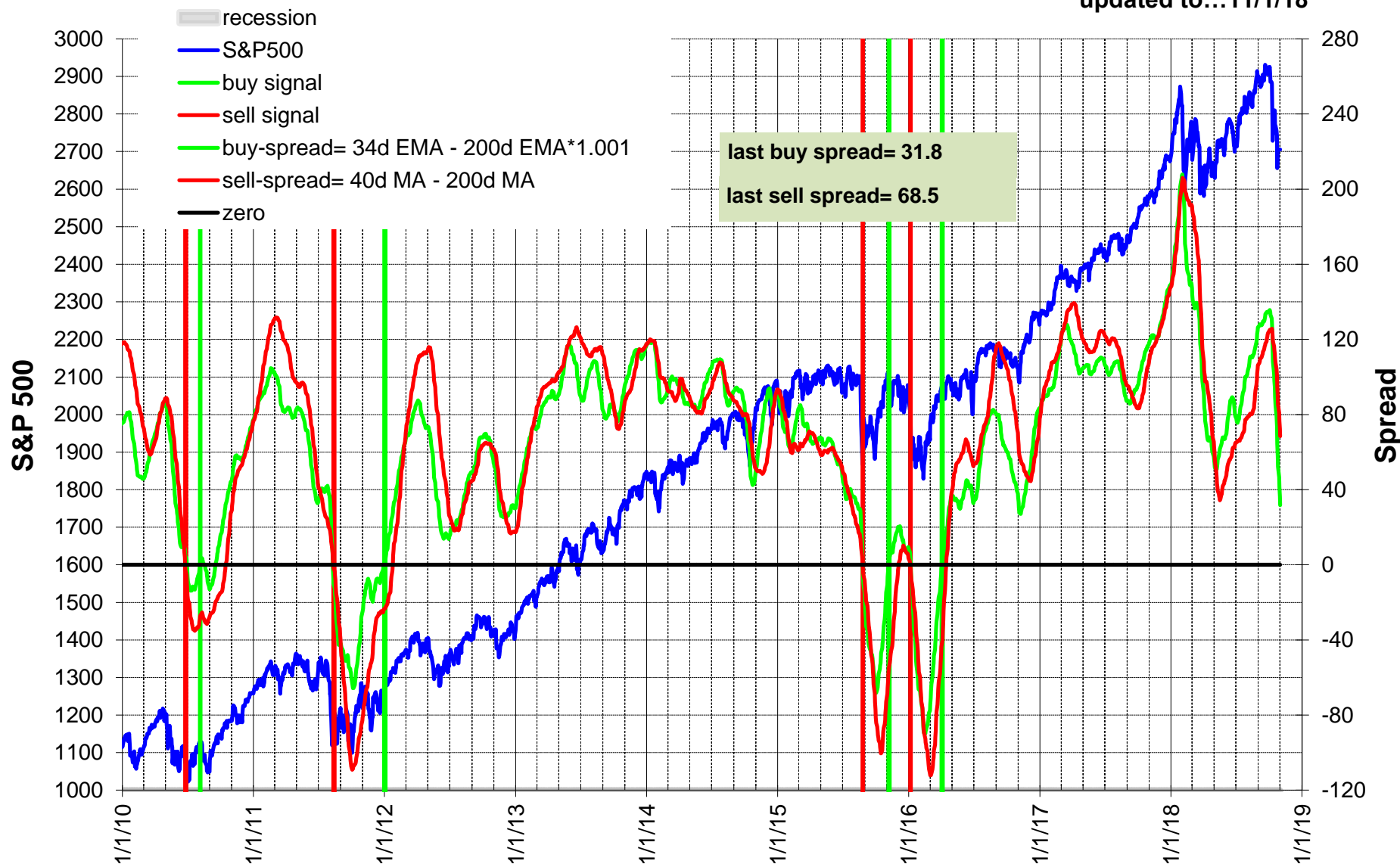


Fig 2.1: Buy and Sell signals for the Australia All Ordinaries Index from the MAC-AU System



updated to Nov-2-18  
last sell spread= 96.5

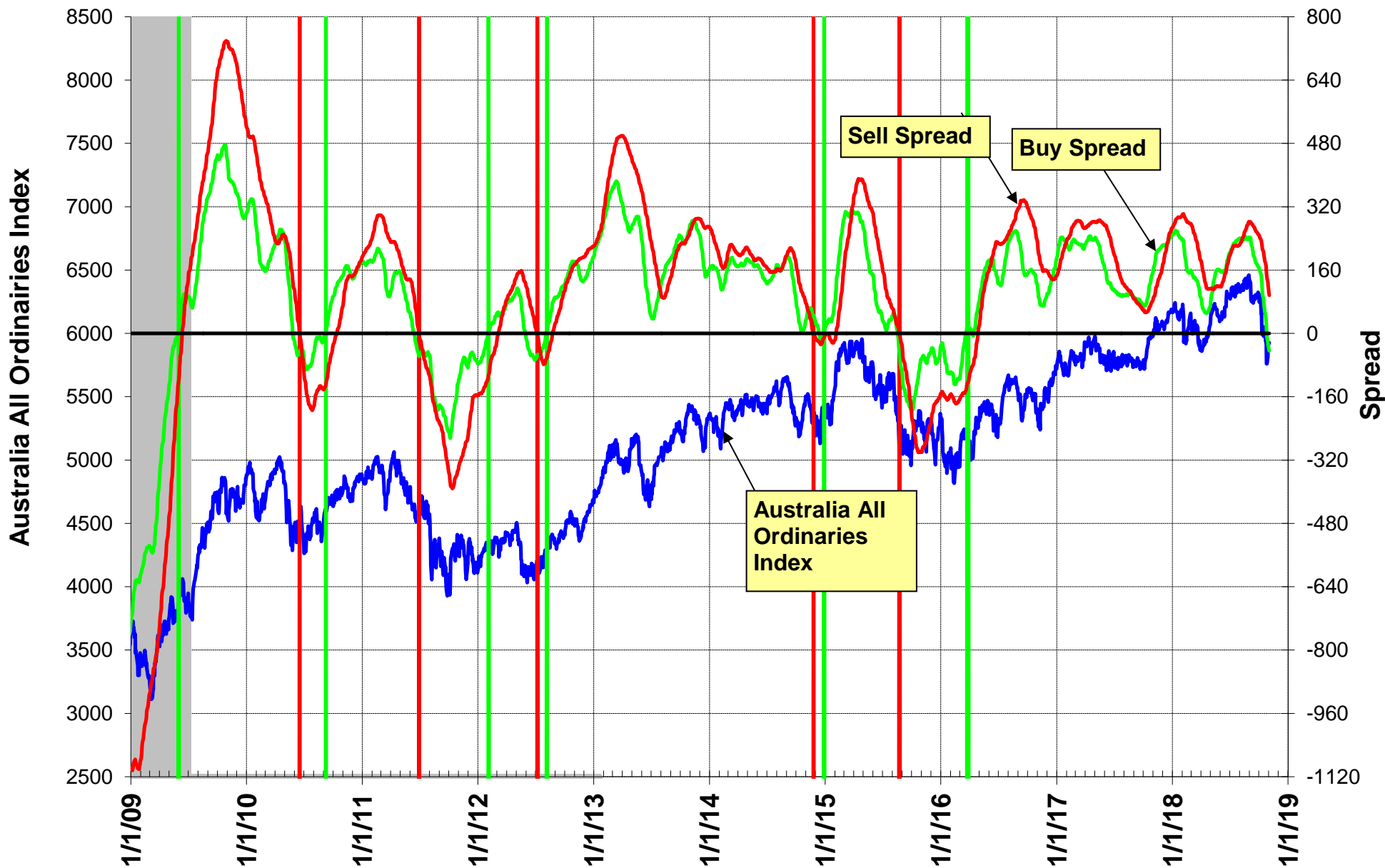
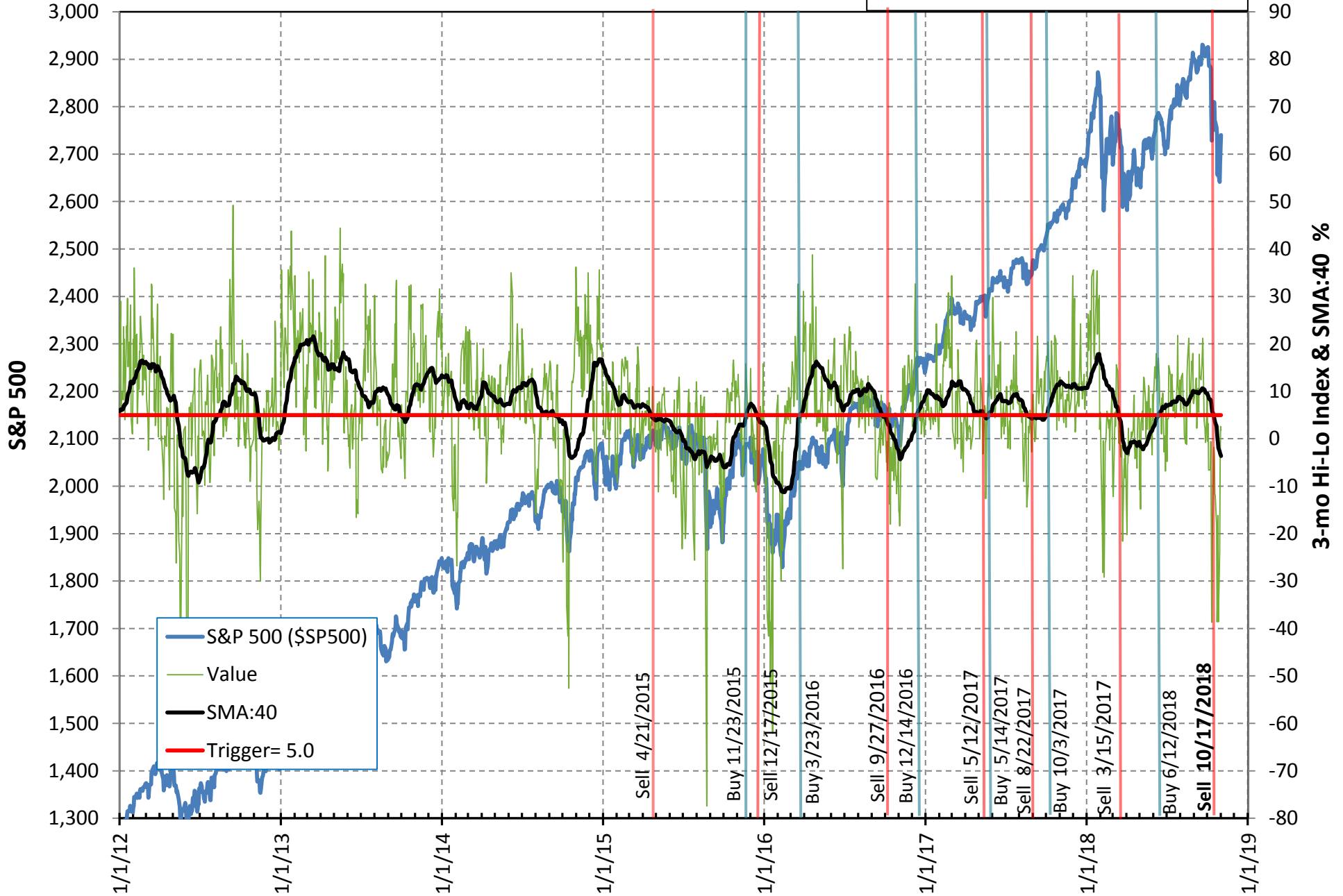


Fig 2.2 3-mo Hi-Lo Index of the S&P500 & 40-day SMA of Index

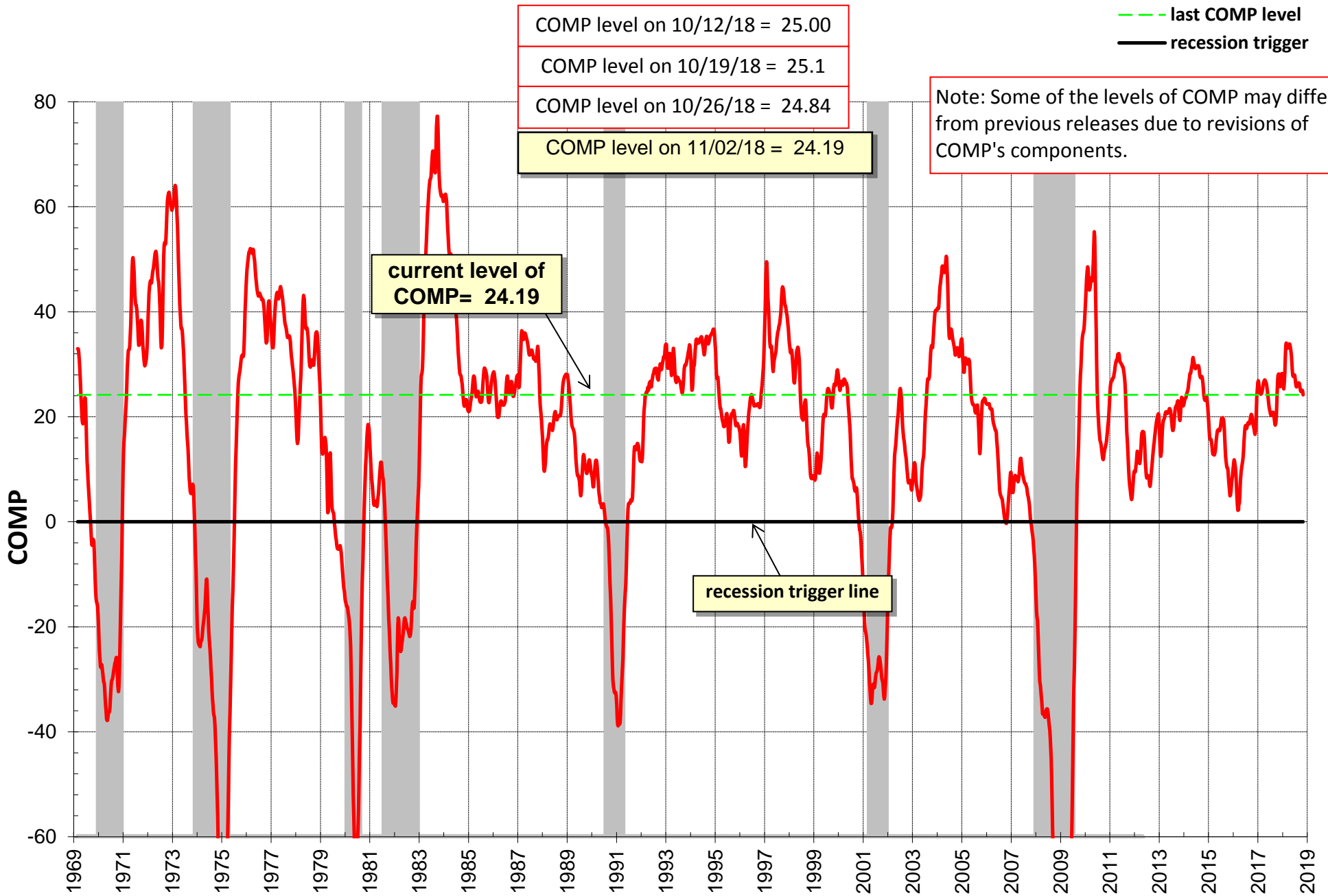
updated to 11/1/2018

last SMA:40= -3.64%

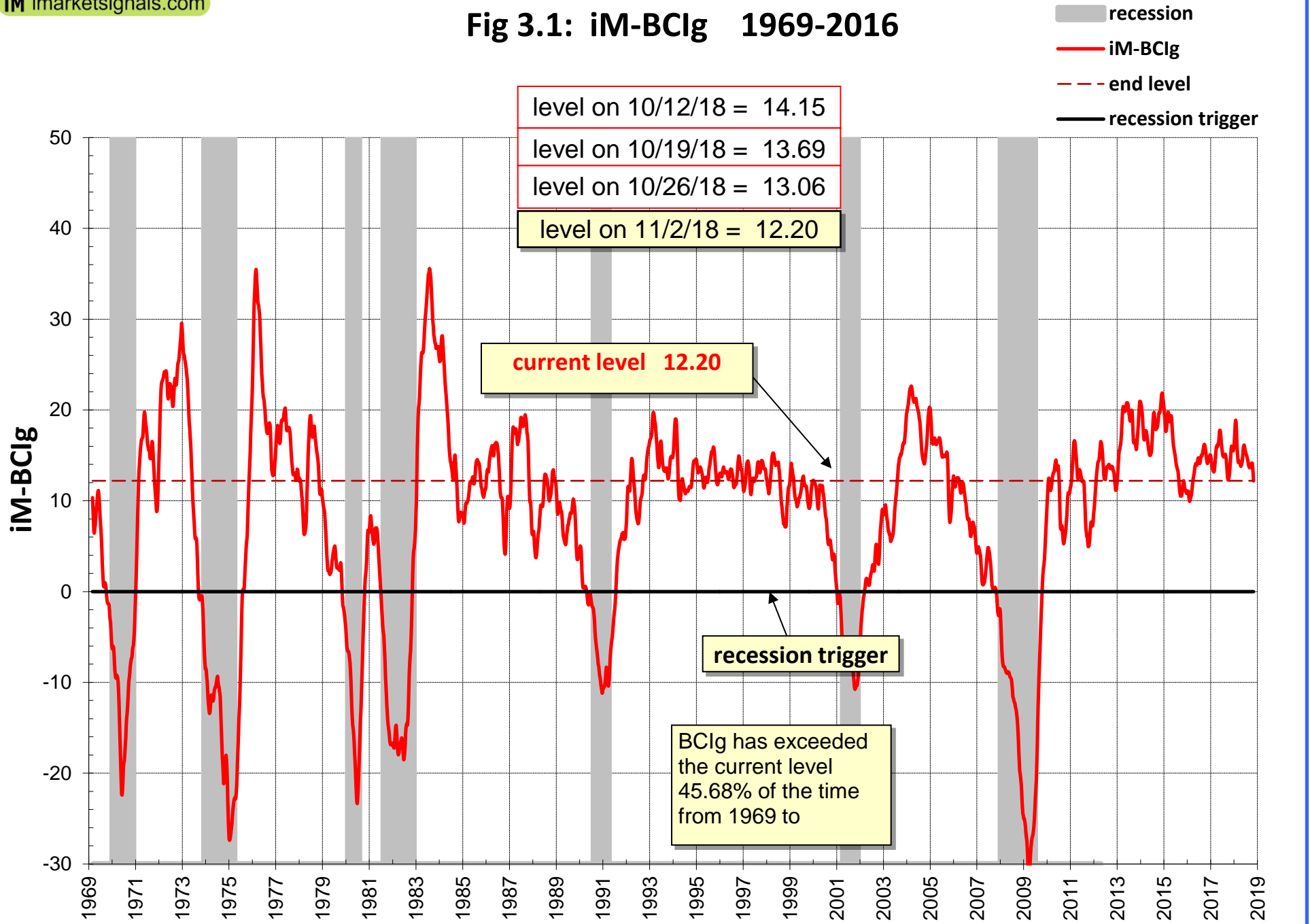


### Fig. 3: COMP Leading Indicator of US Economy 1969-2018

- recession
- COMP
- last COMP level
- recession trigger



### Fig 3.1: iM-BCI<sub>g</sub> 1969-2016



**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) 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

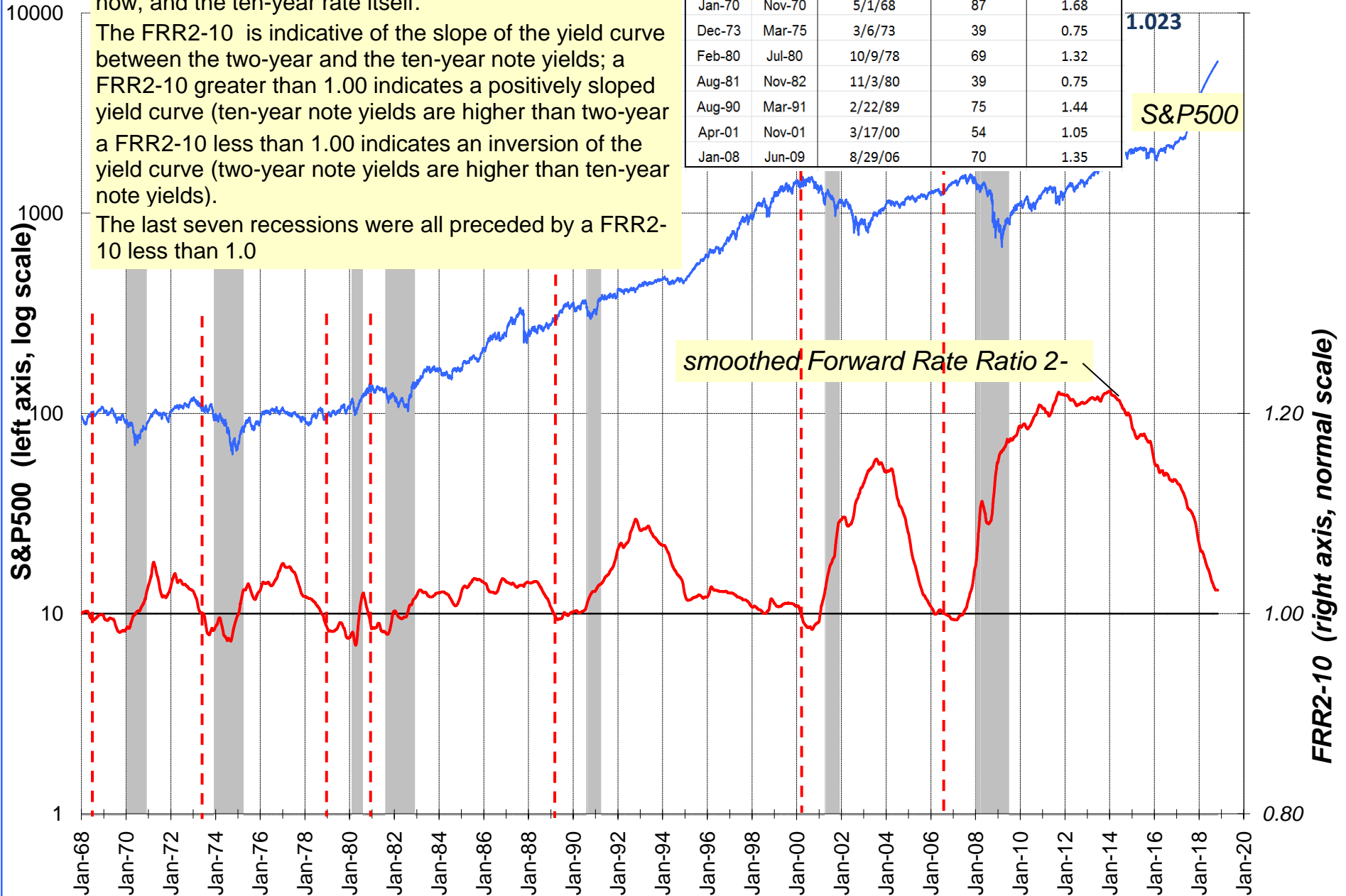
Recessions start	Recessions end	Date when EMA of FRR2-10 less than 1.0	Lead to Ression start (weeks)	Lead to Ression start (years)
Jan-70	Nov-70	5/1/68	87	1.68
Dec-73	Mar-75	3/6/73	39	0.75
Feb-80	Jul-80	10/9/78	69	1.32
Aug-81	Nov-82	11/3/80	39	0.75
Aug-90	Mar-91	2/22/89	75	1.44
Apr-01	Nov-01	3/17/00	54	1.05
Jan-08	Jun-09	8/29/06	70	1.35

updated to 11/01/2018

EMA of FRR2-10 =

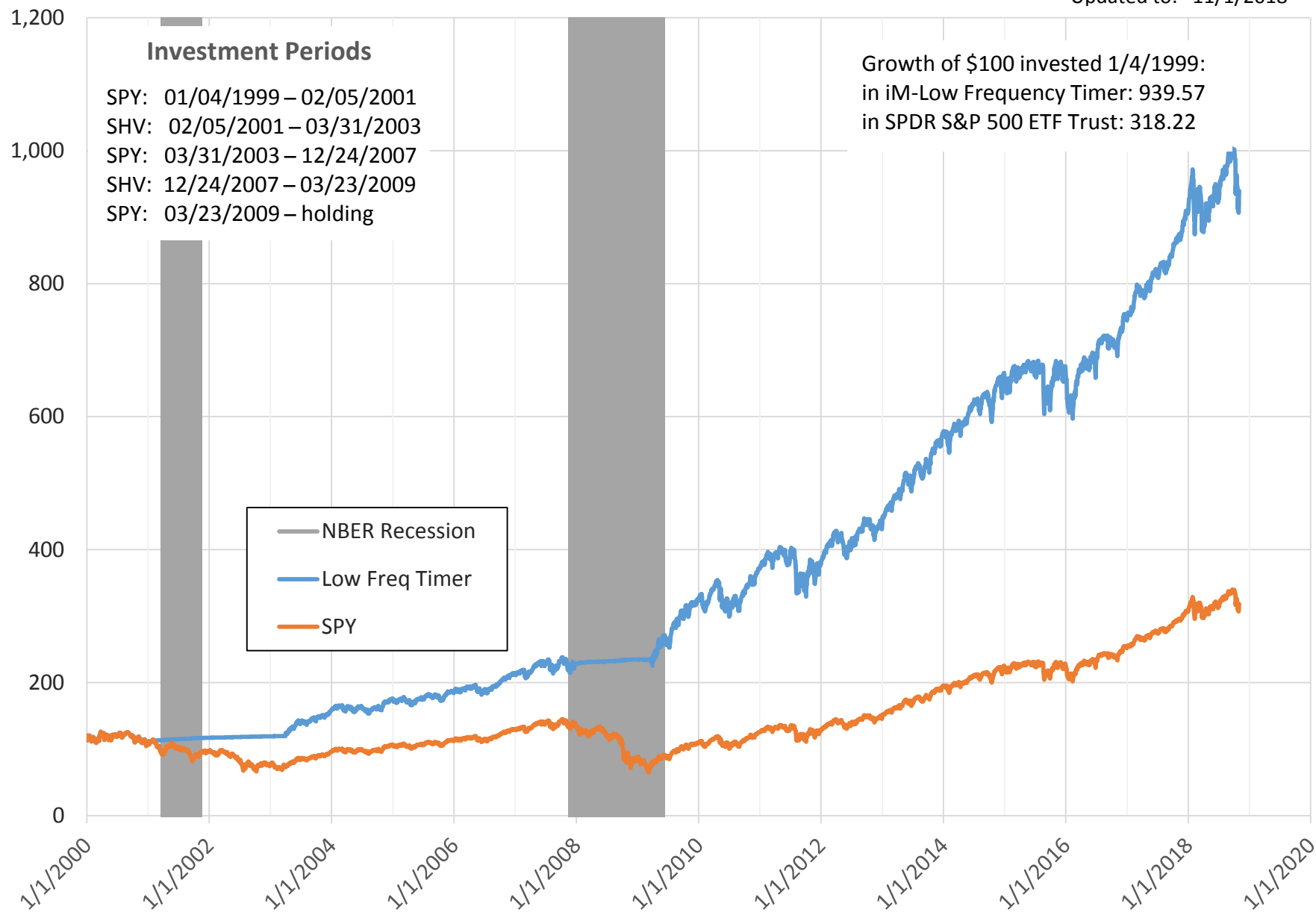
1.023

S&P500

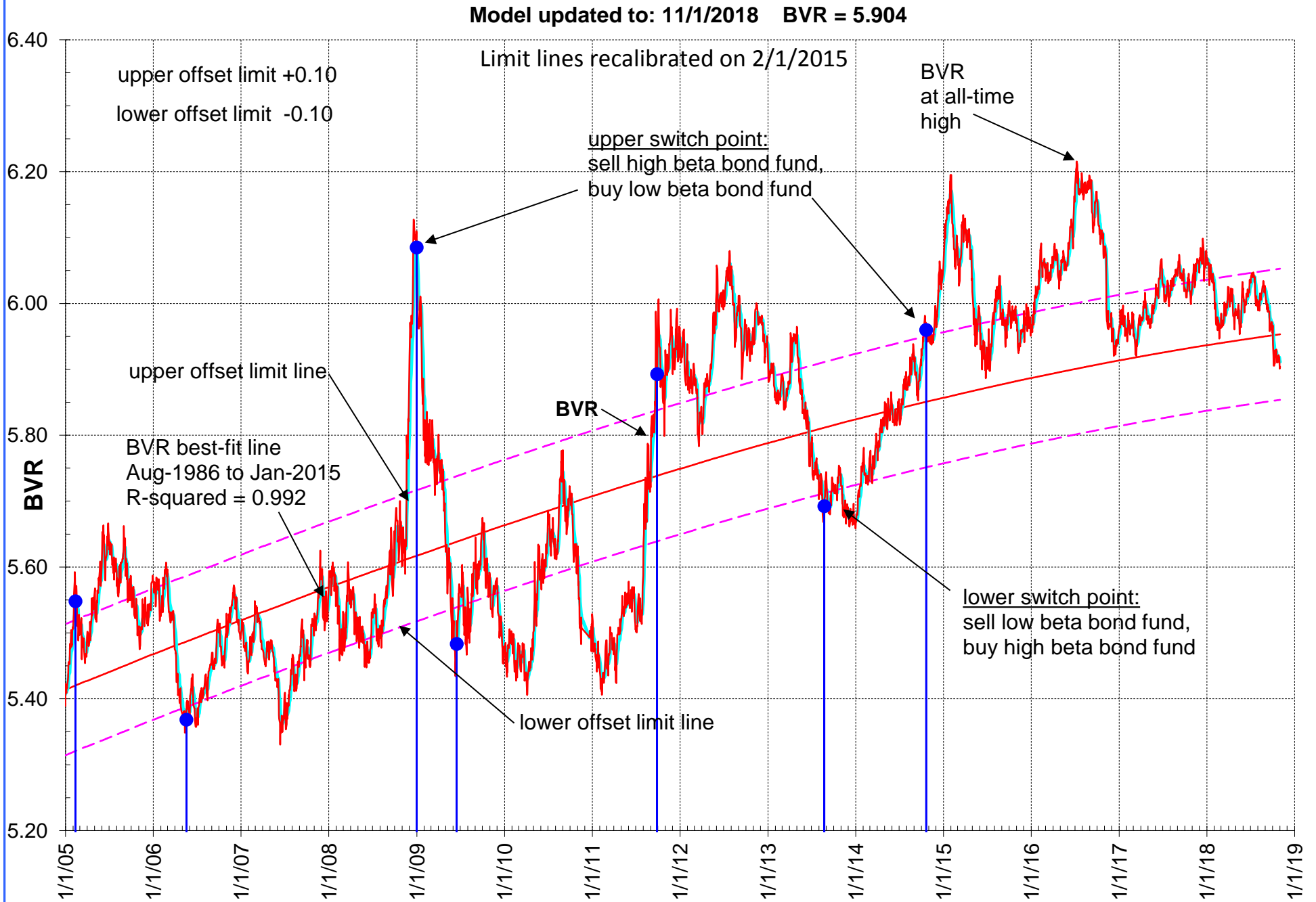


### Fig.3.3 iM-Low Frequency Timer

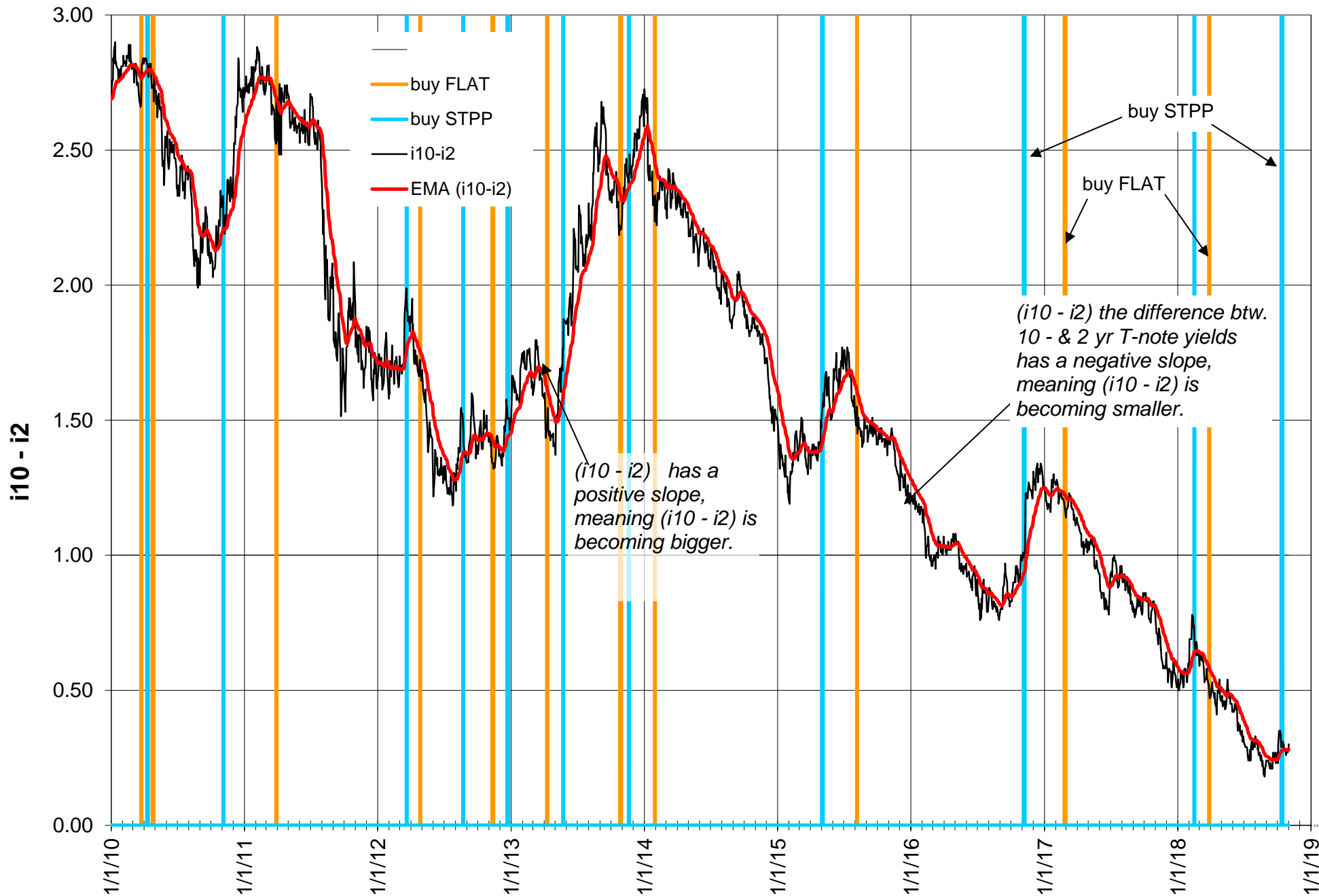
Updated to: 11/1/2018



### Figure 4: Bond Value Ratio (BVR) from 2005 to 2018



**Figure 5: i10 - i2 Updated to.....11/1/18**



### Figure 6: Modified Coppock Indicator for Gold 2009-2018

updated to 11/01/2018

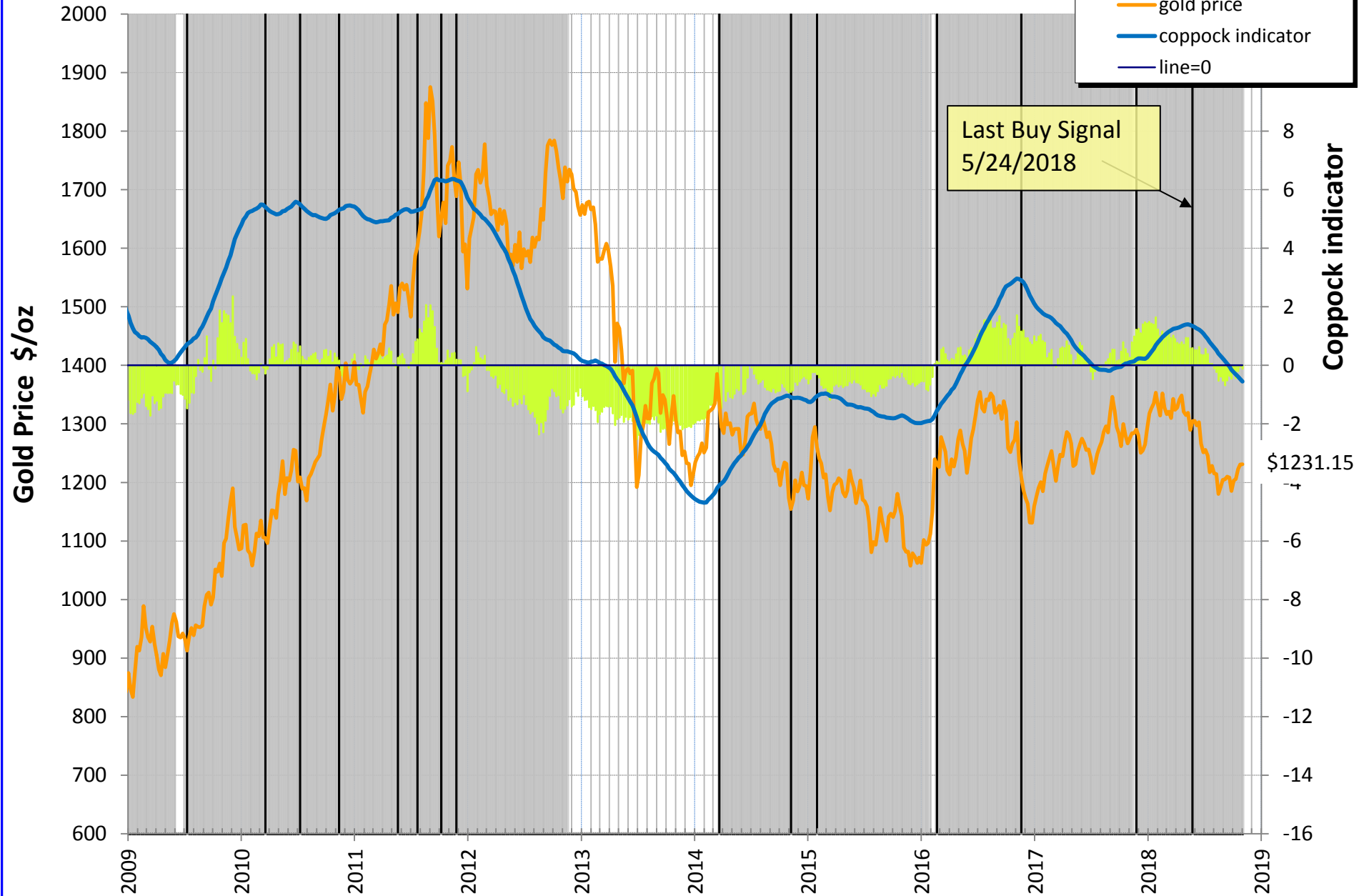
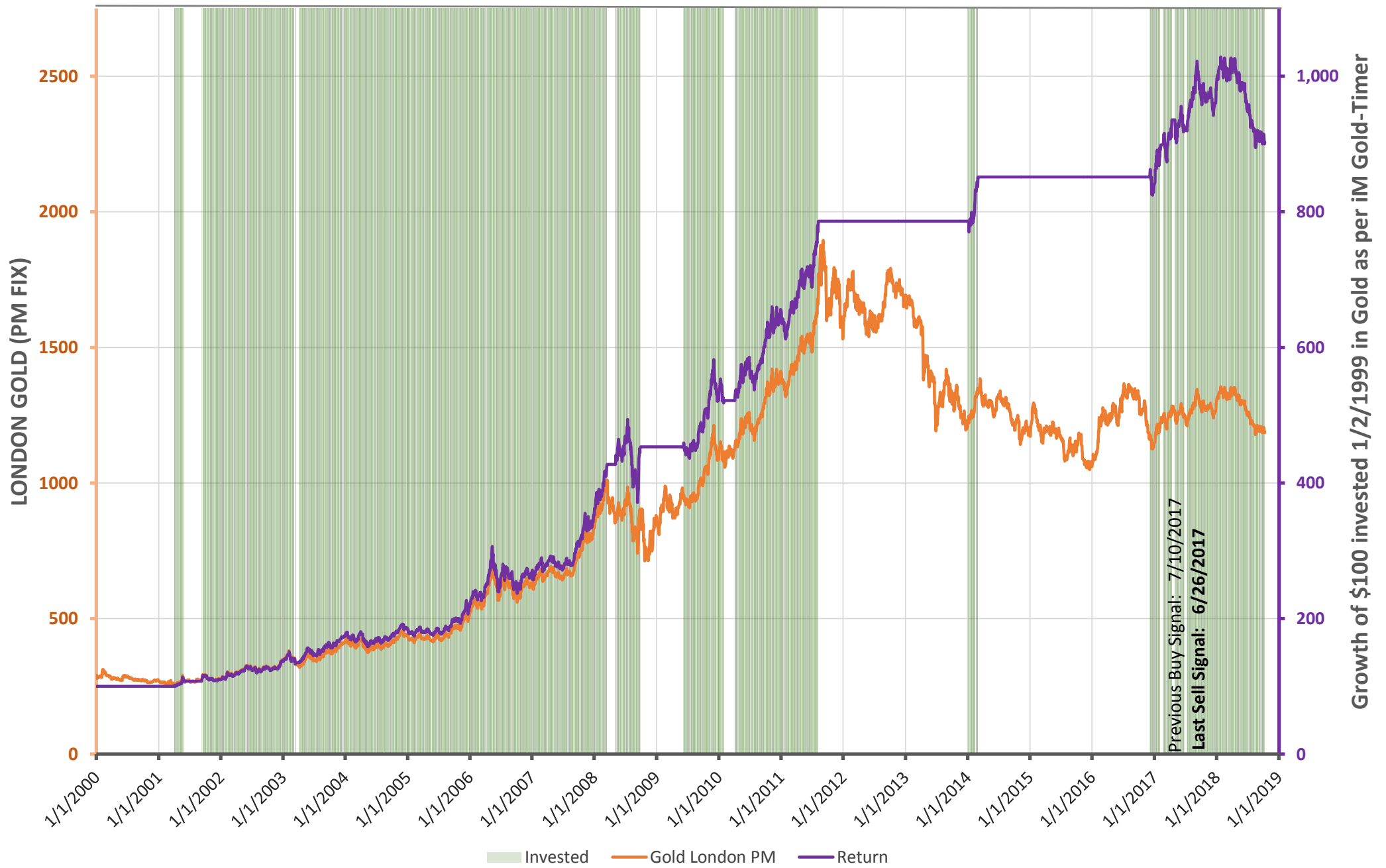


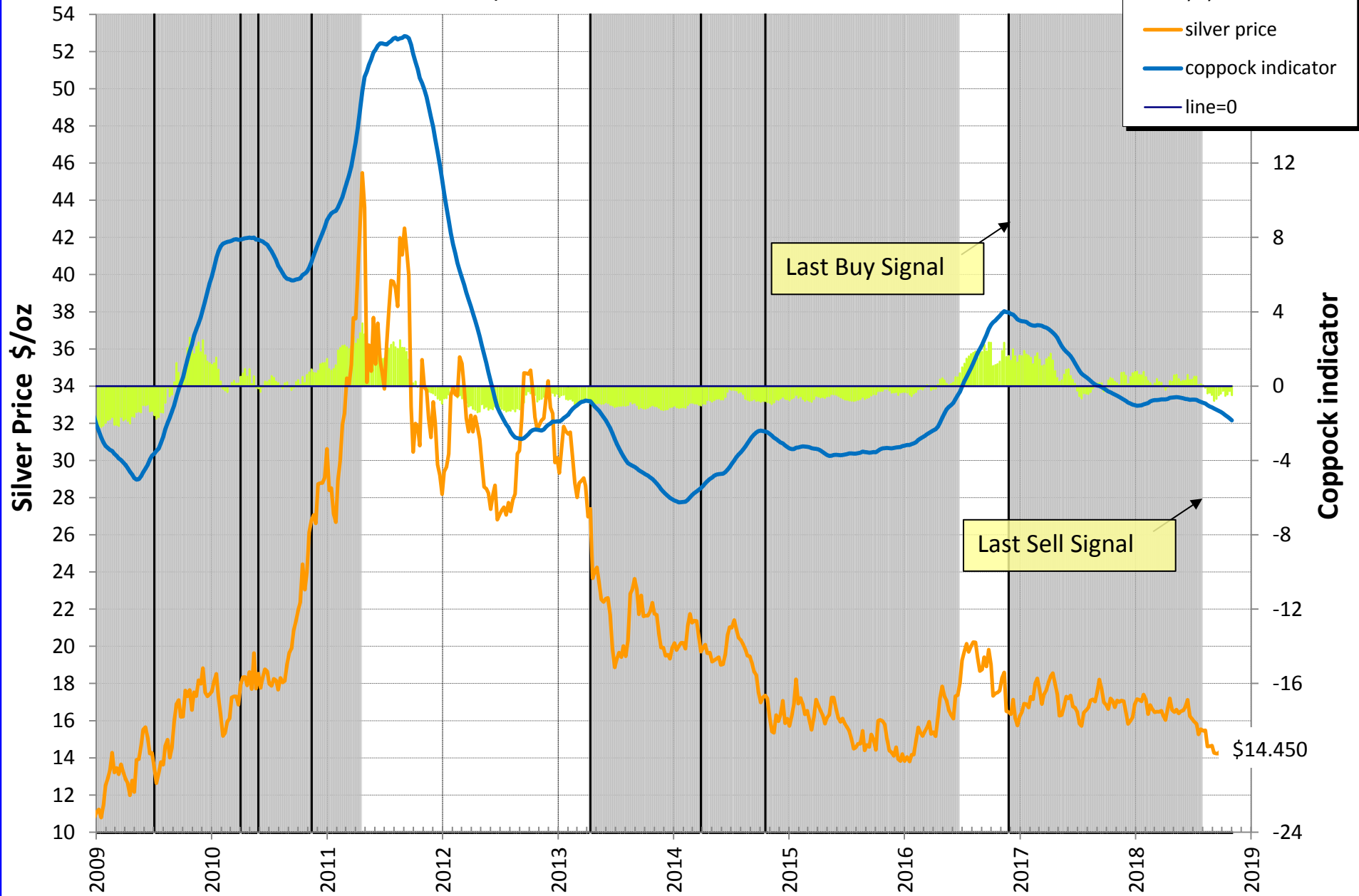
Fig. 6.1a iM GOLD-TIMER - Rev 1

Updated to: 11/1/2018



### Figure 7: Modified Coppock Indicator for Silver 2009-2018

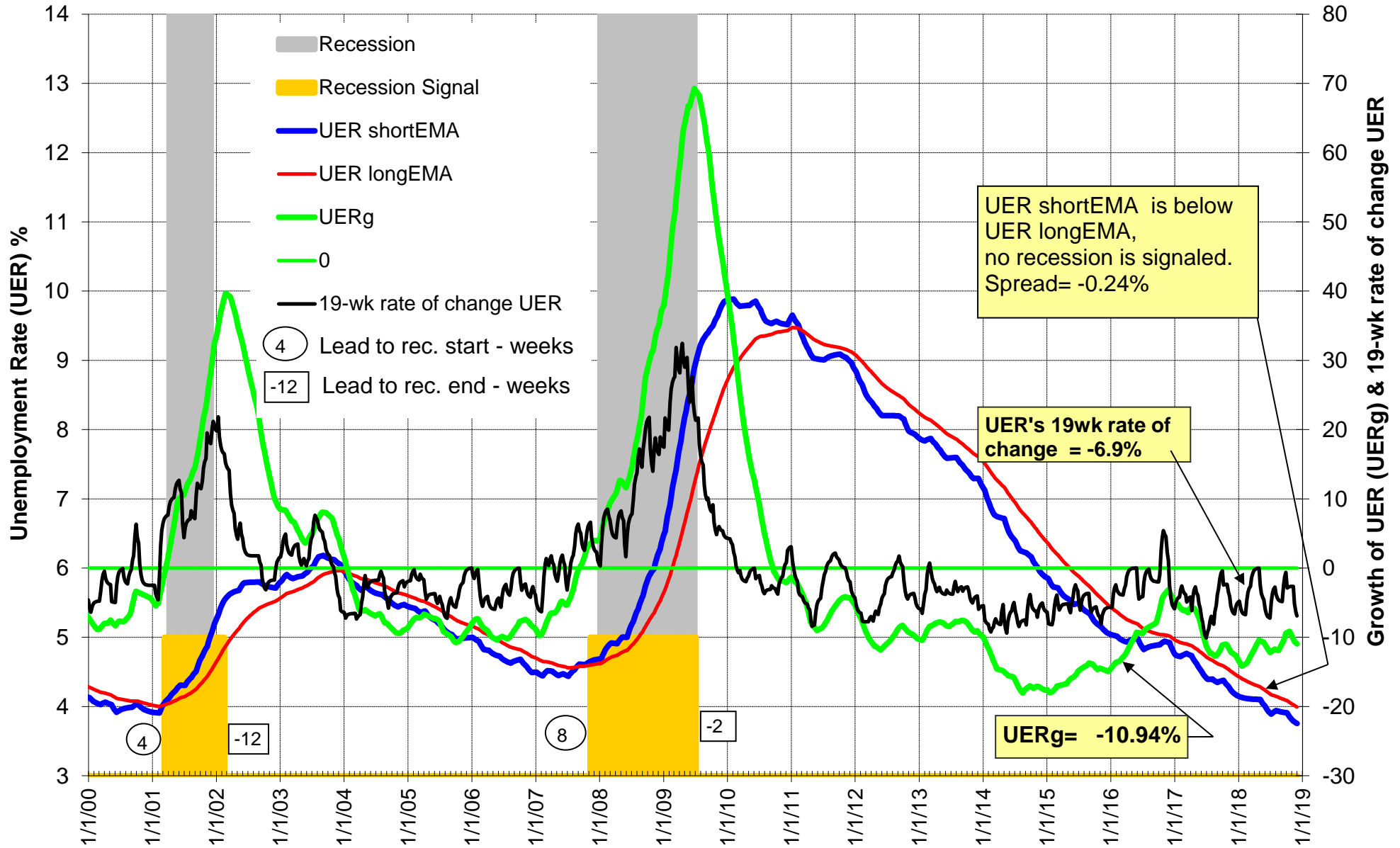
updated to 11/01/2018



### Fig-8 Unemployment Rate and Recessions (real-time) 2000-2018

Leads to recession starts and to recession ends are positive numbers in weeks, lags are negative numbers.

updated to 11-30-2018 with October UER= 3.7%



### Fig-9 Modified Coppock Indicator for S&P500 2005-2018

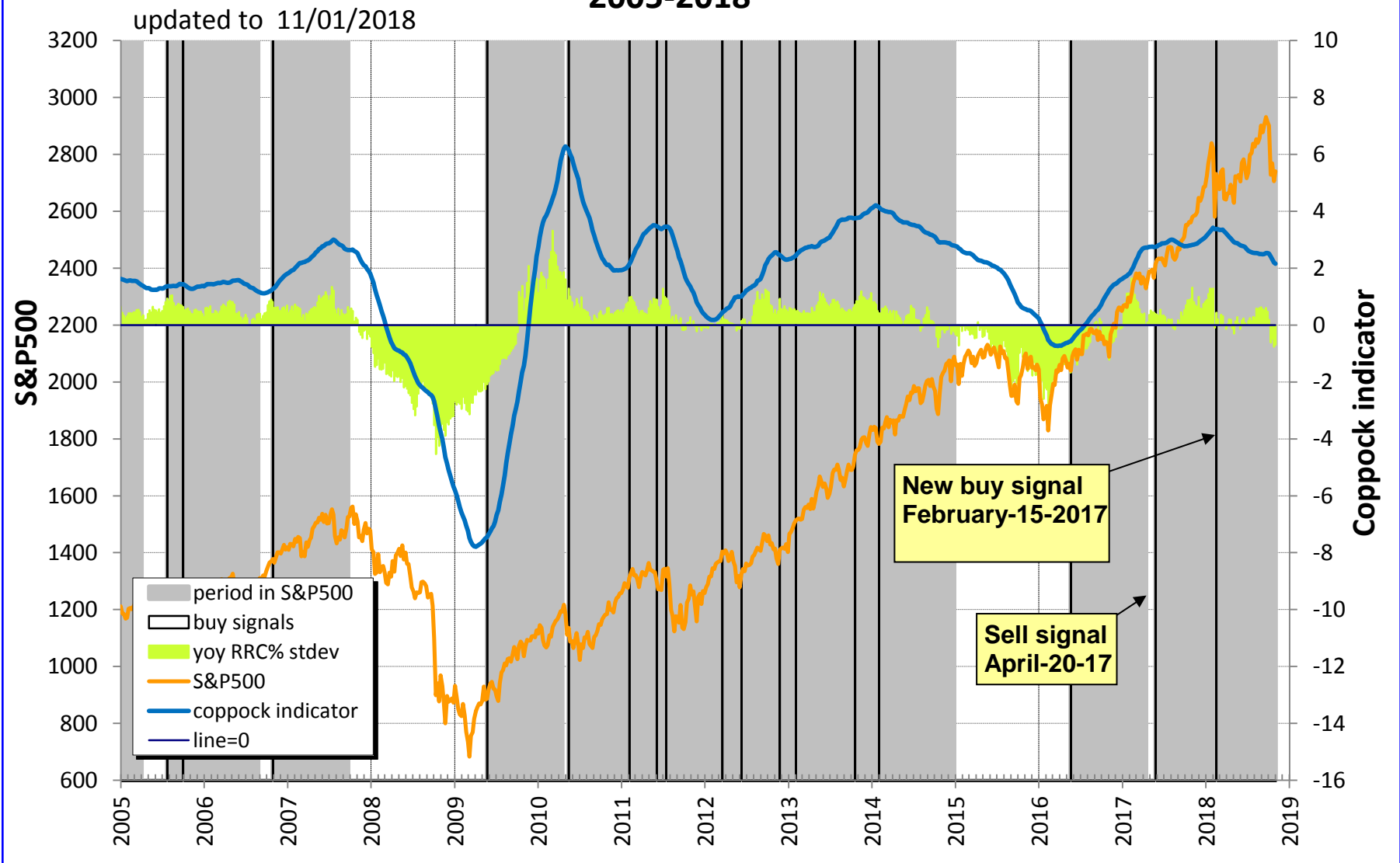
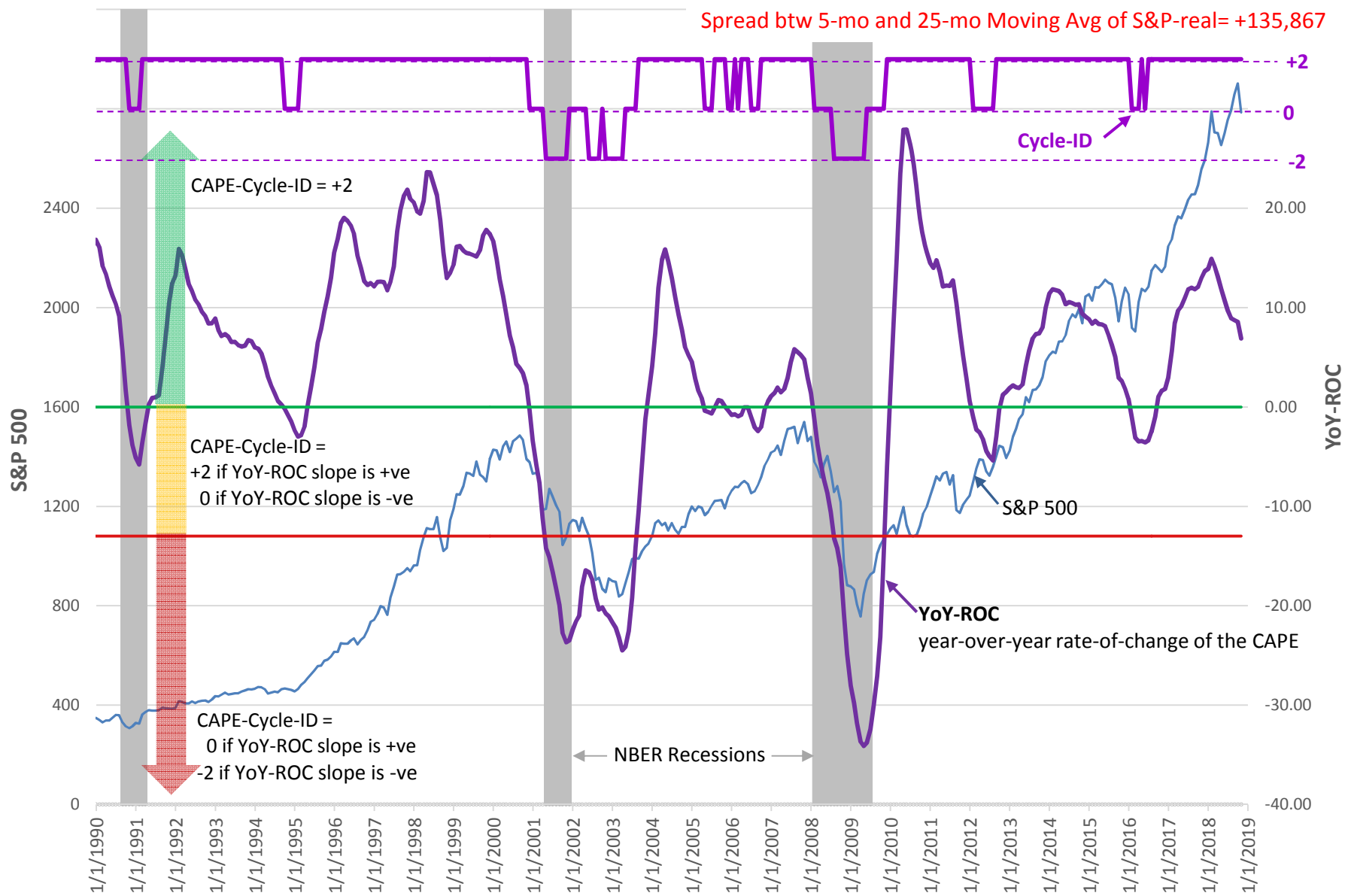


Fig. 9a CAPE-Cycle-ID and the YoY-ROC from 1990

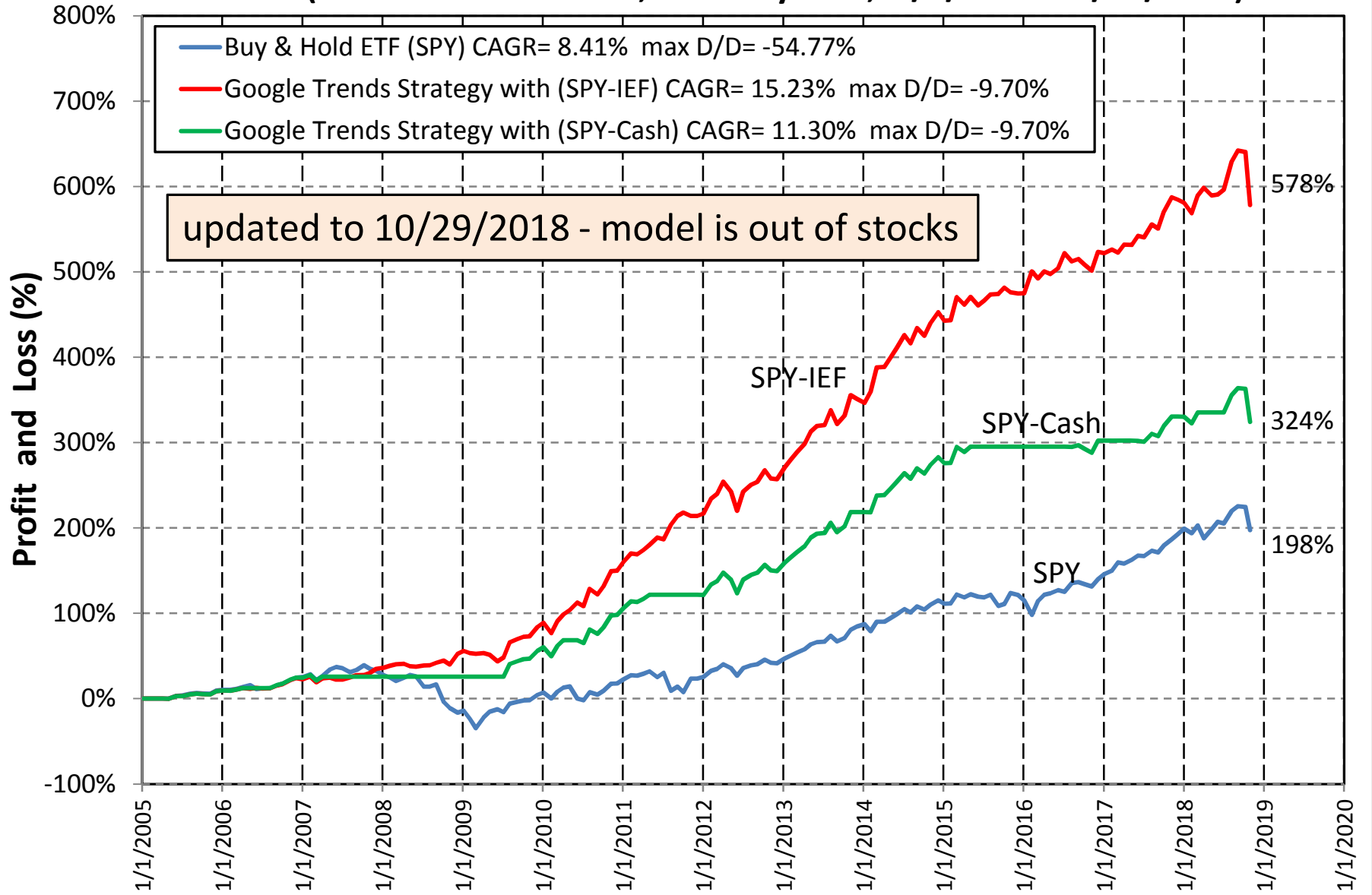
updated to 10/31/2018

Shiller CAPE= 30.98

Spread btw 5-mo and 25-mo Moving Avg of S&P-real= +135,867



**Fig 9b: Cumulative Performance iM-GT Timer**  
(Search Term = "debt", monthly data, 5/2/2005 -10/29/2018)

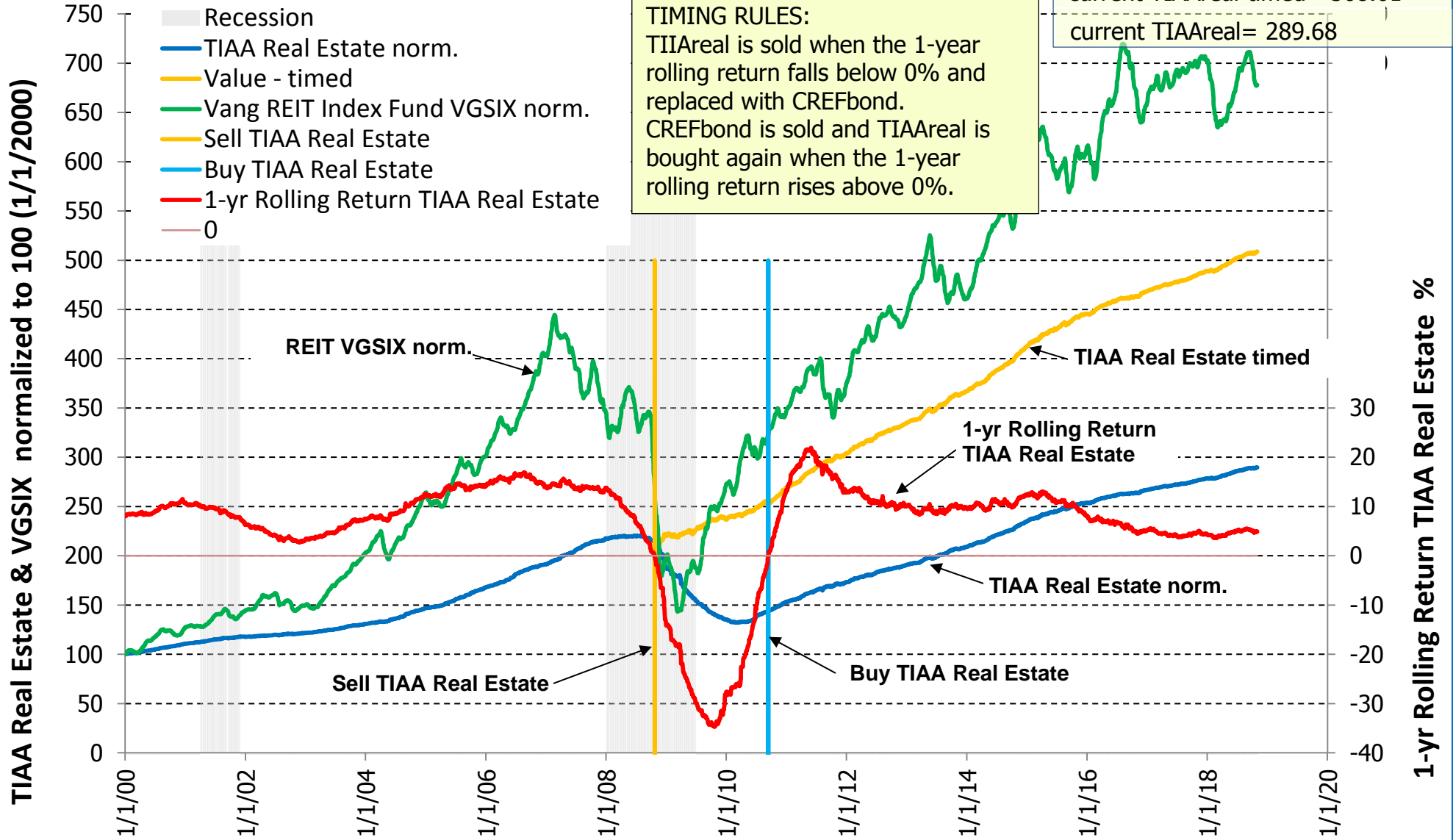


## TIAA Real Estate Account vs. Vanguard REIT Index Fund (VGSIX) 2000 - 2018

updated to 10/31/18, TIAAreal current 1-year rolling return= 4.88%

current TIAAreal-timed= 508.61

current TIAAreal= 289.68



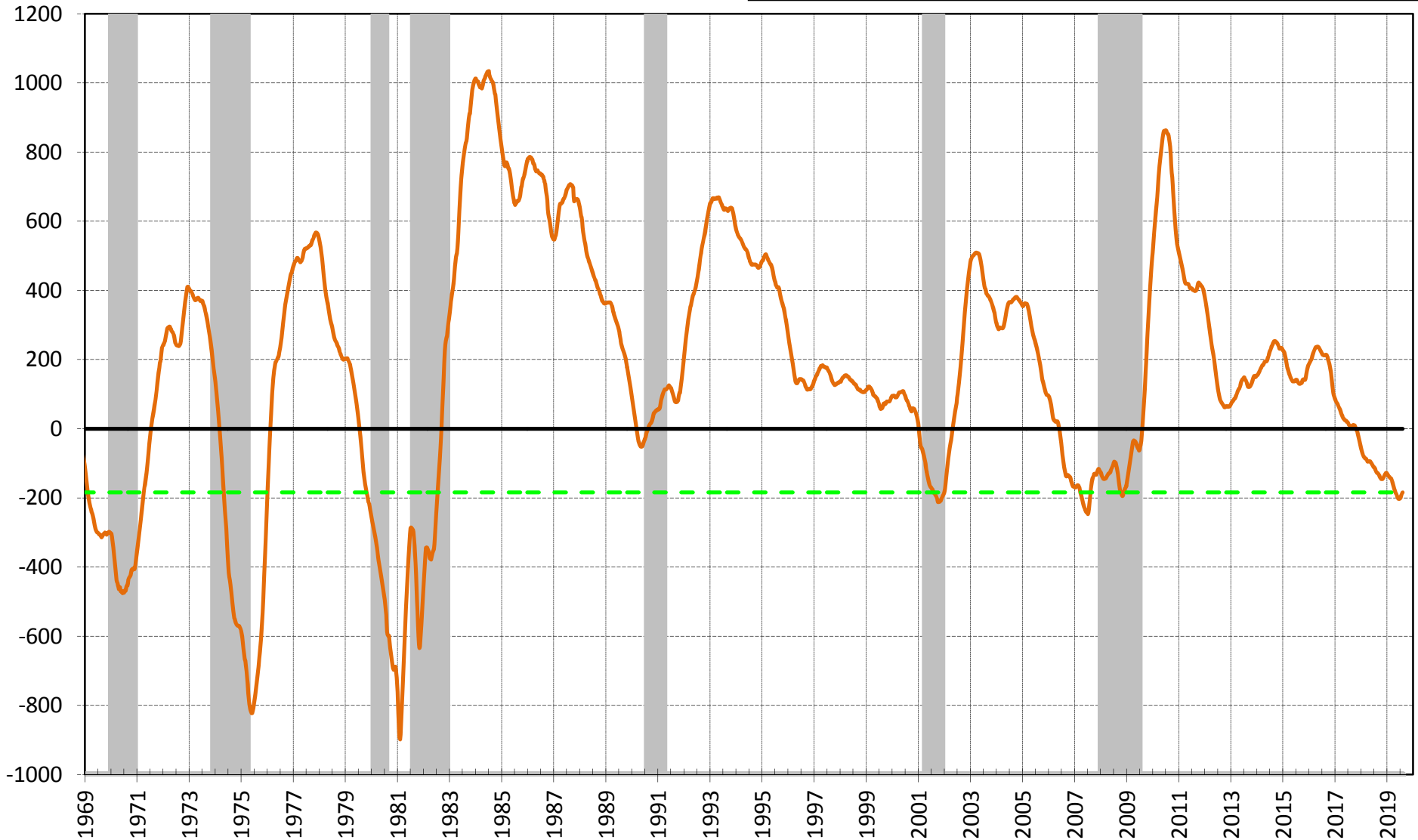
# Long Leading Recession Indicator DAGS: shifted forward in time by 40 weeks

<http://imarketsignals.com/2016/the-dynamic-linearly-detrended-aggregate-spread-a-long-leading-recession-indicator/>

- recession
- DAGS
- recession trigger line
- last level of DAGS

recession eligible months Oct-2017 to Aug-2019

updated on Nov-2-2018, last level of DAGS = -184 bps



Updated to Oct 25, 2018

# Trade Weighted US Dollar and Interest Rates

