

FEBRUARY 22, 2018

BUSINESS CYCLE INDEX

The BCI at 236.6 is above last week's downward revised 234.9, and it is below this business cycle's peak as indicated by the BCIp at 86.5. However, the 6-month smoothed annualized growth BCIg is at 14.3, which is below last week's 15.1.

No recession is signaled.

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MARKET SIGNALS SUMMARY:

The MAC-US model is invested. Also, the "3-mo Hi-Lo Index of the S&P500" generated a buy signal on 10/3/2017 and is invested in the markets. 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 has steepened signaling a buy STPP mid-February 2018. 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 at 10.61% (last week 11.53%) and is in 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 near 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 also up 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 at last week's level and not signaling a recession. The FRR2-10 is trending downwards.

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 below 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 has steepened signaling a buy STPP mid-February 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 November 2017 and is invested in gold.

The iM GOLD-TIMER Rev-1 is 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.

MONTHLY UPDATES (Next Update March 9, 2018)

JFEBRUARY 2, 2018

UNEMPLOYMENT

The unemployment rate recession model, has been updated with the January UER of 4.1%. 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 13.10% (last month 13.56%) and EMA spread of the UER is at minus 0.23% (last month minus 0.28%).

THE DYNAMIC LINEARLY DETRENDED ENHANCED AGGREGATE SPREAD:

The updated level of this indicator, -140bps, above last months -146bps, 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. 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.

TRADE WEIGHTED USD

The Trade Weighted \$ value is continuing to weaken.

TIAA REAL ESTATE ACCOUNT

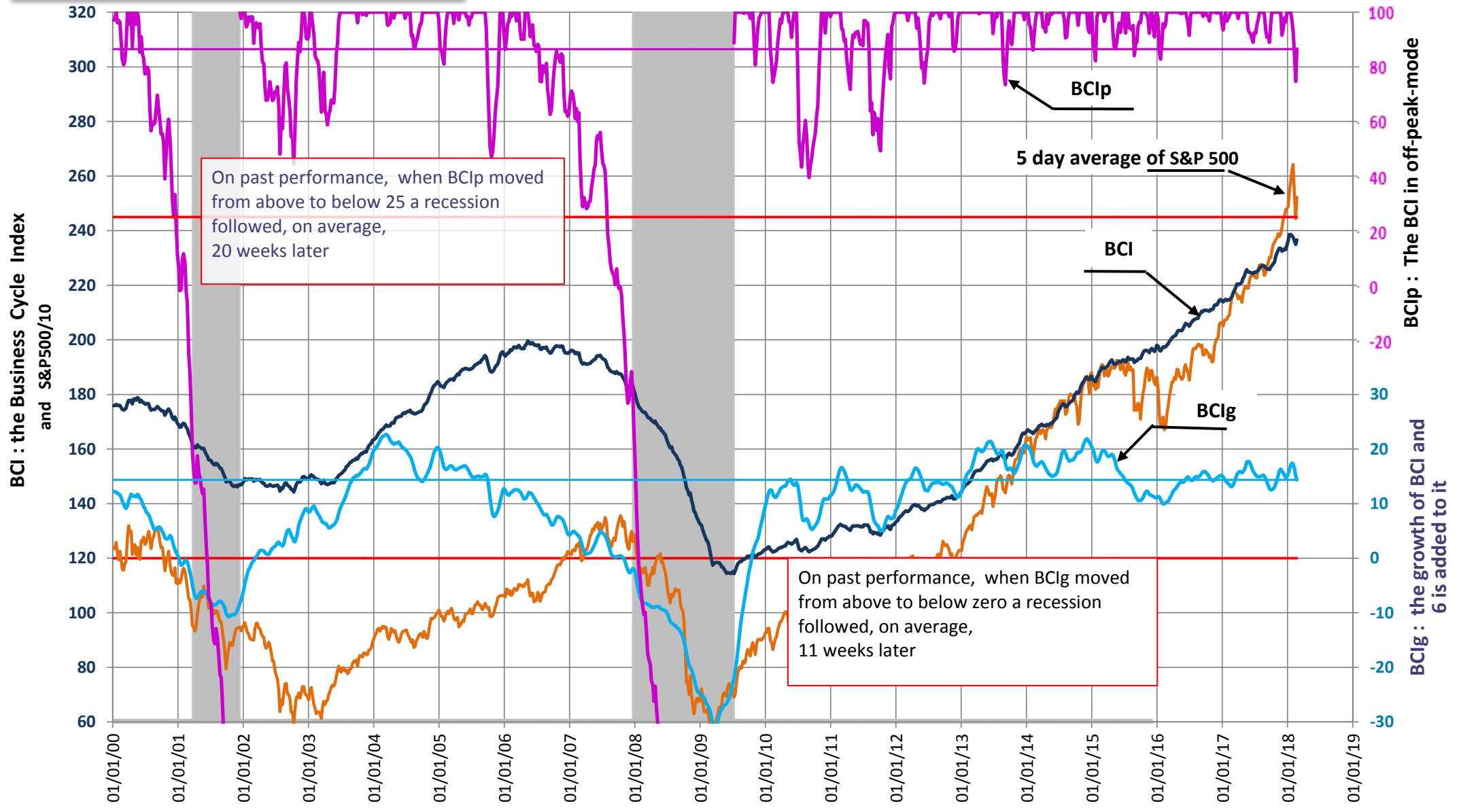
The 1-year rolling return for the end of last month is 4.04%. A sell signal is not imminent.

iM's Business Cycle Index (BCI)

Date	01/25	02/01	02/08	02/15	02/22
BCIp	96.9	93.1	84.1	74.6	86.5
BCI	238.1	237.6	236.3	234.9	236.6
BCIg	17.4	17.3	16.3	15.1	14.3

BCIp, BCI and BCIG
updated to February 22, 2018

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 : The BCI in off-peak-mode
BCIG : the growth of BCI and BCIG 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.

Figure 2: Buy and Sell signals for S&P 500 2010-18
from the modified golden-cross MAC-System



updated to...2/22/18

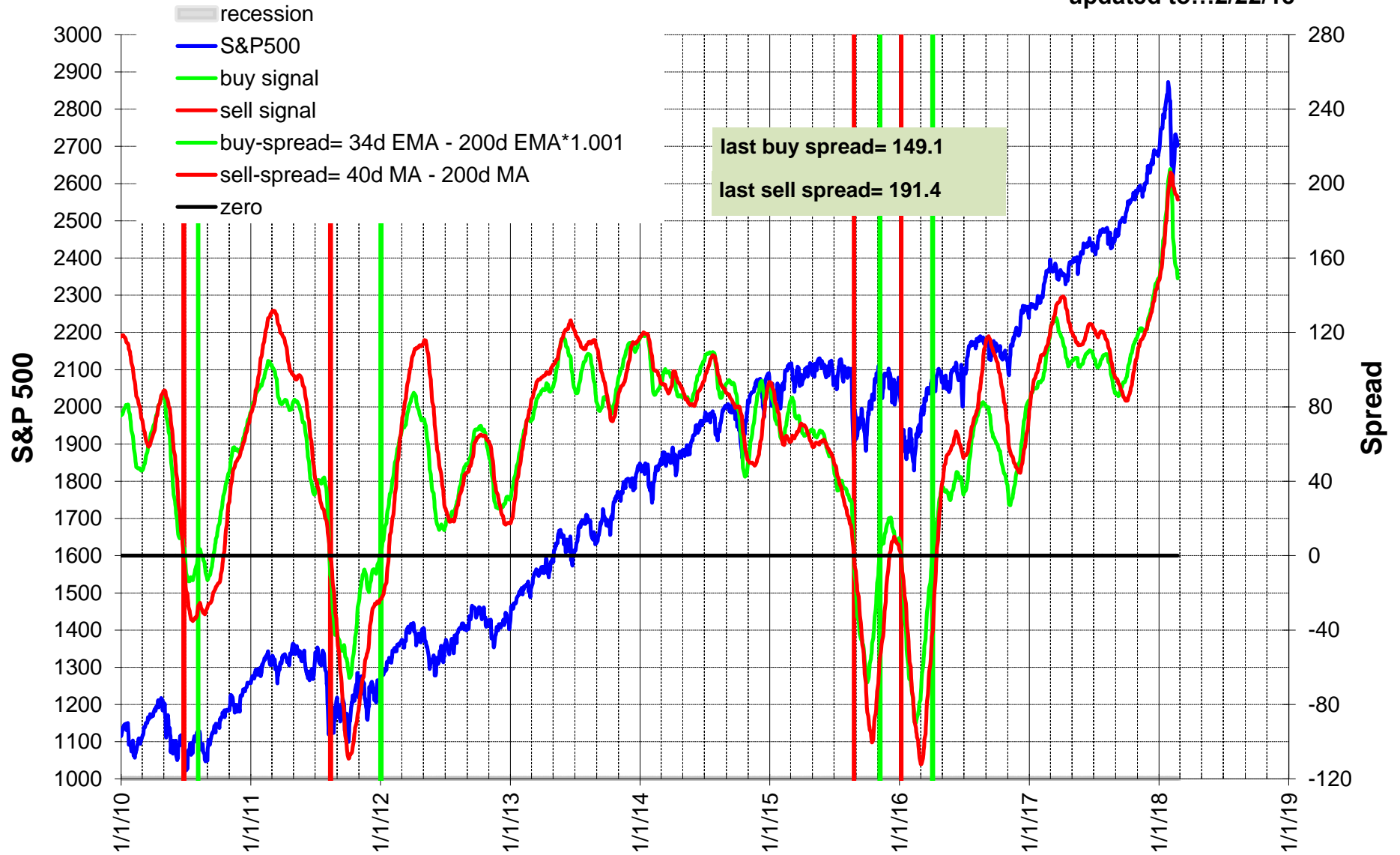


Fig 2.1: Buy and Sell signals for the Australia All Ordinaries Index from the MAC-AU System



updated to Feb-23-18
last sell spread= 277.9

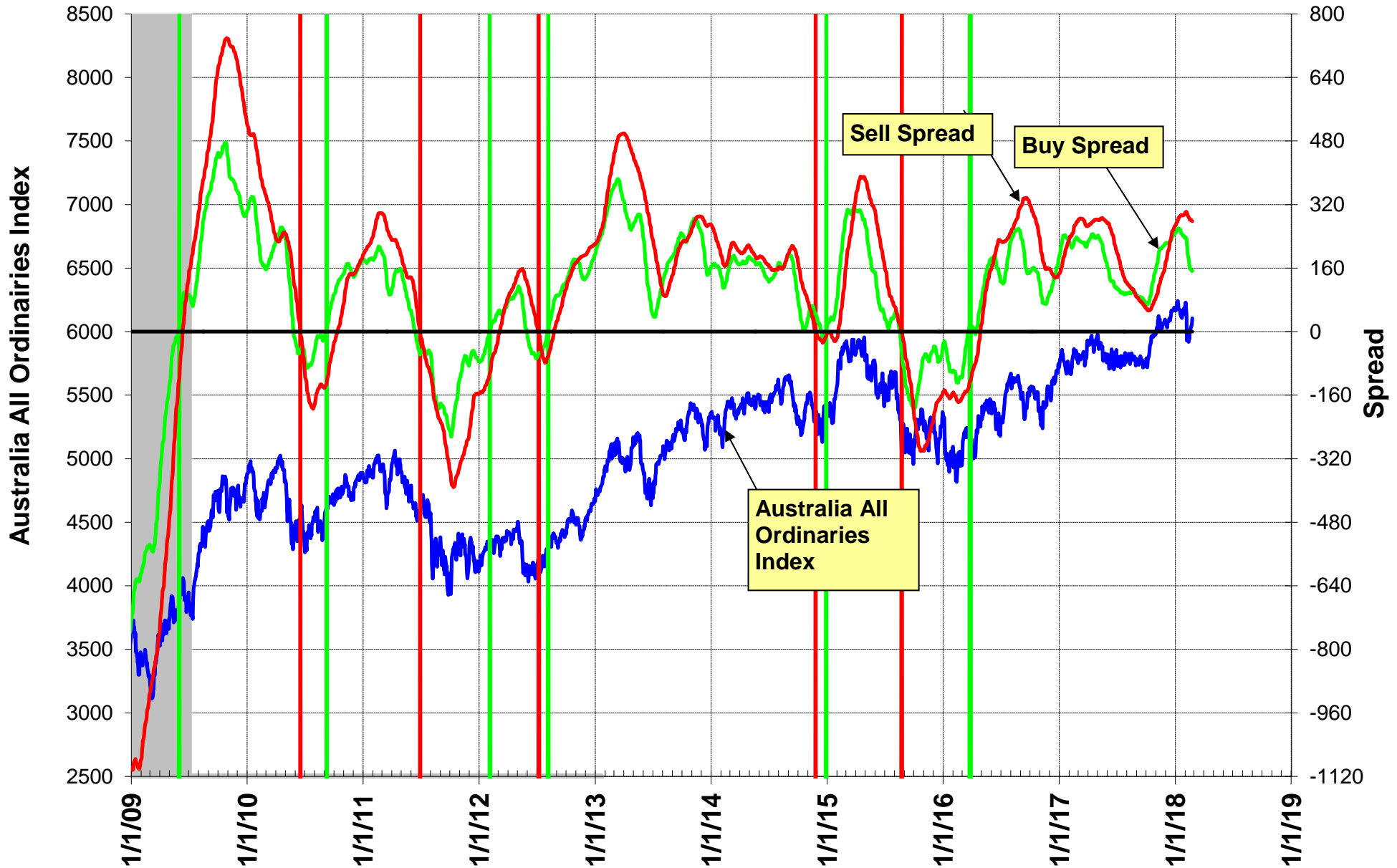


Fig 2.2 3-mo Hi-Lo Index of the S&P500 & 40-day SMA of Index

updated to 2/22/2018

last SMA:40= 10.61%

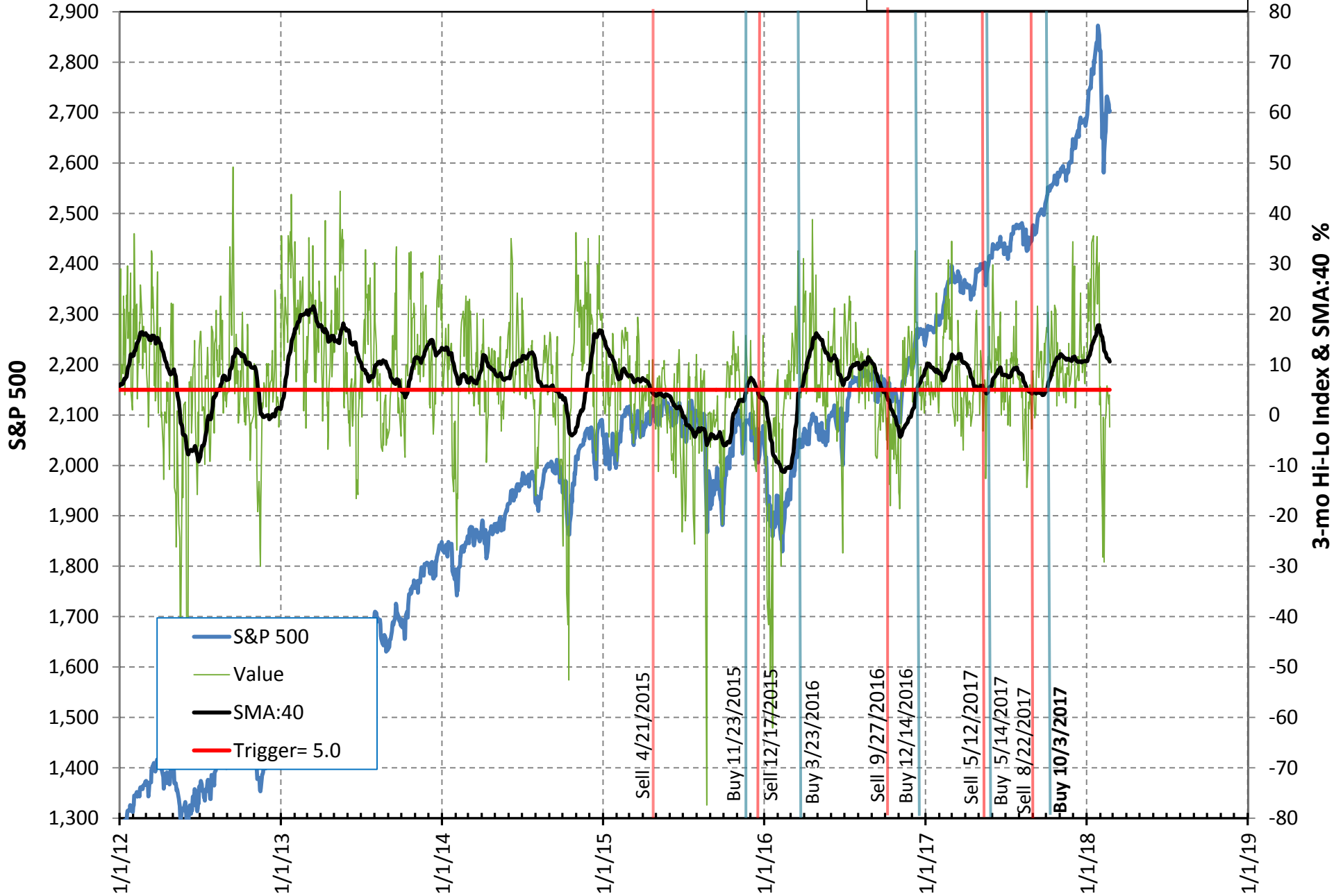


Fig. 3: COMP Leading Indicator of US Economy 1969-2018

- recession
- COMP
- last COMP level
- recession trigger

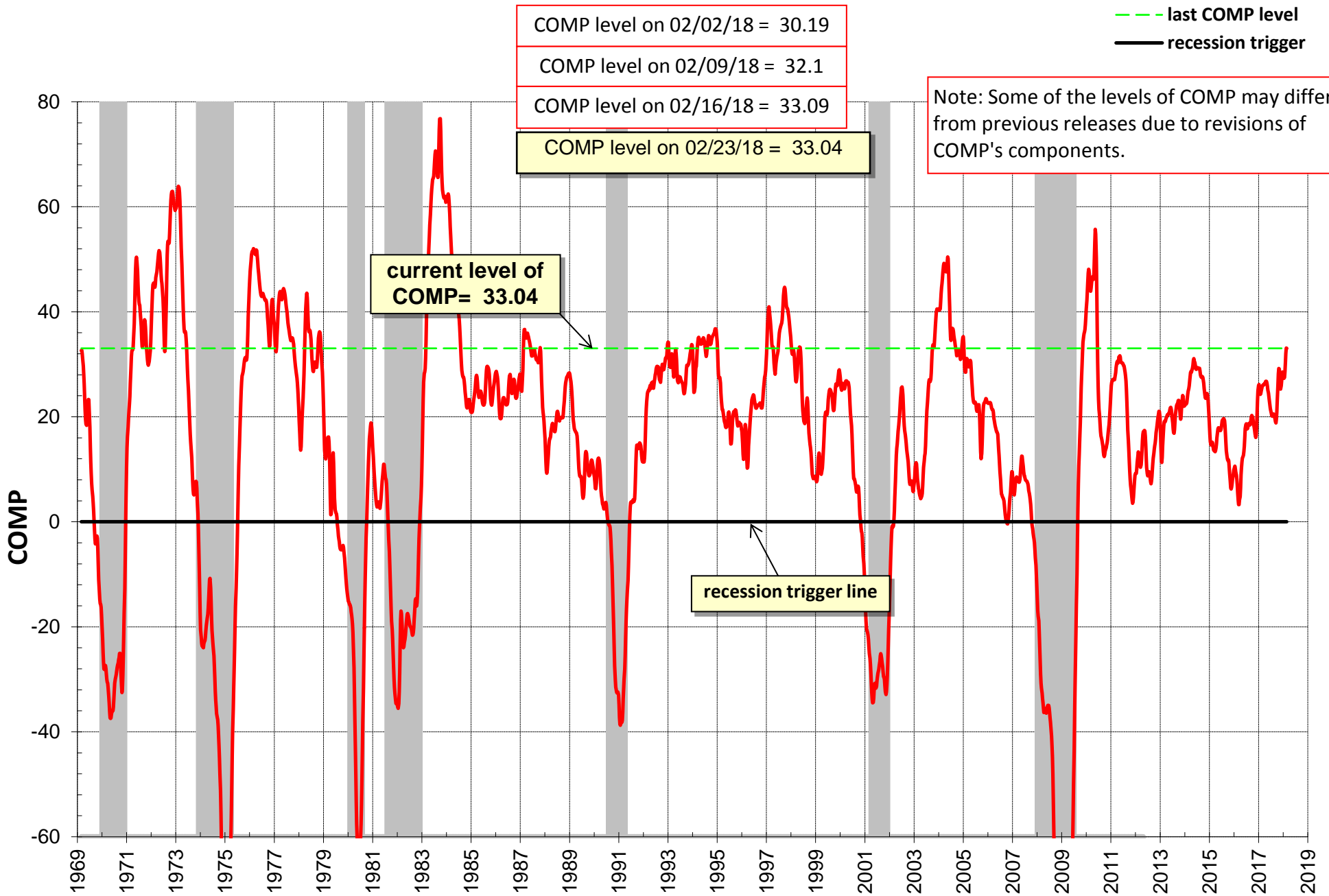


Fig 3.1: iM-BCI_g 1969-2016

- recession
- iM-BCI_g
- end level
- recession trigger

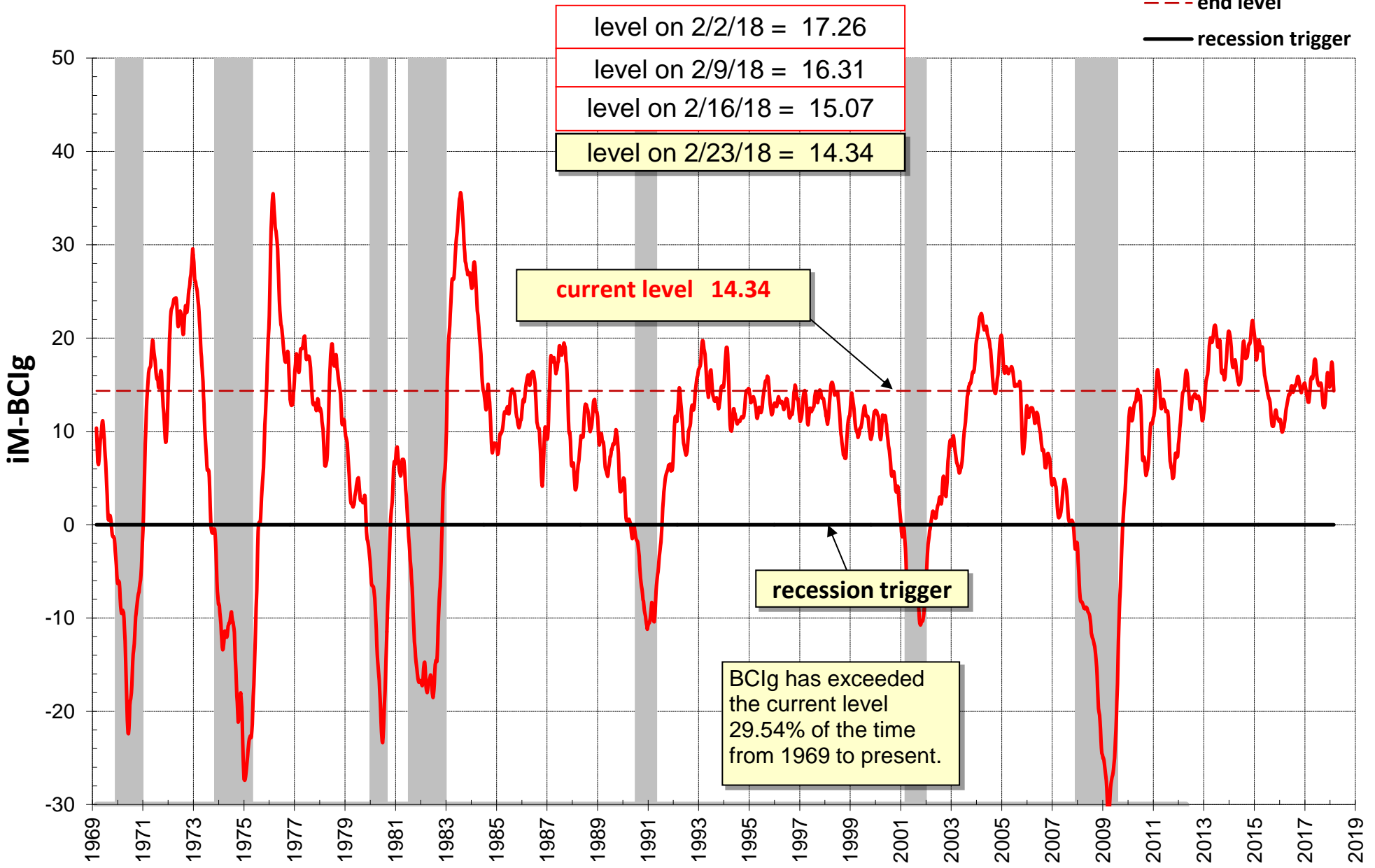


Figure 3.2: Forward Rate Ratio FRR2-10 - leads to Recessions

updated to 02/22/2018

EMA of FRR2-10 = 1.062

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

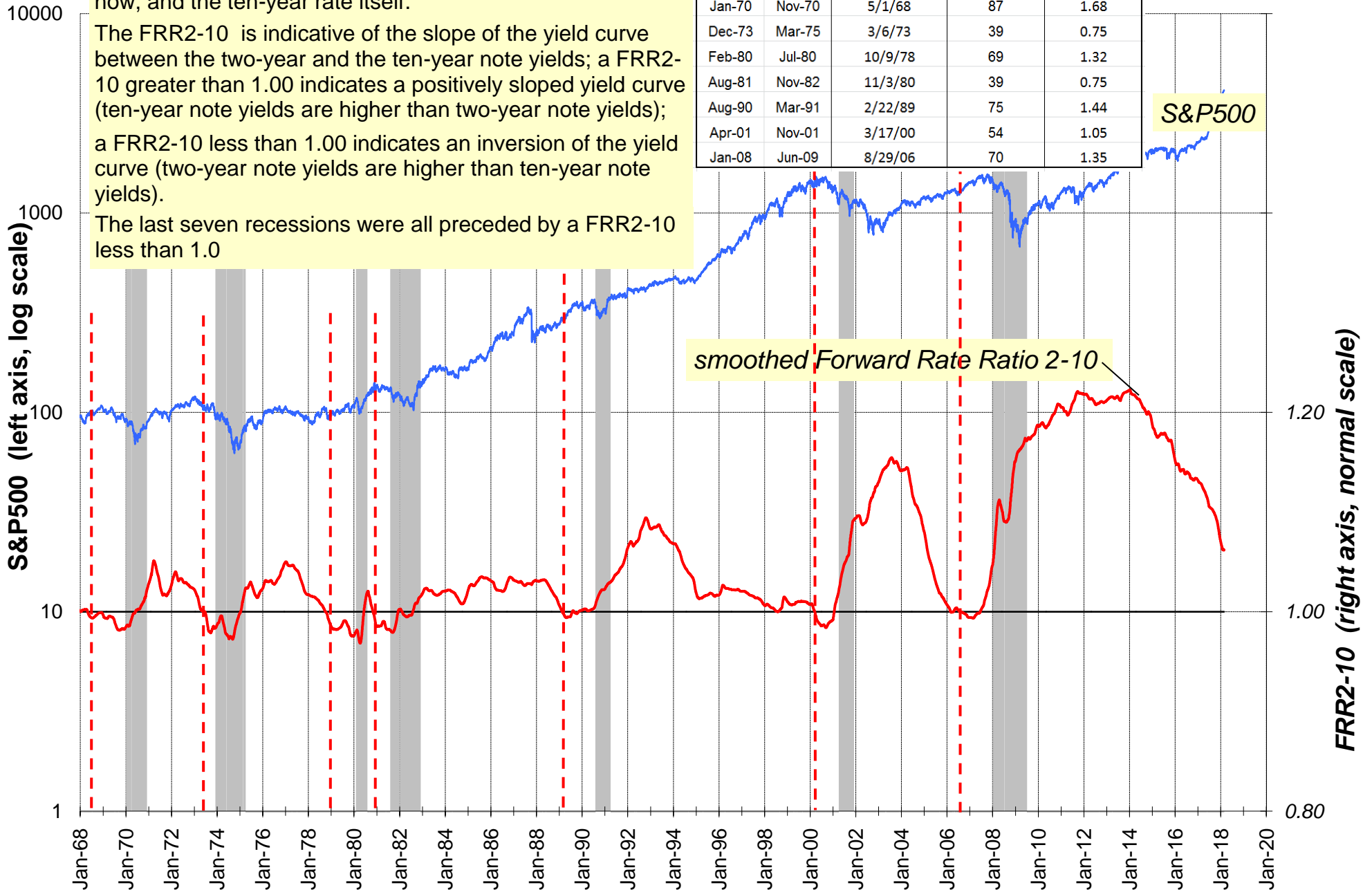


Figure 4: Bond Value Ratio (BVR) from 2005 to 2018

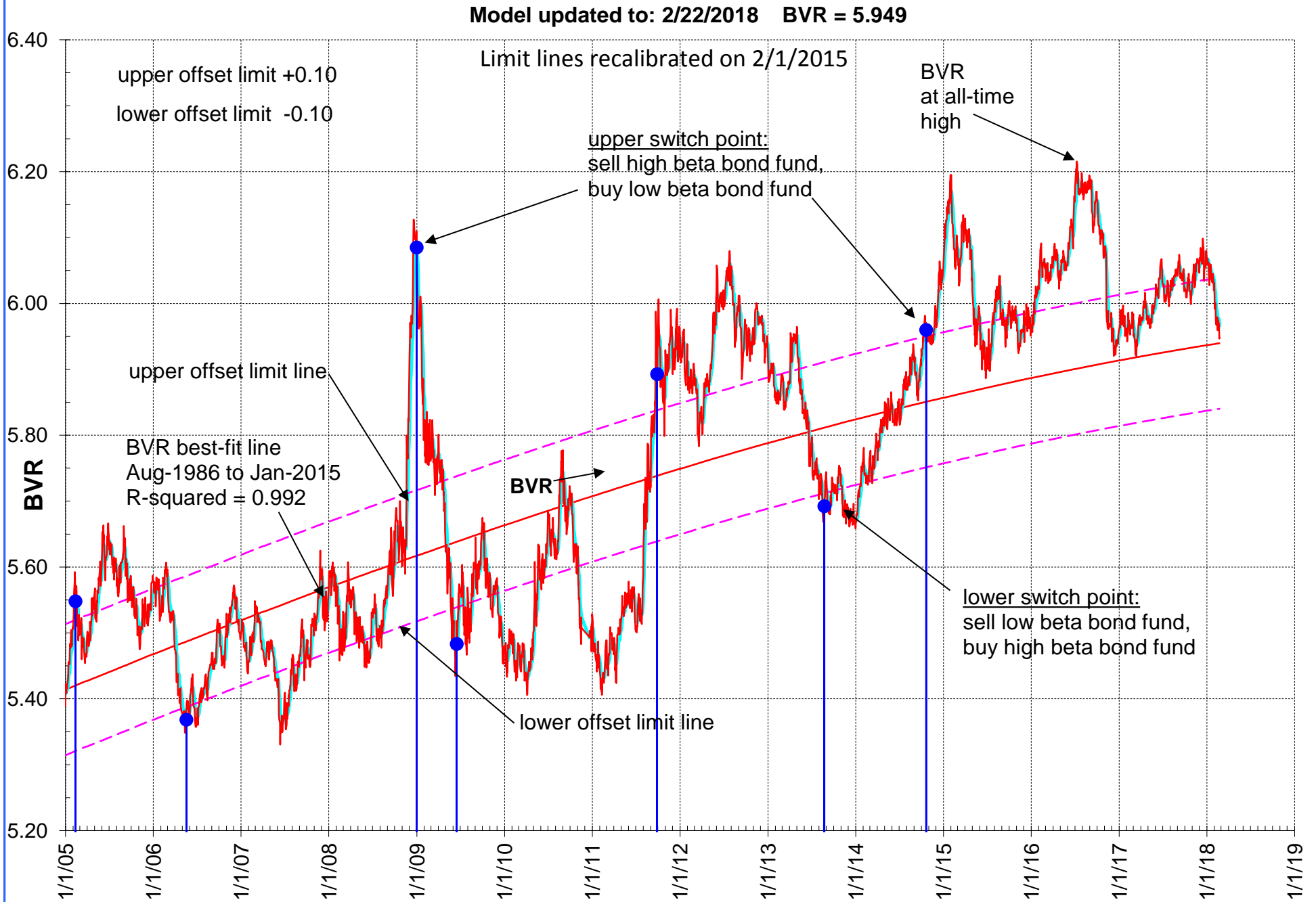


Figure 5: i10 - i2 Updated to.....2/22/18

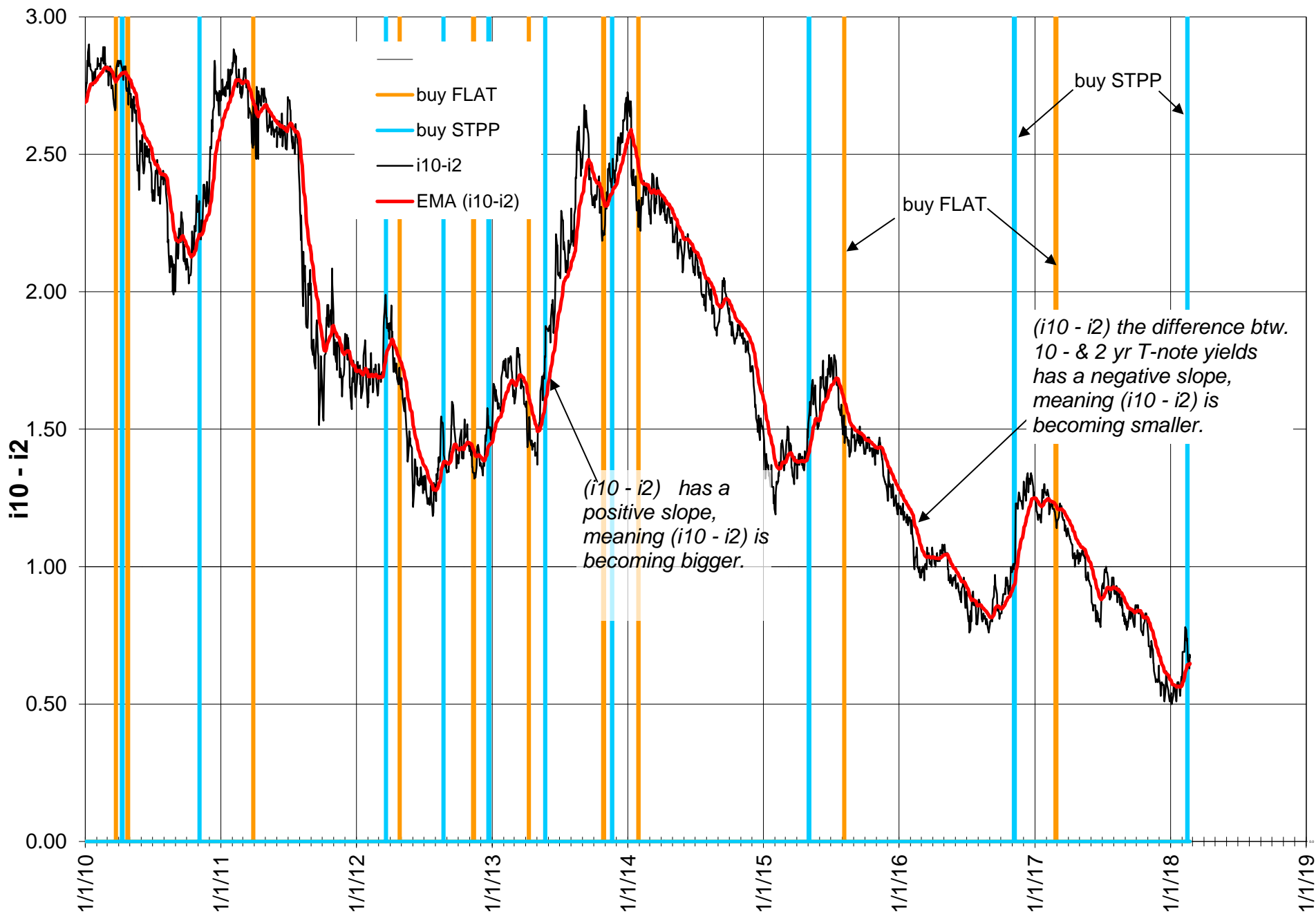


Figure 6: Modified Coppock Indicator for Gold 2009-2018

updated to 02/23/2018

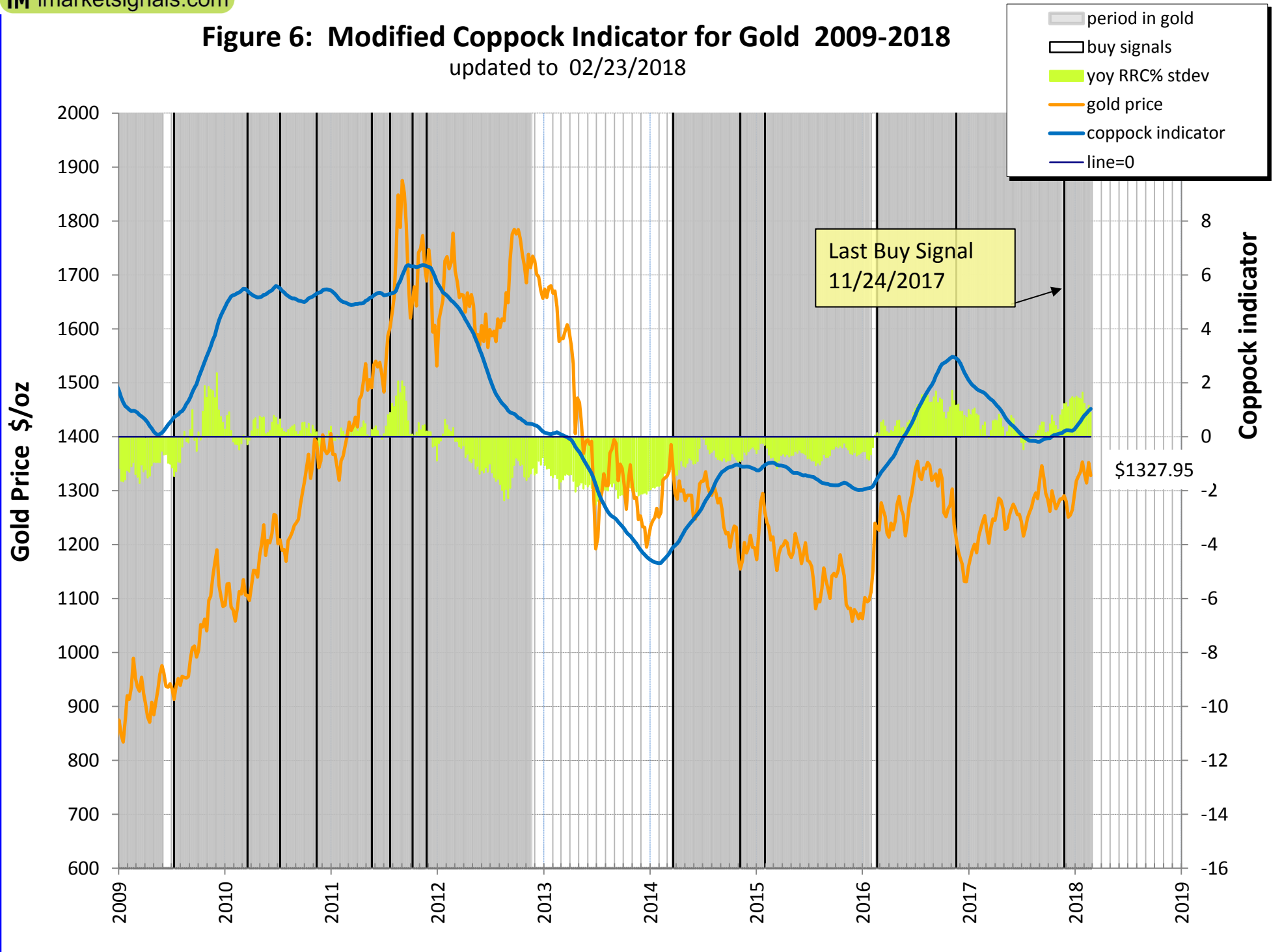


Fig. 6.1a iM GOLD-TIMER - Rev 1

Updated to: 2/22/2018

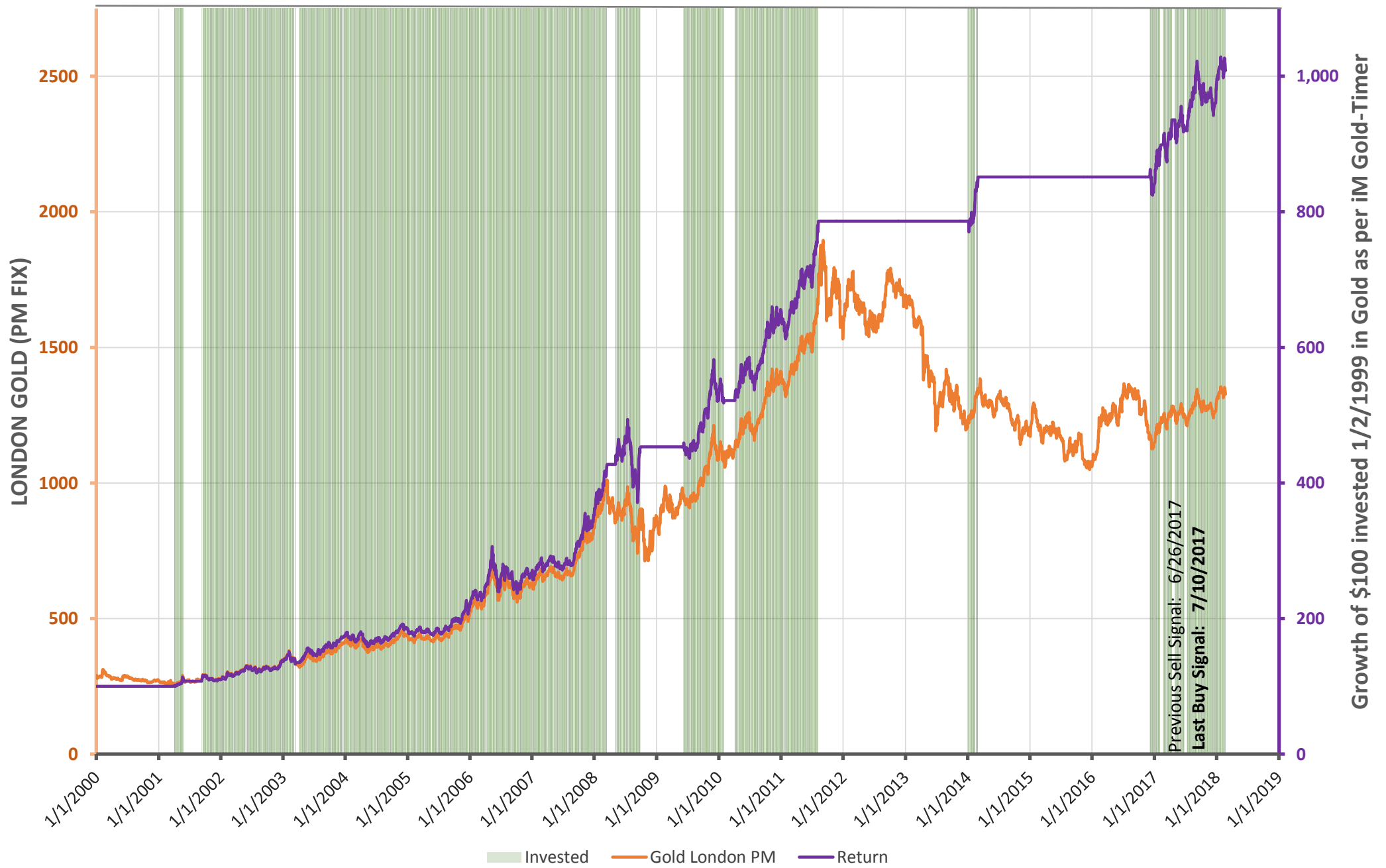


Figure 7: Modified Coppock Indicator for Silver 2009-2018

updated to 02/23/2018

