

August 23, 2018

## Business Cycle Index

The BCI at 247.6 is above last week's upward revised level of 247.2, and formed a new high for this business cycle indicated by the BCIp of 100. However, the 6-month smoothed annualized growth BCIg at 14.4 is below last week's upward revised 14.5.

No recession is signaled.

---

August 24, 2018

## Market Signals Summary:

The MAC-US model is invested. The "3-mo Hi-Lo Index of the S&P500" generated a buy signal on 6/12/2018 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 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 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 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 above last week's level at 8.55% (last week 7.30%), generating a buy signal, and is invested in the market since 6/12/2018.

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

## 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** down from 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 down from last week's level and is not signaling a recession. The FRR2-10 general trend is 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 above 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 is flattening and signaled a buy FLAT end March 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](#) is invested in gold since 7/10/2017.

### Silver:

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

---

## Monthly Updates (next update 9/7/2018)

August 3, 2018

### Unemployment

The unemployment rate recession model ([article link](#)), has been updated with the uly UER of 3.9%. 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 11.2% (last month minus 11.7%) and EMA spread of the UER is at minus 0.19% (last month minus 0.21%).

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

The updated level of this indicator, -191bps, above last months -174bps, 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](#).

### **Trade Weighted USD**

The Trade Weighted \$ value continues to strengthen.

### **TIAA Real Estate Account**

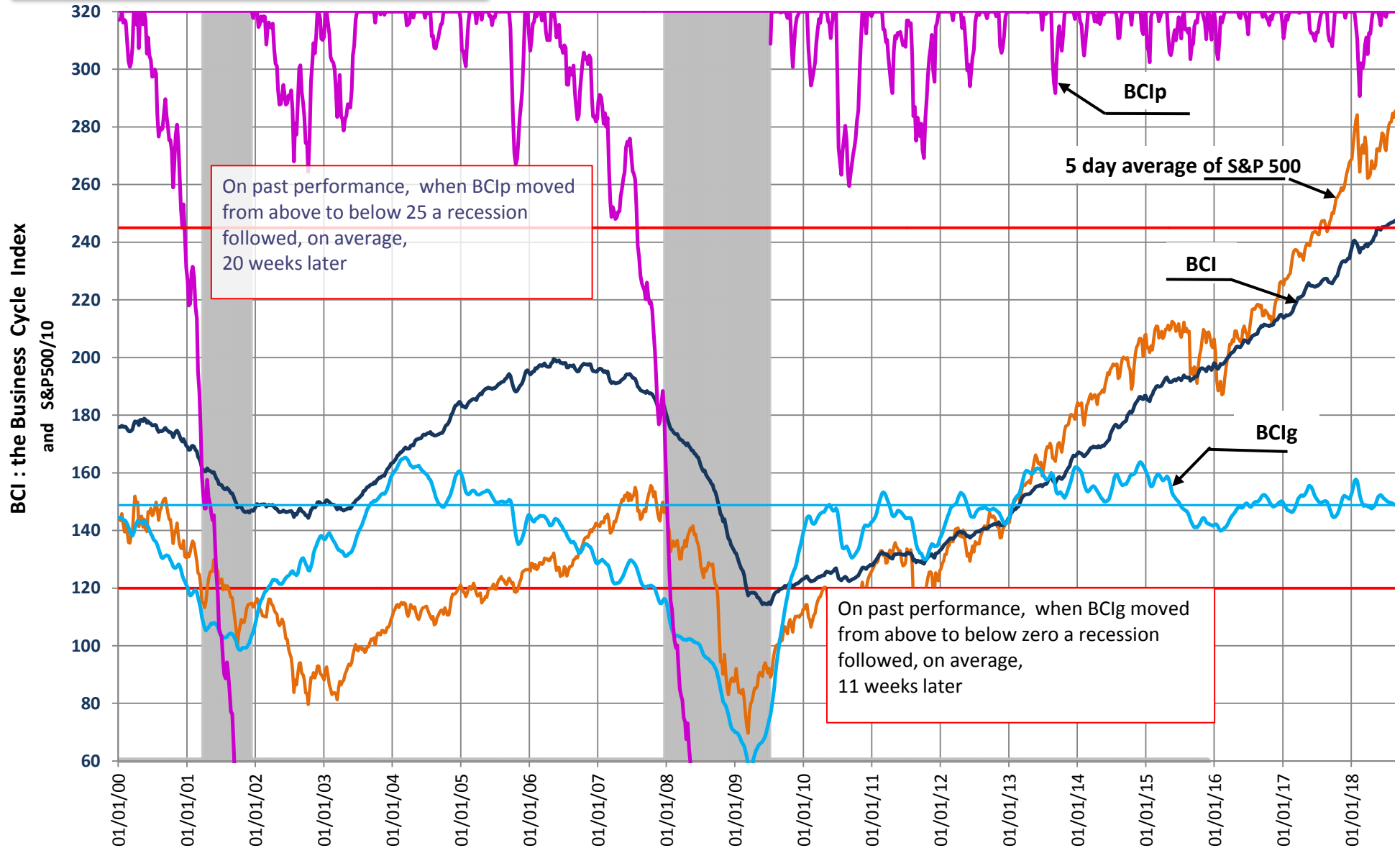
The 1-year rolling return for the end of last month is 5.08%. A sell signal is not imminent.

# iM's Business Cycle Index (BCI)

BCIp, BCI and BCIG  
updated to August 23, 2018

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

Date	07/26	08/02	08/09	08/16	08/23
BCIp	100.0	100.0	100.0	100.0	100.0
BCI	246.5	246.8	246.9	247.2	247.6
BCIg	14.8	14.8	14.7	14.5	14.4



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...8/23/18

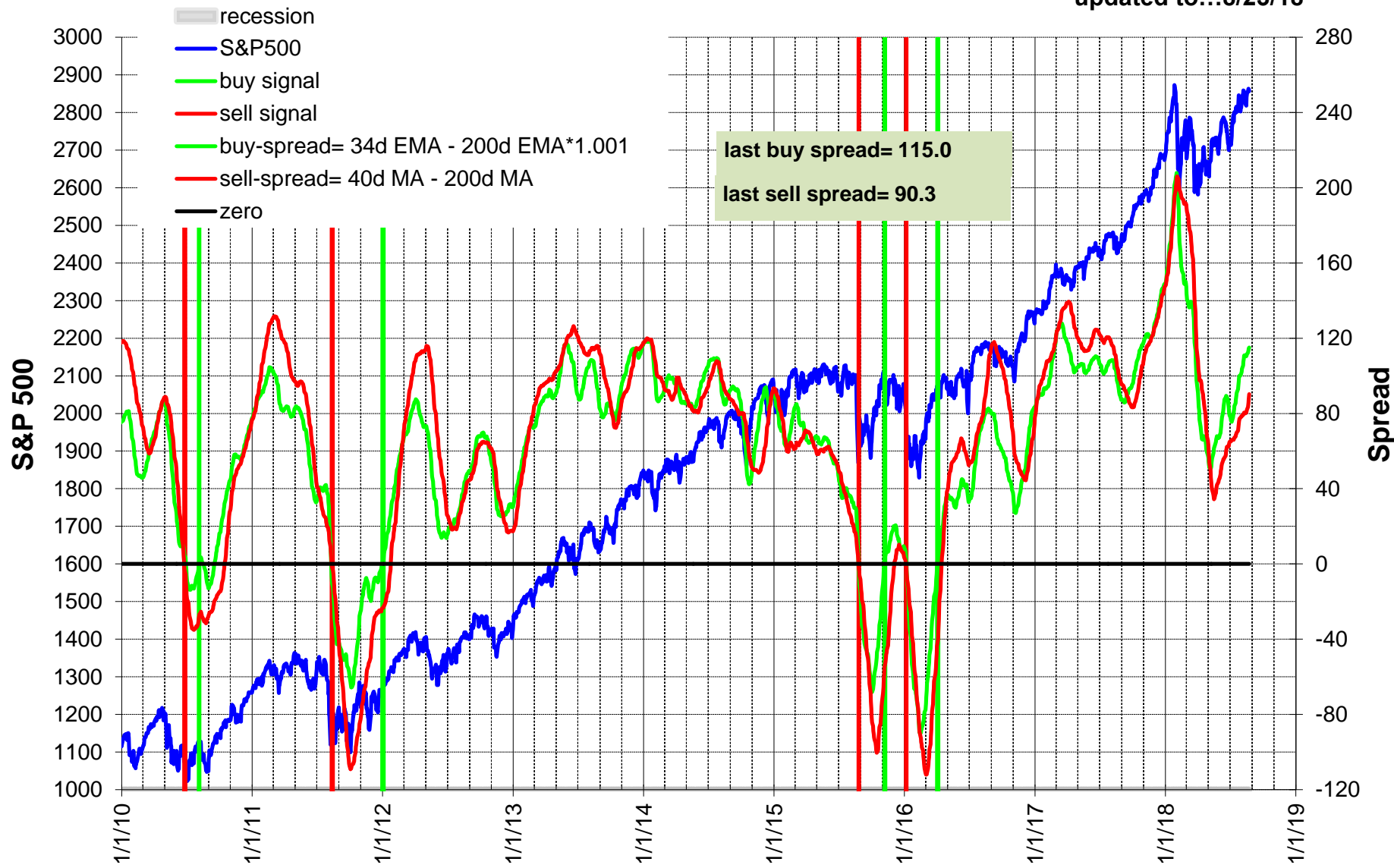




Fig 2.1: Buy and Sell signals for the Australia All Ordinaries Index from the MAC-AU System

updated to Aug-24-18  
last sell spread= 272.4

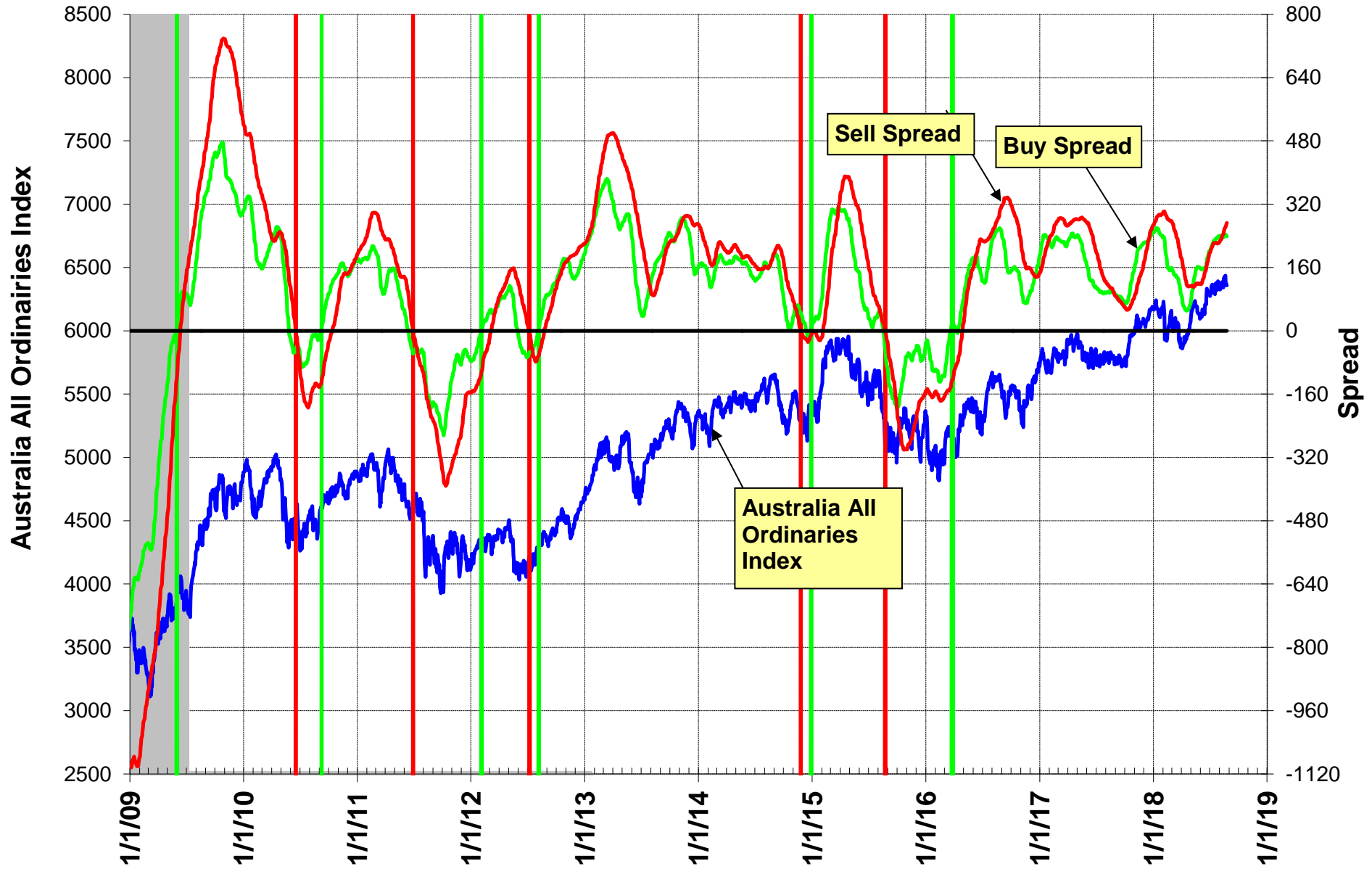


Fig 2.2 3-mo Hi-Lo Index of the S&P500 & 40-day SMA of Index

updated to 8/23/2018

last SMA:40= 8.55%

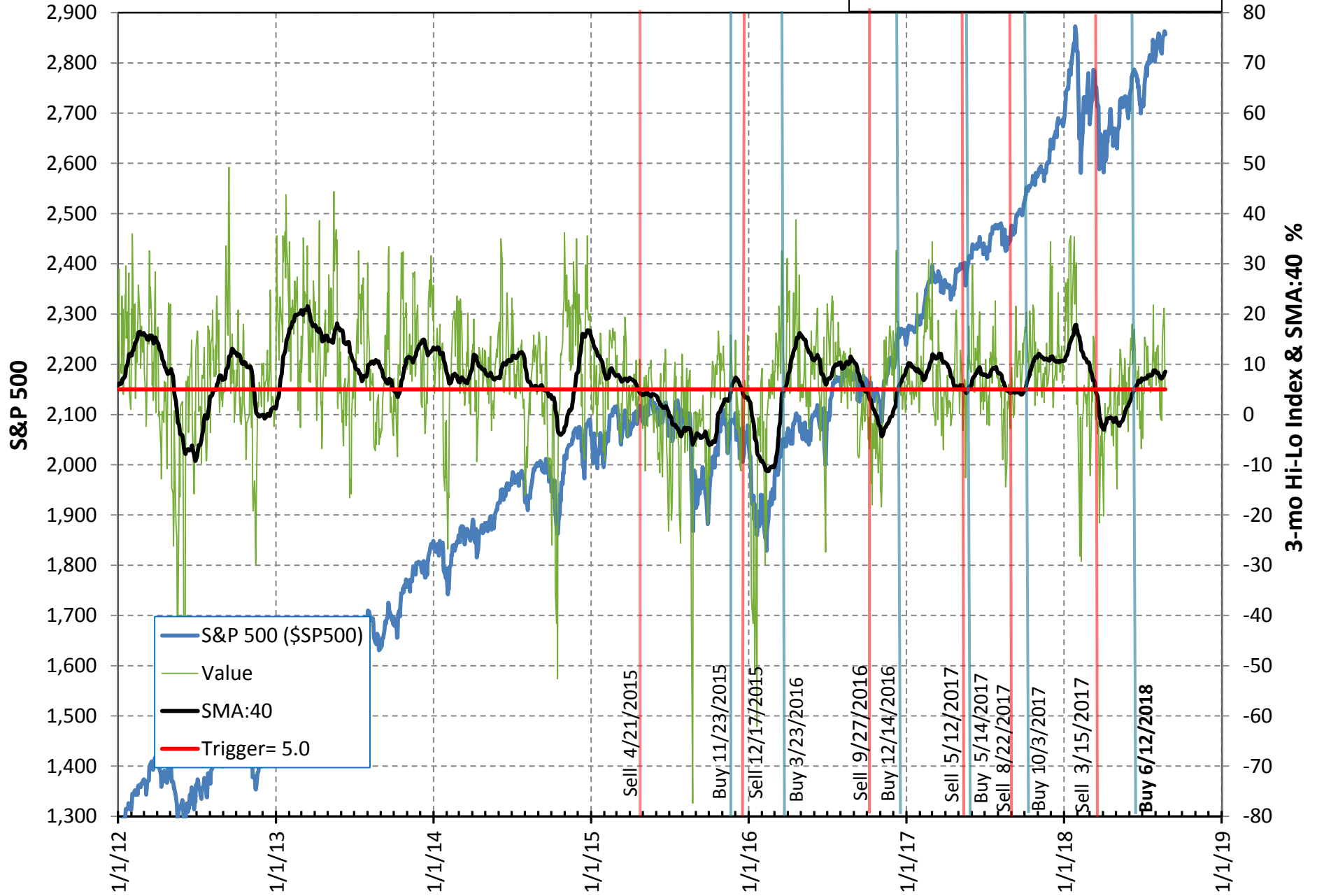
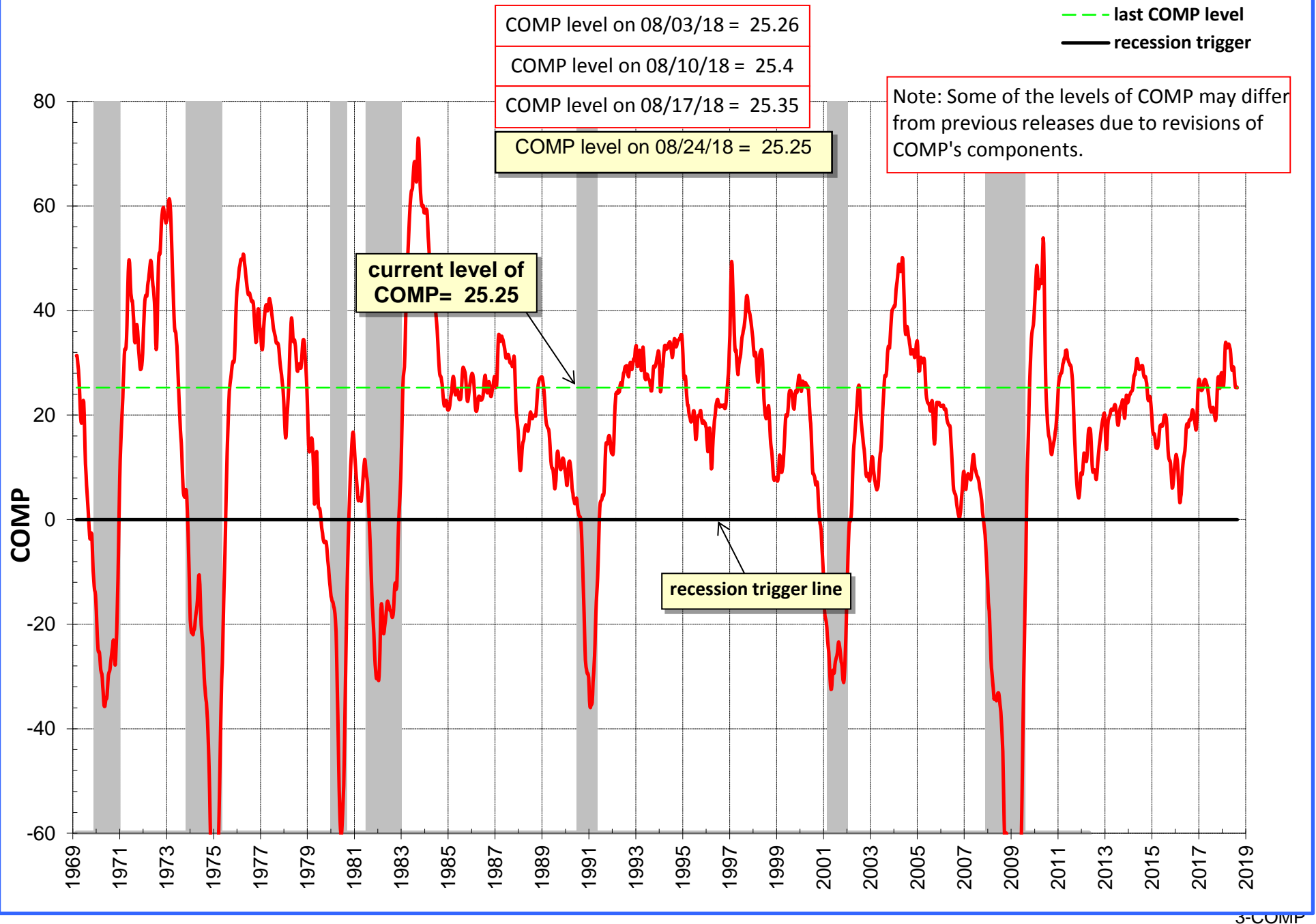
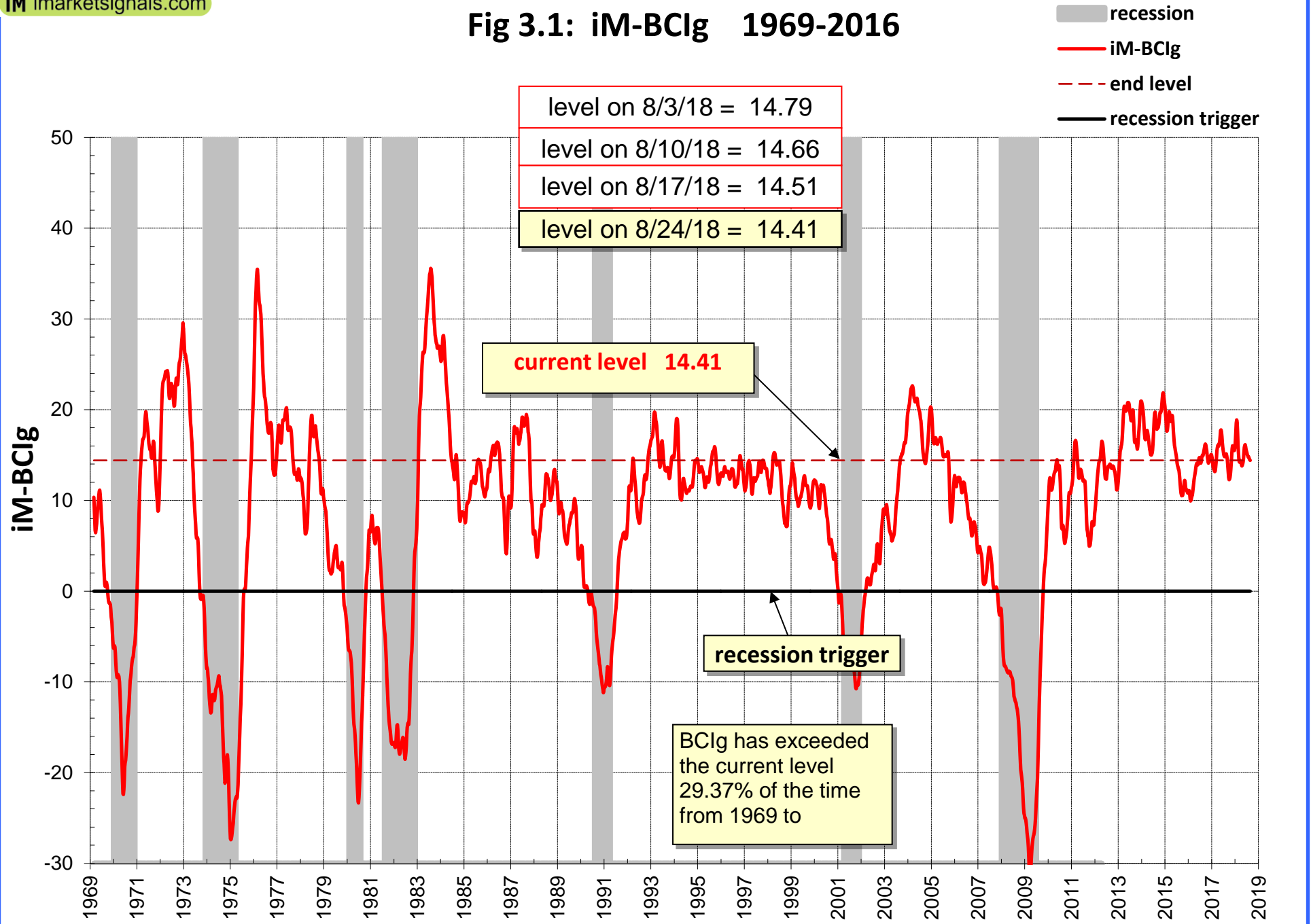


Fig. 3: COMP Leading Indicator of US Economy 1969-20:

- 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

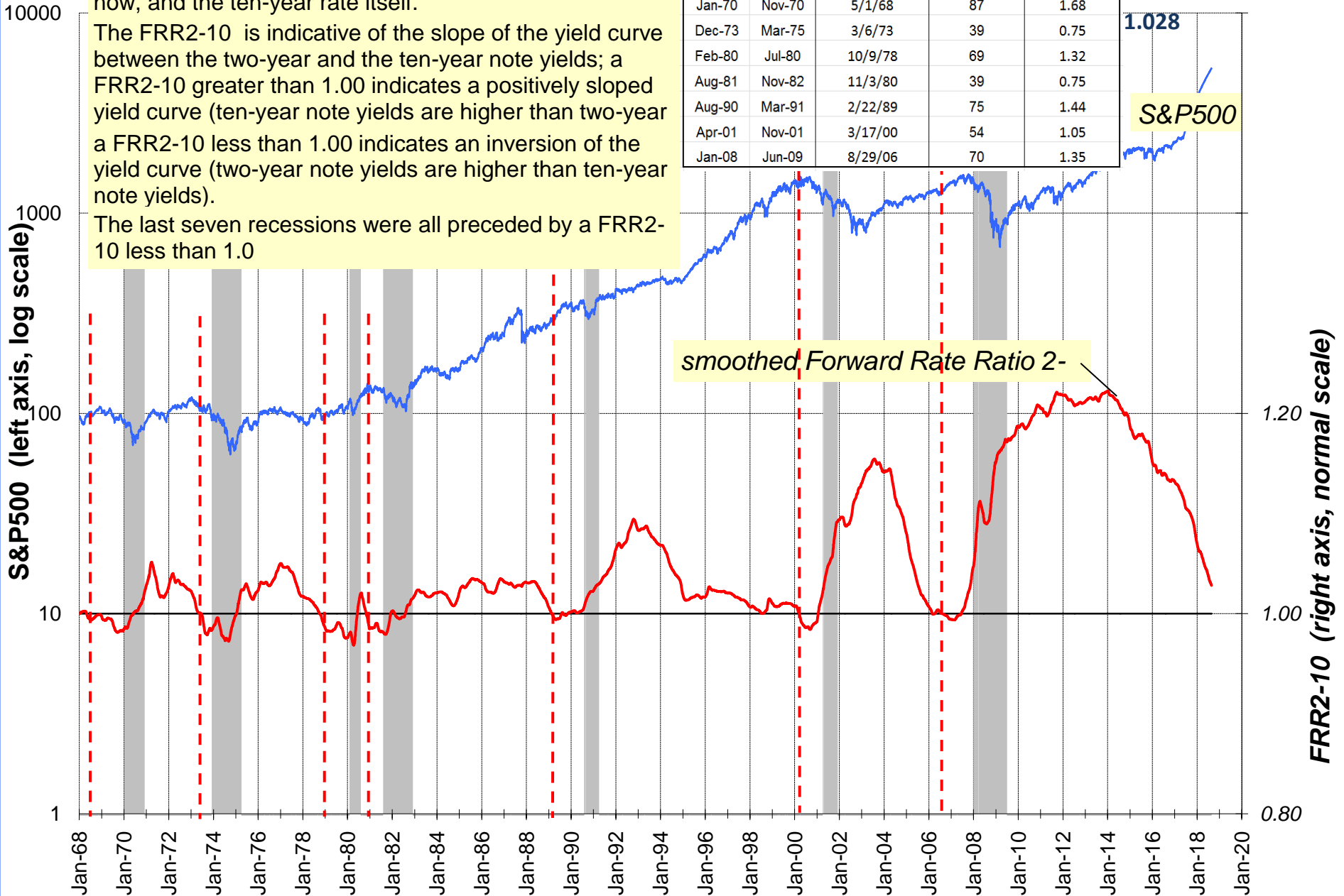
updated to 08/23/2018

EMA of FRR2-10 =

1.028

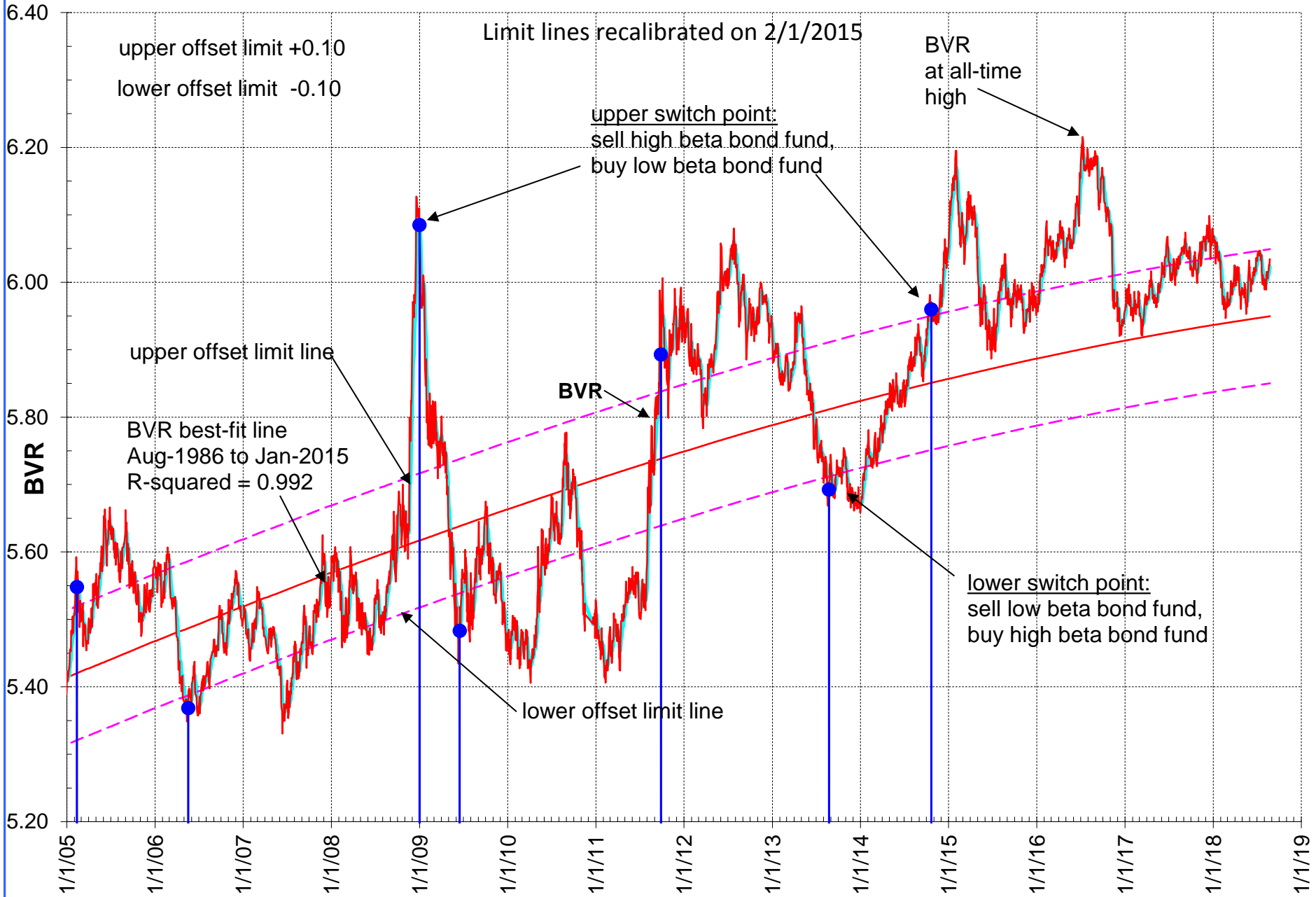
S&P500

smoothed Forward Rate Ratio 2-



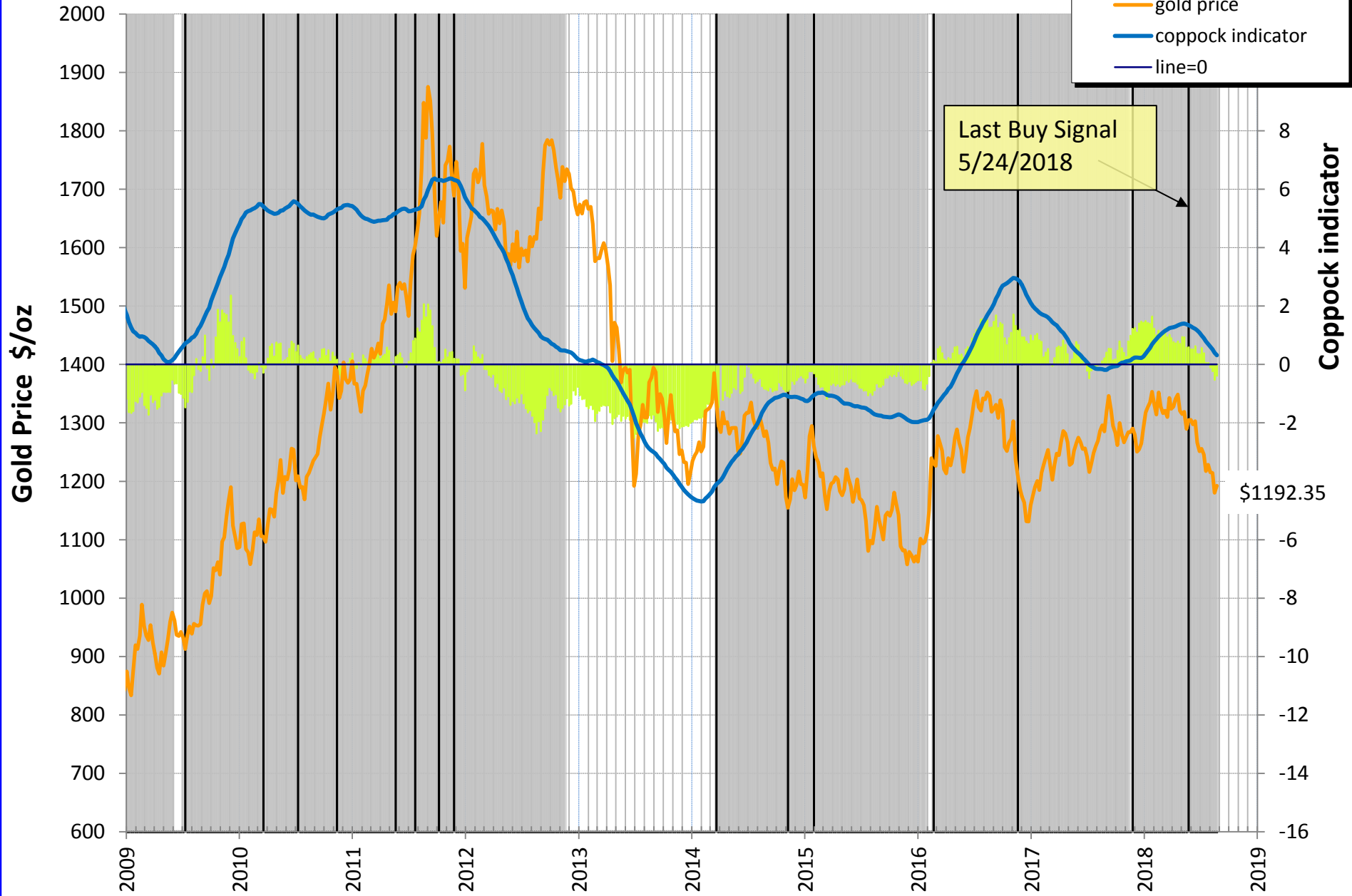
### Figure 4: Bond Value Ratio (BVR) from 2005 to 2018

Model updated to: 8/24/2018 BVR = 6.034



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

updated to 08/23/2018



**Figure 5: i10 - i2 Updated to.....8/23/18**

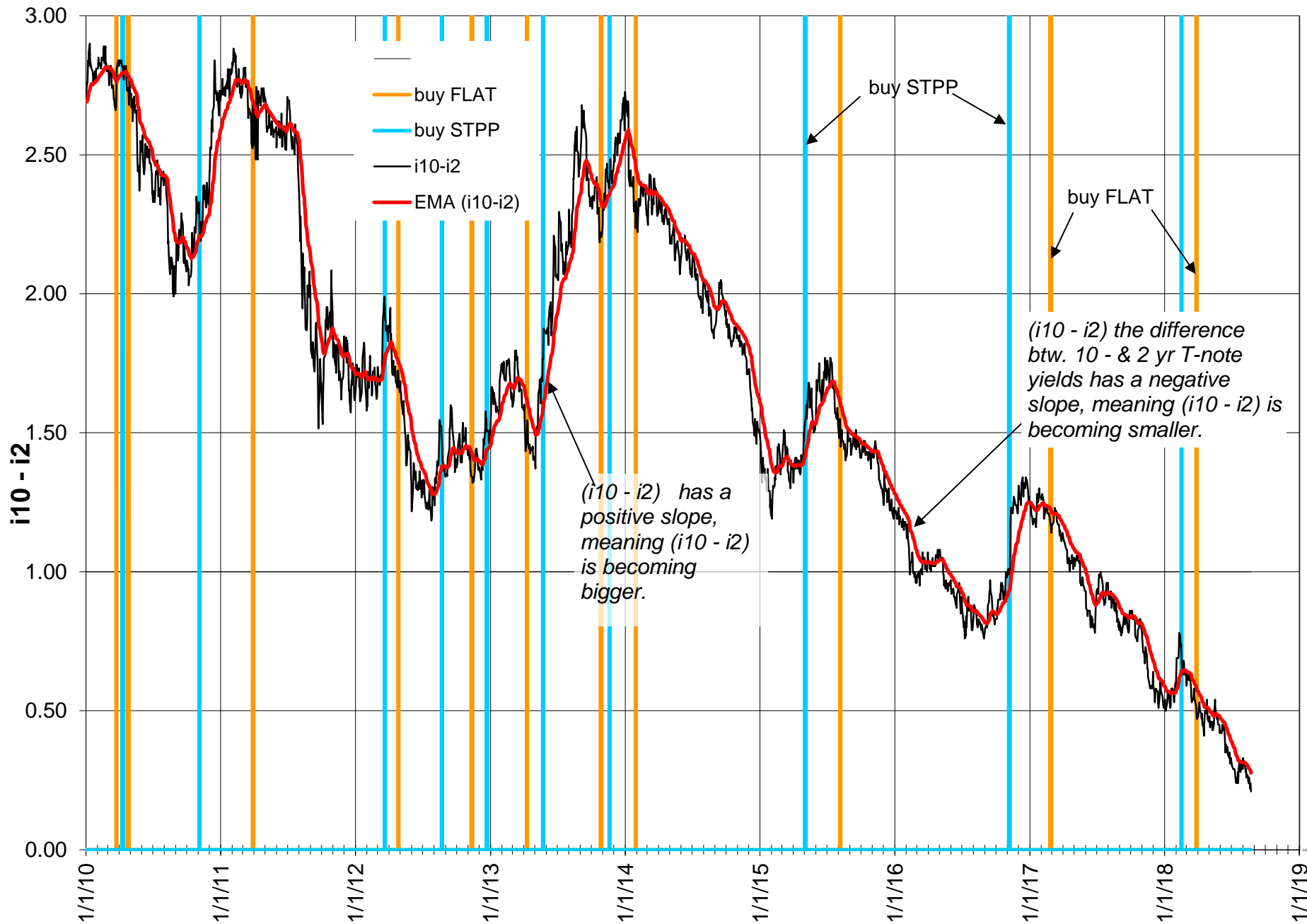
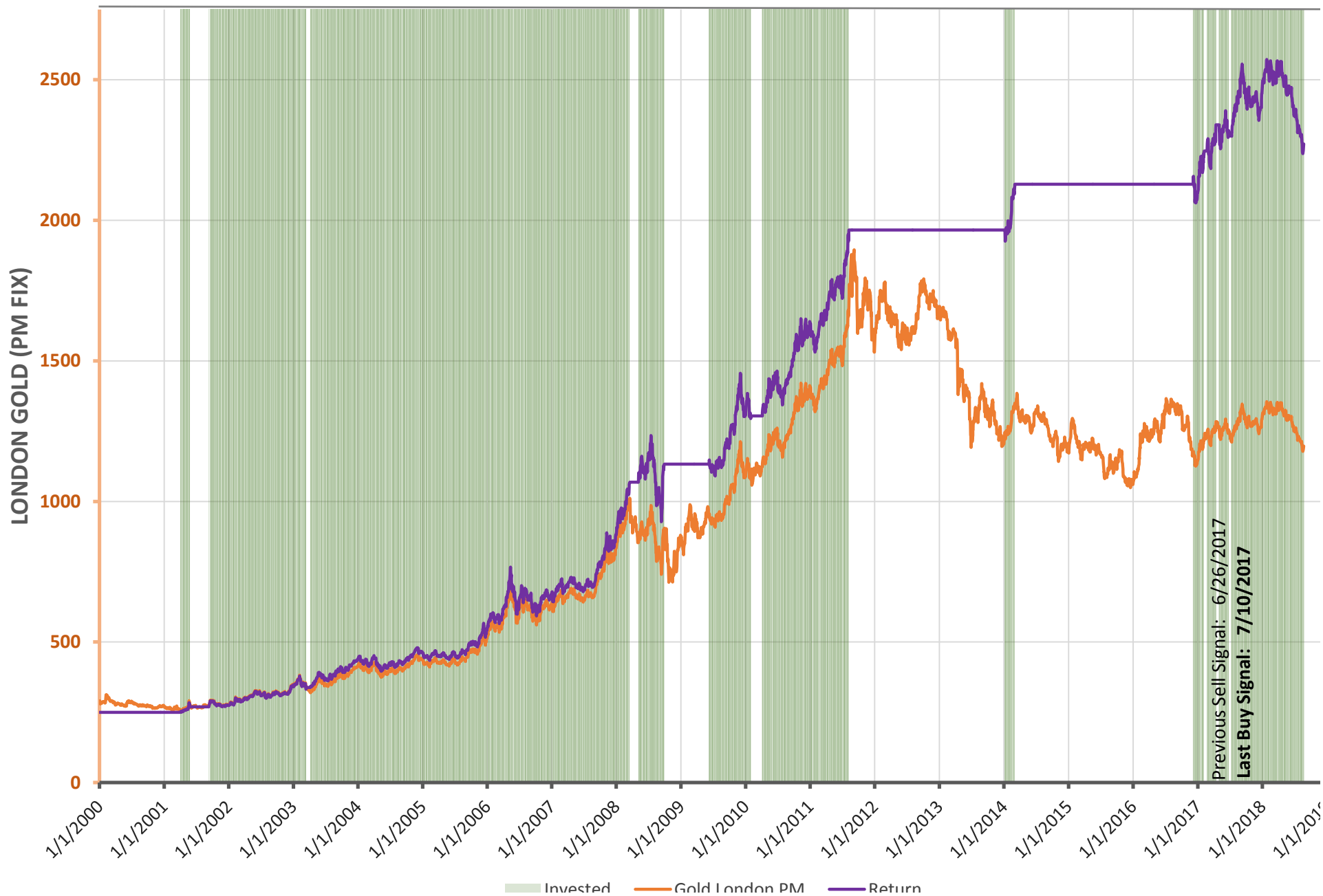


Fig. 6.1a iM GOLD-TIMER - Rev 1

Updated to: 8/23/2018



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

updated to 08/23/2018

