June 27, 2019

Business Cycle Index

The BCI at 255.8 is down from last week's 256.6, and remains below the previous high of this business cycle indicated by the BCIp of 82.7.   Also, the 6-month smoothed annualized growth BCIg at 10.8 is below last week's 11.1.

Both BCIp and BCIg are not signaling a recession.

June 28, 2019

Market Signals Summary:

The MAC-US model, iM-Low Frequency Timer, and the S&P500 Coppock are invested in the markets   However, The "3-mo Hi-Lo Index of the S&P500" generated a sell signal on 6/12/2019 and is out of the market. The MAC-AU is invested in the markets. 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 steepening. The gold Coppock model generated a new buy signal on 3/28/2019 and remains invested in gold, however the silver model is in cash. The iM-Gold Timer is in cash.

MAC-US

The MAC-US model switched into the markets on 2/26/2019. The sell-spread (red line) is above last week's value needs to move below zero to generate a sell signal.

3-mo Hi-Lo Index

The 3-mo Hi-Lo Index of the S&P500 is below last week's level at 3.17% (last week 4.16%), and is out of the market since 6/12/2019.

Coppock Indicator for the S&P500

The Coppock indicator for the S&P500 entered the market on 5/9/2019 and is invested.

MAC-AU

The MAC-AU model is invested in the markets after signaling a buy on February 7, 2019. The sell-spread (red line) is below last week's value and needs to move below zero to generate a sell signal.

Recession:

COMP

Figure 3 shows the COMP below last week's level. No recession is indicated.

iM-BCIg

Figure 3.1 shows the recession indicator iM-BCIg below last week's level. An imminent recession is not signaled

Forward Rate Ratio

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

iM-Low Frequency Timer

The iM-Low Frequency Timer is back in the markets since 1/22/2019.

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 above last week's level, and the trend seems to be upward for now. 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:

Coppock Gold

The modified Coppock Gold indicator shown in Fig 6. This model generated a new buy signal end March 2019 and is invested in gold.

iM GOLD-TIMER

The iM GOLD-TIMER Rev-1 sold gold on 12/31/2018 and the model is in cash

Silver:

Coppock 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

June 7, 2019 (next update July 5, 2019)

Unemployment

The unemployment rate recession model (article link), has been updated with the April UER of 3.6%. The model does not signal a recession.

The Dynamic Linearly Detrended Enhanced Aggregate Spread:

The updated level of this indicator, -245bps, below last months -212bps, confirms the January 20, 2017 signal. Based on past history a recession could have started as early as October 2017, but not later than January 2019. The average lead time to previous recessions provided by DAGS was 15 months which would indicate a recession start for April 2019. (Note: All our other recession indicators are far from signal a recession.)

CAPE-Cycle-ID

Fig 9a depicts the CAPE-Cycle-ID and the year-on-year rate-of-change of the Shiller CAPE; the level moved from +2 to 0 end of May-2019.

To avoid the bear market, exit stocks when the spread between the 5-month and 25-month moving averages of S&P-real becomes negative and simultaneously the CAPE-Cycle-ID score is 0 or -2.

Estimated Forward 10-Year Returns

The estimated forward 10-year annualized real return are estimated at 6.2% with a 95% confidence interval : 4.9% to 7.6%, which are down 0.1% from last month.

iM-GT Timer

Fig-10.-2-1-2019The iM-GT Timer, based on Google Search Trends volume switched to cash on 11/1/2018 and remains out of the market.

Trade Weighted USD

The Trade Weighted $ value is on a moderate rising trend

TIAA Real Estate Account
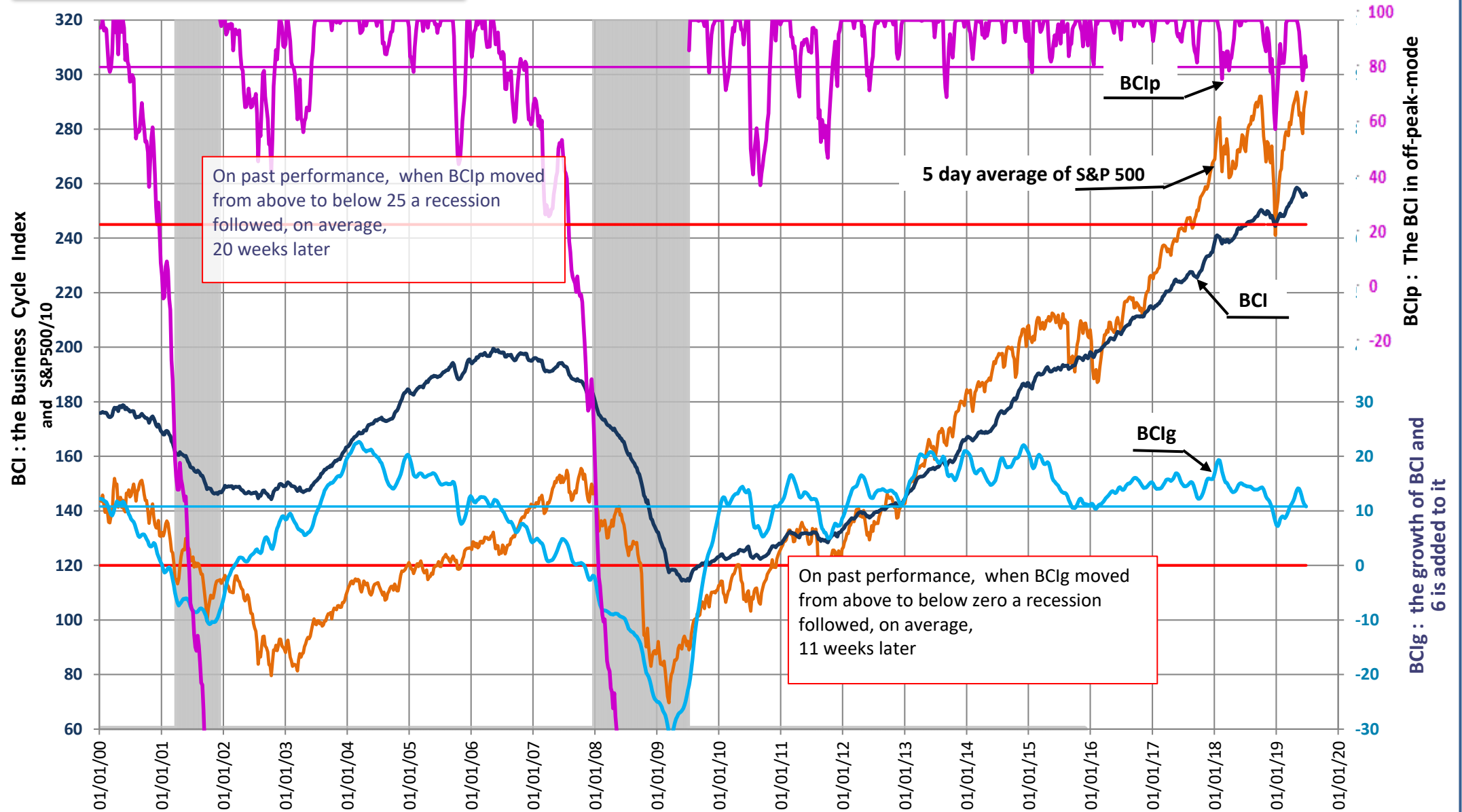
The 1-year rolling return for the end of last month is 5.25%.   A sell signal is not imminent.

iM's Business Cycle Index (BCI)

BCIp, BCI and BCIg
updated to June 27, 2019

Date	05/30	06/06	06/13	06/20	**06/27**
BCIp	85.1	77.9	81.8	86.8	**82.7**
BCI	256.2	255.1	255.7	256.5	**255.8**
BCIg	12.9	12.0	11.3	11.0	**10.8**

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

BCIp

5 day average of S&P 500

BCI

BCIg

On past performance, when BCIg moved from above to below zero a recession followed, on average, 11 weeks later

BCI : the Business Cycle Index and S&P500/10

BCIp : The BCI in off-peak-mode

BCIg : the growth of BCI and 6 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.

iM imarketsignals.com

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

updated to…6/27/19

Legend:
- recession
- S&P500
- buy signal
- sell signal
- buy-spread= 34d EMA - 200d EMA*1.001
- sell-spread= 40d MA - 200d MA
- zero

last buy spread= 83.6

last sell spread= 91.7

2-MAC rev8-27-15.xlsb
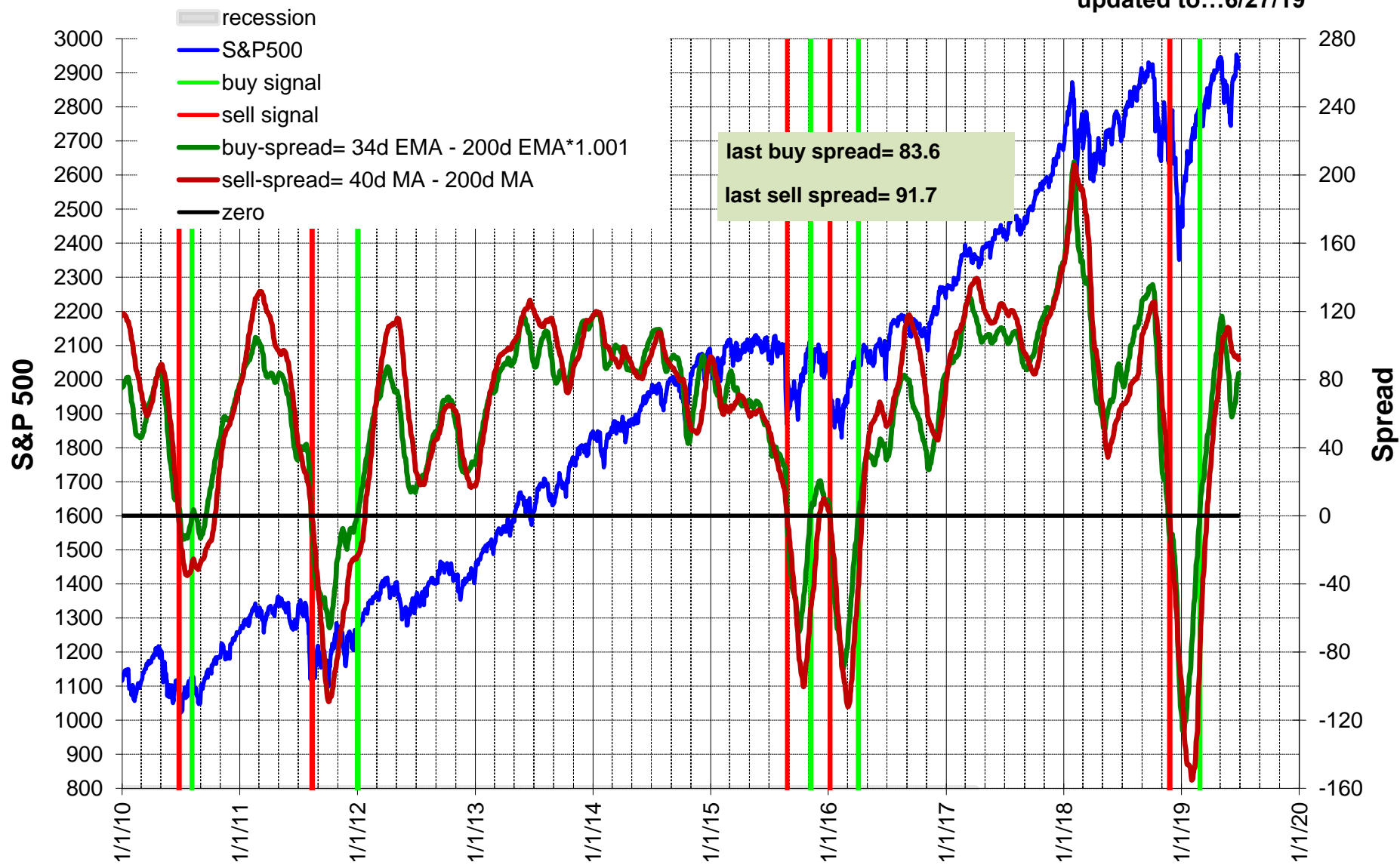
Fig 2.1: Buy and Sell signals for the Australia All Ordinaries Index from the MAC-AU System
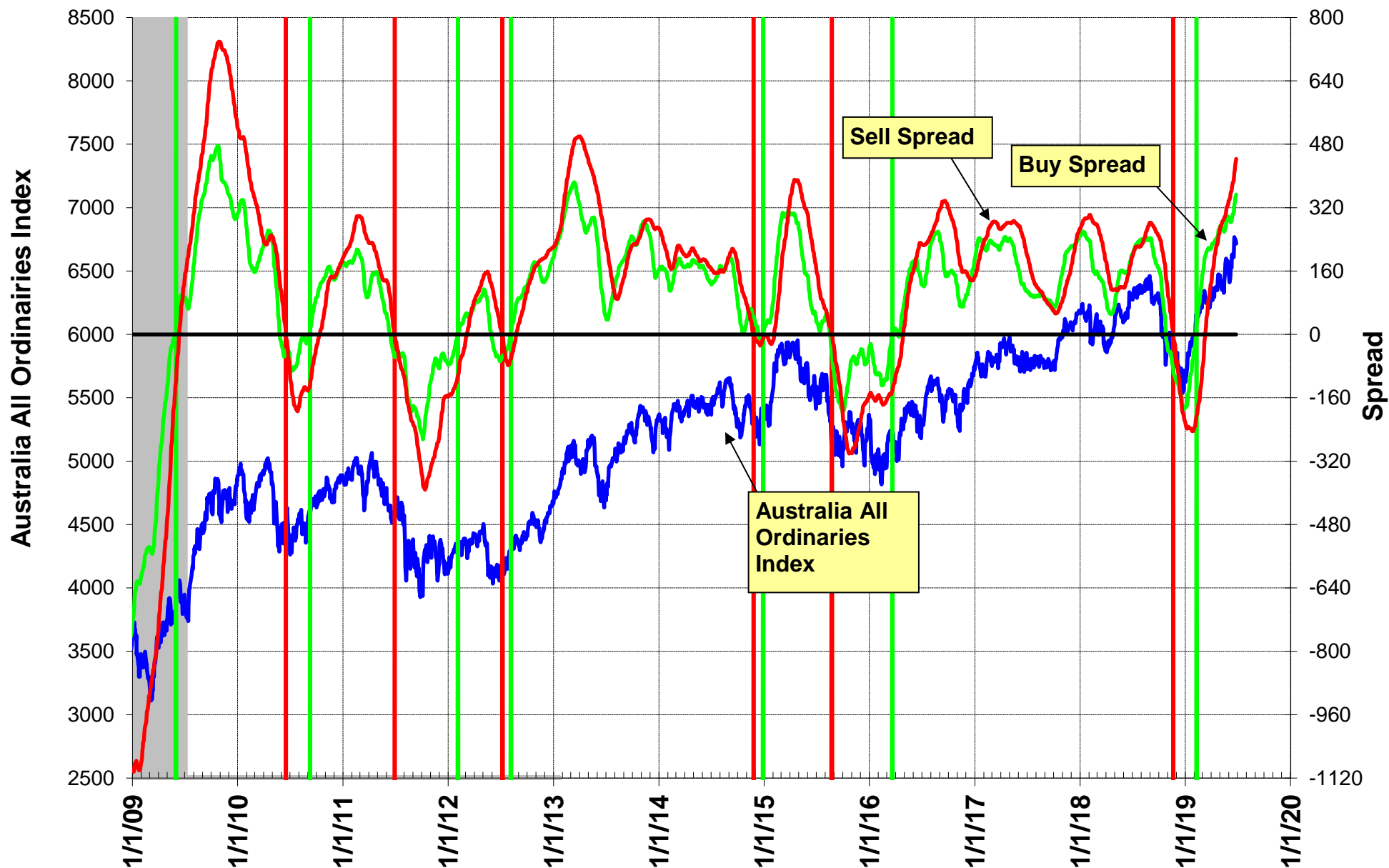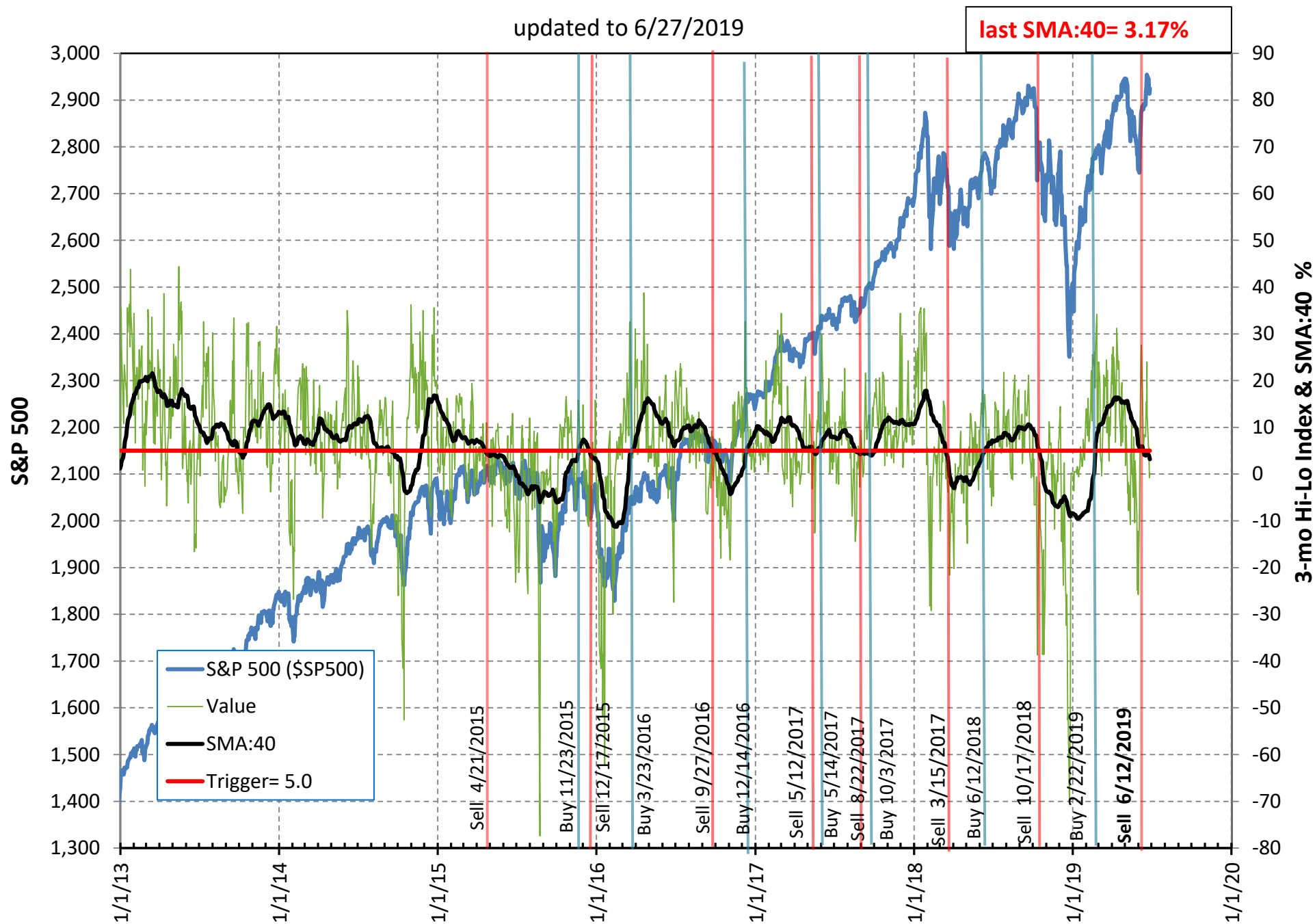
imarketsignals.com
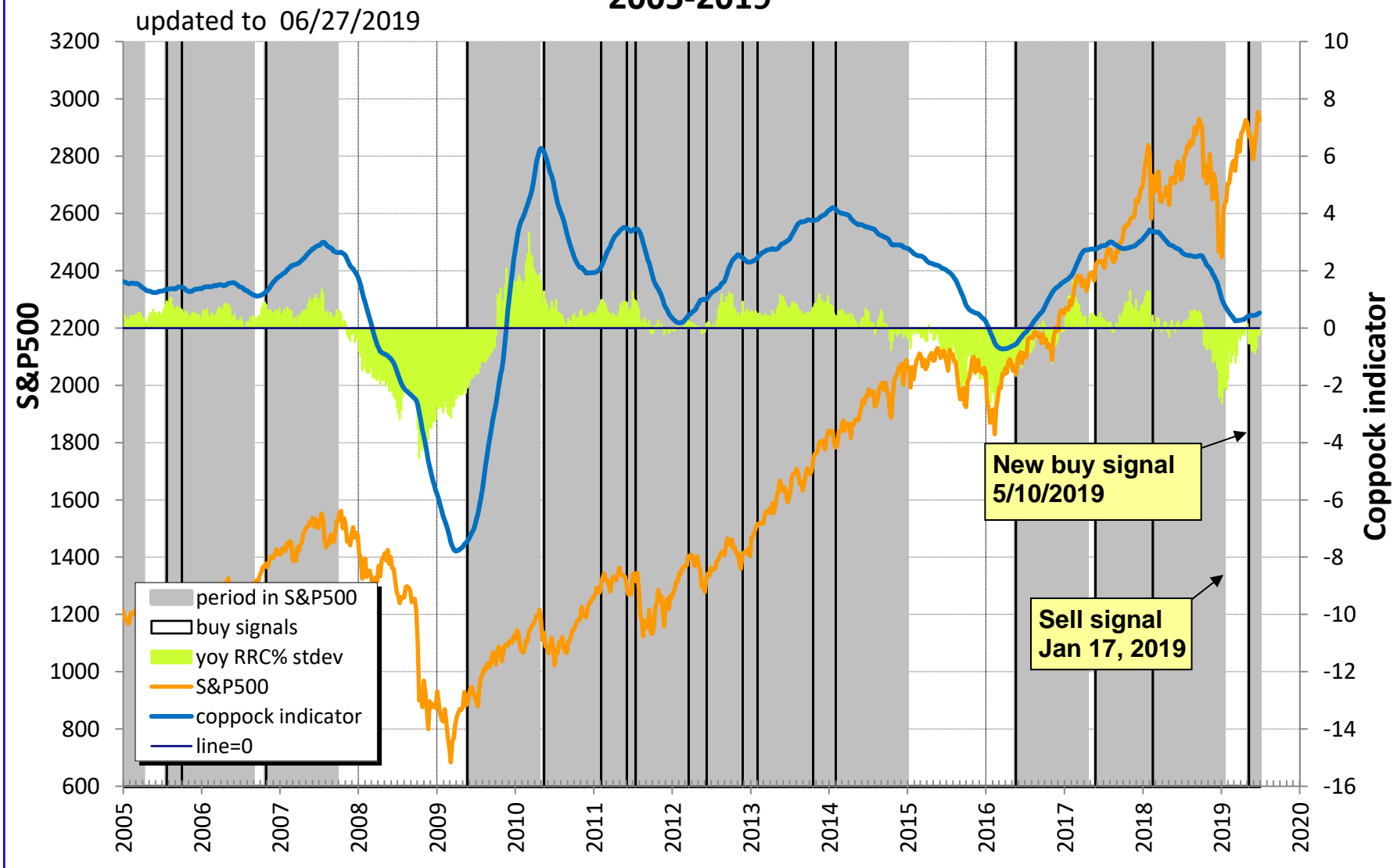
updated to Jun-26-19
last sell spread= 443.0

Sell Spread

Buy Spread

Australia All Ordinaries Index

iM imarketsignals.com

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

updated to 6/27/2019

last SMA:40= 3.17%

S&P 500

3-mo Hi-Lo Index & SMA:40 %

- S&P 500 ($SP500)
- 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
Sell 8/22/2017
Buy 10/3/2017
Sell 3/15/2017
Buy 6/12/2018
Sell 10/17/2018
Buy 2/22/2019
Sell 6/12/2019

Fig-2.3 Modified Coppock Indicator for S&P500 2005-2019

Fig 3.1: iM-BCIg 1969-2019
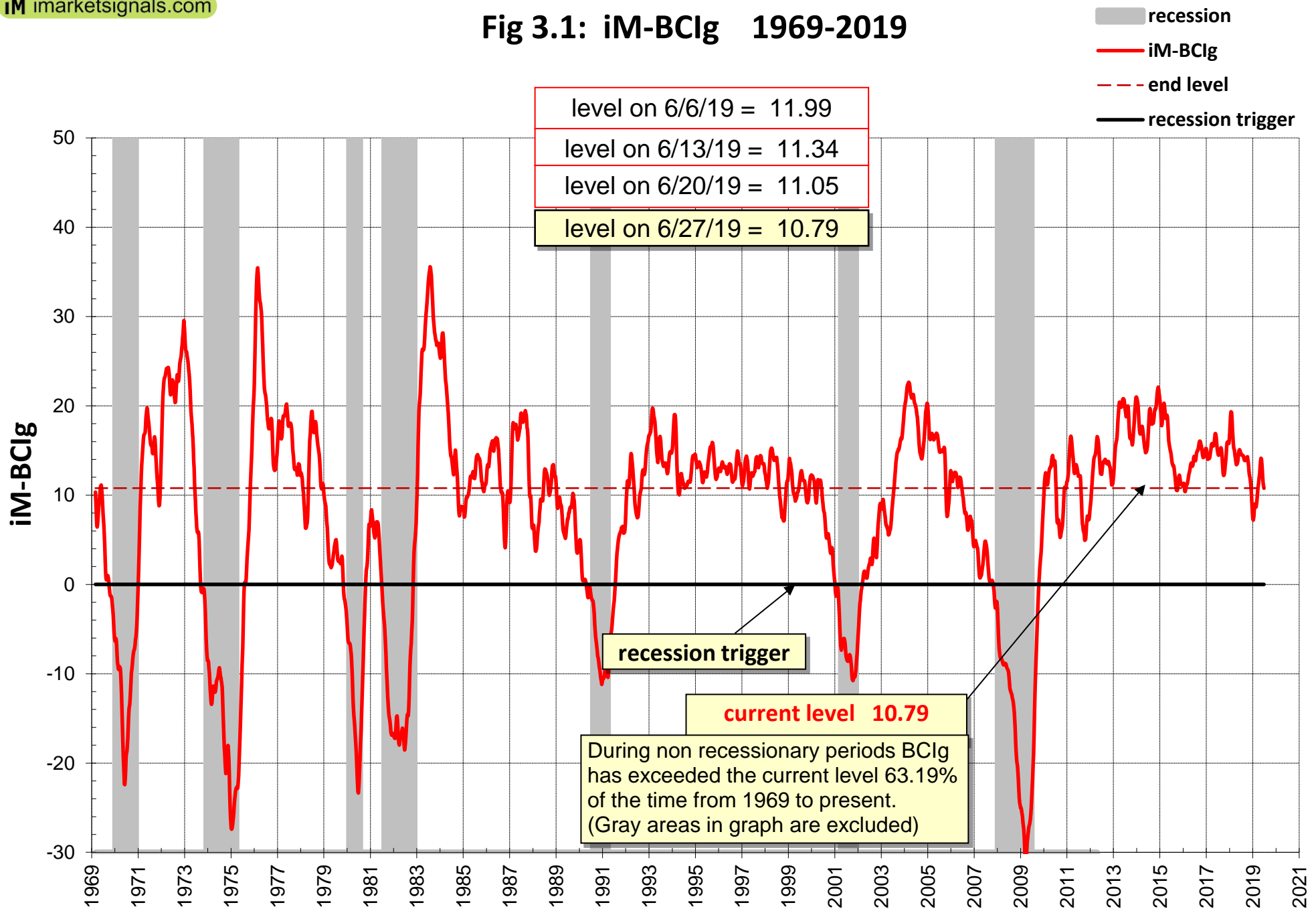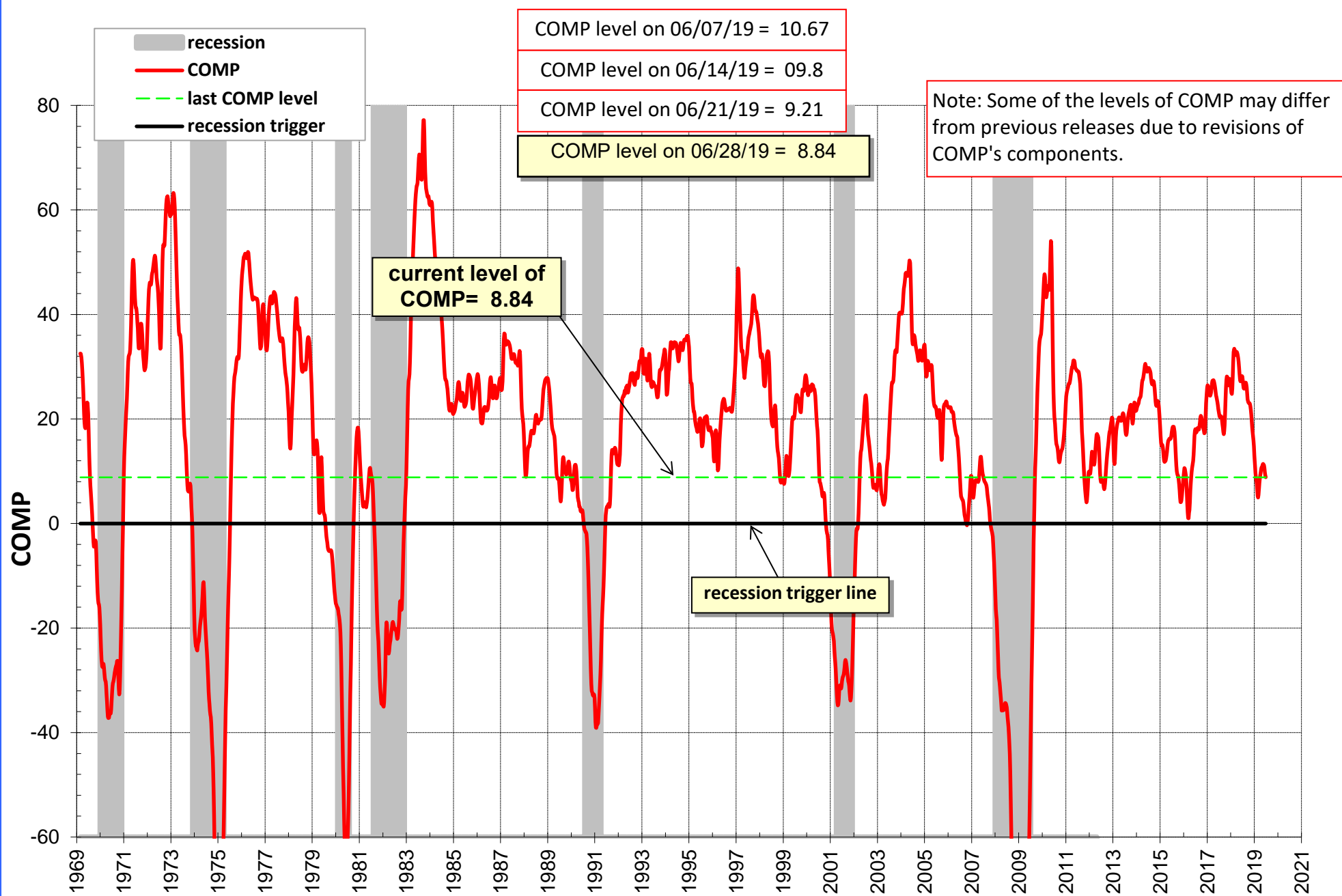
Fig. 3: COMP Leading Indicator of US Economy 1969-2019

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

iM imarketsignals.com

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

updated to 06/27/2019
EMA of FRR2-10 = 1.024

Recessions start	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

S&P500

smoothed Forward Rate Ratio 2-10

S&P500 (left axis, log scale)

FRR2-10 (right axis, normal scale)

iM-Fig3.2 3.2 FRR2-10.xlsm Page 1

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Fig.3.3   iM-Low Frequency Timer

Updated to: 6/27/2019

Investment Periods

SPY: 01/04/1999 – 02/05/2001
SHV: 02/05/2001 – 03/31/2003
SPY: 03/31/2003 – 12/24/2007
SHV: 12/24/2007 – 03/23/2009
SPY: 03/23/2009 – 01/14/2019
SHV: 01/14/2019 – 1/22/2019
SPY: 01/22/2019 –

Growth of $100 invested 1/4/1999:
in iM-Low Frequency Timer: 993.61
in SPDR S&P 500 ETF Trust: 344.3

NBER Recession
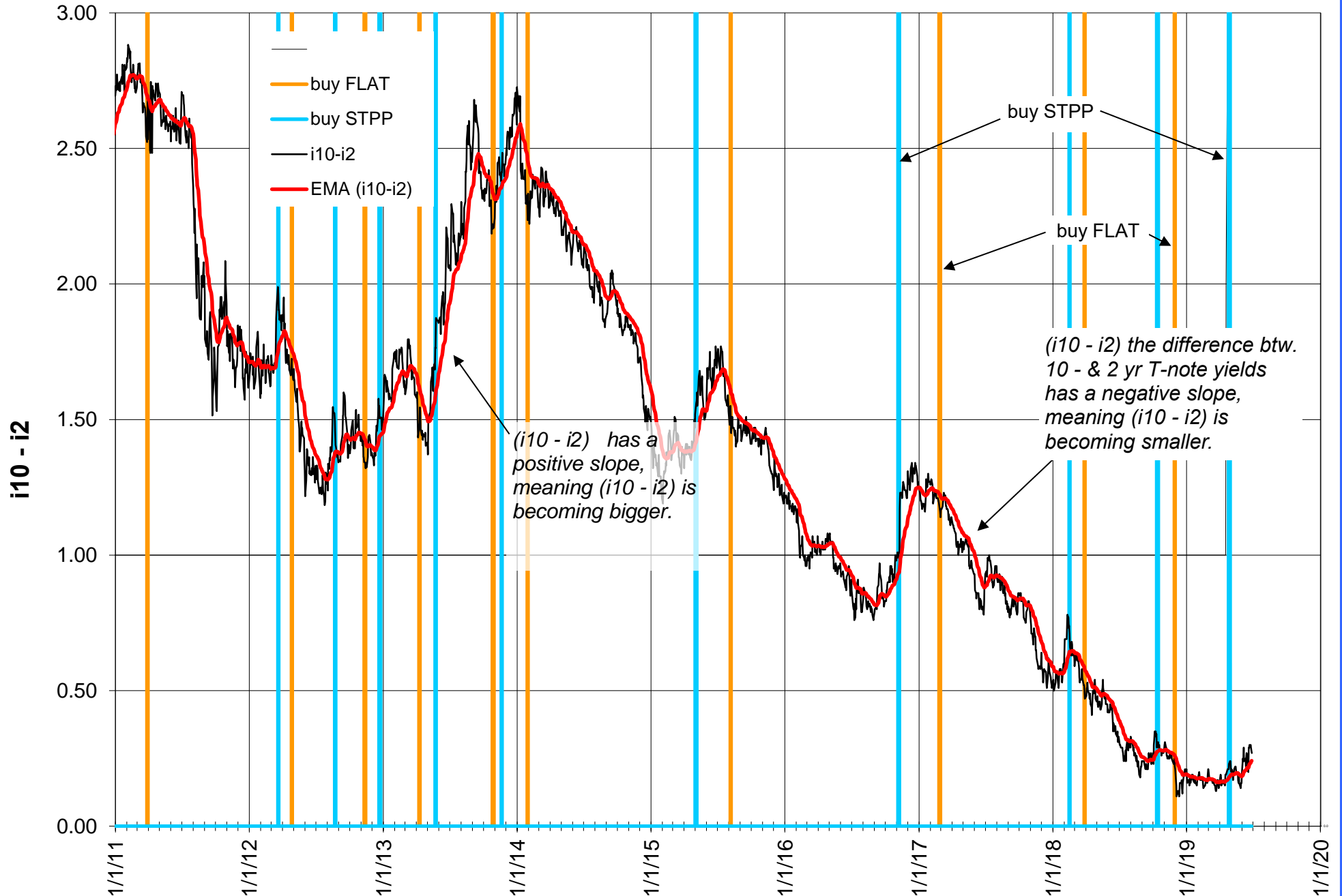Low Freq Timer
SPY
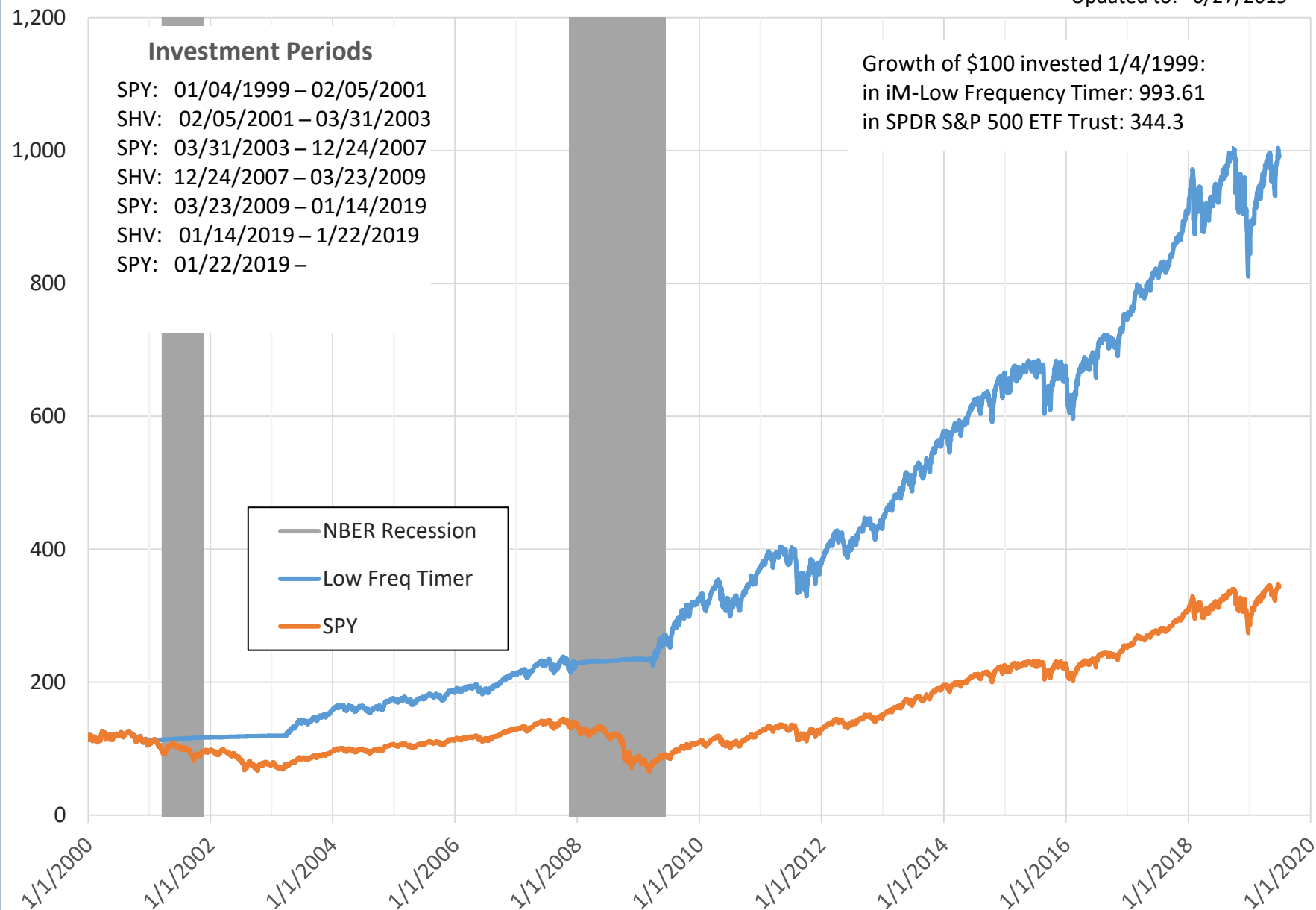
Figure 4: Bond Value Ratio (BVR) from 2005 to 2019
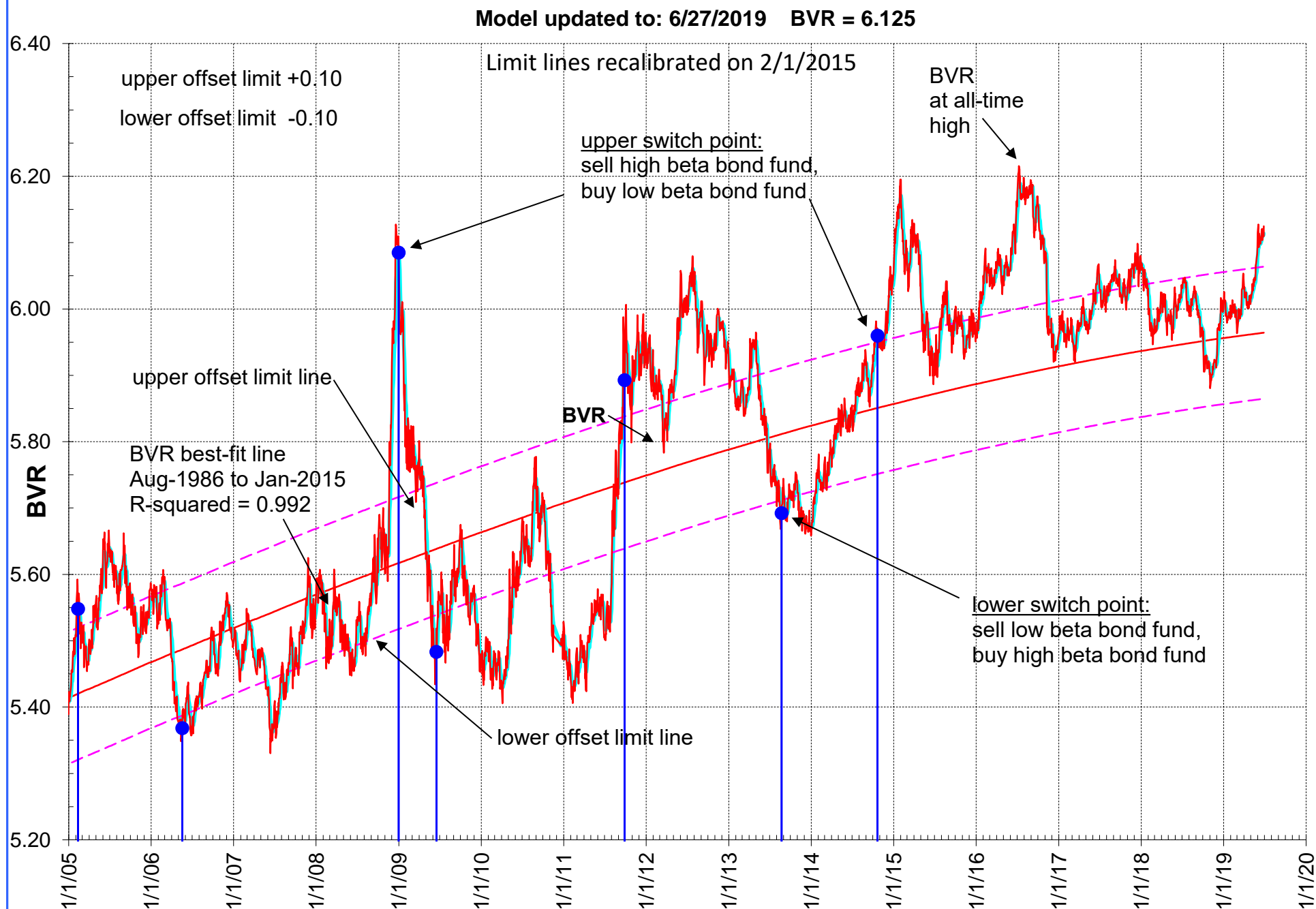
Figure 5: i10 - i2   Updated to…..6/27/2019

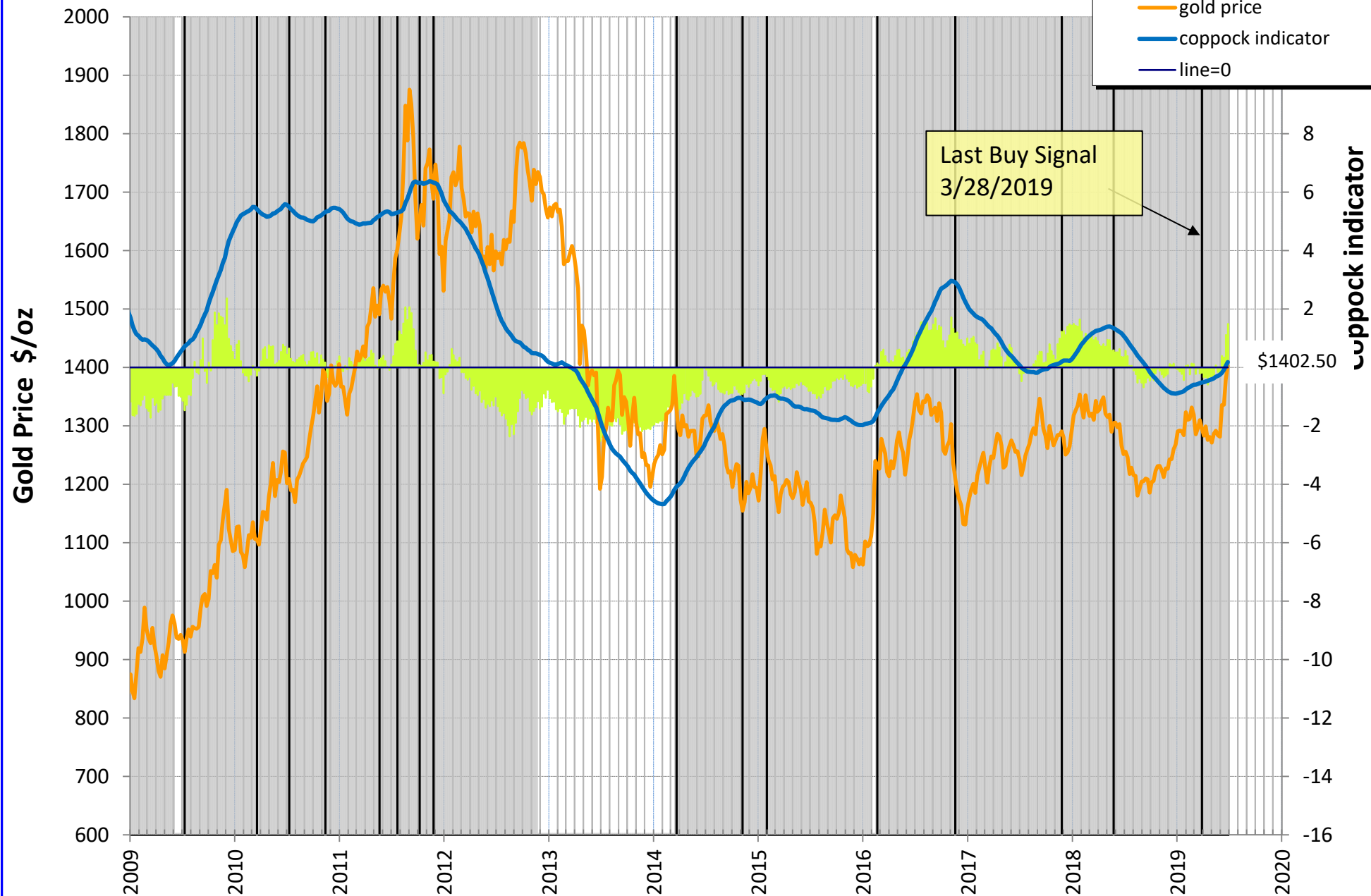Figure 6: Modified Coppock Indicator for Gold 2009-2019
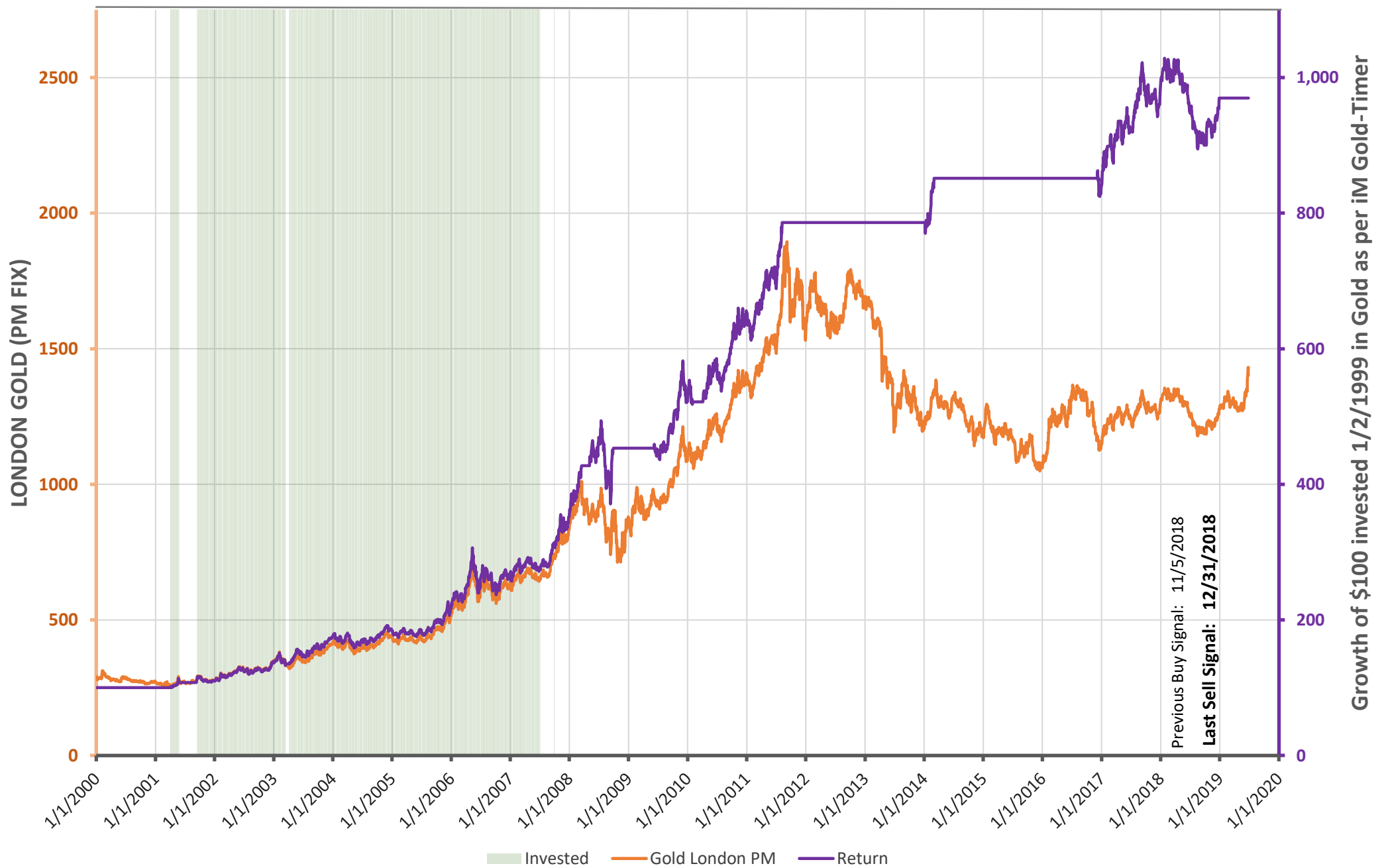updated to 06/27/2019

Last Buy Signal
3/28/2019

$1402.50

Legend:
- period in gold
- buy signals
- yoy RRC% stdev
- gold price
- coppock indicator
- line=0

Gold Price $/oz

Coppock indicator

6-COPPOCK GOLD for updates.xlsm

Fig. 6.1a   iM GOLD-TIMER - Rev 1

Updated to: 6/27/2019

LONDON GOLD (PM FIX)

Growth of $100 invested 1/2/1999 in Gold as per iM Gold-Timer

Previous Buy Signal: 11/5/2018

Last Sell Signal: 12/31/2018

Invested   Gold London PM   Return

Figure 7: Modified Coppock Indicator for Silver 2009-2018
updated to 06/27/2019