

February 14, 2019

Business Cycle Index

The BCI at 249.9 is above last week's upward revised 248.7, and remains below this business cycle's peak as indicated by the BCIp at 94.5. Also, the 6-month smoothed annualized growth BCIg at 9.4 is above last week's 9.0. Both BCIp and BCIg are not signaling a recession.

February 15, 2019

Market Signals Summary:

The MAC-US model is in cash after signaling a sell on 11/26/2018, and the iM-Low Frequency Timer is back in the markets since 1/22/2019. 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 switched out of the market on 1/29/2019. The MAC-AU has signaled a buy on 2/7/2019 and 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 indeterminate and signaled buy FLAT end November 2018. The gold Coppock model is invested in gold, however the silver model is in cash since early August 2018. The iM-Gold Timer sold gold on 12/31/2018. The monthly iM-GT-Timer, which is based on Google trends, has switched to cash on November 1, 2018.

Stock-markets:

MAC-US

The MAC-US model is in cash after it generated a sell signal on November 26, 2018. The buy-spread (green graph) is above last week's level needs to rise above zero to signal a buy.

Forward simulation shows that if markets continue to rise then this indicator will signal a buy within the next two weeks

3-mo Hi-Lo Index

The 3-mo Hi-Lo Index of the S&P500 is above last week's level at 2.47% (last week -5.87%), generated the sell signal on 10/17/2018 and is in cash.

MAC-AU

The MAC-AU model is invested in the markets after signaling a buy on February 7, 2019. The sell-spread (red line) now needs to move above zero before a sell signal can be generated.

Recession:

COMP

Figure 3 shows the COMP up 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.

The COMP followed the Aruoba-Diebold-Scotti Business Conditions Index's downward revision.

iM-BCI_g

Figure 3.1 shows the recession indicator iM-BCI_g above 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 below last week's level and is not signaling a recession. The FRR2-10 general trend is downwards.

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 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 is near last week's level and its trend is indeterminate. It signaled a buy FLAT mid November 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:

Coppock 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.

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

February 1, 2019 (next update March 1, 2019)

Unemployment

The unemployment rate recession model (article link), has been updated with the January UER of 4.0%. The model does not signal a recession, however if unemployment rises to 4.1% in the coming months a recession will be signaled.

The Dynamic Linearly Detrended Enhanced Aggregate Spread:

The updated level of this indicator, -218bps, above last months -229bps, 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 exited the market on 1/29/2019 and is in cash. 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; the level moved from +2 to 0 end of Jan-2019. This indicator is described here.

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. (read more)

Estimated Forward 10-Year Returns

The estimated forward 10-year annualized real return are estimated at 6.3% with a 95% confidence interval : 4.9% to 7.7%

iM-GT Timer

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

Trade Weighted USD

The Trade Weighted \$ value remains near its past value.

TIAA Real Estate Account

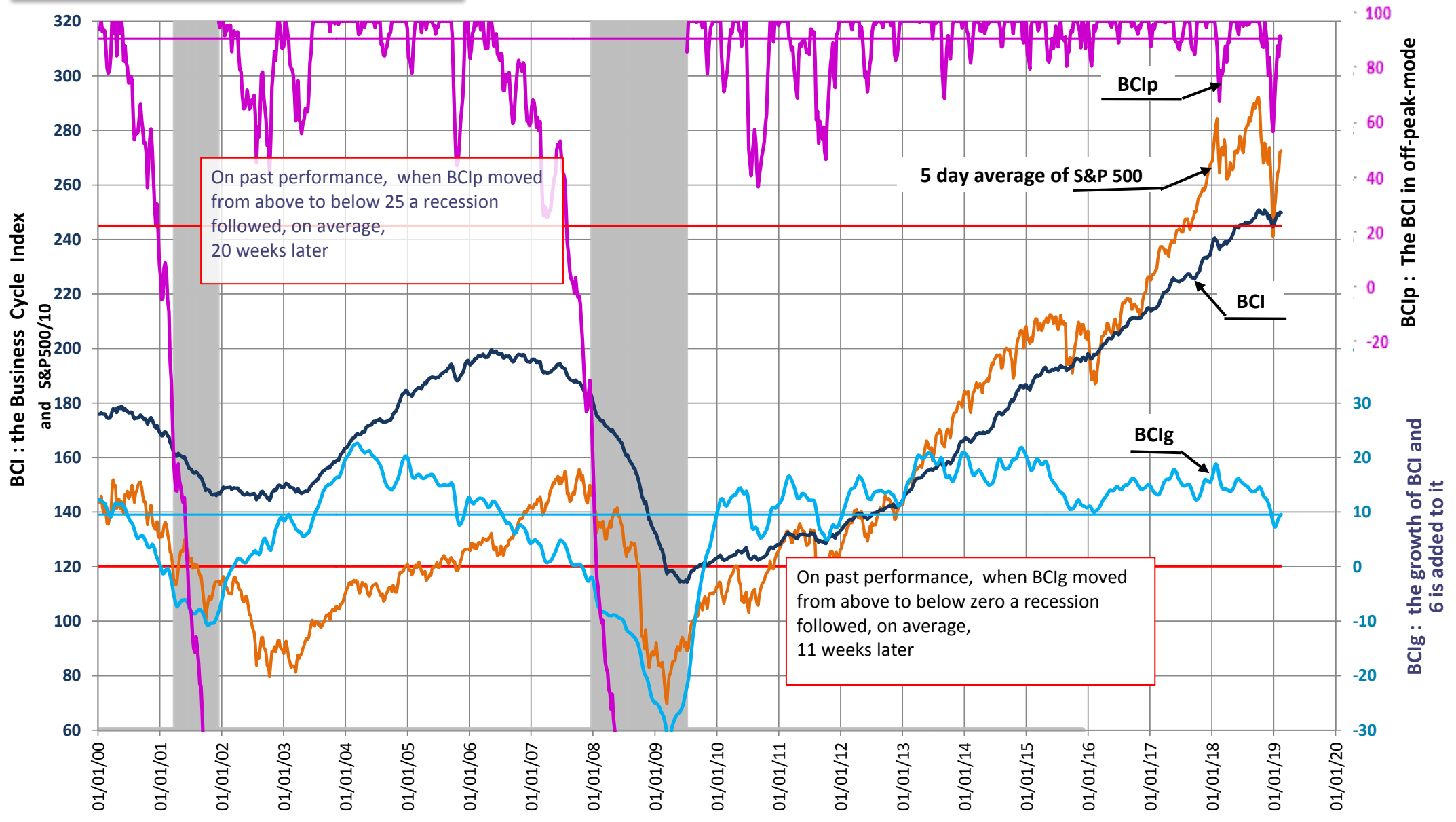
The 1-year rolling return for the end of last month is 4.79%. A sell signal is not imminent.

iM's Business Cycle Index (BCI)

Date	01/17	01/24	01/31	02/07	02/14
BCIp	83.5	91.1	87.0	94.7	93.6
BCI	248.3	249.4	248.8	249.9	249.8
BCIg	7.7	8.5	9.0	9.4	9.6

BCIp, BCI and BCIG
updated to February 14, 2019

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.

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



updated to...2/14/19

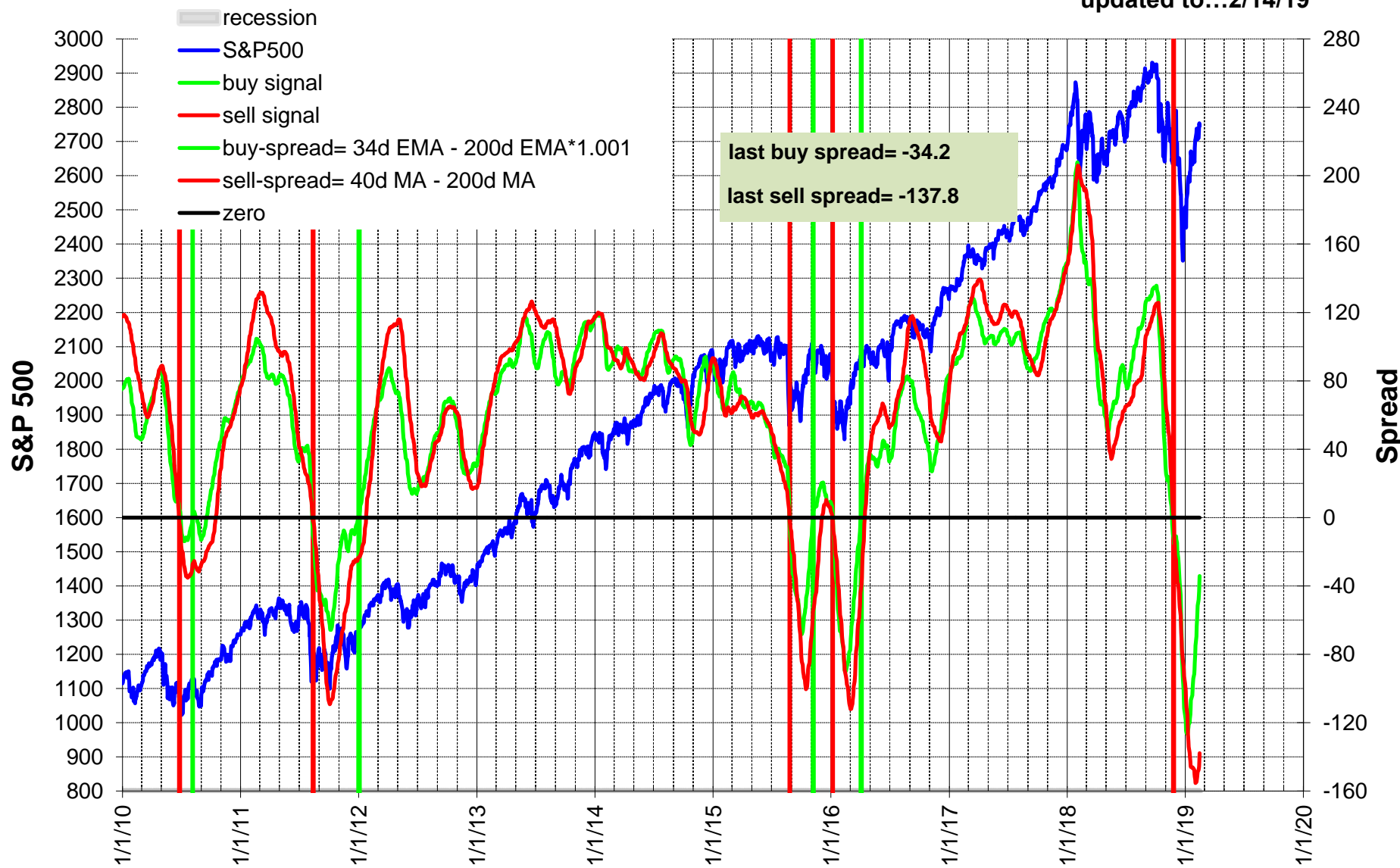




Fig 2.1: Buy and Sell signals for the Australia All Ordinaries Index from the MAC-AU System

updated to Feb-8-19
last buy spread= 21.7

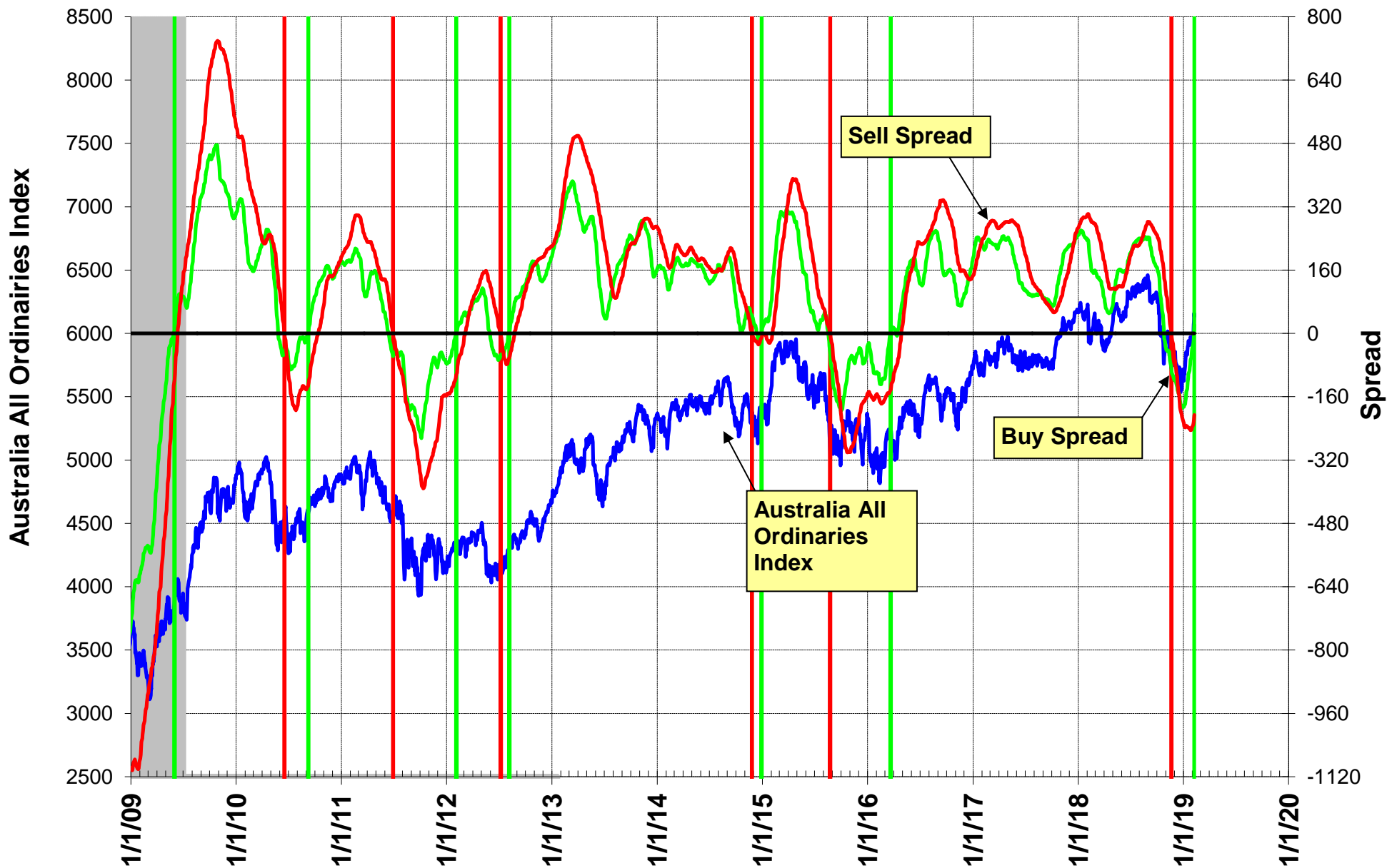


Fig 2.2 3-mo Hi-Lo Index of the S&P500 & 40-day SMA of Index

updated to 2/14/2019

last SMA:40= -2.47%

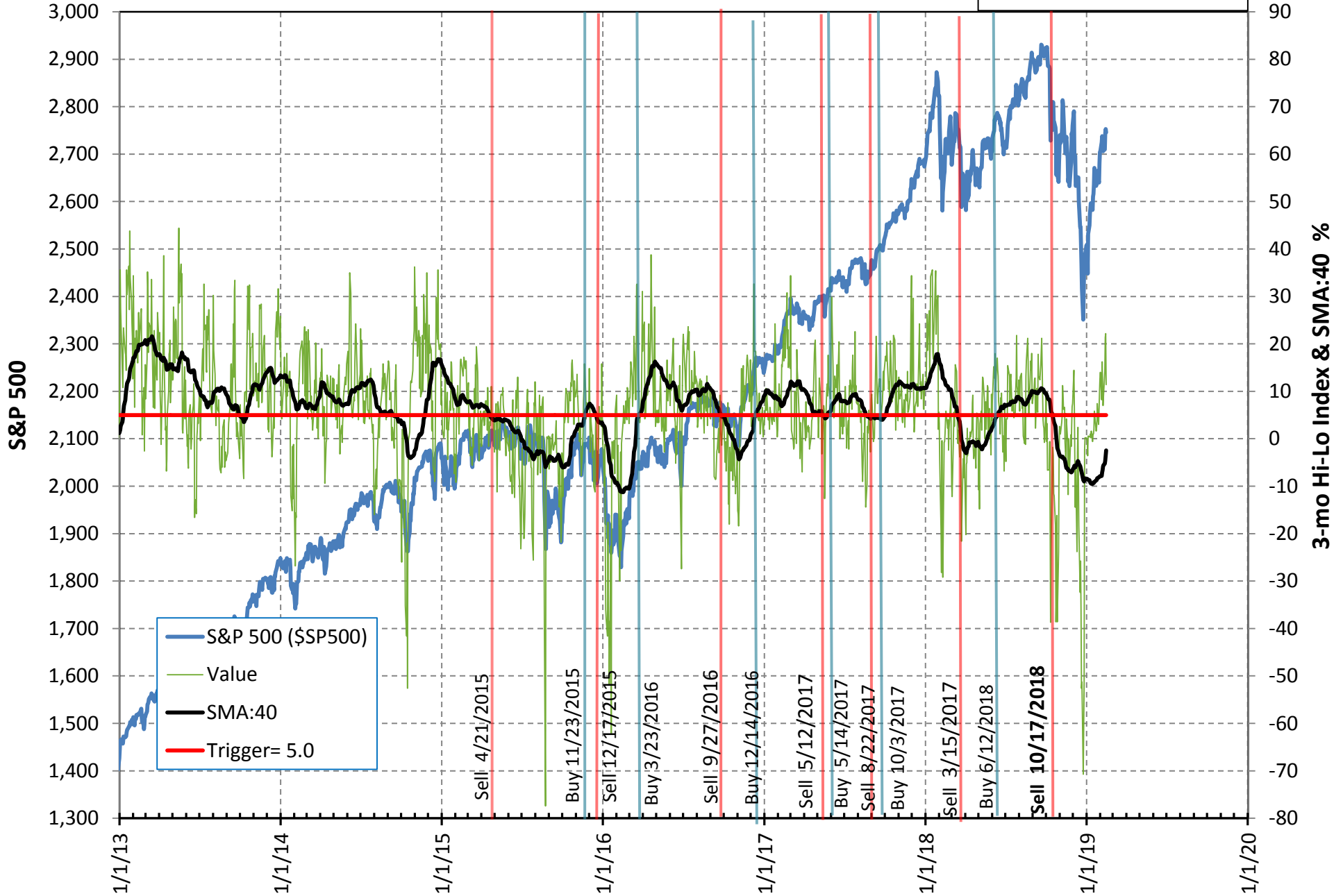


Fig. 3: COMP Leading Indicator of US Economy 1969-2019

- recession
- COMP
- last COMP level
- recession trigger

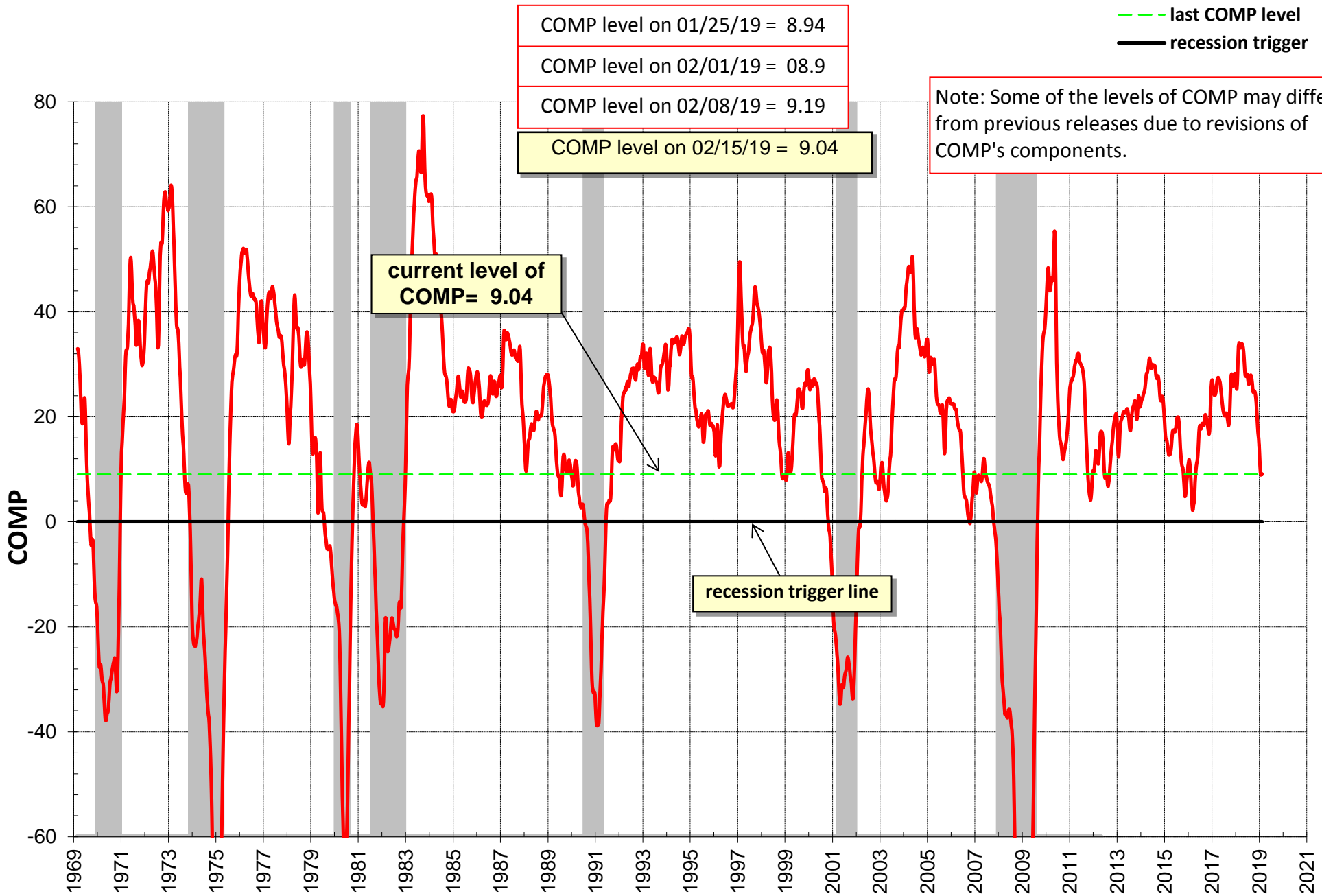


Fig 3.1: iM-BCI_g 1969-2019

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

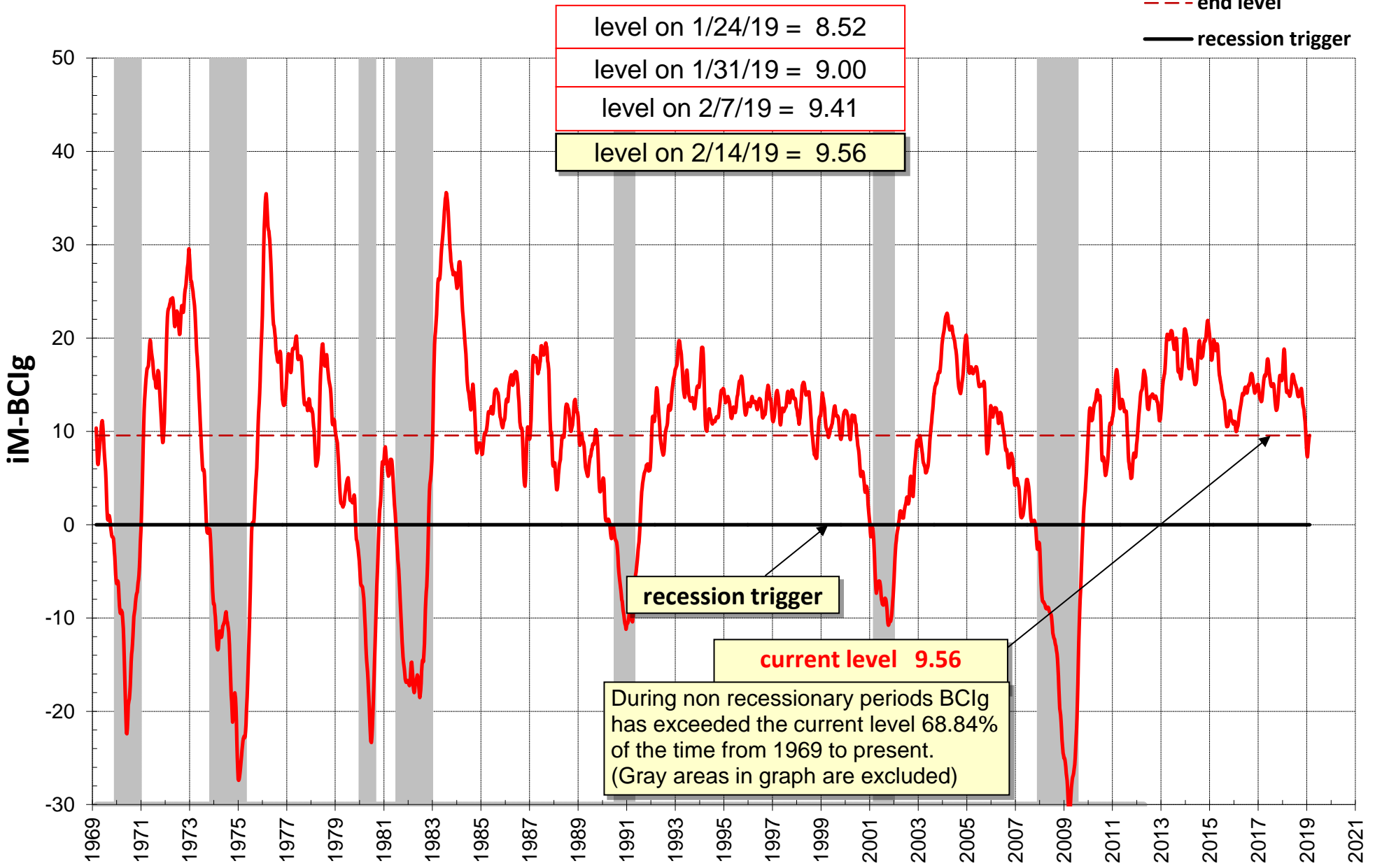


Figure 3.2: Forward Rate Ratio FRR2-10 - leads to Recessions

updated to 02/14/2019

EMA of FRR2-10 = 1.017

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

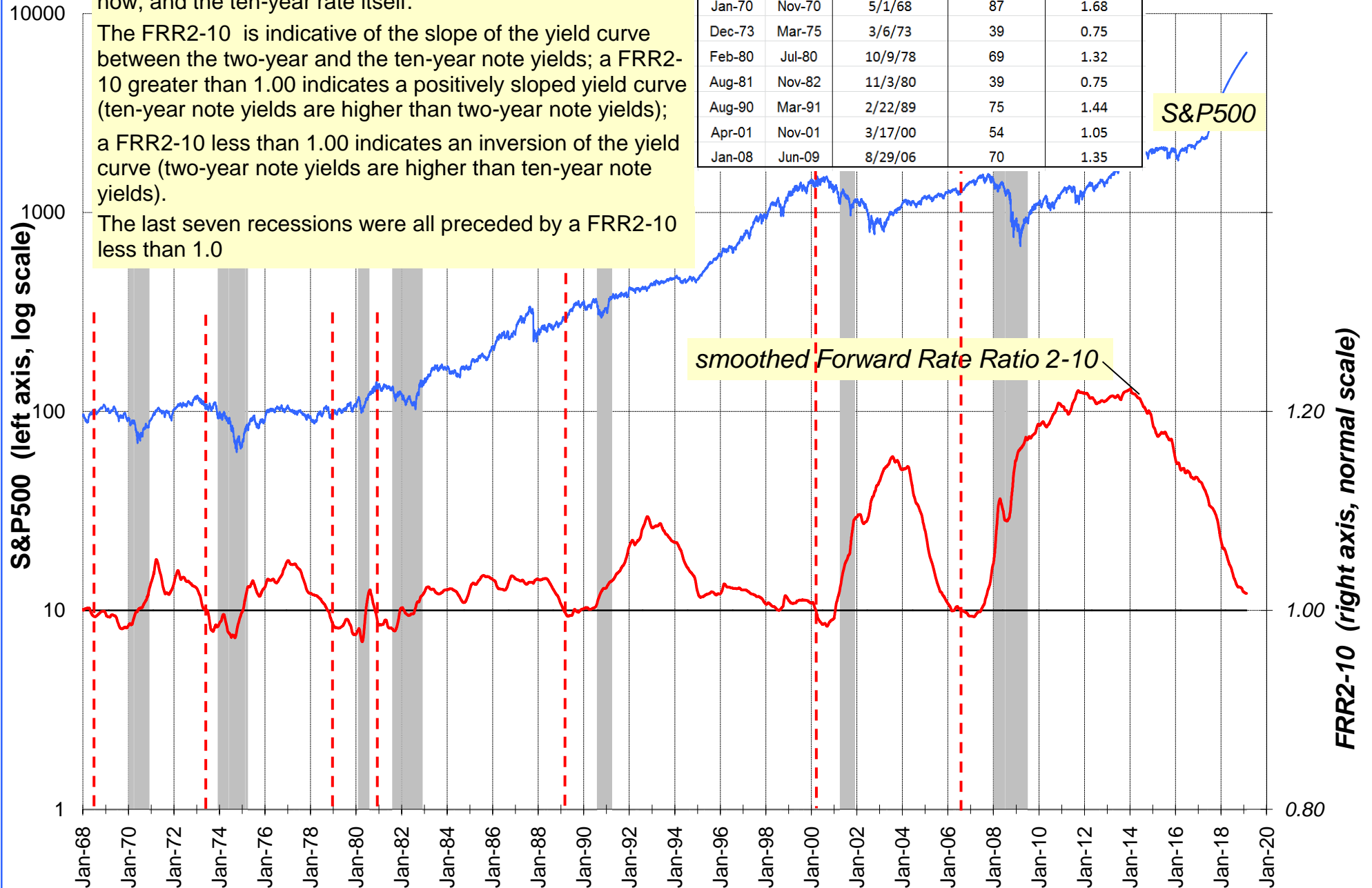


Fig.3.3 iM-Low Frequency Timer

Updated to: 2/14/2019

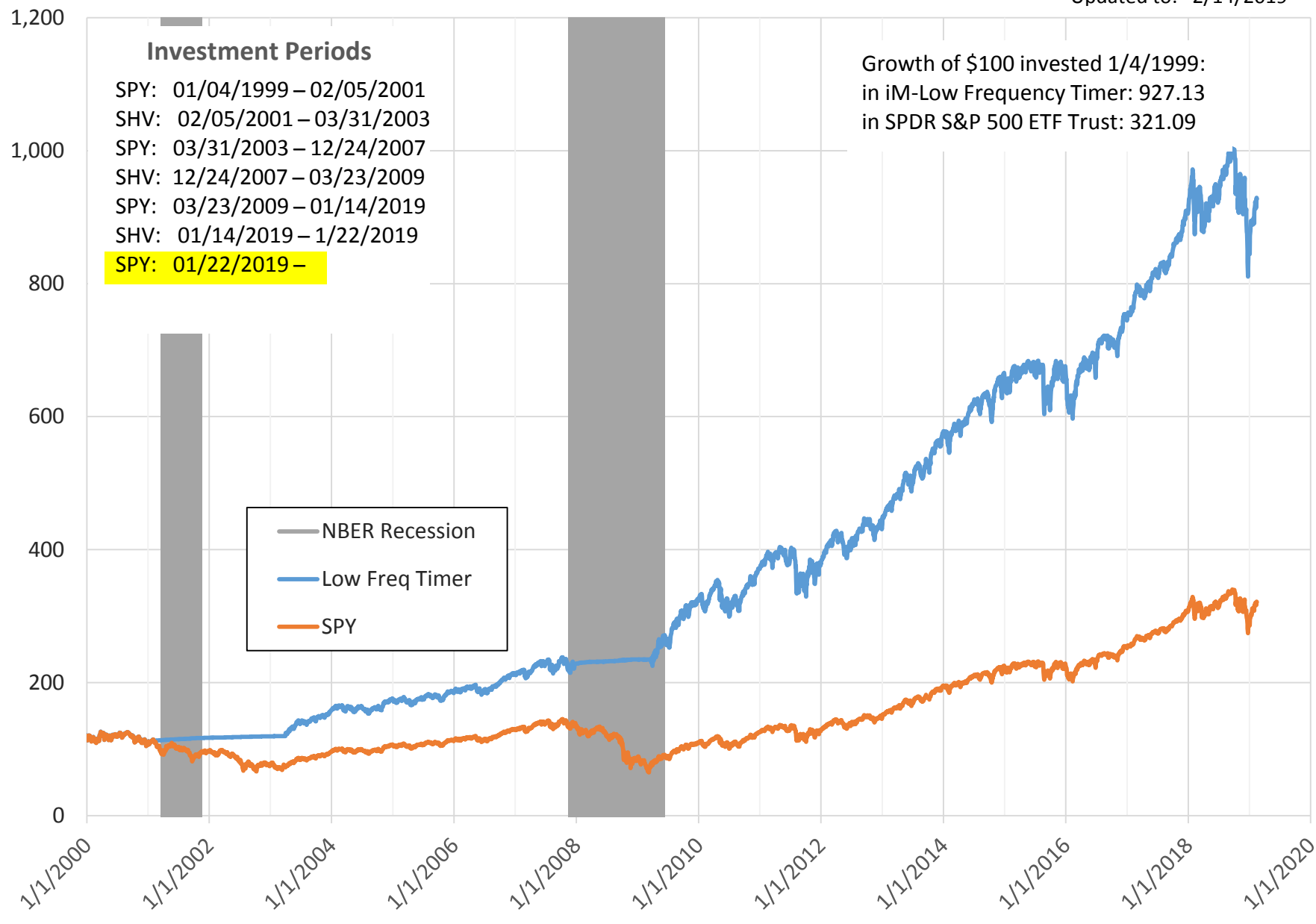


Figure 4: Bond Value Ratio (BVR) from 2005 to 2018

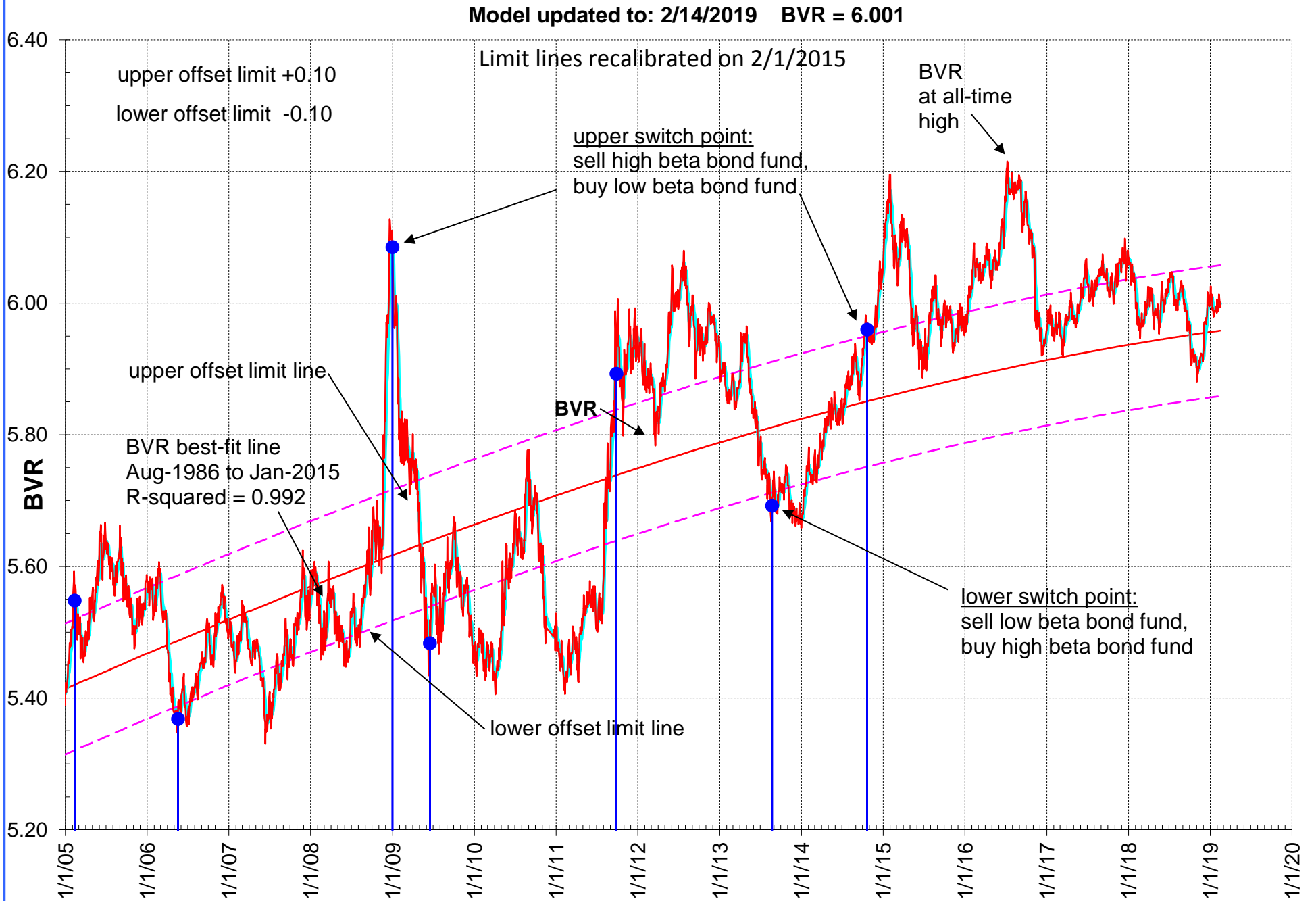


Figure 5: i10 - i2 Updated to.....2/14/2019

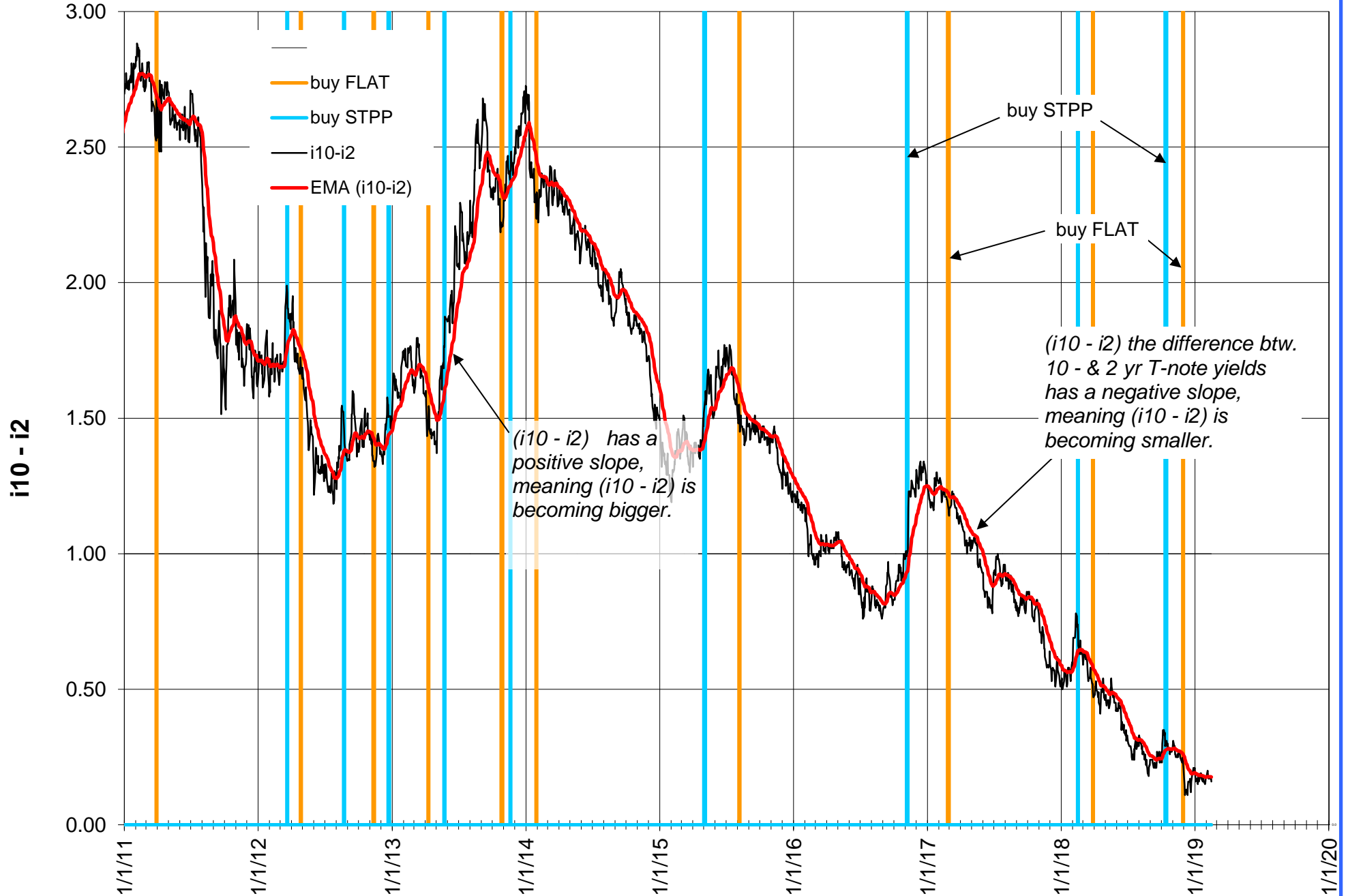


Figure 6: Modified Coppock Indicator for Gold 2009-2018

updated to 02/14/2019

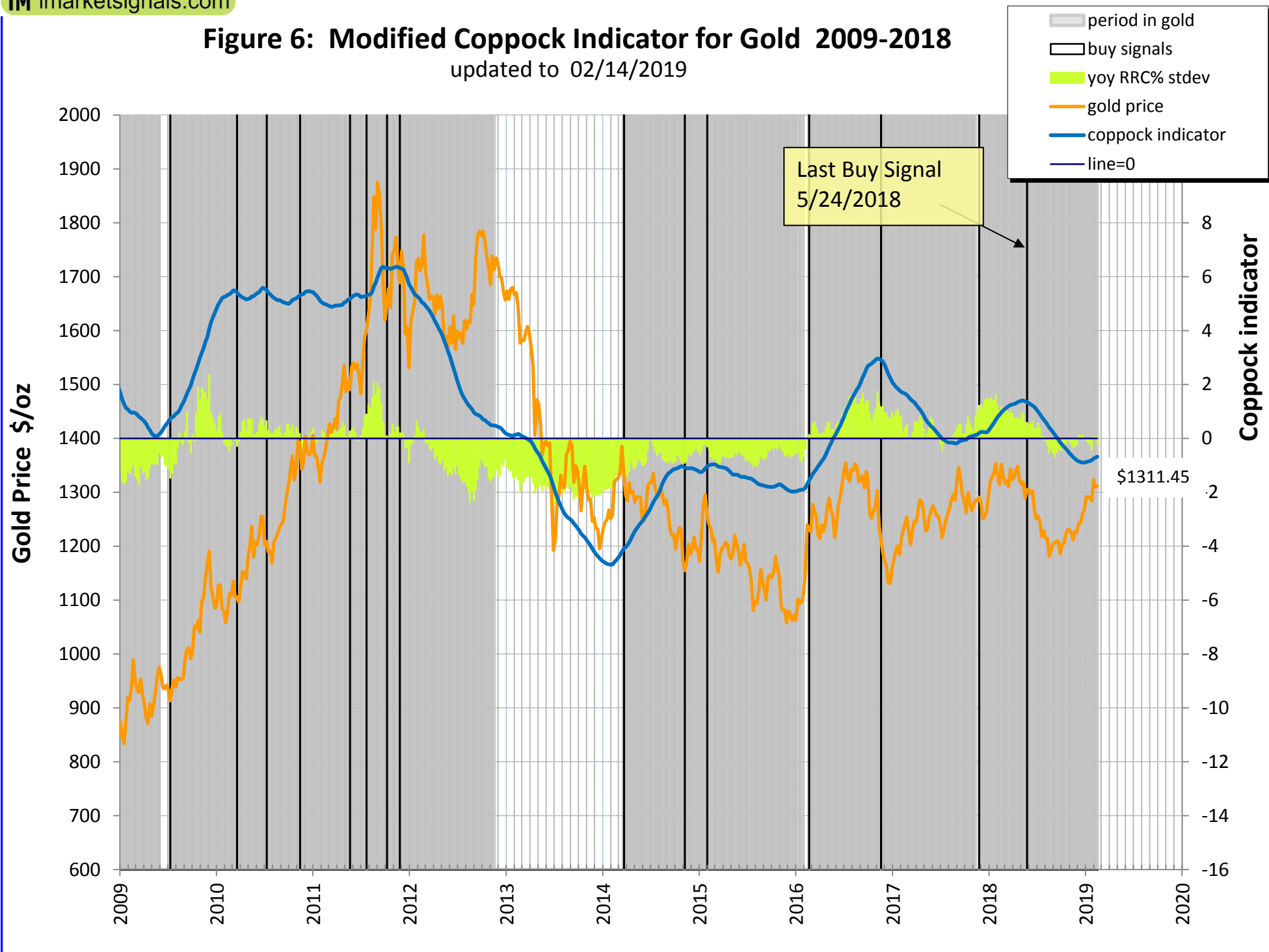


Fig. 6.1a iM GOLD-TIMER - Rev 1

Updated to: 2/14/2019

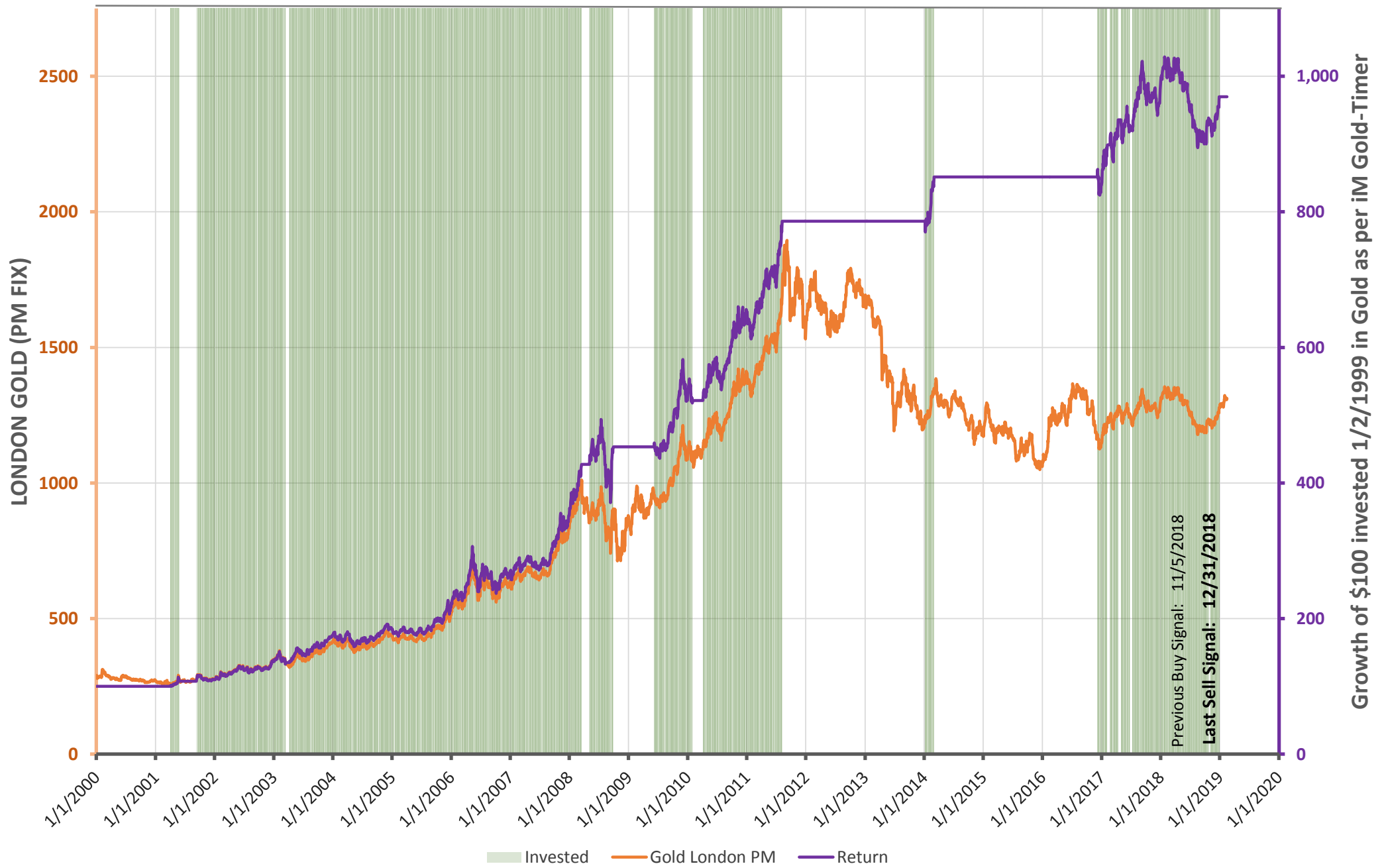


Figure 7: Modified Coppock Indicator for Silver 2009-2018

updated to 02/14/2019

