

September 5, 2019

Business Cycle Index

The BCI at 256.8 is up from last week's downward revised 256.6, and remains below the previous high of this business cycle indicated by the BCIp of 90.1. However, the 6-month smoothed annualized growth BCIG at 10.5 is below last week's 10.8.

Both BCIp and BCIG are not signaling a recession.

September 6, 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" is out of the market. The MAC-AU is also 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 has flattened significantly. The gold Coppock 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 below last week's value and 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 at last week's level at 3.13% (last week 3.13%), and is out of the market. This indicator slipped below the 5.0% level on 8/16/23 but recovered by 8/22/2016. But, a day later, on 8/23/2019 Hi-Lo Index again slipped to 4.94%, below the 5% threshold.

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 below 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 below last week's record high. 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 continues to flatten significantly. 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

September 6, 2019 (next update October 4, 2019)

Unemployment

The unemployment rate recession model (article link), has been updated with the August UER of 3.7%. The model does not signal a recession.

The Dynamic Linearly Detrended Enhanced Aggregate Spread:

The updated level of this indicator, -268bps, below last months -254bps, confirms the January 2017 signal. Based on past history a recession could have started as early as October 2017, but not later than June 2020. 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 increased from 5.9% to 6.4% with a 95% confidence interval : 5.1% to 7.8 (previous 4.5% to 7.3%).

iM-GT Timer

Fig-10.-2-1-2019The iM-GT Timer, based on Google Search Trends volume is invested in the markets 7/1/2020.

Trade Weighted USD

The trend of Trade Weighted \$ value is indeterminate.

TIAA Real Estate Account

The 1-year rolling return for the end of last month is 4.95%. A sell signal is not imminent.

iM's Business Cycle Index (BCI)

BCIp, BCI and BCIG
 updated to September 05, 2019

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

Date	08/08	08/15	08/22	08/29	09/05
BCIp	94.0	94.9	100.0	88.8	90.1
BCI	257.2	257.4	258.4	256.6	256.8
BCIg	9.7	10.3	11.0	10.8	10.5

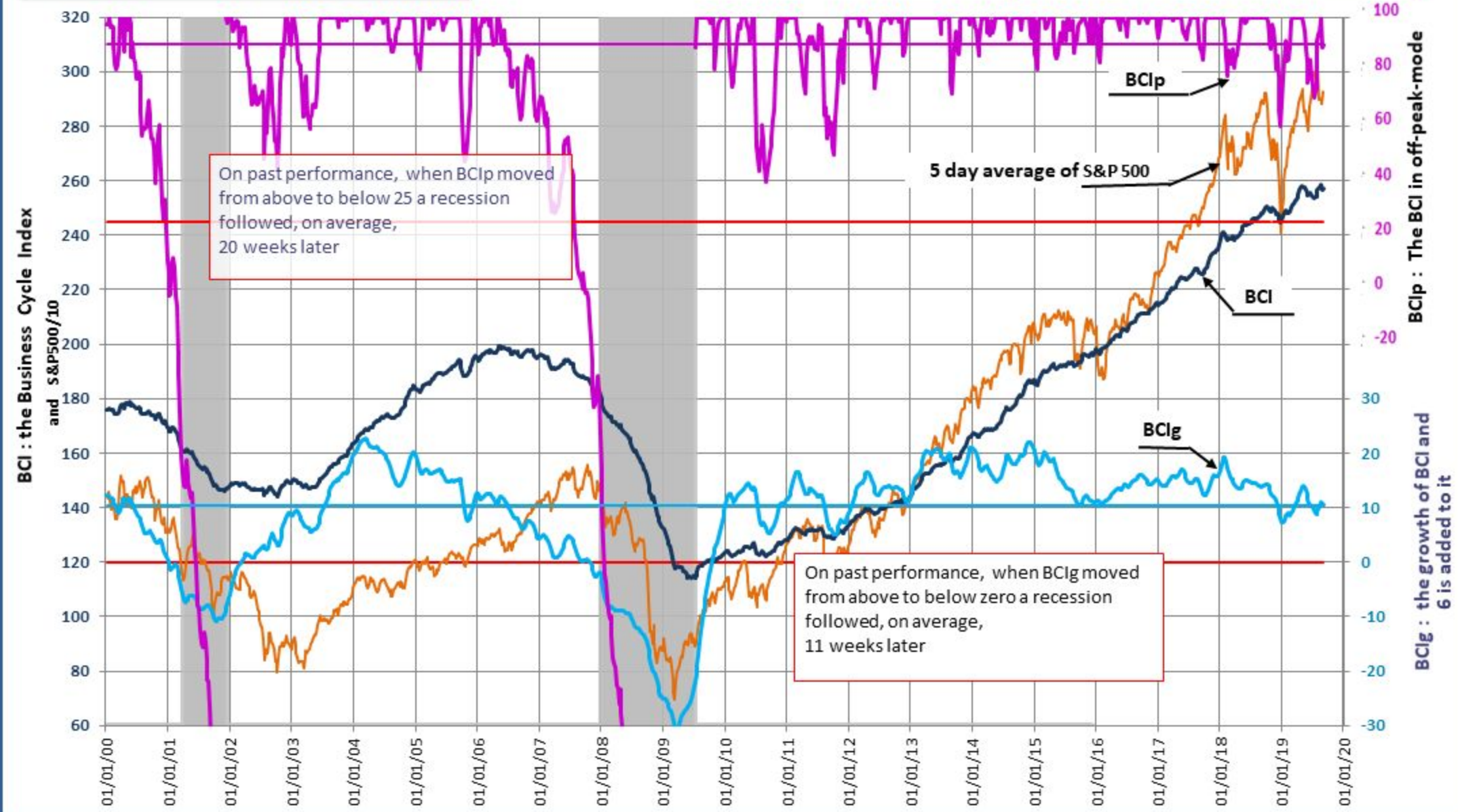


Figure 2: Buy and Sell signals for S&P 500 2010-18
 from the modified golden-cross MAC-System



updated to...9/5/19



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



updated to Sep-6-19
last sell spread= 481.9

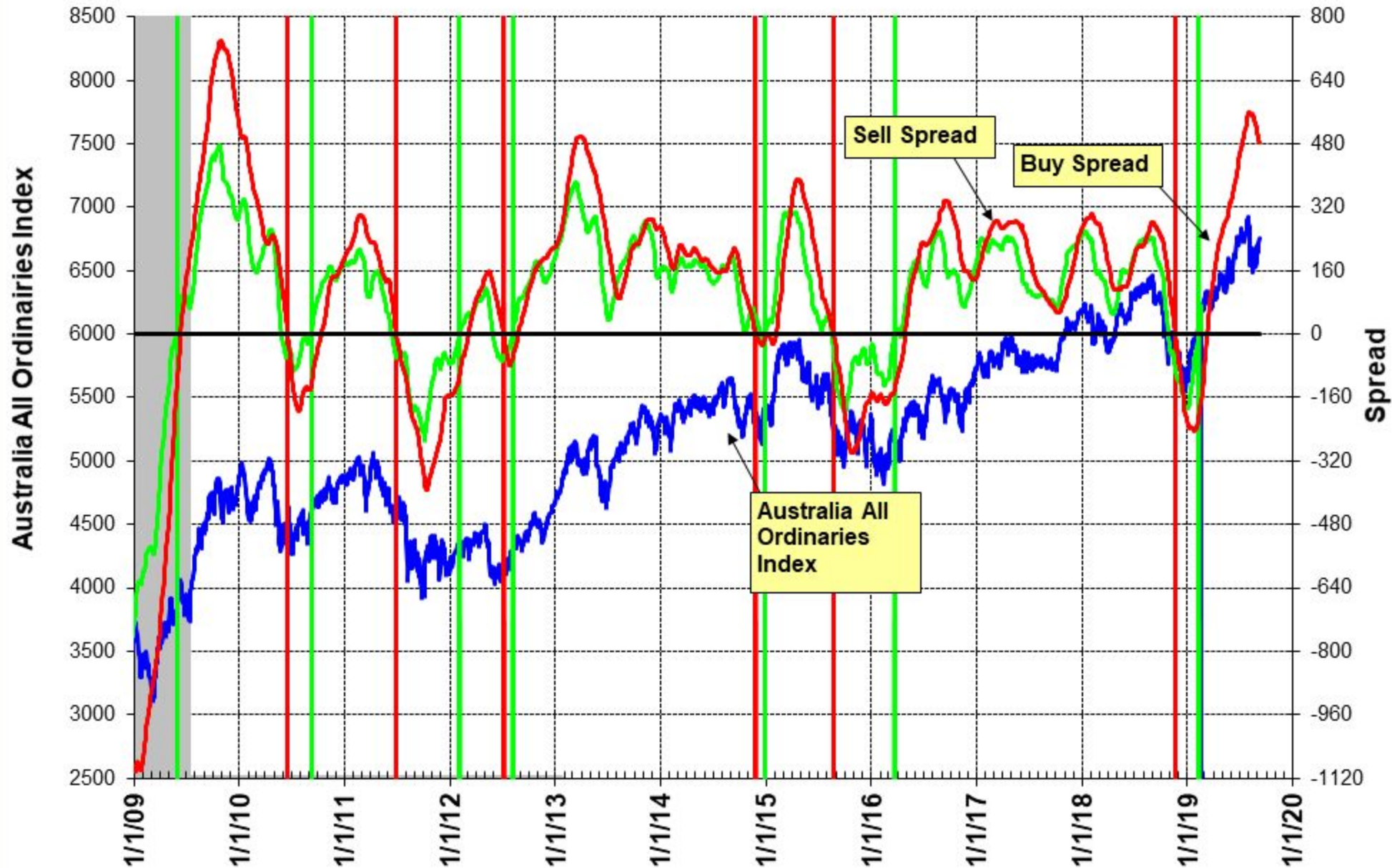


Fig 2.2 3-mo Hi-Lo Index of the S&P500 & 40-day SMA of Index

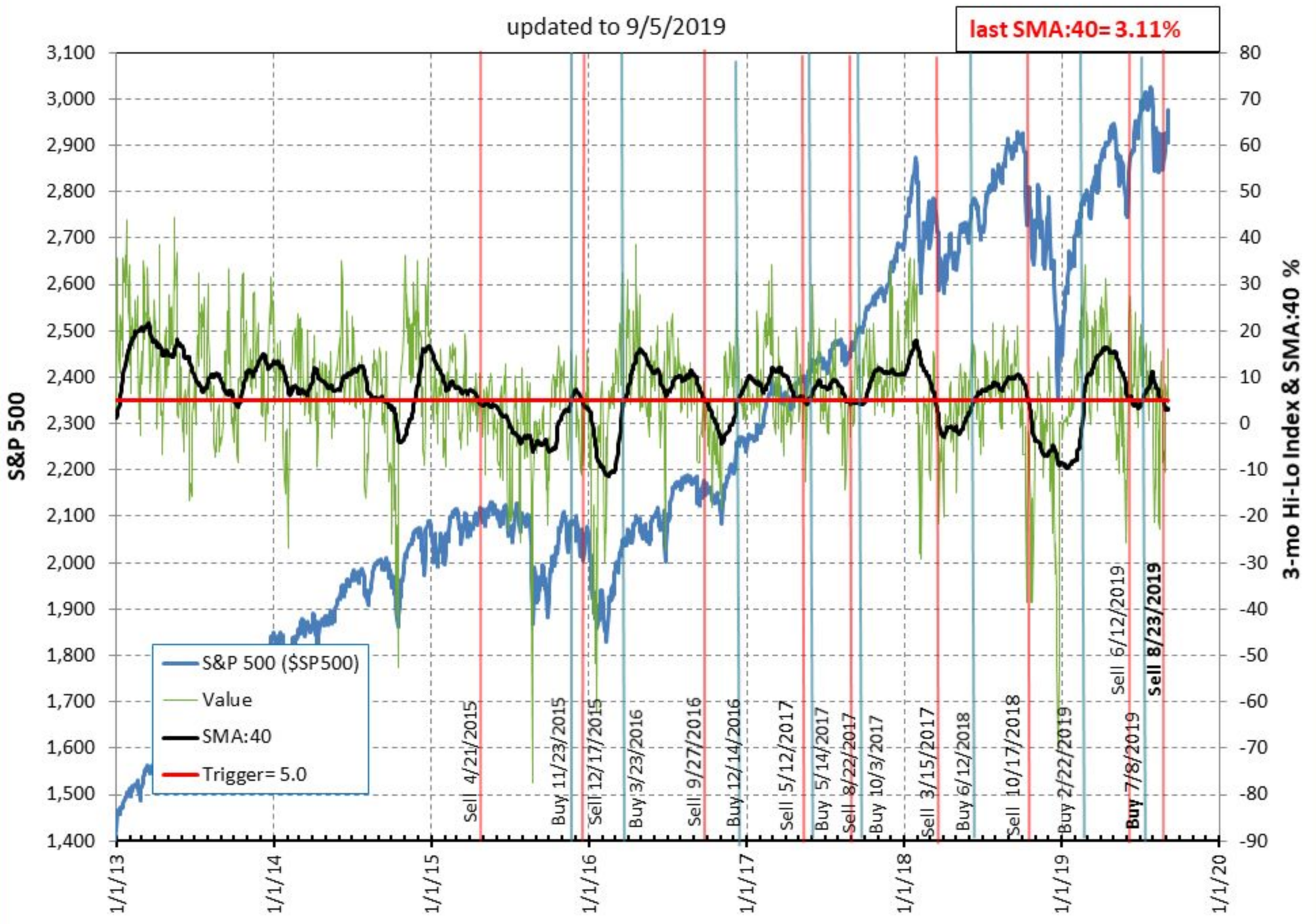


Fig-2.3 Modified Coppock Indicator for S&P500 2005-2019

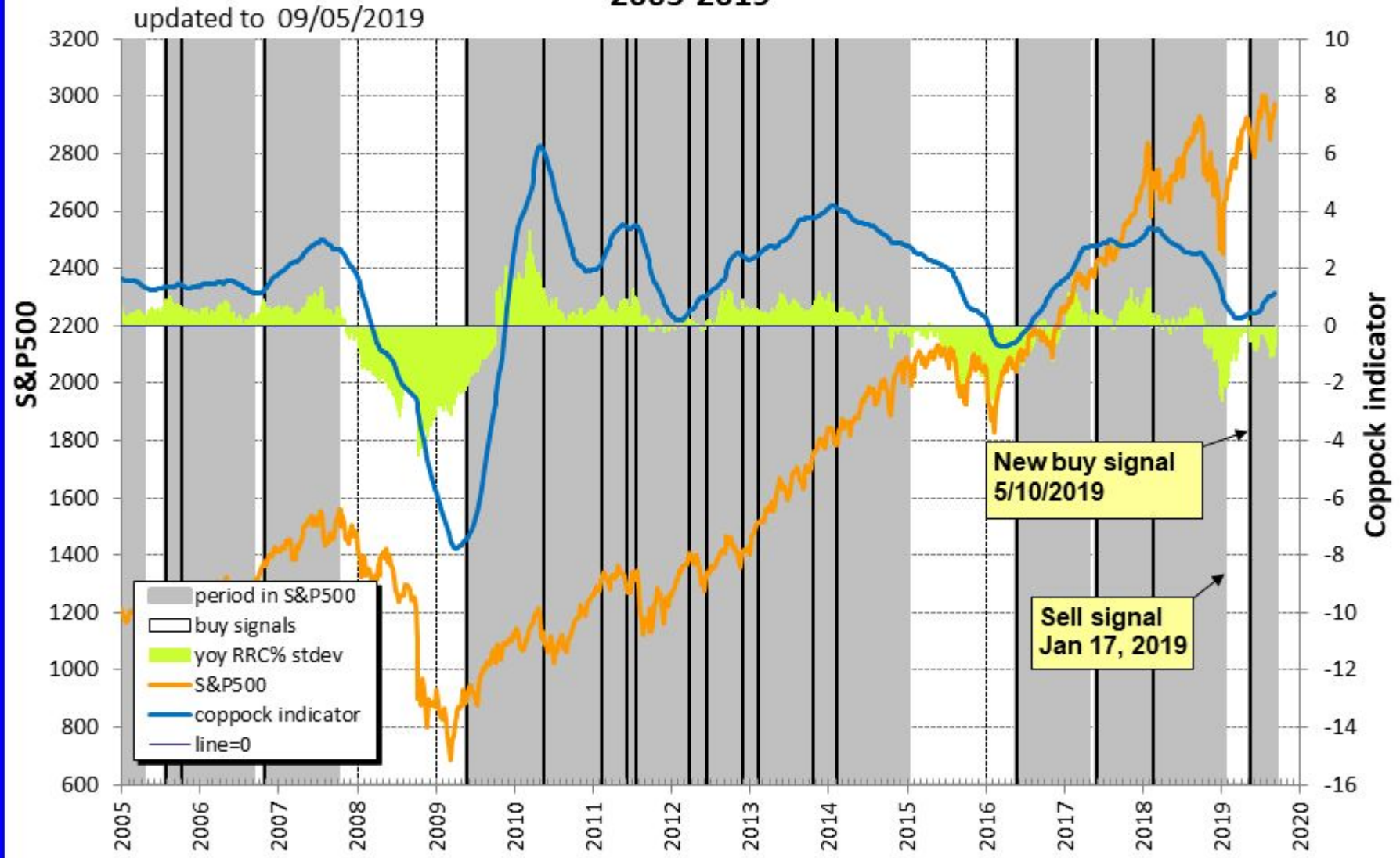


Fig. 3: COMP Leading Indicator of US Economy 1969-2019

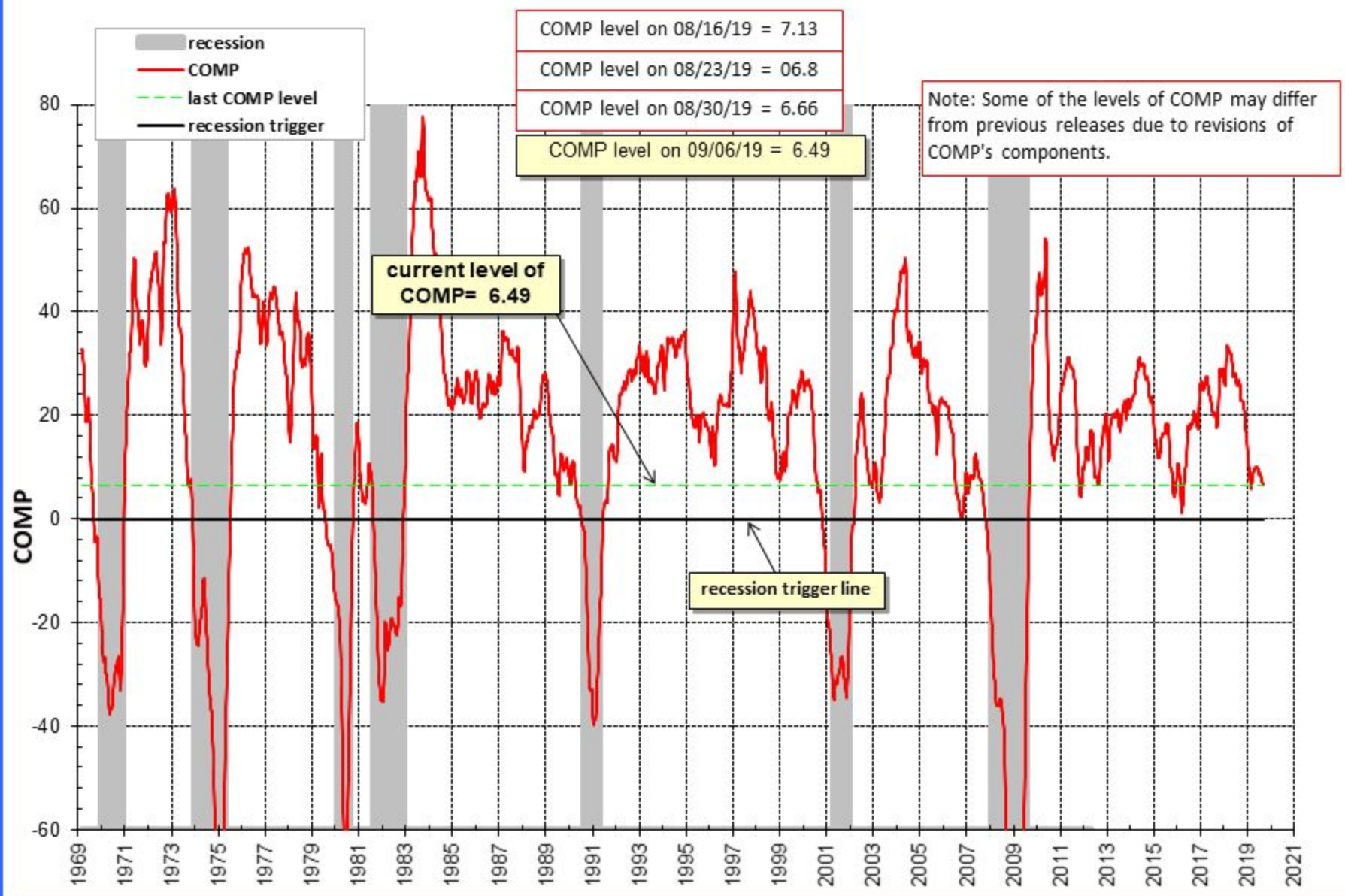


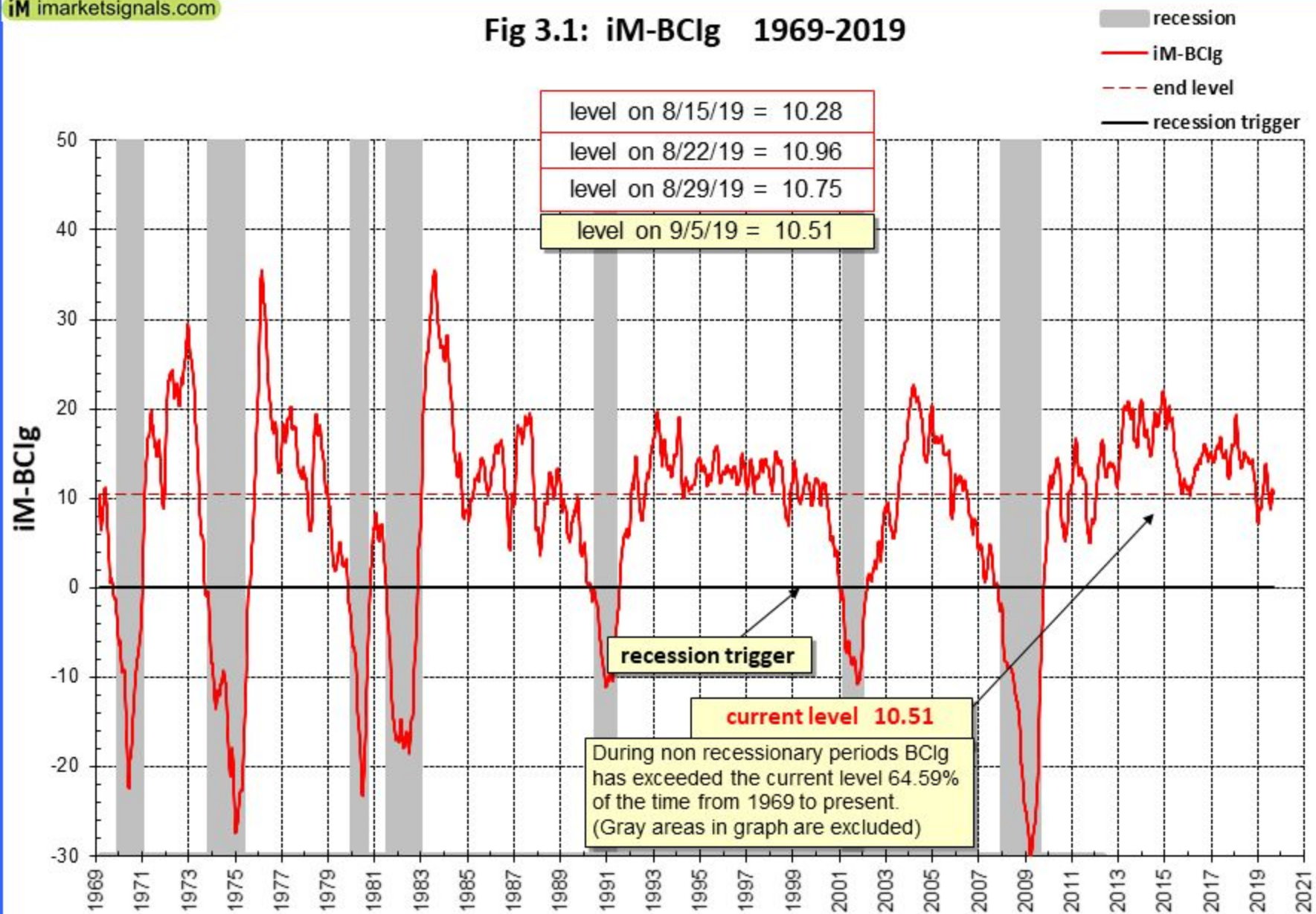
Fig 3.1: iM-BCI_g 1969-2019

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 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 Recession start (weeks)	Lead to Recession 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 09/05/2019
EMA of FRR2-10 = 1.015

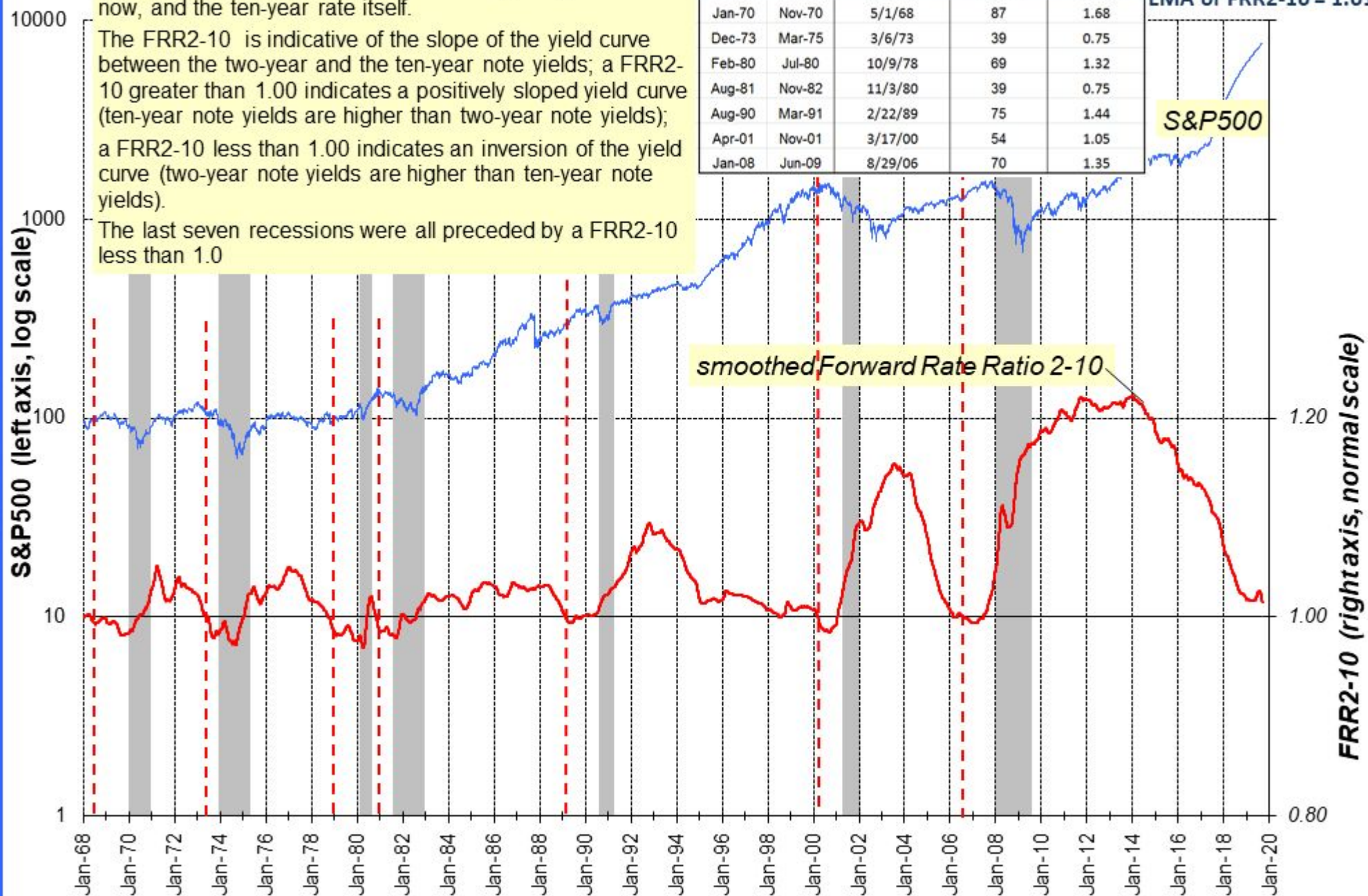


Fig.3.3 iM-Low Frequency Timer

Updated to: 9/5/2019

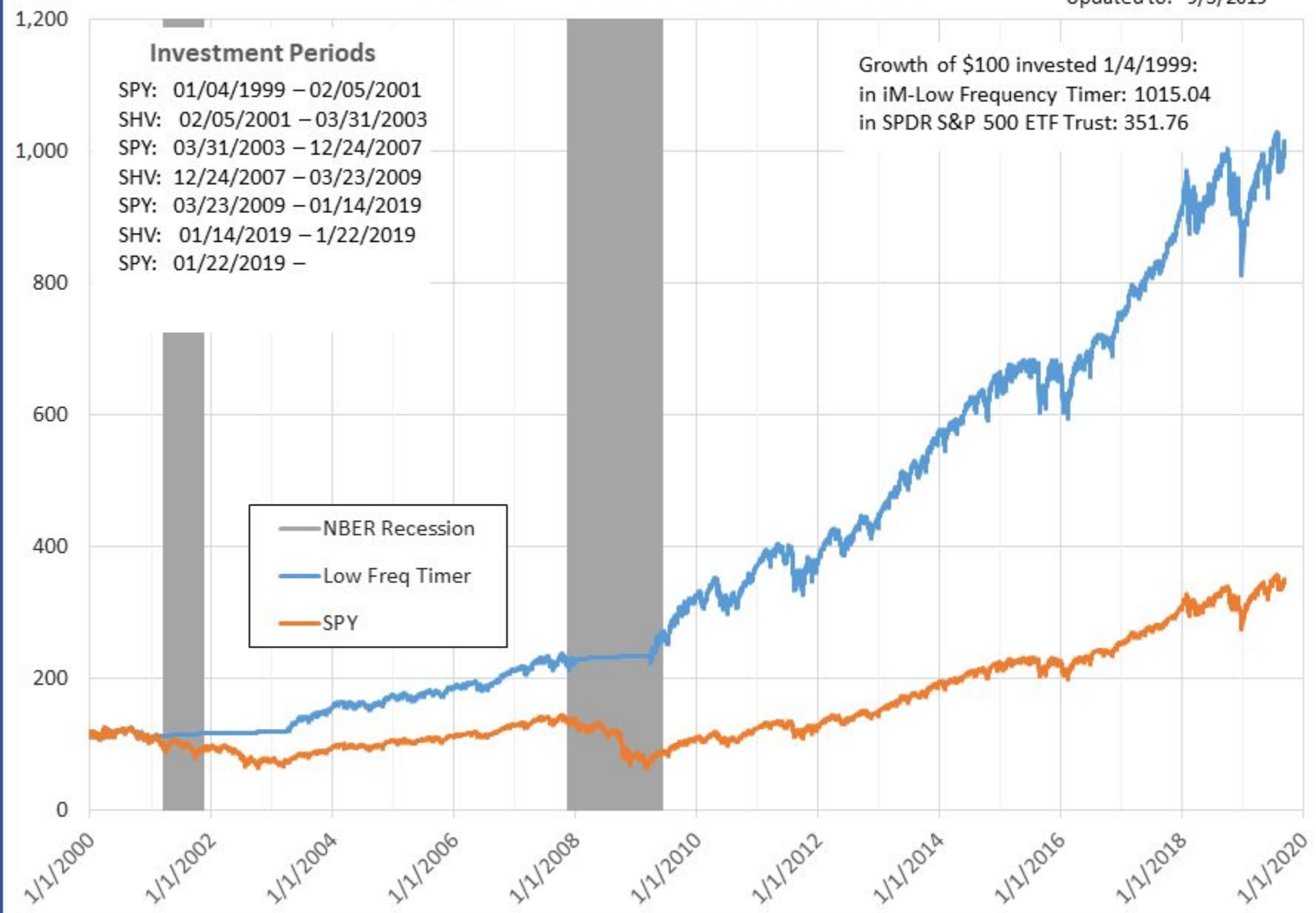


Figure 4: Bond Value Ratio (BVR) from 2005 to 2019

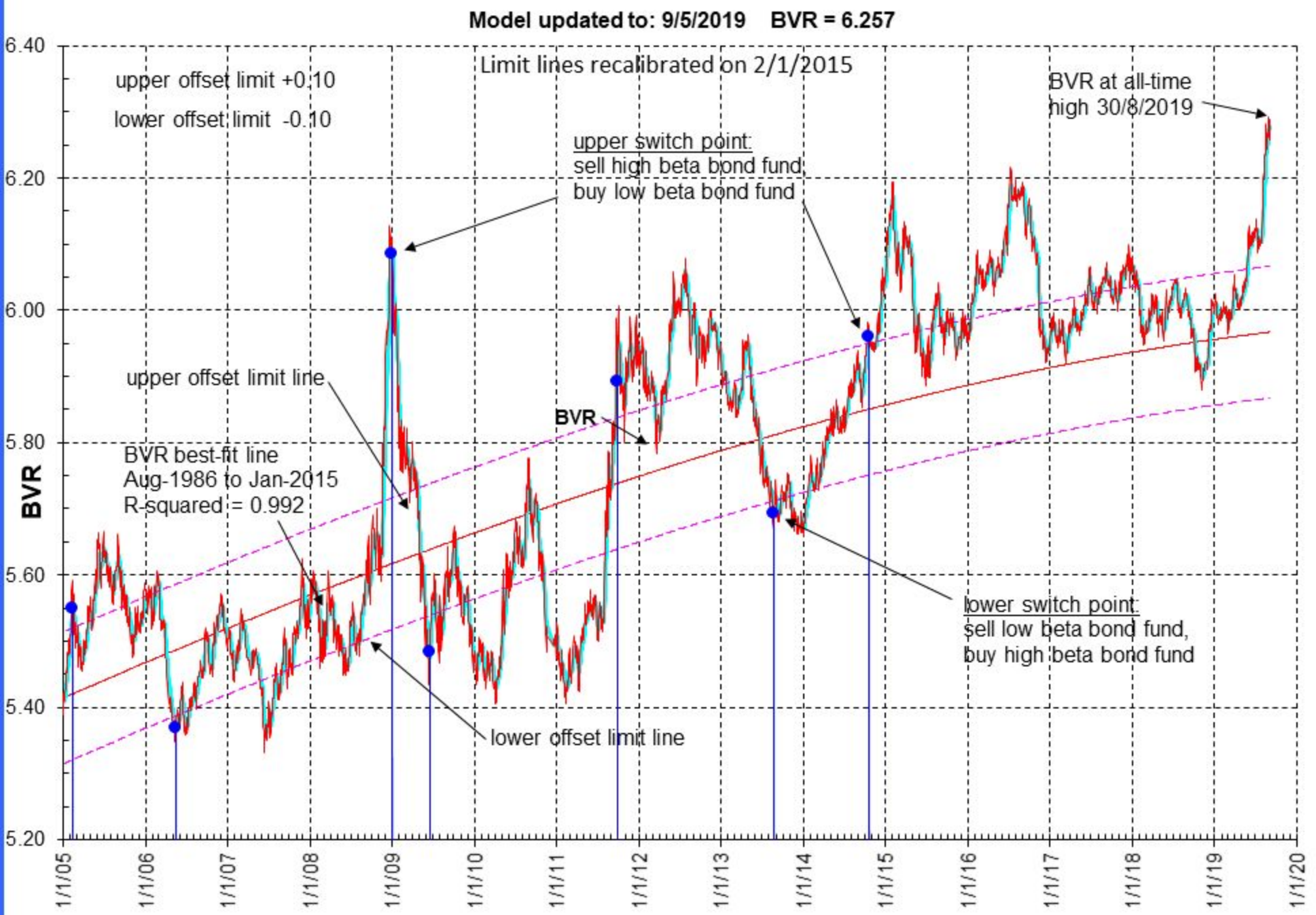


Figure 5: i10 - i2 Updated to.....9/5/2019

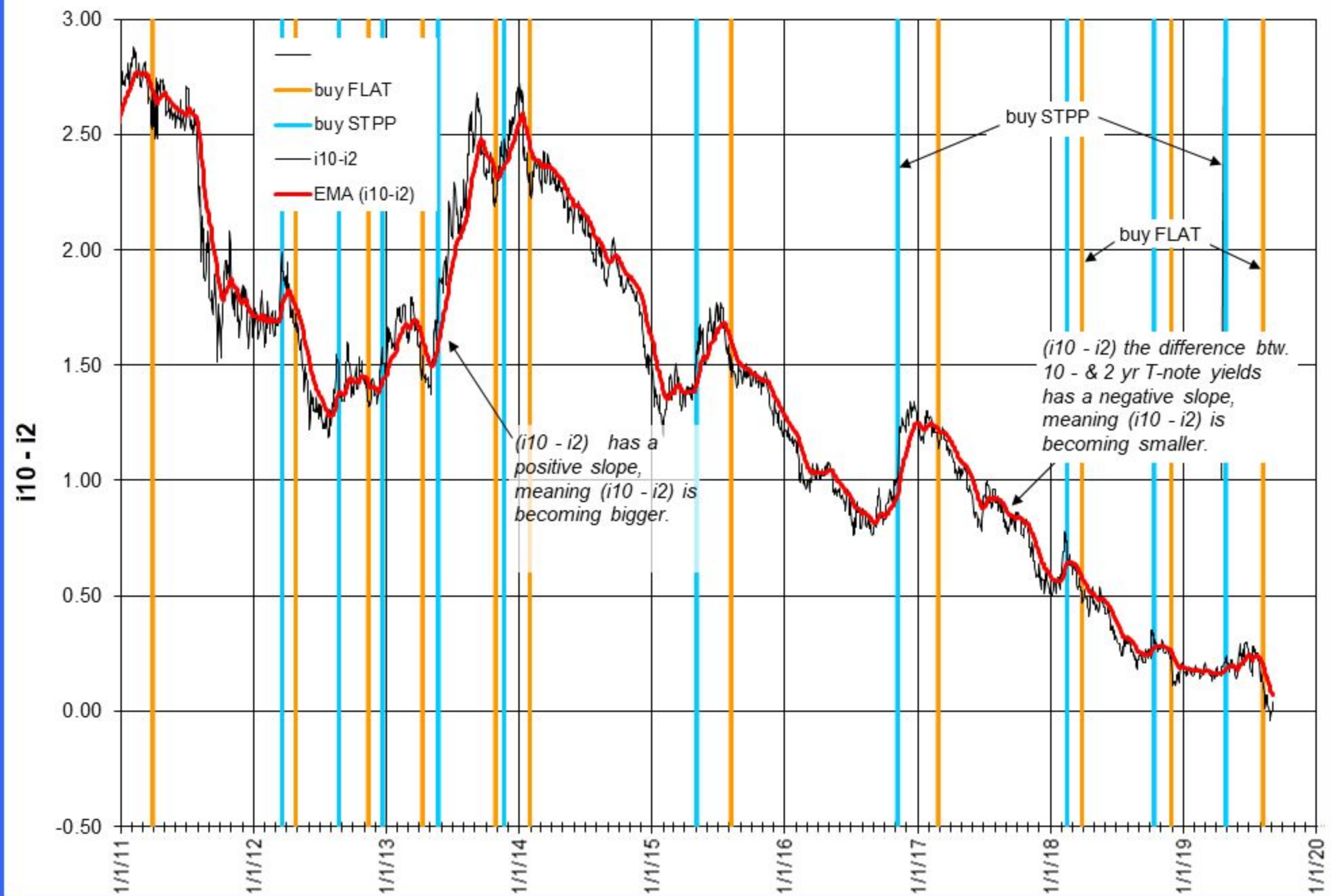


Figure 6: Modified Coppock Indicator for Gold 2009-2019

updated to 09/05/2019

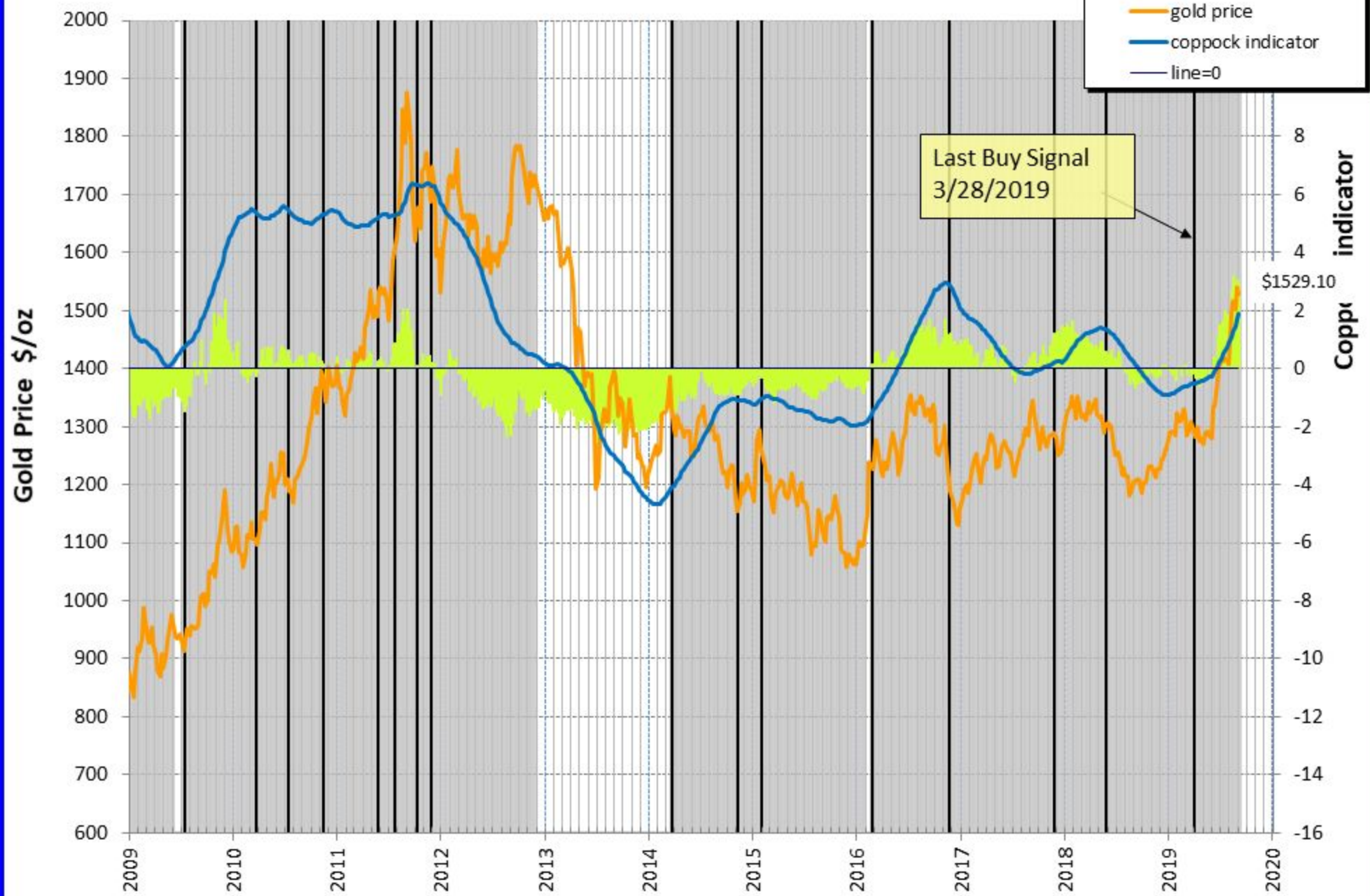


Fig. 6.1a iM GOLD-TIMER - Rev 1

Updated to: 9/5/2019

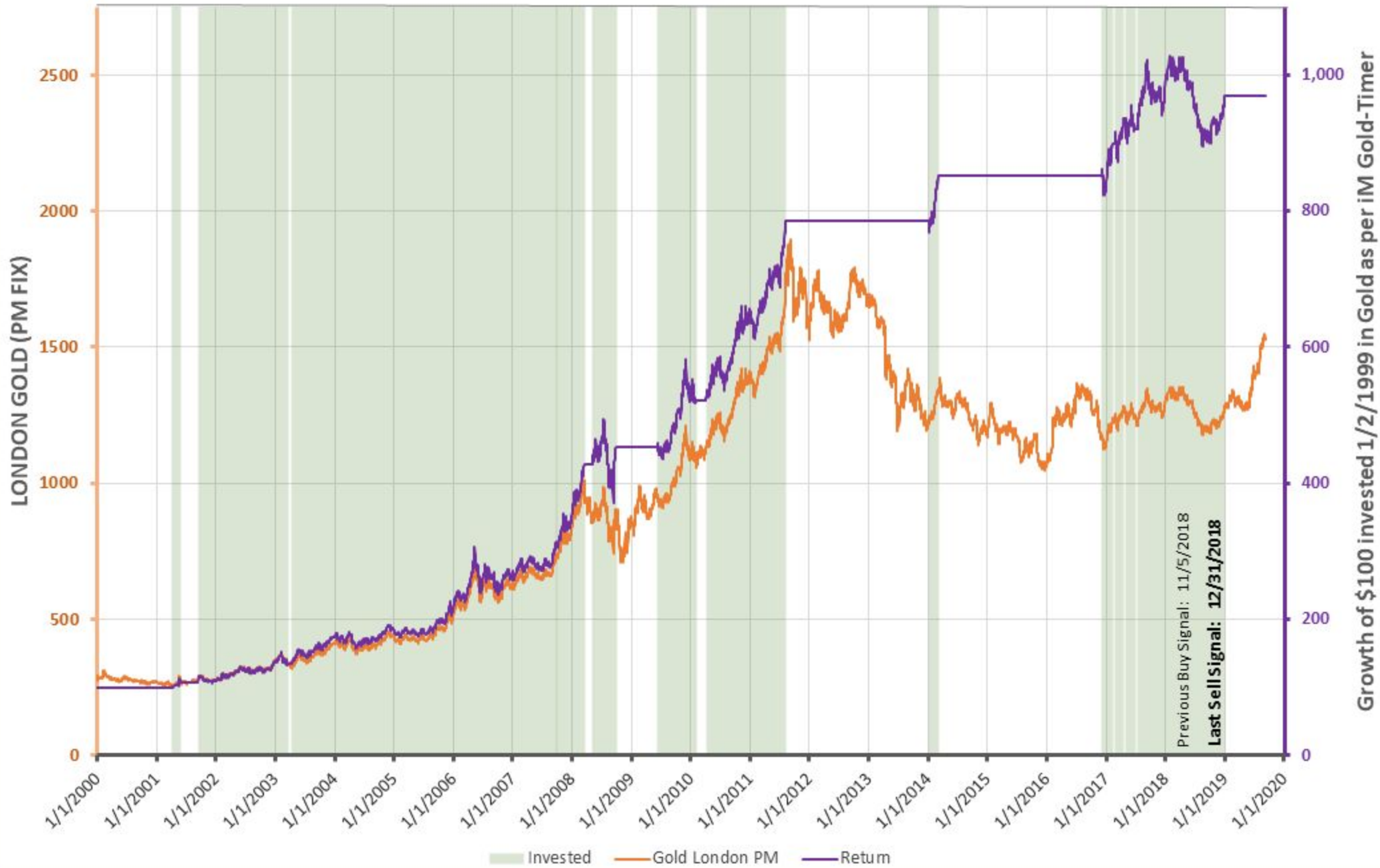


Figure 7: Modified Coppock Indicator for Silver 2009-2018

updated to 09/05/2019

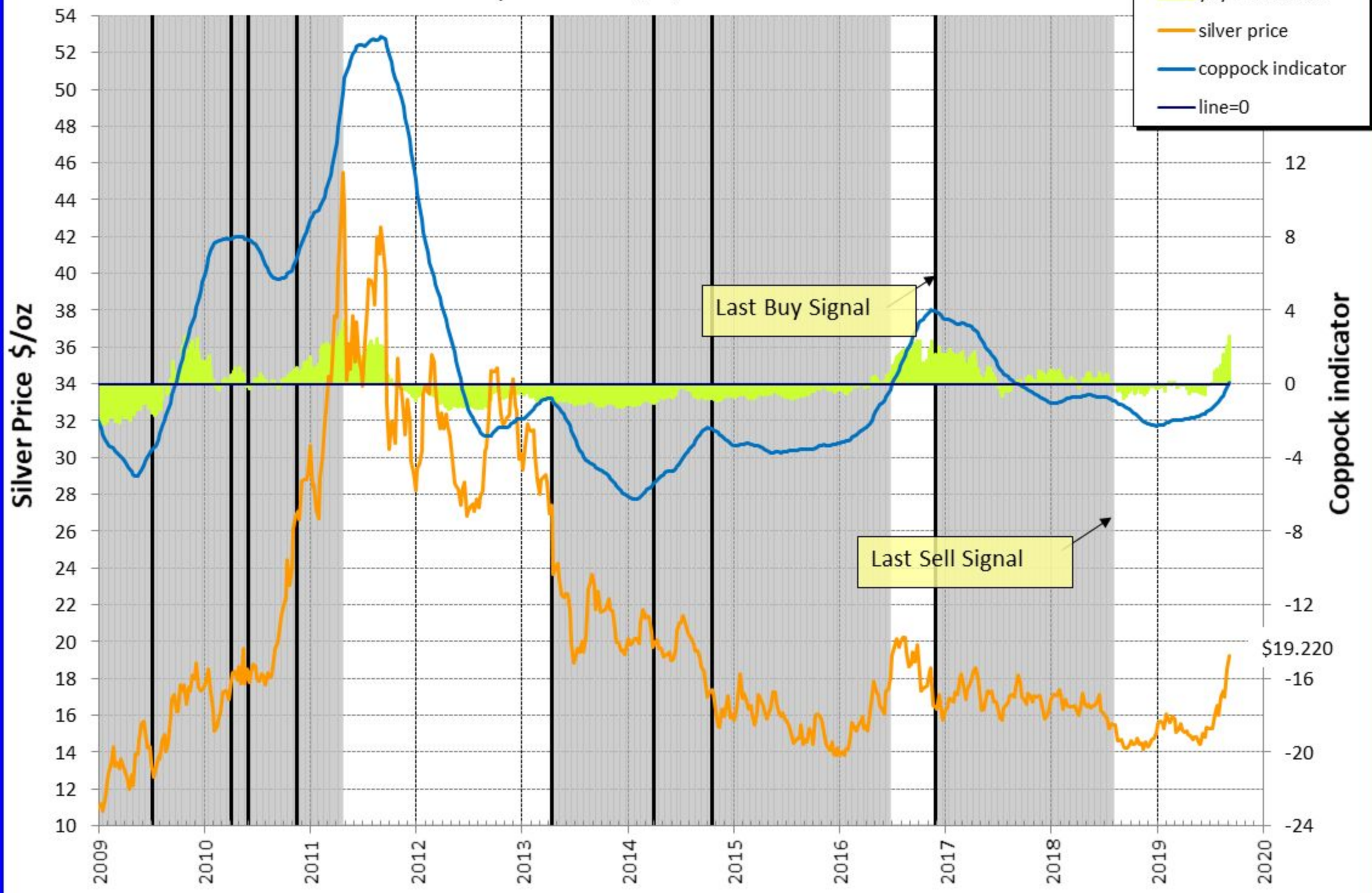
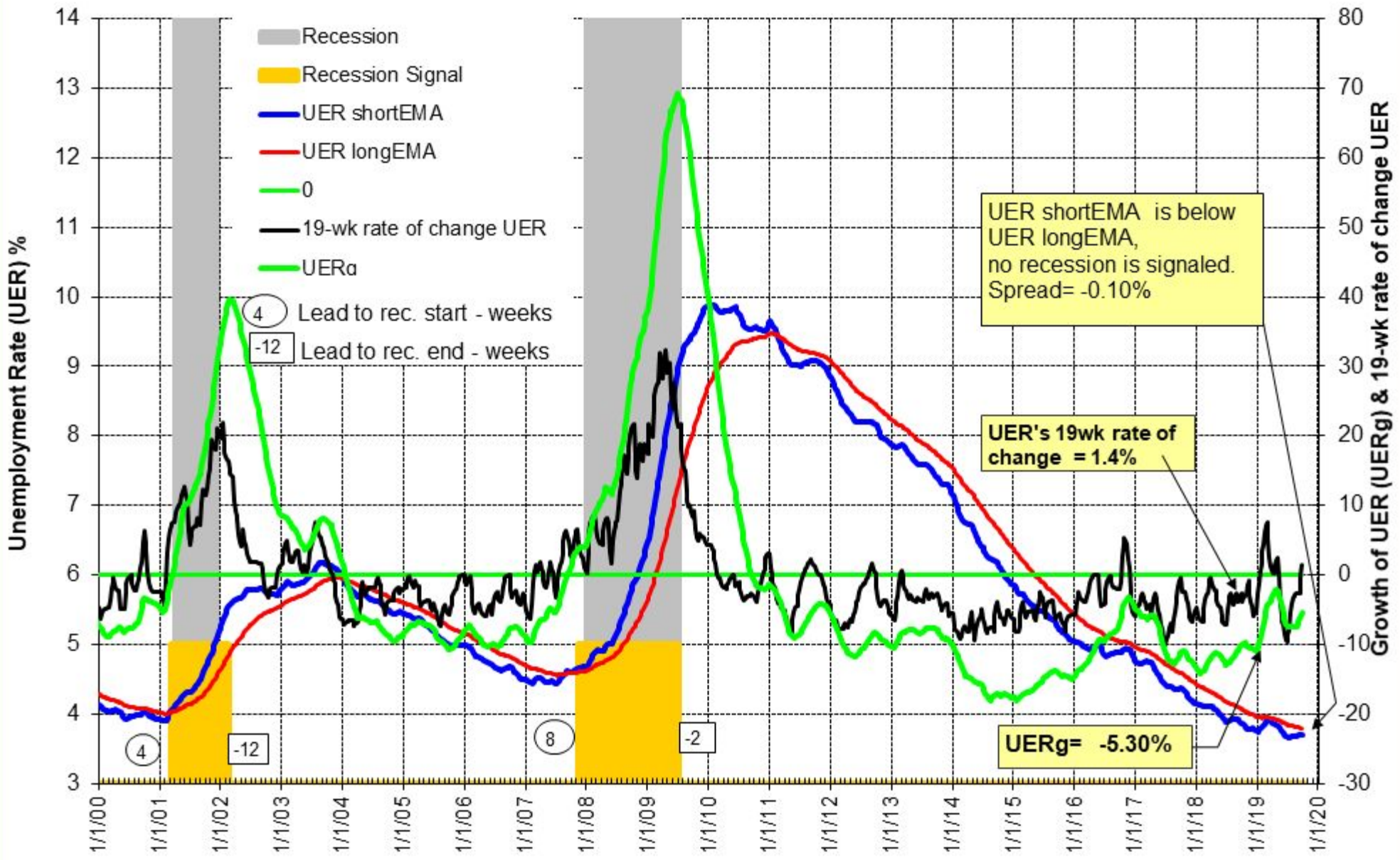


Fig-8 Unemployment Rate and Recessions (real-time) 2000-2019

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

updated to 9-27-2019 with August UER= 3.7%



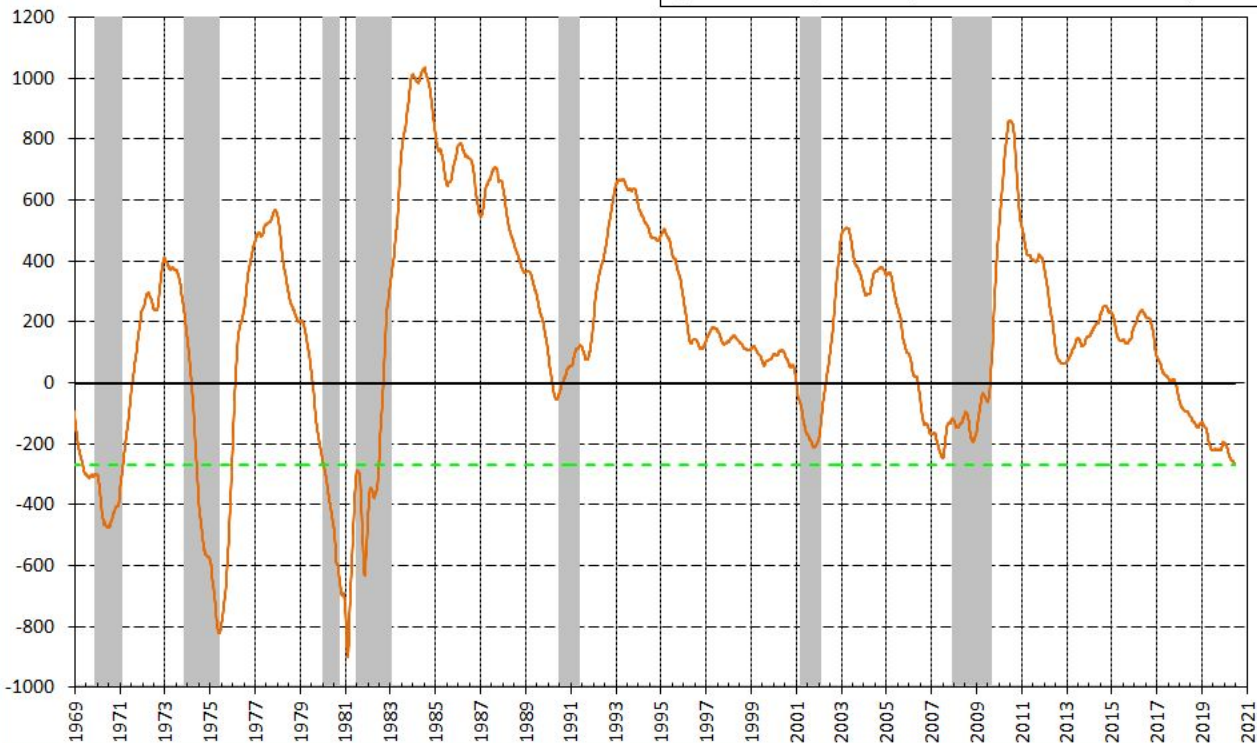
Long Leading Recession Indicator DAGS: shifted forward in time by 40 weeks

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

- recession
- DAGS
- recession warning line
- last level of DAGS

recession eligible months Oct-2017 to Jun-2020

updated on Sep-6-2019, last level of DAGS = -268 bps



Spread btw 5-mo and 25-mo Moving Avg of S&P-real: (2019.05= 61,472), (2019.06= 75,756), (2019.07= 85,389), (2019.08= 80,872)

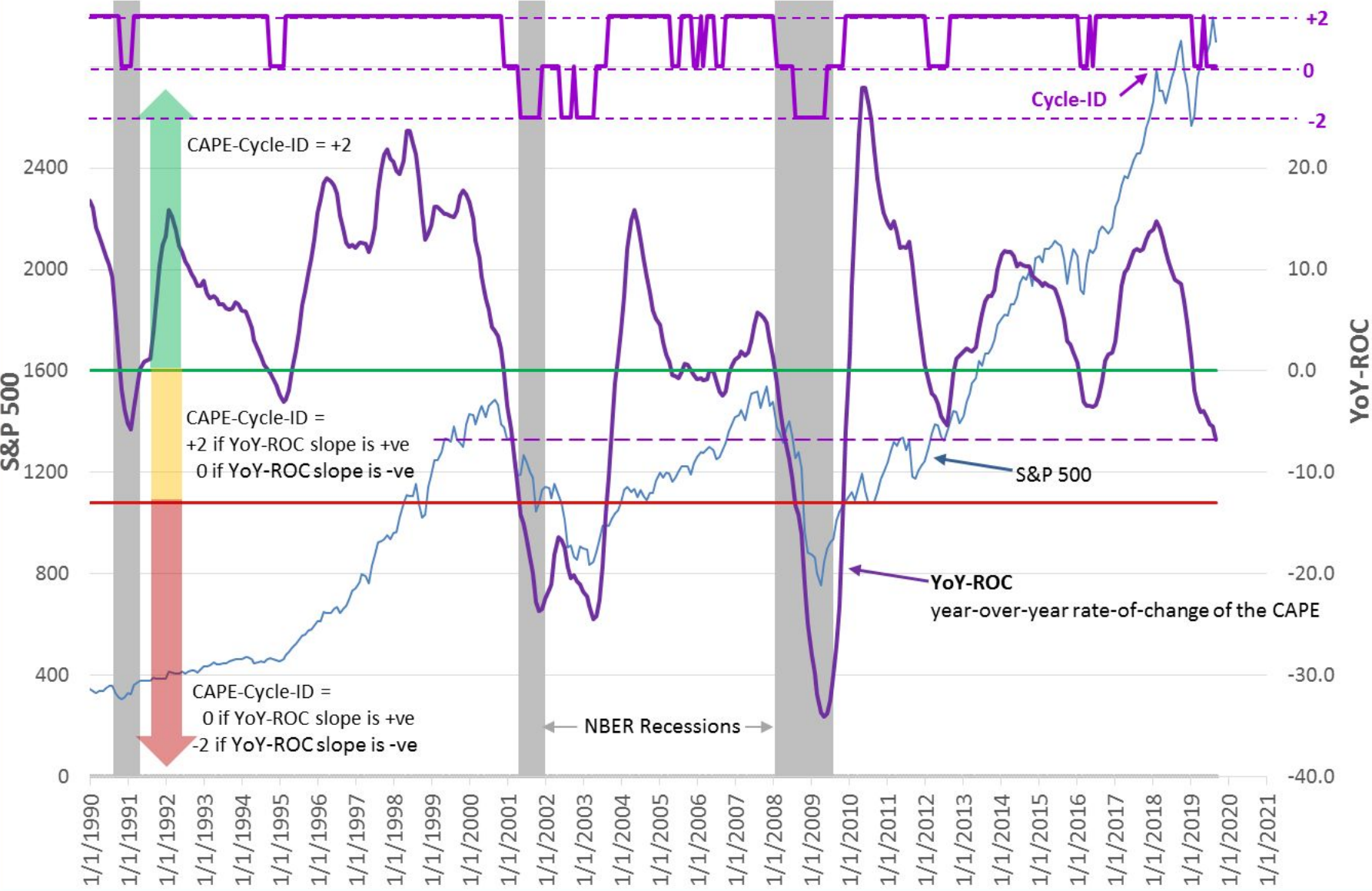


Fig 9.b Realized vs. Estimated Forward 10-year Annualized Real Returns of the S&P 500 from the CAPE-MA35 (CMA) Ratio Method

Estimated Forward 10-yr Returns are calculated from yearly regression equations, regressed on monthly data from Jan-1917 onward. updated to 8/31/2019 Last CAPE-MA35 ratio= 1.19, previous month= 1.25

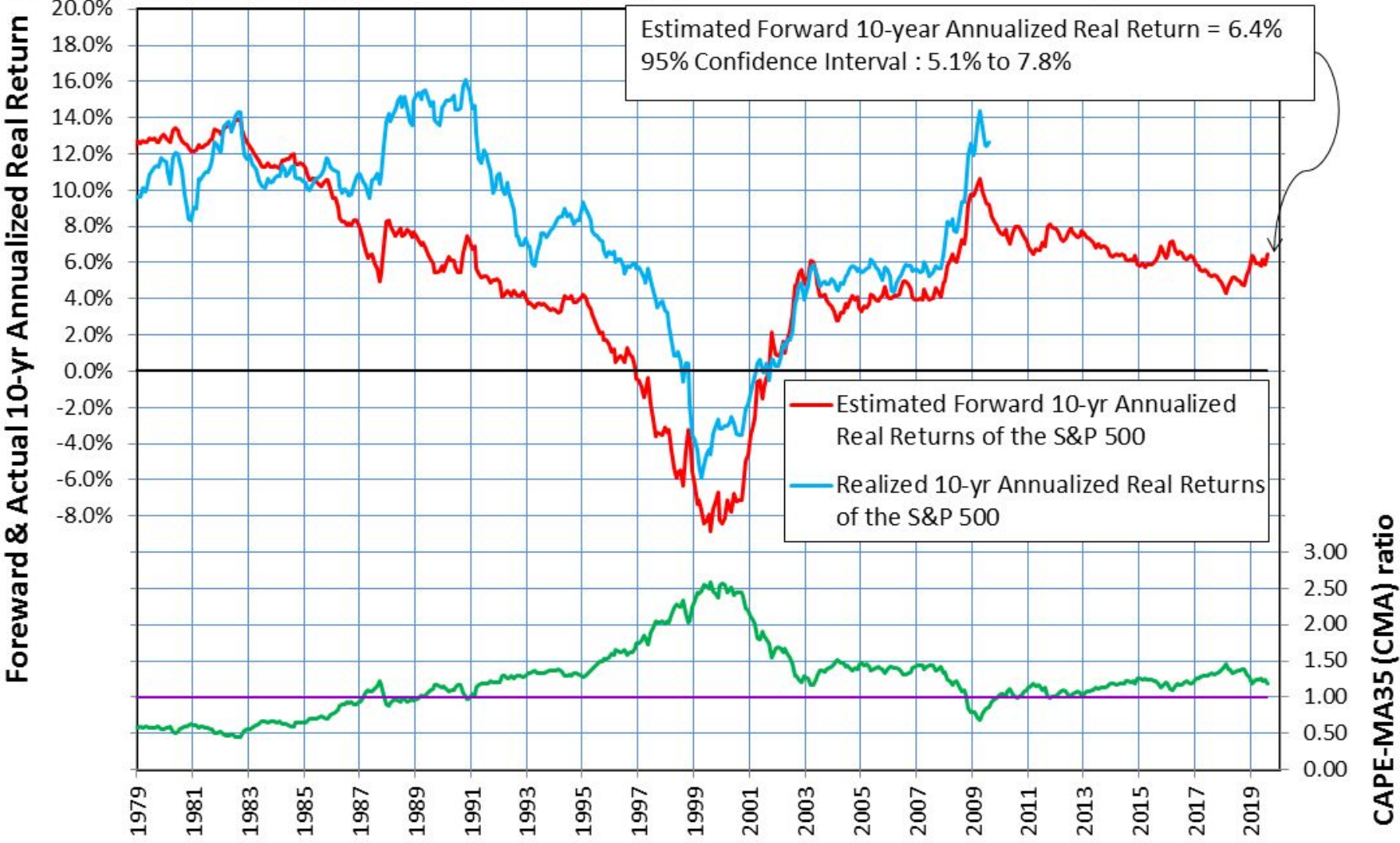
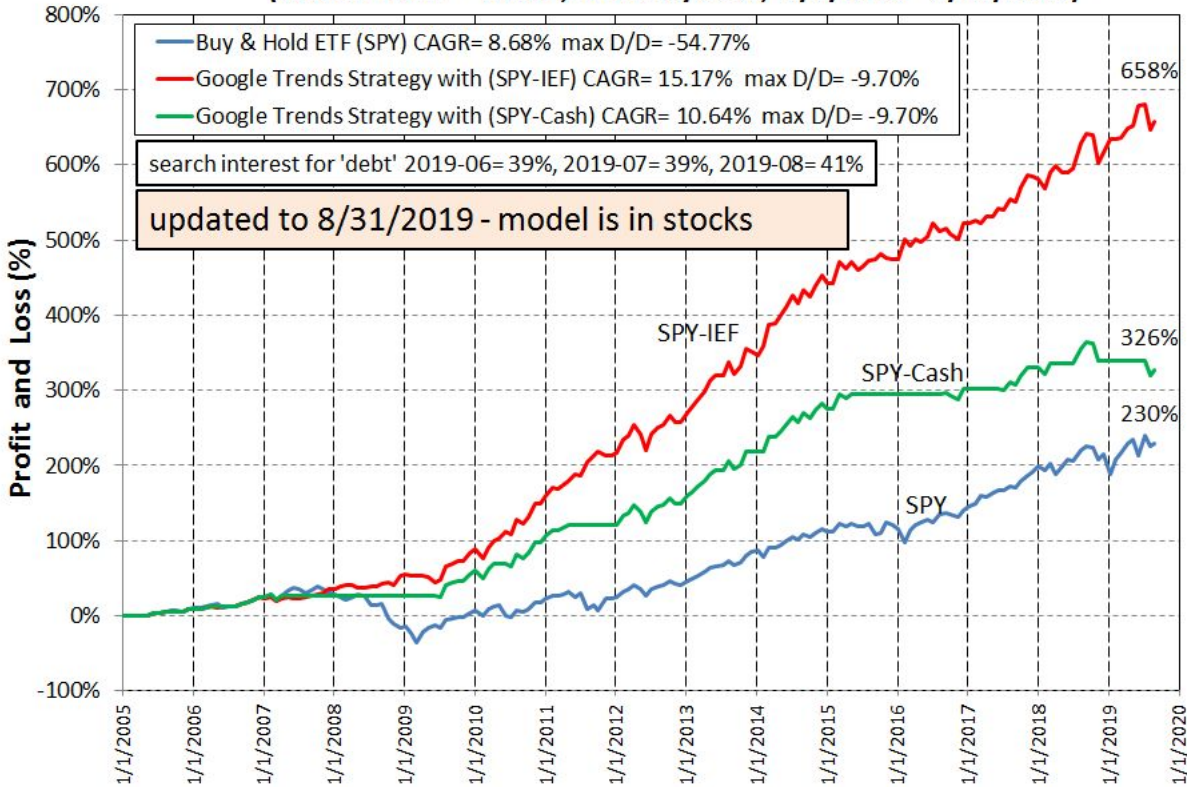
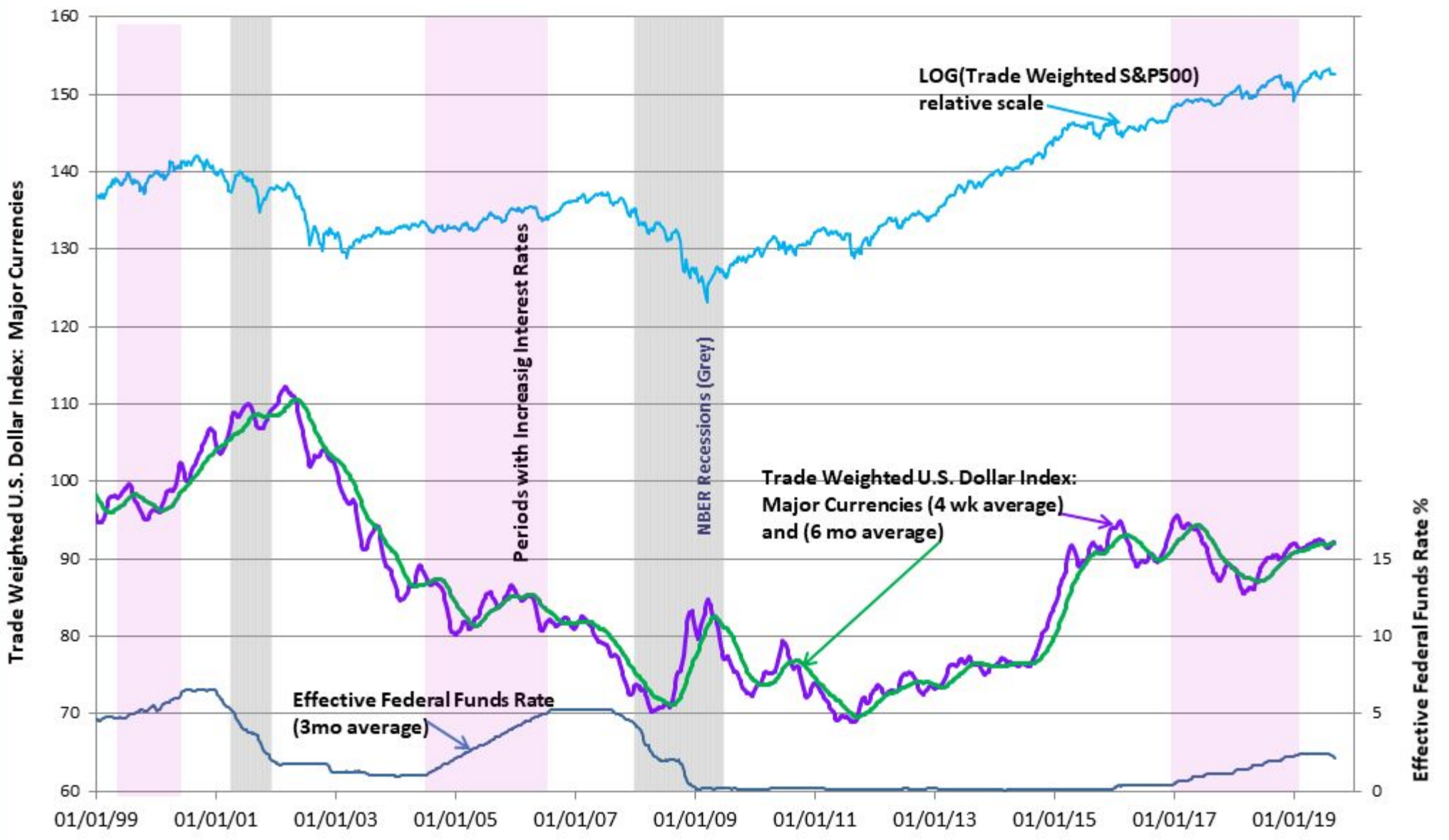


Figure-10: Cumulative Performance iM-GT Timer
 (Search Term = "debt", monthly data, 5/2/2005 - 8/31/2019)



Updated to Aug 29, 2019

Trade Weighted US Dollar and Interest Rates



TIAA Real Estate Account vs. Vanguard REIT Index Fund (VGSIX) 2000 - 2019

updated to 8/30/19, TIAAreal current 1-year rolling return=4.95%

