March 19, 2020

Business Cycle Index

The BCI at 255.7 is down from last week's downward revised 258.7, and is below the previous high for this business cycle indicated by the BCIp of 57.4. Also, the 6-month smoothed annualized growth BCIg at 7.4 is down from last week's 8.9. Please also refer to [this article] regarding the COVID-19 pandemic influences on the BCI

March 20, 2020

Market Signals Summary:

The 3-mo Hi-Lo Index is out of the market since 3/5/2020. Forward simulations show that both the MAC US and the MAC AU will switch out of the market next week The bond market model avoids high beta (long) bonds, and the yield curve is steepening and signaled a buy STPP. The Gold Coppock remains in gold but the iM-Gold Timer switched to cash, also the silver model is in cash.

The iM-GT Timer, based on Google Search Trends volume switched out of the markets on 3/5/2020.

Stock-markets:

Forward projections show that the MAC-US model will switched out of the markets next week. The sell-spread (red line) is below last week's value.

The 3-mo Hi-Lo Index of the of the S&P500 at -14.40% is below last week's -4.97%, and is out of the stock market since 3/5/2020. Also, on 3/12/2020 462 stocks of the S&P 500 registered a new 3-month low, a level not seen since 1999.

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

Forward projections show that the MAC-AU model will switch out of the markets next week. The sell-spread (red line) is below last week's value.

Recession:

The current level of iM-LLI is at plus 5.57 and is above last week's 5.43, hence this indicator signals that a recession is unlikely to begin during the next 8 months. The effect of the COVID-19 pandemic is not reflected in this series.

Figure 3.1 shows the recession indicator iM- BCIg is below last week's level. An imminent recession is not signaled The effect of the COVID-19 pandemic is not reflected in this series.

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.

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 is above last week's level. 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 March 2019 and is invested in gold.

The iM GOLD-TIMER Rev-1 is in cash since 3/16/2020.

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 4/3/2020)

March 6, 2020

Unemployment

The unemployment rate recession model (article link), has been updated with the January UER of 3.5%. The model does not 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 switched from 0 to +2 end of October-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.

Estimated Forward 10-Year Returns

The estimated forward 10year annualized real return decreased to 5.8% (previous 5.9) with a 95% confidence interval : 4.4% to 7.2 (previous 4.5% to 7.3%).

iM-GT Timer

The iM-GT Timer, based on Google Search Trends volume switched out of the markets on 3/5/2020. This indicator is described here.

Trade Weighted USD

Not included in this PDF. Will be updated later on the website, the weekly FRED data series we used was discontinued and replacement series is daily and runs from 2015. We need to adapt our software and graphics first.

TIAA Real Estate Account

The 1-year rolling return for the end of last month is 4.49%, down from last month. A sell signal is not imminent.

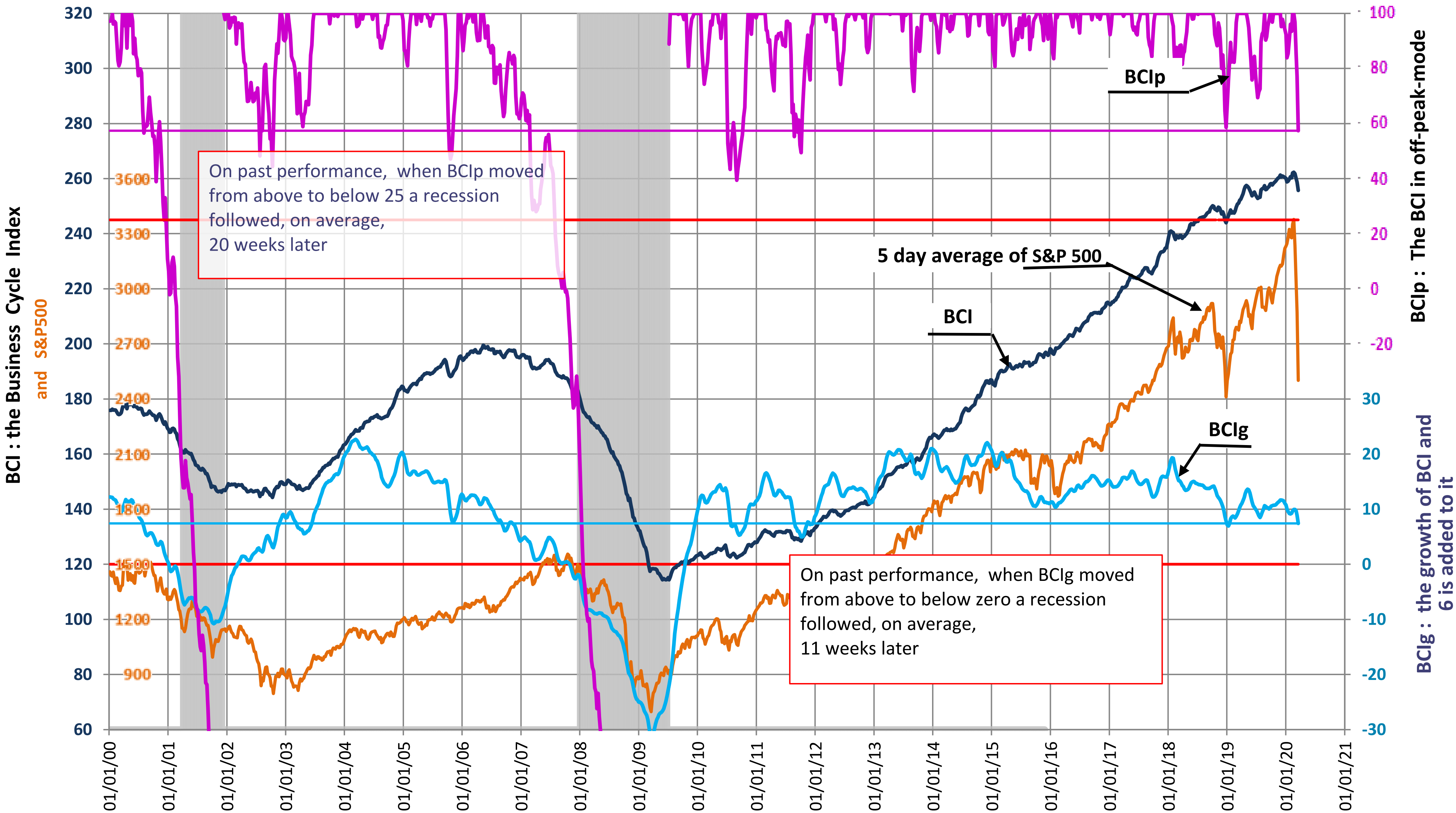
iM's Business Cycle Index (BCI)

iM imarketsignals.com

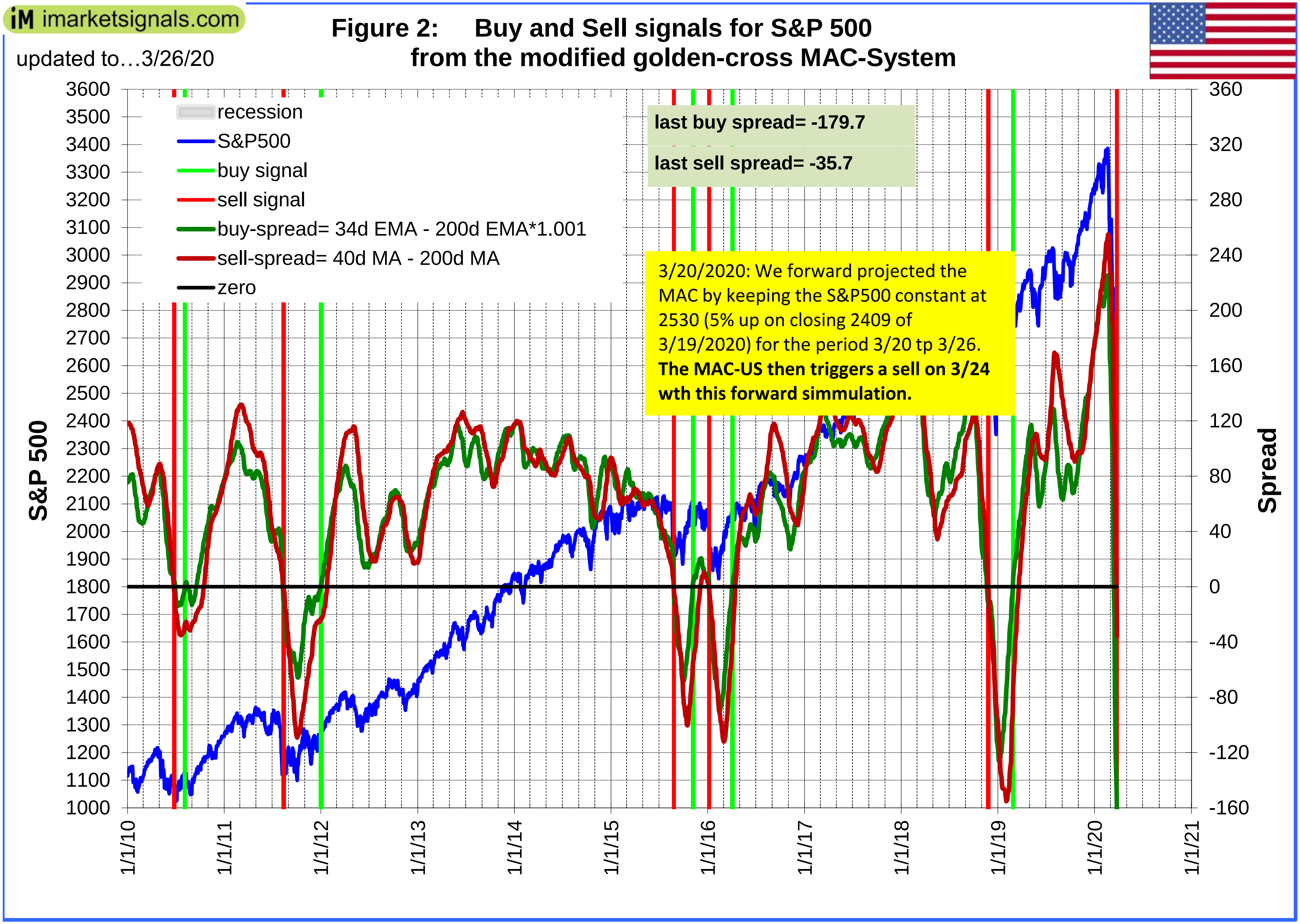
Date	02/20	02/27	03/05	03/12	**03/19**
BCIp	100.0	96.8	85.1	77.0	**57.4**
BCI	262.3	261.8	260.0	258.7	**255.7**
BCIg	9.9	10.0	9.7	8.9	**7.4**

BCIp, BCI and BCIg
updated to March 19, 2020

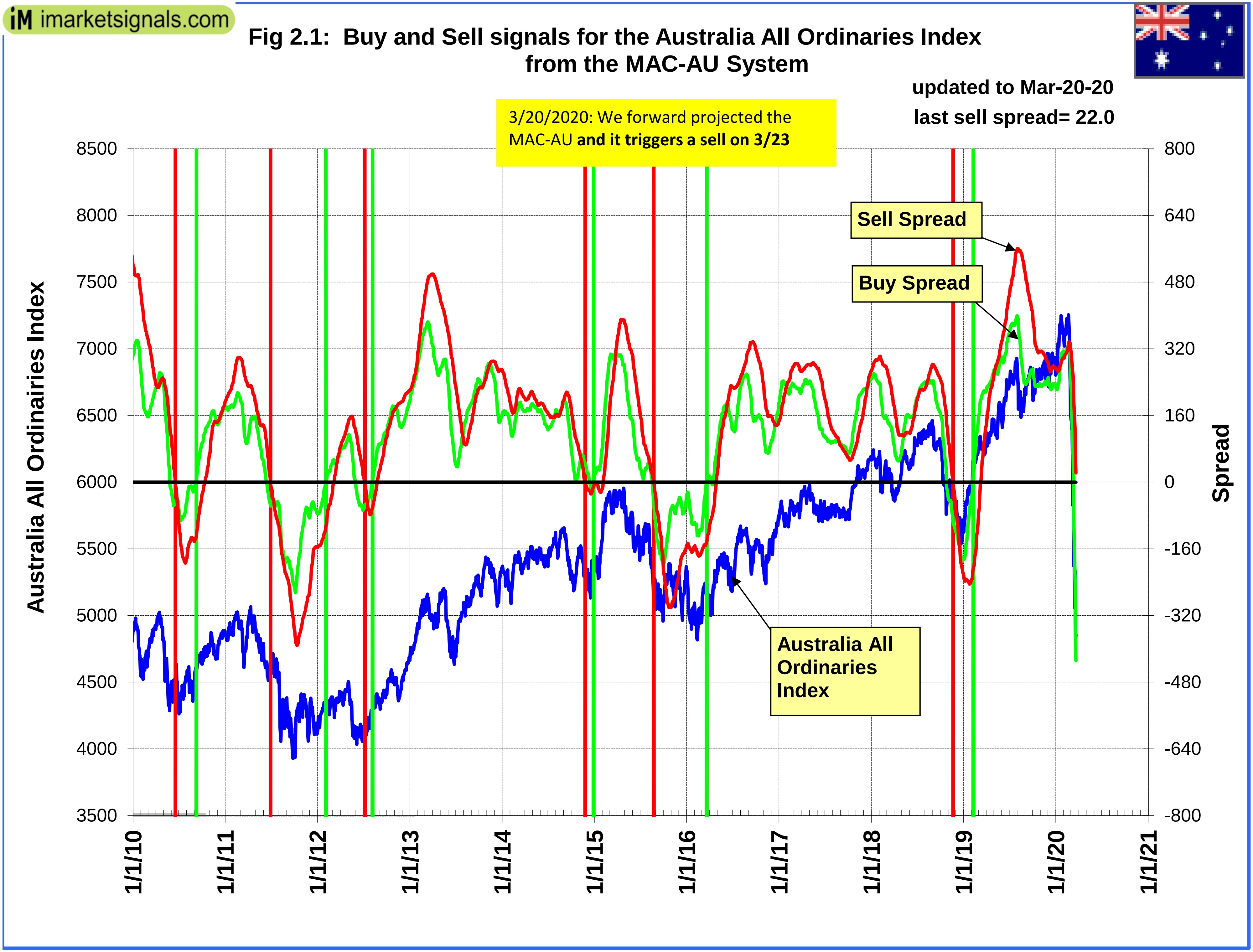
On past performance, BCIp = 100 can be interpreted as an average one year "time-to-live" to a recession.



Please note: Past performance does not guarantee future returns, investments may increase or decrease in value and you may lose money using this model.



2-MAC rev8-27-15.xlsb



iM imarketsignals.com
Fig 2.1: Buy and Sell signals for the Australia All Ordinaries Index
from the MAC-AU System
updated to Mar-20-20
last sell spread= 22.0
3/20/2020: We forward projected the MAC-AU and it triggers a sell on 3/23
Sell Spread
Buy Spread
Australia All Ordinaries Index
Australia All Ordinairies Index
Spread
8500
8000
7500
7000
6500
6000
5500
5000
4500
4000
3500
800
640
480
320
160
0
-160
-320
-480
-640
-800
1/1/10
1/1/11
1/1/12
1/1/13
1/1/14
1/1/15
1/1/16
1/1/17
1/1/18
1/1/19
1/1/20
1/1/21

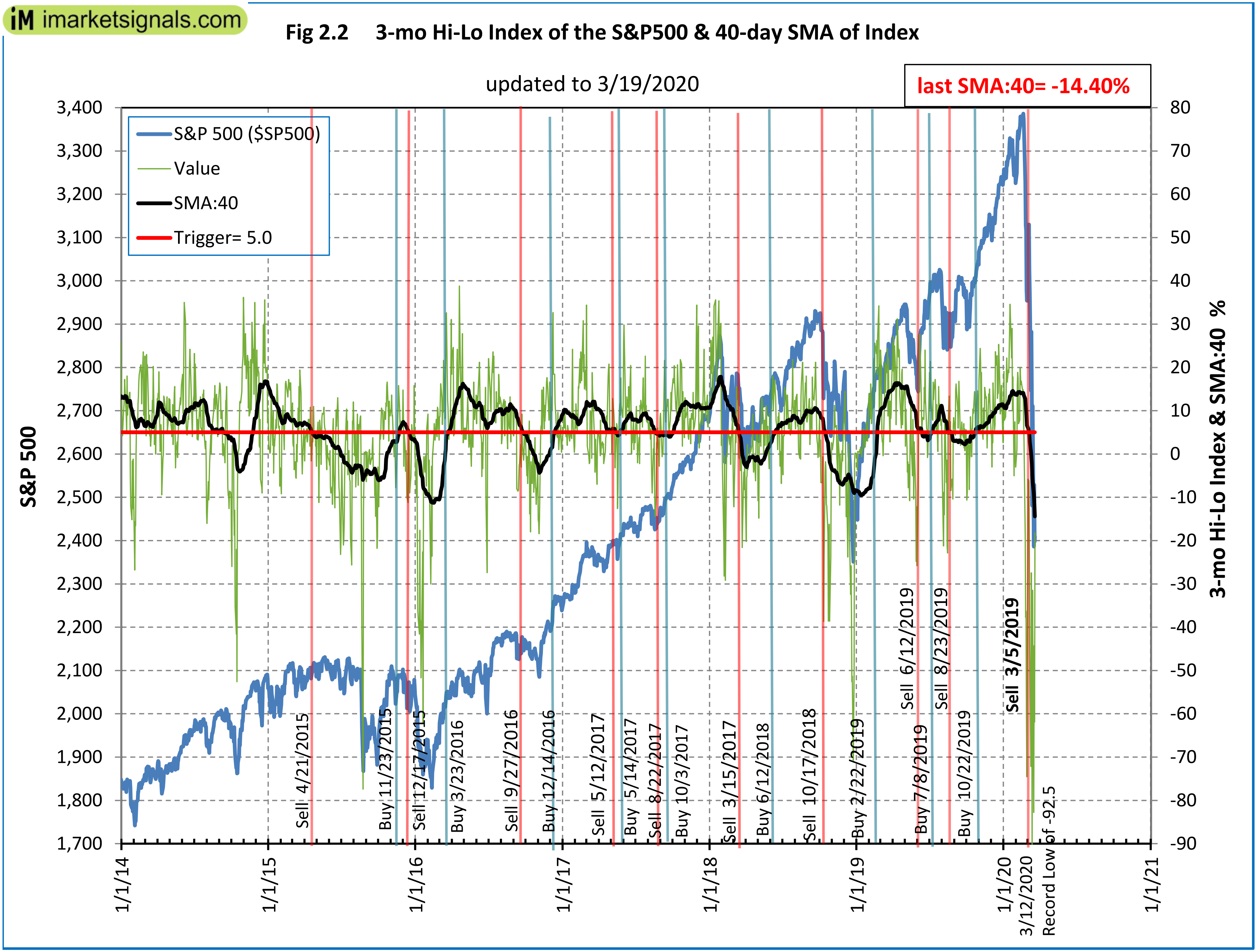
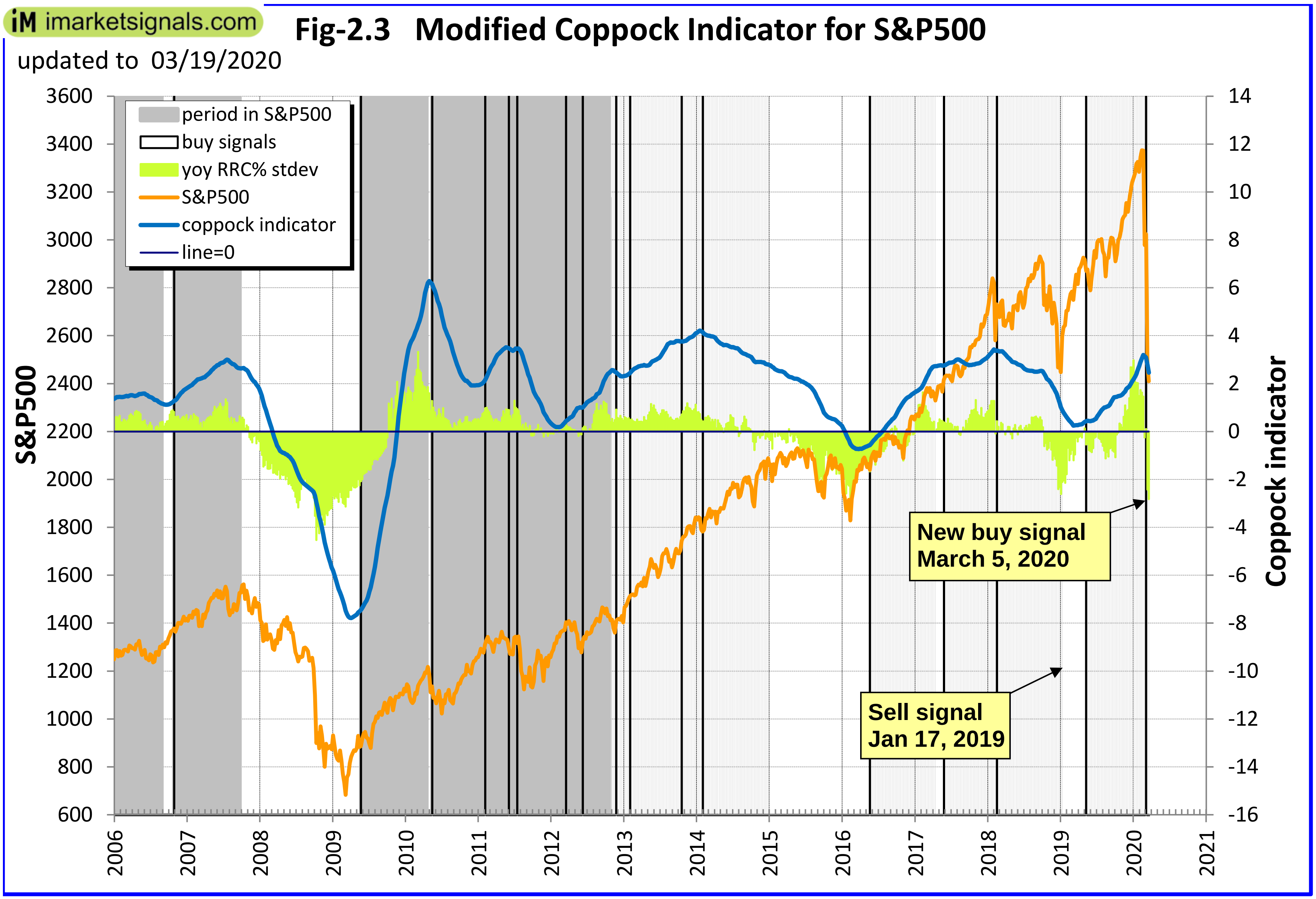
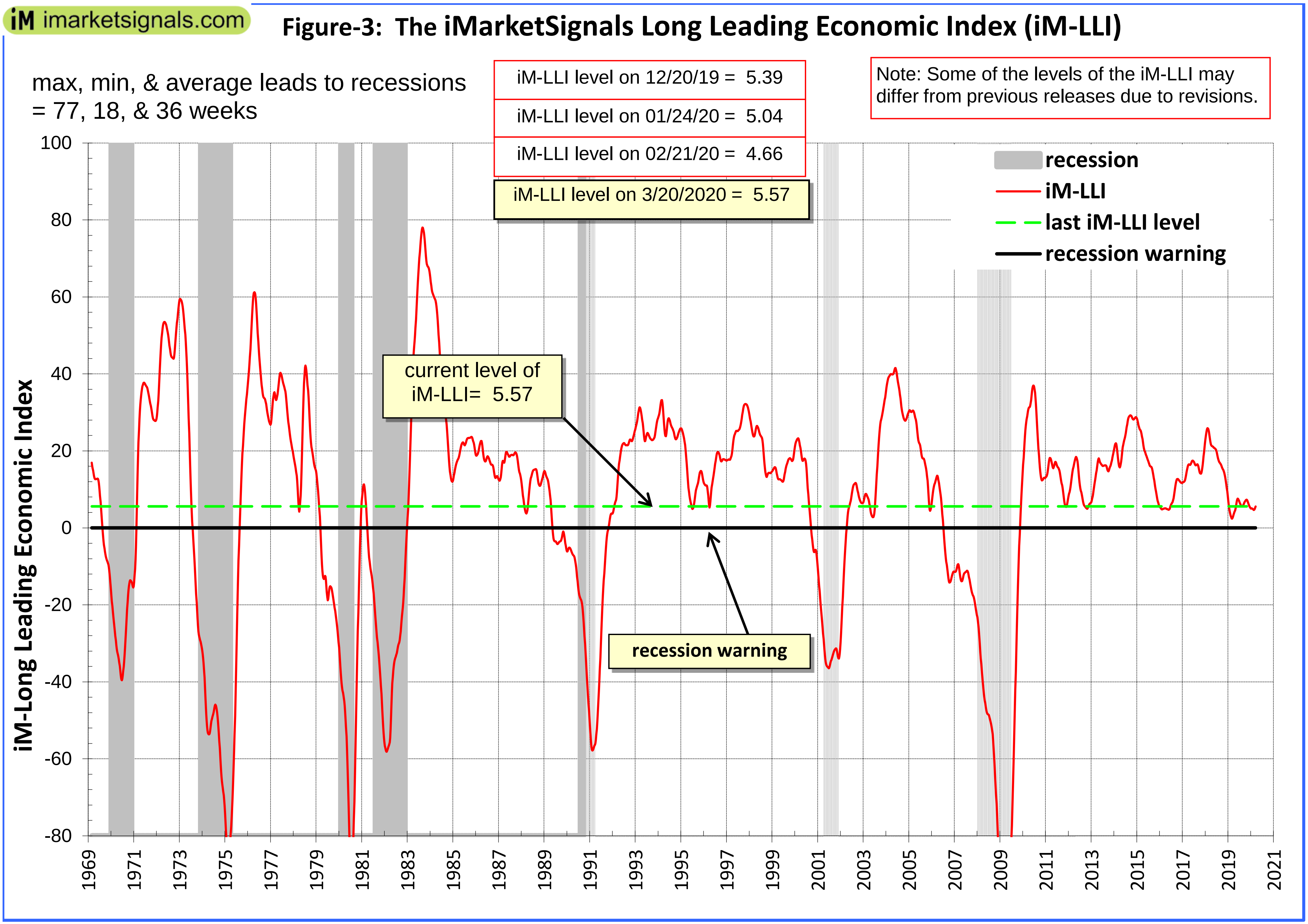


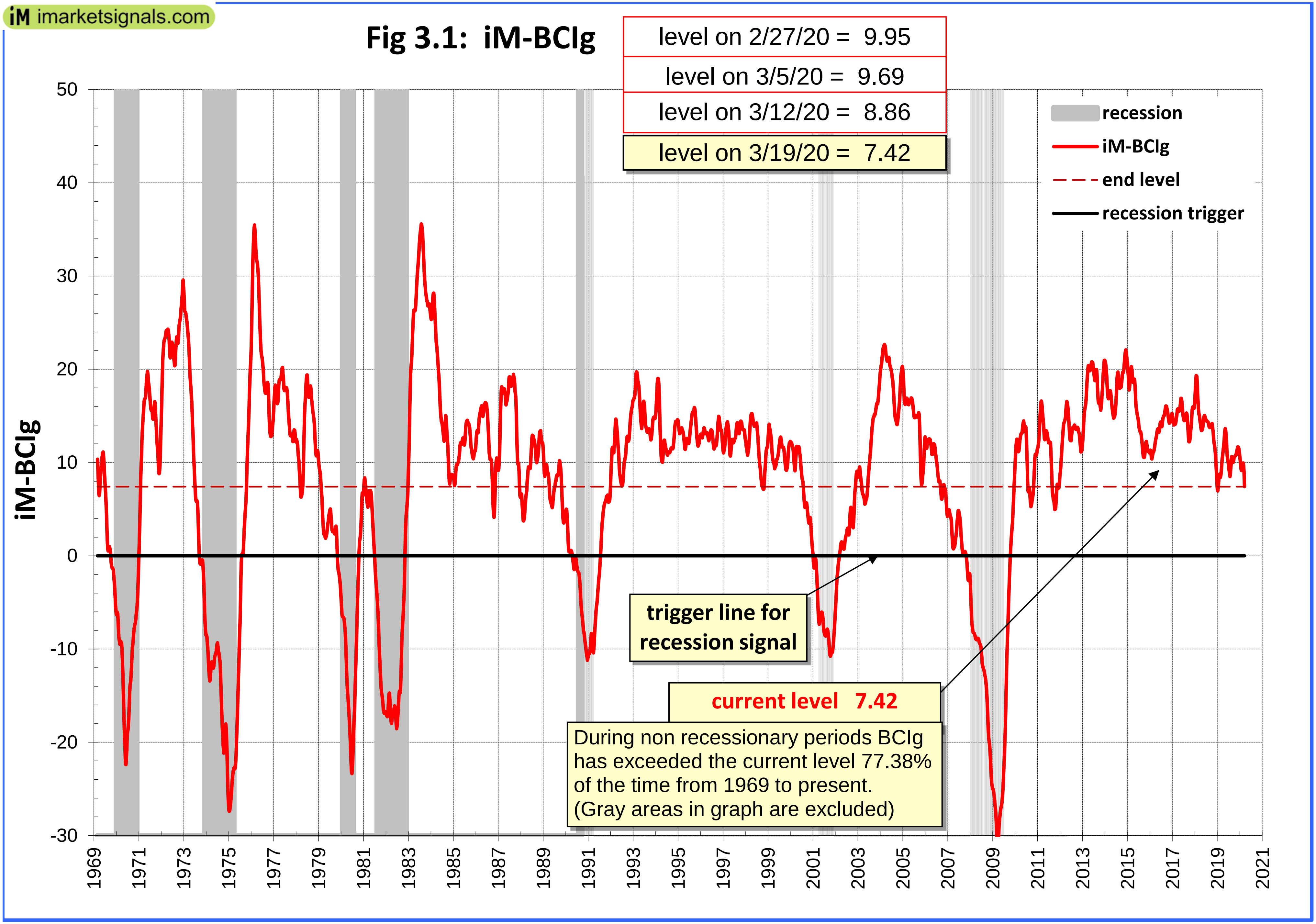
Fig 2.2 3-mo Hi-Lo Index of the S&P500 & 40-day SMA of Index



iM imarketsignals.com
Fig-2.3 Modified Coppock Indicator for S&P500
updated to 03/19/2020
period in S&P500
buy signals
yoy RRC% stdev
S&P500
coppock indicator
line=0
S&P500
Coppock indicator
New buy signal
March 5, 2020
Sell signal
Jan 17, 2019
3600
3400
3200
3000
2800
2600
2400
2200
2000
1800
1600
1400
1200
1000
800
600
14
12
10
8
6
4
2
0
-2
-4
-6
-8
-10
-12
-14
-16
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021



3-iM-Li-SLI-bci.xlsb



BCIg Toni.xlsb

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);

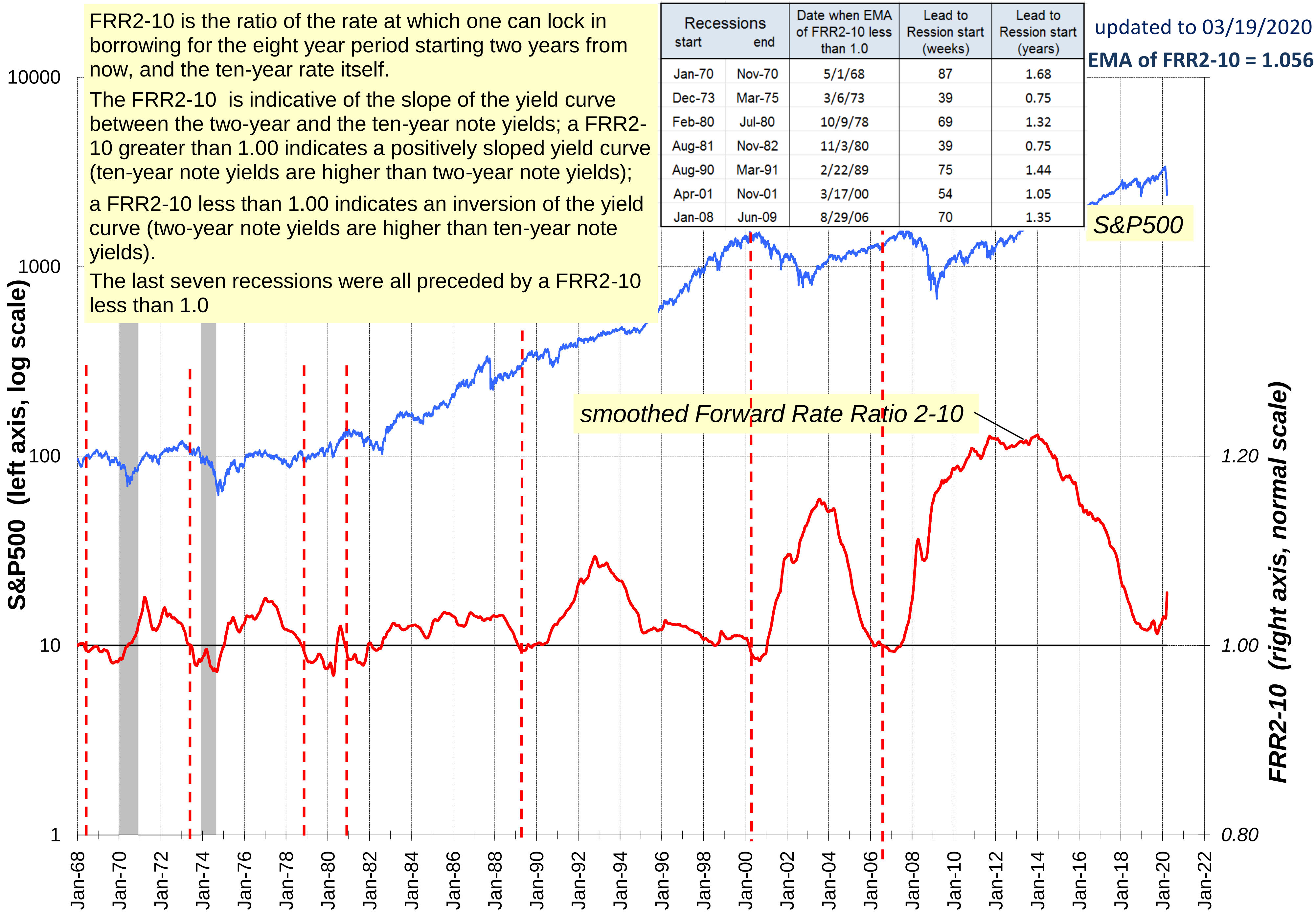
a FRR2-10 less than 1.00 indicates an inversion of the yield curve (two-year note yields are higher than ten-year note yields).

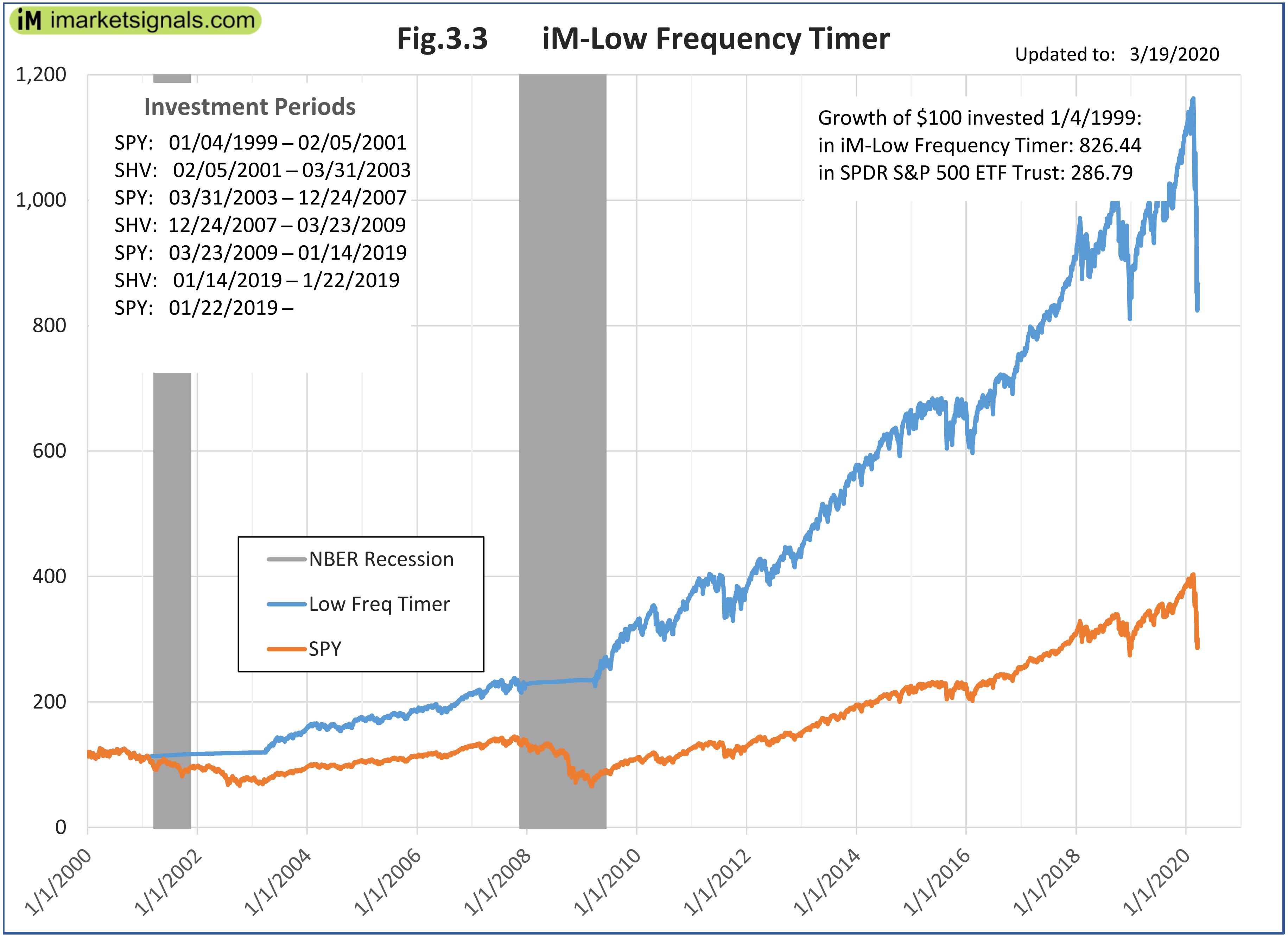
The last seven recessions were all preceded by a FRR2-10 less than 1.0

Recessions start	Recessions end	Date when EMA of FRR2-10 less than 1.0	Lead to 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 03/19/2020

EMA of FRR2-10 = 1.056




iM imarketsignals.com
Fig.3.3 iM-Low Frequency Timer
Updated to: 3/19/2020
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: 826.44
in SPDR S&P 500 ETF Trust: 286.79
NBER Recession
Low Freq Timer
SPY
1,200
1,000
800
600
400
200
0
1/1/2000
1/1/2002
1/1/2004
1/1/2006
1/1/2008
1/1/2010
1/1/2012
1/1/2014
1/1/2016
1/1/2018
1/1/2020

Note: Past performance does not guarantee future returns, investments may increase or decrease in value and you may lose money using this model.

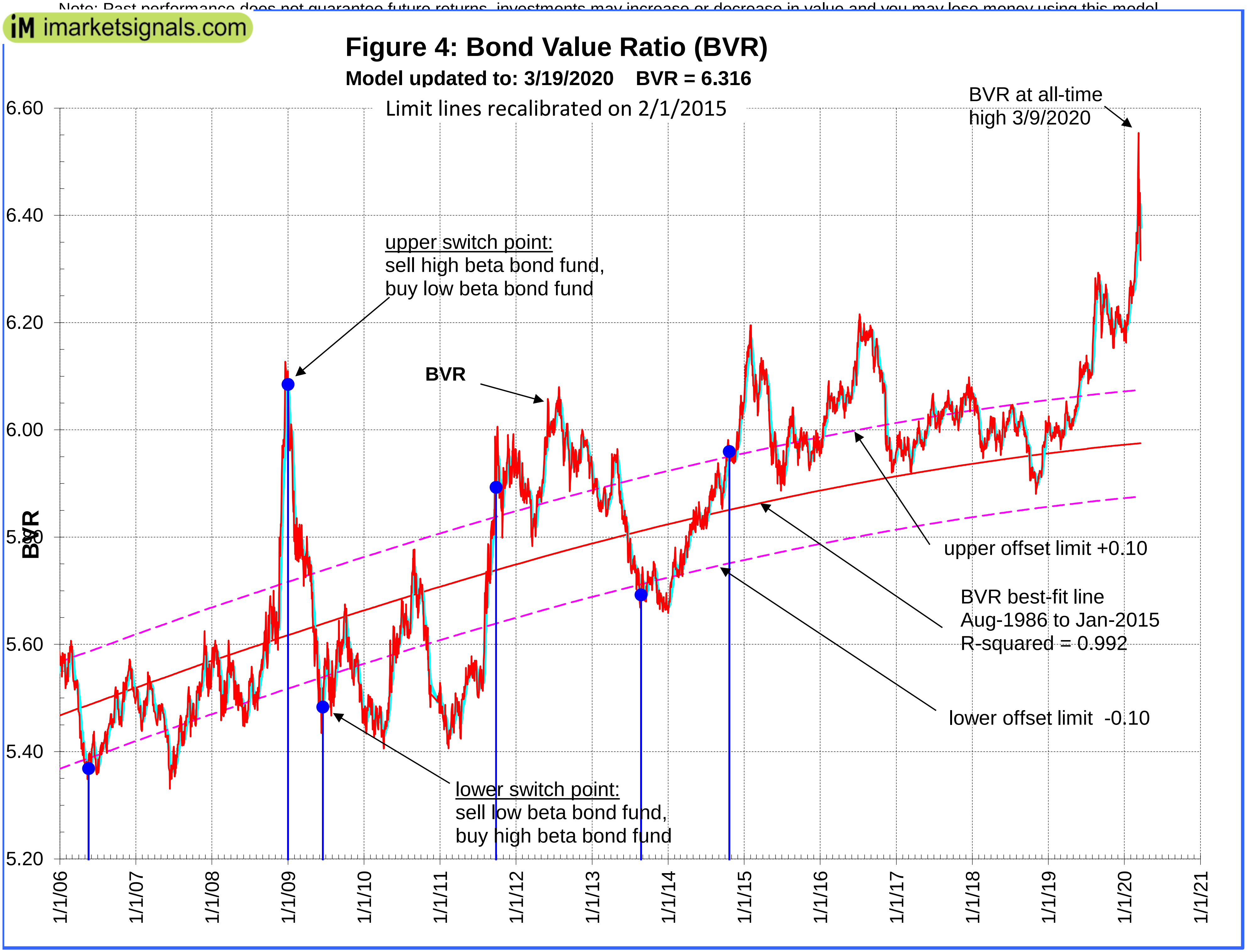


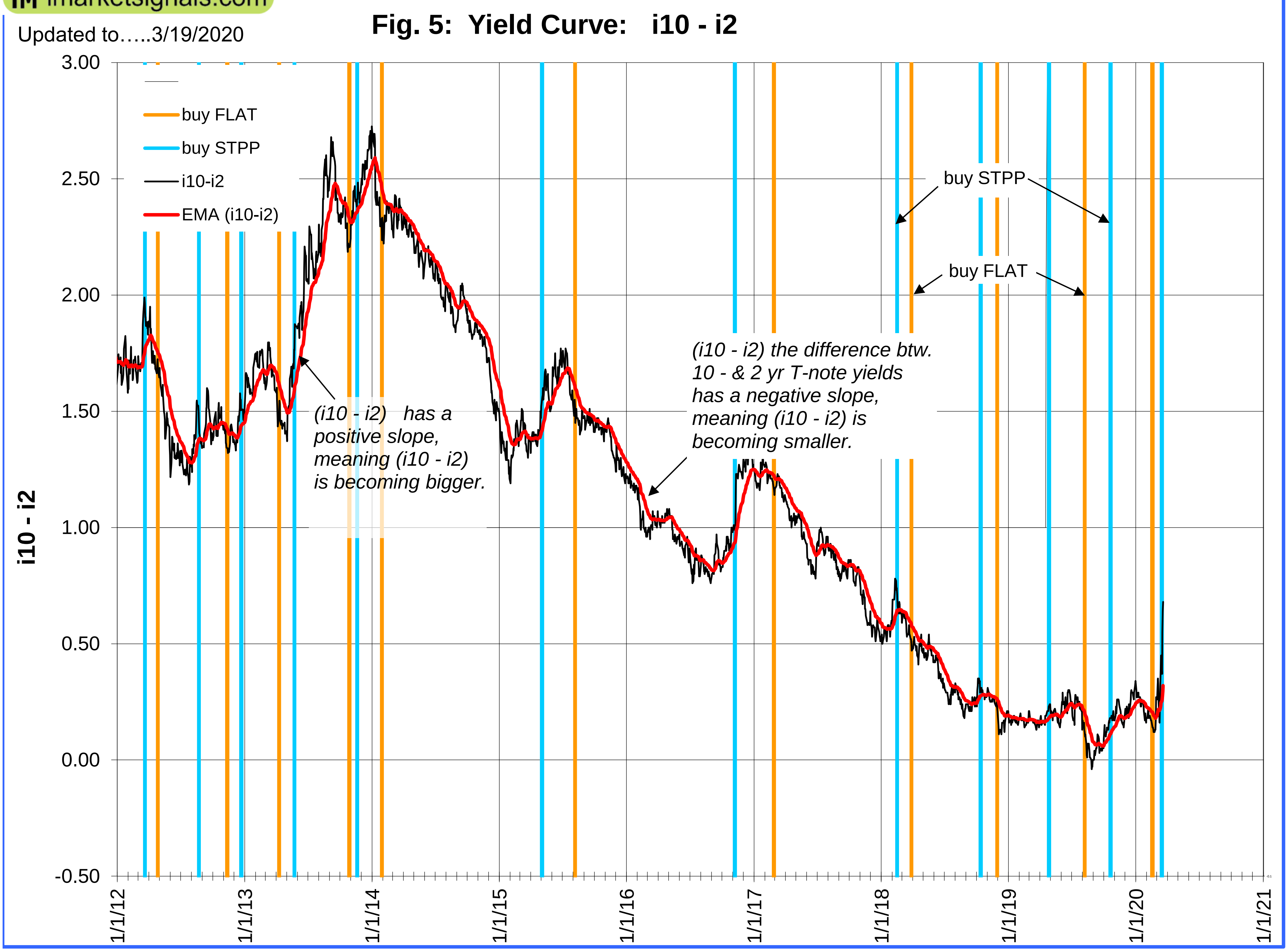
Figure 4: Bond Value Ratio (BVR)

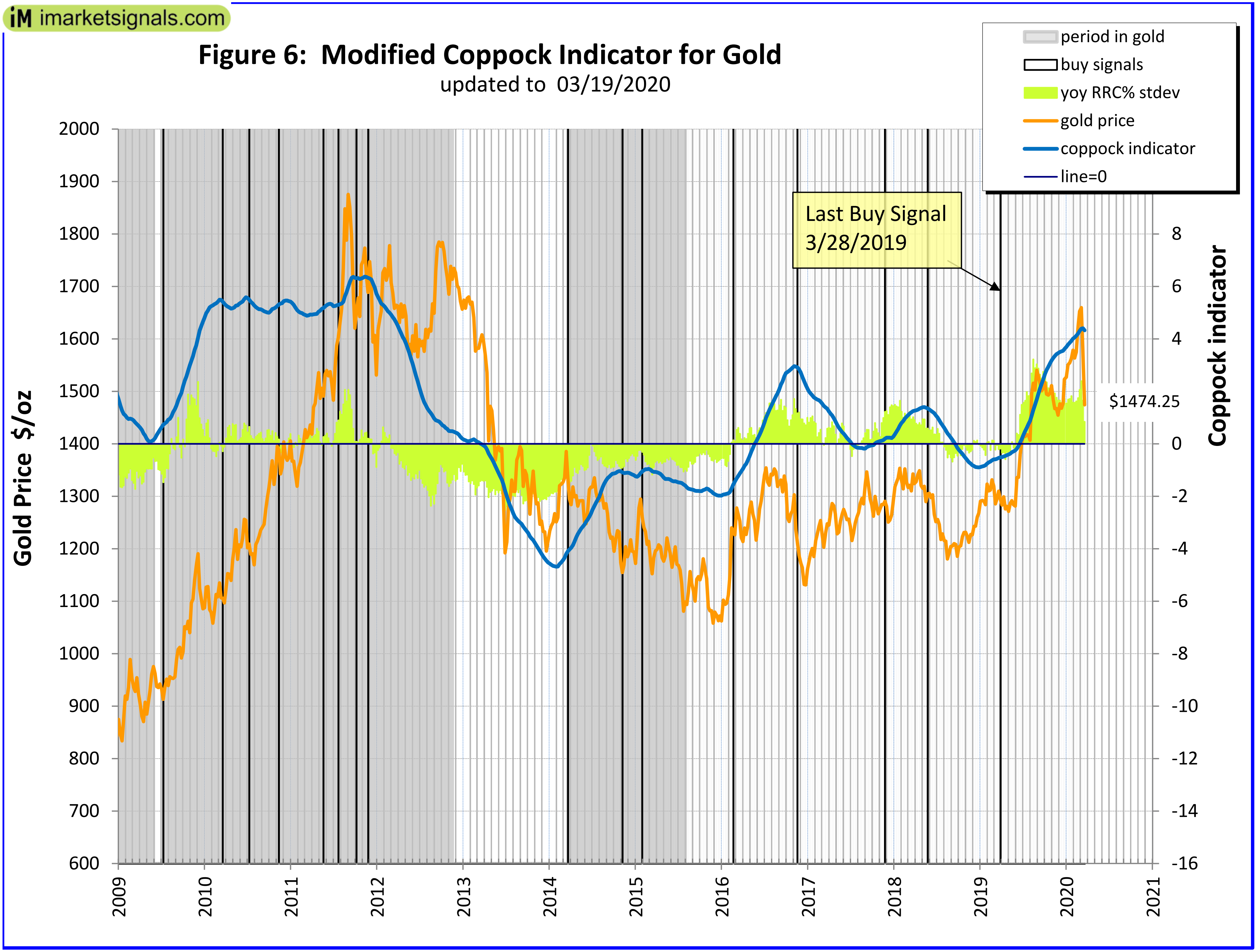
4-BVR recalibrated.xlsb BVR

Note: Past performance does not guarantee future returns, investments may increase or decrease in value and you may lose money using this model.

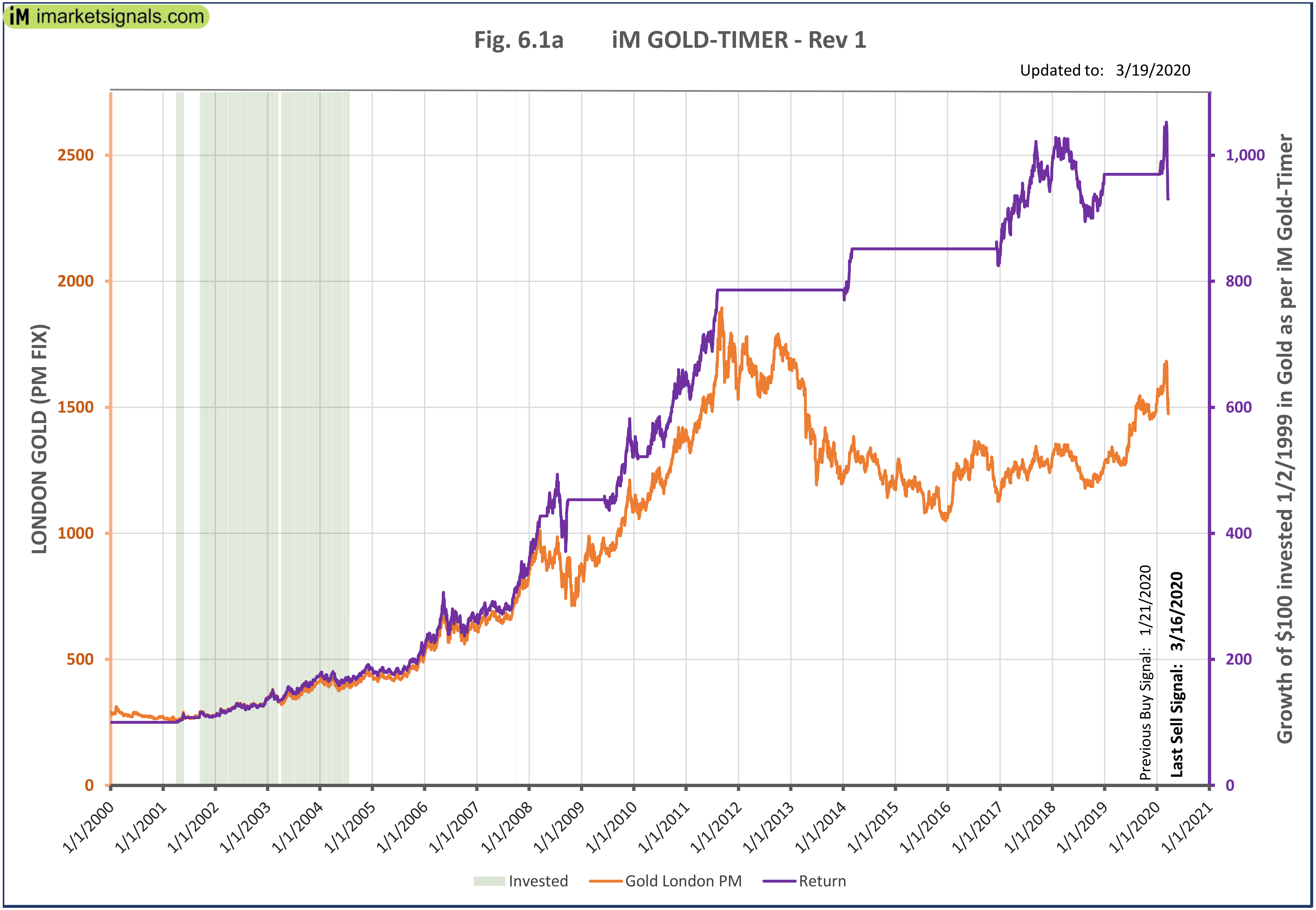
iM imarketsignals.com

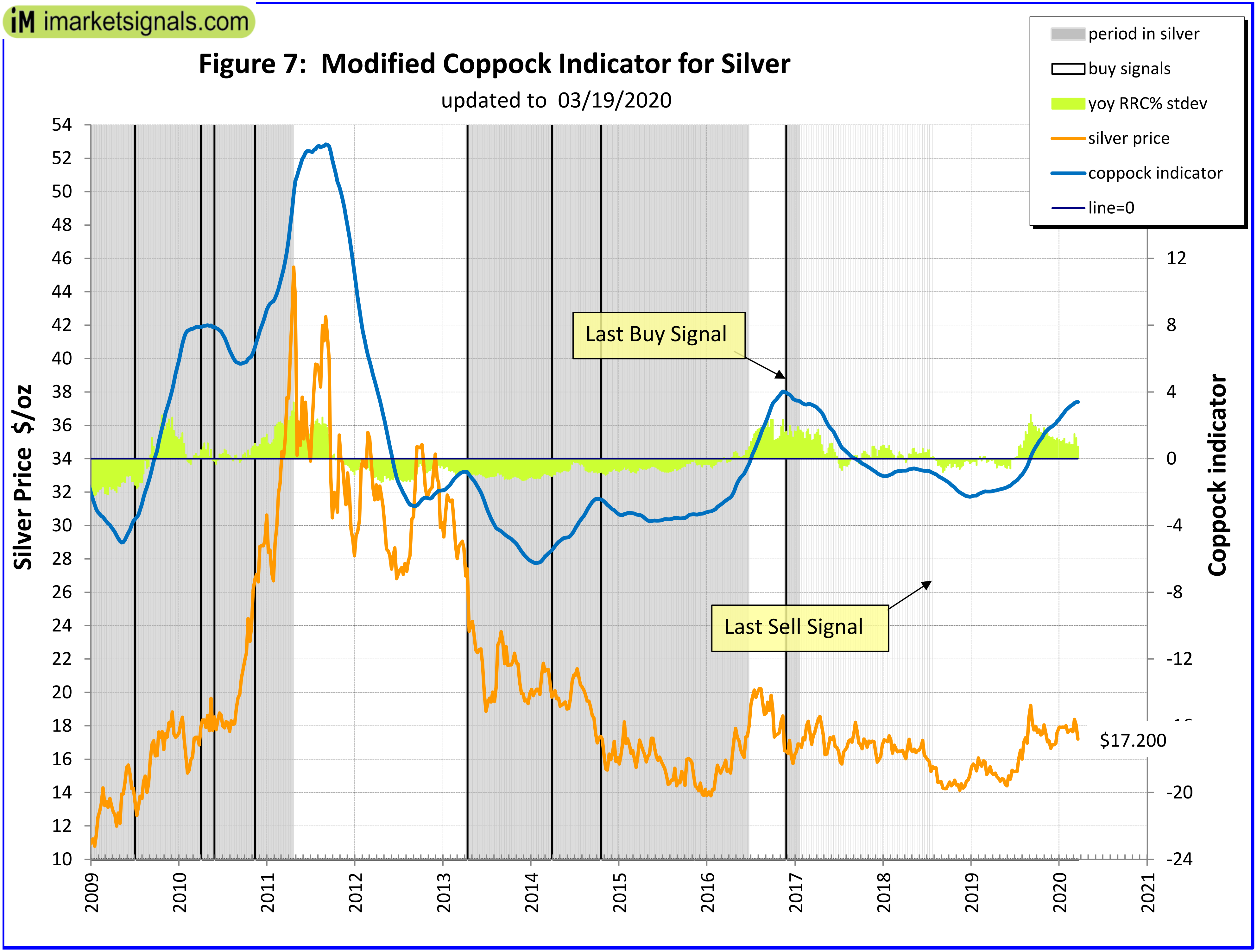
Updated to…..3/19/2020





6-COPPOCK GOLD for updates.xlsm


iM imarketsignals.com
Fig. 6.1a iM GOLD-TIMER - Rev 1
Updated to: 3/19/2020
LONDON GOLD (PM FIX)
Growth of $100 invested 1/2/1999 in Gold as per iM Gold-Timer
Previous Buy Signal: 1/21/2020
Last Sell Signal: 3/16/2020
0
500
1000
1500
2000
2500
0
200
400
600
800
1,000
1/1/2000
1/1/2001
1/1/2002
1/1/2003
1/1/2004
1/1/2005
1/1/2006
1/1/2007
1/1/2008
1/1/2009
1/1/2010
1/1/2011
1/1/2012
1/1/2013
1/1/2014
1/1/2015
1/1/2016
1/1/2017
1/1/2018
1/1/2019
1/1/2020
1/1/2021
Invested
Gold London PM
Return



imarketsignals.com
Figure 7: Modified Coppock Indicator for Silver
updated to 03/19/2020
period in silver
buy signals
yoy RRC% stdev
silver price
coppock indicator
line=0
Last Buy Signal
Last Sell Signal
$17.200
Silver Price $/oz
Coppock indicator
54
52
50
48
46
44
42
40
38
36
34
32
30
28
26
24
22
20
18
16
14
12
10
12
8
4
0
-4
-8
-12
-20
-24
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021