

March 12, 2020

Business Cycle Index

The BCI at 259.0 is down from last week's 260.6, and is below the previous high for this business cycle indicated by the BCIp of 75.0. Also, the 6-month smoothed annualized growth BCIG at 9.0 is down from last week's 9.9. Please also refer to [this article](#) regarding the COVID-19 pandemic influences on the BCI

March 13, 2020

Market Signals Summary:

The 3-mo Hi-Lo Index is out of the market since 3/5/2020, the other US macro models remain in the stock market as well as the Australian MAC-AU. The recession indicators iM-LLI and iM-BCIG do not signal a recession. The bond market model avoids high beta (long) bonds, and the yield curve is flattening and a buy FLAT was generated 2/21/2020 and the BVR reached a new record high on 3/5/2020. The Gold Coppock and iM-Gold Timer remains invested in gold, however 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:

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.

The [3-mo Hi-Lo Index](#) of the S&P500 at -4.97% is below last week's level of 4.35%, 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

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

Recession:

The current level of iM-LLI is at plus 5.43 and is above last week's 5.02, 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 again at a new 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 invested in gold since 1/21/2020.

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 10-year 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

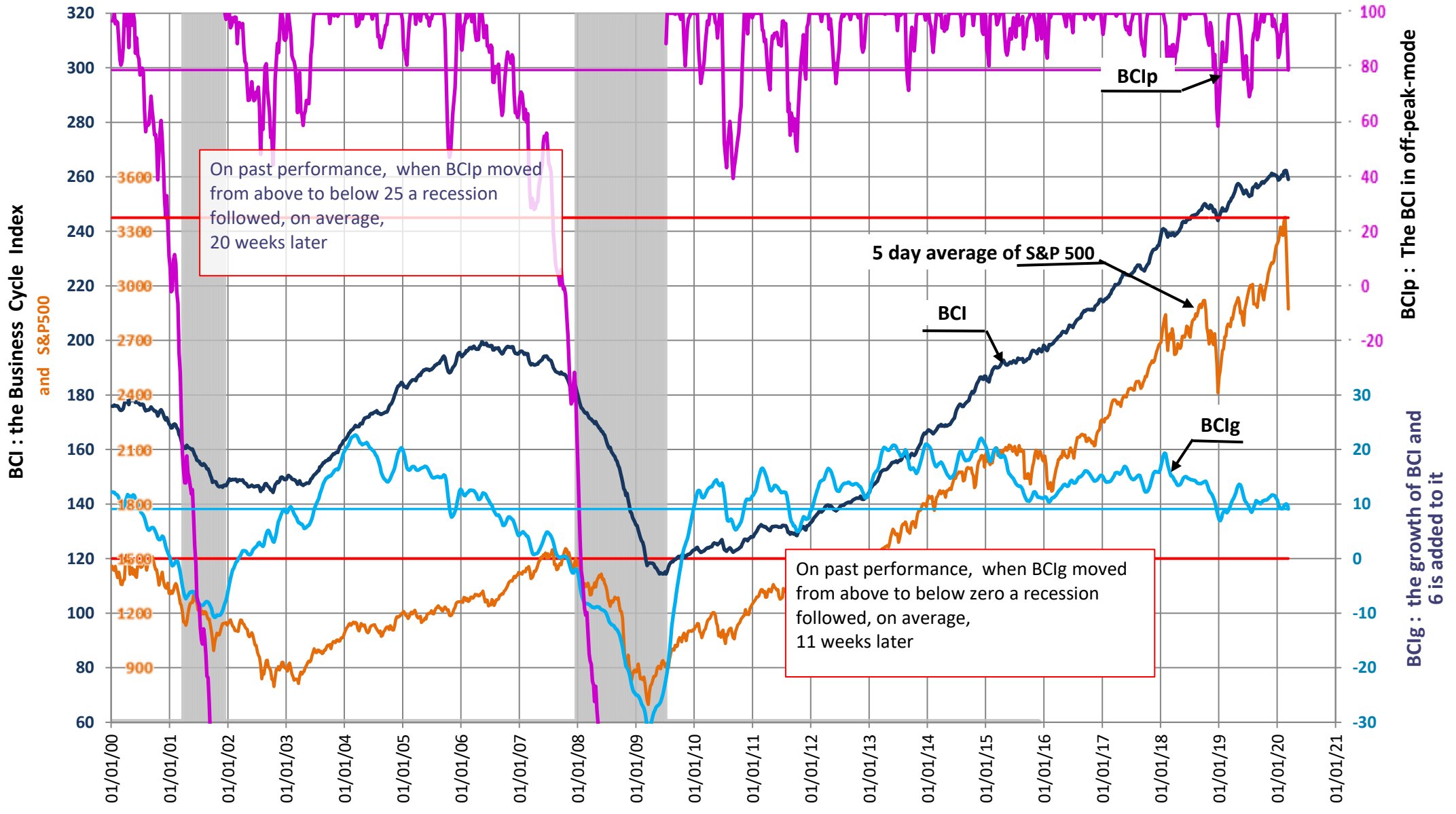
The 1-year rolling return for the end of last month is 4.49%, down from last month. A sell signal is not imminent.

iM's Business Cycle Index (BCI)

Date	02/13	02/20	02/27	03/05	03/12
BCIp	100.0	100.0	100.0	89.1	79.2
BCI	262.0	262.3	262.3	260.6	259.0
BCIg	9.6	9.9	10.0	9.9	9.1

BCIp, BCI and BCIG
updated to March 12, 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.

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



updated to...3/12/20

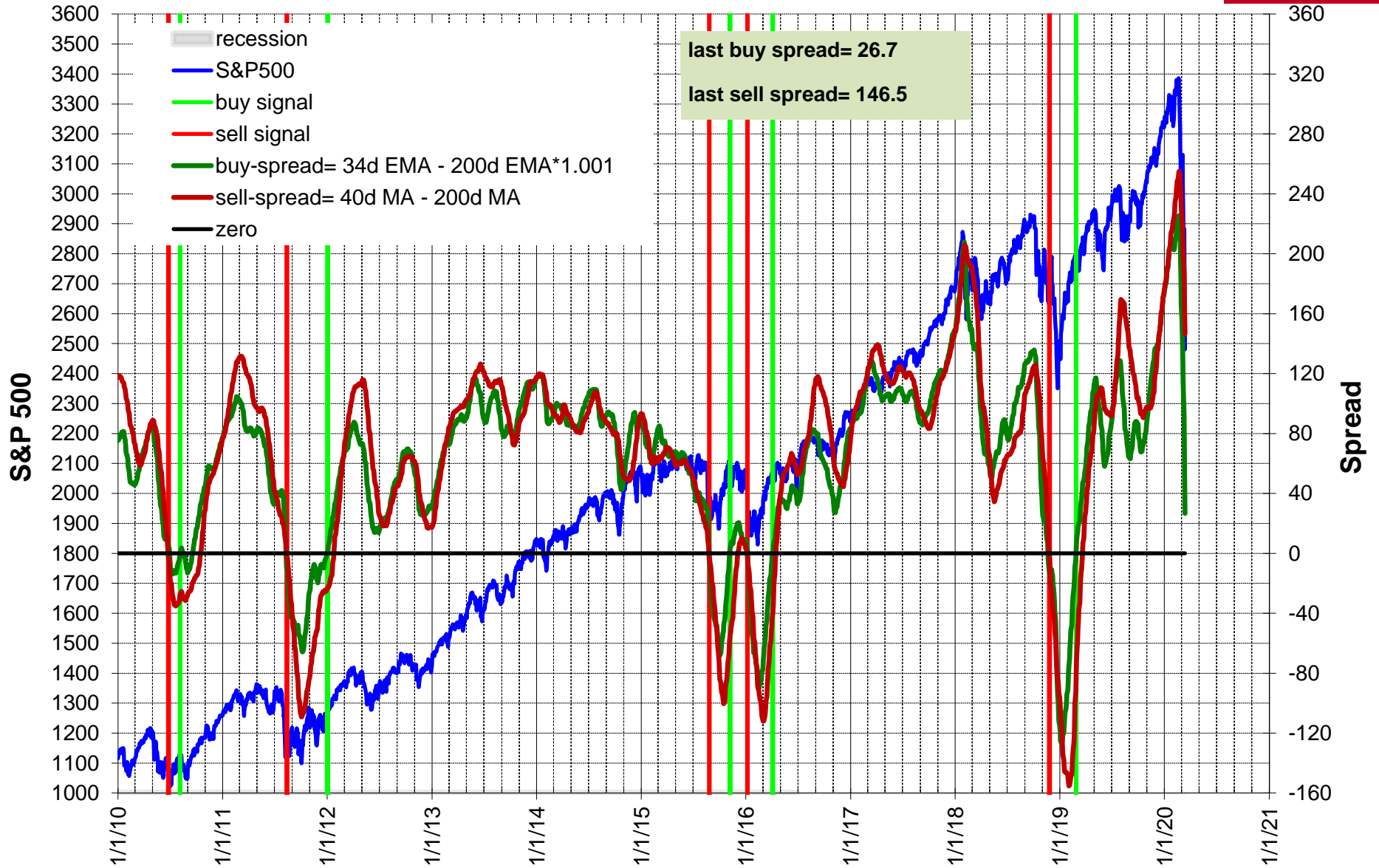


Fig 2.1: Buy and Sell signals for the Australia All Ordinaries Index from the MAC-AU System



updated to Mar-13-20
last sell spread= 176.9

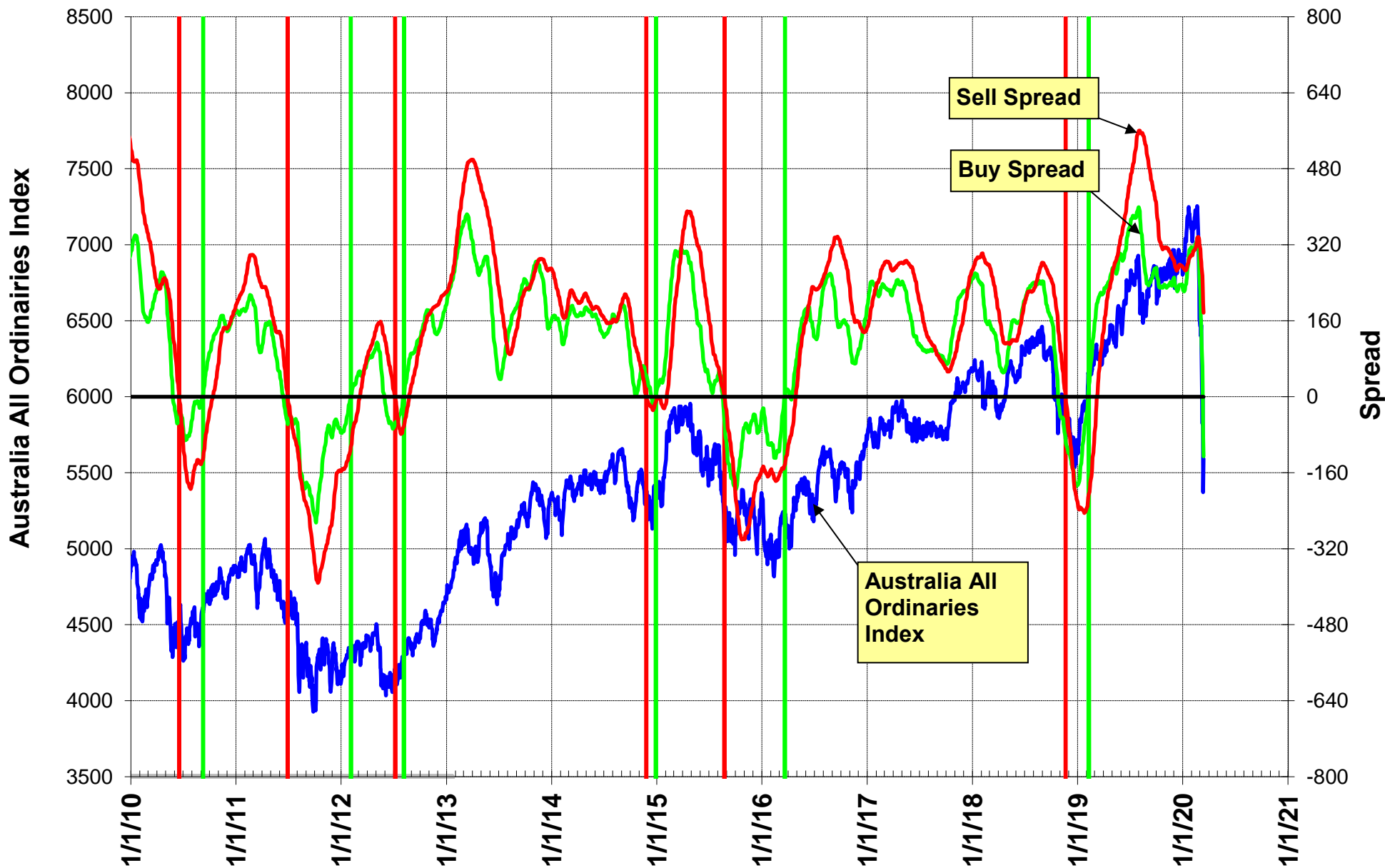


Fig 2.2 3-mo Hi-Lo Index of the S&P500 & 40-day SMA of Index

updated to 3/12/2020

last SMA:40= -4.97%

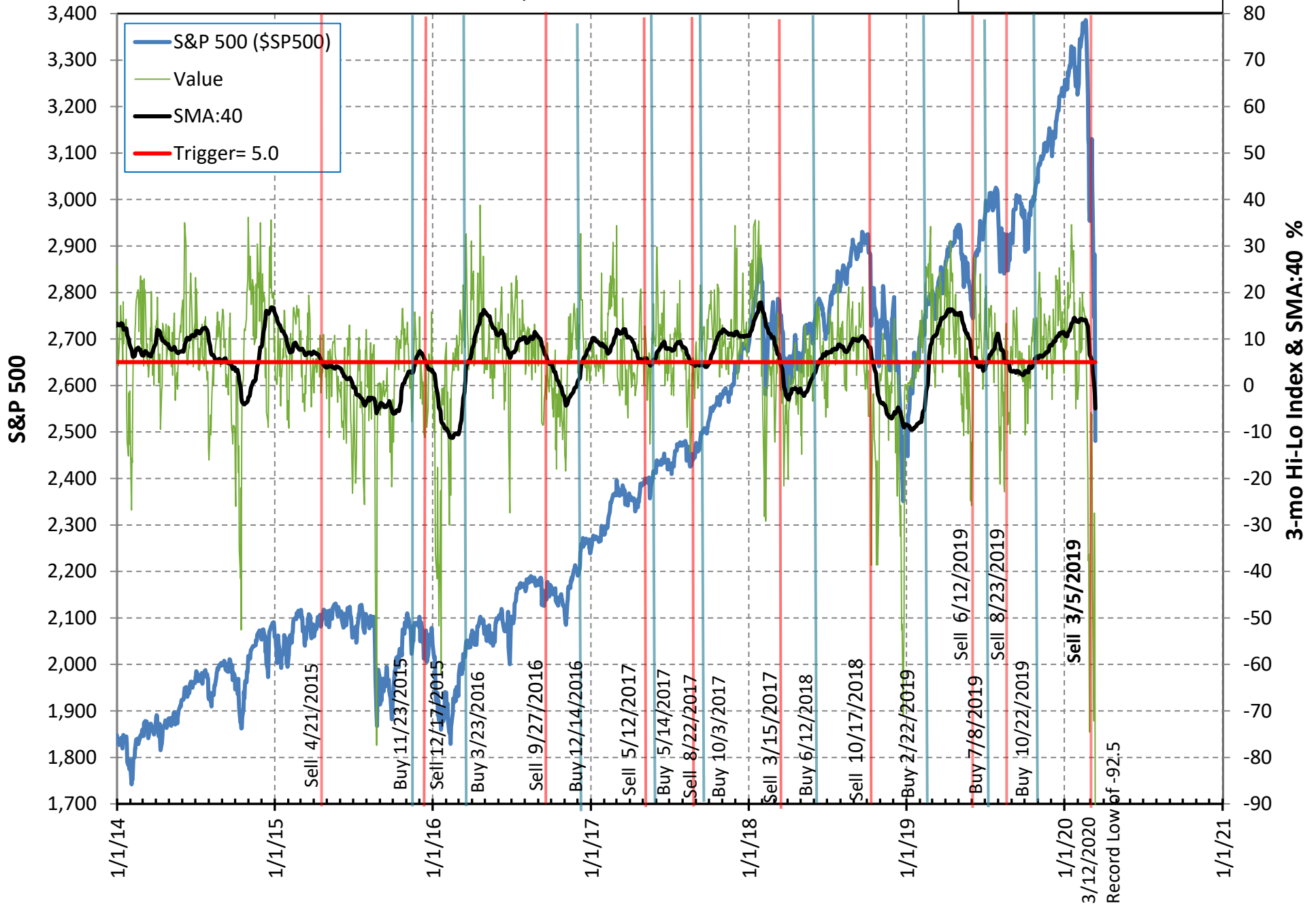


Fig-2.3 Modified Coppock Indicator for S&P500

updated to 03/12/2020

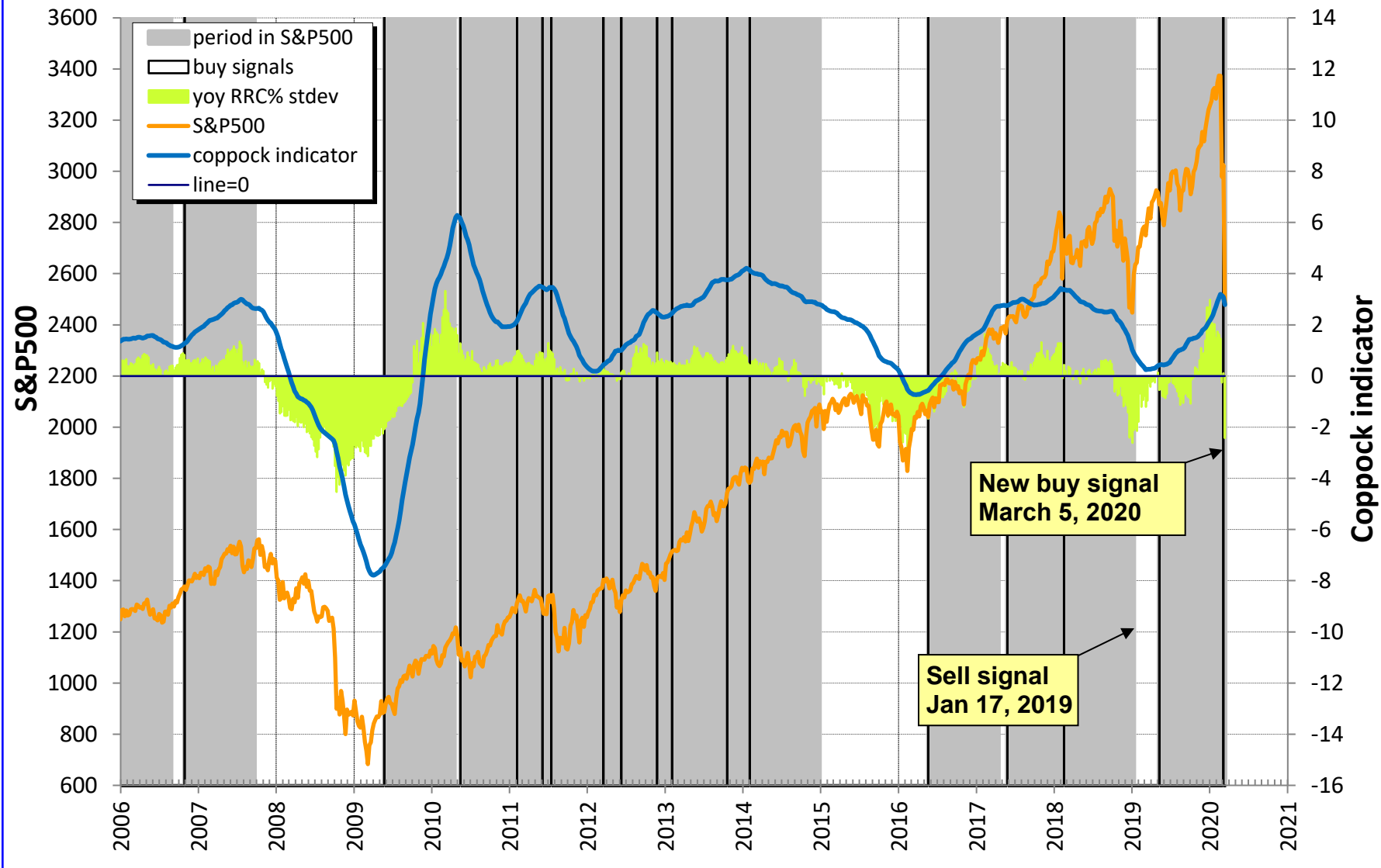


Figure-3: The iMarketSignals Long Leading Economic Index (iM-LLI)

max, min, & average leads to recessions
= 77, 18, & 36 weeks

iM-LLI level on 12/13/19 = 5.62
iM-LLI level on 01/17/20 = 5.05
iM-LLI level on 02/14/20 = 4.72
iM-LLI level on 3/13/2020 = 5.43

Note: Some of the levels of the iM-LLI may differ from previous releases due to revisions.

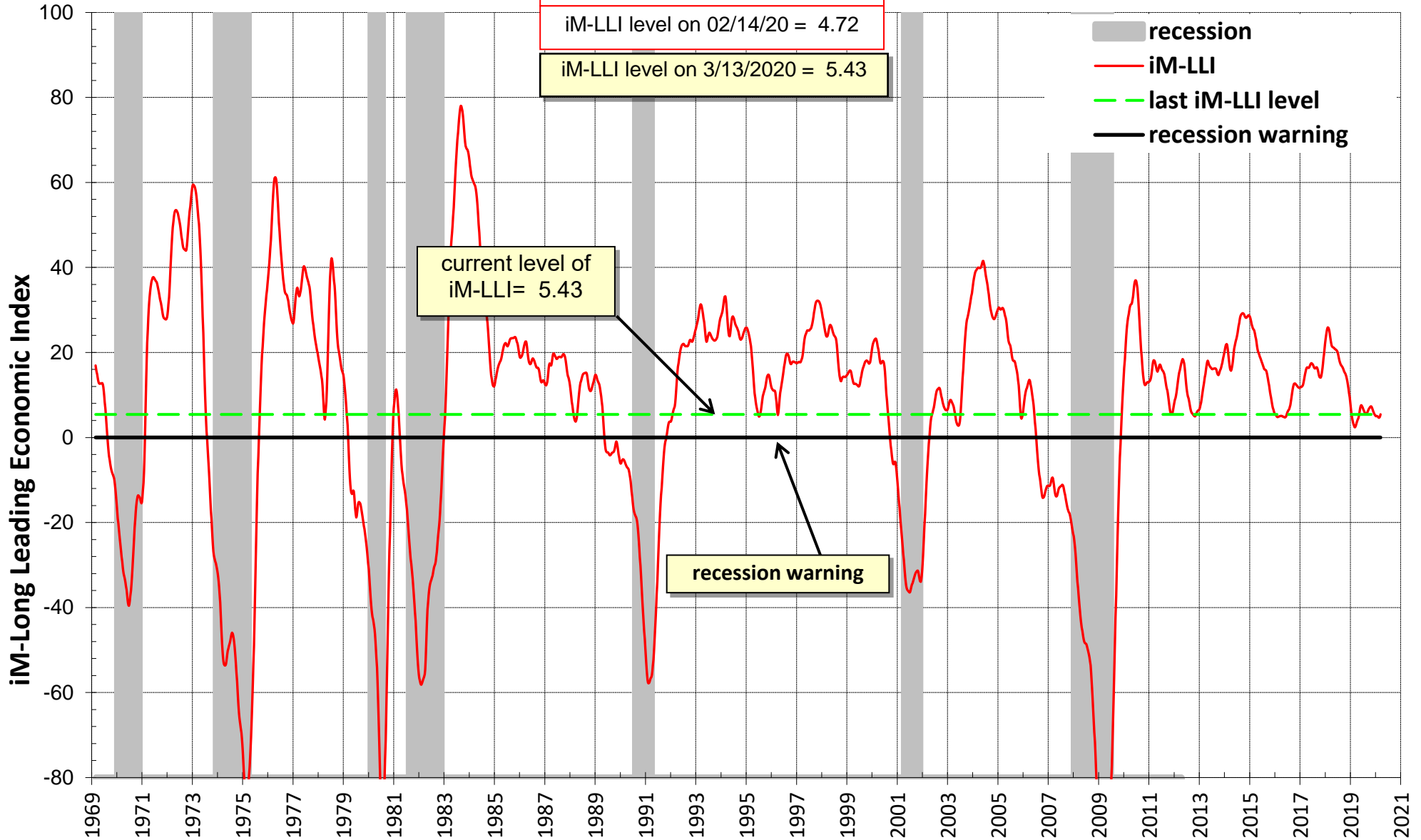


Fig 3.1: iM-BCI_g

level on 2/20/20 = 9.92
level on 2/27/20 = 10.03
level on 3/5/20 = 9.88
level on 3/12/20 = 9.11

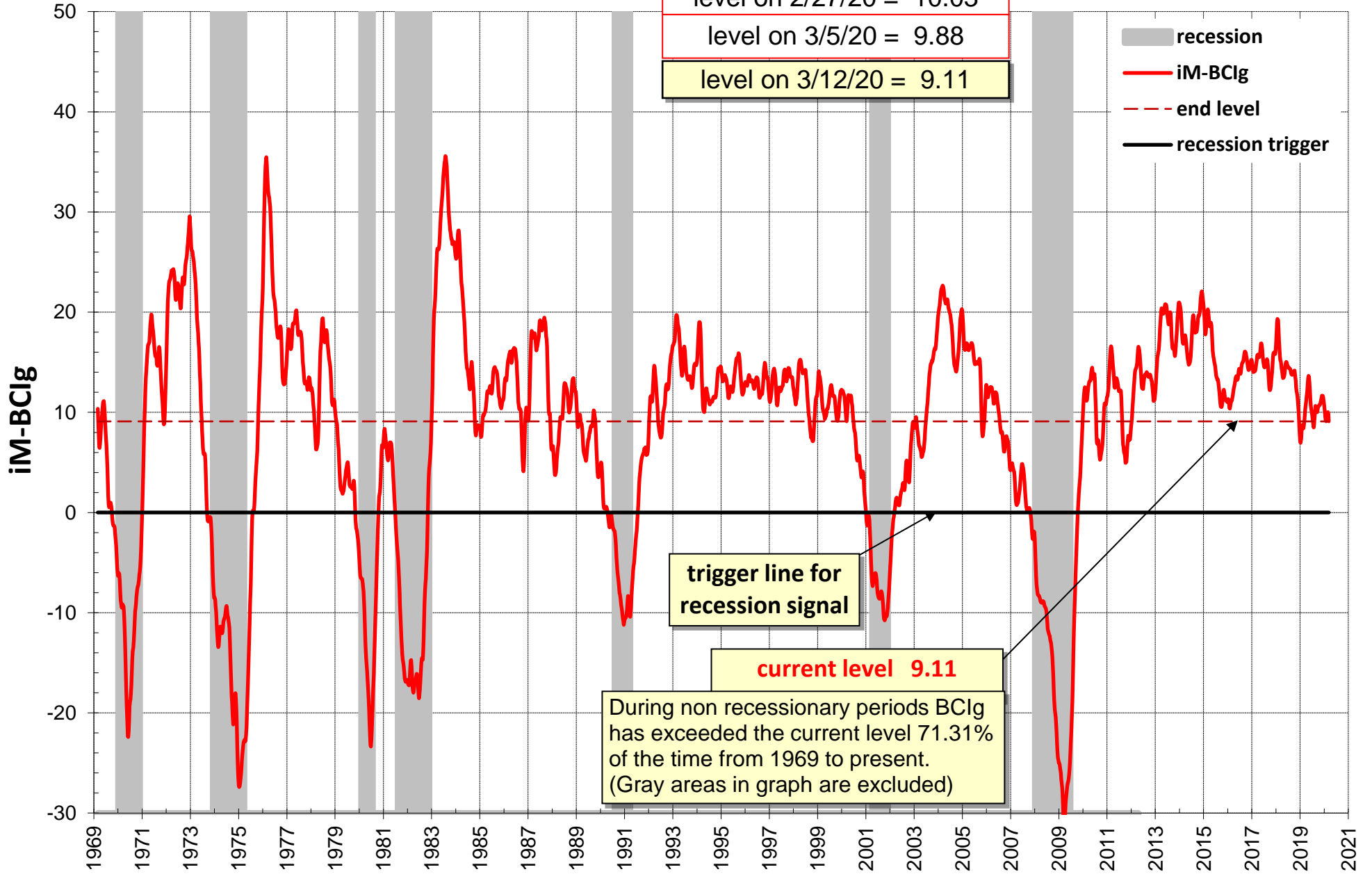


Figure 3.2: Forward Rate Ratio FRR2-10 - leads to Recessions

updated to 03/12/2020
 EMA of FRR2-10 = 1.043

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

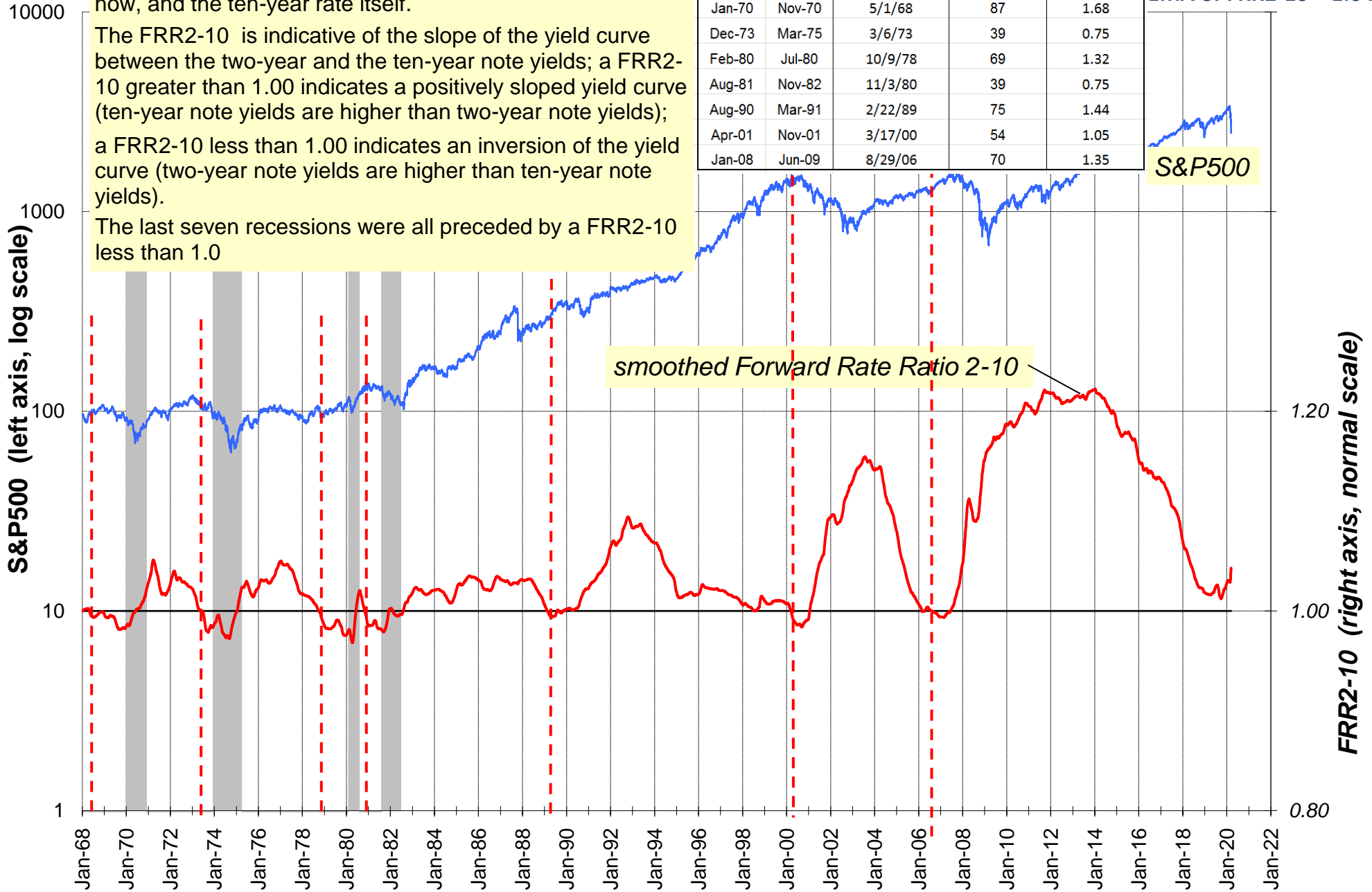


Fig.3.3 iM-Low Frequency Timer

Updated to: 3/12/2020

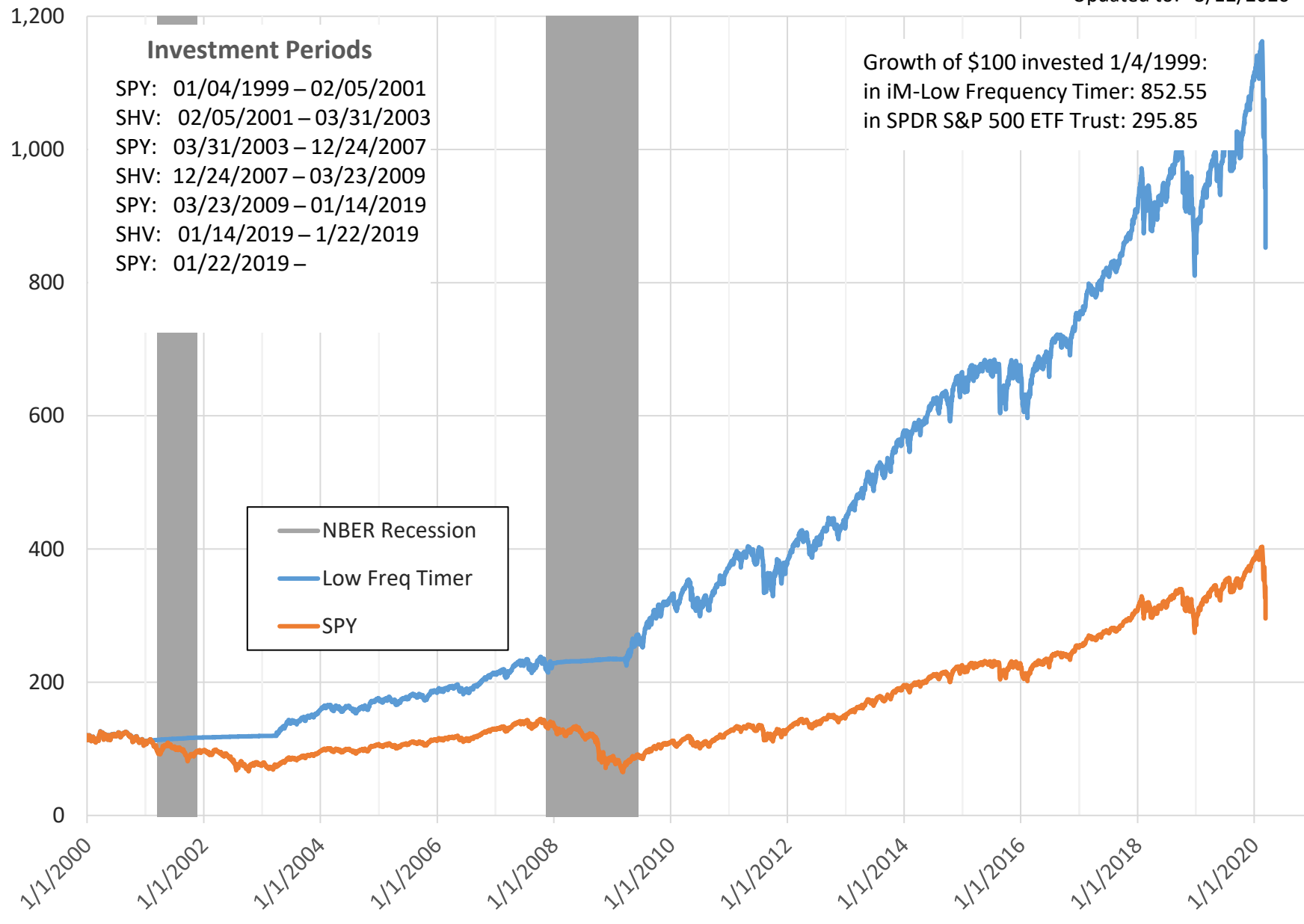


Figure 4: Bond Value Ratio (BVR)

Model updated to: 3/12/2020 BVR = 6.401

Limit lines recalibrated on 2/1/2015

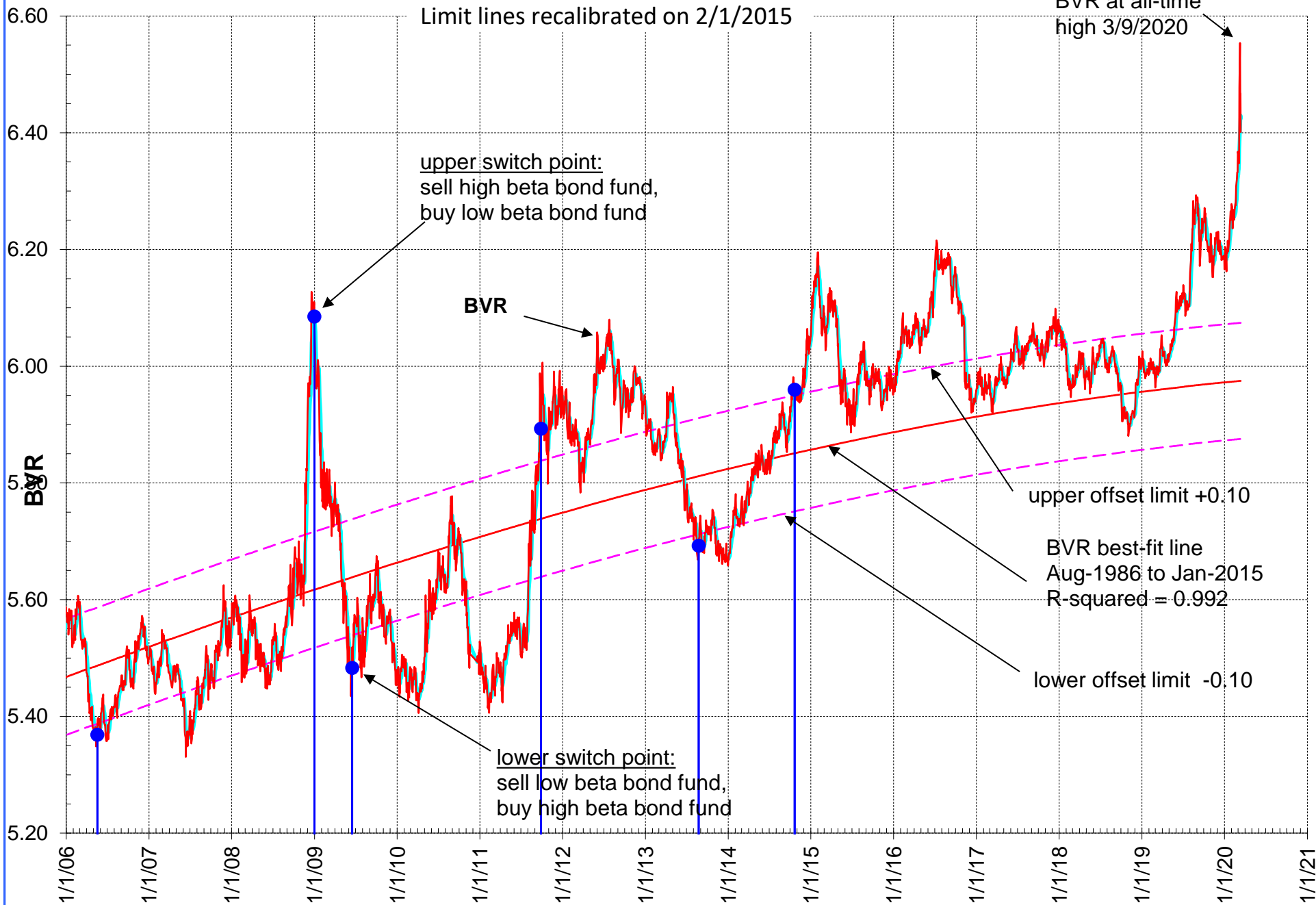


Fig. 5: Yield Curve: i10 - i2

Updated to.....3/12/2020

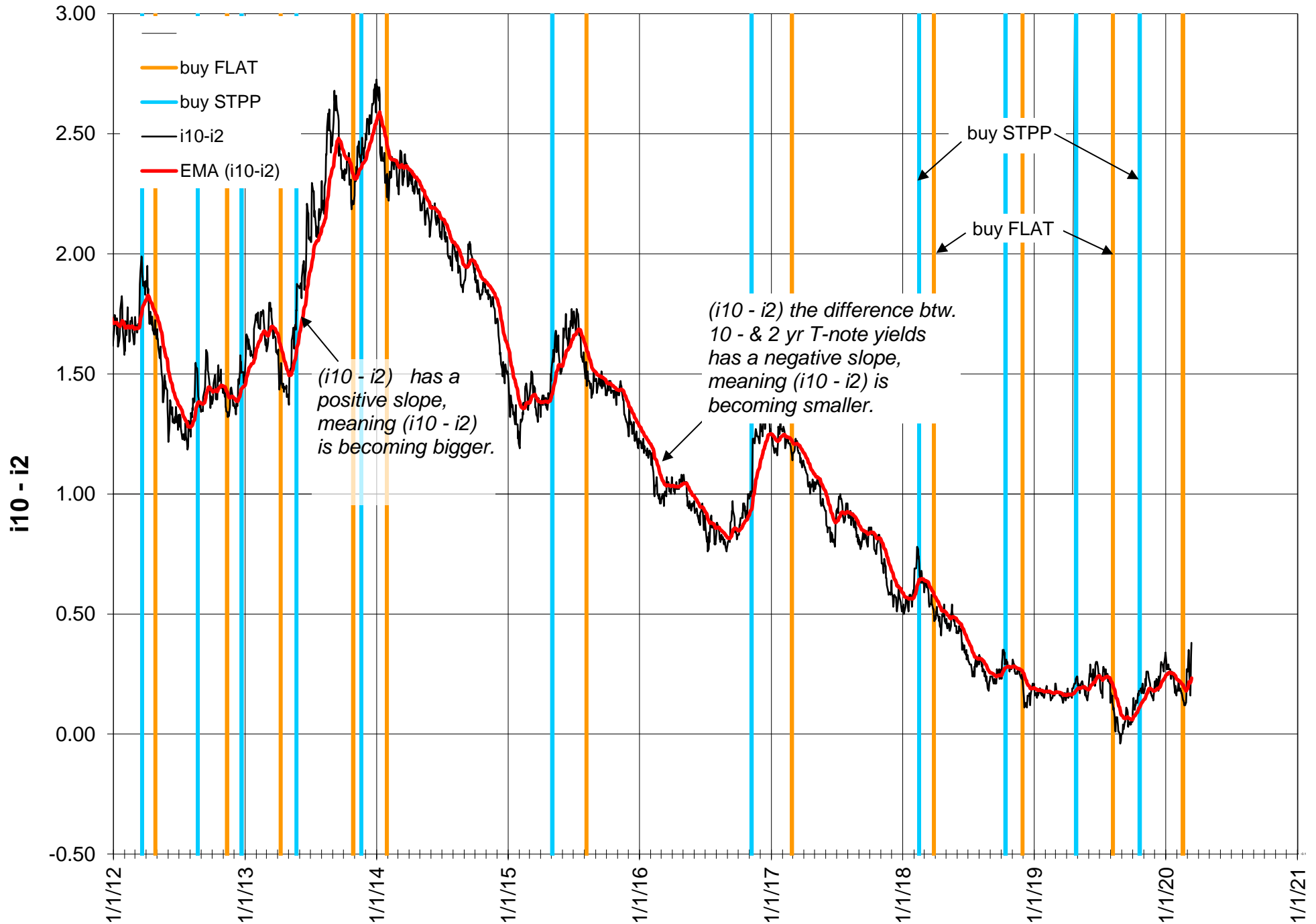


Figure 6: Modified Coppock Indicator for Gold

updated to 03/12/2020

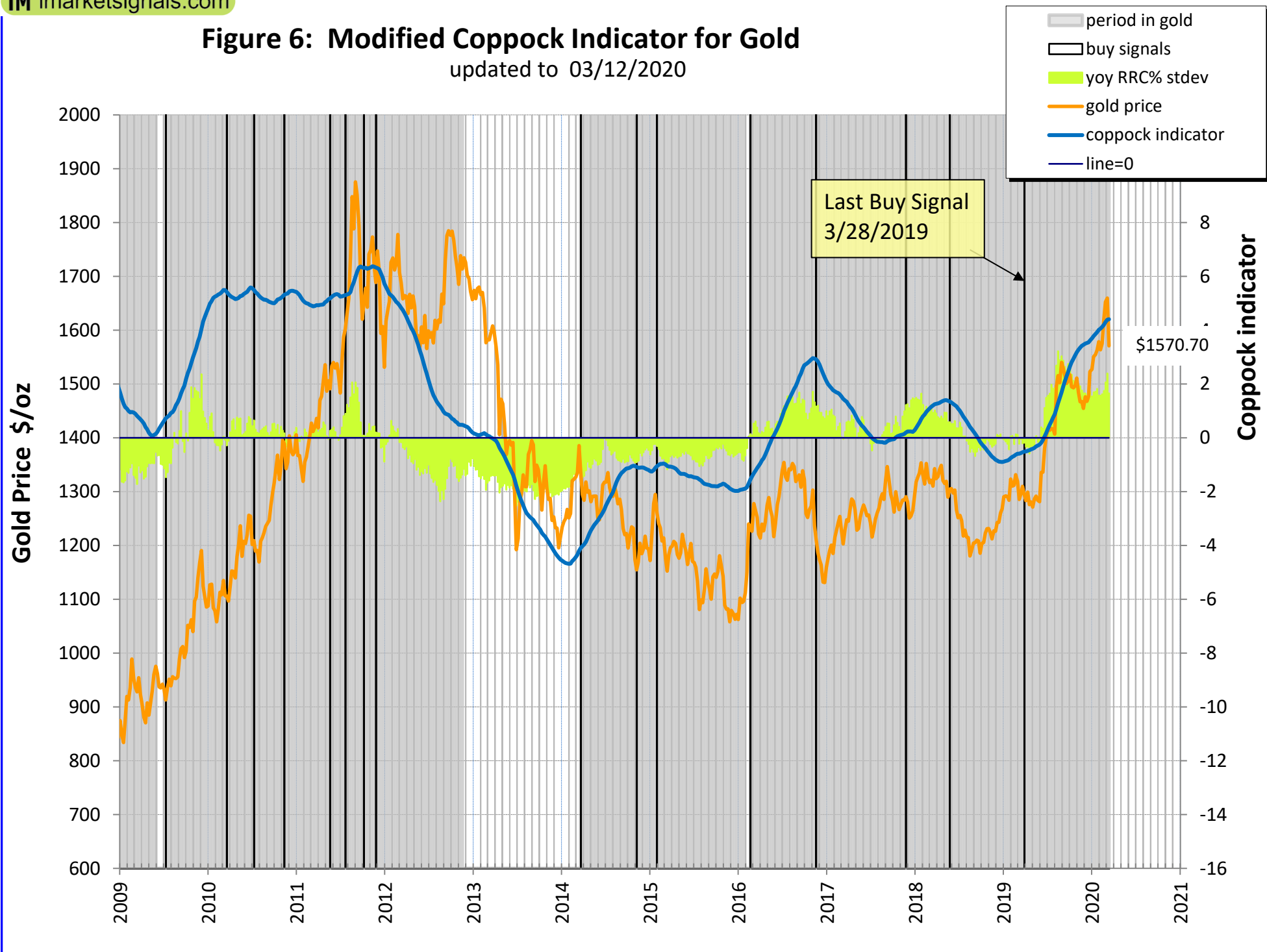


Fig. 6.1a iM GOLD-TIMER - Rev 1

Updated to: 3/12/2020

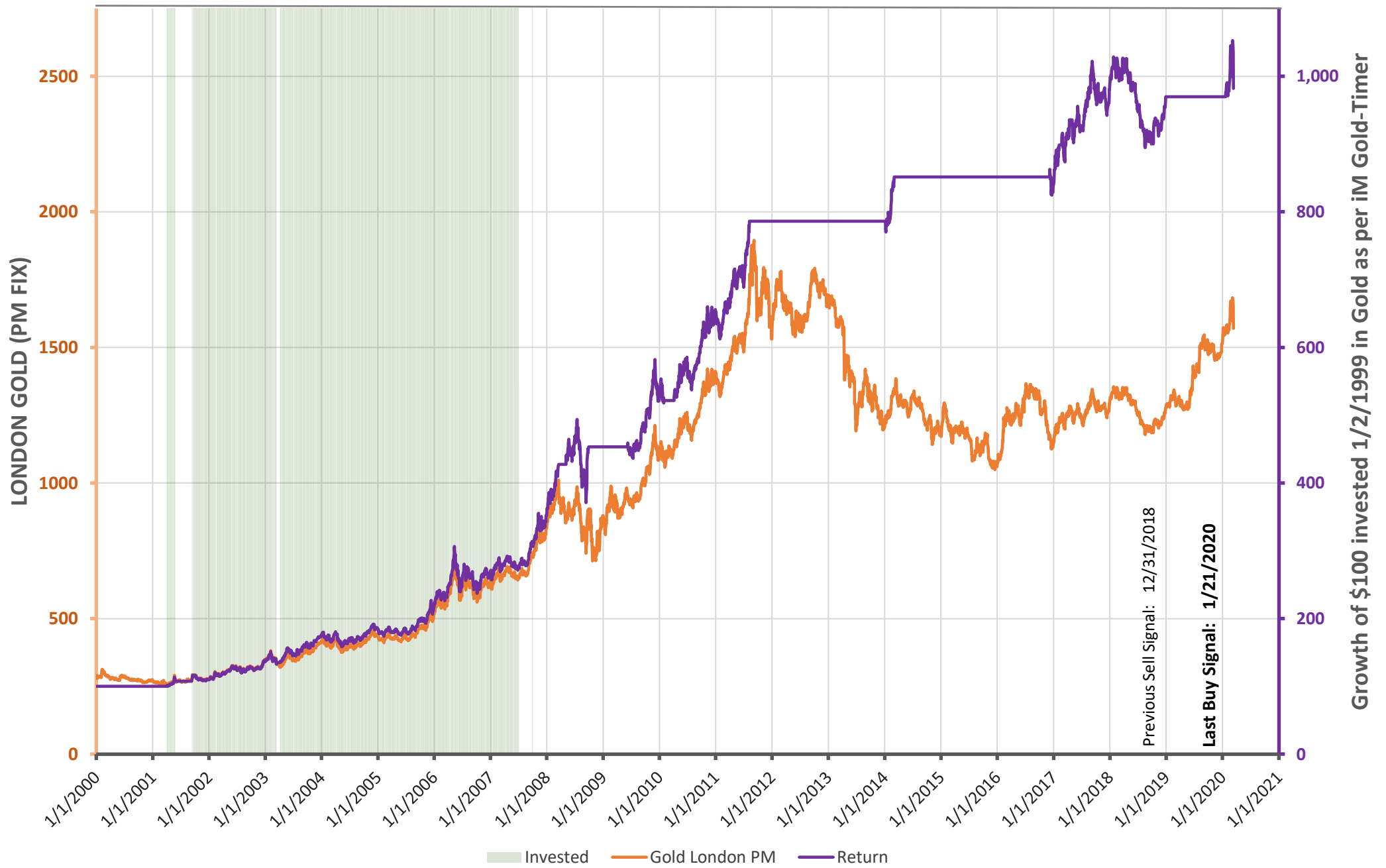


Figure 7: Modified Coppock Indicator for Silver

updated to 03/12/2020

