

March 26, 2020

Business Cycle Index

The BCI at 253.1 is down from last week's upward revised 256.8, and is below the previous high for this business cycle indicated by the BCIp of 33.0. Also, the 6-month smoothed annualized growth BCIg at 6.1 is down from last week's upward revised 8.3.

With high probability BCIp will trigger a recession call next week.

March 27, 2020

Market Signals Summary:

The 3-mo Hi-Lo Index is out of the market since 3/5/2020 and [the MAC US and the MAC AU also switched out beginning this 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 is in cash, also the silver model is in cash.

[The iM-COMP leading indicator of the US economy signals a recession](#)

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 model [switched out of the markets](#). The sell-spread (red line) is below last week's value.

The [3-mo Hi-Lo Index](#) of the of the S&P500 at -17.07% is below last week's -14.40%, 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 switch out of the markets](#). 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.

[Although we discontinued COMP, we updated it weekly and with the input data of 3/27/2020 signals a recession](#). This model uses following three components: (i) [ECRI's WLIW](#), (ii) [Aruoba-Diebold-Scotti Business Conditions Index](#) (ADS), and (iii) [The Conference Board Leading Economic Index® \(LEI\) for the U.S](#). Mainly the ADS drove the COMP downwards.

Figure 3.1 shows the recession indicator iM- BCIg is below last week's level. 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 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

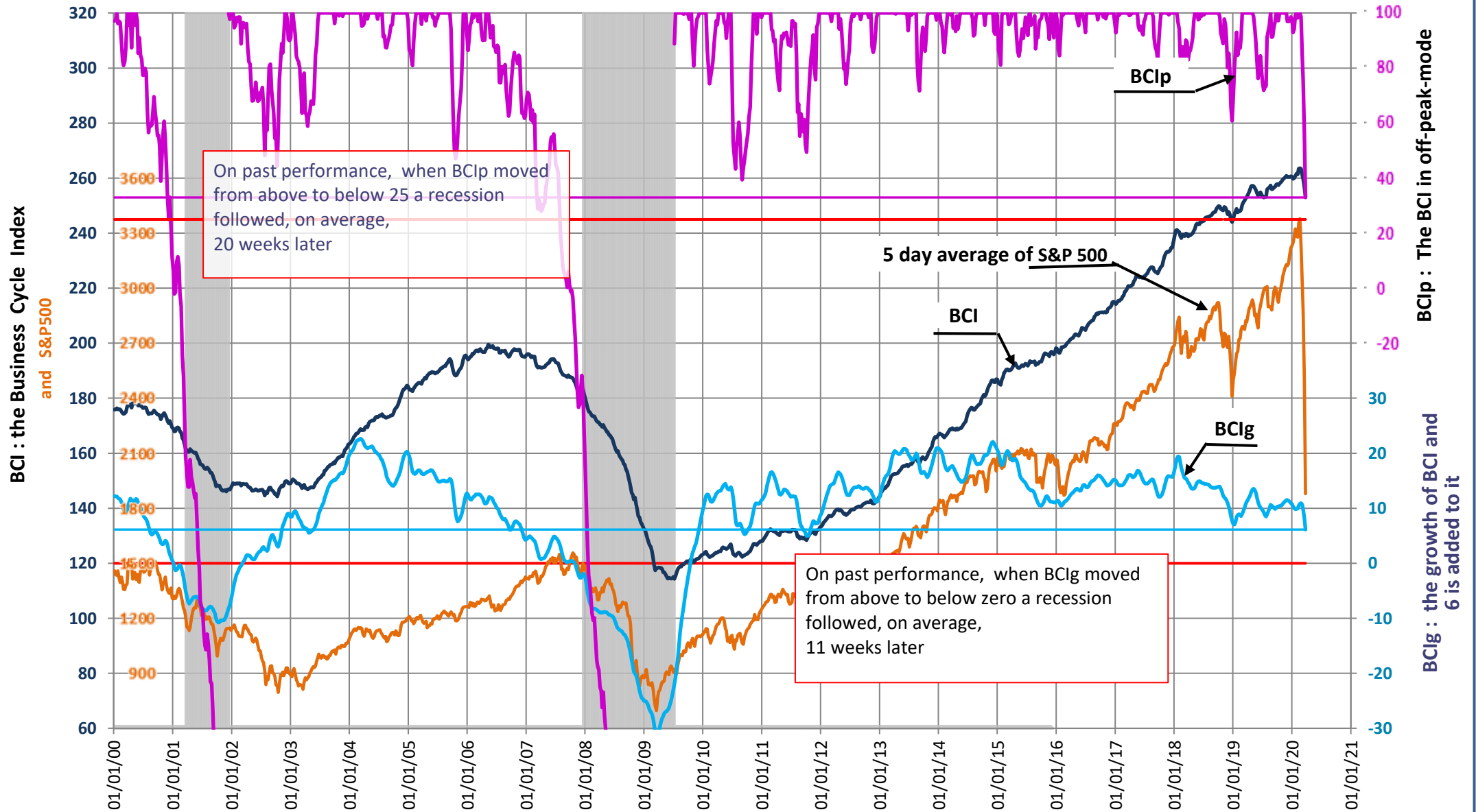
The 1-year rolling return for the end of last month is 4.49%, down from last month. A sell signal is not imminent.

iM's Business Cycle Index (BCI)

Date	02/27	03/05	03/12	03/19	03/26
BCIp	98.7	84.6	75.4	56.6	33.0
BCI	263.4	261.2	259.8	256.8	253.1
BCIg	10.9	10.7	9.7	8.3	6.1

BCIp, BCI and BCIg
updated to March 26, 2020

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



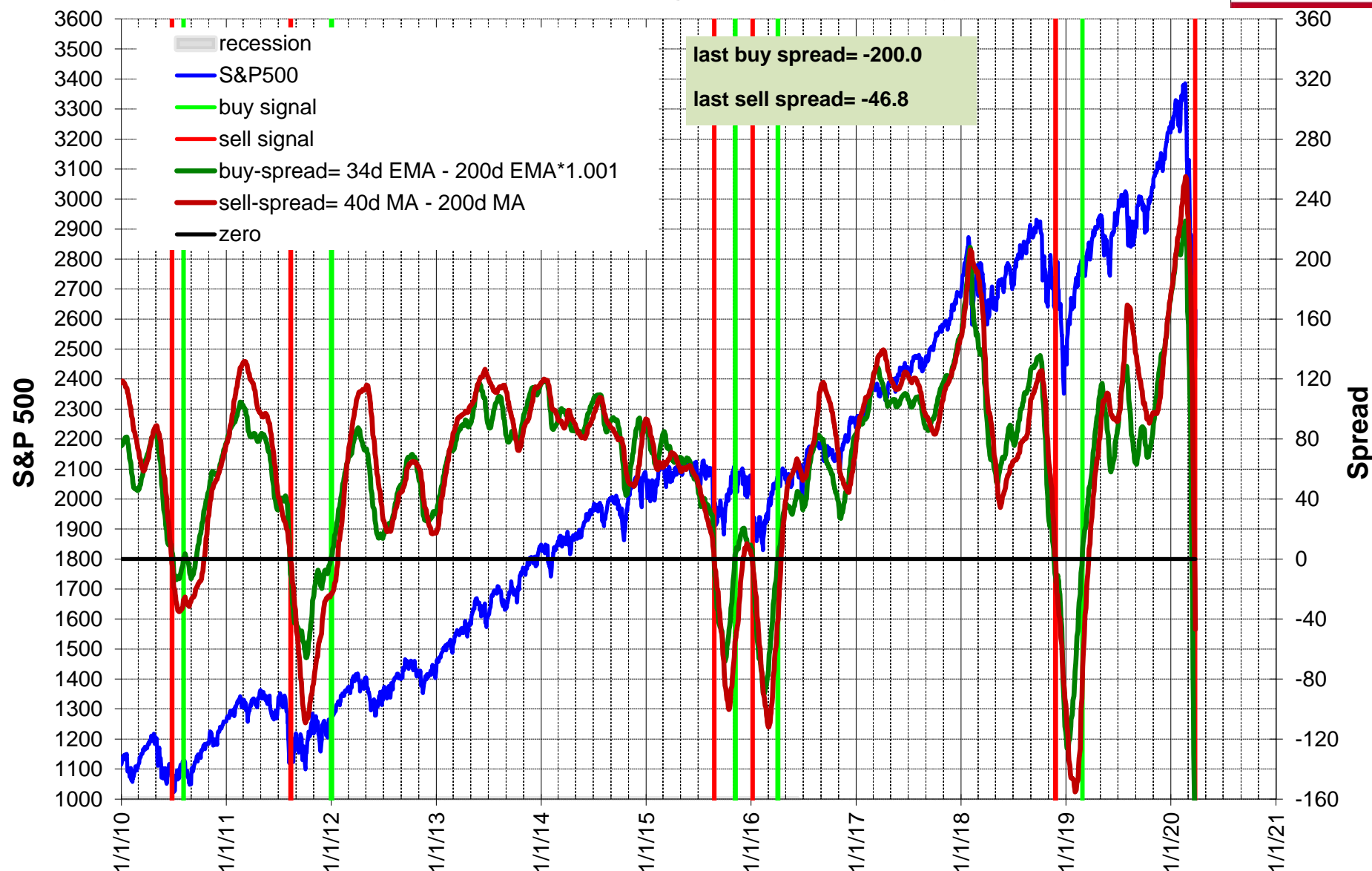
Please note: Past performance does not guarantee future returns, investments may increase or decrease in value and you may lose money using this model.

iM imarketsignals.com

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



updated to...3/26/20





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

updated to Mar-27-20
last sell spread= -156.2

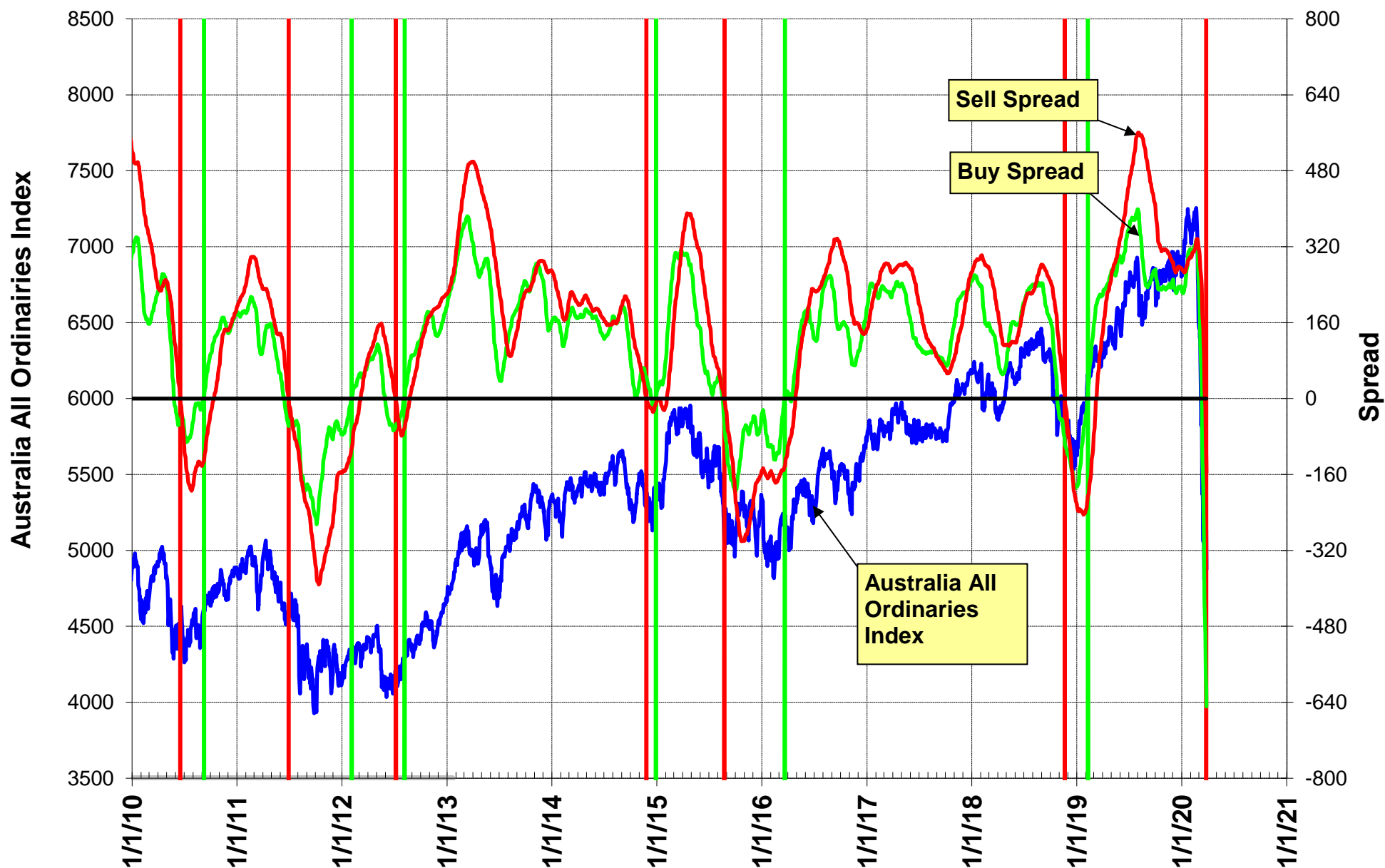


Fig 2.2 3-mo Hi-Lo Index of the S&P500 & 40-day SMA of Index

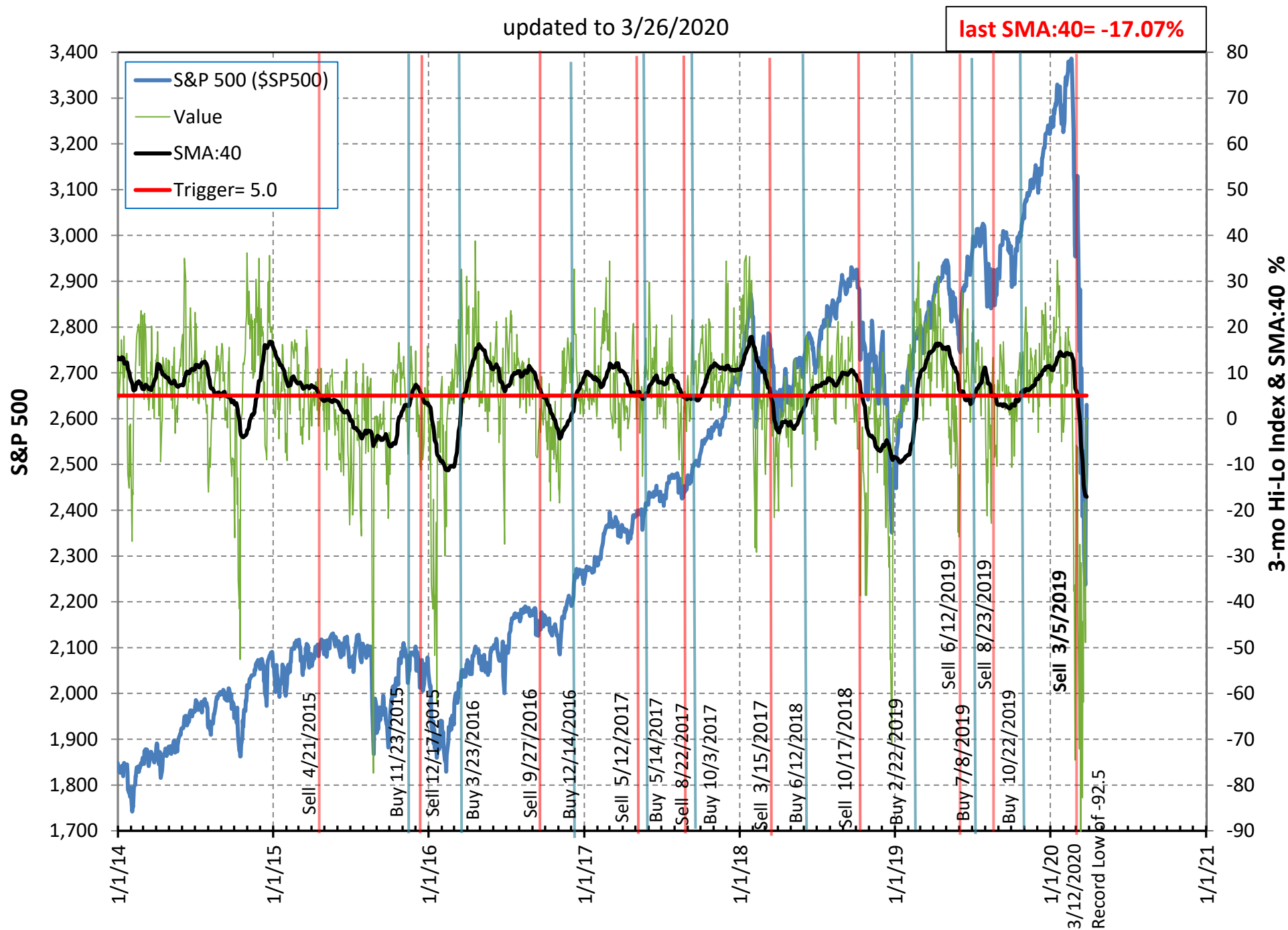


Fig-2.3 Modified Coppock Indicator for S&P500

updated to 03/26/2020

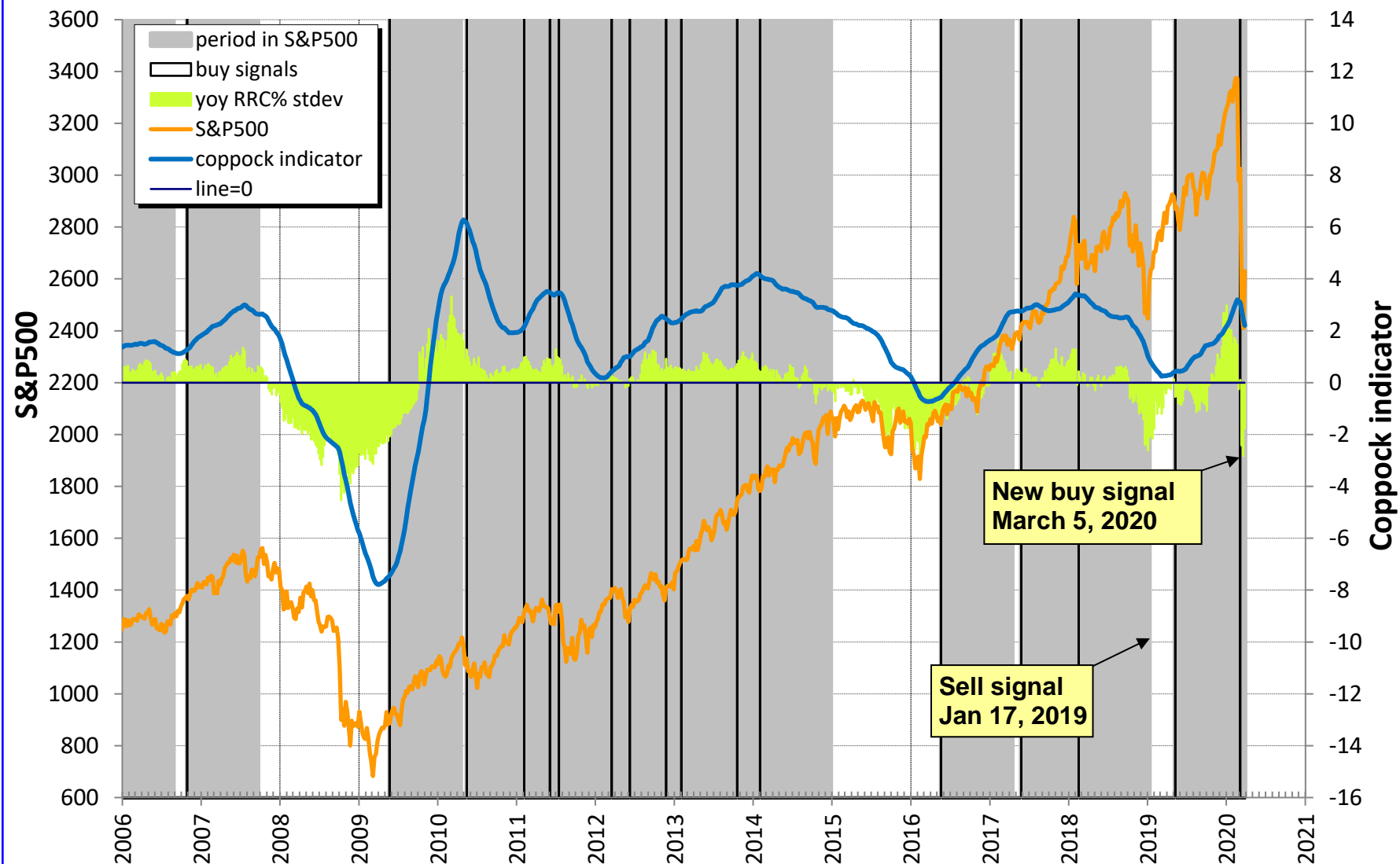


Figure-3: The iMarketSignals Long Leading Economic Index (iM-LLI)

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

iM-LLI level on 12/27/19 = 5.18

iM-LLI level on 01/31/20 = 5.15

iM-LLI level on 02/28/20 = 5.22

iM-LLI level on 3/27/2020 = 6.30

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

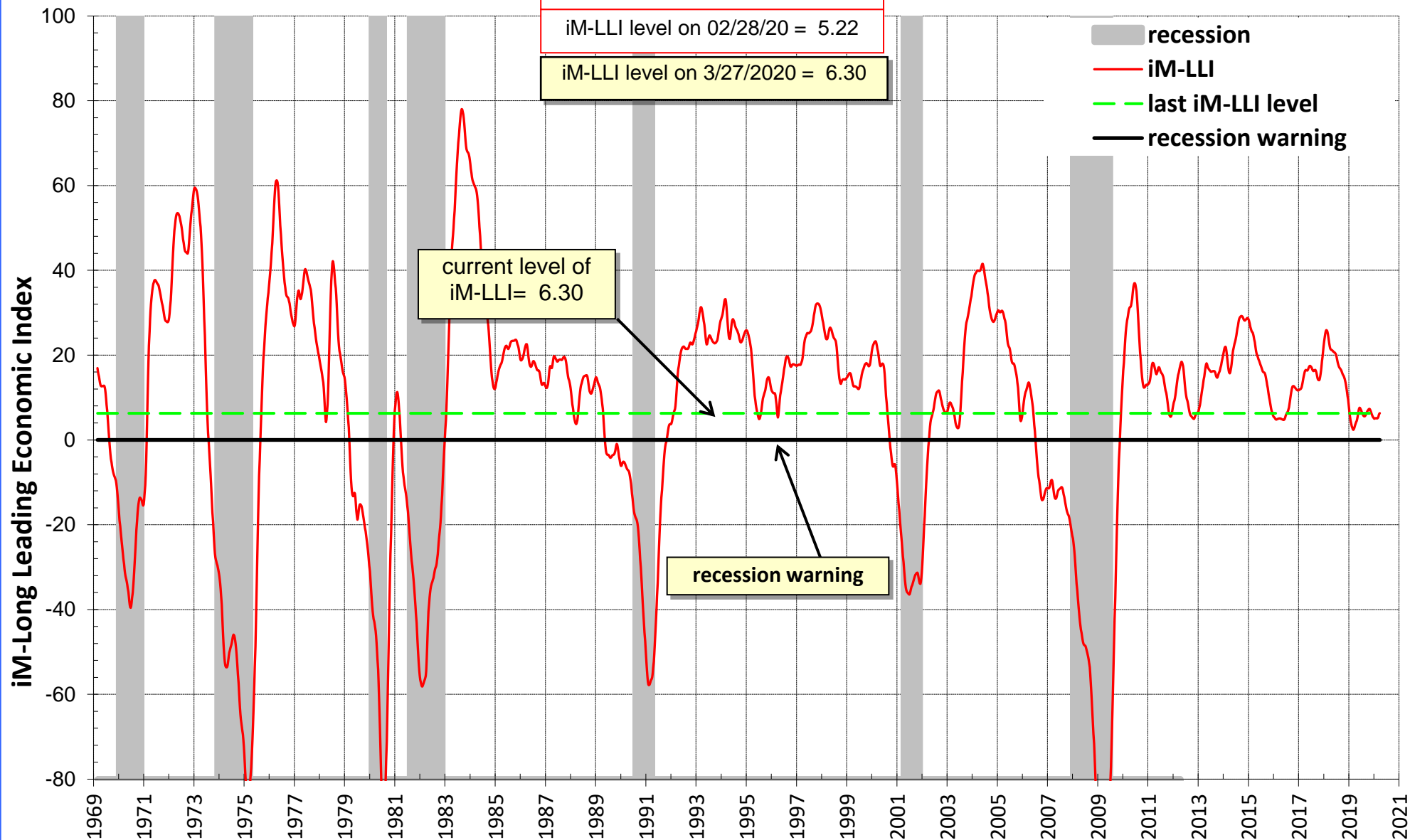


Fig. 3x: COMP Leading Indicator of US Economy

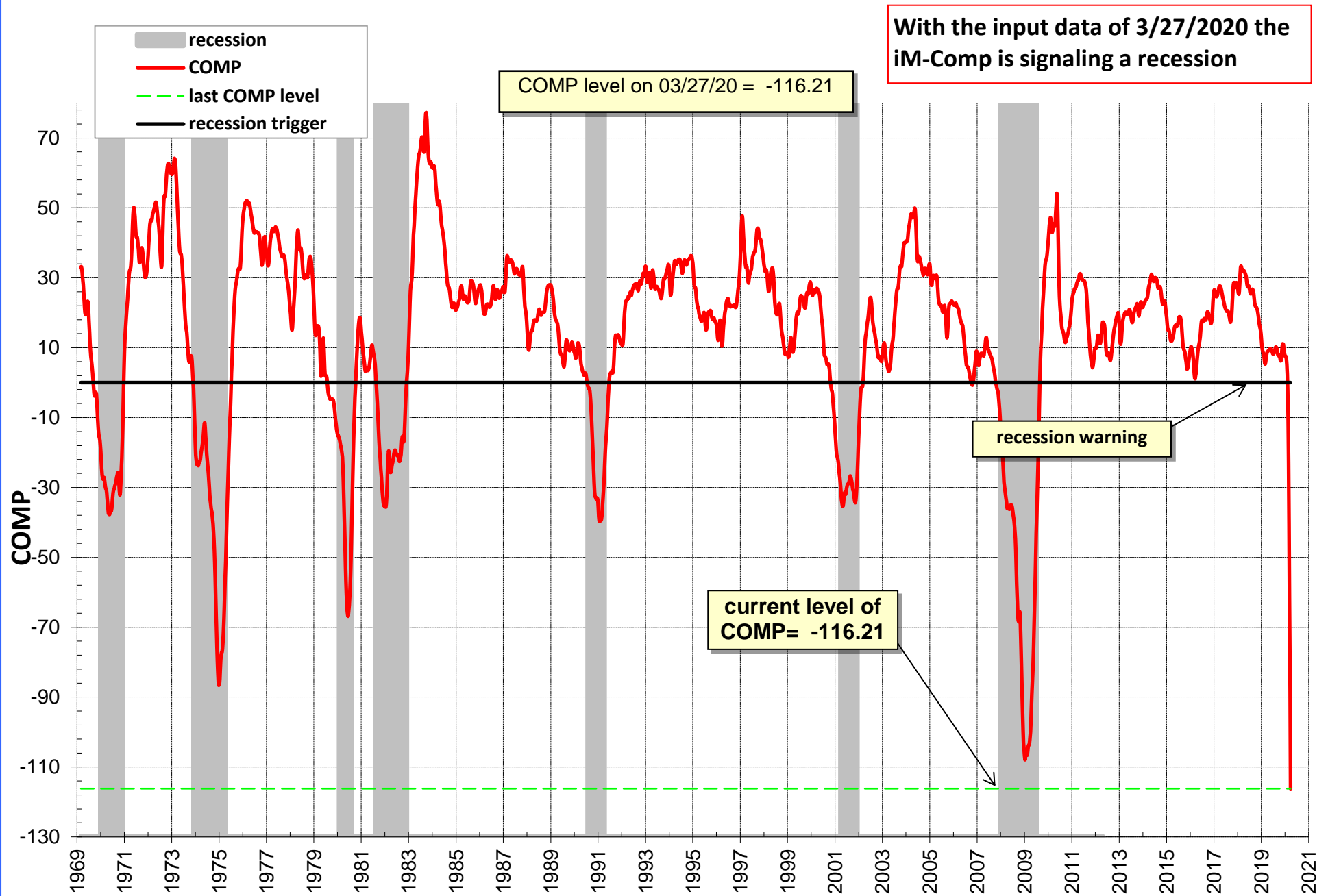


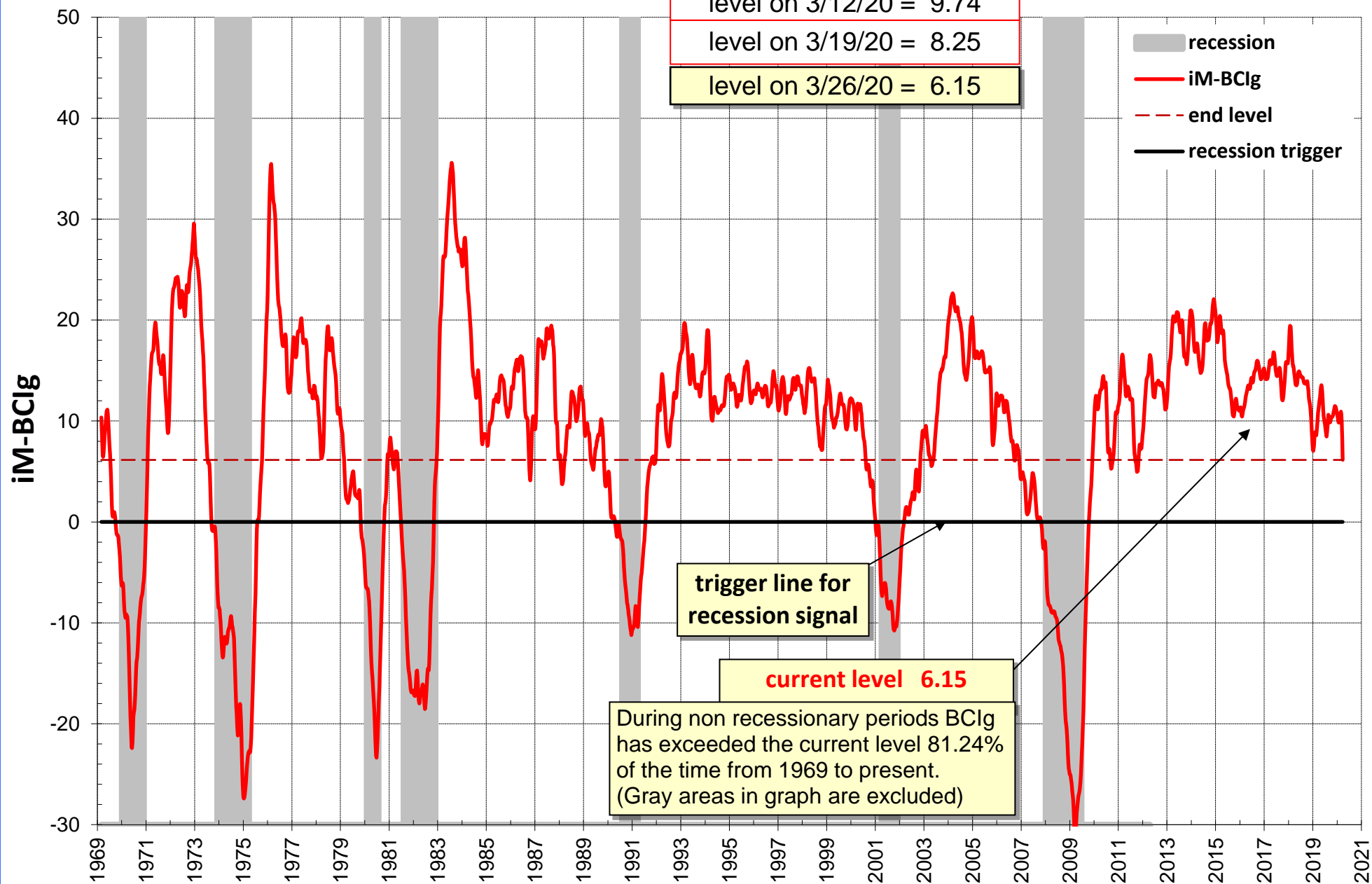
Fig 3.1: iM-BCI_g

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 03/26/2020

EMA of FRR2-10 = 1.070

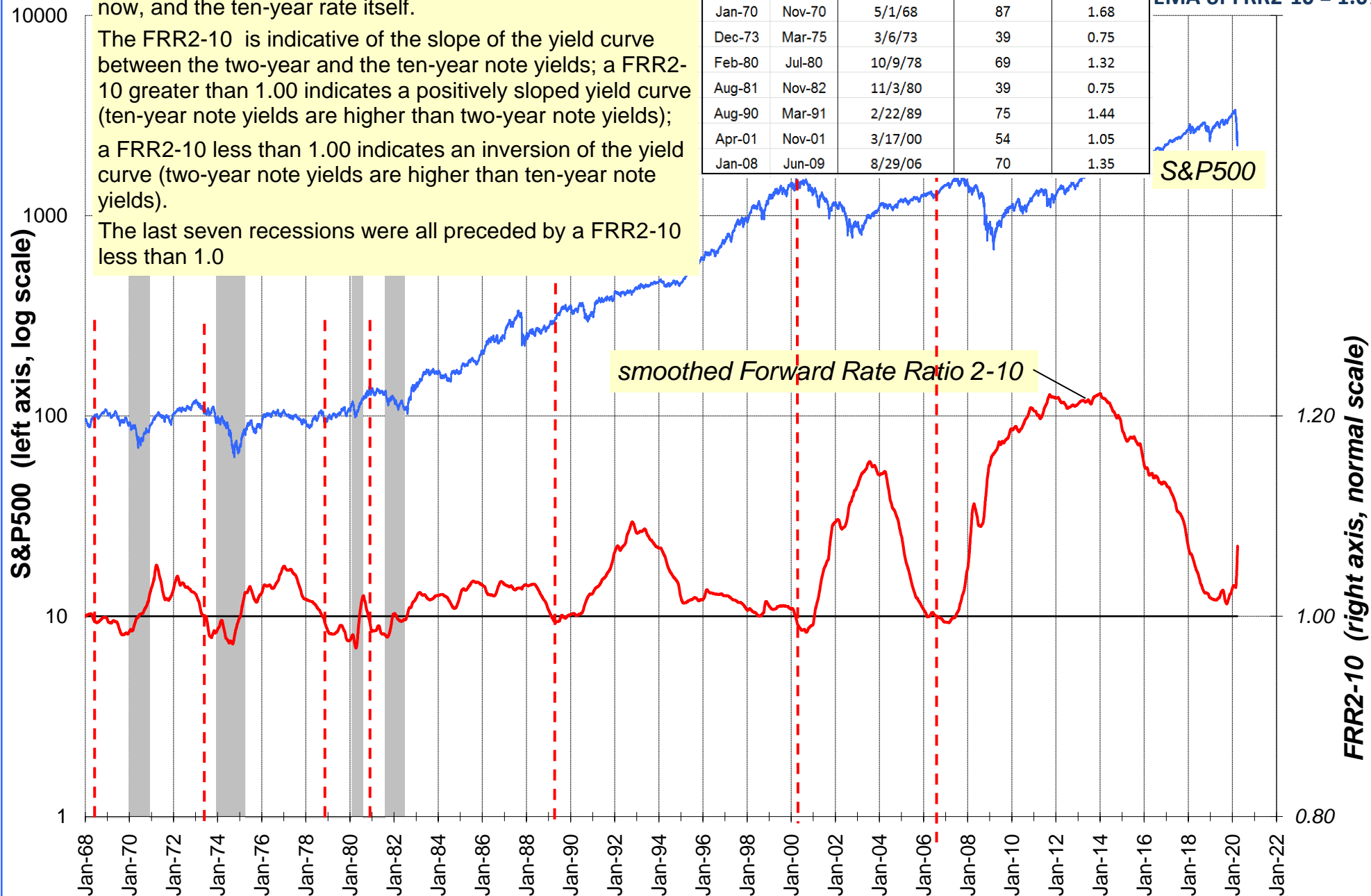


Fig.3.3 iM-Low Frequency Timer

Updated to: 3/26/2020

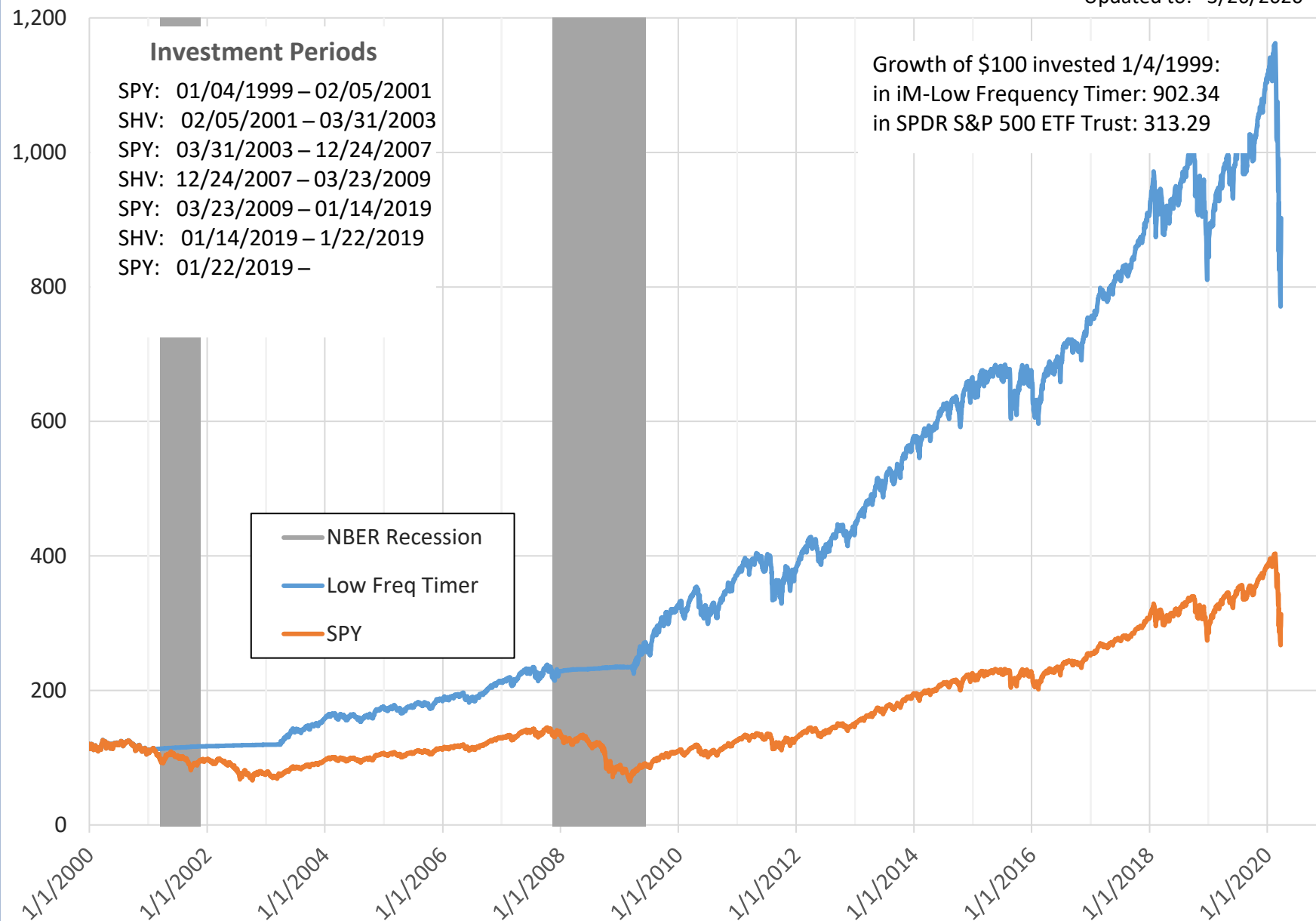
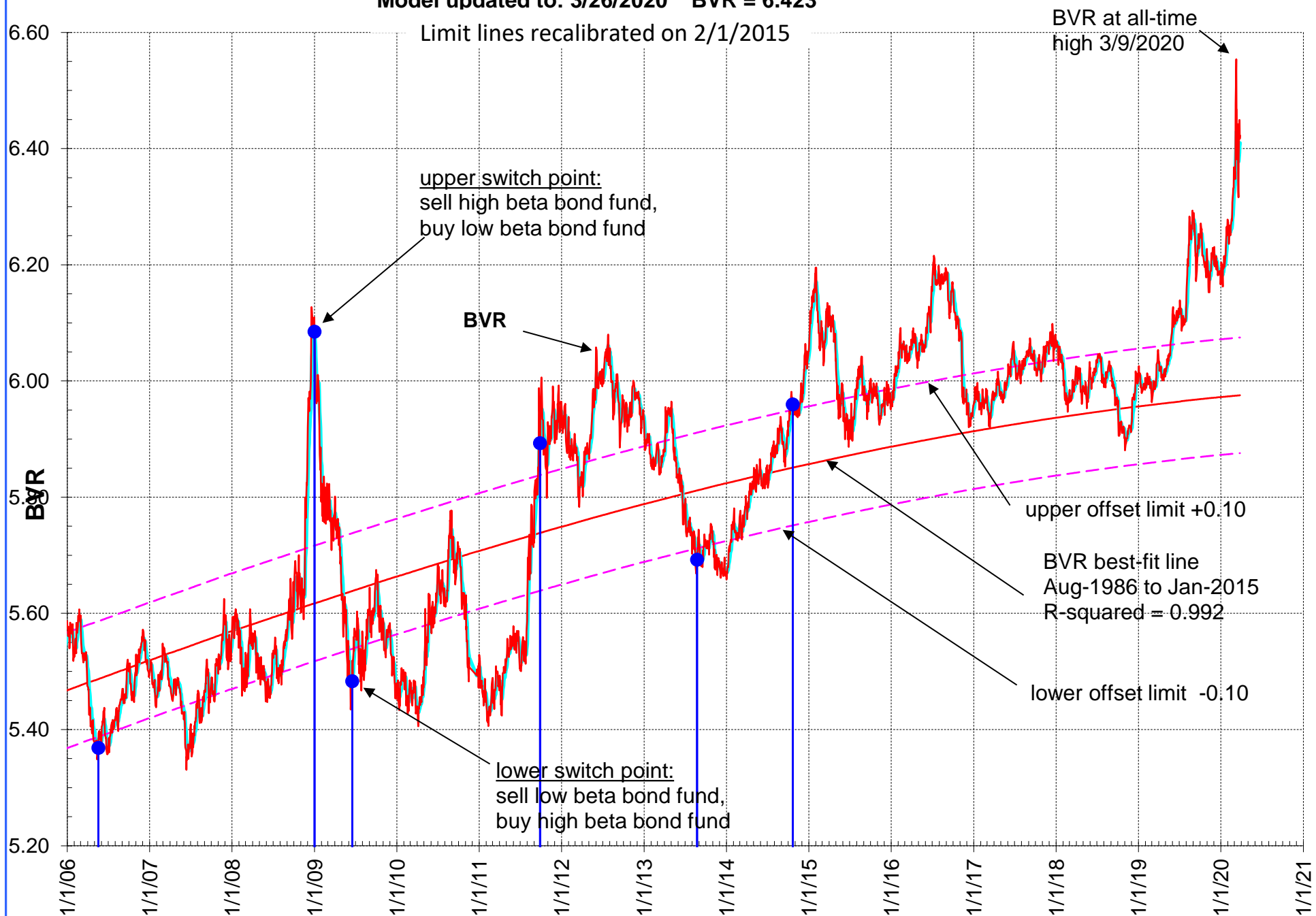


Figure 4: Bond Value Ratio (BVR)

Model updated to: 3/26/2020 BVR = 6.423



Updated to.....3/26/2020

Fig. 5: Yield Curve: i10 - i2

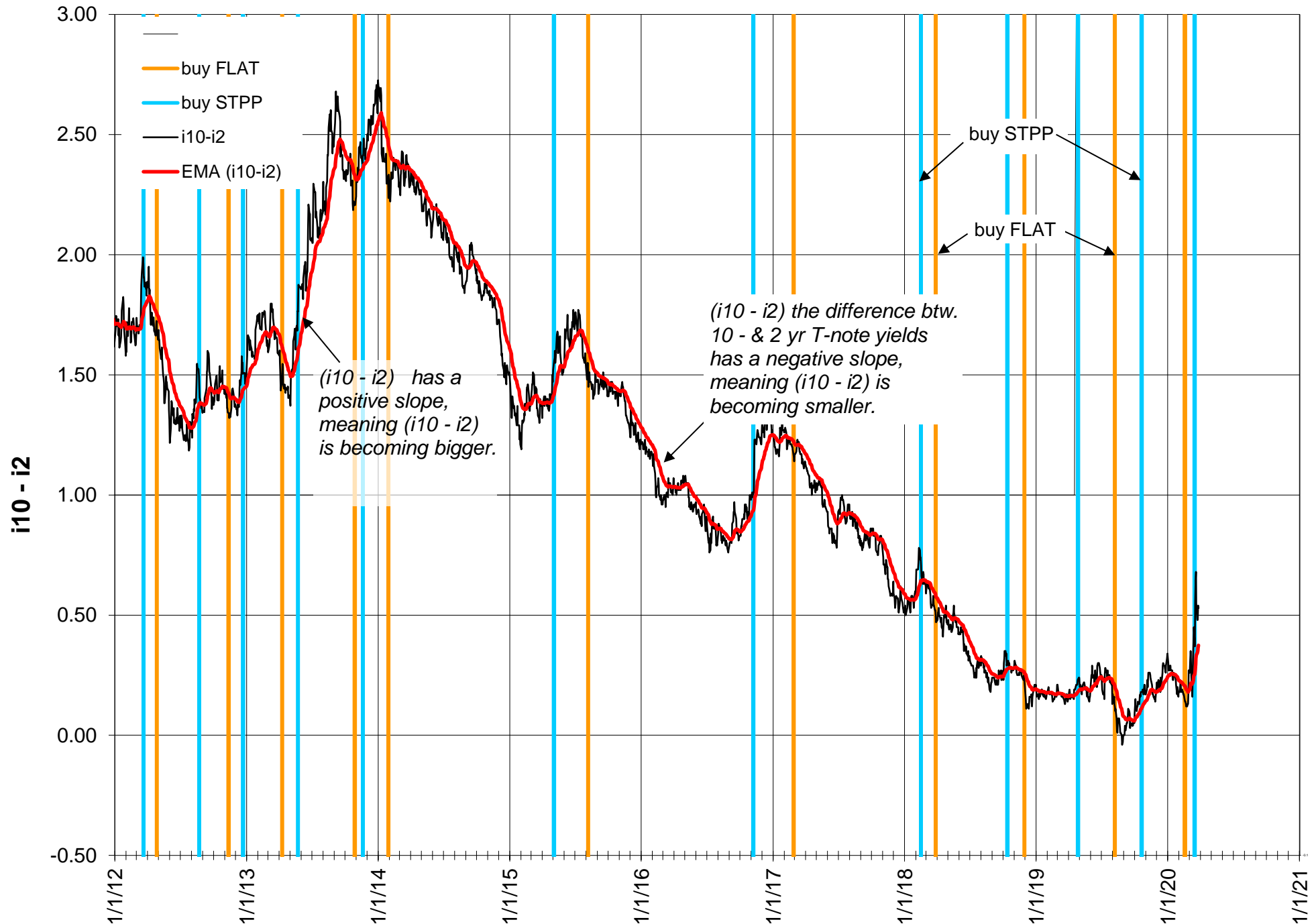


Figure 6: Modified Coppock Indicator for Gold

updated to 03/26/2020

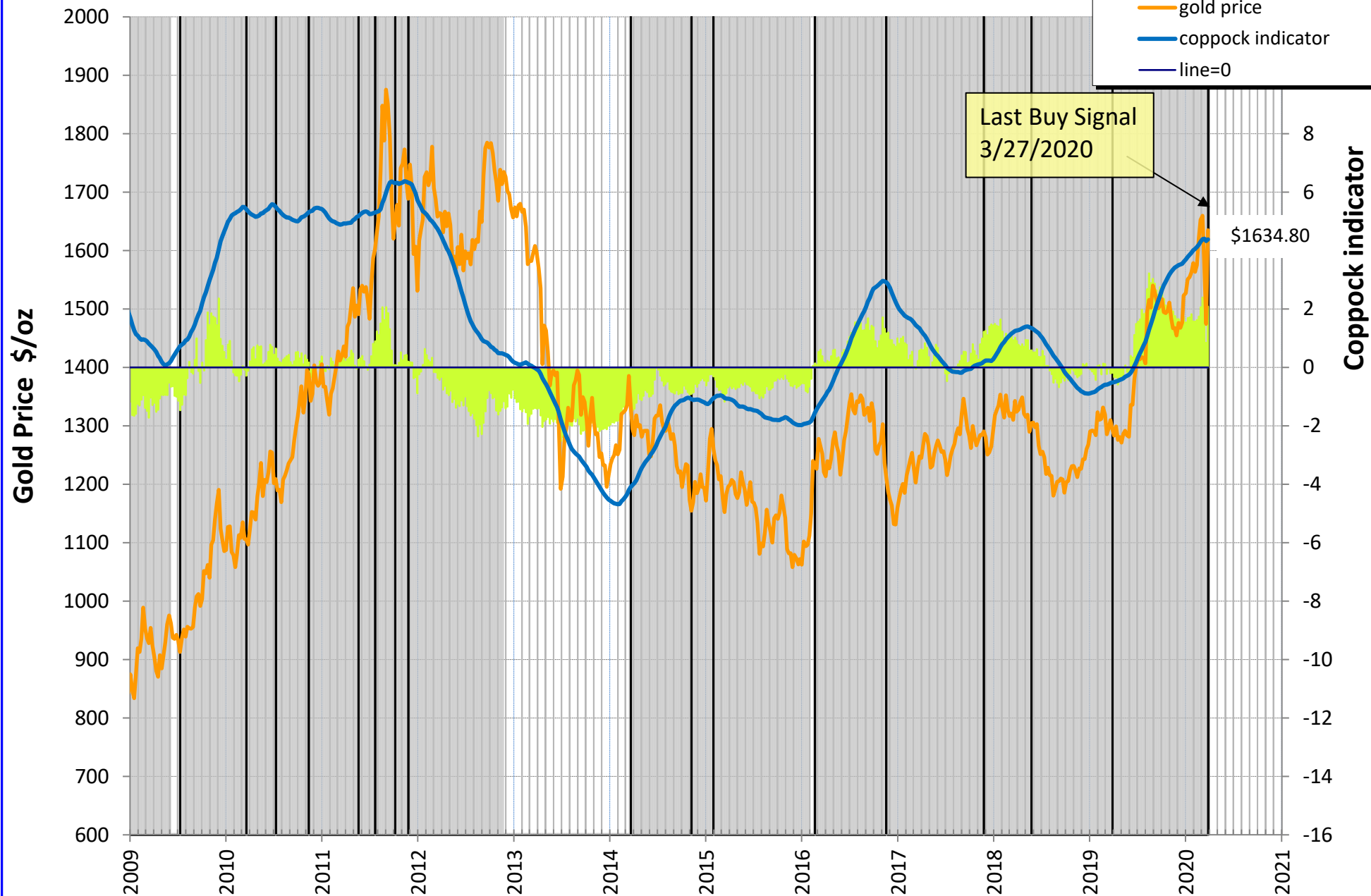


Fig. 6.1a iM GOLD-TIMER - Rev 1

Updated to: 3/26/2020

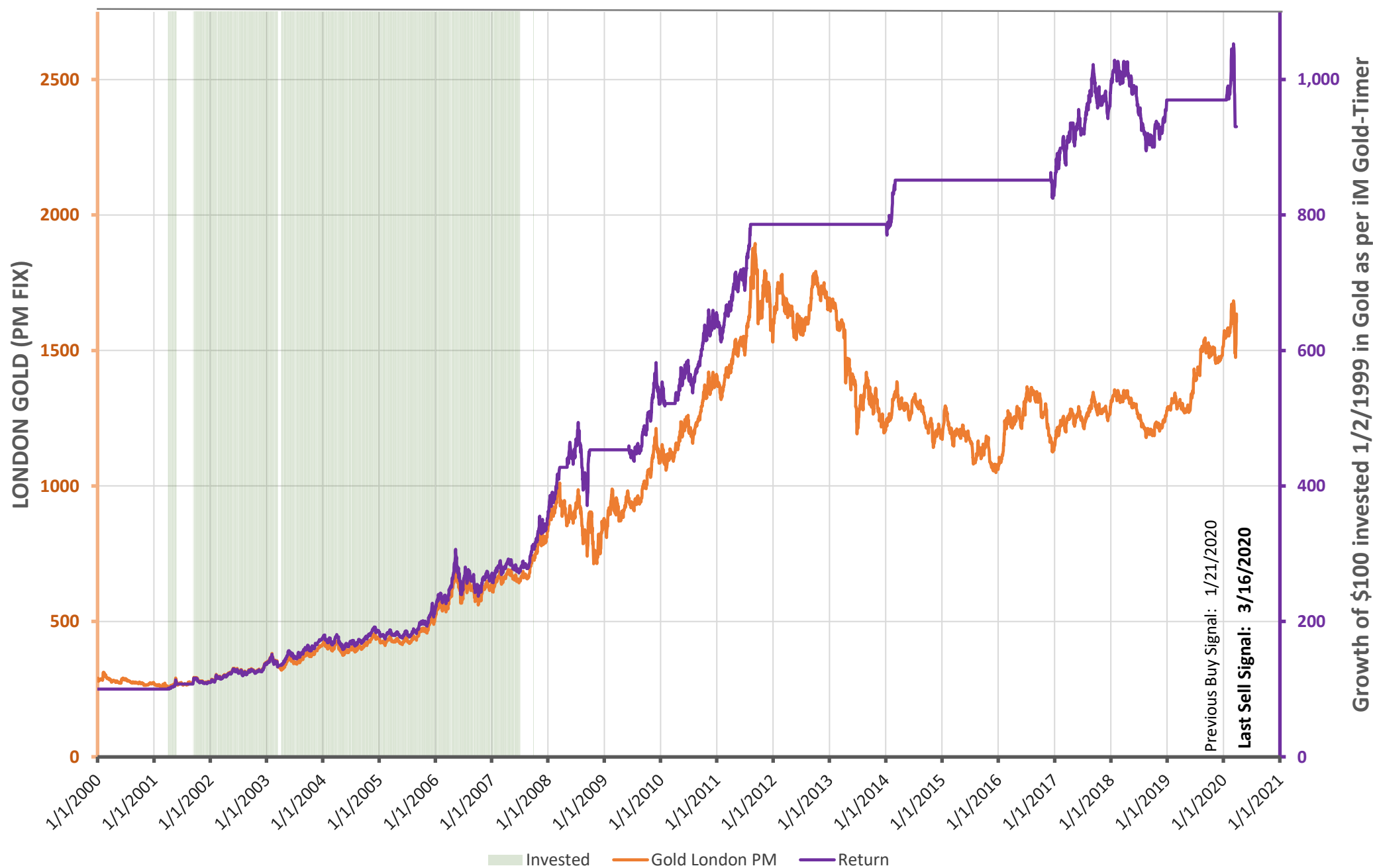


Figure 7: Modified Coppock Indicator for Silver

updated to 03/26/2020

