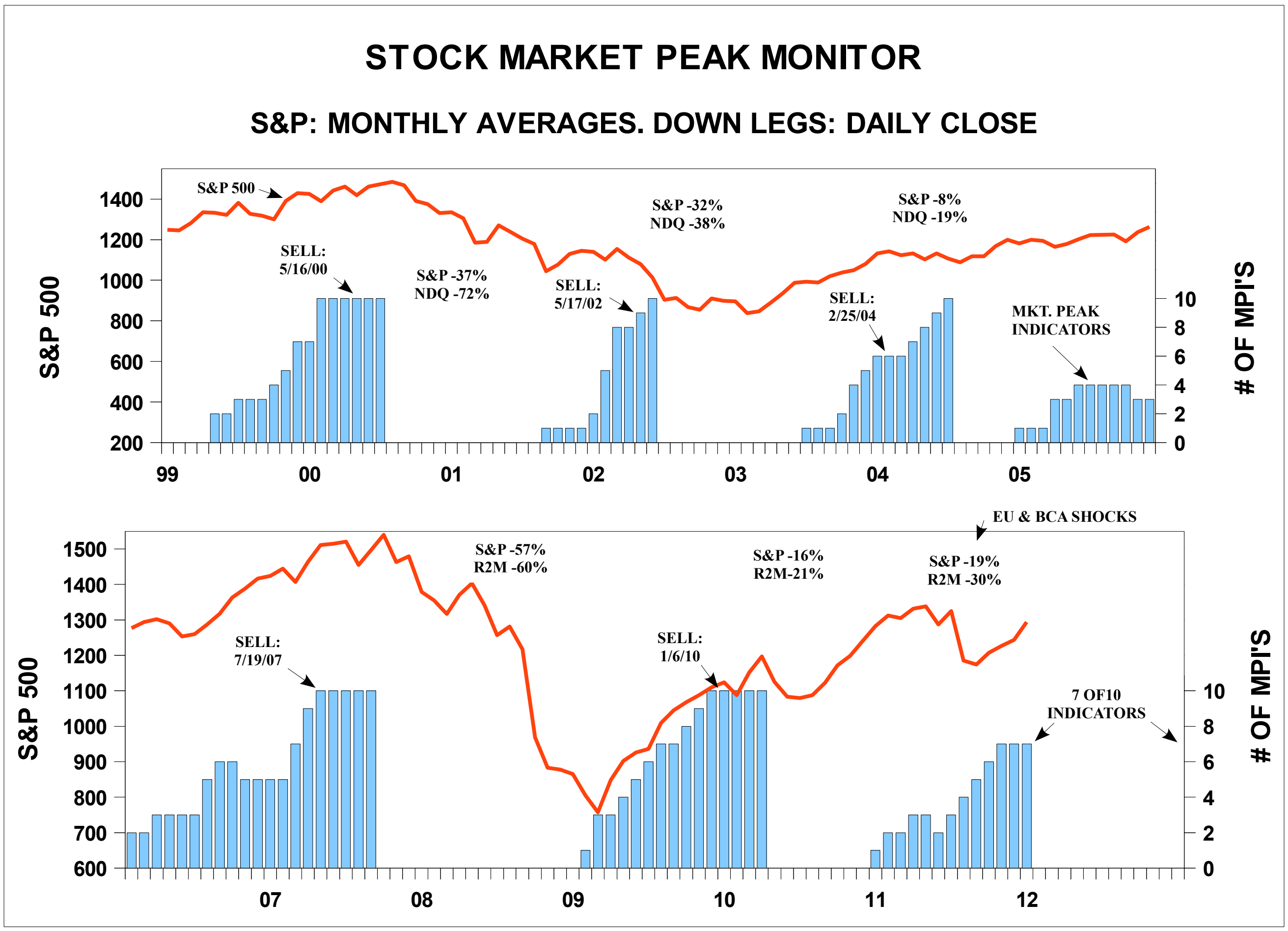
BUSINESS CYCLE DEVELOPMENTS

There are now seven of 10 Market Peak Indicators signaling. This raises concerns when looking at the secular market since 2000. Sell stocks on market strength.

The *Hourly Earnings* and *Personal Income Indicator* have recently signaled to move the **MPI** count from five to seven. The average for all 16 market peaks since the 1950's, from the seventh **MPI**, is 10 months (+/- 6mo.) and +15% (+/- 11%). This centers a peak in October 2012 (Apr. 2012 to Apr. 2013) at the S&P 500 level of 1410 (1525 to 1275). This wide gap narrows for each **MPI** added. <u>However, it's more important to focus on the four market experiences since 2000, which are shorter-fused</u>. The lead-time from 2000, for the seventh **MPI,** is 3 months (+/- 4 mo.) and +5% (+/- 5%). This centers a peak in February 2012 (Oct. 2011 to Jun. 2012) at a *monthly average* of 1287 (1226 to 1350).



Business cycles have been occurring just as frequently, as there's been four since 2000 – three slowdowns and one recession. There are now five of eight **Business Cycle Peak Indicators** signaling an economic downturn. The average of all experiences is centering some degree of slowing, in Nov. 2012 (Apr. 2012 to June 2013). A couple of more **BCPI** would shrink this wide range. The average of those experiences since 2000 is centering in February 2012 (Aug. 2011 to Sept. 2012). Seeing both of these **MPI's** and **BCPI's** confirms there's validity to this market and economic outlook. More than likely, it's a slowing and <u>will not be noticed until after revisions</u>, but it could provoke a decline in yields of 200 basis points, which has been the average response for prior slowdowns. <u>If investors believe that there's a strong possibility that the secular trend will continue, then emphasize the shorter lead-times.</u>

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