# BUSINESS CYCLE DEVELOPMENTS

There are now nine of 10 **Market Peak Indicators** signaling. The most recent **MPI** is *Liquidity: Bank Credit*, which implies loans are expanding significantly faster than bank securities are growing. This means tightening liquidity and it has historically led to a reversal in equities.

- Since 2000, the ninth **MPI** appeared in six of the seven S&P 500 peaks. The six observations range from +5 to -7 months, which means the ninth **MPI** was late by five months for the Jan. 2014 peak and too early by seven months for the Oct. 2007 peak. Obviously the S&P is still climbing, so applying this historical seven month outlier to today's market, implies a peak occurring from now thru March 2018.
- The revised percentage gains from the ninth **MPI** remain slightly less than the gains from the eighth **MPI** – the new center point for a peak is 2530 (2454 thru 2656). December's 2017 *monthly average* was 2664.

## PERCENTAGE GAIN - NINTH MPI to the S&P 500 PEAK

**S&P 500 MONTHLY AVERAGE**

| NINTH MPI | S&P 500 PEAK | % GAIN: 9th MPI to S&P PEAK | |
|---|---|---|---|
| 11/58 | 7/59 | +13.8% | |
| 7/61 | 12/61 | +9.6% | |
| 11/64 | 1/66 | +10.9% | |
| 4/68 | 12/68 | +11.3% | |
| 10/71 | 1/73 | +21.7% | |
| 12/75 | 9/76 | +18.9% | Avg.: +10.4% |
| 12/80 | 4/81 | -.7% | |
| 8/83 | 10/83 | +3.2% | |
| 4/87 | 8/87 | +13.8% | |
| 4/92 | 1/94 | +16.1% | |
| 5/98 | 7/98 | +4.3% | |
| 4/00 | 8/00 | +1.6% | |
| 3/02 | 3/02 | -0- | |
| 6/04 | 2/04 | -.9% | |
| 3/07 | 10/07 | +9.4% | Avg.: +4.6% |
| 2/10 | 4/10 | +9.9% | |
| 2/12 | 3/12 | +2.7% | |
| (1) | 1/14 | n/a | |
| (1) | 5/15 | n/a | |
| | Avg.: | +8.6% | |
| 8/17 | ? ? | +8.5% | To date thru December '17 |

(1) S&P peaked before the ninth **MPI** appeared.

- Prior to 2000 the average gain from the ninth **MPI** to the S&P peak was a *monthly average* +10.4% and there were always nine **MPI's** signaling at least eight months prior to the S&P peak – see the table.
- Post 2000, the gain from the ninth **MPI** to the peak has been a *monthly average* +4.6%. - see the table. It's clear that there are two different patterns – before and after 2000 – and the post 2000 paradigm will continue, as the U.S. growth has become Japanized, with the porpoising of output and equities. This was first mentioned in 2004 – see here for more recent details.

The *monthly average* gain for the S&P 500 from the August 2017 ninth **MPI** has been +8.5% through December 2017. We're still expecting a market correction that typically corresponds to one discounting a slowing economy, which is -12% (+/- 4%) for the S&P 500 and 33% to 50% greater decline for small caps or NDQ averages.