BUSINESS CYCLE DEVELOPMENTS

There are now two of six **Market Trough Indicators** signaling. As pointed out in the March 12th BCD Update, any two **MTI's** are needed to re-enter the market on weakness or shocks. The two **MTI's** are momentum driven and the other four of the six are based on fundamentals – liquidity and consumer spending. However, a meaningful move higher in stocks will likely coincide with the expectation of improved virus counts. Like the 1990 Gulf War, this virus shock is an amorphous shock – having the characteristics of indeterminate time and damage. In October 1990 the S&P bottomed with two **MTI's**, signaling the very month output peaked and the war recession lasted two quarters. What turned the S&P higher in October 1990 was the 'beginning-of-the-end', or the Iraqi rout. A peak and decline in this bell curve could be a window for convincing evidence needed. The **MTI's** are setup for a bottom – buy selectively on weakness, but stocks will likely need to see lower counts first.

S&P TROUGH IN RELATION TO A TROUGH IN OUTPUT

MONTHLY AVERAGES: S&P 500 & INDUSTRIAL PRODUCTION

Col 1 Trough In S&P 500	Col 2 Trough In Output	Col 3 Lead (-) Lag (+) S&P Low To Output Low	
Oct. '60	Feb. '61 r	-4 mo.	
Jun. '62	None	n/a	S&P drops - Kennedy vs. steel industry.
Oct. '66	Jul. '67 sd	-9	
Jun. '70	Nov. '70 r	-5	
Dec. '74	May '75 r	-5	
Mar. '78	None	n/a	Two-tier stock decline – no slowing.
Feb. '80	Jul. '80 r	-5	
Jul. '82	Dec. '82 r	-5	
Jul. '84	Jul. '85 sd	-12	
None	Jul. '89 sd	n/a	Slowing, but equities did not discount it.
Dec. '87	None	n/a	Black Monday hits S&P, but no slowing.
Oct. '90	Mar. '91 r	-5	Gulf War
Dec. '94	None	n/a	S&P discounts China's 40% devaluation.
None	Jan. '96 sd	n/a	Slowing, but equities didn't discount it.
Sep. '98	None	n/a	S&P discounted LTCM failure.
Sep. '01	Nov. '01 r	-2	
Feb. '03	Aug. '03 sd	-6	
Aug. '04	None	n/a	S&P declines, but no slowing or recession.
None	Nov. '06 sd	n/a	Slowing, but equities didn't discount it.
Mar. '09	Jun. '09 r	-3	
Jul. '10	Feb. '11 sd	-7	
Sep. '11	None	n/a	S&P declines due to triple crises.(1)
Jun. '12	Oct. '12 sd	-4	
Feb. '14	Feb. '14 sd	0	
Feb. '16	Mar. '16 r(2)	-1	
Dec. '18	Oct. '19(3)	-10	
		Avg. -5 mo. (+/- 2 mo.)	

(1) Euro Crisis in 5/11; Failed U.S. Budget Control Act in 7/11; Prior 7 GDP quarters lowered in 7/11. (2) Output fell -4.8% and the NBER hasn't declared a recession to date. (3) The 45 day auto strike pushed output from July to October 2019.

Since 1962, the average lead-time from the 2nd **MTI** to the S&P trough discounting slowdowns and shocks – is three months (+/- 2 mo.) and -6% (+/- 6%) lower . The 2nd **MTI** signal came this month of March, so the target month for the S&P low is June 2020 (April thru August). The current S&P *monthly average* for 16 trading days in March is 2567, which centers the *monthly average* target at 2413 (2268 to 2558) in June (April thru August). Notice above that the S&P trough leads the bottom in output by five months (+/- 2 mo.). So, expect stocks to rebound on lower case reports and continue climbing through the carnage of the recession numbers.