BUSINESS CYCLE DEVELOPMENTS

Projecting a peak with five of 10 **MPI's** signaling points to June '24 (Feb. thru Oct.). Additional **MPI's** will adjust the target point forward and narrow down the m/a/d. There's always been at least eight **MPI's** signaling (see yellow shade below). Whenever there's been fewer – see below where there were six of 10 **MPI's** signaling – these peaks in the S&P were associated with shocks. If a Fukushima, a Chinese devaluation, or an equivalent were to occur, it would create a sizable correction. Continue to invest, but any new money should focus on short pay-back returns.

Column #4 below shows that the *AAII Index* peaks six months (+/- 4 mo.) before the peak in the S&P 500. Suppose this *AAII* peak is January '24 – if the historic averages are applied – then July 2024 would be an expected center point for the peak in the S&P. This happens to currently overlay the target point for the five of 10 **MPI's**. But, we need more **MPI's**, because the calculus of 10 fundamental measures of consumer spending and liquidity are not currently near peak levels to sell into market strength.

To date, *AAII Bullishness* – peaked in January 2024 at **48%**, which is -16% points below (i.e. 39%) for one week in June. This is worth knowing, because at **48%** it falls near the average bullishness of **52%** and certainly within the mean-absolute-deviation of +/- 5% (see gray shade below). What is not shown below – but worth mentioning – is that the *AAII Bullishness Index* declines -16% (+/- 10%) prior to the peak in the S&P 500. So, this -16% drop through early June is worthy of note, but also not yet concerning, because of the too few **MPI's**.

PEAKS IN THE AAII INDEX LEAD THE S&P 500 PEAKS

All data are monthly averages – column #5 is daily-close declines

AAII BULLISHNESS PRIOR to S&P PEAK (8 week mov. avg.)	S&P 500 PEAK (mo. avg.)	# of MPI's @ S&P peak	LEAD (+) / LAG (-) AAII to S&P PEAK	DECLINE: DAILY CLOSE
12/92 @ 50%	1/94	10	+13 mo.	S&P -8% & R2M -13%
6/97 @ 53%	7/98	9	+13 mo.	S&P -19% & R2M -37%
1/00 @ 61%	8/00	10	+7 mo.	S&P -37% & R2M -30%
12/01 @ 58%	3/02	9	+3 mo.	S&P -32% & NDQ -34%
1/04 @ 65%	2/04	8	+1 mo.	S&P -8% & NDQ -19%
2/07 @ 49%	10/07	10	+8 mo.	S&P -57% & NDQ -60%
12/09 @ 43%	4/10	10	+4 mo.[1.]	S&P -16% & NDQ -21%
12/10 @ 54% Three shocks...	7/11	6 ...Fukushima....	+7 mo. ...an ECB hike & Brazil devalued.	S&P -19% & R2M -30%
1/12 @ 48%	3/12	9	+2 mo.[2.]	S&P -10% & R2M -13%
12/13 @ 47%	1/14	8	+1 mo[3.]	S&P -6% & R2M -9%
11/14 @ 53% A shock...	5/15	6 ...see note #4.	+6 mo.[4.]	S&P -14% & R2M -26%
12/16 @ 44%	1/18	9	+13 mo.	S&P -20% & R2M -27%
1/20 @ 39% A shock – this...	1/20	...data is not included...	n/a	...in the averages below – due to the Covid shock.
4/21 @ 46%	12/21	9	+8 mo.	S&P -25% & R2M -32%
Average: 52% (+/-5%)			**Average: +6 mo. (+/-4 mo.)**	
1/24 @ 48% ...to date....	? ?	5 ...to date....	? ?	? ?

1.) Flash Crash – S&P fell for three months.
2.) S&P fell for three months and rebounded with Operation Twist #2 and Draghi's stimulation - "whatever it takes."
3.) Small decline in the S&P, as tapering policy was reversed.
4.) Chinese devaluations in April and November 2015 are combined in this decline, which started with six of 10 **MPI's** signaling & 53% AAII.