BUSINESS CYCLE DEVELOPMENTS

There are still only six of 10 **Market <u>Peak</u> Indicators** signaling a peak in the S&P 500. In the past 30 years, before any S&P peaks occurred, there have been at least eight of 10 **M<u>P</u>I's** signaling – these 10 ***BCD*** data-points monitor rates-of-change of a numerator and denominator of macro economic consumer spending and liquidity measures. Two of the S&P peaks occurred with only six **M<u>P</u>I's** signaling – both related to external shocks – see the yellow shading below in column # 3. A 'very preliminary' estimated S&P peak – using only six of the 10 **MPI's** – points to July 2025 (4/25 thru 11/25). Historically, at least two more **M<u>P</u>I's** are needed.

So much for the fundamentals-only approach to a S&P peak, but how does this relate to market sentiment? First, the fundamentals (i.e. **M<u>P</u>I's**) turn negative and then investor sentiment peaks – see the difference in column #4. Bullish levels average 52% (+/- 5%) <u>prior</u> to peaks in the S&P 500 – see the gray shading below. As of December '23 the *AAII Bullishness* peaked for this bull market at 49% – within the mean-absolute-deviation of (+/- 5%) seen below in column #1. This peak in '*AAII Bullishness*' usually appears six months (+/- 4 mo.) <u>before</u> the peak in the S&P – see column #4 below – but after the build-up of **M<u>P</u>I's**. Current 'bullishness' has fallen to 39% and it's not likely to improve above the December '23 peak levels, so this bull market is 'technically mature' compared to past experiences – see bottom of column # 4. The fundamentals (i.e. **M<u>P</u>I's**) are not yet aligned to historical technicals for an S&P peak yet, unless there's an external shock.

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

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

Col. # 1 **AAII BULLISHNESS PRIOR to S&P PEAK (mo. avg.)**		Col. # 2 **S&P 500 PEAK (mo. avg.)**	Col. # 3 **# of MPI's @ S&P peak**		Col. # 4 **LEAD (+) / LAG (-) AAII to S&P PEAK**		Col. # 5 **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 @ 64%		2/04	8		+1 mo.		S&P -8% & NDQ -19%
2/07 @ 48%		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%
1/18 @ 52%		1/18	9		-0-		S&P -20% & R2M -27%
12/19 @ 39%	A shock – this...	1/20		...data is not included...	n/a	...in the averages below – due to the Covid shock.	
4/21 @ 50%		12/21	9		+8 mo.		S&P -25% & R2M -32%
Average: 52% (+/-5%)					**Average: +6 mo. (+/-4 mo.)**		
12/23 @ 49%	...to date....	? ?	6	...to date....	14 mo.	...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 quickly 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.