I presented my Traffic Light Indicator system at Market's Now, June 2015

with back-test data

Let's look at what they tell us today

The top 2 boxes are the primary indictors of Yield Curve and
6 month / 12 month Moving Average crossover.

The lower boxes are secondary indicators. They provide added strength to the primary signals.

Complete record back to 1977, but subset shown here.

This is today's picture 2014-15

Status of key indicators (traffic lights) 2014 and 2015

Predictors of major bear markets:

Primary signals:

Yield curve as major predictor of coming bear market.

Then SP500 6 month / 12 month moving average cross-over for total exit.

Secondary signals, to guide gradual exit:

Price below 20, 40, 50, 200 daily moving averages.

20, 40, 50, 200 daily moving averages turned downwards.

	Accuracy	1-2014	4-2014	7-2014	10-2014	1-2015	4-2015	7-2015	10-2015
Yield curve above zero. (Yield curve below zero predicts bear market).	Predicted 3/3 major bear markets since 1977. Zero months to 27 months in advance.								
S&P 500 6month MA above 12month MA (Exit market if both of these occur: yield curve is negative and 6 month MA falls below 12 month MA).	Since 1970: Entries 12/12 Exits 5/11 (5 whipsaws). 100% success in exiting before major bear markets.								
US Conference Board Leading Economic Indicator sloping up.									
Beware major gains in resource sector.									
Sum of S&P500 PE + short term interest rate <22									
Interest rates benign (green below 4% even if rising). Fed Funds rate as proxy									
Treasury yields <5% are benign. (Over 6% is a real danger).	3/5: Use to confirm message from yield curve. Not to be used alone.								
Inflation low. Beware if 3%-4% and rising									
Indices above 50 day moving average.									
Indices above 200 moving average. (Below 300 day is a major warning.)									
Oil price rapidly rising / high									

...and January 2016

Status of key indicators (traffic lights) 2016

Predictors of major bear markets:

Primary signals:

Yield curve as major predictor of coming bear market.

Then SP500 6 month / 12 month moving average cross-over for total exit.

	Accuracy	1-2016	4-201	7-2016	10-2016	1-2017	4-2017	7-2017	10-2017
Yield curve above zero. (Yield curve below zero predicts bear market).	Predicted 3/3 major bear markets since 1977. Zero months to 27 months in advance.								
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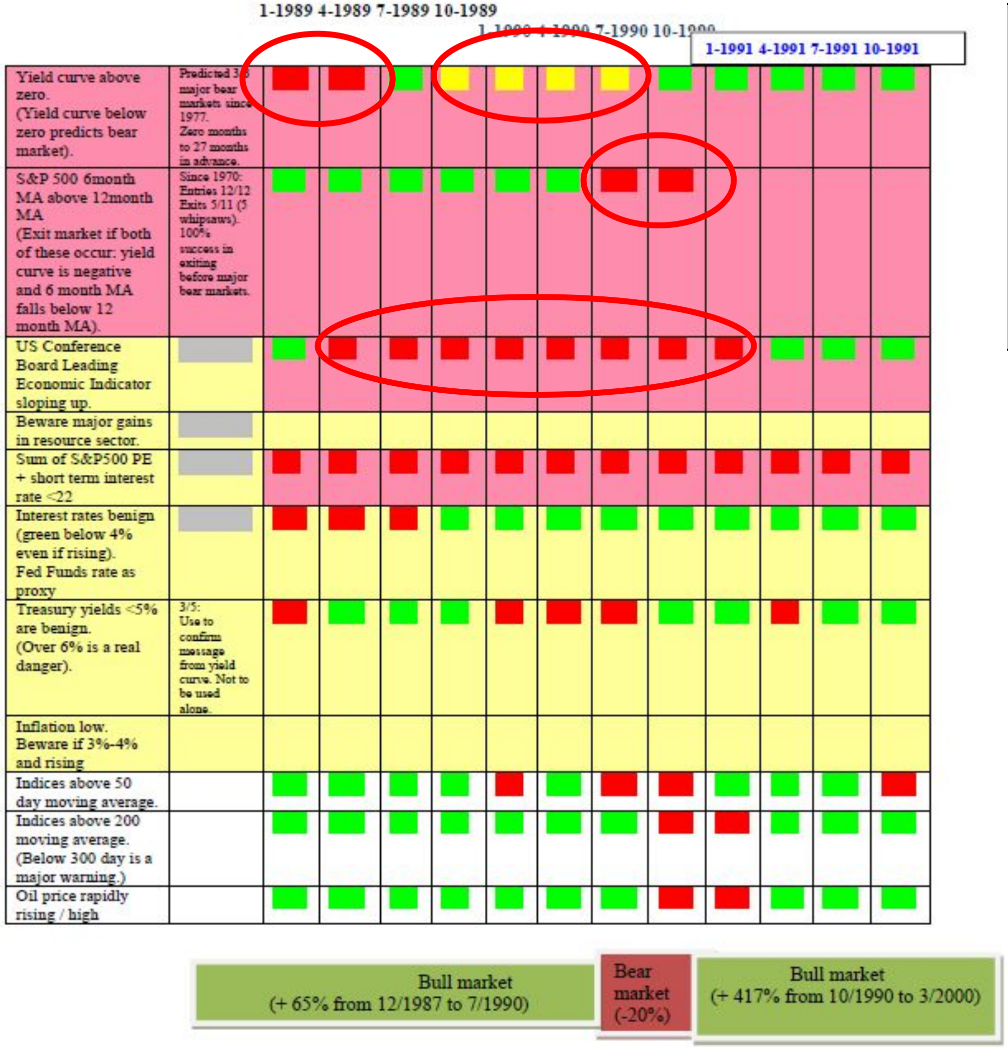
And this shows what a typical bear market has looked like in the past

Traffic Light Indicators 1989-1991

Primary

Secondary



Yield curve negative 1989 and July 1990. 6m/12m MA crossover mid 1989. Bear market ahead.

Secondary indicators 'red' too.

So, from the historical record, what does today's picture most resemble?

The charts through the years follow...

Traffic Light Indicators 1992-1994

Bull market (+ 417% from 10/1990 to 3/2000)

Winter 1994-95 looked similar to today

Status of key indicators (traffic lights) 1995-1997

Predictors of major bear markets:
A negative yield curve is THE major predictor of a coming bear market.
Time exit when S&P500 6 month moving average falls below 12 month moving average.

Predictors of a correction:
If the two above are still in bull market mode,
amber and red on other indicators points to a correction, not a bear market.

		1-1995	4-1995	7-1995	10-1995	1-1996	4-1996	7-1996	10-19	1-1997	4-1997	7-1997	10-1997
Yield curve above zero. (Yield curve below zero predicts bear market).	Predicted 3/3 major bear markets since 1977. Zero months to 27 months in advance.												
S&P 500 6month MA above 12month MA (Exit market if both of these occur: yield curve is negative and 6 month MA falls below 12 month MA).	Since 1970: Entries 12/12 Exits 5/11 (5 whipsaws). 100% success in exiting before major bear markets.												
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Indices above 200 moving average. (Below 300 day is a major warning.)													
Oil price rapidly rising / high													

Traffic Light Indicators1998-2000

April 2000.
Yield curve negative again (and 1998), followed now by 6m/12m MA crossover.
Bear market ahead.
Many secondary indicators 'red' too.

2001 - 2002 shows similarities, though USA UK etc were clearly in recession

Status of key indicators (traffic lights) 2001, 2002, 2003

Predictors of major bear markets:
A negative yield curve is THE major predictor of a coming bear market.
Time exit when S&P500 6 month moving average falls below 12 month moving average.

Predictors of a correction:
If the two above are still in bull market mode,
amber and red on other indicators points to a correction, not a bear market.

		1-2001	4-2001	7-2001	10-2001	1-2002	4-2002	7-2002	10-2002	1-2003	4-2003	7-2003	10-2003
Yield curve above zero. (Yield curve below zero predicts bear market).	Predicted 3/3 major bear markets since 1977. Zero months to 27 months in advance.												
S&P 500 6month MA above 12month MA (Exit market if both of these occur: yield curve is negative and 6 month MA falls below 12 month MA).	Since 1970: Entries 12/12 Exits 5/11 (5 whipsaws). 100% success in exiting before major bear markets.												
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Oil price rapidly rising / high													

Traffic Light Indicators 2004-2006

		1-2004	4-2004	7-2004	10-2004	1-2005	4-2005	7-2005	10-2005	1-2006	4-2006	2006	10-2006
Yield curve above zero. (Yield curve below zero predicts bear market).	Predicted 3/3 major bear markets since 1977. Zero months to 27 months in advance.												
S&P 500 6month MA above 12month MA (Exit market if both of these occur: yield curve is negative and 6 month MA falls below 12 month MA).	Since 1970: Entries 12/12 Exits 5/11 (5 whipsaws). 100% success in exiting before major bear markets.												
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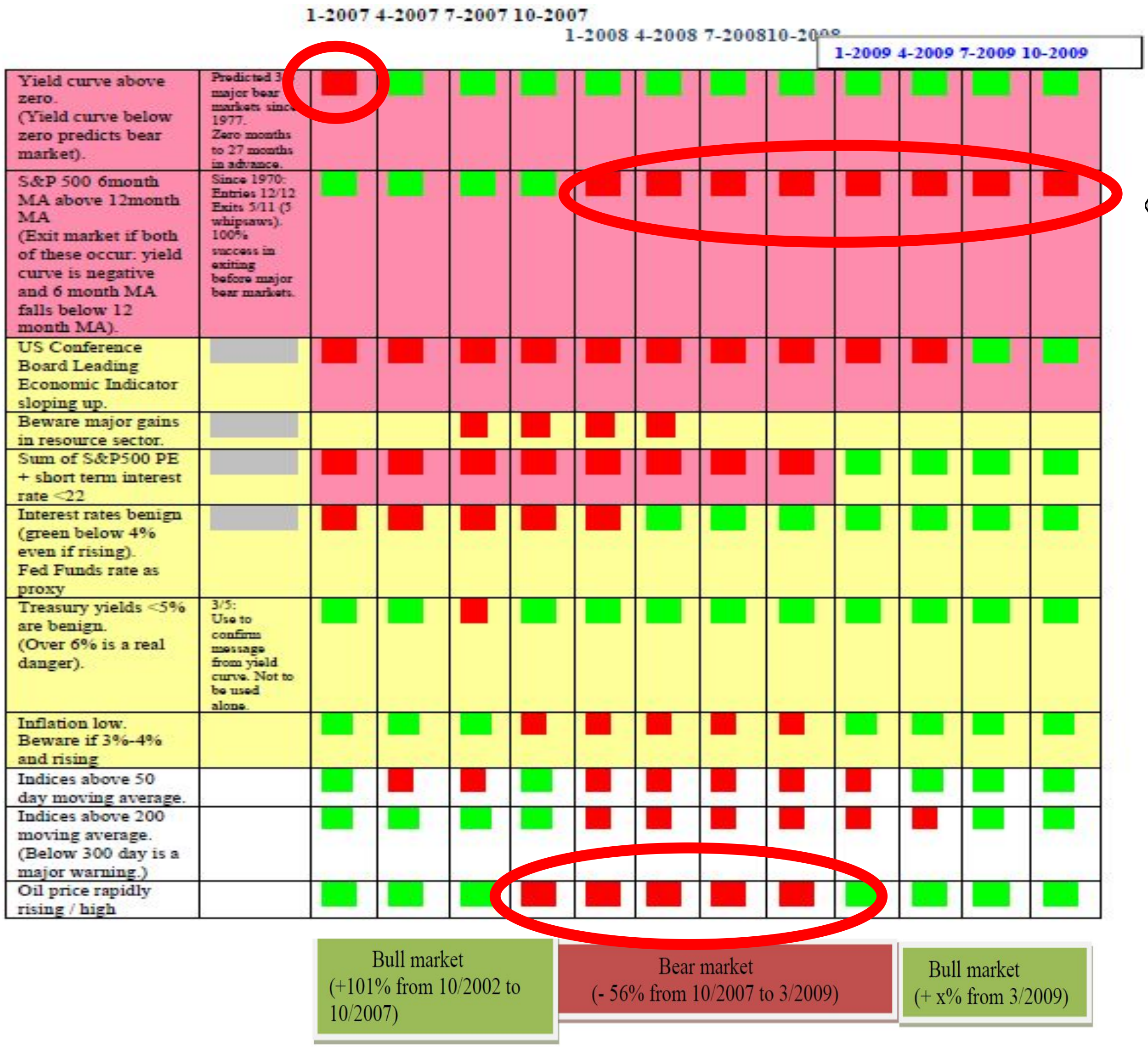
Indices above 50 day moving average.													
Indices above 200 moving average. (Below 300 day is a major warning.)													
Oil price rapidly rising / high													

Yield curve negative, but no 6m/12m MA crossover yet.

Traffic Light Indicators 2007-2009



January 2008
Yield curve negative in 2006-7, followed now by 6m/12m MA crossover.
Bear market ahead.
Many secondary indicators 'red' too.

Traffic Light Indicators 2010-11

	Accuracy	1-2010	4-2010	7-2010	10-2010	1-2011	4-2011	7-2011	10-2011
Yield curve above zero. (Yield curve below zero predicts bear market).	Predicted 3/3 major bear markets since 1977. Zero months to 27 months in advance.								
S&P 500 6month MA above 12month MA (Exit market if both of these occur: yield curve is negative and 6 month MA falls below 12 month MA).	Since 1970: Entries 12/12 Exits 5/11 (5 whipsaws). 100% success in exiting before major bear markets.								
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Oil price rapidly rising / high									

Traffic Light Indicators 2012- 2013

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Yield curve above zero. (Yield curve below zero predicts bear market).	Predicted 3/3 major bear markets since 1977. Zero months to 27 months in advance.	Green	Green	Green	Green	Green	Green	Green	Green
S&P 500 6month MA above 12month MA (Exit market if both of these occur: yield curve is negative and 6 month MA falls below 12 month MA).	Since 1970: Entries 12/12 Exits 5/11 (5 whipsaws). 100% success in exiting before major bear markets.	Red	Green	Green	Green	Green	Green	Green	Green
US Conference Board Leading Economic Indicator sloping up.		Green	Green	Green	Green	Green	Green	Green	Green
Beware major gains in resource sector.		Green	Green	Green	Green	Green	Green	Green	Green
Sum of S&P500 PE + short term interest rate <22		Green	Green	Green	Green	Green	Green	Green	Green
Interest rates benign (green below 4% even if rising). Fed Funds rate as proxy		Green	Green	Green	Green	Green	Green	Green	Green
Treasury yields <5% are benign. (Over 6% is a real danger).	3/5: Use to confirm message from yield curve. Not to be used alone.	Green	Green	Green	Green	Green	Green	Green	Green
Inflation low. Beware if 3%-4% and rising		Green	Green	Green	Green	Green	Green	Green	Green
Indices above 50 day moving average.		Green	Green	Green	Red	Green	Green	Red	Red
Indices above 200 moving average. (Below 300 day is a major warning.)		Green	Green	Green	Red	Green	Green	Yellow	Green
Oil price rapidly rising / high		Green	Yellow	Green	Green	Green	Green	Green	Green

Status of key indicators (traffic lights) 2014 and 2015

Predictors of major bear markets:

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Bear market without recession is possible.
Historical data indicates they are milder.

Data from last 16 bear markets:

Bear Markets	Average Loss	Length (months)
Recession	-38.2%	18.2
No Recession	-17.9%	9.1

Summary: Current market situation

Pattern is typical of a severe market wobble or non-recession bear market; but has not signaled a major bear market in the past, at least back to the 1950s.

The charts with the nearest equivalent patterns are 4th quarter 2011, 2001-2, and 1995.

As I said at Markets Now June 2015, a negative yield curve signals a major bear market with about 70% accuracy, and the other 30% have all started during the summer weak season and been very obvious by October

This is why I go 50% cash from late April/May onward through to late October/early November.

November/December 2015 handed out few buying opportunities that meet my rules. So I am still about 25% cash at the moment. I will go 50% cash again April/May '16.

I have not found much that meets my buy rules, which may indicate the 'correction' needs more time.

Bear markets not accompanied by recession have been mild in the past, so I will just hang in there (and admire the dividends!)