

Canary Indicator Risk Report

Wednesday, May 01, 2024

REACTIVE INDICATORS

Category Signal: High Risk			
Current Value	Indicator	Date	Signal
0.10	Market Risk Indicator	2024-04-30	Moderate/Low Risk
2.90	US Dollar	2024-04-30	High Risk
1.02	10-year Yield	2024-04-29	High Risk
0.98	10-year Yield Stochastic	2024-04-30	Moderate/Low Risk
-1.69	High Yield Spread	2024-04-29	Moderate/Low Risk
-0.54	VIX Indicator	2024-04-29	Moderate/Low Risk
57.24	RSI Indicator	2024-04-30	Moderate/Low Risk

CANARY INDICATORS S&P DRAWDOWN RISK MODELS

Category Signal: Low Risk			
Current Value	Indicator	Date	Signal
28.7	5% Drawdown Model	2024-04-30	Moderate/Low Risk
8.4	10% Drawdown Model	2024-04-30	Moderate/Low Risk
2.2	15% Drawdown Model	2024-04-30	Moderate/Low Risk

For category risk:

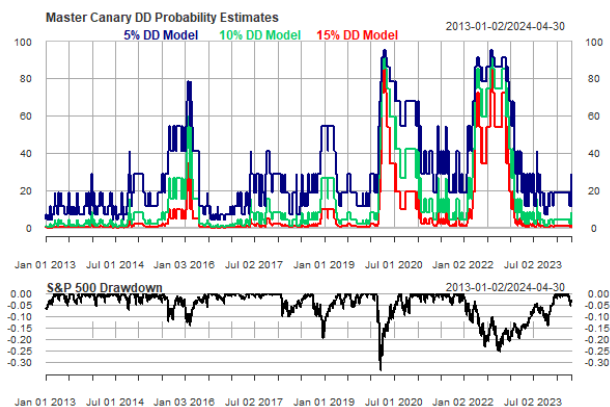
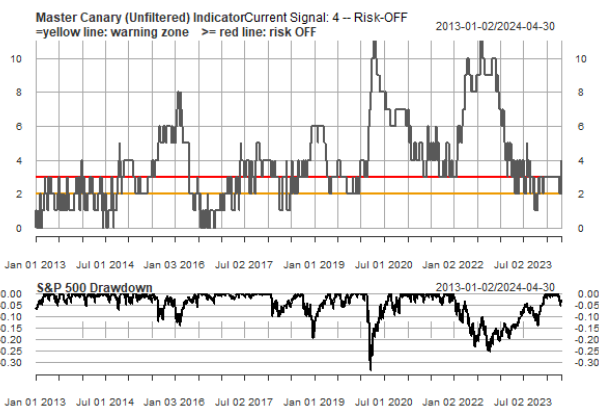
Low risk: both models are Low Risk or one Low and one Moderate.

Moderate risk: both models are Moderate.

High risk: one model is Low or Moderate Risk and the other is High Risk, or both models are High Risk.

Current values indicate % probability of an x% or deeper drawdown for the S&P 500 in the near term. For individual models:

Low risk: <40% Moderate risk: 40%-50%. High risk: >50%.



STOCK MARKET INDICATORS

Category Signal: Moderate Risk			
Current Value	Indicator	Date	Signal
0.10	Market Risk Indicator	2024-04-30	Moderate/Low Risk
1.38	CAPE Indicator	2024-01-31	High Risk
0.57	PE Indicator	2024-01-31	Moderate/Low Risk
1.09	S&P 500 50-200 MA	2024-04-30	Moderate/Low Risk

INTEREST RATE INDICATORS

Category Signal: High Risk			
Current Value	Indicator	Date	Signal
1.02	10-year Yield	2024-04-29	High Risk
0.00	TIPS Risk Signal	2024-04-30	High Risk
0.98	10-year Yield Stochastic	2024-04-30	Moderate/Low Risk
-1.69	High Yield Spread	2024-04-29	Moderate/Low Risk

ECONOMIC INDICATORS

Category Signal: Low Risk			
Current Value	Indicator	Date	Signal
-0.19	Chicago Fed Nat'l Activity Index (3mo)	2024-03-31	Moderate/Low Risk
1.90	Dallas Fed Weekly Economic Index	2024-04-19	Moderate/Low Risk
-0.23	BBK Coincident Index	2024-03-31	Moderate/Low Risk
0.10	States Coincident Indicator	2024-03-31	Moderate/Low Risk

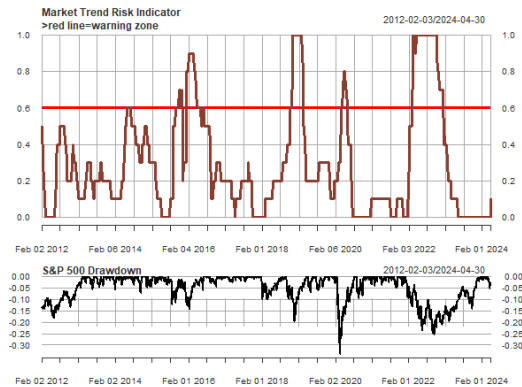
MACRO INDICATORS

Category Signal: Moderate Risk			
Current Value	Indicator	Date	Signal
0.05	Fragility Indicator	2024-04-30	Moderate/Low Risk
-0.61	St Louis Stress Index	2024-04-19	Moderate/Low Risk
2.90	US Dollar	2024-04-30	High Risk
0.13	Credit Distress Index	2024-04-19	Moderate/Low Risk

SENTIMENT INDICATORS

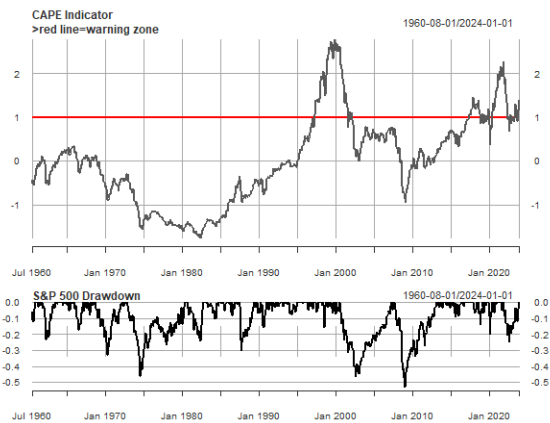
Category Signal: Low Risk			
Current Value	Indicator	Date	Signal
0.69	AAll Equity Weight	2024-03-31	Moderate/Low Risk
1.65	UoM Consumer Sentiment	2024-03-31	Moderate/Low Risk
-0.54	VIX Indicator	2024-04-29	Moderate/Low Risk
57.24	RSI Indicator	2024-04-30	Moderate/Low Risk

Market Trend Risk Indicator



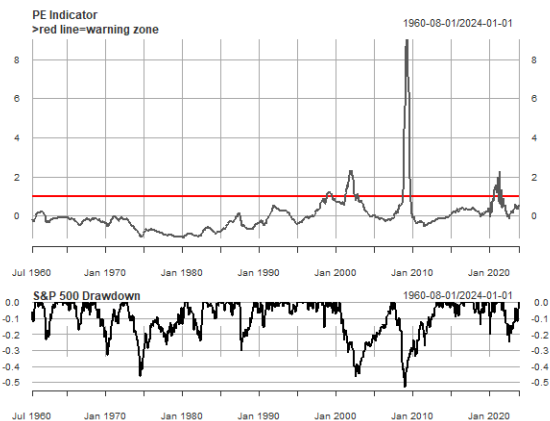
Market Trend Risk (MTR) Indicator reflects the average signal based on ten sub-indexes (see Appendix for details). Each sub-index reflects weekly data. A risk-OFF signal in MTR indicates risk-OFF for value > 0.6 .

CAPE Ratio Indicator



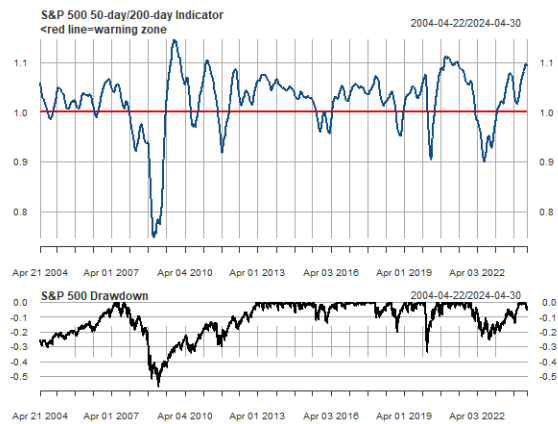
The CAPE Ratio Indicator reflects valuation for the S&P 500 Index, in z-scores. A risk-OFF reading occurs for > 1.0 .

PE Indicator



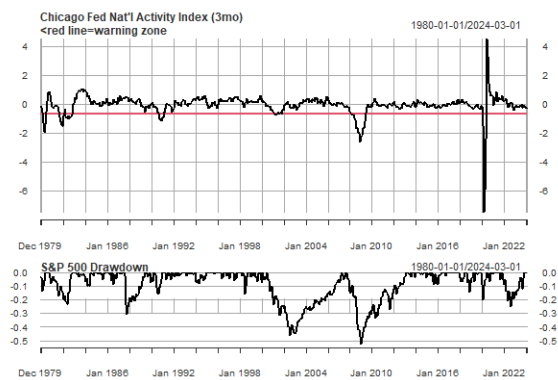
The Price-Earnings Ratio Indicator reflects valuation for the S&P 500, in z-scores. A risk-OFF reading occurs for > 1.0 .

S&P 500 50/200-day Moving Average Indicator



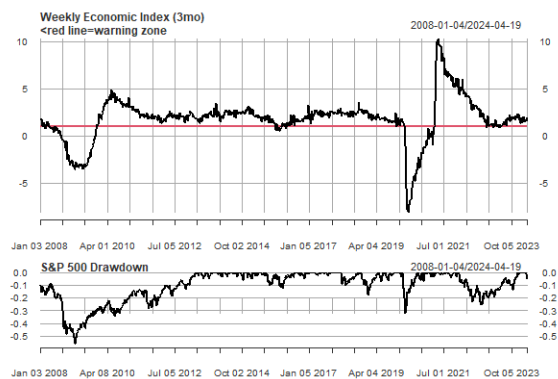
When the ratio of the 50-day moving average vs. the 200-day average is < 1 , a risk-OFF signal is triggered.

Chicago Fed Nat'l Activity Index (3mo)



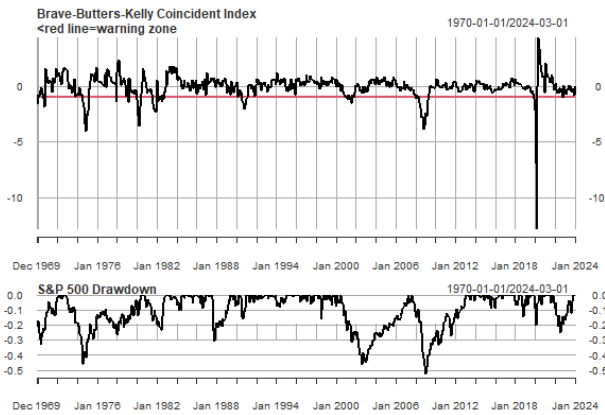
The 3-month average of the Chicago Fed Nat'l Activity: a risk-OFF reading is < -0.70 .

Dallas Fed Weekly Economic Index



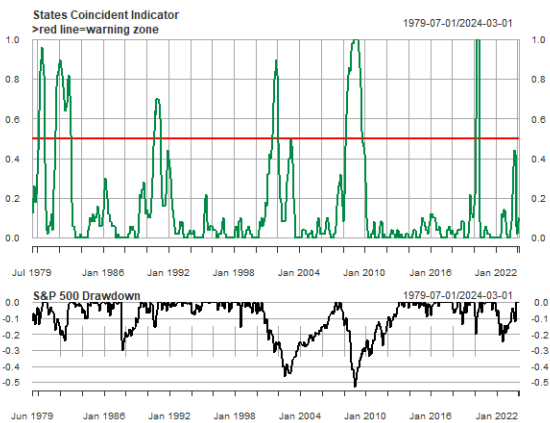
The Dallas Fed Weekly Economic Index: a risk-OFF reading is < 1.0 .

BBK Coincident Index



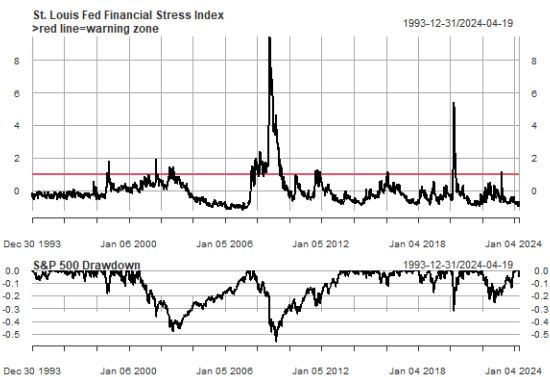
The Brave-Butters-Kelley (BBK) Coincident Index indicates risk-OFF with values < -1 .

States Coincident Indicator



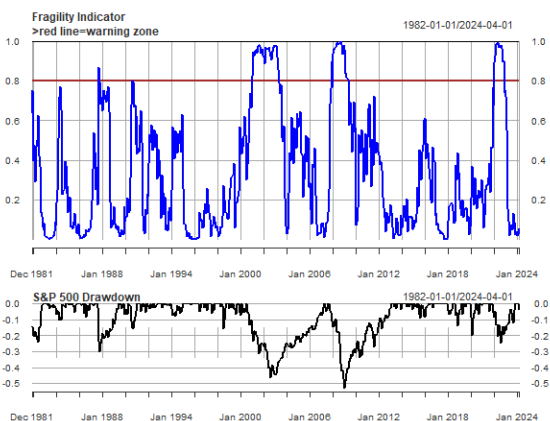
The States Coincident Indicator measures recession risk for the US. A risk-off reading is >0.5 .

St. Louis Fed Financial Stress Index



The St. Louis Financial Stress Index: a risk-OFF reading is >1.0 .

Fragility Indicator

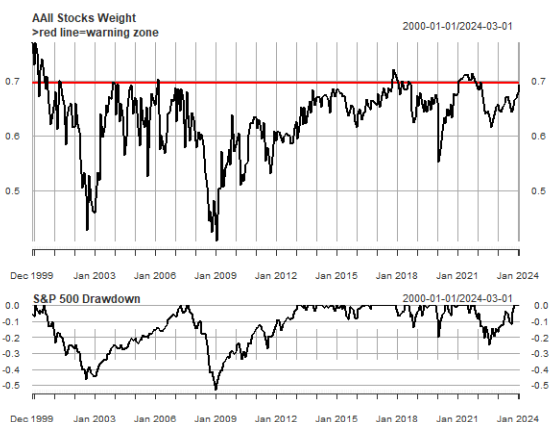


The Fragility Indicator is based on a logit model that estimates the risk of “large” equity market drawdowns. The analytics are derived from “Equity Fragility” (2020, Davis, et al.) and uses the following inputs:

- U.S. stock market index (S&P 500)
- U.S. stock market dividend yield
- U.S. equity market drawdowns
- U.S. consumer inflation
- U.S. Treasury yield curve
- Ratio of bank loans to U.S. GDP

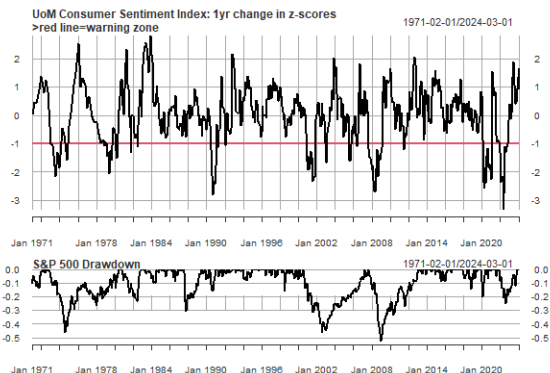
A risk-OFF signal occurs for >0.

AAll Equity Weight



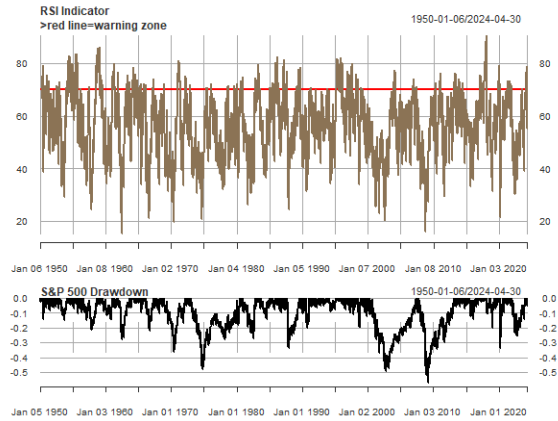
AAll Stocks Weight reflects survey data from members of the American Association of Individual Investors. When the survey results for current average equity allocation weight is above the 90th percentile (based on historical data since 2000), a risk-OFF signal is indicated. Note: the 90th percentile evolves as the sample size grows. For data from 2000 through January 2024, for example, the 90th percentile was 69.6%. By contrast, for 2000 through Dec. 2015 the 90th percentile was 65.3%.

UoM Consumer Sentiment Index



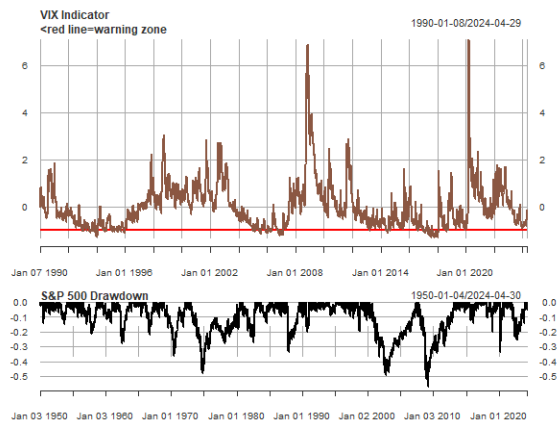
The rolling 1-year change in the Consumer Sentiment Index in z-scores. A risk-OFF signal: values < -1.

S&P 500 RSI Indicator



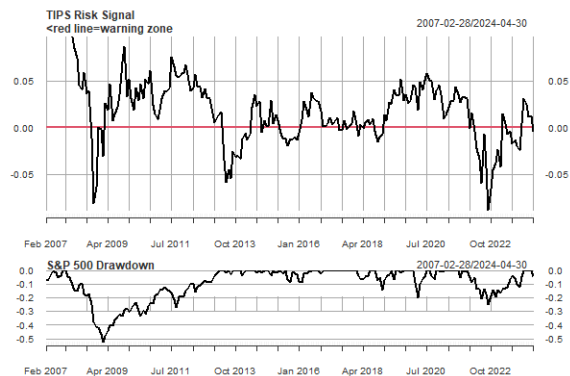
The RSI indicator measures relative strength for the S&P 500, based on weekly data. Values above 70 are considered “overbought” and indicate a risk-OFF condition.

S&P 500 VIX Indicator



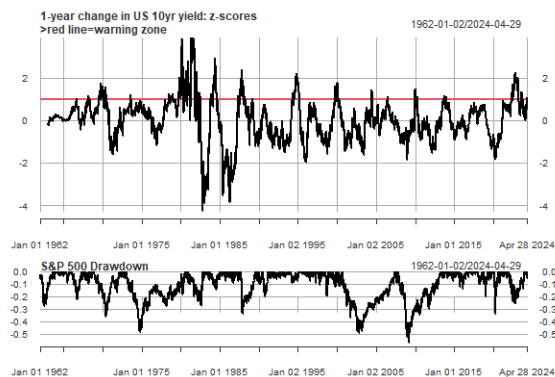
The S&P 500 VIX Indicator is a contrarian-based metric that indicates a risk-OFF condition when the VIX Index falls below -1 in terms of z-scale readings. The logic is that because stock market volatility cycles through time, unusually low levels of volatility imply higher vol, which in turn implies a correction in stock prices.

TIPS Risk Signal



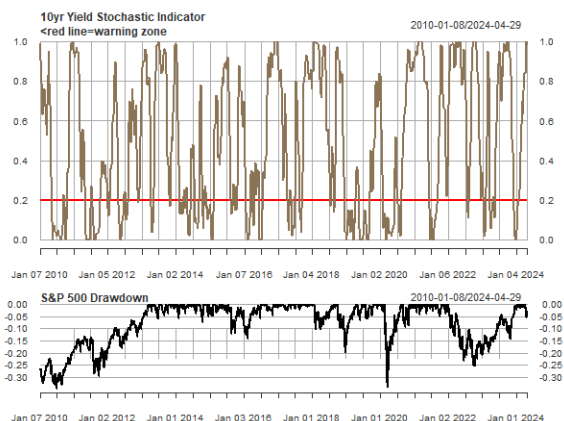
The TIPS Risk Signal calculates the mean of the 1-, 3-, 6- and 12-month returns (based on monthly data) for the iShares TIPS Bond ETF (TIP). Mean performance that's <0 is a risk-OFF reading.

10-Year Treasury Yield



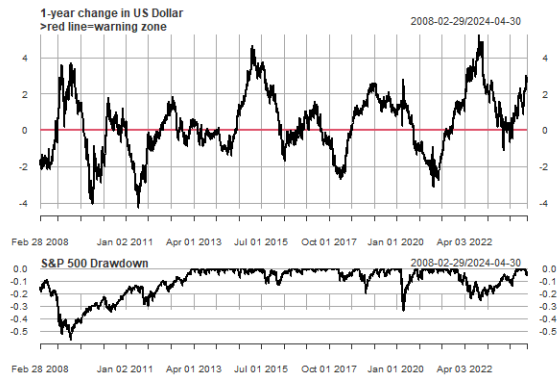
The rolling one-year change is the US 10-year Treasury yield in z-scores. A risk-OFF reading occurs for >1.0

10-Year Treasury Yield Stochastic Indicator



The 10-year Treasury Yield Stochastic Indicator uses a stochastic oscillator (a variation on quantifying momentum) to determine overbought/oversold conditions. The assumption here is that when the 10-year yield is oversold on a rolling 1-year basis, it signals a contrarian view that the 10-year rate is poised to rise. A decline in the indicator below 0.2 is a risk-OFF reading.

US Dollar Index



The rolling one-year change for the US dollar, based on Invesco DB US Dollar Index Bullish ETF (UUP). A risk-OFF reading occurs for >0.0

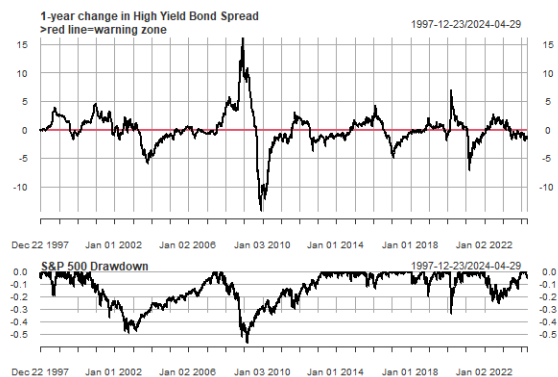
Bond Distress Index



The New York Fed's Corporate Market Distress Index. A risk-OFF reading occurs when the index is above its 50th percentile (red line), based on an expanding window. For details on the index, see:

<https://www.newyorkfed.org/research/policy/cmd/#/overview>

High Yield Bonds



The rolling 1-year change for high-yield bond spread triggers a risk-OFF signal when >0 .

Appendix

Canary Trend Risk Indicator reflects the average signal based on ten sub-indexes. Each sub-index reflects weekly data. Risk-ON=0. Risk-OFF = 1 and is triggered when the 10-week moving average falls below the 40-week average for the following ETF series:

1. SPDR S&P 500 (SPY)
2. Semiconductors (SMH)
3. Technology (XLK)
4. Ratio: Consumer Discretionary (XLY) / Consumer Staples (XLP)
5. Ratio: SPDR S&P 500 (SPY) / iShares 1-3 Year Treasury Bond ETF (SHY)
6. Ratio: SPDR S&P 500 (SPY) / Utilities (XLU)
7. Ratio: Homebuilders (XHB) / SPDR S&P 500 (SPY)
8. Ratio: SPDR S&P 500 (SPY) / S&P 500 Low Volatility (SPLV)
9. Ratio: US Home Construction (ITB) / SPDR S&P 500 (SPY)
10. Ratio: Russell 1000 Growth (IWF) / Russell 1000 Value (IWD)