

TREND UPDATE

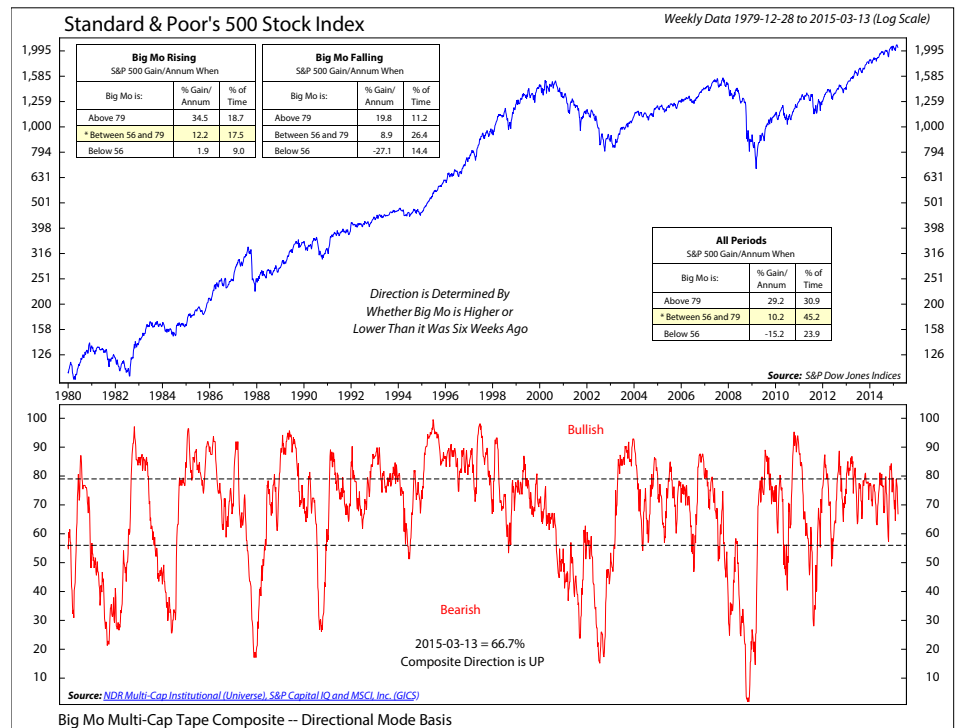
S&P 500 = 2053.40

REFERENCED CHART LINKS

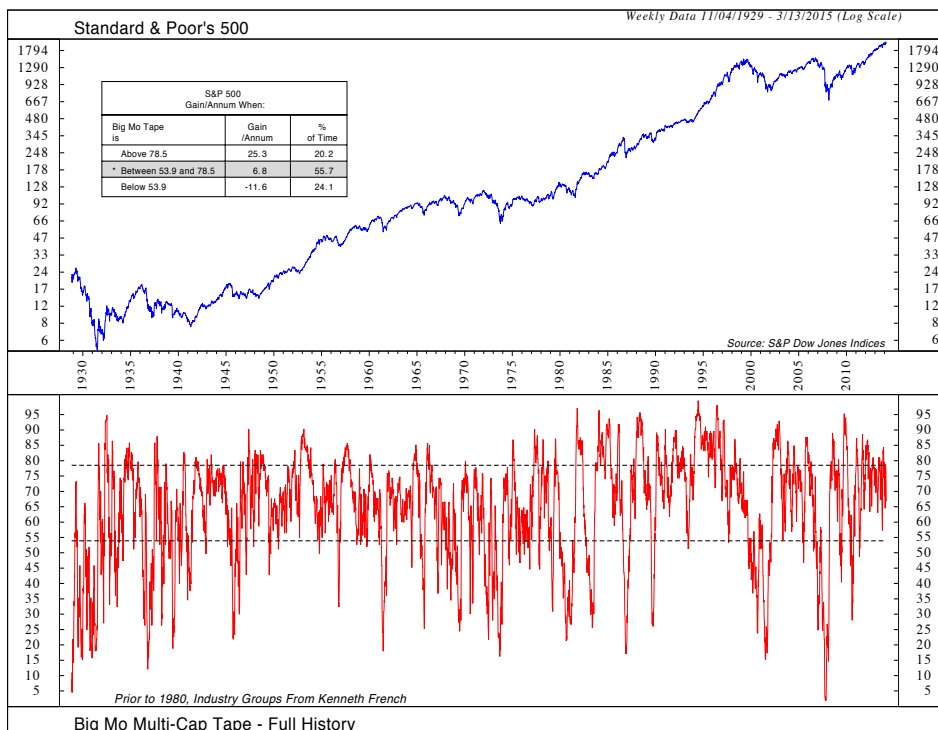
More New Hoops for Big Mo Tape

A number of clients are impressed with Big Mo Tape, but they feel the real time record is limited and, in fact, the record is almost too good to be true. We have tried to provide a number of tests of Big Mo Tape versus various other averages and in many limited data ranges ([1/26/2015 Hotline](#), [2/17/2015 Hotline](#), and [2/23/2015 Hotline](#)). However, we recently came upon a detailed daily record of industry groups going back to 1929. The data came from Kenneth French.

We have some 100 industry groups in our Big Mo Tape ([DAVIS250](#), right). We feel they gave a broad measure of the U.S. economy since 1980, which has surely shifted over the years from manufacturing more to service, technology, and health care. In any case, of our 100



DAVIS250



industry groups, we found that about 48 of the Kenneth French groups were fairly well correlated in the 1980-2014 period. So we added what we had of these 48 groups (and without a guarantee on the historical data record, which we did not put together).

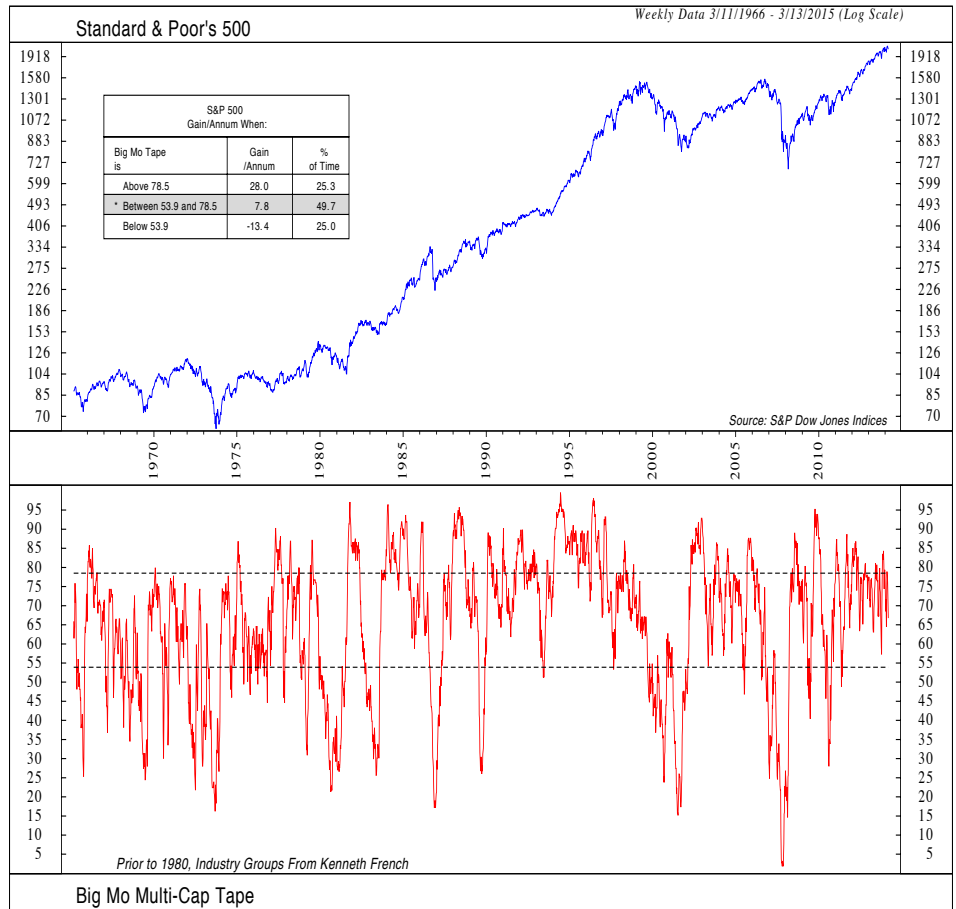
Using virtually the same brackets, we tried running the same formulas that we used on the groups since 1980 to the data from 1929-1980. And the record since 1929-2015 is shown on [chart A](#) to the left. We were very pleased that the formulas seem to work in this much longer date range.

We combined the expanded old (1966-1980) and the new (1980-2015) Big Mo Tape indicators and show 1966-2015 on [chart B](#) to the right. The three bracket record is almost exactly the same as shown on DAVIS250. Of course, this chart includes the data from DAVIS250, so a much tougher test is using the new 48 groups in a new date range from 1929-1979.

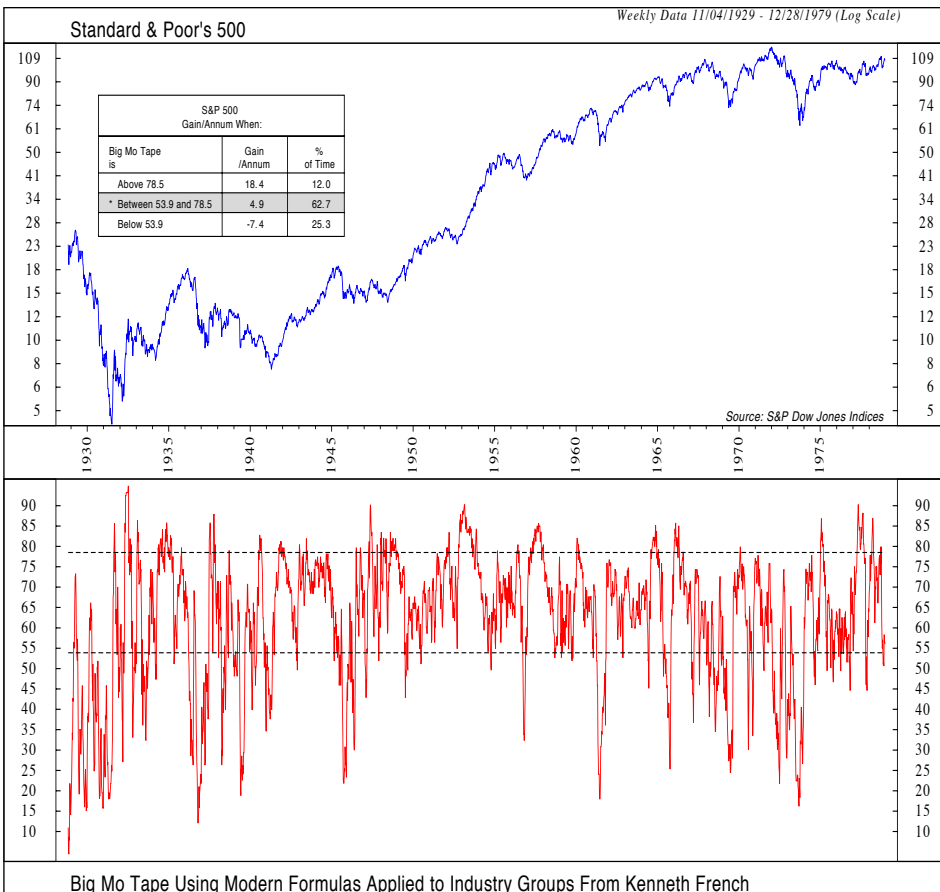
Clearly the record is not as good, as shown on [chart C](#) below. This could be because:

- 1) we over-optimized when building DAVIS250;
- 2) we are just using 48 groups rather than 100, and;
- 3) the 48 may be more "older economy," and the new Big Mo Tape may better reflect the newer economy.

In any case, I personally took much comfort in that it still seemed to work very well. Perhaps one should rely more on the results from chart C when using Big Mo Tape, but even if held up just this well, it could be very useful.



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HOT201503161C_C

In conclusion, I think we have run Big Mo Tape through as many hoops as I can think of. I'm sure it is not perfect, but I still feel it can be hugely helpful in staying out of big trouble. I rate it as mildly bullish at the current time.

P.S. We could try to completely rebuild Big Mo Tape with the data from 1929-2015, but I am reluctant to do that because the earlier period is not our data, I like the larger 100 group sample, and I fear the world has changed somewhat in recent decades, so I am inclined to stay with DAVIS250.

P.P.S. [DAVIS265](#) barely got to oversold on Friday correcting the prior overbought condition. This helps the outlook.

NED DAVIS RESEARCH GROUP

sales@ndr.com
www.ndr.com
(800) 241-0621

VENICE

600 Bird Bay Drive West
Venice, FL 34285
(941) 412-2300

BOSTON

50 Federal Street
2nd Floor
Boston, MA 02110
(617) 279-4860

ATLANTA

2100 RiverEdge Parkway
Suite 750
Atlanta, GA 30328
(770) 308-1128

SAN FRANCISCO

50 California Street
Suite 1500
San Francisco, CA 94111
(415) 277-5477

LONDON

8 Bouverie Street
London
EC4Y 8AX
+44 (0)20 7779 8579



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