

# MarketDesk PMI Momentum Indicator

12-Month Forecast of the Y/Y Change in the ISM Manufacturing PMI

Economic Activity

**Current Takeaway** The pace of Y/Y decline in the ISM Manufacturing PMI should trough this summer and begin to improve into 2H23

## Overview of Indicator

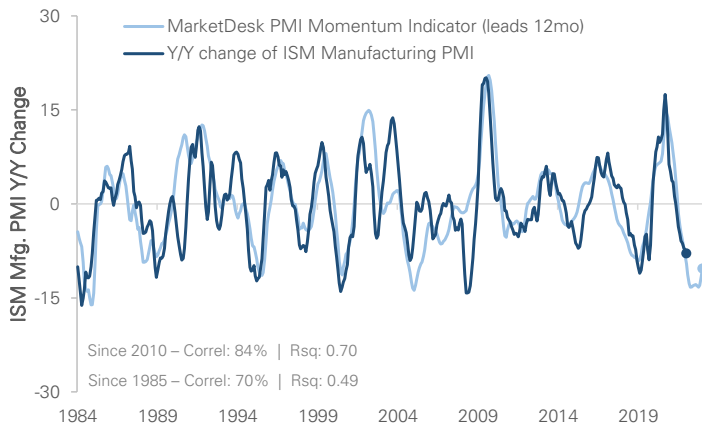
The leading indicator is based on a composite of 14 macro inputs and provides a 12-month forecast of the year-over-year change in the ISM Manufacturing PMI. The goal of the MarketDesk Manufacturing PMI Momentum Indicator is (1) to provide a longer-term view into the overall direction of manufacturing and economic activity, and (2) inform strategic portfolio positioning across asset classes (i.e., cyclical vs defensive equities, long duration vs short duration bonds, etc.).

## How to Use

The MarketDesk PMI Momentum Indicator typically leads the actual year-over-year change in ISM Manufacturing PMI by 1-2 months. When our indicator (blue line below) crosses above (below) zero, it suggests owning cyclical (defensive) areas of the market. The bottom right chart is a simplistic stock / cash model to demonstrate how the indicator can inform risk-on vs risk-off positioning. The model was only allocated to stocks 53% of the months since 2000 (i.e. when Y/Y is below zero it held 100% cash), but returned +347% vs S&P's 500 +136% return.

**Figure 47 – Actual Y/Y Change vs MarketDesk PMI Momentum Indicator**

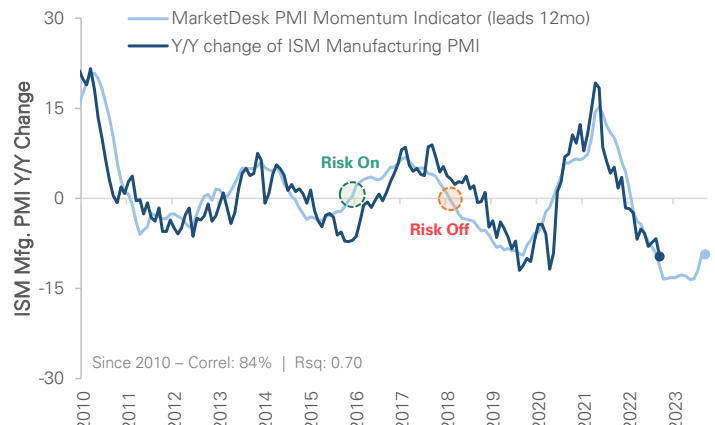
Historical Relationship of the Indicator and Y/Y Changes in Manufacturing PMI



Source: www.QuantPack.com, ISM. Both lines smoothed with 3-month average.

**Figure 48 – MarketDesk PMI Momentum Indicator Since 2010**

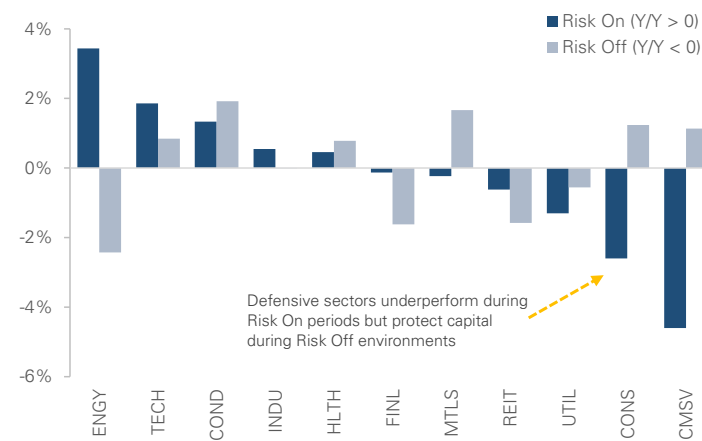
Recent Forecasted History



Source: www.QuantPack.com, ISM

**Figure 49 – Sector Returns Based on MarketDesk's Y/Y Indicator**

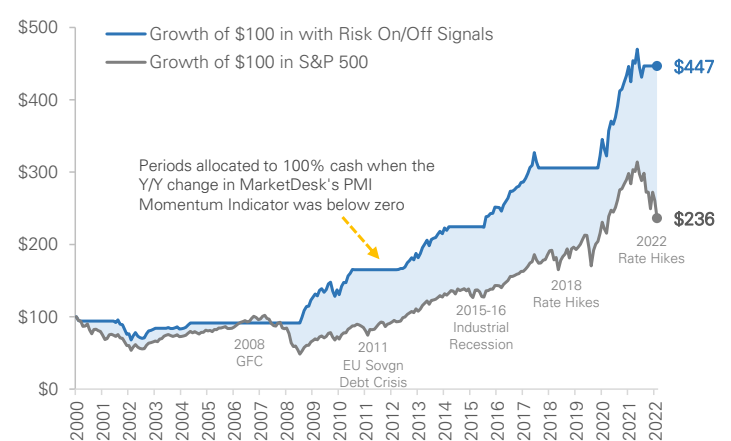
Average Trailing 6-Month Relative Return vs S&P 500



Source: www.QuantPack.com. Returns from 8/31/2000 to 9/30/2022.

**Figure 50 – Stock / Cash Model Based on MarketDesk's Y/Y Indicator**

Simplistic Model to Demonstrate the Effectiveness of the MarketDesk Indicator



Source: www.QuantPack.com. Returns from 8/31/2000 to 9/30/2022.

# Weekly Quant Pack

This is a complimentary version (from October 7, 2022) showing one of the many indicators included in the Weekly Quant Pack.

Select a Subscription Below to See the Latest Readings for All Indicators:

Most Popular (25% Discount)

**1-Year Subscription**

\$995/year

**2-Year Subscription**

\$1,495/year



## Website

[www.QuantPack.com](http://www.QuantPack.com)

## Contact Us

[Support@QuantPack.com](mailto:Support@QuantPack.com)

## Important Notices & Disclaimer

MarketDesk is wholly-owned by MarketDesk Research, LLC (“MarketDesk Research” or “MDR”). The information and opinions expressed herein are solely those of MDR, are provided for informational purposes only and are not intended as recommendations to buy or sell a security, nor as an offer to buy or sell a security. Recipients of the information provided herein should consult with a financial advisor before purchasing or selling a security. MDR is not an investment advisor and is not registered with the U.S. Securities and Exchange Commission or the Financial Industry Regulatory Authority, and, further, the owners, employees, agents or representatives of MDR are not acting as investment advisors and might not be registered with the U.S. Securities and Exchange Commission. The information and opinions provided herein are provided as general market commentary only, and do not consider the specific investment objectives, financial situation or particular needs of any one client. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. The comments may not be relied upon as recommendations, investment advice or an indication of trading intent. MDR is not soliciting any action based on this document. Investors should consult with their own financial adviser before making any investment decisions. There is no guarantee that any future event discussed herein will come to pass. The data used in this publication have been obtained from a variety of sources which we believe to be reliable, but MDR cannot be held responsible for the accuracy of data used herein. Any use of graphs, text or other material from this report by the recipient must acknowledge MarketDesk Weekly Quant Pack as the source. Past performance does not guarantee or indicate future results. Investing involves risk, including the possible loss of principal and fluctuation of value. MDR disclaims responsibility for updating information. In addition, MDR disclaims responsibility for third-party content, including information accessed through hyperlinks.

MDR is not a registered investment adviser. No mention of a particular security, index, derivative or other instrument in the report constitutes a recommendation to buy, sell, or hold that or any other security, nor does it constitute an opinion on the suitability of any security, index, or derivative. The report is strictly an information publication and has been prepared without regard to the particular investments and circumstances of the recipient. **SUBSCRIBERS SHOULD VERIFY ALL CLAIMS AND COMPLETE THEIR OWN RESEARCH AND CONSULT A REGISTERED FINANCIAL PROFESSIONAL BEFORE INVESTING IN ANY INVESTMENTS MENTIONED IN THE PUBLICATION. INVESTING IN SECURITIES AND DERIVATIVES IS SPECULATIVE AND CARRIES A HIGH DEGREE OF RISK, AND SUBSCRIBERS MAY LOSE MONEY TRADING AND INVESTING IN SUCH INVESTMENTS.**

Principals of MDR may or may not hold or be short any of the securities, options, or futures discussed in the report, or any other securities, at any time.

Please refer to [www.quantpack.com/terms](http://www.quantpack.com/terms) for the complete list of terms and disclaimers.

© 2022 MarketDesk Research LLC. All Rights Reserved.