

# Manufacturing PMI Leading Indicator

Sample Case Study

Use the PMI Leading Indicator to Forecast Key Turning Points in the U.S. Economic Cycle & Position Portfolios to Benefit or Protect Capital with a 6-Month Lead Time

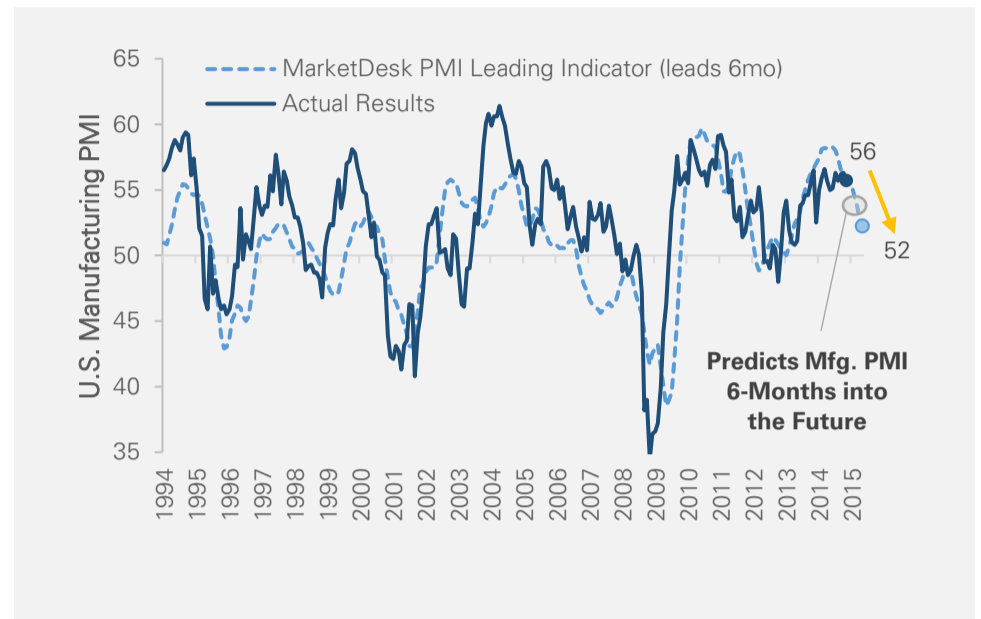
## 2015 – Forecasted the U.S. Industrial Recession

**Indicator's Forecast (December 2014):** Decrease to 52 over next 6 months

**Actual Results (June 2015):** PMI decreased to 52.5

**Market Performance:** The S&P 500 was flat +0.2%. Cyclical sectors, such as Energy and Industrials, declined -5.1% and -4.5%, respectively. In contrast, defensive sectors, such as Consumer Staples and Health Care, performed better -1.8% and +8.8%, respectively.

**Key Takeaway:** The indicator accurately forecasted: (1) a slowdown in economic activity during 2015 and (2) a decline in the Manufacturing PMI from 56 to 52. This information offered investors the opportunity to manage portfolio risk by increasing defensive exposure and reducing cyclical exposure. See the full chart below for the actual results following the indicator's 2015 forecast.



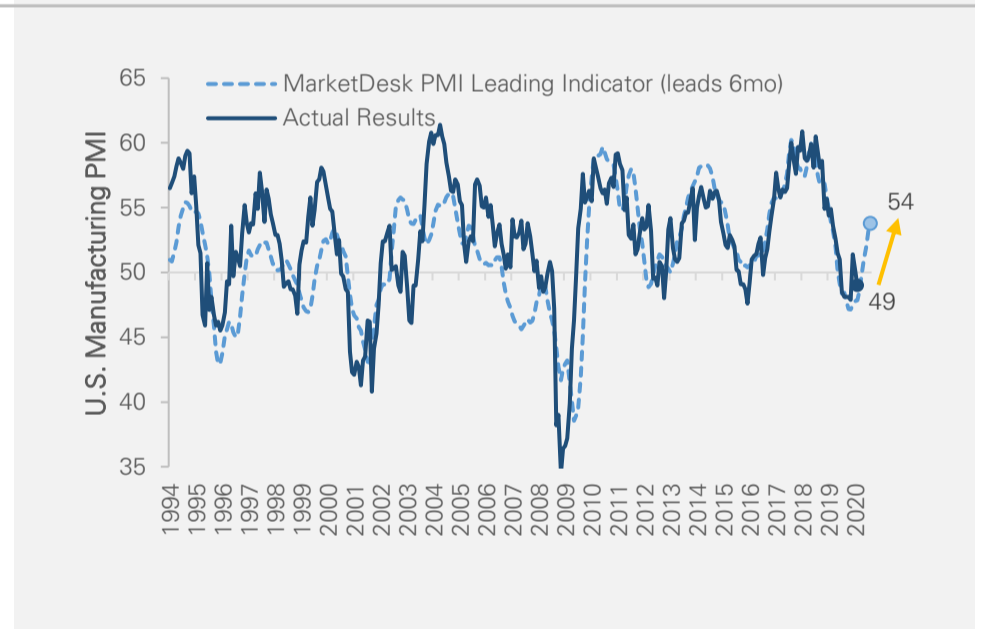
## 2020 – Accurately Forecasted High Mfg. PMI

**Indicator's Forecast (March 2020):** Increase to 54 over next 6 months

**Actual Results (September 2020):** PMI increased to 56

**Market Performance:** The S&P 500 returned +30%. Cyclical sectors, such as Materials and Industrials gained +41% and +30%, respectively. Defensive sectors, such as Consumer Staples and Health Care, lagged the market and only returned +18% and +19%, respectively.

**Key Takeaway:** During the depths of the 2020 Covid Pandemic, the PMI indicator accurately forecasted: (1) a major improvement in economic activity and (2) a rise in the Manufacturing PMI from 49 to 56. This information offered investors the opportunity to increase exposure to key cyclical sectors that benefit the most from a strengthening macro environment.



## What is the Indicator Forecasting for 2023/2024?

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