HOW TO USE THE RAVI DASHBOARD GUAGES

The RecessionALERT Value Index (RAVI) is an indicator that once per quarter, uses a host of valuation metrics to make 1,2,3 and 5 year forecasts on the total returns of the SP-500 index.

There are three sets of gauges on the CHARTS>HOME>DASHBOARD that give an overview of the RAVI forecasts. They are available as shown below on 3 separate tabs. The "Target" tab is the default tab and gives the lowest, highest and average SP-500 target level for the end of the current calendar year as determined from the 2-year forecast model, the 3-year forecast model and the 5-year forecast model.
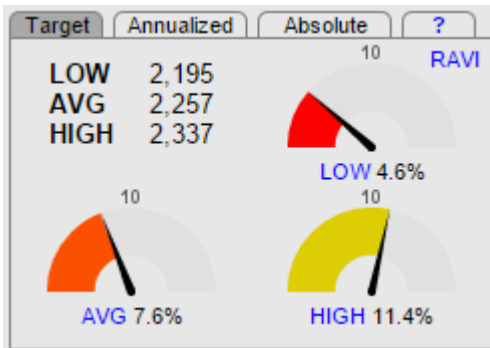

The gauges represent, *as of right now*, how much upside is still left in the SP-500 to attain the respective target levels. If the SP-500 is in a correction, these upside values will obviously rise and when the SP-500 is rising, these upside values will decline. The upside values will turn negative once the SP-500 index has exceeded any of the targets. The example above tells us that as of right now, there is 4.6% to 11.3% upside still left in the SP-500.

 If you click on the blue RAVI text, you will be taken to the detailed research note describing how the RAVI works. If you click on any of the gauges, you will be taken to the last quarterly assessment and analysis we penned on the latest RAVI forecasts to arrive at the targets shown.

The "Absolute" tab shows the respective absolute returns from the 1-year forecast model, the 2-year forecast model, the 3-year forecast model and the 5-year forecast model. In the example below, according to the last forecast made at the end of 4Q2014 (date top left), the 3-year forecast model is predicting a 3-year SP-500 total return of 46.1% from end 4Q2014 through to end 4Q2017.
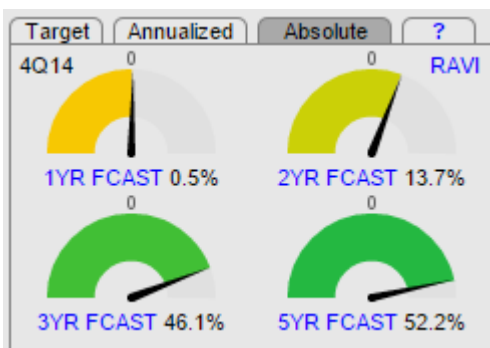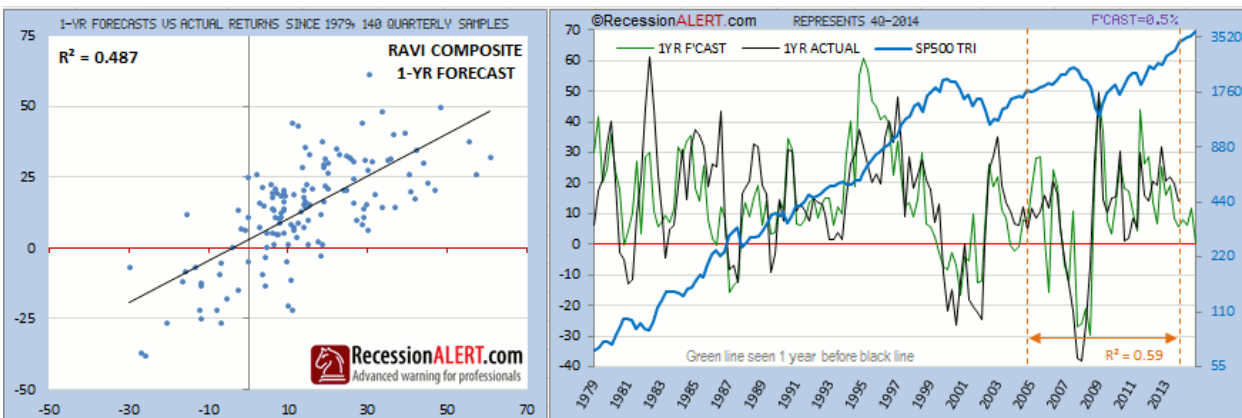

 If you click on the blue RAVI text, you will be taken to the detailed research note describing how the RAVI works. If you click on any of the gauges, you will be taken to the CHARTS>MACRO>RAVI tab with the detailed regression analysis data.

The "Annualized" tab shows the respective *annualized* returns from the 1-year forecast model, the 2-year forecast model, the 3-year forecast model and the 5-year forecast model. In the example below, according to the last forecast made at the end of 4Q2014 (date top left), the 3-year forecast model is predicting a 3-year SP-500 total return of 46.1% from end 4Q2014 through to end 4Q2017, which equates to a 13.5% annual compound rate of return.
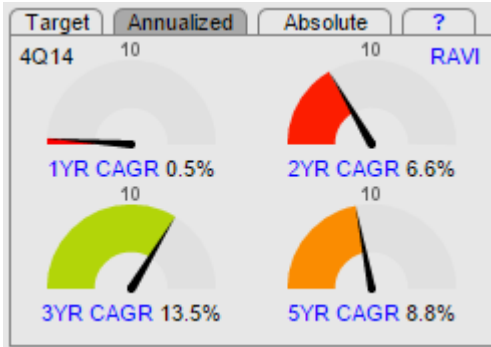
The 1-year forecast model is predicting a 0.5% return from end 4Q2014 to end 4Q2015 but we do not use this for determining high, low and average annual targets for the SP-500 in the "Targets" tab, since the 1-year forecast model only has a 0.487 r-squared to actual outcomes and the forecast versus actual can vary widely as shown below:

The low, average and high SP-500 targets presented in the "Targets" tab thus utilize the 6.6%, 13.5% and 8.8% annualized return forecasts from the "Annualized" tab to project returns for the year, since these models have much better r-squared values to actual outcomes and are more accurate and less volatile in their forecasts.

If you click on the blue RAVI text in the "Annualized" tab, you will be taken to the detailed research note describing how the RAVI works. If you click on any of the gauges, you will be taken to the CHARTS>MACRO>RAVI tab with the detailed regression analysis data.