

Trends & Inflection Points

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 Research Comment
[Quantitative/Technical Research Website](#)

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DB CDS Curve Breaking Out = Gold Breaking Out



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- This morning, as WTI retains a \$30 handle, we reiterate the question we posed last Friday "Where should you be positioned in a sub \$30 oil market?" Our answer remains the same, long [gold](#), [short stocks](#), and long treasuries; [the longer duration, the better.](#)

 - See this updated [Global Macro Quant/Technical chart deck.](#)
- From a [Canadian standpoint](#), where the petro-loonie has suffered as the [weak hand of Calgary folds](#) to the [strong hand of Al-Naimi](#), the [signaling to be long gold came on August 19.](#) We wrote on this [August 20.](#) Back then, you were better off with treasuries, which is why you heard from us: treasuries, treasuries, treasuries, gold, treasuries, treasuries, treasuries. On [February 3, we were still writing](#) treasuries, treasuries, treasuries over gold. On [February 4](#), gold took out the downtrend in safe-haven currencies – Figure 1. [Gold became better than treasuries](#) – Figure 2.

 - [You may not need the alpha](#), but if you do, own gold.
- Gold does well when the banking system is at risk.

 - The [banking system is at risk.](#)
 - Yesterday, [we highlighted](#) the CDS curve on Deutsche Bank, which went inverted (Markit pricing) when WTI hit \$26. We updated that chart as of 5:30am, only this time with gold overlaid on the DB curve – Figure 3.

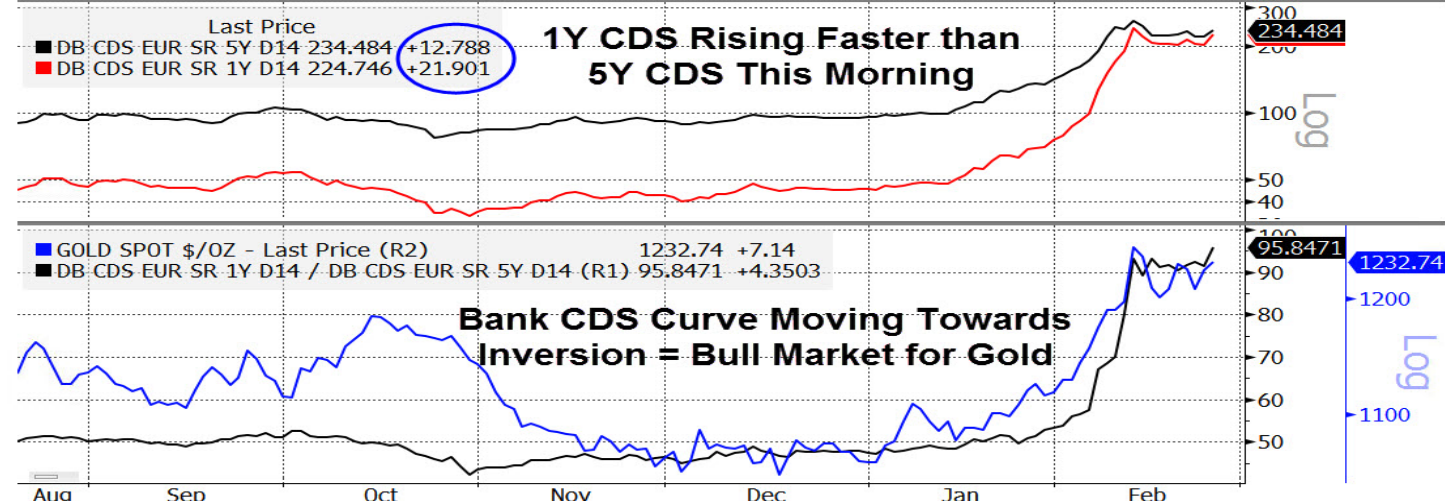
Figure 1: [Gold in Major Currency Crosses](#)

Name	1-Day Chg (%)	5-Day Chg (%)	Chg Last Day	Reward /Risk	Trend Slope	Hi (Mo)	Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend
in CAD	2.0%	1.6%	↑	↑	6%			8%	Above Rising
in AUD	1.8%	0.8%	↑	↑	3%			8%	Above Rising
in GBP	2.3%	4.2%		↑	-2%	29.5		13%	Above Rising
in INR	1.4%	2.4%		↑	-3%			11%	Above Rising
in CHF	0.6%	2.4%		↑	-4%			8%	Above Rising
in EUR	1.5%	3.2%		↑	-9%	10.0		9%	Above Rising
in USD	1.4%	2.1%		↑	-9%			9%	Above Rising
in JPY	0.7%	0.3%	↑	↑	-11%			4%	Above Rising

Figure 2: [Spot Gold vs Treasuries \(IEF US\)](#)



Figure 3: [Deutsche Bank 1Yr CDS, 5Y CDS \(Top\) – Deutsche Bank CDS Curve and Gold \(Bottom\) at 5:30am This Morning](#)



Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

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Hold	Market Perform	54.6%	13.5%	45.1%	52.3%	45.6%	39.4%
Sell	Underperform	3.4%	5.9%	1.2%	3.6%	0.5%	5.1%

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