



50th Contrary Opinion Forum

Eoin Treacy October 4th 2012

Running to Stand Still



The market moves in and out of generational long bull and bear markets.





The Market is a mob.

Mobs are Manic Depressive

The Market lurches from one
emotional extreme to
another.



M2 Index

96 Actions

97 Edit

98 Feedback

G 6 - MONTHLY

01/31/1959

-

08/31/2012

11 Compare

USD

1D

3D

1M

6M

YTD

1Y

5Y

Max

Monthly

▼

α

Security/Study

Security/Study

Security/Study

Security/Study

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Security/Study

Security/Study

Security/Study

Security/Study

M2 Index (USD) Last Price 10058.20 +37.20

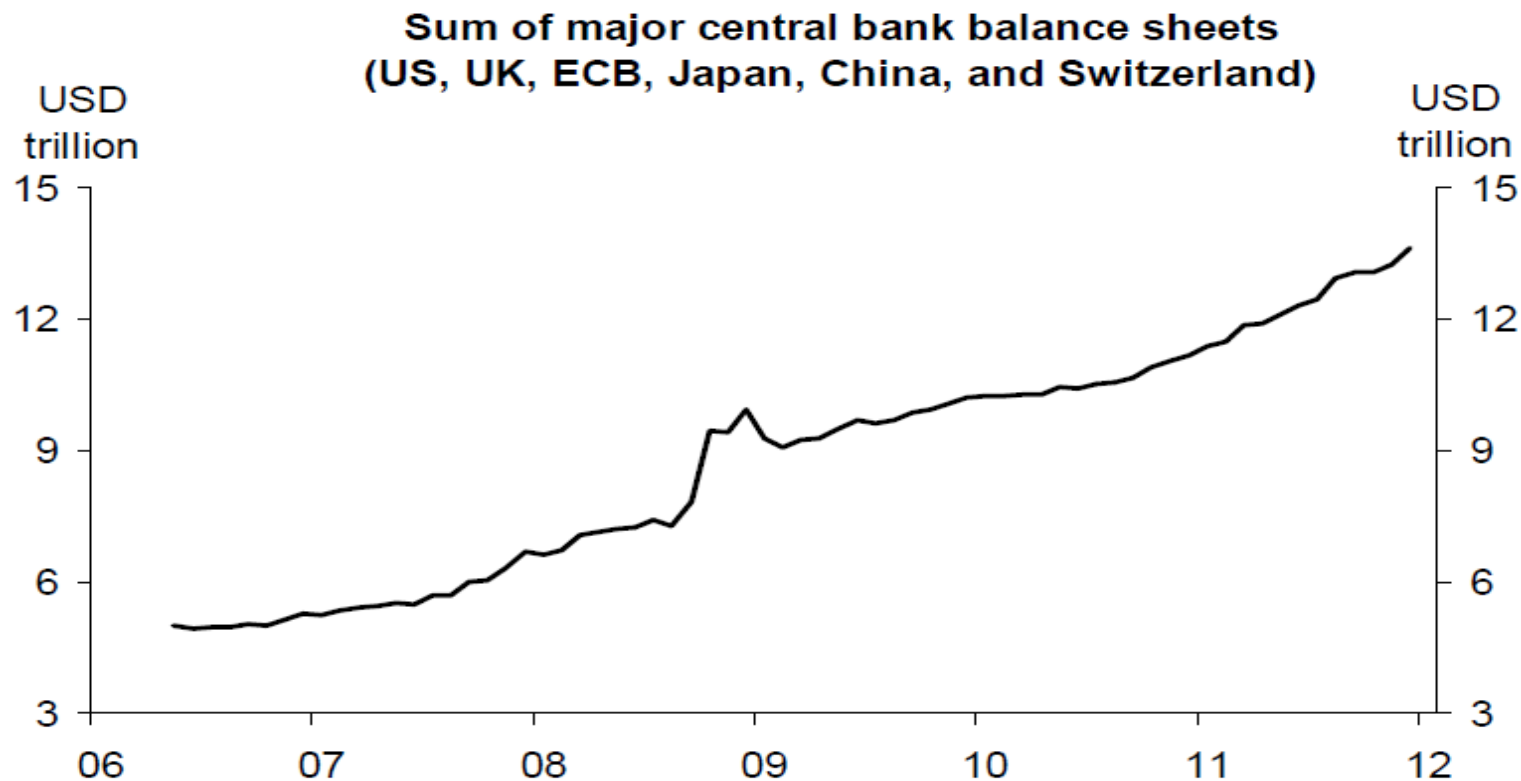
Inflationists argue that massive increases in money supply
can only result in a loss of purchasing power.





The Mob's emotional response is amplified by liquidity.

Major central banks have printed \$8trn since 2007



Source: FRB, BoJ, ECB, PBC, SNB, BoE ,Haver Analytics and DB Global Markets Research

Deutsche Bank

Torsten Slok, torsten.slok@db.com +1 212 250-2155 March 2012

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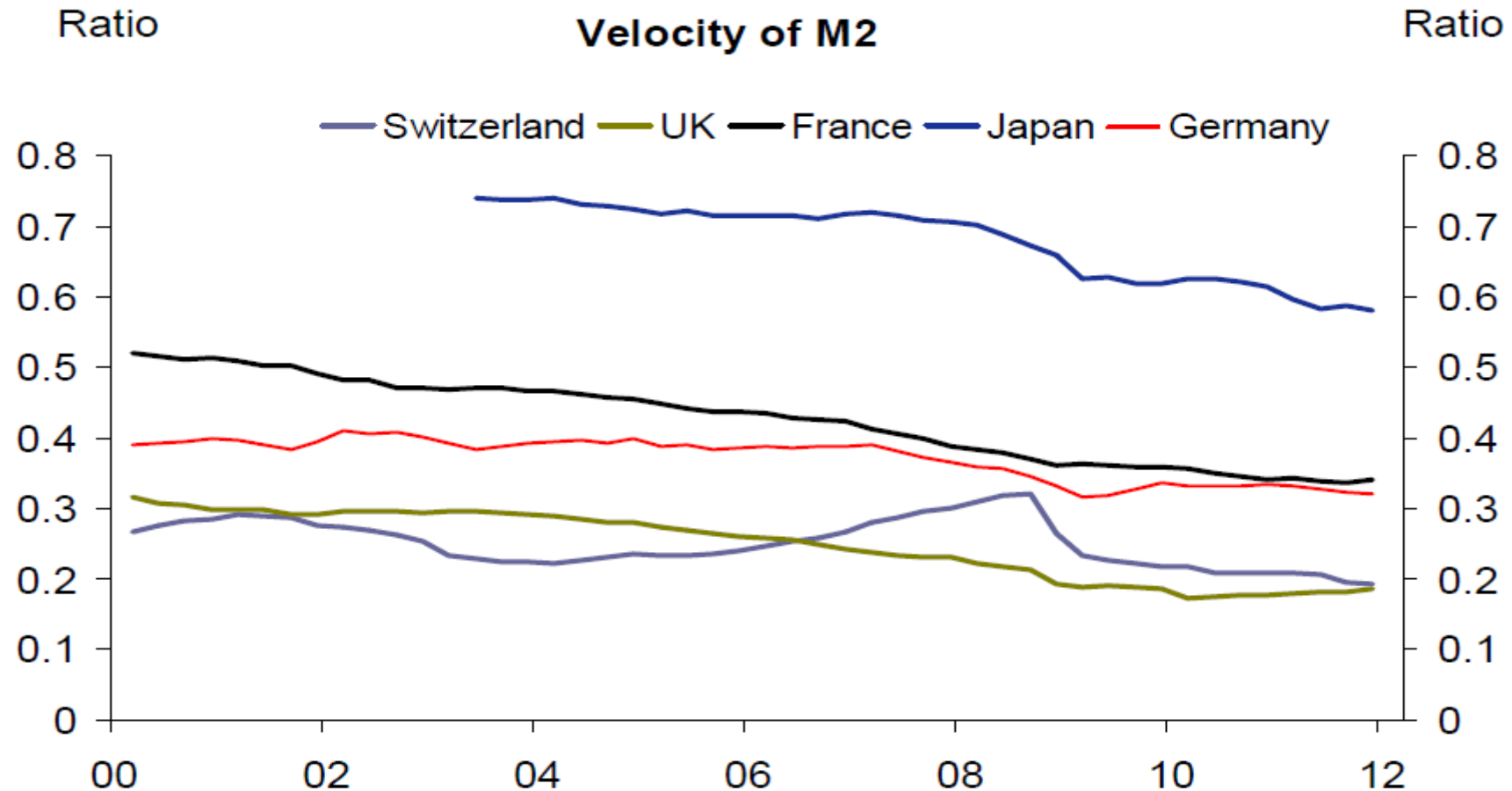


GRAB





Velocity (i.e. GDP/Money supply) still trending down in major countries



Source: ECB, Eurostat, BoE, ONS, BoJ, Bdf, INSEE, SNB, Bbk, BdF, Haver Analytics and DB Global Markets Research

Deutsche Bank

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Central banking 101 – Ensure there is enough money in the system to promote growth.

Central banks do not control where all this money ends up.





US 10yr Bond Yield (USGG10YR) 1.6335 -0.01

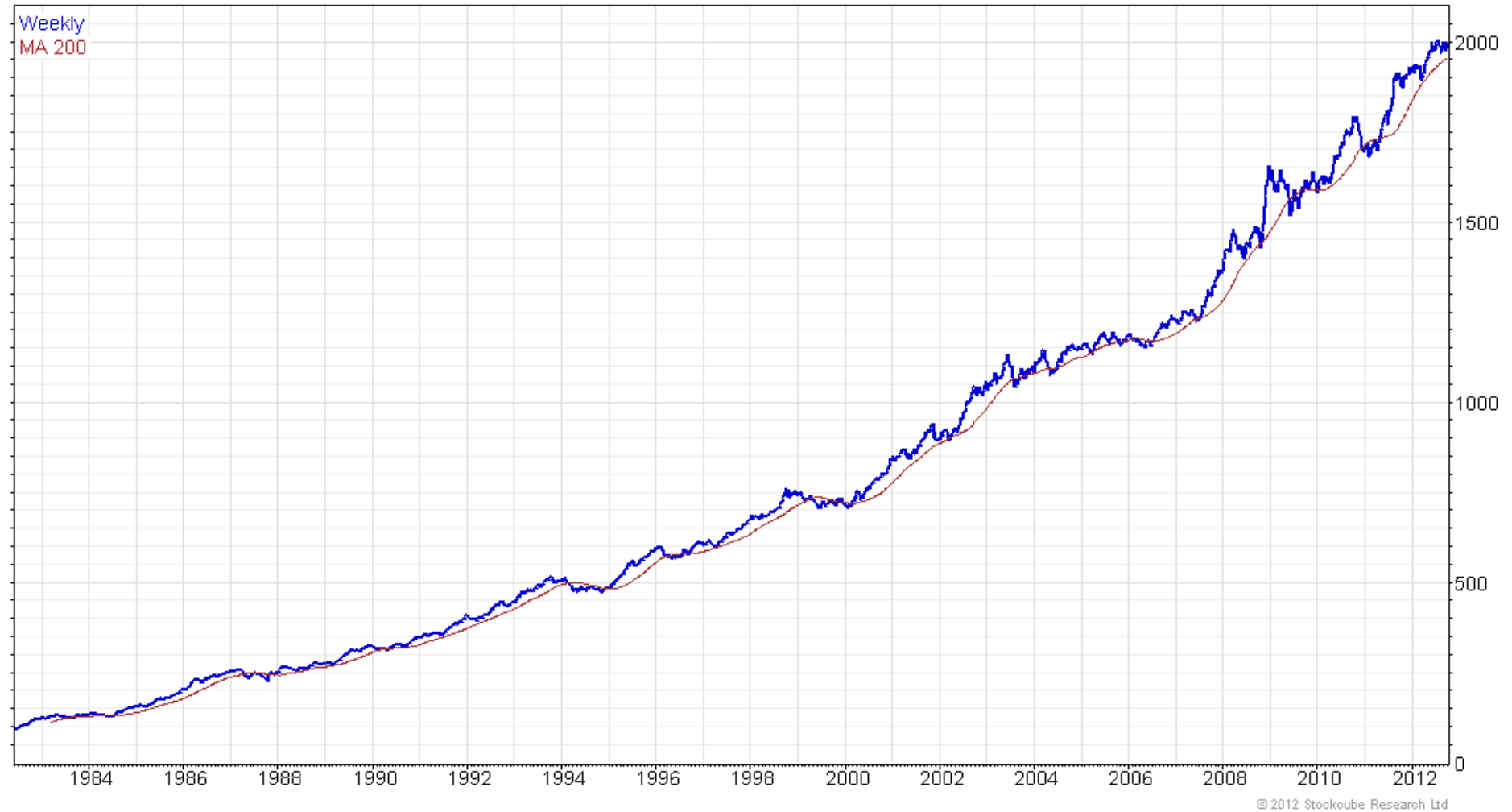
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Merrill Lynch 10yr+ US Treasury Total Return (MLT1US10) 1998.58 -0.23

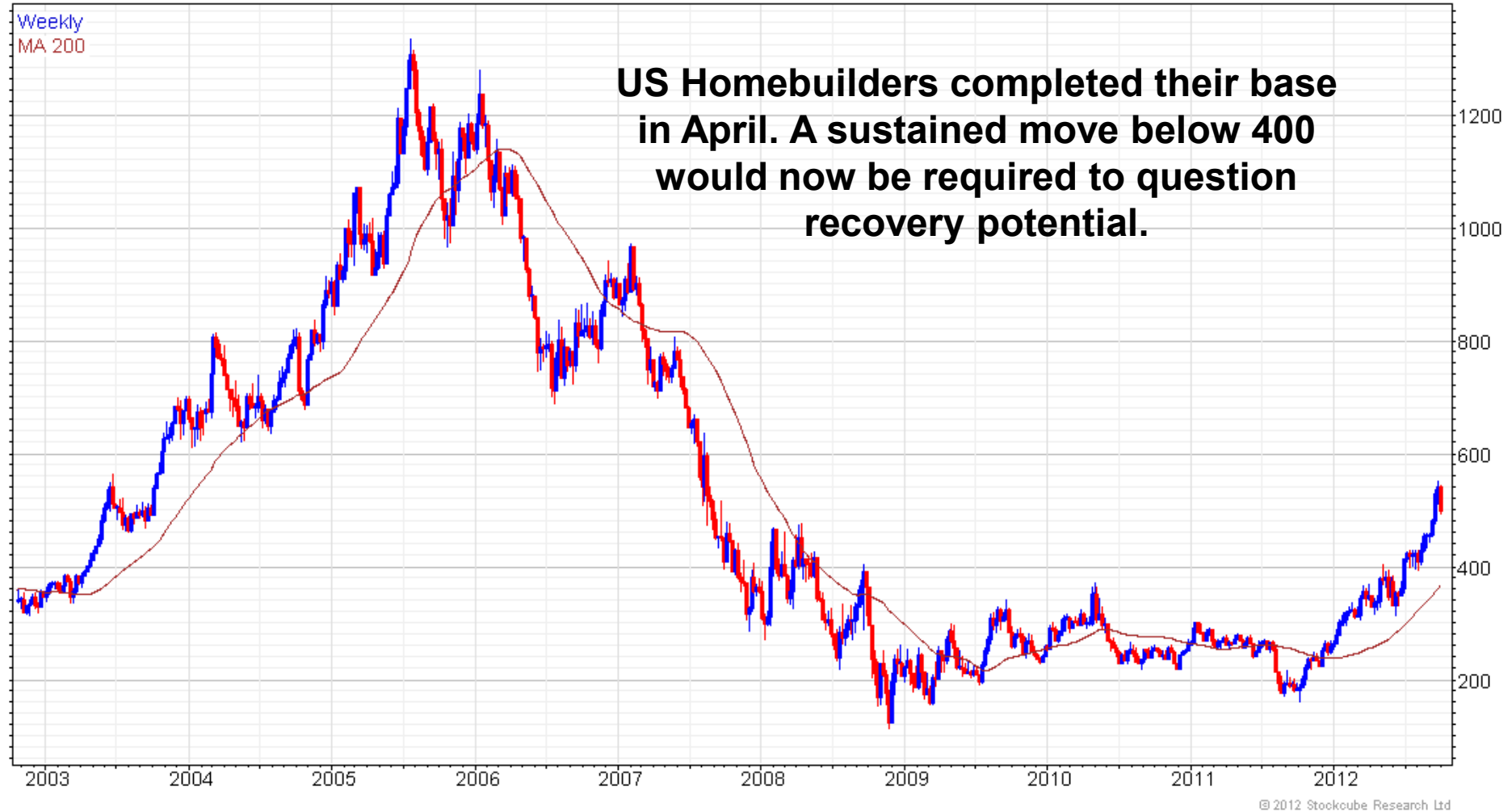
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S&P500 Homebuilding (S5HOME) 500.1 -6.32

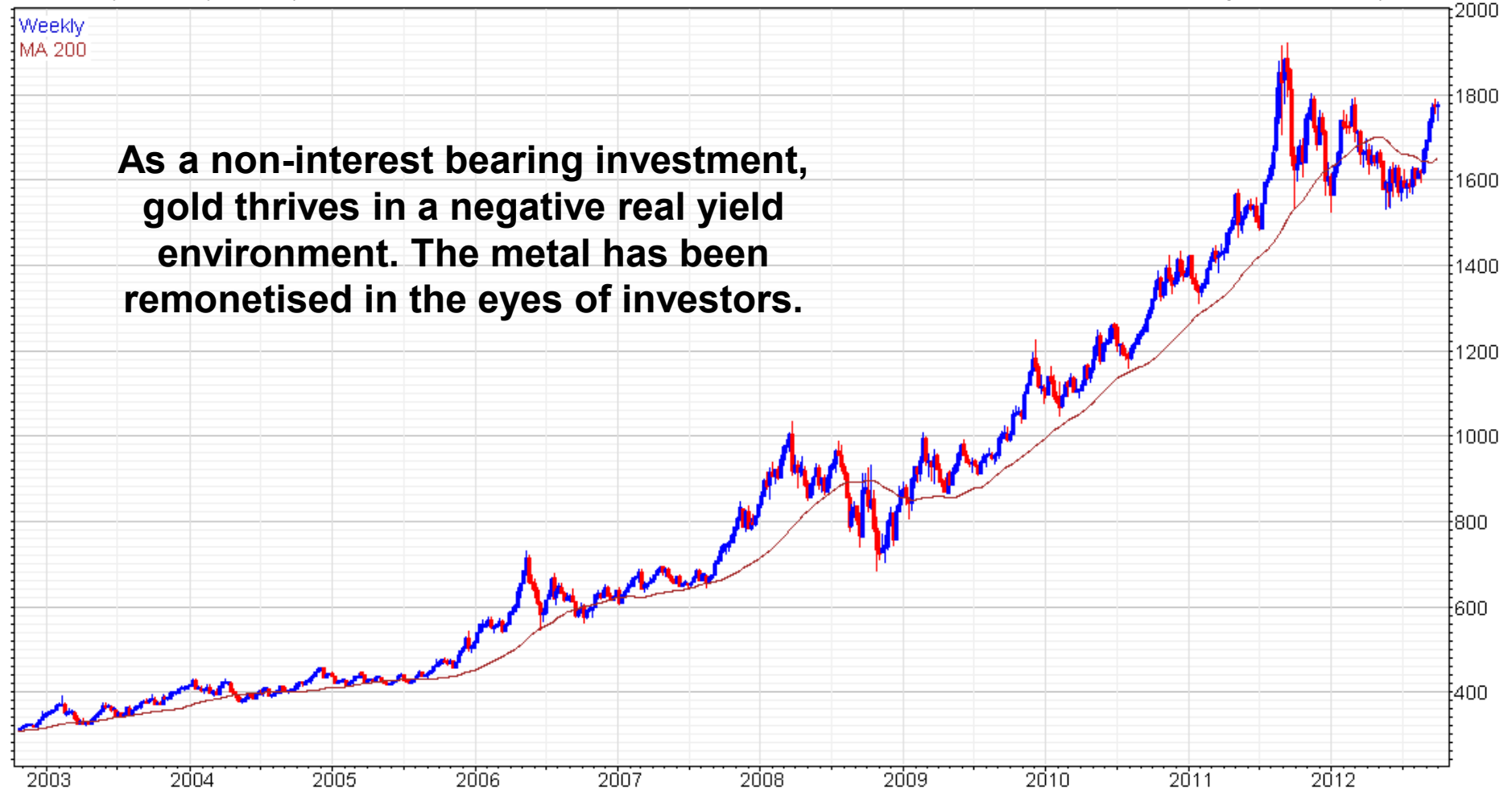
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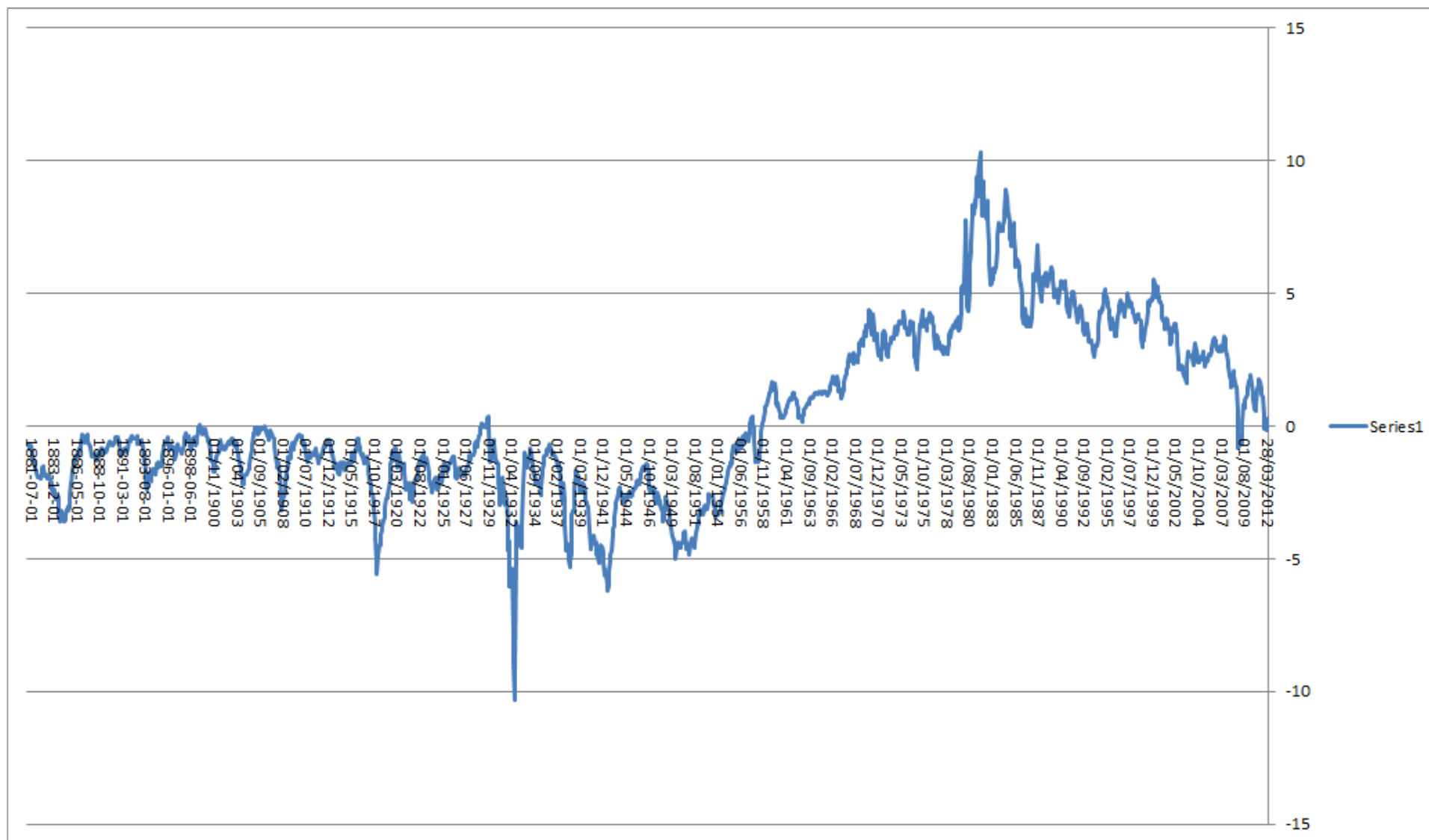
London Spot Gold (GOLDS) 1772.1 -5.15

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For the first time since the late 1950s equities yield more than bonds. The S&P 500 yields 2.07%. US Treasuries yield 1.63%



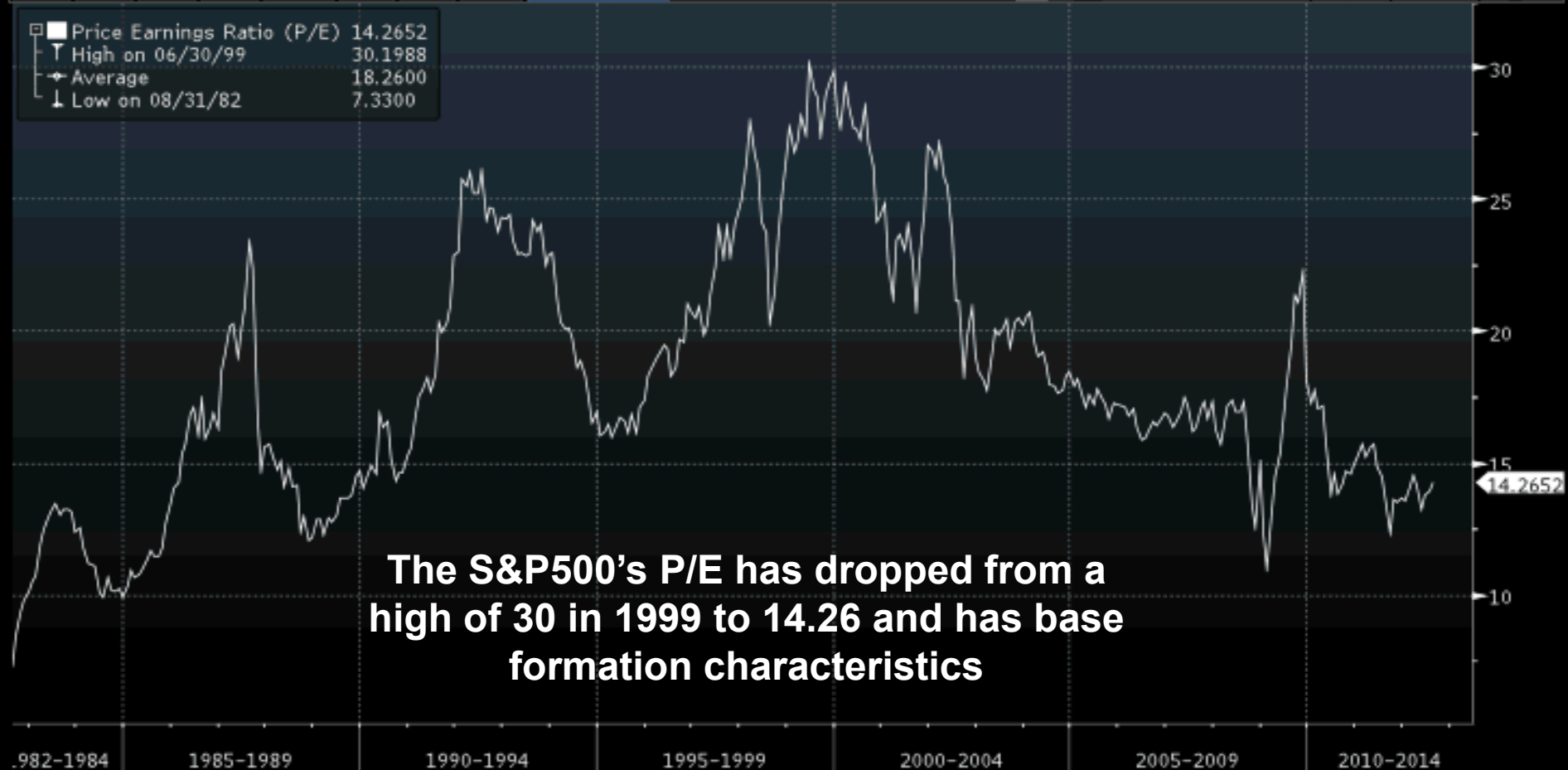


GRAB

SPX Index 96 Actions 97 Edit 98 Feedback G 75 - P/E RATIO
SPX Index : S&P 500 Index Monthly 8/31/1982-8/31/2012

1D 3D 1M 6M YTD 1Y 5Y Max Monthly Security/Study

Price Earnings Ratio (P/E) 14.2652
High on 06/30/99 30.1988
Average 18.2600
Low on 08/31/82 7.3300



The S&P500's P/E has dropped from a high of 30 in 1999 to 14.26 and has base formation characteristics

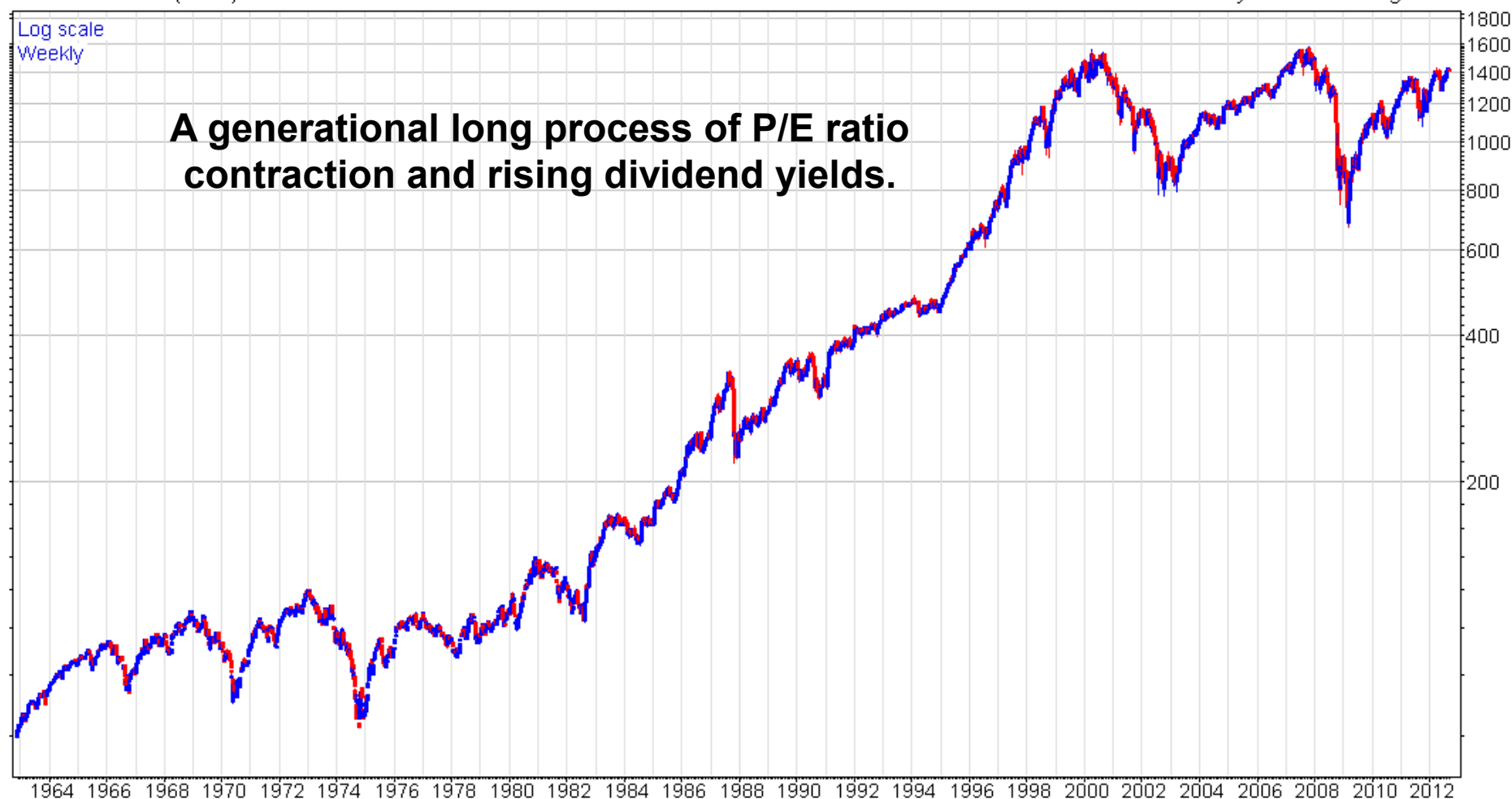
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Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000
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S&P 500 Index (SPX) 1406.58 +7.10

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Log scale
Weekly

A generational long process of P/E ratio contraction and rising dividend yields.



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The big difference between equities and bonds is that the supply of bonds is increasing while the supply of equities is contracting.

Governments and corporations are locking in the lowest cost of capital in generations.

Corporations are buying back their stock as they optimise their weighted average cost of capital.

Would you rather own what they are selling or what they are buying?

High quality equities are an undervalued asset class.



We are living through the greatest age of humanity that is ever likely to occur.

For the first time, not only is the global population expanding but the ranks of those in the disposable income bracket are growing even faster.

Companies leveraged to the growth of the global middle class are completing decade long ranges.



When you go from \$1 per day to \$5 what do you buy?

Want Want China Holdings Ltd (151) 9.89 +0.10

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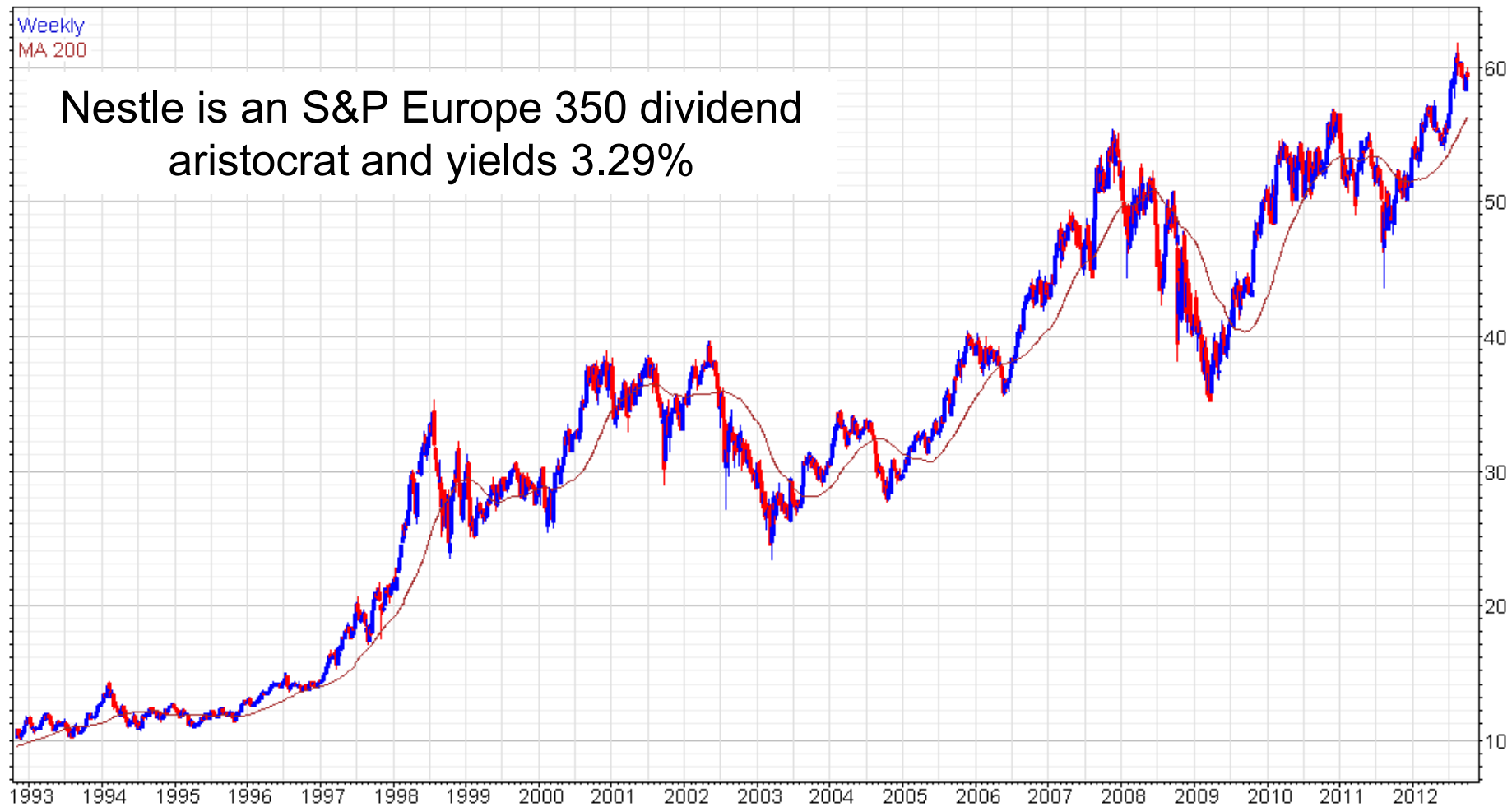
Branded snack foods hold special appeal

Nestle SA (NESN) 59.3 -0.35

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Weekly
MA 200

Nestle is an S&P Europe 350 dividend aristocrat and yields 3.29%



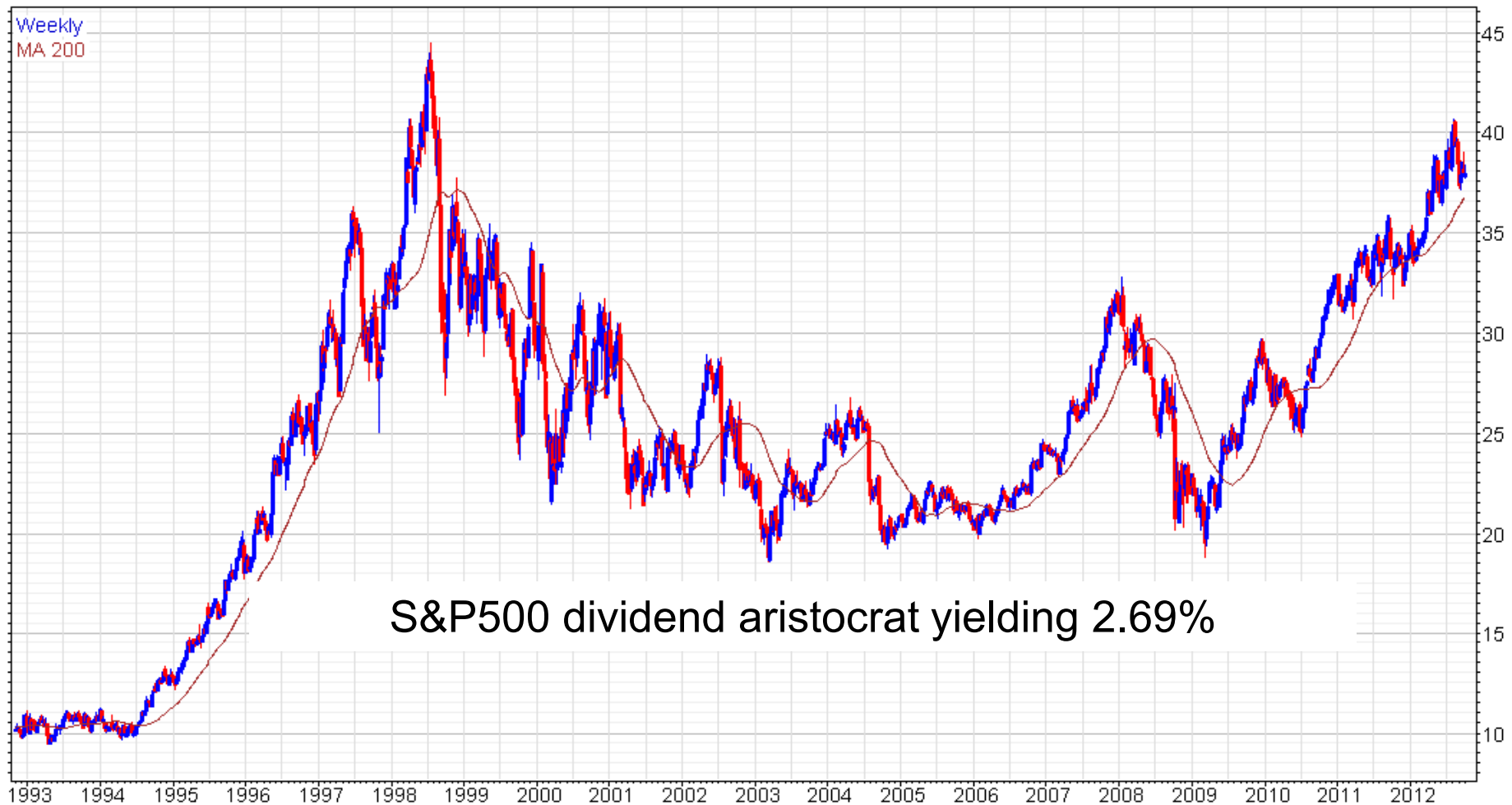
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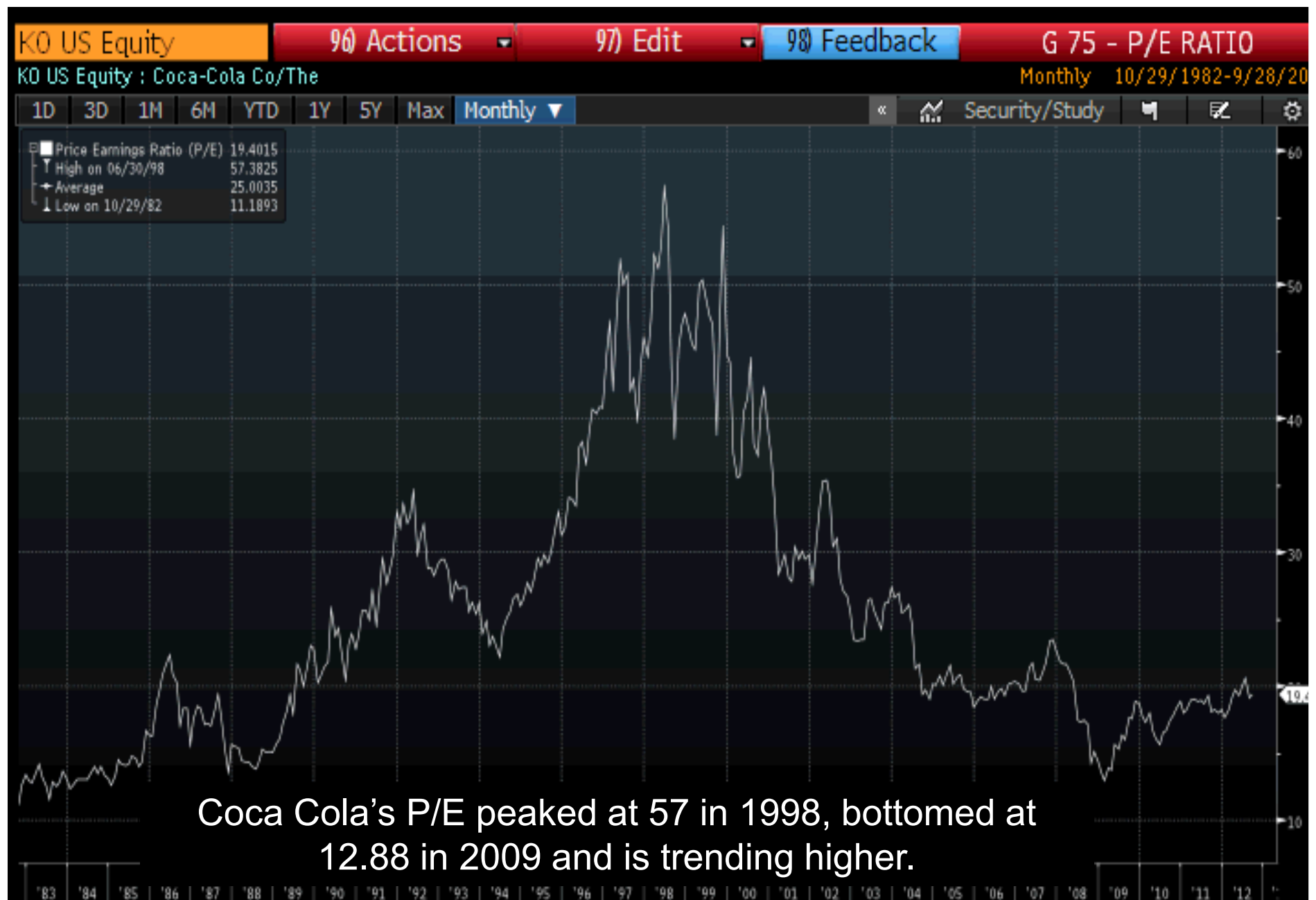


Coca Cola remains on the most instantly recognisable brands globally.

Coca-Cola Co (KO) 37.93 -0.38

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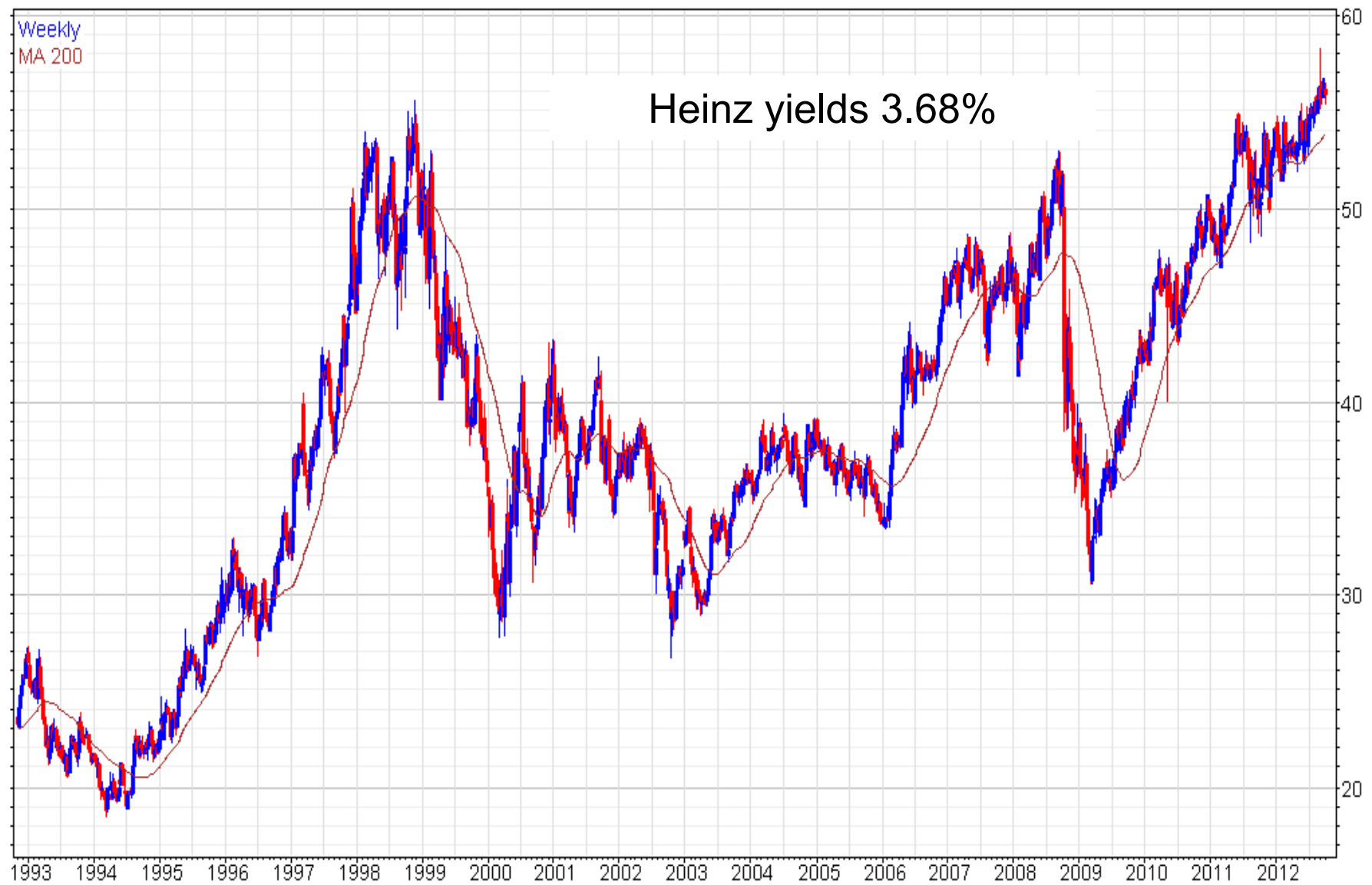






Heinz (H.J.) Co (HNZ) 55.95 +0.06

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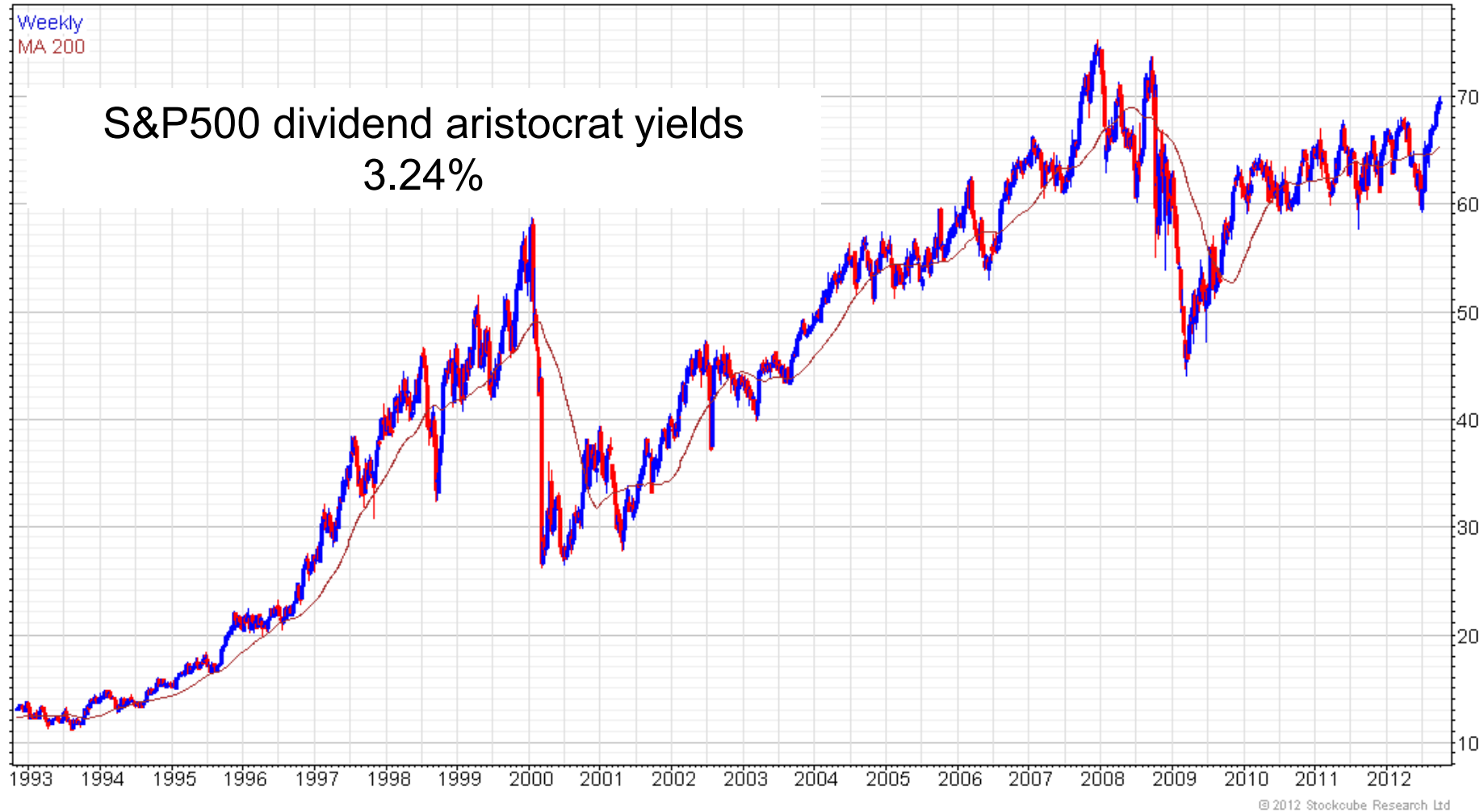




Household products are high on the shopping list.

Procter & Gamble Co (PG) 69.36 +0.06

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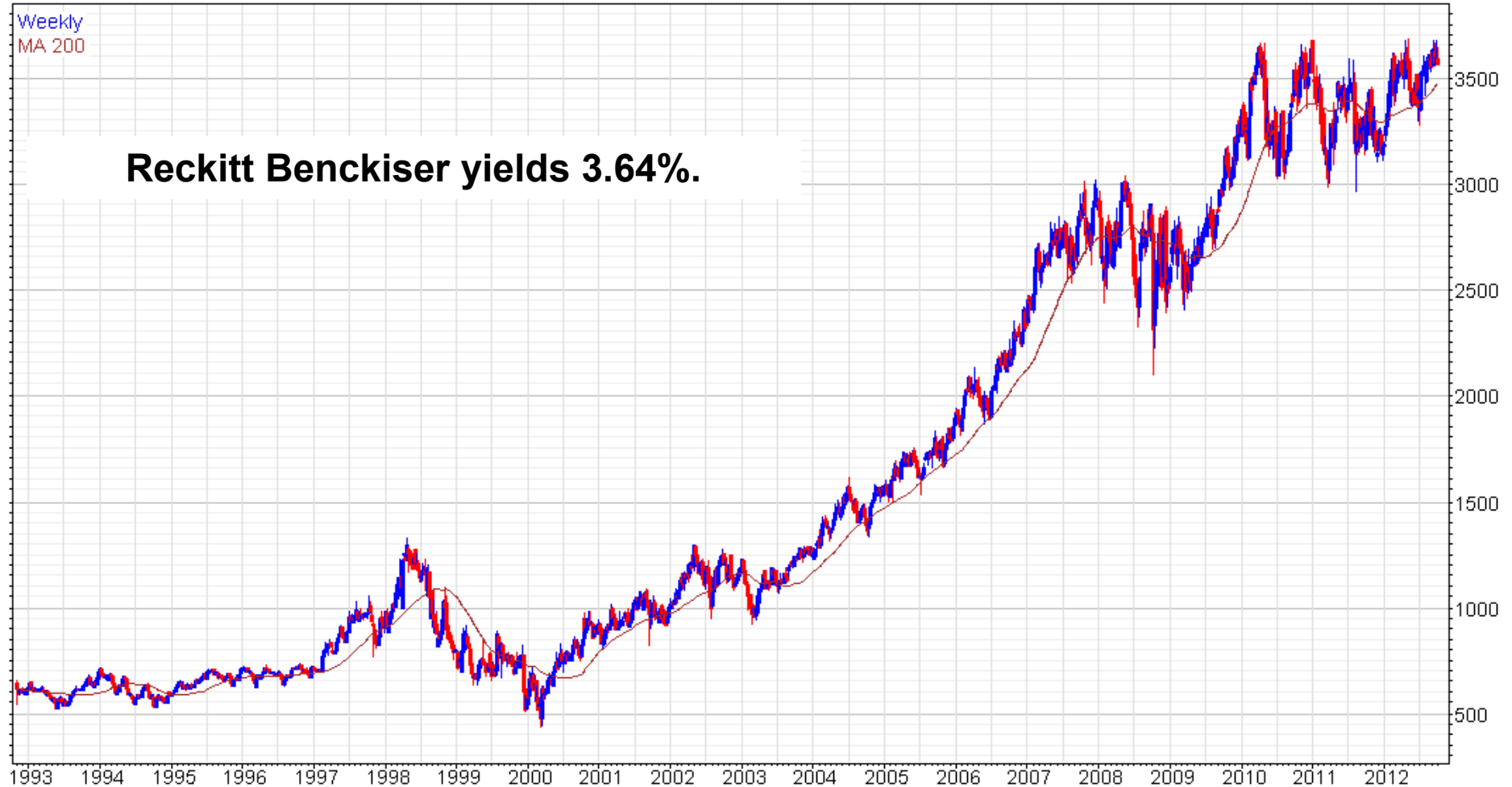






Reckitt Benckiser PLC (RB/) 3565 -13.00

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RB/ LN Equity

96 Actions

97 Edit

98 Feedback

G 75 - P/E RATIO

RB/ LN Equity : Reckitt Benckiser Group PLC

Monthly 12/31/2002-8/31/2012

1D

3D

1M

6M

YTD

1Y

5Y

Max

Monthly ▼

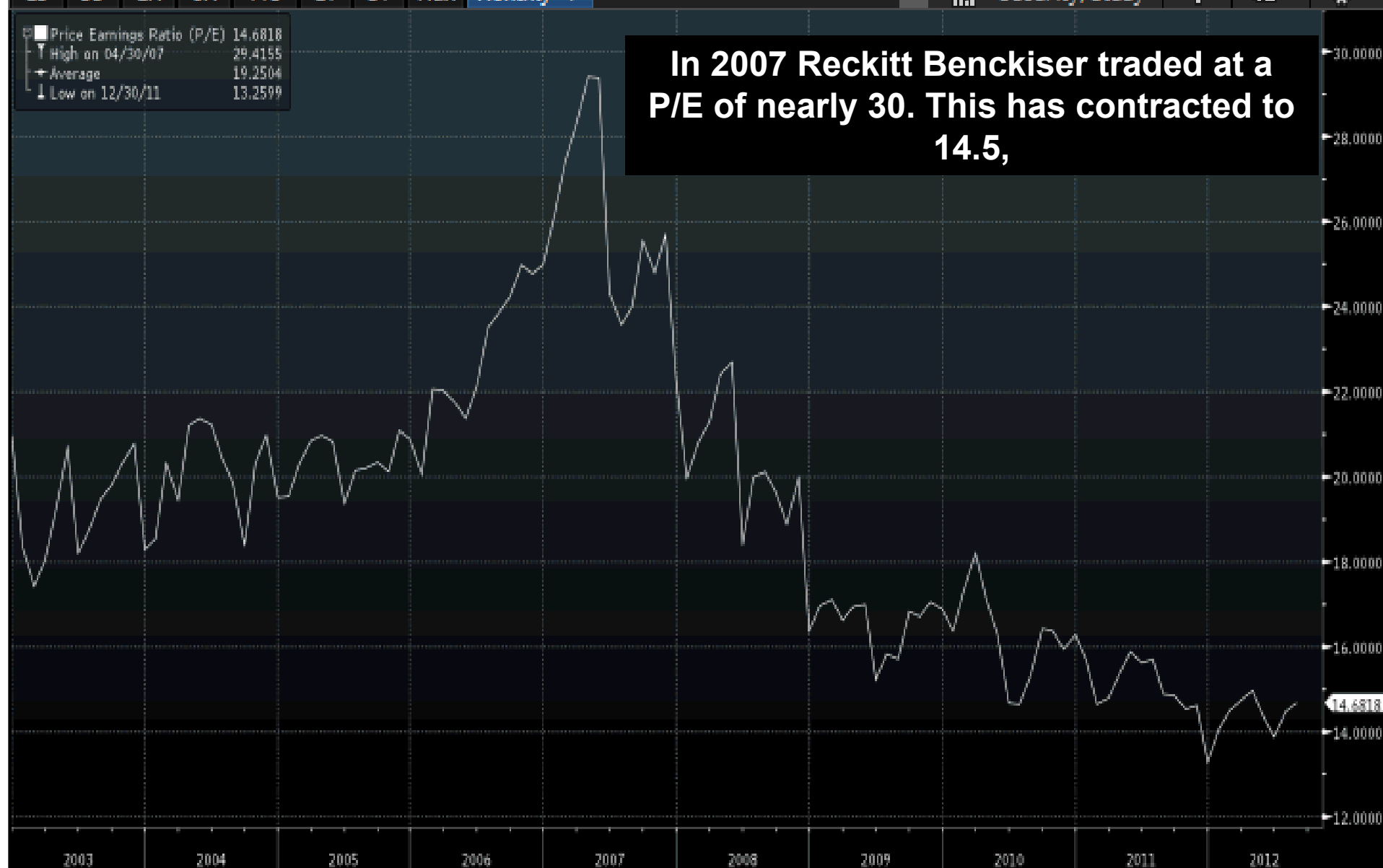


Security/Study



Price Earnings Ratio (P/E) 14.6818
High on 04/30/07 29.4155
Average 19.2504
Low on 12/30/11 13.2599

In 2007 Reckitt Benckiser traded at a P/E of nearly 30. This has contracted to 14.5,

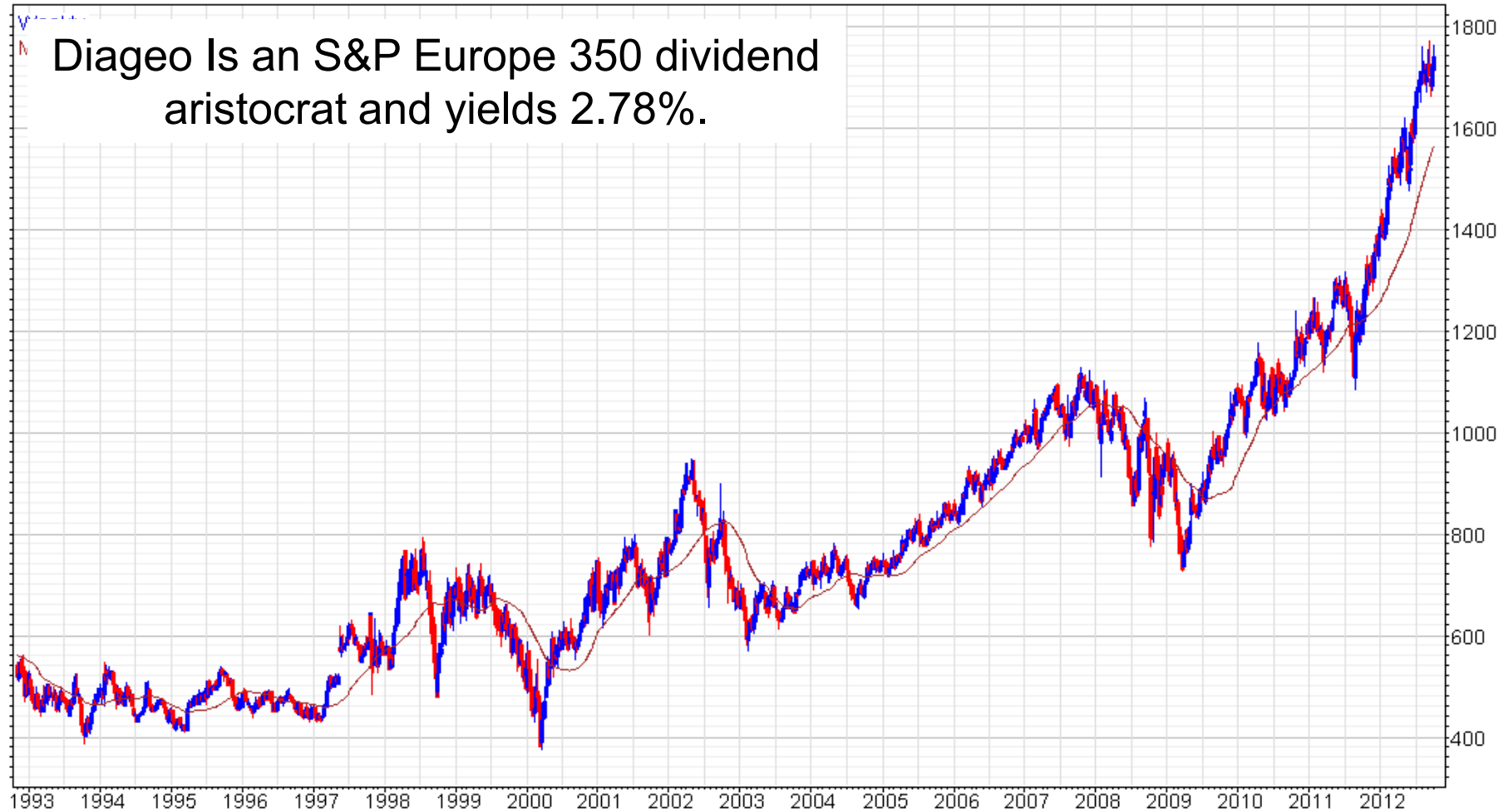




How about when you go from \$5 per day to \$25?

Diageo PLC (DGE) 1739.5 -4.50

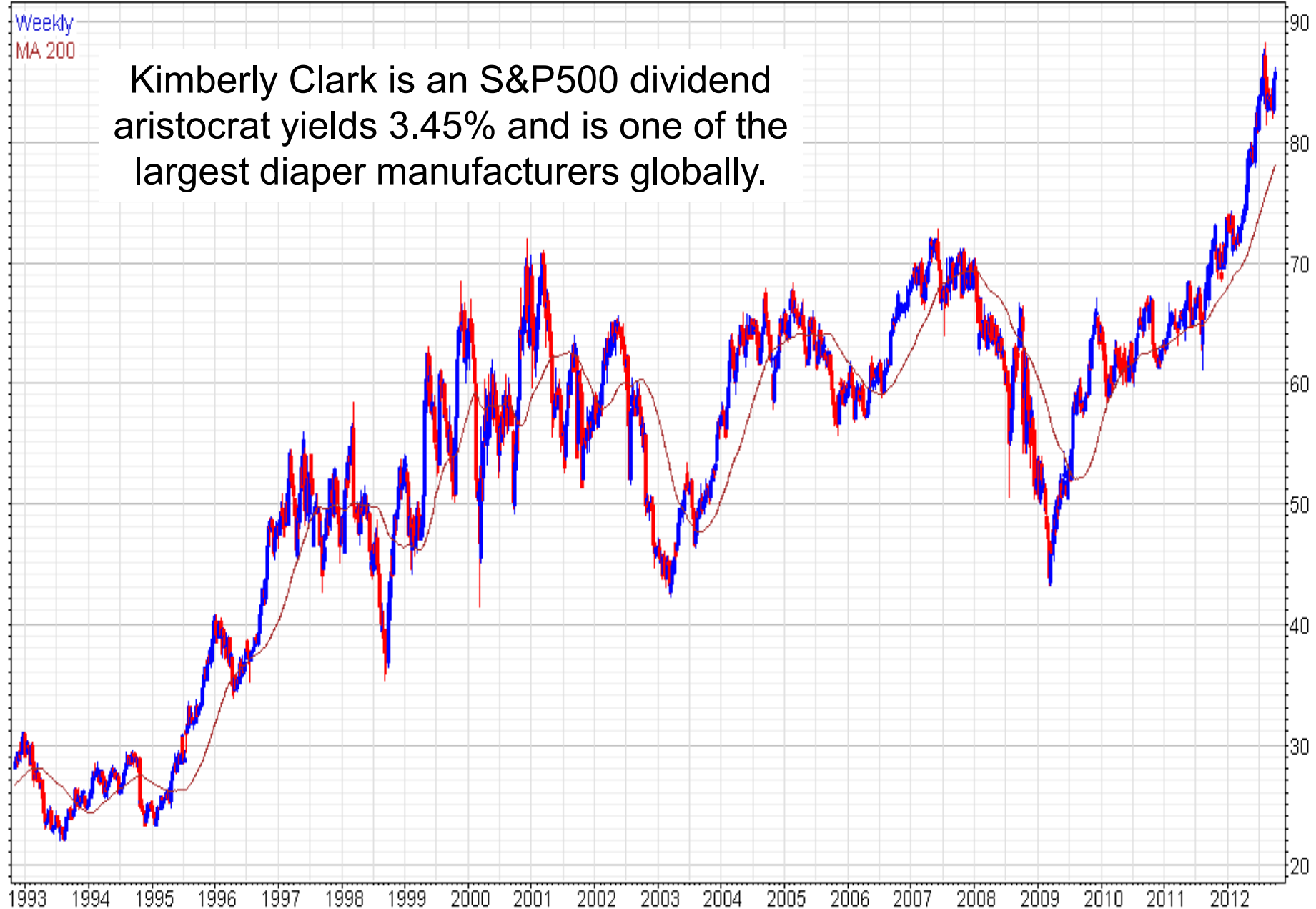
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Weekly
MA 200

Kimberly Clark is an S&P500 dividend aristocrat yields 3.45% and is one of the largest diaper manufacturers globally.





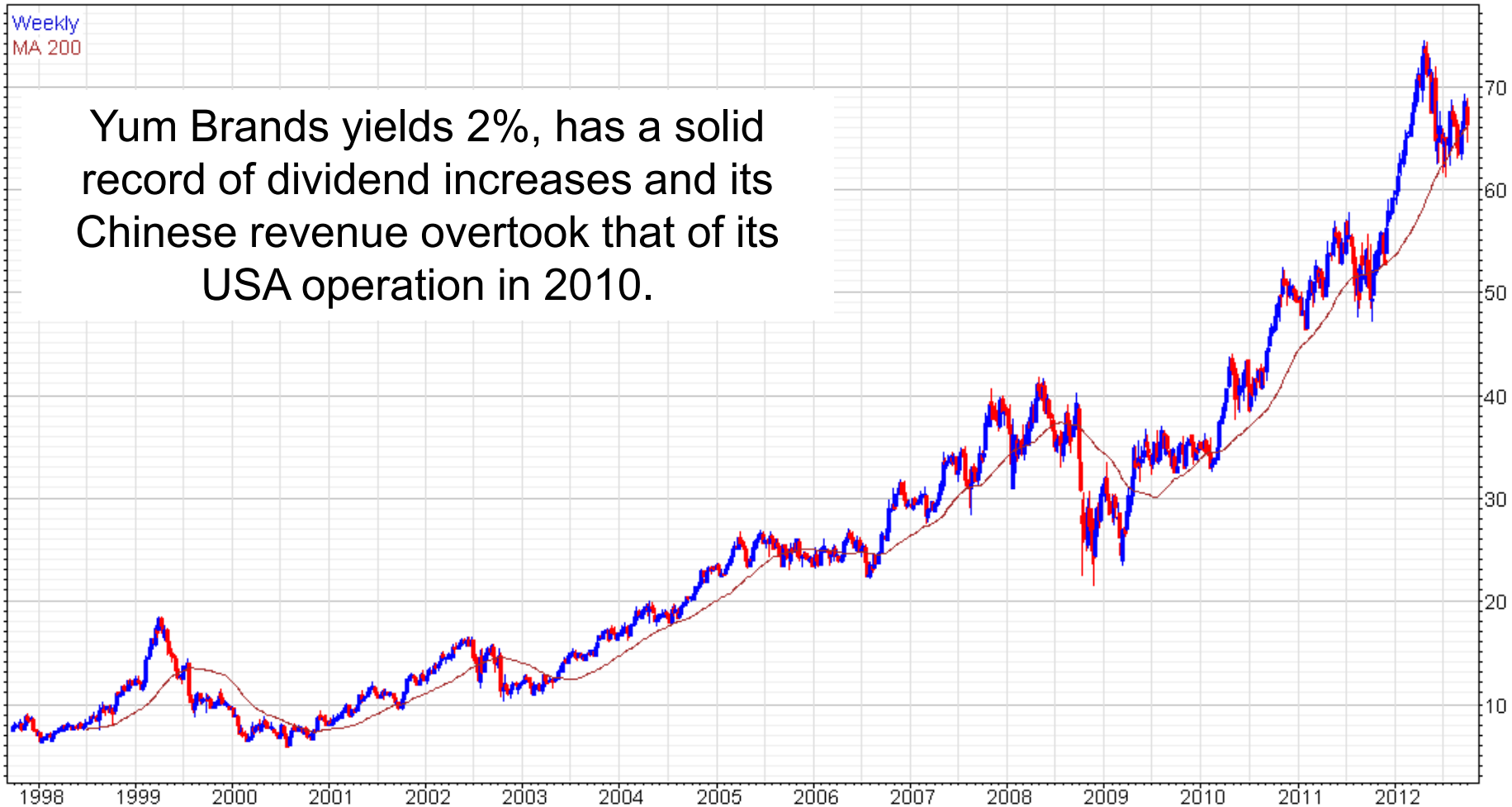


Yum! Brands Inc (YUM) 66.34 -1.29

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Weekly
MA 200

Yum Brands yields 2%, has a solid record of dividend increases and its Chinese revenue overtook that of its USA operation in 2010.

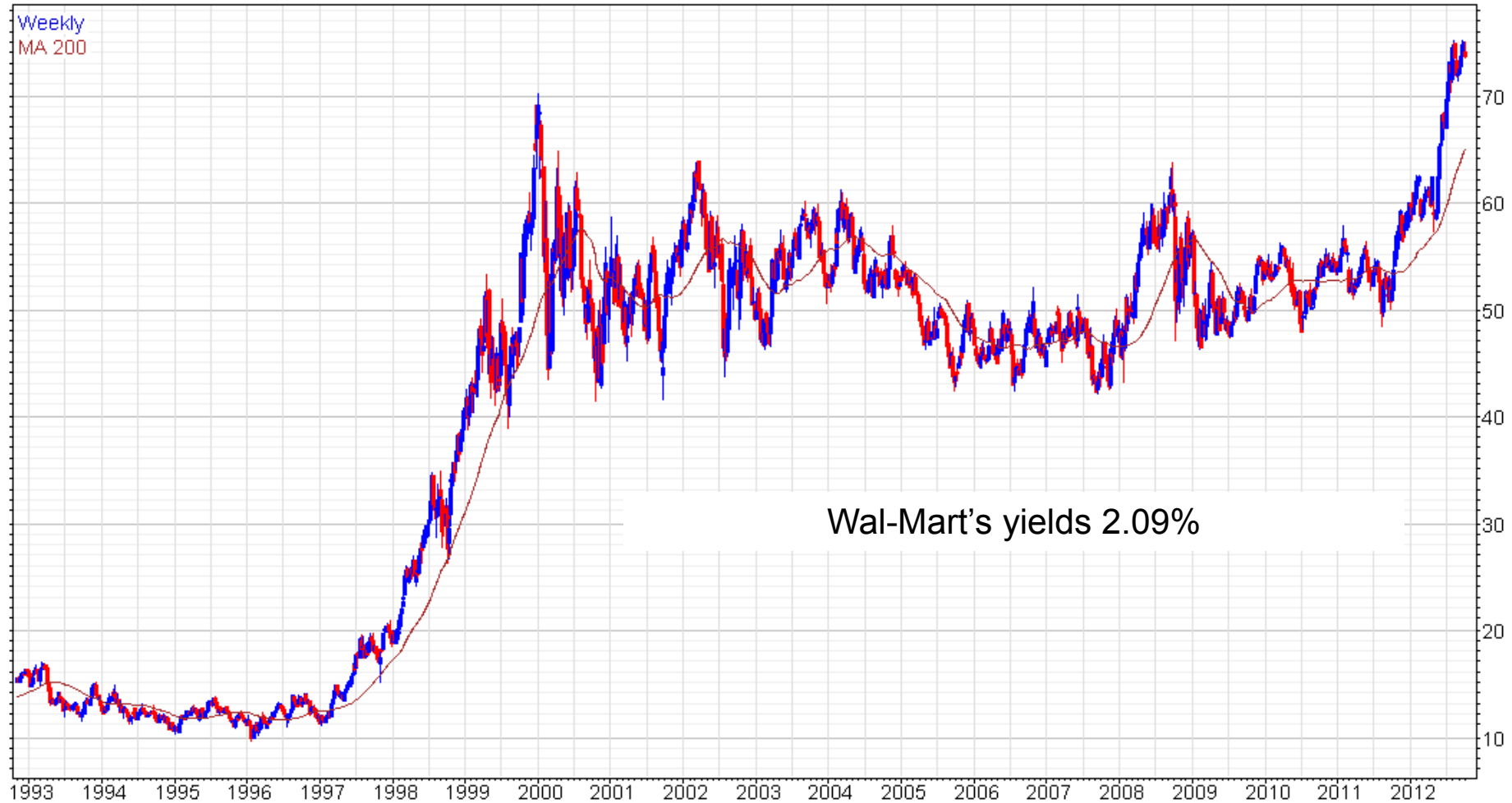




Hypermarkets are becoming a global phenomenon.

Wal-Mart Stores Inc (WMT) 73.8 -0.18

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GRAB

WMT US Equity

90 Actions

97 Edit

98 Feedback

G 75 - P/E RATIO

WMT US Equity : Wal-Mart Stores Inc

Monthly 1/31/1990-8/31/2012

1D 3D 1M 6M YTD 1Y 5Y Max Monthly Security/Study

Price Earnings Ratio (P/E) 15.5128
High on 12/31/99 57.6042
Average 25.9993
Low on 09/30/11 12.0418

Wal-Mart's P/E peaked at 57 in 1999 and it currently trades at 15.5.



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How about when you go from \$25 to \$100 a day?





GRAB

GOOG US Equity

96 Actions

97 Edit

98 Feedback

G 75 - P/E RATIO

GOOG US Equity : Google Inc

Monthly 8/31/2004-8/31/2012

1D

3D

1M

6M

YTD

1Y

5Y

Max

Monthly ▼

⌵

⌴

Security/Study

⌵

⌴

⌵

Price Earnings Ratio (P/E) 20.1201
High on 10/29/04 99.8115
Average 40.6450
Low on 06/29/12 17.0358

**Google IPOed at a P/E of 99 and
currently trades closer to 20.**



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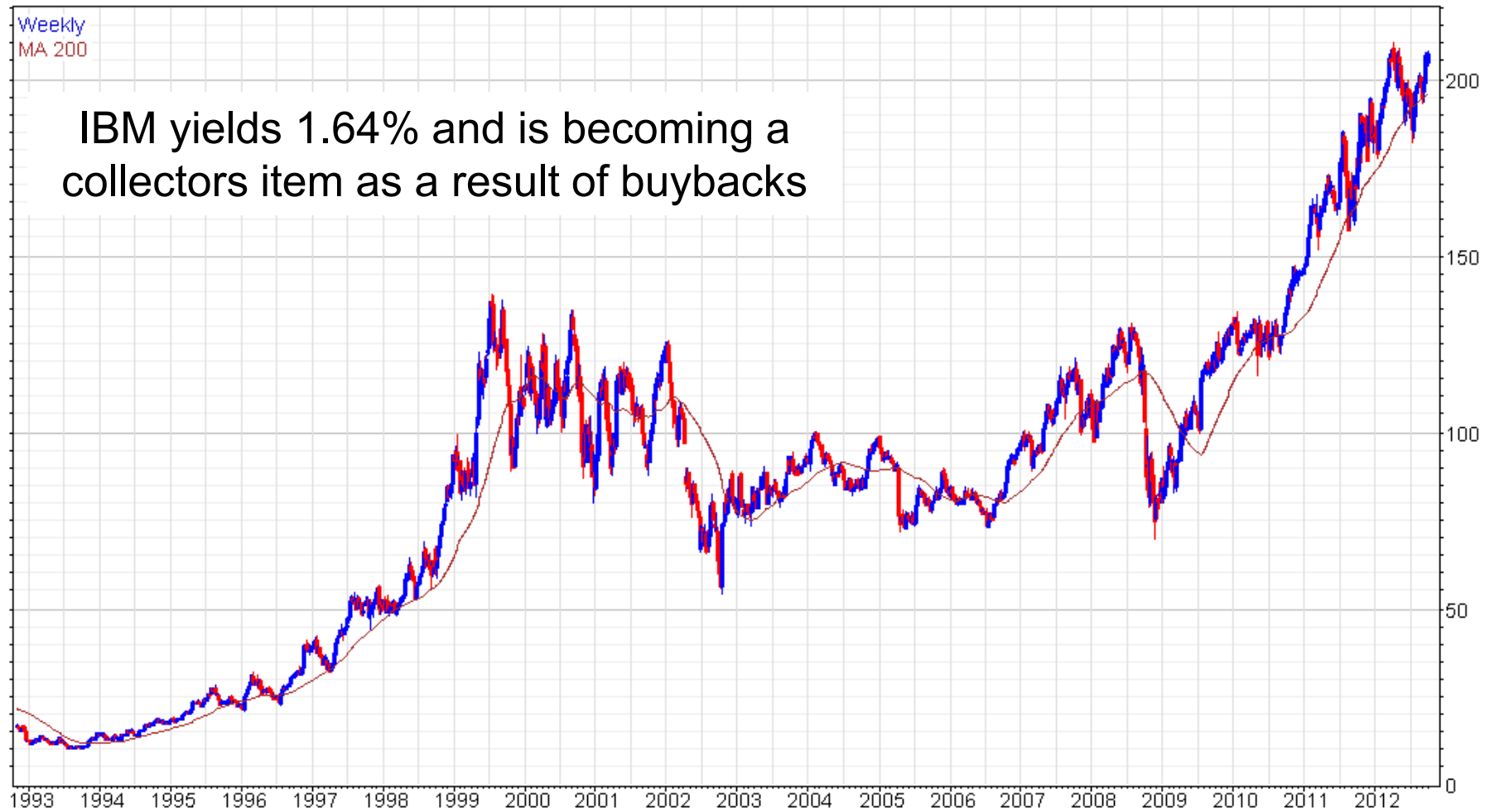


International Business Machines Corp (IBM) 207.45 +1.54

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Weekly
MA 200

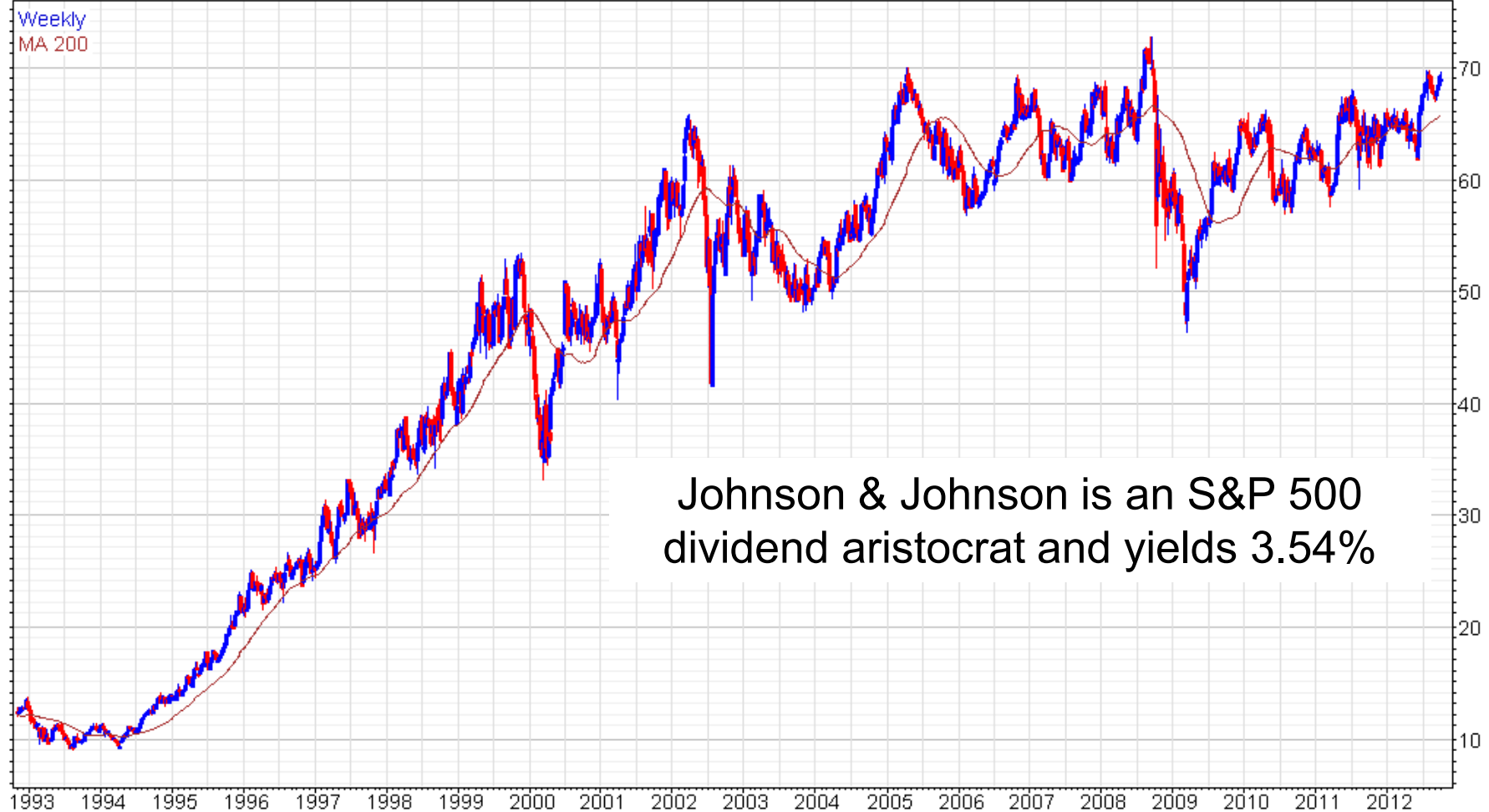
IBM yields 1.64% and is becoming a collectors item as a result of buybacks





Johnson & Johnson (JNJ) 68.91 -0.10

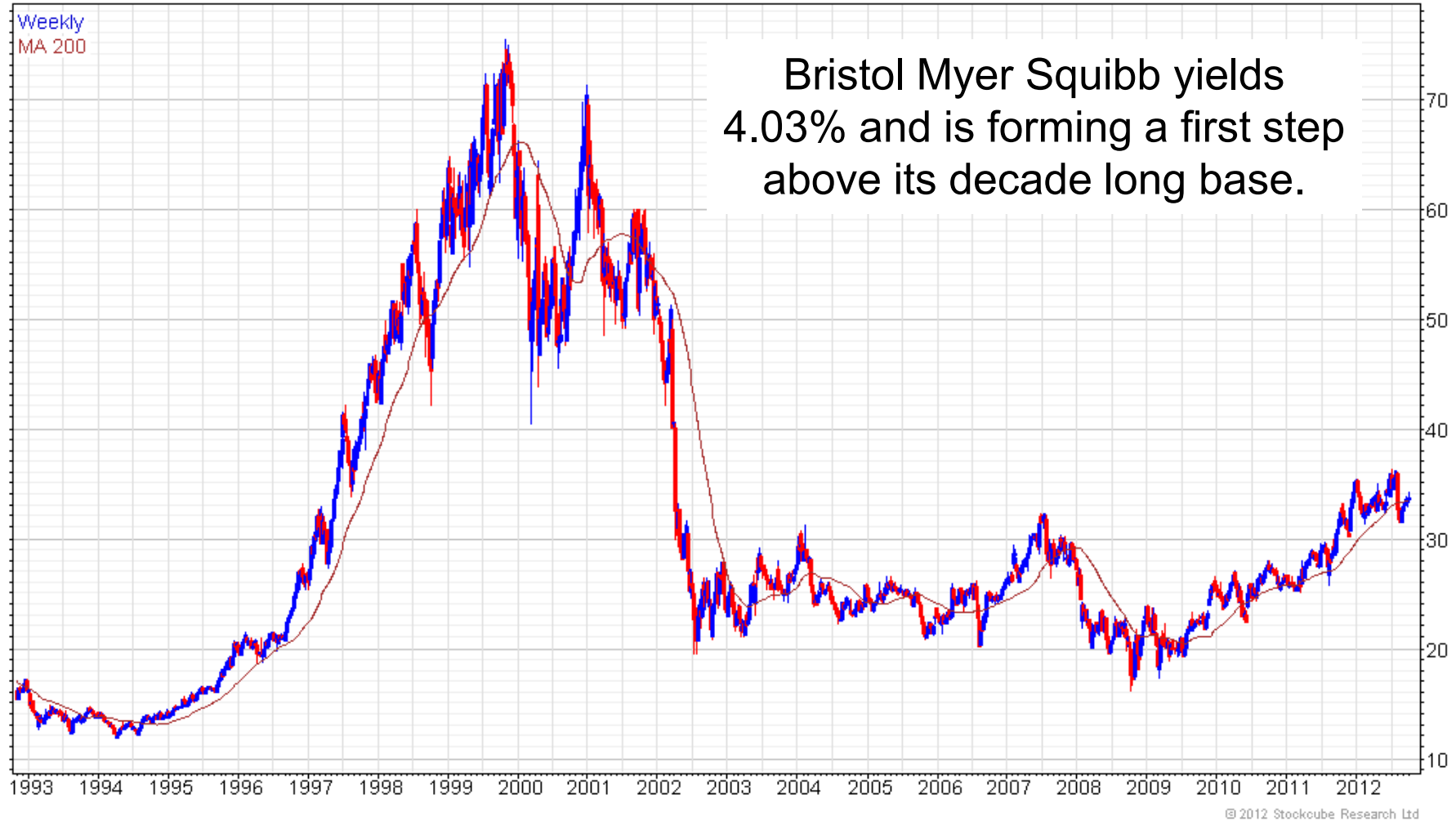
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Bristol-Myers Squibb Co (BMY) 33.75 -0.10

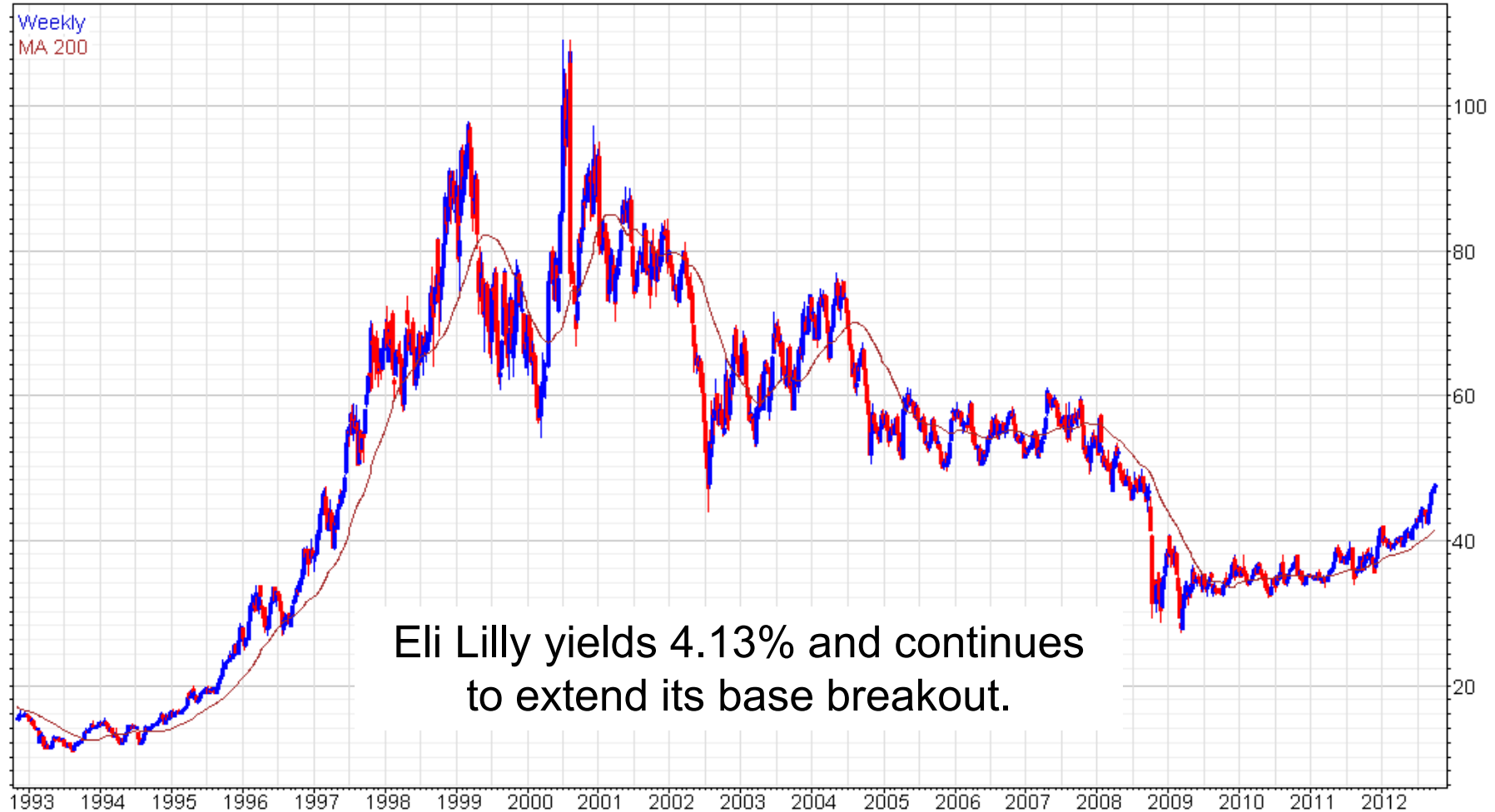
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Eli Lilly & Co (LLY) 47.41 -0.23

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Mastercard Inc (MA) 451.48 -0.69

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We class these types of companies as Autonomies

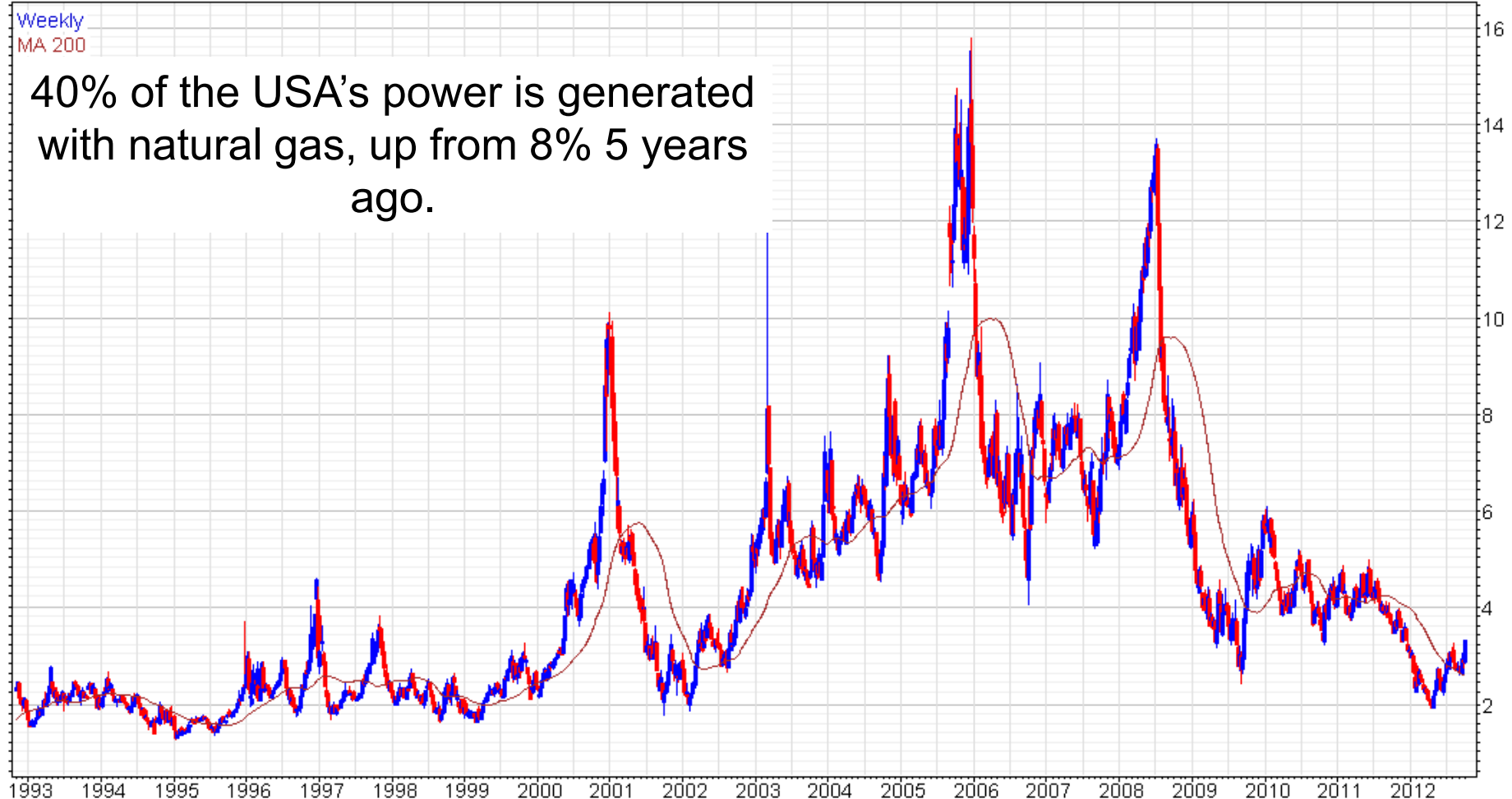
They are leveraged to the growth of the global consumer, dominate their respective niches, have healthy balance sheets and possess strong records of increasing dividends.



The above shares are leading the wider market. Wall Street will eventually complete its valuation contraction but will need to meet a number of conditions in order to do so.

Natural Gas NYME 1st Month Continuation (NG1) 3.32 +0.02

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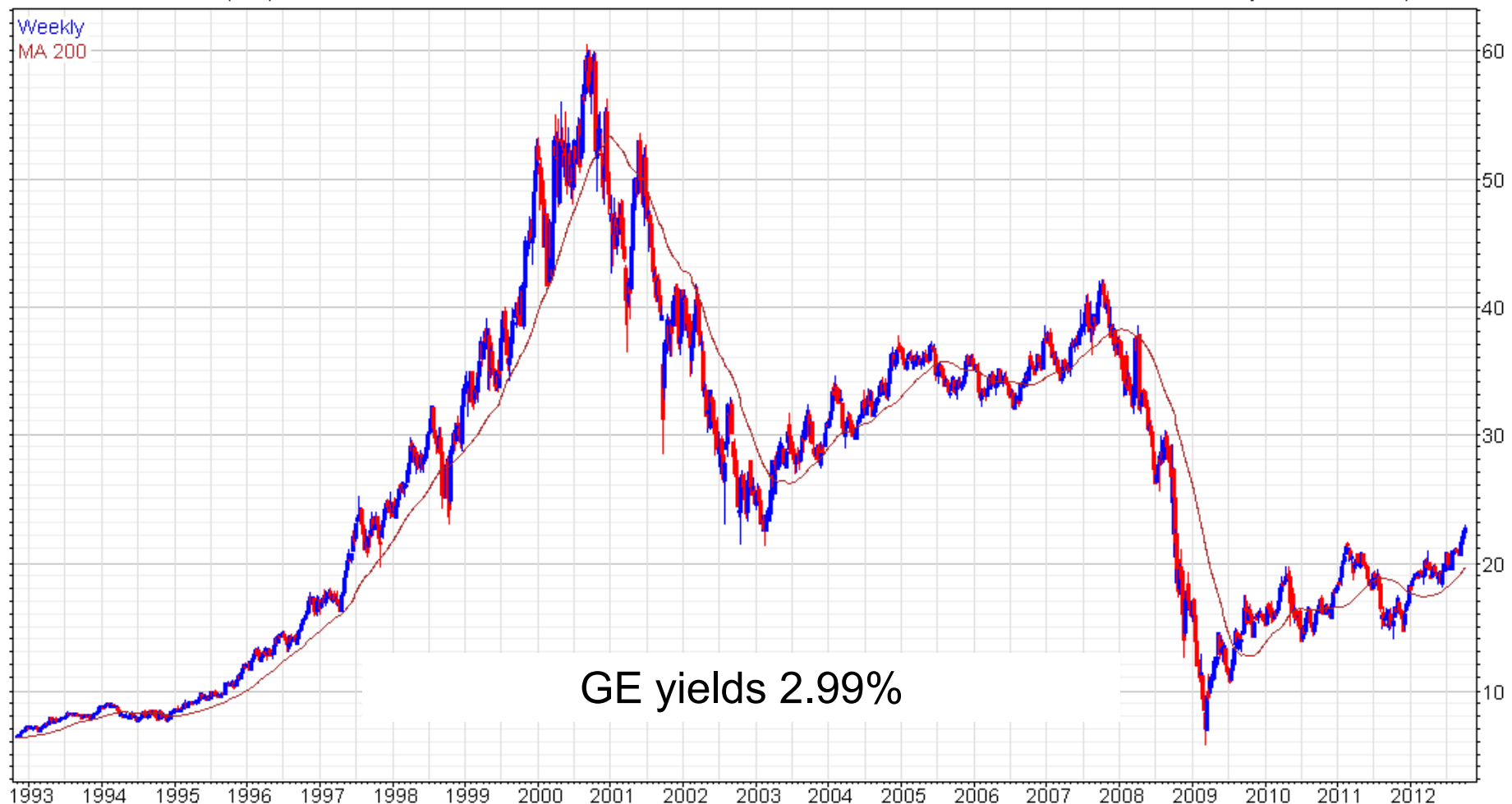




Factory Automation is likely to be a game changer for the global labour market. Energy and transportation costs will therefore become more of a consideration.

General Electric Co (GE) 22.71 -0.02

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Improving standards of corporate, civil and economic governance are prerequisites if the secular bear market on Wall Street is to transition into a secular bull.



Thank you very much

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