51st Annual Contrary Opinion Forum

Paradigm Shifts

Eoin Treacy

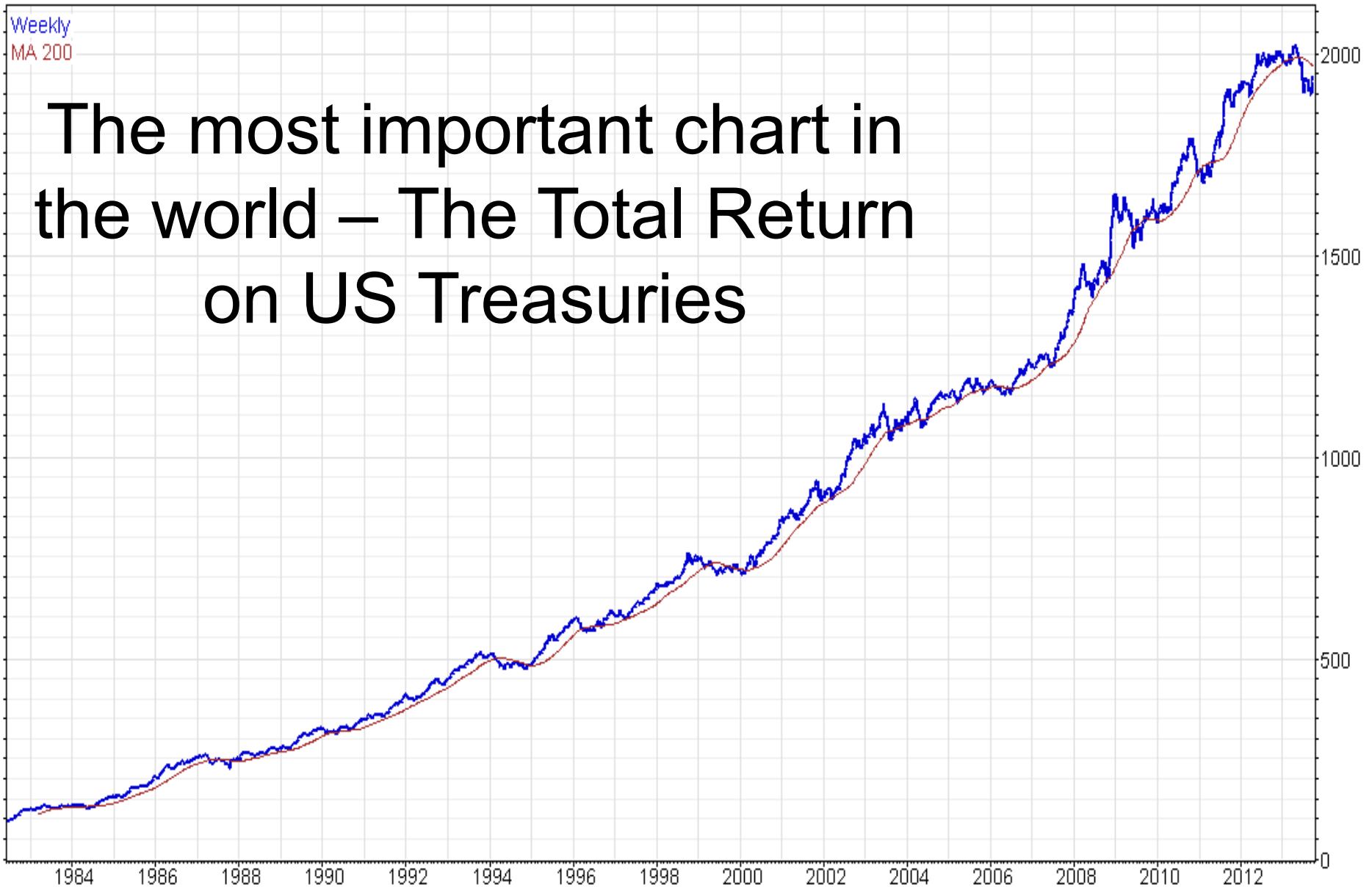# Fullermoney.com

Frank and Ernest
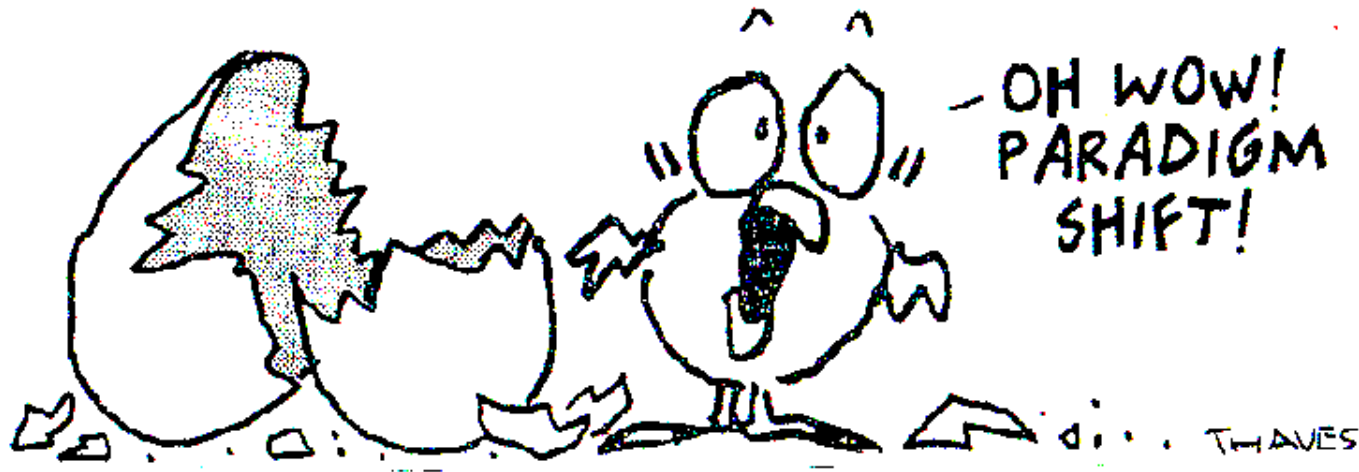
— OH WOW! PARADIGM SHIFT!

THAVES

Merrill Lynch 10yr+ US Treasury Total Return (MLT1US10) 1946.87 -2.89

www.fullermoney.com   26 Sep 2013

Weekly
MA 200

The most important chart in
the world – The Total Return
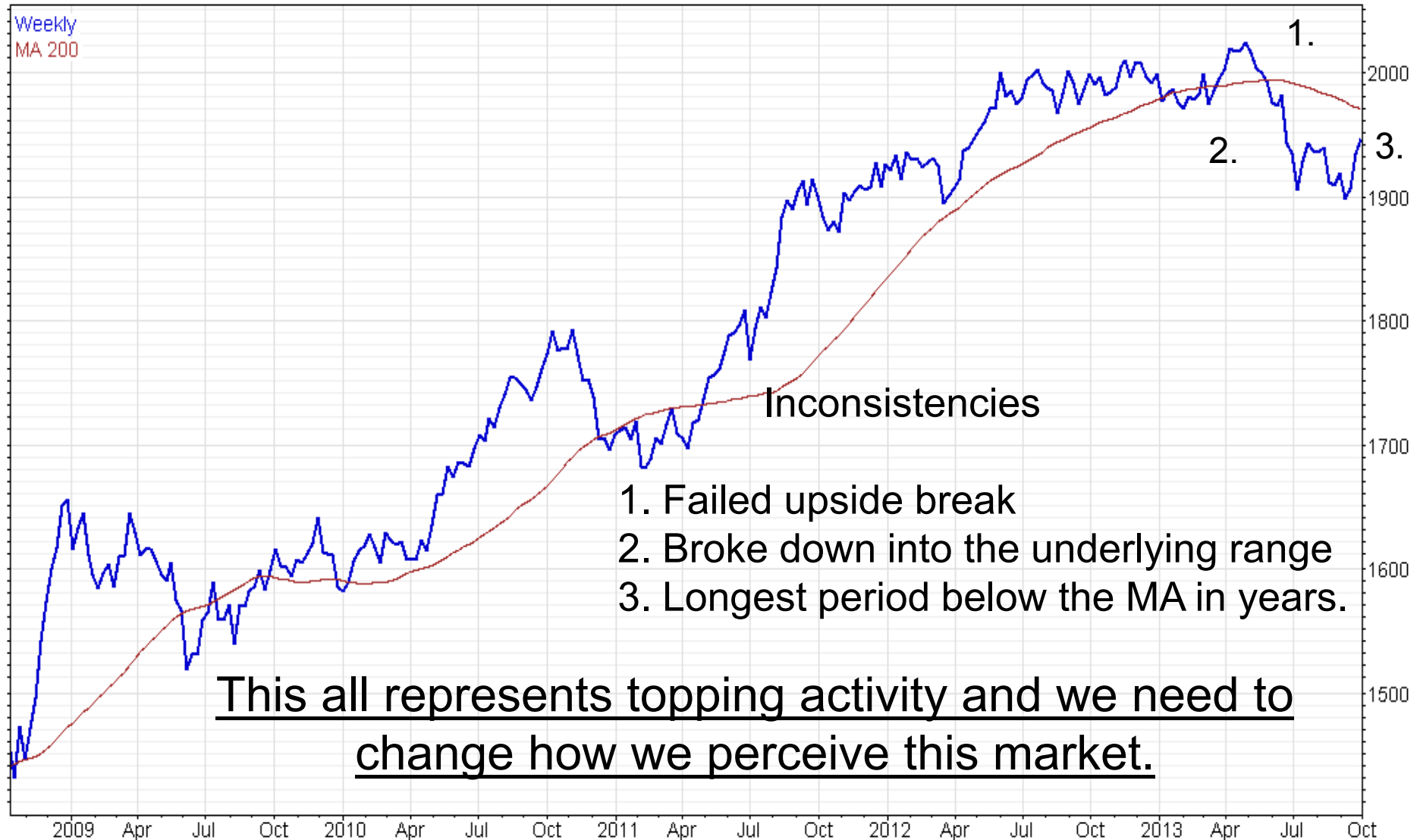on US Treasuries

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Total Return on US Treasuries

Merrill Lynch 10yr+ US Treasury Total Return (MLT1US10) 1946.87 -2.89   www.fullermoney.com   26 Sep 2013

Weekly
MA 200

Inconsistencies

1. Failed upside break
2. Broke down into the underlying range
3. Longest period below the MA in years.

This all represents topping activity and we need to change how we perceive this market.

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The Fed has delayed <u>not</u> cancelled tapering.

"Ambiguous data" resulted in the delay so they are waiting for clarity on jobs and economic growth.

Uncertainty on the debt ceiling and costs associated with the implementation of the Affordable Care Act also represent obstacles to tapering.

US 10yr Bond Yield (USGG10YR) 2.6245 -0.02

www.fullermoney.com   27 Sep 2013

Log scale
Monthly
EMA 200
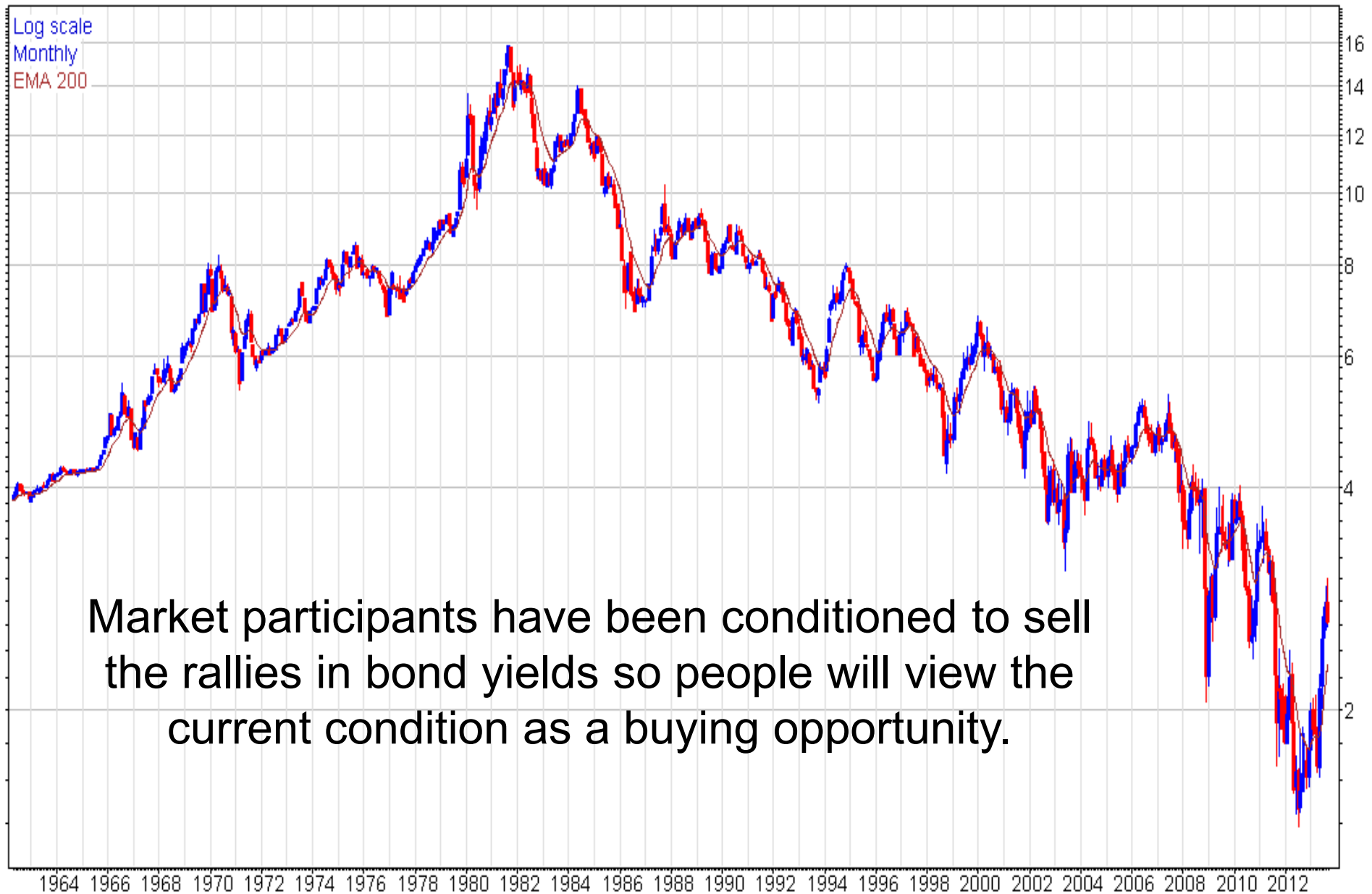
Market participants have been conditioned to sell
the rallies in bond yields so people will view the
current condition as a buying opportunity.

1964 1966 1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012

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BFV USD Composite (BBB) 10 Yea (C88310Y) - US 10yr Bond Yield (USGG10YR) = 1.75   www.fullermoney.com   26 Sep 2013

BBB spreads have traded in line with
Treasuries for the last 18 months but how
long is this likely to continue?

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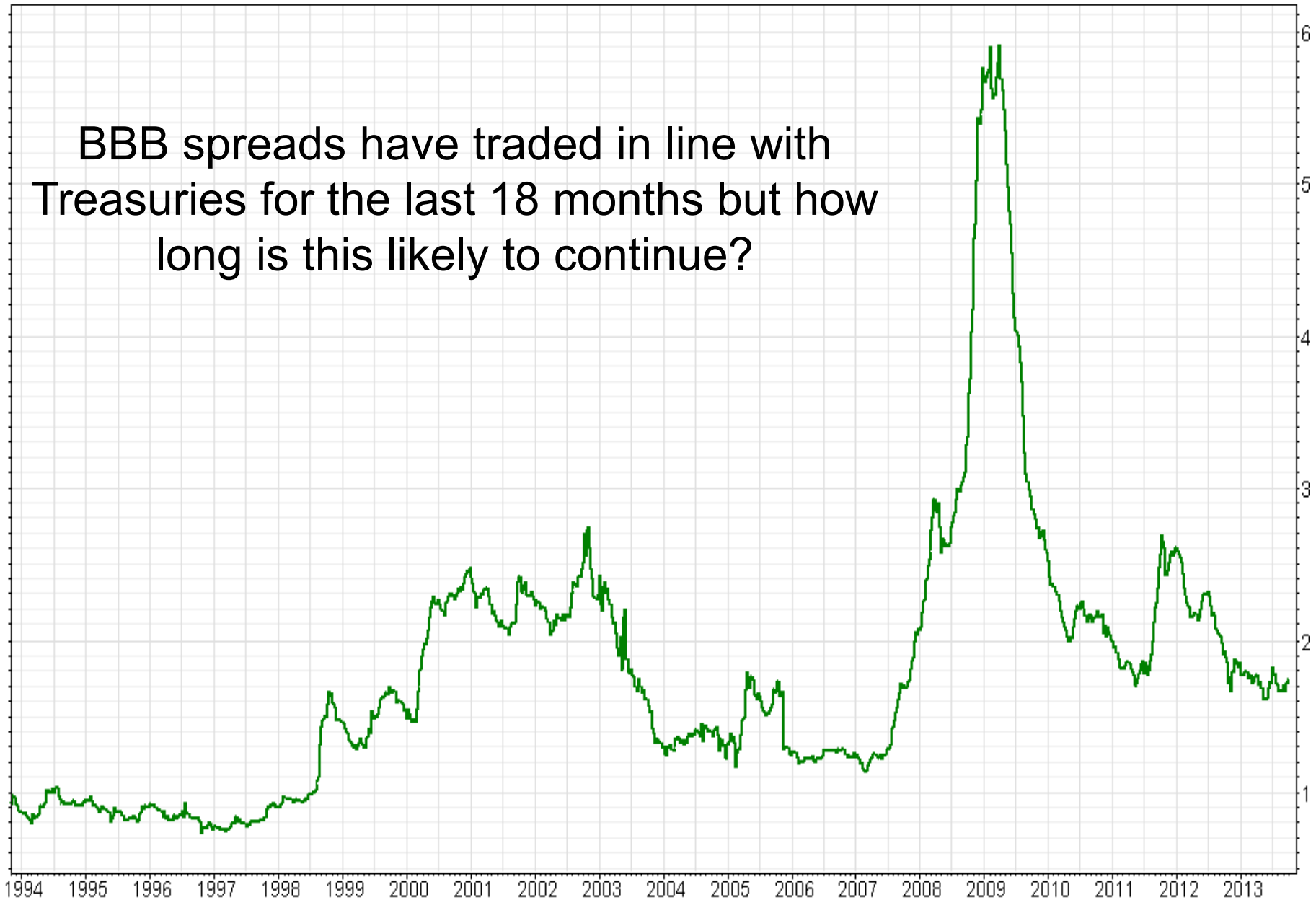
Total return = yield + capital appreciation.

In a bull market capital appreciation compensates investors for lower yields.

In a bear market investors have to demand higher yields to compensate them for the loss of capital appreciation.
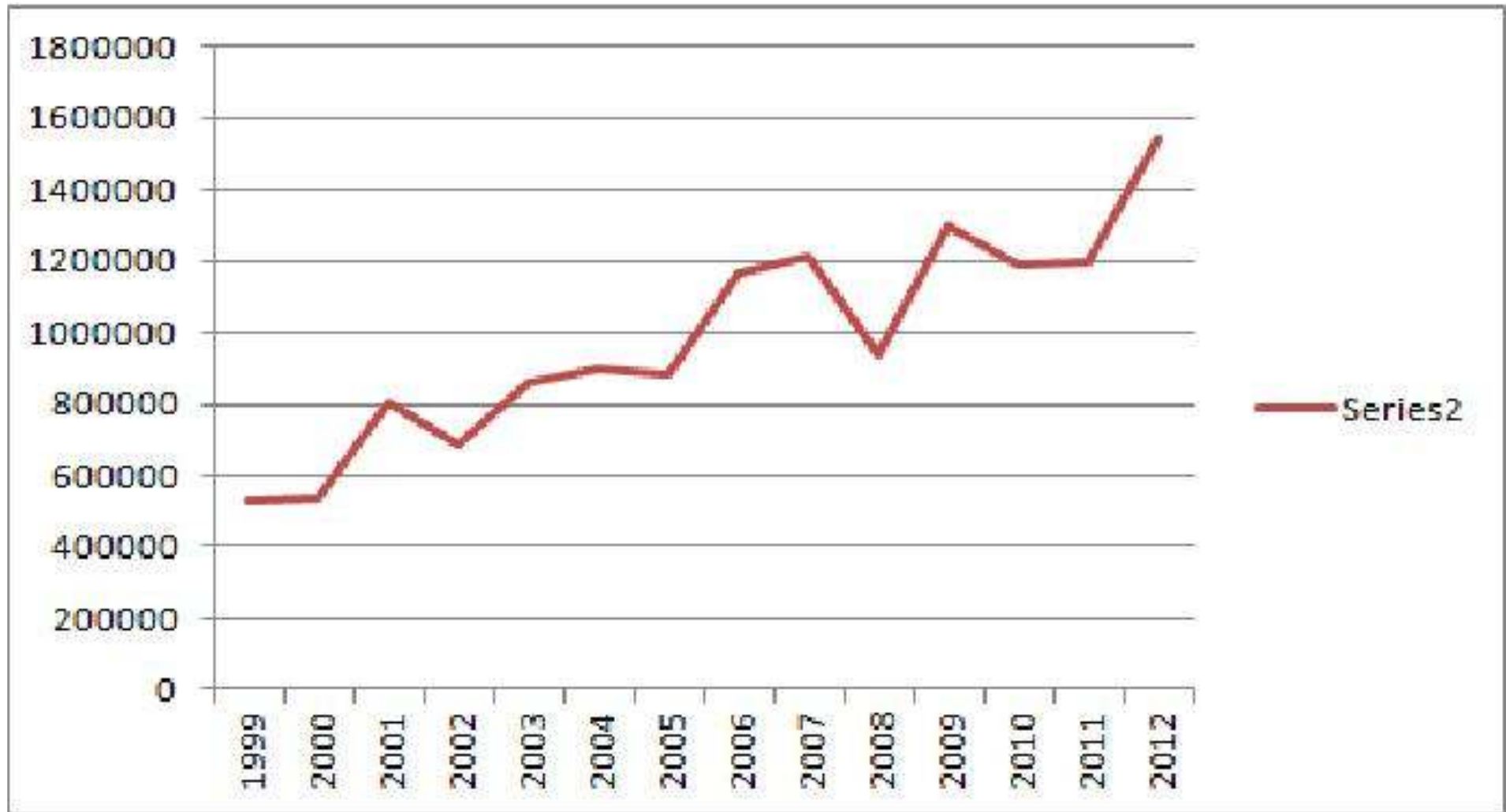
iShares IBOXX Investment Grade Bond Fund (LQD) 113.77 -0.09   www.fullermoney.com   27 Sep 2013

Bond funds do not have a yield to maturity.
They are a straight play on capital appreciation
and therefore unsuitable in a bear market
environment.

If you concur that the total
return on US Treasuries has
topped, the current rally
should be used as an
opportunity to sell.

Monthly
MA 200

Corporate Bond Issuance is at a record high.

S&P 500 Index (SPX) 1691.75 -6.92

www.fullermoney.com   27 Sep 2013

Monthly
EMA 200
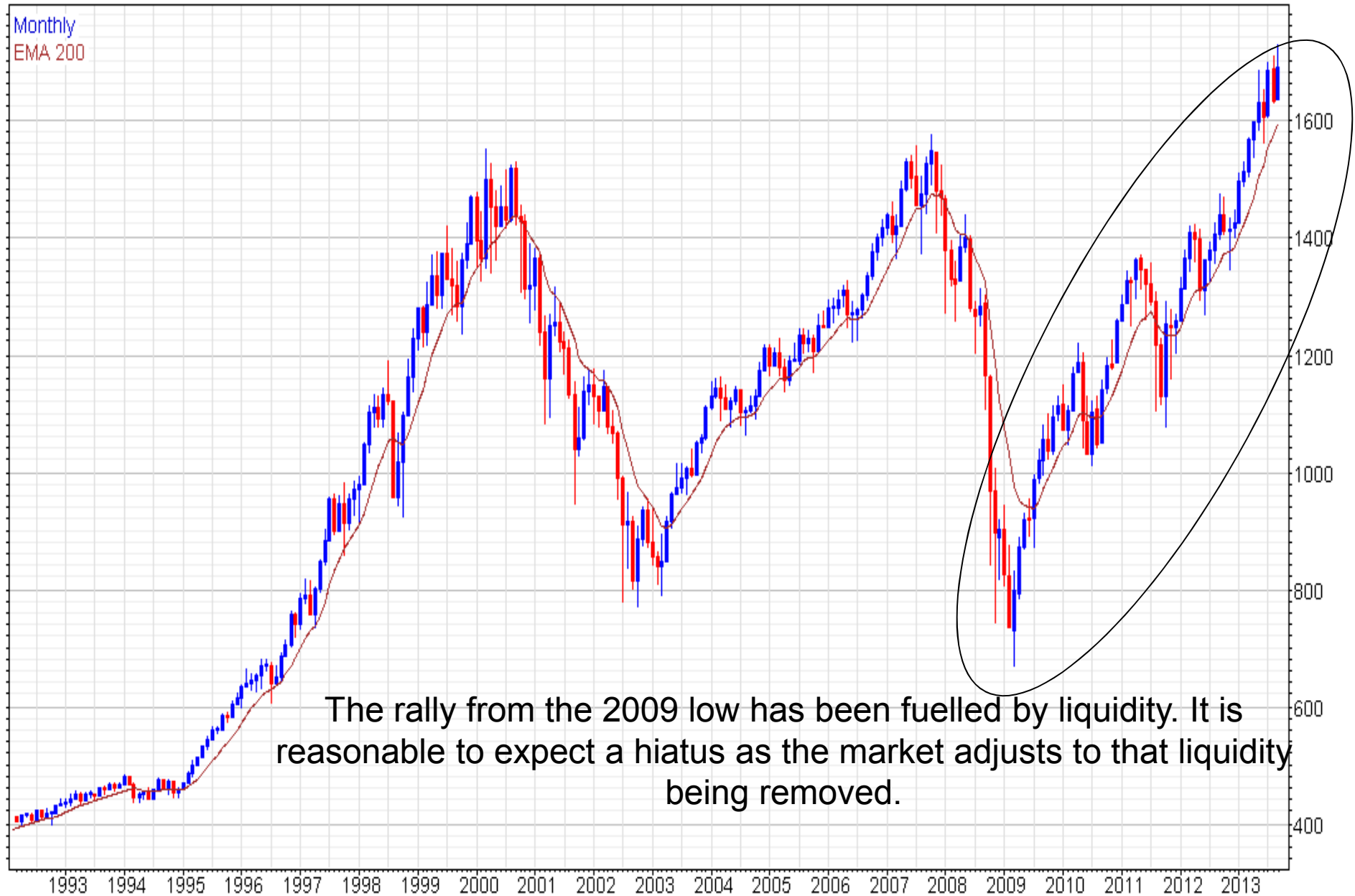
The rally from the 2009 low has been fuelled by liquidity. It is reasonable to expect a hiatus as the market adjusts to that liquidity being removed.
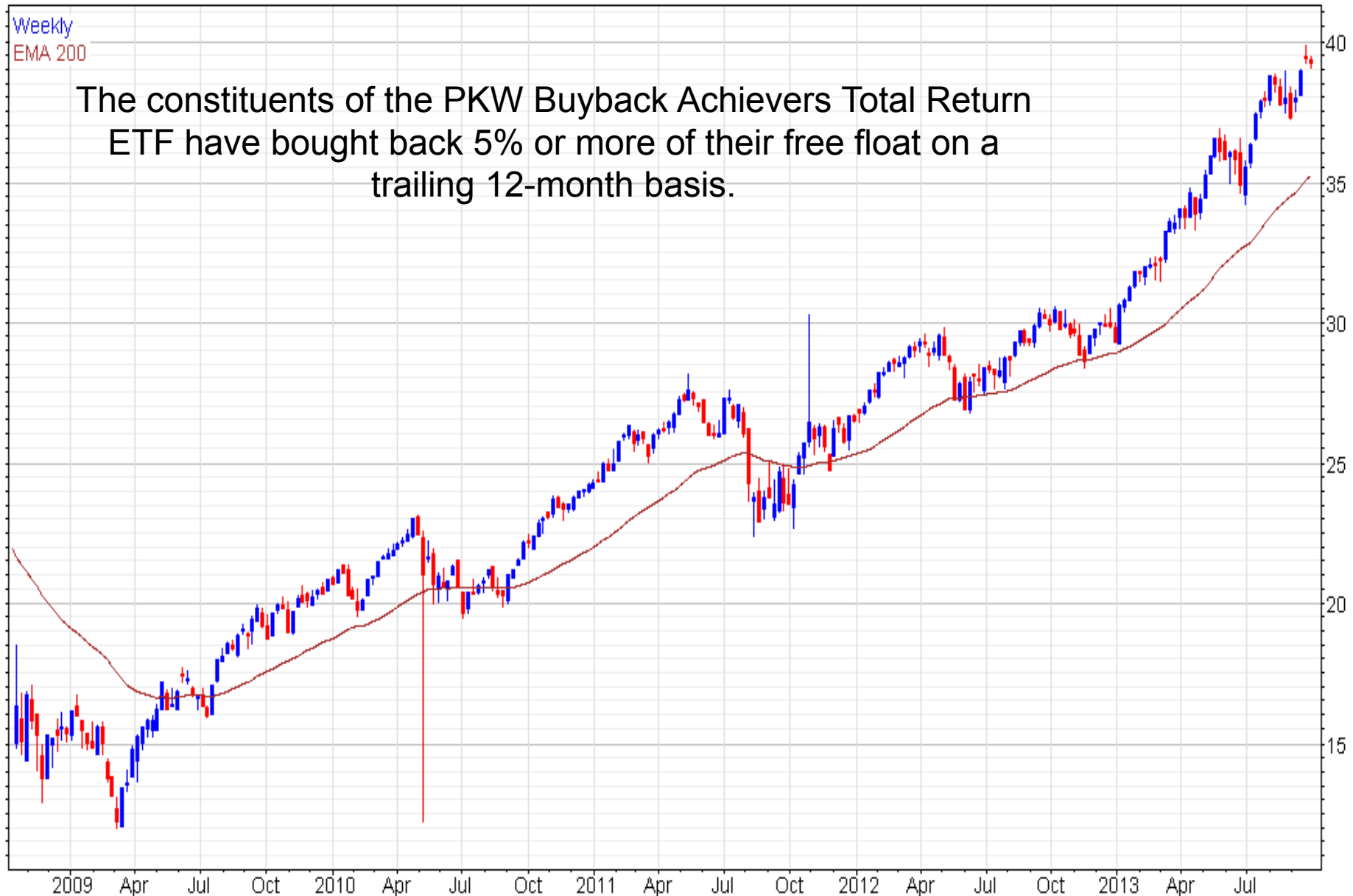
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PowerShares Buyback Achievers (PKW) 39.28 -0.08

www.fullermoney.com   27 Sep 2013

Weekly
EMA 200

The constituents of the PKW Buyback Achievers Total Return
ETF have bought back 5% or more of their free float on a
trailing 12-month basis.
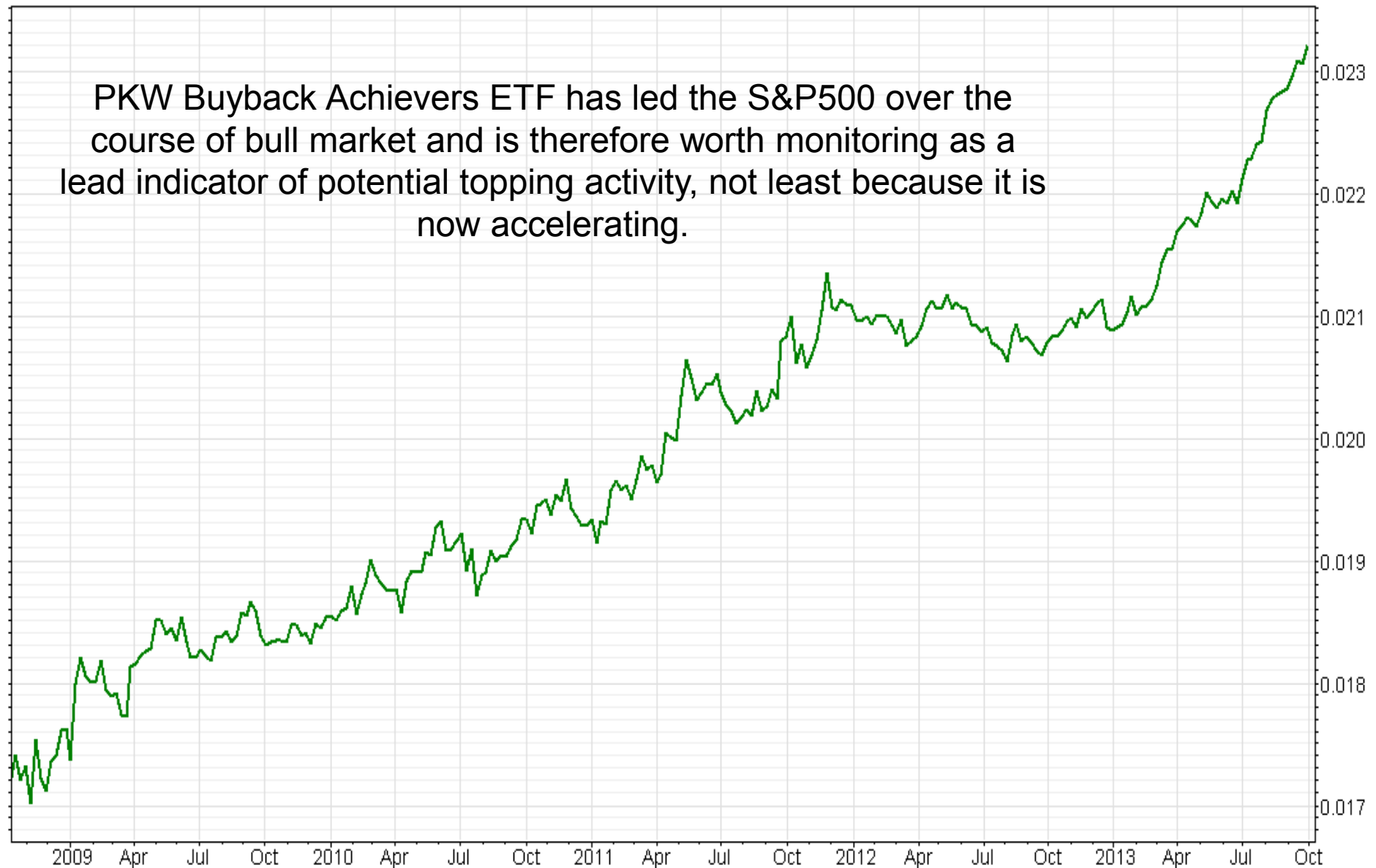
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PowerShares Buyback Achievers (PKW) / S&P 500 Index (SPX) = 0.02   www.fullermoney.com   27 Sep 2013

PKW Buyback Achievers ETF has led the S&P500 over the course of bull market and is therefore worth monitoring as a lead indicator of potential topping activity, not least because it is now accelerating.
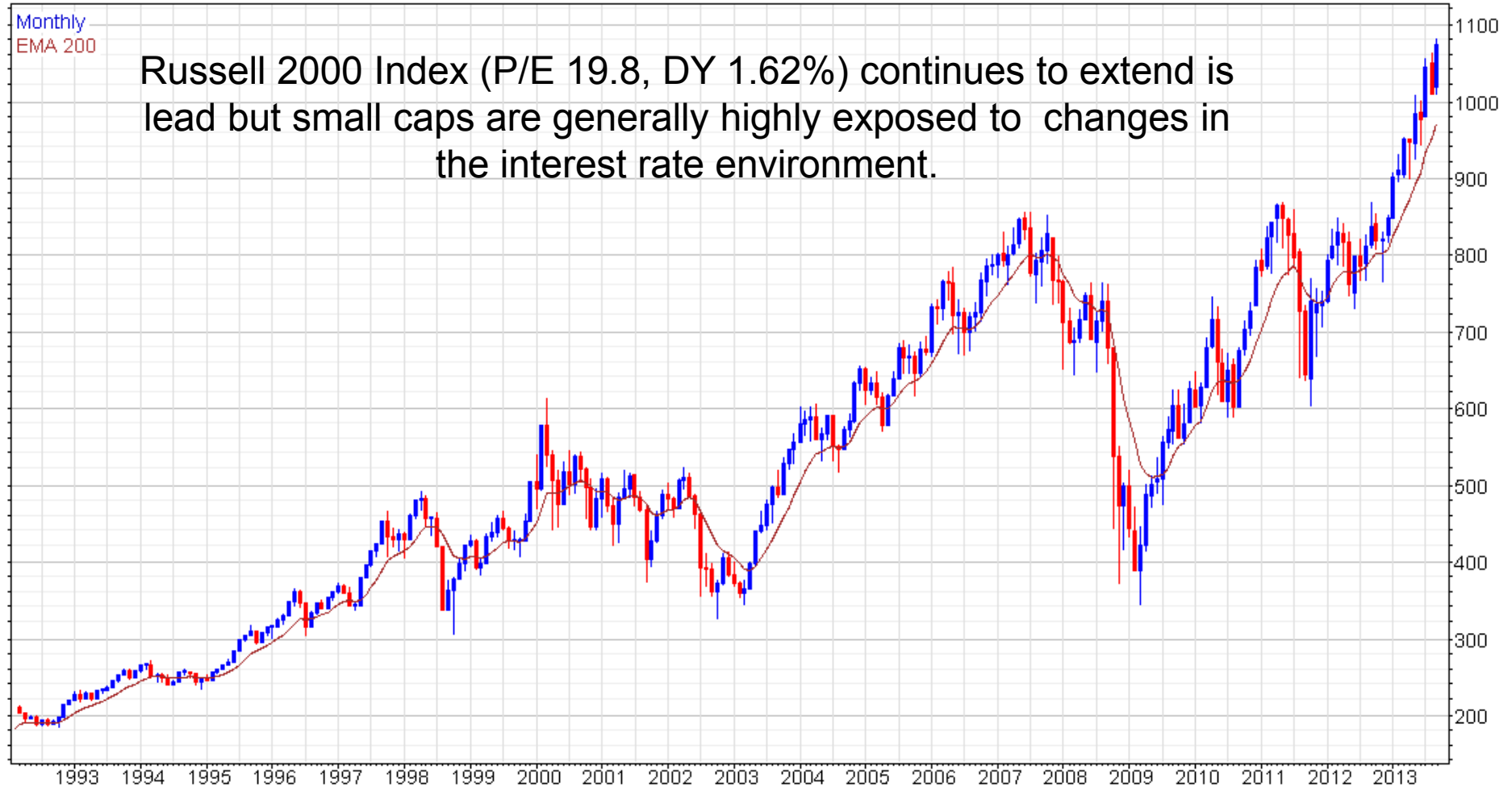
Russell 2000 Index (RTY) 1074.19 -4.22   www.fullermoney.com   27 Sep 2013
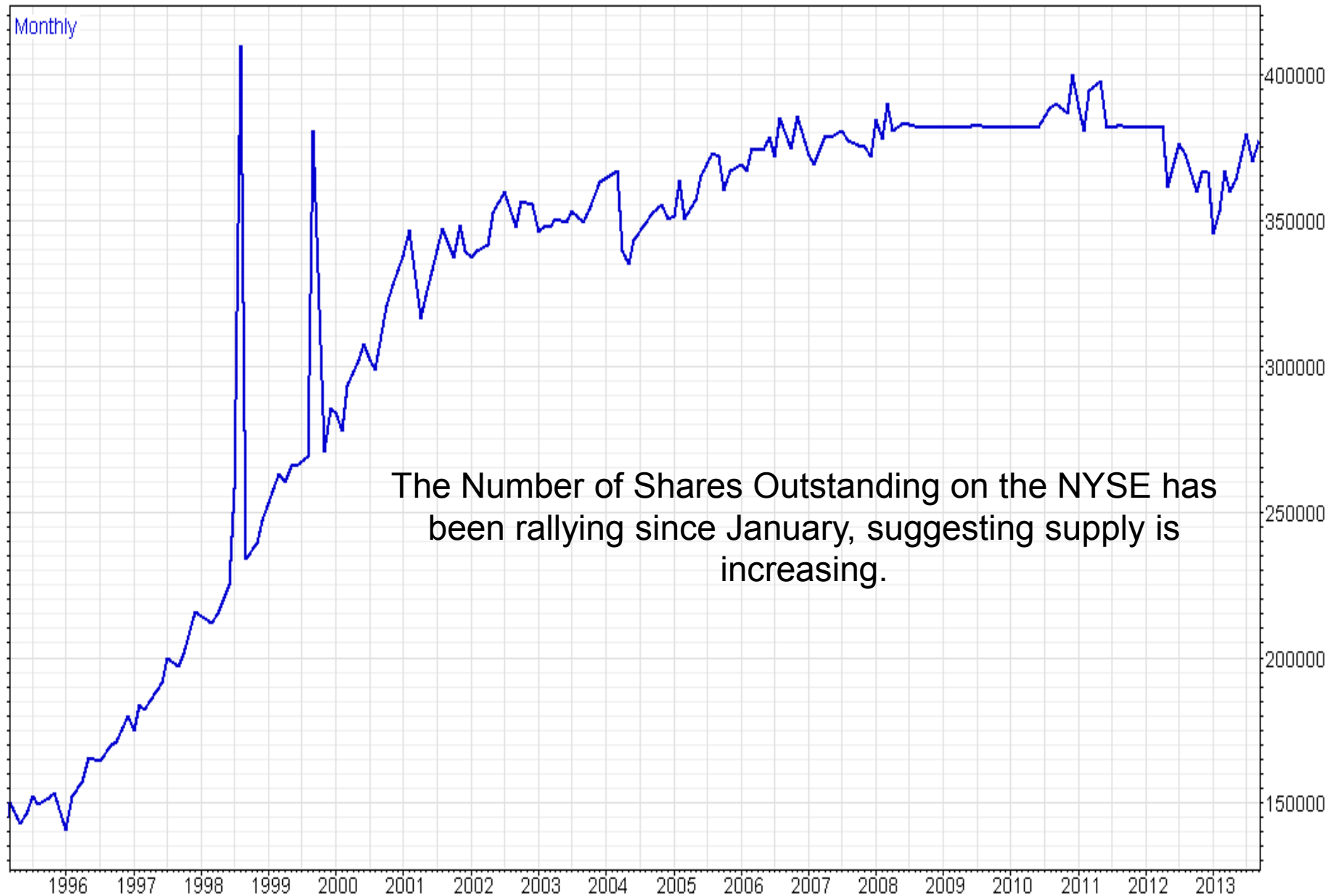
Monthly
EMA 200

Russell 2000 Index (P/E 19.8, DY 1.62%) continues to extend is
lead but small caps are generally highly exposed to changes in
the interest rate environment.

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nyse shares outstanding (.SHARES) 377525 +6927.00

www.fullermoney.com   27 Sep 2013

The Number of Shares Outstanding on the NYSE has been rallying since January, suggesting supply is increasing.

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<u>Private Equity</u> firms have turned into net sellers.

Seaworld, Pinnacle Foods, Coty, Quintiles Transitional Holdings were all listed this year while Hilton Hotels and Twitter represent additional major sources of supply.

"It's almost biblical. There is a time to reap and there's a time to sow. We are harvesting We're selling everything that's not nailed down. And if we're not selling, we're refinancing."
Leon Black of Apollo Group in told a conference audience:

If they are so eager to sell, perhaps we should be a little more cautious about buying.

We know the eventual tapering and removal of quantitative easing represents a short to medium-term hurdle but what about the long-term?

Productivity = Labour x Technology X Energy X Debt

Debt represents the greatest short term hurdle to productivity growth but is likely to be counter balanced and eventually overcome by innovation in other areas.

Labour – US demographics remain positive. Globally another 2 billion people are likely to move into the middle classes over the next decade.

Technology - innovation is increasing at an exponential rate, nanotechnology, 3-D printing, industrial automation, embedded processing, genetics and other technologies are constantly improving productivity.

Energy – unconventional oil and gas, generation IV nuclear and solar promise an era of abundant energy at a lower price.
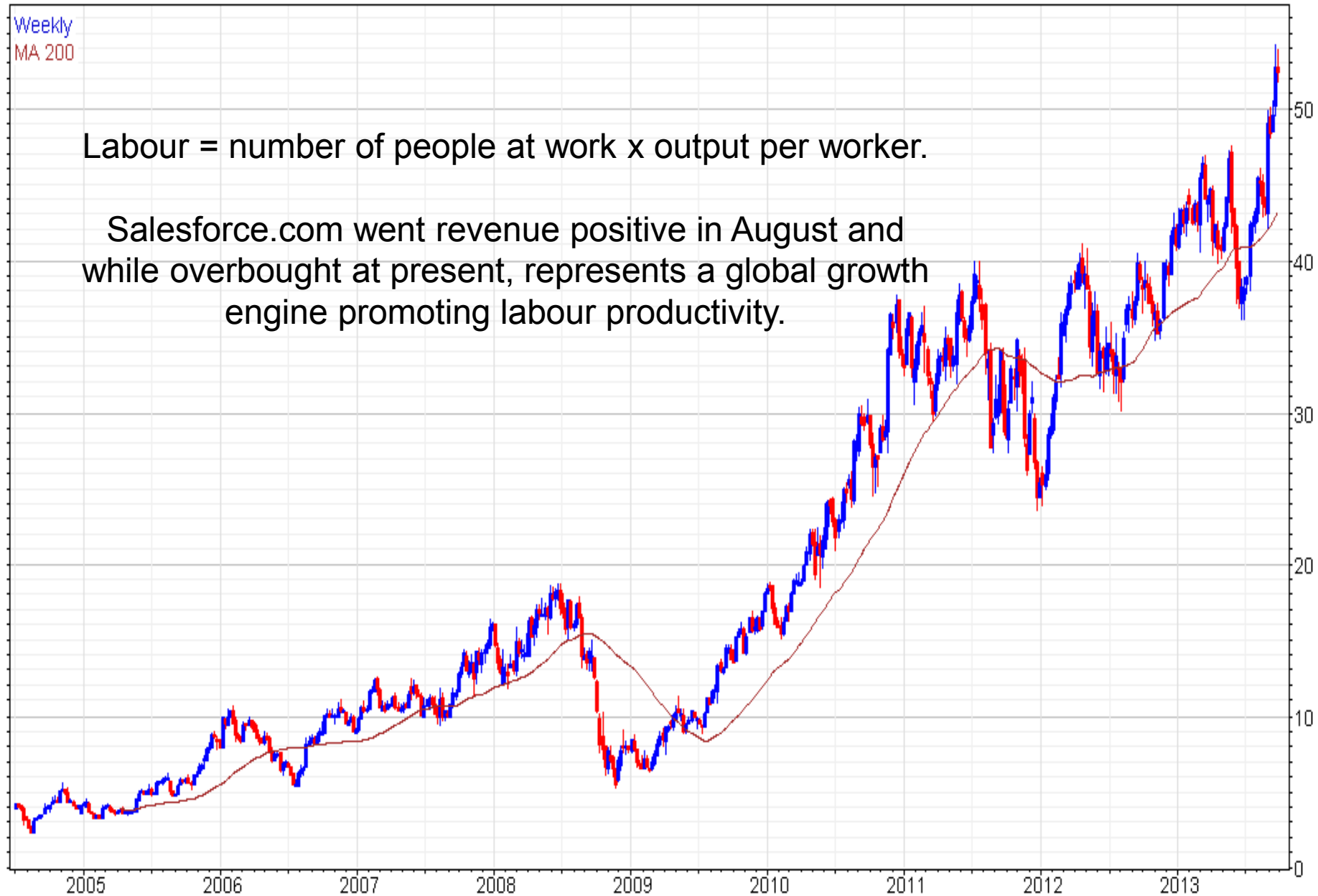
Salesforce.com Inc (CRM) 52.43 -0.89

www.fullermoney.com   27 Sep 2013

Weekly
MA 200
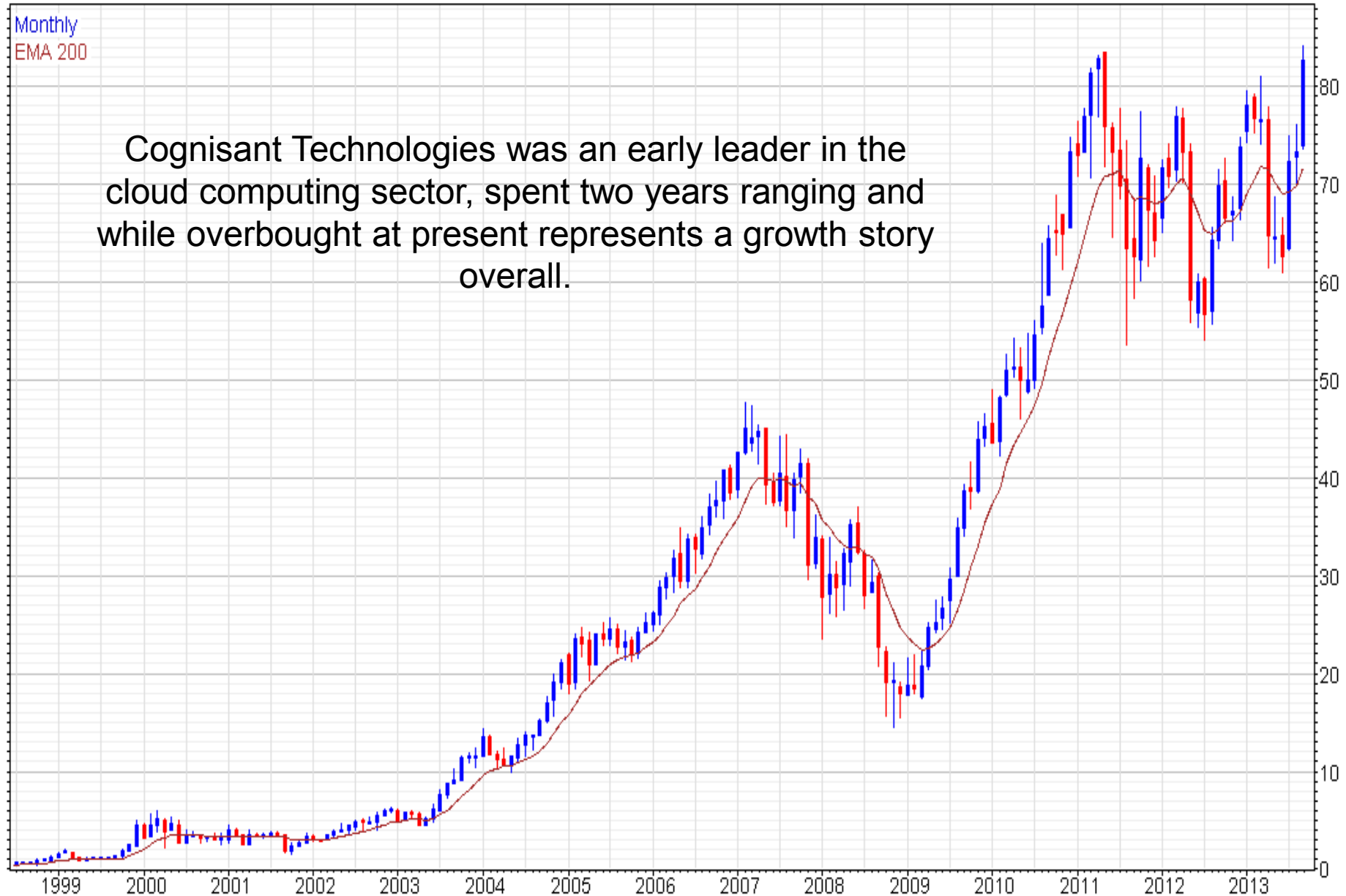
Labour = number of people at work x output per worker.

Salesforce.com went revenue positive in August and while overbought at present, represents a global growth engine promoting labour productivity.

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Cognizant Technology Solutions Corp (CTSH) 82.7 -0.29   www.fullermoney.com   27 Sep 2013

Monthly
EMA 200

Cognisant Technologies was an early leader in the cloud computing sector, spent two years ranging and while overbought at present represents a growth story overall.

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Youku.com Inc (YOKU) 28.12 -0.34

www.fullermoney.com   27 Sep 2013

Weekly
EMA 200

Yoku Tudou (YOKU) is China's answer to YouTube and Netflix.
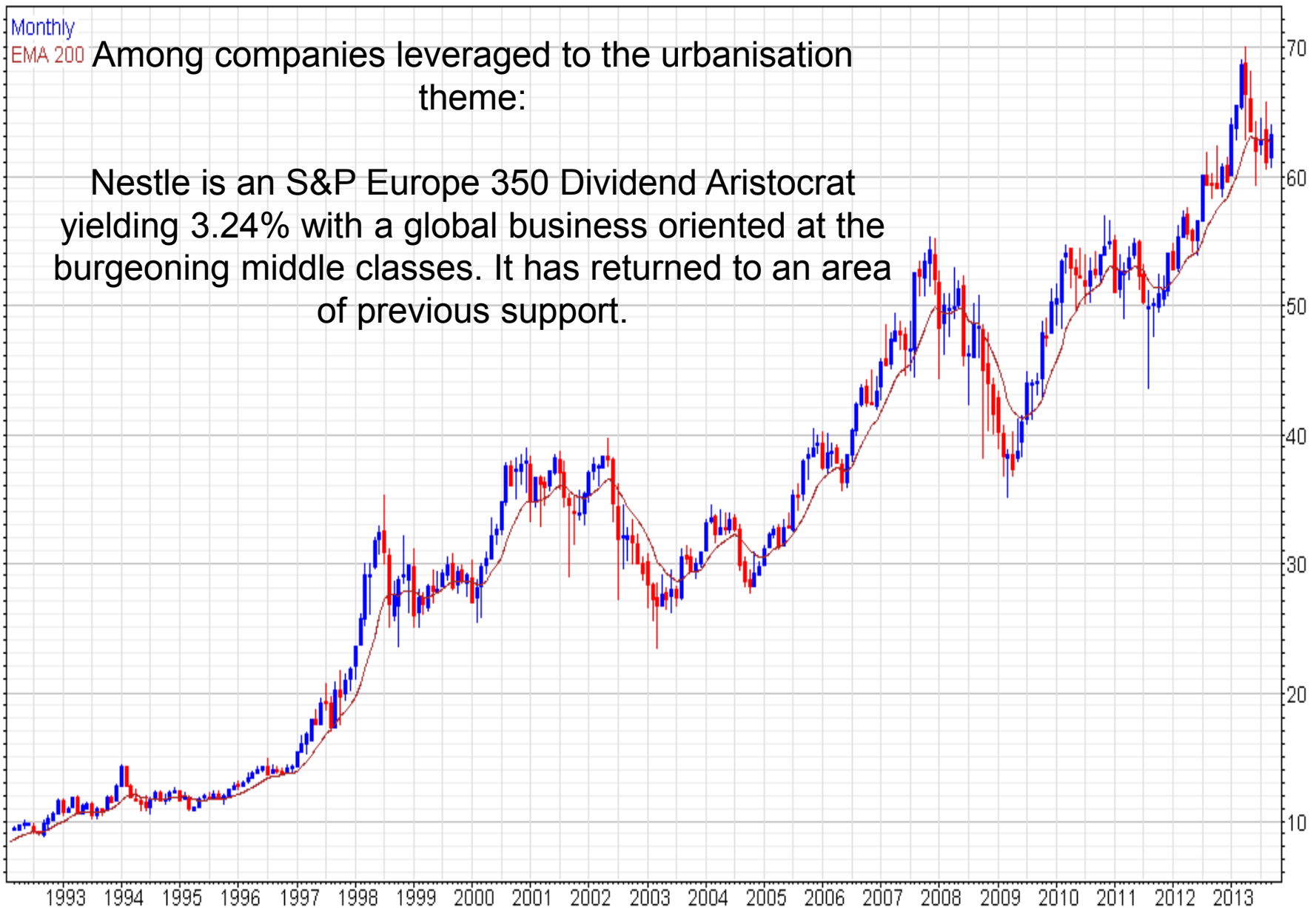

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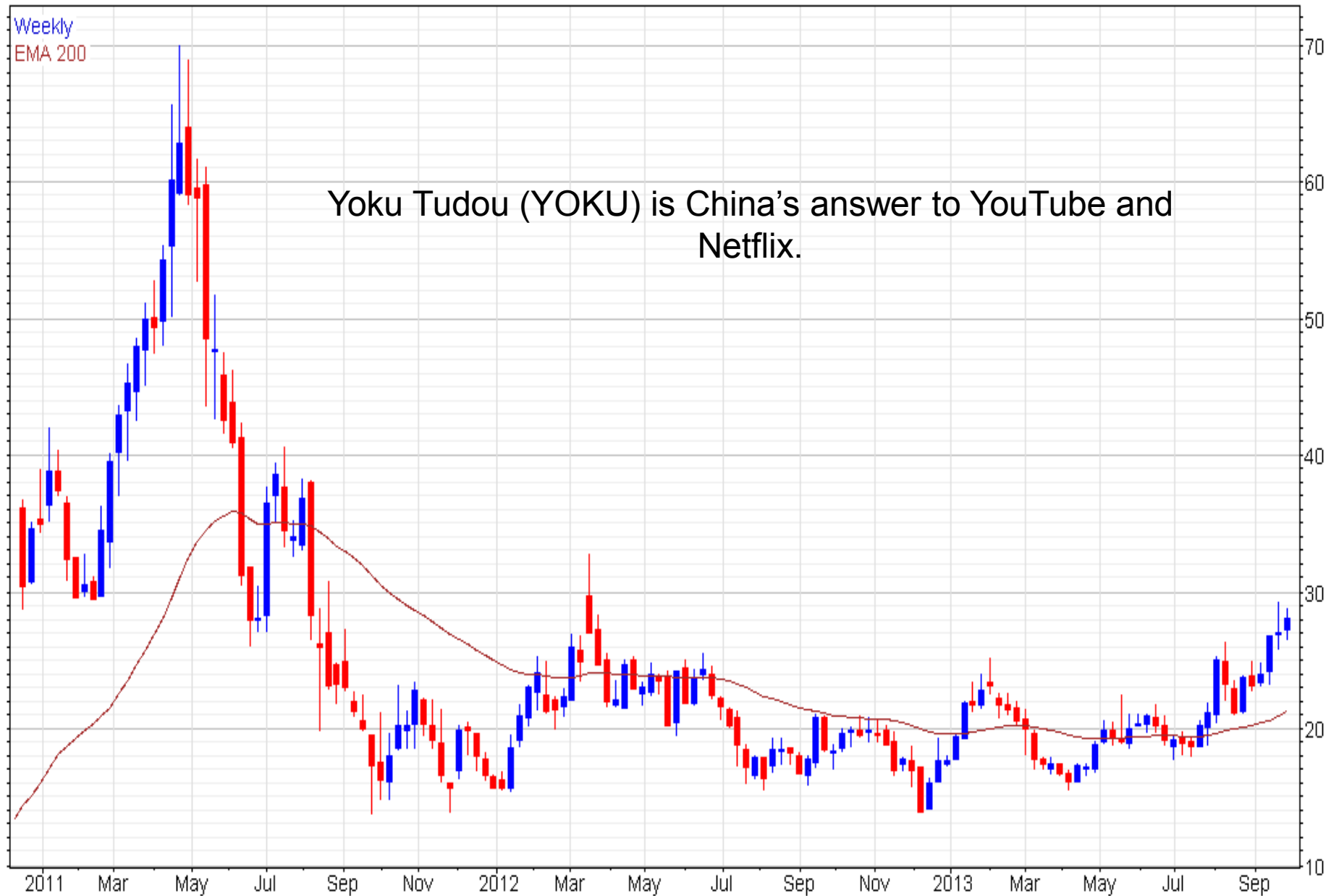
Nestle SA (NESN) 63.25 -0.15

www.fullermoney.com   27 Sep 2013

Monthly
EMA 200

Among companies leveraged to the urbanisation theme:

Nestle is an S&P Europe 350 Dividend Aristocrat yielding 3.24% with a global business oriented at the burgeoning middle classes. It has returned to an area of previous support.

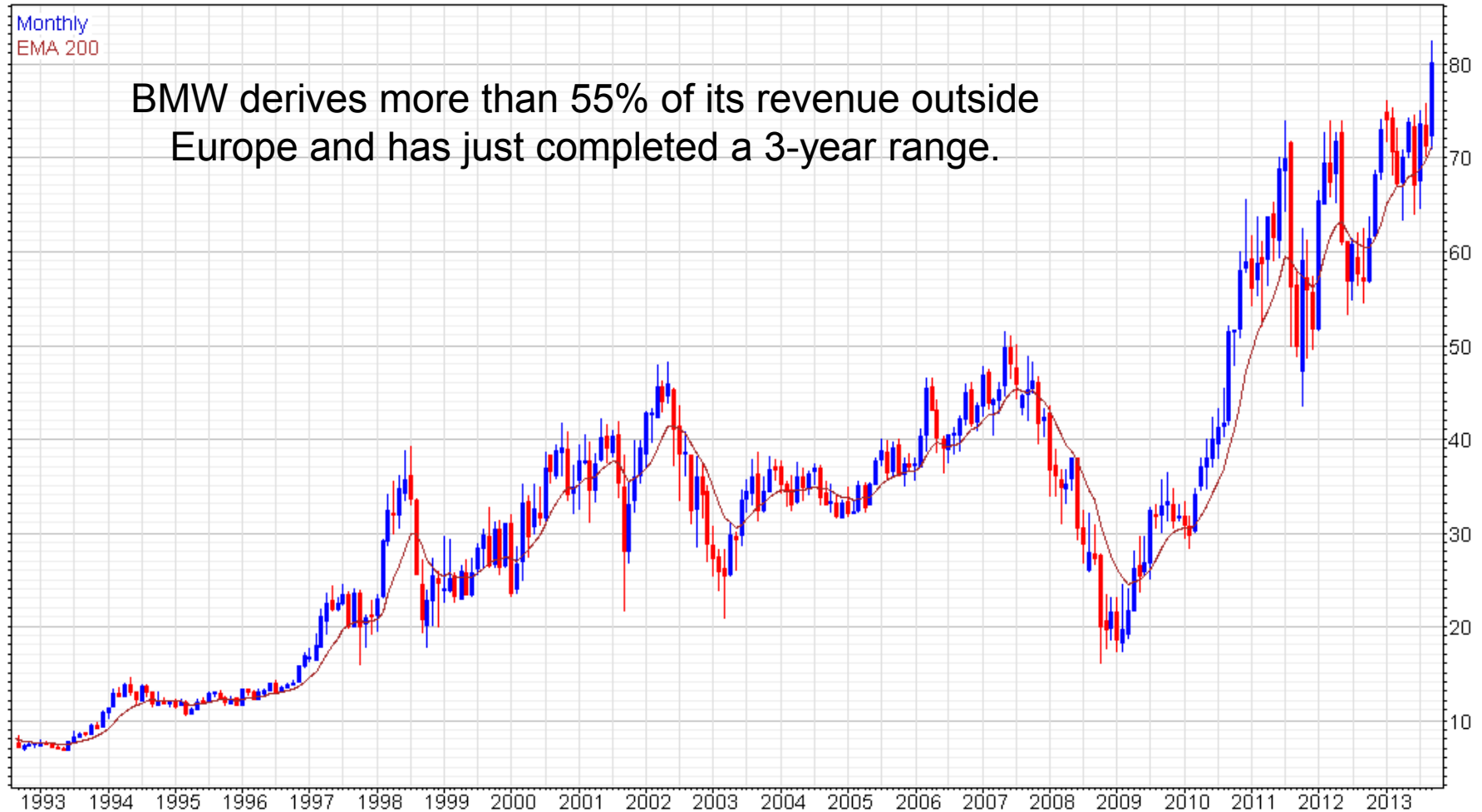© 2013 Stockcube Research Ltd

BMW AG (BMW) 80.1 +0.38   www.fullermoney.com   27 Sep 2013

Monthly
EMA 200

BMW derives more than 55% of its revenue outside
Europe and has just completed a 3-year range.

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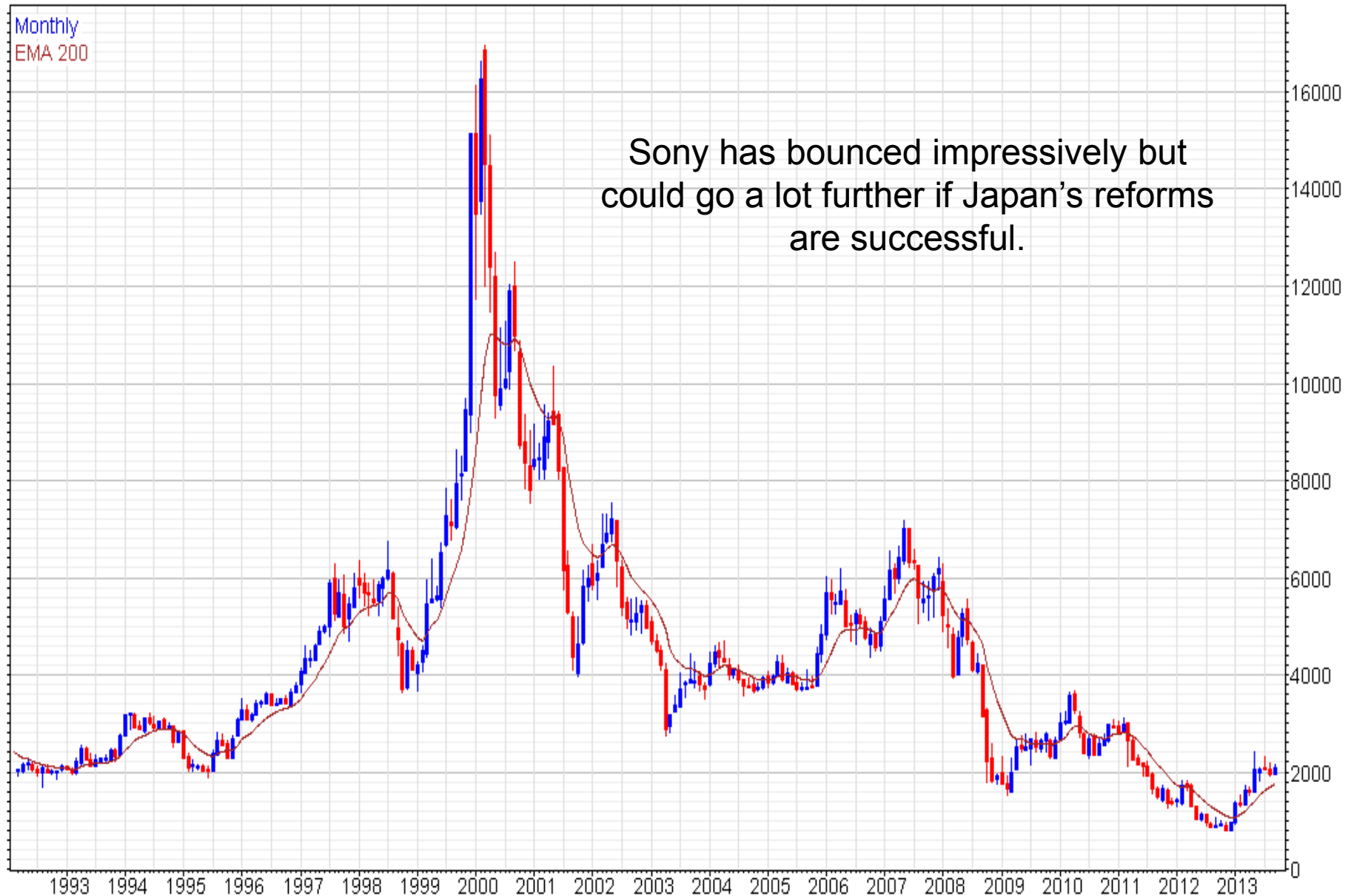
Hengan International Group Co Ltd (1044) 92.5 +0.30
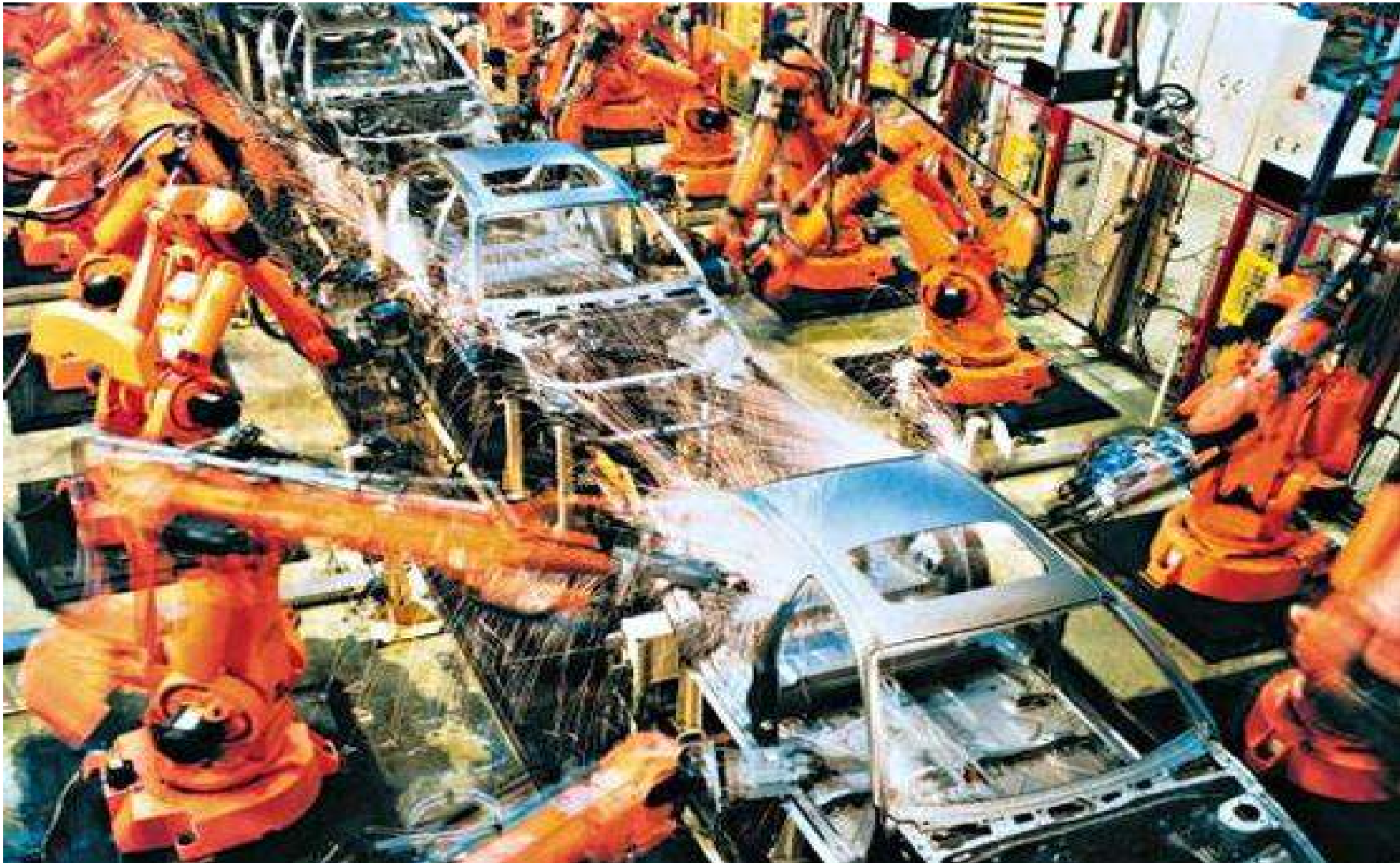
www.fullermoney.com   27 Sep 2013

Monthly
EMA 200

Hengan International (listed in Hong Kong) is an S&P
Pan Asia Dividend Aristocrat yielding 1.95% and is
China's largest producer of diapers and sanitary
napkins.

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Robotics offers an excellent example of the exponential rate of technological development that is overtaking a wide number of sectors.

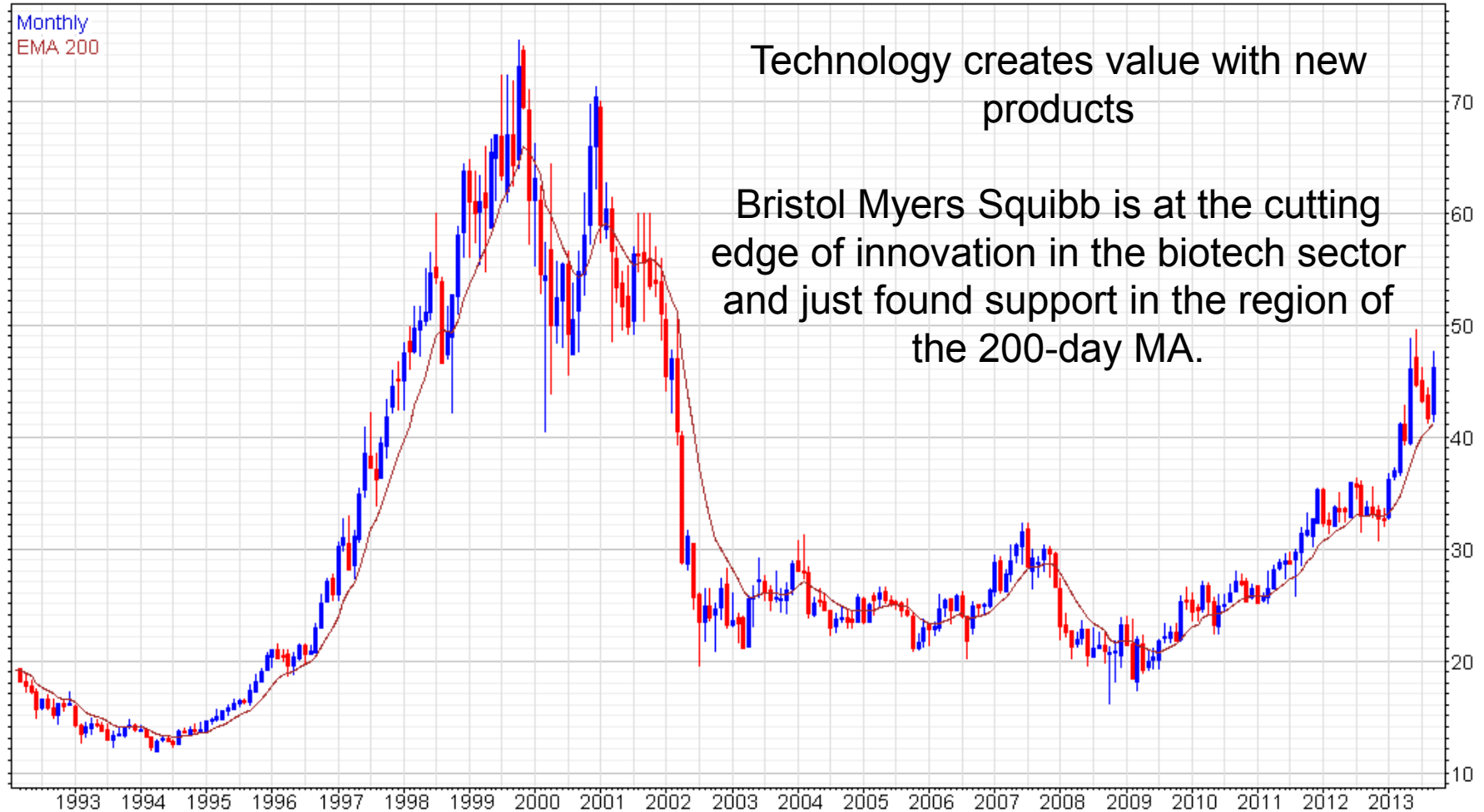# The reality of robotics 20 years ago.

Nanobots in the not too distant future.
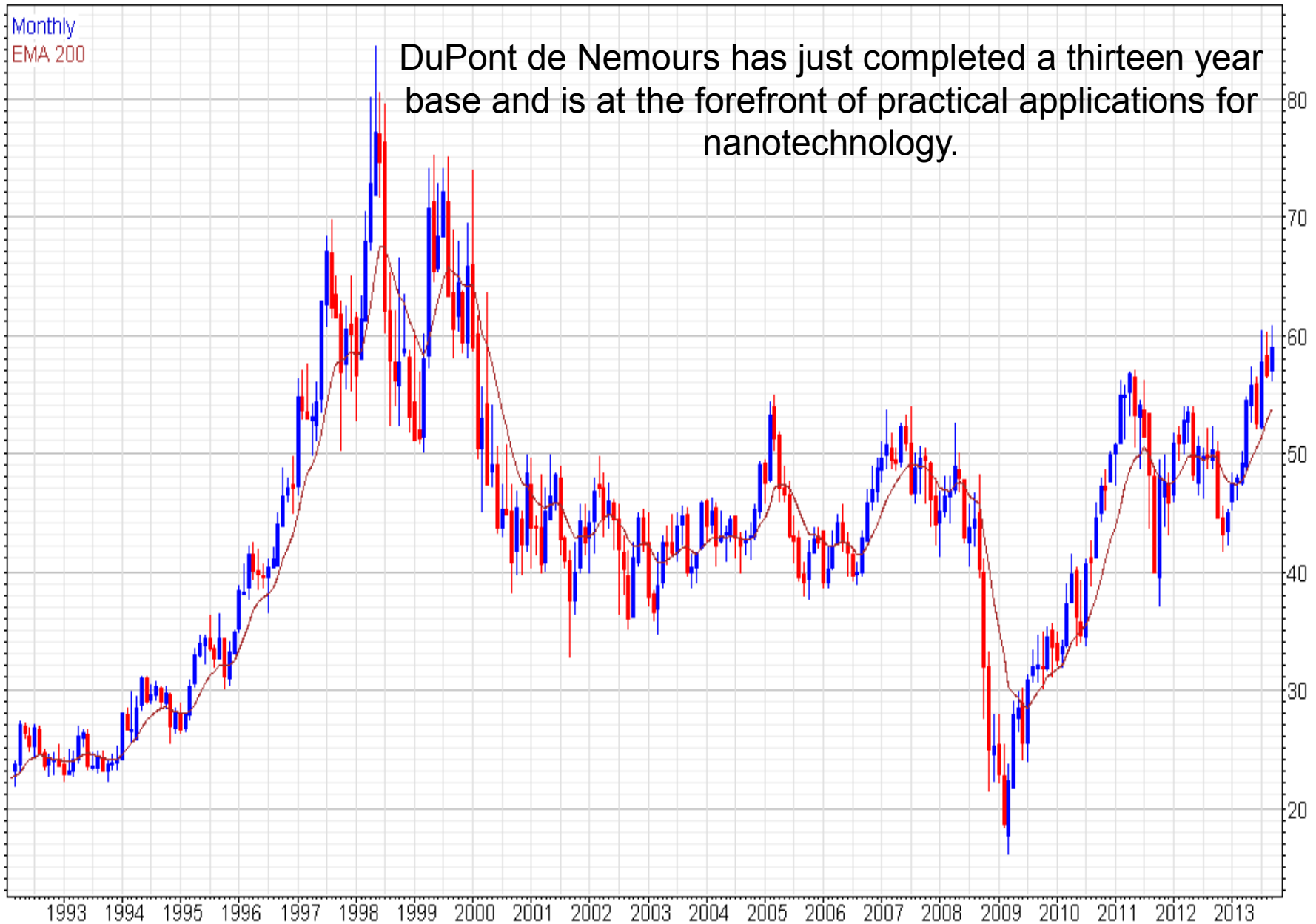
Bristol-Myers Squibb Co (BMY) 46.2 -0.73
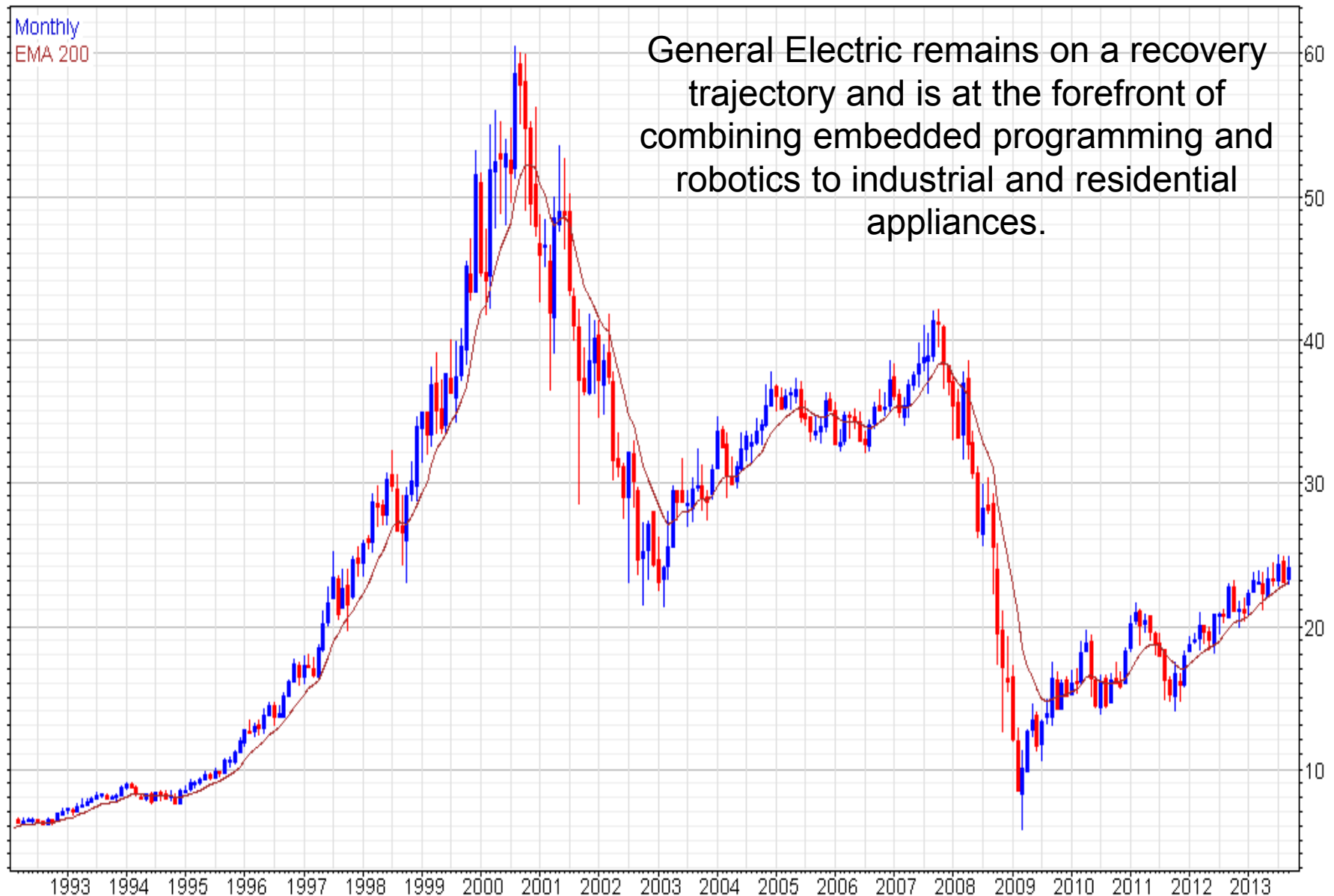
www.fullermoney.com   27 Sep 2013

Monthly
EMA 200

Technology creates value with new products

Bristol Myers Squibb is at the cutting edge of innovation in the biotech sector and just found support in the region of the 200-day MA.

DuPont de Nemours & Co (DD) 59.01 -0.50   www.fullermoney.com   27 Sep 2013

Monthly
EMA 200

DuPont de Nemours has just completed a thirteen year base and is at the forefront of practical applications for nanotechnology.

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General Electric Co (GE) 24.05 -0.20

www.fullermoney.com   27 Sep 2013

General Electric remains on a recovery trajectory and is at the forefront of combining embedded programming and robotics to industrial and residential appliances.

Sensata Technologies Holding (ST) 38.7 +0.13

www.fullermoney.com   27 Sep 2013

Weekly
EMA 200
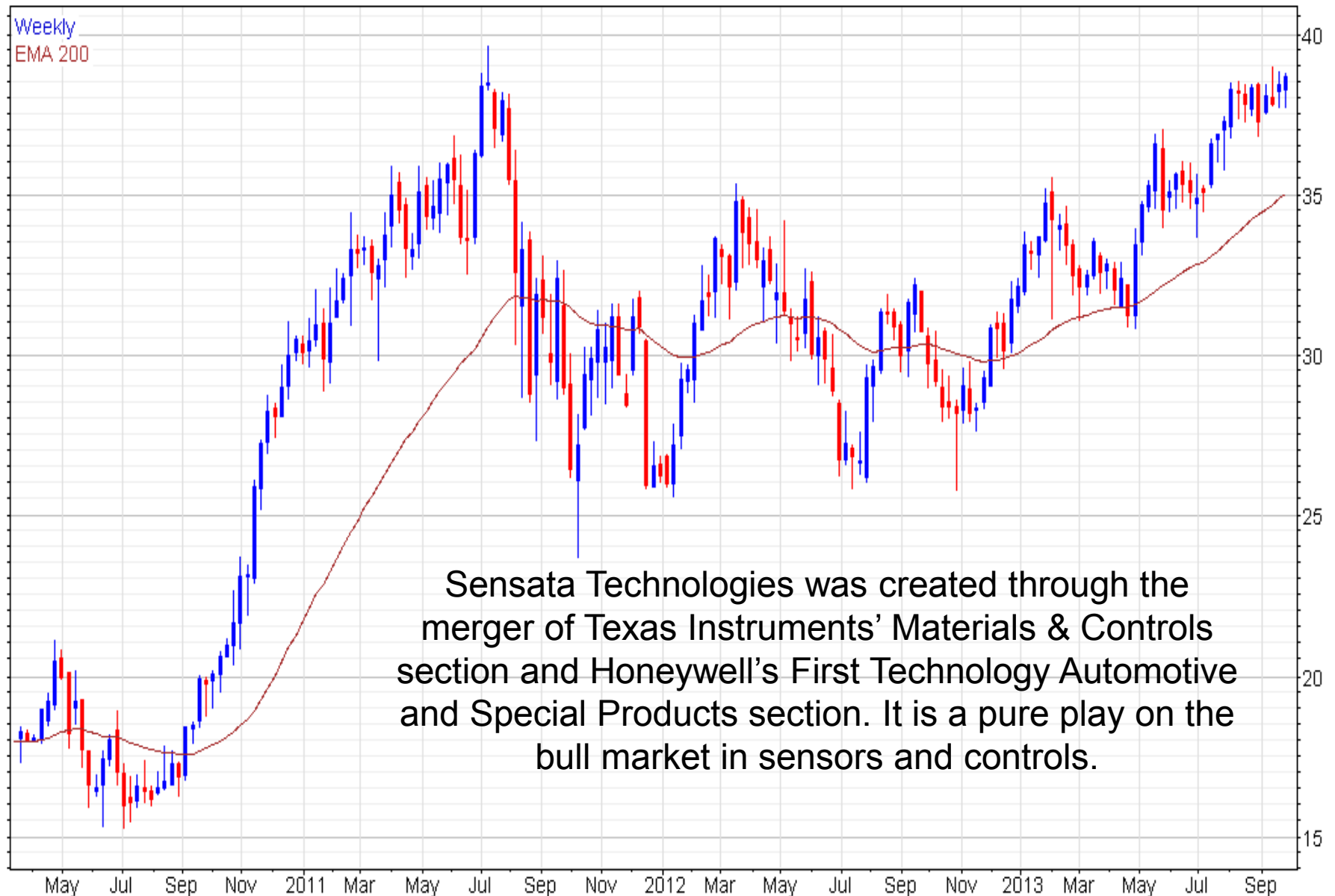
Sensata Technologies was created through the merger of Texas Instruments' Materials & Controls section and Honeywell's First Technology Automotive and Special Products section. It is a pure play on the bull market in sensors and controls.
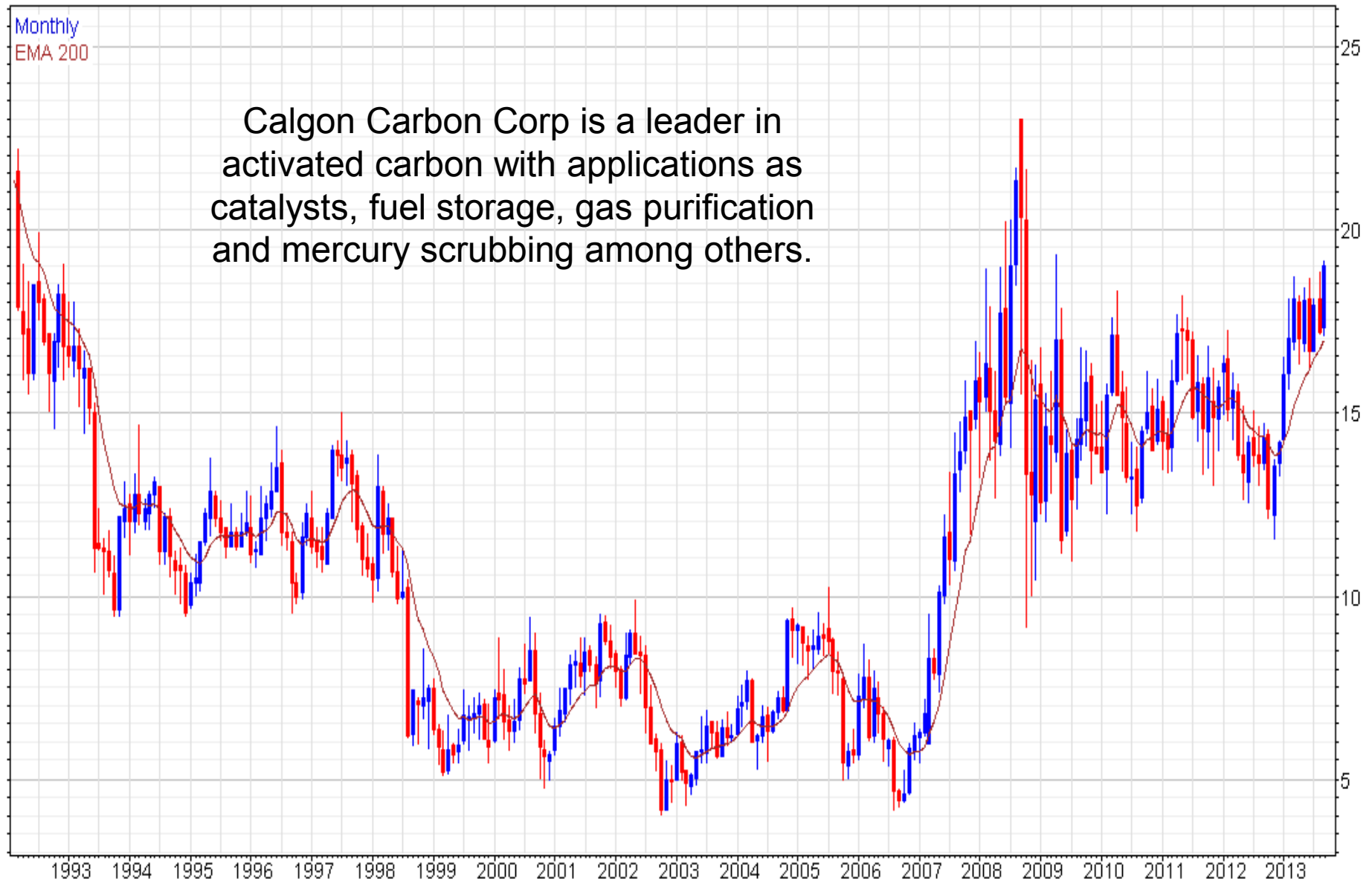
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Calgon Carbon Corp (CCC) 19.01 +0.05

www.fullermoney.com   27 Sep 2013

Monthly
EMA 200

Calgon Carbon Corp is a leader in
activated carbon with applications as
catalysts, fuel storage, gas purification
and mercury scrubbing among others.

Best Research-Cell Efficiencies
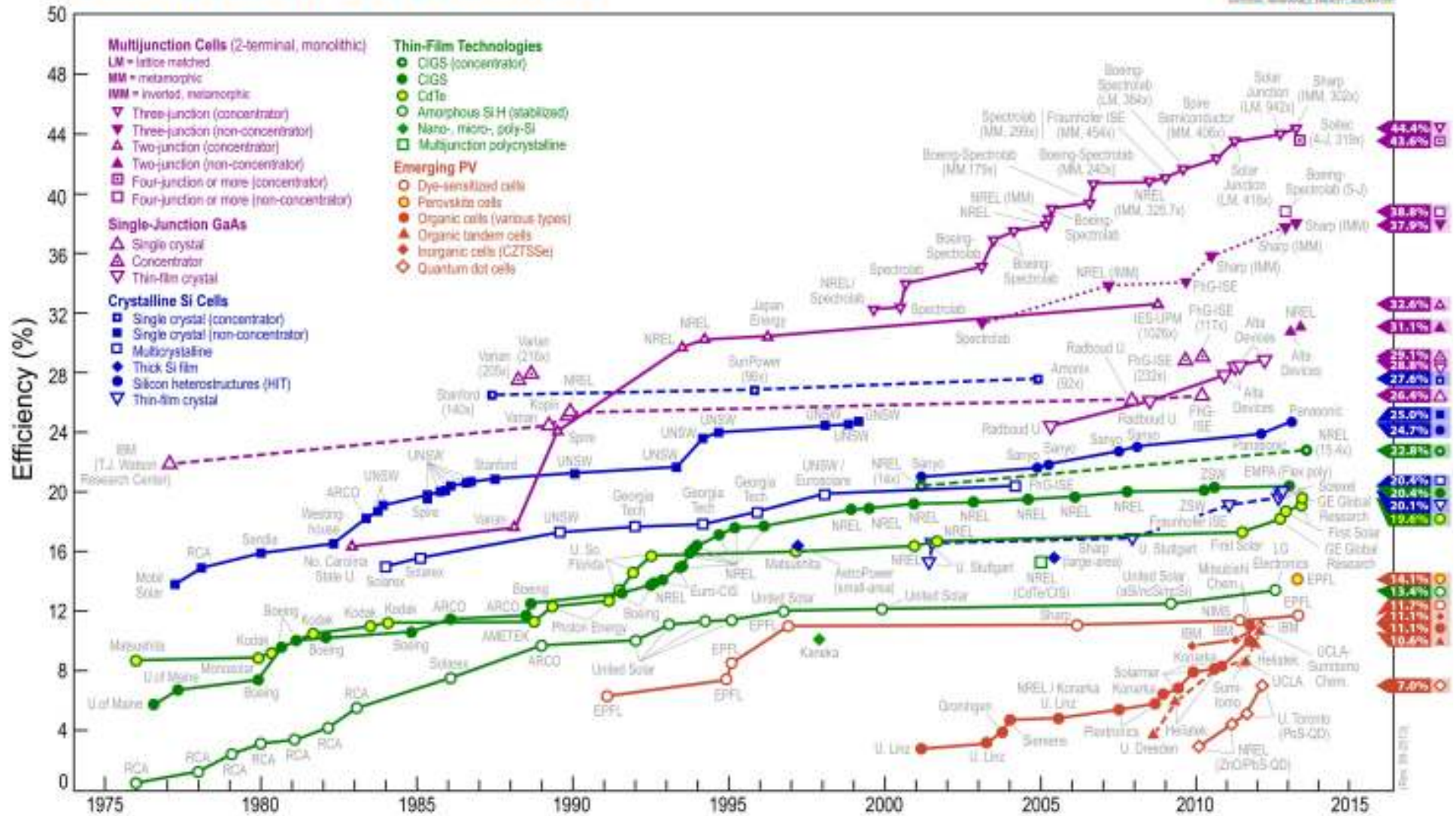
Trina Solar Ltd (TSL) 14.83 +1.99

www.fullermoney.com   27 Sep 2013

Log scale
Weekly
EMA 200

Solar has bottomed and is being led
higher by Chinese companies. .

2007 Apr   Jul   Oct   2008 Apr   Jul   Oct   2009 Apr   Jul   Oct   2010 Apr   Jul   Oct   2011 Apr   Jul   Oct   2012 Apr   Jul   Oct   2013 Apr   Jul
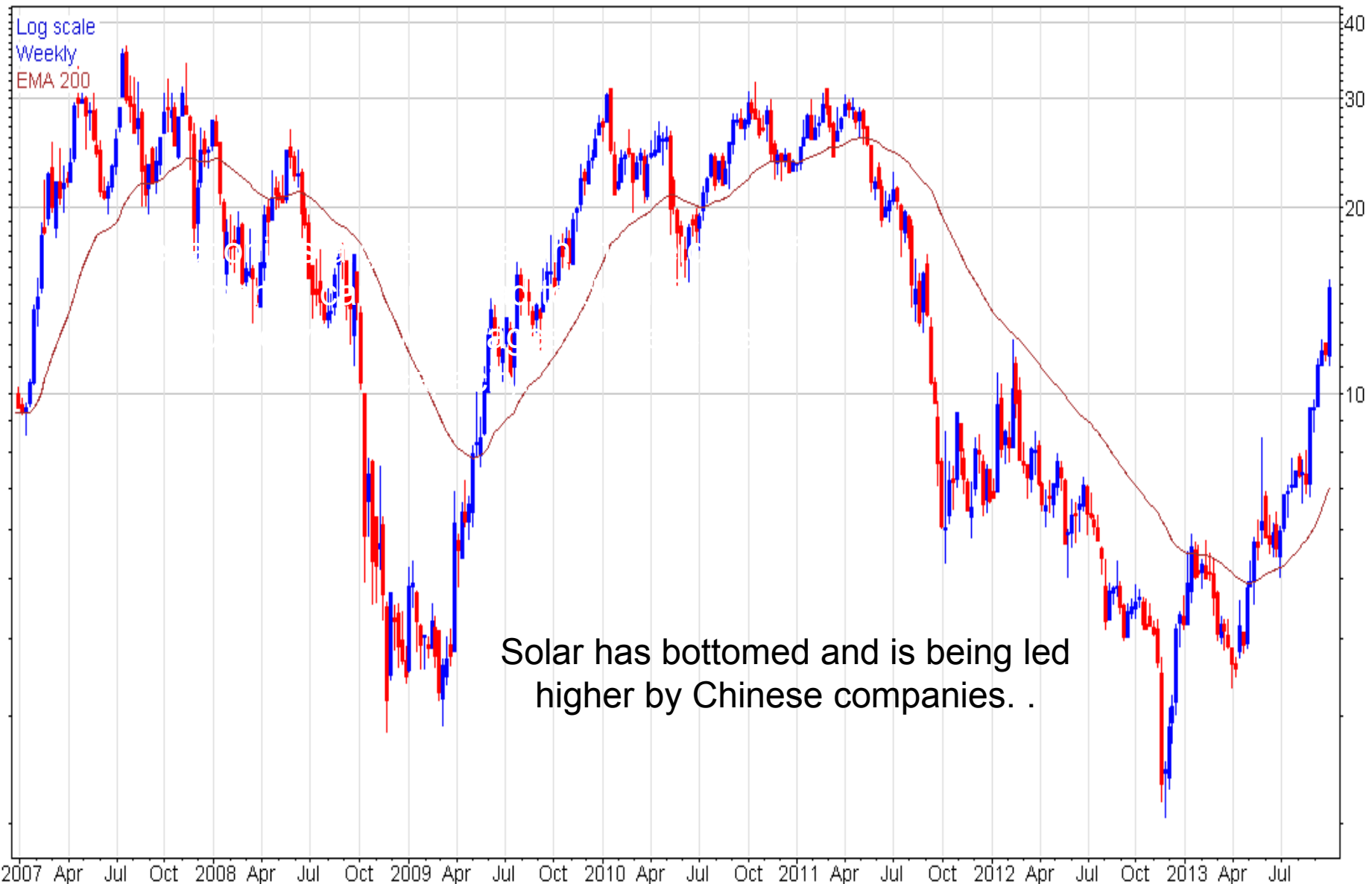
EOG Resources Inc (EOG) 170.73 -1.36

www.fullermoney.com   27 Sep 2013

EOG Resources offers exposure to the USA's unconventional oil and gas reserves as well as the offshore drilling sectors internationally.
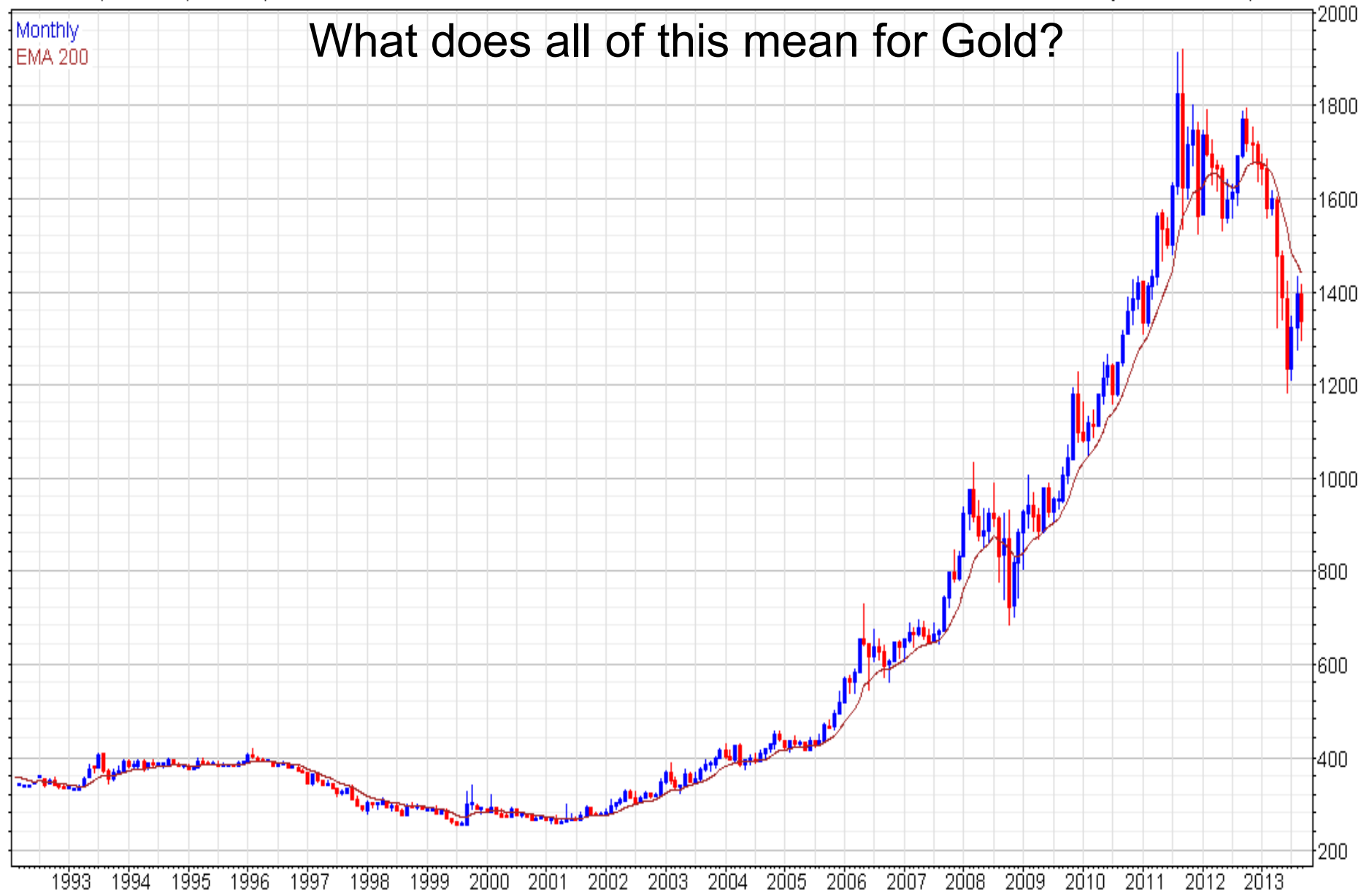
Total Known ETF Holdings of Gold (ETFGTOTL) 6.22122e+07 +1163.00

www.fullermoney.com   26 Sep 2013

Weekly
EMA 200
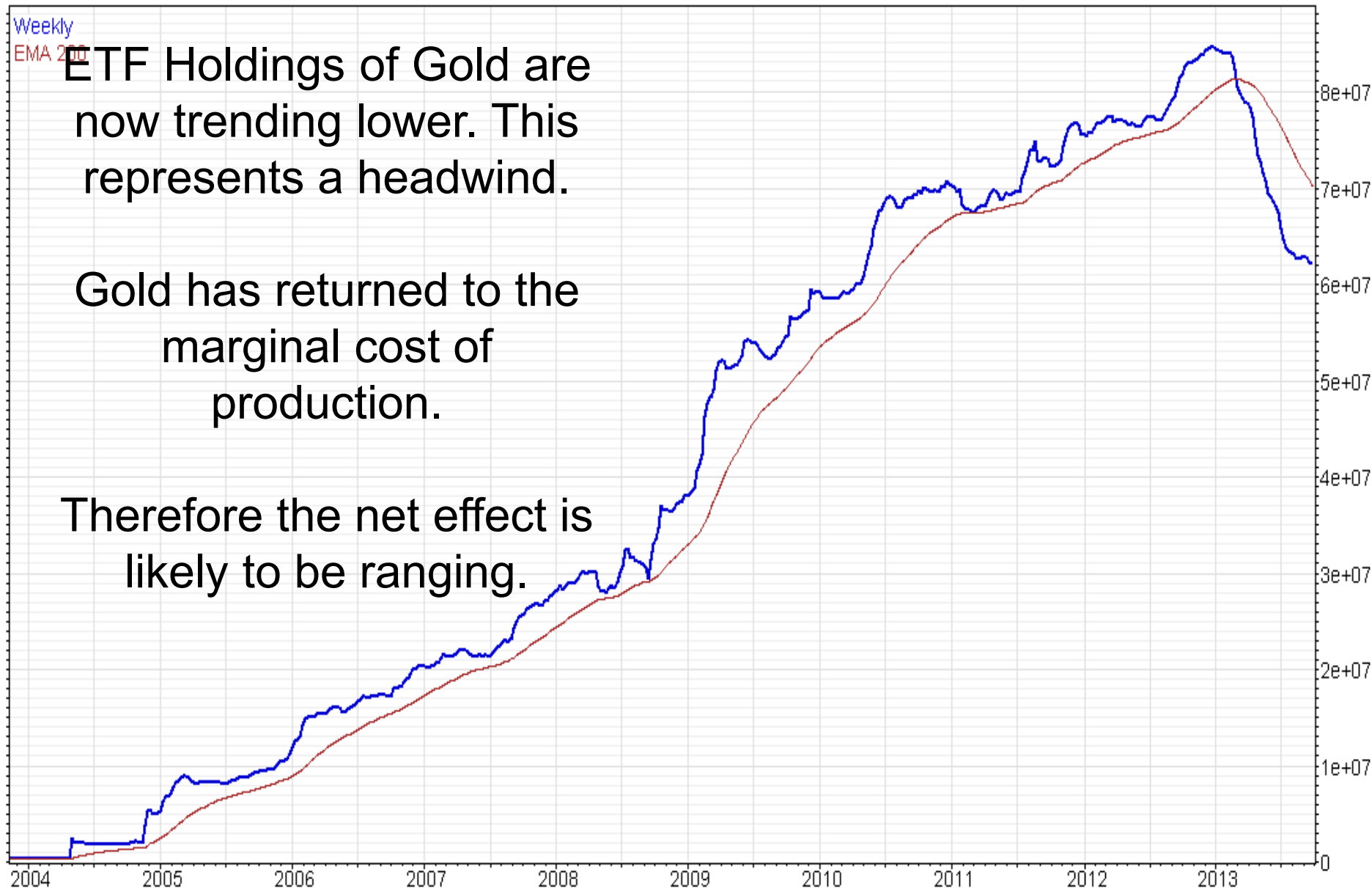
ETF Holdings of Gold are
now trending lower. This
represents a headwind.

Gold has returned to the
marginal cost of
production.

Therefore the net effect is
likely to be ranging.

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Conclusions

- The removal of QE represents a short to medium-term challenge to stock markets.
- The current rally can be viewed as an opportunity to lighten positions in bond funds.
- The confluence of innovations in technology, healthcare, energy and labour offer the realistic potential for a secular bull market in equities from 2015.
- In the next year, Japan remains a recovery candidate, Europe's discount to the US should continue to be unwound and China's reorganisation to a consumer economy will continue.
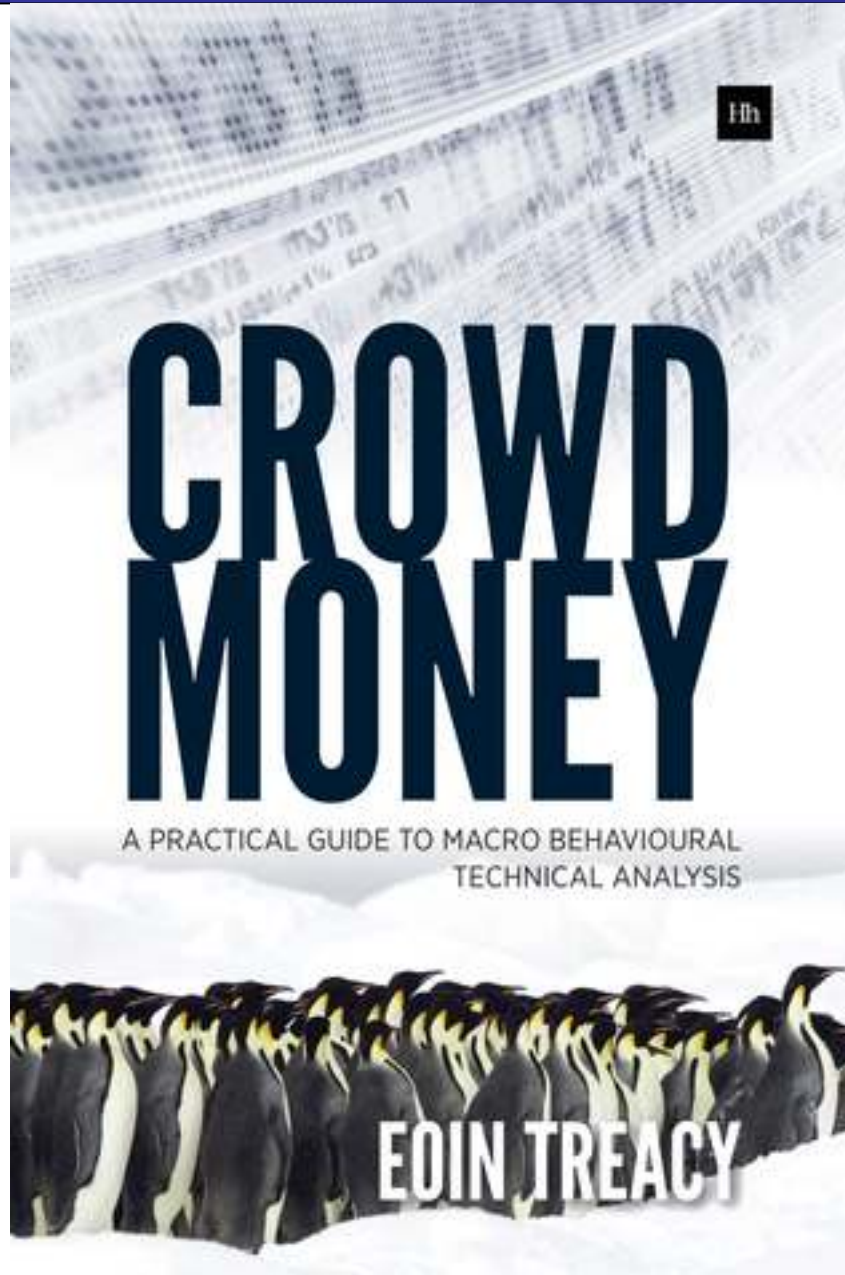
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Crowd Money – A Practical Guide to Macro Behavioural Technical Analysis goes on sale October 7th.