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Increasing Risk of Medium-Term Correction Within Ongoing Bull Market

This is a Markets Now Seminar
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The crowd's animal spirits following Trump's election on 8th Nov drove stock markets higher on promises of tax cuts, fiscal spending and repatriation of capital

However, share valuations have run far ahead of 3% GDP growth forecasts and potential additional earnings increases, which may not occur before 2018, at best



Nasdaq 100 (NDX INDEX) 5355.143 -12.41

2017-03-23

Daily

Nasdaq 100 (daily)





Nasdaq 100 (NDX INDEX) 5355.143 -53.62

2017-03-23

Weekly
EMA 200

Nasdaq 100 (weekly)

Temporarily overextended
but above large support range
some mean reversion likely





Trump's economic stimulus had been discounted well before any surge in GDP & proportionally higher corporate profits

Stock markets underperform, on average, in 2Q and 3Q of each year

Meanwhile, investors' worst fears about Trump have not gone away



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S&P 500 (SPX INDEX) 2343.98 -34.27

2017-03-24

Weekly
EMA 200

S&P 500 Index

Most other diversified US indices have similar patterns, losing upside momentum from temporarily overbought conditions relative to their 200-day MAs





Russell 2000 (RTY INDEX) 1353.425 -38.1

2017-03-23

Weekly
EMA 200

Russell 2000

Medium-cap shares are now underperforming once again as stock market breadth has deteriorated





Market corrections occur periodically

They can be frightening but they also create buying opportunities which we will see once again after investor sentiment turns bearish



Looking further ahead (2017/18)

There is little evidence of another significant bear market, which many commentators have been predicting since 2008, although their greater optimism recently is another indication of an imminent correction



Over the next 10 years, we are very likely to see a cyclical bear market or two in stock markets but they will move higher overall

The known and likely bear market triggers:

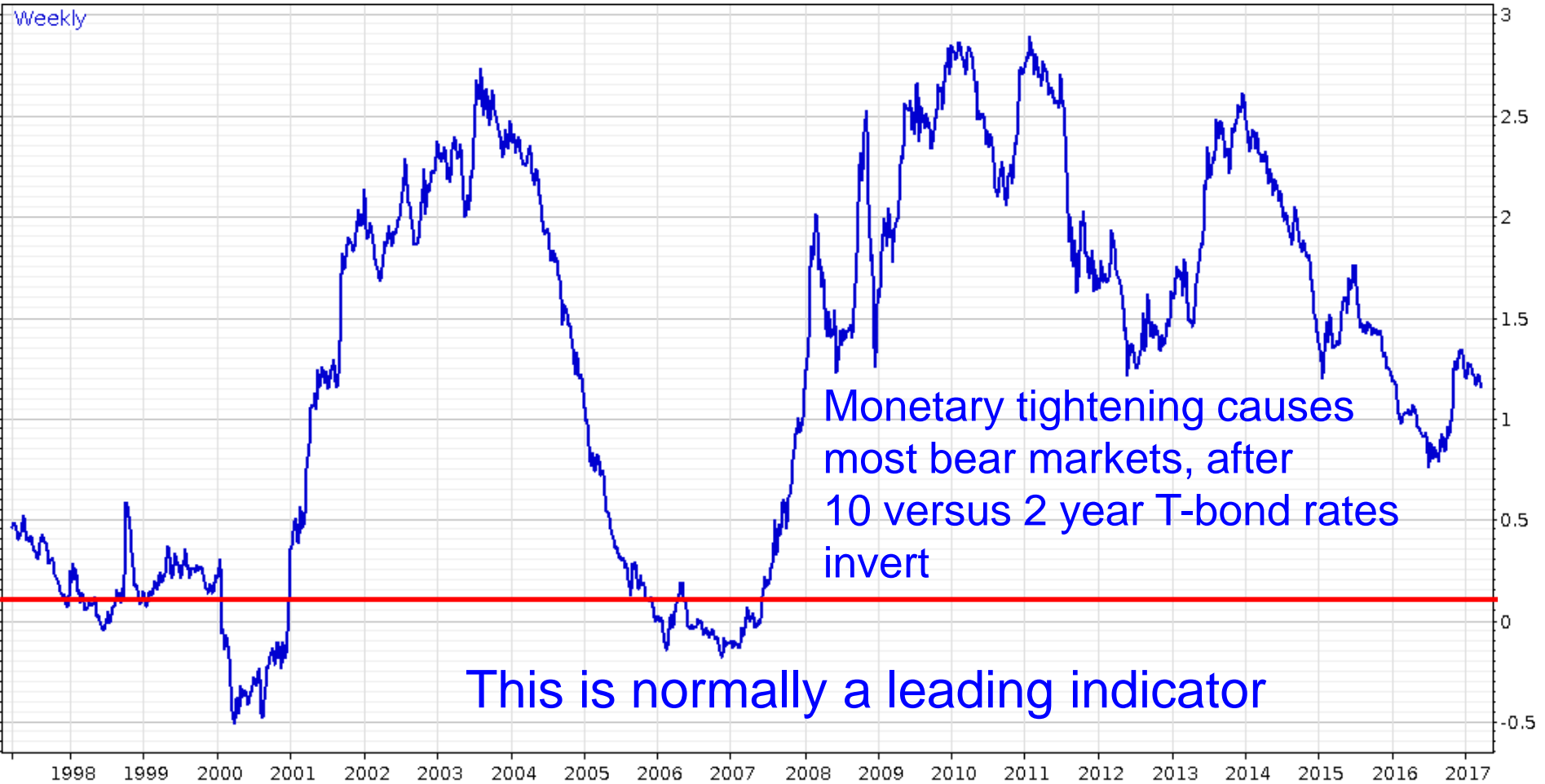
- 1) After the US yield curve inverts
- 2) Treasury Bond yields rise towards 4%
- 3) The Dollar Index moves sharply higher



US 10yr Treasury Bond Yield (USGG10YR INDEX) - US 2yr Treasury Bond Yield (USGG2YR INDEX) 1.157 -0.03

2017-03-22

Weekly

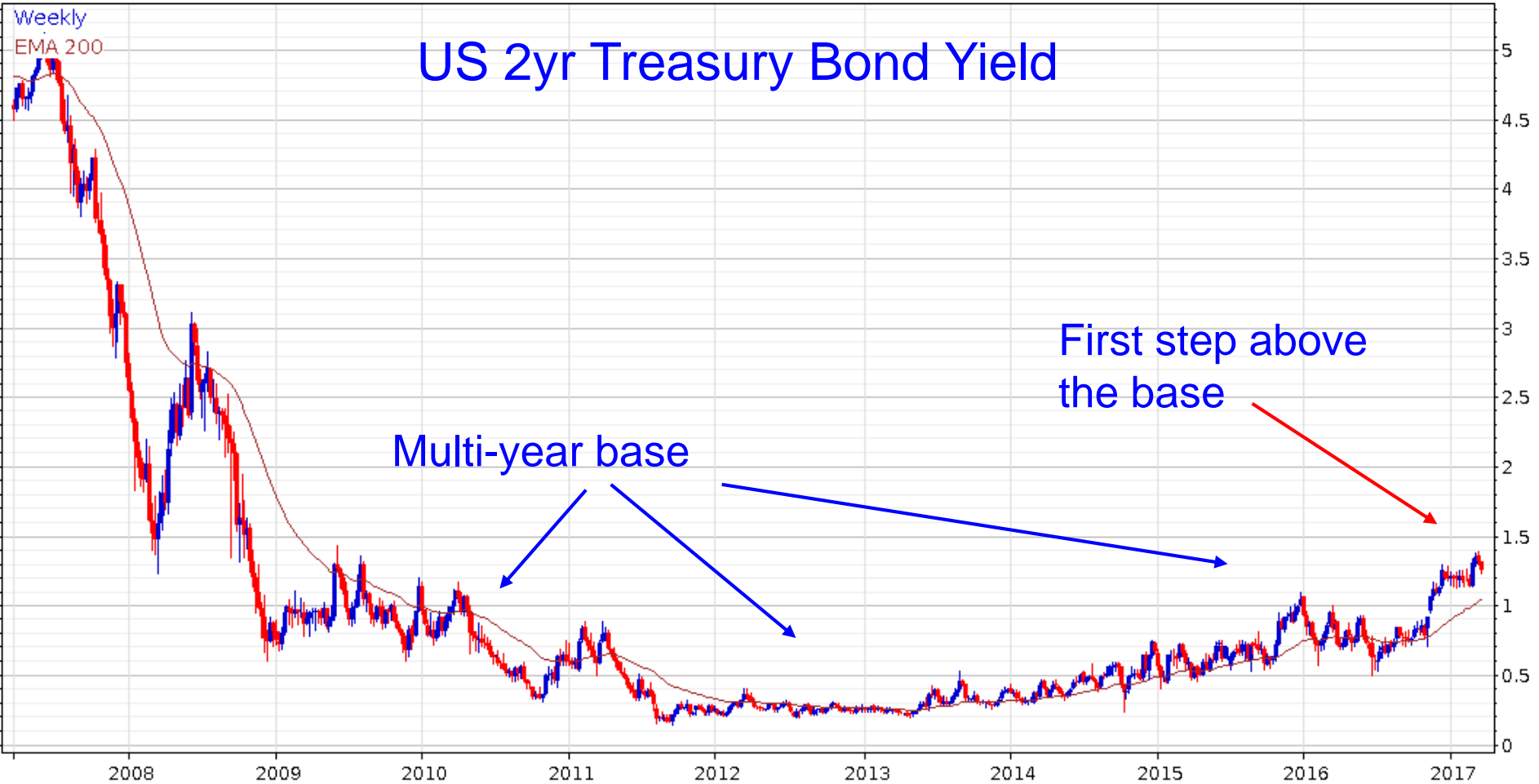




US 2yr Treasury Bond Yield (USGG2YR INDEX) 1.2566 -0.06

2017-03-24

US 2yr Treasury Bond Yield





US 10yr Treasury Bond Yield (USGG10YR INDEX) 2.4123 -0.09

2017-03-24

US 10-Yr Treasury Bond Yield

Historic low of 1.3180% on 6th July 2016 - I don't think we will ever see that low again

Bond yields risky for equities above 4%
Bond yields start to become a headwind for stocks above 3%

Some money trickling out of bonds is going into equities





Dollar Index (DXY INDEX) 99.765 -0.56

2017-03-24

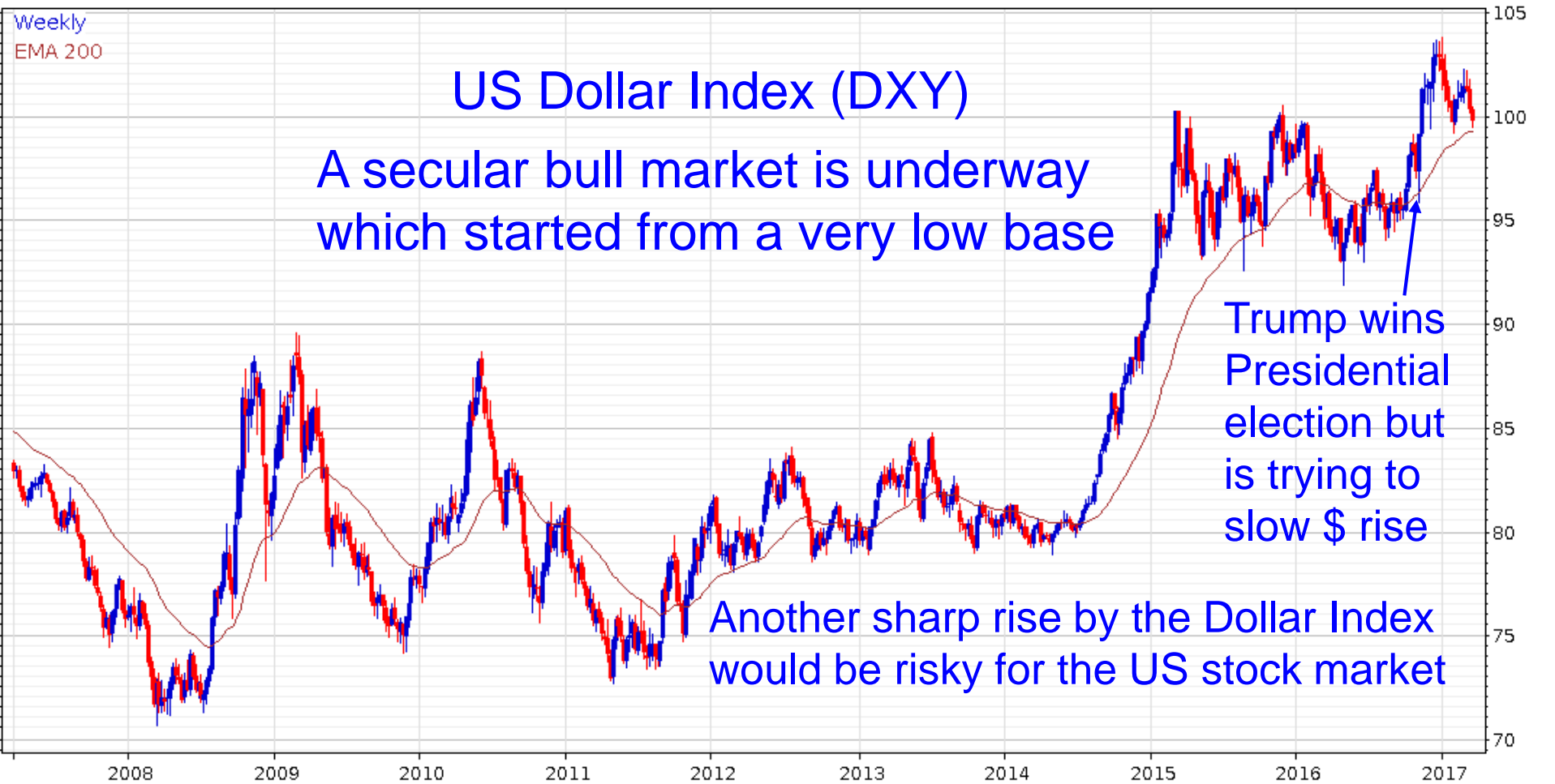
Weekly
EMA 200

US Dollar Index (DXY)

A secular bull market is underway
which started from a very low base

Trump wins
Presidential
election but
is trying to
slow \$ rise

Another sharp rise by the Dollar Index
would be risky for the US stock market





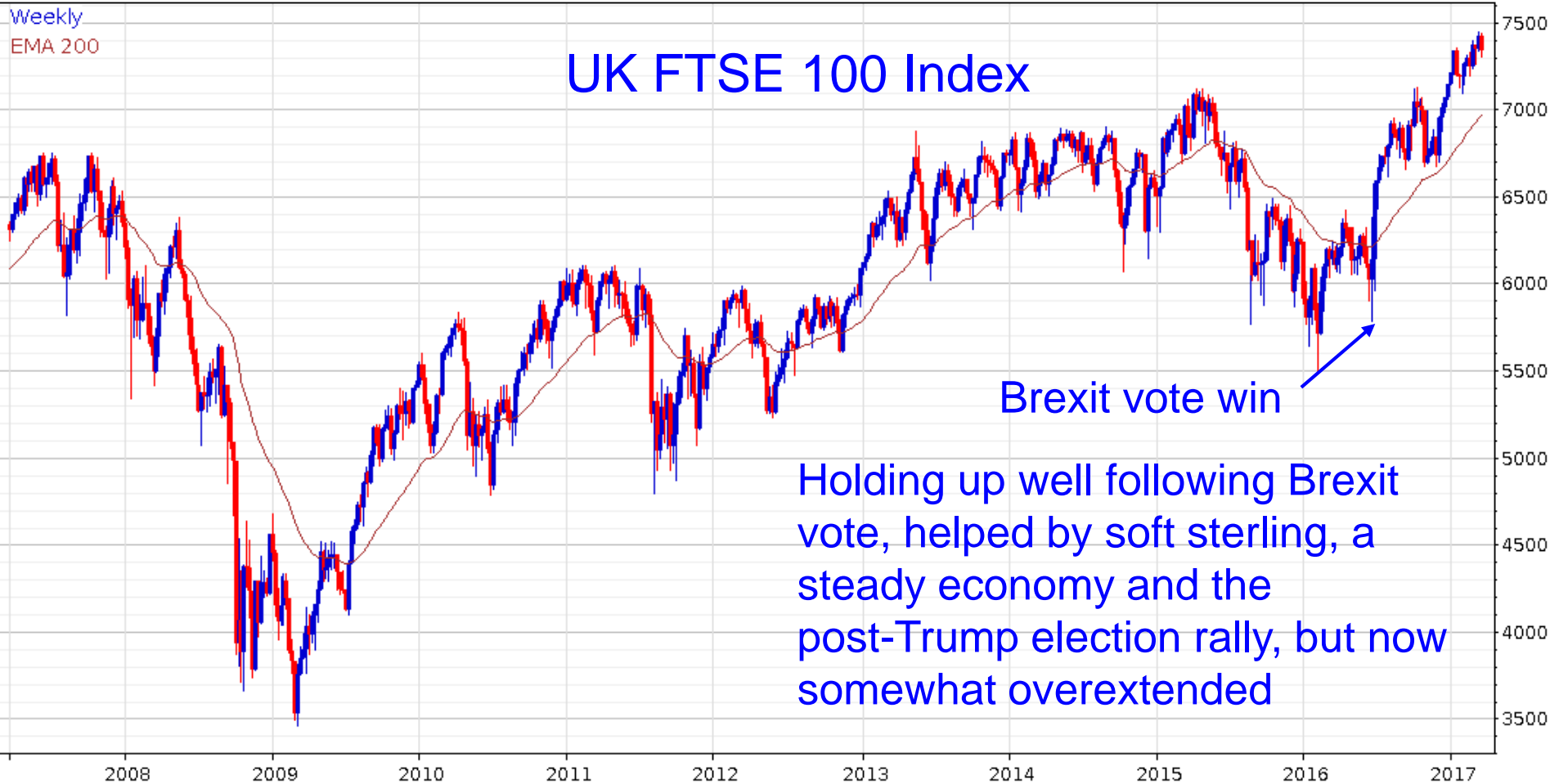
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A quick look at
a few other stock markets
which may be of interest to you



FTSE100 (UKX INDEX) 7336.82 -88.14

2017-03-24





MATT



*'WAIT! There's been a mix up.
Mr Hammond was handed
an envelope with the
wrong Budget speech'*



FTSE 250 Midcaps (MCX INDEX) 18980.44 -114.47

2017-03-24

Weekly

EMA 200

FTSE 250 Midcaps





MATT



*'You can be in our gang, but
if you want to leave it will
take years of negotiation
and cost £60bn'*



Ireland (ISEQ INDEX) 6612.34 -102.4

2017-03-24





Germany (DAX INDEX) 12064.27 -30.97

2017-03-24

Weekly

EMA 200

German DAX Index

Best market in terms of risk
and diversity within the EU

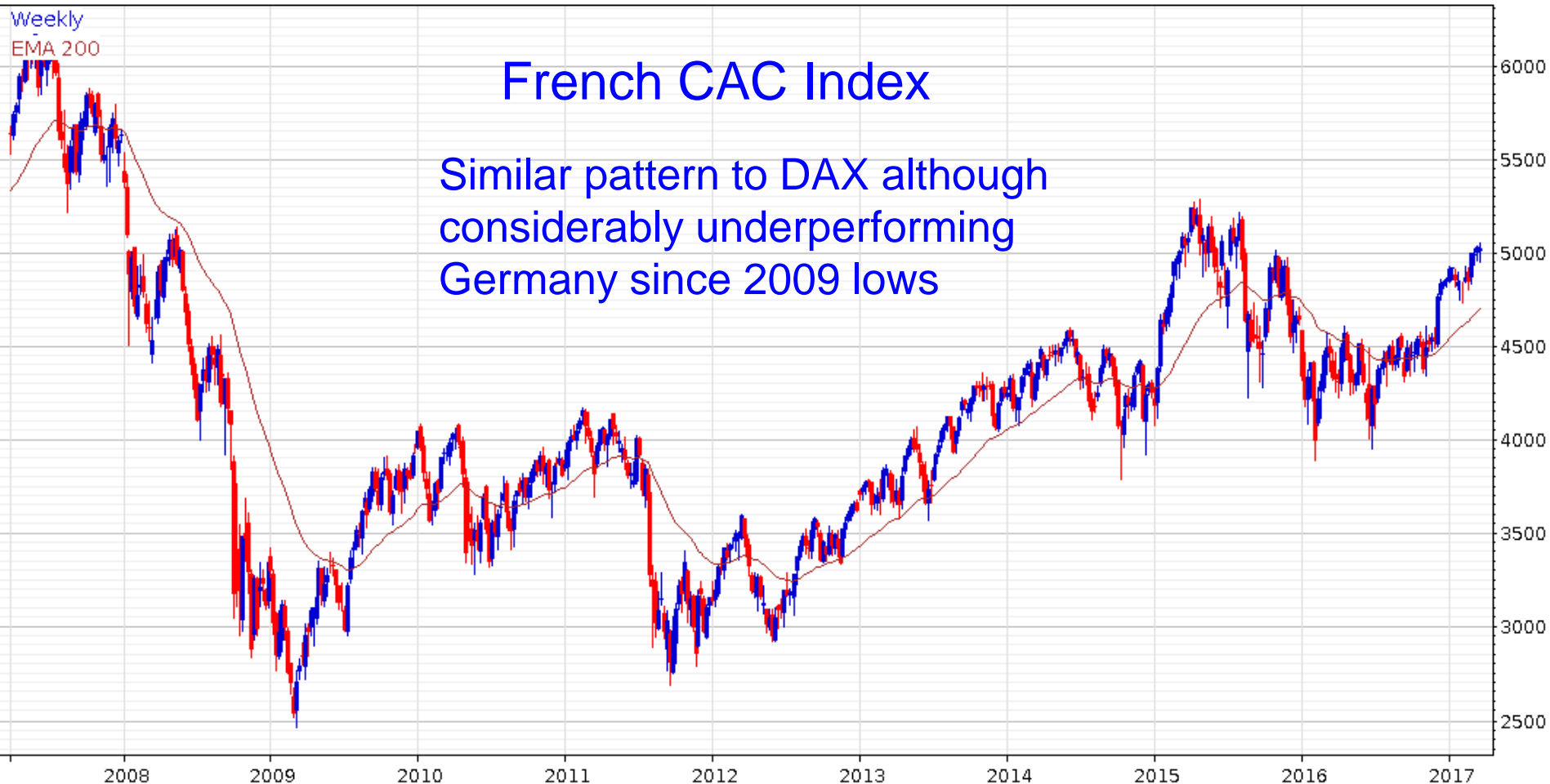
Temporarily overbought
but well underpinned by
large area of underlying
support





France (CAC INDEX) 5020.90 -8.34

2017-03-24



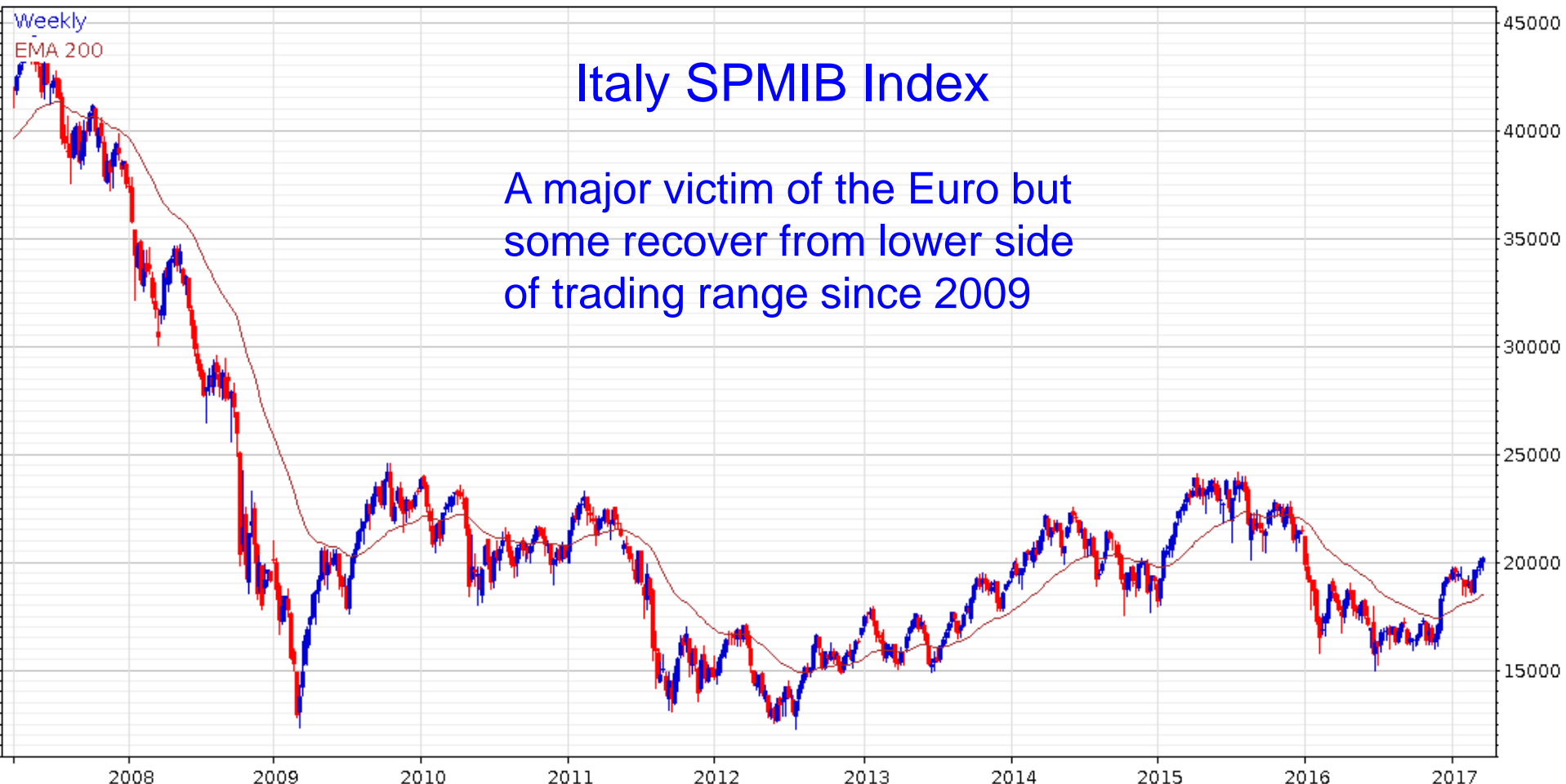


Italy (SPMIB INDEX) 20188.02 113.74

2017-03-24

Italy SPMIB Index

A major victim of the Euro but
some recover from lower side
of trading range since 2009







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Asia Pacific stock markets



India National (Nifty 50) (NIFTY INDEX) 9108.00 -52.05

2017-03-24

Weekly

EMA 200

India Nifty 50 Index

A leading growth engine while
Narendra Modi remains President
Governance is Everything

The most successful
strategy for India has
been to buy the dips





Topix 2nd Section (TSE2 INDEX) 5898.58 -34.4

2017-03-24

Weekly
EMA 200

Japan Topix 2nd Section

TSE2 has long been a leading indicator for Japan and it is now due for a lengthy reaction and consolidation





China Shanghai A-Shares (SHASHR INDEX) 3423.771 33.82

2017-03-24





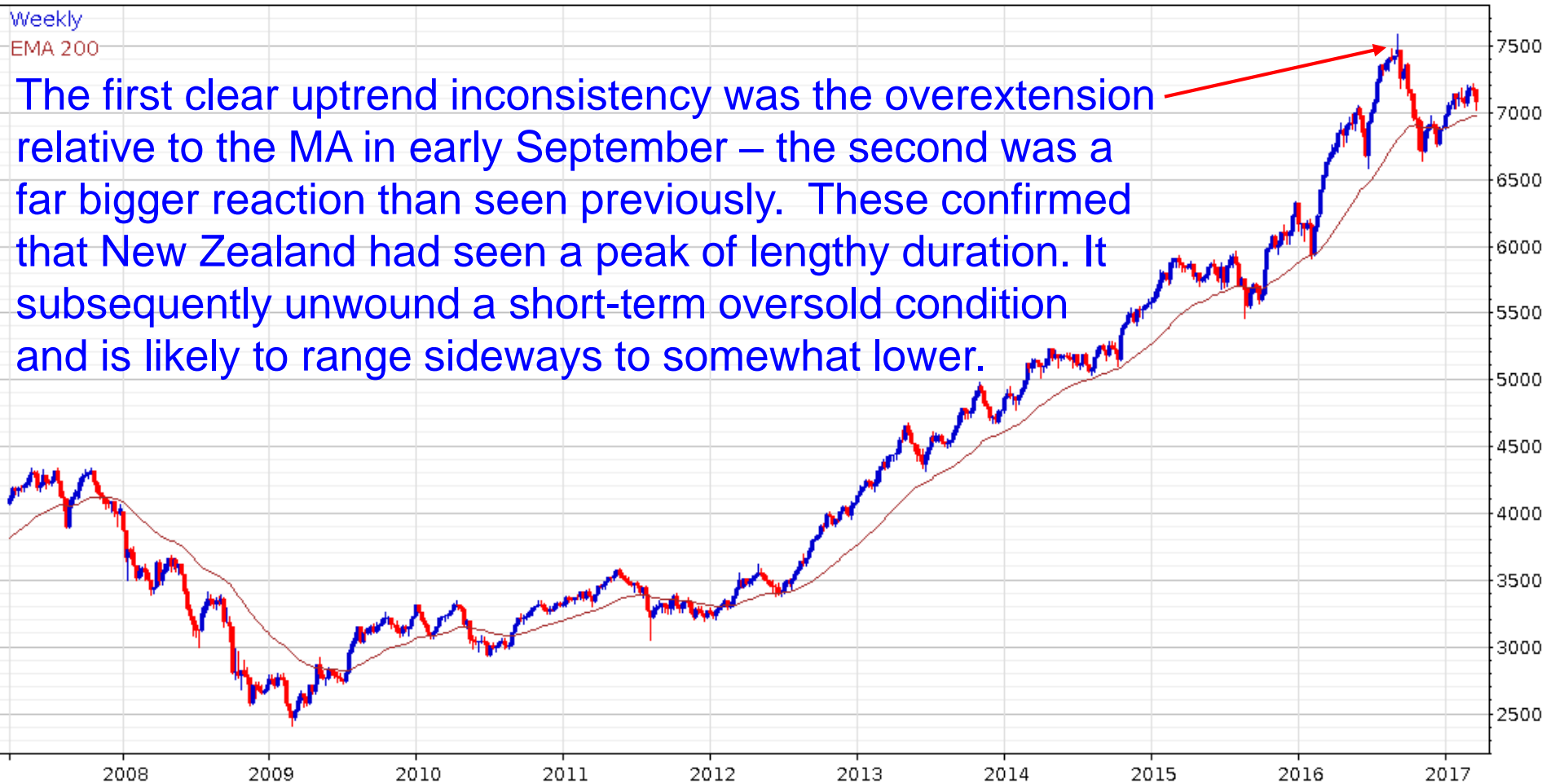


New Zealand 50 Fully Gross Index (NZX50) (NZSE50FG INDEX) 7073.831 -84.31

2017-03-24

Weekly
EMA 200

The first clear uptrend inconsistency was the overextension relative to the MA in early September – the second was a far bigger reaction than seen previously. These confirmed that New Zealand had seen a peak of lengthy duration. It subsequently unwound a short-term oversold condition and is likely to range sideways to somewhat lower.





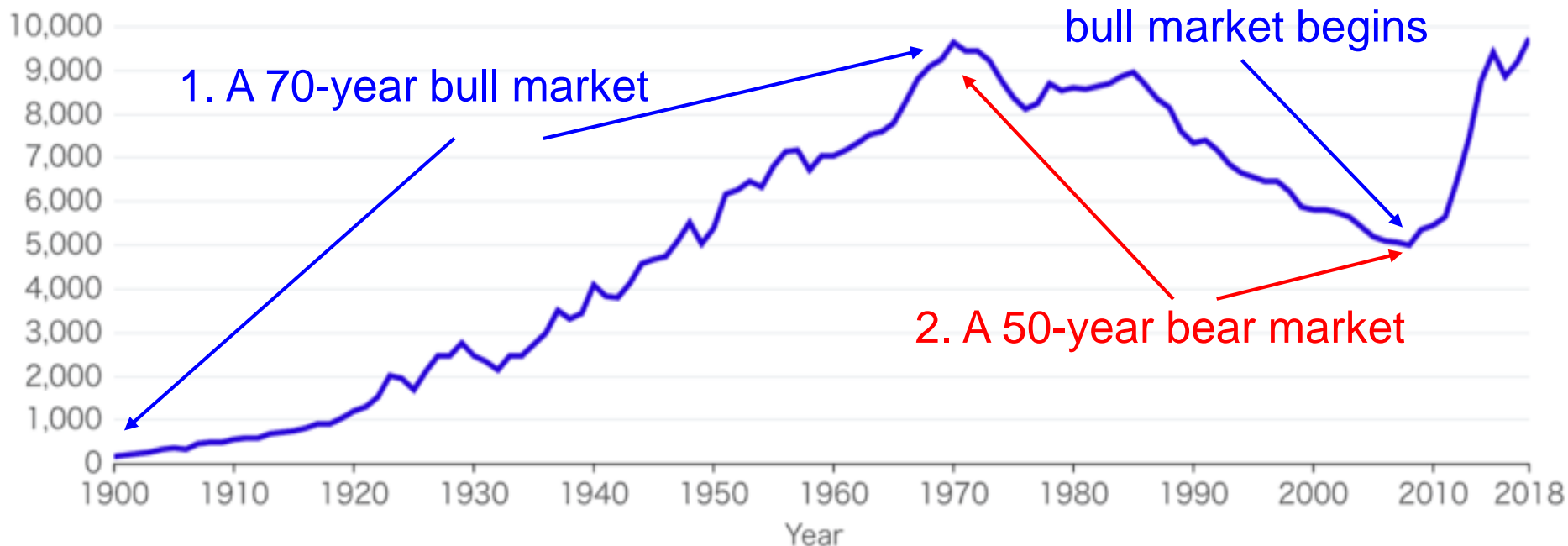
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Several Key Commodities



U.S. Crude Production

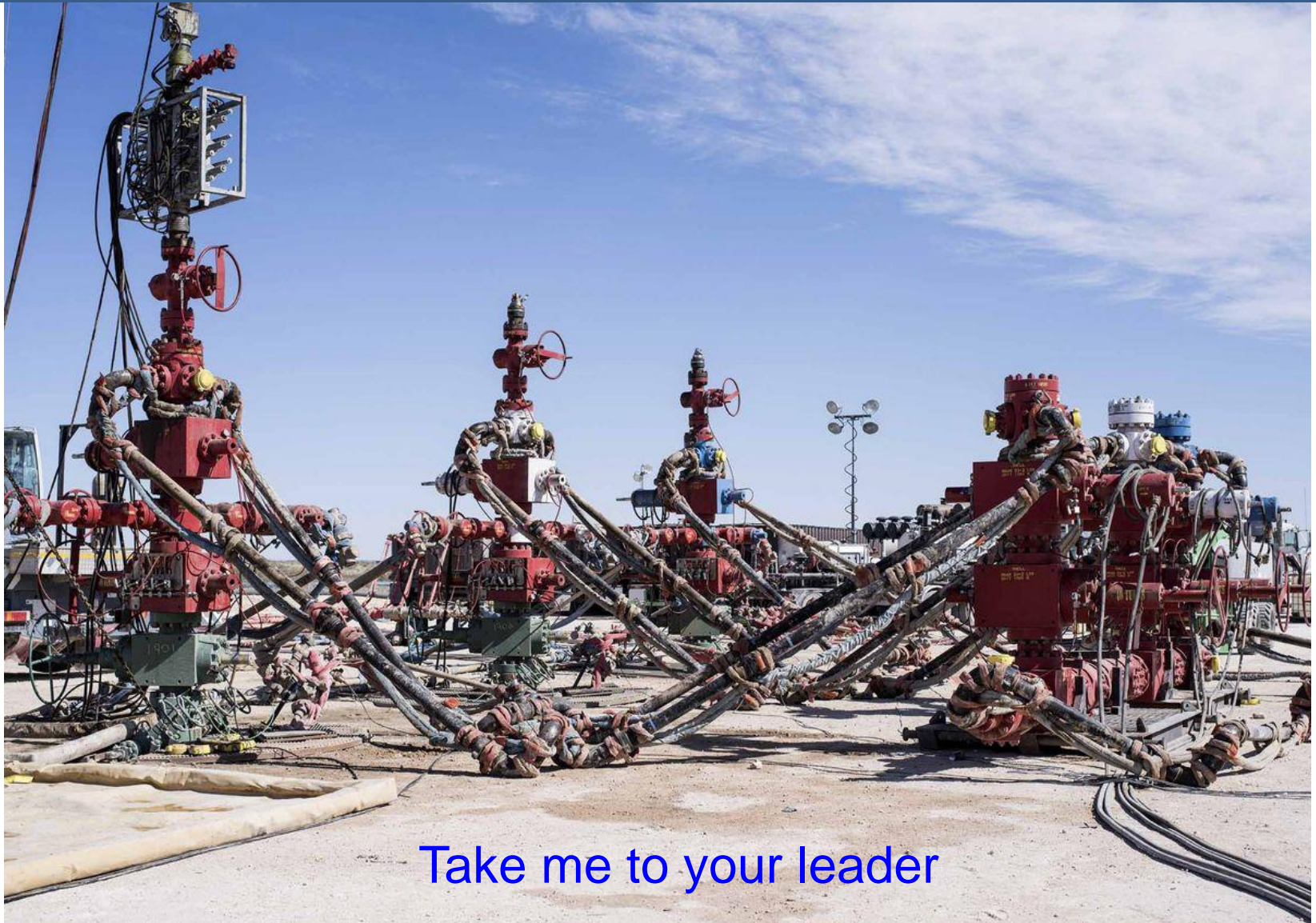
■ Thousands of barrels per day



Source: U.S. Department of Energy



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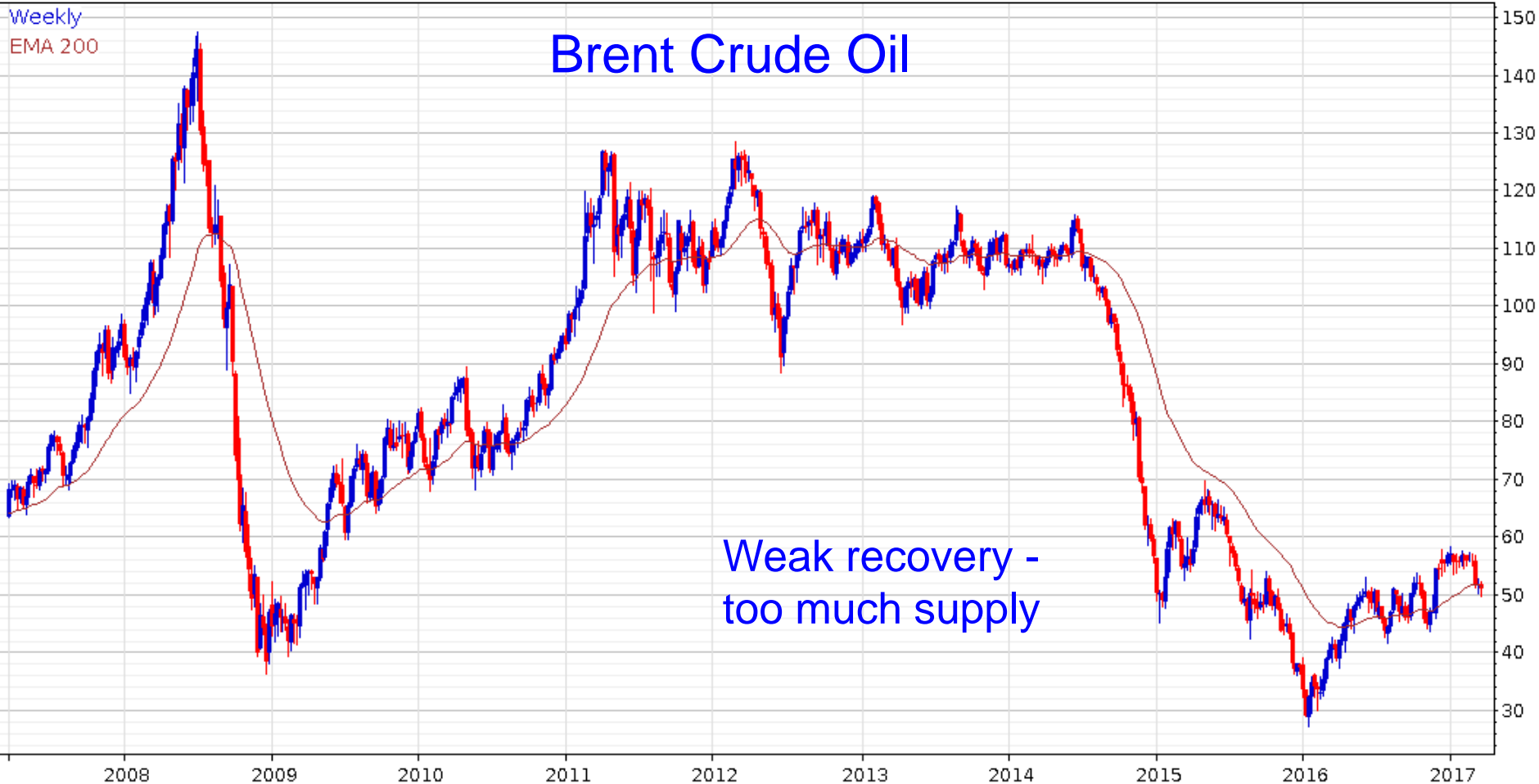


Take me to your leader



Brent Crude Oil (CO1 COMB COMDTY) 50.80 -0.96

2017-03-24





London Spot Gold (GOLDS COMDTY) 1243.45 14.16

2017-03-24

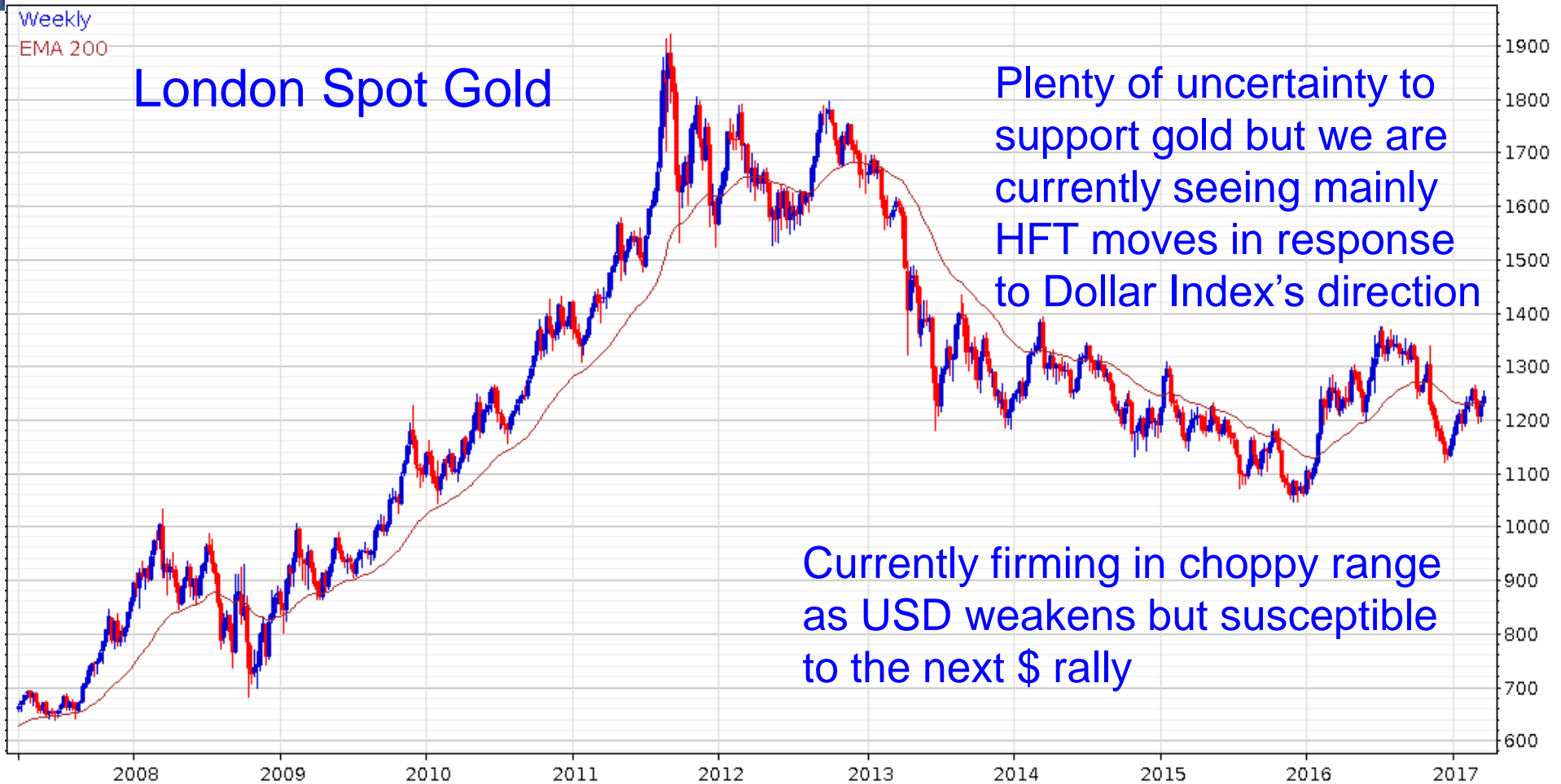
Weekly

EMA 200

London Spot Gold

Plenty of uncertainty to support gold but we are currently seeing mainly HFT moves in response to Dollar Index's direction

Currently firming in choppy range as USD weakens but susceptible to the next \$ rally





Silver 1st mth (SI1 COMB COMDTY) 17.72 0.34

2017-03-24

Weekly

EMA 200

Silver

Silver trades like high-beta gold which it often leads on significant moves, but currently has a similar pattern





Copper (2nd mth CMX) (HG2 COMB COMDTY) 263.10 -6.05

2017-03-24





LME Nickel 3mth (LMNIDS03 COMDTY) 9870.00 -390.0

2017-03-24





LME Zinc Special HG 3 Months (LMZSDS03 COMDTY) 2831.00 -51.0

2017-03-24





Iron Ore (China import Fines 62% Fe per dry metric tonne) (MBIO62DA Index) 85.06 -7.28

2017-03-24





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Many thanks for your interest

Any questions?

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