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# Is This the Beginning of the End, Or the End of the Beginning For Global Investors?

October 10<sup>th</sup> 2016

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Well, it's somewhat like this





## Some trade-offs to consider

1. Investors were often terrified during nearly eight years of this bull trend – now they are more confident.
2. The UK and most other leading stock markets will be affected by Wall Street, which is somewhat expensive.
3. A US rate hike in Dec increases the probability of a stronger US\$, which would not help corporate profits.
4. However, seasonal factors improve next month.
5. Presidential elections (Clinton I assume) are usually followed by at least a relief rally as uncertainty ends.
6. Recession risks during the next three to four years will produce some cyclical bear markets.
7. Thereafter, we should enjoy a secular bull market.



## Post-Brexit Probabilities

*From 11<sup>th</sup> July  
Markets Now*

1. This is not a global repeat of 2008.
2. The UK is susceptible to a medium-term recession.
3. Free-floating Sterling will cushion UK economic risk.
4. Good governance led by a new PM is now required.
5. UK consensus: love Europe but not the EU.
6. EU citizens working in the UK are welcome to remain.
7. UK welcomes immigration but will control the process.
8. Brexit will enable the UK to be more international.
9. Brexit has shone a new light on the EU's deficiencies.
10. UK Brexit negotiations will resemble the Grand National and the EU would be wise to lower the fences.



“Social democracy and capitalism both need hitting over the head from time to time. It detoxifies them of bureaucracy, monopoly and cronyism. Britain is experiencing such a time. It Should do us no end of good.”

*Simon Jenkins, EU Referendum Opinion for The Guardian*



“I agree that the intransigent and punishing approach emerging from the EU is actually a blessing for the UK. A rapid 'hard Brexit', in much less than 2 years, may actually be the BEST scenario for our country. Yes there will be losers, and they will kick and scream, but there will be winners too (who will be quieter). In the mid-term I think it likely the winners from Brexit will out-number the losers and we will have a better society too.”

David Brown 08/10/2016 13:28  
(from Comment of the Day)



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US 10yr Treasury Bond Yield (USGG10YR INDEX) 1.7181 0.12

2016-10-07

Monthly  
MA 200

## US 10Yr Treasury Bond Yield

Are long-dated government bonds  
the biggest bubble in our lifetime?

Yes, unless you think the global  
economy will not recover.

The yield was on its low at our  
11<sup>th</sup> July Markets Now, so a little  
air is escaping but this bubble  
has yet to burst



1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2009 2012 2014 2015





Dow Jones Industrials Average (INDU INDEX) 18240.49 -67.66

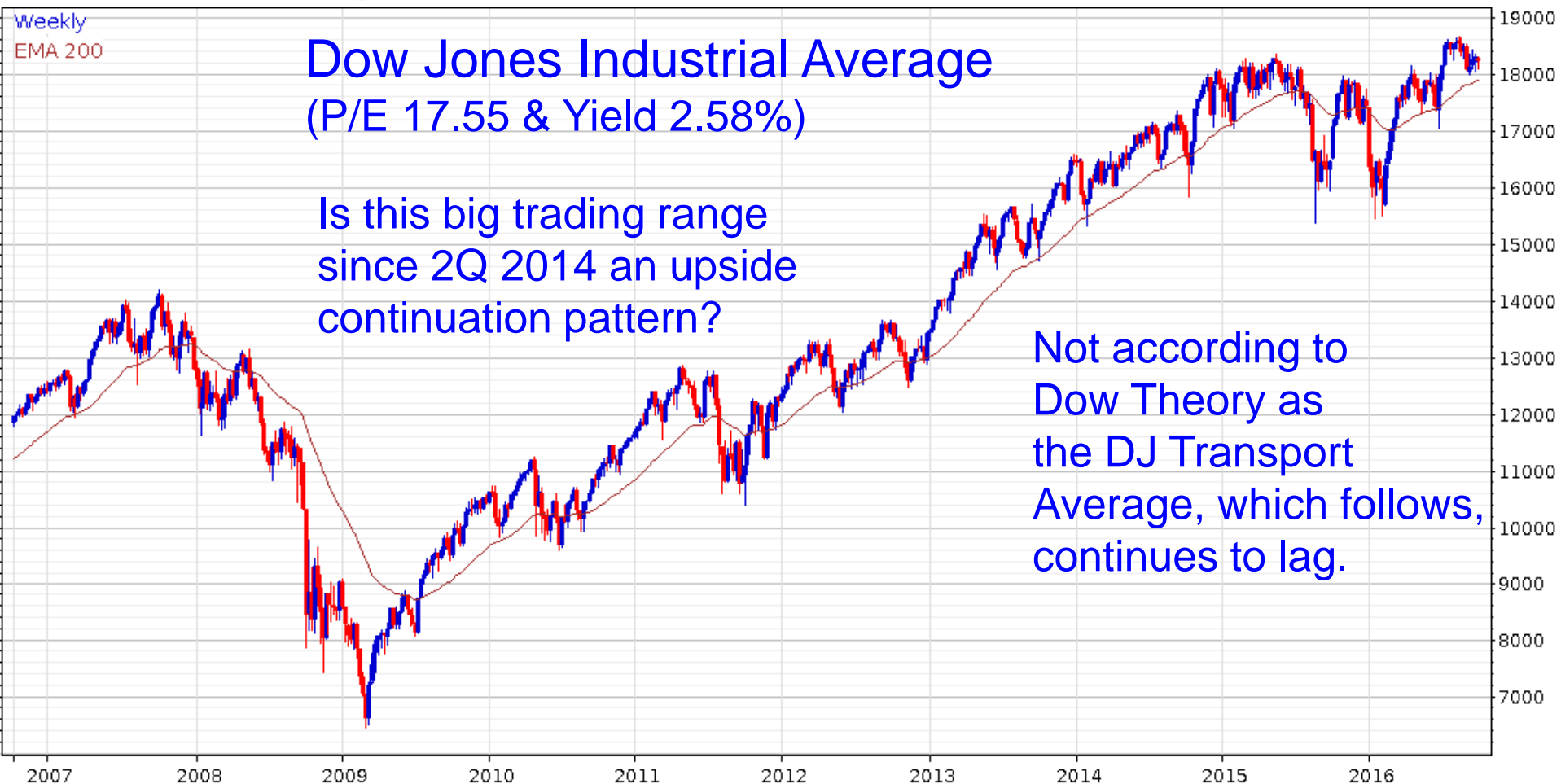
2016-10-07

Weekly  
EMA 200

## Dow Jones Industrial Average (P/E 17.55 & Yield 2.58%)

Is this big trading range  
since 2Q 2014 an upside  
continuation pattern?

Not according to  
Dow Theory as  
the DJ Transport  
Average, which follows,  
continues to lag.





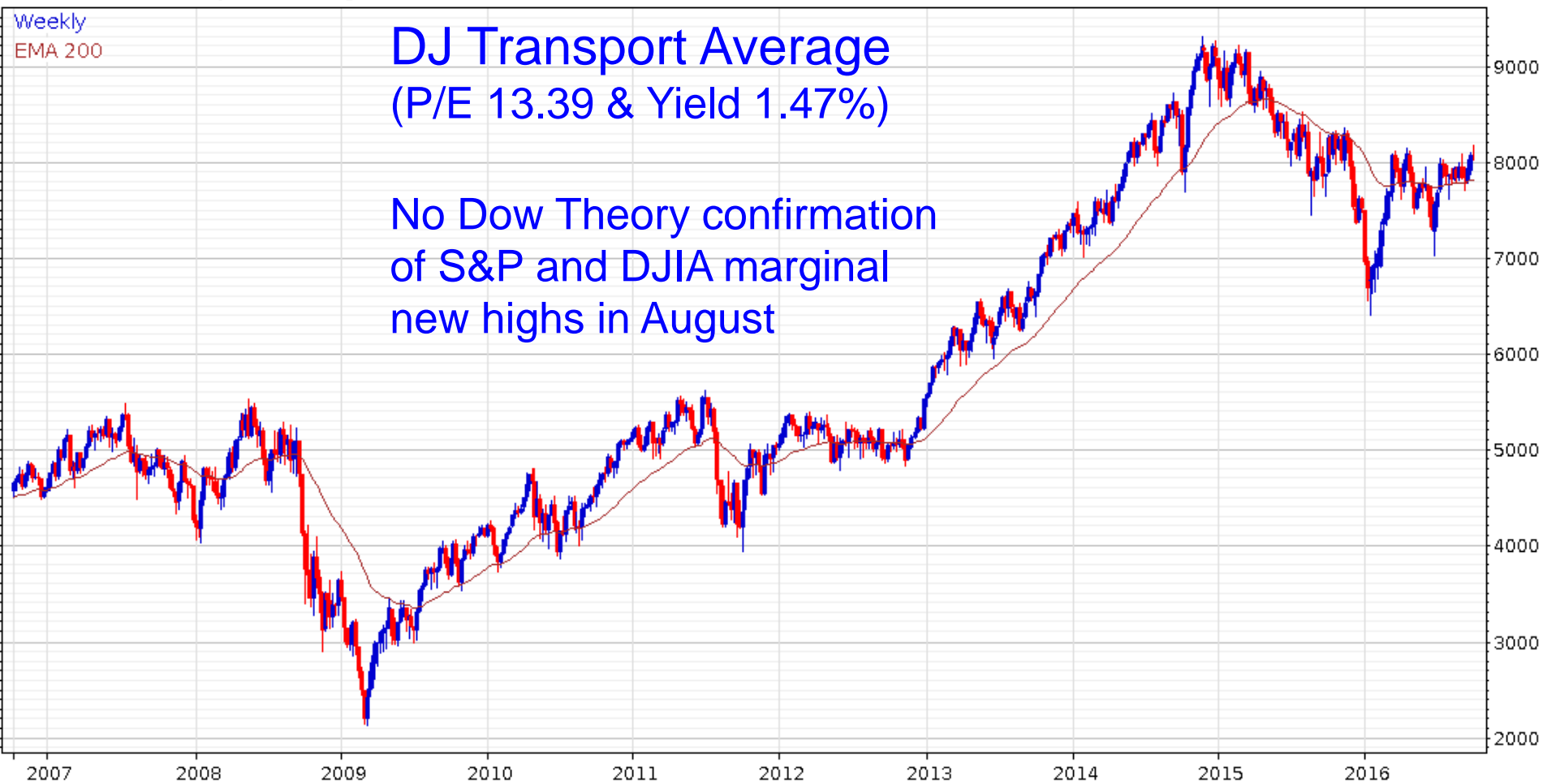
Dow Jones Transport Average (TRAN INDEX) 8056.86 -21.93

2016-10-07

Weekly  
EMA 200

## DJ Transport Average (P/E 13.39 & Yield 1.47%)

No Dow Theory confirmation  
of S&P and DJIA marginal  
new highs in August





S&P 500 (SPX INDEX) 2153.74 -14.53

2016-10-07

Weekly  
EMA 200

**S&P 500 Index p/e 20.28**  
(P/E 20.28 & Yield 2.14%)

Is this big trading range since  
2Q 2014 an upside continuation  
pattern?

A break above 2200  
would reaffirm some  
additional upward bias  
but this year's firmness  
has been fuelled by  
liquidity rather than  
earnings.





Dollar Index (DXY INDEX) 96.525 1.0

2016-10-07

Weekly  
EMA 200

## Dollar Index

The next big move will be a sustained move above the 100 level, which will be a challenge for the USA if it occurs too quickly.





1. Technology and Bio-Technology are the sectors most likely to boom in the next secular bull market.

2. However, many of them are expensive today, although the strongest may be among the last to fall as the next cycle bear market commences.



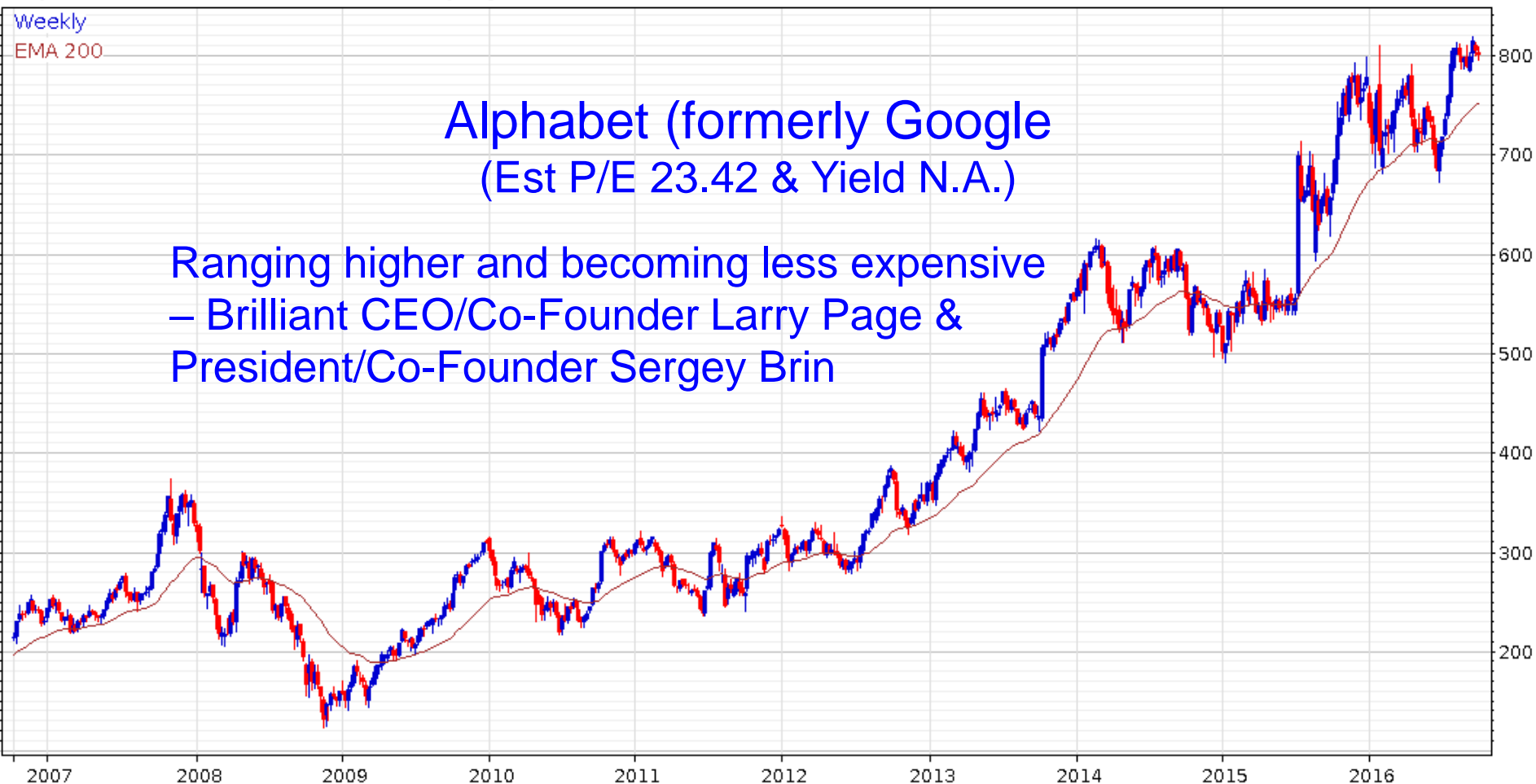
Alphabet Inc. A Class (GOOGL US Equity) 800.71 -3.35

2016-10-07

Weekly  
EMA 200

## Alphabet (formerly Google) (Est P/E 23.42 & Yield N.A.)

Ranging higher and becoming less expensive  
– Brilliant CEO/Co-Founder Larry Page &  
President/Co-Founder Sergey Brin





Weekly  
EMA 200

# Amazon

(Est P/E 208.45 & Yield N.A.)

The most disruptive company in the world and also one of the most successful – currently overstretched relative to MA. Brilliant Founder & CEO, Jeff Bezos





Apple (AAPL US EQUITY) 114.06 1.01

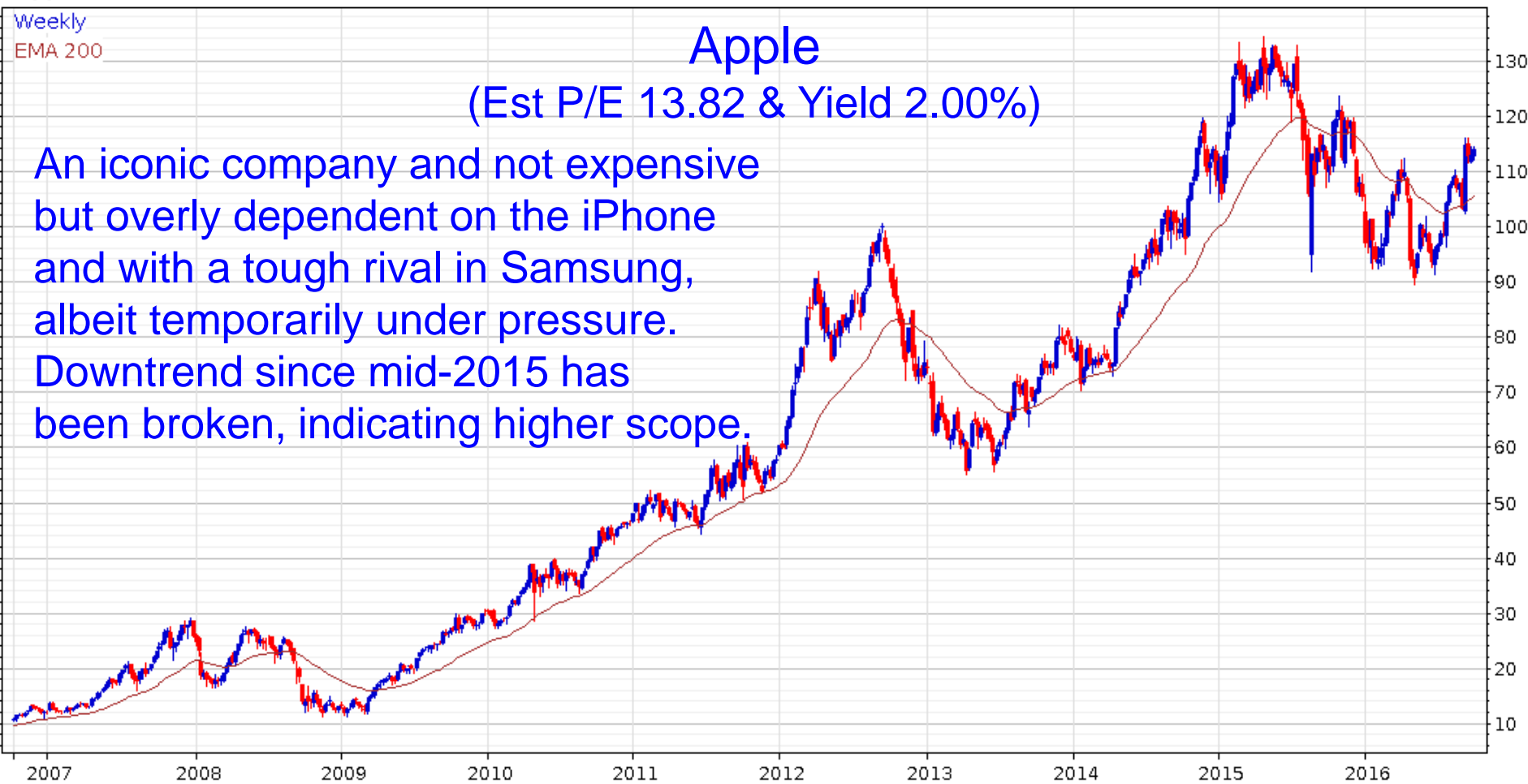
2016-10-07

Weekly  
EMA 200

# Apple

(Est P/E 13.82 & Yield 2.00%)

An iconic company and not expensive but overly dependent on the iPhone and with a tough rival in Samsung, albeit temporarily under pressure. Downtrend since mid-2015 has been broken, indicating higher scope.







Facebook Inc (FB US EQUITY) 128.99 0.72

2016-10-07

Weekly  
EMA 160

# Facebook

(Est P/E 32.52 & Yield N.A.)

Still in an orderly ascent.  
Brilliant Founder & CEO  
Mark Zuckerberg





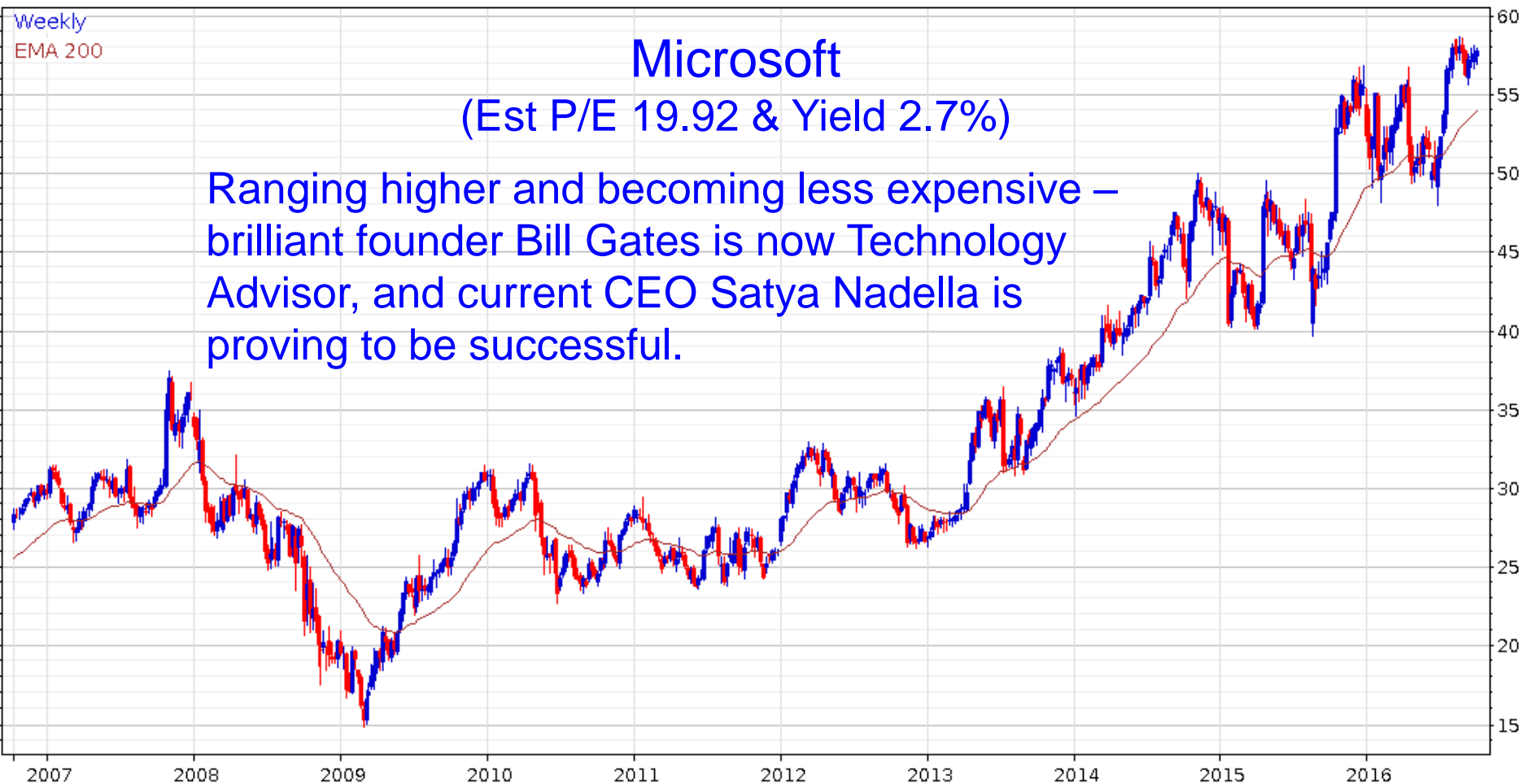
Microsoft Corp (MSFT US EQUITY) 57.80 0.2

2016-10-07

Weekly  
EMA 200

## Microsoft (Est P/E 19.92 & Yield 2.7%)

Ranging higher and becoming less expensive – brilliant founder Bill Gates is now Technology Advisor, and current CEO Satya Nadella is proving to be successful.





Amgen Inc (AMGN US EQUITY) 167.50 0.69

2016-10-07

Weekly  
EMA 200

## Amgen (Est P/E 14.76 & Yield 2.39%)

Two year range in potential upside  
launch pad but must maintain  
sequence of higher reaction lows.

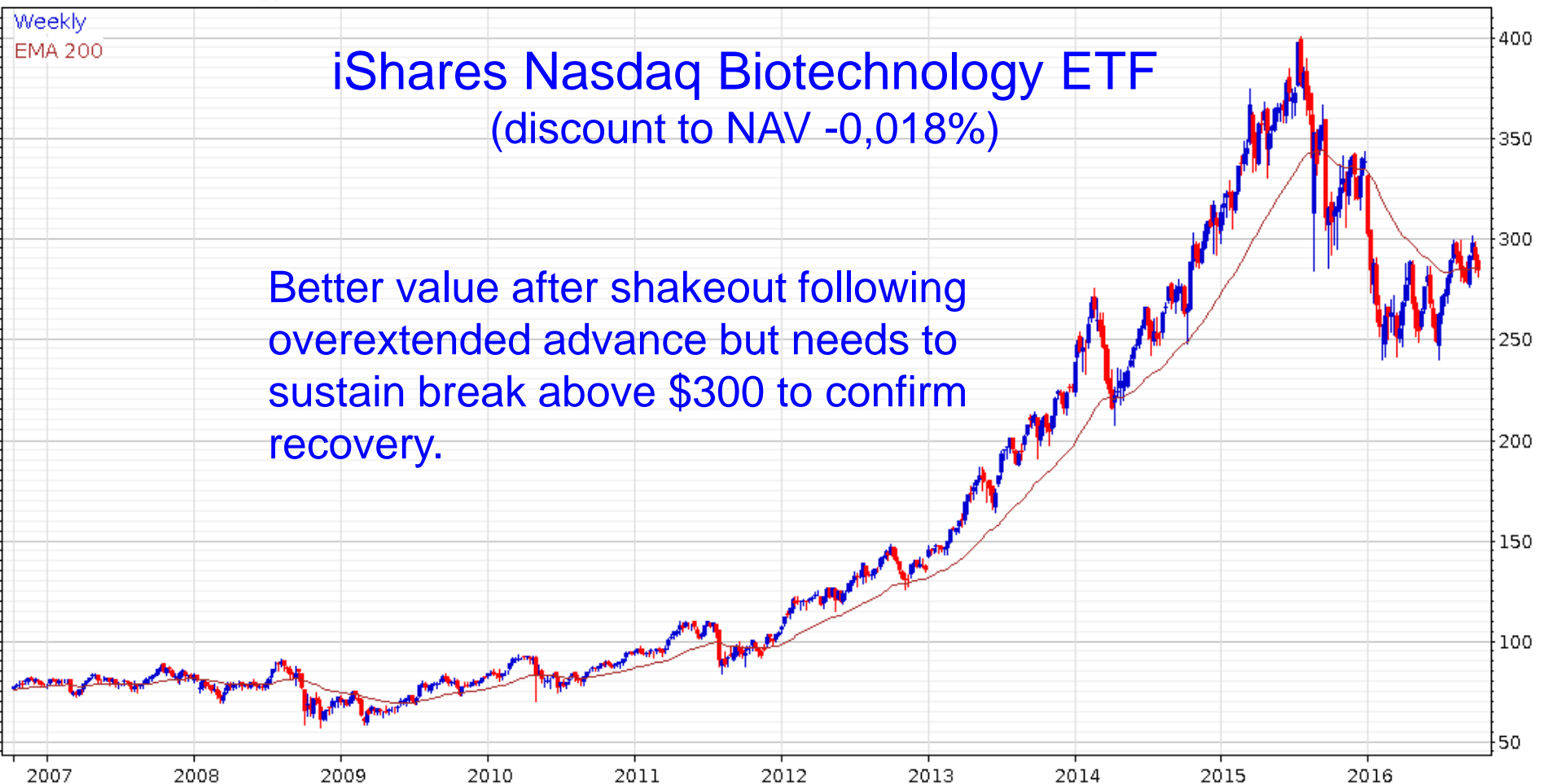




Weekly  
EMA 200

## iShares Nasdaq Biotechnology ETF (discount to NAV -0,018%)

Better value after shakeout following overextended advance but needs to sustain break above \$300 to confirm recovery.





FTSE100 (UKX INDEX) 7044.39 145.06

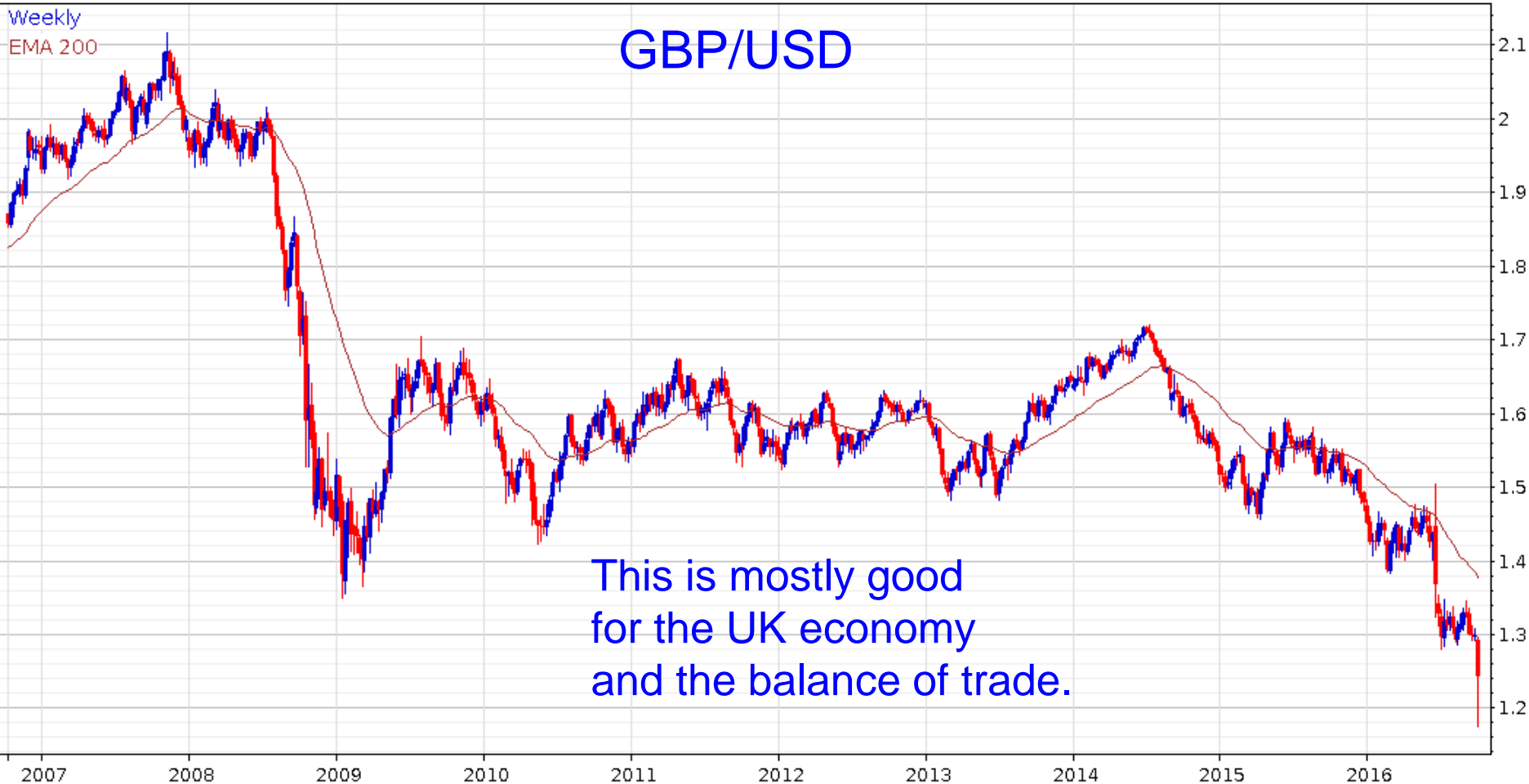
2016-10-07





USD per 1 GBP (GBPUSD CURRENCY) 1.2435 -0.05

2016-10-0





China Shanghai A-Shares (SHASHR INDEX) 3190.722 45.56

2016-10-10

Weekly  
EMA 200

## China Shanghai A-Shares

(P/E 17.70 & Yield 1.92%)

An economic recovery by China is needed to support the global economy. China's economic tradeoff: a system of mostly organised communism. The stock market remain in a recovery phase while the bigger reaction lows continue to rise.





India Mumbai (SENSEX INDEX) 28082.34 21.2

2016-10-10

Weekly

EMA 200

## India Mumbai Sensex (P/E 20.89 & Yield 1.51%)

Some loss of upside momentum  
near the early 2015 highs

India's economic tradeoff:  
disorganised capitalism.  
Governance is *everything*.







S&P/ASX 200 Index (AS51 INDEX) 5475.431 8.04

2016-10-10

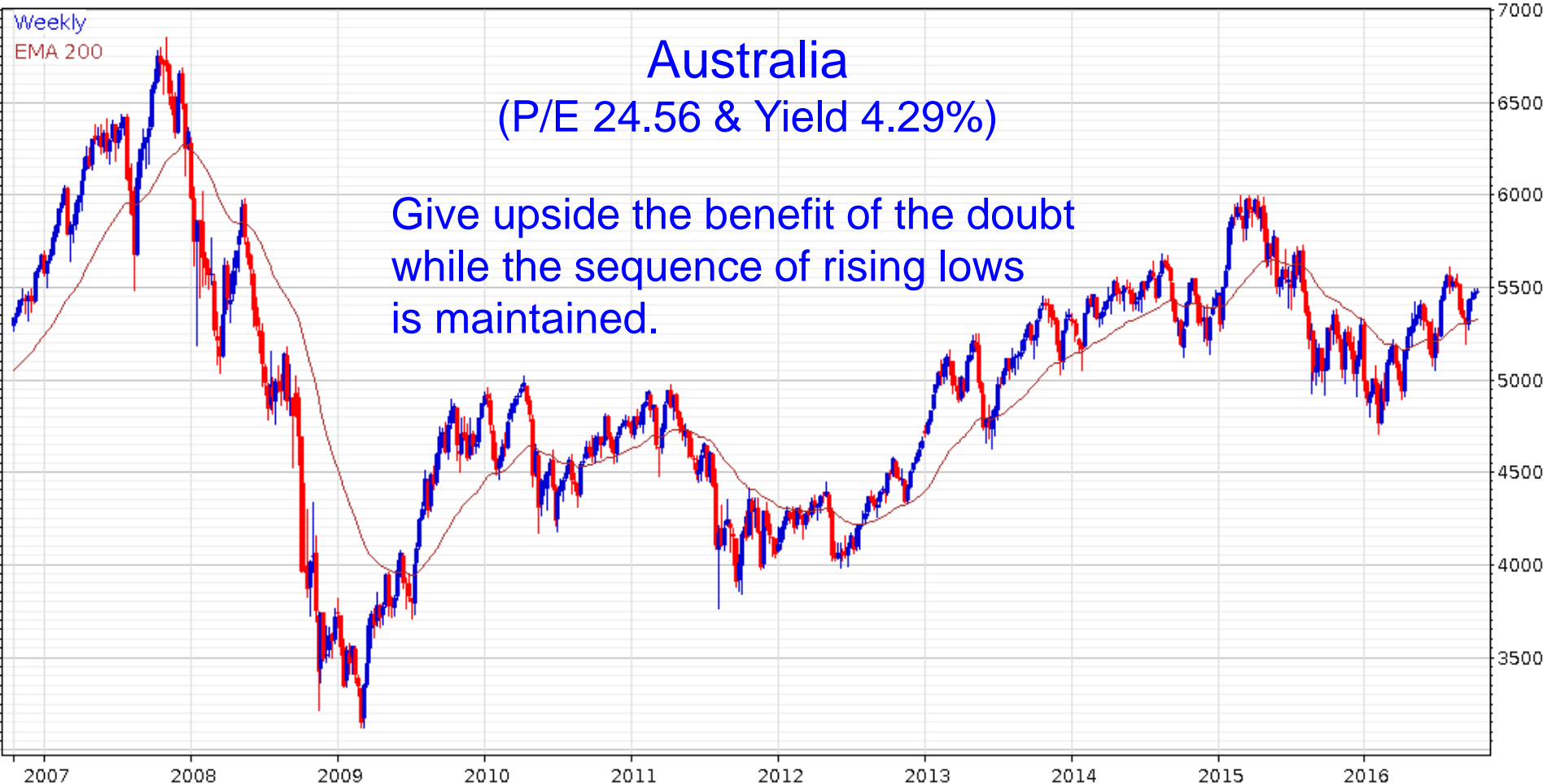
Weekly

EMA 200

## Australia

(P/E 24.56 & Yield 4.29%)

Give upside the benefit of the doubt  
while the sequence of rising lows  
is maintained.





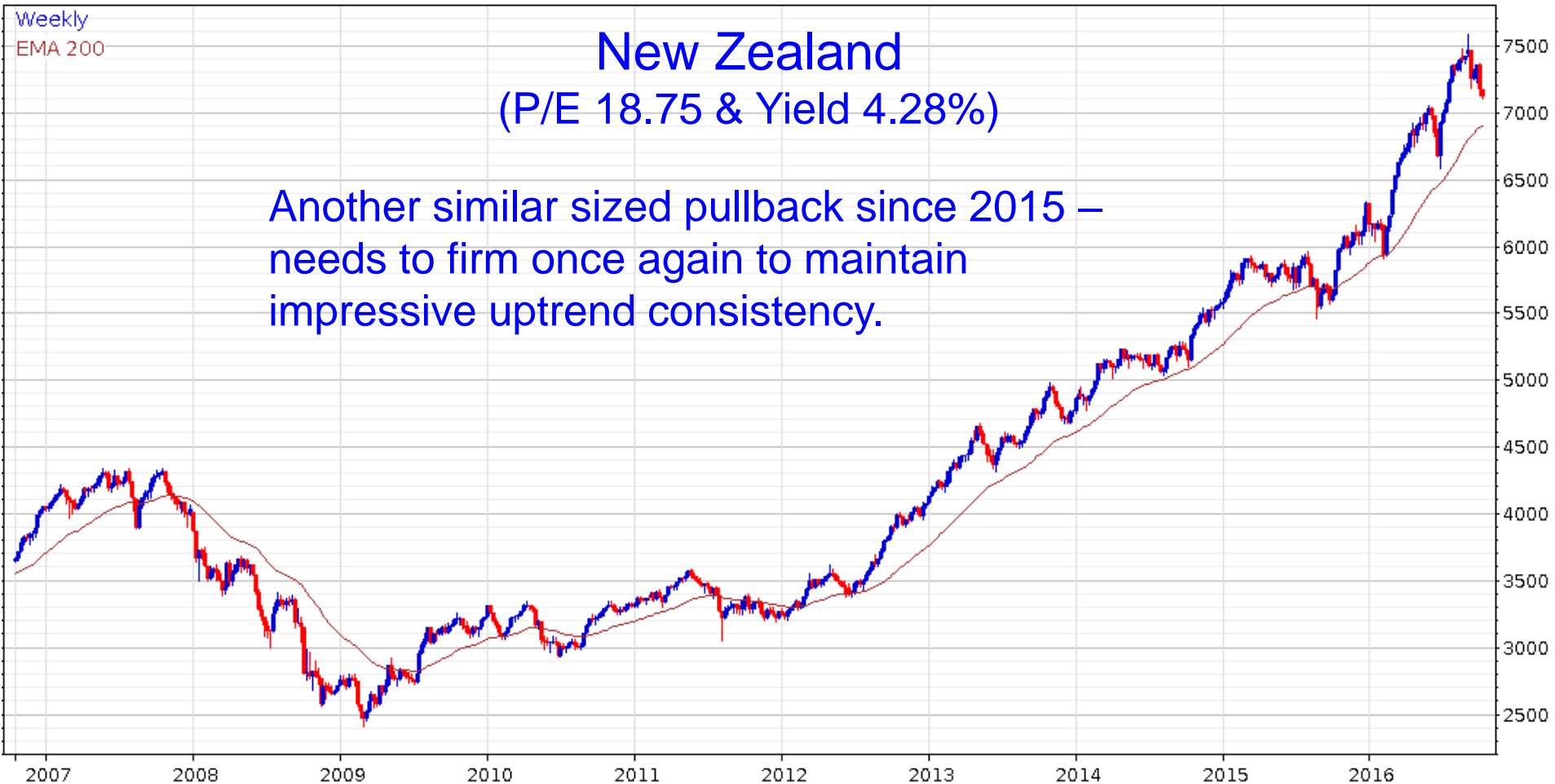
New Zealand 50 Fully Gross Index (NZX50) (NZSE50FG INDEX) 7116.923 -50.89

2016-10-10

Weekly  
EMA 200

## New Zealand (P/E 18.75 & Yield 4.28%)

Another similar sized pullback since 2015 –  
needs to firm once again to maintain  
impressive uptrend consistency.





## Commodities

1. The cure for low prices is low prices, as supply declines and demand begins to increase.
2. Contra-cyclical commodities are underowned by investors.
3. Global uncertainty, competitive devaluations and low interest rates can revive the 'hard money' appeal of gold and other precious metals but rising interest rates and Dollar strength will be headwinds.



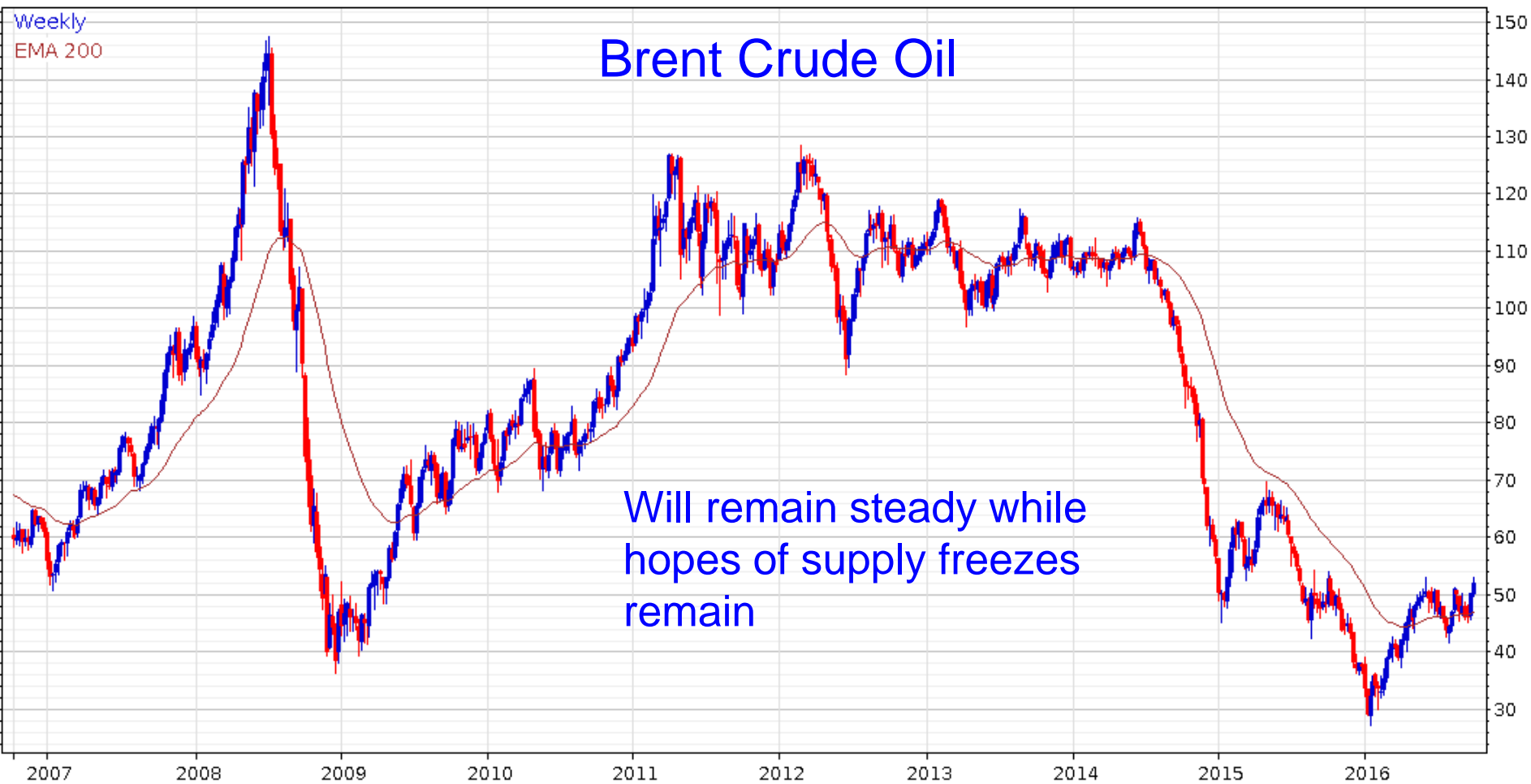
Brent Crude Oil (CO1 COMB COMDTY) 51.93 1.74

2016-10-07

Weekly

EMA 200

## Brent Crude Oil





London Spot Gold (GOLDS COMDTY) 1256.93 -58.82

2016-10-07

Weekly  
EMA 200

## London Spot Gold





Silver 1st mth (SI1 COMB COMDTY) 17.38 -1.83

2016-10-07

Weekly

EMA 200

# Silver





Platinum NYME 1st Month Continuation (PL1 COMB COMDTY) 958.80 -69.8

2016-10-07





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# The last word on the US Presidential Election from New York City





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**Many thanks for your interest!**  
**Any questions?**

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## Technical warning signs to watch for among indices

- Trend acceleration relative to 200-day moving averages
- Declining market breadth (fewer shares rising)
- Failed upside breakouts from trading ranges
- Loss of uptrend consistency characteristics
- Churning price action relative to recent trading ranges
- Breaks of 200-day moving averages
- Broadening patterns for trading ranges following uptrends
- 200-day moving averages turn downwards
- Resistance is encountered beneath declining 200-day MAs
- Previous rising lows are replaced by lower rally highs
- Indices fall faster than they rose to their highs