



Fuller Treacy Money
Global Strategy Service
Empowerment Through Knowledge

The Markets Now

Opportunities and Risks

for Financial Markets

In 2015's Changing Environment

David Fuller – 12th January 2015
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Hopes, Dreams and Fears

(They are always with us)



Search ID: sb1n345

"I'VE KEPT ALL MY WILDEST HOPES AND DREAMS REALISTIC
AND EASY TO ACHIEVE."



Nervous markets because...

- It's all about oil!
- Or is it all about deflation?
- Political or algorithmic risks?

The main answer is more benign; it is about technological innovation, which creates mostly positive deflation.



The accelerating rate of technological innovation is the single most bullish factor for the long term

A couple of examples:

- Consider energy: oil, gas, solar, new nuclear
- Consider also: The Internet of Everything

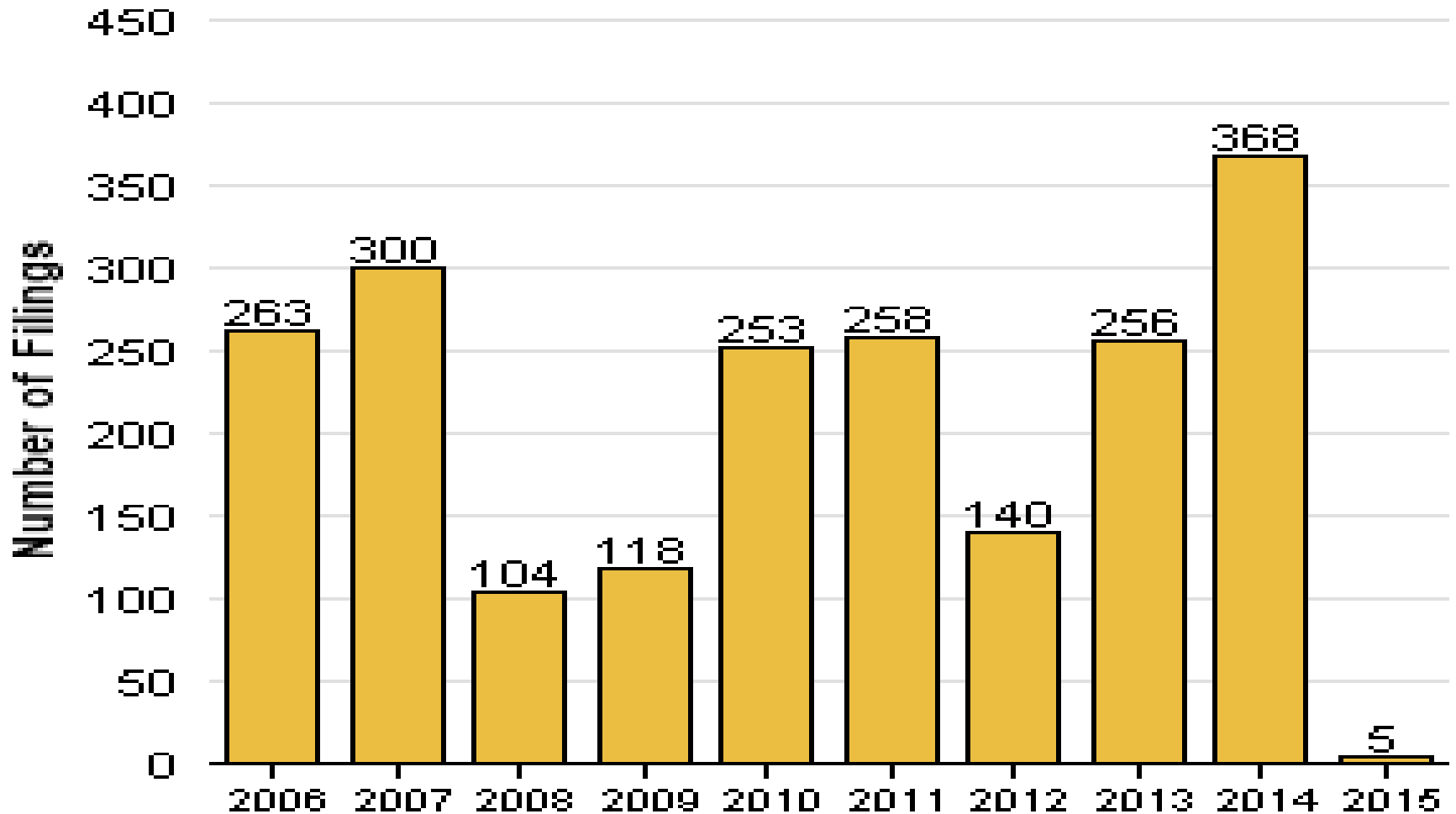


Specific Known Market Risks

- US public offerings are the highest in over a decade
- Leverage by hedge funds & traders has soared in the USA
- Leverage in other performing stock markets is increasing
- EU breakup risks increase if ECB's Mario Draghi resigns
- Some emerging market currencies slump on USD rise
- Bond market yields will eventually rise with GDP growth



IPO Filings



Source: www.RenaissanceCapital.com



Surging new issues are a characteristic of expensive markets and coincide with tops because they devour buying power



We are not there yet but this is a potential problem for the future

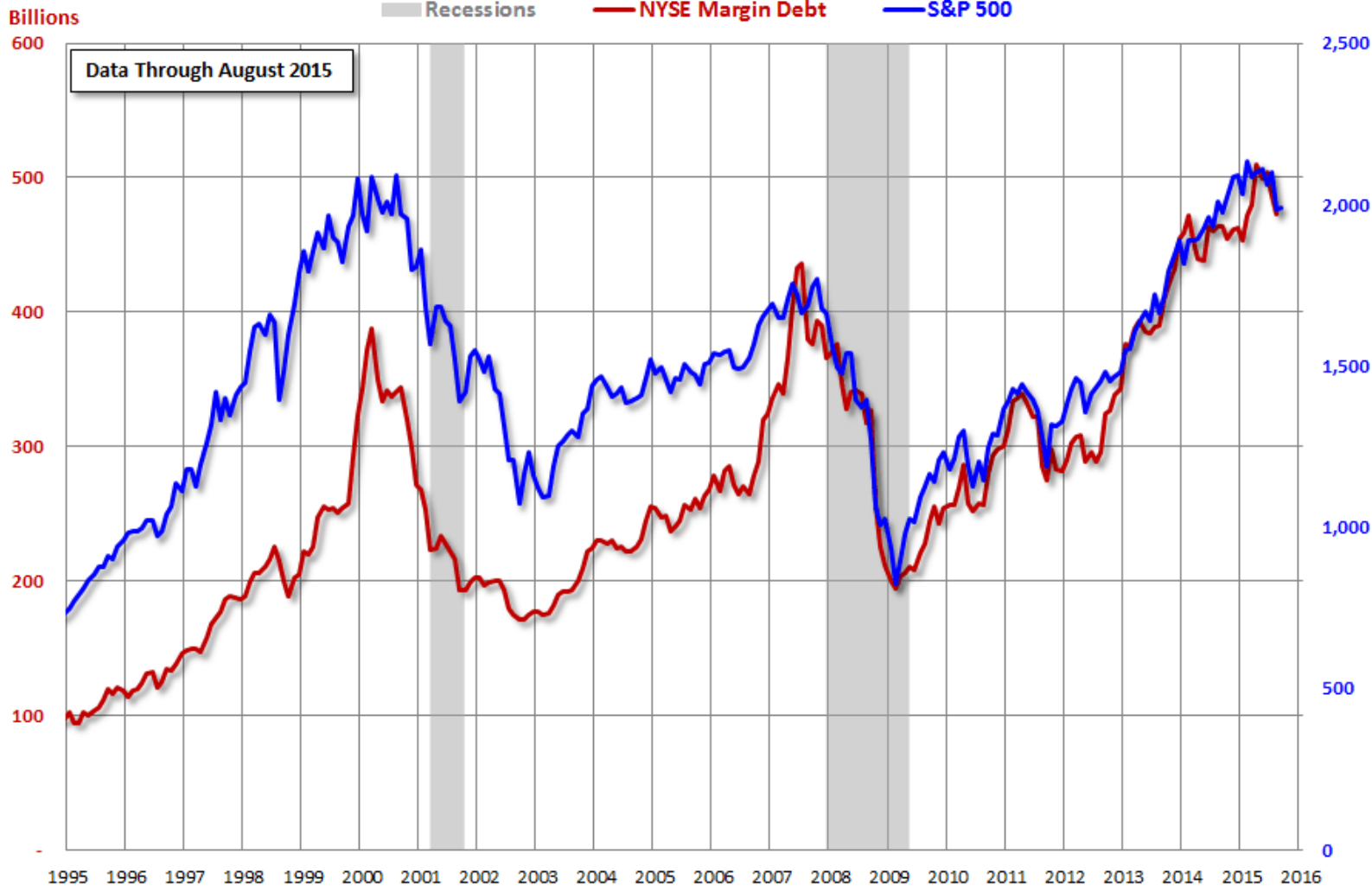


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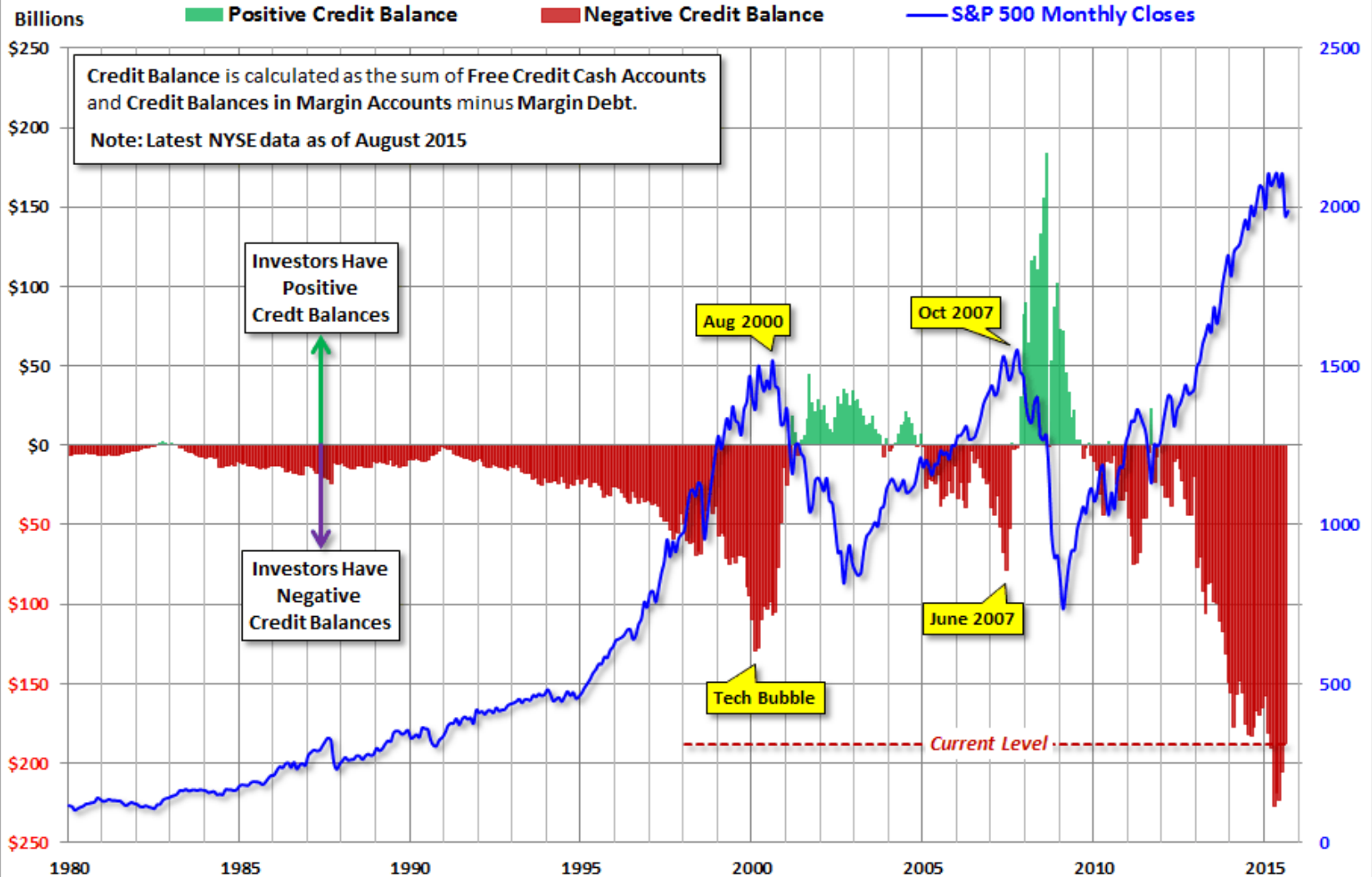


NYSE Margin Debt and the S&P 500 Real Values (Adjusted to Present-Day Dollars)





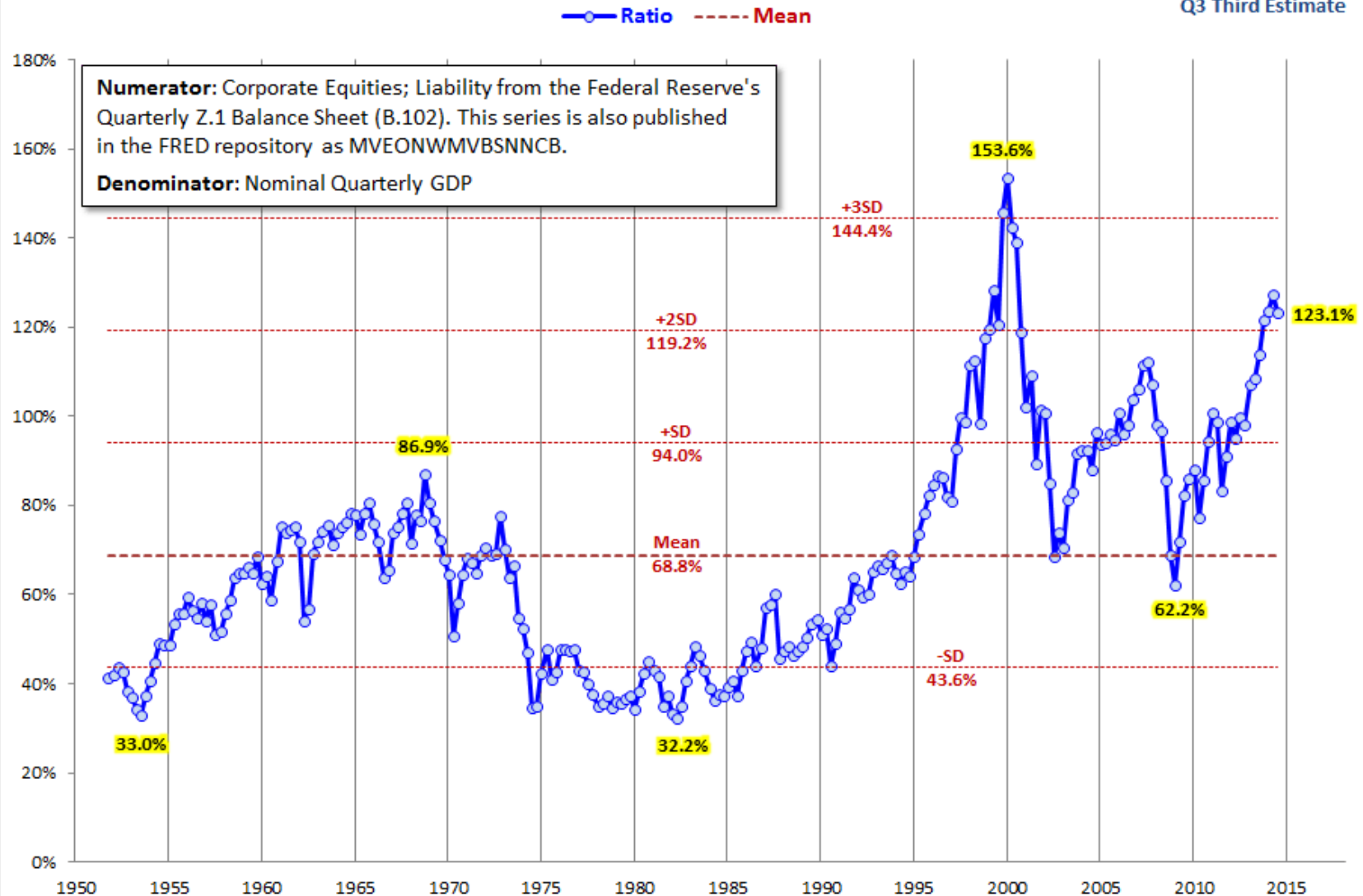
NYSE Investor Credit and the Market





The Buffett Indicator: Corporate Equities to GDP

dshort.com
January 2015
Q3 Third Estimate





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 relative the last several trading ranges
- 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



Bullish Points for Stock Markets

- S&P up 15.3% on average 6 months after mid-term election
- Global monetary policy is still extremely accommodative
- Central banks are worried about deflation, not inflation
- Capitalism increasingly dominates on a global basis
- Globalisation spurs rapid emerging market development
- Growth in middleclass consumers surges, led by Asia-Pac



PRESIDENTIAL CYCLE: S&P 500 Price Returns by Half

S&P 500® Average % Price Changes and Frequencies of Advance During the Eight Six-Month Periods Within the Presidential Cycle (10/31/44-9/29/14)

Pres. Cycle	Nov.-April		May-Oct.	
	Avg. %	FoA	Avg. %	FoA
Year 1	3.4	72%	3.0	67%
Year 2	4.3	56%	(1.2)	50%
Year 3	15.3	94%	2.1	65%
Year 4	5.3	88%	1.7	76%
All Years	7.0	77%	1.4	64%

Source: S&P Capital IQ. Indexes are unmanaged, statistical composites and it is not possible to invest directly in an index. The returns shown do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause actual and back tested performance to be lower than the performance shown. Returns exclude dividends. Past performance is no indication of future results.



Post midterm stockmarket performance*

Dow Jones Industrials (% change) **Since 1950**



* 90-days post midterm election **4 Nov 2014**



Russell 2000 (RTY INDEX) 1185.676 -13.12

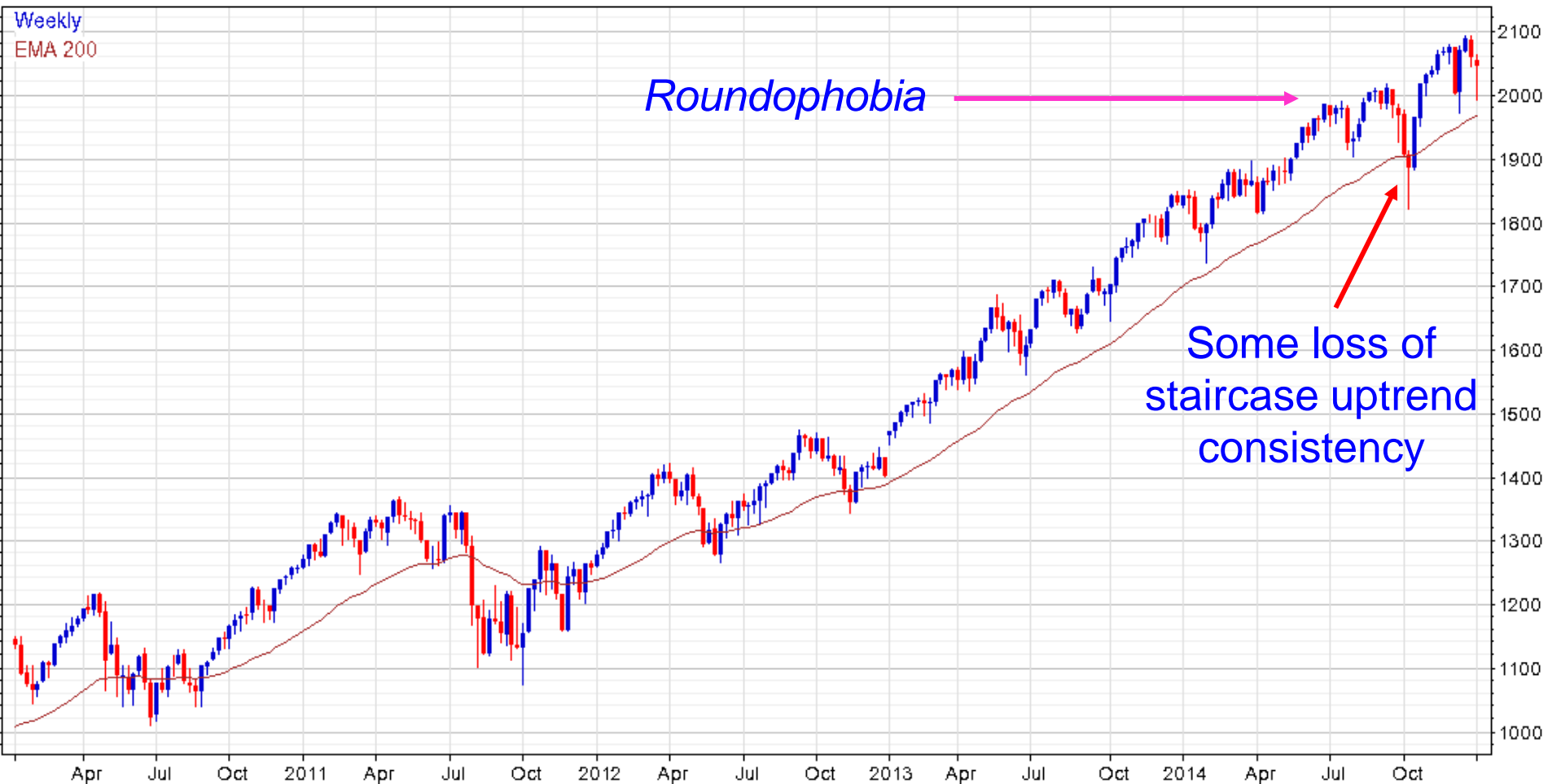
2015-01-09





S&P 500 (SPX INDEX) 2044.81 -13.39

2015-01-09





No inflation?

S&P 500 (SPX INDEX) 2044.81 -14.09

2015-01-09

Monthly
MA 200

This gain above the 2000 peak is due mainly to CPI inflation

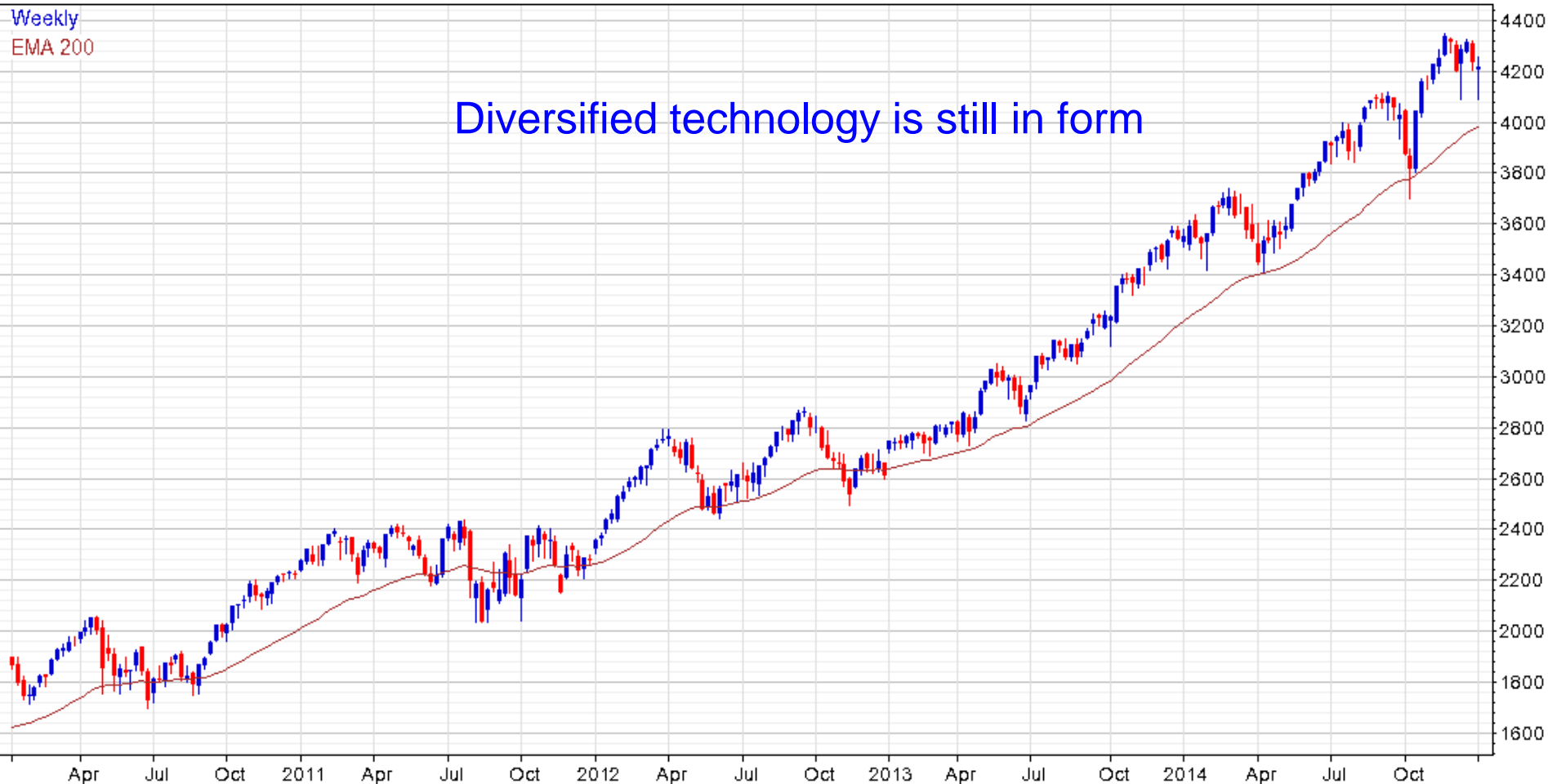
S&P 500 over 20 years





Nasdaq 100 (NDX INDEX) 4213.276 -16.96

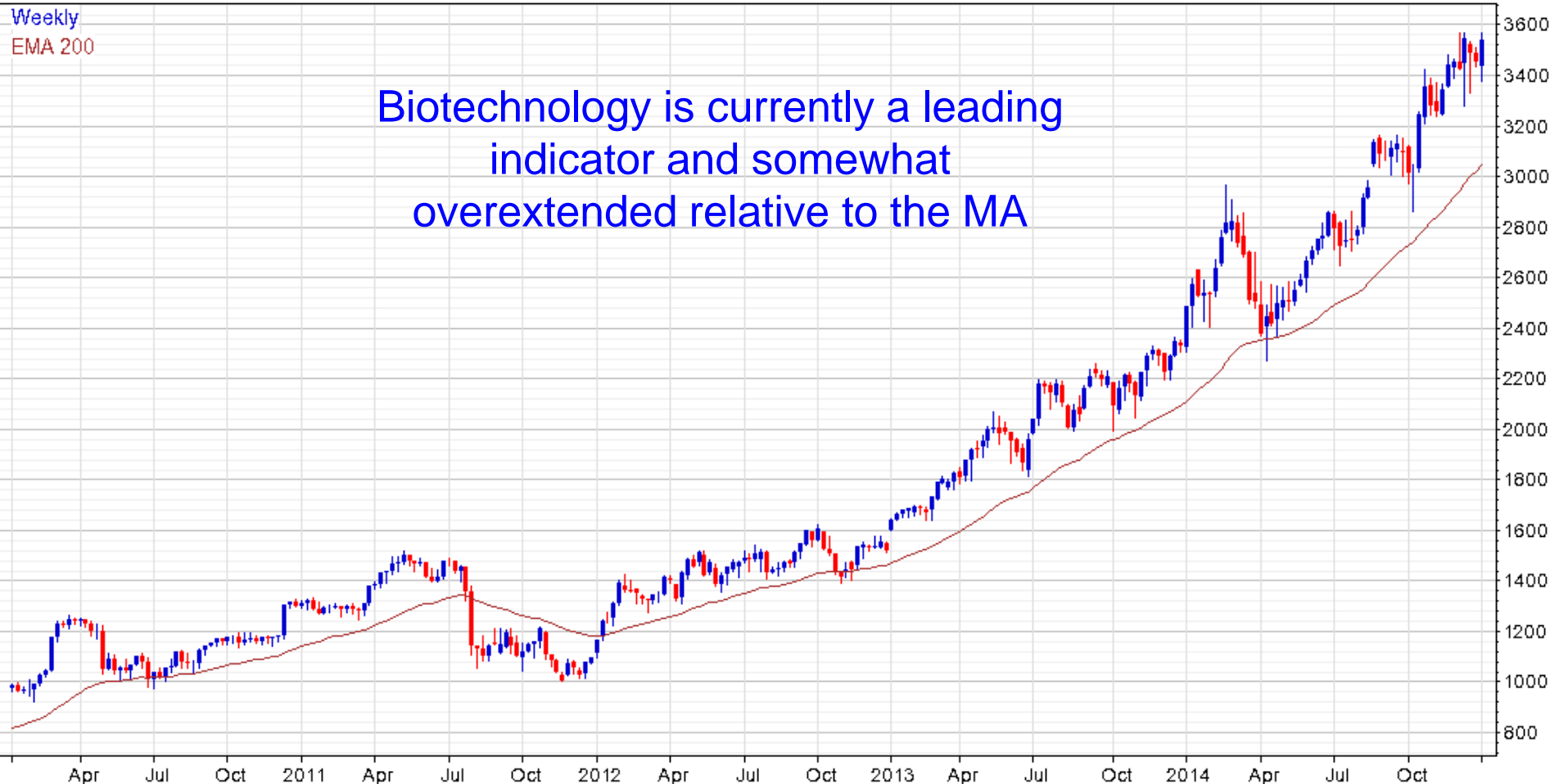
2015-01-09





AMEX Biotechnology index (BTK INDEX) 3538.947 84.68

2015-01-09





Dow Jone Utilities Average (UTIL INDEX) 623.61 2.0

2015-01-09





Apple

Apple (AAPL US EQUITY) 112.01 2.68

2015-01-09





FTSE100 (UKX INDEX) 6501.14 -46.66

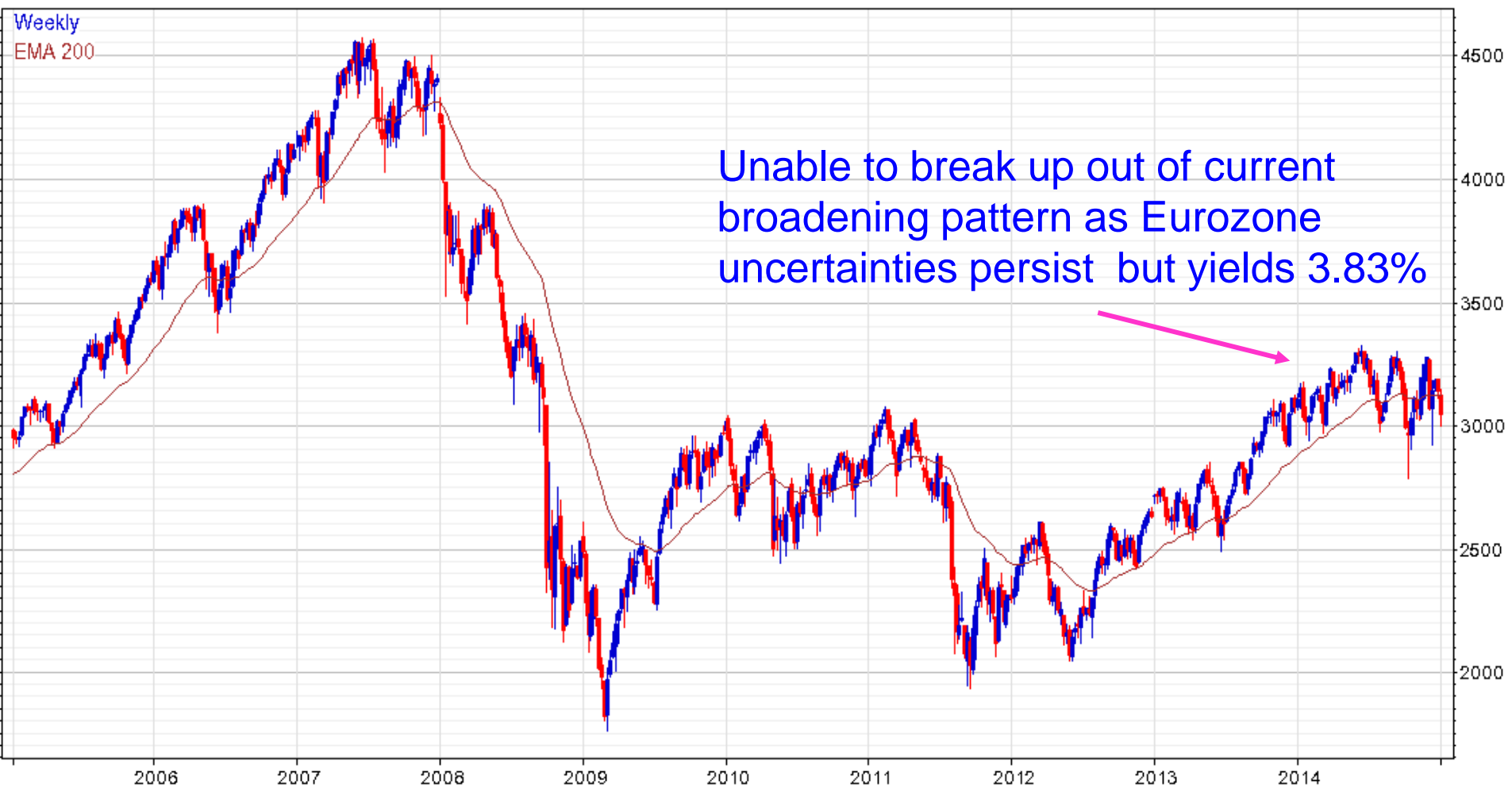
2015-01-09





DJ Euro STOXX 50 (SX5E INDEX) 3042.90 -96.54

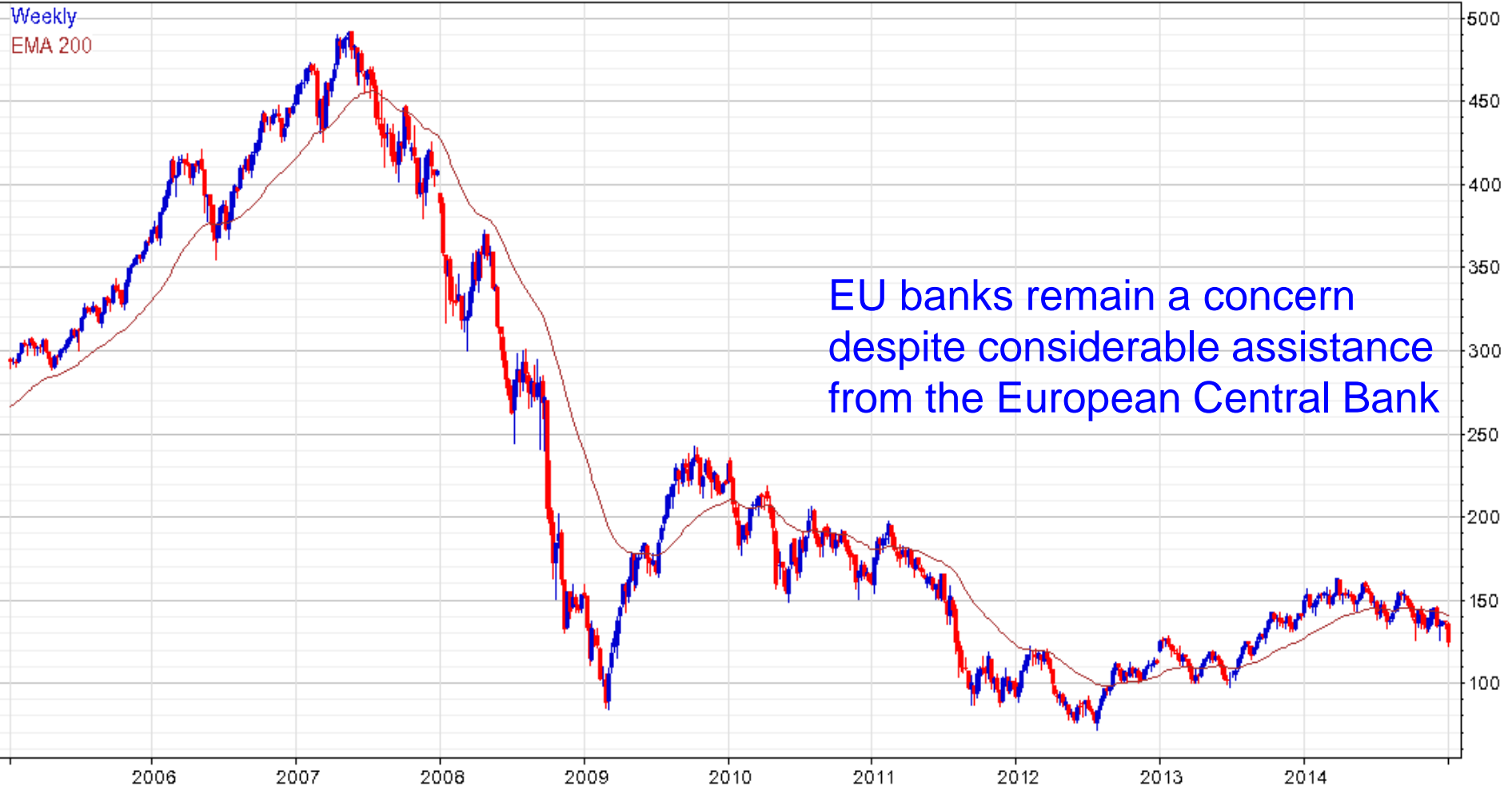
2015-01-09





DJ Euro Banks (SX7E INDEX) 124.29 -11.92

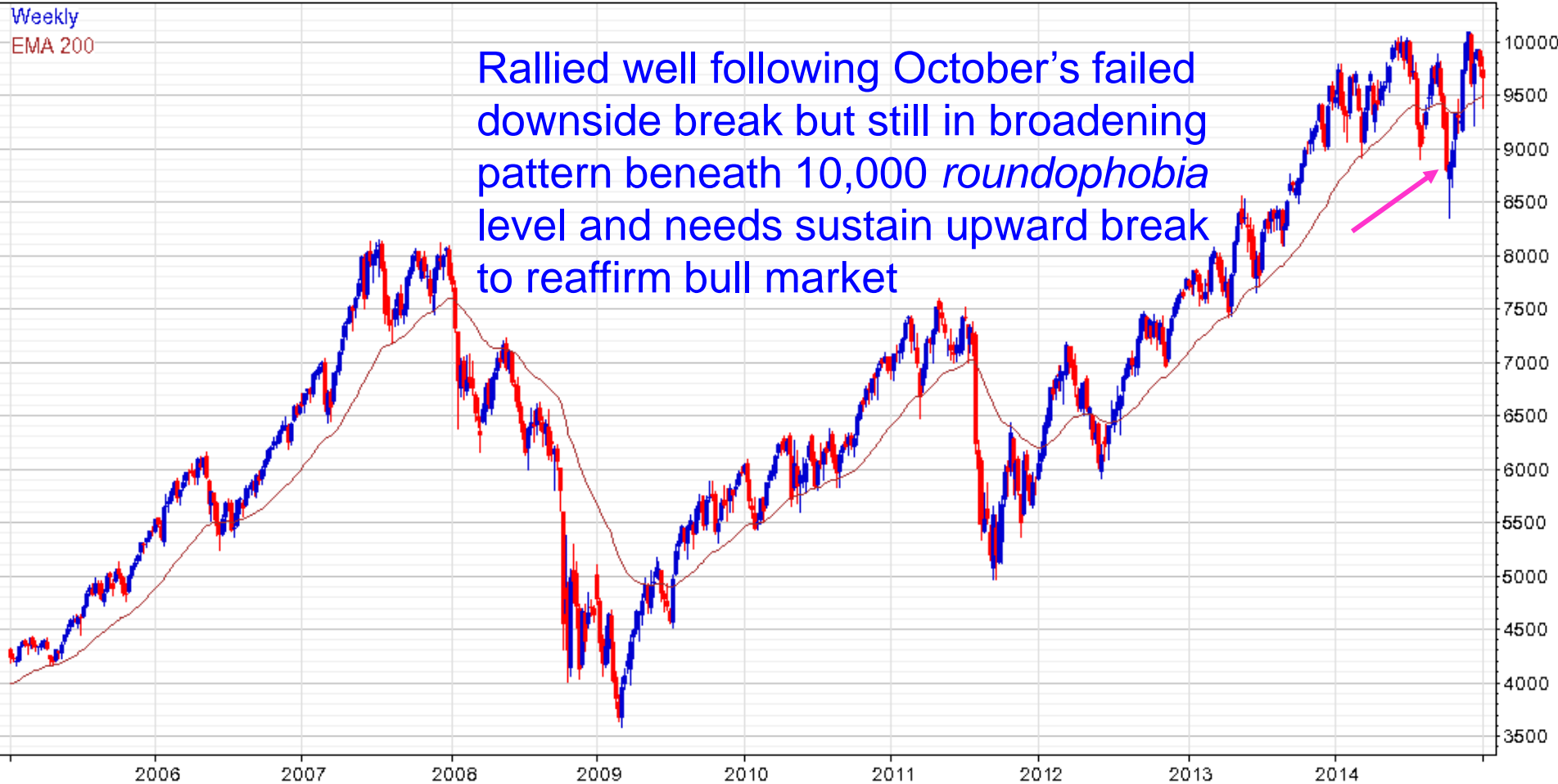
2015-01-09





Germany (DAX INDEX) 9648.50 -116.23

2015-01-09





Daimler AG (DAI GR EQUITY) 70.61 0.67

2015-01-12





Russia RTS \$ Index (RTSI\$ INDEX) 782.62 -8.09

2015-01-09

Weekly
EMA 200

Governance is Everything - favourable regime change would make Russia a recovery candidate on cheap valuations





Switzerland SMI (SMI INDEX) 9105.70 122.33

2015-01-09

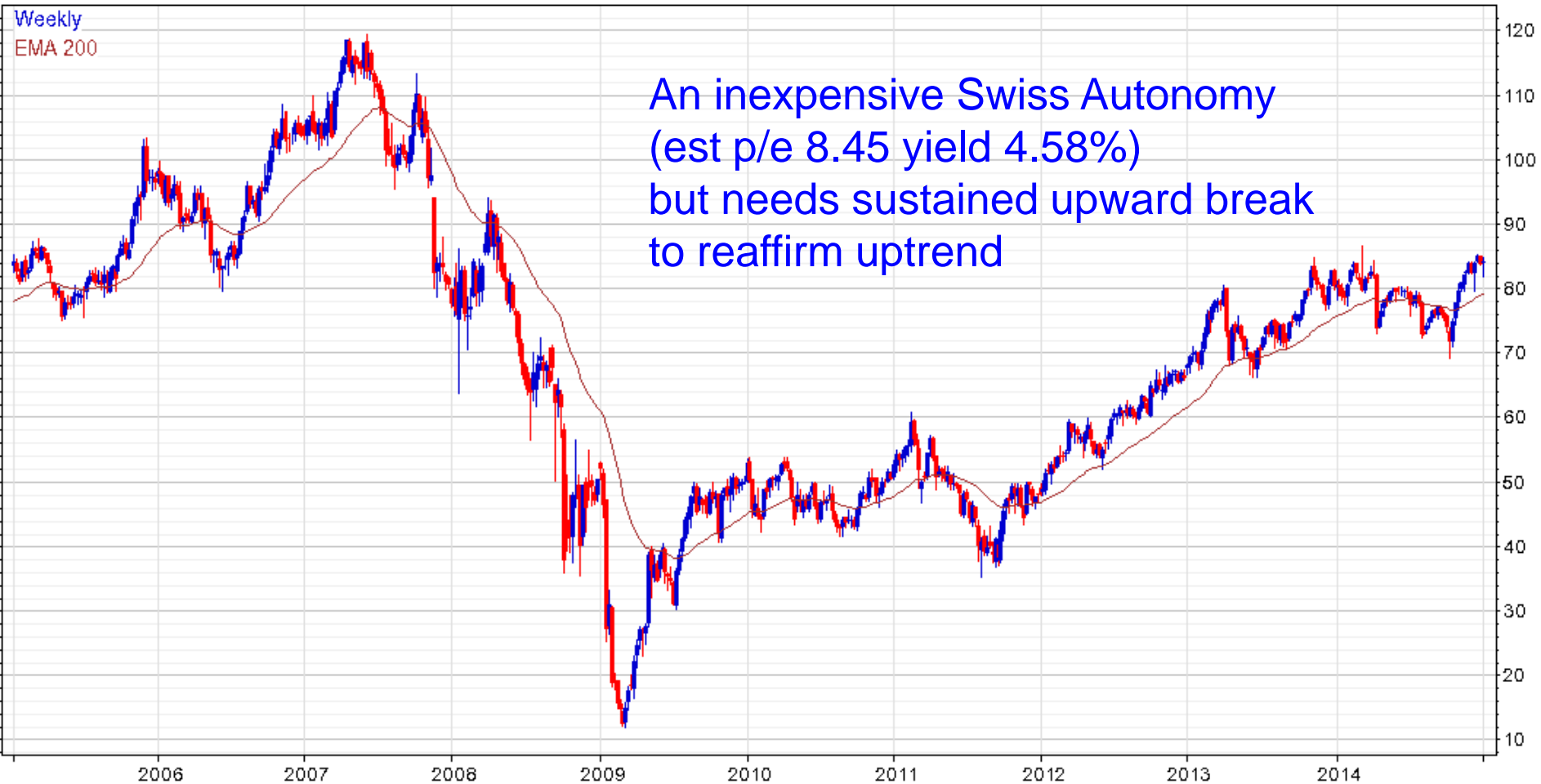




Swiss Re Ltd (SREN VX EQUITY) 84.15 0.5

2015-01-09

Weekly
EMA 200

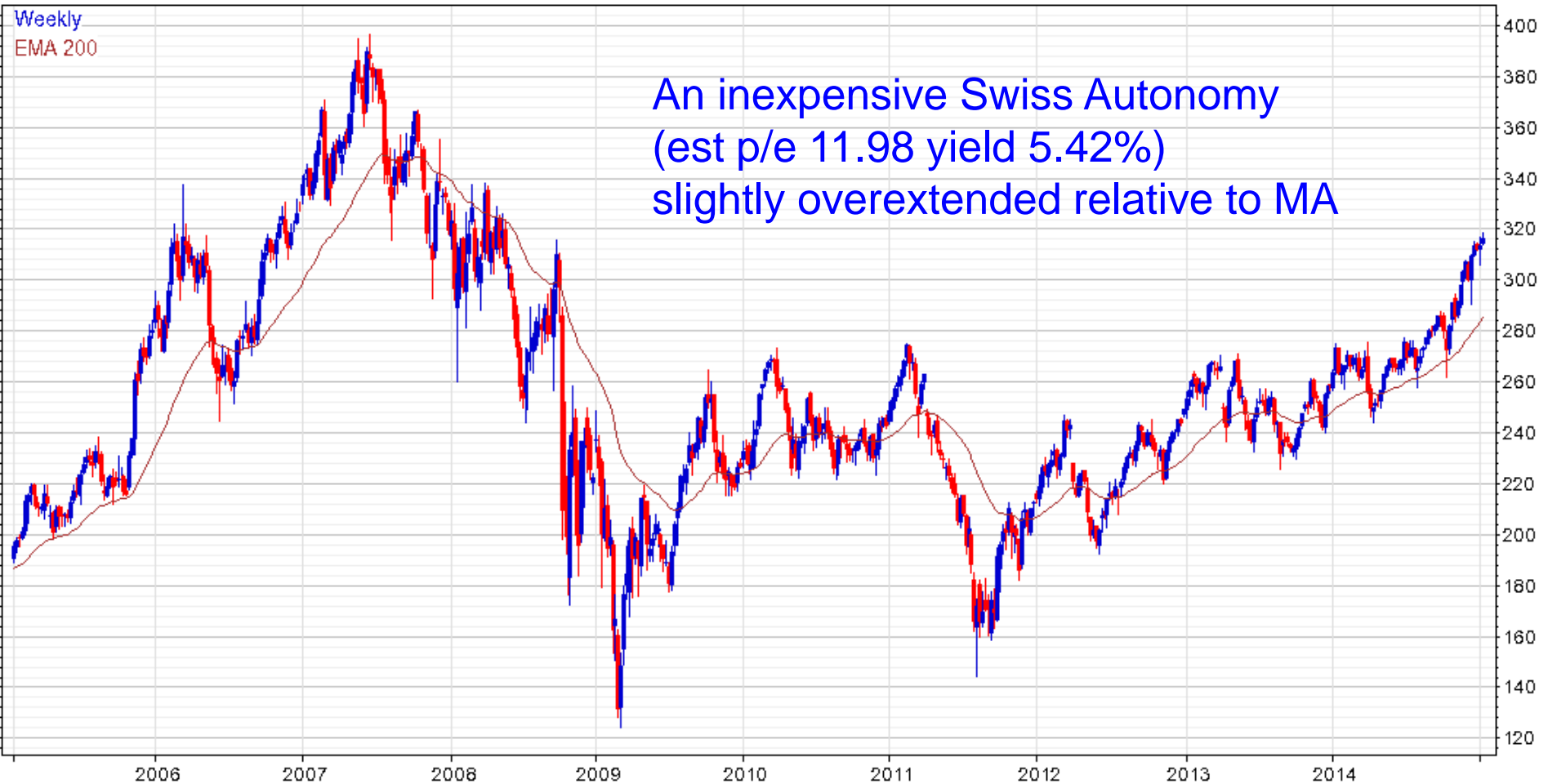




Zurich Insurance Group AG (ZURN VX EQUITY) 316.10 2.6

2015-01-12

Weekly
EMA 200





India Mumbai (SENSEX INDEX) 27458.38 -429.52

2015-01-09

Weekly
EMA 200

Some loss of uptrend consistency
with bigger pullback since the high
but no longer O/B

Remains a strong long-term
favourite of mine due to
Narendra Modi





JPMorgan Indian Investment Trust (JII LN EQUITY) 519.00 19.88

2015-01-09

Monthly

MA 199

My investment vehicle for India since mid-2003, adding on setbacks - JII is currently short-term O/B and selling at a discount of -10.951 to NAV





China Shanghai A-Shares (SHASHR INDEX) 3442.662 53.27

2015-01-09





Hong Kong China Enterprises (H-Shares) (HSCEI INDEX) 12081.24 -164.11

2015-01-09





Hong Kong (HSI INDEX) 23919.95 62.13

2015-01-09





JPMorgan Chinese Investment Trust plc (JMC LN EQUITY) 184.25 3.75

2015-01-09





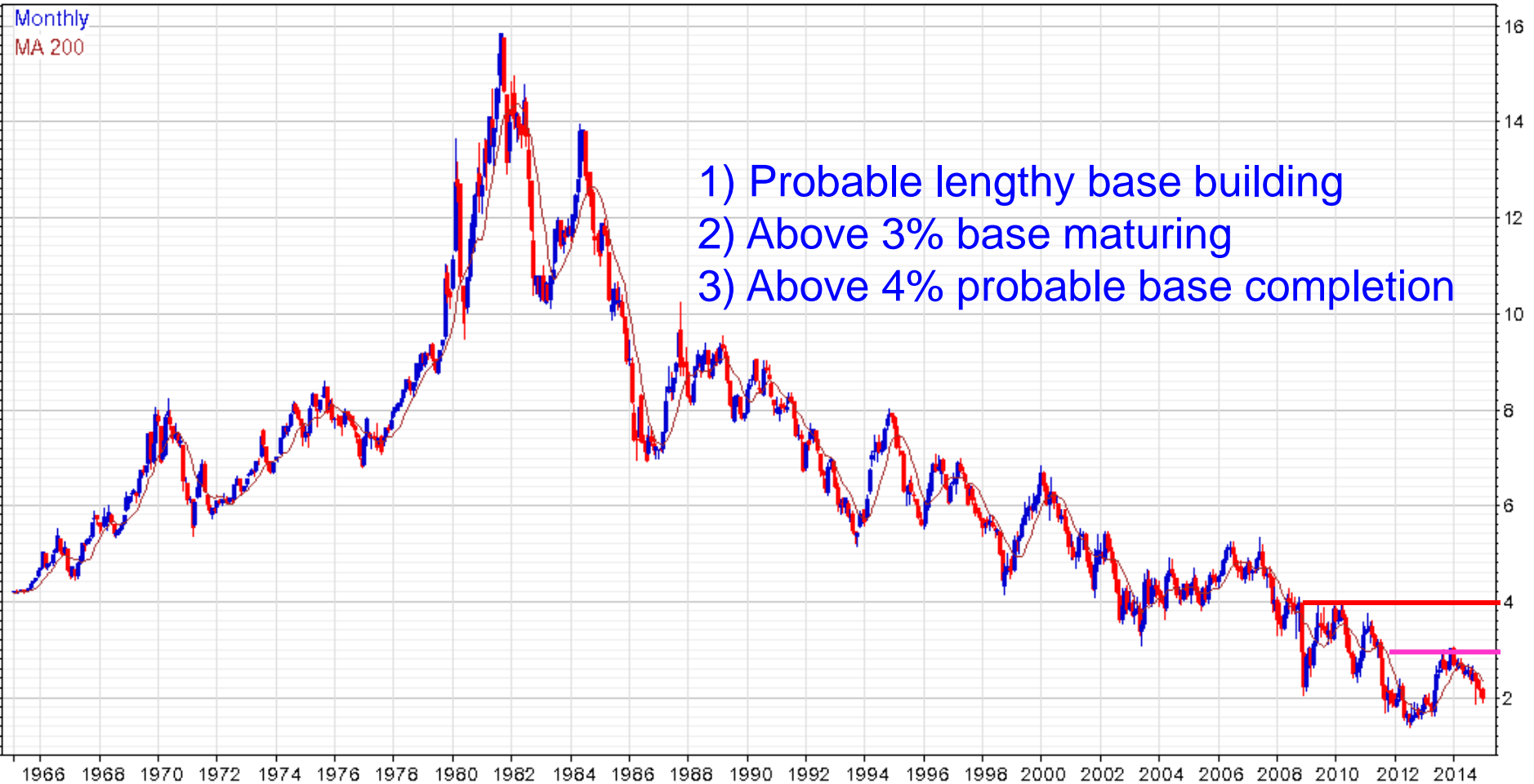
Long-term bull factors for stock markets

- Accommodative monetary policies, until growth accelerates
- An accelerating rate of technological innovation
- Lower energy prices in real terms, thanks to innovation
- The triumph of capitalism, both democratic & authoritarian
- Globalisation, hastening development of emerging markets
- Middleclass growth in emerging markets
- Continued growth in the global population



US 10yr Treasury Bond Yield (USGG10YR INDEX) 1.9449 -0.23

2015-01-09



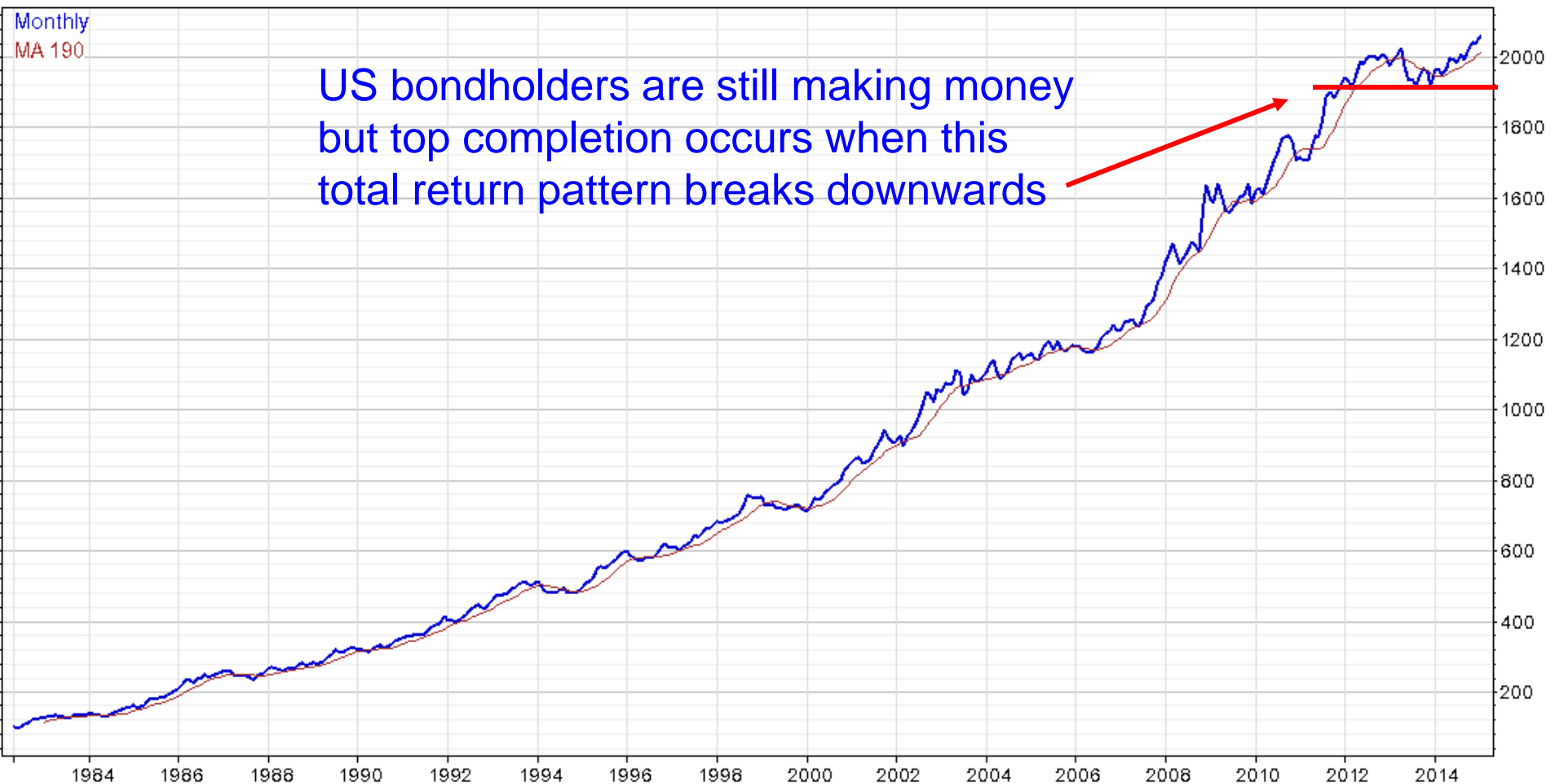


Merrill Lynch Treasury 10yr+ Future Total Return Index (MLT1US10 INDEX) 2057.849 21.13

2015-01-08

Monthly
MA 190

US bondholders are still making money
but top completion occurs when this
total return pattern breaks downwards

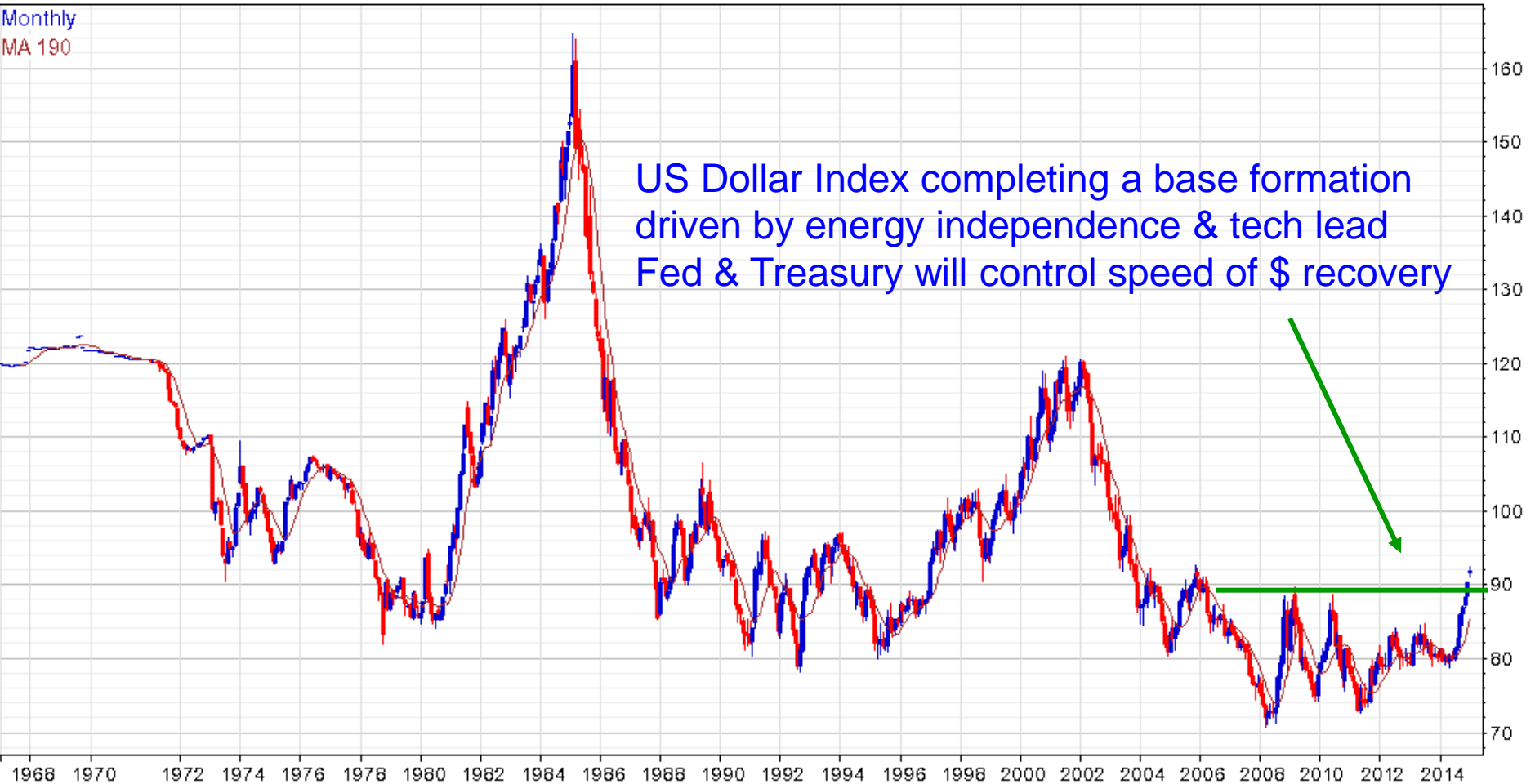




Dollar Index (DXY INDEX) 91.78 1.51

2015-01-09

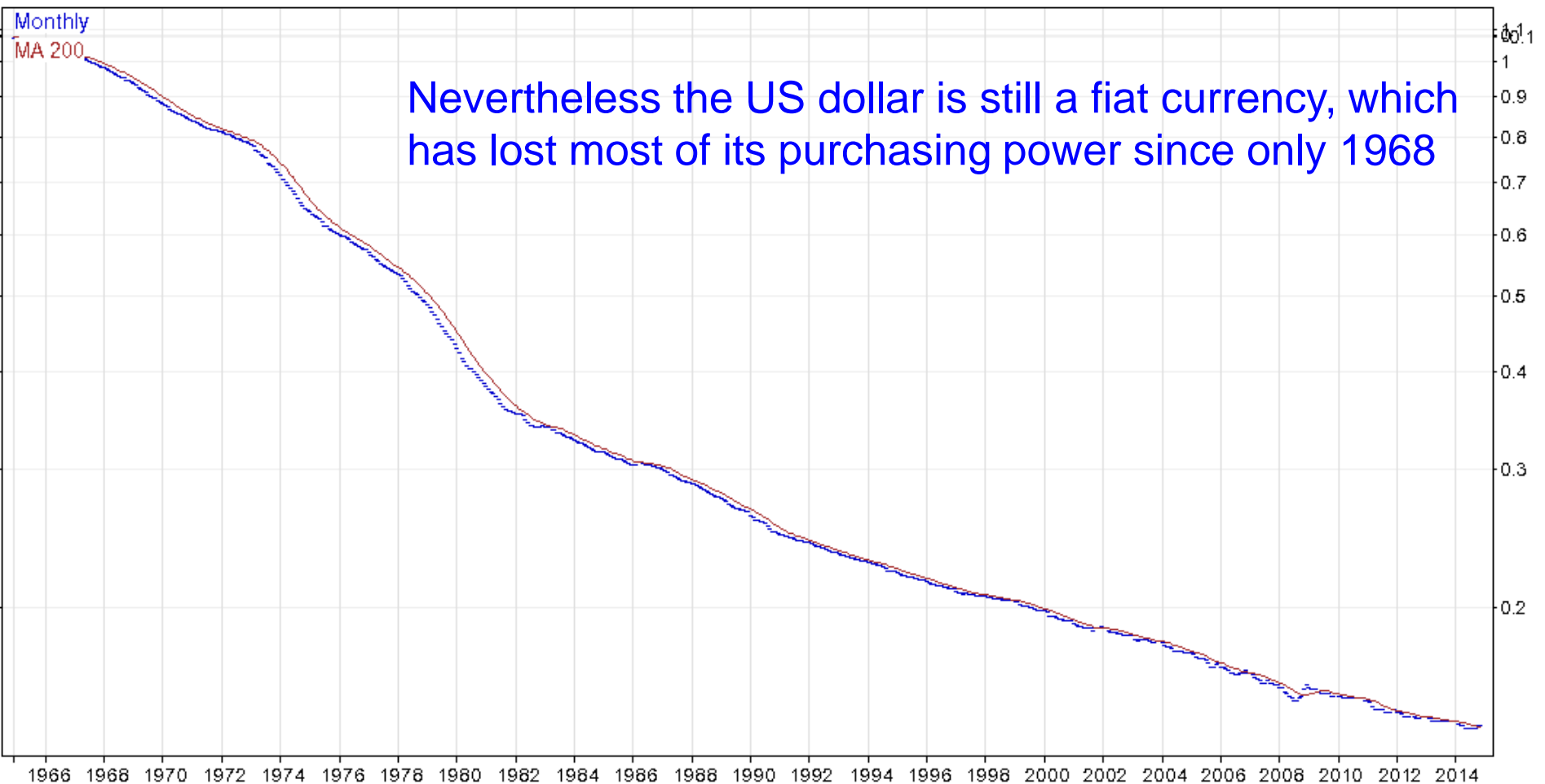
Monthly
MA 190





US Dollar Purchasing Power (PPCD1967 Index) 0.141 0.0

2014-11-30





London Spot Gold (GOLDS COMDTY) 1222.52 33.29

2015-01-09

Weekly

EMA 200

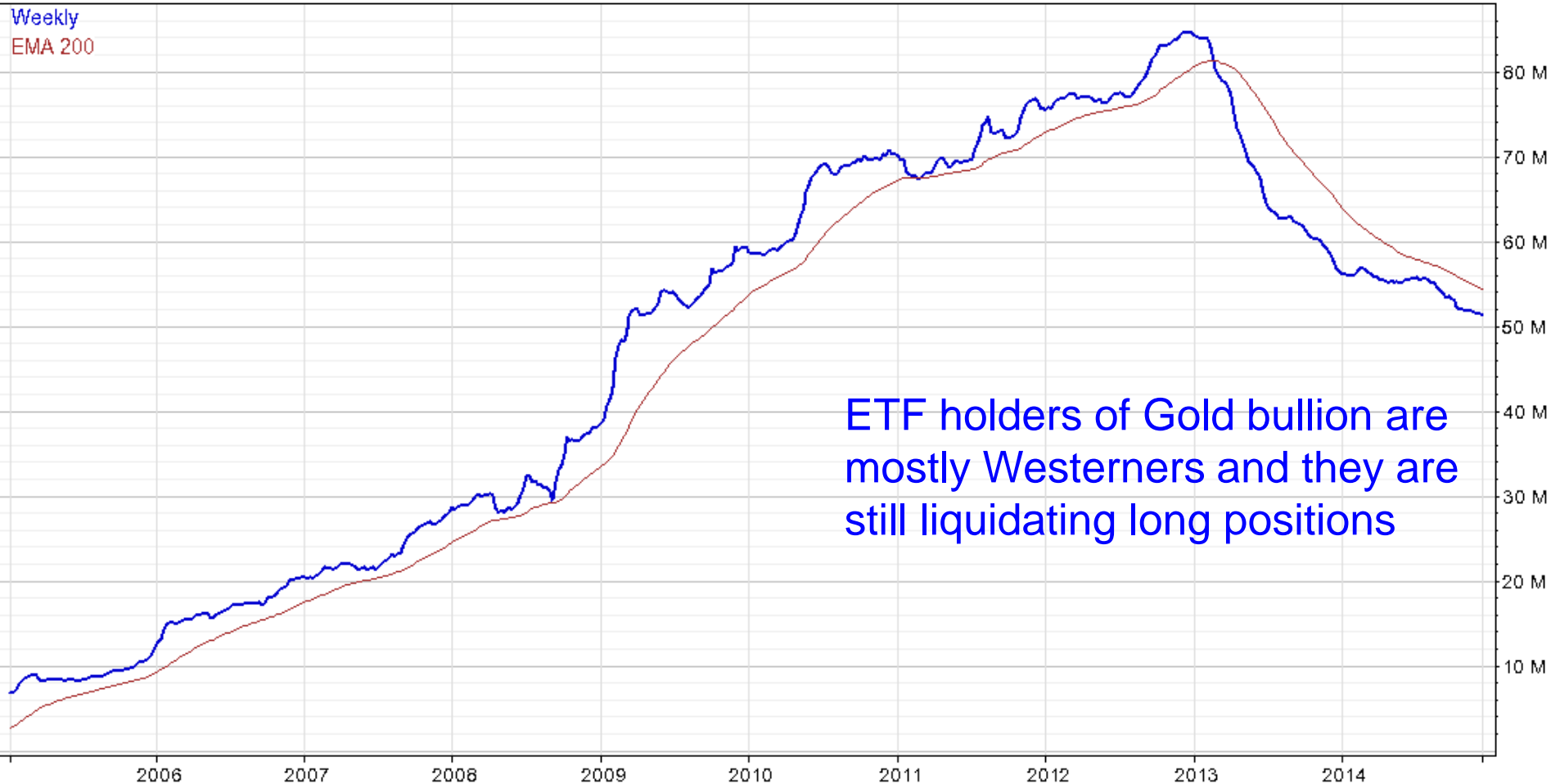
Gold is hard money, albeit with a fluctuating price, just like anything else which can be bought or sold.

1. Potential downside failure
2. Traders mostly short
3. ETF long holds of gold still liquidating
4. Indians & Chinese buying



Total Known ETF Holdings of Gold (troy ounces) (ETFGTOTL INDEX) 51327897.00 -162660.0

2015-01-09





GRAB

.DOW/GOLD U Index 96 Actions 97 Edit G 2 - VERY LONG TERM

.DOW/GOLD U Index : DOW/GOLD Quarterly 3/31/1920-1/12/2015

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



Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2015 Bloomberg Finance L.P.
SN 119126 H438-3444-0 12-Jan-15 15:30:31 GMT GMT+0:00

Gold has been out of favour with Western Investors who are mainly in stocks & bonds



Silver 1st mth (SI1 COMB COMDTY) 16.386 0.65

2015-01-09





Brent Crude Oil (CO1 COMB COMDTY) 50.11 -0.85

2015-01-09





Brent Crude Oil (CO1 COMB COMDTY) 50.11 -6.31

2015-01-09

Weekly
EMA 200

The end of an era for producers of crude oil
who have lost price control of this market

No more price spikes
such as 2008, despite
turmoil in many producer
regions and an eventual
global economic recovery





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Many thanks for your interest!
Any questions?

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