



Fuller Treacy Money
Global Strategy Service
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Welcome to The Markets Now

November 9th 2015

David Fuller
fullertreacymoney.com

East India Club – 16 St. James Square
London SW1Y 4LH, UK



Our previous Markets Now session was on 28th September.

Do you remember what stock market sentiment was like on that day?

You may remember the first slide from 28th September's presentation



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The Markets Now

“Buy on the cannons, sell on the trumpets”

Attributed to Nathan Mayer Rothschild (1777-1836) in 1810

“Buy when there’s blood in the streets, even if the blood is your own”

Attributed to Baron Rothschild, cited in *Passport to Profits*, by Mark Mobius

“Be fearful when others are greedy, and be greedy when others are fearful”

Warren Buffett

David Fuller – 28th September 2015

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How do you assess stock market sentiment today?

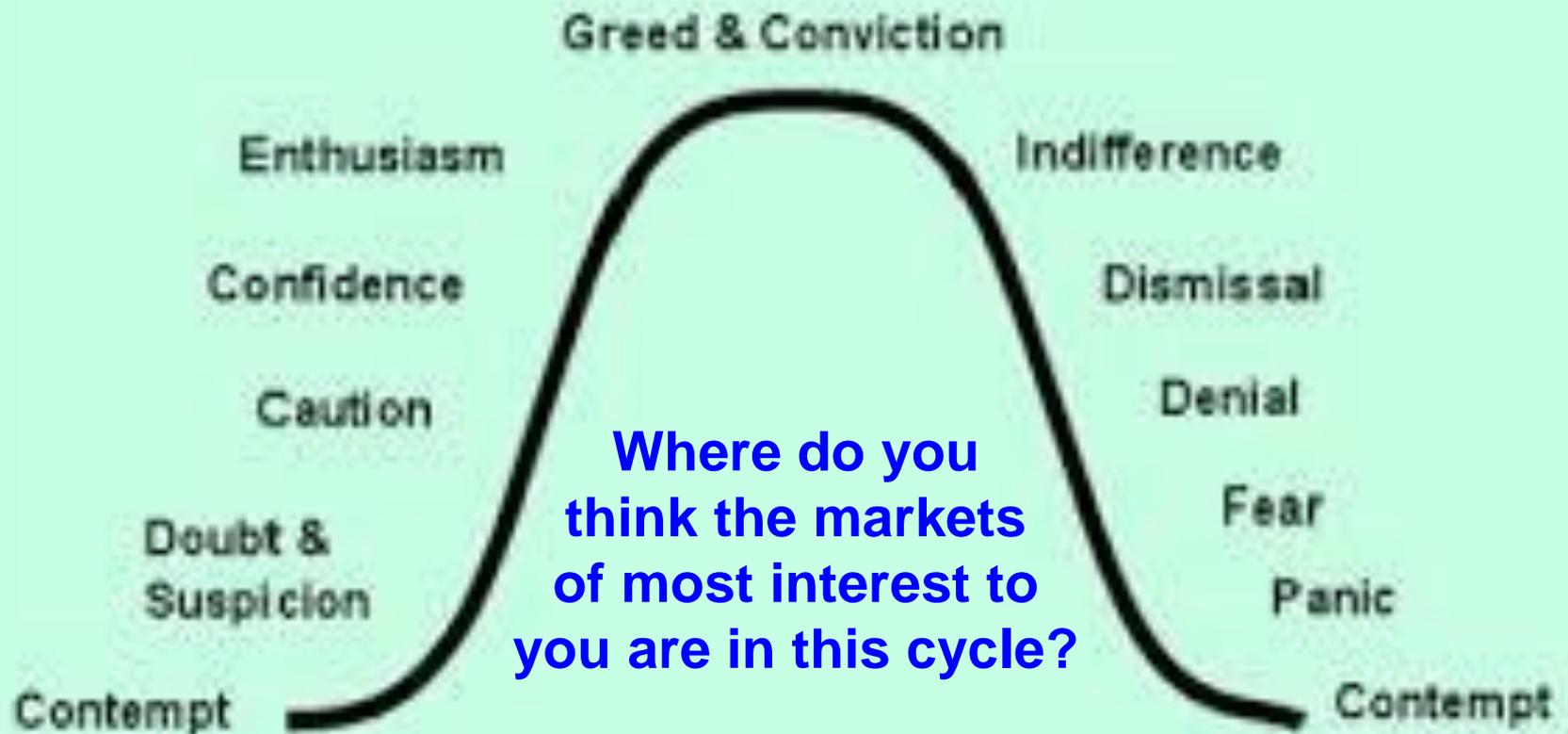
How bullish/bearish are the investment crowds in the big developed markets – US, Japan, Germany, UK?

What about in the big developing markets – China, India or Indonesia?

How about in the mainly resources markets – Canada, Brazil, Argentina, Russia or Saudi Arabia?



The Investor Psychology Cycle





US stock market indices

- 1) The seasonal period of outperformance, on average, is between November and the end of May
- 2) The third year of the US Presidential Election cycle is usually the most bullish
- 3) The US Presidential Election year (2016) usually ends on a bullish note
- 4) Wall Street is short-term overbought (O/B) so expect some ranging but the main indices have reaffirmed the bull market



DJIA

2015-11-06

Dow Jones Industrials Average (INDU INDEX) 17910.33 246.79





S&P 500

S&P 500 (SPX INDEX) 2099.20 19.84

2015-11-06





NDX 100

Nasdaq 100 (NDX INDEX) 4707.231 58.4

2015-11-06





TRAN

Dow Jones Transport Average (TRAN INDEX) 8241.43 113.36

2015-11-06

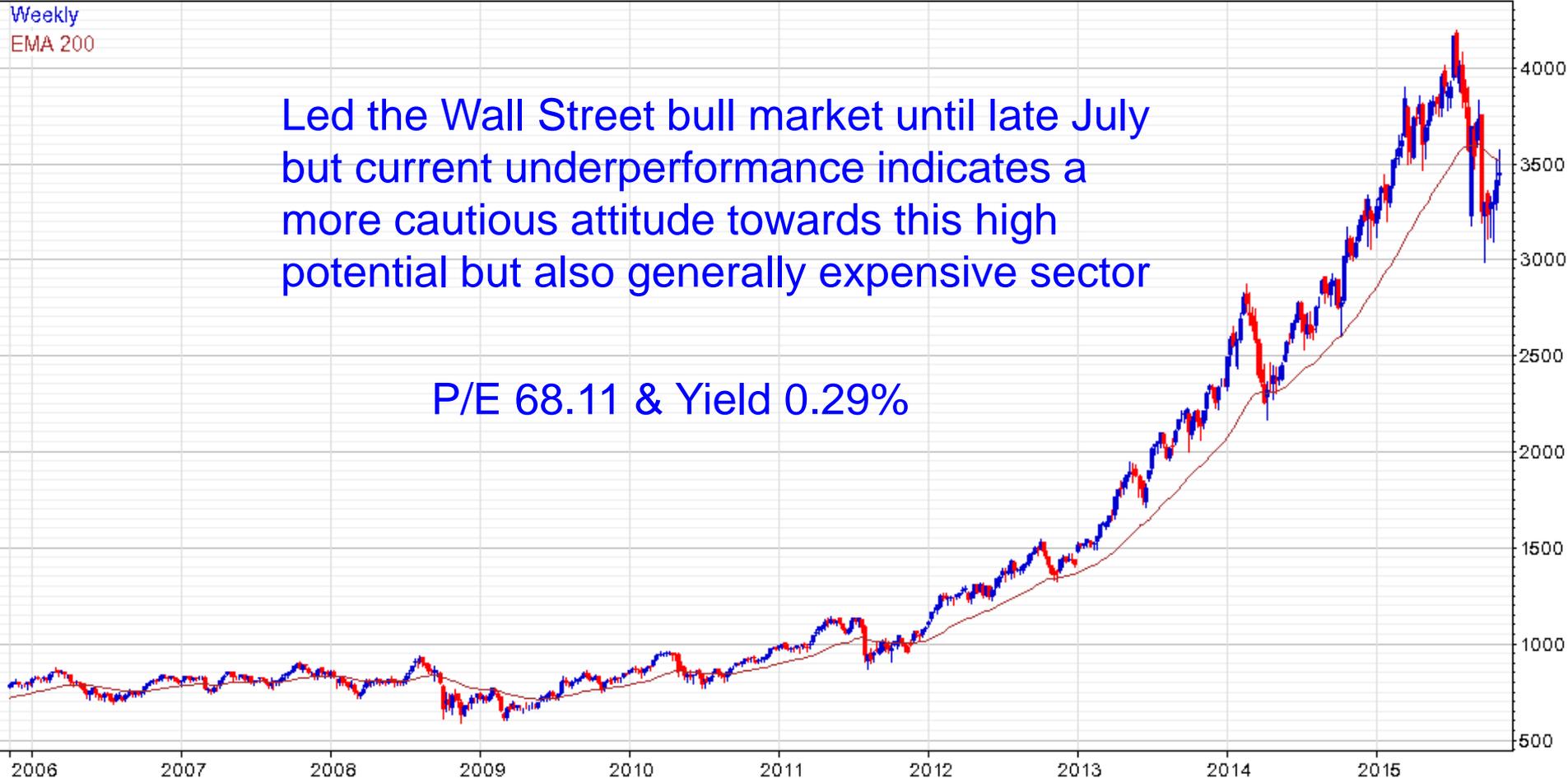




Nasdaq Biotech Index

NASDAQ Biotech Index (NBI INDEX) 3454.587 44.23

2015-11-06





AAPL

Apple (AAPL US EQUITY) 121.06 1.56

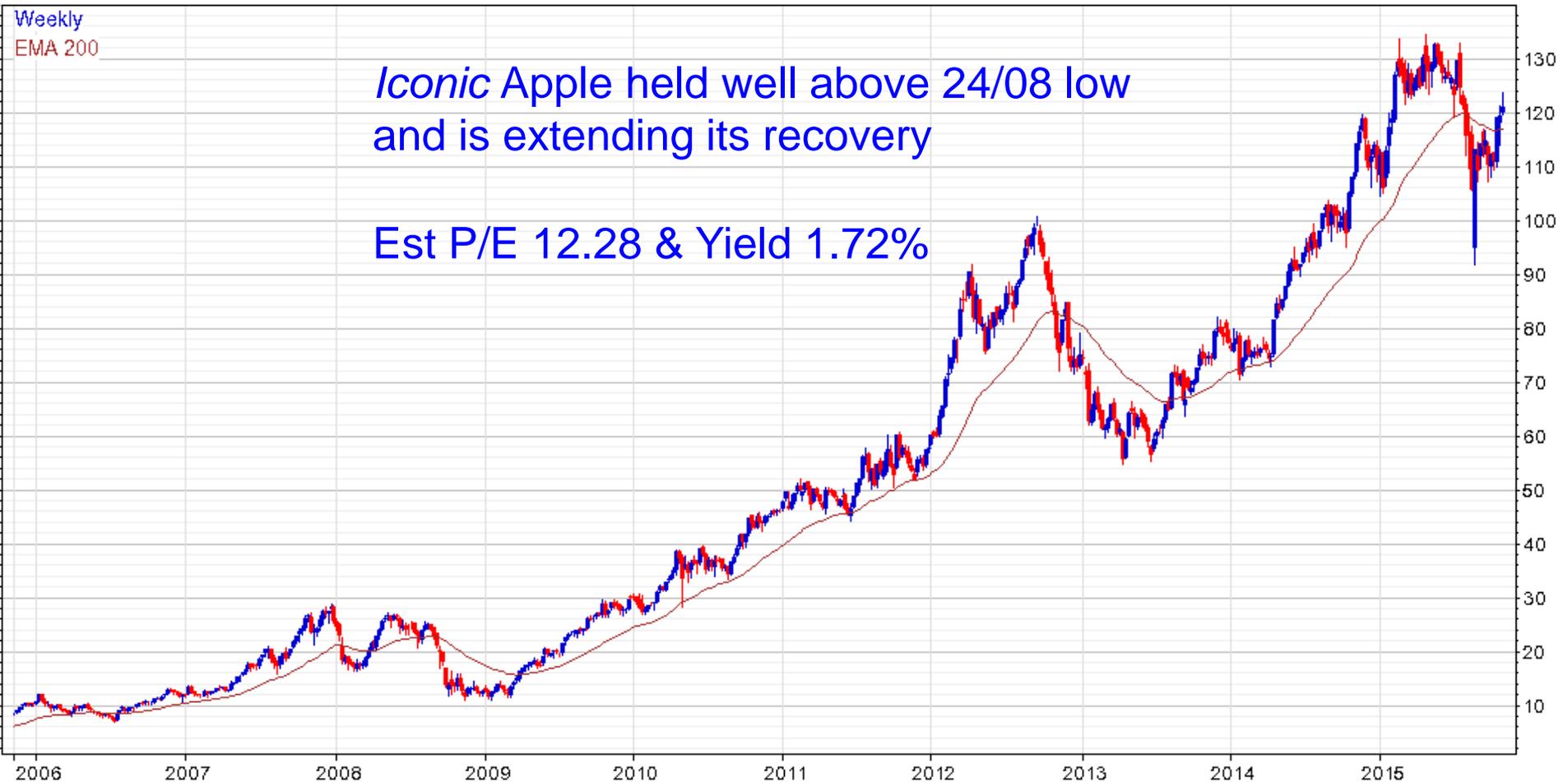
2015-11-06

Weekly

EMA 200

*Iconic Apple held well above 24/08 low
and is extending its recovery*

Est P/E 12.28 & Yield 1.72%





Western European Stock Markets

- 1) An overhanging influence of referendums, the EU, sanctions, the VW scandal and the migrant crisis
- 2) Short-term overbought conditions are evident so expect some consolidation
- 3) Mario Draghi's QE programme will remain an important medium-term tailwind within the EU



FTSE 100

FTSE100 (UKX INDEX) 6353.83 -7.26

2015-11-06





DAX

Germany (DAX INDEX) 10988.03 137.89

2015-11-06

Weekly

EMA 200





KFX

Denmark (KFX INDEX) 980.9058 42.96

2015-11-06





Asia Pacific Stock Markets

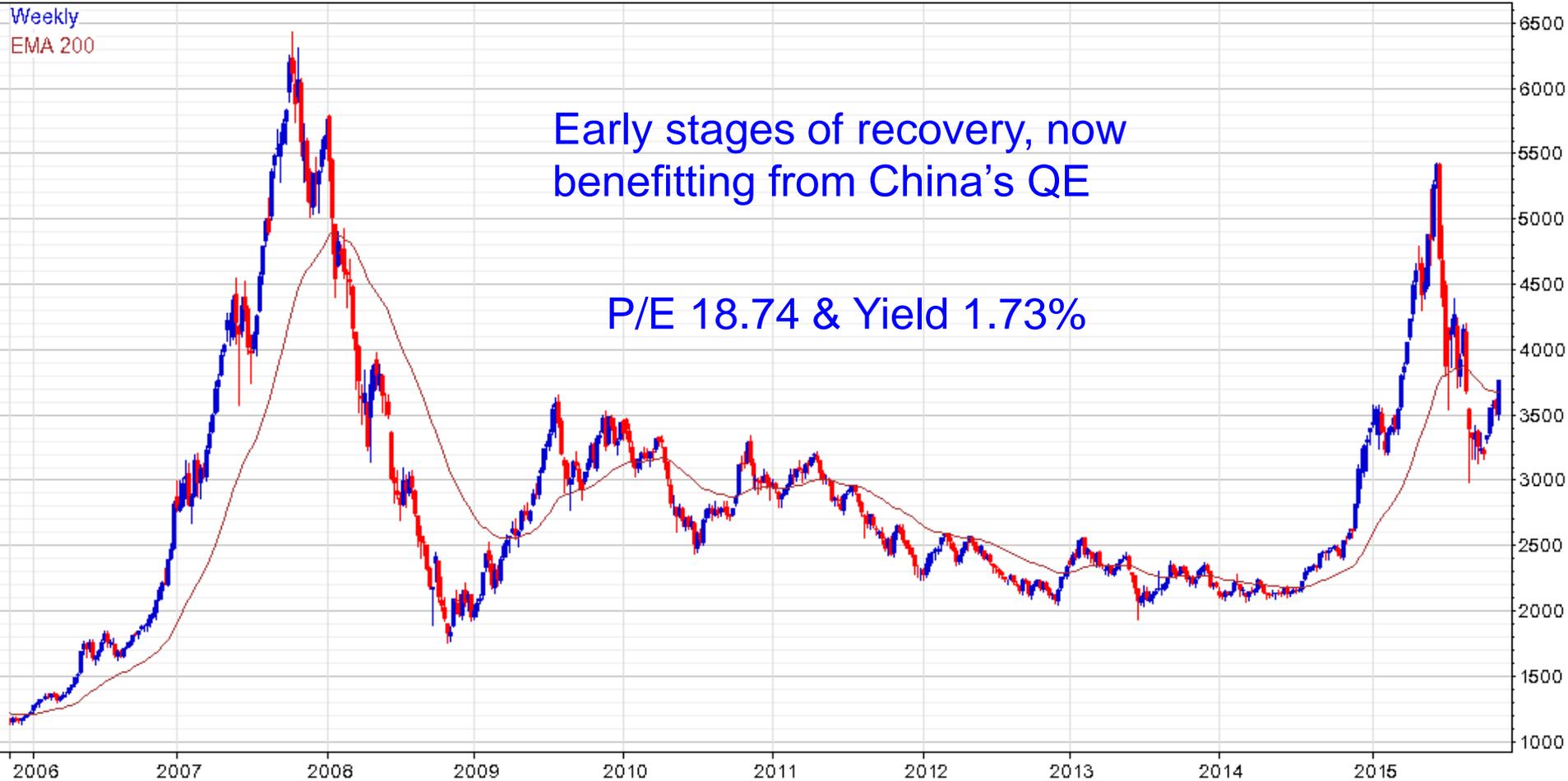
- 1) China remains the dominant influence and has the most favourable valuations
- 2) Narendra Modi's ability to cut through bureaucracy is the key factor for international confidence
- 3) China or India benefit from international investment shifts when the other is temporarily out of favour
- 4) Concern over US\$ borrowings, particularly among some of Asia's smaller economies



Shanghai A-Shares

China Shanghai A-Shares (SHASHR INDEX) 3759.862 217.7

2015-11-06





Hong Kong HSI

Hong Kong (HSI INDEX) 22867.33 227.29

2015-11-06





India Mumbai (SENSEX INDEX) 26265.24 -391.59

2015-11-06

Weekly

EMA 200

India has lost form recently due to correct anticipation of Modi's election loss in the state of Bihar yesterday, which will delay BJP reforms – a medium-term setback

P/E 20.87 & Yield 1.45%





Indonesia

Indonesia (JCI INDEX) 4499.507 -67.05

2015-11-09





Nikkei 225

Japan Nikkei 225 Index (NKY INDEX) 19671.26 405.66

2015-11-10





S&P/ASX 200 Index (AS51 INDEX) 5215.008 -24.43





Primarily Resources Producers

- 1) Hit hard by slump in resources prices, plus some governance problems (Canada excepted)
- 2) Should benefit from lower costs of production, due to technology, plus supply cutbacks and higher demand over the next several years



Canada SPTSX

Canada (SPTSX INDEX) 13553.30 24.13

2015-11-06

Weekly

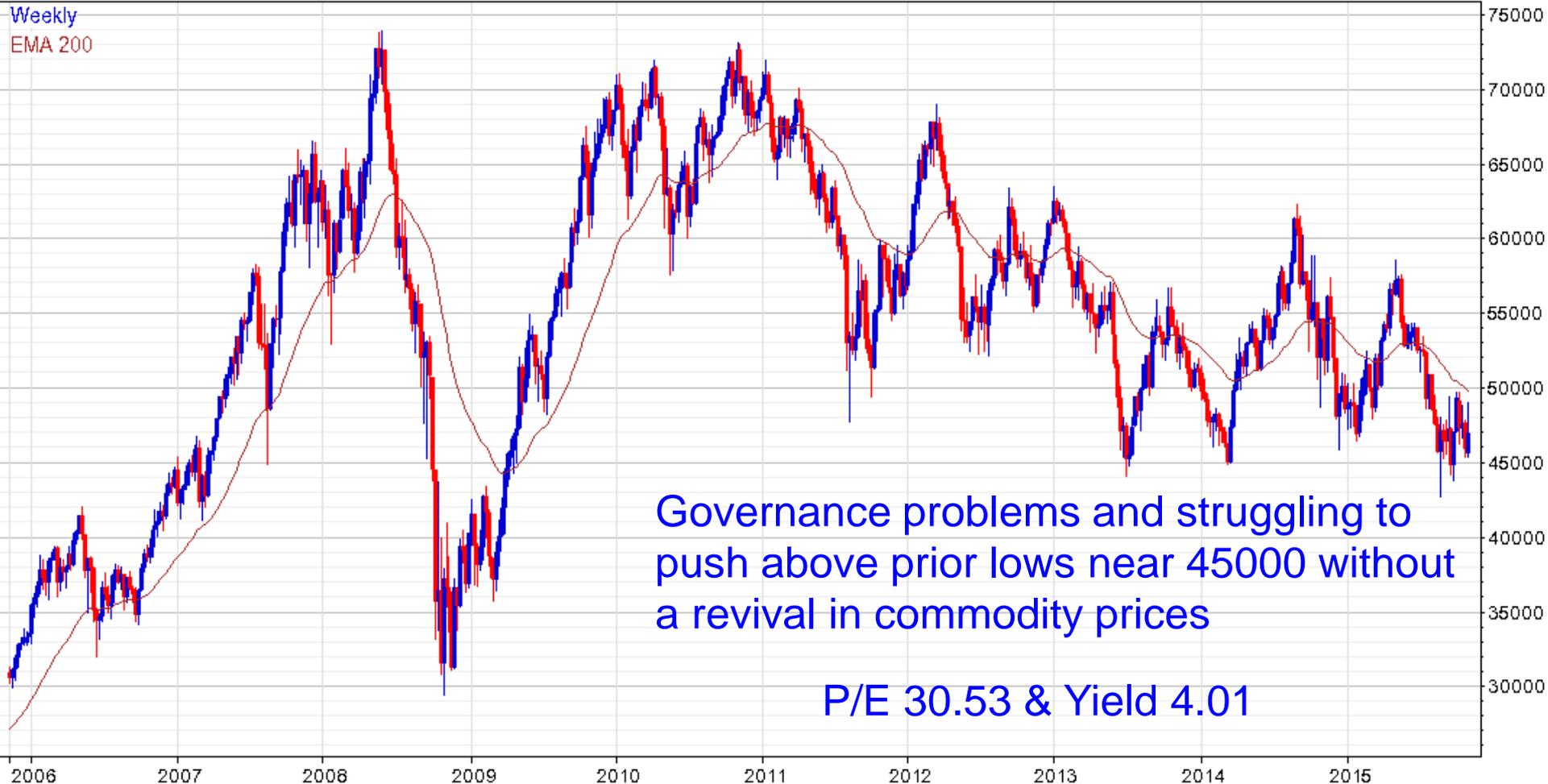
EMA 200





Brazil Bovespa Index (IBOV INDEX) 46918.52 1049.7

2015-11-06





Argentina Merval Index (MERVAL INDEX) 12899.46 438.21

2015-11-05

Weekly

EMA 200

Governance problems and performance considerably flattered by continuous devaluation but strong recently due to the surprise election result leading to a second round on Nov 22nd in which centre-right challenger Mauricio Macri could win – Argentina also needs a recovery in commodity prices to boost the economy

P/E 13.41 & Yield 0.44%

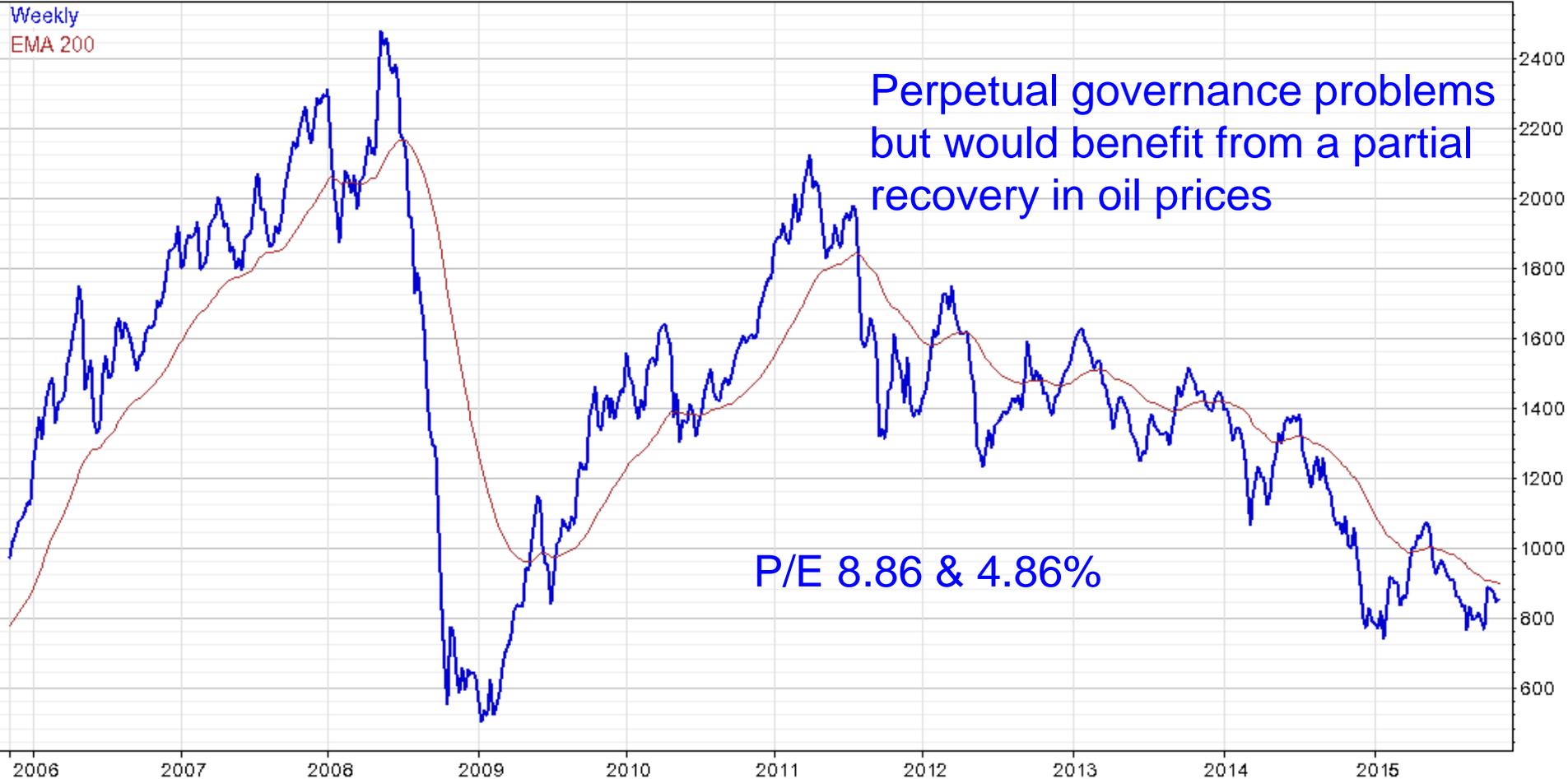




Russia (RTSI\$)

2015-11-06

Russia RTS \$ Index (RTSI\$ INDEX) 854.34 8.8





Saudi Arabia

Saudi Arabia Tadawul All Share Index (SASEIDX INDEX) 6922.96 -122.81

2015-11-08





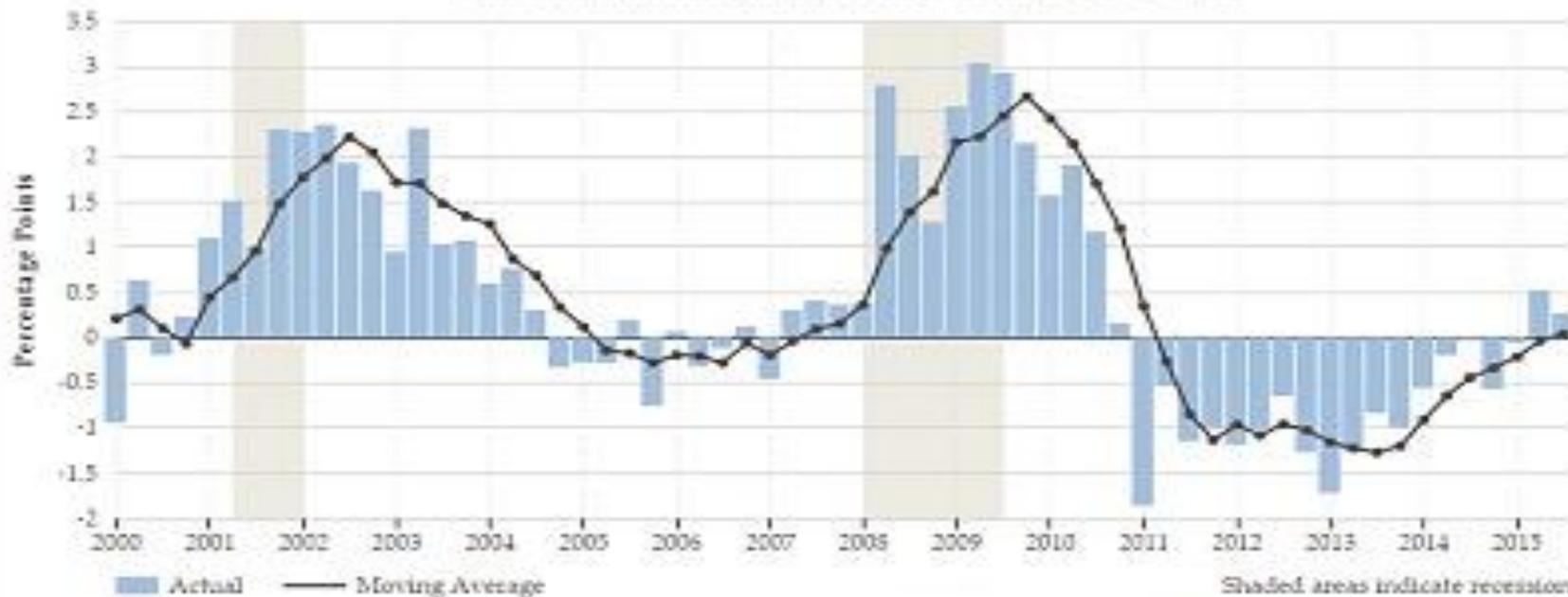
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A few graphs of global
economic performance
which may be of interest



USA – Fiscal Policy to Real GDP Growth

Fiscal Impact Measure
The Contribution of Fiscal Policy to Real GDP Growth



Source: Hultine Center calculations based on BEA data



ECB Increasing Stimulus

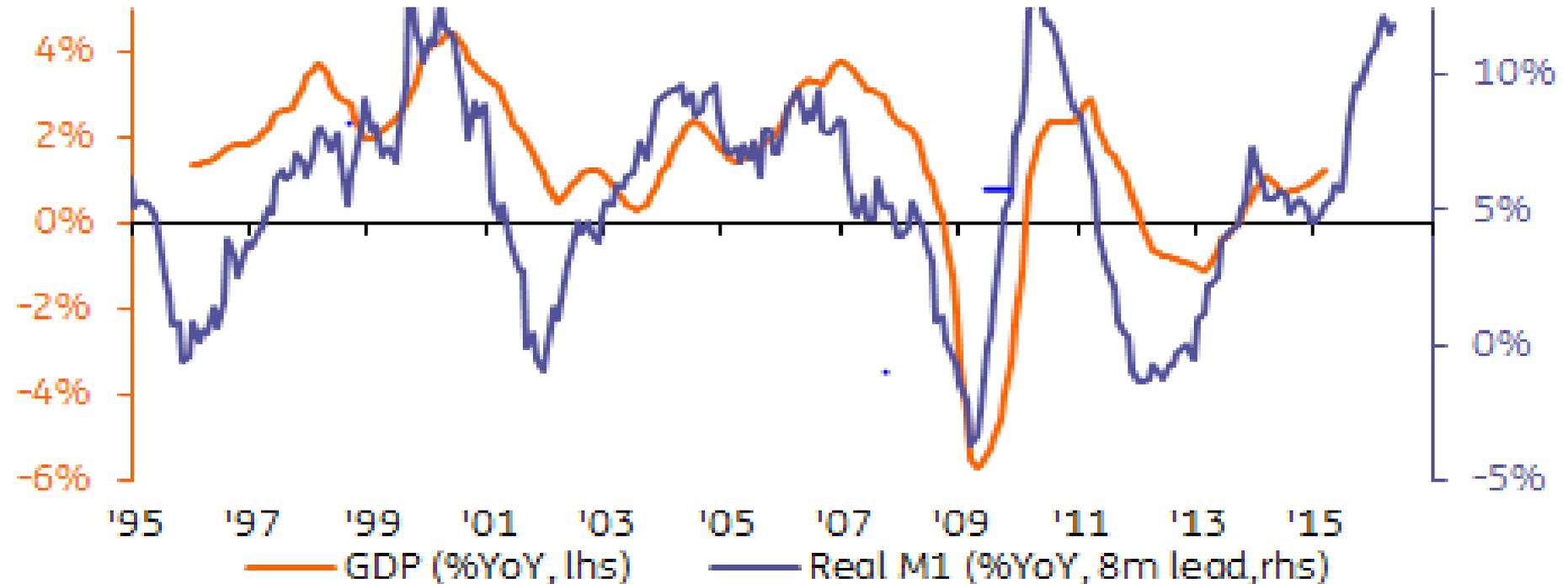
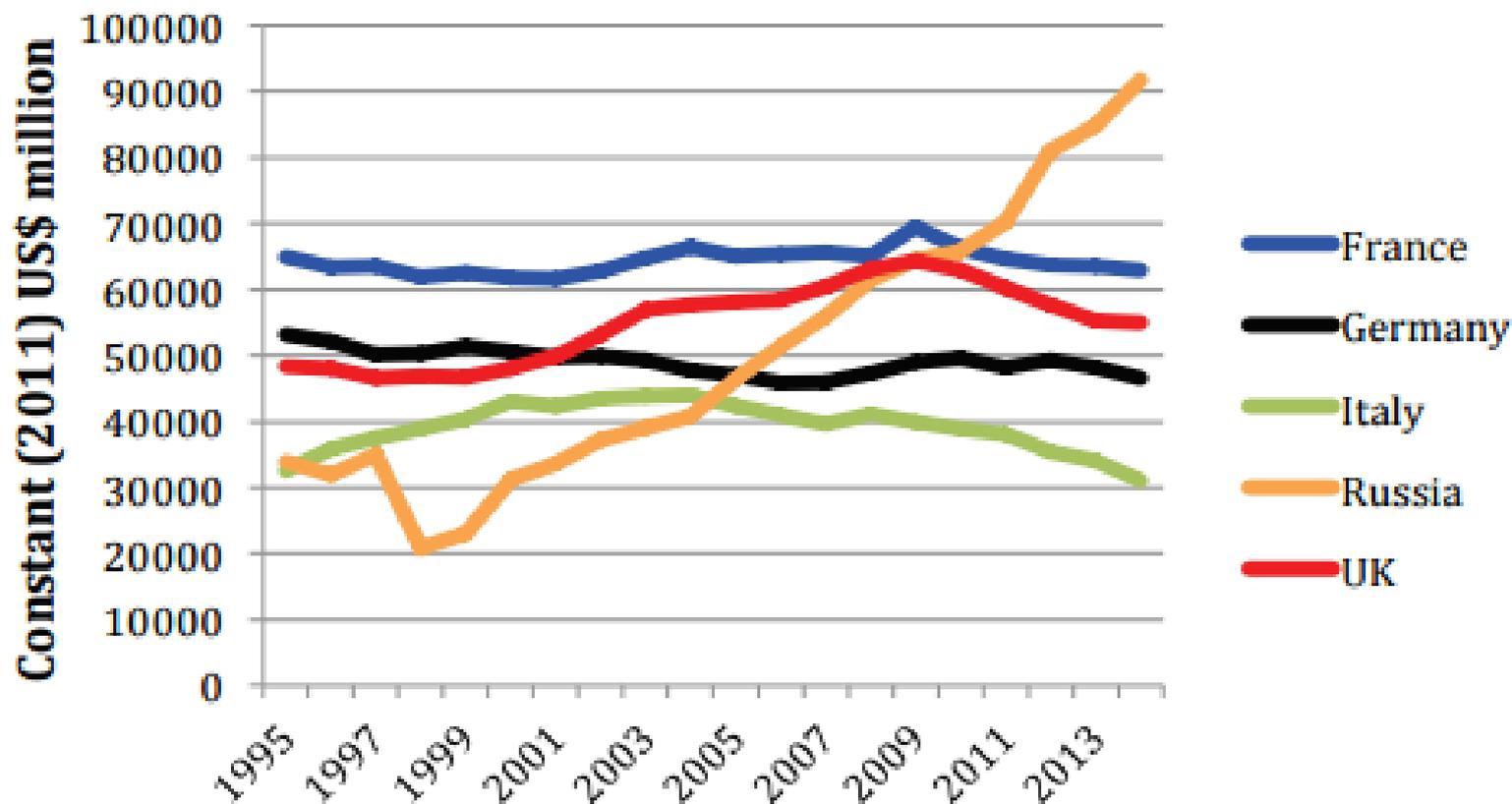




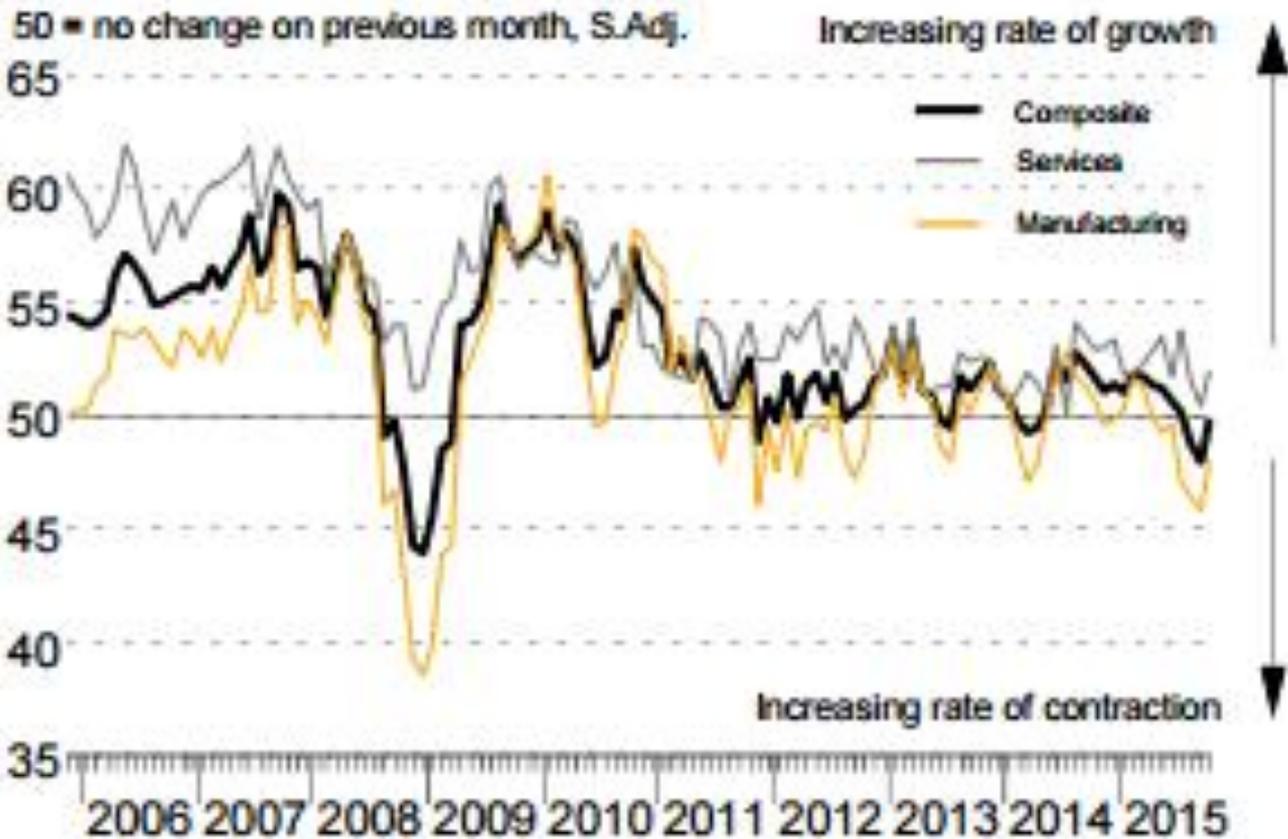
Figure 1. Military expenditure of Russia and major West European countries 1995-2014





Green Shoots Reappearing?

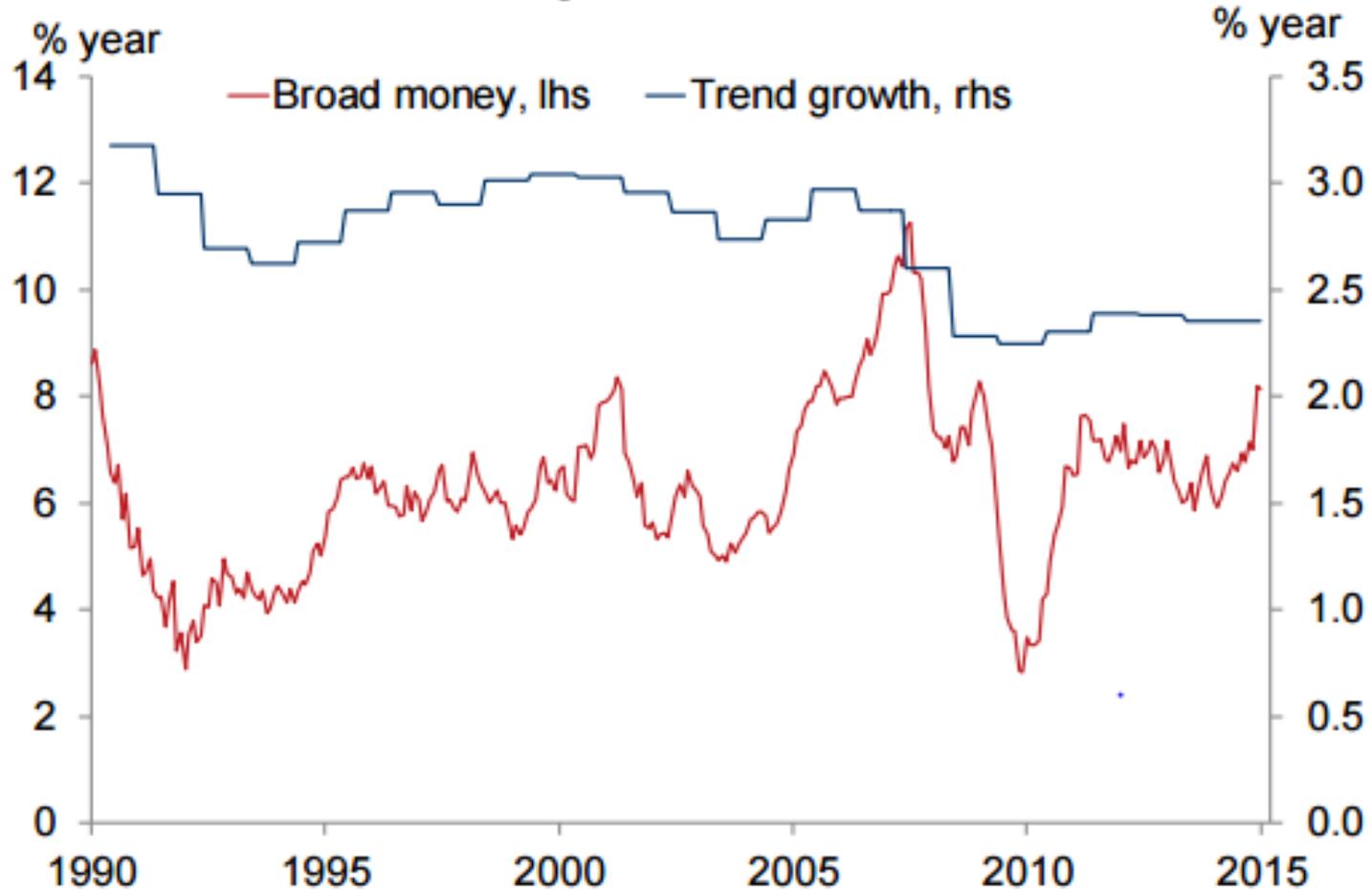
Caixin China Output PMI



Sources: Markit, Caixin *



World: Broad money



Source : Oxford Economics/Haver Analytics



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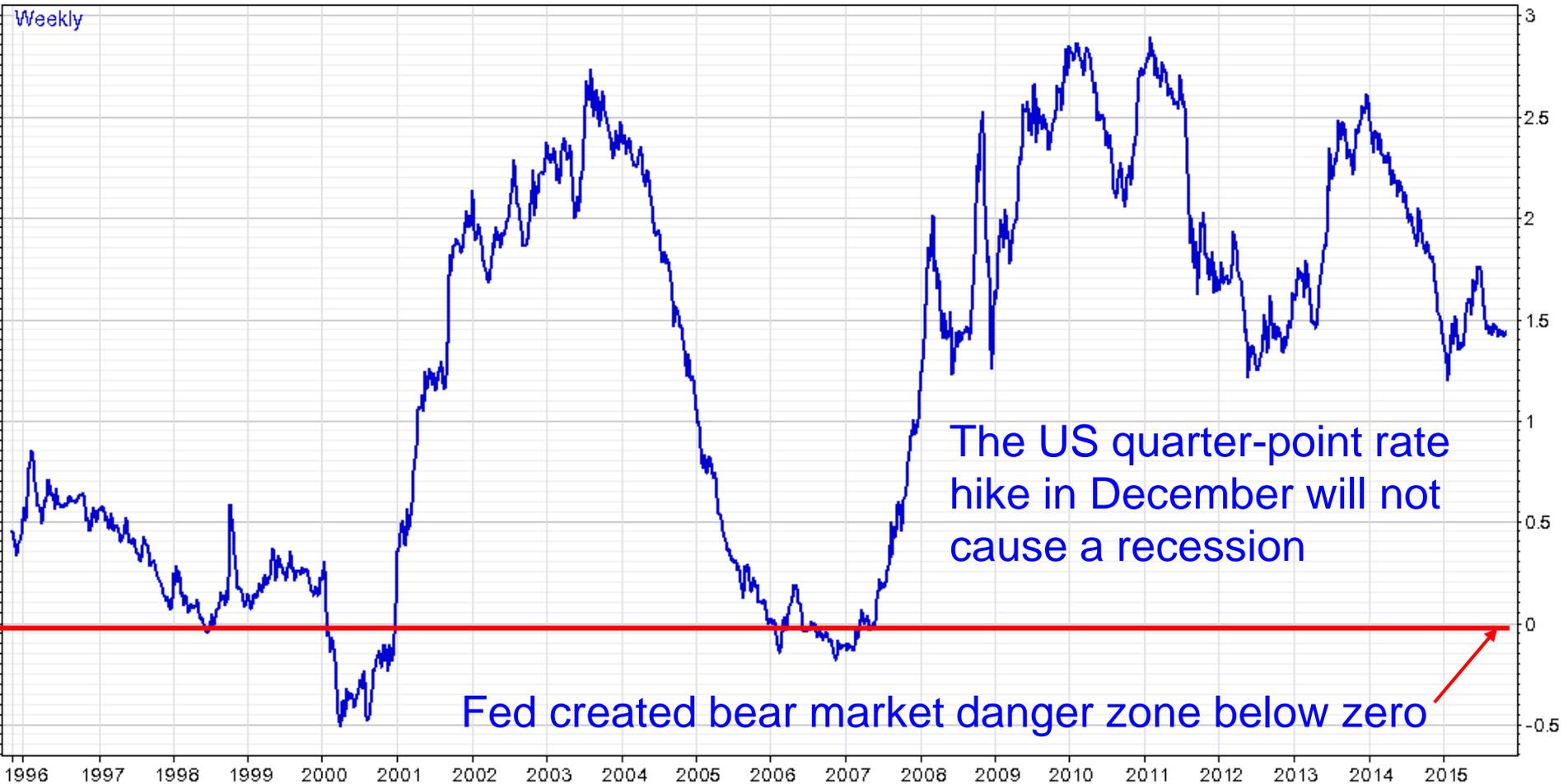
Yield Curve & US 10-Yr Treasuries



US Yield Curve 10Yr-2Yr

US 10yr Treasury Bond Yield (USGG10YR INDEX) - US 2yr Treasury Bond Yield (USGG2YR INDEX) 1.439 0.02

2015-11-06





US 10-Yr Treasury Yield

2015-11-06

US 10yr Treasury Bond Yield (USGG10YR INDEX) 2.3252 0.18





Merrill Lynch Treasury Total Return Index – a lagging indicator

Merrill Lynch Treasury 10yr+ Future Total Return Index (MLT1US10 INDEX) 2069.004 -13.98

2015-11-05





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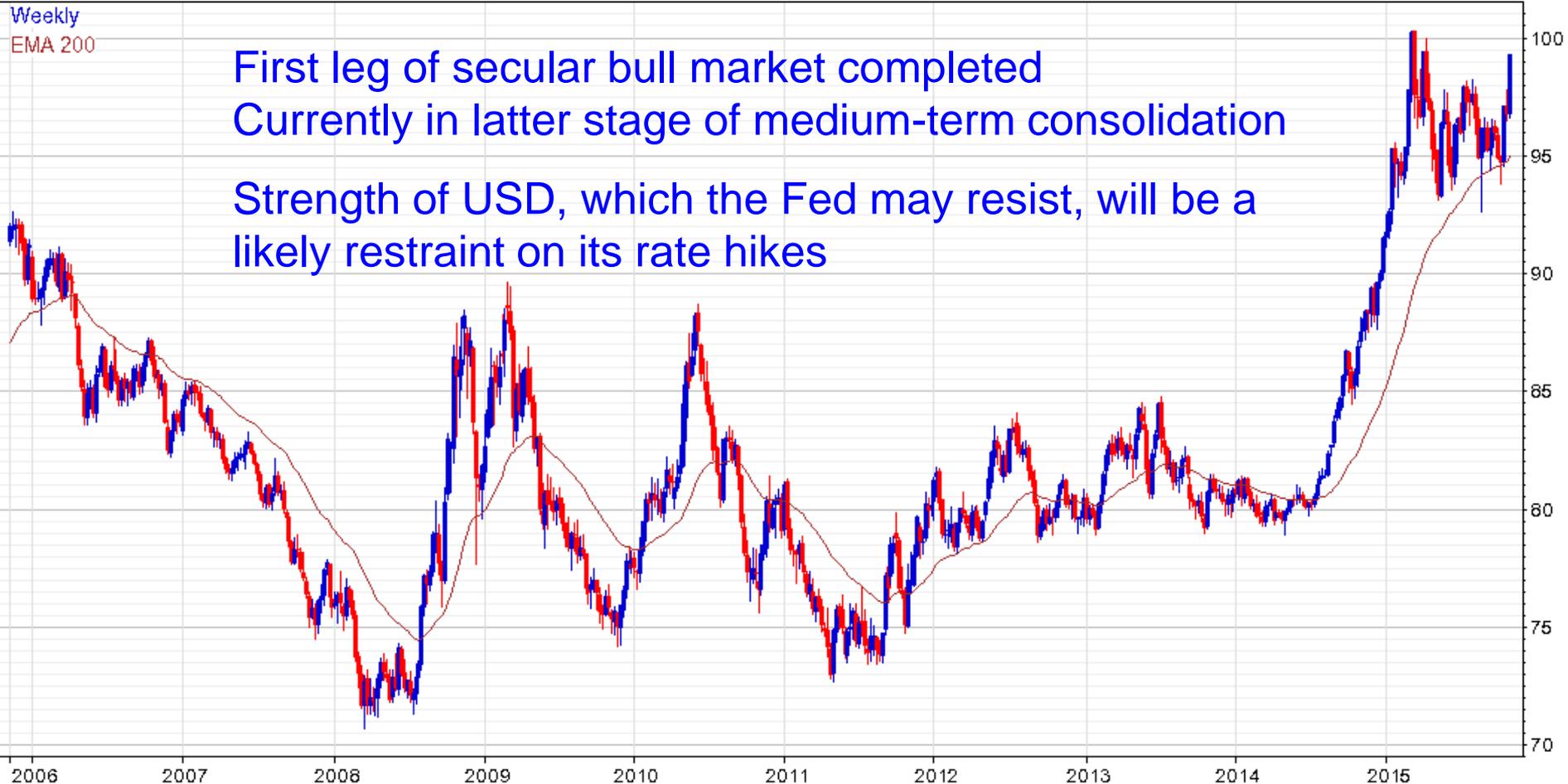
Dollar Index



Dollar Index

Dollar Index (DXY INDEX) 99.302 2.54

2015-11-06





Commodities

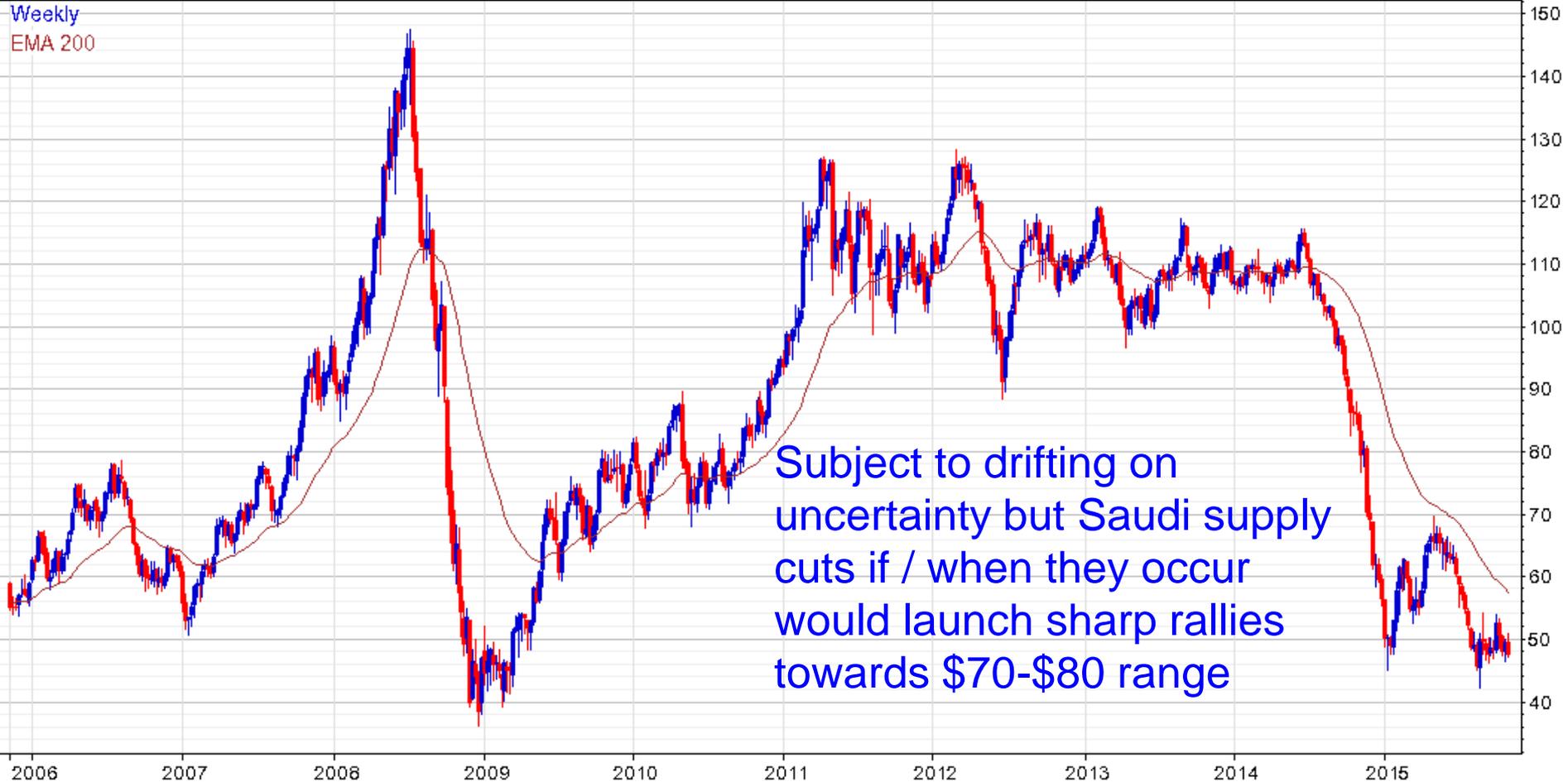
- 1) Most industrial resources, including precious metals, are in the region of their bear market lows but the strong Dollar is a headwind
- 2) The timing of recoveries depends largely on supply cutbacks and to a lesser extent, increasing demand
- 3) For agricultural commodities, the key variable is always crop yields



Brent Crude Oil

2015-11-06

Brent Crude Oil (CO1 COMB COMDTY) 47.42 -2.14





Copper

Copper (CMX) (HG1 COMB COMDTY) 224.20 -7.55

2015-11-06





Gold

London Spot Gold (GOLDS COMDTY) 1089.80 -52.36

2015-11-06





Silver

Silver 1st mth (SI1 COMB COMDTY) 14.691 -0.88

2015-11-06

Weekly

EMA 200

Silver is high-beta gold and will lead on the upside as precious metals eventually recover





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Many thanks for your interest!
Any questions?

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China Shanghai A-Shares (SHASHR INDEX) 3239.04 -6.07

2015-09-25





Hong Kong (HSI INDEX) 21186.32 -734.51

2015-09-25





India Mumbai (SENSEX INDEX) 25616.84 -246.66

2015-09-28





S&P/ASX 200 Index (AS51 INDEX) 5042.11 -128.39

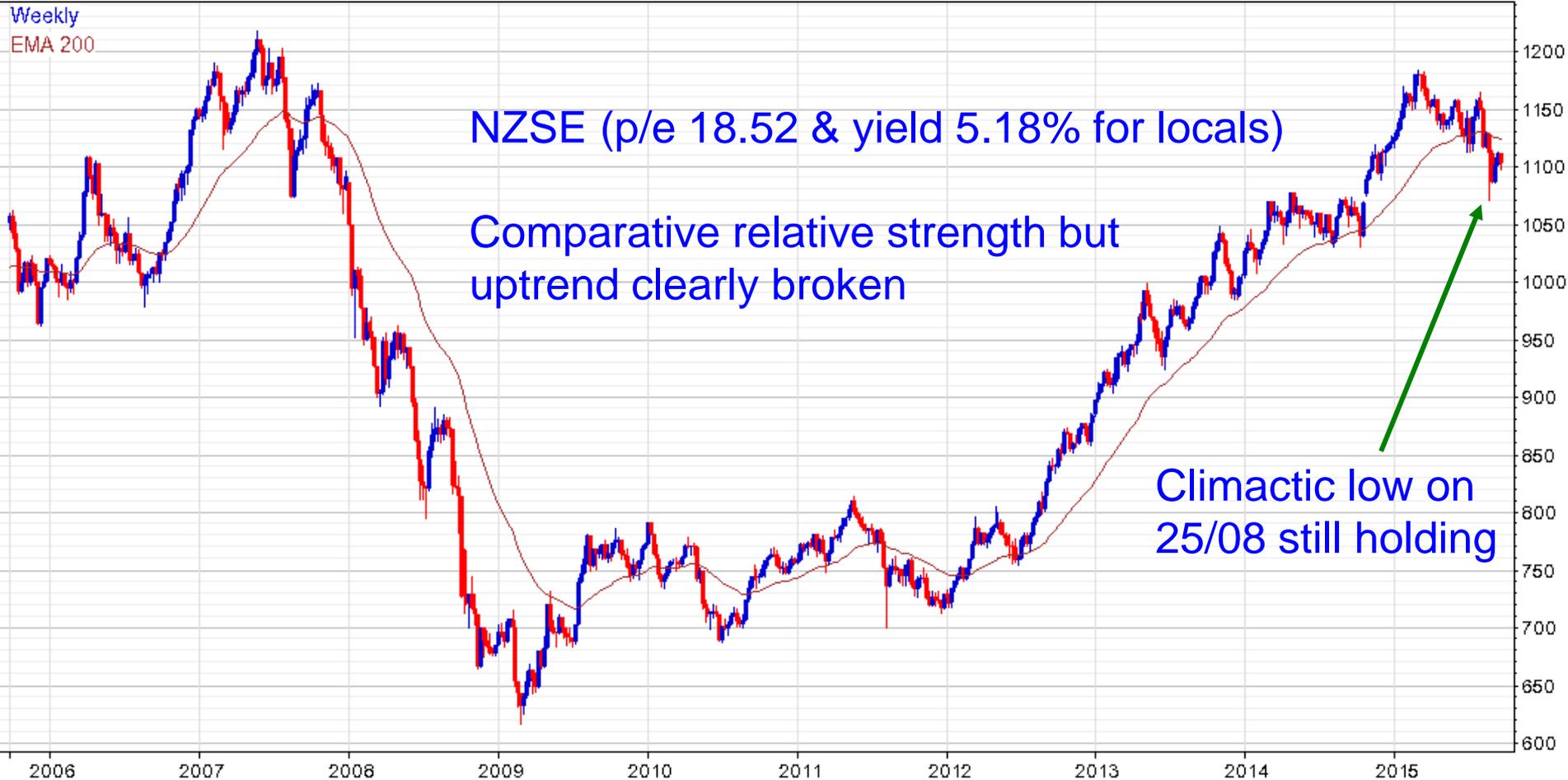
2015-09-25





New Zealand All Share (NZSE INDEX) 1103.223 -8.04

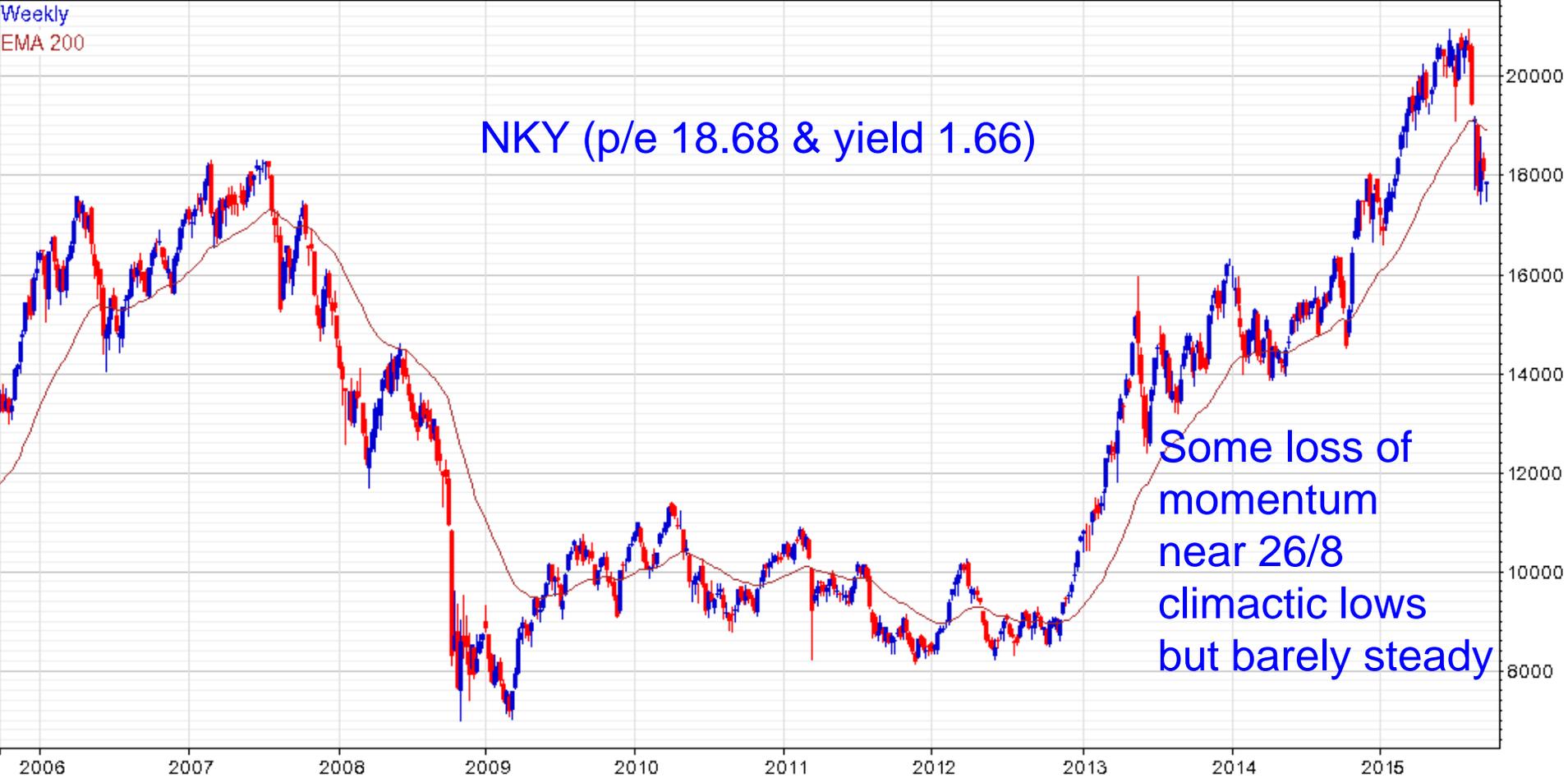
2015-09-25





Japan Nikkei 225 Index (NKY INDEX) 17880.51 -189.7

2015-09-25





Topix 2nd Section (TSE2 INDEX) 4538.28 -24.86

2015-09-25





European Union

- 1) Variousy roiled by Putin, Sanctions, Grexit, Brexit, slow GDP growth, high unemployment, political dissatisfaction, rule by unelected EU commissioners, a divisive and out of control migrant crisis, and now the diesel emissions scandal
- 2) Share valuations are competitive and QE continues



Ten-year chart of SX5E

2015-04-17

DJ Euro STOXX 50 (SX5E INDEX) 3674.05 -142.71





DJ Euro STOXX 50 (SX5E INDEX) 3113.16 -44.14

2015-09-25





DJ Euro Banks (SX7E INDEX) 131.84 -2.93

2015-09-25





Germany (DAX INDEX) 9688.53 -227.63

2015-09-25





FTSE100 (UKX INDEX) 6109.01 4.9

2015-09-25





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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 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



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.