



49th Annual Contrary Opinion Forum

David Fuller 6th October 2011

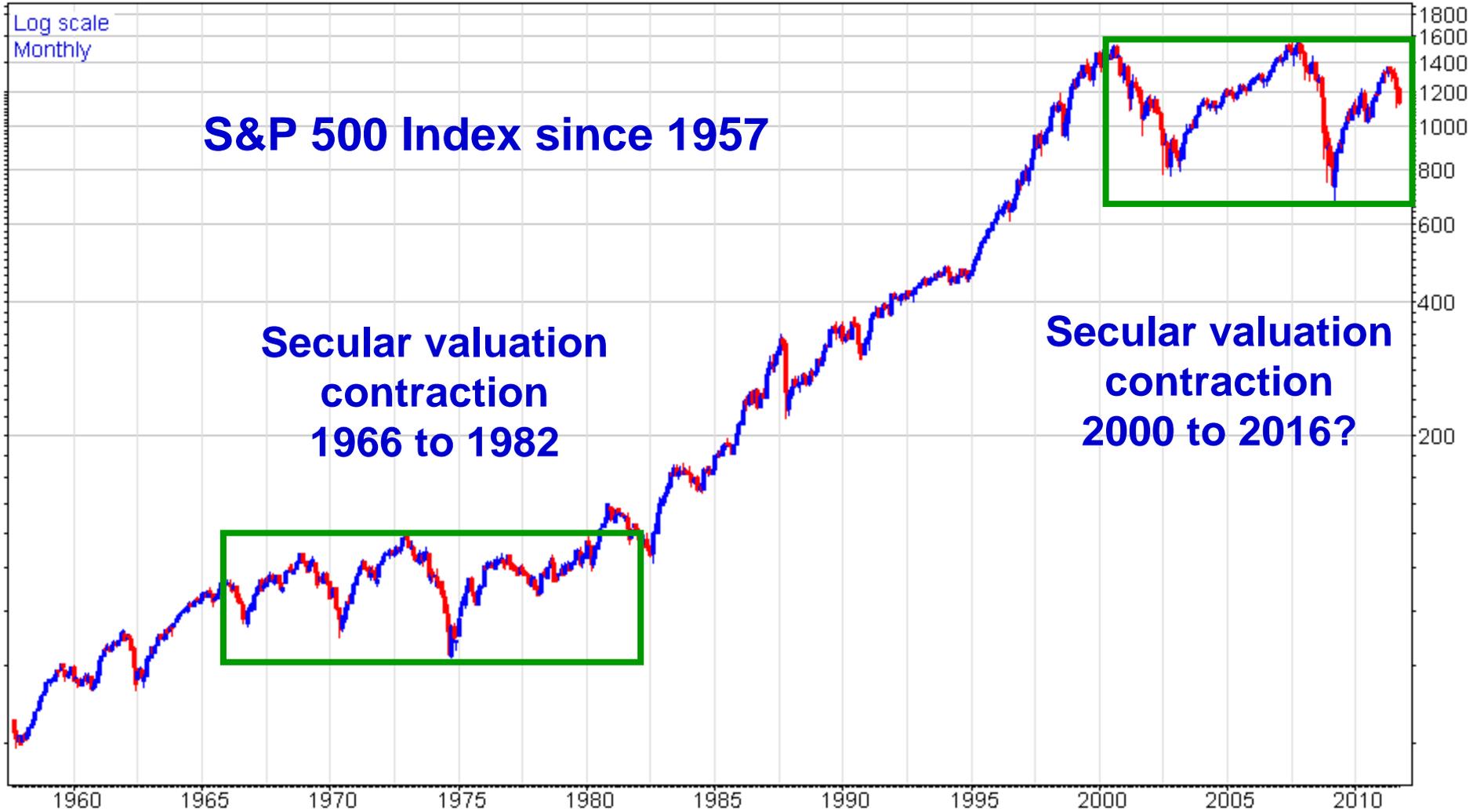
Where are we in today's global market cycle?





S&P 500 Index (SPX) 1136.43 +6.87

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**We are currently experiencing
a cyclical bear market
within a secular valuation contraction
(which some call a secular bear market)**

**Today's cyclical bear has probably
commenced its latter stages but there
are still risks to the downside and no
clear signs that the lows have been seen**



Main causes of the cyclical bear:

- Europe's sovereign debt crisis**
- US economic weakness, debt and politics**
- Monetary tightening by growth economies**
- Spikes in commodity prices earlier this year**

(This latter factor is mentioned less frequently but spikes in commodity prices, especially crude oil, have always resulted in economic slowdown or recession. Commodity price inflation is arguably a bigger problem for Asian-led growth economies than the west's economic problems.)



Italy Govt Bonds 10Yr Gross Yield (GBTPGR10) - Germany 10yr Bond Yield (GDBR10)

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**Key European Indicator:
Spread between Italian and
German 10-Yr Govt bond yields
Higher levels reflect Greece
contagion fears**



Italy Govt Bonds 10Yr Gross Yield (GBTPGR10) - Germany 10yr Bond Yield (GDBR10)

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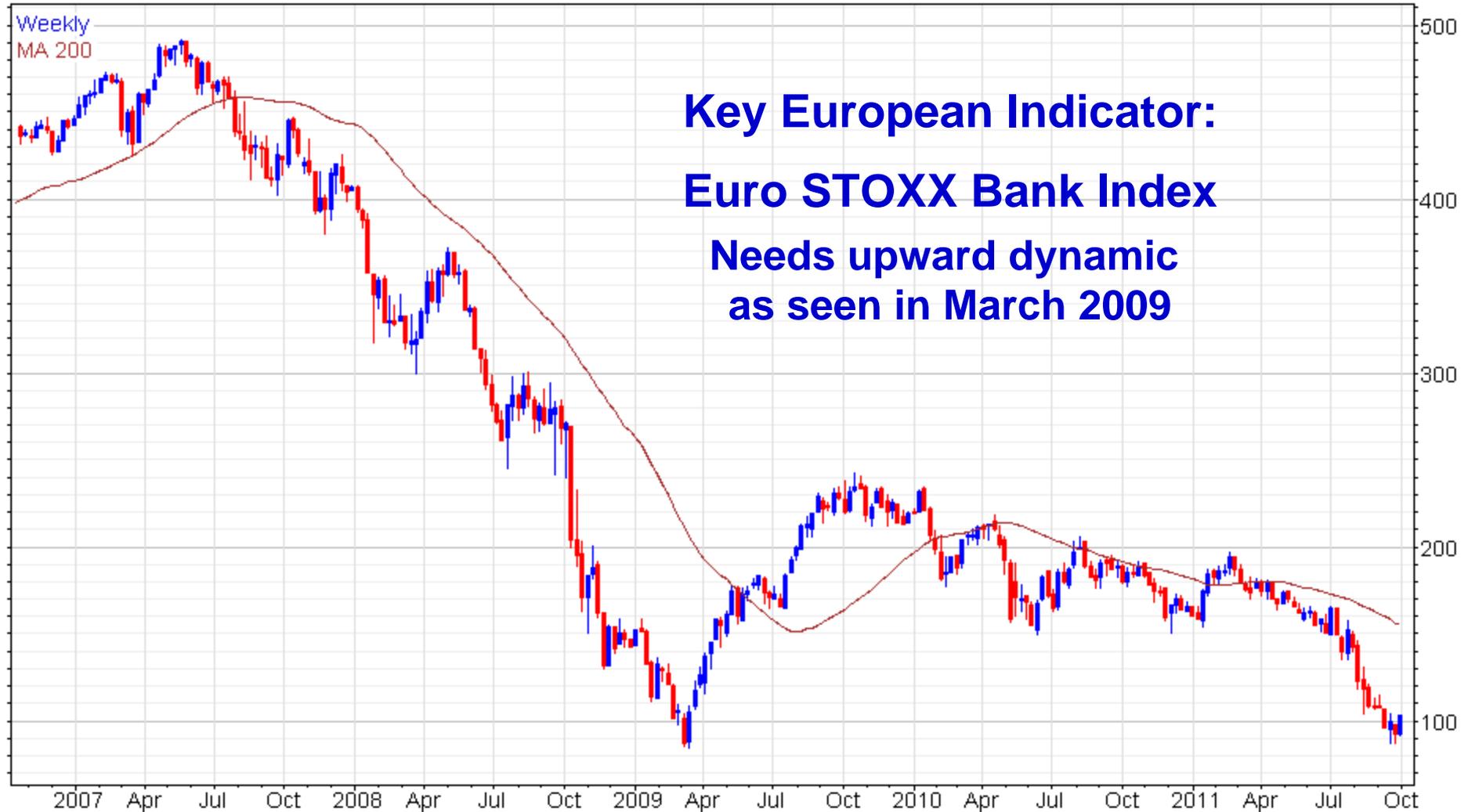
**Key European Indicator:
Spread between Italian and
German 10-Yr Govt bond yields
Higher levels reflect Greece
contagion fears**





Euro STOXX Bank (SX7E) 103.8 +5.79

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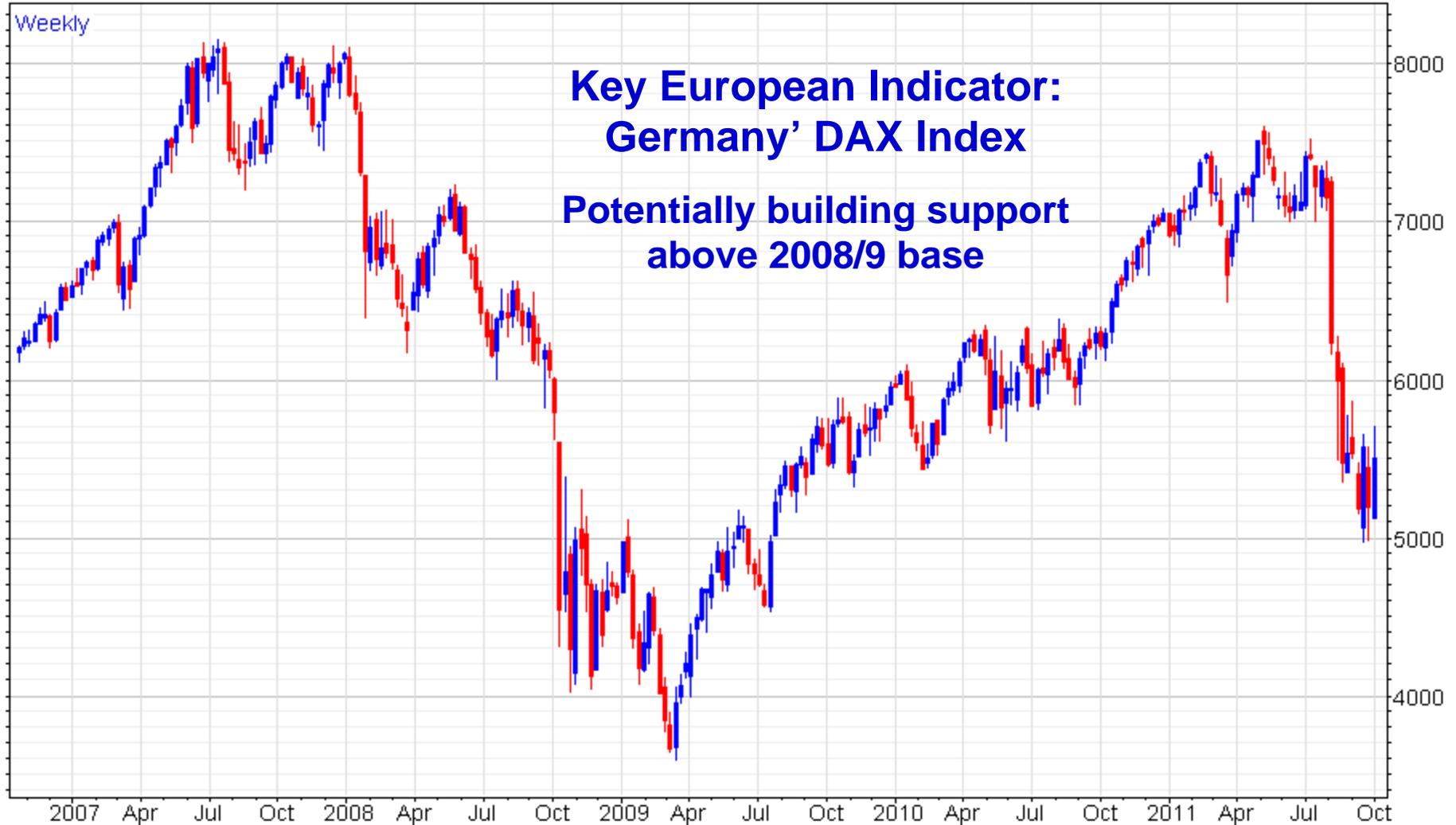


**Key European Indicator:
Euro STOXX Bank Index
Needs upward dynamic
as seen in March 2009**



Germany DAX Index (DAX) 5502.02 -137.56

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Fullermoney European Forecasts:

- Reports of the euro's demise are premature
- Greece will have an 'orderly', controlled default
- Portugal may as well, although not immediately
- The new European Financial Stability Facility (EFSF) should contain risk of further contagion
- The European Stability Mechanism (ESM) may be brought forward from 2013 to replace EFSF
- The necessary fiscal union for a single currency will be negotiated and eventually ratified
- Europe will remain a slow-growth region but has a number of world-class multinational companies



The Autonomies

(Fullermoney's moniker for the world's most successful multinational companies)

Many of today's successful multinational companies have become quasi-autonomous, mobile principalities.



**Western corporate Autonomies
are the antitheses of their
home countries**



**Most 'developed' economies have:
high debt, high unemployment,
slow GDP growth,
crumbling infrastructure
and questionable governance.**

**Fortunately, as investors
we buy companies -
not economies.**



The Autonomies

**(successful multinational companies)
have strong balance sheets and
improved governance since 2008.**

**They profit from global GDP growth by
manufacturing where they receive
competitive costs and entry to
overseas markets, and sell where they
earn the best returns.**



Most Autonomies pay dividends and some are 'Dividend Aristocrats'

**Excluding the financial sector,
dividends of S&P 500 companies
are now 20 percent higher than at
the 2007 peak.**

The Wall Street Journal



**The USA has far more Autonomies
than any other country**

They are household names such as:

**Amazon, Apple, Bristol-Myers Squibb,
Coca-Cola, Colgate-Palmolive, Costco,
Google, Heinz, IBM, Johnson &
Johnson, MasterCard, McDonald's,
Nike and Visa**



Amazon.com Inc (AMZN) 216.23 -6.21

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Coca-Cola Co (KO) 67.56 -1.49

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McDonald's Corp (MCD) 87.82 -0.96

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Stock market question:

Do two severe bear markets within eight years make it *more or less* likely that another *dramatic* decline will occur within a few years?

We are about to find out over the next few months, meanwhile...



Investors Intelligence

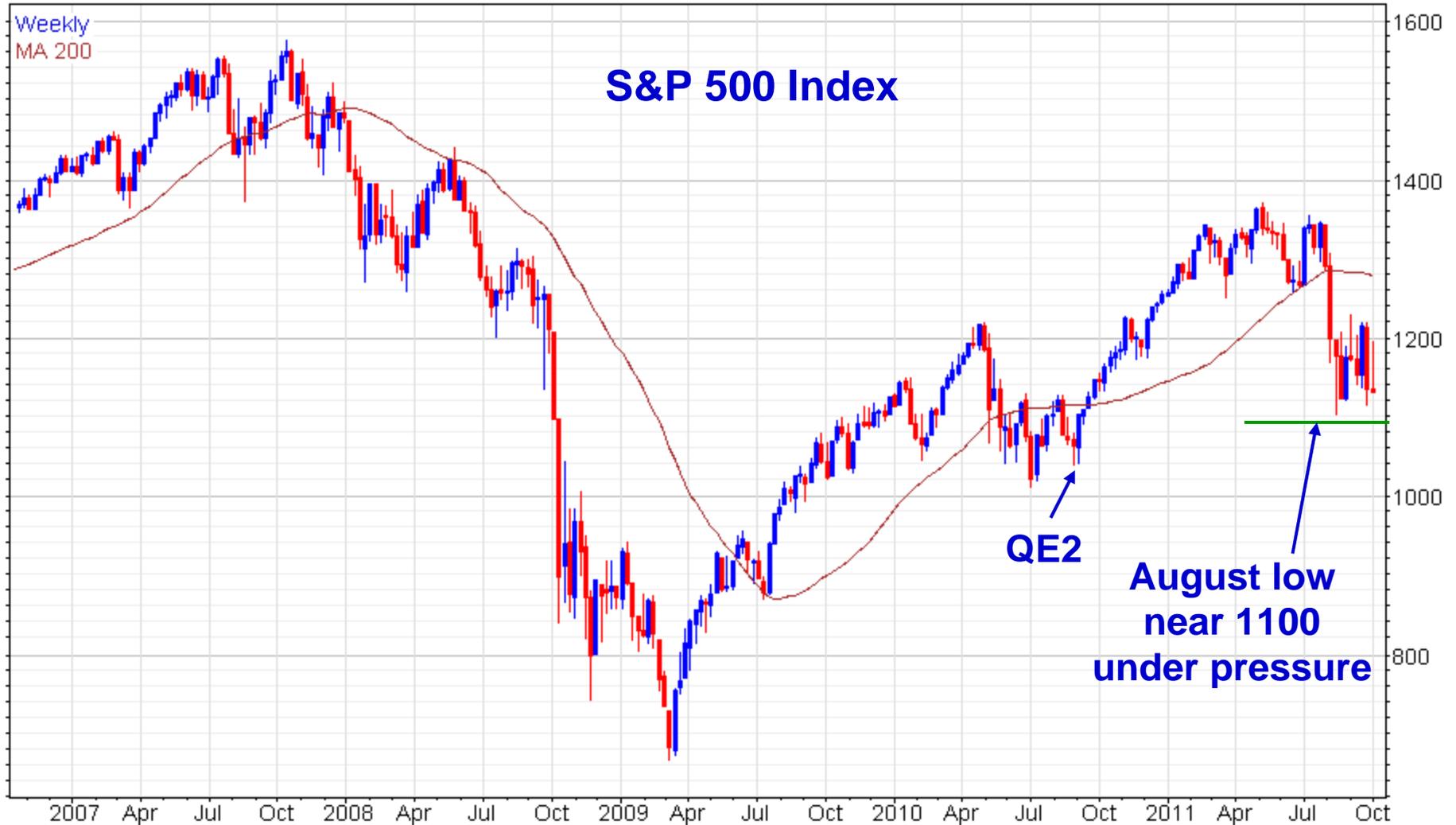
Oversold but falls further in significant bear trends





S&P 500 Index (SPX) 1131.42 -28.98

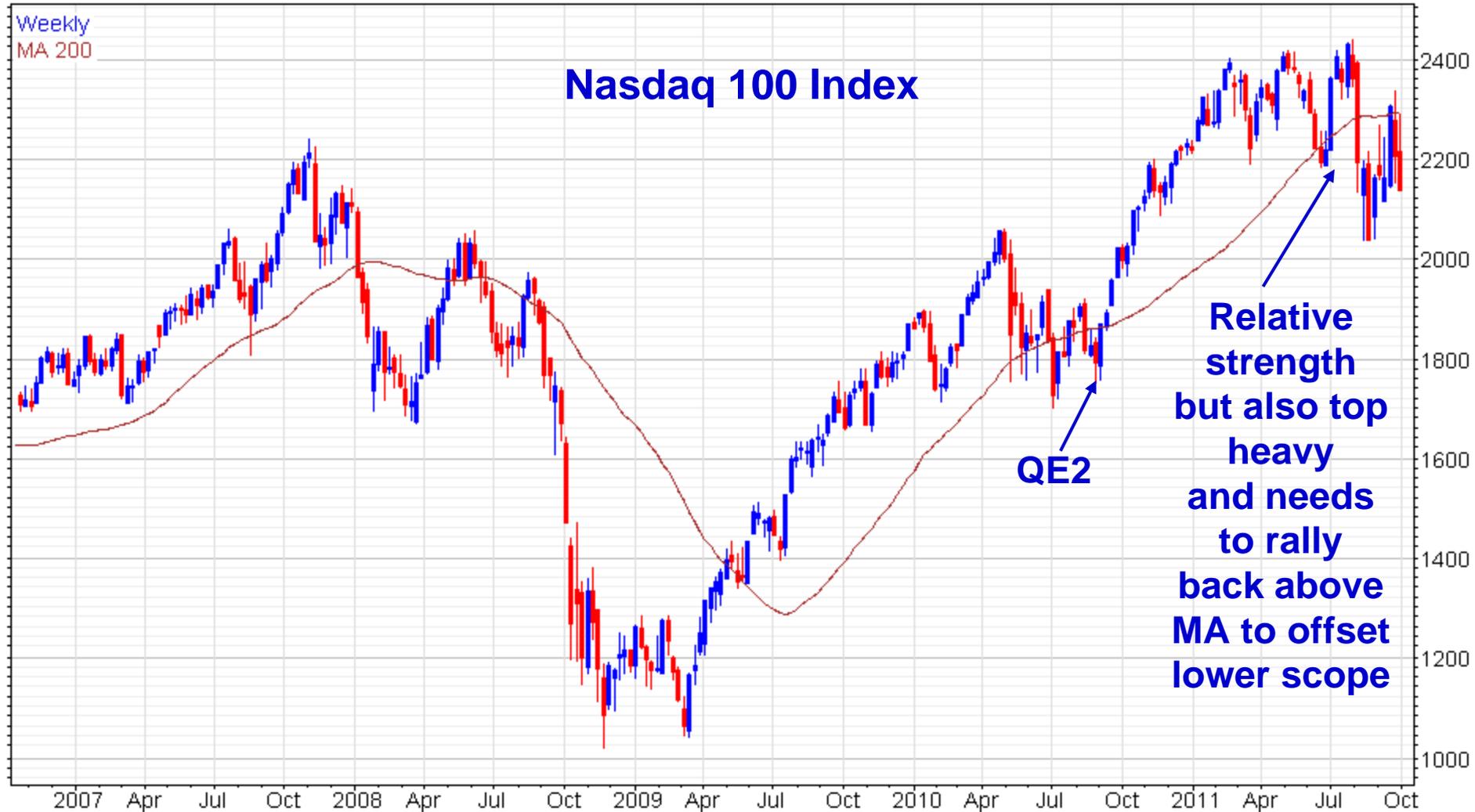
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NASDAQ 100 (NDX) 2139.18 -58.50

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**Many US economic commentators
say that America is in a depression!**

**We also heard this in 1974, 1987,
2001 and 2008.**

This crisis is serious, but...



What we *actually* have is the worst credit crisis recession since the 1930s.

‘100 years of history show that it takes five to seven years for an economy to recover from a credit crisis recession.’

If the US recession ended in 2Q 2009, we are less than halfway into the third year of the convalescence



Fullermoney USA Views & Forecasts:

- **Second difficult decade due to myriad reasons from governance to bubbles, war and debt**
- **US corporate success shows decline not systemic**
- **Inspired governance required** – then America can rediscover its core values and historic strengths
- **Shale oil and gas will help fuel the US economy to energy self-sufficiency within ten to fifteen years**
- **This eliminates the deficit and a govt. surplus funds infrastructure rebuilding across the USA**
- **America's creative culture reinvigorates economy led by technology, manufacturing and services**



Asia remains the global GDP growth engine but it has been slowed by the fight against inflation

A change in Asian monetary policy from restrictive to accommodative is needed to revive global GDP growth

Lower commodity prices would enable monetary easing in Asia



China Shanghai A Index (SHASHR) 2505.52 -24.18

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China Shanghai A Index
Record share offerings
and monetary squeeze
have weighed on market
but valuations are approaching
historic lows



India BSE Sensex Index (SENSEX) 16446 -78.01

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India BSE Sensex Index
12 consecutive rate hikes
monetary reversal
required



Indonesia Jakarta Comp Index (JCI) 3513.17 +39.23

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Fullermoney Asia Forecasts:

- **Asia remains the engine room for global GDP growth due to capitalism, population and demographics**
- **Asia's proportion of global GDP growth will increase**
- **Asia's inflation will remain a problem, not least when strong growth causes commodity prices to surge**
- **China is not a bubble economy but it is bubble prone**
- **Intra-Asian trade will expand significantly**
- **Asia's middleclass will continue to increase rapidly**
- **Asian demand for most commodities grow steadily**
- **Environmental problems – especially drought – are the main risks to Asian economic prosperity**
- **Cambodia, Myanmar and North Korea will eventually adopt Asia's state-led capitalism**



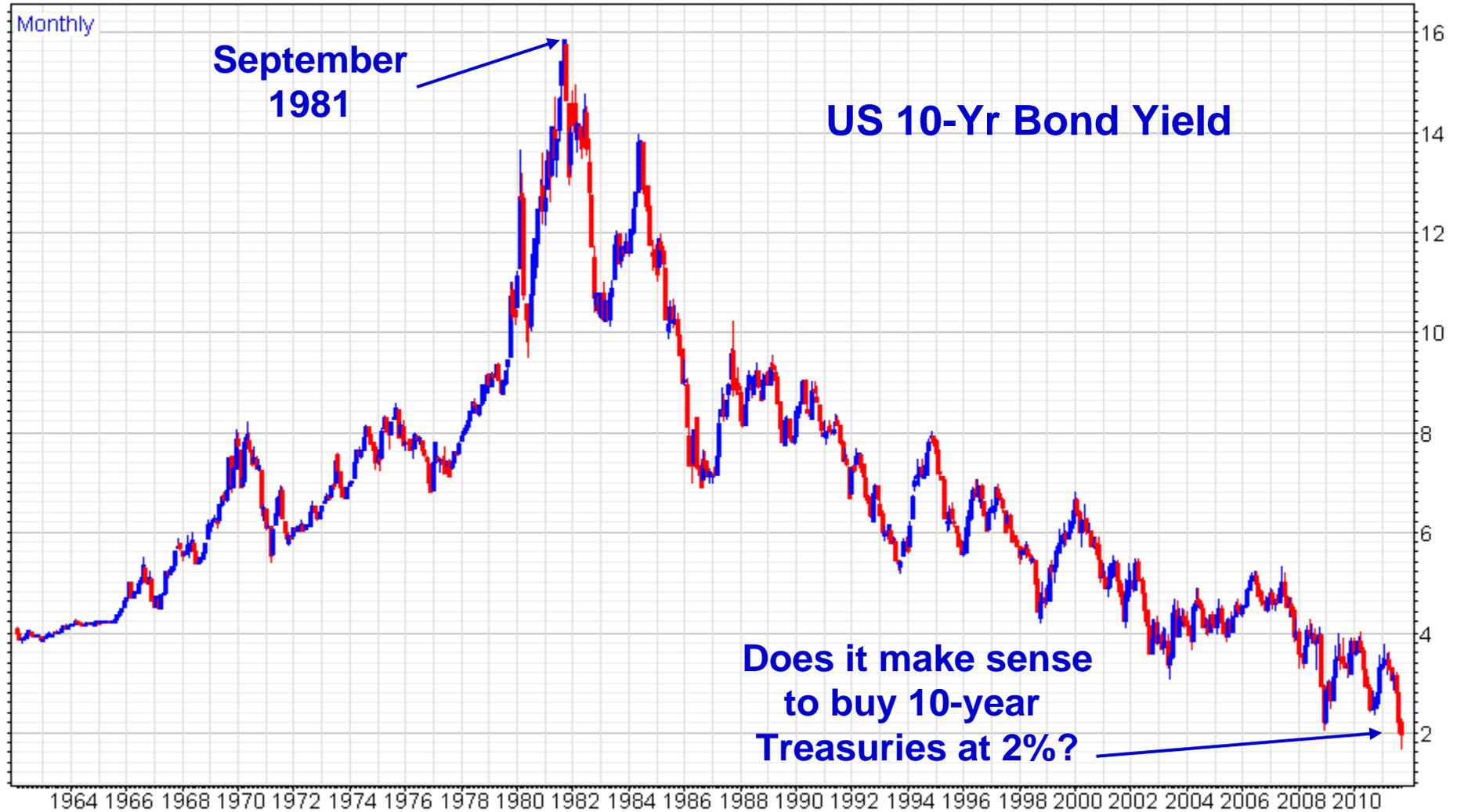
Rising yields make equities increasingly attractive – index yields:

- Asia Pacific: Australia AS51 5.0%, Hong Kong HSI 3.8%, New Zealand NZSE 5.5% Singapore FSSTI 4.1%**
- Europe: France CAC 5.4%, Germany DAX 4.3%, Sweden OMX 4.7%, United Kingdom FTSE 3.9%**
- South America: Brazil IBOV 4.4%**
- North America: Canada SPTSX 2.9%, United States S&P 2.2% Note: in 2Q 1982 the S&P yielded 6.2% as the last secular valuation contraction ended**



US 10yr Bond Yield (USGG10YR) 1.9849 -0.01

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Fiat Currencies

The least bad in a growth environment:

Those of Asia-led growth economies, resources exporters, financial currencies (Singapore \$)

Higher risk:

Debtor currencies – US\$ appeal mainly as a liquid reserve currency and haven in times of crisis

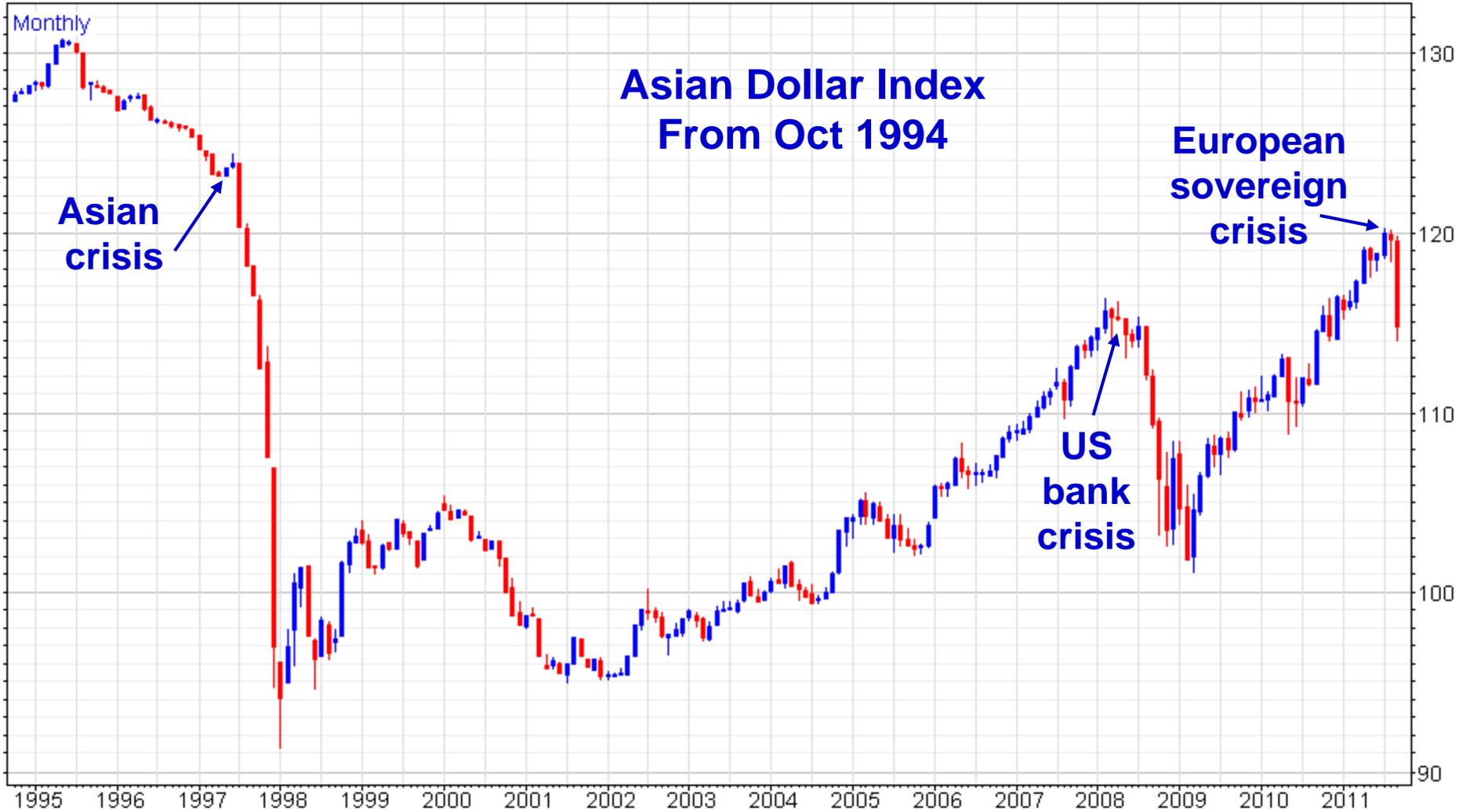
In the future:

Chinese Renminbi will become another reserve currency a few years after full convertibility is established



Asia Dollar Index (ADXY) 114.78 -0.04

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Commodities

**Secular bull market, but volatile:
'Supply inelasticity meets rising demand'**

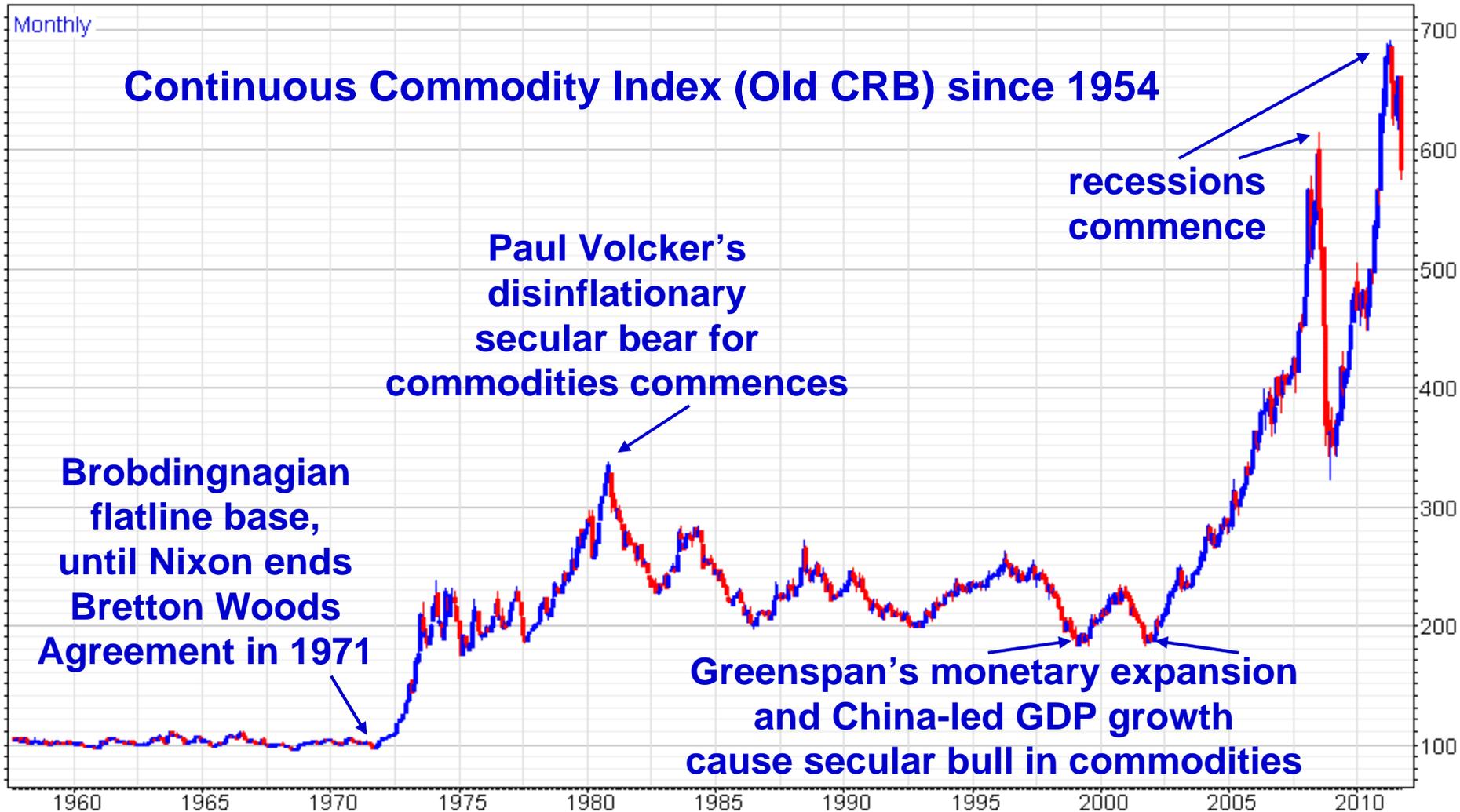
**Gold has been remonetised in the eyes of
investors**

**Commodity price inflation – an opportunity
as recession ends but an increasing risk
when global GDP growth increases**



Continuous Commodity Index (Old CRB) (CCI) 582.92 +5.83

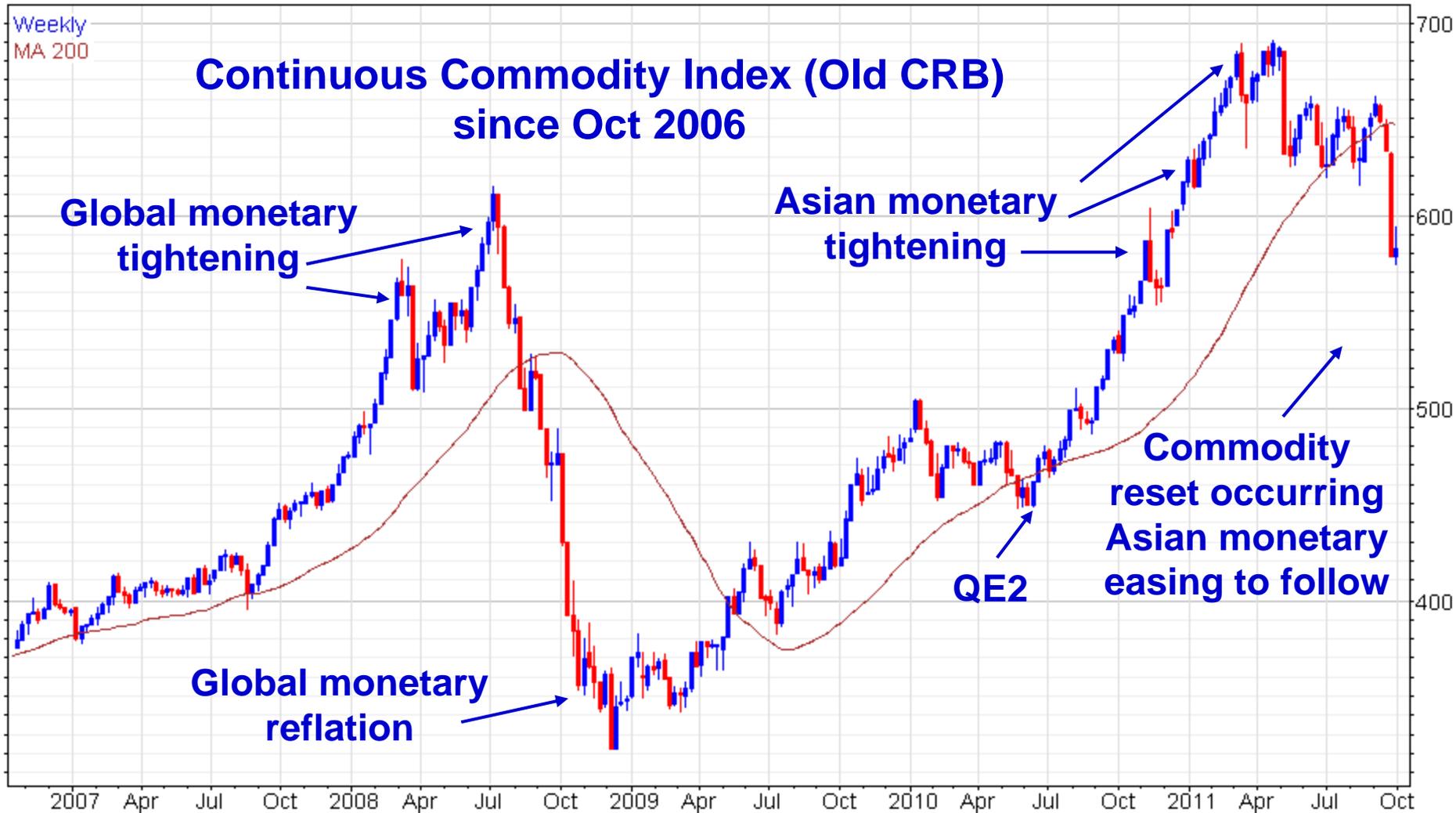
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Continuous Commodity Index (Old CRB) (CCI) 582.92 +5.83

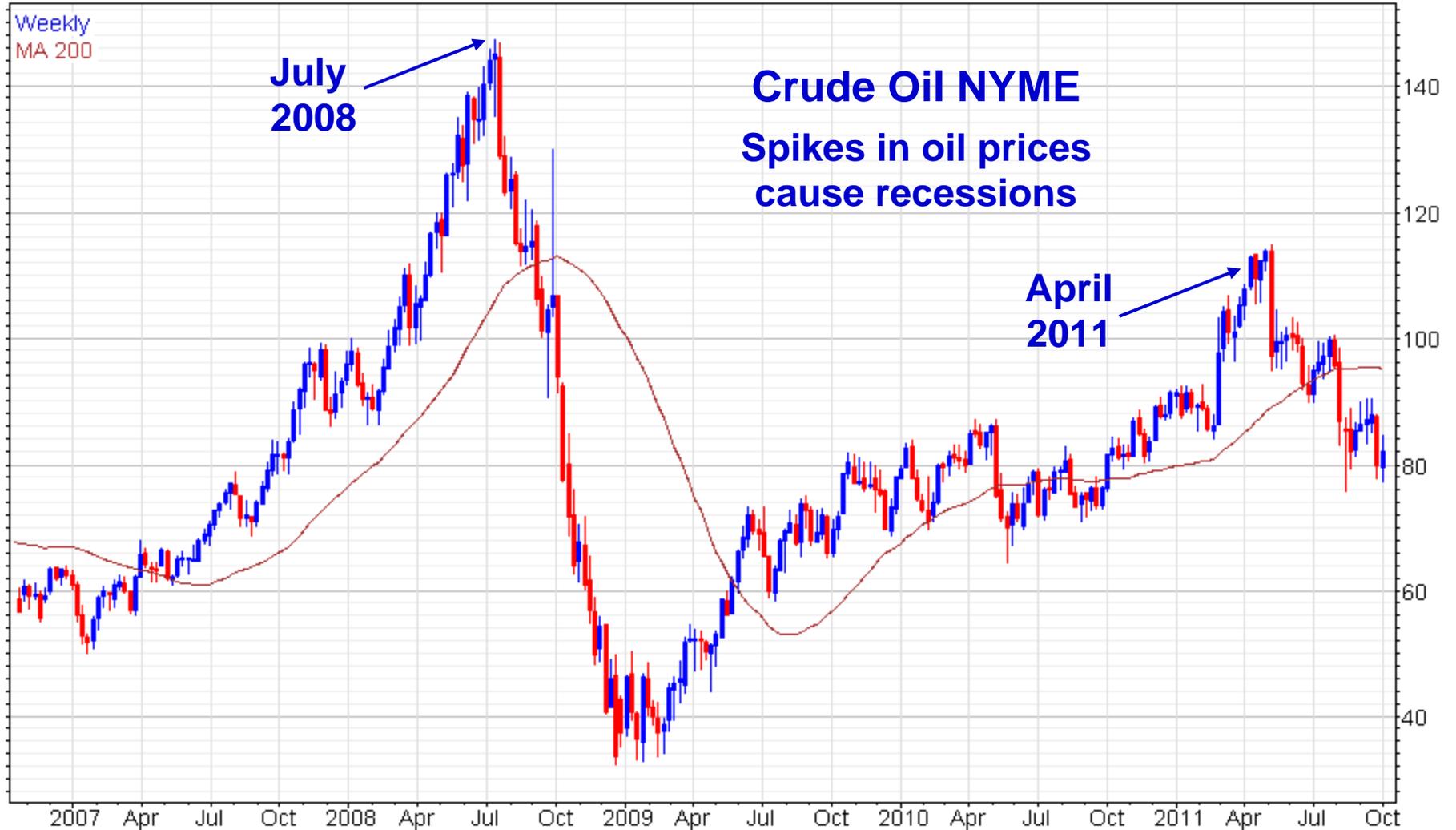
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Crude Oil NYME 1st Month Continuation (CL1) 82.14 +0.93

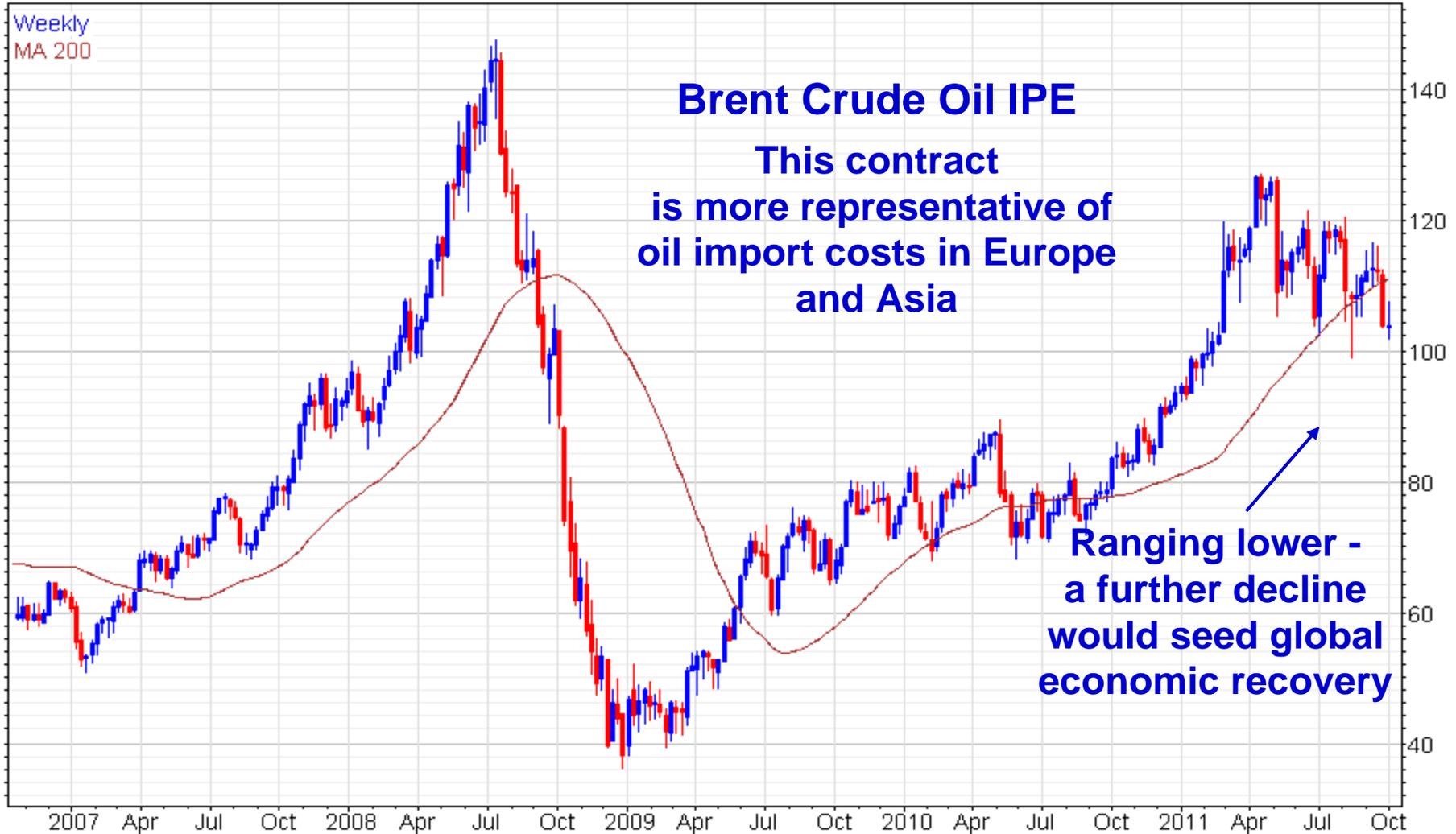
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Crude Oil IPE 1st Month Continuation (CO1) 103.89 -0.06

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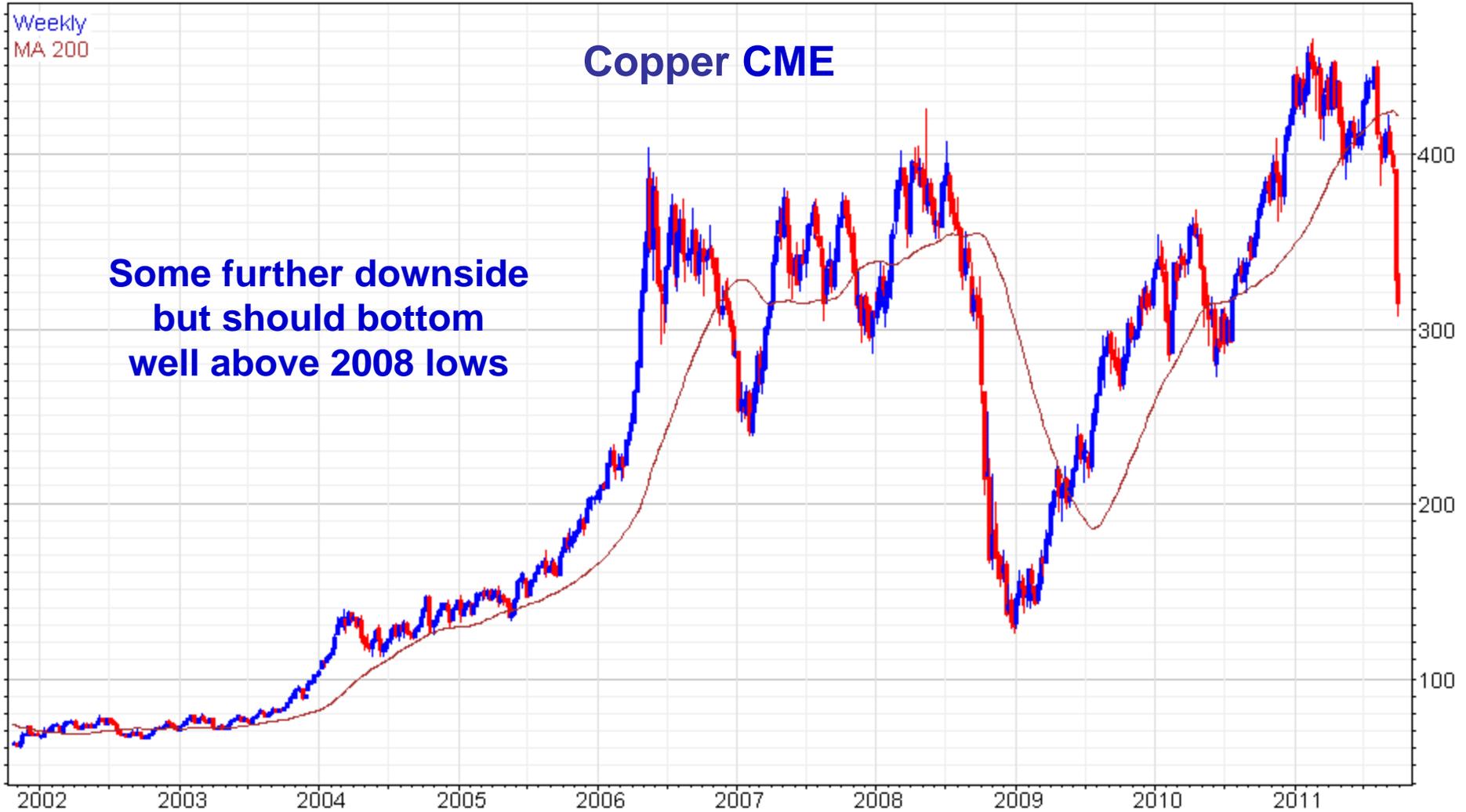




Copper CMX 1st Month Continuation (HG1) 314.8 -9.80

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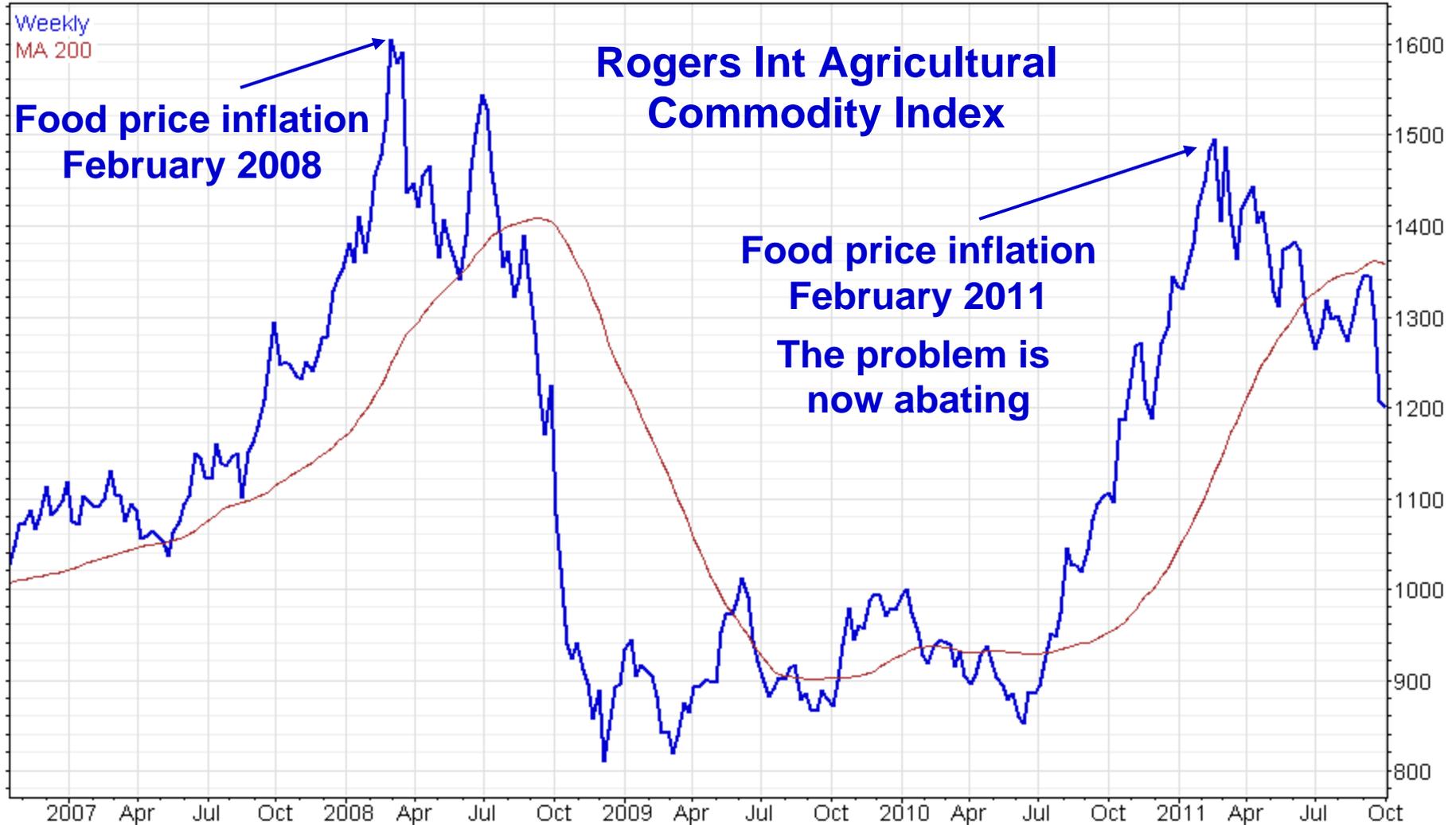
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Rogers Int. Agriculture Commodity Index (RICIA) 1200.08 +14.06

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**Ron Paul to Ben Bernanke earlier this year:
“Is gold money?”**

**Ben Bernanke, after hesitation:
“It’s an asset.”**

**Ron Paul:
“Why have people used it as money for thousands
of years?”**

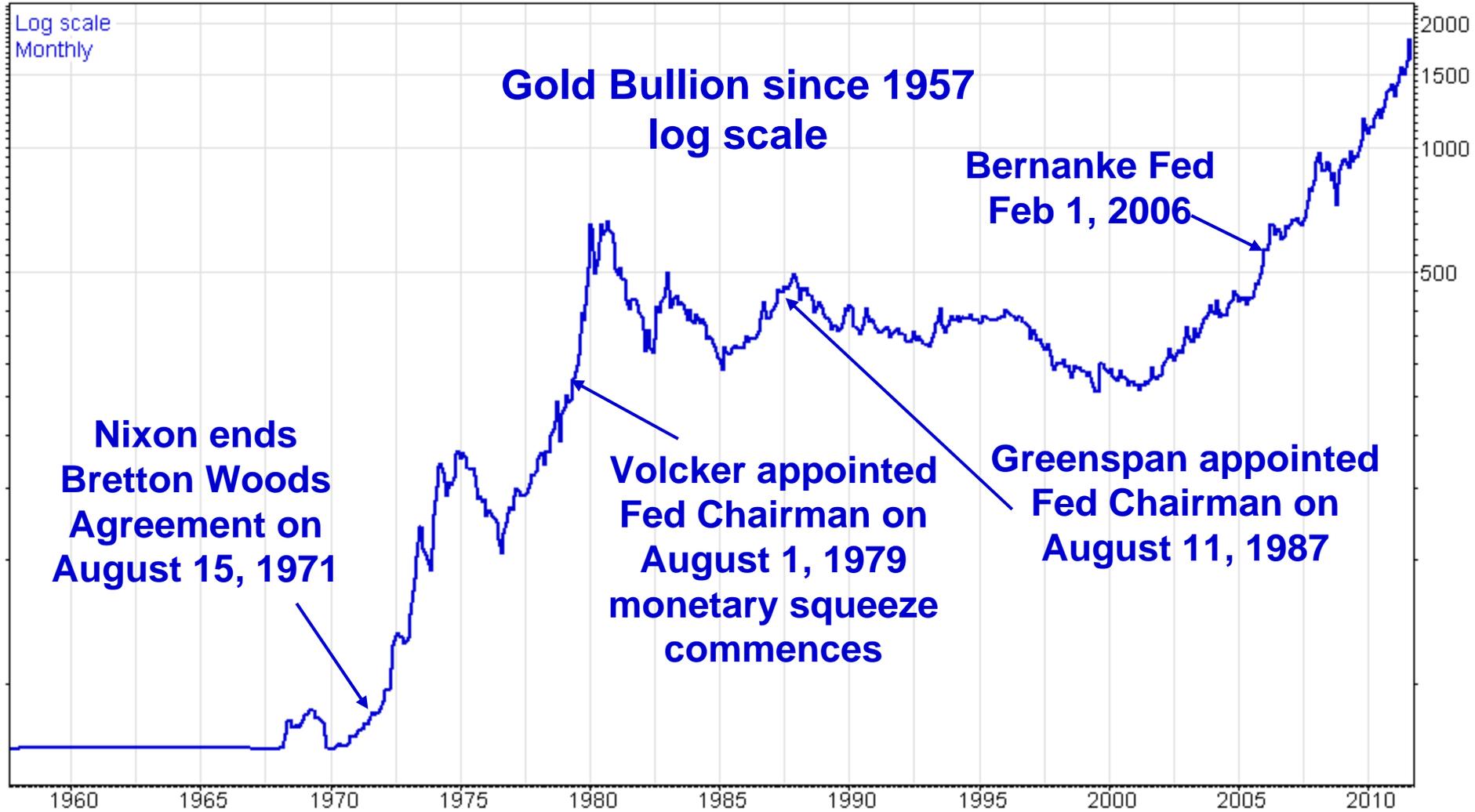
**Ben Bernanke:
“Tradition.”**

**Fullermoney view:
Gold remains the world’s most enduring monetary
asset.**



London Spot Gold (GOLDS) 1623.98 +9.58

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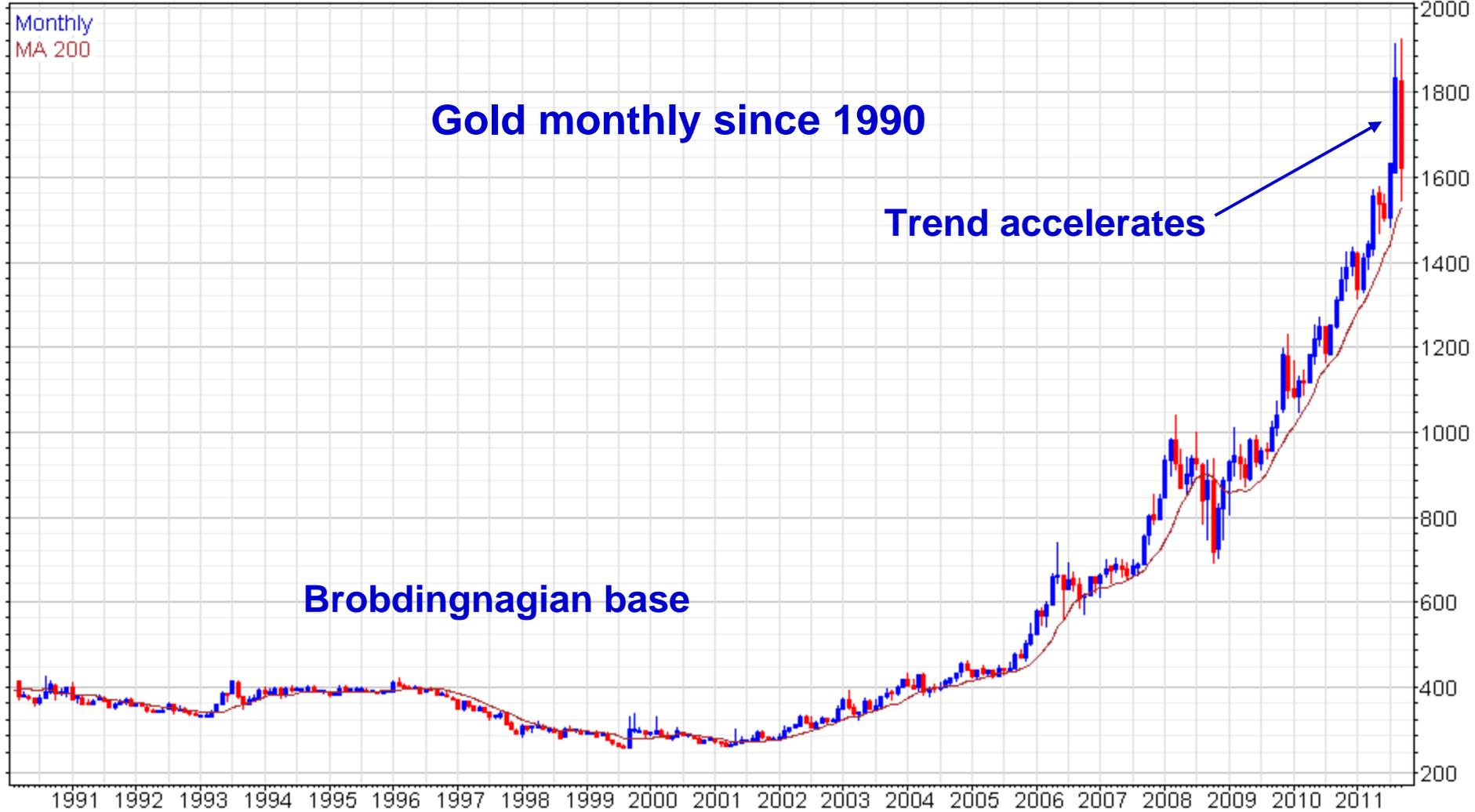




Gold CMX (cont) (GC2) 1624.2 +5.00

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London Spot Gold (GOLDS) 1623.98 +9.58

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Lastly, for equity investors the most important comment in this presentation:

**“Wealth is created
in down markets...
and realised in up markets”**



Thank you very much

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&
Eoin Treacy**

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