



# 50<sup>th</sup> Contrary Opinion Forum Eoin Treacy October 4th 2012 Running to Stand Still





The market moves in and out of generational long bull and bear markets.





**The Market is a mob.**

**Mobs are Manic Depressive**

**The Market lurches from one  
emotional extreme to  
another.**



M2 Index

96 Actions

97 Edit

98 Feedback

G 6 - MONTHLY

01/31/1959

08/31/2012

11 Compare

USD

1D

3D

1M

6M

YTD

1Y

5Y

Max

Monthly

Security/Study

Settings

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M2 Index (USD) - Last Price 10058.20 +37.20

Inflationists argue that massive increases in money supply can only result in a loss of purchasing power.



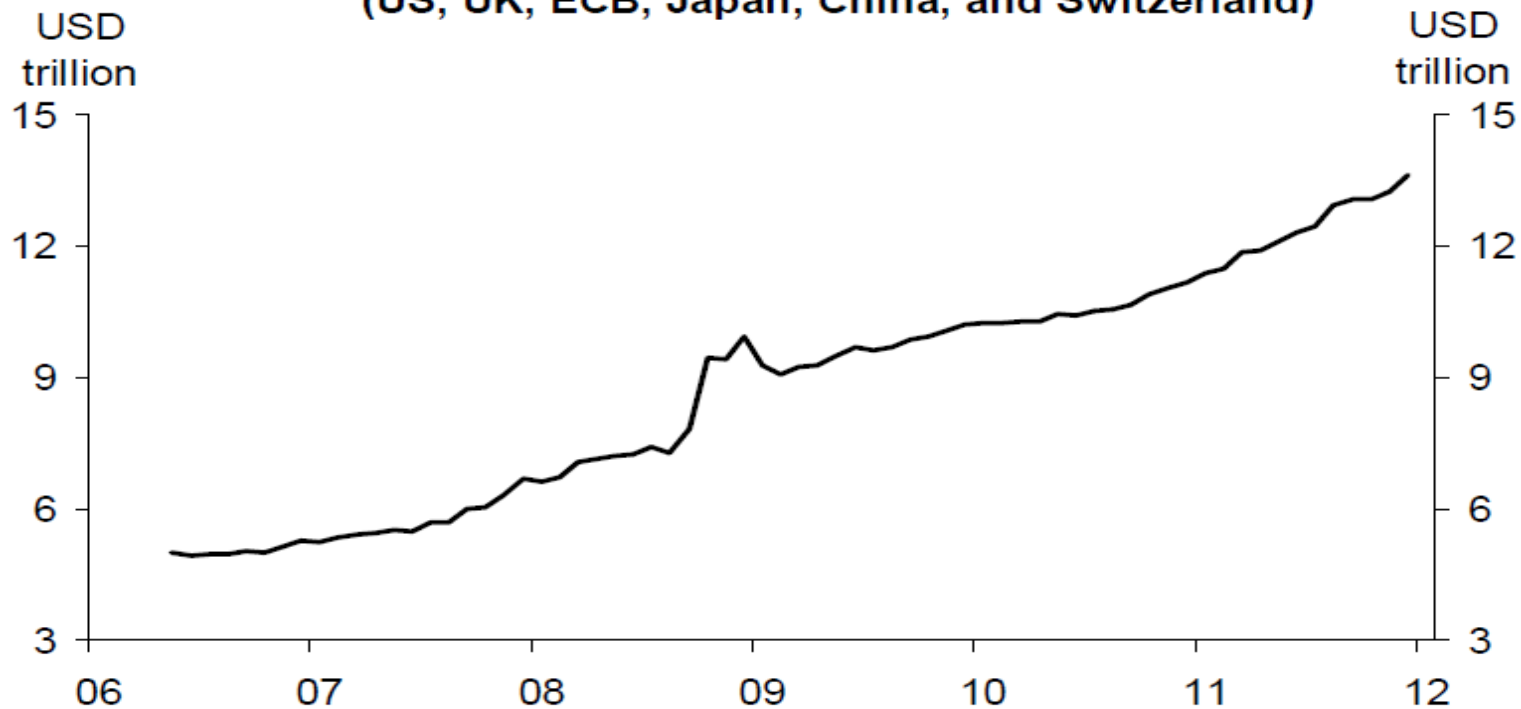


The Mob's emotional response is amplified by liquidity.

Major central banks have printed \$8trn since 2007



**Sum of major central bank balance sheets  
(US, UK, ECB, Japan, China, and Switzerland)**



Source: FRB, BoJ, ECB, PBC, SNB, BoE ,Haver Analytics and DB Global Markets Research



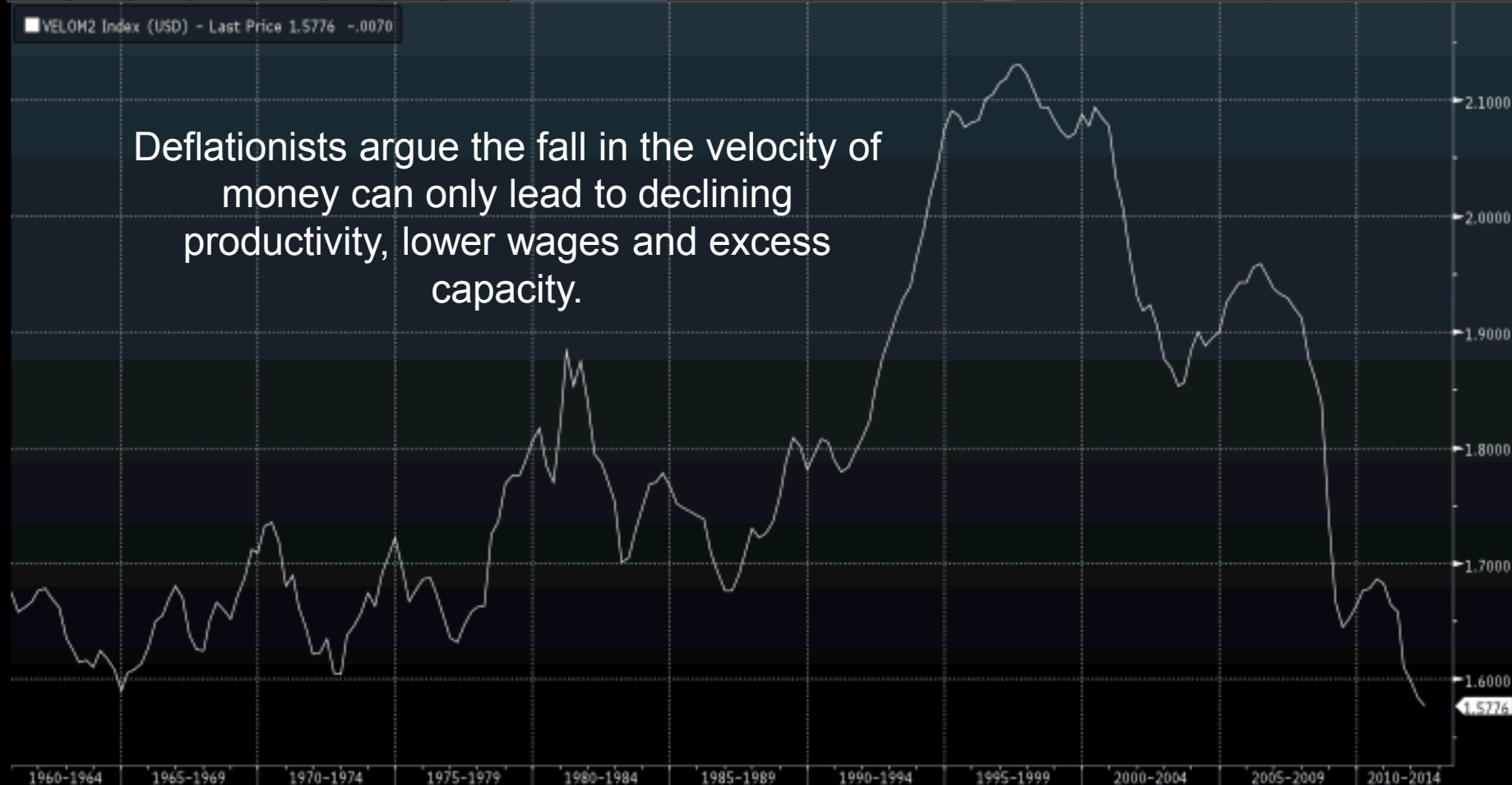
# GRAB

VELOM2 Index
96 Actions
97 Edit
98 Feedback
G 6 - MONTHLY

12/31/1960 - 06/30/2012
11) Compare
USD

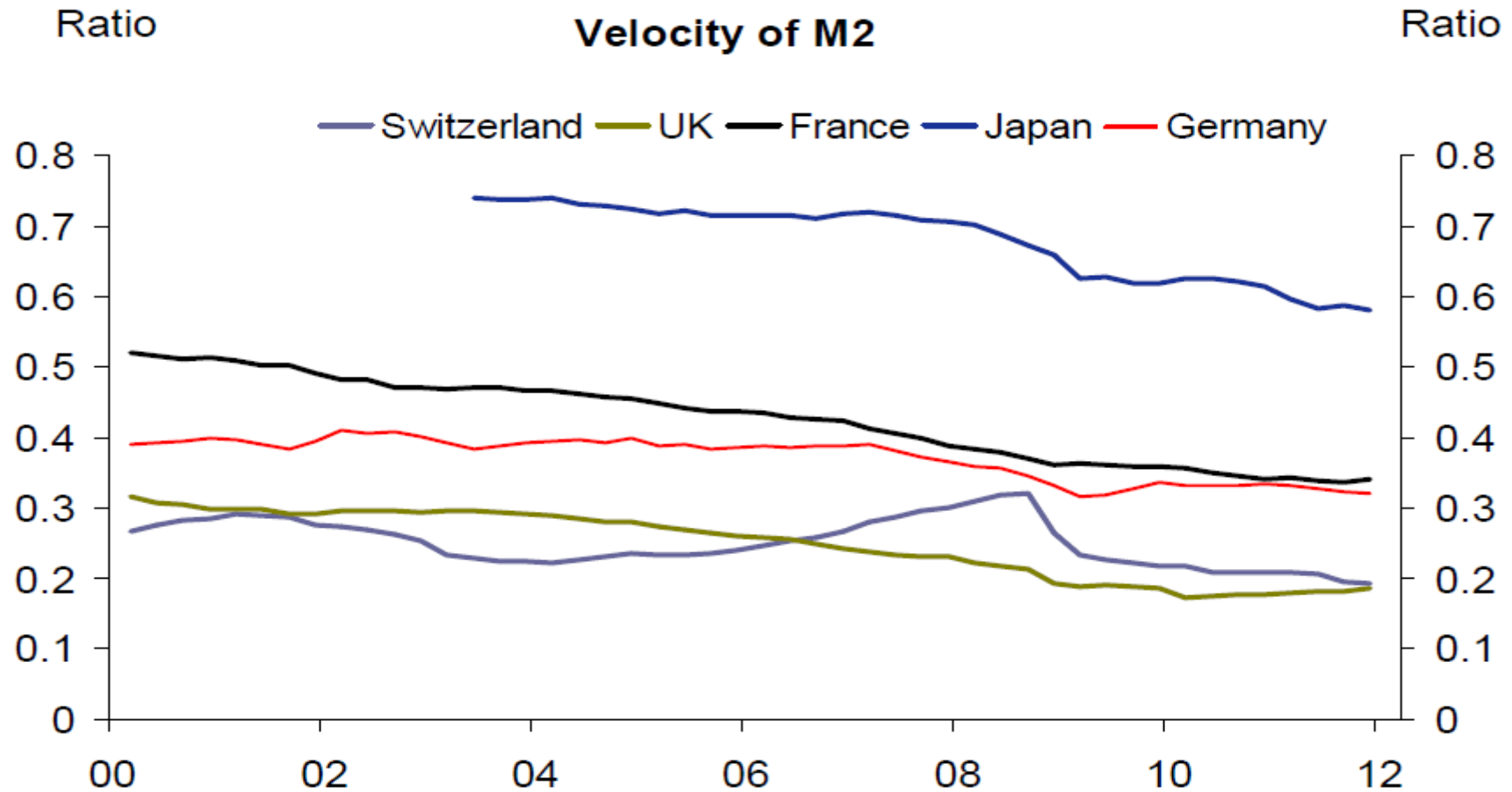
1D 3D 1M 6M YTD 1Y 5Y Max Quarterly
Security/Study

Deflationists argue the fall in the velocity of money can only lead to declining productivity, lower wages and excess capacity.





Velocity (i.e. GDP/Money supply) still trending down in major countries



Source: ECB, Eurostat, BoE, ONS, BoJ, Bdf, INSEE, SNB, Bbk, BdF, Haver Analytics and DB Global Markets Research



**Central banking 101 – Ensure there is enough money in the system to promote growth.**

**Central banks do not control where all this money ends up.**







US 10yr Bond Yield (USGG10YR) 1.6335 -0.01

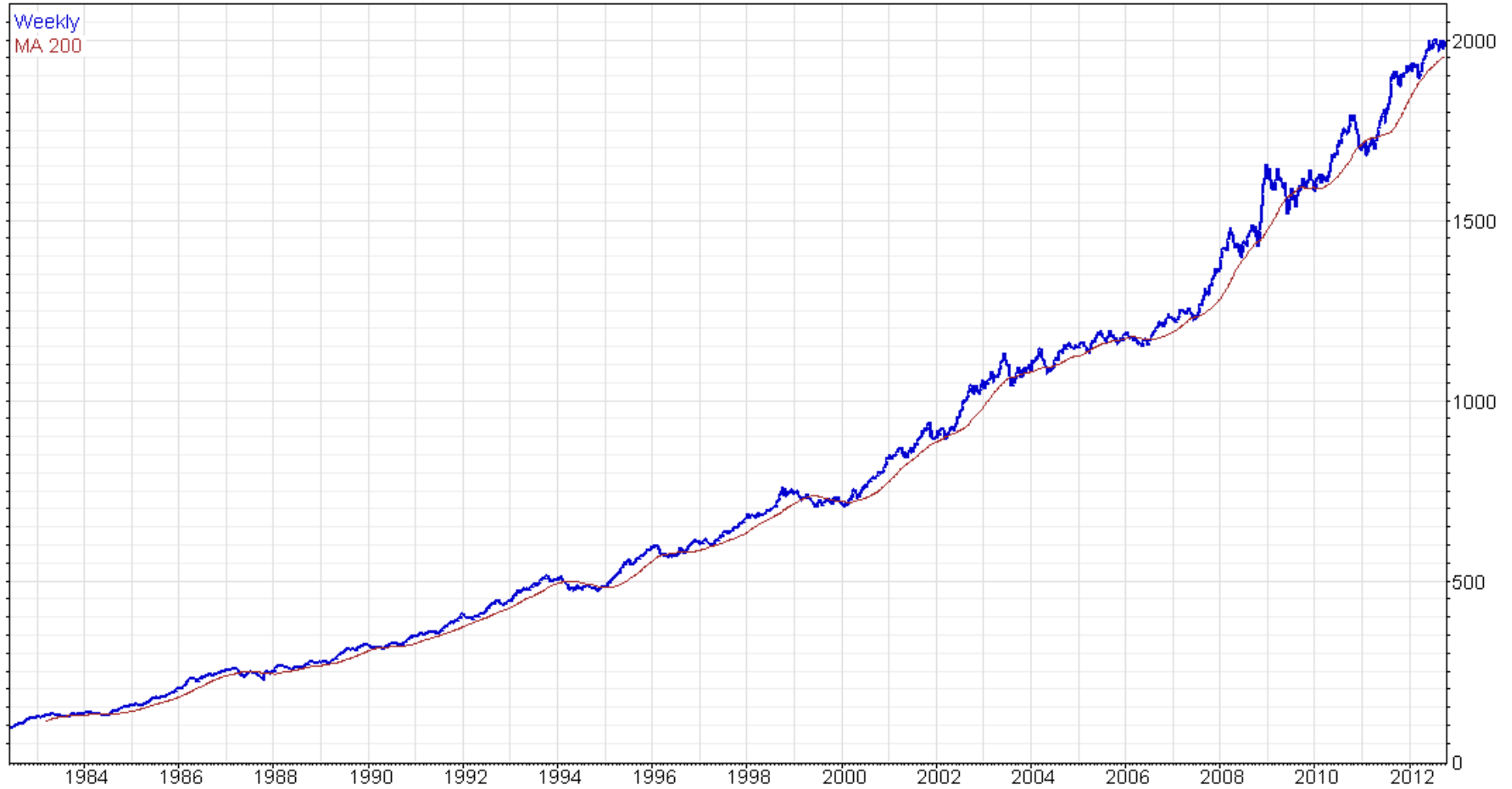
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Merrill Lynch 10yr+ US Treasury Total Return (MLT1US10) 1998.58 -0.23

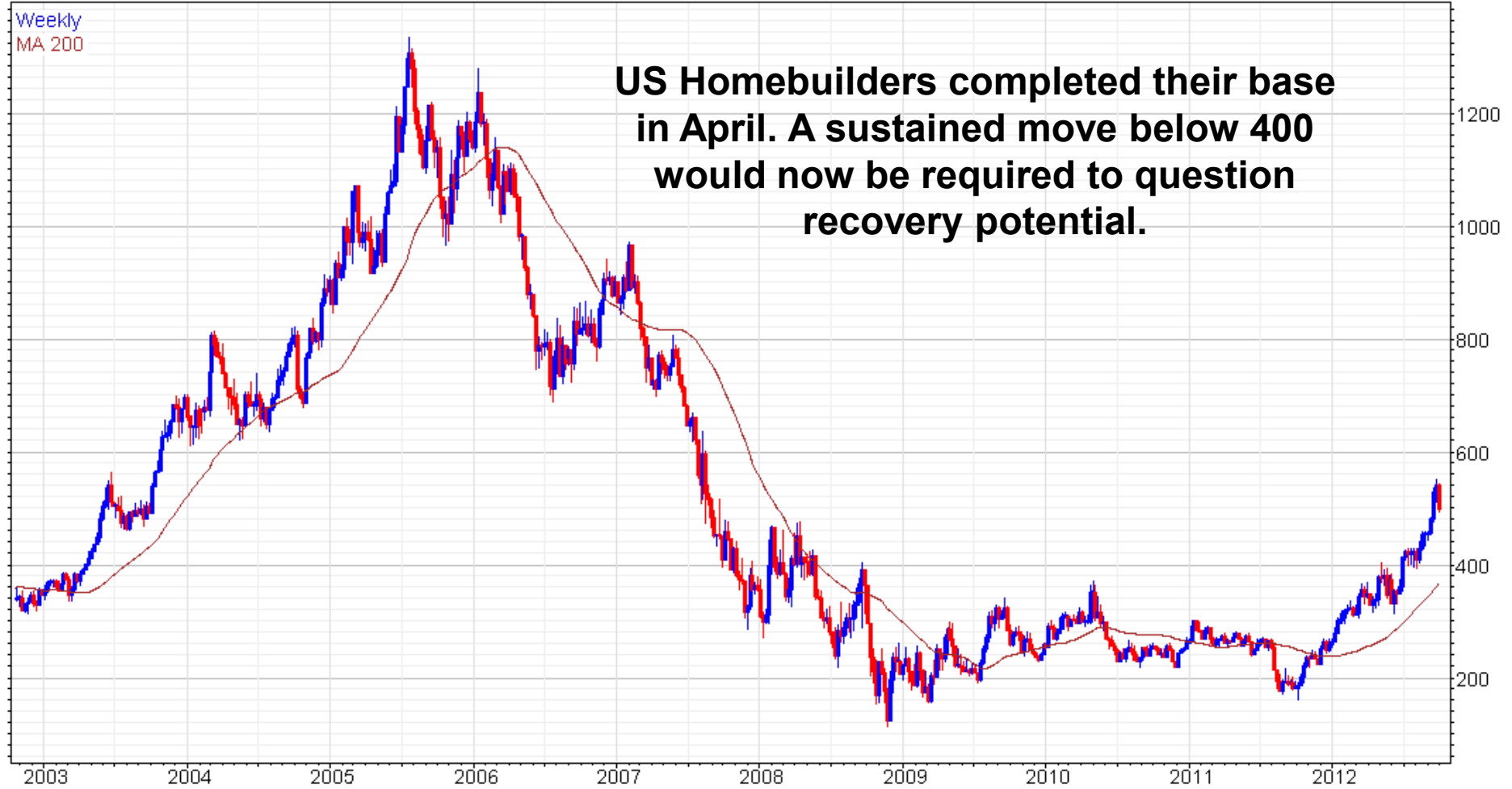
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S&P500 Homebuilding (S5HOME) 500.1 -6.32

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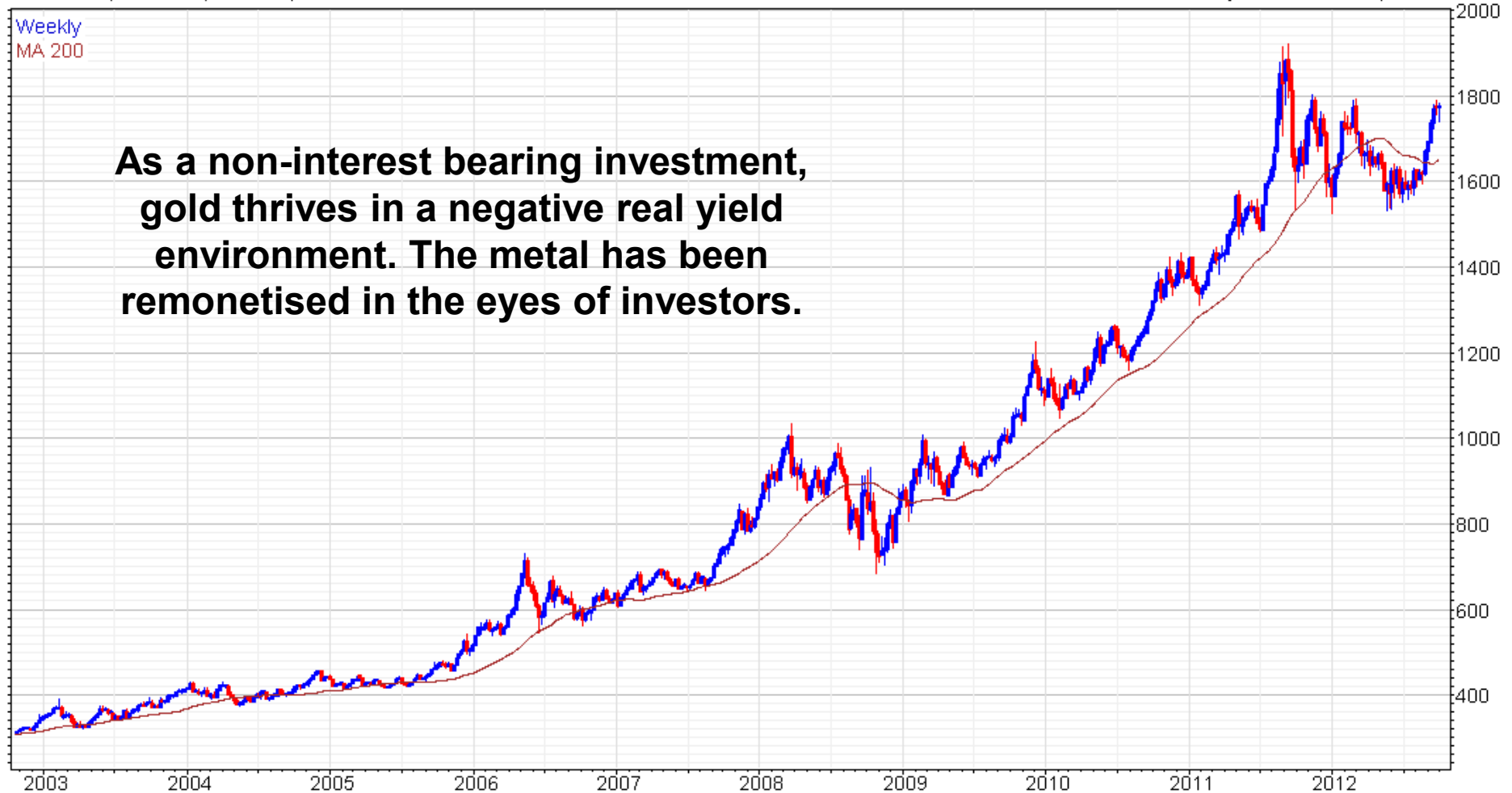


London Spot Gold (GOLDS) 1772.1 -5.15

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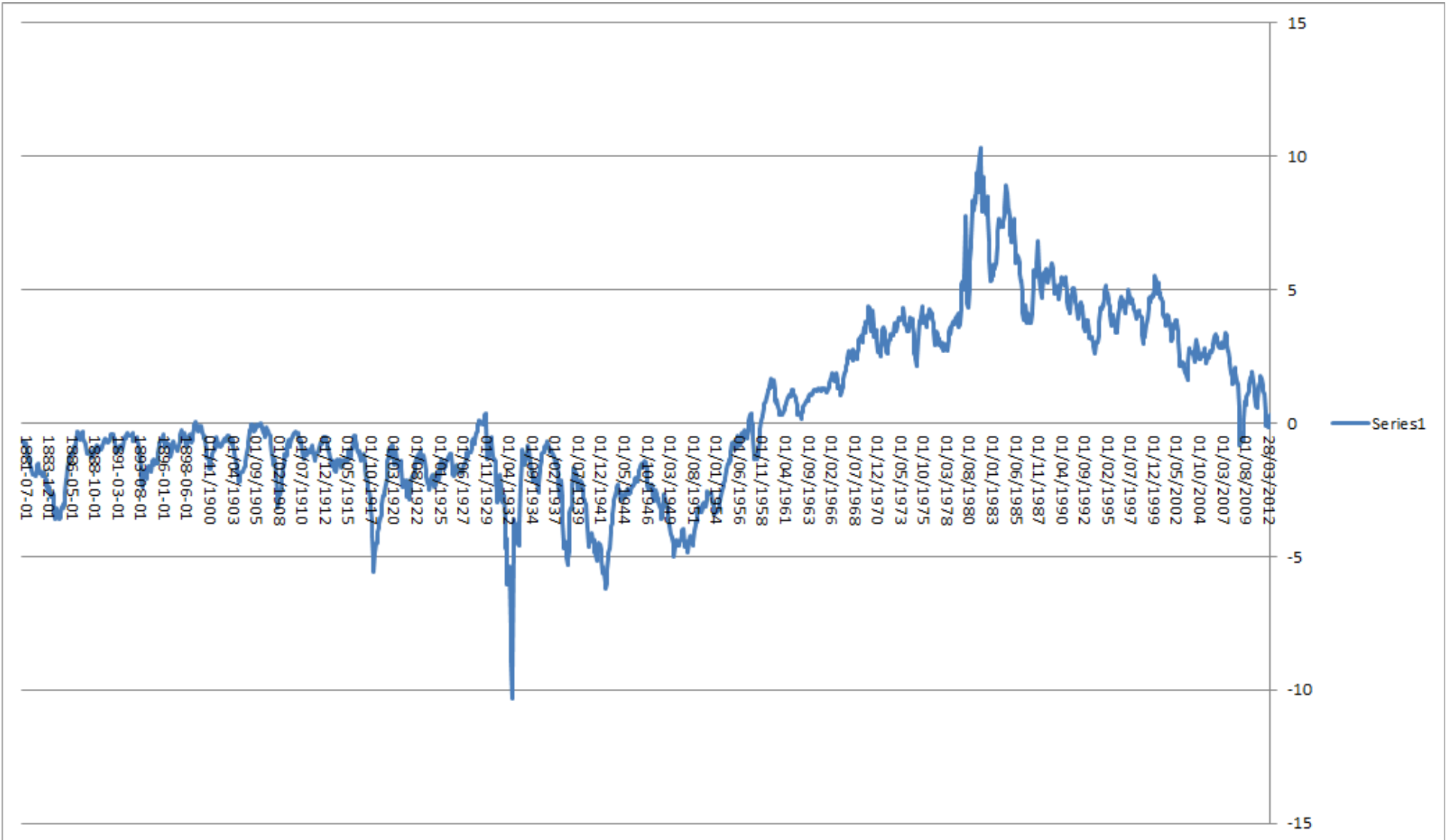
Weekly  
MA 200

**As a non-interest bearing investment,  
gold thrives in a negative real yield  
environment. The metal has been  
remonetised in the eyes of investors.**





**For the first time since the late 1950s equities yield more than bonds. The S&P 500 yields 2.07%. US Treasuries yield 1.63%**





# GRAB

SPX Index

96 Actions

97 Edit

98 Feedback

G 75 - P/E RATIO

SPX Index : S&P 500 Index

Monthly 8/31/1982-8/31/2012

1D

3D

1M

6M

YTD

1Y

5Y

Max

Monthly

Security/Study

Security/Study

Security/Study

Security/Study

Security/Study

Security/Study

Security/Study

Security/Study

Security/Study

Security/Study

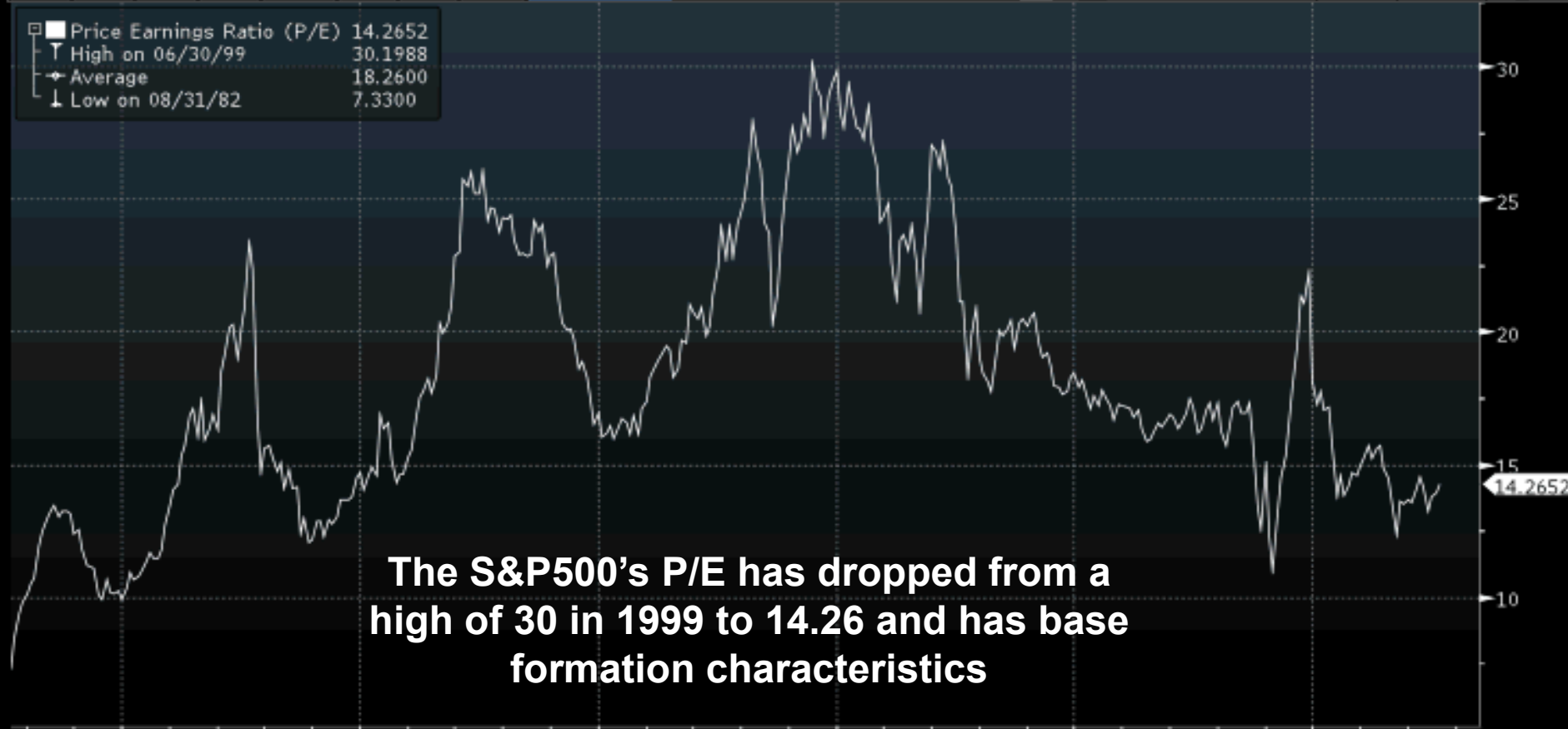
Security/Study

Security/Study

Security/Study

Security/Study

Price Earnings Ratio (P/E)	14.2652
High on 06/30/99	30.1988
Average	18.2600
Low on 08/31/82	7.3300



**The S&P500's P/E has dropped from a high of 30 in 1999 to 14.26 and has base formation characteristics**

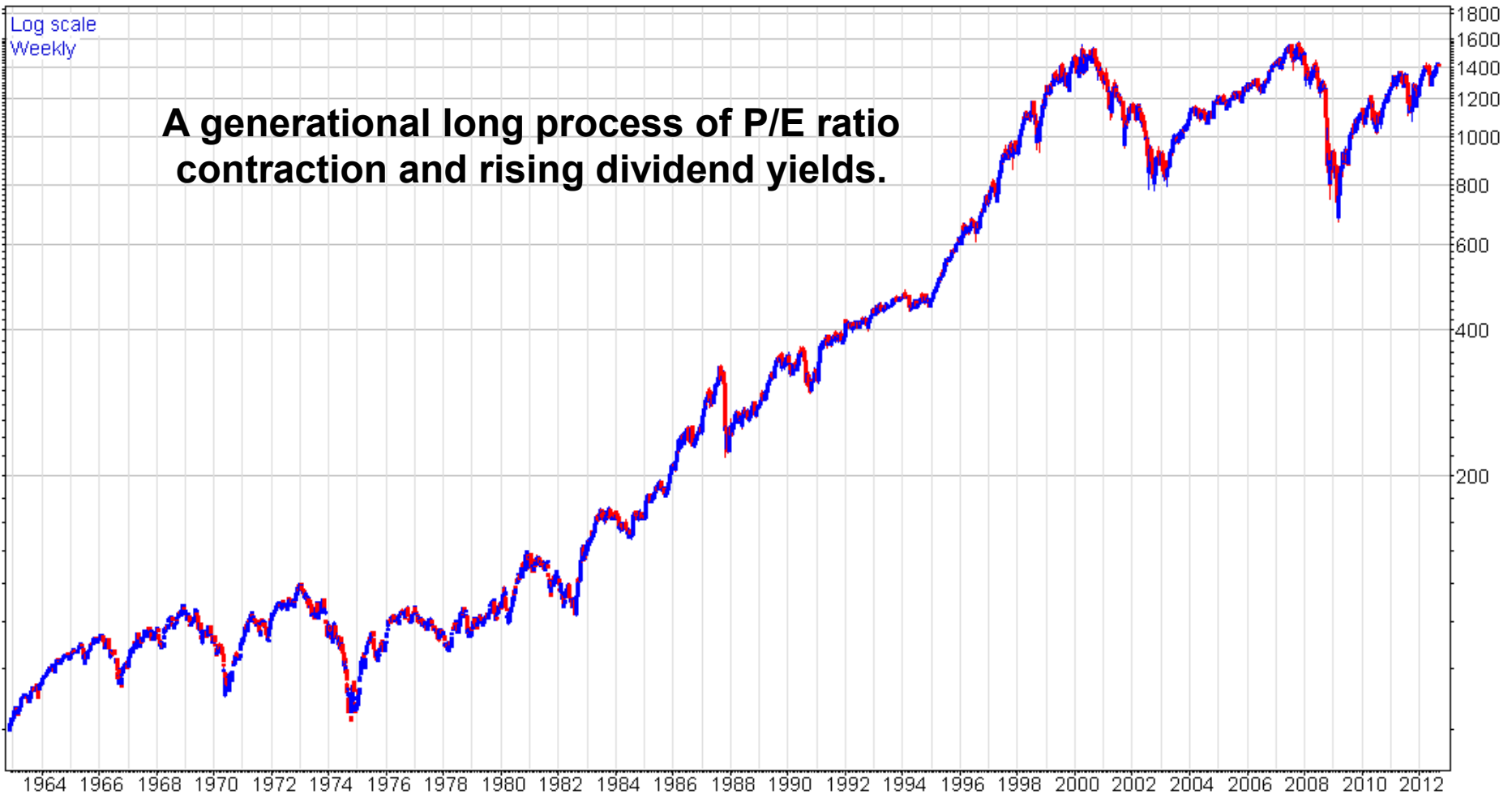


S&P 500 Index (SPX) 1406.58 +7.10

www.fullermoney.com 31 Aug 2012

Log scale  
Weekly

**A generational long process of P/E ratio contraction and rising dividend yields.**





The big difference between equities and bonds is that the supply of bonds is increasing while the supply of equities is contracting.

Governments and corporations are locking in the lowest cost of capital in generations.

Corporations are buying back their stock as they optimise their weighted average cost of capital.

Would you rather own what they are selling or what they are buying?

High quality equities are an undervalued asset class.





We are living through the greatest age of humanity that is ever likely to occur.

For the first time, not only is the global population expanding but the ranks of those in the disposable income bracket are growing even faster.

Companies leveraged to the growth of the global middle class are completing decade long ranges.



# When you go from \$1 per day to \$5 what do you buy?

Want Want China Holdings Ltd (151) 9.89 +0.10

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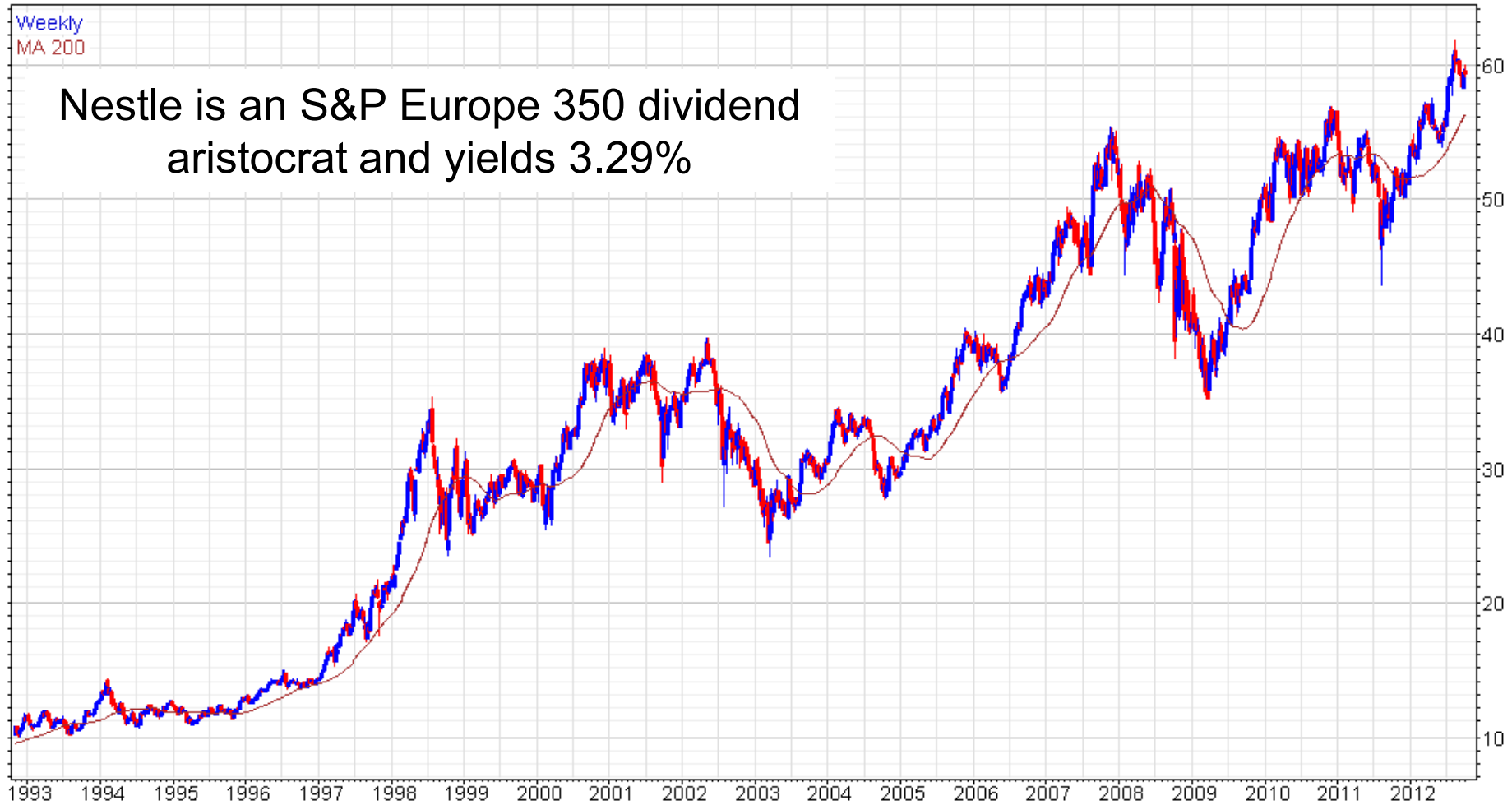
# Branded snack foods hold special appeal

Nestle SA (NESN) 59.3 -0.35

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Weekly  
MA 200

Nestle is an S&P Europe 350 dividend aristocrat and yields 3.29%

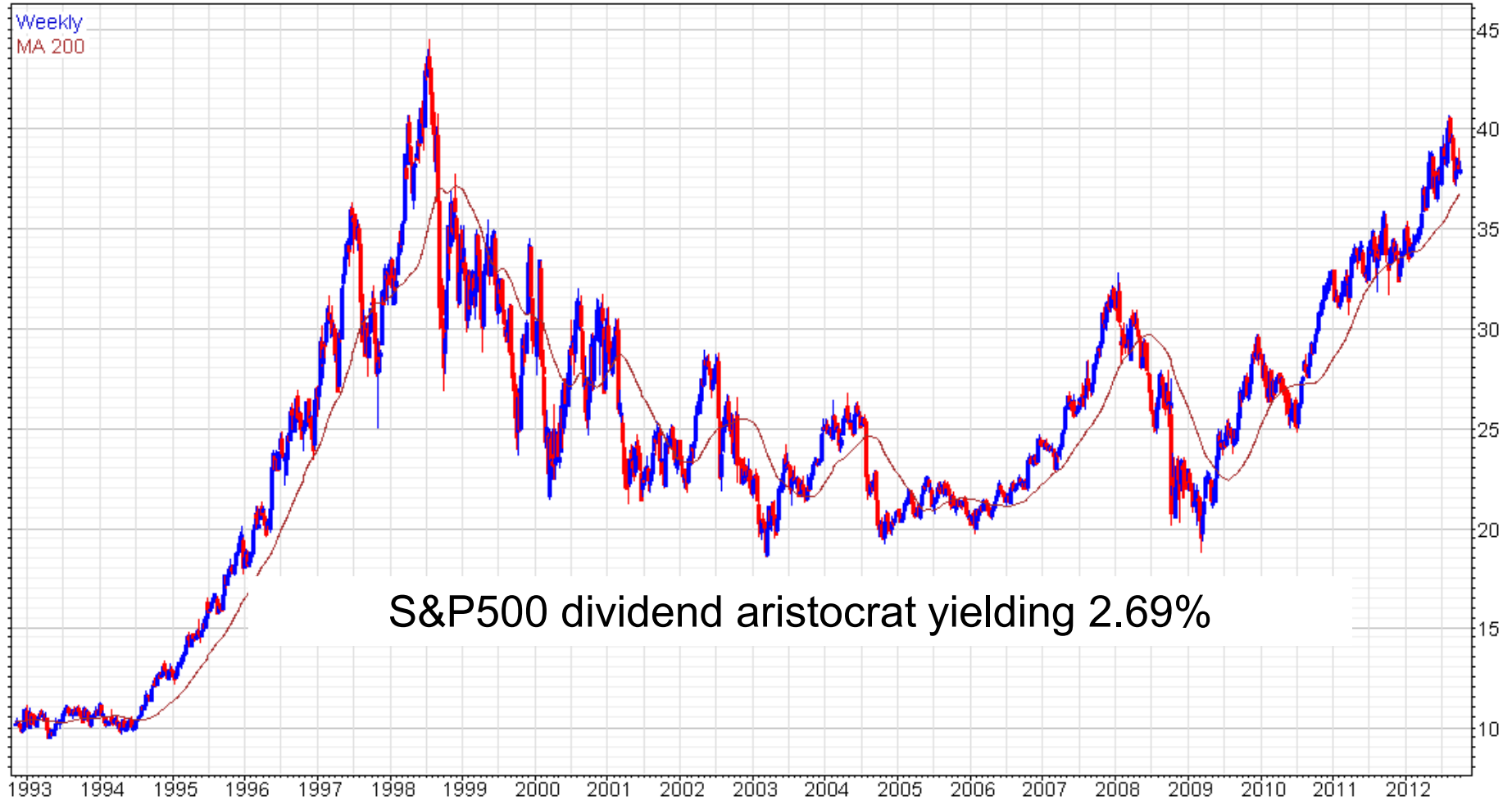


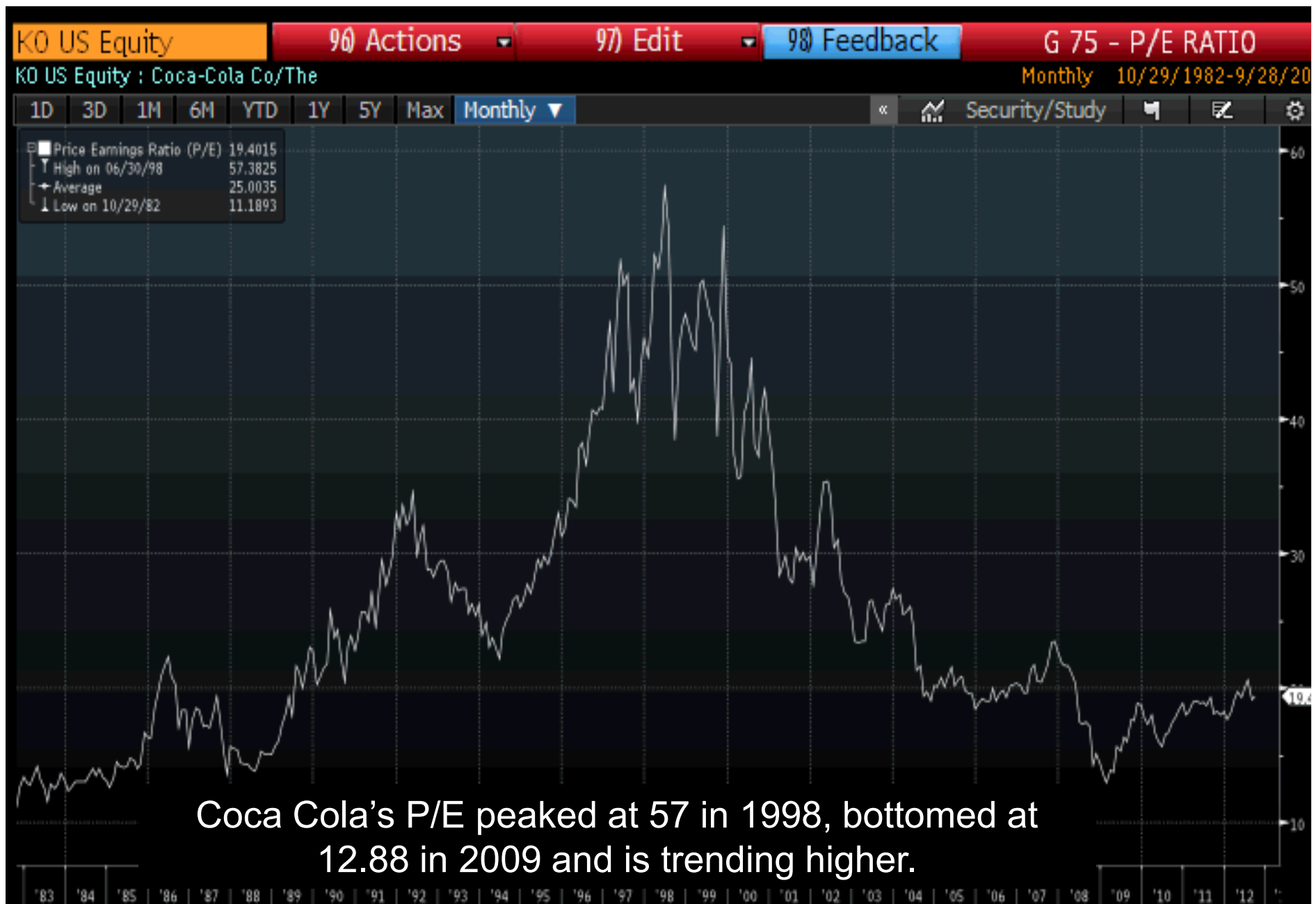


# Coca Cola remains on the most instantly recognisable brands globally.

Coca-Cola Co (KO) 37.93 -0.38

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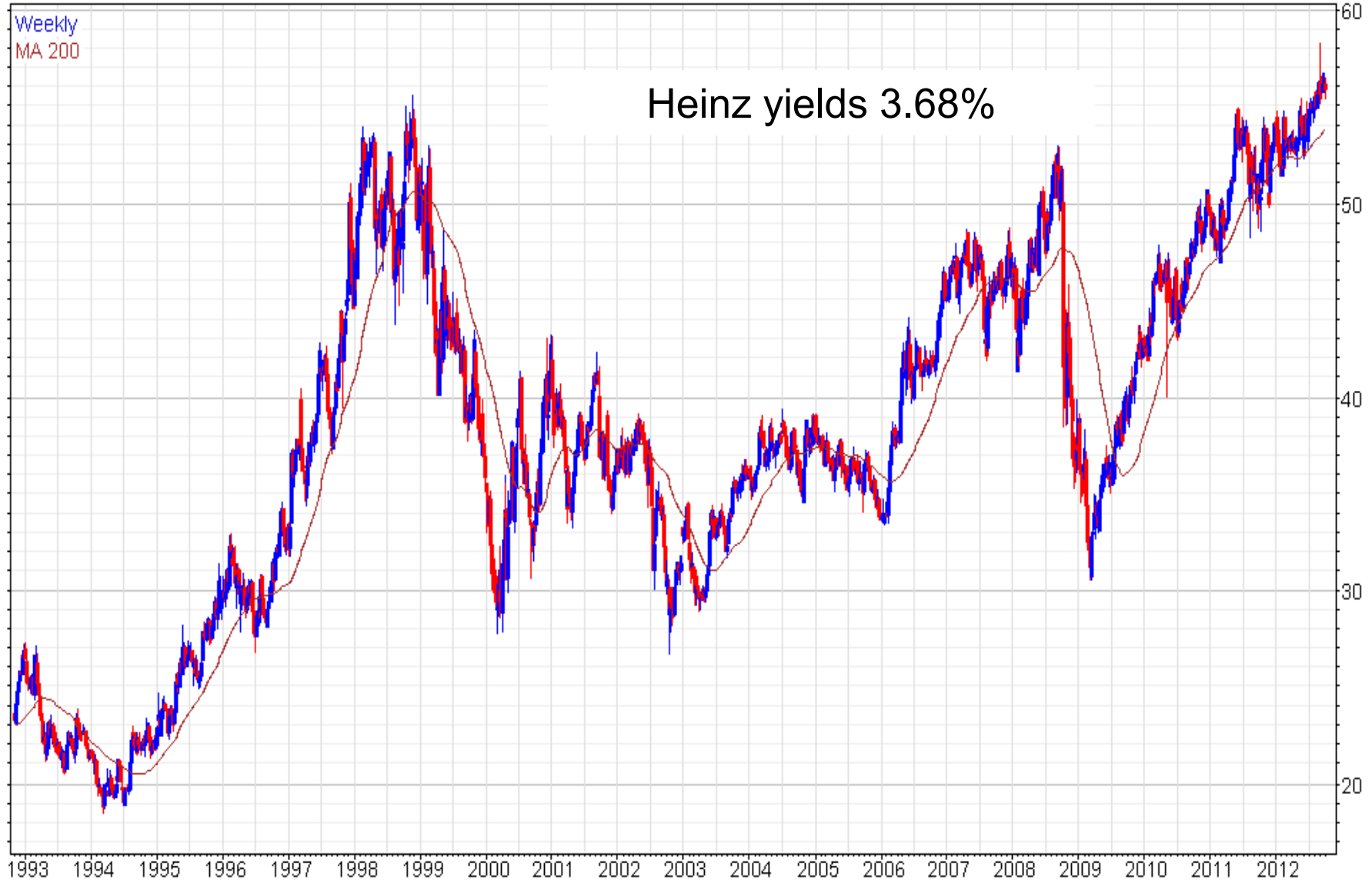






Heinz (H.J.) Co (HNZ) 55.95 +0.06

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# Household products are high on the shopping list.

Procter & Gamble Co (PG) 69.36 +0.06

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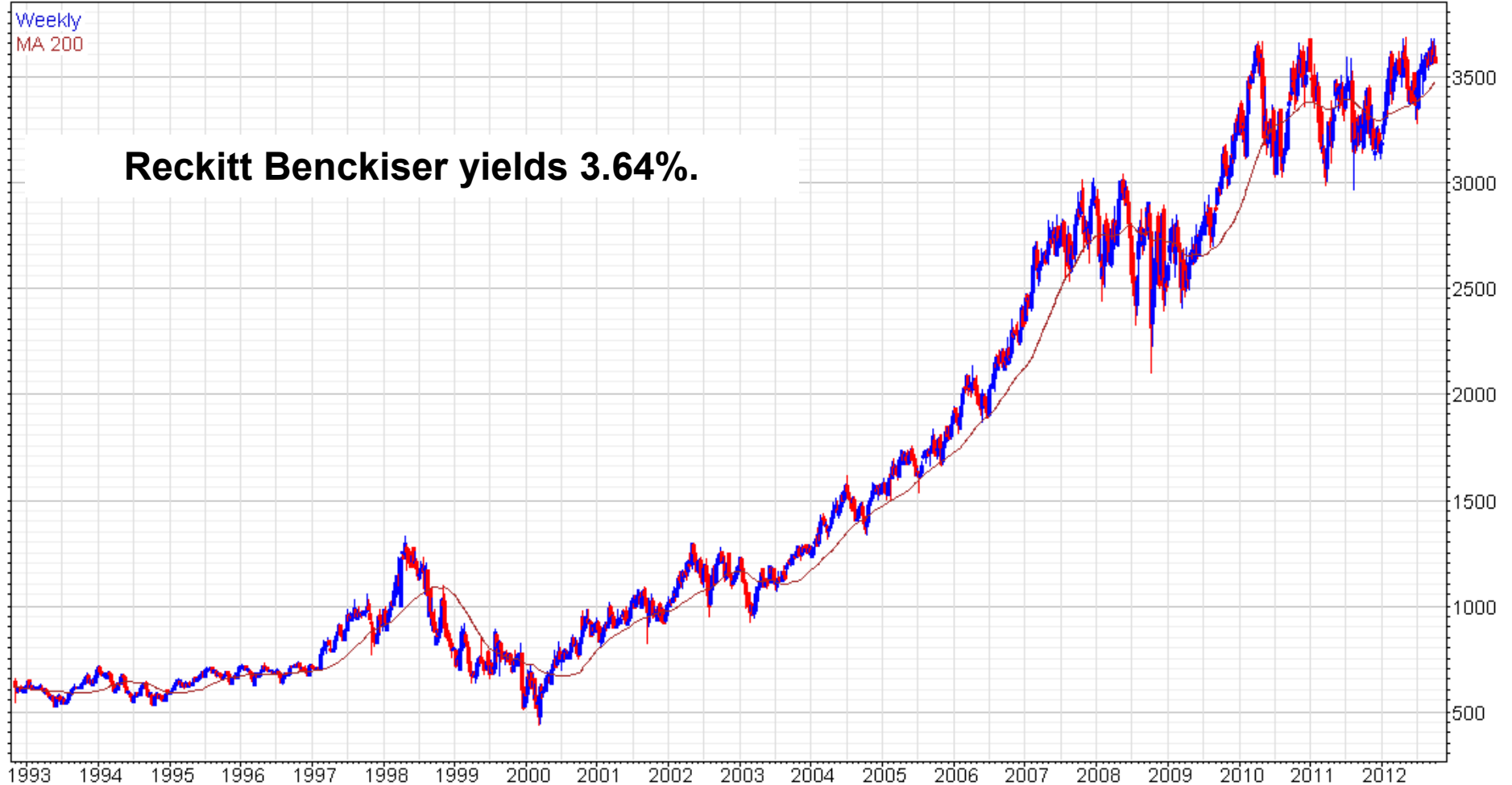






Reckitt Benckiser PLC (RB/) 3565 -13.00

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RB/ LN Equity

96 Actions

97 Edit

98 Feedback

G 75 - P/E RATIO

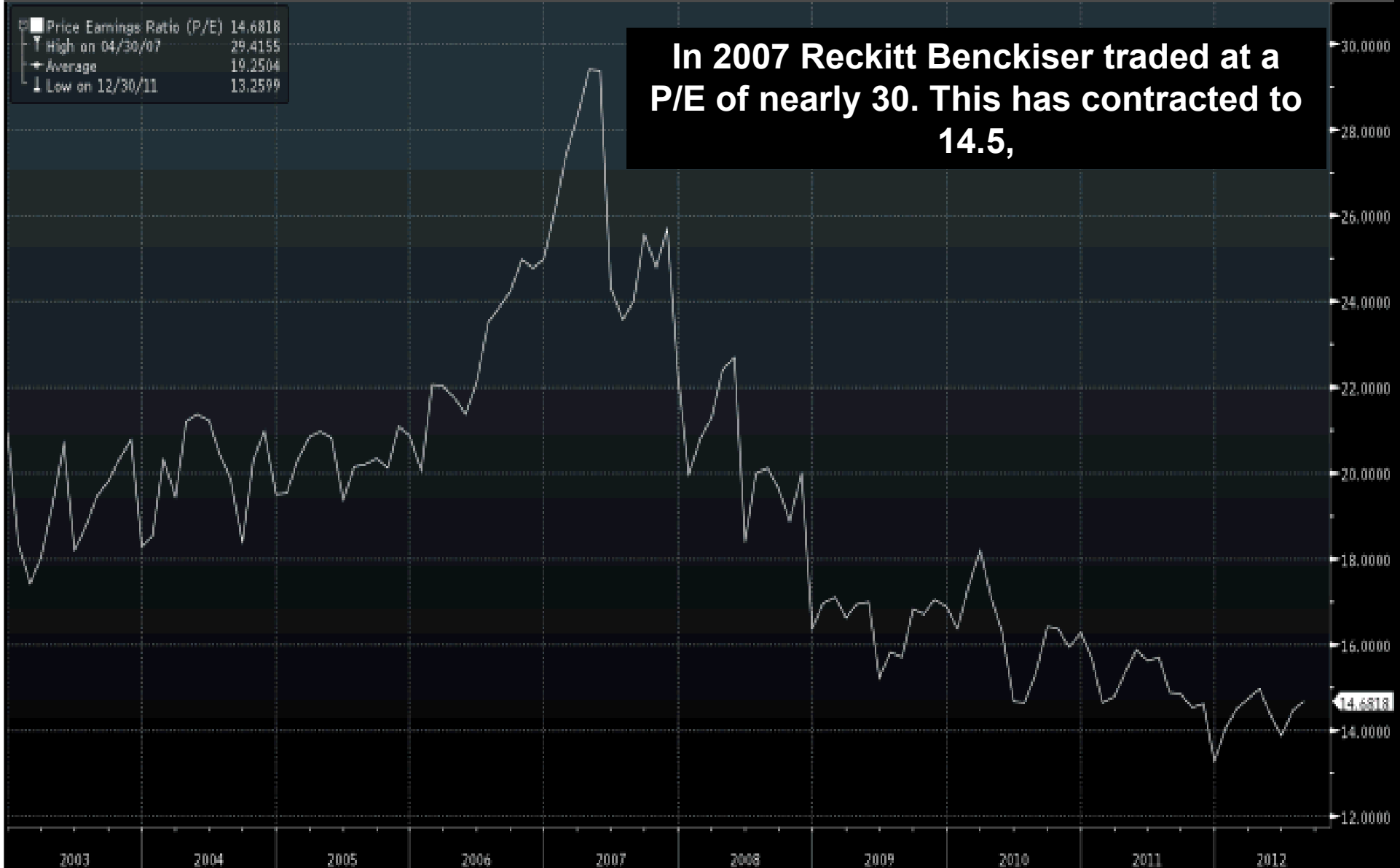
RB/ LN Equity : Reckitt Benckiser Group PLC

Monthly 12/31/2002-8/31/2012

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

Price Earnings Ratio (P/E)	14.6818
High on 04/30/07	29.4155
Average	19.2504
Low on 12/30/11	13.2599

**In 2007 Reckitt Benckiser traded at a P/E of nearly 30. This has contracted to 14.5,**

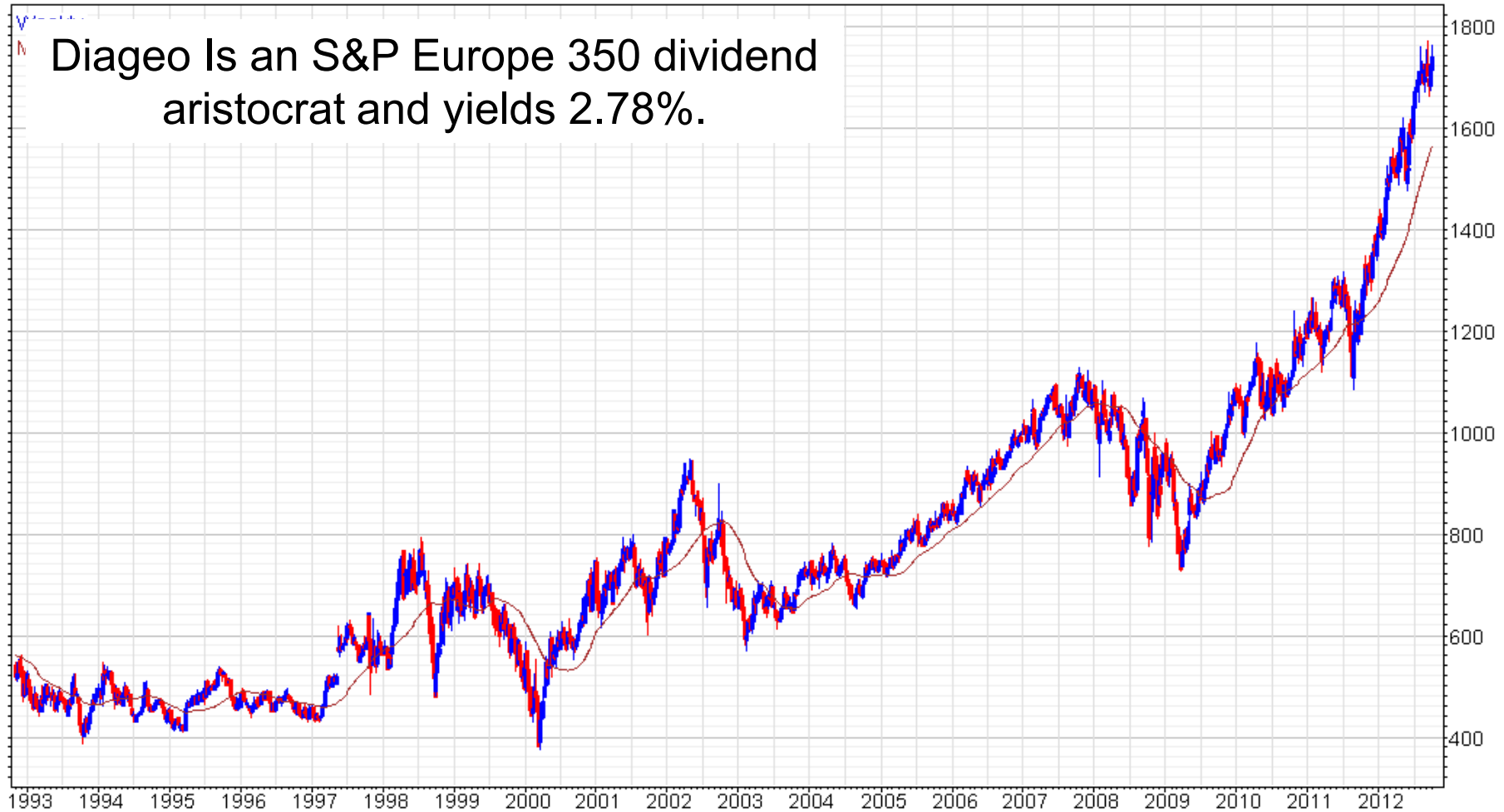


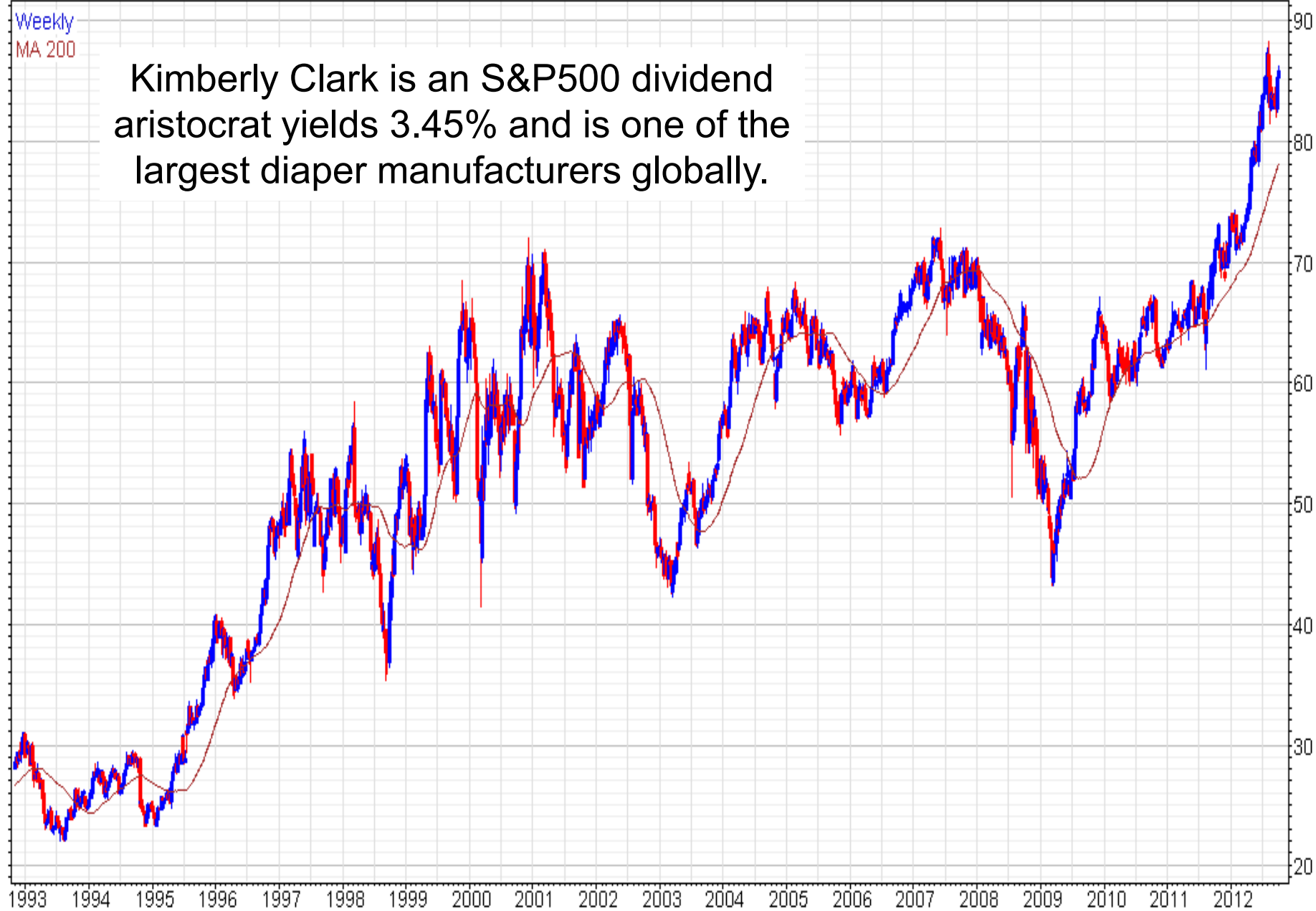


# How about when you go from \$5 per day to \$25?

Diageo PLC (DGE) 1739.5 -4.50

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Kimberly Clark is an S&P500 dividend aristocrat yields 3.45% and is one of the largest diaper manufacturers globally.



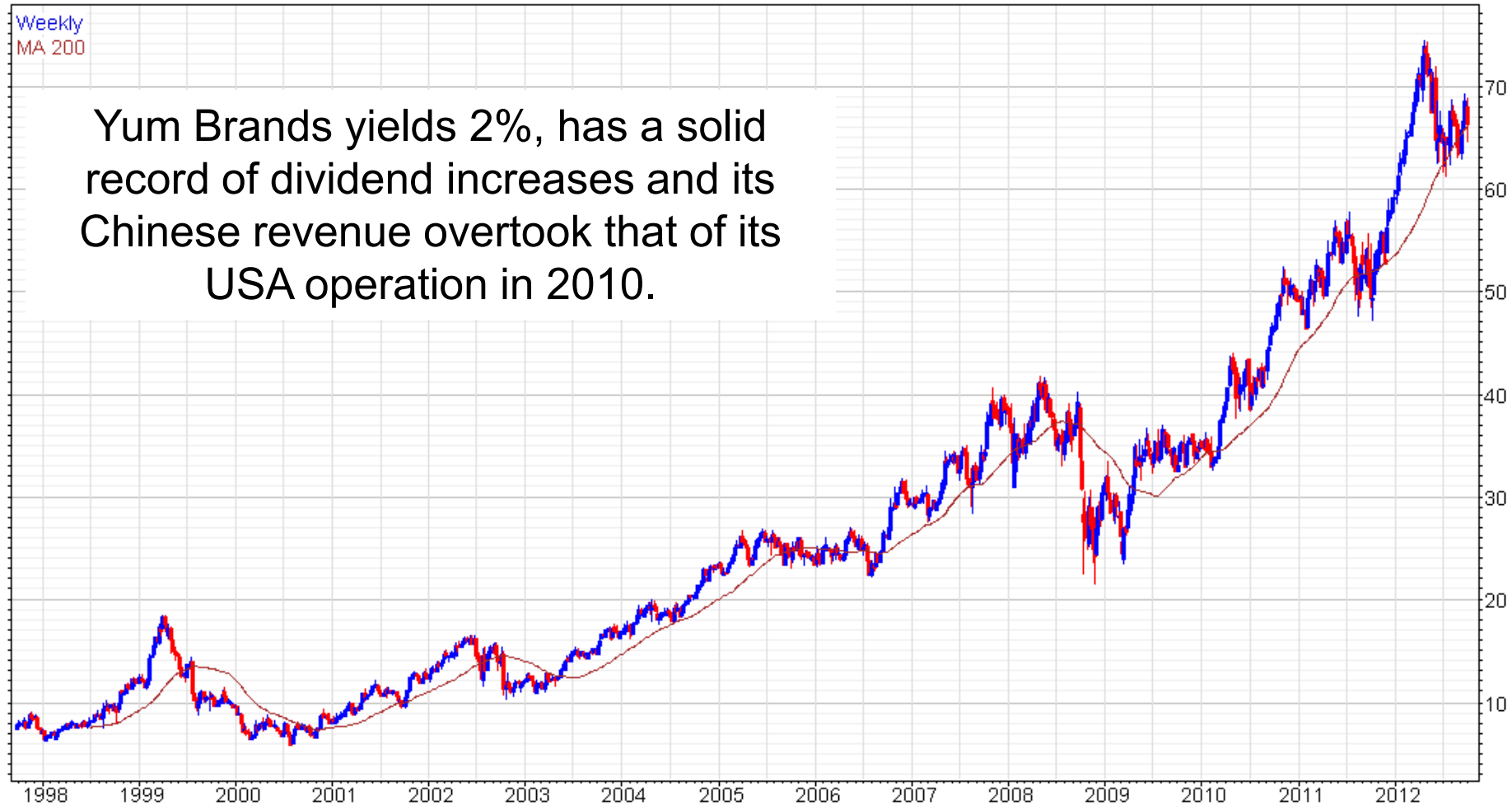


Yum! Brands Inc (YUM) 66.34 -1.29

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Weekly  
MA 200

Yum Brands yields 2%, has a solid record of dividend increases and its Chinese revenue overtook that of its USA operation in 2010.

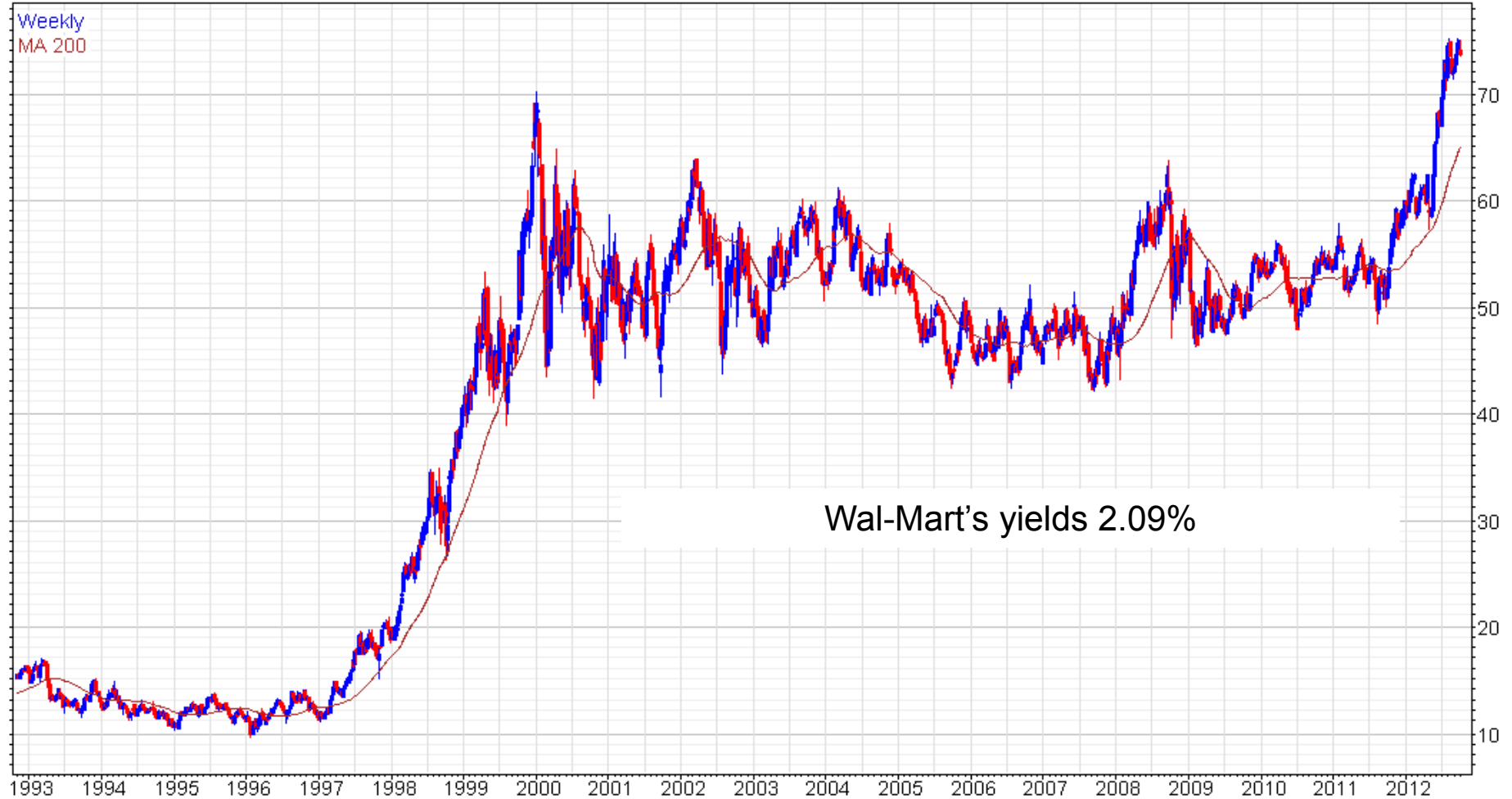




# Hypermarkets are becoming a global phenomenon.

Wal-Mart Stores Inc (WMT) 73.8 -0.18

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GRAB

WMT US Equity

96 Actions

97 Edit

98 Feedback

G 75 - P/E RATIO

WMT US Equity : Wal-Mart Stores Inc

Monthly 1/31/1990-8/31/2012

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

Price Earnings Ratio (P/E) 15.5128  
 High on 12/31/99 57.6042  
 Average 25.9993  
 Low on 09/30/11 12.0418

Wal-Mart's P/E peaked at 57 in 1999 and it currently trades at 15.5.







# How about when you go from \$25 to \$100 a day?

Google Inc (GOOG) 754.5 -2.00

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# GRAB

GOOG US Equity

96 Actions

97 Edit

98 Feedback

G 75 - P/E RATIO

GOOG US Equity : Google Inc

Monthly 8/31/2004-8/31/2012

1D 3D 1M 6M YTD 1Y 5Y Max Monthly

Security/Study

Price Earnings Ratio (P/E)	20.1201
High on 10/29/04	99.8115
Average	40.6450
Low on 06/29/12	17.0358

**Google IPOed at a P/E of 99 and currently trades closer to 20.**



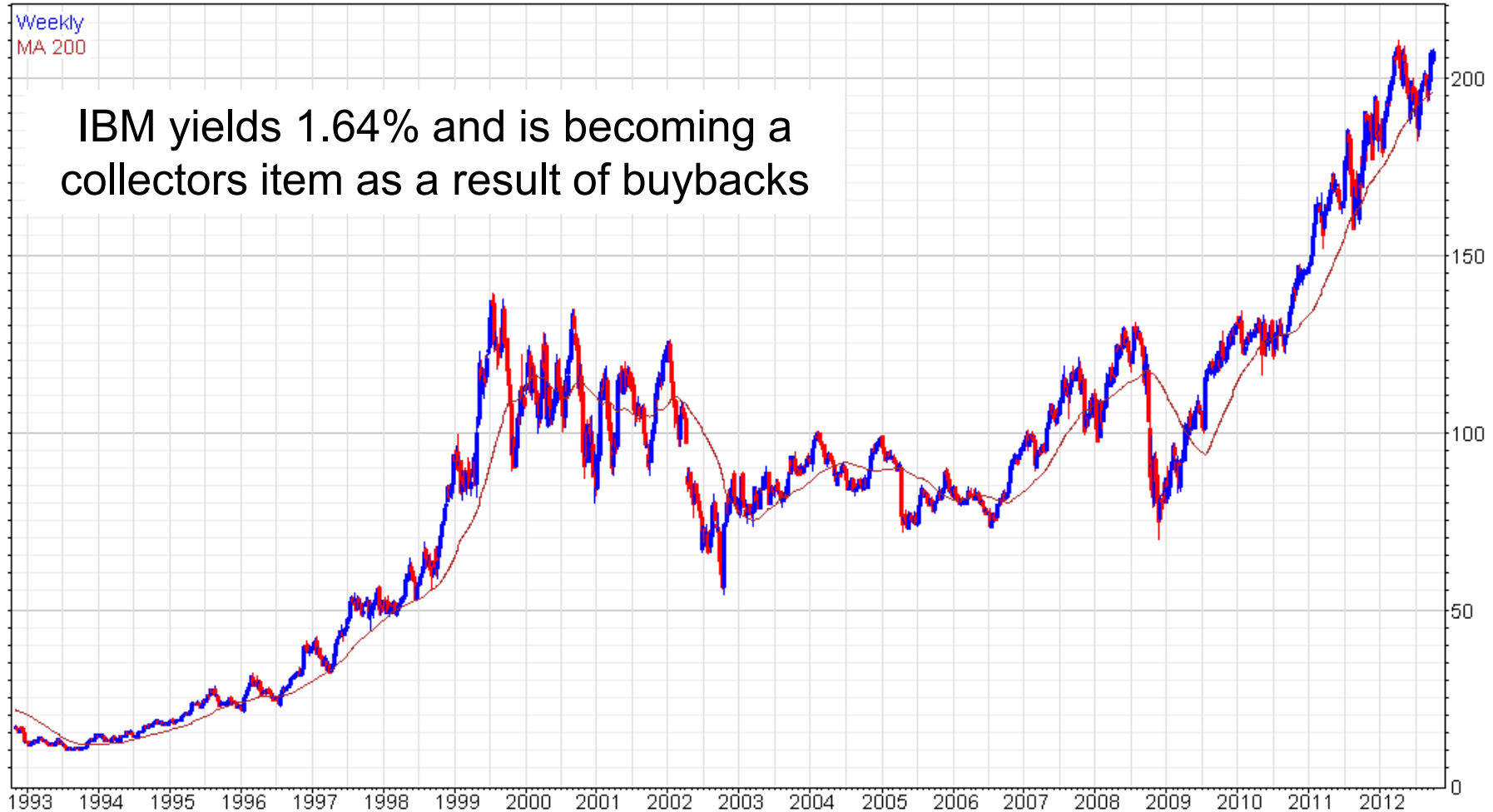


International Business Machines Corp (IBM) 207.45 +1.54

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Weekly  
MA 200

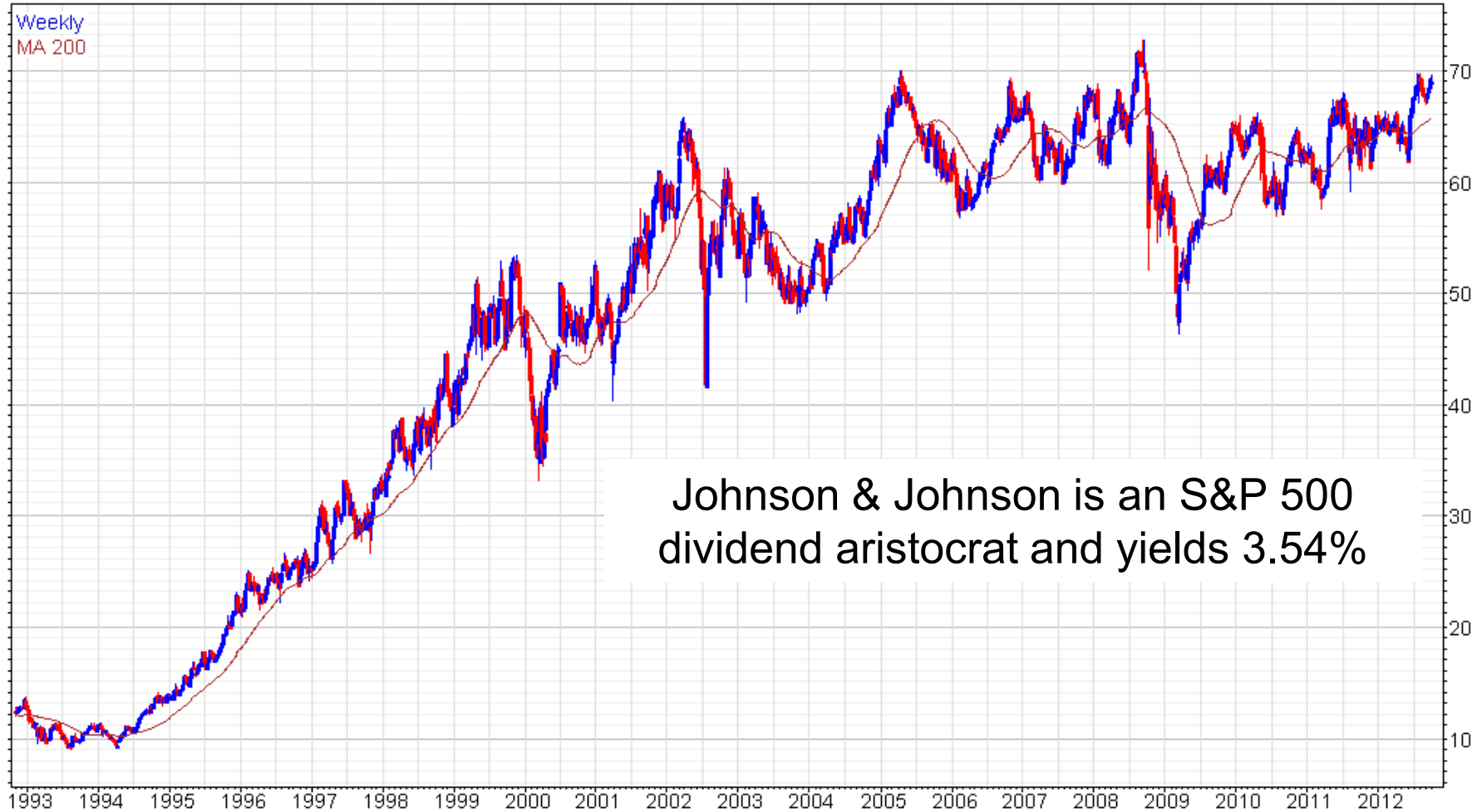
IBM yields 1.64% and is becoming a collectors item as a result of buybacks





Johnson & Johnson (JNJ) 68.91 -0.10

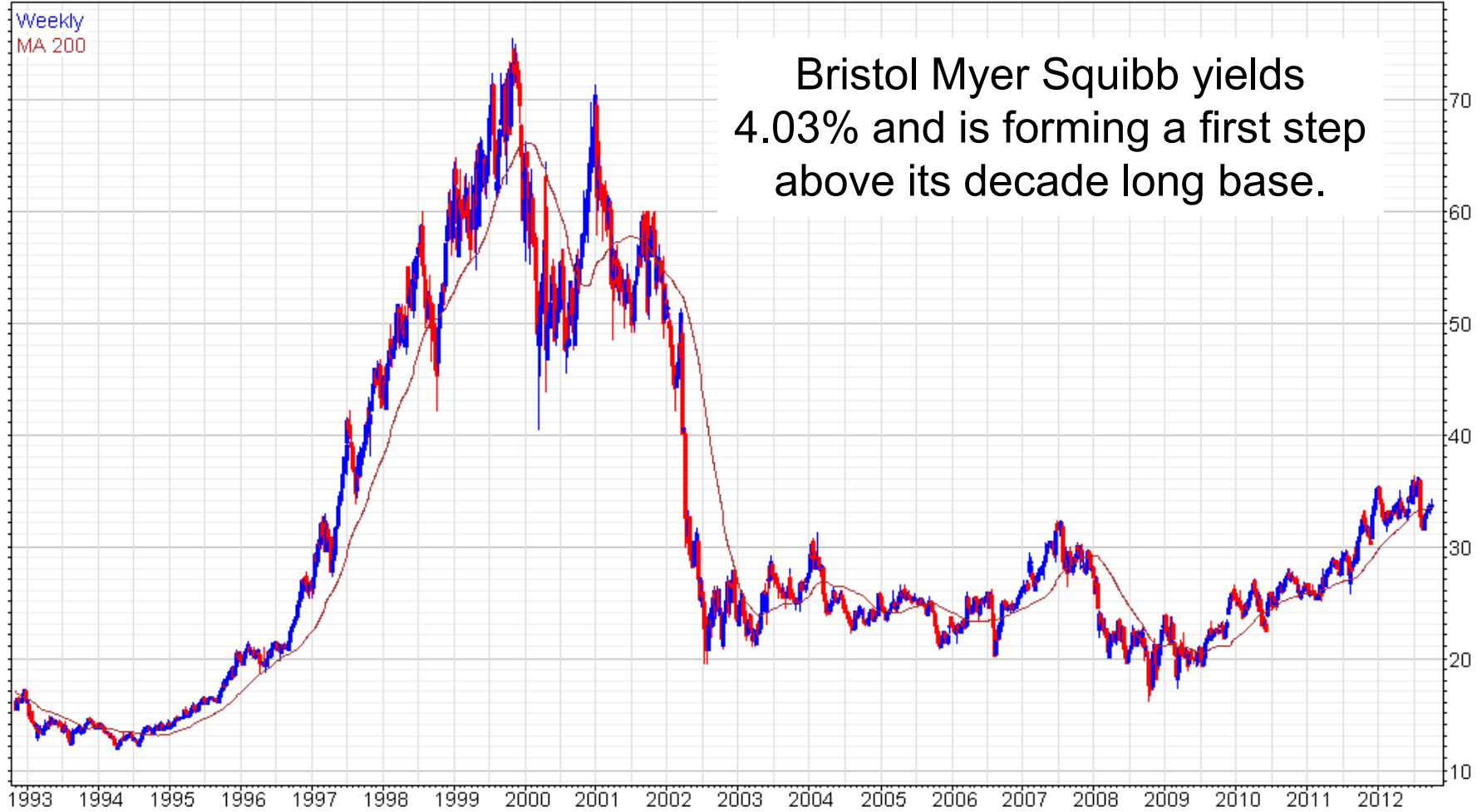
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Bristol-Myers Squibb Co (BMY) 33.75 -0.10

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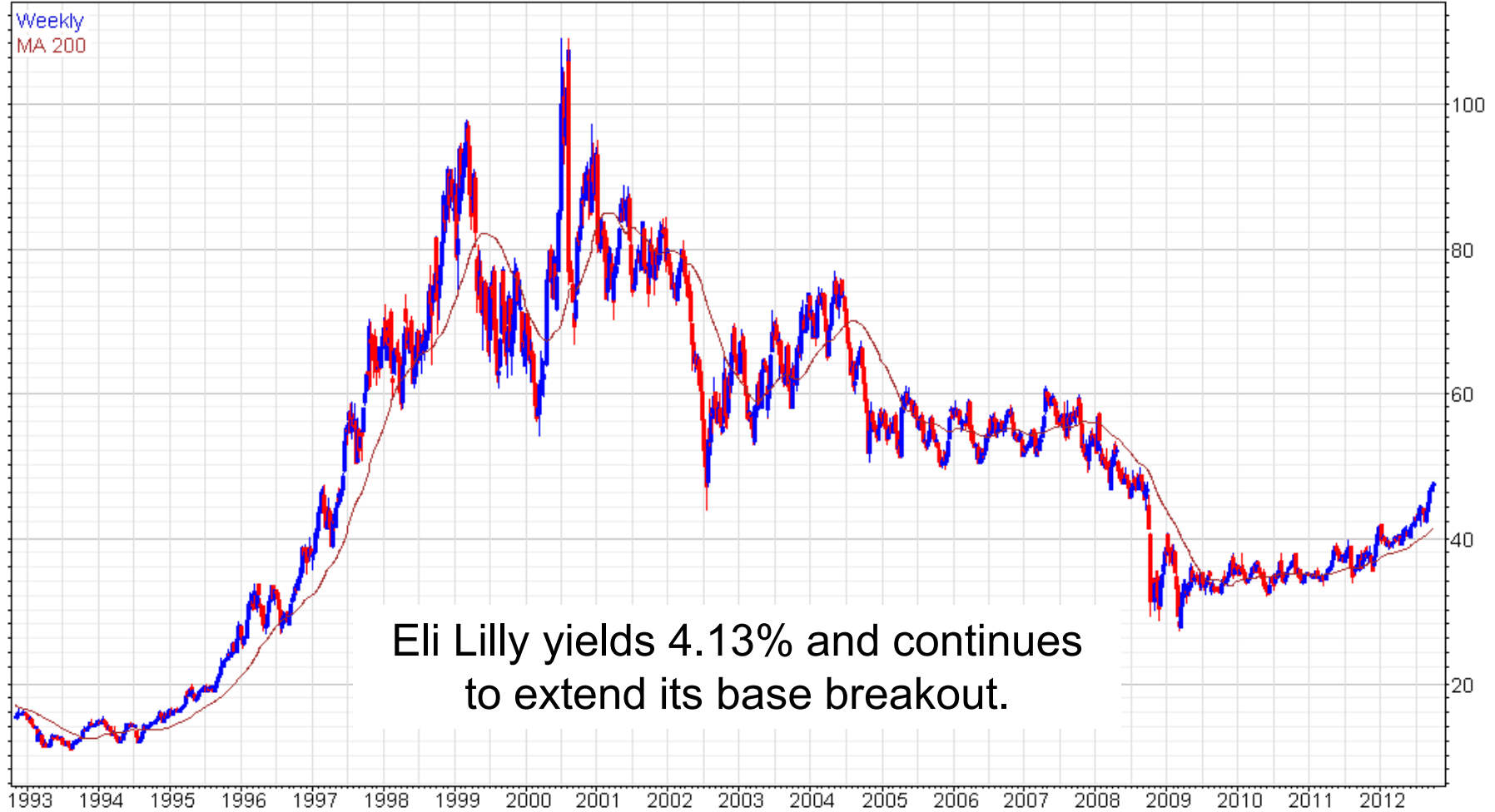


Bristol Myer Squibb yields 4.03% and is forming a first step above its decade long base.



Eli Lilly & Co (LLY) 47.41 -0.23

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Mastercard Inc (MA) 451.48 -0.69

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## We class these types of companies as Autonomies

They are leveraged to the growth of the global consumer, dominate their respective niches, have healthy balance sheets and possess strong records of increasing dividends.





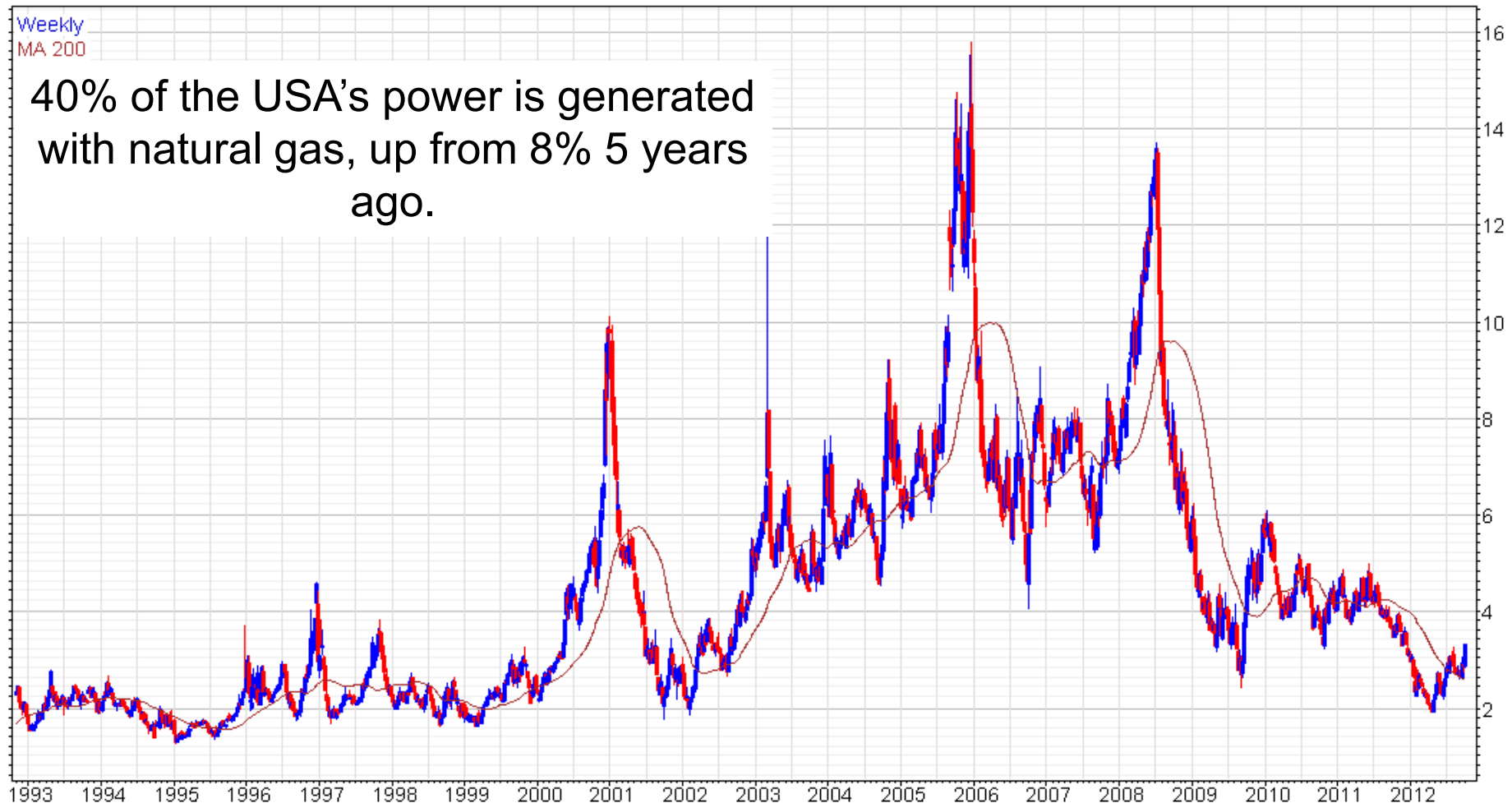
The above shares are leading the wider market. Wall Street will eventually complete its valuation contraction but will need to meet a number of conditions in order to do so.

Natural Gas NYME 1st Month Continuation (NG1) 3.32 +0.02

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Weekly  
MA 200

40% of the USA's power is generated with natural gas, up from 8% 5 years ago.

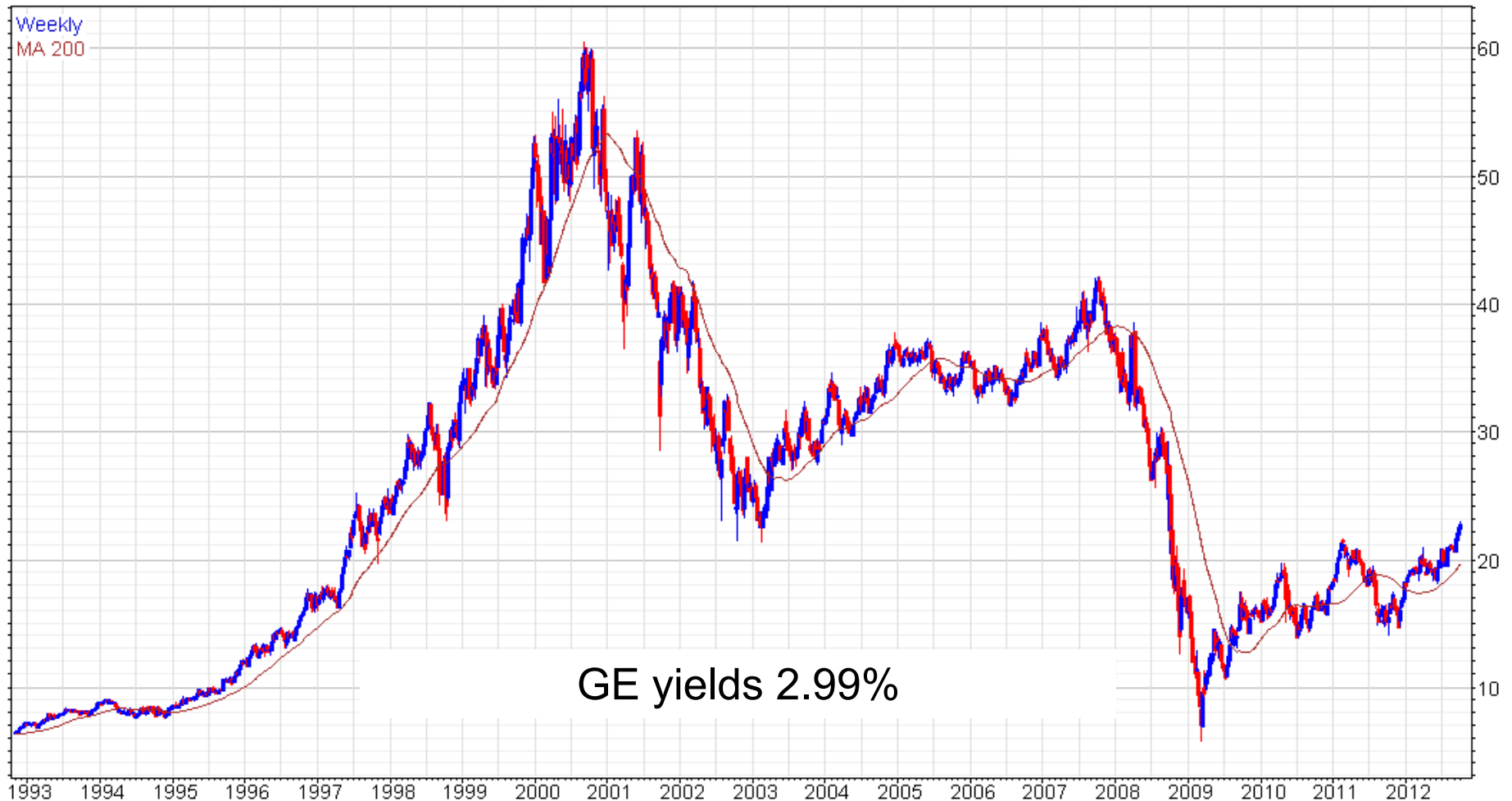




Factory Automation is likely to be a game changer for the global labour market. Energy and transportation costs will therefore become more of a consideration.

General Electric Co (GE) 22.71 -0.02

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Improving standards of corporate, civil and economic governance are prerequisites if the secular bear market on Wall Street is to transition into a secular bull.



Thank you very much

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