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The Donald Trump Bull Market Extension How long will it last?

This is a Markets Now Seminar
January 16th 2017

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The Caledonian Club – 9 Halkin Street
London SW1Y 4LH, UK



Potentially, it can last for a long time,
provided Trump's economic programme
leads to a surge in GDP & higher corporate profits

... and people's worst fears about Trump
are not realised

Currently, we know more about Trump's
shortcomings rather than his potential,
although his economic proposals have
increased his ratings



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Some key charts to watch
during this year of uncertainty

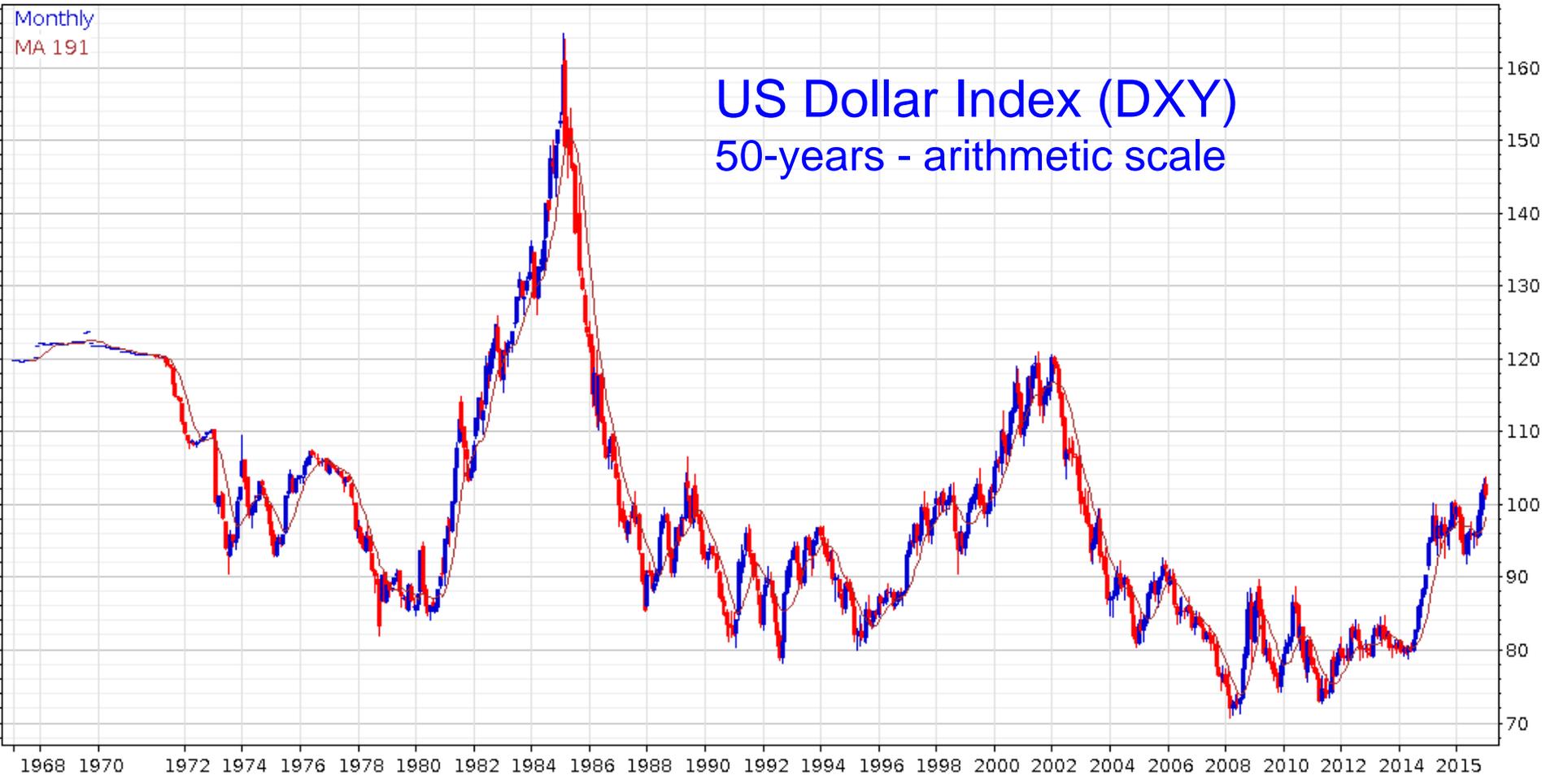


Dollar Index (DXY INDEX) 101.19 -1.64

2017-01-13

Monthly
MA 191

US Dollar Index (DXY) 50-years - arithmetic scale





Dollar Index (DXY INDEX) 101.19 -1.06

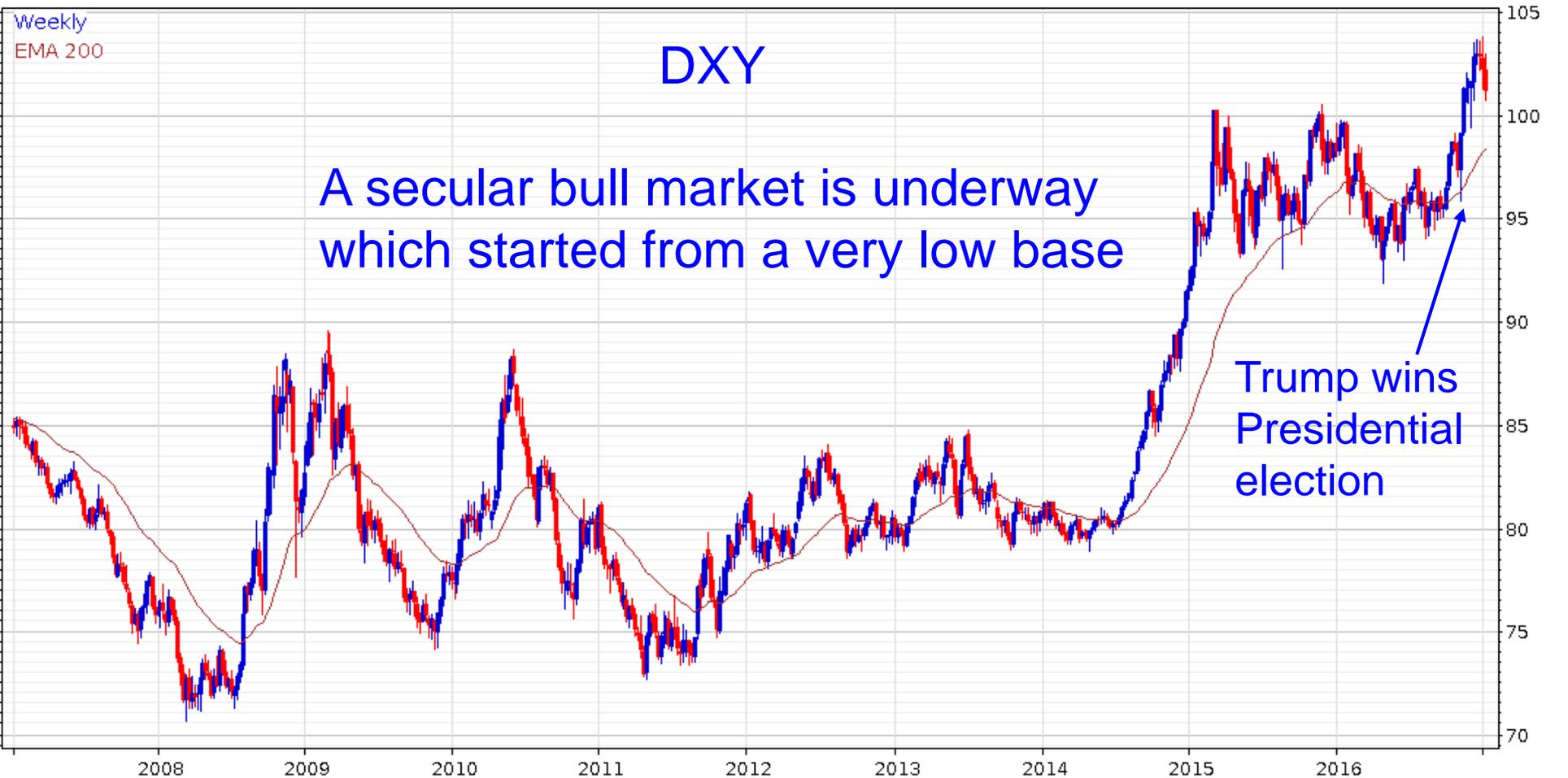
2017-01-13

Weekly
EMA 200

DXY

A secular bull market is underway
which started from a very low base

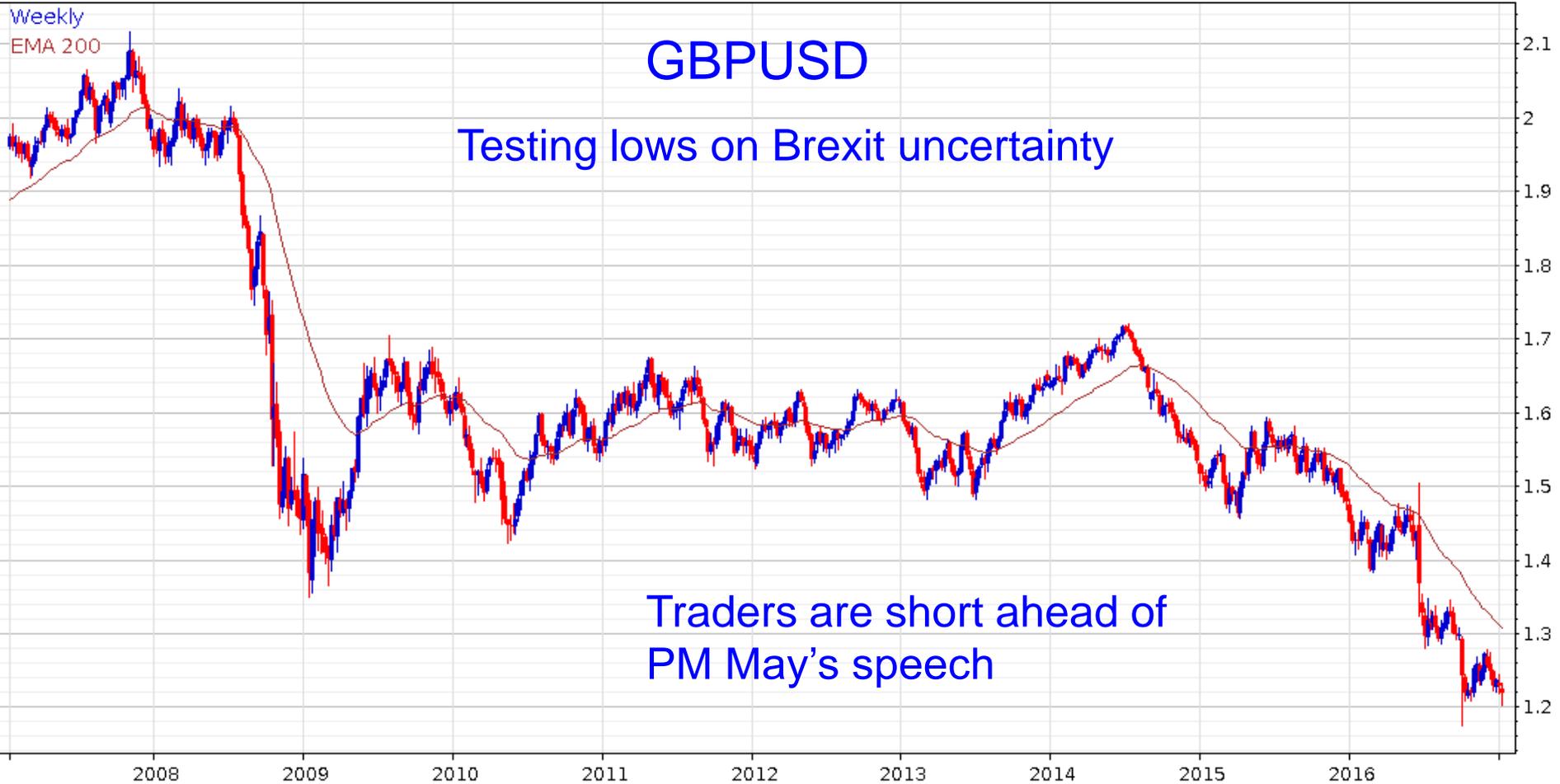
Trump wins
Presidential
election





USD per 1 GBP (GBPUSD CURRENCY) 1.2178 -0.01

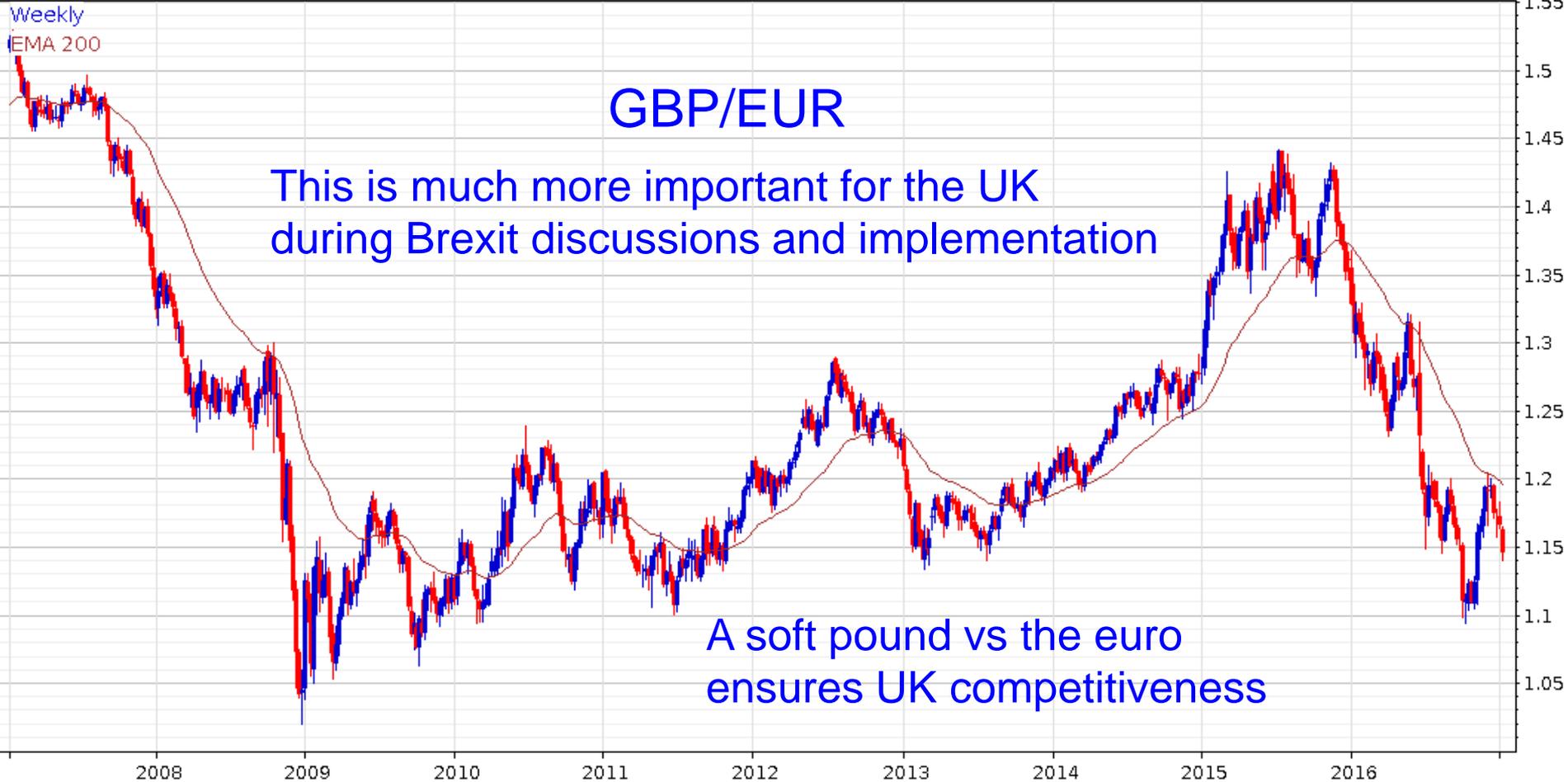
2017-01-13





EUR per 1 GBP (GBPEUR CURRENCY) 1.1456 -0.02

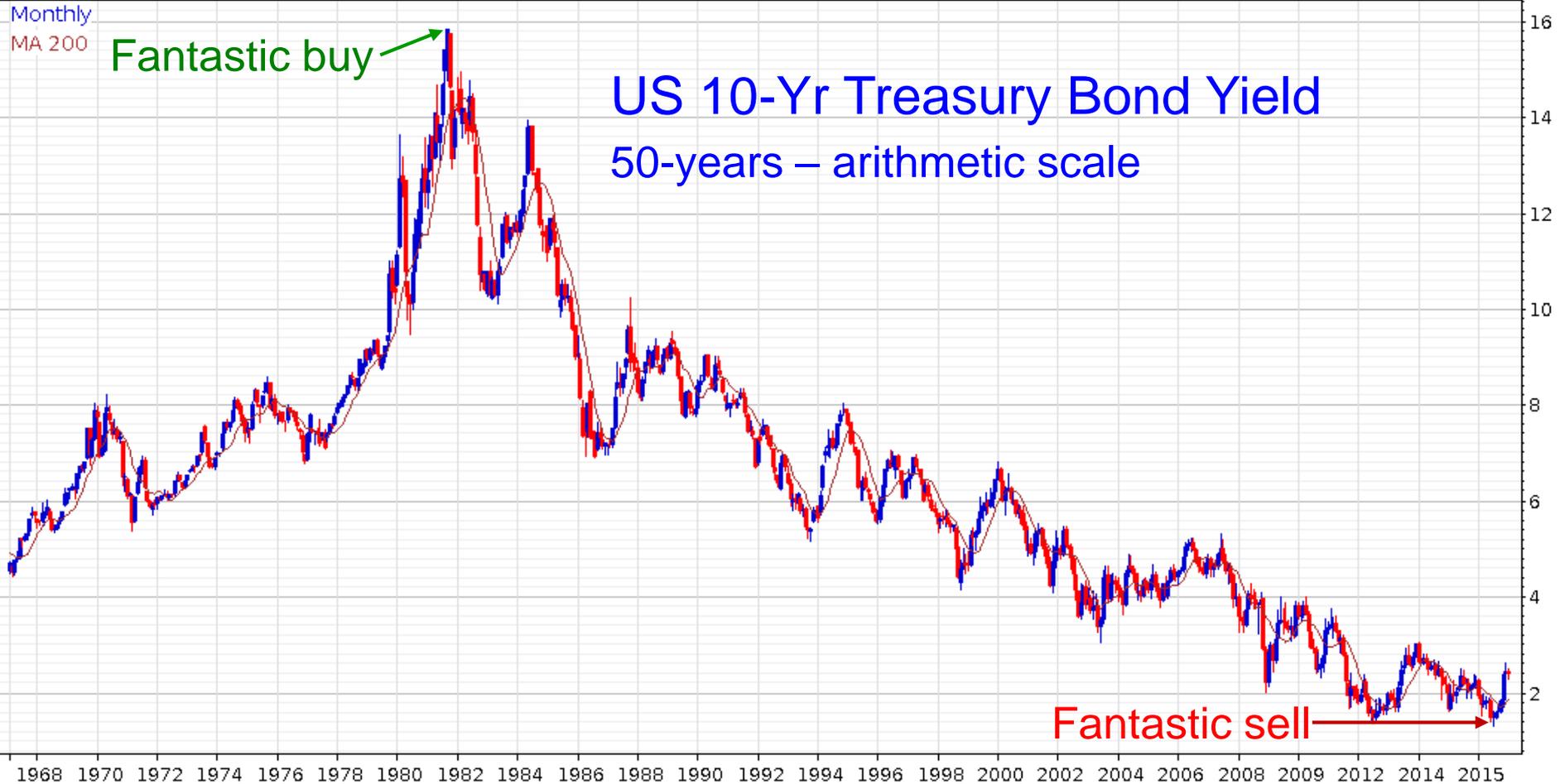
2017-01-13





US 10yr Treasury Bond Yield (USGG10YR INDEX) 2.3964 -0.05

2017-01-13





US 10yr Treasury Bond Yield (USGG10YR INDEX) 2.3964 -0.02

2017-01-13

US 10-Yr Treasury Bond Yield

Historic low of 1.3180% on 6th July 2016

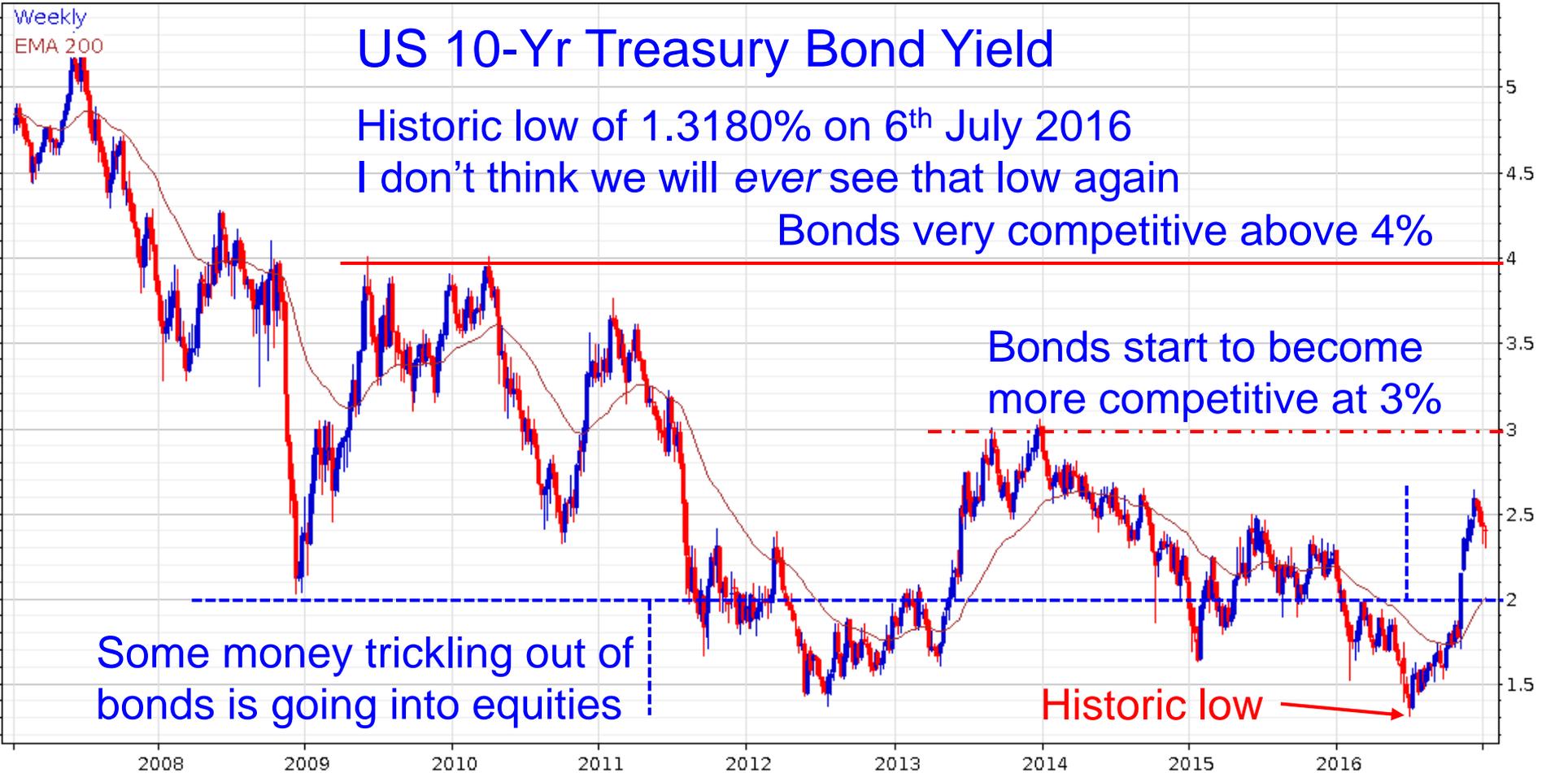
I don't think we will ever see that low again

Bonds very competitive above 4%

Bonds start to become more competitive at 3%

Some money trickling out of bonds is going into equities

Historic low





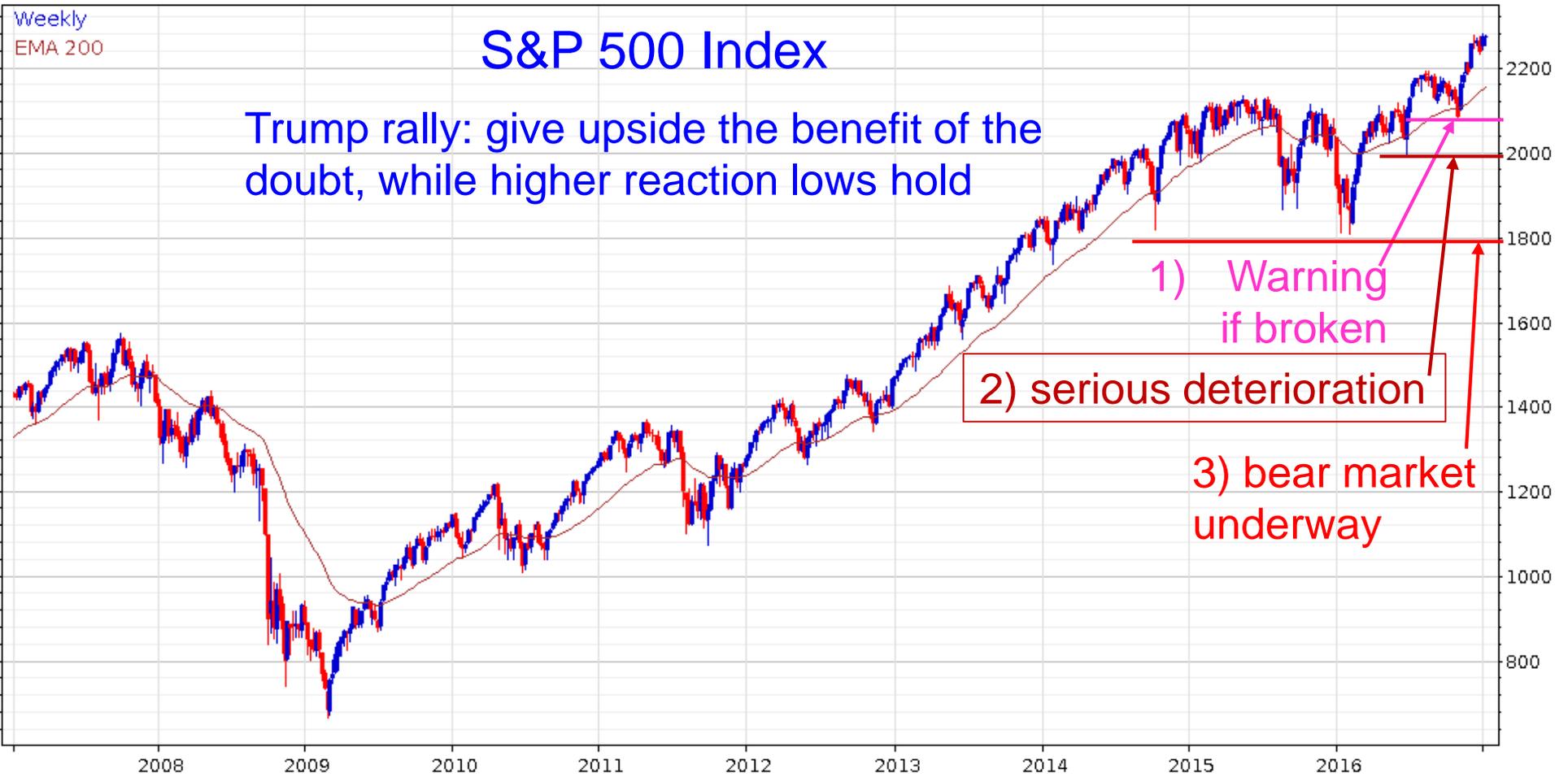
S&P 500 (SPX INDEX) 2274.64 -2.34

2017-01-13

Weekly
EMA 200

S&P 500 Index

Trump rally: give upside the benefit of the doubt, while higher reaction lows hold





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For those who thought Trump was a bad omen,
check this headline from Business Insider:

“A type of vampire bat has started feeding on
humans in Brazil for the first known time”

14/01/2017



Dow Jones Industrials Average (INDU INDEX) 19885.73 -78.07

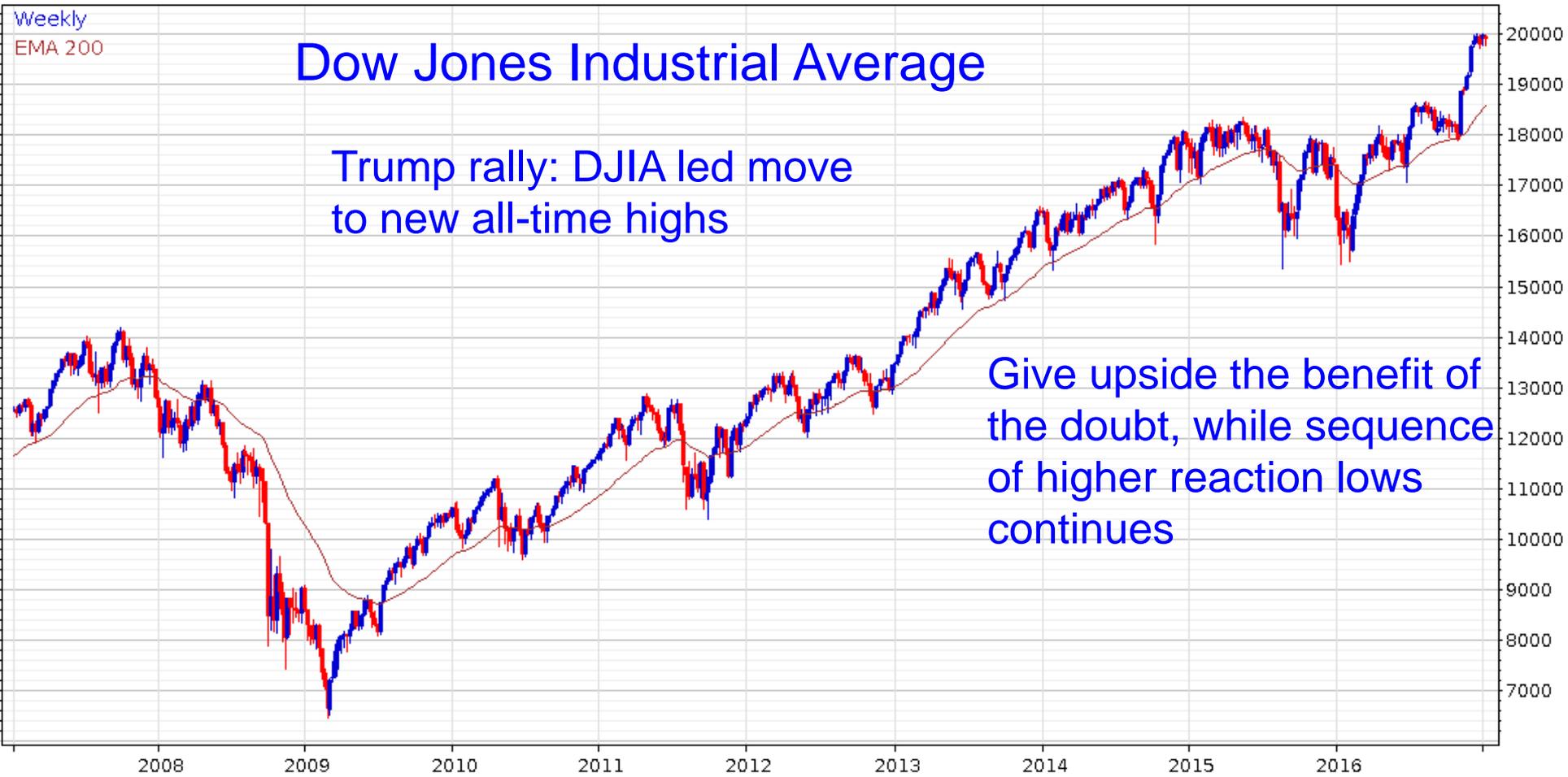
2017-01-13

Weekly
EMA 200

Dow Jones Industrial Average

Trump rally: DJIA led move
to new all-time highs

Give upside the benefit of
the doubt, while sequence
of higher reaction lows
continues





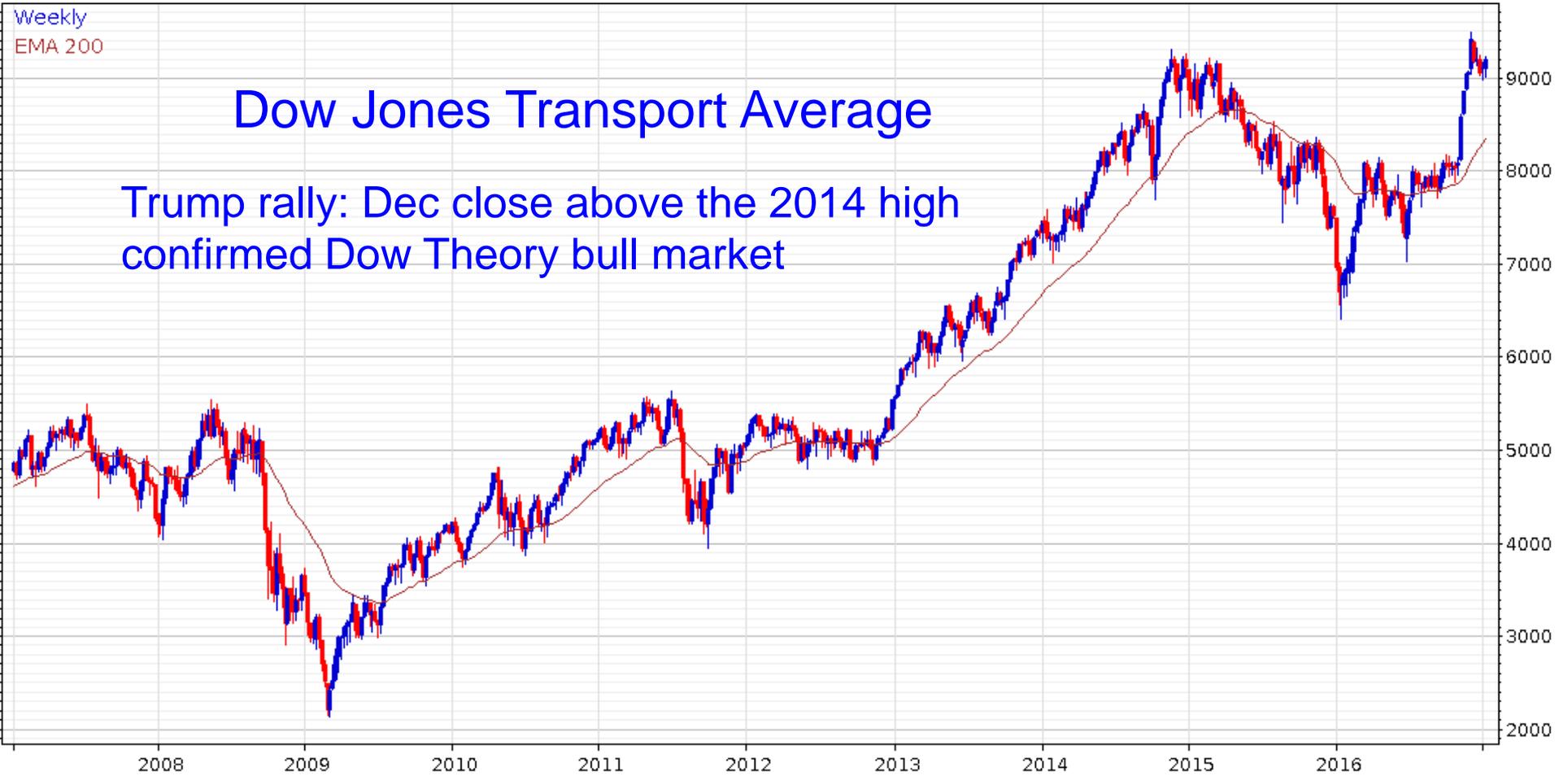
Dow Jones Transport Average (TRAN INDEX) 9202.34 98.26

2017-01-13

Weekly
EMA 200

Dow Jones Transport Average

Trump rally: Dec close above the 2014 high
confirmed Dow Theory bull market





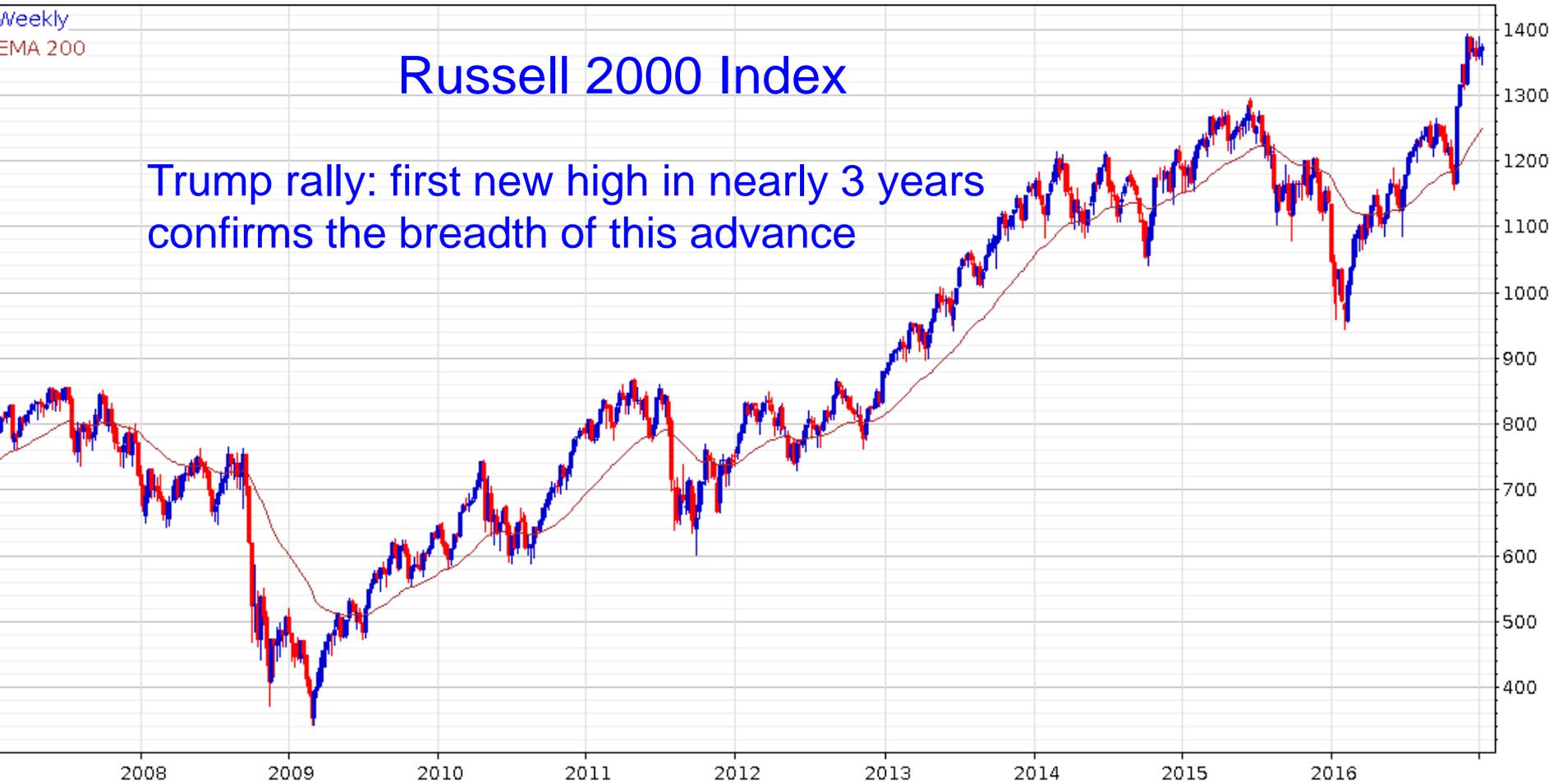
Russell 2000 (RTY INDEX) 1372.047 4.77

2017-01-13

Weekly
EMA 200

Russell 2000 Index

Trump rally: first new high in nearly 3 years confirms the breadth of this advance





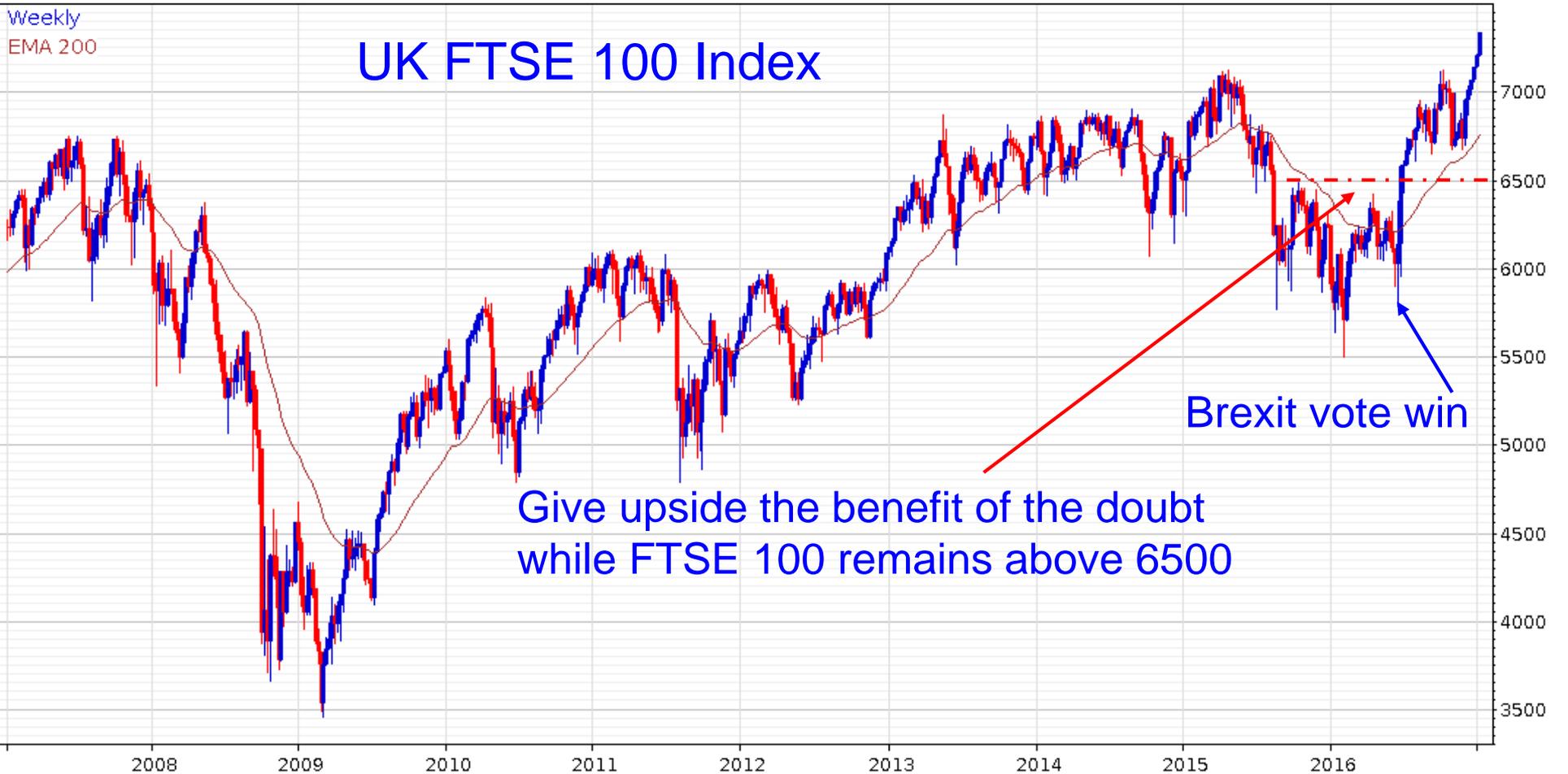
FTSE100 (UKX INDEX) 7337.81 127.76

2017-01-13

Weekly

EMA 200

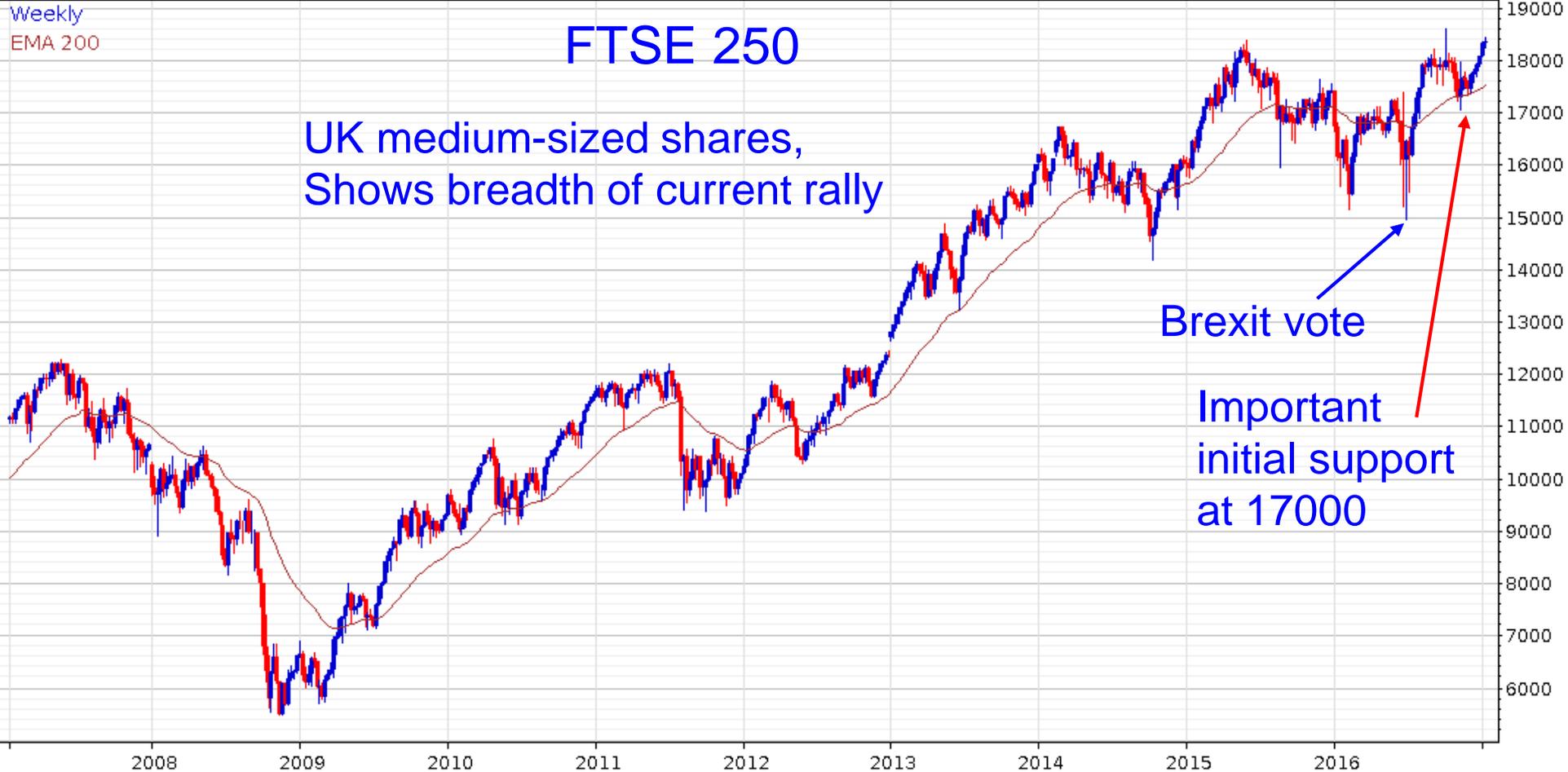
UK FTSE 100 Index





FTSE 250 Midcaps (MCX INDEX) 18371.94 30.75

2017-01-13





MATT



'Sir Ivan's leaving card has to be approved by 27 EU parliaments. This could take a decade'



Ireland (ISEQ INDEX) 6658.95 64.63

2017-01-13





Germany (DAX INDEX) 11629.18 30.17

2017-01-13

Weekly
EMA 200

Germany DAX Index

Best market in terms of risk
within the troubled EU

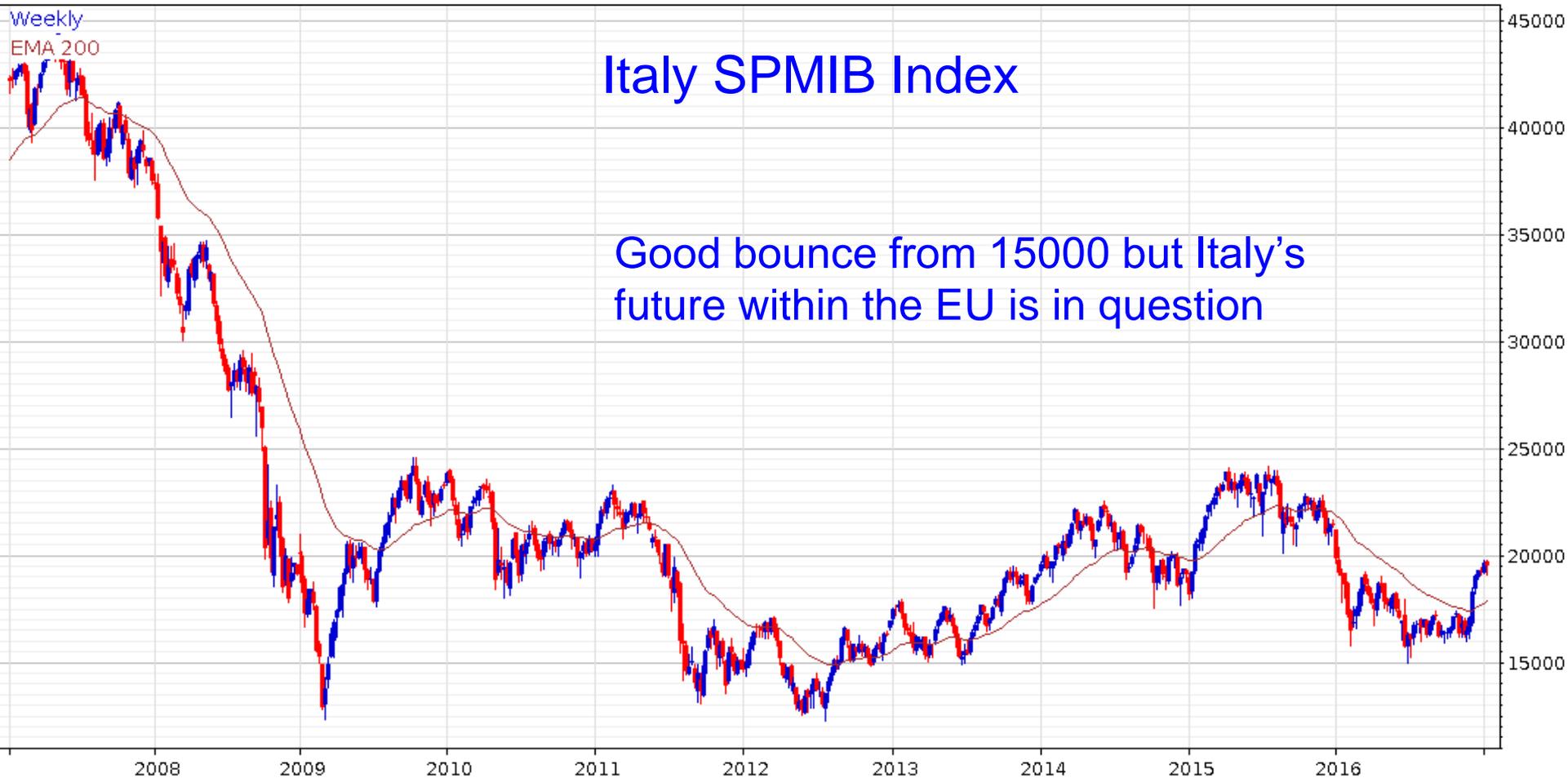
Needs to maintain
sequence of higher
reaction lows since
the Feb 2016 low





Italy (SPMIB INDEX) 19514.54 -173.17

2017-01-13





Japan Nikkei 225 Index (NKY INDEX) 19287.28 -167.05

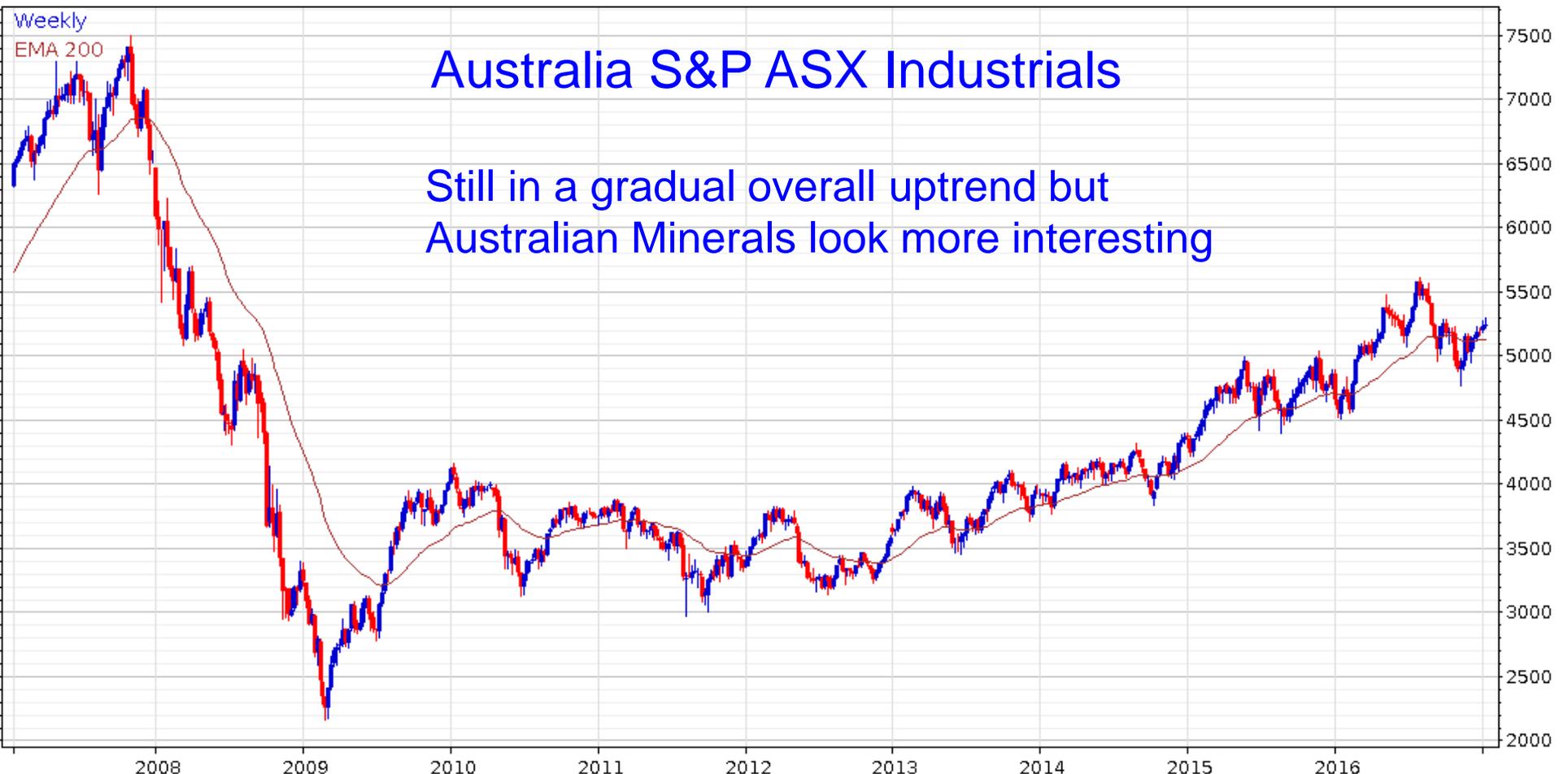
2017-01-13

Weekly
EMA 200

Japan Nikkei 225 Index

Rallied well on Trump win and weaker yen, but may still needs a soft currency to extend gains







Australia S&P ASX Industrials

Still in a gradual overall uptrend but
the next chart is more interesting





S&P ASX Materials (AS51MATL INDEX) 10052.70 145.7

2017-01-13

Weekly
EMA 200

Australia S&P ASX Materials

No problem while
staircase uptrend
maintains consistency





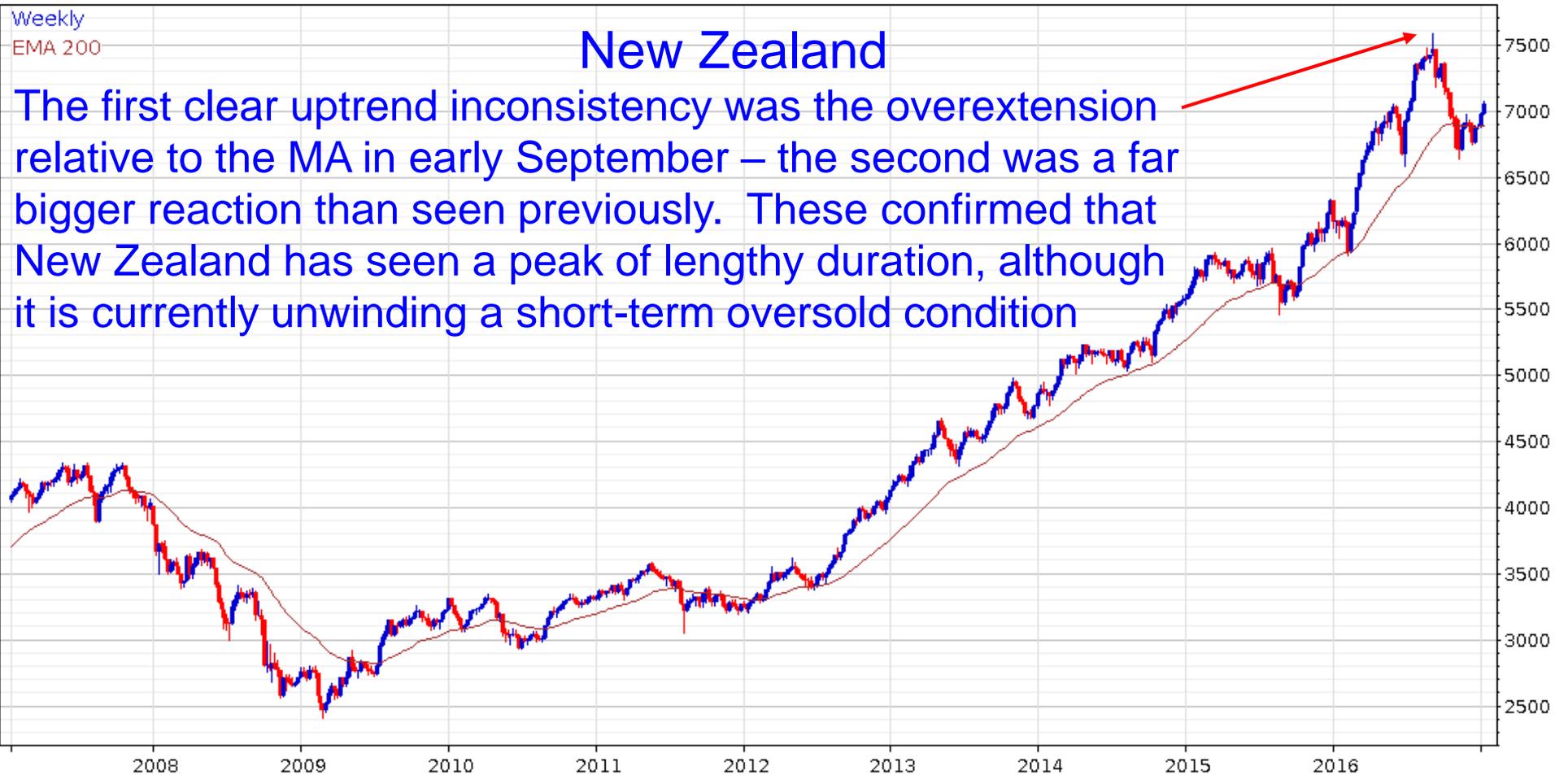
New Zealand 50 Fully Gross Index (NZX50) (NZSE50FG INDEX) 7046.97 76.31

2017-01-13

Weekly
EMA 200

New Zealand

The first clear uptrend inconsistency was the overextension relative to the MA in early September – the second was a far bigger reaction than seen previously. These confirmed that New Zealand has seen a peak of lengthy duration, although it is currently unwinding a short-term oversold condition





India Mumbai (SENSEX INDEX) 27238.06 478.83

2017-01-13

Weekly
EMA 200

India Mumbai Sensex Index

Similar top formation characteristics of overextension relative to MA followed by large correction as seen by NZ on previous slide

Will need to clear August 2016 high to indicate current range is a lengthy consolidation prior to further medium-term gains by what has been a regional outperformer





China Shanghai Composite Index

To much uncertainty? Investors remain wary of China which has continued to lag, despite a soft currency. Nevertheless, the rising lows from early 2016 have yet to be broken.





MSCI World ex US (MXWDU INDEX) 253.72 2.54

2017-01-13





MSCI Emerging Markets (MXEF INDEX) 895.98 14.87

2017-01-13





MSCI Asia Pacific ex Japan (MXAPJ INDEX) 445.7948 8.13

2017-01-13





MSCI Latin America (MXLA INDEX) 2423.81 41.36

2017-01-13

Weekly

EMA 200

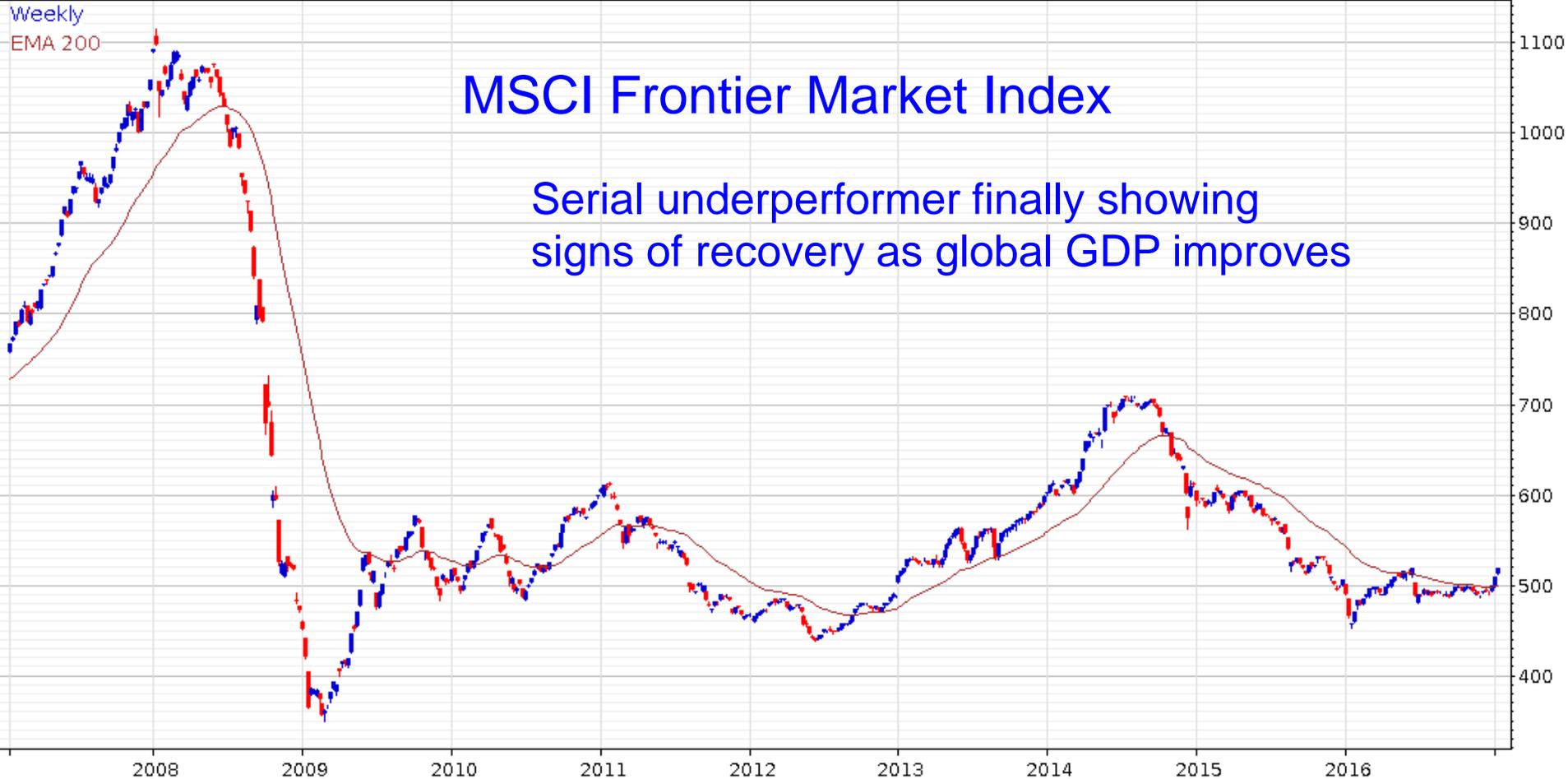
MSCI Latin America





MSCI Frontier Market Index (MXFM INDEX) 518.5432 8.93

2017-01-13





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Arguably, these underperforming markets in the MSCI indices are interesting on a buy-low, sell-high basis but it might be best to wait until we have seen a sharp sell-off on Wall Street.



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Industrial metals remain in favour

Biggest risk is a surging USD



LME Aluminium 3mth (LMAHDS03 LME COMDTY) 1809.00 96.0

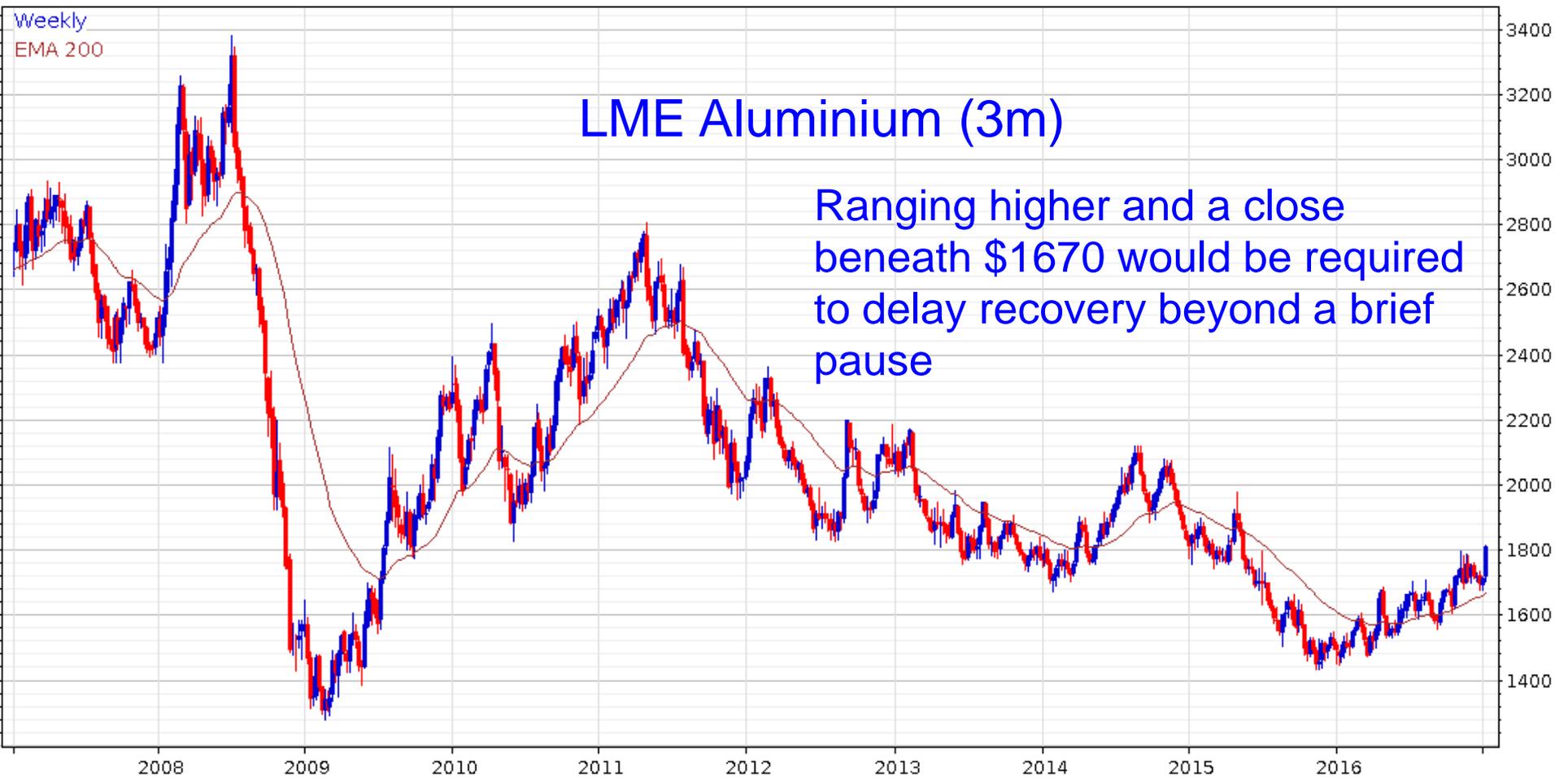
2017-01-13

Weekly

EMA 200

LME Aluminium (3m)

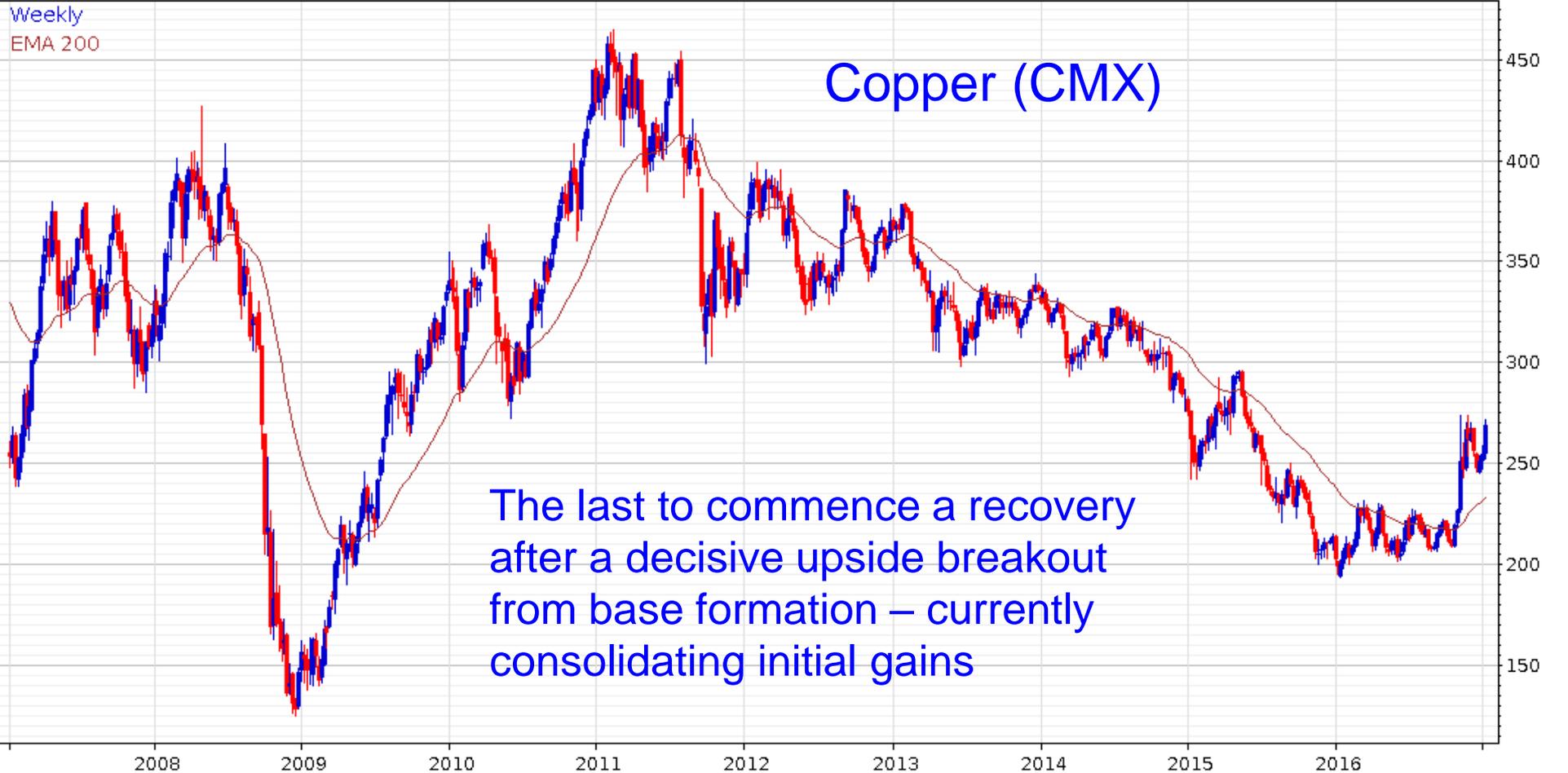
Ranging higher and a close
beneath \$1670 would be required
to delay recovery beyond a brief
pause





Copper (CMX) (HG1 COMB COMDTY) 269.00 14.4

2017-01-13





LME Lead 3 months (LMPBDS03 COMDTY) 2305.00 249.0

2017-01-13

Weekly
EMA 200

LME Lead (3m)

Sharp correction from short-term overextended condition but bounced off MA – likely to range higher over medium term





LME Nickel 3mth (LMNIDS03 COMDTY) 10450.00 205.0

2017-01-13

Weekly
EMA 200

LME Nickel (3m)

Recent slight dip beneath \$10000 suggests some additional base formation development before the recovery resumes





LME Tin HG 3 Months (LMSNDS03 COMDTY) 21145.00 140.0

2017-01-13

Weekly
EMA 200

LME Tin (3m)

Currently steady but still temporarily overextend so some further reaction and consolidation is likely before uptrend resumes





LME Zinc Special HG 3 Months (LMZSDS03 COMDTY) 2790.50 171.5

2017-01-13



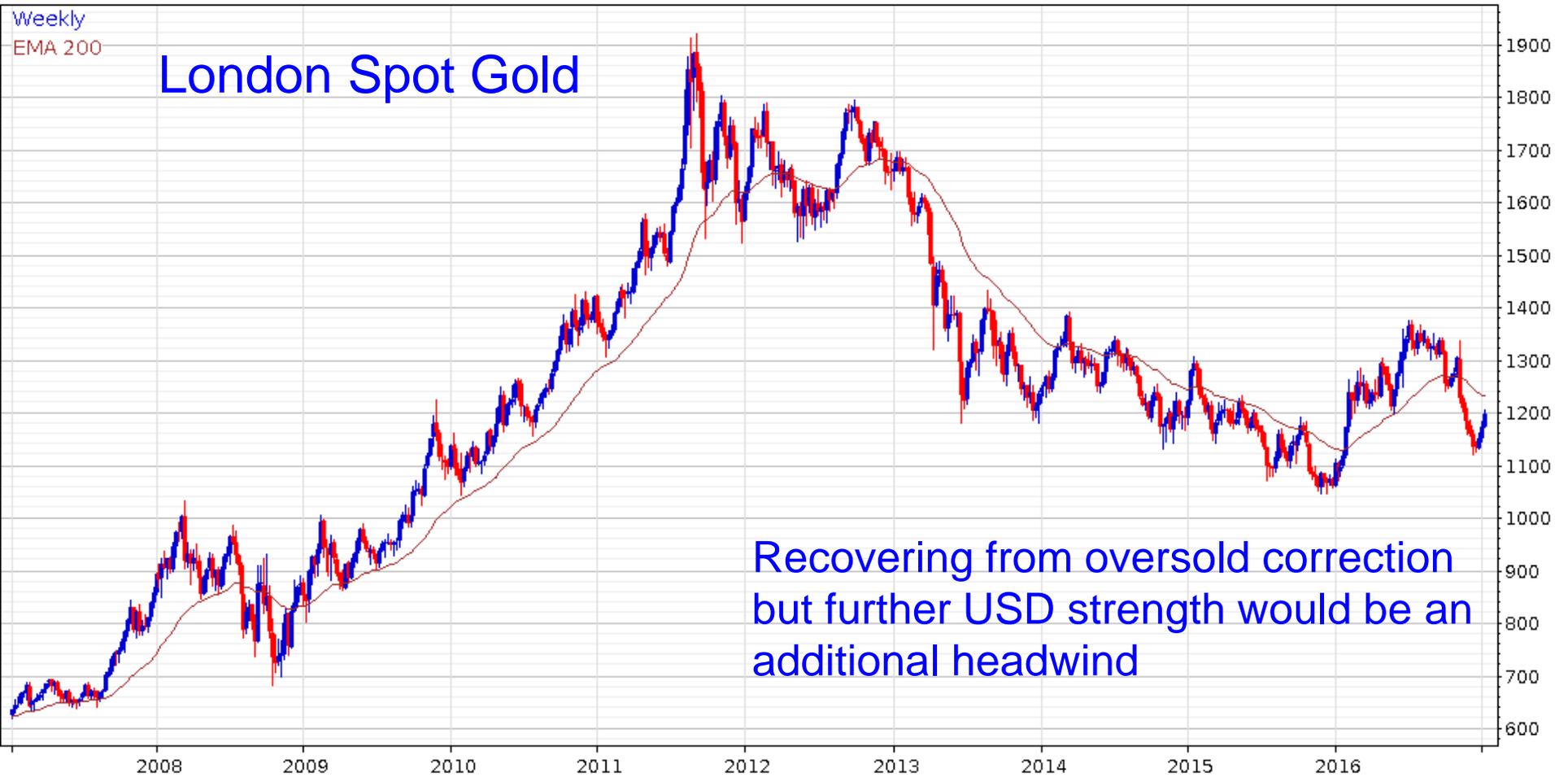


London Spot Gold (GOLDS COMDTY) 1197.58 24.73

2017-01-13

Weekly
EMA 200

London Spot Gold





Silver 1st mth (SI1 COMB COMDTY) 16.765 0.25

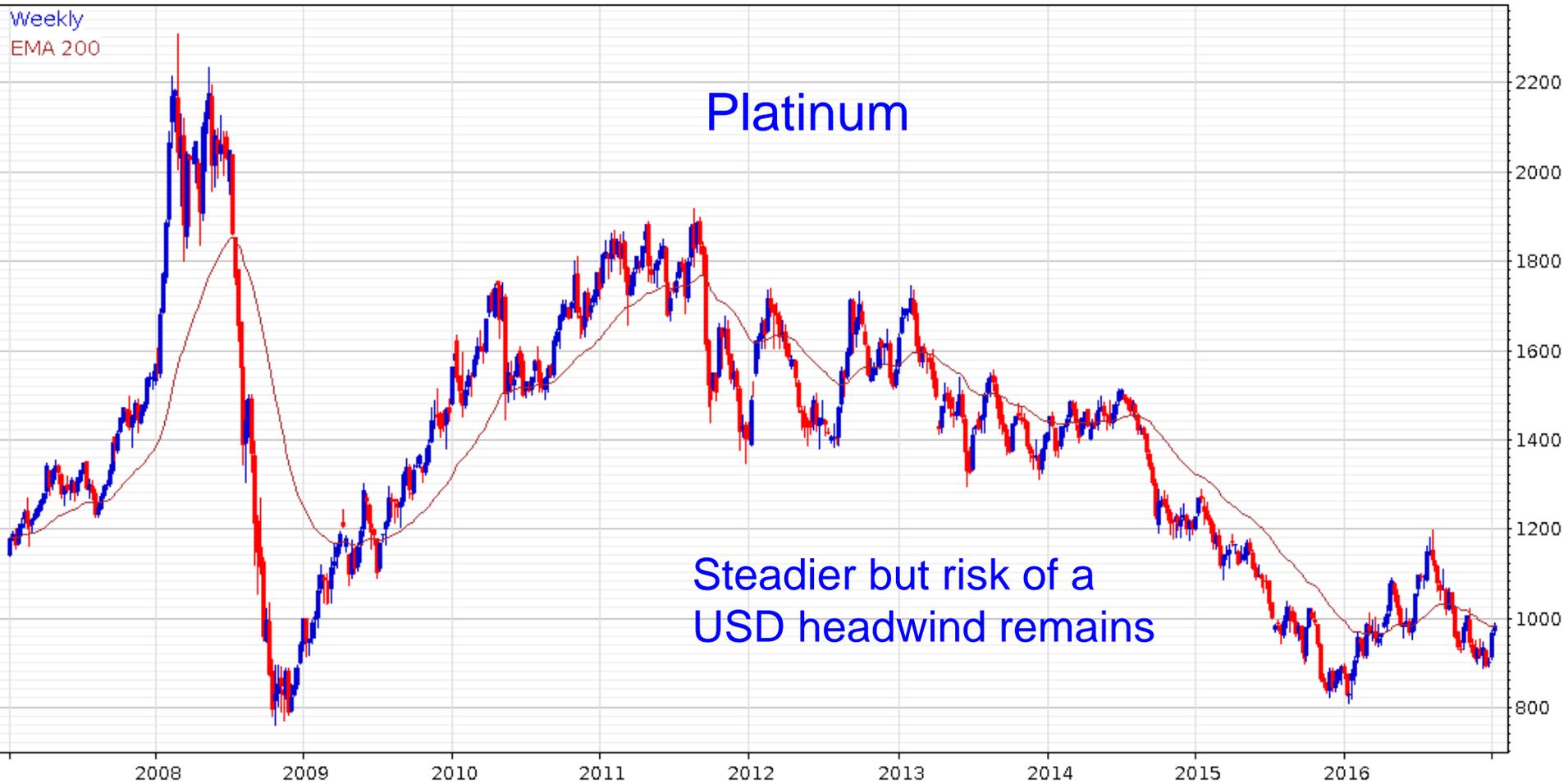
2017-01-13





Platinum NYME 1st Month Continuation (PL1 COMB COMDTY) 982.40 15.9

2017-01-13





Palladium (1st mth) (PA1 COMB COMDTY) 749.15 -9.2

2017-01-13

Weekly

EMA 200

Palladium

The strongest 'precious metal' by far being much more of an industrial metal, now temporarily overbought but building up support within choppy uptrend



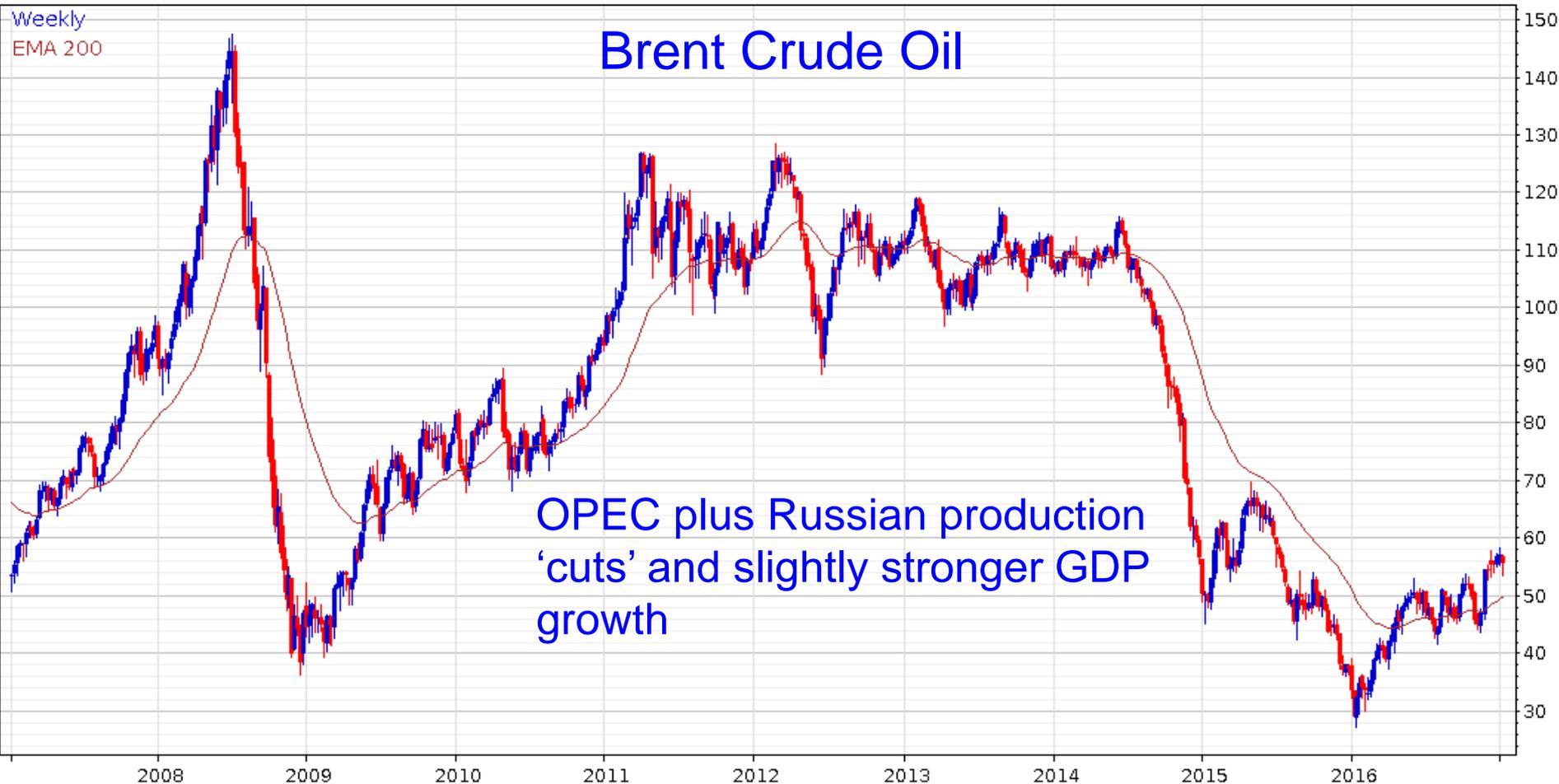


Brent Crude Oil (CO1 COMB COMDTY) 55.45 -1.65

2017-01-13

Weekly
EMA 200

Brent Crude Oil





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And now
it's Trump coronation time!

Here are some early photos
for you to treasure



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All In Good Fun

The president-elect likes the UK
and that will help us in our Brexit
negotiations



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Many thanks for your interest!
Any questions?

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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 11th 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
11th July Markets Now, so a little
air is escaping but this bubble
has yet to burst





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.



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.



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



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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