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Continued Risk of Medium-Term Correction Within Ongoing Bull Market

This is a Markets Now Seminar
June 12th 2017

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



Theresa May's Election Blunder (discussion)

1. A disaster for her
2. A political risk for the UK economy
3. But also an opportunity
4. Provided strong, inspired, inclusive
Tory leadership emerges quickly

Governance is everything!



“I fear we may be in an era when the political parties compete to bribe us with our own money.”

Roger Bootle, 10 June 2017



The crowd's animal spirits following Trump's election on 8th Nov drove stock markets higher on promises of tax cuts, fiscal spending and repatriation of capital

However, share valuations have run far ahead of 3% GDP growth forecasts and potential additional earnings increases, which may not occur before 2018, at best



Nasdaq 100 (NDX INDEX) 5741.944 -139.51

2017-06-09

Weekly
EMA 200

Nasdaq 100 (weekly)
Temporarily overextended



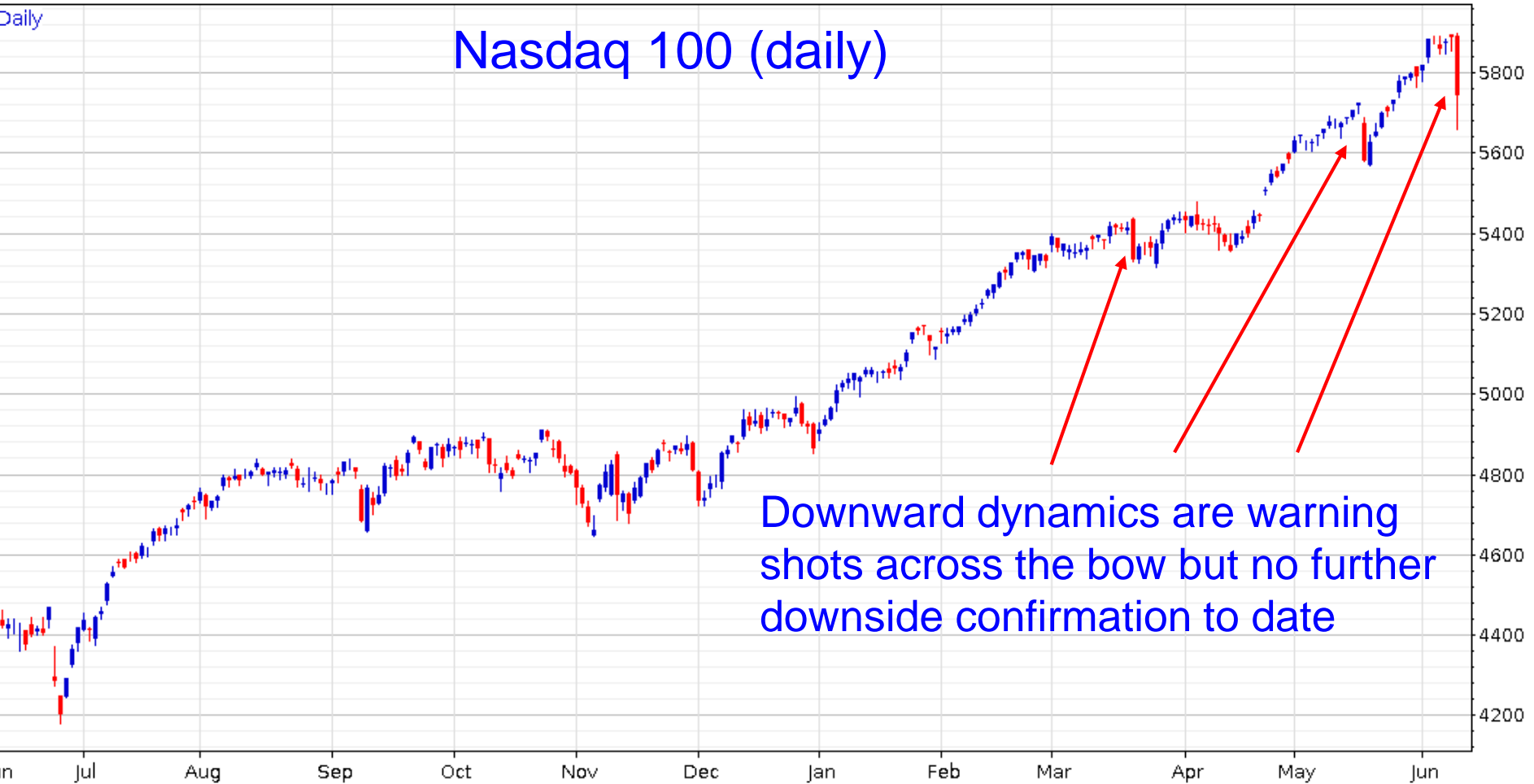


Nasdaq 100 (NDX INDEX) 5741.944 -143.35

2017-06-09

Daily

Nasdaq 100 (daily)



Downward dynamics are warning shots across the bow but no further downside confirmation to date



Where is the beef?

Trump's economic stimulus had been discounted well before any surge in GDP & proportionally higher corporate profits

Stock markets underperform, on average, in 2Q and 3Q of each year

Meanwhile, investors' worst fears about Trump have not gone away



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Fortunately, we are in a secular bull market
which very few investors recognise



S&P 500 (SPX INDEX) 2431.77 19.97

2017-06-09

Monthly
MA 200

S&P 500 (monthly 50 years)

Market history often rhymes

← Preceded by post-WW2 secular bull market

Blow off

Secular bull

Secular bull





S&P 500 (SPX INDEX) 2431.77 -7.3

2017-06-09

Weekly
EMA 200

S&P 500 (weekly)

Most other diversified US indices have similar patterns, losing upside momentum from temporarily overbought conditions relative to their 200-day MAs





Market corrections occur periodically

They can be frightening but they also create buying opportunities which we will see once again after investor sentiment turns bearish



Looking further ahead (2nd-half 2017/18)

There is little evidence of another significant bear market, which many commentators have been predicting since 2008, although their greater optimism recently is another indication of an imminent correction



Over the next 10 years, we are very likely to see a cyclical bear trend or two in stock markets but they will move higher overall

Three potential bear market triggers:

- 1) After the US yield curve inverts
- 2) Treasury Bond yields rise towards 4%
- 3) The Dollar Index moves sharply higher

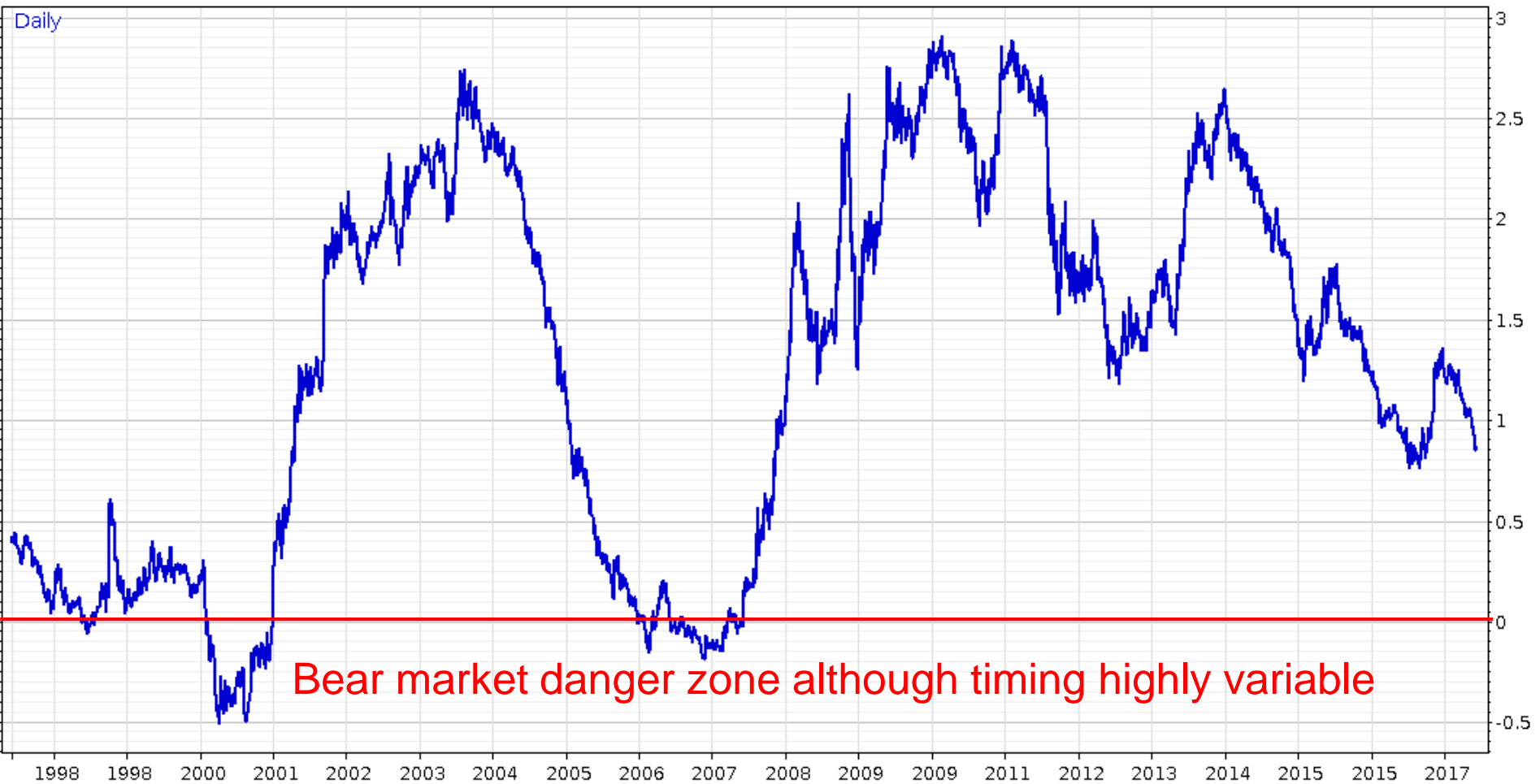
Presently, none of these is a problem, although political risks have increased



US 10yr Treasury Bond Yield (USGG10YR INDEX) - US 2yr Treasury Bond Yield (USGG2YR INDEX) 0.866 -0.01

2017-06-09

Daily



Bear market danger zone although timing highly variable

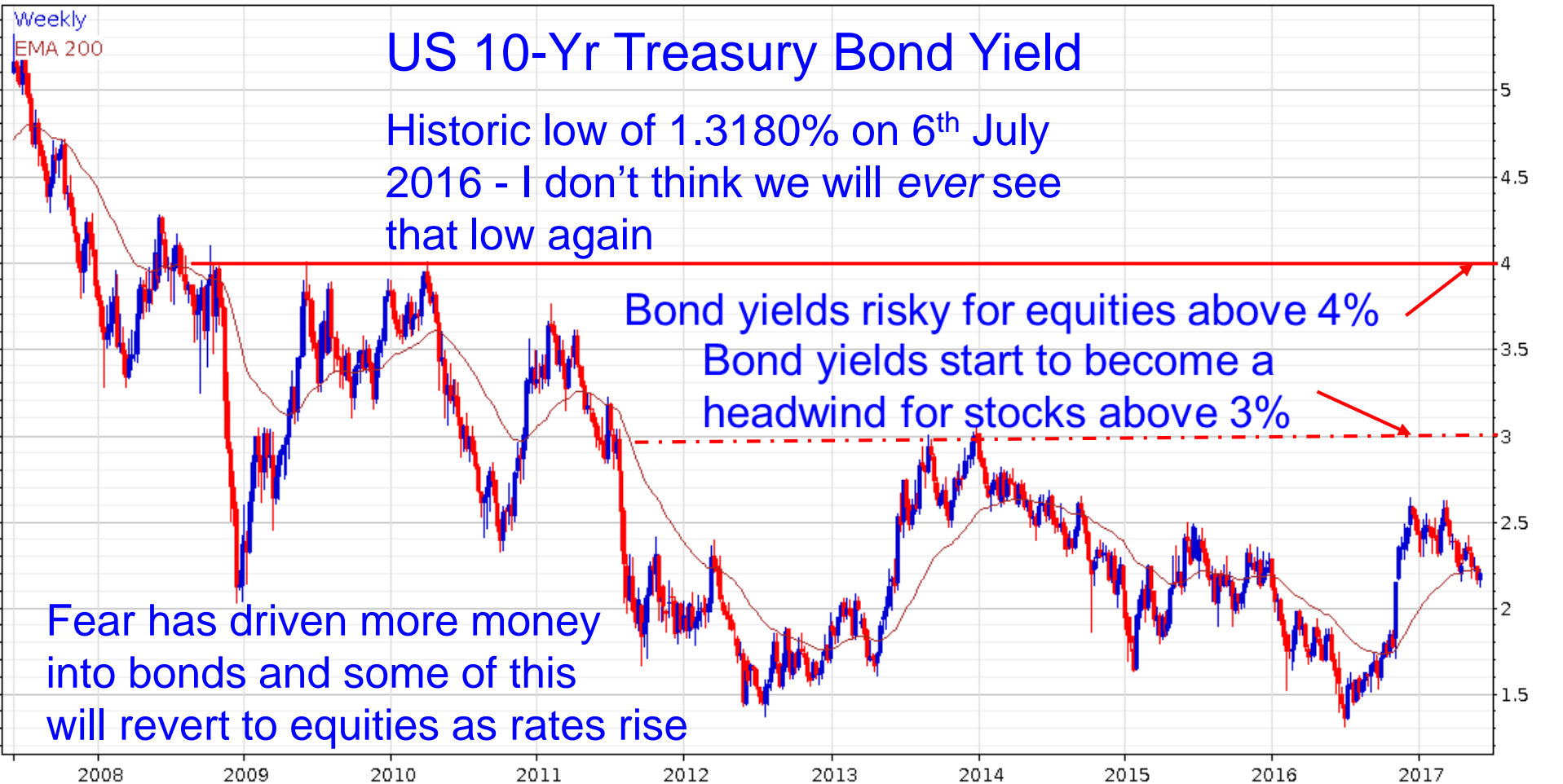


US 10-Yr Treasury Bond Yield

Historic low of 1.3180% on 6th July 2016 - I don't think we will ever see that low again

Bond yields risky for equities above 4%
Bond yields start to become a headwind for stocks above 3%

Fear has driven more money into bonds and some of this will revert to equities as rates rise





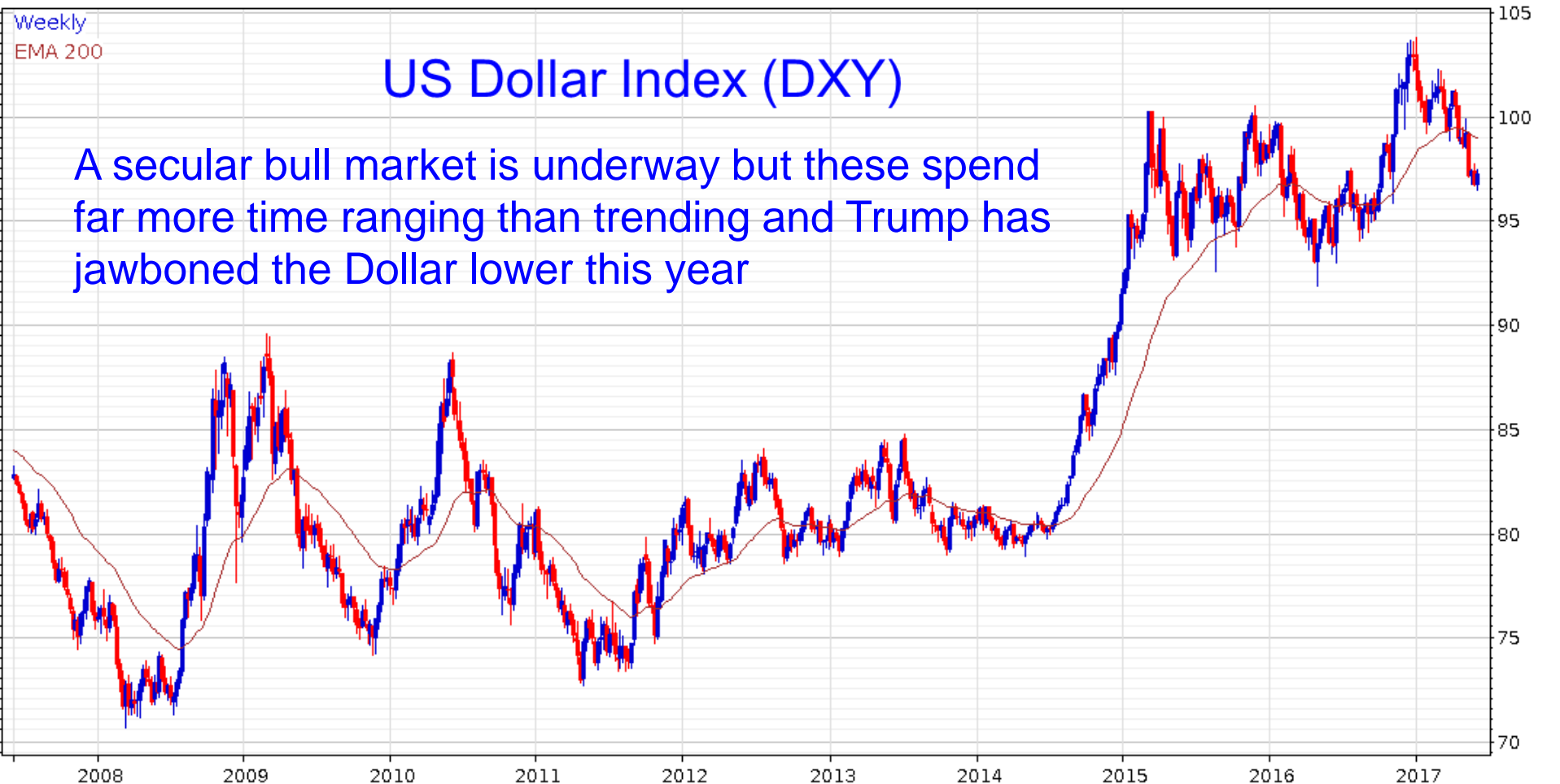
Dollar Index (DXY INDEX) 97.274 0.56

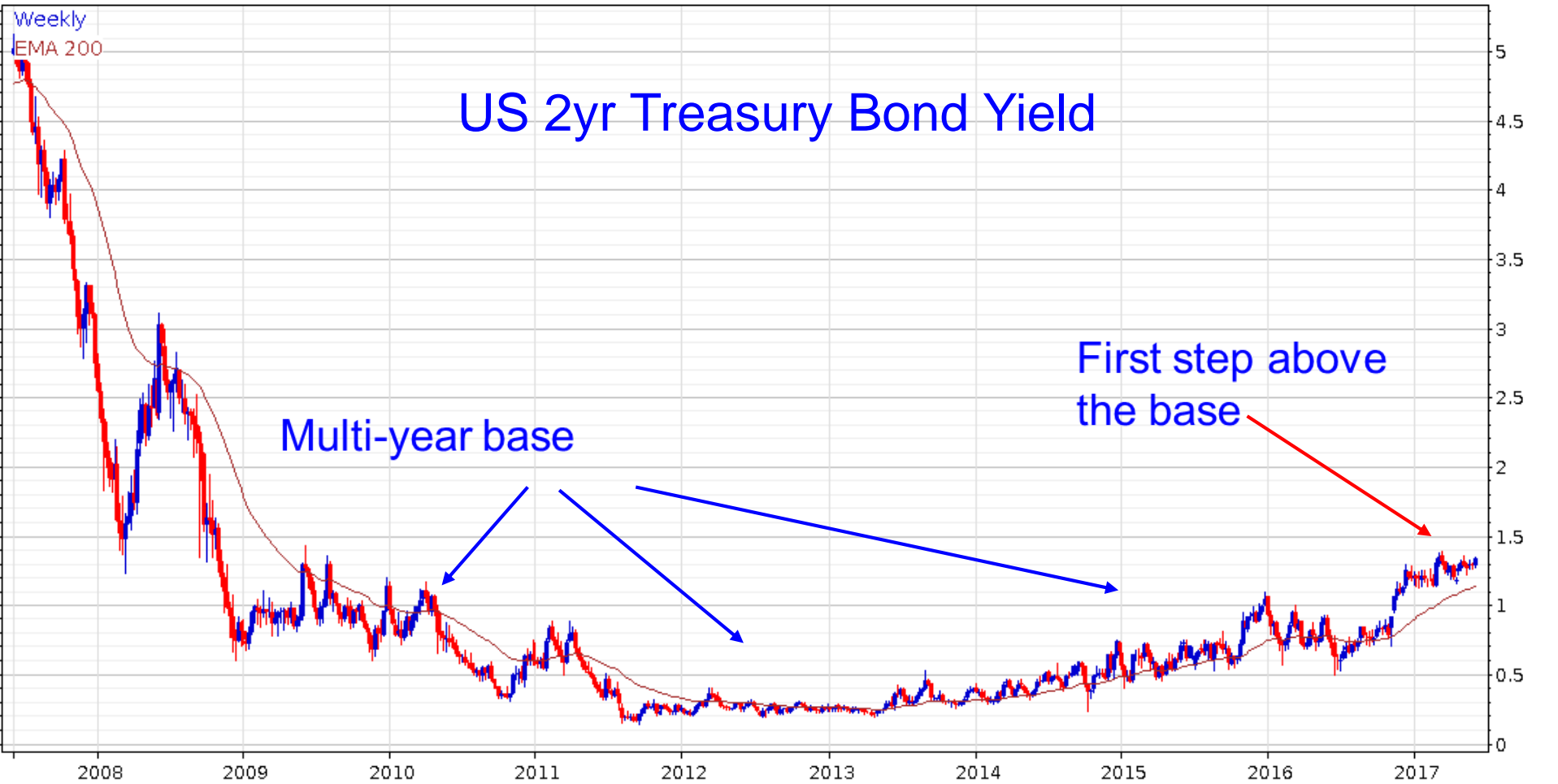
2017-06-09

Weekly
EMA 200

US Dollar Index (DXY)

A secular bull market is underway but these spend far more time ranging than trending and Trump has jawboned the Dollar lower this year







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The two sectors which will continue
to dominate the secular bull market



S&P500 Information Technology (S5INFT INDEX) 957.7874 -21.9

2017-06-09

Weekly
EMA 200

Information technology
Currently short-term overbought



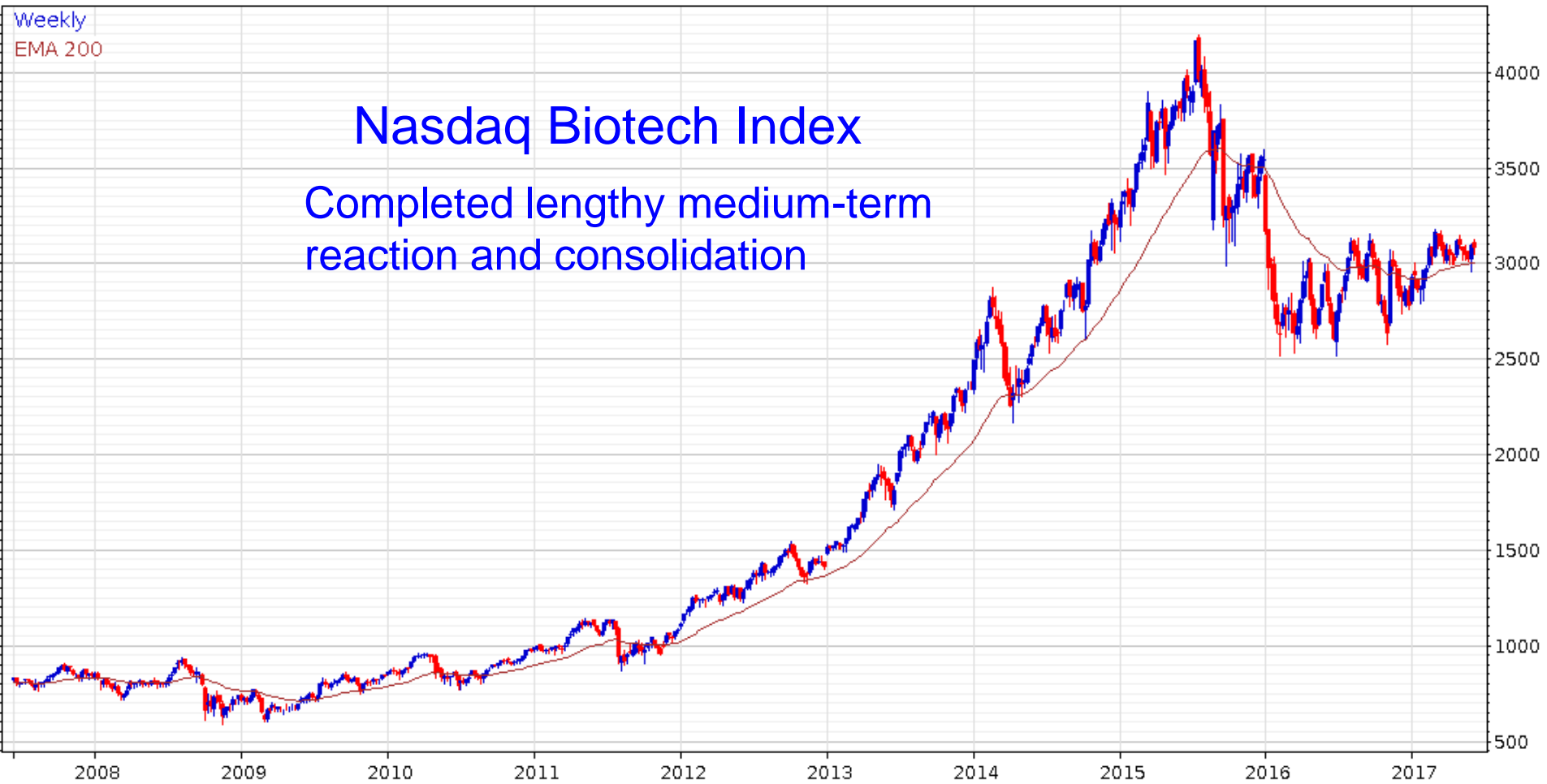


NASDAQ Biotech Index (NBI INDEX) 3076.154 -20.64

2017-06-09

Weekly
EMA 200

Nasdaq Biotech Index
Completed lengthy medium-term
reaction and consolidation





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A few of the greatest tech shares

All of which have commenced
at least short-term overbought
reactions and corrections



Topix 2nd Section (TSE2 INDEX) 5967.99 -13.26

2017-06-12



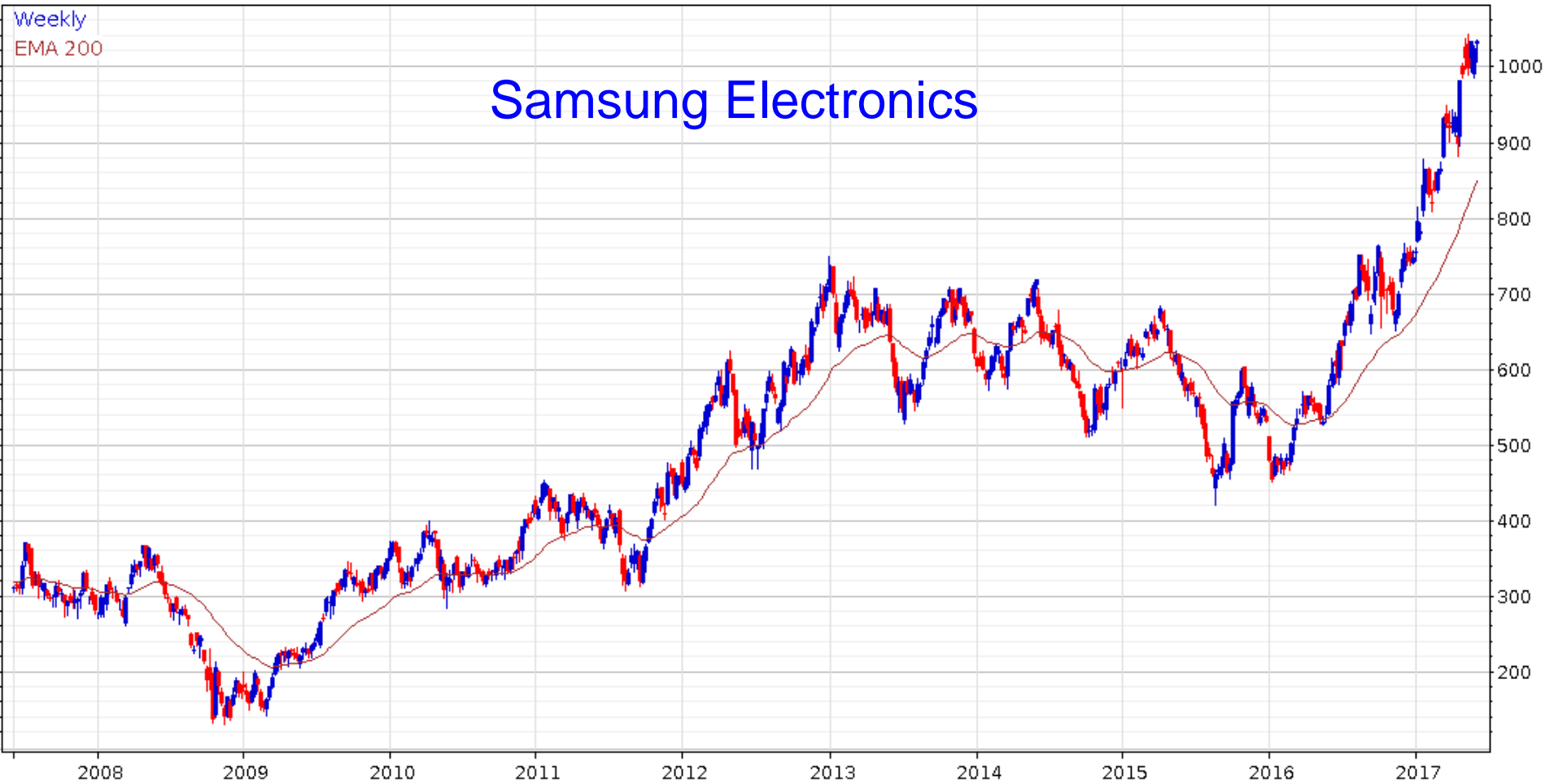


Samsung Electronics GDR (LI) (SMSN LI EQUITY) 1034.00 11.0

2017-06-09

Weekly
EMA 200

Samsung Electronics



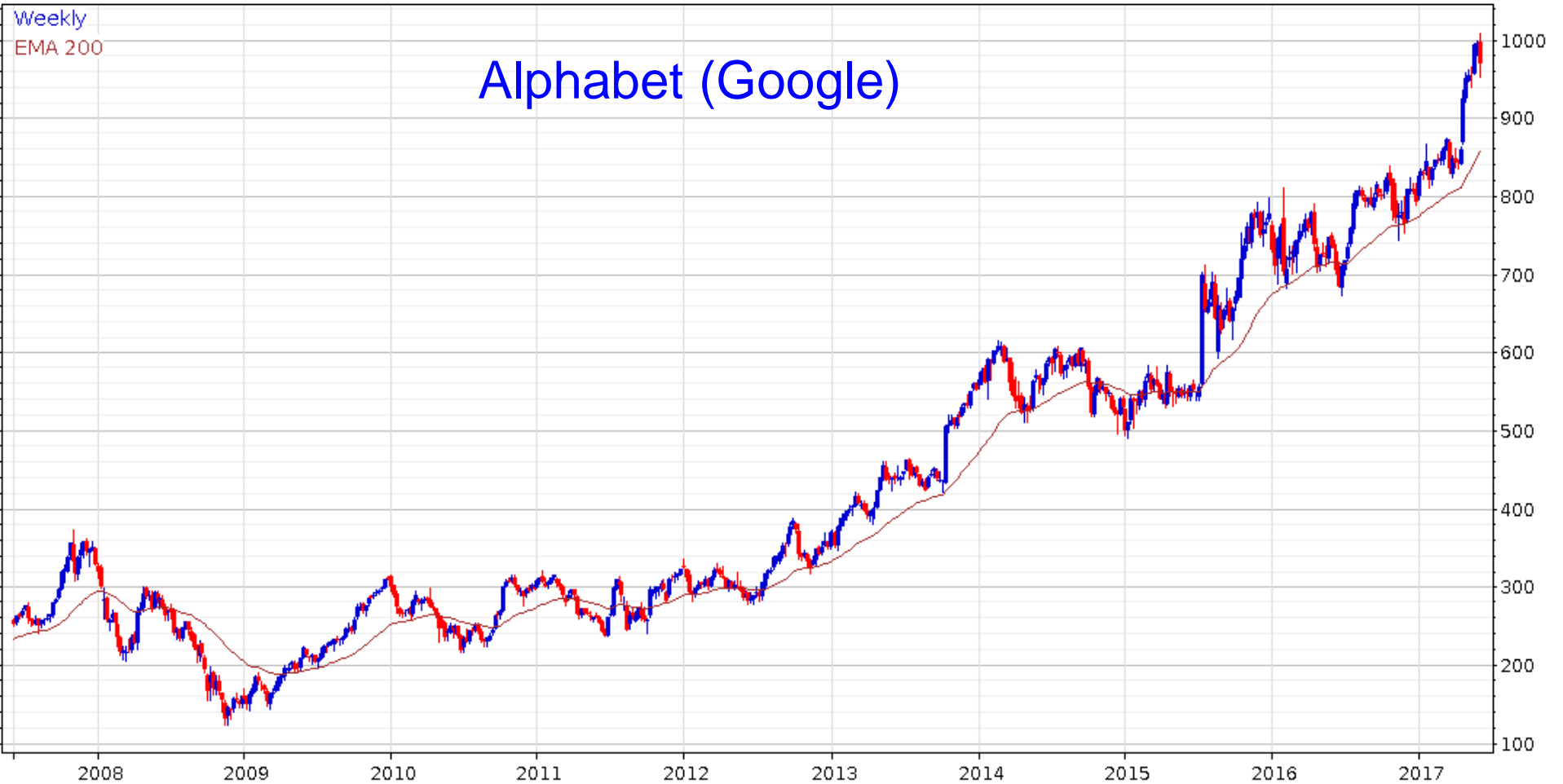


Alphabet Inc. A Class (GOOGL US Equity) 970.12 -26.0

2017-06-09

Weekly
EMA 200

Alphabet (Google)





Amazon.com Inc (AMZN US EQUITY) 978.31 -28.42

2017-06-09

Weekly
EMA 200

Amazon





Facebook Inc (FB US EQUITY) 149.60 -4.01

2017-06-09





Microsoft Corp (MSFT US EQUITY) 70.32 -1.44

2017-06-09

Weekly
EMA 200

Microsoft





NVIDIA Corp (NVDA US EQUITY) 149.60 5.96

2017-06-09





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A quick look at
a few other stock markets
which are likely to be among
the leaders of the secular bull trend



India National (Nifty 50) (NIFTY INDEX) 9616.40 -51.85

2017-06-12

Weekly
EMA 200

India National (Nifty 50)

At least while Narendra Modi
remains Prime Minister –
currently short-term OB





Taiwan (TWSE Index) 10109.96 -89.69

2017-06-12





Indonesia (JCI INDEX) 5691.436 15.91

2017-06-12





South Korea Kospi (KOSPI INDEX) 2357.87 -23.82

2017-06-12

Weekly
EMA 200

South Korea Short-term OB





Topix 2nd Section (TSE2 INDEX) 5967.99 -13.26

2017-06-12

Weekly
EMA 200

Japan's Topix 2nd Section Short-term OB





New Zealand 50 Fully Gross Index (NZX50) (NZSE50FG INDEX) 7432.741 -3.35

2017-06-12

Weekly

EMA 200

New Zealand

May still be in a medium-term
corrective phase





Germany (DAX INDEX) 12815.72 -7.22

2017-06-09

Weekly
EMA 200

Germany

Short-term OB





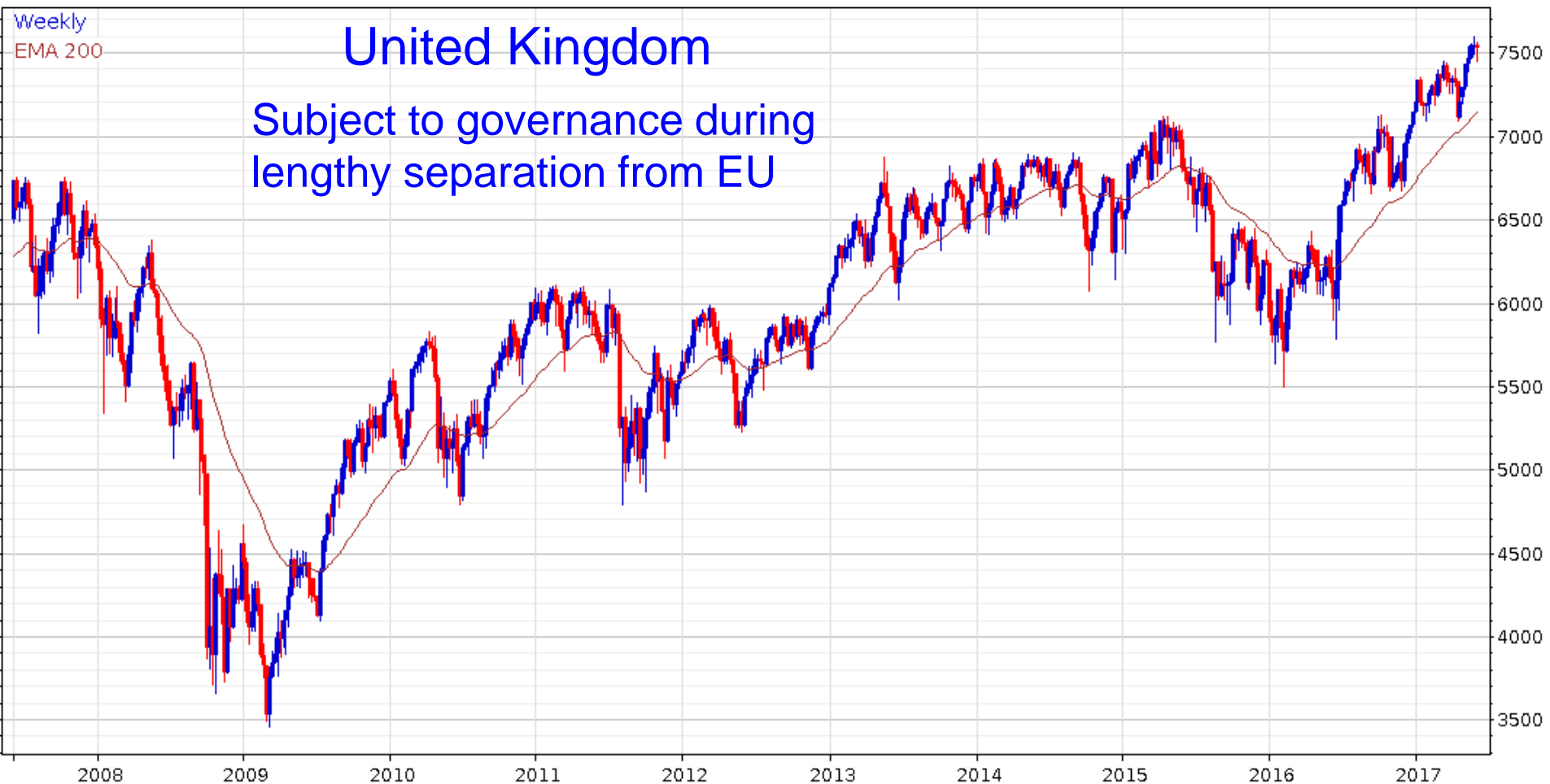
FTSE100 (UKX INDEX) 7527.33 -20.3

2017-06-09

Weekly
EMA 200

United Kingdom

Subject to governance during
lengthy separation from EU





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Many thanks for your interest

Any questions?

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MATT



*'You can be in our gang, but
if you want to leave it will
take years of negotiation
and cost £60bn'*





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Several Key Commodities



London Spot Gold (GOLDS COMDTY) 1243.45 14.16

2017-03-24

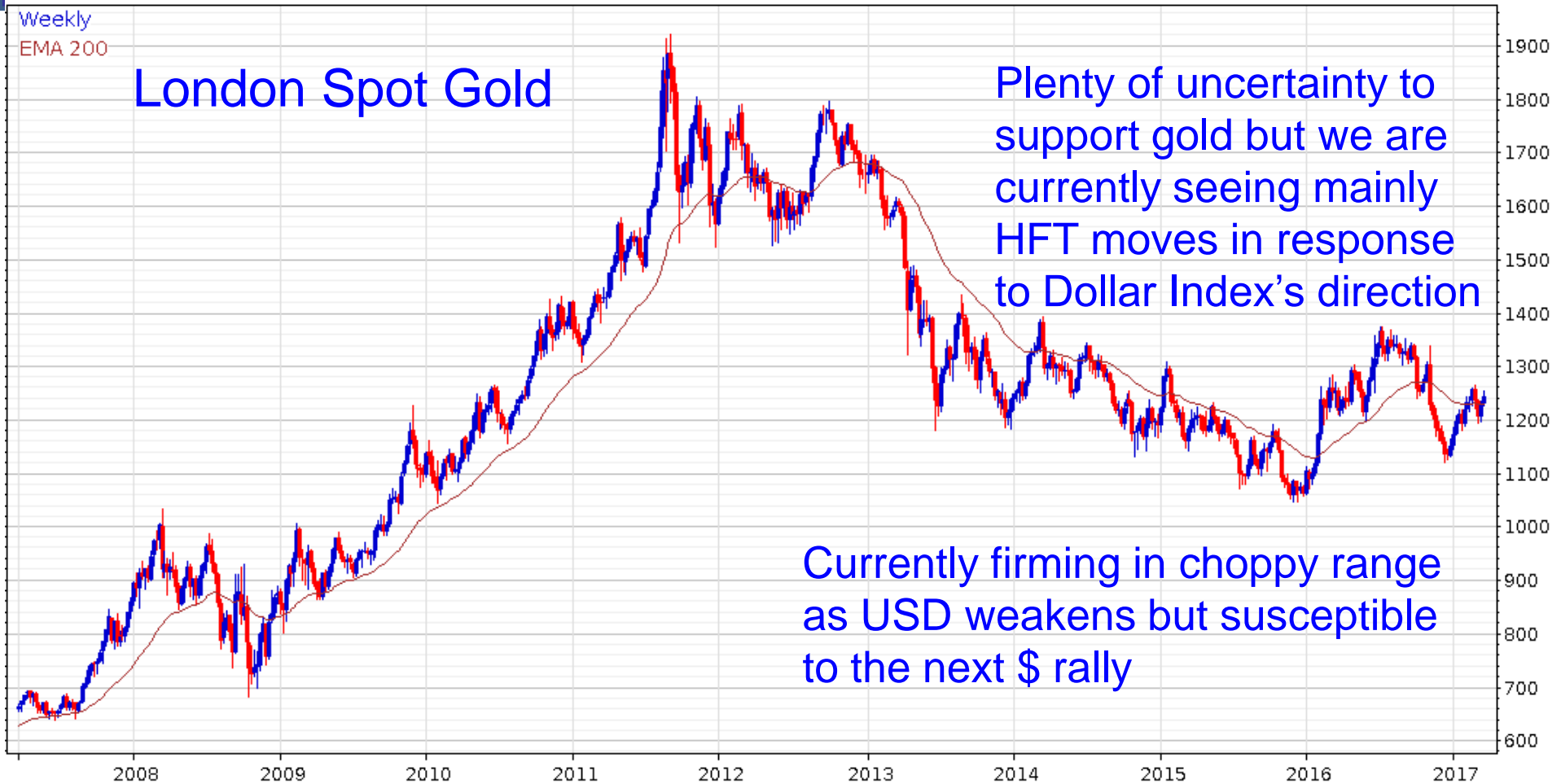
Weekly

EMA 200

London Spot Gold

Plenty of uncertainty to support gold but we are currently seeing mainly HFT moves in response to Dollar Index's direction

Currently firming in choppy range as USD weakens but susceptible to the next \$ rally





Silver 1st mth (SI1 COMB COMDTY) 17.72 0.34

2017-03-24

Weekly

EMA 200

Silver

Silver trades like high-beta gold which it often leads on significant moves, but currently has a similar pattern





Copper (2nd mth CMX) (HG2 COMB COMDTY) 263.10 -6.05

2017-03-24





LME Nickel 3mth (LMNIDS03 COMDTY) 9870.00 -390.0

2017-03-24





LME Zinc Special HG 3 Months (LMZSDS03 COMDTY) 2831.00 -51.0

2017-03-24





Iron Ore (China import Fines 62% Fe per dry metric tonne) (MBIO62DA Index) 85.06 -7.28

2017-03-24





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