



Fuller Treacy Money
Global Strategy Service
Empowerment Through Knowledge

The Markets Now

**Stock Market Uptrends Reaffirmed
for Most of EU, Japan & USA, but
Valuations are Rising**

David Fuller – 23rd February 2015
fullertreacymoney.com

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



Mario Draghi saves EU once again -
this time with €60bn per month QE -
totalling at least €1.1 trillion to end-Sep '16

This QE starts in March -
'Grexit' over for at least 4 months -
stock market catch-up underway



DJ Euro STOXX 50 (SX5E INDEX) 3490.53 42.94

2015-02-20





DJ Euro Banks (SX7E INDEX) 145.64 4.97

2015-02-20





Germany (DAX INDEX) 11050.64 87.24

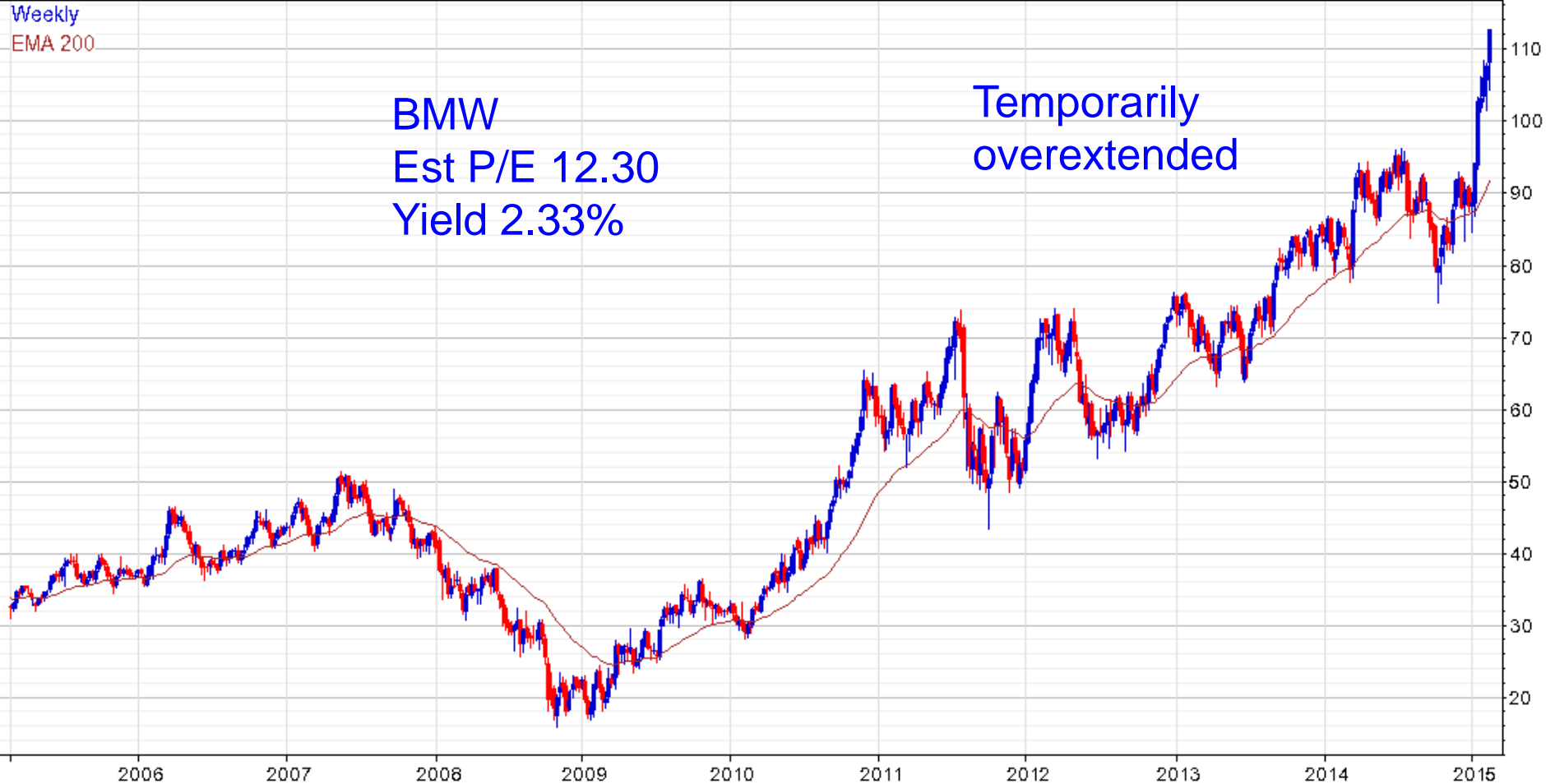
2015-02-20





BMW AG (BMW GR EQUITY) 112.665 5.07

2015-02-20



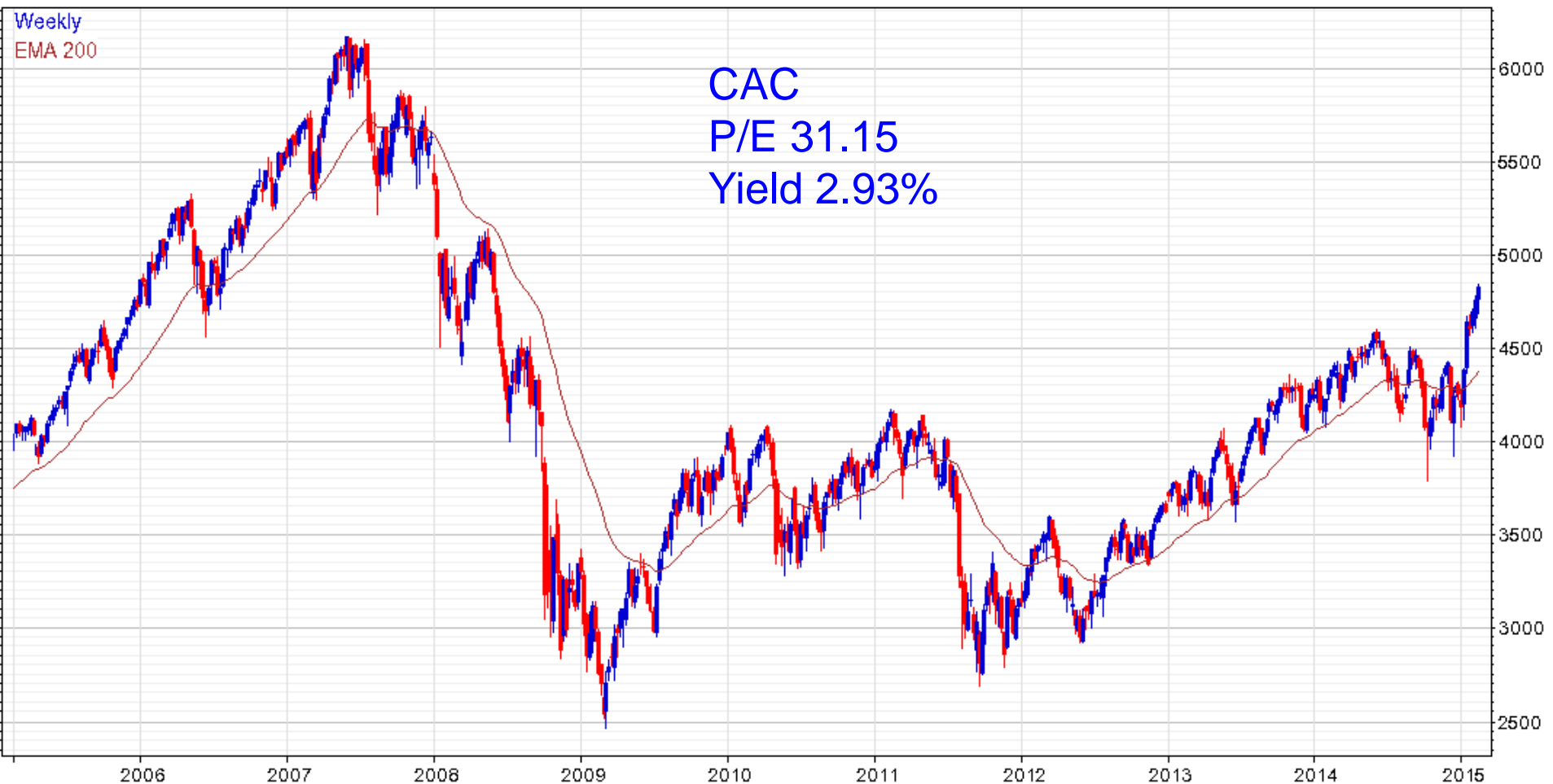


France (CAC INDEX) 4830.90 71.54

2015-02-20

Weekly
EMA 200

CAC
P/E 31.15
Yield 2.93%





The Netherlands (AEX INDEX) 469.85 4.95

2015-02-20





Sweden OMX Index (OMX INDEX) 1664.332 22.29

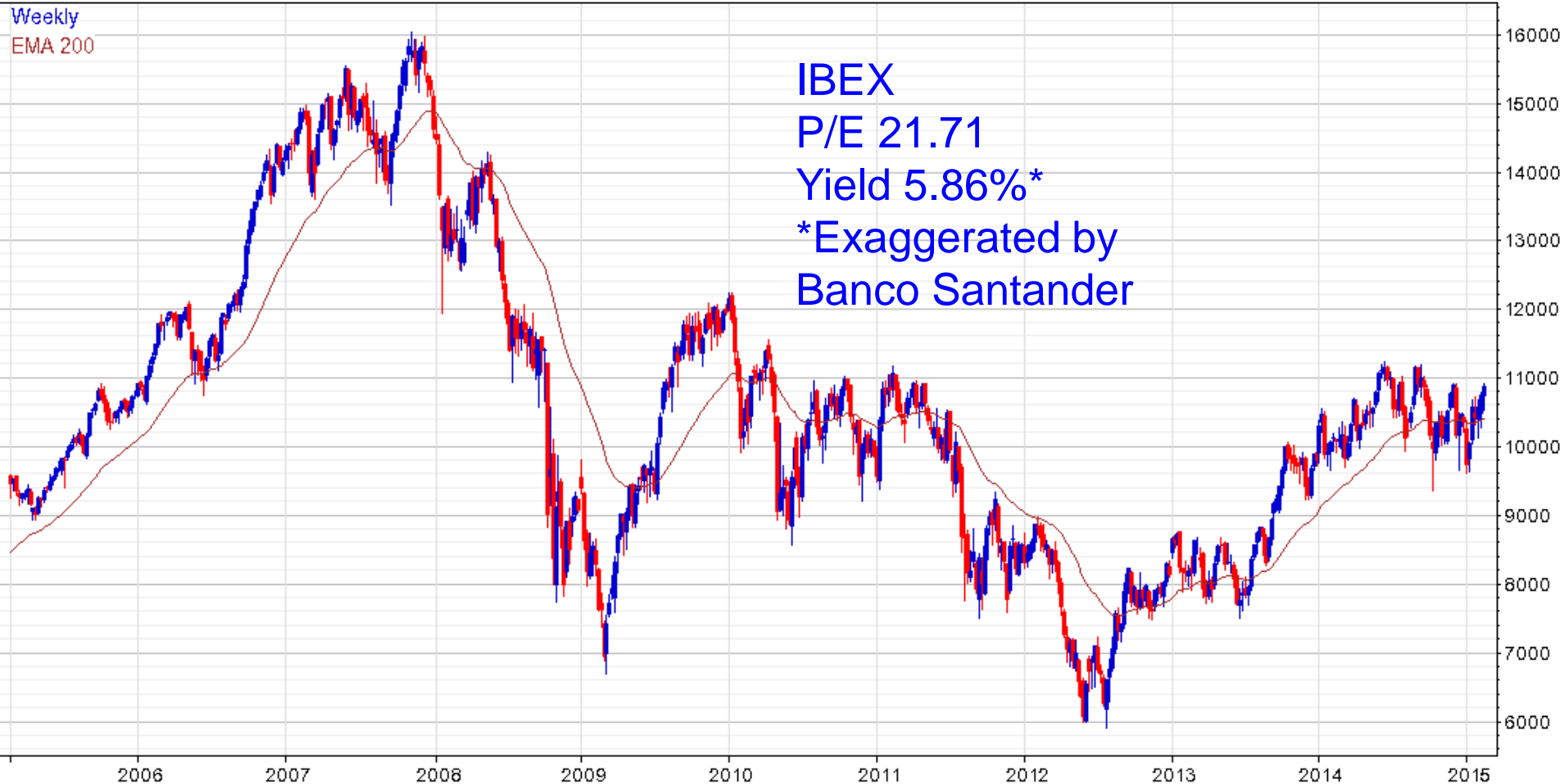
2015-02-20





Spain (IBEX INDEX) 10879.30 139.8

2015-02-20





Italy (SPMIB INDEX) 21842.57 638.5

2015-02-20





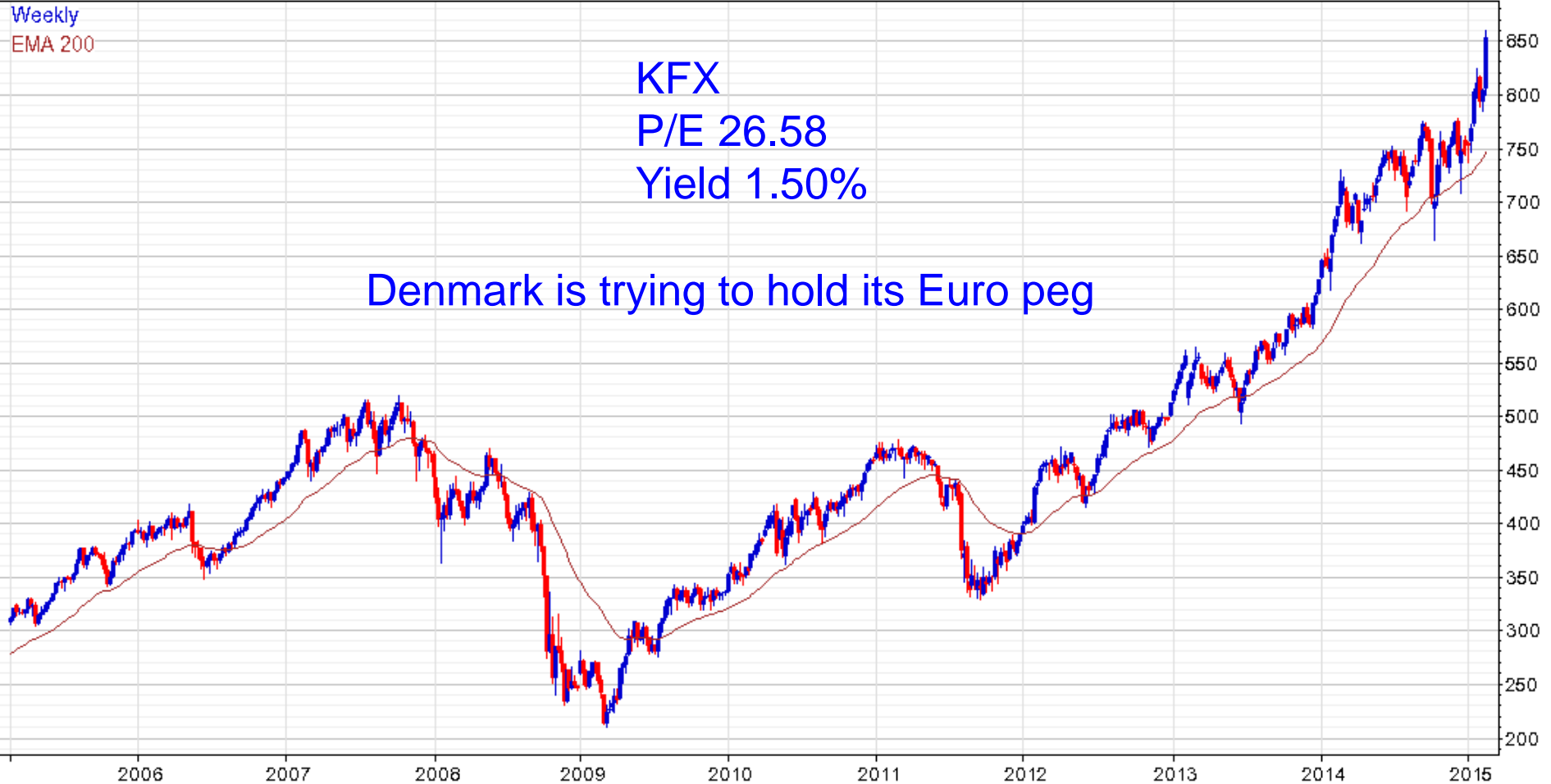
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Some non-Euro or non-EU
European markets which are
potential beneficiaries of Draghi's QE



Denmark (KFX INDEX) 853.6891 50.06

2015-02-20





Switzerland SMI (SMI INDEX) 8892.17 240.19

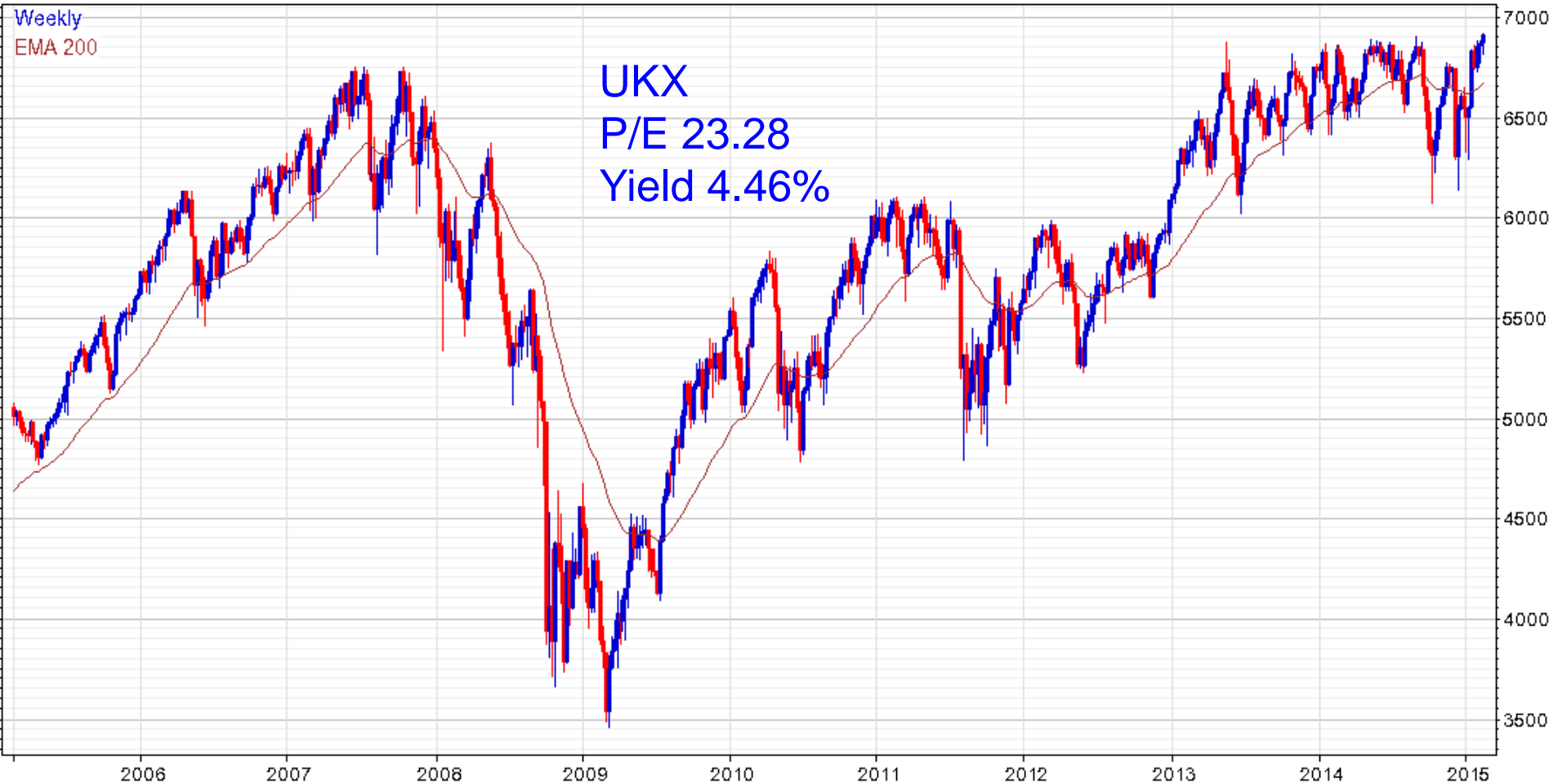
2015-02-20





FTSE100 (UKX INDEX) 6915.20 41.68

2015-02-20





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Shinzo Abe and the BoJ
have the right policies
for Japan's economic recovery
and a long-term bull market



Japan Topix (TPX INDEX) 1500.33 50.95

2015-02-20





Japan Topix (TPX INDEX) 1500.33 85.26

2015-02-20





Topix 2nd Section (TSE2 INDEX) 4508.74 43.15

2015-02-20





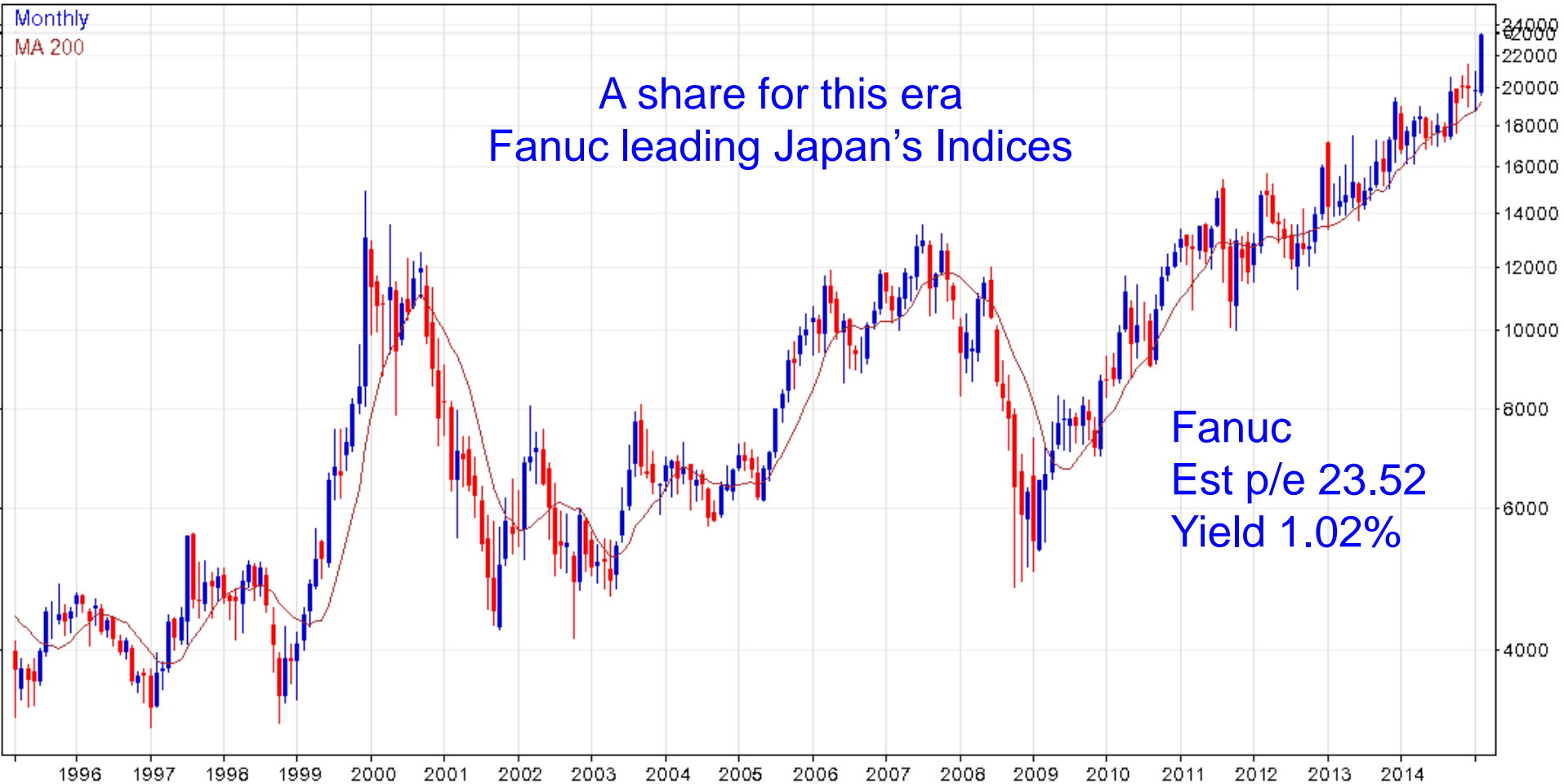
Fanuc Ltd (6954 JP EQUITY) 23285.00 3395.0

2015-02-20

Monthly
MA 200

A share for this era
Fanuc leading Japan's Indices

Fanuc
Est p/e 23.52
Yield 1.02%





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Wall Street influences everything

Fortunately, most US indices
have reaffirmed bull market trends



S&P 500 (SPX INDEX) 2110.30 13.31

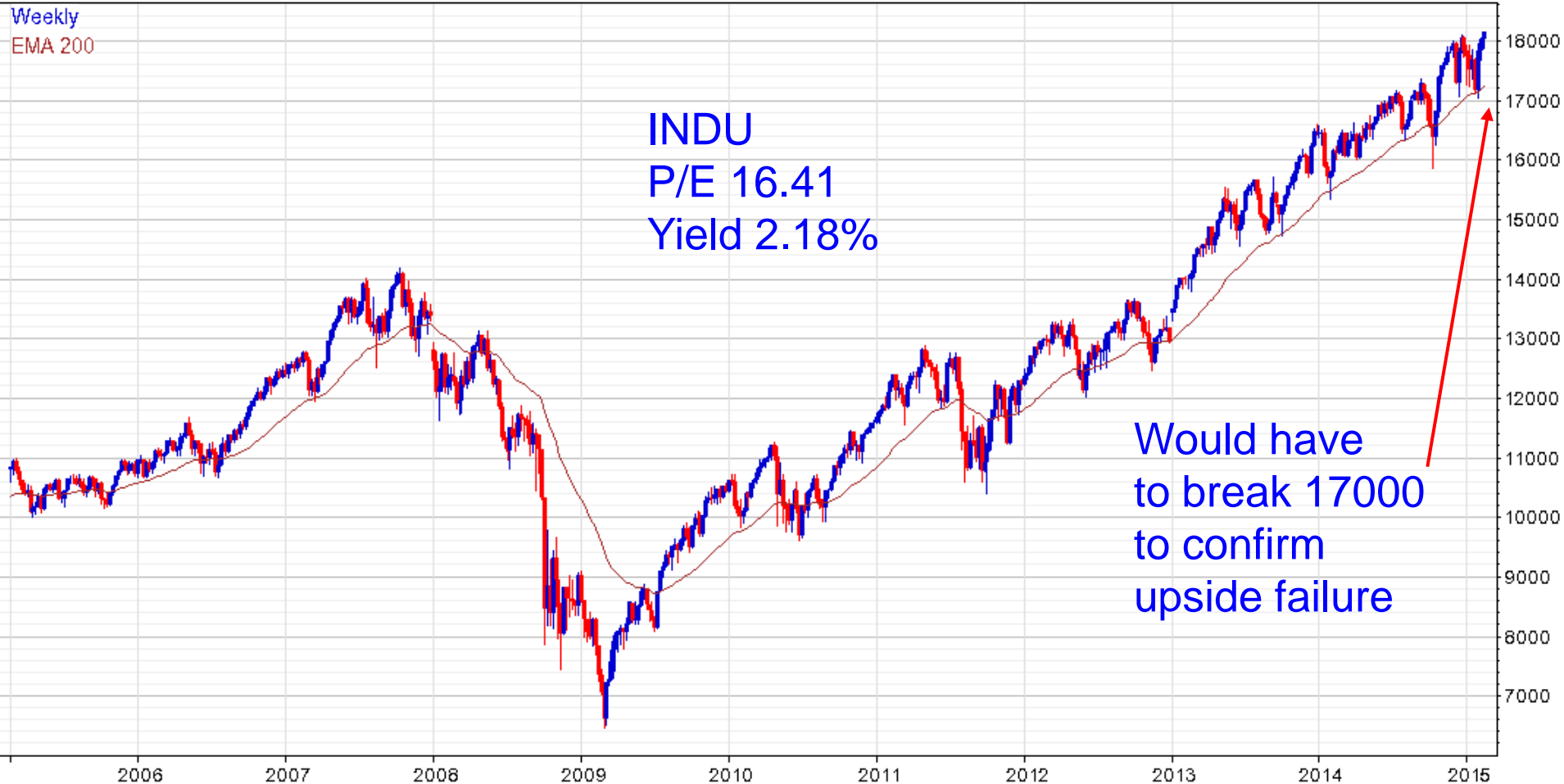
2015-02-20





Dow Jones Industrials Average (INDU INDEX) 18140.44 121.09

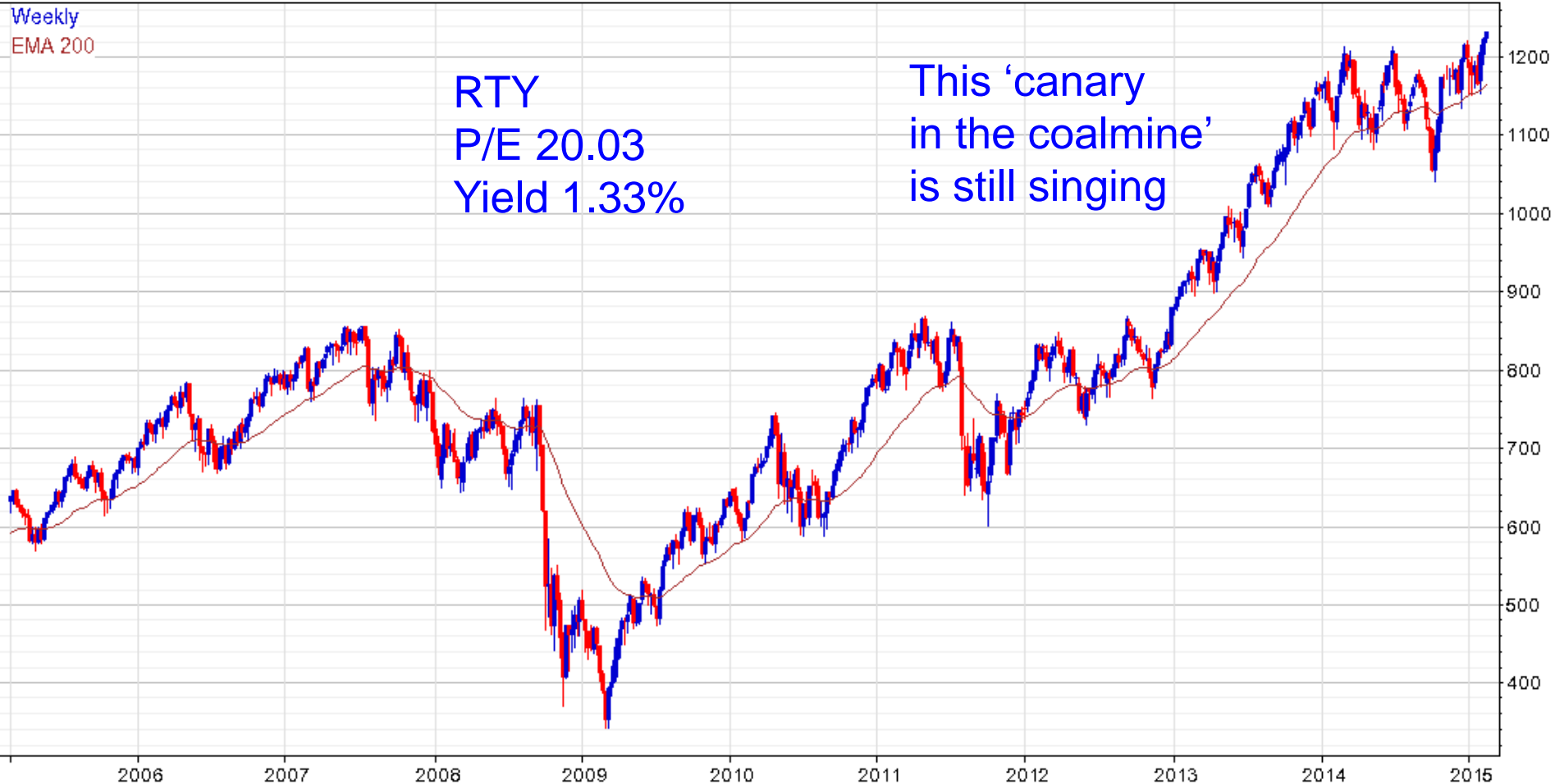
2015-02-20





Russell 2000 (RTY INDEX) 1231.789 8.66

2015-02-20





Nasdaq Composite (CCMP INDEX) 4955.966 62.13

2015-02-20





Apple (AAPL US EQUITY) 129.495 2.42

2015-02-20

Weekly
EMA 200

Keep an eye on this iconic bellwether for the tech sector and Wall St generally - currently a little overextended but not expensive

AAPL
Est P/E 15.09
Yield 1.45%

Watch the rising lows for uptrend consistency





US 10yr Treasury Bond Yield (USGG10YR INDEX) - US 2yr Treasury Bond Yield (USGG2YR INDEX) 1.47 0.06

2015-02-17

Weekly

Alarmists keep talking
about a Wall St crash
but unlikely while
yield curve remains
positive





India Mumbai (SENSEX INDEX) 29231.41 136.48

2015-02-20

Weekly
EMA 200

Sensex
P/E 20.59
Yield 1.38%

Still a favourite of mine
over the next few years

Watch the rising lows
for uptrend consistency





JPMorgan Indian Investment Trust (JII LN EQUITY) 570.00 6.0

2015-02-20





China Shanghai A-Shares (SHASHR INDEX) 3402.06 45.24

2015-02-17





Hong Kong (HSI INDEX) 24832.08 149.54

2015-02-18





Hong Kong China Enterprises (H-Shares) (HSCEI INDEX) 12066.10 143.54

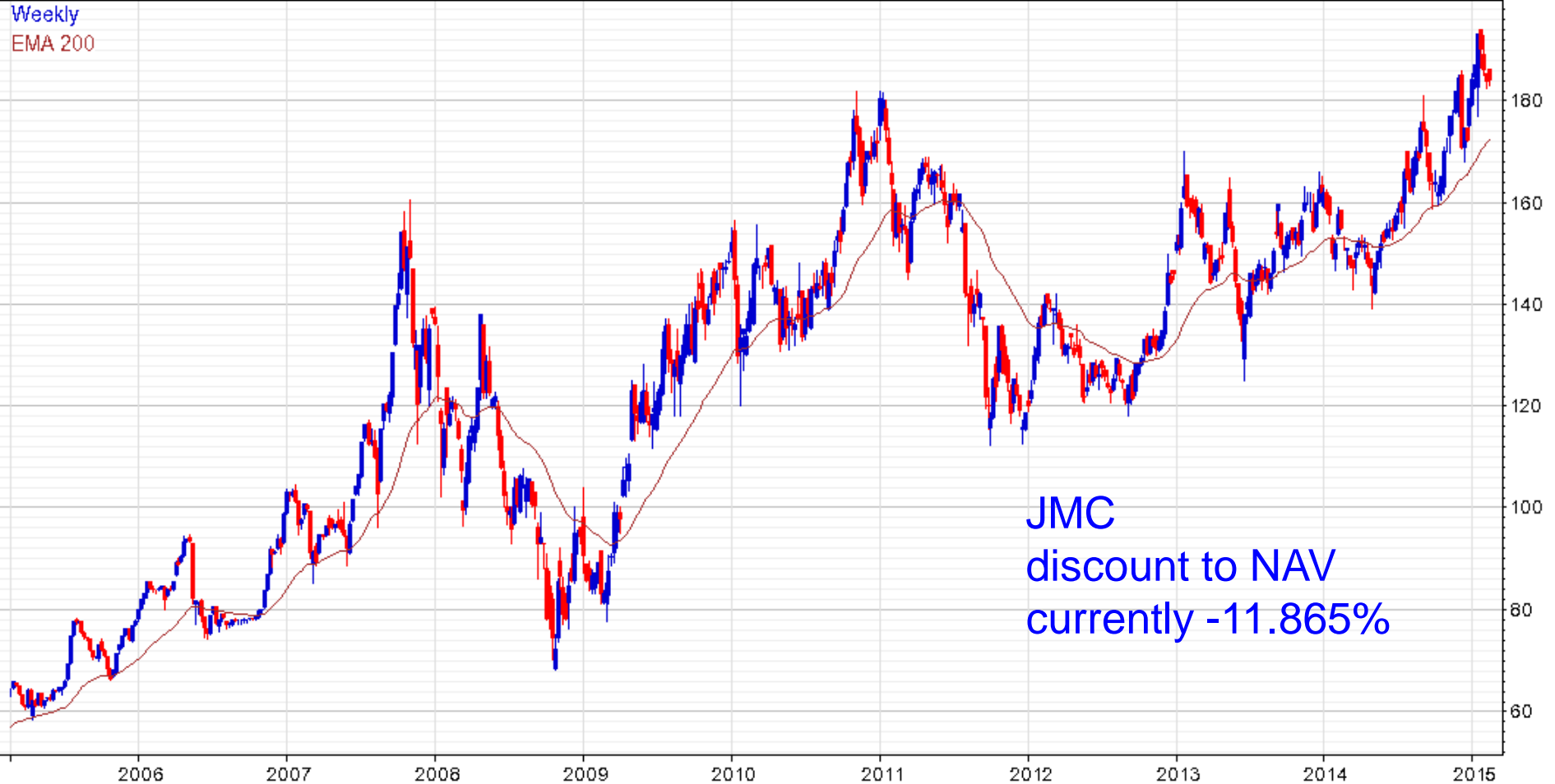
2015-02-18





JPMorgan Chinese Investment Trust plc (JMC LN EQUITY) 184.00 0.5

2015-02-20





Most investors remain cautious...

- Is it all about oil?
- Or is it about deflation?
- Political or algorithmic risks?
- What about leverage?



- My view: Oil near today's price of Brent \$60 is very bullish globally, oil producers excepted.
- However, the benefits are diffuse. People may not increase spending initially. Countries such as India reduce energy subsidies.
- In contrast, the pain for oil producers is seen and felt much more quickly.
- Investors should fear high oil prices because previous upside spikes are a major cause of global recessions as last saw in 2008.



Deflation?

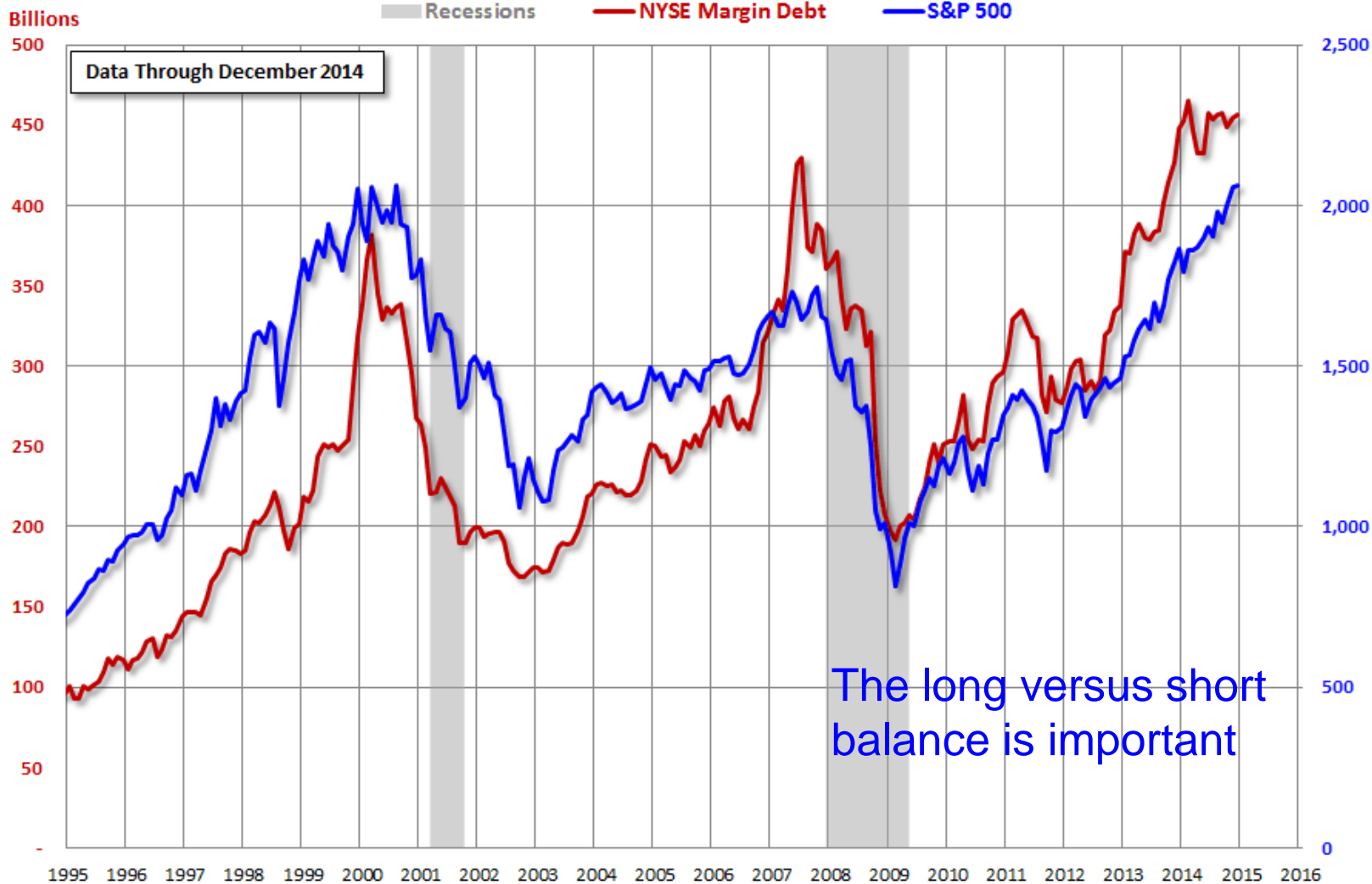
- My view: Much of today's deflation is largely positive, at least for corporations, because it is caused by technological innovation. For instance, better technology enables companies to produce improved products, at lower prices, in greater volume, while increasing profits due to increased sales.
- Destructive deflation is generally described as a vicious cycle of falling prices, wages and output. It is particularly bad for indebted governments, corporations and people who lose jobs or pay rises.



- Dangerous political risks are influential but usually regional events - Putin
- Excessive leverage and algorithmic risks often increase in maturing bull markets as speculators gamble more, but their economic impact is usually limited

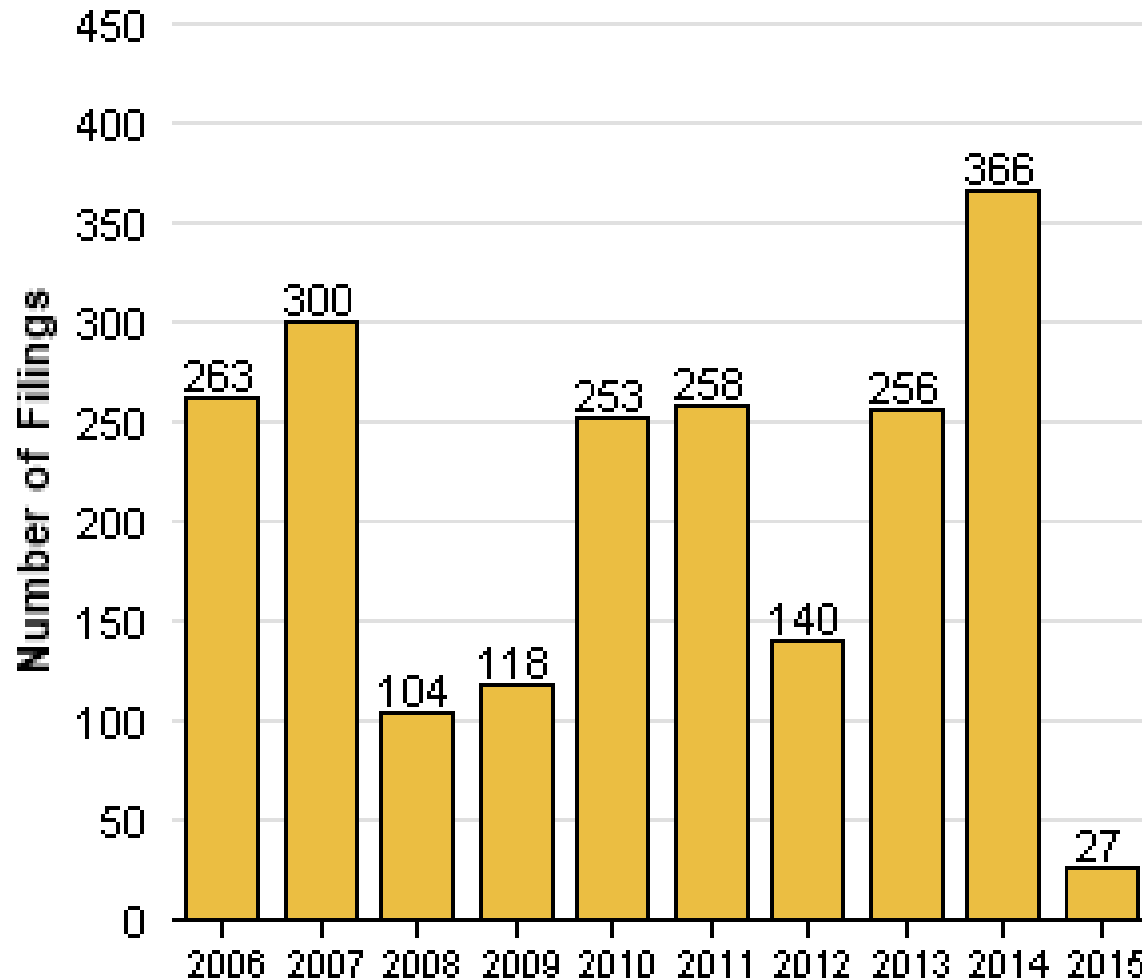


NYSE Margin Debt and the S&P 500 Real Values (Adjusted to Present-Day Dollars)





IPO Filings



But this does not
show the size of
these filings



Surging new issues are a characteristic of expensive markets and coincide with tops because they devour buying power

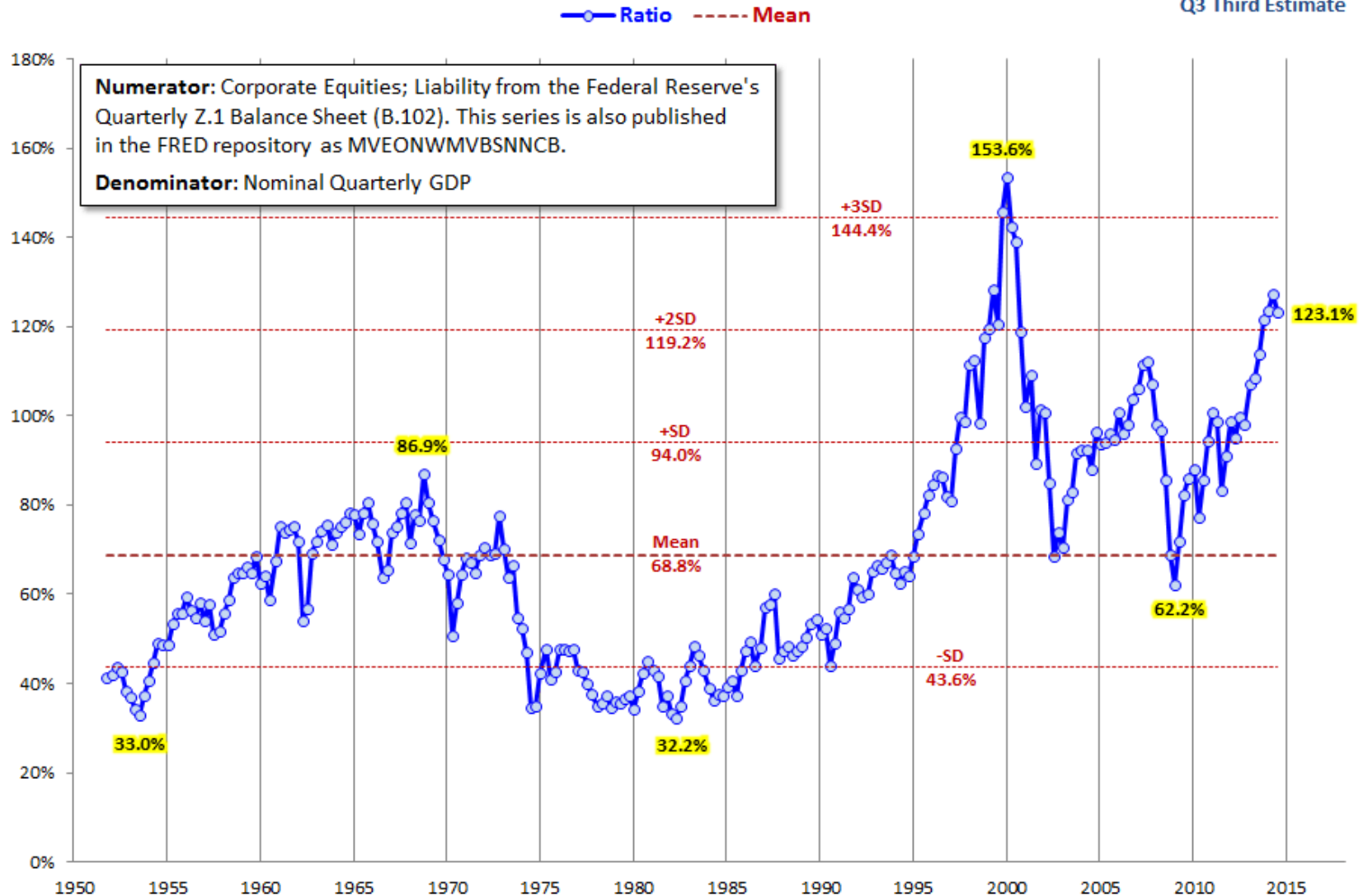


We are not there yet but this is a potential problem for the future



The Buffett Indicator: Corporate Equities to GDP

dshort.com
January 2015
Q3 Third Estimate



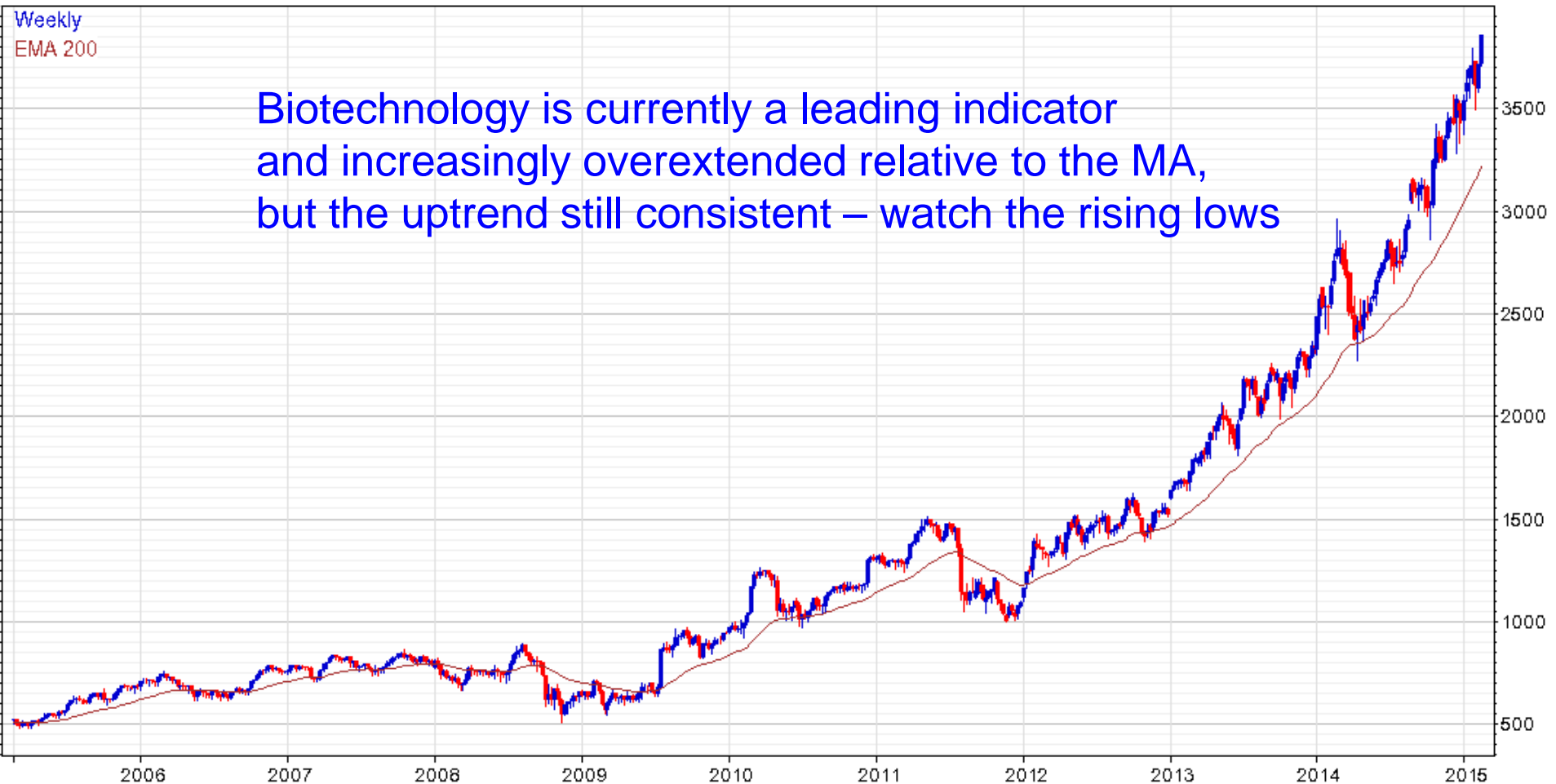


AMEX Biotechnology index (BTK INDEX) 3856.756 142.09

2015-02-20

Weekly
EMA 200

Biotechnology is currently a leading indicator
and increasingly overextended relative to the MA,
but the uptrend still consistent – watch the rising lows





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



Bullish Points for Stock Markets

- S&P up 15.3% on average 6 months after mid-term election
- Global monetary policy is still extremely accommodative
- Central banks are worried about deflation, not inflation
- Capitalism increasingly dominates on a global basis
- Globalisation spurs rapid emerging market development
- Growth in middleclass consumers surges, led by Asia-Pac



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.



Long-term bull factors for stock markets

- Accommodative monetary policies, until growth accelerates
- An accelerating rate of technological innovation
- Lower energy prices in real terms, thanks to innovation
- The triumph of capitalism, both democratic & authoritarian
- Globalisation, hastening development of emerging markets
- Middleclass growth in emerging markets
- Continued growth in the global population



US 10yr Treasury Bond Yield (USGG10YR INDEX) 2.1117 0.47

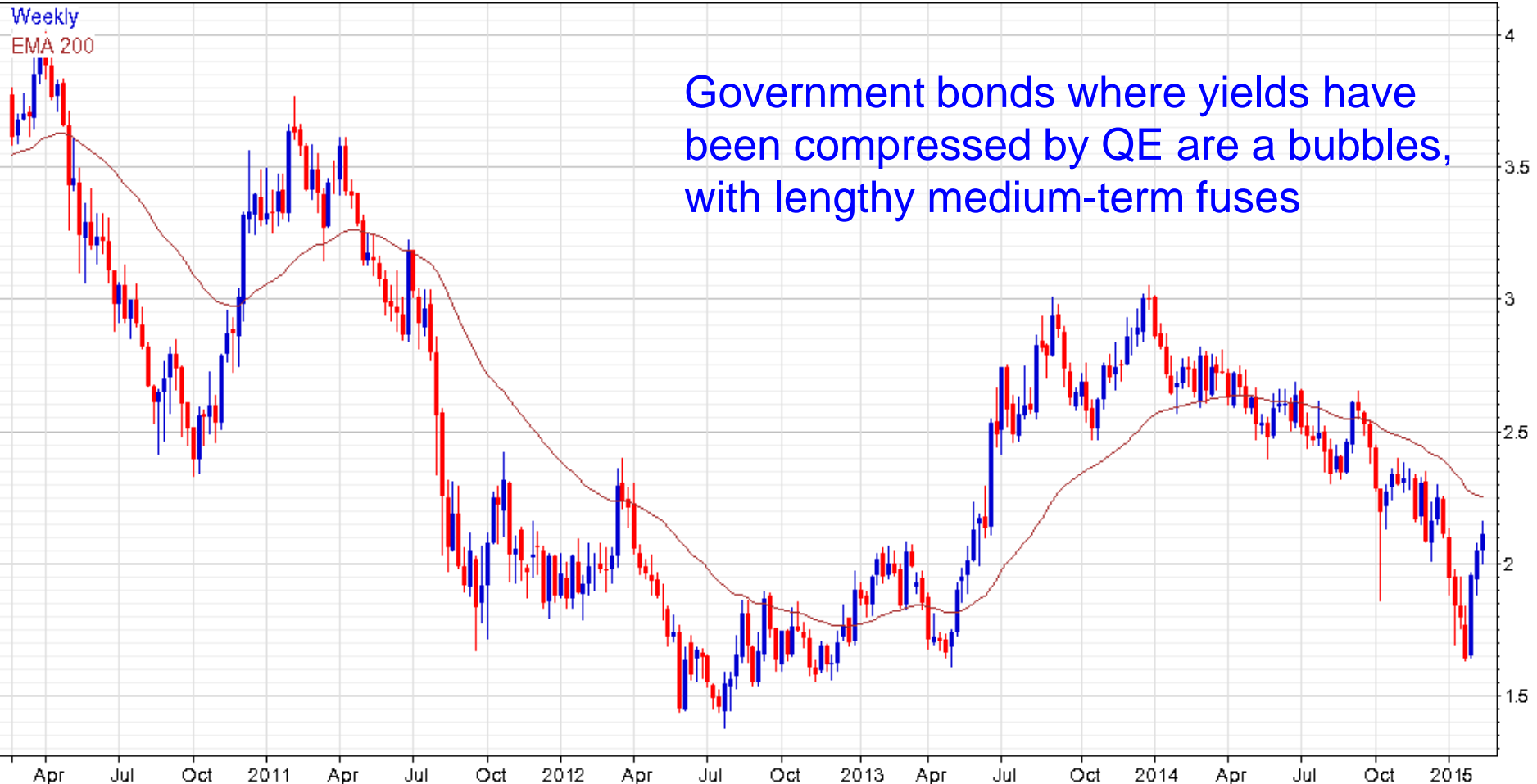
2015-02-20





US 10yr Treasury Bond Yield (USGG10YR INDEX) 2.1117 0.06

2015-02-20



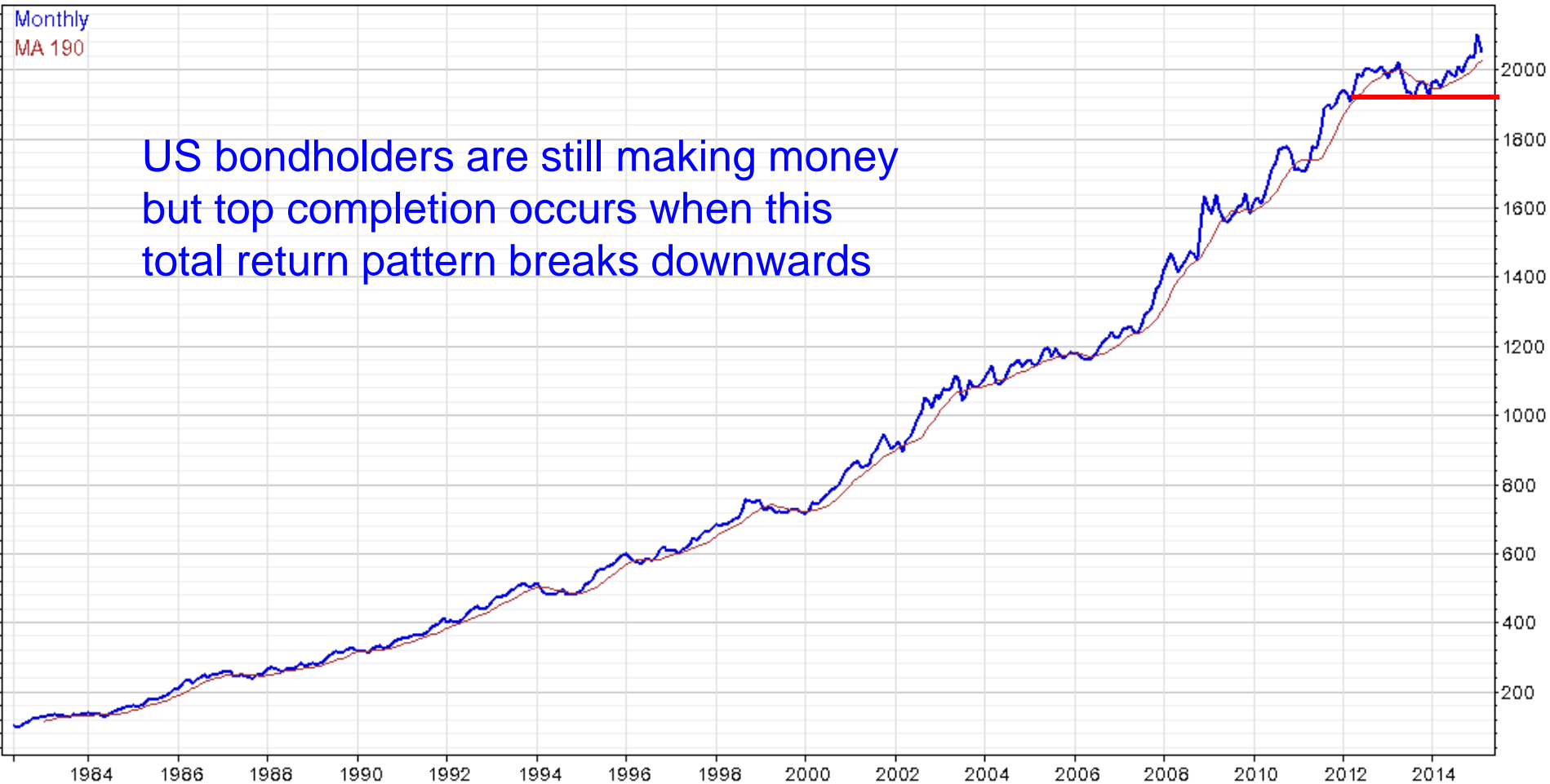


Merrill Lynch Treasury 10yr+ Future Total Return Index (MLT1US10 INDEX) 2049.846 -52.57

2015-02-19

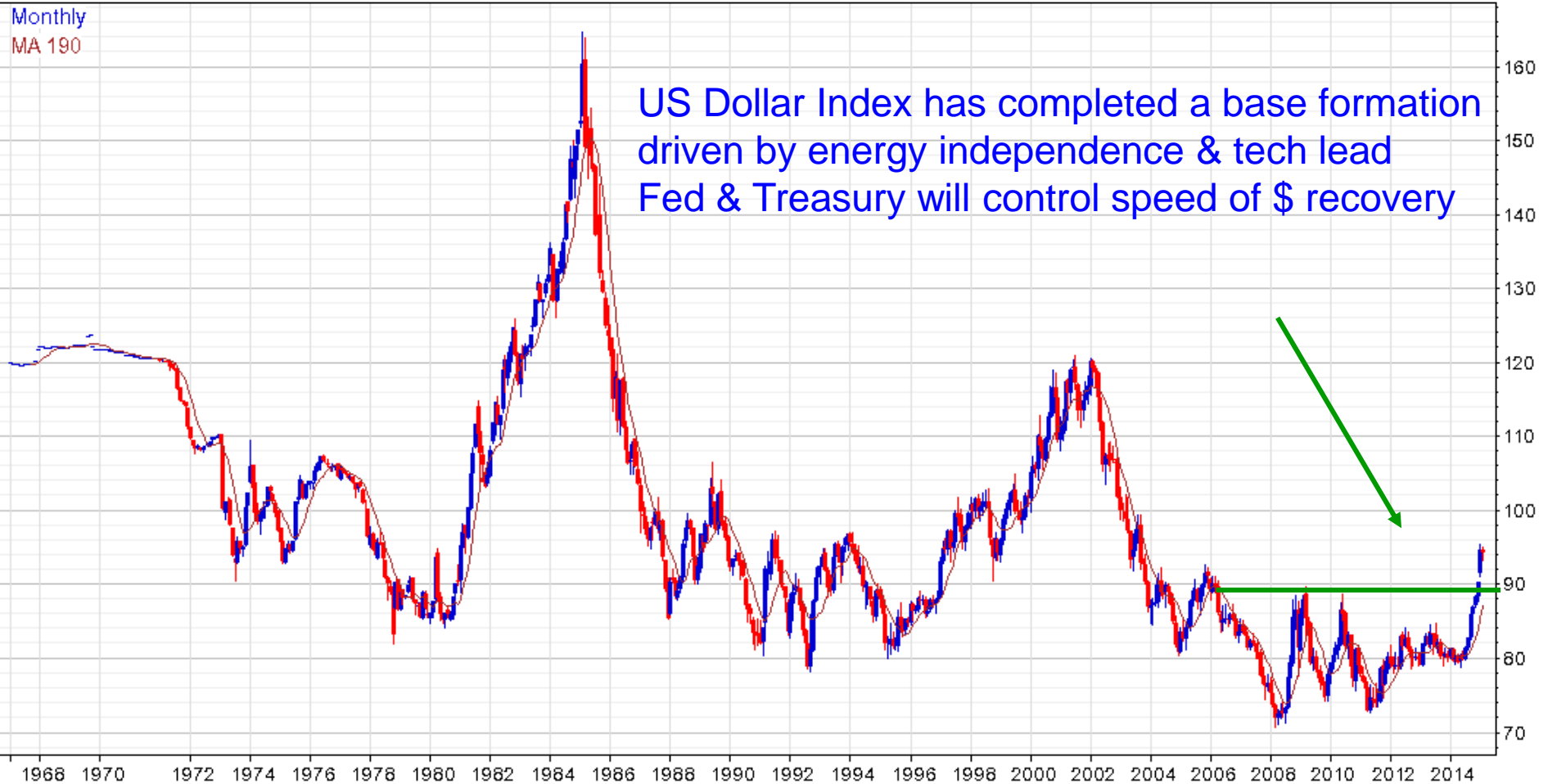
Monthly
MA 190

US bondholders are still making money
but top completion occurs when this
total return pattern breaks downwards





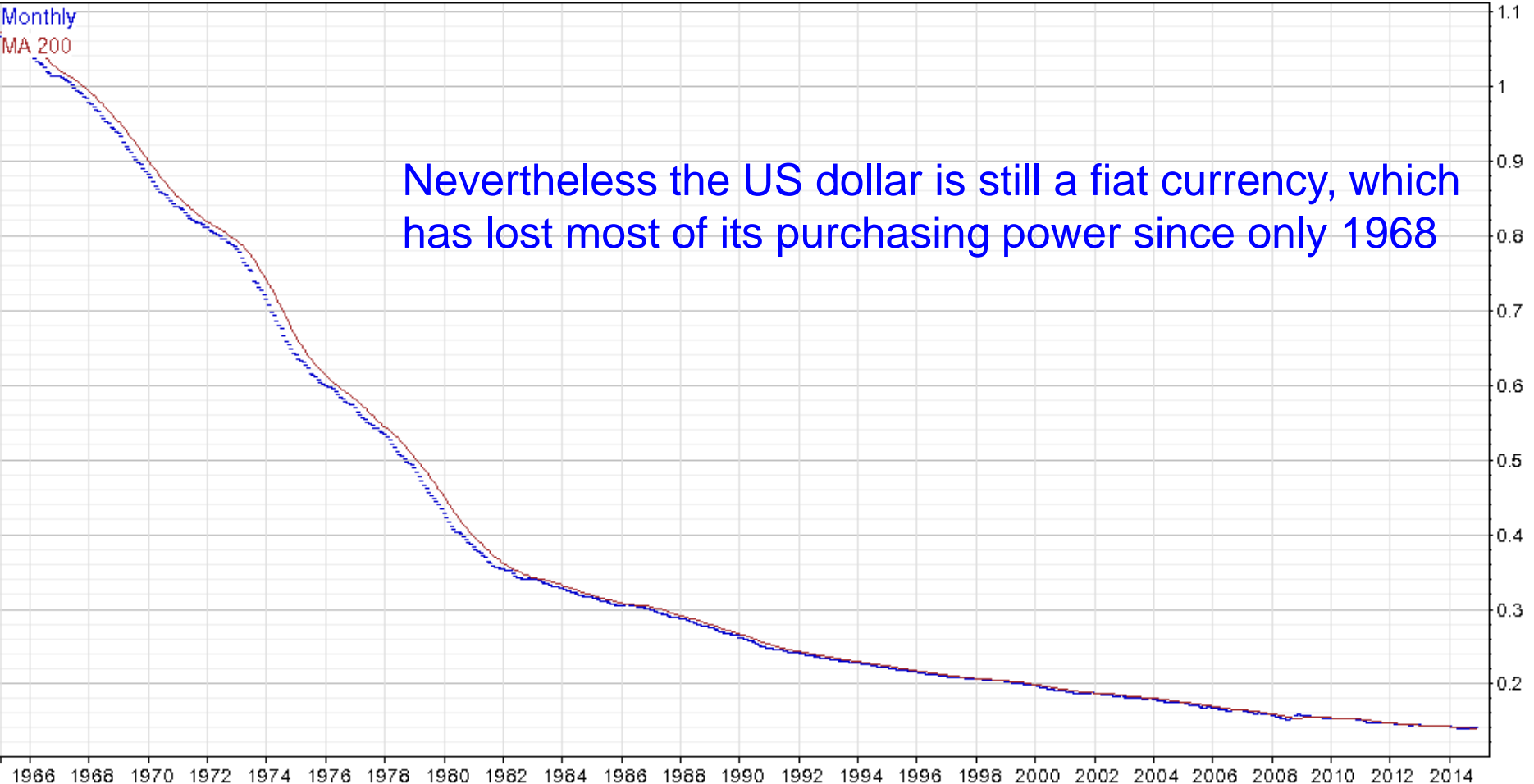
Dollar Index (DXY INDEX) 94.315 -0.34





US Dollar Purchasing Power (PPCD1967 Index) 0.142 0.0

2014-12-31





London Spot Gold (GOLDS COMDTY) 1201.95 -27.48

2015-02-20

Weekly
EMA 200

Gold is hard money, albeit with a fluctuating price, just like anything else which can be bought or sold.

1. Traders mostly short
2. ETF long holds of gold still liquidating
3. Indians & Chinese buying
4. Testing range lows





GRAB

.DOW/GOLD U Index

96 Actions

97 Edit

G 2 - VERY LONG TERM

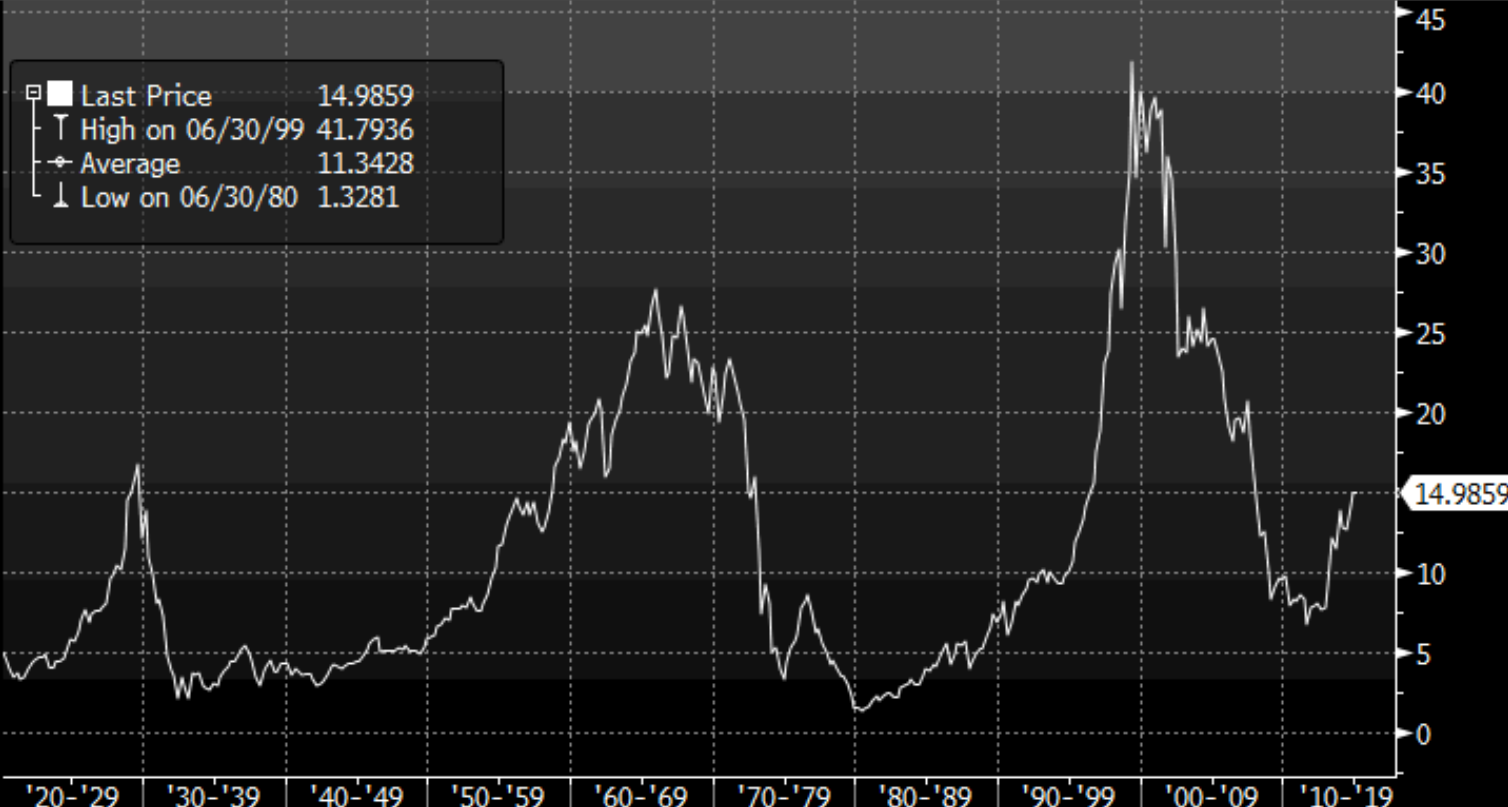
.DOW/GOLD U Index : DOW/GOLD

Quarterly 3/31/1920-2/23/2015

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

Security/Study

■ Last Price 14.9859
┌ High on 06/30/99 41.7936
├ Average 11.3428
└ Low on 06/30/80 1.3281



Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000
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SN 119126 H441-2417-0 23-Feb-15 15:14:44 GMT GMT+0:00

Gold remains out of favour with Western Investors who are mainly in stocks & bonds



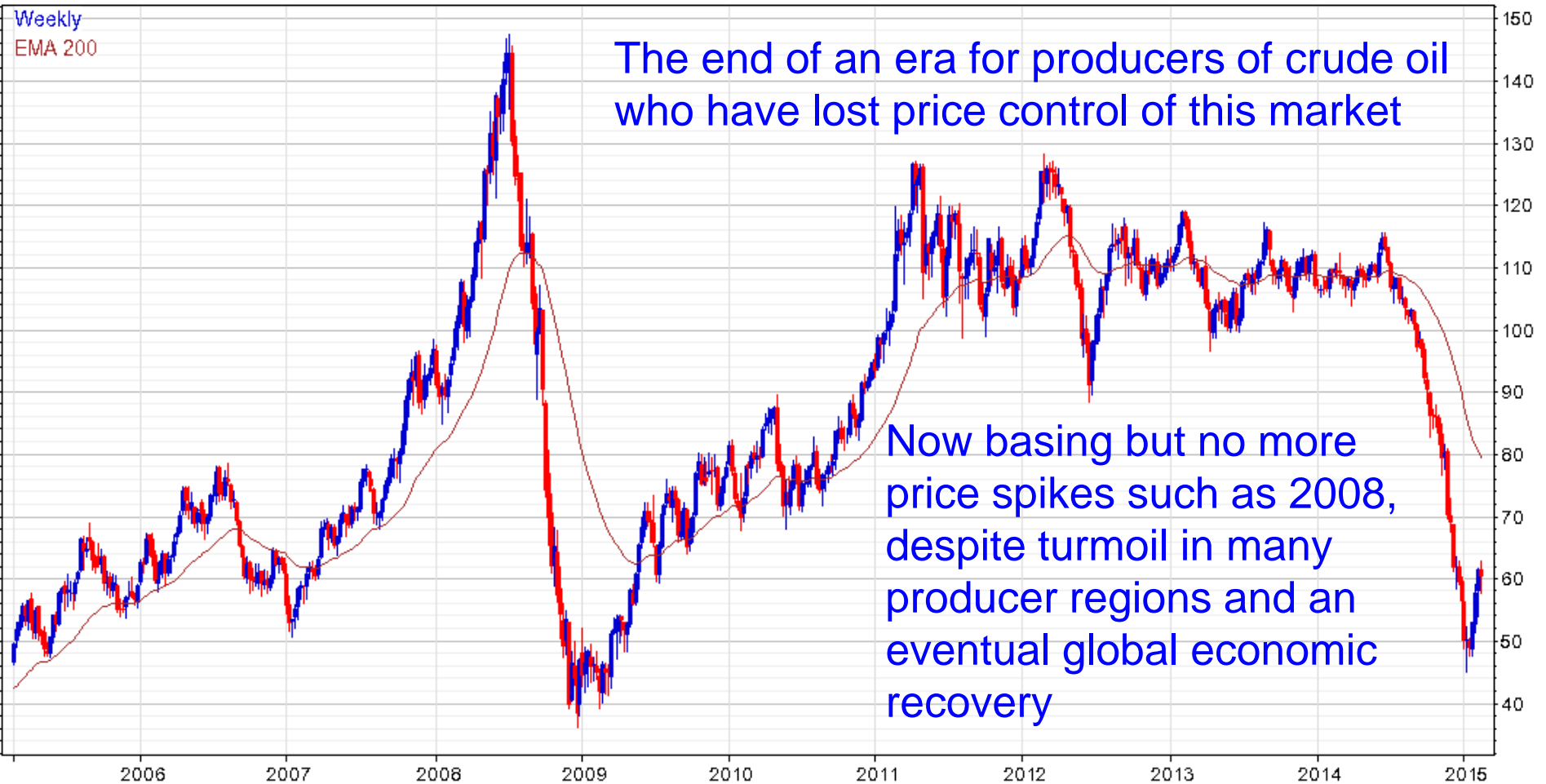
Brent Crude Oil (CO1 COMB COMDTY) 60.22 -1.3

2015-02-20

Weekly
EMA 200

The end of an era for producers of crude oil
who have lost price control of this market

Now basing but no more
price spikes such as 2008,
despite turmoil in many
producer regions and an
eventual global economic
recovery





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Many thanks for your interest!
Any questions?

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