



**Fuller Treacy Money**  
Global Strategy Service  
Empowerment Through Knowledge

## **The Markets Now**

**For Stock Markets,  
Have Risks That the 'Sweet Spot'  
Is Ending Increased?**

**David Fuller – 6<sup>th</sup> October 2014**  
**[fullertreacymoney.com](http://fullertreacymoney.com)**

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



**Fuller Treacy Money**  
Global Strategy Service  
Empowerment Through Knowledge

What are the main known risks  
for stock markets, in your opinion?



## **Geopolitical Political & Economic Risks**

- The war against 'Islamic State' is expensive and divisive
- As are sanctions against Putin's expansion of *Novorossiya*
- China's arriviste military strength risks territorial aggression
- Labour could win the UK General Election in 2015
- The US Dollar's Strength for emerging market borrowers
- Panic over Ebola



## **Market Risks**

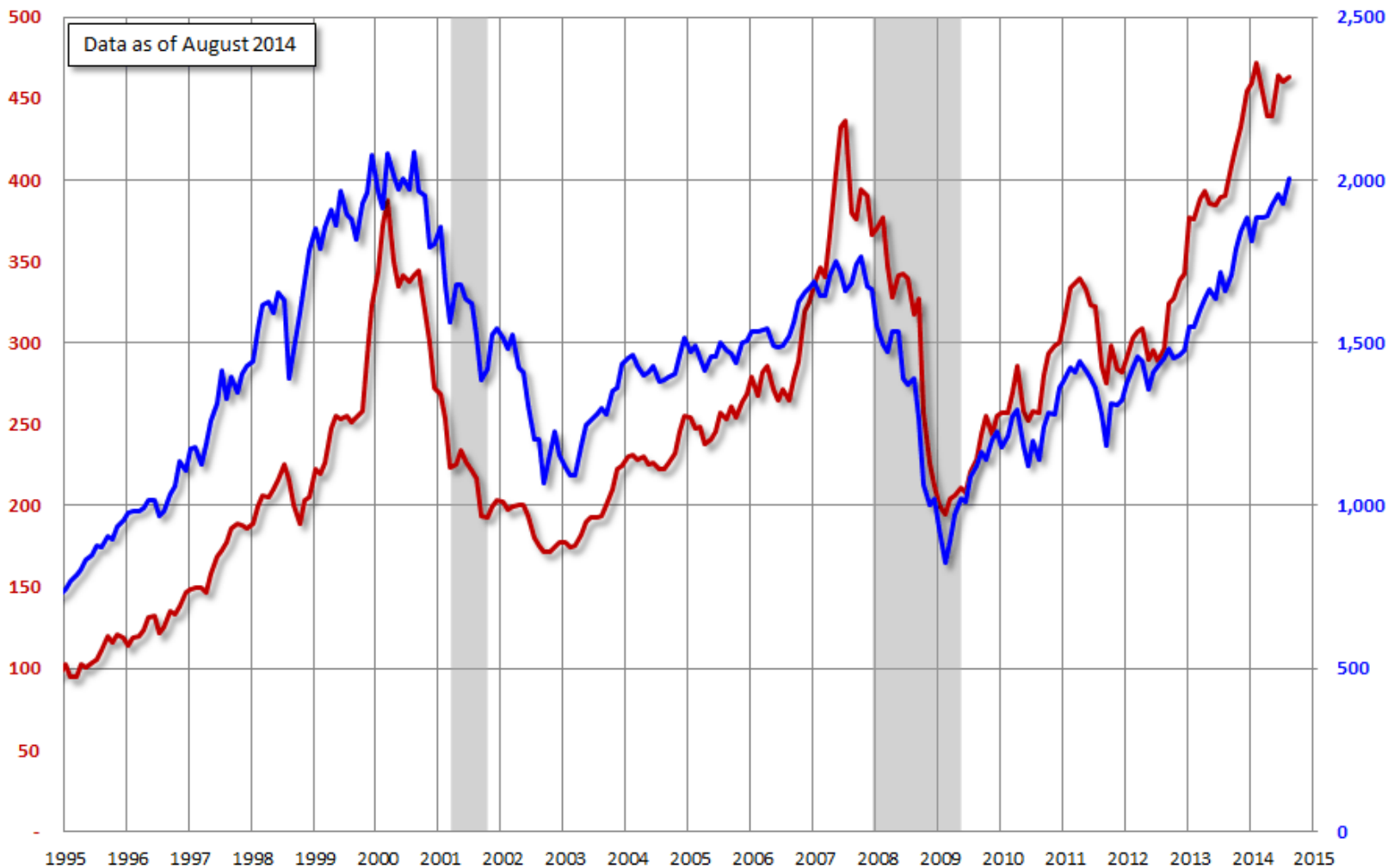
- US public offerings are the highest in over a decade
- Leverage by hedge funds & traders has soared in the USA
- Leverage in other performing stock markets is high
- EU risks Japan-style deflation, despite ECB's Mario Draghi
- The Fed, as it tries to normalise short-term interest rates
- Crude oil prices, if they were to spike higher
- Bond market yields will rise with GDP growth



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

Billions

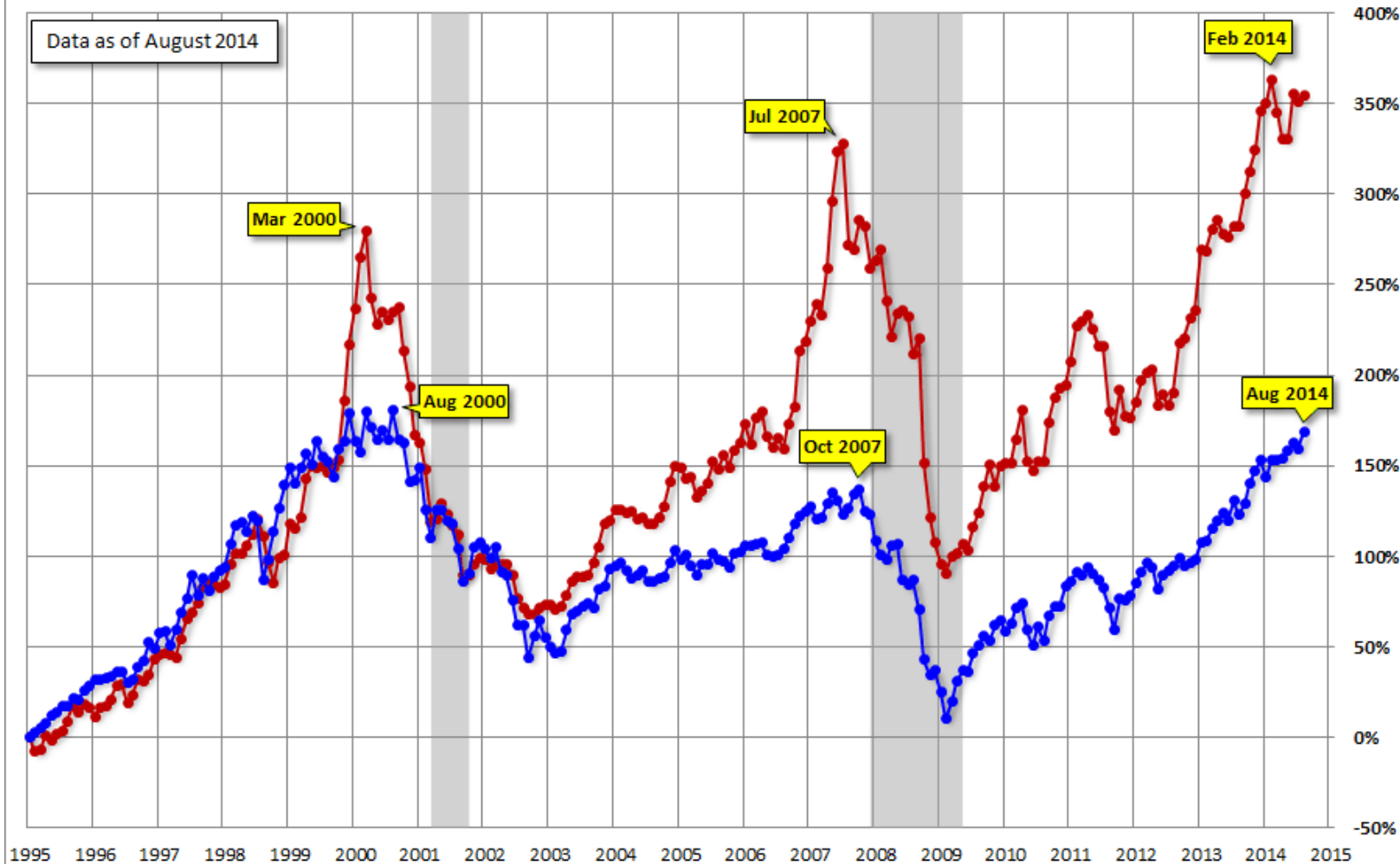
Recessions NYSE Margin Debt S&P 500





### NYSE Margin Debt and the S&P 500 Real Growth Since 1995

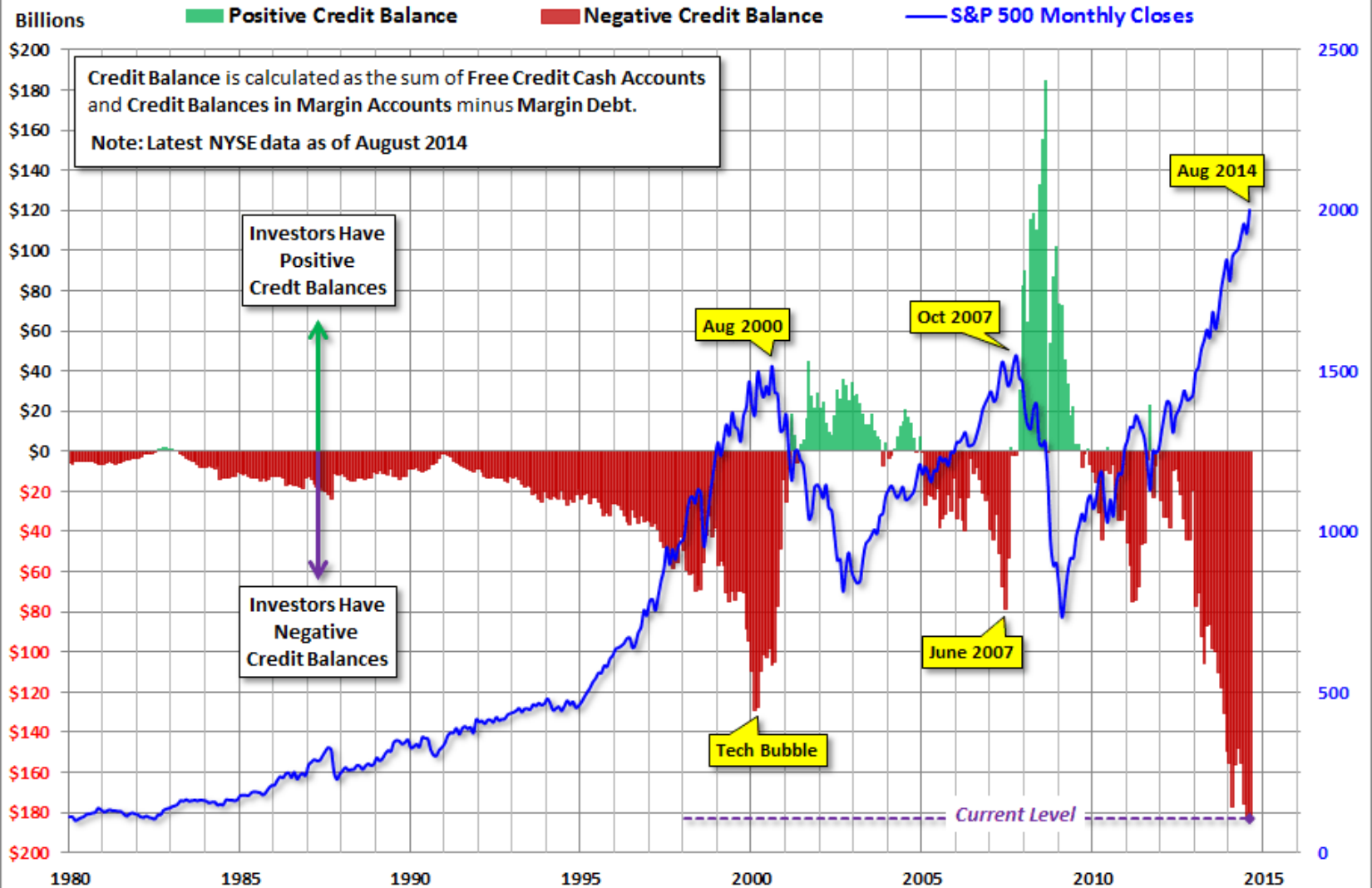
Recessions    Real NYSE Margin Debt Growth    Real S&P 500 Growth





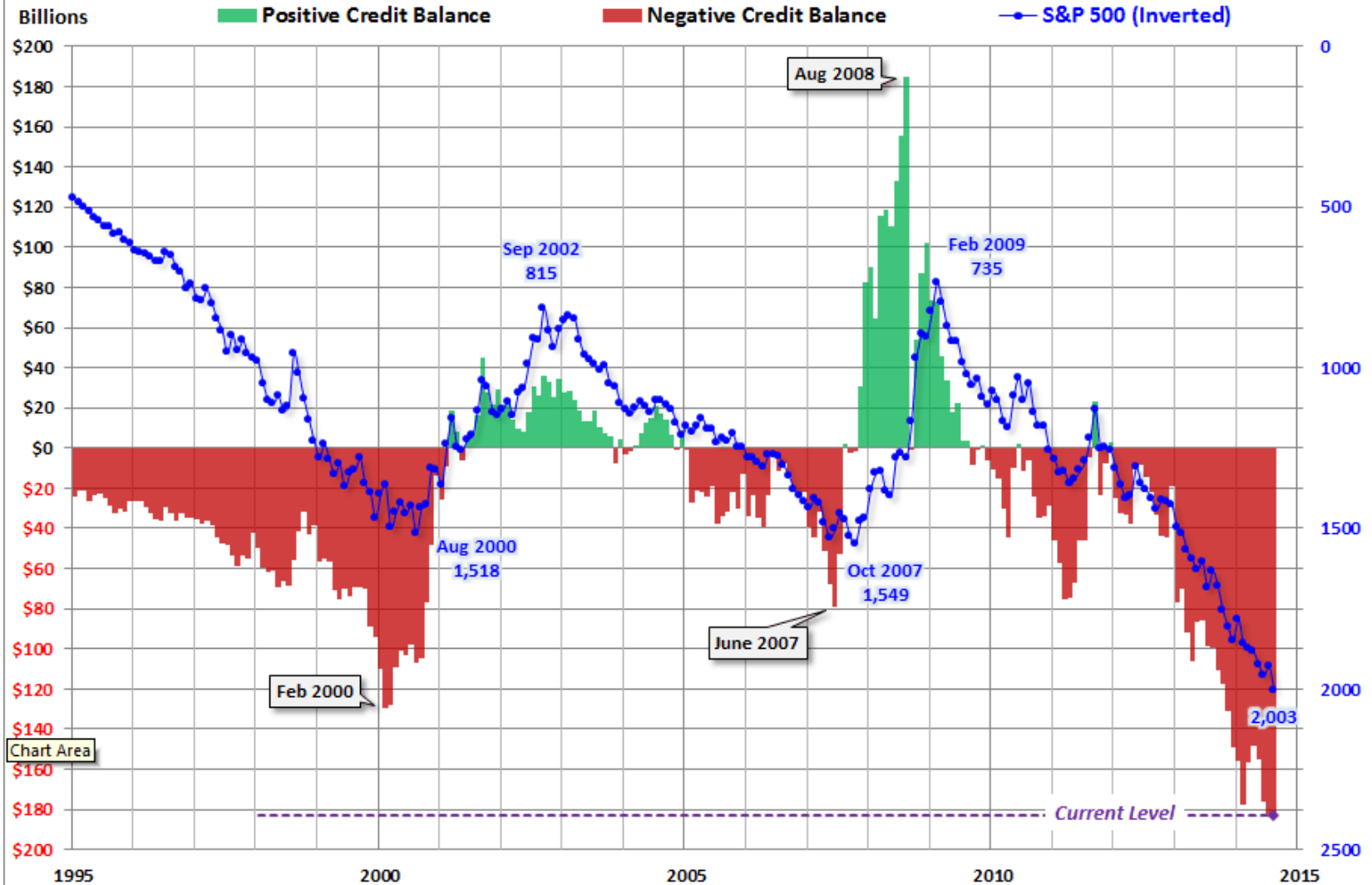
## NYSE Investor Credit and the Market

dshort.com  
September 2014





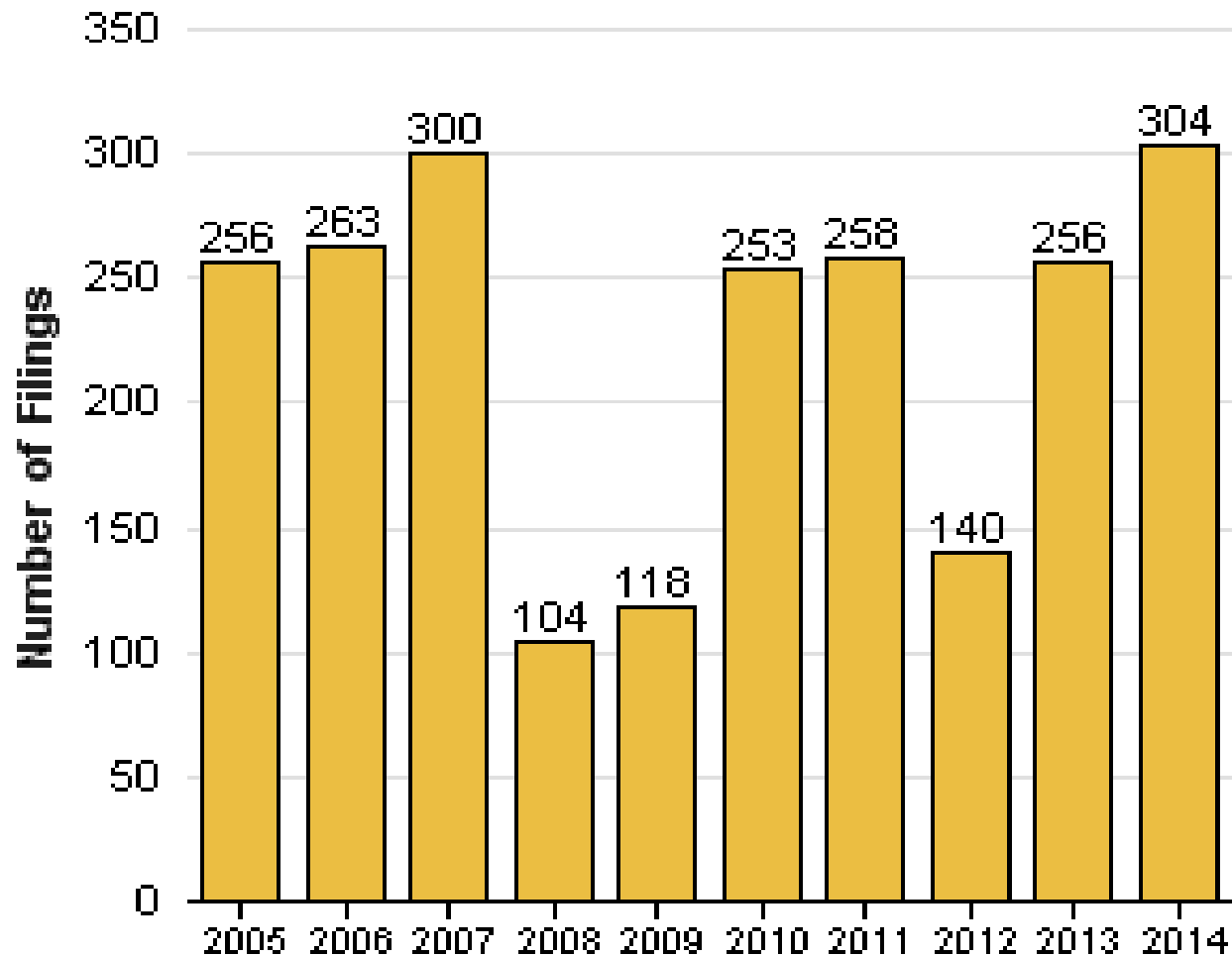
## NYSE Investor Credit and the Market







## IPO Filings



Source: [www.RenaissanceCapital.com](http://www.RenaissanceCapital.com)



## 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



Russell 2000 (RTY INDEX) 1104.743 -14.59

2014-10-03





Russell 2000 (RTY INDEX) 1104.743 -14.59

2014-10-03





S&P 500 (SPX INDEX) 1967.90 -14.95

2014-10-03





Nasdaq 100 (NDX INDEX) 4027.307 -26.41

2014-10-03





Dow Jones Industrials Average (INDU INDEX) 17009.69 -103.46

2014-10-03





Canada (SPTSX INDEX) 14789.78 -236.99

2014-10-03

Weekly  
EMA 200

What has happened here? →







Mexico (MEXBOL INDEX) 44678.14 -206.19

2014-10-03





FTSE100 (UKX INDEX) 6527.91 -121.48

2014-10-03





DJ Euro STOXX 50 (SX5E INDEX) 3133.37 -86.21

2014-10-03





Germany (DAX INDEX) 9195.68 -294.87

2014-10-02





Denmark (KFX INDEX) 756.48 -9.8

2014-10-03

Weekly

EMA 200

Europe's strongest Index  
and reaction lows still rising





Russia RTS \$ Index (RTSI\$ INDEX) 1092.12 -64.03

2014-10-03

Weekly  
EMA 200

*Governance is Everything - favourable regime change would make Russia a buy*





India Mumbai (SENSEX INDEX) 26567.99 -58.33

2014-10-01

Weekly  
EMA 200

Watch the current trend's consistency characteristics for signs of medium-term corrections and buying opportunities

Still a 5-year+ favourite, due to Narendra Modi





Vietnam (VNINDEX INDEX) 614.42 2.87

2014-10-06

Weekly  
EMA 200

Still a longer-term favourite  
Biggest risk – China's potential aggression







China Shanghai A-Shares (SHASHR INDEX) 2474.588 16.85

2014-09-30





Hong Kong (HSI INDEX) 23315.04 250.48

2014-10-06

Weekly

EMA 200

A long-term favourite  
Biggest risk – if China erodes its freedoms





S&P/ASX 200 Index (AS51 INDEX) 5292.911 -25.3

2014-10-06





**Fuller Treacy Money**  
Global Strategy Service  
Empowerment Through Knowledge

At this stage of the stock market cycle,  
I favour previous laggards as they  
begin to show relative strength



## Long-term bull factors for stock markets

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



US 10yr (USGG10YR INDEX) 2.434 -0.05

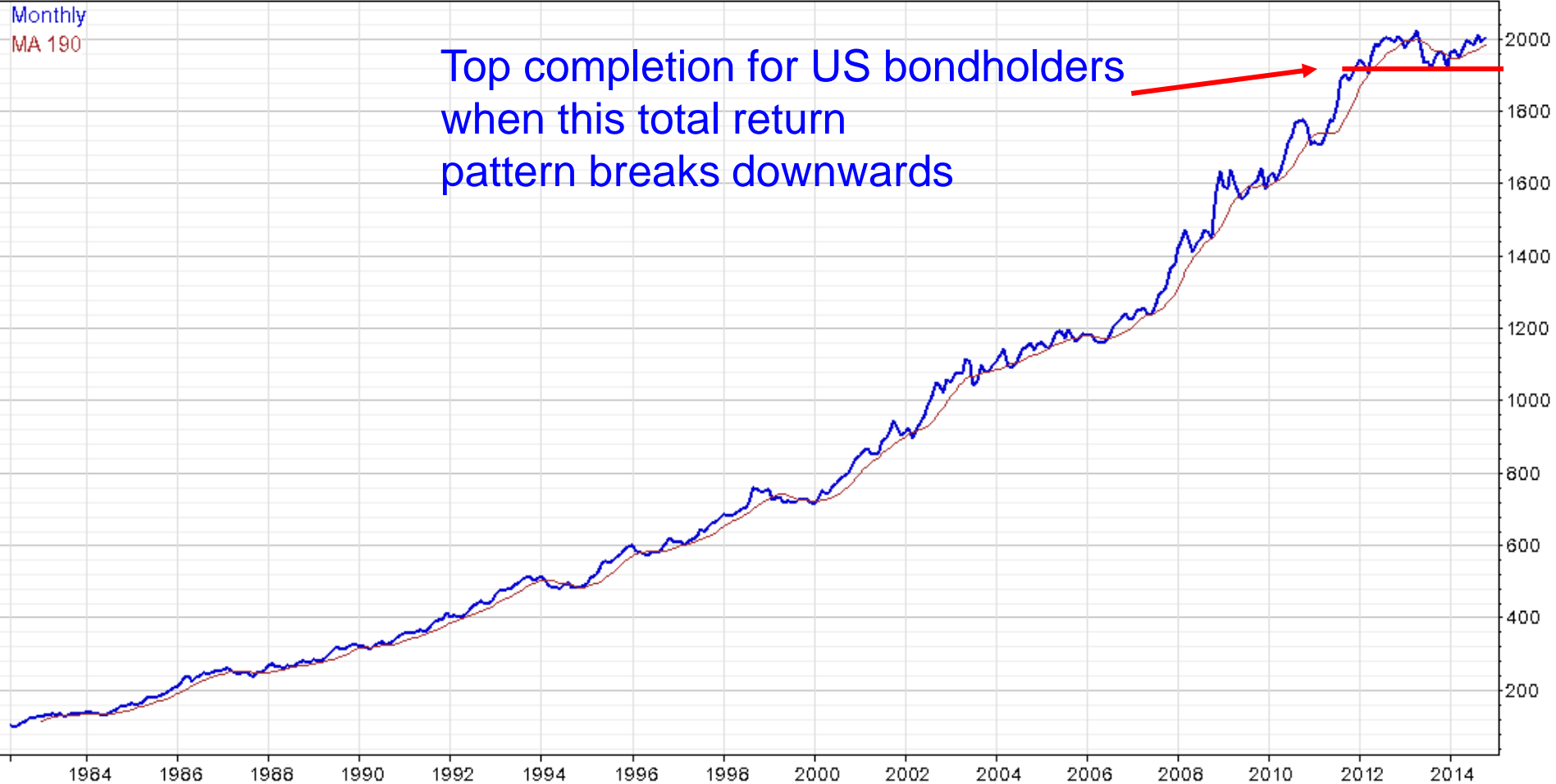
2014-10-03





Merrill Lynch Treasury 10yr+ Future Total Return Index (MLT1US10 INDEX) 2002.228 10.74

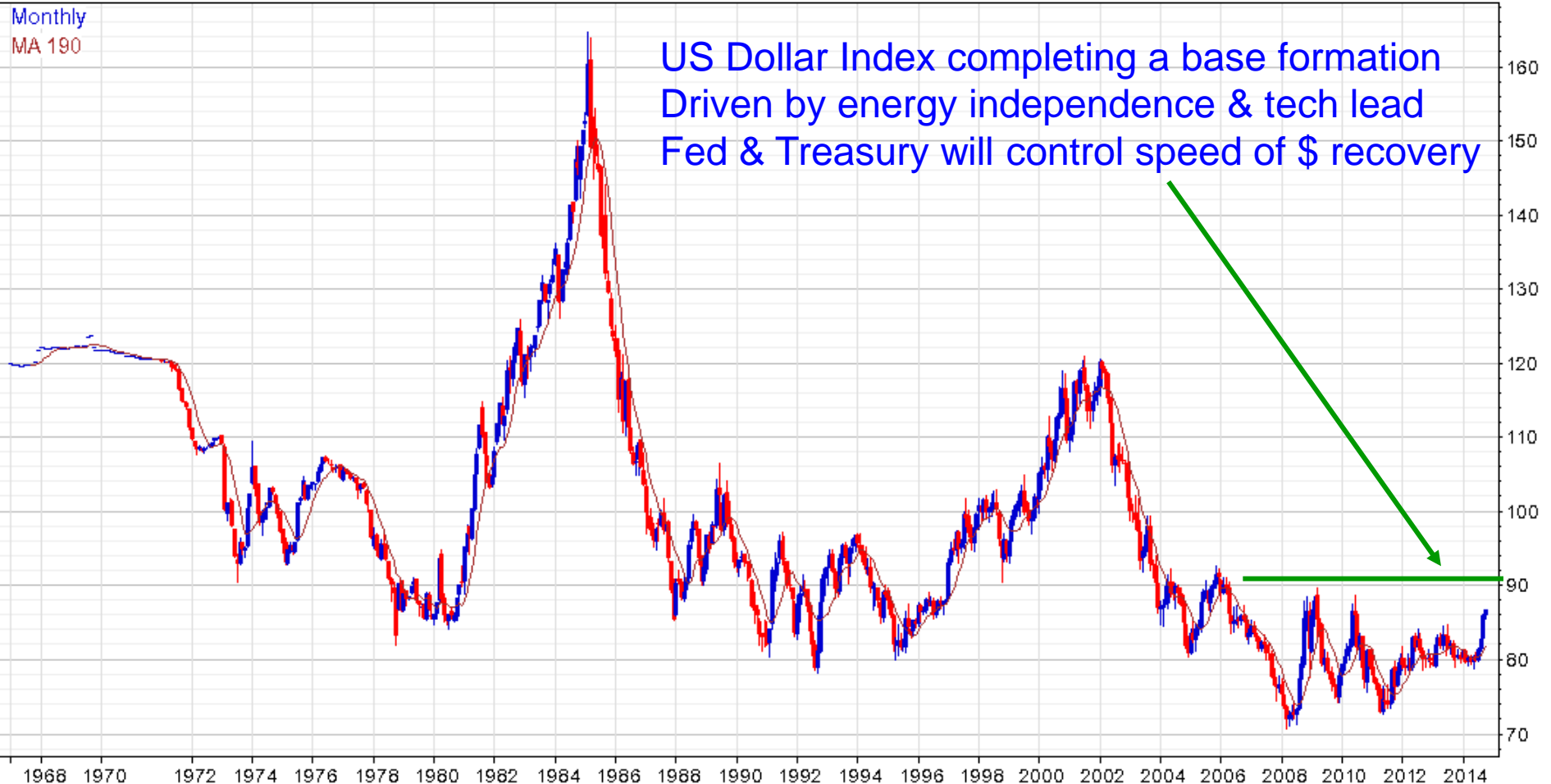
2014-10-02





Dollar Index (DXY INDEX) 86.694 0.78

2014-10-03

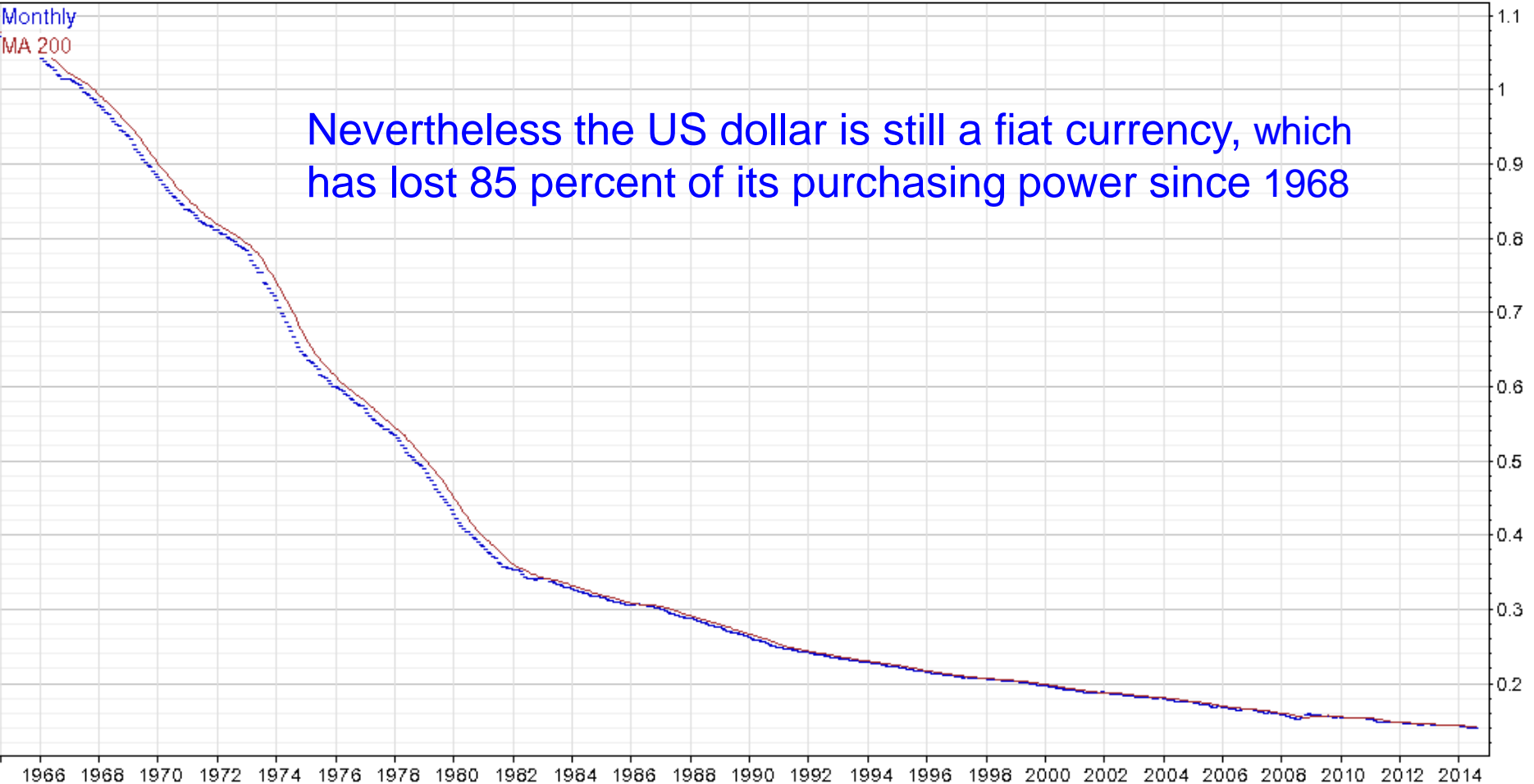






US Dollar Purchasing Power (PPCD1967 Index) 0.14 0.0

2014-08-31





London Spot Gold (GOLDS COMDTY) 1191.35 -27.03

2014-10-03





Dow Jones Industrials Average (INDU INDEX) / London Spot Gold (GOLDS COMDTY) 14.278 0.23

2014-10-03

Weekly

Gold is out of favour  
with Western investors  
who are in stocks & bonds





Silver 1st mth (SI1 COMB COMDTY) 16.826 -0.71

2014-10-03





Brent Crude Oil (CO1 COMB COMDTY) 92.31 -4.69

2014-10-03





**Fuller Treacy Money**  
Global Strategy Service  
Empowerment Through Knowledge

**Many thanks for your interest!**  
**Any more questions?**

**Please visit our site:**  
**[www.fullertreacymoney.com](http://www.fullertreacymoney.com)**



S&P 500 (SPX INDEX) 2007.71 4.34

2014-09-05

