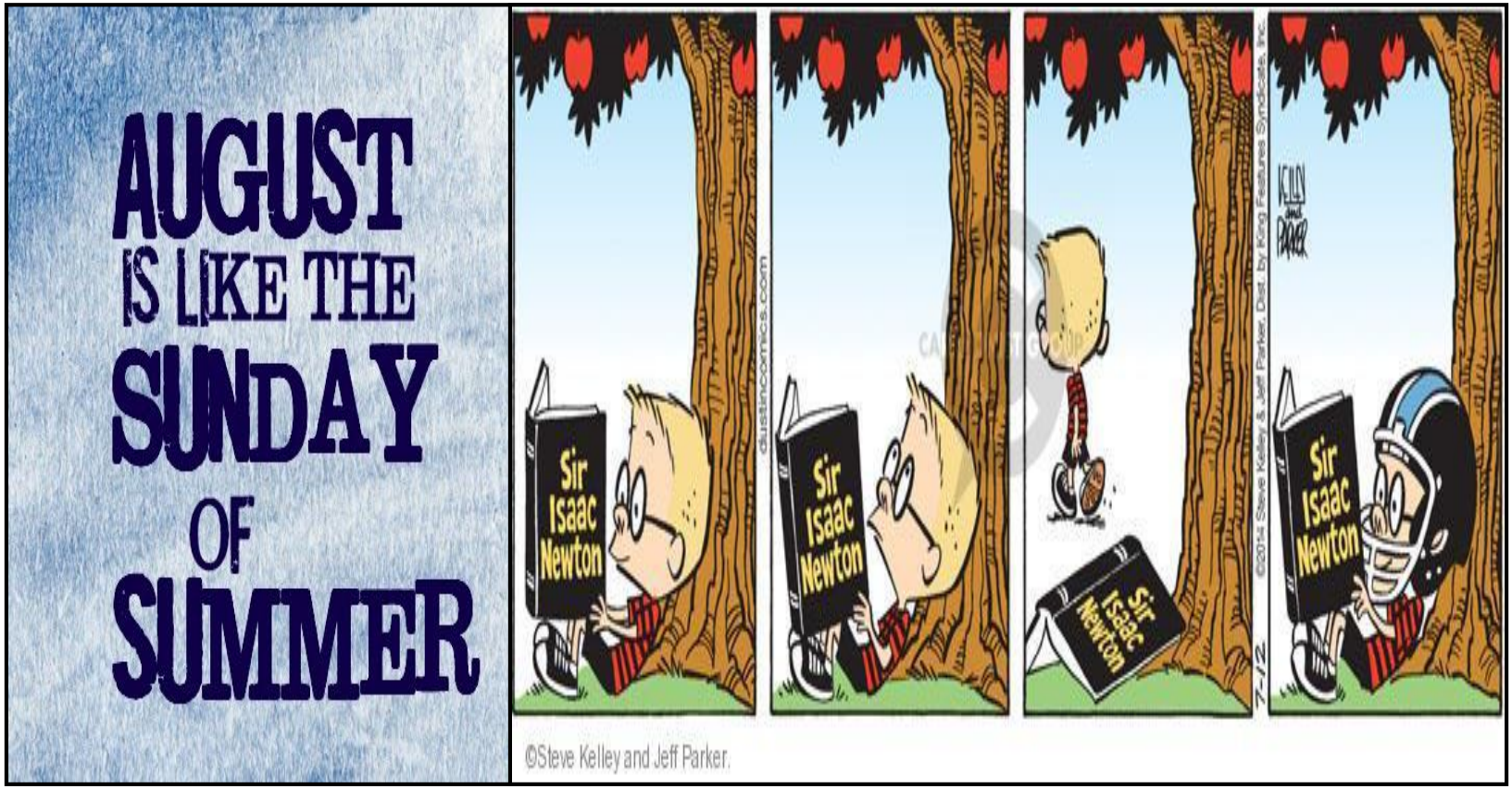
MORGAN CREEK
CAPITAL MANAGEMENT

ALTERNATIVE THINKING ABOUT INVESTMENTS



Source(s): Pinterest.com, thecomicstrips.com

Around The World With Yusko

August is Like the Sunday of Summer, and Markets…

August 30, 2017

Words of Wisdom

"For every action, there is an equal and opposite reaction…"

Sir Isaac Newton

"It is a case of better having insurance and not needing it, than one day realizing that one needs it but doesn't have it…"

Acting-Man.com

"I made my money by selling too soon…"

Bernard Baruch

"When there is nothing to do, you do nothing slowly and intently…"

Haruki Murakami

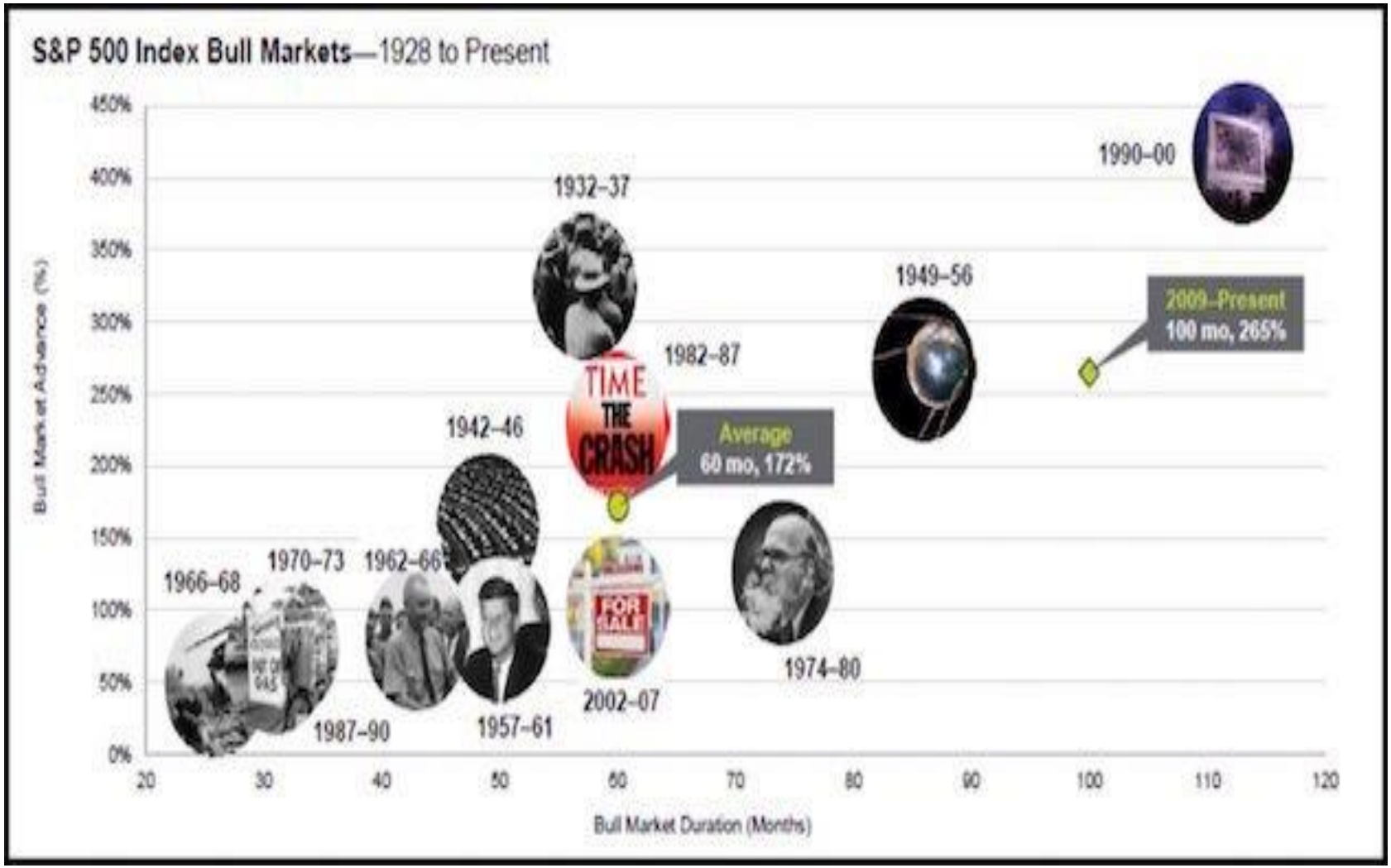
"Never underestimate the power of doing nothing…"

Winnie the Pooh

’17 #ATWWY Developed Calendar Bubble Tracking Theme

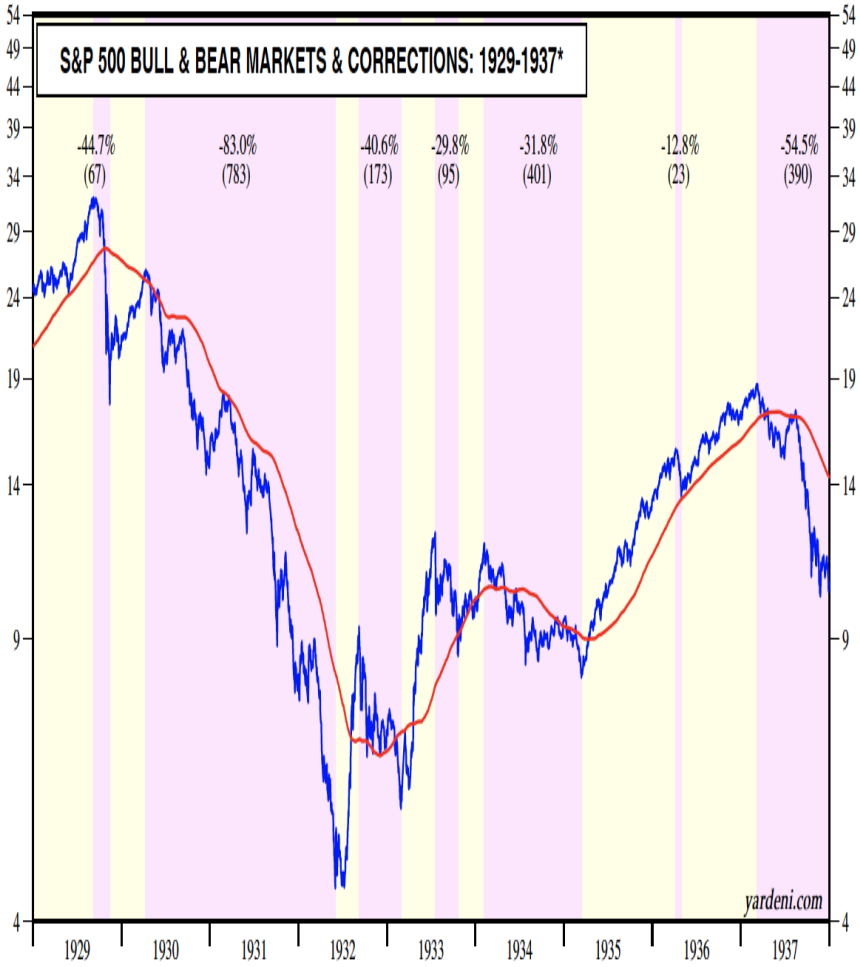
January	**10 Potential Surprises for 2017**
February	**Global Search for Alpha: All Roads Lead To China**
March	**March Madness – Fuel For The Equity Bubble**
April	**April Fools – Hope Is Not An Investment Strategy**
May	**Vacation Comes Early – Sell In May And Go Away**
June	**June Gloom – It’s Not Just A SoCal Thing Anymore**
July	**Knee High By 4th of July – Cornstalks & Equity Bubbles**
August	**August Is Like The Sunday Of Summer, And Markets…**
September	**Bubble Trouble: A September To Remember**
October	**A Peculiarly Dangerous Month to Speculate in Markets**
November	**Turkey Trouble Comes Home to Roost in November**
December	**Back Around The World: 2017 In Review**

Current Bull Market 2nd Longest In Duration, 2000 1st…



Source(s): @NuitSeraCalme

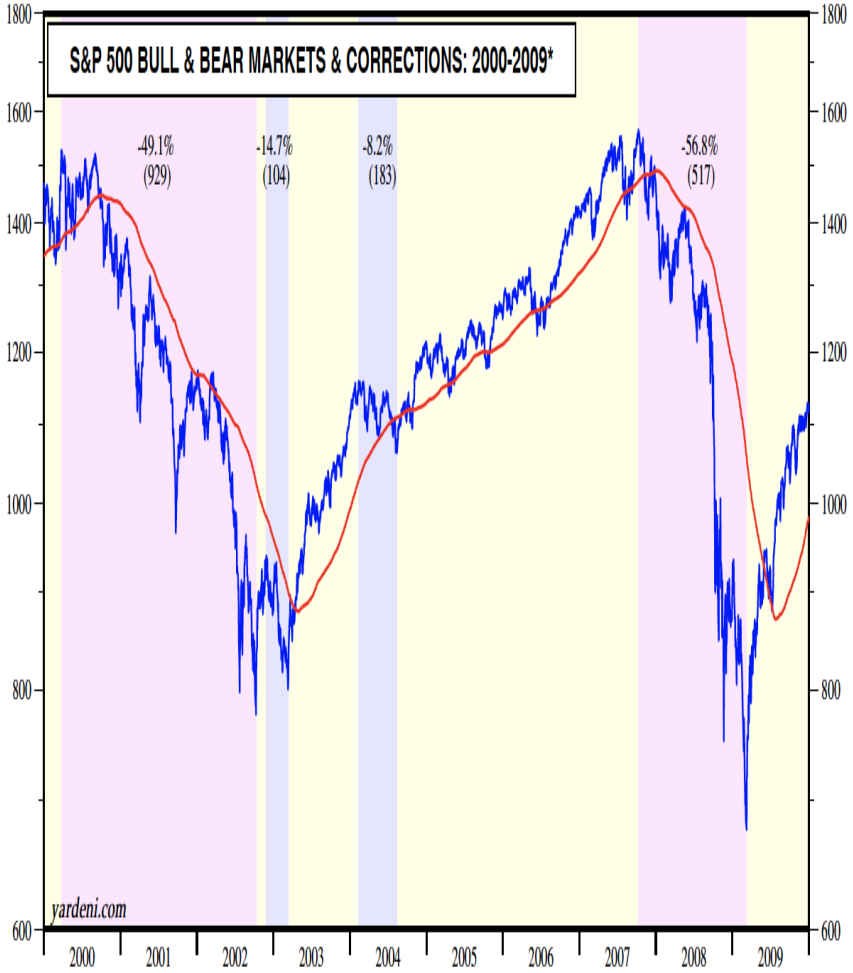
Newton: For Every Action, Equal & Opposite Reaction



200-day moving average.

* Ratio scale. Corrections are declines of 10% or more (in blues shades). Bear markets are declines of 20% or more (in red shades). Number of days in parentheses.

Source: Standard & Poor's Corporation.



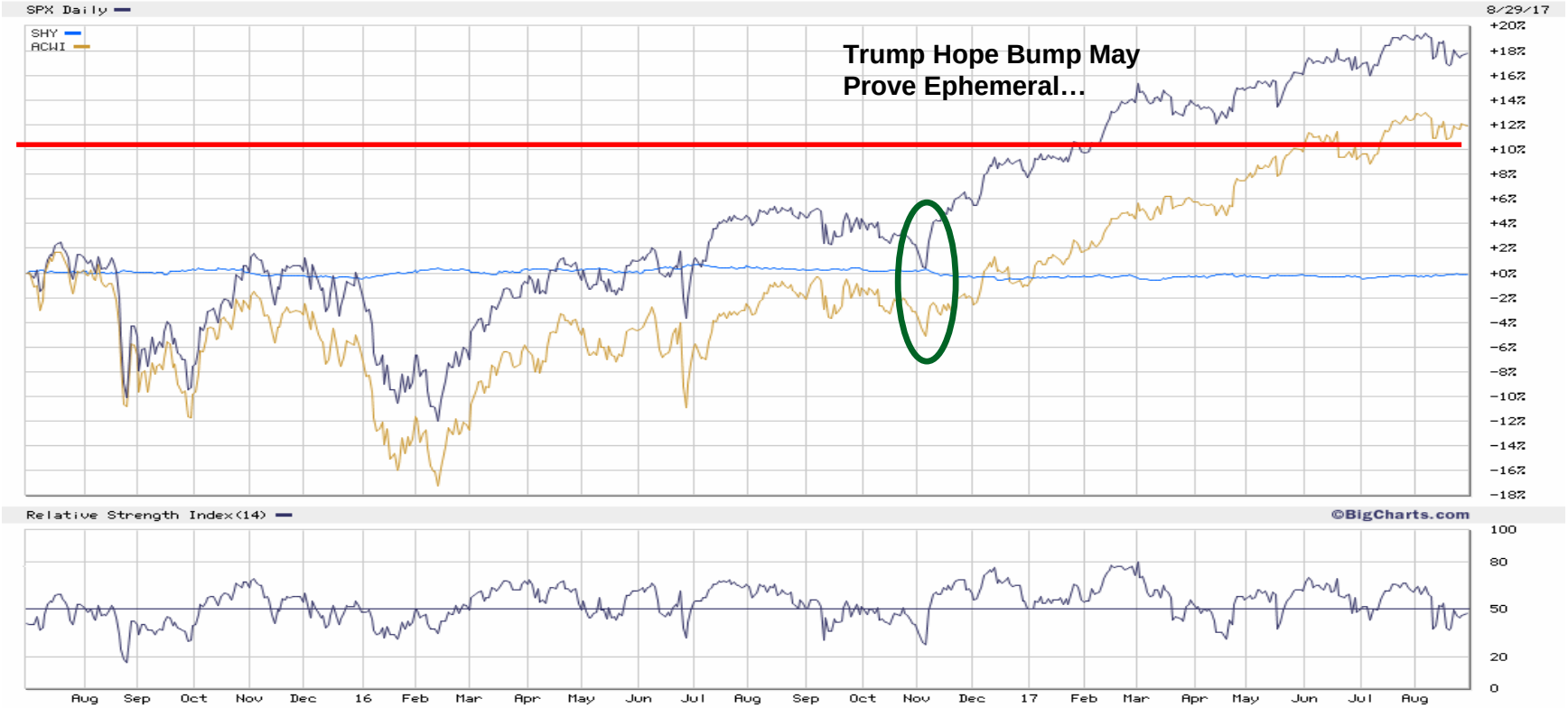
200-day moving average.

* Ratio scale. Corrections are declines of 10% or more (in blues shades). Bear markets are declines of 20% or more (in red shades). Number of days in parentheses.

Source: Standard & Poor's Corporation.

Source(s): Yardeni.com

7/1/15 Thought Experiment Looked Good Until Election



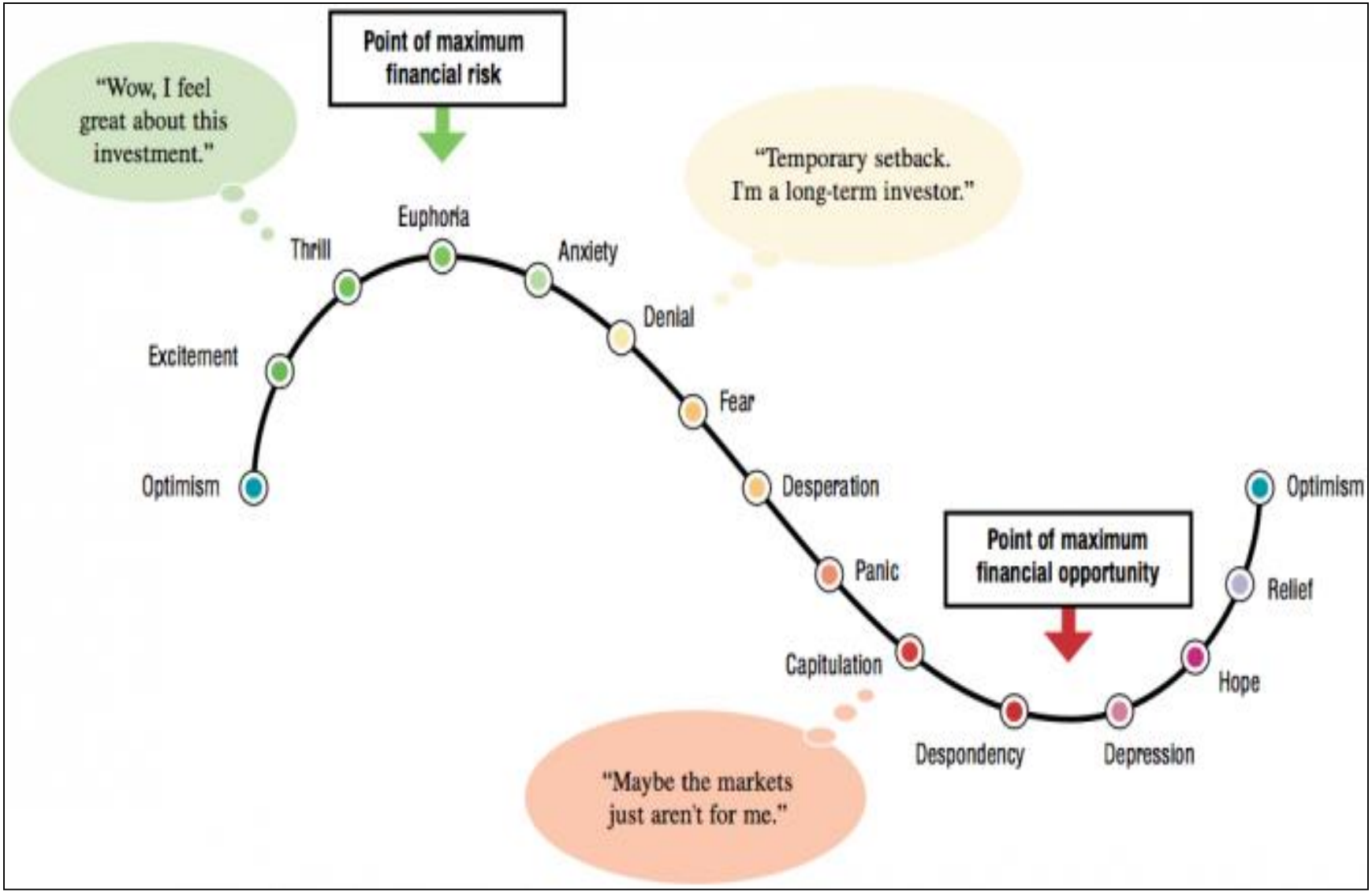
Source(s): Twitter, BigCharts.com

Spotting Bubbles is Easy, Calling Bubbles is Hard…

- Giant bubbles are easy to spot statistically but hard to call from a career risk perspective. It is easy to be early, and being early may lose you your job, your clients, and your credibility.
- The fear is always, "Are these new high prices permanent? Is it a paradigm shift?"
- Every major bull event is called a paradigm shift but they almost never exist. Almost never. But not never, ever.
- In 1999 we presented 28 major bubbles of the past and were able to call the score: Mean Reversion, 28; Paradigm Shift, Nil!
- To rub it in, near the 2000 peak I challenged audiences – perhaps 2000 professionals in total – to find a bubble that had not fully broken. There was not a single offer.

Source(s): GMO, marketpredict.com

Year Ago, JG Pointed Out That Bubbles Need Euphoria

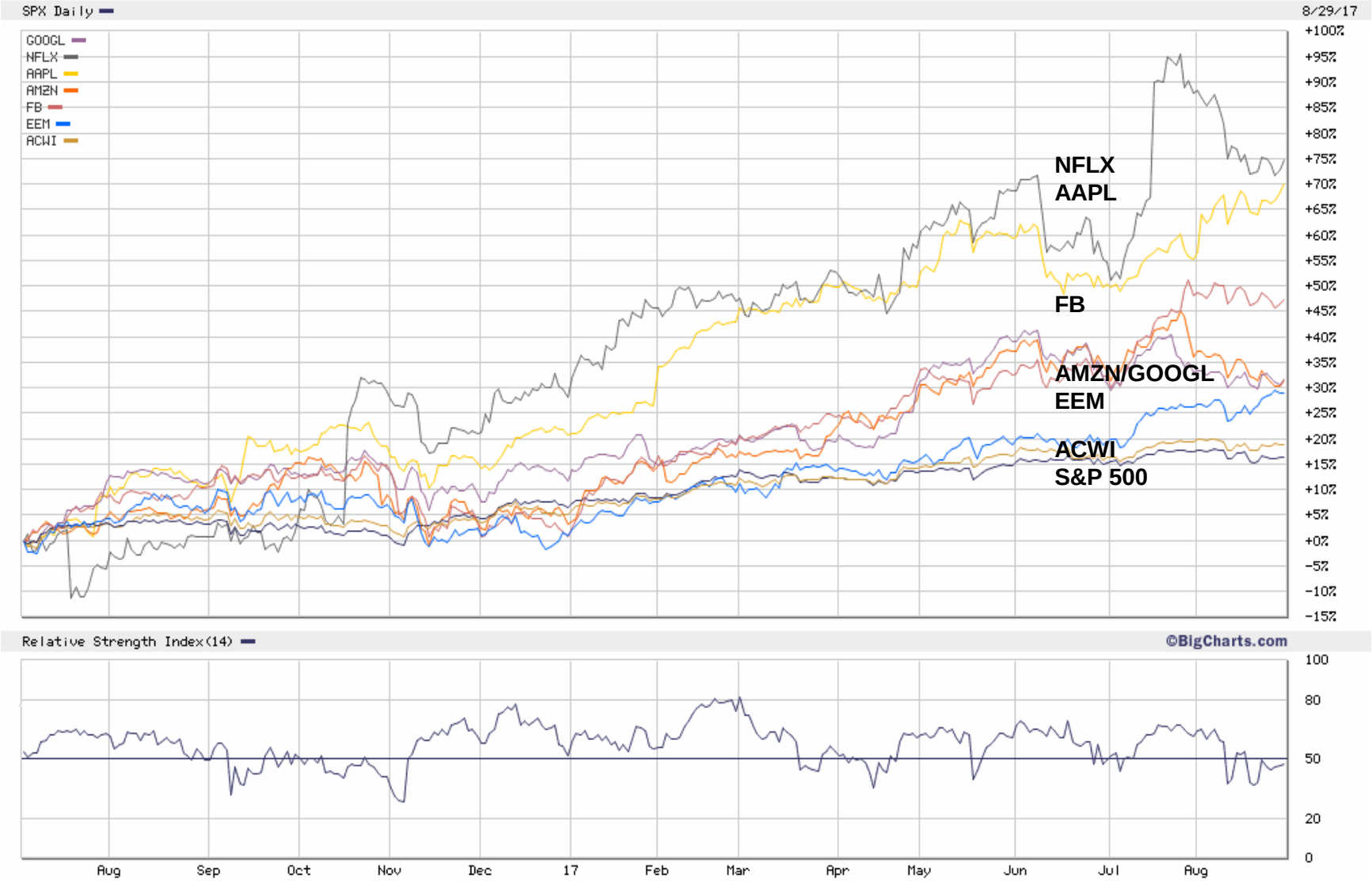


Source(s): stocktwits.com

Year Ago Markets (ex FAANG) Didn't Look Super Bubbly

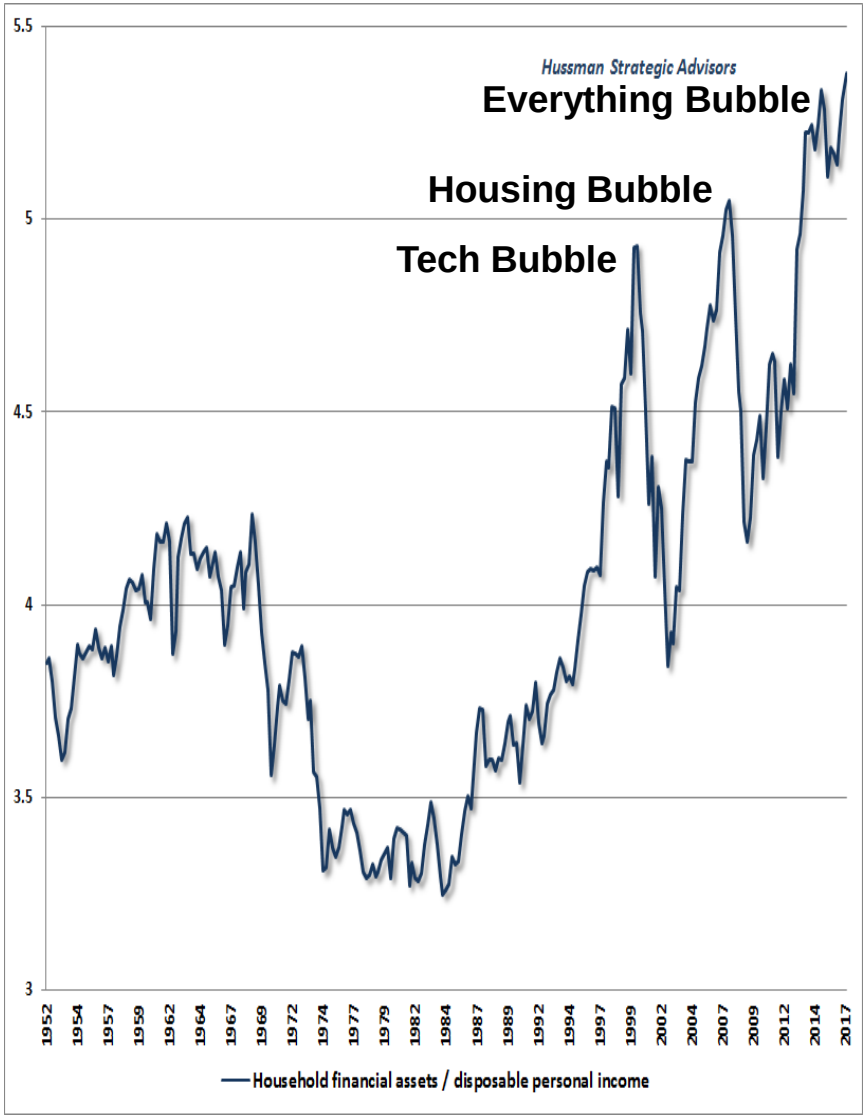
Source(s): @BigCharts.com

Markets (FAANG) Got A Little More Bubbly In Past Year



Source(s): @BigCharts.com

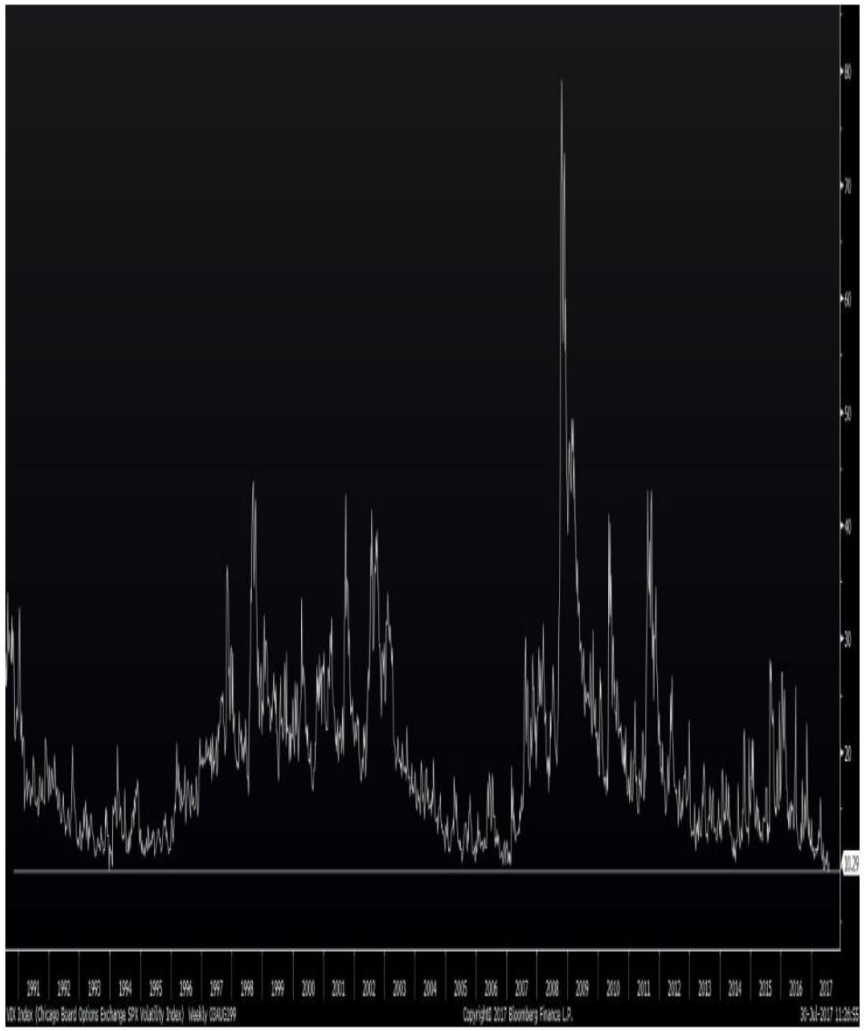
Everything Bubble: Max Exposure + High Prices = Losses



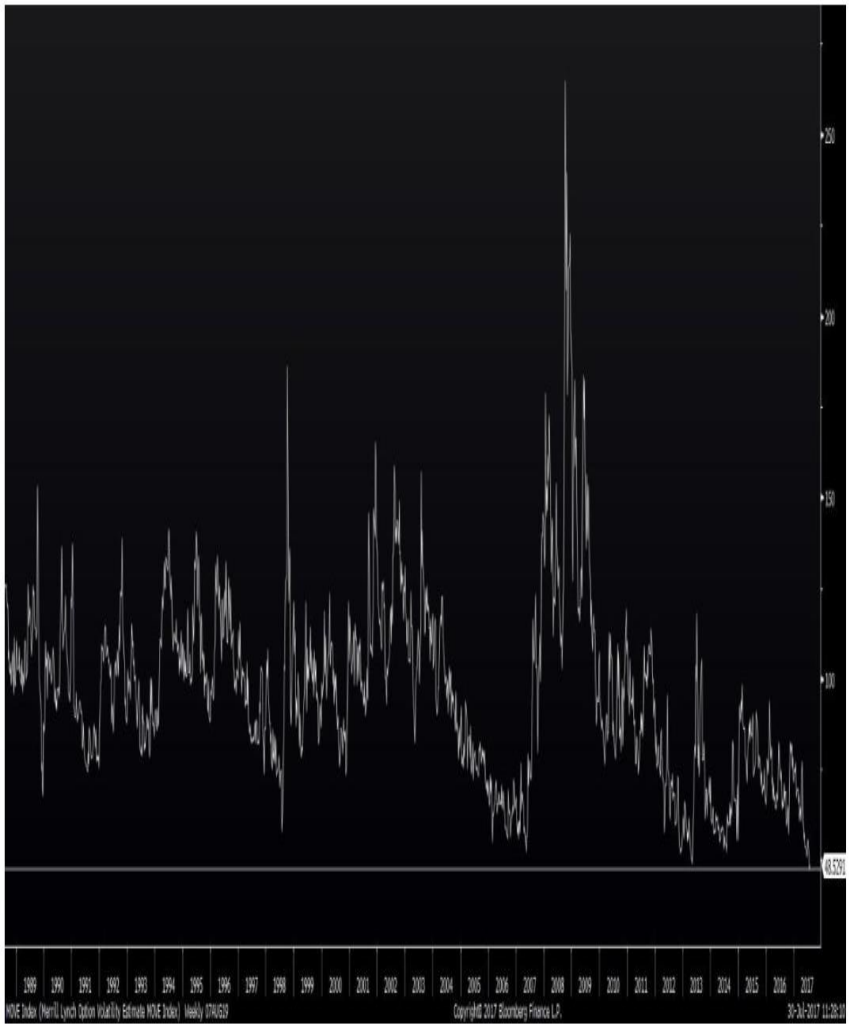
Source(s): HussmanFunds.com, @JesseFelder

Market Complacency Now Hitting Record High Levels

Last week the VIX hit its equal lowest level ever...

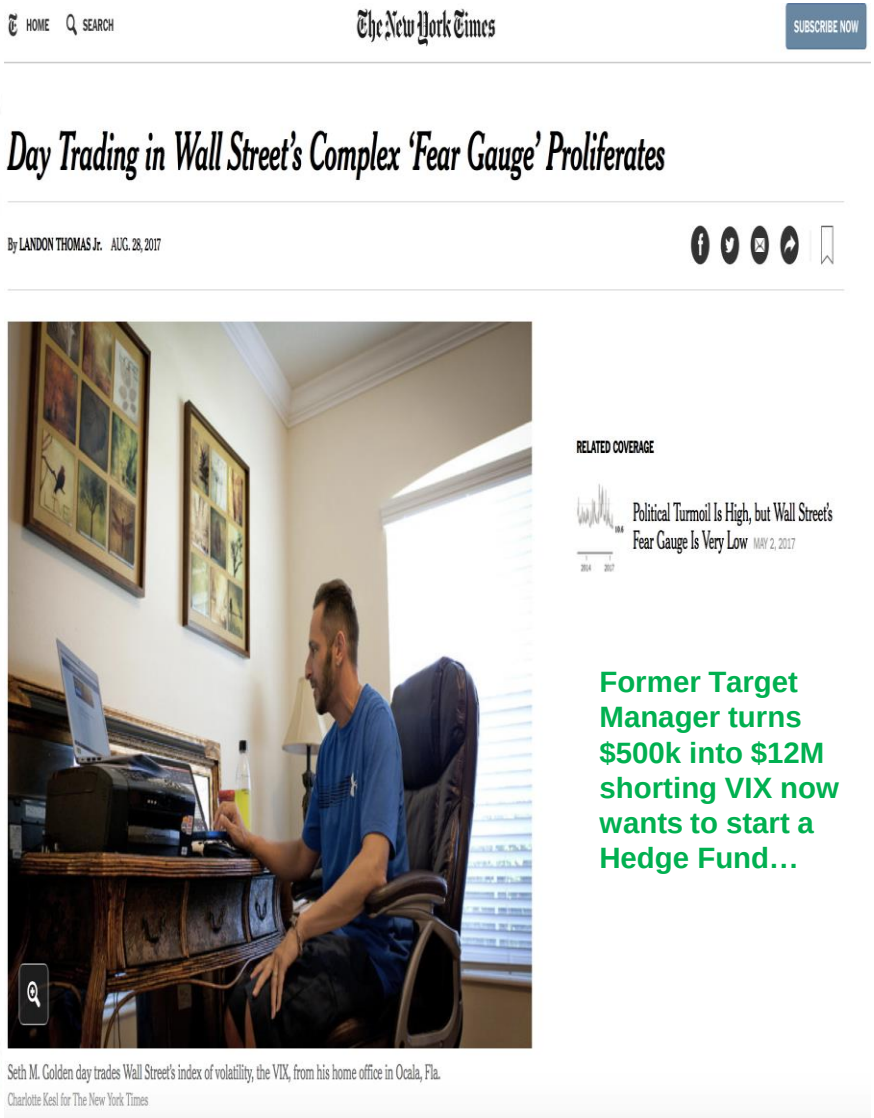


... and bond volatility hit its lowest level in *all* history...



Source(s): Global Macro Investor ("GMI")

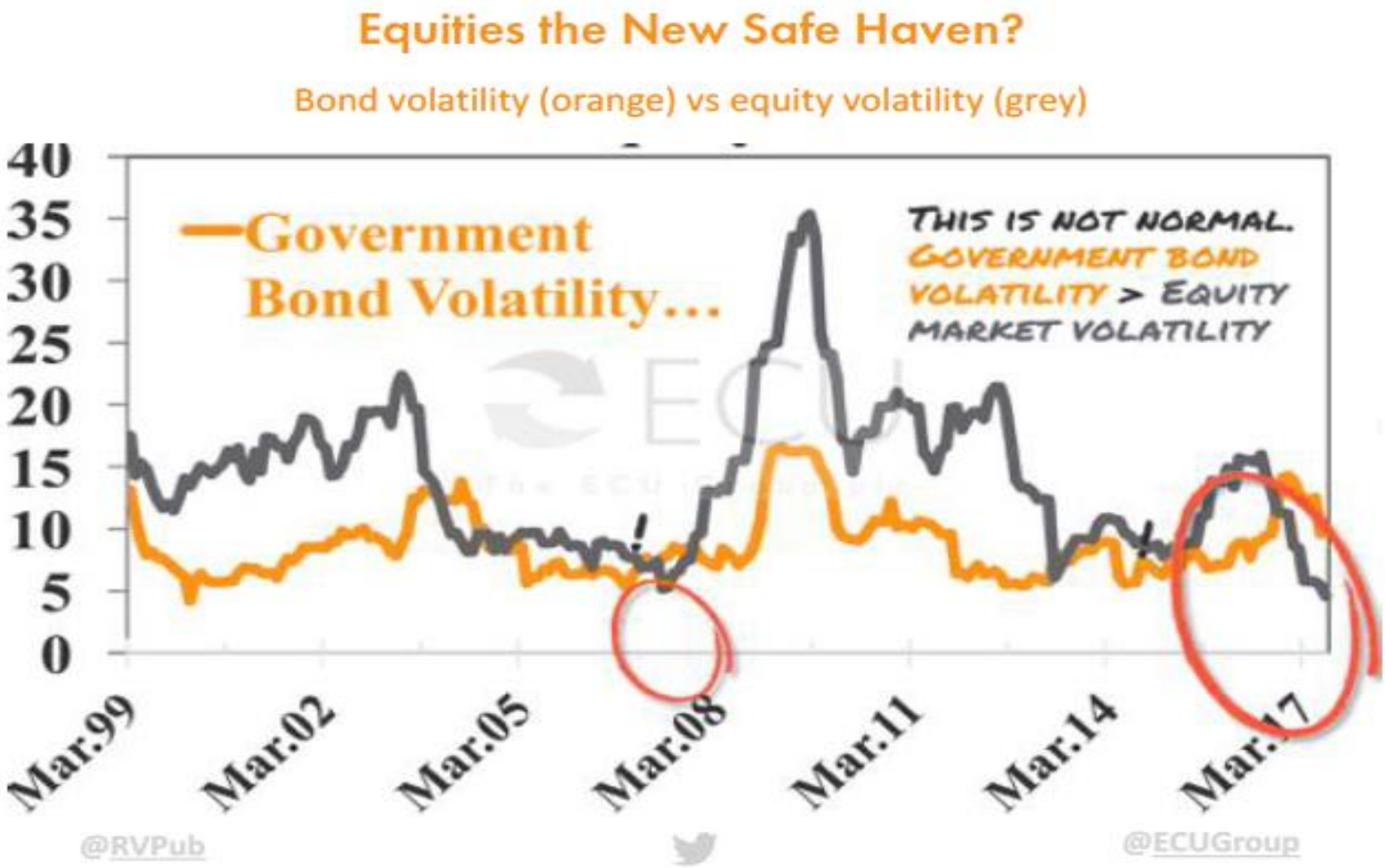
Short Volatility Trade Has Gotten Completely Out Of Hand



Former Target Manager turns $500k into $12M shorting VIX now wants to start a Hedge Fund…

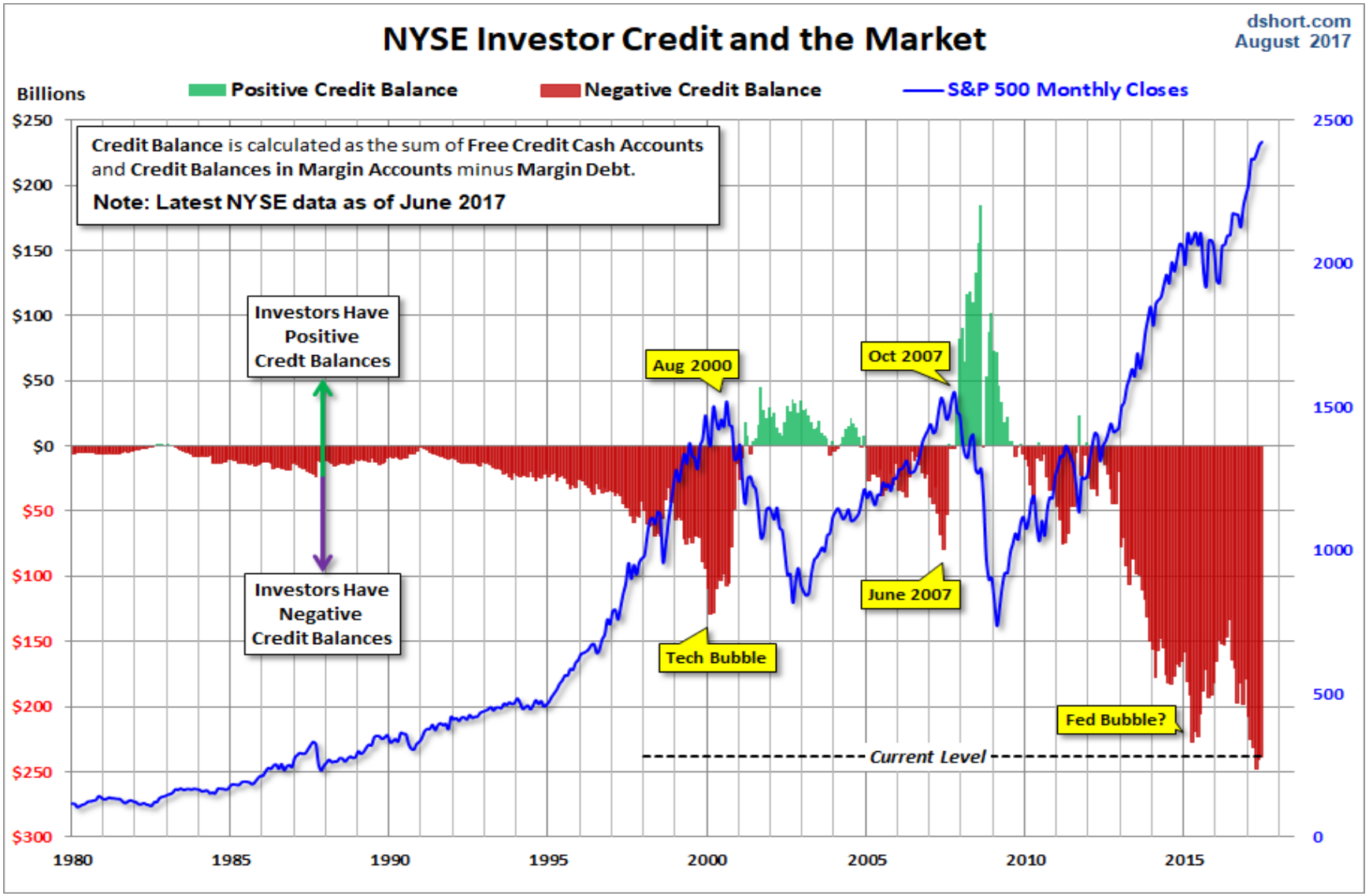
Source(s): The Institutional Strategist Group ("TIS Group"), NYT.com

Equity Vol < Bond Vol? Bonds Are Senior Claim, Right?



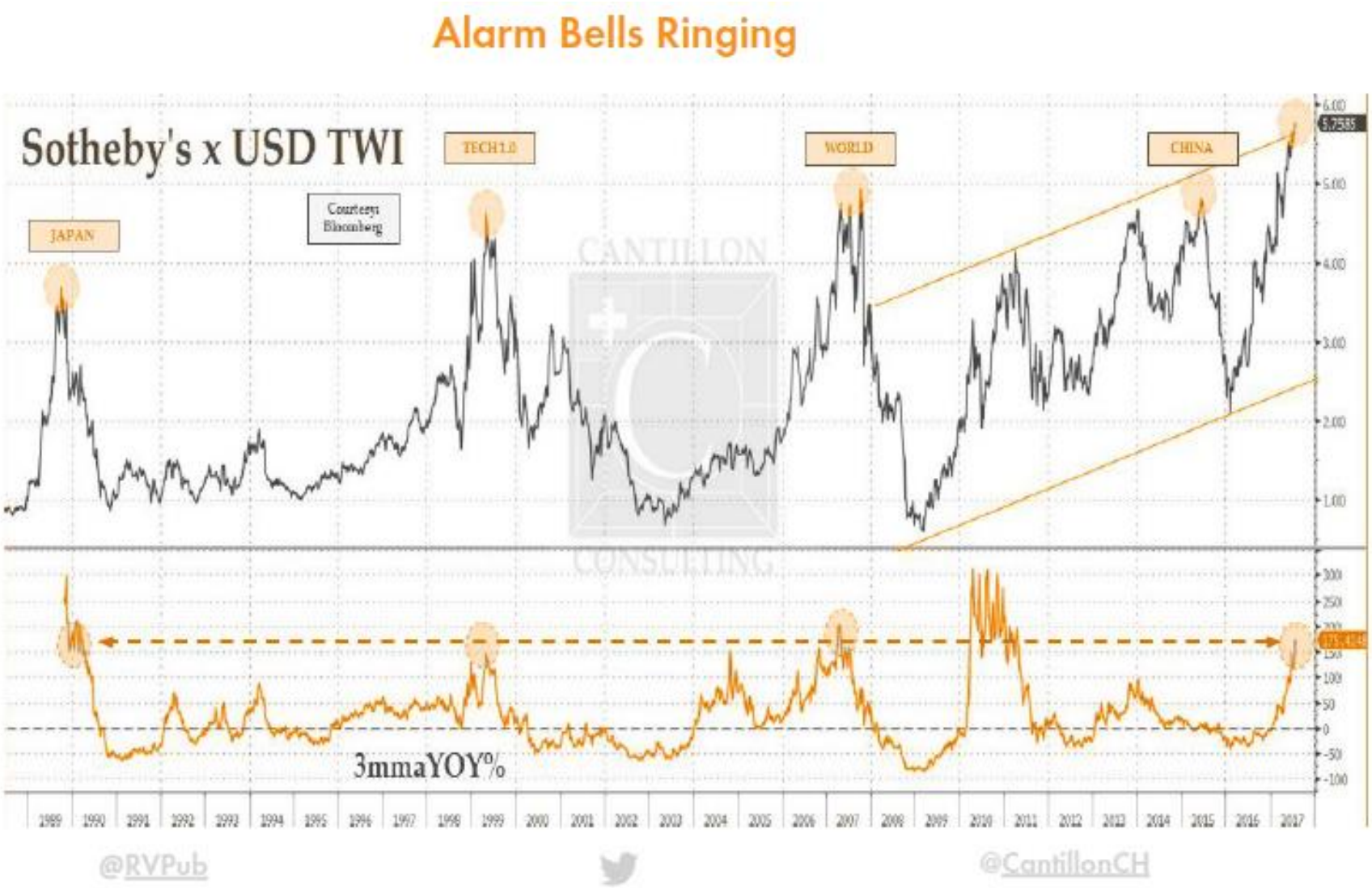
Source(s): @RVPub, @ECUGroup

Investors Show No Fear, Levering Investments At ATHs



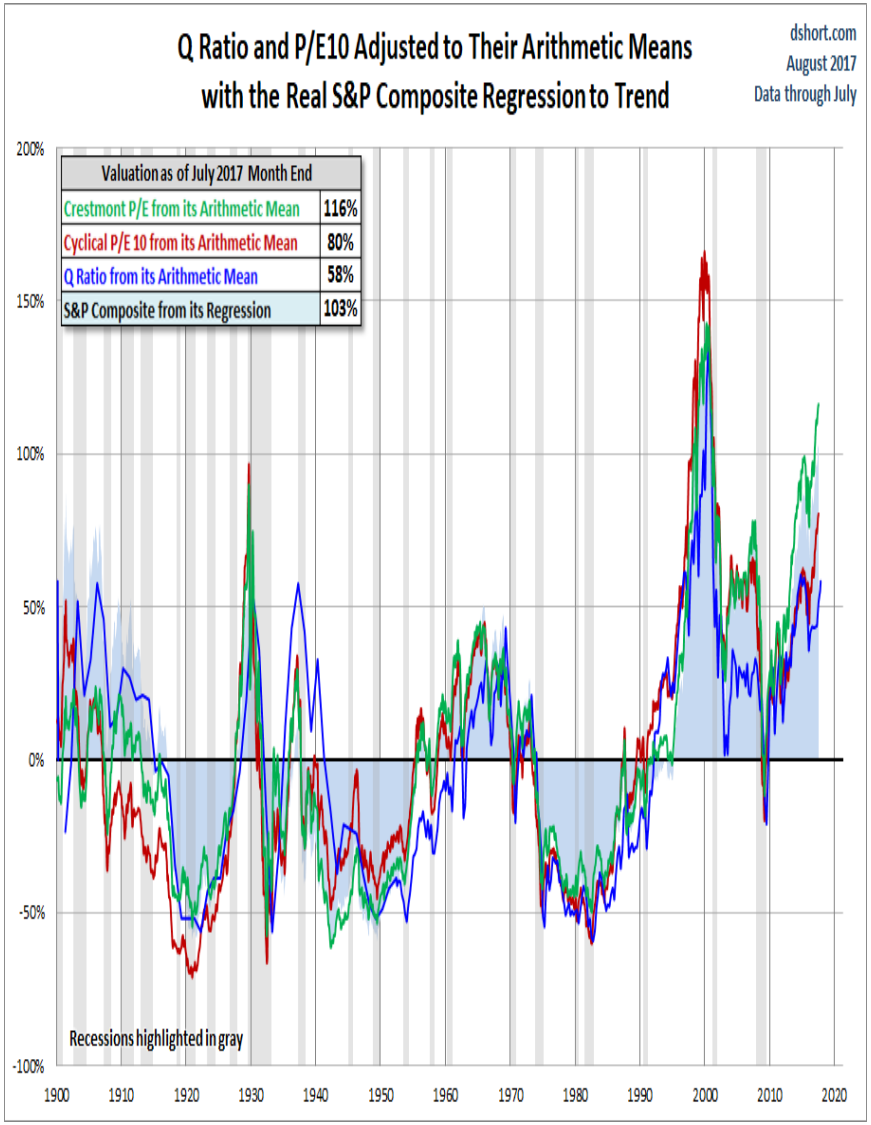
Source(s): AdvisorPerspectives.com

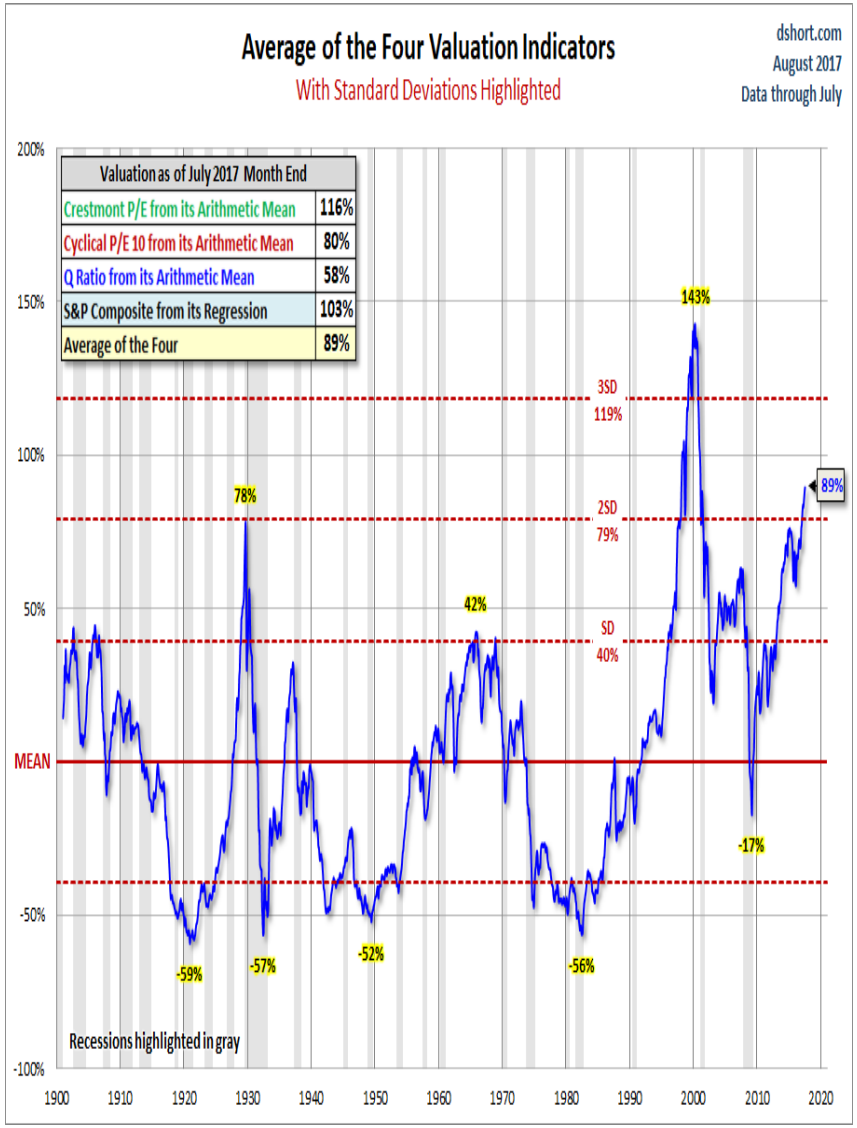
Auction Markets Show People have More $ than Sense…



Source(s): @RVPub, @cantillonCH

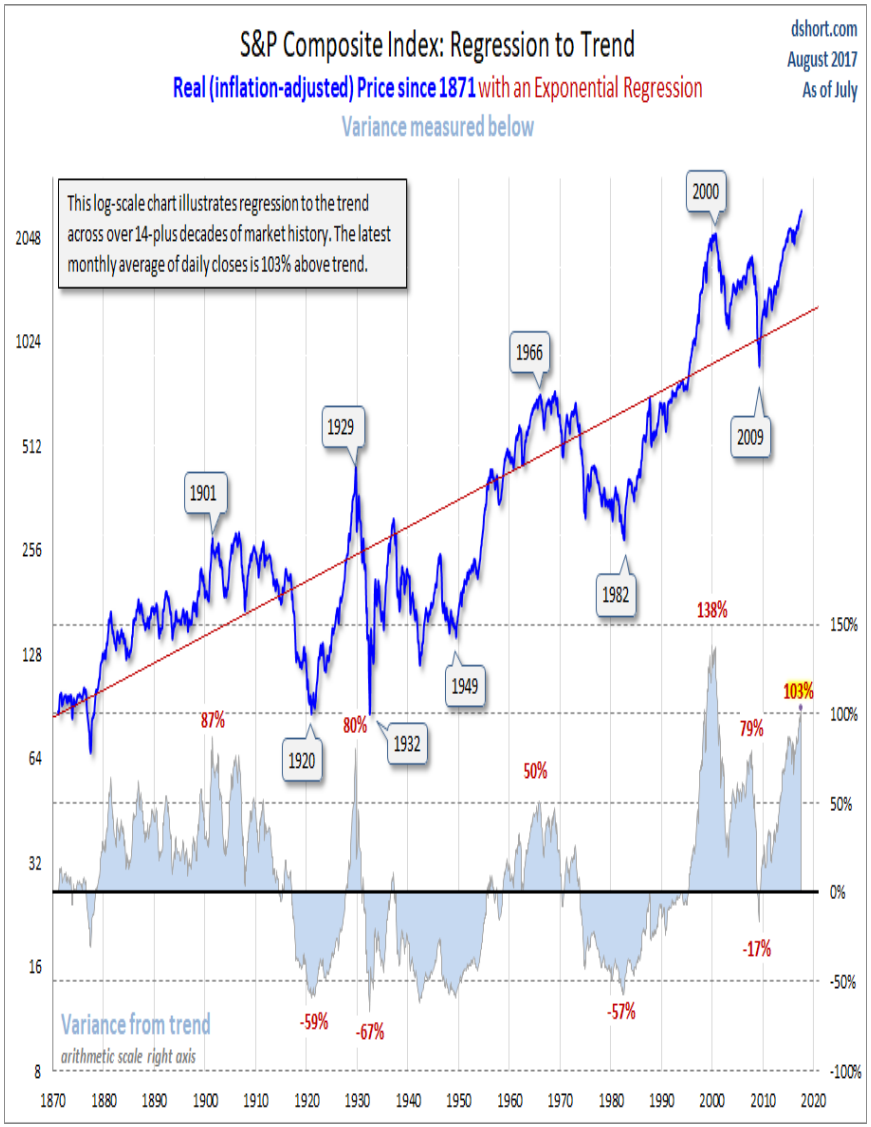
S&P 500 Valuations Bubbly, 2nd Worst in Market History

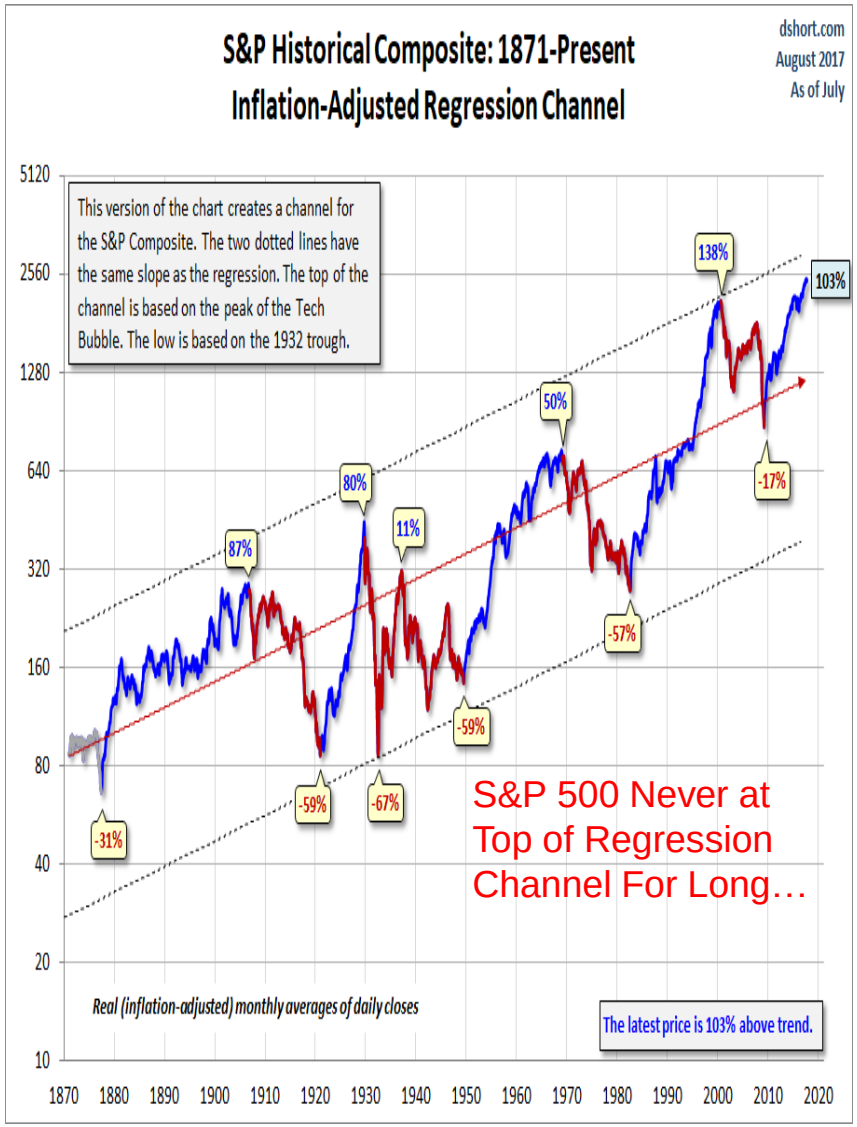




Source(s): AdvisorPerspectives.com

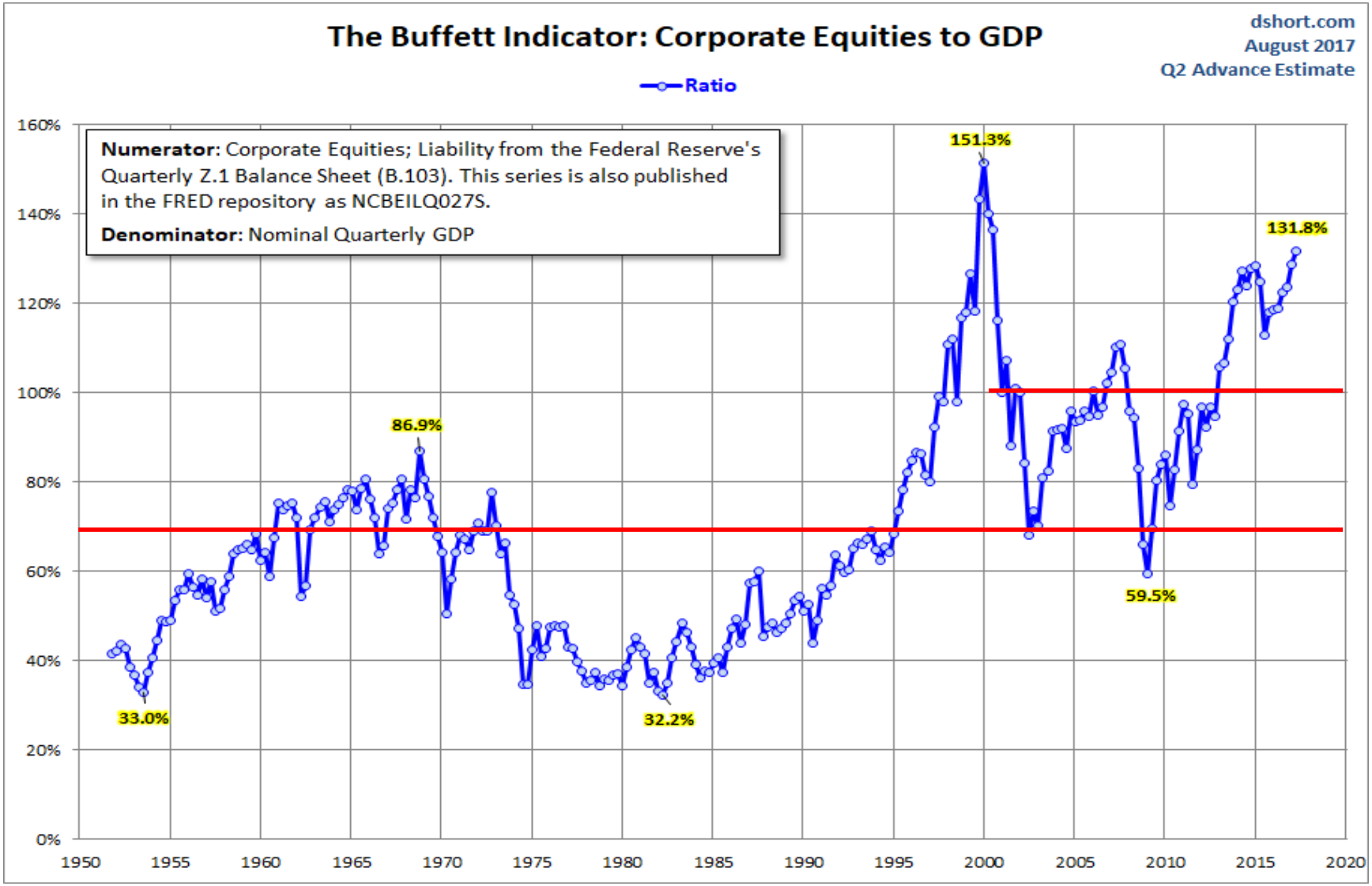
S&P 500 Regression Valuation Now 2nd Worst in History





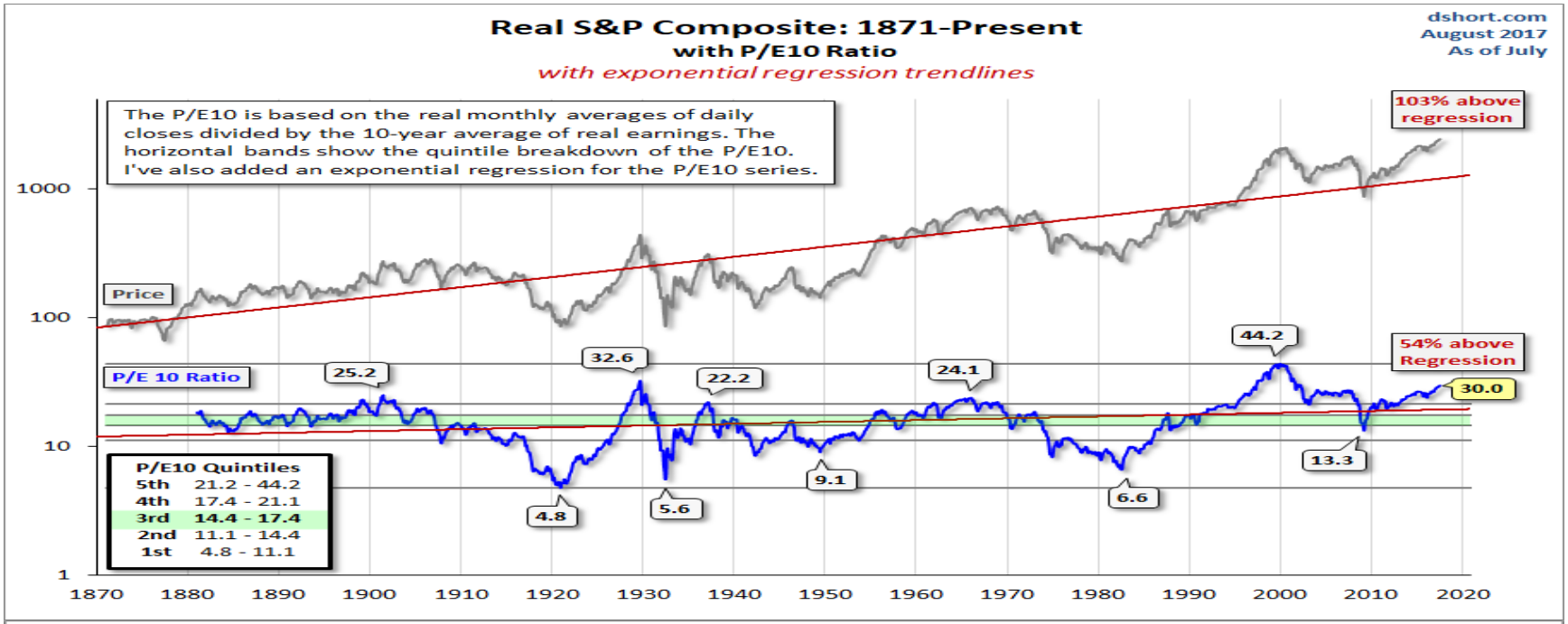
Source(s): AdvisorPerspectives.com

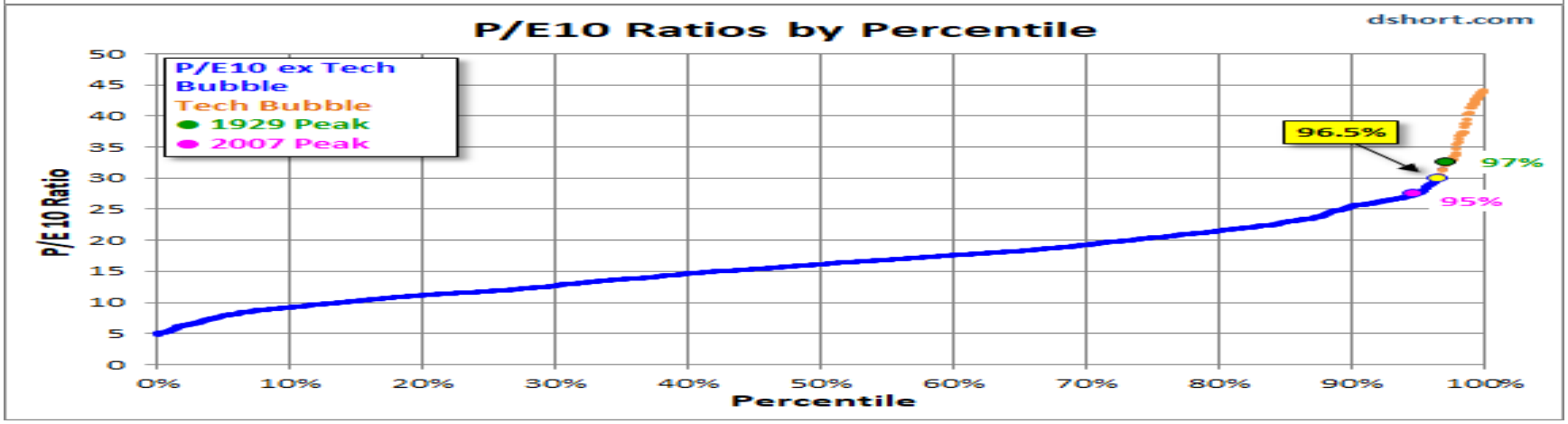
Buffett Valuation Indicator Second Only To Tech Bubble



Source(s): AdvisorPerspectives.com

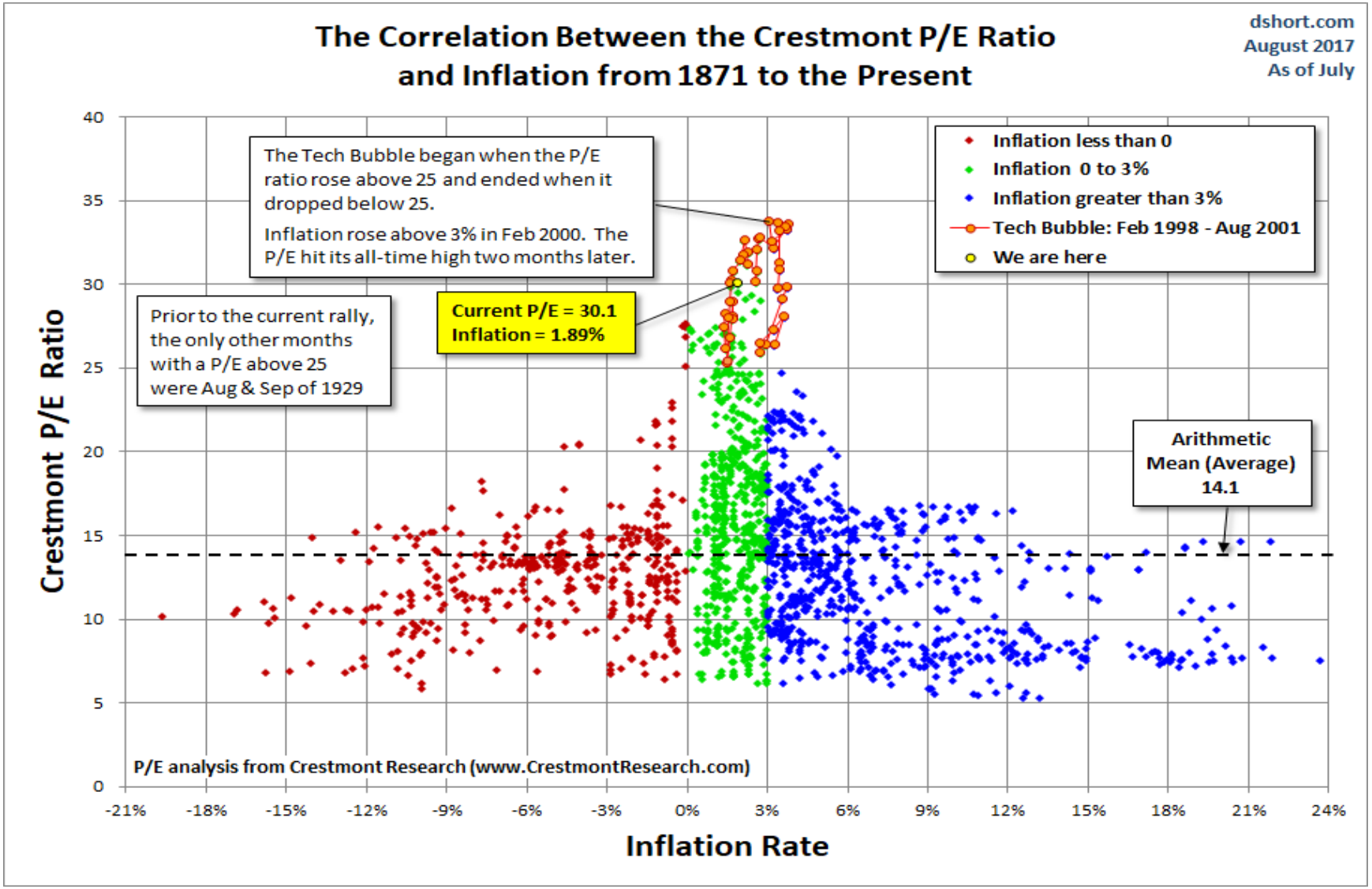
P/E 10 Valuations > 2007 Level, Closing in on 1929 Peak





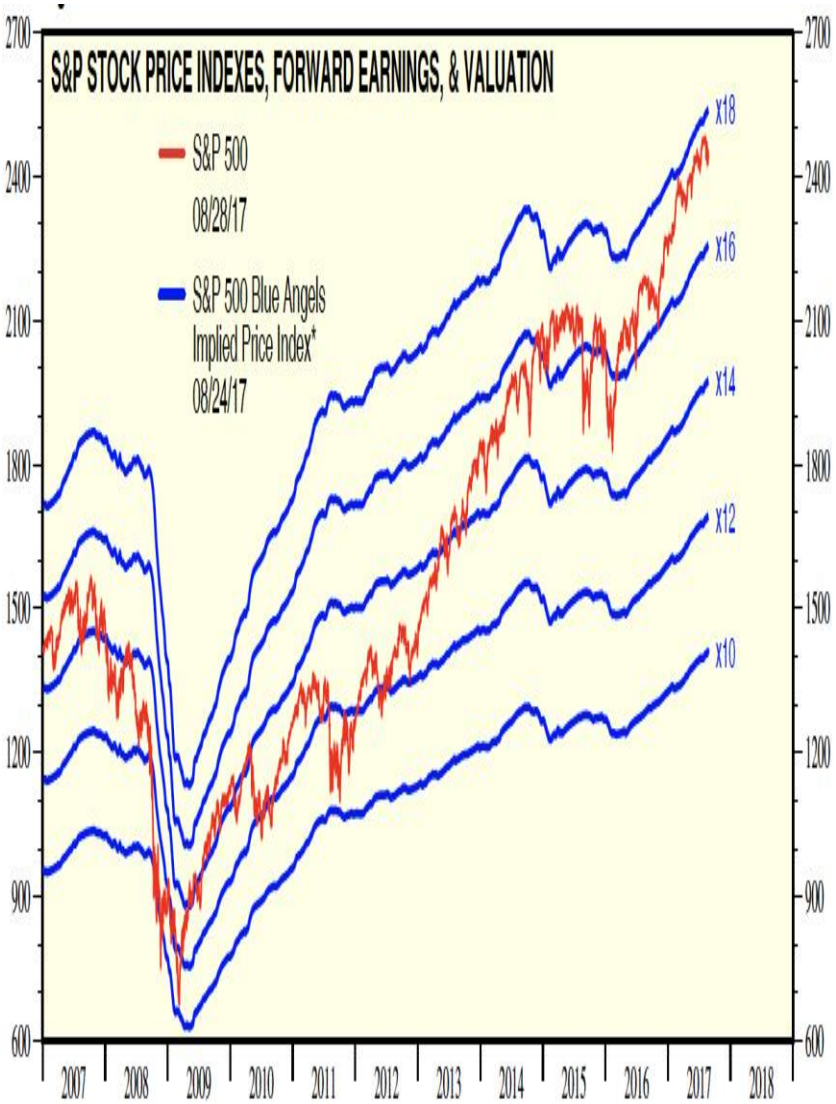
Source(s): AdvisorPerspectives.com

Outside Tech Bubble, Only Aug/Sep ’29 Worse Valuation



Source(s): AdvisorPerspectives.com

SPX Nearing 2000 Irrational Exuberance Level, Off Charts



Source(s): @FordWealth, Yardeni.com

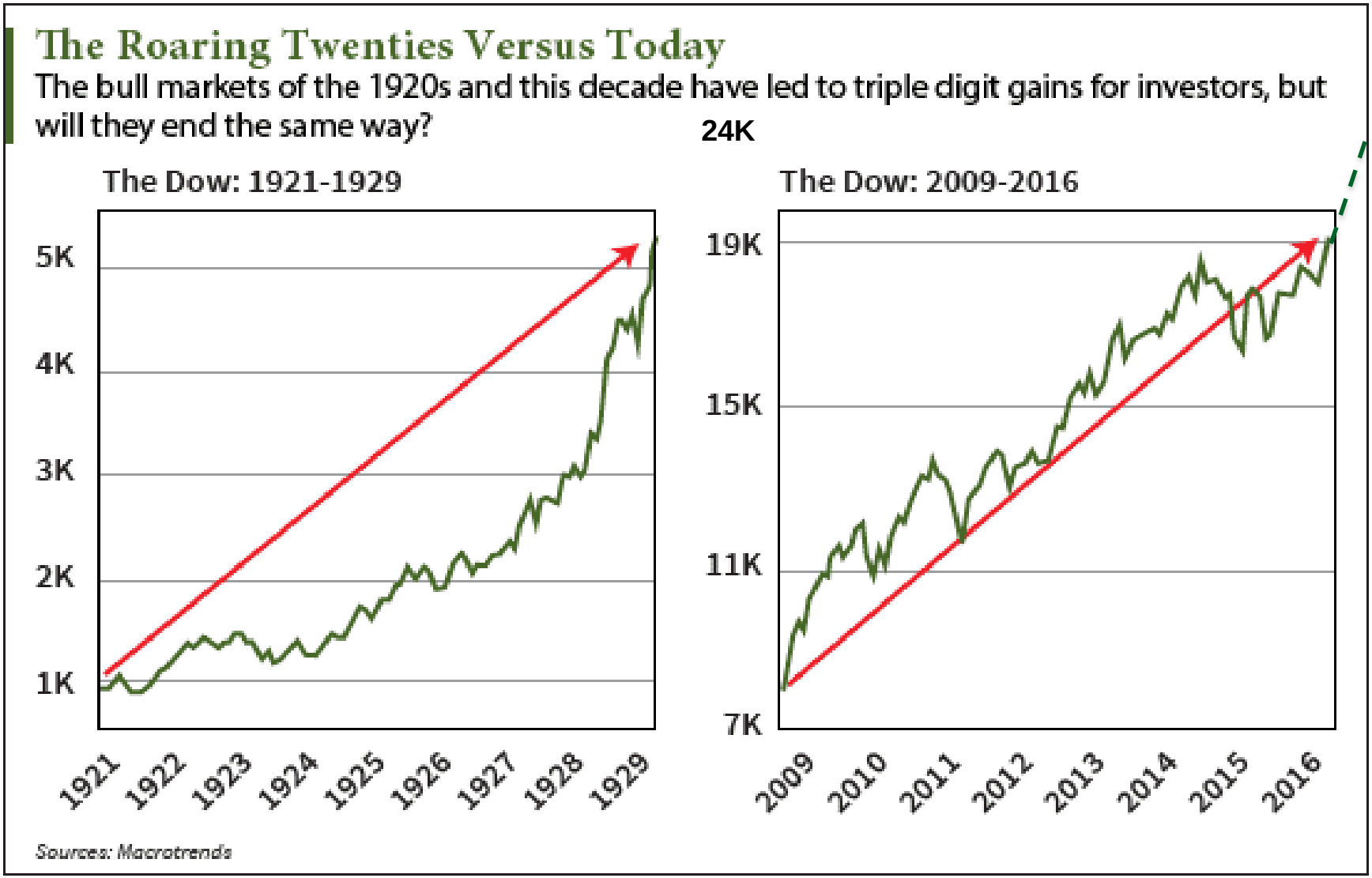
Valuations At Levels Even Willy Wonka Can't Imagine…

Source(s): @RVPub, @ttmygh, @hussmanfunds

In Jan CS Made Bubble 2500 Case, 2800 = #1929Redux

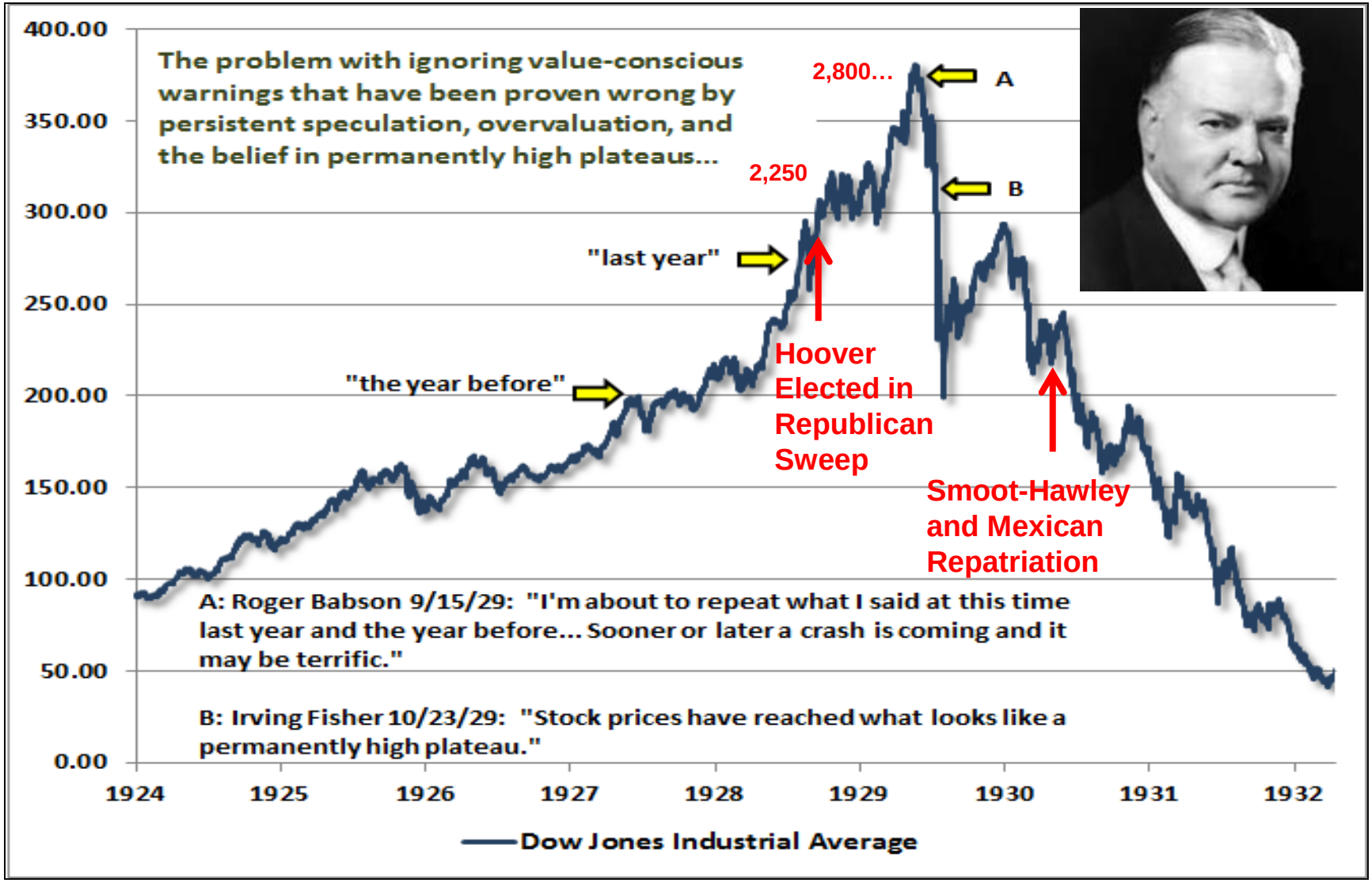
Source(s): @TheBubbleBubble, CreditSuisse

A Repeat of Roaring Twenties Would Take DJIA to 24,000



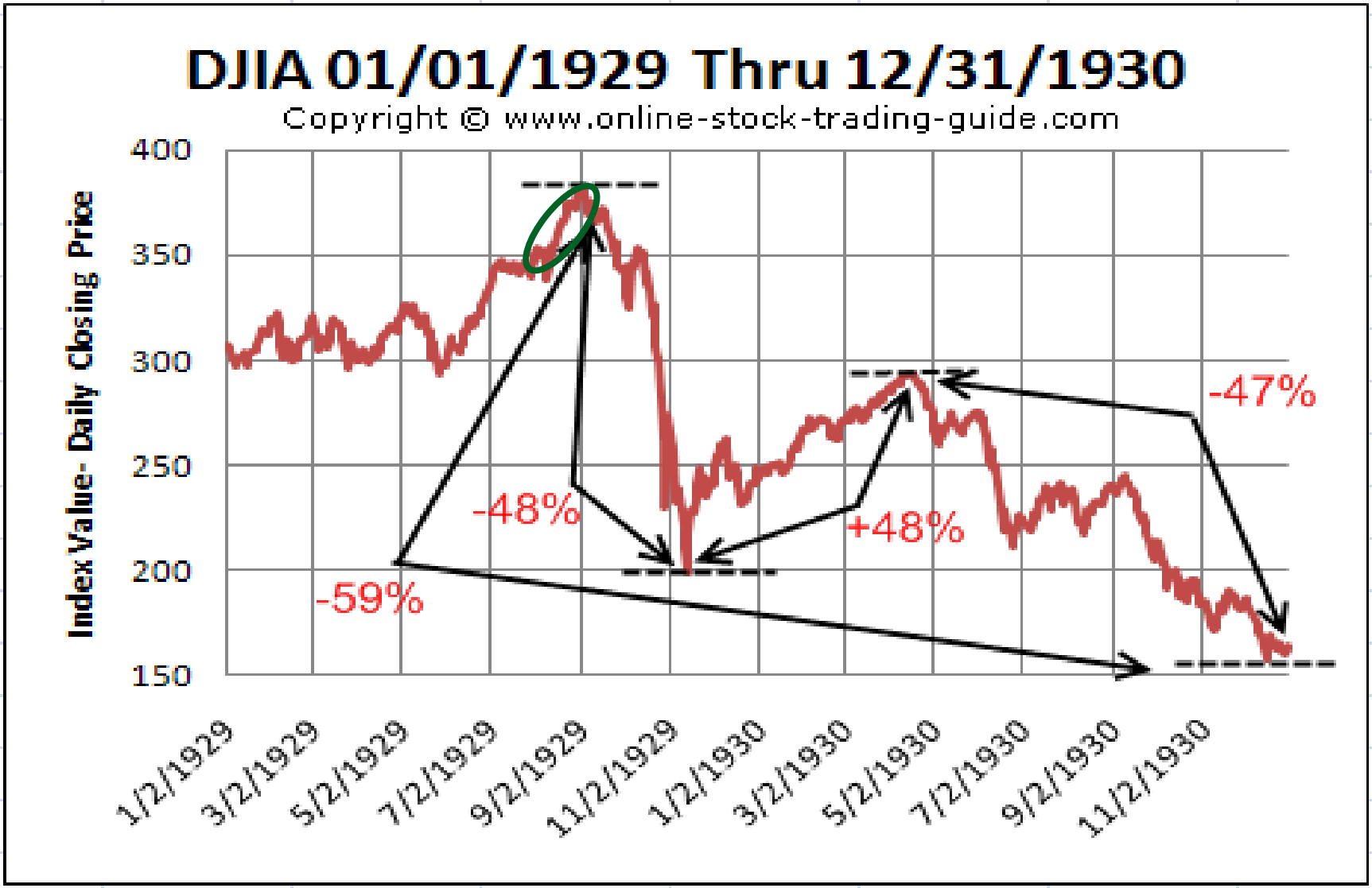
Source(s): WallStreetExaminer.com

We Said In January A 1929 Redux Takes SPX to 2800…



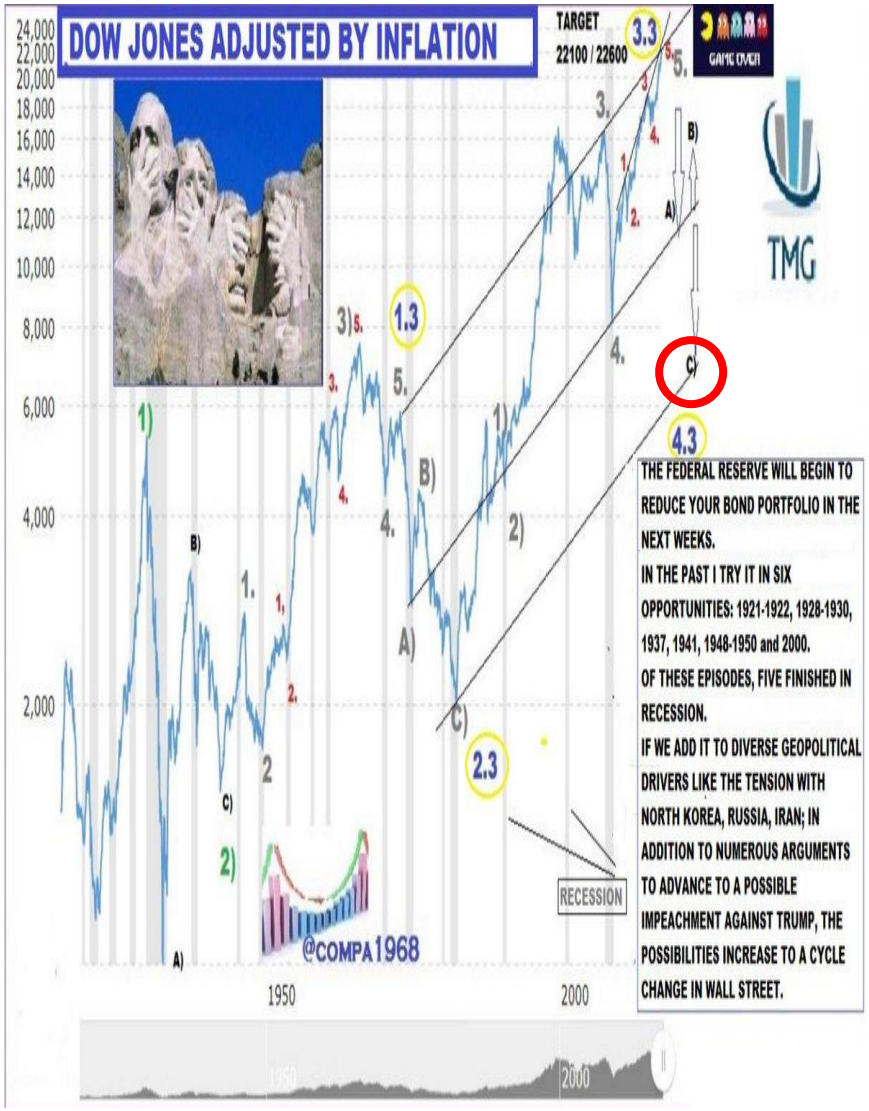
Source(s): babypips.com, ftense.com

In 1929, August Was Clearly The Sunday Of The Markets



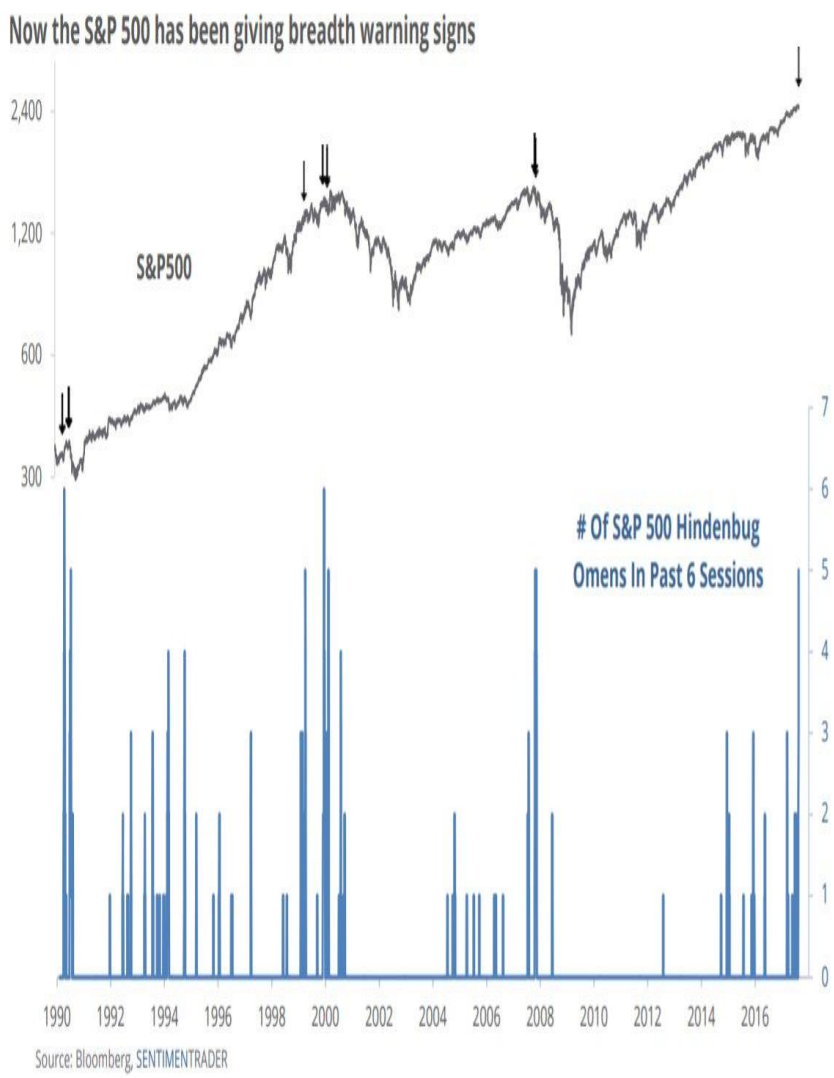
Source(s): creditwritedowns.com

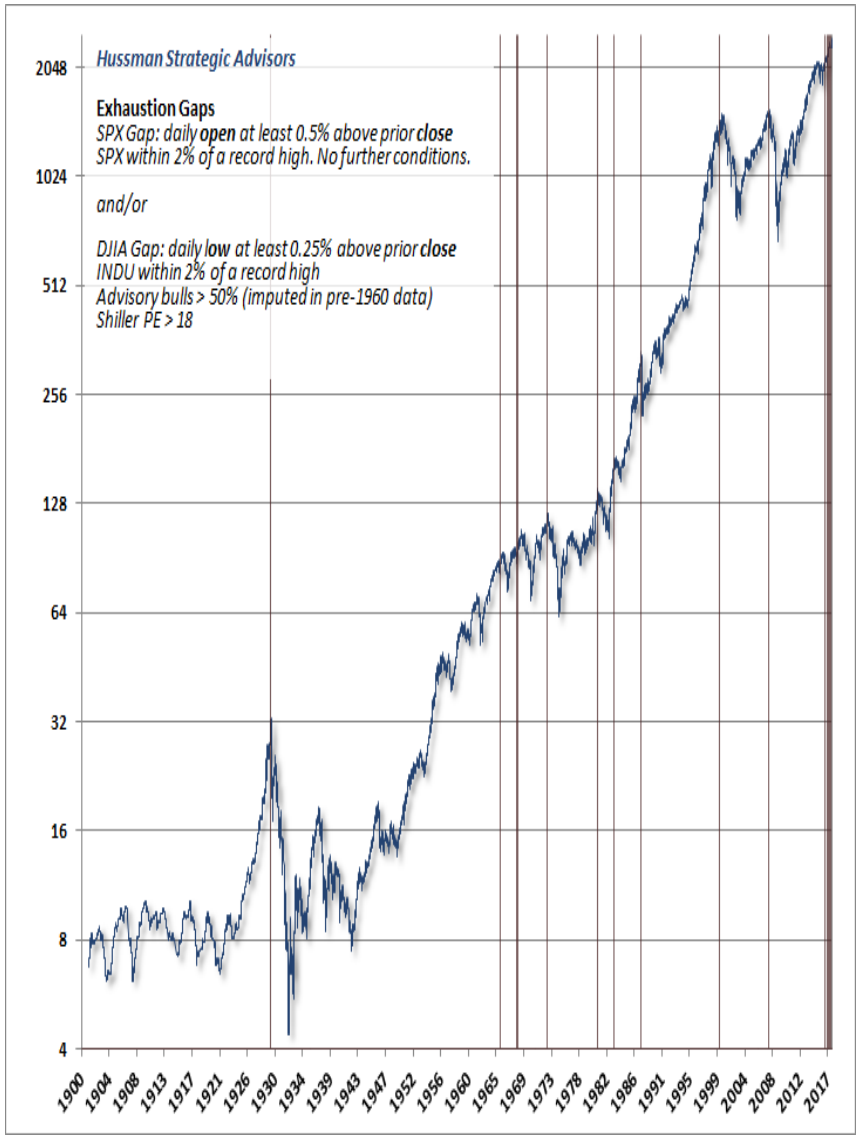
Two Analysts Call Major Market Cycle Change Q3 2017



Source(s): @compa1968, @RVPub, @michaellebowitz

Hindenburg Omen & Exhaustion Gaps Portends Crashes





Source(s): @marketwatch

Sornette Model SPX 2500 Aug, Options Crash Prob Low

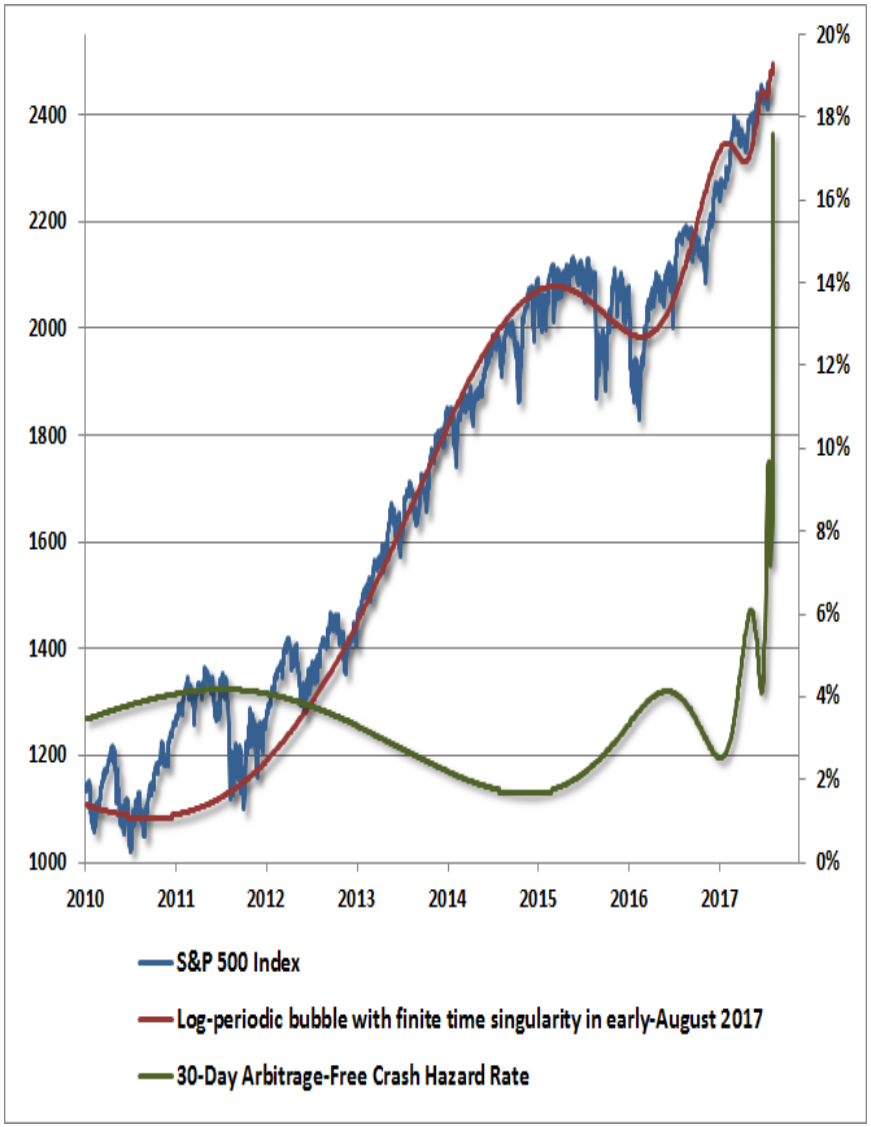
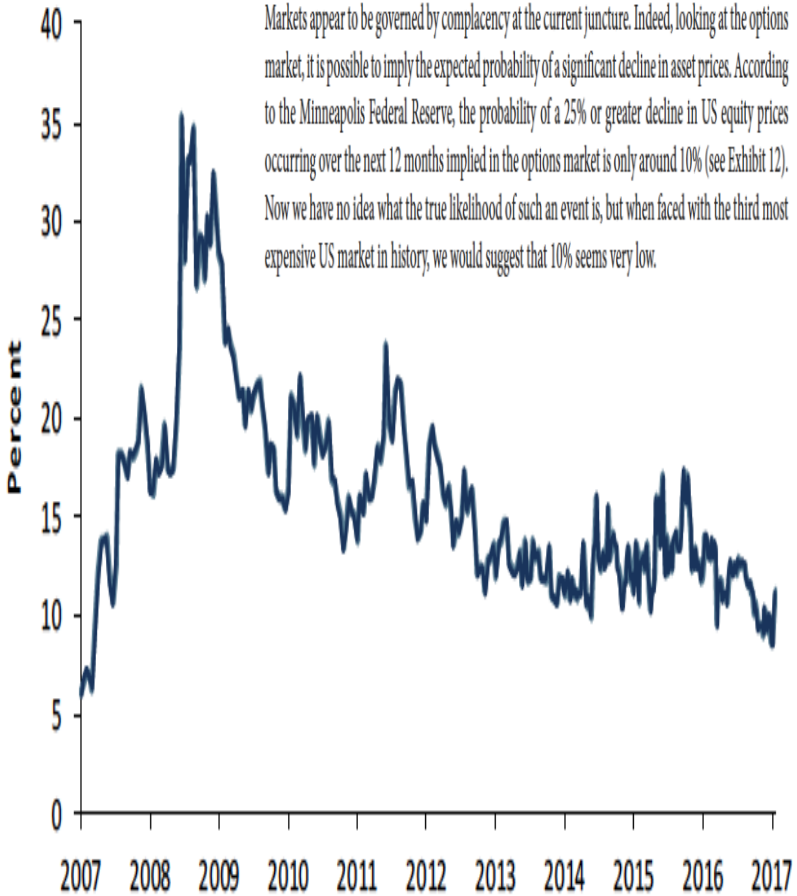


Exhibit 12: Implied Probability of a Crash

Markets appear to be governed by complacency at the current juncture. Indeed, looking at the options market, it is possible to imply the expected probability of a significant decline in asset prices. According to the Minneapolis Federal Reserve, the probability of a 25% or greater decline in US equity prices occurring over the next 12 months implied in the options market is only around 10% (see Exhibit 12). Now we have no idea what the true likelihood of such an event is, but when faced with the third most expensive US market in history, we would suggest that 10% seems very low.

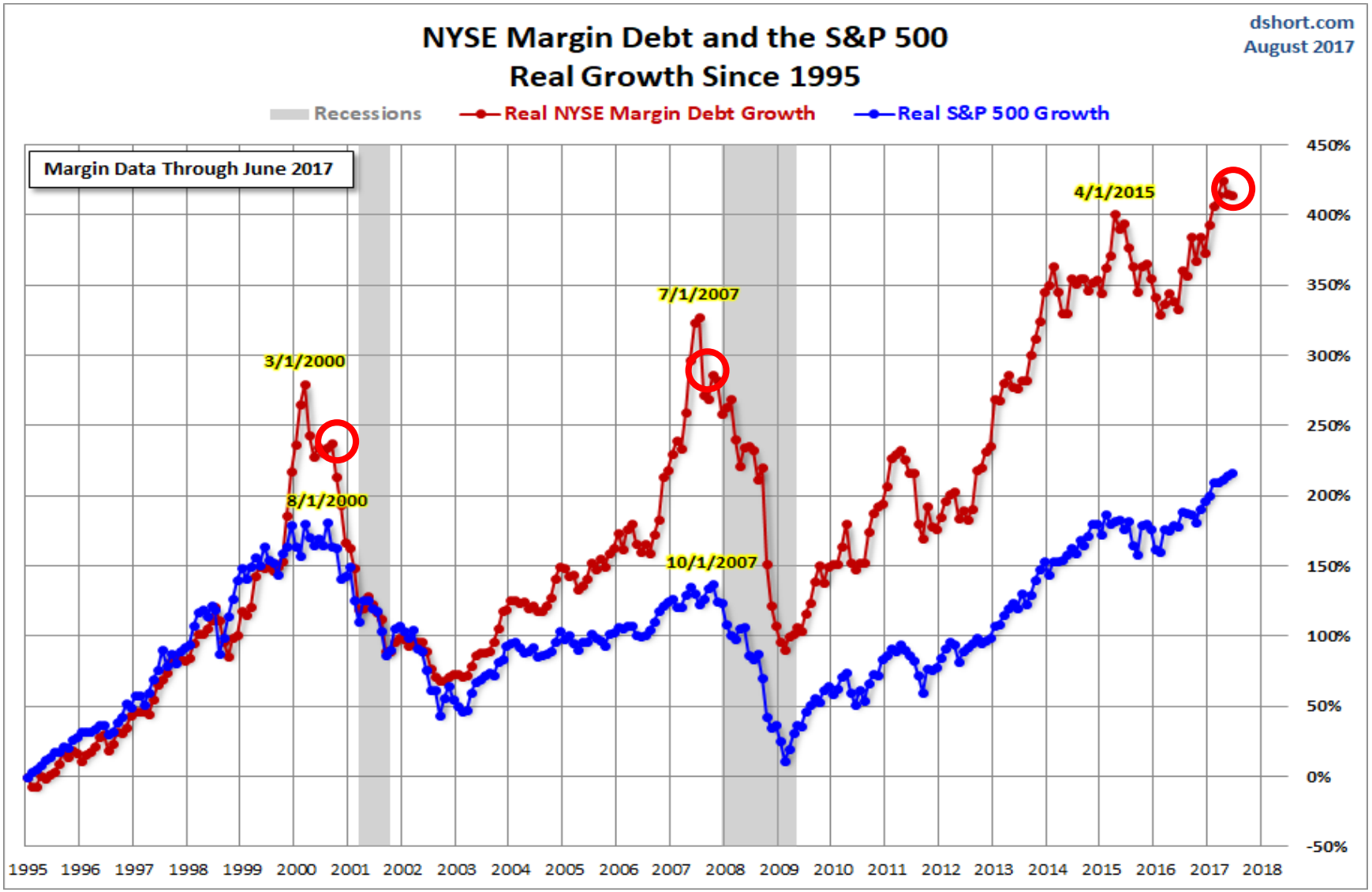


As of June 2017

Source: Minneapolis Federal Reserve

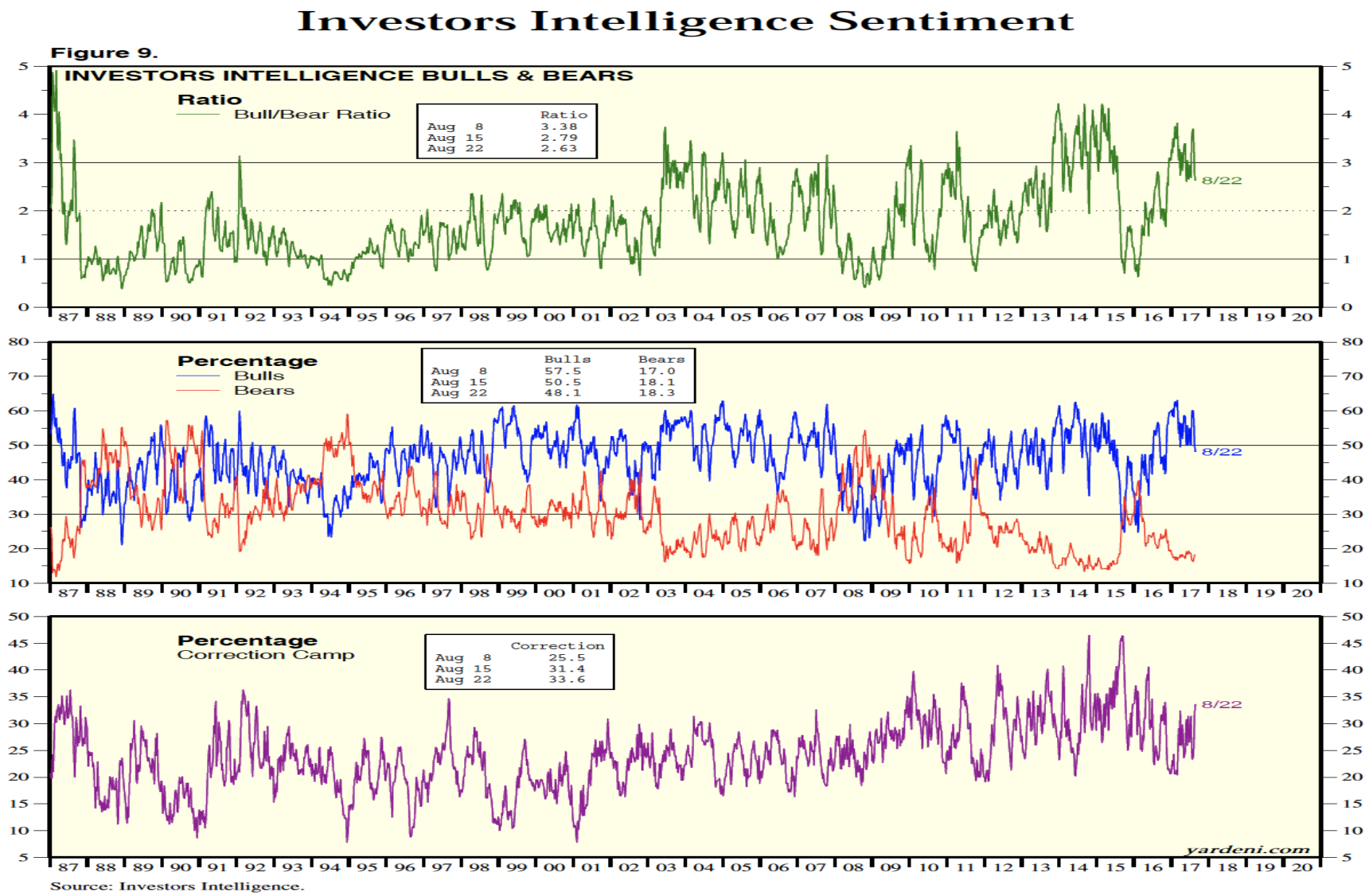
Source(s): Hussman Funds, GMO

Margin Calls Begin, Summer Fun Ends, #RiskHappensFast



Source(s): AdvisorPerspectives.com

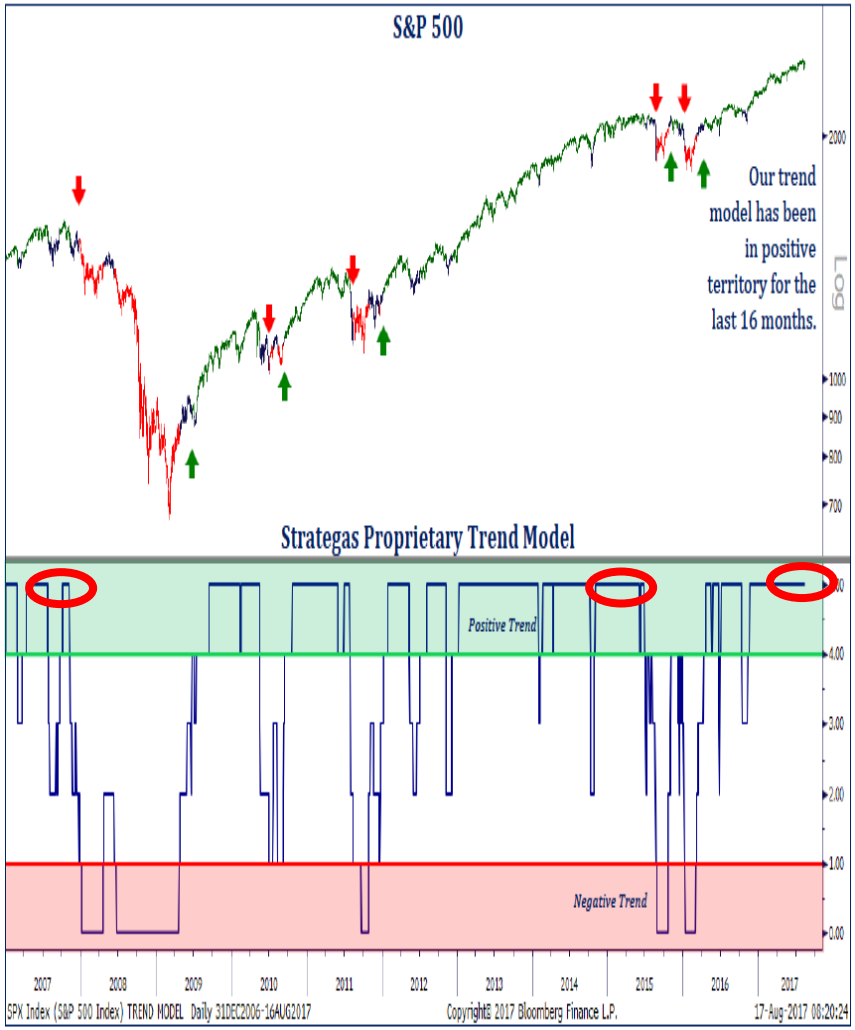
More Defectors To Correction Camp, Still Lots of Bulls



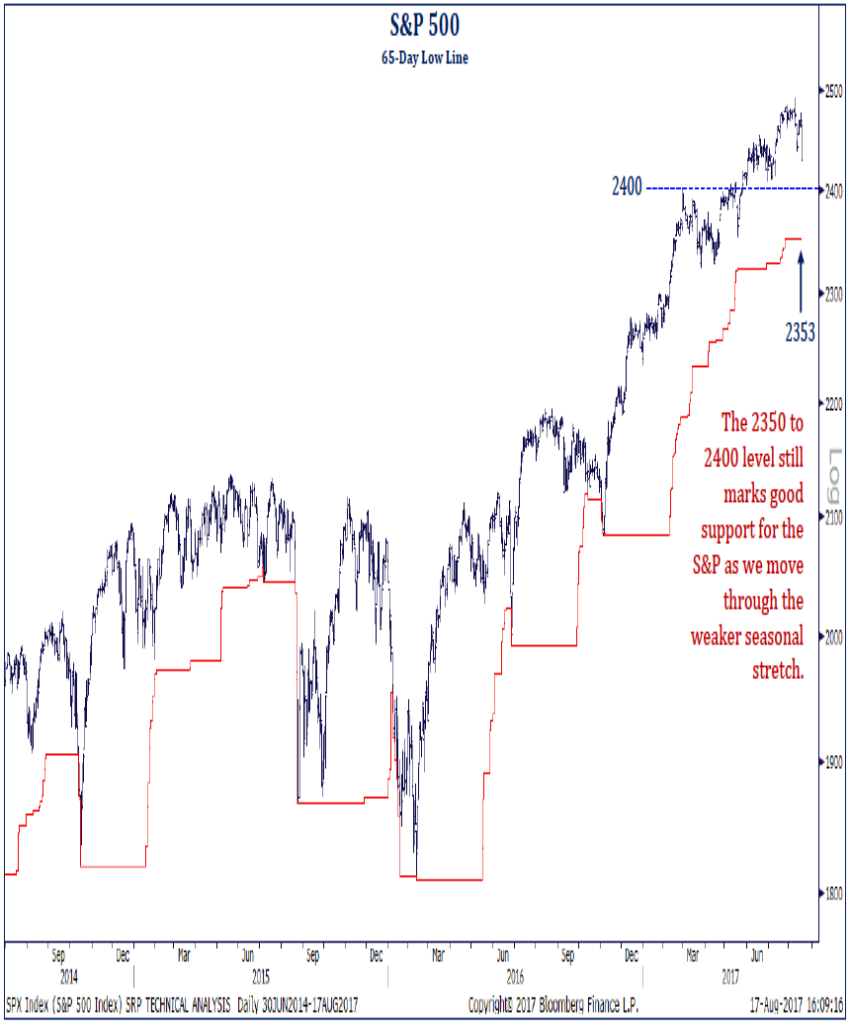
Source(s): Yardeni.com

But Trend Is Strong..!? Always Best At End Of Cycle…

S&P TREND REMAINS POSITIVE...



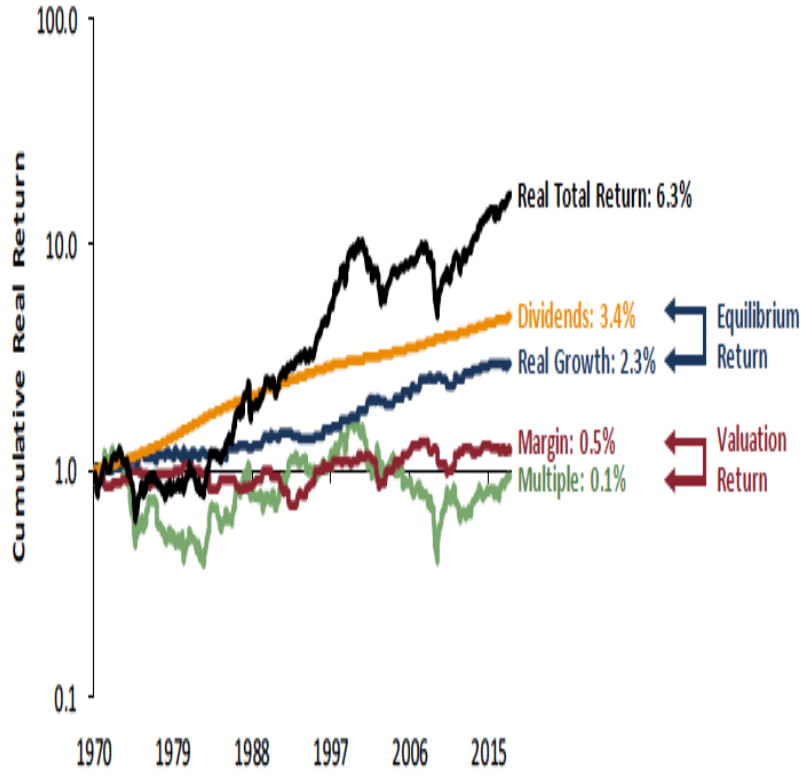
KEY S&P LEVELS



Source(s): Strategas

Multiples & Margins Historically No Impact, Huge 7 Years

Exhibit 1: S&P 500 Return Decomposition

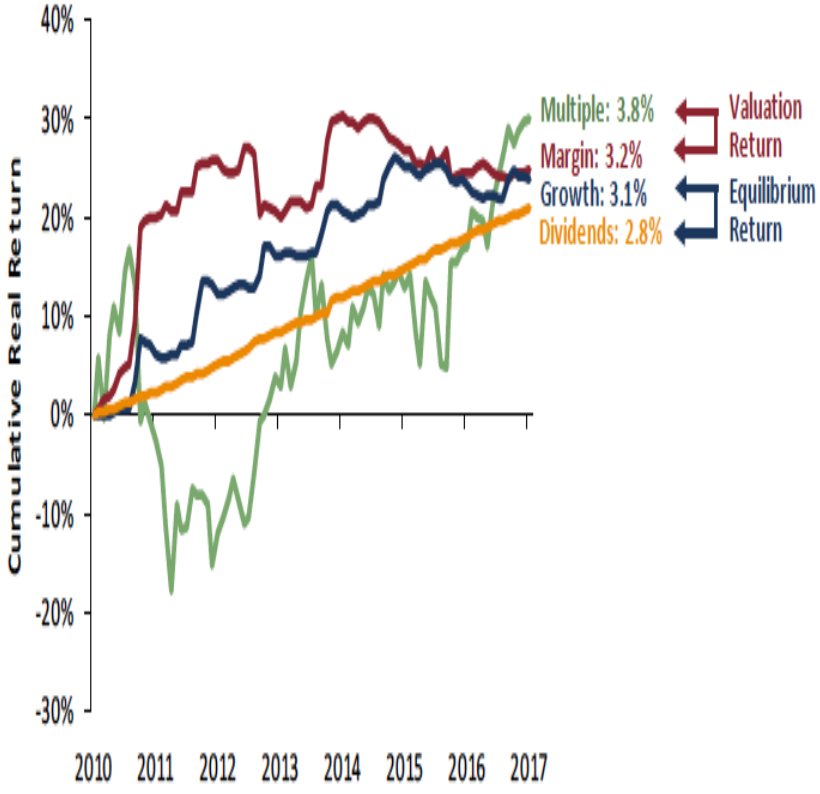


As of 6/30/17

Source: GMO, Worldscope, Compustat, MSCI

Note: The "Multiple" driver includes a rebalancing effect (essentially the impact of more expensive companies entering the index and cheaper companies exiting).

Exhibit 2: S&P 500 Return Decomposition—Total Real Return of 13.6% for the Last 7 Years



As of 6/30/17

Source: GMO, Worldscope, Compustat, MSCI

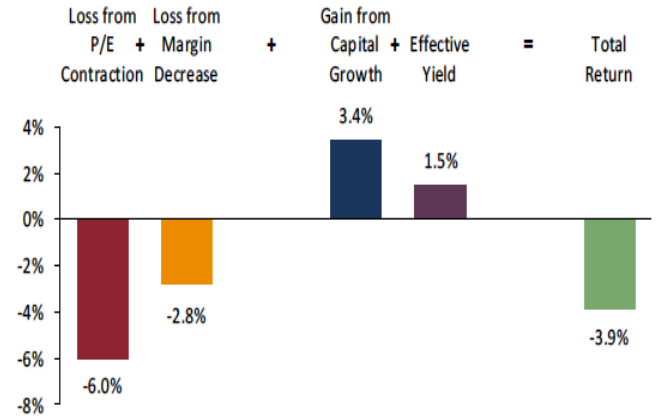
Note: The "Multiple" driver includes a rebalancing effect (essentially the impact of more expensive companies entering the index and cheaper companies exiting).

Source(s): GMO

Multiples & Margins Compress, GMO Not Always Bearish

Exhibit 3: S&P 500 - Building a 7-Year Forecast

	Valuation			Growth and Income	
	P/E	Margin		Capital Growth	Effective Yield*
Normal	16.0	5.7%	Normal	2.9%	2.9%
Current	24.4	6.9%	Valuation Adjustment	0.6%	-1.3%



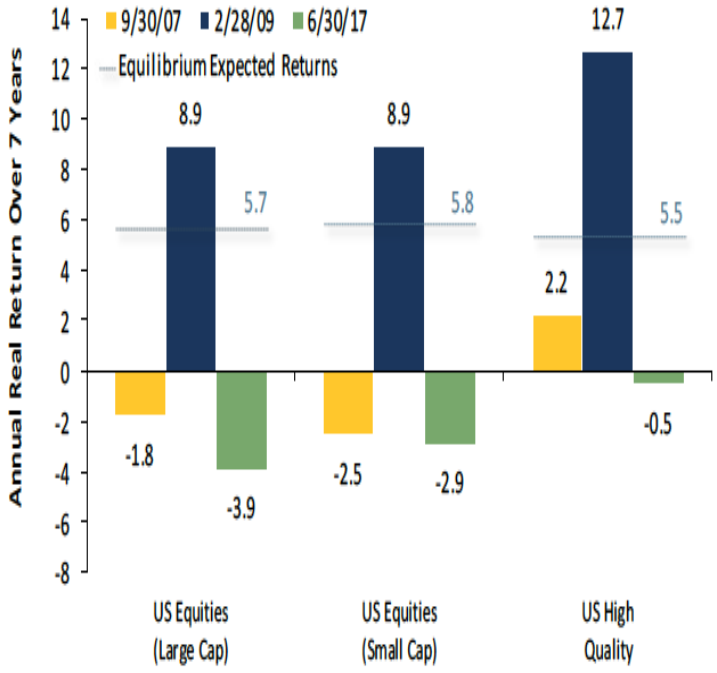
As of 6/30/17

Source: GMO

*Effective yield represents total payout including cash dividends and share buybacks. Current cash dividend yield for the S&P 500 is 2.0%.

Note: The chart represents a real return forecast for the above-named asset class and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from the forecasts above.

Exhibit 8: Evolution of Real Equity Valuations –7-Year Asset Class Return Forecasts (US Stocks)



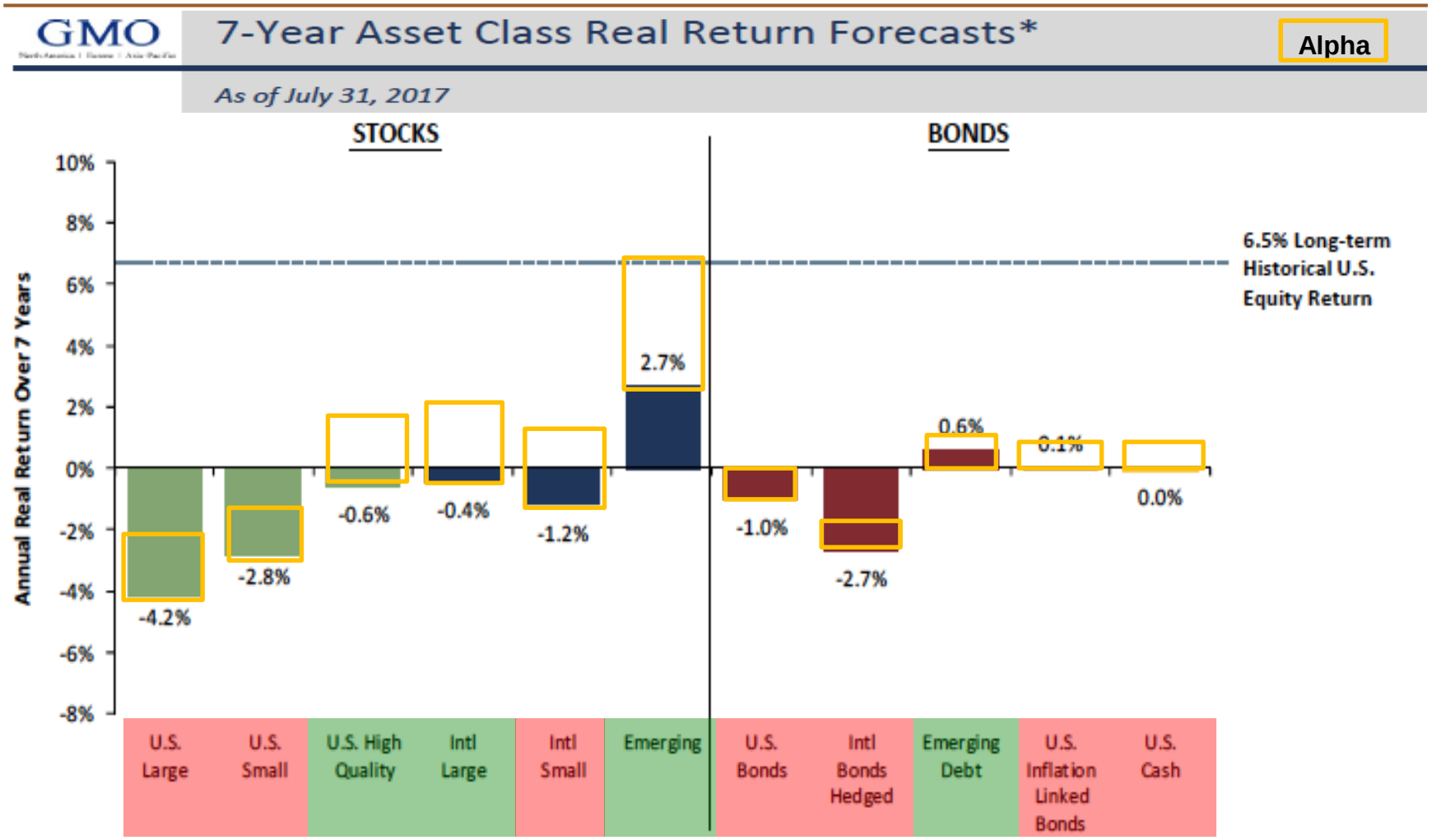
As of 6/30/17

Source: GMO

Note: The chart represents local, real return forecasts for several asset classes and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking statements. US inflation is assumed to mean revert to long-term inflation of 2.2% over 15 years.

Source(s): GMO

GMO Forecasts Negative Returns for U.S. Equities Again

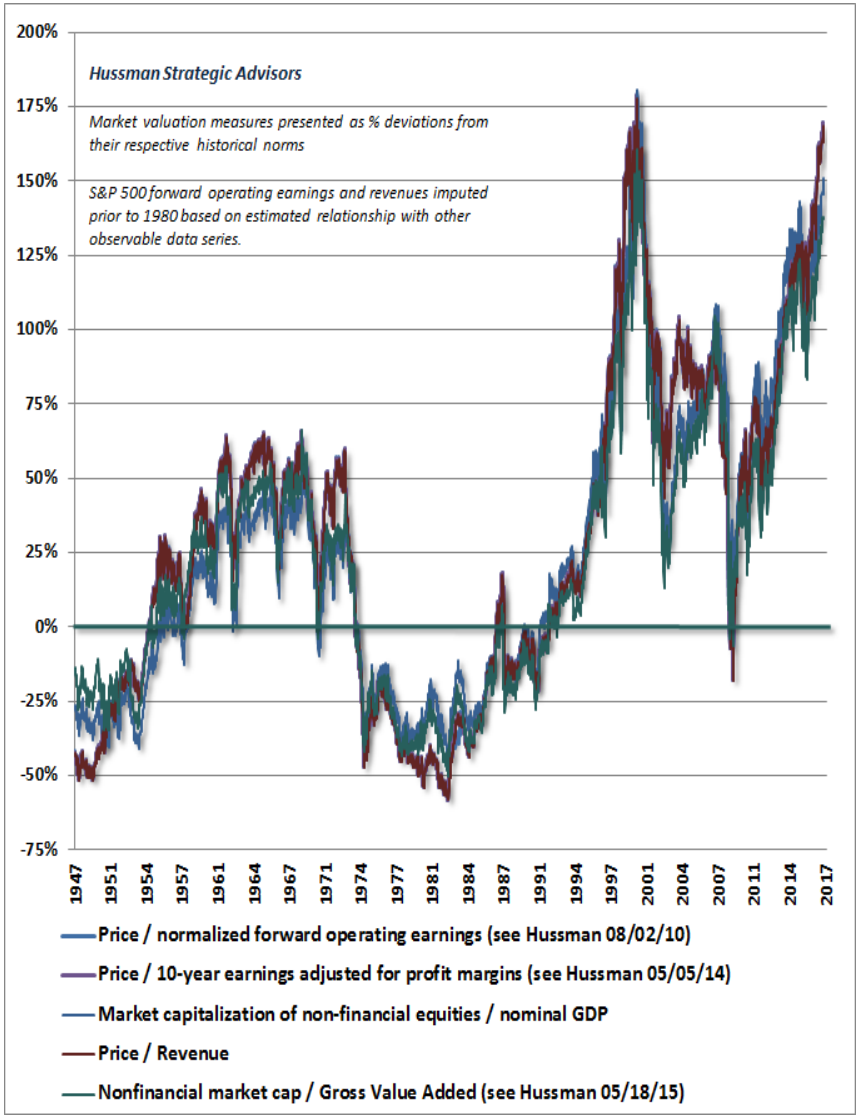


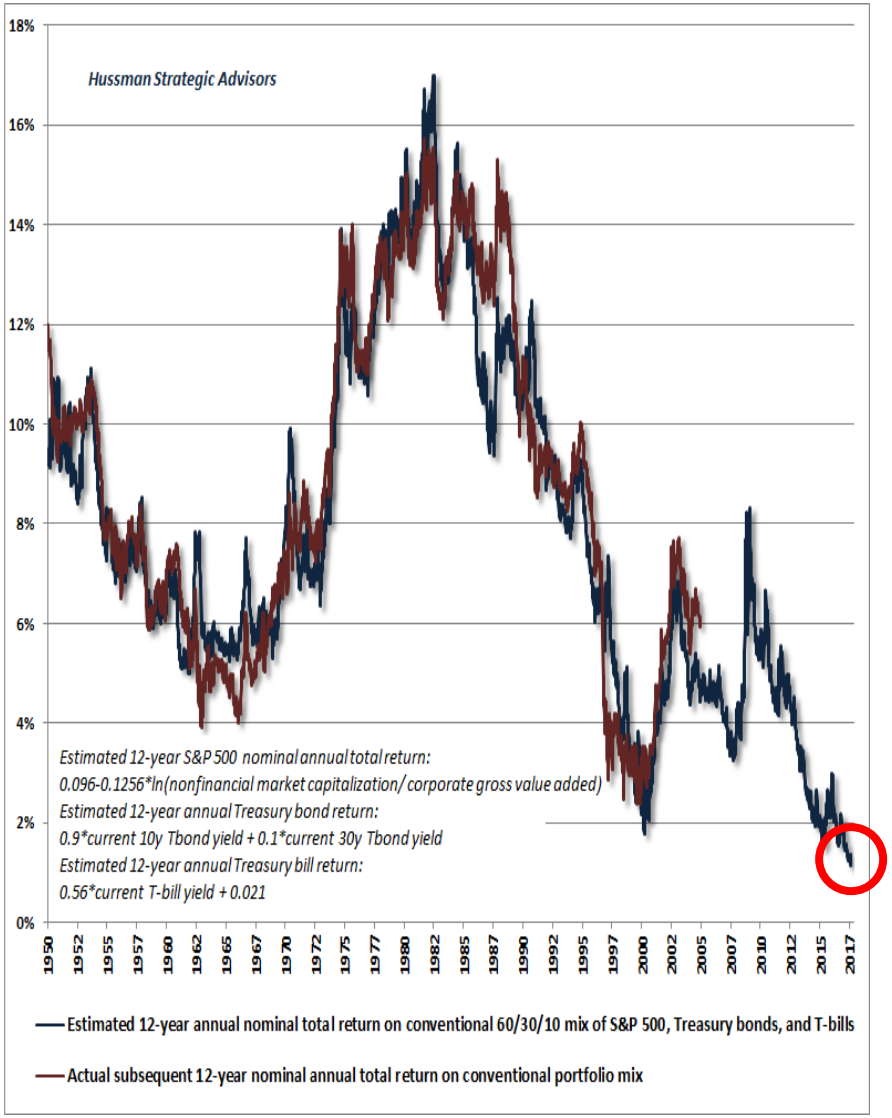
Source: GMO

*The chart represents local, real return forecasts for several asset classes and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking statements. U.S. inflation is assumed to mean revert to long-term inflation of 2.2% over 15 years.

Source(s): GMO

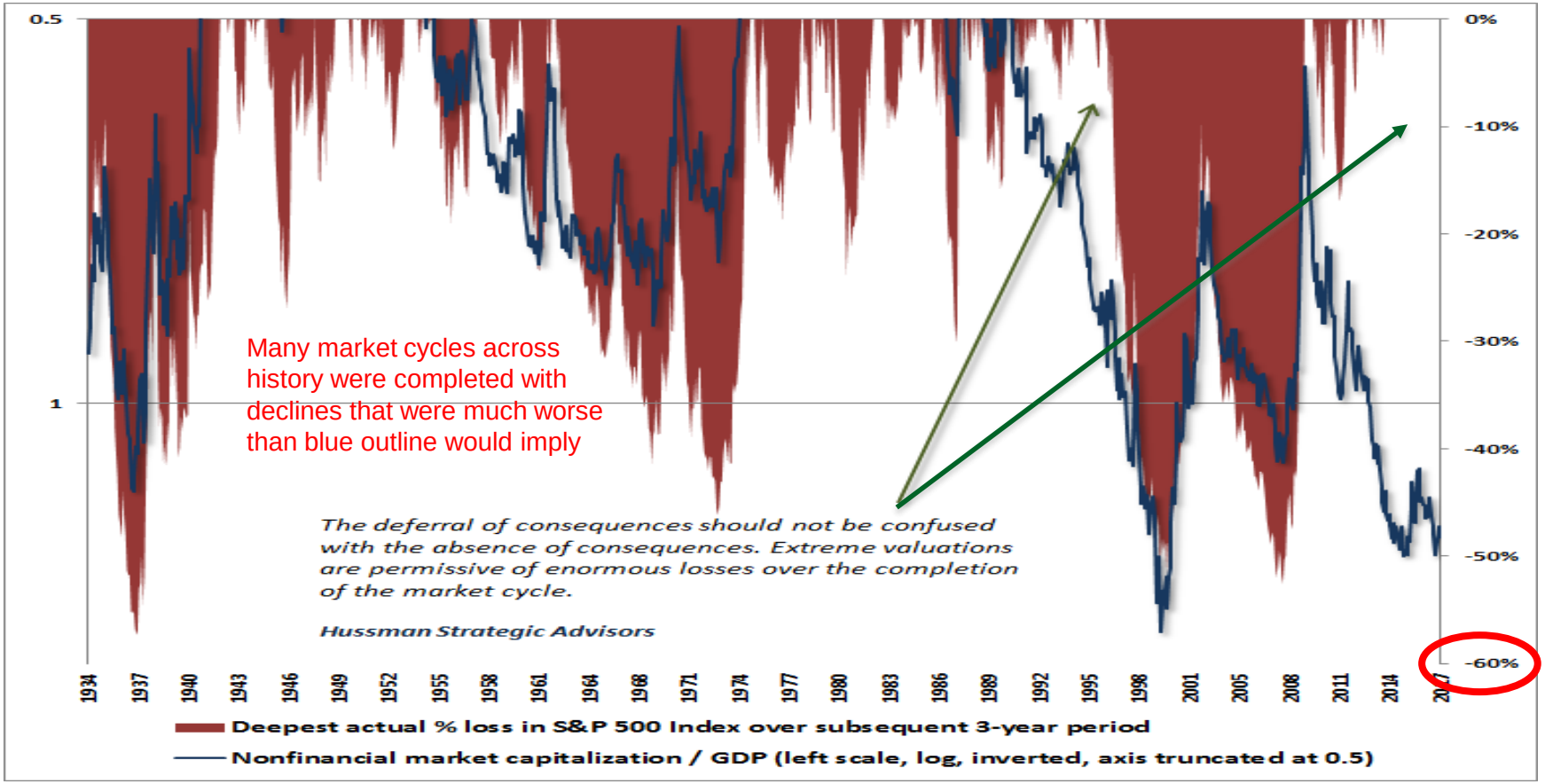
Valuation Determines Returns, Disappointment Looms…





Source(s): HussmanFunds.com

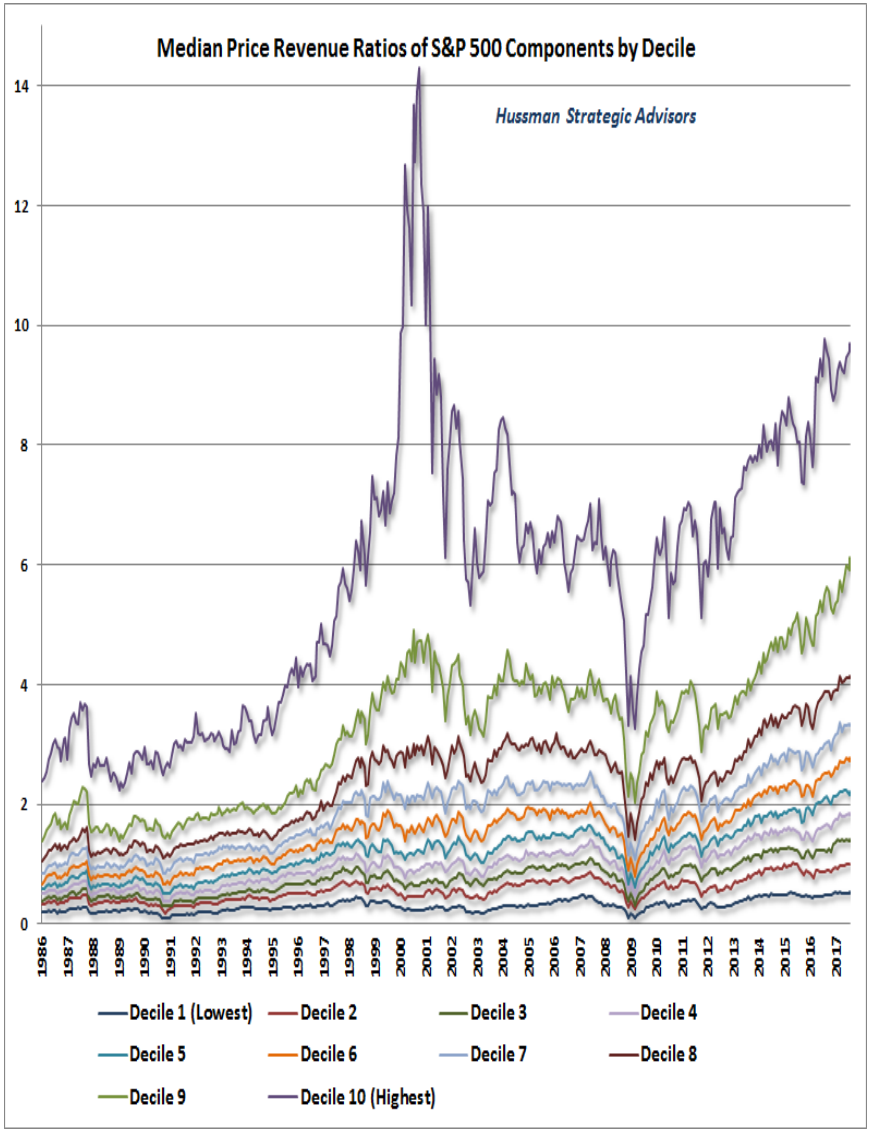
Gravity Rules And What Goes Up Must Come Down…

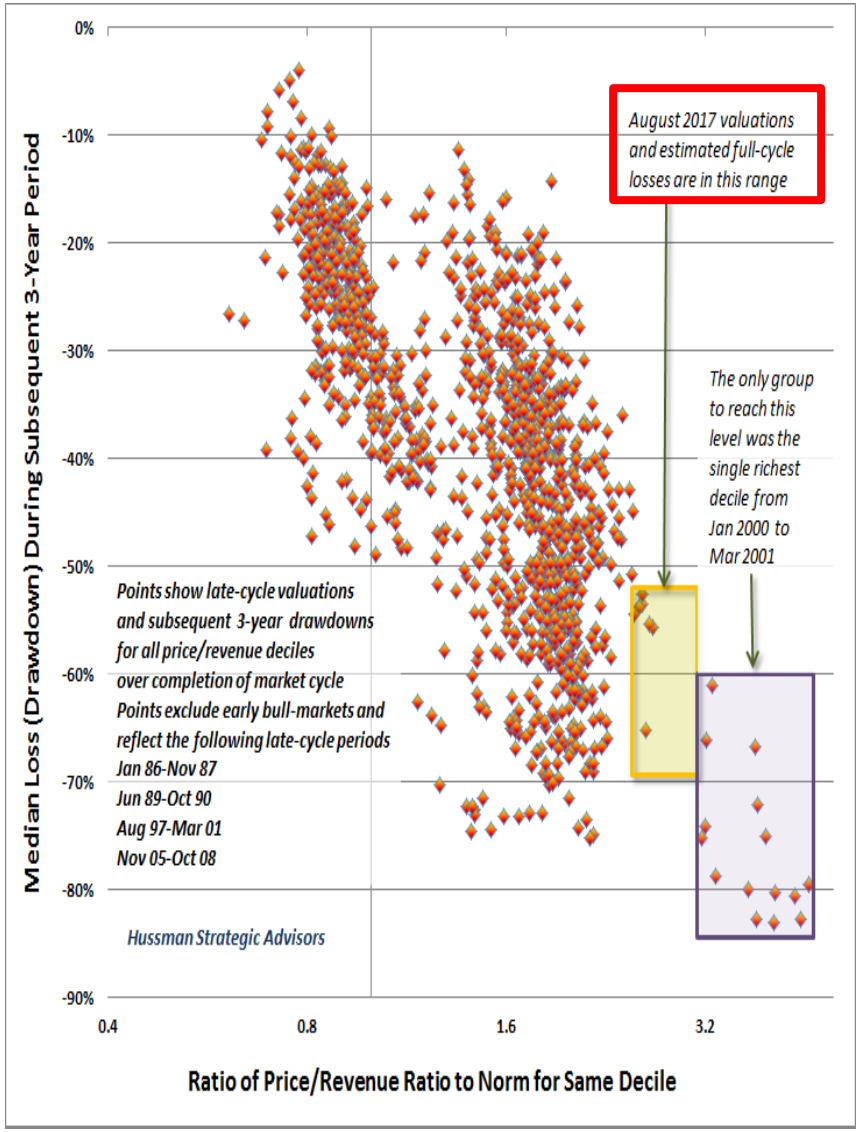


What this chart screams out to investors is the level of overvaluation sets expectations for market losses over the completion of a given cycle. Negative consequences were ***certainly deferred*** both during the Tech Bubble and again in recent years, but material losses, commensurate with peak market valuations, were ***never avoided*** in prior cycles. The belief that Fed-induced speculation creates "wealth" is a conceit that rests on the delusion that "wealth" is embodied in the price of an asset, rather than the stream of cash flows it delivers over time. My impression is that future versions of this chart will require a great deal of red ink. Notice how swiftly that ink tends to run.,..

Source(s): HussmanFunds.com

Worst 10% of Market May Not Fall As Much As 2000-02…



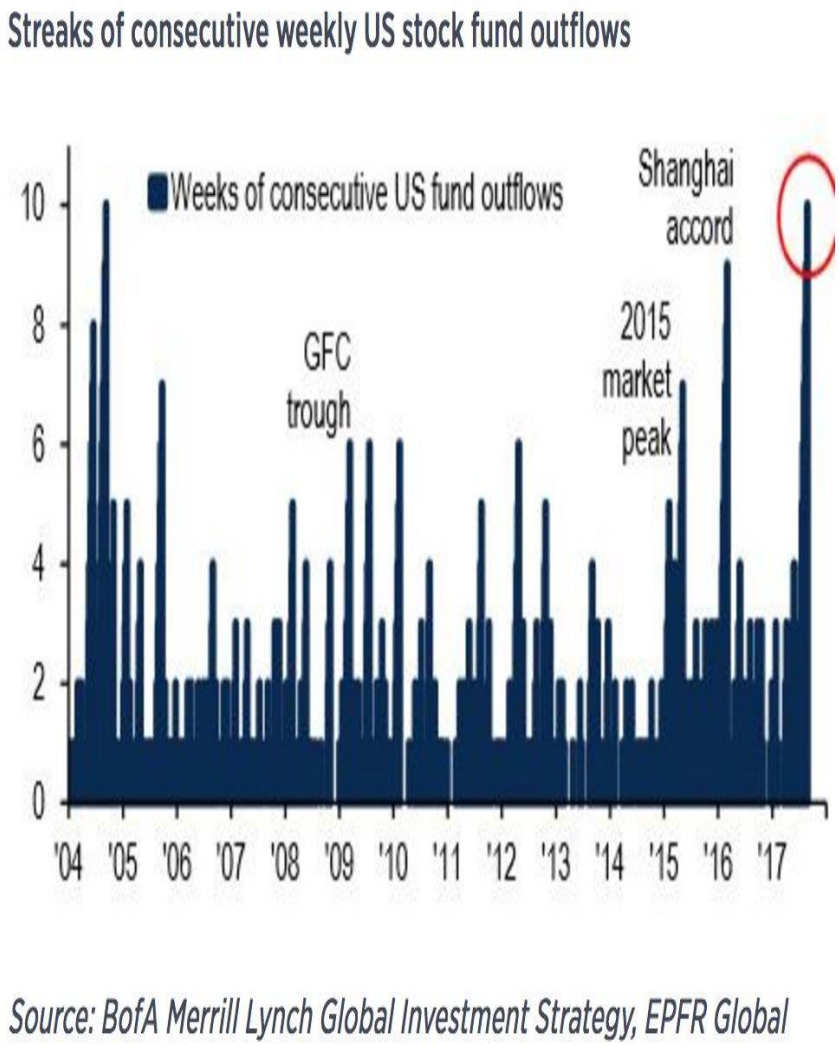


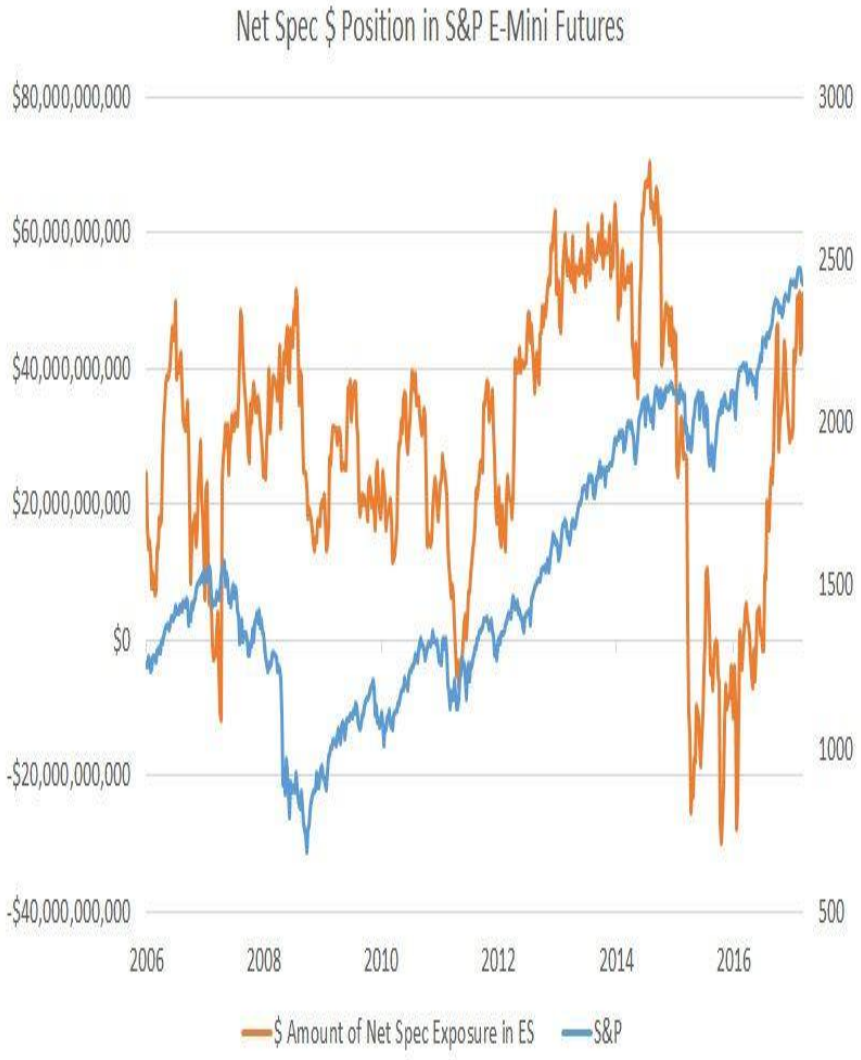
Source(s): HussmanFunds.com

As Financial Engineering Ebbs, Bubble Fuel Disappears

Source(s): @RVPub, @FT

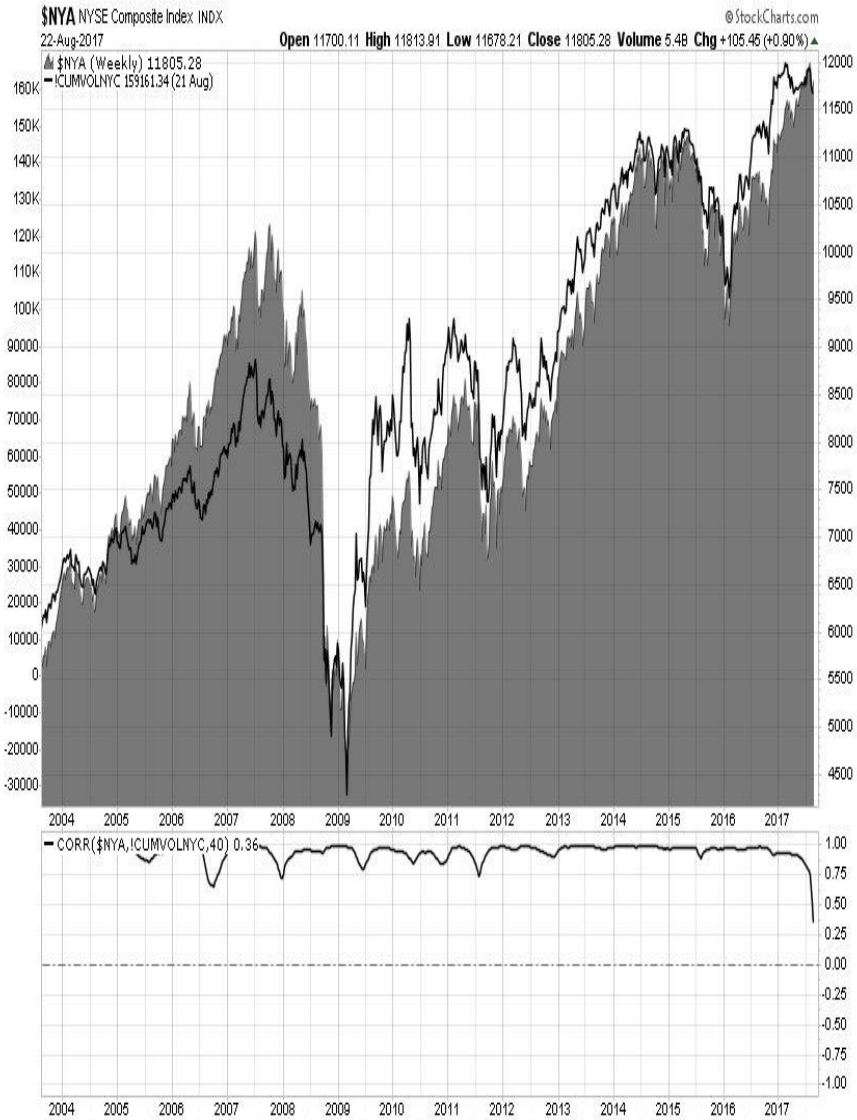
Correction Crowd Voting w/ Feet, Someone Buying, PPT?



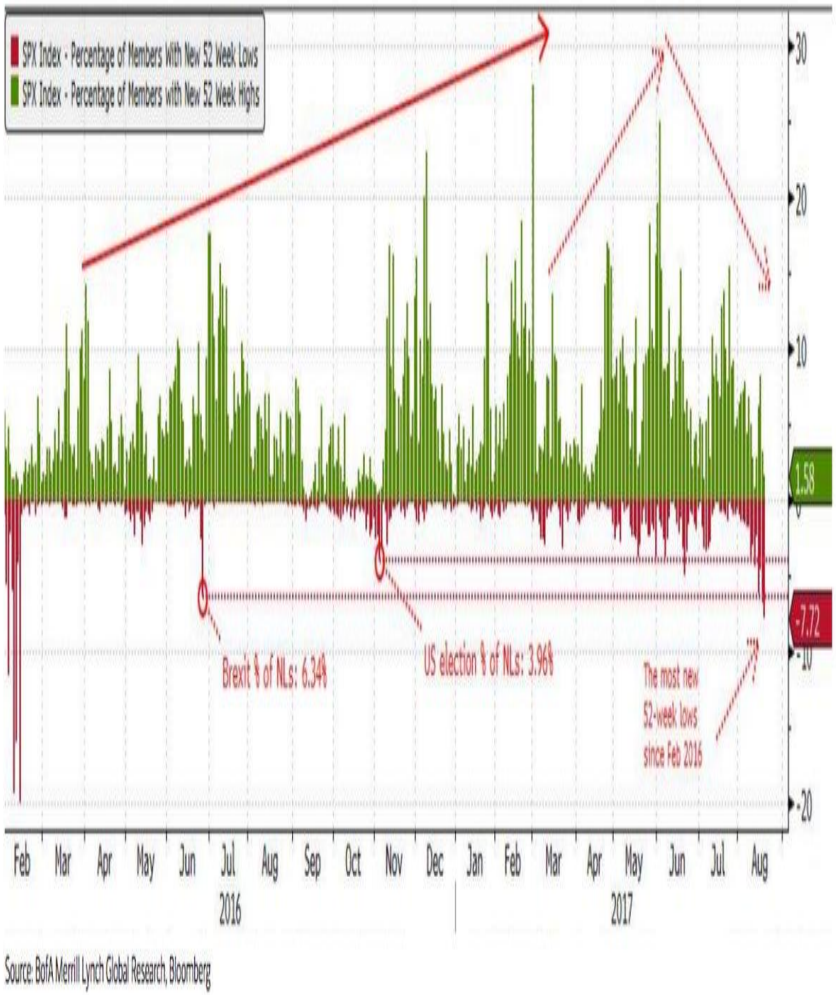


Source(s): @WhatILearnedTW, @movement_cap

Massive Volume Divergence, Vacations Are Almost Over

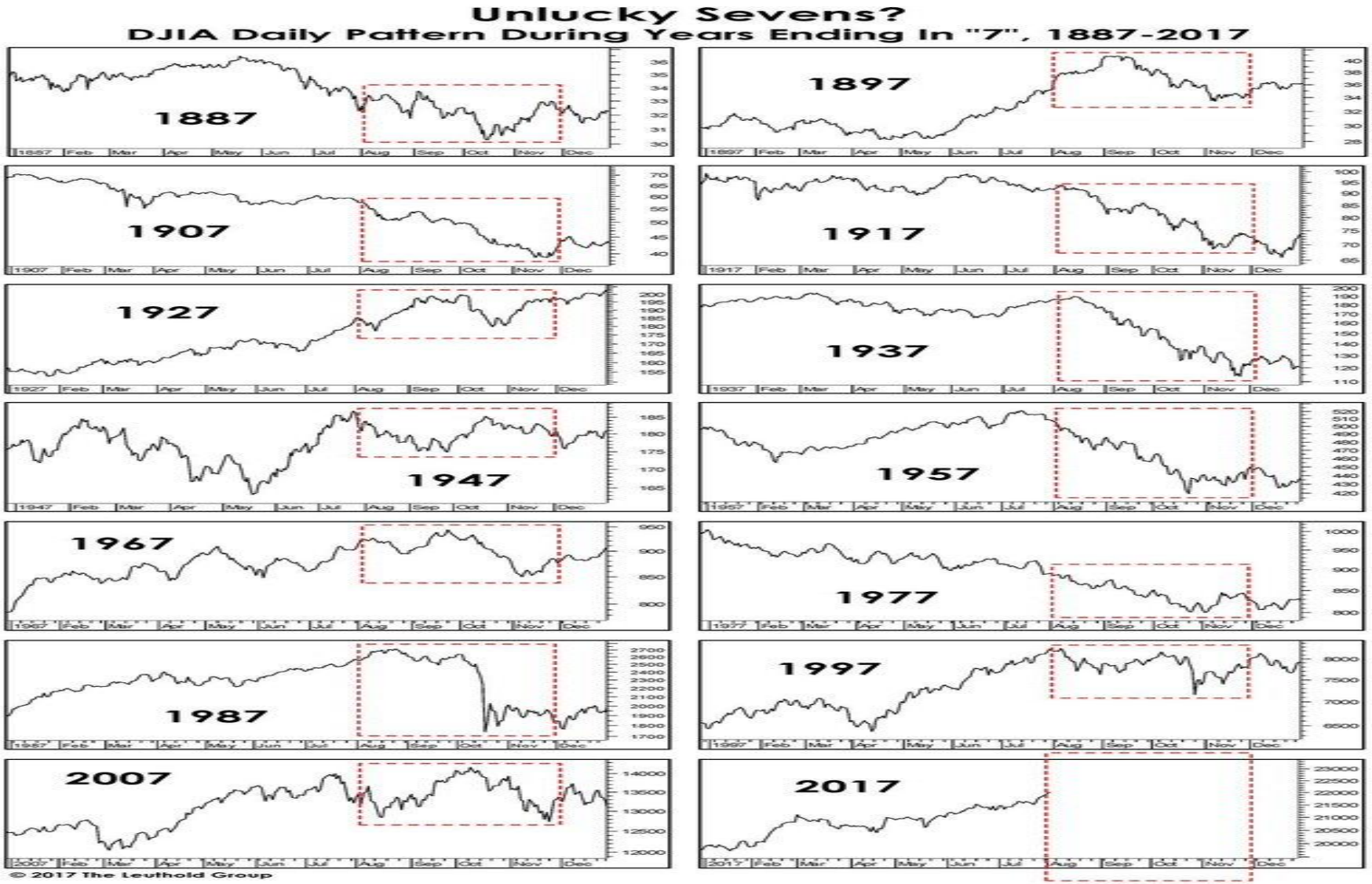


New Highs Collapse & New Lows Expand In Downtrends



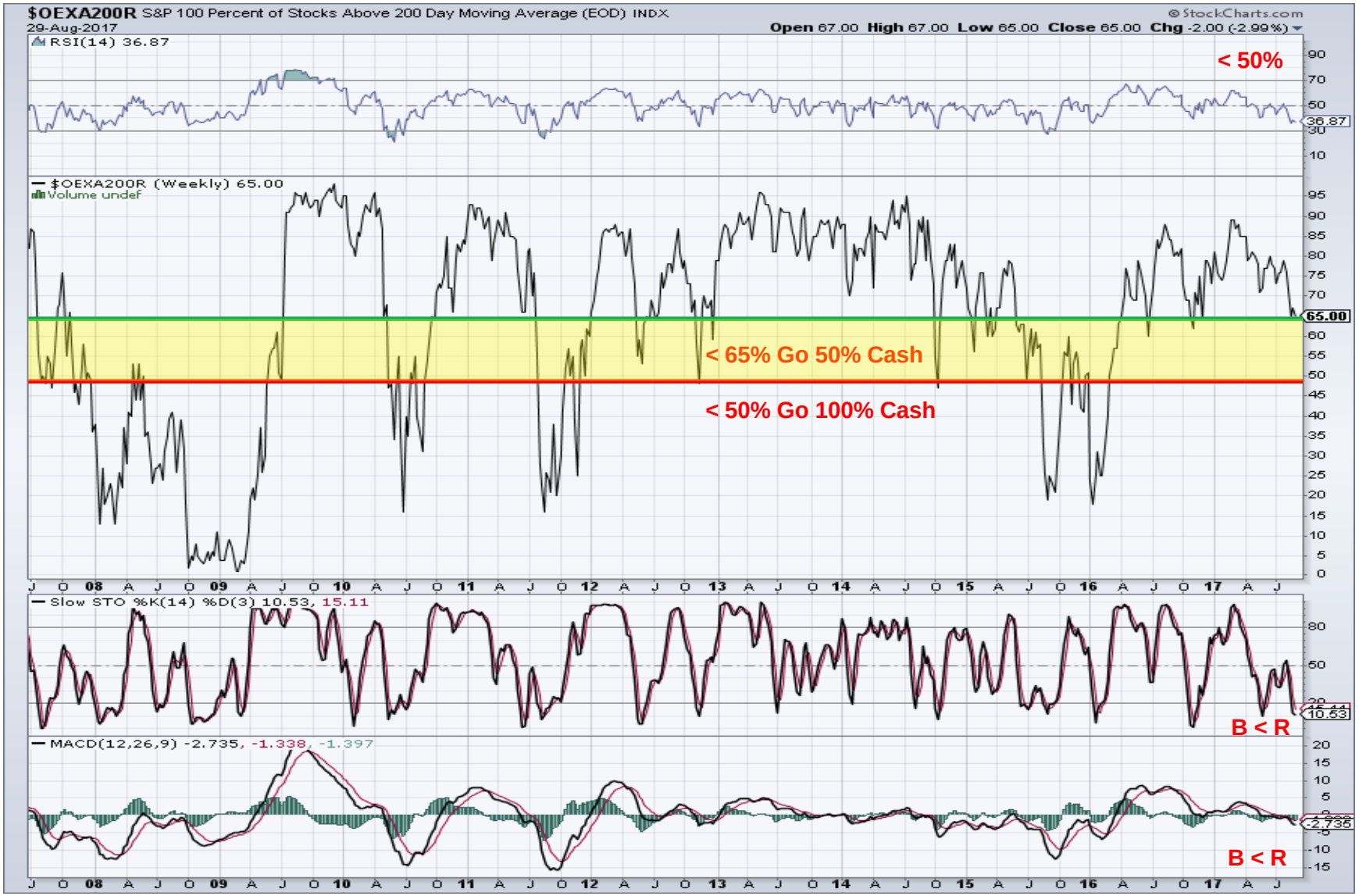
Source(s): @JesseFelder

Sunday Of Summer Phenomenon Stronger In “7”Years…



Source(s): @TihoBrkan

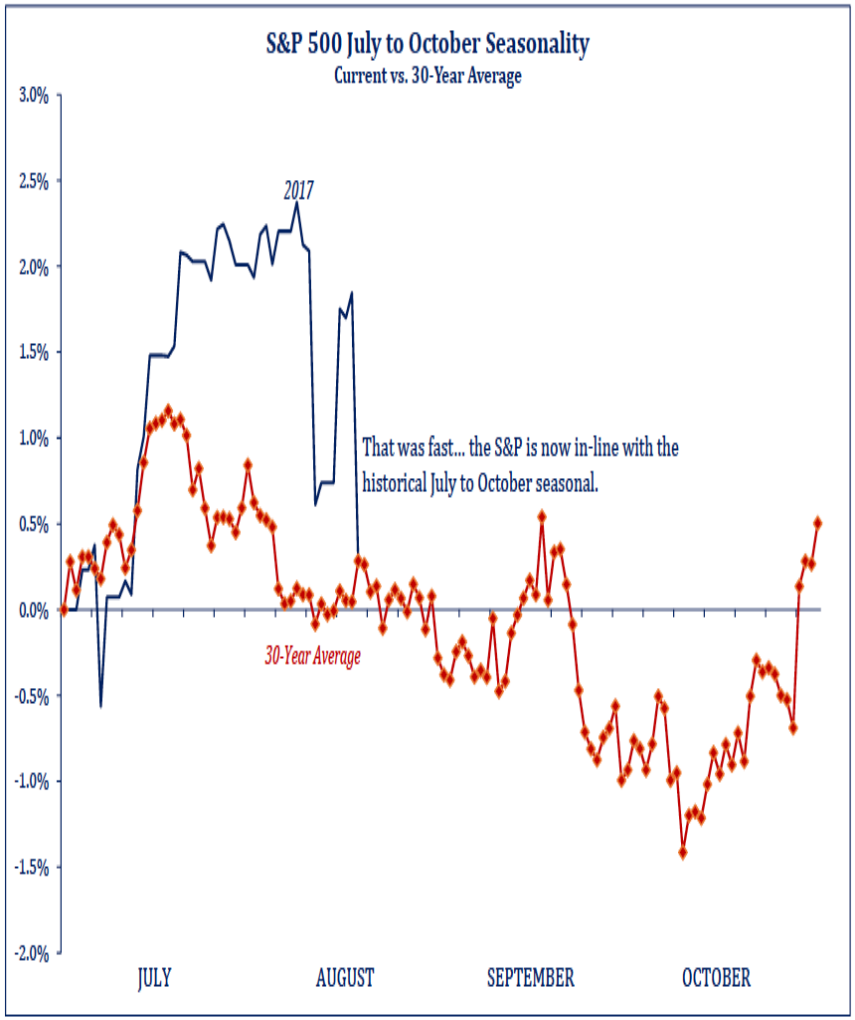
World's Greatest Indicator Sitting Right On Yellow Zone…



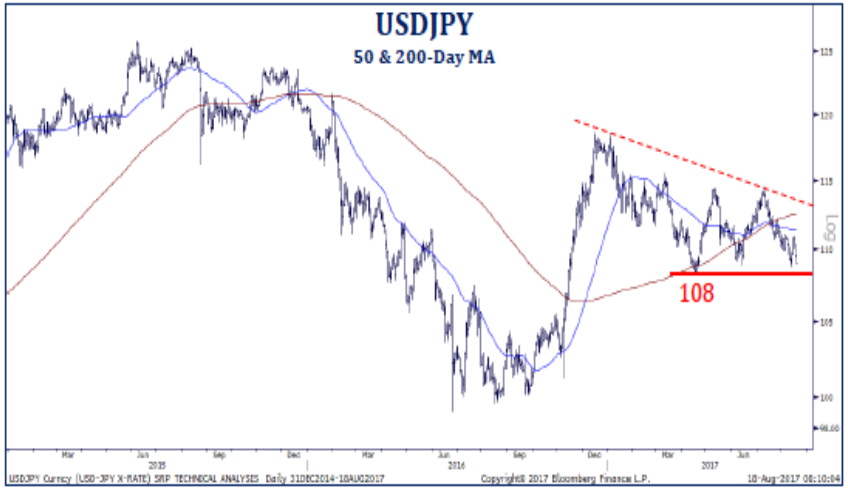
Source(s): Stockcharts.com

Calendar Turns Negative in August, Macro Weakening Too

CALENDAR IS A HEADWIND INTO MID-OCTOBER

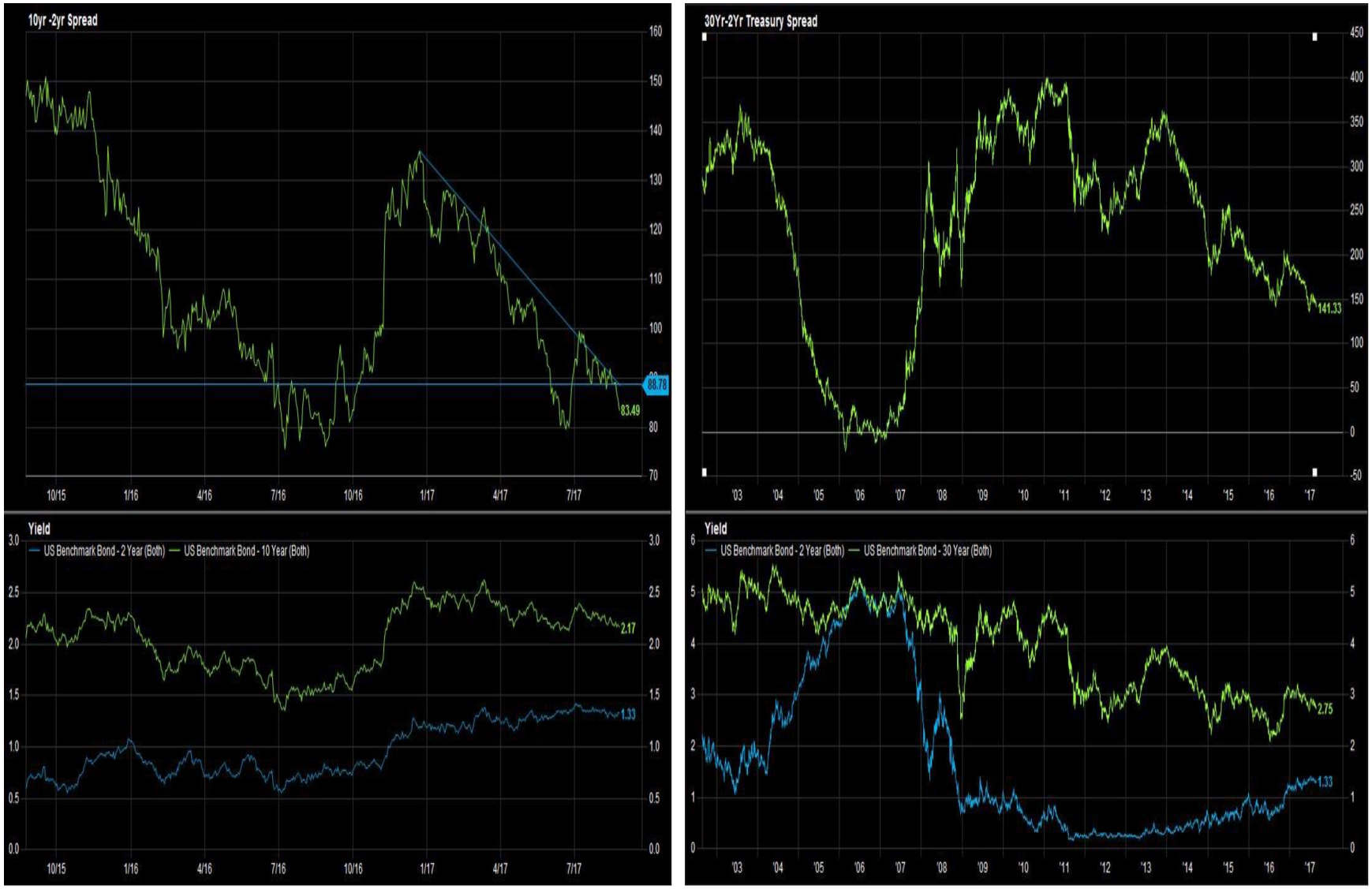


MACRO BAROMETERS STILL TEPID AS WELL



Source(s): Strategas

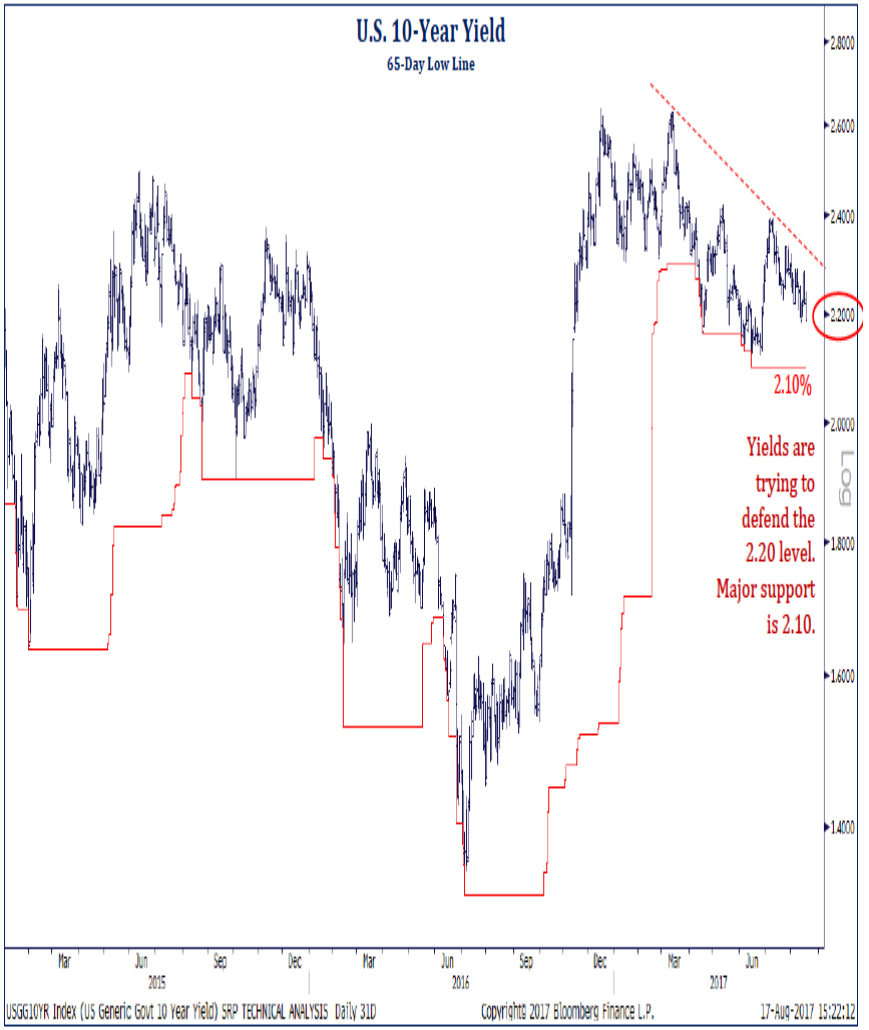
Despite Steepening Narrative, YC Continues To Flatten



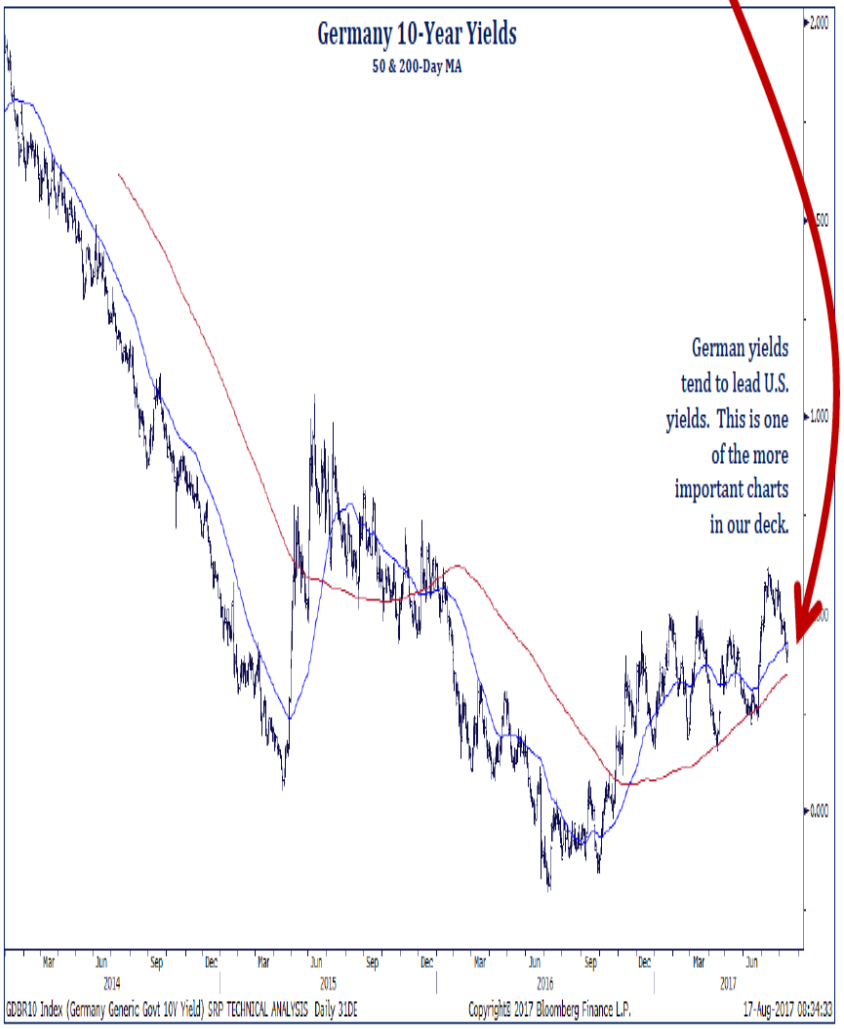
Source(s): @GS_CapSF

That Was Quick! So Much For the Higher Rates Narrative

YIELDS TRYING TO HOLD 2.10-2.20%



KEY SPOT FOR GERMAN YIELDS AT 200-DAY SUPPORT

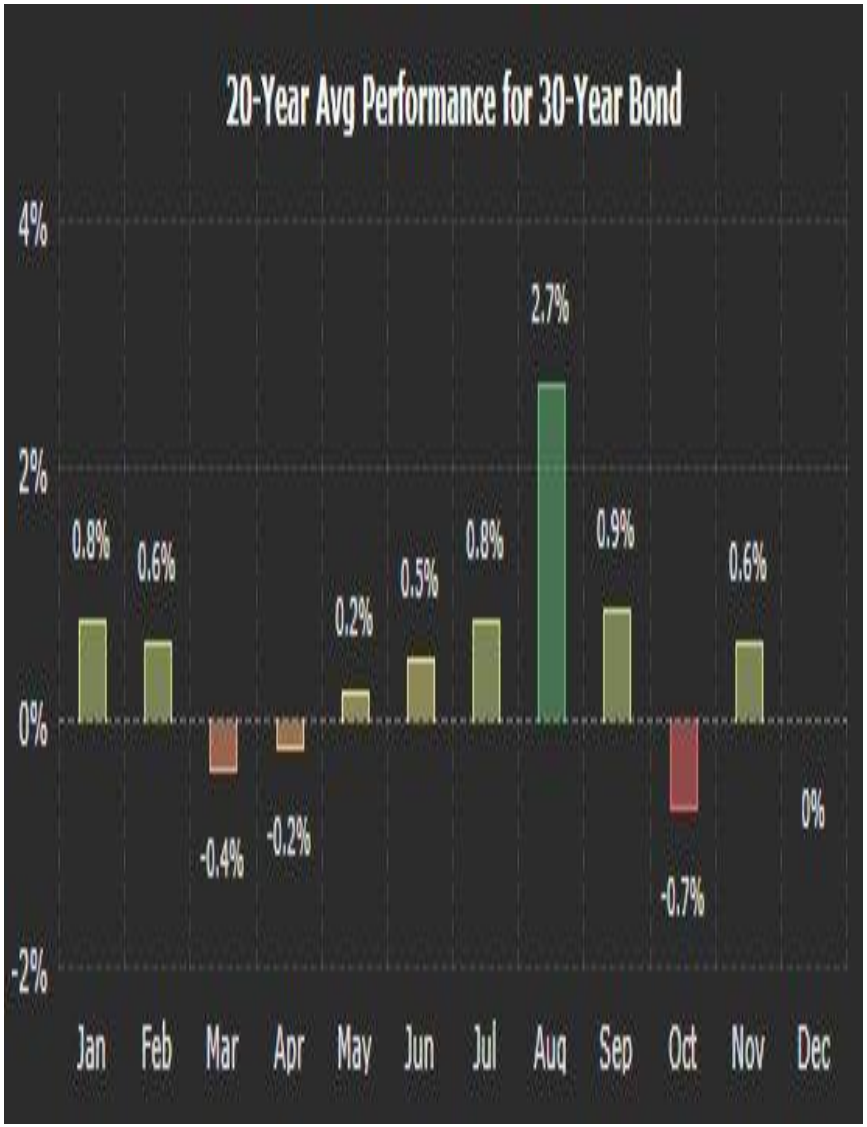


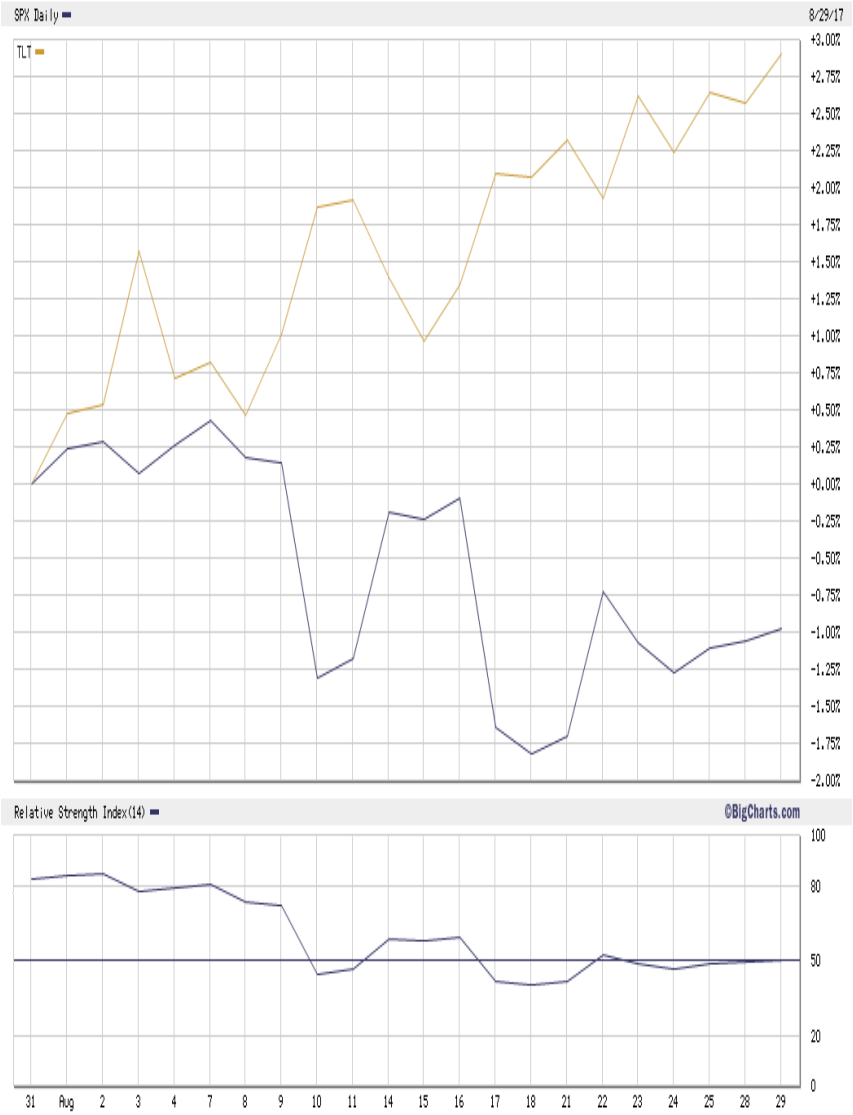
Source(s): Strategas

Downtrend In Rates Good Until 10 Yr. > 3%, < 2% Likely

Source(s): Strategas

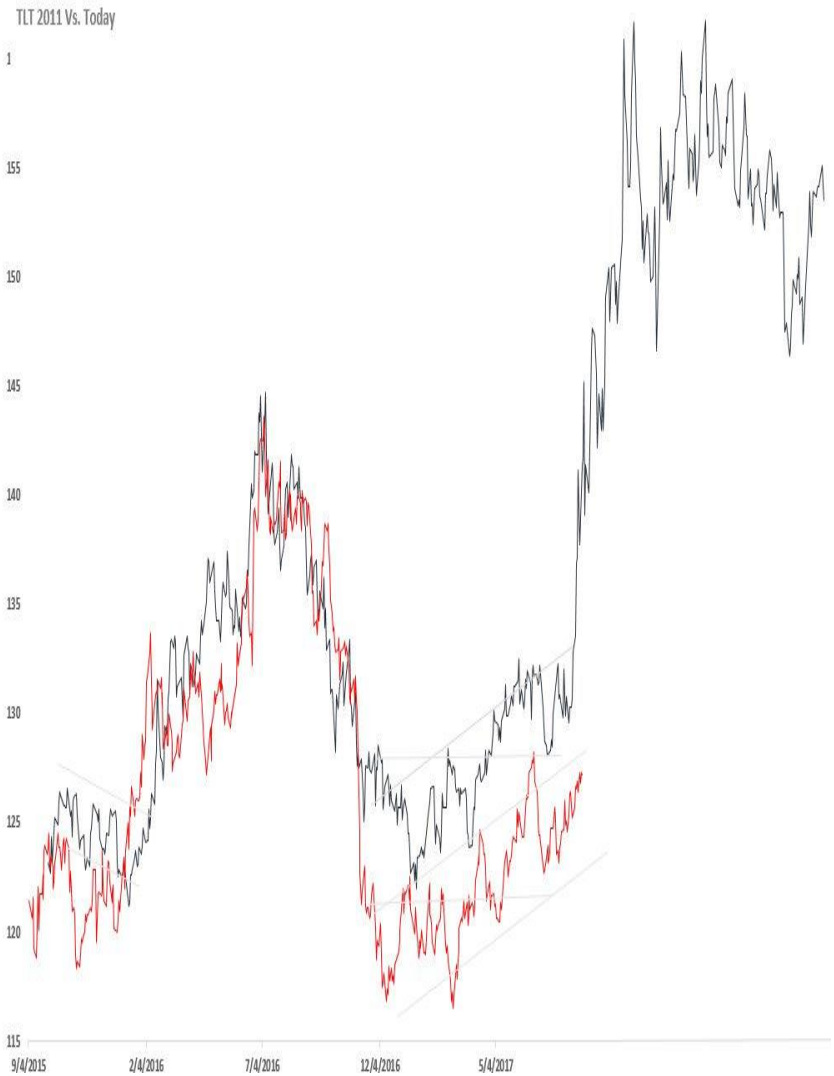
Long Bonds Rally On Cue During Dog Days of Summer





Source(s): @movement_cap, BigCharts.com

Stock/Bond Ratio Nearing Breakdown, Bonds Running



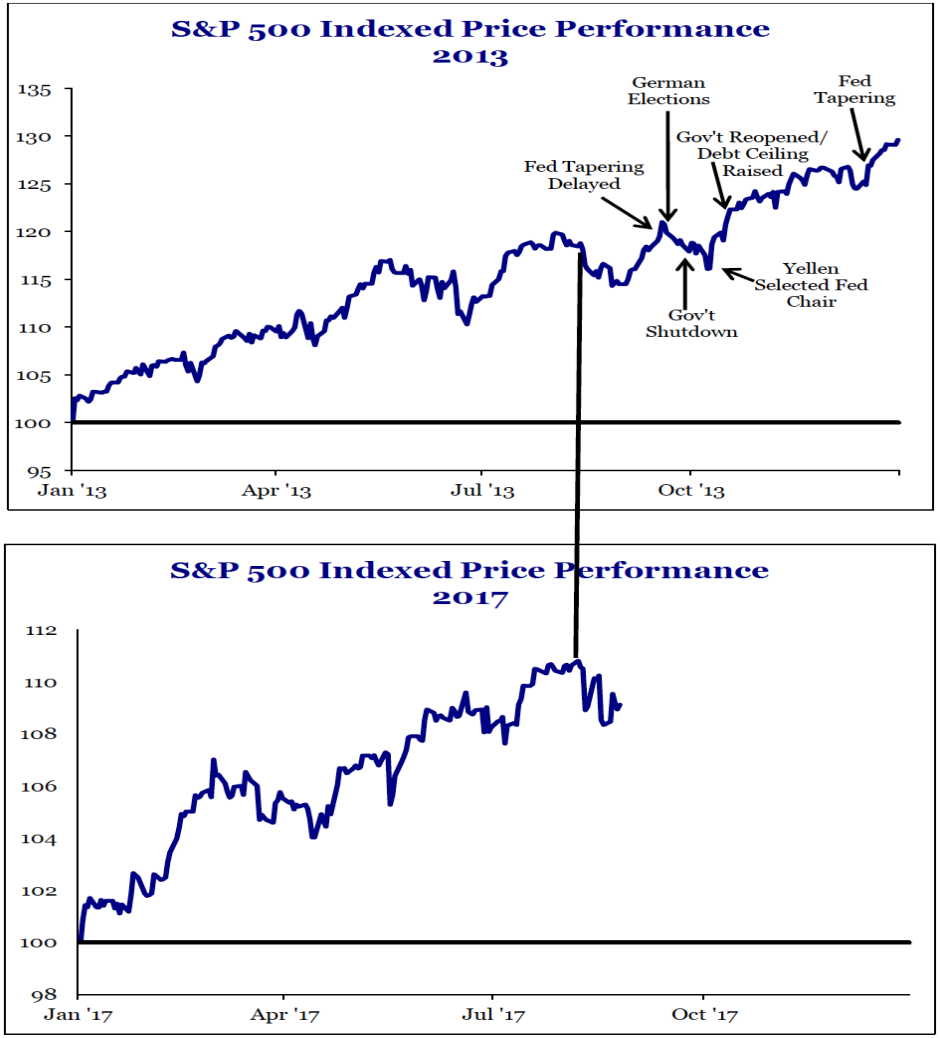
Source(s): @kimblechartingsolutions, @teddyvallee

Forget Border Wall, Alt-View Markets Climb Wall Of Worry

September 2017 Catalysts Look Similar To September 2013

September 2013	September 2017
Fed Tapering Was Expected Start	Fed Balance Sheet Reduction
Bernanke Replacement	Yellen Replacement
German Elections	German Elections
Government Shutdown 9/30	Government Shutdown 9/30
Debt Ceiling (mid-October)	Debt Ceiling (9/28)
ACA Exchange Implementation (10/1)	Tax Reform Reconciliation
Syria Red Line Crossed	North Korea
	ECB Tapering

2013 "SPINACH" PERIOD TURNED OUT TO BE A GOOD BUYING OPPORTUNITY



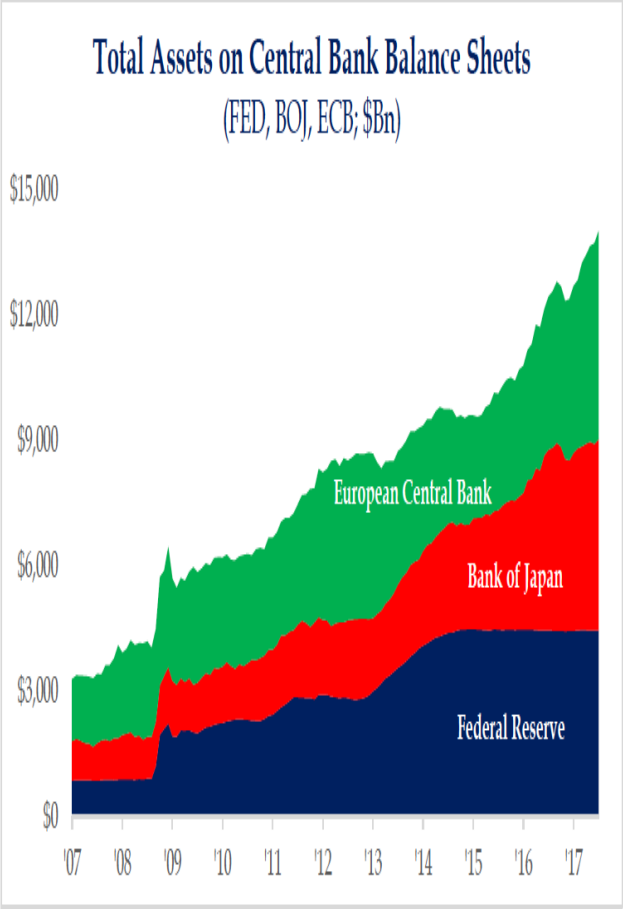
Source(s): Strategas

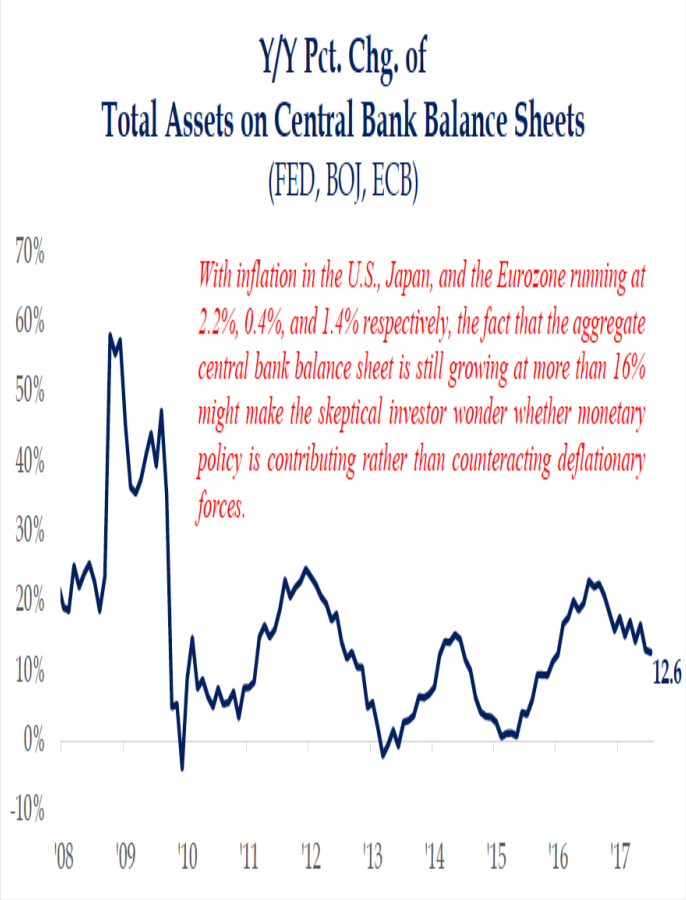
Consensus Believes Equities Can't Fall If CBs Doing QE

HARD TO BE SHORT WHEN GLOBAL CENTRAL BANK BALANCE SHEETS ARE STILL GROWING

UNTIL COMBINED GROWTH OF BALANCE SHEETS DECLINES, MARKETS WILL CONTINUE TO GRIND HIGHER

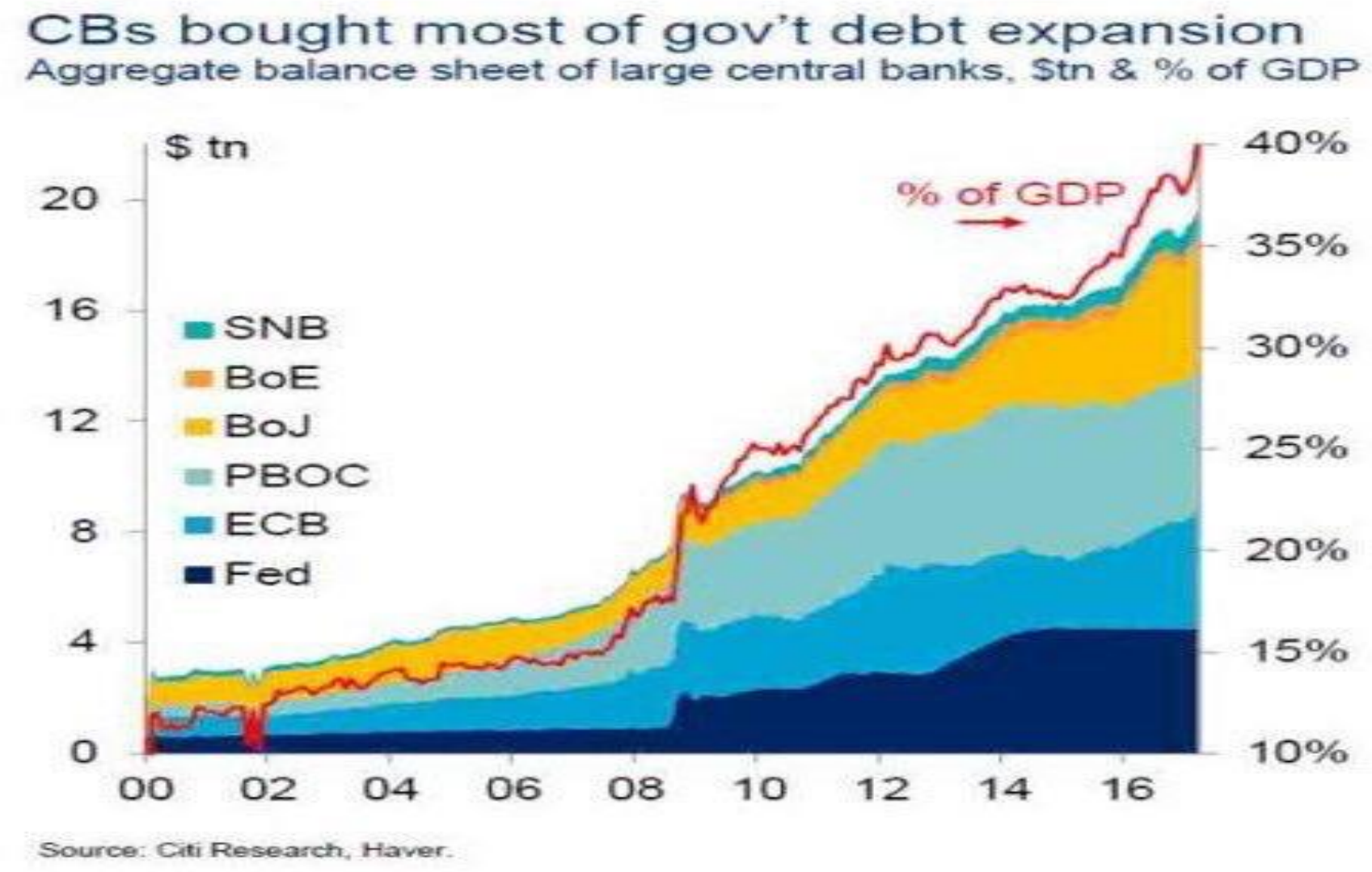
The Fed's Balance Sheet may be flat but the balance sheets of the Bank of Japan and the ECB are still growing.





Source(s): Strategas

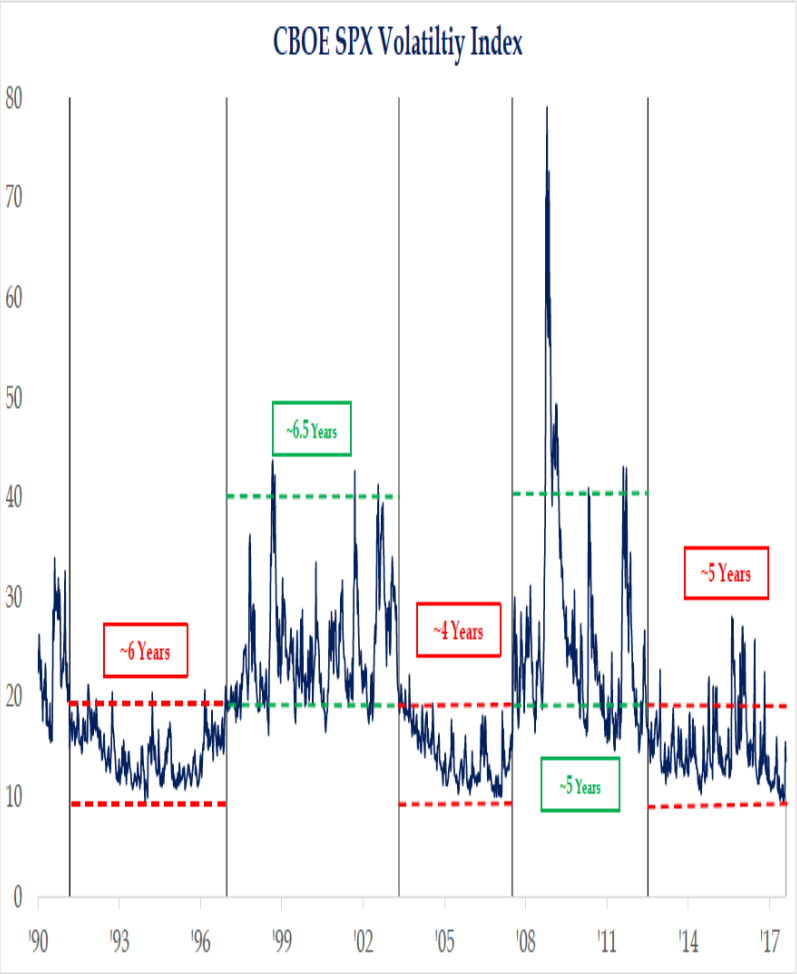
Global CBs Monetized Bulk of Post-GFC Debt Expansion



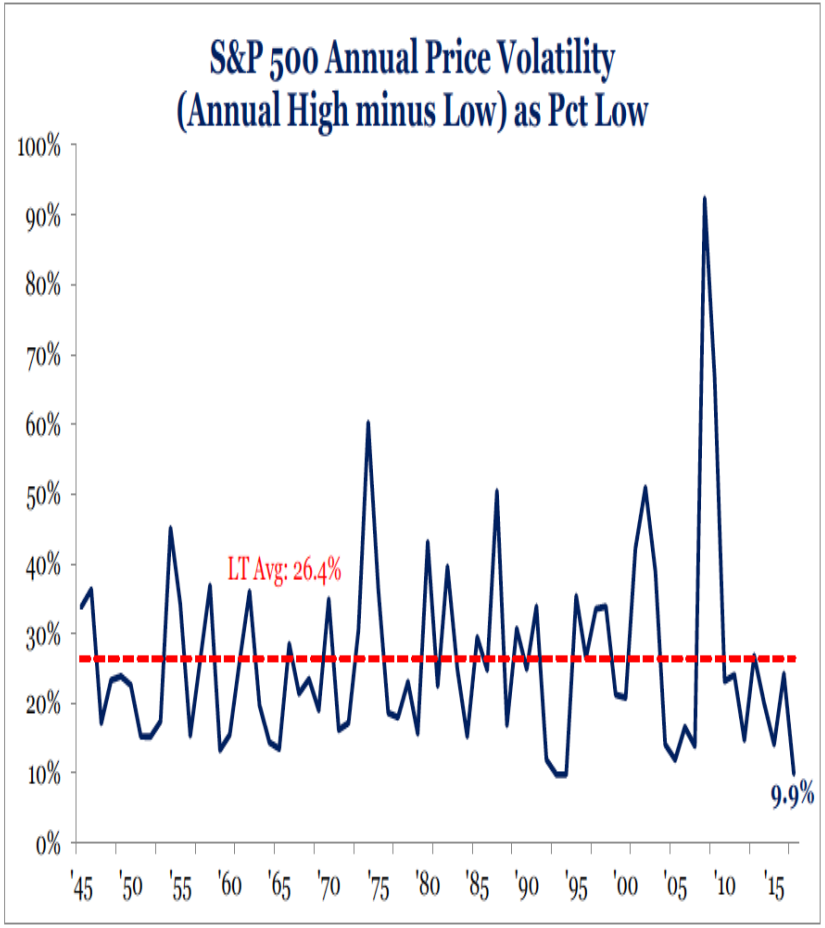
Source(s): @jsblokland, @jameshenryand

Complacency Is Cyclical, Correlated w/ Fed Largesse

VOLATILITY TENDS TO MOVE IN A SECULAR FASHION



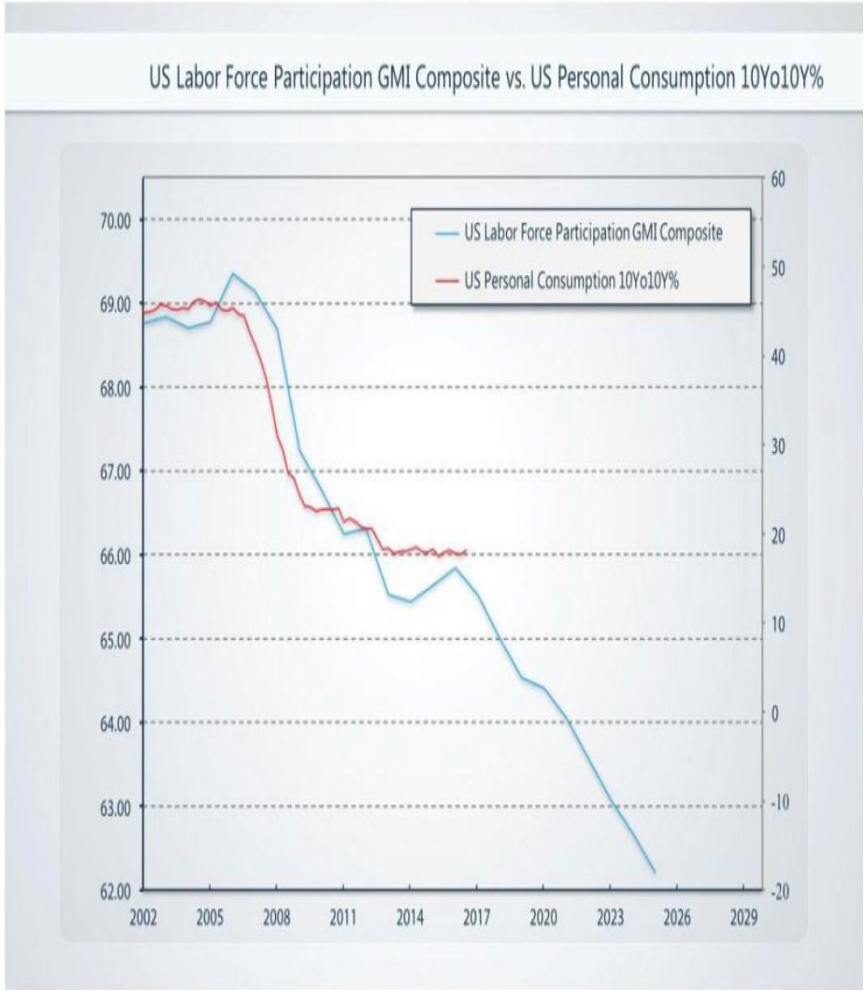
MARKET VOLATILITY NEAR LEVELS LAST SEEN IN THE MID 1990's



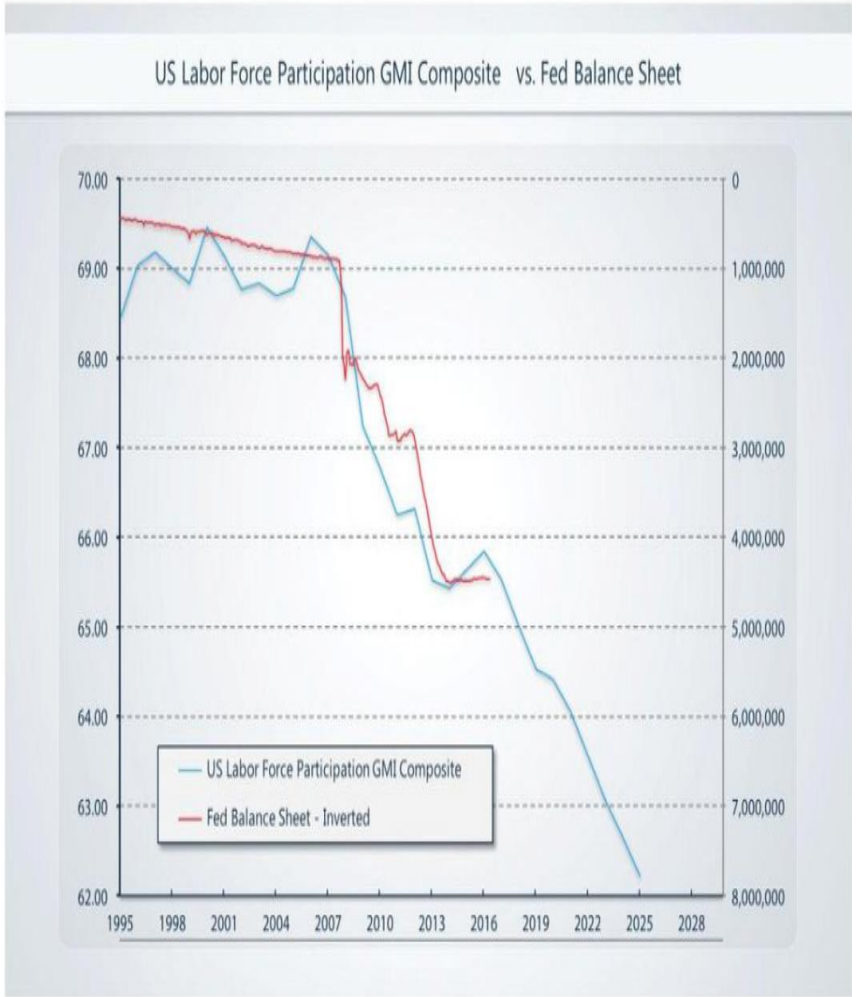
Source(s): Strategas

Demographics Is Destiny: #FedInABox Cannot Shrink B/S

Firstly, the impact of the BBs retiring on Consumption...



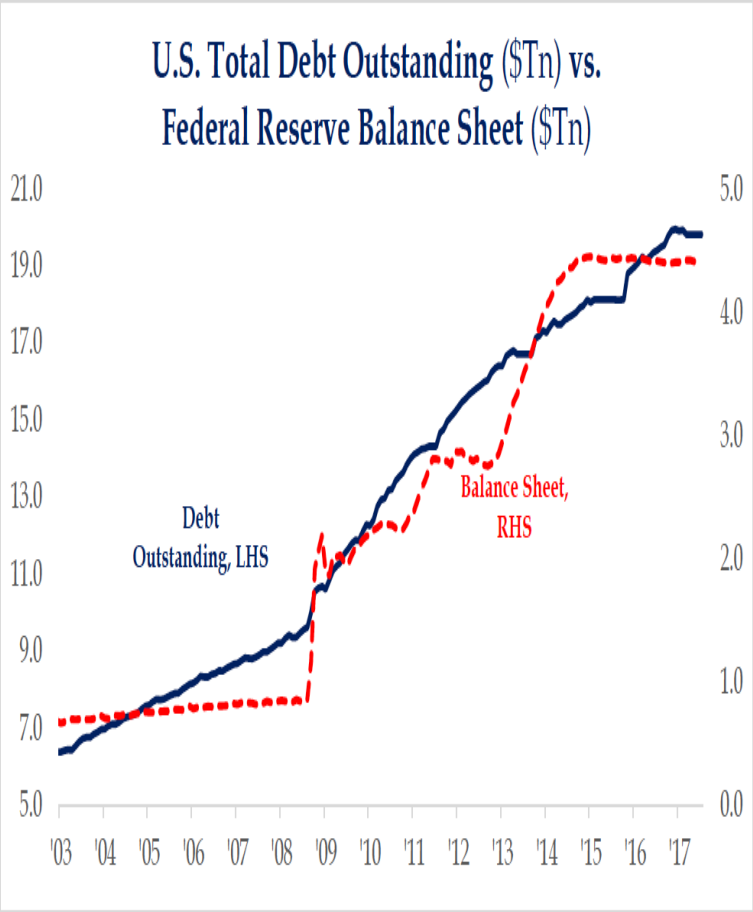
Secondly, what to expect from the Fed as they fight the waves of retirees...



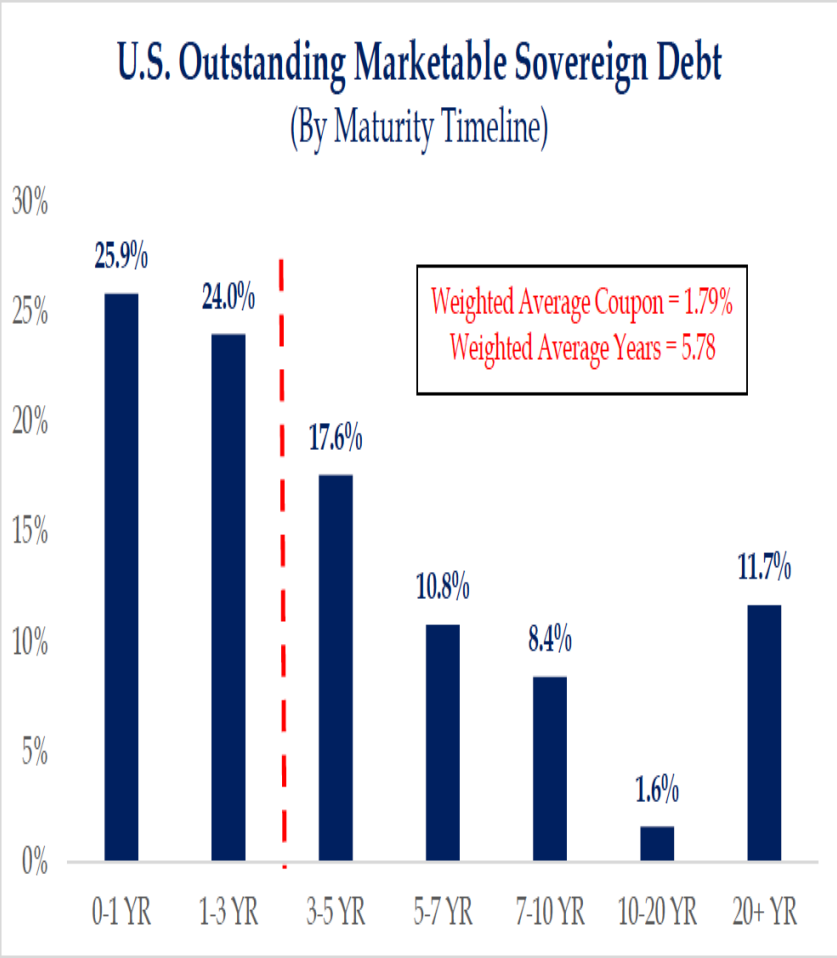
Source(s): GMI

Fed Will Never Be Able To Unwind Balance Sheet…

TOTAL OUTSTANDING DEBT NEARING $20 TRILLION WITH THE FED BALANCE SHEET HOLDING $4.5 TRILLION

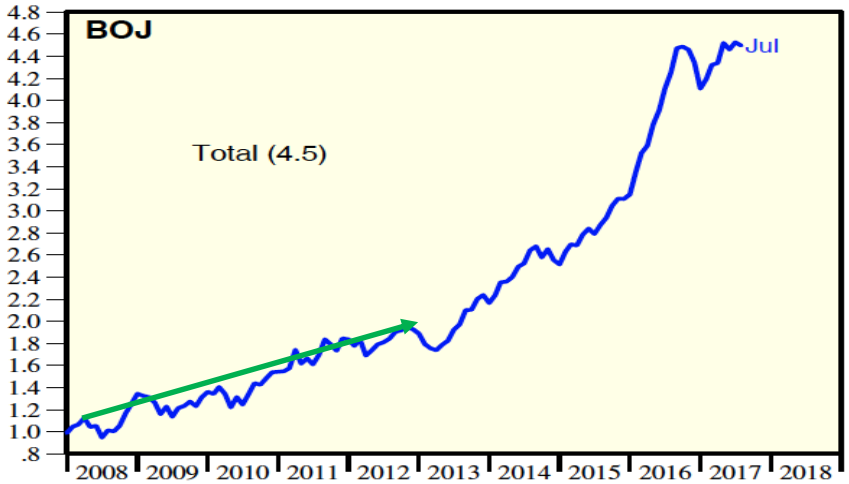


ROUGHLY 50% OF U.S. OUTSTANDING DEBT MATURES IN THE NEXT THREE YEARS

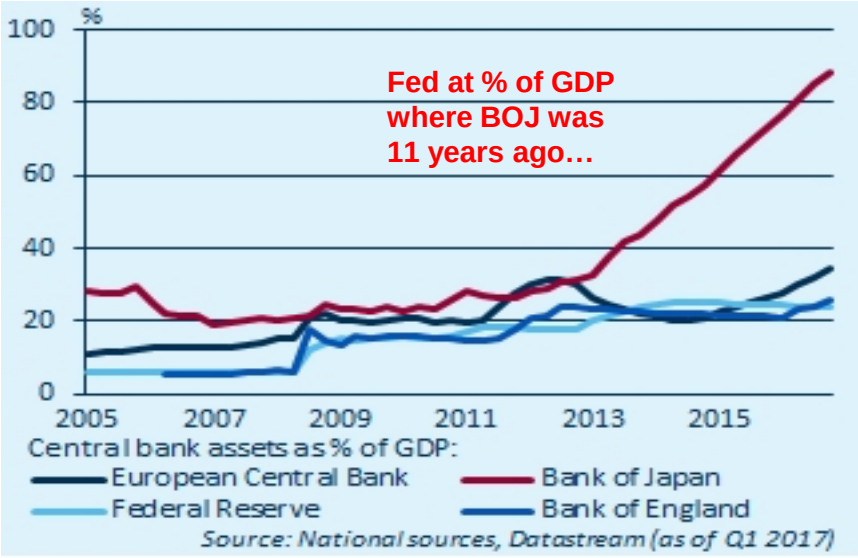


Source(s): Strategas

BOJ Doubled B/S 2008-12, Couldn't Prevent Nikkei Falling



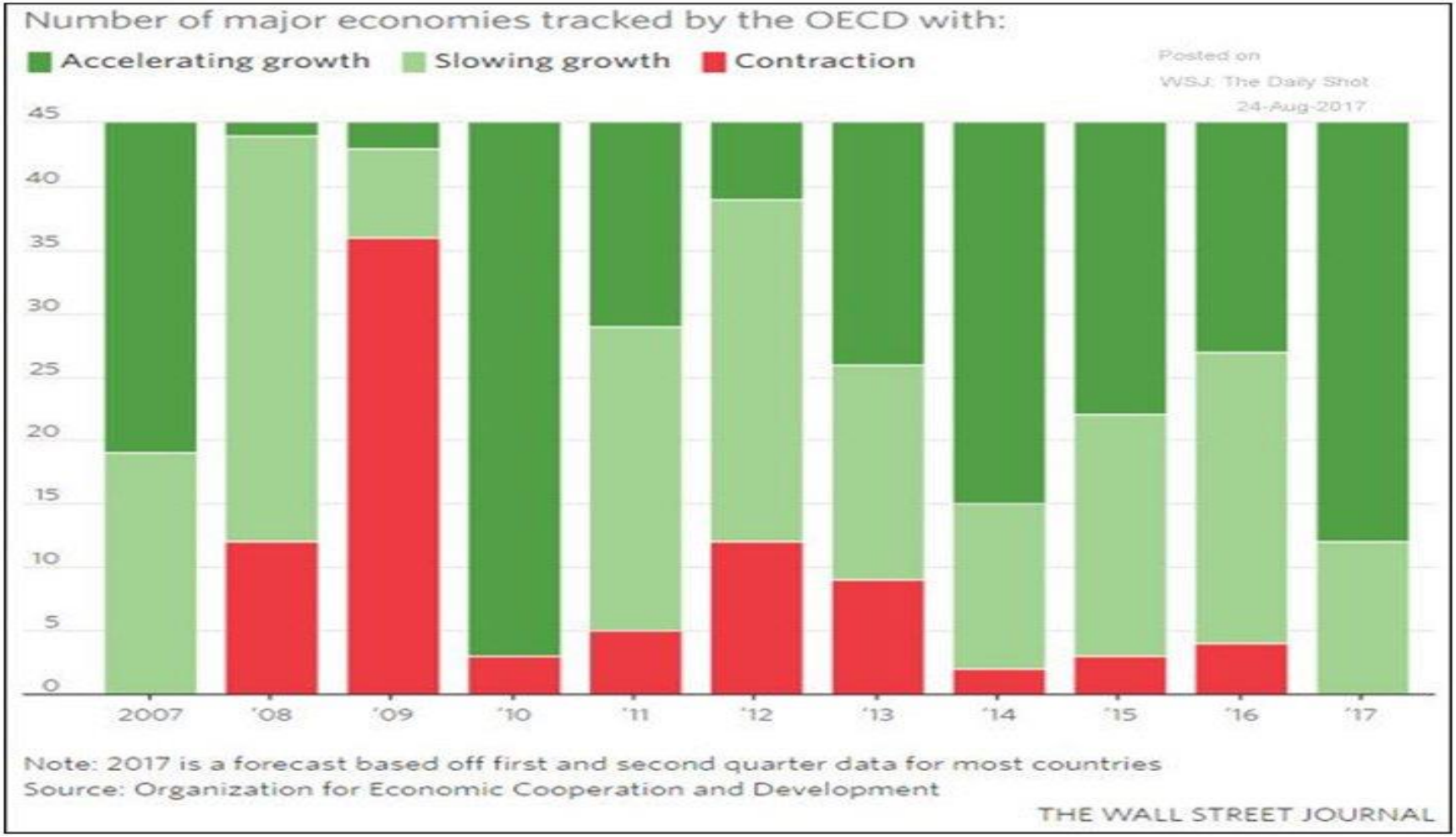
*Includes US, ECB, Bank of Japan, and PBOC.
Source: Haver Analytics.



Source(s): Standard Life, BigCharts.com

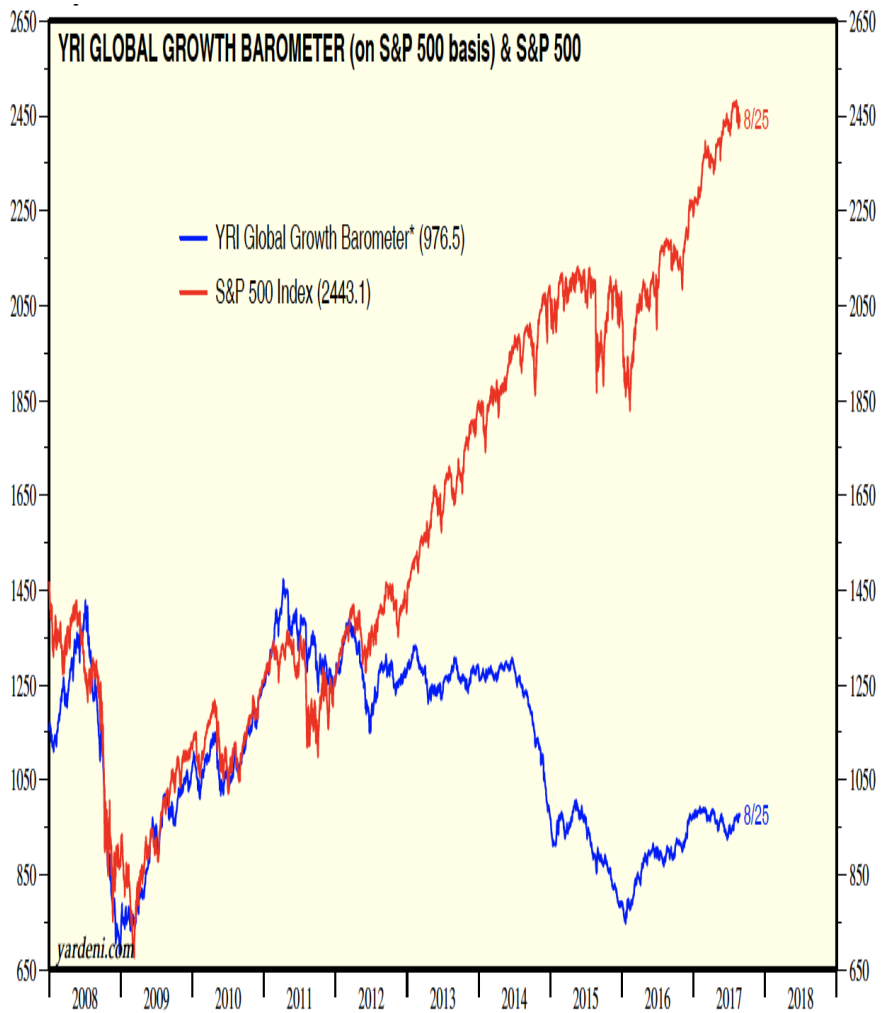
People Forget That Data Always Strongest at the Top

Global synchronized economic expansion. First time in a decade that all 45 countries tracked by OECD are growing (33 are accelerating).

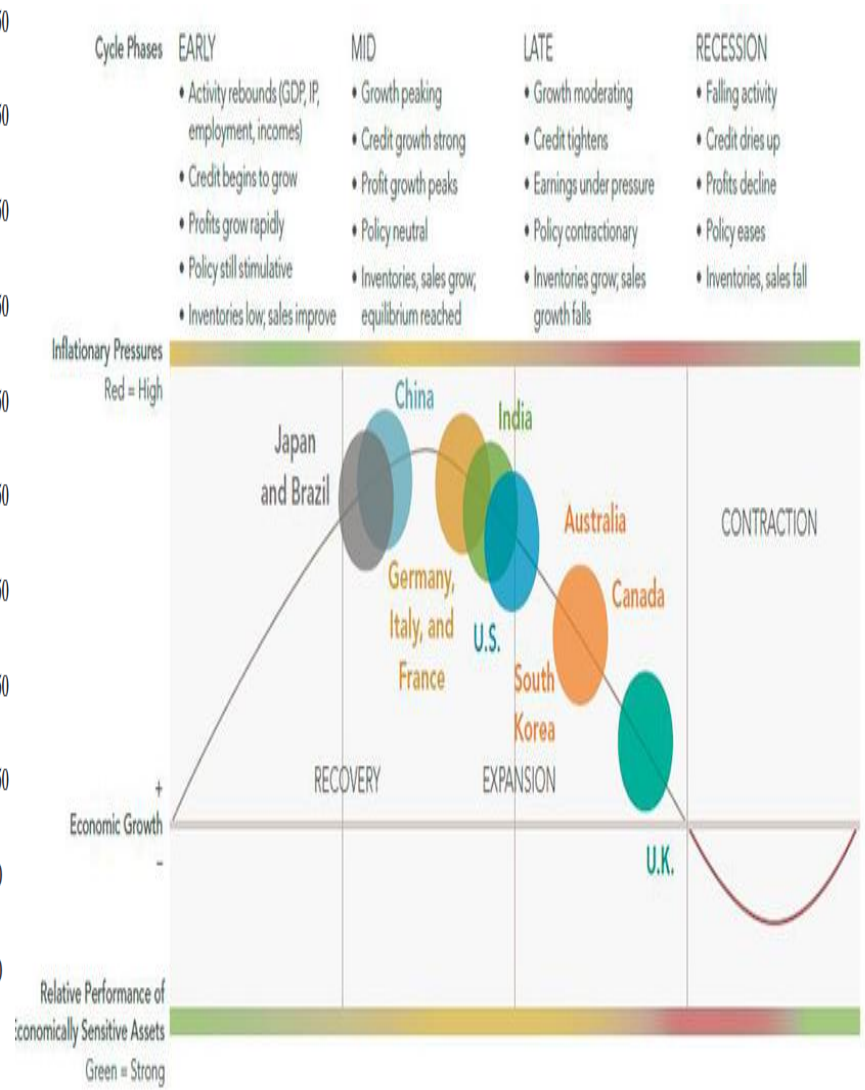


Source(s): @DriehausCapital

Global Economies Slow In Fall Season of Business Cycle



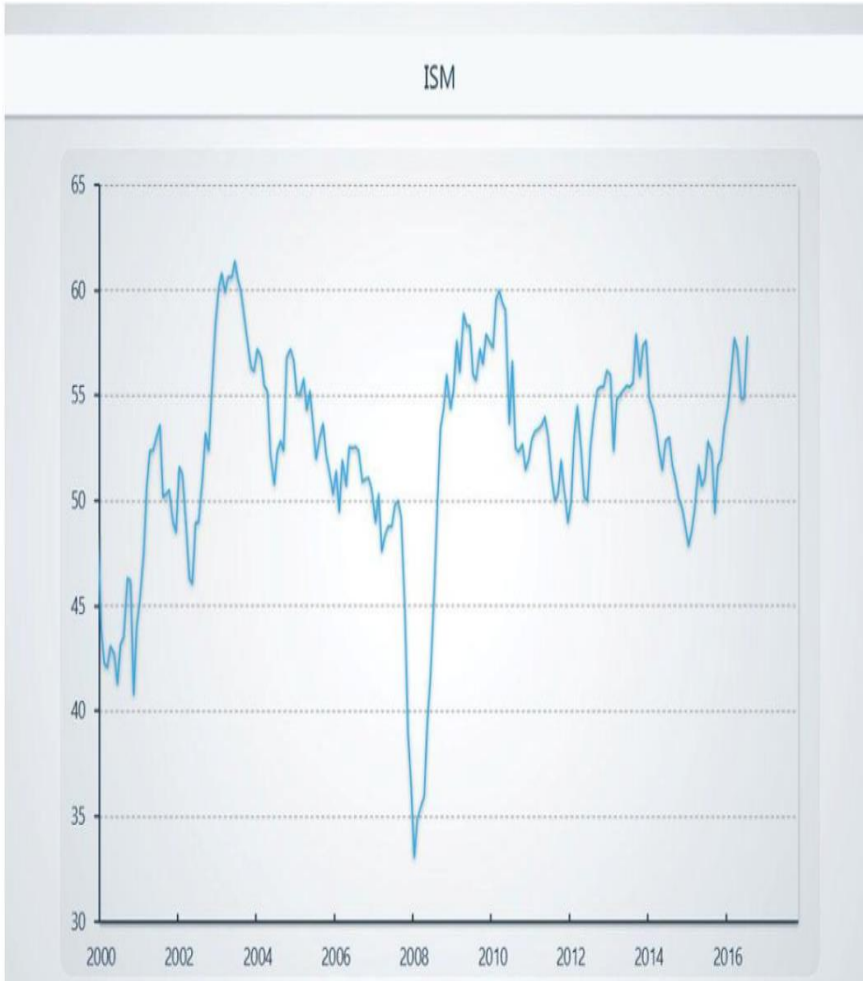
* Average of Brent crude oil and CRB raw industrials spot price index times 2 and divided by 10. Average then multiplied by 10 and 200 added.
Source: Standard & Poor's Corporation and Commodity Research Bureau.



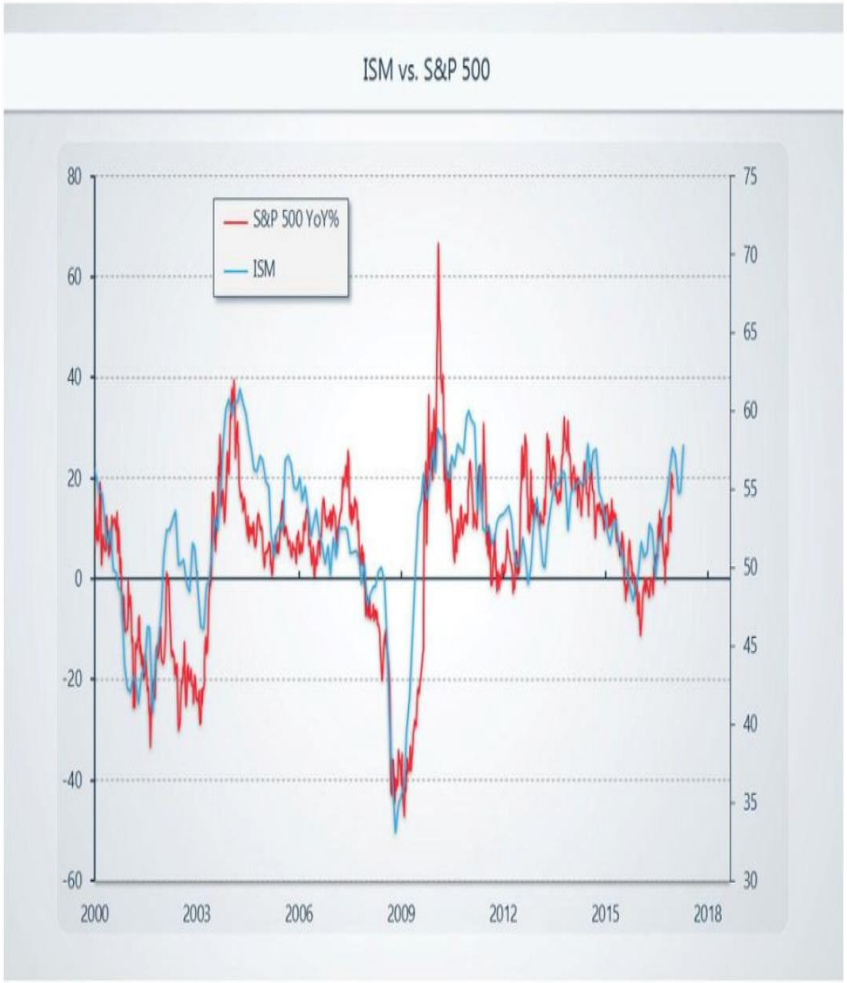
Source(s): Yardeni.com, Fidelity.com

ISM Recovery Has Been Swift From "Contraction"

Surprisingly, the ISM is back at mid-cycle highs...



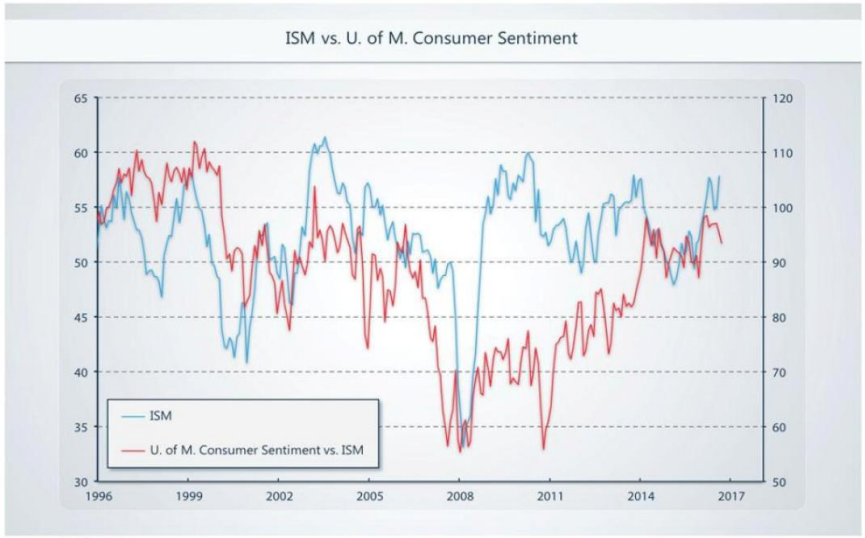
And that is putting a relentless bid under equities, which still have room to move to the upside vs. their relationship with the ISM...



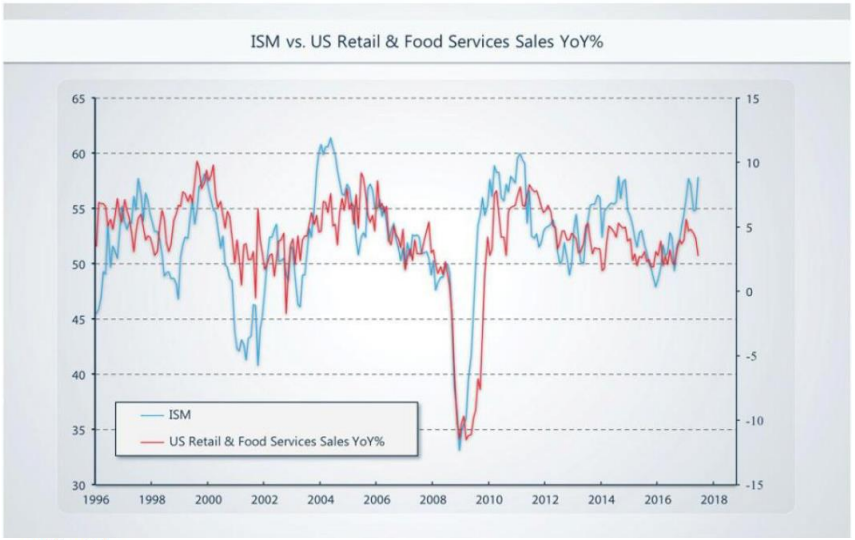
Source(s): GMI

Perhaps ISM Recovery Overstated From Inflation Data?

University of Michigan Sentiment is diverging against ISM...



Divergences keep growing between ISM and Food Sales...



... Retail Clothing...

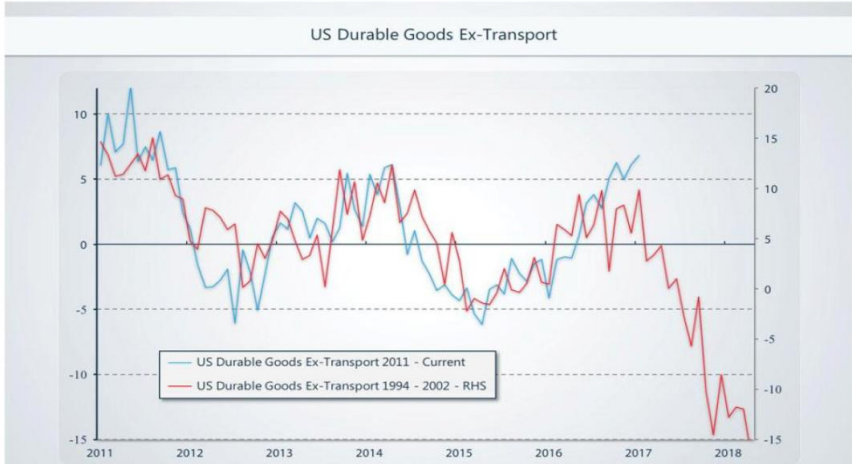
... and Car Sales...

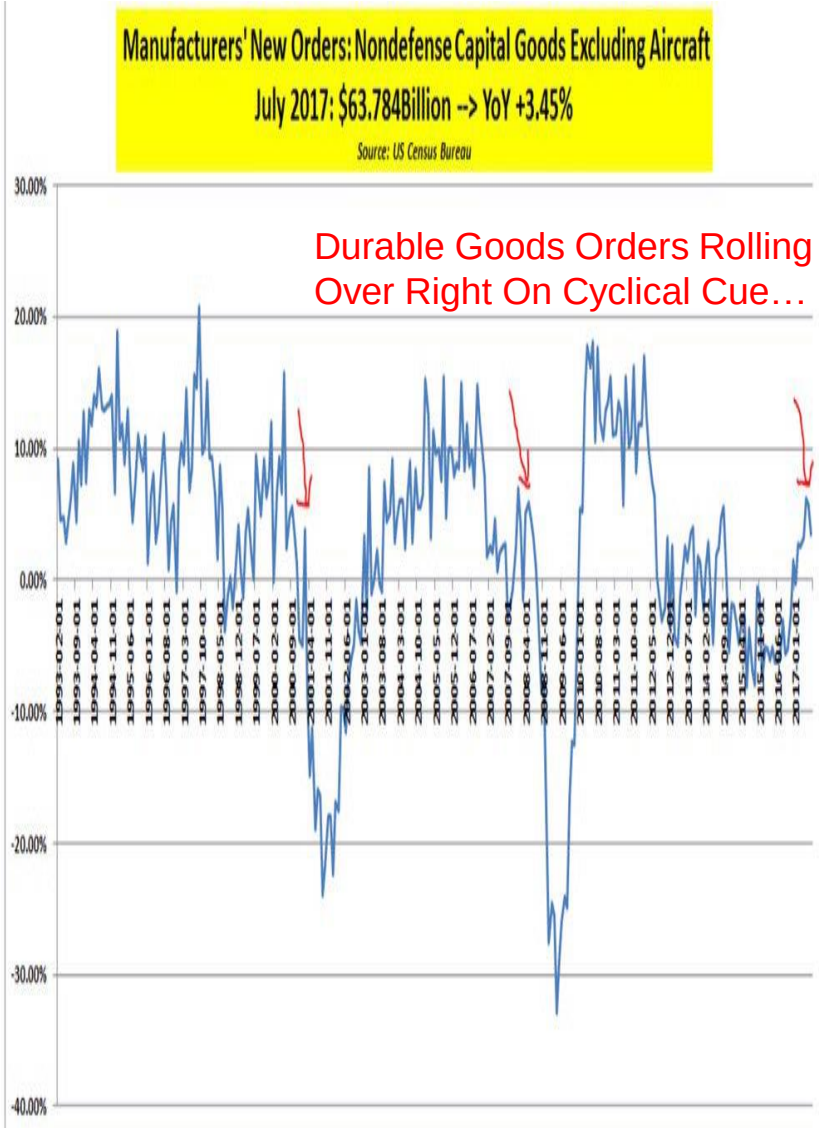
Source(s): GMI

Some Evidence That Economic Cycle Is 2000 Redux

ISM New Orders should fall...

... along with Durable Goods...

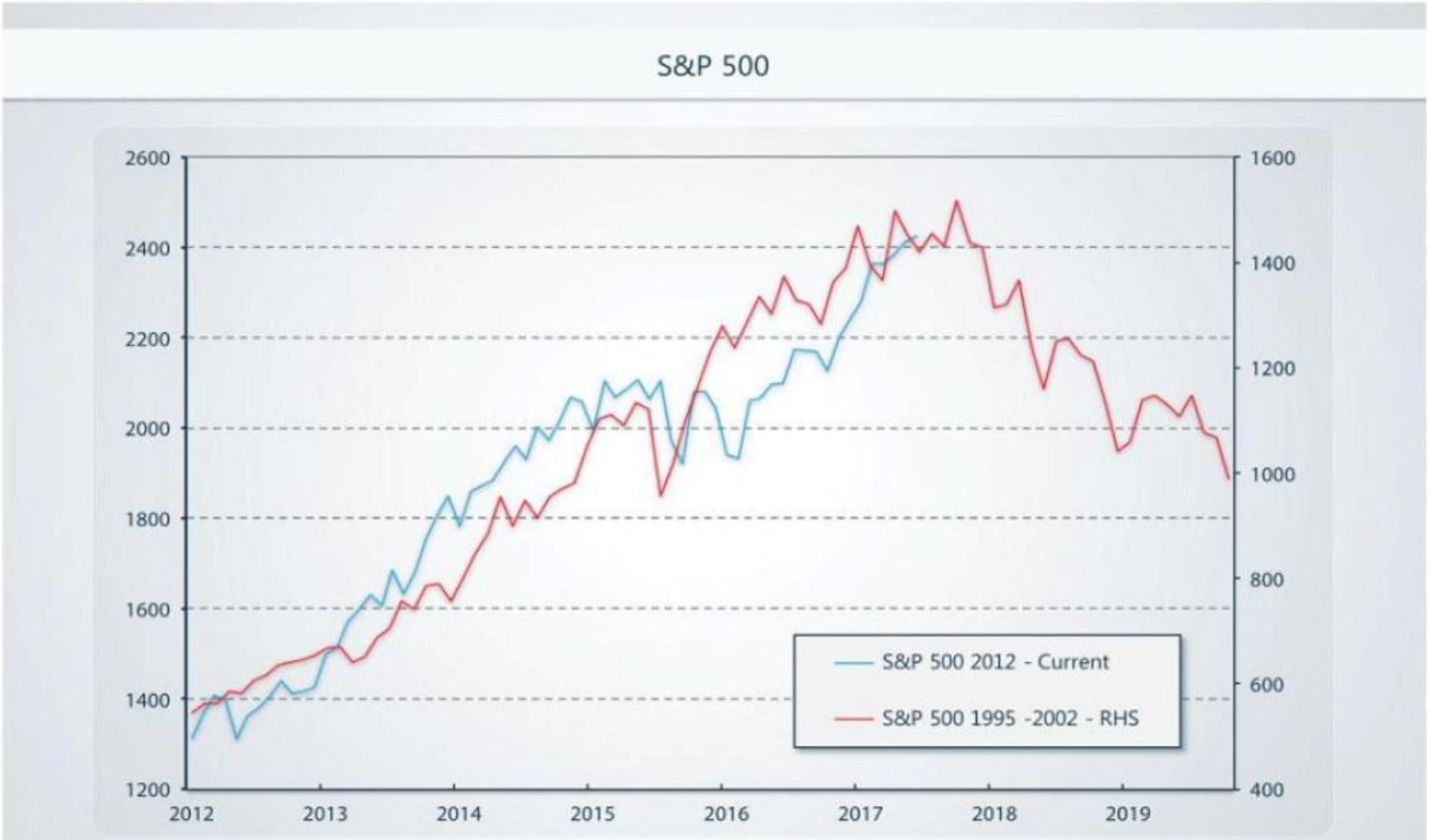




Source(s): GMI, @gamesblazer06

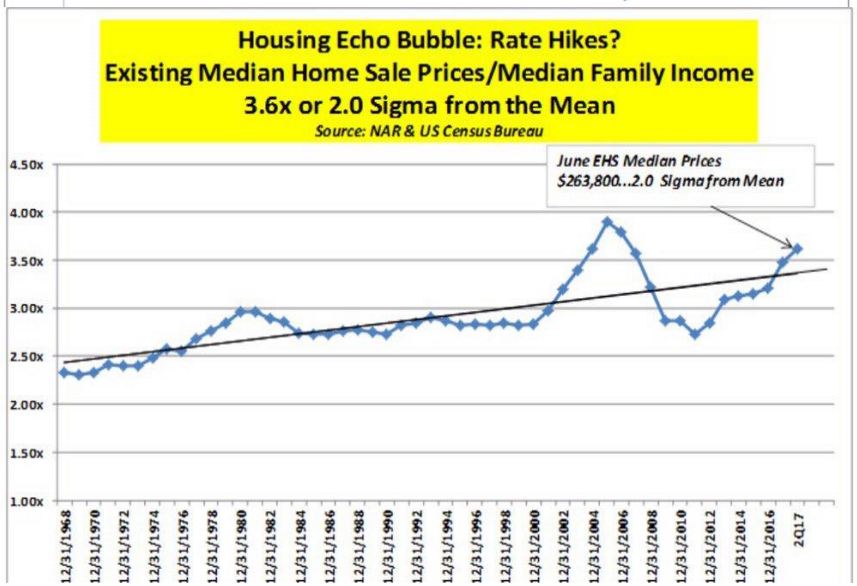
2000 Redux Peak In September Looking Eerily Similar

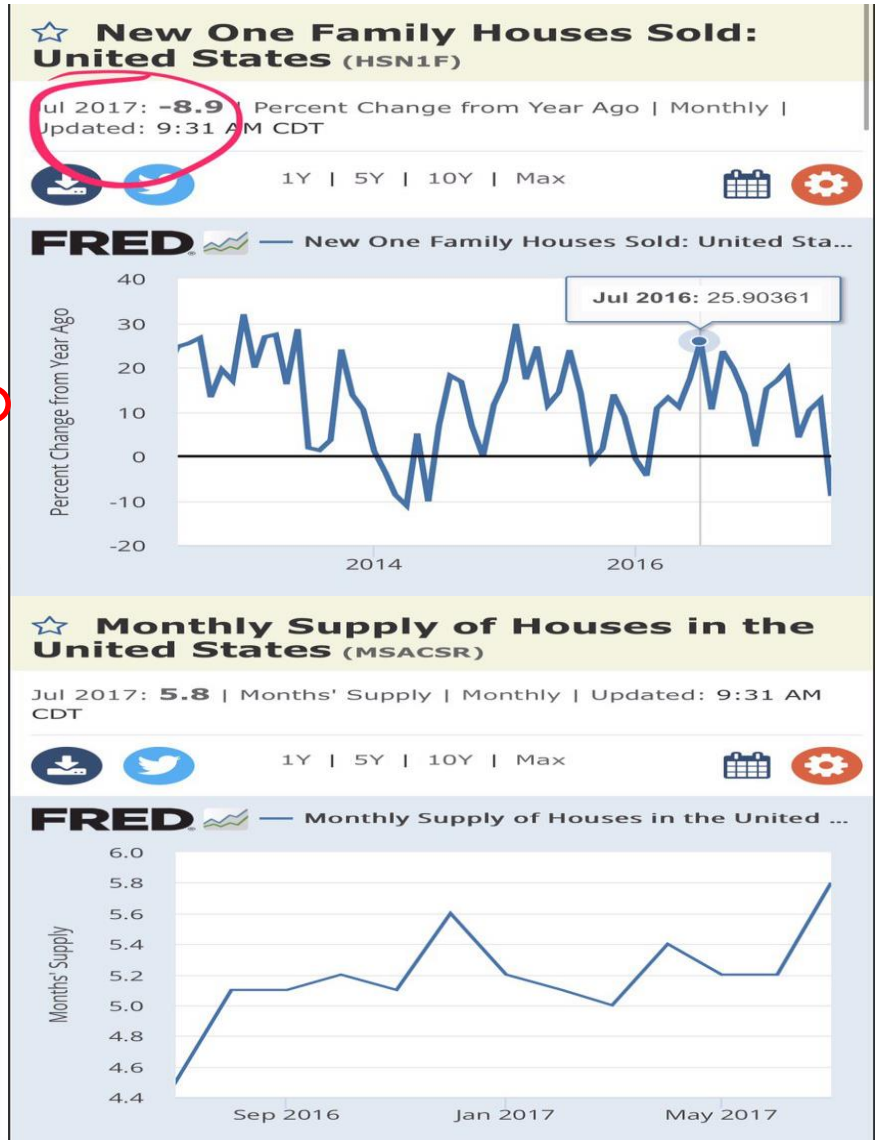
And the time comparison does still suggest the SPX has a bit further to go before topping out...



Source(s): GMI

U.S. Housing Market Rolling Over Right On Cyclical Cue





Source(s): @gamesblazer06

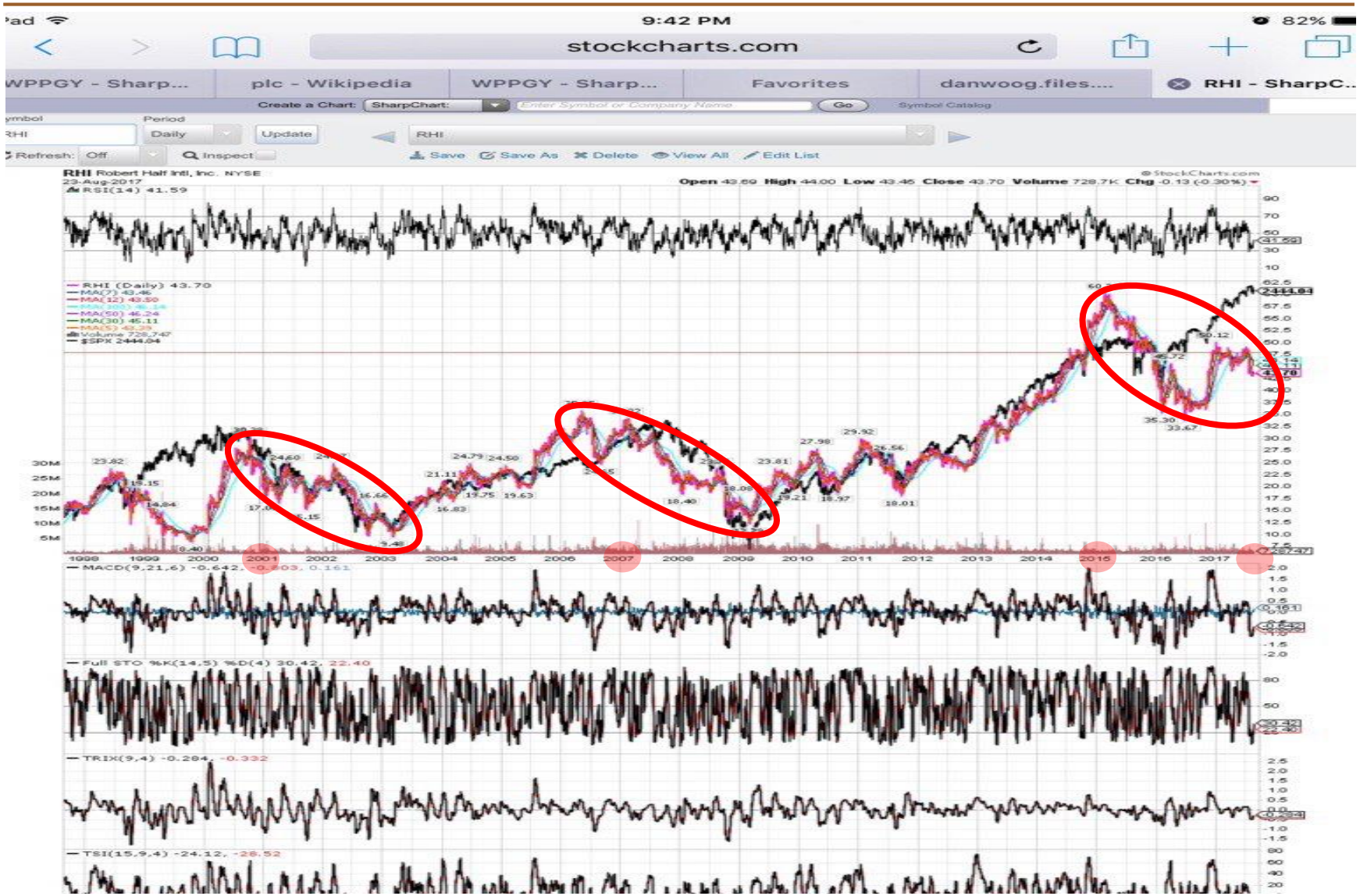
Industrial Bellwethers Breaking Down, Signal Recession

Major stocks such as GE (the third largest manufacturing firm in the US) are not playing the game and have broken down, usually the sign of an impending recession...

Exxon, the largest industrial in the US is also close to breaking...

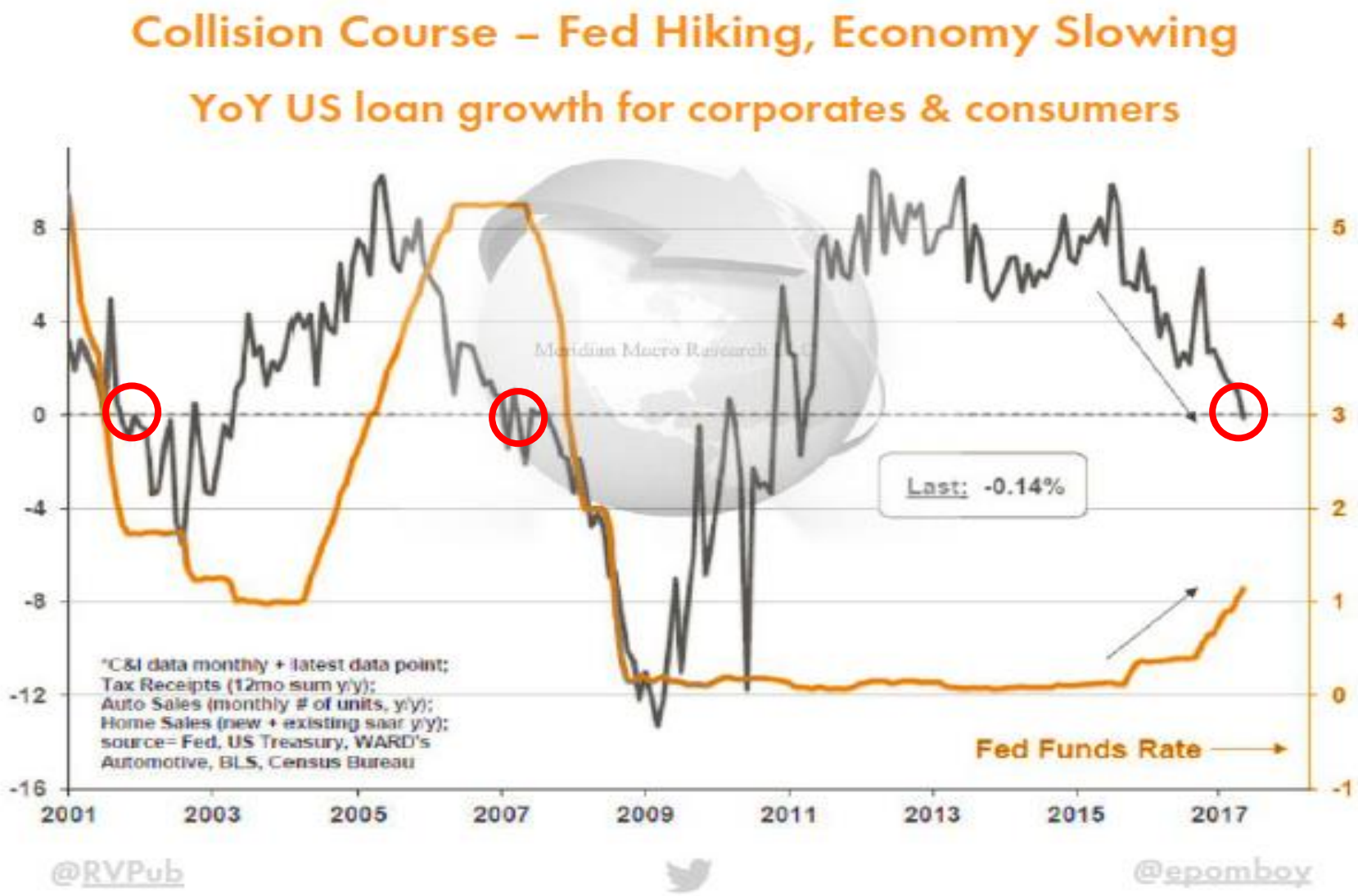
Source(s): GMI

Temp Services Declines, Recession & Markets Follow…



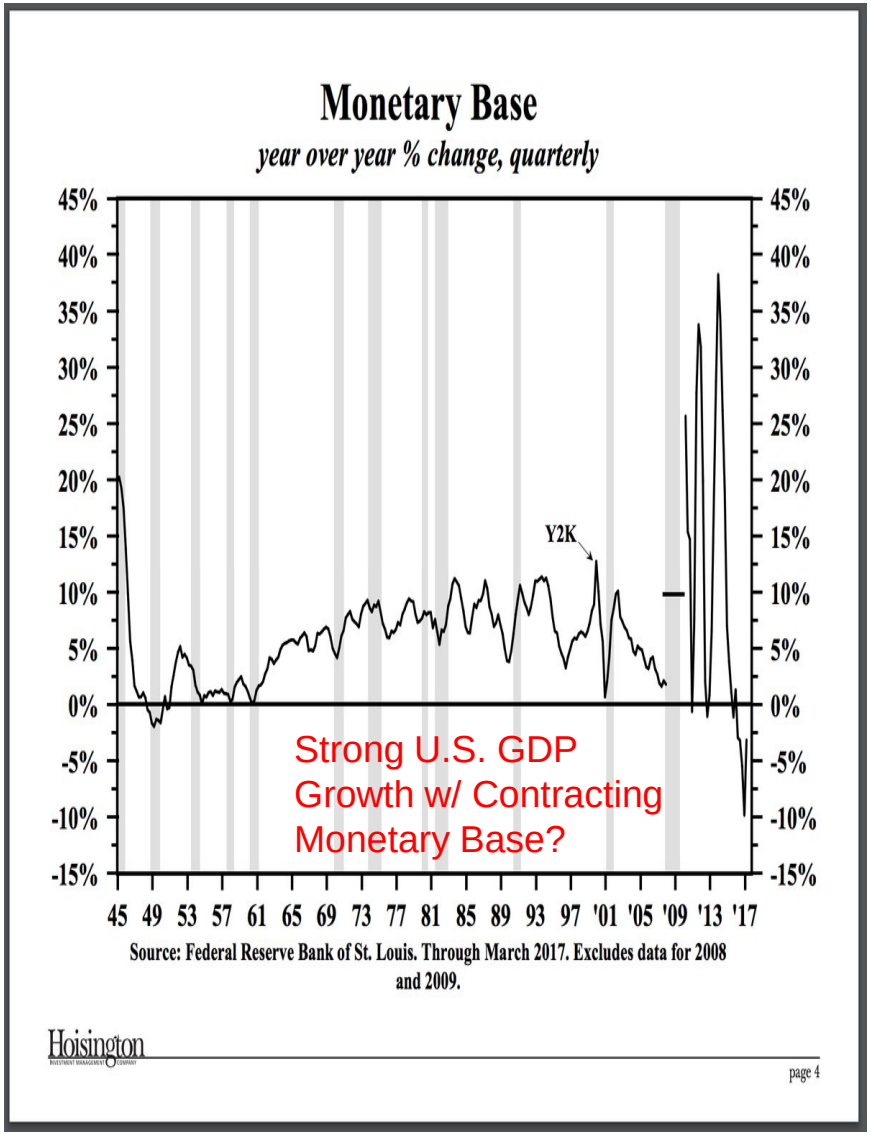
Source(s): @anilvohra69

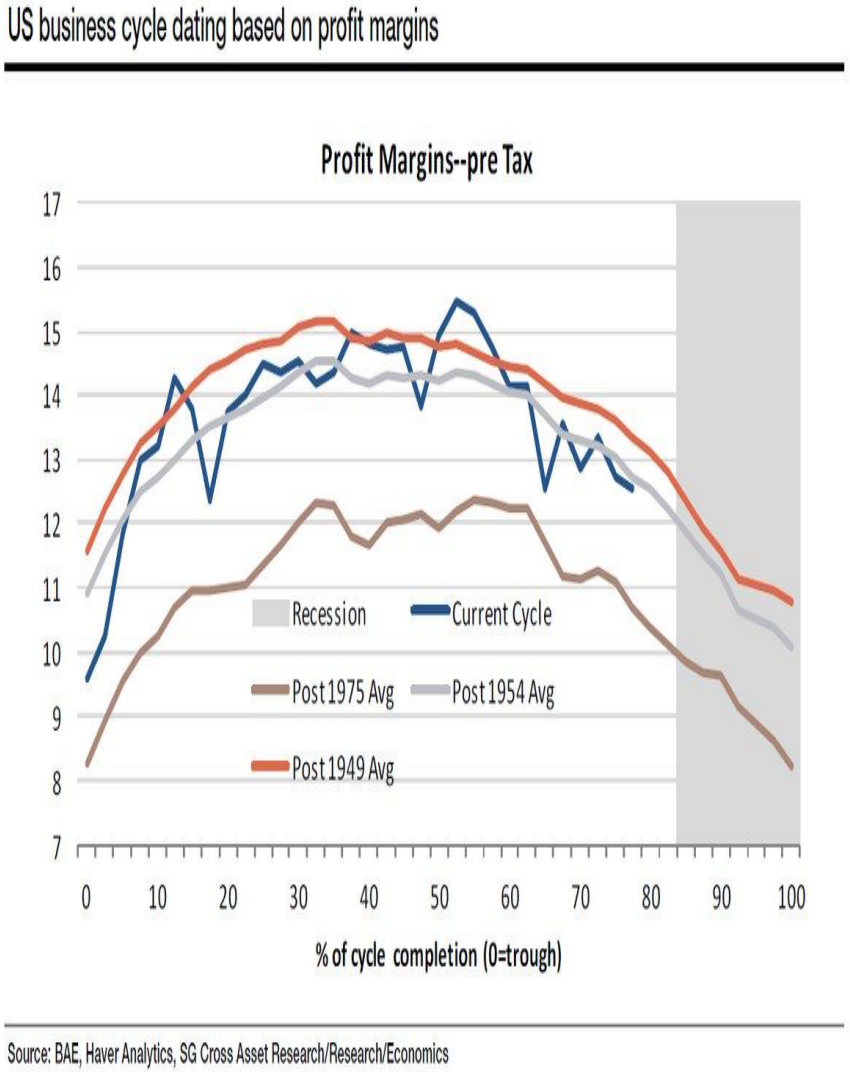
When Bank Lending Turns Negative, Recessions Begin



Source(s): @RVPub, @epomboy

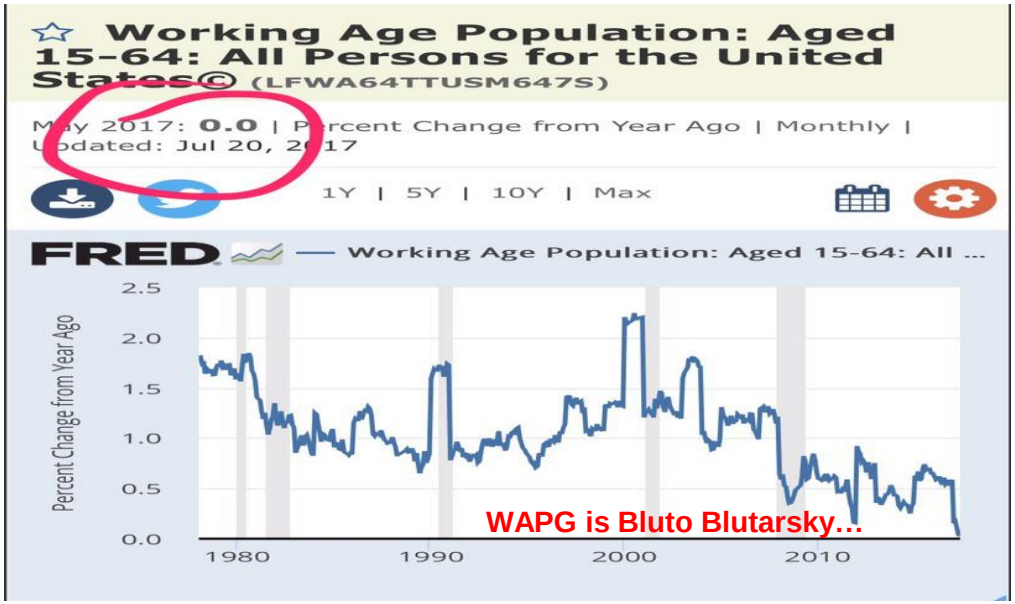
Contrary To Popular Delusion, Biz Cycle Alive & Well…

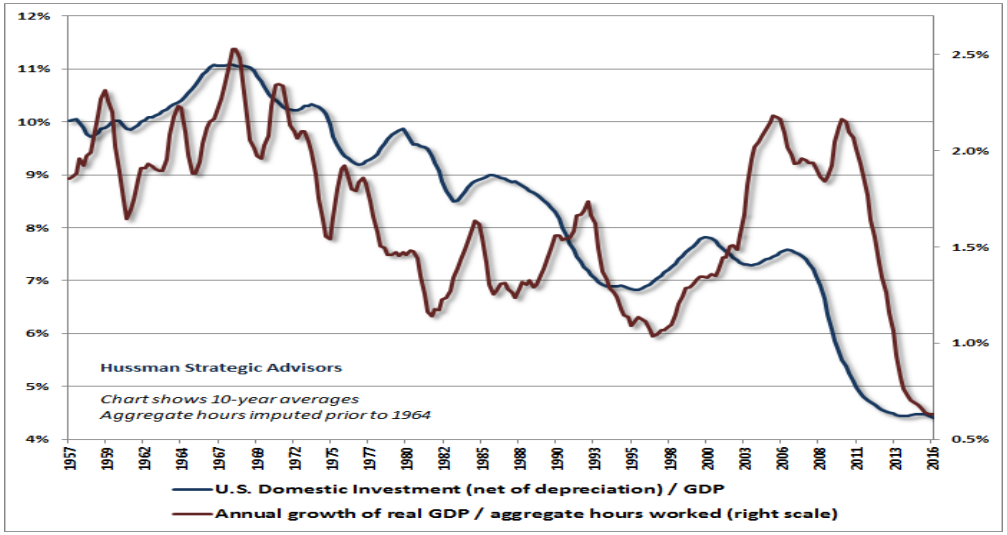


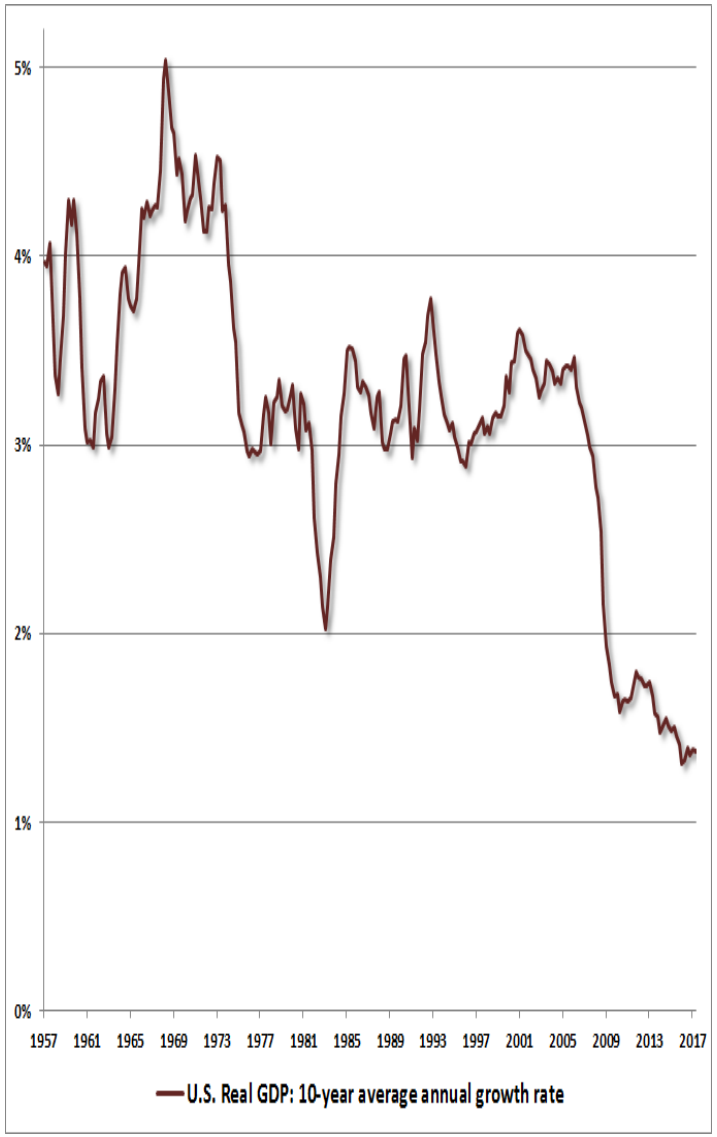


Source(s): @MacroVoices, @macrodidact

Working Age Pop Growth & Productivity Crash = 1% GDP



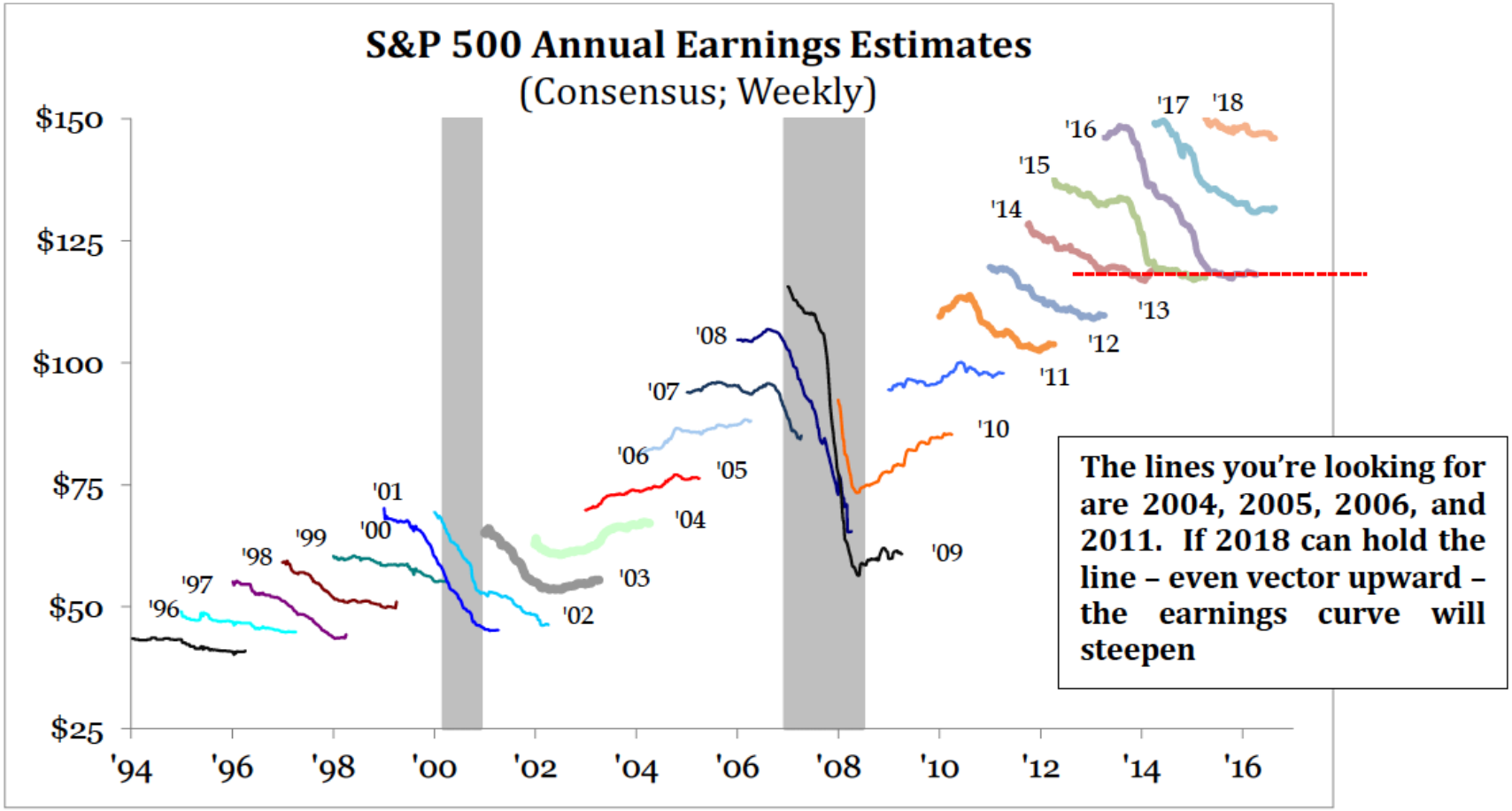




Source(s): @gamesblazer06, HussmanFunds.com

S&P 500 EPS Rising For First Time In Three Years

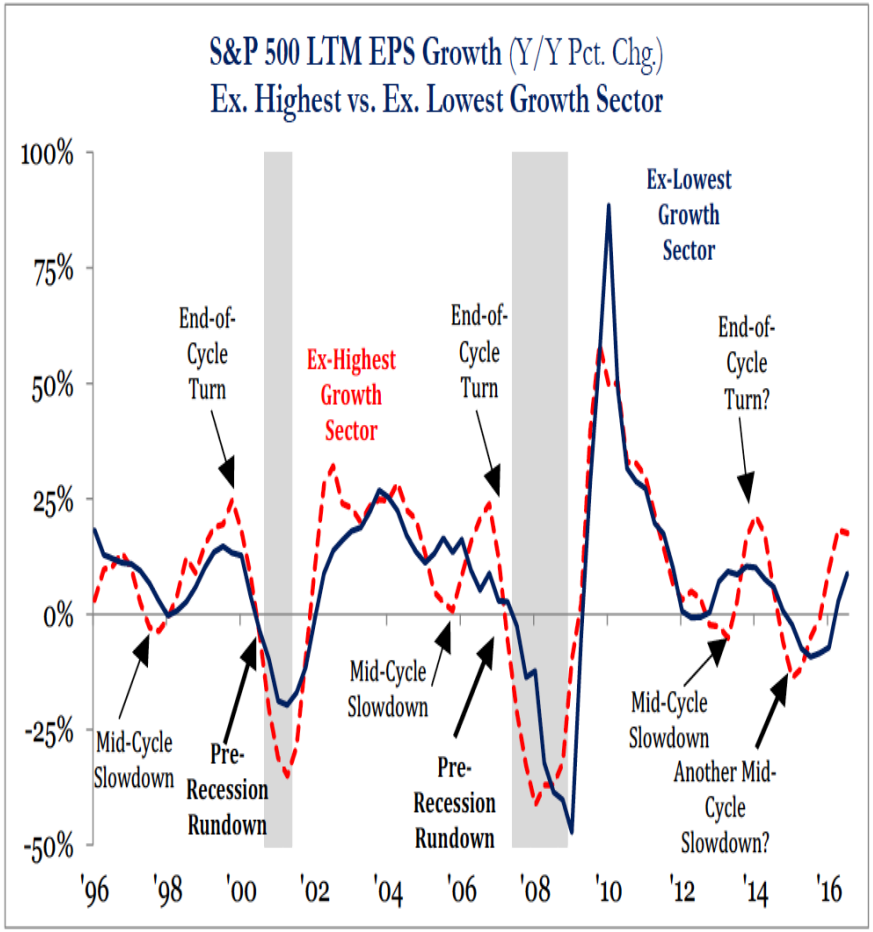
2017 Will Likely Be the First Year of Meaningful Earnings Growth Since 2014



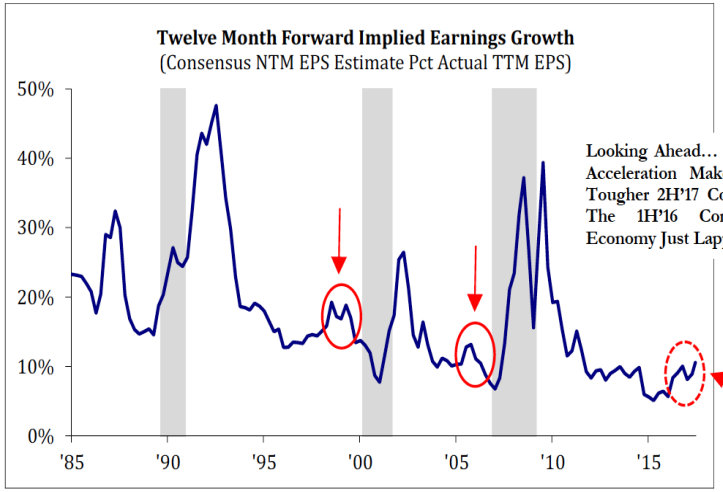
Source(s): Strategas

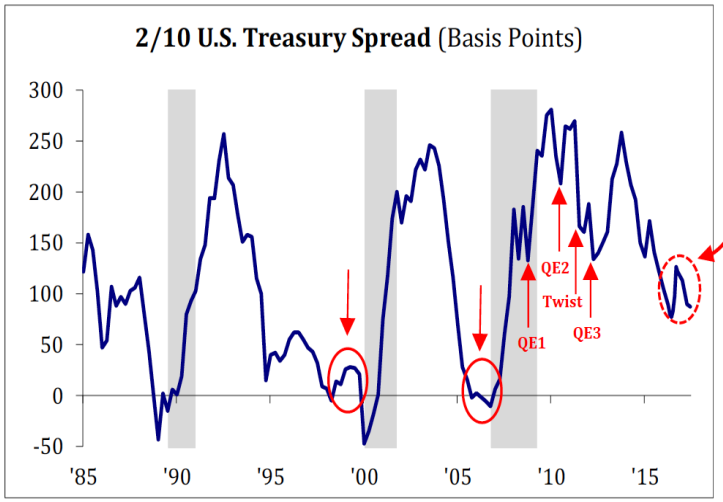
S&P 500 EPS Show Signs Of Fatigue, 2nd Slowdown

Excluding Strongest Sector (Energy), Earnings Showing Fatigue



The Most Important Charts We Watch: Earnings & Credit Curves Diverging; Earnings Curve Remains Bullish

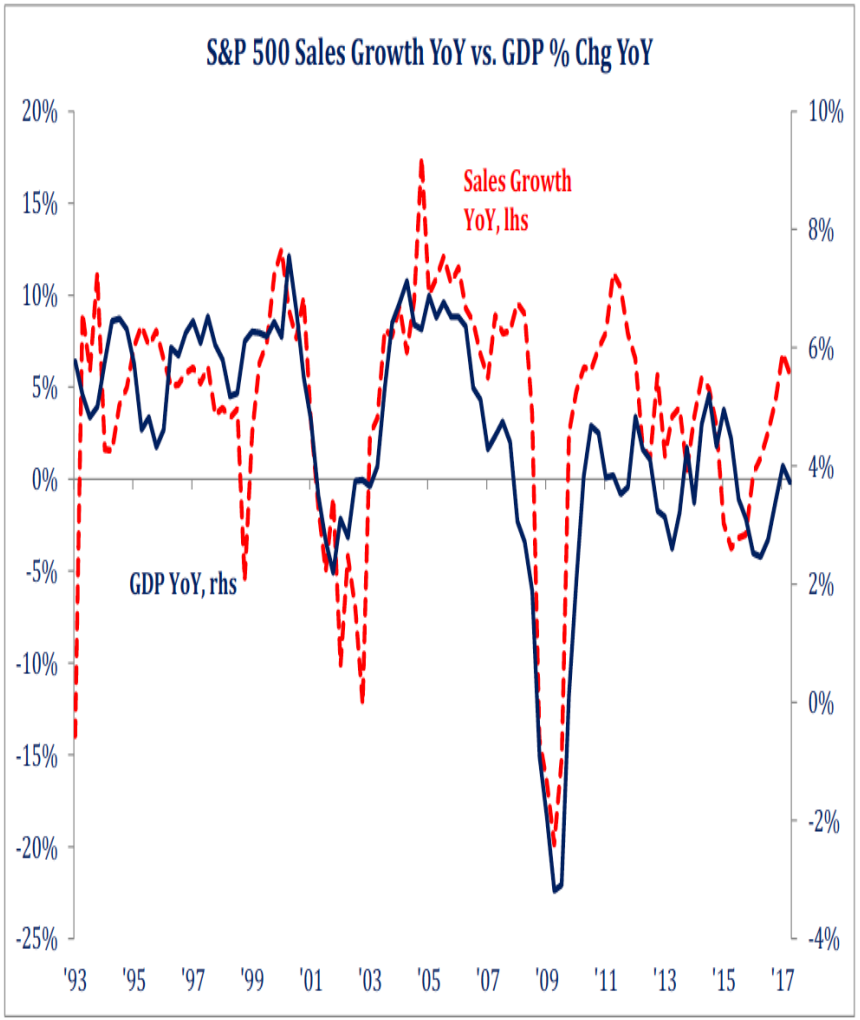


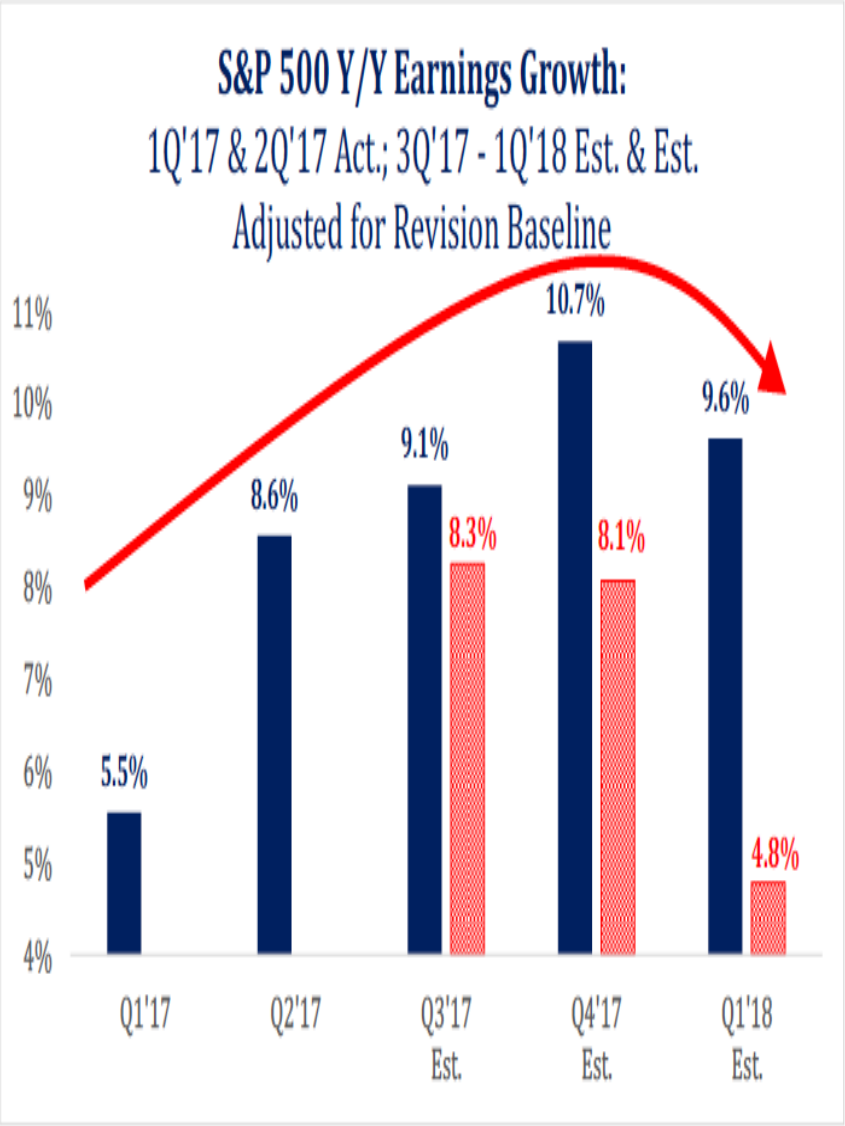


Source(s): Strategas

S&P 500 Sales & EPS Growth Looks To Be Topping

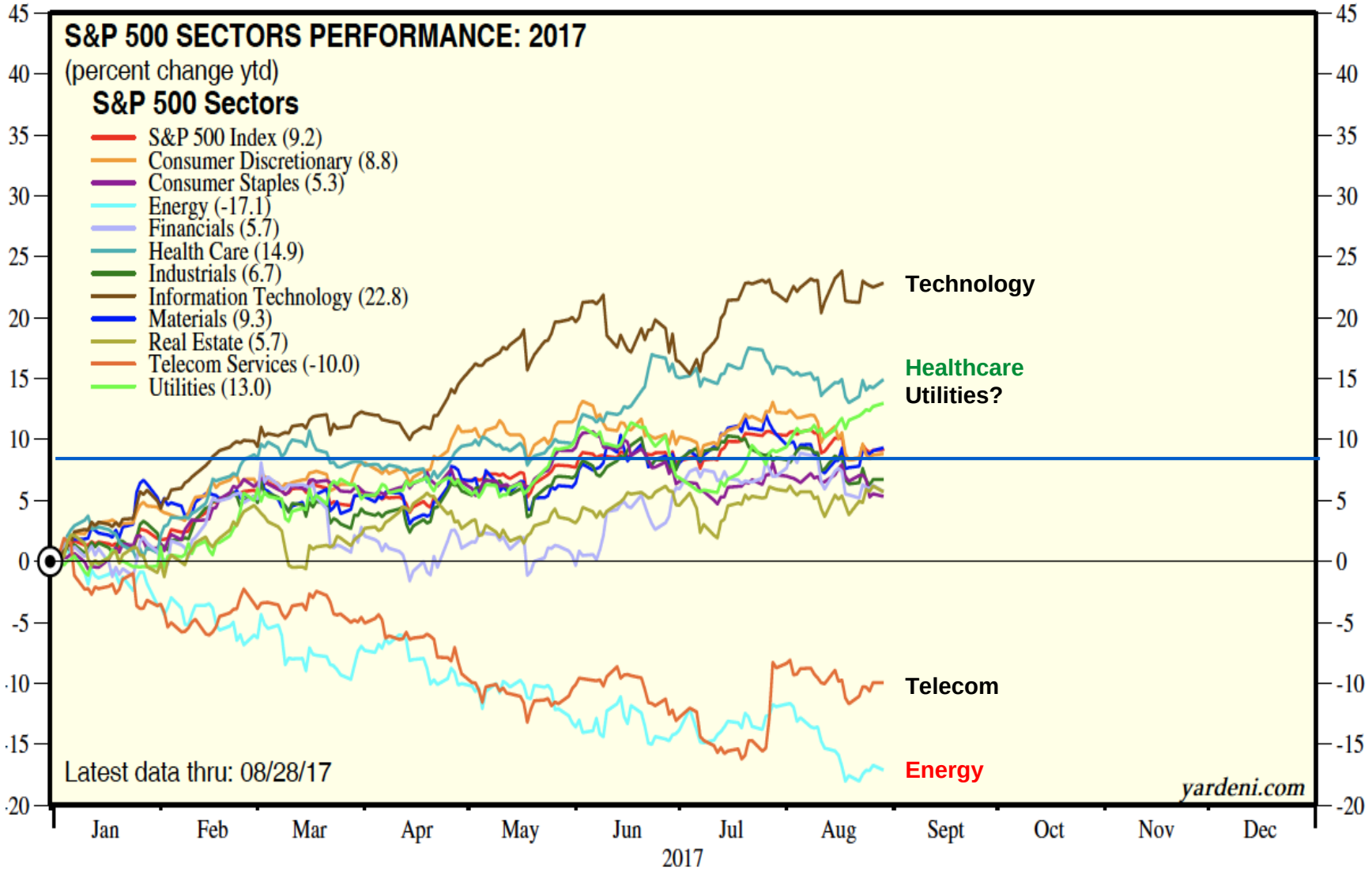
Sales Growth & GDP Look Toppy…





Source(s): Strategas

Equities Been Strong, Tech Bubbly, Now Defensives Rise



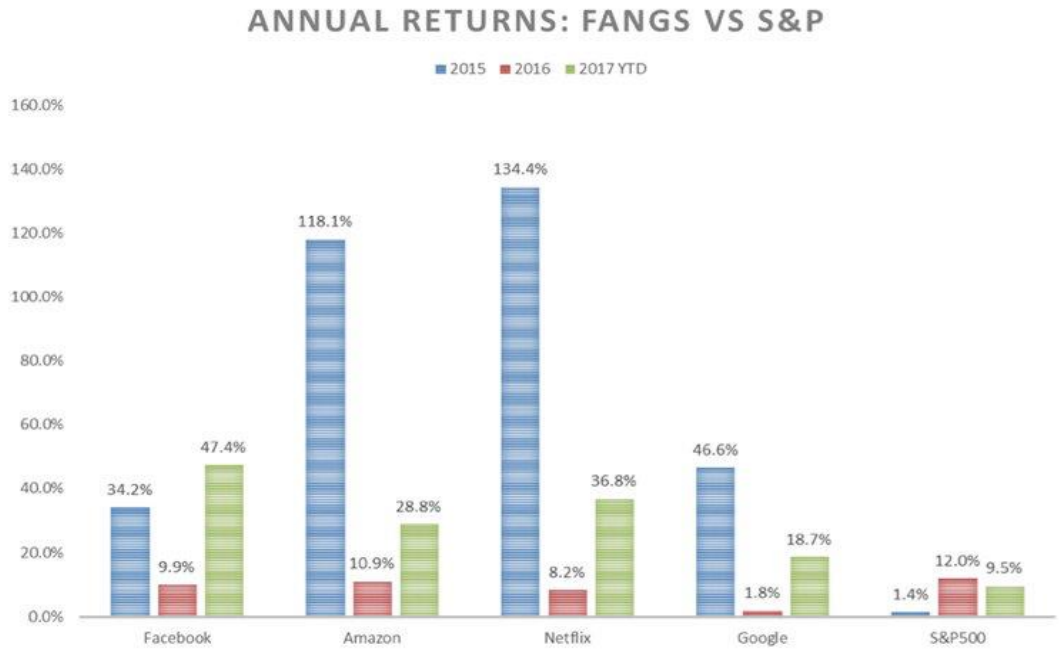
Source: Standard & Poor's.

Source(s): Yardeni.com

#FANG Sowing Seeds Of Own Demise? They Always Bite

8/25/2017

Too FANGtastic for their own good - Real Vision

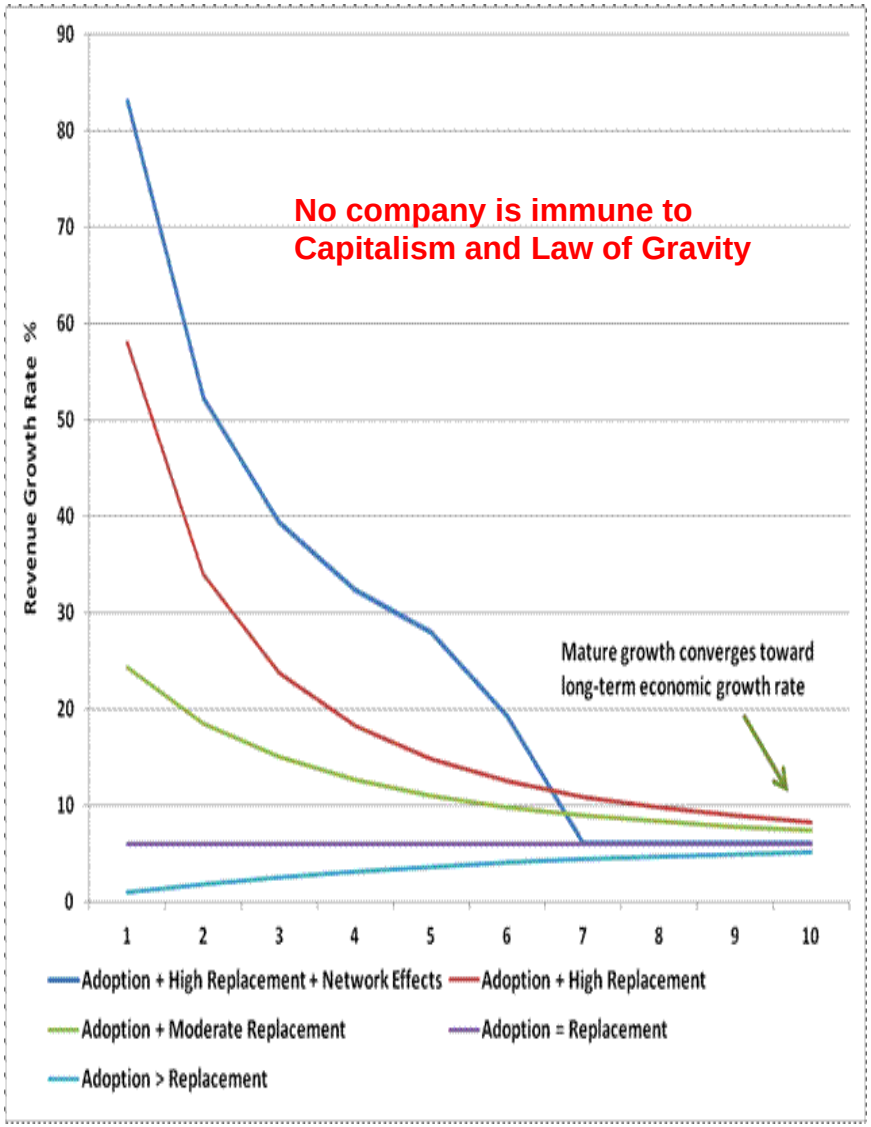


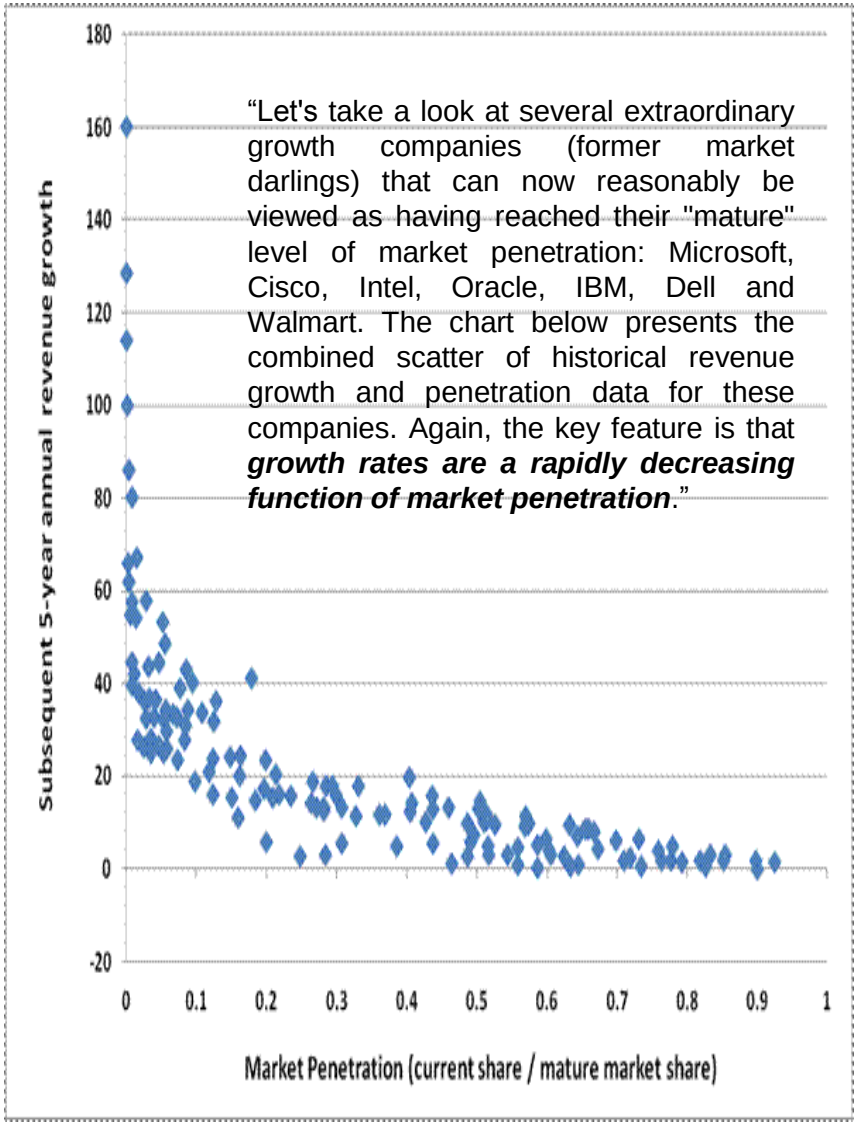
The FANG stocks are under threat – could now be the time to shift to a long-term bearish outlook? Jesse Felder thinks so: Threats to the digital advertising market are emerging from ineffective campaigns that fail to deliver tangible results. Big-spending consumer staples groups like Proctor & Gamble are pulling the plug.

Furthermore, the deployment of unethical marketing tactics by Facebook and Google will shift public sentiment against two of the world's most popular brands. Netflix faces new competition from Disney, and Amazon is just everywhere. Is this the pinnacle of FANG-mania and the start of a broader secular decline?

Source(s): @expatviking

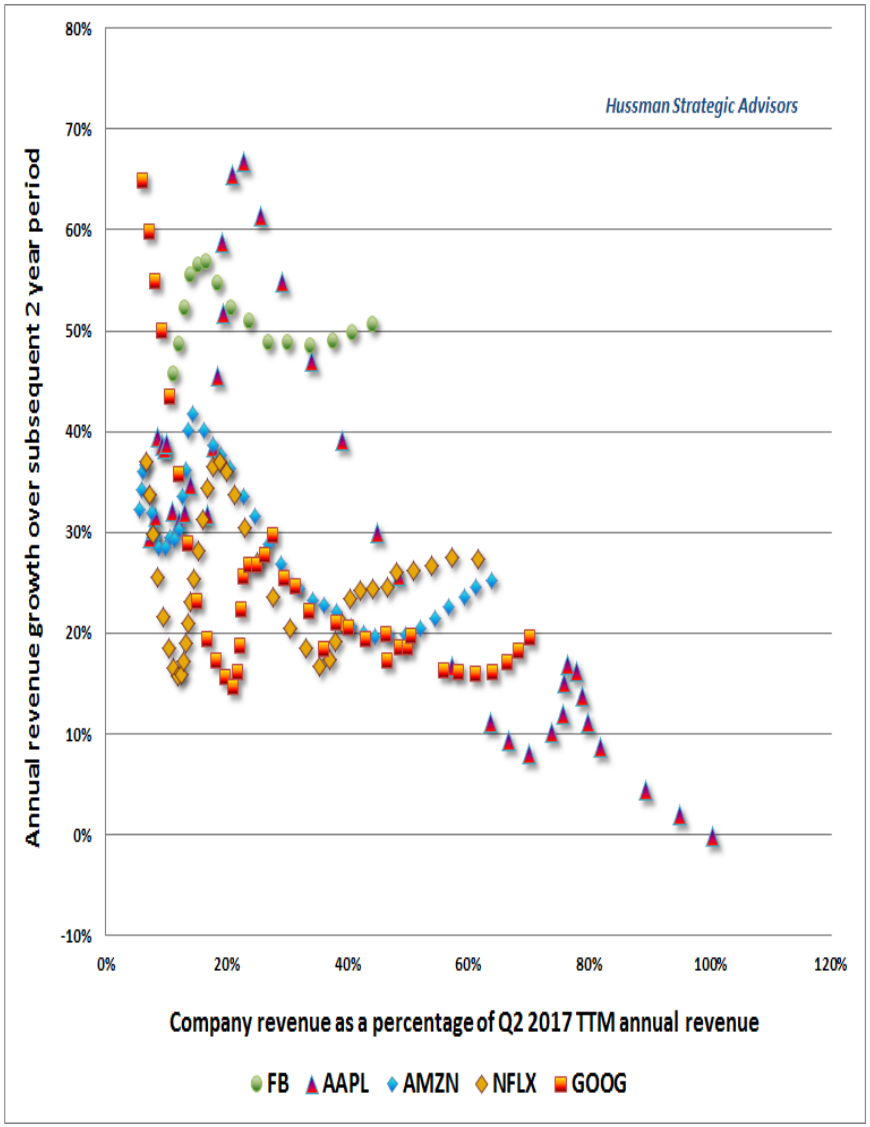
Even Great Cos Growth Rate Falls As Market Share Rises

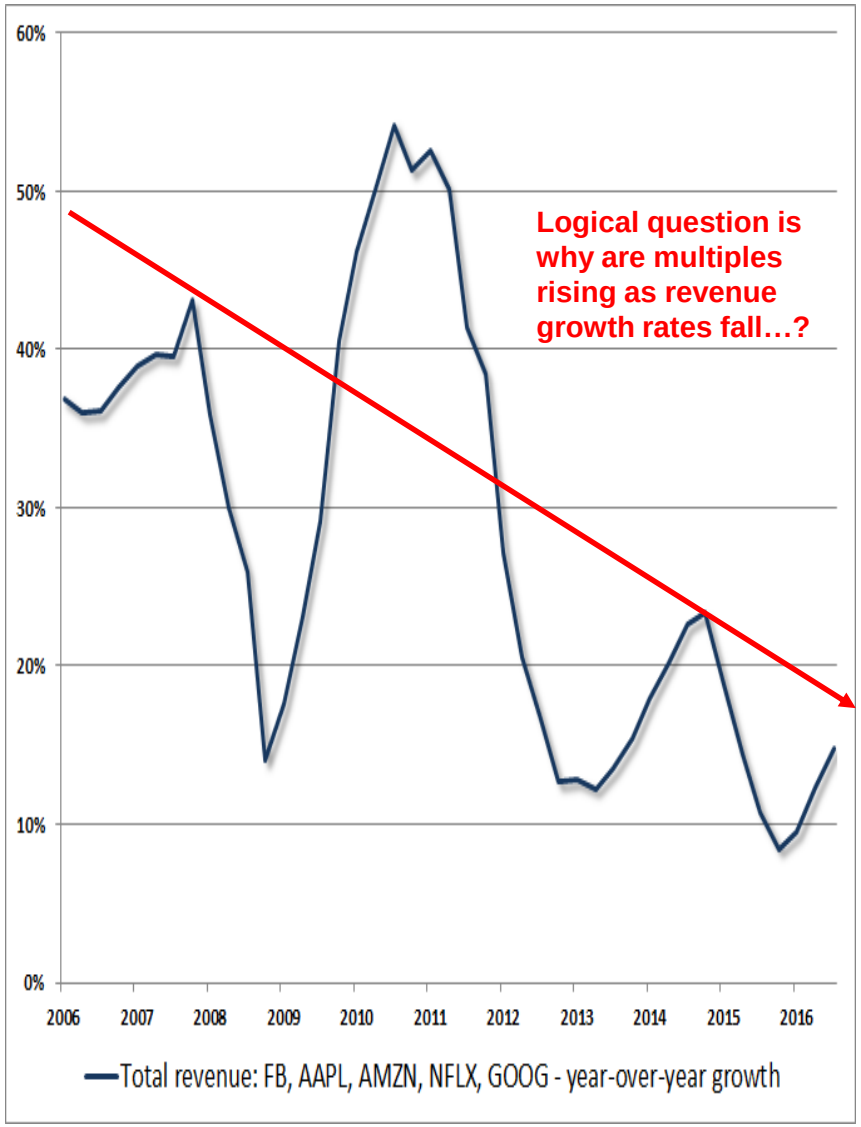




Source(s): HussmanFunds.com

#FANG Is Not Exception To Rule, Will Follow AAPL Path

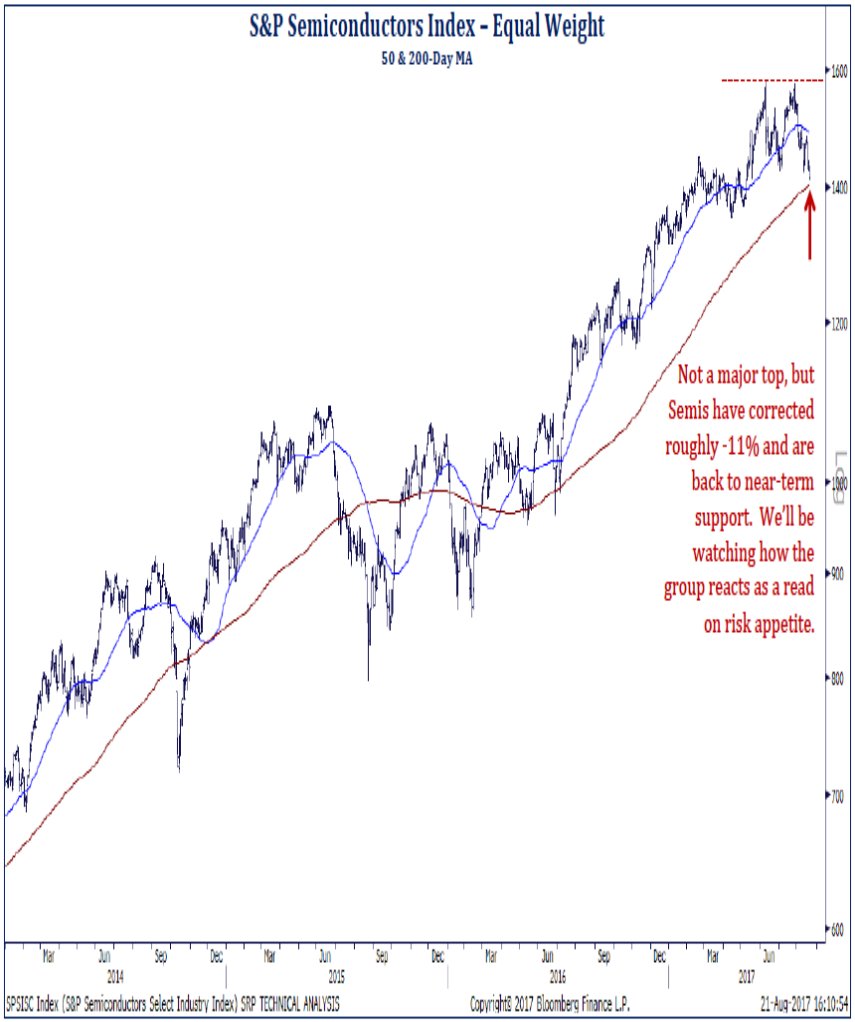




Source(s): HussmanFunds.com

Technology Suddenly Hits Wall, Maybe Valuation Matters

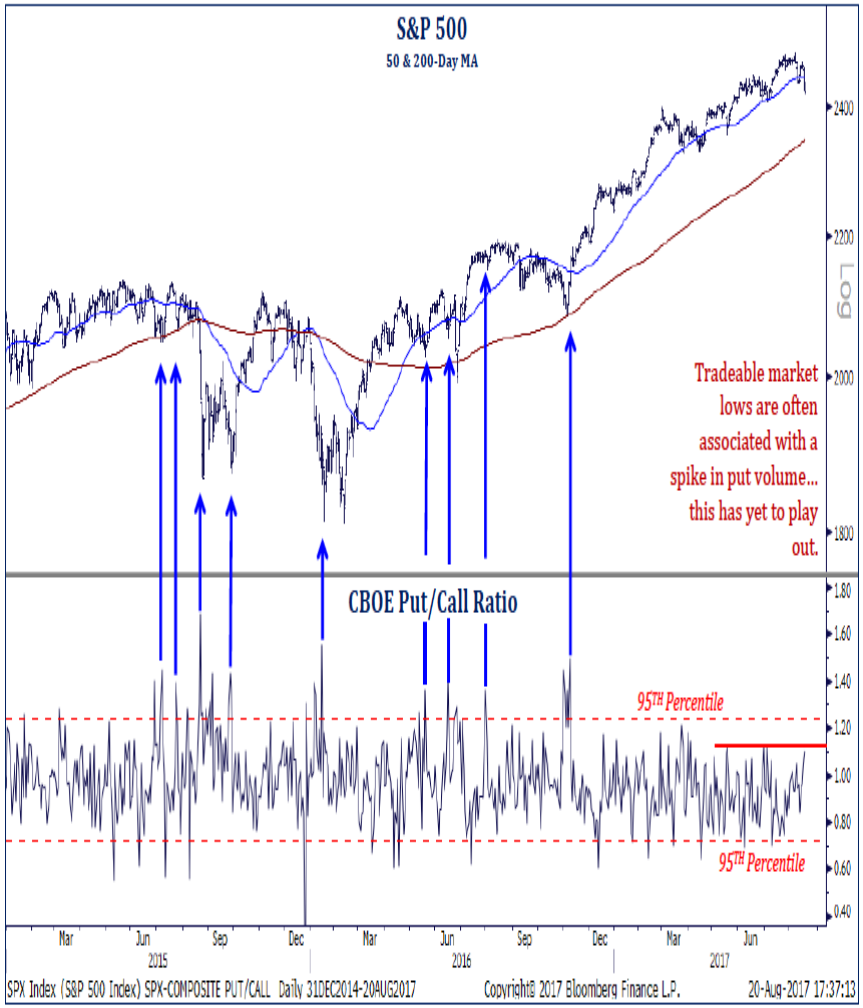
KEY SPOT FOR THE SEMIS HERE



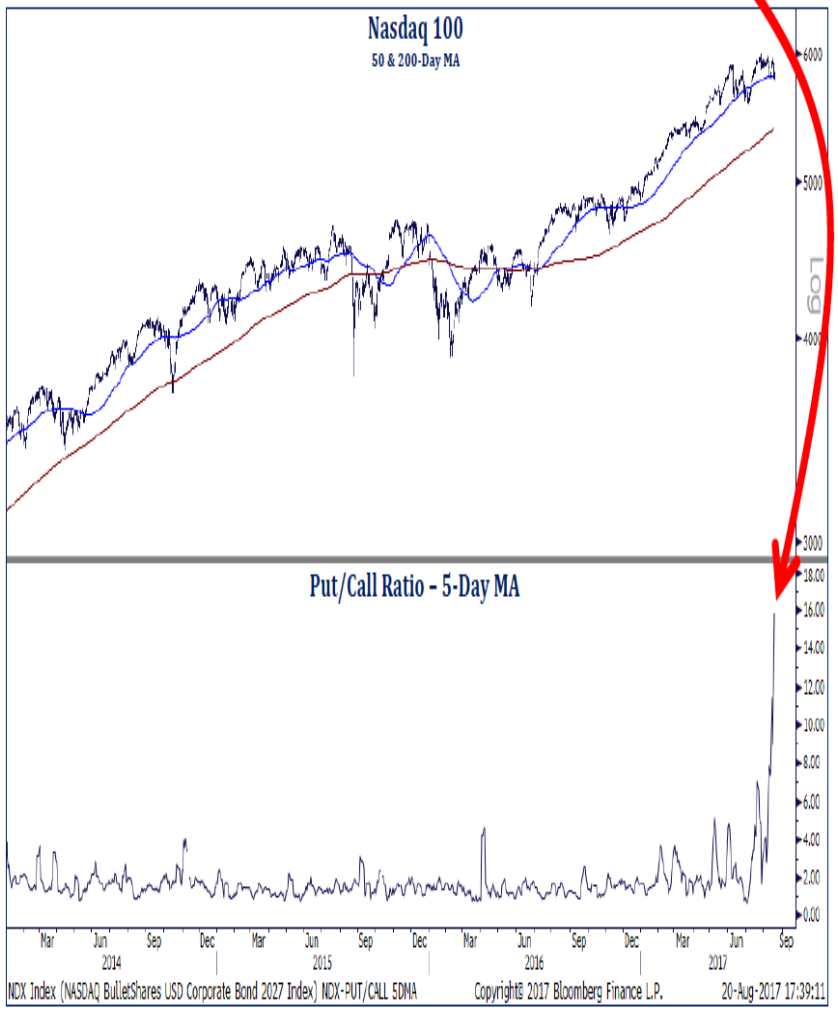
Source(s): Strategas, GMI

S&P Investors Not Hedging, While Tech Investors Active

NOT MUCH OF A RESPONSE FROM PUT/CALLS YET



NASDAQ 100 PUT/CALL RATIO IS FAR MORE EXTREME

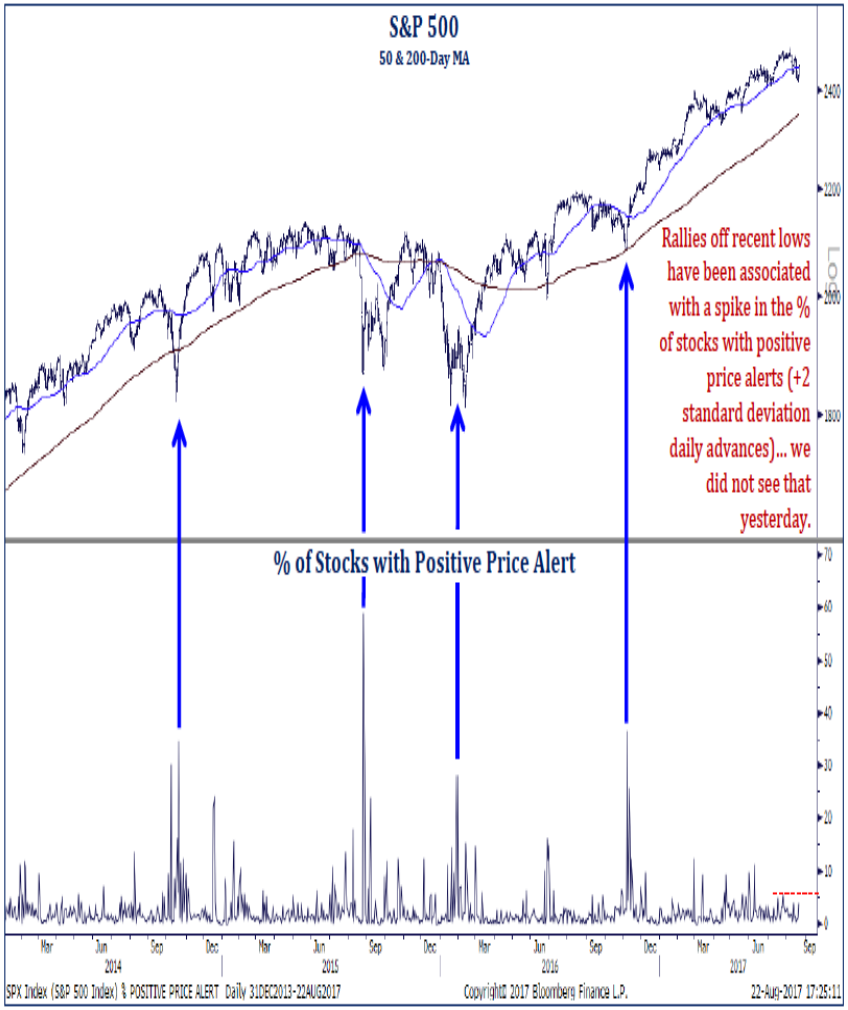


Source(s): Strategas

S&P 500 Breadth Deteriorating, Momentum Now Fading

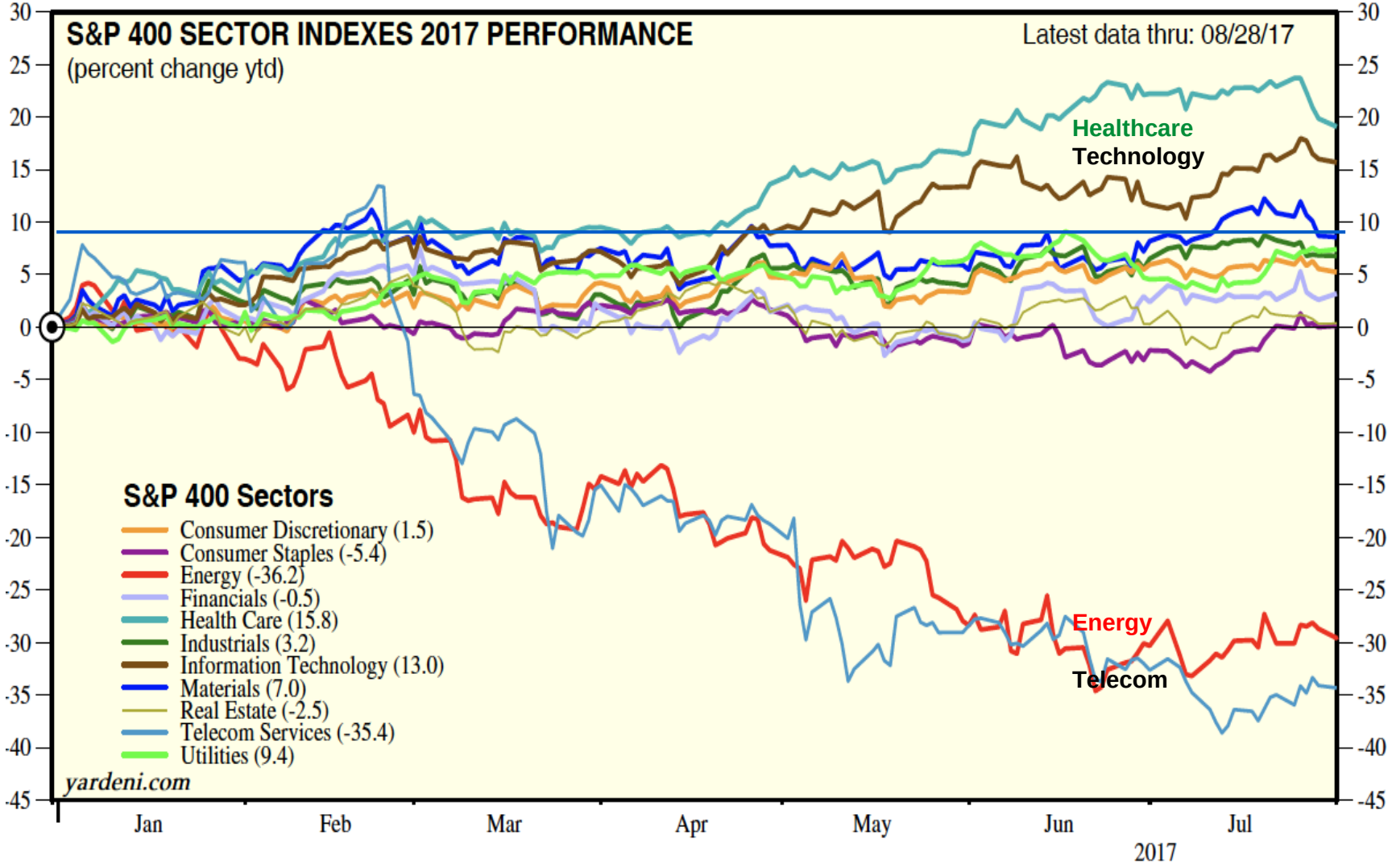
BREADTH DECENT, NOT EXCEPTIONAL YESTERDAY

INTERNALS NOT CONVINCING YESTERDAY



Source(s): Strategas

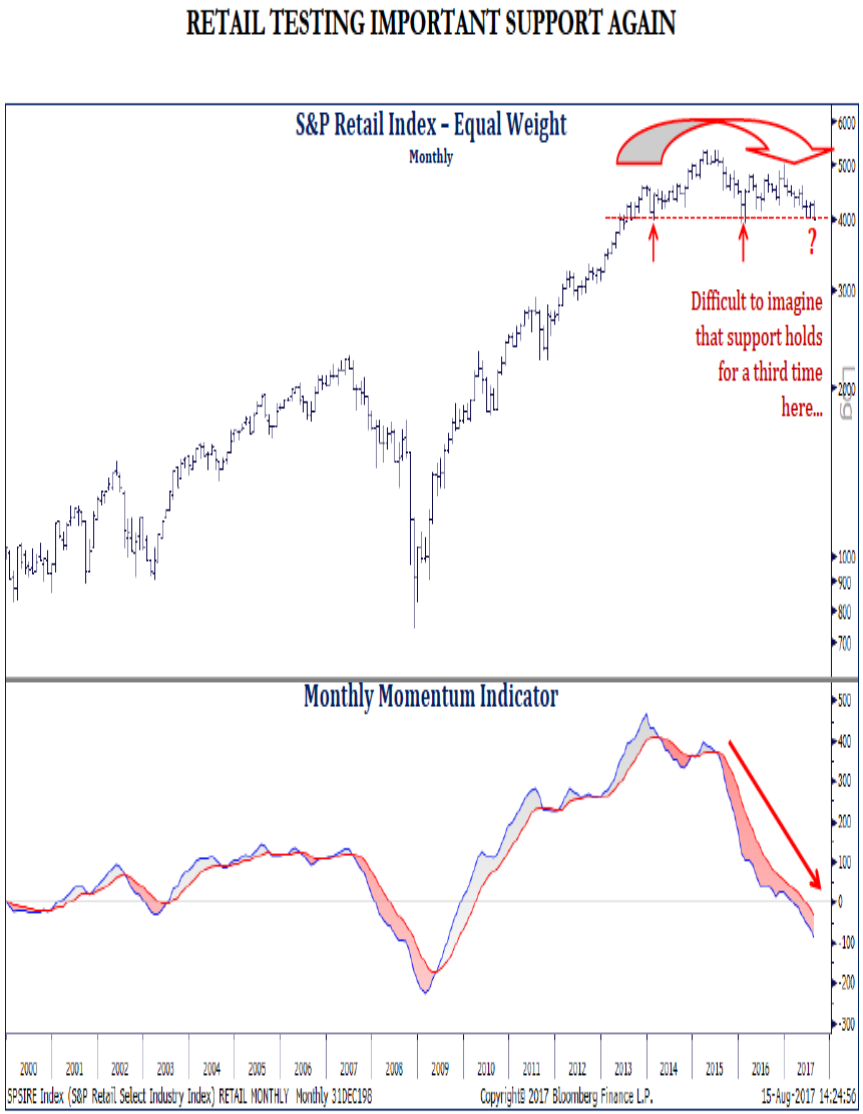
Dispersion Across Mid-Cap Equity Sectors Is Dramatic

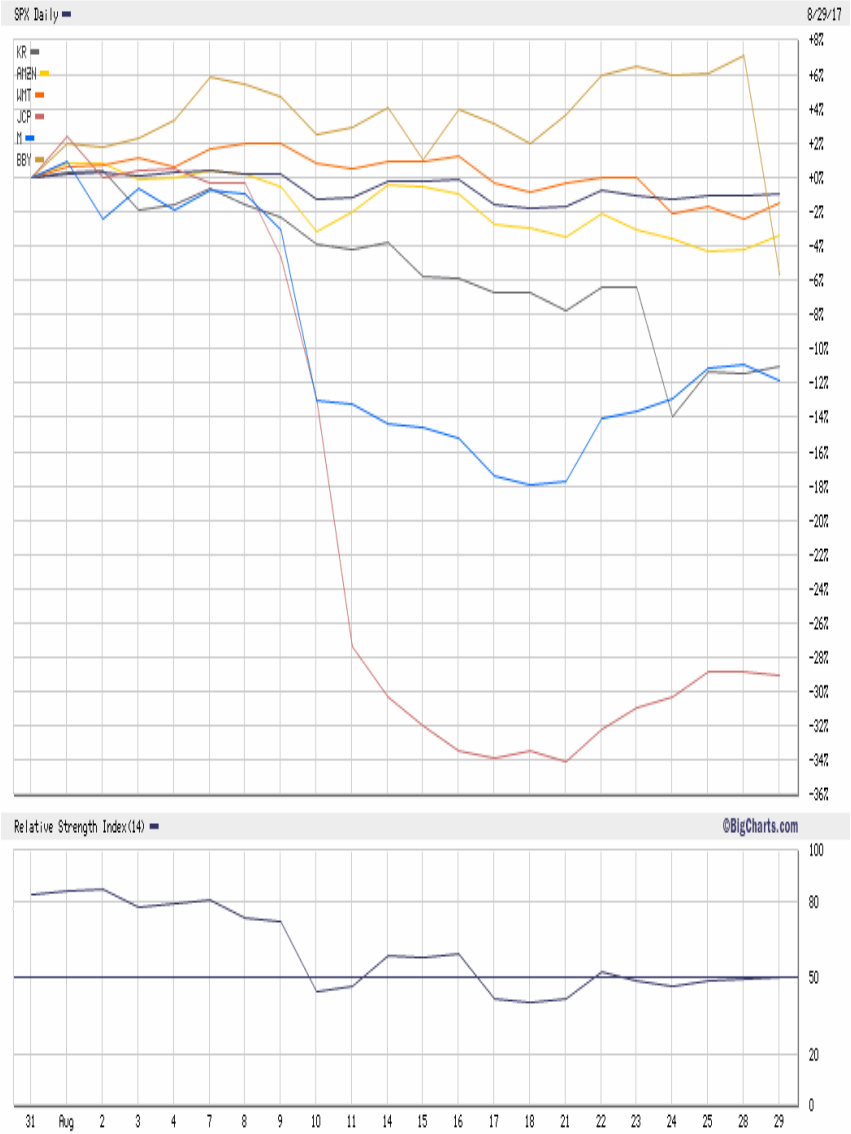


Source: Standard & Poor's Corporation.

Source(s): Yardeni.com

Retail Nightmare Continues, Not Just AMZN Road Kill…



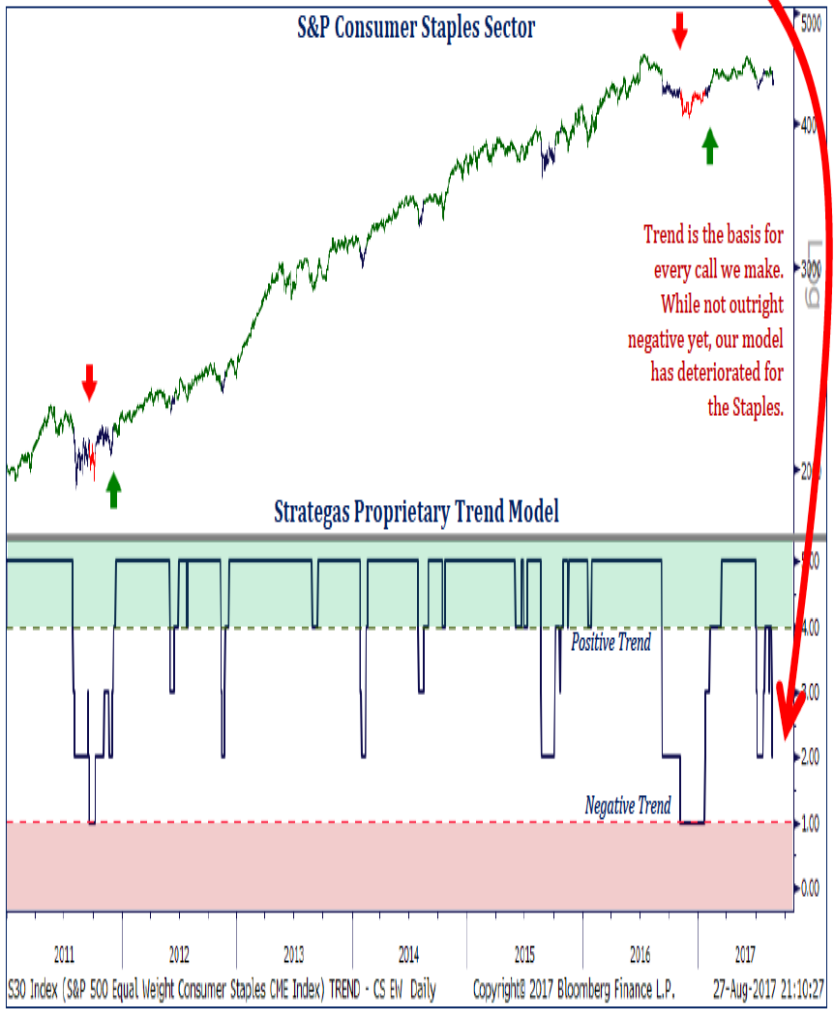


Source(s): Strategas

Consumer Staples Weakening As Consumer Rolls Over

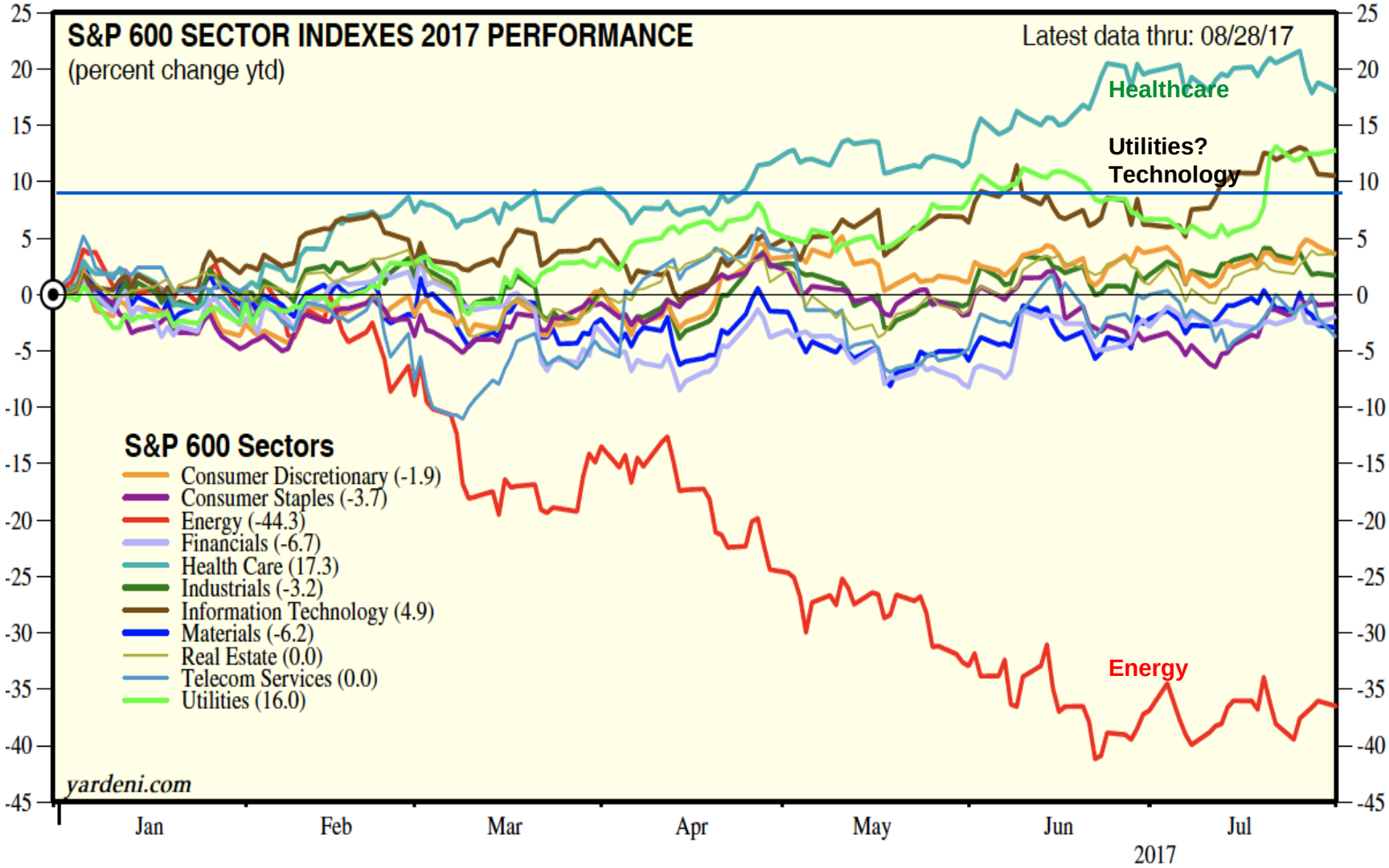
REITERATING BEARISH CONSUMER STAPLES CALL

TREND MODEL WEAKENING FOR CONSUMER STAPLES



Source(s): Strategas

Small-Cap Surprises, Defensives Lead, Energy Crushed

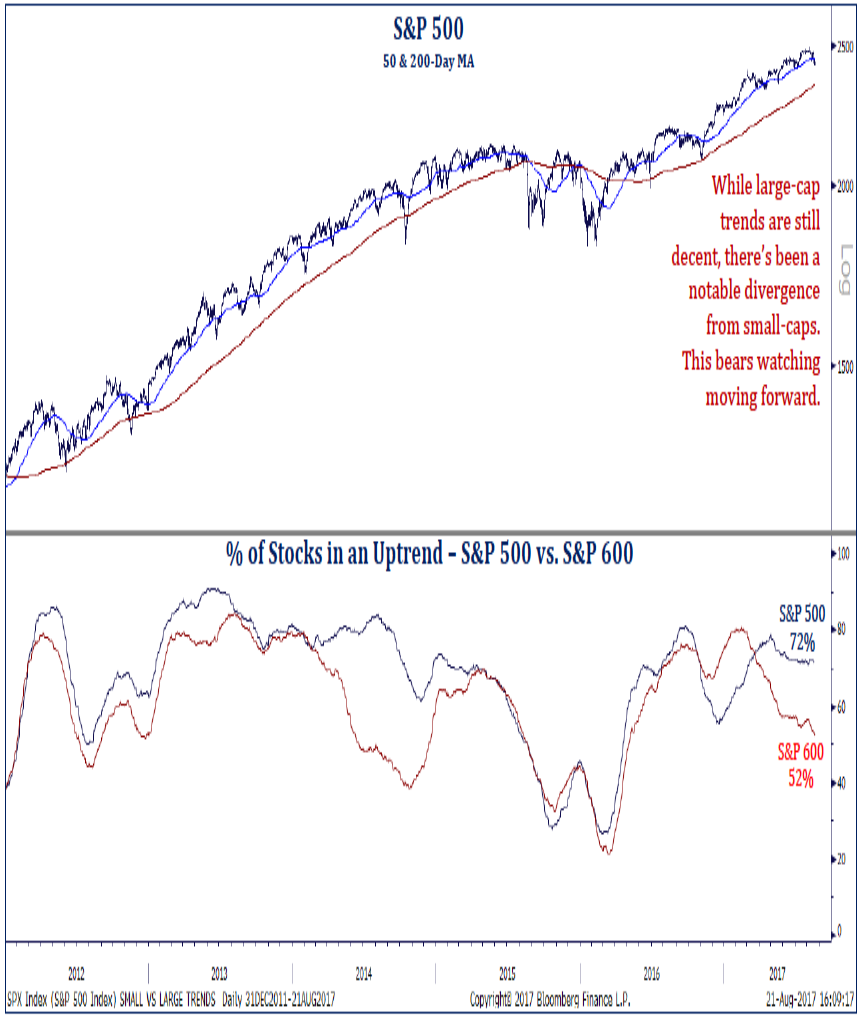


Source: Standard & Poor's Corporation.

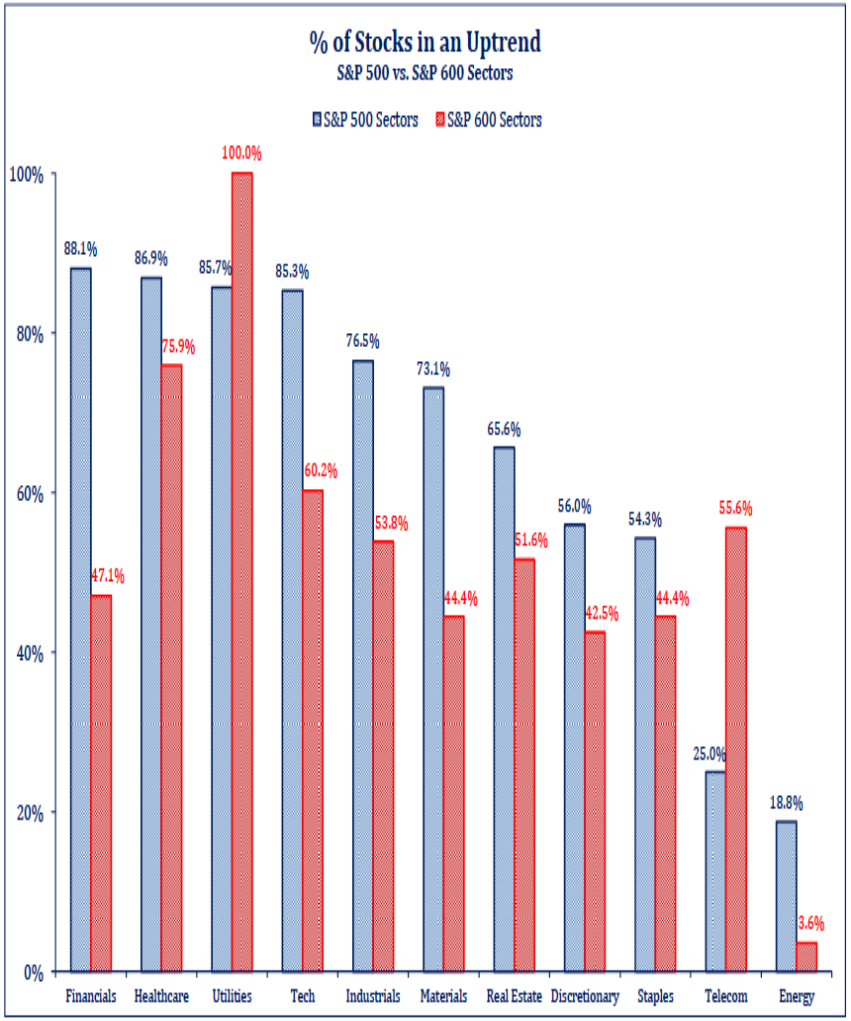
Source(s): Yardeni.com

Small-Cap Stocks Turn Down As Tax Relief Hope Fades

SMALL-CAP TRENDS DIVERGING FROM LARGE-CAP



LARGE & SMALL-CAP TRENDS BY SECTOR... FINANCIALS BIGGEST DIFFERENCE

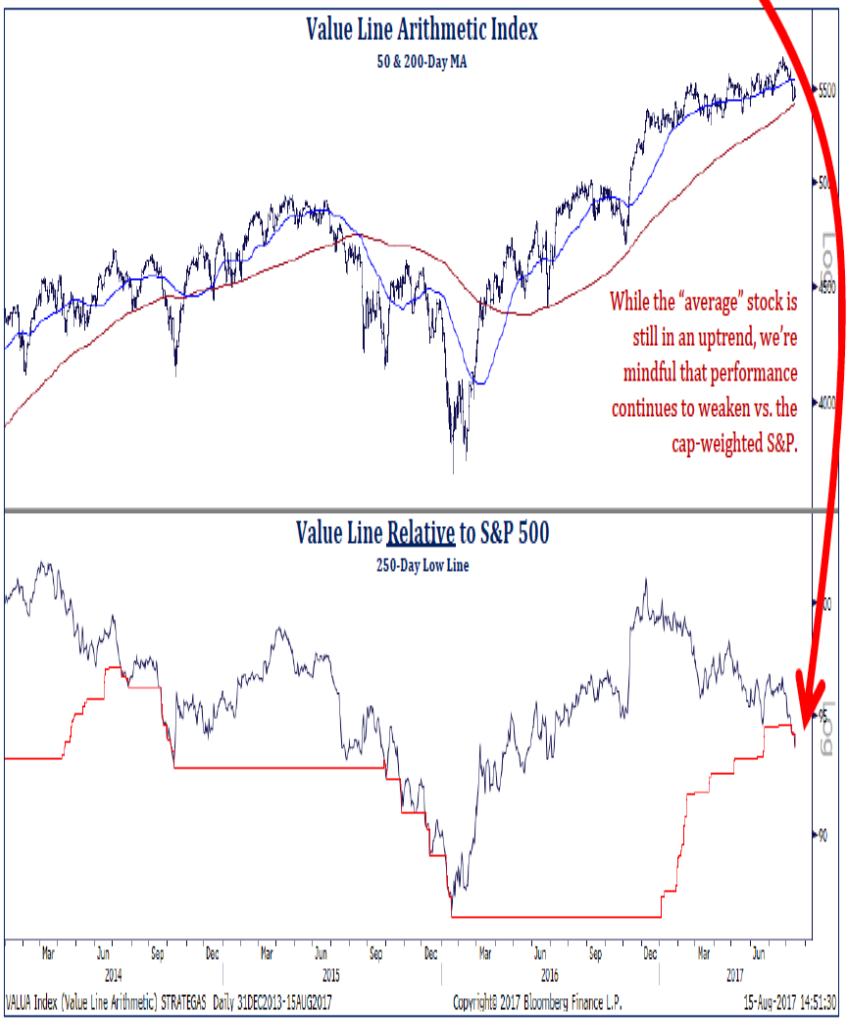


Source(s): Strategas

Small-Caps, Regional Banks In Particular, Turning Down

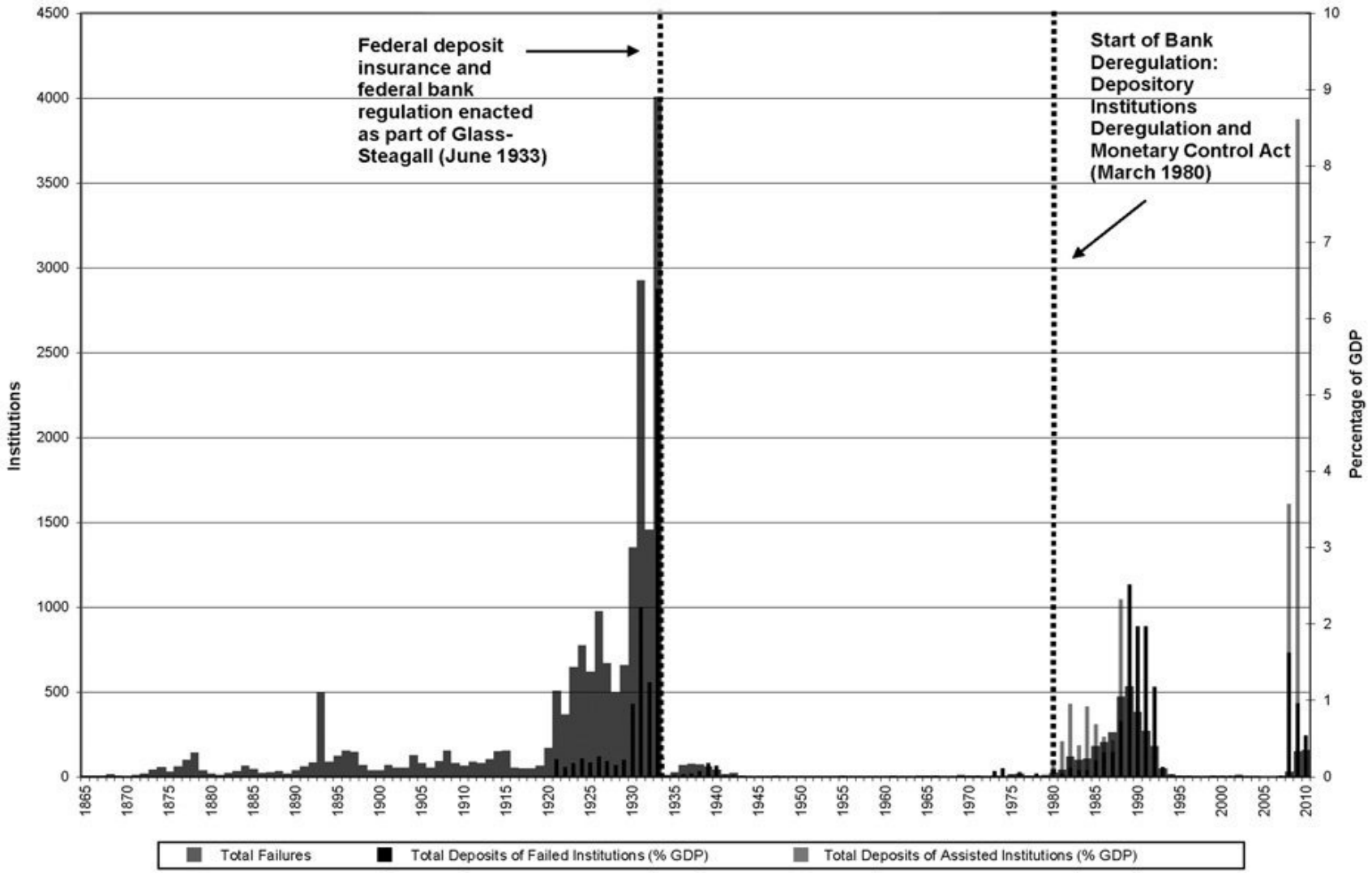
REGIONAL BANKS BREAKING DOWN

THE VALUE LINE INDEX IS STILL UNDERPERFORMING



Source(s): Strategas

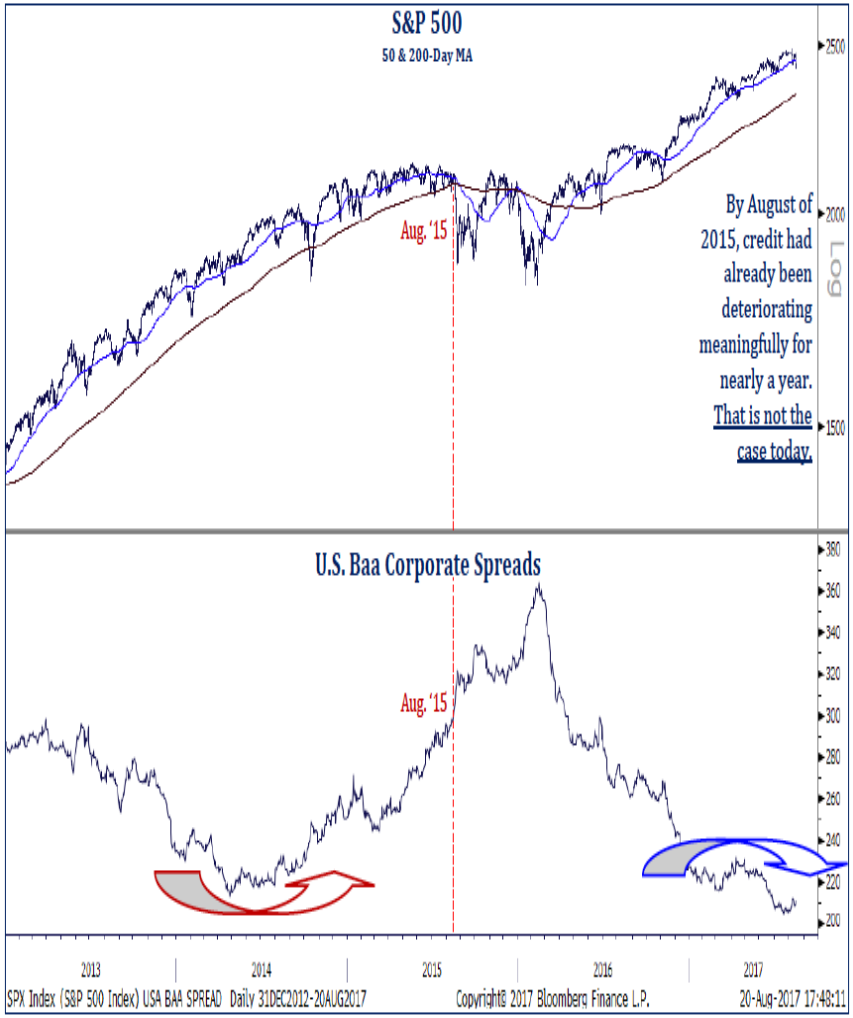
Those Who Ignore the Past are Doomed to Repeat it…



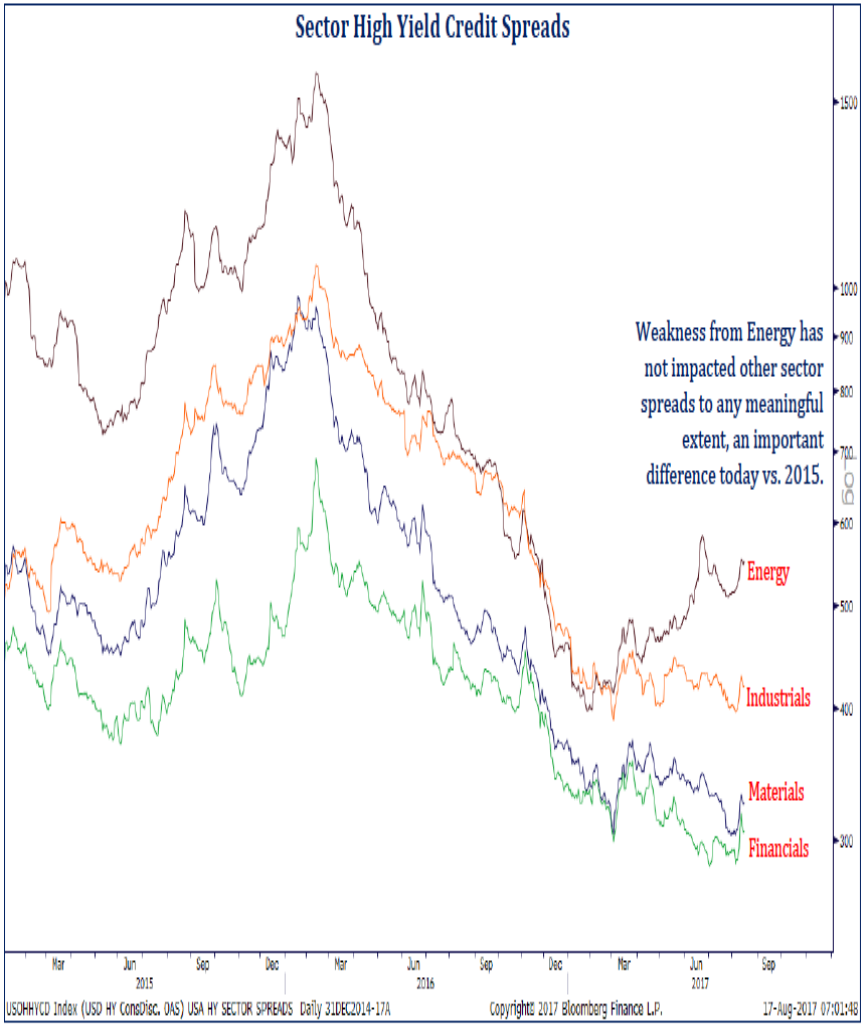
Source(s): @JesseFelder

Credit Backdrop Still Remains Supportive Of Equities

WE GET MORE WORRIED IF CREDIT MEANINGFULLY WEAKENS

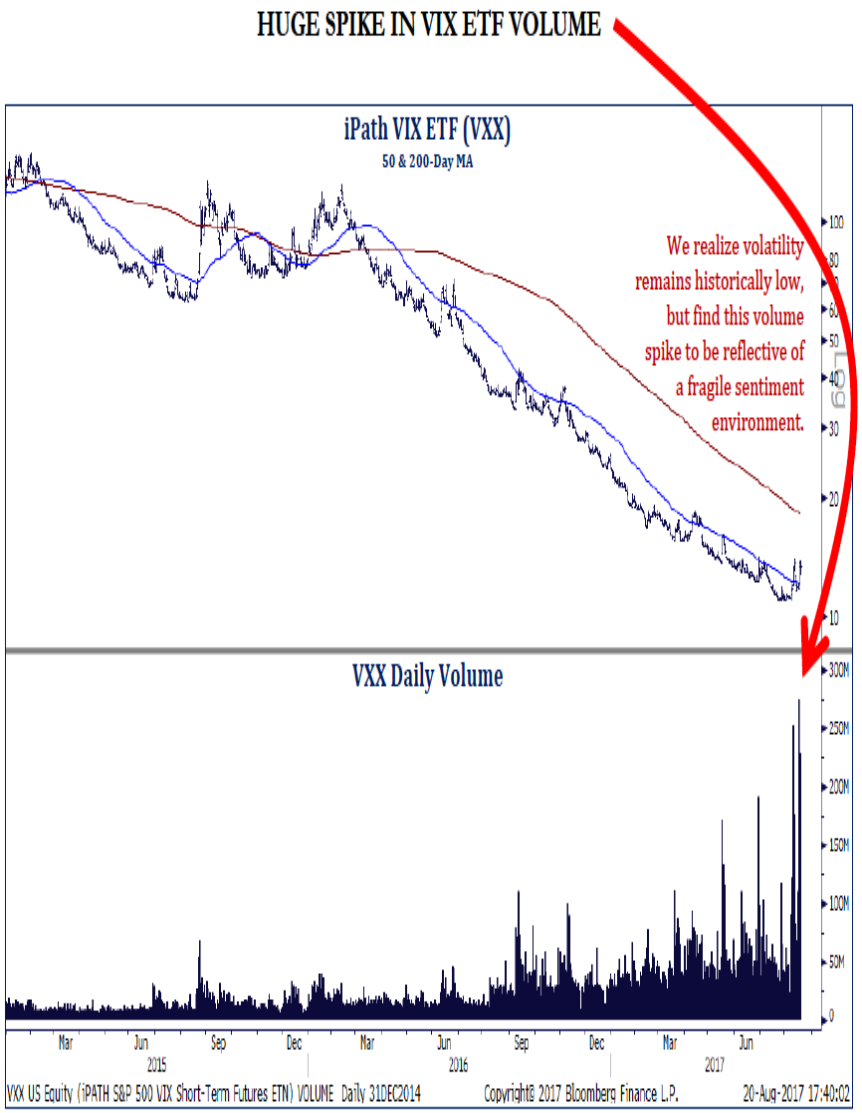


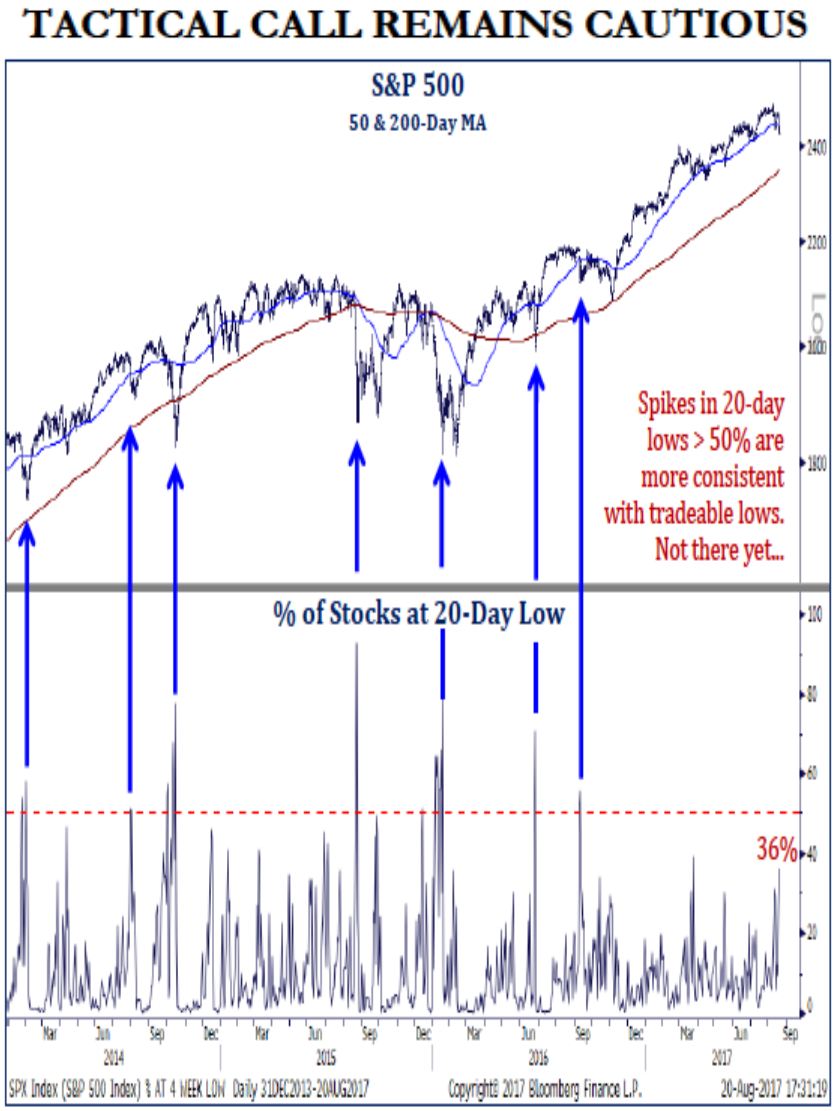
NO MAJOR ISSUES WITH SECTOR HY SPREADS (YET)



Source(s): Strategas

Correction Fear High, Causing Highly Fragile Markets

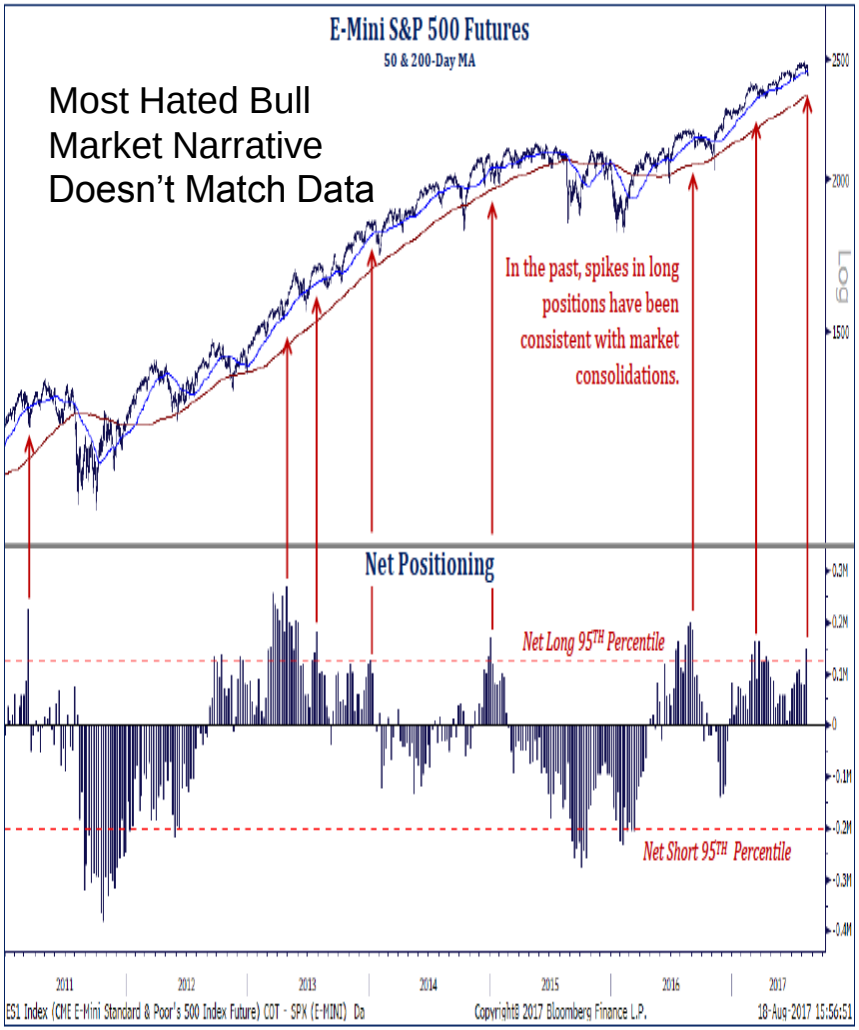




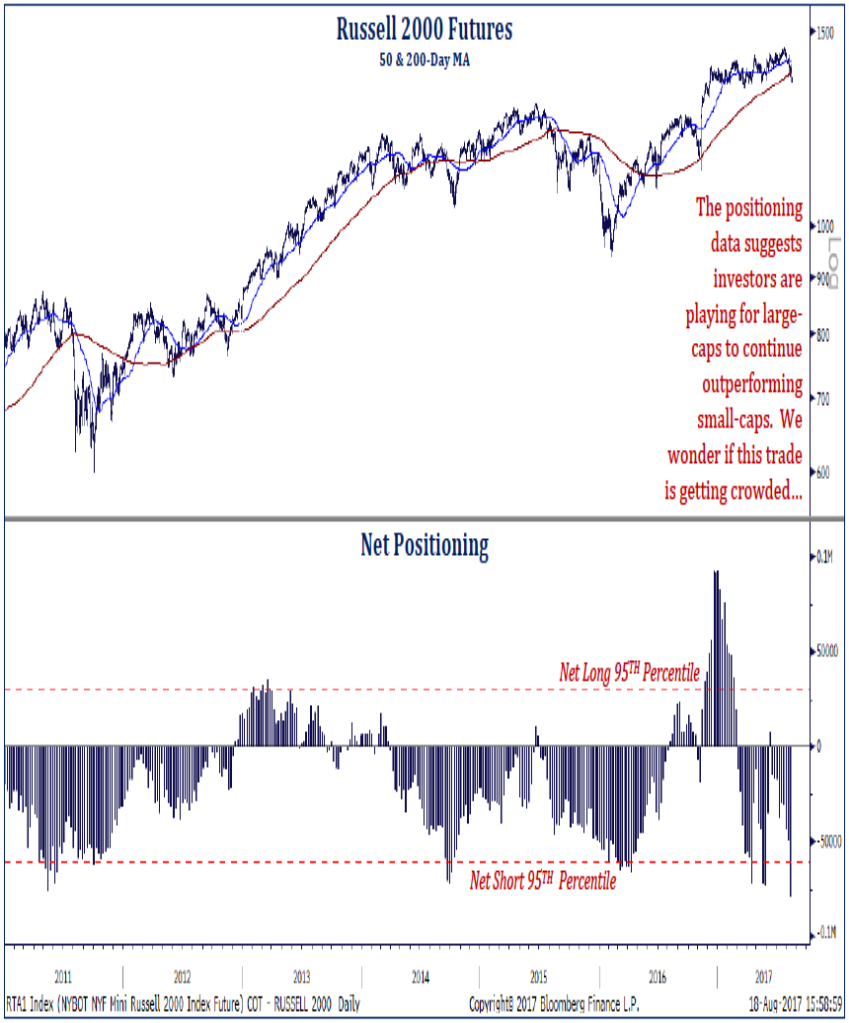
Source(s): Strategas

DIY Hedge Fund Strategy: Long "Quality", Short "Junk"

S&P FUTURES POSITIONING LOOKS AGRESSIVE...



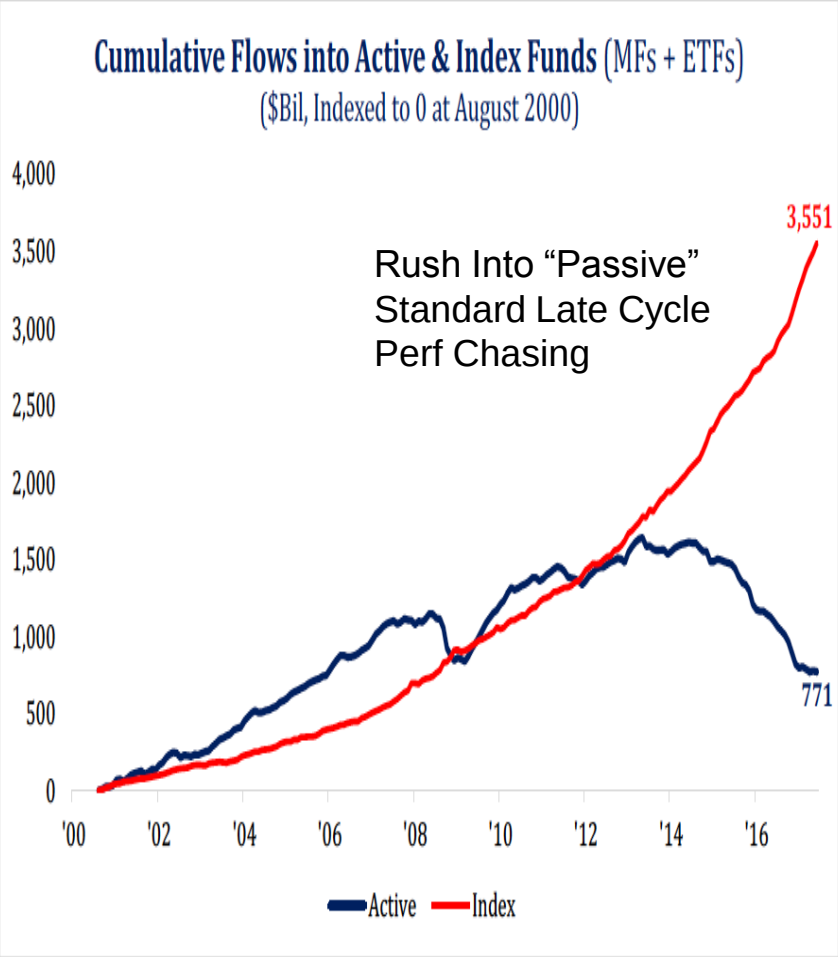
...THOUGH THE STREET IS SHORT SMALL-CAPS



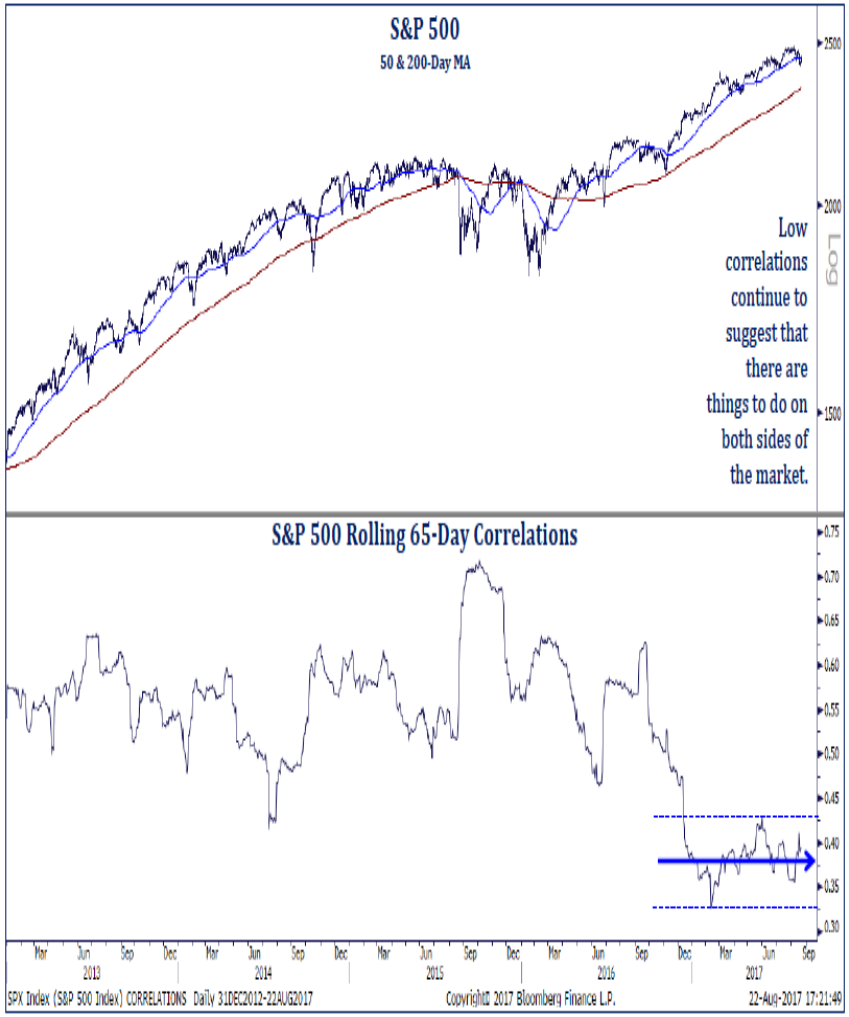
Source(s): Strategas

Lower Equity Correlations Bodes Well For Active Mgmt

REAL PUSH TO INDEX FUNDS BEGAN IN 2013



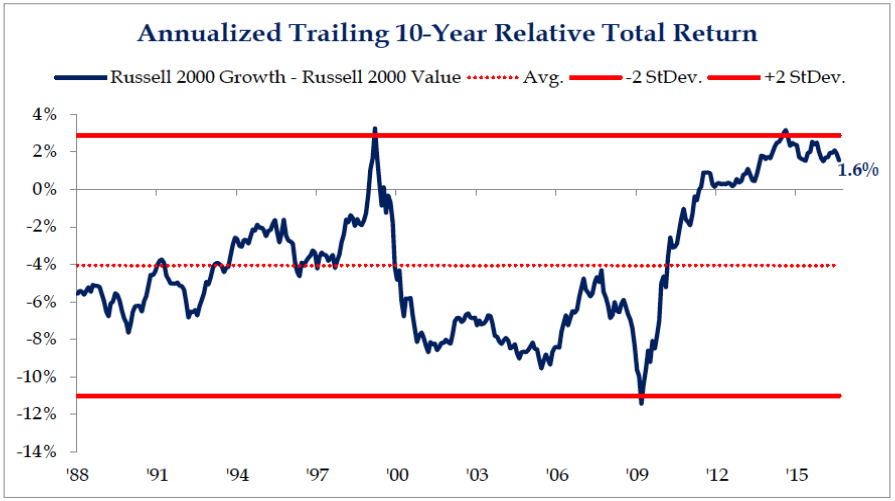
EQUITY CORRELATIONS REMAIN RANGEBOUND AT LOW LEVEL

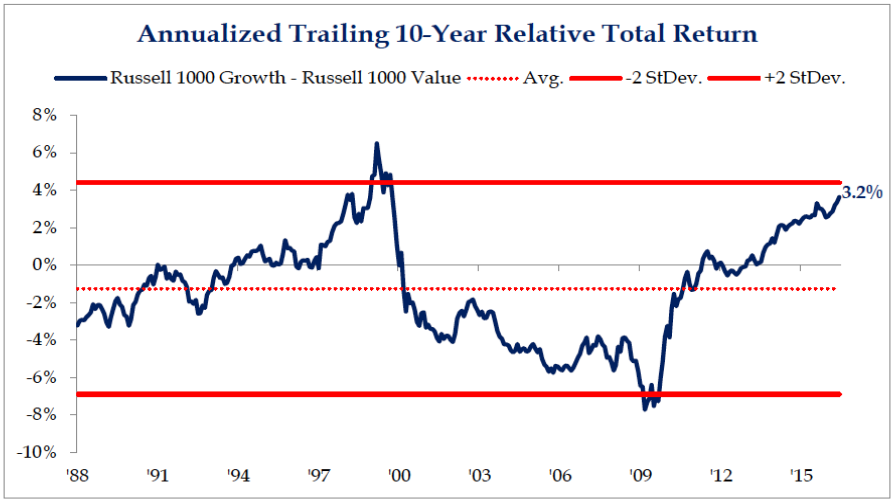


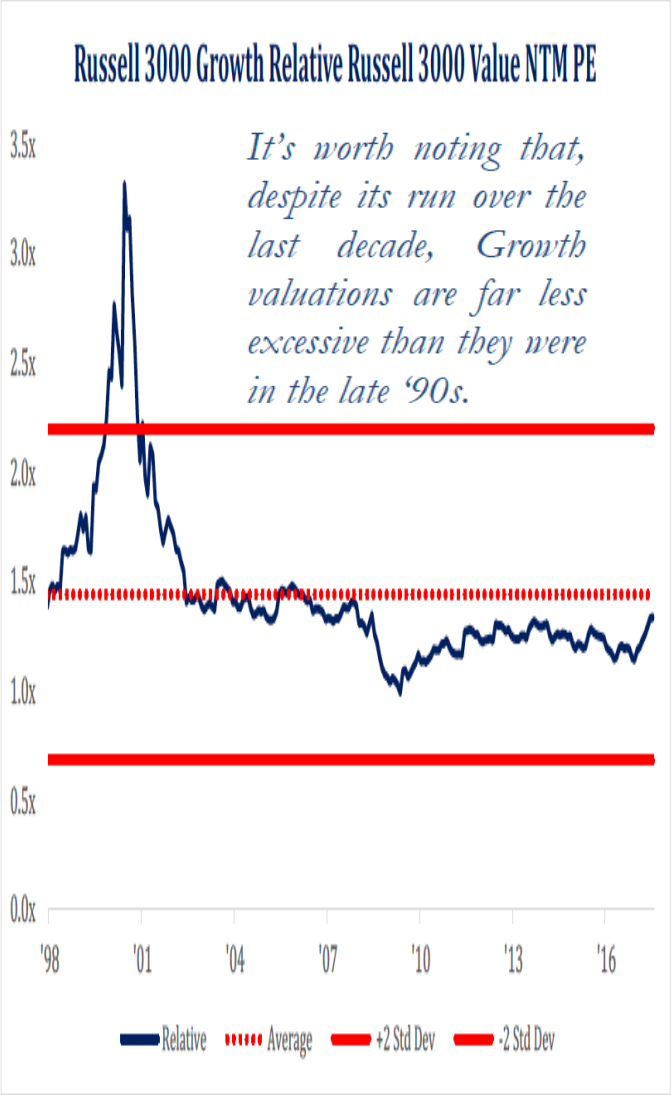
Source(s): Strategas

Value Poised For Comeback Versus Growth Next Decade

VALUE INVESTING POISED FOR A REBOUND; GROWTH'S OUTPERFORMANCE 2 ST. DEV. WIDE vs. VALUE LAST 10 YRS.

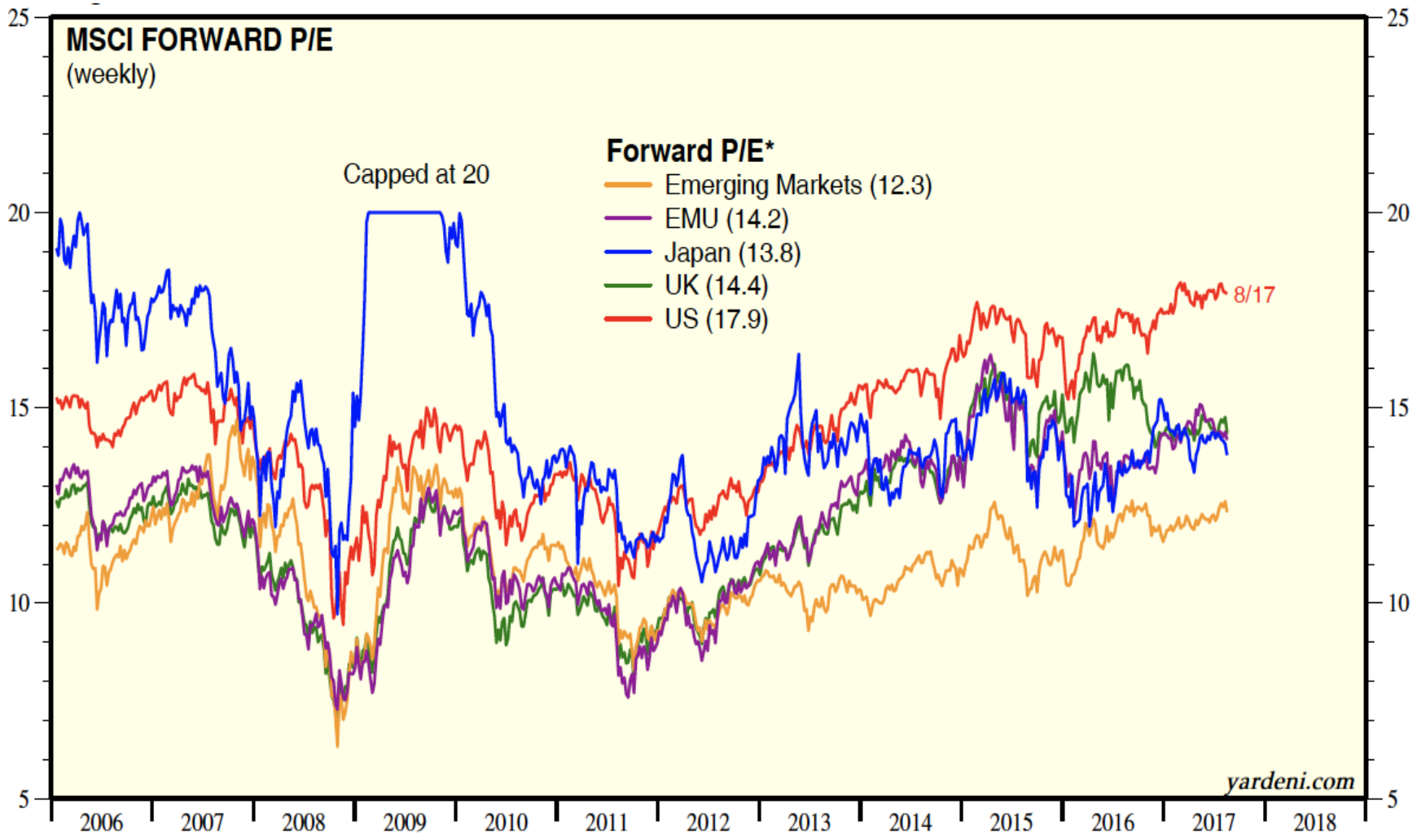






Source(s): Strategas

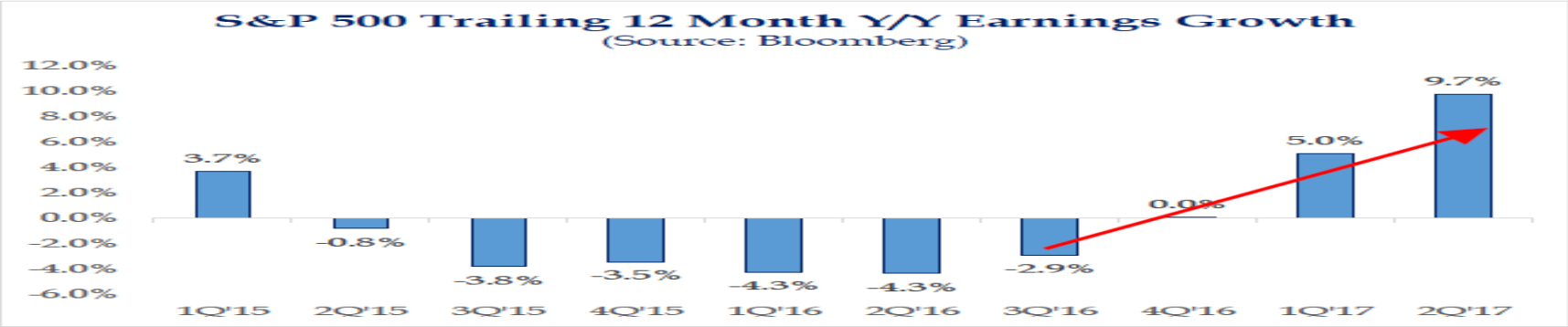
Relative Valuations Favor EM > Japan > Europe > U.S.

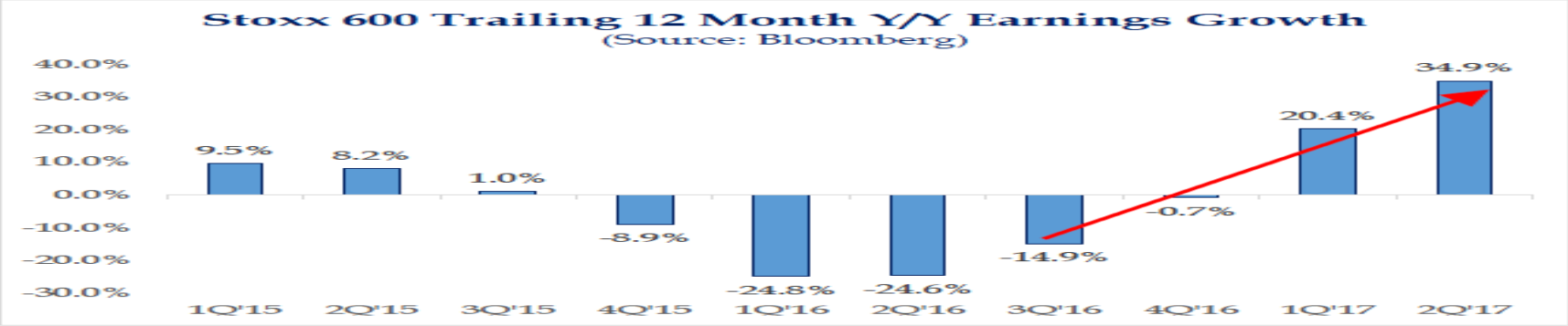


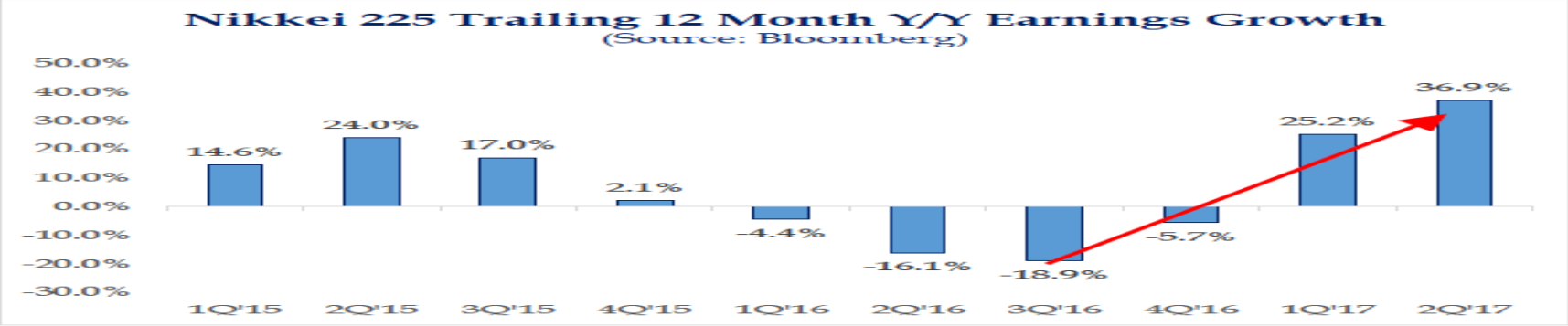
* Price divided by 12-month forward consensus expected operating earnings per share.
Source: Thomson Reuters I/B/E/S.

Source(s): Yardeni.com

Investors Cheer S&P EPS, Paltry Compared To EU/Japan



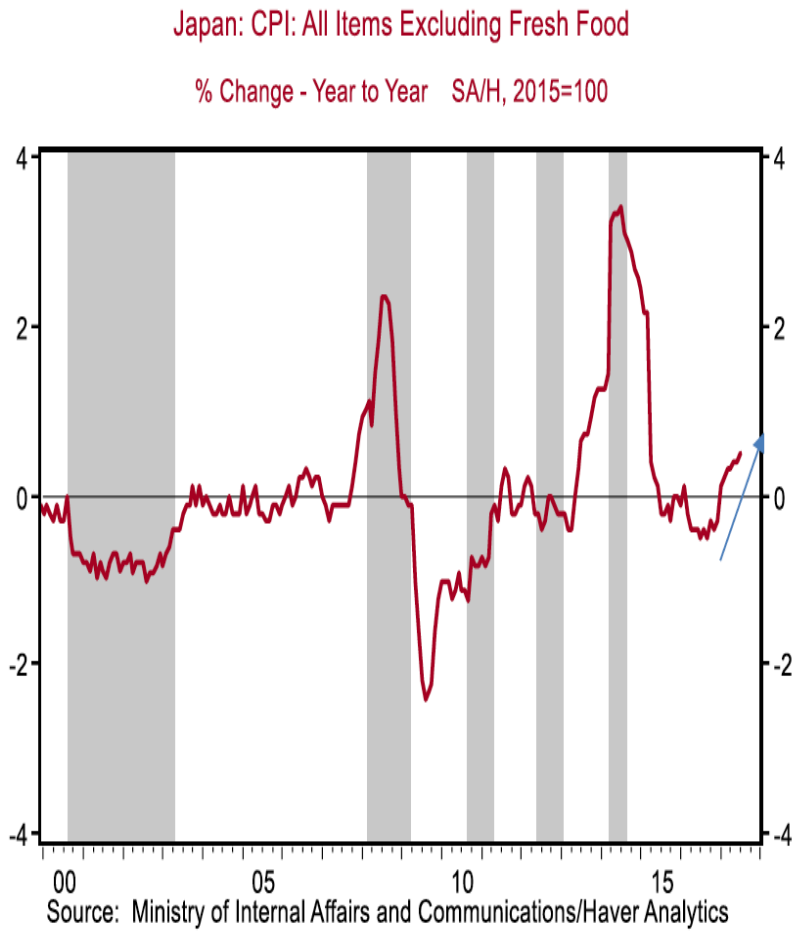




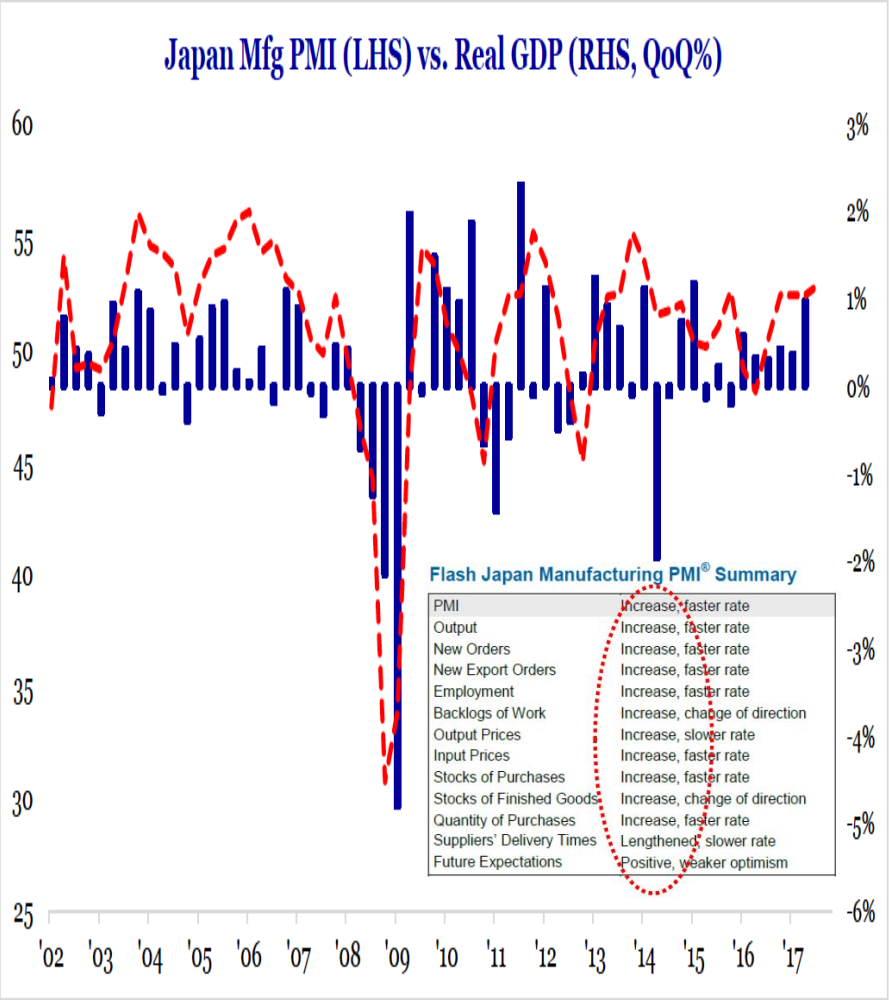
Source(s): Strategas

Abe & Kuroda Still Focused On Reflating Japan Economy

INFLATION ISN'T DEAD IN JAPAN

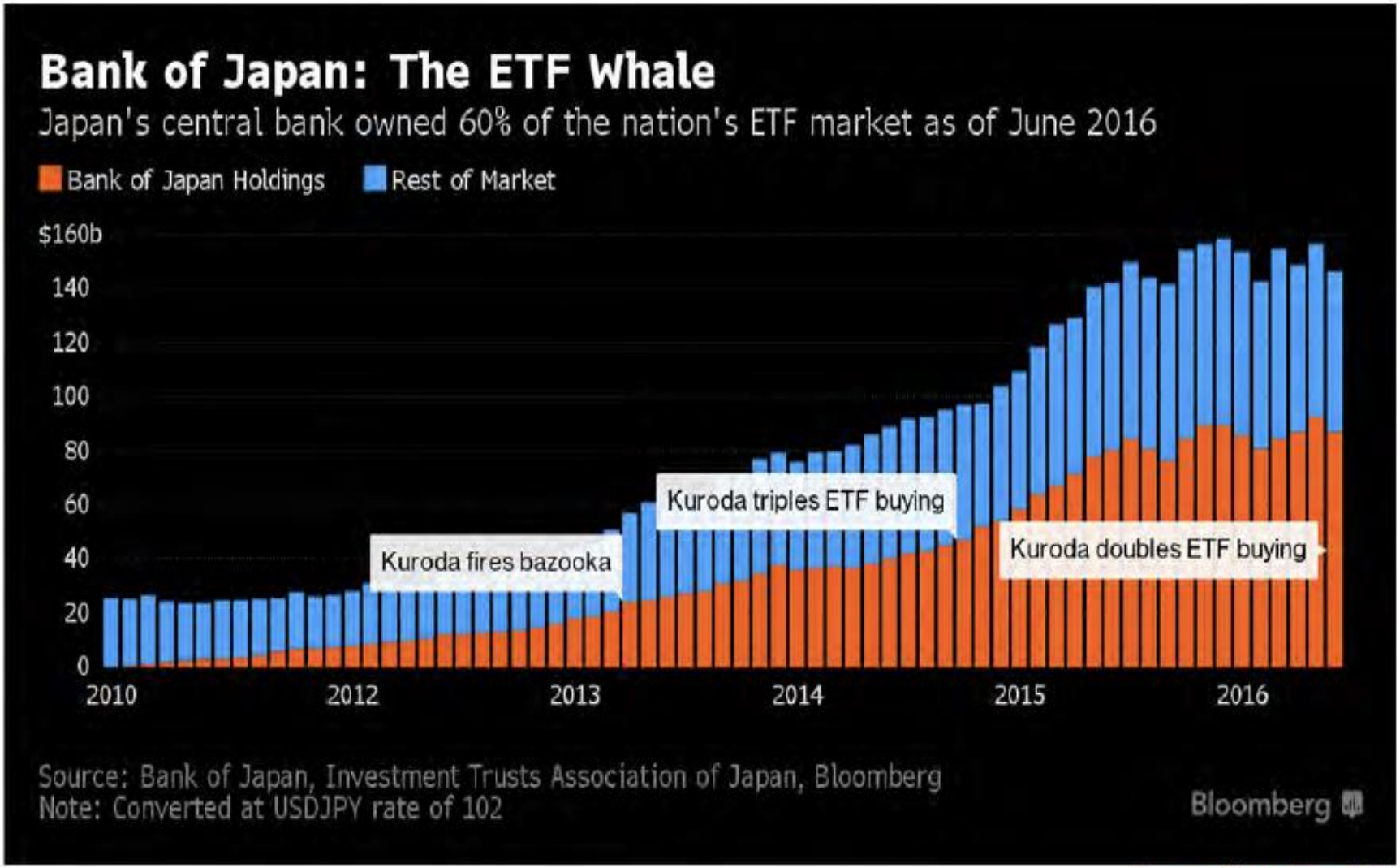


JAPAN: MORE GROWTH IN THE WORKS FOR 3Q



Source(s): Strategas

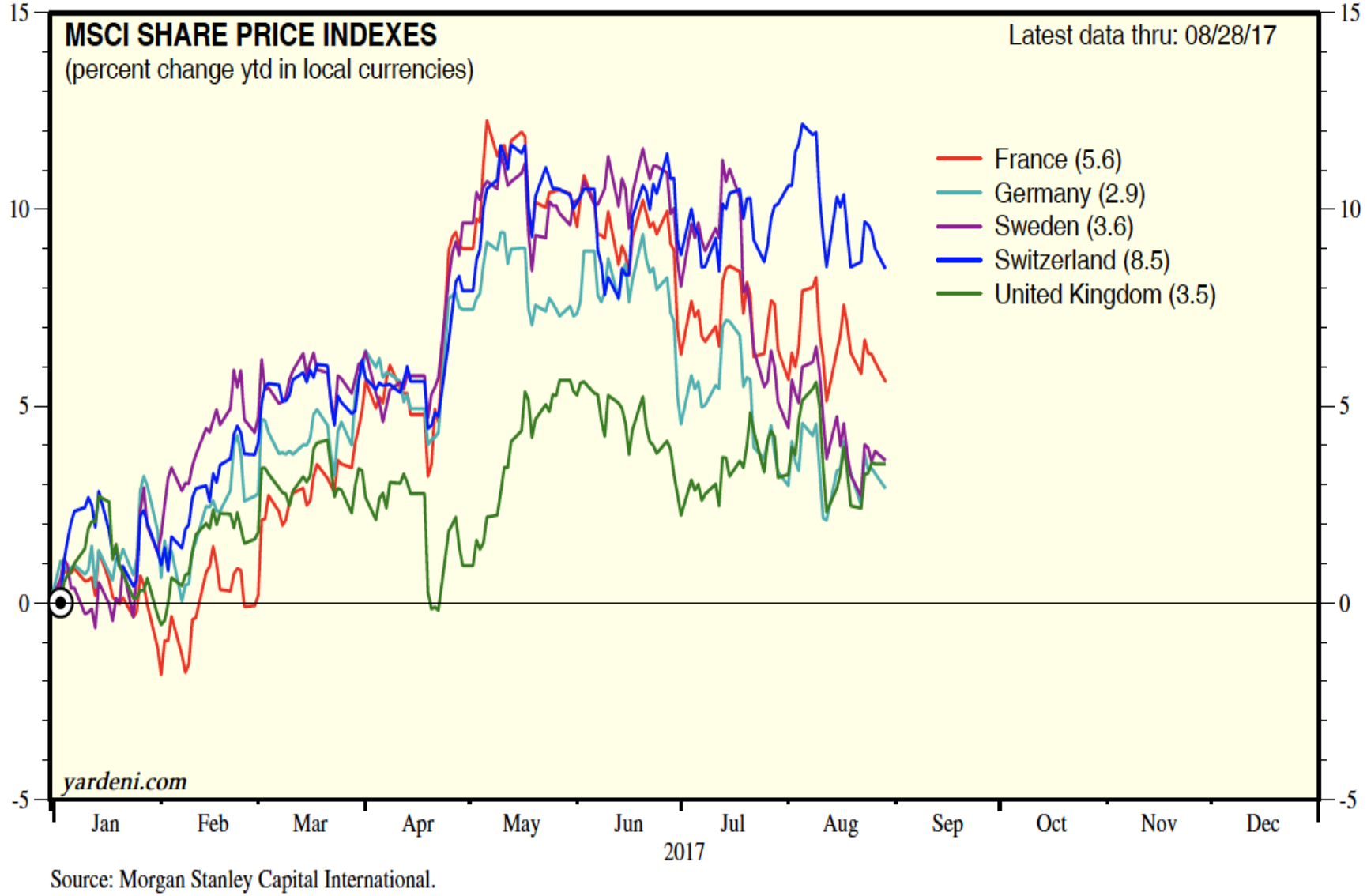
BOJ Goes All-In To Support Abenomics Reflation Plan



Source: Bloomberg LP

Source(s): Bloomberg

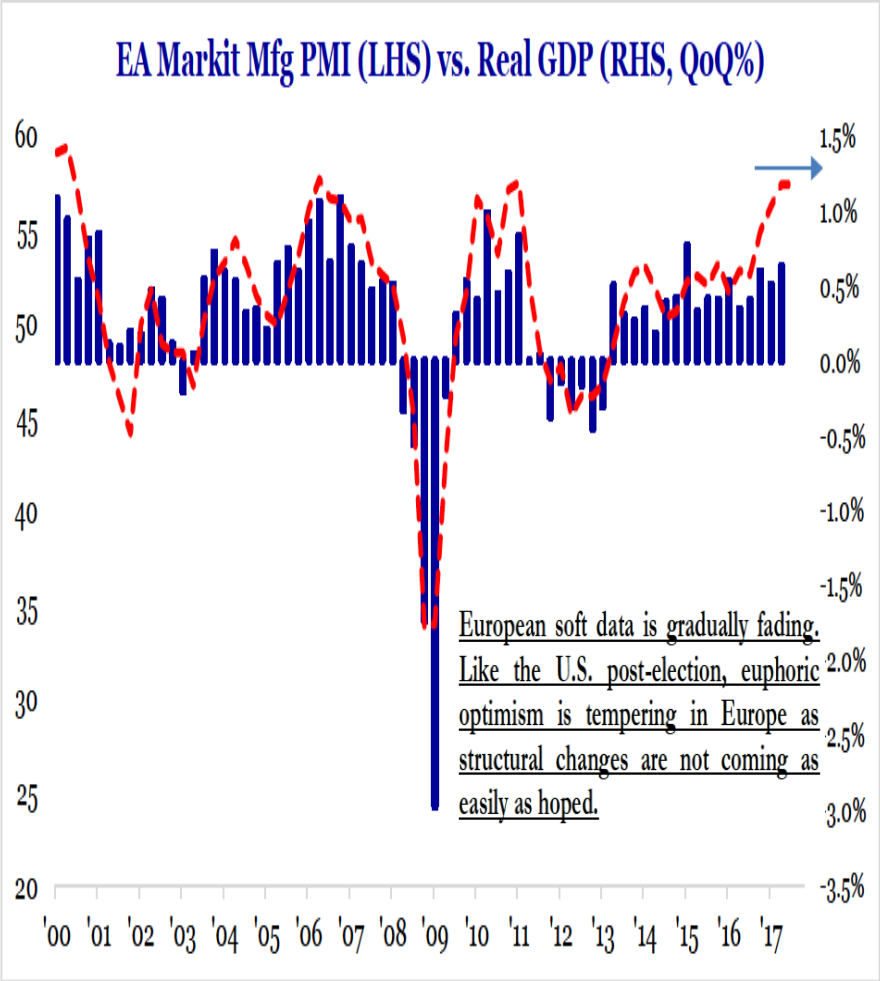
European Equities Stalling After French Election Boost



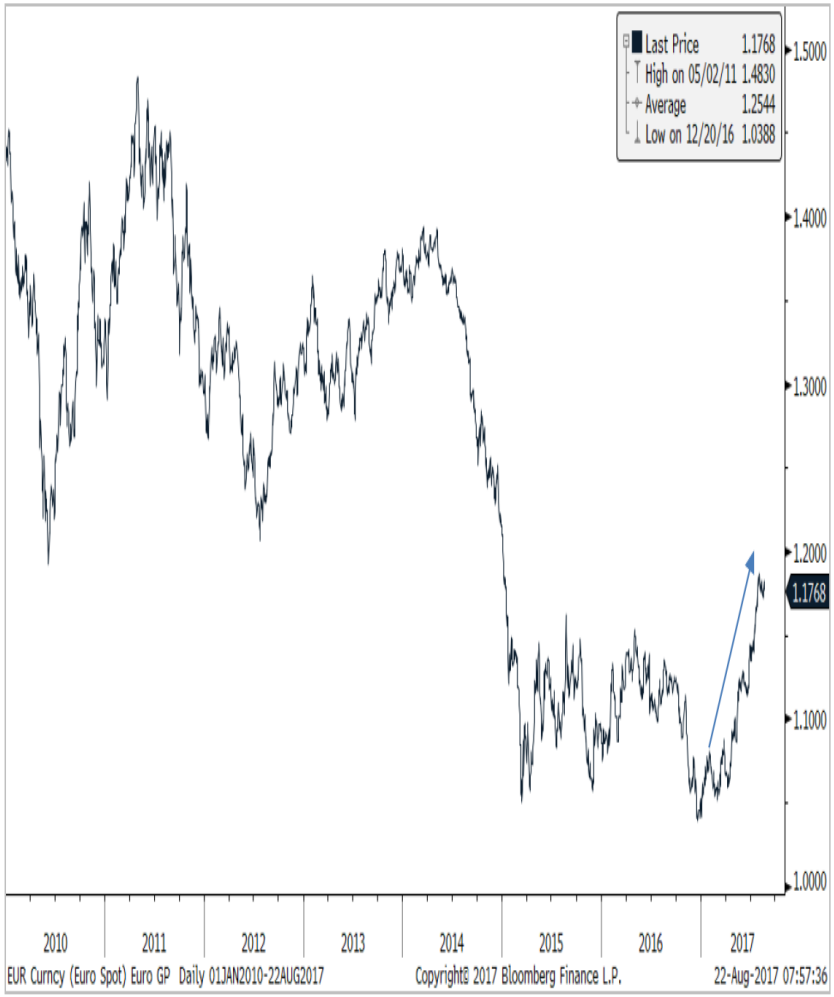
Source(s): Yardeni.com

Challenge Is Europe Might Have Peaked For This Cycle

EU: IS THIS AS GOOD AS IT GETS?

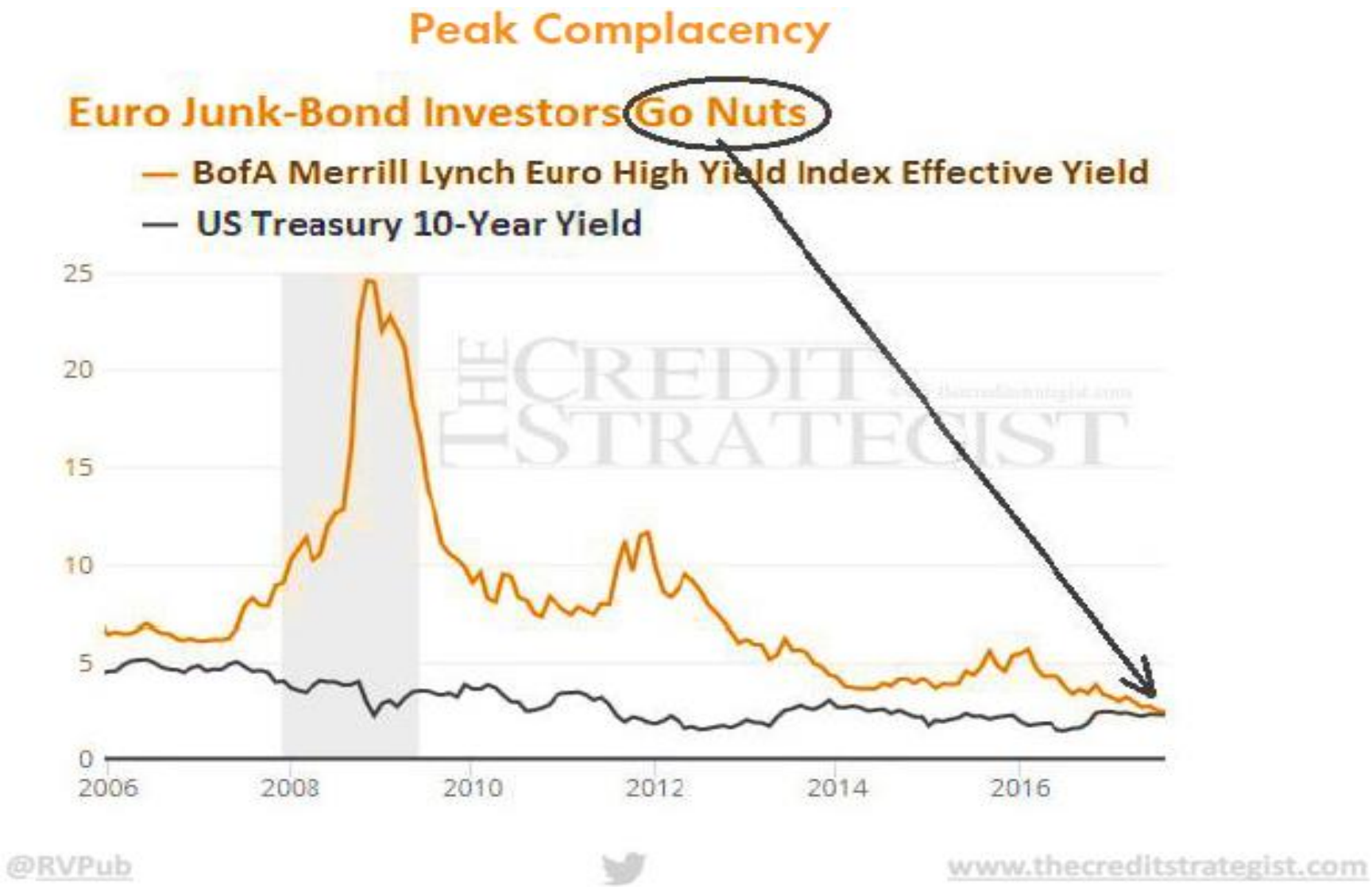


EURO APPRECIATION IS ANOTHER HEADWIND



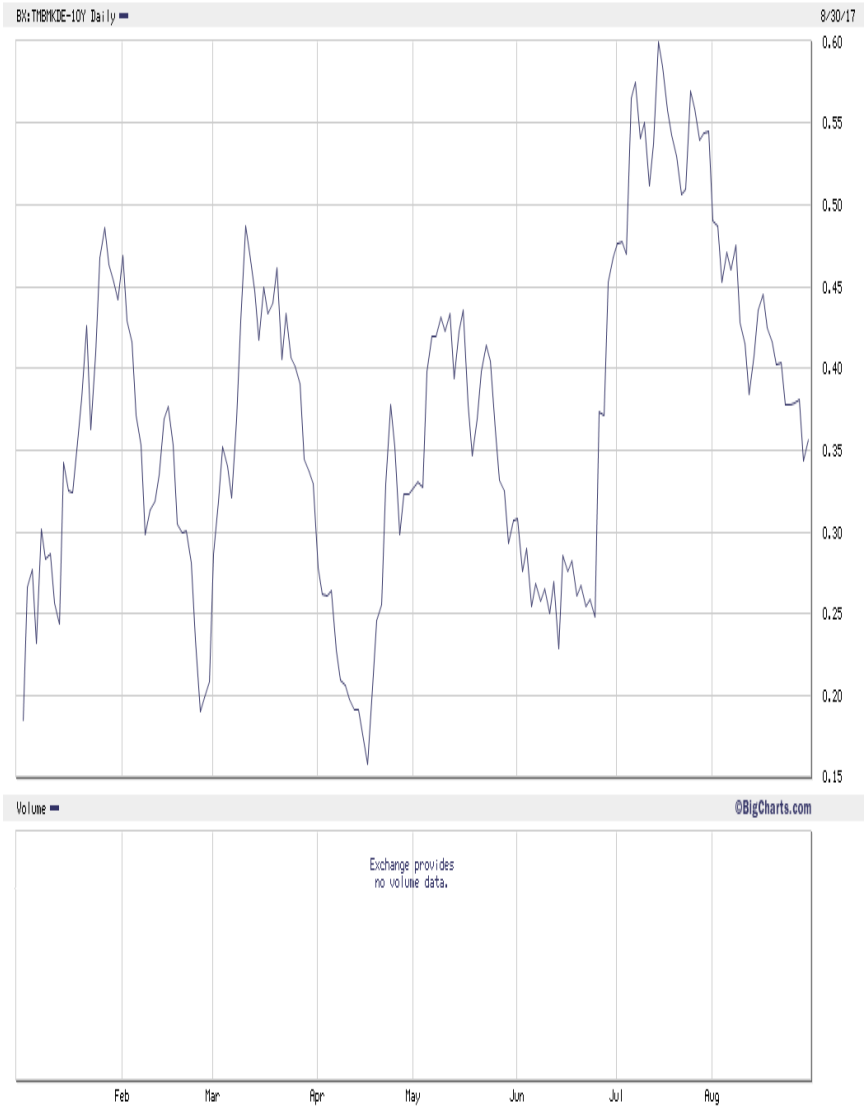
Source(s): Strategas

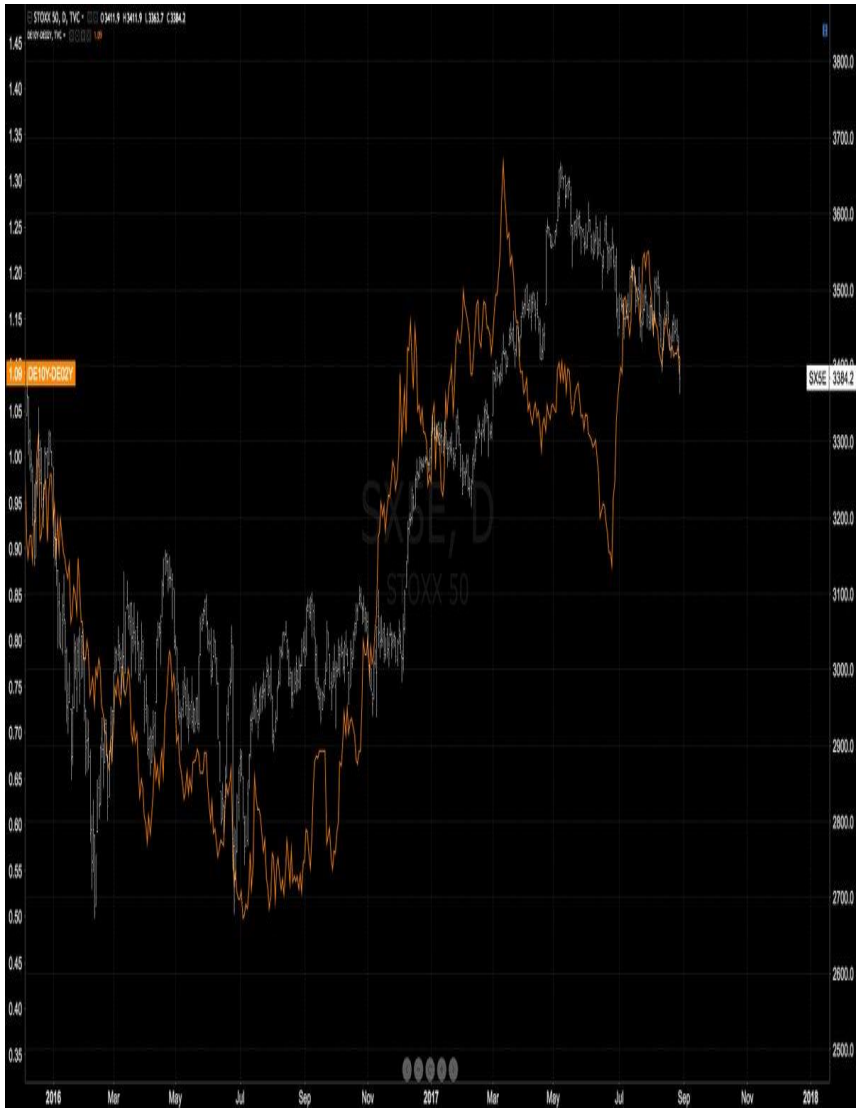
European "High Yield" Bond TradeThrough Treasuries?



Source(s): @RVPub, thecreditstrategist.com

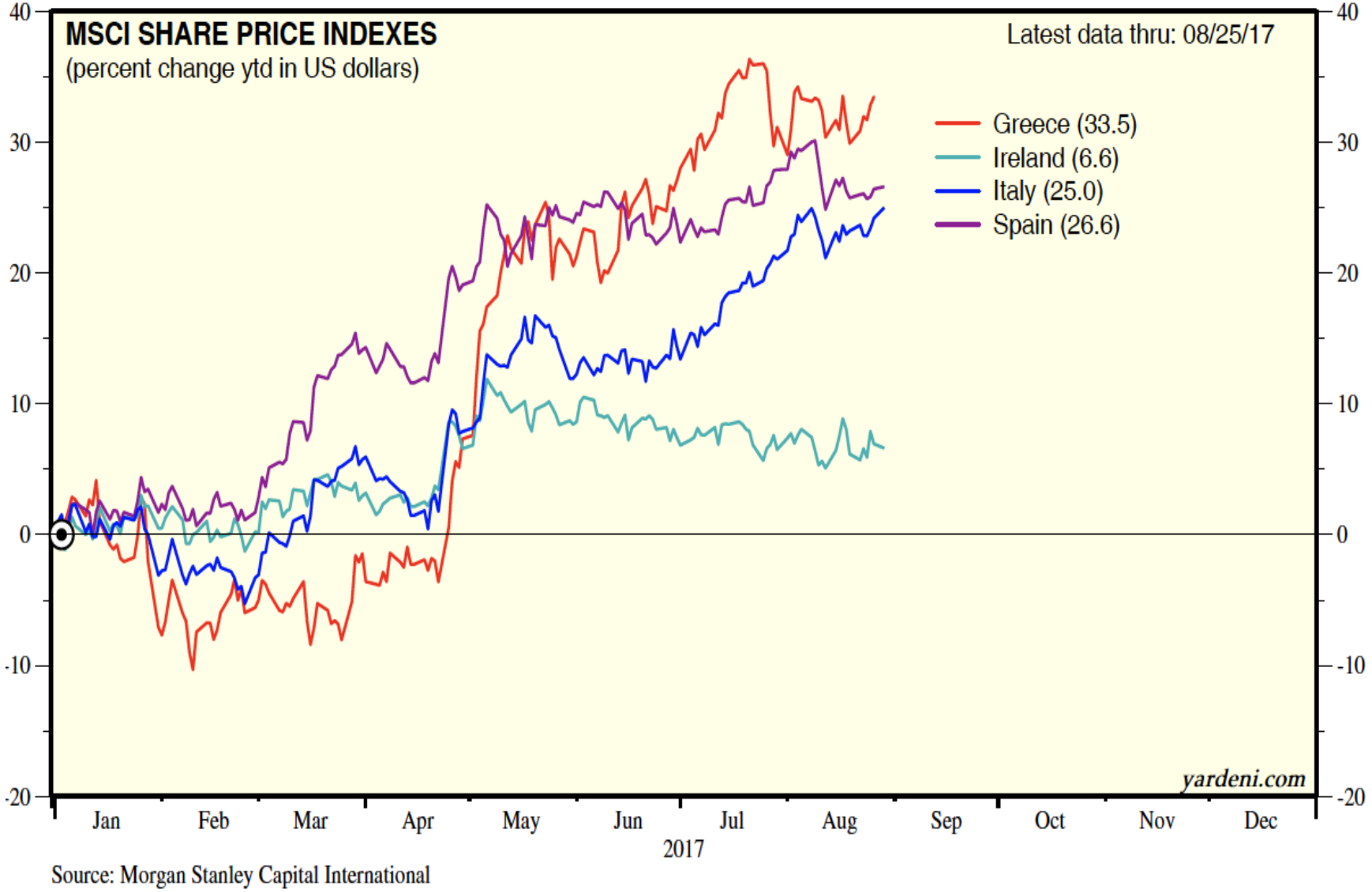
Flattening YC Portends Lower Stocks In Germany





Source(s): BigCharts.com, @macrodidact

Peripheral European Markets Looking Strong (ex Ireland)



Source(s): Yardeni.com

Dollar Bulls Say "Correction" Reaching Critical Level

Let's re-look at the dollar. The correction has now moved into the danger zone. If it goes further there is a significant risk that the dollar bull market is over and it would be wrong to expect further highs...

The correction is also now just over 38.2% of the up-move, which is a typical support zone...

Source(s): GMI

If King Dollar Dethroned, Commodities & EM Should Rally

What happens if the dollar has changed direction properly?

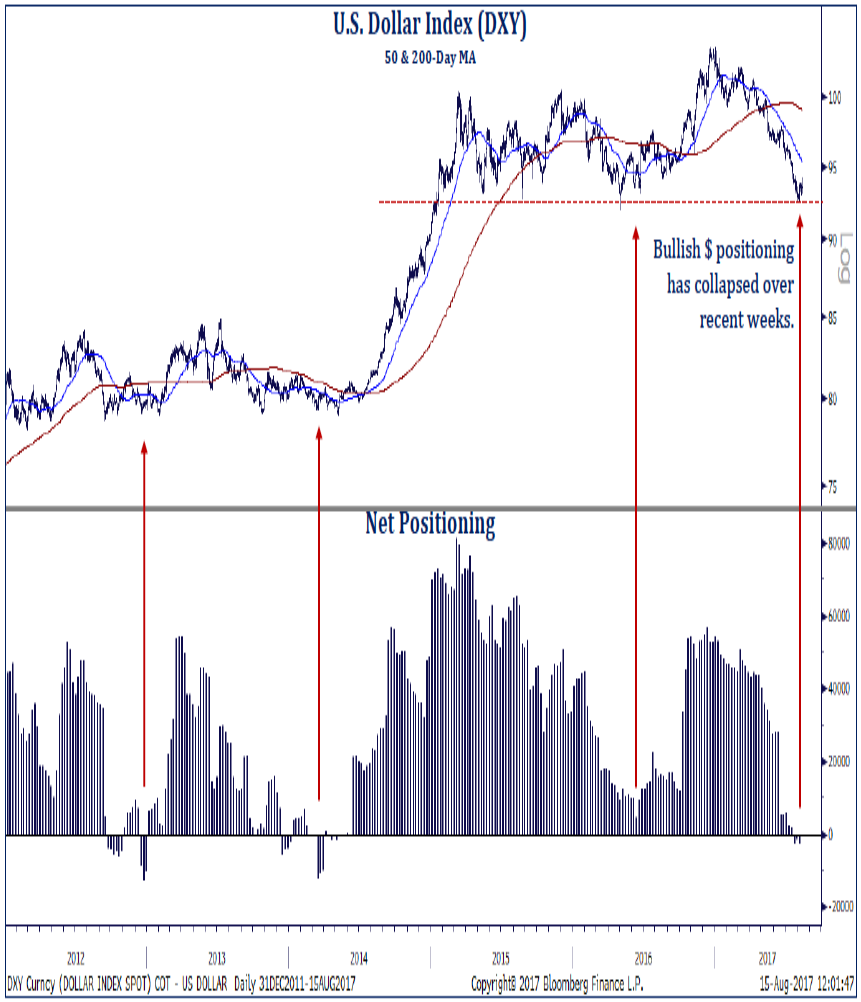
That being said, if the dollar does just keep falling then the world will change extensively. Oil would probably form an inverse head-and-shoulders bottom...

... and would confirm the break of the largest potential consolidation pattern in history...

Source(s): GMI

Dollar Has Been In Free Fall Since December, Oversold?

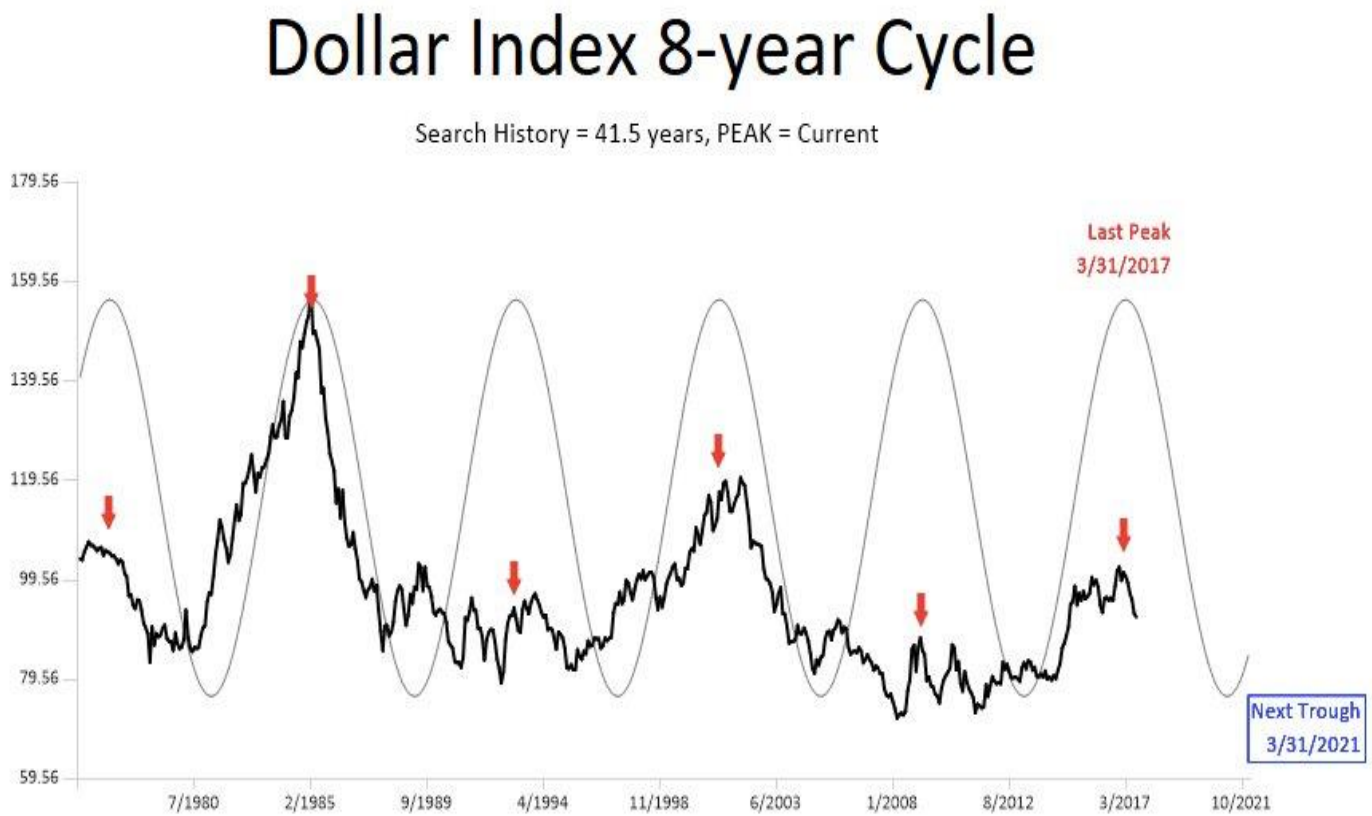
$ BULLS HAVE CAPITULATED



HATE THE TREND, BUT THE $ CAN LIKELY BOUNCE HERE

Source(s): Strategas

Dollar Follows Cyclical Pattern Within Secular Downtrend



Cycle Period	96 months
Look Back Period	41.5 years
Correlation to Sine Wav	34.24%
Most Recent Turn Date	3/31/2017 (P)
Next Turn Date	3/31/2021 (T)

	Annualized Return	Sharpe Ratio	T-Stat in Mode	Wins / Trades
Cycle Strategy (long & Short)	3.88%	0.48		9 / 11
Long Only (trough to peak)	4.01%	0.49	1.76	4 / 5
Short Only (peak to trough)	3.76%	0.46	-1.75	5 / 6
Buy & Hold	-0.29%	0.01		

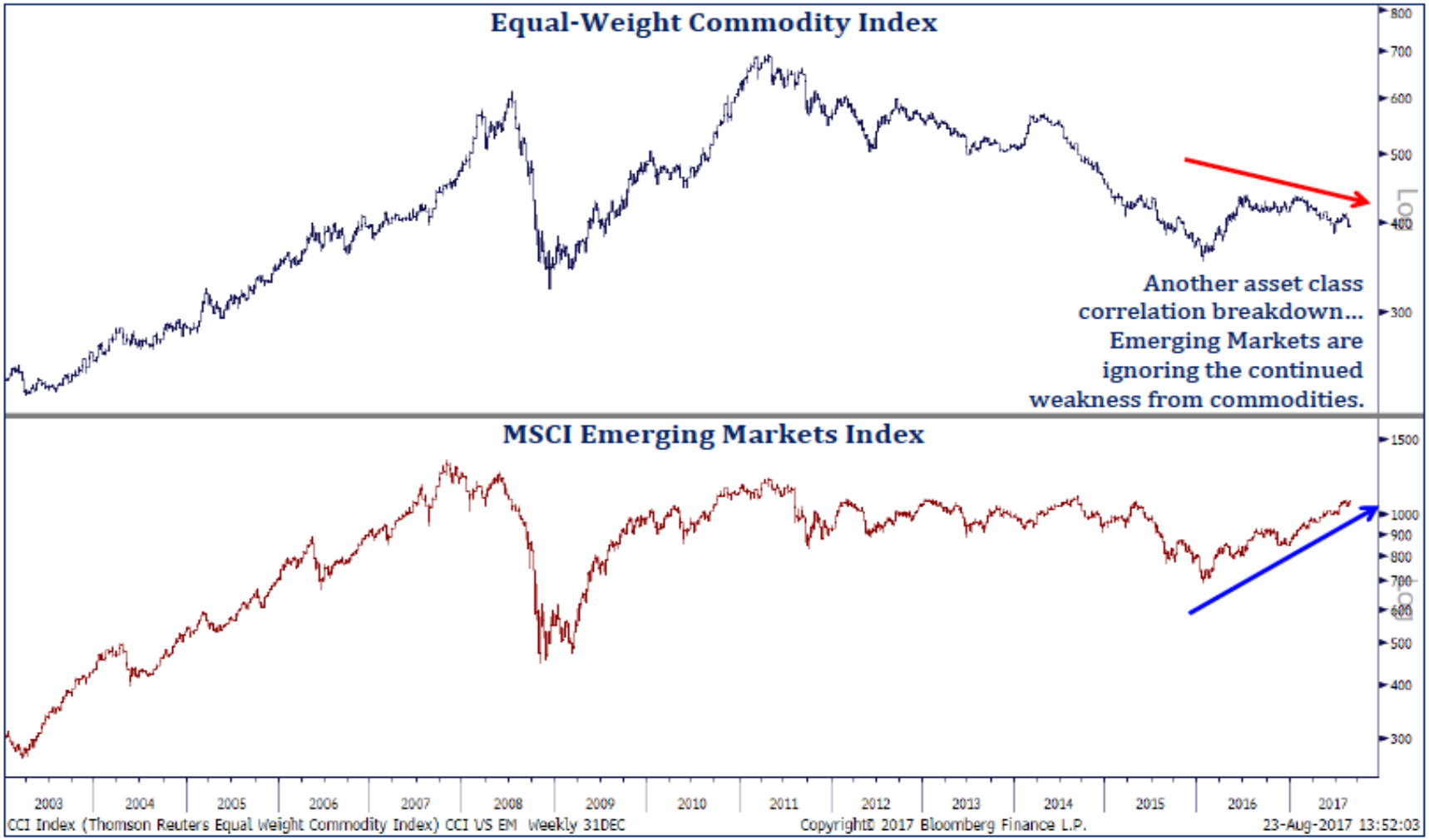
NAUTILUS INVESTMENT RESEARCH

Data Source: Bloomberg 08/29/2017 03:57

Source(s): @NautilusCap

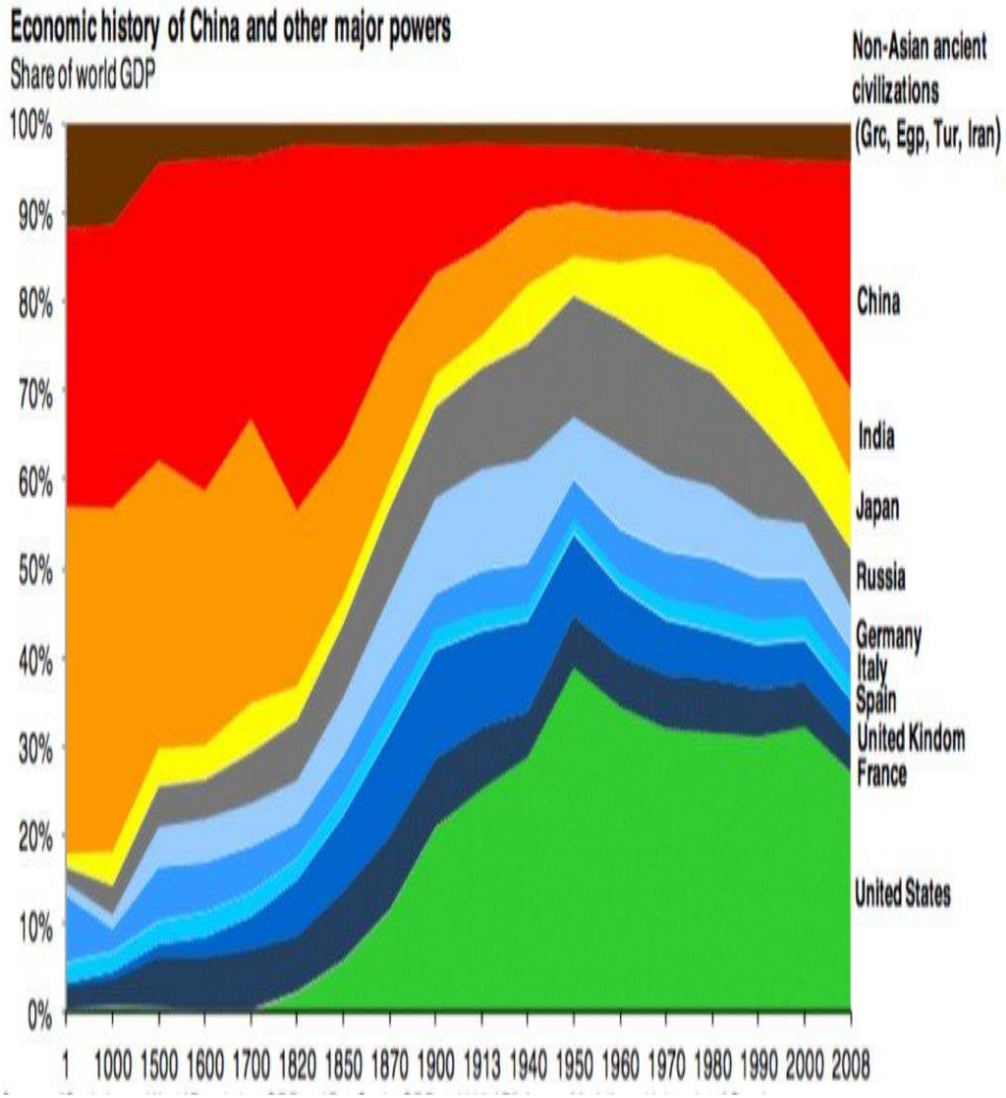
EM Equity Mkts Evolve, Now Less Commodity Dependent

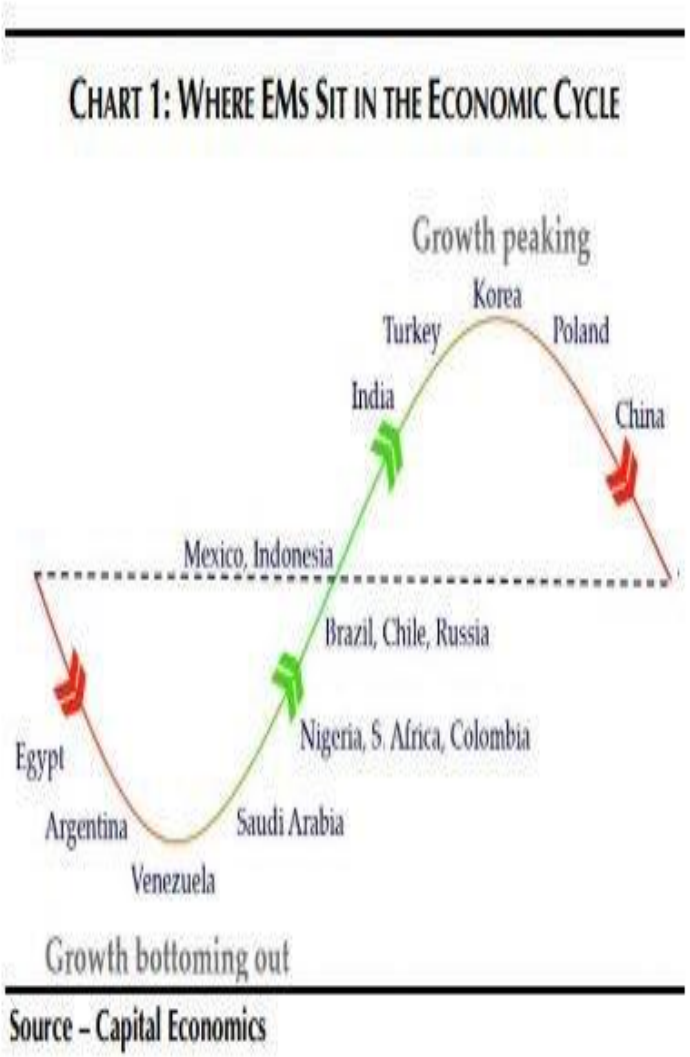
E.M. STOCKS ALSO STRONG, DESPITE COMMODITY BACKDROP



Source(s): Strategas

Old World Order Being Restored, EM Wins, Chindia Rules





Source(s): @christhesuit

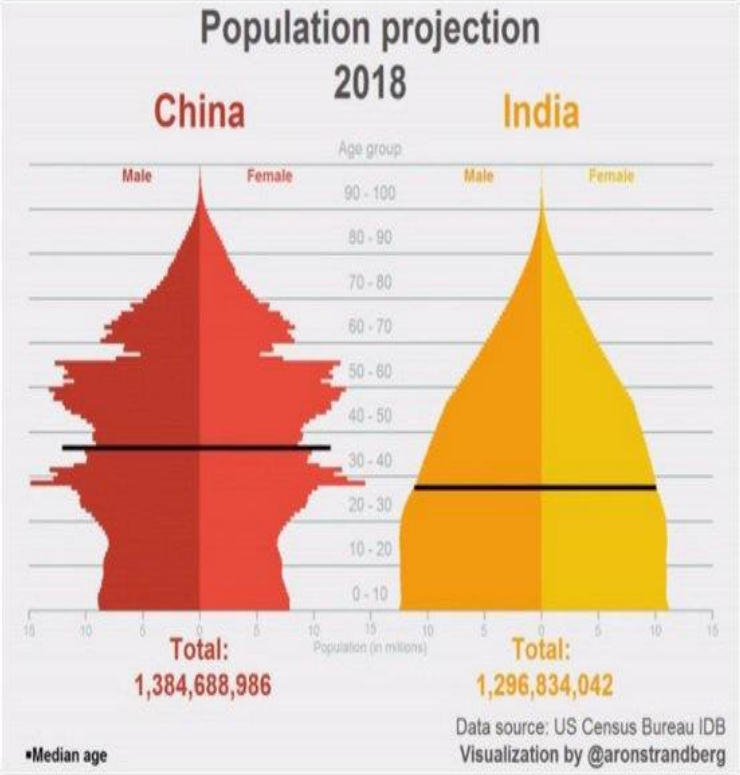
Demographics Is Destiny & Life Imitates Data Science…

Mark Yusko Retweeted

Markets360™ @Markets360 · 45m

China is skewing older and more male. Also losing base of young workers who could support the rest of the population

visualcapitalist.com/animation-comp...



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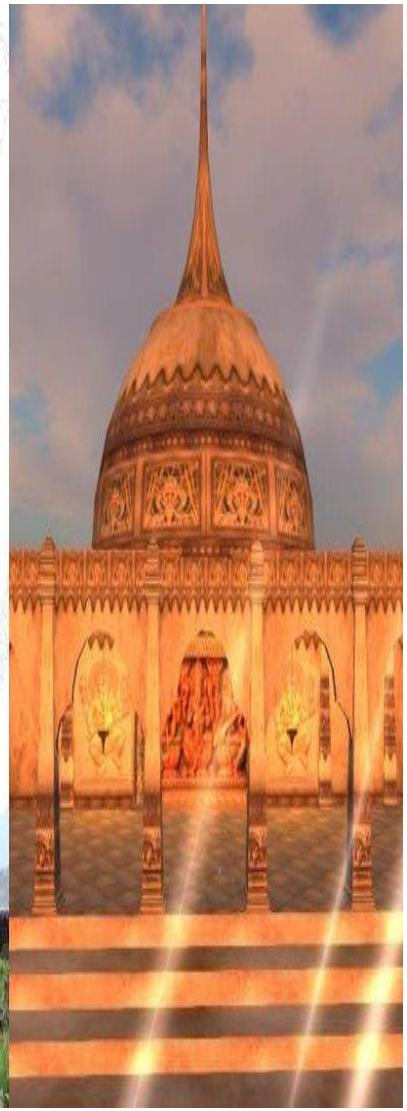
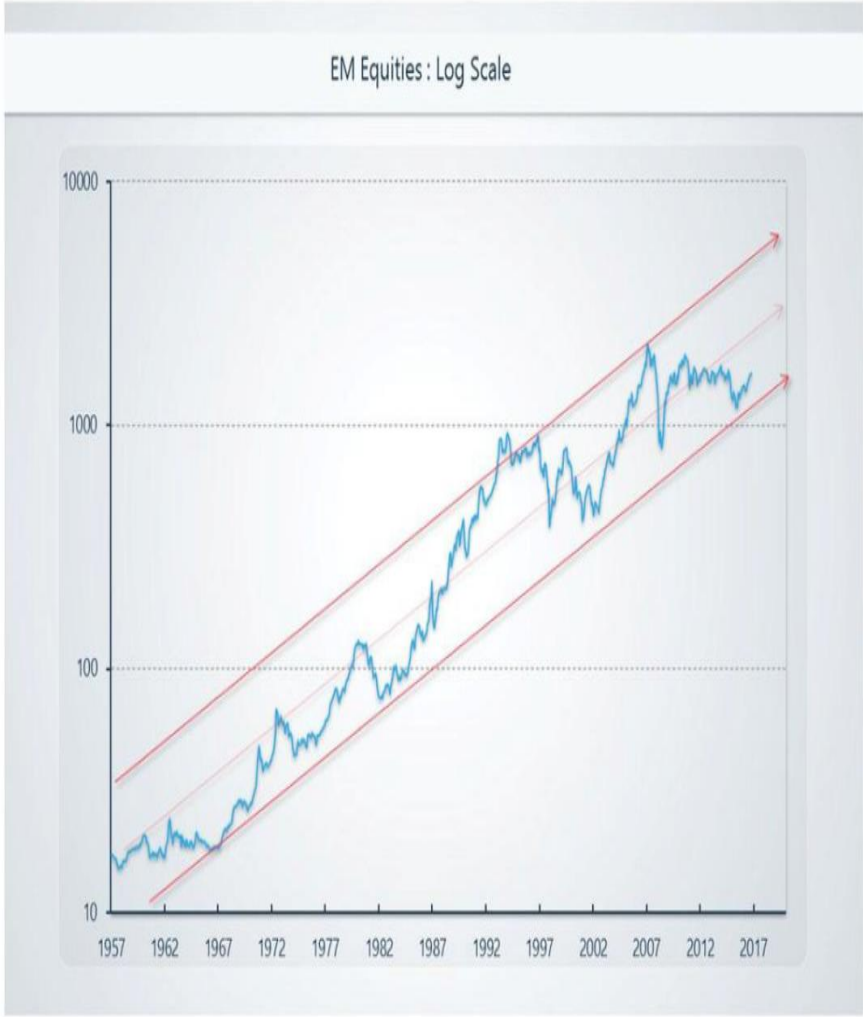


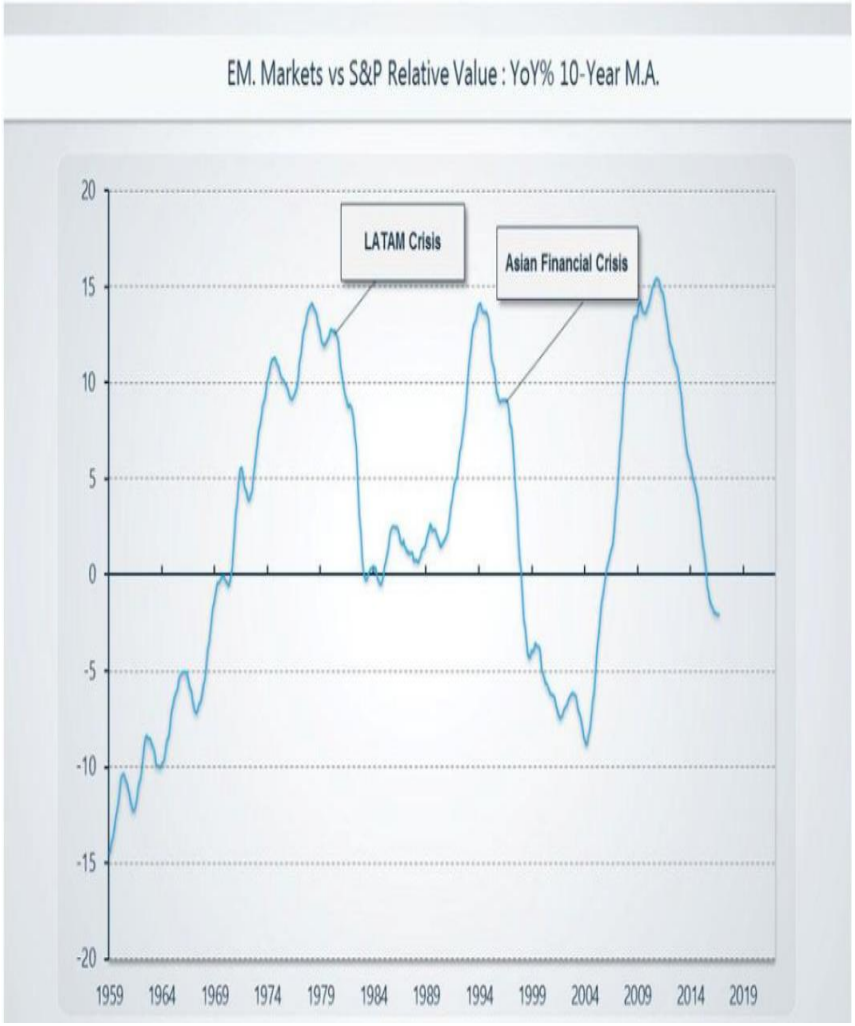
Source(s): @DrPilkington

EM Equities Look Poised For Decade of Dominance

EM equities would rise to the top of the trend channel, which has been in place since 1957...

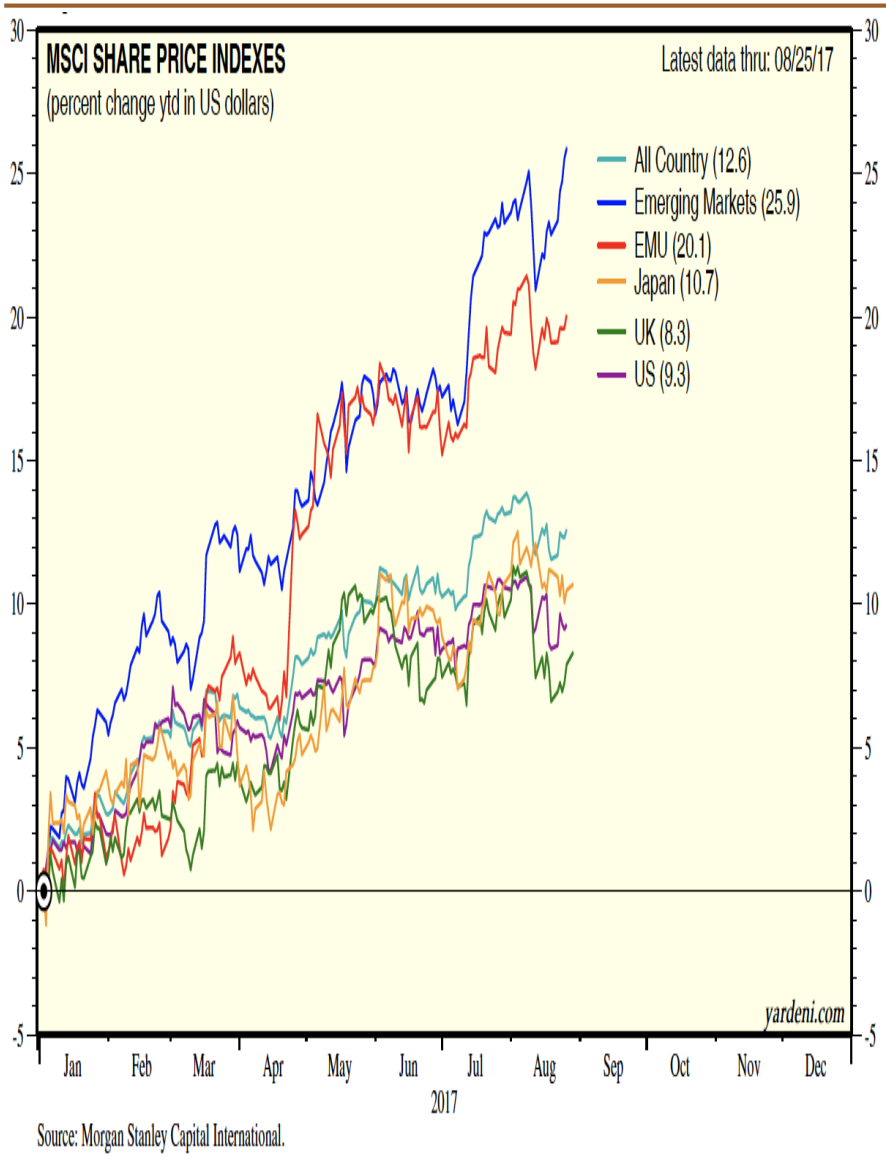


... and would begin to massively outperform developed markets over the next decade...



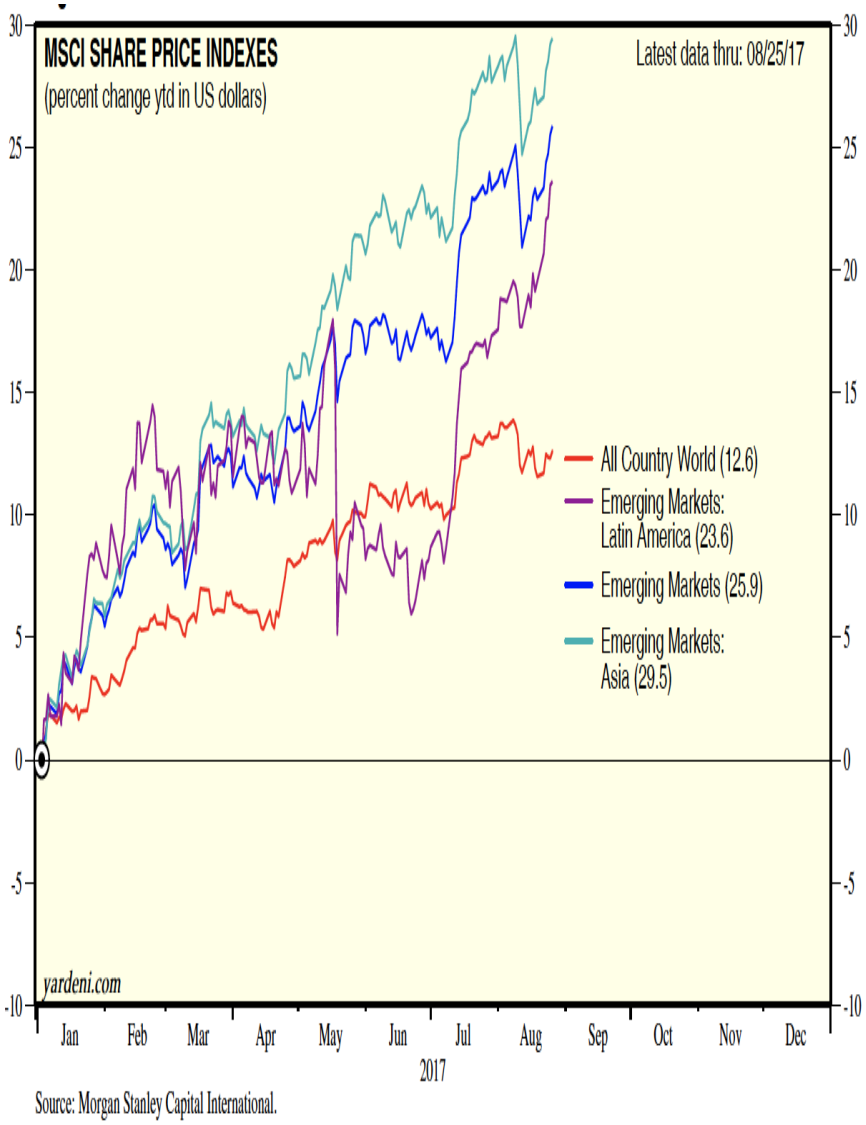
Source(s): GMI

Emerging Markets Dominating As Global Markets Stall

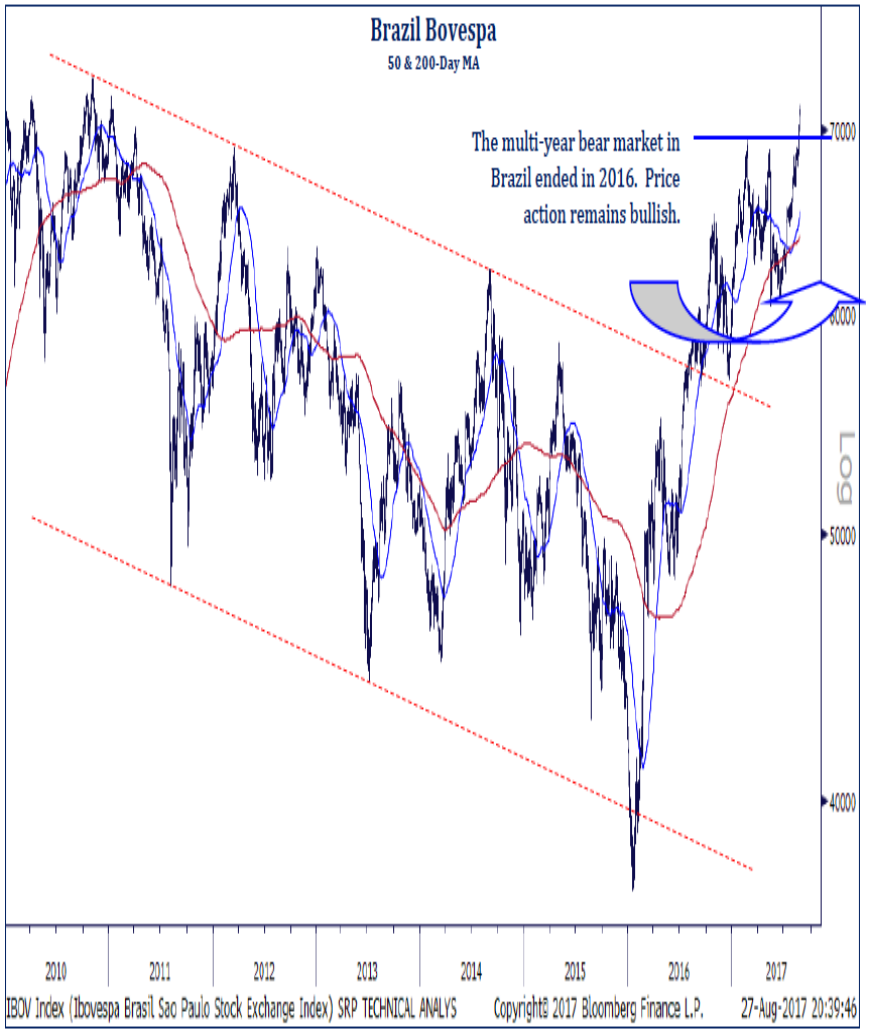


Source(s): Yardeni.com, Strategas

Asian Markets Strongest in EM, LatAm Now Gaining Fast

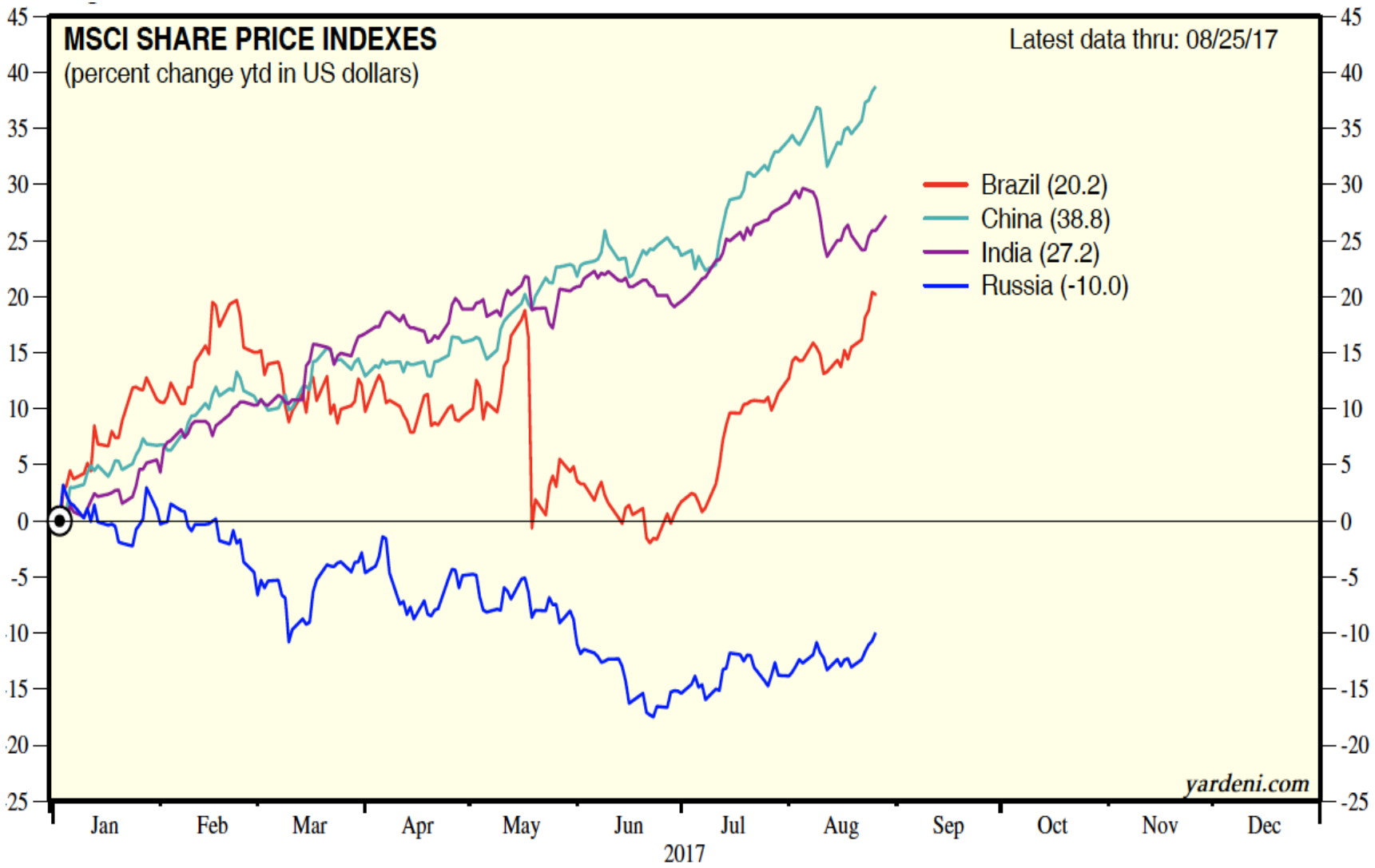


BRAZIL CONTINUES TO ACT WELL, BREAKING OUT



Source(s): Yardeni.com, Strategas

BIC > R in 2017, Russia Extremely Cheap, Turned 6/22?



Source: Morgan Stanley Capital International.

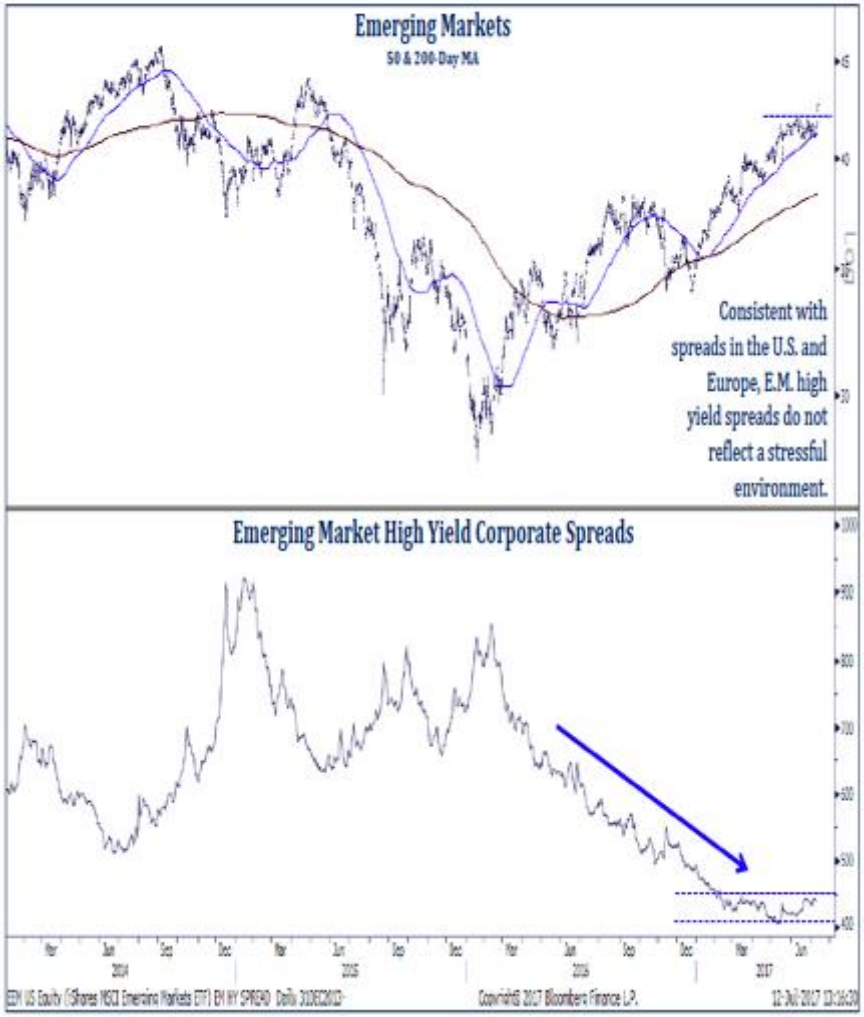
Source(s): Yardeni.com

EM at 800 lb. Gorilla Resistance Level, Momentum Solid

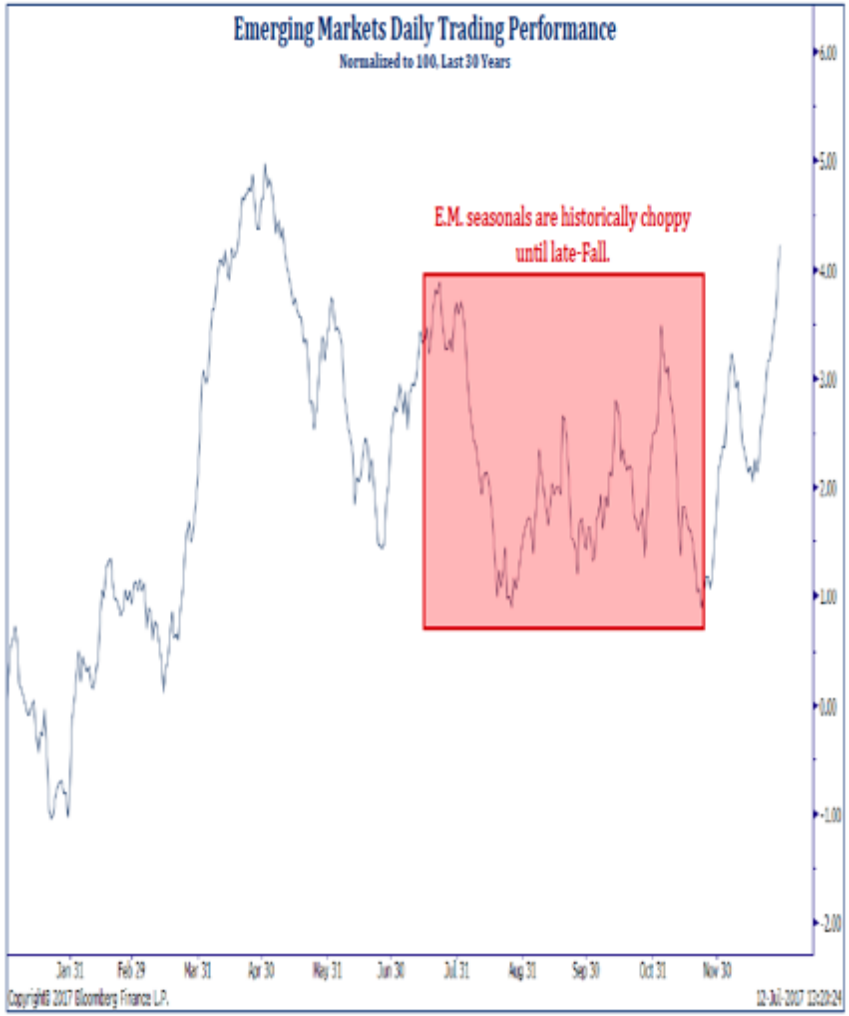
Source(s): @kimblechartingsolutions

Some Seasonal Headwinds For Emerging Markets in 2H

CREDIT SPREADS ARE GENERALLY SUBDUED

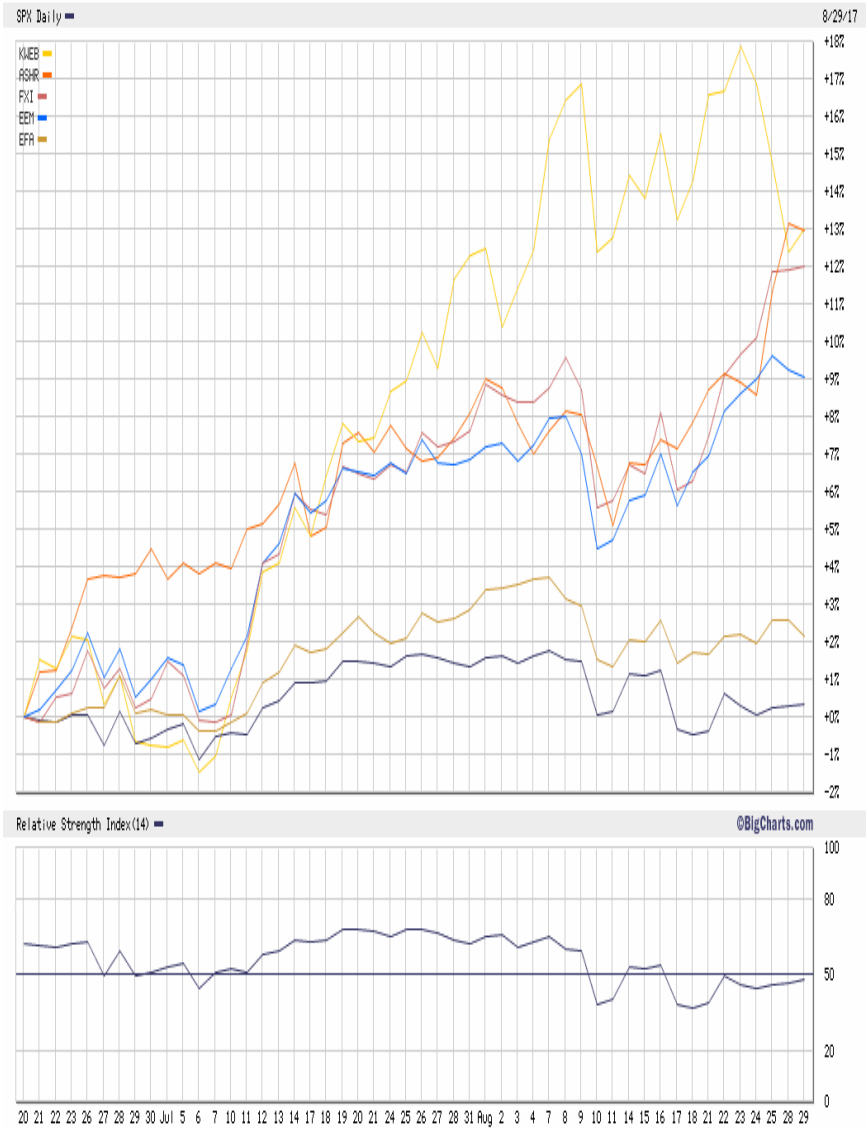


SEASONALS ARE CHOPPY NEXT FEW MONTHS



Source(s): Strategas

MSCI Inclusion Decision on China ADRs Ramps Demand

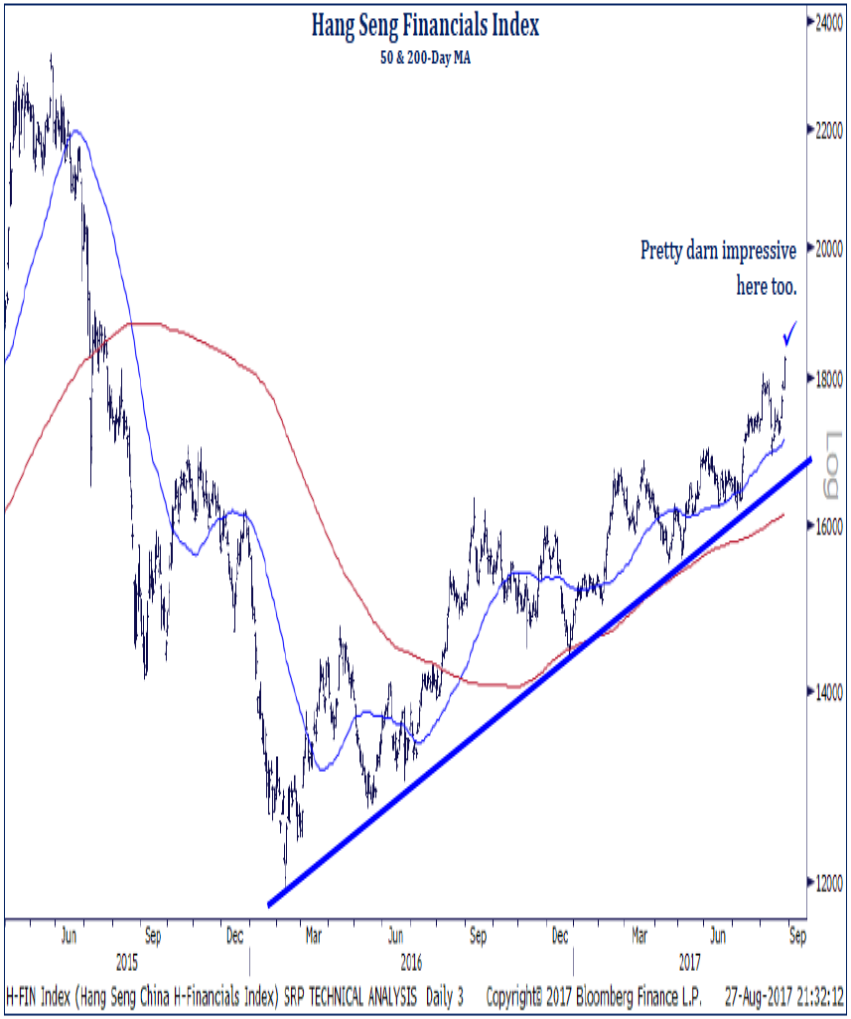


Source(s): Strategas, BigCharts.com

Not Just China Internet Stocks That Are Rallying Now

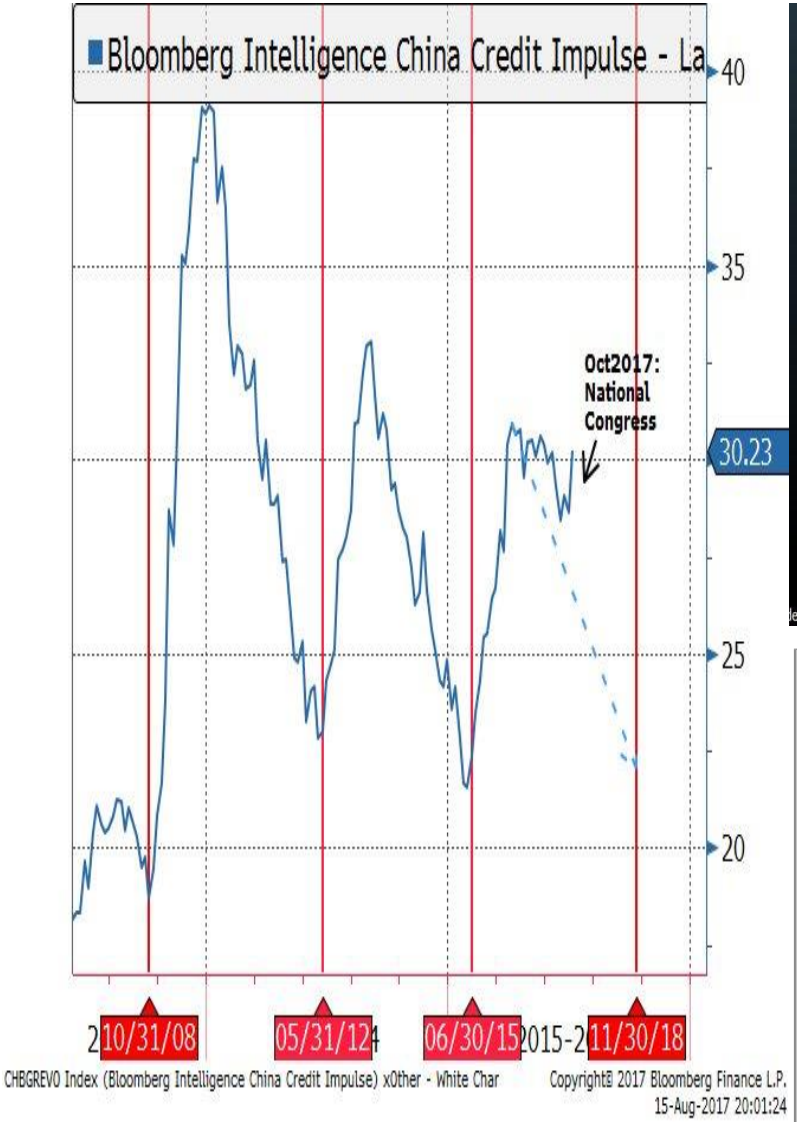
THIS IS NOT GETTING ANY ATTENTION...

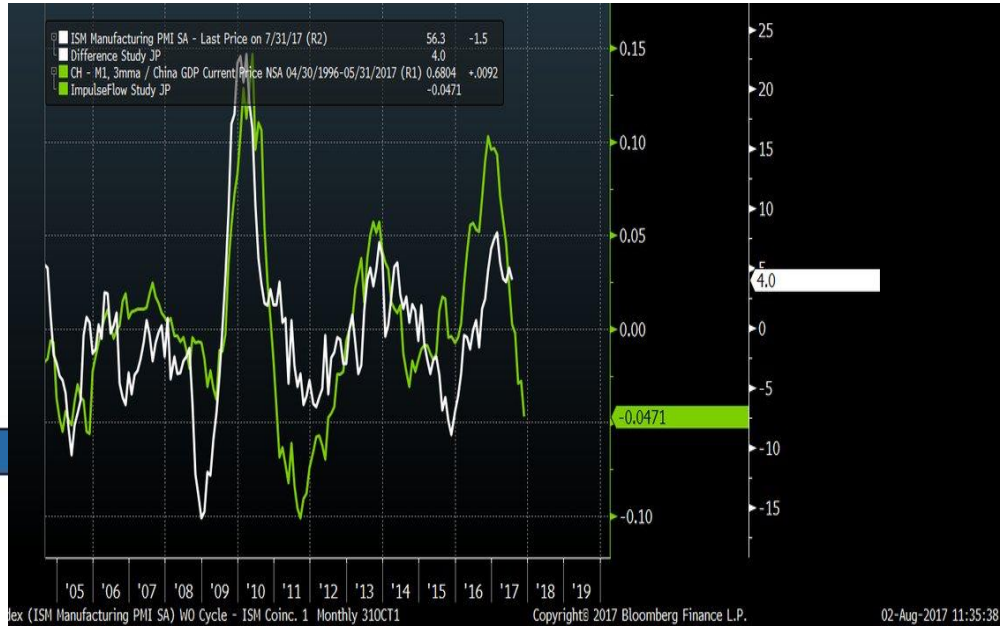
...NEITHER IS THIS



Source(s): Strategas

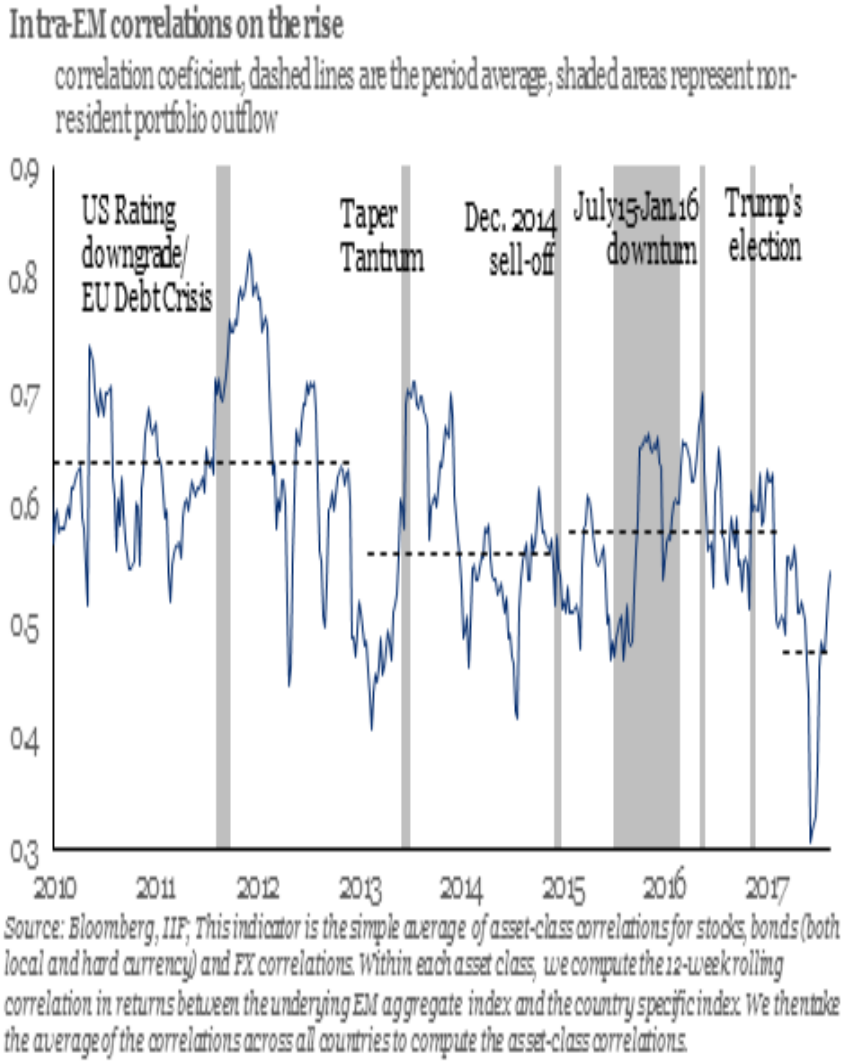
One Issue For EM: China Credit Impulse Run Its Course?

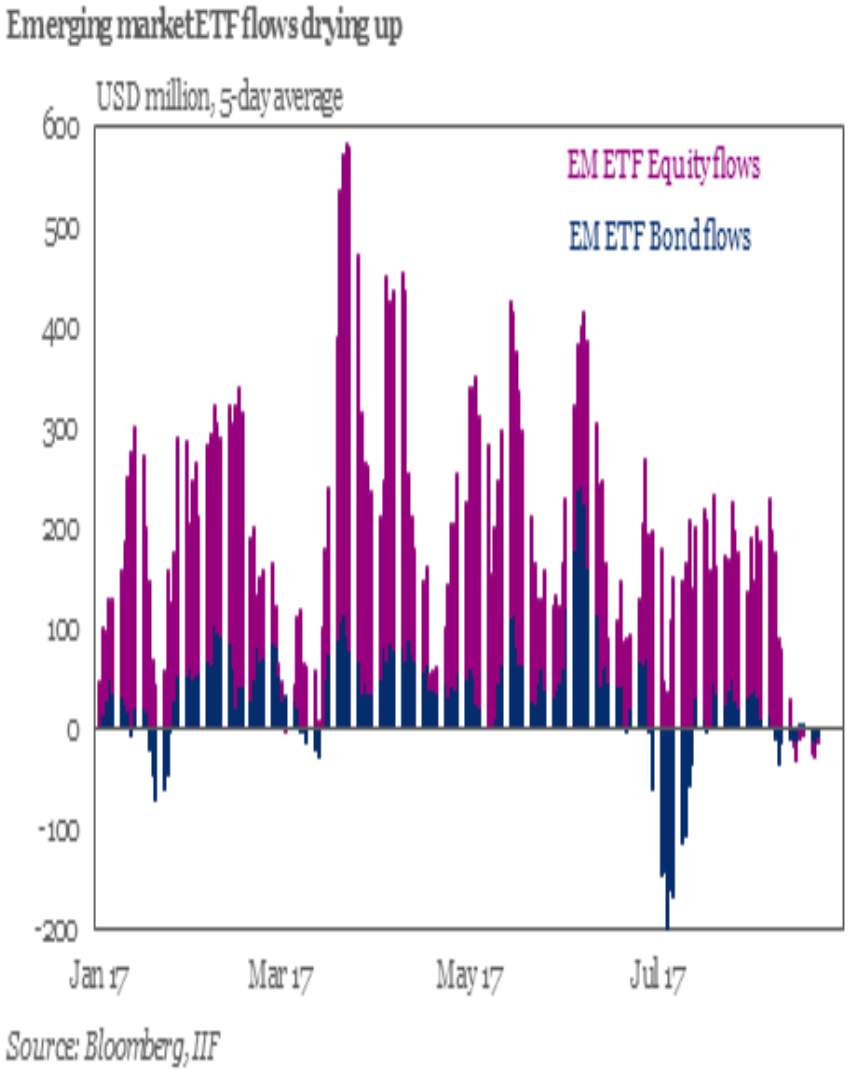




Source(s): @JP_OB, Strategas

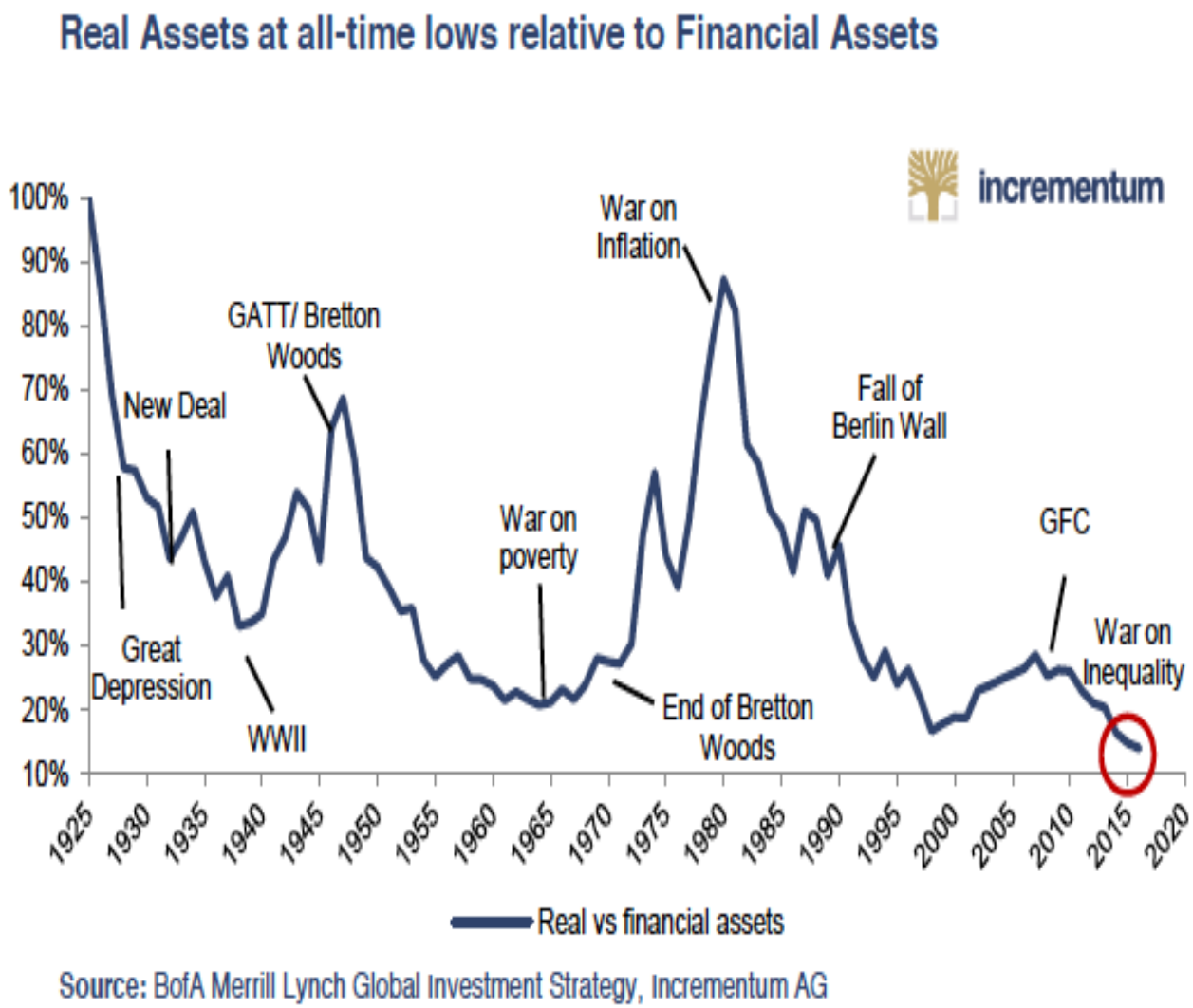
Rising Correlations Historical EM Risk Factor, Flows Ebb





Source(s): @IIF

Real Assets Extremely Cheap Relative To Paper Assets



"Policy, profit and positioning trends all argue for rotation from deflation to inflation, from 'ZIRP winners' to 'ZIRP losers', from Wall Street to Main Street. As part of this rotation we expect real assets to outperform financial assets."

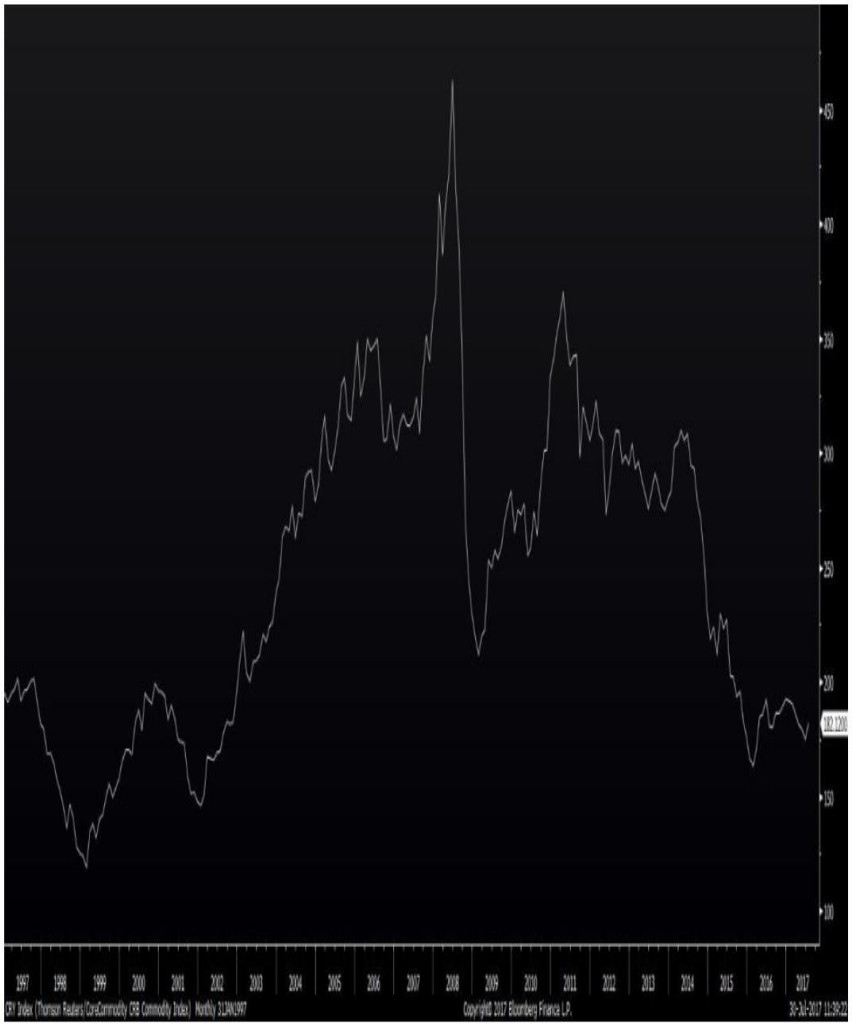
Michael Hartnett

Source(s): Incrementum AG

CRB Index Bounced Hard Off Gann Turn Date, Headroom

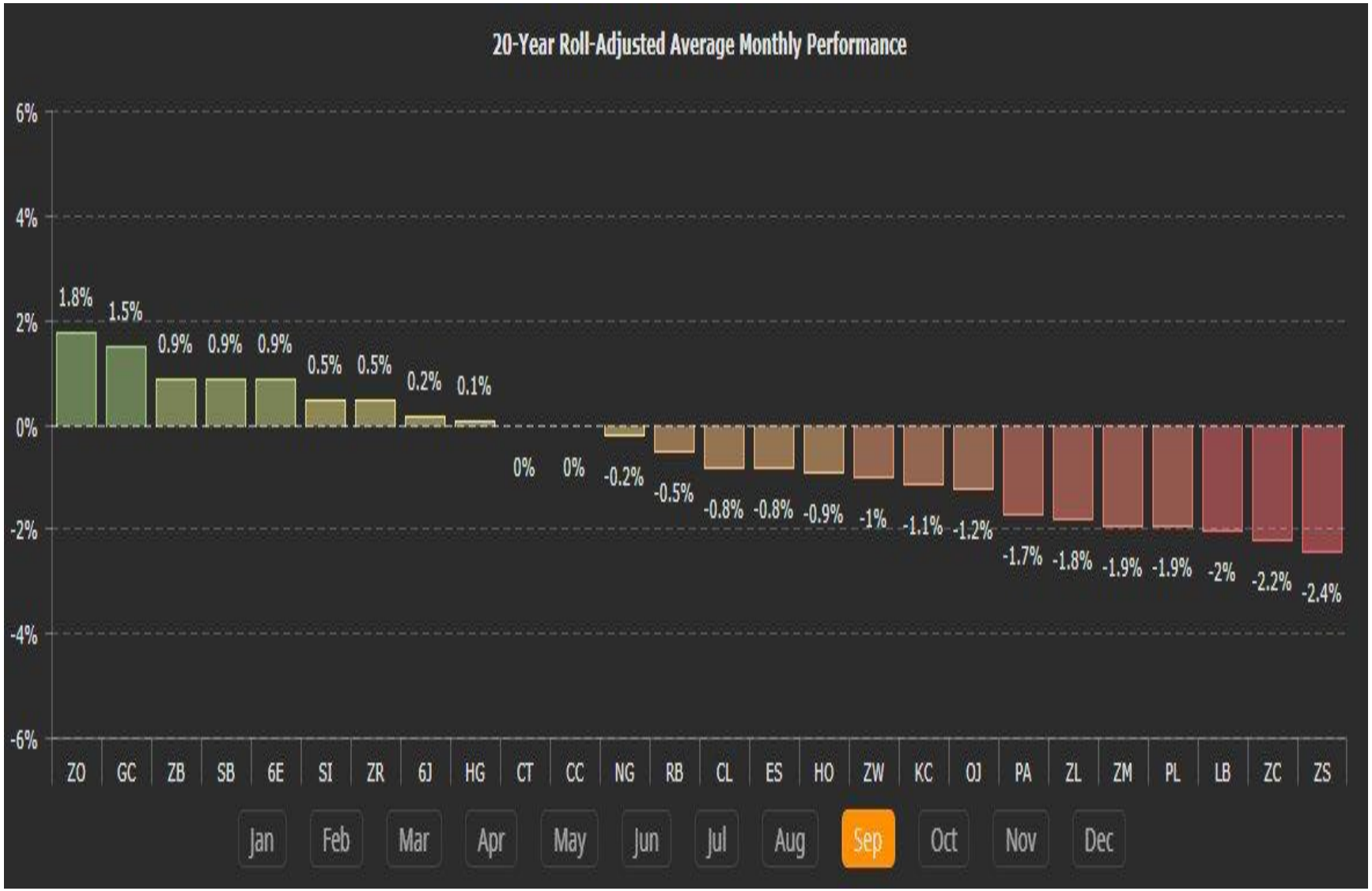
This is the chart of the CRB Index...

But when you look at the monthly chart, the rapid uptrend looks like a small blip on the chart...



Source(s): GMI

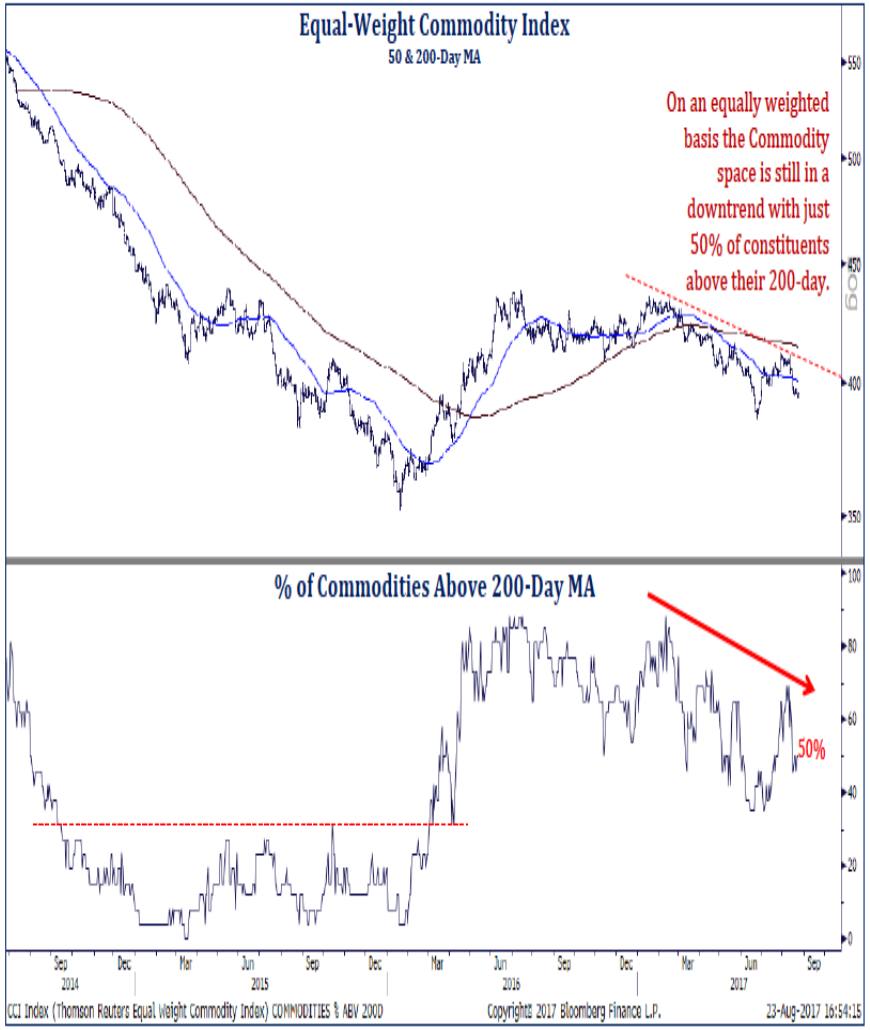
August Is The Sunday Of Commodity Markets (& Stocks)



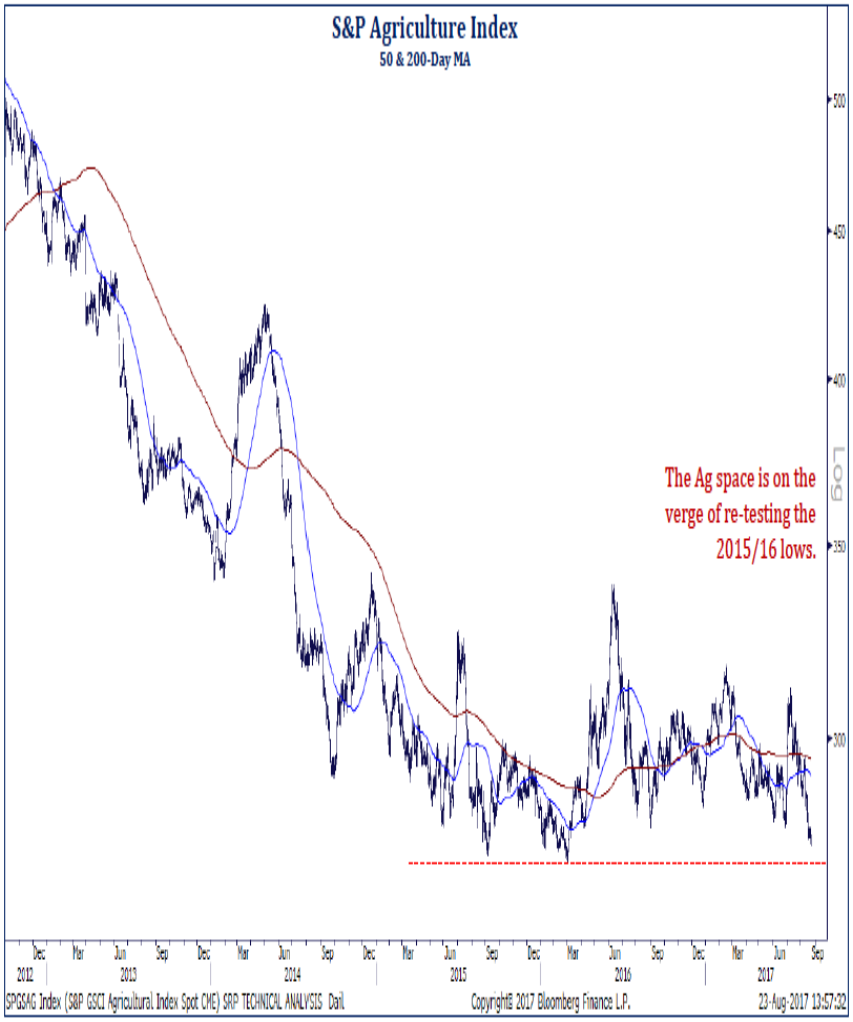
Source(s): @movement_cap

Commodity Performance Very Uneven, Ags Still Weak

OVERALL, A BIFURCATED COMMODITY BACKDROP



AG INDEX BACK TO THE LOWS



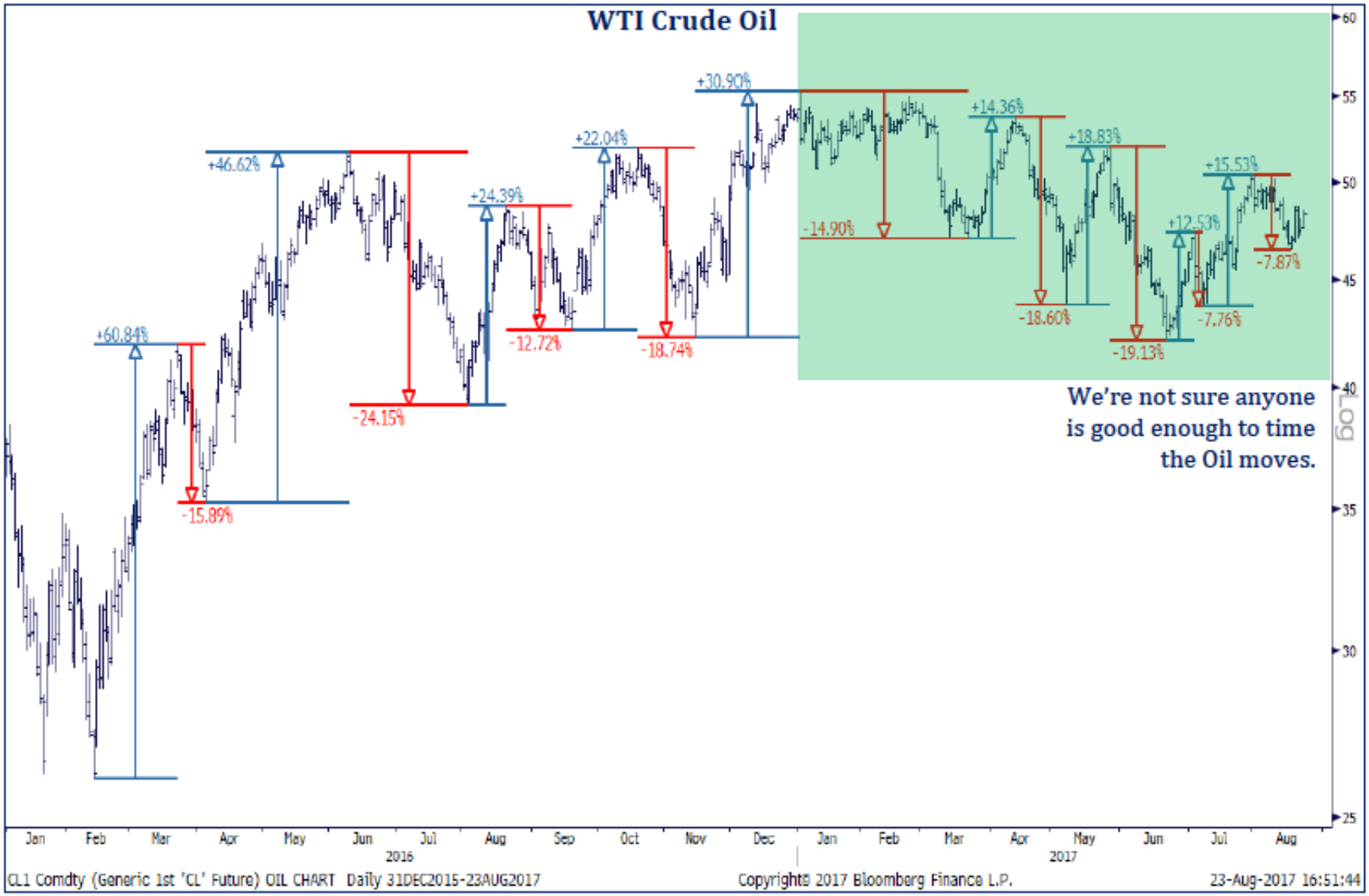
Source(s): Strategas

Reduction In PetroDollars Weakening Dollar/Comm Corr?

DOLLAR AND COMMODITY RELATIONSHIP LESS PRONOUNCED

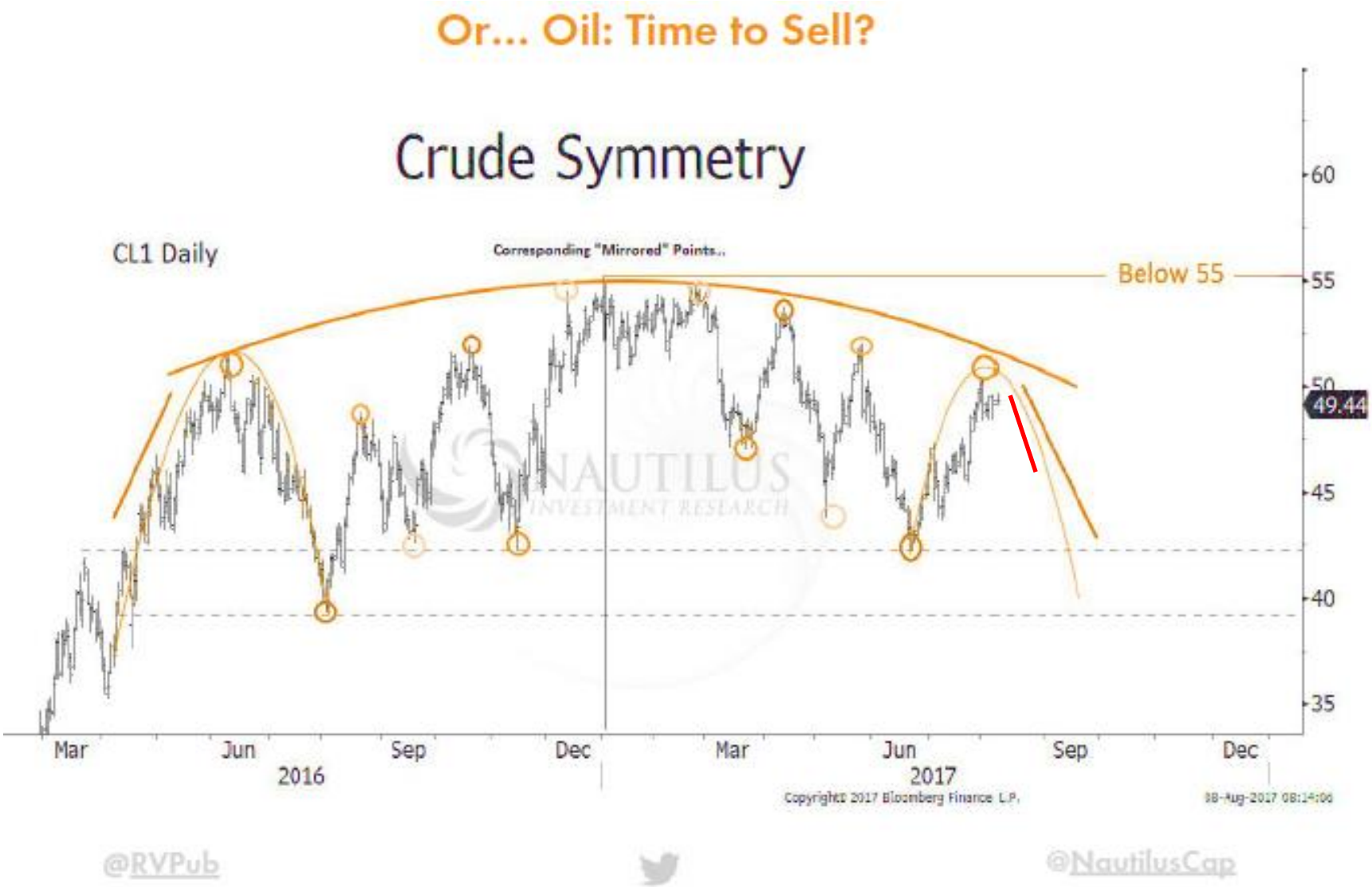
Source(s): Strategas

Oil Locked In $40 to $60 Range As Described in Surprises



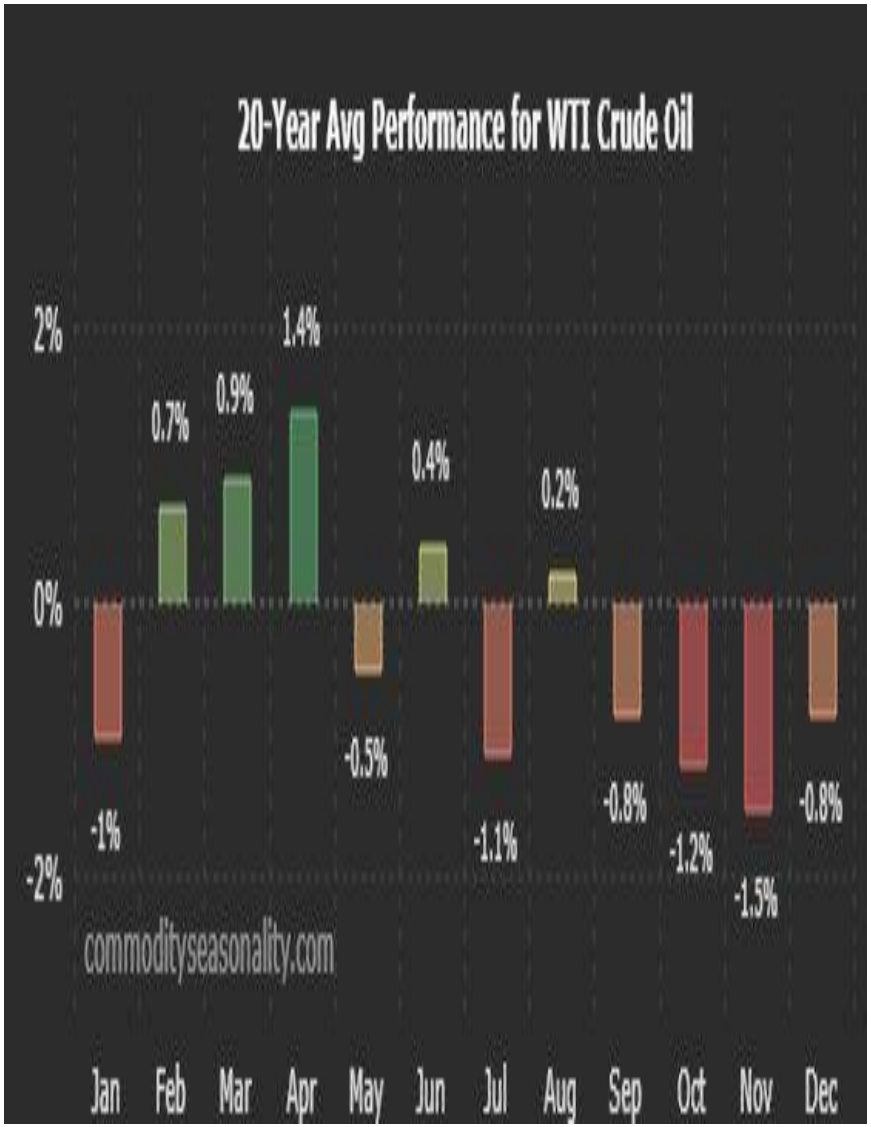
Source(s): Strategas

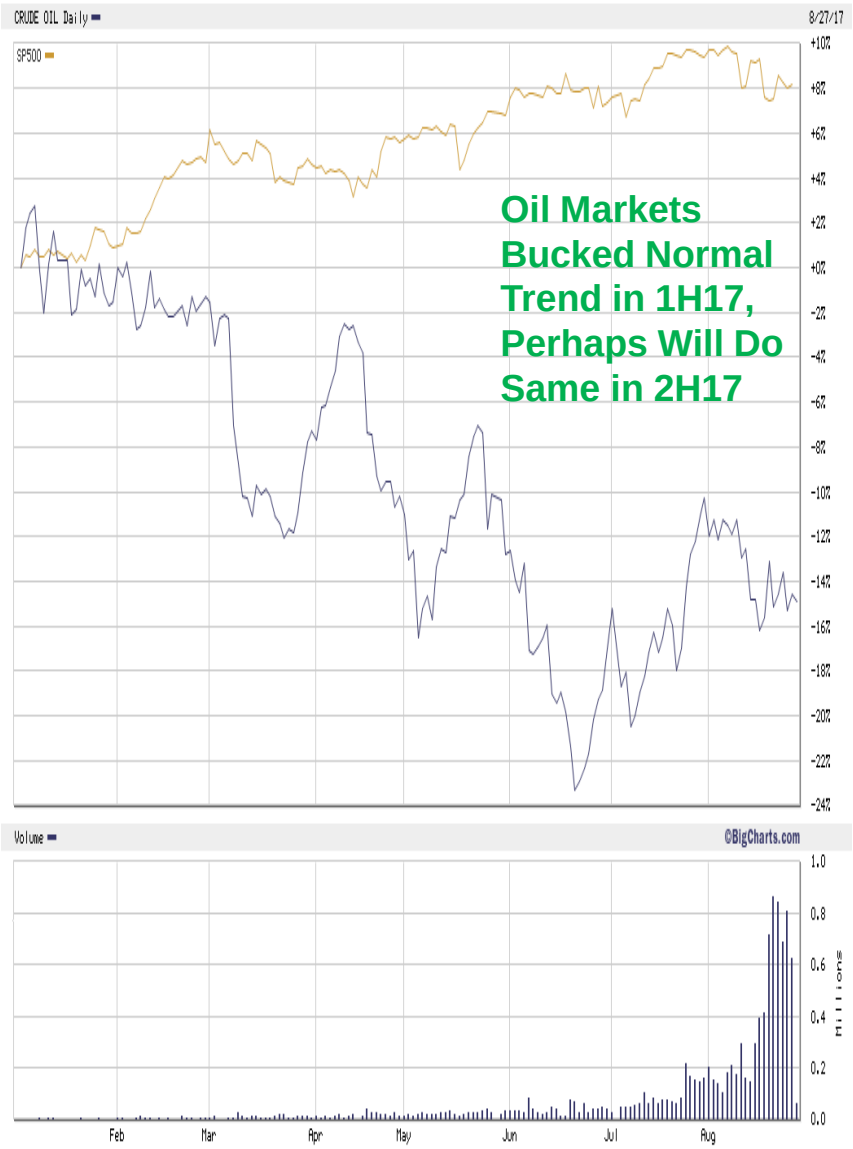
Oil Markets Remain Oversupplied, Shale Hedging at $50



Source(s): @RVPub, @NautilusCap

August is Clearly the Sunday of Summer in Oil Markets

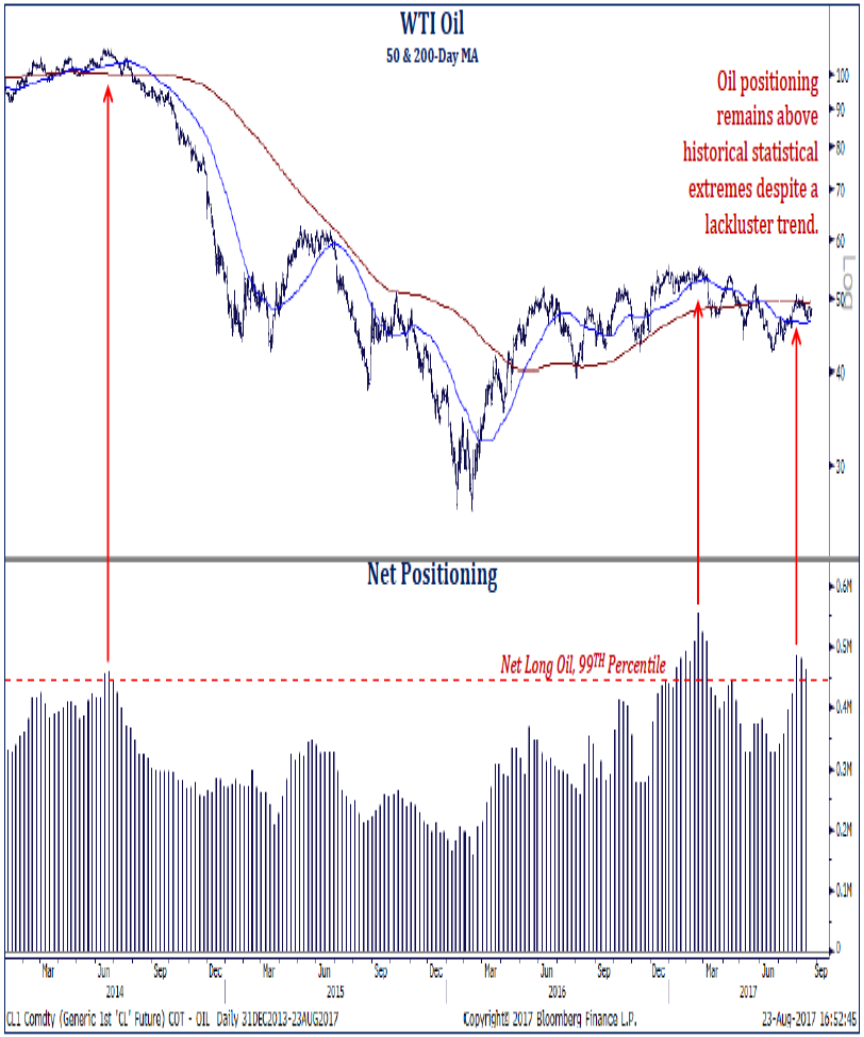




Source(s): @movement_cap, BigCharts.com

Oil Speculators Back Near Historic Long Levels, Negative

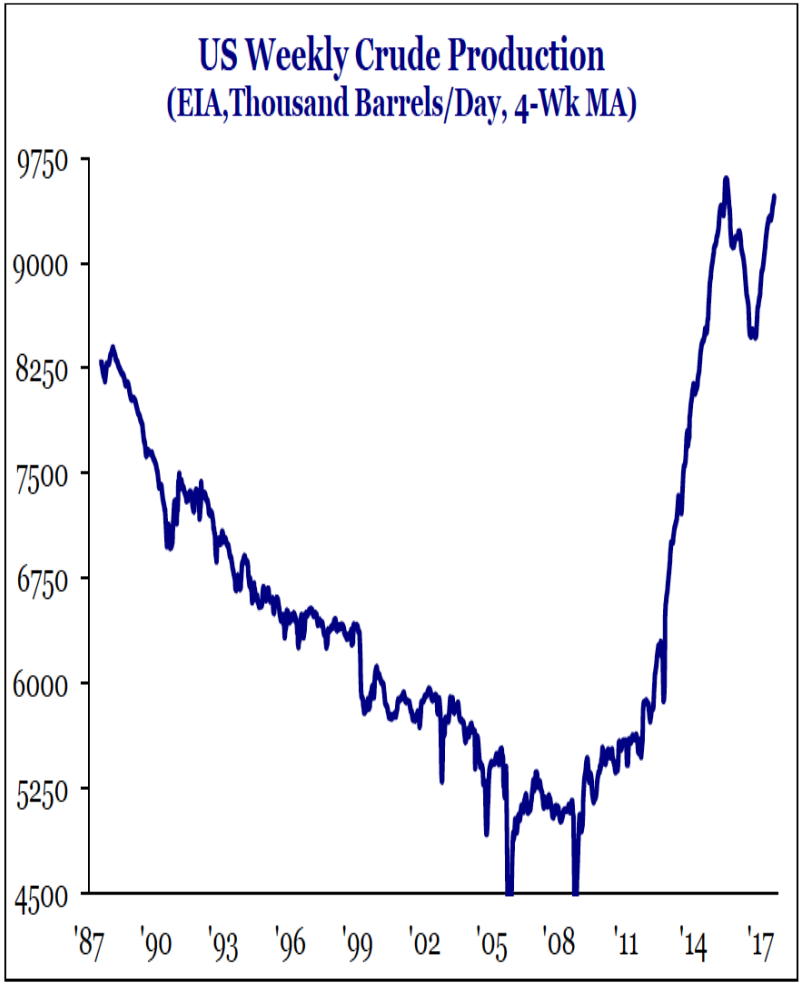
OF OIL LONGS BACK TO RECENT HIGHS...

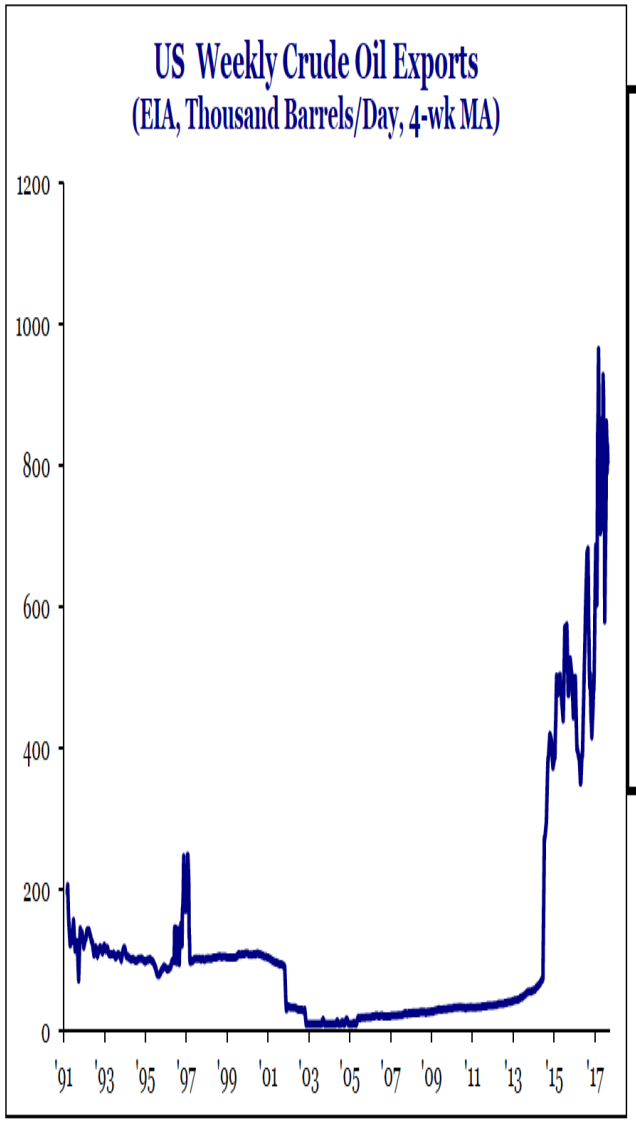


Source(s): Strategas, @movement_cap

Strong Recovery In US Oil Production Helped By Exports

ENERGY INFRASTRUCTURE BUILDOUT NEEDED



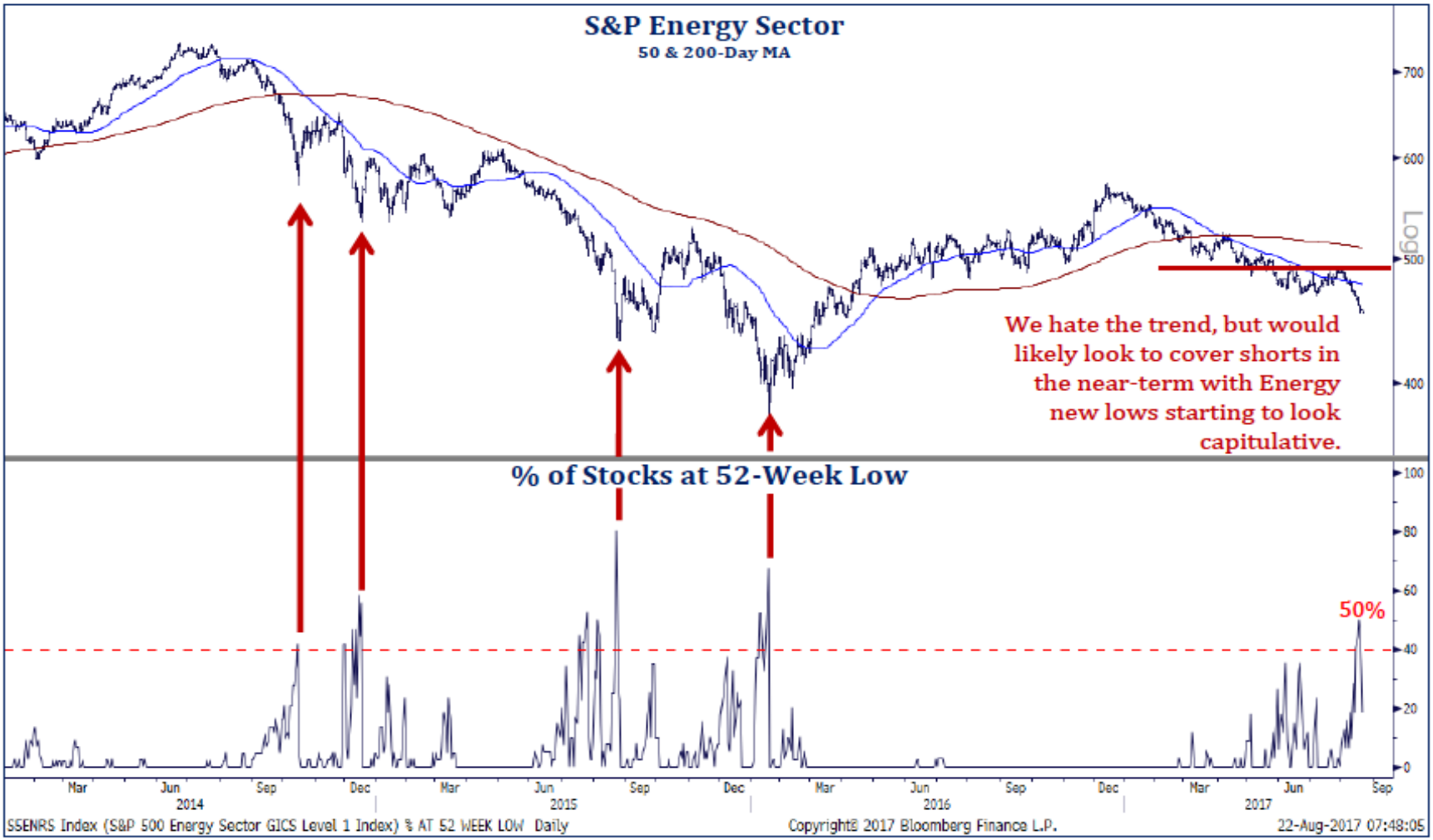


The ability for US producers to export crude following the December 2015 lifting of the export ban has helped production levels despite low prices.

Source(s): Strategas

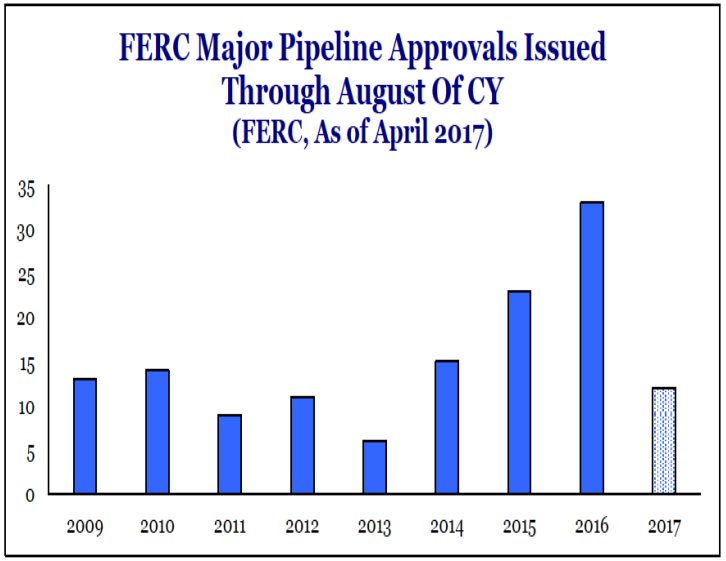
Energy Maybe Nearing A Bottom As Investors Capitulate

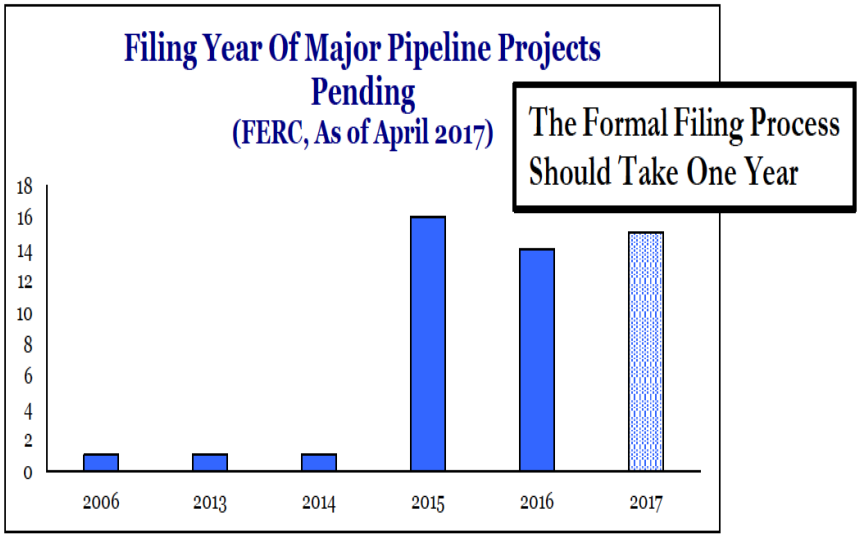
ENERGY NEW LOWS NEAR CAPITULATION, COVER SHORTS

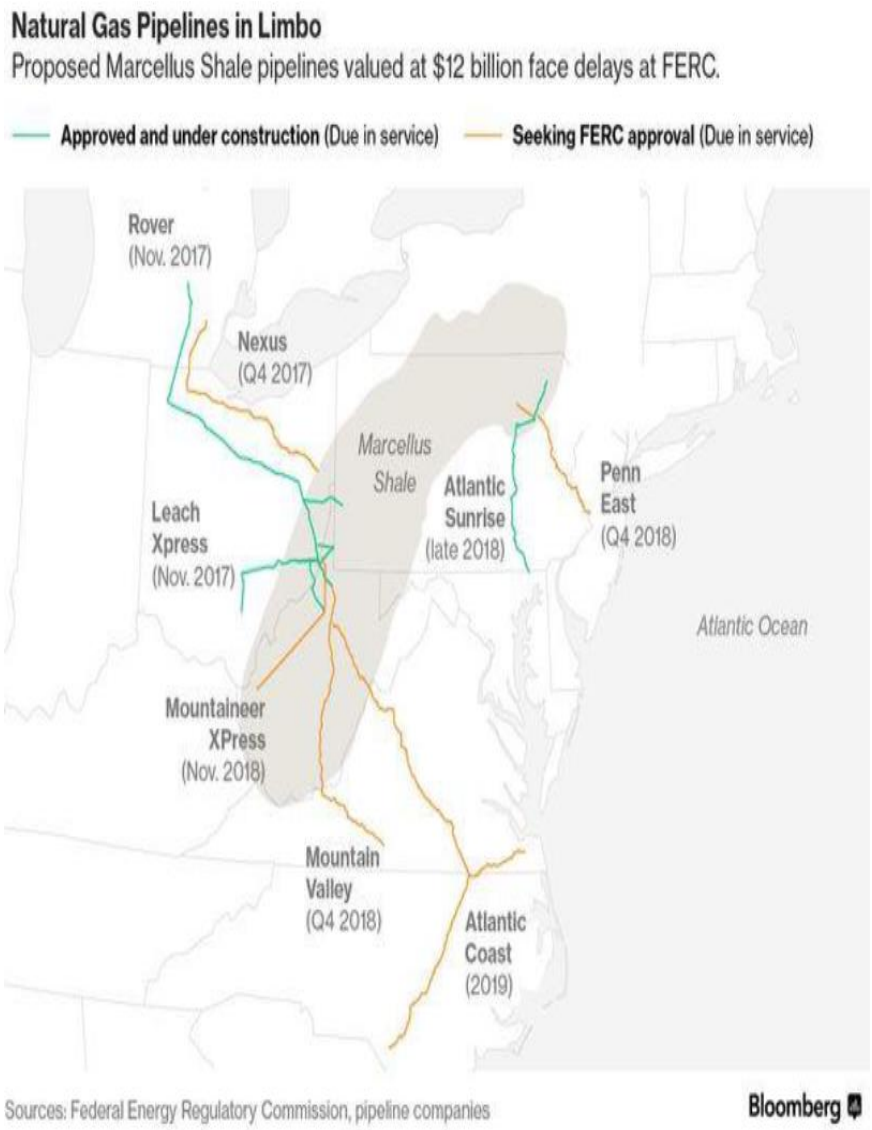


Source(s): Strategas

Energy Infrastructure Challenges = MLP Opportunities

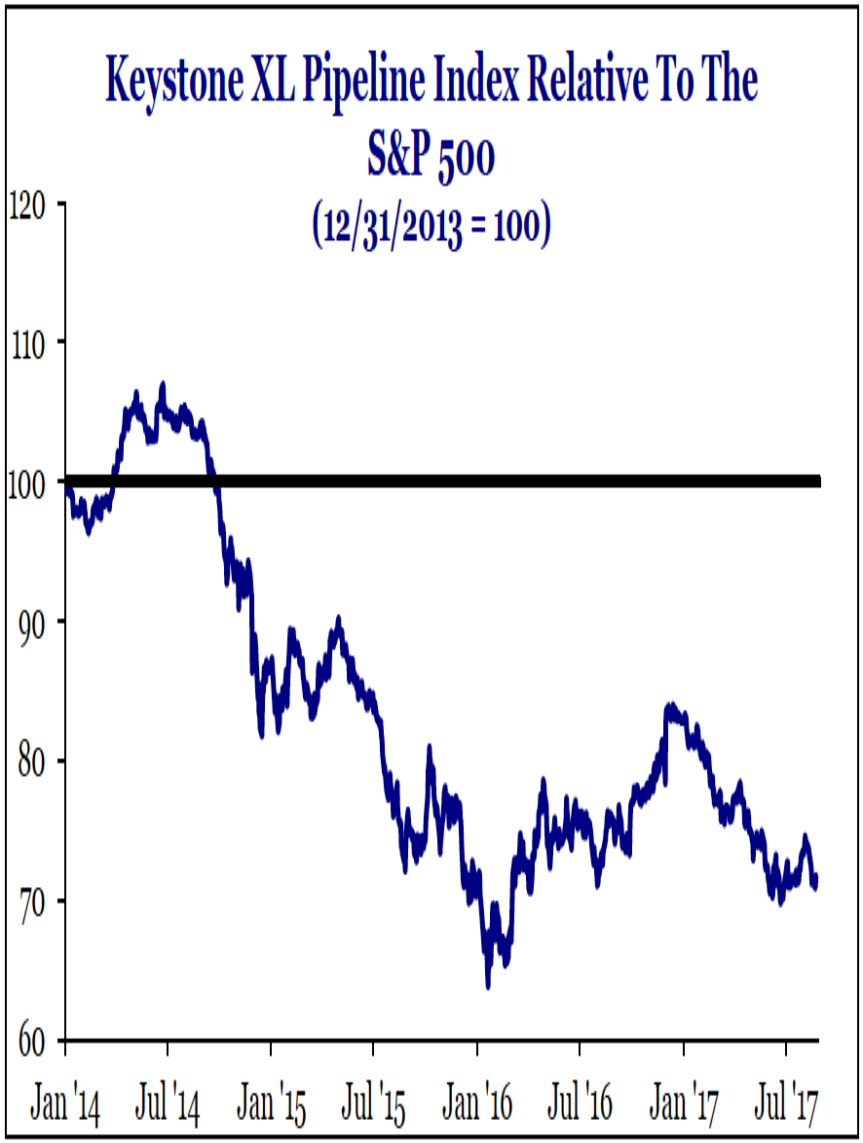


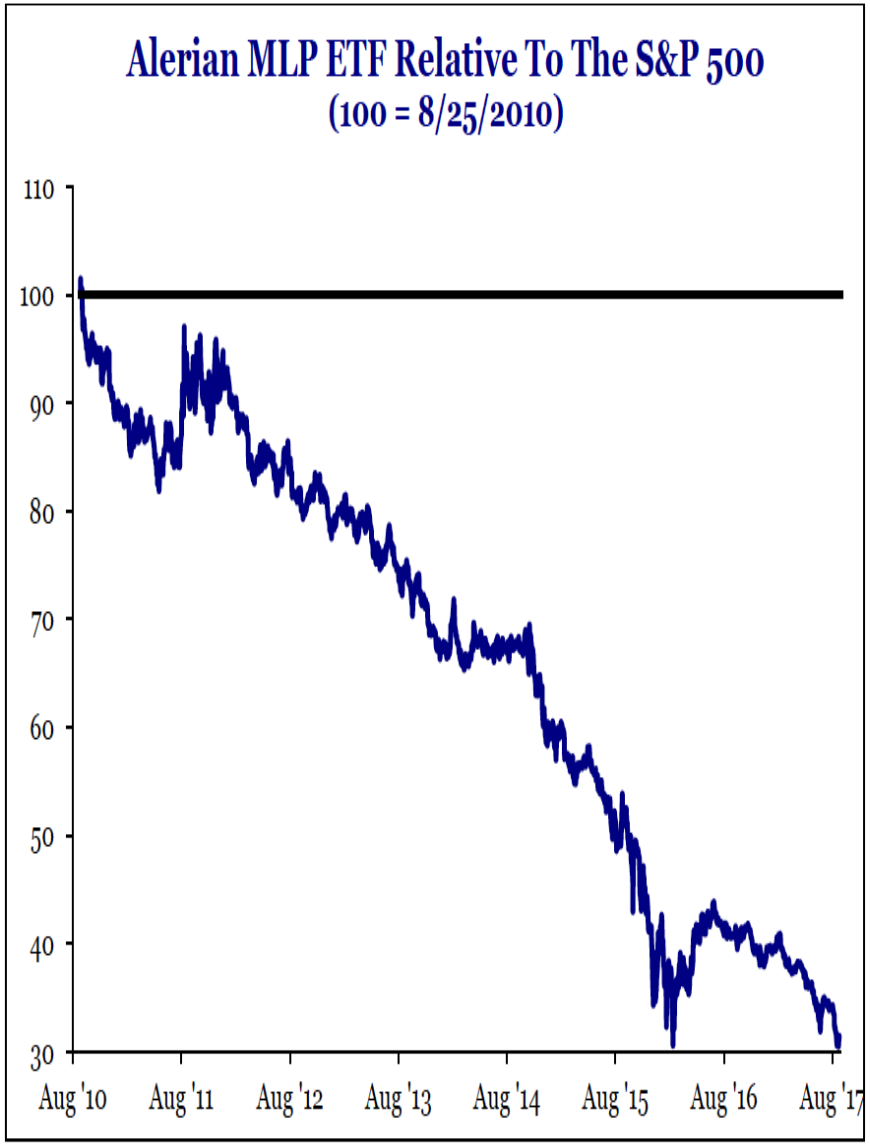




Source(s): Strategas, TIS Group

MLPs Trading Like O&G Stocks, Buy What Is On Sale…





Source(s): Strategas

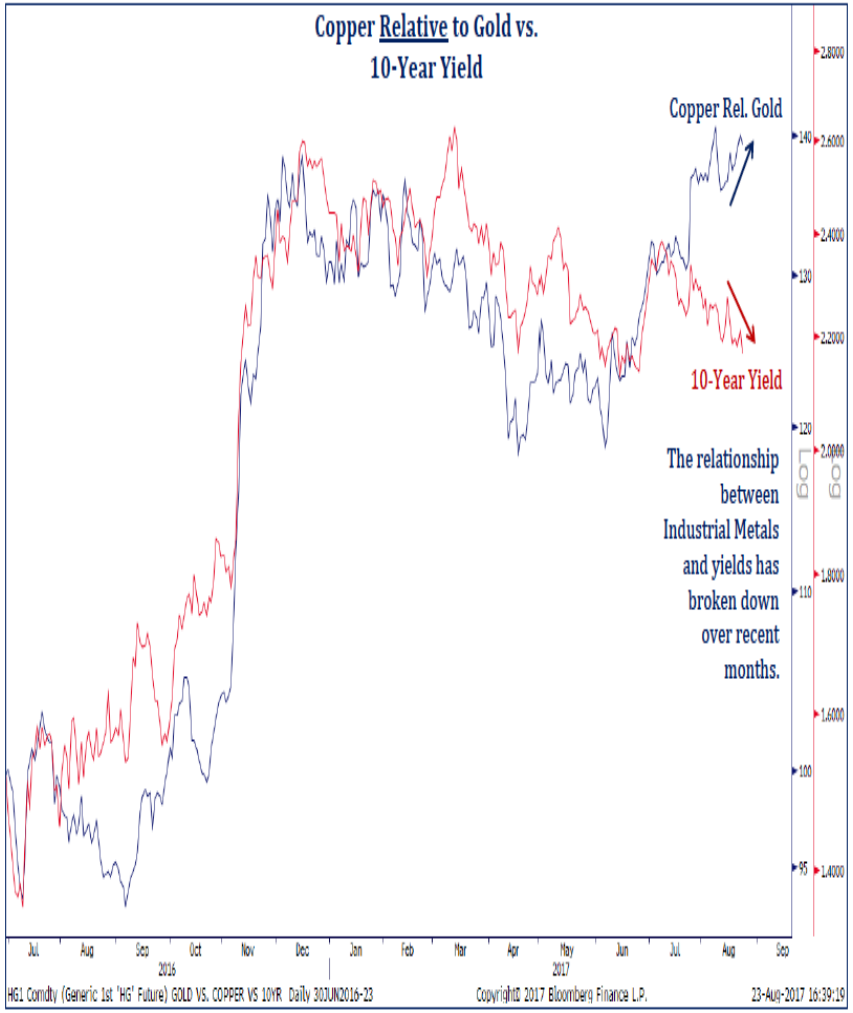
Industrial Metals = Signs Of Reflation; Bonds = Deflation

Commodity Performance & Trend Model Ranking

	Year-to-Date	Strategas Trend Model
Palladium	36.9%	POSITIVE
Aluminum	23.9%	POSITIVE
Zinc	20.2%	POSITIVE
Copper	19.6%	POSITIVE
Lead	17.9%	POSITIVE
Nickel	16.4%	POSITIVE
Lumber	15.6%	POSITIVE
Gold	11.6%	POSITIVE
Platinum	7.7%	NEUTRAL
Silver	6.2%	NEGATIVE
Wheat	-0.7%	NEUTRAL
Cotton	-1.7%	NEGATIVE
Gasoline	-1.7%	POSITIVE
Iron Ore	-2.2%	NEUTRAL
Corn	-2.8%	NEUTRAL
Tin	-2.8%	POSITIVE
Heating Oil	-4.3%	POSITIVE
Soybean	-5.9%	NEGATIVE
Coffee	-7.6%	NEGATIVE
Brent Oil	-7.9%	NEGATIVE
Cocoa	-10.3%	NEGATIVE
WTI Oil	-10.3%	NEGATIVE
Live Cattle	-11.2%	NEGATIVE
Nat Gas	-21.3%	NEGATIVE
Sugar	-28.7%	NEGATIVE
Orange Juice	-31.9%	NEGATIVE

STRUCTURAL TRENDS IMPROVING FOR INDUSTRIAL METALS

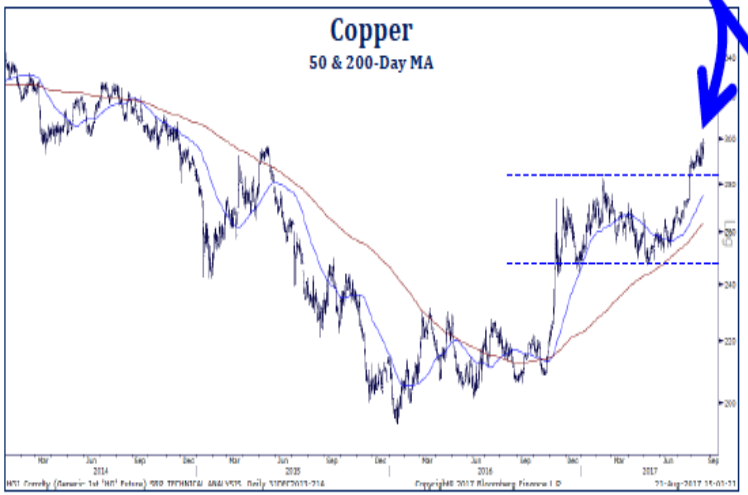
INDUSTRIAL METALS DIVERGING FROM BOND YIELDS



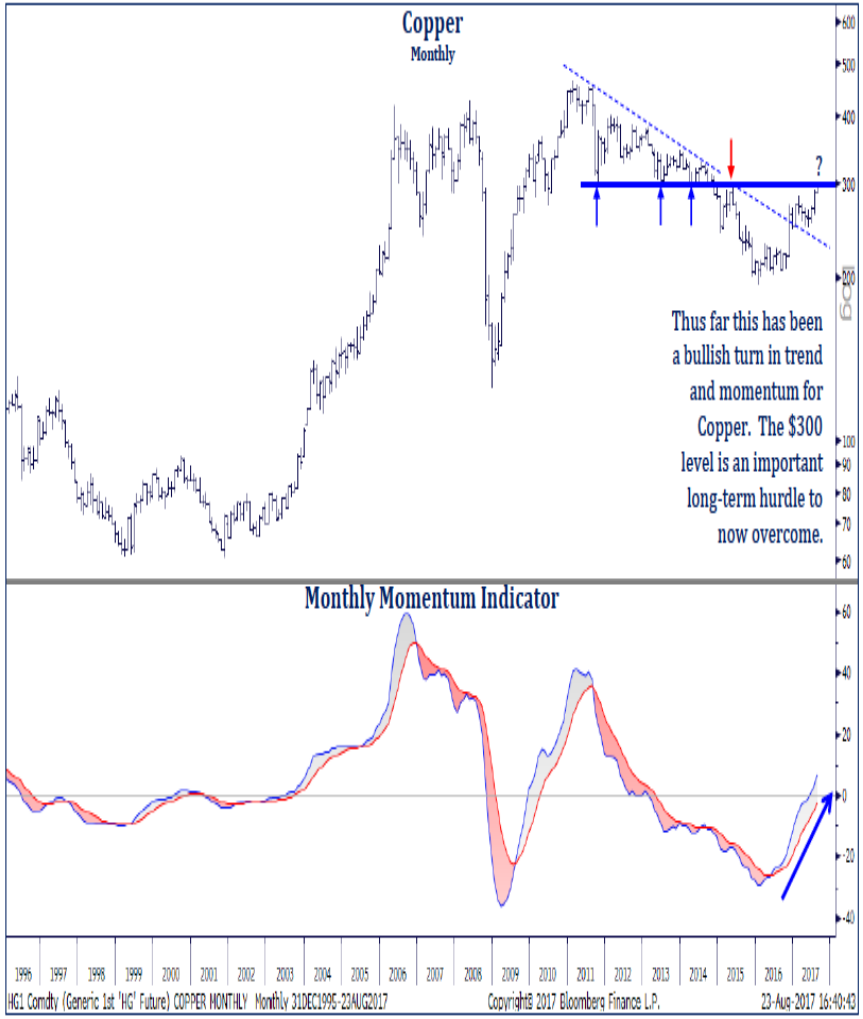
Source(s): Strategas

Dr. Copper & Iron Ore Signaling Growth, Likely in China

COPPER & IRON ORE REMAIN FIRM

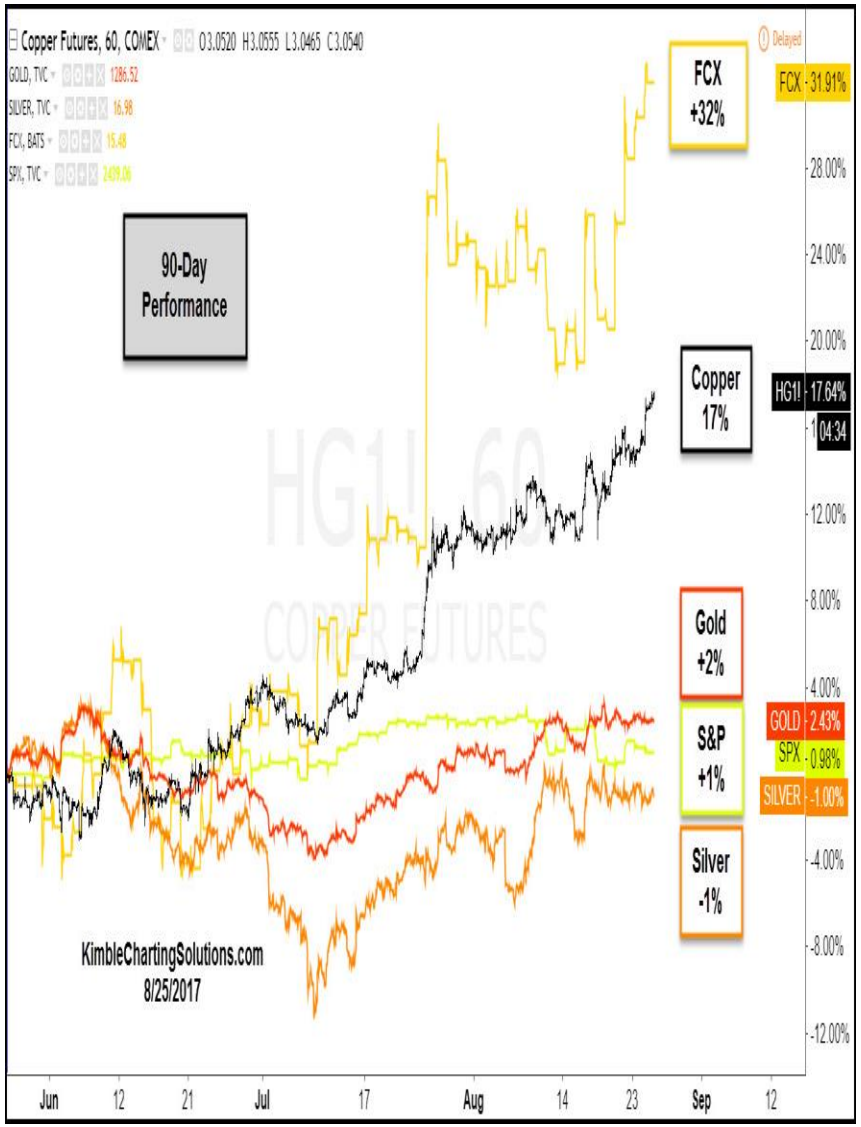


IMPORTANT JUNCTURE FOR LONG-TERM COPPER CHART



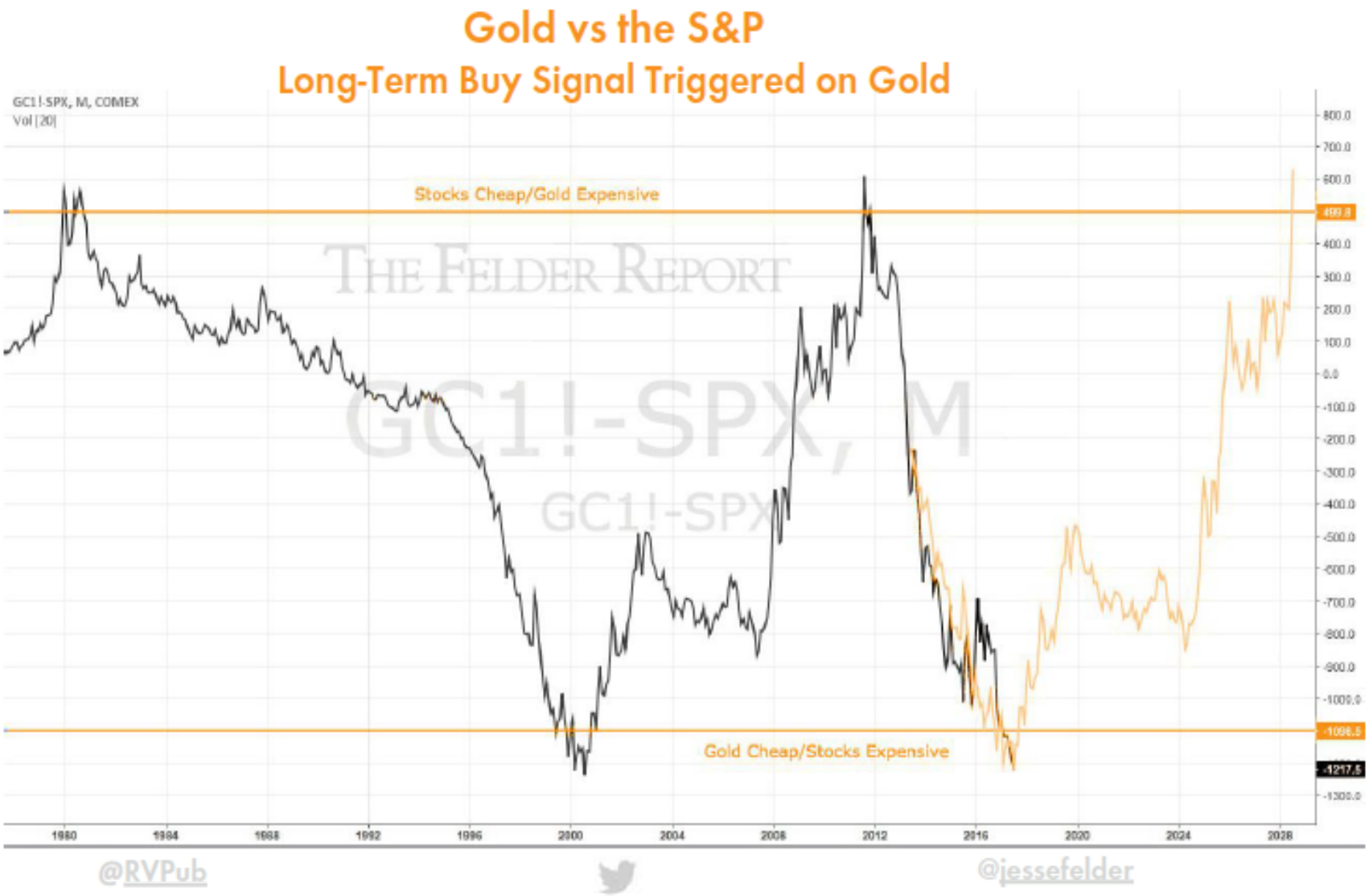
Source(s): Strategas

Miners Have Crossed Chasm on Credit Risk, Now Surging



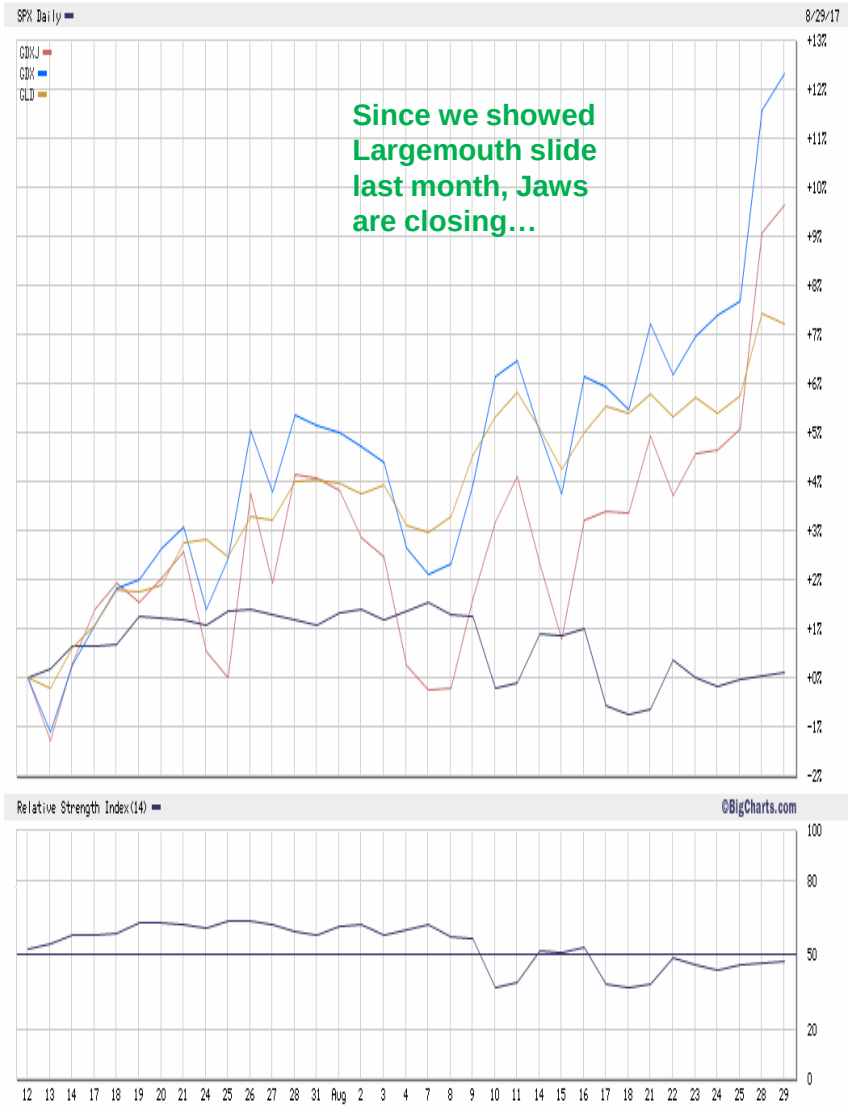
Source(s): Strategas, @kimblechartingsolutions

Gold Extremely Cheap vs. Financial Assets, 2000 Redux



Source(s): @RVPub, @JesseFelder

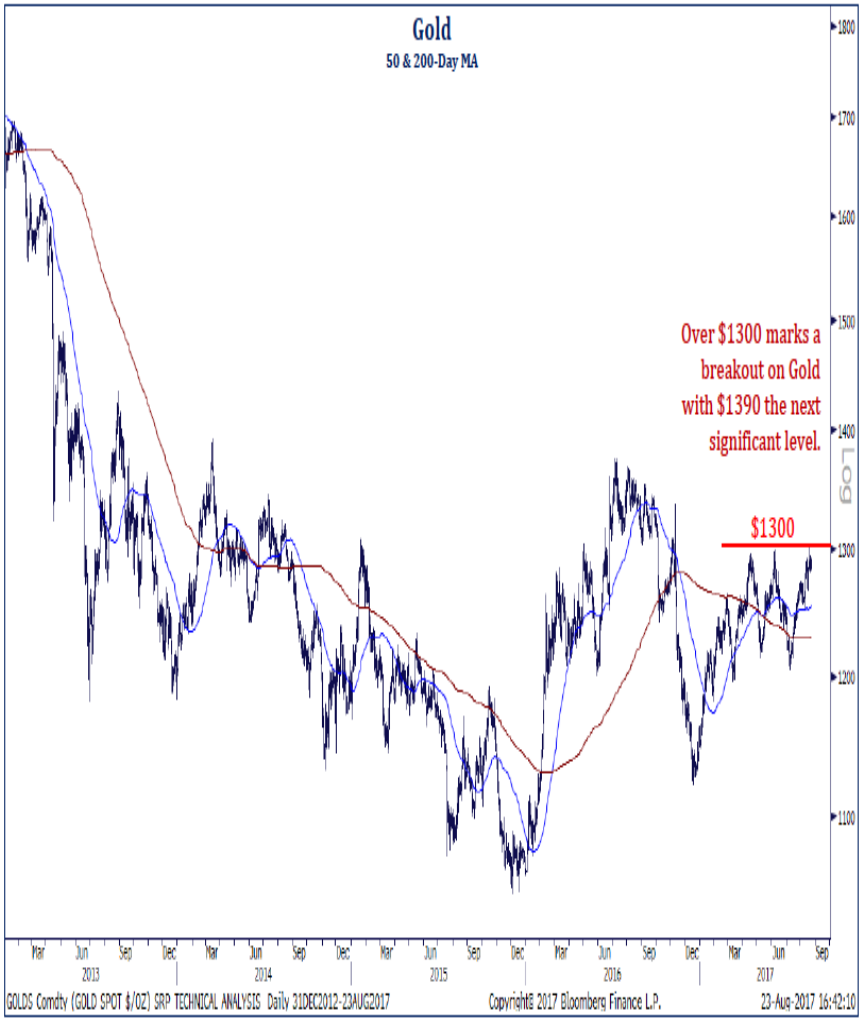
SPX/Gold Performance Rarely Wider, Jaws Always Close



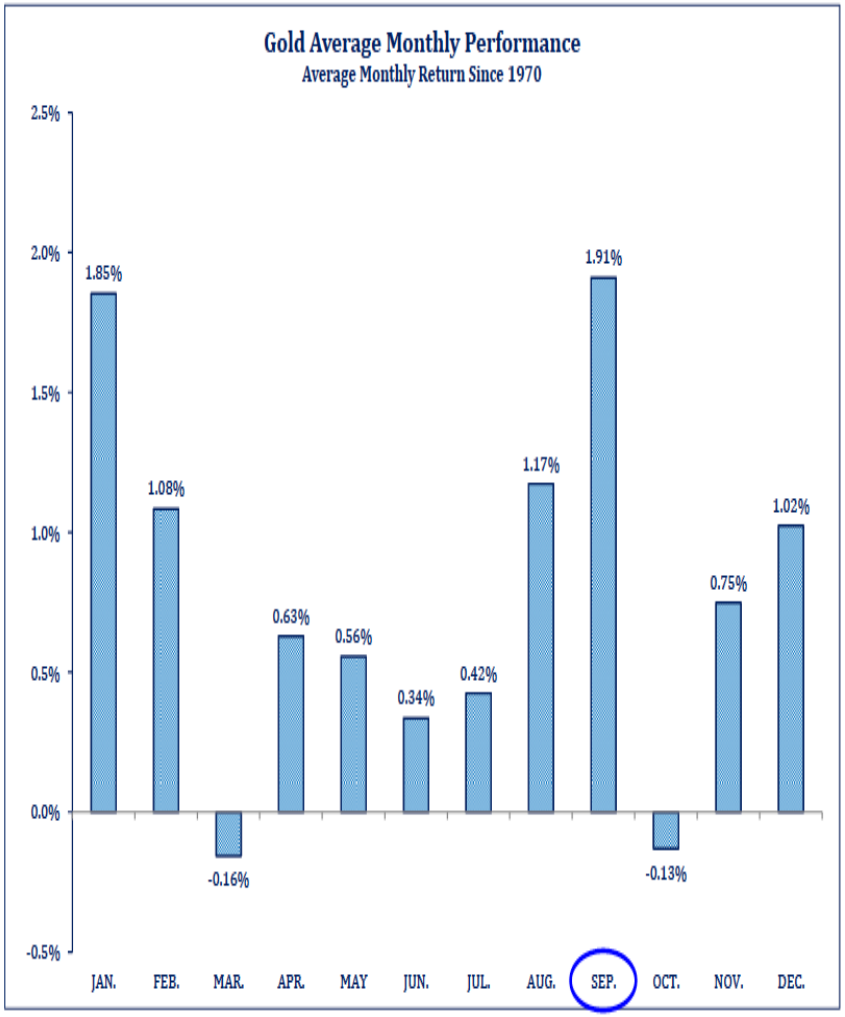
Source(s): @KimballChartingSolutions, BigCharts.com

Gold Broke Above $1,300, Seasonals Supportive Q4/Q1

GOLD ON BREAKOUT WATCH

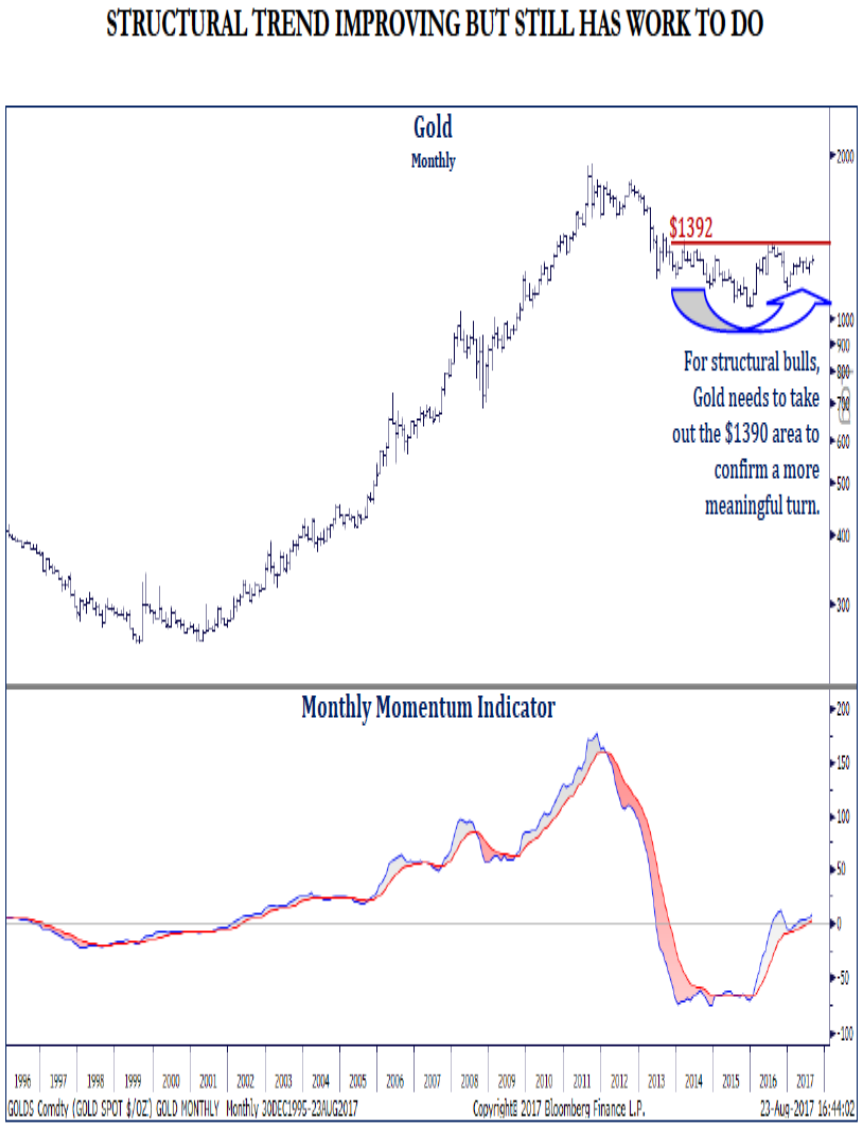


SEPTEMBER GOLD SEASONALS ARE SUPPORTIVE



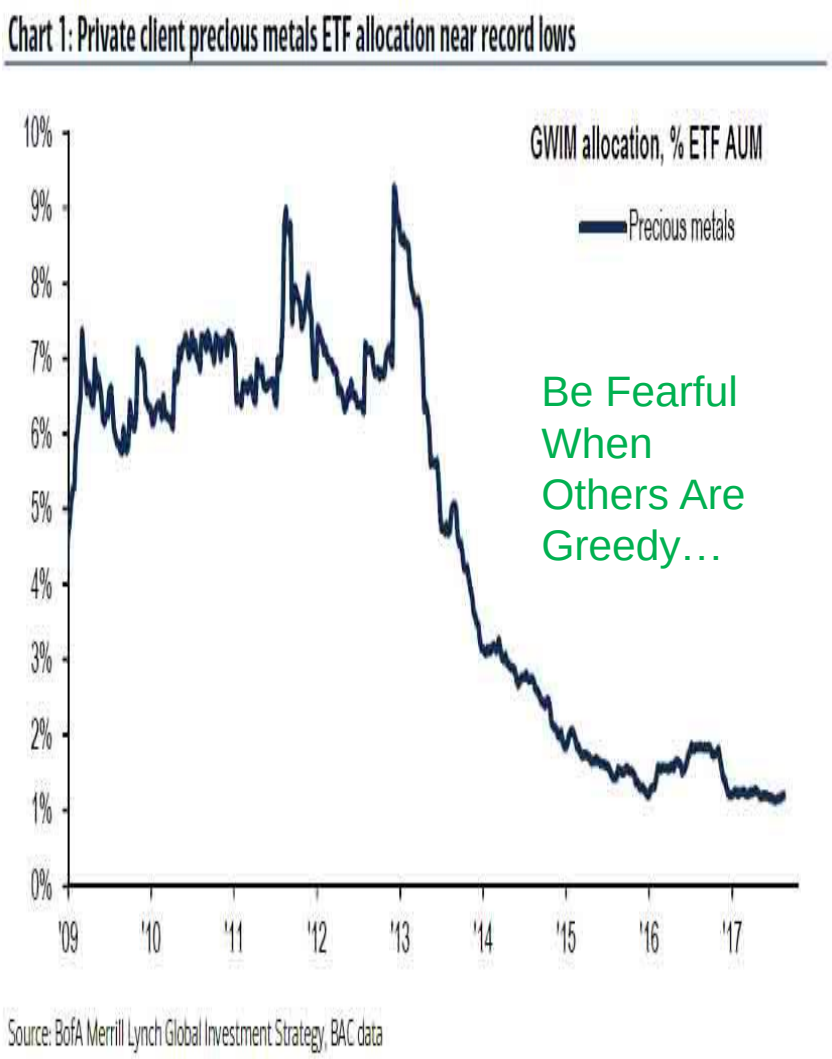
Source(s): Strategas

Gold Trend Still Weak, Improving, Ready To Break Out?



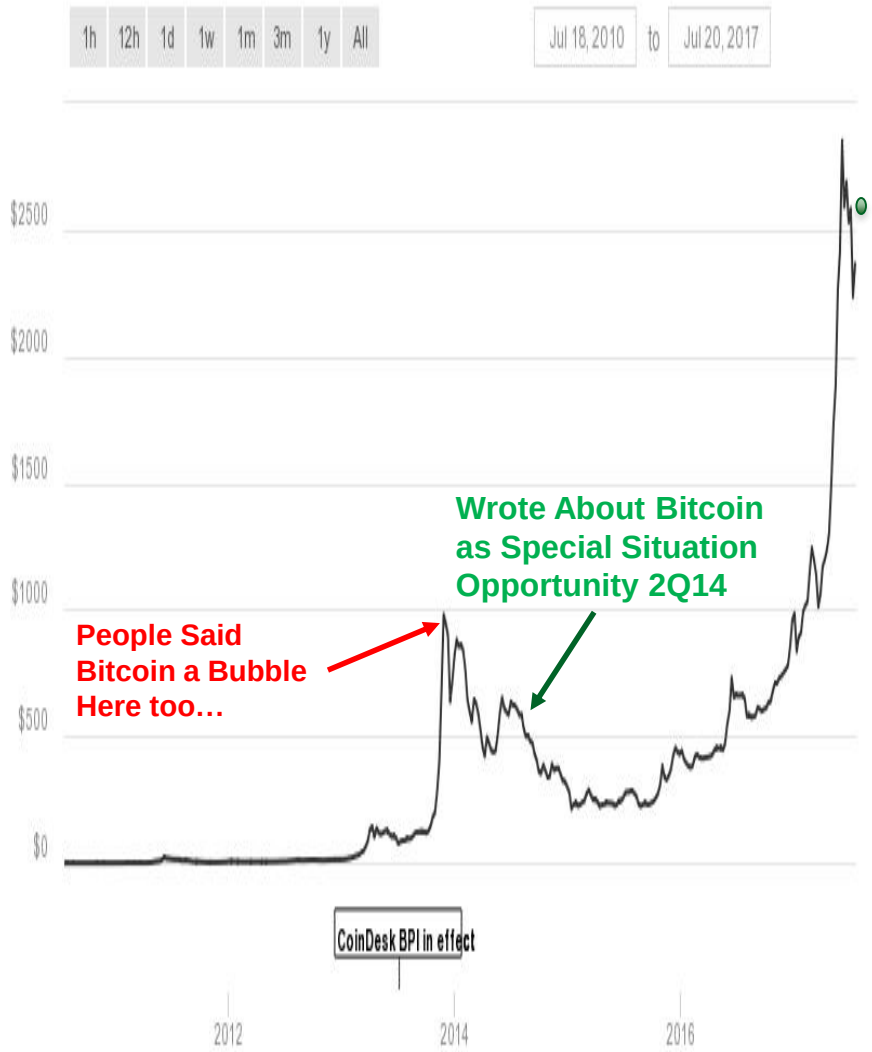
Source(s): Strategas, @kimblechartingsolutions

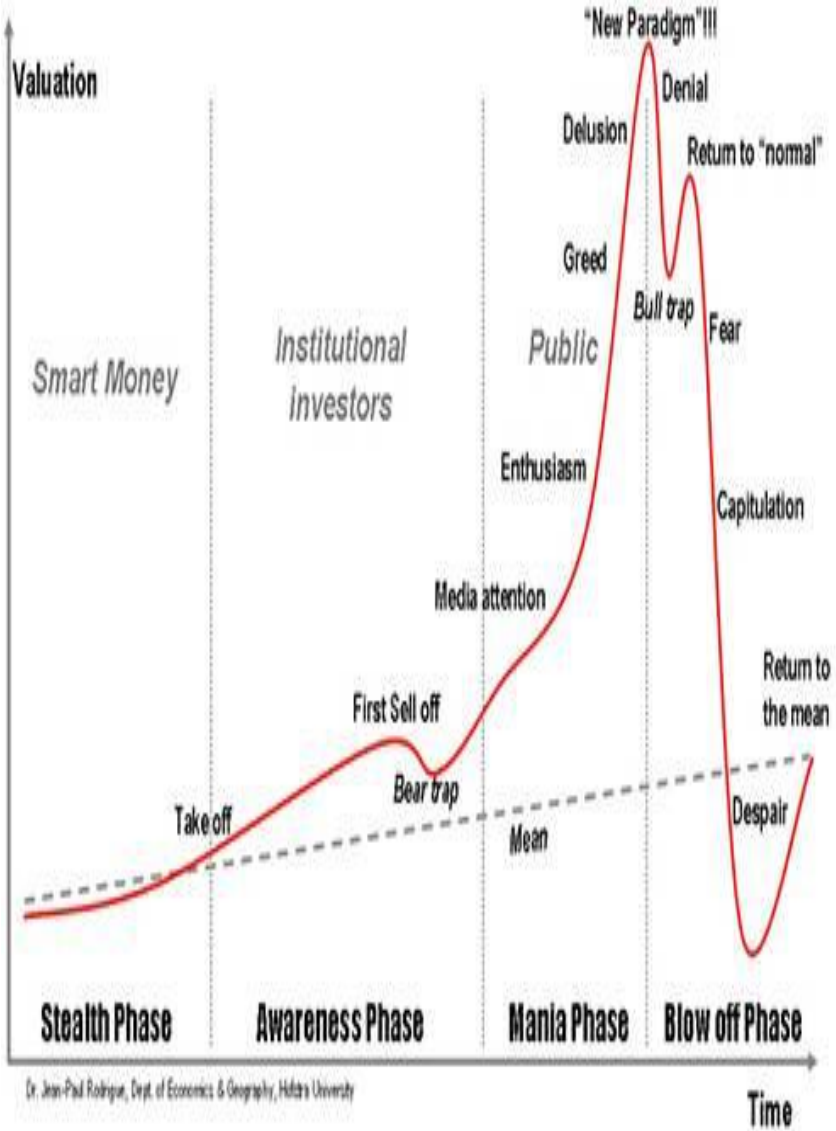
Gold Quietly Approaching Bull Market, But No One Cares



Source(s): @charliebilello, @zerohedge

Some Thought Bitcoin Bubble, Can Clearly See Pattern



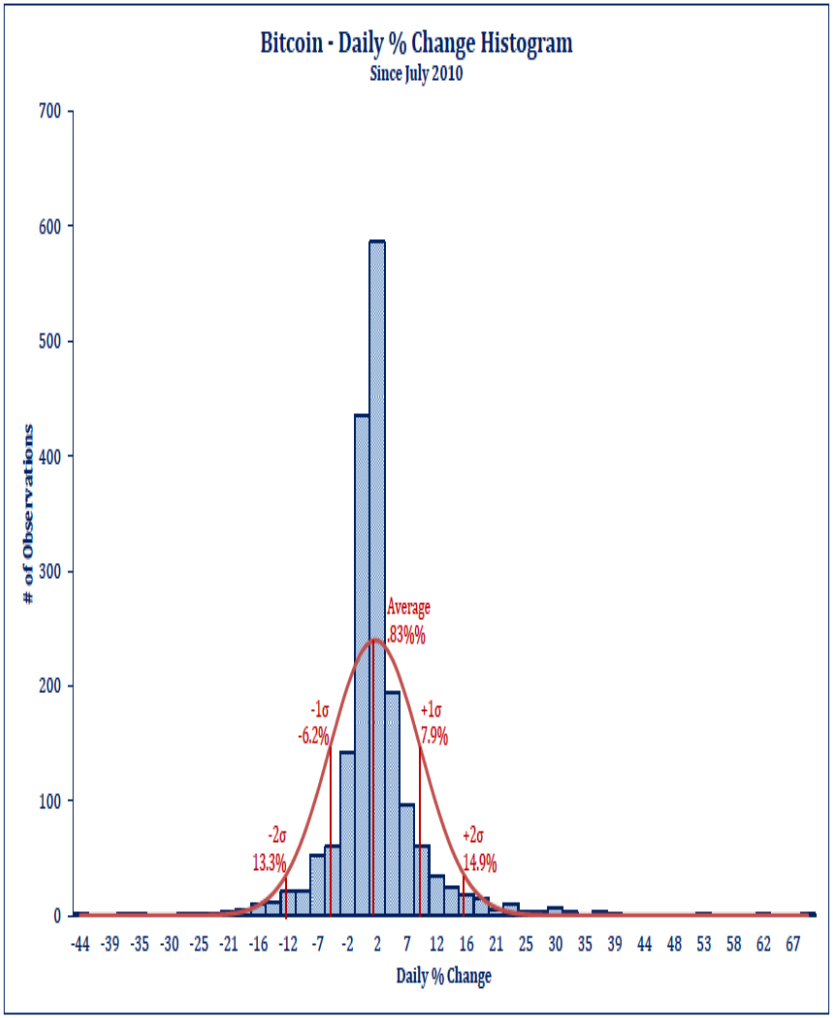


Source(s): Coindesk.com, marketpredict.com

Bitcoin Just Keeps Powering Upwards, Lots of Volatility

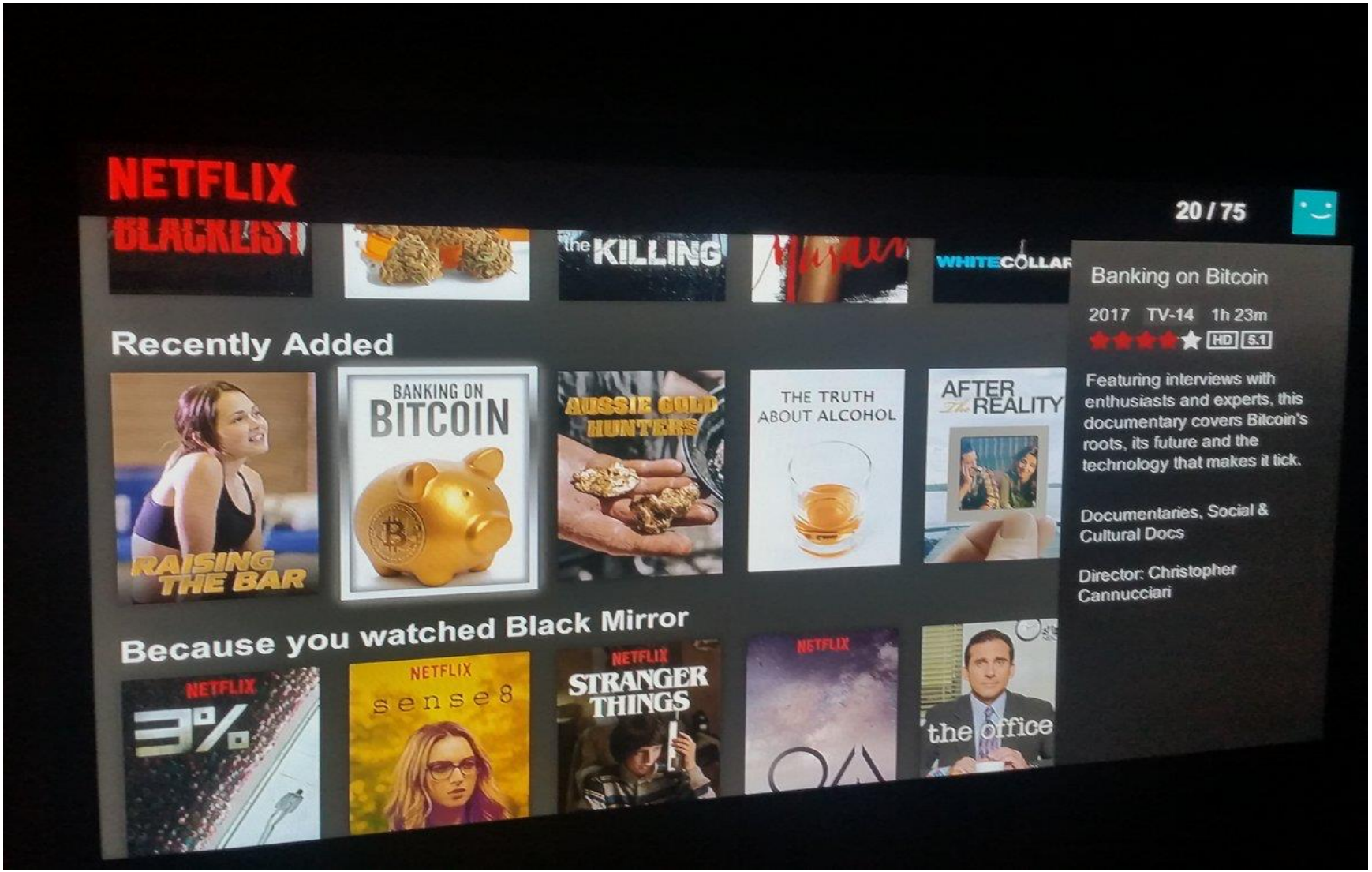
FLAT OUT IMPRESSIVE

COOL CHART… BITCOIN IS A ROLLER COASTER



Source(s): Strategas

Twitter Friend's Netflix Queue Reflects Bitcoin Interest



Source(s): @LeConteWealth

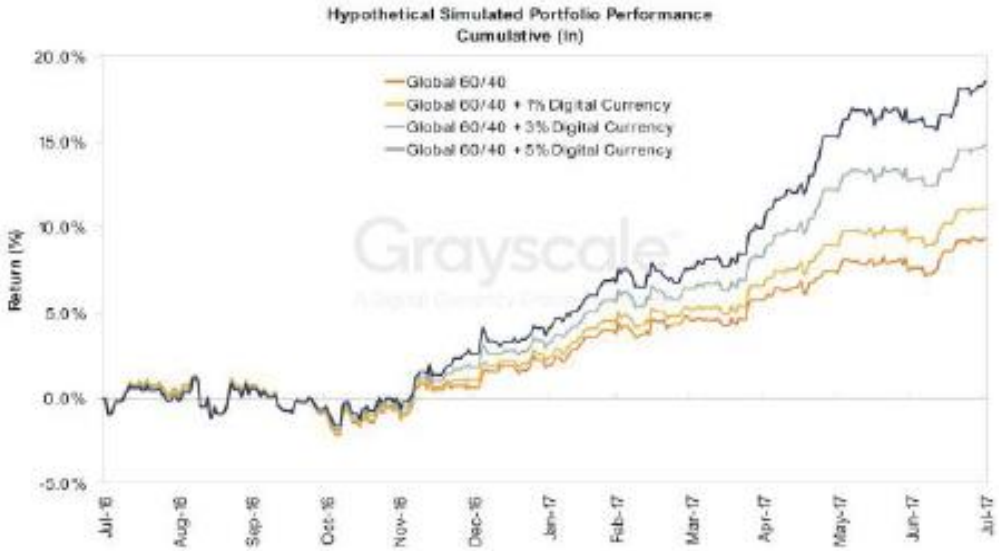
Small Bitcoin Allocation Has Been Big Portfolio Benefit

Think you're diversified?

Got cryptocurrencies in your portfolio?

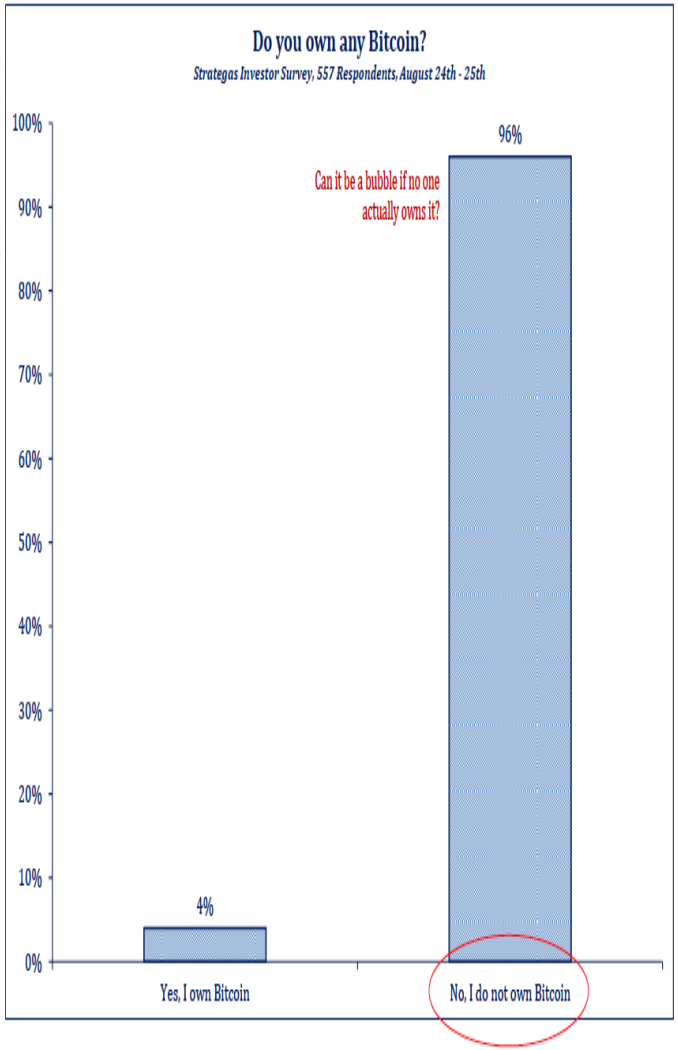
Hypothetical Simulated Portfolio Performance: Trailing 12 Months
July 31, 2016 through July 31, 2017

Portfolio	Global 60/40	Global 60/40 + 1% Digital Currency	Global 60/40 + 3% Digital Currency	Global 60/40 + 5% Digital Currency
Cumulative Total Return	9.6%	13.8%	16.0%	20.4%
Std Dev (Risk)	5.3%	5.3%	5.4%	5.9%
Sharpe Ratio	1.79	2.16	2.88	3.40
Incremental Return	--	3.8%	6.2%	10.8%
Incremental Risk	--	0.0%	0.2%	0.6%
Ratio Improvement	--	20%	0%	80%



@RVPub

AND NO ONE OWNS ANY BITCOIN...



Source(s): @RVPub, @GrayscaleInvest, Strategas

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HFN Long/Short Equity Index
This index includes funds that typically buy equity securities with the expectation they will go up in price and sell short equity securities with the expectation they will decline in price. Funds may either be "net long" or "net short" and may change their net position frequently. The basic belief behind this strategy is that it will allow the fund to profit from both undervalued and overvalued securities and protect capital in many types of market conditions. Definition is from HedgeFund.net.

MSCI World Index
This is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. Morgan Stanley Capital International definition is from Morgan Stanley.

S&P 500 Index
This is an index consisting of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The index is a market-value weighted index – each stock's weight in the index is proportionate to its market value. Definition is from Standard and Poor's.

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ISM Index
The ISM Manufacturing Index is based on surveys of more than 300 manufacturing firms by the Institute of Supply Management. The ISM Manufacturing Index monitors employment, production, inventories, new orders and supplier deliveries. A composite diffusion index monitors conditions in national manufacturing and is based on the data from these surveys.

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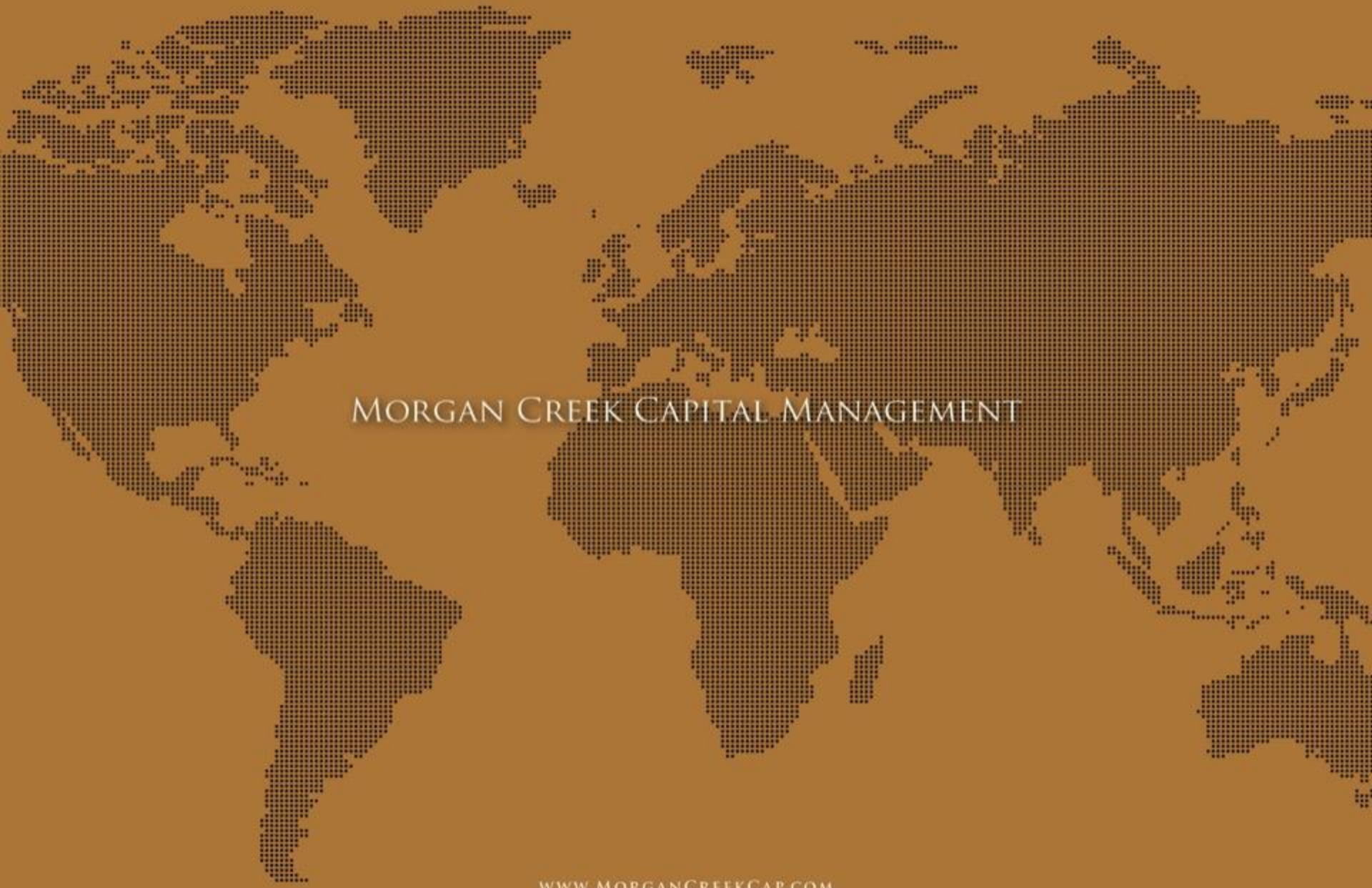
Contact Information

Morgan Creek Capital Management, LLC
301 W. Barbee Chapel Road, Suite 200
Chapel Hill, NC 27517

Phone: 919-933-4004
Fax: 919-933-4048

Email: IR@morgancreekcap.com

Web: www.morgancreekcap.com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