

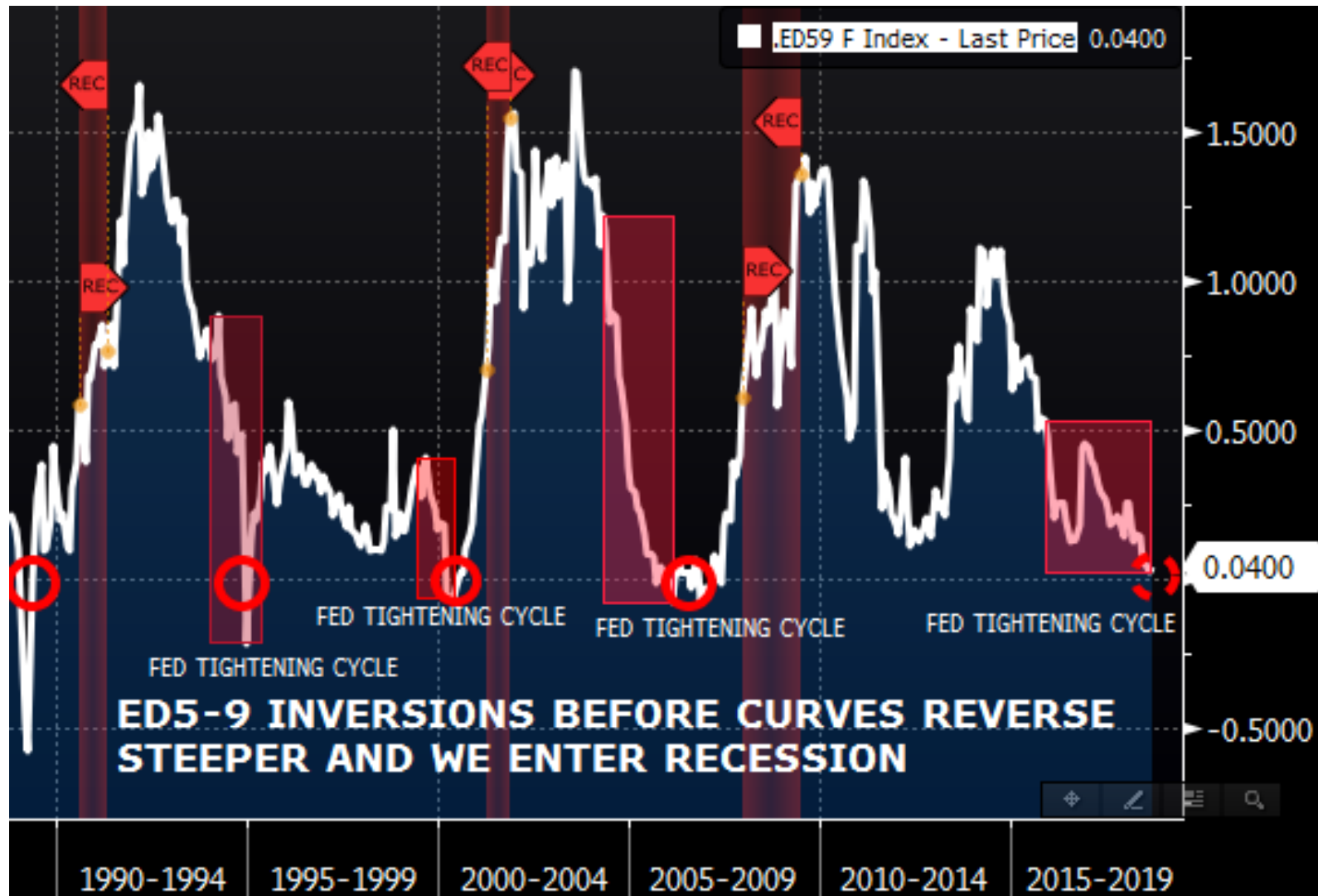


NOMURA

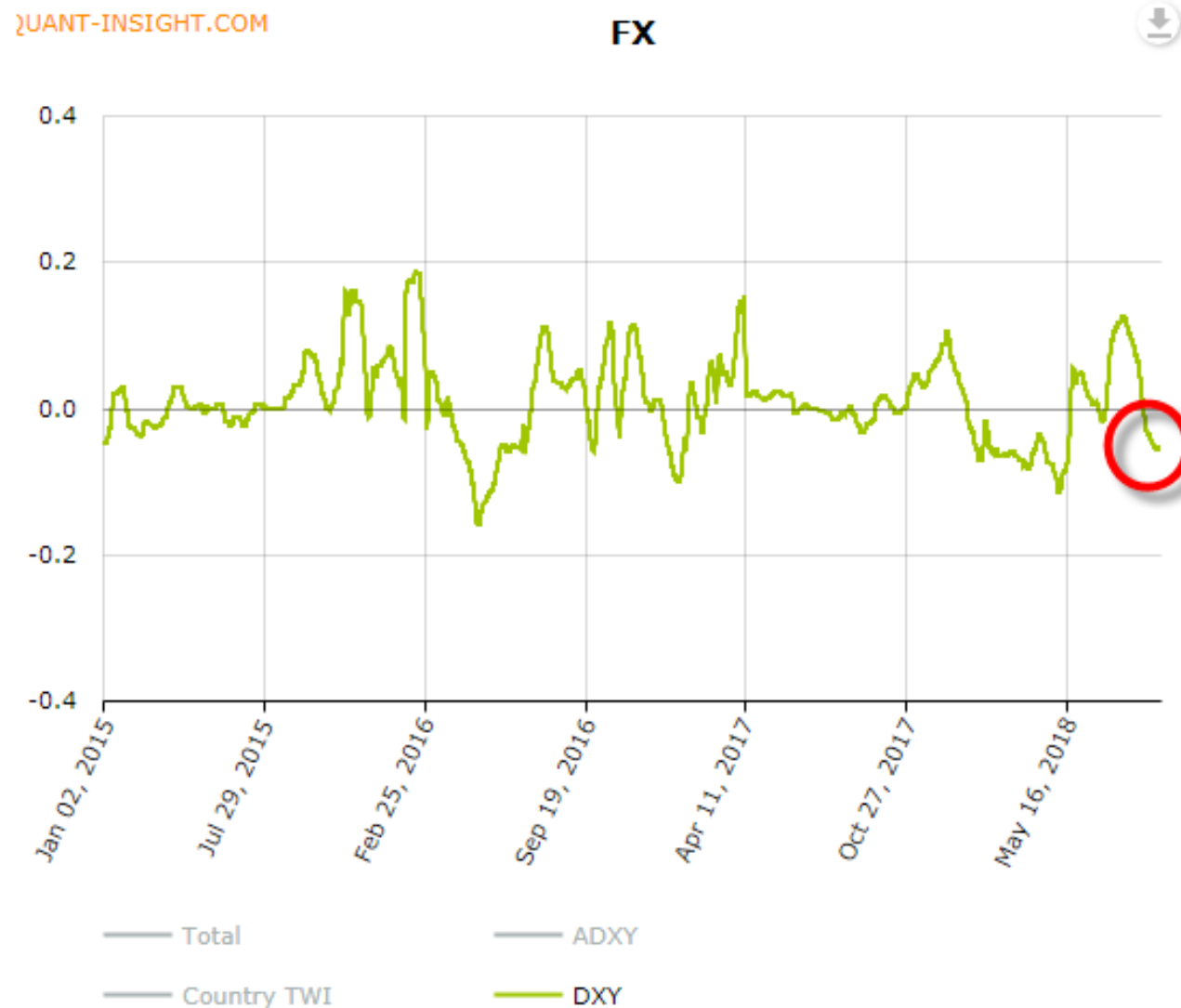
Charlie McElligott

Managing Director
Cross-Asset Strategy
Global Equity Derivatives

ED5-9 NEARING INVERSION:



SPX SHORT-TERM MODEL SHOWS USD SENSITIVITY FLIPS TO 'NEGATIVE' PRICE FACTOR:



SPX LONG-TERM MODEL SHOWS 'REAL RATES' AND 'INFLATION EXPECTATIONS' SENSITIVITY FLIP TO 'NEGATIVE' PRICE FACTORS FOR S&P 500 AS WELL:

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Infl. Expec.

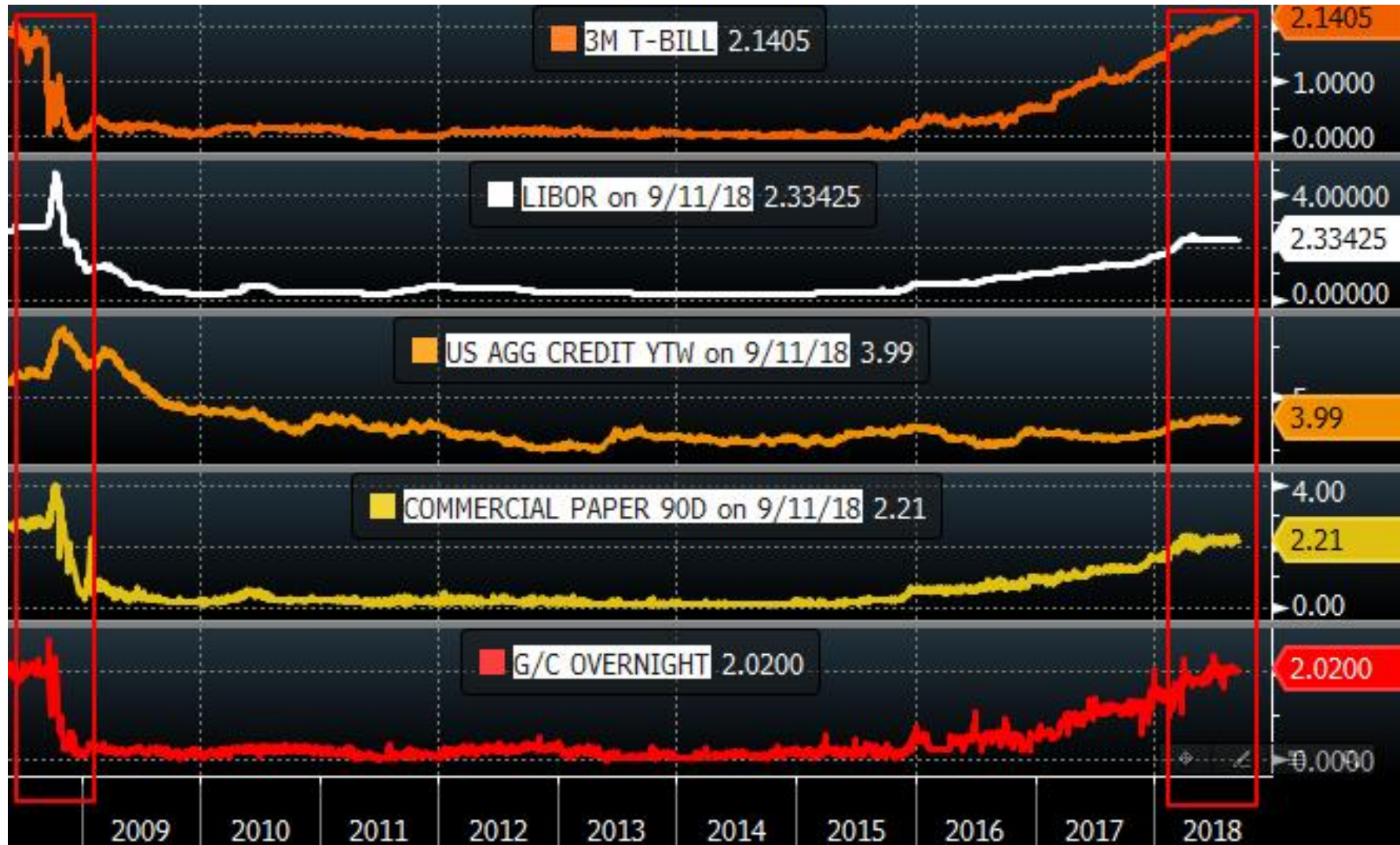


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Global Real Rates



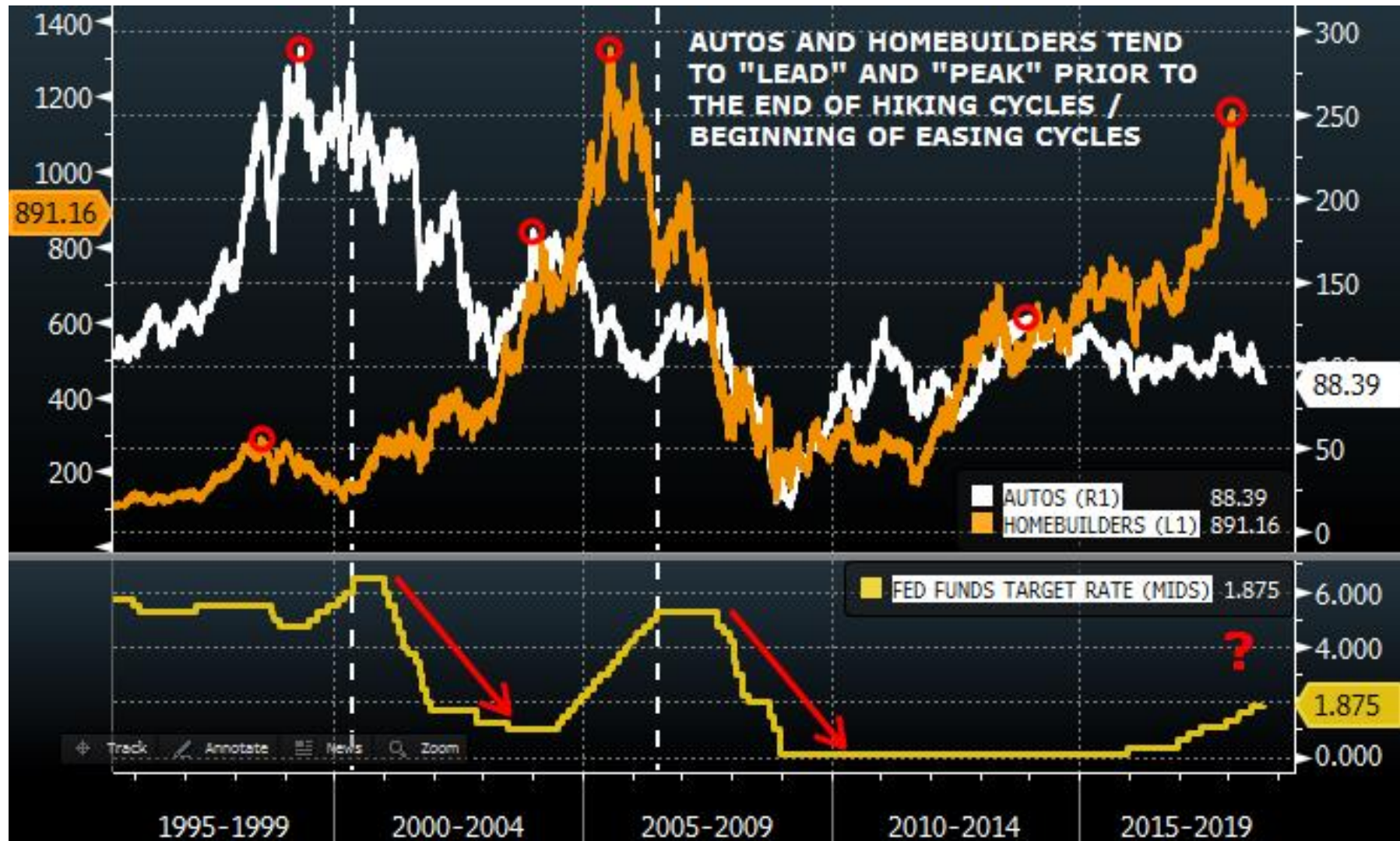
First, a pure read on 'tighter financial conditions':



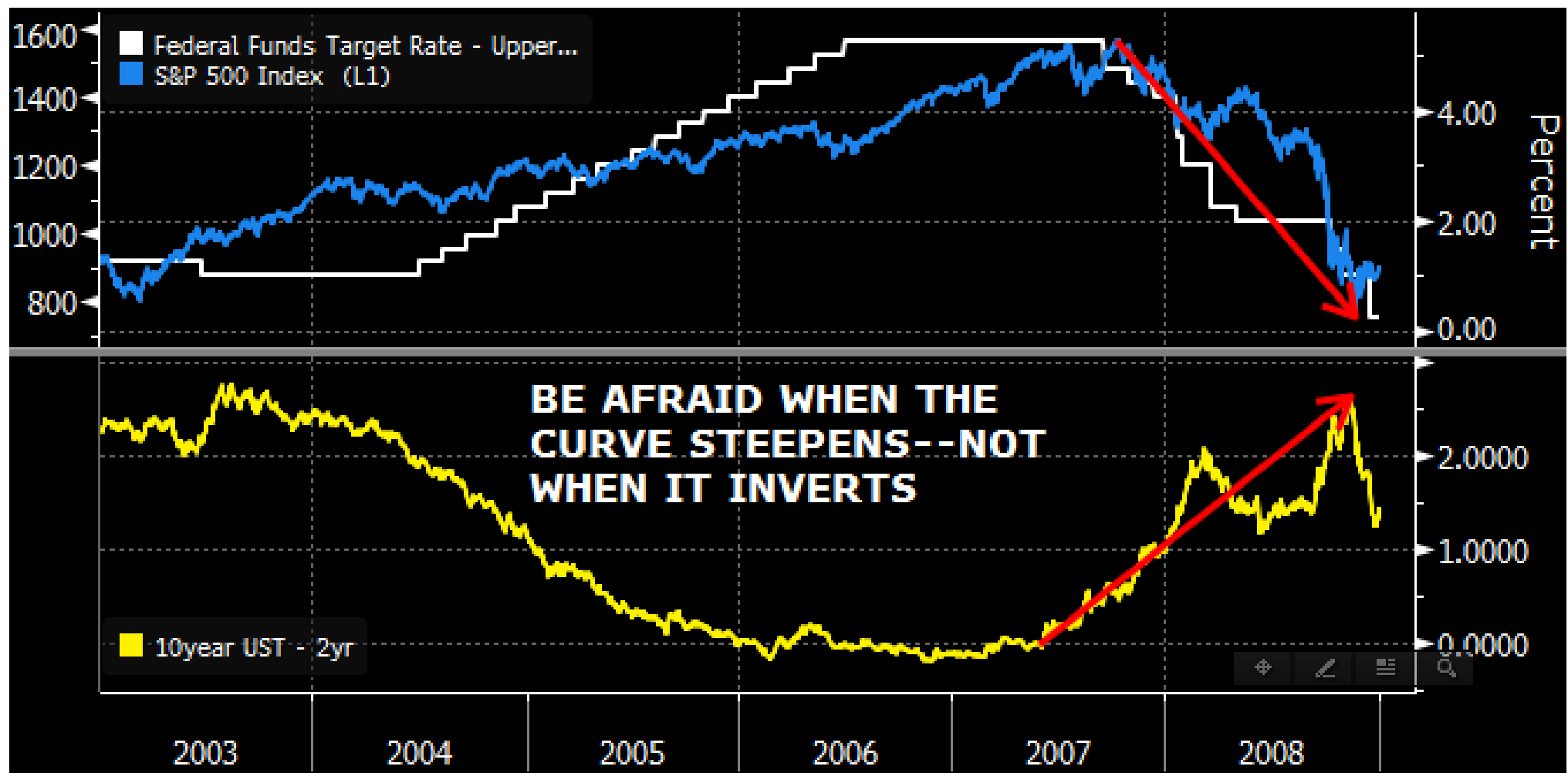
Next a read on the negative Chinese credit / financing impulse:



Late cycle behavior from autos and homebuilders 'rhyming':



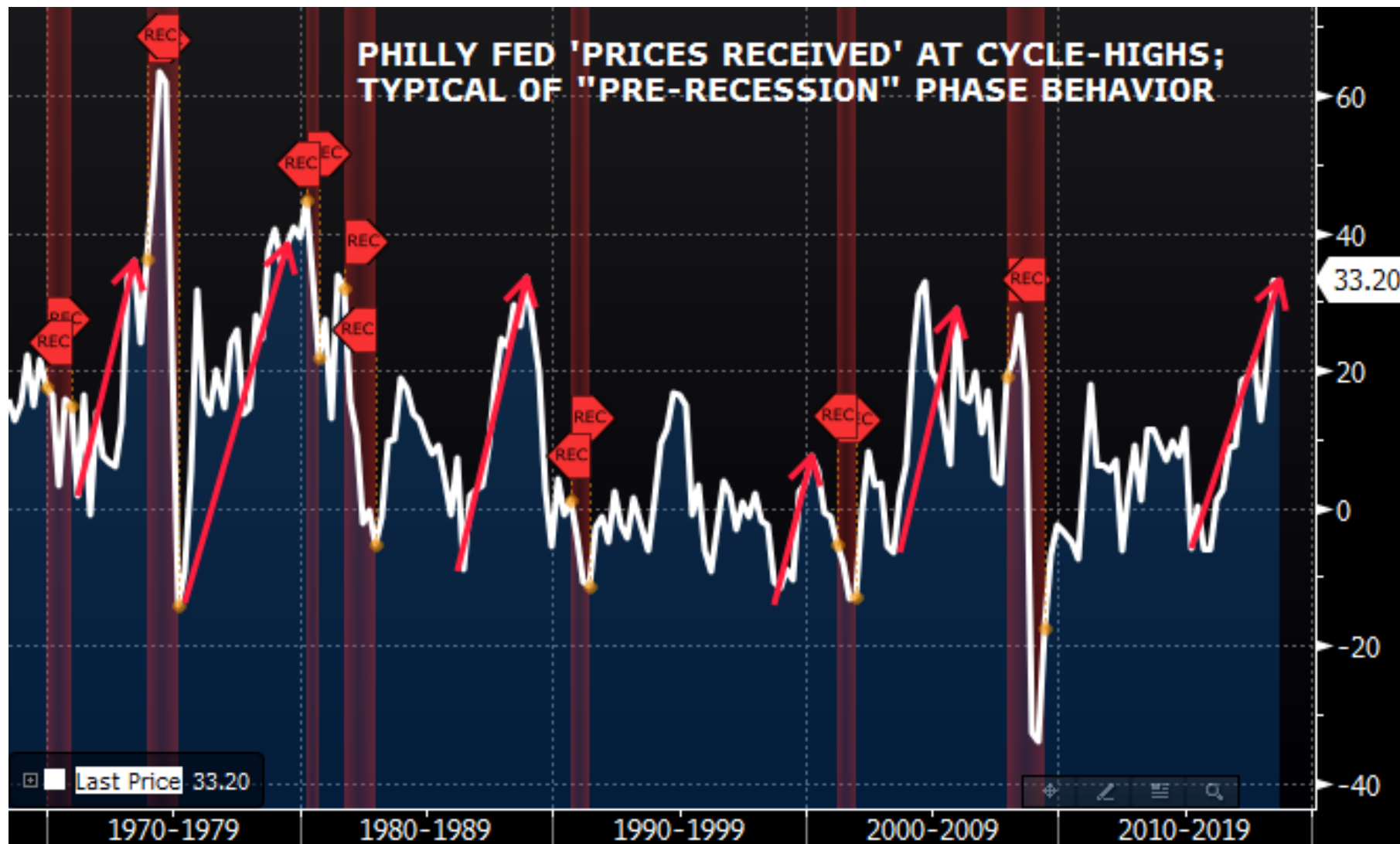
Regarding my focus on the shape of the yield curve—it's not the inversion, but the STEEPENING that equities investors need to worry about—which is a mid-2019 story to me, as the mkt begins to 'sniff out' a slowdown and end of the fed hiking cycle. This in turn will see hikes removed from front end, and will steepen the curve.



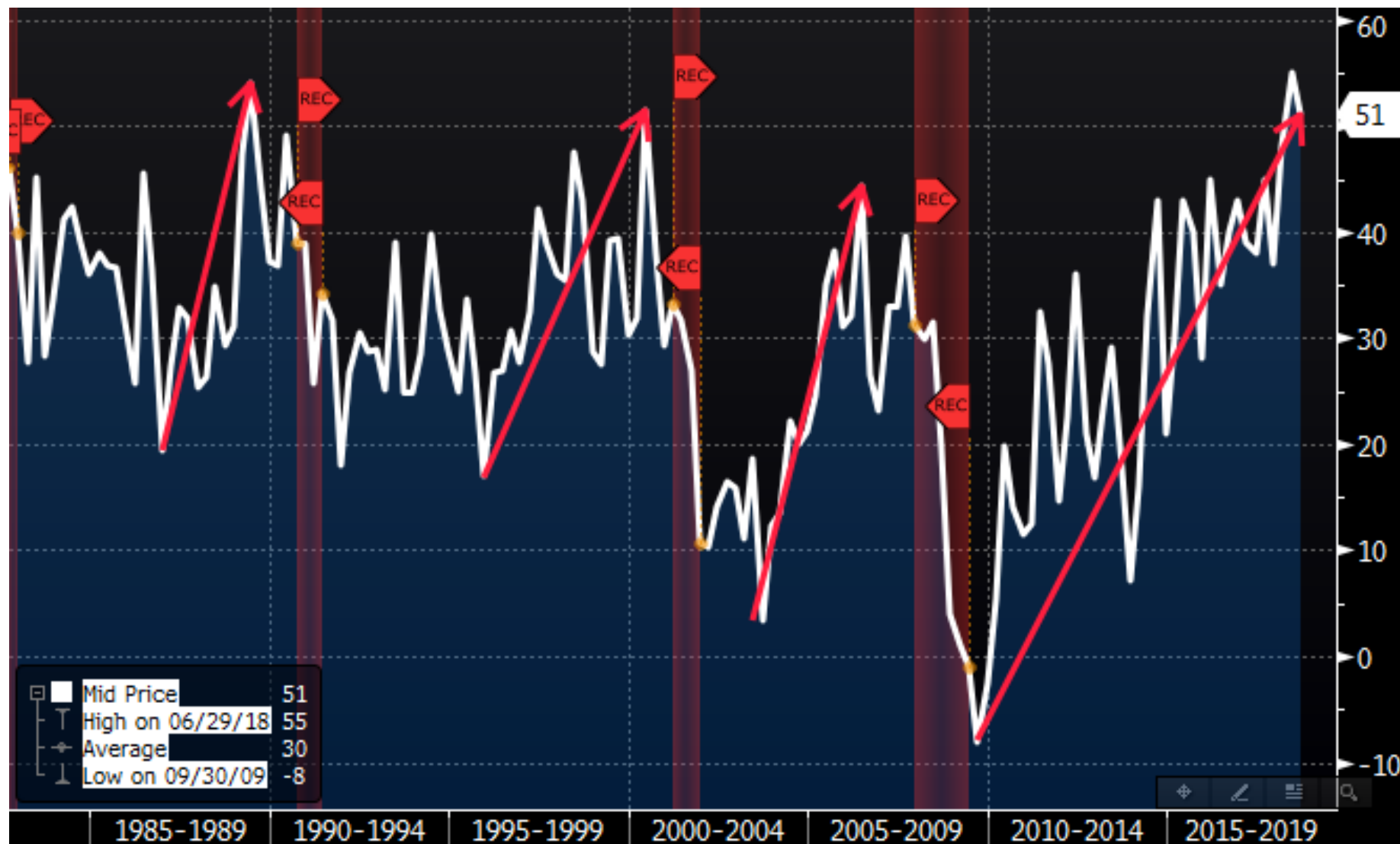
Late cycle:



Philly fed prices paid at cycle highs / prior recessions:



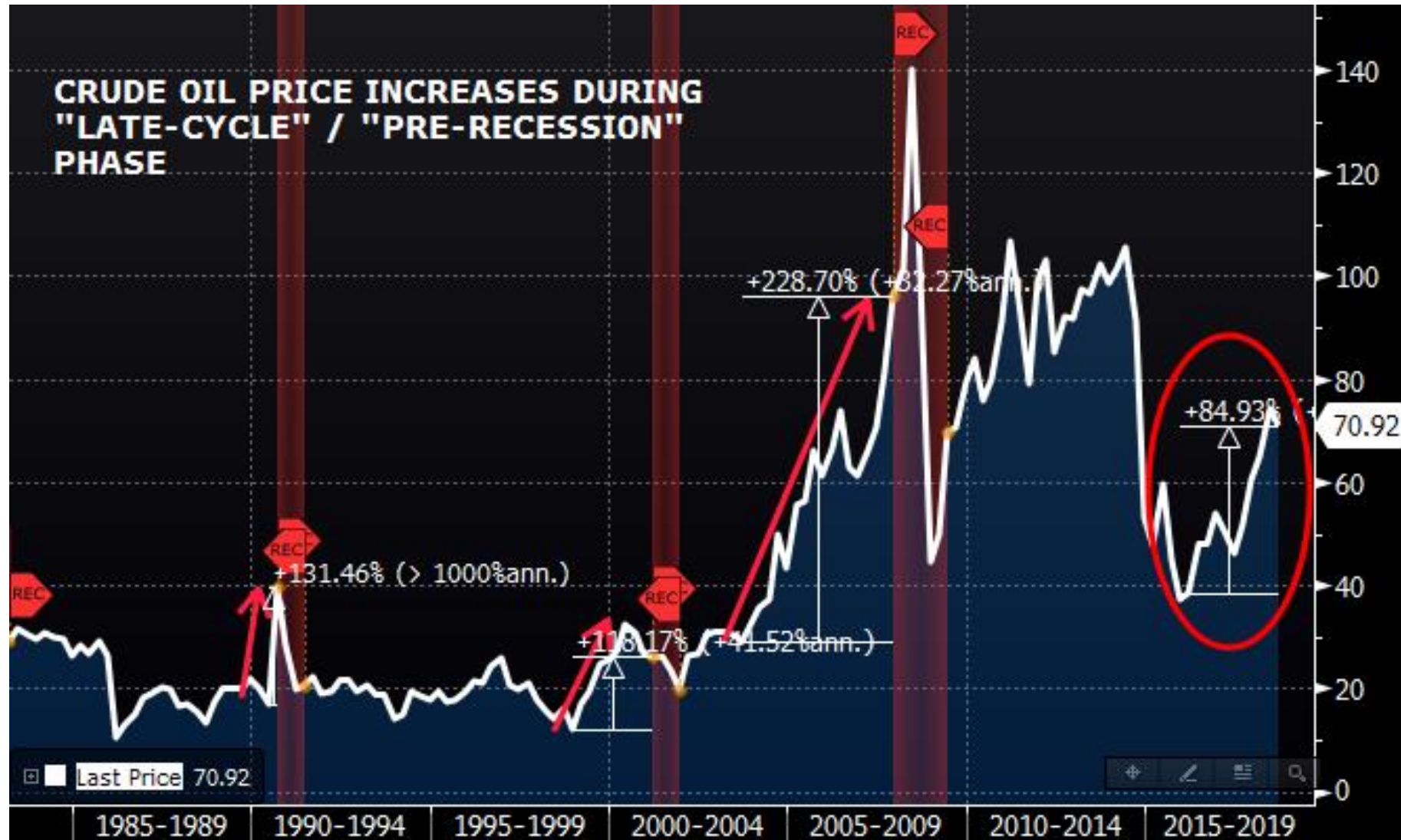
Nabe wage surveys and recessions:



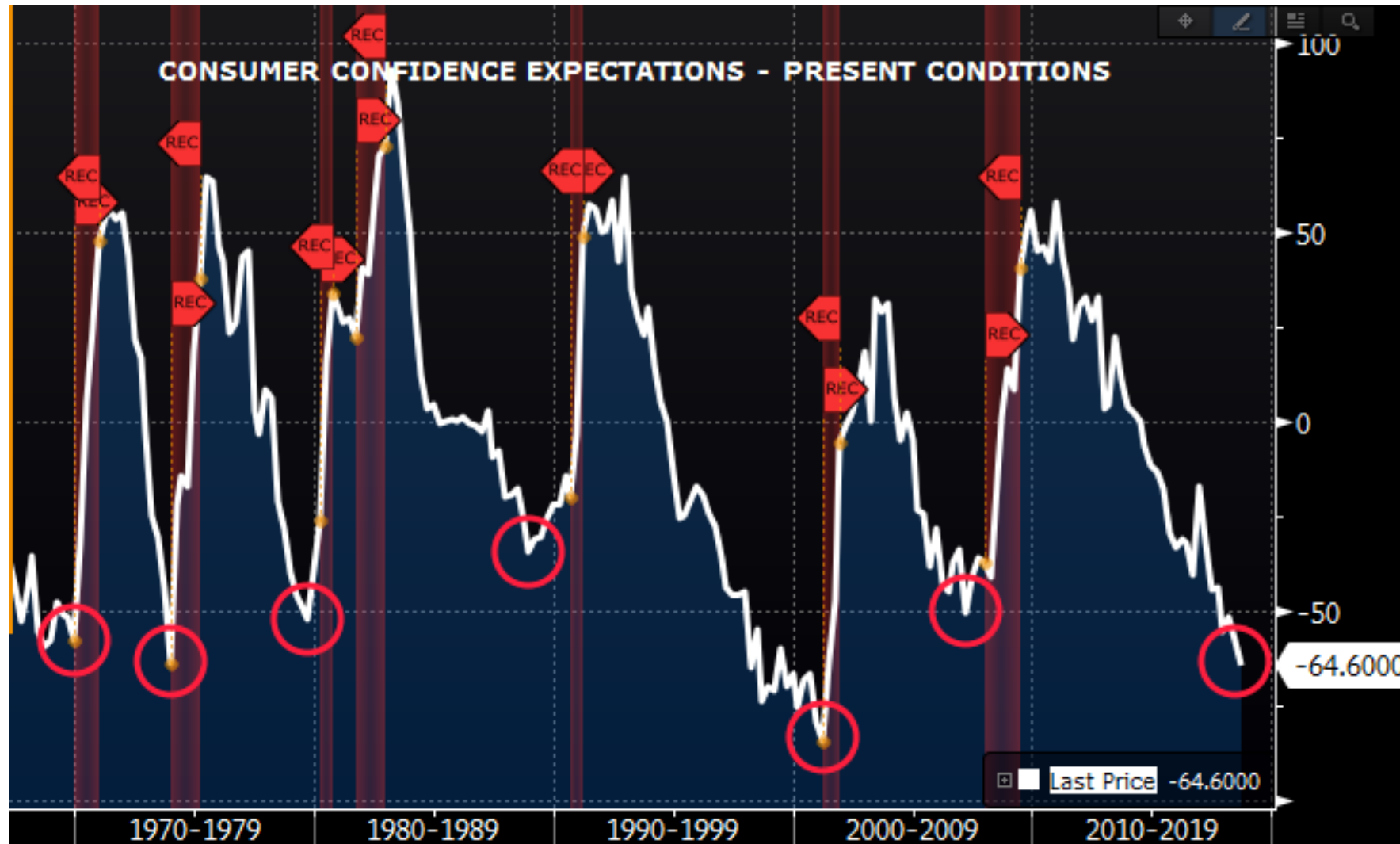
u-rate and recessions:



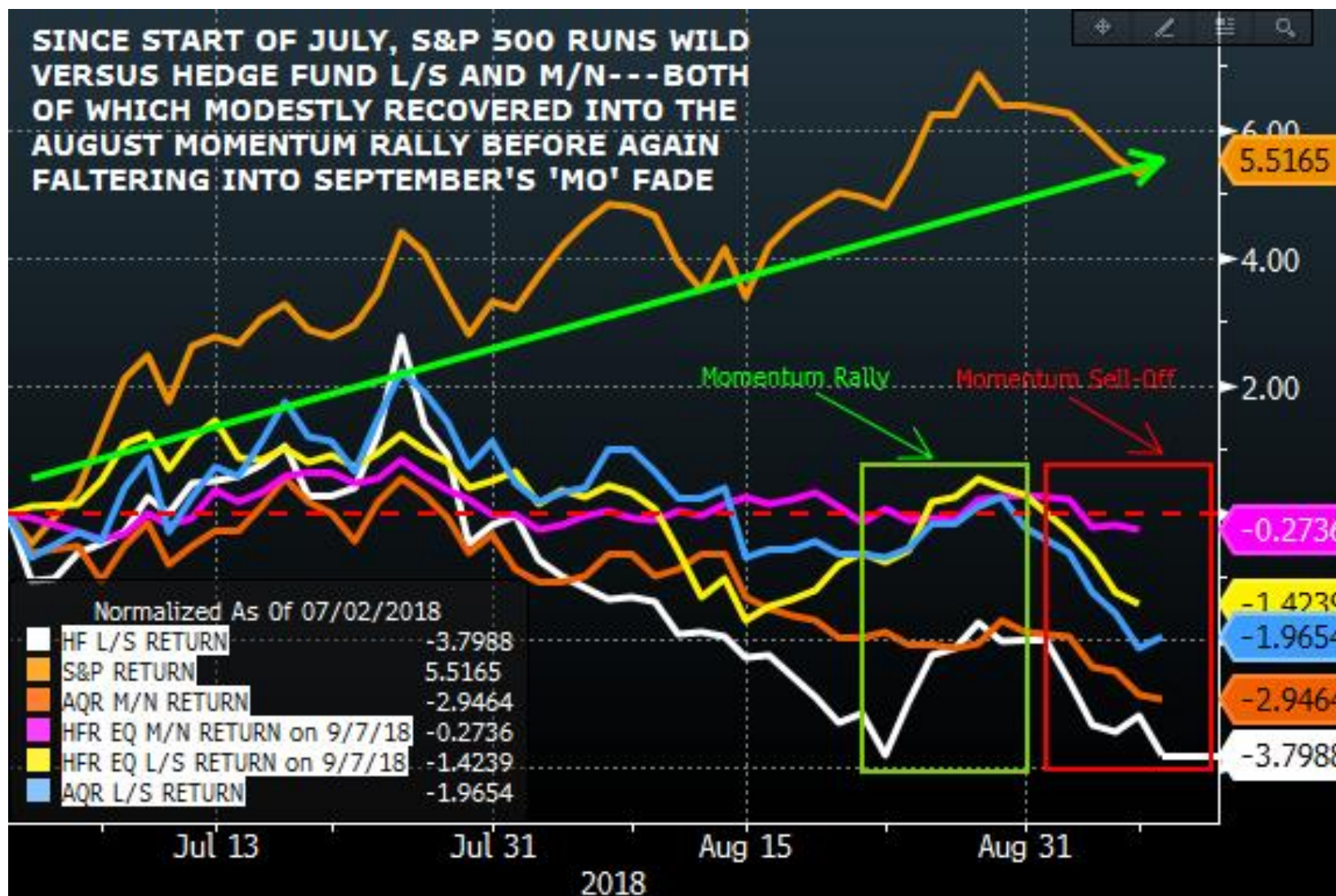
Crude and recessions (late-cycle inflation):



Consumer confidence expectations minus present conditions (overshoot):



A ROUGH 9 WEEKS FOR EQUITIES HF'S:

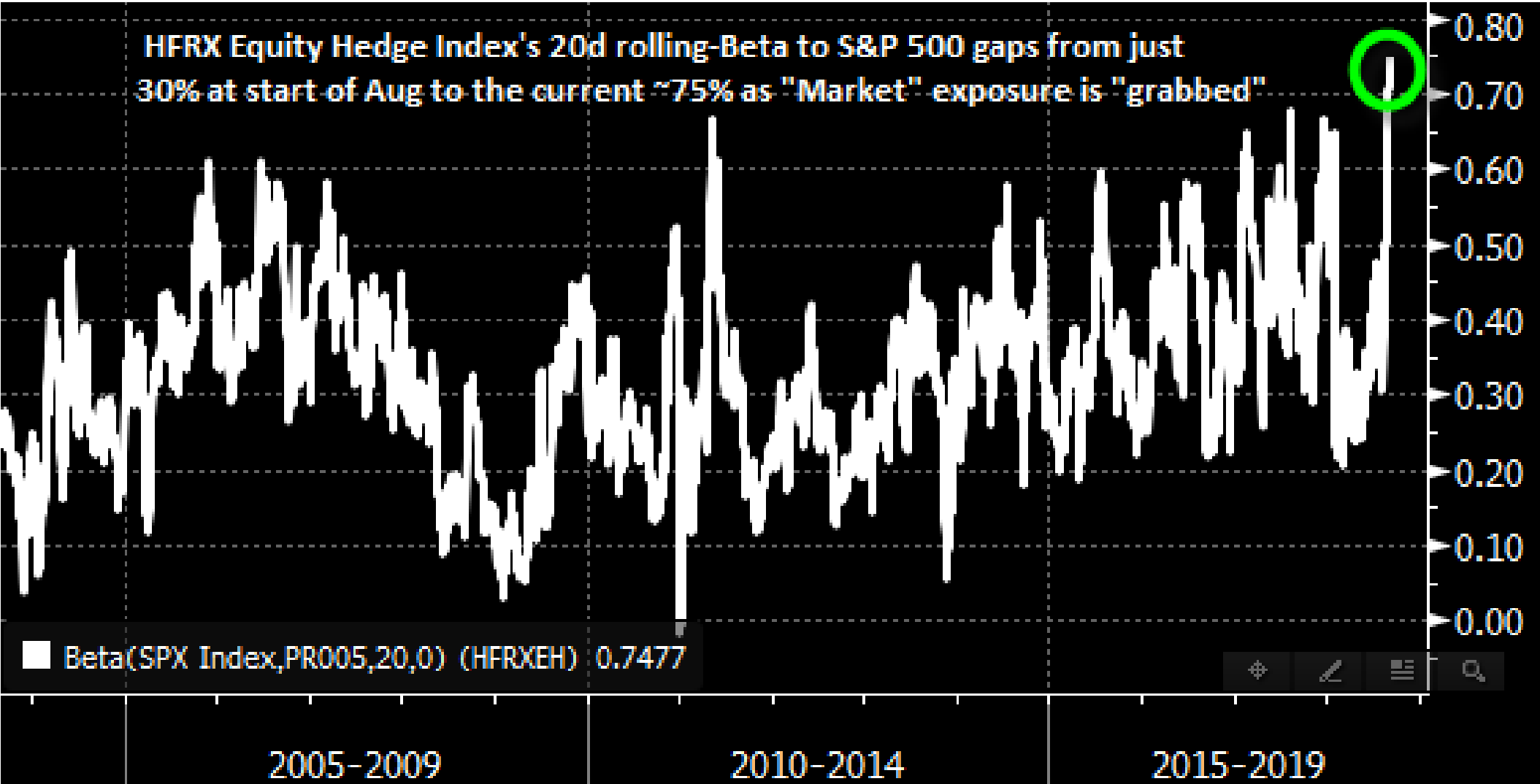


REVERSALS ABOUND—"MOMENTUM" FACTOR DOWN SHARPLY, AS "WINNERS" (GROWTH, CROWDING, VOL, BETA) SOLD AND "LOSERS" (VALUE, QUALITY) MEAN-REVERT HIGHER:

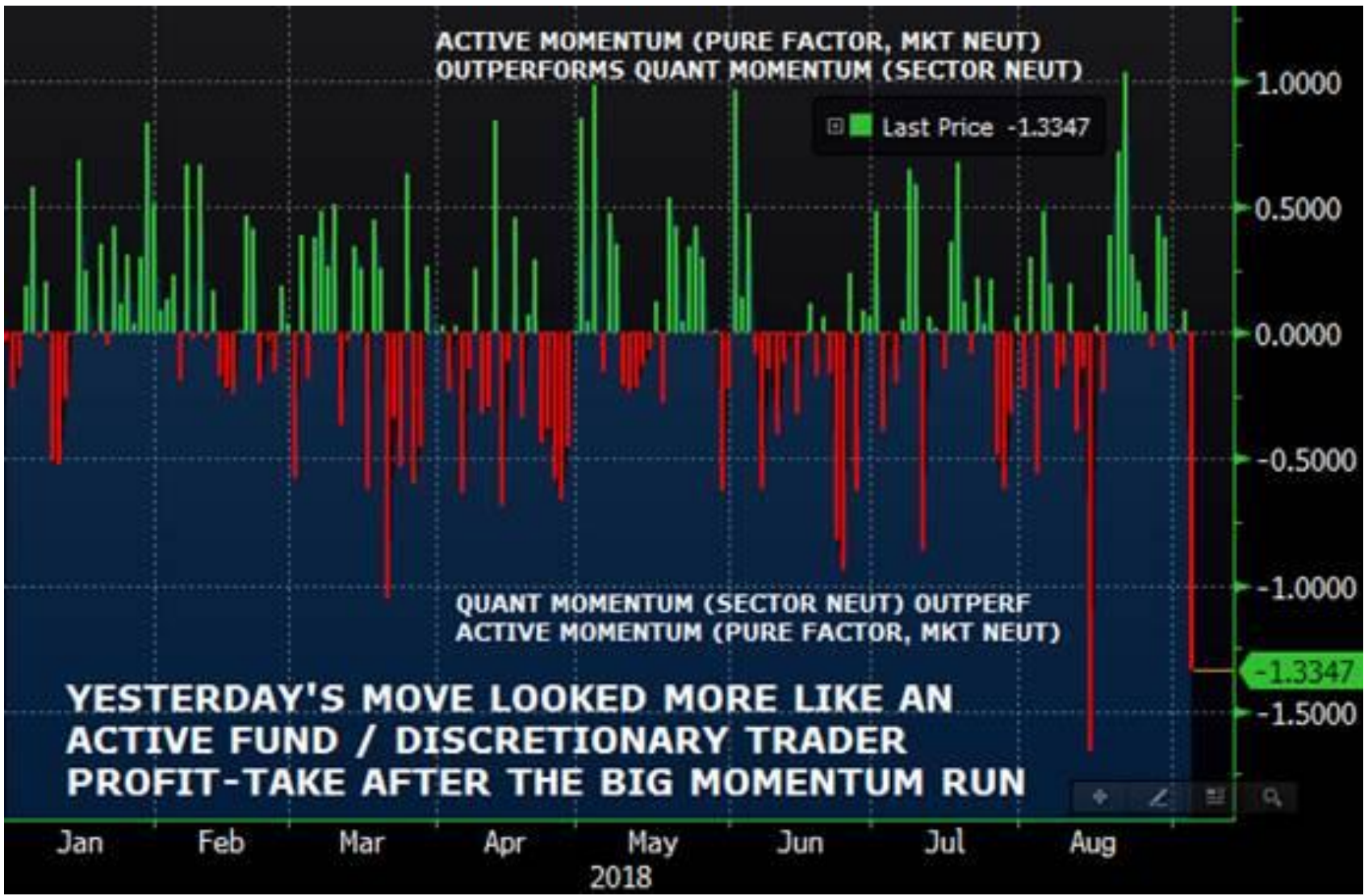
Ticker	Short Name	Time	Pct Chg on Day	1-Day Ret Z-Score (1yrRel)	Curr Px	Yesterday's Ret	Chg MTD %	Chg QTD %	Q1 2018	Q2 2018	Chg YTD %	Chg Pct 1Yr	Vol
Growth Factors													
NMAASGRF	Sales Growth Factor	2:58	--	-.02	184.31	+1.48%	-.74%	-3.29%	3.44%	2.17%	-9.17%	+1.56%	
NMAAEG5F	5-Year EPS Growth Factor	2:58	-.02%	.01	112.91	-.91%	-.11%	-1.41%	2.97%	5.20%	-1.01%	+5.05%	
NMAADG5F	5Y Div Growth factor	2:58	-.02%	-.09	127.57	-.33%	-.29%	-2.11%	3.82%	3.91%	+1.86%	+5.86%	
NMAADG1F	1Y Div Growth Factor	2:58	-.05%	-.14	117.59	-.12%	-.38%	-.05%	2.87%	2.54%	+.22%	+.94%	
NMAAPEGF	PEG Factor	2:58	-.05%	-.15	188.01	.05%	-.19%	3.71%	3.34%	-.06%	-.55%	-8.17%	
NMAAP1GF	Pred. 1Y EPS Gr Factor	2:58	-.05%	-.19	132.52	+1.05%	-.53%	-2.45%	7.26%	2.55%	+7.09%	+15.64%	
NMAAPLGF	Predicted LTG Factor	2:58	+.06%	-.15	110.25	-1.34%	-1.62%	+1.01%	2.46%	-.64%	+2.08%	+4.41%	
Momentum Factors													
NMAAPM1F	1M Price Reversal Factor	2:58	+.03%	.02	1105.45	1.94%	-.20%	-5.07%	2.21%	-.51%	+2.23%	+3.61%	
NMAAPMF	1Y Price Momentum Factor	2:58	--	-.03	156.37	+1.99%	-.72%	-7.62%	9.90%	-6.65%	+10.42%	+10.27%	
Value Factors													
NMAADYF	Dividend Yield Factor	2:58	+1.15%	.24	193.03	1.04%	+.97%	-.77%	7.96%	6.02%	+3.17%	+8.88%	
NMAADPOF	Dividend Payout Factor	2:58	+.07%	.16	182.60	.01%	-.33%	+2.08%	5.44%	5.31%	+2.49%	+7.96%	
NMAAAEPF	E/P Factor	2:58	+.05%	.11	1105.99	1.09%	-1.19%	+.07%	1.34%	5.04%	+6.24%	+2.82%	
NMAAEPF	Predicted E/P Factor	2:58	+.04%	.12	193.23	1.86%	-1.64%	3.63%	4.01%	8.41%	-15.28%	-11.29%	
NMAABPF	B/P Factor	2:58	+.03%	.14	167.11	1.52%	+.52%	5.16%	7.10%	-.66%	-12.47%	-12.01%	
NMAASPF	Sales/Price Factor	2:58	+.02%	.03	1118.61	1.93%	+1.31%	3.51%	6.22%	1.44%	+9.11%	+1.65%	
NMAAEBTF	EBITDA/EV Factor	2:58	+.02%	.07	176.31	2.11%	+.95%	7.56%	3.87%	3.87%	-19.38%	-12.45%	
NMAACFEF	Cash Flow/EV Factor	2:58	-.01%	-.08	1191.30	.03%	+.03%	-1.06%	4.48%	3.24%	+2.17%	+9.21%	
Quality Factors													
NMAASEMF	Sales/Employee Factor	2:58	+.03%	.08	178.75	.85%	--	3.50%	4.05%	5.21%	+2.59%	+3.35%	
NMAAR0EF	ROE Factor	2:58	+.02%	.06	196.90	1.05%	-1.66%	-2.46%	-.69%	8.17%	+6.56%	+4.09%	
NMAAR0IF	ROIC Factor	2:58	+.01%	.04	1125.02	1.04%	-1.48%	-1.90%	2.97%	8.67%	+9.70%	+2.69%	
NMAAR0AF	ROA Factor	2:58	-.01%	.01	1115.67	.90%	-1.01%	-.17%	1.88%	8.05%	+9.94%	+3.03%	
NMAAACCF	Earnings Quality Factor	2:58	-.01%	.04	1109.03	-.01%	-.50%	3.14%	.76%	3.57%	+5.89%	+6.02%	
NMAADPLF	Operating Leverage Factor	2:58	-.02%	-.2	196.06	-.27%	-.37%	1.94%	5.21%	1.02%	+5.12%	+9.35%	
NMAAATOF	Asset Turnover Factor	2:58	-.04%	-.15	1188.82	-.50%	-1.09%	-6.16%	3.99%	3.18%	+6.89%	+10.70%	
Risk/Sentiment Factors													
NMAAMCF	Size Factor (Small-Big)	2:58	+.03%	.06	1104.86	.28%	-.15%	3.04%	5.38%	8.16%	-.77%	+1.66%	
NMAADEOF	Debt/Equity Factor	2:58	+.02%	.09	198.42	.71%	+.74%	+.39%	5.68%	2.92%	+2.55%	+6.42%	
NMAADPSF	Est Dispersion Factor	2:58	+.01%	0	160.43	-.49%	-1.02%	-4.13%	2.18%	10.05%	+3.21%	+.80%	
NMAACOVF	Analyst Coverage Factor	2:58	--	-.14	1106.47	+1.37%	-.62%	-.66%	7.73%	7.37%	+14.90%	+27.11%	
NMAABETF	Beta Factor	2:58	-.01%	-.06	185.35	-.06%	-.57%	-1.64%	3.11%	-.85%	+6.91%	+11.30%	
NMAARSKF	Default Risk Factor	2:58	-.01%	-.04	173.08	.01%	-.90%	5.84%	1.11%	8.34%	+.88%	+2.42%	
NMAAREVF	Up-Down Rev Factor	2:58	-.05%	-.17	1111.84	.30%	-.71%	-2.29%	.31%	1.18%	+1.40%	+5.42%	
NMAAVOLF	Volatility Factor	2:58	+.08%	-.14	188.93	+1.25%	-1.80%	+2.04%	-.95%	10.16%	+6.89%	+6.75%	
Capital Deployment Factors													
NMAARDVF	R&D/EV Factor	2:58	+.03%	-.04	1192.71	-.59%	-.44%	-2.57%	4.76%	5.13%	+12.97%	+13.97%	
NMAARDSF	R&D/Sales Factor	2:58	--	-.05	142.43	+1.69%	-.70%	-8.89%	7.17%	1.42%	+17.18%	+5.13%	
NMAASHAF	Share Buybacks Factor	2:58	-.01%	0	1138.40	.77%	+.49%	1.65%	2.81%	1.83%	+6.16%	+2.75%	
NMAACXSF	CAPEX/Sales Factor	2:58	-.01%	-.07	162.17	-.39%	-.35%	3.40%	3.01%	2.45%	+1.95%	+7.34%	
NMAACAAF	Cash/Assets Factor	2:58	+.06%	-.17	1161.35	-2.29%	-1.66%	-7.14%	10.42%	1.59%	+16.43%	+21.17%	
Themes/Strategies													
NMAAFNRF	Conditioned Rvrs Factor	2:58	+.05%	-.04	1126.36	.18%	-.61%	+13.42%	5.53%	3.56%	+23.95%	+19.51%	
NMAASSMF	Sector Selection L-S	2:58	+.01%	.05	1648.64	.03%	+.57%	3.43%	1.34%	1.24%	+3.35%	+3.74%	
NMAACOMF	Commodities Factor	2:58	--	.04	134.09	.01%	-1.16%	-9.63%	-10.02%	4.15%	-15.30%	-9.62%	
NMAADDF	R1000 Dollar Dependency	2:58	-.01%	.09	175.37	.32%	-.81%	-4.40%	2.94%	3.16%	-10.15%	-11.77%	

Nomura Cross-Asset: EQUITIES REVERSALS ON PROFIT-TAKING, NOT THE DREADED 'FACTOR ROTATION'
 September 6th, 2018

THE HEDGE FUND MARKET “GRAB” OF THE PAST MONTH—20D BETA OF HFR EQ HF INDEX TO SPX AT HISTORIC HIGHS:

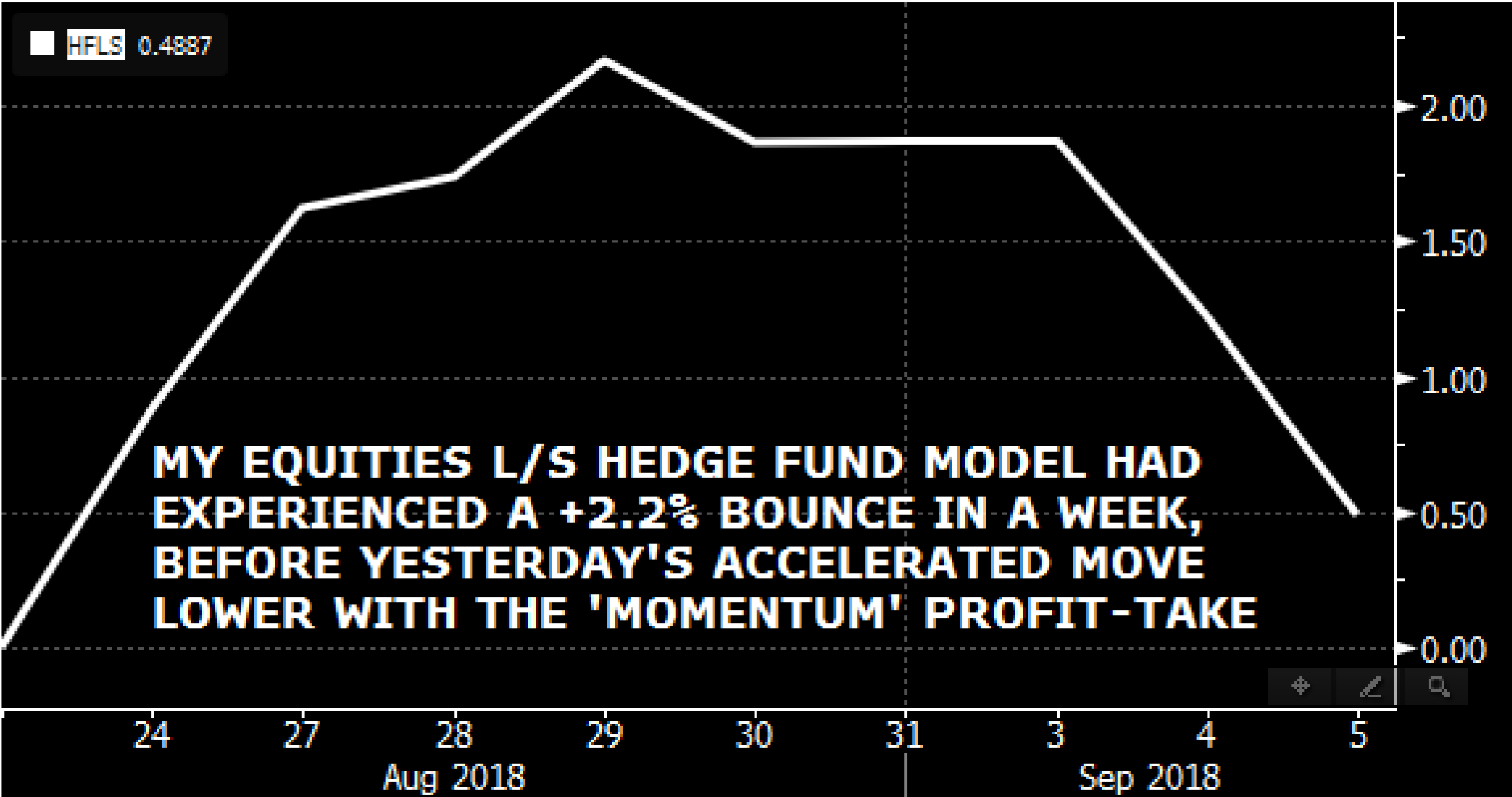


YESTERDAY'S MOVE SHOWS THAT 'QUANT' MOMENTUM ACTUALLY OUTPERFORMED 'ACTIVE' MOMENTUM (PURE FACTOR, MKT NEUTRAL):



Nomura Cross-Asset: EQUITIES REVERSALS ON PROFIT-TAKING, NOT THE DREADED 'FACTOR ROTATION'
September 6th, 2018

MY EQUITIES HF L/S MODEL SEES THE PAST WEEK'S GAIN MONETIZED:



Nomura Cross-Asset: EQUITIES REVERSALS ON PROFIT-TAKING, NOT THE DREADED 'FACTOR ROTATION'
September 6th, 2018

SEASONALITY OF “TWO HALVES” IN SEPTEMBER FOR SPX (SINCE '94):

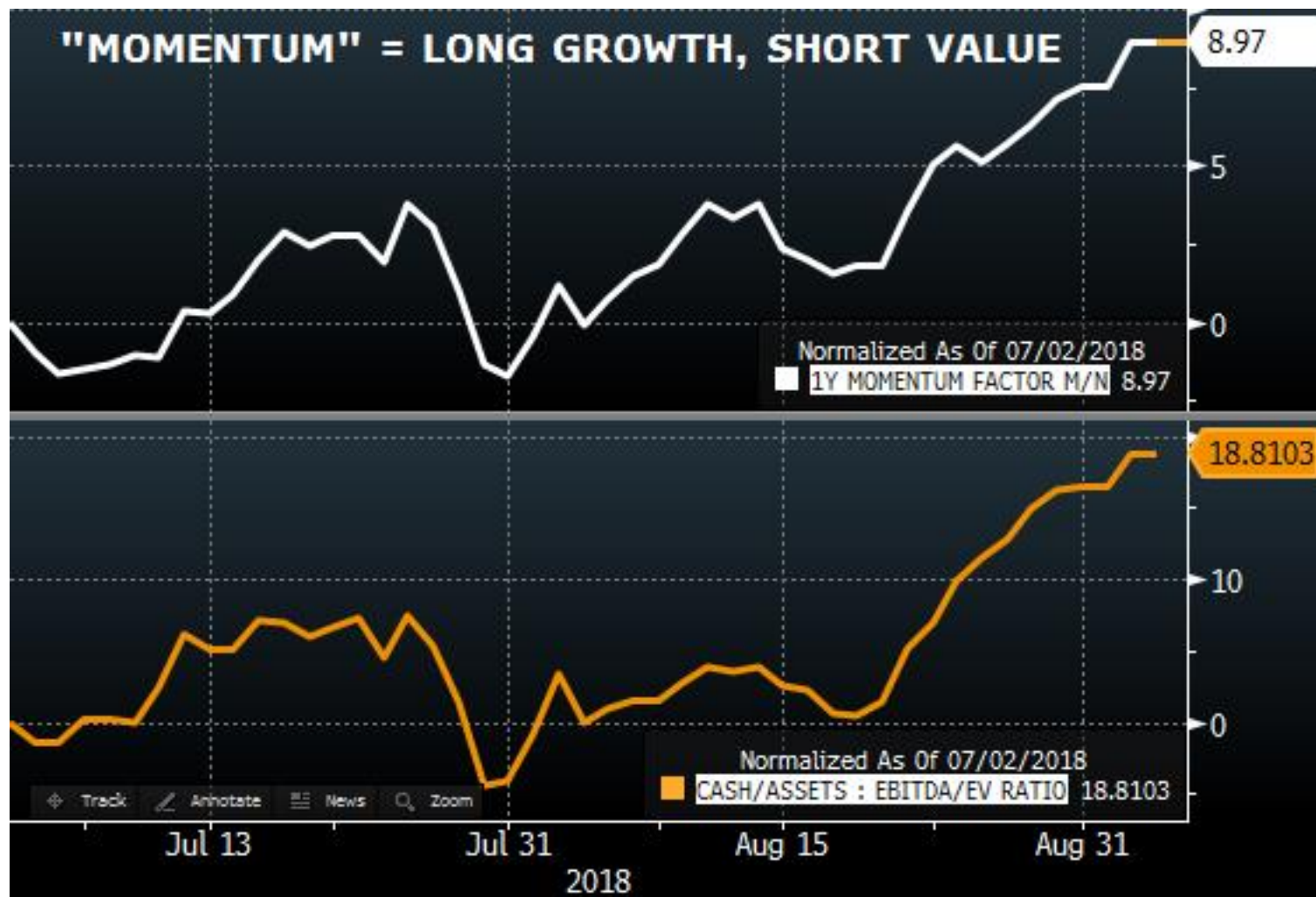


Nomura Cross-Asset: EQUITIES REVERSALS ON PROFIT-TAKING, NOT THE DREADED 'FACTOR ROTATION'
September 6th, 2018

RATIO OF 'CASH / ASSETS' TO 'EBITDA / EV' SEES A +24% MOVE IN A MONTH AS A "GROWTH OVER VALUE" PROXY:



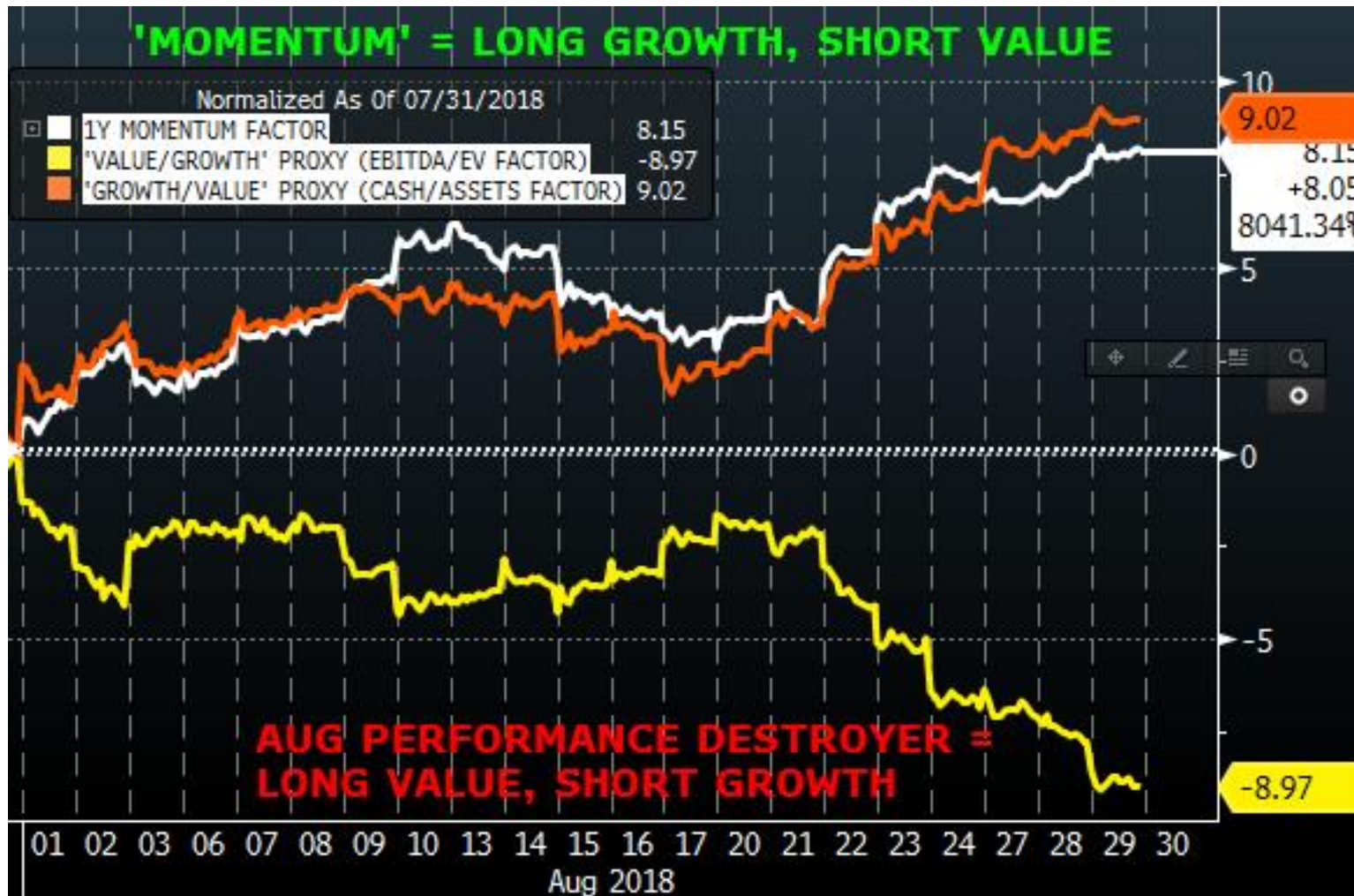
'CASH/ASSETS : EBITDA/EV' RATIO = MOMENTUM MARKET NEUTRAL, AS YOUR LONGS ARE "GROWTH" AND YOUR SHORTS ARE "VALUE":



AS A REMINDER-- U.S. EQUITIES "VALUE / GROWTH" RATIO AND UST 2s30s CURVE SINCE FED'S CRISIS RESPONSE:

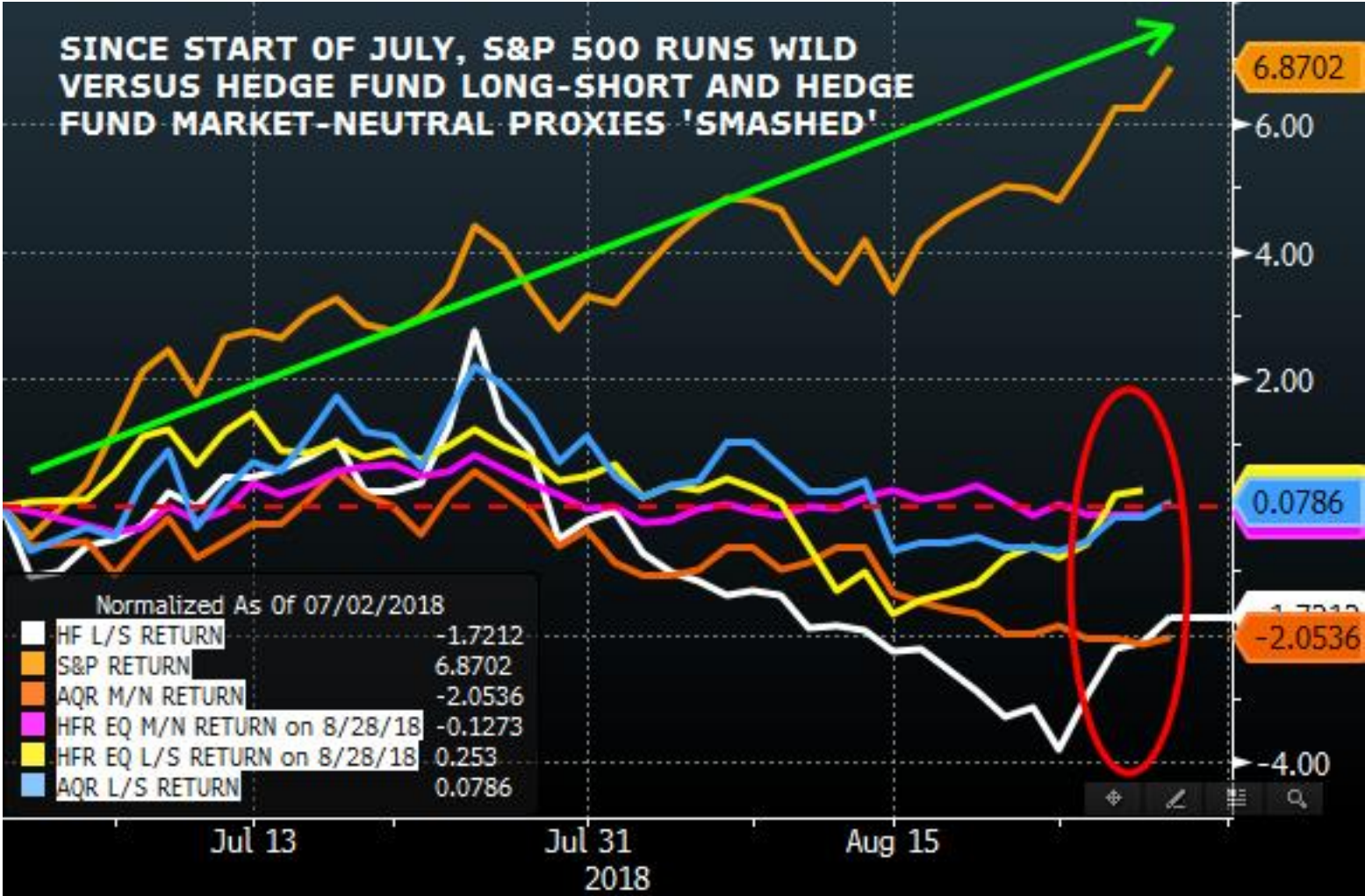


“CASH / ASSETS” FACTOR (AS “LONG GROWTH, SHORT VALUE” PROXY) +9.0% IN AUGUST, WHILE
“EBITDA / EV” FACTOR (AS “LONG VALUE, SHORT GROWTH” PROXY) IS -9.0%:



Nomura Cross-Asset: MOMO / GROWTH OVER VALUE / UST CURVES
August 30th, 2018

U.S. EQUITIES FUNDS FORCED TO “CHASE” AFTER THE PAST TWO MONTHS OF PERFORMANCE PAIN, AS EVIDENCED BY HEDGE FUND LONG-SHORT AND HEDGE FUND MARKET-NEUTRAL PROXY RETURNS:



Nomura Cross-Asset: MOMO / GROWTH OVER VALUE / UST CURVES
August 30th, 2018

“WORLD OF ONE TRADE” —MSCI ASIA PAC EQUITIES / ETHEREUM CRYPTOCURRENCY / INDUSTRIAL METALS / AQR LONG-SHORT EQUITIES / UST 2S10S CURVE /RISK PARITY PROXY SINCE JUNE:

