



**NOMURA**

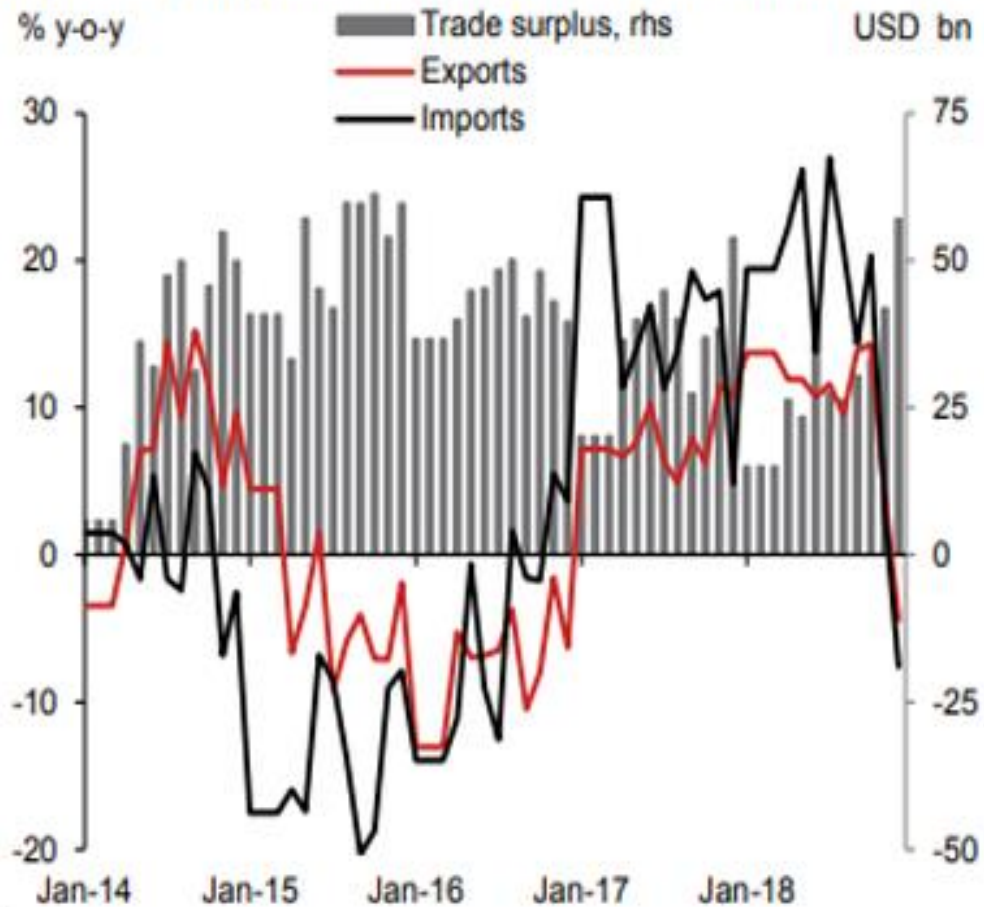
Charlie McElligott

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Managing Director  
Cross-Asset Strategy  
Global Equity Derivatives

# CHINA TRADE DATA COLLAPSE:

**Fig. 1: Export growth, import growth and the trade surplus**



Source: WIND and Nomura Global Economics.

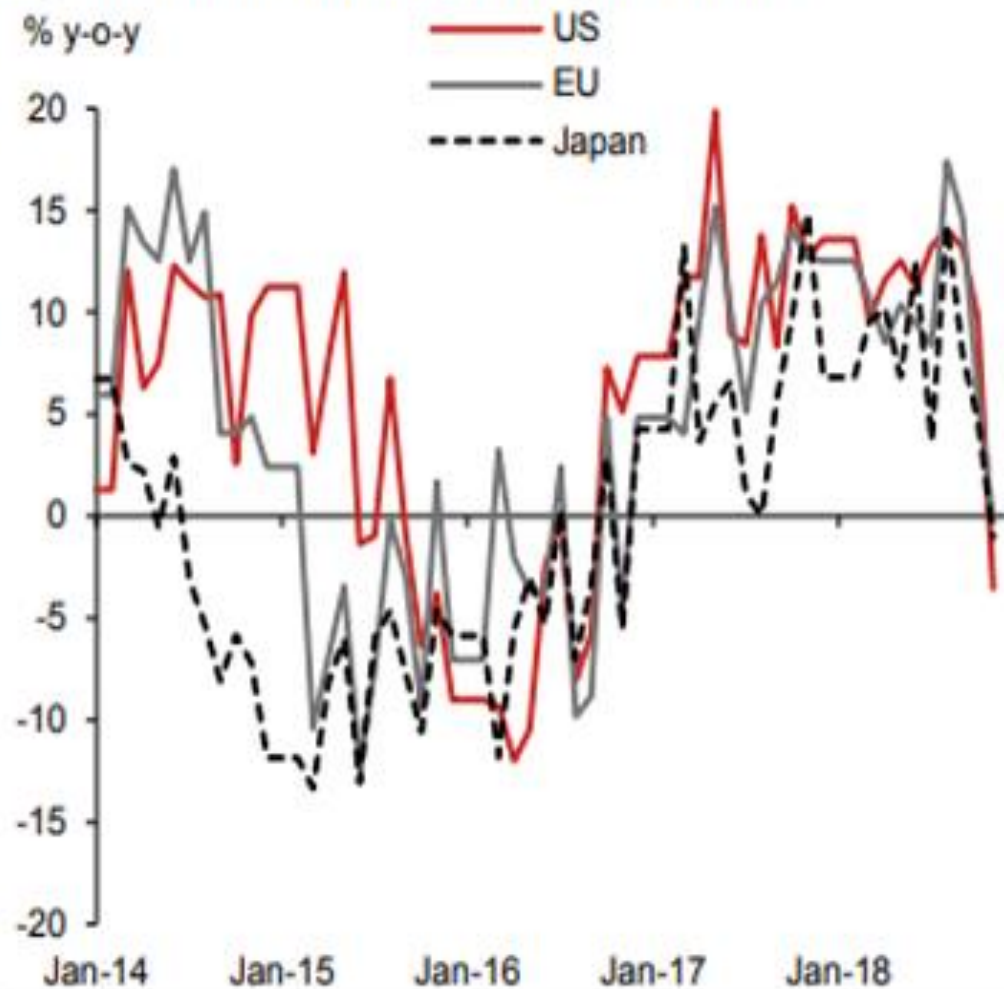
**Fig. 2: China's trade with the US**



Source: WIND and Nomura Global Economics.

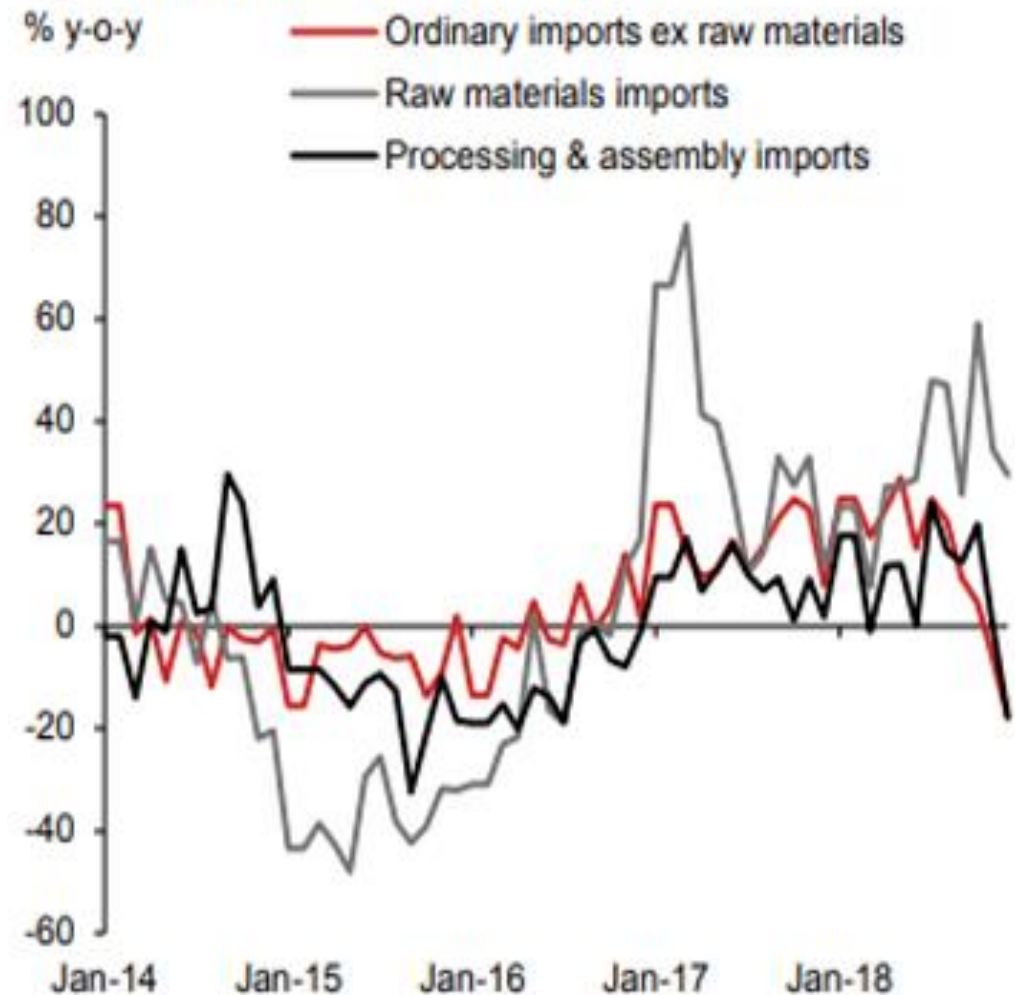
# CHINA TRADE DATA COLLAPSE:

**Fig. 5: Breakdown of exports by destination**



Source: CEIC and Nomura Global Economics.

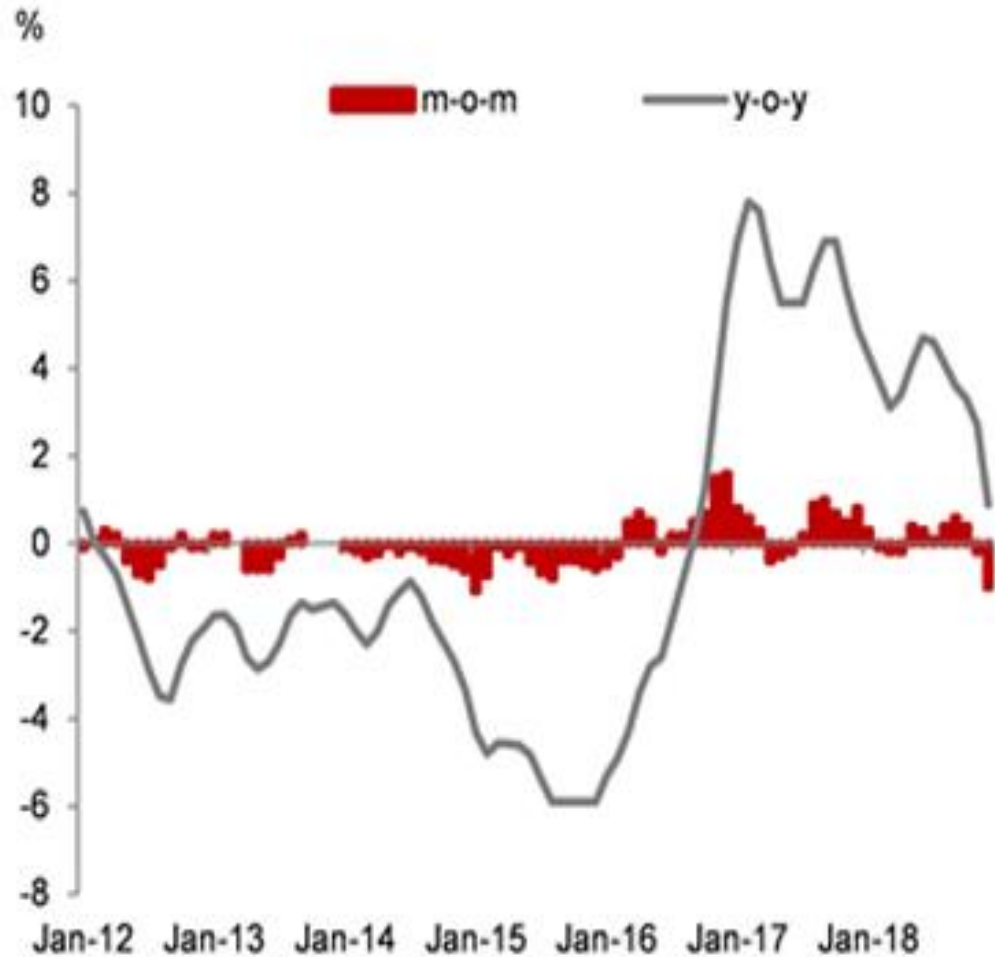
**Fig. 6: Breakdown of imports by product**



Source: CEIC and Nomura Global Economics.

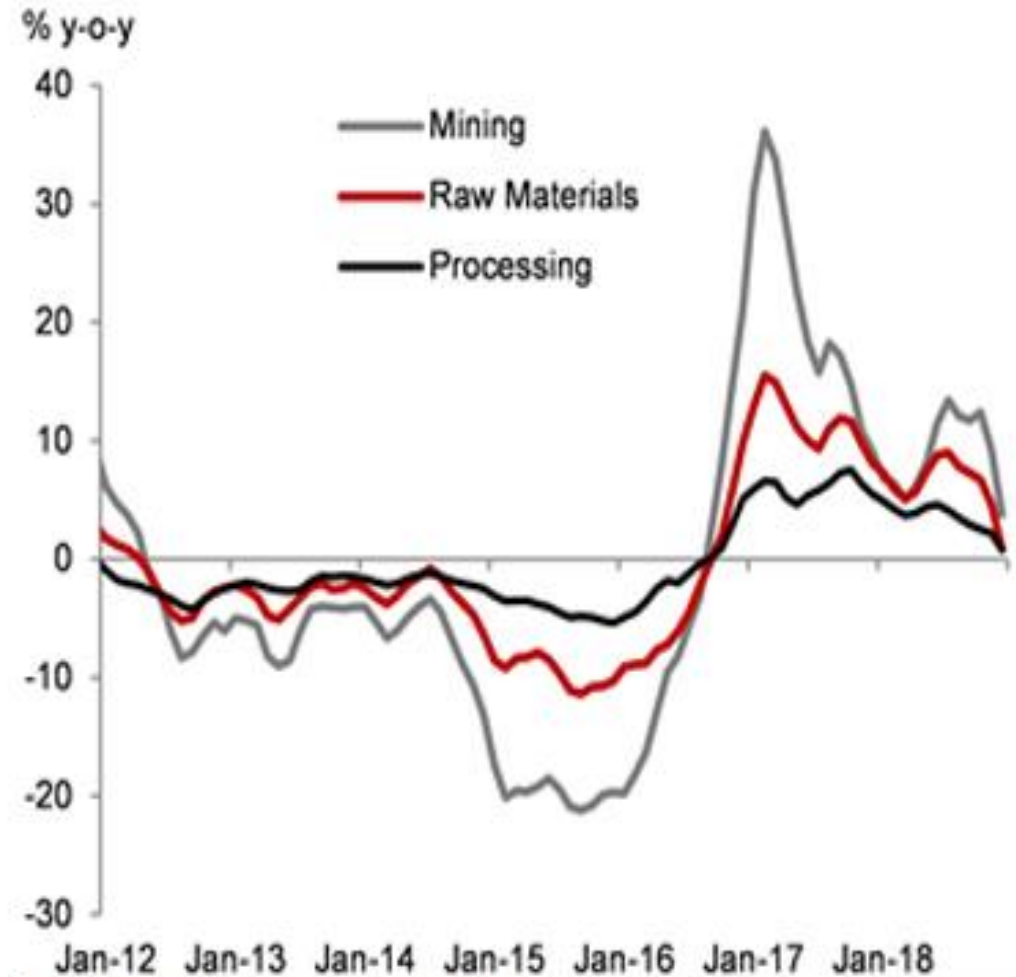
# CHINA PLUMMETING PPI INFLATION SIGNALS WEAKER ECONOMY:

Fig. 3: PPI inflation



Source: WIND and Nomura Global Economics.

Fig. 4: PPI inflation by sector



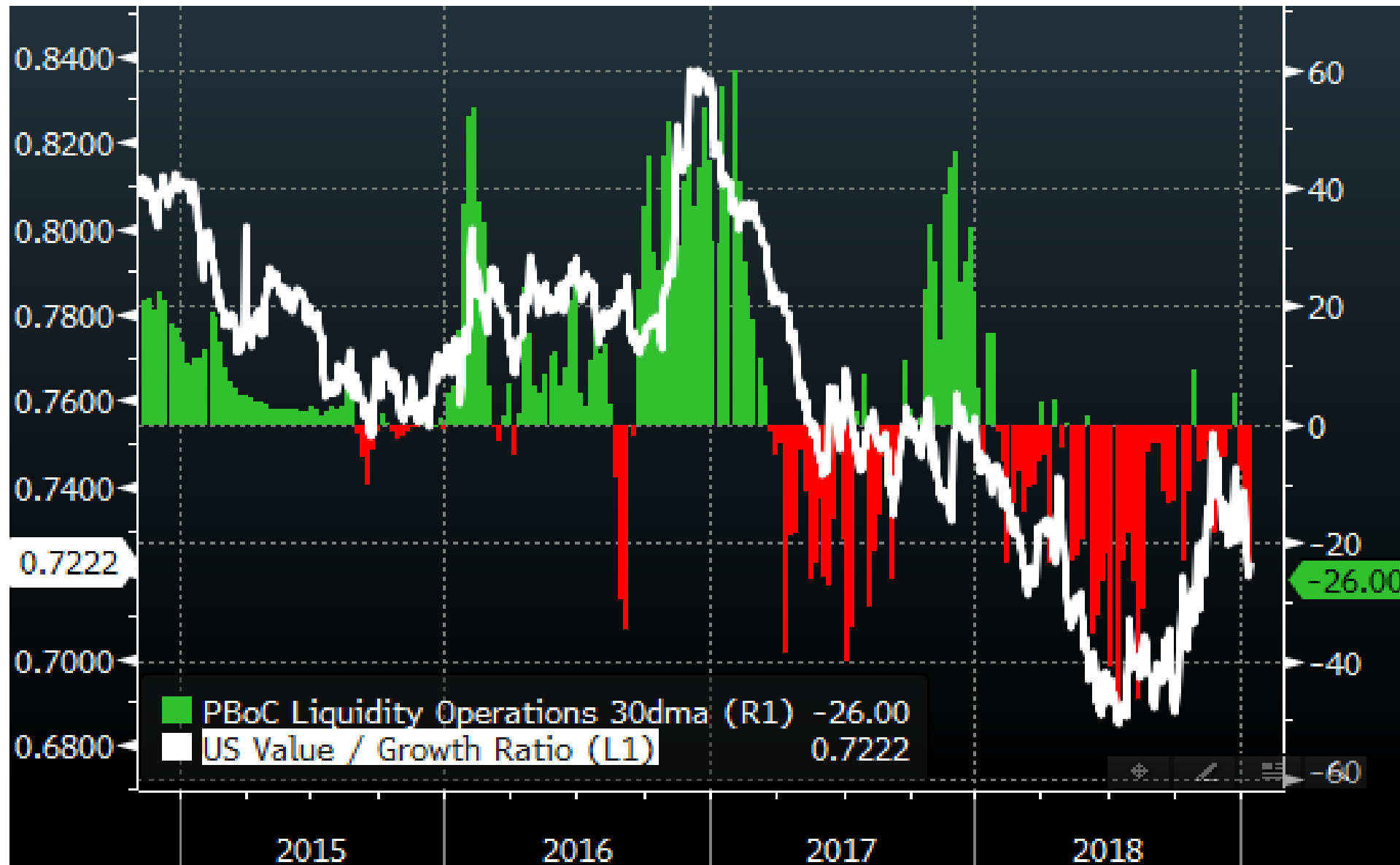
Source: WIND and Nomura Global Economics.



# CHINA CREDIT IMPULSE UPDATE = STILL FADING:

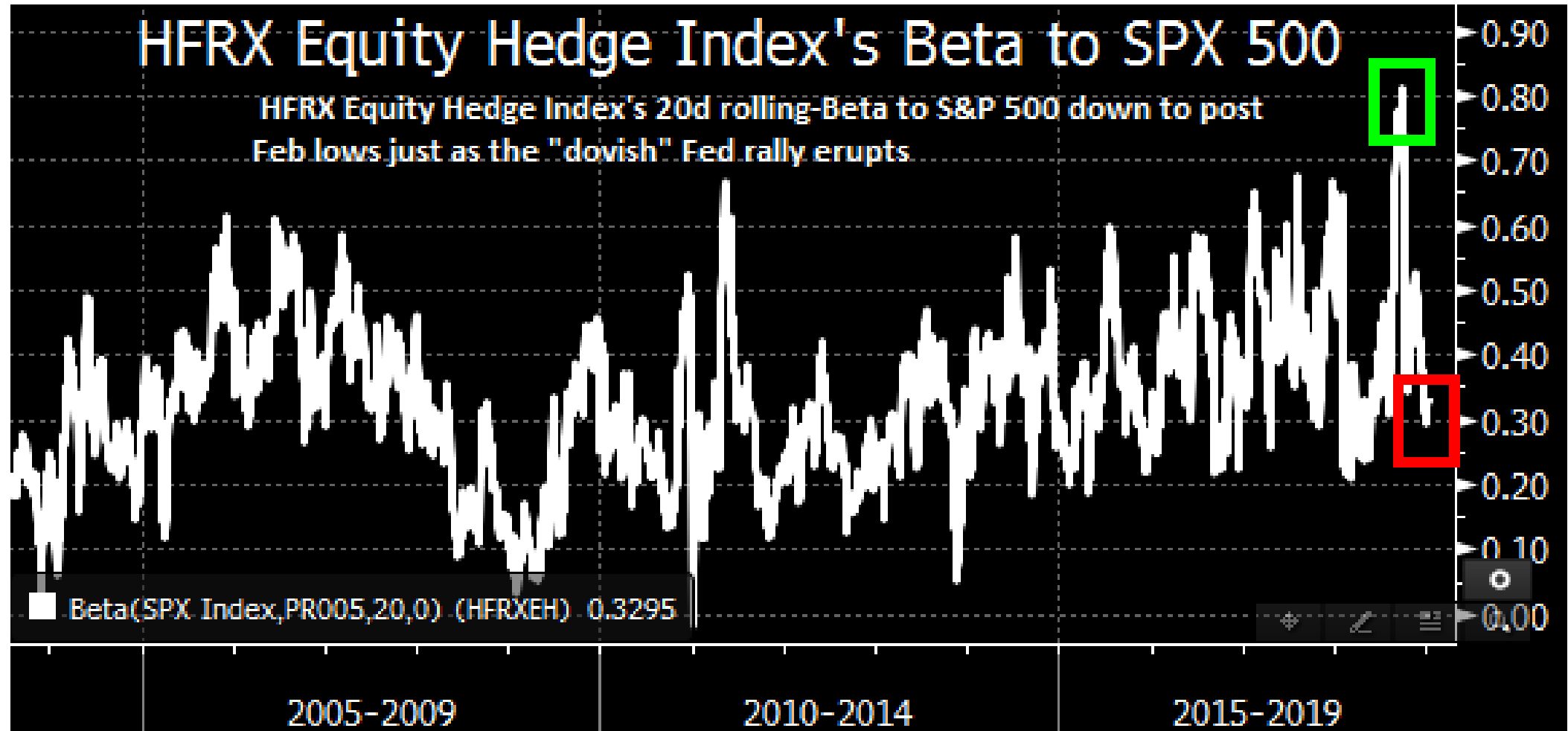


PBoC LIQUIDITY OPERATIONS (30DMA) AND US EQUITIES 'VALUE VS GROWTH' RATIO SHOWS THE IMPORTANCE OF CHINESE CREDIT IMPULSE ACROSS ASSETS:

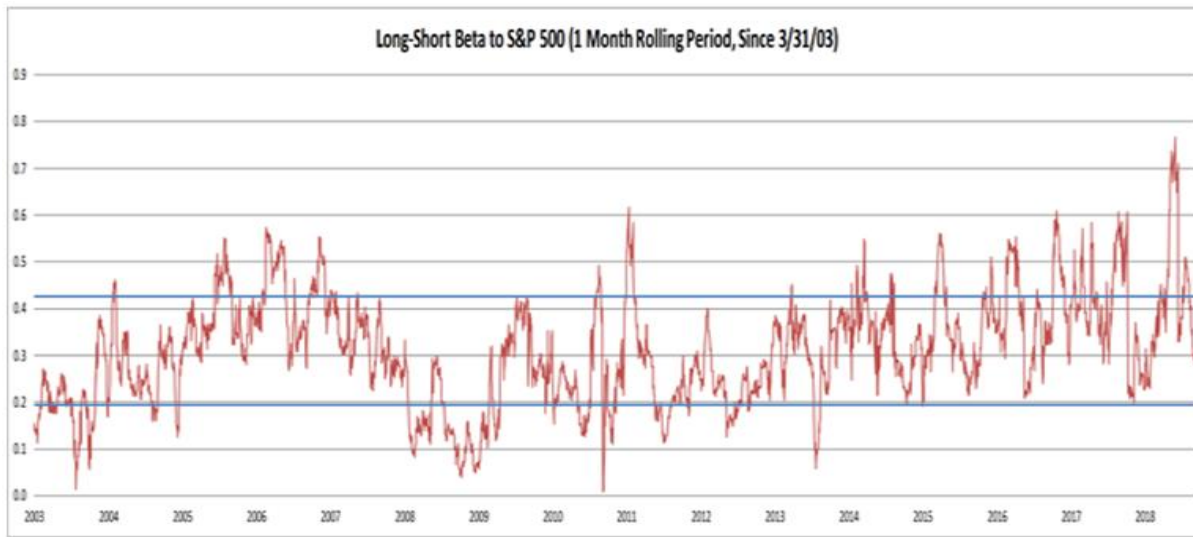


MARKET UNDERTONES / THEMES / POSITIONING CONTINUE TO FADE THE FED'S ECONOMIC OPTIMISM & DOTS:  
POSITIONING--

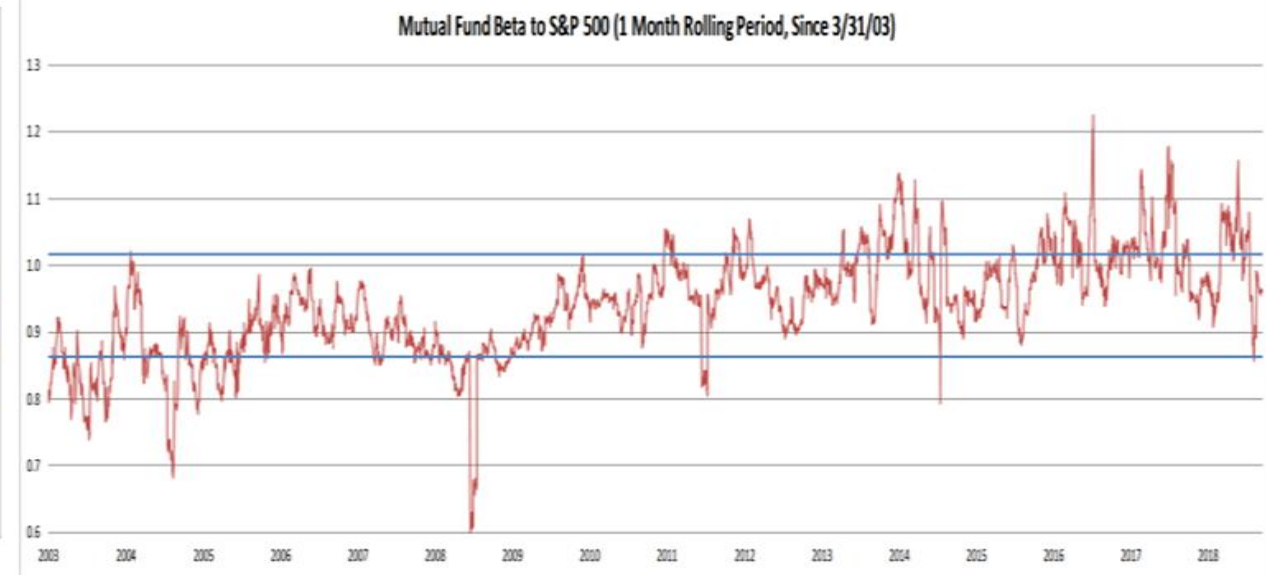
HEDGE FUND 'BETA TO SPX' REDUCED BACK NEAR 2018 'VOL EVENT' LOWS:



# HEDGE- AND MUTUAL- FUND BETA TO SPX, %ILE RANK SINCE 2003:



Long-Short Beta to S&P 500 (Rolling 1Mo. Since 3/31/03)	
Current	0.31
Average	0.31
Std. Dev	0.12
Median	0.31
Min	0.01
Max	0.77
Percentile	52%



Mutual Fund Beta to S&P 500 (Rolling 1Mo. Since 3/31/03)	
Current	0.96
Average	0.94
Std. Dev	0.08
Median	0.94
Min	0.58
Max	1.22
Percentile	62%

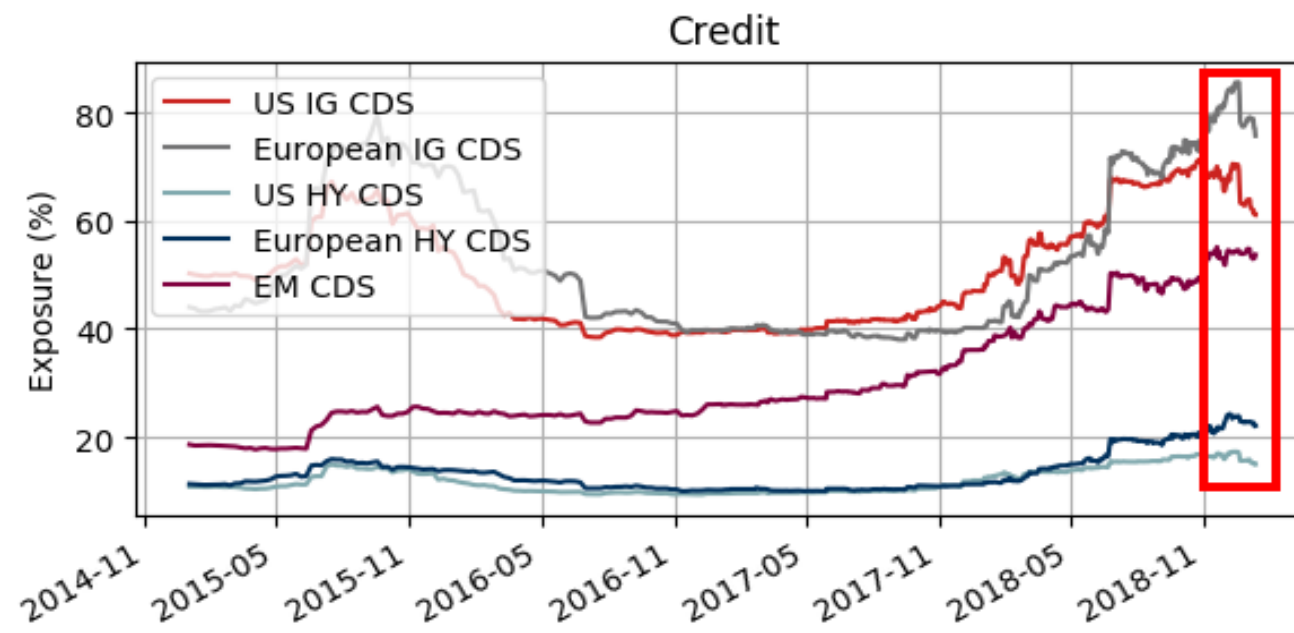
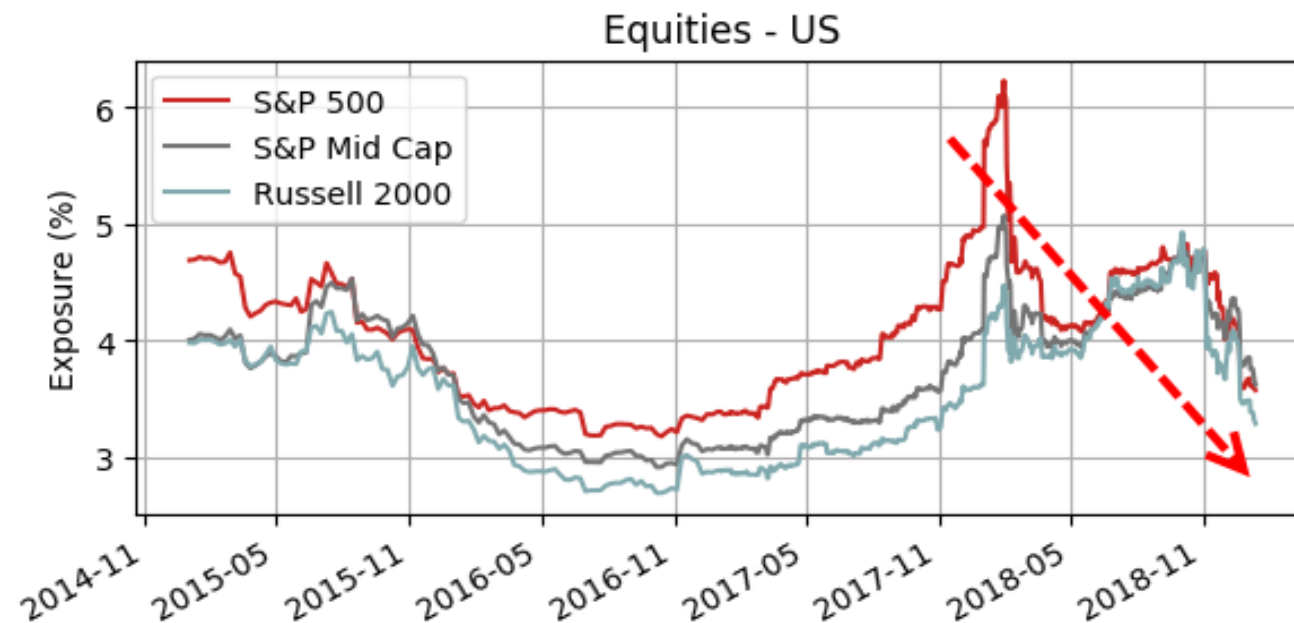


# CTA MODEL POSITIONING ESTIMATES = SHORT RISK-ASSETS, LONG FIXED-INCOME & GOLD:

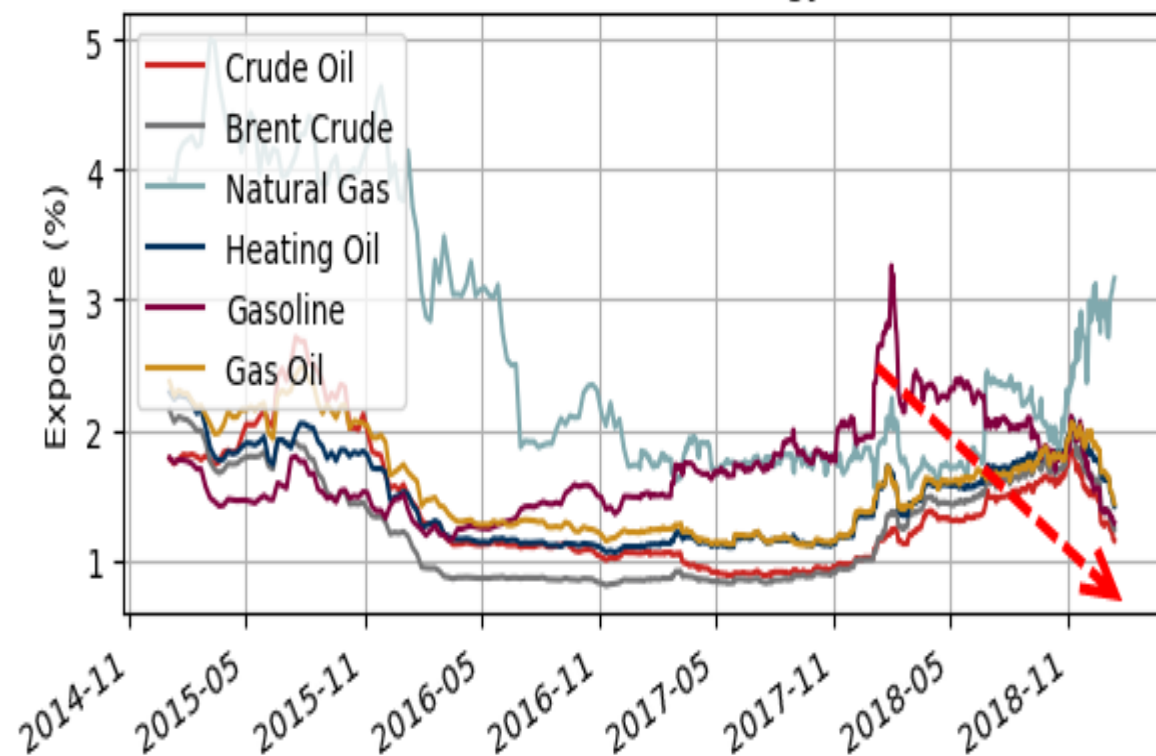
		Sig(Today)	Sig(1d)	Sig(1w)	Sig(1m)
Major Markets	S&P 500	-100	-100	-100	-100
	Euro Stoxx 50	-100	-100	-80	-100
	Nikkei 225	-100	-100	-100	-61
	EURUSD	-72	-71	-100	-100
	USDJPY	-55	-48	-100	100
	EUR_10Y	100	100	100	100
	USD_10Y	100	100	100	-22
	JPY 10Y	100	100	100	100
	Brent	-100	-100	-100	-32
	WTI	-100	-100	-100	-100
Equities	Gold	48	50	50	-7
	S&P 500	-100	-100	-100	-100
	Russell 2000	-82	-100	-100	-100
	NASDAQ 100	-100	-100	-100	69
	Euro Stoxx 50	-100	-100	-80	-100
	Nikkei 225	-100	-100	-100	-61
	DAX	-100	-100	-80	-100
	FTSE100	-82	-80	-80	-100
	CAC40	-100	-100	-100	-100
	Hang Seng	-82	-80	-100	-61
	Hang Seng CH	-100	-100	-100	-61
	ASX SPI 200	-82	-80	-100	-100
	KO SPI 200	-82	-80	-100	-61
	Bovespa	100	100	100	100

		Sig(Today)	Sig(1d)	Sig(1w)	Sig(1m)
Bonds	USD_10Y	100	100	100	-22
	EUR_10Y	100	100	100	100
	JPY_10Y	100	100	100	100
	GBP_10Y	68	70	70	100
	AUD_10Y	100	100	100	100
	CAD_10Y	100	100	100	100
	CHF_10Y	100	100	100	100
	FRA 10Y	100	100	70	100

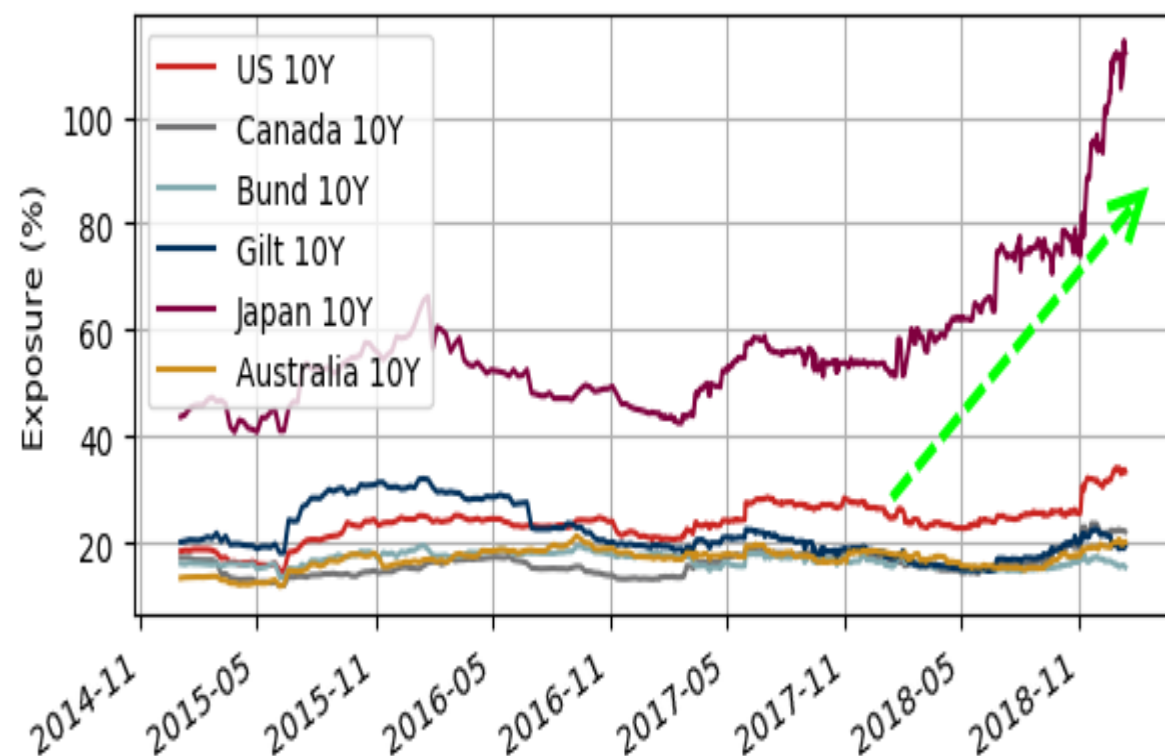
RISK PARITY POSITIONING ESTIMATE = DELEVERAGING U.S. EQUITIES AND CREDIT,  
ADDING FIXED-INCOME EXPOSURE:



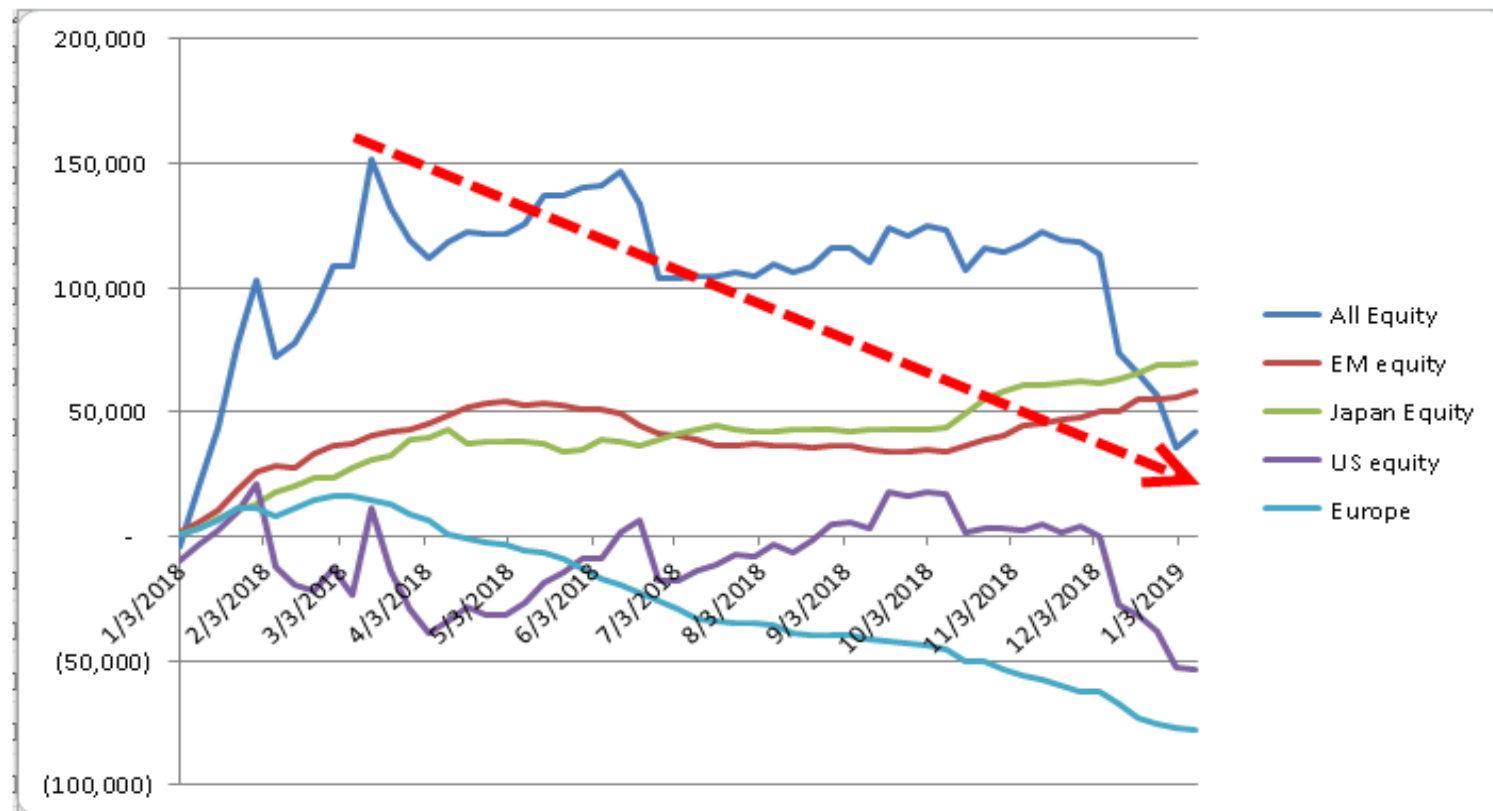
### Commodities - Energy



### Rates



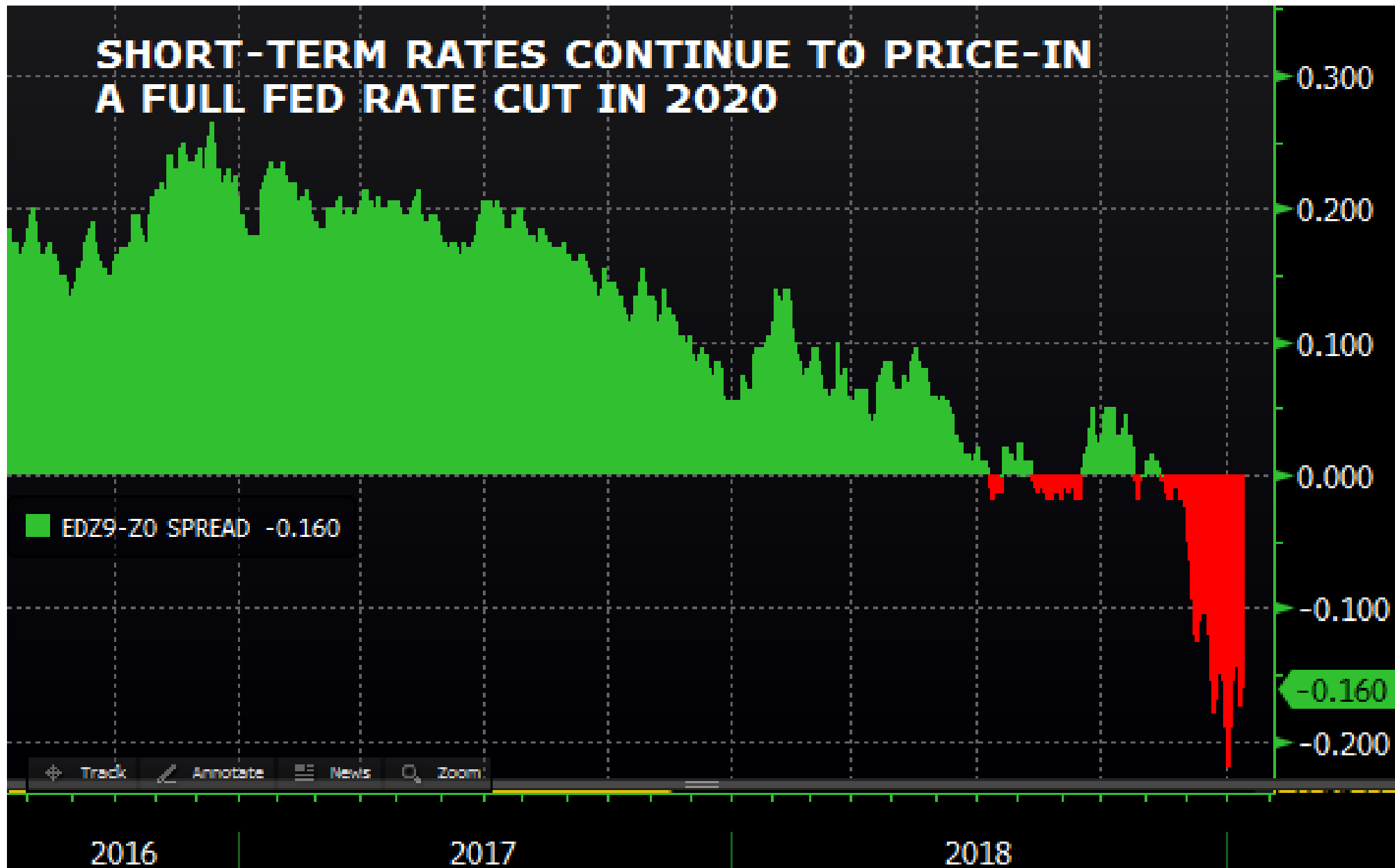
# EQUITY FUND FLOWS PURGED IN 4Q18, LED BY U.S. EXODUS:



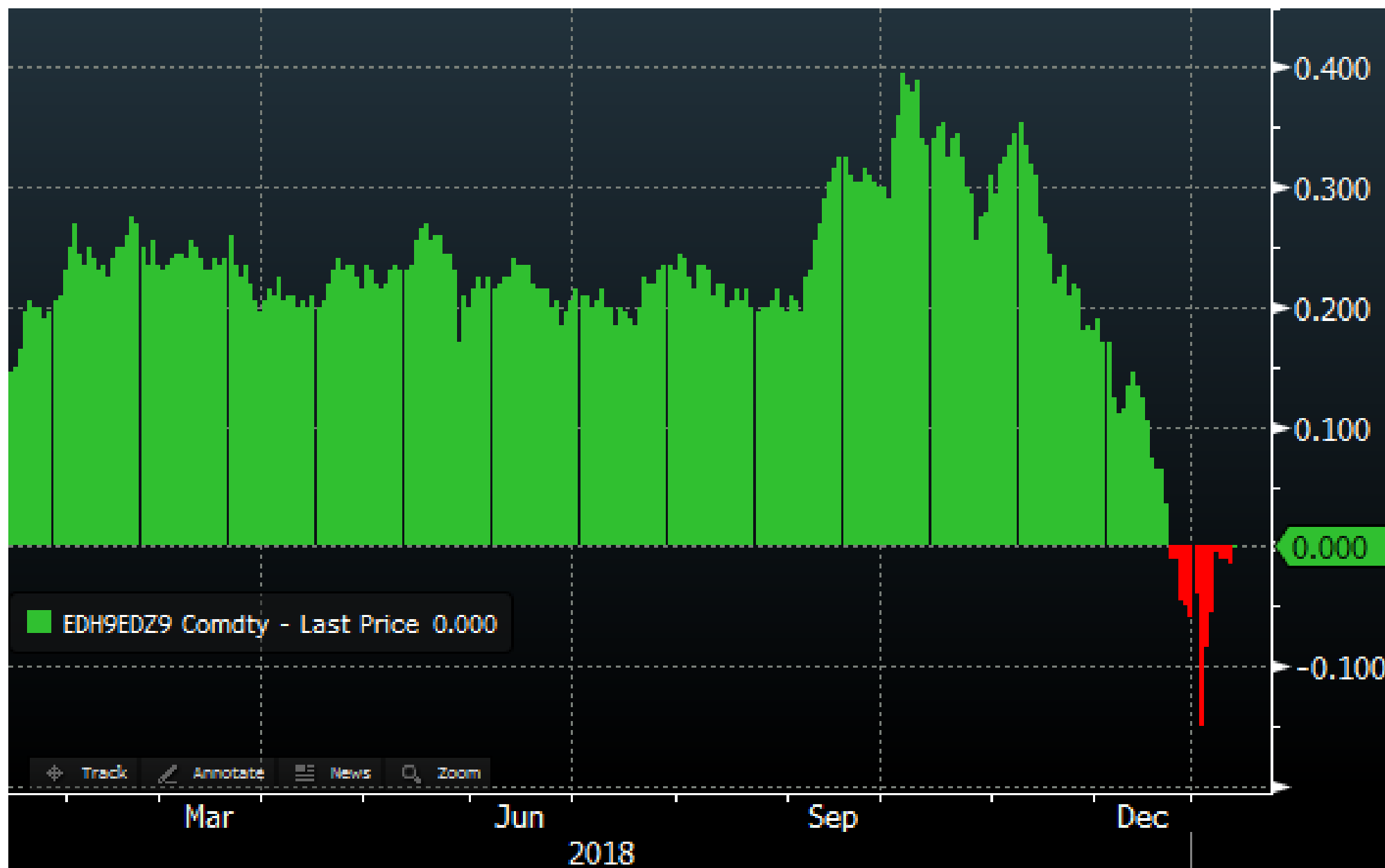
	All Equity	EM equit	Japan Eq	US equity	Europe
this week	6,161	2,374	765	(642)	(53)
1m	(71,276)	7,750	8,146	(53,738)	(14,725)
2m	(72,391)	17,474	10,942	(57,001)	(24,036)
3m	(82,621)	23,385	26,711	(71,326)	(34,046)
6m	(61,699)	17,837	28,024	(35,369)	(48,189)
2018	56,743	55,001	68,864	(38,455)	(75,440)
YTD	(14,935)	2,934	545	(15,148)	(2,098)



SHORT-TERM INTEREST RATES CONTINUE TO PRICE-IN A FULL FED RATE CUT IN 2020:

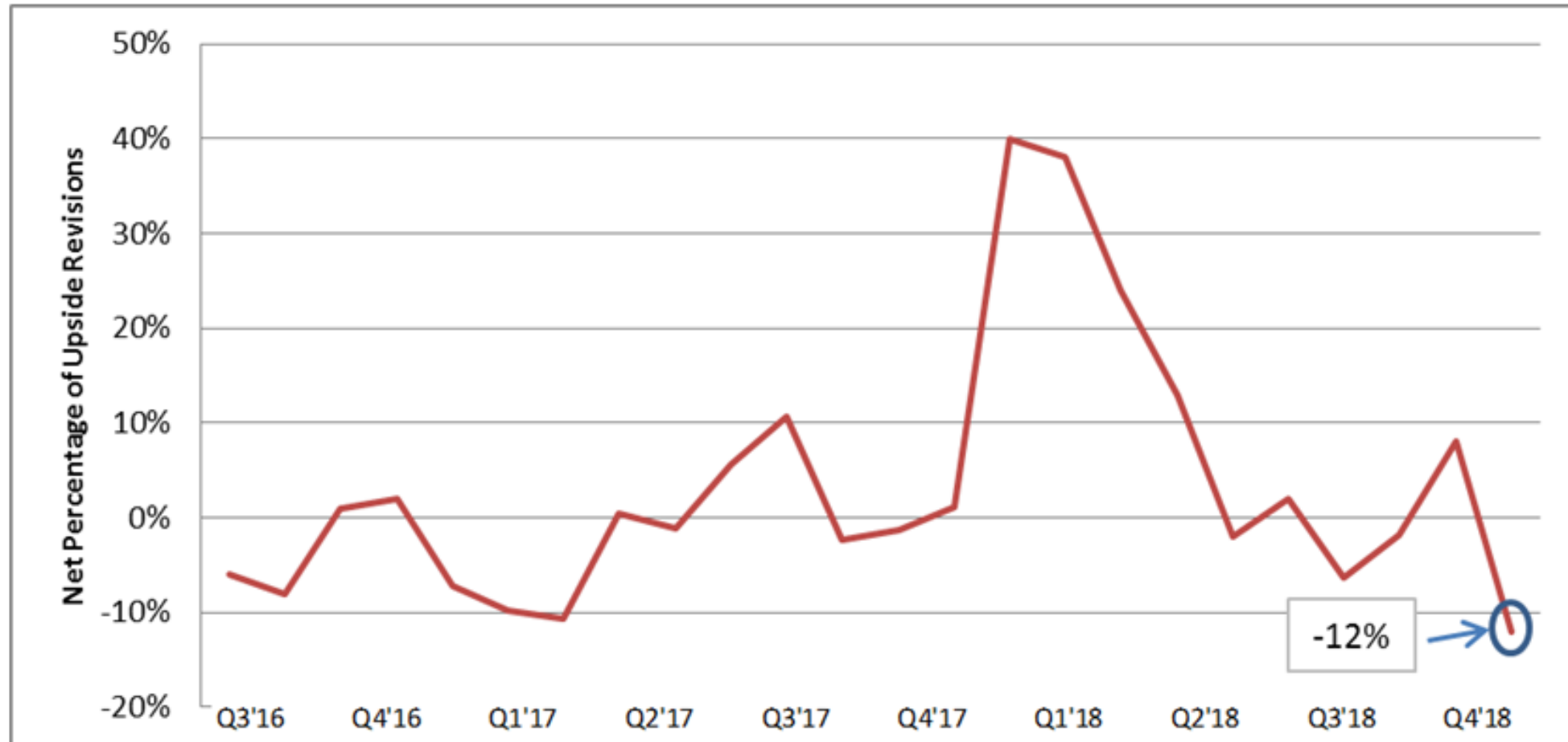


...WHILE ALSO PRICING-IN THE END OF THE FED CYCLE, WITH NO MORE CUTS PRICED-IN  
BETWEEN MARCH '19 AND DECEMBER '19:



## NEGATIVE EARNINGS REVISIONS MOST EXTREME LEVELS GOING BACK 2+ YEAR:

SPX 1500 Earnings Revisions (4w EPS revision changes)



\*Represents the average 4W EPS Net Revisions for all members, equally weighted, of S&P 1500 based on the net change in analyst estimate revision as % of total constituents.

Source: Bloomberg

BUT NEGATIVE  
EARNINGS  
REVISIONS HAVE  
HISTORICALLY  
PRECIPITATED  
LARGER SPX  
PERFORMANCE:

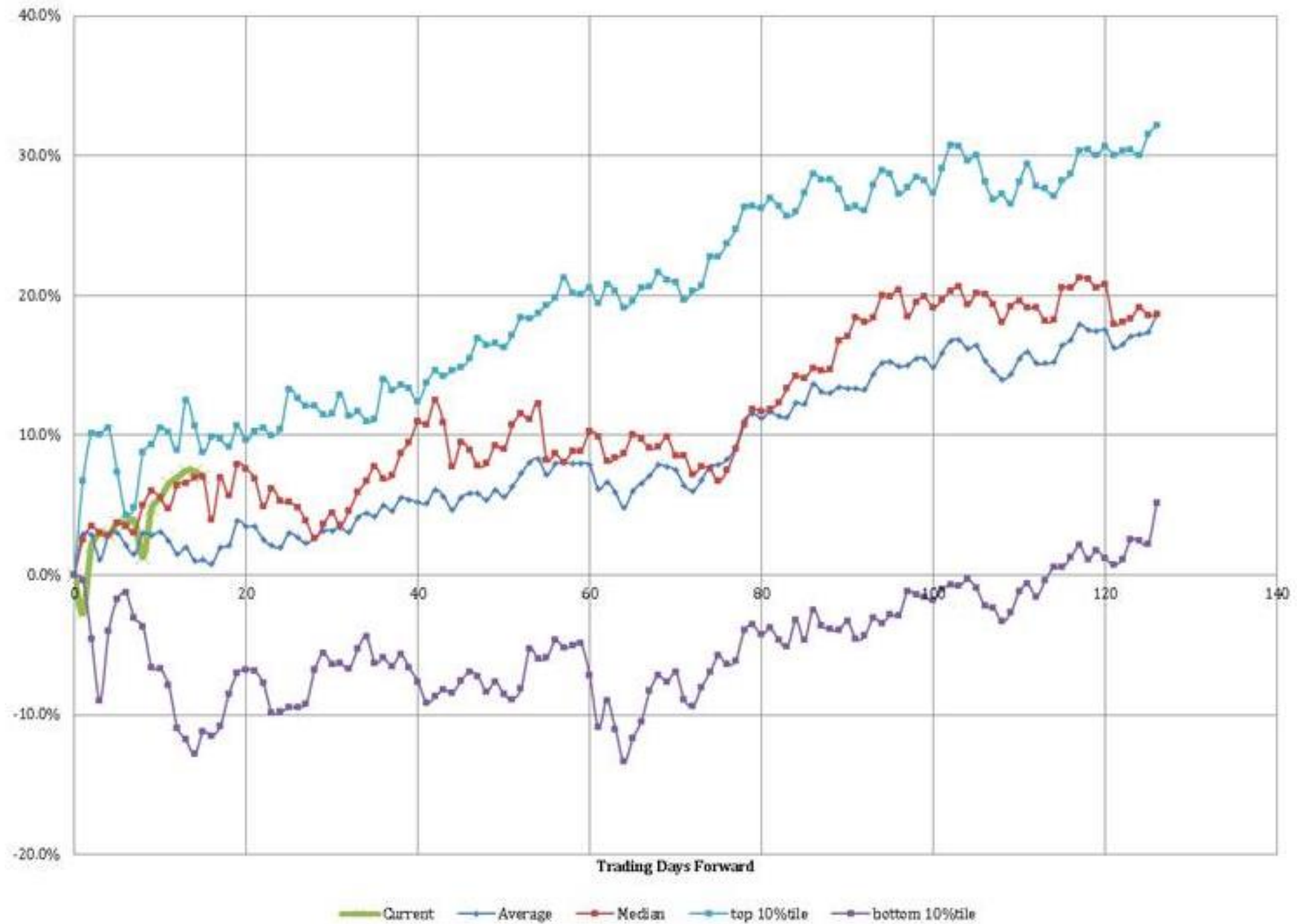
Date	Net Guide Spread (%)	SPX performance Over Earnings
Q1 09	-41.10	4.8
Q2 09	-1.90	12.0
Q3 09	13.90	6.7
Q4 09	12.70	-3.1
Q1 10	9.90	-8.9
Q2 10	-11.70	-0.6
Q3 10	-7.00	4.6
Q4 10	12.80	5.6
Q1 11	3.50	0.4
Q2 11	-5.80	-16.4
Q3 11	-34.90	5.2
Q4 11	-11.80	6.5
Q1 12	6.80	-7.4
Q2 12	-29.20	4.7
Q3 12	-1.70	-6.9
Q4 12	-10.30	3.6
Q1 13	-6.10	7.4
Q2 13	-10.50	1.5
Q3 13	-1.90	6.4
Q4 13	-3.00	0.4
Q1 14	-6.70	0.7
Q2 14	0.50	-1.5
Q3 14	-12.70	3.7
Q4 14	-18.50	3.2
Q1 15	-26.30	2.6
Q2 15	-11.80	0.3
Q3 15	-24.30	3.7
Q4 15	-3.50	-0.2
Q1 16	-3.50	0.2
Q2 16	-20.10	2.5
Q3 16	-8.80	1.3
Q4 16	-4.20	3.3
Q1 17	-4.10	1.1
Q2 17	-3.60	0.0
Q3 17	-5.00	1.2
Q4 17	27.20	-0.4
Q1 18	-1.30	4.2
Q2 18	-1.70	3.3
Q3 18	-8.10	-5.2
Q4 18	-26.00	
All periods	Average	1.3
	Median	1.5
	% Positive	74%
Negative Earnings Revisions	Average	2.0
	% Positive	83%
Positive Earning Revisions	Average	-2.4
	% Positive	17%
4th qtr earnings Returns	Average	2.1
	% Positive	67%



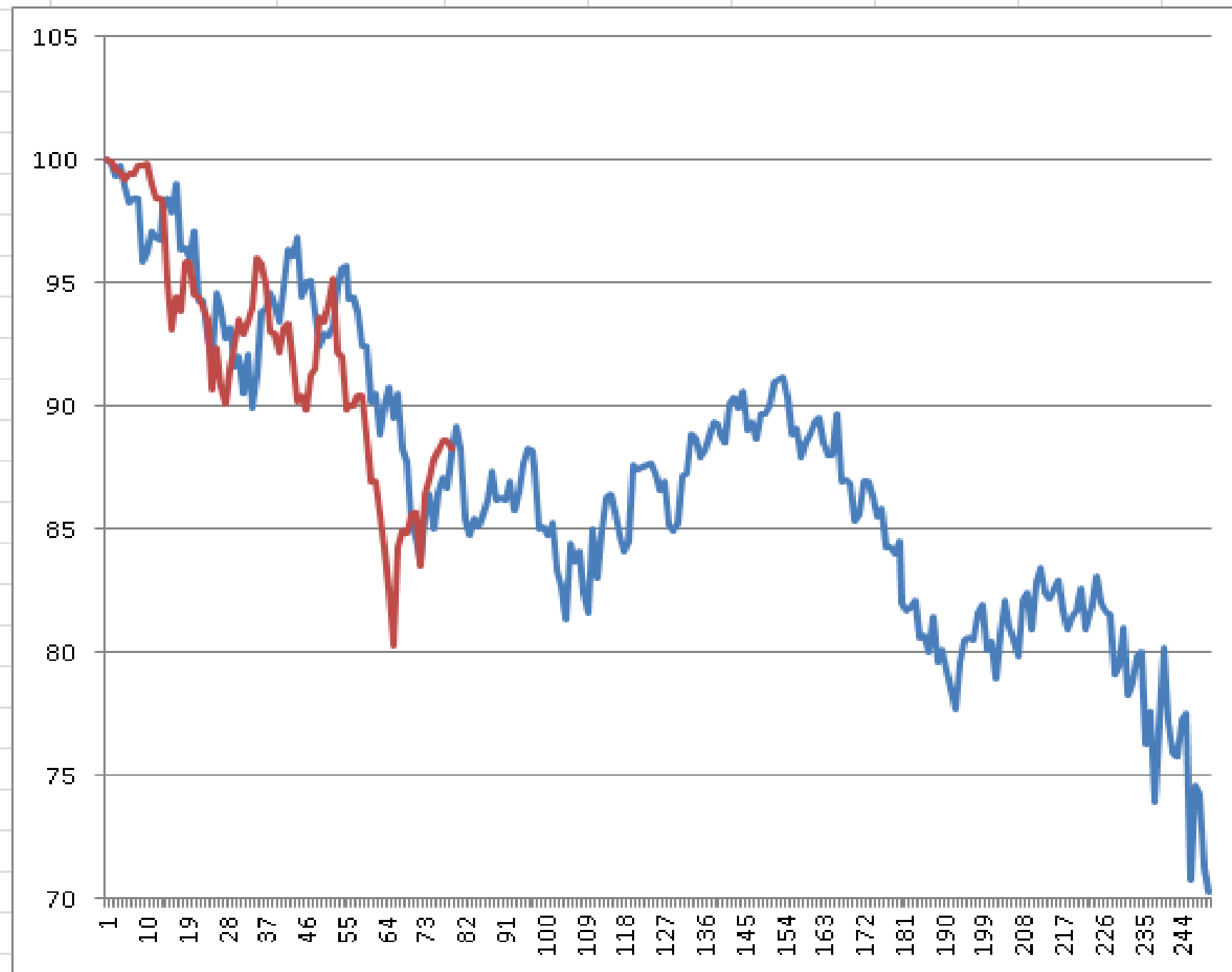
“VIOLENT SELL-OFF FROM 52W HIGH” ANALOG TRIGGER = DOWN AT LEAST -17.5% FROM 52W HIGH OVER 67 DAY PERIOD OR LESS:

Dates	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
12/21/2018	-	-2.7%	2.1%	3.0%	2.9%	3.7%	3.7%	3.9%	1.3%	4.8%	5.5%	6.5%	7.0%	7.4%	7.4%	7.0%													
8/31/1998	-	3.9%	3.5%	2.6%	1.7%	6.9%	5.1%	2.4%	5.4%	7.6%	8.4%	9.2%	6.4%	6.6%	7.0%	7.6%	11.4%	8.9%	9.1%	9.5%	9.6%	6.2%	3.0%	4.7%	3.3%	2.9%	1.4%	0.2%	2.8%
9/24/1990	-	1.2%	0.2%	-1.2%	0.5%	3.4%	3.5%	2.2%	2.7%	2.3%	0.2%	-1.4%	-3.0%	-1.5%	-0.4%	-1.9%	-1.9%	0.4%	2.6%	3.3%	2.6%	2.6%	1.8%	0.0%	-0.9%	-0.2%	-0.2%	0.8%	2.4%
10/19/1987	-	5.3%	14.9%	10.4%	10.4%	1.3%	3.7%	3.8%	8.9%	12.0%	13.7%	11.6%	10.7%	13.2%	11.4%	8.2%	6.3%	10.5%	9.3%	9.7%	8.1%	9.2%	6.8%	7.6%	8.1%	9.6%	8.6%	6.9%	2.4%
3/27/1980	-	2.5%	3.9%	4.0%	4.5%	4.0%	2.0%	3.0%	5.0%	6.0%	5.7%	4.7%	4.5%	3.4%	2.9%	2.4%	1.6%	5.3%	5.6%	6.3%	7.1%	7.6%	7.8%	8.2%	7.4%	7.5%	8.3%	8.2%	9.1%
7/21/1933	-	8.8%	6.9%	9.7%	10.7%	8.1%	3.1%	6.2%	8.7%	7.4%	5.0%	4.1%	7.7%	12.0%	10.2%	9.7%	8.4%	8.6%	5.7%	11.5%	9.6%	11.4%	13.2%	11.7%	12.7%	16.9%	16.7%	16.1%	15.0%
10/24/1929	-	1.4%	-11.7%	-20.7%	-10.7%	-6.2%	-6.2%	-11.1%	-11.1%	-20.0%	-17.0%	-17.7%	-22.9%	-27.3%	-31.4%	-25.3%	-21.2%	-22.0%	-19.6%	-17.4%	-16.1%	-16.4%	-17.4%	-19.8%	-18.8%	-18.8%	-18.8%	-18.6%	-15.9%
Average	-	2.9%	2.8%	1.1%	2.9%	3.0%	2.1%	1.5%	3.0%	2.9%	3.1%	2.4%	1.5%	2.0%	1.0%	1.1%	0.8%	2.0%	2.1%	3.8%	3.5%	3.4%	2.5%	2.1%	2.0%	3.0%	2.7%	2.3%	2.6%
Median	-	2.5%	3.5%	3.0%	2.9%	3.7%	3.5%	3.0%	5.0%	6.0%	5.5%	4.7%	6.4%	6.6%	7.0%	7.0%	4.0%	7.0%	5.7%	7.9%	7.6%	6.9%	4.9%	6.2%	5.3%	5.2%	4.9%	3.8%	2.6%
%Positive	-	86%	86%	71%	86%	86%	86%	86%	86%	86%	86%	71%	71%	71%	71%	71%	67%	83%	83%	83%	83%	83%	83%	83%	67%	67%	67%	83%	83%
bottom 10%tile	-	-0.4%	-4.6%	-9.0%	-4.0%	-1.7%	-1.3%	-3.1%	-3.7%	-6.6%	-6.7%	-7.9%	-10.9%	-11.8%	-12.8%	-11.2%	-11.5%	-10.8%	-8.5%	-7.0%	-6.8%	-6.9%	-7.8%	-9.9%	-9.8%	-9.5%	-9.5%	-9.2%	-6.8%
top 10%tile	-	6.7%	10.1%	10.0%	10.5%	7.4%	4.3%	4.8%	8.8%	9.3%	10.5%	10.2%	8.9%	12.5%	10.6%	8.8%	9.9%	9.7%	9.2%	10.6%	9.6%	10.3%	10.5%	10.0%	10.4%	13.2%	12.6%	12.1%	12.1%

**Cumulative SPX returns from the SPX being down at least -17.5% over 67 day time period**



**SPX cumulative return from Oct9th 2007 to Oct3rd 2008 and Sep20 2018 to Jan14 2009**





# CURVE UPDATES—HAS THE FED ‘DOVISH PIVOT’ DONE ENOUGH TO OFFSET ‘POLICY ERROR’ / ‘TIGHTENING INTO A SLOWDOWN’ CONCERNS?

## SHORT TERM CURVES-



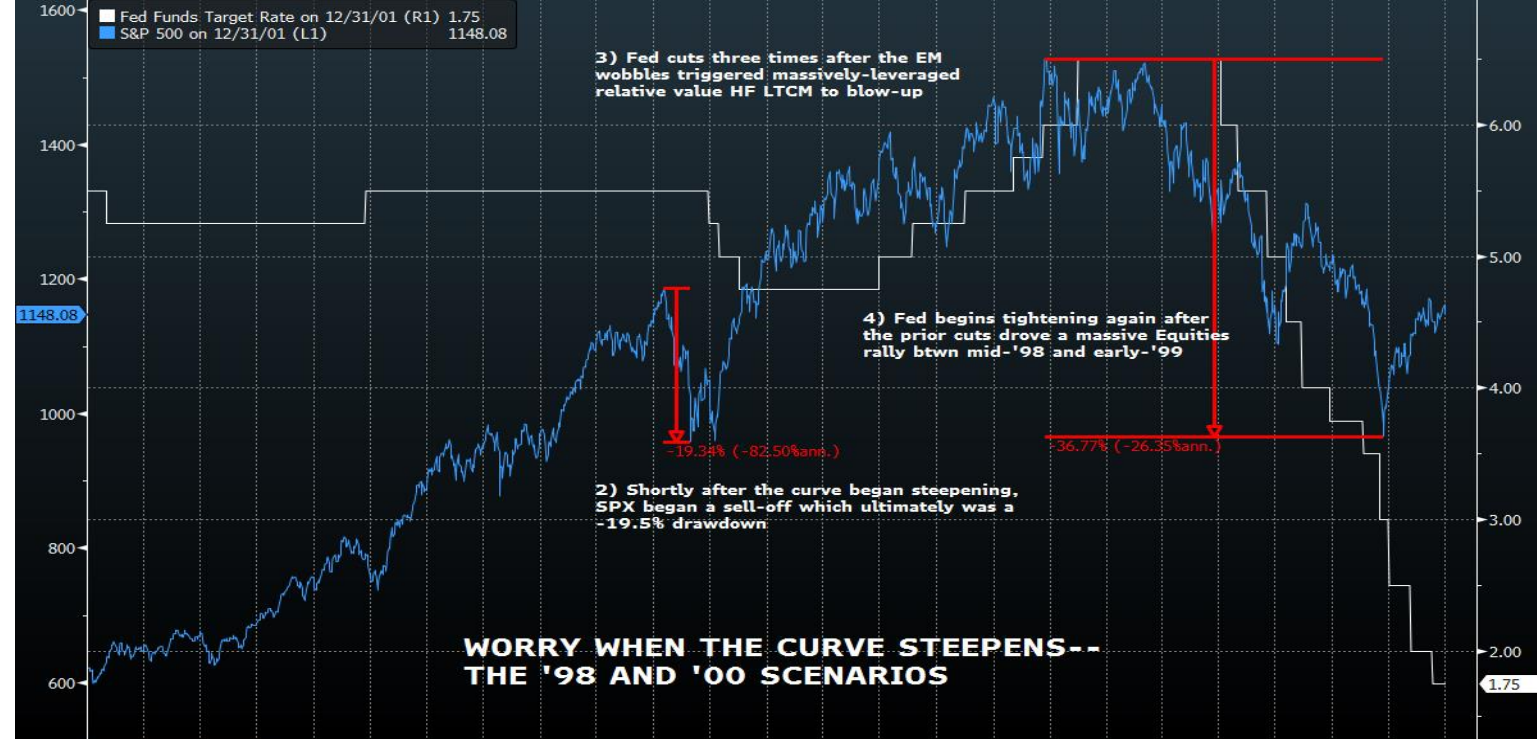


## UST CURVES-

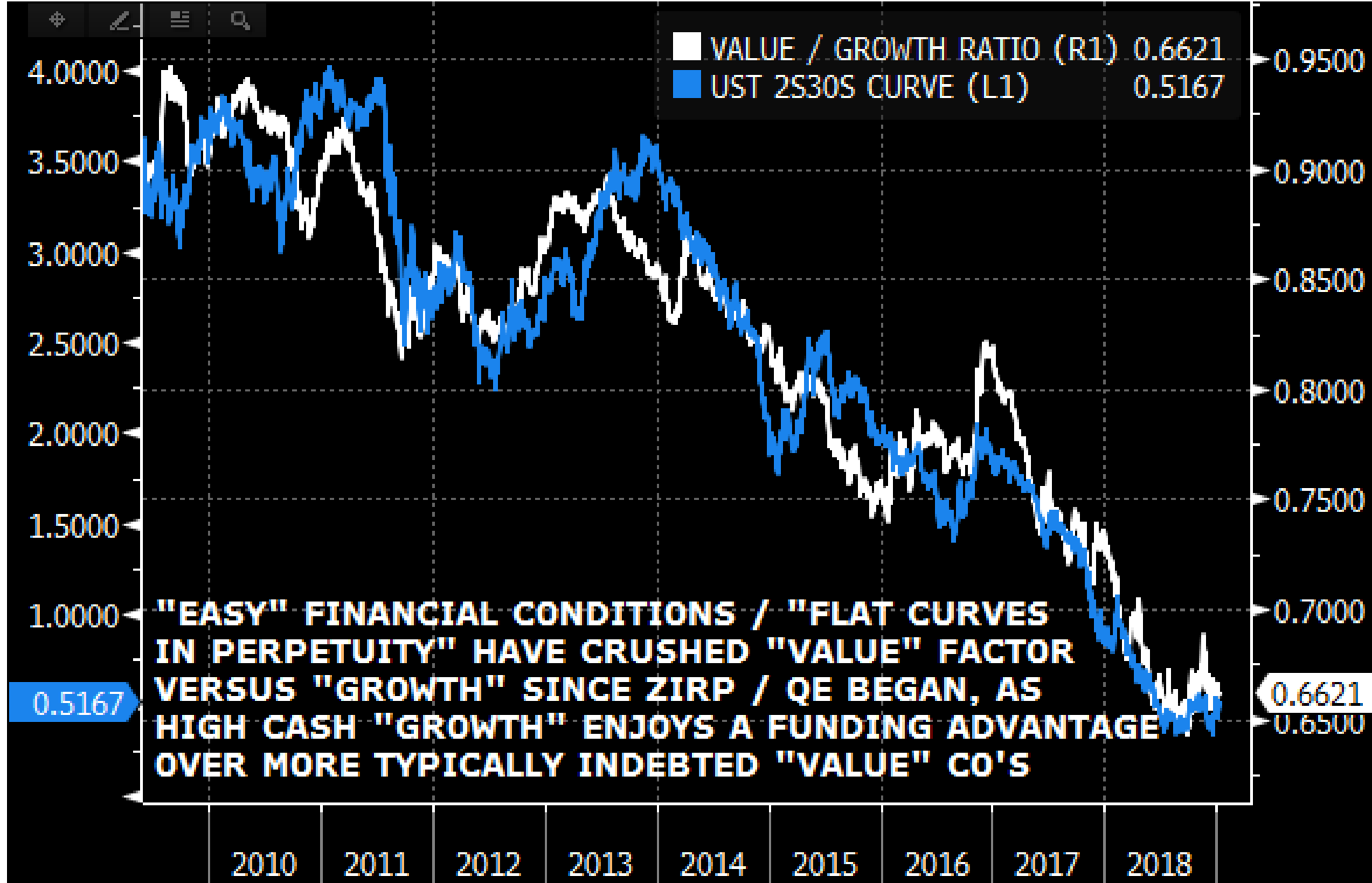


WORRY WHEN  
WE STEEPEN:





STEEPENING CURVE IS WHY EQUITIES 'VALUE' BEGINS TO WORK AGAIN RELATIVE TO 'GROWTH' — 2S30S AND VALUE / GROWTH RATIO SINCE 2009:





# VALUE / GROWTH AND 2S10S CURVE SINCE START 2017:

