



My Thoughts on World Markets

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Monthly Report
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Waiting for Godot

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- Global Equity markets have had a good rally but the **best moves were in Emerging markets.**
- Even the best Western indices have dropped back to neutral. It was a **bear market rally not a new bull move.**
- Both **government bonds and equities are mispriced** and expensive. Bonds are discounting a depression and equities a boom. They are both wrong and **a massive reset is needed.**
- The **global economy is topping out** now. This favours holding more high-quality bonds and cash despite eye-watering valuations.
- We are **waiting but nothing is happening.** In economics, things take longer to happen than you think they will, and then they happen faster than you thought they could.

NB: The two distinct colours used in the table on the right are used to highlight the broad asset groups: Greed Assets (Equities) and Fear Assets (Gold Bullion, Cash, Treasuries and Inverse Equities). See [website](#) for further explanation of Asset Allocation Models.

Source: The ECU Group plc, Datastream

Multi-Asset Technical Ranking USD Portfolio

Strongest Ranked Assets	EM Equities
	Gold Bullion
	US Long Dur TIPS
	Global Long Dur Govt Bond
	EMD Hard Currency
	US High Yield
Strong	India Equities
	China Equities
	EMD Inflation Linked
	US Long Dur Treasuries
	Global High yield
Neutral	Industrial Metals
	Global Broad Corporate Bonds
	US Corporate Bonds
	Japan Equities
	Global Med-Long Dur ILG
	Global Short Dur Govt Bond
Weak	US Equities
	World Equities
	US Short-Med Dur TIPS
	EU Equities
	US Short Dur Treasuries
	Global Short Dur ILG
Weakest Ranked Assets	UK Equities
	US Cash
	Agricultural Commodities
	Inverse US Equities
	Commodity Basket
	Energy Commodities

SECTION 1: MY THOUGHTS ON WORLD MARKETS

Nothing happens, nobody comes, nobody goes, it's awful! – Samuel Beckett

Waiting for Godot

Global Economic and Investment Outlook

Everybody knows that the old normal is gone. In the new era of negative interest rates, **government bonds are, by all historic standards, expensive**. They seem to be discounting a great depression. At the same time **major equity markets are also expensive** and on earnings-multiples that can only be justified if there is a great boom ahead. Both markets are mispriced and they cannot both be right. **They may in fact both be wrong**. The Capital Asset Pricing Model is broken. Capitalism, as we knew it, has been overridden by government intervention who are now the largest holders of both bonds and increasingly equities. There is a widely held belief that this is unnatural and unsustainable. At some point there will **have to be a massive reset**. It will be **painful and end in tears**. We **cannot say precisely when it will occur, but it may be imminent**. The risk is that like for the child that cried Wolf, or fire too often, no parent will listen when it actually occurs. It is reasonable to be cautious and risk averse.

Human beings are very good at convincing themselves that what they wish to believe is true, even in the face of evidence that it is not so. UK and US citizens are masters at doing this and believe our way is best. We both feel that because our stock market indices are where they are right now, our markets have been great investments, especially recently. However, when we look at all global asset classes, we find that this view is a delusion. Because of the fall in Sterling, **UK assets are very weak**. Even **in the US, the equity market has slid down the ranking order to be at the bottom end of Neutral**. The Equity markets that actually **had strong rallies were Emerging Markets**, and the major markets that performed were China and India (Fig 1.1). Many investors were not positioned for this (Fig 1.2).

FIGURE 1.1

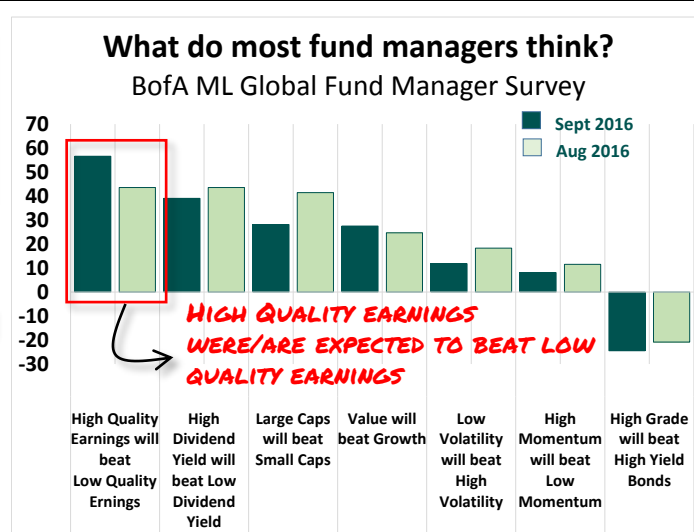
The markets with the strongest rallies were EM

Country	Bottom	Up Rank Score	Country Weight %	No. of Stocks
Brazil		4.01	1	8
Indonesia		2.55	0.6	6
South Korea		2.42	1.3	8
Taiwan		2.36	0.8	4
Thailand		2.05	0.1	1
Russian Federation		1.57	0.9	6
Hong Kong		1.42	4.4	21
China		1.19	1.1	5
South Africa		0.99	0.3	2
Japan		0.93	6.6	44
India		0.89	1.7	14
Australia		0.63	1.6	9
Singapore		0.46	0.7	6
Spain		0.24	1.2	7
Germany		0.19	3.4	20
United States		0.15	54.9	230
Canada		0.12	2.3	16
Belgium		0	0.8	2
Netherlands		-0.31	1.3	8
France		-0.37	4.1	27
Switzerland		-0.51	3.4	13
United Kingdom		-0.65	5.6	28
Sweden		-0.67	0.5	5
Norway		-1.07	0.3	2
Italy		-1.86	0.5	4
Denmark		-2.41	0.4	2
Mexico		-3.21	0.2	2

Source: The ECU Group, Datastream

FIGURE 1.2

Most Global fund managers didn't expect this

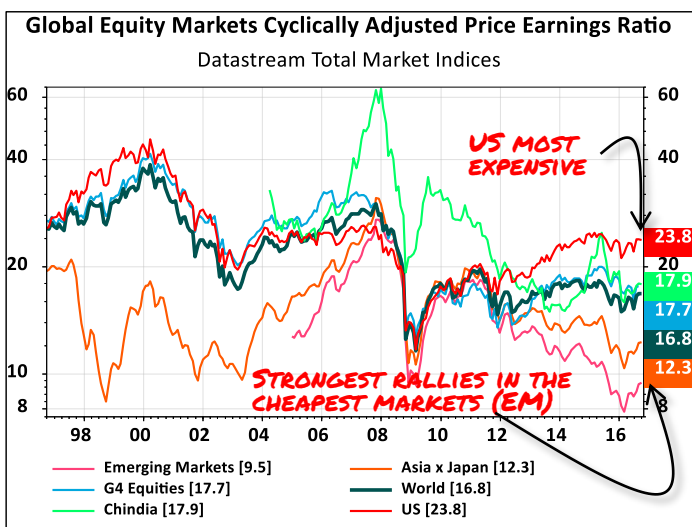


SECTION 1: MY THOUGHTS ON WORLD MARKETS

Many of the short term cyclical factors have been over ridden by Central bank operations. The **seasonal deviation has so far been squashed**. The one month with the best track record of containing weakness is September, yet we have come through this with market indices at highs at least in the UK and the US. This could all change with a “flash crash”. However, the markets near their highs are not the best ones to have been in. For the World as a whole, the **best rallies were in the cheapest markets** (Fig 1.3) and these were quite obviously only **having a bear market rebound** (Fig 1.4). There clearly was a switch of buying power from expensive markets to cheaper ones going on.

FIGURE 1.3

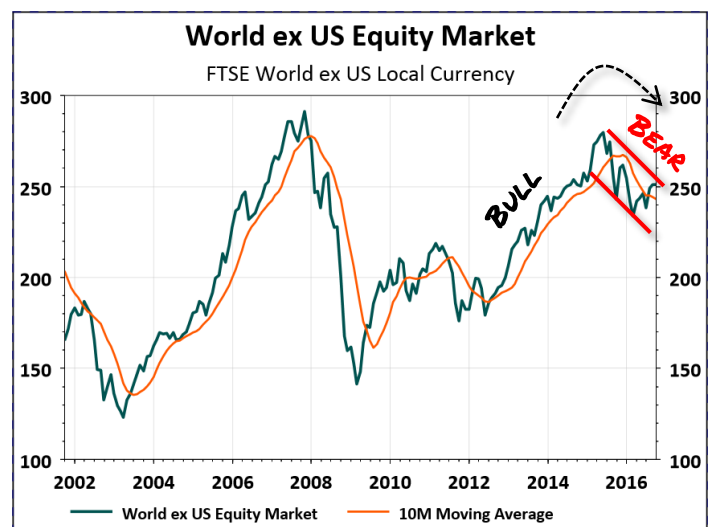
The best rallies were in the cheapest markets



Source: The ECU Group, Datastream

FIGURE 1.4

Most World markets rallying in a bear market

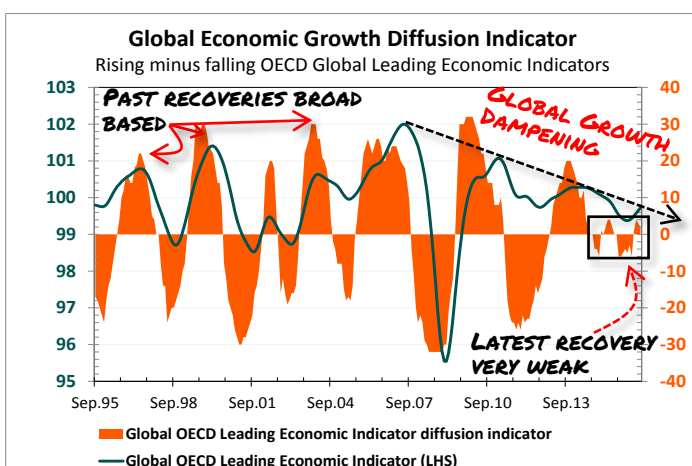


Source: The ECU Group, Datastream

The **Global economy has been doing quite well recently**. It has been enjoying a recovery, but when this is compared to most previous recoveries it is very modest. It **seems to be failing now at a low level**, which is itself in a trend of lower levels for reversal. When we look at the Diffusion Index for OECD leading economic indicators, we can see that most economic cycles up until 2009 looked similar to each other – when global economic growth picked up, there was a broad based improvement. Since then, the economic recovery has progressively dampened down (Fig 1.5). The most recent recovery was the weakest and is failing soonest. If we look at the Boom-Bust leading indicator of global growth, we can see that a top is already forming (Fig 1.6). The **message is that the recent recovery in Global growth has been weak and is now peaking**. The outlook for next year is not necessarily a recession but a slowing from an already slow rate of growth. Some parts of the whole will undoubtedly be in recession though.

FIGURE 1.5

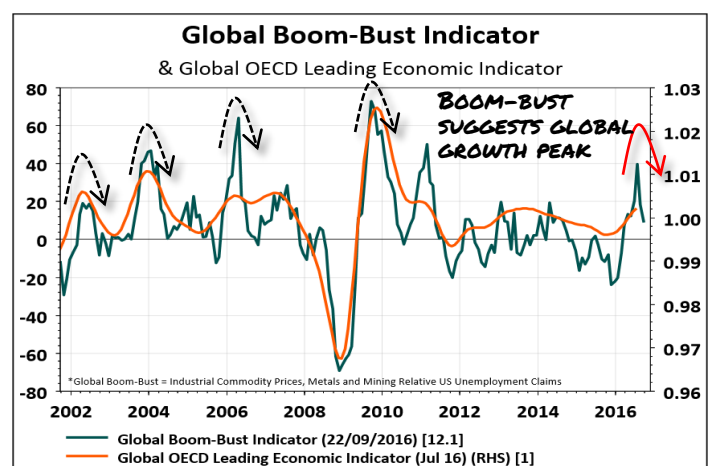
Diffusion indicators signal very weak recovery



Source: The ECU Group, Datastream

FIGURE 1.6

“Boom-bust” suggests global growth is peaking



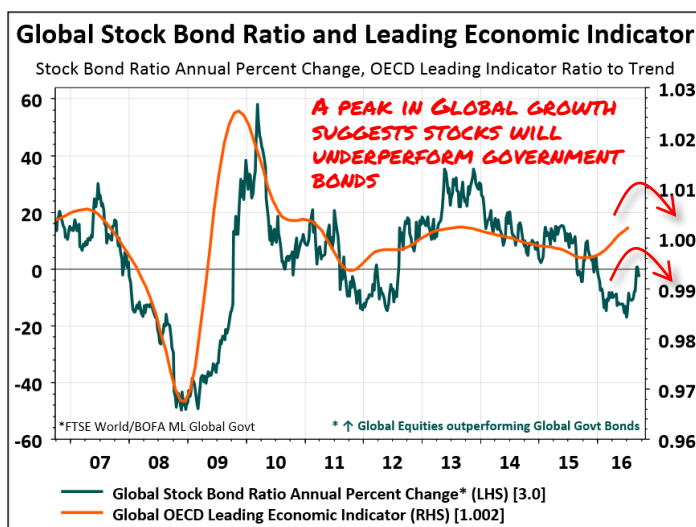
Source: The ECU Group, Datastream

SECTION 1: MY THOUGHTS ON WORLD MARKETS

A peak in Global growth has implications for all assets, but notably Global Stocks and Bonds which form the bulk of investors' portfolios. **The Global Stock-to-Bond ratio** – which measures the relative performance of global stocks versus government bonds – follows Global economic momentum relatively closely and **suggests now is a good time to de-risk portfolios**. The recent rally took the Global Stock Bond Ratio back to the zero line, and the leading indicator is starting to roll over at the same level as in 2012 (Fig 1.7). Not only does global economic growth appear to be peaking, but valuations are also a key concern for investors. In the latest BofAML Global Fund Manager Survey, a majority of investors think that both bonds and equities are overvalued. The number thinking this has never been higher (Fig 1.8). Whilst this is the case, we believe that investors are likely to overlook this fact when investing in government bonds in the downturn, focused on **return of** their capital rather than the **return on** their capital.

FIGURE 1.7

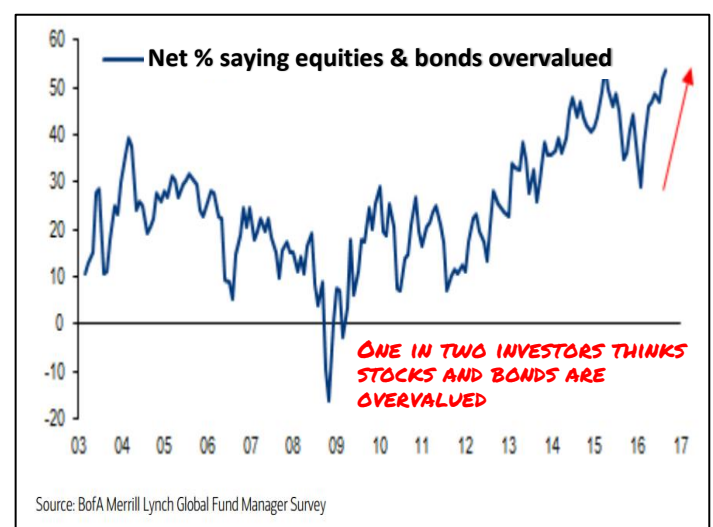
Global Stock Bond ratio signals time to derisk



Source: The ECU Group, Datastream

FIGURE 1.8

Investors believe stocks and bonds overvalued

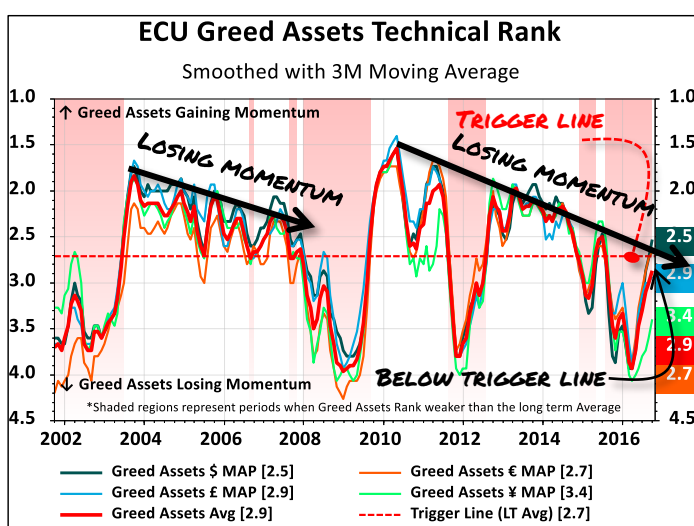


Source: The ECU Group, BofAML

When we look at **our portfolios of Greed assets and compare them to Fear assets we confirm the message that the strong rally was a rally in a bear market** and not a new bull market. The rally has only brought Greed assets back up to the trigger line between bull and bear phase and has hit the trend line of falling highs for such peaks (Fig 1.9). Conversely the Fear assets have only fallen back to the trigger line to meet the trend line of rising lows (Fig 1.10).

FIGURE 1.9

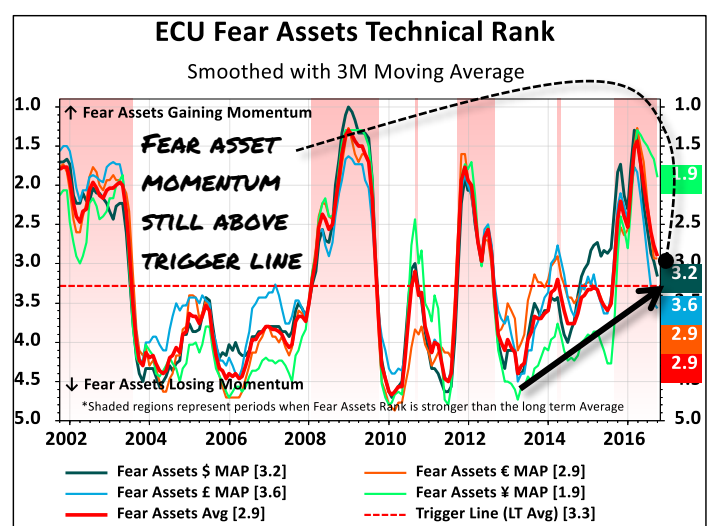
Greed Asset rank not in bull market territory



Source: The ECU Group, Datastream

FIGURE 1.10

Fear Assets lose momentum but still elevated



Source: The ECU Group, Datastream

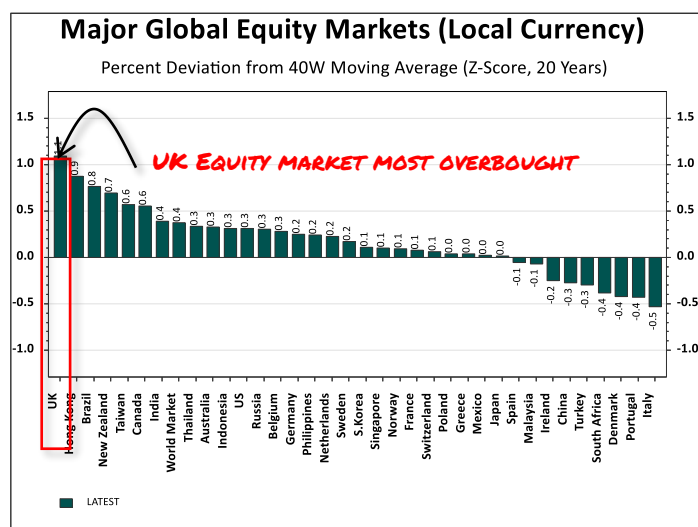
SECTION 1: MY THOUGHTS ON WORLD MARKETS

Robert Shiller has pointed out that the **UK market appears very cheap to US investors**. On a relative-performance basis, it is as cheap now against World equities as it has ever been since 1980. However it was even cheaper in the late 1970s. Whilst that is the case, it is also true that after the recent rally it is massively overbought as measured by the deviation from the primary trend (200 day moving average). Because of the euphoric post Brexit rally, **it is now the most overbought market that we follow** (Fig 1.11). We are also just going into the lengthy negotiation phase to deliver on Brexit at the very time when the global economy is starting to slow down. Even though **we have a positive view for the long term for UK Equities, we have to go through a rough patch to get there**. At the moment, the UK Equity market ranks amongst the Weakest group of Assets on our Multi-Asset Ranking model.

It might appear peculiar that **commodities have remained in the Weakest Asset category** ranked using the same models despite the strong rally this year. This should not come as a surprise when considering that **we use commodity futures to represent the asset class** (and what most commodity investors actually invest in) rather than spot prices. Commodity future returns have significantly lagged spot returns this year owing to negative roll yields – the cost of purchasing new future contracts at higher prices every time old ones expire. Measured across a basket of key commodities, the gap between spot and future returns is the widest it's been in five years (Fig 1.12). When the price of oil doubled from \$26 to \$52, it led many investors to believe that it was soon on its way to \$80 or more, however our work indicated that the **final lows of the commodity cycle are not yet in place. Now is the time to take profits** on the recent rise and to stand back to be able to buy the dip to the next important low. All of our cycle work has always indicated that the **lowest lows are likely to be in late 2017**.

FIGURE 1.11

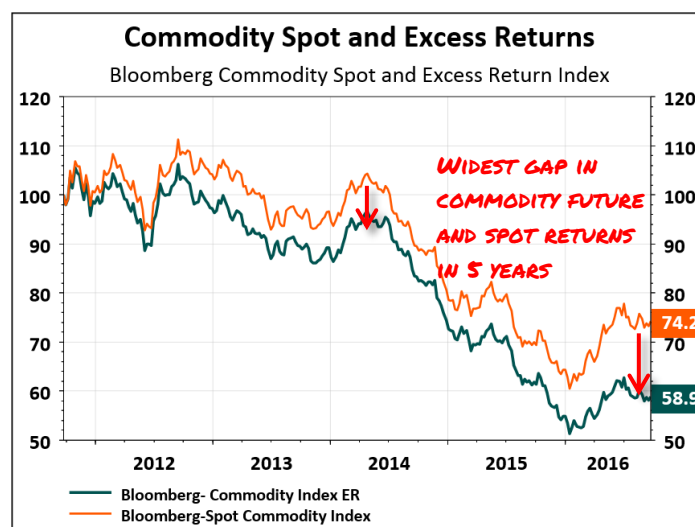
UK Equity market very overbought after rally



Source: The ECU Group, Datastream

FIGURE 1.12

Commodity future returns lagging spot returns



Source: The ECU Group, Datastream

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As we look ahead to the reset back to a sustainable normal, we see the **greatest wealth destruction coming in bond markets**. This is by far the largest market by capitalization and the most mispriced. The last time this occurred, the so called “Cult of the Equity” was born and the value of Gilts was slowly destroyed. There was, of course, a trend of rising inflation. Commodities went into a secular uptrend. At present they are near the end of a secular downtrend. It does not matter which commodity we have been in, this has been the “Big Daddy” of a bear. Most prices have already got down to levels where profound value can be seen. Many value investors are identifying this now. However timing is everything. Giant bear markets do not just end one day when you were not paying attention and you miss it. **The bottom making is a process** and it is drawn-out over time. **Our cycles have always indicated that late 2017 would be the time for the final lows** to be in place. The normal pattern is for a strong rally that fails. Then a drop back to a near retest of the low. Sometimes this can make a marginal new low. By then the last seller is out of the way. You always get capitulation and liquidation at that low.

In the case of Oil, it is clear that the producers are capitulating now. However a degree of cynicism is appropriate. These producers have a long track record of cheating on each other. **Only as long as Saudi Arabia is willing to be the swing producer will the agreed cut-back work**. Even then, it will take time to come through. Remember that the global economy appears to be peaking out now. We are still in the US driving and air conditioning season and yet every spare vessel that can hold oil is currently being used. As demand falls back, **the supply side will have to be quite aggressive to have much effect on prices**. If in fact there was a sudden surge in price, this alone would choke off the needed growth in demand. According to estimates by Diapason, the world burns 34 billion barrels of oil a year. A fall of \$10 shifts \$340 billion from oil producers to consumers. The near \$60 fall since 2014 has already helped consumers by \$2 trillion, and has been a bigger boost than the combined stimulus of the US and China since 2009. This process works both ways. **A super rebound in oil will be too big to be offset by government intervention**. We should be careful what we wish for as we may get it big time.

Another thing we have noticed is in the factors that have been working. The message is this – whatever you had been doing that was working, it isn’t working as well any more. It during the rally phase there was a switch to small market cap stocks thought of as growth stocks. This move was at the expense of so called quality plays. Those expensive stocks that had had great momentum tended to run into profit taking. We believe that **now the rally is topping out there will be a return to quality and high dividend paying stocks**. Investors should be willing now to hold more cash for a while.

The bottom line is that the **rally in risk assets since February was a bear market rally** and is now losing momentum in all areas, and the **downside trend seems to be resuming**. The barbell strategy we have been recommending is now skewed to the bond side of the equation. **Be overweight government bonds**. We should **rebalance portfolios as equities are topping out**, and for a while be prepared to **hold more cash**. Ultimately we will get to levels when it will be correct to dump bonds and be overweight in commodity related investments. Commodities will then go into a secular uptrend and not just a cyclical recovery. We are not at that turning point yet although we can see it in the distance. We have to go through the final drop to extreme valuation lows and in that period it is right to hold more government bonds and be underweight equities.

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FIGURE 1.13

Global Equity Market Technical Ranking vs. World Equities (Local & Common Currency)

Local Currency *

	Trading [3M Time frame]	Cyclical [10M Time Frame]	Secular [10 Year Time Frame]	Composite [Trading, Cyclical, Secular Time- weighted]
Strongest	BRAZIL	BRAZIL	INDONESIA	INDONESIA
	HONG KONG	INDONESIA	PHILIPPINES	PHILIPPINES
	INDONESIA	NEW ZEALAND	CHINA	INDIA
	UNITED KINGDOM	RUSSIA	INDIA	CHINA
	TAIWAN	INDIA	SOUTH AFRICA	THAILAND
	INDIA	PHILIPPINES	DENMARK	MEXICO
	NEW ZEALAND	CANADA	THAILAND	BRAZIL
Strong	SWEDEN	UNITED KINGDOM	MEXICO	SOUTH AFRICA
	RUSSIA	TAIWAN	TURKEY	TURKEY
	CANADA	THAILAND	GERMANY	DENMARK
	THAILAND	MEXICO	UNITED STATES	UNITED STATES
	GERMANY	HONG KONG	NORWAY	GERMANY
	MEXICO	UNITED STATES	MALAYSIA	NEW ZEALAND
	SOUTH KOREA	AUSTRALIA	BRAZIL	NORWAY
Neutral	WORLD	SOUTH KOREA	SOUTH KOREA	MALAYSIA
	CHINA	NORWAY	SWEDEN	HONG KONG
	SWITZERLAND	WORLD	NEW ZEALAND	TAIWAN
	BELGIUM	MALAYSIA	TAIWAN	SOUTH KOREA
	AUSTRALIA	TURKEY	WORLD	CANADA
	UNITED STATES	SOUTH AFRICA	HONG KONG	UNITED KINGDOM
	TURKEY	POLAND	CANADA	SWEDEN
Weak	SINGAPORE	SINGAPORE	UNITED KINGDOM	WORLD
	POLAND	BELGIUM	SINGAPORE	AUSTRALIA
	JAPAN	NETHERLANDS	JAPAN	SINGAPORE
	MALAYSIA	DENMARK	AUSTRALIA	POLAND
	NETHERLANDS	GERMANY	POLAND	JAPAN
	NORWAY	SWEDEN	SWITZERLAND	SWITZERLAND
	FRANCE	CHINA	NETHERLANDS	NETHERLANDS
Weakest	PHILIPPINES	SWITZERLAND	BELGIUM	BELGIUM
	SPAIN	FRANCE	FRANCE	RUSSIA
	DENMARK	IRELAND	RUSSIA	FRANCE
	PORTUGAL	GREECE	SPAIN	SPAIN
	SOUTH AFRICA	JAPAN	IRELAND	IRELAND
	IRELAND	PORTUGAL	PORTUGAL	PORTUGAL
	GREECE	SPAIN	ITALY	ITALY
	ITALY	ITALY	GREECE	GREECE

Common Currency (USD)

	Trading [3M Time frame]	Cyclical [10M Time Frame]	Secular [10 Year Time Frame]	Composite [Trading, Cyclical, Secular Time- weighted]
Strongest	BRAZIL	BRAZIL	PHILIPPINES	INDONESIA
	HONG KONG	NEW ZEALAND	CHINA	PHILIPPINES
	INDONESIA	INDONESIA	THAILAND	CHINA
	TAIWAN	TAIWAN	INDONESIA	THAILAND
	SOUTH KOREA	CANADA	DENMARK	NEW ZEALAND
	INDIA	RUSSIA	UNITED STATES	BRAZIL
	JAPAN	INDIA	INDIA	INDIA
Strong	NEW ZEALAND	THAILAND	GERMANY	UNITED STATES
	RUSSIA	AUSTRALIA	NEW ZEALAND	TAIWAN
	THAILAND	NORWAY	MALAYSIA	DENMARK
	AUSTRALIA	PHILIPPINES	TAIWAN	GERMANY
	CHINA	SOUTH KOREA	JAPAN	HONG KONG
	SOUTH AFRICA	JAPAN	HONG KONG	JAPAN
	POLAND	HONG KONG	SINGAPORE	SOUTH KOREA
Neutral	WORLD	MALAYSIA	SOUTH KOREA	MALAYSIA
	GERMANY	UNITED STATES	SOUTH AFRICA	NORWAY
	UNITED STATES	BELGIUM	WORLD	SOUTH AFRICA
	BELGIUM	NETHERLANDS	NORWAY	WORLD
	NORWAY	POLAND	SWITZERLAND	SINGAPORE
	SWITZERLAND	SINGAPORE	MEXICO	AUSTRALIA
	SWEDEN	SOUTH AFRICA	SWEDEN	SWITZERLAND
Weak	CANADA	WORLD	BRAZIL	CANADA
	SINGAPORE	DENMARK	AUSTRALIA	SWEDEN
	NETHERLANDS	GERMANY	TURKEY	TURKEY
	MALAYSIA	SWITZERLAND	CANADA	MEXICO
	TURKEY	FRANCE	POLAND	POLAND
	FRANCE	SWEDEN	NETHERLANDS	NETHERLANDS
	SPAIN	TURKEY	UNITED KINGDOM	RUSSIA
Weakest	DENMARK	IRELAND	FRANCE	BELGIUM
	PHILIPPINES	GREECE	BELGIUM	FRANCE
	PORTUGAL	CHINA	RUSSIA	UNITED KINGDOM
	MEXICO	UNITED KINGDOM	SPAIN	SPAIN
	UNITED KINGDOM	PORTUGAL	IRELAND	IRELAND
	IRELAND	SPAIN	PORTUGAL	PORTUGAL
	GREECE	MEXICO	ITALY	ITALY
	ITALY	ITALY	GREECE	GREECE

Date: 26th September 2016

Source: The ECU Group, Datastream

* **NB:** The tables above show the technical ranking of Global Equity Markets relative to the World Index in Local and Common currency terms over three individual time frames: Trading (3 Months), Cyclical (10 Months) and Secular duration (120 Months) as well as a Time-weighted composite ranking of the three combined periods.

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Multi-Asset Rankings

The following are some key observations based on the technical ranking of major Asset classes using our Multi-Asset Technical Ranking Model:

- When we look at currency markets, **we rank Sterling weaker than the Euro and the Yen is stronger than the US Dollar**. The original “Mr. Yen” (Mr Sakakibara) has expressed the view that the Yen should be stronger and be headed towards \$90. This is the main difference when we look at the asset ranking models.
- **Japanese investors** have been **rewarded for short selling equities** and **holding cash**.
- Japanese investors **also have Gold as their top holding**, and they own government bonds. Global and US Equities have been a weak investment for them (Fig 1.15 and Fig 1.16).
- **Global government bonds** have been consistently strong this year (Fig 1.14) and are likely to remain strong in the coming months.
- For **US investors**, the **top holding has been Emerging market equities**, and then Gold. However the former remain vulnerable to a slowdown in Global growth whilst the latter stand to benefit from a flight to safety.
- US Investors been punished for **short selling and holding cash** in relative terms. Moving forward, we believe both of these assets are likely to **help investors preserve capital** in their portfolios.
- **UK Equities** have failed to breakout out of the Weak asset category despite the strong rally post Brexit (Fig 1.17).
- **UK Conventional long duration gilts** have lost significant momentum over the last month, following a sharp reversal, however we believe they are likely to **regain leadership in the global downturn** in the months ahead.

FIGURE 1.14

Global Govt. bonds consistently strong

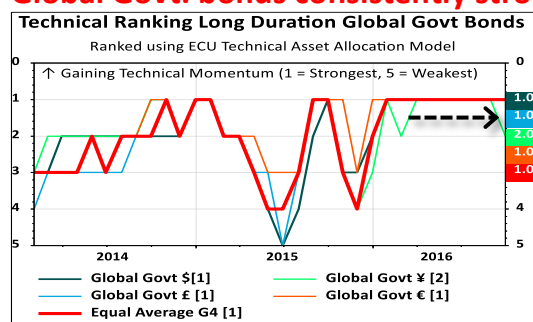
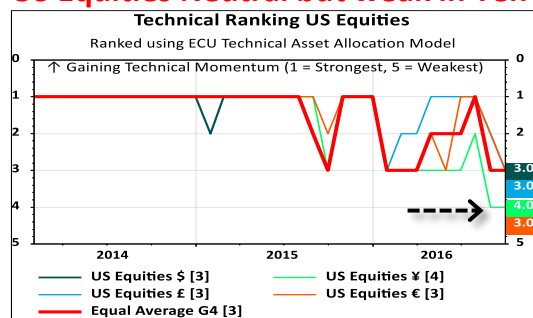


FIGURE 1.16

US Equities Neutral but weak in Yen



Source: The ECU Group, Datastream

FIGURE 1.15

Global Equities rank as very weak

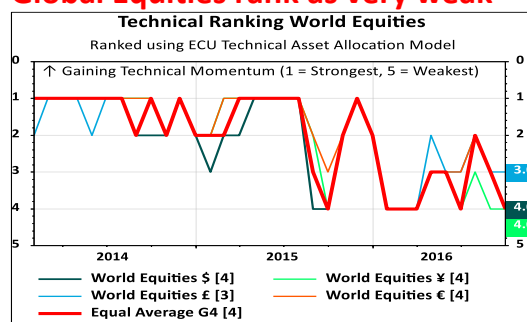
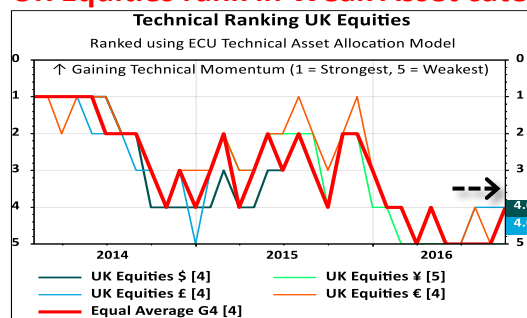


FIGURE 1.17

UK Equities rank in Weak Asset category



Source: The ECU Group, Datastream

SECTION 1: MY THOUGHTS ON WORLD MARKETS

Bottom-Up Analysis (Global 500 Stocks)

We rank the stocks in many stock universes or indices into quintiles based on technical momentum every month. Being long (overweight) the top quintile stocks and short (underweight) the bottom quintile stocks has consistently done well although short periods of reversal are common. Below is an excerpt (complete stock rankings [here](#)) from ranking **World's Largest 500 companies** of which around a half are currently U.S. companies. We aggregate the rankings to make important country and sector observations each month, however the results need to be interpreted with caution as the number of stocks is highly skewed across the countries and sectors. The following are some key observations based on the latest rankings:

FIGURE 1.18

Strongest and Weakest Ranked Countries

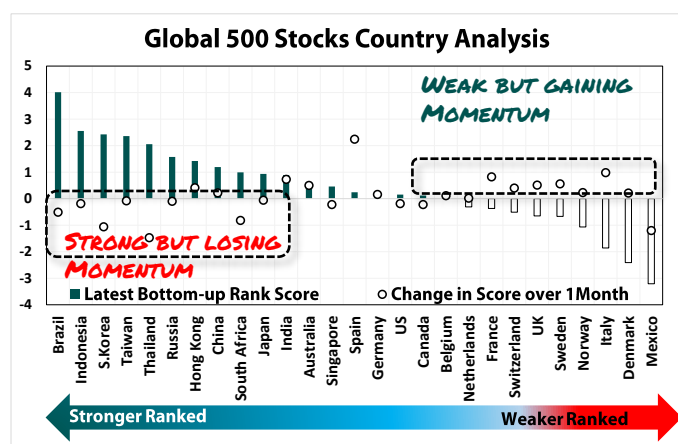


FIGURE 1.19

Strongest and Weakest Ranked Sectors

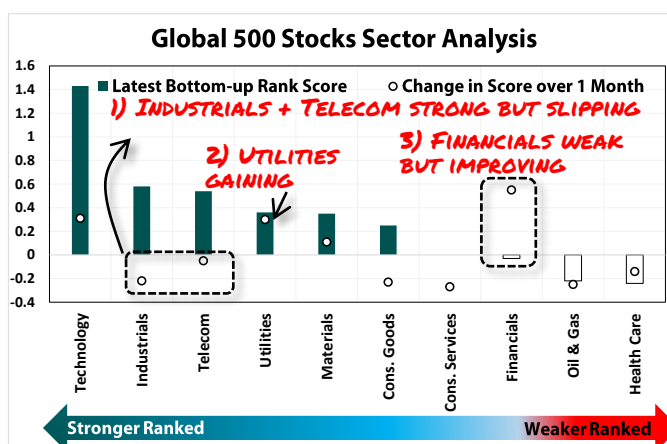
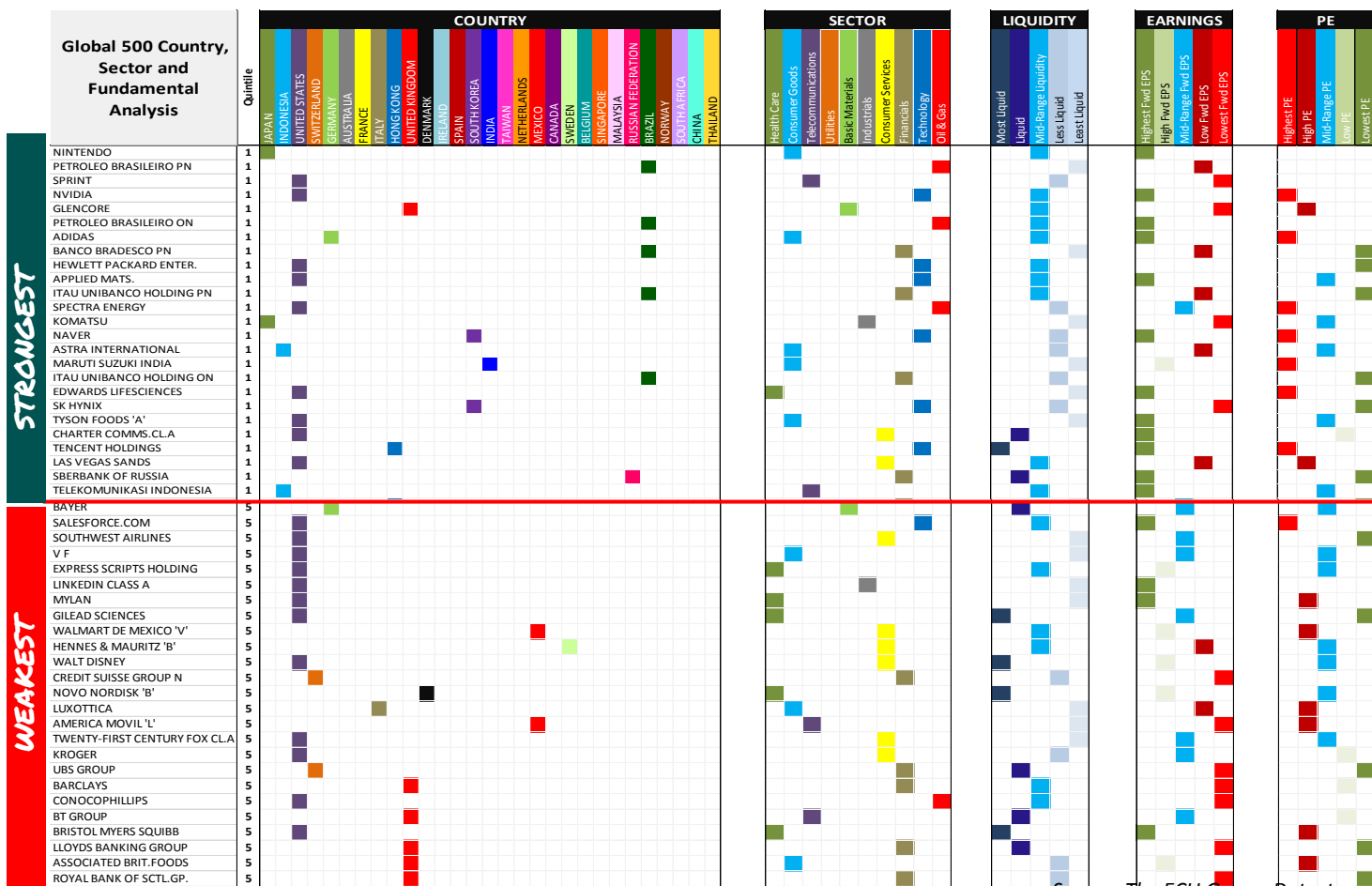


FIGURE 1.20

Global 500 Strongest and Weakest Technically Ranked Stocks (Top and Bottom 25)



Source: The ECU Group, Datastream

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Putting it all together

- Equity markets have had a good rally but the **best performance was not in the large Western world markets**, in spite of the S&P index making a new high, and the FTSE 100 almost doing the same.
- The best moves were in **Emerging markets which are clearly in a bear rally** rather than a new bull.
- The **World economy is now topping out**. The slower growth will in some places be a recession.
- The model favours **taking profits in equities** and being underweight now and placing **more emphasis on government bonds and cash**.
- The **final lows of the commodity cycle are not yet in place**.
- **Gold is a top performer** in many models but in the **short term could fall back to \$1250**. This is a short term consolidation.
- Even with the **US index at a high**, this market has still dropped back down the ranking order to the **lowest rung of the Neutral asset category**.
- **UK Equities** and **Sterling** are great value but they are not a buy just yet.
- **India and China** have been strong but both now seem **likely to have a consolidation phase**. China is addressing its debt mountain and India is coming up to the resistance at the old all-time high.
- **Cash** has so far only been rewarded for Japanese investors but from now on should be **more beneficial in Western markets**.
- Now the rally is topping out **there will be a return to quality and high dividend** paying stocks.
- Whoever wins the US election to be President is likely to preside over a **cooling economy and an equity bear phase**.

SECTION 1: MY THOUGHTS ON WORLD MARKETS

What if we are wrong?

For all our opinions there is always a **risk level** which if broken would automatically **force us to reassess our view**. It will not necessarily reverse the judgement. These price levels are not intended for short-term trading, but are relevant for strategic or tactical asset allocation decisions. These levels are presented for the major Asset classes in the table below.

Market	Strategy	Current Level	Risk level	% from Risk Level
Equities				
USA (S&P 500)	↔	2146	2350	-8.7
UK (FTSE 100)	↓	6818	6900	-1.2
Europe (DAX)	↓	10394	11320	-8.2
Japan (Nikkei 225)	↔	16545	17900	-7.6
China (Shanghai Comp.)	↓	2980	3150	-5.4
India (Sensex)	↑	28294	25600	10.5
Commodities				
Copper (LME Grade A)	↓	4819	5370	-10.3
Oil (Brent Crude)	↓	47	53	-10.6
Gold Bullion	↑	1341	1200	11.8
Foreign Exchange				
DXY	↔	95	93	2.5
EUR/USD	↓	1.127	1.169	-3.6
GBP/USD	↓	1.297	1.386	-6.4
USD/JPY	↔	100	100	0.4
Fixed Income				
US 10 Year Treasury	↑	1.588	1.800	-11.8
Key	↑ Overweight ↓ Underweight ↔ Neutral			

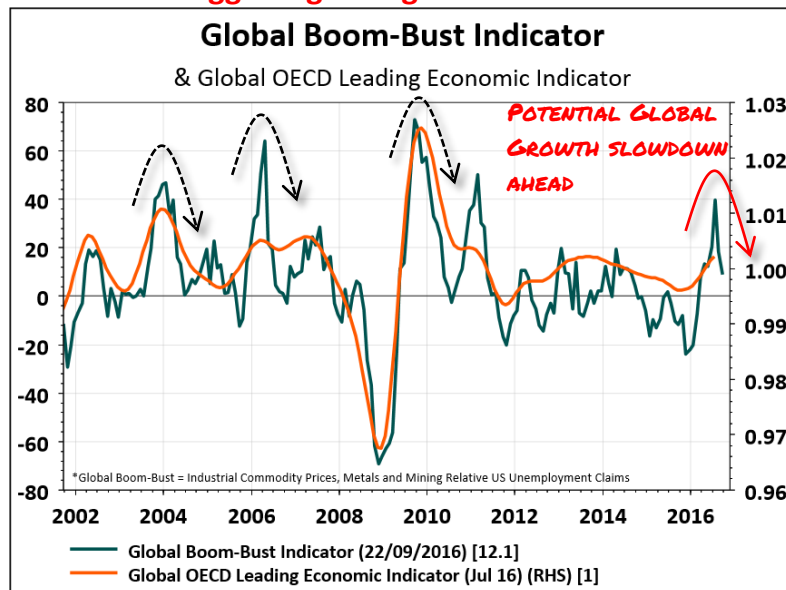
Source: The ECU Group, Datastream

SECTION 2: GLOBAL OUTLOOK MONITOR

■ **Global Economic Growth (inc. Monetary Policy):** Global economic recovery remains subdued so far this year and leading economic indicators point to a potential global growth slowdown ahead.

FIGURE 2.1

Boom-bust suggests global growth slowdown ahead



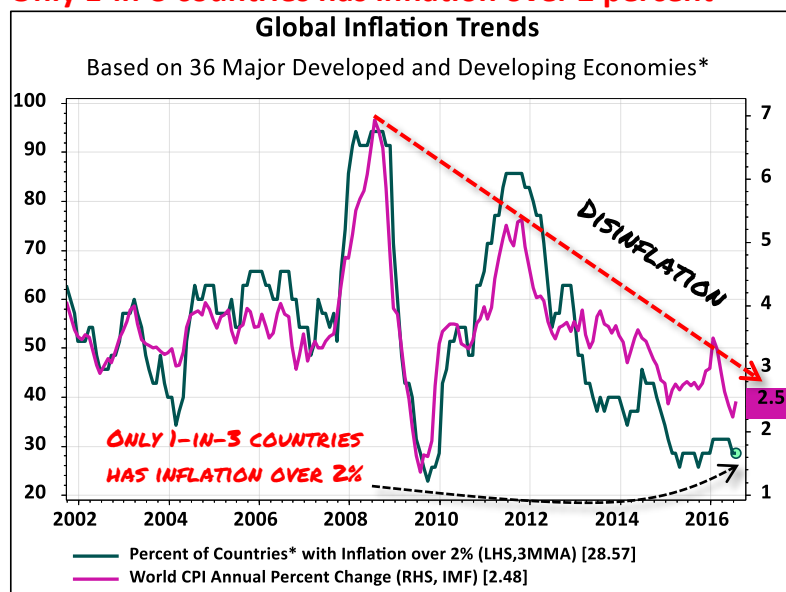
Source: ECU Group, Datastream

- Global economic growth has improved since early this year following an **easing of financial stresses** and continued easy monetary policies from major central banks.
- Nonetheless, the economic **recovery has been subdued** as noted by a very weak breadth reading of Global Leading economic indicators. Only a net 6 percent of 32 major OECD calculated leading economic indicators are registering expansion, down from 63 percent in late 2013.
- At the same, a number of key indicators which were signalling a recovery in Global growth earlier this year are now **signalling a potential slowdown ahead**. This includes the Global Boom-bust indicator (Fig 2.1) amongst others.
- We continue to expect economic growth across the developed economies to slowdown in the coming months and **remain vigilant of a more severe slowdown**.

■ **Global Inflation Monitor:** A slowdown in global economic growth risks accelerating the global disinflation trend that has engulfed the global economy since the Great Financial Crisis.

FIGURE 2.2

Only 1-in-3 countries has inflation over 2 percent



Source: ECU Group, Datastream

- Whilst Global central bank policies have proven efficient in boosting financial asset prices, they have yet to demonstrate credibility in reviving global inflation.
- Global inflation remains very low, with the IMF calculated measure of **Global inflation running near the 2008 low of around 2%**, and G4 headline inflation close to 0%.
- In the short term, a slowdown in global economic growth **risks accelerating the disinflation trend** that has engulfed the global economy since the Global Financial crisis (Fig 2.2).
- Longer term, quiescent global inflation and fragile global growth raises the inability of global central banks to **meaningfully tighten monetary policy** before the next economic recession. Without the appropriate tools to fight the next major economic recession, the **risk of global deflation remains non-trivial**.

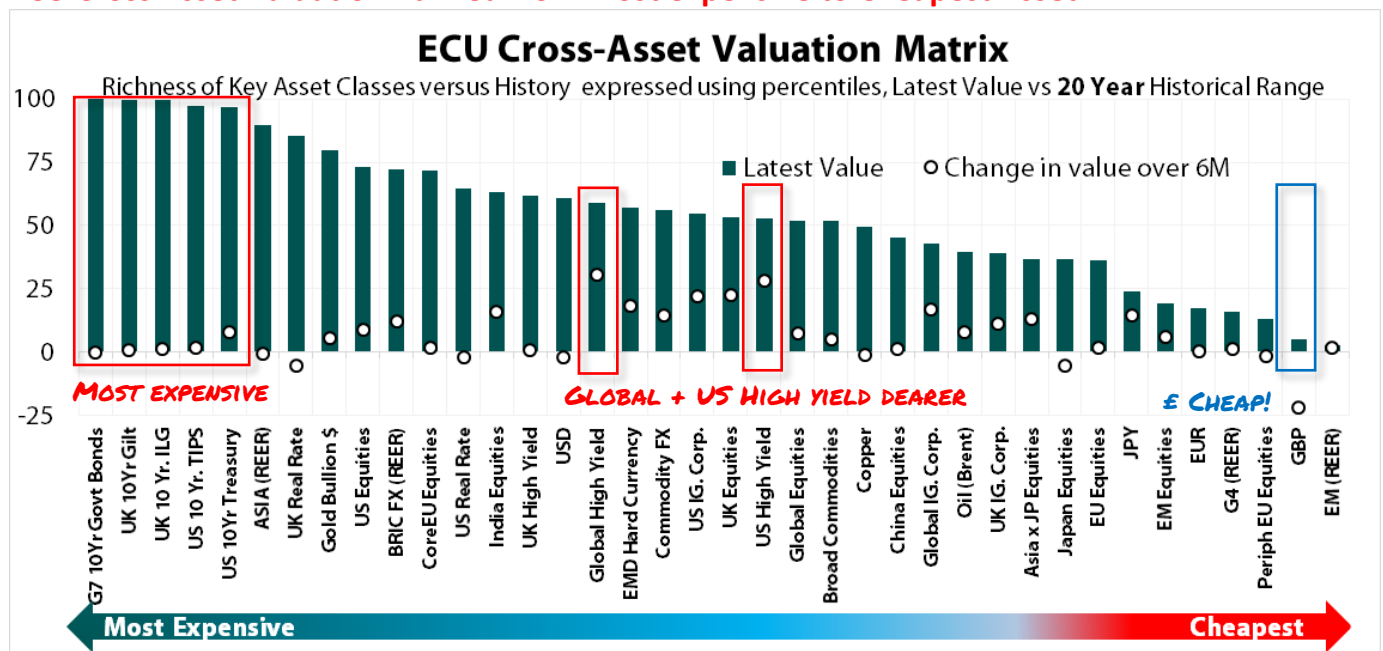
SECTION 2: GLOBAL OUTLOOK MONITOR

■ **Global Asset Valuation Monitor (See Appendix for details)**

- Sterling ranks as one of the cheapest assets following Brexit whilst Global G7 Govt. Bonds are the most expensive.
- Global & US High Yield bonds, US Investment Grade Credit and UK Equities have all appreciated significantly this year.
- Global Equities are fair value ranked versus their own historical yardsticks and all major asset classes.

FIGURE 2.3

ECU Cross Asset Valuation Ranked from most expensive to Cheapest Asset

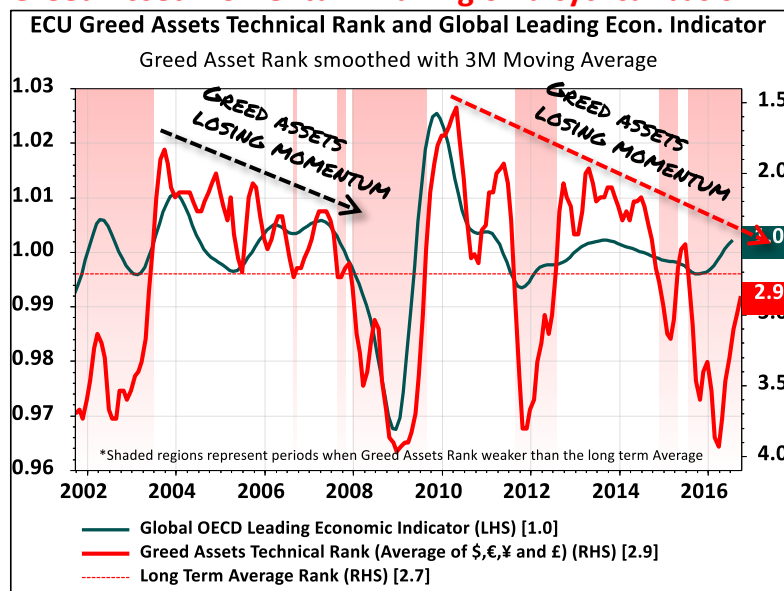


Source: ECU Group, Datastream

■ **Global Technical Monitor (Fear/Greed & Global Equity Market Breadth): Greed Assets have gained momentum since February but are still losing momentum on a cyclical basis since 2010.**

FIGURE 2.4

Greed Asset momentum waning on a cyclical basis



Source: ECU Group, Datastream

- **Greed (Risk) Assets have staged a strong recovery since February.** The average technical rank of these assets across the G4 Multi-asset portfolios has risen from very depressed levels.
- However, the technical rank of these assets still **remains below the long run average** (Fig 2.4), discordant with the hallmarks of the last two major global equity bull markets.
- Moreover, the indicator continues to highlight the **loss of momentum in these Assets on a cyclical time frame**. As shown, a similar loss of momentum was seen during the 2003-2007 Equity bull market before Global equities and other risk assets collapsed into a major bear market (Fig 2.4 black dotted line).
- Accordingly, whilst we acknowledge the improvement in the technical outlook of these assets, we still **remain concerned about downside risks at this stage of the cycle.**

MULTI ASSET & EQUITY STYLE RANKING

SECTION 3: MULTI ASSET TECHNICAL RANKING

■ Key Observations (GBP, USD, EUR, YEN and CAD Portfolios)

- The technical ranking of **Greed Assets** has improved markedly since February across the Multi-Asset Portfolios (MAPs) however the average technical ranking of these assets remains below the long term average. This suggests a change in market regime since 2014.
- Whilst **Fear Assets** have lost technical momentum, the average rank of Fear Assets across the G4 Multi-Asset Portfolios still remains above the long term average suggesting **investors continue to hedge their bets** – primarily via exposure to Global Government Bonds and Gold.
- The top Quintile of Assets is dominated by **Defensive Assets and Emerging Market Equities**. The latter have benefitted from attractive valuations, an improvement in economic growth and a rotation out of passively managed assets.
- **Long Duration Global Government Bonds** continue to remain in the Strongest Group of Asset, however **short duration** ones rank as Neutral to Weakest. **Local long duration government bonds** also rank as Strong in US, EUR and JPY Multi-Asset portfolios, and Neutral in GBP and CAD portfolios. **Short Duration local government bonds** generally remain weak however (stronger in JPY Multi-asset portfolios).
- **Investment grade corporate** bonds have lost momentum over the last month and rank in the Neutral Asset category across the Multi-Asset Portfolios. However EUR and JPY corporate bonds rank stronger.
- Both **Global and Local High yield bonds** generally rank as strong across the Multi-Asset Portfolios, however UK High Yield bonds are [trading richer](#) than Global High Yield bonds and rank as weak in GBP Multi-Asset Portfolios.
- **Global Equities** have slipped to the Weak Asset Category in the MAPs inconsistent with a bull market.
- **US and Japanese Equities** rank as Neutral on average across the MAPs, however **UK and EU Equities** rank much weaker.
- **Indian and Chinese Equities** have been gaining momentum over the last three months benefitting from improving sentiment towards Emerging Market Equities.
- **Commodities** have failed to break beyond the Weak Asset rank category since mid-2014 as the global disinflationary backdrop has weighed on the demand for these Assets. The only major exception is **Gold** which has been consistently Strong for several months running. Gold is being sought for its safe haven properties in the current uncertain investment climate.
- **Cash** remains weak across all Multi-Asset Portfolios except JPY MAPs where the strength of the Yen continues to influence the ranking.
- **Local Inverse Equities** remain weak in USD, GBP and CAD MAPs however, they rank strong in JPY portfolios given that the Japanese Equity market remains in a bear market. EU Inverse Equities have also been gaining momentum for the same reason.

SECTION 3: MULTI ASSET TECHNICAL RANKING

■ Latest Ranking and Ranking Three Months Earlier (GBP Multi-Asset Portfolio)

	Sep.2016	Aug.2016	Jul.2016	Jun.2016
Strongest	EM Equities	UK Long Dur ILG	Global Long Dur Govt Bond	Global Long Dur Govt Bond
	UK Long Dur ILG	Global Long Dur Govt Bond	Gold Bullion	Gold Bullion
	Gold Bullion	Gold Bullion	US Equities	EMD Hard Currency
	EMD Hard Currency	EMD Hard Currency	EM Equities	EMD Inflation Linked
	China Equities	EM Equities	EMD Hard Currency	US Equities
Strong	Global Long Dur Govt Bond	EMD Inflation Linked	EMD Inflation Linked	Agricultural Commodities
	India Equities	Global High yield	World Equities	Global Broad Corporate Bonds
	Global High yield	UK Long Dur Gilts	India Equities	Global Short Dur Govt Bond
	EMD Inflation Linked	India Equities	Japan Equities	Global High yield
	Industrial Metals	Global Broad Corporate Bonds	Global High yield	EM Equities
Neutral	Japan Equities	Global Med-Long Dur ILG	Global Broad Corporate Bonds	India Equities
	Global Broad Corporate Bonds	US Equities	UK Long Dur ILG	Global Med-Long Dur ILG
	Global Med-Long Dur ILG	China Equities	UK Long Dur Gilts	UK Long Dur ILG
	US Equities	World Equities	Global Short Dur Govt Bond	World Equities
	World Equities	Global Short Dur Govt Bond	Global Med-Long Dur ILG	Industrial Metals
Weak	Global Short Dur Govt Bond	Industrial Metals	China Equities	UK Long Dur Gilts
	EU Equities	Japan Equities	Industrial Metals	Global Short Dur ILG
	UK Long Dur Gilts	Global Short Dur ILG	EU Equities	Japan Equities
	Global Short Dur ILG	UK Corporate Bonds	Global Short Dur ILG	China Equities
	UK Corporate Bonds	UK Short-Med Dur ILG	UK Equities	UK Corporate Bonds
Weakest	UK Equities	EU Equities	UK Corporate Bonds	Commodity Basket
	UK Short-Med Dur ILG	UK Equities	Agricultural Commodities	UK Short-Med Dur ILG
	UK High Yield	UK High Yield	UK Short-Med Dur ILG	EU Equities
	Agricultural Commodities	UK Short Dur Gilts	UK High Yield	Energy Commodities
	Commodity Basket	Agricultural Commodities	UK Short Dur Gilts	UK Equities
	UK Short Dur Gilts	UK Cash	UK Cash	UK Short Dur Gilts
	UK Cash	Commodity Basket	Commodity Basket	UK High Yield
	Energy Commodities	Inverse UK Equities	Inverse UK Equities	UK Cash
	Inverse UK Equities	Energy Commodities	Energy Commodities	Inverse UK Equities



Source: The ECU Group, DataStream

■ Latest Ranking and Ranking Three Months Earlier (USD Multi-Asset Portfolio)

	Sep.2016	Aug.2016	Jul.2016	Jun.2016
Strongest	EM Equities	US Long Dur TIPS	Global Long Dur Govt Bond	Global Long Dur Govt Bond
	Gold Bullion	Global Long Dur Govt Bond	US Long Dur TIPS	Gold Bullion
	US Long Dur TIPS	US Long Dur Treasuries	Gold Bullion	US Long Dur Treasuries
	Global Long Dur Govt Bond	Gold Bullion	US Long Dur Treasuries	US Long Dur TIPS
	EMD Hard Currency	EMD Hard Currency	US Equities	EMD Hard Currency
Strong	US High Yield	EM Equities	EM Equities	EMD Inflation Linked
	India Equities	EMD Inflation Linked	EMD Inflation Linked	US Equities
	China Equities	US High Yield	EMD Hard Currency	US Corporate Bonds
	EMD Inflation Linked	Global High yield	World Equities	Agricultural Commodities
	US Long Dur Treasuries	US Corporate Bonds	Japan Equities	Global Broad Corporate Bonds
Neutral	Global High yield	India Equities	US High Yield	Global Short Dur Govt Bond
	Industrial Metals	Global Broad Corporate Bonds	Global High yield	US High Yield
	Global Broad Corporate Bonds	Global Med-Long Dur ILG	India Equities	Global High yield
	US Corporate Bonds	US Equities	US Corporate Bonds	US Short-Med Dur TIPS
	Japan Equities	US Short-Med Dur TIPS	Global Broad Corporate Bonds	EM Equities
Weak	Global Med-Long Dur ILG	China Equities	US Short-Med Dur TIPS	India Equities
	Global Short Dur Govt Bond	World Equities	China Equities	US Short Dur Treasuries
	US Equities	Global Short Dur Govt Bond	Global Med-Long Dur ILG	Global Med-Long Dur ILG
	World Equities	Industrial Metals	Global Short Dur Govt Bond	Industrial Metals
	US Short-Med Dur TIPS	US Short Dur Treasuries	US Short Dur Treasuries	World Equities
Weakest	EU Equities	Japan Equities	EU Equities	Global Short Dur ILG
	US Short Dur Treasuries	Global Short Dur ILG	Industrial Metals	US Cash
	Global Short Dur ILG	US Cash	Global Short Dur ILG	Commodity Basket
	UK Equities	EU Equities	US Cash	Energy Commodities
	US Cash	Inverse US Equities	UK Equities	Japan Equities
	Agricultural Commodities	UK Equities	Agricultural Commodities	China Equities
	Inverse US Equities	Agricultural Commodities	Inverse US Equities	EU Equities
	Commodity Basket	Commodity Basket	Commodity Basket	UK Equities
	Energy Commodities	Energy Commodities	Energy Commodities	Inverse US Equities



Source: The ECU Group, DataStream

SECTION 3: MULTI ASSET TECHNICAL RANKING

■ Latest Ranking and Ranking Three Months Earlier (EUR Multi-Asset Portfolio)

	Sep.2016	Aug.2016	Jul.2016	Jun.2016
Strongest	EM Equities	Global Long Dur Govt Bond	Global Long Dur Govt Bond	Global Long Dur Govt Bond
	Gold Bullion	Gold Bullion	Gold Bullion	Gold Bullion
	EMD Hard Currency	EMD Hard Currency	US Equities	EMD Inflation Linked
	Global Long Dur Govt Bond	EM Equities	EM Equities	EMD Hard Currency
	EU Govt Bonds Long Dur	EMD Inflation Linked	EMD Hard Currency	US Equities
Strong	EMD Inflation Linked	EU Govt Bonds Long Dur	EMD Inflation Linked	Agricultural Commodities
	Global High yield	Global High yield	World Equities	EU Govt Bonds Long Dur
	Industrial Metals	Global Broad Corporate Bonds	EU Govt Bonds Long Dur	Global Broad Corporate Bonds
	India Equities	India Equities	Japan Equities	Global Short Dur Govt Bond
	EU Corporate Bonds	EU Corporate Bonds	Global High yield	Global High yield
Neutral	China Equities	EU High Yield	India Equities	EM Equities
	EU High Yield	US Equities	Global Broad Corporate Bonds	EU Inflation Linked Bonds All Dur.
	Inverse EU Equities	Global Med-Long Dur ILG	EU High Yield	India Equities
	Global Broad Corporate Bonds	China Equities	EU Corporate Bonds	Global Med-Long Dur ILG
	EU Inflation Linked Bonds All Dur	Global Short Dur Govt Bond	EU Inflation Linked Bonds All Dur	EU Corporate Bonds
Weak	Japan Equities	World Equities	Global Short Dur Govt Bond	World Equities
	Global Med-Long Dur ILG	EU Inflation Linked Bonds All Dur	China Equities	Inverse EU Equities
	US Equities	Industrial Metals	Global Med-Long Dur ILG	Industrial Metals
	World Equities	Inverse EU Equities	EU Equities	EU High Yield
	Global Short Dur Govt Bond	Japan Equities	Industrial Metals	Global Short Dur ILG
Weakest	EU Cash	EU Cash	Global Short Dur ILG	Commodity Basket
	EU Equities	Global Short Dur ILG	EU Govt Bonds Short Dur	EU Govt Bonds Short Dur
	EU Govt Bonds Short Dur	EU Equities	EU Cash	Japan Equities
	UK Equities	EU Govt Bonds Short Dur	UK Equities	Energy Commodities
	Global Short Dur ILG	UK Equities	Inverse EU Equities	EU Cash
	Agricultural Commodities	Agricultural Commodities	Agricultural Commodities	China Equities
	Commodity Basket	Commodity Basket	Commodity Basket	EU Equities
	Energy Commodities	Energy Commodities	Energy Commodities	UK Equities



Source: The ECU Group, DataStream

■ Latest Ranking and Ranking Three Months Earlier (JPY Multi-Asset Portfolio)

	Sep.2016	Aug.2016	Jul.2016	Jun.2016
Strongest	JP Corporate Bonds	JP Govt Bonds Long Dur	JP Govt Bonds Long Dur	JP Govt Bonds Long Dur
	JP Govt Bonds Long Dur	JP Corporate Bonds	Global Long Dur Govt Bond	Inverse Japan Equities
	JP Govt Bonds Short Dur	Inverse Japan Equities	JP Corporate Bonds	JP Corporate Bonds
	JP Cash	Global Long Dur Govt Bond	Gold Bullion	Global Long Dur Govt Bond
	Inverse Japan Equities	JP Govt Bonds Short Dur	EM Equities	JP Govt Bonds Short Dur
Strong	EM Equities	JP Inflation Linked Bonds All Dur	EMD Inflation Linked	JP Inflation Linked Bonds All Dur.
	Gold Bullion	JP Cash	JP Govt Bonds Short Dur	JP Cash
	EMD Hard Currency	EMD Hard Currency	US Equities	Gold Bullion
	Global Long Dur Govt Bond	Global High yield	JP Inflation Linked Bonds All Dur	EMD Inflation Linked
	JP Inflation Linked Bonds All Dur	EM Equities	JP Cash	EMD Hard Currency
Neutral	India Equities	Gold Bullion	Japan Equities	US Equities
	China Equities	India Equities	World Equities	EM Equities
	Global High yield	EMD Inflation Linked	India Equities	Global Broad Corporate Bonds
	EMD Inflation Linked	China Equities	Inverse Japan Equities	Global High yield
	Japan Equities	Global Broad Corporate Bonds	EMD Hard Currency	Agricultural Commodities
Weak	Industrial Metals	US Equities	Global High yield	Global Short Dur Govt Bond
	US Equities	Global Med-Long Dur ILG	China Equities	India Equities
	Global Broad Corporate Bonds	World Equities	Global Broad Corporate Bonds	World Equities
	Global Med-Long Dur ILG	Japan Equities	Global Med-Long Dur ILG	Energy Commodities
	Global Short Dur Govt Bond	Global Short Dur Govt Bond	EU Equities	Global Med-Long Dur ILG
Weakest	World Equities	Industrial Metals	Global Short Dur Govt Bond	Industrial Metals
	EU Equities	Energy Commodities	Industrial Metals	Commodity Basket
	Global Short Dur ILG	Global Short Dur ILG	Energy Commodities	China Equities
	UK Equities	EU Equities	UK Equities	Global Short Dur ILG
	Agricultural Commodities	Commodity Basket	Global Short Dur ILG	Japan Equities
	Commodity Basket	UK Equities	Commodity Basket	EU Equities
	Energy Commodities	Agricultural Commodities	Agricultural Commodities	UK Equities

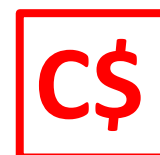


Source: The ECU Group, DataStream

SECTION 3: **MULTI ASSET TECHNICAL RANKING**

■ **Latest Ranking and Ranking Three Months Earlier (CAD Multi-Asset Portfolio)**

	Sep.2016	Aug.2016	Jul.2016	Jun.2016
Strongest	EM Equities	Global Long Dur Govt Bond	Canadian Equities	Global Long Dur Govt Bond
	Global Long Dur Govt Bond	EMD Hard Currency	Global Long Dur Govt Bond	Gold Bullion
	Gold Bullion	Gold Bullion	EM Equities	EMD Inflation Linked
	EMD Hard Currency	Canadian Equities	EMD Inflation Linked	CAD All Duration IL Govt Bonds
	India Equities	EM Equities	US Equities	Canadian Equities
Strong	Canadian Equities	Global High yield	Gold Bullion	EMD Hard Currency
	Global High yield	CAD High Yield	CAD High Yield	CAD High Yield
	China Equities	CAD All Duration IL Govt Bonds	World Equities	CAD Long Dur Govt Bonds
	EMD Inflation Linked	EMD Inflation Linked	Japan Equities	CAD Corporate Bonds
	CAD High Yield	India Equities	EMD Hard Currency	US Equities
Neutral	Industrial Metals	Global Broad Corporate Bonds	India Equities	EM Equities
	CAD All Duration IL Govt Bonds	US Equities	Global High yield	Global High yield
	Global Broad Corporate Bonds	China Equities	CAD All Duration IL Govt Bonds	Global Broad Corporate Bonds
	Japan Equities	Global Med-Long Dur ILG	CAD Corporate Bonds	Agricultural Commodities
	US Equities	CAD Long Dur Govt Bonds	CAD Long Dur Govt Bonds	Global Short Dur Govt Bond
Weak	Global Med-Long Dur ILG	World Equities	China Equities	CAD Short Dur Govt Bonds
	CAD Long Dur Govt Bonds	CAD Corporate Bonds	Global Broad Corporate Bonds	India Equities
	Global Short Dur Govt Bond	Japan Equities	Global Med-Long Dur ILG	CAD Cash
	World Equities	Industrial Metals	EU Equities	World Equities
	CAD Corporate Bonds	Global Short Dur Govt Bond	Global Short Dur Govt Bond	Global Med-Long Dur ILG
Weakest	EU Equities	Energy Commodities	CAD Short Dur Govt Bonds	Energy Commodities
	Global Short Dur ILG	CAD Short Dur Govt Bonds	CAD Cash	Industrial Metals
	CAD Short Dur Govt Bonds	Global Short Dur ILG	Industrial Metals	Commodity Basket
	CAD Cash	EU Equities	Energy Commodities	China Equities
	UK Equities	CAD Cash	UK Equities	Global Short Dur ILG
Weakest	Agricultural Commodities	UK Equities	Global Short Dur ILG	Japan Equities
	Commodity Basket	Commodity Basket	Commodity Basket	Inverse CAD Equities
	Inverse CAD Equities	Inverse CAD Equities	Agricultural Commodities	EU Equities
	Energy Commodities	Agricultural Commodities	Inverse CAD Equities	UK Equities



Source: The ECU Group, DataStream

SECTION 4: GLOBAL EQUITY MARKET STYLE RANKING

Global Equity Market Style Ranking (USD)

- The Global Equity Market Style Ranking model includes only those investment factors which have historically earned a risk premium over long periods of time and which are based on well-established Academic Research. These investment factors are the ones represented in Fig 4.1. Further details on our methodology can be found in [Global Equity Market Style Ranking Chartbook](#).
- Using this model we make the following observations:
 - Globally, there has been a **rush to more cyclical factors** this year as global growth has improved and risk appetite has increased. Small cap stocks have outperformed large cap stocks, value stocks have gained momentum whilst defensive factors such as Low-volatility and High Quality have lost momentum (Fig 4.1).
 - Momentum Equities** have lost their footing over the last three months and now rank as the weakest factor on the monitor (Fig 4.1). However, the long relative outperformance trend of this factor versus global equities still remains strong.
 - Now that the rally is topping out, we **expect there to be a return to quality** and high dividend paying stocks. Small cap stocks have had a strong run this year, however they are likely to underperform going forward. We retain a **preference for large cap stocks**.
 - We also believe **Global Value stocks are likely to underperform Global Growth** stocks in the months ahead as the global economy comes under pressure and investor confidence begins to erode.

FIGURE 4.1

Global Equity Market Factor Ranking

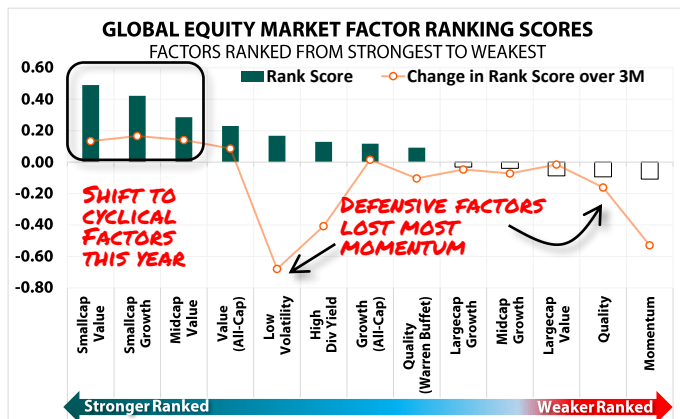


FIGURE 4.2

Global Equity Market Factor Performance

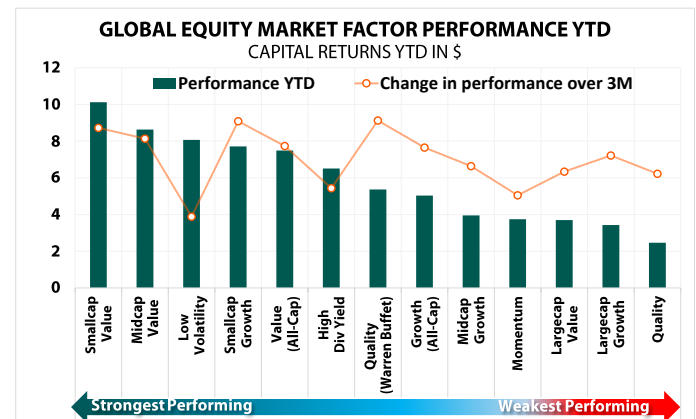


FIGURE 4.3

Global Equity Market Factor Ranking across major equity markets

	World (Aggregate)	World (Individual)	US	UK	France	Germany	Japan	India	China-A
STRONGER	Small Cap •	Small-Cap Value	Small-Cap Growth	Large-Cap Growth	Small-Cap Growth	Mid-Cap Growth	Small-Cap Value	Mid-Cap Value	Quality WB*
	Value o	Small-Cap Growth	Mid-Cap Value	Small-Cap Value	Mid-Cap Value	Momentum	High Dividend Yield	Small-Cap Value	High Dividend Yield
	Low Volatility	Mid-Cap Value	Small-Cap Value	Large-Cap Value	Small-Cap Value	Small-Cap Value	Small-Cap Growth	Mid-Cap Growth	Quality
	High Dividend Yield	Low Volatility	High Dividend Yield	Quality WB*	Mid-Cap Growth	Small-Cap Growth	Low Volatility	Momentum	Large-Cap Value
	Mid Cap •	High Dividend Yield	High Volatility	High Dividend Yield	Momentum	Large-Cap Growth	Large-Cap Growth	Small-Cap Growth	Mid-Cap Value
	Growth o	Quality WB*	Low Volatility	Momentum	Large-Cap Growth	Mid-Cap Value	Quality WB*	Quality WB*	Large-Cap Growth
	Large Cap •	Large-Cap Growth	Quality WB*	Quality	Quality WB*	Quality WB*	Quality	Large-Cap Growth	Mid-Cap Growth
	Quality	Mid-Cap Growth	Momentum	Low Volatility	High Dividend Yield	Large-Cap Value	Mid-Cap Growth	Low Volatility	Momentum
	Momentum	Large-Cap Value	Large-Cap Value	Small-Cap Growth	Large-Cap Value	High Dividend Yield	Mid-Cap Value	Quality	
		Quality	Large-Cap Growth	Mid-Cap Value			Large-Cap Value	Large-Cap Value	
		Momentum	Quality	Mid-Cap Growth			Momentum	High Dividend Yield	
WEAKER			Mid-Cap Growth						

All Charts and Tables above Source: The ECU Group, DataStream

MULTI ASSET ANALYSIS

[EQUITIES, COMMODITIES, FX, FIXED INCOME]

SECTION 5: EQUITIES – DEVELOPED

US Equity Market

Neutral vs. Global Equities

- **Fundamentals – Fed has telegraphed a December rate hike but parts of US economy remain very weak**
 - The Fed's decision to hold back an interest rate hike in September is in tune with the Fed chair's more cautious monetary policy stance. The market is nearly-certain that interest rates will remain on hold in November as the U.S. elections take centre stage, however it is pricing in a 50% chance of a December rate hike.
 - The latest deterioration in the important US Manufacturing survey has introduced additional uncertainty into the equation. Whilst the U.S. Consumer spending and housing market generally remain healthy (Fig 5.1), the manufacturing sector and business investment remain very weak and in easing (not tightening) territory.
 - All things considered, a December rate hike looks increasingly likely given that the Fed has been setting the stage for another hike, however the experience over the last year has shown things can quickly change on this front.
- **Technical – S&P 500 remains in bull market territory but signs of short term selling pressure emerging**
 - The S&P 500 Index remains 100 points above its primary moving average, in bull market territory, however some key technical flow indicators warn of selling pressure.
 - Short term support can be found on the S&P 500 at 2,100 (the November 2015 high and a key short term retracement level (Fig 5.2). If breached, the market is likely to extend the sell-off all the way to the next major support level around 2,000. The equivalent support levels on the Dow Jones Industrial Average include 18,000 and 17,100.

UK Equity Market

Underweight vs. Global Equities

- **Fundamentals – Too early to sound the 'all-clear' despite a wave of robust economic data**
 - Admittedly, the sky hasn't fallen in on the UK Economy post Brexit, however it is too soon to sound the 'all-clear' just yet based on a round of robust economic data which seems to suggest the UK Economy is holding up better than expected.
 - EU leaders have indicated they are unlikely to allow the U.K. to adhere to the term of membership that it prefers. Hashing out the nature and terms of the post-Brexit relationship with the EU is likely to be a long drawn out process over several years rather than several months, with adverse consequences for businesses, consumer confidence and foreign investment.
 - Whilst the broad UK Equity market remains relatively cheap on key valuation metrics such as the Cyclically Adjusted Price Earnings Ratio, UK Earnings continue to lag global earnings, adjusted for currency movements (Fig 5.3).
- **Technical – FTSE 100 one of the most overbought equity markets stuck below key resistance level**
 - The UK Equity has staged a very strong rally post the Brexit sell-off. The FTSE 100 has rallied 20%, making it the most overbought market of the 36 major Global Equity markets on our monitor.
 - After such a strong rally a pullback is very likely. Key support is found around 6,250. If breached, the market is likely to sell off to 5,870 – the December 2015 low (Fig 5.4). On a relative basis, the UK Equity market continues to remain an underperformer and ranks amongst the weakest Assets on the ECU Multi-Asset Technical ranking.

EU Equity Market

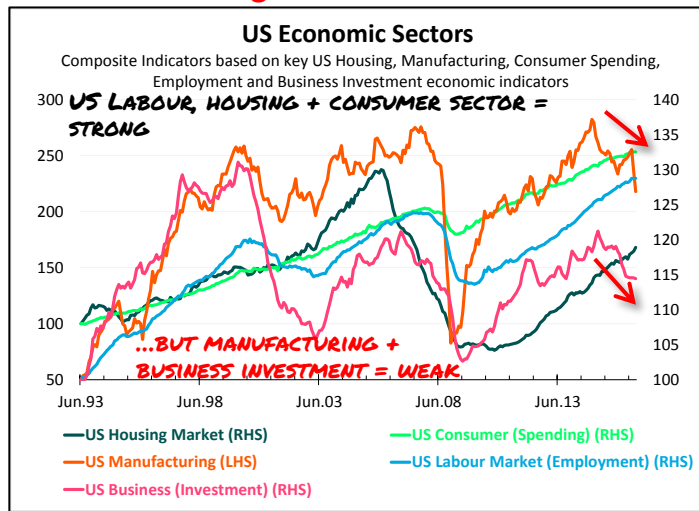
Underweight vs. Global Equities

- **Fundamentals – EU Economic growth and inflation continue to suggest ECB will have to do more**
 - After €1 trillion of government bond purchases by the ECB over the last 18 months, financial markets are increasingly questioning the ECB's credibility as economic and inflation dynamics underwhelm expectations.
 - EU GDP grew 1.6% year-on-year in Q2, however forward looking EU business surveys have weakened over the last two months reflecting the impact of the Brexit vote and suggesting that the EU economy is losing momentum (Fig 5.5). At the same time, headline inflation remains close to 0% and significantly below the ECB's target rate of 2%.
 - Nonetheless, the ECB continues to provide reassurance to the market by keeping the door open to further stimulus if warranted. In our view, the ECB risks denting its credibility if economic growth and inflation continue to disappoint.
- **Technical – European Equity market continues to consolidate in short term trading range (312-351)**
 - The STOXX 600 Equity Market continues to consolidate in a trading range defined by the February 2016 low and April 2016 High of 312 and 351 respectively, with few signs of the market breaking out of this range just yet (Fig 5.6).
 - The odds favour a correction towards the lower end of this range, remaining within the longer term bear channel initiated in May 2015. On a relative basis, the EU Equity ranks 'Weak' across all the major Multi-Asset Portfolios except in GBP Multi-Asset Portfolios where it ranks as 'Neutral'.

SECTION 5: EQUITIES DEVELOPED

FIGURE 5.1

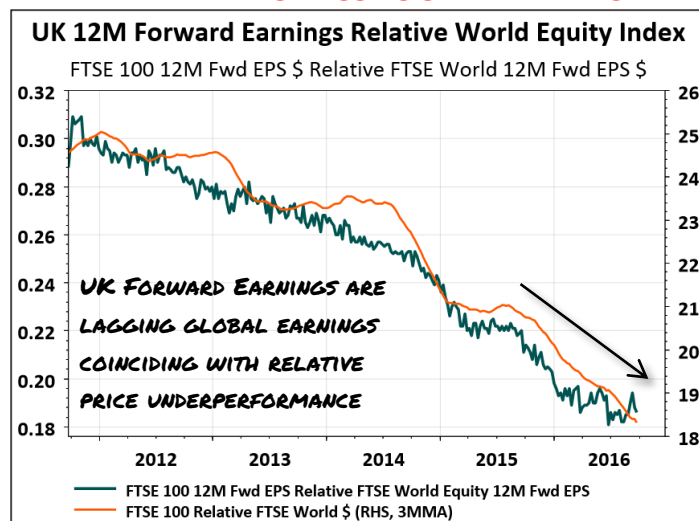
US Manufacturing & Business Investment weak



Source: The ECU Group, Datastream

FIGURE 5.3

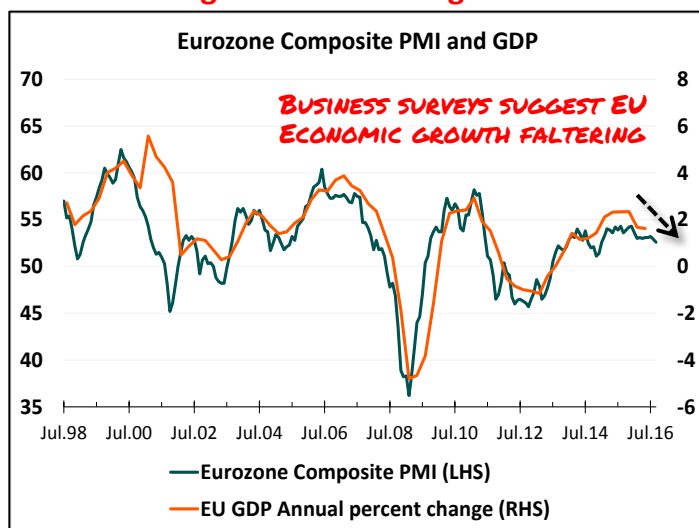
UK forward earnings lagging global earnings



Source: The ECU Group, Datastream

FIGURE 5.5

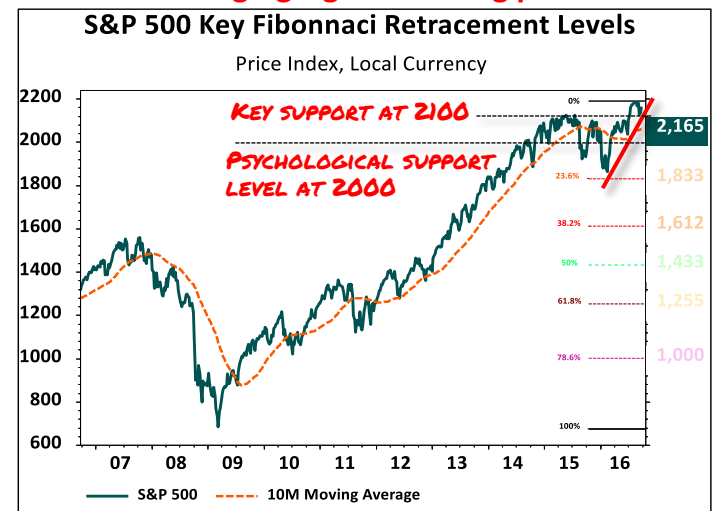
EU Economic growth is faltering



Source: The ECU Group, Datastream

FIGURE 5.2

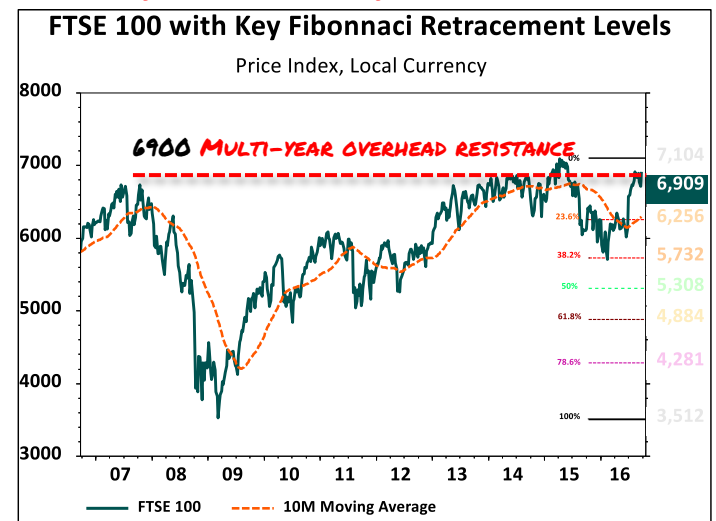
S&P500 – emerging signs of selling pressure



Source: The ECU Group, Datastream

FIGURE 5.4

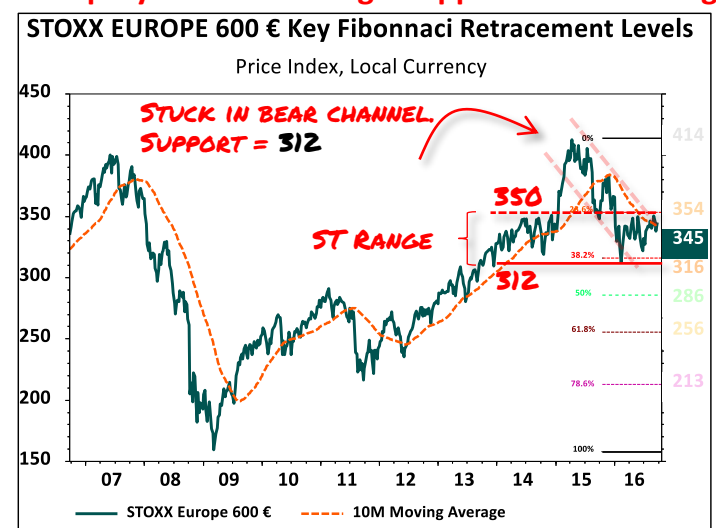
FTSE100 yet to breach key resistance level



Source: The ECU Group, Datastream

FIGURE 5.6

EU equity market trading at upper end of ST range



Source: The ECU Group, Datastream

SECTION 5: EQUITIES – ASIA INCLUDING JAPAN

Japan Equity Market

Neutral (unhedged) vs. Global Equities

- **Fundamentals – The BOJ's latest policy announcements effectively amounts to tapering of QE policy**
 - Following its latest policy meeting, the BOJ has made 3 major announcements – it is doing away with the two-year time limit to reach its 2% inflation target, it has signalled that targeting the 10-year interest rate to be around zero is more important than the amount of Japanese Government Bonds (JGBs) it purchases and lastly, it has done away with its commitment to maintain the average maturity of JGBs purchased each month to be in the 7 – 10 year range.
 - In our view, the BOJ's latest policy announcements effectively amounts to a tapering of its QE policy and the possibility of the BOJ ever achieving its 2% inflation target in light of the latest policy announcement is highly questionable.
 - Whilst we believe that the BOJ has done its utmost to reflate the Japanese economy since Dec 2012, there is an increasing risk of the economy returning to its low-growth (Fig 5.7) and low-inflation state without economic reforms.
- **Technicals – Japanese equity market remains in a bear market as it fails to break above primary trend**
 - In absolute terms, the Japanese equity market remains in a bear trend (Fig 5.8), defining a series of lower highs since August 2015. Confirming the validity of this trend, the Nikkei 225 has failed to break above the primary moving average in September, continuing the pattern of lower highs. Key long term support for the market is found at 15,000.
 - In relative terms however, the Japanese Equity market ranks 'Neutral' and 'Strong' for GBP Multi-Asset investors.

China Equity Market

Underweight vs. Global Equities

- **Fundamentals – Economy showing signs of strength but credit concerns and capital outflows persist**
 - China's economic recovery is showing fresh signs of strength. A pickup in freight train volume, a surge in industrial profits (Fig 5.9) and a recent upbeat business confidence survey by the central bank all add to the evidence of economic stabilisation in the Middle Kingdom.
 - However, China's recent approval of the massively state-owned company Guangxi to go bankrupt, as well as its authorisation to allow bond traders to begin trading Credit Default Swaps (insurance against bond defaults) may be a signal that the government is preparing for more large-scale corporate bankruptcies.
 - At the same time, China's capital outflows remain a concern. In August, Capital continued to leave the economy for the 24th straight month in a row, and has continued to put pressure on the yuan.
- **Technicals – Chinese Equity Market whilst in uptrend remains below a key resistance level**
 - The Chinese Equity Market (Shanghai Composite) has rallied from very oversold levels at the beginning of this year, and is now trading closer to the primary trend (200 day MA). Whilst in uptrend, the market is yet to breach a key resistance level (prior support) near 3000 (Fig 5.10).
 - On a relative basis, whilst the Chinese Equity Market is underperforming Global Equities, it has been gaining momentum, and has moved up to the Strong Quintile of Assets from Neutral technical rank.
 - However, in the event of a major sell-off in Global Equities, the Chinese Equity market is likely to underperform.

India Equity Market

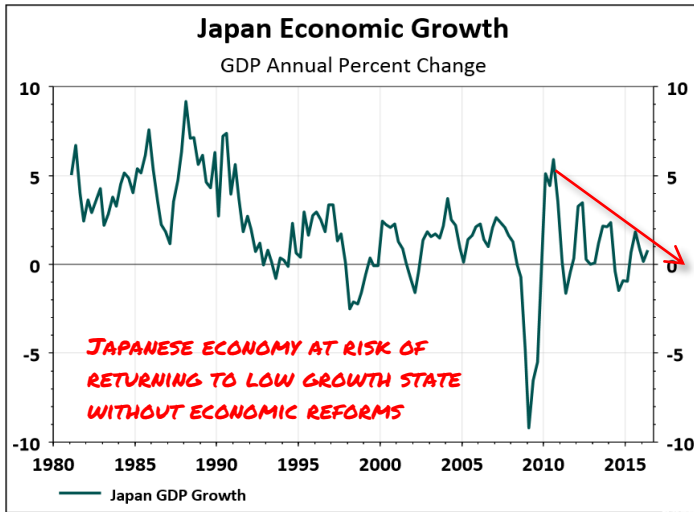
Overweight vs. Global Equities

- **Fundamentals – Short term slowdown in economic growth but longer term growth prospects strong**
 - India's structural reform momentum and broadening consumption base is expected to propel growth higher in the coming years despite the short term slowdown in economic growth. GDP growth slowed to 7.1% over the April – June period, largely attributable to sluggish investment and farm output.
 - A slowdown in retail inflation to 5.1% in August (Fig 5.11) has made a stronger case for the RBI to cut interest rates at its October policy meeting in order to support economic growth short term. However, most economists are pricing in higher odds of a 25bps rate cut in December than October.
 - Given its favourable economic and investment outlook, the Indian Equity market continues to trade on a premium relative to its Asian peers (price/book of 2.8 x vs 1.6 x). We continue to monitor the valuation gap to determine when the premium is becoming an impediment to continued relative outperformance.
- **Technicals – Indian Equity resumes strong uptrend initiated in Feb 2016 with ST support at 27500**
 - The Indian Equity Market continues to rank in the 'Strong' category across most Multi-Asset model technical rankings, outperforming most Equity markets and Assets on a relative basis.
 - The Sensex continues has resumed its strong uptrend in September, having broken out of a short term trading range (Fig 5.12). Short term support at 27,500 (October 2015 high) and longer term support around 26,000 (200 d-MA).

SECTION 5: EQUITIES ASIA INCLUDING JAPAN

FIGURE 5.7

Japan economy returning to low growth state



Source: The ECU Group, JMA, Datastream

FIGURE 5.9

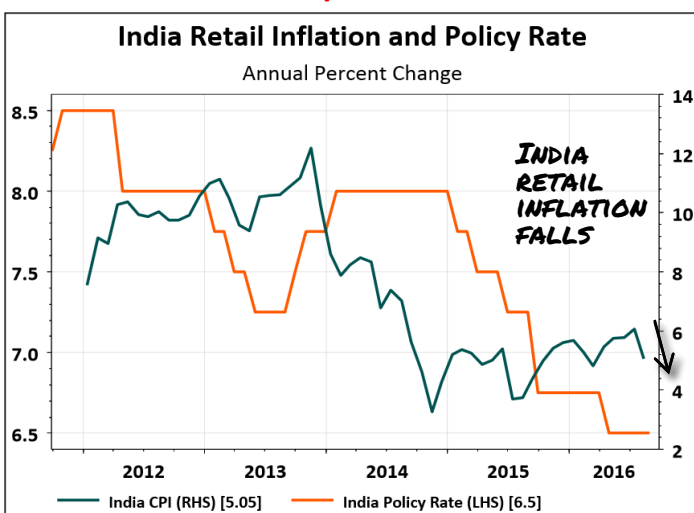
China profits rise as economy recovers



Source: The ECU Group, Datastream

FIGURE 5.11

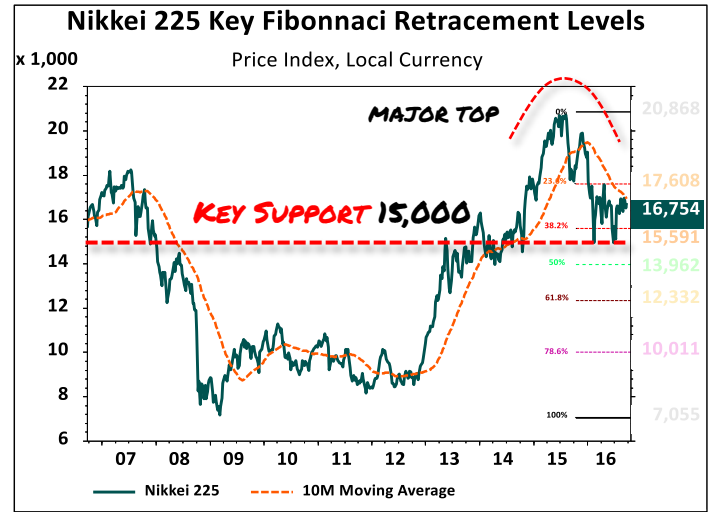
Fall in India inflation opens door for rate cut



Source: The ECU Group, Datastream

FIGURE 5.8

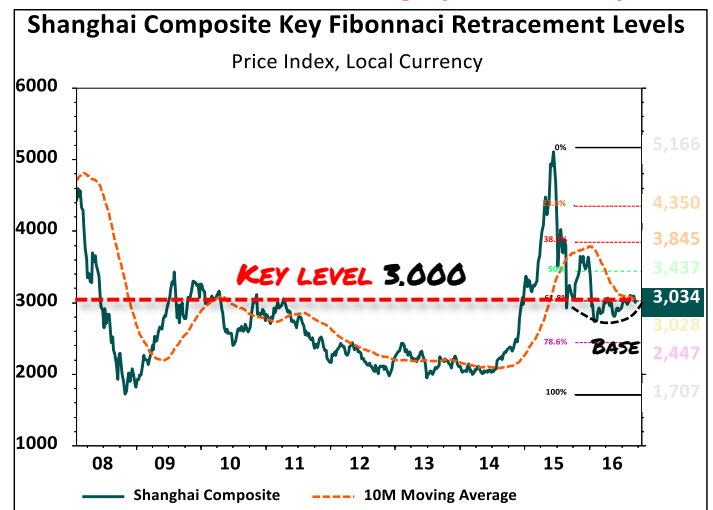
Nikkei bear trend remains intact – support = 15000



Source: The ECU Group, Datastream

FIGURE 5.10

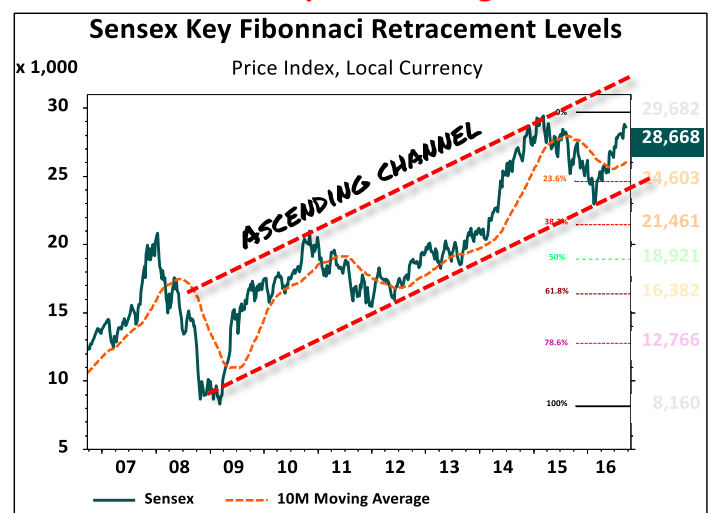
China stock market trending up around key level



Source: The ECU Group, Datastream

FIGURE 5.12

Sensex resumes ST uptrend – target 30000



Source: The ECU Group, Datastream

SECTION 5: EQUITIES REFERENCE CHARTS [DEVELOPED EQUITY MARKET SECTORS]

FIGURE 5.13

US Cyclical vs Defensive Relative Performance

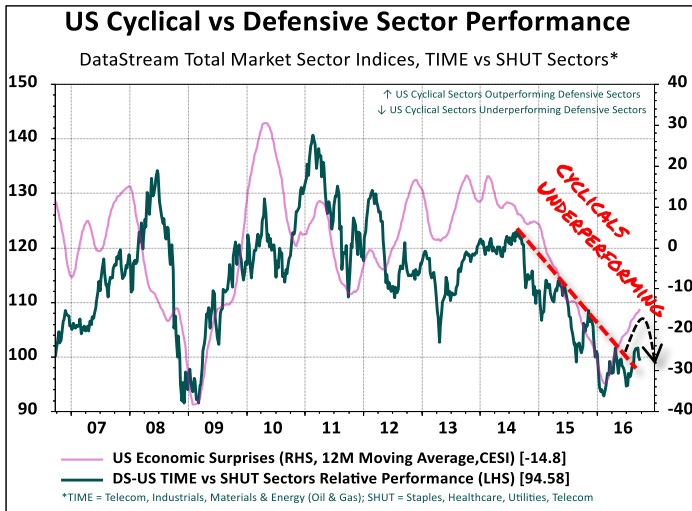


FIGURE 5.15

UK Cyclical vs Defensive Relative Performance

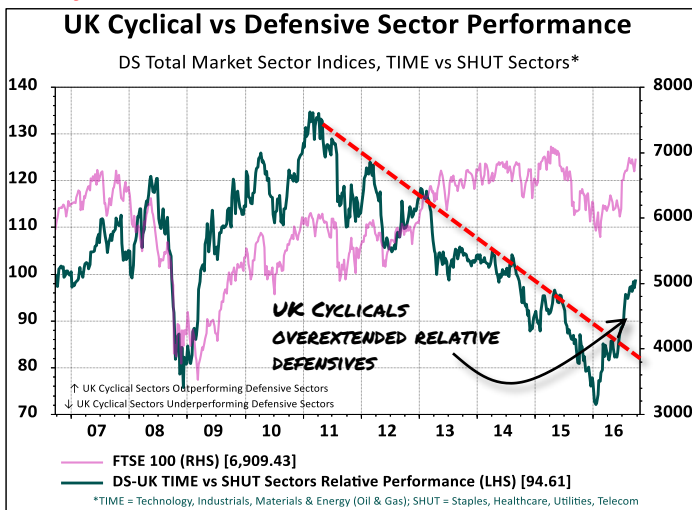
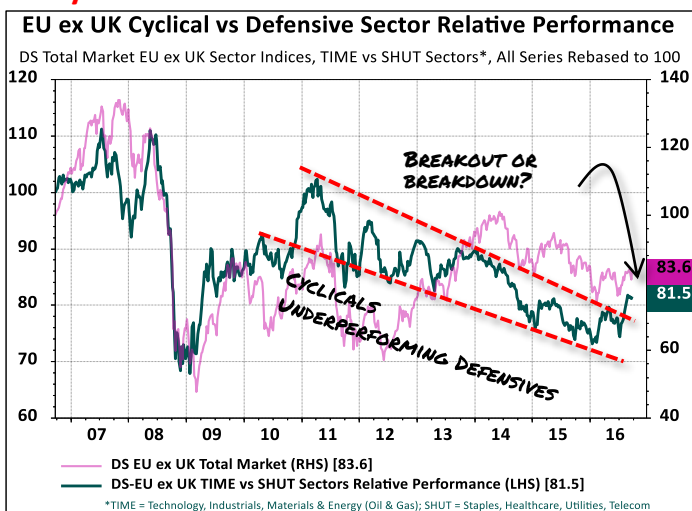


FIGURE 5.17

EU Cyclical vs Defensive Relative Performance



Source: The ECU Group, Datastream

FIGURE 5.14

US Sectors – Momentum value plot

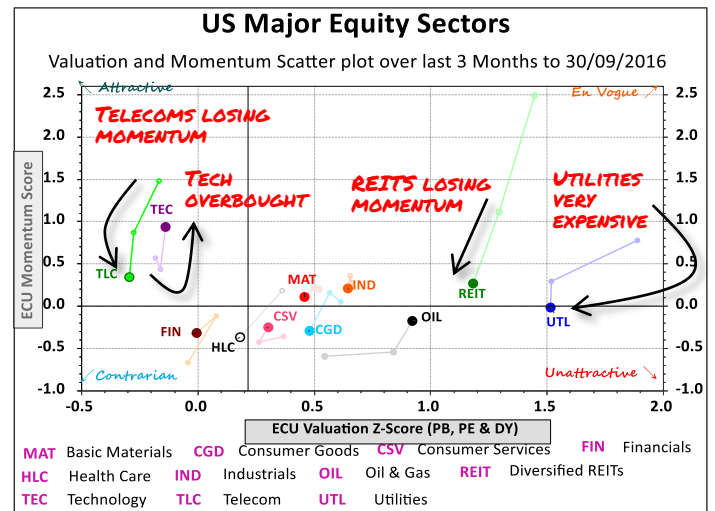


FIGURE 5.16

UK Sectors – Momentum value plot

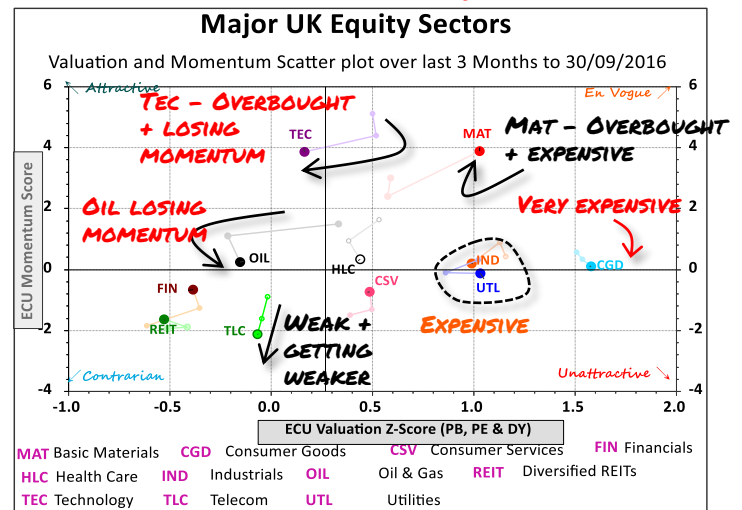
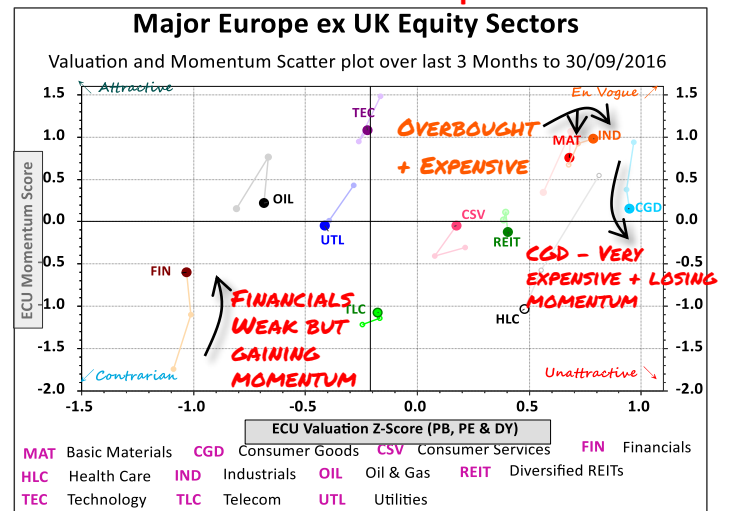


FIGURE 5.18

EU Sectors – Momentum value plot



Source: The ECU Group, Datastream

SECTION 5: EQUITIES REFERENCE CHARTS [DEVELOPED EQUITY MARKETS - EU]

FIGURE 5.19

Germany

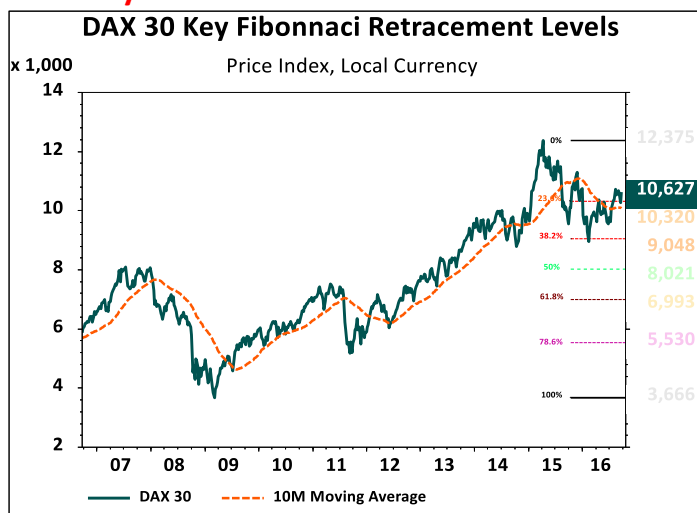


FIGURE 5.20

France

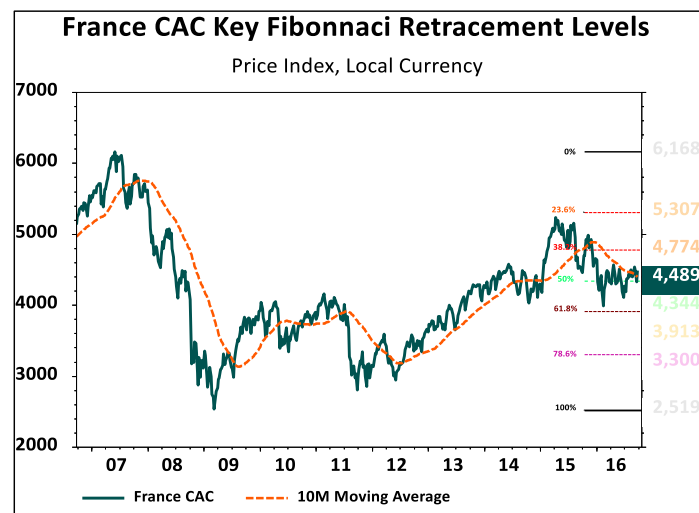


FIGURE 5.21

Netherlands

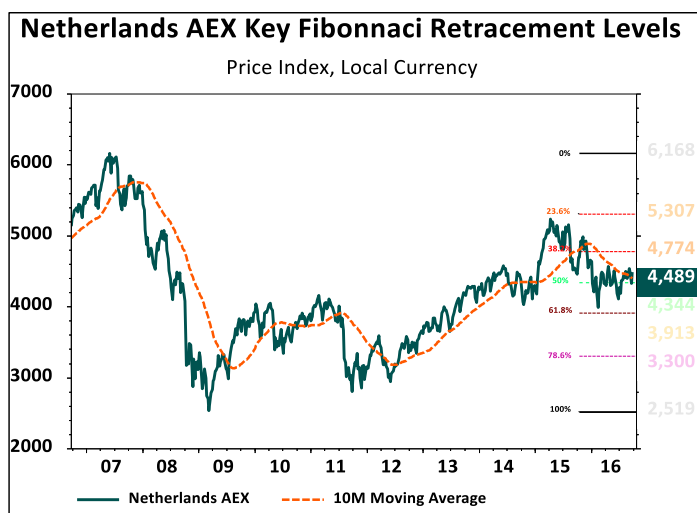


FIGURE 5.22

Sweden

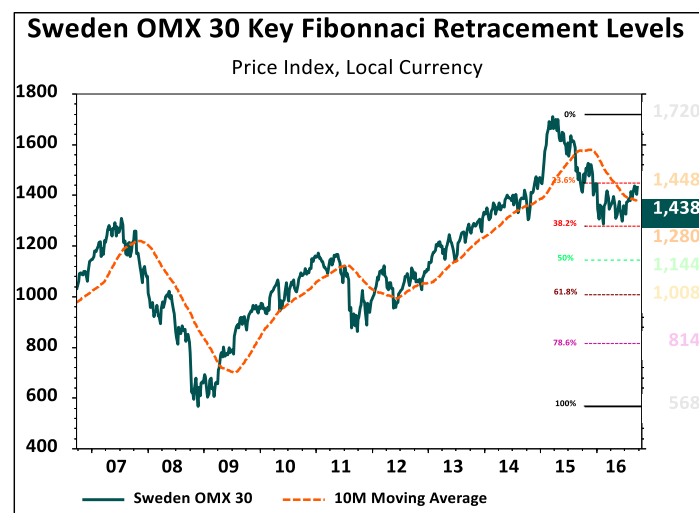


FIGURE 5.23

Italy

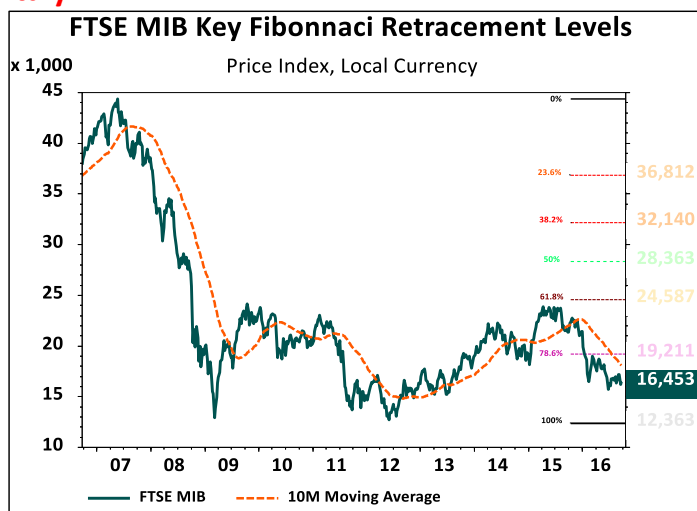
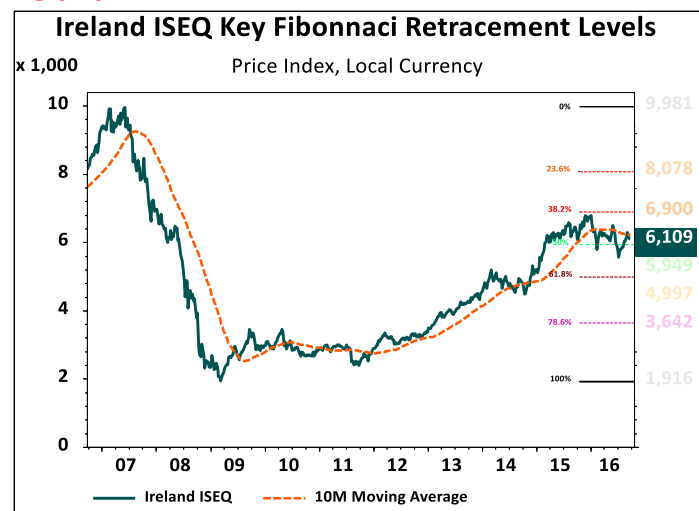


FIGURE 5.24

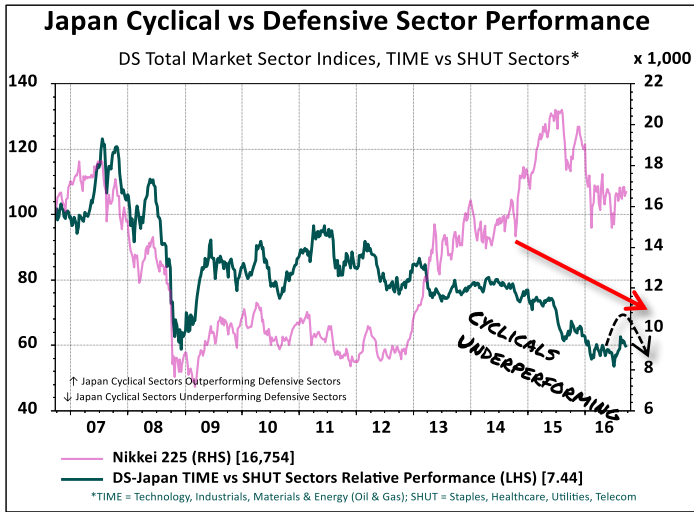
Ireland



SECTION 5: EQUITIES REFERENCE CHARTS [ASIA INCLUDING JAPAN EQUITY MARKET SECTORS]

FIGURE 5.25

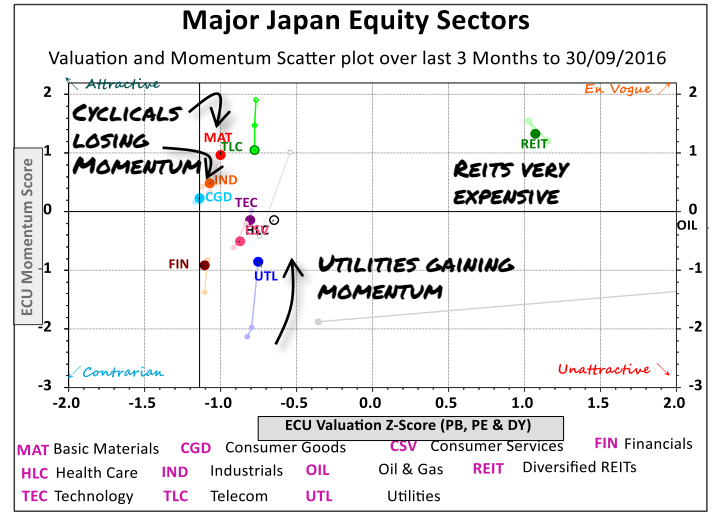
Japan Cyclical vs Defensive Relative Performance



Source: The ECU Group, Datastream

FIGURE 5.26

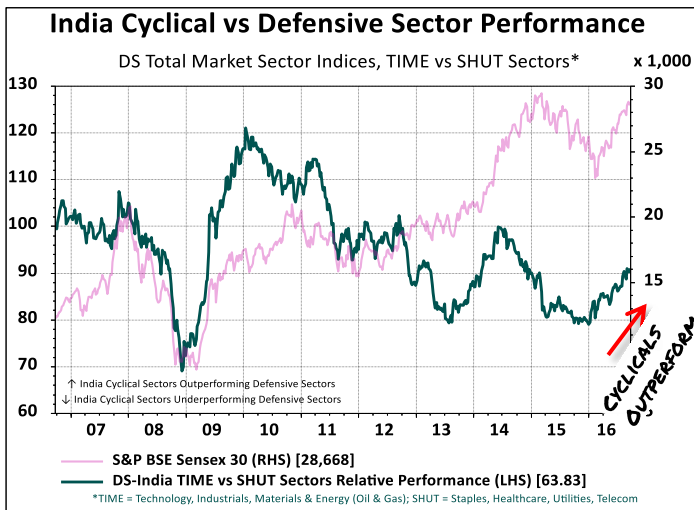
Japan Sectors – Momentum value plot



Source: The ECU Group, Datastream

FIGURE 5.27

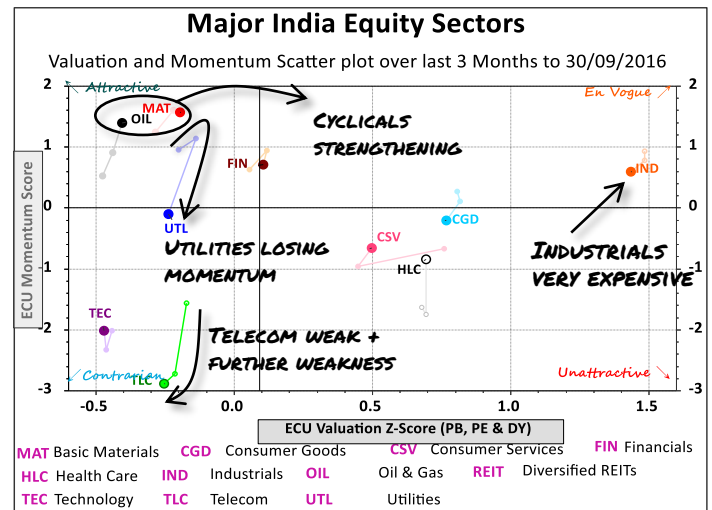
India Cyclical vs Defensive Relative Performance



Source: The ECU Group, Datastream

FIGURE 5.28

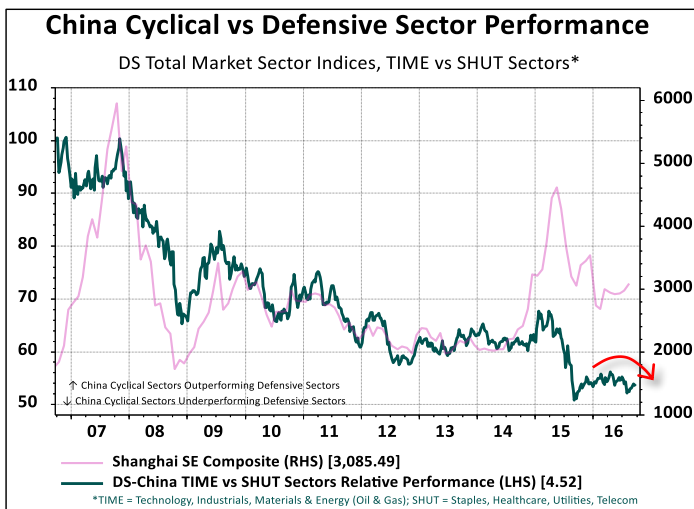
India Sectors – Momentum value plot



Source: The ECU Group, Datastream

FIGURE 5.29

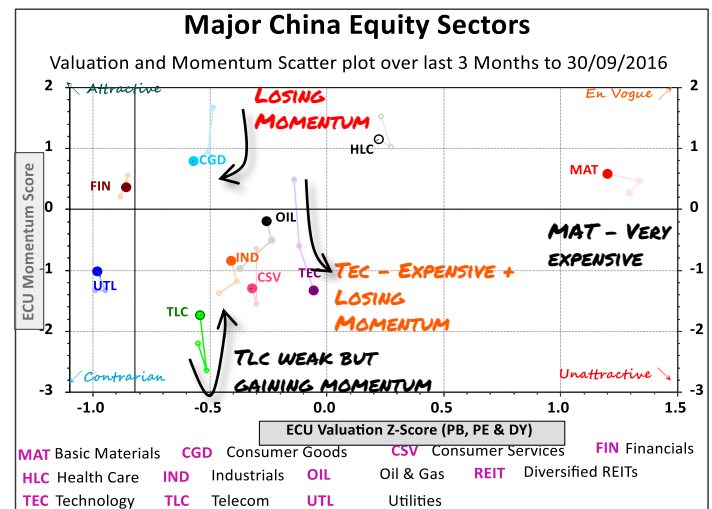
China Cyclical vs Defensive Relative Performance



Source: The ECU Group, Datastream

FIGURE 5.30

China Sectors – Momentum value plot

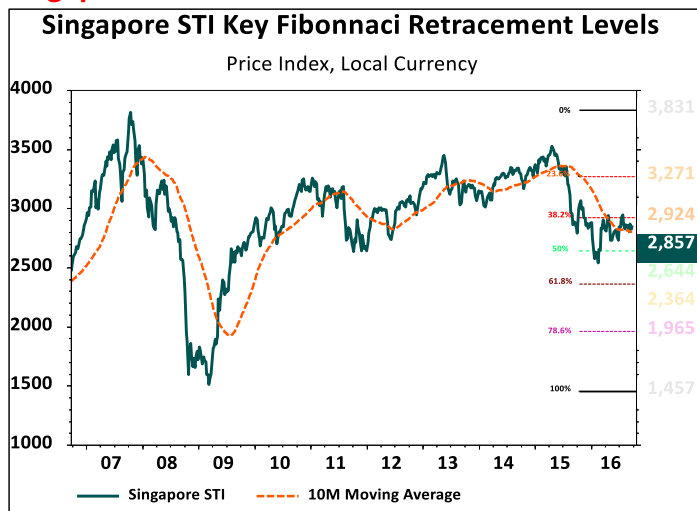


Source: The ECU Group, Datastream

SECTION 5: EQUITIES REFERENCE CHARTS [ASIA INCLUDING JAPAN - OTHER]

FIGURE 5.31

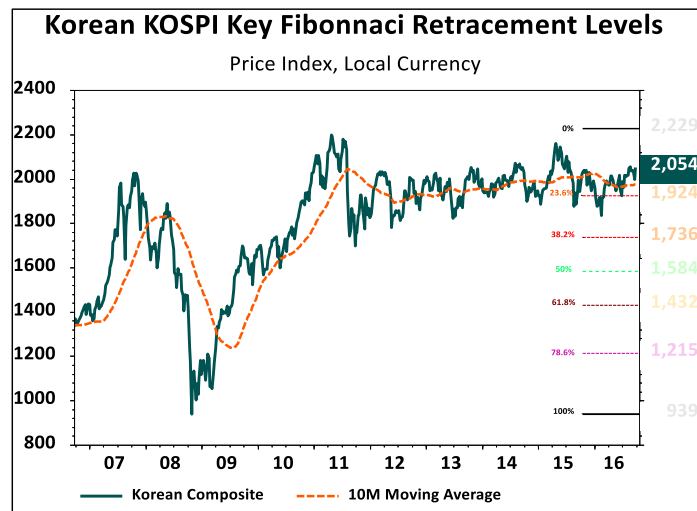
Singapore



Source: The ECU Group, Datastream

FIGURE 5.32

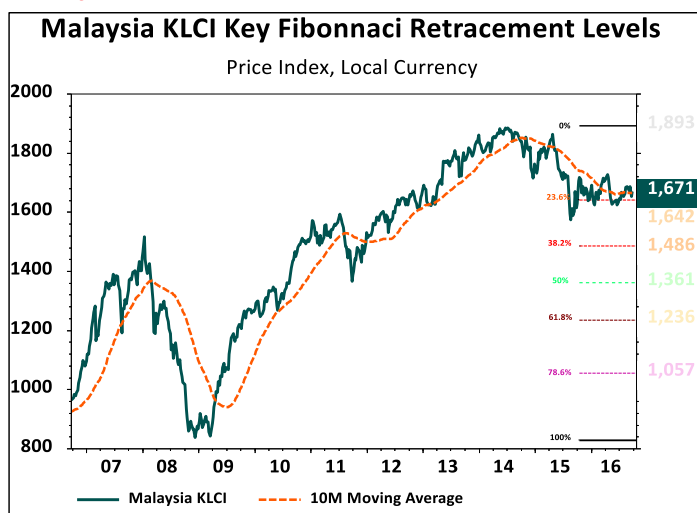
South Korea



Source: The ECU Group, Datastream

FIGURE 5.33

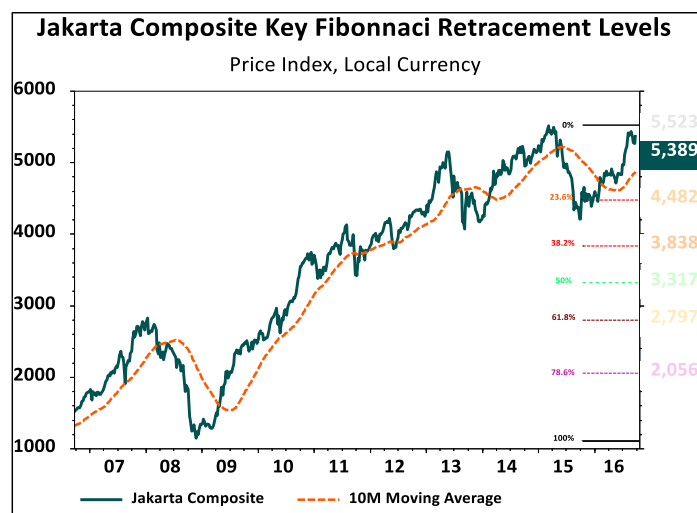
Malaysia



Source: The ECU Group, Datastream

FIGURE 5.34

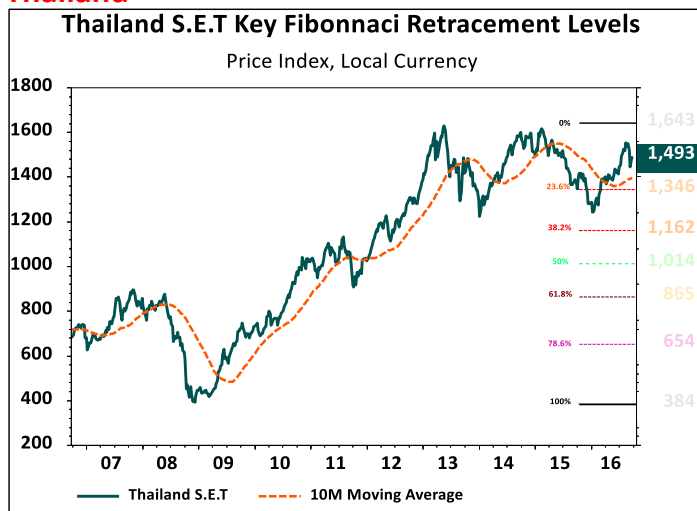
Indonesia



Source: The ECU Group, Datastream

FIGURE 5.35

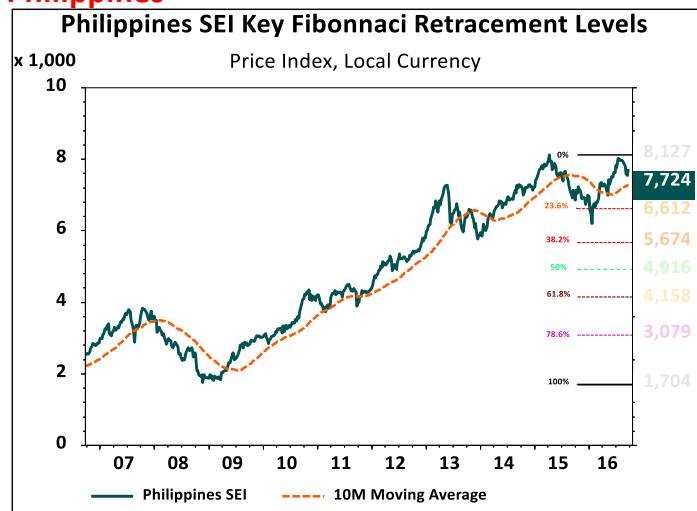
Thailand



Source: The ECU Group, Datastream

FIGURE 5.36

Philippines



Source: The ECU Group, Datastream

SECTION 6: COMMODITIES

Broad Commodities

Underweight

- **Fundamentals – Negative roll yields eroding returns for many commodity future investors.**
 - Many of the factors that have helped commodities to recover since January – including low valuations, improving global growth, lower capital expenditure and a falling dollar – appear to be dissipating. Global economic growth momentum is waning, the dollar has stabilised and the commodity complex is closer to fair value after the recent rally.
 - At the same time investors need to remain mindful of the negative roll yield affecting the asset class, as it continues to erode returns for many commodity futures investors, lagging behind spot returns.
- **Technicals – Commodity index correcting from very overbought levels. Support around 400 (TR CCI)**
 - The relative technical ranking of Commodities remains unchanged as the asset class finds itself in the 'Weakest' asset category across the ECU Multi-Asset Technical Ranking Models. The Commodity complex has ranked between 'Weak' and the 'Weakest' asset category since June 2014, partly reflecting the impact of negative roll returns.
 - The Thomson Reuters Commodity Index (TR CCI) is correcting from very overbought levels (Fig 6.1) after a strong run that peaked in July 2016. The Index is likely to find support on a key retracement level around 400.

Energy (Brent Crude Oil)

- **Fundamentals – OPEC cuts crude output to support oil price but risk of deal falling apart quite quickly**
 - Recognising the consequences of low oil prices, OPEC has agreed to production cuts for the first time since 2008, with output expected to be slashed to between 32.5 – 33 million barrels/day.
 - While positive on the surface, the agreement is still at risk of falling apart quite quickly as individual production targets are yet to be agreed, Russia remains a wildcard in the negotiations and US Shale production still remains an issue.
- **Technicals – Oil Price range bound awaiting material change on supply/demand to breakthrough**
 - The price of Brent Crude oil has failed to break above the key resistance level of \$53 – the third failed attempt since October 2015 (Fig 6.2). Prices are likely to remain range bound between \$27 – 53, without a significant catalyst to break out of this range. Key support is found at \$43 (200d – MA and a major retracement level) and thereafter at \$37.
 - Downside risks still remain high as the market remains closer to overbought territory than fair value. On a relative basis, the Energy complex remains an underperformer and continues to rank in the Weakest Asset group technically.

Industrial Metals (Copper)

- **Fundamentals – Copper remains stuck in a rut with demand slowing and supply surging**
 - Demand for Copper is waning as noted by a fall in Chinese refined copper imports and a ballooning of stockpiles of the metal, which have risen by nearly 160,000 Metric Tonnes in LME Warehouses since mid-August.
 - At the same time, supply continues to flood the market with production in Peru, the World's third largest producer, having increased 30% in July 2016 from a year earlier.
- **Technicals – Copper consolidating in a range of \$4300-\$5000 but risks remain to the downside**
 - The price of Copper continues to consolidate around the primary trend (Fig 6.3) remaining in a trading range defined by \$4300-\$5000. The seasonal pattern also remains a headwind with September and October typically very weak months for the metal. Risks remain to the downside.

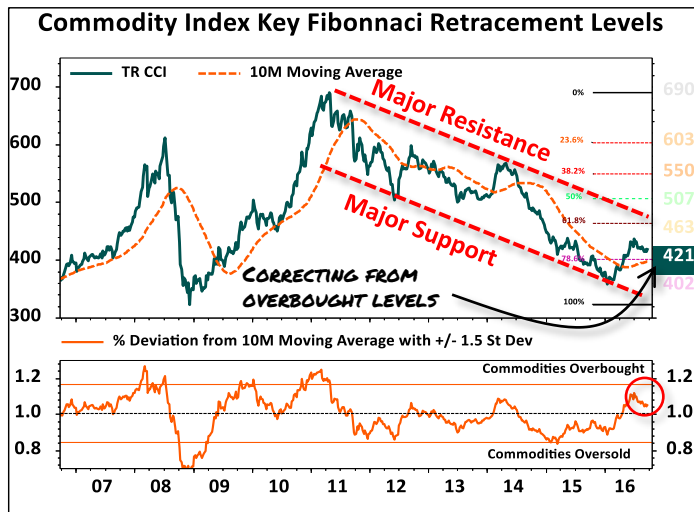
Precious Metals (Gold)

- **Fundamentals – Gradual path to higher US interest rates not a major threat to price of Gold**
 - The outlook for Gold remains firmly hinged to the outlook for the dollar and monetary policy. Whilst a rise in interest rates is a threat to the price of Gold, a gradual path to higher interest rates is less of a concern than a sudden increase.
 - The 'lower for longer' global interest rate outlook and heightened policy uncertainty backdrop is positive for the metal.
- **Technicals – Gold continues to consolidate in a narrow range working off overbought conditions**
 - Gold has been consolidating in a narrow range around \$1300-1370 helping to work off earlier overbought conditions (Fig 6.4). Sentiment towards the yellow metal is on the decline but generally remains very positive. Net Open interest stands at 69% down from 72% in July.
 - Key support remains around the primary trend, coinciding with a key retracement level of \$1230.

SECTION 6: COMMODITIES

FIGURE 6.1

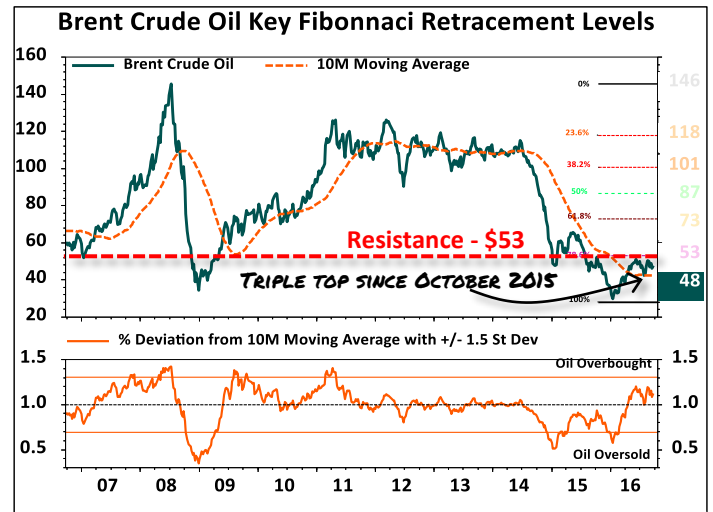
Broad Commodities



Source: The ECU Group, Datastream

FIGURE 6.2

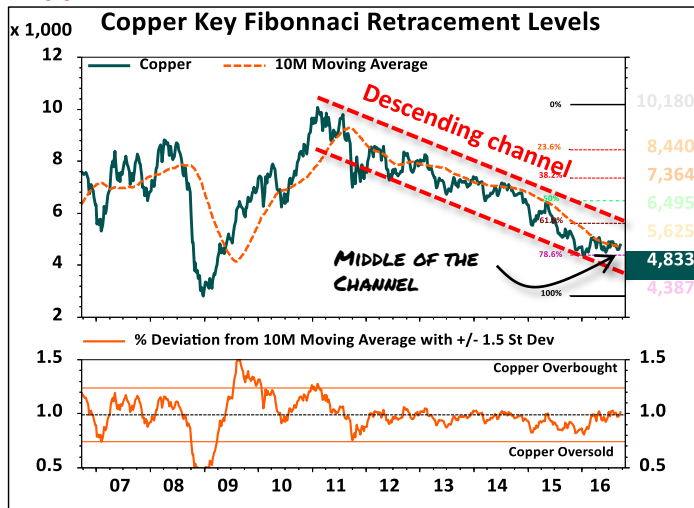
Crude Oil



Source: The ECU Group, Datastream

FIGURE 6.3

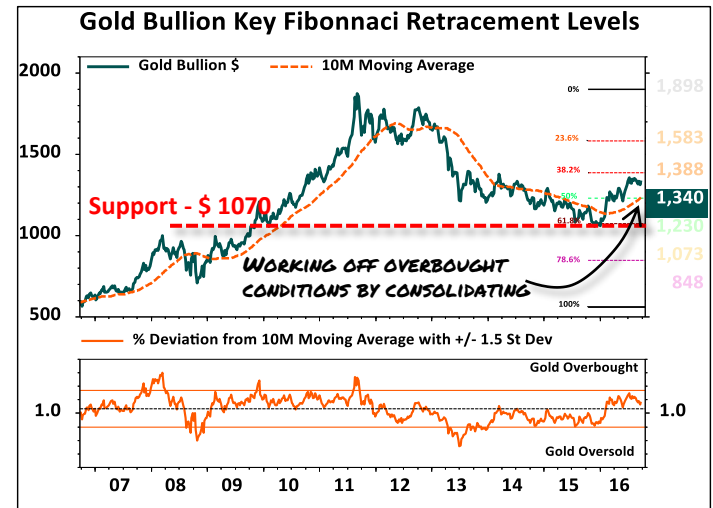
Copper



Source: The ECU Group, Datastream

FIGURE 6.4

Gold Bullion



Source: The ECU Group, Datastream

FIGURE 6.5

Commodity Technical Ranking from Strongest (top) to Weakest (Bottom)

Commodity Reference	Latest Value	Commodity	Performance	Momentum			Speculative Positioning		Valuation
-	\$	Short Name	% YTD	ECU Technical Rank (Higher = Better)		Deviation from 10M Avg	Net Open Interest (%)		Real Price
				Latest	Change 1M		Z-Score (20 Yrs)	Latest	
Natural Gas-Henry Hub \$/MMBTU	3.1	Natural Gas	36	100	4	1.4	-11	7	-1.0
Raw Sugar-ISA Daily Price c/lb	22.3	Sugar	49	95	-5	1.6	88	3	0.9
LME-SHG Zinc 99.995% Cash US\$/MT	2266.8	Zinc	42	86	-12	1.0	-	-	0.4
Silver, Handy&Harman (NY) US\$/Troy OZ	19.8	Silver	43	85	-2	1.0	59	2	0.6
LME-Nickel Cash US\$/MT	10615.5	Nickel	21	82	32	0.7	-	-	-0.7
Coffee-Brazilian (NY) Cents/lb	154.2	Coffee	21	73	-15	0.8	56	10	-0.1
Gold Bullion LBM US\$/Troy Ounce	1339.7	Gold	26	68	-3	0.7	70	-6	1.0
LME-Lead Cash US\$/MT	1909.3	Lead	6	66	11	0.4	-	-	0.4
Cotton NY Average Cts/Lb	70.1	Cotton	12	63	0	0.5	78	2	-0.2
LME-Aluminium 99.7% Cash US\$/MT	1629.3	Aluminium	9	56	-10	0.4	-	-	-1.2
TR Equal Weight CCI	421.2	Commodity Benchmark	11	45	0	0.5	26	-6	0.0
Crude Oil-WTI Spot Cushing US\$/BBL	44.4	Crude Oil	19	42	-9	0.3	12	-10	-0.6
Crude Oil-Brent Cur. Month FOB US\$/BBL	47.9	Brent Oil	34	36	-14	0.5	-	-	-0.5
LME-Copper Grade A Cash US\$/MT	4833.0	Copper	3	36	9	0.0	-7	-3	-0.2
Soybeans, No.1 Yellow \$/Bushel	9.4	Soybeans	9	31	-38	-0.2	43	-16	0.1
Bloomberg-Live Cattle Sub Index ER	59.6	Live Cattle	-14	22	22	-1.1	-	-	-1.4
Wheat No.2,Soft Red US\$/Bu	3.9	Wheat	-7	20	0	-0.7	-29	-2	-0.7
Cocoa-ICCO Daily Price US\$/MT	2944.8	Cocoa	-10	15	-17	-0.5	16	-29	0.9
Bloomberg-Heating Oil Sub Index ER	92.9	Heating Oil	13	6	-11	0.1	17	-2	-1.2
Bloomberg-Lean Hogs Sub Index ER	5.6	Lean Hogs	-17	3	1	-1.3	28	-8	-0.9
Corn No.2 Yellow US\$/Bushel	3.1	Corn	-11	2	-5	-0.7	-7	-3	-0.6
Bloomberg-Unleaded Gas Sub Index ER	226.0	Unleaded Gas	-13	0	-9	-0.2	34	0	-0.9
Bloomberg Feeder Cattle Sub Index ER	124.6	Feeder Cattle	-19	0	0	-1.4	12	-18	-1.3

Source: The ECU Group, Datastream

VERY OVERBOUGHT
SPECULATORS ARE LONG SUGAR, GOLD AND COTTON. SHORT WHEAT.

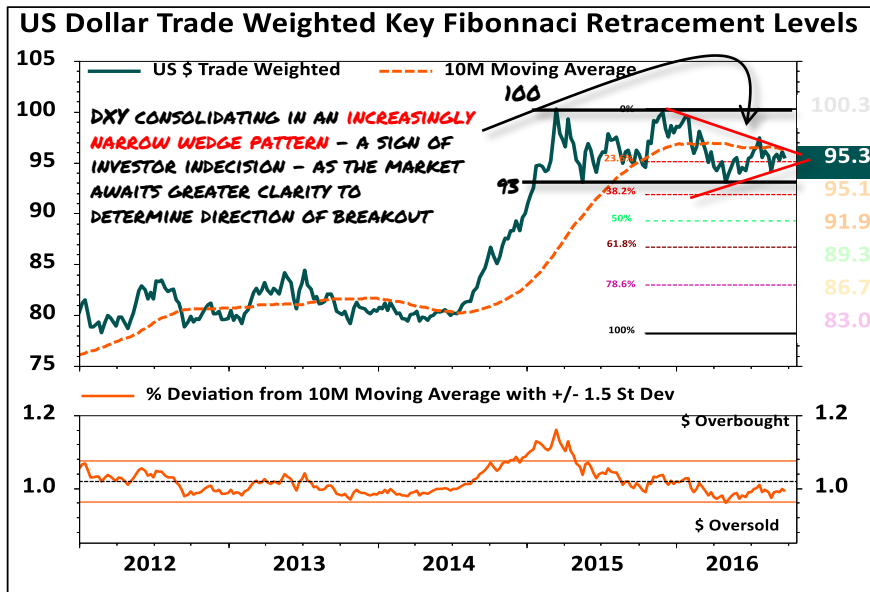
SECTION 7: FOREIGN EXCHANGE

Dollar Trade Weighted (DXY)

Bottom Line: Range trading continues as market awaits monetary policy guidance from the Fed

FIGURE 7.1

Trade Weighted Dollar (DXY)



Source: The ECU Group, Datastream

- The DXY continues to trade in an increasingly narrow wedge within the range of 93-100 (Fig 7.1) as the market awaits greater clarity regarding the US presidential elections and Fed's policy decision to determine the direction of breakout.
- The trade weighted currency is down 6.5% this year and technically ranks as the third weakest trade weighted currency against a basket of major trade weighted currencies.
- Sentiment towards the dollar has improved marginally, gauging from average Net Open Interest positions versus the Euro, Yen and Sterling.
- According to CME Data, Net Open Interest has risen to 13.5% up from 1% in March. However, this is still well below the Mar 2015 peak of 50%.

Technical Ranking: A number of Asian currencies are losing momentum ranked vs USD.

- The Yen remains the strongest currency and Sterling the weakest, ranked vs USD.
- A number of Asian currencies – Thai Baht, Singapore \$ and Malaysian Ringgit – as well as the Canadian Dollar have lost significant momentum over the last month (Fig 7.2). Long speculative positioning in the AUD has also been reduced.
- Speculative positioning and the value of the Mexican peso remain at an extreme (Fig 7.2), however uncertainty over US interest rates and economic growth concerns risk pushing it even lower heading into Q4.

FIGURE 7.2

Currencies vs USD Technical Ranking from Strongest (top) to Weakest (bottom)

Country	Currency	Performance	Momentum			Speculative Positioning		Valuation	Carry
			ECU Technical Rank (Higher = Better)		Overbought/ Oversold Status (% Dev from Primary Trend) Z-Score (10Yrs)	CME Net Open Interest Z-Score (10 Years)**		REER	(vs US Fed Fund Rate)
		YTD	Latest	Change over 1M		Latest	Change over 1M	Z-Score [10 Yrs]	Based on Policy Rates
JAPAN	JAPANESE YEN TO US \$	19.2	100	0	1.29	1.30	0.26	-0.30	-0.6
BRAZIL	BRAZILIAN REAL TO US \$	22.6	94	-3	1.22	0.53	0.56	-0.42	13.8
NEW ZEALAND	NEW ZEALAND \$ TO US \$	5.8	81	-10	0.55	-0.90	0.10	0.55	1.5
NORWAY	NORWEGIAN KRONE TO US \$	9.0	79	22	0.68	-	-	-1.66	0.0
AUSTRALIA	AUSTRALIAN \$ TO US \$	4.5	79	-6	0.37	0.19	-0.13	-0.60	1.0
SOUTH KOREA	SOUTH KOREAN WON TO US \$ (KO)	6.1	72	27	0.99	-	-	0.47	0.8
EURO AREA	EURO TO US \$	3.3	67	9	0.19	-0.60	0.09	-1.27	-0.5
INDONESIA	INDO. RUP. TO US \$	5.3	62	9	0.60	-	-	-0.17	4.5
SWITZERLAND	SWISS FRANC TO US \$	3.1	60	13	0.00	0.46	0.32	1.02	-1.3
TAIWAN	TAIWAN NEW \$ TO US \$	4.9	54	5	1.31	-	-	0.13	0.9
SOUTH AFRICA	SOUTH AFRICA RAND TO US \$	13.2	51	1	1.62	-	-	-1.09	6.5
THAILAND	THAI BAHT TO US \$	3.8	49	-21	0.45	-	-	-0.02	1.0
SINGAPORE	SINGAPORE \$ TO US \$	4.4	48	-22	0.11	-	-	0.82	-0.1
MALAYSIA	MALAYSIAN RINGGIT TO US \$	4.2	44	-23	-0.09	-	-	-2.08	2.5
RUSSIAN FEDERATION	RUSSIAN ROUBLE TO US \$	14.2	33	0	1.15	-0.18	-0.08	-1.58	9.5
INDIA	INDIAN RUPEE TO US \$	-0.7	30	19	0.44	-	-	0.87	6.0
CANADA	CN \$ TO US \$ CLOSING CN	5.1	21	-29	0.19	0.37	0.00	-1.61	0.0
MEXICO	MEXICAN PESO TO US \$ (MX)	-5.0	16	8	0.37	-1.68	-0.11	-2.42	3.8
PHILIPPINES	PHILIPPINE PESO TO US \$ (PH)	-1.4	14	-7	-0.66	-	-	1.18	2.5
TURKEY	NEW TURKISH LIRA TO US \$ (TK)	-1.0	12	-6	0.29	-	-	-1.23	7.0
UNITED KINGDOM	UK £ TO US \$	-12.1	0	0	-1.17	-1.04	0.23	-1.01	-0.3

Source: The ECU Group, Datastream

ASIAN CURRENCIES + CAD LOSING MOMENTUM

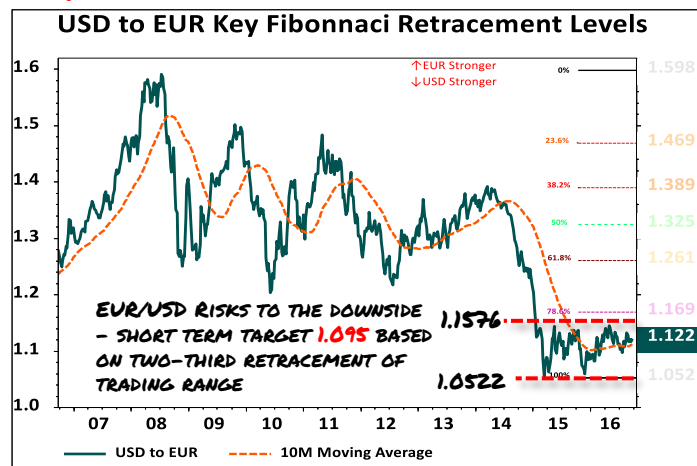
MEXICAN PESO SENTIMENT POSITIONING EXTREME

SECTION 7: FOREIGN EXCHANGE – G4 MAJOR CURRENCIES

EUR/USD path of least resistance is further downside with ST target of 1.095

FIGURE 7.3

EUR/USD



Source: The ECU Group, Datastream

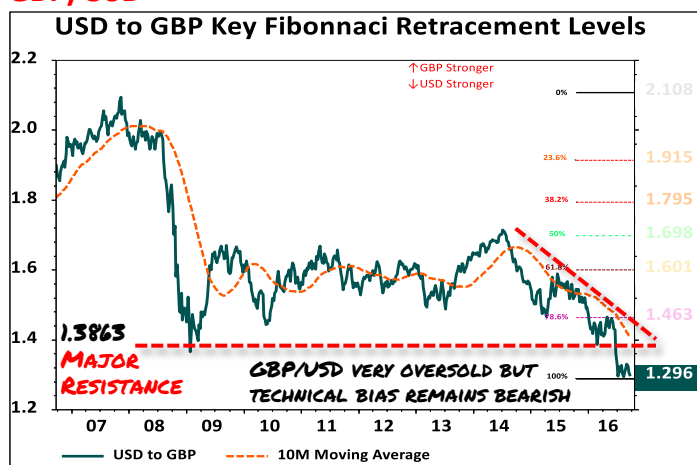
Fundamentals & Technicals

- **Sentiment towards the Euro remains negative** as indicated by CME futures positioning. Investors have increased Net Short positions by 30% between early May and August this year.
- The EUR/USD remains in a **two-year trading range** defined by 1.0522-1.1576 (Fig 7.3), however with the EUR/USD trading towards the upper end of this range, **risks remains tilted towards the downside**.
- This is supported by the prediction from EUR-USD 2 year interest rate differential which has broken below the June 2016 low, and suggests that monetary **policy divergence favours USD strength** over the EUR.
- A **short term target for the EUR/USD is 1.095** based on a two-thirds retracement of the trading range.

GBP/USD is very oversold but technical bias remains bearish

FIGURE 7.4

GBP/USD



Source: The ECU Group, Datastream

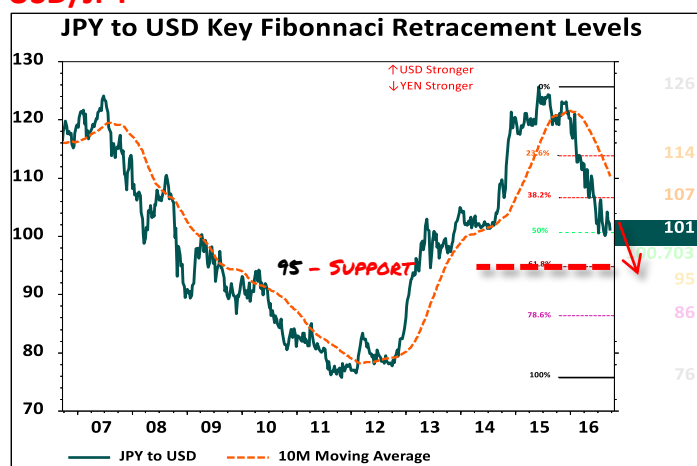
Fundamentals & Technicals

- GBP/USD remains the **weakest ranked currency** on the ECU Technical Ranking monitor (Fig 7.2), as the currency continues to consolidate in a **narrow short term range of 1.288 – 1.352** (Fig 7.4).
- Whilst the outlook for the currency remains bearish as it continues to trade below short, medium and long term averages, the currency remains very oversold and there is a potential for stronger than expected UK economic data to **squeeze net-short sterling positions**. Major overhead **resistance is found at 1.386**.
- A formal triggering of the process to leave the EU by March 2017 is likely to invoke the **next major round of selling**. A close below the July low (1.288) is very bearish and **risks a sell-off targeting 1.210**.

USD/JPY bias to downside given limited monetary options & rising risk aversion

FIGURE 7.5

USD/JPY



Source: The ECU Group, Datastream

Fundamentals & Technicals

- The initial reaction to the BOJ's latest monetary policy announcements drove the yen higher vs the USD. However **the currency has since fallen** back as the market has interpreted the announcements as amounting to **little that can help weaken the currency** or benefit the economy.
- The USD/JPY continues to consolidate in a **tight-trading range**, however it is close to our key **risk level of 100**. The **technical bias favours the downside (yen strength)** in line with the primary trend, given limited BOJ monetary options and potential for a further rise in risk aversion. **Key support is found at 95** (Fig 7.5).
- CME Net Open-interest positioning shows that **investors are positioned for this** as they remain as net long as they were in March this year.

SECTION 7: FOREIGN EXCHANGE – ASIA, EMERGING AND COMMODITY CURRENCIES

FIGURE 7.6

Asia FX Basket vs USD

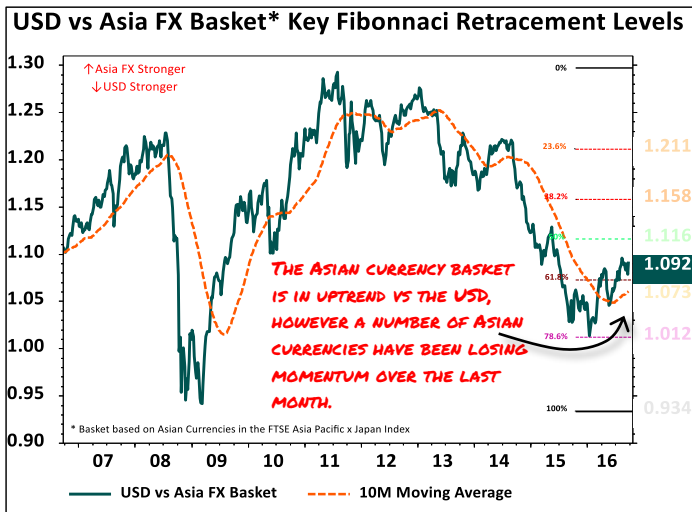


FIGURE 7.7

Asia FX Performance Rotation: YTD vs One year ago

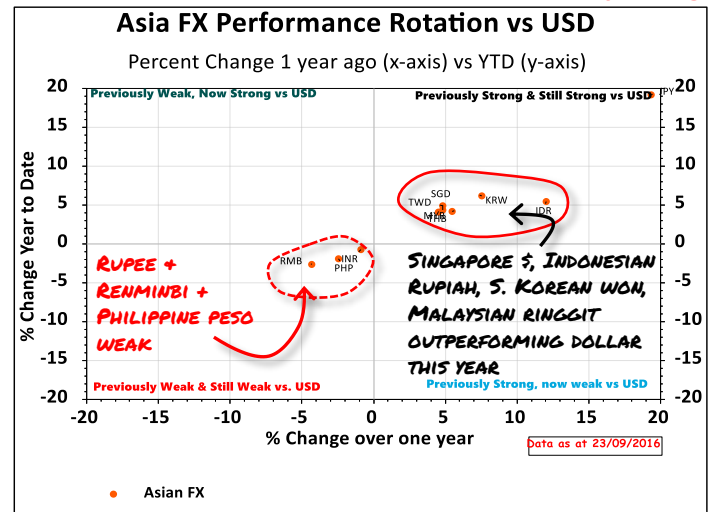


FIGURE 7.8

Source: The ECU Group, Datastream

EM FX Basket vs USD

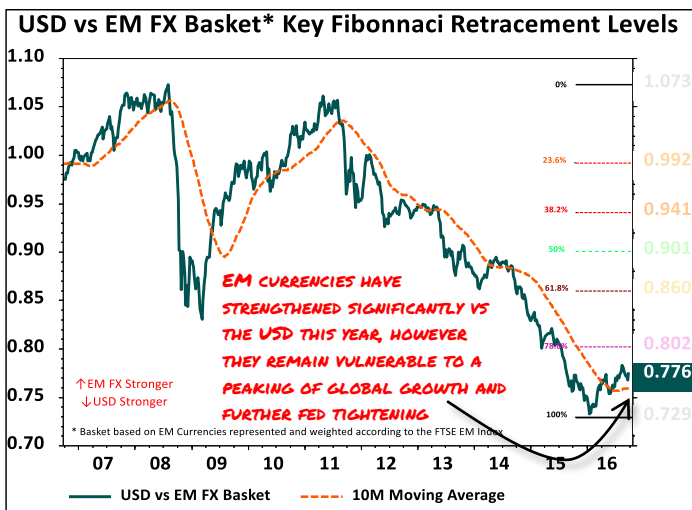


FIGURE 7.9

Source: The ECU Group, Datastream

EM FX Performance Rotation: YTD vs One year ago

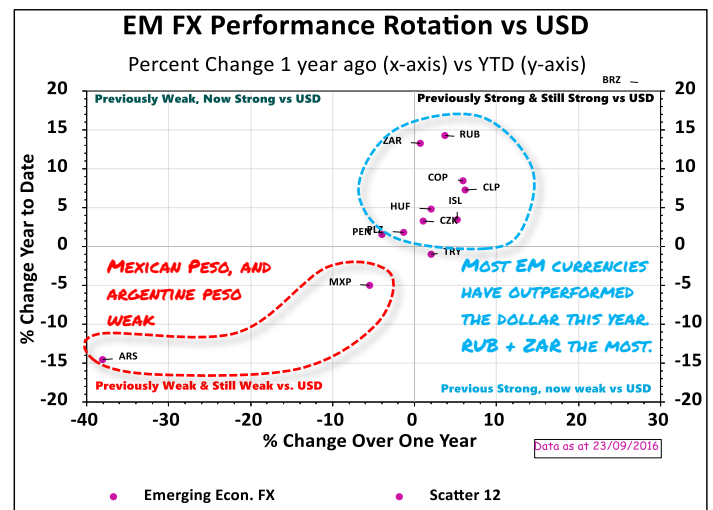


FIGURE 7.10

Source: The ECU Group, Datastream

Commodity FX Basket vs USD

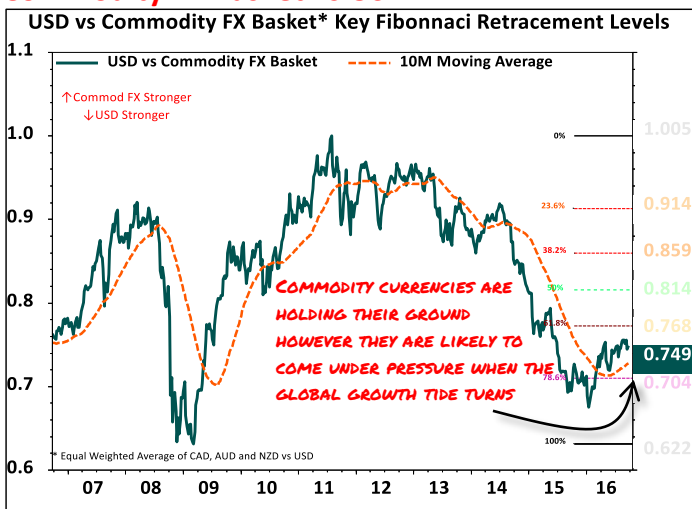
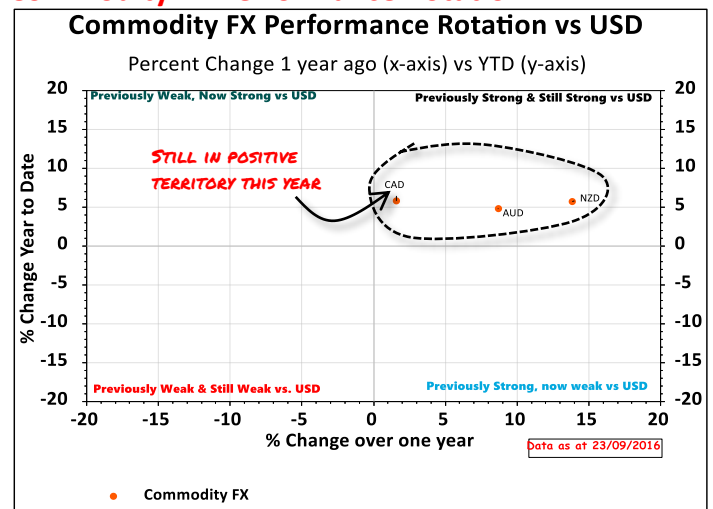


FIGURE 7.11

Source: The ECU Group, Datastream

Commodity FX Performance Rotation



SECTION 8: FIXED INCOME

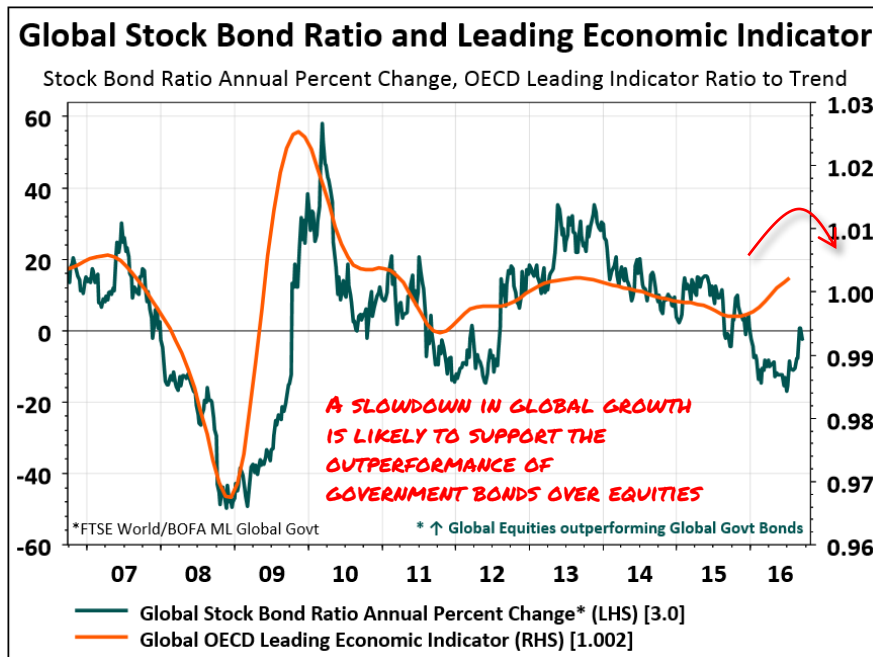
G7 Government Bonds (Conventional)

Overweight

■ **Fundamentals:** Global Government bonds remain very overvalued and there are significant risks to owing them longer term, however the cyclical backdrop is still supportive for the asset class.

FIGURE 8.1

The cyclical backdrop is supportive for Global Government bonds



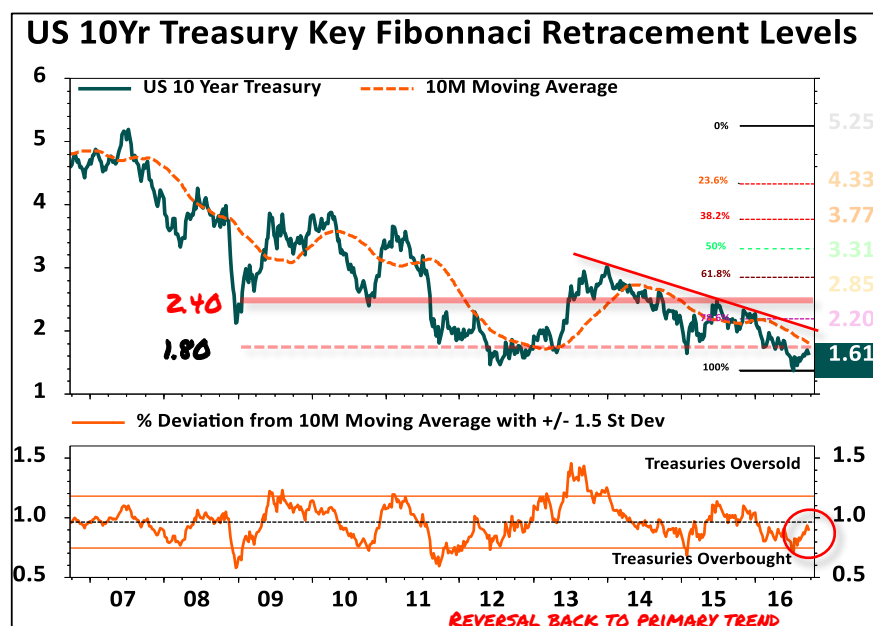
Source: The ECU Group, Datastream

- Global Government bonds remain the **most expensive asset class** on the ECU Cross-Asset Valuation monitor.
- According to our calculations, **fair value on the US 10 Year Treasury is closer to 3.3%** rather than 1.6% where they are currently trading.
- Despite this, we still believe that the **cyclical backdrop remains supportive** for the asset class (Fig 8.1) given the potential for a **Global growth slowdown** and rising risk aversion in the months ahead.
- However the experience of the last month has shown that investors need to **remain mindful of the risks** when owing this asset class. Government bond yields cannot remain low indefinitely and a selloff can quickly culminate.
- We **remain overweight** the asset class but are **monitoring the outlook closely**.

■ **Technicals:** US Treasuries have corrected but the primary trend still remains bullish

FIGURE 8.2

US Treasury correction has helped to work off overbought conditions



Source: The ECU Group, Datastream

- The recent rout in Global Government Bond markets has sent **long term bond yields climbing**. The yield on the US 10 Year Treasury has risen from 1.54% to 1.73% before reversing again recently.
- Such a **move is normal** within the context of how overbought government bonds have become. US 10yr Treasury yields still **remain below the key resistance level** of 1.80% and below the July 2015 high of 2.80%.
- The **primary trend remains bullish** and the recent move has helped to work off the significantly overbought state of the asset class (Fig 8.2).
- Whilst there is a **risk of a further short term sell-off** as the Fed tightens monetary policy further, the cyclical backdrop is likely to see **government bonds yields fall further in the medium term**.

SECTION 8: FIXED INCOME

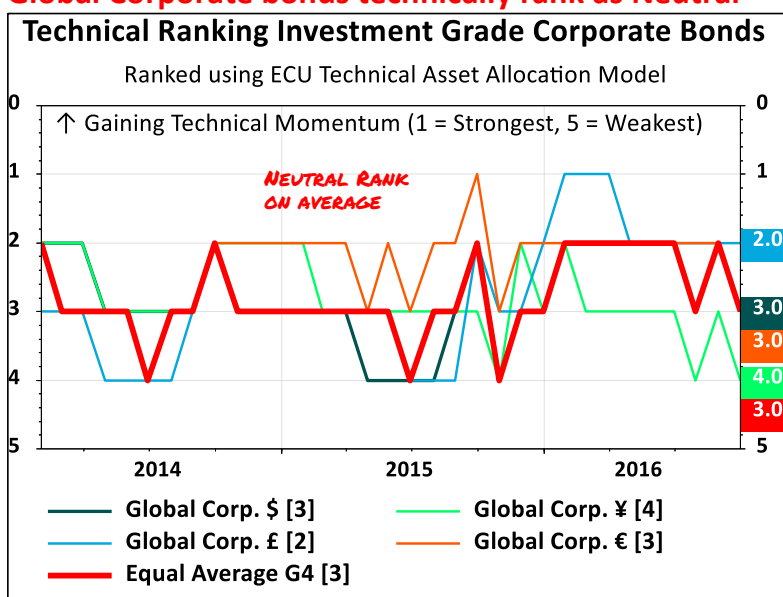
Global Corporate Bonds

Underweight

- **Bottom Line:** Global corporate bonds stand to underperform higher quality fixed income assets as the Global economic tide turns. Remain underweight.

FIGURE 8.3

Global Corporate bonds technically rank as Neutral



Source: The ECU Group, Datastream

Fundamentals & Technicals

- Global Corporate bonds are trading in 'cheap' territory (albeit closer to fair value than cheap) on the multi-asset valuation monitor. US Investment Grade corporate bonds are, however, more expensive.
- The asset class **technically ranks as Neutral in Multi-Asset Portfolios** (stronger in GBP terms), having lost momentum over the last month (Fig 8.3).
- Whilst **valuations and technicals are not a major concern** for the asset class, a turn in the Global economic growth tide could see a change in the fortunes of Global Corporate bond investors.
- We remain underweight expecting these bonds to underperform higher quality fixed income assets once investors begin to reassess credit risks in the global economic downturn.

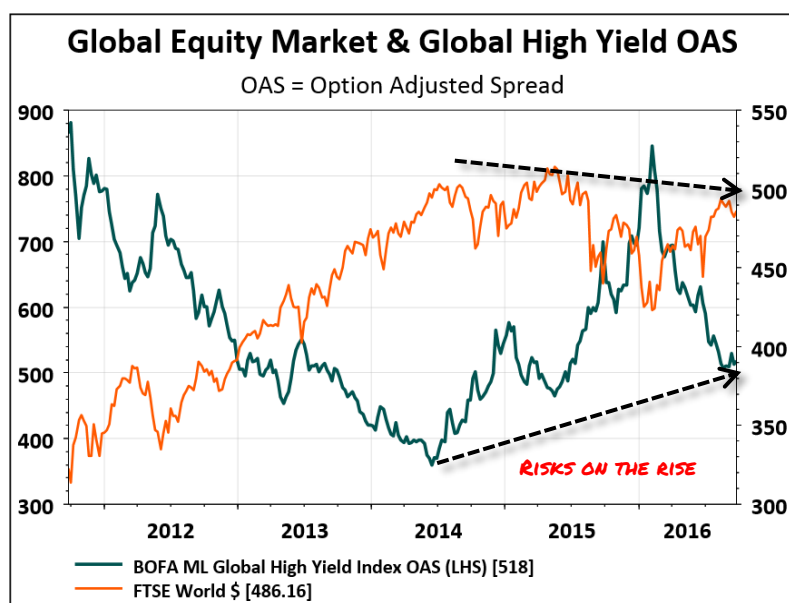
Global High Yield Bonds

Underweight

- **Bottom Line:** Global High yield bond risks on the rise as credit cycle turns and Fed tightens policy.

FIGURE 8.4

Global High Yield spreads are reflecting rising risks



Source: The ECU Group, Datastream

Fundamentals & Technicals

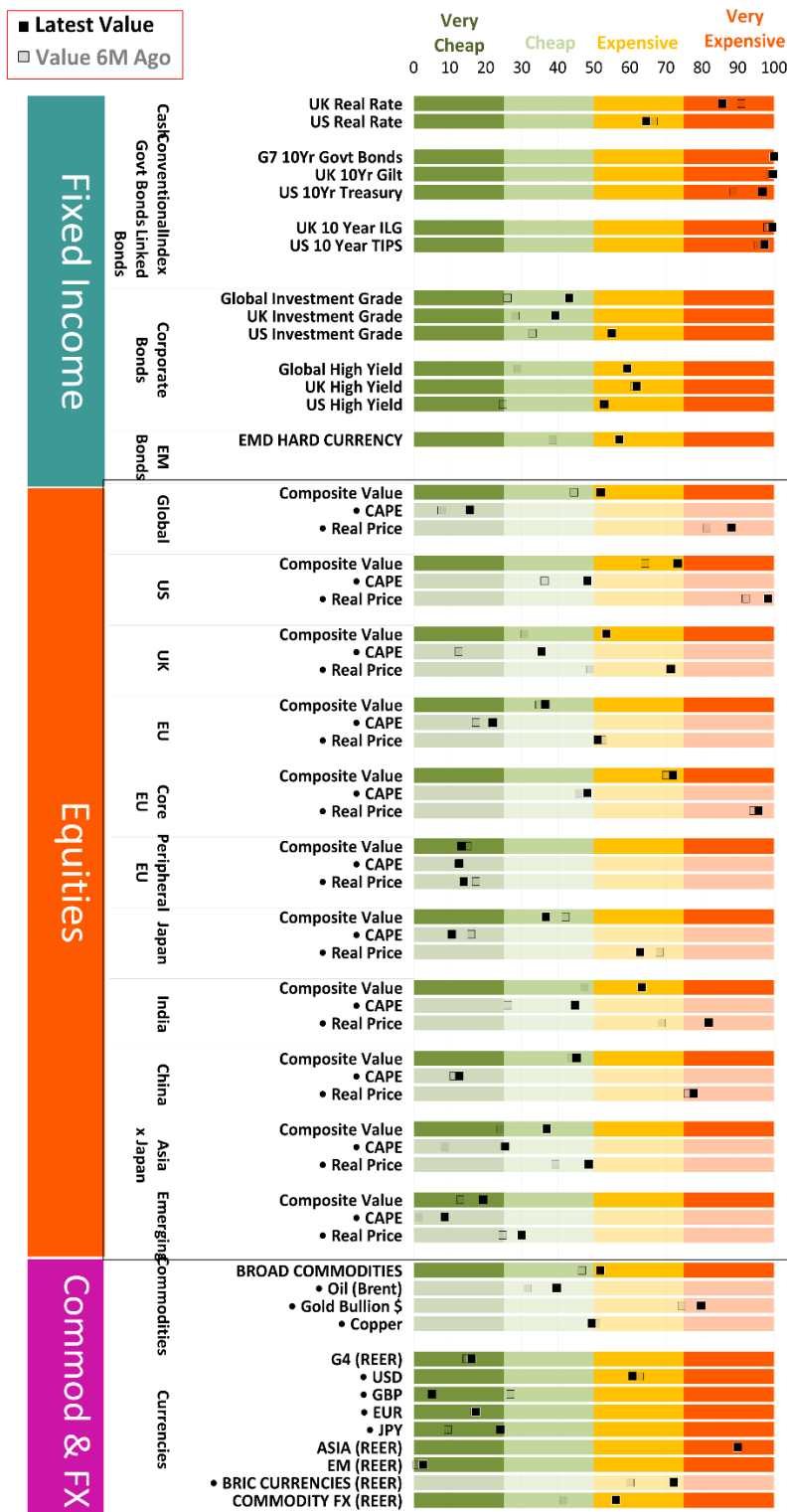
- Local and Global High Yield bonds **rank in the Strong Group of Assets** on the Multi-Asset Portfolio Rankings however risks are on the rise.
- The Asset class is no longer cheap and the recent rally in Global High yield bonds has **reduced the margin-of-safety** that investors can rely on if credit risks begin to rise again (as we expect in the coming months).
- The data shows that the market is pricing in higher risks than two years earlier (Fig 8.4) as credit risks (default rates) have risen. We expect **volatility in the asset class to increase** as the global economic cycle turns and the Fed tightens monetary policy later this year.
- We remain underweight, and caution that **selectivity is key** when investing in the asset class at this stage of the cycle.

SECTION 9: APPENDIX

■ ECU Cross Asset Valuation Monitor

ECU Cross Asset Valuation Matrix

Richness of Key Asset Classes versus History
Percentile, Latest Value vs **20 Year** Historical Range



Interpreting this chart

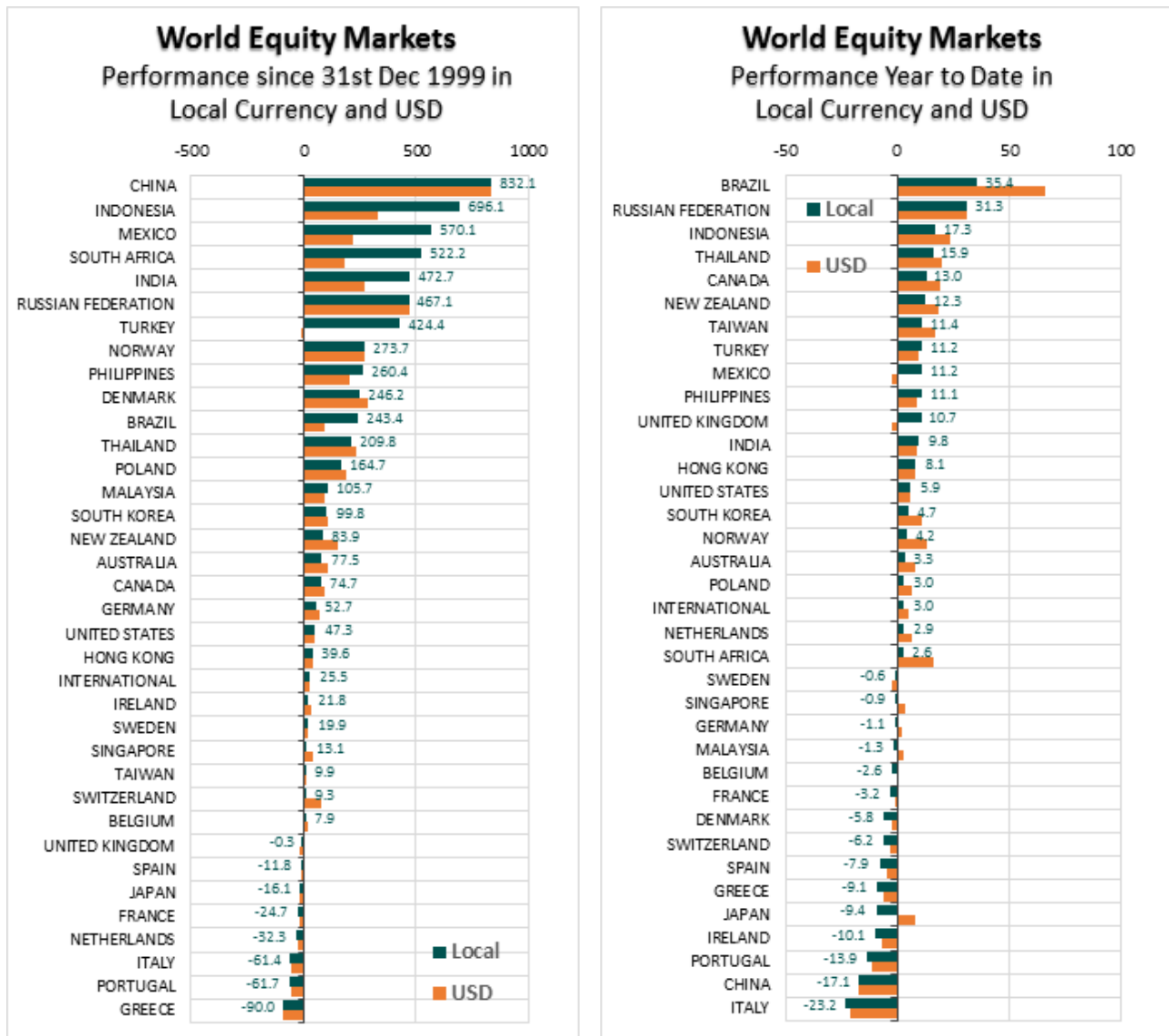
- The **ECU Cross Asset Valuation Matrix** displays the valuation of Key Assets compared to its 20-year historical range (or the maximum data available if 20 years of data is unavailable). The valuation data has been normalised in order to allow for a **cross-asset comparison**.
- The valuation range is divided into four categories: **Very Cheap**, **Cheap**, **Expensive** and **Very Expensive** and plotted using distinct colours for easier interpretation. We show two markers on each range: the **latest valuation reading** (black Square) and the **reading six months earlier** (light-grey square) allowing our readers to see the change in valuation over the last six months.

Additional Notes

- Valuation is a blunt tool that serves as a rough-guide to long term market returns. However, it is a poor market-timing indicator and we thus **incorporate this information along with more useful technical market-timing indicators** and fundamental proxies for the business cycle.
- The **valuation metrics utilised are industry-standard metrics** used to value the different asset classes. This includes Real interests (Cash), Economic Growth and Inflation Fundamentals (Government Bonds), Real Yields relative Real Economic Growth Trend (Index Linked Government Bonds), Credit Spreads (Corporate and High Yield Bonds), Cyclically Adjusted Price Earnings Ratios (Equities), Inflation Adjusted Prices (Equities and Commodities) and Real Effective Exchange Rates (Currencies).
- In the case of Equities, we use an average of Cyclically Adjusted Price Earnings Ratios and Inflation Adjusted Prices to produce a **Composite Valuation**. The component parts are shown individually.
- The following countries make up the:
 - **Asia REER Basket:** China, Singapore, Philippines, Thailand, S. Korea, Indonesia, Taiwan, Indonesia and Malaysia.
 - **EM REER Basket:** Argentina, Mexico, Russia, S. Africa and Turkey.
 - **Commodity REER Basket:** Australia, Brazil, New Zealand, Norway and Canada.
- A variety of indices have been used for the calculation – available on request.

SECTION 9: APPENDIX

■ Global Equity Market Performance (Local and USD)



Date: 26th September 2016

Source: The ECU Group, Datastream

* **Reference Indices** : United States: S&P 500 Composite, Japan: NIKKEI 500, United Kingdom: FTSE 100, Hong Kong: Hang Seng, France: CAC 40, Germany: DAX 30 Performance, Canada: S&P/TSX Composite Index, Switzerland: Swiss Market Index, India: S&P BSE (SENSEX) 30 Sensitive, Australia: ASX ALL Ordinaries, South Korea: KOREA SE Composite (KOSPI), Brazil: BRAZIL BOVESPA, Spain: MADRID SE General (IGBM), China: Shanghai SEB SHARE, Taiwan: Taiwan SE WEIGHED TAIEX, Italy: FTSEMIB Index, Sweden: OMX Stockholm 30 (OMXS30), Netherlands: AEX INDEX (AEX), Singapore: STRAITS Times Index, South Africa: FTSE/JSE All Share, Mexico: Mexico IPC (BOLSA), Malaysia: FTSE BURSA Malaysia KLCI, Belgium: BEL 20, Russian Federation: RUSSIA RTS INDEX, Thailand: BANGKOK S.E.T., Indonesia: IDX COMPOSITE, Denmark: OMX Copenhagen (OMXC), Philippines: PHILIPPINE SE I (PSEI), Norway: OSLO Exchange All Share, Turkey: BIST National 100, Poland: Warsaw General Index, Ireland: IRELAND SE Overall (ISEQ), New Zealand: S&P New Zealand BMI, Portugal: PSI-20, Greece: ATHEX Composite, International: FTSE WORLD \$

* **Reference Indices** : United States: S&P 500 Composite, Japan: NIKKEI 500, United Kingdom: FTSE 100, Hong Kong: Hang Seng, France: CAC 40, Germany: DAX 30 Performance, Canada: S&P/TSX Composite Index, Switzerland: Swiss Market Index, India: S&P BSE (SENSEX) 30 Sensitive, Australia: ASX ALL Ordinaries, South Korea: KOREA SE Composite (KOSPI), Brazil: BRAZIL BOVESPA, Spain: MADRID SE General (IGBM), China: Shanghai SEB SHARE, Taiwan: Taiwan SE WEIGHED TAIEX, Italy: FTSEMIB Index, Sweden: OMX Stockholm 30 (OMXS30), Netherlands: AEX INDEX (AEX), Singapore: STRAITS Times Index, South Africa: FTSE/JSE All Share, Mexico: Mexico IPC (BOLSA), Malaysia: FTSE BURSA Malaysia KLCI, Belgium: BEL 20, Russian Federation: RUSSIA RTS INDEX, Thailand: BANGKOK S.E.T., Indonesia: IDX COMPOSITE, Denmark: OMX Copenhagen (OMXC), Philippines: PHILIPPINE SE I (PSEI), Norway: OSLO Exchange All Share, Turkey: BIST National 100, Poland: Warsaw General Index, Ireland: IRELAND SE Overall (ISEQ), New Zealand: S&P New Zealand BMI, Portugal: PSI-20, Greece: ATHEX Composite, International: FTSE WORLD \$

SECTION 9: APPENDIX

■ G4 Equity Markets Technical Stock Rankings (Top 50 and Bottom 50 Stocks)

	US S&P 500				UK FTSE350				EU STOXX 600 ex UK				JAPAN NIKKEI 225				
	Name	Sector	PE	DY	Name	Sector	PE	DY	Name	Country	Sector	PE	DY	Name	Sector	PE	DY
TOP 50 RANKED STOCKS IN EACH UNIVERSE	NVIDIA	Technology	42	0.7	HOCHSCHILD MINING	Basic Mat.	-	0.0	ADIDAS (XET)	Germany	Cons. Gds.	34	1.0	DENA	Cons. Svs.	37	0.5
	CHESAPEAKE ENERGY	Oil & Gas	-	0.0	KAZ MINERALS	Basic Mat.	-	0.0	LOGITECH 'R'	Switzerland	Technology	29	2.6	NICHIREI	Cons. Gds.	21	0.9
	HEWLETT PACKARD ENTER.	Technology	9.5	1.0	GLENCORE	Basic Mat.	29	0.0	ARCELOMITTAL	Netherlands	Basic Mat.	-	0.0	SCREEN HOLDINGS	Technology	15	0.9
	NEWMONT MINING	Basic Mat.	654	0.3	ACACIA MINING	Basic Mat.	58	0.7	GAMESA CORPN.TEGC.	Spain	Oil & Gas	28	0.7	TOKUYAMA	Basic Mat.	-	0.0
	APPLIED MATS.	Technology	23	1.4	ANGLO AMERICAN	Basic Mat.	19	0.0	COVESTRO (XET)	Germany	Basic Mat.	27	1.5	KOMATSU	Industrials	18	2.5
	URBAN OUTFITTERS	Cons. Svs.	18	0.0	FRESNILLO	Basic Mat.	354	0.5	ZALANDO (XET)	Germany	Cons. Svs.	90	0.0	SUMITOMO DAINIPPON PHA.	Health Care	27	1.0
	SPECTRA ENERGY	Oil & Gas	98	3.9	CENTAMIN	Basic Mat.	21	2.1	NESTE	Finland	Oil & Gas	13	2.7	AVANTEST	Technology	24	1.5
	SEAGATE TECH.	Technology	45	6.8	EVRAZ	Basic Mat.	-	0.0	SIKA 'B'	Switzerland	Industrials	24	1.6	HITACHI CON.MCH.	Industrials	94	2.1
	EDWARDS LIFESCIENCES	Health Care	49	0.0	GVC HOLDINGS	Cons. Svs.	-	0.0	UMICORE	Belgium	Basic Mat.	48	1.7	TOKYO ELECTRON	Technology	21	2.6
	NETAPP	Technology	32	2.2	MICRO FOCUS INTL.	Technology	19	2.3	KION GROUP (XET)	Germany	Industrials	26	1.4	FAMILYMART UNY HOLDINGS	Cons. Svs.	31	1.6
	TYSON FOODS 'A'	Cons. Gds.	18	0.8	INDIVIOR	Health Care	9.9	3.0	STEINHOFF INTL.HDG.(XET)	South Africa	Cons. Gds.	18	1.2	FUJITSU	Technology	12	1.5
	CHARTER COMMS.CLA	Cons. Svs.	15	0.0	HILL & SMITH	Industrials	20	1.9	ATOS	France	Technology	21	1.2	TOSHIBA	Industrials	-	0.0
	ONEOK	Utilities	37	5.0	VEDANTA RESOURCES	Basic Mat.	-	3.7	VESTAS WINDSYSTEMS	Denmark	Oil & Gas	20	1.3	TOHO	Cons. Svs.	23	0.8
	LINEAR TECHNOLOGY	Technology	29	2.2	JD SPORTS FASHION	Cons. Svs.	19	0.5	SEB	France	Cons. Gds.	29	1.2	SONY	Cons. Gds.	49	0.6
	WYNN RESORTS	Cons. Svs.	31	2.0	ELECTROCOMP.	Industrials	27	3.4	STADA ARZNEIMITTEL (XET)	Germany	Health Care	22	1.4	MITSUBISHI	Industrials	-	2.3
	XYLEM	Industrials	27	1.2	SVG CAPITAL	Financials	-	0.0	LANKXSS (XET)	Germany	Basic Mat.	26	1.0	SUMITOMO METAL MINING	Basic Mat.	-	2.4
	SYMANTEC	Technology	6.6	1.2	GENUS	Health Care	32	1.1	ARKEMA	France	Basic Mat.	18	2.3	SHIN-ETSU CHEMICAL	Basic Mat.	19	1.6
	S&P GLOBAL	Financials	29	0.0	SPIRAX-SARCO ENGR.	Industrials	28	1.6	HOCHTIEF (XET)	Germany	Industrials	34	1.6	SOFTBANK GROUP	Telecommunica	15	0.6
	AUTODESK	Technology	-	0.0	RANDGOLD RESOURCES	Basic Mat.	70	0.6	STMICROELECTRONICS (MIL)	France	Technology	44	3.6	COMSYS HOLDINGS	Industrials	13	1.9
	SOUTHWESTERN ENERGY	Oil & Gas	-	0.0	RENISHAW	Industrials	28	1.8	SARTORIUS PREF. (XET)	Germany	Industrials	35	0.5	MITSUI CHEMICALS	Basic Mat.	21	1.7
	MICRON TECHNOLOGY	Technology	55	0.0	FISHER(JAMES)& SONS	Industrials	23	1.6	RWE (XET)	Germany	Utilities	-	0.0	DAIKIN INDUSTRIES	Industrials	18	1.3
	EBAY	Cons. Svs.	20	0.0	BGEO GROUP HDG.	Financials	10	2.7	GEA GROUP (XET)	Germany	Industrials	21	1.6	KAWASAKI KISEN KAISHA	Industrials	-	1.9
	MICROCHIP TECH.	Technology	168	2.4	SMITHS GROUP	Industrials	40	2.9	PARTNERS GROUP HOLDING	Switzerland	Financials	30	2.2	SUZUKI MOTOR	Cons. Gds.	14	0.9
	QUALCOMM	Technology	18	3.4	HASTINGS GROUP HDG.	Financials	15	1.9	TELEPERFORMANCE	France	Industrials	26	1.3	MITSUMI ELECTRIC	Industrials	-	0.0
	CINTAS	Industrials	18	0.9	WETHERSPOON (JD)	Cons. Svs.	19	1.3	EUROFINS SCIENTIFIC	France	Health Care	31	0.4	ASAHI KASEI	Basic Mat.	12	2.5
	GARMIN	Technology	17	4.2	BHP BILLITON	Basic Mat.	62	1.6	TEMENOS GROUP	Switzerland	Technology	64	0.7	TOSOH	Basic Mat.	11	2.3
	VARIAN MEDICAL SYSTEMS	Health Care	25	0.0	POLYMETAL INTERNATIONAL	Basic Mat.	18	1.7	AENA SHS	Spain	Industrials	19	2.1	MITSUBISHI CHM.HDG.	Basic Mat.	25	2.3
	ALBEMARLE	Basic Mat.	60	1.5	NMC HEALTH	Health Care	30	0.2	GN STORE NORD	Denmark	Health Care	23	0.7	KONAMI HOLDINGS	Cons. Gds.	42	0.6
	HP	Technology	8	3.3	RIVERSTONE ENERGY	Financials	59	0.0	DAVIDE CAMPARI MILANO	Italy	Cons. Gds.	35	0.9	KURARAY	Basic Mat.	14	2.8
	YAHOO	Technology	-	0.0	POLAR CAPITAL TECH.TST.	Financials	-	0.0	KERING	France	Cons. Svs.	33	2.2	YOKOGAWA ELECTRIC	Industrials	12	1.5
	BIOGEN	Health Care	18	0.0	RENTOKIL INITIAL	Industrials	24	1.4	BOLIDEN	Sweden	Basic Mat.	24	1.7	YAMATO HDG.	Industrials	24	1.1
	BEST BUY	Cons. Svs.	12	3.0	UBM	Cons. Svs.	21	3.1	DSM KONINKLIJKE	Netherlands	Basic Mat.	232	2.8	MARUHA NICHIRO	Cons. Gds.	-	1.2
	INTUITIVE SURGICAL	Health Care	40	0.0	TEMPLETON EMRG.MKTS.IT.	Financials	62	1.4	DEUTSCHE WOHNEN (XET) BR.SHS.	Germany	Financials	8.9	1.7	KDDI	Telecommunica	15	2.1
	ILLINOIS TOOL WORKS	Industrials	22	2.2	RPC GROUP	Industrials	22	1.9	TDC	Denmark	Telecommunica	-	2.5	TEIJIN	Basic Mat.	13	1.8
	AES	Utilities	74	3.4	JUST EAT	Cons. Svs.	59	0.0	ALTICE A	Netherlands	Telecommunica	-	0.0	SUMITOMO OSAKA CEMENT	Industrials	12	1.7
	ACTIVISION BLIZZARD	Cons. Gds.	44	0.6	BBA AVIATION	Industrials	14	3.5	FLUGHAFEN ZURICH	Switzerland	Industrials	24	3.3	JGC	Industrials	12	2.4
	APARTMENT INV.& MAN.'A'	Financials	129	2.8	DECHRA PHARMACEUTICALS	Health Care	31	1.4	DSV 'B'	Denmark	Industrials	34	0.8	FURUKAWA ELECTRIC	Industrials	15	1.5
	CORNING	Technology	13	2.4	MORRISON(WM)SPMKTS.	Cons. Svs.	24	2.4	OSRAM LIGHT (XET)	Germany	Cons. Gds.	10	1.8	ASAHI GROUP HOLDINGS	Cons. Gds.	26	1.4
	BROADCOM	Technology	-	1.2	CRH	Industrials	26	2.1	PRYSMIAN	Italy	Industrials	20	1.8	UNITIKA	Cons. Gds.	5.7	0.0
	PROLOGIS	Financials	33	3.1	3I GROUP	Financials	8.7	3.4	RUBIS	France	Utilities	18	3.0	CHYODA	Industrials	42	1.2
	ROSS STORES	Cons. Svs.	24	0.9	JOHN LAING GROUP (WI)	Financials	5.5	1.9	GECINA	France	Financials	5.7	1.8	OSAKA GAS	Utilities	15	2.1
	NAVIENT	Financials	6	4.6	FIDELITY CHINA SPSTN.	Financials	85	1.0	GEBERIT 'R'	Switzerland	Industrials	30	2.0	KAJIMA	Industrials	8.9	1.7
	CENTERPOINT EN.	Utilities	-	4.3	ASHMORE GROUP	Financials	18	4.9	INFINEON TECHS. (XET)	Germany	Technology	20	1.3	NIKON	Cons. Gds.	20	1.2
	QUANTA SERVICES	Industrials	20	0.0	ZOOPLA PROPERTY GROUP	Cons. Svs.	28	0.5	RECORDATI INDUA.CHIMICA	Italy	Health Care	27	2.1	NIPPON EXPRESS	Industrials	14	2.2
	MALLINCKRODT	Health Care	13	0.0	HOMESERVE	Industrials	26	2.2	ELEKTA 'B'	Sweden	Health Care	150	0.6	TOKIO MARINE HOLDINGS	Financials	12	2.8
	TRANSIGROUP GROUP	Industrials	31	0.0	BRITISH EMPIRE TRUST	Financials	64	2.0	ORKLA	Norway	Cons. Gds.	23	3.1	YOKOHAMA RUBBER	Cons. Gds.	9.2	3.2
	REALTY INCOME	Financials	63	3.5	AMEC FOSTER WHEELER	Oil & Gas	8.8	3.9	HUHTAMAKI	Finland	Industrials	24	1.6	YASKAWA ELECTRIC	Industrials	19	1.4
	PRICELINE GROUP	Cons. Svs.	28	0.0	MURRAY INTL.	Financials	28	4.1	LUNDBERGFORETAGEN 'B'	Sweden	Financials	74	1.0	NH FOODS	Cons. Gds.	26	1.4
	VENTAS	Financials	61	4.0	SAGE GROUP	Technology	31	1.8	EDENRED	France	Industrials	29	2.0	YAMAHA	Cons. Gds.	12	1.4
	ELECTRONIC ARTS	Cons. Gds.	24	0.0	PAYSAFE GROUP	Industrials	42	0.0	ABB LTD N	Switzerland	Industrials	29	3.3	NIPPON TELG. & TEL.	Telecommunica	13	2.3
BOTTOM 50 RANKED STOCKS IN EACH UNIVERSE	EQUITY RESD.TST.PROPS. SHBI	Financials	5.9	3.1	CARILLION	Industrials	7.3	7.2	THE SWATCH GROUP 'B'	Switzerland	Cons. Gds.	14	2.7	NOMURA HDG.	Financials	15	2.8
	VERISIGN	Technology	25	0.0	TALKTALK TELECOM GROUP	Telecommunica	24	7.9	JCDECAUX	France	Cons. Svs.	26	1.9	MATSUI SECURITIES	Financials	16	5.2
	T ROWE PRICE GROUP	Financials	16	3.3	POLYPIPE GROUP	Industrials	12	3.1	INTESA SANPAOLO	Italy	Financials	14	7.1	MITSUI OSK LINES	Industrials	-	2.1
	LENNAR 'A'	Cons. Gds.	11	0.4	REDDEFIN INTL.REIT	Financials	19	7.6	DEUTSCHE LUFTHANSA (XET)	Germany	Cons. Svs.	4.1	1.5	MARUI GROUP	Cons. Svs.	19	1.6
	FORD MOTOR	Cons. Gds.	5.3	5.0	BRITISH LAND	Financials	18	4.4	SWEDISH ORPHAN BIOVITRUM	Sweden	Health Care	54	0.0	MITSUBISHI UFJ FINL.GP.	Financials	8.5	3.4
	ROYAL CARIBBEAN CRUISES	Cons. Svs.	21	2.7	INTERNATIONAL PSNL.FIN.	Financials	8.2	4.6	BAYER (XET)	Germany	Basic Mat.	16	2.8	AINOMOTO	Cons. Gds.	29	1.3
	FRONTIER COMMUNICATIONS	Telecommunica	-	9.6	ITV	Cons. Svs.	11	3.5	NOKIA	Finland	Technology	16	5.2	MITSUBISHI HEAVY INDS.	Industrials	90	2.8
	TOTAL SYSTEM SERVICES	Industrials	24	0.9	SKY	Cons. Svs.	13	4.0	BILFINGER BERGER (XET)	Germany	Industrials	-	0.0	HINO MOTORS	Industrials	11	3.5
	CBRE GROUP CLASS A	Financials	18	0.0	AGGREKO	Industrials	16	2.8	YARA INTERNATIONAL	Norway	Basic Mat.	7.1	5.6	SUMCO	Technology	21	1.9
	COGNIZANT TECH.SLTN.'A'	Technology	22	0.0	CAPITA	Industrials	14	3.3	PROSIEBEN SAT 1 PF.(XET)	Germany	Cons. Svs.	21	4.9	NISHINBO HOLDINGS	Cons. Gds.	15	3.0
	VALERO ENERGY	Oil & Gas	8.8	4.4	DIXONS CARPHONE	Cons. Svs.	12	2.7	RANDSTAD HOLDING	Netherlands	Industrials	13	4.1	MIDENSHA	Industrials	12	2.4
	ALEXION PHARMS.	Health Care	419	0.0	OXADO GROUP	Cons. Svs.	114	0.0	EUTELSAT COMMUNICATIONS	France	Cons. Svs.	11	6.1	J FRONT RETAILING	Cons. Svs.	19	2.1
	SALESFORCE.COM	Technology	226	0.0	REGUS	Industrials	19	1.8	CASINO GUICHARD-P.	France	Cons. Svs.	2	7.2	FUJIFILM HOLDINGS	Technology	16	1.7
	SOUTHWEST AIRLINES	Cons. Svs.	9.8	1.1	ST MODWEN PROPS.	Financials	8.7	2.0	TELEFONICA DTL. (XET) HDLG.	Germany	Telecommunica	-	6.5	CREFIT SAISON	Financials	12	2.1
	MURPHY OIL	Oil & Gas	-	3.8	RANK GROUP	Cons. Svs.	13	3.2	TELECOM ITALIA	Italy	Telecommunica	17	0.0	HOKUTSU KISHU PAPER	Basic Mat.	15	1.9
	V F	Cons. Gds.	22	2.7	CARO FACTORY	Cons. Svs.	16	2.9	HENNES & MAURITZ 'B'	Sweden	Cons. Svs.	22	4.0	INPEX	Oil & Gas	###	2.1
	CHIPOTLE MEXN.GRILL	Cons. Svs.	62	0.0	SHAWBROOK GROUP	Financials	9	0.0	HEXPOLO 'B'	Sweden	Basic Mat.	19	2.2	KIKKOMAN	Cons. Gds.	25	1.0
	DAVITA	Health Care	39	0.0	THOMAS COOK GROUP	Cons. Svs.	6.1	0.0	E ON (XET)	Germany	Utilities	-	6.9	NGK INSULATORS	Industrials	13	1.8
	EXPRESS SCRIPTS HOLDING	Health Care	18	0.0	KENNEDY WILSON EU.RLST.	Financials	11	5.1	ELECTROLUX 'B'	Sweden	Cons. Gds.	23	3.1	FURUKAWA	Industrials	15	3.2
	ROBERT HALF INTL.	Industrials	14	2.3	VECTURA GROUP	Health Care	25	0.0	GETINGE	Sweden	Health Care	27	1.7	PIONEER	Cons. Gds.	18	0.0
	MYLAN	Health Care	26	0.0	COBHAM	Industrials	13	6.4	CREDIT SUISSE GROUP N	Switzerland	Financials	-	5.5	SHINSEI BANK	Financials	9	0.6
	TESORO	Oil & Gas	7.7	2.7	ONESAVINGS BANK	Financials	9	3.7	NOVO NORDISK 'B'	Denmark	Health Care	21	2.1	KYOWA HAKKO KIRIN	Health Care	28	1.6
	GILEAD SCIENCES	Health Care	7.1	2.3	PAGEGROUP	Industrials	14	3.5	LUXOTTICA	Italy	Cons. Gds.	26	2.1	YAHOO JAPAN	Technology	14	2.2
	TRIPADVISOR 'A'	Cons. Svs.	65	0.0	DFS FURNITURE	Cons. Svs.	4	3.9	BANCO DE SABADELL	Spain	Financials	8.3	4.1	ALPS ELECTRIC	Industrials	14	1.1
	AUTONATION	Cons. Svs.	12	0.0	MAN GROUP	Financials	12	6.0	UNIBET GROUP SDB	Sweden	Cons. Svs.	24	3.7	HITACHI	Industrials	13	2.6
	MARATHON OIL																

Biographies

Biography

Robin Griffiths

Head of Multi-Asset
Research & Advisory



Robin Griffiths is Head of Multi-Asset Research & Advisory at the ECU Group. He was previously Chief Technical Strategist at HSBC Investment Bank for 20 years, before becoming Head of Global Asset Allocation at Rathbones, and then a director and technical strategist for Cazenove Capital Management.

Robin was a Partner of WI Carr and Head of Technical Analysis at Grieveson Grant. Robin is a committee member and former chairman of the International Federation of Technical Analysts, and former chairman, now fellow, of the British Society of Technical Analysts. Robin has been a member of ECU's Global Macro Team for over 20 years.

Biography

Rashpal Sohan

Senior Macro &
Quant Strategist



Rashpal Sohan is Senior Macro & Quantitative Strategist at ECU, specialising in building fundamental and technical quantitative modes for use in global tactical asset allocation. He has a decade of experience in Asset Allocation, having previously served as Senior Asset Allocation Analyst for one of the UK's largest discretionary investment management firms, Rathbone Brothers.

Rashpal holds a first class honours degree in Actuarial Science from the London School of Economics, and is a qualified Financial Risk Management (FRM) professional.

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