

Wednesday, September 2, 2015

Market Elements

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Focal Points

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Market Elements

September 1, 2015
 Research Comment
[Quantitative/Technical Research Website](http://www.bmo.com/quantitative-technical-research-website)

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- [Equity markets fell sharply and broadly](#); all Gbl sectors fell at least 200bps; MSCI World slumped 2.7%, retracing two-thirds of the rebound off of the Aug 24 spike low.
- All U.S. T-bills maturing in Oct-Nov were bid into negative yield territory, Euro safe-haven bonds failed to rally; treasuries rose, yet just traded an inside day; N American corporate credit risk rose sharply; junk bonds fell for the first day in six.
- The safe haven JPY, EUR duo rose for the second day; commodity currencies fell 90-370bps (CAD - RUB); G7 currency volatility rose to a 5m high.
- WTI and Brent failed to break above falling 50d MAs and slumped 10%; gold rose \$5 to a 4d high.

Levels*

Currencies (USD per)

Symbol	H/L	Level	%Chg
DXY	★	95.28	-0.6%
EUR	●	1.1316	0.9%
CHF	●	1.0428	0.9%
GBP	●	1.5304	-0.3%
JPYx10	●	0.0838	1.6%
CAD	●	0.7543	-0.9%
AUD	L	0.7017	-1.3%
NZD	L	0.6329	-0.2%
BRL	L	0.2703	-2.1%
MXNx10	●	0.5894	-1.3%
ZAR	L	0.0744	-1.2%
KRWx10	●	0.8471	0.2%
CNY	●	0.1571	0.2%

Commodities

Symbol	H/L	Level	%Chg
BB Cmnty	●	88.74	-2.4%
WTI Oil	●	44.27	-10.0%
NMX Gas	●	2.69	-0.1%
Gold	●	1,140.3	0.5%
Silver	●	14.61	-0.1%
Platinum	●	1,002.6	-0.8%
Palladium	●	572.20	-4.7%
CMX Cu	●	229.20	-1.9%
LME Al 3m	●	0.73	0.0%
LME Ni 3m	●	4.43	-3.0%
LME Zn 3m	●	0.82	0.0%
Lumber	●	223.30	0.3%
Corn	●	369.00	-1.7%

Government 10- Yr Benchmark

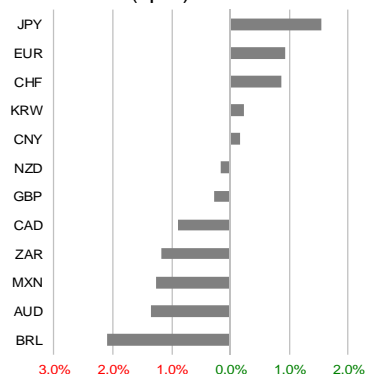
Symbol	H/L	Level	Chg
U.S.		2.15	-0.07
Canada		1.43	-0.06
U.K.		1.93	-0.03
Germany		0.80	-0.00
France		1.16	0.01
Italy		2.00	0.04
Spain		2.15	0.04
Portugal		2.73	0.08
Switzerland		(0.08)	0.02
Australia		2.64	-0.02
Hong Kong	●	1.42	0.00
India	●	7.75	-0.03
Japan		0.36	-0.02

Equity Indices & Sentiment

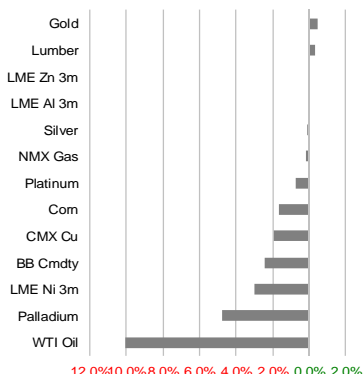
Symbol	H/L	Level	%Chg
MSCI World	●	1,601	-2.7%
MSCI EM	●	801	-2.2%
S&P 500	●	1,914	-3.0%
S&P/TSX	●	13,482	-2.7%
STOXX 50	●	3,189	-2.5%
FTSE 100	●	6,059	-3.0%
Hang Seng	●	21,185	-2.2%
Topix		1,478	-3.8%
S&P/ASX	●	5,096	-2.1%
CSI 300		3,362	-0.1%
CDX IG 5Yr	★	85	3.3%
ARMS	H	5.0	319.5%
VIX		31	10.4%

Moves

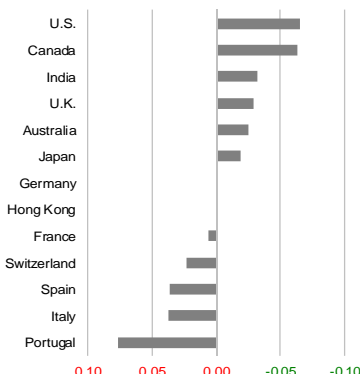
Currencies (spot)



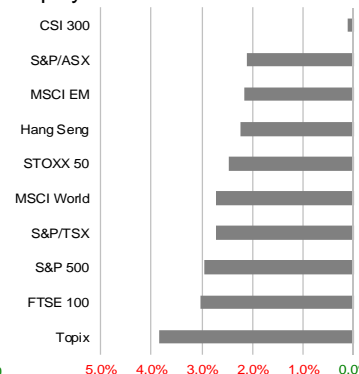
Commodities



Government 10- Yr Benchmarks

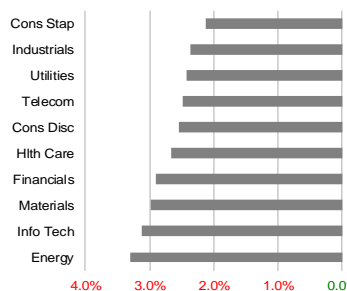


Equity Indices

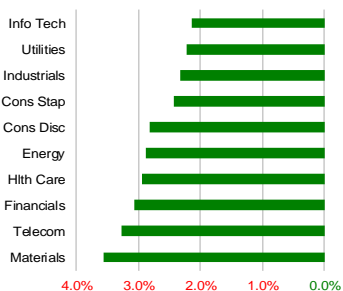


Sectors

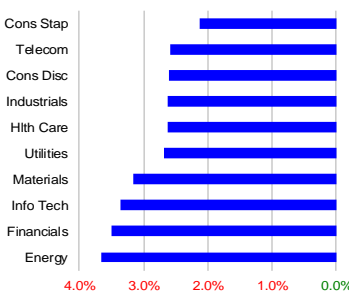
MSCI World



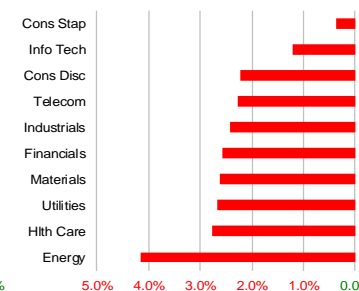
S&P Europe 350



S&P 500



S&P/TSX Composite



Source for all data and graphics in this publication: BMO Capital Markets, Bloomberg, Thomson

* H/L = at a new closing 52- wk High/Low; ★/● = within 10% of the 52- week High/Low; Colour codes are inverted for bond and sentiment indications

Daily Charts

3-Month View with 26-Day Bollinger Bands and 150-, 200- and 50-Day Moving Averages

- We are watching:
 - the safe haven **yen** (best real time indication of [code red](#))
 - the number of U.S.T-Bills getting bid into negative yield territory (BBT <GO> on your Bloomberg)
 - the **oil** rally come undone on the third day ([bears finally consulted on the book of armaments](#))
 - and yes **CDS indices**.

Currencies

U.S. Dollar Index



Euro



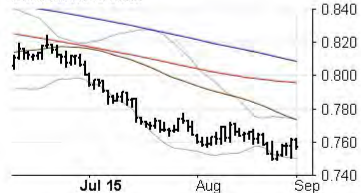
Yen



MSCI EM Currency Index



Canadian Dollar



Australian Dollar



Commodities

Gold (Spot)



Crude Oil (Brent)



Crude Oil (WTI)



Natural Gas (NMX)



Copper (CMX)



Nickel (LME 3Mo)



Bonds

U.S. 2-Yr Bond



U.S. 10-Yr Breakeven



U.S. 10-Yr Bond



Canadian 10-Yr Bond



German 10-Yr Bund



Italian 10-Yr Bond



Equities

MSCI World Index



S&P 500



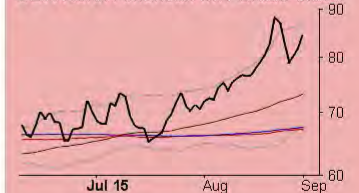
S&P/TSX Composite



VIX



CDX North American Inv. Grade Index



Ave. Prime Broker 5yr CDS

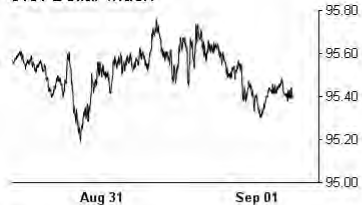


Look At
 The Very
 Short
 End
 Of
 The U.S.
 Curve
 For
 The
 Treasury
 Safe-Haven
 Bid

Intra Day Charts
2-Day 1-Minute View

Currencies

U.S. Dollar Index



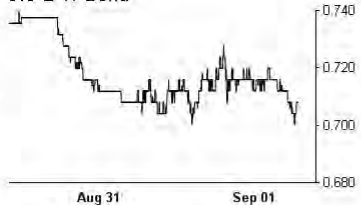
Commodities

Gold (Spot)



Bonds

U.S. 2-Yr Bond

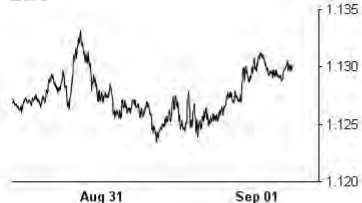


Equities

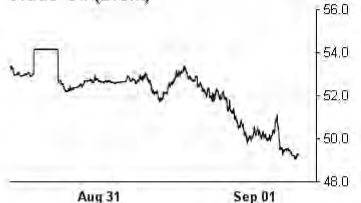
MSCI World Index



Euro



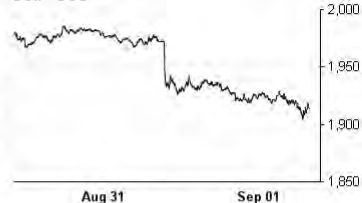
Crude Oil (Brent)



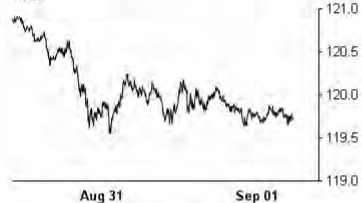
U.S. 10-Yr Breakeven



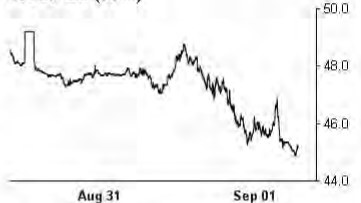
S&P 500



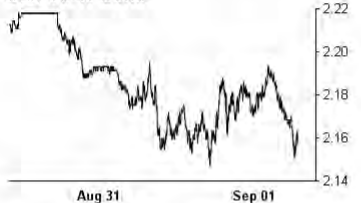
Yen



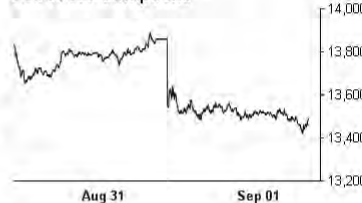
Crude Oil (WTI)



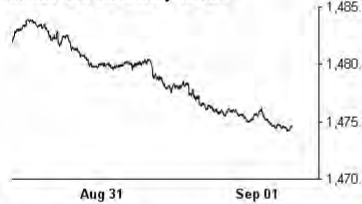
U.S. 10-Yr Bond



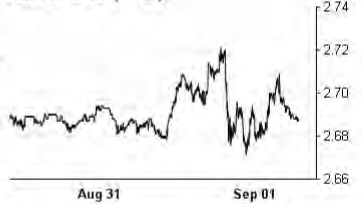
S&P/TSX Composite



MSCI EM Currency Index



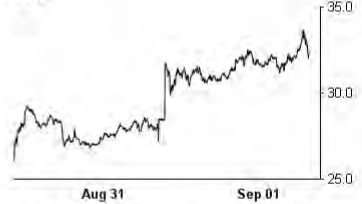
Natural Gas (NMX)



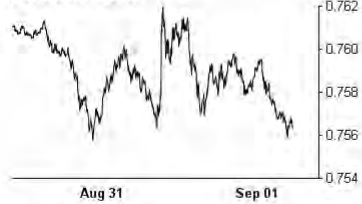
Canadian 10-Yr Bond



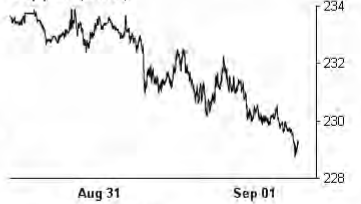
VIX



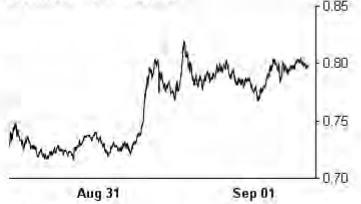
Canadian Dollar



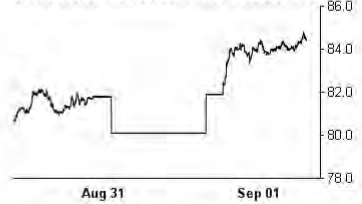
Copper (CMX)



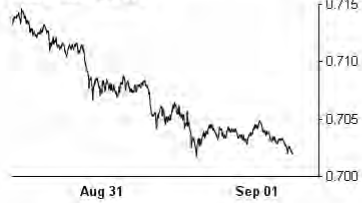
German 10-Yr Bund



CDX North American Inv. Grade Index



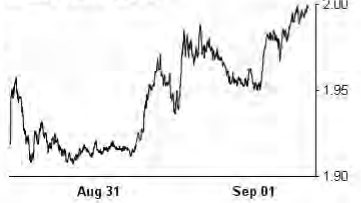
Australian Dollar



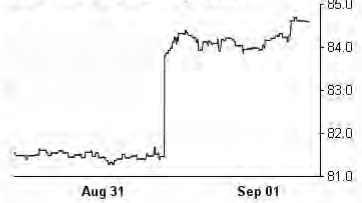
Nickel (LME 3Mo)



Italian 10-Yr Bond



Ave. Prime Broker 5yr CDS

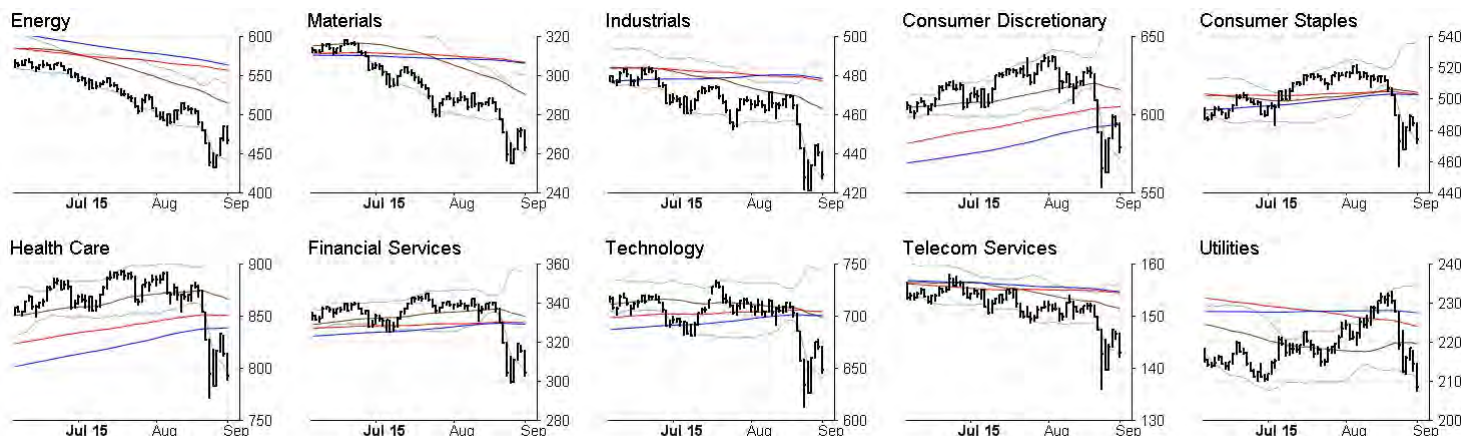


Daily Sector Charts

3-Month View with 26-Day Bollinger Bands and 150-, 200- and 50-Day Moving Averages

- U.S. – at a 52-week low: Utilities.

S&P 500



S&P/TSX Composite



S&P Europe 350



Market Movers – Largest Daily Percentage Moves

S&P Global 1200 ex U.S. & Canada			S&P 500			S&P/TSX Composite			
Name	Symbol	% Chg	Name	Symbol	% Chg	Name	Symbol	% Chg	
Energy	Subsea 7 SA	SUBC NO	0.4%	Range Resources	RRC	-1.7%	Calfrac Well Services	CFW	-0.9%
	Empresas COPEC	COPEC CI	-0.2%	Phillips 66	PSX	-1.9%	Enerflex Ltd	EFX	-1.3%
	Seadrill Ltd	SDRL NO	-0.2%	Cameron	CAM	-2.3%	Parex Resources	PXT	-1.3%
	Santos Ltd	STO AU	-6.6%	CONSOL Energy	CNX	-6.4%	Pengrowth Energy	PGF	-14.5%
	Ecopetrol SA	EC US	-7.1%	Noble Energy	NBL	-6.9%	Bonavista Energy	BNP	-14.9%
	Petroleo Brasileiro	PBR/A US	-7.3%	Murphy Oil	MUR	-7.9%	Penn West Petroleum	PWT	-18.4%
Materials	JSR Corp	4185 JP	-0.3%	Sigma-Aldrich	SIAL	0.0%	Alamos Gold	AGI	7.2%
	Clariant AG	CLN VX	-0.3%	WestRock Co	WRK	-1.6%	B2Gold Corp	BTO	3.2%
	Holmen AB	HOLMB SS	-0.4%	Sealed Air	SEE	-1.6%	CCL Industries	CCL/B	2.4%
	BHP Billiton	BLT LN	-6.7%	LyondellBasell Industries	LYB	-4.5%	Teck Resources	TCK/B	-9.3%
	Anglo American	AAL LN	-7.6%	Dow Chemical Co	DOW	-4.8%	Sherritt	S	-9.9%
	Glencore PLC	GLEN LN	-10.0%	Freeport-McMoRan	FCX	-8.2%	First Quantum Minerals	FM	-10.5%
Industrials	Rentokil Initial	RTO LN	2.3%	American Airlines Group	AAL	0.6%	Transcontinental	TCL/A	6.5%
	Sydney Airport	SYD AU	1.6%	Delta Air Lines	DAL	-0.0%	WSP Global	WSP	0.1%
	Cobham PLC	COB LN	1.1%	Precision Castparts	PCP	-0.3%	MacDonald Dettwiler & Associates	MDA	-1.0%
	TOTO Ltd	5332 JP	-5.7%	Flowserve Corp	FLS	-5.3%	Badger Daylighting	BAD	-5.8%
	NGK Insulators	5333 JP	-5.9%	United Rentals	URI	-5.8%	Bombardier	BBD/B	-9.3%
	SMC	6273 JP	-6.3%	Joy Global	JOY	-7.9%	Black Diamond Group	BDI	-12.4%
Cons Disc	Pirelli & C.	PC IM	-0.1%	Cablevision Systems	CVC	1.9%	Dollarama Inc	DOL	1.5%
	SACI Falabella	FALAB CI	-0.9%	L Brands Inc	LB	-0.1%	Dorel Industries	DI/B	-0.2%
	Kia Motors	000270 KS	-1.3%	AutoZone Inc	AZO	-0.2%	Corus Entertainment	CJR/B	-0.3%
	Suzuki Motor	7269 JP	-5.7%	Wynn Resorts	WYNN	-5.4%	RONA Inc	RON	-4.4%
	Aisin Seiki	7259 JP	-6.1%	Netflix Inc	NFLX	-8.0%	Martinrea	MRE	-6.5%
	Altice NV	ATC NA	-6.8%	Dollar Tree	DLTR	-8.7%	AutoCanada	ACQ	-7.0%
Cons Stap	Wal-Mart de Mexico	WALMEX* MM	0.8%	Constellation Brands	STZ	-0.2%	Alimentation Couche-Tard	ATD/B	1.7%
	Want Want China Holdings	151 HK	-0.2%	Walgreens Boots Alliance Inc	WBA	-0.6%	Empire Co Ltd	EMP/A	1.3%
	Tate & Lyle	TATE LN	-0.6%	Kellogg Co	K	-0.9%	Jean Coutu Group PJC Inc	PJC/A	1.3%
	NH Foods Ltd	2282 JP	-4.8%	Mondelez	MDLZ	-3.2%	Loblaw Cos	L	-1.8%
	Nissin Foods Holdings	2897 JP	-5.0%	Kraft Heinz Co/The	KHC	-3.5%	Cott Corp	BCB	-3.5%
	Yakult Honsha	2267 JP	-5.5%	Archer-Daniels-Midland	ADM	-3.7%	Maple Leaf Foods	MFI	-3.6%
Health Care	Ramsay Health Care	RHC AU	-1.0%	Hospira Inc	HSP	-0.0%	Extencare	EXE	-0.5%
	Cochlear Ltd	COH AU	-1.1%	AmerisourceBergen	ABC	-0.8%	Concordia Healthcare	CXR	-0.8%
	UCB SA	UCB BB	-1.3%	Alexion Pharmaceuticals	ALXN	-0.8%	Chartwell Retirement Residence	CSS-U	-0.9%
	Hoya Corp	7741 JP	-6.6%	Becton Dickinson and	BDX	-4.3%	Prometic Life Sciences	PLI	-1.0%
	Otsuka Holdings	4578 JP	-6.9%	Endo International	ENDP	-4.6%	Valeant Pharmaceuticals	VRX	-2.9%
	Eisai Co Ltd	4523 JP	-7.5%	PerkinElmer	PKI	-4.6%			
Financials	Medibank Pvt Ltd	MPL AU	1.3%	Plum Creek Timber Co	PCL	-0.6%	First Capital Realty	FCR	1.7%
	Dexus Property Group	DXS AU	0.1%	Public Storage	PSA	-1.1%	Cominar REIT	CUF-U	0.7%
	Hang Seng Bank	11 HK	-0.1%	HCP Inc	HCP	-1.2%	Onex Corp	OCX	0.1%
	Old Mutual	OML LN	-6.4%	US Bancorp	USB	-4.9%	Manulife Financial	MFC	-4.9%
	3i Group PLC	III LN	-6.6%	Hudson City Bancorp	HCBK	-4.9%	TMX Group Ltd	X	-5.2%
	Man Group PLC	EMG LN	-6.8%	Genworth Financial	GNW	-6.4%	IGM Financial	IGM	-5.7%
Technology	Samsung Electronics	005930 KS	-0.4%	Altera Corp	ALTR	-0.7%	Avigilon Corp	AVO	0.7%
	Gemalto NV	GTO NA	-1.0%	Hewlett-Packard	HPQ	-0.9%	Open Text Corp	OTC	0.3%
	STMicroelectronics	STM IM	-1.0%	First Solar	FSLR	-1.2%	Enghouse Systems	ESL	0.0%
	Hirose Electric	6806 JP	-5.1%	Skyworks Solutions	SWKS	-4.9%	BlackBerry	BB	-2.7%
	Murata Manufacturing	6981 JP	-6.2%	Microchip Technology	MCHP	-5.1%	DH Corp	DH	-3.7%
	TDK Corp	6762 JP	-6.9%	Avago Technologies	AVGO	-5.2%	Sierra Wireless	SW	-3.9%
Telecom	Singapore Telecoms	ST SP	-0.8%	Frontier Communications Corp	FTR	-0.6%	Manitoba Telecom Services	MBT	-0.2%
	America Movil	AMXL MM	-1.2%	Verizon Communications	VZ	-2.4%	BCE Inc	BCE	-2.3%
	China Mobile	941 HK	-1.2%	AT&T Inc	T	-2.7%	TELUS Corp	T	-2.3%
	TDC	TDC DC	-3.9%	Level 3 Communications	LVL3	-3.3%	Rogers Communications	RCI/B	-2.6%
	Millicom Intl Cellular	MIC SS	-3.9%	CenturyLink	CTL	-4.2%			
	NTT DOCOMO	9437 JP	-4.2%						
Utilities	SSE PLC	SSE LN	-0.6%	Pepco Holdings Inc	POM	-0.3%	Fortis	FTS	-1.1%
	Red Electrica Corp	REE SM	-1.1%	TECO Energy	TE	-1.2%	Just Energy Group	JE	-2.1%
	Enagas SA	ENG SM	-1.1%	AGL Resources	GAS	-1.2%	Northland Power	NPI	-2.6%
	Kansai Electric Power Co Inc	9503 JP	-5.4%	Entergy Corp	ETR	-3.5%	Algonquin Power & Utilities	AQN	-3.5%
	Tokyo Electric Power Co	9501 JP	-5.9%	CenterPoint Energy	CNP	-4.2%	Superior Plus	SPB	-3.7%
	Kyushu Electric Power Co	9508 JP	-6.0%	AES	AES	-4.7%	TransAlta Corp	TA	-5.6%

Bold = move of more than 5%

U.S. Market Movers

Energy				Industrials				Consumer Discretionary				Consumer Staples				Technology				Financials			
Symbol	H/L	Last	%Chg	Symbol	H/L	Last	%Chg	Symbol	H/L	Last	%Chg	Symbol	H/L	Last	%Chg	Symbol	H/L	Last	%Chg	Symbol	H/L	Last	%Chg
ESV		17.09	-5.6%	UTX		89.72	-2.1%	DLPH		72.03	-4.6%	CVS		100.27	-2.1%	GOOGL		629.56	-2.8%	WFC		50.99	-4.3%
NE		12.70	-2.4%	BA		127.44	-2.5%	JCI		39.37	-4.3%	WBA		86.04	-0.6%	EBAY		26.48	-2.3%	USB		40.27	-4.9%
RIG		13.71	-3.6%	HON		95.96	-3.3%	BWA	L	42.47	-2.7%	SY		39.08	-2.0%	YHOO		31.60	-1.9%	CMA		41.93	-4.7%
DO		22.71	-4.2%	LMT		197.62	-1.8%	GM		28.64	-2.7%	KR		33.85	-1.9%	AKAM		70.43	-1.2%	PNC		87.19	-4.3%
NBR		10.94	-5.1%	GD		138.89	-2.2%	F		13.72	-1.1%	WFM		32.13	-1.9%	VRSN		66.56	-3.4%	BBT		35.33	-4.3%
HP		55.92	-5.2%	RTN		100.04	-2.5%	HOG		54.65	-2.5%	WMT		63.82	-1.4%	ACN		92.29	-2.1%	STI		38.47	-4.7%
RDC		17.58	-2.1%	NOC		159.37	-2.7%	MHK		192.86	-2.1%	COST		138.30	-1.2%	CTSH		61.23	-2.7%	FITB		19.09	-4.1%
PTEN		15.36	-5.6%	PCP		229.60	-0.3%	PHM		19.90	-3.8%	TAP		66.30	-2.6%	LDOS		40.36	-4.0%	RF		9.21	-3.9%
UNT		14.50	-4.6%	LLL	L	103.07	-2.3%	DHI		29.66	-2.3%	STZ		127.72	-0.2%	V		68.96	-3.2%	MTB		112.65	-4.7%
ATW		18.22	-4.6%	COL		79.25	-3.2%	NVR		1,502	-1.2%	BF/B		95.95	-2.2%	MA		89.05	-3.5%	KEY		13.09	-4.7%
PES		3.02	-8.7%	ITT		35.80	-4.3%	WHR		160.20	-4.7%	KO		38.75	-1.4%	ADP		75.10	-2.0%	HBAN		10.45	-4.2%
SLB		75.42	-2.5%	FLR		44.07	-3.4%	NWL		40.69	-3.4%	PEP		91.33	-1.7%	WU		17.72	-3.9%	AMT		90.03	-2.3%
HAL		37.95	-3.5%	EMR		46.27	-3.0%	MAT		22.57	-3.7%	MNST		135.03	-2.5%	PAYX		43.46	-2.6%	NYCB		17.01	-3.6%
BHI		54.38	-2.8%	ROK		107.55	-3.8%	HAS		72.52	-2.8%	CCE		50.93	-1.1%	FIS		67.08	-2.8%	HCBK		8.84	-4.9%
NOV		41.35	-2.3%	GE		23.88	-3.8%	COH		29.59	-2.2%	DPS		75.41	-1.7%	CSC		60.12	-3.0%	PBCT		14.90	-3.8%
CAM		65.25	-2.2%	MMM		138.50	-2.6%	VFC		70.75	-2.3%	ADM		43.34	-3.7%	FISV		82.87	-2.0%	BAC		15.88	-4.6%
FTI		33.24	-4.4%	TYC		35.43	-2.4%	RL		108.44	-2.5%	MDLZ		41.01	-3.2%	ADS		252.40	-1.8%	JPM		61.45	-4.1%
OII		40.81	-4.8%	CAT		74.90	-2.0%	NKE		108.63	-2.8%	GIS		55.53	-2.2%	ADBE		75.99	-3.2%	C		50.94	-4.7%
DRQ		67.55	-2.0%	DE		80.00	-2.2%	LVS		45.33	-1.9%	INTU		84.10	-1.9%	INTU		84.10	-1.9%	LUK		20.71	-3.4%
OIS		26.85	-5.3%	PCAR		57.03	-3.3%	WYNN	L	70.99	-5.4%	CRM		66.63	-3.9%	CRM		66.63	-3.9%	CME		91.12	-3.5%
TDW		16.41	-8.4%	CMJ		120.31	-1.2%	IGT		16.44	-3.2%	CTXS		65.40	-3.8%	CTXS		65.40	-3.8%	MHFI		92.77	-4.3%
CRR		25.63	-6.5%	DHR		84.79	-2.6%	CCL		47.78	-2.9%	CAG		40.87	-1.9%	ADSK	L	45.49	-2.6%	ICE		224.52	-1.7%
SPN		14.95	-6.0%	ITW		81.84	-3.2%	RCL		86.30	-2.1%	MUN		76.04	-2.9%	MSFT		41.82	-3.9%	MCO		98.99	-3.2%
CKH		63.11	-2.1%	ETN		54.90	-3.8%	MAR		69.09	-2.2%	WWAV		44.50	-3.6%	ORCL		36.01	-2.9%	AXP		74.00	-3.5%
EXH		21.62	-3.1%	PH		105.68	-1.8%	HOT	L	68.85	-3.7%	HSY		87.08	-2.7%	SYMC		19.93	-2.7%	COF		74.32	-4.4%
SLCA		19.50	-2.9%	DOV		59.02	-4.7%	WYN		75.13	-1.8%	SJM		114.02	-3.1%	CA		26.52	-2.8%	DFS		51.35	-4.4%
BRS		36.17	-2.4%	FAST		37.45	-2.8%	MCD		93.47	-1.6%	HAIN		58.95	-3.1%	RHT		70.04	-3.0%	SLM		8.13	-4.1%
HLX		6.69	-3.7%	GWVW		218.74	-2.1%	YUM		79.10	-0.8%	TSN		41.40	-2.1%	ATVI		27.86	-2.6%	BK		38.34	-3.6%
NR		6.86	-6.4%	WM		49.31	-1.5%	SBUX		53.50	-2.2%	HRL		59.65	-2.4%	EA		63.43	-4.1%	BEN		39.45	-2.7%
TTI		7.24	-5.8%	RSR		40.02	-2.3%	DRI		67.07	-1.4%	MKC		77.61	-2.1%	CSCO		25.12	-2.9%	BLK		294.30	-2.7%
HOS		18.42	-6.7%	UPS		95.20	-2.5%	CMG		706.71	-0.5%	PM		77.78	-2.5%	QCOM		55.02	-2.7%	STT		69.68	-3.1%
ERA		16.29	-3.6%	FDX		148.03	-1.7%	APOL		10.81	-2.7%	MO		52.03	-2.9%	MSI		63.85	-1.4%	TROW		69.38	-3.4%
BAS		4.89	-6.1%	CHRW		66.00	-2.1%	DV		25.36	-3.1%	ENR		40.83	-2.5%	JNPR		24.94	-2.9%	NTRS		68.00	-2.6%
MTRX		21.49	7.4%	EXPD		48.02	-1.9%	HRB		32.95	-3.1%	PG		68.90	-2.5%	HRS		74.64	-2.8%	AMP		109.10	-3.1%
XOM		72.08	-4.1%	LUV		36.36	-0.9%	OMC		65.17	-2.7%	CL		61.27	-2.5%	FFIV		118.39	-2.4%	AMG	L	179.21	-3.8%
CVX		78.19	-3.4%	DAL		43.77	-0.0%	IPG		18.27	-3.2%	KMB		104.03	-2.3%	AAPL		107.72	-4.4%	IVZ		32.91	-3.5%
COP		47.75	-2.8%	UNP		83.38	-2.8%	CBS		43.79	-3.2%	CLX		108.82	-2.1%	IBM		142.68	-3.5%	LM	L	42.75	-3.5%
OXY		70.01	-4.1%	NSC		75.71	-2.8%	DISCA		26.28	-1.2%	ENR		41.46	-0.7%	HPQ		27.81	-0.8%	GS		182.12	-3.4%
MRO		16.85	-2.5%	CSX		26.73	-2.4%	CMCSA		55.02	-2.3%	CHD		83.92	-2.7%	TDC		28.54	-2.3%	MS		33.12	-3.8%
HES		57.07	-4.0%	Health Care				SIRI		3.76	-1.4%	ALV		4.75	-8.5%	EMC		24.01	-3.4%	SCHW		29.09	-4.2%
MUR		28.56	-7.8%	Symbol	H/L	Last	%Chg	TWC		183.37	-1.4%	EL		77.23	-3.2%	STX		50.60	-1.5%	MMC		52.10	-3.0%
APA		43.13	-4.6%	MDT		69.53	-3.8%	SNI		51.78	-2.5%	NTAP		30.96	-3.1%	AON		90.28	-3.3%				
DVN		40.33	-5.4%	BAX		37.23	-3.1%	DIS		99.51	-2.3%	WDC		80.45	-1.8%	MET		47.99	-4.2%				
Materials				SYK		95.46	-3.2%	TXW		69.44	-2.3%	SNDK		52.81	-3.2%	PRU		77.12	-4.4%				
Symbol	H/L	Last	%Chg	BDX		134.89	-4.3%	FOXA	L	26.60	-2.9%	FLIR		28.02	-2.1%	AFL		56.65	-3.3%				
LYB		81.55	-4.4%	ISRG		503.42	-1.4%	VIAB		40.39	-0.9%	GLW		16.70	-2.9%	PFG		48.32	-4.0%				
DD		50.02	-2.8%	STJ		68.68	-3.0%	GCI		12.72	-3.0%	APH		50.38	-3.7%	LNC		48.30	-4.9%				
DOW		41.66	-4.7%	ZBH		100.65	-2.8%	GPC		81.20	-2.7%	TEL		57.91	-2.3%	UNM		32.32	-3.6%				
EMN		70.03	-3.3%	BSX		16.09	-3.8%	AMZN		496.54	-3.2%	AVT		40.95	-3.4%	AIG		58.73	-2.6%				
FMC		40.54	-4.1%	HSP		89.96	-0.0%	PCLN		1,215	-2.7%	XRX		9.78	-3.8%	L		35.72	-2.0%				
MON		95.80	-1.8%	MCK		195.78	-0.9%	EXPE		110.37	-4.0%	AMAT		15.49	-3.6%	HIG		44.75	-2.6%				
MOS		39.21	-3.3%	CAH		80.23	-2.4%	INFLX		105.79	-8.0%	KLAC		48.03	-4.1%	GNW		4.85	-6.3%				
CF		54.84	-4.4%	ESRX		81.93	-1.9%	KSS		50.52	-1.0%	LRXC		69.56	-4.4%	BRK/B		130.41	-2.7%				
PX	L	102.38	-3.1%	DGX		65.70	-3.0%	SHLD		26.15	-2.0%	INTC		27.82	-2.5%	TRV		97.49	-2.0%				
APD		135.92	-2.5%	UNH		112.63	-2.6%	M		57.95	-1.1%	POM		22.90	-0.3%	TXN		46.34	-3.1%				
ARG		94.01	-2.6%	ANTM		138.06	-2.1%	JWN		71.66	-1.7%	WR		35.49	-2.9%	BRCM		49.88	-3.4%				
ECL		105.42	-3.4%	HUM		179.25	-1.9%	JCP		9.26	1.6%	GXP		24.28	-2.5%	FSLR		47.26	-1.2%				
PPG		91.35	-4.1%	AET		111.55	-2.5%	TGT		75.39	-3.0%	HE		27.31	-3.3%	NVDA		21.56	-4.0%				
SHW		248.53	-2.8%	CI		139.00	-1.2%	DG		71.82	-3.6%	CNL		53.32	-0.4%	ADI		53.55	-4.1%				
SIAL		139.44	0.0%	AMGN		147.46	-2.8%	DLTR		69.65	-8.7%	IDA		57.61	-2.9%	MU		15.82	-3.5%				
IFF		106.23	-3.0%	REGN		496.42	-3.3%	TJX		69.39	-1.3%	ALE		46.23	-3.2%	CREE		26.07	-4.2%				
ASH		101.16	-3.6%	GILD		101.49	-3.4%	GPS		32.27	-1.6%	EE		34.45	-2.6%	ALTR		48.22	-0.6%				
VAL	L	71.15	-2.9%	ALXN		170.85	-0.7%	LB		83.85	-0.1%	PNM		24.96	-2.5%	XLNX		40.31	-3.7%				
RPM		42.49	-3.1%	VRTX		124.04	-2.7%	ROST		47.47	-2.4%	UIL		44.83	-1.5%	LLTC		38.46	-4.5%				
ALB		42.85	-5.2%	CELG		115.46	-2.2%	URBN		30.50	-1.2%	NFG		52.95	-1.8%	AMD		1.71	-5.5%				
VMC		91.92	-1.8%	BIIB		292.50	-1.6%	GES		21.93	-0.8%	UGI		33.56	-1.5%	MCHP		40.34	-5.0%				
MLM		163.72	-2.4%	JNJ		92.09	-2.4%	BBY		35.44	-3.5%	GAS		60.26	-1.1%	Telecom Services							

Canadian Market Movers

Energy				Materials				Industrials				Consumer Discretionary				Technology				Financials			
Symbol	H/L	Last	%Chg	Symbol	H/L	Last	%Chg	Symbol	H/L	Last	%Chg	Symbol	H/L	Last	%Chg	Symbol	H/L	Last	%Chg	Symbol	H/L	Last	%Chg
PD		6.23	-1.7%	MX		51.97	-3.4%	BBD/B		1.17	-9.3%	MG		62.55	-3.6%	SUM		7.60	-1.9%	XIU		20.00	-2.5%
ESI		10.01	-4.8%	CUS		1.33	9.0%	CAE		14.26	-1.3%	LNR		66.25	-4.1%	GIB/A		47.88	-1.4%	XSP		22.17	-2.8%
TDG		2.61	-5.4%	CHE-U		18.41	-3.1%	MDA		76.70	-1.0%	MRE		10.93	-6.5%	DH		41.12	-3.6%	XIC		21.44	-2.3%
WRG		5.23	-5.2%	POT		33.62	-1.8%	MAL		16.66	-0.2%	DI/B		35.36	-0.1%	OTC		59.83	0.2%	XDV		21.40	-2.6%
SCL		28.15	-3.9%	AGU		132.29	-3.1%	HRX		11.54	1.1%	DOO		26.79	-1.4%	CSU		561.51	-0.1%	XFN		28.75	-2.8%
SES		10.19	-4.3%	CCL/B		176.20	2.4%	DRT		5.51	-2.4%	PSG		16.38	-4.2%	DSG		22.72	-0.1%	CPD		13.29	0.7%
PSI		19.83	-3.2%	ITP		13.85	-6.2%	SNC		38.75	-1.8%	GIL		40.44	-2.0%	CMG		11.95	-2.3%	ZEB		20.86	-2.5%
MTL		18.68	-2.2%	WPK		40.34	0.9%	ARE		12.62	-1.0%	AYA		27.03	-1.4%	ESL		50.99	0.0%	RY		71.33	-2.7%
CEU		7.01	-8.8%	CAS		8.32	-3.0%	BDT		12.00	-0.4%	GC		18.12	-1.5%	RKN		3.84	-1.0%	TD		51.22	-2.4%
TCW		1.74	-5.4%	TCK/B		8.57	-9.3%	WSP		42.24	0.0%	GH		10.50	0.0%	KXS		35.97	-1.3%	BNS		58.24	-3.2%
CFW		4.56	-0.8%	TRQ		3.82	-3.0%	BAD		19.53	-5.8%	IT		11.83	-2.9%	ABT		8.36	0.3%	BMO		68.74	-3.1%
EFX		12.49	-1.2%	FM		6.14	-10.4%	BLD		1.76	-0.5%	TRZ/B		7.43	1.3%	BB		9.71	-2.7%	CM		94.51	-2.2%
TESO US		8.13	-4.2%	LUN		4.09	-8.5%	LMP		14.56	-1.9%	WB		22.20	-0.8%	WIN		2.63	-2.2%	NA		42.29	-2.3%
FRC		5.48	-3.0%	S		1.09	-9.9%	TH		34.14	-2.5%	QSR		49.35	-2.2%	SW		28.35	-3.8%	CWB		23.73	-3.9%
NAL		12.79	-3.8%	HBM		6.26	-5.0%	WPT		4.38	-5.3%	MTY		32.96	-2.2%	MITL US		7.17	-2.7%	LB		48.28	-0.2%
TOT		15.00	0.0%	TCM		0.70	-1.4%	AFN		36.58	-3.5%	CAO		33.11	-0.1%	SVC		3.10	-3.7%	MIC		29.21	-4.1%
SU		36.05	-3.2%	CS		0.62	0.0%	NFI		19.14	0.1%	BPF-U		18.28	-2.6%	CDV		4.78	-2.0%	HCG		26.27	-4.4%
IMO		44.61	-3.9%	MDI		3.97	-1.7%	ATA		13.24	-2.7%	AW-U		27.07	-0.6%	ET		15.00	0.0%	EQB		52.90	-5.1%
HSE		22.23	-5.1%	IVN		0.75	-6.2%	XTX		14.78	1.6%	PZA		13.59	-1.3%	GSIG US		12.65	-2.6%	FN		19.85	-2.4%
CVE		17.80	-6.6%	ABX		8.89	-2.8%	FTT		21.13	-5.2%	KEG-U		18.40	-0.5%	PUR		6.16	2.1%	MKP		12.09	-0.5%
IOC US		33.51	-6.5%	G		18.19	-0.3%	RUS		21.21	-4.0%	EIC		13.79	-1.5%	AVO		14.00	0.7%	FC		12.17	-1.7%
CNQ		28.36	-4.3%	K		2.24	-4.6%	RCH		65.98	-0.8%	AIM		11.29	-1.4%	CLS		15.90	-1.1%	OCX		80.15	0.0%
ECA		9.01	-8.3%	AEM		31.91	-0.9%	WJX		21.92	-4.4%	MDZ/A		25.08	-3.4%	CSIQ US		18.01	-3.7%	X		46.11	-5.2%
CPG		16.08	-4.7%	ELD		3.85	-2.0%	TCL/A		15.28	6.4%	CJ/R/B		14.25	-0.2%	CLS		15.90	-1.1%	EFN		18.71	-0.5%
TOU		32.12	-3.5%	YRI		2.35	-4.8%	BIN		35.56	-2.0%	SJ/R/B		25.98	-1.7%	CLS		15.90	-1.1%	IGM		35.49	-5.7%
COS		6.90	-10.3%	IMG		2.08	-5.8%	RBA		34.93	-3.8%	QBR/B		27.30	-3.1%	CLS		15.90	-1.1%	CIX		30.37	-3.4%
ARX		18.87	-4.6%	IGT		14.62	1.3%	RBA US		26.48	-3.9%	CCA		64.72	-2.5%	CLS		15.90	-1.1%	AGF/B		5.95	-4.6%
MEG		10.69	-9.5%	FNV		56.23	-1.3%	BYD-U		64.29	1.2%	XSR		4.91	-0.8%	CLS		15.90	-1.1%	TCN		11.33	-0.6%
VET		44.22	-2.9%	CG		6.45	-3.0%	DCI		13.25	-1.3%	CGO		53.38	-3.4%	CLS		15.90	-1.1%	DC/A		10.06	-2.9%
BTE		7.15	-6.0%	NGD		3.02	-0.3%	BDI		8.23	-12.4%	LGF US		36.20	-1.3%	CLS		15.90	-1.1%	U		5.17	-0.9%
POU		13.36	-5.1%	AGI		5.81	7.1%	KBL		46.85	-2.4%	IMAX US		30.18	-3.7%	CLS		15.90	-1.1%	SII		2.25	0.0%
PRE		4.04	-3.2%	SMF		3.16	-3.0%	HNL		3.02	-7.6%	CGX		47.09	-1.6%	CLS		15.90	-1.1%	AD		26.26	-2.4%
PEY		30.17	-9.4%	NG		4.75	-3.4%	MSI		15.17	-2.2%	DHX/B		8.37	-1.9%	CLS		15.90	-1.1%	GS		22.23	-3.3%
PSK		26.50	-3.8%	DGC		13.32	0.2%	STN		30.35	-1.5%	TRI		50.05	-2.2%	CLS		15.90	-1.1%	GCG/A		16.95	-1.7%
ERF		7.95	-5.1%	PVG		6.93	-1.5%	WJA		23.56	-1.9%	TS/B		4.09	3.0%	CLS		15.90	-1.1%	GMP		4.35	0.9%
UPL US		8.16	-4.2%	PHY/U		9.41	0.7%	CHR/B		5.16	-2.4%	Y		17.32	-4.1%	CLS		15.90	-1.1%	CF		5.89	-4.8%
WCP		10.29	-3.9%	SEA		8.22	-3.0%	AC		10.80	-3.8%	UNS		57.48	-0.5%	CLS		15.90	-1.1%	MFC		20.33	-4.9%
VII		13.90	-3.2%	KGI		5.23	-1.6%	EIF		23.95	-1.6%	HBC		22.15	-2.9%	CLS		15.90	-1.1%	GWO		30.03	-1.7%
PWT		0.84	-18.4%	BTO		1.59	3.2%	CNR		71.75	-1.9%	SCC		8.17	-0.9%	CLS		15.90	-1.1%	PFW		31.44	-2.7%
PGF		1.65	-14.5%	XGD		7.85	-1.7%	CP		185.61	-2.8%	CTC/A		122.32	-1.5%	CLS		15.90	-1.1%	SLF		40.72	-2.6%
TET		4.62	-3.9%	P		3.74	-1.8%	TFI		23.31	-1.5%	DOL		76.27	1.5%	CLS		15.90	-1.1%	POW		28.06	-2.5%
BNP		3.48	-14.9%	AR		1.28	-3.7%	STB		5.29	-2.5%	RET/A		5.72	-1.3%	CLS		15.90	-1.1%	IAG		40.22	-4.2%
ATH		1.47	-8.1%	TXG		1.22	-1.6%	WTE		26.05	-1.6%	RON		13.58	-4.3%	CLS		15.90	-1.1%	FFH		605.89	-0.9%
BNE		20.11	-8.0%	LSG		1.07	-3.6%					EH		16.13	-2.5%	CLS		15.90	-1.1%	IFC		90.51	-0.5%
NBZ		4.59	2.0%	CNL		2.96	5.3%					ACQ		27.96	-6.9%	CLS		15.90	-1.1%	XRE		14.91	-0.8%
FRU		10.33	-5.4%	RMX		1.01	-3.8%					LNF		13.80	-4.6%	CLS		15.90	-1.1%	HR-U		20.52	-0.6%
RRX		8.00	-4.8%	OR		15.01	-1.7%					GBT		15.50	0.0%	CLS		15.90	-1.1%	REF-U		40.82	-0.4%
PXT		8.95	-1.3%	SSL		3.50	-2.7%									CLS		15.90	-1.1%	DRG-U		8.98	-0.9%
BIR		6.73	-2.1%	OGC		2.29	-1.2%									CLS		15.90	-1.1%	CUF-U		16.34	0.6%
SGY		2.89	-4.3%	GUY		3.91	-3.2%									CLS		15.90	-1.1%	CRR-U		12.75	-1.7%
AOI		1.89	-7.8%	CGG		1.82	-3.7%									CLS		15.90	-1.1%	AP-U		34.30	-1.6%
KEL		6.04	-4.1%	ASR		2.91	1.3%									CLS		15.90	-1.1%	D-U		21.06	-0.9%
NVA		5.58	-1.9%	NSU		3.72	-5.8%									CLS		15.90	-1.1%	BOX-U		24.70	-0.4%
BNK		2.21	-5.9%	R		0.54	-3.5%									CLS		15.90	-1.1%	BEI-U		53.60	-1.7%
BXE		2.40	-3.6%	SLW		15.63	-3.0%									CLS		15.90	-1.1%	CAR-U		27.68	-1.1%
CR		4.35	-2.6%	PAA		8.93	-2.1%									CLS		15.90	-1.1%	NPR-U		20.40	-1.4%
OXC		0.91	-5.2%	FR		4.32	-4.8%									CLS		15.90	-1.1%	REI-U		24.12	-0.7%
PPY		6.74	-2.4%	SSO		8.41	-0.7%									CLS		15.90	-1.1%	SRU-U		29.06	-0.7%
TOG		5.96	-4.3%	PHS/U		5.66	0.0%									CLS		15.90	-1.1%	CRT-U		12.65	-2.3%
CJ		10.05	-6.0%	DPM		2.29	0.0%									CLS		15.90	-1.1%	MRT-U		14.26	-1.3%
AAV		7.06	-3.6%	DDC		15.34	-1.9%									CLS		15.90	-1.1%	AX-U		12.17	-0.7%
SPE		2.40	-5.8%	THO		10.74	-2.3%									CLS		15.90	-1.1%	INN-U		5.06	-3.6%
SRX																							

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September 2, 2015
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Discriminate Selling - Autos



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- There is a lot of indiscriminate selling out there in equity land:
 - [Implied correlations](#) are high.
 - [Equity implied volatility measures](#) are above the top ends of channels.
 - [U.S. T-bills are being bid into negative yield territory again this morning](#), and
 - [Stocks are tracking the safe-haven yen](#) more than the technical and/or fundamental [rational](#).
- Looking at the relative helps one to discern signal from noise by adjusting for the gyrations of the market. On these terms, the [Global Automobile Industry](#) is one of the most consistently underperforming groups – Figure 1.
- Amongst liquid [CDS, whose moves are correlated to equity, all Auto contracts are either trending wider, or are breaking in that direction](#) – Figure 2.
- Depending on your mandate, there are many ways to look at autos
 - If your mandate is to outperform ACWI, we [highlight the stocks that are consistently doing the opposite](#). Sell / underweight – Figure 3.
 - If your benchmark is cash (negative returns in Europe, and now the U.S. once again), we highlight [autos with weak earnings estimate revisions that are below falling 50d MAs](#). Short sale candidates are shown in Figure 4.
 - If your mandate is capital markets arbitrage, and are looking for opportunities where equity and credit have diverged, may we suggest a look at [Ford](#) and [U.S. Steel](#) – Figures 5, 6.

Figure 1: [Global Industries in Underperforming Trends](#)

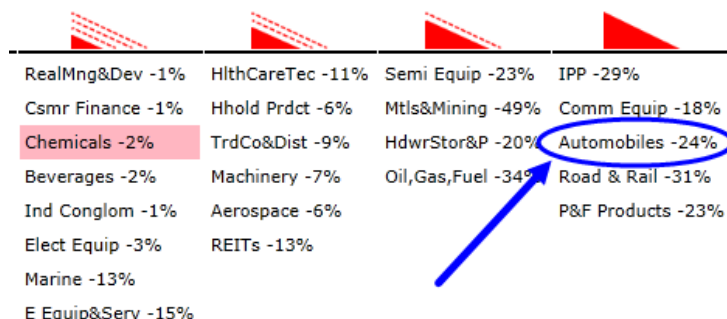
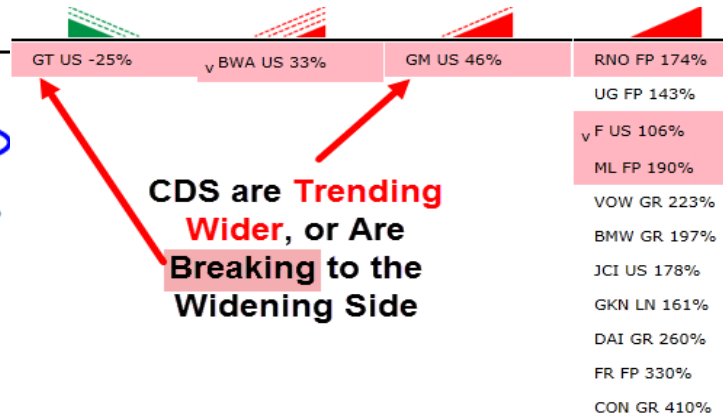


Figure 2: [Auto CDS Trends](#)



Among Underperforming Industries, Autos is one of the Weakest

Figure 3: Auto Stocks in Consistent Underperforming Trends vs ACWI – [See Link for Full List](#)

Symbol	Name	Domicile	Sub Industry	Grp RS	LT RS	RS	MktCap (US\$)	ACWI	Trend Slope	RS Hi (Mo)	RS Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend	%Chg wrt 150d MA	Chg wrt 150 Day MA Trend	RSI Dly
TTM US	Tata Motors	India	AutoMfg	10	4	10	13,997		-129%			-18%	Below Falling	-37%	Below Falling	34
BMW GR	Bayerische Motoren Werke	Germany	AutoMfg	10	6	10	53,904		-52%			-13%	Below Falling	-22%	Below Falling	33
PAH3 GR	Porsche Automobil Holding	Germany	AutoMfg	10	8	10	10,379		-53%			-15%	Below Falling	-23%	Below Falling	32
ASII IJ	Astra International	Indonesia	AutoMfg	10	10	10	16,372		-56%			-13%	Below Falling	-21%	Below Falling	36
VOW GR	Volkswagen	Germany	AutoMfg	10	6	9	53,681		-50%			-16%	Below Falling	-24%	Below Falling	31
GM US	General Motors	U. S.	AutoMfg	10	7	10	45,366		-39%			-9%	Below Falling	-17%	Below Falling	38
7272 JP	Yamaha Motor	Japan	MotcyMfg	9	5	9	6,533		-34%			-15%	Below Falling	-20%	Below Falling	34
7211 JP	Mitsubishi Motors	Japan	AutoMfg	10	10	9	7,425		-22%			-12%	Below Falling	-16%	Below Falling	36
TM US	Toyota Motor	Japan	AutoMfg	10	7	9	195,407		-17%		9.0	-12%	Below Falling	-15%	Below Falling	30
DAI GR	Daimler AG	Germany	AutoMfg	10	3	9	83,518		-19%			-14%	Below Falling	-17%	Below Falling	31

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

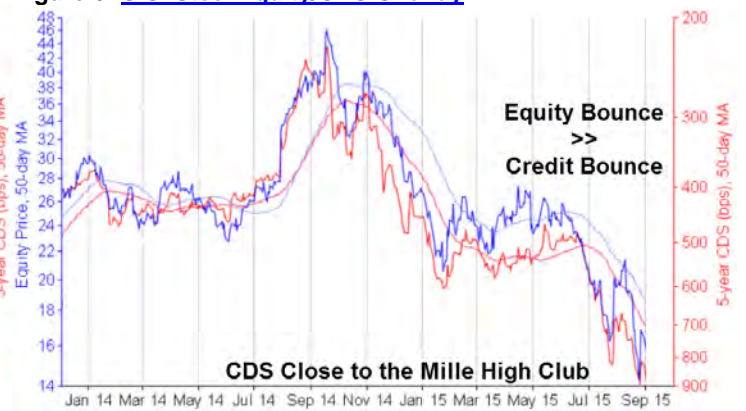
Figure 4: Auto Stocks With Weak Earnings Estimate Revisions, Below Falling 50d MAs

Symbol	Name	LT Price	Price Trend	EE	MktCap (US\$)	Chg Last Day	Price Trend	Trend Slope	Hi (Mo)	Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend	%Chg wrt 200d MA	Chg wrt 200 Day MA Trend	Boll Band	Boll Band Width	RSI Dly
ALV US	Autoliv Inc	3	4	7	8,667	↓	↓	18%			-7%	Below Falling	-11%	Below Rising	BELOW	86%	38
JCI US	Johnson Controls	7	6	6	25,751	↓	↓	2%			-15%	Below Falling	-19%	Below Falling	BELOW	208%	29
THRM US	Gentherm Inc	1	5	7	1,598		→	0%			-11%	Below Falling	-4%	Below Rising	BELOW	129%	38
DAN US	Dana Holding	7	9	8	2,696		→	-8%			-11%	Below Falling	-19%	Below Falling	BELOW	163%	37
BWA US	BorgWarner	8	7	9	9,612		↓	-10%		26.0	-16%	Below Falling	-25%	Below Falling	BELOW	172%	25
DW US	Drew Industries	4	7	7	1,296		→	-12%			-7%	Below Falling	-3%	Below Rising	BELOW	95%	38

Figure 5: Ford Equity / CDS Overlay



Figure 6: U.S. Steel Equity/CDS Overlay



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Cash Explores New Space



- Yesterday, and again this morning, U.S. T-bills were bid into negative yield – Figure 1.
 - As the market leans toward charging you for that vault, it's time to talk cash.
- Safe-haven long bonds don't seem to be behaving quite as well as they should, given the equity turmoil, and no it's not because of the oil price; if anything, European government bonds were trashed yesterday before oil surged.
 - China is a [seller of treasuries](#).
 - Yesterday, one could [speculate from the tape and that a Gulf petrostate may have been be a seller of bonds](#).
- [Corporate credit risk is trending higher](#), [banks and capital market industries](#) are breaking down.
 - Last week, we highlighted the fact that [panic signaling from currency volatility shows we are in 2008 territory](#).
- [Implied correlation](#) is very high, which means the risk reduction due to portfolio diversification is not working as it should - Figure 2.
- The correlation of equity market returns to returns on the safe-haven yen is very high, and indeed is [exploring new space](#) – Fig 3.
- Position your portfolio [defensively](#), prepare your buy lists, and yes with T-bills being bid into negative yield, the market asks you how much cash do you have?

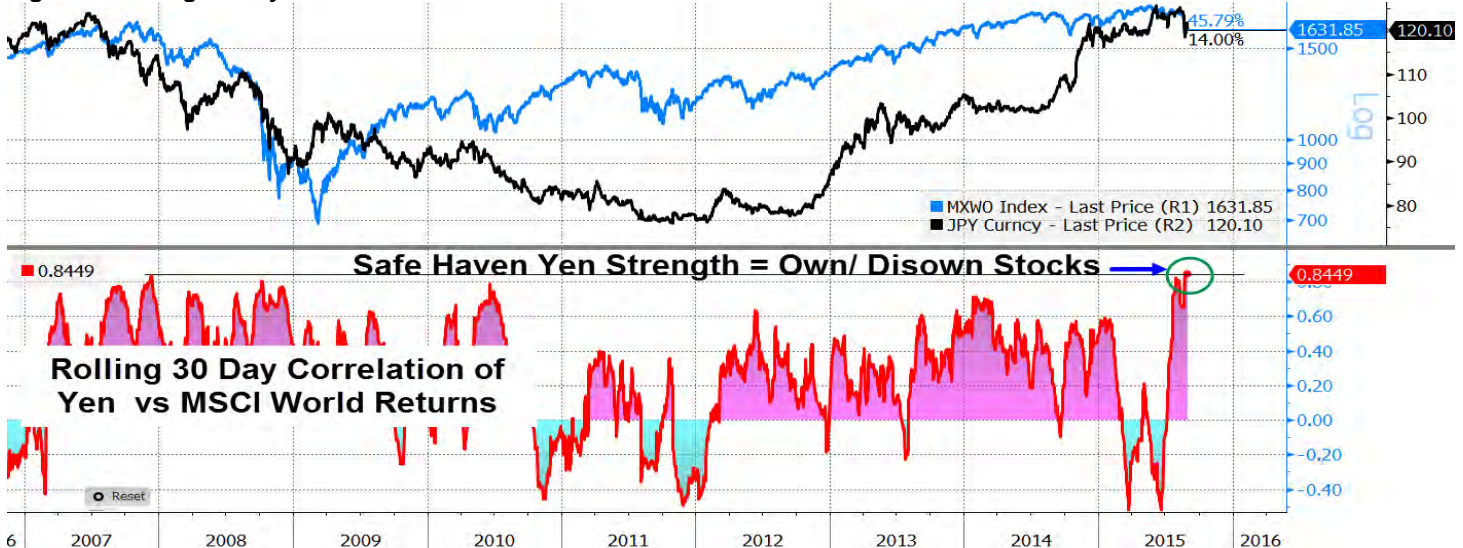
Figure 1: Bid on U.S. T-Bill Maturing November 5, 2015



Figure 2: [CBOE S&P 500 Implied Correlation](#)



Figure 3: Rolling 30-Day Correlation of the Safe-Haven Yen and MSCI World



Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

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Oil & Gas Producers – Why No Pulse?



CLICK HERE

- In the face of oil surging 10% on Thursday, [we stated that we prefer refiners and shipping stocks. Oil surged 6% more.](#) Time to buy producers? The market says no. [Our relative strength breadth reading on hold in a 10th decile position.](#)
 - No pulse = we don't change.
 - But why no pulse?
- A pulse from 10th decile would mean that some producers are breaking above underperforming trends. That's not happening. Instead, [producers are just clawing their way back from the bottom of underperforming channels](#) – Figure 2.
- The trickiest question is whether one remains short, as [extreme implied volatility](#) = extreme bounces – Figure 3.
 - If you did not cover shorts when they were oversold, we don't see a reason to do so now. But you could temper your short positions by selling some volatility, which remains very elevated (back to Figure 3).
- But has oil bottomed? If so, no one bothered to tell the [currency desk](#) – Figure 4.
 - We don't see enough evidence of a bottom to go in there and fight the tape (Figure 1). Instead, consider how to tune for short-sales...

Figure 1: [Oil & Gas Producer Rel Strength Breadth Reading](#)



Figure 2: [Oil & Gas Expl & Production ETF \(XOP\) vs S&P 500](#)



Figure 3: [Oil & Gas Expl & Production ETF \(XOP\) Implied Vol](#)



Figure 4: [The Petro-Loonie – Sans Petro-Bounce](#)



Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markt

- Looking for producer shorts? We would be tuning for stocks;
 - in underperforming trends against ACWI energy
 - in consistent dividend-adjusted downtrends
 - with RSIs above 50
 - which rose to a 1mo high or more on Friday
 - [our list of 13 stocks that fit this bill](#) is shown in Figure 5.
 - We caution, that this is a very volatile bunch (vol scores in the red).

Figure 5: [Tuning for Oil & Gas Producer Short-Sale Candidates](#)

Symbol	Name	1-day Equity Chg (%)	5-day Equity Chg (%)	MktCap (US\$)	Vol (%)	Chg Last Day	Price Trend	Trend Slope	Hi (Mo)	Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend	%Chg wrt 150d MA	Chg wrt 150 Day MA Trend	Boll Band	Boll Band Width	RSI
PEY CN	Peyto Exploration & Development	6.9%	14.6%	3,555	2.17			-38%	1.5		2%	Above Falling	-8%	Below Falling	ABOVE	122%	59
MCF US	Contango Oil & Gas	16.5%	16.8%	174	4.02			-92%	1.0		-10%	Below Falling	-49%	Below Falling	ABOVE	234%	54
NOG US	Northern Oil and Gas	9.6%	26.0%	359	4.75			-65%	1.5		5%	Above Falling	-17%	Below Falling	OBOT	81%	60
EXXI US	Energy XXI	5.8%	25.7%	171	6.67			-88%	1.0		-10%	Below Falling	-43%	Below Falling	ABOVE	58%	53
TET CN	Trilogy Energy	18.0%	32.2%	376	4.87			-77%	1.0		1%	Above Falling	-29%	Below Falling	ABOVE	105%	59
DNO NO	DNO ASA	5.4%	18.9%	1,184	4.09			-55%	1.0		1%	Above Falling	-23%	Below Falling	ABOVE	78%	59
SIA LN	Soco International	12.4%	17.6%	787	3.82			-62%	1.0		-1%	Below Falling	-17%	Below Falling	ABOVE	117%	57
GKP LN	Gulf Keystone Petroleum	1.7%	32.6%	459	6.56			-61%	1.0		-4%	Below Falling	-18%	Below Falling	ABOVE	93%	55
SRX CN	Storm Resources	4.5%	13.4%	349	3.01			-27%	1.0		-4%	Below Falling	-7%	Below Rising	ABOVE	96%	55
BXE CN	Bellatrix Exploration	15.8%	15.2%	352	4.55			-68%	1.0		-8%	Below Falling	-23%	Below Falling	ABOVE	121%	53
BIR CN	Birchcliff Energy	13.6%	25.2%	762	3.52			-47%	1.5		4%	Above Falling	-7%	Below Rising	OBOT	78%	61
VNR US	Vanguard Natural Resources	5.1%	52.0%	833	4.29			-56%	1.0		-14%	Below Falling	-30%	Below Falling	ABOVE	257%	54
SYRG US	Synergy Resources	3.3%	6.7%	1,127	3.96			-24%	1.5		2%	Above Falling	-6%	Below Falling	ABOVE	99%	57

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What To Buy in Energy – Refiners, Shipping



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- What rose more than [Brent oil](#) yesterday? Brent oil [volatility](#).
- We have no changes to our views on the [energy sector](#), which is to underweight it and hold what the market is rewarding, which means two specific groupings, refiners and shipping companies.
- The [six refiners which are trending higher which screen well for earnings growth](#) are shown in Figure 1.
 - [Valero Energy \(VLO US\)](#) is the largest and most liquid of the list, sports an oversold RSI, and has pulled back to a major support zone – Figure 2.
 - [Alon USA Energy \(ALJ US\)](#) tops a small universe of stocks that is trending higher and screens well for earnings, growth and value ([list here](#)).
- [Energy shipping stocks](#) which are trending higher are shown in Figure 4.

Figure 1: Refiners Trending Higher Which Screen Well for Earnings Growth

Symbol	Name	LT Price	Price Trend	EE	Close 27-Aug	1-day Equity Chg (%)	5-day Equity Chg (%)	Flg	MktCap (US\$)	Vol (%)	Chg Last Day	Price Trend	Trend Slope	Hi (Mo)	Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend	%Chg wrt 150d MA	Chg wrt 150 Day MA Trend	RSI Dly
ALJ US	Alon USA Energy	3	1	1	18.08	1.3%	-13.2%		1,280	2.60	↕	▲	135%			-7%	Below Falling	9%	Above Rising	39
HFC US	HollyFrontier	2	3	1	46.35	0.3%	-10.1%		8,740	2.07	↕	▲	63%			-1%	Below Rising	10%	Above Rising	41
TSO US	Tesoro Corp	1	2	1	90.64	-1.2%	-10.6%	V	11,157	2.20	↕	▲	64%			-5%	Below Rising	1%	Above Rising	39
IOCL IN	Indian Oil	5	3	1	409.85	4.0%	3.1%	V	15,082	2.14	↕	▲	47%			-1%	Below Rising	11%	Above Rising	51
VLO US	Valero Energy	1	2	1	58.35	-0.9%	-13.2%	V	29,006	1.92	↕	▼	30%			-9%	Below Falling	-3%	Below Rising	33
096770 KS	SK Innovation	8	3	1	97,000.00	1.0%	2.1%		7,642	2.73	↕	▲	41%			-9%	Below Falling	-9%	Below Rising	48

Figure 2: Valero Energy (VLO US) Dividend Adjusted Price



Figure 3: Alon USA Energy (ALJ US) Dividend Adjusted Price



Figure 4: Energy Shipping Stocks Trending Higher

Symbol	Name	LT Price	Price Trend	Close 27-Aug	1-day Equity Chg (%)	5-day Equity Chg (%)	Flg	MktCap (US\$)	Vol (%)	Chg Last Day	Price Trend	Trend Slope	Hi (Mo)	Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend	%Chg wrt 150d MA	Chg wrt 150d MA Trend	RSI Dly
NAT US	Nordic American T	7	1	14.23	3.6%	3.0%		1,269	2.35	↕	▲	141%			-3%	Below Rising	15%		48
SFL US	Ship Finance Inter	3	1	16.45	2.8%	7.0%	V	1,537	2.17	↕	▲	39%			0%	Above Falling	6%		54
EURN US	Euronav NV	1	1	13.27	1.0%	1.7%		2,113	1.95	↕	▲	70%			-11%	Below Falling	-1%		39
TNK US	Teekay Tankers	6	2	6.10	1.8%	-0.2%		632	3.40	↕	▲	84%			-12%	Below Falling	-5%		40
STNG US	Scorpio Tankers	4	2	9.22	2.0%	-1.2%		1,669	2.30	↕	▼	44%			-10%	Below Falling	-1%		35
BWLPG NO	BW LPG Ltd	2	2	56.40	3.9%	-0.8%		927	2.48	↕	▲	42%			-12%	Below Falling	-4%		35
DHT US	DHT Holdings Inc	10	2	7.11	1.6%	1.3%		660	2.58	↕	▲	36%			-8%	Below Falling	-4%		42
TNP US	Tsakos Energy Nav	7	2	7.57	3.4%	4.0%		641	2.75	↕	▲	64%			-17%	Below Falling	-12%		37
LPG US	Dorian LPG	6	2	12.43	3.0%	1.4%		718	2.86	↕	▲	46%			-17%	Below Falling	-9%		33

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

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Canada – In the Eye of the Storm



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- After yesterday's note, [Health Care Growth – Furthest From Eye of Storm](#), we will put the other bookend on and detail Canadian stocks which are in the Eye of the Storm, [underperforming MSCI World at a rate of 25%/year](#) – Figure 1.
 - The current quote on WTI is \$39.97.
- From a [Canadian](#) tactical asset allocation standpoint, timing is key right now. [Canadian stocks, which are in an underperforming trend against Canadian bonds, are oversold and on Tuesday started to mount a counter-trend rebound](#) – Figure 2.
 - [Bonds](#), the outperforming part of that pair actually broke to the downside on high volume yesterday. Technically, the picture looks weak – Figure 3.
 - [Stocks](#), the underperforming part of the pair broke down from a double top this week. It's oversold and technically has a maximum rebound potential of 9% before reaching the downtrend – Figure 4.
- From an individual equity standpoint, we will highlight the best of [Canada the few stocks in outperforming trends against the market and sector which screen well for earnings growth](#) – Figure 5. A [similar list using price \(as opposed to relative\) trends](#) is shown in Figure 6. For investors caring on U.S. dollar adjusted returns, [USD adjusted momentum buys are shown](#) in Figure 7.

Figure 1: Major Developed Equity Markets vs MSCI World

Name	1d RS Chg (%)	5d RS Chg (%)	Chg Last Day	Reward /Risk	Trend Slope	RS Hi (Mo)	RS Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend
Netherlands	-3.6%	1.4%	↻	↗	11%			0%	Below Rising
France	-3.6%	1.5%	↻	↗	7%			1%	Above Rising
Japan	1.8%	-0.1%	↻	↗	7%			0%	Above Rising
Switzerland	-4.2%	1.4%	↻	↗	5%			2%	Above Rising
Hong Kong	-3.3%	-1.6%	↻	↘	5%	14.0		-6%	Below Falling
Spain	-3.6%	1.6%	↻	↗	3%			0%	Above Rising
US	1.8%	-0.4%	↻	↗	-1%			0%	Above Rising
UK	-4.8%	-0.9%	↻	↘	-2%	1.5		-3%	Below Falling
Sweden	-3.5%	1.7%	↻	↗	-10%			0%	Below Falling
Germany	-3.4%	3.0%	↻	↗	-12%			0%	Below Rising
Canada	-0.3%	0.6%	↻	↘	-25%			-3%	Below Falling
Australia	-2.2%	-0.2%	↻	↘	-35%			-3%	Below Falling

Figure 2: S&P/TSX Composite (XIC) vs CDN Bonds (XBB)



Figure 3: Canadian Bond ETF (XBB CN) Price Trend



Figure 4: S&P/TSX Composite ETF (XIC US)



Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

Figure 5: Canadian Outperformers That Screen Well for Earnings Growth

Symbol	Name	Grp RS	LT RS	RS	EE	1-day Equity Chg (%)	5-day Equity Chg (%)	MktCap (CAD)	Chg Last Day	SPTSX	Trend Slope	RS Hi (Mo)	RS Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend	RSI Dly
EFN CN	Element Financial	3	1	1	3	5.0%	-4.5%	4,928			58%			-3%	Below Falling	45
DOL CN	Dollarama Inc	5	1	1	3	-0.4%	-5.9%	9,773			59%			-2%	Below Rising	44
ATD/B CN	Alimentation Couche-Tard	3	1	2	3	3.9%	-4.4%	23,698			50%			0%	Above Rising	47
TIH CN	Toromont Industries	8	4	2	2	2.6%	-3.2%	2,763			29%	48.0		6%	Above Rising	54
RBA CN	Ritchie Bros Auctioneers	5	4	2	1	1.3%	-5.7%	3,971			35%			3%	Above Rising	51
LNR CN	Linamar Corp	7	2	3	2	1.8%	-6.0%	4,404			23%			-12%	Below Falling	38
SLF CN	Sun Life Financial	3	2	4	2	3.2%	-4.1%	25,305			4%			-2%	Below Falling	45
EIF CN	Exchange Income	7	5	4	1	-0.8%	-1.9%	576			5%			14%	Above Rising	64

Figure 6: Canadian Shares in Dividend Adjusted Price Uptrends that Screen Well for Earnings Growth

Symbol	Name	Sub Industry	Grp RS	LT Price	Price Trend	EE	Close 26-Aug	1-day Equity Chg (%)	5-day Equity Chg (%)	MktCap (CAD)	Chg Last Day	Price Trend	Trend Slope	Hi (Mo)	Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend	RSI Dly
EFN CN	Element Financial	SpecialFin	3	3	2	3	18.65	5.0%	-4.5%	4,928		56%				-3%	Below Falling	45
SLF CN	Sun Life Financial	LifeHthIns	3	5	2	2	41.39	3.2%	-4.1%	25,305		28%				-2%	Below Falling	45
ATD/B CN	Alimentation Couche-Tard	FdRetail	3	1	2	3	56.52	3.9%	-4.4%	23,698		62%				0%	Above Rising	47
RBA CN	Ritchie Bros Auctioneers	DvSpSrv	5	6	4	1	37.17	1.3%	-5.7%	3,971		42%				3%	Above Rising	51
DSG CN	Descartes Systems Group Inc	ApplicSwr	2	5	4	3	22.05	5.0%	-0.5%	1,665		39%				5%	Above Rising	56
WN CN	George Weston	FdRetail	3	7	5	3	111.40	0.8%	-1.6%	14,252		14%				5%	Above Rising	57
TIH CN	Toromont Industries	TrdgDist	8	4	5	2	35.58	2.6%	-3.2%	2,763		21%				6%	Above Rising	54
LNR CN	Linamar Corp	AutoParts	7	4	5	2	67.63	1.8%	-6.0%	4,404		34%				-12%	Below Falling	38
MRU CN	Metro Inc	FdRetail	3	3	5	3	35.44	-0.4%	-5.6%	8,729		6%				1%	Above Rising	45
EIF CN	Exchange Income	Airline	7	7	5	1	25.04	-0.8%	-1.9%	576		6%				14%	Above Rising	64

Figure 7: Canadian Momentum Buys in USD, and Dividend Adjusted Price Trend Terms

Symbol	Name	Sub Industry	Grp RS	LT Price	USD Trend	USD Close 26-Aug	1-day Equity Chg (%)	5-day Equity Chg (%)	Flg	MktCap (US\$)	Chg Last Day	USD Price Trend	Trend Slope	Hi (Mo)	Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend	RSI Dly
CCL/B CN	CCL Industries	MtGlsCnt	2	2	1	132.13	0.8%	-6.0%		4,293			62%			1%	Above Rising	48
NFI CN	New Flyer Industries	CnstMch&Tr	9	2	1	13.99	1.3%	-7.4%		777			59%			8%	Above Rising	55
UNS CN	Uni-Select	Distrib	2	4	1	43.69	1.3%	-2.3%	V	944			69%			9%	Above Rising	57
KXS CN	Kinaxis Inc	SystemSwr	5	1	1	27.39	5.7%	-3.1%		655			87%			13%	Above Rising	57
BCB CN	Cott Corp	SoftDrnks	2	5	2	10.60	2.3%	-2.8%		1,163			49%			0%	Above Rising	47
L CN	Loblaw Cos	FdRetail	3	6	2	53.71	1.2%	-4.0%		22,149			17%			1%	Above Rising	46
CIG CN	Colliers Intl	REstSrv	7	2	3	42.18	2.0%	-8.8%		1,546			32%			1%	Above Rising	44
JE CN	Just Energy Group	MultiUtil	3	6	3	5.82	4.3%	-1.7%	V	854			24%			9%	Above Rising	58
DSG CN	Descartes Systems Group II	ApplicSwr	2	3	3	16.55	5.0%	-2.0%		1,249			17%			1%	Above Rising	50
MST-U CN	Milestone Apartments REIT	ResidREIT	3	3	3	11.17	1.9%	-3.8%		675			19%			7%	Above Rising	59
BYD-U CN	Boyd Group Income Fund	DvSpSrv	5	2	3	45.21	0.3%	-4.6%	V	740			24%			3%	Above Rising	51

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Health Care Growth – Furthest From Eye of the Storm



[CLICK HERE](#)

With so many [broken equity index charts](#), and focus on the absolute, we will get this out of the way first. MSCI World Health Care Growth was a spectacular chart, with no topping pattern, then it broke trend and suffered a 12% correction from the high – Figure 1.

- Health Care is about as far from the eye of the storm (which is [energy, and no we don't see the storm ending](#)) as you can get, and remains the strongest sector from either an [index relative strength basis](#), or a [breath relative strength basis](#) – Figures 2, 3.
- In a growth portfolio, on a relative basis, Health Care remains steadfastly bullish – Figure 4.
- Our largest concern, and the chart we've been eyeing daily, is Health Care Growth vs Value, which had severed an outperforming trend a few weeks back. It was an ugly close for the U.S. equity market yesterday, but [Health Care Growth vs Value](#) healed back into the outperforming channel, and indeed many growth vs value ratios did the same – Figure 5.
- What does a [portfolio of health care stocks with our earnings growth filter look like compared against ACWI?](#) – Stellar – Figure 6.
 - Fine tuning for stocks in outperforming trends vs ACWI and the Health Care Sector gives a [list of just over 50 stocks](#); the largest 25 are shown in Figure 7.
 - The median RSI is 35. Not quite oversold...no we are not garbage picking.

Figure 1: MSCI World Health Care Growth – Absolute Price

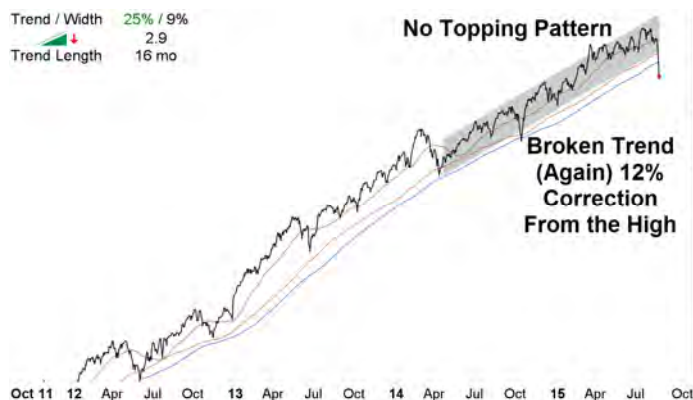


Figure 2: [Health Care Sectors vs Local Benchmarks](#)

Name	Reward /Risk	Trend Slope	RS Hi (Mo)	RS Low (Mo)	1-day RS Chg(%)	5-day RS Chg(%)	%Chg wrt 50d RS MA	Chg wrt 50-d RS MA Trend
vs. Russell 2500	▲	28%			0.9%	0.2%	0.1%	Above Rising
vs. MSCI World Small	▲	26%			0.6%	-0.2%	0.3%	Above Rising
vs. Russell 2000	▲	26%			0.9%	-0.2%	-0.1%	Below Rising
vs. S&P 500	▲	13%			0.0%	0.2%	0.2%	Above Rising
vs. MSCI World	▲	13%			-0.1%	-0.1%	0.8%	Above Rising
vs. MSCI Europe	▲	9%			-0.4%	-0.5%	1.3%	Above Rising
vs. MSCI EAFE	▲	10%	48.5		0.1%	0.2%	2.5%	Above Rising
vs. MSCI AC Asia	▲	16%			-1.2%	-0.5%	5.4%	Above Rising
vs. S&P/ASX 200	▲	8%			-0.6%	0.2%	2.3%	Above Rising
vs. MSCI EM	▲	7%	48.5		0.8%	1.4%	4.4%	Above Rising

Figure 3: [Global Relative Strength Sector Heat Map](#)

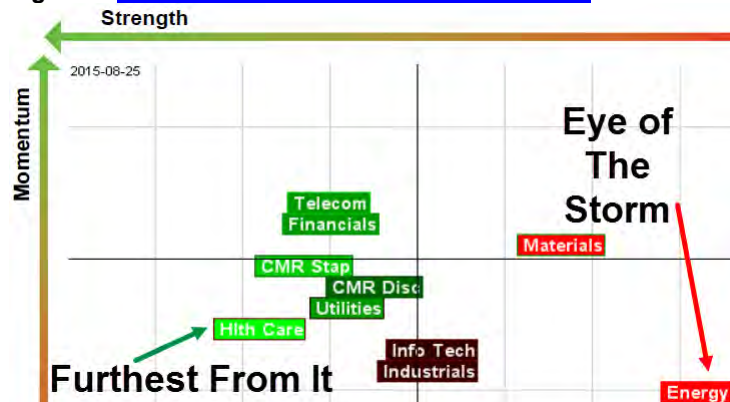


Figure 4: Health Care Growth vs MSCI World Growth



Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

Figure 5: [Health Care Growth vs MSCI World Health Care Value](#) Figure 6: [Health Care Stocks With Earnings Growth vs ACWI](#)

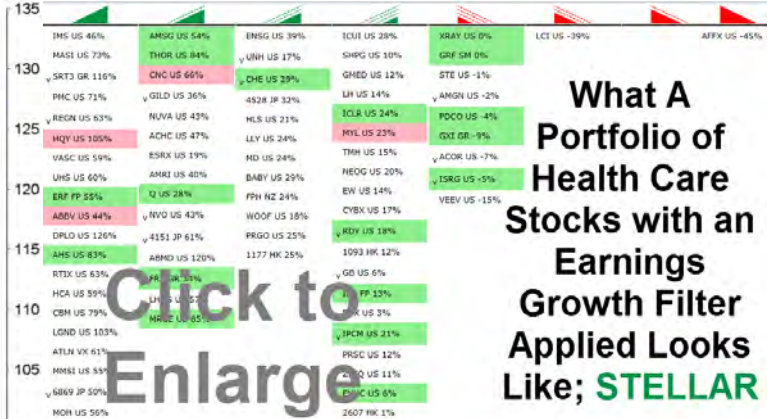


Figure 7: Largest 25 Health Care Outperformers vs ACWI with our Earnings Growth Filter Applied – see [Link for Full List](#)

Symbol	Name	Country	S&P Industry	Grp RS	LT RS	RS	EE	1-day Equity Chg (%)	5-day Equity Chg (%)	MktCap (US\$)	Chg Last Day	ACWI	Trend Slope	RS Hi (Mo)	RS Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend	Boll Band	Boll Band Width	RSI Dly
6869 JP	Sysmex Corp	Japan	HCEquip	2	1	1	2	-1.4%	-15.0%	12,709			50%			-6%	Below Rising	OSOLD	138%	35
EW US	Edwards Lifesciences	U. S.	HCEquip	2	5	4	3	1.4%	-6.6%	14,595			14%			-8%	Below Rising	BELOW	148%	31
ESRX US	Express Scripts Holding	U. S.	HCServ	2	5	2	3	-1.1%	-10.0%	54,680			19%			-10%	Below Falling	OSOLD	170%	25
FRE GR	Fresenius SE & Co KGaA	Germany	HCServ	2	5	1	3	0.3%	-11.6%	36,748			34%			-4%	Below Rising	OSOLD	137%	35
MD US	MEDNAX Inc	U. S.	HCServ	2	2	3	3	-0.3%	-9.3%	7,290			24%			-2%	Below Rising	BELOW	192%	32
UHS US	Universal Health Services	U. S.	HCFacility	2	1	1	1	-0.5%	-9.1%	12,126			60%			-6%	Below Rising	OSOLD	83%	30
HCA US	HCA Holdings Inc	U. S.	HCFacility	2	2	1	3	-1.4%	-8.1%	34,507			59%			-8%	Below Falling	OSOLD	110%	22
ACHC US	Acadia Healthcare Co	U. S.	HCFacility	2	1	1	3	0.6%	-14.1%	5,025			47%			-11%	Below Falling	OSOLD	191%	27
WOOF US	VCA Inc	U. S.	HCFacility	2	2	3	2	-0.6%	-9.4%	4,364			18%			-4%	Below Rising	BELOW	180%	36
AET US	Aetna Inc	U. S.	MngHCare	4	1	1	3	0.0%	-11.0%	38,520			44%			-6%	Below Falling	BELOW	107%	37
UNH US	UnitedHealth Group	U. S.	MngHCare	4	1	3	3	-0.4%	-12.4%	104,873			17%			-9%	Below Falling	OSOLD	107%	29
IMS US	IMS Health	U. S.	HCareTec	6	2	1	3	0.5%	-7.5%	9,467			46%			-7%	Below Falling	OSOLD	125%	31
ATLN VX	Actelion Ltd	Switzerland	Biotech	8	2	1	2	4.7%	-5.9%	15,808			61%	48.0		-6%	Below Falling	BELOW	114%	39
GILD US	Gilead Sciences	U. S.	Biotech	8	1	2	1	1.9%	-12.4%	150,518			36%			-12%	Below Falling	OSOLD	160%	29
NVO US	Novo Nordisk	Denmark	Pharma	3	2	2	3	1.8%	-8.3%	110,842			43%			-6%	Below Falling	OSOLD	114%	35
4151 JP	Kyowa Hakko Kirin	Japan	Pharma	3	5	2	1	-4.8%	-14.3%	9,255			61%			3%	Above Rising	BELOW	124%	42
4528 JP	Ono Pharmaceutical	Japan	Pharma	3	4	3	2	-1.5%	-13.5%	14,083			32%			-3%	Below Rising	OSOLD	132%	36
LLY US	Eli Lilly	U. S.	Pharma	3	3	3	2	-3.1%	-6.2%	86,754			24%			-7%	Below Falling	OSOLD	103%	35
PRGO US	Perrigo Co	U. S.	Pharma	3	4	3	3	-0.3%	-9.0%	26,038			25%			-5%	Below Falling	OSOLD	115%	34
1177 HK	Sino Biopharmaceutical	Cayman	Pharma	3	2	3	2	4.7%	-9.8%	5,145			25%			-8%	Below Falling	BELOW	145%	40
RDY US	Dr Reddy's Laboratories	India	Pharma	3	5	4	3	3.6%	-6.4%	10,505			18%	48.0		2%	Above Rising	BELOW	120%	45
IPN FP	Ipsen SA	France	Pharma	3	2	4	2	0.9%	-4.6%	5,425			13%			3%	Above Rising	BELOW	131%	45
ERF FP	Eurofins Scientific	France	LfSciSrv	2	1	1	3	5.3%	-7.1%	5,083			55%	48.0		-1%	Below Rising	BELOW	65%	45
Q US	Quintiles Transnational	U. S.	LfSciSrv	2	1	1	2	1.1%	-6.6%	8,713			28%			-5%	Below Rising	OSOLD	125%	34
ICLR US	ICON PLC	Ireland	LfSciSrv	2	1	3	1	1.9%	-6.3%	4,660			24%	48.0		4%	Above Rising	BELOW	260%	46

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The Day After Black Monday



- We'll start where we left off [yesterday](#). In the [first hour of US trading](#), our panic indication (1d rate of change of yen carry trade implied volatility) surged to the highest level since 2008, with an intraday peak of 35 – Figure 1.
 - That sets the stage for rebounds, with setbacks, and yes new lows, as long as the environment remains stressed.
 - We reiterate that the [oil price](#) is a very good barometer of the epicenter of credit stress (Figure 2) where pricing reflects both [oversupply and weak global demand](#).
 - Oil trades an inside day this morning. There is **no change in direction, or signal that there is a bottom.**
- You need a transmission mechanism for this contagion. This is the banking system. This is the reason for our defensive leaning;
 - [CDS trends on too-interconnected-to-fail banks are trending wider](#) – Figure 3.
 - They are also very over widened, or stressed. In the case of U.S. banks, they are 4 standard deviations so.
- So given the negative credit trends, yet oversold nature of CDS, we will haul out a capitulation buy list.

Figure 1: MSCI World; 1d ROC of Yen Carry Trade Imp. Vol.

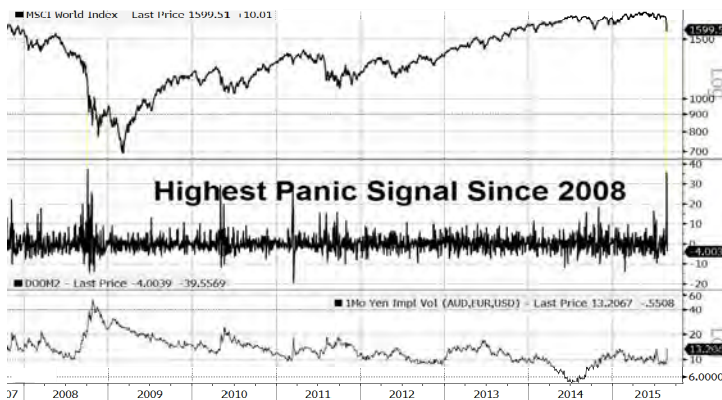


Figure 2: [High Yield Bond Indices](#)

Name	Symbol	1-Day Chg (%)	5-Day Chg (%)	Chg Last Day	Reward /Risk	Trend Slope	Hi (Mo)	Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend
Health Care	BUHYHC	-0.6%	-0.9%	↓	↑	4%	1.5	0%	0%	Below Rising
Consumer Staples	BUHYCS	-0.6%	-1.1%	↓	↑	7%	4.5	-1%	-1%	Below Falling
Financials	BUHYFI	-0.6%	-1.0%	↓	↑	4%	5.0	-1%	-1%	Below Falling
Consumer Disc	BUHYCD	-0.6%	-0.9%	↓	↑	2%	5.0	-1%	-1%	Below Falling
Utilities	BUHYUT	-0.5%	-0.8%	↓	↑	4%	7.0	-3%	-3%	Below Falling
Materials	BUHYMA	-0.7%	-1.6%	↓	↑	1%	6.0	-3%	-3%	Below Falling
High Yield	BUHY	-0.9%	-1.6%	↓	↑	0%	7.5	-3%	-3%	Below Falling
Industrials	BUHYIN	-0.6%	-1.5%	↓	↑	0%	7.0	-4%	-4%	Below Falling
Energy	BUHYEN	-1.8%	-3.8%	↓	↑	-12%	45.0	-9%	-9%	Below Falling
Commodities	BUHYCO	-1.0%	-1.6%	↓	↑	-2%	7.5	-2%	-2%	Below Falling
Technology	BUHYTE	-0.5%	-1.1%	↓	↑	-4%	7.0	-2%	-2%	Below Falling

Figure 3: [CDS Trends on Too-Interconnected to Fail Banks – Trending Wider, Yet Very Over Widened](#)

Symbol	Name	CDS Level	MktCap (US\$)	Chg Last Day	CDS	Trend Slope	CDS Hi (Mo)	CDS Low (Mo)	CDS Last Date	Liquidity	Fit to Equity	CDS Curve 1/5Yr	CDS 1-day Chg (%)	CDS 5-day chg (%)	CDS %Chg wrt 50 DMA	Chg wrt 50 Day MA Trend	CDS BBand Width	StdDev from 26-day
UCG IM	UniCredit SpA	7	37,600	↑	126%	1.5	Aug 24	1	1	0.58	5%	14%	9%	Above Rising	71%	3.1		
CBK GR	Commerzbank	6	13,832	↑	76%	1.5	Aug 24	1	1	0.57	6%	15%	12%	Above Rising	108%	3.0		
UBSG VX	UBS AG	4	77,665	↑	90%	1.5	Aug 24	1	1	0.56	7%	12%	8%	Above Rising	96%	3.3		
SAN US	Banco Santander	7	85,327	↑	58%	17.1	Aug 24	1	1	0.55	4%	1%	7%	Above Rising	118%	2.3		
CS US	Credit Suisse Group	5	43,286	↑	101%	1.5	Aug 24	1	1	0.55	4%	1%	7%	Falling	79%	3.1		
HSBA LN	HSBC Holdings	5	150,296	↑	84%	18.5	Aug 24	3	9	0.53	6%	20%	21%	Above Rising	109%	2.6		
DB US	Deutsche Bank	6	39,185	↑	165%	1.5	Aug 24	1	1	0.53	6%	13%	9%	Above Rising	75%	3.1		
BCS US	Barclays PLC	5	64,131	↑	155%	1.5	Aug 24	1	1	0.52	6%	16%	11%	Above Rising	100%	3.2		
RBS US	Royal Bank of Scotland Group	5	31,122	↑	155%	1.5	Aug 24	1	1	0.52	5%	14%	8%	Above Rising	65%	3.2		
GLE FP	Societe Generale	6	37,941	↑	133%	1.5	Aug 24	1	1	0.49	6%	18%	13%	Above Rising	109%	3.0		
ACA FP	Credit Agricole	5	34,996	↑	133%	1.5	Aug 24	1	1	0.48	6%	17%	9%	Above Rising	100%	3.0		
BNP FP	BNP Paribas	5	76,287	↑	133%	1.5	Aug 24	1	1	0.47	6%	16%	9%	Above Rising	90%	3.1		
3988 HK	Bank of China	7	39,919	↑	-5%	7.0	Aug 24	1	3	0.43	5%	16%	19%	Above Rising	158%	3.0		
GS US	Goldman Sachs Group Inc	6	77,683	↑	19%	18.5	Aug 24	4	1	0.41	5%	13%	13%	Above Rising	120%	3.7		
JPM US	JPMorgan Chase	5	222,811	↑	32%	21.5	Aug 24	1	1	0.40	11%	18%	20%	Above Rising	152%	4.4		
MS US	Morgan Stanley	6	63,016	↑	23%	17.5	Aug 24	1	1	0.39	10%	19%	19%	Above Rising	131%	4.3		
BAC US	Bank of America	5	159,603	↑	25%	18.5	Aug 24	2	1	0.37	12%	19%	18%	Above Rising	127%	4.3		
C US	Citigroup Inc	6	151,516	↑	25%	18.5	Aug 24	2	1	0.36	11%	18%	17%	Above Rising	130%	4.4		

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

- Before the list, we will highlight the guiding trend for just over a year now, [growth continues to trump value](#). It's right at the trendline, and 50d MA, but until we see this change, we will tune towards growth when we go stock picking – Figure 4.
- Here is a [link to all our capitulation filters](#) (available daily our [TIPs suite](#)).
- Figure 5 [targets our favourite filter: oversold with very wide Bollinger bands. We also tuned for outperforming trend vs the market, the sector, and in a top 3 subindustry decile. Lastly, we tuned for earnings growth](#) – Figure 5.

Figure 4: [MSCI ACWI World Growth vs Value](#)



Figure 5: Oversold Outperformers in Top 3 Subindustry Deciles, With our Earnings Growth Filter Applied – [See Link for Full List](#)

Symbol	Name	Sub Industry	Grp R3yr	EE	Close 24-Aug	1-day Equity Chg (%)	5-day Equity Chg (%)	Flg	MktCap (US\$)	Chg Last Day	Price Trend	Trend Slope	Hi (Mo)	Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend	Boll Band	Boll Band Width	RSI Dly
CTXS US	Citrix Systems	ApplicSwr	2	2	67.02	-9.3%	-13.8%	V	10,770	↓	↓	44%	2.5	-7%	Below Falling	OSOLD	185%	30	
SIVB US	SVB Financial Group	RegionBnk	1	2	116.46	-8.3%	-17.7%	V	5,995	↓	↓	52%	7.0	-19%	Below Falling	OSOLD	176%	23	
VRSK US	Verisk Analytics	RsrcCslt	1	2	71.58	-3.2%	-6.7%	V	12,060	↓	↓	17%	5.0	-5%	Below Falling	OSOLD	166%	32	
DSY FP	Dassault Systemes	ApplicSwr	2	3	60.51	-4.4%	-10.0%	V	17,902	↓	↓	46%	6.0	-11%	Below Falling	OSOLD	164%	24	
AFSI US	AmTrust Financial Services	P&C Insur	1	3	57.19	-2.1%	-9.3%	V	4,728	↓	↓	58%	4.5	-12%	Below Falling	OSOLD	163%	27	
SBNY US	Signature Bank/New York I	RegionBnk	1	3	128.69	-4.6%	-10.6%	V	6,475	↓	↓	34%	5.0	-12%	Below Falling	OSOLD	160%	24	
TSS US	Total System Services	DataProc	2	3	43.38	-5.0%	-10.1%	V	7,980	↓	↓	62%	1.5	-2%	Below Rising	OSOLD	150%	35	
MKL US	Markel Corp	P&C Insur	1	3	796.72	-4.6%	-9.7%	V	11,117	↓	↓	28%	2.0	-7%	Below Rising	OSOLD	148%	25	
WWAV US	WhiteWave Foods Co	PkgFdmT	3	2	42.73	-3.8%	-14.4%	V	7,510	↓	↓	50%	5.0	-14%	Below Falling	OSOLD	146%	20	
AOS US	AO Smith Corp	BldPrdcts	1	1	60.92	-6.8%	-14.3%	V	4,614	↓	↓	58%	6.5	-13%	Below Falling	OSOLD	145%	25	
TSO US	Tesoro Corp	OG RfMkt	3	1	89.97	-3.9%	-13.7%	V	11,075	↓	↓	64%	2.0	-6%	Below Rising	OSOLD	143%	35	
ESRX US	Express Scripts Holding	HCSERVICE	2	3	81.81	-3.5%	-8.2%	V	55,282	↓	↓	14%	5.5	-9%	Below Falling	OSOLD	142%	26	
FRC US	First Republic Bank	RegionBnk	1	3	57.46	-4.5%	-10.7%	V	8,146	↓	↓	34%	4.5	-9%	Below Falling	OSOLD	140%	26	
EW US	Edwards Lifesciences	HCEquip	2	3	133.93	-4.2%	-7.5%	V	14,400	↓	↓	22%	2.5	-9%	Below Rising	OSOLD	139%	26	
EFX US	Equifax Inc	RsrcCslt	1	3	93.83	-5.6%	-10.8%	V	11,095	↓	↓	25%	4.0	-6%	Below Falling	OSOLD	138%	29	
V US	Visa Inc	DataProc	2	3	68.36	-4.0%	-8.1%	V	133,397	↓	↓	19%	1.5	-4%	Below Falling	OSOLD	134%	30	
SPB US	Spectrum Brands	HhldPrdct	1	3	96.07	-1.8%	-5.0%	V	5,718	↓	↓	19%	2.5	-6%	Below Rising	OSOLD	125%	29	
FLT US	FleetCor Technologies	DataProc	2	3	145.51	-4.2%	-11.2%	V	13,398	↓	↓	6%	6.5	-7%	Below Falling	OSOLD	124%	28	
CDK US	CDK Global	ApplicSwr	2	1	46.59	-3.9%	-10.2%	V	7,457	↓	↓	33%	4.5	-11%	Below Falling	OSOLD	121%	31	
VLO US	Valero Energy	OG RfMkt	3	1	58.52	-4.3%	-16.1%	V	29,091	↓	↓	33%	2.5	-9%	Below Rising	OSOLD	114%	31	
TMH US	Team Health	HCSERVICE	2	3	57.81	-4.2%	-10.1%	V	4,188	↓	↓	24%	5.5	-10%	Below Falling	OSOLD	114%	26	
Q US	Quintiles Transnational	LfSciSrv	3	2	70.24	-3.7%	-7.8%	V	8,619	↓	↓	48%	2.5	-6%	Below Rising	OSOLD	112%	30	
EA US	Electronic Arts	HmEntSwr	1	2	63.70	-2.8%	-13.6%	V	19,858	↓	↓	76%	2.5	-9%	Below Rising	OSOLD	107%	27	
ACHC US	Acadia Healthcare Co	HCFacility	2	3	69.71	-5.4%	-14.9%	V	4,994	↓	↓	67%	3.0	-11%	Below Falling	OSOLD	105%	26	
HCA US	HCA Holdings Inc	HCFacility	2	3	84.31	-2.2%	-7.7%	V	35,005	↓	↓	74%	2.0	-7%	Below Rising	OSOLD	104%	24	

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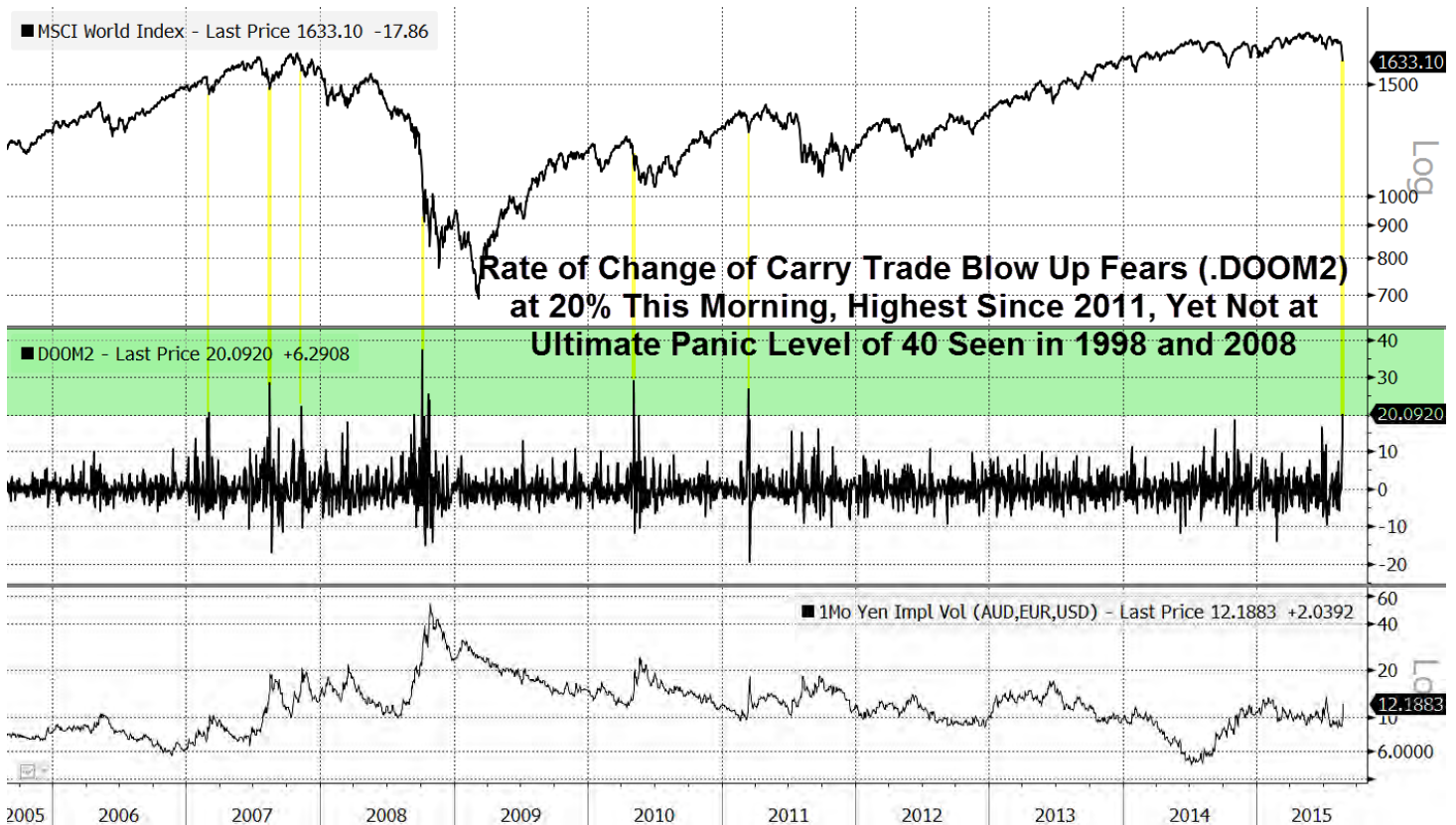
Technical Stress Reading versus Oil/Credit Backdrop



[CLICK HERE](#)

- When stresses are very high, as they are this morning with global equity markets off 3-9%, we haul out our **best real-time stress indications - Yen carry trade implied volatility, which measures the panic of unwinding carry trades.**
 - The rate of change of this stress, which before 7am this morning had risen 20% since Friday, is the highest in years. **This level of panic, seen just twice before in the past few years, has provided short-term relief.**
 - Is this enough to deploy all cash, and lean away from the defensive positioning [we have been advocating](#)?
 - No.
 - [Maximum panic by this gauge comes at a 40 reading \(1998, 2007, 2008\).](#)
 - Are we in a 1998, 2007-8 situation?
- **Ultimately, one must grapple with the fundamental issue that credit markets are not priced for sub \$50, 40, or \$30 oil** – Figures 2, 3.
- So until this fundamental issue changes (oil bottoms), the market is sufficiently panicked (Figure 1), or [equities price in the risks that the credit market is seeing](#), your defensive positioning should not change.

Figure 1: MSCI World (Top); Yen Carry Trade Implied Volatility (Bottom); 1-day ROC of Yen Carry Trade Implied Vol (Middle)



Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

Figure 2: WTI at 7:30am This Morning



Figure 3: N. American Investment Grade Corporate Credit Risk



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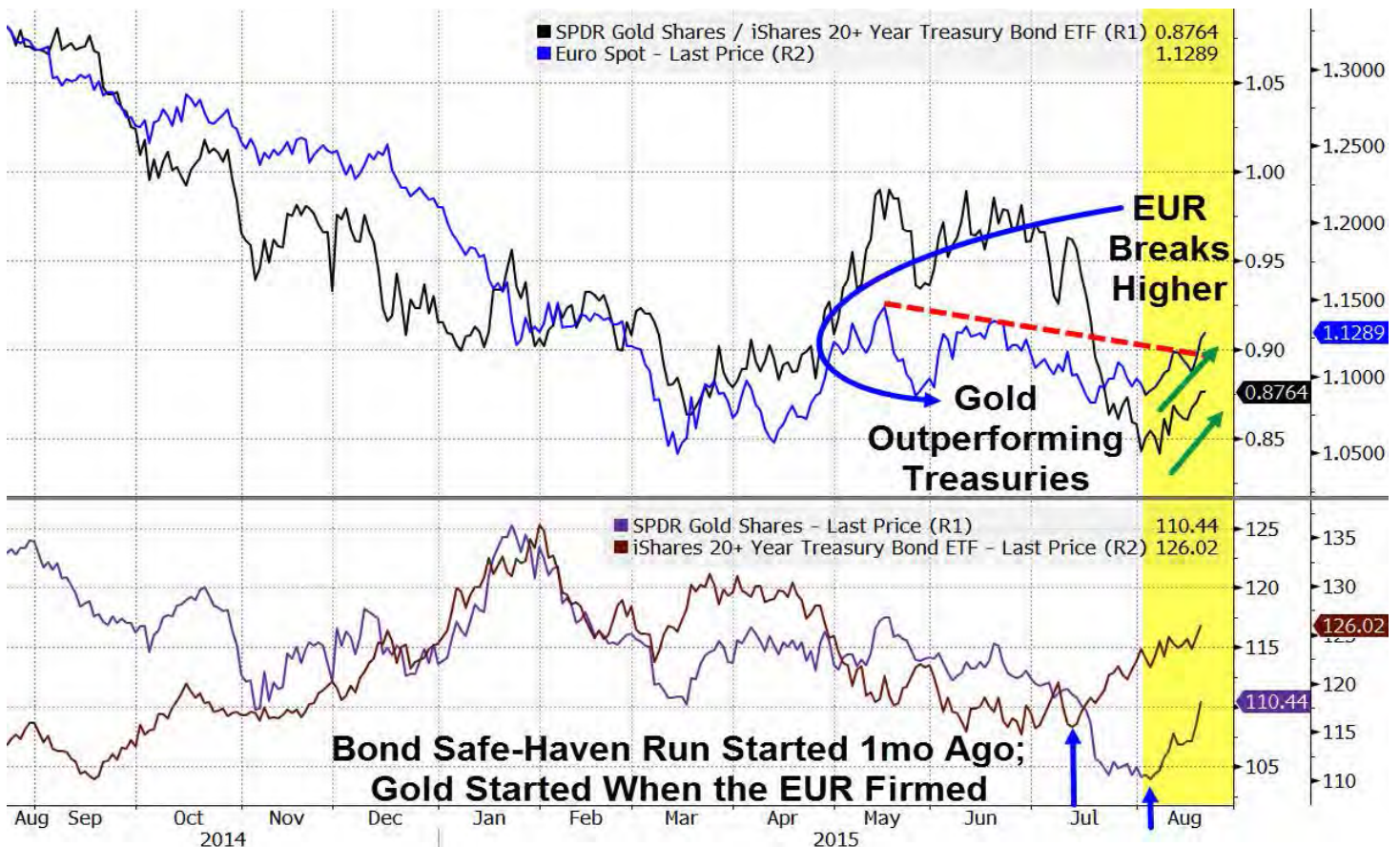
Where Have You Positioned Your Safe Haven Assets?



[CLICK HERE](#)

- Where have you positioned your safe haven assets?
 - Yesterday, [21 of the 31 equity indices we look at in BMO Macro broke below the bottom ends of their channels](#). This morning, equities indices have lost 100 bps+.
 - Overnight the [Chinese plunge protection team failed to support stocks again](#).
 - This morning [corporate credit risk](#) continues to rise.
- As stresses build, and the [U.S. 10-year breakeven rate approaches the 2015 spike low](#), the market leans away from an FOMC one-and-done stance, and leans toward none and done. The [U.S. 2y yield starts to slip](#), and the dollar slips with it.
 - [DXY](#) had formed a minor head and shoulders top.
 - [EUR](#) breaks to the upside, and yes Greek elections, pressuring peripheral yields higher helps EUR to firm.
- It is in this environment, that [gold](#) shares the safe haven space with treasuries – Figure 1.
 - All the other figures follow.
 - TGIF

Figure 1: EUR and Gold ETF / US Long Treasury ETF Ratio (Top); Gold & Bond ETFs (Bottom)



Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

Figure 2: Trends on Equity Indices from BMO Macro

Name	Symbol	1-Day Chg (%)	5-Day Chg (%)	Chg Last Day	Reward /Risk	Trend Slope	Hi (Mo)	Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend	%Chg wrt 200d MA	Chg wrt 200 Day MA Trend
Japanese TPX	TPX	-1.5%	-2.6%			21%		1.0	-1%	Below Falling	6%	Above Rising
Chinese CSI	SHSZ300	-3.2%	-7.7%			105%		1.5	-11%	Below Falling	-3%	Below Rising
NASDAQ	CCMP	-2.8%	-3.1%	↓		8%		5.0	-4%	Below Falling	-1%	Below Rising
xUS SmlCap	GCLDWXUS	-1.6%	-2.4%	↓		10%		1.5	-2%	Below Falling	2%	Above Rising
STOXX 50	SX5E	-2.2%	-4.6%			14%		1.5	-5%	Below Falling	-3%	Below Rising
Swiss SMI	SMI	-1.6%	-2.4%			8%		1.5	-1%	Below Falling	1%	Above Rising
Mexican IPC	MEXBOL	-1.0%	-1.9%			3%		5.5	-4%	Below Falling	-2%	Below Falling
MSCI EM	GDLEEGF	-1.1%	-3.3%			8%		15.5	-7%	Below Falling	-8%	Below Falling
Taiwan TWSE	TWSE	0.1%	-3.3%			9%			-10%	Below Falling	-13%	Below Falling
Spanish IBEX	IBEX	-1.8%	-3.3%			8%		1.5	-4%	Below Falling	-3%	Below Rising
Italian MIB	FTSEMIB	-2.6%	-4.2%			6%		1.5	-3%	Below Falling	2%	Above Rising
ACWI	MXWD	-1.6%	-2.7%	↓		4%		7.0	-4%	Below Falling	-4%	Below Falling
Hong Kong HSI	HSI	-1.8%	-5.3%			8%		8.0	-10%	Below Falling	-10%	Below Falling
MSCI Sml Cap	MXWOSC	-1.8%	-2.3%	↓		1%		6.0	-4%	Below Falling	-2%	Below Rising
MSCI EAFE	NDDLEAFE	-1.5%	-3.2%	↓		2%		1.5	-4%	Below Falling	-1%	Below Rising
Korean KOSPI	KOSPI	-1.3%	-3.5%	↓		2%		7.0	-6%	Below Falling	-5%	Below Falling
UK FTSE 100	UKX	-0.6%	-3.1%			2%		7.5	-4%	Below Falling	-6%	Below Falling
S&P 500	SPX	-2.1%	-2.3%	↓		0%		6.5	-3%	Below Falling	-2%	Below Rising
Russell 2000	RTY	-2.5%	-2.7%			-1%		6.5	-6%	Below Falling	-4%	Below Rising
French CAC	CAC	-2.1%	-4.1%			-2%		1.5	-4%	Below Falling	0%	Below Rising
ACWI xUSA	MXWDU	-1.0%	-3.1%	↓		-2%		7.5	-5%	Below Falling	-6%	Below Falling
Bovespa	IBOV	0.1%	-2.8%			-5%			-9%	Below Falling	-10%	Below Falling
Indian SENSEX	SENSEX	-1.2%	-1.6%			-2%			-1%	Below Rising	-1%	Below Falling
MXWO xUSA	MSDLWXUS	-1.6%	-3.3%	↓		-3%		6.0	-4%	Below Falling	-2%	Below Rising
Russian MICEX	MICEX10	1.1%	-1.9%			-5%			1%	Above Rising	4%	Above Rising
S&P/TSX Sml	SPTSXS	-0.9%	-1.8%	↓		-6%		26.0	-7%	Below Falling	-10%	Below Falling
German DAX	DAX	-2.3%	-5.3%			-11%		7.0	-7%	Below Falling	-5%	Below Rising
DJIA	INDU	-2.1%	-2.4%	↓		-5%		9.5	-4%	Below Falling	-5%	Below Falling
CDN Vegas	SPTSXVEN	-1.7%	-4.7%			-20%		49.0	-13%	Below Falling	-19%	Below Falling
S&P/TSX	SPTSX	-2.1%	-3.5%	↓		-11%		8.0	-5%	Below Falling	-7%	Below Falling
ASX	AS51	-1.7%	-1.8%	↓		-16%		8.0	-5%	Below Falling	-6%	Below Falling

Figure 3: [Shanghai Composite Index](#)

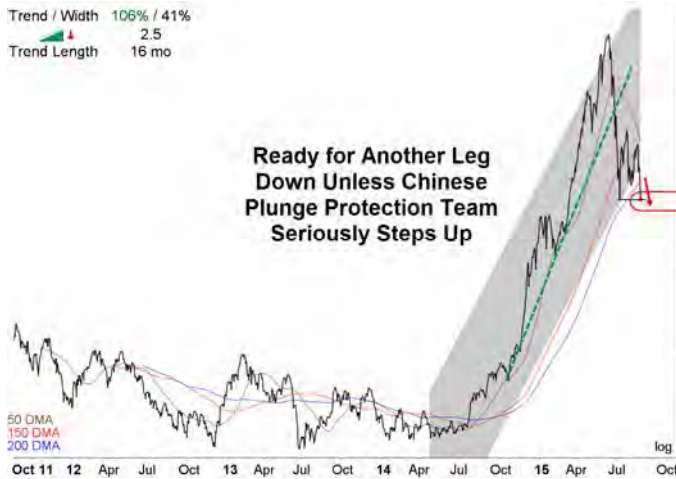


Figure 4: [North American IG Corporate Credit Risk](#)



Figure 5: [U.S. 10y Breakeven Rate](#)



Figure 6: [U.S. Dollar Index \(Top\)](#) and [Euro \(Bottom\)](#)



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August 20, 2015
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Gold From a Canadian Perspective



- Signaling came intraday yesterday.
 - Before the dovish FOMC minutes when equity markets were seeing red, the ‘safe haven’ treasury market was not getting the safe haven flows, quite the opposite was true.
 - The U.S. 30y bond, which [we see as a good switch into candidate while credit and crude continue to sour](#), sold off, with yields rising to a six-day high.
 - Post-FOMC minutes, bonds rallied hard, with the [TLT breaking back above its downtrend](#).
 - Gold, on the other hand, won and retained its safe haven bid. Gold demand, well, it won a bit of respect.
- From a U.S. dollar perspective, gold is undergoing a counter-trend rebound ([see p 13](#)). From a Canadian perspective, it’s breaking a downtrend – Figure 1.
- From a Canadian (i.e., [petrocurrency](#)) perspective, [gold in loonie terms has based, has not made a lower low for two years, and is breaking above a downtrend](#) – Figure 2.
- If you want to own gold via stocks;
 - the [momentum buy list for gold shares](#) is skinny, but the leadership of what the market is rewarding is shown in Figure 3; and
 - there are [nine gold shares breaking above downtrends, with Goldcorp being the one that did so on volume yesterday](#) – Figure 4.

Figure 1: [Gold in Major Currencies](#)

Name	1-Day Chg (%)	5-Day Chg (%)	Chg Last Day	Reward /Risk	Trend Slope	Hi (Mo)	Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend
in JPY	0.9%	0.5%			7%	1.0		0%	Below Falling
in AUD	1.3%	1.3%			-4%	1.0		1%	Above Rising
in USD	1.4%	0.8%			-10%	1.0		0%	Below Falling
in CAD	2.0%	2.0%	↑	↑	-8%	2.5		2%	Above Rising
in EUR	0.6%	1.2%			-16%	1.0		-1%	Below Falling
in CHF	0.2%	-0.2%			-15%			1%	Above Falling
in GBP	1.3%	0.4%			-24%	1.0		-1%	Below Falling

Figure 2: [iShares Gold Trust in C\\$ \(IGT CN\)](#)



Figure 3: [Gold Momentum Buys](#)

Symbol	Name	Country	Grp RS	LT Price	Price Trend	H / L	Close 19-Aug	1-day Equity Chg (%)	5-day Equity Chg (%)	MktCap (US\$)	Chg Last Day	Price Trend	Trend Slope	Hi (Mo)	Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend
CNL CN	Continental Gold	Bermuda	6	10	1		3.14	4.0%	-2.2%	310			195%			10%	Above Rising
KDX CN	Klondex Mines Ltd	Canada	6	5	2	H	3.57	4.7%	2.3%	349			77%	48.0		10%	Above Rising
GUY CN	Guyana Goldfields	Canada	6	9	2	*	4.20	3.4%	-1.6%	484			59%			10%	Above Rising
AKG CN	Asanko Gold	Canada	6	10	3		2.39	5.3%	0.4%	359			41%	1.0		11%	Above Rising
DGC CN	Detour Gold	Canada	6	9	3	*	14.74	2.7%	0.1%	1,919			38%	1.0		7%	Above Rising

Figure 4: [Gold Shares Breaking Above Downtrends](#)

Symbol	Name	Country	Grp RS	LT Price	Price Trend	H / L	Close 19-Aug	1-day Equity Chg (%)	5-day Equity Chg (%)	MktCap (US\$)	Chg Last Day	Price Trend	Trend Slope	Hi (Mo)	Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend
EDV CN	Endeavour Mining	Cayman	6	10	6		0.62	5.1%	0.0%	195	↑	↑	-12%	1.5		9%	Above Rising
PVG CN	Pretium Resources	Canada	6	10	7		7.39	6.9%	1.9%	752	↑	↑	-17%	2.5		11%	Above Falling
R CN	Romarco Minerals	Canada	6	10	8		0.60	5.3%	3.4%	569	↑	↑	-51%	7.0		35%	Above Rising
PG CN	Premier Gold Mines	Canada	6	9	8		2.35	0.9%	-0.8%	306	↑	↑	-35%			7%	Above Falling
SSL CN	Sandstorm Gold	Canada	6	9	9		3.90	3.7%	-2.0%	353	↑	↑	-39%			6%	Above Falling
SMF CN	SEMAFO Inc	Canada	6	10	8		3.44	4.9%	-0.3%	772	↑	↑	-42%			8%	Above Falling
MUX US	McEwen Mining	U. S.	6	10	9		0.96	4.0%	1.1%	263	↑	↑	-49%	1.5		13%	Above Rising
PGIL LN	Polyus Gold International	Jersey	6	8	7	*	188.00	-0.5%	2.3%	8,941	↑	↑	-20%			6%	Above Rising
G CN	Goldcorp Inc	Canada	6	10	10		19.85	2.9%	0.5%	12,570	↑	↑	-57%	1.0		3%	Above Falling

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

Trends & Inflection Points

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Russell 2000 Technology – Further Breakdowns



- [The Russell 2000 technology index](#), which was in the clear and making higher highs and lows until June, broke the uptrend in July, and yesterday broke to a first lower low, and took out the 200d MA – Figure 1.
- We've been pointing out the weakness in the credit markets [recently](#), and in technology the weakness is advanced, with [high yield bonds now trending lower](#) – Figure 2.

- In our view, momentum investors ought to raise cash and step to the sidelines:
 - One-third of Russell 2000 technology stocks in price uptrends have broken their trends. We highlight the largest 20 index members in Figure 3, and the [full list at this link](#).
- Not able to step to the sidelines? Here is a short list of Russell 2000 tech stocks trying to break above downtrends – [see link](#).

Figure 1: [Russell 2000 Technology Index](#)

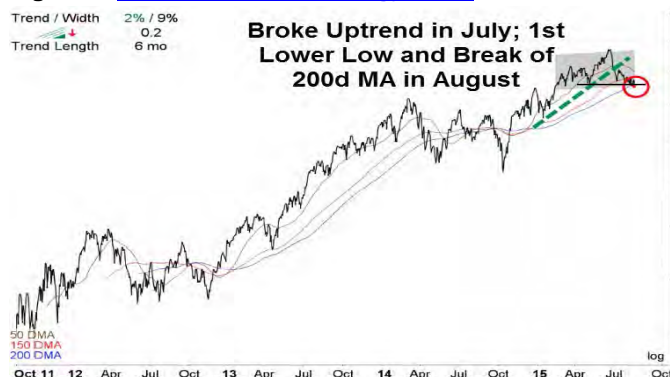


Figure 2: [Technology High Yield Bond Price Index](#)



Figure 3: Largest 20 Russell 2000 Technology Members Breaking Price Uptrends – [See Link for Full List](#)

Symbol	Name	Sub Industry	Grp RS	1-day Equity Chg (%)	5-day Equity Chg (%)	MktCap (US\$)	Chg Last Day	Price Trend	Trend Slope	Hi (Mo)	Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend	%Chg wrt 150d MA	Chg wrt 150 Day MA Trend	Boll Band	Boll Band Width	RSI Dly
GIMO US	Gigamon Inc	SystemSwr	4	-2.4%	0.5%	877	↓	↓	254%			-15%	Below Falling	12%	Above Rising	BELOW	294%	40
HUBS US	HubSpot Inc	ApplicSwr	1	-2.0%	-2.0%	1,583		↓	113%			-7%	Below Falling	12%	Above Rising	BELOW	173%	39
AVG US	AVG Technologies	SystemSwr	4	-1.9%	-3.6%	1,282		↓	79%		3.5	-11%	Below Falling	7%	Above Rising	BELOW	346%	29
PCTY US	Paylocity Holding Corporation	ApplicSwr	1	-8.6%	-9.6%	1,636	↓	↓	72%		3.0	-10%	Below Falling	7%	Above Rising	OSOLD	51%	37
AZPN US	Aspen Technology	ApplicSwr	1	-0.4%	-7.2%	3,294		↓	55%			-11%	Below Falling	-1%	Below Rising	OSOLD	120%	33
CVG US	Convergys Corp	DataProc	1	-0.6%	0.6%	2,284		↓	45%			-7%	Below Falling	3%	Above Rising	BELOW	196%	35
IDTI US	Integrated Device Technology	Semi	10	-8.0%	-7.7%	2,675		↓	64%		7.0	-14%	Below Falling	-10%	Below Rising	OSOLD	72%	35
MTSI US	M/A-COM Technology Solutions	Semi	10	-4.6%	-3.4%	1,699		↓	77%			-10%	Below Falling	-3%	Below Rising	BELOW	75%	42
NSIT US	Insight Enterprises	TechDist	9	-1.8%	-1.3%	977	↓	↓	38%			-9%	Below Falling	-2%	Below Rising	BELOW	82%	38
EIGI US	Endurance Intl	InetSftSrv	6	-1.9%	-5.1%	2,127	↓	↓	49%		8.0	-20%	Below Falling	-16%	Below Falling	BELOW	232%	22
MKSI US	MKS Instruments	SemiEqp	10	-2.8%	-2.7%	1,857	↓	↓	14%		3.5	-5%	Below Falling	-3%	Below Falling	BELOW	54%	37
IDCC US	InterDigital	ComEquip	6	-1.8%	-1.4%	1,785		↓	18%			-11%	Below Falling	-6%	Below Rising	BELOW	218%	29
GOGO US	Gogo Inc	InetSftSrv	6	-0.9%	-3.4%	1,398	↓	↓	27%		6.0	-17%	Below Falling	-12%	Below Falling	BELOW	126%	30
FCS US	Fairchild Semiconductor	Semi	10	-2.7%	-2.1%	1,636		↓	22%		9.5	-14%	Below Falling	-18%	Below Rising	BELOW	123%	34
CUDA US	Barracuda Networks	SystemSwr	4	0.0%	-1.1%	1,394		↓	28%			-22%	Below Falling	-29%	Below Falling	BELOW	112%	32
PMCS US	PMC-Sierra	Semi	10	-2.0%	-3.3%	1,236		↓	18%		18.5	-19%	Below Falling	-26%	Below Falling	BELOW	258%	28
SLAB US	Silicon Laboratories	Semi	10	-3.1%	-0.8%	1,855	↓	↓	10%			-15%	Below Falling	-13%	Below Falling	BELOW	280%	32
BDC US	Belden Inc	ElecComp	10	0.5%	1.5%	2,366		↓	12%			-24%	Below Falling	-31%	Below Falling	BELOW	420%	26
QLGC US	QLogic Corp	HdwSt&P	10	-0.7%	0.0%	822		↓	10%			-24%	Below Falling	-30%	Below Falling	BELOW	527%	30
SYNA US	Synaptics Inc	Semi	10	-2.6%	-3.1%	2,627	↓	↓	6%		6.5	-16%	Below Falling	-10%	Below Rising	BELOW	105%	29

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

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Got Bonds? Flat & Skinny 500 vs. Pivoting TLT



- The [current trend on the S&P 500 gives you a return of just 1%. It's flat, and it's skinny](#) – Figure 1.
- The [current pivot on long bonds is to the positive](#) – Figure 2.
- Taken together, [long bonds have started to outperform the equity market](#) – Figure 3, top.
 - This coincided with the [yield curve topping out. It is now flattening once again](#) – Figure 3, middle.
 - This coincided with [oil exploring new space](#) – Figure 3, bottom.
 - The deflationary trade continues this morning with [copper](#) breaking below \$2.30.
 - Not to mention, that the North American credit market (both [IG](#), and [HY](#)) has turned [unfriendly, and we don't see equities pricing this risk in yet](#).
- Got [bonds](#)?

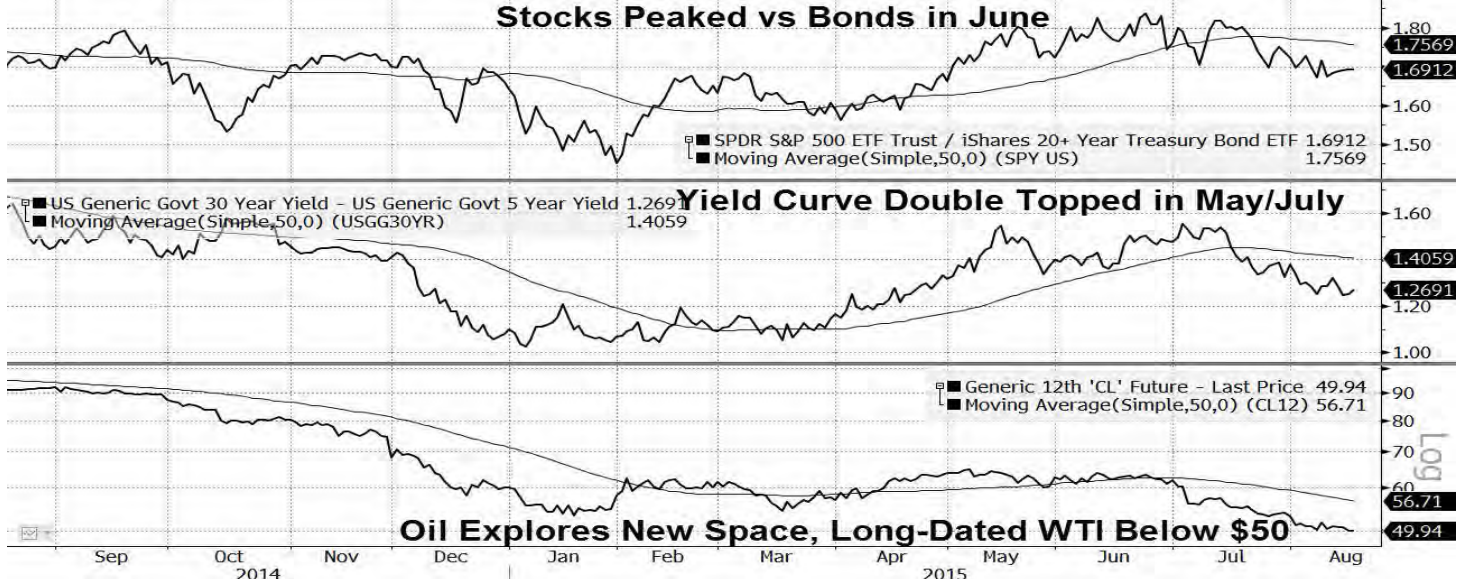
Figure 1: [Trend on S&P 500](#)



Figure 2: [Trend on Long-Term Treasury ETF \(TLT\)](#)



Figure 3: U.S. Stocks vs. Long Bonds; U.S. Yield Curve (30-5); Crude Oil (12m Continuation Series on WTI)



Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

Trends & Inflection Points

August 17, 2015
 Research Comment
[Quantitative/Technical Research Website](#)

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Banks and Credit – Divergent yet Correlated



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- [Credit protection costs are on the rise](#), yet [according to the headlines](#), equity markets don't care.
- Behind the scenes, equities care very much.
- The correlation of returns for the U.S. Bank ETF (KBE) and the Markit North American Investment grade 5yr CDS (cost to protect a basket of IG bonds from default) are just as strong as they typically are – Figure 1 bottom. It's just that on a price basis, they have diverged – Figure 1 top.
- [U.S. banks have been consolidating gains, and are breaking an outperforming trend vs. U.S. financials](#) (as [REITs break to the upside](#)). On a price basis, they have formed a consolidation pattern (a pennant), which was breaking to the downside last week.
 - With credit risk remaining high, and [yield curves](#) continuing to edge lower this morning, we expect the bank consolidation pattern to continue to break down.
 - Mind the gap – Figure 1.

Figure 1: U.S. Bank ETF (KBE US) and CDX North American Investment Grade 5Yr CDS (Inverted Scale)



Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

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Sector Shifts as High Yield Energy Breaks No Bid Low



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- We've been waiting for this breakdown for some time, but yesterday the [high yield bond market for energy broke below the no-bid carnage level of Q4 last year](#) – Figure 1.
- Also yesterday, the [High Yield bond ETF](#) started to break down from what is a two-year double top – Figure 2.
- If you own blue chips, and consider yourself immune, reconsider that position. The [cost to insure a basket of North American investment grade bonds](#) has bottomed and is trending higher – Figure 3.
- In this context, when we observe the snapshot of what the market is rewarding and disregarding our [global relative strength breadth heat map](#), we find the sectors shifting towards defense – Figure 4.
 - [Utilities](#) is making a quick jaunt through the neutral zone, and is now positive, so [Monday's call to be at least market weight the sector](#), may be upped to overweight.
 - [Health Care](#), which has been the momentum star for the year, is losing some of this momentum, and the fact that [Health Care growth is breaking down vs value](#), shows the defensive positioning taking place within the sector.
 - Resources, well [you know, you know](#).

Figure 1: [High Yield Energy Bond Index](#)



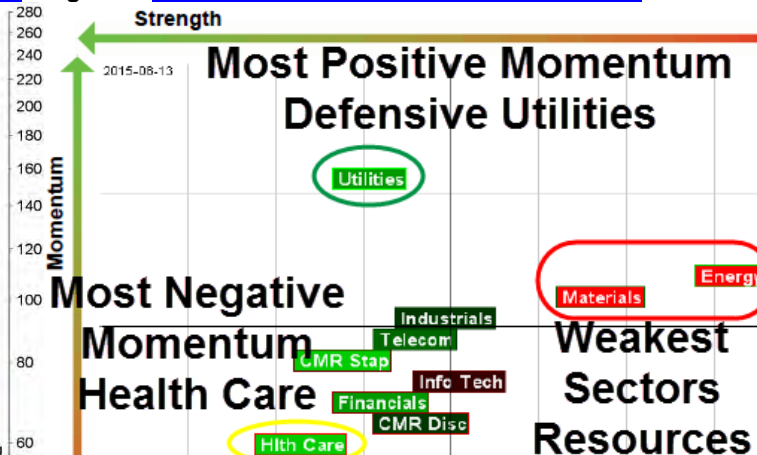
Figure 2: [High Yield Corporate Bond Fund](#)



Figure 3: [Markit North American Investment Grade CDS Index](#)



Figure 4: [Sector Relative Strength Breadth Heat Map](#)



Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

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21 of the Best Global Stocks



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There is a lot of back and forth in the wake of the Chinese devaluation this week, and while yes, the move brings up [new stresses](#), no, the signaling that China is slowing is [nothing new](#). As stresses ease this morning, mean reversion takes place, with higher rates, a stronger dollar, and a lower gold price. Where we don't see mean reversion is on breakeven rates, which continue to press lower (did we mention that China was slowing?).

Not wanting to be caught up in mean reversion, we highlight [MSCI World Stocks in outperforming trends against the market and sector, in a subindustry that our breadth analysis picks up as 1st decile, with our earnings growth filter applied](#). It's a tight list of 21 of the best global stocks, and it's a good time to ask do you have them, and if not, should you have them?

Figure 1: MSCI World Members in Outperforming Trends vs MSCI World, and Their Sector, In 1st Decile SubIndustries, With Our Earnings Growth Filter Applied

Symbol	Name	Sub Industry	Grp	EE	1-day Equity Chg (%)	5-day Equity Chg (%)	MktCap (US\$)	Chg Last Day	MSCI World Lcl N	Trend Slope	RS Hi (Mo)	RS Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend	RSI Dly
AIA NZ	Auckland International Airport	AirprtSrv	1	3	-0.4%	-3.3%	4,142	↗	▲	45%			2%	Above Rising	48
4739 JP	Itochu Techno-Solutions	ITConsult	1	3	-1.1%	1.7%	2,854		▲	64%			-2%	Below Falling	46
FRE GR	Fresenius SE & Co KGaA	HCSERVICE	1	2	-0.2%	-2.6%	38,433		▲	46%			5%	Above Rising	55
EA US	Electronic Arts	HmEntSwr	1	2	-0.1%	-1.9%	22,982		▲	61%			7%	Above Rising	59
8725 JP	MS&AD Insurance Group	P&C Insur	1	2	0.5%	5.9%	20,971		▲	48%			7%	Above Rising	63
8630 JP	Sompo Japan Nipponkoa	P&C Insur	1	1	-2.1%	-0.7%	14,515		▲	58%			-1%	Below Falling	48
ATVI US	Activision Blizzard	HmEntSwr	1	2	0.7%	-0.2%	20,894		▲	38%	48.0		11%	Above Rising	72
3659 JP	Nexon Co Ltd	HmEntSwr	1	1	-6.4%	-4.4%	5,503		▲	68%		1.0	-6%	Below Falling	37
SEE US	Sealed Air	PaperPkg	1	2	-1.0%	-2.5%	11,124		▲	34%			4%	Above Rising	57
ESRX US	Express Scripts Holding	HCSERVICE	1	3	-0.6%	-1.9%	60,140		▲	14%			-1%	Below Rising	46
TSO US	Tesoro Corp	OG RfMkt	1	1	0.0%	11.5%	13,464		▲	38%	48.0		18%	Above Rising	77
FRC US	First Republic Bank	RegionBnk	1	3	-1.5%	-1.8%	8,917		▲	21%			-1%	Below Rising	46
ATO FP	AtoS	ITConsult	1	2	-1.8%	-4.5%	7,815		▲	19%			-2%	Below Falling	40
7974 JP	Nintendo	HmEntSwr	1	1	-1.5%	5.7%	27,749		▲	68%			15%	Above Rising	69
HFC US	HollyFrontier	OG RfMkt	1	1	0.0%	8.7%	10,141		▲	36%	15.0		20%	Above Rising	77
VLO US	Valero Energy	OG RfMkt	1	1	-0.3%	8.3%	34,892		▲	30%	48.0		11%	Above Rising	68
CTSH US	Cognizant Technology Solution	ITConsult	1	3	-0.5%	0.2%	41,125	↘	▲	17%	48.0		7%	Above Rising	69
SYD AU	Sydney Airport	AirprtSrv	1	1	0.2%	-1.6%	9,325	↑	▲	16%	48.0		6%	Above Rising	61
6367 JP	Daikin Industries	BldPrdcts	1	2	-2.9%	-0.4%	19,630		▲	21%			-5%	Below Falling	46
PGR US	Progressive Corp	P&C Insur	1	2	-0.3%	0.4%	18,076		▲	3%	22.0		6%	Above Rising	65
9766 JP	Konami Corp	HmEntSwr	1	2	-0.5%	1.2%	2,978		▲	3%			7%	Above Rising	58

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

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Research Comment

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Macro Shifts as China Devalues



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As [China devalued yesterday, and again last night](#), we zone-in on some “severed trends last day.” These are the macro shifts taking place. Our system offers signaling. We offer our colour.

1. On the volatility front, the [Canadian VIX and EM currency volatility](#) broke above downtrends. **On the Canadian front, we would feed the ducks here and sell volatility.** The China devaluation is pushing the U.S. 2yr lower, feeding a “one and done” maneuver for U.S. rate cut expectations, helping EUR to rally, which should help to take a bit of downside pressure off of commodities. Over the short term, this vol should reset lower after a rough start this morning.
2. On the rate front, the [U.S. 10 and 30y bond yields broke uptrends, leaving the 2yr standing alone](#) (one and done indeed). Long bonds or U.S. equities? **Since [the curve](#) started to flatten, [TLT](#) looks better.**
3. On the [global industry front](#), and with the exception of the strength in airlines, these are all yield curve adjustments. **We recommend rotating from banks into real estate, and adding to utilities.**
4. On the [regional sector front](#), shifts continue out of technology, and into utilities. **Again, we would go with the flow here. There is technology being rewarded, and disregarded – be very selective.**

Figure 1: [Severed Trends Last Day on Implied Volatility Gauges](#) (available daily within [BMO Macro](#))

SPTSX VIX	VIXC	17.0%	6.7%	↑		-53%	3.0	21%	Above Rising	3%	Above Rising
EM FX	JPMVXYEM	16.8%	16.6%	↑		-30%	5.0	20%	Above Rising	12%	Above Rising

Figure 2: [Severed Trends Last Day on U.S. Rates](#) (see [Global 10y Yields here](#), and [Global 30y Yields here](#))

Name	Symbol	1-Day Chg (%)	5-Day Chg (%)	Chg Last Day	Reward /Risk	Trend Slope	Hi (Mo)	Low (Mo)	Chg wrt 50Day MA	Chg wrt 50 Day MA Trend	Chg wrt 200d MA	Chg wrt 200 Day MA Trend
US 30	USGG30YR	-3.0%	-3.0%	↓		53%		3.5	-8.3%	Below Falling	0.1%	Above Falling
US 10	USGG10YR	-3.9%	-3.6%	↓		50%		2.5	-7.8%	Below Falling	0.3%	Above Falling

Figure 3: [Severed Trends Last Day on Global Industries](#) (available daily within [Sector & Industry Report](#))

Name	Chg Last Day	Reward /Risk	Trend Slope	RS Hi (Mo)	RS Low (Mo)	1-day RS Chg(%)	5-day RS Chg(%)	%Chg wrt 50d RS MA	Chg wrt 50-d RS MA Trend	%Chg wrt 200d RS MA	Chg wrt 200-d RS MA Trend
Capital Markets vs. MSCI World	↓		20%		1.0	-0.4%	-0.7%	-0.2%	Below Rising	2.8%	Above Rising
Banks vs. MSCI World	↓		12%		1.0	-0.2%	-0.4%	-0.5%	Below Rising	1.0%	Above Falling
Diversified Telecom vs. MSCI World	↑		-2%	6.0		0.7%	0.6%	1.7%	Above Rising	1.8%	Above Rising
Multi-Utilities vs. MSCI World	↑		-10%	5.5		0.9%	2.0%	2.9%	Above Rising	-1.8%	Below Falling
Airlines vs. MSCI World	↑		-23%	3.0		0.7%	0.2%	3.7%	Above Rising	0.0%	Below Rising
Real Estate Investment Trusts vs. MSCI World	↑		-22%			0.9%	0.6%	2.5%	Above Rising	-1.5%	Below Falling

Figure 4: [Severed Trends Last Day on Regional Sectors vs Local Markets](#) (available daily within [Sector & Industry Report](#))

Name	Chg Last Day	Reward /Risk	Trend Slope	RS Hi (Mo)	RS Low (Mo)	1-day RS Chg(%)	5-day RS Chg(%)	%Chg wrt 50d RS MA	Chg wrt 50-d RS MA Trend	%Chg wrt 200d RS MA	Chg wrt 200-d RS MA Trend
Technology vs. MSCI World Small Cap	↓		6%			-0.7%	0.1%	-1.3%	Below Falling	-0.2%	Below Rising
Technology vs. Russell MidCap	↓		3%			-0.7%	0.0%	-2.2%	Below Falling	-1.7%	Below Rising
Utilities vs. Russell 1000 Value	↑		-7%	4.0		1.1%	1.4%	3.2%	Above Rising	-0.2%	Below Falling
Utilities vs. S&P 500	↑		-11%			1.3%	2.3%	3.9%	Above Rising	-1.0%	Below Falling
Utilities vs. Russell 2000 Value	↑		-10%			0.8%	1.3%	1.9%	Above Falling	-1.7%	Below Falling

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

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Health Care – Cycling Back to Neutral



- Our [relative strength breadth reading for Health Care](#) has cycled from strongly positive to neutral for years now. It is cycling back to neutral, as [staples gain](#), and [utilities climb out of a negative reading](#) – Figure 1.
- With the [credit market becoming unfriendly](#) (and yes the safe haven bid to [bonds](#) is back again this morning as [China devalues the most since the 1990s](#), the EM FX basket crumbles, and yes even the U.S. 2yr catches a bid, off 4bps this AM), we are going to ditch relative strength for a moment to detail price trends (you can't buy much with relative strength gains that are absolute losses). [Health Care indices are trending higher, but are starting to break steep uptrends, and fall below their 50d MAs](#) – Figure 2.
- If you own [health care via an ETF](#), you see the same weakness – Figure 3.
- [Health Care Growth broke trend vs. Value yesterday](#) – Figure 4.
- The easiest stocks to reduce positions on are [the overbought shares](#) highlighted in Figure 5.

Figure 1: [Global Health Care Relative Strength Breadth Z-Score](#) Figure 2: [Price Trends on Health Care Indices](#)



Breaking Price Trends & Falling Below 50d MAs

Index	Chg Last Day	Reward/Risk	Trend Slope	Price Hi (Mo)	Price Low (Mo)	1 day Price Chg (%)	5 day Price Chg (%)	%Chg wrt 50d Price MA	Chg wrt 50 d Price MA Trend
S&P/TSX Health Care	▲	165%	165%			-1.3%	-4.1%	5.8%	Above Rising
MSCI World Small Cap Health Care	▲	40%	40%			0.7%	2.2%	6.5%	Above Rising
Russell 2500 Health Care	▲	50%	50%			0.6%	-2.5%	-0.4%	Below Rising
Russell MidCap Health Care	▲	41%	41%			0.6%	-2.3%	-0.2%	Below Rising
Russell 2000 Health Care	▲	50%	50%			0.7%	-3.1%	-1.4%	Below Rising
S&P 500 Health Care	▲	19%	19%			0.8%	-0.8%	0.6%	Above Rising
MSCI World Health Care	▲	23%	23%			0.6%	-0.8%	1.4%	Above Rising
MSCI EAFE Health Care	▲	19%	19%			1.1%	-0.3%	3.1%	Above Rising
MSCI Europe Health Care	▲	21%	21%			1.1%	-0.2%	3.9%	Above Rising
MSCI EM Health Care	▲	17%	17%			0.1%	1.7%	-1.1%	Below Falling

Figure 3: [Price Trends on Health Care ETFs](#)

Symbol	Name	1-day Equity Chg (%)	5-day Equity Chg (%)	MktCap (US\$)	Vol (%)	Chg Last Day	Price Trend	Trend Slope	Hi (Mo)	Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend	%Chg wrt 150d MA	Chg wrt 150 Day MA Trend	Boll Band	Boll Band Width	RSI Dly
IBB US	Nasdaq BioTech ETF	0.7%	-2.8%	9,267	1.48	▲	↓	52%			-1%	Below Rising	5%	Above Rising	BELOW	86%	44
XLV US	US Health Care ETF	0.8%	-0.8%	16,001	0.94	▲	↓	19%			1%	Above Rising	4%	Above Rising	BELOW	86%	50
IXJ US	GBL Health Care ETF	1.0%	-0.5%	1,725	0.86	▲	↓	21%			1%	Above Rising	4%	Above Rising	ABOVE	101%	53
BBH US	MV Biotech ETF	0.9%	-2.4%	826	1.46	▲	↓	32%			0%	Below Rising	4%	Above Rising	BELOW	115%	46
XPH US	US Pharmaceuticals ETF	0.3%	-4.7%	1,125	1.28	▲	↓	34%			-3%	Below Rising	1%	Above Rising	BELOW	122%	37

Figure 4: [MSCI World Health Care Growth vs. Value](#)



Figure 5: [Overbought Health Care Stocks – See Full List Here](#)

Symbol	Name	Sub Industry	MktCap (US\$)	SPX	Trend Slope	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend	RSI Dly
ABMD US	ABIOMED Inc	HCEquip	4,019	▲	43%	36%	Above Rising	88
4543 JP	Terumo Corp	HCEquip	10,945	▲	4%	19%	Above Rising	74
ICLR US	ICON PLC	LfSciSrv	5,129	▲	20%	19%	Above Rising	75
AMSG US	Amsurg Corp	HCFacility	4,040	▲	50%	17%	Above Rising	77
RDY US	Dr Reddy's Laborator	Pharma	11,547	▲	12%	17%	Above Rising	74
CHE US	Chemed Corp	HCSERVICE	2,570	▲	23%	13%	Above Rising	84
BCR US	CR Bard Inc	HCEquip	14,772	▲	8%	12%	Above Rising	78
1059987 JP	Suzuken Co Ltd/Aichi	HCDistrib	3,804	▲	36%	12%	Above Rising	71
EVHC US	Envision Healthcare	HCSERVICE	8,243	▲	-1%	12%	Above Rising	70
BAX US	Baxter	HCEquip	22,934	▲	-12%	11%	Above Rising	74

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

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Market Weight Utilities?



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- The [S&P 500 total return utilities index](#), which reversed a downtrend in July, broke back above its 150 and 200d MA on Friday – Figure 1.
- And yes, the move dovetails with the renewed strength in the [long end of the U.S. curve](#).
- On a [relative strength basis](#), utilities bottomed when rates topped out at the start of 2014. The **time to consider that pattern as a major double bottom is now, with utilities just making its first new set of relative strength higher highs and lows** – Figure 2.
- In context:
 - Yields at the [long end of the U.S. curve are breaking to the downside](#) – Figure 3.
 - The [U.S. yield curve breaks down with it](#).
 - [Credit risk on the other hand is breaking to the upside](#). Safe haven assets are in demand, as risk assets are re-risking – Figure 4.
- Our [global relative strength breadth reading for utilities](#) just climbed back to neutral last week. This strength asks you – **are you market weight utilities?** – Figure 5.
- The [relative strength trend of utilities depends on your benchmark; however, what is common is that the sector is above a 50d relative strength MA, and on Friday the sector was likely to be poised at, at least, a 1mo relative strength high](#) – Figure 6.
- We highlight the [spectrum of S&P 500 utilities vs the 500](#) in Figure 7, and the [MSCI North American Utilities in outperforming trends against the utility sector](#) in Figure 8

Figure 1: S&P 500 Total Return Utilities Index



Figure 2: US Utilities vs S&P 500 and US 10y Yield (Inverted)



Figure 3: U.S. 30-Year Bond Yield



Figure 4: North American Investment Grade Credit Risk



Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

Figure 5: [Global Utilities Relative Strength Z-Score](#)



Figure 6: [Relative Strength of Utilities vs Local Benchmarks](#)



Figure 7: [S&P 500 Utilities vs Utilities](#)

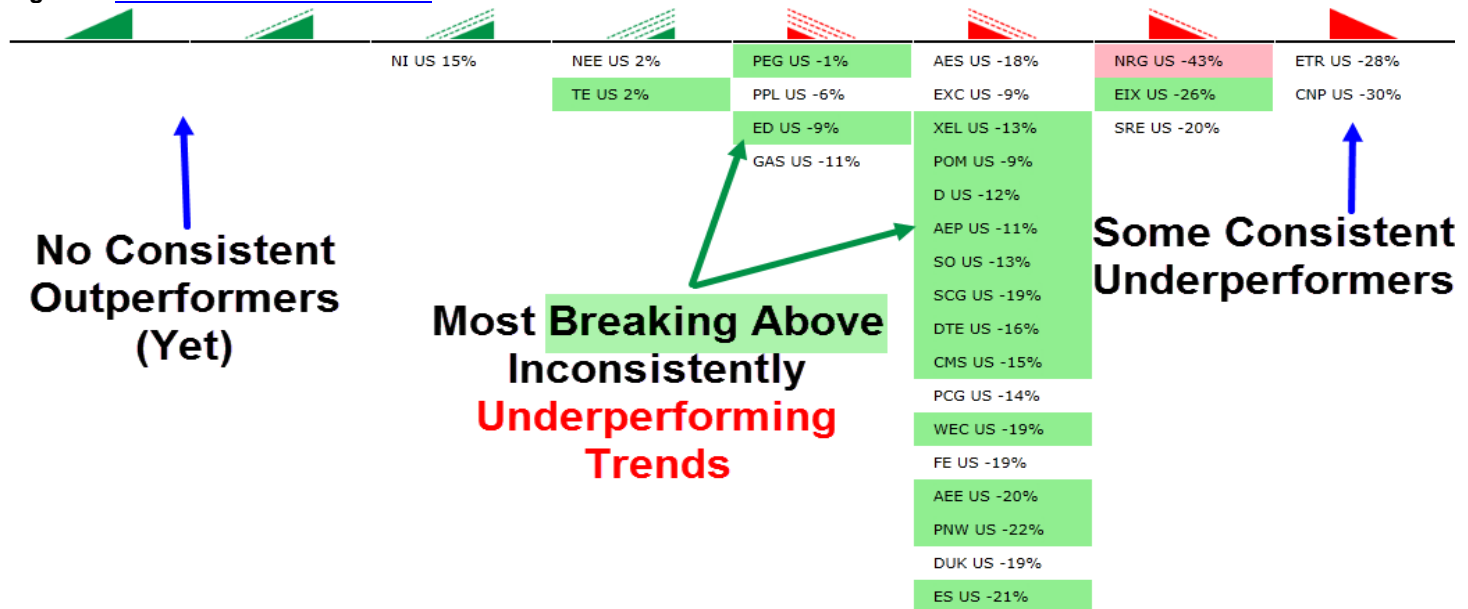


Figure 8: [MSCI North American Utilities in Outperforming Trends vs Sector](#)

Symbol	Name	Sub Industry	Grp RS	MktCap (US\$)	Chg Last Day	MSCI NAm Sector	Trend Slope	RS Hi (Mo)	RS Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend	Boll Band	Boll Band Width	RSI Dly
PPL US	PPL Corp	ElecUtil	5	21,620		↑	15%			5%	Above Rising	OBOT	97%	69
NEE US	NextEra Energy	ElecUtil	5	48,375		↑	13%			5%	Above Rising	ABOVE	108%	65
PEG US	Public Service Enterprise Group	MultiUtil	4	21,469		↑	17%	1.0		4%	Above Falling	OBOT	82%	62
XEL US	Xcel Energy	ElecUtil	5	17,879		↑	12%	48.0		6%	Above Rising	OBOT	98%	68
POM US	Pepco Holdings Inc	ElecUtil	5	6,798		↑	22%			0%	Above Rising	ABOVE	103%	53
D US	Dominion Resources	MultiUtil	4	42,993	↑	↑	5%	17.5		5%	Above Rising	OBOT	99%	67
ED US	Consolidated Edison	MultiUtil	4	19,081		↑	11%	35.5		8%	Above Rising	OBOT	115%	74
AEP US	American Electric Power Co	ElecUtil	5	27,849		↑	8%			4%	Above Rising	ABOVE	68%	65
AWK US	American Water Works Co	WaterUtil	6	9,429		↑	10%			3%	Above Falling	OBOT	76%	62
DTE US	DTE Energy	MultiUtil	4	14,565		↑	6%			6%	Above Rising	OBOT	90%	66
AEE US	Ameren Corp	MultiUtil	4	10,220	↔	↑	5%			8%	Above Rising	OBOT	156%	72
PCG US	PG&E Corp	MultiUtil	4	25,872		↑	3%			4%	Above Rising	ABOVE	71%	61
CMS US	CMS Energy	MultiUtil	4	9,465		↑	2%			5%	Above Rising	ABOVE	63%	63
SCG US	SCANA Corp	MultiUtil	4	8,009		↑	6%	6.0		7%	Above Rising	OBOT	90%	70
LNT US	Alliant Energy	MultiUtil	4	6,877		↑	1%		1.5	3%	Above Falling	ABOVE	70%	56
SO US	Southern Co	ElecUtil	5	41,361		↑	1%			5%	Above Rising	OBOT	114%	70

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Credit Risk Trending Higher; Equity Risk = Return



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- Yesterday's most important data point came out before the equity open – [North American Investment Grade Credit Risk](#) broke out to the high of the year. Oh yes, and it is now trending higher – Figure 1.
- How many times in the past four years can we say investment grade credit risk is trending higher, making higher highs and lows? None. Let's be careful out there.
- Has the equity market reacted? Yes in that U.S. indices have flattened out. Our trend/width ratio (think of a Sharpe ratio, or information ratio) for the [dividend adjusted S&P 500](#) has been knocked down to 1. The market is trending higher at 4%/year, and you are suffering 4% swings to achieve that return.
 - Equity return = risk – Figure 2.
 - What is trending higher, with a slightly higher trend/width ratio? The [U.S. 7-10y bond ETF](#) – Figure 3. It's the long end of the curve, where the [30y yield has broken down](#), applying the most positive influence here. It's reacting to [falling inflation expectation](#), which is reacting to [weaker oil](#) (as [Saudi Arabia taps its market](#) for its lower for longer position). The [yield curve](#), in case you have not noticed, has broken to the downside – Figure 4.
- Recommendations? [Overweight staples](#). Switch [out of banks into REITS](#), avoid [resources](#), buy [USD denominated government bonds](#), understand that the [Otis Redding Collection](#) is [shrinking](#).

Figure 1: [North American Investment Grade Credit Risk](#)



Figure 2: [S&P 500 Dividend Adjusted Price Trend](#)



Figure 3: [U.S. 7-10y Bond ETF \(IEF US\)](#)



Figure 4: [U.S. Yield Curve: 30-5yr](#)



Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit

Focal Points

Investment & Trading Ideas

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Best of Strong U.S. Dollar Stocks

- The [U.S. dollar index is breaking out of a consolidation pattern](#) (Figure 1), and all things associated are happening; [commodities](#), and [commodity currencies](#) are suffering, [inflation expectations](#) are rolling over, and a [whiff of panic](#) in the [gold square](#) and [energy space](#) is in the air.
- Today an ETF, which targets U.S. stocks that derive 80% of their revenue from the U.S., and as such is less vulnerable to a strong U.S. dollar, starts trading under the ticker USSD.
 - As per the time of writing, a single 700 share block has traded, so the PR folk at WisdomTree have some work to do, but that's not the point.
 - It's the concept that we care on.
- The ETF is based off of the [WisdomTree Strong Dollar U.S. Equity Index](#), which has a bit of history, and indeed in its early days, moves in this index are somewhat positively correlated to the U.S. dollar index. We highlight the overlay in Figure 2.
- [The index contains 268 stocks](#), none of which are [resources](#), and the list does have a tilt towards outperforming the S&P 500 (did we mention that it has [no resources?](#)). We highlight the largest 50 stocks along with the portfolio characteristics of the grouping in Figure 3.
 - To narrow-in on the "best of", we applied an earnings growth filter, (because [wherever you look, growth continues to trump value](#)) and narrow-in on the [stocks outperforming the market and the sector](#) – Fig 4.
 - We also loaded this portfolio into our [Otis Redding](#) Collection (momentum buys, with low volatility, and good yield and dividend growth profiles, available in our [Long/Short Filters](#) within the [TIPs Suite](#)), which narrows-in on [16 stocks](#) for your summer investing pleasure – Figure 5.

Figure 1: U.S. Dollar Index



Figure 2: U.S. Dollar Index and Strong Dollar U.S. Equity Index



Figure 3: Largest 50 Strong U.S. Dollar Stocks vs S&P 500 With Portfolio Statistics (see [Video Primer on How to Do This](#))

COF US 28%	RAI US 28%	ESRX US 12%	WFC US 4%	D US -1%	CSX US -16%	MO US -22%	CCI US -18%
AET US 50%	WBA US 41%	TGT US 17%	T US 6%	DUK US -3%	EXC US -21%	PCP US -31%	TRV US -21%
HCA US 52%	MCK US 14%	INTU US 17%	CVS US 4%	SO US -3%	LOW US -18%	SPG US -29%	ADP US -15%
SCHW US 34%	BBT US 18%	CAH US 17%	TWC US 7%	NOC US -3%		EQR US -24%	ALL US -22%
CI US 59%	KR US 38%	BAC US 16%	CMCSA US 4%	DFS US -3%			BRK/B US -20%
UNH US 35%	HUM US 45%	STT US 8%	PSA US 4%	USB US -3%			NSC US -56%
		SYF US 14%	AEP US 4%				UNP US -57%
		PNC US 9%	NEE US 2%				
			HD US 0%				
Outperforming Mkt&Sec 96 Underperforming Mkt&Sec 90 Momentum Buys 42 Momentum Sells 34 Obot BBand 11 Obot RSI 11 Osold BBand 8 Osold RSI 3 52wH 9 52wL 6 Hi							
Outperforming Market 125 Underperforming Market 108 Severed Mkt Outperformers 24 Severed Mkt Underperformers 8 New X-Mo Mkt RS H 23 New X-Mo Mkt RS L 62							
Outperforming Sector 116 Underperforming Sector 115 Severed Sector Outperformers 22 Severed Sector Underperformers 12 New X-Mo Sector RS H 23 New X-Mo Sector RS L 64							

Source: BMO Capital Markets, Bloomberg, Thomson, Markit

Figure 4: Strong U.S. Dollar Outperformers With Our Earnings Growth Filter Applied

Symbol	Name	Sub Industry	Grp RS	LT RS	RS	EE	MktCap (US\$)	Vol (%)	SPX	Trend Slope	RS Hi (Mo)	RS Low (Mo)	%Chg wrt 50d MA	Chg wrt 50 Day MA Trend	%Chg wrt 150d MA	Chg wrt 150 Day MA Trend	RSI Dly
AYI US	Acuity Brands	ElcCmpEq	5	1	1	3	8,372	1.45		39%			5%	Above Rising	16%	Above Rising	60
CRI US	Carter's Inc	Aprl&Gds	7	4	1	2	5,567	1.36		55%			1%	Above Rising	13%	Above Rising	50
SIVB US	SVB Financial Group	RegionBnk	1	3	1	2	7,558	1.65		42%			4%	Above Rising	15%	Above Rising	56
ULTA US	Ulta Beauty	SpecStors	8	4	1	3	10,713	1.66		33%			7%	Above Rising	14%	Above Rising	67
HCA US	HCA Holdings Inc	HCFacility	3	3	1	3	38,233	1.61		52%		1.0	8%	Above Rising	19%	Above Rising	61
CI US	Cigna Corp	MngHCare	5	1	1	3	38,937	1.55		59%		1.5	2%	Above Rising	18%	Above Rising	45
FRC US	First Republic Bank	RegionBnk	1	2	1	3	8,973	1.21		35%		1.0	1%	Above Rising	10%	Above Rising	50
ETFC US	E*TRADE Financial	InvBnkBrk	2	2	1	3	8,732	1.77		43%			0%	Above Rising	10%	Above Rising	53
RAI US	Reynolds American	Tobacco	4	1	1	2	57,078	1.16		28%	48.0		6%	Above Rising	12%	Above Rising	71
DRI US	Darden Restaurants	Rstaurnt	7	6	2	1	9,248	1.29		40%			8%	Above Rising	14%	Above Rising	66
DPZ US	Domino's Pizza	Rstaurnt	7	1	2	3	6,116	1.50		26%			0%	Below Rising	7%	Above Rising	45
MD US	MEDNAX Inc	HCSERVICE	2	3	3	2	7,275	1.12		17%			6%	Above Rising	10%	Above Rising	71
TGT US	Target Corp	GMrchStrs	3	4	3	3	52,535	1.25		17%		1.0	1%	Above Rising	5%	Above Rising	46
INTU US	Intuit Inc	ApplicSwr	2	2	3	3	29,262	1.21		17%			2%	Above Rising	9%	Above Rising	58
HBI US	Hanesbrands	Aprl&Gds	7	1	3	3	13,809	1.37		25%			5%	Above Rising	10%	Above Rising	60
CTAS US	Cintas Corp	DvSpSrv	7	1	2	2	9,745	1.16		9%		2.5	0%	Below Rising	3%	Above Rising	48
TOL US	Toll Brothers	HomeBld	4	7	4	3	6,658	1.46		14%			1%	Above Rising	3%	Above Rising	46
PGR US	Progressive Corp	P&C Insur	1	3	4	2	17,907	0.93		8%			9%	Above Rising	13%	Above Rising	68
ALK US	Alaska Air Group	Airline	5	1	5	3	9,716	1.99		3%	48.0		13%	Above Rising	16%	Above Rising	74

Note: BMO Capital Markets is restricted on Cintas Corp

Figure 5: The Otis Redding Collection of Strong U.S. Dollar Stocks

Symbol	Name	Sub Industry	Grp RS	LT Price	Price Trend	MktCap (US\$)	Vol (%)	Price Trend	Trend Slope	Hi (Mo)	Low (Mo)	Yield	DVD Growth 1y
NYCB US	New York Community Bancorp	Thrft&Mtg	2	3	1	8,113	0.92		50%			5.48%	0%
FITB US	Fifth Third Bancorp	RegionBnk	1	2	1	17,430	1.23		44%	1.0		2.42%	6%
RF US	Regions Financial	RegionBnk	1	4	1	13,953	1.38		37%			2.31%	28%
UNM US	Unum Group	LifeHthIns	2	5	1	9,060	1.19		31%			2.04%	13%
BBT US	BB&T Corp	RegionBnk	1	2	2	30,168	1.06		29%			2.62%	9%
DRI US	Darden Restaurants	Rstaurnt	7	5	2	9,248	1.29		46%	48.0		3.01%	0%
STI US	SunTrust Banks	RegionBnk	1	2	3	23,116	1.23		27%			2.14%	47%
TGT US	Target Corp	GMrchStrs	3	3	3	52,535	1.25		27%			2.72%	14%
WFC US	Wells Fargo	DiversBnk	6	2	3	298,396	0.99		18%			2.59%	12%
BR US	Broadridge Financial Solutions Inc	DataProc	1	1	2	6,369	1.08		39%			2.03%	23%
PFG US	Principal Financial Group	LifeHthIns	2	2	2	15,647	1.32		17%			2.86%	22%
HRS US	Harris Corp	ComEquip	8	2	3	10,047	1.31		30%			2.31%	12%
HBAN US	Huntington Bancshares	RegionBnk	1	2	3	9,363	1.17		23%			2.07%	20%
PNC US	PNC Financial Services Group Inc	RegionBnk	1	2	3	51,378	1.06		22%			2.06%	7%
EXR US	Extra Space Storage	SpecREIT	8	1	4	8,629	1.11		16%			3.36%	22%
CAG US	ConAgra Foods	PkgFdMt	6	3	4	18,878	1.28		31%			2.27%	0%

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Hold	Market Perform	53.5%	14.4%	44.8%	53.3%	44.4%	40.0%
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