**Friday, March 7, 2014**

### Market Elements

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### Relative Strength Filter

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<td>Ex U.S. Breaks Down &amp; Bonds, Yes, Bonds</td>
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### Focal Points

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This report was prepared by an analyst(s) employed by BMO Nesbitt Burns Inc., and who is (are) not registered as a research analyst(s) under FINRA rules. For disclosure statements, including the Analyst's Certification, please refer to pages 40 to 41.
Most equity indices rose, with TOPIX leading (JPY weakness); MSCI EM rose 1.1% to close at a 6w high.

EU long & short rates led most DM yields higher; the German 2y yield rose 5bps (6w high) on the ECB release and Q&A; Russian CDS edged wider, China narrowed.

AUD won the FX derby, with half of its 1.2% gain coming on data, and the balance steadily after; the Indian Rupee rose 1% to a 3m high; the yen retreated for the third day, reaching its falling 50d MA at 103.1.

DJUBS basket rose to an 11m high; most of the move came after EUR strength.
USD weakness, while only 1–3 days worth, is rather universal.
  - A positive for commodities.
Market Elements

Intra Day Charts
2-Day 1-Minute View

Currencies
- U.S. Dollar Index
- Euro
- Yen
- MSCI EM Currency Index
- Canadian Dollar
- Australian Dollar

Commodities
- DJ-UBS Commodity Price Index
- Gold (Spot)
- Crude Oil (WTI)
- Natural Gas (NMX)
- Copper (CMX)
- Nickel (LME 3Mo)

Bonds
- U.S. 10-Yr Bond
- U.S. 5Yr 5Yr Forward Breakeven
- Japanese 10-Yr Bond
- Canadian 10-Yr Bond
- German 10-Yr Bund
- Italian 10-Yr Bond
- Ave. Prime Broker 5yr CDS

Equities
- MSCI World Index
- S&P 500
- S&P/TSX Composite

Page 3 • March 6, 2014
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 high: Materials, Industrials, Consumer Discretionary, Financials, Information Technology.
- **Canada** – at a 52-week high: Consumer Staples.
### Market Movers – Largest Daily Percentage Moves

#### Market Elements

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**Bold** = move of more than 5%
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**Market Elements**

- **Energy Symbol**
  - FCX
  - AA
  - PX
  - MTRX
  - MWV

- **Industrials Symbol**
  - H
  - L
  - Last
  - %Chg
  - TUX
  - HON
  - MDD
  - GD
  - RTN
  - NOC
  - BCP
  - LLL
  - COL
  - DR
  - DE
  - H
  - ED
  - PCAR
  - ET
  - PH
  - FXD
  - CHRW
  - REP
  - NSC
  - CSX
  - ESX
  - DAX
  - EWI
  - UNH
  - WLP
  - HUM
  - AET
  - CI
  - GILD
  - CELG
  - BBB
  - A

- **Consumer Discretionary Symbol**
  - H
  - L
  - Last
  - %Chg
  - GM
  - WFC
  - LDG
  - HMK
  - PHL
  - DHI
  - NVR
  - WHR
  - NWL
  - COL
  - CRL
  - DRS
  - L
  - R
  - NV
  - MAR
  - HOT
  - WYN
  - SBUX
  - SRIR
  - CMGM
  - APOL
  - UP
  - NR
  - OMC
  - PG
  - CBS
  - DISCA
  - CCL
  - WDC
  - TWC
  - SN
  - DIS
  - TXW
  - POX
  - FMP
  - GIC
  - GCC
  - JCT
  - FDO
  - TX
  - LB
  - ROST
  - SHLD
  - M
  - JWN
  - JCP
  - DG
  - DLTR
  - T
  - PB
  - US
  - ATR
  - NE
  - NER

- **Consumer Staples Symbol**
  - H
  - L
  - Last
  - %Chg
  - WSM
  - RE
  - F
  - MCD
  - GM
  - COH
  - SIV
  - CHF
  - PT
  - MNG
  - LC
  - PGL
  - PER
  - E
  - GE
  - R
  - IDX
  - BRCM
  - GXP
  - X
  - ORLY
  - MCG
  - FBBY
  - BB
  - RD
  - LOW
  - SPLS
  - R
  - V
  - NV
  - N
  - A
  - M

- **Technology Symbol**
  - H
  - L
  - Last
  - %Chg
  - GOOG
  - BWA
  - SYY
  - KR
  - VRSN
  - WFM
  - CTSH
  - LDOS
  - V
  - MA
  - BBF
  - JNJ
  - TRK
  - IP
  - MRK
  - PFE
  - HLC
  - Ex H
  - MKC
  - PS
  - R
  - ASH
  - PM
  - ADM
  - MDLZ
  - K
  - EPB
  - CAG
  - MJN
  - HSH
  - MCD
  - YLM
  - SBUX
  - SRC
  - CMGM
  - APOL
  - UP
  - HB
  - OCMC
  - PG
  - CBS
  - DISCA
  - CCL
  - WDC
  - TWC
  - SN
  - DIS
  - TXW
  - POX
  - FMP
  - GIC
  - GCC
  - JCT
  - FDO
  - TX
  - LB
  - ROST
  - SHLD
  - M
  - JWN
  - JCP
  - DG
  - DLTR
  - T
  - PB
  - US
  - ATR
  - NE
  - NER

- **Financials Symbol**
  - H
  - L
  - Last
  - %Chg
  - WFC
  - USB
  - CMA
  - PNC
  - BBT
  - FITB
  - T
  - MTB
  - KEY
  - HAN
  - AMT
  - NYCB
  - HCBK
  - PBCT
  - BAC
  - JPM
  - C
  - LUK
  - CME
  - MHFI
  - ICE
  - MCO
  - AXP
  - COF
  - DFS
  - BAC
  - BLK
  - STT
  - TROW
  - NTRS
  - AMP
  - AMG
  - IVZ
  - LM
  - MS
  - SCHW
  - MMC
  - AON
  - MET
  - PRU
  - AFL
  - LNC
  - UNM
  - NTRK
  - ANPC
  - HIG
  - MS
  - CHW
  - MPG
  - AON
  - MET
  - PRU
  - AFL
  - LNC
  - UNM
  - NTRK
  - ANPC
  - HIG
  - MS
  - SCHW
  - MMC
  - AON
  - MET
  - PRU
  - AFL
  - LNC
  - UNM
  - NTRK
  - ANPC
  - HIG
  - MS
  - SCHW
  - MMC
  - AON
  - MET
  - PRU
  - AFL
  - LNC
  - UNM
  - NTRK
  - ANPC
  - HIG
  - MS
  - SCHW
  - MMC

- **Utilities Symbol**
  - H
  - L
  - Last
  - %Chg
  - EMH
  - STX
  - NTAP
  - WDC
  - EXC
  - SYK
  - GB"
## Canadian Market Movers

### Energy
- Symbol: WCP, WRG, PEY, TGL
- Last %Chg: 0.0%, -1.4%, -0.8%, -2.0%
- Market Elements
  - Symbol: HSE, CTG, CFP, EWG
  - Last %Chg: 8.8%, -3.9%, 0.2%, 1.1%

### Materials
- Symbol: ALA, BXE, KEL, OXC
- Last %Chg: 5.1%, 8.91, 11.8%, -2.9%
- Market Elements
  - Symbol: BIR, PWT, USK, ALA
  - Last %Chg: 8.70, -1.6%, -1.4%, 5.1%

### Industrials
- Symbol: CHI, CCA, GS, HBM
- Last %Chg: 2.2%, -1.9%, 1.6%, -0.7%
- Market Elements
  - Symbol: COM, MRD, CUP, CUP/U
  - Last %Chg: 9.56, -11.5%, 0.7%, 10.32

### Consumer Discretionary
- Symbol: BBD/BB, CAE, MDA, NVR
- Last %Chg: 3.59, 15.8%, 84.0%, 59.6%
- Market Elements
  - Symbol: ABC, HBA, QTZ, HP
  - Last %Chg: 6.80, 21.28, 6.50, 1.60

### Technology
- Symbol: XRE, ZEB, XDV, XIC
- Last %Chg: 0.8%, -3.7%, 0.9%, -1.0%
- Market Elements
  - Symbol: XIC, ZEB, XDV, XIC
  - Last %Chg: 0.8%, -3.7%, 0.9%, -1.0%

### Financials
- Symbol: XIU, XSF, XHP, XHP
- Last %Chg: 0.6%, -1.4%, -1.6%, -1.4%
- Market Elements
  - Symbol: XIU, XSF, XHP, XHP
  - Last %Chg: 0.6%, -1.4%, -1.6%, -1.4%

### Utilities
- Symbol: JDSI US, LB, XSD, XSD
- Last %Chg: 16.71, -0.3%, 6.80, 7.00
- Market Elements
  - Symbol: CGO, LIF, OGC, H
  - Last %Chg: -0.1%, 0.8%, -0.9%, 11.34

### Consumer Staples
- Symbol: BDB/BB, LHR, MRE, DHC
- Last %Chg: 104.91, -3.4%, 9.80, -30.0%
- Market Elements
  - Symbol: CPP, CR, FCI, FCI
  - Last %Chg: 1.60, 0.0%, 1.0%, -4.0%

### Telecom Services
- Symbol: XCI, BCE, RCI, RCI
- Last %Chg: 38.61, -2.0%, -2.0%, -1.0%
- Market Elements
  - Symbol: XCI, BCE, RCI, RCI
  - Last %Chg: 38.61, -2.0%, -2.0%, -1.0%

### Health Care
- Symbol: TCH, WRP, BBD/BB, BBN
- Last %Chg: 26.80, 1.4%, 3.59, -0.8%
- Market Elements
  - Symbol: TCH, WRP, BBD/BB, BBN
  - Last %Chg: 26.80, 1.4%, 3.59, -0.8%

### Market Elements
- Symbol: H, H, H, H
- Last %Chg: 11.01, 10.32, 43.86, 43.86
- Market Elements
  - Symbol: H, H, H, H
  - Last %Chg: 11.01, 10.32, 43.86, 43.86

### More than 5% Move
- Symbol: H, H, H, H
- Last %Chg: 11.01, 10.32, 43.86, 43.86
- Market Elements
  - Symbol: H, H, H, H
  - Last %Chg: 11.01, 10.32, 43.86, 43.86

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**Note:** The table above lists the top 10 gainers and losers in the Canadian stock market as of March 6, 2014. The symbols represent stock tickers, and the last column indicates the percentage change from the previous day.
Maligned Materials

- This week, we have written on +ve momentum. For balance we look at a bottoming pattern. Materials vs. MSCI World has been basing for 8m, and our breadth indication has slowly been digging itself out of -ve territory. – Fig 1, 2.
- The statement looking at industries against the sector is “anything but mining” (with Chinese debt finally opening the Pandora’s box with the first domestic debt default today, one can afford to wait; note today’s breakdown in copper, and downward spiralling Iron Ore) – Figure 3.
- Momentum buys against the Materials sectors are shown in Fig 4a-c.

Figure 1: Global Materials vs. MSCI World

Basing for 8mo, Moving Averages are Flattening Out

Figure 2: Global Materials Relative Strength Z-Score (Breadth)

Has Been Slowly Digging Itself Out of Negative Territory Since Q4

Figure 3: Global Material Industries (GICS L3) vs MSCI Global Materials

<table>
<thead>
<tr>
<th>Name</th>
<th>Reward</th>
<th>Trend Slope</th>
<th>RS High (Mo)</th>
<th>RS Low (Mo)</th>
<th>1-day RS Chg (%)</th>
<th>5-day RS Chg (%)</th>
<th>% Chg wrt 50d MA Trend</th>
<th>% Chg wrt 200d MA Trend</th>
<th>% Chg wrt 200d RS MA Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Materials vs MSCI World Materials</td>
<td>1.2%</td>
<td>48.5</td>
<td>0.9%</td>
<td>1.2%</td>
<td>2.9%</td>
<td>Above Rising</td>
<td>5.2%</td>
<td>Above Rising</td>
<td></td>
</tr>
<tr>
<td>Paper &amp; Forest Products vs MSCI World Materials</td>
<td>1.8%</td>
<td>1.0</td>
<td>-0.7%</td>
<td>-1.0%</td>
<td>-1.3%</td>
<td>Below Falling</td>
<td>1.7%</td>
<td>Below Rising</td>
<td></td>
</tr>
<tr>
<td>Chemicals vs MSCI World Materials</td>
<td>0.2%</td>
<td>0.3%</td>
<td>-0.2%</td>
<td>-0.2%</td>
<td>0.1%</td>
<td>Below Falling</td>
<td>0.2%</td>
<td>Below Rising</td>
<td></td>
</tr>
<tr>
<td>Containers &amp; Packaging vs MSCI World Materials</td>
<td>0.2%</td>
<td>0.7%</td>
<td>-0.2%</td>
<td>-0.7%</td>
<td>-0.6%</td>
<td>Below Falling</td>
<td>0.3%</td>
<td>Below Rising</td>
<td></td>
</tr>
<tr>
<td>Metals &amp; Mining vs MSCI World Materials</td>
<td>-1.1%</td>
<td>-1.5%</td>
<td>-0.6%</td>
<td>-0.7%</td>
<td>-0.8%</td>
<td>Below Falling</td>
<td>1.5%</td>
<td>Below Falling</td>
<td></td>
</tr>
</tbody>
</table>

Figure 4: Largest Material Momentum Buys vs Material Benchmarks

4a: Global vs. MSCI Global Materials

<table>
<thead>
<tr>
<th>Name</th>
<th>Sub Industry</th>
<th>RS</th>
<th>Market Cap (US$)</th>
<th>% Chg wrt 50d MA Trend</th>
<th>% Chg wrt 200d MA Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>KapStone Paper</td>
<td></td>
<td>4</td>
<td>3,072</td>
<td>53%</td>
<td>53%</td>
</tr>
<tr>
<td>Alico Inc</td>
<td></td>
<td>2</td>
<td>12,997</td>
<td>66%</td>
<td>66%</td>
</tr>
<tr>
<td>Vulcan Materials Co</td>
<td></td>
<td>1</td>
<td>8,877</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Domtar Corp</td>
<td></td>
<td>4</td>
<td>3,533</td>
<td>57%</td>
<td>57%</td>
</tr>
<tr>
<td>Kraton Performance</td>
<td></td>
<td>2</td>
<td>1,099</td>
<td>41%</td>
<td>41%</td>
</tr>
<tr>
<td>Commercial Metals</td>
<td></td>
<td></td>
<td></td>
<td>75%</td>
<td>75%</td>
</tr>
<tr>
<td>A. Schulman Inc</td>
<td></td>
<td>2</td>
<td>1,099</td>
<td>15%</td>
<td>15%</td>
</tr>
</tbody>
</table>

4b: U.S. vs. S&P 500 Materials

4c: CDN vs. S&P/TSX Materials

Source: BMO Capital Markets, Bloomberg, Thomson, Markit BMO Capital Markets is Restricted on Reservoir Minerals Inc. (RMC)
Canadian Small Caps

- The Canadian dollar has not quite broken its steep downtrend against the greenback, but the reason for the decline is fading. The Canadian 2yr bond yield has broken above its downtrend, and the CDN–US 2yr differential has started to move off of the extreme (4-year low) level of 60 bps and back toward a normal 80 bps.
- In the event that the sale on the C$ is short-lived (Figure 1, and mind Figure 2), we would highlight Canadian small caps to our cross-border shoppers. Why Small Caps?
  - While the large cap 60 index, with a heavy bank and insurance weight, is fading back into a downtrend relative to the 500,
  - Small Caps are above a rel. strength (vs. 500) downtrend and MAs are turning.
- To get that positive reversal against the 500 the TSX SmICap index had to be pushed above its trade channel, which is rising at 26%/y in CDN terms. The top of our momentum buy list (which excludes overbought stocks), based on price trends is shown in Figure 3.

Figure 1: Canadian Dollar

Figure 2: CDN 2Yr Bond (also, see CDN-US 2Yr Spread)

Figure 3: Top of Canadian Small Cap Momentum Buy List (C$ Price Trends, Market Cap Cut-Off of C$3b) – See link for full list

Source: BMO Capital Markets, Bloomberg, Thomson, Markit; BMO Capital Markets is Restricted on Reservoir Minerals Inc. (RMC)
Industrials Picking Back Up

- Industrials were part of the trio of where most outperformance could be found, with the other members being Technology and Health Care. They dipped back to neutral in January, stabilized in February, and are now climbing back into the positive quadrant of strength and momentum – Figures 1, 2.
- The colour of where to get outperformance differs somewhat from region to region;
- Among US large caps, Aerospace and Industrial Machinery stocks dominate the momentum buy list – Figure 3.
- In Canada, it is CP and C&E stocks that outperform – Figure 4.

Figure 1: Group Selection Report Sector Heat Map

Figure 2: Industrials Relative Strength Z-Score

Figure 3: S&P 500 Industrial Momentum Buys (see This Link for Outperformers which Includes Overbought Stocks)

Figure 4: CDN Industrials in Outperforming Trends vs Market and Sector (To include non benchmark stocks see here)

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Relative Strength Filter

Energy Storage & Transports 1st Decile

- We will follow up with yesterday’s energy security & yield theme, as even as tensions in the Ukraine are easing, the theme is not a new one, and will not go away.
- The best grouping of energy stocks are the storage and transports which regained a 1st decile position yesterday – Figure 1.
  - At 1st decile, positive momentum has already been established, and as such one is better off riding the best momentum rather than looking for bottoming stocks which have been left behind – Figure 2.
  - This is a group where you have to look beyond index constituents, which generally do not cover MLPs. When you do so, you see the tilt towards outperformance and the breadth of stocks breaking above trade channels – Figure 3.

Figure 1: Oil & Gas Storage & Transports RS Decile

Figure 2: O&G Transports Momentum Buys vs ACWI

Figure 3: Oil & Gas Storage & Transports vs ACWI

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
With the Russian/Ukrainian situation heating up over the weekend, the key beneficiaries of the uncertainty are bonds (Figure 1) and energy prices.

We have been highlighting yield many times since rates peaked out at year-end, but have downplayed energy as the breadth of sector has simmered in slightly negative territory. With energy security being the largest potential economic victim from this crisis, our energy breadth reading may push into positive territory – Figure 2.

The list of energy stocks in outperforming trends against MSCI World that also have good yield and dividend growth profiles is a tight one – Figure 3.

Figure 1: US 10-Year Bond Yield This Morning

Figure 2: Energy Relative Strength Z-Score (Breadth)

Figure 3: Energy / Yield Stocks in Outperforming Trends vs. MSCI World
Best of Internet Software & Services

- Scan the global industries by most consistent price uptrend and leading the pack is Internet Software and Services – Figure 1.
- While this index is very top-heavy with dominance by the megacaps: Google, Tencent, Facebook, eBay (note the breakout) and Baidu, we note our group selection report ranking, which is not market cap weighted, records a positive, or at worst neutral, reading since June. The current reading is 2nd decile—Figure 2.
- Against the ACWI, 60% of Internet Software and Services stocks are in outperforming trends.
- We highlight the 26 “best of and buyable,” or our momentum buy list of price trends, in Figure 3.

Figure 1: MSCI World Internet Software & Services Index

Figure 2: Internet Software & Services RS Decile

Figure 3: Momentum Buy List (Price Trends) of Internet Software & Service Stocks

Source: BMO Capital Markets, Bloomberg, Thomson, Markit

13
The decline in government yields is led by Europe (home of the strongest disinflation trends), where the peripheries are seeing 10y yields drop at rates of 35-60%. The German 10y yield, diving to a 7m low this morning, is falling at a rate of 20%. The U.S. 10y yield this morning is just 1 bps above its 200d MA and we expect the breakdown will come soon.

- U.S. corporate bonds (LQD US) have based and are market performing against the MSCI World.
- Junk bonds (JNK US) are also showing signs of strength against the global equity benchmark – Figure 1.

High-yield stocks have been in an underperforming trend against global stocks, but are challenging that downtrend, and the bottom coincides with the year-end high in treasury yields (U.S. 10y at 3%) – Figure 2.

**Best of High Dividend Yield**

- We will consider high yield to be an indicated dividend yield in excess of 3%.
- Our best of list of stocks are:
  - in outperformance trends against the MSCI World High Dividend Yield Index;
  - above rising 50d and 200d MAs yet are not overbought; and
  - sporting a +ve dvd growth record.
- We highlight the top 20 in Figure 3, the full list is found at this link.

**Figure 1: Junk Bond ETF vs. MSCI World**

**Figure 2: MSCI High Dividend Yield Index vs. MSCI World**

**Figure 3: Momentum Buy List (vs MSCI High Dividend Yield Index) of Top Yield Stocks – See Link for Full List**

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Uranium Restart

- Cameco welcomed Japan’s commitment to nuclear power, the rest of the industry did so as well – Figure 1.
- There is a notable positive shift in the group since the uranium price minted its first higher high at the end of November.
- Cameco continues to break out of a long-term base – Figure 2.
- Yesterday’s reversal in the Uranium ETF was punctuated with volume – Fig 3.
- For those looking for a non-commodity play, note the trend and torque of Areva SA – Figure 4.
- The laggard for those looking for such a vehicle is Paladin Energy – Figure 5.

Figure 1: Dvd Adjusted Price Trends on Uranium Levered Companies

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Grp</th>
<th>RS</th>
<th>LT Price</th>
<th>Price Trend</th>
<th>Close 25 Pals</th>
<th>1 day Equity Chg (%)</th>
<th>5 day Equity Chg (%)</th>
<th>MttrCap (US$)</th>
<th>Vol (%)</th>
<th>Chg Last Day</th>
<th>Price Trend</th>
<th>Trend Slope</th>
<th>Hi (Mo)</th>
<th>Low (Mo)</th>
<th>% Chg Wrt 50d MA</th>
<th>Chg Wrt 50 Day MA Trend</th>
<th>RSI Dly</th>
</tr>
</thead>
<tbody>
<tr>
<td>AREVA</td>
<td>AREVA SA</td>
<td>2</td>
<td>10</td>
<td>21.20</td>
<td>6.7%</td>
<td>2.4%</td>
<td>11,165</td>
<td>2.09</td>
<td>214%</td>
<td>26.5</td>
<td>6%</td>
<td>Above Rising</td>
<td>6%</td>
<td></td>
<td></td>
<td>4%</td>
<td>10%</td>
<td>64</td>
</tr>
<tr>
<td>URE CN</td>
<td>Uranium Energy Inc.</td>
<td>8</td>
<td>6</td>
<td>1.99</td>
<td>10.8%</td>
<td>24.0%</td>
<td>225</td>
<td>3.93</td>
<td>150%</td>
<td>35.0</td>
<td>24%</td>
<td>Above Rising</td>
<td>77%</td>
<td></td>
<td></td>
<td>4%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>UCN</td>
<td>Uranium Participation Cor</td>
<td>5</td>
<td>9</td>
<td>5.75</td>
<td>2.9%</td>
<td>4.5%</td>
<td>606</td>
<td>1.39</td>
<td>43%</td>
<td>1.0</td>
<td>4%</td>
<td>Above Rising</td>
<td>64%</td>
<td></td>
<td></td>
<td>10%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>COO</td>
<td>Cameco Corp</td>
<td>8</td>
<td>8</td>
<td>25.42</td>
<td>8.2%</td>
<td>7.2%</td>
<td>9,069</td>
<td>1.69</td>
<td>68%</td>
<td>31.0</td>
<td>10%</td>
<td>Above Rising</td>
<td>67%</td>
<td></td>
<td></td>
<td>10%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>FUS CN</td>
<td>Fission Uranium Corp</td>
<td>8</td>
<td>1</td>
<td>1.37</td>
<td>-4.6%</td>
<td>15.1%</td>
<td>359</td>
<td>4.12</td>
<td>30%</td>
<td>10.0</td>
<td>20%</td>
<td>Above Rising</td>
<td>70%</td>
<td></td>
<td></td>
<td>2%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>ALS CN</td>
<td>Albus Minerals Corp</td>
<td>9</td>
<td>7</td>
<td>14.55</td>
<td>-0.3%</td>
<td>-5.3%</td>
<td>362</td>
<td>2.24</td>
<td>1%</td>
<td>1.5</td>
<td>4%</td>
<td>Above Rising</td>
<td>43%</td>
<td></td>
<td></td>
<td>4%</td>
<td>10%</td>
<td></td>
</tr>
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<td>DML CN</td>
<td>Denison Mines Corp</td>
<td>8</td>
<td>9</td>
<td>1.67</td>
<td>9.2%</td>
<td>12.1%</td>
<td>712</td>
<td>2.59</td>
<td>-4%</td>
<td>17.5</td>
<td>21%</td>
<td>Above Rising</td>
<td>68%</td>
<td></td>
<td></td>
<td>2%</td>
<td>10%</td>
<td></td>
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<tr>
<td>PON CN</td>
<td>Paladin Energy Limited</td>
<td>8</td>
<td>10</td>
<td>0.49</td>
<td>11.5%</td>
<td>-3.0%</td>
<td>422</td>
<td>4.13</td>
<td>-5%</td>
<td>4.5</td>
<td>2%</td>
<td>Above Rising</td>
<td>51%</td>
<td></td>
<td></td>
<td>10%</td>
<td>20%</td>
<td></td>
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<tr>
<td>ERA AU</td>
<td>Energy Resources of Aust</td>
<td>8</td>
<td>10</td>
<td>1.35</td>
<td>0.7%</td>
<td>8.9%</td>
<td>630</td>
<td>2.83</td>
<td>-26%</td>
<td>4.5</td>
<td>10%</td>
<td>Above Rising</td>
<td>68%</td>
<td></td>
<td></td>
<td>10%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>UEC US</td>
<td>Uranium Energy</td>
<td>8</td>
<td>10</td>
<td>1.79</td>
<td>9.3%</td>
<td>-4.1%</td>
<td>161</td>
<td>3.54</td>
<td>-50%</td>
<td>1.0</td>
<td>0%</td>
<td>Above Rising</td>
<td>57%</td>
<td></td>
<td></td>
<td>0%</td>
<td>10%</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2: Cameco Dvd Adj Share Price

Figure 3: Global X Uranium ETF Dvd Adj Share Price

Figure 4: Areva SA Dvd Adj Share Price

Figure 5: Paladin Energy Share Price

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Steel Completes Round Trip – 10th Decile

- If you sell/short the weakness in steel, you did so a month ago on the breakdown. If you sell/short into negative momentum, you start doing so now as the relative strength of the group slumps back to 10th decile – Fig. 1.

The China growth picture is heading into reverse and the recent rapid decline in the Chinese currency may well be a sign that metallic financing is reversing, which would corroborate with the recent slide of Chinese steel pricing – Fig. 2.

- Our steel momentum sells are highlighted in Fig. 3.
- Two key breakdowns of note are Cliffs and ArcelorMittal – Fig. 4, 5.

Figure 1: Steel Relative Strength Decile

Figure 2: Shanghai Steel Rebar Spot Price

Figure 3: Steel & Iron Ore Levered Momentum Sells (Dvd Adj Price Trends)

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>LT</th>
<th>Price</th>
<th>Trend</th>
<th>Vol (%)</th>
<th>Price Trend</th>
<th>Hi (M)</th>
<th>Low (M)</th>
<th>% Chg wrt 50d MA</th>
<th>Chg wrt 50d MA Trend</th>
<th>% Chg wrt 150d MA</th>
<th>Chg wrt 150d MA Trend</th>
<th>RSI</th>
</tr>
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<tbody>
<tr>
<td>EVR LN</td>
<td>Evraz PLC</td>
<td>10</td>
<td>2,011</td>
<td>2.86</td>
<td>2,011</td>
<td>-63%</td>
<td>-16%</td>
<td>-28%</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>CAP CI</td>
<td>CAP SA</td>
<td>10</td>
<td>2,371</td>
<td>2.33</td>
<td>2,371</td>
<td>-46%</td>
<td>-4%</td>
<td>-13%</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>BS3 HK</td>
<td>China VanadiumTitan</td>
<td>10</td>
<td>257</td>
<td>2.16</td>
<td>257</td>
<td>-43%</td>
<td>-8%</td>
<td>-17%</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>NML CN</td>
<td>New Millennium Capital</td>
<td>10</td>
<td>81</td>
<td>3.87</td>
<td>81</td>
<td>-44%</td>
<td>-17%</td>
<td>-25%</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>38</td>
<td></td>
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<tr>
<td>MIL US</td>
<td>MFC Industrial Ltd</td>
<td>9</td>
<td>454</td>
<td>1.71</td>
<td>454</td>
<td>-19%</td>
<td>10.5</td>
<td>-5%</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>LND LN</td>
<td>London Mining PLC</td>
<td>10</td>
<td>212</td>
<td>3.22</td>
<td>212</td>
<td>-46%</td>
<td>-8%</td>
<td>-18%</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>41</td>
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</tr>
<tr>
<td>BP4 BZ</td>
<td>Badmines SA</td>
<td>10</td>
<td>2,084</td>
<td>2.13</td>
<td>2,084</td>
<td>-22%</td>
<td>-6%</td>
<td>-11%</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>NLMK LI</td>
<td>Novolipetsk Steel (NLM)</td>
<td>9</td>
<td>8,774</td>
<td>2.02</td>
<td>8,774</td>
<td>-20%</td>
<td>-7%</td>
<td>-10%</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>MTL US</td>
<td>Mechel</td>
<td>10</td>
<td>903</td>
<td>3.97</td>
<td>903</td>
<td>-61%</td>
<td>1.0</td>
<td>-2%</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>56</td>
<td></td>
</tr>
</tbody>
</table>

Figure 4: Cliff Natural Resources (CLF US) Dvd Adj Price

Figure 5: ArcelorMittal (MT US) Dvd Adj Price

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Relative Strength Filter

Canadian Gold

On Friday, gold broke above downtrends in yen and even (super strong) sterling terms. The downtrends started breaking earlier this month, and the set is now complete - Figure 1.

Canada boasts a very large gold haul, with the medal being the third-largest S&P/TSX subindustry weight at 6.4%. Amongst a basket of gold indices, it is also in the best position with a slightly negative slope, and above rising moving averages – Figure 2.

There is a subset of Canadian gold shares in outperforming trends against the market, with the best junior being SEMAFO, and best senior being Franco Nevada. Most others are also reversing underperforming trends against the market – Figure 3.

Behind the scenes, there is a tightening in lending in China that is now being played out in the currency and real estate markets with plunging property shares and banks overnight.

Of course the news flow for Canadian gold has been spectacular. Congrats Canadians! – Figure 4.

---

Figure 1: Gold in Major Currencies

Figure 2: Gold Index Price Trends

Figure 3: CDN Gold Stocks vs S&P/TSX Composite

Figure 4: News Flow on Canadian Gold
Most Consistent Outperformance: DAX, NDX

Where is the most consistent outperformance found amongst the most liquid equity futures markets? The answer, heads and tails above the rest, is in the German DAX and NASDAQ 100 – Figure 1.

Why is that so? If you dig into the granularity, you see:

- All but one member of the DAX are in an outperforming trend against the MSCI World, and the one underperformer is breaking to the upside – Figure 2.
- In the NASDAQ 100, the ratio of outperformers to underperformers is 4:1. We highlight the momentum buy list in Figure 3.

Figure 1: Index Trends vs MSCI World

<table>
<thead>
<tr>
<th>Name</th>
<th>Symbol</th>
<th>Chg Last Day</th>
<th>Reward /Risk</th>
<th>Trend Slope</th>
<th>%Chg wrt 50d RS MA</th>
<th>Chg wrt 50d MA Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>German DAX</td>
<td>DAX</td>
<td></td>
<td>18%</td>
<td>1%</td>
<td>Above Rising</td>
<td></td>
</tr>
<tr>
<td>NASDAQ 100</td>
<td>NDX</td>
<td></td>
<td>13%</td>
<td>1%</td>
<td>Above Rising</td>
<td></td>
</tr>
<tr>
<td>Spanish IBEX</td>
<td>IBEX</td>
<td></td>
<td>21%</td>
<td>0%</td>
<td>Below Rising</td>
<td></td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>SPX</td>
<td></td>
<td>4%</td>
<td>0%</td>
<td>Below Falling</td>
<td></td>
</tr>
<tr>
<td>Italian MIB</td>
<td>FTSEMIB</td>
<td></td>
<td>16%</td>
<td>4%</td>
<td>Above Rising</td>
<td></td>
</tr>
<tr>
<td>S&amp;P 400</td>
<td>MID</td>
<td></td>
<td>3%</td>
<td>1%</td>
<td>Above Rising</td>
<td></td>
</tr>
<tr>
<td>Russell 2000</td>
<td>RTY</td>
<td></td>
<td>4%</td>
<td>0%</td>
<td>Below Falling</td>
<td></td>
</tr>
<tr>
<td>Dutch AEX</td>
<td>AEX</td>
<td></td>
<td>2%</td>
<td>0%</td>
<td>Below Falling</td>
<td></td>
</tr>
<tr>
<td>UK FTSE 100</td>
<td>UKX</td>
<td></td>
<td>-1%</td>
<td>2%</td>
<td>Above Rising</td>
<td></td>
</tr>
<tr>
<td>DJIA</td>
<td>INDU</td>
<td></td>
<td>-1%</td>
<td>-1%</td>
<td>Below Falling</td>
<td></td>
</tr>
<tr>
<td>NKY-225</td>
<td>NKY</td>
<td></td>
<td>-7%</td>
<td>-6%</td>
<td>Below Falling</td>
<td></td>
</tr>
<tr>
<td>French CAC</td>
<td>CAC</td>
<td></td>
<td>-4%</td>
<td>2%</td>
<td>Above Rising</td>
<td></td>
</tr>
<tr>
<td>Mexican IPC</td>
<td>MEXBOL</td>
<td></td>
<td>-19%</td>
<td>-6%</td>
<td>Below Falling</td>
<td></td>
</tr>
<tr>
<td>Japanese TXP</td>
<td>TXP</td>
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<td>-14%</td>
<td>-5%</td>
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<td></td>
</tr>
<tr>
<td>Bovespa</td>
<td>BOVESPA</td>
<td></td>
<td>-58%</td>
<td>-5%</td>
<td>Below Falling</td>
<td></td>
</tr>
<tr>
<td>Aussie ASX</td>
<td>ASX</td>
<td></td>
<td>-27%</td>
<td>2%</td>
<td>Above Rising</td>
<td></td>
</tr>
<tr>
<td>Hong Kong HSI</td>
<td>HSI</td>
<td></td>
<td>-20%</td>
<td>-3%</td>
<td>Below Falling</td>
<td></td>
</tr>
<tr>
<td>FTSE China ASX</td>
<td>XIN91</td>
<td></td>
<td>-35%</td>
<td>-3%</td>
<td>Below Falling</td>
<td></td>
</tr>
<tr>
<td>Chinese CSI</td>
<td>SHSZ300</td>
<td></td>
<td>-32%</td>
<td>-2%</td>
<td>Below Falling</td>
<td></td>
</tr>
</tbody>
</table>

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Relative Strength Filter

Financial Shifts (REITs Strength Again)

- Overall, our system marks Global Financials as market performing, but with a noted downward bias – Figure 1.
- Breaking it down by region, most financial sectors are in weak trends, or are starting to weaken, denoted by falling relative strength moving averages against local benchmarks – Figure 2.
- Breaking it down by industry, the weakness is widespread, yet there is some strength in commercial banks (heavily weighed towards Europe) and REITs continue to rebound – Figure 3.
- We noted the return of REITs in late January, and that strength, and positive driver of lower long and short rates, continues. The pendulum continues to shift toward outperformance – Figure 4.

Figure 1: Financials vs MSCI World

- Our Trend is Flat, But Financials are at a 10m Low and This Trend is Developing

Figure 2: Financial Industries vs Local Benchmarks

- With the Exception of Europe,
- Trends are Weak or Weakening

Figure 3: Global Financial Industries vs MSCI World

- Figure 3: Global Financial Industries vs MSCI World

- Figure 4: Largest 20 REITS vs MSCI World – See Full List Here

In Outperforming Trends...

...Or Breaking Above Underperforming Trends

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Struggling Staples

- When markets are stressed (like this morning, where we note EM weakness is centred on Russia, but also note the 5yr CDS on China, illiquid as it is, is at a third high) the market leans toward the defensive yield of utilities, bypassing staples. When markets are jubilant, it is tech and health care that gets the nod. This double snub has knocked our z-score reading on staples to be the worst of the 10 GICS – Figure 1.

- The underperformance of staples is uniformly global. In the U.S., the group dove below the bottom end of an underperforming trend yesterday.

- The key stocks not to own, and arguably to short, are found in our momentum sell list – Figure 2.

- Our momentum buy list of relative strength trends is a shorter list, but it reveals the few staples that the market consistently rewards – Figure 3.

- Finally, there is always a few that are at key turning points, where the underperformance trend has been severed. The key questions to ask here are: is there value to be realized or a reason for the positive pivot – Figure 4.
Relative Strength Filter

Best of Europe

- With N. American markets closed yesterday, we will highlight the best of Europe.
  - Europe, along with North America, is outperforming MSCI World (underperformance is dished out to Pacific, Latin America, and EM) - Figure 1.
  - MSCI Europe is trending higher at a rate of 23%/year – Figure 2. Breaking it down by country, Germany and Spain are in outperforming trends, and U.K. gets honourable mention breaking above a flat trend.

- At the granular level, the largest 20 European momentum buys (outperforming the market, the sector, above rising moving averages, yet not overbought) are shown in Figure 3 (the full list is provided here).

### Figure 1: Regions vs. MSCI World

<table>
<thead>
<tr>
<th>Region</th>
<th>1d RS Chg (%)</th>
<th>5d RS Chg (%)</th>
<th>Chg Last Day (%)</th>
<th>Trend Slope (%)</th>
<th>Trend Width (%)</th>
<th>Trend Length (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe ex UK</td>
<td>-0.0%</td>
<td>-0.5%</td>
<td>-4%</td>
<td>20%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>0.2%</td>
<td>1.0%</td>
<td>2%</td>
<td>12%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>-0.3%</td>
<td>-0.1%</td>
<td>-2%</td>
<td>9%</td>
<td>-6%</td>
<td></td>
</tr>
<tr>
<td>Frontier</td>
<td>-0.4%</td>
<td>0.1%</td>
<td>0%</td>
<td>9%</td>
<td>-6%</td>
<td></td>
</tr>
<tr>
<td>EAFE</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>EM Asia</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>MEXO ex US</td>
<td>0.3%</td>
<td>0.1%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>ACWI</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Emerging</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
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<td>-0.4%</td>
<td>-0.1%</td>
<td>-0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Pacific</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Pacific ex Japan</td>
<td>0.1%</td>
<td>1.3%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td></td>
</tr>
</tbody>
</table>

### Figure 2: MSCI Europe

- MSCI Europe is trending higher at a rate of 23%/year – Figure 2.

### Figure 3: Largest 20 European Momentum Buys vs MSCI Europe - Full List of 71 Found Here

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>Group</th>
<th>1-d Equity Chg (%)</th>
<th>5-d Equity Chg (%)</th>
<th>MktCap (USD)</th>
<th>Trend Slope</th>
<th>RS Hi (No)</th>
<th>RS Low (No)</th>
<th>%Chg wrt S&amp;P 500</th>
<th>%Chg wrt 200d MA</th>
<th>%Chg wrt 200d MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABF.LN</td>
<td>Associated British Foods</td>
<td>Food &amp; Drink</td>
<td>7</td>
<td>1.4%</td>
<td>1.5%</td>
<td>37,815</td>
<td>40%</td>
<td>10%</td>
<td>10%</td>
<td>Above Rising</td>
<td>34%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>CON GR</td>
<td>Continental Ag</td>
<td>Auto Parts</td>
<td>2</td>
<td>0.2%</td>
<td>3.7%</td>
<td>46,243</td>
<td>39%</td>
<td>0%</td>
<td>6%</td>
<td>Above Rising</td>
<td>31%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>KBC BB</td>
<td>KBC Group NV</td>
<td>Diversified</td>
<td>6</td>
<td>-0.5%</td>
<td>0.1%</td>
<td>25,852</td>
<td>43%</td>
<td>6%</td>
<td>8%</td>
<td>Above Rising</td>
<td>23%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>MAERSK KG DC</td>
<td>AP Moeller - Maersk A/S</td>
<td>Marine</td>
<td>2</td>
<td>0.0%</td>
<td>2.6%</td>
<td>26,012</td>
<td>45%</td>
<td>6%</td>
<td>2%</td>
<td>Above Rising</td>
<td>27%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>CARB SM</td>
<td>GaikaBank</td>
<td>Diversified</td>
<td>6</td>
<td>0.8%</td>
<td>1.0%</td>
<td>32,914</td>
<td>79%</td>
<td>15%</td>
<td>15%</td>
<td>Above Rising</td>
<td>45%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>DDG FF</td>
<td>Vinc SA</td>
<td>Cosmetics</td>
<td>7</td>
<td>-0.3%</td>
<td>3.4%</td>
<td>43,359</td>
<td>28%</td>
<td>9%</td>
<td>9%</td>
<td>Above Rising</td>
<td>22%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>BNP BP</td>
<td>BNP Paribas</td>
<td>Diversified</td>
<td>6</td>
<td>-0.5%</td>
<td>-0.9%</td>
<td>99,657</td>
<td>19%</td>
<td>1%</td>
<td>3%</td>
<td>Above Rising</td>
<td>15%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>ING US</td>
<td>ING Groep NV</td>
<td>Diversified</td>
<td>8</td>
<td>-5.5%</td>
<td>-0.2%</td>
<td>55,847</td>
<td>29%</td>
<td>7%</td>
<td>7%</td>
<td>Above Rising</td>
<td>26%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>GLE FP</td>
<td>Societe Generale</td>
<td>Diversified</td>
<td>6</td>
<td>-0.1%</td>
<td>0.4%</td>
<td>51,573</td>
<td>36%</td>
<td>10%</td>
<td>10%</td>
<td>Above Rising</td>
<td>29%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>SEBA SS</td>
<td>Skandinaviska Enskilda</td>
<td>Diversified</td>
<td>6</td>
<td>0.1%</td>
<td>2.8%</td>
<td>29,143</td>
<td>29%</td>
<td>1%</td>
<td>4%</td>
<td>Above Rising</td>
<td>16%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>SAF PF</td>
<td>Sanfina SA</td>
<td>AeroDef</td>
<td>1</td>
<td>-0.3%</td>
<td>1.9%</td>
<td>30,990</td>
<td>32%</td>
<td>6%</td>
<td>6%</td>
<td>Above Rising</td>
<td>20%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>ODDF UE</td>
<td>Odmol AG</td>
<td>AutoMfg</td>
<td>6</td>
<td>6.1%</td>
<td>98,104</td>
<td>32%</td>
<td>17%</td>
<td>8%</td>
<td>8%</td>
<td>Above Rising</td>
<td>23%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>ENEI IM</td>
<td>Enel SpA</td>
<td>Electrility</td>
<td>5</td>
<td>-1.0%</td>
<td>2.7%</td>
<td>47,229</td>
<td>42%</td>
<td>12%</td>
<td>12%</td>
<td>Above Rising</td>
<td>20%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>WPPO US</td>
<td>WPP plc</td>
<td>Advert</td>
<td>2</td>
<td>5.2%</td>
<td>30,415</td>
<td>24%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>Above Rising</td>
<td>15%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>AXAH US</td>
<td>AXA SA</td>
<td>Multi-Lines</td>
<td>2</td>
<td>4.3%</td>
<td>66,102</td>
<td>18%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>Above Rising</td>
<td>18%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>DPW GR</td>
<td>Deutsche Post AG</td>
<td>AirFright</td>
<td>7</td>
<td>0.2%</td>
<td>4.3%</td>
<td>43,714</td>
<td>16%</td>
<td>2%</td>
<td>2%</td>
<td>Above Rising</td>
<td>15%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>UCIG IS</td>
<td>UniCredit SpA</td>
<td>Diversified</td>
<td>6</td>
<td>0.1%</td>
<td>0.4%</td>
<td>47,761</td>
<td>33%</td>
<td>8%</td>
<td>8%</td>
<td>Above Rising</td>
<td>26%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>BAYN GR</td>
<td>Bayer AG</td>
<td>Pharma</td>
<td>2</td>
<td>0.0%</td>
<td>5.9%</td>
<td>114,151</td>
<td>17%</td>
<td>2%</td>
<td>2%</td>
<td>Above Rising</td>
<td>12%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>FUK US</td>
<td>Prudential PLC</td>
<td>Lifestiles</td>
<td>4</td>
<td>-4.9%</td>
<td>-4.9%</td>
<td>56,431</td>
<td>19%</td>
<td>3%</td>
<td>3%</td>
<td>Above Rising</td>
<td>15%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>SAN US</td>
<td>Banko Santander SA</td>
<td>Diversified</td>
<td>6</td>
<td>1.8%</td>
<td>103,934</td>
<td>28%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>Above Rising</td>
<td>16%</td>
<td>Above Rising</td>
</tr>
</tbody>
</table>

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Relative Strength Filter

‘Kanada’ Takes on the World

- “Kanada” takes on the world, not boastfully, but with humility. For the second time this week, MSCI Canada breaks above an underperforming trend against MSCI World and shares are recovering from a 2.5-year relative strength low – Figure 1, 2.
- Interestingly, it is yen strength (since the start of the year) that is punishing fellow underperformer Japan, yet is helping Canada by its influence (along with Euro strength) on gold, which continues to be a major weight in “Kanada.”

- The performance of MSCI “Kanadian” constituents vs. MSCI World is a bell-shaped distribution, with a slight tilt to the negative, but with many more underperformers breaking to the upside, than outperformers breaking down – Figure 3. The emerging positives have been gold, and to a lesser degree energy.

Figure 1: Major Developed Markets vs. MSCI World

<table>
<thead>
<tr>
<th>Name</th>
<th>Symbol</th>
<th>Chg Last Day</th>
<th>Reward /Risk</th>
<th>Trend Slope</th>
<th>RS HI (Mo)</th>
<th>RS LOW (Mo)</th>
<th>%Chg wrt RDM</th>
<th>Chg wrt 50d RS NA Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>GDUGR</td>
<td>-17%</td>
<td>-1%</td>
<td>Above Rising</td>
<td>1%</td>
<td>1%</td>
<td>Above Rising</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>GDSUP</td>
<td>-25%</td>
<td>-1%</td>
<td>Above Rising</td>
<td>1%</td>
<td>1%</td>
<td>Above Rising</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>GDUS</td>
<td>-4%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>GDUK</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Netherland</td>
<td>GDUN</td>
<td>-1%</td>
<td>0%</td>
<td>Below Rising</td>
<td>1%</td>
<td>1%</td>
<td>Below Rising</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>GDUSW</td>
<td>-5%</td>
<td>1%</td>
<td>Above Rising</td>
<td>1%</td>
<td>1%</td>
<td>Above Rising</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>GDUSZ</td>
<td>-3%</td>
<td>1%</td>
<td>Above Rising</td>
<td>1%</td>
<td>1%</td>
<td>Above Rising</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>GDUFR</td>
<td>-4%</td>
<td>1%</td>
<td>Above Rising</td>
<td>1%</td>
<td>1%</td>
<td>Above Rising</td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>GDHKM</td>
<td>-14%</td>
<td>-5%</td>
<td>Below Falling</td>
<td>1%</td>
<td>1%</td>
<td>Below Falling</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>GDJIN</td>
<td>-13%</td>
<td>15.5</td>
<td>-4%</td>
<td>Below Falling</td>
<td>1%</td>
<td>Above Falling</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>GDOAS</td>
<td>-25%</td>
<td>1%</td>
<td>Above Falling</td>
<td>1%</td>
<td>1%</td>
<td>Above Falling</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2: MSCI Canada vs. MSCI World

Just off of 2.5yr Rel Strength Low
Underperforming at 12%/Year
But Breaking Above Underperforming Trend

Figure 3: MSCI Canada Constituents vs. MSCI World

Most Consistent Outperformers

Most Consistent Underperformers

Breaking Below Outperforming Trends

Breaking Above Underperforming Trends

Source: BMO Capital Markets, Bloomberg, Thomson, Markit. BMO Capital Markets is Restricted on Goldcorp (G)
**Credit = Backbone of Equity Markets**

- The cost to protect the banking system against default is currently driving equity returns, to the tune of 80% (rolling 20-day correlation) - Figure 1.

  - Credit is the ultimate backbone of capital markets.
    - The backbone received a jolt in January on the uncertainty concerning the payback of China’s Credit Equals Gold No. 1
    - Credit growth in the Chinese shadow banking system is now slowing, and Jilin Trust becomes the latest (albeit smaller) trust to add concern to the Chinese Shadow Banking System. The bank CDS gauge stopped improving yesterday.

- And, yes, you care – Figure 1.

---

**Figure 1: Average Prime Broker CDS Index (Bloomberg CIX - .PrimeTime) vs S&P 500**

*Cost To Protect Major Global Banks Against Default (.PrimeTime)*

*Rolling 20-day Correlation is a High 80% = Rise and Fall of Credit Concerns Is Driving Equity Returns*

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Recently, we have been noting the shifts in strength (mining and materials, energy, utilities, REITS). Today, we highlight the two sectors that have provided, and continue to provide, leadership both from a market cap-weighted and breadth perspective: Technology and Health Care – Figures 1-3.

While the relative strength of technology vs. MSCI World looks like an AAPL chart, technology stocks in outperforming trends against MSCI World trump those in underperforming trends by a ratio of 3:1.

The ratio of health care outperformers to underperformers follows the same 3:1 ratio.
Materials Strength Part 2

- There is a notable shift in sentiment with the strength we are seeing in materials (see yesterday’s RSF for Mining Strength). For over a year, we could highlight industrials as the place to be to avoid resources, but now materials is gaining at the expense of industrials – Figures 1, 2.

- From the largest 20 materials company shown against MSCI World – Figure 3; Chemicals is well represented, and in order we prefer specialty chemicals, diversified chemicals, but also note that fertilizers have improved to the upper level of weak with a 7th decile ranking (gold and precious metals have also improved to 7th decile). Steel, which we turned negative on in January, is breaking down, or underperforming. Diversified miners continue to garner a weak 8th decile ranking, yet Rio Tinto is a positive outlier.

---

**Figure 1: MSCI Materials vs. MSCI World**

**Figure 2: Global Sector Heat Map**

**Figure 3: Largest 20 Global Material Stocks vs. MSCI World**

Source: BMO Capital Markets, Bloomberg, Thomson, Markit   BMO Capital Markets is Restricted on Glencore International (GLEN).
Mining Strength

- Avoiding **materials**, and specifically **miners**, seems like an easy bet:
  - commodity currencies are trending lower,
  - inflation expectations in most developed nations are trending lower or are breaking in that direction, and
  - both long and short rates do not portray an image of global growth to fear.

- Yet despite this less-than-enthused backdrop, our reading on materials poked its head into positive territory on Friday, and if you look for where that strength came from, it was from the miners – Figures 1, 2.

- On the commodity front:
  - gold broke above downtrends in EUR, GBP, & USD terms on Fri
  - Base metals are mixed, with some trending slightly higher, others lower, some are above MAs, some are below.

- Given Friday’s strength, which was rather unexpected, we need to detail the winners – **miners in outperforming trends**, and the ones vying to turn the corner – those **breaking above underperforming trends** – Figures 3, 4.

### Figure 1: Materials Relative Strength Z-Score

![Materials Relative Strength Z-Score](image1)

### Figure 2: MSCI World Materials Groups vs MSCI World

<table>
<thead>
<tr>
<th>Name</th>
<th>Chg Last Day</th>
<th>Reward /Risk</th>
<th>Trend Slope</th>
<th>RS Hi (%)</th>
<th>RS Lo (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper &amp; Forest Products vs. MSCI World</td>
<td>11.1%</td>
<td>3.2%</td>
<td>Above Rising</td>
<td>19.3%</td>
<td>Below Rising</td>
</tr>
<tr>
<td>Construction Materials vs. MSCI World</td>
<td>7.7%</td>
<td>3.2%</td>
<td>Above Rising</td>
<td>18.8%</td>
<td>Below Rising</td>
</tr>
<tr>
<td>Containers &amp; Packaging vs. MSCI World</td>
<td>-1.1%</td>
<td>3.2%</td>
<td>Above Rising</td>
<td>17.5%</td>
<td>Below Rising</td>
</tr>
<tr>
<td>Chemicals vs. MSCI World</td>
<td>-2.5%</td>
<td>-0.5%</td>
<td>Below Rising</td>
<td>7.8%</td>
<td>Below Rising</td>
</tr>
<tr>
<td>Metals &amp; Mining vs. MSCI World</td>
<td>-2.4%</td>
<td>-0.5%</td>
<td>Below Rising</td>
<td>7.8%</td>
<td>Below Rising</td>
</tr>
</tbody>
</table>

### Figure 3: MSCI World Mining Stocks Outperforming Market and Sector

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>Cap (US$)</th>
<th>Chg Last Day</th>
<th>MSCI World LC N</th>
<th>Trend Slope</th>
<th>%Chg w/t 50d MA</th>
<th>%Chg w/t 200d MA</th>
<th>Chg w/t 200d MA Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>MT US</td>
<td>AtcoMetals</td>
<td>Steel</td>
<td>28,761</td>
<td>13.8%</td>
<td>-4.8%</td>
<td>58%</td>
<td>2%</td>
<td>Above Rising</td>
<td>19.3%</td>
</tr>
<tr>
<td>AA US</td>
<td>Alcoa Inc</td>
<td>Aluminum</td>
<td>11,985</td>
<td>1.3%</td>
<td>-2.5%</td>
<td>73%</td>
<td>7%</td>
<td>Above Rising</td>
<td>26.5%</td>
</tr>
<tr>
<td>RIO US</td>
<td>Rio Tinto PLC</td>
<td>Duraking</td>
<td>79,351</td>
<td>3.2%</td>
<td>-3.7%</td>
<td>21%</td>
<td>11.5%</td>
<td>Above Rising</td>
<td>10.4%</td>
</tr>
<tr>
<td>SHIP JP</td>
<td>Hitachi Metals Ltd</td>
<td>Steel</td>
<td>6,154</td>
<td>3.2%</td>
<td>-5.8%</td>
<td>40%</td>
<td>0%</td>
<td>Below Rising</td>
<td>19.3%</td>
</tr>
<tr>
<td>TKR GR</td>
<td>ThyssenKrupp AG</td>
<td>Steel</td>
<td>14,839</td>
<td>2.8%</td>
<td>1.2%</td>
<td>36%</td>
<td>7%</td>
<td>Above Rising</td>
<td>14.9%</td>
</tr>
<tr>
<td>FMG AU</td>
<td>Fortescue Metals Group Ltd</td>
<td>Steel</td>
<td>15,622</td>
<td>3.1%</td>
<td>-5.1%</td>
<td>43%</td>
<td>5%</td>
<td>Above Rising</td>
<td>24.3%</td>
</tr>
<tr>
<td>GLEN LN</td>
<td>Glencore International PLC</td>
<td>Duraking</td>
<td>70,017</td>
<td>0.9%</td>
<td>1.9%</td>
<td>3%</td>
<td>3%</td>
<td>Above Rising</td>
<td>4%</td>
</tr>
<tr>
<td>FINN CN</td>
<td>France-Evania Corporation</td>
<td>Gold</td>
<td>7,296</td>
<td>1.3%</td>
<td>-3.7%</td>
<td>15%</td>
<td>19%</td>
<td>Above Rising</td>
<td>25%</td>
</tr>
</tbody>
</table>

### Figure 3: MSCI World Mining Stocks Breaking Above an Underperforming Trend vs MSCI World

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>Cap (US$)</th>
<th>Chg Last Day</th>
<th>MSCI World LC N</th>
<th>Trend Slope</th>
<th>%Chg w/t 50d MA</th>
<th>%Chg w/t 200d MA</th>
<th>Chg w/t 200d MA Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>NCM SY</td>
<td>Newcrest Mining Ltd</td>
<td>Gold</td>
<td>7,251</td>
<td>3.0%</td>
<td>13.7%</td>
<td>-128%</td>
<td>3.5%</td>
<td>26%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>K CN</td>
<td>Kinross Gold Corp</td>
<td>Gold</td>
<td>5,524</td>
<td>3.0%</td>
<td>4.8%</td>
<td>-45%</td>
<td>3%</td>
<td>8%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>G CN</td>
<td>Goldcorp Inc</td>
<td>Gold</td>
<td>20,791</td>
<td>2.8%</td>
<td>1.5%</td>
<td>-55%</td>
<td>16%</td>
<td>6%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>AAUKY US</td>
<td>Anglo American Plc</td>
<td>Duraking</td>
<td>33,081</td>
<td>2.0%</td>
<td>3.8%</td>
<td>-40%</td>
<td>12%</td>
<td>7%</td>
<td>Above Falling</td>
</tr>
<tr>
<td>GOLD US</td>
<td>Randgold Resources Ltd</td>
<td>Gold</td>
<td>6,780</td>
<td>3.2%</td>
<td>6.0%</td>
<td>-32%</td>
<td>11%</td>
<td>12%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>ANTO LN</td>
<td>Antofagasta PLC</td>
<td>Duraking</td>
<td>14,466</td>
<td>2.1%</td>
<td>5.1%</td>
<td>-14%</td>
<td>11%</td>
<td>12%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>FM CN</td>
<td>First Quantum Minerals</td>
<td>Duraking</td>
<td>11,000</td>
<td>2.3%</td>
<td>3.1%</td>
<td>-11%</td>
<td>8.0%</td>
<td>10%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>AES CN</td>
<td>Agnico-Eagle Mines Ltd</td>
<td>Gold</td>
<td>5,617</td>
<td>3.2%</td>
<td>2.9%</td>
<td>-20%</td>
<td>16%</td>
<td>21%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>AWC US</td>
<td>Alumina Ltd</td>
<td>Alumina</td>
<td>3,206</td>
<td>2.5%</td>
<td>4.5%</td>
<td>-5%</td>
<td>10.0%</td>
<td>14%</td>
<td>Above Rising</td>
</tr>
</tbody>
</table>

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
* BMO Capital Markets is restricted on Glencore International, Goldcorp Inc
Canadian Energy

- **Canada broke above an underperforming trend vs. MSCI World** yesterday, so we will zero in on a niche of strength. Before doing so, for those that do not hedge the currency …
- … the loonie, which suffered a major haircut on lower short rates, has arrested its deep dive (loons can dive over 200’). - Figure 1.
  - We don’t forecast a major rebound, as we see lower short rates as the main global trend which gives advantage to the crosses that are closest to the zero mark (yen, U.S. dollar). The Canada-US 2yr spread, however, is starting to stabilize at a 2.5y low, so we suggest the scorched phase (thanks to BoFC jawboning) may very well be over.
- E&P producers in Canada have a 10% weight in the benchmark, and the group reversed a slightly underperforming trend yesterday – Figure 2. For a cross-border shopper, we also note some Canadian strength, as the U.S. energy outperformance broke to the downside yesterday – see XLE US vs. XFG CN.
- The largest Canadian energy stocks that are trending higher and are also in outperforming trends against the S&P/TSX Composite and Energy sector are highlighted in Figure 3.

**Figure 1:** Canadian Dollar

**Figure 2:** CDN Oil & Gas Producers vs. S&P/TSX (See Price)

**Figure 3:** Price Uptrends (in C$) of LCap Energy Stocks That Are Also in Outperforming Trends vs. TSX & Energy Sector

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Relative Strength Filter

Utilities – Barking Dog

Ah, utilities, the bull markets’ barking dog, which looks good when markets look bad – Fig. 1, 2. Indeed, they do offer insurance for a portfolio, but is that insurance expensive (yes), and should the dog quiet down (yes).

- Half of our list of SIFI CDSs are fading back into narrowing trends.
- EM bond volatility is retreating from stressed.

In terms of global pockets, there are two groupings where it makes sense to overweight utilities, peripheral Europe for the leverage toward the Club Med party, and emerging markets.

Europe is home to the most consistent downtrends in short rates and inflation expectations (cue Draghi), and leading the charge in yield is peripheral European bonds. A basket of peripheral European utility CDS offers the “risky and derisking” leverage which we so often recommend. It’s no surprise then when we filter for European utilities in consistent up trends and outperforming the market and sector that the periphery comes to the fore – Figure 3.

EM utilities have formed an outperforming trend against the market. The stocks in consistent up trends and outperforming trends are shown in Figure 4.

**Figure 1: Utilities Relative Strength Z-Score**

**Figure 2: Utilities vs. MSCI World**

**Figure 3: European Utilities in Consistent Price Uptrends (shown) and Outperforming MSCI Europe & European Utilities**

**Figure 4: EM Utilities in Consistent Price Uptrends (shown) and Outperforming MSCI EM & EM Utilities**

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Yield-Focused Momentum Buys

- This morning stocks are flat to down and the yen continues to strengthen, yet risk measures such as the cost to protect banks from default cases to a 3-day low, as does the 5yr CDS on China.

- We continue to focus on yield stocks, not so much as a defence tactic, but more as a nod to interest rates (both long and short) and inflation expectation gauges in most developed markets, which are trending or breaking lower. It is the direction that commodity currencies have been portraying for some time. It’s a slow world.

Yesterday we highlighted oversold yield stocks (indicated dividend yield in excess of 2% and good dividend growth) in price uptrends. Today we cover a few momentum buy (outperforming market and sector, above rising moving averages, and not overbought) lists across different markets. If we did not reach your market, you can surf this link to find it (then check yield and mo buy buttons).

Figure 1: Yield-Focused Momentum Buys vs. S&P 500

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>Grp</th>
<th>RS</th>
<th>DVD</th>
<th>1-day Equity Chg (%)</th>
<th>5-day Equity Chg (%)</th>
<th>MktCap (USD$)</th>
<th>Chg Last Day</th>
<th>SPX</th>
<th>Trend</th>
<th>Slope</th>
<th>RS Hi (Mo)</th>
<th>RS Low (Mo)</th>
<th>Yield</th>
<th>DVD Growth By</th>
</tr>
</thead>
<tbody>
<tr>
<td>HP US</td>
<td>Helmerich &amp; Payne Inc</td>
<td>Oil Drill</td>
<td>10</td>
<td>1</td>
<td>-1.4%</td>
<td>-1.5%</td>
<td>9,179</td>
<td>41%</td>
<td>2.9%</td>
<td>411</td>
<td>111</td>
<td>61%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LMT US</td>
<td>Lockheed Martin Corp</td>
<td>Aerospace &amp; Defense</td>
<td>1</td>
<td>1</td>
<td>0.3%</td>
<td>-0.1%</td>
<td>47,463</td>
<td>41%</td>
<td>3.5%</td>
<td>16</td>
<td>21%</td>
<td>19%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NSC US</td>
<td>Norfolk Southern Corp</td>
<td>Railroads</td>
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<td>6%</td>
<td>12%</td>
<td>10%</td>
<td></td>
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<tr>
<td>RTN US</td>
<td>Raytheon Co</td>
<td>Aerospace &amp; Defense</td>
<td>1</td>
<td>2</td>
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<td>2.0%</td>
<td>29,066</td>
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<tr>
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<td>12%</td>
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<tr>
<td>OKE US</td>
<td>Oneok Inc</td>
<td>Oil SrTr</td>
<td>3</td>
<td>2</td>
<td>4.7%</td>
<td>4.7%</td>
<td>12,515</td>
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<td>48.0</td>
<td>2.64%</td>
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<td>16%</td>
<td>14%</td>
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<tr>
<td>DOW US</td>
<td>Dow Chemical Co</td>
<td>DiversChmn</td>
<td>3</td>
<td>1</td>
<td>0.6%</td>
<td>4.4%</td>
<td>54,530</td>
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<td>25%</td>
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Figure 2: Yield-Focused Momentum Buys vs. S&P/TSX Composite

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<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>Grp</th>
<th>LT</th>
<th>RS</th>
<th>DVD</th>
<th>1-day Equity Chg (%)</th>
<th>5-day Equity Chg (%)</th>
<th>MktCap (C$)</th>
<th>Chg Last Day</th>
<th>SPTSX</th>
<th>Trend</th>
<th>Slope</th>
<th>RS Hi (Mo)</th>
<th>RS Low (Mo)</th>
<th>Yield</th>
<th>DVD Growth By</th>
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<td>OEU CN</td>
<td>Canadian Energy Services &amp; Techologies</td>
<td>Oil Eqip</td>
<td>5</td>
<td>1</td>
<td>2</td>
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<td>1,115</td>
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<td>30%</td>
<td>18%</td>
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<tr>
<td>XTC CN</td>
<td>Xeaco Technologies Ltd</td>
<td>Ind Mach</td>
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<td>0.32</td>
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<td>-1.9%</td>
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<td>2.49%</td>
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<td>20%</td>
<td>22%</td>
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<td>Black Diamond Group Ltd</td>
<td>Steel</td>
<td>17</td>
<td>2</td>
<td>2</td>
<td>21.72</td>
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<td>-0.7%</td>
<td>1,251</td>
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<td>10%</td>
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<td>PPL CN</td>
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<td>2</td>
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<td>T CN</td>
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<td>InteTelRv</td>
<td>4</td>
<td>2</td>
<td>2</td>
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<td>23,569</td>
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<td>3.02%</td>
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<td>9%</td>
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<td>GES CN</td>
<td>Gluskin Sheff + Associates Inc</td>
<td>AsstMont</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>28.95</td>
<td>-2.6%</td>
<td>-0.5%</td>
<td>885</td>
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<td>2.76%</td>
<td>5%</td>
<td>18%</td>
<td>24%</td>
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<td>KEY CN</td>
<td>Keyera Corp</td>
<td>Oil SrTr</td>
<td>8</td>
<td>2</td>
<td>2</td>
<td>64.72</td>
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<td>-2.0%</td>
<td>2,087</td>
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<td>6</td>
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<td>3</td>
<td>22.40</td>
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<td>0.4%</td>
<td>495</td>
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<td>1%</td>
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Figure 3: Yield-Focused Momentum Buys vs. MSCI Europe

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<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>Grp</th>
<th>DVD</th>
<th>1-day Equity Chg (%)</th>
<th>5-day Equity Chg (%)</th>
<th>MktCap (USD$)</th>
<th>Chg Last Day</th>
<th>MSCI Europe</th>
<th>Trend</th>
<th>Slope</th>
<th>RS Hi (Mo)</th>
<th>RS Low (Mo)</th>
<th>Yield</th>
<th>DVD Growth By</th>
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<tr>
<td>SRG IM</td>
<td>Saam SpA</td>
<td>GasUk</td>
<td>5</td>
<td>2</td>
<td>-1.5%</td>
<td>-0.7%</td>
<td>18,375</td>
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<td>4.88%</td>
<td>0%</td>
<td>3%</td>
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<td></td>
</tr>
<tr>
<td>ATL IM</td>
<td>Atlantis SpA</td>
<td>H铰W&amp;Ball</td>
<td>2</td>
<td>1</td>
<td>0.2%</td>
<td>-1.5%</td>
<td>18,881</td>
<td>26%</td>
<td>4.41%</td>
<td>0%</td>
<td>3%</td>
<td>4%</td>
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<tr>
<td>SPR IM</td>
<td>Axel Springer AG</td>
<td>Publishing</td>
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<td>3</td>
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<td>0.8%</td>
<td>6,253</td>
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<tr>
<td>GAS IM</td>
<td>Gas Natural SDG SA</td>
<td>GasUk</td>
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<td>0.1%</td>
<td>24,655</td>
<td>29%</td>
<td>4.92%</td>
<td>16%</td>
<td>9%</td>
<td>2%</td>
<td></td>
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</tr>
<tr>
<td>SIF IM</td>
<td>Sifnan SA</td>
<td>Aero&amp;Def</td>
<td>1</td>
<td>2</td>
<td>-2.2%</td>
<td>-2.7%</td>
<td>29,387</td>
<td>32%</td>
<td>2.17%</td>
<td>20%</td>
<td>32%</td>
<td>36%</td>
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<tr>
<td>GKN LN</td>
<td>GKN PLC</td>
<td>AutoParts</td>
<td>4</td>
<td>1</td>
<td>-1.1%</td>
<td>-1.6%</td>
<td>10,044</td>
<td>18%</td>
<td>2.11%</td>
<td>10%</td>
<td>16%</td>
<td>21%</td>
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<td>BAB LN</td>
<td>Babcock International</td>
<td>DvSbGrv</td>
<td>7</td>
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<td>8,046</td>
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<td>2.20%</td>
<td>9%</td>
<td>14%</td>
<td>15%</td>
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<tr>
<td>ENI IM</td>
<td>Enagas</td>
<td>GasUk</td>
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<td>1</td>
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<td>0.2%</td>
<td>6,474</td>
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<td>5.92%</td>
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<td>20%</td>
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<tr>
<td>SW FR</td>
<td>Sodexo</td>
<td>Retail</td>
<td>4</td>
<td>3</td>
<td>-0.2%</td>
<td>-1.2%</td>
<td>15,532</td>
<td>9%</td>
<td>7.5%</td>
<td>2.21%</td>
<td>4%</td>
<td>5%</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Tantrum 2

**TOOLKIT**
- We remember the June 2013 Taper Tantrum correction well: rates and volatility on those rates were surging, the odds of a 2014 Fed rate hike broke through 50%, the Shanghai Interbank Offered Rate (SHIBOR) curve was inverted, and too-interconnected-to-fail banks were stressed.
  - The correction ended with a concerted central bank jawboning to ease tightening fears: first with the Fed (24th) and then the People's Bank of China (BoC), Bank of England (BoE), & European Central Bank (ECB). The cost to protect the banking system against default peaked, and stocks pivoted higher – Figures 1, 2.
- This time around, it is the banking system again flashing a warning and that warning has roots in China, where the curve has yet to invert. Bond volatility is once again spiking, except this time it is with rates falling, not rising. We have yet to hear from the central bankers. We have yet to see stress on the banking system ease (currently more of a slow burn than a spike – Figure 2, top). We don’t think the bottom is in (yet we did not see the central banks coming when we penned “Tighten Up” last June), but we know oversold lists will now be sought, so here is ours. In the spirit of rates heading lower, we narrow in on yield stocks (good yield and dividend growth) and as the correction is global, we highlight a global list of stocks which had been trending higher yet sport an RSI below 30. Watch bank stress, and listen for central bankers.

**Figure 1: MSCI World Total Return Gross Index**

**Figure 2: Ave Prime Broker CDS and MSCI World**

**Figure 3: Price (Up)Trends on The Largest 20 Global “Yield Stocks” (Good Yield and Dividend Growth) With OSold RSI – Full List Here**

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Relative Strength Filter

Markets vs. S&P 500 – Then There Was None

TOOLKIT

- We will start with our focus for over two weeks now: the **too-interconnected-to-fail banking system is stressed**; the cost to protect the core prime brokers continues to hover around an elevated level of 90 bps and the safe-haven yen remains well bid with a break below 102 this morning. Position your portfolios with downside risk in mind.

- There was only one of our globe-trotting ETFs that was able to sport an outperforming trend against the S&P 500: the DAX, Figure 1. **On Friday, the DAX broke down**, and so did the euro, and so did the EUR supporting **spread of German – US 2y bond yields** – Figures 2, 3.

- Remain overweight the U.S. equity market, and tilt the portfolio **toward yield**.

**Figure 1: Globe Trotting ETF Relative Strength Trends vs. S&P 500**

<table>
<thead>
<tr>
<th>Name</th>
<th>Symbol</th>
<th>1d RS</th>
<th>3d RS</th>
<th>_chg Low</th>
<th>Reward/Risk</th>
<th>Trend Slope</th>
<th>RS Hl (Mo)</th>
<th>%Chg wrt 50d MA</th>
<th>%Chg wrt 200d MA</th>
<th>Chg wrt 50 Day MA Trend</th>
<th>Chg wrt 200 Day MA Trend</th>
</tr>
</thead>
<tbody>
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<td>Germany</td>
<td>EWG US</td>
<td>-1.2%</td>
<td>-1.9%</td>
<td>-15%</td>
<td>▼</td>
<td>15%</td>
<td>1.5</td>
<td>-1% Below Rising</td>
<td>2%</td>
<td>Above Rising</td>
<td>Below Rising</td>
</tr>
<tr>
<td>Europe 350</td>
<td>IEV US</td>
<td>-0.7%</td>
<td>-1.4%</td>
<td>-2%</td>
<td>▼</td>
<td>2%</td>
<td>1.0</td>
<td>0% Below Falling</td>
<td>0%</td>
<td>Below Rising</td>
<td>Below Rising</td>
</tr>
<tr>
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<td>EU2 US</td>
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<td>-1.8%</td>
<td>-2%</td>
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<td>1.5</td>
<td>-1%</td>
<td>Below Falling</td>
<td>-1%</td>
<td>Below Falling</td>
<td>Below Falling</td>
</tr>
<tr>
<td>Australia</td>
<td>EWA US</td>
<td>-0.4%</td>
<td>1.0%</td>
<td>-8%</td>
<td>▼</td>
<td>-7%</td>
<td>6.5</td>
<td>1% Above Falling</td>
<td>-1%</td>
<td>Below Falling</td>
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<td>-6%</td>
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<td>-9%</td>
<td>Below Falling</td>
<td>Below Falling</td>
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<td>2.8%</td>
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<td>▼</td>
<td>-2%</td>
<td>-1%</td>
<td>Below Falling</td>
<td>-4%</td>
<td>Below Falling</td>
<td>Below Falling</td>
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<tr>
<td>EAFE</td>
<td>EFA US</td>
<td>-1.1%</td>
<td>-1.5%</td>
<td>-5%</td>
<td>▼</td>
<td>-6%</td>
<td>-6%</td>
<td>Below Falling</td>
<td>-9%</td>
<td>Below Falling</td>
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<tr>
<td>China 25</td>
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<td>▼</td>
<td>-5%</td>
<td>1%</td>
<td>Above Falling</td>
<td>-1%</td>
<td>Below Falling</td>
<td>Below Falling</td>
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<td>▼</td>
<td>-4%</td>
<td>49.0</td>
<td>-2% Below Falling</td>
<td>-1%</td>
<td>Below Falling</td>
<td>Below Falling</td>
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<td>▼</td>
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<td>-1% Below Falling</td>
<td>-1%</td>
<td>Below Falling</td>
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<td>-8%</td>
<td>Below Falling</td>
<td>-1%</td>
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<td>-6%</td>
<td>Below Falling</td>
<td>-17%</td>
<td>Below Falling</td>
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<td>-3% Below Falling</td>
<td>-8%</td>
<td>Below Falling</td>
<td>Below Falling</td>
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<td>1.1%</td>
<td>-1.6%</td>
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<td>▼</td>
<td>-1%</td>
<td>49.0</td>
<td>-1% Below Falling</td>
<td>-6%</td>
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<td>Below Falling</td>
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<td>XIU CN</td>
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<td>-0.3%</td>
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<td>▼</td>
<td>0%</td>
<td>49.0</td>
<td>0% Below Falling</td>
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<td>Below Falling</td>
<td>Below Falling</td>
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<td>EWH US</td>
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<td>-1.3%</td>
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<td>▼</td>
<td>-4%</td>
<td>49.0</td>
<td>-4% Below Falling</td>
<td>-7%</td>
<td>Below Falling</td>
<td>Below Falling</td>
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<td>-2.6%</td>
<td>-13%</td>
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<td>15.5</td>
<td>3%</td>
<td>Below Falling</td>
<td>-7%</td>
<td>Below Falling</td>
<td>Below Falling</td>
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<td>Latin America</td>
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<td>6% Below Falling</td>
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<td>Singapore</td>
<td>EWS US</td>
<td>-0.4%</td>
<td>-0.2%</td>
<td>-25%</td>
<td>▼</td>
<td>-3%</td>
<td>49.0</td>
<td>-3% Below Falling</td>
<td>-10%</td>
<td>Below Falling</td>
<td>Below Falling</td>
</tr>
</tbody>
</table>

**Figure 2: Euro**

**Figure 3: Spread: German – US 2yr Bond Yield**

...as Interest Rate Differentials Slide with the Falling German 2Yr Yield

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Ex U.S. Breaks Down & Bonds, Yes, Bonds

- **Yesterday**, we highlighted the breakdown in the MSCI United States Equity Index (we are treating it as a stop loss, as opposed to a buy the dip opportunity), and in Thursday’s session the World ex U.S. broke down as well – Figure 1.
  - MSCI Europe broke down
  - MSCI Pacific broke down
- **Our CDS baskets** highlight the key stress; Chinese banks and real estate are amongst the top negative movers yesterday - Figure 2.
  - There are two Chinese banks in the FSA’s basket of Systematically Important Financials Institutions (SIFI), and now the whole basket is now flashing red.
- **When banks are stressed**, your portfolio is stressed.
  - The MSCI World Banks index is falling today for the fifth of the past six days and is now below a falling 50d MA.
- The Treasury market is also begging to be paid attention to:
  - Treasuries are breaking above a horrible underperforming trend (the trend is why you don’t want to listen, but the reversal is why you must) against the S&P 500 – Figure 3.
  - Treasury prices (IEF US) have made a higher low, and are above 50d, 150d and 200d MAs.
  - If you look beyond Treasuries, you will note that the vast majority of bond ETFs are trending higher. At stellar rates, no, but trending higher, yes.
    - It’s no wonder we are looking at REITS and other yield stocks once again.

Figure 1: MSCI World ex US Equity Index

Figure 2: Custom CDS Baskets – Sorted by Yesterday’s Move

Figure 3: U.S. 7-10Yr Bond ETF vs. S&P 500

Figure 4: Price Trends on Bond ETFs

The Vast Majority of Bond ETFs
Price Trends Are Uptrends

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Tighten Up

- In May and June, markets started a new dance called the Tighten Up.
  - 1st tighten up on the long end of the U.S. treasury curve – Figure 1.
  - 2nd tighten up the Chinese interbank lending curve – Figure 2.
  - 3rd tighten up on the short end of the U.S. treasury curve – Figure 3.

Sock it to me now
Tighten it up
Archie Bell & The Drells

- A tipping point has been reached. The central bankers’ bank (BIS) now deems that (1) there has been enough stimulus provided to the global economy, (2) more cannot be done without compounding risks that central banks have already created, and (3) easing has led to the delay of structural reforms (BIS Annual Report June 23, 2013).
- After a period of unprecedented central bank easing, and ultra low interest rate volatility, markets are adjusting to now rather rapid tightening and escalating volatility.
  - The known unknown is that when interest rates move from low and highly certain, to high and highly uncertain, that carry trades blow up. This was Long-Term Capital Management, this was Carlyle Capital Corporation, and this is the known unknown that markets are routing out now.
- Our goal over the next few pages is to detail these stresses, which we believe are still at very early stages. We expect global equity weakness to persist over the near term.

---

**Figure 1: U.S., German, and Japanese 10-Year Bond Yields (Top) and Implied Volatility (Bottom)**

Source: BMO Capital Markets, Bloomberg, Thomson, Markit

**Figure 2: Chinese Interbank Lending Rates**

Source: BMO Capital Markets, Bloomberg, Thomson, Markit

**Figure 3: Odds of a ’14 Fed Rate Hike From Fed Funds Futures**

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
FOMC: Early Withdrawal? Really?

- There has been a change in the calculus of the FED this year. In BIS terms, “Delivering further extraordinary monetary stimulus is becoming increasingly perilous”.
  - U.S. inflation expectations just started to ease leading into the FOMC minutes release in February.
  - On February 20 we learned that the FED was concerned about its open ended QE policy.
    - This was also the start of the market's fascination with the term “tapering” which has been written about 150 times per day, on average, in the month of June (“NT Tapering” on Bloomberg).
  - Inflation expectations really started falling after Cypriot debt resolution uncertainty came to bear on March 18.
    - One month later, inflation expectations were breaking down globally.
  - While inflation expectations were falling, asset price inflation was picking up. This is obviously not the inflation that the fed targets, but it was the destination that the market was targeting for QE related flows.
  - Would outgoing Bernanke go down as the FED who stoked asset price inflation? – Figure 4.
    - On May 22 Bernanke and the FOMC told the market that QE could be stepped down as early as June.
    - On June 19 Bernanke delivered the withdrawal schedule verbally.
    - Asset price inflation is no longer a problem.
  - Asset price deflation in our clients’ portfolios is our key interest now.

Figure 4: US Inflation Expectations (10-Year Breakeven Rate) Top; FTSE Global REIT Index (TENHGU) Bottom
PBOC: Money Not in the Right Places

- While it may seem to be a stretch to jump from looking at inflation expectations at the long end of the U.S. curve, to the stresses at the ultra short end of the Chinese credit curve, it is not.
  - The combination of low U.S. interest rates, and interest rate volatility encouraged flows into emerging markets with higher-yielding assets.
  - The FOMC, whose policy underpins the world’s largest and most liquid bond market becomes the central banker to the world via the carry trade.
    - $3.9 trillion had flowed into emerging markets over the past four years.
- It is a mistake to apply market western policy thinking to policy action of the new People's Republic of China government, and the PBOC.
  - Rather than releasing stimulus in response to weak economic figures, which was the point where the Chinese sovereign CDS broke to the upside (Figure 5), China has done the opposite, has withheld stimulus, and has allowed banking stress to build – Figure 2.
  - China is getting its plumbing in order by reigning in the shadow banking system, which it needs to get under control such that it can have a handle on its financial system. During this plumbing exercise,
    - Chinese bank CDS levels are soaring – Figure 6.
    - Chinese Real Estate CDS levels are soaring – Figure 7.
- We are sure that the Minsky Moment for many shadowy players in the Chinese financial system is upon them now, but to call this the Lehman moment for China as a whole is premature. Possible, but premature – Figure 8.
  - China has breathing room to tighten up, and so it is.
  - Global growth oriented resource countries such as Canada should continue to be underweighted.

---

**Figure 5: Chinese Sovereign CDS**

**Figure 6: Chinese Bank 5Yr CDS**

**Figure 7: Chinese Real Estate CDS**

**Figure 8: Chinese Sovereign CDS Levels and Curve**
BIS: Borrowed Time

The tone of the BIS annual report released Sunday shows central banking thinking turning from carrot to stick:

What central bank accommodation has done during the recovery is to borrow time...But the time has not been well used

The short end of the U.S. curve is tightening up.
- The FED's assessment, disclosed last Wednesday, was to bring the time of a rate hike forward by two months.
- Fed funds futures on Friday signaled a greater than 50% probability of a FED rate hike next year – Figure 3.

Nowhere does time seem to be more borrowed than in the European periphery where bonds received a massive ECB (Draghi) induced grace period. It seems that European policy makers could use the stick to un-jam the process that calm has created.
- The stick is coming:
  - The Spanish sovereign CDS, like many others, has broken to the upside – Figure 9.
  - A peripheral European banks CDS basket is basing and should soon mint a higher high– Figure 10.
  - Italian-German and Spanish-German stress and spreads are just now starting to turn up again – Figure 11.
  - The Italian bank UniCredit remains the SIFI with the most inverted curve – Figures 12, 13.

Figure 9: Spanish Sovereign CDS

Figure 10: Average Peripheral Bank CDS

Figure 11: Italian and Spanish Spreads off of German Bunds

Figure 12: UniCredit SpA 5Yr CDS
SIFI: Stresses Rising

- The cost to protect systemically important financial institutions (SIFI) is rising – Figure 13.
  - Where the trends were showing improvement in creditworthiness (green wedges), the trends have broken (red arrows).
  - Our systems’ best fit for most European SIFI CDS trends is towards widening (red wedges).
- Debt protection costs at the short end of the curve (1yr) debt is rising faster than the long end of the curve (5yr).
  - Our SIFI CDS trend list below is sorted by this ratio (CDS Curve 1/5Yr).
  - No curve is even close to being over 100% (LEH-like), but it is interesting (and unflattering) to see Asia-centric HSBC line up close to UniCredit (top two lines in Figure 13).

Figure 13: CDS Trends on Too-Interconnected to Fail Banks

<table>
<thead>
<tr>
<th>Name</th>
<th>1-day Equity Chg (%)</th>
<th>5-day Equity Chg (%)</th>
<th>MktCap (US$)</th>
<th>Chg Last Day</th>
<th>CDS Trend</th>
<th>CDS Hi (Mo)</th>
<th>CDS Low (Mo)</th>
<th>CDS Curve 1/5Yr</th>
<th>CDS % Chg wrt 50 DMA</th>
<th>Chg wrt 50 Day MA Trend</th>
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<tr>
<td>UniCredit SpA</td>
<td>-4.1%</td>
<td>-7.2%</td>
<td>27,666</td>
<td>↑</td>
<td>-13%</td>
<td>2.5</td>
<td>0.58</td>
<td>22% Above Rising</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HSBC Holdings PLC</td>
<td>-0.1%</td>
<td>-3.6%</td>
<td>191,403</td>
<td>↑</td>
<td>-30%</td>
<td>7.5</td>
<td>0.51</td>
<td>32% Above Rising</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ING Groep NV</td>
<td>-2.1%</td>
<td>-3.1%</td>
<td>33,509</td>
<td>↑</td>
<td>-45%</td>
<td>2.0</td>
<td>0.49</td>
<td>9% Above Felling</td>
<td></td>
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<tr>
<td>Banco Santander SA</td>
<td>-1.2%</td>
<td>-6.9%</td>
<td>69,239</td>
<td>↑</td>
<td>-42%</td>
<td>2.6</td>
<td>0.47</td>
<td>24% Above Rising</td>
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<td>Morgan Stanley</td>
<td>-1.0%</td>
<td>-3.6%</td>
<td>48,825</td>
<td>↑</td>
<td>-60%</td>
<td>5.5</td>
<td>0.46</td>
<td>35% Above Rising</td>
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<td>Royal Bank of Scotland Group Plc</td>
<td>-5.1%</td>
<td>-10.3%</td>
<td>27,112</td>
<td>↑</td>
<td>-10%</td>
<td>9.5</td>
<td>0.46</td>
<td>43% Above Rising</td>
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<td>Barclays PLC</td>
<td>-0.8%</td>
<td>-5.3%</td>
<td>56,350</td>
<td>↑</td>
<td>3%</td>
<td>7.0</td>
<td>0.44</td>
<td>22% Above Rising</td>
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<td>Goldman Sachs Group Inc</td>
<td>-0.7%</td>
<td>-5.3%</td>
<td>70,724</td>
<td>↑</td>
<td>-49%</td>
<td>6.5</td>
<td>0.42</td>
<td>39% Above Rising</td>
<td></td>
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<td>Credit Suisse Group</td>
<td>-1.2%</td>
<td>-5.3%</td>
<td>42,255</td>
<td>↑</td>
<td>50%</td>
<td>7.0</td>
<td>0.38</td>
<td>20% Above Rising</td>
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<td>Bank of America Corp</td>
<td>-1.6%</td>
<td>-2.9%</td>
<td>136,803</td>
<td>↑</td>
<td>-47%</td>
<td>6.5</td>
<td>0.36</td>
<td>28% Above Rising</td>
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<td>Commerzbank AG</td>
<td>-2.3%</td>
<td>-1.8%</td>
<td>10,873</td>
<td>↑</td>
<td>35%</td>
<td>3.0</td>
<td>0.36</td>
<td>14% Above Rising</td>
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<td>Credit Agricole SA</td>
<td>-2.3%</td>
<td>-6.0%</td>
<td>21,255</td>
<td>↑</td>
<td>6%</td>
<td>2.0</td>
<td>0.35</td>
<td>15% Above Rising</td>
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<tr>
<td>UBS AG</td>
<td>-1.5%</td>
<td>-4.7%</td>
<td>64,921</td>
<td>↑</td>
<td>11%</td>
<td>6.5</td>
<td>0.35</td>
<td>23% Above Rising</td>
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<td>Deutsche Bank AG</td>
<td>0.6%</td>
<td>-4.2%</td>
<td>44,674</td>
<td>↑</td>
<td>27%</td>
<td>2.5</td>
<td>0.35</td>
<td>19% Above Rising</td>
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<td>BNP Paribes</td>
<td>-2.6%</td>
<td>-5.9%</td>
<td>66,362</td>
<td>↑</td>
<td>-26%</td>
<td>2.5</td>
<td>0.35</td>
<td>18% Above Rising</td>
<td></td>
<td></td>
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<td>JPMorgan Chase &amp; Co</td>
<td>-1.0%</td>
<td>-2.2%</td>
<td>196,392</td>
<td>↑</td>
<td>-2%</td>
<td>6.5</td>
<td>0.34</td>
<td>18% Above Rising</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citigroup Inc</td>
<td>-2.2%</td>
<td>-4.8%</td>
<td>142,620</td>
<td>↑</td>
<td>-55%</td>
<td>5.5</td>
<td>0.33</td>
<td>31% Above Rising</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Societe Generale</td>
<td>-2.1%</td>
<td>-5.6%</td>
<td>27,619</td>
<td>↑</td>
<td>-16%</td>
<td>2.0</td>
<td>0.32</td>
<td>13% Above Rising</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wells Fargo &amp; Co</td>
<td>2.2%</td>
<td>2.8%</td>
<td>216,494</td>
<td>↑</td>
<td>-29%</td>
<td>0.29</td>
<td>0.29</td>
<td>12% Above Rising</td>
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US Equities: Last Dot Finally Connected, Picture Now Emerging

- The stress in the banking system is just starting to be felt in the U.S. equity market – Figure 14.
  - The breakout in the cost to protect the US Banks against default last Thursday coincided with the breakdown in the S&P 500.
- The U.S. 2-year swap spread, a gauge of counterparty risk, has just started to get in the game – Figure 15.
  - It is still incredibly low – Figure 16, but will move higher with continued stress in the banking system.
  - When stresses are high enough, one can watch this counterparty risk move with S&P futures tick for tick.
  - We have not seen this yet, but are expecting it. When we see it, we will be closer to an equity bottom.
- The known unknown is that when interest rates move from low and highly certain to high and highly uncertain that carry trades blow up.
  - This is the precursor to LTCM, to CCC, and to the known unknown of 2013.
  - When this unknown is known, we believe equities will be lining up for a bottom.
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<td>Buy</td>
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<td>38.0%</td>
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<td>Sell</td>
<td>Underperform</td>
<td>5.8%</td>
<td>5.6%</td>
<td>2.0%</td>
<td>7.2%</td>
<td>3.1%</td>
<td>5.7%</td>
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