### Market Elements

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### Relative Strength Filter

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<td>Gold, the FED &amp; Napalm in the Morning</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 43 to 44.
• Equity indices churned with few sectors making meaningful moves; golds added to gains; AAPL rose after hours on results.
• European issues led 2yr government yields 1-7bps higher; global 10y yield rose between 2-8bps; corporate CDS indices rebounded after posting sharp contractions over the past month.
• The U.S. dollar index fell for the 3rd consecutive session; euro strength was aided by higher differentials (German 2y note up 3.5bps).
• Copper followed the strength in the euro; gold held, then added to Monday’s large gains in afternoon trade; oil rose slightly; grains fell, led by corn where the Dec contract hit a 2.5 year low.

Levels*

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Moves

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Sectors

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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

- **Copper** getting a bit of currency support as the EUR breaks to the upside on improving rate differentials.
Intra Day Charts
2-Day 1-Minute View
Daily Sector Charts
3-Month View with 26-Day Bollinger Bands and 150-, 200- and 50-Day Moving Averages

S&P 500

S&P/TSX Composite

S&P Europe 350
## Market Elements

### Market Movers – Largest Daily Percentage Moves

**S&P Global 1200 ex U.S. & Canada**

<table>
<thead>
<tr>
<th>Name</th>
<th>Symbol</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>China Petroleum &amp; Chemical Corp</td>
<td>386 HK</td>
<td>4.3%</td>
</tr>
<tr>
<td>WorleyParsons Ltd</td>
<td>WOR</td>
<td>2.6%</td>
</tr>
<tr>
<td>CNOOC Ltd</td>
<td>883 HK</td>
<td>2.0%</td>
</tr>
<tr>
<td>Tenaris SA</td>
<td>TEN</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Oil Search Ltd</td>
<td>OSHAT</td>
<td>-2.6%</td>
</tr>
<tr>
<td>Tullow Oil PLC</td>
<td>TLLW</td>
<td>-6.5%</td>
</tr>
</tbody>
</table>

**Peabody Energy Corp**

<table>
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<tr>
<th>Name</th>
<th>Symbol</th>
<th>% Chg</th>
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<tbody>
<tr>
<td>Peabody Energy Corp</td>
<td>BTU</td>
<td>5.6%</td>
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</table>

**S&P 500**

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**S&P/TSX Composite**

<table>
<thead>
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<th>Name</th>
<th>Symbol</th>
<th>% Chg</th>
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<tr>
<td><strong>Materials</strong></td>
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<td></td>
</tr>
<tr>
<td>Cia de Minas Buenaventura SAA</td>
<td>BNV UN</td>
<td>7.2%</td>
</tr>
<tr>
<td>Newcrest Mining Ltd</td>
<td>NCM A</td>
<td>5.4%</td>
</tr>
<tr>
<td>Glencore Xstrata PLC</td>
<td>GLEN</td>
<td>5.1%</td>
</tr>
<tr>
<td>Cianer SA</td>
<td>CLN V</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Fortescue Metals Group Ltd</td>
<td>FMG A</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Empresas CMC SA</td>
<td>CMPC</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Bouygues SA</td>
<td>EN FP</td>
<td>6.8%</td>
</tr>
<tr>
<td>Alfa SAB de CV</td>
<td>ALFAA MM</td>
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</tr>
<tr>
<td>Nopec Corp</td>
<td>6594 JT</td>
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</tr>
<tr>
<td>Randstad Holding NV</td>
<td>RAND NA</td>
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<tr>
<td>Embracer SA</td>
<td>ERJ U</td>
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<tr>
<td>Ryanair Holdings Group</td>
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<td>Sands China Ltd</td>
<td>1928 HK</td>
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<tr>
<td>LG Electronics Inc</td>
<td>006570 KP</td>
<td>3.9%</td>
</tr>
<tr>
<td>Sony Corp</td>
<td>6758 JT</td>
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</tr>
<tr>
<td>British Sky Broadcasting Group</td>
<td>BSY LN</td>
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</tr>
<tr>
<td>Dentsu Inc</td>
<td>4324 JT</td>
<td>-2.4%</td>
</tr>
<tr>
<td>Luxottica Group Sp</td>
<td>LUX M</td>
<td>-2.5%</td>
</tr>
<tr>
<td>Cons Stap</td>
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<tr>
<td>Want Want China Holdings Ltd</td>
<td>151 HK</td>
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<tr>
<td>Yakult Honsha Co Ltd</td>
<td>2267 JT</td>
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<tr>
<td>Fomento Economico Mexicano SAB</td>
<td>FEMSAUBD MM</td>
<td>2.2%</td>
</tr>
<tr>
<td>Recitti Benckiser Group PLC</td>
<td>RB LN</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Anheuser-Busch InBev NV</td>
<td>ABB I</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Tate &amp; Lyle PLC</td>
<td>TATE LN</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Health Care</td>
<td></td>
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<tr>
<td>Taisho Pharmaceutical Holdings Inc</td>
<td>4561 JT</td>
<td>2.9%</td>
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<tr>
<td>Terumo Corp</td>
<td>4543 JT</td>
<td>2.3%</td>
</tr>
<tr>
<td>UCBI SA</td>
<td>UCB BB</td>
<td>1.5%</td>
</tr>
<tr>
<td>Roche Holding AG</td>
<td>ROG V</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Actelion Ltd</td>
<td>ATLN V</td>
<td>-1.2%</td>
</tr>
<tr>
<td>GlaxoSmithKline PLC</td>
<td>GSK LN</td>
<td>-1.3%</td>
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<tr>
<td>Financials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China Construction Bank Corp</td>
<td>1398 HK</td>
<td>4.9%</td>
</tr>
<tr>
<td>Sinhan Financial Group Co Ltd</td>
<td>05550 KP</td>
<td>3.5%</td>
</tr>
<tr>
<td>KBC Groep NV</td>
<td>KBC BB</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Deusx Property Group</td>
<td>DXS AT</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Datea House Industry Co Ltd</td>
<td>1925 JT</td>
<td>-1.9%</td>
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<tr>
<td>Technology</td>
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</tr>
<tr>
<td>MediaTek Inc</td>
<td>2454 TT</td>
<td>3.9%</td>
</tr>
<tr>
<td>Taiwan Semiconductor Manufactu</td>
<td>2330 TT</td>
<td>3.1%</td>
</tr>
<tr>
<td>Samsung Electronics Co Ltd</td>
<td>005930 KP</td>
<td>2.7%</td>
</tr>
<tr>
<td>Cielo SA</td>
<td>CIELS BS</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Alcatel-Lucent/France</td>
<td>ALU EP</td>
<td>-3.0%</td>
</tr>
<tr>
<td>STMicroelectronics NV</td>
<td>STM IM</td>
<td>-10.6%</td>
</tr>
<tr>
<td>Telecom</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecom Italia SpA</td>
<td>TIT IM</td>
<td>6.7%</td>
</tr>
<tr>
<td>Softbank Corp</td>
<td>9984 JT</td>
<td>5.1%</td>
</tr>
<tr>
<td>Portugal Telecom SGPS SA</td>
<td>PTC PL</td>
<td>4.6%</td>
</tr>
<tr>
<td>BT Group PLC</td>
<td>BTA LN</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Cable &amp; Wireless Communication</td>
<td>CWC LN</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Oi SA</td>
<td>OIBR UN</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Utilities</td>
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<td></td>
</tr>
<tr>
<td>Acciona SA</td>
<td>ANA SQ</td>
<td>3.5%</td>
</tr>
<tr>
<td>Hong Kong &amp; China Gas Co Ltd</td>
<td>3 HK</td>
<td>2.8%</td>
</tr>
<tr>
<td>Enagas SA</td>
<td>ENG SQ</td>
<td>2.2%</td>
</tr>
<tr>
<td>National Grid PLC</td>
<td>NGN LN</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Red Electrica Corp SA</td>
<td>REE SQ</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Tokyo Electric Power Co Inc</td>
<td>9501 JT</td>
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    - Tenaris SA: -1.6%
    - Oil Search Ltd: -2.6%
    - Tullow Oil PLC: -6.5%
    - Peabody Energy Corp: 5.6%
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    - Oil Search Ltd: -2.6%
    - Tullow Oil PLC: -6.5%
    - Peabody Energy Corp: 5.6%
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    - Canada: 0%
    - **Materials**
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      - Glencore Xstrata PLC: 5.1%
      - Cianer SA: -1.5%
      - Fortescue Metals Group Ltd: -1.6%
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      - National Grid PLC: -1.1%
      - Red Electrica Corp SA: -1.6%
      - Tokyo Electric Power Co Inc: -6.7%

**Bold** = move of more than 5%
## U.S. Market Movers

### Energy
- **Symbol**: BAS
  - **Closing Price**: 14.19
  - **Change**: -2.9%
- **Symbol**: UPS
  - **Closing Price**: 93.06
  - **Change**: -4.0%

### Industrials
- **Symbol**: CAM
  - **Closing Price**: 50.78
  - **Change**: -5.6%
- **Symbol**: HAL
  - **Closing Price**: 41.22
  - **Change**: -5.5%

### Consumer Discretionary
- **Symbol**: ESV
  - **Closing Price**: 31.14
  - **Change**: 2.6%
- **Symbol**: NEM
  - **Closing Price**: 29.61
  - **Change**: -0.2%

### Consumer Staples
- **Symbol**: CVS
  - **Closing Price**: 61.89
  - **Change**: 0.1%
- **Symbol**: GM
  - **Closing Price**: 36.61
  - **Change**: -0.4%

### Technology
- **Symbol**: GOOG
  - **Closing Price**: 930.80
  - **Change**: 0.0%
- **Symbol**: EBAY
  - **Closing Price**: 51.50
  - **Change**: -1.7%

## Market Elements

### Market Movers
- **Symbol**: UPS
  - **Closing Price**: 93.06
  - **Change**: -4.0%
- **Symbol**: ESV
  - **Closing Price**: 31.14
  - **Change**: 2.6%

### Market Shakers
- **Symbol**: Target
  - **Closing Price**: 158.16
  - **Change**: -1.3%
- **Symbol**: Target
  - **Closing Price**: 158.16
  - **Change**: -1.3%

### Futures
- **Symbol**: SPX
  - **Closing Price**: 162.94
  - **Change**: -0.2%
- **Symbol**: S&P 500
  - **Closing Price**: 140.33
  - **Change**: -0.3%

### Bonds
- **Symbol**: 10-Year Note
  - **Closing Price**: 102.78
  - **Change**: -0.1%
- **Symbol**: 30-Year Bond
  - **Closing Price**: 111.00
  - **Change**: -0.3%

### Utilities
- **Symbol**: T
g  - **Closing Price**: 35.81
  - **Change**: 0.6%
- **Symbol**: VZ
  - **Closing Price**: 50.36
  - **Change**: 0.1%

### Communications
- **Symbol**: MCHP
  - **Closing Price**: 93.71
  - **Change**: 0.6%
- **Symbol**: WMT
  - **Closing Price**: 62.85
  - **Change**: -0.4%

### Financials
- **Symbol**: WFC
  - **Closing Price**: 44.97
  - **Change**: -0.6%
- **Symbol**: BAC
  - **Closing Price**: 42.85
  - **Change**: -0.6%
## Canadian Market Movers

### Energy
- **Symbol**: HLE, HLN, HNR, HU, HXG
- **Last %Chg**: 26.0% (-0.7%), 25.2% (-0.8%), 19.7% (-0.1%), 28.2% (-0.7%), 28.1% (-0.3%)
- **Market Elements**: 18.97% (-0.3%), 18.37% (-0.3%), 19.36% (-0.1%), 19.00% (-0.1%), 18.75% (-0.1%)

### Materials
- **Symbol**: MM, VX, RX, KI, I, RXG
- **Last %Chg**: 1.03% (0.2%), 0.9% (-0.2%), 0.9% (-0.3%), 0.8% (-0.3%), 0.7% (-0.2%)
- **Market Elements**: 46.38% (5.2%), 46.38% (5.2%), 46.38% (5.2%), 46.38% (5.2%), 46.38% (5.2%)

### Industrials
- **Symbol**: BDI, BDI, BDI, BDI, BDI
- **Last %Chg**: 28.44% (6.1%), 28.44% (6.1%), 28.44% (6.1%), 28.44% (6.1%), 28.44% (6.1%)
- **Market Elements**: 30.06% (-0.7%), 30.56% (-0.7%), 30.06% (-0.7%), 30.06% (-0.7%), 30.06% (-0.7%)

### Consumer Discretionary
- **Symbol**: FAV, FAV, FAV, FAV, FAV
- **Last %Chg**: 46.0% (5.2%), 46.0% (5.2%), 46.0% (5.2%), 46.0% (5.2%), 46.0% (5.2%)
- **Market Elements**: 46.38% (5.2%), 46.38% (5.2%), 46.38% (5.2%), 46.38% (5.2%), 46.38% (5.2%)

### Technology
- **Symbol**: BI, BI, BI, BI, BI
- **Last %Chg**: 28.44% (6.1%), 28.44% (6.1%), 28.44% (6.1%), 28.44% (6.1%), 28.44% (6.1%)
- **Market Elements**: 30.06% (-0.7%), 30.56% (-0.7%), 30.06% (-0.7%), 30.06% (-0.7%), 30.06% (-0.7%)

### Financials
- **Symbol**: BMO, BMO, BMO, BMO, BMO
- **Last %Chg**: 65.0% (0.7%), 65.0% (0.7%), 65.0% (0.7%), 65.0% (0.7%), 65.0% (0.7%)
- **Market Elements**: 53.85% (-1.0%), 53.85% (-1.0%), 53.85% (-1.0%), 53.85% (-1.0%), 53.85% (-1.0%)
Material Change

- The Materials sector has moved from a horrendous to a mildly weak but certainly respectable ranking over the past month.
  - This is the sharpest and most substantial pivot we have ever seen for the group – Figure 1.
  - At the granular level, BHP was amongst the seven materials stocks in the MSCI World broke above underperforming trends in yesterday’s session – Figure 2.

- Most of our conversations with clients have been of the short covering nature. The next level of conversation will be around which are the best looking stocks amongst peers. For this we employ a technique used by index plus funds, looking at stocks against their SubIndustry.
  - Our pick amongst diversified miners is First Quantum – Figure 3.
  - Our pick amongst gold stocks is Franco-Nevada – Figure 4.

Figure 1: Material Relative Strength Z-Score

Figure 2: MSCI World Materials Breaking Above Underperforming Trends in Yesterday’s Session

Figure 3: First Quantum vs. CDN Diversified Mining

Figure 4: Franco-Nevada vs. CDN Gold

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
What’s Not to Like?

- With the Materials sector benefiting from bottom fishing activity, and yes gold stocks are even breaking above a downtrend vs. gold (gold itself is breaking downtrends in a few currencies), our Sector Heat Map is now devoid of sectors to avoid – Fig 1

At the subindustry level, there are still some weak groups that have failed to catch a bid, or that are losing strength:

- **Resources**: Refiners have now slipped to a 10th decile position and Fertilizer and Agricultural Chemicals continue to till the dirt – Figure 2.
- **Consumer**: Homebuilders have now slipped to 9th decile, Department stores can’t sell so are sold, Agricultural Products have slipped back to 10th decile.
- **Financial weakness** continues to be dominated by Real Estate.
- Our momentum sell list (price trends) of MSCI World members in these groups are highlighted in Figure 3. The narrow list of “what’s not to like” from a short sellers perspective is dominated by Chinese Real Estate and fertilizer stocks.

Figure 1: Group Selection Report Sector Heat Map

Figure 2: Fertilizer and Agricultural Chemicals RS Decile

Figure 3: Momentum Sell List of MSCI World Members in Weak and Weakening Subindustries

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

Resource Rebound: SU, FNV

- U.S. Inflation Expectations V-bottomed in late June, and are pivoting higher – Fig 1.
  - Inflation expectations overshot oil on the downside, where active late-dated oil contracts failed to hit a lower low that inflation expectations priced in – see link.
  - This overshoot is being corrected amidst notable strength in North American oil spot prices.
- This V-bottom is a key barometer for global growth-related equities, which are breaking above underperforming trends. See Taking Off Global Growth Shorts.

At the granular level, one-third of MSCI World members breaking above underperforming trends on Friday were Canadian Resources – Figure 2.

- The most egregious of underperformers, stacked under the solid red wedge, are golds (Figure 2 far right column). All 105 gold stocks we cover are in underperforming trends against ACWI, but one-fifth of them have reversed to the upside (many of them did so in Friday’s session).
  - Notable amongst quality large caps is Franco-Nevada, where volume shows accumulation at the lows, and technicals point to non-confirm of the June low – Fig 3.
- Underperforming with less torque, and where we see many more high volume indications on the positive reversals, are energy related shares.
  - Notable here is Suncor, which is breaking a 2.5-year downtrend – Figure 4.

Figure 1: U.S. 10-Year Breakeven Rate (Inflation Expectations)

Yet Another V Bottom

Figure 2: MSCI World Members Breaking Above Underperforming Trends vs. MSCI World Index

CDN Energy & Gold Mining Breaking Above Underperforming Trends Last Friday

Figure 3: Franco-Nevada in USD

Figure 4: Suncor in USD

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Taking Off Global Growth Shorts

- The market is taking off its bets of slow global growth. It is very early days mind you, but note;
  - U.S. inflation expectations are breaking above a downtrend – Figure 1.
  - The cost to protect Rio Tinto against default is breaking below an uptrend – Figure 2.
  - The energy producers are dismantling their underperforming trend – Figure 3.
  - The mining sector is popping its head out of a pit of South African mine shaft proportions – Figure 4.
    ▪ Even the Canadian Vegas Exchange catches a bid – Figure ran out of space, but see here.

---

Figure 1: U.S. 10-Year Inflation Expectations (Breakeven Rate)
Figure 2: Rio Tinto 5-Year CDS
Figure 3: Oil, Gas & Consumable Fuels vs. MSCI World
Figure 4: Metals & Mining vs. MSCI World

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
CDN Strength? It’s Our Banks

- Canadian stocks, which have gracefully exhibited a polar bear dive relative to global equities, and have been one of the best shorts on the Street relative to U.S. equities, are pulling out of the dive – Figure 1.

- How does one escape this dive with a 38% weighting in still rather weak resources? With a 21% weight in diversified banks, which are breaking to the upside – Figure 2. All Canadian banks hit at least 1.5mo highs yesterday – Figure 3.
  - The leader is Royal, which is breaking out of a 6mo consolidation pattern.
  - The laggard is CIBC, which we expect will reverse a 6mo downtrend.

Figure 1: S&P/TSX 60 ETF vs. S&P 500

Figure 2: S&P/TSX Diversified Banks Index

Figure 3: Price Trends on Canadian Diversified Banks

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>1-day Equity Chg (%)</th>
<th>5-day Equity Chg (%)</th>
<th>MktCap (CAD)</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>%Chg wrt 200d MA</th>
<th>Chg wrt 200 Day MA Trend</th>
<th>Boll Band</th>
<th>Boll Band Width</th>
<th>RSI Dly</th>
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<tbody>
<tr>
<td>TD CN</td>
<td>Toronto-Dominion Bank</td>
<td>0.8%</td>
<td>2.4%</td>
<td>79,620</td>
<td>↑</td>
<td>↑</td>
<td>9%</td>
<td>46.0</td>
<td>3%</td>
<td>Above Rising</td>
<td>4% Above Rising</td>
<td>4%</td>
<td>Above Rising</td>
<td>179%</td>
<td>72</td>
<td></td>
</tr>
<tr>
<td>NA CN</td>
<td>National Bank of Canada</td>
<td>0.2%</td>
<td>1.9%</td>
<td>12,415</td>
<td></td>
<td></td>
<td>-1%</td>
<td>4.5</td>
<td>2%</td>
<td>Above Rising</td>
<td>0% Above Rising</td>
<td>122%</td>
<td>Above Rising</td>
<td>120%</td>
<td>64</td>
<td></td>
</tr>
<tr>
<td>RY CN</td>
<td>Royal Bank of Canada</td>
<td>2.6%</td>
<td>4.2%</td>
<td>52,177</td>
<td>↑</td>
<td>↑</td>
<td>-2%</td>
<td>1.5</td>
<td>4%</td>
<td>Above Rising</td>
<td>6% Above Rising</td>
<td>111%</td>
<td>Above Rising</td>
<td>111%</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>BMO CN</td>
<td>Bank of Montreal</td>
<td>0.9%</td>
<td>2.4%</td>
<td>41,323</td>
<td>↑</td>
<td>↑</td>
<td>-5%</td>
<td>1.5</td>
<td>3%</td>
<td>Above Rising</td>
<td>3% Above Rising</td>
<td>204%</td>
<td>Above Rising</td>
<td>204%</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>BNS CN</td>
<td>Bank of Nova Scotia</td>
<td>1.6%</td>
<td>4.1%</td>
<td>69,585</td>
<td></td>
<td></td>
<td>-6%</td>
<td>1.5</td>
<td>1%</td>
<td>Above Rising</td>
<td>1% Above Rising</td>
<td>110%</td>
<td>Above Rising</td>
<td>110%</td>
<td>66</td>
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</tr>
<tr>
<td>CM CN</td>
<td>CIBC</td>
<td>1.5%</td>
<td>3.7%</td>
<td>30,846</td>
<td></td>
<td></td>
<td>-17%</td>
<td>1.5</td>
<td>0%</td>
<td>Below Falling</td>
<td>-3% Below Falling</td>
<td>128%</td>
<td>Below Falling</td>
<td>128%</td>
<td>63</td>
<td></td>
</tr>
</tbody>
</table>

Figure 4: Royal Bank (the Leader)

Figure 5: CIBC (the Laggard)

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Market Testimony to Bernanke

- Just to sum up before Bernanke does so (he will likely not mention this):
  - The yield curve, sans QE, is positive for some (Figure 1, left), negative for others (Figure 1, right); but where it is positive, it is almost universally so, which is why we get first decile readings on Regional Banks and Insurance.
  - In granular form, the vast majority of U.S. regional banks are on the positive side, or the outperforming side of the periodic table of relative performance – Figure 2.

Figure 1: Financial Sector Relative Strength Heat Map (Remodeled Version) and U.S. Yield Curve

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Technology Laggards Breaking Out

- We continue with technology as a leading sector (see Technology Momentum Buys) as the breadth of the group broke to the upside in yesterday’s session – Figure 1.
  - This is consistent with a large number of underperformers breaking above underperforming trends – Figure 2.
- After detailing the leaders yesterday, we delve into some of the laggards, which are basing, bottoming and now breaking to the upside.
- Highlighted are two stocks in the firstdecile Internet Software & Services subindustry, which are breaking out of consolidation patterns with volume supportive of the move, Support.com and 21Vianet Group – Figures 3, 4.
  - Sixty-two technology-related shares breaking above price downtrends are found at this link. Notable in the group are Facebook, Baidu and Expedia.

Figure 1: Technology Relative Strength Z-Score

Figure 2: R3k Growth IT Severing Underperforming Trends

Figure 3: Support.com Inc (SPRT) Price Trend

Figure 4: 21Vianet Group Inc ADR (VNET) Price Trend

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Technology Momentum Buys

- The strongest three sectors in our group selection report (where each stock is equal weighted) is Technology, Health Care and Consumer Discretionary – Figure 1.
- Technology broke away from a neutral reading in May and is now cruising at a positive reading – Figure 2.

As we are not bottom fishing here, and stocks have spent some time outperforming, our momentum buy list is the best way of looking at the non-overbought winners. The top 15 in the Russell 3000 Growth index are shown in Figure 3. The full list is found here.

Figure 1: Sector Heat Map From Our Group Selection Report
Figure 2: Technology Relative Strength Z-Score
Figure 3: Technology Momentum Buys in Russell 3000 Growth Index – Click Here for Complete List

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>Grp</th>
<th>1-day Equity Chg (%)</th>
<th>5-day Equity Chg (%)</th>
<th>MkttCap (US$)</th>
<th>Chg Last Day</th>
<th>R3kg</th>
<th>Trend Slope</th>
<th>RS Hi (Mo)</th>
<th>RS Low (Mo)</th>
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<td>ENV US</td>
<td>Envisio Inc</td>
<td>InetSRsrv</td>
<td>2</td>
<td>-4.1%</td>
<td>1.4%</td>
<td>875</td>
<td>-</td>
<td>1.15</td>
<td>-</td>
<td>-</td>
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<tr>
<td>MEAS US</td>
<td>Measurement Specialties Inc</td>
<td>EMS</td>
<td>5</td>
<td>0.1%</td>
<td>2.3%</td>
<td>768</td>
<td>-</td>
<td>47%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PPFT US</td>
<td>Proofpoint Inc</td>
<td>SystmSrv</td>
<td>6</td>
<td>1.7%</td>
<td>-2.2%</td>
<td>832</td>
<td>-</td>
<td>104%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>EFII US</td>
<td>Electronics for Imaging</td>
<td>FCStor&amp;F</td>
<td>1</td>
<td>0.5%</td>
<td>2.3%</td>
<td>1,385</td>
<td>-</td>
<td>59%</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>MSFT US</td>
<td>Microsoft Corp</td>
<td>SystmSrv</td>
<td>6</td>
<td>0.0%</td>
<td>-4.3%</td>
<td>297,084</td>
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<td>43%</td>
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<td>MGI US</td>
<td>MoneyGram International Inc</td>
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<td>2</td>
<td>0.0%</td>
<td>-0.6%</td>
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<td>-</td>
<td>69%</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
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<td>Forrester Research Inc</td>
<td>ITConsult</td>
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<td>-0.4%</td>
<td>791</td>
<td>-</td>
<td>60%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FIS US</td>
<td>Fidelity National Information Services</td>
<td>DataProc</td>
<td>2</td>
<td>-0.6%</td>
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<td>13,182</td>
<td>-</td>
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<td>1</td>
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<td>3.6%</td>
<td>2,042</td>
<td>-</td>
<td>150%</td>
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<td>-</td>
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<tr>
<td>CREE US</td>
<td>Cree Inc</td>
<td>Semi</td>
<td>4</td>
<td>0.6%</td>
<td>0.0%</td>
<td>8,122</td>
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<td>Pandora Media Inc</td>
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<td>3,292</td>
<td>-</td>
<td>78%</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>LPS US</td>
<td>Lender Processing Services Inc</td>
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<td>-0.3%</td>
<td>-0.9%</td>
<td>2,768</td>
<td>-</td>
<td>59%</td>
<td></td>
<td></td>
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<tr>
<td>VPRT US</td>
<td>VistaPrint NV</td>
<td>InetSRsrv</td>
<td>2</td>
<td>2.5%</td>
<td>5.7%</td>
<td>1,674</td>
<td>-</td>
<td>49%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TTEC US</td>
<td>TeleTech Holdings Inc</td>
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<td>2</td>
<td>-0.1%</td>
<td>0.7%</td>
<td>1,269</td>
<td>-</td>
<td>23%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SNOK US</td>
<td>SanDisk Corporation</td>
<td>FCStor&amp;F</td>
<td>1</td>
<td>0.2%</td>
<td>-1.3%</td>
<td>14,621</td>
<td>-</td>
<td>33%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
When to Taper the Taper of Tapering?

- Bernanke was the key official to help taper the pressure of tapering. This was enough to help some emerging market and emerging market feeders break above steep and consistent downtrends yesterday – Figure 1.
- What would really stand out as a positive signal for emerging markets would be a positive turn (higher) in inflation expectations. We are not seeing this.
- Until global growth indications become substantial, the key question for growth feeders is when does one taper the FED speakers’ taper of tapering (excuse that, we promise Monday will be taper free).
- U.S. equity positions should continue to be overweighted, and materials underweighted.

Figure 1: Equity Index Price Trends

<table>
<thead>
<tr>
<th>Name</th>
<th>Symbol</th>
<th>1-Day Chg (%)</th>
<th>5-Day Chg (%)</th>
<th>Chg Last Day</th>
<th>Reward /Rsk</th>
<th>Trend Slope</th>
<th>Hi (Mo)</th>
<th>Low (Mo)</th>
<th>%Chg wrt 50d MA</th>
<th>Chg w/o MA</th>
<th>%Chg w/o MA</th>
<th>Chg w/o MA</th>
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<td>INDU</td>
<td>1.1%</td>
<td>3.2%</td>
<td>34%</td>
<td>49.0</td>
<td>2%</td>
<td>Above Rising</td>
<td>10%</td>
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</tr>
<tr>
<td>NASDAQ</td>
<td>CCMP</td>
<td>1.6%</td>
<td>3.9%</td>
<td>30%</td>
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<td>12%</td>
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<tr>
<td>S&amp;P 500</td>
<td>SPX</td>
<td>1.4%</td>
<td>3.7%</td>
<td>31%</td>
<td>49.0</td>
<td>3%</td>
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<td>Japanese TPX</td>
<td>TXF</td>
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<td>101%</td>
<td>4%</td>
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<td>25%</td>
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<td>Russell 2000</td>
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<td>49.0</td>
<td>5%</td>
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<td>15%</td>
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<td>2.0%</td>
<td>33%</td>
<td>1.5</td>
<td>1%</td>
<td>Above Rising</td>
<td>9%</td>
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<tr>
<td>MSCI Sml Cap</td>
<td>MXWSOC</td>
<td>1.5%</td>
<td>3.6%</td>
<td>27%</td>
<td>49.0</td>
<td>3%</td>
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<td>10%</td>
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<td>1.0</td>
<td>1%</td>
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<td>0%</td>
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<td>6%</td>
<td>Above Rising</td>
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<td>17%</td>
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<td>5%</td>
<td>Above Rising</td>
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<td>Aussie S&amp;P/ASX</td>
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<td>23%</td>
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<td>1%</td>
<td>Above Falling</td>
<td>-4%</td>
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<td>1.5%</td>
<td>14%</td>
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<td>0%</td>
<td>Below Falling</td>
<td>3%</td>
<td>Above Rising</td>
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<td>2.2%</td>
<td>11%</td>
<td>1.0</td>
<td>1%</td>
<td>Above Rising</td>
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<td>SENSEX</td>
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<td>5%</td>
<td>1.5</td>
<td>1%</td>
<td>Above Rising</td>
<td>2%</td>
<td>Above Rising</td>
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</tr>
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<td>0.4%</td>
<td>5%</td>
<td>-2%</td>
<td>Below Falling</td>
<td>-1%</td>
<td>Below Rising</td>
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<td></td>
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</tr>
<tr>
<td>Italian MIB</td>
<td>FTSEMIB</td>
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<td>-0.8%</td>
<td>-7%</td>
<td>0%</td>
<td>Below Falling</td>
<td>-5%</td>
<td>Below Falling</td>
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</tr>
<tr>
<td>Korean KOSPI</td>
<td>KOSPI</td>
<td>3.0%</td>
<td>3.4%</td>
<td>-3%</td>
<td>-3%</td>
<td>Below Falling</td>
<td>-4%</td>
<td>Below Falling</td>
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<td></td>
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<tr>
<td>Chinese CSI</td>
<td>SHG2300</td>
<td>4.6%</td>
<td>4.7%</td>
<td>-4%</td>
<td>1.0</td>
<td>0%</td>
<td>Below Falling</td>
<td>-4%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AOWI XUSA</td>
<td>MXWYOU</td>
<td>2.1%</td>
<td>2.6%</td>
<td>-4%</td>
<td>1.0</td>
<td>0%</td>
<td>Below Falling</td>
<td>-1%</td>
<td>Above Rising</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>S&amp;P/TSX</td>
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<td>2.7%</td>
<td>-10%</td>
<td>1.0</td>
<td>1%</td>
<td>Above Rising</td>
<td>0%</td>
<td>Above Rising</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>HSI</td>
<td>2.5%</td>
<td>4.7%</td>
<td>-20%</td>
<td>1.0</td>
<td>-2%</td>
<td>Below Falling</td>
<td>-3%</td>
<td>Below Rising</td>
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</tr>
<tr>
<td>MSCI EM</td>
<td>MXEF</td>
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<td>-25%</td>
<td>-4%</td>
<td>Below Falling</td>
<td>-8%</td>
<td>Below Falling</td>
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<tr>
<td>Brazil Bovespa</td>
<td>IBOV</td>
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<td>1.9%</td>
<td>-37%</td>
<td>-10%</td>
<td>Below Falling</td>
<td>-18%</td>
<td>Below Falling</td>
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<tr>
<td>S&amp;P/TSX 5ml</td>
<td>SPTXSX</td>
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<td>-22%</td>
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<td>1%</td>
<td>Above Falling</td>
<td>-3%</td>
<td>Below Falling</td>
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<tr>
<td>Mexican IPC</td>
<td>MEXBOL</td>
<td>1.2%</td>
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<td>-5%</td>
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<td>3.0%</td>
<td>2.0%</td>
<td>-35%</td>
<td>1.5</td>
<td>1%</td>
<td>Above Falling</td>
<td>-6%</td>
<td>Below Falling</td>
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<td>S&amp;P/TSX Venture</td>
<td>SPTSVEN</td>
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<td>0.9%</td>
<td>-53%</td>
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<td>-20%</td>
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Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Energy Inventories

• If the WTI price lift is less geopolitically driven and more inventory driven – Figure 1
  ▪ And if client inventory levels of energy are low, which would explain our weak, albeit improving energy breadth level – Figure 2
  ▪ And if energy is actually in an outperforming trend, which it is in own “everything but materials Canada” – Figure 3.

• Then perhaps Canadian oil sands plays, which are just breaking above their 50-d MAs, can break above price downtrends – Figure 4.
  ▪ Even the curse of the BlackPearl seems to be lifting.
    ▪ Arr!!!

Figure 1: WTI and U.S. Inventory Levels (Inverted Scale)

Figure 2: Energy Relative Strength Z-Score

Figure 3: Canadian Energy vs. S&P/TSX Composite

Figure 4: Price Trends on CDN Oil Sands Plays

Source: BMO Capital Markets, Bloomberg, Thomson, Markit. BMO Capital Markets is Restricted on Canadian Oil Sands Ltd. (COS-TSX)
Oil - Higher Highs & Lows

- WTI breaks above $105 this morning, and breaks out of a two-year consolidation pattern – Figure 1.
- This not your favourite gauge? OK. Four of six major crude oil benchmarks have made a higher high this month – Figure 2.
  - Yes, energy continues to look poor in our system, but if we are to be graceful, and given the upside breakouts in oil, it should be mentioned that our breadth gauge has finally registered a higher low – Figure 3.
    - And yes, we are seeing more positive reversals than negative in the energy sector:
      - breaking to the downside are the refiners
      - breaking to the upside are the oil leveraged stocks,
        - like Suncor (Figure 4) and MEG;
        - yet few are brave enough to dive for the BlackPearl.

Figure 1: WTI

Figure 2: Oil Benchmarks

Figure 3: Energy Relative Strength z-Score

Figure 4: Suncor vs. S&P/TSX Composite

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Widening MBS & Building/ers

- We have described the positive effects that the deteriorating bond market/steepening yield curves have on Global Insurance, Regional Banks, and S&Ls. For balance, we look to the dark side.

- Masco is the S&P 500 building products poster child, which broke below an outperforming trend yesterday (Figure 1). This helps to emphasize the fall of building products from a 1st decile group in May to a negative reading at 6th decile yesterday.
  - Homebuilders are worse off, with an 8th decile ranking.

- The global tightening of the treasury market has caused disruption to the credit market. One of the highest risk buckets out there is U.S. homebuilders, where CDS trends are now either widening or reversing narrowing trends – Figure 2.

- Both relative and absolute price trends on homebuilders have swung wider and wider as the MBS market has deteriorated over the past nine months – Figure 3.
  - Single-digit underperformance of three months ago has turned into double-digit underperformance now.
  - Every homebuilder in the 1500 is either in an underperforming trend, or breaking an outperforming trend – Figure 4.

**Figure 1: Masco vs. S&P 500**

**Figure 2: 5Year CDS Trends on Homebuilders**

**Figure 3: MBS Spread and Homebuilders**

**Figure 4: Homebuilder Relative Strength Trends**

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Global Curves & Insurance

The U.S. yield curve, which started steepening last July, has moved up almost 100 bps since the May 3 payroll data sparked an exodus from the long bond. The curve steepened 20 bps on last Friday’s employment report – Figures 1, 2.

- But Treasuries set the pace for global bonds.
- So all yield curves are steepening – Figure 2.

This allows us to move beyond our initial U.S.-centric positive takes on the curve steepening effect for Regional Banks (see June 26 RSF), and S&Ls (see June 27 RSF), and move towards the most consistently outperforming global financial industry - insurance – Figure 3.

The most consistently outperforming large cap insurers are shown in figure 4. Click here for a complete list.

Figure 1: U.S. Yield Curve (10-2yr)

Figure 2: Global Yield Curves - Steepening

Figure 3: Rel. Performance of Global Insurance & US Yield Curve

Figure 4: Large Cap Insurance Outperformers vs. MSCI World

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Canadian Severed Underperformers

- One of our bottom fishing screens is “severed market underperformers,” that is, stocks which have severed an underperforming trend against the market.
- There are 38 Canadian severed market underperformers – Figure 1.
- We highlight two long-term outperformers that are breaking above market performing trends, Kodiak Oil (Figure 2) and Mullen Group (Figure 3).

Figure 1: Canadian Stocks That Have Severed an Underperforming Trend against S&P/TSX – Click Here for complete list

![Figure 1: Canadian Stocks That Have Severed an Underperforming Trend against S&P/TSX](image1)

Figure 2: Kodiak Oil & Gas vs. S&P/TSX Composite

![Figure 2: Kodiak Oil & Gas vs. S&P/TSX Composite](image2)

Figure 3: Mullen Group Ltd vs. S&P/TSX Composite

![Figure 3: Mullen Group Ltd vs. S&P/TSX Composite](image3)

Source: BMO Capital Markets, Bloomberg, Thomson, Markit  
Manitoba Telecom Services (MBT-TSX) is Restricted
Internet Software & Services

- The Internet Software & Services sub-industry has the most strength and momentum in our Group Selection report, as more than half of the stocks in the group are either outperforming the markets, or severing underperforming trends – Figure 1.
- Our momentum buy list contains 22 stocks (outperforming the market and sector, above rising moving averages, not overbought) – Figure 2.
- Among the 14 severed market underperformers (Figure 3), Rackspace Hosting – RAX US, a long-term outperformer, is regaining momentum – Figure 4.

Figure 1: Internet Sft & Srv – Relative Strength Decile

Figure 2: Internet Sft & Srv – Momentum Buys

Figure 3: Internet Sft & Srv – Severed Mkt Underperformers

Figure 4: Rackspace Hosting vs. S&P 500

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Portugal; European SIFIs

This morning European worries resurfaced on the back of political uncertainty in Portugal.

- Yields on the Portuguese 10yr (Figure 1) and 2yr bonds soared above 8% and 5%, respectively. Portugal sovereign default risk jumped over 100 bps to its highest level since November 2012.
- The cost to protect the debt of Italy (Figure 2) and Spain against default (5yr CDS spreads) spiked to a three-month high.
- The MSCI Europe Banks index gapped down near a seven-month low.

We have been watching the increasing stress on the credit worthiness of too interconnected to fail financial institutions (SIFI). Portugal’s woes could put further pressure on SIFIs. We highlight the CDS trends of European SIFIs in Figure 3.

Figure 1: Portuguese 10-Year Bond Yield

Figure 2: 5Yr Italian Sovereign CDS

Figure 3: CDS Trends on Too Interconnected to Fail European Banks

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
U.S. Oil & Gas Storage & Transportation

O&G Storage & Transportation is the only bright spot of all the Energy sub-industries in our Group Selection report – Figure 1. The sub-industry also garners a first decile reading – Figure 2.

Of the 71 stocks in the O&G St&Tr, 47 are U.S. incorporated and most of them are either outperforming the market or reversing underperforming trends against the market. Moreover, 15 of them are momentum buys – Figure 3.

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

Clicks

On Wednesday, it was Amazon and on Thursday it was Expedia coming back to the fold. Internet Retail industry members garner a 1st decile reading as the vast majority of stocks are either outperforming or are reversing underperforming trends against markets – Figure 1.

For those looking for established momentum, as opposed to stocks regaining (AMZN, EXPE), our momentum buy list (outperforming market and sector, above rising moving averages, not overbought) includes Orbitz, TripAdvisor, ASOS, Ctrip.com and Overstock.com.

### Figure 1: Internet Retail vs. S&P 500 Index

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<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Grp RS</th>
<th>LT RS</th>
<th>RS</th>
<th>Close 27-Jun</th>
<th>1-day Equity Chg (%)</th>
<th>5-day Equity Chg (%)</th>
<th>MktCap (US$)</th>
<th>Chg Last Day</th>
<th>SPX Trend</th>
<th>RS Hi (Mo)</th>
<th>RS Low (Mo)</th>
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<td>OWW US</td>
<td>Orbitz Worldwide Inc</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>8.22</td>
<td>4.4%</td>
<td>6.1%</td>
<td>867</td>
<td>220%</td>
<td>1.0</td>
<td>4%</td>
<td>3%</td>
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<tr>
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<td>Rakuten Inc</td>
<td>1</td>
<td>7</td>
<td>1</td>
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<td>-0.2%</td>
<td>-5.2%</td>
<td>15,297</td>
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<td>1.3</td>
<td>88%</td>
<td>60%</td>
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<td>TripAdvisor Inc</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>60.84</td>
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<td>-1.1%</td>
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<td>88%</td>
<td>60%</td>
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<td>13.69</td>
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<td>243</td>
<td>-51%</td>
<td>12.0</td>
<td>-21%</td>
<td>-38%</td>
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Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Relative Strength Filter

Breaking out of Pottersville

Why he ever started this cheap, penny-ante Building and Loan, I'll never know – Figure 1.

George Bailey

- This is a continuation of yesterday’s Curve Ball where we look at the expensive suits drowning their sorrows at Martinis, and the cheap suits finding a hero in the withdrawal of stimulus steepening yield curve.
- The U.S. Thrifts & Mortgage group is breaking out of Pottersville – Figure 1.
- The Subindustry has improved to a 4th decile reading, as 10 stocks have now broken above underperforming trends against the S&P 500 Financial index – Figure 2.
- People’s United is breaking out of an 11-month base – Figure 3.
- New kid on the block EverBank Financial is reversing an underperforming trend against financials – Figure 4.

Attaboys, Clarence

Figure 1: US Thrifts & Mortgage Finance vs. US Financials

Figure 2: S&L Breaking Above Underperforming Trends vs Financ.

<table>
<thead>
<tr>
<th>Name / Link to Charts</th>
<th>Symbol &amp; Links</th>
<th>Group HS</th>
<th>Decil</th>
<th>Jun 26 Chg (%)</th>
<th>1-day Chg (%)</th>
<th>5-day Chg (%)</th>
<th>MktCap US$m</th>
<th>% Reward / Risk vs. Sector</th>
<th>Trend Slope</th>
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<td>HBDK US</td>
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<td>1.00</td>
<td>3.33</td>
<td>2.23</td>
<td>2.52</td>
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<td>2.11</td>
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<td>7</td>
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<td>-0.05</td>
<td>5.00</td>
<td>1.239</td>
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<td>1.041</td>
<td>↑ -1.8%</td>
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<td>7</td>
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<td>4.50</td>
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<td>4</td>
<td>12.22</td>
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<td>1.73</td>
<td>0.83</td>
<td>↑ -3.6%</td>
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<td>5</td>
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<td>0.69</td>
<td>2.03</td>
<td>2.041</td>
<td>↑ -0.1%</td>
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<td>14</td>
<td>14.32</td>
<td>0.73</td>
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<td>4.301</td>
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<td>4</td>
<td>17.25</td>
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<td>2.03</td>
<td>5.54</td>
<td>↑ 5%</td>
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</table>

Source: BMO Capital Markets, Bloomberg, Thomson, Markit

Figure 3: People’s United Financial vs. S&P 500

Figure 4: EverBank Financial vs. S&P 500 Financials
Curve Ball

- There is absolutely no question that the rapid rise in Treasury yields, the continuing widening of MBS-Treasury spreads and the disruption of the carry trade has thrown a curve ball into the banking system.
- Our penchant is for risk analysis. From credit market indications, we glean indications of who may have been standing too close to the plate and could get dinged by the ball. For this we use the positioning of too-interconnected-to-fail banks by their CDS curve. We have watched HSBC and now Goldman Sachs move up toward the weakest member of the group, UniCredit – Figure 1.
- Who benefits from this curve ball?
  - Our strength reading for Regional (largely U.S.) banks moved on up to first decile this week – Figure 2.
  - Apparently, somewhere out there is a Joe Sixpack (who thinks that the Muppets is a cartoon) who can pay off a loan. Joe just found a banker, who, thanks to tapering, now figures that there is a profit to be made from that loan.
- After 18 months of market performance, U.S. regional banks are breaking out relative to the market – Figure 3.
  - On an absolute basis, nothing changes; they continue to rise at a rate of 32%/year.

Figure 1: CDS Trends on Too-Interconnected-to-Fail Banks Sorted by CDS Curve (Closest to Inverted on Top)

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Country</th>
<th>LT RS</th>
<th>CDS Level</th>
<th>MktCap (US$)</th>
<th>Chg Last Day</th>
<th>CDS</th>
<th>Trend Slope</th>
<th>CDS Fl (Mo)</th>
<th>CDS Len (Mo)</th>
<th>Liquidity</th>
<th>Fl to Equity</th>
<th>CDS Curve 1/SY</th>
<th>CDS 2-day Chg (%)</th>
<th>CDS 5-day Chg (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UCG IM</td>
<td>UniCredit SpA</td>
<td>Italy</td>
<td>10</td>
<td>27,688</td>
<td></td>
<td></td>
<td></td>
<td>-11%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
<td>-4%</td>
</tr>
<tr>
<td>HBC US</td>
<td>HSBC Holdings PLC</td>
<td>U.K.</td>
<td>8</td>
<td>193,662</td>
<td></td>
<td></td>
<td></td>
<td>-30%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td>3</td>
<td>-2%</td>
</tr>
<tr>
<td>ING US</td>
<td>ING Groep NV</td>
<td>Netherlands</td>
<td>9</td>
<td>34,101</td>
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<td></td>
<td></td>
<td>-45%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5</td>
<td>3</td>
<td>-1%</td>
</tr>
<tr>
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<td>Banco Santander SA</td>
<td>Spain</td>
<td>10</td>
<td>86,185</td>
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<td></td>
<td></td>
<td>-41%</td>
<td></td>
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<td>1</td>
<td>-5%</td>
</tr>
<tr>
<td>MS US</td>
<td>Morgan Stanley</td>
<td>U.S.</td>
<td>6</td>
<td>49,062</td>
<td></td>
<td></td>
<td></td>
<td>-58%</td>
<td></td>
<td></td>
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<td></td>
<td>1</td>
<td>1</td>
<td>-4%</td>
</tr>
<tr>
<td>GS US</td>
<td>Goldman Sachs Group Inc</td>
<td>U.S.</td>
<td>7</td>
<td>70,179</td>
<td></td>
<td></td>
<td></td>
<td>-47%</td>
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<td></td>
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<td>2</td>
<td>1</td>
<td>-3%</td>
</tr>
<tr>
<td>RBS US</td>
<td>Royal Bank of Scotland Group Plc</td>
<td>U.K.</td>
<td>9</td>
<td>26,928</td>
<td></td>
<td></td>
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<td>-40%</td>
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<td>2</td>
<td>-3%</td>
</tr>
<tr>
<td>BCS US</td>
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<td>U.K.</td>
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<td></td>
<td>-12%</td>
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<td></td>
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<td>-3%</td>
</tr>
<tr>
<td>3588 HK</td>
<td>Bank of China Ltd</td>
<td>China</td>
<td>9</td>
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<td></td>
<td></td>
<td></td>
<td>-3%</td>
<td>9.5</td>
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<td>2.5</td>
<td>1</td>
<td>4</td>
<td>-3%</td>
</tr>
<tr>
<td>MPF US</td>
<td>Mizuho Financial Group Inc</td>
<td>Japan</td>
<td>10</td>
<td>49,291</td>
<td></td>
<td></td>
<td></td>
<td>-38%</td>
<td>9.5</td>
<td>8</td>
<td>5</td>
<td>1.5</td>
<td>2</td>
<td>0.5</td>
<td>-6%</td>
</tr>
<tr>
<td>UBS US</td>
<td>UBS AG</td>
<td>Switzerland</td>
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<td>15%</td>
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<td></td>
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<td></td>
<td>1</td>
<td>1</td>
<td>0%</td>
</tr>
<tr>
<td>0310 JP</td>
<td>Sumitomo Mitsui Financial Group</td>
<td>Japan</td>
<td>9</td>
<td>61,666</td>
<td></td>
<td></td>
<td></td>
<td>-39%</td>
<td>9.3</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>2%</td>
</tr>
<tr>
<td>BAC US</td>
<td>Bank of America Corp</td>
<td>U.S.</td>
<td>6</td>
<td>136,887</td>
<td></td>
<td></td>
<td></td>
<td>-45%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td>3</td>
<td>-3%</td>
</tr>
</tbody>
</table>

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Feral Hogs

“Big money does organize itself somewhat like feral hogs. If they detect a weakness or a bad scent, they’ll go after it.”

– Dallas Fed President Richard Fisher.

- What markets are rooting out is of course the known unknown.
  - as the Treasury curve rapidly tightens and
  - as Treasury volatility surges from an all-time low
    - the carry trade is rapidly unwound.
- Who in 2013 will be the LTCM of 1998 or Carlyle Capital of 2007? How significant will be the hit to the banking system? The feral hogs will seek these out.
- Once the Dragon boat festival was over, we knew that the stress on the Chinese banking system was more than just seasonal, it was structural – Figure 1.
- So the market is rooting out whose structure is most disrupted from the structural shift from loosening to tightening, which disrupts the carry trade – see Tighten Up.
  - It does so both at the sovereign and corporate levels – Figures 2, 3.
  - And as the banking system is threatened, correlations tend toward one.

Figure 1: Odds of a 2014 FED Rate Hike and 1W SHIBOR

Figure 2: China 5-Year Sovereign CDS

Figure 3: HSBC 5-Year CDS

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

- We write this in the early hours of the Japanese market open before travel.
  - Japanese shares, where day traders dominate like they did the dot.com boom/bust, gapped to the upside only to fall as the morning matured.
  - The 3-day rout in U.S. Treasury bonds is turning into a 4-day rout.
- On Friday, we started to reuse the WIRP function on Bloomberg to come up with one of three front page charts in our Focal Points – Tighten Up, which is also out today. We used that chart from our report in today’s RSF – Figure 1.
- The Bank of International settlements on Sunday also spells out the tightening theme.
- The PBOC also considers liquidity reasonable in its Sunday report.
- It seems most reasonable to brace portfolios toward the tightening headwinds.

Figure 1: Odds of a 2014 Fed Rate Hike From Fed Funds Futures

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Japanese Fetchez La Vache Moment

Hello.

- Japanese bond yields just broke to the upside. Our upside technical target is 1.20 – Figure 1, top.
  - Japanese bond volatility is suspiciously tame relative to surging U.S. Treasury and German Bund volatility.
  - We do not expect it to remain tame – Figure 1, bottom.
- Japanese inflation expectations continue to decline:
  - This is the fingerprint of the markets disbelief of Abenomics – Figure 2, top.
  - Which sets the stage for continued strength of the Japanese currency – Figure 2, bottom.
- Taken together, this is the Fetchez La Vache moment for Japanese policy makers.
- If you are expecting the GPIF to take your stock off of your hands, they just said thanks, but we already got some.
- The TOPIX is at the top end of a consolidation pattern. We expect a break to the downside – Figure 3.

- Run away.
Gold, the FED & Napalm in the Morning

- Bernanke killed the gold price at 2:47 p.m. yesterday. Technically, bullion broke to the downside at 3:43 p.m. – Figure 1.
  - His response yesterday to the question “Financial conditions have tightened...bond yields have gone up...Why do you think that is?”, and in several other responses in the Q&A, revealed the FED to be taking a far more optimistic view on what rising Treasury yields mean (see today’s Misplaced FED Optimism & Market Risk).
    - That pushed both U.S. 2- and 10-year yields to new intraday highs.
    - The move in the short end unleashed U.S. dollar strength against the yen and euro (interest rate differentials rule). As a side note, gold is moving more with EUR than it is with JPY this morning.
    - The move in the long end unleashed a new high for treasury volatility. The 2-day $214 downdraft in gold back in April had a fingerprint: rising bond volatility.

- Our downside risk for gold with full-on pressures on both the long (impacting volatility) and short end (impacting the currency market via rate differentials) of the Treasury curve is $1,160 – Figure 1.

Figure 1: Gold With Bond Market Volatility and Currency Stresses
Focal Points

Investment & Trading Ideas

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.
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

It’s not that there’s no money, it’s that the money is 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 it’s 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.
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.

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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>Trend Slope</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>
</tr>
</thead>
<tbody>
<tr>
<td>UniCredit SpA</td>
<td>-4.1%</td>
<td>-7.2%</td>
<td>27,666</td>
<td>↑</td>
<td>↑</td>
<td>-13%</td>
<td>2.5</td>
<td>0.58</td>
<td>22%</td>
<td>Above Rising</td>
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<td>HSBC Holdings PLC</td>
<td>-0.1%</td>
<td>-3.6%</td>
<td>191,403</td>
<td>↑</td>
<td>↑</td>
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<td>7.5</td>
<td>0.51</td>
<td>32%</td>
<td>Above Rising</td>
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<td>-2.1%</td>
<td>-3.1%</td>
<td>33,909</td>
<td>↑</td>
<td>↑</td>
<td>-45%</td>
<td>2.0</td>
<td>0.49</td>
<td>9%</td>
<td>Above Falling</td>
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<td>-1.2%</td>
<td>-6.9%</td>
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<td>↑</td>
<td>↑</td>
<td>-42%</td>
<td>2.6</td>
<td>0.47</td>
<td>24%</td>
<td>Above Rising</td>
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<td>-1.0%</td>
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<td>48,825</td>
<td>↑</td>
<td>↑</td>
<td>-60%</td>
<td>5.5</td>
<td>0.46</td>
<td>35%</td>
<td>Above Rising</td>
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<td>-10.3%</td>
<td>27,112</td>
<td>↑</td>
<td>↑</td>
<td>-16%</td>
<td>9.5</td>
<td>0.46</td>
<td>43%</td>
<td>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>↑</td>
<td>8%</td>
<td>7.0</td>
<td>0.44</td>
<td>22%</td>
<td>Above Rising</td>
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<td>70,724</td>
<td>↑</td>
<td>↑</td>
<td>-49%</td>
<td>6.5</td>
<td>0.42</td>
<td>39%</td>
<td>Above Rising</td>
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<td>Credit Suisse Group</td>
<td>-1.2%</td>
<td>-5.3%</td>
<td>42,253</td>
<td>↑</td>
<td>↑</td>
<td>50%</td>
<td>7.0</td>
<td>0.38</td>
<td>20%</td>
<td>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>↑</td>
<td>-47%</td>
<td>6.5</td>
<td>0.36</td>
<td>28%</td>
<td>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>↑</td>
<td>35%</td>
<td>3.0</td>
<td>0.36</td>
<td>14%</td>
<td>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>↑</td>
<td>6%</td>
<td>2.0</td>
<td>0.35</td>
<td>15%</td>
<td>Above Rising</td>
</tr>
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<td>UBS AG</td>
<td>-1.5%</td>
<td>-4.7%</td>
<td>64,921</td>
<td>↑</td>
<td>↑</td>
<td>11%</td>
<td>6.5</td>
<td>0.35</td>
<td>23%</td>
<td>Above Rising</td>
</tr>
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<td>Deutsche Bank AG</td>
<td>0.6%</td>
<td>-4.2%</td>
<td>44,674</td>
<td>↑</td>
<td>↑</td>
<td>27%</td>
<td>2.5</td>
<td>0.35</td>
<td>19%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>-2.6%</td>
<td>-5.9%</td>
<td>66,362</td>
<td>↑</td>
<td>↑</td>
<td>-26%</td>
<td>2.5</td>
<td>0.35</td>
<td>18%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>JPMorgan Chase &amp; Co</td>
<td>-1.0%</td>
<td>-2.2%</td>
<td>196,392</td>
<td>↑</td>
<td>↑</td>
<td>-2%</td>
<td>6.5</td>
<td>0.34</td>
<td>18%</td>
<td>Above Rising</td>
</tr>
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<td>Citigroup Inc</td>
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<td>-4.8%</td>
<td>142,620</td>
<td>↑</td>
<td>↑</td>
<td>-55%</td>
<td>5.5</td>
<td>0.33</td>
<td>31%</td>
<td>Above Rising</td>
</tr>
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<td>Societe Generale</td>
<td>-2.1%</td>
<td>-5.6%</td>
<td>27,619</td>
<td>↑</td>
<td>↑</td>
<td>-16%</td>
<td>2.0</td>
<td>0.32</td>
<td>13%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>Wells Fargo &amp; Co</td>
<td>2.2%</td>
<td>2.0%</td>
<td>216,940</td>
<td>↑</td>
<td>↑</td>
<td>-29%</td>
<td>0.29</td>
<td>12%</td>
<td>12%</td>
<td>Above Rising</td>
</tr>
</tbody>
</table>
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.
  o 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.
  o It is still incredibly low – Figure 16, but will move higher with continued stress in the banking system.
  o When stresses are high enough, one can watch this counterparty risk move with S&P futures tick for tick.
  o 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.
  o 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.

Figure 14: US Bank CDS and the S&P 500
Average Cost To Protect US Banks Against Default

Figure 15: U.S. 2-year Swap Spread

Figure 16: U.S. 2-year Swap Spread – Long Term Perspective
Misplaced FED Optimism & Market Risk

- “Yes, rates have come up some. That’s in part due to more optimism, I think, about the economy. It’s in part due to perceptions of the Federal Reserve”
  Fed Chairman Ben Bernanke during yesterday’s Q&A.
- Of the backup in treasury yields, and the associated destruction of “risk on” carry trades, we know that,
  - Very little of the backup in treasury yields increase came from optimism (albeit stronger-than-expected U.S. payroll data on May 3 marked the bottom for treasury yields) – Figure 1
    - Much more comes from perceptions of the FED, which includes the May 22 bomb and yesterday’s “...it would be appropriate to moderate the monthly pace of purchases later this year;...ending purchases around mid-year (next year)”
    - And more still came from yen carry trade (PRDC) related unwind pressure.
- Misplaced optimism, by the world’s central banker, on why treasury yields are rising is causing,
  - another leg up in yields and volatility – Figure 1; and
  - continued collapse of “risk on” carry trades of many descriptions – Figures 2, 3.
- Another notable Bernanke line yesterday was “…as we try to land the ship on a...you know, on a ...in a smooth....in a smooth way into the ...on to the aircraft carrier.” Communication gap? There is a scene from Apocalypse Now, when the ship drops in a harsh way into the ocean. It ends with “I love the smell of napalm in the morning”
Inflation Expectations Are Trending Higher

- If you look at a chart of U.S. Inflation expectations, you generally see three years of noise. However, within that noise, the current “best fit” trend is higher, at rates of 12–18%, depending on whether you are looking at a simple 10-year breakeven rate or a more rigorous 5-year to 5-year forward measure – Figures 1, 2.

- This week, the downtrend on the 10-year breakeven rate was reversed – Figure 1.

- Given the fact the European stress is receding (Figure 3), and that the Fed is likely to add more QE fuel, the market is starting to embrace resources. Half of global resource relative strength downtrends have been severed – Figure 4.
  - Up trending inflation expectations (Figures 1, 2) give some cover for this maneuver.

- We and markets will be watching to see if they ultimately break out of the “noise zone” – for if they do, broken resource relative strength downtrends will eventually turn into uptrends.

Figure 1: U.S. 10-Year Breakeven Rate (Inflation Expectations)  Fig2: US 5Y5Y Forward Breakeven Rate (Inflation Expectations)
Focus Shifts (Back) to Asia

- Yesterday, the Asia dollar index suffered the worst day of the past three weeks. Its sharp decline led oil and other industrial commodities lower – Figure 1.
- The day before, it was Asian CDS that widened the most among fellow sovereigns. While we lamented how copper was not following the recent European credit improvement, it was Asia that the market was focusing on.
- China caught the Spanish flu in March, broke away thanks to a surprise rate cut on June 7, and has started to deteriorate again as of this Wednesday – Figure 2.
- Yesterday, equity markets broke to the downside in concert with the Asian currency basket. Downside risk is 5% lower for the resource heavy S&P/TSX – Figure 3.
- The U.S. equity market is also influenced by moves in the Asia Dollar Index. It has been this way for years. The influence is still not as great as that of counterparty risk (which rose for the first day in six yesterday), but it is still substantial, growing and has the potential to hit the 90s as it did last year – Figure 4.
**Major Double Top for Global Real Estate**

- Those that do not like banks (and we do not like banks) hide out in insurance.
  - Insurance just broke the uptrend from the 2011 low, like most major equity markets, including the S&P 500.
- Those that do not like insurance hide out in real estate, which has given the most consistent positive performance.
- Real estate just broke the uptrend from the 2011 low – Figure 1.

- Now there are breakdowns, and there are breakdowns.
  - The context behind this one is that money (and you know who you are) has flowed into Real Estate as a yield-oriented safe haven.
  - This has pushed global real estate back to the 2011 high, which forms a major double top. Major support is 16% below current levels, which is when the double top would seem more obvious. Double top downside risk is 33% below the current level.
- The wider context is that a bank run on Greece is a “great fear,” and the ECB is apparently cutting and running.
  - In this environment, risk assets will cut and run.
  - The breakdown shows that this attitude has just started for Global Real Estate.

**Figure 1: MSCI ACWI Real Estate**

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
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<th>Rating Category</th>
<th>BMOCM US Universe*</th>
<th>BMOCM US IB Clients**</th>
<th>BMOCM US IB Clients***</th>
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