# Quantitative/Technical Package

## Market Elements

<table>
<thead>
<tr>
<th>Date</th>
<th>Title</th>
<th>Page</th>
</tr>
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<tbody>
<tr>
<td>January 30, 2017</td>
<td>NEW Market Elements</td>
<td>2</td>
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## Trends & Inflection Points

<table>
<thead>
<tr>
<th>Date</th>
<th>Title</th>
<th>Page</th>
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<tbody>
<tr>
<td>January 31, 2017</td>
<td>NEW After Trump’s 1st Term</td>
<td>10</td>
</tr>
<tr>
<td>January 30, 2017</td>
<td>Get Me Off This Planet!</td>
<td>11</td>
</tr>
<tr>
<td>January 27, 2017</td>
<td>Jobs Jobs Jobs</td>
<td>12</td>
</tr>
<tr>
<td>January 26, 2017</td>
<td>MLPs for Your Bond-Like Allocation</td>
<td>13</td>
</tr>
<tr>
<td>January 25, 2017</td>
<td>Builder Bob Comes to Town</td>
<td>14</td>
</tr>
<tr>
<td>January 24, 2017</td>
<td>The Two Bears</td>
<td>15</td>
</tr>
<tr>
<td>January 23, 2017</td>
<td>Goldilocks Recovery</td>
<td>16</td>
</tr>
<tr>
<td>January 20, 2017</td>
<td>Strange Fruit</td>
<td>17</td>
</tr>
<tr>
<td>January 19, 2017</td>
<td>Positive Reversals in Canada</td>
<td>18</td>
</tr>
<tr>
<td>January 18, 2017</td>
<td>First U.S. Banks Starting to Break Outperforming Trends</td>
<td>19</td>
</tr>
<tr>
<td>January 17, 2017</td>
<td>Global Long Rates : Pre-Breakdown View</td>
<td>20</td>
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<tr>
<td>January 16, 2017</td>
<td>Spotlight on Materials</td>
<td>21</td>
</tr>
<tr>
<td>January 13, 2017</td>
<td>2nd Financial Pillar Breaking, at Least in Europe</td>
<td>22</td>
</tr>
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<td>January 12, 2017</td>
<td>Where’s the Beef?</td>
<td>23</td>
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<td>January 11, 2017</td>
<td>Siehe Die Positiven Wendungen in Gold?</td>
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</tr>
<tr>
<td>January 10, 2017</td>
<td>The Rotation Continues – Health Care</td>
<td>25</td>
</tr>
<tr>
<td>January 9, 2017</td>
<td>Market Likes All of Those ‘Bad’ Sectors</td>
<td>26</td>
</tr>
<tr>
<td>January 6, 2017</td>
<td>First of the Financial Trinity Breaks</td>
<td>27</td>
</tr>
<tr>
<td>January 5, 2016</td>
<td>REITs – You Are Here</td>
<td>29</td>
</tr>
<tr>
<td>January 4, 2017</td>
<td>Positive Reversals in Gold Shares</td>
<td>30</td>
</tr>
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<td>January 3, 2017</td>
<td>Real Estate Capitalizing on Financial Weakness</td>
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<td>December 30, 2016</td>
<td>Canadian Momentum Buys and Severed Negative Trends</td>
<td>33</td>
</tr>
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<td>December 29, 2016</td>
<td>Long/Short Filters - Short Screen #1</td>
<td>34</td>
</tr>
<tr>
<td>December 28, 2016</td>
<td>Index Members Highlights, S&amp;P 100 Momentum Buys</td>
<td>35</td>
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## Focal Points

<table>
<thead>
<tr>
<th>Date</th>
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<th>Page</th>
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<tbody>
<tr>
<td>October 2, 2016</td>
<td>Keeping on the Right Side of Credit Heaven and Hel</td>
<td>36</td>
</tr>
<tr>
<td>March 11, 2016</td>
<td>Gold Dances to the Tune of The Dollar Wine</td>
<td>37</td>
</tr>
<tr>
<td>October 5, 2015</td>
<td>Bank Risk Priced at a 2-Year High</td>
<td>38</td>
</tr>
</tbody>
</table>
Market Elements

- All equity indices, as well as global, European, Canadian and most US sectors fell; US stocks finished the day with a slight pullback, at least before they rebounded after early-morning trade; green was seldom seen, but for tiny specs of golds, US staples and utilities.
- Most long rates were little changed, falling to catch a safe-haven bid in the midst of equity weakness, on the contrary, French, Italian, and Portuguese 10y yields hit new highs; corporate credit risk indices widened; US inflation expectations edged lower.
- The yen rose 1.2%, leading most major crosses to gains against the greenback; the Euro fell to a 7d low before rebounding to end flat; the Mexican peso continued to rally above its 50d MA as did the MXN.
- Oil edged lower, threatening its 50d MA; NMX gas fell to a 5d low; base metals were mixed; gold gained on USD weakness.

Levels*

<table>
<thead>
<tr>
<th>Currencies (USD per)</th>
<th>Symbol</th>
<th>H/L</th>
<th>Level %Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBXY</td>
<td>*</td>
<td>1.243</td>
<td>-0.3%</td>
</tr>
<tr>
<td>EUR</td>
<td>*</td>
<td>1.0698</td>
<td>-0.0%</td>
</tr>
<tr>
<td>JPY</td>
<td>*</td>
<td>0.0879</td>
<td>1.2%</td>
</tr>
<tr>
<td>CAD</td>
<td>*</td>
<td>0.7625</td>
<td>0.3%</td>
</tr>
<tr>
<td>AUD</td>
<td>*</td>
<td>0.7553</td>
<td>0.0%</td>
</tr>
<tr>
<td>BRL</td>
<td>*</td>
<td>0.3198</td>
<td>0.4%</td>
</tr>
<tr>
<td>MXN</td>
<td>*</td>
<td>0.4818</td>
<td>0.6%</td>
</tr>
<tr>
<td>ZAR</td>
<td>*</td>
<td>0.0742</td>
<td>-0.1%</td>
</tr>
<tr>
<td>KRW</td>
<td>*</td>
<td>0.8543</td>
<td>0.7%</td>
</tr>
<tr>
<td>JPY</td>
<td>*</td>
<td>0.1458</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commodities</th>
<th>Symbol</th>
<th>H/L</th>
<th>Level %Chg</th>
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</thead>
<tbody>
<tr>
<td>BB Crude</td>
<td>*</td>
<td>87.03</td>
<td>-1.1%</td>
</tr>
<tr>
<td>WTI Oil</td>
<td>*</td>
<td>52.68</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>*</td>
<td>3.23</td>
<td>-3.8%</td>
</tr>
<tr>
<td>Gold</td>
<td>*</td>
<td>1,195.6</td>
<td>0.4%</td>
</tr>
<tr>
<td>Platinum</td>
<td>*</td>
<td>999.01</td>
<td>0.5%</td>
</tr>
<tr>
<td>Palladium</td>
<td>*</td>
<td>742.89</td>
<td>0.3%</td>
</tr>
<tr>
<td>CNX Cu</td>
<td>*</td>
<td>266.80</td>
<td>-0.8%</td>
</tr>
<tr>
<td>LME Aluminium 3m</td>
<td>*</td>
<td>0.82</td>
<td>-0.8%</td>
</tr>
<tr>
<td>LME Nickel 3m</td>
<td>*</td>
<td>4.39</td>
<td>2.2%</td>
</tr>
<tr>
<td>LME Zinc 3m</td>
<td>*</td>
<td>1.26</td>
<td>1.0%</td>
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<tr>
<td>LME Nickel 3m</td>
<td>*</td>
<td>325.00</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Corn</td>
<td>*</td>
<td>357.75</td>
<td>-1.3%</td>
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Moves

<table>
<thead>
<tr>
<th>Currencies (spot)</th>
<th>Symbol</th>
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<tbody>
<tr>
<td>JPY</td>
<td>*</td>
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<tr>
<td>KRW</td>
<td>*</td>
</tr>
<tr>
<td>MXN</td>
<td>*</td>
</tr>
<tr>
<td>BRL</td>
<td>*</td>
</tr>
<tr>
<td>CHF</td>
<td>*</td>
</tr>
<tr>
<td>JPY</td>
<td>*</td>
</tr>
<tr>
<td>AUD</td>
<td>*</td>
</tr>
<tr>
<td>CAD</td>
<td>*</td>
</tr>
<tr>
<td>NZD</td>
<td>*</td>
</tr>
<tr>
<td>ZAR</td>
<td>*</td>
</tr>
<tr>
<td>KRWX10</td>
<td>*</td>
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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
The News That Drives Markets in a Slow Growth World

SIFIs

- EU needs to create ‘bad bank’ for €1tn toxic loan pile, says EBA chief – FT
- UniCredit says capital ratios won’t meet ECB requirements – FT, Forbes; Deutsche Bank’s future capital needs uncertain – Reuters
- Trump Says He’ll Do ‘Big Number’ on the Dodd-Frank “disaster” – BBG

Central Station

- Start of Trump era causes bewilderment over policy formulation; Critics fear Trump is enacting strategy without due diligence – FT
- Trump: “a lot of bad ‘dudes’ out there.” – Times of India; White House Defends Putting Bannon on National Security Council – NYT, FT
  - Countries Under U.S. Entry Ban Aren’t Main Sources of Terror Attacks – WSJ
    - President Trump’s Muslim ban excludes countries linked to his sprawling business empire – NYDN, FT
    - Saudis tell Trump they support Syria safe zones – FT; Pakistan warns US not to extend travel ban – FT
  - Trump’s Immigration Ban Promises Constitutional Showdown – BBG
- Trump’s Next Move on Immigration to Hit Closer to Home for Tech – BBG, ZH, FT
  - Apple, Google and Facebook condemn Donald Trump’s travel ban – FT; Amazon is looking for ways around it – Reuters
  - Musk Asks Twitter Followers for Advice on Trump Immigrant Order – BBG
  - Trump travel ban stirs faint corporate outcry beyond Silicon Valley – Reuters; But That Might Change – WSJ
    - Starbucks Plans to Hire 10,000 Refugees After Trump Action – Reuters
    - Starbucks CEO Howard Schultz Stands Up to Trump and Now People are Calling for Boycotts – TS
    - Ford speaks out against Trump travel ban – FT; GE’s Jeff Immelt shares employee ‘concern’ over travel ban – CNN
    - Blankfein criticises Trump travel ban – FT; MS Says Wants ‘Talent From Across the Globe’ – BI; Diamond too – DB
- Trump’s ‘Muslim Ban’ Forces Airlines to Switch Staff on US-bound Flights – Telegraph, WSJ
- Merkel: Germany will defend dual citizenship rights after US travel ban – FT; Travel Ban: Donald Trump Better Watch Out! – Spiegel
- Trump signs executive order to slash regulations – Reuters
- Fighting escalates in eastern Ukraine; Attacks occur after Trump holds first call with Putin – FT; US sends tanks to the Baltics – WSJ
- Trump says he shaved $600M off America’s most expensive weapons system – Reuters; Fact checkers say it ain’t so – BI
- IMF claims on ‘explosive’ Greek debt hits bond yields – FT
- Japan’s Abenomics mastermind calls for aggressive fiscal policy – FT

Other Voices

- Donald Trump And Steve Bannon ‘Pose Existential Threat to EU,’ Says Chief Brexit Negotiator – Telegraph
- UK Parliament To "Immediately" Debate Trump Ban After Millions Sign Petition – Reuters, ZH
- Carlson Managers Warn Trade War Could Trigger Global Depression – BBG Terminal
Daily Charts
3-Month View with 26-Day Bollinger Bands and 150-, 200- and 50-Day Moving Averages

Currencies
Bloomberg Dollar Spot Index

Commodities
Gold (Spot)

Bonds
U.S. 2-Yr Bond

Equities
MSCI World Index

Currencies
Euro

Commodities
Crude Oil (Brent)

Bonds
U.S. 10-Yr Breakeven

Equities
SGP 500

Currencies
Yen

Commodities
Crude Oil (WTI)

Bonds
U.S. 10-Yr Bond

Equities
SGP/TSX Composite

Currencies
Chinese Yuan (CNY)

Commodities
Natural Gas (NGX)

Bonds
Canadian 10-Yr Bond

Equities
VIX

Currencies
Canadian Dollar

Commodities
Copper (CMX)

Bonds
German 10-Yr Bond

Equities
CDX North American Inv. Grade Index

Currencies
Australian Dollar

Commodities
Nickel (LME 3Mo)

Bonds
Italian 10-Yr Bond

Equities
Ave. Prime Broker 5yr CDS
Intra Day Charts
2-Day 1-Minute View

Currencies
Bloomberg Dollar Spot Index

Commodities
Gold (Spot)

Bonds
U.S. 2-Yr Bond

Equities
MSCI World Index

- Euro
- Crude Oil (Brent)
- U.S. 10-Yr Breakeven

- Yen
- Crude Oil (WTI)
- U.S. 10-Yr Bond

- Chinese Yuan (CNH)
- Natural Gas (NG)
- Canadian 10-Yr Bond

- Canadian Dollar
- Copper (CMX)
- German 10-Yr Bund

- Australian Dollar
- Nickel (LME 3Mo)
- Italian 10-Yr Bond

- Ave. Prime Broker Syn CDS
Daily Sector Charts (U.S., Canadian, European)

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

## Market Movers – Largest Daily Percentage Moves

### S&P Global 1200 ex U.S. & CDA

<table>
<thead>
<tr>
<th>Name</th>
<th>Symbol</th>
<th>% Chg</th>
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</thead>
<tbody>
<tr>
<td>JX Holdings Inc</td>
<td>5020 JP</td>
<td>1.0%</td>
</tr>
<tr>
<td>Inpex Corp</td>
<td>1600 JP</td>
<td>0.3%</td>
</tr>
<tr>
<td>China Petroleum &amp; Chemical</td>
<td>836 HK</td>
<td>0.0%</td>
</tr>
<tr>
<td>Petrobras</td>
<td>PBR US</td>
<td>-3.7%</td>
</tr>
<tr>
<td>Tenaris SA</td>
<td>TEIN 4 M</td>
<td>-6.9%</td>
</tr>
<tr>
<td>Kaiser SpA</td>
<td>5PM IM</td>
<td>-6.7%</td>
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### Materials

<table>
<thead>
<tr>
<th>Name</th>
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<tbody>
<tr>
<td>Givaudan SA</td>
<td>GR</td>
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<tr>
<td>Nippon Steel &amp; Sumitomo Metal</td>
<td>5403 JP</td>
</tr>
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<td>Inotec Pivot</td>
<td>IPL AU</td>
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<tr>
<td>Empresas CMPC</td>
<td>CMPC CI</td>
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<tr>
<td>ArcelorMittal</td>
<td>MT NA</td>
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<tr>
<td>Vale SA</td>
<td>VALE ES</td>
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### Industrials

<table>
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<th>Name</th>
<th>Symbol</th>
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<tr>
<td>DCC PLC</td>
<td>DCC LN</td>
</tr>
<tr>
<td>Wolters Klauser</td>
<td>WKX NL</td>
</tr>
<tr>
<td>Yamaha Holdings</td>
<td>9064 JP</td>
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<tr>
<td>Breitag AG</td>
<td>BNR GR</td>
</tr>
<tr>
<td>Rolls-Royce Holdings</td>
<td>RR/ LN</td>
</tr>
<tr>
<td>Aggreko PLC</td>
<td>AGK LN</td>
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### Cons Disc

<table>
<thead>
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<tbody>
<tr>
<td>Pearson PLC</td>
<td>PSON LN</td>
</tr>
<tr>
<td>Hennes &amp; Mauritz</td>
<td>HMI SS</td>
</tr>
<tr>
<td>Paddy Power Betfair</td>
<td>PBP ID</td>
</tr>
<tr>
<td>Volkswagen AG</td>
<td>VWK GR</td>
</tr>
<tr>
<td>Kroton Educacional</td>
<td>KROF3 BZ</td>
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<tr>
<td>Fiat Chrysler Automobiles</td>
<td>FCA IM</td>
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### Cons Stap

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<tr>
<td>Asahi Group Holdings</td>
<td>2502 JP</td>
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<tr>
<td>Wal-Mart de Mexico</td>
<td>WALMEX MM</td>
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<tr>
<td>Yakult Honsha</td>
<td>2267 JP</td>
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<tr>
<td>BRY SA</td>
<td>BRY US</td>
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<tr>
<td>Coca-Cola Amatil</td>
<td>ECL AU</td>
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<td>Tesco PLC</td>
<td>TSCO LN</td>
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### Health Care

<table>
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<th>Symbol</th>
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<tbody>
<tr>
<td>Sysmex Corp</td>
<td>6695 JP</td>
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<tr>
<td>Tanabe Pharmaceutical Holdings</td>
<td>4581 JN</td>
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<tr>
<td>GlaxosmithKline</td>
<td>GSK HL</td>
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<td>Bayer AG</td>
<td>BAXY GR</td>
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<td>Cochlear Ltd</td>
<td>COM AU</td>
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<td>Ramsay Health Care</td>
<td>RHC AU</td>
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### Financials

<table>
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<th>Name</th>
<th>Symbol</th>
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<tbody>
<tr>
<td>Mitsubishi UFJ Financial Group</td>
<td>8309 JP</td>
</tr>
<tr>
<td>Deutsche Boersen</td>
<td>DB GR</td>
</tr>
<tr>
<td>Banco de Sabadell</td>
<td>SAB SM</td>
</tr>
<tr>
<td>Bank of America</td>
<td>BAC</td>
</tr>
<tr>
<td>UNICREDIT SpA</td>
<td>UCE IM</td>
</tr>
<tr>
<td>Intesa di Banca Italiana</td>
<td>UBI IM</td>
</tr>
</tbody>
</table>

### Technology

<table>
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<tr>
<th>Name</th>
<th>Symbol</th>
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<tr>
<td>Yahoo Japan</td>
<td>4687 JP</td>
</tr>
<tr>
<td>FUJIFILM Holdings</td>
<td>4902 JP</td>
</tr>
<tr>
<td>Keyence Corp</td>
<td>6681 JP</td>
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<tr>
<td>Ericsson</td>
<td>ERC SS</td>
</tr>
<tr>
<td>Nokia OYJ</td>
<td>NOKIA FH</td>
</tr>
<tr>
<td>Celio SA</td>
<td>CBEL BZ</td>
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### Telecom

<table>
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<tr>
<th>Name</th>
<th>Symbol</th>
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</thead>
<tbody>
<tr>
<td>Vodafone Group</td>
<td>VOD LN</td>
</tr>
<tr>
<td>BT Group PLC</td>
<td>BT A/LN</td>
</tr>
<tr>
<td>Millicom Intl Cellular</td>
<td>MKC SS</td>
</tr>
<tr>
<td>TeliaSonaer</td>
<td>TEIL SS</td>
</tr>
<tr>
<td>NTT DOCOMO</td>
<td>9437 JP</td>
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<tr>
<td>Telecom Italia</td>
<td>TIM</td>
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### Utilities

<table>
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</thead>
<tbody>
<tr>
<td>United Utilities Group</td>
<td>UU LN</td>
</tr>
<tr>
<td>CP Utilities</td>
<td>CPUT LS</td>
</tr>
<tr>
<td>DokiGas Co Ltd</td>
<td>9532 JP</td>
</tr>
<tr>
<td>RWE AG</td>
<td>RWE GR</td>
</tr>
<tr>
<td>Gas Engetica de Minas Gerias</td>
<td>CG US</td>
</tr>
<tr>
<td>Italgas SpA</td>
<td>IG IR</td>
</tr>
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### Real Estate

<table>
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<th>Name</th>
<th>Symbol</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanovia SE</td>
<td>VNA GR</td>
</tr>
<tr>
<td>Deutsche Wohnen</td>
<td>DSW GR</td>
</tr>
<tr>
<td>Cheung Kong Properties Holding</td>
<td>1113 HK</td>
</tr>
<tr>
<td>Sunports Realty &amp; Development</td>
<td>8330 JP</td>
</tr>
<tr>
<td>Westfield Corp</td>
<td>WFDY</td>
</tr>
<tr>
<td>Mitsubishi</td>
<td>8802 JP</td>
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### S&P 500

<table>
<thead>
<tr>
<th>Name</th>
<th>Symbol</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tesoro Corp</td>
<td>TSD</td>
<td>1.7%</td>
</tr>
<tr>
<td>Valero Energy</td>
<td>VLO</td>
<td>1.4%</td>
</tr>
<tr>
<td>Phillips 66</td>
<td>PSX</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Range Resources</td>
<td>RRC</td>
<td>-6.6%</td>
</tr>
<tr>
<td>Chesapeake Energy</td>
<td>CHK</td>
<td>-6.6%</td>
</tr>
<tr>
<td>Transocean</td>
<td>TRRC</td>
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### S&P/TSX Composite

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### Largest Daily Percentage Moves

- **Financials**: Mitsubishi UFJ Financial Group (8309 JP) 1.9%
- **Health Care**: Sysmex Corp (6695 JP) 1.2%
- **Technology**: Yahoo Japan (4687 JP) 0.9%
- **Telecom**: Vodafone Group (VOD LN) 1.3%
- **Utilities**: United Utilities Group (UU LN) 0.9%
- **Real Estate**: Vanovia SE (VNA GR) 0.5%

**Bold** = move of more than 5%
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## Canadian Market Movers

### Energy

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### Materials

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### Consumer Discretionary

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### Market Elements | Page 8

*Market Elements | Page 8 January 30, 2017*
After Trump’s 1st Term

• Where will the U.S. be relative to the world five years out after Trump’s 1st term? The only metric we dabble in which looks beyond the current reality and takes a peak five years out, are 5y5y forward inflation swaps. If one looks at the U.S. reflation trade, relative to the Japanese experience, one sees the U.S. falling behind – Exhibit 1.

• This is the kind of chart we think of when we hear the call to “go long the dollar on the reflation trade”, yet see the U.S. dollar index breaking down. The dollar relative to what? Indeed – Exhibit 2.

  - Many currencies are above rising 50d moving averages versus the USD and are breaking above downtrends. There is good breadth here, because US reflation is not the only reflation out there – Exhibit 3.

  - The key macro trade which takes advantage of U.S. dollar weakness vs the yen is a long gold and gold shares position (which is why we singled out the yen) - Exhibit 4. Broadening out, a weak USD is commodity positive overall (page 4 here).

“Mr. President, we must not allow a mineshaft gap!”
General Buck Turgidson, Dr. Strangelove

Exhibit 1: Relative Reflation: U.S. – Japanese 5y5y Inflation Swap Rates
Exhibit 2: Bloomberg U.S. Dollar Index
Exhibit 3 – Developed Market Inflation Expectations
Exhibit 4 – ACWI Gold Miners Index

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
Get Me Off This Planet!

- Sure, that could be your rash decision, looking at the current Trump-induced turmoil, at least when you look outside the calm state of capital markets, but rather impractical. How about a vacation instead? Take a look at the relative performance of every stock in the hotel and resort subindustry. There is an abundance of love and hope, and a dearth of hate – Exhibit 1.
  - For the earnings growth momentum minded, Marcus is at the key buy point, at the bottom of a rising channel, and just above the 50d MA – Exhibit 2.
  - Figure these protests will last for quite some time? Extended Stay – Exhibit 3.

Exhibit 1: Hotel & Resort Stocks vs ACWI

For The Momentum Minded, Right at the Bottom of a Steep Uptrend and at the 50d MA

Exhibit 2: Marcus Corp (MCS US) Price Trend

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

Exhibit 3 – Extended Stay America (STAY US) Price Trend

Target $20

Expect Breakout

Truth is the substance of all morality

Mahatma Gandhi
Jobs Jobs Jobs

- Apparently, and this may be fake news, we need to find 10mm new fact checkers in this new Trump era. The State department needs to fill some recently vacated positions. We're going to need to retrain all of those employed in clean energy to be beautiful coal miners. And so on, and so forth...
- Who's going to find the people to fill those jobs and do all the retraining? All kidding aside, this is not fake performance – Exhibit 1.


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<th>RS</th>
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<th>Vol (%)</th>
<th>SPX ▼</th>
<th>Trend</th>
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<td>6,435</td>
<td>2.00</td>
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<td>5%</td>
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<td>HSII US</td>
<td>Heidrick &amp; Struggles</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>422</td>
<td>2.68</td>
<td>42%</td>
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<tr>
<td>GPX US</td>
<td>GP Strategies</td>
<td>1</td>
<td>8</td>
<td>3</td>
<td>437</td>
<td>2.21</td>
<td>34%</td>
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<tr>
<td>WAGE US</td>
<td>WageWorks Inc</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2,651</td>
<td>1.83</td>
<td>36%</td>
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<td>Korn/Ferry</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>1,668</td>
<td>2.45</td>
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<td>4%</td>
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<td>TNET US</td>
<td>TriNet Group</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>1,768</td>
<td>2.34</td>
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<td>2%</td>
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<td>KELYA US</td>
<td>Kelly Services</td>
<td>1</td>
<td>6</td>
<td>5</td>
<td>786</td>
<td>1.76</td>
<td>9%</td>
<td>3%</td>
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<td>KFRC US</td>
<td>Kforce Inc</td>
<td>1</td>
<td>5</td>
<td>5</td>
<td>621</td>
<td>2.49</td>
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<td>ASGN US</td>
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<td>4</td>
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<td>TBI US</td>
<td>TrueBlue Inc</td>
<td>1</td>
<td>6</td>
<td>5</td>
<td>1,070</td>
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<td>9%</td>
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<td>JOBS US</td>
<td>51job Inc</td>
<td>1</td>
<td>7</td>
<td>5</td>
<td>2,065</td>
<td>1.89</td>
<td>4%</td>
<td>2%</td>
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<tr>
<td>MSI CN</td>
<td>Morneau Shepell</td>
<td>1</td>
<td>6</td>
<td>6</td>
<td>757</td>
<td>1.29</td>
<td>1%</td>
<td>-1%</td>
<td>Below Rising</td>
<td></td>
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<tr>
<td>NSP US</td>
<td>Insperity Inc</td>
<td>1</td>
<td>1</td>
<td>8</td>
<td>1,530</td>
<td>2.12</td>
<td>-15%</td>
<td>0%</td>
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Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
Trends & Inflection Points

MLPs for Your Bond-Like Allocation

- How does your bond or bond-like allocation look vs. the S&P 500? You already know the answer, as it’s pretty universal. Not well – Exhibit 1.
- But if you have to allocate there? Well, then you are looking at those positive reversals in MLPs vs. the S&P 500 (recall they reversed to the upside vs. your bond portfolio a month ago). In granular form, they look like a bell-shaped distribution against the S&P 500, with many breaking above flat or underperforming trends. We highlight the tabular list of the largest 25 in Exhibit 2.

Exhibit 1: Bond or Bond-Like Instruments vs. the S&P 500

<table>
<thead>
<tr>
<th>Name</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 SSD MA</th>
<th>Chg wrt SSD RS MA</th>
<th>Trend</th>
<th>Trend Slope</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAREIT All</td>
<td></td>
<td></td>
<td>4%</td>
<td>1.0</td>
<td>0%</td>
<td>0%</td>
<td>Below Rising</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Em Mkts Sbn</td>
<td>↓</td>
<td></td>
<td>3%</td>
<td>1.0</td>
<td>-1%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US VLI HY Bond</td>
<td>↓</td>
<td></td>
<td>1%</td>
<td>1.0</td>
<td>-1%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Em Mkts Bond</td>
<td>↓</td>
<td></td>
<td>1%</td>
<td>1.0</td>
<td>-1%</td>
<td>Below Falling</td>
<td></td>
<td></td>
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<tr>
<td>US Conv Bond</td>
<td></td>
<td></td>
<td>0%</td>
<td>1.0</td>
<td>1%</td>
<td>Above Rising</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HY Corp Bond</td>
<td></td>
<td></td>
<td>0%</td>
<td>1.0</td>
<td>-1%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US 10+ Bond</td>
<td></td>
<td></td>
<td>-2%</td>
<td>1.0</td>
<td>-2%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intl TIPS Bond</td>
<td></td>
<td></td>
<td>-5%</td>
<td>1.0</td>
<td>-1%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DJ Dividend</td>
<td></td>
<td></td>
<td>-1%</td>
<td>1.0</td>
<td>0%</td>
<td>Below Rising</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPX Income</td>
<td></td>
<td></td>
<td>-5%</td>
<td>1.0</td>
<td>1%</td>
<td>Above Rising</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US IG Bond</td>
<td></td>
<td></td>
<td>-11%</td>
<td>49.0</td>
<td>-3%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Loans</td>
<td></td>
<td></td>
<td>-1%</td>
<td>46.0</td>
<td>-2%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Pref</td>
<td></td>
<td></td>
<td>-12%</td>
<td>1.0</td>
<td>-1%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MLPs Infra</td>
<td></td>
<td></td>
<td>-13%</td>
<td>3.0</td>
<td>4%</td>
<td>Above Rising</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>US TIPS Bond</td>
<td></td>
<td></td>
<td>-13%</td>
<td>1.0</td>
<td>-2%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Gbl Ex US HY</td>
<td></td>
<td></td>
<td>-13%</td>
<td>0%</td>
<td>0%</td>
<td>Above Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US 10-20 Bond</td>
<td></td>
<td></td>
<td>-15%</td>
<td>49.0</td>
<td>-3%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US CMBS ETF</td>
<td></td>
<td></td>
<td>-14%</td>
<td>1.0</td>
<td>-2%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Total Bond</td>
<td></td>
<td></td>
<td>-14%</td>
<td>49.0</td>
<td>-3%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US 7-10 Bond</td>
<td></td>
<td></td>
<td>-15%</td>
<td>49.0</td>
<td>-3%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MLPs</td>
<td></td>
<td></td>
<td>-15%</td>
<td>3.0</td>
<td>4%</td>
<td>Above Rising</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US 3-7 Bond</td>
<td></td>
<td></td>
<td>-15%</td>
<td>49.0</td>
<td>-3%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US MBS ETF</td>
<td></td>
<td></td>
<td>-14%</td>
<td>49.0</td>
<td>-3%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US ST Bond</td>
<td></td>
<td></td>
<td>-14%</td>
<td>49.0</td>
<td>-3%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S&amp;P Dividend</td>
<td></td>
<td></td>
<td>-7%</td>
<td>1.0</td>
<td>-1%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPX HidivLoVol</td>
<td></td>
<td></td>
<td>-7%</td>
<td>0%</td>
<td>0%</td>
<td>Above Rising</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US LT Bond</td>
<td></td>
<td></td>
<td>-46%</td>
<td>49.0</td>
<td>-3%</td>
<td>Below Falling</td>
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<td>US REIT</td>
<td></td>
<td></td>
<td>-32%</td>
<td>1.0</td>
<td>0%</td>
<td>Below Rising</td>
<td></td>
<td></td>
<td></td>
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</table>

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

Exhibit 2: Largest 25 MLPs vs. S&P 500 – See Link for Full List

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>MktCap (US$)</th>
<th>SPX ▼</th>
<th>Trend Slope</th>
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<tbody>
<tr>
<td>LAZ US</td>
<td>Lazard Ltd</td>
<td>InvBnkBrk</td>
<td>5,363</td>
<td></td>
<td>-35%</td>
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<tr>
<td>KKR US</td>
<td>KKR &amp; Co LP</td>
<td>AsstMgmt</td>
<td>7,052</td>
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<td>25%</td>
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<tr>
<td>WES US</td>
<td>Western Gas Partners LP</td>
<td>OG STr</td>
<td>8,232</td>
<td></td>
<td>31%</td>
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<tr>
<td>DCP US</td>
<td>DCP Midstream LP</td>
<td>OG STr</td>
<td>5,625</td>
<td></td>
<td>18%</td>
</tr>
<tr>
<td>RAA US</td>
<td>Plains All American Pipeline LP</td>
<td>OG STr</td>
<td>12,996</td>
<td></td>
<td>26%</td>
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<tr>
<td>WGP US</td>
<td>Western Equity Partners LP</td>
<td>OG STr</td>
<td>9,915</td>
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<td>26%</td>
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<tr>
<td>EEP US</td>
<td>Enbridge Energy Partners LP</td>
<td>OG STr</td>
<td>6,731</td>
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<td>16%</td>
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<tr>
<td>ONS US</td>
<td>ONEOK Partners LP</td>
<td>OG STr</td>
<td>9,452</td>
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<td>12%</td>
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<tr>
<td>WFP US</td>
<td>Williams Partners LP</td>
<td>OG STr</td>
<td>36,705</td>
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<td>ETE US</td>
<td>Energy Transfer Equity LP</td>
<td>OG STr</td>
<td>19,808</td>
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<td>TLLP US</td>
<td>Tesoro Logistics LP</td>
<td>OG STr</td>
<td>5,842</td>
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<td>MMM US</td>
<td>Magellan Midstream Partners LP</td>
<td>OG STr</td>
<td>18,097</td>
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<td>ENLK US</td>
<td>EnLink Midstream Partners LP</td>
<td>OG RMkt</td>
<td>6,200</td>
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<td>MPLX US</td>
<td>MPLX LP</td>
<td>OG STr</td>
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<td>BX US</td>
<td>Blackstone Group LP</td>
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<td>17,514</td>
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<td>BEP-U CN</td>
<td>Brookfield Renewable Energy</td>
<td>RenewElec</td>
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<td>EQT GP Holdings LP</td>
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<td>EQT Midstream Partners LP</td>
<td>OG STr</td>
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<td>Spectra Energy Partners LP</td>
<td>OG STr</td>
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<td>-19%</td>
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<td>Phillips 66 Partners LP</td>
<td>OG STr</td>
<td>5,015</td>
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<td>Enterprise Products Partners LP</td>
<td>OG STr</td>
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<td>-21%</td>
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<td>BPL US</td>
<td>Buckeye Partners LP</td>
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<td>9,492</td>
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<tr>
<td>EBP-U CN</td>
<td>Brookfield Property Partners LP</td>
<td>RestOpCo</td>
<td>5,778</td>
<td></td>
<td>-28%</td>
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<td>SXL US</td>
<td>Sunoco Logistics Partners LP</td>
<td>OG STr</td>
<td>8,315</td>
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<td>-64%</td>
</tr>
</tbody>
</table>

BMO Capital Markets is Restricted on DCP Midstream, Enbridge Energy Partners, Spectra Energy Partners

January 26, 2017

Trends & Inflection Points

MLPs for Your Bond-Like Allocation

- How does your bond or bond-like allocation look vs. the S&P 500? You already know the answer, as it’s pretty universal. Not well – Exhibit 1.
- But if you have to allocate there? Well, then you are looking at those positive reversals in MLPs vs. the S&P 500 (recall they reversed to the upside vs. your bond portfolio a month ago). In granular form, they look like a bell-shaped distribution against the S&P 500, with many breaking above flat or underperforming trends. We highlight the tabular list of the largest 25 in Exhibit 2.
**Builder Bob Comes to Town**

- If you take a look at which stocks broke above an underperforming trend vs the S&P 500 yesterday, you would clearly see that Builder Bob (LEN, LOW, MAS, FBHS) came to town – Exhibit 1.

- U.S. Homebuilding has been underperforming the S&P 500 for the past seven months; it broke above that downtrend with vengeance yesterday. We broadened our US sector and industry report to show all places where Builder Bob is employed and/or shops, and it’s exactly the space worthy of highlighting: construction materials, which if you remember was the market’s first (and only) “risk on” sentiment indication when Trump was doing well in the polls in early November, is now in an outperforming trend. There are positive reversals in Home Improvement Retail, and Homebuilding, and a sign of strength in building products (1.5-month relative strength high, which is your pre-reversal early warning signal) – Exhibit 2.

- We highlight the spectrum of North American-listed Builder Bob stocks in Exhibit 3. You know the types you gravitate toward.

- Filling in the page, we note it’s a good time for the momentum minded to buy the pullback in Beazer – Exhibit 4.

- For the credit minded, take a look at the recent equity/CDS divergence of Lowe’s. That’s the equity side getting excited, but the bond side feeling that it’s being tapped for that excitement. It could be for many reasons, including a potential LBO. Just sayin – Exhibit 5.

---

**Exhibit 1: Positive Reversals vs the S&P 500 Yesterday**

**Exhibit 2: Builder Bob Industries vs the S&P 1500**

**Exhibit 3: North American Builder Bob Stocks vs the S&P 500**

**Exhibit 4: Beazer Homes (BZH US) vs S&P 500**

**Exhibit 5 – Lowe’s Equity/CDS Overlay**

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
Trends & Inflection Points

The Two Bears

- Following up on our Goldilocks note (gold higher as US short rates go lower) yesterday, there were some key trend breaks yesterday;
- Lower US short rates = a lower US dollar, and the first bear is the BBG USD index, which broke to the downside yesterday – Exhibit 1.
- Our second bear is yesterday’s breakdown in Global Oil & Gas, driven by the US Energy breakdown, which follows the Canadian breakdown last week – Exhibit 2.
- We don’t have a third bear, but depending on your portfolio positioning you may. U.S. inflation expectations, which were breaking higher late last week, sans support by the oil market, broke to the downside yesterday - Exhibit 3. The market does not apologize for the whipsaw; it reacts to both facts and alternative facts. We have a hard time calling this a bear, preferring to view the positive inflection points that coincide with it, such as the positive reversal in US Real Estate yesterday – Exhibit 4. We recommend adding here (following the first signaling early this year), and detail the North American Real Estate outperformers vs. the US REIT index here, the Global outperformers vs. the FTSE Global REIT index here.

Exhibit 1: Bloomberg US Dollar Index (BBDXY)

Exhibit 2: Global Oil Gas & Consumable Fuels vs. MSCI World

Exhibit 3: U.S. 5y5y Forward Inflation Expectations (USGG5Y5Y)

Exhibit 4 – U.S. Real Estate vs S&P 500
Goldilocks Recovery

- What we heard regarding the Trump inauguration speech was all pretty negative, but the market is acting really positively. The gold market that is. Could it be his golden hair? It’s worth listening to how the market heard Trump to point out that on Friday: (1) gold reaffirmed its positive reversals in U.S. dollars and Swiss Franc terms – Exhibit 1; and (2) gold equity-laden ETFs broke above downtrends vs the S&P 500 – Exhibit 2. We’d also note that with the current inflation funk that the bond market is currently in, gold is starting to Trump U.S. Treasuries (and bunds) as a safe haven asset – Exhibit 3.

- Meanwhile, the safe-haven yen is recovering, both on Friday and even more so this morning, from the beating that it took from Yellen last week. And of course our clients know that this is a gold positive. We think of this less as “safe haven” flows, and more along the lines that the current level of the US 2y around the 120 bps mark (which it retreated from during the inauguration speech) as an outlier that will retrench and take USD strength with it. Why have we spent a disproportionate amount of coverage on golds so far this year? When we see massive rotation, we see massive opportunity – Exhibit 4.
Strange Fruit

- Behold the *breakout in inflation expectations* – Exhibit 1.
- That’s OK. From a Canadian perspective *inflation expectations* means higher oil, and that’s a boon for Canada where one can harvest the profits of energy shares. Only in this case it’s not at all the story. Oil matters not a whit. Here is a strange and bitter crop – Exhibit 2.
- As we highlighted yesterday, energy has been for sale, and it its recent weakness has been coupled with the weakness in financials, where the second of the financial trinity, *capital markets*, broke to the downside in yesterday’s session – Exhibit 3.
- So where is the equity market shifting to? One of the most maligned victims of Q4, *growth* – Exhibit 4. That’s something we can harvest. The *momentum buy list of ACWI outperformers which screen well for earnings growth* are found at this link.

Exhibit 1: **US 5y5y Forward Breakeven Rate**

Exhibit 2: **Oil and US 5y5y (Top); Correlation of Returns (Bottom)**

Exhibit 3: **Capital Markets vs MSCI World**

Exhibit 4 – **MSCI World Growth vs Value**

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
Positive Reversals in Canada

- Which stock broke above an underperforming trend in the last day? It’s our way of looking at which stocks the market is leaning towards, after having leaning against it for the past six months at least. The rotation that keeps one on ones toes. *Yesterday, we noted the staples that were breaking to the upside amongst the S&P 500 members*. In Canada, it is interesting to see that all the positive reversals are interest sensitives, either directly (REITs, Utilities), or indirectly (Gold & Silver, which do well when US short rates, and the USD falls), and that’s despite being a day where Yellen did a pretty good job of whacking the Treasury market – Exhibit 1.

- For those caring on absolute price trends, as opposed to the relative realm, it was Chartwell and Rogers breaking above their downtrends, and here again both of these stocks screen well for yield (indicated dividend yield over 2%, with positive dividend growth attribution) – Exhibit 2.

- What’s causing this rotation into interest sensitive stocks that have lagged and/or fell? We’d point the finger in two directions; Banks, which account for almost a quarter of the Canadian equity market just don’t seem to be a place to put new cash to work in as they are at the very top end of a rather steep trend (Exhibit 3), and *E&P*, which represents 7% of the Canadian equity market, is breaking trend, and we don’t get the *sense* that the market wants to buy this dip quite yet (Exhibit 4).

---

**Exhibit 1: TSX Composite Members Breaking Above Underperforming Trends Yesterday**

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub-Industry</th>
<th>OP</th>
<th>LT Price</th>
<th>Trend</th>
<th>Close 18-Jan</th>
<th>1-Day Equity Chg (%)</th>
<th>5-Day Equity Chg (%)</th>
<th>MktCap (CAD)</th>
<th>Chg Last Day</th>
<th>Trend Slope</th>
<th>RS</th>
<th>HI</th>
<th>LS</th>
<th>%Chg wtr 50 DAY MA</th>
<th>%Chg wtr 200 DAY MA</th>
<th>Trend Trend</th>
<th>MktCap wtr 50 DAY MA</th>
<th>MktCap wtr 200 DAY MA</th>
<th>Bull Band</th>
<th>RSI</th>
<th>DLV</th>
</tr>
</thead>
<tbody>
<tr>
<td>AX-U CN</td>
<td>4th REIT</td>
<td>DiversREIT</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>12.00</td>
<td>-0.1%</td>
<td>0.0%</td>
<td>1,870</td>
<td>-20%</td>
<td>5% Above Rising</td>
<td>2% Above Rising</td>
<td>ABOVE</td>
<td>60</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OOG CN</td>
<td>Oceanagold</td>
<td>Gold</td>
<td>8</td>
<td>5</td>
<td>9</td>
<td>4.10</td>
<td>0.0%</td>
<td>1.5%</td>
<td>2,505</td>
<td>-72%</td>
<td>7% Above Rising</td>
<td>-3% Below Rising</td>
<td>ABOVE</td>
<td>56</td>
<td></td>
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<td></td>
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<tr>
<td>AON CN</td>
<td>Algonquin Power</td>
<td>IPTRad</td>
<td>6</td>
<td>2</td>
<td>12</td>
<td>11.34</td>
<td>0.3%</td>
<td>1.1%</td>
<td>3,999</td>
<td>-32%</td>
<td>3% Above Rising</td>
<td>-1% Above Rising</td>
<td>ABOVE</td>
<td>59</td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>ACOX CN</td>
<td>Atco</td>
<td>Multiutility</td>
<td>7</td>
<td>6</td>
<td>10</td>
<td>45.59</td>
<td>0.5%</td>
<td>2.5%</td>
<td>4,614</td>
<td>-38%</td>
<td>4% Above Falling</td>
<td>3% Above Falling</td>
<td>ABOVE</td>
<td>64</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>SLW CN</td>
<td>Silver Wheaton</td>
<td>Silver</td>
<td>8</td>
<td>6</td>
<td>9</td>
<td>27.28</td>
<td>0.6%</td>
<td>2.0%</td>
<td>12,038</td>
<td>-116%</td>
<td>6% Above Falling</td>
<td>-7% Below Rising</td>
<td>ABOVE</td>
<td>58</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>H CN</td>
<td>Hydro One</td>
<td>ElectUtil</td>
<td>6</td>
<td>3</td>
<td>9</td>
<td>24.32</td>
<td>0.6%</td>
<td>2.5%</td>
<td>14,490</td>
<td>-41%</td>
<td>5% Above Rising</td>
<td>1% Above Rising</td>
<td>ORUT</td>
<td>77</td>
<td></td>
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</tbody>
</table>

**Exhibit 2: TSX Composite Members Breaking Above Price Downtrends Yesterday**

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub-Industry</th>
<th>OP</th>
<th>LT Price</th>
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<th>Close 18-Jan</th>
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<th>Chg Last Day</th>
<th>Trend Slope</th>
<th>RS</th>
<th>HI</th>
<th>LS</th>
<th>%Chg wtr 50 DAY MA</th>
<th>%Chg wtr 200 DAY MA</th>
<th>Trend Trend</th>
<th>MktCap wtr 50 DAY MA</th>
<th>MktCap wtr 200 DAY MA</th>
<th>Bull Band</th>
<th>RSI</th>
<th>DLV</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSH-U CN</td>
<td>Chartwell Retirement Residences</td>
<td>HCFacility</td>
<td>4</td>
<td>7</td>
<td>10</td>
<td>14.32</td>
<td>0.9%</td>
<td>2.3%</td>
<td>2,829</td>
<td>-15%</td>
<td>2.5%</td>
<td>2% Above Falling</td>
<td>9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RCI/B CN</td>
<td>Rogers Communications</td>
<td>WbTelevision</td>
<td>7</td>
<td>4</td>
<td>10</td>
<td>51.98</td>
<td>2.1%</td>
<td>2.3%</td>
<td>20,014</td>
<td>-21%</td>
<td>1% Above Falling</td>
<td>55</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Exhibit 3: CDN Diversified Banks – Dvd Adjusted Price Trend**

**Hard to Recommend Up Here At the Top End of a Channel**

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

**Exhibit 4: CDN E&P – Dvd Adjusted Price Trend**

**Breaking It's Uptrend & We Don't Sense That It's a Dip That The Market Wants to Buy Quite Yet**

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
First U.S. Banks Starting to Break Outperforming Trends

- European banks started breaking outperforming trends last week. U.S. banks started breaking outperforming trends yesterday - Exhibit 1.
  - We'll focus on the best U.S. bank, at least from a relative strength perspective, Morgan Stanley. It's been outperforming at 87%/year for seven months now, which has been enough time for it to completely eradicate its underperformance in 2015/early 2016. There is just no more mean reversion left to go. So no, we don't expect that one can extrapolate 87% outperformance into 2017 – Exhibit 2.

- We'll call these breakdowns more signaling that the market is leaning away from higher rates (yesterday's note) and steeper yield curves, where the first global 10-2 yield curve broke to the downside yesterday – Exhibit 3.

- In the S&P 500, what's breaking to the upside as banks start to break down? Soup, bleach, jam, and stuff like that – Exhibit 4.

Exhibit 1: Banks and Brokers vs S&P 500

Exhibit 2: Morgan Stanley vs S&P 500

Great Trend; The Extrapolation of Which is Not in Our Play Book

The First U.S. Bank Breakdowns


Broke Trend Yesterday

Exhibit 4: Breaking Above Underperforming Trends vs SPX Yesterday

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
Trends & Inflection Points

Global Long Rates: Pre-Breakdown View

• Put your technical hat on. See that steep uptrend, rising at over 100%/year – Exhibit 1.
  o It’s very close to breaking down this morning now that it’s broken the short-term trend indication, the 50d MA, and there is a dearth of technical support for some time.
  o Then if you step back, you see that there remains a set of lower lows and highs, and at an optimistic extreme, you get from 3% to 2%.
• What the market rewards in equity land is vastly different at 2% than it is 3%. We are seeing some of that shift, but really not too much yet. But then again we are showing the pre-breakdown view.
  • Just sayin.

Exhibit 1: US 30y Bond Yield This Morning

Trend / Width 102% / 15%
Trend Length 6.9 mo

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
**Spotlight on Materials**

- It’s the market that’s really putting the *spotlight* on *materials*: we are just reporting it – Exhibit 1.
- For *Canadians*, we can parse the *largest four material industries* to detail the established strength of the base metals, the fact that the fertilizers are basing, and the emerging strength of gold and silver shares – Exhibit 2.
- But when one shows the *sector vs the composite*, as just breaking above an *underperforming trend*, it becomes crystal clear; it’s all about *golds* – Exhibit 3.
- And the key thing you have to know about *golds* this morning is that the yen has strengthened above its 50d MA for the first time since November. That’s bullish for gold (as *weakness was bearish for gold back in October*), and yes that fit is really, really strong – Exhibit 4.

---

**Exhibit 1: Materials Relative Strength Z-Score**

**Exhibit 2: Largest Four CDN Materials Subindustries vs TSX**

**Base Metals = Established Strength**

<table>
<thead>
<tr>
<th>Name</th>
<th>Wgt(%)</th>
<th>Chg Last Day</th>
<th>Trend</th>
<th>Risk</th>
<th>Trend Slope</th>
<th>RS Hi  (Mo)</th>
<th>RS Lo (Mo)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversified Metals &amp; Mining vs. S&amp;P/TSX Composite</td>
<td>1.5%</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fertilizers &amp; Agricultural Chemicals vs. S&amp;P/TSX Composite</td>
<td>1.9%</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gold vs. S&amp;P/TSX Composite</td>
<td>5.7%</td>
<td>6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Silver vs. S&amp;P/TSX Composite</td>
<td>0.9%</td>
<td>-10%</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Golds = New Strength**

**Exhibit 3: CDN Materials vs S&P/TSX Composite**

**Exhibit 4 – Gold, Yen and Rolling 30 Correlation of Returns**

*This Morning the Yen Strengthens Above It's 50d MA...*

*...and it Really, Really Matters for Gold*

---

*Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit*
**Trends & Inflection Points**

2nd Financial Pillar Breaking, at Least in Europe

- **European banks** just broke their stellar outperforming trend (following insurance, which broke last week). It's time to start to look elsewhere, and we suggest a peak at **telecom** which is reversing for the upside after a horrible year in 2016 – Exhibits 1, 2.
- Which **banks** the leaders, breaking to the downside – Exhibit 3.
- Which **telecom** are the leaders, breaking to the upside – Exhibit 4.

**Exhibit 1:** European Banks vs MSCI Europe

**Exhibit 2:** Telecom vs MSCI Europe

**Exhibit 3:** Banks vs STOXX 50

**Exhibit 4:** Telecom vs STOXX 50

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
Where’s the Beef?

- After the Trump news conference, and again this morning the economic optimism which defined the Trump trade starts to fade. The U.S. 2y bond yield eases back towards the trend channel, which is much slower and steadier, and the outlier is no more – Exhibit 1.
  - And of course gold, reverses to the upside, now in fading US dollar terms – Exhibit 2.

- There are many a gold chart that have suffered in downtrends as the U.S. 2year traversed from the bottom to the top of Exhibit 1. You can expect that those trends will break to the upside as that optimism fades – Exhibits 3, 4.

Exhibit 1: U.S. 2Year Bond Yield at 6:45am

Exhibit 2: Gold at 6:45am

Exhibit 3: Barrick (ABX CN) Price Trend

Exhibit 4 – B2Gold (BTO CN) Price Trend

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
Siehe Die Positiven Wendungen in Gold?

- Don’t see gold making a positive reversal yet? OK, you’re not Swiss, or German, but they see it – Exhibits 1, 2.
- Have to beat the S&P 500? Junior has got you covered - Exhibit 3.
- Global manager and wondering if we are seeing good breadth in the number of stocks reversing to the upside? Yes we are – Exhibit 4.

Exhibit 1: Gold in Euros

Exhibit 2: Gold Priced in Major Currencies

Exhibit 3: Junior Gold ETF (GDXJ) vs S&P 500

Exhibit 4 – Gold Stocks Severing Underperforming Trends vs ACWI

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
The Rotation Continues – Health Care

- Following our note yesterday of positive reversals amongst formerly disliked sectors, Health Care, which was dumped into the year-end, is acting as a bottom-fishing opportunity in January – Exhibits 1, 2.
- While we can point to the weakest and largest pharma component, and highlight the positive reversal there, we are better off detailing how broad-based the recent performance has been amongst all the U.S. subindustries vs. the broad U.S. benchmark – Exhibit 3.
- Biotechnology, which has confounded both the bulls and the bears, remains in a restful holding pattern that has lasted a year now. We doubt it will continue to be confined, and expect resurgence out of its basing pattern – Exhibit 4.

**Exhibit 1: Health Care vs Local Benchmarks**

<table>
<thead>
<tr>
<th>Name</th>
<th>Wt%</th>
<th>Chg Last Day</th>
<th>Reward/Risk</th>
<th>Trend Slope</th>
<th>RS Lo (RS)</th>
<th>1-Day RS</th>
<th>5-Day RS</th>
<th>%Chg 50d MA Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>vs. MSCI World</td>
<td></td>
<td>-27% 1.5</td>
<td>-37% 1.5</td>
<td>0.0% 0.2%</td>
<td>0.7% 1.5</td>
<td>1.3% 1.0%</td>
<td>1.5% 1.4%</td>
<td>1.7% 1.5</td>
</tr>
<tr>
<td>vs. MSCI EAFE</td>
<td></td>
<td>-20% 1.5</td>
<td>-20% 1.5</td>
<td>0.0% 0.2%</td>
<td>0.7% 1.5</td>
<td>1.3% 1.0%</td>
<td>1.5% 1.4%</td>
<td>1.7% 1.5</td>
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<tr>
<td>vs. MSCI Europe</td>
<td></td>
<td>-22% 1.5</td>
<td>-20% 1.5</td>
<td>0.0% 0.2%</td>
<td>0.7% 1.5</td>
<td>1.3% 1.0%</td>
<td>1.5% 1.4%</td>
<td>1.7% 1.5</td>
</tr>
<tr>
<td>vs. S&amp;P 500</td>
<td></td>
<td>-28% 1.5</td>
<td>-28% 1.5</td>
<td>0.0% 0.2%</td>
<td>0.7% 1.5</td>
<td>1.3% 1.0%</td>
<td>1.5% 1.4%</td>
<td>1.7% 1.5</td>
</tr>
<tr>
<td>vs. S&amp;P/TSX Composite</td>
<td></td>
<td>-33%</td>
<td>-28% 1.5</td>
<td>0.0% 0.2%</td>
<td>0.7% 1.5</td>
<td>1.3% 1.0%</td>
<td>1.5% 1.4%</td>
<td>1.7% 1.5</td>
</tr>
<tr>
<td>vs. Russell MidCap</td>
<td></td>
<td>-9% 1.5</td>
<td>-9% 1.5</td>
<td>0.0% 0.2%</td>
<td>0.7% 1.5</td>
<td>1.3% 1.0%</td>
<td>1.5% 1.4%</td>
<td>1.7% 1.5</td>
</tr>
<tr>
<td>vs. Russell 2000</td>
<td></td>
<td>-7% 1.5</td>
<td>-7% 1.5</td>
<td>0.0% 0.2%</td>
<td>0.7% 1.5</td>
<td>1.3% 1.0%</td>
<td>1.5% 1.4%</td>
<td>1.7% 1.5</td>
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<tr>
<td>vs. Russell 2500</td>
<td></td>
<td>-5% 1.5</td>
<td>-5% 1.5</td>
<td>0.0% 0.2%</td>
<td>0.7% 1.5</td>
<td>1.3% 1.0%</td>
<td>1.5% 1.4%</td>
<td>1.7% 1.5</td>
</tr>
</tbody>
</table>

**Exhibit 2: Global Health Care vs MSCI World**

-37% 4% Year-End Dumping

**Exhibit 3: U.S. Health Care Subindustries vs S&P 500**

<table>
<thead>
<tr>
<th>Name</th>
<th>Wt%</th>
<th>Chg Last Day</th>
<th>Reward/Risk</th>
<th>Trend Slope</th>
<th>RS Lo (RS)</th>
<th>1-Day RS</th>
<th>5-Day RS</th>
<th>%Chg 50d MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care Supplies vs. S&amp;P 1500</td>
<td>0.2%</td>
<td>5%</td>
<td>5%</td>
<td>0.9% 0.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Care Equipment vs. S&amp;P 1500</td>
<td>2.4%</td>
<td>7%</td>
<td>7%</td>
<td>1.0% 0.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life Sciences Tools &amp; Services vs. S&amp;P 1500</td>
<td>0.6%</td>
<td>3%</td>
<td>3%</td>
<td>0.3% 0.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managed Health Care vs. S&amp;P 1500</td>
<td>1.5%</td>
<td>1%</td>
<td>1%</td>
<td>0.1% 0.1%</td>
<td></td>
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<td></td>
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<tr>
<td>Health Care Technology vs. S&amp;P 1500</td>
<td>0.1%</td>
<td>-13%</td>
<td>-13%</td>
<td>1.0% 0.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biotechnology vs. S&amp;P 1500</td>
<td>2.7%</td>
<td>-19% 1.5</td>
<td>-19% 1.5</td>
<td>0.9% 0.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Care Facilities vs. S&amp;P 1500</td>
<td>0.3%</td>
<td>-16% 2.0</td>
<td>-16% 2.0</td>
<td>0.8% 0.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Care Services vs. S&amp;P 1500</td>
<td>0.5%</td>
<td>-28%</td>
<td>-28%</td>
<td>0.9% 1.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Care Distributors vs. S&amp;P 1500</td>
<td>0.4%</td>
<td>-12%</td>
<td>-12%</td>
<td>0.4% 3.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharmaceuticals vs. S&amp;P 1500</td>
<td>4.7%</td>
<td>-14% 1.5</td>
<td>-14% 1.5</td>
<td>0.6% 1.2%</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Exhibit 4 - Nasdaq BioTech ETF (IBB US) Price Trend**

3-6m Target

Has Been Basing for a Year
Now; Broke above 50, 150, 200d MAs Early This Year

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
Market Likes All of Those ‘Bad’ Sectors

Yes, you are right, we’ve spent quite a few notes, detailing how many of the Trump trades are slowly unraveling. The market has started rewarding interest sensitive Real Estate and Golds, started turning away from the weakest of the financial trinity, insurance, if only from a relative strength standpoint, and yes emerging markets have put in their first higher high post-Trump. While our focus and yours should be on the relative if you have a benchmark to beat, it’s instructive to take a peek at absolute price performance as well. What you see, is that the sectors, which are in established downtrends that formed six months ago, are now reversing to the upside. If it were just a few, that would be noise, but all global and US sectors? That’s the market now becoming accepting of what it shunned in the past six months, and that’s signal – Exhibit 1.

Exhibit 1: Price Trends on Global, S&P 500 & TSX Composite Benchmarks and Sectors

This is All the "Bad Stuff", Trending Lower...Note How It's All Breaking Above Downtrends - That's Signal Eh?
First of the Financial Trinity Breaks

Day by day the signaling comes forth. The beneficiaries of lower rates first, with Golds and Real Estate getting a boost this week. Beyond the breadth of financials, which has steadily, and now materially, deteriorated, we have had little to show for market cap weighted breakdowns in the financial trinity of insurance, banks and capital markets (which benefit from higher rates) until yesterday. But here you go. Some insurance gauges are breaking very steep outperforming trends. You either expect to extrapolate that outperformance, or you are taking some money of the table here – Exhibits 1, 2.

On a stock level, there are few breakdowns at this point. It’s not even signal, it’s just noise, but look how stacked the deck is towards fantastic outperformance – Exhibit 3.

The bond market is coming back, and it’s being led by the long end of the curve – Exhibits 4, 5. Here too, it’s more in the noise, with long duration assets at 1-2m relative strength highs vs the Barclays Aggregate, as opposed to them breaking underperforming trends at this point, but that shift will eventually turn the noise into signal both in bond and equity markets.

Exhibit 1: Insurance vs MSCI World

Trend Width
26%/14%
Trend Length
6 mo

Exhibit 2: US Life Insurance vs S&P 1500

Trend Width
53%/9%
Trend Length
6 mo

Exhibit 3: North American Listed Insurance vs S&P 500

Just a Smattering of Breakdowns, Certainly Just Noise at This Point, But Look How Fantastically Long That Left Column Is, and Will That Still Be Justified as Interest Rates Head Lower Against Market Expectations?

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
### Exhibit 4: Barclays U.S. Aggregate Bond Index

Nasty Correction Indeed, But Held at Support, and is Now Breaking Back Above its 50d MA

### Exhibit 5: Bond and Bond Like Instruments vs Barclays Aggregate

**Short-Stuff Leaning Towards Underperformance**

Rebound Led By Long Duration

<table>
<thead>
<tr>
<th>Name</th>
<th>1d RS Chg (%)</th>
<th>5d RS Chg (%)</th>
<th>Chg Last Day</th>
<th>Reward /Risk</th>
<th>Trend</th>
<th>5d RS Hi</th>
<th>5d RS Lo</th>
<th>5d RS MA Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Loans</td>
<td>-0.4%</td>
<td>-0.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Rising</td>
</tr>
<tr>
<td>HY Corp Bond</td>
<td>-0.2%</td>
<td>0.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Rising</td>
</tr>
<tr>
<td>US VLI HY Bond</td>
<td>-0.3%</td>
<td>0.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Rising</td>
</tr>
<tr>
<td>US MBS ETF</td>
<td>-0.2%</td>
<td>-0.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Below Rising</td>
</tr>
<tr>
<td>NAREIT All</td>
<td>-0.3%</td>
<td>1.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Rising</td>
</tr>
<tr>
<td>US Conv Bond</td>
<td>-0.4%</td>
<td>-0.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Rising</td>
</tr>
<tr>
<td>US TIPS Bond</td>
<td>-0.1%</td>
<td>0.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Rising</td>
</tr>
<tr>
<td>DJ Dividend</td>
<td>-0.7%</td>
<td>-0.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Rising</td>
</tr>
<tr>
<td>SPX HiDivLoVol</td>
<td>-0.8%</td>
<td>0.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Rising</td>
</tr>
<tr>
<td>S&amp;P Dividend</td>
<td>-0.8%</td>
<td>0.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Rising</td>
</tr>
<tr>
<td>US 3-7 Bond</td>
<td>-0.1%</td>
<td>-0.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Rising</td>
</tr>
<tr>
<td>SPX Income</td>
<td>-1.5%</td>
<td>0.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Rising</td>
</tr>
<tr>
<td>US Pref</td>
<td>-0.5%</td>
<td>1.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Rising</td>
</tr>
<tr>
<td>US RET</td>
<td>0.1%</td>
<td>2.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Rising</td>
</tr>
<tr>
<td>MLPs Infra</td>
<td>0.2%</td>
<td>1.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Rising</td>
</tr>
<tr>
<td>US CMBS ETF</td>
<td>0.3%</td>
<td>0.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Rising</td>
</tr>
<tr>
<td>Intl TIPS Bond</td>
<td>0.5%</td>
<td>0.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Falling</td>
</tr>
<tr>
<td>MLPs</td>
<td>0.3%</td>
<td>1.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Falling</td>
</tr>
<tr>
<td>Em Mtks Bond</td>
<td>0.3%</td>
<td>0.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Rising</td>
</tr>
<tr>
<td>GN ex US Hy</td>
<td>0.8%</td>
<td>0.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Rising</td>
</tr>
<tr>
<td>US ST Bond</td>
<td>-0.4%</td>
<td>-0.6%</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td>Below Rising</td>
</tr>
<tr>
<td>Em Mtks Srvm</td>
<td>0.4%</td>
<td>1.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Falling</td>
</tr>
<tr>
<td>US 10 Bond</td>
<td>0.2%</td>
<td>0.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Falling</td>
</tr>
<tr>
<td>US 10+ Bond</td>
<td>0.5%</td>
<td>0.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Falling</td>
</tr>
<tr>
<td>US 7-10 Bond</td>
<td>0.2%</td>
<td>0.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Above Falling</td>
</tr>
<tr>
<td>US LT Bond</td>
<td>1.1%</td>
<td>1.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Below Falling</td>
</tr>
<tr>
<td>US 10-20 Bond</td>
<td>0.4%</td>
<td>0.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Below Falling</td>
</tr>
</tbody>
</table>
On **Tuesday, we highlighted** our somewhat esoteric **relative strength breadth reading of real estate improving**. Today, we can follow up with the market cap weighted reality that affects your portfolio. That **ugly underperforming trend for REITs, which has lasted for six months, is breaking to the upside**. It’s the third such break in the past four years, and for those caring on the relative, as opposed to absolute performance (which **bottomed when treasury implied volatility peaked**) it’s the entry signal you care about – Exhibit 1. For the global specialist, the FTSE EPRA/NAREIT Global Index also broke above a downtrend yesterday – Exhibit 2.

Taking a look at the **trends on the largest 50 REITS vs. ACWI**, what one sees are nasty, nasty trends, and the first signs that they are breaking to the upside – Exhibit 3. Yes we used that term yesterday when describing gold shares. It’s the same picture (see **Exhibit 4 here**) on a similar theme. REITs react more to the longer end of the curve relative to bullion dynamics, which are heavily influenced by the yen and shorter end of the curve, specifically US-JY 5y bond spreads.

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
Positive Reversals in Gold Shares

- We will continue with our focus on bonds, only this time we shift from the long duration side, impacting REITS, to the shorter end of the curve which is what impacts bullion. Behold the US 2y yield, which has remained in its outlier state for over a month now, and as such has acted to suppress the yen and thus gold – Exhibit 1. We continue to expect it will eventually break back into the trend channel which has muddled higher for years. This would take the pressure off gold.
  - Why bring it up now?
    - We see changes now;
      - Yesterday, gold shares broke above downtrend vs bullion – Exhibit 2.
      - All but the junior golds broke above downtrends yesterday on an absolute price basis – Exhibit 3.
      - There are enough gold shares breaking above downtrends vs ACWI to call it signal rather than noise (gold share decile moved from 10th to 9th), and the vast majority of the signal came yesterday – Exhibit 4.

Exhibit 1: US 2y Bond Yield
Viewed as Another Outlier; We Expect Retrenchment

Exhibit 2: ACWI Gold Miners vs Spot Gold
Positive Reversal

Exhibit 3: Gold Equity Indices

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
Exhibit 4: Gold Shares vs ACWI

Nasty Nasty Trends, and the First Signs That They Are Breaking To The Upside.
Real Estate Capitalizing on Financial Weakness

- We were gearing up for this late last year with our note on the Financial Trinity, and here is the first sign of weakness since September; the relative strength breadth reading on Financials is breaking to the downside – Exhibit 1. The mirror image of that weakness can be seen in the breadth reading on Real Estate, which is breaking to the upside – Exhibit 2. There is a very long list of real estate stocks breaking above underperforming trends; the largest 15 are shown in Exhibit 3.
  - These moves are coincident with the US 30y bond yield at a 1m low, and the US 5y5y inflation expectation gauge consolidating after an earlier break lower.
  - We expect both of these uptrends, which have been real estate negative, will break to the downside, as the long-term trend kicks in this year.

Exhibit 1: Financial Relative Strength Breadth Score

Exhibit 2: Real Estate Relative Strength Breadth Score

Exhibit 3: Real Estate Stocks & REITS Breaking Above Underperforming Trends vs ACWI – See Full List Here

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

January 3, 2017
Canadian Momentum Buys and Severed Negative Trends

- On the last trading day of the year we’ll use the Canada monitor in our TIPS page of tools to highlight the underlying strength as all four major benchmarks continue to mint multi year highs, Exhibits 1, 2.
  - The “Large & Liquid” sleeve contains 317 stocks where we find:
    - 87 momentum buys vs. 10 momentum sells – Exhibit 3 (full list here)
    - 41 stocks breaking above their negative trends vs. 6 breaking below positive trends – Exhibit 4 (full list here).

Exhibit 1: Canadian Equity Benchmarks

<table>
<thead>
<tr>
<th>Name</th>
<th>Symbol</th>
<th>Reward/Risk</th>
<th>Trend Slope</th>
<th>Hi (%)</th>
<th>%Chg w/50 MA</th>
<th>Day MA Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P/TSX 60</td>
<td>TX60AR</td>
<td>22%</td>
<td>49.0</td>
<td>3%</td>
<td>Above Rising</td>
<td>9% Above Rising</td>
</tr>
<tr>
<td>S&amp;P/TSX</td>
<td>6000AR</td>
<td>20%</td>
<td>49.0</td>
<td>2%</td>
<td>Above Rising</td>
<td>6% Above Rising</td>
</tr>
<tr>
<td>S&amp;P/TSX Cmpl</td>
<td>TX20AR</td>
<td>2%</td>
<td>28.0</td>
<td>3%</td>
<td>Above Rising</td>
<td>6% Above Rising</td>
</tr>
<tr>
<td>S&amp;P/TSX Sinn</td>
<td>TX21AR</td>
<td>-1%</td>
<td>29.9</td>
<td>5%</td>
<td>Above Rising</td>
<td>9% Above Rising</td>
</tr>
</tbody>
</table>

Exhibit 2: S&P/TSX Composite Total Return

<table>
<thead>
<tr>
<th>Trend Length</th>
<th>20% / 5% 4.3 10 ma</th>
</tr>
</thead>
</table>

Exhibit 3: Largest 20 Momentum Buys (Full List Here)

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>MktCap (CAD)</th>
<th>Price Trend</th>
<th>Trend Slope</th>
<th>%Chg w/50 MA</th>
<th>Day MA Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNS CN</td>
<td>Bank of Nova Scotia</td>
<td>Diversified</td>
<td>91,073</td>
<td>25%</td>
<td>Above Rising</td>
<td>4% Above Rising</td>
<td></td>
</tr>
<tr>
<td>RY CN</td>
<td>Royal Bank of Canada</td>
<td>Diversified</td>
<td>135,728</td>
<td>32%</td>
<td>Above Rising</td>
<td>6% Above Rising</td>
<td></td>
</tr>
<tr>
<td>TD CN</td>
<td>Toronto-Dominion Bank</td>
<td>Diversified</td>
<td>123,992</td>
<td>45%</td>
<td>Above Rising</td>
<td>5% Above Rising</td>
<td></td>
</tr>
<tr>
<td>ECA CN</td>
<td>Encana Corp</td>
<td>Oil &amp; Gas</td>
<td>15,048</td>
<td>15%</td>
<td>Above Rising</td>
<td>4% Above Rising</td>
<td></td>
</tr>
<tr>
<td>PM CN</td>
<td>Power Financial</td>
<td>Utilities</td>
<td>23,957</td>
<td>43%</td>
<td>Above Rising</td>
<td>5% Above Rising</td>
<td></td>
</tr>
<tr>
<td>SAP CN</td>
<td>Saputo Inc</td>
<td>Industrials</td>
<td>18,645</td>
<td>55%</td>
<td>Above Rising</td>
<td>2% Above Rising</td>
<td></td>
</tr>
<tr>
<td>CNI CN</td>
<td>Canadian National Railway</td>
<td>Railroads</td>
<td>70,436</td>
<td>36%</td>
<td>Above Rising</td>
<td>5% Above Rising</td>
<td></td>
</tr>
<tr>
<td>HO CN</td>
<td>Hycro</td>
<td>AutoParts</td>
<td>22,668</td>
<td>53%</td>
<td>Above Rising</td>
<td>2% Above Rising</td>
<td></td>
</tr>
<tr>
<td>CWQ CN</td>
<td>Canadian Natural Resources</td>
<td>Oil &amp; Gas</td>
<td>47,785</td>
<td>28%</td>
<td>Above Rising</td>
<td>6% Above Rising</td>
<td></td>
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<tr>
<td>AGU CN</td>
<td>Agrium Inc</td>
<td>Fertilizers</td>
<td>18,834</td>
<td>32%</td>
<td>Above Rising</td>
<td>5% Above Rising</td>
<td></td>
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<tr>
<td>CVE CN</td>
<td>Canexus Energy</td>
<td>Int’l Oil &amp; Gas</td>
<td>17,080</td>
<td>20%</td>
<td>Above Rising</td>
<td>4% Above Rising</td>
<td></td>
</tr>
<tr>
<td>WCN CN</td>
<td>Progressive Waste Solutions</td>
<td>Utilities</td>
<td>18,621</td>
<td>17%</td>
<td>Above Rising</td>
<td>4% Above Rising</td>
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<tr>
<td>PCH CN</td>
<td>Potash Corp of Saskatchewan</td>
<td>Fertilizers</td>
<td>20,638</td>
<td>21%</td>
<td>Above Rising</td>
<td>4% Above Rising</td>
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<tr>
<td>SU CN</td>
<td>Sunrom Energy</td>
<td>Int’l Oil &amp; Gas</td>
<td>73,731</td>
<td>48%</td>
<td>Above Rising</td>
<td>7% Above Rising</td>
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</tr>
<tr>
<td>GLH CN</td>
<td>CGL Group Inc</td>
<td>IT Consulting</td>
<td>17,553</td>
<td>14%</td>
<td>Above Rising</td>
<td>1% Above Rising</td>
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</tr>
<tr>
<td>MFC CN</td>
<td>Manulife Financial</td>
<td>Life/Health</td>
<td>47,413</td>
<td>125%</td>
<td>Above Rising</td>
<td>8% Above Rising</td>
<td></td>
</tr>
<tr>
<td>PPL CN</td>
<td>Pembina Pipeline</td>
<td>Oils &amp; Gas</td>
<td>16,357</td>
<td>17%</td>
<td>Above Rising</td>
<td>5% Above Rising</td>
<td></td>
</tr>
<tr>
<td>CH CN</td>
<td>CN Imperial Bank of Commerce</td>
<td>Diversified</td>
<td>43,842</td>
<td>16%</td>
<td>Above Rising</td>
<td>6% Above Rising</td>
<td></td>
</tr>
<tr>
<td>TON CN</td>
<td>Thomson Reuters</td>
<td>Media/Telecoms</td>
<td>43,513</td>
<td>18%</td>
<td>Above Rising</td>
<td>5% Above Rising</td>
<td></td>
</tr>
<tr>
<td>IPO CN</td>
<td>Imperial Oil</td>
<td>Int’l Oil &amp; Gas</td>
<td>39,088</td>
<td>38%</td>
<td>Above Rising</td>
<td>5% Above Rising</td>
<td></td>
</tr>
</tbody>
</table>

Exhibit 4 – Largest 20 Severed Negative Strength (Full List Here)

<table>
<thead>
<tr>
<th>Name</th>
<th>Symbol</th>
<th>Sub Industry</th>
<th>MktCap (CAD)</th>
<th>Price Trend</th>
<th>Trend Slope</th>
<th>%Chg w/50 MA</th>
<th>Day MA Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>REU-CN</td>
<td>REU-CN</td>
<td>Reit</td>
<td>3,302</td>
<td>-4%</td>
<td>Above Falling</td>
<td>-22%</td>
<td>-2% Above Falling</td>
</tr>
<tr>
<td>VRE-CN</td>
<td>VRE-CN</td>
<td>Gold</td>
<td>3,885</td>
<td>-8%</td>
<td>Above Falling</td>
<td>-61%</td>
<td>-4% Above Falling</td>
</tr>
<tr>
<td>EMA-CN</td>
<td>EMA-CN</td>
<td>Gold</td>
<td>9,506</td>
<td>0%</td>
<td>Above Falling</td>
<td>-1%</td>
<td>0% Above Falling</td>
</tr>
<tr>
<td>SNC-CN</td>
<td>SNC-CN</td>
<td>Gold</td>
<td>15,993</td>
<td>-5%</td>
<td>Above Falling</td>
<td>-57%</td>
<td>-2% Above Falling</td>
</tr>
<tr>
<td>SRU-CN</td>
<td>SRU-CN</td>
<td>Gold</td>
<td>4,154</td>
<td>-2%</td>
<td>Above Falling</td>
<td>-23%</td>
<td>-2% Above Falling</td>
</tr>
<tr>
<td>Reit-RE</td>
<td>Reit-RE</td>
<td>Retail</td>
<td>8,428</td>
<td>-9%</td>
<td>Above Falling</td>
<td>-19%</td>
<td>-2% Above Falling</td>
</tr>
<tr>
<td>YRO-CN</td>
<td>YRO-CN</td>
<td>Oil &amp; Gas</td>
<td>14,705</td>
<td>-4%</td>
<td>Above Falling</td>
<td>-40%</td>
<td>-3% Above Falling</td>
</tr>
<tr>
<td>CUF-CN</td>
<td>CUF-CN</td>
<td>Consumer Reit</td>
<td>2,643</td>
<td>-6%</td>
<td>Above Falling</td>
<td>-36%</td>
<td>-3% Above Falling</td>
</tr>
<tr>
<td>MNT-CN</td>
<td>MNT-CN</td>
<td>Consumer Reit</td>
<td>2,828</td>
<td>-7%</td>
<td>Above Falling</td>
<td>-7%</td>
<td>1% Above Falling</td>
</tr>
<tr>
<td>FCR-CN</td>
<td>FCR-CN</td>
<td>Real Estate</td>
<td>5,020</td>
<td>-12%</td>
<td>Above Falling</td>
<td>-1%</td>
<td>1% Above Falling</td>
</tr>
<tr>
<td>ARB-CN</td>
<td>ARB-CN</td>
<td>Industrials</td>
<td>25,793</td>
<td>-5%</td>
<td>Above Falling</td>
<td>-55%</td>
<td>-5% Above Falling</td>
</tr>
<tr>
<td>AP-U-CN</td>
<td>AP-U-CN</td>
<td>Real Estate</td>
<td>9,000</td>
<td>-24%</td>
<td>Above Falling</td>
<td>-24%</td>
<td>-3% Above Falling</td>
</tr>
<tr>
<td>AQN-CN</td>
<td>AQN-CN</td>
<td>Algo Power &amp; Utilities</td>
<td>BPRyrd</td>
<td>3,124</td>
<td>-19%</td>
<td>3% Above Falling</td>
<td></td>
</tr>
<tr>
<td>ELD-CN</td>
<td>ELD-CN</td>
<td>Gold</td>
<td>3,225</td>
<td>-50%</td>
<td>Above Falling</td>
<td>-50%</td>
<td>-2% Above Falling</td>
</tr>
<tr>
<td>TH-CN</td>
<td>TH-CN</td>
<td>Gold</td>
<td>6,335</td>
<td>-11%</td>
<td>Above Falling</td>
<td>-2%</td>
<td>2% Above Falling</td>
</tr>
<tr>
<td>T-CN</td>
<td>T-CN</td>
<td>Gold</td>
<td>25,441</td>
<td>-5%</td>
<td>Above Falling</td>
<td>-1%</td>
<td>2% Above Falling</td>
</tr>
<tr>
<td>CCO-CN</td>
<td>CCO-CN</td>
<td>Industrials</td>
<td>3,529</td>
<td>-26%</td>
<td>Above Falling</td>
<td>-14%</td>
<td>1% Above Falling</td>
</tr>
<tr>
<td>CIX-CN</td>
<td>CIX-CN</td>
<td>Industrials</td>
<td>7,947</td>
<td>-14%</td>
<td>Above Falling</td>
<td>-14%</td>
<td>1% Above Falling</td>
</tr>
<tr>
<td>BMO-CN</td>
<td>BMO-CN</td>
<td>Bank</td>
<td>4,194</td>
<td>-9%</td>
<td>Above Falling</td>
<td>-9%</td>
<td>13% Above Falling</td>
</tr>
<tr>
<td>UFS-CN</td>
<td>UFS-CN</td>
<td>Consumer Reit</td>
<td>3,349</td>
<td>-21%</td>
<td>Above Falling</td>
<td>-6%</td>
<td>6% Above Falling</td>
</tr>
</tbody>
</table>

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Market
Trends & Inflection Points

Long/Short Filters - Short Screen #1

- Our TIPS page (“CLICK HERE” to the left) features a Long/Short monitor, which enables clients who care about absolute returns to screen for long/short candidates. The monitor features our favourite six long and five short filters on a North American listed and a global universe.

- The Short 1 screen highlights momentum sells (negative trend, below 50d and 200d MAs and not oversold on daily Bollinger band or RSI) in weak subindustries (group deciles 8, 9, or 10). We show the largest 20 of these from the North American universe in Exhibit 1 (see link for full list).

Exhibit 1: Largest 20 North American Listed Momentum Sells in Weak Subindustries (see link for full list)

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>Gpr RS</th>
<th>LT Price</th>
<th>Price Trend</th>
<th>1-Day Equity Chg (%)</th>
<th>5-Day Equity Chg (%)</th>
<th>MktCap (USD)</th>
<th>Vol (%)</th>
<th>Price Trend</th>
<th>Trend Slope</th>
<th>%Chg wrt 50d MA</th>
<th>Chg wrt 50 Day MA Trend</th>
<th>RSI Dyr</th>
</tr>
</thead>
<tbody>
<tr>
<td>GGP US</td>
<td>General Growth Properties</td>
<td>RetailREIT</td>
<td>10</td>
<td>4</td>
<td>10</td>
<td>-0.7%</td>
<td>-5.4%</td>
<td>21,622</td>
<td>1.44</td>
<td>-29%</td>
<td>1.0</td>
<td>-3.1%</td>
<td>Below Falling</td>
<td>38</td>
</tr>
<tr>
<td>AGR US</td>
<td>Avangrid Inc</td>
<td>ElectRl</td>
<td>9</td>
<td>5</td>
<td>10</td>
<td>-1.4%</td>
<td>-1.2%</td>
<td>11,510</td>
<td>1.35</td>
<td>-39%</td>
<td>1.0</td>
<td>-1.1%</td>
<td>Below Falling</td>
<td>49</td>
</tr>
<tr>
<td>YOD US</td>
<td>Vodafone Group</td>
<td>WslTelSrv</td>
<td>10</td>
<td>8</td>
<td>10</td>
<td>-0.6%</td>
<td>-2.0%</td>
<td>64,919</td>
<td>1.48</td>
<td>-40%</td>
<td>1.0</td>
<td>-5.6%</td>
<td>Below Falling</td>
<td>38</td>
</tr>
<tr>
<td>NGG US</td>
<td>National Grid</td>
<td>MultiUTIL</td>
<td>9</td>
<td>6</td>
<td>10</td>
<td>-0.6%</td>
<td>-0.7%</td>
<td>43,428</td>
<td>1.24</td>
<td>-43%</td>
<td>1.0</td>
<td>-3.9%</td>
<td>Below Falling</td>
<td>43</td>
</tr>
<tr>
<td>G US</td>
<td>Realty Income</td>
<td>RetailREIT</td>
<td>10</td>
<td>2</td>
<td>10</td>
<td>-0.6%</td>
<td>-1.2%</td>
<td>14,505</td>
<td>1.43</td>
<td>-42%</td>
<td>1.0</td>
<td>-1.1%</td>
<td>Below Falling</td>
<td>48</td>
</tr>
<tr>
<td>BT US</td>
<td>BT Group PLC</td>
<td>IntgTelSrv</td>
<td>8</td>
<td>5</td>
<td>10</td>
<td>-1.2%</td>
<td>-1.5%</td>
<td>44,969</td>
<td>2.11</td>
<td>-32%</td>
<td>1.0</td>
<td>-1.0%</td>
<td>Below Falling</td>
<td>47</td>
</tr>
<tr>
<td>KEP US</td>
<td>Korea Electric Power</td>
<td>ElectRl</td>
<td>9</td>
<td>6</td>
<td>10</td>
<td>-3.0%</td>
<td>-4.8%</td>
<td>23,753</td>
<td>1.54</td>
<td>-57%</td>
<td>18.5</td>
<td>-9.4%</td>
<td>Below Falling</td>
<td>32</td>
</tr>
<tr>
<td>VTR US</td>
<td>Ventas Inc</td>
<td>HCareREIT</td>
<td>8</td>
<td>3</td>
<td>10</td>
<td>-0.6%</td>
<td>-1.2%</td>
<td>21,657</td>
<td>1.59</td>
<td>-37%</td>
<td>1.0</td>
<td>-1.1%</td>
<td>Below Falling</td>
<td>50</td>
</tr>
<tr>
<td>CHD US</td>
<td>Church &amp; Dwight Co</td>
<td>HldsPrdt</td>
<td>9</td>
<td>2</td>
<td>10</td>
<td>-2.0%</td>
<td>-1.3%</td>
<td>11,417</td>
<td>1.21</td>
<td>-20%</td>
<td>1.0</td>
<td>-2.3%</td>
<td>Below Falling</td>
<td>49</td>
</tr>
<tr>
<td>SRE US</td>
<td>Sempra Energy</td>
<td>MultiUTIL</td>
<td>9</td>
<td>3</td>
<td>10</td>
<td>-1.3%</td>
<td>-2.4%</td>
<td>24,986</td>
<td>1.27</td>
<td>-21%</td>
<td>1.1</td>
<td>-1.0%</td>
<td>Below Falling</td>
<td>47</td>
</tr>
<tr>
<td>CTL US</td>
<td>CenturyLink</td>
<td>IntgTelSrv</td>
<td>8</td>
<td>7</td>
<td>10</td>
<td>-0.5%</td>
<td>-0.4%</td>
<td>13,137</td>
<td>2.08</td>
<td>-38%</td>
<td>1.0</td>
<td>-3.0%</td>
<td>Below Falling</td>
<td>47</td>
</tr>
<tr>
<td>CVS US</td>
<td>CVS Health</td>
<td>DrugRetail</td>
<td>8</td>
<td>2</td>
<td>10</td>
<td>-0.3%</td>
<td>-1.0%</td>
<td>84,391</td>
<td>1.37</td>
<td>-33%</td>
<td>1.0</td>
<td>-1.1%</td>
<td>Below Falling</td>
<td>50</td>
</tr>
<tr>
<td>CRM US</td>
<td>salesforce.com inc</td>
<td>AppleSrv</td>
<td>9</td>
<td>5</td>
<td>10</td>
<td>-1.1%</td>
<td>-1.1%</td>
<td>48,135</td>
<td>2.11</td>
<td>-25%</td>
<td>1.0</td>
<td>-5.3%</td>
<td>Below Falling</td>
<td>38</td>
</tr>
<tr>
<td>RL US</td>
<td>Estee Lauder Cos Inc</td>
<td>PersPrdt</td>
<td>10</td>
<td>5</td>
<td>10</td>
<td>-1.3%</td>
<td>-0.5%</td>
<td>17,164</td>
<td>1.19</td>
<td>-36%</td>
<td>1.0</td>
<td>-3.0%</td>
<td>Below Falling</td>
<td>44</td>
</tr>
<tr>
<td>TEVA US</td>
<td>Teva Pharmaceutical Industries</td>
<td>Pharma</td>
<td>9</td>
<td>8</td>
<td>9</td>
<td>-1.1%</td>
<td>-0.9%</td>
<td>36,469</td>
<td>1.85</td>
<td>-30%</td>
<td>8.5%</td>
<td>0%</td>
<td>Below Falling</td>
<td>39</td>
</tr>
<tr>
<td>ORAN US</td>
<td>Orange SA</td>
<td>IntgTelSrv</td>
<td>8</td>
<td>5</td>
<td>10</td>
<td>-1.3%</td>
<td>-0.1%</td>
<td>39,000</td>
<td>1.64</td>
<td>-18%</td>
<td>1.0</td>
<td>0%</td>
<td>Below Falling</td>
<td>52</td>
</tr>
<tr>
<td>PRGO US</td>
<td>Perrigo Co</td>
<td>Pharma</td>
<td>9</td>
<td>6</td>
<td>9</td>
<td>-2.7%</td>
<td>-2.2%</td>
<td>11,877</td>
<td>2.49</td>
<td>-17%</td>
<td>1.0</td>
<td>-4%</td>
<td>Below Falling</td>
<td>42</td>
</tr>
<tr>
<td>COTY US</td>
<td>Coty Inc</td>
<td>PersPrdt</td>
<td>10</td>
<td>8</td>
<td>10</td>
<td>-1.4%</td>
<td>-1.0%</td>
<td>13,800</td>
<td>2.21</td>
<td>-61%</td>
<td>1.0</td>
<td>-7.3%</td>
<td>Below Falling</td>
<td>41</td>
</tr>
<tr>
<td>GSK US</td>
<td>GlaxoSmithKline</td>
<td>Pharma</td>
<td>9</td>
<td>6</td>
<td>10</td>
<td>-0.3%</td>
<td>-0.4%</td>
<td>93,683</td>
<td>1.20</td>
<td>-20%</td>
<td>1.0</td>
<td>-2.3%</td>
<td>Below Falling</td>
<td>47</td>
</tr>
<tr>
<td>CLUS US</td>
<td>Colgate-Palmolive</td>
<td>HldsPrdt</td>
<td>9</td>
<td>5</td>
<td>10</td>
<td>-0.6%</td>
<td>-1.2%</td>
<td>58,317</td>
<td>0.98</td>
<td>-24%</td>
<td>1.0</td>
<td>-3.1%</td>
<td>Below Falling</td>
<td>41</td>
</tr>
</tbody>
</table>

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
Trends & Inflection Points

Index Members Highlights, S&P 100 Momentum Buys

- **Index Members** is one of the tools available on our TIPS page (*Click Here* to the left) where you can examine the relative strength and price trend metrics as well as other technical indicators for the members of 21 indices.

- Going into the **S&P 100 sleeve** we find that 14 stocks are classified as momentum buys (outperforming S&P 100 and their respective S&P 500 sectors, above 50d and 200d moving averages and not overbought) - Exhibit 1.

### Exhibit 1: S&P 100 Momentum Buys

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>S&amp;P 100 ▼</th>
<th>Trend Slope</th>
<th>RS Hi (Mo)</th>
<th>RS Low (Mo)</th>
<th>%Chg w/50d MA</th>
<th>%Chg w/200d MA</th>
<th>Chg w/50d MA Trend</th>
<th>Chg w/200d MA Trend</th>
<th>Bull Band</th>
<th>Bull Band Width</th>
<th>RSI Dly</th>
</tr>
</thead>
<tbody>
<tr>
<td>MS US</td>
<td>Morgan Stanley</td>
<td>InvBnkBnk</td>
<td>90%</td>
<td>12%</td>
<td>Above Rising</td>
<td>41%</td>
<td>Above Rising</td>
<td>72%</td>
<td>Above Rising</td>
<td>72%</td>
<td></td>
<td>65</td>
<td></td>
</tr>
<tr>
<td>BAC US</td>
<td>Bank of America</td>
<td>DiversBnk</td>
<td>99%</td>
<td>15%</td>
<td>Above Rising</td>
<td>44%</td>
<td>Above Rising</td>
<td>112%</td>
<td>Above Rising</td>
<td>112%</td>
<td></td>
<td>66</td>
<td></td>
</tr>
<tr>
<td>COF US</td>
<td>Capital One Financial</td>
<td>ConsrFin</td>
<td>60%</td>
<td>10%</td>
<td>Above Rising</td>
<td>25%</td>
<td>Above Rising</td>
<td>92%</td>
<td>Above Rising</td>
<td>92%</td>
<td></td>
<td>64</td>
<td></td>
</tr>
<tr>
<td>CAT US</td>
<td>Caterpillar</td>
<td>ConsMch&amp;Tr</td>
<td>36%</td>
<td>4%</td>
<td>Above Rising</td>
<td>17%</td>
<td>Above Rising</td>
<td>39%</td>
<td>Below</td>
<td>39%</td>
<td></td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>MSFT US</td>
<td>Microsoft Corp</td>
<td>SystmSvr</td>
<td>24%</td>
<td>5%</td>
<td>Above Rising</td>
<td>14%</td>
<td>Above Rising</td>
<td>97%</td>
<td>Above Rising</td>
<td>97%</td>
<td></td>
<td>64</td>
<td></td>
</tr>
<tr>
<td>BA US</td>
<td>Boeing Co</td>
<td>Aero&amp;Def</td>
<td>13%</td>
<td>7%</td>
<td>Above Rising</td>
<td>18%</td>
<td>Above Rising</td>
<td>96%</td>
<td>Above Rising</td>
<td>96%</td>
<td></td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>GM US</td>
<td>General Motors</td>
<td>AutoMfg</td>
<td>27%</td>
<td>1.0</td>
<td>Above Rising</td>
<td>15%</td>
<td>Above Rising</td>
<td>150%</td>
<td>Above Rising</td>
<td>150%</td>
<td></td>
<td>53</td>
<td></td>
</tr>
<tr>
<td>GD US</td>
<td>General Dynamics</td>
<td>Aero&amp;Def</td>
<td>31%</td>
<td>6%</td>
<td>Above Rising</td>
<td>18%</td>
<td>Above Rising</td>
<td>84%</td>
<td>Above Rising</td>
<td>84%</td>
<td></td>
<td>59</td>
<td></td>
</tr>
<tr>
<td>TXN US</td>
<td>Texas Instruments</td>
<td>Semi</td>
<td>27%</td>
<td>1.0</td>
<td>Above Rising</td>
<td>15%</td>
<td>Above Rising</td>
<td>70%</td>
<td>Above Rising</td>
<td>70%</td>
<td></td>
<td>65</td>
<td></td>
</tr>
<tr>
<td>AAPL US</td>
<td>Apple Inc</td>
<td>HαwSt&amp;P</td>
<td>25%</td>
<td>1.5</td>
<td>Above Rising</td>
<td>11%</td>
<td>Above Rising</td>
<td>76%</td>
<td>Above Rising</td>
<td>76%</td>
<td></td>
<td>68</td>
<td></td>
</tr>
<tr>
<td>HAL US</td>
<td>Halliburton</td>
<td>O&amp;G Equip</td>
<td>37%</td>
<td>9%</td>
<td>Above Rising</td>
<td>25%</td>
<td>Above Rising</td>
<td>107%</td>
<td>Above Rising</td>
<td>107%</td>
<td></td>
<td>65</td>
<td></td>
</tr>
<tr>
<td>UNP US</td>
<td>Union Pacific</td>
<td>Railroads</td>
<td>19%</td>
<td>8%</td>
<td>Above Rising</td>
<td>17%</td>
<td>Above Rising</td>
<td>56%</td>
<td>Above Rising</td>
<td>56%</td>
<td></td>
<td>66</td>
<td></td>
</tr>
<tr>
<td>COP US</td>
<td>ConocoPhillips</td>
<td>O&amp;G E&amp;P</td>
<td>30%</td>
<td>11%</td>
<td>Above Rising</td>
<td>10%</td>
<td>Above Rising</td>
<td>130%</td>
<td>Above Rising</td>
<td>130%</td>
<td></td>
<td>65</td>
<td></td>
</tr>
<tr>
<td>UNH US</td>
<td>UnitedHealth Group</td>
<td>MnglCare</td>
<td></td>
<td>16%</td>
<td>8%</td>
<td>Above Rising</td>
<td>17%</td>
<td>Above Rising</td>
<td>127%</td>
<td></td>
<td></td>
<td>66</td>
<td></td>
</tr>
</tbody>
</table>

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

Keeping on the Right Side of Credit Heaven and Hell

- We covered it Friday, but need to update the chart, as Deutsche Bank’s CDS curve inverted on Friday. That’s a too-interconnected-to-fail bank entering into the realm of credit hell (again) – Exhibit 1. On that same day, the cost to protect a basket of North American high yield credits fell to a 17m low. That’s junk entering credit heaven – Exhibit 2. The last time DB inverted, junk risk was soaring. This time it’s diving. Do you think something else may be going on? Indeed. Because we care more about the junk that people want, as opposed to the junk that apparently has a date with the DOJ this week, we will highlight Friday’s (yes Friday again) breakout of the CRB Raw Industrials, and oil breaking out of the fret zone (with confirmations in heating oil, gasoline, and inflation expectations) – Exhibits 3, 4. You see the market likes lots of junk, but it likes resource junk the most, and the drivers here continue to improve. That nuance is on page 16 of our Macro Trends & Inflection Points Q4 overview, found here.

I'm all over it now; and I can't say how glad I am about that

Jamie Cullen

Exhibit 1: Deutsche Bank CDS Curve (Ratio of 1/5Yr CDS)

Exhibit 2: North American High Yield 5Yr CDS

New 17m Low; Nearing All-Time Low

Exhibit 3: CRB Raw Industrials

Exhibit 4: WTI

Friday's Key Breakout For The Materials Sector

H&S Target $90

+ve Reversal Last Week on Hopes of an OPEC Deal Breaks Out Above $51

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
Gold Dances to the Tune of The Dollar Wine

- If you looked at the currency market yesterday, you would think that the market loves euros (1.7%), and that’s why gold rose 1.4%. The overlay looks good, but gold bottomed a bit earlier, and that was timed with the 5y EUR-USD cross currency swap rate (that cryptic chart we published Thursday). Yes that swap is liquidity challenged, but we present Exhibit 1.
- If you look at the cross currency swap market (remember Eurodoom?), you will see that the market penalizes euro holders, and yen holders even more so, for obtaining USD (the penalty rate for EUR holders rose yesterday) - Exhibits 2 & 3.
- The yen has a better fit to gold than does the euro, but based on the yen relationship, gold should be flat over the past month and gold makes new highs almost daily lately. If you create a basket of NIRPy country 5y cross currency swap rates (USDWine if you Soca), you see that this index, a measure of the cost, or stress to obtain USD from a NIRPy currency base has a fit to gold which now rivals the fit of yen and gold. The overlay is better – Exhibit 4.
- We wouldn’t bother with this if gold, that “barbarous relic” (Canadian standpoint) wasn’t just killing paper, but it is - Exhibit 5.

Exhibit 1: Yesterday’s Intraday Fit: Spot Gold, Spot Euro, EUR-USD 5Y Cross Currency Swap Rate

Exhibit 2: EUR-USD 5Y Cross FX Swap Rate (News Inlay Here)

Exhibit 3: JPY-USD 5Y Cross FX Swap Rate (Trend Starts Here)

Exhibit 4: Rolling 30d Fit of Returns Gold/JPY (L) Gold/FX Swaps (R)

Exhibit 5: Gold vs Barclays US Aggregate Bond Index

Gime dollar, gime dollar
Gime dollar, gime dollar
Gime dollar, gime dollar
Gime dollar, gime dollar
Dollar Wine, Colin Lucas
Bank Risk Priced at a 2-Year High

U.S. bank credit risk rose to a 2-yr high on Friday. How did it get there? In 2014, as the FEDs quantitative easing program tailed off, international central bank reserve assets peaked and started to decline. Tightening replaced easing. Corporate bonds peaked with central bank reserves. Stocks have subsequently peaked. Central bank easing reduced corporate bank risk, but did not inspire enough global growth to pull commodities out of a bear market. The dollar surge at the end of U.S. QE, sent commodities into a sharp decline. With global growth scarce, growth stocks surged versus value. At tightening has replaced easing, credit risk is rising once again. Stocks trending lower outnumber stocks trending higher. Treasuries are resuming a bull trend. Portfolio emphasis should remain on growth and income, which are not hampered by a weakening credit environment.

The QE-driven Fed balance sheet flattened out in 2014. International reserve assets peaked in August of 2014, and have fallen 6% from the peak. Notable sellers have been China and Russia.

The global investment grade bond market topped out with international reserves in August of 2014. This index of bond prices has been losing value at a rate of 6%/year since. It has stabilized recently with the strength of Treasuries (Figure 2).

Since 2011, when credit risk in the world's too-interconnected-to-fail banks peaked at over 300 bps (many banks had sported inverted CDS curves), bank risk fell 80% to 55 bps in 2014. That risk bottomed, based, and is now breaking out to form higher highs and lows. U.S. bank risk is priced at a 2-yr high (Figure 3).

While QE worked wonderfully to reduce credit risk, it did nothing to spur commodities, the barometer of global growth, higher.

The broad U.S. dollar index started to soar with the end of QE and the decline in central bank reserves. This sharpened the rate of commodity decline (Figure 4).

Equities started decelerating in 2014 and started reacting to a negative backdrop of credit in 2015 (Figure 7).

The tilt of growth over value really took off in 2014, coincident with the peak in central bank reserves and the sharp rise in the dollar (Figure 5).
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<tr>
<td>Buy</td>
<td>Outperform</td>
<td>42.9%</td>
<td>20.6%</td>
<td>55.3%</td>
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<td>Hold</td>
<td>Market Perform</td>
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<td>13.1%</td>
<td>43.6%</td>
<td>53.6%</td>
<td>43.0%</td>
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<td>Sell</td>
<td>Underperform</td>
<td>3.7%</td>
<td>4.6%</td>
<td>1.1%</td>
<td>3.3%</td>
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