Quantitative/Technical Package

Market Elements

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<tr>
<td>July 18, 2019</td>
<td>NEW  Market Elements</td>
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Trends & Inflection Points

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<tbody>
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<td>July 19, 2019</td>
<td>NEW  Small Caps Are Outperforming!?</td>
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<td>July 18, 2019</td>
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<td>July 16, 2019</td>
<td>The Canadian Big 5</td>
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<td>July 15, 2019</td>
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<td>July 12, 2019</td>
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<td>July 10, 2018</td>
<td>Steady State Stocks</td>
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<td>July 9, 2019</td>
<td>The Book of Armaments</td>
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<td>Tighten Up</td>
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<td>I Heard a Bear</td>
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<td>July 3, 2019</td>
<td>Here Comes the Sun</td>
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<td>July 2, 2019</td>
<td>Fifty Ways to Leave Your Longs</td>
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<td>June 28, 2019</td>
<td>The Slump in Junk</td>
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<td>Try This Position</td>
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<td>June 26, 2019</td>
<td>Mmm Mmm Mmm Mmm Mmm</td>
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<td>June 25, 2019</td>
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<td>June 24, 2019</td>
<td>Major Inflection Points in FX</td>
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<td>June 20, 2019</td>
<td>This Is What It Looks Like When Doves Cry</td>
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<td>June 19, 2019</td>
<td>Mindfulness</td>
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<td>Hydrocarbons ($sans Oxygen)</td>
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<td>June 11, 2019</td>
<td>Your First Real Estate</td>
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Focal Points

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This report was prepared by an analyst(s) employed by BMO Nesbitt Burns Inc., and who is (are) not registered as a research analyst(s) under FINRA rules. For disclosure statements, including the Analyst's Certification, please refer to pages 38 to 41.
Market Elements

- Most equity markets fell, just slightly in Asia, more notably in Europe, where most bourses fell 50-100bps (many from near 1y highs) and North America, where indices fell for the second day, falling 70-80bps. MSCI World fell another 45bps, halving last week’s rally; energy (~1.3%, breaking back below a flat 50d MA) continued to lead most global sectors lower; while utilities rose 40bps to lead the minority higher.

- Global long rates accelerated their retreat from last week's backup. Safe-haven 10y yields fell 3-6bps; global inflation expectations fell across the board, with the U.S. 5y5y falling from a 2m high (which was a 50% retracement of the May/June dive); energy led all HY sector OAS 60-250bps wider, while IG sectors were mixed & little changed.

- Gold surged 1.4%, breaking out of its 1m consolidation, and hitting a fresh 6y high; fiat currencies were mixed to higher vs. the greenback, with all moves a mere ±50bps; the BBG USD index eased back 15bps from a 5d high.

- Oil continued to fall, with WTI and Brent breaking below 50, 150, and 200d MAs in the past 2d; Nickel continued to skyrocket, up 2.7% on the day, and 25% since the tune low; other metals and bulks were mixed and little changed; lumber continued lower.

Levels*

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

* H/L = at a new closing 52-wk High/Low; ⋆ = within 10% of the 52-week High/Low; Colour codes are inverted for bond and sentiment indications
Daily Charts
3-Month View with 26-Day Bollinger Bands and 150-, 200- and 50-Day Moving Averages

Currencies
- Bloomberg Dollar Spot Index
- Euro
- Yen
- Chinese Yuan (CNY)
- Canadian Dollar
- Australian Dollar

Commodities
- Gold (Spot)
- Crude Oil (Brent)
- Crude Oil (WTI)
- Natural Gas (NMX)
- Copper (CMX)
- Nickel (LME 3Mo)

Bonds
- U.S. 2-Yr Bond
- U.S. 10-Yr Breakeven
- Canadian 10-Yr Bond
- German 10-Yr Bond
- Italian 10-Yr Bond

Equities
- MSCI World Index
- S&P 500
- S&P/TSX Composite
- VIX
- CDX North American Inv. Grade Index
- Ave. Prime Broker 5yr CDS
Intra Day Charts
2-Day 1-Minute View

Currencies

- Bloomberg Dollar Spot Index
- Euro
- Yen
- Chinese Yuan (CNY)
- Canadian Dollar
- Australian Dollar

Commodities

- Gold (Spot)
- Crude Oil (Brent)
- Crude Oil (WTI)
- Natural Gas (NYMEX)
- Copper (COMEX)
- Nickel (LME 3Mo)

Bonds

- U.S. 2-Yr Bond
- U.S. 10-Yr Breakeven
- U.S. 10-Yr Bond
- Canadian 10-Yr Bond
- German 10-Yr Bund
- Italian 10-Yr Bond
- Ave. Prime Broker Syr CDS

Equities

- MSCI World Index
- S&P 500
- S&P/TSX Composite
- CDS North American Inv. Grade Index
Daily Sector Charts (U.S., Canadian, European)
3-Month View with 26-Day Bollinger Bands and 150-, 200- and 50-Day Moving Averages
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**Note:** The table shows stock data for various sectors. The table includes symbols, last prices, percentage changes, and other financial metrics. The data is not complete and may be subject to error due to the limitations of the input data.
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<td>ZJR</td>
<td></td>
<td>27.78 -1.1</td>
<td></td>
</tr>
<tr>
<td>CPD</td>
<td></td>
<td>12.31 0.0</td>
<td></td>
</tr>
<tr>
<td>XFN</td>
<td></td>
<td>38.06 -0.3</td>
<td></td>
</tr>
<tr>
<td>ZEB</td>
<td></td>
<td>28.40 -0.4</td>
<td></td>
</tr>
<tr>
<td>RY</td>
<td></td>
<td>104.3 -1.1</td>
<td></td>
</tr>
<tr>
<td>TAF</td>
<td></td>
<td>76.77 0.1</td>
<td></td>
</tr>
<tr>
<td>EMA</td>
<td></td>
<td>53.98 0.3</td>
<td></td>
</tr>
</tbody>
</table>

#### Utilities
<table>
<thead>
<tr>
<th>Symbol</th>
<th>H/L</th>
<th>Last</th>
<th>%Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>KEL</td>
<td></td>
<td>27.65 0.2</td>
<td></td>
</tr>
<tr>
<td>XFR</td>
<td></td>
<td>21.07 0.2</td>
<td></td>
</tr>
<tr>
<td>XCR</td>
<td></td>
<td>21.74 0.3</td>
<td></td>
</tr>
<tr>
<td>ZFM</td>
<td></td>
<td>16.56 0.5</td>
<td></td>
</tr>
<tr>
<td>XFR</td>
<td></td>
<td>25.01 0.2</td>
<td></td>
</tr>
<tr>
<td>H</td>
<td></td>
<td>23.32 0.7</td>
<td></td>
</tr>
<tr>
<td>TSE</td>
<td></td>
<td>15.09 -0.5</td>
<td></td>
</tr>
<tr>
<td>EMU</td>
<td></td>
<td>55.25 0.0</td>
<td></td>
</tr>
<tr>
<td>DRM</td>
<td></td>
<td>8.04 -2.6</td>
<td></td>
</tr>
<tr>
<td>EMA</td>
<td></td>
<td>12.89 -0.5</td>
<td></td>
</tr>
</tbody>
</table>

#### Market Elements | Page 7 July 17, 2019

*Note: H/L = a new closing 52-wk High/Low, */ = within 10% of the 52-wk High/Low, Blue = S&P/TSX 60 member, Italics = ETFs, Bold = move of 5% or more; stocks are sorted by GICS Subindustry (grey lines) and market capitalization.
**Trends & Inflection Points**

**Small Caps Are Outperforming!?**

1. OK, only in Canada, but still good sign, eh?
   - And it’s not just relative gains; it’s a real breakout in price terms – Exhibit 2.
   - And yes, it’s pretty concentrated, with 25% of Canadian Small Cap benchmark weighted towards materials, but we’ve got both kinds, we’ve got gold and silver – Exhibit 3.
2. So it’s not so much a small cap thing, it’s a gold & silver thing, and heck, we’ll even throw in precious minerals, which are back up to 3rd decile in our system. Do you have enough in your portfolio? – Exhibit 4

---

**Exhibit 1:** CDN Small Caps vs TSX (Other Sml Caps vs Markets Here)

**Exhibit 2:** S&P/TSX Small Cap Index

**Exhibit 3:** Materials with a Positive Relative Strength Breadth Reading

**Exhibit 4:** Price Trends on Global Gold, Silver & Precious Metals

---

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
Two days ago, when we contrasted the positivity of companies peddling the yellow non-fiat currency with atomic number 79 against the negativity of the fiat currency banks (where devaluation of said currencies is turning out to be the name of the game), we did it from a Canadian perspective.

- If you have been reading these pages over the past few months, you are already overweight first decile golds.
- Our key focus today is to highlight downside risk of banks, and we’ll do it from a US perspective, where regionals are just a tad above breaking down from a major head and shoulders top – Exhibit 1.

- On a relative perspective regional banks are cruising in the negative – Exhibit 2.
  - The best course of action is to short the momentum sells – Exhibit 3.

It came as a heavy blow, but we sorted the matter out.

Money, Pink Floyd
We really just want to highlight one chart, or relationship we found worth noting. Not this chart, albeit that enters in Exhibit 1.

It’s the nice fit of the CRB Raw Industrials (exhibit 1) to a 12m rate of change of freight shipping. We typically work and think in the daily, if not intraday realm, so this monthly chart is a bit of an outlier for us.

- It does, however, point out a significant inflection point dead ahead for the CRB Raw Industrials, after a decade of drifting, like a cast away on a raft.
- And that drift, has nicely coincided with lower peaks in the rate of change of shipping, and also the current negative rate of change, which is the worst since 2008/9 – Exhibit 2.
  - Despite yesterday’s surge in transports, there is a clear outperformer, and more underperformers – Exhibit 3.
    - The same can be said for retail.
- Apparently, there’s just not much stuff on board this cast away economy. Can it afford to lose the stuff it has, in a trade war?...

...I’m Sorry Wilson. Wilson I’m Sorry! I’m Sorry. Wilson! Wilson!!

Chuck

Exhibit 1: CRB Raw Industrials, Trending Lower, No Vital Signs

Exhibit 2: CRB Raw Industrials & 12m ROC on the Cass Freight Index

Exhibit 3: US Transports vs S&P 1500

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
The Canadian Big 5

- If we thought our client’s alignment was with the market, we would not state the obvious, but we’ll do so today – Exhibits 1-3.
- And no, we don’t think it’s too late to make the adjustment.
  - Are we clear...?

Exhibit 1: Largest 5 Canadian Sub-Industries vs S&P/TSX Composite

<table>
<thead>
<tr>
<th>Name</th>
<th>Wgt(%)</th>
<th>Reward/Risk</th>
<th>Trend Slope</th>
<th>RS Hi (Mo)</th>
<th>RS Lo (Mo)</th>
<th>1-Day Chg(%)</th>
<th>5-Day Chg(%)</th>
<th>Trend MA Trend</th>
<th>%Chg wrt 50d MA</th>
<th>%Chg wrt 200d MA</th>
<th>Chg wrt 50d MA Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railroads vs. S&amp;P/TSX Composite</td>
<td>5.2%</td>
<td>-2.0%</td>
<td>-0.3%</td>
<td>-0.7%</td>
<td>-0.6%</td>
<td>Below Falling</td>
<td>Above Rising</td>
<td>1.6%</td>
<td>Above Rising</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
<tr>
<td>Life &amp; Health Insurance vs. S&amp;P/TSX Composite</td>
<td>5.9%</td>
<td>1.4%</td>
<td>0.2%</td>
<td>-0.9%</td>
<td>-0.9%</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>2.0%</td>
<td>Above Rising</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
<tr>
<td>Gold vs. S&amp;P/TSX Composite</td>
<td>5.4%</td>
<td>1.1%</td>
<td>21.0</td>
<td>2.3%</td>
<td>1.0%</td>
<td>Below Falling</td>
<td>Above Rising</td>
<td>13.5%</td>
<td>Above Rising</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
<tr>
<td>Oil &amp; Gas Storage &amp; Transportation vs. S&amp;P/TSX Composite</td>
<td>8.3%</td>
<td>3%</td>
<td>-0.8%</td>
<td>3.0%</td>
<td>8.0%</td>
<td>Above Rising</td>
<td>Below Falling</td>
<td>2.2%</td>
<td>Above Rising</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
<tr>
<td>Diversified Banks vs. S&amp;P/TSX Composite</td>
<td>26.6%</td>
<td>-8%</td>
<td>-3.3%</td>
<td>-1.0%</td>
<td>-1.0%</td>
<td>Below Falling</td>
<td>Below Falling</td>
<td>-2.6%</td>
<td>Above Rising</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
</tbody>
</table>

Exhibit 2: Gold vs S&P/TSX Composite

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

Exhibit 3: Diversified Banks vs S&P/TSX Composite

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

Inflection Point for European Capital Markets

- Here is the inflection point – Exhibit 1.
- Here is the bottoming pattern – Exhibit 2.
- CDS checks are all green – Exhibit 3.
- We can show you 3i, and just say nuff said – Exhibit 4.
- Then we can show Credit Suisse, and say mind the gap – Exhibit 5.

Exhibit 1: Largest 15 European Industries vs. MSCI Europe

<table>
<thead>
<tr>
<th>Name</th>
<th>Weight (%)</th>
<th>Change (%)</th>
<th>Trend</th>
<th>Slope</th>
<th>RS Hi</th>
<th>RS Lo</th>
<th>% Chg wlt 50d</th>
<th>Chg wlt 50d</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textiles, Apparel &amp; Luxury Goods vs. MSCI Europe</td>
<td>3.7</td>
<td>0.4</td>
<td>29%</td>
<td>48.5</td>
<td>3.2</td>
<td>Above Mean</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software vs. MSCI Europe</td>
<td>2.3</td>
<td>-0.1</td>
<td>53%</td>
<td>-1.1</td>
<td>Below Mean</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food Products vs. MSCI Europe</td>
<td>4.4</td>
<td>-1.2</td>
<td>25%</td>
<td>-0.3</td>
<td>Below Mean</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beverages vs. MSCI Europe</td>
<td>4.5</td>
<td>-1.2</td>
<td>21%</td>
<td>-0.4</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance vs. MSCI Europe</td>
<td>6.9</td>
<td>1.2</td>
<td>11%</td>
<td>Above Mean</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aerospace &amp; Defense vs. MSCI Europe</td>
<td>2.7</td>
<td>1.4</td>
<td>10%</td>
<td>Above Mean</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metals &amp; Mining vs. MSCI Europe</td>
<td>2.5</td>
<td>0.2</td>
<td>9%</td>
<td>Above Mean</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electric Utilities vs. MSCI Europe</td>
<td>3.1</td>
<td>1.7</td>
<td>6%</td>
<td>Above Falling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemicals vs. MSCI Europe</td>
<td>3.4</td>
<td>-1.4</td>
<td>-3%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharmaceuticals vs. MSCI Europe</td>
<td>9.1</td>
<td>-1.1</td>
<td>-10%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automobiles vs. MSCI Europe</td>
<td>2.1</td>
<td>0.2</td>
<td>5%</td>
<td>Above Falling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Markets vs. MSCI Europe</td>
<td>2.5</td>
<td>1.5</td>
<td>-17%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil, Gas &amp; Consumable Fuels vs. MSCI Europe</td>
<td>6.7</td>
<td>-0.7</td>
<td>-15%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversified Communication Services vs. MSCI Europe</td>
<td>3.3</td>
<td>1.3</td>
<td>-10%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks vs. MSCI Europe</td>
<td>9.2</td>
<td>-0.1</td>
<td>-16%</td>
<td>Below Falling</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</table>

Exhibit 2: European Capital Markets vs. MSCI Europe

Trend / Width: -17% / 10%
Trend Length: 19 mo

Exhibit 3: CDS Trends

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>MktCap (US$)</th>
<th>Trend</th>
<th>CDS Slope</th>
<th>CDS Hi (Mo)</th>
<th>CDS Low (Mo)</th>
<th>Fit to Equity</th>
<th>CDS 1-Day Chg (%)</th>
<th>CDS 5-Day Chg (%)</th>
<th>CDS Tight</th>
<th>CDS % Chg Wrt 50D MA</th>
<th>Chg Wrt 50 Day MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>UBSG SW</td>
<td>UBS Group AG</td>
<td>47,128</td>
<td>-73%</td>
<td>2</td>
<td>0.32</td>
<td>-1%</td>
<td>-5%</td>
<td>17.5</td>
<td>-20%</td>
<td>Below Falling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CS</td>
<td>Credit Suisse Group</td>
<td>31,465</td>
<td>-63%</td>
<td>1</td>
<td>0.29</td>
<td>-3%</td>
<td>-2%</td>
<td>17.0</td>
<td>-24%</td>
<td>Below Falling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DB US</td>
<td>Deutsche Bank</td>
<td>15,852</td>
<td>-27%</td>
<td>3</td>
<td>0.53</td>
<td>-1%</td>
<td>5%</td>
<td>17.0</td>
<td>-18%</td>
<td>Below Falling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>III LN</td>
<td>3i Group PLC</td>
<td>13,812</td>
<td>-1%</td>
<td>5</td>
<td>0.30</td>
<td>0%</td>
<td>0%</td>
<td>12.0</td>
<td>-1%</td>
<td>Below Falling</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Exhibit 4: 3i Group PLC (III LN) Price Trend

Trend / Width: 10%/10%
Trend Length: 7 mo

Exhibit 5: Credit Suisse Group Equity/CDS Overlay

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

A Refinement in the Global Order

- Here's a link to our global relative strength heap map:
  - On the positive side of the ledger, you see the long duration trio of **technology**, **real estate**, and **utilities**. Nothing new.
  - On the negative side, the combination of a **slide in materials**, coupled with a **rebound in energy**, means that energy is not the worst place to be. This is new.

- If we **parse energy further**, you see that what is new is **the improvement of refiners to a neutral reading** – Exhibit 1.
  - If we **parse refiners further**, you see what is new is the number of **US and global refiners breaking above underperforming trends** – Exhibit 2.
    - These stocks have been dead for a year. Our system asks you to take a look now, **at the inflection point**.

Nobody loves me, but my mother,
And she could me jivin’ too
B.B. King

Exhibit 1: Energy Relative Strength Breadth Heat Map

Exhibit 2: Refiners vs ACWI

Continued Strength

Bottom Fishing Opportunities for a US and Global Portfolio

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

So I’m Going, I’m Just Going,…

• We love ratios
  o Own this vs that
  o Rewarded vs disregarded
  o Outperforming vs underperforming

• There is a ratio that we’ve been watching break one, two, and we are just waiting for it to break the third resistance. It’s a ratio of a yellow non-fiat currency with the atomic number 79, against a global basket of paper, some with coupons, some without, priced in fiat currencies. We anticipate a breakout – Exhibit 1.
  o Look at all the moves in ratios towards going, going, gone – Exhibit 2.
  o And watch gold stocks, 1st decile in our system, be transformed – Exhibit 3.

Exhibit 1: Gold, Global Bond Price Index, Ratio, Correlation of Returns

...Gone (Part 1)

...Gone Part 2

Exhibit 2: Gold Stuff vs Other Stuff Ratios

<table>
<thead>
<tr>
<th>Name</th>
<th>1-Day Chg (%)</th>
<th>5-Day Chg (%)</th>
<th>Chg Last Day</th>
<th>Reward / Risk</th>
<th>Trend Slope</th>
<th>Rs Hi (Mo)</th>
<th>Rs Lo (Mo)</th>
<th>%Chg wrt 50d MA</th>
<th>Chg wrt 20 Day MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold / Silver</td>
<td>0.7%</td>
<td>0.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3% Above Reats</td>
<td></td>
</tr>
<tr>
<td>Gold / German Bonds</td>
<td>1.4%</td>
<td>0.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>Gold / Base Metals</td>
<td>-0.2%</td>
<td>-1.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Stocks / Bullion</td>
<td>0.6%</td>
<td>1.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>19%</td>
<td>5% Above Reats</td>
</tr>
<tr>
<td>Gold / Gold Bonds</td>
<td>1.5%</td>
<td>0.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>19%</td>
<td>7% Above Reats</td>
</tr>
<tr>
<td>Gold / ACWI</td>
<td>1.8%</td>
<td>2.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8%</td>
<td>4% Above Reats</td>
</tr>
<tr>
<td>Gold / Oil</td>
<td>-2.9%</td>
<td>-5.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>18%</td>
<td>10% Above Reats</td>
</tr>
<tr>
<td>Gold / SPX</td>
<td>1.1%</td>
<td>0.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-15%</td>
<td></td>
</tr>
<tr>
<td>Jr. / Sr. Golds</td>
<td>0.5%</td>
<td>0.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-18%</td>
<td></td>
</tr>
</tbody>
</table>

Exhibit 3: Gold Stocks vs ACWI

Consistent Out-performance Still Rare (Expected to Improve)

Underperforming Buckets Are Emptying

Shifting Towards Outperformance

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

- We are always looking for the inflection point, or the point at which one must make a decision of following the trend, or paying heed to the potential change in direction. Today, there is scant evidence of any major changes. The long duration stuff is working, and the backup in bond yields this morning is simply removing an overbought condition (price above the top end of the channel), marked by panic buying a few weeks ago. The continued dive in the CRB Raw Industrials, and steady state of the creditworthiness of the banking system, also supports continuity.

  - If the strategy ain’t broke, don’t fix it – Exhibit 1.

Exhibit 1: Largest 25 Momentum Buys in Strong Industries – Full List Here

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>Grp</th>
<th>RS</th>
<th>LT Price</th>
<th>Price Trend</th>
<th>MktCap (US$)</th>
<th>Vol (%)</th>
<th>Price Trend</th>
<th>Trend Slope</th>
<th>HI (Mo)</th>
<th>Low (Mo)</th>
<th>% Chg w/50 MA</th>
<th>%Chg w/150d MA</th>
<th>Chg w/50 Day MA</th>
<th>Chg w/150 Day MA</th>
<th>Div</th>
</tr>
</thead>
<tbody>
<tr>
<td>000858 CH</td>
<td>Wallamye Yibin</td>
<td>Dist/Inf</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>70,985</td>
<td>2.99</td>
<td></td>
<td></td>
<td></td>
<td>410%</td>
<td>18%</td>
<td>Above Rising</td>
<td>58%</td>
<td>Above Rising</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>PYPL US</td>
<td>PayPal</td>
<td>Data/Proc</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>129,077</td>
<td>1.90</td>
<td></td>
<td></td>
<td></td>
<td>81%</td>
<td>5%</td>
<td>Above Rising</td>
<td>16%</td>
<td>Above Rising</td>
<td>62%</td>
<td></td>
</tr>
<tr>
<td>MA US</td>
<td>MasterCard</td>
<td>Data/Proc</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>275,026</td>
<td>1.73</td>
<td></td>
<td></td>
<td></td>
<td>86%</td>
<td>48%</td>
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<td>56%</td>
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<td>3%</td>
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<td>Above Rising</td>
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<td>17%</td>
<td>Above Rising</td>
<td>58%</td>
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<td>5</td>
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<td>1.11</td>
<td></td>
<td></td>
<td></td>
<td>10%</td>
<td>6%</td>
<td>Above Rising</td>
<td>12%</td>
<td>Above Rising</td>
<td>64%</td>
<td></td>
</tr>
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</table>

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

**The Book of Armaments**

- Third break for the 10-2 yield curve – Exhibit 1.
  - With consequences for banks – Exhibit 2.
- Third hump for Canadian Pharmaceuticals eh – Exhibit 3?
  - Oh, it’s just a harmless little bunny, isn’t it? Well, it’s always the same. I always tell them – Exhibit 4.

---

**Exhibit 1: US 10-2 Yield Curve**

- Third Break is a Charm, Expect Inversion On Next Leg Lower

**Exhibit 2: US 10-2 Yield Curve, Global Banks RS, US Banks RS**

- Yes, It’s Messy, But Flattening, Does not Flatter Banks Relative Performance

**Exhibit 3: North American Marijuana Index**

- Target on Breakdown (Below Neckline)

**Exhibit 4: CBD Mo Sells vs the North American Marijuana Index**

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

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Legal Entity: BMO Nesbitt Burns inc.

Tighten Up

• On Friday, with the strong US job report, rates backed up, and our relative strength breadth report saw a large uptick in financials and a notable draw down in industrials.
• This morning, Chinese markets are off sharply as an "accommodative" central bank stance is walked back. North American yield curves, in flattening mode before Friday (Canada inverted Thursday), continue to be in flattening mode this morning.
• Markets want loosening, and when they don’t get it, as yield curves imply, economies are going to get mellow. Industrials will be a casualty in that track – Exhibits 1-4.

Yeah, now everybody tighten it up now; Now look here, we gonna make it mellow for you now
Archie Bell & The Drells; Tighten up

Exhibit 1: Industrials Relative Strength Z-Score

Strong Job Numbers = Sharp Retreat Here, And...

Exhibit 2: Industrials vs MSCI World

Exhibit 3: Largest 50 Industrials vs MSCI World

Tilted Towards Outperformance, Yet Breaking Bad

Exhibit 4: Severed Industrial Outperformers vs MSCI World

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
I Heard a Bear

- Here is a key inflection point, and yes it’s very much an outlier: rising rates – Exhibit 1.
  - To show how much of an outlier it is, take a look at the longer end of the curve, which continues to see yields dive in tandem with the rest of the world – Exhibit 2.
  - The net effect is that the 30-5 curve is back in dive mode, with inversion being targeted on this leg lower – Exhibit 3.
    - And 1st prize for the first 10-2 curve to invert goes to Canada eh – Exhibit 4.

---

I've slept out in the forest, scared I heard a bear
Chris Hadfield, In Canada

---

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
The Bifurcation of Industrials

- Most of our notes tout different versions of the same outperforming theme, “long duration”. This one is a bit different, but not much. Our breadth reading on industrials, which has been stuck in the neutral zone for a long time, is improving towards positive, so as we like to do, we offer the “pre-breakout” view – Exhibit 1.
- When you look at global industrial industries, you see where the long duration bias comes in. You should be overweight long duration industries like infrastructure and rails, and underweight consumer-oriented sectors like air freight and trading companies – Exhibit 2.
  - Using our relative strength breadth work to take industrials down to the GICS 4 level, we carved out the global industrial momentum buys where the subindustry is 5th decile or better – Exhibit 3.

Exhibit 1: Industrials Relative Strength Breadth Z-Score

Exhibit 2: Industrial Industries vs MSCI World

Exhibit 3: Largest 20 Global Industrial Momentum Buys in Top Subindustries Based on RS Breadth – Full List Here

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

Here Comes the Sun

- Between Canada Day and the 4th of July seems a bit early to bring out our Otis Redding collection...
  - ...stocks you can own, while Sittin’ On The Dock of the Bay...i.e., low volatility momentum buys with indicated dividend yield > 2% and a solid dividend growth profile...
  - ...But it’s a hot and sunny week here, and even hotter there, which means the black flies will be clearing up so here we go. Many of these stocks are “long duration” stocks, and with Lagarde (as opposed to Weidman) taking the helm of the ECB, and with the POTUS stacking the FED with doves, the song remains the same.
  - Typically we present this list showing dividend adjusted price trends, but with equity markets, and credit conditions looking pretty solid, we will show it in relative terms so you can keep up with the market – Exhibit 1.

Exhibit 1: Largest 25 Global Sittin’ On The Dock of the Bay Stocks vs ACWI (Full List Here, vs North American Listed vs S&P 500 Here)

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>GRP RS</th>
<th>LT RS</th>
<th>LT MktCap (USD)</th>
<th>Vol (%)</th>
<th>ACWI</th>
<th>Trend Slope</th>
<th>%Chg w/ 50 MA</th>
<th>Chg w/ 150 MA</th>
<th>Yield</th>
<th>DVD Growth 1y</th>
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<td>OG SnTr</td>
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<td>10%</td>
<td>10%</td>
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</tr>
<tr>
<td>KMB US</td>
<td>Kimberly-Clark</td>
<td>HldPrdct</td>
<td>4</td>
<td>4</td>
<td>46,780</td>
<td>1.42</td>
<td></td>
<td>23%</td>
<td>-4% Above Rising</td>
<td>11% Above Rising</td>
<td>ABOVE</td>
<td>58.0%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
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<td>Consolidated Edison</td>
<td>MultiUll</td>
<td>3</td>
<td>2</td>
<td>29,435</td>
<td>1.07</td>
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<td>16%</td>
<td>2% Above Rising</td>
<td>7% Above Rising</td>
<td>ABOVE</td>
<td>53.3%</td>
<td>4%</td>
<td>3%</td>
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<tr>
<td>NEE US</td>
<td>NextEra Energy</td>
<td>ElectUll</td>
<td>3</td>
<td>1</td>
<td>99,456</td>
<td>0.97</td>
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<td>22%</td>
<td>5% Above Rising</td>
<td>10% Above Rising</td>
<td>ABOVE</td>
<td>62.4%</td>
<td>13%</td>
<td>13%</td>
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<tr>
<td>PUD US</td>
<td>Prologis</td>
<td>IndusRLEIT</td>
<td>2</td>
<td>2</td>
<td>51,459</td>
<td>1.21</td>
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<td>17%</td>
<td>6% Above Rising</td>
<td>14% Above Rising</td>
<td>ABOVE</td>
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<td>10%</td>
<td>7%</td>
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<td>Travelers Cos</td>
<td>P&amp;C Insrr</td>
<td>2</td>
<td>3</td>
<td>40,607</td>
<td>1.00</td>
<td></td>
<td>15%</td>
<td>5% Above Rising</td>
<td>13% Above Rising</td>
<td>ABOVE</td>
<td>64.2%</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td>G IM</td>
<td>Assicuraceiloni Generali</td>
<td>Multi-LiIns</td>
<td>2</td>
<td>7</td>
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<td>0.93</td>
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<td>13%</td>
<td>3% Above Rising</td>
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<td>ABOVE</td>
<td>56.3%</td>
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<td>HD US</td>
<td>Home Depot</td>
<td>HmImpRls</td>
<td>3</td>
<td>2</td>
<td>231,214</td>
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<td>11%</td>
<td>0% Above Rising</td>
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<td>58.2%</td>
<td>24%</td>
<td>23%</td>
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<tr>
<td>ENEL IM</td>
<td>Enel SpA</td>
<td>ElectUll</td>
<td>3</td>
<td>4</td>
<td>71,822</td>
<td>1.06</td>
<td></td>
<td>13%</td>
<td>8% Above Rising</td>
<td>14% Above Rising</td>
<td>ABOVE</td>
<td>68.6%</td>
<td>39%</td>
<td>19%</td>
</tr>
<tr>
<td>CL US</td>
<td>Colgate-Palmolive</td>
<td>HldPrdct</td>
<td>8</td>
<td>6</td>
<td>52,440</td>
<td>1.19</td>
<td></td>
<td>11%</td>
<td>2% Above Rising</td>
<td>8% Above Rising</td>
<td>ABOVE</td>
<td>53.2%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>CB US</td>
<td>Chuck Corp</td>
<td>P&amp;C Insrr</td>
<td>2</td>
<td>5</td>
<td>67,057</td>
<td>1.05</td>
<td></td>
<td>9%</td>
<td>2% Above Rising</td>
<td>8% Above Rising</td>
<td>ABOVE</td>
<td>55.2%</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

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

Fifty Ways to Leave Your Longs

- Every “long duration asset,” and we are big advocates of owning them, has a caveat.
  - Bonds with a guaranteed negative return held to maturity, what are you nuts?
  - Gold, a step above clam shells, in the great history of monetary assets, requires a greater fool (yet beats bonds).
  - Real estate needs a tenant. It’s Real Estate that we’ve noted has been sliding out of favour recently, and we have advocated purchase...but the great thing about our work is we can always take you down to the micro level, to show you what the market rewards.

- When we delve into real estate, we see positives, neutrals, and negatives. The key segment that has slid all the way down to negative in our breadth work this year has been the FIFTY global Retail REITs, and the US market cap weighted view is the same – Exhibits 1, 2.
  - Here are the stocks that longs should leave, or shorts can pick up – Exhibit 3.

Exhibit 1: Retail REIT Relative Strength Breadth Z-Score

Exhibit 2: US Retail REITs vs S&P 1500

Exhibit 3: Largest 15 Retail REIT Stocks in Downtrends – Full List Here, Full Spectrum Here

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
The Slump in Junk

- We really want to focus on investment grade (IG) bonds, but couldn’t find a catchy title for one, and secondly, it’s useful to look at the opposite side of the coin. Why IG? For a “go anywhere” bond fund, benchmarked against the AGG, it’s at the top of the heap – Exhibit 1.

- We’ve been big advocates of a long-duration strategy, and you can see in that little insert, that this is where you get the most torque (in a market where key commodity and inflation expectation gauges are trending lower).
  - If we use long duration as the benchmark, instead of the aggregate, you see that switching from long-term treasuries to investment grade corporates makes sense right now. We will also throw in the caveat, for we see that more pessimistic view too – Exhibit 2.

- Let’s get junk in here, because it does help to put IG in context. How does IG look vs. junk? Set to break out to a 2.5y high – Exhibit 3.

- What does it all mean? Markets are pricing in a global easing cycle, but are not convinced of its efficacy in getting global economic growth going. You can either align yourself with the market (as we have done with our recommendations), or speculate against the trends. We are trend followers, unless we see enough inflection points in the opposite direction. We remain trend followers.

Exhibit 1: IG Bonds vs. Barclays Aggregate (Best vs. AGG in Insert)

Exhibit 2: Investment Grade Corp Bonds vs. Long-Term Treasuries

Exhibit 3: IG Bonds vs. Junk Bonds

Exhibit 4: Global ex US HY vs. Barclays Aggregate

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

**Try This Position**

- How are markets positioned ahead of the US/China meeting at the G20? – Exhibit 1
  - So we give you the best of both leading **defensive** and **offensive** buckets – Exhibits 3, 4.

---

**Exhibit 1: Global Relative Strength Breadth Heat Map**

- **Defense!**
- **Offense!**

*Defend the market with quality!*

*Offensive plays too!*

**Exhibit 2: CRB Raw Industrials**

No one buys Burlap, copper scrap, cotton, hides, lead scrap, print cloth, rosin, rubber, steel scrap, tallow, tin, wool tops, and zinc to speculate on a US/China G20 outcome. It’s just the reality of this leading economic indicator.

---

**Exhibit 3: Top of Utility Momentum Buy List vs ACWI – Largest 15 Here**

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>MR Cap (US$)</th>
<th>Chg Last Day</th>
<th>ACWI</th>
<th>Trend Slope</th>
<th>RH (%)</th>
<th>RM (%)</th>
<th>% Chg w/ 50 D MA</th>
<th>Chg w/ 50 D MA</th>
<th>ESI Dly</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACE IN</td>
<td>ACEA SpA</td>
<td>4,140</td>
<td>▲ 54%</td>
<td>6%</td>
<td>Above Rising</td>
<td>60</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RHN CN</td>
<td>TransAlta Renewables</td>
<td>2,771</td>
<td>▲ 37%</td>
<td>1%</td>
<td>Above Rising</td>
<td>52</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>PKX IM</td>
<td>Pacific Renewables</td>
<td>1,230</td>
<td>▲ 70%</td>
<td>8%</td>
<td>Above Rising</td>
<td>54</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TERR US</td>
<td>TerraForm Power</td>
<td>2,941</td>
<td>▲ 33%</td>
<td>4%</td>
<td>Above Rising</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EE US</td>
<td>El Paso Electric</td>
<td>2,654</td>
<td>▲ 36%</td>
<td>7%</td>
<td>Above Rising</td>
<td>64</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ISF-CN</td>
<td>Brookfield Renewable Energy</td>
<td>8,140</td>
<td>▲ 25%</td>
<td>3%</td>
<td>Above Rising</td>
<td>63</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EMA CN</td>
<td>Emera Inc</td>
<td>9,941</td>
<td>▲ 22%</td>
<td>15.5%</td>
<td>Above Rising</td>
<td>70</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>ELF US</td>
<td>Cia Paranaense de Energia</td>
<td>1,592</td>
<td>▲ 59%</td>
<td>9%</td>
<td>Above Rising</td>
<td>57</td>
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<tr>
<td>DJ COE Energy</td>
<td></td>
<td>37,215</td>
<td>▲ 32%</td>
<td>10%</td>
<td>Above Rising</td>
<td>54</td>
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<td></td>
</tr>
<tr>
<td>VEE NB</td>
<td>Veolia Environment</td>
<td>23,791</td>
<td>▲ 22%</td>
<td>4%</td>
<td>Above Rising</td>
<td>56</td>
<td></td>
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<td>IBE SH</td>
<td>Iberdrola</td>
<td>61,566</td>
<td>▲ 35%</td>
<td>6%</td>
<td>Above Rising</td>
<td>56</td>
<td></td>
<td></td>
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<tr>
<td>HE US</td>
<td>Hawaiian Electric Industries</td>
<td>4,687</td>
<td>▲ 22%</td>
<td>2%</td>
<td>Above Rising</td>
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<tr>
<td>KWE US</td>
<td>Northeastern</td>
<td>3,663</td>
<td>▲ 29%</td>
<td>1.5%</td>
<td>Above Rising</td>
<td>46</td>
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<td></td>
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<td>SPB CN</td>
<td>Superior Plus</td>
<td>1,778</td>
<td>▲ 28%</td>
<td>9%</td>
<td>Above Rising</td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>BKX US</td>
<td>Black Hills</td>
<td>4,665</td>
<td>▲ 31%</td>
<td>2%</td>
<td>Above Rising</td>
<td>46</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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**Exhibit 4: Top of Tech Momentum Buy List vs ACWI – Largest 15 Here**

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>MR Cap (US$)</th>
<th>ACWI</th>
<th>Trend Slope</th>
<th>RH (%)</th>
<th>RM (%)</th>
<th>% Chg w/ 50 D MA</th>
<th>Chg w/ 50 D MA</th>
<th>ESI Dly</th>
</tr>
</thead>
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<tr>
<td>QPN US</td>
<td>Global Payments</td>
<td>24,857</td>
<td>▲ 60%</td>
<td>5%</td>
<td>Above Rising</td>
<td>37</td>
<td></td>
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<tr>
<td>SHOP CN</td>
<td>Shopify</td>
<td>28,695</td>
<td>▲ 143%</td>
<td>5%</td>
<td>Above Rising</td>
<td>46</td>
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<tr>
<td>MA US</td>
<td>MasterCard</td>
<td>253,877</td>
<td>▲ 44%</td>
<td>3%</td>
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<td>55</td>
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<tr>
<td>ORI780 KS</td>
<td>Pardex</td>
<td>3,830</td>
<td>▲ 131%</td>
<td>11%</td>
<td>Above Rising</td>
<td>57</td>
<td></td>
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<tr>
<td>FLT US</td>
<td>FleetCor Technologies</td>
<td>23,880</td>
<td>▲ 59%</td>
<td>5%</td>
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<tr>
<td>EETF US</td>
<td>Euronet Worldwide</td>
<td>8,326</td>
<td>▲ 71%</td>
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<tr>
<td>PFL US</td>
<td>PayPal</td>
<td>134,119</td>
<td>▲ 41%</td>
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<td>Above Rising</td>
<td>54</td>
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<tr>
<td>HLM LN</td>
<td>Halma PLC</td>
<td>9,889</td>
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<tr>
<td>BAH US</td>
<td>Bose Allen Hamilton Holding</td>
<td>9,151</td>
<td>▲ 54%</td>
<td>6%</td>
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<tr>
<td>G US</td>
<td>Gerbert</td>
<td>7,114</td>
<td>▲ 42%</td>
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<td>Cadence Design Systems</td>
<td>10,627</td>
<td>▲ 7%</td>
<td>4%</td>
<td>Above Rising</td>
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<td>WP US</td>
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<td>▲ 86%</td>
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<td>Above Rising</td>
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<td>SVCH US</td>
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<td>1,068</td>
<td>▲ 7%</td>
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<td>Above Rising</td>
<td>32</td>
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<td>Varian</td>
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<td>▲ 37%</td>
<td>4%</td>
<td>Above Rising</td>
<td>56</td>
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<tr>
<td>AZPN US</td>
<td>Aspen Technology</td>
<td>8,304</td>
<td>▲ 5%</td>
<td>2%</td>
<td>Above Rising</td>
<td>51</td>
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<td></td>
</tr>
</tbody>
</table>

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

**Mmm Mmm Mmm Mmm**

- Here’s the chart that made us go *mmm*, as it seems against the “market narrative”. Implied volatility in copper spiked above the top of its channel, and no it’s not selling, it’s panic buying – Exhibit 1.
  - Are copper shorts about to get stopped out?
- A great hunting ground for what’s brewing against the equity market narrative is in equity/CDS overlays. The best way to benefit from this is to position for convergence, as opposed to trying to figure out which market is “right”. But for those that can’t enter into such a transaction, and for those who don’t want to get run over on short equity positions, we make the following observations – Exhibits 2, 3, 4.

---

**Exhibit 1: Copper Implied Volatility & CMX Copper in Insert**

---

**Exhibit 2: CDS Questions a Short Position in ArcelorMittal**

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**Exhibit 3: Goldman Sachs Equity/CDS Overlay**

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**Exhibit 4: BMW Equity/CDS Overlay**

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

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**Mmm Mmm Mmm Mmm Mmm**

Crash Test Dummies
Switch, Part 2

- Switch part 1 was out of bonds into gold, based on the fact that we quantified panic buying of bonds, which we expected to roll into bullion. So far, so good. Now, what do we do with this? – Exhibit 1.

- What’s on sale, yet still fits our go “long duration” theme, which we continue to recommend, based on the trends in commodities and inflation expectations? Real Estate – Exhibit 2.

- Now we’ve never contemplated this switch, but low and behold it works, and while real estate is not quite at the oversold extreme, it’s getting there quickly – Exhibit 3.
  - Despite our prodding, we’re sure that many clients don’t have a large gold position to swap into real estate. That’s OK. We also see the pullbacks vs. equity markets as something to bid on, as the offers are in plain sight – Exhibit 4.

Exhibit 1: Gold Volatility Index (GVXX)

Exhibit 2: Global Relative Strength Sector Heat Map

Exhibit 3: Ratio of Global Real Estate (TENHGU) vs. Spot Gold

Exhibit 4: Real Estate ETFs vs. ACWI
**Trends & Inflection Points in FX**

- Here’s your first key inflection point, the US dollar severed an uptrend, and crossed below all key moving averages – Exhibit 1.
  - Buy the dip, or stop loss point?
    - We see it as a stop loss point, and are looking for better looking destinations – Exhibit 2.
- Gold is on top, and we’ve been all over it here, here, here, here, here, and here; and we could go on, but with 50% of golds currently overbought, let’s look at what makes the yen attractive.
- With most inflation expectations diving in the direction of Japan (as the CRB Raw Industrials tumbles), Japanese inflation expectations are holding in at a solid level of 20bps. Sure it’s not much, but it’s stable, and as such, attractive – Exhibit 3.
  - The yen is more than just one of two major crosses that is trending higher, above rising moving averages; it’s also undergoing a major positive reversal. That’s your second key inflection point – Exhibit 4.

**Exhibit 1: Bloomberg US Dollar Index**

**Exhibit 2: Major Crosses vs USD, Best Two on Top**

**Exhibit 3: Japanese 10y Breakeven Rate (Inflation Expectations)**

**Exhibit 4: Japanese Yen (JPYUSDx100)**

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

What Does That Mean?

- Draghi & Powell puts are being priced in here (great for capital markets)...Exhibit 1,
  - ...but not there (zero impact on this leading economic indicator of global growth) – Exhibit 2.

- Which means you continue to overweight here – Exhibit 3, but...
  - ...also realize when major central banks contemplate starting an easing cycle at the zero bound (where all German yields are set to go negative), that some trends are going to change, or accelerate – Exhibit 4.

- All German yields negative? Seriously?...

Morpheus: Have you ever had a dream, Neo, that you were so sure was real? What if you were unable to wake from that dream?

Cypher: It means buckle your seat belt, Dorothy, 'cause Kansas is going bye-bye.

Neo: Did you...

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

Exhibit 1: MSCI World TRI

Exhibit 2: CRB Raw Industrials

Exhibit 3: Technology vs MSCI World

Exhibit 4: Gold in Canadian Dollars – Long Term View
June 20, 2019

**Trends & Inflection Points**

**This Is What It Looks Like When Doves Cry**

- Central banks (ex Norway) are now fully following the trends already in place. For the ECB, it’s inflation expectations, and for the FED, it’s the US 2y yield, which has been crying since October. So don’t expect big changes for us on the strategy front, unless we see their turns to the dove side having an impact. Until then, we wait.

- Broadening out with a few bits not in the latest overview package; it’s growth over value, large over small, and North America over other regions.

- Here are North American Momentum buys, with an earnings filter applied – Exhibit 1.

**Exhibit 1: North American Momentum Buys vs. ACWI, With an Earnings Growth Filter Applied**

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>Grp RS</th>
<th>LT RS</th>
<th>RS MktCap (US$)</th>
<th>Vol (%)</th>
<th>ACWI</th>
<th>Trend Slope</th>
<th>RS M (Mo)</th>
<th>RS L (Mo)</th>
<th>%Chg wrt 50 Day MA</th>
<th>%Chg wrt 150 Day MA</th>
<th>Chg wrt 150 Day MA</th>
<th>%RSI</th>
<th>DTV</th>
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<tbody>
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<td>FICO US</td>
<td>Fair Isaac</td>
<td>ApplicSvr</td>
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<td>1</td>
<td>1</td>
<td>8,681</td>
<td>1.76</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>EME US</td>
<td>EPICOR Group</td>
<td>CnsEng</td>
<td>7</td>
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Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
Mindfulness

- Here’s the link to our latest chart deck, mindfulness. We point out a number of “mind the gap” divergences, and also a page of “mind the closing gaps,” which are related to gold in major currencies.
- We see gold as both a treasury and a currency surrogate.
- As a treasury surrogate, gold is guaranteed never to extract a negative yield from you, and we expect that while the total value of that bucket soars, those who can switch to gold will do so. Yesterday, in true treasury fashion, gold volatility spiked to the top end of the channel. From this perspective, the gold market behaved a lot like treasuries, where we see volatility spike upon panic buying (not selling) as buyers are underweight and are forced in. We take this signal that the world is underweight gold – Exhibit 1.

- You know you are in a bull market for gold, when it looks great against all major crosses.
  - Gold looks great against all major crosses – Exhibit 2.
  - As a currency surrogate, gold pledges not to cut rates. That’s key as the world enters a fresh easing cycle at the zero bound.
  - Gold is already at a new high in Aussie terms, and is next closest in loonie terms. For the rest, mind the closing gaps – Exhibit 3.

Exhibit 1: Gold Volatility Index (GVXX)

Exhibit 2: Gold in Swiss Franc (vs Other Crosses in Insert)

Exhibit 3: Gold in Major Currencies – Mind the Closing Gaps

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
We Already Miss You Mario!

- They don’t call him **super for nothing** – Exhibit 1.
  - Good thing there’s **insurance** – Exhibit 2.
    - **Here** are the winners. Follow the trend – Exhibit 3.
    - **Here** are the bank losers.
  - Good thing there’s **gold** – Exhibit 4.
    - **Here** are the winners. Follow the trends.

**Exhibit 1: European Banks & German 10y Yield at 7am This Morning**

Expect New Lows for European Banks As Super Mario Sends German Rates off 6bps Across the Curve at Pixel Time

**Exhibit 3: Insurance in Outperforming Trends vs STOXX 50 & Financials**

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>MktCap (US$)</th>
<th>Chg Last Day</th>
<th>STOXX 50</th>
<th>Trend Slope</th>
<th>RS HI (%)</th>
<th>RS Low (%)</th>
<th>%Chg wt 50 MA</th>
<th>Chg wt 50 MA</th>
<th>RSI 30 MA</th>
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<td>6% Below-Rising</td>
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<td>Allianz SE</td>
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<td>TRYG DC Tryg</td>
<td>9,939</td>
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<td>6%</td>
<td>6% Below-Rising</td>
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<td>6% Above-Rising</td>
<td>6%</td>
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**Exhibit 4: Stock of Negative Yielding Debt (Fit to Gold in Insert)**

**Mamma mia!**
Super Mario

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

Copper Stocks Neutral?

• On Friday, Copper and Zinc broke flattish uptrends. Steel broke earlier in the week. This leaves only Iron Ore, and that’s supply constrained, as the only major base metal/bulk in an uptrend – Exhibit 1.

• Our system sees copper stocks with a neutral rating on a relative basis. We see that as temporary, and expect worse – Exhibit 2.
  - Six of fourteen copper stocks are in downtrends, mind the oversold, but these are the “easy” short-sale candidates – Exhibit 3.
  - The largest copper stock, Southern Copper (SCCO US) just broke below its 50d MA. We highlight near-term risk and downside target – Exhibit 4.
  - Lundin Mining (LUN CN) reached a 1.5m high on Friday. We question whether this is the right shoulder of a head and shoulder top – Exhibit 5.

Exhibit 1: CMX Copper (Other Base Metals & Bulks in Insert)

Exhibit 2: Copper Equity Relative Strength Breadth Z-Score

Exhibit 3: Copper Stocks in Downtrends

Exhibit 4: Southern Copper (SCCO US) Price Trend

Exhibit 5: Lundin Mining (LUN CN) Price Trend

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
### Happy Feet & Cold, Cold, Cold Feet

- This morning, the screens are all green in bond land and also for that bond proxy, guaranteed to not have a negative yield, which is gold.
  - Lots of happy feet, and we trust we have you long there.
- We expect MSCI World will crack back below its 50d MA today, as equity investors look at the party in bond land, and get cold feet.
  - One good cold-feet watch short-sale filter (or for long only investors, a good stop-loss signaling monitor) which is designed to capture the inflection point from happy feet (stocks are trending higher at rates of 80%/year or better), to cold feet (that trend is broken...and note how many trends broke yesterday) nets 30 stocks – Exhibit 1.

When you’re out of time the flowers have been laid you’re six feet underground with cold feet, cold cold cold cold feet

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### Exhibit 1: Stocks Severing Steep Uptrends

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<th>Price Trend</th>
<th>Price Trend</th>
<th>Vol (%)</th>
<th>Chg Last Day</th>
<th>Trend Slope</th>
<th>Mi (Mo)</th>
<th>Chg wrt 50d MA</th>
<th>Chg wrt 100d MA</th>
<th>Chg wrt 150d MA</th>
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<td>42</td>
<td></td>
</tr>
<tr>
<td>000515 CH</td>
<td>Cree Electric</td>
<td>HldAppl</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>44,553</td>
<td>2.40</td>
<td>↓</td>
<td>168%</td>
<td>2.0</td>
<td>-5%</td>
<td>Below Rising</td>
<td>18%</td>
<td>Above Rising</td>
<td>43</td>
</tr>
<tr>
<td>GPRO US</td>
<td>GoPro Inc</td>
<td>CmElec</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>10</td>
<td>2</td>
<td>716</td>
<td>3.47</td>
<td>↓</td>
<td>124%</td>
<td>-9%</td>
<td>Below Falling</td>
<td>4%</td>
<td>Above Rising</td>
<td>36</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>III LN</td>
<td>3i Group PLC</td>
<td>AsstMgmt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4</td>
<td>3</td>
<td>1</td>
<td>12,666</td>
<td>1.47</td>
<td>↓</td>
<td>111%</td>
<td>-1%</td>
<td>Below Rising</td>
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<td>Above Rising</td>
<td>42</td>
<td></td>
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<td>CD Project SA</td>
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<td>4</td>
<td>2</td>
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<td>5,262</td>
<td>2.99</td>
<td>↓</td>
<td>129%</td>
<td>-1%</td>
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<td>16%</td>
<td>Above Rising</td>
<td>47</td>
<td></td>
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<td>BBO HK</td>
<td>SJM Holdings</td>
<td>CnsGlmm</td>
<td>9</td>
<td>9</td>
<td>1</td>
<td>6,085</td>
<td>2.95</td>
<td>↓</td>
<td>84%</td>
<td>0%</td>
<td>Below Falling</td>
<td>0%</td>
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<td>44</td>
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<tr>
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<td>Norfolk Southern</td>
<td>Rlrntrds</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>52,205</td>
<td>1.53</td>
<td>↓</td>
<td>98%</td>
<td>-1%</td>
<td>Below Rising</td>
<td>12%</td>
<td>Above Rising</td>
<td>45</td>
<td></td>
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<td>Harvey Norman Holdings</td>
<td>OmrchStrs</td>
<td>1</td>
<td>7</td>
<td>1</td>
<td>2,355</td>
<td>1.67</td>
<td>↓</td>
<td>100%</td>
<td>-1%</td>
<td>Below Rising</td>
<td>22%</td>
<td>Above Rising</td>
<td>45</td>
<td></td>
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<tr>
<td>CL CN</td>
<td>Cresco Labs Inc</td>
<td>Pharma</td>
<td>8</td>
<td>1</td>
<td>1</td>
<td>596</td>
<td>3.90</td>
<td>↓</td>
<td>435%</td>
<td>3.0</td>
<td>-22%</td>
<td>Below Falling</td>
<td>31</td>
<td></td>
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<td>CURA CN</td>
<td>Curaleaf Holdings</td>
<td>Pharma</td>
<td>8</td>
<td>5</td>
<td>1</td>
<td>2,603</td>
<td>5.74</td>
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<td>DOMO US</td>
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<td>ApplSwr</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>708</td>
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<td>3</td>
<td>3</td>
<td>1</td>
<td>11,818</td>
<td>3.05</td>
<td>↓</td>
<td>250%</td>
<td>-1%</td>
<td>Below Rising</td>
<td>21%</td>
<td>Above Rising</td>
<td>46</td>
<td></td>
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<tr>
<td>1836 HK</td>
<td>Stella Intl Hldgs</td>
<td>Footwear</td>
<td>5</td>
<td>9</td>
<td>1</td>
<td>1,195</td>
<td>2.61</td>
<td>↓</td>
<td>173%</td>
<td>2.0</td>
<td>-6%</td>
<td>Below Rising</td>
<td>18%</td>
<td>Above Rising</td>
<td>37</td>
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<tr>
<td>002127 CH</td>
<td>Nanol E-Commerce</td>
<td>Textiles</td>
<td>10</td>
<td>5</td>
<td>2</td>
<td>3,582</td>
<td>3.20</td>
<td>↓</td>
<td>137%</td>
<td>-11%</td>
<td>Below Rising</td>
<td>3%</td>
<td>Above Falling</td>
<td>39</td>
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<tr>
<td>VSAT US</td>
<td>ViaSat</td>
<td>ComEquip</td>
<td>8</td>
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<td>5,319</td>
<td>2.15</td>
<td>↓</td>
<td>181%</td>
<td>-1%</td>
<td>Below Rising</td>
<td>17%</td>
<td>Above Rising</td>
<td>46</td>
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<td>PigEatr</td>
<td>4</td>
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<td>Above Rising</td>
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<td>4</td>
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<td>Above Rising</td>
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<td>Above Rising</td>
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<td>HldntStmp</td>
<td>9</td>
<td>6</td>
<td>2</td>
<td>867</td>
<td>4.40</td>
<td>↓</td>
<td>132%</td>
<td>4.0</td>
<td>-10%</td>
<td>Below Falling</td>
<td>2%</td>
<td>Above Rising</td>
<td>21</td>
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<tr>
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<td>Glu Mobile</td>
<td>IntrntEnt</td>
<td>4</td>
<td>7</td>
<td>3</td>
<td>1,062</td>
<td>3.58</td>
<td>↓</td>
<td>101%</td>
<td>-24%</td>
<td>Below Falling</td>
<td>-19%</td>
<td>Below Below</td>
<td>26</td>
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<tr>
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<td>Spe SA</td>
<td>DvSgpSr</td>
<td>4</td>
<td>8</td>
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<td>2,737</td>
<td>2.19</td>
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<td>137%</td>
<td>-3%</td>
<td>Below Falling</td>
<td>12%</td>
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<td>Biotech</td>
<td>8</td>
<td>10</td>
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<td>4.52</td>
<td>↓</td>
<td>115%</td>
<td>-30%</td>
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<td>35</td>
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<td>Deutsche Pfandbriefbank AG</td>
<td>ThrftBrg</td>
<td>3</td>
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<td>1,657</td>
<td>1.78</td>
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<td>Below Rising</td>
<td>8%</td>
<td>Above Rising</td>
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<tr>
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<td>Elkem ASA</td>
<td>SpecChm</td>
<td>5</td>
<td>9</td>
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<td>1,495</td>
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<td>↓</td>
<td>118%</td>
<td>4.0</td>
<td>-24%</td>
<td>Below Rising</td>
<td>1%</td>
<td>Above Rising</td>
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<td>Nordic Semiconductor ASA</td>
<td>Sem</td>
<td>5</td>
<td>10</td>
<td>2</td>
<td>732</td>
<td>3.08</td>
<td>↓</td>
<td>97%</td>
<td>3.0</td>
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<td>Above Rising</td>
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<td>DvG E&amp;P</td>
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<td>758</td>
<td>3.92</td>
<td>↓</td>
<td>85%</td>
<td>-21%</td>
<td>Below Falling</td>
<td>-14%</td>
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<td>36</td>
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<td>6</td>
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<td>8,789</td>
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<td>↓</td>
<td>85%</td>
<td>1%</td>
<td>Above Rising</td>
<td>14%</td>
<td>Above Rising</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>CROX US</td>
<td>Crocs Inc</td>
<td>Footwear</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>1,372</td>
<td>3.19</td>
<td>↓</td>
<td>102%</td>
<td>8.0</td>
<td>-20%</td>
<td>Below Falling</td>
<td>-26%</td>
<td>Below Falling</td>
<td>30</td>
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<tr>
<td>BTOWVZ BZ</td>
<td>2iv Cia Digital</td>
<td>IntrntEnt</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>3,824</td>
<td>3.38</td>
<td>↓</td>
<td>81%</td>
<td>-8%</td>
<td>Below Falling</td>
<td>-20%</td>
<td>Below Falling</td>
<td>47</td>
<td></td>
</tr>
</tbody>
</table>

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

Defensive Pivots

- **In ETF land**, there were a few inflection points with defensive leanings indicating that the second leg of an advance is (well) underway – Exhibits 1, 3.
- For stock pickers, we drilled down to show the largest 15 stocks in each group so investors can either choose the outperformers, or the bottom fishing opportunities – Exhibits 2, 4.

**Exhibit 1:** Global Health Care ETF (IXJ US) vs ACWI

- Trend Length: 7 mo
- Trend Width: -16% / 9%

**Exhibit 2:** Largest 15 Health Care Stocks vs ACWI

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

Note: BMO Capital Markets is restricted on Newcrest Mining, Newmont Mining, Barrick Gold, and Polyus PJSC
The difference between CBD oil and crude oil is that crude oil lacks oxygen, and is suffocating in the current global growth threatened market. Energy is the flipside of our recommended long duration trio, and it stands alone in its ugliness – Exhibit 1.

Some will try the “mean reversion” trade, and buy into the ugliness. These would be the same which see the high yield energy market (short duration) bonds as a buy (double top on OAS); however we see current strength as a bid to sell into – Exhibit 2.

Our Energy link gives you a long list of energy momentum sells. We won’t discriminate between oil, gas, uranium, or refiner, they are all on the wrong side – Exhibit 3.

Exhibit 1: Global Sector Relative Strength Heat Map

Exhibit 2: North American HY Energy OAS

Exhibit 3: Top of Energy Momentum Sell List vs ACWI Energy – Full List Here

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
Your First Real Estate

- We are going to stay with the “messy charts” theme. Today, we pivot to real estate. Your first real estate was your bedroom, and your mom saw it as a mess, but you thought it was totally different in your eyes. We see the global real estate market that way. Sure our system sees just a 6%/trend with lots of volatility, but if we tweak the system to show the short-term trend, it’s more like 25%/year and just breaking out to give us leg 2 – Exhibit 1.
  - Why not top of the channel? Because when treasury volatility peaks, real estate buyers step in. The peak was a week ago. You are now here – Exhibit 2.
  - We sorted the largest 50 outperformers by slope, and show the stocks with slopes in excess of 20%. Yes we kept in stocks below falling 50d MAs as we think that many will clean up their mess – Exhibit 3.

Exhibit 1: FTSE EPRA/NAREIT Global Index (and short term trend)

Exhibit 2: Treasury Volatility (MOVE)

Exhibit 3: Largest 50 Outperformers, Sorted By Trend Slope to Show 20%+

Source: All charts/tables BMO Capital Markets, Bloomberg, Thomson, Markit
Our somewhat tempered, yet still bullish equity thesis says the US dollar should be falling, yet for the last few days it’s been rising. Anyone with experience with significant market dislocations, as what was witnessed with the demise of low volatility ETNs on Tuesday, is always on the lookout for the potential for another shoe to drop. If it were to drop, here’s what it would look like: Volatility of all types would rise and risk parity, worth ~$1tn would continue to suffer (Exhibit 1), this breakdown would be a stop loss signal, not a buy-the-dip opportunity (Exhibit 2), you would care, because those ~$1tn of assets adjust to the environment, and we are in a new environment. It also just so happens that prime broker creditworthiness is positively correlated with implied volatility (Exhibit 3) and one must always pay attention when bank credit risk is at an inflection point (Exhibit 4). This is an “if” not a “will” scenario. But we do know that higher bank risk = lower equity markets. We will continue to watch multi-asset volatility (rising this morning), and bank credit risk (rising this morning). Our buy the dip “after the melt-down” thesis requires credit risk to fall, not rise from here. The unexamined life is not worth living (Socrates).

I say: Mama, I can’t find one of my shoes! And she says, Oh no. Not again.

B.B. King, One Shoe Blues

Source: All charts/tables BMO Capital Markets, Bloomberg
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For a complete list of ETFs mentioned in this report, please contact the research analyst directly.

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Inverse ETFs seek to provide the opposite of the investment returns, also daily, of a given index or benchmark, either in whole or by multiples. Due to the effects of compounding and possible correlation errors, leveraged and inverse ETFs may experience greater losses than one would ordinarily expect.
### Distribution of Ratings (July 11, 2019)

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<td>20.6 %</td>
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<td>16.7 %</td>
<td>3.6 %</td>
<td>3.1 %</td>
<td>1.6 %</td>
<td>4.8%</td>
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* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.

*** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage of Investment Banking clients.

**** Reflects rating distribution of all companies covered by BMO Capital Markets equity research analysts.

***** Reflects rating distribution of all companies from which BMO Capital Markets has received compensation for Investment Banking services as percentage of Investment Banking clients.

~ As of April 1, 2019.

### Ratings Key (as of October 2016)

We use the following ratings system definitions:

- **OP** = Outperform - Forecast to outperform the analyst’s coverage universe on a total return basis;
- **Mkt** = Market Perform - Forecast to perform roughly in line with the analyst’s coverage universe on a total return basis;
- **Und** = Underperform - Forecast to underperform the analyst’s coverage universe on a total return basis;
- **(S)** = Speculative investment;
- **Spd** = Suspended - Coverage and rating suspended until coverage is reinstated;
- **NR** = No Rated - No rating at this time; and
- **R** = Restricted - Dissemination of research is currently restricted.

BMO Capital Markets' seven Top 15 lists guide investors to our best ideas according to different objectives (CDN Large Cap, CDN Small Cap, US Large Cap, US Small Cap, Income, CDN Quant, and US Quant have replaced the Top Pick rating).

### Prior BMO Capital Markets Rating System

(April 2013 - October 2016)


(January 2010 - April 2013)


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