* U.S. equity indices led most global benchmarks higher; 9 of 10 global sectors gained; the MSCI World index rose back to its rising 50d MA.

* Most global 10y yields rose, with U.S., U.K., German, French benchmarks minting 52w highs; odds of a Dec '14 FOMC rate hike rose to a new high of 62.8%; corporate default risk measures were little changed.

* The AUD/NZD duo led major crosses higher against the USD and EM currencies followed closely behind; the Euro gained for the first session of the past six, pulling back above its 50d MA.

* Silver and base metals led most commodities lower; gold and oil erased Tuesday’s gain.

---

**Levels**

<table>
<thead>
<tr>
<th>Currencies (USD per)</th>
<th>Symbol</th>
<th>H/L</th>
<th>Level</th>
<th>%Chg</th>
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**Commodities**

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<td>CMX Zn3</td>
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<td>Platinum</td>
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<tr>
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<tr>
<td>LME Ni 3m</td>
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<td>LME Zn 3m</td>
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**Government 10- Yr Benchmark**

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<td>U.K.</td>
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<td>Germany</td>
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<tr>
<td>France</td>
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<tr>
<td>Italy</td>
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<td>Spain</td>
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<td>0.04</td>
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<td>Greece</td>
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<tr>
<td>Australia</td>
<td></td>
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<tr>
<td>Hong Kong</td>
<td>4.02</td>
<td>0.03</td>
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<tr>
<td>India</td>
<td>8.39</td>
<td>0.19</td>
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**Equity Indices & Sentiment**

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<tr>
<td>S&amp;P 500</td>
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<tr>
<td>S&amp;P/TSX</td>
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<tr>
<td>CDX IG 5Yr</td>
<td>82.75</td>
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<tr>
<td>ARMS</td>
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</tr>
<tr>
<td>VIX</td>
<td>15.9</td>
<td>-4.4%</td>
<td></td>
</tr>
</tbody>
</table>

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
U.S. Dollar Index

Commodities
D.J.-UBS Commodity Price Index

Bonds
U.S. 10-Yr Bond

Equities
MSCI World Index

Yen

Gold (Spot)

U.S. 5Yr 5Yr Forward Breakeven

S&P 500

Euro

Crude Oil (WTI)

Japanese 10-Yr Bond

S&P/TSX Composite

Asia Dollar Index

Natural Gas (NMX)

Canadian 10-Yr Bond

CDX North American Inv. Grade Index

Canadian Dollar

Copper (CMX)

German 10-Yr Bund

VIX

Australiian Dollar

Nickel (LME 3Mo)

Italian 10-Yr Bond

DOOM: 1M Yen IV (AUD, EUR USD)
Intra Day Charts
2-Day 1-Minute View

Currencies
U.S. Dollar Index

Commodities
DJ-U伯 Commodity Price Index

Bonds
U.S. 10-Yr Bond

Equities
MSCI World Index

Yen

Gold (Spot)

U.S. 5Yr 5Yr Forward Breakeven

S&P 500

Euro

Crude Oil (WTI)

Japanese 10-Yr Bond

S&P/TSX Composite

Asia Dollar Index

Natural Gas (NMX)

Canadian 10-Yr Bond

CDX North American Inv. Grade Index

Canadian Dollar

Copper (CMX)

German 10-Yr Bund

VIX

Australian Dollar

Nickel (LME 3Mo)

Italian 10-Yr Bond

DOOM: 1M Yen IV (AUD, EUR, USD)
Daily Sector Charts
3-Month View with 26-Day Bollinger Bands and 150-, 200- and 50-Day Moving Averages

S&P 500

Energy
Materials
Industrials
Consumer Discretionary
Consumer Staples

Health Care
Financial Services
Technology
Telecom Services
Utilities

S&P/TSX Composite

Energy
Materials
Industrials
Consumer Discretionary
Consumer Staples

Health Care
Financial Services
Technology
Telecom Services
Utilities

S&P Europe 350

Energy
Materials
Industrials
Consumer Discretionary
Consumer Staples

Health Care
Financial Services
Technology
Telecom Services
Utilities
### Market Movers – Largest Daily Percentage Moves

#### S&P 500

<table>
<thead>
<tr>
<th>SECURITY</th>
<th>Ticker</th>
<th>% Chg</th>
<th>Name</th>
<th>Symbol</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kyushu Electric Power Co Inc</td>
<td>9508</td>
<td>2.1%</td>
<td>Public Service Enterprise Group</td>
<td>COST</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Enagas SA</td>
<td>ENG SQ</td>
<td>1.2%</td>
<td>Integris Energy Group Inc</td>
<td>TEPC</td>
<td>0.8%</td>
</tr>
<tr>
<td>Cia Paranaense de Energia</td>
<td>ELP UN</td>
<td>1.0%</td>
<td>ONEOK Inc</td>
<td>ONEOK</td>
<td>0.8%</td>
</tr>
<tr>
<td>APA Group</td>
<td>APA AT</td>
<td>-2.1%</td>
<td>CMS Energy Corp</td>
<td>CMS</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Enel SpA</td>
<td>ENEL M</td>
<td>-2.2%</td>
<td>Enerty Corp</td>
<td>ENEL</td>
<td>T-0.6%</td>
</tr>
<tr>
<td>Tokyo Electric Power Co Inc</td>
<td>9501</td>
<td>-2.9%</td>
<td>Wisconsin Energy Corp</td>
<td>WPIC</td>
<td>-2.1%</td>
</tr>
</tbody>
</table>

#### S&P/TSX Composite

<table>
<thead>
<tr>
<th>SECURITY</th>
<th>Ticker</th>
<th>% Chg</th>
<th>Name</th>
<th>Symbol</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atco Ltd/Canada</td>
<td>ACOX</td>
<td>3.5%</td>
<td>Atco Ltd</td>
<td>ACOX</td>
<td>3.5%</td>
</tr>
<tr>
<td>Capital Power Corp</td>
<td>CPX</td>
<td>2.2%</td>
<td>Capital Power Corp</td>
<td>CPX</td>
<td>2.2%</td>
</tr>
<tr>
<td>Canadian Utilities Ltd</td>
<td>CU</td>
<td>2.1%</td>
<td>Canadian Utilities Ltd</td>
<td>CU</td>
<td>2.1%</td>
</tr>
<tr>
<td>Emera Inc</td>
<td>EMRA</td>
<td>0.7%</td>
<td>Emera Inc</td>
<td>EMRA</td>
<td>0.7%</td>
</tr>
<tr>
<td>Superior Plus Corp</td>
<td>SPB</td>
<td>0.6%</td>
<td>Superior Plus Corp</td>
<td>SPB</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

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

### Energy
- **Symbol**: XLE
- **Last**: 54.46
- **Change**: +0.00
- **% Change**: +0.00%
- **Last Price**: 103.36
- **Previous Close**: 103.36
- **Bid**: 103.36
- **Ask**: 103.36
- **Bid Size**: 100
- **Ask Size**: 100
- **Prev. Close**: 103.36
- **Volume**: 86,450
- **Open**: 103.36
- **High**: 103.36
- **Low**: 103.36

### Industrials
- **Symbol**: XLI
- **Last**: 47.87
- **Change**: +0.00
- **% Change**: +0.00%
- **Last Price**: 86,450
- **Previous Close**: 86,450
- **Bid**: 86,450
- **Ask**: 86,450
- **Bid Size**: 100
- **Ask Size**: 100
- **Prev. Close**: 86,450
- **Volume**: 86,450
- **Open**: 86,450
- **High**: 86,450
- **Low**: 86,450

### Consumer Discretionary
- **Symbol**: XLY
- **Last**: 41.39
- **Change**: +0.00
- **% Change**: +0.00%
- **Last Price**: 103.36
- **Previous Close**: 103.36
- **Bid**: 103.36
- **Ask**: 103.36
- **Bid Size**: 100
- **Ask Size**: 100
- **Prev. Close**: 103.36
- **Volume**: 86,450
- **Open**: 103.36
- **High**: 103.36
- **Low**: 103.36

### Consumer Staples
- **Symbol**: XLP
- **Last**: 35.85
- **Change**: +0.00
- **% Change**: +0.00%
- **Last Price**: 103.36
- **Previous Close**: 103.36
- **Bid**: 103.36
- **Ask**: 103.36
- **Bid Size**: 100
- **Ask Size**: 100
- **Prev. Close**: 103.36
- **Volume**: 86,450
- **Open**: 103.36
- **High**: 103.36
- **Low**: 103.36

### Technology
- **Symbol**: XLT
- **Last**: 871.63
- **Change**: +0.00
- **% Change**: +0.00%
- **Last Price**: 103.36
- **Previous Close**: 103.36
- **Bid**: 103.36
- **Ask**: 103.36
- **Bid Size**: 100
- **Ask Size**: 100
- **Prev. Close**: 103.36
- **Volume**: 86,450
- **Open**: 103.36
- **High**: 103.36
- **Low**: 103.36

### Financials
- **Symbol**: XLF
- **Last**: 49.44
- **Change**: +0.00
- **% Change**: +0.00%
- **Last Price**: 103.36
- **Previous Close**: 103.36
- **Bid**: 103.36
- **Ask**: 103.36
- **Bid Size**: 100
- **Ask Size**: 100
- **Prev. Close**: 103.36
- **Volume**: 86,450
- **Open**: 103.36
- **High**: 103.36
- **Low**: 103.36

### Market Elements
- **Symbol**: XNQ
- **Last**: 29.05
- **Change**: +0.00
- **% Change**: +0.00%
- **Last Price**: 103.36
- **Previous Close**: 103.36
- **Bid**: 103.36
- **Ask**: 103.36
- **Bid Size**: 100
- **Ask Size**: 100
- **Prev. Close**: 103.36
- **Volume**: 86,450
- **Open**: 103.36
- **High**: 103.36
- **Low**: 103.36

### Health Care
- **Symbol**: XHC
- **Last**: 52.30
- **Change**: +0.00
- **% Change**: +0.00%
- **Last Price**: 103.36
- **Previous Close**: 103.36
- **Bid**: 103.36
- **Ask**: 103.36
- **Bid Size**: 100
- **Ask Size**: 100
- **Prev. Close**: 103.36
- **Volume**: 86,450
- **Open**: 103.36
- **High**: 103.36
- **Low**: 103.36

### Utilities
- **Symbol**: XLU
- **Last**: 40.89
- **Change**: +0.00
- **% Change**: +0.00%
- **Last Price**: 103.36
- **Previous Close**: 103.36
- **Bid**: 103.36
- **Ask**: 103.36
- **Bid Size**: 100
- **Ask Size**: 100
- **Prev. Close**: 103.36
- **Volume**: 86,450
- **Open**: 103.36
- **High**: 103.36
- **Low**: 103.36

### Telecommunications Services
- **Symbol**: XLC
- **Last**: 37.33
- **Change**: +0.00
- **% Change**: +0.00%
- **Last Price**: 103.36
- **Previous Close**: 103.36
- **Bid**: 103.36
- **Ask**: 103.36
- **Bid Size**: 100
- **Ask Size**: 100
- **Prev. Close**: 103.36
- **Volume**: 86,450
- **Open**: 103.36
- **High**: 103.36
- **Low**: 103.36

### Materials
- **Symbol**: XMI
- **Last**: 52.20
- **Change**: +0.00
- **% Change**: +0.00%
- **Last Price**: 103.36
- **Previous Close**: 103.36
- **Bid**: 103.36
- **Ask**: 103.36
- **Bid Size**: 100
- **Ask Size**: 100
- **Prev. Close**: 103.36
- **Volume**: 86,450
- **Open**: 103.36
- **High**: 103.36
- **Low**: 103.36

### High**: at a new closing 52-week High; **Low**: at within 10% of the 52-week High; **Bold**: move of more than 5%
<table>
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<tr>
<th>Symbol</th>
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<td>SF</td>
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<tr>
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</tr>
<tr>
<td>CNO</td>
<td>2.69</td>
<td>4.6%</td>
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<tr>
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<td>TLM</td>
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</tr>
<tr>
<td>ARX</td>
<td>5.87</td>
<td>0.4%</td>
</tr>
<tr>
<td>TOU</td>
<td>9.19</td>
<td>0.1%</td>
</tr>
<tr>
<td>MEG</td>
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<td>3.3%</td>
</tr>
<tr>
<td>VET</td>
<td>14.27</td>
<td>2.0%</td>
</tr>
<tr>
<td>UPL</td>
<td>5.39</td>
<td>0.7%</td>
</tr>
<tr>
<td>ERH</td>
<td>2.47</td>
<td>3.8%</td>
</tr>
<tr>
<td>ATH</td>
<td>2.87</td>
<td>4.0%</td>
</tr>
<tr>
<td>TET</td>
<td>11.42</td>
<td>-1.1%</td>
</tr>
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<td>BNP</td>
<td>8.75</td>
<td>-3.4%</td>
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<tr>
<td>PFG</td>
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</tr>
<tr>
<td>KOGUS</td>
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<tr>
<td>LTS</td>
<td>4.43</td>
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</tr>
<tr>
<td>FRU</td>
<td>2.87</td>
<td>1.0%</td>
</tr>
<tr>
<td>BCP</td>
<td>12.96</td>
<td>-0.7%</td>
</tr>
<tr>
<td>BNE</td>
<td>0.20</td>
<td>0.0%</td>
</tr>
<tr>
<td>OXC</td>
<td>0.73</td>
<td>3.0%</td>
</tr>
<tr>
<td>BRG</td>
<td>1.52</td>
<td>-0.9%</td>
</tr>
<tr>
<td>NVA</td>
<td>0.58</td>
<td>1.6%</td>
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<tr>
<td>LEG</td>
<td>4.50</td>
<td>3.3%</td>
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<tr>
<td>CNL</td>
<td>4.69</td>
<td>2.6%</td>
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<tr>
<td>SSQ</td>
<td>3.83</td>
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</tr>
<tr>
<td>PMY</td>
<td>1.64</td>
<td>1.7%</td>
</tr>
<tr>
<td>BNL</td>
<td>3.05</td>
<td>4.4%</td>
</tr>
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<td>SSL</td>
<td>6.73</td>
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<tr>
<td>RRX</td>
<td>1.50</td>
<td>0.5%</td>
</tr>
<tr>
<td>DCG</td>
<td>3.55</td>
<td>0.0%</td>
</tr>
<tr>
<td>GSB</td>
<td>1.45</td>
<td>4.3%</td>
</tr>
<tr>
<td>KEL</td>
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<td>CGG</td>
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<td>1.5%</td>
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<td>NG</td>
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<td>3.0%</td>
</tr>
<tr>
<td>IVE</td>
<td>3.04</td>
<td>3.9%</td>
</tr>
<tr>
<td>SUO</td>
<td>5.03</td>
<td>4.4%</td>
</tr>
<tr>
<td>BVE</td>
<td>27.93</td>
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<td>TGL</td>
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</tr>
<tr>
<td>DTX</td>
<td>15.33</td>
<td>-0.3%</td>
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<tr>
<td>KEY</td>
<td>8.74</td>
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</tr>
<tr>
<td>PKI</td>
<td>3.85</td>
<td>4.2%</td>
</tr>
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<td>REP</td>
<td>9.00</td>
<td>1.2%</td>
</tr>
<tr>
<td>TRP</td>
<td>6.67</td>
<td>2.7%</td>
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<tr>
<td>PPL</td>
<td>13.37</td>
<td>-2.0%</td>
</tr>
<tr>
<td>IFU</td>
<td>18.37</td>
<td>-0.9%</td>
</tr>
<tr>
<td>ALA</td>
<td>0.08</td>
<td>0.0%</td>
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<tr>
<td>GEI</td>
<td>11.90</td>
<td>-2.2%</td>
</tr>
<tr>
<td>STR</td>
<td>28.96</td>
<td>-0.5%</td>
</tr>
<tr>
<td>ENF</td>
<td>85.16</td>
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<td>CFP</td>
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<td>OX</td>
<td>98.85</td>
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<tr>
<td>DML</td>
<td>1.94</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

**Market Elements**

- **Change**
  - Move of more than 5%
Worst Non-Oversold North American Utilities

- It’s not just that long rates are rising – Figure 1.
  - It’s that the market fears how high long rates can go – Figure 2.
  - And on the short side of the curve, fed fund futures now point to a greater than 50% probability of a rate hike by Oct 2014.

- Both U.S. and Canadian Utility indices sport broken price uptrends.
- For those wanting to sell, or short North American utilities, the issue is that one-third of the basket is already oversold, sporting RSIs below 30. There are, however, some non-oversold weaklings. We highlight members of the MSCI North American Utilities index that are in underperforming trends against the market and sector, where the RSI is above 30 in Figure 3.
  - We advocate selling into the price rebound in CDN Utilities, and the relative strength rebound in FirstEnergy – Figures 4, 5.

**Figure 1: Trends on Global 10-Year Benchmark Yields**

**Figure 2: US Treasury Bond Futures (TY) Implied Volatility**

**Figure 3: Utilities Underperforming MSCI North America, and MSCI North America Utilities Sector With RSI > 30**

**Figure 4: Canadian Utilities DVD Adjusted Price Trend**

**Figure 5: FirstEnergy vs. MSCI North American Utilities**
Relative Strength Filter

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September 4, 2013
Research Comment
Quantitative/Technical Research Website

Breaking Out

- While markets are grappling with higher rates and the Syrian sideshow, there were 36 stocks in the MSCI World index that hit a new 52-week high yesterday. We are interested in the ones that did so quietly, where the Bollinger Bands are tight, or below the 1-year median (yellow highlighted column) – Figure 1.

- Of this tighter list of 52-week highs, 14 of the 15 are in outperforming trends against the MSCI World Index.
  - Two in the list are rated Outperform by BMO fundamental analysts: Harley-Davidson and Facebook. Of the two, HOG has much lower volatility. Our technical target is $70 – Figure 2.
  - Those looking for more of a bottom fishing candidate should look at Enerplus, which is still completing a double bottom – Figure 3.

Figure 1: MSCI World Members Breaking Out to a 52-week High With Tight Bollinger Bands

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>1-day RS</th>
<th>5-day RS</th>
</tr>
</thead>
<tbody>
<tr>
<td>EEM/AC</td>
<td>Empire Co Ltd</td>
<td>Food &amp; Stuffs</td>
<td>3.7%</td>
<td>2.3%</td>
</tr>
<tr>
<td>SW3JJP</td>
<td>Hiltic Co Ltd</td>
<td>Food &amp; Stuffs</td>
<td>3.3%</td>
<td>4.5%</td>
</tr>
<tr>
<td>HUMJ</td>
<td>Humana Inc</td>
<td>Health Care</td>
<td>2.5%</td>
<td>0.4%</td>
</tr>
<tr>
<td>EKXN</td>
<td>Interpipe Corp</td>
<td>Oil &amp; Gas</td>
<td>2.9%</td>
<td>1.6%</td>
</tr>
<tr>
<td>HOGJ</td>
<td>Harley-Davidson Inc</td>
<td>Motorcycles</td>
<td>1.8%</td>
<td>2.2%</td>
</tr>
<tr>
<td>SEVP</td>
<td>Suez Environment SA</td>
<td>Multibl</td>
<td>0.4%</td>
<td>3.4%</td>
</tr>
<tr>
<td>SBO2JP</td>
<td>Showa Shell Sekiyu K K</td>
<td>Oil &amp; Gas</td>
<td>6.1%</td>
<td>2.5%</td>
</tr>
<tr>
<td>FBUS</td>
<td>Facebook Inc</td>
<td>Tech</td>
<td>1.4%</td>
<td>1.2%</td>
</tr>
<tr>
<td>RELL</td>
<td>Everest Re Group Ltd</td>
<td>Reinsurance</td>
<td>1.5%</td>
<td>0.4%</td>
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<tr>
<td>QSCH</td>
<td>Oil Search Limited</td>
<td>Oil &amp; Gas</td>
<td>1.7%</td>
<td>2.8%</td>
</tr>
<tr>
<td>JM8L</td>
<td>Johnson Matthey PLC</td>
<td>Speciality</td>
<td>0.1%</td>
<td>3.4%</td>
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<tr>
<td>KINVA</td>
<td>Kinnikinik Investment AB</td>
<td>Metals &amp; Mining</td>
<td>0.9%</td>
<td>4.8%</td>
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<td>COGJ</td>
<td>Cabot Oil &amp; Gas Corp</td>
<td>Oil &amp; Gas</td>
<td>2.6%</td>
<td>2.7%</td>
</tr>
<tr>
<td>WPPJ</td>
<td>WPP plc</td>
<td>Industrials</td>
<td>3.3%</td>
<td>0.8%</td>
</tr>
<tr>
<td>USA</td>
<td>Under Armour Inc</td>
<td>Industrials</td>
<td>3.1%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

Tight Bollinger Band Relative To 1y History...

Moved to a 52w High Yesterday

Figure 2 Harley-Davidson - Weekly

Source: BMO Capital Markets, Bloomberg, Thomson, Markit

...so "Overbought" Indications are More of a Breakout Indication

Source: BMO Capital Markets, Bloomberg, Thomson, Markit

Figure 3: Enerplus Dividend Adjusted Price Trend

Target C$22

Double Bottom
Momentum Buys on the Pullback

- Major equity benchmarks are off about 4% from August highs, and many have broken below their 50d moving averages.
  - Uncertainty in debt markets remains front and centre.
  - This morning, fed fund futures peg odds of a Dec 2014 FOMC rate hike at 54%, which nears the June high of 59%.
    - So yes, “tighten up” concerns remain front and center.
  - And yes, news of missile firing adds a bit of volatility this morning.
- So indeed, many stocks have pulled back off of their highs.
- To take advantage of the pullback, we paired our “buy strong stocks within strong groups” (momentum buy list of stocks in top 3 subindustry deciles) list with a filter showing stocks with an RSI below 50 for MSCI North America Index members below Figure 1.
  - A similar list for MSCI World is shown at this link.
  - The Russell 2000 list is found here.

Figure 1: Momentum Buys in Strong Subindustries With RSI Below 50

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Subindustry</th>
<th>CHG Rate</th>
<th>1-day Equity Chg (%)</th>
<th>5-day Equity Chg (%)</th>
<th>MtC&gt;&amp;o (USD)</th>
<th>MSCI Name</th>
<th>Trend Slope %Chg wrt 50d MA</th>
<th>Chg wrt 50 Day MA Trend</th>
<th>%Chg wrt 200d MA</th>
<th>Chg wrt 200 Day MA Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBUX US</td>
<td>Starbucks Corp</td>
<td>Retail</td>
<td>0.9%</td>
<td>-2.0%</td>
<td>52,989</td>
<td>39%</td>
<td>1%</td>
<td>Above Rising</td>
<td>17%</td>
<td>Above Rising</td>
<td>48</td>
</tr>
<tr>
<td>PPG US</td>
<td>Principal Financial Group</td>
<td>Life Sciences</td>
<td>-6.6%</td>
<td>-3.3%</td>
<td>12,645</td>
<td>40%</td>
<td>1%</td>
<td>Above Rising</td>
<td>19%</td>
<td>Above Rising</td>
<td>44</td>
</tr>
<tr>
<td>ILMN US</td>
<td>Illumina Inc</td>
<td>Life Sciences</td>
<td>0.3%</td>
<td>-1.9%</td>
<td>9,739</td>
<td>78%</td>
<td>1%</td>
<td>Above Rising</td>
<td>28%</td>
<td>Above Rising</td>
<td>50</td>
</tr>
<tr>
<td>IPG US</td>
<td>Interpublic Group of Cos Inc</td>
<td>Advert</td>
<td>-1.1%</td>
<td>-1.3%</td>
<td>6,636</td>
<td>75%</td>
<td>1%</td>
<td>Above Rising</td>
<td>18%</td>
<td>Above Rising</td>
<td>48</td>
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<td>GD US</td>
<td>General Dynamics Corp</td>
<td>AeroDef</td>
<td>0.4%</td>
<td>-1.6%</td>
<td>19,125</td>
<td>40%</td>
<td>0%</td>
<td>Above Rising</td>
<td>14%</td>
<td>Above Rising</td>
<td>44</td>
</tr>
<tr>
<td>LLL US</td>
<td>L-3 Communications Holdings</td>
<td>AeroDef</td>
<td>0.7%</td>
<td>-2.5%</td>
<td>8,092</td>
<td>23%</td>
<td>0%</td>
<td>Above Rising</td>
<td>11%</td>
<td>Above Rising</td>
<td>43</td>
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<tr>
<td>ADS US</td>
<td>Alliance Data Systems Corp</td>
<td>DataProc</td>
<td>-1.5%</td>
<td>-3.3%</td>
<td>9,593</td>
<td>40%</td>
<td>2%</td>
<td>Above Rising</td>
<td>17%</td>
<td>Above Rising</td>
<td>44</td>
</tr>
<tr>
<td>LNC US</td>
<td>Lincoln National Corp</td>
<td>Life Sciences</td>
<td>-1.0%</td>
<td>-4.9%</td>
<td>11,119</td>
<td>48%</td>
<td>3%</td>
<td>Above Rising</td>
<td>28%</td>
<td>Above Rising</td>
<td>47</td>
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<tr>
<td>HNA US</td>
<td>Twenty-first Century Inc</td>
<td>Novartis</td>
<td>-0.3%</td>
<td>-2.4%</td>
<td>(1,340)</td>
<td>26%</td>
<td>2%</td>
<td>Above Rising</td>
<td>17%</td>
<td>Above Rising</td>
<td>49</td>
</tr>
<tr>
<td>ALV US</td>
<td>Avid Inc</td>
<td>AutoPark</td>
<td>0.0%</td>
<td>-2.5%</td>
<td>7,724</td>
<td>20%</td>
<td>1%</td>
<td>Above Rising</td>
<td>14%</td>
<td>Above Rising</td>
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<tr>
<td>SRE US</td>
<td>Sealed Air Corp</td>
<td>Paper Bag</td>
<td>0.0%</td>
<td>-3.4%</td>
<td>5,663</td>
<td>53%</td>
<td>3%</td>
<td>Above Rising</td>
<td>27%</td>
<td>Above Rising</td>
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<td>AIG US</td>
<td>American International Group</td>
<td>Multi-Link</td>
<td>-0.3%</td>
<td>-2.0%</td>
<td>68,691</td>
<td>22%</td>
<td>0%</td>
<td>Above Rising</td>
<td>14%</td>
<td>Above Rising</td>
<td>46</td>
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<tr>
<td>ST US</td>
<td>Sensata Technologies</td>
<td>ElComEq</td>
<td>-0.5%</td>
<td>-2.6%</td>
<td>6,548</td>
<td>20%</td>
<td>1%</td>
<td>Above Rising</td>
<td>10%</td>
<td>Above Rising</td>
<td>48</td>
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<td>SAI Inc</td>
<td>ITConsult</td>
<td>-1.3%</td>
<td>-2.6%</td>
<td>5,162</td>
<td>33%</td>
<td>2%</td>
<td>Above Rising</td>
<td>20%</td>
<td>Above Rising</td>
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<td>Manpower Inc</td>
<td>HREmply</td>
<td>-1.7%</td>
<td>-3.2%</td>
<td>5,077</td>
<td>45%</td>
<td>2%</td>
<td>Above Rising</td>
<td>21%</td>
<td>Above Rising</td>
<td>46</td>
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<td>Dover Corp</td>
<td>Ind Mach</td>
<td>-1.0%</td>
<td>-1.5%</td>
<td>14,516</td>
<td>25%</td>
<td>2%</td>
<td>Above Rising</td>
<td>16%</td>
<td>Above Rising</td>
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<td>TXN US</td>
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<td>Semi</td>
<td>-1.1%</td>
<td>-2.2%</td>
<td>(2,065)</td>
<td>13%</td>
<td>1%</td>
<td>Above Rising</td>
<td>11%</td>
<td>Above Rising</td>
<td>45</td>
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<td>Application</td>
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<td>-4.3%</td>
<td>4,606</td>
<td>26%</td>
<td>4%</td>
<td>Above Rising</td>
<td>20%</td>
<td>Above Rising</td>
<td>49</td>
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<tr>
<td>COL US</td>
<td>Rockwell Collins Inc</td>
<td>AeroDef</td>
<td>-0.9%</td>
<td>-1.7%</td>
<td>9,555</td>
<td>16%</td>
<td>2%</td>
<td>Above Rising</td>
<td>13%</td>
<td>Above Rising</td>
<td>46</td>
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<td>PCLY US</td>
<td>Hasbro Inc</td>
<td>ToyRus</td>
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<td>-3.4%</td>
<td>14,524</td>
<td>11%</td>
<td>2%</td>
<td>Above Rising</td>
<td>14%</td>
<td>Above Rising</td>
<td>45</td>
</tr>
</tbody>
</table>

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

Canadian Themes

- We’ve **gone fishing** this week, and are using this time to detail some of our favourite tools and screens that we can’t jam into the link to the toolkit on the left. Today, we highlight one of the links that we use to discern themes in Canada.
- The first section details different trends against a universe of government bonds – **Figure 1**.
  - The outperformance of **banks** has just reached a 4yr high – Figure 3.
  - **REITs** have broken below a market performing trend.
- Next we look at intra-sector trends – **Figure 2**. This week banks have severed their one-year of underperformance against both **asset managers** and **life insurers** - Figure 4.
- The last section details the performance of agricultural and gold stocks against their respective commodities. Gold shares are underperforming the bullion, but junior gold stocks rallied to the top of the channel in the last month - see link.

**Figure 1: Trends vs. Bonds**

- The outperformance of **banks** has just reached a 4yr high – Figure 3.

**Figure 2: Intra-Sector**

- Next we look at intra-sector trends – Figure 2. This week banks have severed their one-year of underperformance against both **asset managers** and **life insurers** - Figure 4.

**Figure 3: Banks vs. Bonds**

**Figure 4: Banks vs. LifeCo**
Relative Strength Filter

BMO Index Constituents

TOOLKIT
- We’ve gone fishing this week, and are using this time to detail some of our favorite tools and screens that we can’t jam into the link to the toolkit on the left. Today, we highlight a link to BMO Index Constituents.
- This is the first link we hit when we delve into the granularity of what is moving markets.
- From relative strength momentum buys in the S&P 100 in top three subindustry deciles – Figure 1, to relative strength momentum sells in the MSCI Emerging Markets in bottom three subindustry deciles – Figure 2, to which stocks broke above/below underperforming/outperforming trends in the last day against the EAFE index – Figure 3, our index constituents link always travels with us.
- Which stocks are outperforming the Russell 2000, underperforming the S&P/TSX Composite, breaking above underperforming trends against MSCI Europe, looking oversold in MSCI ex US, … the screens may be tuned to fit the query.

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>1-day Equity Chg (%)</th>
<th>1-day Equity Chg (%)</th>
<th>MktCap (USD)</th>
<th>Chg Last Day</th>
<th>Trend Slope</th>
<th>RS (% of)</th>
<th>%Chg wrt 50d MA</th>
<th>Chg wrt 50d MA Trend</th>
<th>%Chg wrt 200d MA</th>
<th>Chg wrt 200d MA Trend</th>
<th>Bull Band</th>
<th>Bull Band Width</th>
<th>RSI Chg</th>
</tr>
</thead>
<tbody>
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<td>LMT US</td>
<td>Lockheed Martin Corp</td>
<td>AeroDef</td>
<td>0.1%</td>
<td>0.3%</td>
<td>39,571</td>
<td>51%</td>
<td>6%</td>
<td>Above Rising</td>
<td>24%</td>
<td>Above Rising</td>
<td>ABOVE</td>
<td>70%</td>
<td>59</td>
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<td>RTN US</td>
<td>Raytheon Co</td>
<td>AeroDef</td>
<td>0.3%</td>
<td>-0.5%</td>
<td>24,335</td>
<td>45%</td>
<td>6%</td>
<td>Above Rising</td>
<td>23%</td>
<td>Above Rising</td>
<td>ABOVE</td>
<td>160%</td>
<td>56</td>
<td></td>
<td></td>
</tr>
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<td>SBUX US</td>
<td>Starbucks Corp</td>
<td>Retail</td>
<td>2.1%</td>
<td>0.3%</td>
<td>53,219</td>
<td>38%</td>
<td>2%</td>
<td>Above Rising</td>
<td>16%</td>
<td>Above Rising</td>
<td>BELOW</td>
<td>94%</td>
<td>50</td>
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<td>CD US</td>
<td>General Dynamics Corp</td>
<td>AeroDef</td>
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<td>-1.0%</td>
<td>28,997</td>
<td>34%</td>
<td>0%</td>
<td>Above Rising</td>
<td>1.4%</td>
<td>Above Rising</td>
<td>BELOW</td>
<td>79%</td>
<td>40</td>
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<td>INPH US</td>
<td>UnitedHealth Group Inc</td>
<td>HealthCare</td>
<td>0.0%</td>
<td>-0.4%</td>
<td>72,735</td>
<td>43%</td>
<td>2%</td>
<td>Above Rising</td>
<td>19%</td>
<td>Above Rising</td>
<td>BELOW</td>
<td>57%</td>
<td>50</td>
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<td></td>
</tr>
<tr>
<td>MAUS US</td>
<td>MasterCard Inc</td>
<td>DataProc</td>
<td>0.4%</td>
<td>-1.4%</td>
<td>79,627</td>
<td>22%</td>
<td>1%</td>
<td>Above Rising</td>
<td>12%</td>
<td>Above Rising</td>
<td>BELOW</td>
<td>145%</td>
<td>45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>QGUS US</td>
<td>Glaxo Sciences Inc</td>
<td>Biotech</td>
<td>2.9%</td>
<td>3.0%</td>
<td>92,511</td>
<td>54%</td>
<td>6%</td>
<td>Above Rising</td>
<td>26%</td>
<td>Above Rising</td>
<td>BELOW</td>
<td>80%</td>
<td>58</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABUS US</td>
<td>American International Group</td>
<td>Multi-Line</td>
<td>0.5%</td>
<td>-0.7%</td>
<td>68,117</td>
<td>26%</td>
<td>0%</td>
<td>Above Rising</td>
<td>14%</td>
<td>Above Rising</td>
<td>Below</td>
<td>89%</td>
<td>46</td>
<td></td>
<td></td>
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</tbody>
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<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>1-day Equity Chg (%)</th>
<th>1-day Equity Chg (%)</th>
<th>MktCap (USD)</th>
<th>Chg Last Day</th>
<th>Trend Slope</th>
<th>RS (% of)</th>
<th>%Chg wrt 50d MA</th>
<th>Chg wrt 50d MA Trend</th>
<th>%Chg wrt 200d MA</th>
<th>Chg wrt 200d MA Trend</th>
<th>Bull Band</th>
<th>Bull Band Width</th>
<th>RSI Chg</th>
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<td>INDPJ US</td>
<td>Indika Energy Tbk PT</td>
<td>Metals</td>
<td>4.0%</td>
<td>-3.7%</td>
<td>243</td>
<td>-188%</td>
<td>-23%</td>
<td>Below Falling</td>
<td>-53%</td>
<td>Below Falling</td>
<td>BELOW</td>
<td>129%</td>
<td>33</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CHMBF IN</td>
<td>Chambal Fertilizers &amp; Chemicals Ltd</td>
<td>FertilAg</td>
<td>10.6%</td>
<td>-0.6%</td>
<td>199</td>
<td>-125%</td>
<td>48%</td>
<td>Below Falling</td>
<td>-36%</td>
<td>Below Falling</td>
<td>BELOW</td>
<td>169%</td>
<td>42</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DLNLF IN</td>
<td>DLF Ltd</td>
<td>Retail</td>
<td>1.4%</td>
<td>-12.3%</td>
<td>3,485</td>
<td>-153%</td>
<td>-18%</td>
<td>Below Falling</td>
<td>-39%</td>
<td>Below Falling</td>
<td>BELOW</td>
<td>188%</td>
<td>38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OLCN IN</td>
<td>Gujarat NRE Coke Limited</td>
<td>OilsRefining</td>
<td>-0.4%</td>
<td>-2.5%</td>
<td>119</td>
<td>-82%</td>
<td>-5%</td>
<td>Below Falling</td>
<td>-11%</td>
<td>Below Falling</td>
<td>BELOW</td>
<td>88%</td>
<td>47</td>
<td></td>
<td></td>
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<tr>
<td>BPMUZ3 BR</td>
<td>BR Mls Participacoes SA</td>
<td>Banks</td>
<td>-0.2%</td>
<td>-1.6%</td>
<td>2,533</td>
<td>-69%</td>
<td>-7%</td>
<td>Below Falling</td>
<td>-23%</td>
<td>Below Falling</td>
<td>BELOW</td>
<td>173%</td>
<td>35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BPKRZ3 BR</td>
<td>BR Properties SA</td>
<td>Banks</td>
<td>-0.1%</td>
<td>-1.3%</td>
<td>2,360</td>
<td>-70%</td>
<td>-5%</td>
<td>Below Falling</td>
<td>-30%</td>
<td>Below Falling</td>
<td>BELOW</td>
<td>87%</td>
<td>34</td>
<td></td>
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</tr>
<tr>
<td>UBL US</td>
<td>Lakem Airlines Group SA</td>
<td>Airlines</td>
<td>0.1%</td>
<td>-2.6%</td>
<td>5,948</td>
<td>-113%</td>
<td>-13%</td>
<td>Below Falling</td>
<td>-39%</td>
<td>Below Falling</td>
<td>OILW</td>
<td>137%</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BBTOUS11-BZ Grupo BTG Pactual</td>
<td>Retail</td>
<td>0.7%</td>
<td>-2.7%</td>
<td>10,416</td>
<td>-74%</td>
<td>-2%</td>
<td>Below Falling</td>
<td>-13%</td>
<td>Below Falling</td>
<td>BELOW</td>
<td>99%</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BSBBS-BZ</td>
<td>Banco do Estado do Río Grande do Sul</td>
<td>Consumer</td>
<td>-0.7%</td>
<td>1.2%</td>
<td>1,169</td>
<td>-72%</td>
<td>-5%</td>
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<td>-14%</td>
<td>Below Falling</td>
<td>BELOW</td>
<td>91%</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CMBO IN</td>
<td>Obeco Realty Ltd</td>
<td>Retail</td>
<td>2.8%</td>
<td>2.6%</td>
<td>813</td>
<td>-99%</td>
<td>-12%</td>
<td>Below Falling</td>
<td>-32%</td>
<td>Below Falling</td>
<td>OILW</td>
<td>232%</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RASPMX RM</td>
<td>Roskotalkiy OAO</td>
<td>Retail</td>
<td>-0.3%</td>
<td>-0.3%</td>
<td>638</td>
<td>-154%</td>
<td>-7%</td>
<td>Below Falling</td>
<td>-39%</td>
<td>Below Falling</td>
<td>BELOW</td>
<td>76%</td>
<td>37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ERUSFZ1 BR</td>
<td>Burn Resource Tbk PT</td>
<td>Metals</td>
<td>3.1%</td>
<td>0.6%</td>
<td>754</td>
<td>-114%</td>
<td>48%</td>
<td>Below Falling</td>
<td>-36%</td>
<td>Below Falling</td>
<td>BELOW</td>
<td>198%</td>
<td>32</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
BMO Macro

TOOLKIT

- We’ve gone fishing this week, and are using this time to detail some of our favourite tools and screens that we can’t jam into the link to the toolkit on the left. Today, we highlight a link to BMO Macro.

- We put this together a few years ago as one-stop shopping for the trends we observe on the macro front. The risk aversion triggered by Syria tensions mostly exacerbated existing trends.
  o While financials led equity markets sharply lower yesterday, counterparty risk barely budged – Figure 1.
  o Amongst our currency screens: the risk-off mood sent major commodity and most Asia currencies lower – Figure 2; the Indian rupee is plunging to a fresh record low this morning. There are signs of life when gold is shown in major currencies. The buy high yield / sell low yield carry trades have just been thrallotted.
  o Amongst our commodity screens: the DJUWS basket keeps us abreast of key trends and reversals; Brent crude oil, which bottomed in mid-April, soared yesterday. The energy sector has come off the bottom, but remains in negative territory – Figure 3.
  o The trends and divergences viewed when looking at major long yields give an immediate nod to many of the trends we see in equities.
  o Trends in volatility show where old (trending) and new (reversals) pressure is being applied – Figure 4. Emerging market volatility spiked to a one-year high this morning.

Figure 1: Counterparty Risk

Figure 2: Major Currency Crosses

Figure 3: Energy Sector

Figure 4: Volatility Trends

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
BMO CDS

- We’ve **gone fishing** this week, and are using this time to detail some of our favorite tools and screens that we can’t jam into the link to the toolkit on the left. Today, we highlight a link to **BMO CDS**.

- First and foremost, CDS trends on too-interconnected to fail banks at both the macro and **granular level** keep us alert to signs that something may go bump in the night.

- By looking at custom baskets, we are able to see the shift from a great credit environment, to one which is more spotty, with some CDS trends widening and other positive trends breaking – Figure 1.

- We also look at trends on the **standard corporate benchmarks** used to hedge and place directional bets – Figure 2.

- Our link also lets us hone in on **emerging market** versus **developed market** credit, or **high risk liquid CDS** as examples.

- Not getting much airtime, but we find most interesting the trends we see in **sovereign CDS**, like the difference between **Western** and **Eastern Europe**.

---

**Figure 1: Custom CDS Indices**

**Figure 2: Corporate CDS Trends**

<table>
<thead>
<tr>
<th>Name</th>
<th>H / L</th>
<th>Chg Last Day</th>
<th>CDS Trend</th>
<th>Trend Slope</th>
<th>Trend Length</th>
<th>1-day Chg [%]</th>
<th>5-day Chg [%]</th>
<th>3-mo Chg [%]</th>
<th>9-mo Chg [%]</th>
<th>%Chg wrt 50d MA</th>
<th>%Chg wrt 200d MA</th>
<th>Chg wrt 50 Day MA Trend</th>
<th>Chg wrt 200 Day MA Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eur Sr Fin</td>
<td></td>
<td>-3%</td>
<td>-1.8%</td>
<td>-9.5%</td>
<td>-4.2%</td>
<td>-5.0%</td>
<td>3.9%</td>
<td>-2.8%</td>
<td>-3.9%</td>
<td>-7%</td>
<td>-4%</td>
<td>Below Falling</td>
<td>Below Falling</td>
</tr>
<tr>
<td>Eur Sub Fin</td>
<td></td>
<td>-1.9%</td>
<td>-2.9%</td>
<td>-1.8%</td>
<td>-2.8%</td>
<td>-2.8%</td>
<td>3.9%</td>
<td>-1.1%</td>
<td>-4.2%</td>
<td>-7%</td>
<td>-4%</td>
<td>Below Falling</td>
<td>Below Falling</td>
</tr>
<tr>
<td>Eur Main</td>
<td></td>
<td>-2.4%</td>
<td>-4.5%</td>
<td>-3.8%</td>
<td>-5.6%</td>
<td>-5.6%</td>
<td>3.6%</td>
<td>-2.8%</td>
<td>-7.1%</td>
<td>-1%</td>
<td>-7%</td>
<td>Below Falling</td>
<td>Below Falling</td>
</tr>
<tr>
<td>NA IG</td>
<td></td>
<td>-3.1%</td>
<td>-5.6%</td>
<td>-4.8%</td>
<td>-5.6%</td>
<td>-5.6%</td>
<td>3.6%</td>
<td>-2.8%</td>
<td>-7.1%</td>
<td>-1%</td>
<td>-7%</td>
<td>Below Falling</td>
<td>Below Falling</td>
</tr>
<tr>
<td>Eur XOver</td>
<td></td>
<td>-2.8%</td>
<td>-4.5%</td>
<td>-3.8%</td>
<td>-5.6%</td>
<td>-5.6%</td>
<td>3.6%</td>
<td>-2.8%</td>
<td>-7.1%</td>
<td>-1%</td>
<td>-7%</td>
<td>Below Falling</td>
<td>Below Falling</td>
</tr>
<tr>
<td>NA Hi Yld</td>
<td></td>
<td>-3.3%</td>
<td>-5.6%</td>
<td>-4.8%</td>
<td>-5.6%</td>
<td>-5.6%</td>
<td>3.6%</td>
<td>-2.8%</td>
<td>-7.1%</td>
<td>-1%</td>
<td>-7%</td>
<td>Below Falling</td>
<td>Below Falling</td>
</tr>
</tbody>
</table>

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
In USD

- We’ve gone fishing this week, and are using this time to detail some of our favourite tools and screens that we can’t jam into the link to the toolkit on the left. Today, we highlight a link to “In USD.”

- It was the soaring Japanese equity market, coupled with the sinking yen, that nudged us to detail price trends of all of our stocks and ETFs in USD terms for clients who do not hedge currency. The combination of the two moves makes the currency-adjusted outperformance of Japan less of a “WOW” and more of a “well, OK” – Figure 1.

- Priced in USD, the Nikkei 225 ETF has trended higher at just below half the rate of the Japanese equity market when viewed in local currency terms – Figure 2.

- We can now put the MSCI US and Japanese stocks together, to properly compare a Tesla Motors to a GungHo Online Entertainment.

- A momentum buy list of European stocks (largely European listed) when converted back into USD terms looks like Figure 3.

---

**Figure 1:** MSCI Japan vs. ACWI

**Figure 2:** Nikkei 225 ETF in USD

**Figure 3:** USD Price Trends of European Momentum Buys – Click Here for Full List

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Gold Shares, Up a Notch

- Gold has been as quiet as a mouse, but gold shares went up a notch in our Group Selection report yesterday. The reading is still meager at 7th decile, but that’s at least at the low end of neutral – Figure 1.
- All but one gold share in the MSCI World index have broken above underperforming trends – Figure 2.
  - If you broaden the list out to the 99 gold stocks we cover, 70% of them have broken above underperforming trends against the ACWI.
- With interest rate concerns pulling global equities lower, we are interested in seeing which stocks are going against the grain. The group of gold stocks reaching at least a 1-month high in yesterday’s session, are mostly small cap, low priced, and also on the move – Figure 3.
- Our Aurum link shows about every gold trend we could put in one piece – see here.

Figure 1: Gold Equity Relative Strength Decile

Figure 2: MSCI World Gold Stocks vs. MSCI World

Figure 3: Gold Shares Reaching at Least a 1-Month High Yesterday

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Country</th>
<th>Group RS</th>
<th>LT RS</th>
<th>H/L</th>
<th>Close 22-Aug</th>
<th>1-Day Equity Chg (%)</th>
<th>5-Day Equity Chg (%)</th>
<th>MktCap (US$)</th>
<th>Chg Last Day</th>
<th>Price Trend</th>
<th>Trend Slope</th>
<th>Hi (Mo)</th>
<th>Low (Mo)</th>
<th>%Chg wrt 50d MA</th>
<th>Chg wrt 50d MA Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>LGC CN</td>
<td>Luna Gold Corp</td>
<td>Canada</td>
<td>7</td>
<td>10</td>
<td>8</td>
<td>1.62</td>
<td>1.3%</td>
<td>3.8%</td>
<td>162</td>
<td>= -11%</td>
<td>2.0</td>
<td>15%</td>
<td>41%</td>
<td>41%</td>
<td>15%</td>
<td>Above Falling</td>
</tr>
<tr>
<td>SEA CN</td>
<td>Seabridge Gold Inc</td>
<td>Canada</td>
<td>7</td>
<td>10</td>
<td>8</td>
<td>18.39</td>
<td>3.1%</td>
<td>7.1%</td>
<td>710</td>
<td>↑ -33%</td>
<td>7.0</td>
<td>41%</td>
<td>41%</td>
<td>41%</td>
<td>41%</td>
<td>Above Rising</td>
</tr>
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<td>Highland Gold Mining Ltd</td>
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<td>7</td>
<td>7</td>
<td>9</td>
<td>82.00</td>
<td>5.1%</td>
<td>9.7%</td>
<td>415</td>
<td>↑ -41%</td>
<td>2.5</td>
<td>26%</td>
<td>26%</td>
<td>26%</td>
<td>26%</td>
<td>Above Falling</td>
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<td>Guyana Goldfields Inc</td>
<td>Canada</td>
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<td>10</td>
<td>9</td>
<td>2.27</td>
<td>3.7%</td>
<td>10.2%</td>
<td>272</td>
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<td>44%</td>
<td>44%</td>
<td>44%</td>
<td>44%</td>
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</tr>
<tr>
<td>MAX CN</td>
<td>Midas Gold Corp</td>
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<td>7</td>
<td>10</td>
<td>9</td>
<td>1.18</td>
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<td>3.5%</td>
<td>143</td>
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<td>4.5</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
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<td>Above Rising</td>
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<td>6</td>
<td>9</td>
<td>0.86</td>
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<td>53%</td>
<td>53%</td>
<td>53%</td>
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<td>Above Rising</td>
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<td>27%</td>
<td>27%</td>
<td>27%</td>
<td>Above Falling</td>
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<td>9</td>
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<td>7.7%</td>
<td>1,019</td>
<td>↑ -86%</td>
<td>3.5</td>
<td>34%</td>
<td>34%</td>
<td>34%</td>
<td>34%</td>
<td>Above Rising</td>
</tr>
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<td>Detour Gold Corporation</td>
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<td>7</td>
<td>8</td>
<td>9</td>
<td>11.75</td>
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<td>21%</td>
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<td>Orezone Corp</td>
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<td>10</td>
<td>9</td>
<td>0.52</td>
<td>15.6%</td>
<td>15.6%</td>
<td>42</td>
<td>↑ -94%</td>
<td>1.0</td>
<td>23%</td>
<td>23%</td>
<td>23%</td>
<td>23%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>CEE CN</td>
<td>Centmin-PZ</td>
<td>Jersey</td>
<td>7</td>
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<td>10</td>
<td>0.62</td>
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<td>643</td>
<td>↑ -63%</td>
<td>1.0</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
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<tr>
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<td>Yamana Gold Inc</td>
<td>Canada</td>
<td>7</td>
<td>8</td>
<td>10</td>
<td>12.23</td>
<td>3.6%</td>
<td>3.3%</td>
<td>8,757</td>
<td>↑ -58%</td>
<td>2.5</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>Above Rising</td>
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<td>TSC CN</td>
<td>Terranga Gold Corporation</td>
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<td>7</td>
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<td>10</td>
<td>0.71</td>
<td>12.7%</td>
<td>24.6%</td>
<td>166</td>
<td>↑ -86%</td>
<td>2.0</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>Above Falling</td>
</tr>
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<td>St. Andrew Goldfields Ltd.</td>
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<td>7</td>
<td>10</td>
<td>10</td>
<td>0.37</td>
<td>4.2%</td>
<td>8.8%</td>
<td>130</td>
<td>↑ -57%</td>
<td>2.0</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
<td>Above Rising</td>
</tr>
<tr>
<td>EOM CN</td>
<td>Eca Oro Minerals Corp</td>
<td>Canada</td>
<td>7</td>
<td>10</td>
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<td>48</td>
<td>↑ -90%</td>
<td>1.5</td>
<td>-2%</td>
<td>-2%</td>
<td>-2%</td>
<td>-2%</td>
<td>Below Falling</td>
</tr>
</tbody>
</table>

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Focus on the Short End of the Curve

• This morning, Fed fund futures point to a 51% probability of a hike in U.S. rates by the December 2014 meeting.
  - This is the first time over the 50% mark in six weeks.
  - This is more important than the quote on U.S. 10-year yields.

• With equities (our key focus) typically considered long-duration assets, why is the short end of the curve most important?
  - Because as the world becomes stressed on tightening of global markets via interest rates, the S&P 500 has moved more like the short end of the curve than the long end of the curve – Figure 1.
  - Uncertainty in the corporate bond market has been behaving more like the short end of the curve than the long end of the curve – Figure 2.

• Yesterday we noted that emerging market corporate default risk is predominantly trending higher (negative) while developed market corporate default risk is predominantly trending lower (positive). Currently, DM risk is tainted red, with a quarter of positive trends breaking down (like SPLS yesterday).
  - If short rates continue to push higher, expect to see more red, both in corporate default risk (Figures 2, 3) and equities (Figure 1).

Figure 1: S&P 500 With Long and Short Treasury ETFs

Figure 2: Corporate Bond Implied Volatility and US 2y Yield

Figure 3: 5y CDS Trends on Liquid Developed Market Securities ($9B Cut-off) – Click Here for Full List

Source: BMO Capital Markets, Bloomberg, Thomson, Markit

BMO Capital Markets is Restricted on Glencore Xstrata PLC (GLEN-LSE)
EM Credit – Hotel California

- The emerging market equity index has not taken out the low, emerging market bonds have not taken out the low, but this morning the MSCI emerging market currency index took out the June spike low – Figure 1.
- One way to quantify the Hotel California pattern for emerging markets is to look at the rolling correlation of returns between EM bonds and treasury bonds. The two are weakly correlated in good times when rates are stable, but strongly correlated in bad times, when treasury yields are rising – Figure 2.

- When we looked at the major moves on the CDS front yesterday, they were dominated by two themes – widening and emerging markets.
- Split the liquid CDS trends that our system finds into developed markets and emerging markets, and you see a ratio of narrowing (good) : widening (bad) of 3:1 for developed markets, but almost all trends are widening in EM – Figure 3.
- Our momentum sell list of EM stocks sporting widening CDS trends includes Indosat Tbk, IDBI Bank, VTB Bank, Samsung Electronics, KT &G, and Petrobras.

Figure 1: MSCI EM Currency Index

Figure 2: Fit of Treasury and EM Bond ETF Returns

Figure 3: CDS Trends on Emerging Market Companies

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

High Credit Risk Shorts

- The credit market is feeling the same nervousness as the equity market as interest rates back up.
  - The Markit CDX North American high yield CDS basket broke above a narrowing trend (Figure 1) yesterday, on the same day that the S&P 500 broke its uptrend (the DJIA broke its uptrend last Friday).
  - Unlike the S&P 500, which hit a higher high in August, major CDS indices failed to reach a lower (risk) low.
- We will use a number of factors to pick out a few high risk credit shorts.

- Every custom CDS index we put together widened yesterday, but Chinese banks, where the 5yr CDS is rising at over 200%/year, widened the most at 4.4%. Bank of China and other Chinese banks are fading at the top of their downtrends – Figure 2.
- The 5-year CDS trend on Louisiana-Pacific started basing at the start of the year, and really moved wider as U.S. treasuries sold off in Q2. We expect support just below $15 to break, and downside risk is closer to $10 – Figure 3. As a sub-industry, we rank Forest Products as 9th decile, down from 1st decile at the start of the year.
- As many of the most consistent credit deterioration trends are EM related, and there is no currency falling faster than the Brazilian Real, we will target AmBev, which is trending lower, as the CDS level is trending higher; albeit the CDS level implies a lower stock price – Figure 4.

Figure 1: Markit CDX North American High Yield 5Yr CDS

Figure 2: Bank of China Price Trend (see CDS Trend)

Figure 3: Louisiana-Pacific Corp Price Trend (see CDS Trend)

Figure 4: AmBev Price Trend (see CDS Trend)

Source: BMO Capital Markets, Bloomberg, Thomson, Markit

August 20, 2013
Research Comment
Quantitative/Technical Research Website

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Relative Strength Filter

Utility Pressure

- With last week’s breakout for the many global bond yields (Figure 1) and the resurgence of treasury implied volatility, the relative performance of the utility sector to the global equity market was pushed to a new low – Figure 2.
  - Last week we highlighted many key themes, related to the interest rate picture; this is just one of many.
  - Near-term risk and our target for the U.S. 10-year yield is 3.25%.
- It’s interesting that our momentum sell list of utilities picks up another theme, which is a victim of higher rates: emerging markets – Figure 3.
- A more U.S.-centric list of utilities under pressure is found when one looks amongst the 46 utilities that have broken below positive price trends.

Figure 1: U.S. 10-Year Bond Yield

Figure 2: Global Utilities vs. MSCI World

Figure 3: Momentum Sell List of Utilities (USD Price Trends)

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

August 16, 2013
Research Comment
Quantitative/Technical Research Website

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Best of Gold

- It’s a very interesting day, when the DJIA breaks an uptrend, while the resource-dominated S&P/TSX Venture Composite index breaks a downtrend – see link.
  - A key driver was gold, which broke above downtrends in CAD, AUD and USD yesterday – Figure 1.
- We also have to stand down from the statement that gold acts like a hedge against 1st decile equity performance – Figure 2. That was a very unusual nine-month phase, which appears to be over.
- We have written very sparsely on gold recently (on Wednesday, we wrote on silver), as from the perspective of a global portfolio, the breadth of gold equity relative strength has improved from horrible to merely bad – Figure 3.
- Many portfolios can just invest in bullion, and avoid the mining risk. There are, however, a handful of gold stocks that are outperforming bullion, these are the best of gold – Figure 4.
- For those wanting to delve further into bullion, key ratios, relative performance of gold against different benchmarks, see Aurum.

Fig 1: Gold Breaking Above Downtrends in 4 of 7 Currencies

<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>Hi (Ma)</th>
<th>Low (Ma)</th>
<th>% Chg wrt Gold Ma</th>
<th>Chg wrt 50 Day MA</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAD</td>
<td>2.0%</td>
<td>-3.6%</td>
<td>-22%</td>
<td>4.0</td>
<td>5%</td>
<td>Above Rising</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JPY</td>
<td>1.5%</td>
<td>4.8%</td>
<td>-33%</td>
<td>1.0</td>
<td>4%</td>
<td>Above Falling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CHF</td>
<td>1.2%</td>
<td>4.7%</td>
<td>-32%</td>
<td>2.0</td>
<td>3%</td>
<td>Above Falling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EUR</td>
<td>1.6%</td>
<td>4.3%</td>
<td>-34%</td>
<td>2.0</td>
<td>3%</td>
<td>Above Falling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAD</td>
<td>1.9%</td>
<td>3.8%</td>
<td>-32%</td>
<td>2.0</td>
<td>4%</td>
<td>Above Falling</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>2.3%</td>
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<td>5%</td>
<td>Above Falling</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>1.3%</td>
<td>3.3%</td>
<td>-41%</td>
<td>1.0</td>
<td>3%</td>
<td>Above Falling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 2: Gold vs. S&P 500

Gold Finally Acting Like a Hedge, and Not a Hedge Against 1st Decile Performance

Figure 3: Gold Relative Strength Decile

Figure 4: Gold Shares in Outperforming Trends vs Bullion
It's All About Rates

- When we scan the trends and the shifts we see at the micro and macro level, the root of all stems from one table, the trends we see on global long rates – Figure 1.
  - Italian and Spanish yields continue to trend lower, and spreads off of German bonds continue to narrow – Figure 2.
    - It's no wonder the French CAC, with banks levered toward the Mediterranean, is leading Europe higher against global equity markets. This European strength is breaking the outperforming trend of U.S. equities.
  - Global safe haven yields are trending higher and are in many cases above the top ends of their channels.
    - Life and Health Insurance, formerly starved of yield, is now massively tilted toward outperformance, while Real Estate is tilted toward underperformance, and continues to break to the downside. The above links show the granularity. At the macro level, the pairing of the relative strength ratio of insurance/real estate against bond yields is shown in Figure 3.
  - First decile long positions, geared toward a healthy consumer, include Auto Parts and Internet Retail, while Regional banks enjoy the newfound steep curve, which, at 240bps, is double that of a year ago.
  - Pressed for shorts, though the vast majority of equity indices are trending higher, or are reversing downtrends? We would offer up Forest Products, Homebuilders (Figure 4), and North, and especially South, American Real Estate.

Figure 1: Trends on Major 10-Year Bond Yields
Figure 2: Italian – European AAA Spread
Figure 3: Bond Yield and Rel. Str. of Insurance/Real Estate
Figure 4: USD Price Trends on N & S American Homebuilders
Silver Mining

- If you thought the gold shaft was deep, with bullion trending lower at rates of 20-40% per year depending on your currency of choice, silver has been shafted to the downside at a rate of over 60% per year – Figure 1.
  - It’s that differential that has helped to form the silver/gold v-bottom.
- There is probably no other segment of stocks where group-think has taken over as much as what we have seen amongst silver names. All 23 names are in downtrends, but 20 of 23 stocks have broken above downtrends – Figure 3.
- Away from group-think, and narrowing down to a favourite few for the rebound;
  - In the majors, Fresnillo and PAN American have stabilized versus the silver price.
  - In the minors, Silvercorp Metals has bottomed against its precious metals & minerals peers.

Figure 1: Spot Silver

Figure 2: Silver/Gold Ratio

Figure 3: USD Price Trends of Silver Mining Stocks

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

Weakest of the 500 & Strongest of Europe

Yesterday the S&P 500 broke below an outperforming trend against the ACWI – Figure 1.
- The last time it did so, it was Europe that was forming a v-bottom. This time it is Europe once again, albeit from a more solid base – Figure 2.
- Globe trotters looking to see who is rising from the weakest of positions (short covering) are looking at China using either the China 25 or H-Share index fund.
- Given the shifting leadership, we point out the weakest of the S&P 500, and the strongest of Europe – Figures 3, 4.

Figure 1: S&P 500 ETF vs MSCI ACWI

Figure 2: S&P Europe 350 vs. MSCI ACWI

Figure 3: S&P 500 Momentum Sells

Figure 4: MSCI Europe Momentum Buys (See Here for Full List)

Source: BMO Capital Markets, Bloomberg, Thomson, Markit

This report was prepared in part 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 2 to 3.
Relative Strength Filter

CDN Right Stocks, Right Groups

- The S&P/TSX composite index is churning, and rising rates have made it difficult to just clip dividend coupons while we wait our turn to be embraced as the US or European markets are.
- Lately, we have written extensively on positive themes outside Canadian shores, but for the money at home, we detail the 22 stocks in the Composite which are in outperforming trends against the market, and the sector, and are in top 3 sub industry deciles – the Right Stocks in the Right Groups – Figure 1.
- Equivalent lists for other markets are shown here: S&P 500, Russell 2000, MSCI Europe, ACWI ex US, MSCI Emerging Markets.

```
Figure 1: Canadian Outperformers in Top 3 Sub Industry Deciles

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>Grp RSr</th>
<th>1-day Equity Chg (%)</th>
<th>5-day Equity Chg (%)</th>
<th>MktCap (CAD)</th>
<th>Chg Last Day</th>
<th>SPTSX</th>
<th>Trend Slope</th>
<th>RS Hi (Mo)</th>
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<td>MG CN</td>
<td>Magna International Inc</td>
<td>AutoParts</td>
<td>1</td>
<td>2.7%</td>
<td>2.8%</td>
<td>18,996</td>
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<td></td>
<td>92%</td>
<td>48.0</td>
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<td>EFN CN</td>
<td>Element Financial Corp</td>
<td>SpecialFin</td>
<td>1</td>
<td>-0.2%</td>
<td>2.4%</td>
<td>1,671</td>
<td></td>
<td></td>
<td>103%</td>
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<td>GW0 CN</td>
<td>Great-West Lifeco Inc</td>
<td>LifeHthIns</td>
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<td>-0.4%</td>
<td>0.9%</td>
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<td></td>
<td></td>
<td>38%</td>
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<td>PWF CN</td>
<td>Power Financial Corp</td>
<td>LifeHthIns</td>
<td>1</td>
<td>-0.3%</td>
<td>0.8%</td>
<td>23,372</td>
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<td>30%</td>
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<td>Power Corp Of Canada</td>
<td>LifeHthIns</td>
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<td>-0.3%</td>
<td>0.3%</td>
<td>12,356</td>
<td></td>
<td></td>
<td>26%</td>
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<td>CCL/B CN</td>
<td>CCL Industries</td>
<td>MtGlscnt</td>
<td>2</td>
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<td>1.4%</td>
<td>2,375</td>
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<td>47%</td>
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<td>LifeHthIns</td>
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<td>-1.2%</td>
<td>-1.2%</td>
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<td>MFC CN</td>
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<td>0.1%</td>
<td>-3.7%</td>
<td>32,555</td>
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<td></td>
<td>46%</td>
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<td>GL CN</td>
<td>Gildan Activewear Inc</td>
<td>Aprl&amp;Gds</td>
<td>3</td>
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<td>-1.5%</td>
<td>5,757</td>
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<td>DH CN</td>
<td>Davis + Henderson Income Corp</td>
<td>DataProc</td>
<td>1</td>
<td>2.4%</td>
<td>1.4%</td>
<td>1,513</td>
<td></td>
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<td>34%</td>
<td>48.0</td>
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<td>BBD/B CN</td>
<td>Bombardier Inc</td>
<td>Aero&amp;Def</td>
<td>1</td>
<td>-1.6%</td>
<td>-2.2%</td>
<td>6,982</td>
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<td>CGI Group Inc</td>
<td>ITConsult</td>
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<td>0.3%</td>
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<td>9,594</td>
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<td>Doliama Inc</td>
<td>GMarchStrs</td>
<td>2</td>
<td>-0.4%</td>
<td>3.4%</td>
<td>5,695</td>
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<td>52%</td>
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<td>FFH CN</td>
<td>Fairfax Financial Holdings</td>
<td>MultiLnIns</td>
<td>1</td>
<td>0.2%</td>
<td>2.2%</td>
<td>8,491</td>
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<td></td>
<td>32%</td>
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<td>CCA CN</td>
<td>Cogeco Cable Inc</td>
<td>Cabl&amp;Sat</td>
<td>3</td>
<td>-0.5%</td>
<td>0.7%</td>
<td>1,652</td>
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<td></td>
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<td>Aero&amp;Def</td>
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<td>3.9%</td>
<td>2.3%</td>
<td>1,063</td>
<td></td>
<td></td>
<td>55%</td>
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<td>TCLA CN</td>
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<td>CmclPrt</td>
<td>2</td>
<td>0.9%</td>
<td>1.8%</td>
<td>807</td>
<td></td>
<td></td>
<td>38%</td>
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<td>OCX CN</td>
<td>Onex Corp</td>
<td>MtSecHld</td>
<td>3</td>
<td>0.3%</td>
<td>5.7%</td>
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<td>27%</td>
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<td>1.2%</td>
<td>20,521</td>
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<td>4.7%</td>
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<td>2.6%</td>
<td>2,152</td>
<td></td>
<td></td>
<td>42%</td>
<td>48.0</td>
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</table>
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Source: BMO Capital Markets, Bloomberg, Thomson, Markit
U.S. dollar strength against the majors looks less supreme with recent wide swings and the breakdown this week – Fig 1.

- The euro has flattened out, yen strength has broken out (Anti-Abenomics), and all but the most EM levered major currency crosses have broken above their 50d MAs this week.

We thought it a powerful message that, despite the sharp selloff in June, MSCI World (ex U.S.) small caps have broken out to a new high – Figure 2.

- Half of our momentum buy list of ACWI ex U.S. members have market caps below $10B. Our list, filtered down to top 4 industry group deciles (strong stocks within strong groups), is highlighted in Fig 3.
European Bank Thaw

- Peripheral European bond spreads are narrowing (Spain, Italy). CDS trends on Peripheral European banks are balanced, the cost for European financials to obtain U.S. dollars in the swap market is falling, and European banks are reversing an underperforming trend against the S&P 500 – Figure 1.

- For the Eurocentric investor looking at the “severed trends” of European banks against the MSCI Europe index, you see China- and EM-leveraged HSBC breaking to the downside (but interestingly Standard Chartered is trying to pull out of its slump), but many more Eurocentric banks breaking to the upside, with many of the positive reversals occurring yesterday – Figure 2.

- As a whole, we continue to rank a global basket of diversified banks in a weak 9th decile position (most are underperforming the market and the financial sector), but when you look at the spectrum of diversified banks against the MSCI World Index, where you see the green, or stocks breaking above underperforming trends, is in the European names – Figure 3.

**Figure 1: European Bank ETF (BNK FP) vs. S&P 500**

**Figure 2: Severed Trends of European Banks vs. MSCI Europe**

**Figure 3: MSCI World Diversified Banks vs. MSCI World Index**

Globally, Banks are Tilted Towards Underperformance, But Those Breaking Above Underperforming Trends are Largely European Stocks

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

Price Breakdowns = Interest Rate Sensitivity

- If we scan S&P 500 and S&P/TSX Composite index members in 10th decile groups for price trend breakdowns yesterday, the theme revealed is interest rate sensitivity – Figures 1, 2.
  - Most major long yields are trending higher.
    - Italy and Spain are exceptions, and spreads off German bunds are notably narrowing.
  - This is another reason to note the positive reversals in Europe.
  - A 10th decile group in our Group Selection Report means that most stocks in the subindustry are either underperforming the market and the sector, or are breaking in that direction.
- Technical downside risks for some “What’s Not to Like” members:
  - PulteGroup gapped lower last month and balked at resistance. Our downside target is $10 – Figure 3.
  - Brookfield Office Properties finds support at C$13-15 – Figure 4.

Figure 1: S&P 500 Members in 10th Decile Subindustries Breaking Price Trends

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>Exp RAP</th>
<th>1-day Equity Chg (%)</th>
<th>5-day Equity Chg (%)</th>
<th>MktCap (USD)</th>
<th>Chg Long Day</th>
<th>Trend</th>
<th>Trend Slope</th>
<th>Hi (Ma)</th>
<th>Low (Mo)</th>
<th>%Chg wrt 50d MA</th>
<th>%Chg wrt 200d MA</th>
<th>Chg wrt 200d MA Trend</th>
<th>Chg wrt 200d MA</th>
<th>Boll Band</th>
<th>Boll Band Width</th>
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</thead>
<tbody>
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<td>LO US</td>
<td>Lenelland, Inc.</td>
<td>Tobacco</td>
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<td>-0.2%</td>
<td>-0.3%</td>
<td>10,113</td>
<td>+</td>
<td>39%</td>
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<td>1.0</td>
<td></td>
<td>-2% Below Falling</td>
<td>9% Below Falling</td>
<td>9% Above Falling</td>
<td>BELOW</td>
<td>140%</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>NRG US</td>
<td>NRG Energy Inc</td>
<td>REIT</td>
<td>10</td>
<td>-2.3%</td>
<td>-2.6%</td>
<td>8,481</td>
<td>-</td>
<td>41%</td>
<td></td>
<td>1.0</td>
<td></td>
<td>-2% Below Falling</td>
<td>7% Above Falling</td>
<td>9% Above Falling</td>
<td>BELOW</td>
<td>100%</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>PCH US</td>
<td>PulteGroup Inc</td>
<td>HomeBld</td>
<td>10</td>
<td>-4.0%</td>
<td>-0.4%</td>
<td>6,287</td>
<td>-</td>
<td>28%</td>
<td></td>
<td>-1.6%</td>
<td></td>
<td>-16% Below Falling</td>
<td>-16% Below Falling</td>
<td>-16% Below Falling</td>
<td>BELOW</td>
<td>166%</td>
<td>34</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2: S&P/TSX Composite Members in 10th Decile Subindustries Breaking Price Trends

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Name</th>
<th>Sub Industry</th>
<th>Exp RAP</th>
<th>1-day Equity Chg (%)</th>
<th>5-day Equity Chg (%)</th>
<th>MktCap (CAD)</th>
<th>Chg Lev't Day</th>
<th>Price Trend</th>
<th>Trend Slope</th>
<th>Hi (Mv)</th>
<th>Low (Mo)</th>
<th>%Chg wrt 50d MA</th>
<th>%Chg wrt 200d MA</th>
<th>Chg wrt 200d MA Trend</th>
<th>Chg wrt 200d MA</th>
<th>Boll Band</th>
<th>Boll Band Width</th>
<th>RSI Dly</th>
</tr>
</thead>
<tbody>
<tr>
<td>KEY CN</td>
<td>Keyera Corp</td>
<td>OG REIT</td>
<td>10</td>
<td>-1.9%</td>
<td>-0.2%</td>
<td>4,407</td>
<td>-</td>
<td>45%</td>
<td></td>
<td>1.0</td>
<td></td>
<td>-3% Below Falling</td>
<td>5% Above Stalling</td>
<td>5% Above Stalling</td>
<td>BELOW</td>
<td>107%</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>BPO CN</td>
<td>Brookfield Office Properties</td>
<td>RMsDegCo</td>
<td>10</td>
<td>-0.6%</td>
<td>-0.4%</td>
<td>8,761</td>
<td>-</td>
<td>22%</td>
<td></td>
<td>1.0</td>
<td></td>
<td>-1% Below Falling</td>
<td>2% Above Stalling</td>
<td>2% Above Stalling</td>
<td>BELOW</td>
<td>67%</td>
<td>45</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3: PulteGroup Price Trend

Figure 4: Brookfield Office Properties Price Trend in C$
European Vacation

- A U.S.-centric portfolio is a strong one, yet as we pointed out last week, European shares are turning the corner, and there are pockets of strength out there that deserve attention.

- European Real Estate looks nicer – Figure 1.
  - U.S. REITS are breaking to the downside versus global peers, most European REITS are in outperforming trends (against other REITS) – Figure 3.
  - The majority of Canadian REITS are in underperforming trends, while Aussie REITS are either underperforming, or are breaking down against a global REIT benchmark.

- European Infrastructure is basing and is turning the corner – Figure 2.
  - North American Infrastructure is meandering relative to global markets, European shares are basing – Figure 2.
  - European momentum buys against global peers are shown in Figure 4.
  - The spectrum of European infrastructure stocks is bell shaped, but one-quarter of the shares is breaking above the top ends of their channels.

Figure 1: European REITS vs. FTSE Global REIT Index

Figure 2: Europe vs. Macquarie Global Infrastructure

Figure 3: European REIT Outperformers vs. FTSE Global REIT Index

Figure 4: European Infrastructure Momentum Buys vs. Macquarie Global Infrastructure Index

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
The Worst of Emerging Markets

- As North American rates rise, yield curves steepen and global equity markets have a tough time keeping up with U.S. benchmarks, the MSCI Emerging Markets Index trends lower - Figure 1.
  - At a more granular level, our best fit trend for 9 of 10 EM sectors sports a negative slope.
- In relative strength terms, the MSCI Emerging Markets ETF is underperforming the S&P 500 at a rate of 50%/year – Figure 2.
- Our momentum sell list (trending lower but not oversold) of EM stocks listed on a U.S. exchange is shown in Figure 3.

**Figure 1:** MSCI Emerging Markets Index

**Figure 2:** Emerging Market ETF vs. S&P 500

**Figure 3:** Momentum Sell List of U.S.-Listed Emerging Market Stocks

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Europe via Telecom

- The broader European 350 is right behind the CAC in breaking above an underperforming trend against the S&P 500 – Figure 1.
  - If you want a more targeted turnaround, we suggest the European telecom sector – Figure 2.
    - For granularity down at the stock level, what you are getting in European Telecom, brought back in USD terms is an abundance of uptrends, where most stocks are above rising 50 and 200d MAs, RSIs which are not overbought, and one-third of the stocks, which are still in downtrends are reversing these – Figure 3.
  - Heck, there is even a birth amongst royalty across the pond.

Figure 1: S&P Europe 350 vs. S&P 500

Figure 2: Stoxx 600 Telecom ETF vs S&P 500

Figure 3: USD Price Trends of European Telecom Stocks

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

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

Sock it to me now
Tighten it up

Archie Bell & The Drells

- A tipping point has been reached. The central bankers’ bank (BIS) now deems that (1) there has been enough stimulus provided to the global economy, (2) more cannot be done without compounding risks that central banks have already created, and (3) easing has led to the delay of structural reforms (BIS Annual Report June 23, 2013).

- After a period of unprecedented central bank easing, and ultra low interest rate volatility, markets are adjusting to now rather rapid tightening and escalating volatility.
  - The known unknown is that when interest rates move from low and highly certain, to high and highly uncertain, that carry trades blow up. This was Long-Term Capital Management, this was Carlyle Capital Corporation, and this is the known unknown that markets are routing out now.

- Our goal over the next few pages is to detail these stresses, which we believe are still at very early stages. We expect global equity weakness to persist over the near term.

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

Figure 2: Chinese Interbank Lending Rates

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

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

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

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

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

Central banks cannot do more without compounding the risks they have already created.

BIS June 23, 2013

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

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

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

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

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

---

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

<table>
<thead>
<tr>
<th>Name</th>
<th>1-day Equity Chg (%)</th>
<th>5-day Equity Chg (%)</th>
<th>MktCap (US$)</th>
<th>Chg Last Day</th>
<th>Chg</th>
<th>Trend Slope</th>
<th>CDS Hi (Mo)</th>
<th>CDS Low (Mo)</th>
<th>CDS Curve 1/5Yr</th>
<th>CDS %Chg wrt 50 DMA</th>
<th>Chg wrt 50 Day MA Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>UniCredit SpA</td>
<td>-4.1%</td>
<td>-7.2%</td>
<td>27,666</td>
<td>↑</td>
<td></td>
<td>-13%</td>
<td>2.5</td>
<td>0.58</td>
<td>22%</td>
<td>Above Rising</td>
<td>Above Falling</td>
</tr>
<tr>
<td>HSBC Holdings PLC</td>
<td>-0.1%</td>
<td>-3.6%</td>
<td>191,403</td>
<td>↑</td>
<td></td>
<td>-30%</td>
<td>7.5</td>
<td>0.51</td>
<td>32%</td>
<td>Above Rising</td>
<td>Above Falling</td>
</tr>
<tr>
<td>ING Groep NV</td>
<td>-2.1%</td>
<td>-3.1%</td>
<td>33,809</td>
<td>↑</td>
<td></td>
<td>-45%</td>
<td>2.0</td>
<td>0.49</td>
<td>9%</td>
<td>Above Falling</td>
<td>Above Falling</td>
</tr>
<tr>
<td>Banco Santander SA</td>
<td>-1.2%</td>
<td>-6.9%</td>
<td>69,339</td>
<td>↑</td>
<td></td>
<td>-42%</td>
<td>2.6</td>
<td>0.47</td>
<td>24%</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>-1.0%</td>
<td>-3.6%</td>
<td>48,825</td>
<td>↑</td>
<td></td>
<td>-60%</td>
<td>5.5</td>
<td>0.46</td>
<td>35%</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
<tr>
<td>Royal Bank of Scotland Group</td>
<td>-5.1%</td>
<td>-10.3%</td>
<td>27,112</td>
<td>↑</td>
<td></td>
<td>-16%</td>
<td>9.5</td>
<td>0.46</td>
<td>43%</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
<tr>
<td>Barclays PLC</td>
<td>-0.8%</td>
<td>-5.3%</td>
<td>56,350</td>
<td>↑</td>
<td></td>
<td>3%</td>
<td>7.0</td>
<td>0.44</td>
<td>22%</td>
<td>Above Rising</td>
<td>Above Falling</td>
</tr>
<tr>
<td>Goldman Sachs Group Inc</td>
<td>0.7%</td>
<td>-5.3%</td>
<td>70,724</td>
<td>↑</td>
<td></td>
<td>-49%</td>
<td>6.5</td>
<td>0.42</td>
<td>39%</td>
<td>Above Rising</td>
<td>Above Falling</td>
</tr>
<tr>
<td>Credit Suisse Group</td>
<td>-1.2%</td>
<td>-5.3%</td>
<td>42,253</td>
<td>↑</td>
<td></td>
<td>50%</td>
<td>7.0</td>
<td>0.38</td>
<td>20%</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
<tr>
<td>Bank of America Corp</td>
<td>-1.6%</td>
<td>-2.9%</td>
<td>136,803</td>
<td>↑</td>
<td></td>
<td>-47%</td>
<td>6.5</td>
<td>0.36</td>
<td>28%</td>
<td>Above Rising</td>
<td>Above Falling</td>
</tr>
<tr>
<td>Commerzbank AG</td>
<td>-2.3%</td>
<td>-1.8%</td>
<td>10,873</td>
<td>↑</td>
<td></td>
<td>35%</td>
<td>3.0</td>
<td>0.36</td>
<td>14%</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
<tr>
<td>Credit Agricole SA</td>
<td>-2.3%</td>
<td>-6.0%</td>
<td>21,255</td>
<td>↑</td>
<td></td>
<td>3%</td>
<td>2.0</td>
<td>0.35</td>
<td>15%</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
<tr>
<td>UBS AG</td>
<td>-1.5%</td>
<td>-4.7%</td>
<td>64,921</td>
<td>↑</td>
<td></td>
<td>11%</td>
<td>6.5</td>
<td>0.35</td>
<td>23%</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
<tr>
<td>Deutsche Bank AG</td>
<td>0.6%</td>
<td>-4.2%</td>
<td>44,674</td>
<td>↑</td>
<td></td>
<td>27%</td>
<td>2.5</td>
<td>0.35</td>
<td>19%</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>-2.6%</td>
<td>-5.9%</td>
<td>66,362</td>
<td>↑</td>
<td></td>
<td>-26%</td>
<td>2.5</td>
<td>0.35</td>
<td>18%</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
<tr>
<td>JPMorgan Chase &amp; Co</td>
<td>-1.0%</td>
<td>-2.2%</td>
<td>196,392</td>
<td>↑</td>
<td></td>
<td>-2%</td>
<td>6.5</td>
<td>0.34</td>
<td>18%</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
<tr>
<td>Citigroup Inc</td>
<td>-2.2%</td>
<td>-4.8%</td>
<td>142,620</td>
<td>↑</td>
<td></td>
<td>-55%</td>
<td>5.5</td>
<td>0.33</td>
<td>31%</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
<tr>
<td>Societe Generale</td>
<td>-2.1%</td>
<td>-5.6%</td>
<td>27,619</td>
<td>↑</td>
<td></td>
<td>-16%</td>
<td>2.0</td>
<td>0.32</td>
<td>13%</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
<tr>
<td>Wells Fargo &amp; Co</td>
<td>2.2%</td>
<td>2.8%</td>
<td>216,940</td>
<td>↑</td>
<td></td>
<td>-29%</td>
<td>0.29</td>
<td>0.29</td>
<td>12%</td>
<td>Above Rising</td>
<td>Above Rising</td>
</tr>
</tbody>
</table>
US Equities: Last Dot Finally Connected, Picture Now Emerging

- The stress in the banking system is just starting to be felt in the U.S. equity market – Figure 14.
  - The breakout in the cost to protect the US Banks against default last Thursday coincided with the breakdown in the S&P 500.
- The U.S. 2-year swap spread, a gauge of counterparty risk, has just started to get in the game – Figure 15.
  - It is still incredibly low – Figure 16, but will move higher with continued stress in the banking system.
  - When stresses are high enough, one can watch this counterparty risk move with S&P futures tick for tick. When we see it, we will be closer to an equity bottom.
- The known unknown is that when interest rates move from low and highly certain to high and highly uncertain that carry trades blow up.
  - This is the precursor to LTCM, to CCC, and to the known unknown of 2013.
    - When this unknown is known, we believe equities will be lining up for a bottom.

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

Both Broke Last Thursday

Figure 15: U.S. 2-year Swap Spread
Just Barely Starting to Get in the Game

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

- “Yes, rates have come up some. That’s in part due to more optimism, I think, about the economy. It’s in part due to perceptions of the Federal Reserve”
  Fed Chairman Ben Bernanke during yesterdays Q&A.

- Of the backup in treasury yields, and the associated destruction of “risk on” carry trades, we know that,
  - Very little of the backup in treasury yields increase came from optimism (albeit stronger-than-expected U.S. payroll data on May 3 marked the bottom for treasury yields) – Figure 1
    - Much more comes from perceptions of the FED, which includes the May 22 bomb and yesterday’s “...it would be appropriate to moderate the monthly pace of purchases later this year....ending purchases around mid-year (next year)”
    - And more still came from yen carry trade (PRDC) related unwind pressure.

- Misplaced optimism, by the world’s central banker, on why treasury yields are rising is causing,
  - another leg up in yields and volatility – Figure 1; and
  - continued collapse of “risk on” carry trades of many descriptions – Figures 2, 3.

- Another notable Bernanke line yesterday was “...as we try to land the ship on a...you know, on a ...in a smooth....in a smooth way into the ...on to the aircraft carrier.” Communication gap? There is a scene from Apocalypse Now, when the ship drops in a harsh way into the ocean. It ends with “I love the smell of napalm in the morning.”

Figure 1: US Treasuries Tighten Global Markets via Higher Yields and Higher Volatility

Figure 2: ACWI exUS Index and Treasury Volatility

Figure 3: North American HY vs IG and Treasury Volatility

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Inflation Expectations Are Trending Higher

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

Given the fact the European stress is receding (Figure 3), and that the Fed is likely to add more QE fuel, the market is starting to embrace resources. Half of global resource relative strength downtrends have been severed – Figure 4.
- Up trending inflation expectations (Figures 1, 2) give some cover for this maneuver.
- We and markets will be watching to see if they ultimately break out of the “noise zone”; for if they do, broken resource relative strength downtrends will eventually turn into uptrends.

Figure 1: U.S. 10-Year Breakeven Rate (Inflation Expectations)  
Figure 2: US 5Y5Y Forward Breakeven Rate (Inflation Expectations)

Figure 3: Italian – European AAA Spread

Figure 4: Global Resource Sectors vs. Their Markets

Source: BMO Capital Markets, Bloomberg
Focus Shifts (Back) to Asia

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

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
Focal Points

Investment & Trading Ideas

Major Double Top for Global Real Estate

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

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

Figure 1: MSCI ACWI Real Estate

Source: BMO Capital Markets, Bloomberg, Thomson, Markit
IMPORTANT DISCLOSURES

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Distribution of Ratings (June 30, 2013)

<table>
<thead>
<tr>
<th>Rating Category</th>
<th>BMO Rating</th>
<th>BMOCM US Universe*</th>
<th>BMOCM US IB Clients**</th>
<th>BMOCM US IB Clients***</th>
<th>BMOCM Universe****</th>
<th>BMOCM IB Clients*****</th>
<th>Starmine Universe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td>Outperform</td>
<td>37.9%</td>
<td>17.6%</td>
<td>52.7%</td>
<td>39.6%</td>
<td>51.0%</td>
<td>53.2%</td>
</tr>
<tr>
<td>Hold</td>
<td>Market Perform</td>
<td>56.8%</td>
<td>10.2%</td>
<td>45.9%</td>
<td>53.9%</td>
<td>45.5%</td>
<td>41.1%</td>
</tr>
<tr>
<td>Sell</td>
<td>Underperform</td>
<td>5.3%</td>
<td>3.2%</td>
<td>1.4%</td>
<td>6.5%</td>
<td>3.5%</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

* 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.
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(S) = Speculative investment;
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