

# Weekly Macro Pack: Forewarned is Forearmed

## Bloomberg Annual European Charting & Technical Analysis Summit

18<sup>th</sup> December 2013

David Sneddon

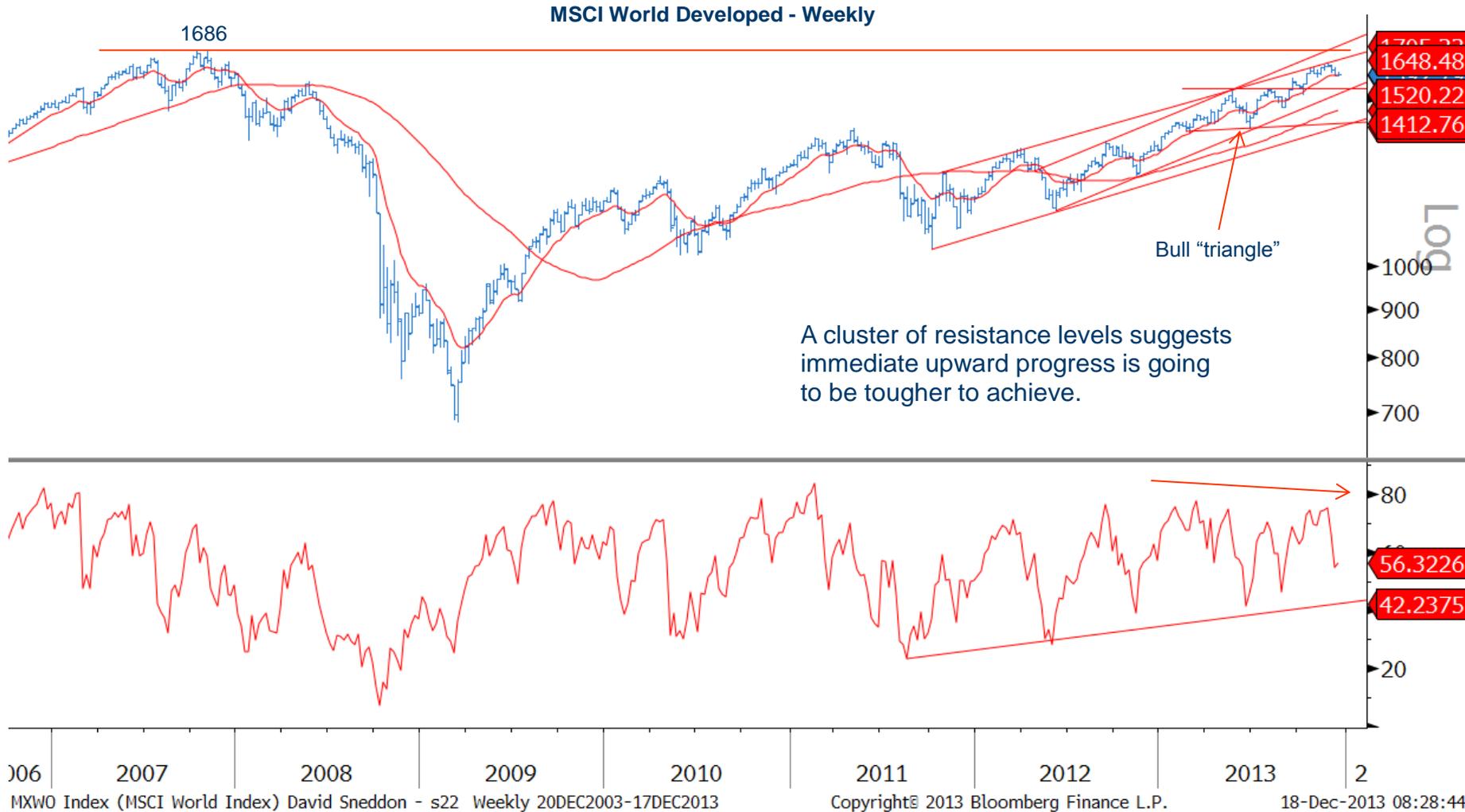
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# Global Developed Equities are slowing ahead of the high



MXWO Index (MSCI World Index) David Sneddon - s22 Weekly 20DEC2003-17DEC2013

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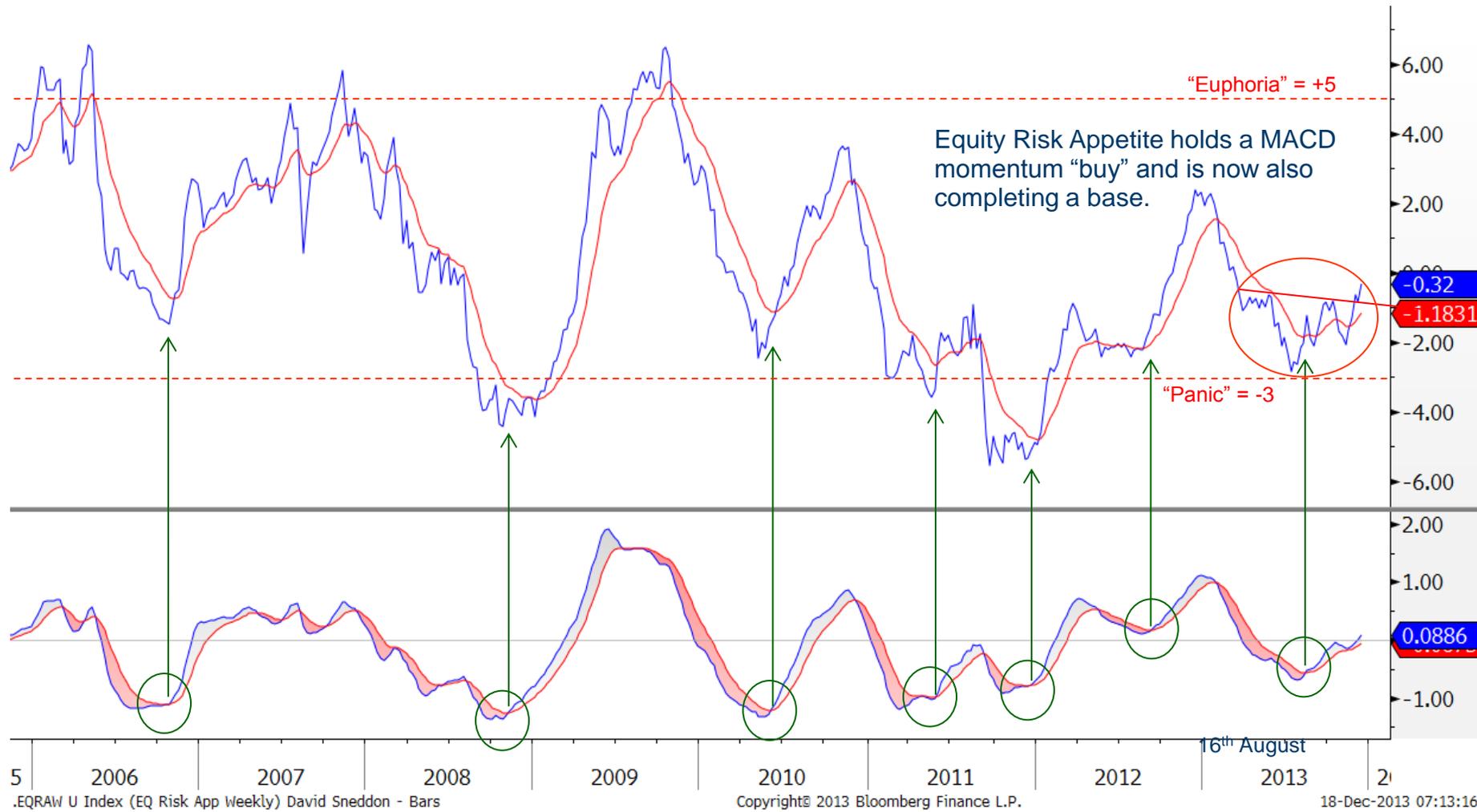
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# Equities continue to outperform Bonds globally, but we are not far from major resistance

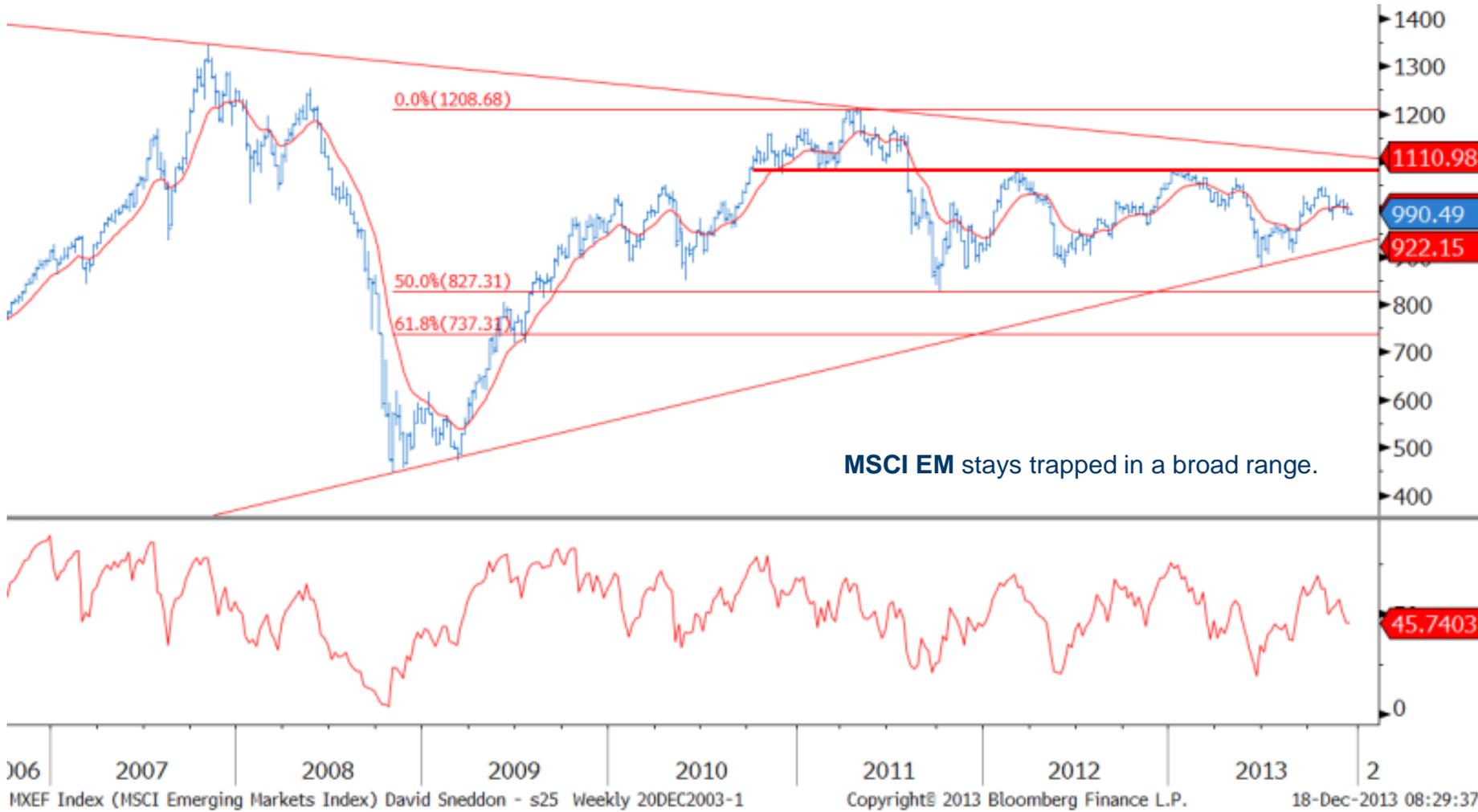


Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# But, Equity Risk Appetite holds a “buy” signal. “Riskier” equities should continue to outperform

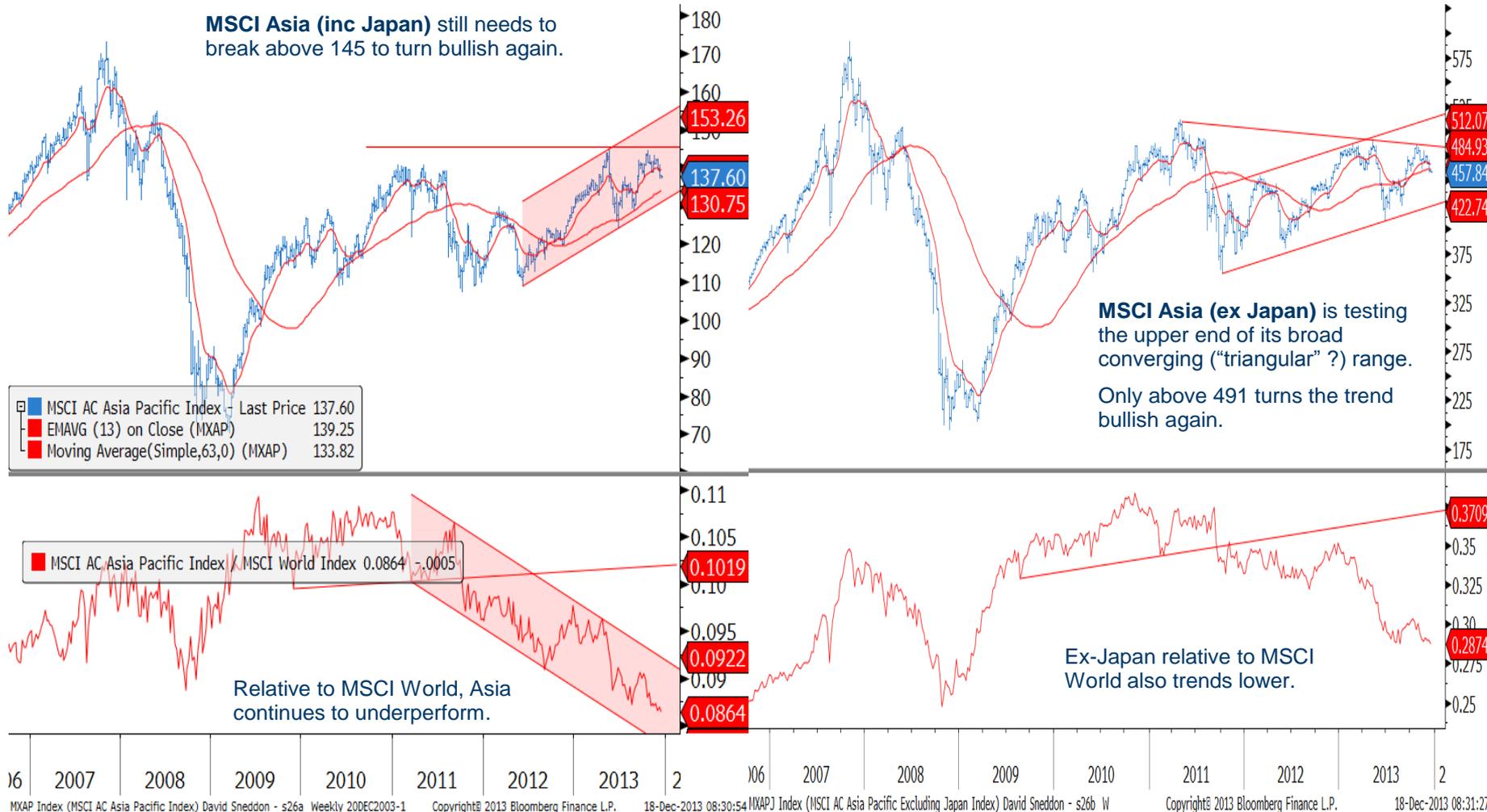


# EM is typically a beneficiary, but not this time



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# And Asia, with or without Japan, underperforms



MXAP Index (MSCI AC Asia Pacific Index) David Sneddon - s26a Weekly 20DEC2003-1 Copyright© 2013 Bloomberg Finance L.P. 18-Dec-2013 08:30:54 MXAPJ Index (MSCI AC Asia Pacific Excluding Japan Index) David Sneddon - s26b W Copyright© 2013 Bloomberg Finance L.P. 18-Dec-2013 08:31:27

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# European Periphery Equities have been our focus



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Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# Greece - on the “watch list” for 2014 ?



# Tough getting aggressively long the S&P 500 at these levels

■	S&P 500 Index - Last Price	1781.00
■	MAE UB(10) (SPX)	1844.28
■	MAE Avg(40) (SPX)	1676.62
■	MAE LB(10) (SPX)	1508.96
■	MAE UB(15) (SPX)	1928.11
■	MAE LB(15) (SPX)	1425.13

As the market again holds at its upper "extreme"



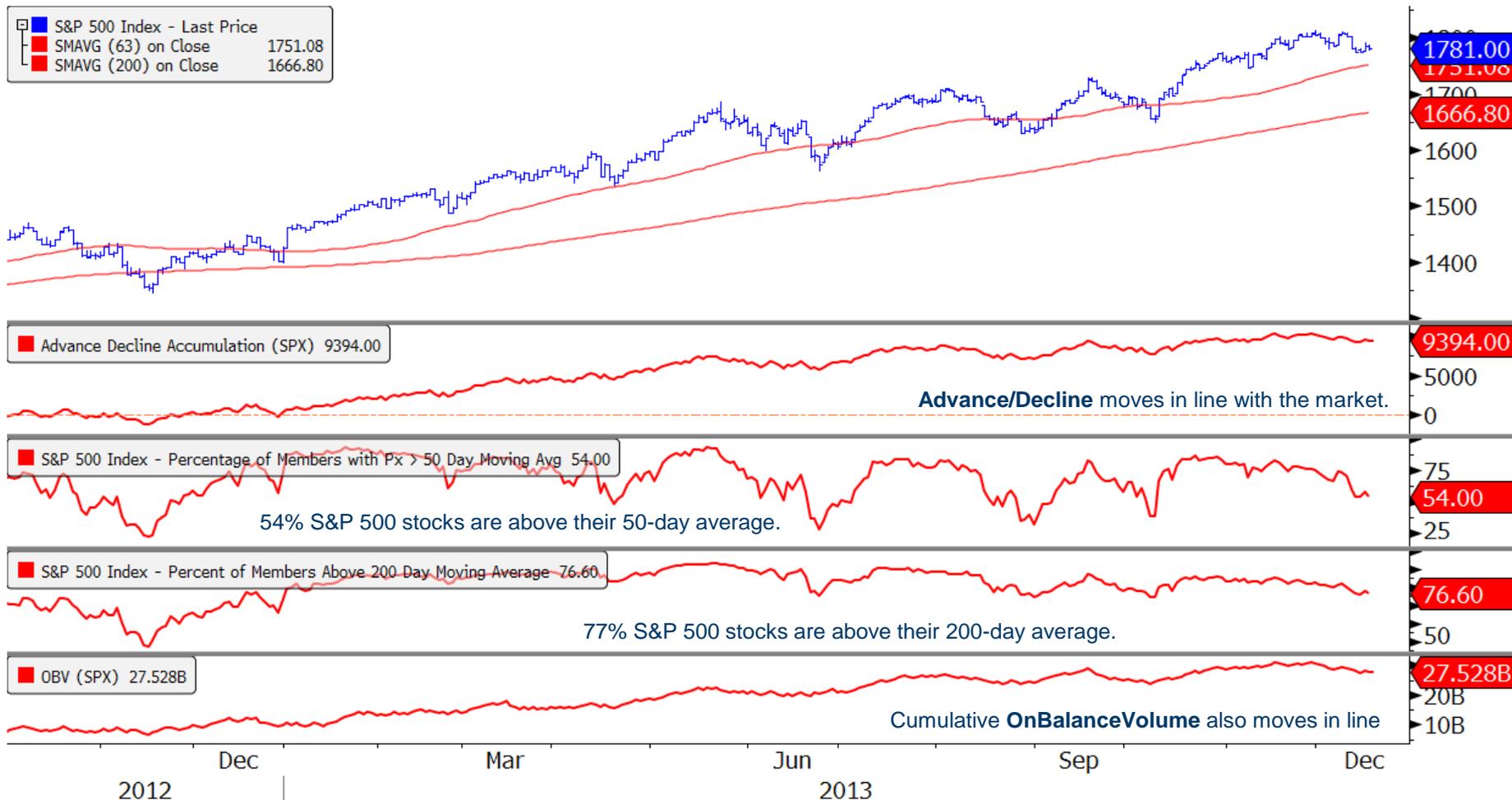
SPX Index (S&P 500 Index) David Sneddon - s9 Weekly 20DEC2003-17DEC2013

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# Breadth & Volume are stalling, but in line with the market



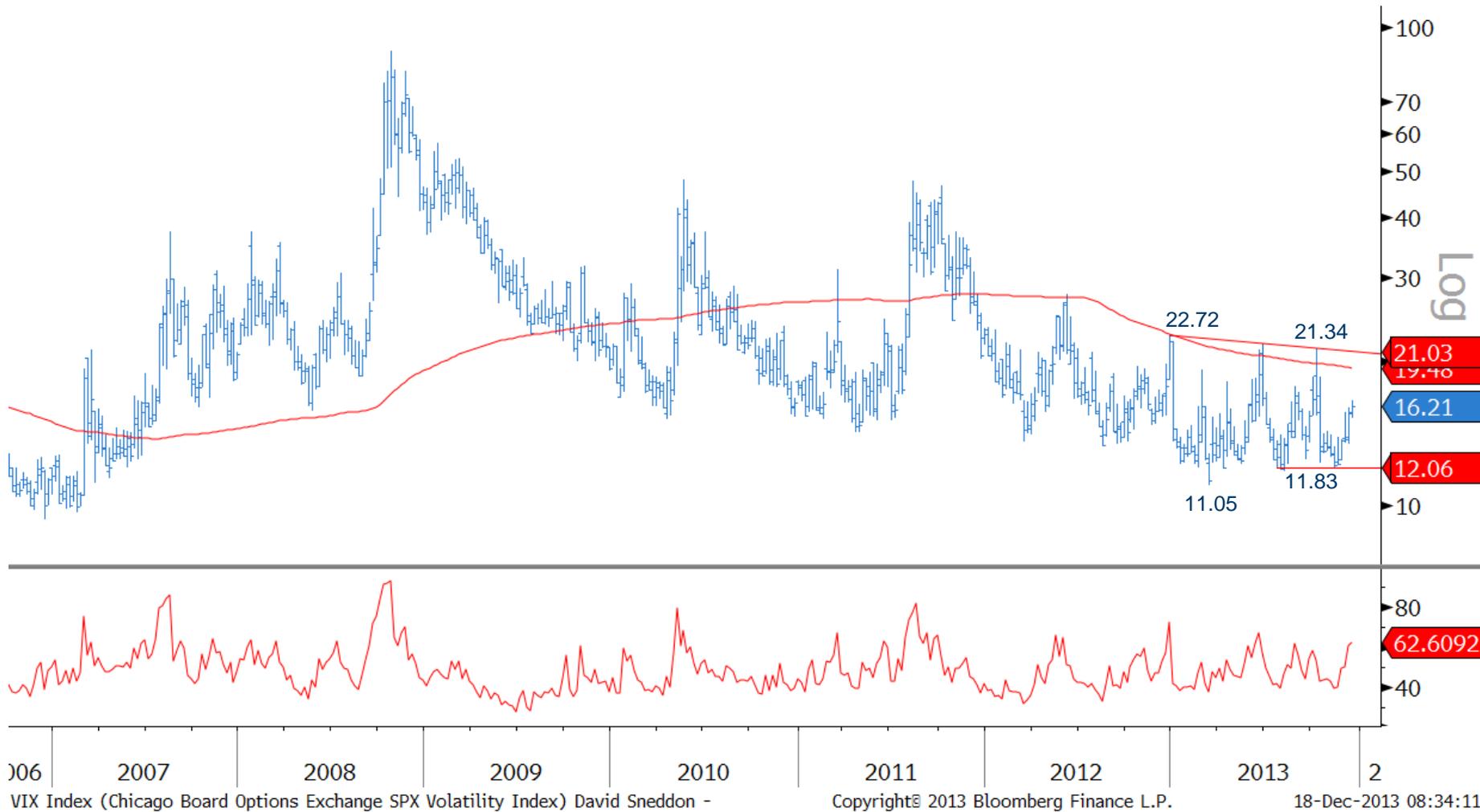
SPX Index (S&P 500 Index) David Sneddon - MB S&P

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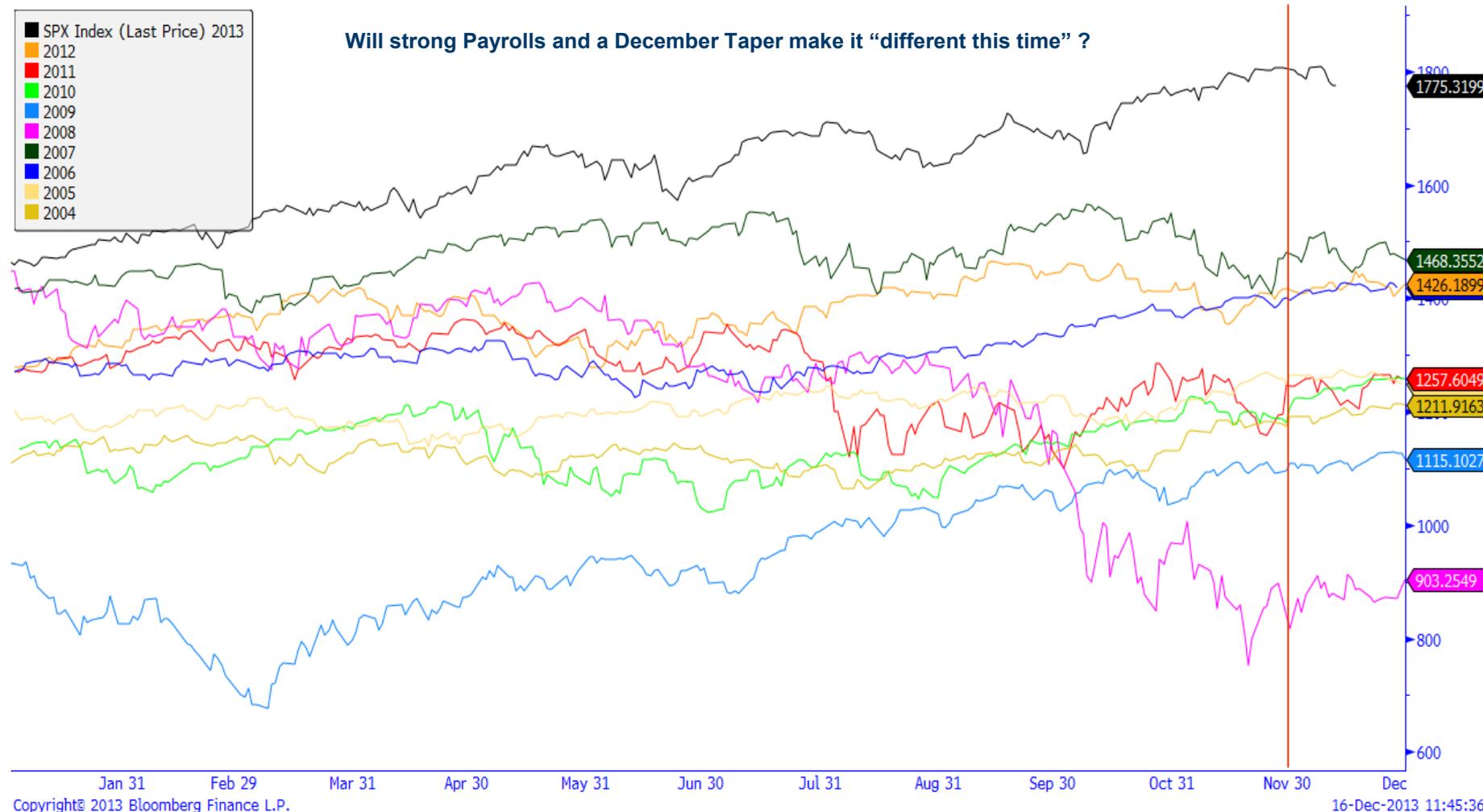
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Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# And the VIX holds the lower end of its range



# December is normally a good month though



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# Typical Bull Markets

	Start	End	Days	Months	% Change
	13-Jun-49	02-Aug-56	2607	86.9	267.08%
	22-Oct-57	12-Dec-61	1512	50.4	86.35%
	26-Jun-62	09-Feb-66	1324	44.1	79.78%
	07-Oct-66	29-Nov-68	784	26.1	48.05%
	26-May-70	11-Jan-73	961	32.0	73.53%
	03-Oct-74	28-Nov-80	2248	74.9	125.63%
	12-Aug-82	25-Aug-87	1839	61.3	228.81%
	04-Dec-87	24-Mar-00	4494	149.8	582.15%
	09-Oct-02	09-Oct-07	1826	60.9	101.50%
<b>Mean</b>			<b>1955</b>	<b>65.2</b>	<b>176.99%</b>
<b>The story so far...</b>	<b>09-Mar-09</b>	<b>13-Dec-13</b>	<b>1740</b>	<b>57.1</b>	<b>170.82%</b>

IF, we were going to repeat:

The mean, would suggest a peak of 1847 in July next year.....

The median would suggest a peak in March.....

# We still see scope for 1900/10

S&P 500 - Quarterly

Our bias is for a correction lower near term – back to 1700/1680, potentially 1600 - ahead of a fresh leg higher to 1900/10. We look for this to then cap.

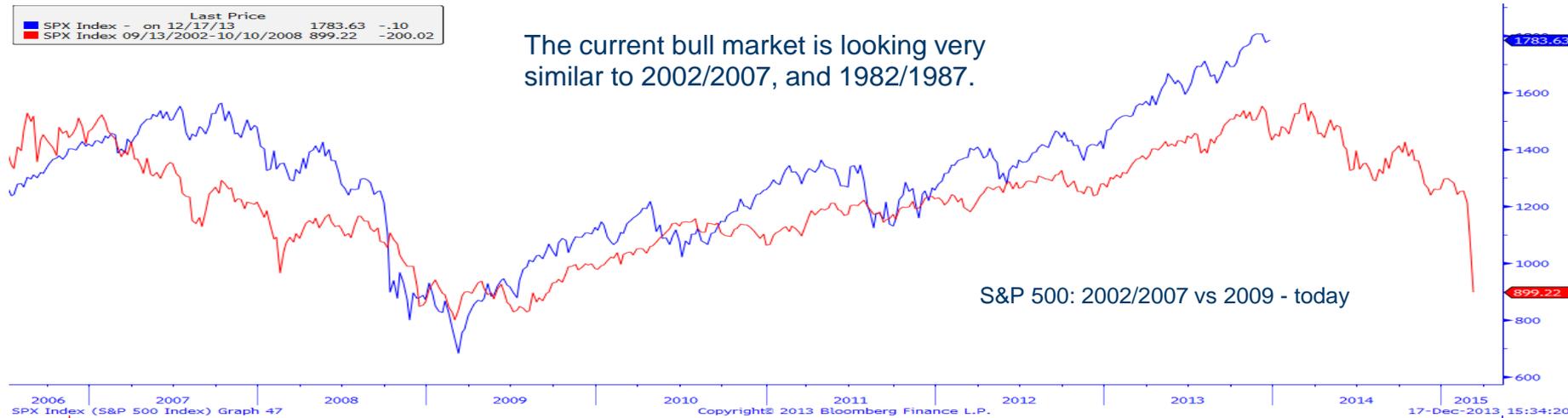


Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# Will history “rhyme” ?

Last Price	
SPX Index - on 12/17/13	1783.63 -10
SPX Index 09/13/2002-10/10/2008	899.22 -200.02

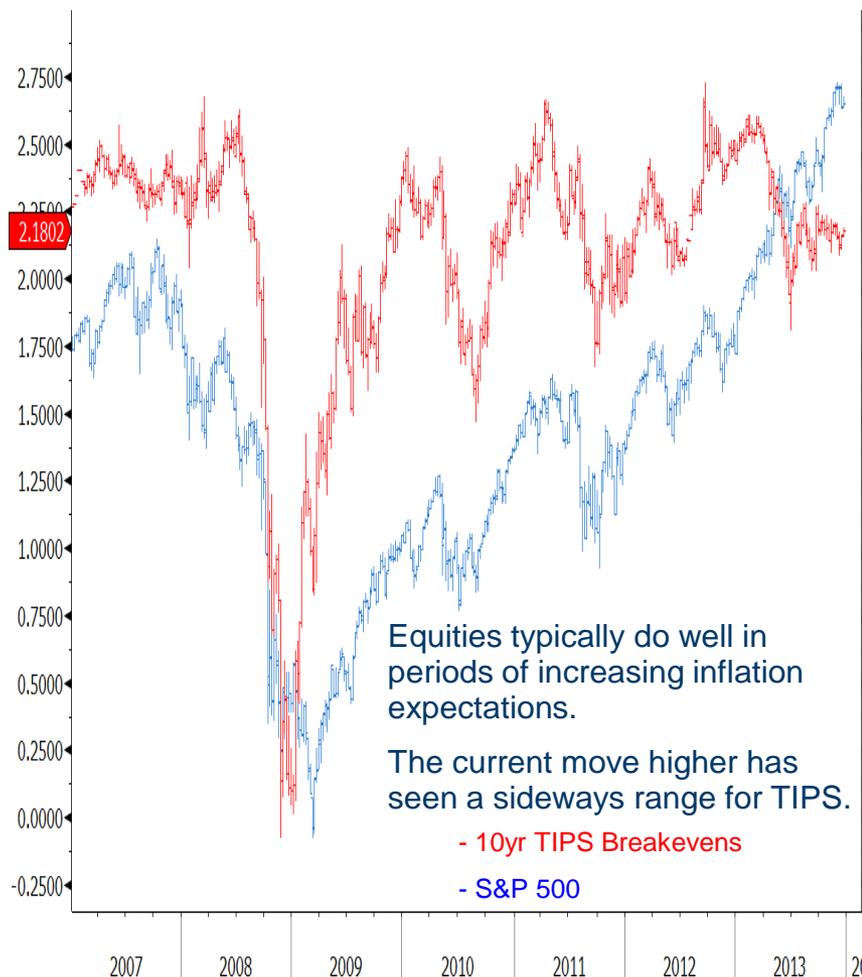
The current bull market is looking very similar to 2002/2007, and 1982/1987.



If history were to repeat, would warn of a top in a March/July window, with an “ideal” peak of 1905.

Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# Equities have diverged from Inflation.....



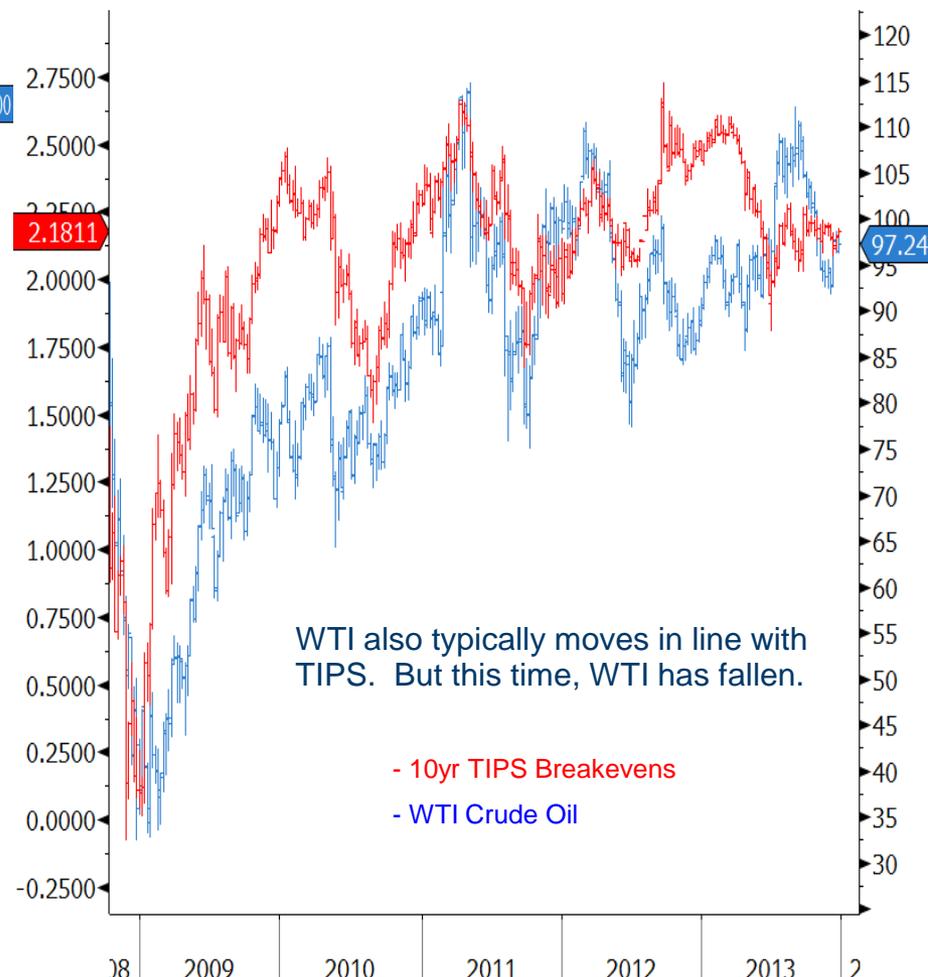
SPX Index (S&P 500 Index) David Sneddon - 35a Weekly 19DEC2008-18DEC2013

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18-Dec-2013 09:07:59 CL1 Comdty (Generic 1st 'CL' Future) David Sneddon - 35a

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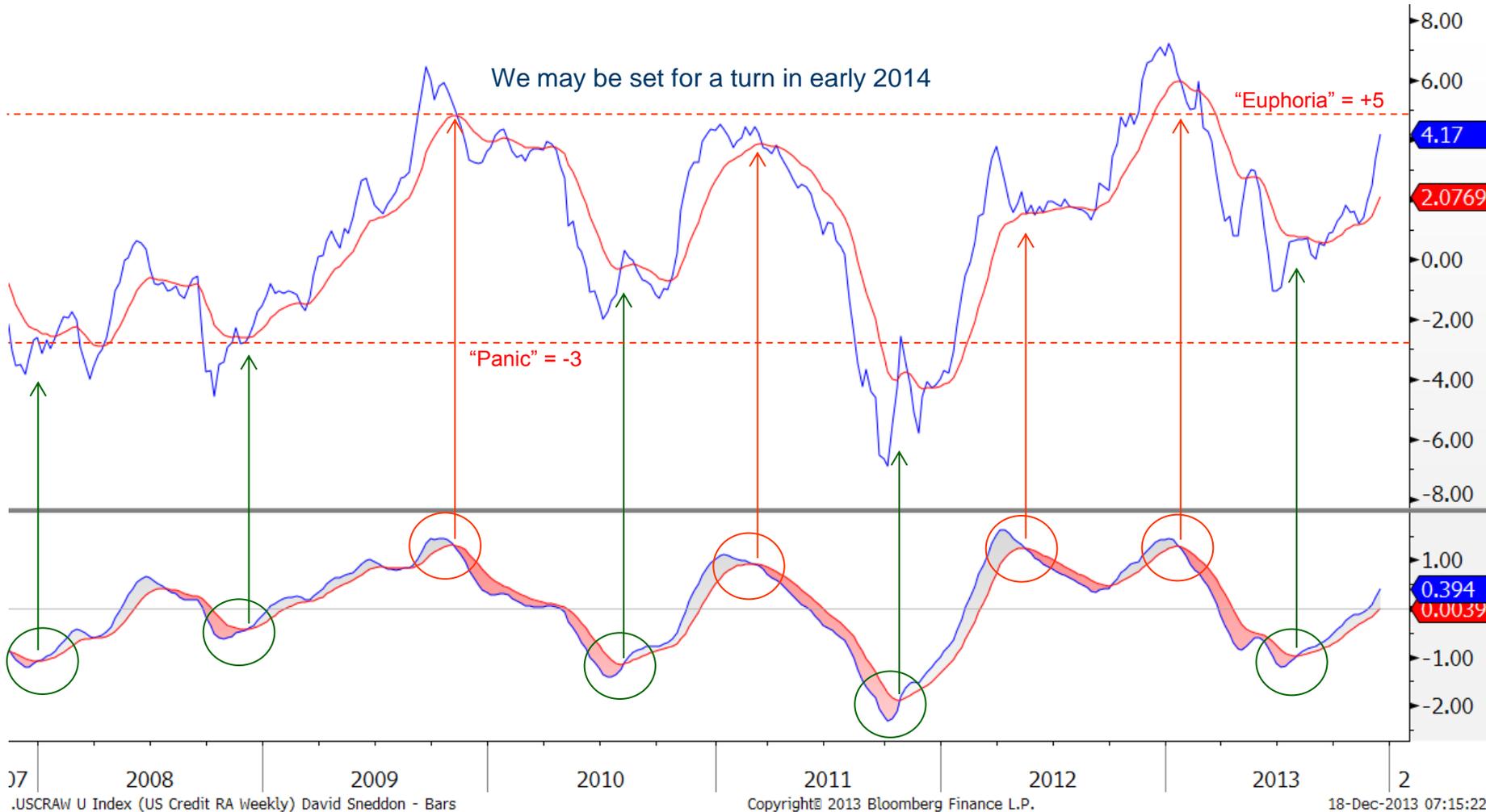
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# The eventual break of WTI Crude Oil out of its range may turn out to be pivotal in 2014



But WTI doesn't seem to be in any hurry to break out of its broad converging range. If anything, the immediate bias looks to be shifting for a small base within the range.

# US Credit Risk Appetite approaches “euphoria”



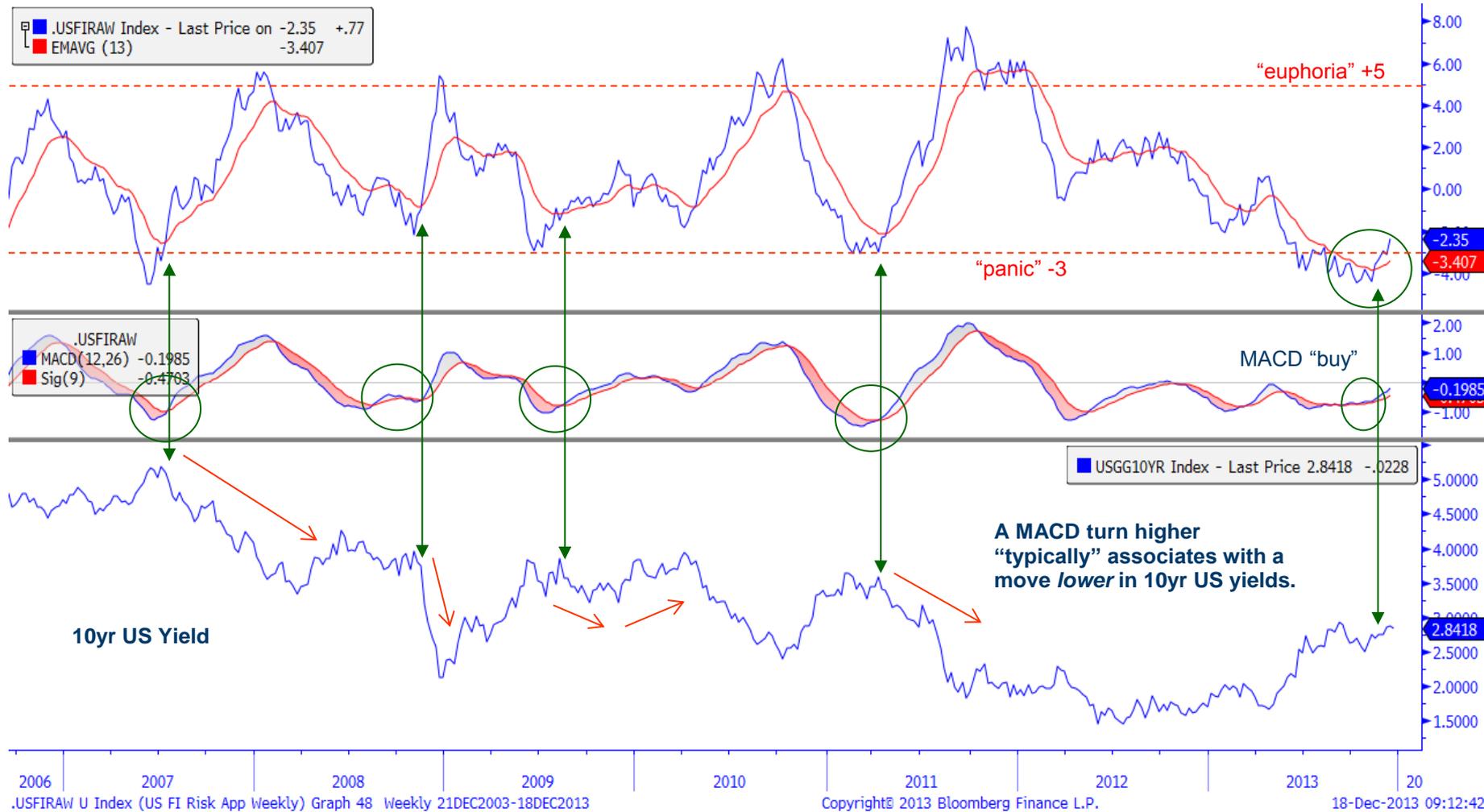
.USCRAW U Index (US Credit RA Weekly) David Sneddon - Bars

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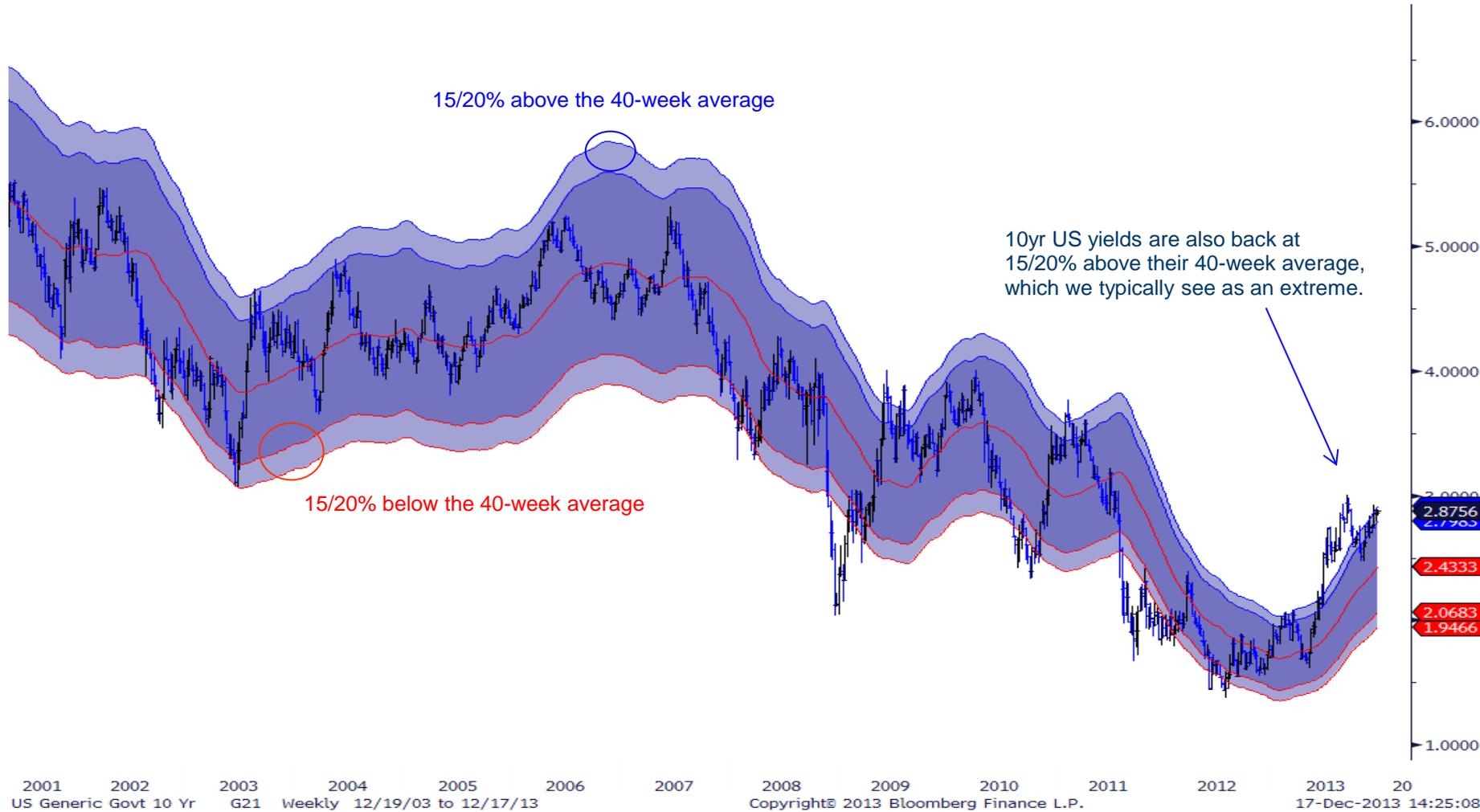
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# US Duration Risk Appetite finally sees a MACD “buy”. Warns we may be close to a peak in yields.



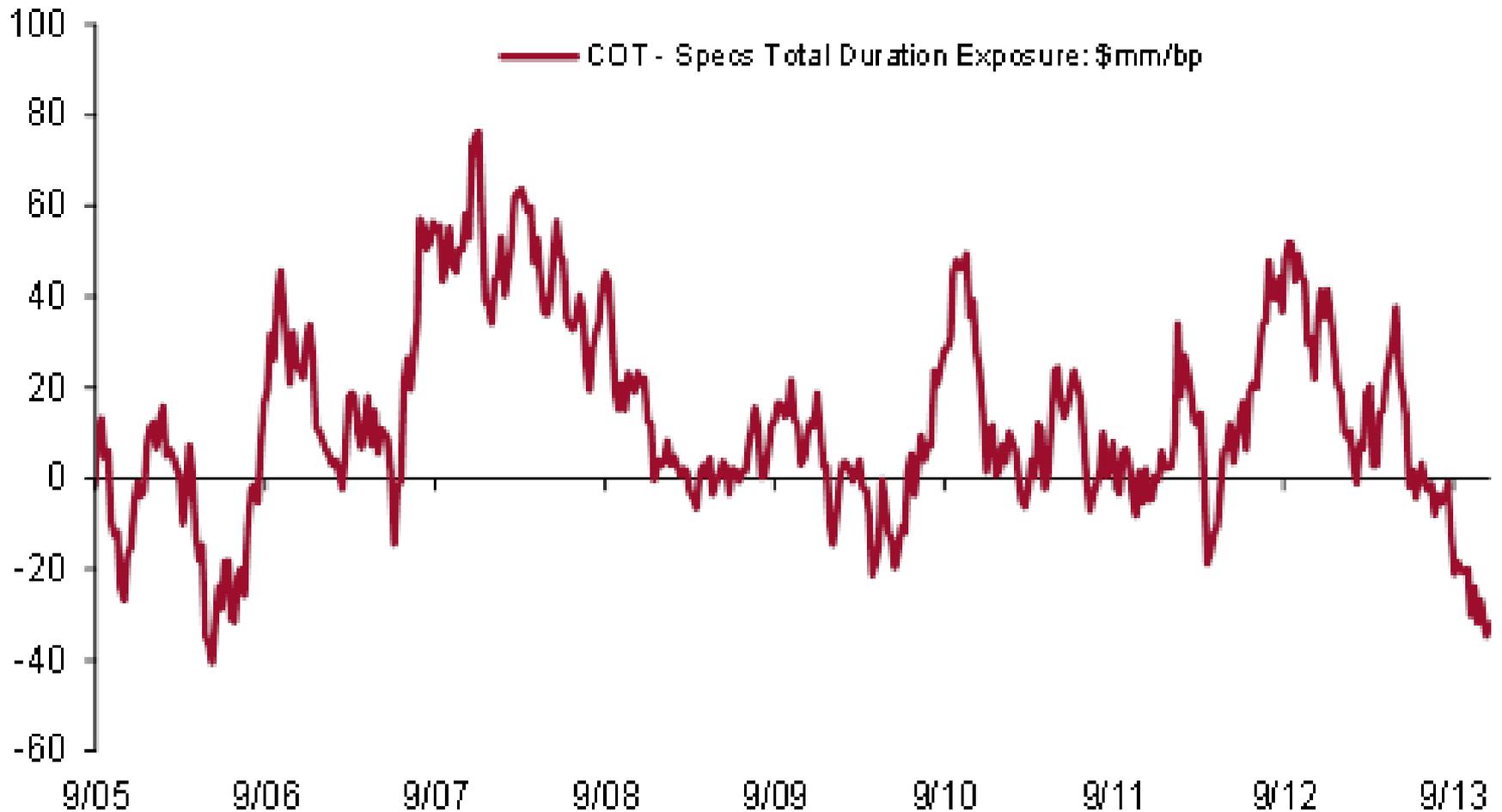
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# 10yr US are also at their “typical” extreme...



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# And Sentiment/Positioning suggests specs are very short



Source: CFTC, Credit Suisse

# Suggests we are in the end stages of the bond sell-off



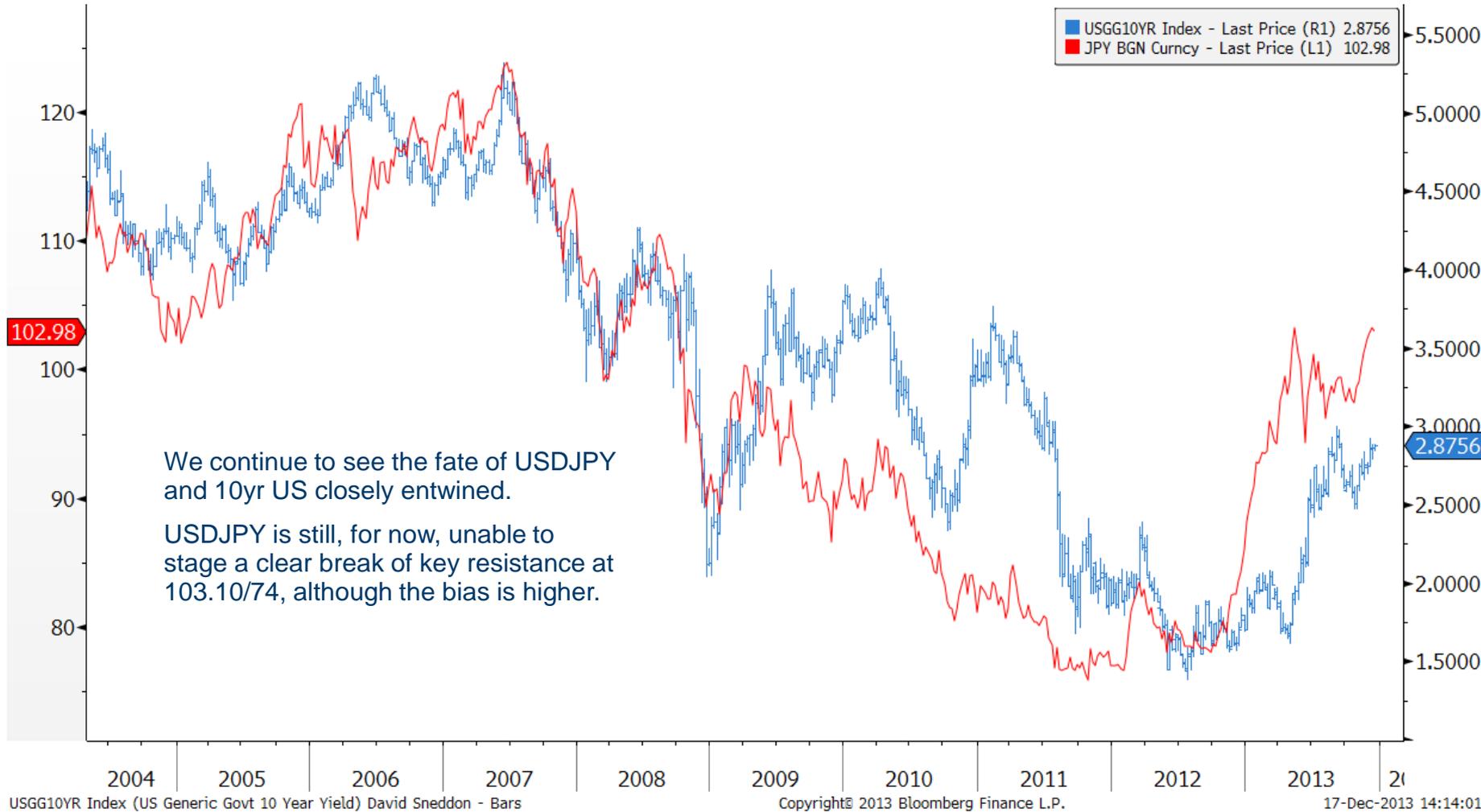
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

30yr US Yields above 3.94% can target the secular down trendline at 4.20/4.30%. We are a buyer here.



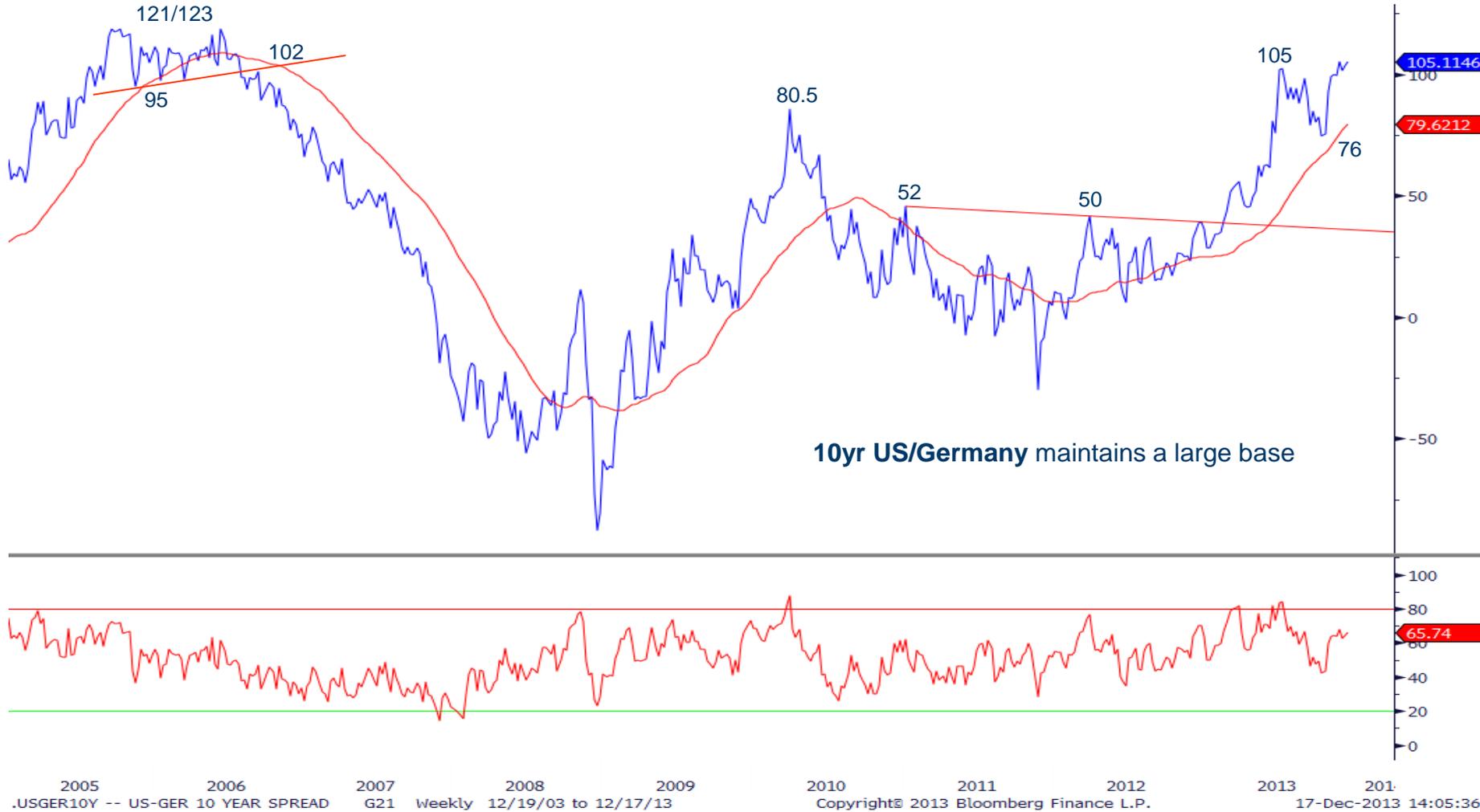
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# USDJPY overlays well with 10yr yields



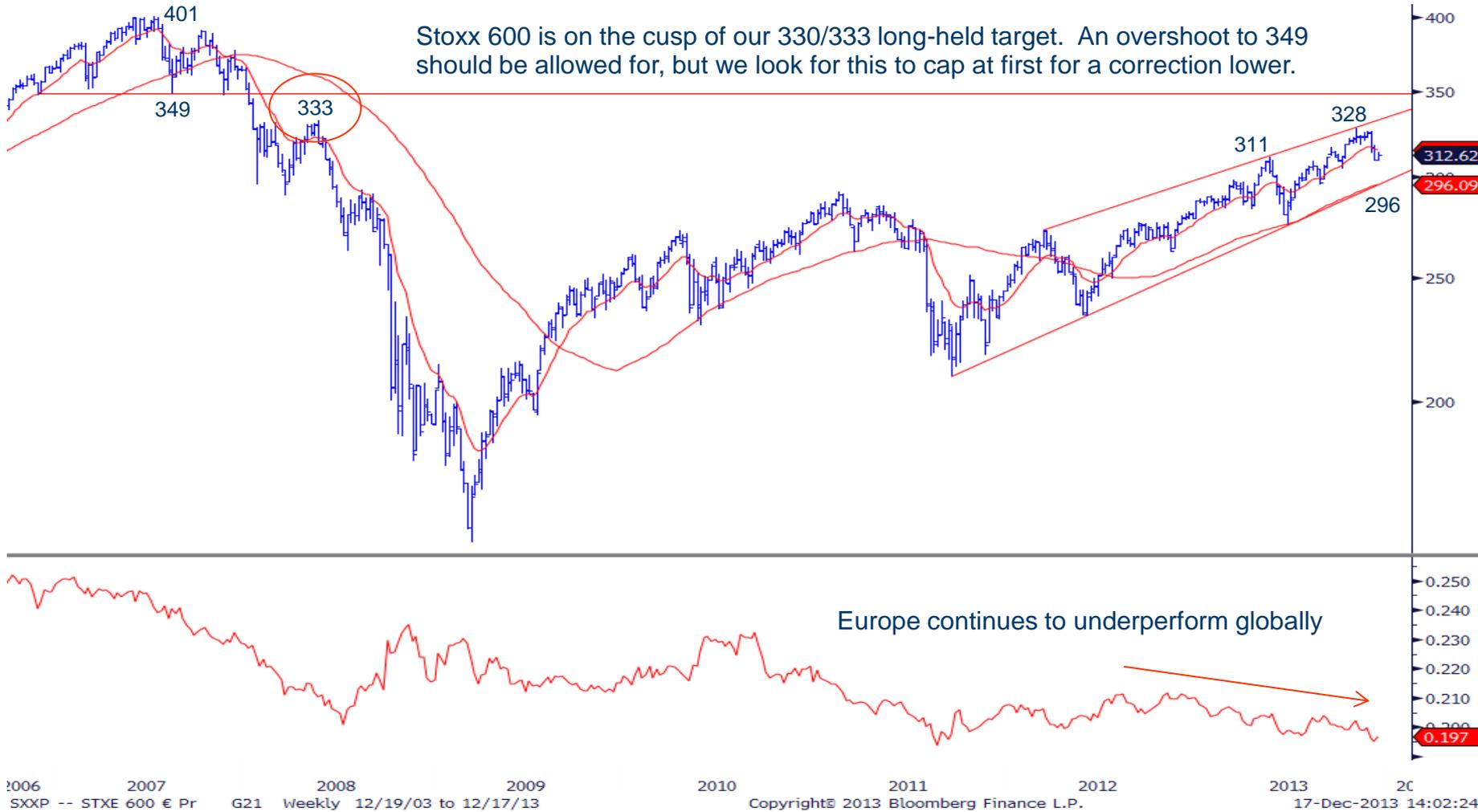
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# 10yr US/Germany widening is expected to extend to, and above, the 2005/2006 highs



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# Broad Europe strength has been close to target



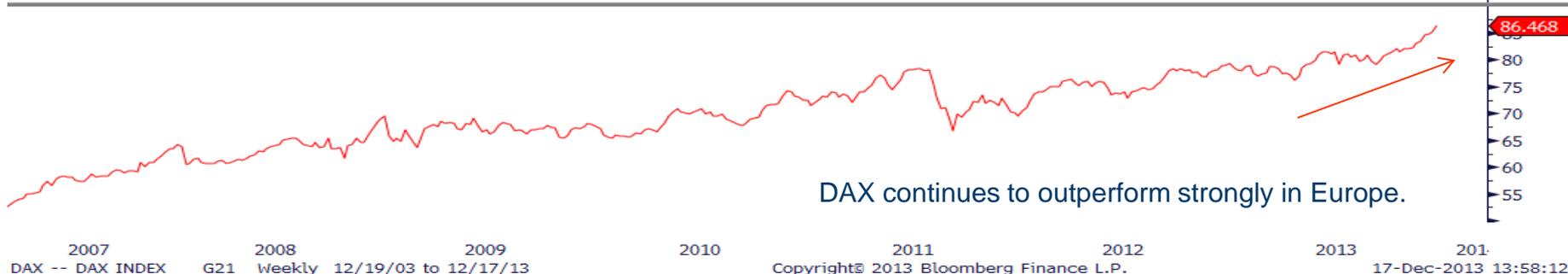
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# DAX has all but achieved its 9450 “triangle” target

With momentum overstretched, we look for 9450 to cap at first for a correction lower, potentially back to 8775.



Above 9450 can see strength extend to 9575, then 9900/50.



DAX continues to outperform strongly in Europe.

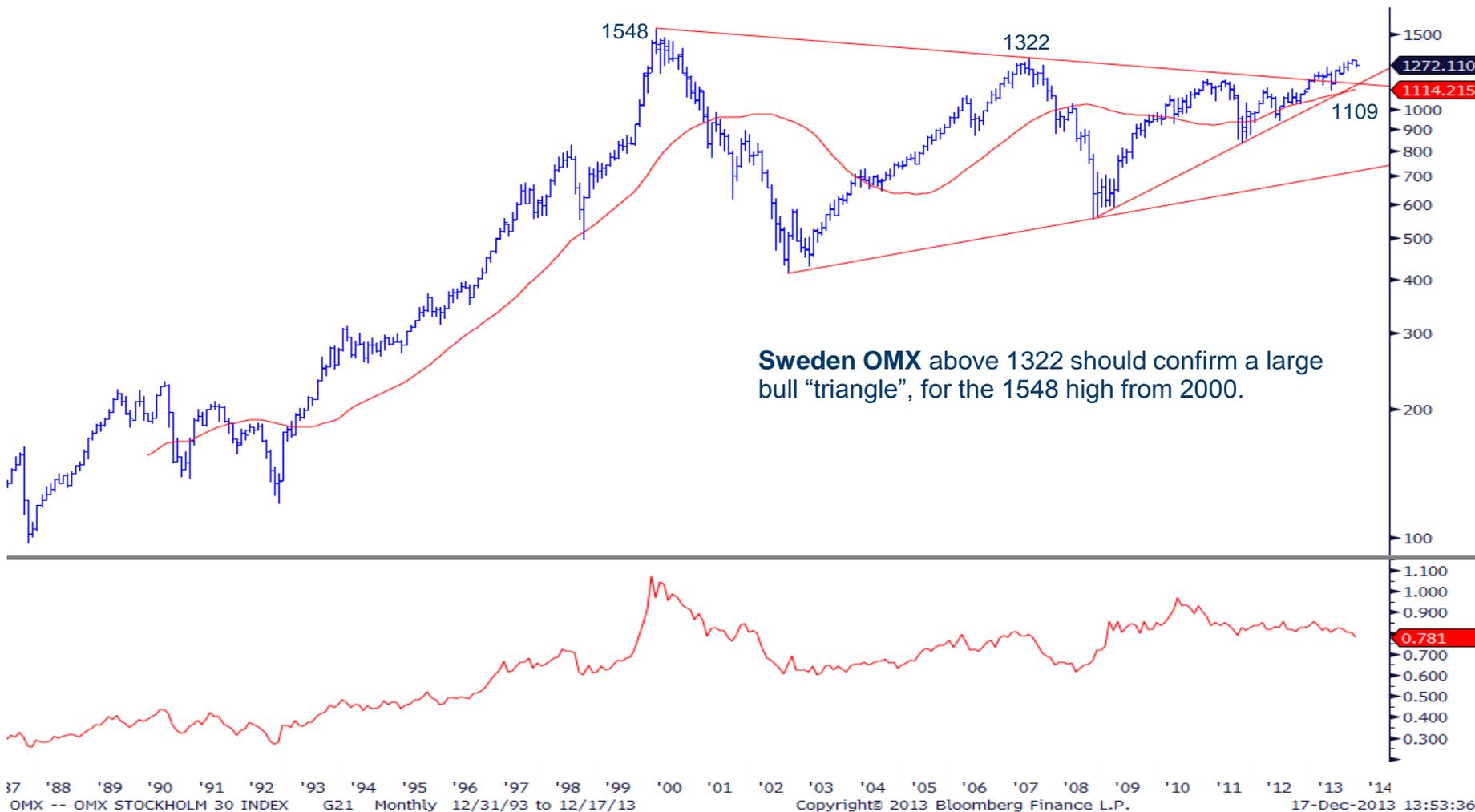
2007 DAX -- DAX INDEX G21 Weekly 12/19/03 to 12/17/13

2010 Copyright© 2013 Bloomberg Finance L.P.

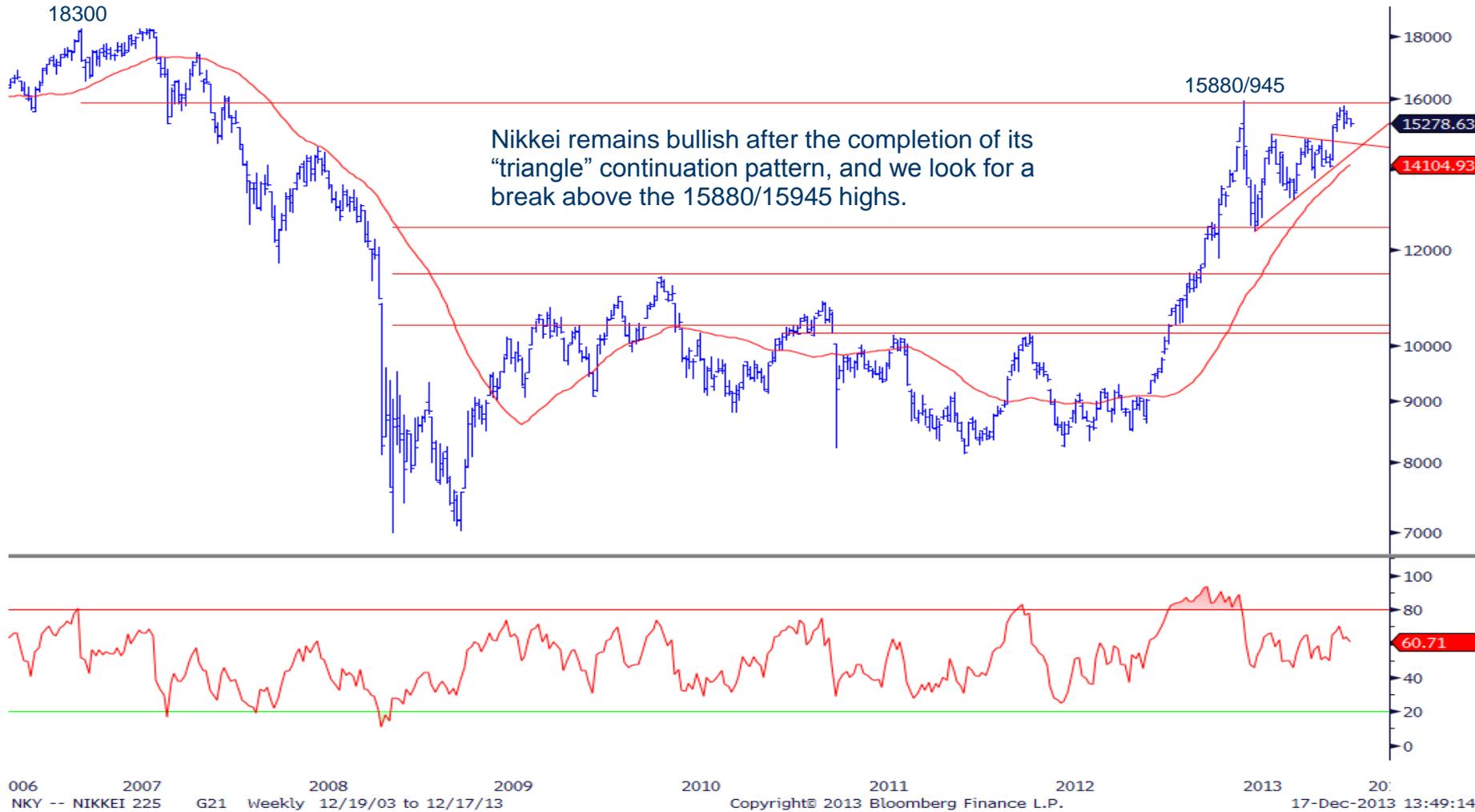
2011 2012 2013 2014 17-Dec-2013 13:58:12

Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# Sweden above 1322 can target the 1548 record high



# Japan maintains a bull “triangle”



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# But the secular trend for the Nikkei is still down

Long-term, above 16155 is needed to break the secular  
downtrend from 1996, to target 18300, then 19115.

Will 2014 see this broken ? We think yes.



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# Indeed, Japan looks good at the sector level



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

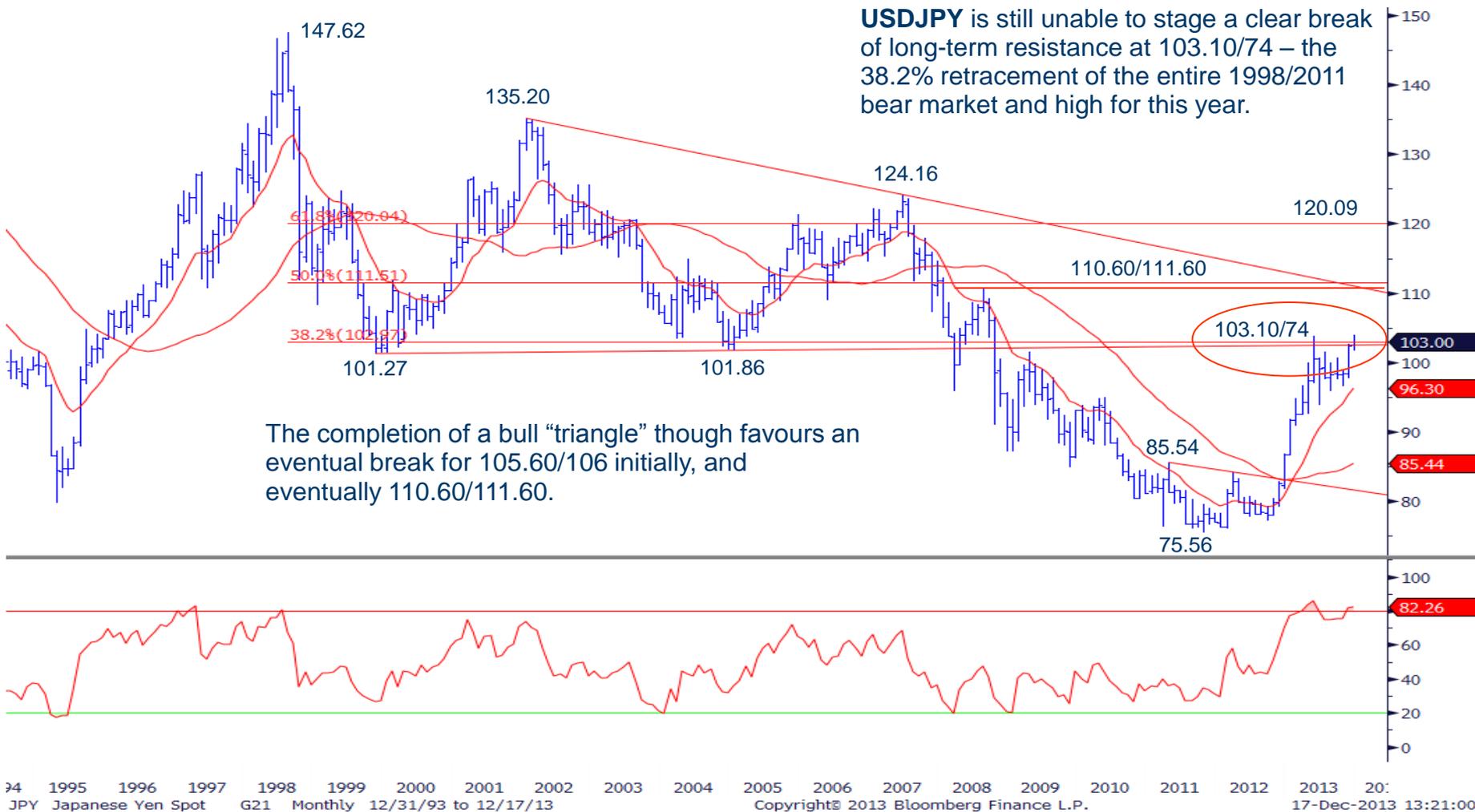
# The JPY holds a bear “triangle” and is expected to see further weakness

The **JPY TWI** has completed a bear “triangle”.



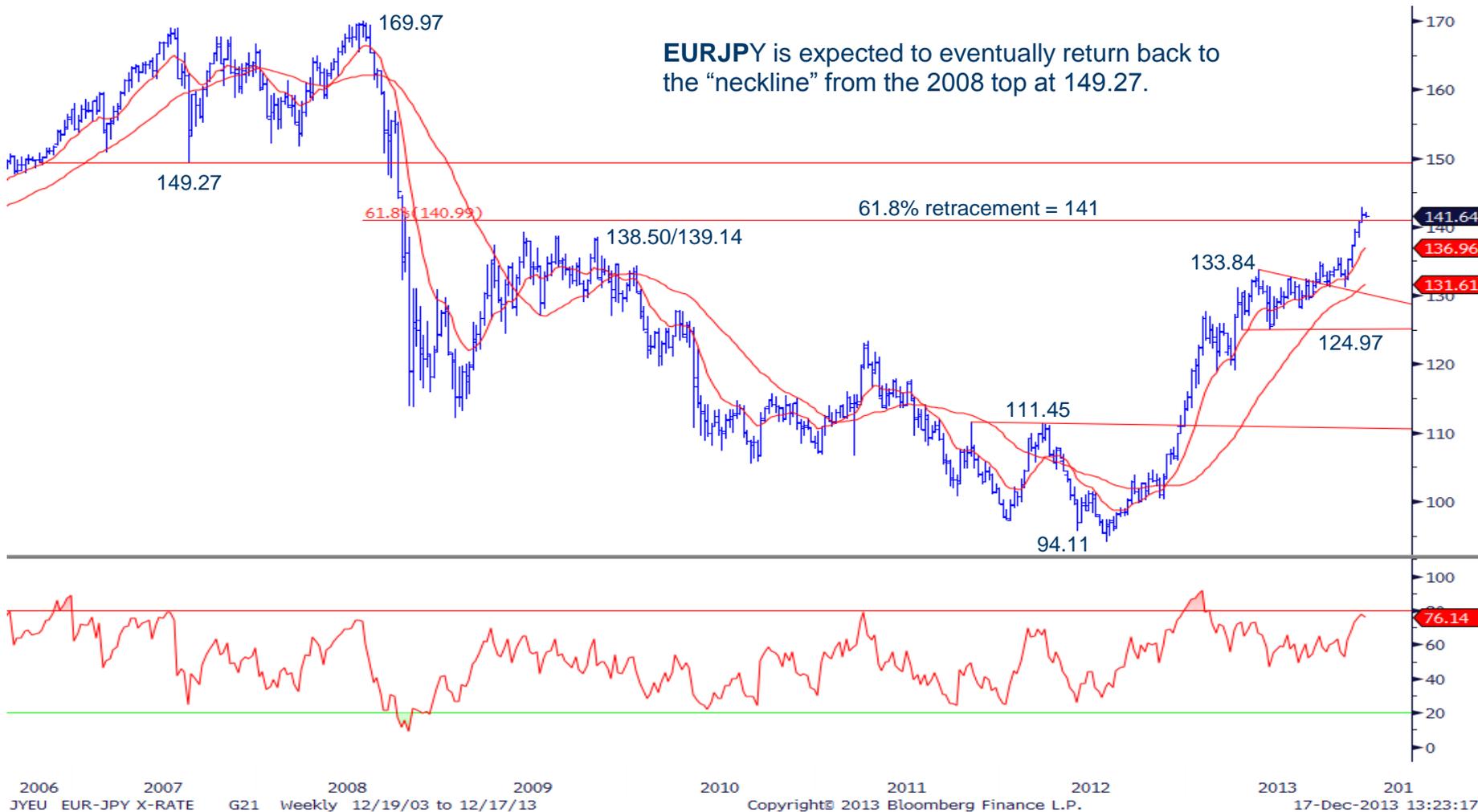
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# But USDJPY is also up against long-term resistance



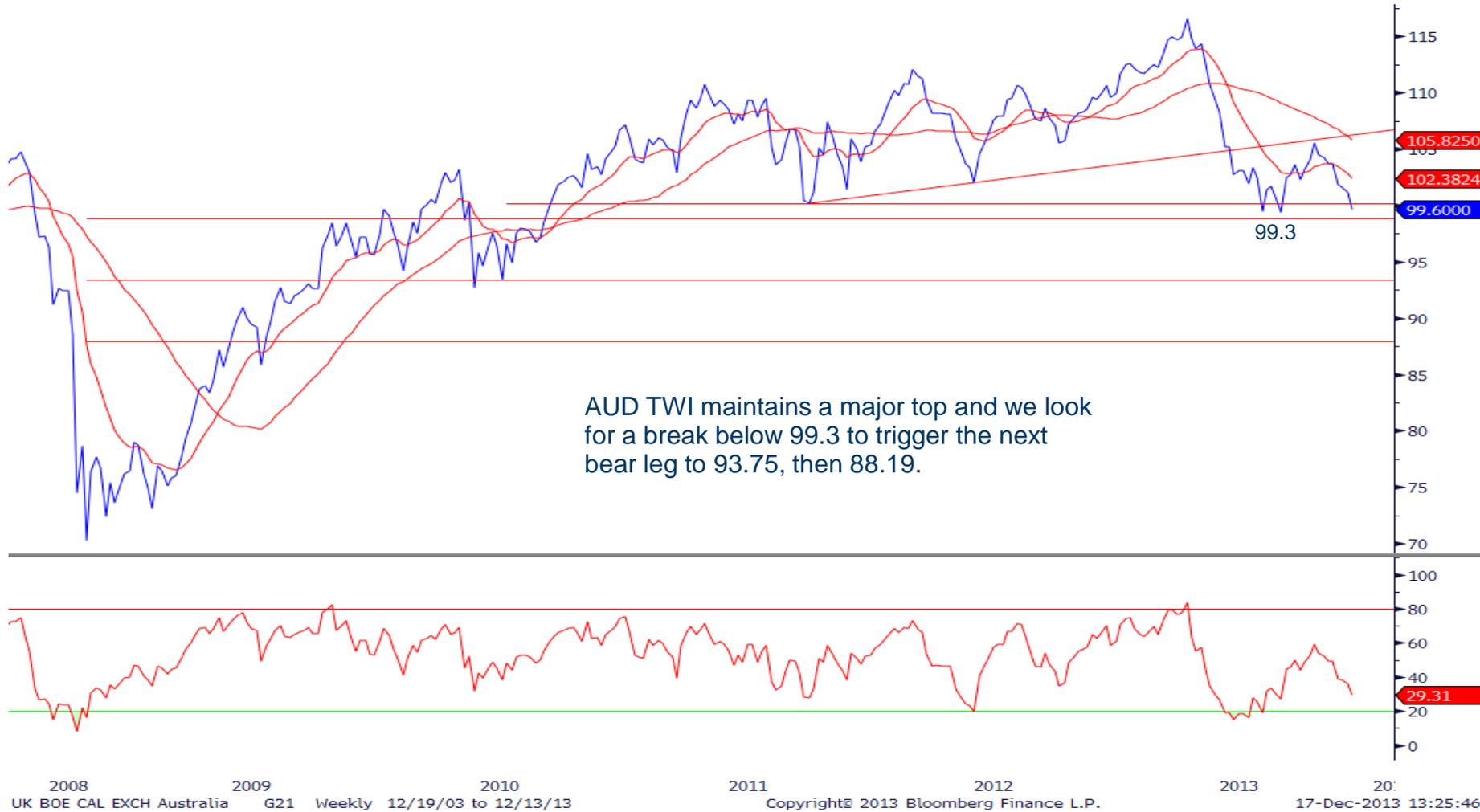
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# EURJPY should eventually test 149.27



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# AUD holds a long-term top, and is expected to see further significant weakness



# AUDUSD targets .8675 next



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# CAD is expected to weaken significantly in 2014

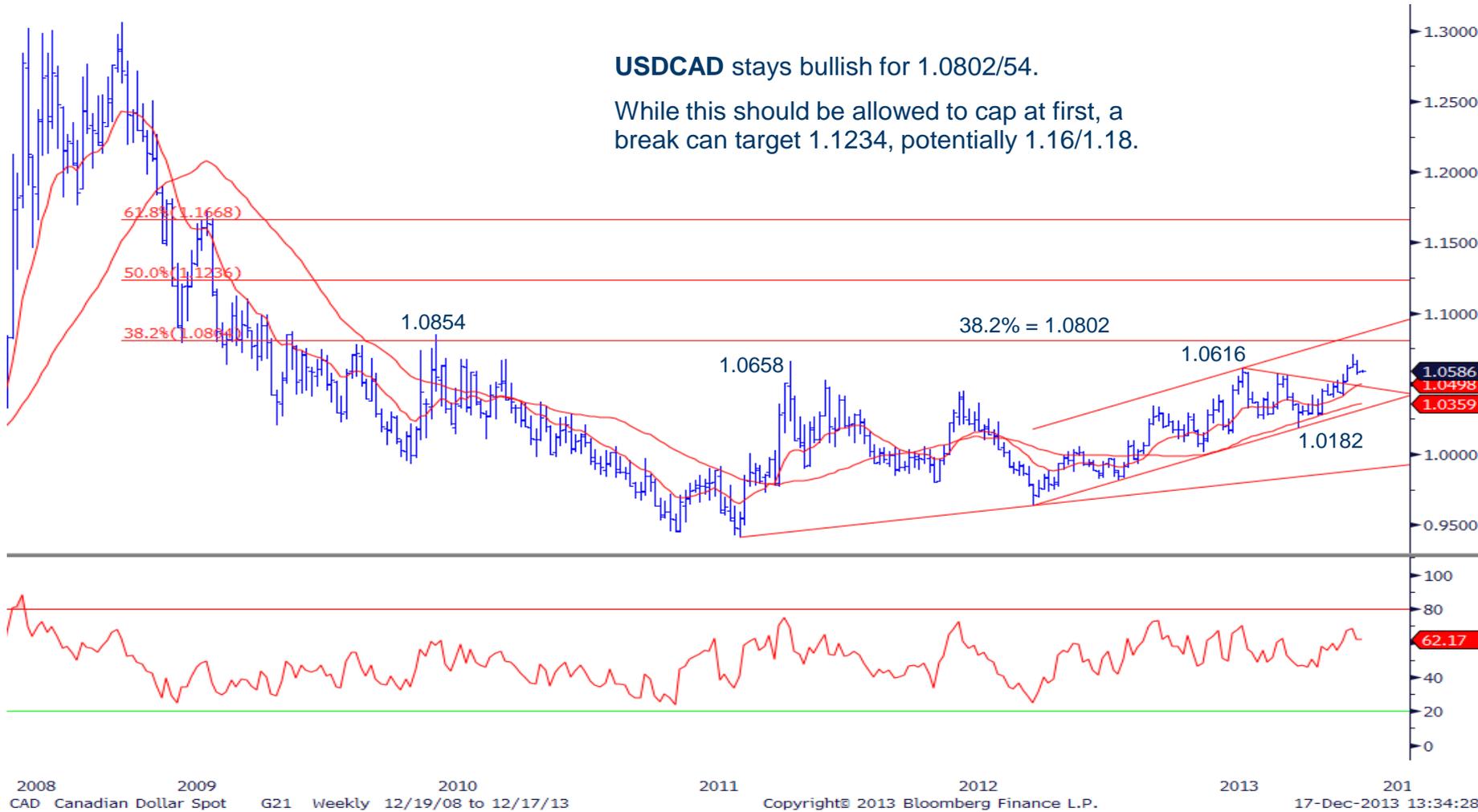


Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# USDCAD looks to be building a large base

**USDCAD** stays bullish for 1.0802/54.

While this should be allowed to cap at first, a break can target 1.1234, potentially 1.16/1.18.



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# SEK is also expected to weaken in 2014



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# We stay bullish GBPSEK

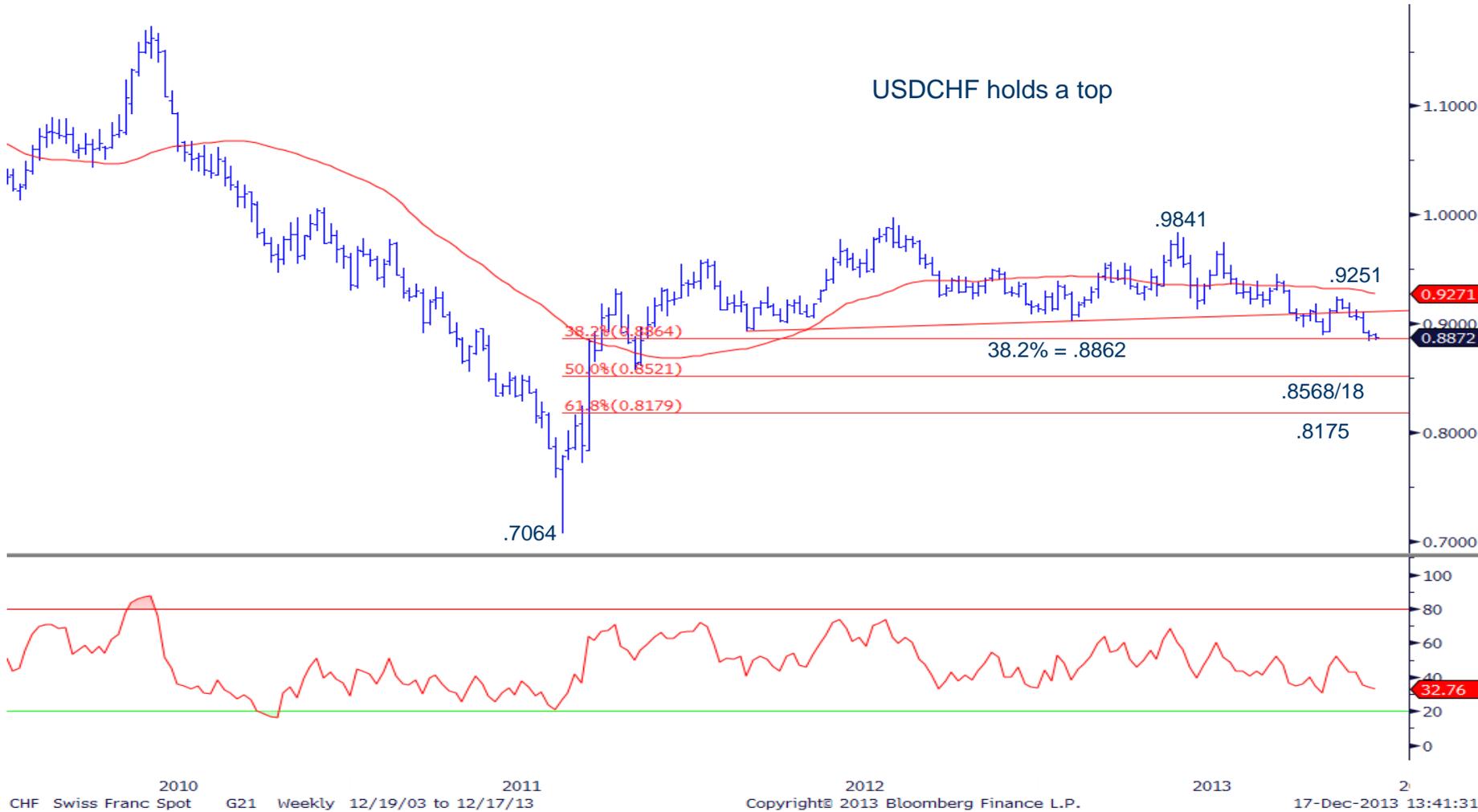


Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# 2014 may see a much stronger Swiss France



# USDCHF already holds a top



# GBP - a significant rise in 2014 ?



GBP TWI faces a key test of price resistance at 84.12/20.  
A break would complete an important base.

Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# Gold stays bearish for our core target at \$1157/54.



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