



GLOBAL FOCUS CAPITAL LLC
INSIGHT THAT MATTERS

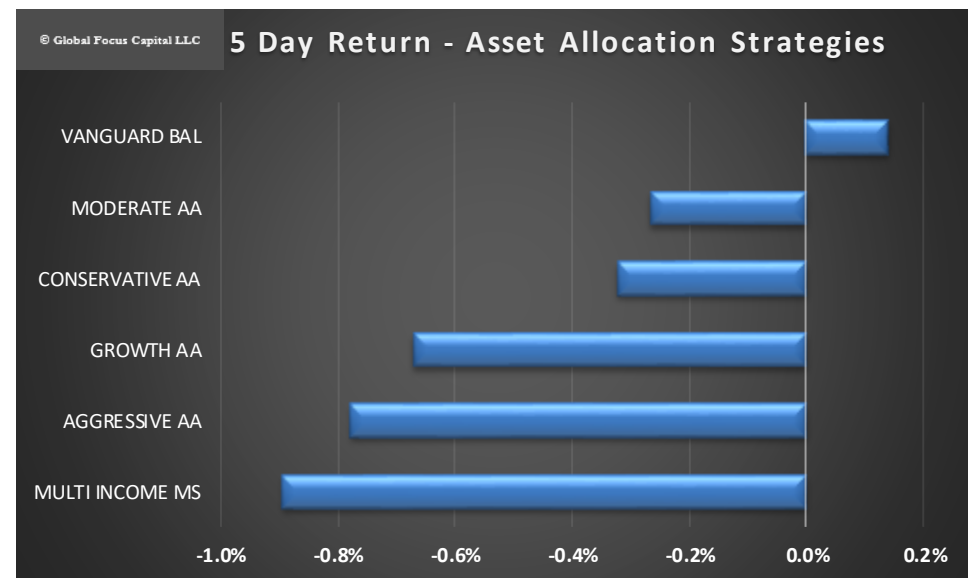
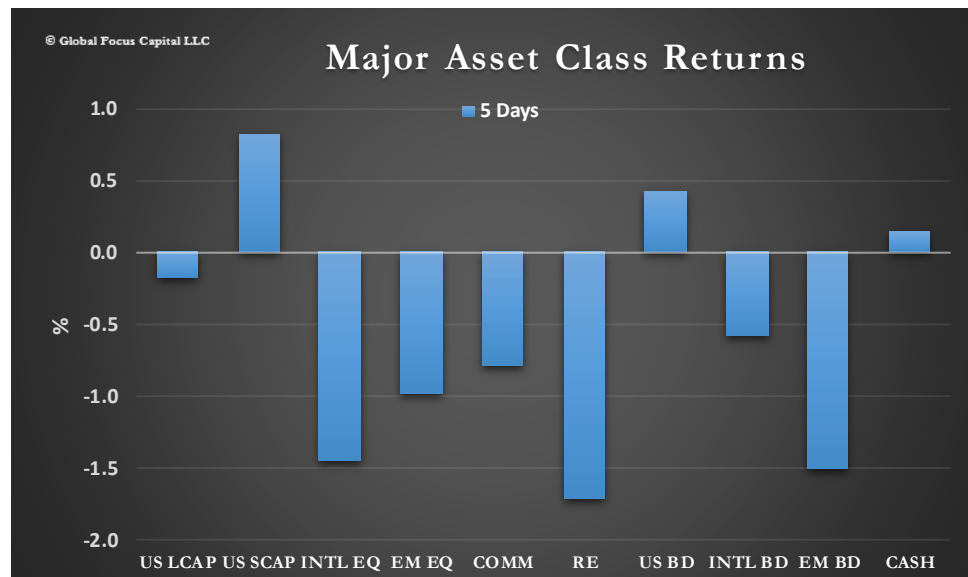
The Asset Allocation Advisor

Weekly Review – August 12, 2018

Eric J. Weigel

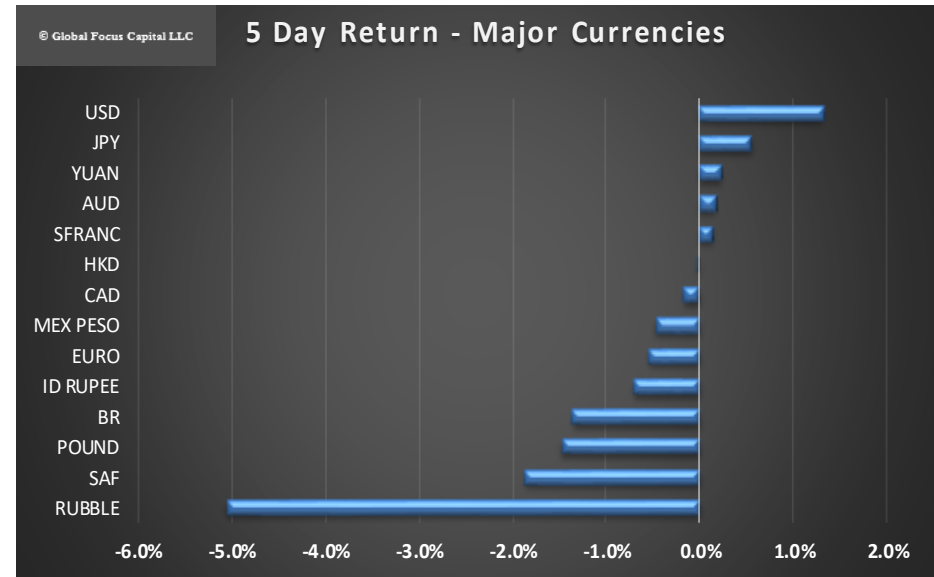
The Week in Review

- ▶ The out-performance of domestic assets continued last week
- ▶ A 60/40 mix of purely US assets vastly out-performed a global version
- ▶ US small cap stocks had an up week as well as US bonds
- ▶ REITS had been recuperating but last week was a setback despite steady US rates
- ▶ International stocks continue under-performing despite cheaper valuations



Currencies

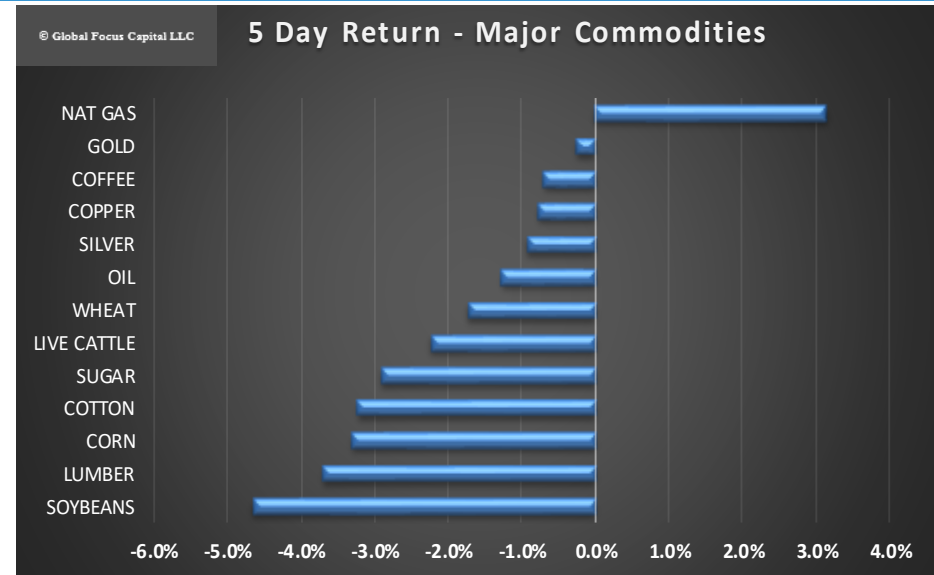
- ▶ The USD keeps chugging along notching weekly wins
- ▶ EM currencies continue their pattern of depreciation
- ▶ The rubble had an especially tough week as further US sanctions are taking a bite
- ▶ Among the majors, sterling took the biggest hit despite an increase in ST rates
 - ▶ Second big down week in a row



CURRENCY	TECHNICAL STAGE
AUD	DOWN TREND
ID RUPEE	DOWN TREND
CAD	IMPROVING
EURO	DOWN TREND
HKD	DOWN TREND
SAF	DOWN TREND
BR	DOWN TREND
SFRANC	DOWN TREND
YUAN	DOWN TREND
USD	UP TREND
POUND	DOWN TREND
JPY	DOWN TREND
RUBBLE	DOWN TREND
MEX PESO	BREAK OUT

Commodities

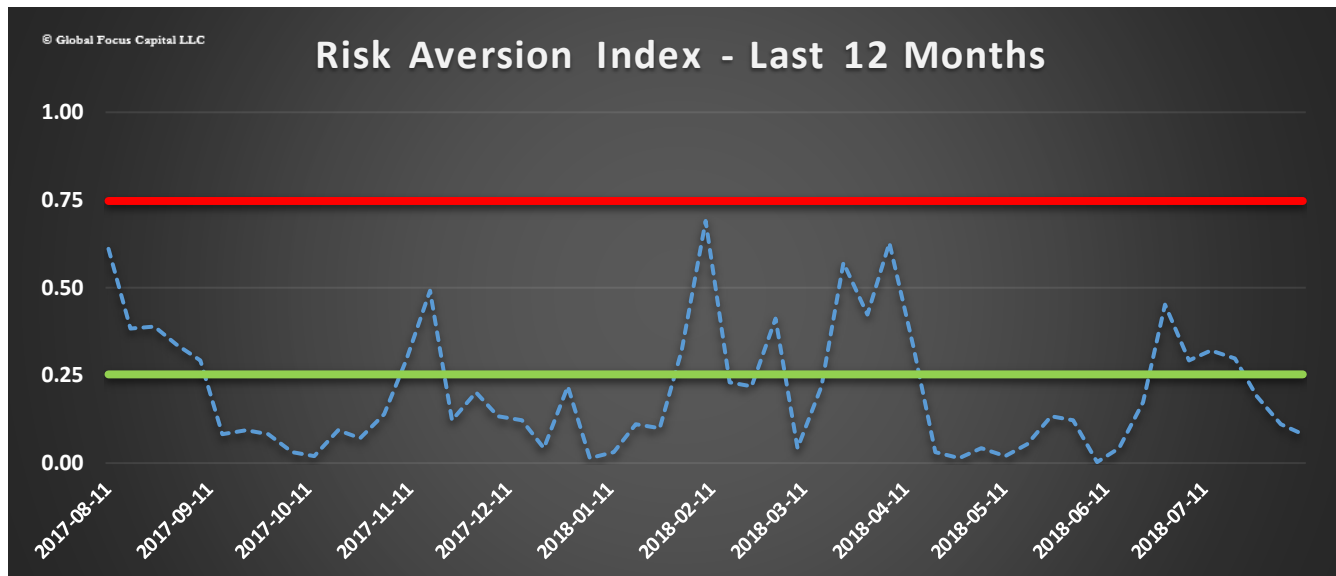
- ▶ Grains are getting whipsawed despite presidential assurances of price supports
- ▶ Oil is also getting whipsawed by political tensions between the US and Iran
- ▶ Gold and Silver continue a down trend with little sign of relief especially as ST interest rates keep climbing higher
- ▶ Lumber prices are breaking down due to over-valuation and a possible dispute with Canada over newly imposed tariffs



COMMODITY	TECHNICAL STAGE
CORN	BREAK DOWN
WHEAT	UP TREND
SOYBEANS	DOWN TREND
LIVE CATTLE	IMPROVING
COFFEE	DOWN TREND
LUMBER	BREAK DOWN
SUGAR	DOWN TREND
COTTON	DETERIORATING
NAT GAS	UP TREND
OIL	DETERIORATING
COPPER	DOWN TREND
SILVER	DOWN TREND
GOLD	DOWN TREND

Investor Risk Aversion Environment

- ▶ All fear from the markets seems to be gone
- ▶ We once again have moved into the Exuberant Zone
- ▶ We have been expecting more of a risk on/off type of investor sentiment this year but so far we have had relative calm



US Large Cap Equities

▶ **Outlook:**

- ▶ Short-Term: Neutral
- ▶ Long-Term: Neutral

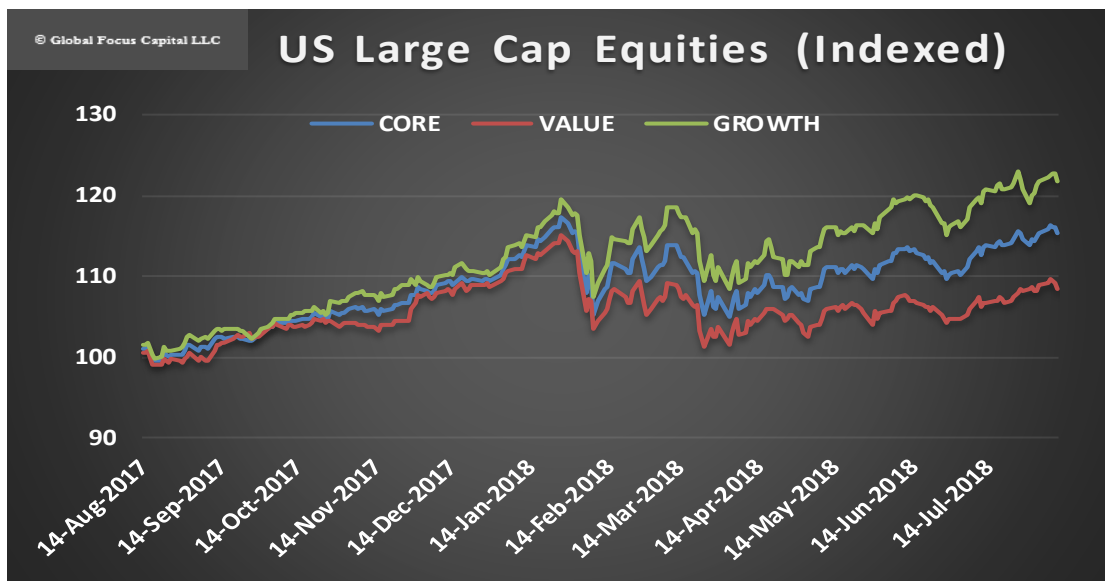
▶ **Valuation:** Stretched

▶ **Growth:** Average

▶ **Income:** Minimal

▶ **Risk Profile:** Increasing slightly

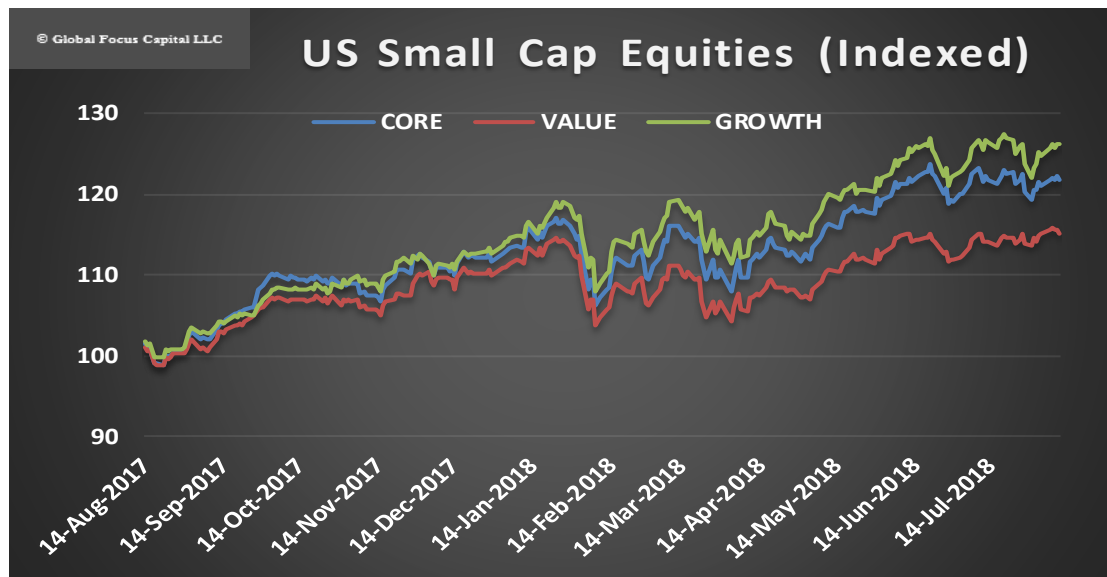
▶ **Of Note:** Q2 earnings are mostly behind us, Value should start catching up to Growth



US LARGE CAP (SPY)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	6.7%	8.1%	9.9%	10.9%	6.1%
CORR TO US STOCKS	1.00	1.00	1.00	1.00	1.00
CORR TO US BONDS	0.21	-0.11	-0.08	0.44	-0.25
CORR TO COMM	0.56	0.44	0.34	0.14	0.09
CORR TO USD	0.03	-0.35	-0.39	-0.13	0.37
UP BETA	1.00	1.00	1.00	1.00	1.00
DOWN BETA	1.00	1.00	1.00	1.00	1.00
ST TECHNICALS	DETERIORATING	UP TREND	UP TREND	UP TREND	UP TREND
IT TECHNICALS	UP TREND	UP TREND	UP TREND	UP TREND	UP TREND
RSI	50.0	57.2	71.6	69.5	57.2
UP DAY % (LAST 20)	50%	65%	60%	55%	60%

US Small Cap Equities

- ▶ **Outlook:**
 - ▶ Short-Term: Positive
 - ▶ Long-Term: Positive
- ▶ **Valuation:** Neutral
- ▶ **Growth:** Average
- ▶ **Income:** Minimal
- ▶ **Risk Profile:** Increasing slightly
- ▶ **Of Note:** Proving to be place to be as trade war tension escalate



US SMALL CAP (IWM)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	10.6%	11.4%	12.3%	9.4%	10.4%
CORR TO US STOCKS	0.47	0.58	0.81	0.78	0.70
CORR TO US BONDS	-0.02	-0.11	-0.10	0.25	-0.24
CORR TO COMM	0.21	0.24	0.08	0.08	0.11
CORR TO USD	0.35	-0.23	-0.35	-0.23	0.39
UP BETA	0.82	0.77	0.80	0.84	1.21
DOWN BETA	1.08	1.02	0.73	1.07	0.74
ST TECHNICALS	BREAK OUT	BREAK DOWN	BREAK OUT	UP TREND	BREAK OUT
IT TECHNICALS	UP TREND	UP TREND	UP TREND	UP TREND	UP TREND
RSI	50.2	50.1	57.2	71.8	57.4
UP DAY % (LAST 20)	55%	60%	60%	55%	55%

International Developed Markets

▶ Outlook:

- ▶ Short-Term: Positive
- ▶ Long-Term: Positive

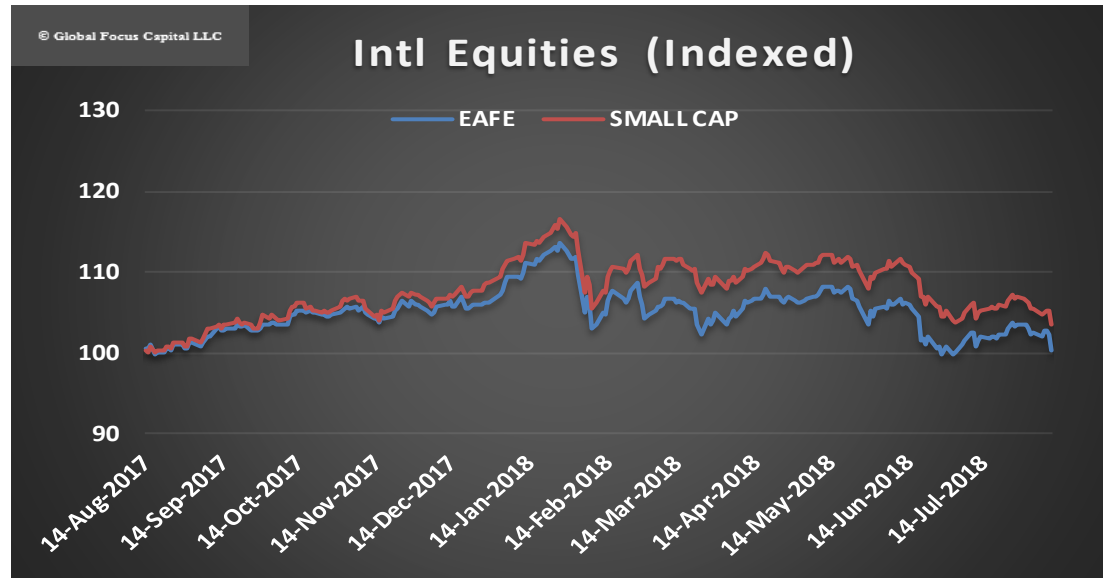
▶ Valuation: Neutral

▶ Growth: Below Average

▶ Income: Superior

▶ Risk Profile: Increasing

▶ Of Note: Int'l assets losing ground to US equities despite superior fundamentals



INTL DEV EQ (EFA)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	11.9%	14.9%	15.9%	9.6%	4.9%
CORR TO US STOCKS	0.79	0.61	0.75	0.88	0.32
CORR TO US BONDS	0.24	-0.09	-0.71	0.12	0.30
CORR TO COMM	0.70	0.61	0.45	0.53	0.39
CORR TO USD	-0.22	-0.02	0.09	0.36	0.02
UP BETA	1.08	0.90	0.76	0.52	0.66
DOWN BETA	1.24	1.12	0.79	0.82	0.94
ST TECHNICALS	DOWN TREND	UP TREND	BREAK OUT	UP TREND	BREAK OUT
IT TECHNICALS	DOWN TREND	DOWN TREND	DOWN TREND	UP TREND	UP TREND
RSI	43.0	61.6	64.4	71.6	43.0
UP DAY % (LAST 20)	45%	65%	55%	55%	50%

International Emerging Markets

▶ Outlook:

- ▶ Short-Term: Attractive
- ▶ Long-Term: Positive

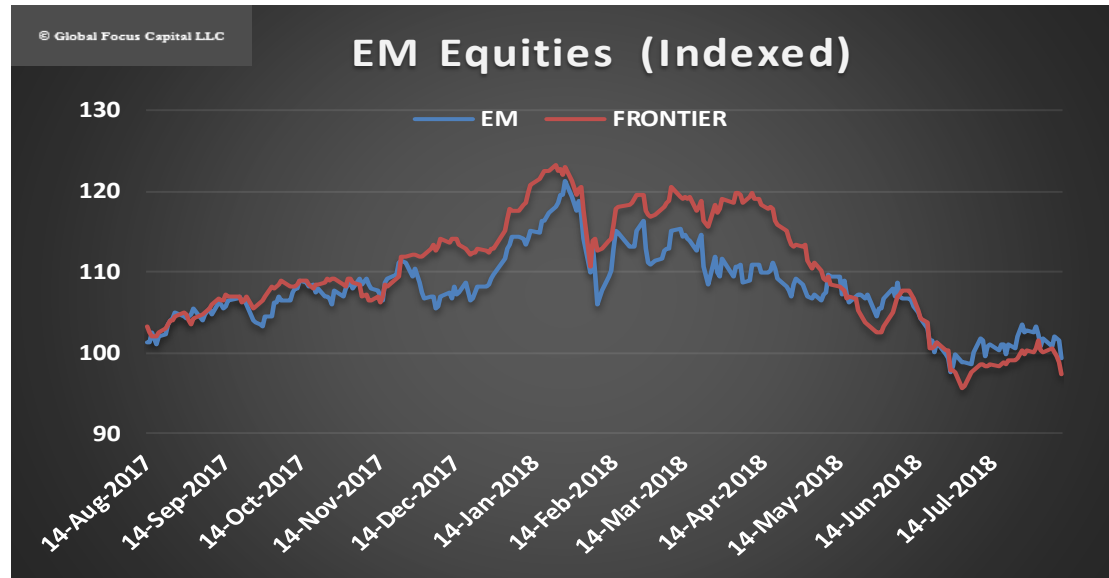
▶ Valuation: Inexpensive

▶ Growth: Above Average

▶ Income: Neutral

▶ Risk Profile: Increasing

▶ Of Note: China's weight in EM index is an issue, trade war fears, currency depreciation



EM EQ (EEM)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	18.3%	17.1%	16.9%	17.3%	10.4%
CORR TO US STOCKS	0.74	0.65	0.78	0.84	0.66
CORR TO US BONDS	0.01	-0.25	-0.75	0.02	0.17
CORR TO COMM	0.65	0.50	0.35	0.54	0.28
CORR TO USD	-0.20	-0.21	0.10	0.50	-0.19
UP BETA	1.43	1.26	1.02	1.13	1.66
DOWN BETA	1.21	1.08	0.60	0.86	1.24
ST TECHNICALS	BREAK DOWN	UP TREND	BREAK OUT	BREAK OUT	UP TREND
IT TECHNICALS	DOWN TREND	DOWN TREND	DOWN TREND	DETERIORATING	UP TREND
RSI	43.1	50.3	50.2	50.2	50.4
UP DAY % (LAST 20)	40%	55%	45%	40%	50%

US Bonds

▶ Outlook:

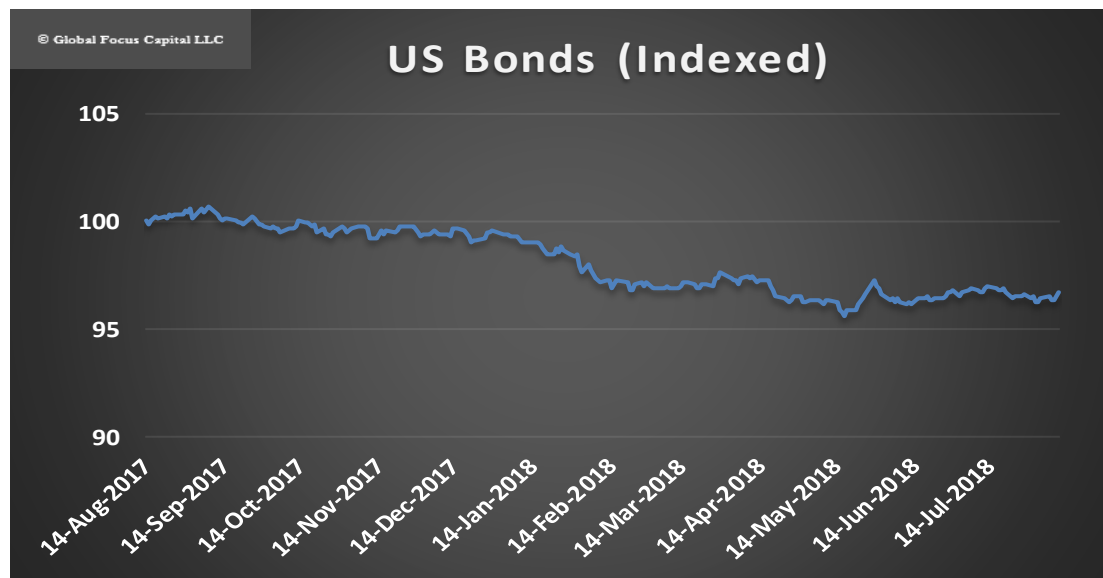
- ▶ Short-Term: Neutral
- ▶ Long-Term: Negative

▶ Valuation: Stretched

▶ Income: Minimal

▶ Risk Profile: Increasing

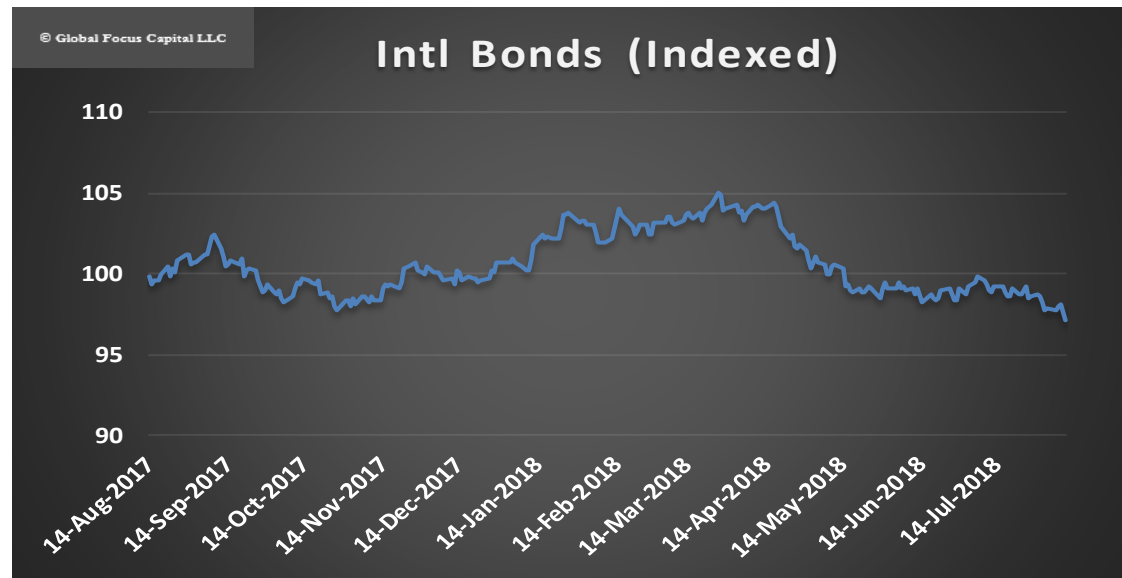
- ▶ **Of Note:** Tight spread in 10-2 yr notes, real yields negative or close to zero, diminishing diversification to US stocks



US BONDS (AGG)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	4.1%	3.7%	2.4%	2.5%	2.8%
CORR TO US STOCKS	-0.51	0.12	0.42	0.01	-0.47
CORR TO US BONDS	1.00	1.00	1.00	1.00	1.00
CORR TO COMM	-0.15	0.25	-0.03	-0.26	0.06
CORR TO USD	-0.01	0.27	0.29	0.30	-0.37
UP BETA	-0.09	-0.03	0.00	0.03	-0.06
DOWN BETA	-0.13	-0.08	0.05	-0.03	0.00
ST TECHNICALS	BREAK OUT	DOWN TREND	UP TREND	DOWN TREND	BREAK OUT
IT TECHNICALS	IMPROVING	IMPROVING	IMPROVING	DOWN TREND	DETERIORATING
RSI	69.3	50.0	64.3	46.2	61.6
UP DAY % (LAST 20)	50%	55%	70%	35%	50%

International Developed Bonds

- ▶ **Outlook:**
 - ▶ Short-Term: Negative
 - ▶ Long-Term: Negative
- ▶ **Valuation:** Stretched
- ▶ **Income:** Minimal
- ▶ **Risk Profile:** Increasing
- ▶ **Of Note:** Really just a currency play at the moment given super low yields



INTL BONDS (IGOV)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	6.1%	6.5%	6.5%	5.9%	8.2%
CORR TO US STOCKS	0.38	0.40	0.24	0.26	-0.49
CORR TO US BONDS	0.24	0.72	0.60	0.15	0.59
CORR TO COMM	0.34	0.31	0.25	0.61	-0.03
CORR TO USD	0.28	0.45	0.24	0.41	-0.36
UP BETA	0.17	0.16	0.16	0.24	-0.56
DOWN BETA	0.23	0.38	0.17	0.07	0.00
ST TECHNICALS	DOWN TREND	DOWN TREND	DETERIORATING	DOWN TREND	UP TREND
IT TECHNICALS	DOWN TREND	DOWN TREND	DOWN TREND	BREAK DOWN	DETERIORATING
RSI	46.3	33.4	43.0	42.9	50.1
UP DAY % (LAST 20)	35%	40%	50%	35%	45%

International Emerging Bonds

▶ Outlook:

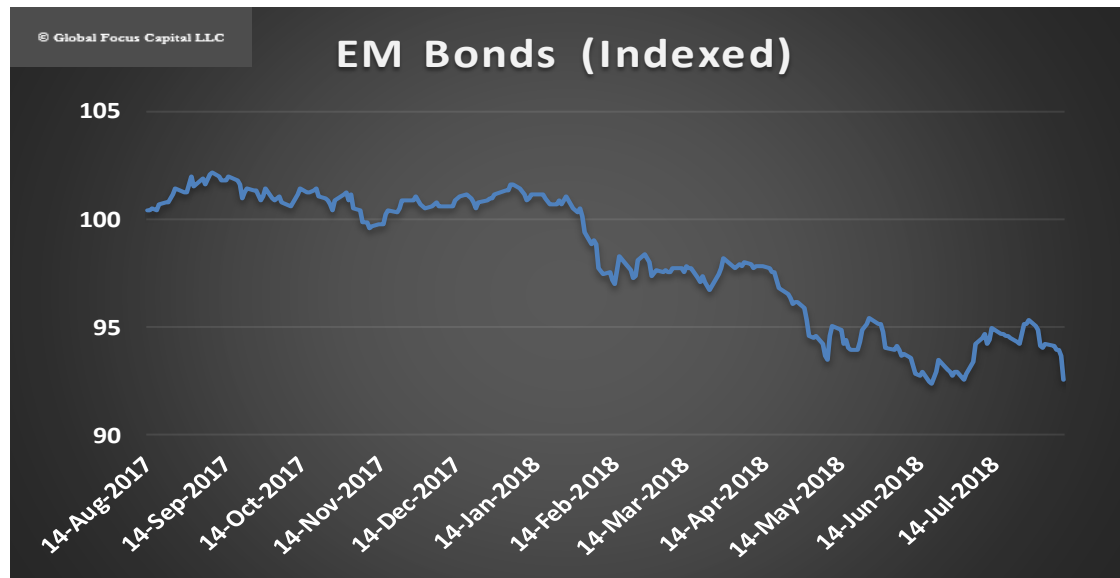
- ▶ Short-Term: Negative
- ▶ Long-Term: Positive

▶ Valuation: Neutral

▶ Income: Above Average

▶ Risk Profile: Stable

- ▶ **Of Note:** Highly affected by USD and direction of 10 yr US note, attractive yields



EM BONDS (EMB)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	7.2%	4.0%	4.4%	7.8%	3.7%
CORR TO US STOCKS	0.51	0.35	0.48	0.71	0.00
CORR TO US BONDS	0.62	0.49	0.50	0.34	0.00
CORR TO COMM	0.18	0.25	0.29	0.32	0.00
CORR TO USD	0.33	-0.11	0.12	0.28	0.00
UP BETA	0.14	0.23	0.11	0.19	0.20
DOWN BETA	0.20	0.27	0.25	0.22	0.32
ST TECHNICALS	DOWN TREND	UP TREND	UP TREND	IMPROVING	BREAK OUT
IT TECHNICALS	DOWN TREND	IMPROVING	IMPROVING	DOWN TREND	DETERIORATING
RSI	31.0	43.0	64.5	35.8	50.0
UP DAY % (LAST 20)	20%	55%	65%	30%	50%

Commodities

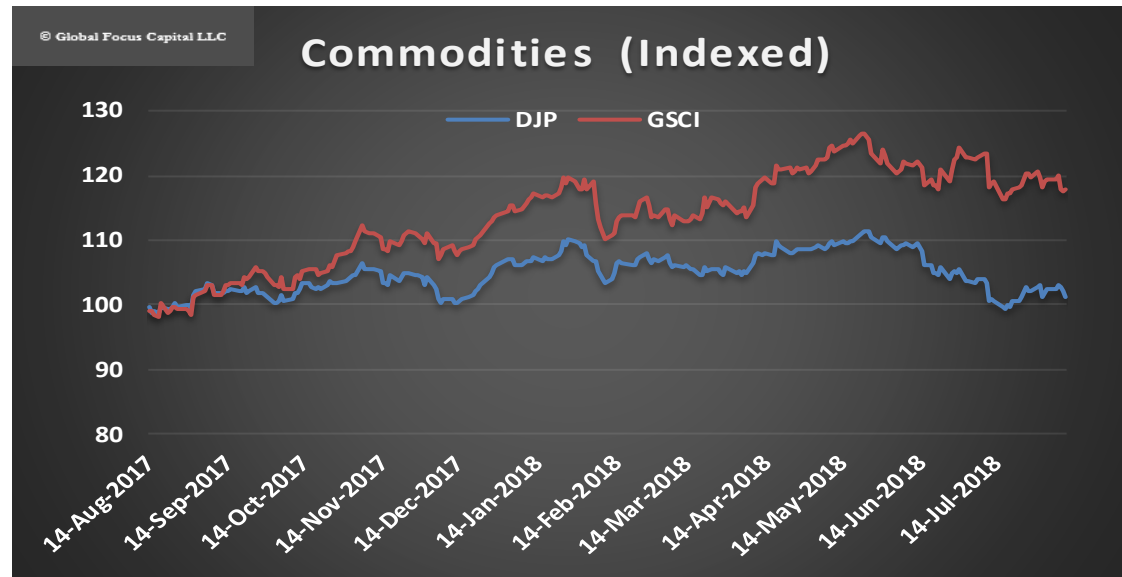
▶ Outlook:

- ▶ Short-Term: Positive
- ▶ Long-Term: Positive

▶ Valuation: Neutral

▶ Risk Profile: Increasing

- ▶ **Of Note:** Big difference in performance between GSCI and Bloomberg indices due to oil, hedge against rising inflation, down trend



COMMODITIES (DJP)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	14.1%	10.8%	8.8%	9.4%	9.4%
CORR TO US STOCKS	0.36	0.42	0.43	0.45	0.11
CORR TO US BONDS	0.07	-0.28	-0.33	0.10	0.32
CORR TO COMM	1.00	1.00	1.00	1.00	1.00
CORR TO USD	-0.01	0.12	0.05	0.34	0.31
UP BETA	0.47	0.47	0.17	0.15	0.17
DOWN BETA	0.85	1.00	0.67	0.24	0.37
ST TECHNICALS	BREAK DOWN	BREAK OUT	DOWN TREND	UP TREND	BREAK DOWN
IT TECHNICALS	DOWN TREND	BREAK DOWN	BREAK DOWN	UP TREND	UP TREND
RSI	57.2	35.7	43.1	61.6	46.2
UP DAY % (LAST 20)	50%	40%	35%	50%	55%

Real Estate

▶ Outlook:

- ▶ Short-Term: Negative
- ▶ Long-Term: Positive

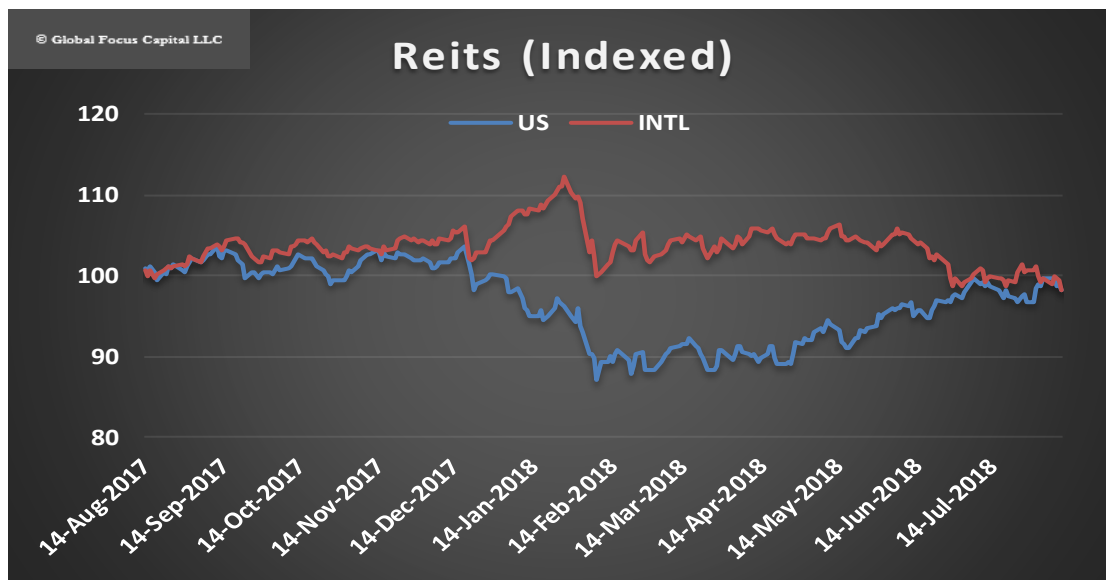
▶ Valuation: Stretched

▶ Growth: Slowing

▶ Income: Average

▶ Risk Profile: Increasing

▶ Of Note: Big recovery in the last few months, correlation to rates going down



US REITS (VNQ)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	11.4%	11.8%	12.1%	14.5%	9.7%
CORR TO US STOCKS	0.46	0.51	0.62	0.47	-0.07
CORR TO US BONDS	-0.05	0.09	0.38	0.19	0.40
CORR TO COMM	0.10	0.14	0.24	0.05	0.07
CORR TO USD	-0.64	-0.06	0.06	0.08	0.05
UP BETA	0.72	0.57	0.63	0.19	0.89
DOWN BETA	0.05	-0.01	-0.02	0.56	0.49
ST TECHNICALS	DETERIORATING	DOWN TREND	UP TREND	BREAK DOWN	UP TREND
IT TECHNICALS	UP TREND	UP TREND	BREAK OUT	IMPROVING	UP TREND
RSI	50.0	35.9	57.3	43.1	64.4
UP DAY % (LAST 20)	40%	45%	55%	40%	55%

This Coming Week

- ▶ Q2 earnings in the US almost done – good season for most, good US growth
- ▶ Watching the USD – huge effect on international markets especially
- ▶ International equities keep losing ground to US stocks despite superior fundamentals
- ▶ Growth keeps outperforming Value – turning point might not happen unless expectations for rising rates stabilize
- ▶ Watching agricultural commodities for trade war effects

8/13/2018	FDI - Foreign Direct Investment (YTD) (YoY)	China	2	0	1.1	0
8/14/2018	Retail Sales (YoY)	China	2	0	9	9
8/14/2018	Industrial Production (YoY)	China	2	0	6	6.3
8/14/2018	Gross Domestic Product w.d.a (YoY)	Germany	2	0	2.3	0
8/14/2018	Harmonized Index of Consumer Prices (YoY)	Germany	3	0	2.1	2.1
8/14/2018	Gross Domestic Product (YoY)	Germany	2	0	1.6	0
8/14/2018	Gross Domestic Product (QoQ)	Germany	3	0	0.3	0.4
8/14/2018	ILO Unemployment Rate (3M)	United Kingdom	2	0	4.2	4.2
8/14/2018	Average Earnings including Bonus (3Mo/Yr)	United Kingdom	3	0	2.5	2.5
8/14/2018	Average Earnings excluding Bonus (3Mo/Yr)	United Kingdom	3	0	2.7	2.6
8/14/2018	Claimant Count Change	United Kingdom	2	0	7.8	0
8/14/2018	ZEW Survey - Economic Sentiment	Germany	2	0	-24.7	0
8/14/2018	ZEW Survey - Current Situation	Germany	2	0	72.4	0
8/15/2018	Consumer Price Index (YoY)	United Kingdom	3	0	2.4	2.5
8/15/2018	Core Consumer Price Index (YoY)	United Kingdom	3	0	1.9	2.2
8/15/2018	Consumer Price Index (MoM)	United Kingdom	2	0	0	-0.2
8/15/2018	Retail Price Index (YoY)	United Kingdom	2	0	3.4	3.6
8/15/2018	Retail Price Index (MoM)	United Kingdom	2	0	0.3	0.4
8/15/2018	Inflation Report Hearings	United Kingdom	3	0	0	0
8/15/2018	Retail Sales ex Autos (MoM)	United States	3	0	0.4	0.4
8/15/2018	Retail Sales (MoM)	United States	2	0	0.5	0.3
8/15/2018	Retail Sales control group	United States	3	0	0	0.4
8/15/2018	Unit Labor Costs	United States	2	0	2.9	2.9
8/15/2018	Nonfarm Productivity	United States	2	0	0.4	2.4
8/15/2018	Industrial Production (MoM)	United States	2	0	0.6	0.3
8/15/2018	Capacity Utilization	United States	2	0	78	78.1
8/15/2018	Imports (YoY)	Japan	2	0	2.5	5.3
8/15/2018	Exports (YoY)	Japan	2	0	6.7	7
8/15/2018	Merchandise Trade Balance Total	Japan	2	0	721.4	534
8/15/2018	Adjusted Merchandise Trade Balance	Japan	2	0	66.2	0
8/15/2018	Foreign bond investment	Japan	2	0	1171	0
8/15/2018	Foreign investment in Japan stocks	Japan	2	0	-225.2	0
8/16/2018	Retail Sales ex-Fuel (MoM)	United Kingdom	2	0	-0.6	0
8/16/2018	Retail Sales ex-Fuel (YoY)	United Kingdom	2	0	3	2.9
8/16/2018	Retail Sales (YoY)	United Kingdom	2	0	2.9	2.6
8/16/2018	Retail Sales (MoM)	United Kingdom	2	0	-0.5	0.5
8/16/2018	Housing Starts (MoM)	United States	2	0	1.173	1.25
8/16/2018	Building Permits (MoM)	United States	2	0	1.273	1.301
8/16/2018	Initial Jobless Claims	United States	2	0	213	217
8/16/2018	Continuing Jobless Claims	United States	2	0	1.755	1.759
8/16/2018	Philadelphia Fed Manufacturing Survey	United States	2	0	25.7	22
8/17/2018	Michigan Consumer Sentiment Index	United States	2	0	97.9	98
8/17/2018	Baker Hughes US Oil Rig Count	United States	2	0	869	0

Contact & Subscription Information

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