



GLOBAL FOCUS CAPITAL LLC
INSIGHT THAT MATTERS

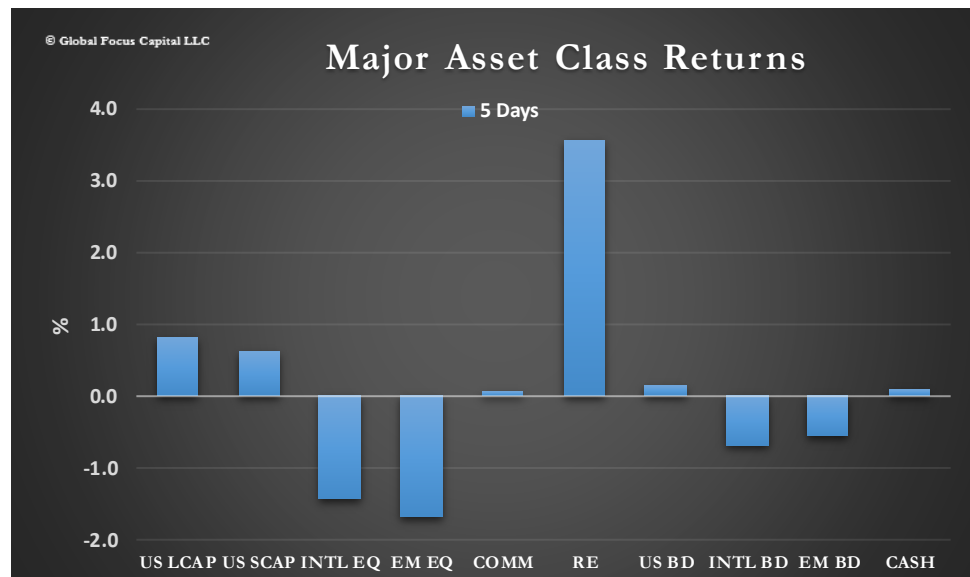
The Asset Allocation Advisor

Weekly Review – August 5, 2018

Eric J. Weigel

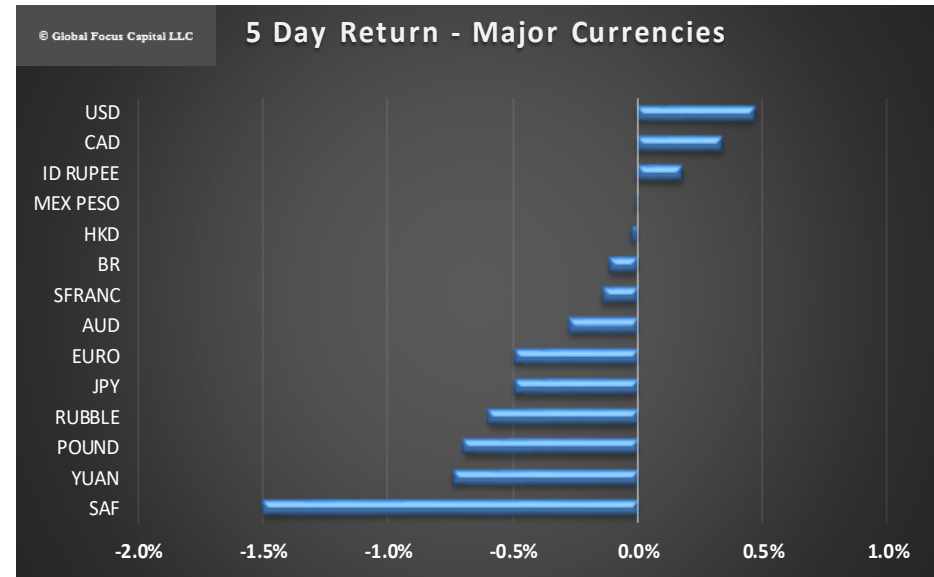
The Week in Review

- ▶ The out-performance of domestic assets continued last week
- ▶ A 60/40 mix of purely US assets vastly out-performed a global version
- ▶ US large and small cap stocks had an up week but REITS were the standout performer
- ▶ REITS have been all year moving along with rates but recently their correlation to equities has increased
- ▶ EM stocks continue having a rough year



Currencies

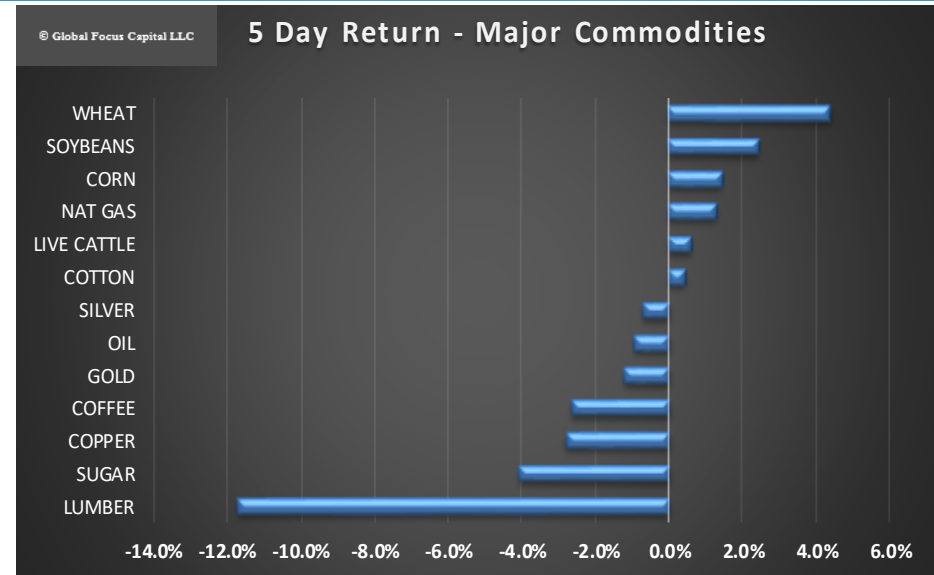
- ▶ The USD keeps chugging along notching small weekly wins
- ▶ EM currencies continue their pattern of depreciation
- ▶ Among the majors, sterling took the biggest hit despite an increase in ST rates
- ▶ The yuan continues depreciating in a controlled fashion



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

Commodities

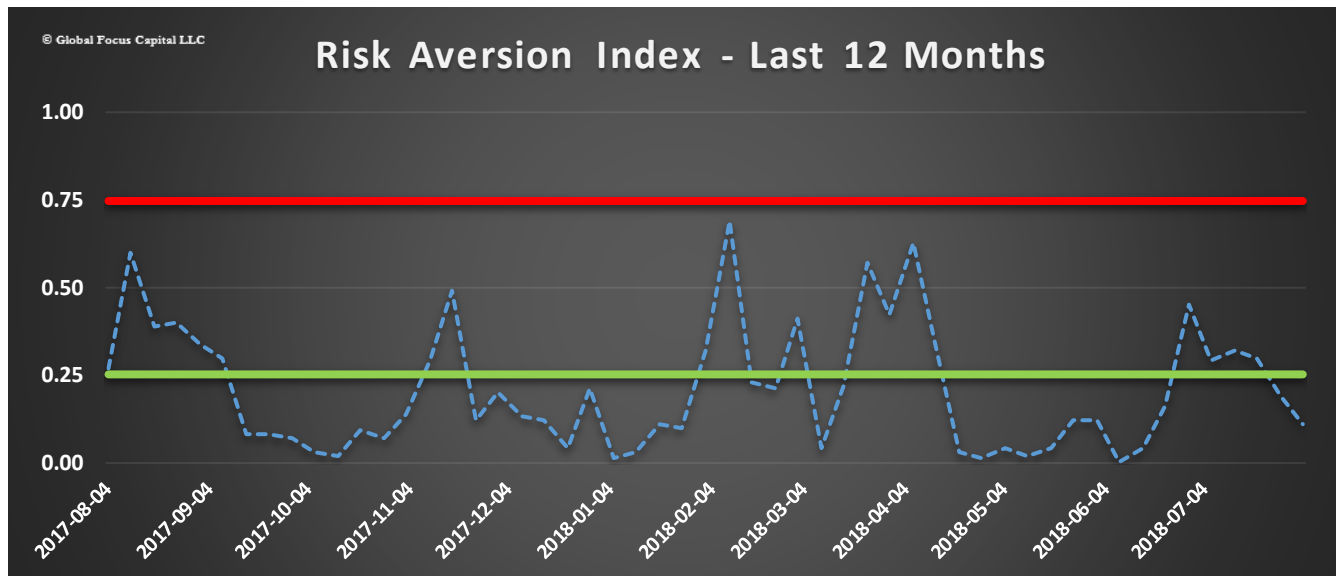
- ▶ A week of recovery for grains as President Trump has offered assistance
- ▶ Wheat is least affected by global trade fears and has continued on a solid Up Trend
- ▶ Gold and Silver continue a down trend with little sign of relief especially as ST interest rates keep climbing higher
- ▶ Lumber prices are breaking down due to over-valuation and a possible dispute with Canada over newly imposed tariffs



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

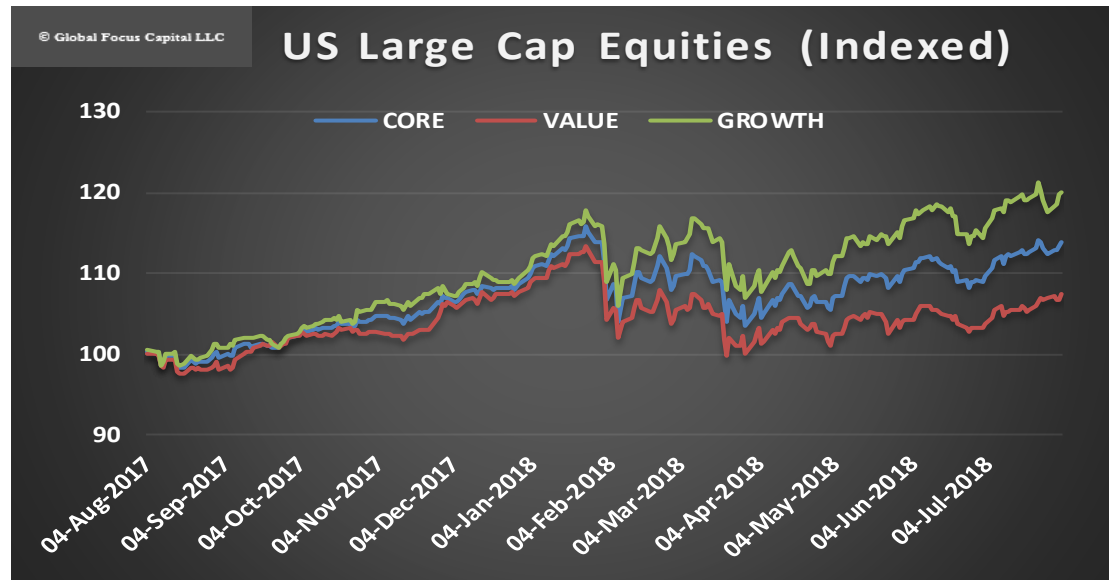
▶ Valuation: Stretched

▶ Growth: Average

▶ Income: Minimal

▶ Risk Profile: Increasing slightly

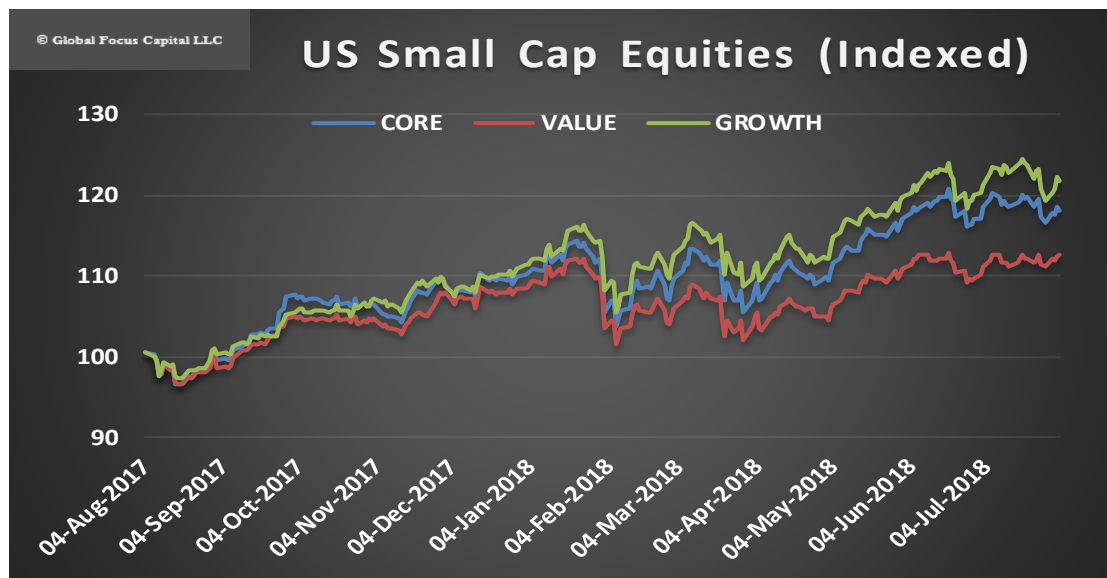
▶ Of Note: Q2 earnings are mostly behind us, Value should start catching up to Growth



US LARGE CAP (SPY)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	8.1%	9.7%	8.5%	11.5%	4.9%
CORR TO US STOCKS	1.00	1.00	1.00	1.00	1.00
CORR TO US BONDS	0.12	-0.09	-0.25	0.23	-0.06
CORR TO COMM	0.40	0.45	0.34	0.33	0.08
CORR TO USD	-0.04	0.05	0.08	-0.23	-0.05
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	UP TREND	UP TREND	BREAK OUT	BREAK OUT	DETERIORATING
IT TECHNICALS	UP TREND	UP TREND	UP TREND	UP TREND	UP TREND
RSI	57.2	64.3	57.2	54.0	64.3
UP DAY % (LAST 20)	60%	65%	60%	55%	65%

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	11.6%	12.3%	11.8%	10.0%	8.4%
CORR TO US STOCKS	0.63	0.80	0.83	0.84	0.69
CORR TO US BONDS	0.09	-0.17	-0.29	0.09	-0.25
CORR TO COMM	0.10	0.28	0.03	0.33	0.20
CORR TO USD	-0.20	0.03	0.15	-0.20	-0.21
UP BETA	0.78	0.78	0.86	0.79	1.06
DOWN BETA	1.11	0.71	0.82	0.97	1.00
ST TECHNICALS	DOWN TREND	UP TREND	BREAK OUT	UP TREND	DOWN TREND
IT TECHNICALS	UP TREND	UP TREND	UP TREND	UP TREND	UP TREND
RSI	57.4	64.3	64.5	50.3	50.2
UP DAY % (LAST 20)	50%	55%	70%	55%	50%

International Developed Markets

▶ Outlook:

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

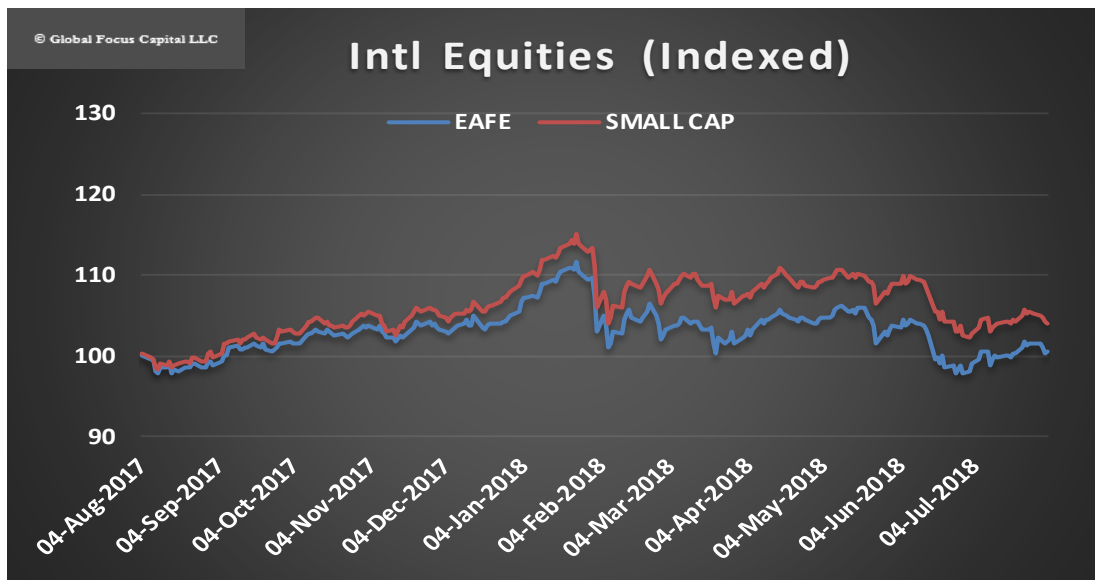
▶ Valuation: Neutral

▶ Growth: Below Average

▶ Income: Superior

▶ Risk Profile: Increasing

▶ Of Note: Central bank policy is evolving in JP and EU, Brexit tension



INTL DEV EQ (EFA)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	15.9%	14.3%	12.4%	14.0%	5.1%
CORR TO US STOCKS	0.72	0.70	0.82	0.93	0.25
CORR TO US BONDS	0.08	-0.50	-0.71	-0.08	-0.01
CORR TO COMM	0.65	0.59	0.38	0.61	0.32
CORR TO USD	-0.22	-0.26	-0.42	0.16	0.06
UP BETA	0.88	0.87	0.73	0.56	0.50
DOWN BETA	1.15	0.86	0.43	0.83	0.94
ST TECHNICALS	BREAK DOWN	UP TREND	IMPROVING	BREAK OUT	BREAK DOWN
IT TECHNICALS	DOWN TREND	DOWN TREND	DOWN TREND	UP TREND	UP TREND
RSI	61.5	64.4	57.1	50.1	50.1
UP DAY % (LAST 20)	55%	65%	55%	60%	45%

International Emerging Markets

▶ Outlook:

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

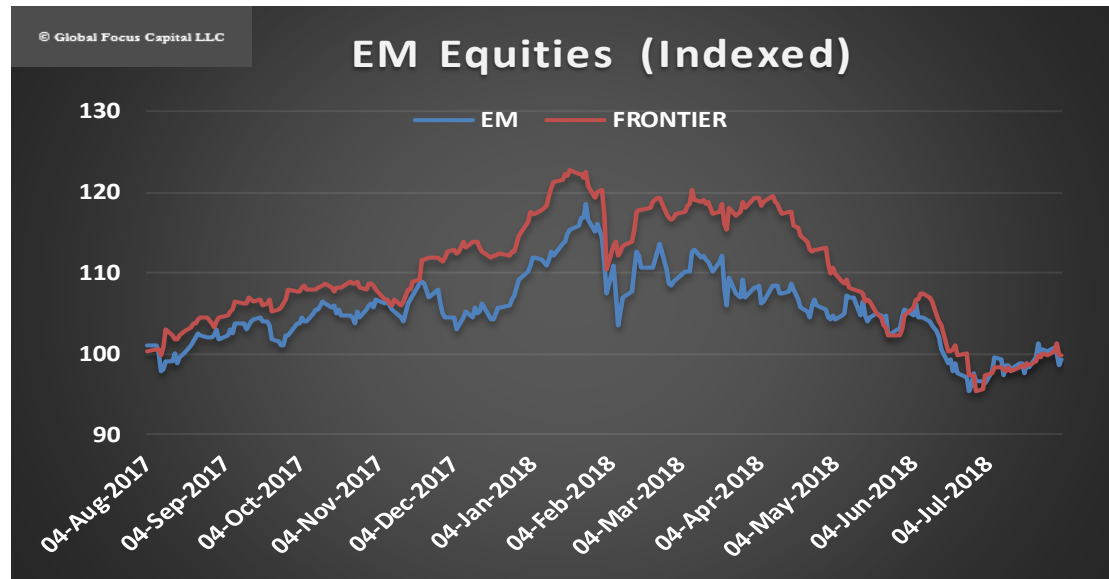
▶ Valuation: Inexpensive

▶ Growth: Above Average

▶ Income: Neutral

▶ Risk Profile: Stabilizing as USD loses momentum

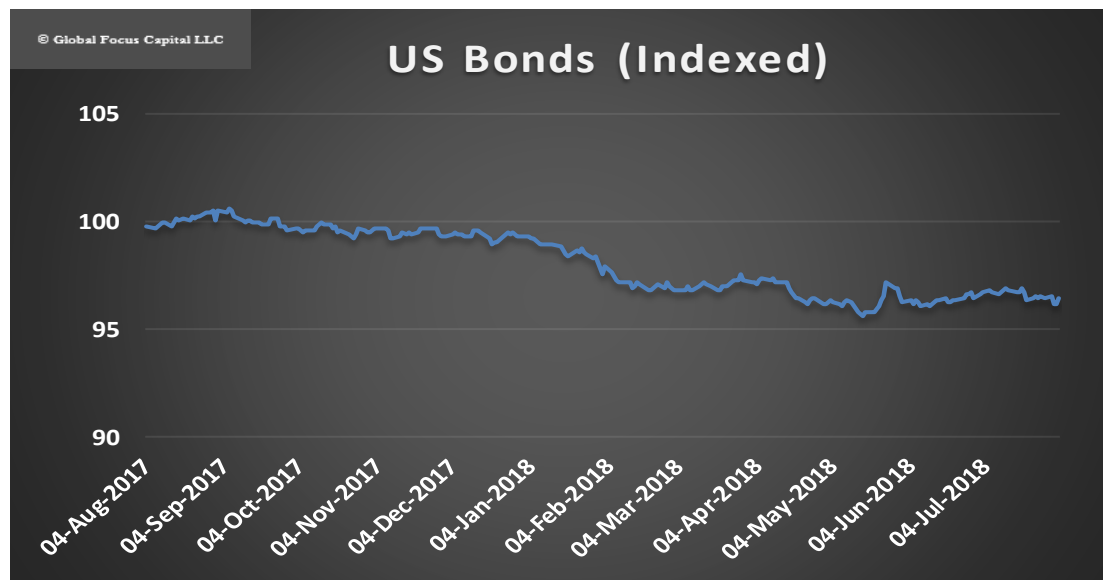
▶ Of Note: China's weight in EM index is an issue, trade war fears



EM EQ (EEM)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	18.9%	17.7%	15.5%	24.6%	10.2%
CORR TO US STOCKS	0.77	0.78	0.72	0.91	0.52
CORR TO US BONDS	-0.01	-0.72	-0.43	-0.18	-0.11
CORR TO COMM	0.60	0.44	0.18	0.59	0.19
CORR TO USD	-0.46	-0.25	-0.33	0.16	0.07
UP BETA	1.25	1.23	0.96	1.14	1.25
DOWN BETA	1.07	0.83	0.58	0.90	1.23
ST TECHNICALS	DETERIORATING	UP TREND	IMPROVING	DOWN TREND	BREAK DOWN
IT TECHNICALS	DOWN TREND	DOWN TREND	DOWN TREND	BREAK DOWN	UP TREND
RSI	50.2	50.2	42.9	35.8	43.1
UP DAY % (LAST 20)	50%	50%	30%	40%	40%

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	4.0%	2.7%	2.3%	2.8%	3.0%
CORR TO US STOCKS	-0.34	0.38	-0.03	0.27	-0.45
CORR TO US BONDS	1.00	1.00	1.00	1.00	1.00
CORR TO COMM	-0.33	0.02	-0.08	-0.07	0.09
CORR TO USD	0.30	-0.28	-0.33	0.15	0.36
UP BETA	-0.04	-0.03	-0.01	0.02	-0.09
DOWN BETA	-0.13	0.01	-0.02	-0.03	0.00
ST TECHNICALS	IMPROVING	DETERIORATING	UP TREND	DOWN TREND	DOWN TREND
IT TECHNICALS	DOWN TREND	IMPROVING	IMPROVING	DOWN TREND	BREAK DOWN
RSI	50.0	50.0	71.5	38.5	53.9
UP DAY % (LAST 20)	50%	55%	65%	40%	45%

International Developed Bonds

▶ Outlook:

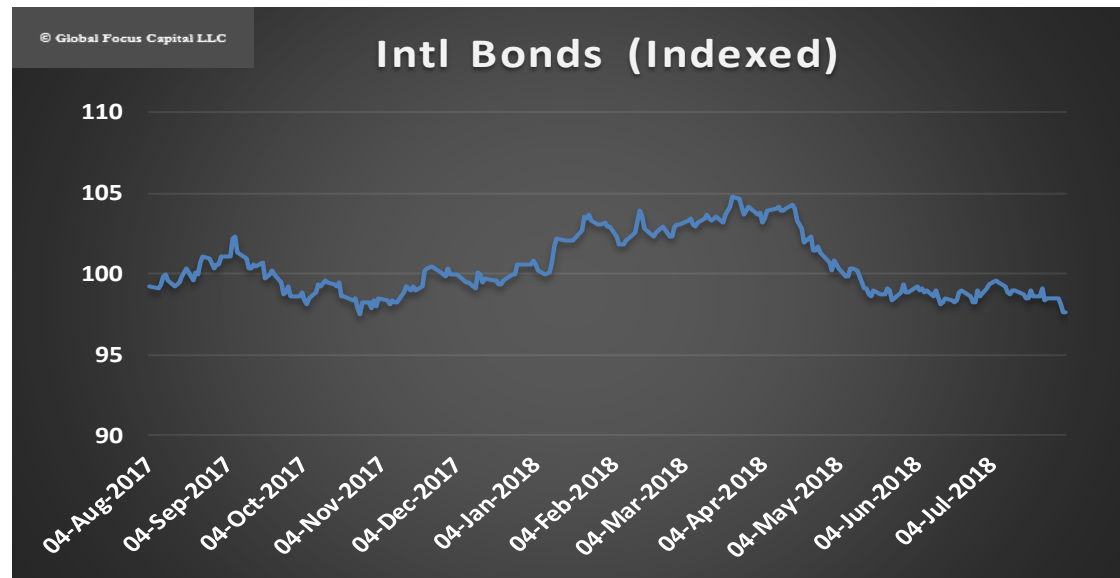
- ▶ Short-Term: Negative
- ▶ Long-Term: Negative

▶ 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	6.5%	7.0%	6.4%	6.4%	8.0%
CORR TO US STOCKS	0.44	0.23	0.00	0.31	-0.47
CORR TO US BONDS	0.22	0.70	0.64	0.30	0.62
CORR TO COMM	0.39	0.28	0.28	0.64	0.15
CORR TO USD	-0.35	-0.13	-0.18	-0.23	0.26
UP BETA	0.15	0.14	0.18	0.21	-0.77
DOWN BETA	0.23	0.22	-0.02	0.06	-0.01
ST TECHNICALS	DOWN TREND	UP TREND	UP TREND	DOWN TREND	BREAK OUT
IT TECHNICALS	DOWN TREND	DOWN TREND	DOWN TREND	BREAK DOWN	DETERIORATING
RSI	38.5	38.6	57.3	28.6	35.8
UP DAY % (LAST 20)	30%	40%	55%	35%	40%

International Emerging Bonds

▶ Outlook:

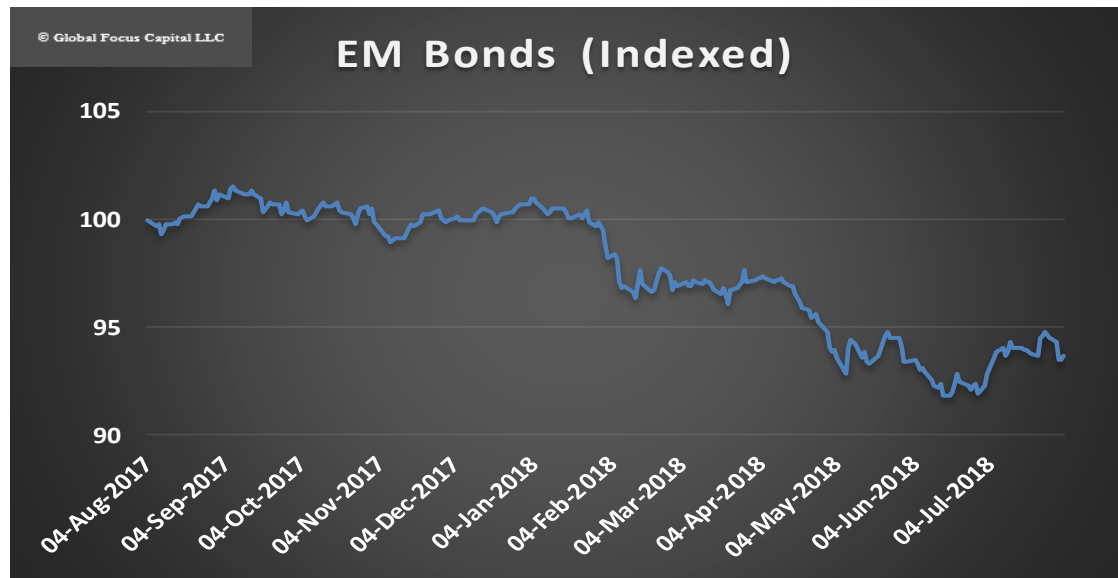
- ▶ Short-Term: Negative
- ▶ Long-Term: Positive

▶ 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	7.0%	3.2%	4.7%	6.9%	3.1%
CORR TO US STOCKS	0.45	0.33	0.55	0.74	0.00
CORR TO US BONDS	0.59	0.73	0.46	0.22	0.00
CORR TO COMM	0.27	0.35	0.34	0.42	0.00
CORR TO USD	-0.10	-0.29	0.43	-0.01	0.00
UP BETA	0.19	0.17	0.08	0.19	0.08
DOWN BETA	0.13	0.22	0.05	0.23	0.33
ST TECHNICALS	BREAK DOWN	DETERIORATING	UP TREND	DOWN TREND	DOWN TREND
IT TECHNICALS	IMPROVING	IMPROVING	DOWN TREND	DOWN TREND	BREAK DOWN
RSI	28.7	50.0	57.3	21.5	43.0
UP DAY % (LAST 20)	40%	50%	50%	20%	40%

Commodities

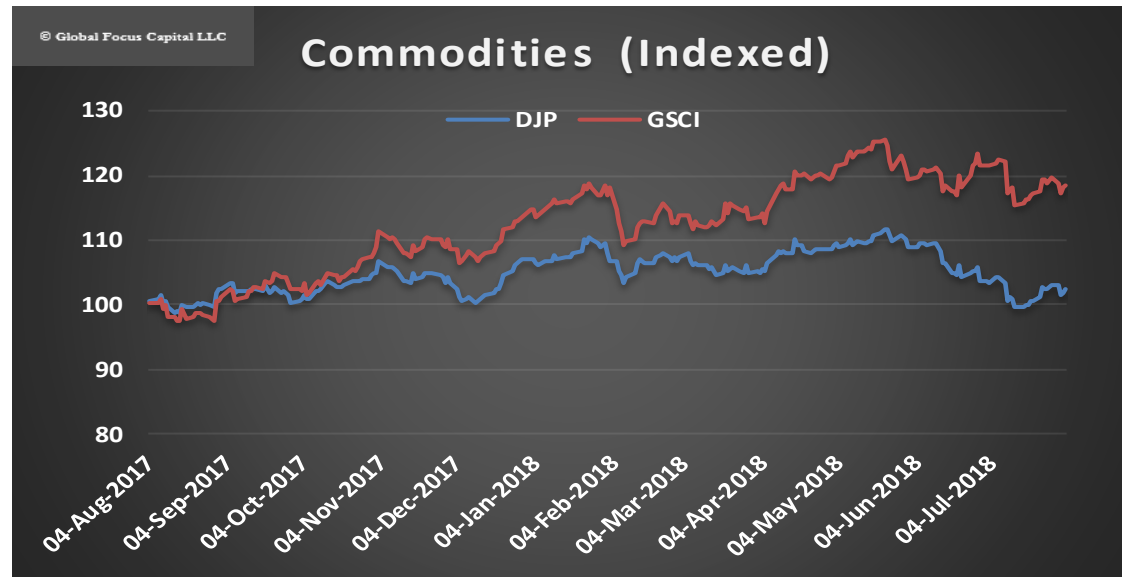
▶ Outlook:

- ▶ 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



COMMODITIES (DJP)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	12.6%	8.5%	6.5%	9.8%	9.6%
CORR TO US STOCKS	0.41	0.43	0.27	0.28	0.10
CORR TO US BONDS	-0.26	-0.15	0.25	-0.28	0.20
CORR TO COMM	1.00	1.00	1.00	1.00	1.00
CORR TO USD	-0.36	-0.32	-0.01	-0.19	-0.36
UP BETA	0.47	0.35	0.27	0.04	0.17
DOWN BETA	0.90	0.63	0.31	0.28	0.40
ST TECHNICALS	UP TREND	DOWN TREND	DOWN TREND	UP TREND	BREAK DOWN
IT TECHNICALS	BREAK DOWN	BREAK DOWN	BREAK DOWN	UP TREND	UP TREND
RSI	57.4	35.8	46.2	53.9	61.4
UP DAY % (LAST 20)	45%	45%	45%	50%	55%

Real Estate

▶ Outlook:

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

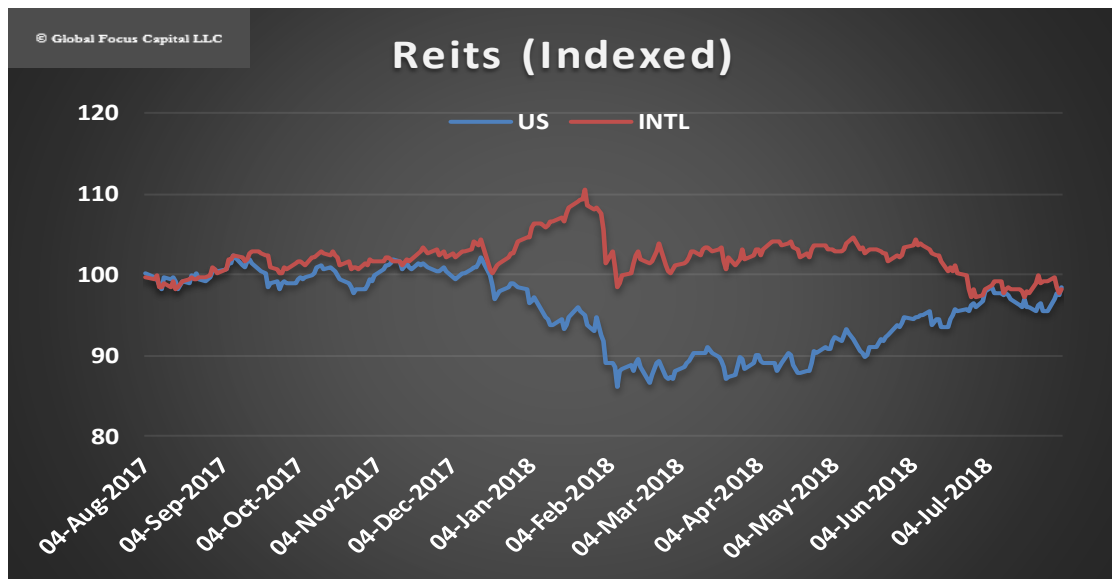
▶ Valuation: Stretched

▶ Growth: Slowing

▶ Income: Average

▶ Risk Profile: Increasing

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



US REITS (VNQ)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	11.7%	11.0%	12.7%	13.2%	10.9%
CORR TO US STOCKS	0.43	0.56	0.67	0.41	0.04
CORR TO US BONDS	-0.02	0.23	0.54	0.21	0.14
CORR TO COMM	0.01	0.15	0.17	0.16	0.01
CORR TO USD	0.04	-0.44	-0.23	0.02	0.05
UP BETA	0.74	0.62	0.41	0.11	0.38
DOWN BETA	0.04	-0.14	0.12	0.55	0.71
ST TECHNICALS	BREAK OUT	BREAK DOWN	UP TREND	UP TREND	UP TREND
IT TECHNICALS	UP TREND	BREAK OUT	BREAK OUT	IMPROVING	UP TREND
RSI	50.2	43.1	64.6	50.3	64.6
UP DAY % (LAST 20)	45%	50%	60%	50%	45%

This Coming Week

- ▶ Q2 earnings in the US almost done – above average earnings season
- ▶ Watching the USD – expecting some depreciation as other central banks start their normalization plans
- ▶ Expecting momentum as a factor to start losing effectiveness – last week saw a resurgence of value and yield oriented strategies
- ▶ In the US the key macro number to watch is the CPI – expect further slow rise
- ▶ GDP releases in Japan and England, in China we are expecting Trade Balance numbers as well as CPI

8/7/2018 19:00	Consumer Credit Change	United States	2		24.56	
8/9/2018 12:30	Producer Price Index ex Food & En	United States	2		2.8	2.6
8/9/2018 12:30	Initial Jobless Claims	United States	2		218	217
8/9/2018 12:30	Continuing Jobless Claims	United States	2		1,724	1,759
8/10/2018 12:30	Consumer Price Index (YoY)	United States	2		2.9	2.9
8/10/2018 12:30	Consumer Price Index Ex Food & En	United States	3		2.3	2.3
8/10/2018 12:30	Consumer Price Index Ex Food & En	United States	2		0.2	0.2
8/10/2018 12:30	Consumer Price Index Core s.a	United States	2		257.31	257.579
8/10/2018 12:30	Consumer Price Index (MoM)	United States	2		0.1	0.2
8/10/2018 17:00	Baker Hughes US Oil Rig Count	United States	2		859	
8/10/2018 18:00	Monthly Budget Statement	United States	2		-75	-58.9
8/6/2018 23:01	BRC Like-For-Like Retail Sales (YoY)	United Kingdom	2		1.1	0.4
8/10/2018 8:30	Gross Domestic Product (YoY)	United Kingdom	2		1.2	1.2
8/10/2018 8:30	Gross Domestic Product (QoQ)	United Kingdom	3		0.2	0.1
8/10/2018 8:30	Manufacturing Production (YoY)	United Kingdom	2		1.1	1.9
8/10/2018 8:30	Industrial Production (MoM)	United Kingdom	2		-0.4	0.2
8/10/2018 8:30	Manufacturing Production (MoM)	United Kingdom	2		0.4	0.9
8/10/2018 8:30	Gross Domestic Product (MoM)	United Kingdom	3		0.3	
8/6/2018 23:30	Overall Household Spending (YoY)	Japan	2		-3.9	-1.6
8/7/2018 5:00	Leading Economic Index	Japan	2		106.9	107
8/8/2018 23:50	Foreign investment in Japan stocks	Japan	2		-63.4	
8/8/2018 23:50	Foreign bond investment	Japan	2		526.5	
8/8/2018 23:50	Machinery Orders (YoY)	Japan	2		16.5	0.2
8/8/2018 23:50	Machinery Orders (MoM)	Japan	2		-3.7	-5.5
8/9/2018 23:50	Gross Domestic Product Annualized	Japan	2		-0.6	-0.2
8/9/2018 23:50	Gross Domestic Product (QoQ)	Japan	2		-0.2	0.1
8/7/2018 6:00	Industrial Production n.s.a. w.d.a. (Y)	Germany	2		3.1	
8/7/2018 6:00	Trade Balance s.a.	Germany	2		20.3	20
8/9/2018 8:00	Economic Bulletin	European Monetary	2			
8/8/2018 2:00	Exports (YoY) CNY	China	2		3.1	6.4
8/8/2018 2:00	Imports (YoY)	China	2		14.1	20.8
8/8/2018 2:00	Trade Balance CNY	China	2		261.9	280.9
8/8/2018 2:00	Imports (YoY) CNY	China	2		6	6.9
8/8/2018 2:00	Trade Balance USD	China	2		41.61	27.61
8/8/2018 2:00	Exports (YoY)	China	2		11.3	10
8/9/2018 1:30	Consumer Price Index (YoY)	China	2		1.9	1.9
8/9/2018 1:30	Consumer Price Index (MoM)	China	2		-0.1	0.1
8/9/2018 1:30	Producer Price Index (YoY)	China	2		4.7	4.5

Contact & Subscription Information

Eric J. Weigel

eweigel@gf-cap.com

[Website: https://gf-cap.com](https://gf-cap.com)

Publications - [Sign Up Here](#)

Weekly Asset Allocation Review - Free

Weekly Equity Themes Review - Free

The Equity Observer (Monthly) – Subscription Required

The Asset Allocation Advisor (Monthly) – Subscription Required