



GLOBAL FOCUS CAPITAL LLC
INSIGHT THAT MATTERS

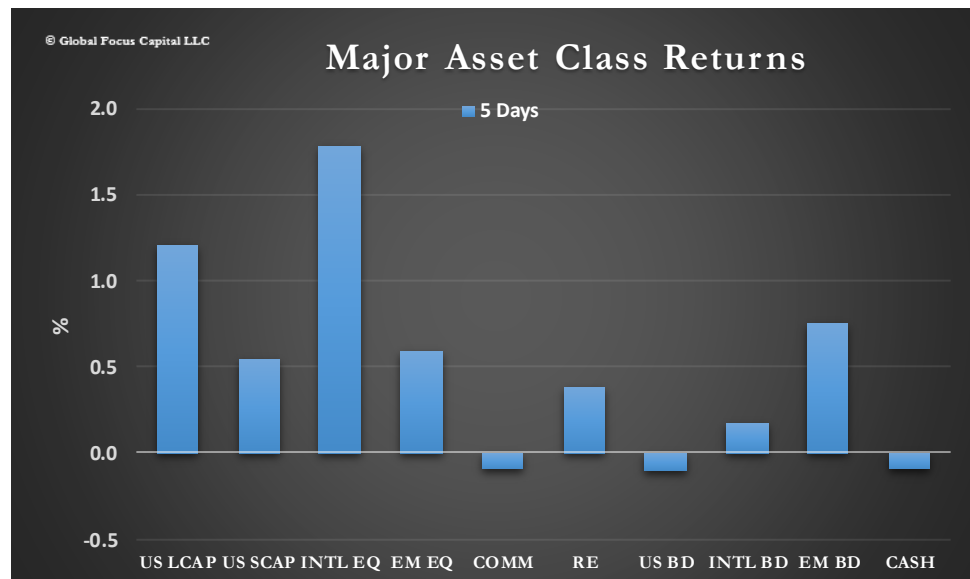
The Asset Allocation Advisor

Weekly Review – September 16, 2018

Eric J. Weigel

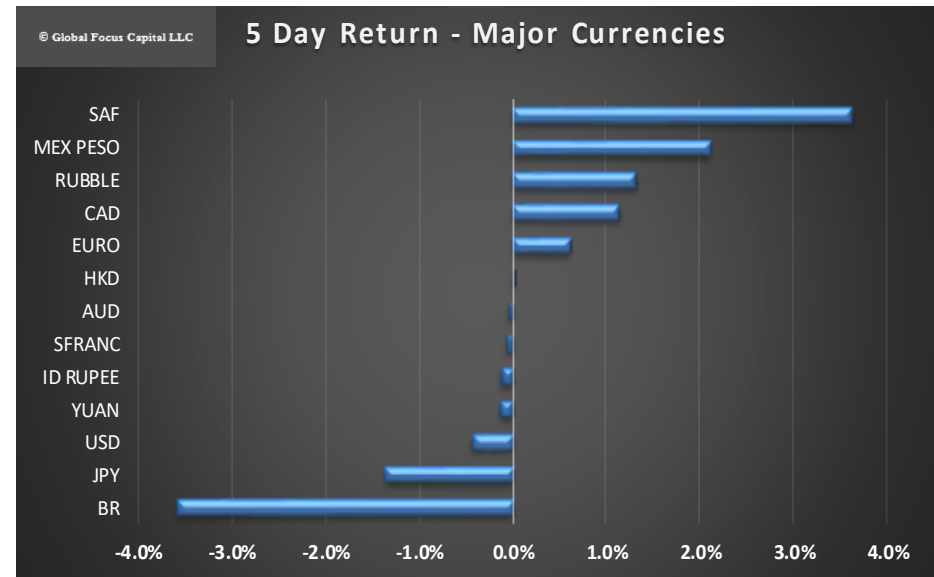
The Week in Review

- ▶ Risky assets recovered last week – it seems like every other week we flip around – maybe this week is going to be good for bonds?
- ▶ Developed market equities did best this week with EAFE out-performing the US
- ▶ EM equity and bonds recovered from pretty poor momentum – currency helped last week for a change
- ▶ A 60/40 mix of purely US assets under-performed a global version but remains vastly ahead YTD
- ▶ In general, higher risk multi-asset strategies out-performed last week and remain ahead YTD



Currencies

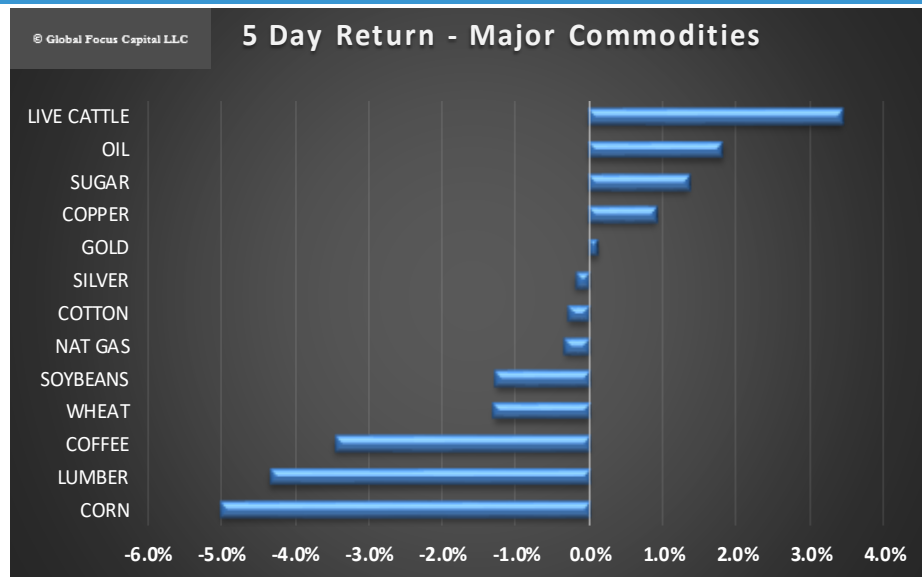
- ▶ The USD gave up a bit of ground last week
- ▶ Foreign central banks are reading their way toward policy normalization
- ▶ Within EM currencies the pattern was mixed
 - ▶ The Rand and Rubble recovered nicely but the Brazilian Real continued its downward slide
- ▶ Within the major currencies, the euro outperformed
- ▶ The Yuan has stabilized after a period of depreciation but remains volatile within the “official” range



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

Commodities

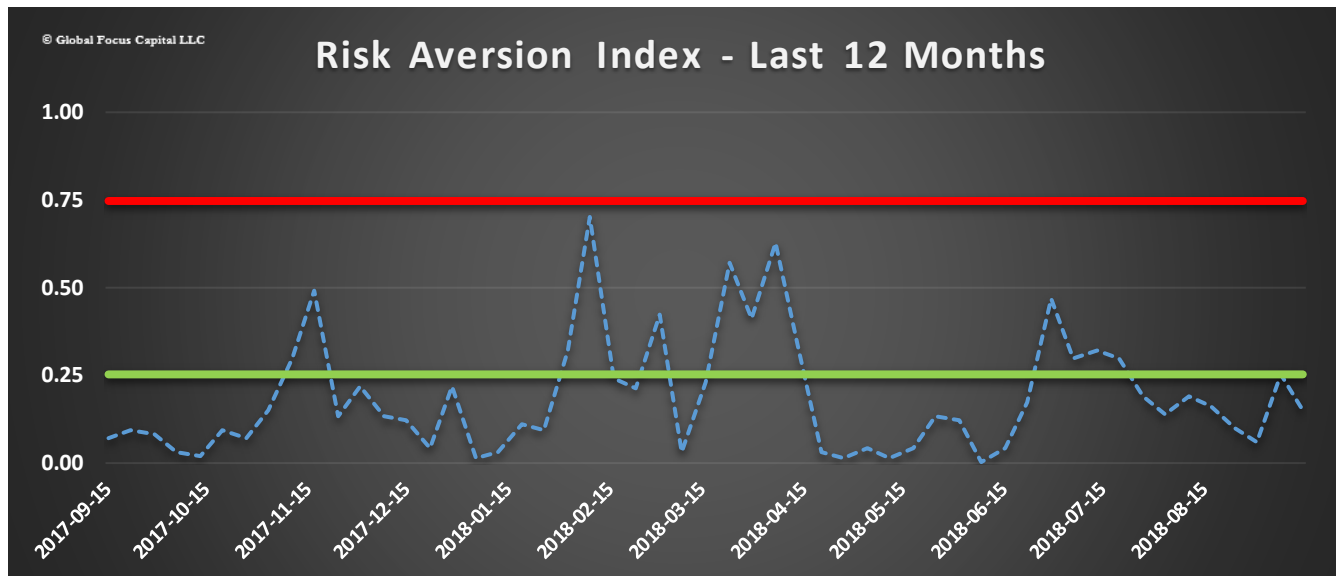
- ▶ Grains are getting whipsawed by trade war on/off issues
- ▶ Corn and soybeans continue being most at risk
- ▶ Coffee also keeps getting pounded by the depreciating Brazilian Real
- ▶ Oil is also getting whipsawed by political tensions – up a little last week as curbs on Iranian oil take effect
- ▶ Gold and Silver were stable last week for a change but barring a real crisis continue on a down trend



COMMODITY	TECHNICAL STAGE
CORN	DOWN TREND
WHEAT	BREAK DOWN
SOYBEANS	DOWN TREND
LIVE CATTLE	IMPROVING
COFFEE	DOWN TREND
LUMBER	DOWN TREND
SUGAR	IMPROVING
COTTON	BREAK DOWN
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 even after all the shenanigans in Washington, Iran and North Korea
- ▶ We continue pegged to 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

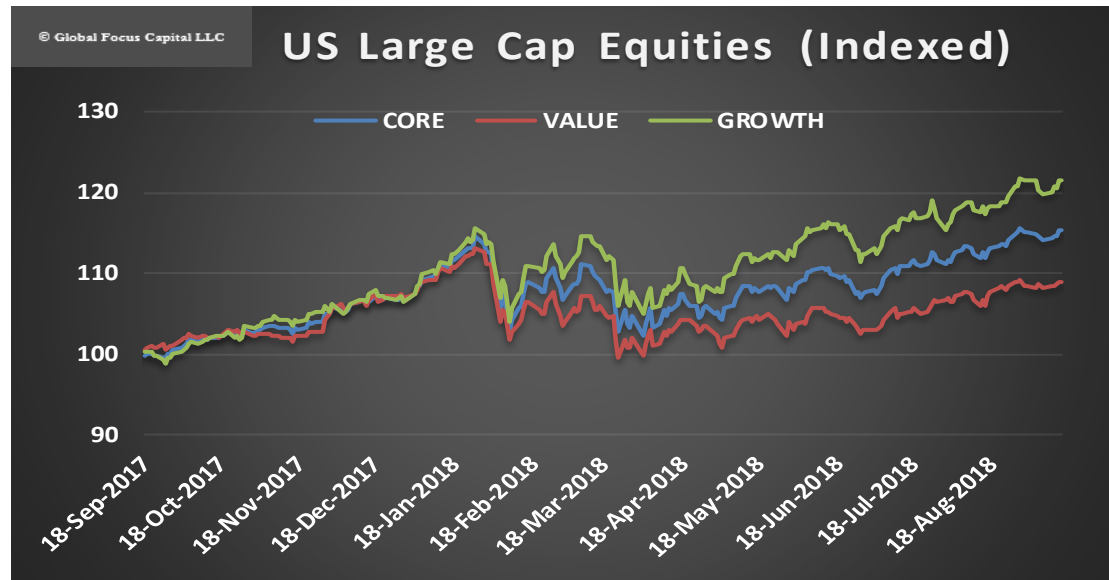
▶ Valuation: Stretched

▶ Growth: Above Average

▶ Income: Minimal

▶ Risk Profile: Increasing

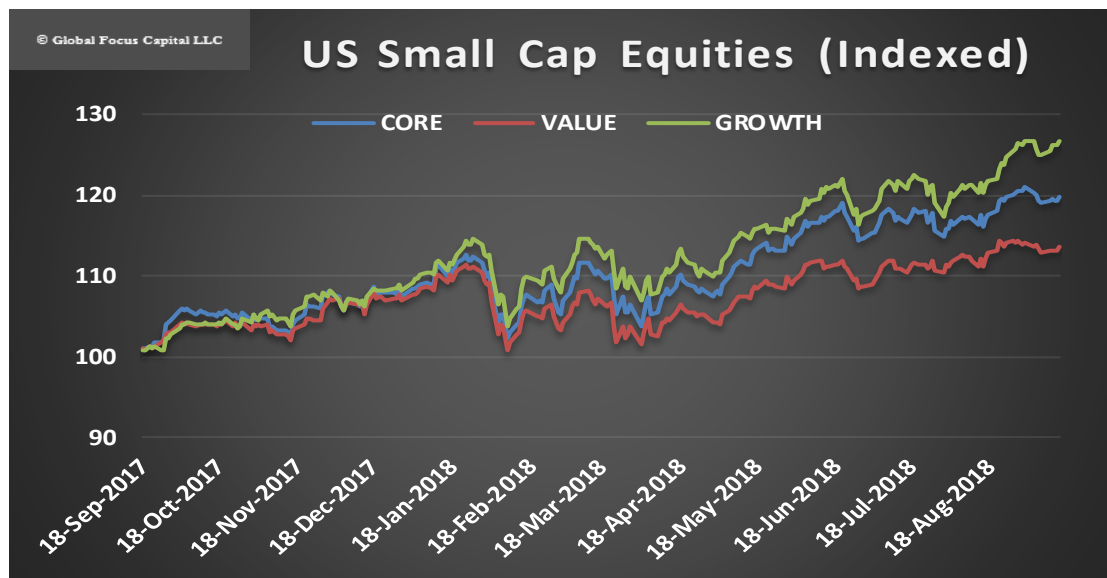
- ▶ **Of Note:** Value should start catching up to Growth if interest rates don't jump up, for now growth is winning



US LARGE CAP (SPY)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	5.7%	7.2%	8.0%	9.0%	6.2%
CORR TO US STOCKS	1.00	1.00	1.00	1.00	1.00
CORR TO US BONDS	-0.04	-0.15	-0.06	-0.66	-0.12
CORR TO COMM	0.78	0.72	0.55	0.42	-0.10
CORR TO USD	-0.38	-0.28	0.11	0.04	0.16
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	UP TREND	DETERIORATING	UP TREND
IT TECHNICALS	UP TREND	UP TREND	UP TREND	UP TREND	UP TREND
RSI	64.4	64.4	50.1	64.3	57.1
UP DAY % (LAST 20)	65%	60%	50%	55%	50%

US Small Cap Equities

- ▶ **Outlook:**
 - ▶ Short-Term: Positive
 - ▶ Long-Term: Positive
- ▶ **Valuation:** Neutral
- ▶ **Growth:** Above Average
- ▶ **Income:** Minimal
- ▶ **Risk Profile:** Increasing
- ▶ **Of Note:** Benefitting from strong USD, Growth is vastly outperforming Value



US SMALL CAP (IWM)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	6.8%	8.9%	12.4%	9.0%	11.6%
CORR TO US STOCKS	0.73	0.74	0.57	0.77	0.75
CORR TO US BONDS	-0.06	-0.15	-0.10	-0.38	-0.07
CORR TO COMM	0.77	0.60	0.05	0.21	0.15
CORR TO USD	-0.25	-0.06	0.09	0.06	0.14
UP BETA	0.57	0.53	0.82	0.81	1.42
DOWN BETA	1.52	1.45	1.19	1.01	1.55
ST TECHNICALS	UP TREND	UP TREND	UP TREND	UP TREND	UP TREND
IT TECHNICALS	UP TREND	UP TREND	UP TREND	UP TREND	UP TREND
RSI	57.2	71.6	50.2	85.8	57.3
UP DAY % (LAST 20)	65%	65%	50%	75%	50%

International Developed Markets

▶ Outlook:

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

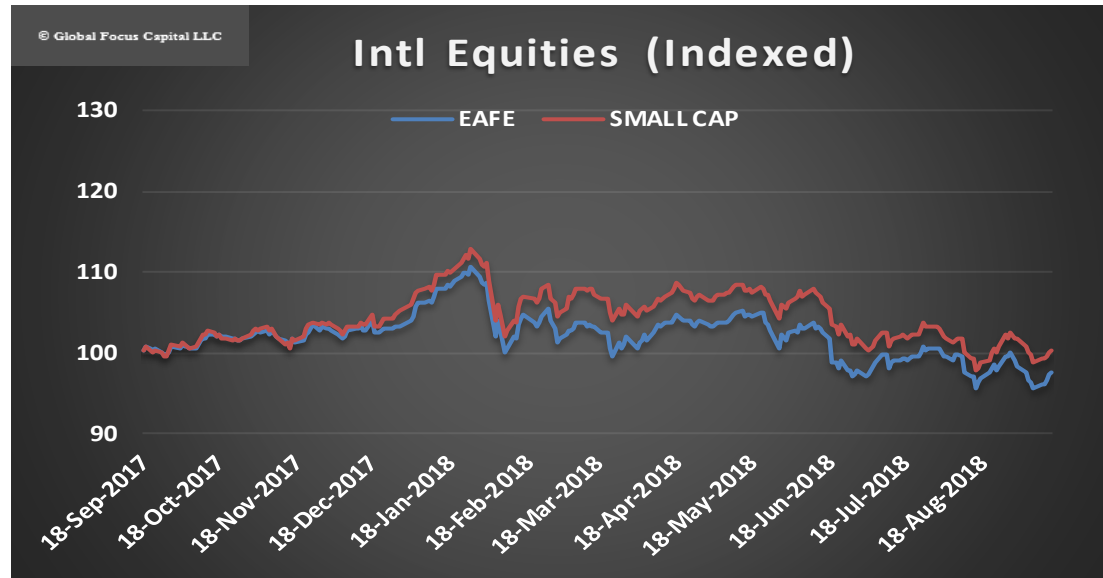
▶ Valuation: Neutral

▶ 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	11.4%	9.5%	10.0%	11.5%	7.4%
CORR TO US STOCKS	0.57	0.41	0.78	0.75	0.75
CORR TO US BONDS	-0.23	0.04	0.15	-0.44	0.03
CORR TO COMM	0.74	0.76	0.73	0.38	0.02
CORR TO USD	-0.27	-0.01	-0.04	0.07	-0.22
UP BETA	0.84	0.94	1.11	0.72	0.51
DOWN BETA	1.10	1.16	1.31	0.67	0.75
ST TECHNICALS	IMPROVING	UP TREND	DOWN TREND	DOWN TREND	UP TREND
IT TECHNICALS	DOWN TREND	DOWN TREND	DOWN TREND	BREAK DOWN	UP TREND
RSI	50.0	57.3	28.7	50.1	64.3
UP DAY % (LAST 20)	60%	50%	40%	40%	50%

International Emerging Markets

▶ Outlook:

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

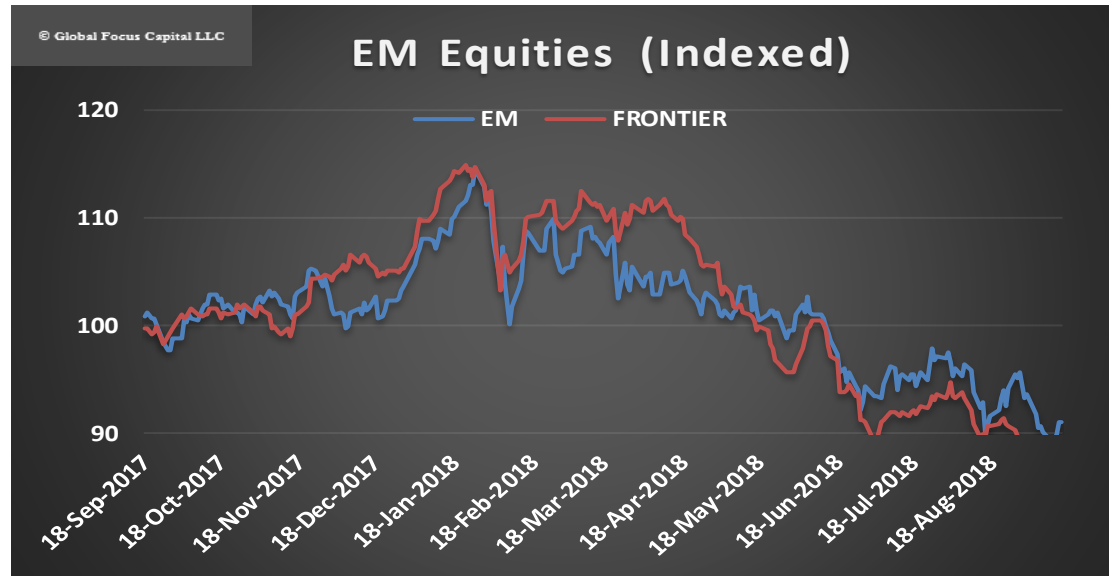
▶ Valuation: Inexpensive

▶ Growth: Above Average

▶ Income: Neutral

▶ Risk Profile: Increasing

▶ **Of Note:** China's weight in EM index is a huge issue (>30%), trade war fears, currency depreciation, weakening commodity prices, LATAM continues on a down trend



EM EQ (EEM)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	19.8%	16.2%	17.5%	16.8%	14.5%
CORR TO US STOCKS	0.59	0.47	0.75	0.72	0.46
CORR TO US BONDS	-0.15	0.15	0.02	-0.04	0.22
CORR TO COMM	0.79	0.70	0.63	0.30	0.36
CORR TO USD	-0.18	0.13	0.20	0.23	-0.36
UP BETA	1.39	1.72	1.43	1.16	1.18
DOWN BETA	1.37	1.30	1.30	0.95	0.57
ST TECHNICALS	IMPROVING	DOWN TREND	DOWN TREND	DOWN TREND	UP TREND
IT TECHNICALS	DOWN TREND	DOWN TREND	DOWN TREND	DOWN TREND	UP TREND
RSI	50.2	64.5	35.7	31.0	71.5
UP DAY % (LAST 20)	60%	55%	45%	30%	55%

US Bonds

▶ Outlook:

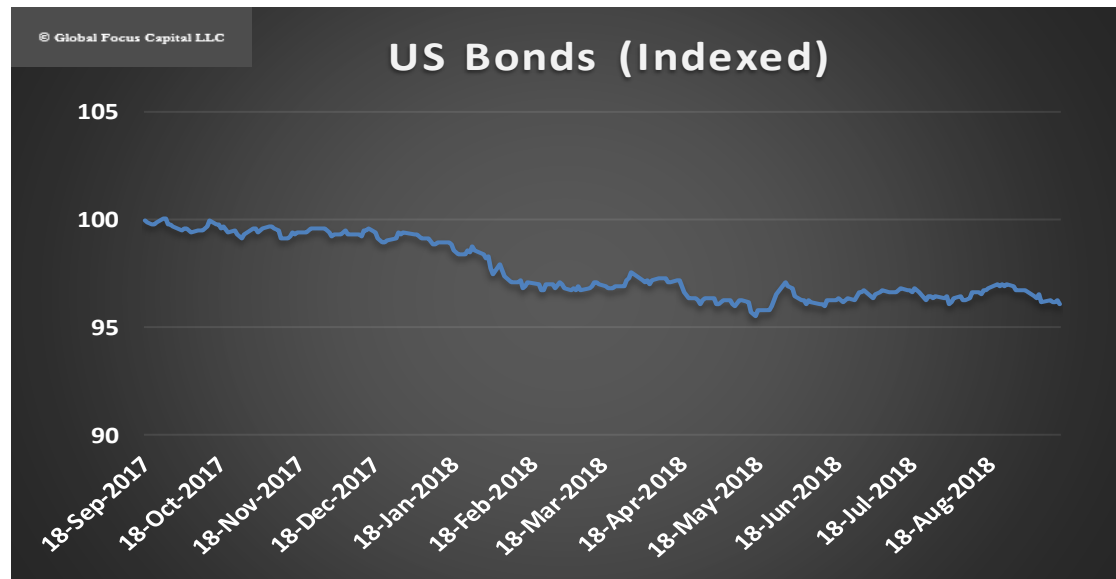
- ▶ Short-Term: Neutral
- ▶ Long-Term: Negative

▶ Valuation: Stretched

▶ Income: Minimal

▶ Risk Profile: Increasing

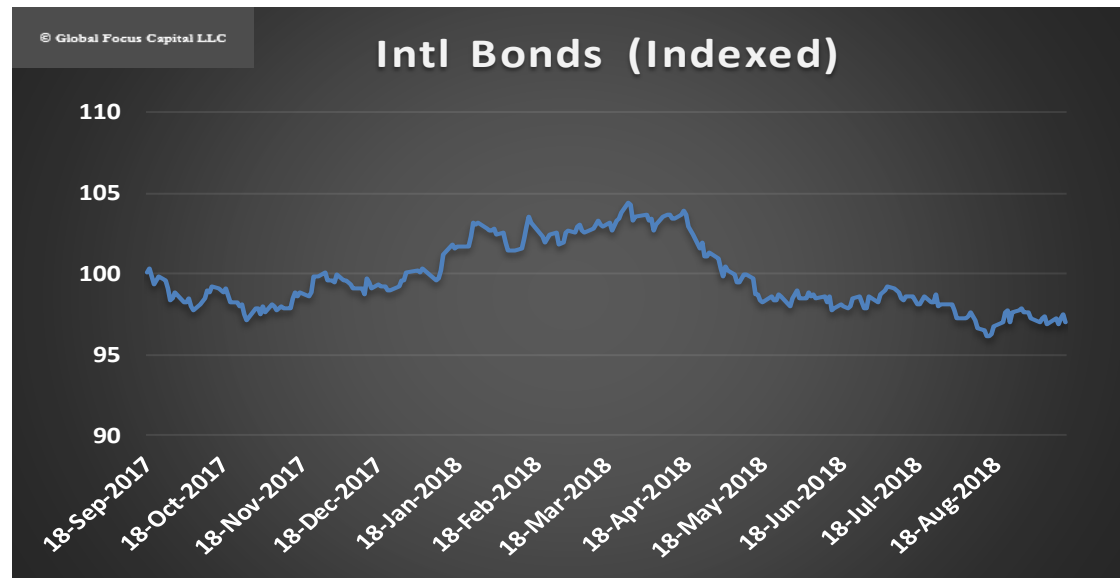
- ▶ **Of Note:** Tight spread in 10-2 yr notes, real yields negative or close to zero, long treasuries provide minimal “disaster” relief



US BONDS (AGG)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	2.0%	2.5%	3.8%	2.9%	2.1%
CORR TO US STOCKS	-0.08	-0.41	-0.65	-0.18	-0.44
CORR TO US BONDS	1.00	1.00	1.00	1.00	1.00
CORR TO COMM	0.30	-0.02	-0.14	0.11	0.52
CORR TO USD	-0.23	-0.03	-0.01	0.03	0.07
UP BETA	0.11	-0.03	-0.10	0.01	-0.09
DOWN BETA	-0.17	-0.08	-0.18	-0.05	-0.11
ST TECHNICALS	DOWN TREND	DETERIORATING	UP TREND	IMPROVING	BREAK OUT
IT TECHNICALS	DOWN TREND	IMPROVING	IMPROVING	DOWN TREND	DOWN TREND
RSI	35.7	57.2	69.3	50.0	50.0
UP DAY % (LAST 20)	45%	60%	60%	55%	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, not expecting USD to lose significant ground anytime soon



INTL BONDS (IGOV)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	5.5%	6.2%	6.0%	6.5%	6.0%
CORR TO US STOCKS	0.06	-0.24	0.08	-0.01	-0.45
CORR TO US BONDS	0.07	-0.09	-0.22	0.26	0.71
CORR TO COMM	0.46	0.21	0.31	0.13	0.36
CORR TO USD	-0.18	-0.08	-0.13	0.30	0.09
UP BETA	0.06	-0.10	0.15	0.23	-0.44
DOWN BETA	-0.06	0.01	0.13	-0.03	-0.12
ST TECHNICALS	DOWN TREND	UP TREND	DOWN TREND	DOWN TREND	BREAK OUT
IT TECHNICALS	DOWN TREND	DOWN TREND	DOWN TREND	BREAK DOWN	UP TREND
RSI	50.1	64.3	42.9	50.1	42.9
UP DAY % (LAST 20)	60%	60%	45%	55%	35%

International Emerging Bonds

▶ Outlook:

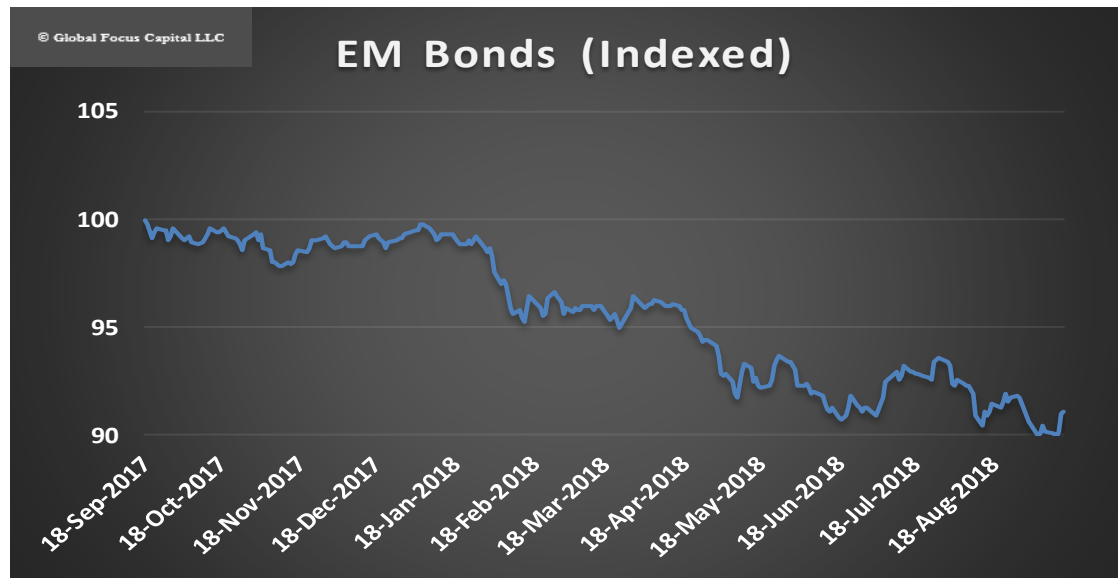
- ▶ Short-Term: Negative
- ▶ Long-Term: Positive

▶ 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	5.1%	5.5%	7.8%	4.8%	4.0%
CORR TO US STOCKS	0.00	0.10	0.46	0.67	0.00
CORR TO US BONDS	0.21	0.45	0.65	0.04	0.00
CORR TO COMM	-0.03	0.20	0.22	0.20	0.00
CORR TO USD	-0.05	0.38	0.47	-0.16	0.00
UP BETA	0.58	0.30	0.17	0.17	0.12
DOWN BETA	0.12	0.12	0.15	0.19	0.24
ST TECHNICALS	BREAK OUT	DOWN TREND	DOWN TREND	DOWN TREND	UP TREND
IT TECHNICALS	DOWN TREND	DOWN TREND	DOWN TREND	DOWN TREND	UP TREND
RSI	42.9	50.1	23.0	28.6	64.3
UP DAY % (LAST 20)	50%	40%	30%	35%	60%

Commodities

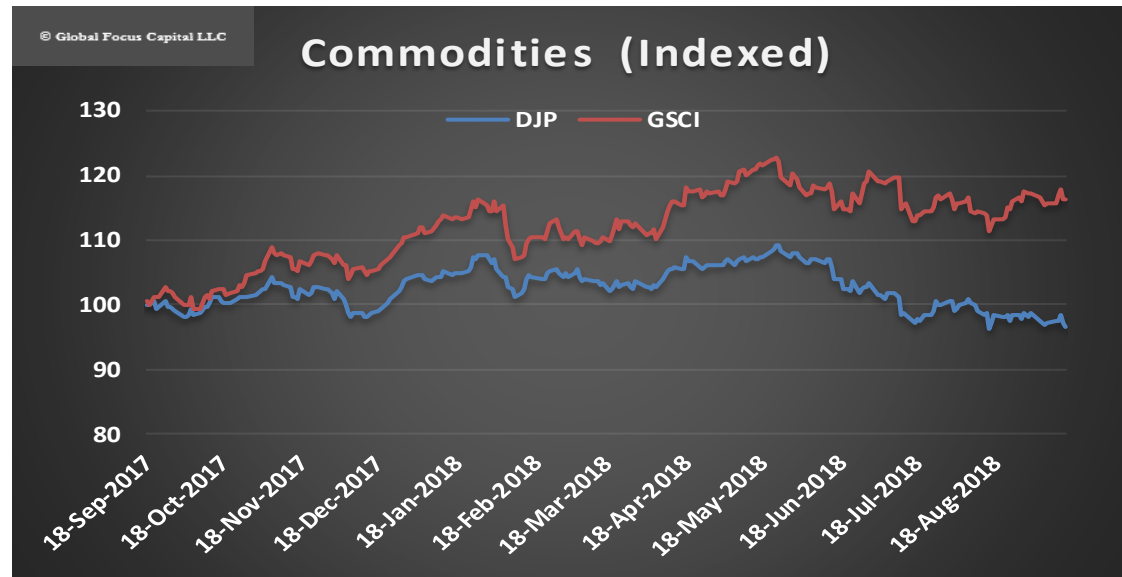
▶ Outlook:

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

▶ Valuation: Neutral

▶ Risk Profile: Increasing

- ▶ **Of Note:** Big difference in performance between GSCI and Bloomberg indices, inflation seems a non-issue



COMMODITIES (DJP)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	14.5%	15.7%	14.0%	8.7%	9.6%
CORR TO US STOCKS	0.54	0.40	0.37	0.08	0.19
CORR TO US BONDS	0.21	0.50	0.20	-0.03	0.20
CORR TO COMM	1.00	1.00	1.00	1.00	1.00
CORR TO USD	0.01	-0.20	0.07	0.22	-0.26
UP BETA	0.53	0.62	0.58	0.19	-0.18
DOWN BETA	1.06	1.11	1.04	0.13	-0.16
ST TECHNICALS	DOWN TREND	IMPROVING	DOWN TREND	DOWN TREND	UP TREND
IT TECHNICALS	DOWN TREND	DOWN TREND	DOWN TREND	BREAK DOWN	UP TREND
RSI	43.0	57.3	57.3	42.0	85.9
UP DAY % (LAST 20)	50%	55%	55%	35%	65%

Real Estate

▶ Outlook:

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

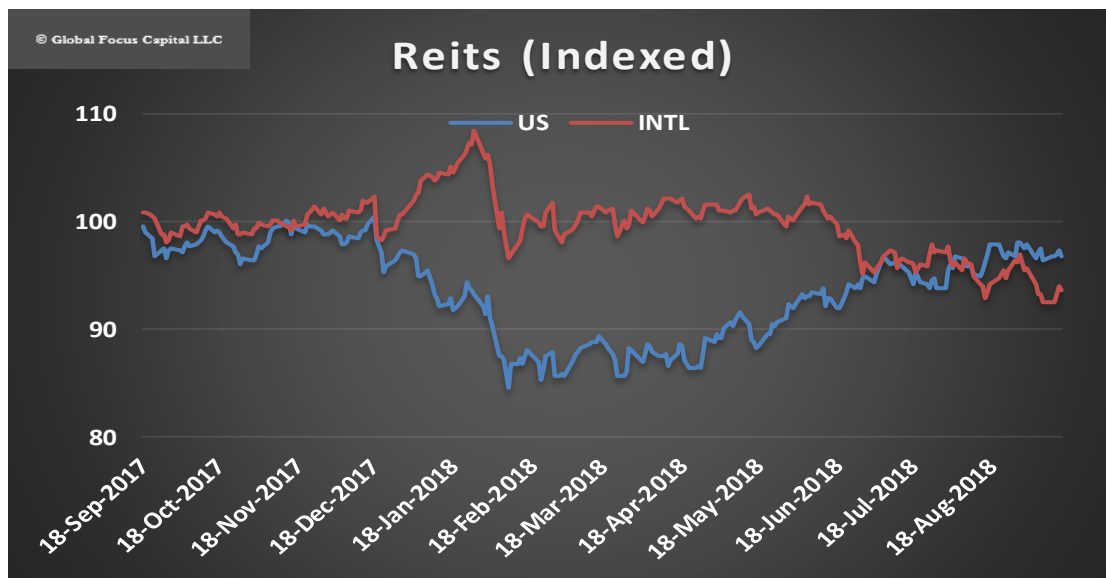
▶ Valuation: Stretched

▶ Growth: Slowing

▶ Income: Average

▶ Risk Profile: Increasing

- ▶ **Of Note:** Big recovery in the last few months, correlation to rates going down, good defensive capabilities (0.25 corr to US stocks)



US REITS (VNQ)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	11.8%	10.4%	12.3%	13.4%	8.4%
CORR TO US STOCKS	0.19	0.16	0.47	0.48	0.11
CORR TO US BONDS	0.23	0.37	0.26	0.59	0.29
CORR TO COMM	0.05	0.40	0.18	-0.01	0.09
CORR TO USD	-0.19	-0.10	0.20	0.17	-0.21
UP BETA	0.31	0.21	0.61	0.14	0.23
DOWN BETA	-0.22	-0.13	-0.17	0.64	0.60
ST TECHNICALS	DOWN TREND	UP TREND	UP TREND	UP TREND	DOWN TREND
IT TECHNICALS	UP TREND	UP TREND	UP TREND	BREAK OUT	BREAK DOWN
RSI	57.3	57.3	57.2	54.0	64.4
UP DAY % (LAST 20)	55%	50%	50%	55%	60%

This Coming Week

- ▶ Is cash the new King?
 - ▶ Bonds and stocks are over-valued but growth still holding up which is positive for stocks but for how long?
 - ▶ We still prefer risky assets but are lowering risk at the portfolio level.

- ▶ Are political issues in Washington of any concern to markets? Is the Manafort plea deal the beginning of the end?

- ▶ The strong USD keeps crushing investors in international assets but should be losing some momentum.

- ▶ EM equities in particular are taking a huge hit both on the asset side as well as currency
 - ▶ China has a lot to do with this given its weight in the MSCI index (30%)

- ▶ Growth is outperforming Value YTD but things may be turning around especially if interest rates remain range bound

- ▶ Global Tech has performed well this year but short-term it is in a break Down phase. More bad news to come or buy the dip? We are holding steady, not buying more.

- ▶ Gold and Silver are losing their luster – not providing downside hedge and very driven by trends in short-term rates

- ▶ What will make investors price risk more in line with history?
 - ▶ A growth scare in the US, maybe? A real inflation scare? Waiting for Impeachment?

9/18/2018	Merchandise Trade Balance Total	Japan	2	0	-231.2	0
9/18/2018	Exports (YoY)	Japan	2	0	3.9	6.3
9/18/2018	Imports (YoY)	Japan	2	0	14.6	14.4
9/18/2018	Adjusted Merchandise Trade Balance	Japan	2	0	-45.6	0
9/19/2018	BoJ Monetary Policy Statement	Japan	3	0	0	0
9/19/2018	BoJ Interest Rate Decision	Japan	3	0	-0.1	0
9/19/2018	BoJ Press Conference	Japan	3	0	0	0
9/19/2018	MPC Member Haldane Speech	United Kingdom	2	0	0	0
9/19/2018	Retail Price Index (MoM)	United Kingdom	2	0	0.1	0
9/19/2018	Retail Price Index (YoY)	United Kingdom	2	0	3.2	3.4
9/19/2018	Consumer Price Index (YoY)	United Kingdom	3	0	2.5	0
9/19/2018	Consumer Price Index (MoM)	United Kingdom	2	0	0	0
9/19/2018	Core Consumer Price Index (YoY)	United Kingdom	3	0	1.9	0
9/19/2018	10-y Bond Auction	Germany	2	0	0.33	0
9/19/2018	Housing Starts (MoM)	United States	2	0	1.168	1.228
9/19/2018	Building Permits (MoM)	United States	2	0	1.311	1.31
9/20/2018	Retail Sales (MoM)	United Kingdom	2	0	0.7	0
9/20/2018	Retail Sales ex-Fuel (MoM)	United Kingdom	2	0	0.9	0.1
9/20/2018	Retail Sales ex-Fuel (YoY)	United Kingdom	2	0	3.7	2.8
9/20/2018	Retail Sales (YoY)	United Kingdom	2	0	3.5	0
9/20/2018	Initial Jobless Claims	United States	2	0	204	0
9/20/2018	Continuing Jobless Claims	United States	2	0	1.696	0
9/20/2018	Philadelphia Fed Manufacturing Survey	United States	2	0	11.9	15
9/20/2018	Existing Home Sales (MoM)	United States	2	0	5.34	5.34
9/20/2018	National Consumer Price Index (YoY)	Japan	2	0	0.9	0
9/20/2018	National CPI Ex-Fresh Food (YoY)	Japan	2	0	0.8	0.9
9/20/2018	National CPI Ex Food, Energy (YoY)	Japan	2	0	0.3	0
9/20/2018	Foreign investment in Japan stocks	Japan	2	0	-1063.2	0
9/20/2018	Foreign bond investment	Japan	2	0	297.6	0
9/21/2018	All Industry Activity Index (MoM)	Japan	2	0	-0.8	0
9/21/2018	Markit Manufacturing PMI	Germany	2	0	55.9	0
9/21/2018	Markit Services PMI	Germany	2	0	55	0
9/21/2018	Markit PMI Composite	Germany	2	0	55.6	0
9/21/2018	Public Sector Net Borrowing	United Kingdom	2	0	-2.872	0
9/21/2018	Markit Services PMI	United States	2	0	54.8	0
9/21/2018	Markit PMI Composite	United States	2	0	54.7	0
9/21/2018	Baker Hughes US Oil Rig Count	United States	2	0	867	0

Contact & Subscription Information

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