



GLOBAL FOCUS CAPITAL LLC

INSIGHT THAT MATTERS

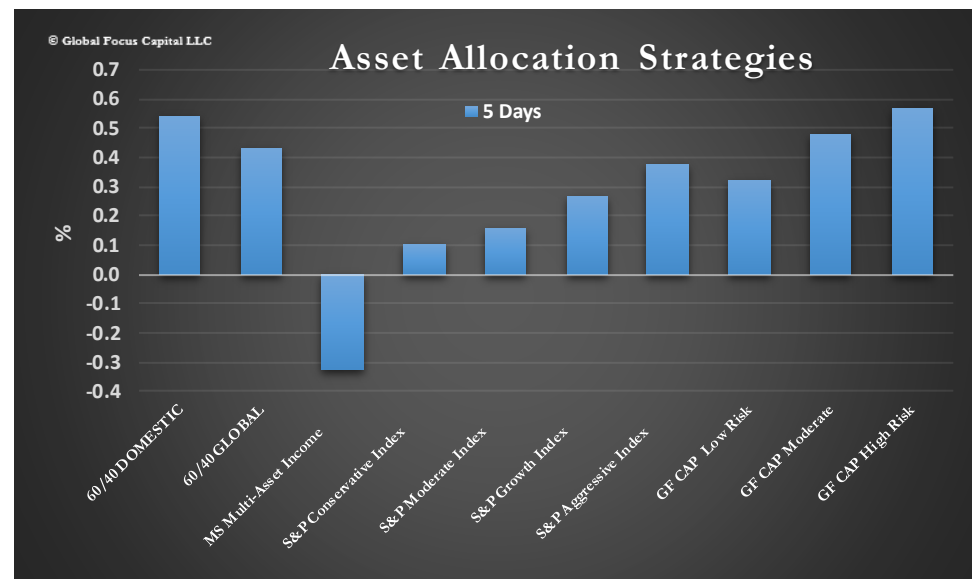
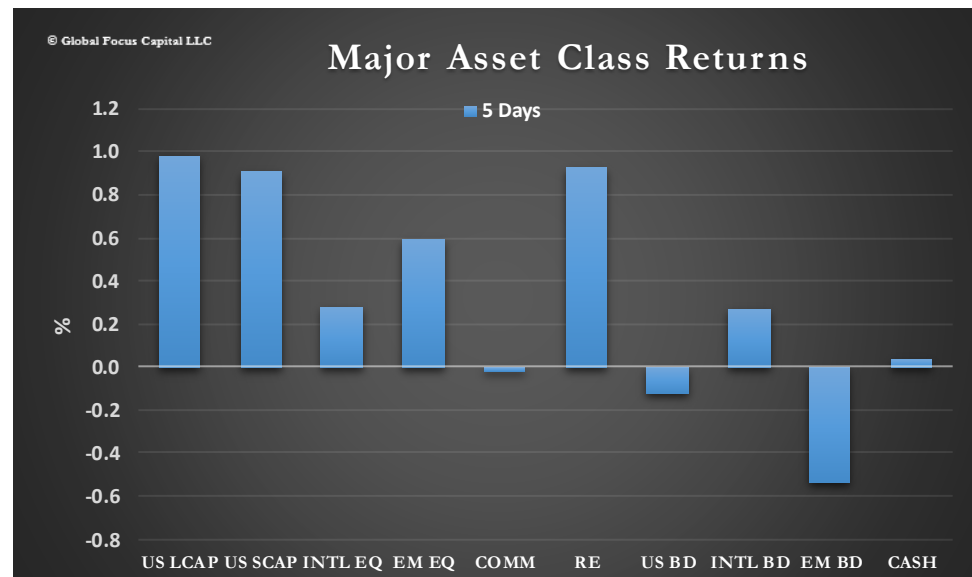
The Asset Allocation Advisor

Weekly Review – September 2, 2018

Eric J. Weigel

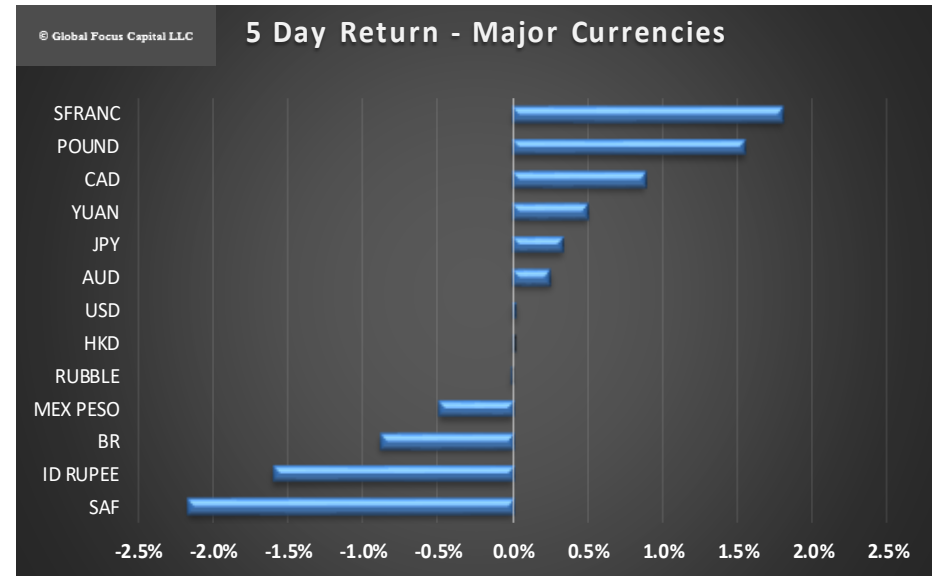
The Week in Review

- ▶ Equities had again a big week last week as the market focused on growth again
- ▶ US assets once again dominated non-US assets as the US dollar regained some lost ground
- ▶ US RETS have continued their comeback after falling apart earlier in the year
- ▶ Commodity index composition is playing a big role as divergences among commodities are accentuated
- ▶ A 60/40 mix of purely US assets slightly out-performed a global version
- ▶ Higher risk multi-asset strategies out-performed last week



Currencies

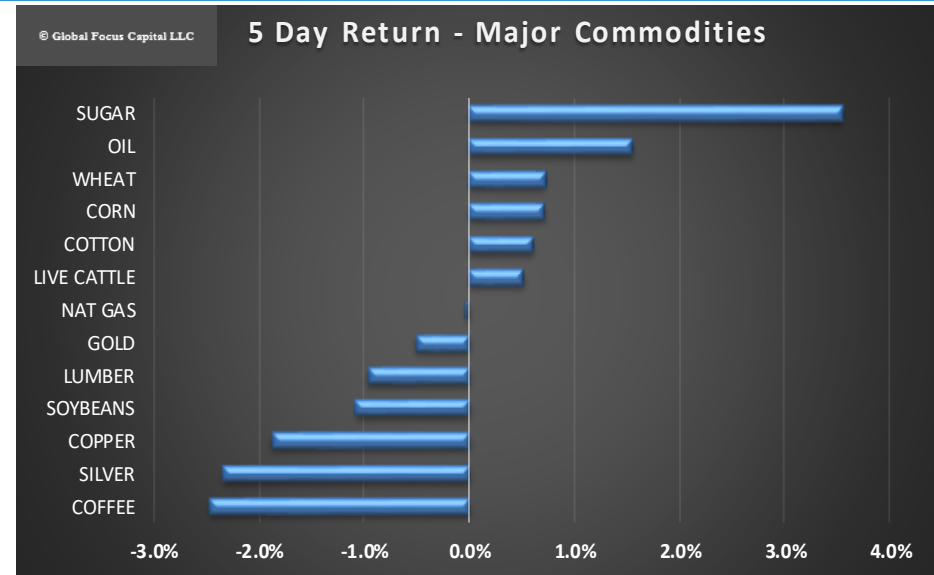
- ▶ The USD was flat last week
 - ▶ Down against developed market currencies but up against em currencies
- ▶ Within EM currencies the pattern was mixed
 - ▶ The Rand depreciated over 2% while Rubble and Brazilian Real continued in a down trend
- ▶ Within the major currencies, the US dollar lost the most ground versus the Swiss Franc
- ▶ 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	DOWN TREND
SAF	DOWN TREND
BR	DOWN TREND
SFRANC	BREAK OUT
YUAN	DOWN TREND
USD	UP TREND
POUND	DOWN TREND
JPY	DOWN TREND
RUBBLE	DOWN TREND
MEX PESO	IMPROVING

Commodities

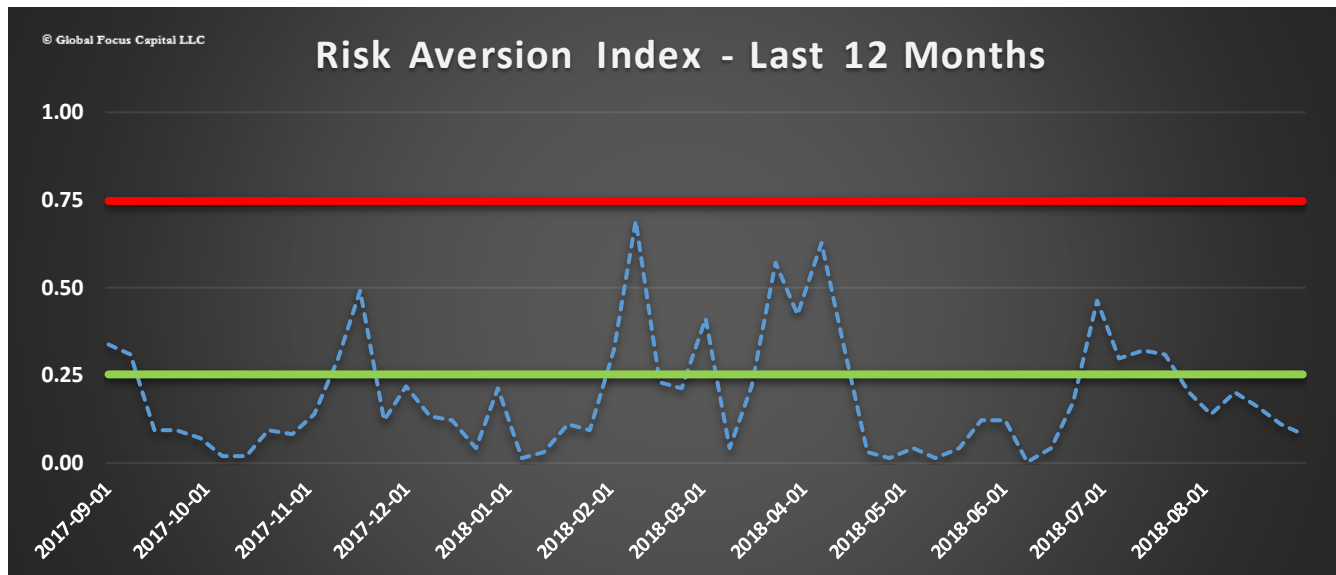
- ▶ Grains are getting whipsawed by trade war on/off issues
 - ▶ Corn and soybeans continue being most at risk
- ▶ Oil is also getting whipsawed by political tensions but had an up week due to smaller inventories in the US, robust Chinese demand and output curbs in Iran
- ▶ Gold and Silver lost more ground last week and the trend is down especially as ST interest rates keep climbing higher
- ▶ The large fall in coffee prices last week was again blamed on the falling Brazilian real



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

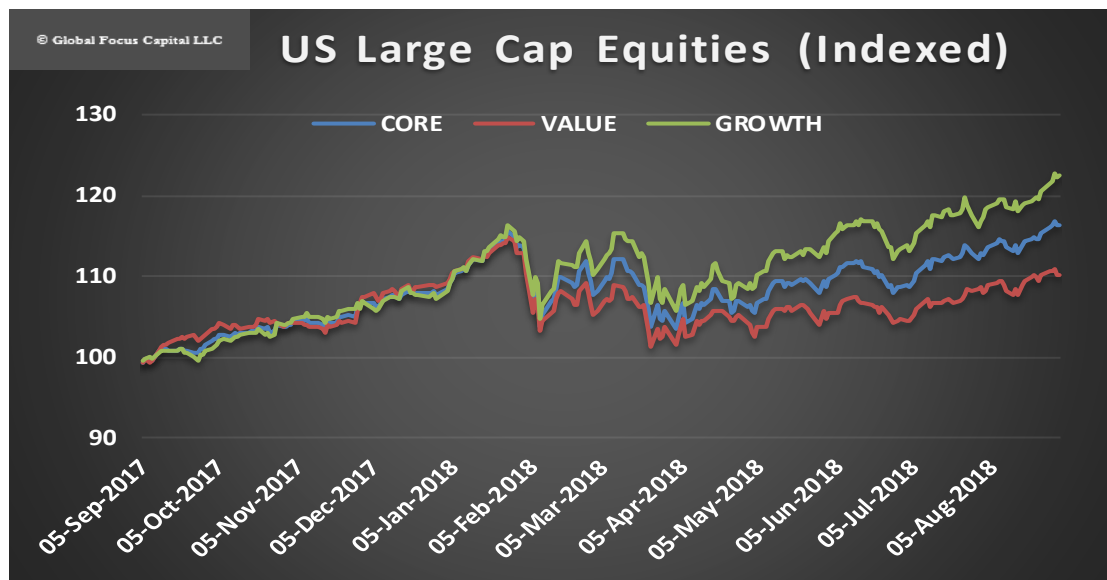
Investor Risk Aversion Environment

- ▶ 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

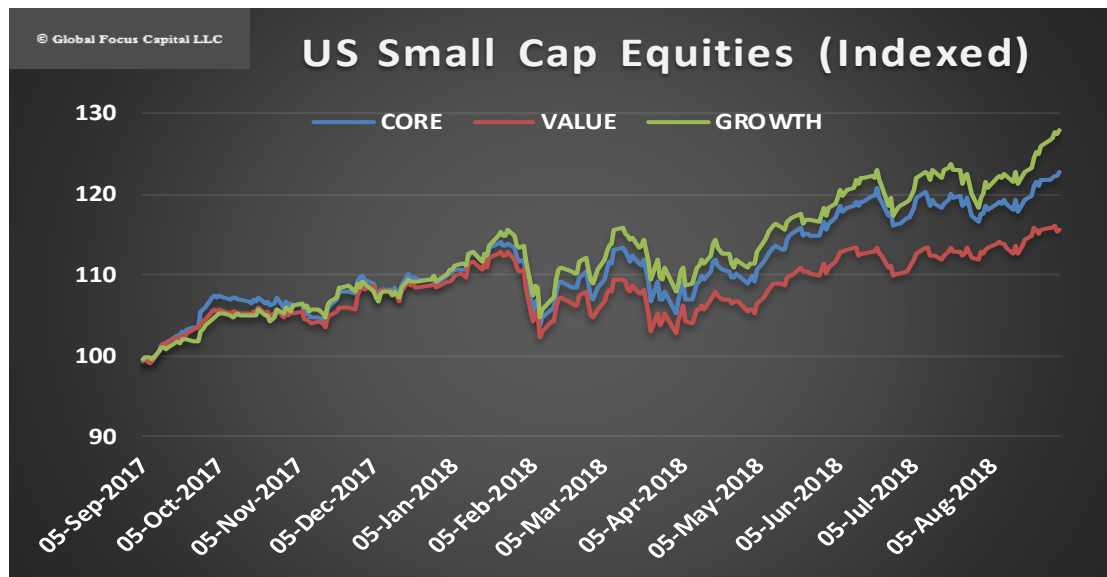
- ▶ **Outlook:**
 - ▶ Short-Term: Neutral
 - ▶ Long-Term: Neutral
- ▶ **Valuation:** Stretched
- ▶ **Growth:** Above Average
- ▶ **Income:** Minimal
- ▶ **Risk Profile:** Increasing
- ▶ **Of Note:** Value should start catching up to Growth if interest rates don't jump up, for now mo is winning



US LARGE CAP (SPY)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	7.1%	7.9%	8.1%	10.1%	6.8%
CORR TO US STOCKS	1.00	1.00	1.00	1.00	1.00
CORR TO US BONDS	-0.18	-0.12	0.12	-0.39	-0.33
CORR TO COMM	0.84	0.56	0.40	0.39	-0.07
CORR TO USD	-0.26	-0.05	-0.19	0.20	0.41
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	UP TREND	UP TREND
IT TECHNICALS	UP TREND	UP TREND	UP TREND	UP TREND	UP TREND
RSI	71.5	57.2	57.2	50.2	57.2
UP DAY % (LAST 20)	60%	55%	60%	55%	55%

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	8.8%	12.2%	11.6%	9.3%	10.5%
CORR TO US STOCKS	0.73	0.61	0.63	0.75	0.75
CORR TO US BONDS	-0.20	-0.16	0.09	-0.31	-0.26
CORR TO COMM	0.70	0.03	0.10	0.21	0.15
CORR TO USD	-0.10	0.39	-0.01	-0.05	0.16
UP BETA	0.50	0.81	0.78	0.90	1.22
DOWN BETA	1.45	1.14	1.11	1.06	0.65
ST TECHNICALS	UP TREND	UP TREND	DOWN TREND	UP TREND	UP TREND
IT TECHNICALS	UP TREND	UP TREND	UP TREND	UP TREND	UP TREND
RSI	78.7	57.3	57.4	64.4	50.1
UP DAY % (LAST 20)	70%	55%	50%	70%	55%

International Developed Markets

► Outlook:

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

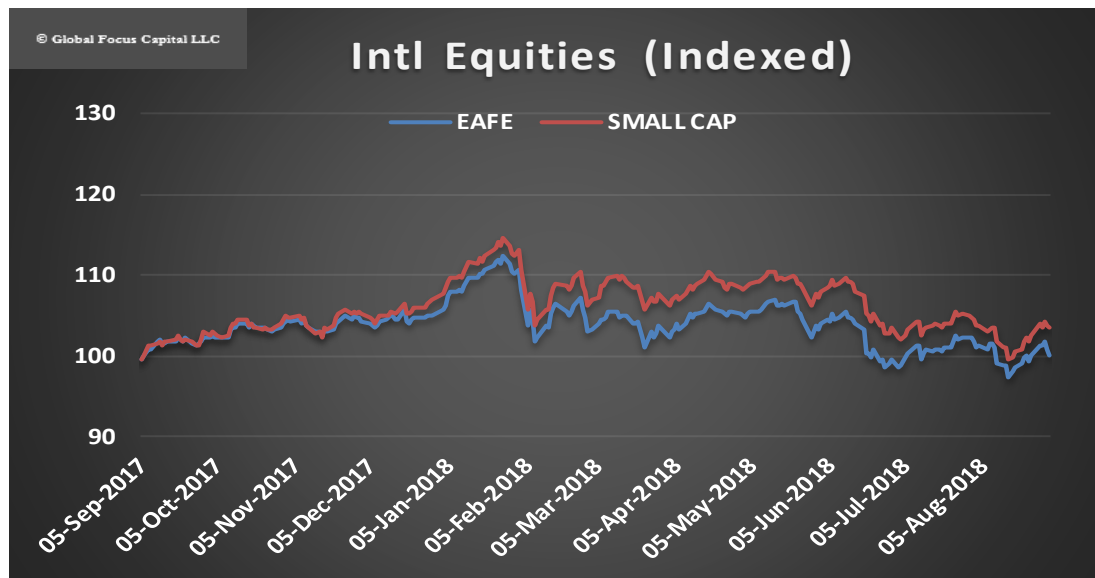
► Valuation: Neutral

► 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	9.4%	10.0%	15.9%	5.4%	6.2%
CORR TO US STOCKS	0.48	0.67	0.72	0.74	0.73
CORR TO US BONDS	0.08	0.17	0.08	0.69	-0.06
CORR TO COMM	0.77	0.70	0.65	0.50	0.09
CORR TO USD	-0.65	-0.36	-0.04	0.15	0.07
UP BETA	1.04	1.10	0.88	0.68	0.44
DOWN BETA	1.16	1.27	1.15	0.67	0.96
ST TECHNICALS	DETERIORATING	DOWN TREND	BREAK DOWN	IMPROVING	UP TREND
IT TECHNICALS	DOWN TREND	DOWN TREND	DOWN TREND	DETERIORATING	UP TREND
RSI	57.2	35.8	61.5	35.8	57.3
UP DAY % (LAST 20)	45%	40%	55%	50%	60%

International Emerging Markets

► Outlook:

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

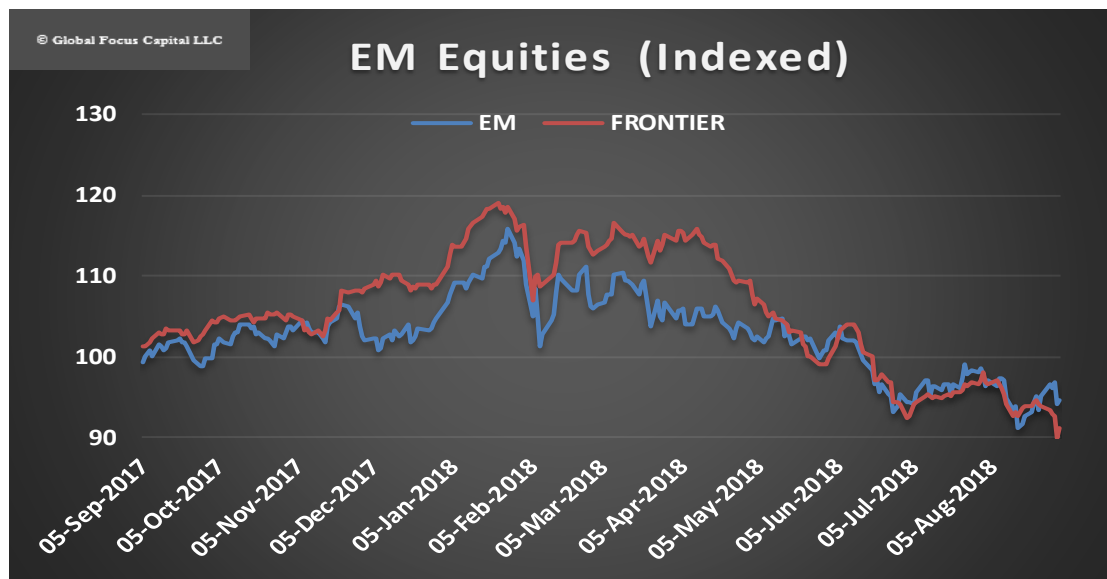
► Valuation: Inexpensive

► Growth: Above Average

► Income: Neutral

► Risk Profile: Increasing

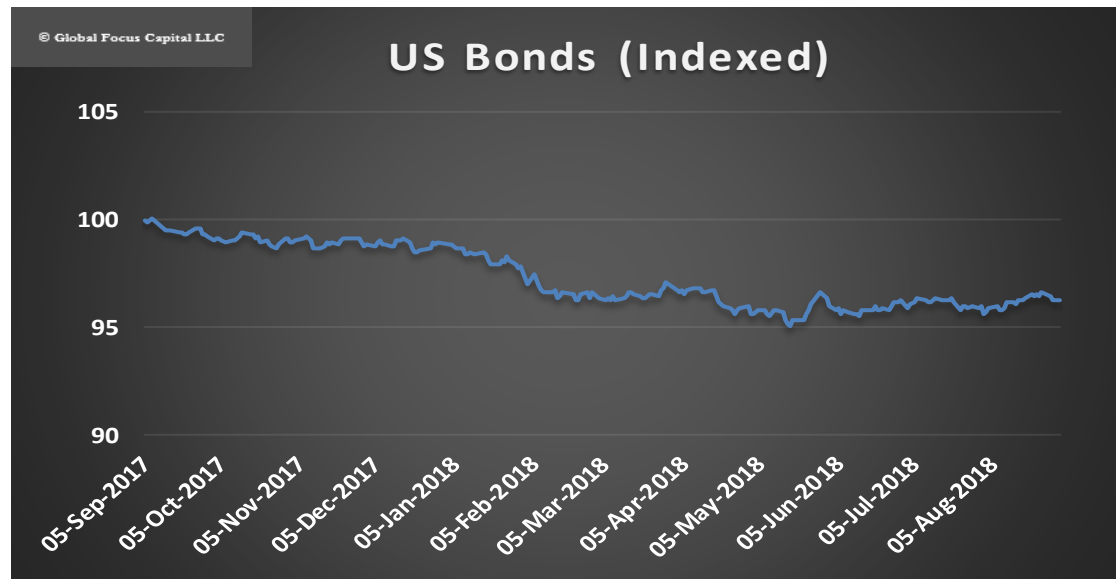
- **Of Note:** China's weight in EM index is a huge issue (>30%), trade war fears, currency depreciation, weakening commodity prices, last week Asia EM carried the day while LATAM keeps getting hammered



EM EQ (EEM)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	17.0%	17.4%	18.9%	16.2%	13.0%
CORR TO US STOCKS	0.51	0.63	0.77	0.66	0.75
CORR TO US BONDS	0.18	0.07	-0.01	0.64	-0.05
CORR TO COMM	0.70	0.63	0.60	0.50	0.32
CORR TO USD	-0.63	-0.37	-0.21	0.11	0.19
UP BETA	1.61	1.40	1.25	1.12	1.27
DOWN BETA	1.30	1.43	1.07	0.97	0.96
ST TECHNICALS	DETERIORATING	DOWN TREND	DETERIORATING	IMPROVING	IMPROVING
IT TECHNICALS	DOWN TREND	DOWN TREND	DOWN TREND	BREAK DOWN	UP TREND
RSI	71.6	42.8	50.2	50.2	42.8
UP DAY % (LAST 20)	55%	45%	50%	50%	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, no major developments last week, steady Fed policy despite political pressure



US BONDS (AGG)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	2.4%	3.7%	4.0%	2.6%	2.0%
CORR TO US STOCKS	-0.28	-0.66	-0.34	-0.19	-0.49
CORR TO US BONDS	1.00	1.00	1.00	1.00	1.00
CORR TO COMM	0.07	-0.28	-0.33	0.10	0.32
CORR TO USD	0.19	-0.10	-0.07	0.07	0.18
UP BETA	0.04	-0.10	-0.04	0.00	-0.04
DOWN BETA	-0.08	-0.16	-0.13	-0.04	-0.11
ST TECHNICALS	DETERIORATING	UP TREND	IMPROVING	DETERIORATING	BREAK OUT
IT TECHNICALS	IMPROVING	IMPROVING	DOWN TREND	DOWN TREND	DETERIORATING
RSI	50.0	77.0	50.0	61.5	33.4
UP DAY % (LAST 20)	55%	65%	50%	50%	40%

International Developed Bonds

► Outlook:

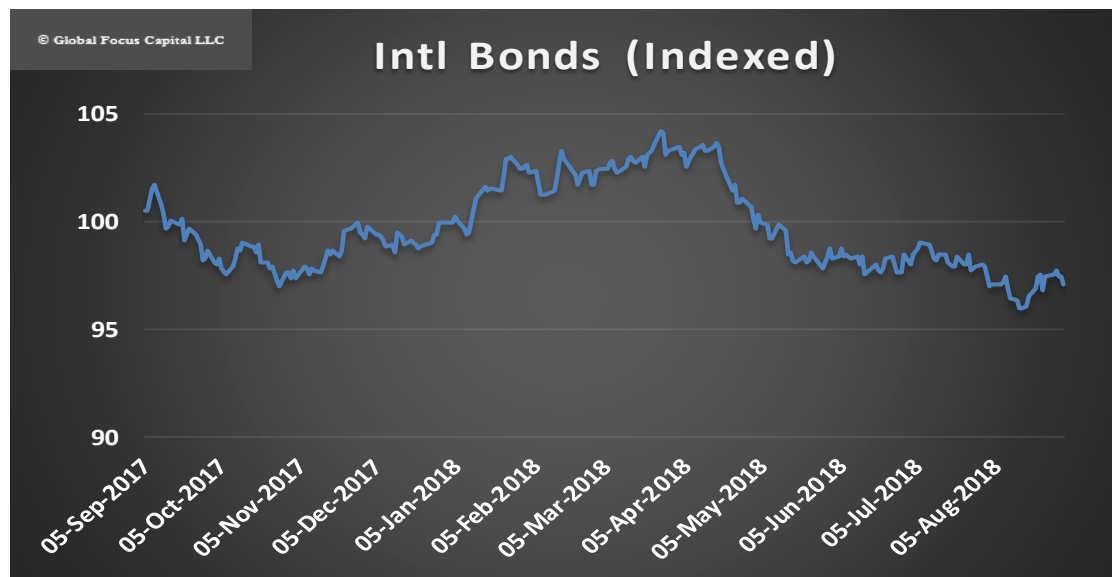
- Short-Term: Negative
- Long-Term: Negative

► 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	6.4%	6.0%	6.5%	6.4%	6.8%
CORR TO US STOCKS	-0.19	0.04	0.44	-0.19	-0.30
CORR TO US BONDS	0.00	-0.21	0.22	0.12	0.48
CORR TO COMM	0.14	0.45	0.39	0.16	0.00
CORR TO USD	0.08	0.36	0.27	0.18	-0.17
UP BETA	0.03	0.13	0.15	0.19	-0.37
DOWN BETA	0.01	0.17	0.23	-0.01	-0.11
ST TECHNICALS	DETERIORATING	DOWN TREND	DOWN TREND	IMPROVING	UP TREND
IT TECHNICALS	DOWN TREND	DOWN TREND	DOWN TREND	BREAK DOWN	UP TREND
RSI	64.3	42.8	38.5	57.2	38.6
UP DAY % (LAST 20)	55%	45%	30%	55%	45%

International Emerging Bonds

► Outlook:

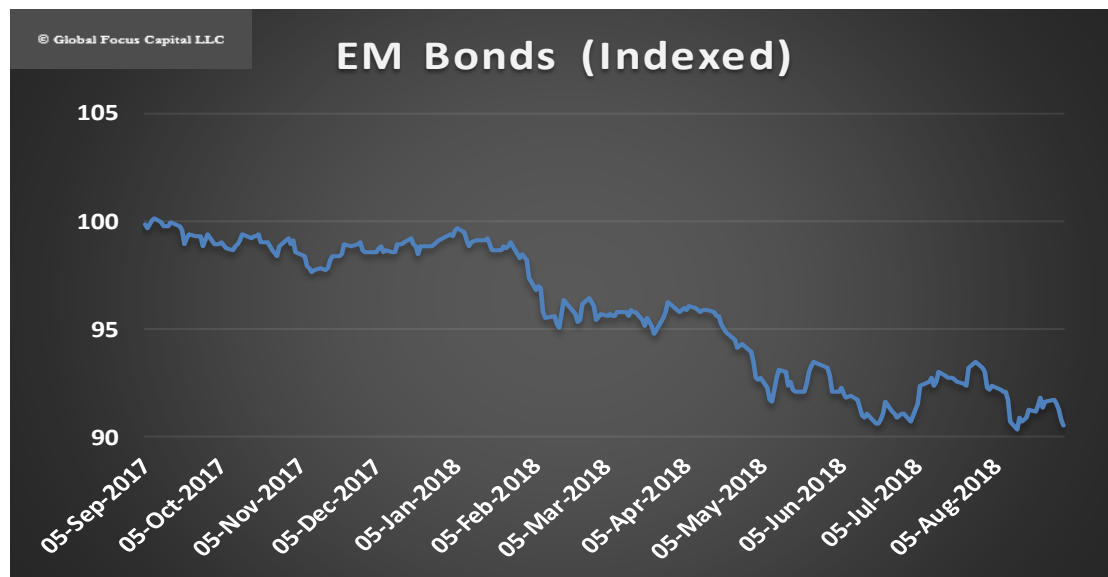
- Short-Term: Negative
- Long-Term: Positive

► 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	5.6%	7.7%	7.0%	5.8%	4.4%
CORR TO US STOCKS	0.08	0.45	0.45	0.69	0.00
CORR TO US BONDS	0.43	0.66	0.59	0.51	0.00
CORR TO COMM	0.21	0.21	0.27	-0.01	0.00
CORR TO USD	0.30	0.36	0.34	0.27	0.00
UP BETA	0.54	0.16	0.19	0.17	0.16
DOWN BETA	0.12	0.19	0.13	0.22	0.33
ST TECHNICALS	BREAK DOWN	DOWN TREND	BREAK DOWN	BREAK DOWN	UP TREND
IT TECHNICALS	DOWN TREND	DOWN TREND	IMPROVING	DOWN TREND	UP TREND
RSI	50.1	30.7	28.7	42.9	57.2
UP DAY % (LAST 20)	35%	35%	40%	45%	65%

Commodities

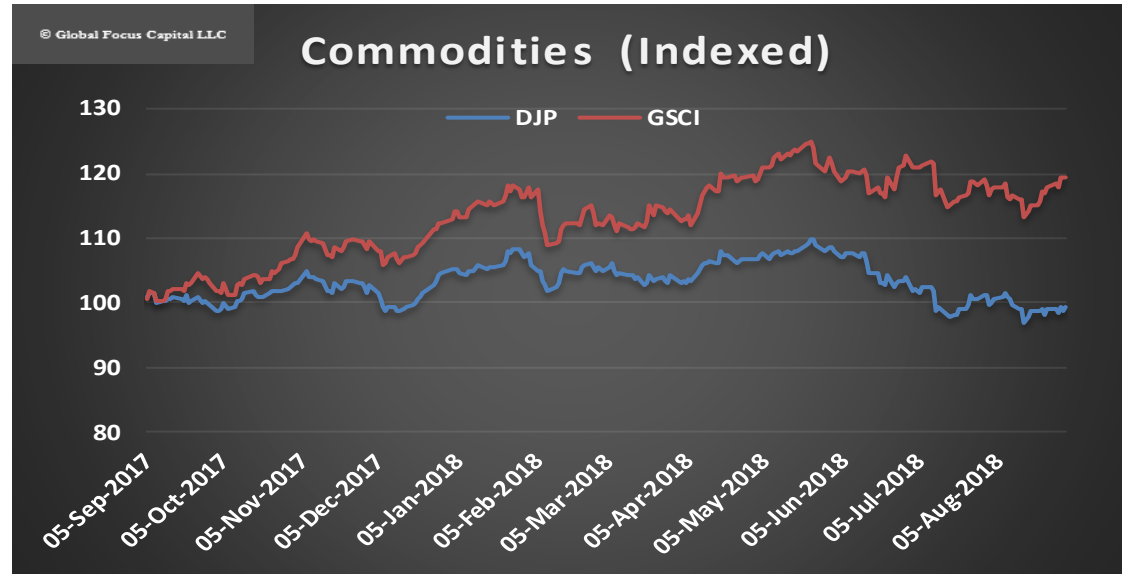
► Outlook:

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

► Valuation: Neutral

► Risk Profile: Increasing

- **Of Note:** Big difference in performance between GSCI and Bloomberg indices, precious metals are imploding with no end in sight in the face of higher interest rates



COMMODITIES (DJP)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	15.1%	14.0%	12.6%	11.5%	7.1%
CORR TO US STOCKS	0.41	0.36	0.41	0.45	0.19
CORR TO US BONDS	0.42	0.31	-0.26	0.06	0.35
CORR TO COMM	1.00	1.00	1.00	1.00	1.00
CORR TO USD	-0.14	0.08	0.11	0.15	0.18
UP BETA	0.74	0.55	0.47	0.12	-0.16
DOWN BETA	1.11	0.99	0.90	0.22	0.41
ST TECHNICALS	BREAK OUT	DOWN TREND	UP TREND	DOWN TREND	DOWN TREND
IT TECHNICALS	DOWN TREND	DOWN TREND	BREAK DOWN	UP TREND	BREAK DOWN
RSI	64.4	57.3	57.4	53.9	30.6
UP DAY % (LAST 20)	55%	55%	45%	55%	40%

Real Estate

► Outlook:

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

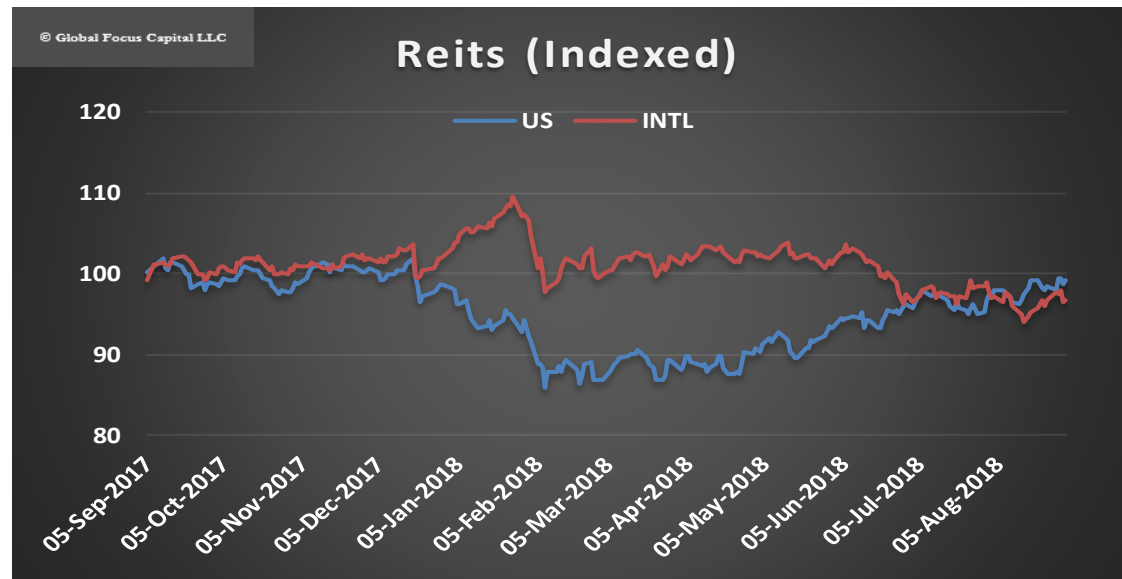
► Valuation: Stretched

► Growth: Slowing

► Income: Average

► Risk Profile: Increasing

- **Of Note:** Big recovery in the last few months, correlation to rates going down, good defensive capabilities



US REITS (VNQ)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	10.2%	12.3%	11.7%	13.9%	7.2%
CORR TO US STOCKS	0.20	0.32	0.43	0.39	0.20
CORR TO US BONDS	0.63	0.29	-0.02	0.43	0.54
CORR TO COMM	0.38	0.17	0.01	0.04	0.27
CORR TO USD	-0.42	-0.56	-0.36	-0.07	-0.08
UP BETA	0.18	0.59	0.74	0.23	0.38
DOWN BETA	-0.13	-0.13	0.04	0.58	0.51
ST TECHNICALS	UP TREND	UP TREND	BREAK OUT	UP TREND	BREAK OUT
IT TECHNICALS	UP TREND	UP TREND	UP TREND	BREAK OUT	UP TREND
RSI	64.4	57.3	50.2	76.8	57.3
UP DAY % (LAST 20)	50%	55%	45%	55%	50%

This Coming Week

- ▶ Still watching the USD – crushing investors in international assets but should be losing some momentum
- ▶ International equities keep losing ground to US stocks despite superior fundamentals
- ▶ 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
- ▶ 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?
- ▶ Macro Events: Manufacturing (JP, UK, Germany, US), Trade Balance (US, China), lots of Fed Governor Speeches

9/3/2018	Caixin Manufacturing PMI	China	2	0	50.8	50.6
9/3/2018	Markit Manufacturing PMI	Germany	2	0	56.1	0
9/3/2018	Markit Manufacturing PMI	United Kingdom	2	0	54	55
9/3/2018	BRC Like-For-Like Retail Sales (YoY)	United Kingdom	2	0	0.5	0.3
9/4/2018	PMI Construction	United Kingdom	2	0	55.8	52.8
9/4/2018	Inflation Report Hearings	United Kingdom	3	0	0	0
9/4/2018	ISM Manufacturing PMI	United States	2	0	58.1	57.7
9/4/2018	ISM Prices Paid	United States	2	0	73.2	70.2
9/5/2018	Caixin China Services PMI	China	2	0	52.8	53.5
9/5/2018	Markit PMI Composite	Germany	2	0	55.7	0
9/5/2018	Markit Services PMI	Germany	2	0	55.2	0
9/5/2018	Markit Services PMI	United Kingdom	2	0	53.5	54.7
9/5/2018	Trade Balance	United States	2	0	-46.3	-46.7
9/5/2018	FOMC Member Williams speech	United States	2	0	0	0
9/5/2018	FOMC Member Kashkari Speech	United States	2	0	0	0
9/5/2018	FOMC Member Williams speech	United States	2	0	0	0
9/5/2018	FOMC Member Bostic speech	United States	2	0	0	0
9/5/2018	Foreign investment in Japan stocks	Japan	2	0	-334.9	0
9/5/2018	Foreign bond investment	Japan	2	0	235.5	0
9/6/2018	ADP Employment Change	United States	2	0	219	187
9/6/2018	Initial Jobless Claims	United States	2	0	213	212
9/6/2018	Continuing Jobless Claims	United States	2	0	1,708	1,754
9/6/2018	Nonfarm Productivity	United States	2	0	2.9	2.9
9/6/2018	Unit Labor Costs	United States	2	0	-0.9	-0.8
9/6/2018	Markit PMI Composite	United States	2	0	55	55.8
9/6/2018	Markit Services PMI	United States	2	0	55.2	56
9/6/2018	FOMC Member Williams speech	United States	2	0	0	0
9/6/2018	ISM Non-Manufacturing PMI	United States	2	0	55.7	56
9/6/2018	Factory Orders (MoM)	United States	2	0	0.7	-0.5
9/6/2018	Overall Household Spending (YoY)	Japan	2	0	-1.2	-1.6
9/7/2018	Coincident Index	Japan	2	0	116.4	116.9
9/7/2018	Leading Economic Index	Japan	2	0	104.7	105
9/7/2018	Industrial Production n.s.a. w.d.a. (YoY)	Germany	2	0	2.5	0
9/7/2018	Trade Balance s.a.	Germany	2	0	19.3	20.3
9/7/2018	Average Hourly Earnings (YoY)	United States	3	0	2.7	2.8
9/7/2018	Nonfarm Payrolls	United States	3	0	157	187
9/7/2018	Average Hourly Earnings (MoM)	United States	2	0	0.3	0.3
9/7/2018	Labor Force Participation Rate	United States	2	0	62.9	0

Contact & Subscription Information

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