



GLOBAL FOCUS CAPITAL LLC

INSIGHT THAT MATTERS

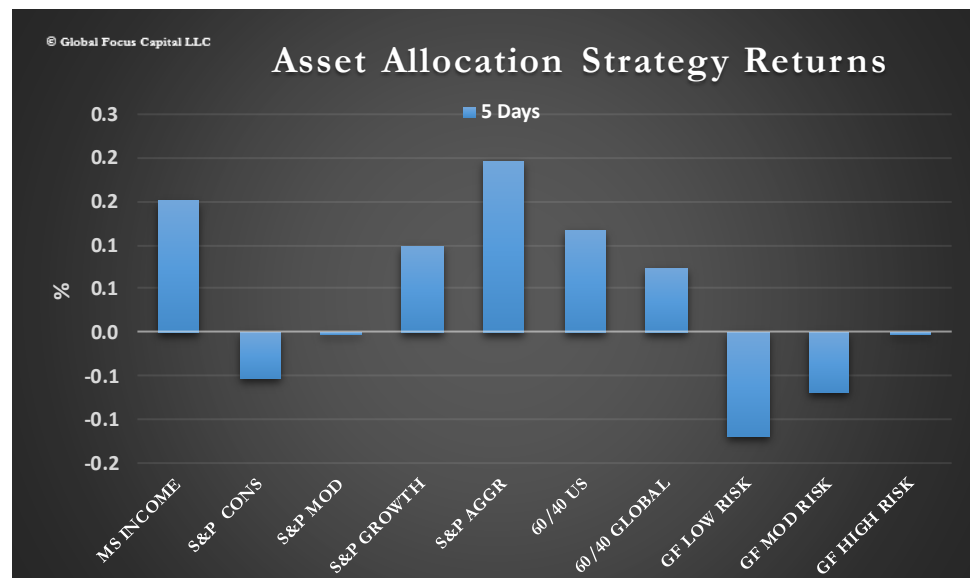
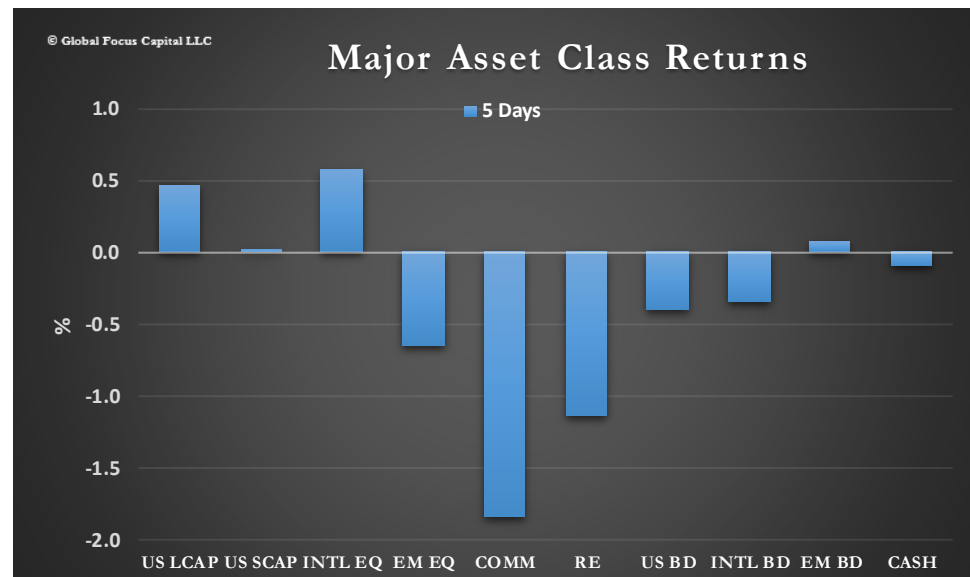
The Asset Allocation Advisor

Weekly Review – March 3, 2019

Eric J. Weigel

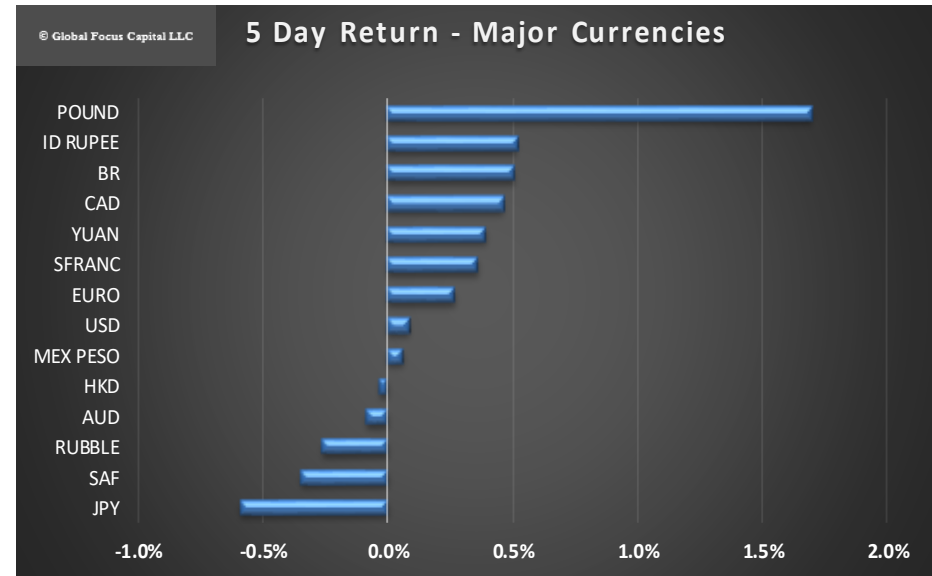
The Week in Review

- ▶ The comeback for holders of risky assets was interrupted this week as growth concerns returned
- ▶ EM, Commodities and Reits had poor weeks as commodity prices suffered again and interest rates increased in the US
- ▶ On a YTD basis US small caps lead the pack by a wide margin – up 18.1%
- ▶ In the context of balanced 60/40 strategies US strategies out-performed strategies more globally focused
- ▶ Aggressive focused multi-asset class strategies out-performed less risky options
- ▶ Within equities, Growth has slightly out-performed Value in 2019 and over the last year Growth also remains solidly ahead
- ▶ Thus far in 2019 more aggressive multi-asset strategies have outperformed



Currencies

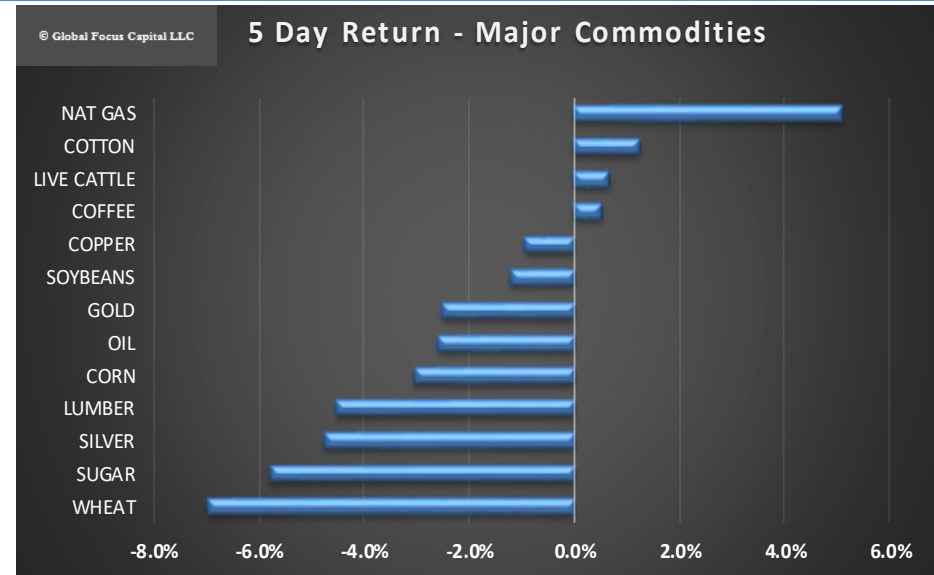
- ▶ Flat week for the USD
- ▶ For 2019 we still expect the USD to depreciate slightly
- ▶ A depreciating USD will boost international asset returns – we expect this effect to persist in 2019
- ▶ A big question mark for this coming week is what happens to Brexit (yet again) – sterling is being massively tossed around depending on political prospects
- ▶ The Yen is now in a Break Down phase as investors have regained their desire for risk
- ▶ In general, FX volatility has increased substantially in the last couple of months



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

Commodities

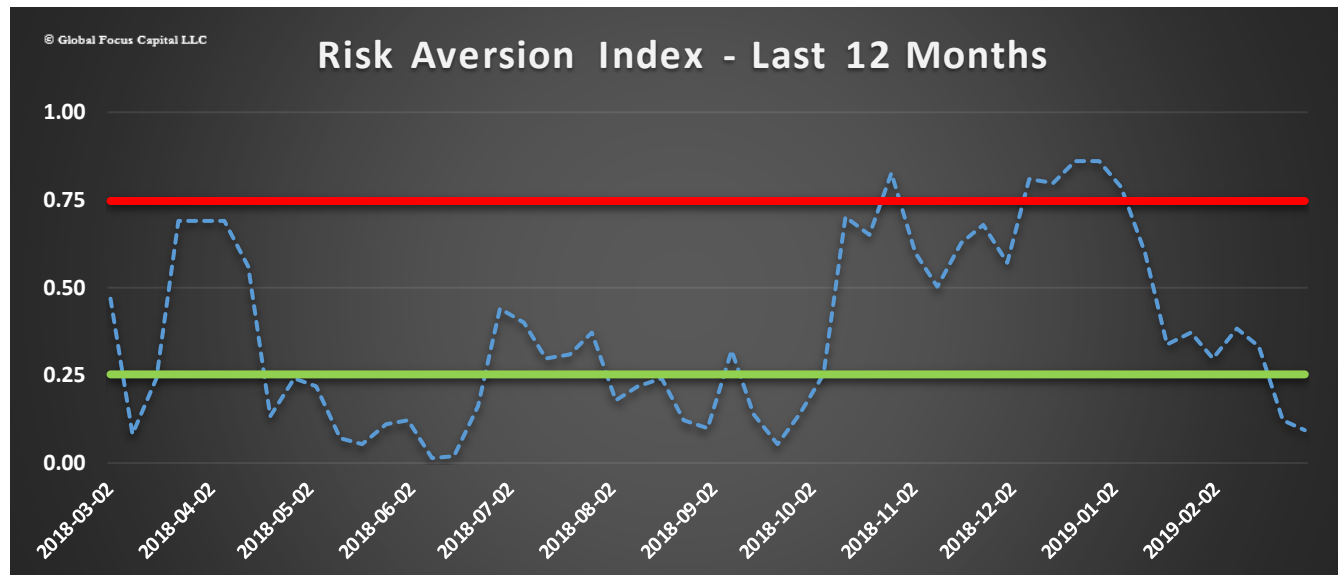
- ▶ Commodity indices have moved into an Improving phase as oil markets have found some stability
- ▶ Gas was up big last as it became less oversold
- ▶ Copper moved down slightly after a big spike up the previous week – still very growth oriented
- ▶ Gold and Silver were slightly down last week and are showing divergent patterns
- ▶ While inflationary expectations remain low, commodity prices are an excellent hedge should things change



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

Investor Risk Aversion Environment

- ▶ Fear from the markets seems to have abated – our index now stands in our Exuberant Zone – pretty amazing given where we stood a couple of months back
- ▶ Investors have become concerned about geopolitical issues affecting global growth as well the continued stand-off in DC but over the course of 2019 these fears have been ignored
- ▶ We expect our RAI to remain volatile with a flipping back and forth indicative of a risk on/off market



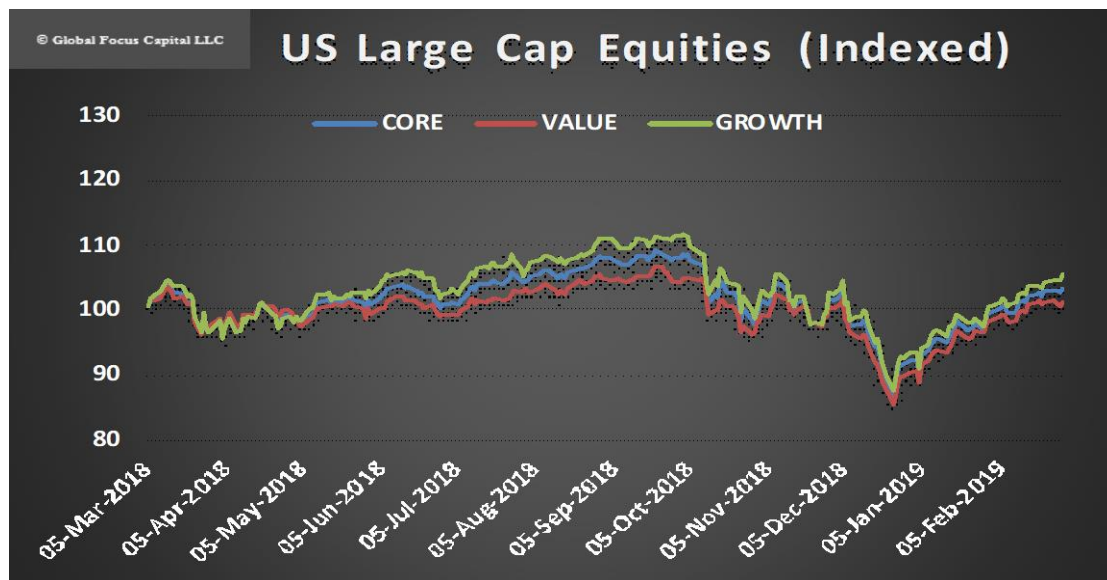
Current Major Asset Class Correlations

- ▶ Correlations tend to drop as capital market fears dissipate
- ▶ Given our RAI index (in the lower end of the Normal Zone) we currently see asset class volatilities and correlations dropping
- ▶ The best hedge to equity risk remains holding bonds

GF CAP Regime Corr	US LCAP	US SCAP	INTL EQ	EM EQ	COMM	RE	US BD	INTL BD	EM BD	CASH
US LCAP	1	0.83	0.73	0.64	0.19	0.61	-0.11	-0.13	0.36	-0.12
US SCAP	0.83	1	0.67	0.64	0.21	0.64	-0.13	-0.12	0.34	-0.13
INTL	0.73	0.67	1	0.80	0.38	0.50	0.03	0.18	0.44	-0.14
EM EQ	0.64	0.64	0.80	1	0.39	0.47	0.04	0.07	0.54	-0.13
COMM	0.19	0.21	0.38	0.39	1	0.15	0.05	0.26	0.27	-0.02
RE	0.61	0.64	0.50	0.47	0.15	1	-0.01	-0.02	0.32	-0.12
US BD	-0.11	-0.13	0.03	0.04	0.05	-0.01	1	0.47	0.43	-0.03
INTL BD	-0.13	-0.12	0.18	0.07	0.26	-0.02	0.47	1	0.20	-0.01
EM BD	0.36	0.34	0.44	0.54	0.27	0.32	0.43	0.20	1	-0.04
CASH	-0.12	-0.13	-0.14	-0.13	-0.02	-0.12	-0.03	-0.01	-0.04	1

US Large Cap Equities

- ▶ **Outlook:**
 - ▶ Short-Term: Negative
 - ▶ Long-Term: Neutral
- ▶ **Valuation:** Stretched
- ▶ **Growth:** Average, at risk
- ▶ **Income:** Minimal
- ▶ **Risk Profile:** Increasing
- ▶ **Of Note:** Value is catching up to Growth, sector rotation is starting to take hold, time to hunt for stock specific bargains



US LARGE CAP (SPY)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	8.2%	11.7%	18.2%	18.8%	9.2%
CORR TO US STOCKS	1.00	1.00	1.00	1.00	1.00
CORR TO US BONDS	0.29	0.11	-0.60	0.06	-0.42
CORR TO COMM	0.58	0.67	0.41	-0.07	0.45
CORR TO USD	0.22	0.14	0.15	0.03	0.13
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	BREAK OUT	UP TREND
IT TECHNICALS	BREAK OUT	BREAK OUT	IMPROVING	BREAK DOWN	UP TREND
RSI	64.2	64.5	71.6	50.2	64.6
UP DAY % (LAST 20)	65%	70%	75%	50%	55%

US Small Cap Equities

► Outlook:

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

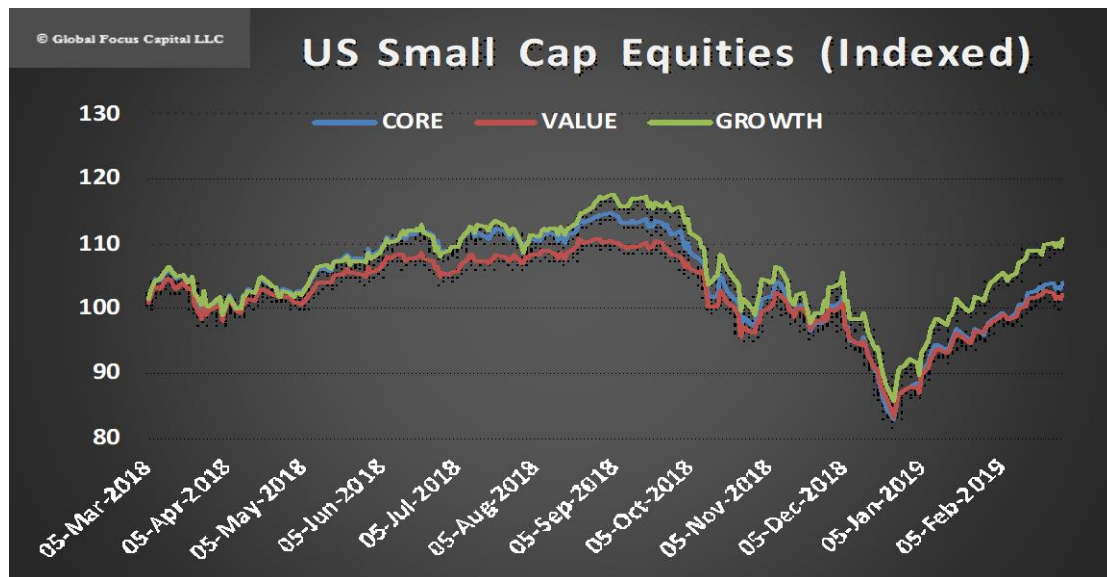
► Valuation: Neutral

► Growth: Average but at risk

► Income: Minimal

► Risk Profile: Increasing

► Of Note: Expect a continued recovery versus large cap stocks



US SMALL CAP (IWM)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	10.1%	12.0%	19.0%	21.7%	9.2%
CORR TO US STOCKS	0.86	0.89	0.94	0.89	0.74
CORR TO US BONDS	0.15	0.01	-0.57	-0.14	-0.35
CORR TO COMM	0.51	0.58	0.49	-0.05	0.26
CORR TO USD	0.05	0.01	0.08	-0.04	0.04
UP BETA	0.96	0.95	0.96	1.09	0.86
DOWN BETA	0.97	1.00	0.99	0.95	0.99
ST TECHNICALS	UP TREND	UP TREND	UP TREND	BREAK OUT	UP TREND
IT TECHNICALS	BREAK OUT	IMPROVING	IMPROVING	DOWN TREND	UP TREND
RSI	78.5	71.8	64.5	43.1	71.7
UP DAY % (LAST 20)	75%	70%	70%	45%	75%

International Developed Markets

▶ Outlook:

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

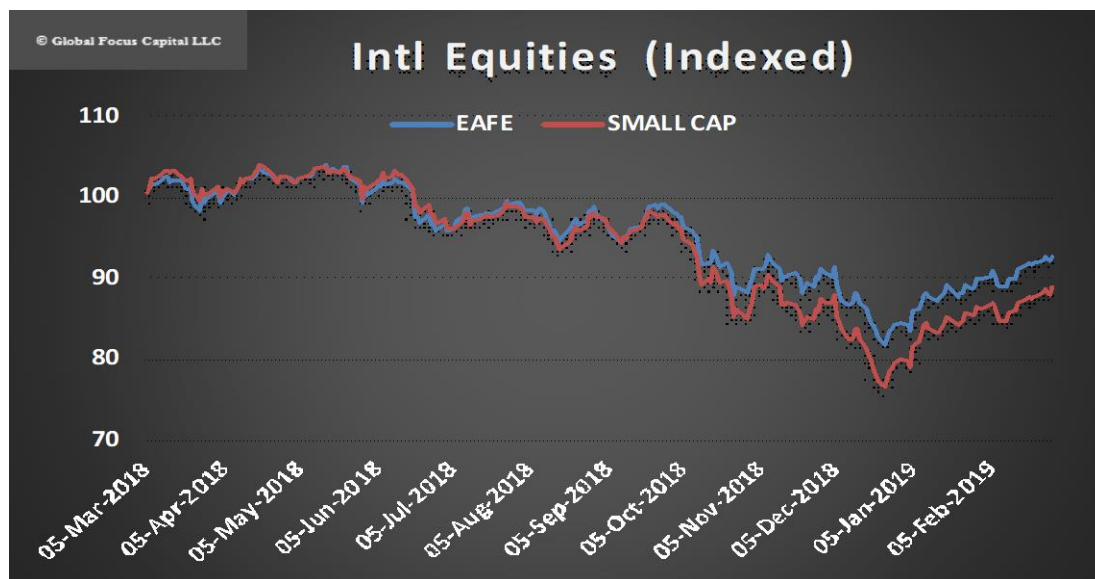
▶ Valuation: Neutral

▶ Growth: Below Average

▶ Income: Superior

▶ Risk Profile: Increasing

- ▶ **Of Note:** Int'l assets losing ground to US equities despite superior fundamentals, slowing growth in Europe is a concern, USD strength not expected to last



INTL DEV EQ (EFA)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	11.6%	15.8%	19.0%	17.7%	5.7%
CORR TO US STOCKS	0.86	0.89	0.88	0.92	0.75
CORR TO US BONDS	0.08	-0.45	-0.50	-0.42	0.63
CORR TO COMM	0.67	0.67	0.49	0.39	0.48
CORR TO USD	0.16	0.04	0.21	-0.19	0.24
UP BETA	0.63	0.63	0.62	0.77	0.72
DOWN BETA	0.52	0.56	0.55	0.71	0.66
ST TECHNICALS	UP TREND	UP TREND	UP TREND	IMPROVING	IMPROVING
IT TECHNICALS	IMPROVING	IMPROVING	IMPROVING	DOWN TREND	DETERIORATING
RSI	71.5	57.3	71.6	50.2	42.9
UP DAY % (LAST 20)	60%	65%	75%	50%	45%

International Emerging Markets

► Outlook:

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

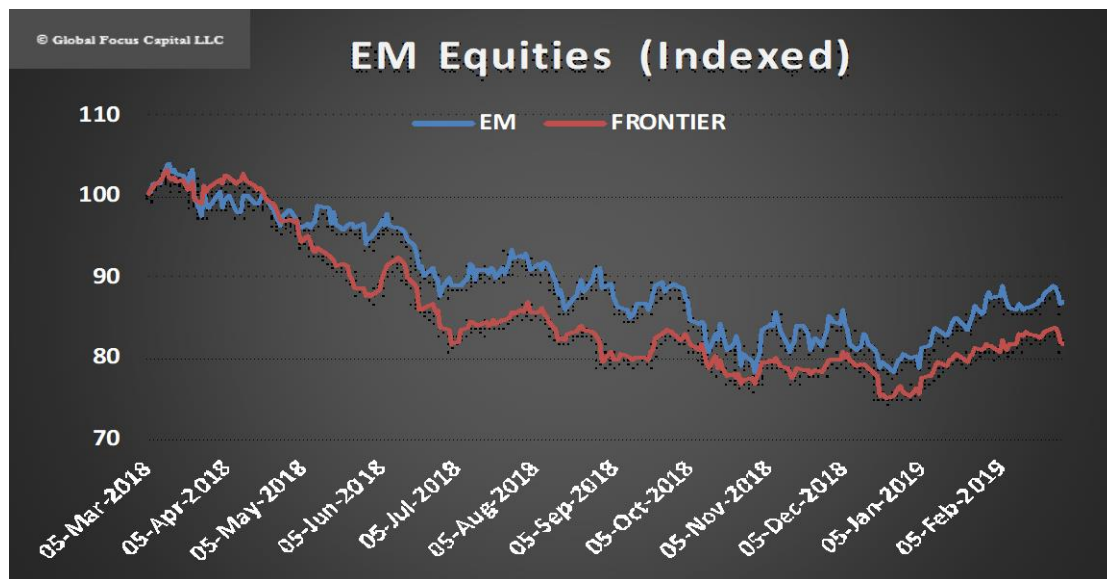
► Valuation: Inexpensive

► Growth: Average

► Income: Neutral

► Risk Profile: Increasing

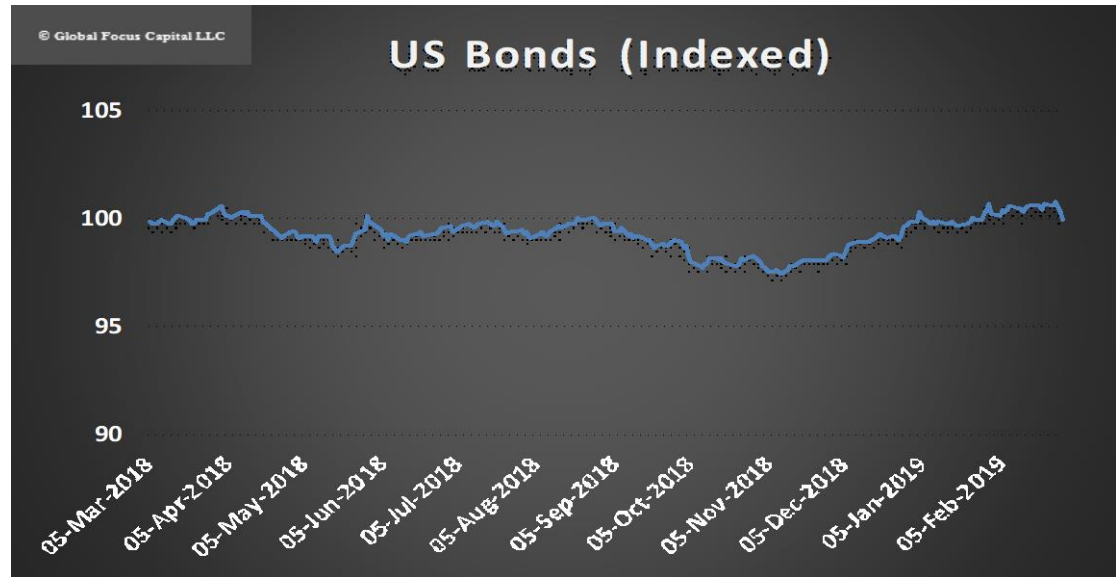
► Of Note: trade war fears, currency depreciation, in recovery mode, showing improvement



EM EQ (EEM)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	16.7%	18.6%	20.5%	31.3%	15.9%
CORR TO US STOCKS	0.77	0.77	0.74	0.80	0.64
CORR TO US BONDS	0.43	-0.46	-0.61	-0.32	0.55
CORR TO COMM	0.51	0.55	0.34	0.47	0.41
CORR TO USD	0.13	0.14	0.23	-0.13	0.25
UP BETA	0.57	0.60	0.56	1.22	1.10
DOWN BETA	0.38	0.54	0.46	0.80	0.89
ST TECHNICALS	BREAK DOWN	BREAK DOWN	UP TREND	UP TREND	DOWN TREND
IT TECHNICALS	BREAK OUT	IMPROVING	BREAK OUT	IMPROVING	DOWN TREND
RSI	50.1	50.2	71.8	57.3	38.6
UP DAY % (LAST 20)	45%	60%	75%	55%	40%

US Bonds

- ▶ **Outlook:**
 - ▶ Short-Term: Positive
 - ▶ Long-Term: Negative
- ▶ **Valuation:** Stretched
- ▶ **Income:** Minimal
- ▶ **Risk Profile:** Increasing
- ▶ **Of Note:** Tight spread in 10-2 year notes, blowing out credit spreads, lower inflationary expectations, see rates being range bound in 2019



US BONDS (AGG)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	2.1%	1.6%	2.1%	2.7%	2.6%
CORR TO US STOCKS	-0.40	-0.25	-0.06	-0.06	-0.17
CORR TO US BONDS	1.00	1.00	1.00	1.00	1.00
CORR TO COMM	0.23	0.18	0.11	0.03	0.08
CORR TO USD	0.10	0.16	-0.18	0.31	-0.32
UP BETA	-0.04	-0.04	-0.06	0.07	0.02
DOWN BETA	-0.04	-0.01	-0.03	-0.32	-0.05
ST TECHNICALS	BREAK DOWN	UP TREND	UP TREND	UP TREND	BREAK DOWN
IT TECHNICALS	UP TREND	UP TREND	BREAK OUT	IMPROVING	DOWN TREND
RSI	50.1	57.2	64.3	64.3	50.0
UP DAY % (LAST 20)	50%	55%	55%	65%	45%

International Developed Bonds

► Outlook:

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

► Valuation: Stretched

► Income: Minimal

► Risk Profile: Increasing

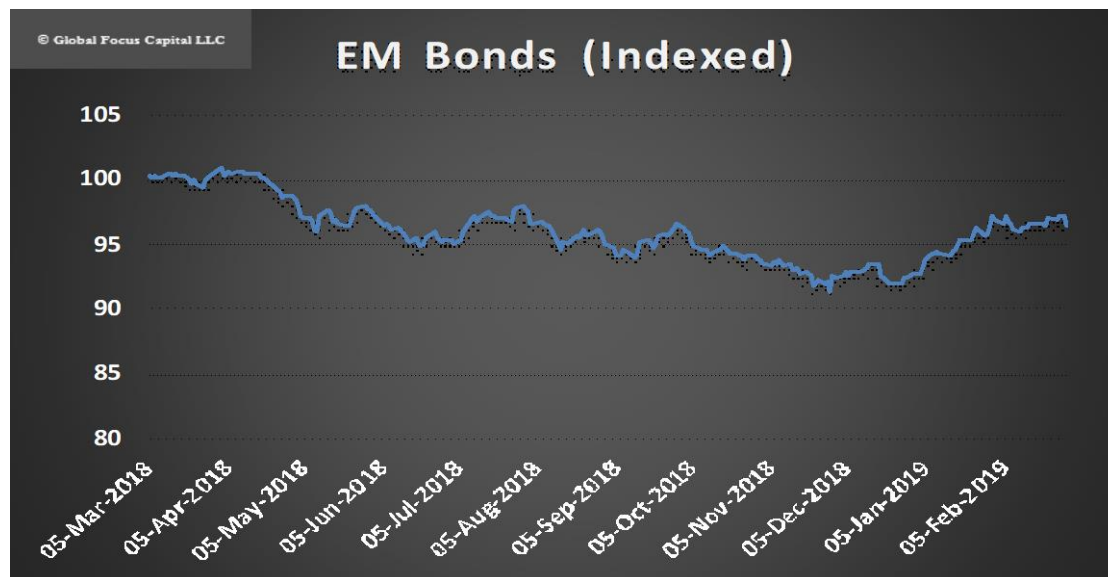
- **Of Note:** Really just a currency play at the moment given super low yields, not expecting USD to lose significant ground anytime soon



INTL BONDS (IGOV)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	6.6%	5.0%	5.9%	5.8%	6.3%
CORR TO US STOCKS	-0.24	0.19	0.37	0.06	-0.09
CORR TO US BONDS	0.37	0.39	0.40	0.55	0.20
CORR TO COMM	0.30	0.53	0.50	-0.02	0.12
CORR TO USD	-0.10	0.23	-0.06	0.27	0.27
UP BETA	-0.02	-0.01	-0.05	0.18	0.22
DOWN BETA	-0.08	-0.02	-0.06	-0.08	-0.02
ST TECHNICALS	BREAK DOWN	DOWN TREND	BREAK OUT	UP TREND	BREAK DOWN
IT TECHNICALS	UP TREND	IMPROVING	BREAK OUT	DOWN TREND	BREAK DOWN
RSI	57.2	41.7	63.7	64.3	57.2
UP DAY % (LAST 20)	45%	45%	50%	55%	50%

International Emerging Bonds

- ▶ **Outlook:**
 - ▶ Short-Term: Neutral
 - ▶ Long-Term: Neutral
- ▶ **Valuation:** Neutral
- ▶ **Income:** Above Average
- ▶ **Risk Profile:** Stable
- ▶ **Of Note:** Highly affected by USD and direction of 10 yr US note, attractive yields, indices are long duration



EM BONDS (EMB)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	7.2%	5.2%	4.1%	5.9%	4.8%
CORR TO US STOCKS	0.59	0.48	0.54	0.46	0.00
CORR TO US BONDS	0.26	0.04	0.20	0.07	0.00
CORR TO COMM	0.58	0.54	0.55	0.53	0.00
CORR TO USD	-0.01	-0.05	0.00	0.01	0.00
UP BETA	0.17	0.15	0.11	0.26	0.18
DOWN BETA	-0.01	0.00	-0.01	0.12	0.21
ST TECHNICALS	BREAK DOWN	UP TREND	UP TREND	IMPROVING	DOWN TREND
IT TECHNICALS	BREAK OUT	BREAK OUT	BREAK OUT	DOWN TREND	DOWN TREND
RSI	57.2	50.0	78.6	42.9	35.8
UP DAY % (LAST 20)	45%	60%	75%	45%	40%

Commodities

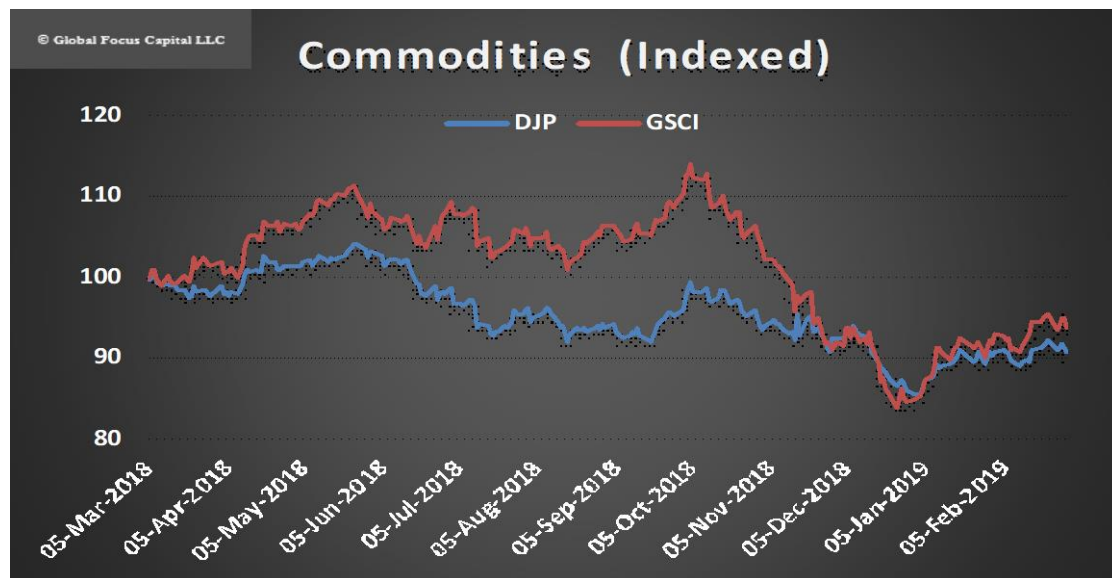
► Outlook:

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

► Valuation: Neutral

► Risk Profile: Increasing

- **Of Note:** Indices are dominated by oil, expect further volatility, slower global growth will drive demand and prices down, need an inflation spike to revive



COMMODITIES (DJP)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	11.4%	14.8%	17.0%	12.8%	10.4%
CORR TO US STOCKS	0.52	0.18	0.26	0.54	0.29
CORR TO US BONDS	-0.30	-0.19	0.22	-0.09	0.04
CORR TO COMM	1.00	1.00	1.00	1.00	1.00
CORR TO USD	0.23	0.02	0.25	-0.03	-0.17
UP BETA	0.37	0.25	0.22	-0.22	0.13
DOWN BETA	0.09	0.06	0.03	0.45	0.18
ST TECHNICALS	BREAK DOWN	DOWN TREND	UP TREND	DOWN TREND	DOWN TREND
IT TECHNICALS	IMPROVING	DOWN TREND	DOWN TREND	DOWN TREND	UP TREND
RSI	64.5	43.0	71.5	50.5	46.1
UP DAY % (LAST 20)	55%	50%	75%	45%	55%

Real Estate

► Outlook:

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

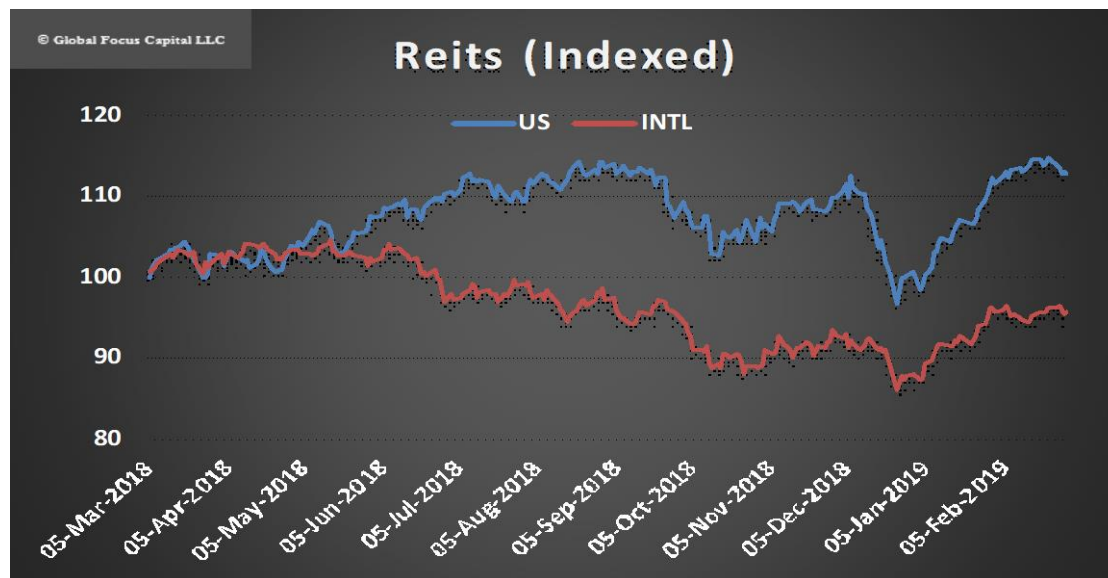
► Valuation: Stretched

► Growth: Slowing

► Income: Average

► Risk Profile: Increasing

- **Of Note:** A great month with yields still attractive, correlations to stocks have gone up recently



US REITS (VNQ)	LATEST	10 DAYS AGO	20 DAYS AGO	60 DAYS AGO	180 DAYS AGO
20 DAY VOL	23.8%	27.5%	20.1%	20.8%	13.2%
CORR TO US STOCKS	0.74	0.65	0.55	0.54	0.41
CORR TO US BONDS	-0.26	-0.10	-0.01	0.02	0.60
CORR TO COMM	0.51	0.26	0.15	0.20	0.13
CORR TO USD	0.06	0.15	0.27	-0.09	-0.28
UP BETA	0.61	0.54	0.55	0.53	0.23
DOWN BETA	0.79	0.79	0.82	0.53	0.60
ST TECHNICALS	BREAK DOWN	UP TREND	UP TREND	UP TREND	UP TREND
IT TECHNICALS	BREAK OUT	BREAK OUT	BREAK OUT	UP TREND	BREAK OUT
RSI	50.1	76.9	86.0	64.5	69.3
UP DAY % (LAST 20)	50%	75%	85%	65%	60%

This Coming Week

- ▶ While risky assets have recovered we still think that risk is being shunned at the moment – investors seem uncomfortable making bold bets
- ▶ While not comfortable, US investors should allocate more money to non-US stocks due to their lower valuations and a depreciating USD
- ▶ The strong USD will not persist much longer as the FED appears close to the end in terms of interest rate hikes
- ▶ The Value/Growth discussion is being overshadowed by sector rotation but on a risk-adjusted basis we believe that higher allocations to Value are warranted
- ▶ We are also watching out for any jump in inflationary expectations (which have been trending down)
 - ▶ Tariffs are inflationary and will be reflected in higher consumer prices eventually
- ▶ Our biggest concerns revolve around a slowing global economy - The IMF recently lowered 2019 growth numbers to 3.5%
- ▶ We still see a risk on/off market this year making it difficult for short-term investors – probably best to extend horizons

Date/Time	Name	Country	Volatility	Actual	Previous	Consensus
3/4/2019	Markit Construction PMI	United Kingdom	2	0	50.6	50.2
3/5/2019	BRC Like-For-Like Retail Sales (YoY)	United Kingdom	2	0	1.8	0
3/5/2019	Caixin Services PMI	China	2	0	53.6	53.8
3/5/2019	Markit Services PMI	United Kingdom	2	0	50.1	50.2
3/5/2019	Markit Services PMI	United States	2	0	56.2	56.2
3/5/2019	Markit PMI Composite	United States	2	0	55.8	55.8
3/5/2019	ISM Non-Manufacturing PMI	United States	3	0	56.7	57.3
3/5/2019	New Home Sales (MoM)	United States	2	0	0.657	0.593
3/5/2019	BoE's Governor Carney speech	United Kingdom	3	0	0	0
3/5/2019	Monthly Budget Statement	United States	2	0	-14	-11
3/6/2019	BoJ's Harada Speech	Japan	2	0	0	0
3/6/2019	BoE's Cunliffe speech	United Kingdom	2	0	0	0
3/6/2019	ADP Employment Change	United States	2	0	213	190
3/6/2019	Trade Balance	United States	2	0	-49.3	-57
3/6/2019	Factory Orders (MoM)	United States	2	0	0.1	0
3/6/2019	New Home Sales (MoM)	United States	2	0	0	0
3/6/2019	Fed's Williams speech	United States	2	0	0	0
3/6/2019	BoE's Saunders speech	United Kingdom	2	0	0	0
3/6/2019	Fed's Beige Book	United States	2	0	0	0
3/6/2019	Foreign investment in Japan stocks	Japan	2	0	-15.2	0
3/7/2019	Leading Economic Index	Japan	2	0	97.5	0
3/7/2019	BoE's Tenreyro speech	United Kingdom	2	0	0	0
3/7/2019	Initial Jobless Claims	United States	2	0	225	225
3/7/2019	Continuing Jobless Claims	United States	2	0	1.805	0
3/7/2019	Nonfarm Productivity	United States	2	0	2.3	1.7
3/7/2019	Unit Labor Costs	United States	2	0	0.9	1.7
3/7/2019	Fed's Brainard speech	United States	2	0	0	0
3/7/2019	Overall Household Spending (YoY)	Japan	2	0	0.1	0.8
3/8/2019	Exports (YoY) CNY	China	2	0	13.9	0
3/8/2019	Trade Balance USD	China	2	0	39.16	25.55
3/8/2019	Imports (YoY) CNY	China	2	0	2.9	0
3/8/2019	Imports (YoY)	China	2	0	-1.5	-1.4
3/8/2019	Exports (YoY)	China	2	0	9.1	-4.5
3/8/2019	Factory Orders s.a. (MoM)	Germany	2	0	-1.6	0.4

Contact & Subscription Information

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