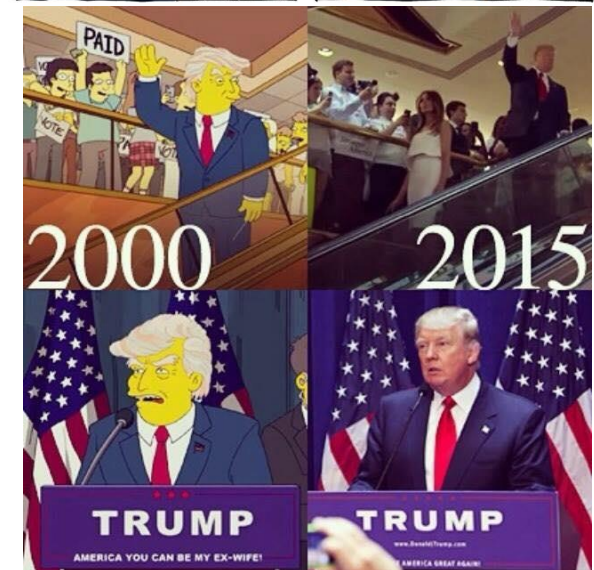


Some random remarks

- 2016 is to professional polling agencies what 2008 was to professional credit rating agencies.
- The fact that *The Simpsons*, a satirical depiction of American life, aired a show with Trump as a ruinous president in 2000 we find telling. But now we don't know whether American life is becoming more satirical or *The Simpsons* more real.
- The fact that the US stock market in USD is outperforming most other markets is still a fact.
- Brexit and the Trump victory means that the wind behind Le Pen and the AfD (Alternative für Deutschland) is probably much stronger than initially and generally perceived. The multi-decade trend of slow socialisation of many industrialised/Western societies could be in process of ending. We continue to believe that the EU is, if not socialist, then certainly paternalist, and is, if not anti-democratic, then certainly un-democratic, and continues to weaken structurally. Given the empirical evidence that all fiat money systems eventually go to zero, we currently do not know what will come first, the abandonment of the Euro—a proxy for the EU's constructional flaws and political ineptitude—or a new global currency system.
- One interpretation of history could be to call those who now argue that the election of a narcissistic egomaniac will turn out to be just alright appeasers.
- As *The Economist* put it: "History is back—with a vengeance."

"At the end fiat money returns to its inner value – zero."

—Voltaire



Main messages and important changes

Table lists the most recent main messages from our research reports as well as the most important changes.

IR&M publications	Frequency per year	Page count
Risk management update	20-25	60-100
Flash update	25-50	1-20
Earnings momentum monitor	25-40	3
Price momentum monitor	45-50	5-7
Special report	3-4	20-80

Date	Publication				Main messages and/or important changes	Good news* ?
	Update		Momentum mon.			
	Main	Flash	EPS	Price		
14-Nov		✓			Political risks have risen.	N
14-Nov		✓			Economic momentum in the four BRICs remains positive.	Y
14-Nov		✓			Business and consumer confidence continues to rise, generally.	Y
14-Nov			✓		EPS momentum in Spain and Switzerland turned positive.	Y
14-Nov				✓	US election week was a non-event: what's rising continues to rise.	Y
07-Nov		✓			A global economic risk gauge implies all is well.	Y
07-Nov		✓			According to our interpretation, US non-farm payrolls do not imply recession.	Y
07-Nov			✓		EPS momentum in US Industrials turned negative.	N
07-Nov				✓	US: Long-term price momentum has started to turn negative in the US.	N
03-Nov	✓				Overall changes were positively biased; mainly the fundamentals but not the technicals.	
03-Nov	✓				Economic momentum in UK, Italy, China and Japan turned positive.	Y
31-Oct		✓			Economic, business, and consumer confidence continues to rise, generally.	Y
31-Oct		✓			Europe/Eurozone: Many economic data points continue to surprise positively.	Y
31-Oct		✓			European banks: turned positive 12-17 weeks after point of maximum bearishness.	Y
31-Oct			✓		EPS momentum in Italy turned positive.	Y
31-Oct				✓	USD: long-term price momentum continues to turn positive.	
24-Oct		✓			Business sentiment: Continuously negative data points in US, positive ones in Europe.	
24-Oct		✓			PMI: Very strong in Europe and Japan in October after strong in September.	Y
24-Oct			✓		EPS momentum in Ireland, Norway and UK Financials turned positive.	Y
24-Oct				✓	EUR: long-term price momentum turned negative against USD.	
17-Oct			✓		EPS momentum in Europe, Sweden, Hong Kong and Taiwan turned positive.	Y
17-Oct				✓	Gold turned negative against five currencies over past four weeks.	
14-Oct	✓				Overall changes were strongly positively biased. Again.	Y

Source: IR&M.

Global econ. growth: falling

The average growth rate was above 2% at around 2.1-2.7% from Q2 13 to Q4 14. The range in 2015 was 1.6-1.9%, i.e., lower. The average rose in Q1 16 and was rising in Q2 16 too.

*The most important thing
Average growth rate is
low and falling.*

12 2001 to 12 2015

Q1 16 Q2 16 Q3 16 Δ SD

12 2001 to 12 2015	Q1 16	Q2 16	Q3 16	Δ	SD	
	1.74	1.81	1.78	↓		Average
	1.6	1.3	1.5	↑		United States
	2.5	-1.6	n.a.	↓	●	Canada
	-5.4	-3.8	n.a.	↑		Brazil
	2.5	2.5	2.0	↓		Mexico
	1.7	1.6	1.6			Eurozone
	1.9	1.8	n.a.	↓		Germany
	1.4	1.3	1.1	↓		France
	0.9	0.7	n.a.	↓		Italy
	3.4	3.2	3.2	↑		Spain
	1.5	2.3	n.a.	↑		Netherlands
	1.9	2.1	2.3	↑		United Kingdom
	1.1	2.0	n.a.	↑		Switzerland
	6.7	6.7	6.7	↑		China
	0.2	0.6	0.9	↑		Japan
	7.9	7.1	n.a.	↓		India
	-1.2	-0.6	n.a.	↑		Russia
	3.0	3.3	n.a.	↑		Australia
	2.8	3.3	2.7	↓		South Korea
	4.9	5.2	5.0	↓		Indonesia
	-0.3	0.7	2.1	↑		Taiwan
	2.0	2.0	0.6	↓		Singapore
	0.8	1.7	1.9	↑		Hong Kong

*Higher and better than expectations.
However, Q2 was revised down to 0.6%
from 0.8%.*

*Higher and better than the +1.5% that
were expected.*

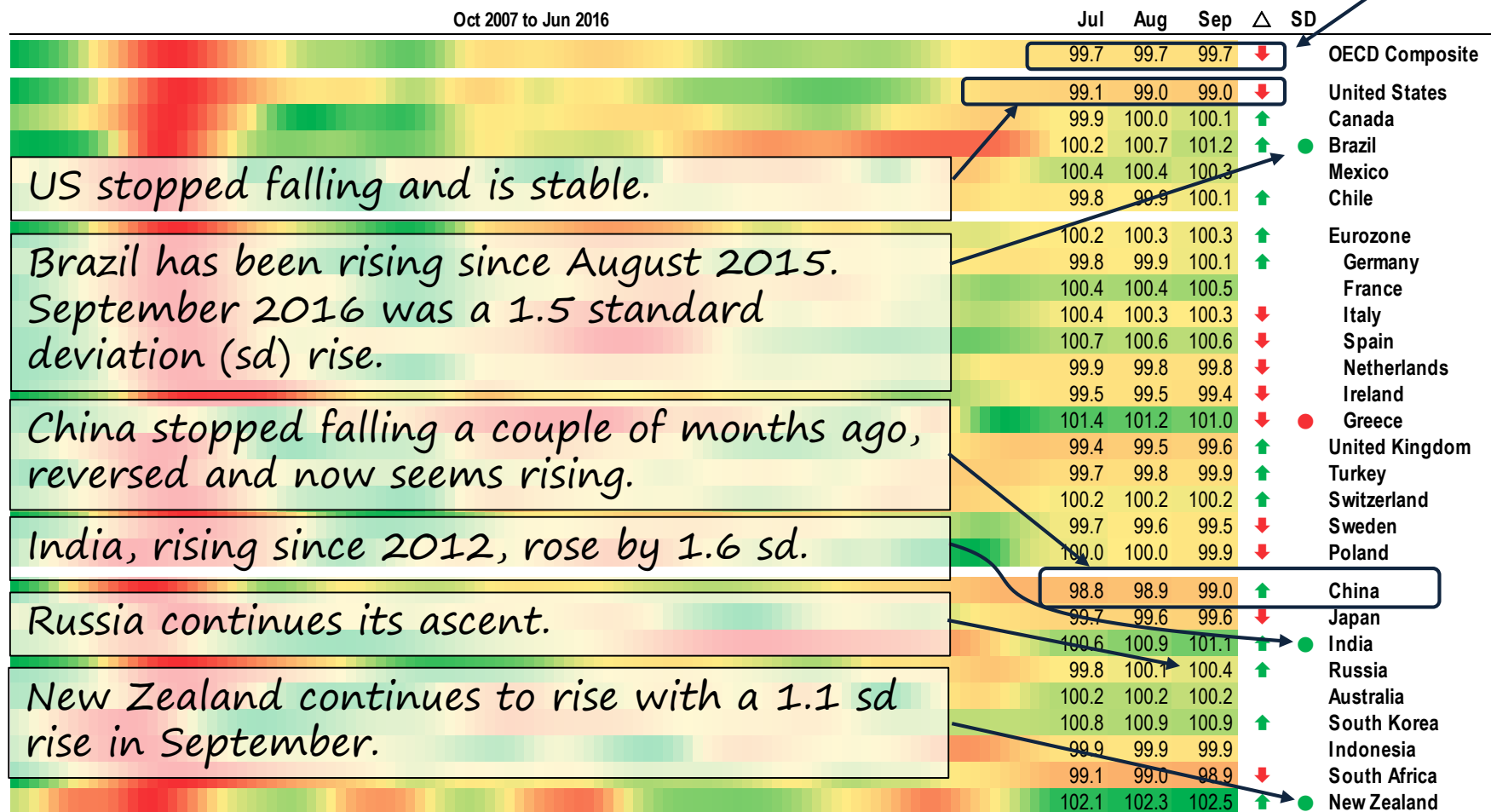
Source: IR&M, Bloomberg. Notes: Based on real GDP, y/y, SAAR (seasonally adjusted annual rate). The average is equally weighted. Δ=Direction of latest change. SD=Latest change that exceeds one standard deviation is marked with a green or red dot. If country name is green/red, latest figure is better/worse than expected.

OECD leading indicators: stable

These OECD "leading" indicators are lagging. The main benefit of these indicators is the trending properties, i.e., a trend in a certain direction can last for years.

The trend is negative based on the composite index but the falls are minor, i.e., only visible when looking at second decimals. The four BRICs are improving.

Oct 2007 to Jun 2016



US stopped falling and is stable.

Brazil has been rising since August 2015. September 2016 was a 1.5 standard deviation (sd) rise.

China stopped falling a couple of months ago, reversed and now seems rising.

India, rising since 2012, rose by 1.6 sd.

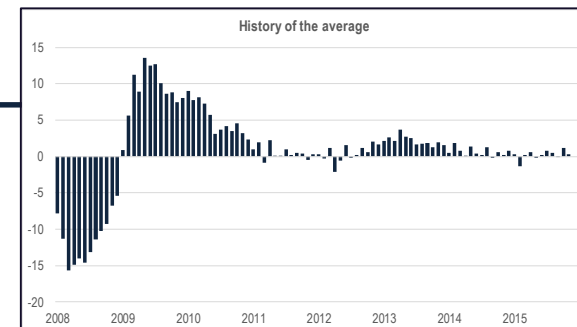
Russia continues its ascent.

New Zealand continues to rise with a 1.1 sd rise in September.

Source: IR&M, Bloomberg, OECD. Notes: △=Direction of trend, i.e., at least three consecutive changes in the same direction. SD=Latest change that exceeds one standard deviation is marked with a green or red dot.

Industr. production: **positive**

Industrial production (IP) is perceived as a coincident economic indicator but is of higher frequency than GDP data.



Nov 2008 to Jul 2016

	Aug	Sep	Oct	△	SD
	1.2	0.3	n.a.		Average
	-1.3	-1.0	n.a.	↑	US
	-1.3	-0.5	n.a.	↑	Canada
	-5.0	-4.8	n.a.	↑	Brazil
	0.2	-1.3	n.a.	↓	Mexico
	1.8	0.0	n.a.	↓	● Eurozone
	2.4	1.2	n.a.	↓	● Germany
	0.4	-1.1	n.a.	↓	● France
	4.4	1.8	n.a.	↓	● Italy
	4.2	0.6	n.a.	↓	● Spain
	1.8	2.4	n.a.	↑	● Netherlands
	0.7	0.3	n.a.	↓	● UK
	2.2	-3.1	n.a.	↓	● Turkey
	-5.0	1.5	n.a.	↑	● Sweden
	-7.5	-5.6	n.a.	↑	● Norway
	6.3	6.1	6.1		● China
	4.5	1.5	n.a.	↓	● Japan
	-0.7	0.7	n.a.	↑	● India
	0.7	-0.8	n.a.	↓	● Russia
	2.2	-2.0	n.a.	↓	● South Korea
	6.1	0.5	n.a.	↓	● Indonesia
	7.8	5.0	n.a.	↓	● Taiwan
	0.5	6.7	n.a.	↑	● Singapore

Lower and below expectations on m/m basis (y/y is shown).

Lower but better than expected on m/m basis.

Higher.

Unchanged, slightly below expectations.

Higher and better than expected.

Source: IR&M, Bloomberg. Notes: Based on y/y industrial production. Industrial production is generally perceived as a lagging indicator. The average is equal weighted. In the case of a figure not available, the previous one is used to calculate the latest average. △=Direction of latest change. SD=Latest change that exceeds one standard deviation is marked with a green or red dot.

Business sentiment: rising

*The most important thing
Sentiment is rising.*

Table shows a selection of indicators for business sentiment. The average is measured as average percentile of the indicators. A 4-point move of the average represents one standard deviation.

The average rose by 0.7 standard deviation (sd) in July and fell by 1.2 sd in August. The September rise was 1.2 sd and the October rise is a 0.2 sd rise so far. The most recent peak of the average was at 73.1 in April 2014.

Dec 2007 to Aug 2016

	Sep	Oct	Nov	△	SD	
	67.3	68.0	n.a.	↑		Average
	-2.0	-6.8	n.a.	↓		US: Empire State Fed
	12.8	9.7	n.a.	↓		US: Philadelphia Fed
	-8.0	-4.0	n.a.	↑		US: Richmond Fed
	-3.7	-1.5	n.a.	↑		US: Dallas Fed
	-0.1	n.a.	n.a.	↑		US: Chicago Fed
	94.1	94.9	n.a.	↑		US: NFIB small biz opt.
	12	12	n.a.	↑		Canada: BoC
	53.7	52.3	n.a.	↓		Brazil: CNI
	0.44	0.55	n.a.	↑		Eurozone: EC
	109.5	110.5	n.a.	↑		Germany: IFO
	103	102	n.a.	↓		France: INSEE
	102.1	103.0	n.a.	↑		Italy: ISEA
	-2.2	-1.8	n.a.	↑		Belgium: NBB
	24	37	n.a.	↑		● UK: Lloyds
	2.7	5.2	n.a.	↑		Switzerland: ZEW/CS
	-5.0	-6.0	n.a.	↓		Russia: FSSS
	50.4	51.2	n.a.	↑		China: CFLP
	47.7	48.3	n.a.	↑		Japan: Small biz (SCB)
	6.0	4.0	n.a.	↓		Australia: NAB Conf.
	74	75	72	↓		South Korea: BoK
	27.9	24.5	n.a.	↓		New Zealand: NBNZ

Higher and above expectations.

Lower.

Source: IR&M, Bloomberg. Notes: The average is equal weighted and is calculated from percentiles. △=Direction of latest change. SD=Latest change that exceeds one standard deviation is marked with a green or red dot.

Consumer sentiment: rising

*The most important thing
Sentiment is rising.*

Table shows a selection of indicators for consumer sentiment. The average is measured as average percentile of the indicators. A 4-point move of the average represents one standard deviation.

The average has peaked at 78 in March 2015 and oscillated downwards since then. May and June were both 0.7 standard deviation (sd) rises. July was a 1.0 sd fall, and August a 0.3 sd rise. September was a 0.5 sd rise and October and November are +0.04 sd rises so far, i.e., pretty much unchanged.

Dec 2007 to Aug 2016

	Sep	Oct	Nov	△	SD	
Average	71.1	71.2	71.4	↑		
US: UoMichigan	91.2	87.2	91.6	↑		●
US: Conf Board	103.5	98.6	n.a.	↓		
Canada: OECD	99.9	99.6	n.a.	↓		●
Brazil: FGV	80.6	82.4	n.a.	↑		
Mexico: INEGI	84.1	85.0	n.a.	↑		
Eurozone: EC	-8.2	-8.0	n.a.	↑		
Germany: GfK	10.2	10.0	9.7	↓		
France: INSEE	97	98	n.a.	↑		
Italy: ISTAT	108.6	108.0	n.a.	↓		
Spain: EC	-7.3	-4.8	n.a.	↑		
Netherlands: CBS	8	12	n.a.	↑		
Denmark: DNB	1.8	1.2	n.a.	↓		
Ireland: IIB	102.0	97.3	n.a.	↓		
Greece: EC	-65.9	-63.6	n.a.	↑		
UK: GfK	-1	-3	n.a.	↓		
Switzerland: UBS	1.59	n.a.	n.a.	↑		
Sweden: NIER	100.7	105.1	n.a.	↑		●
China: NBSC	104.6	n.a.	n.a.	↓		
Japan: ESRI	43.0	42.3	n.a.	↓		
Australia: Westpac	101.4	102.4	101.3	↓		
South Korea: BoK	101.7	101.9	n.a.	↑		
New Zealand: ANZ	121.0	122.9	n.a.	↑		

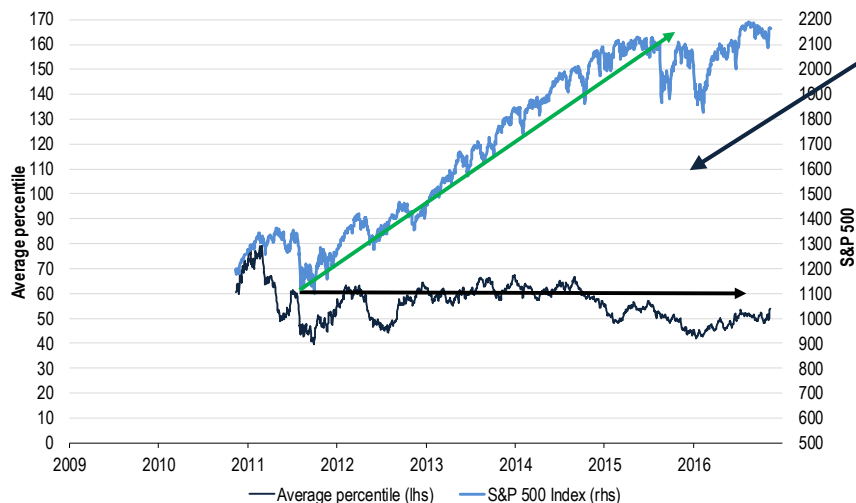
A 1.1 sd rise, beating expectations.

Higher, with the survey probably taken prior to 8th November.

Marginally lower with general trend unclear.

Source: IR&M, Bloomberg. Notes: The average is equal weighted and is calculated from percentiles. △=Direction of latest change. SD=Latest change that exceeds one standard deviation is marked with a green or red dot.

US high frequency indicators: **improving**



This gap is big. It's a proxy for the portion of stock market performance that was liquidity driven. This implies a S&P 500 level of 1000-1100 without the central planners generosity.

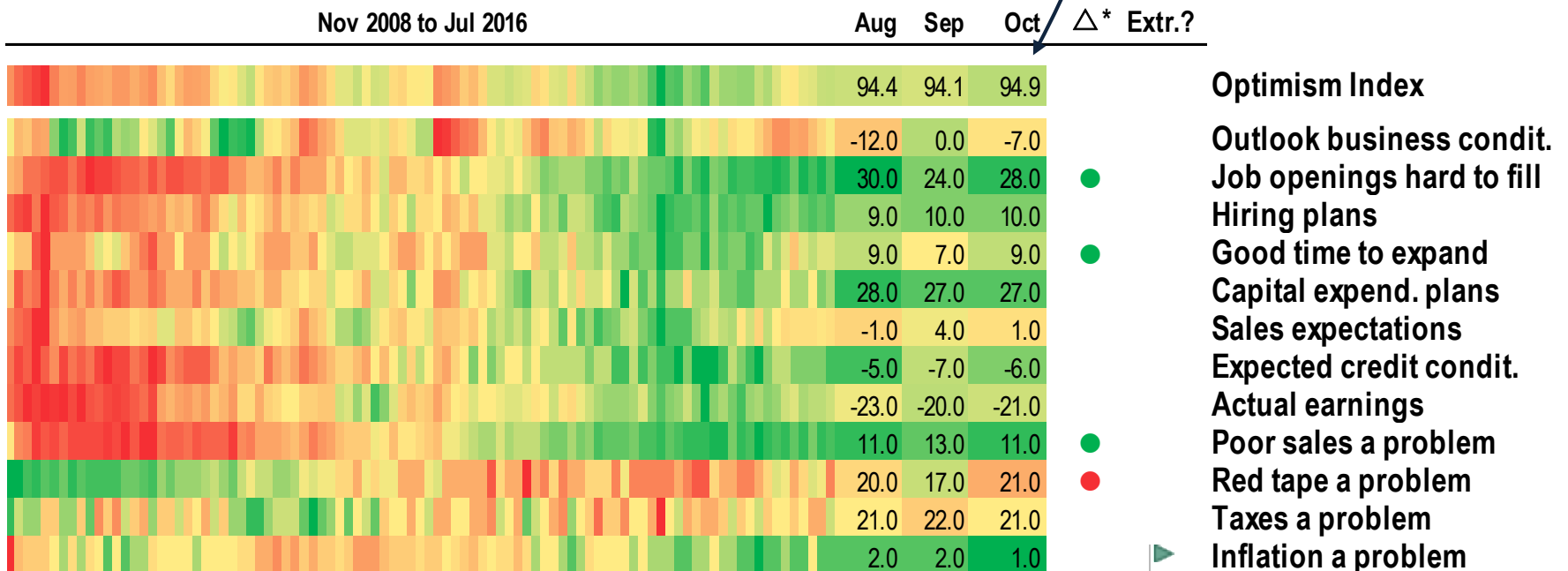
Red flag from falling yield curve disappeared over night.

2007-			Aug					Sep					Oct					Nov					Economic proxy
High	Low	Median	W27	W28	W29	W30	W31	W32	W33	W34	W35	W36	W37	W38	W39	W40	W41	W42	W43	W44	W45	Last	
80	26	52	51	53	52	51	52	51	52	51	50	52	50	49	51	52	50	48	50	52	54	54	Average percentile
98	-117	-5	5	22	37	16	21	11	5	11	1	-5	-3	-4	-5	-2	-8	-23	-9	-13	-6	-6	US Surprise Index
289	75	170	75	88	86	80	87	81	83	79	82	89	93	86	83	89	96	91	99	99	124	126	US Yield curve (10-2Y)
48	23	33	44	45	43	43	43	42	44	45	43	44	42	41	42	41	42	41	44	45	45	45	Bloomberg Cons Comfort
1.28	0.88	1.11	1.12	1.13	1.14	1.16	1.16	1.16	1.15	1.16	1.14	1.15	1.15	1.16	1.16	1.18	1.17	1.18	1.15	1.15	1.22	1.22	Cons Discret vs. Staples
0.93	-2.98	-0.14	0.20	0.15	0.06	-0.04	-0.17	-0.27	-0.33	-0.34	-0.32	-0.28	-0.25	-0.22	-0.20	-0.18	-0.16	-0.13	-0.10	-0.08	-0.07	-0.07	Aruoba Diebold Scotti
665	246	345	254	254	252	266	267	266	262	261	263	259	260	251	254	246	247	261	259	265	254	254	US Jobless claims
5.5	-1.7	2.6	2.6	2.5	1.5	1.6	2.5	2.7	3.1	2.3	2.5	3.0	2.0	1.4	2.7	2.9	1.5	1.1	1.3	2.3	-0.1	-0.1	US chain store sales, YoY
638	316	487	452	461	460	459	461	456	456	455	457	458	454	457	461	462	457	459	465	472	488	488	CRB RIND
463	127	322	212	223	224	222	215	214	217	208	208	209	216	220	221	216	211	209	219	227	251	255	Copper
81	-33	1	14.8	14.7	19.5	19.6	17.3	17.6	17.7	20.4	18.2	19.3	21.3	17.7	22.0	21.6	19.5	18.1	17.3	16.0	13.2	20.2	JoC-ECRI Industrial Price
1022	237	377	332	330	328	326	325	322	321	319	318	317	315	314	312	310	309	308	305	304	303	303	Container Ship Index

Source: IR&M, Bloomberg. Table shows eleven variables that are of higher frequency and supposedly have predictive power for the US (and or global) economic cycle. "W" stands for calendar week number.

US small biz sent.: uptick

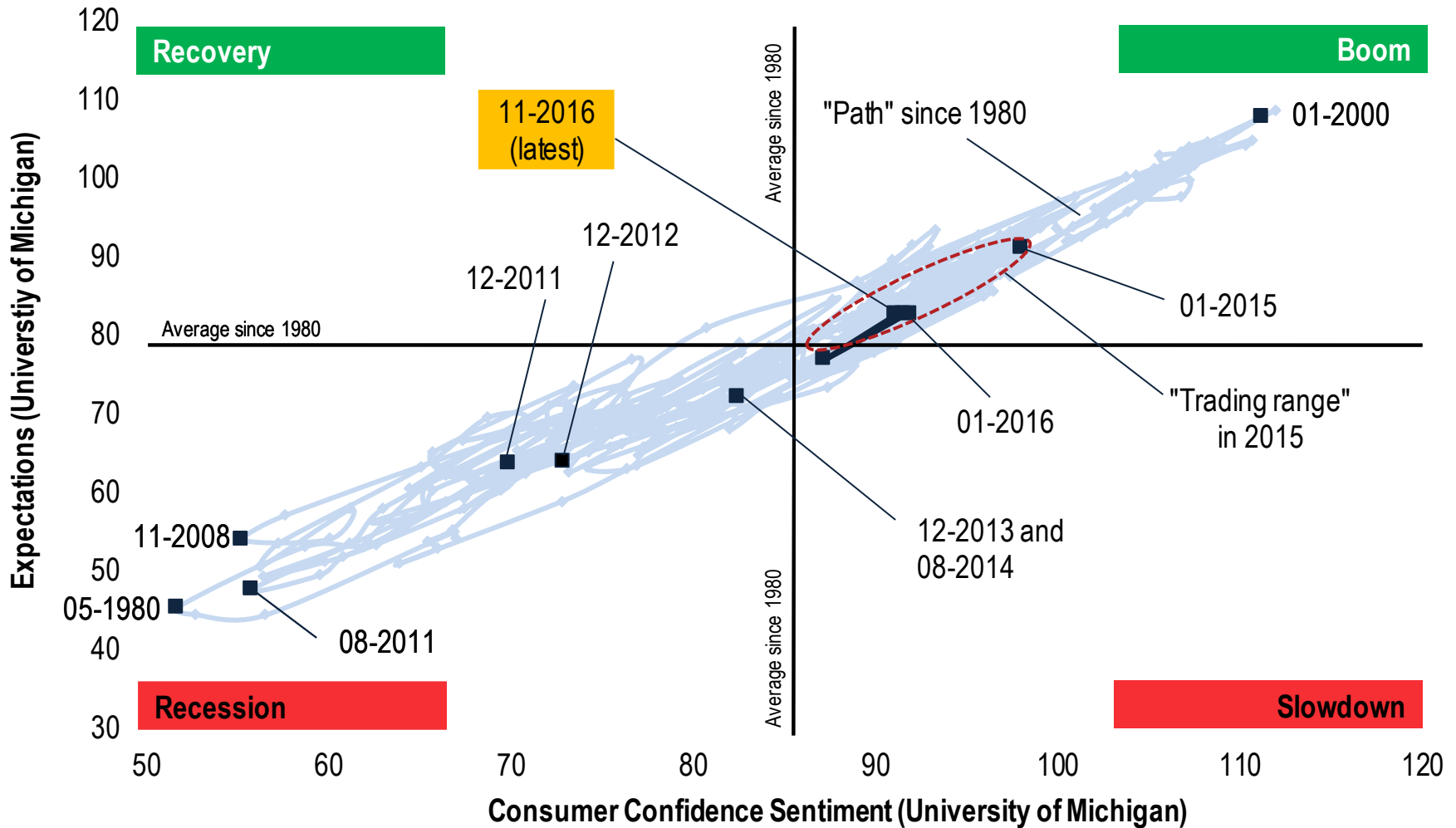
Given how the US changed last Wednesday, surveys taken prior to Trump's victory could be misleading. This survey, published last Tuesday, was overall positive, which is at least consistent with the market's (delayed) reaction to the upcoming all-Republication epoch.



Source: IR&M, Bloomberg. Notes: Based on NFIB Small Business Optimism Survey. Extr.?: Flag indicates 8-year extreme. *Changes > 1 standard deviation marked red or green.

US consumer: full bounce back

These two indicators fell by 0.8 and 1.3 standard deviation in October, i.e., a meaningful move in the wrong direction. They bounced back fully in November and are now where they were in September as well as January of this year.

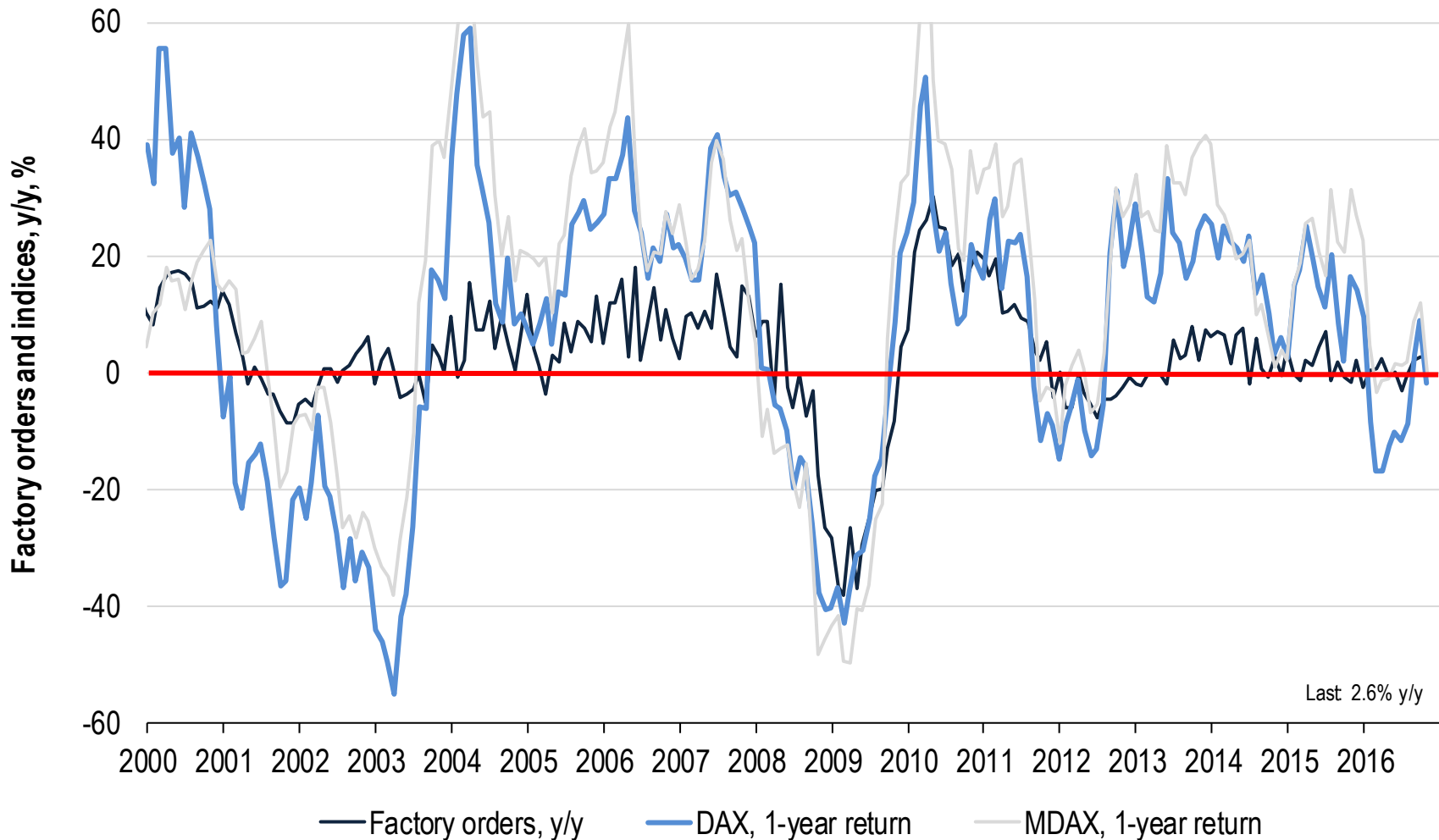


Source: IR&M, Bloomberg. Note: The light blue line shows all combination of consumer confidence sentiment (main index) and expectations thereof since January 1980. Most recent path is highlighted.

Germany factory orders: **negative surprise**

Negative y/y factory orders are often associated with corresponding negative returns in the equity indices.

Factory orders fell by 0.6%% m/m (graph shows y/y) in September which compares to +0.2% being expected.

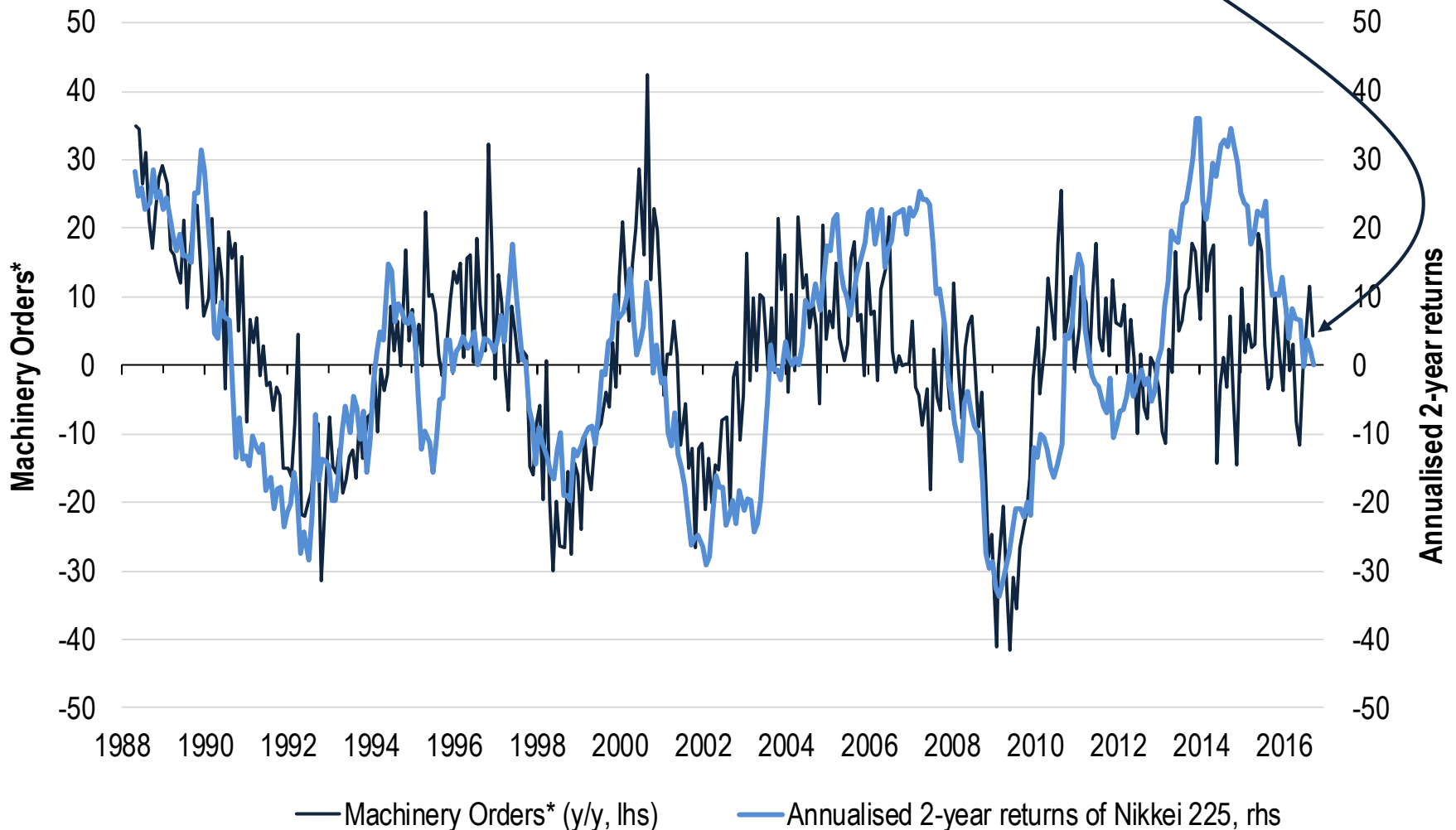


Source: IR&M, Bloomberg.

Japan machinery orders: ok-ish

Graph contrasts machinery orders* with 2-year price returns in the Nikkei 225 Index. In 72% of occurrences where machinery orders were negative, the 2-year return for the Nikkei 225 was negative too.

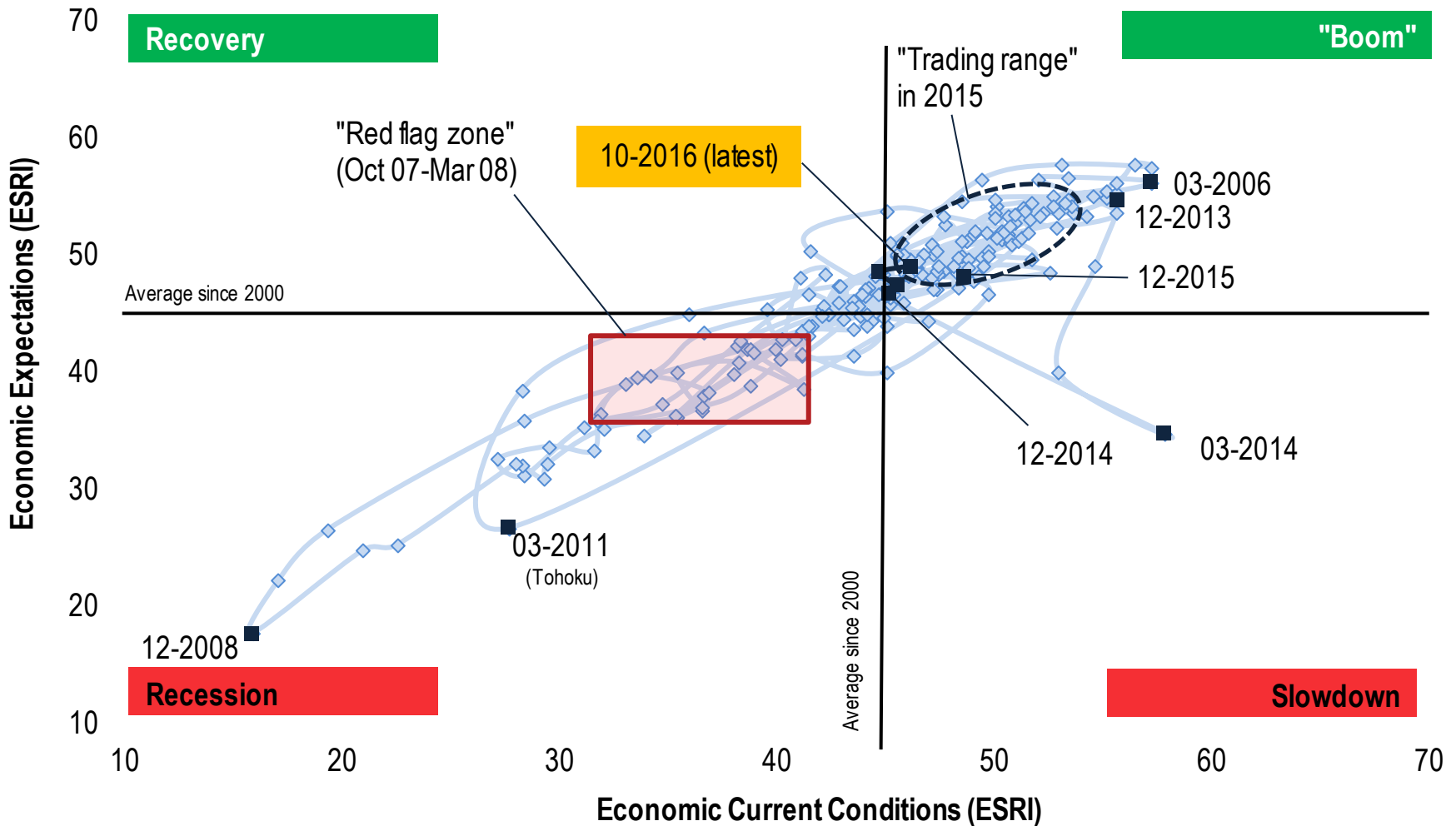
Machine orders in September at +4.3% y/y were positive and a bit better than the +4.1% that were expected.



Source: IR&M, Bloomberg, Economic and Social Research Institute Japan. *Machinery Orders in private sector excl. volatile orders (y/y).

Japan: improving

This survey moved out of the "red flag zone" with a vengeance in July. The latest move for October was a positive with the indicators beating expectations.

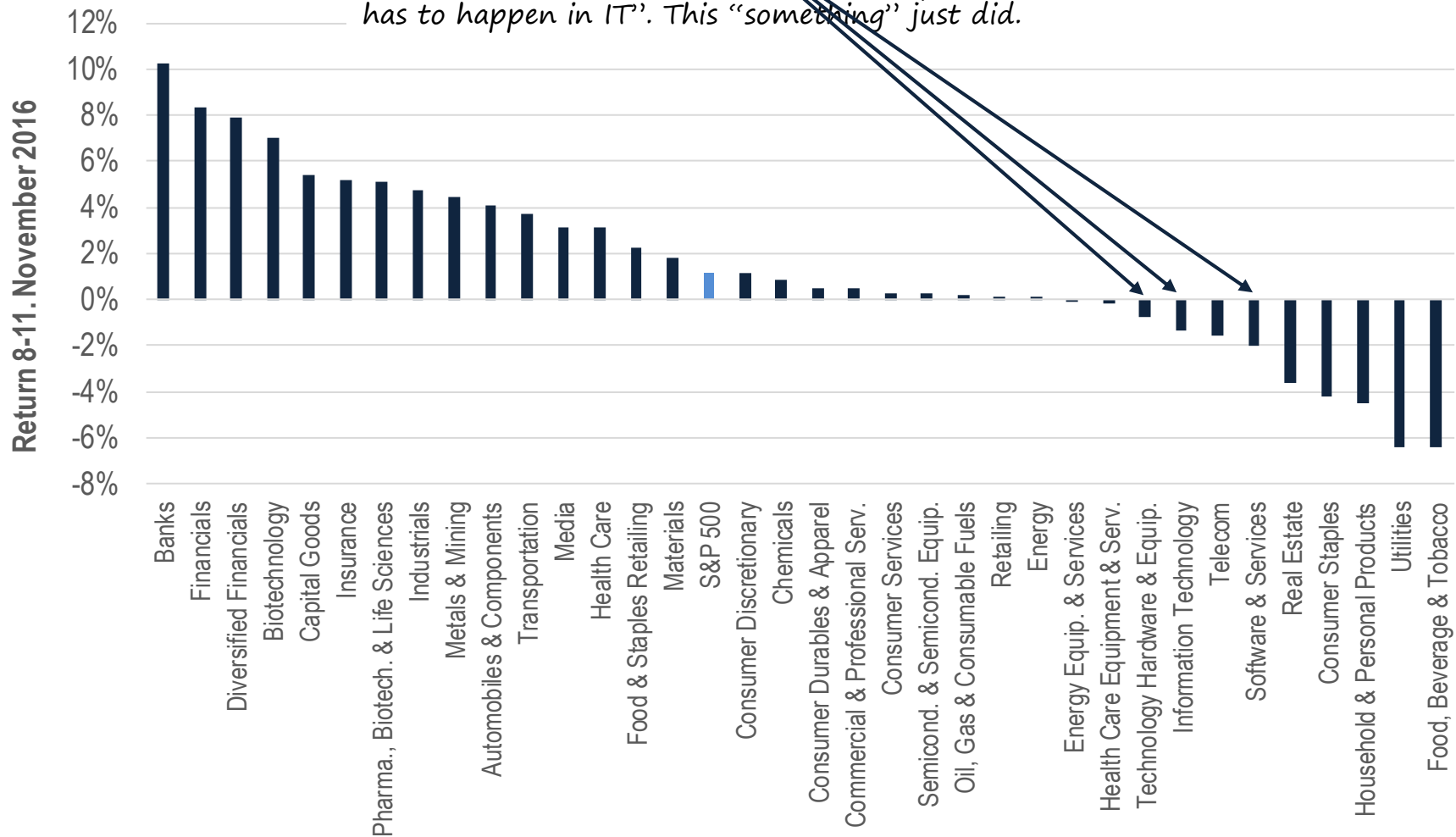


Source: IR&M, Bloomberg. Note: cross bars are based on averages since 2000.

US sector returns: extreme dispersion

Graph shows post-election, 3-day return to 11th November of a selection of US sector and industry indices.

The bar chart shows a first indication as to the potential winners and losers of a Trump administration. IT is a potential loser. It is IT that is the main variable determining whether the US (the S&P 500) continues to outperform most other indices. We always said for the outperformance to end, "something bad has to happen in IT". This "something" just did.



Source: IR&M, Bloomberg.

Equities sector performance comparison

Table compares 2016 performance of S&P 500 sectors and a selection of industries with the closest equivalent in Europe and Japan in local currency.

Table shows 2016 local currency (lc) returns to 11th November. US outperformed in 26 out of 32 cases, Europe in 5, and Japan in one. We are still quite comfortable having a "US bias," both in nominal (shown) and in real terms (not shown here). However, we'll need to keep an eye on IT, as mentioned.

	2016 lc return*	STOXX Europe 600 sectors	2016 lc return*	Topix (17 and 33 Series)	2016 lc return*	Winner
S&P 500 sectors						
Consumer Discretionary	1.0	Consumer Discretionary**	-11.6	Consumer Discretionary**	-15.9	USA
Automobiles & Components	-6.0	Automobiles & Parts	-13.9	Automobiles & Trans. Equipment	-19.3	USA
Consumer Durables & Apparel	-5.2	Consumer Durables & Apparel**	-0.9	Consumer Durables & Apparel**	-5.8	Europe
Consumer Services	-4.3	Consumer Services**	-16.4	Consumer Services**	-16.3	USA
Media	7.2	Media	-16.4	Media**	-15.9	USA
Retailing	2.1	Retail	-11.6	Retail Trade	-12.8	USA
Materials	9.4	Basic Resources	54.8	Materials**	-4.9	Europe
Chemicals	2.2	Chemicals	-3.1	Chemicals	-4.2	USA
Metals & Mining	49.2	Metals & Mining**	65.0	Mining	-19.0	Europe
Industrials	12.9	Industrial Goods & Services	1.2	Industrials**	-3.5	USA
Capital Goods	12.8	Capital Goods**	5.4	Capital Goods**	2.5	USA
Commercial & Professional Serv.	8.2					
Transportation	14.0	Transportation**	-6.8	Transportation and Logistics	-17.5	USA
Financials	10.7	Financial Services	-11.5	Financial Services (ex Banks)	-13.1	USA
Banks	7.7	Banks	-14.4	Banks	-20.9	USA
Diversified Financials	12.3			Other Financing Business	-11.5	
Insurance	9.8	Insurance	-12.0	Insurance	-11.9	USA
Real Estate	-5.7	Real Estate	-14.4	Real Estate	-14.5	USA
Information Technology	7.8	Technology	-7.1	IT and Services	-5.7	USA
Software & Services	5.1	Software & Services**	-2.9	Software & Services**	2.7	USA
Technology Hardware & Equip.	8.6	Hardware**	-39.0	Hardware**	-12.8	USA
Semicond. & Semicond. Equip.	17.6	Semicond. & Semicond. Equip.**	18.9	Semicond. & Semicond. Equip.**	23.2	Japan
Energy	14.4	Energy**	6.7	Energy**	-13.3	USA
Energy Equip. & Services	17.0	Energy Equip. & Services**	0.1			
Oil, Gas & Consumable Fuels	13.9	Oil & Gas	5.7	Oil and Coal Products	-10.0	USA
Telecom	1.8	Telecommunications	-20.3	Telecommunication Services**	-4.1	USA
Utilities	4.9	Utilities	-15.0	Utilities**	-23.5	USA
Consumer Staples	-1.2	Consumer Staples**	-8.2	Consumer Staples**	-15.3	USA
Food & Staples Retailing	-5.9	Food & Staples Retailing**	-1.0	Food & Staples Retailing**	-21.7	Europe
Food, Beverage & Tobacco	0.5	Food & Beverage	-10.6	Foods	-9.7	USA
Household & Personal Products	-0.6	Personal & Household Goods	-5.3	Household & Personal Products**	-12.4	USA
Health Care	-3.2	Health Care	-13.8	Health Care**	-14.2	USA
Health Care Equipment & Serv.	1.8	Health Care Equipment & Serv.**	-11.3	Health Care Equipment & Serv.**	-15.8	USA
Pharma., Biotech. & Life Sciences	-5.6	Pharmaceuticals**	-14.4	Pharmaceuticals	-13.0	USA
Biotechnology	-10.8	Biotechnology**	22.6	Pharm. Biot. & Life Sciences**	-13.4	Europe

Source: IR&M, Bloomberg. *Returns are in local currency terms. **Sector index from MSCI.

Europ. banks price momentum: **positive**

Table shows our medium and long-term momentum for a selection of European banks, a corresponding P&L*, the current price relative to its all-time high, the year-to-date total return, the volatility, and the P/B ratio***.

IR&M momentum monitor	Medium-term mom.					Long-term momentum					Signal	P&L*	Rel. to high**	TR (YTD)	Volat. (1Y)	P/B***
	42	43	44	45	Chg.	42	43	44	45	Chg.						
European banks (STOXX)	9	10	11	12		-58	1	2	3		28/10/2016	5.1	31	-9	35	0.76
Banca Monte Dei Paschi Siena	-24	1	-1	1	●	-113	-114	-115	-116		29/08/2014	94.3	0.3	-79	99	0.09
Banco Popolare Sc	2	3	4	-1	●	-53	-54	-55	-56		23/10/2015	77.4	2.5	-75	78	0.22
Banco Comercial Portugues-R	-30	-31	-32	-33		-64	-65	-66	-67		07/08/2015	74.3	0.9	-66	66	0.24
Banco Popular Espanol	-26	-27	-28	-29		-62	-63	-64	-65		21/08/2015	70.7	2.4	-65	61	0.27
Banca Popolare Di Milano	2	3	-1	-2		-52	-53	-54	-55		30/10/2015	56.9	9	-58	67	0.36
Ubi Banca Spa	1	2	3	4		-56	-57	-58	-59		02/10/2015	62.1	12	-58	64	0.28
Unicredit Spa	1	2	3	4		-58	-59	-60	-61		18/09/2015	59.1	6	-53	65	0.28
Eurobank Ergasias Sa	2	3	-1	-2		-199	-200	-201	-202		04/01/2013	99.9	0.0	-48	123	0.21
Piraeus Bank	-72	-73	-74	-75		-120	-121	-122	-123		11/07/2014	99.9	0.0	-45	149	0.13
Banca Popol Emilia Romagna	2	3	4	5		-52	-53	-54	-55		30/10/2015	41.7	22	-39	73	0.40
Alpha Bank Ae	-19	-20	-21	-22		-116	-117	-118	-119		08/08/2014	94.5	0.3	-36	99	0.27
Bank Of Ireland	-20	1	2	3		-54	-55	-56	-57		16/10/2015	37.4	1.9	-34	58	0.91
Deutsche Bank	1	2	3	4		-58	-59	-60	-61		18/09/2015	39.7	15	-32	51	0.34
Royal Bank Of Scotland Group	-6	1	-1	1	●	-80	-81	-82	-83		17/04/2015	41.3	3.4	-32	47	0.46
Credit Suisse	9	10	11	12		-53	-54	1	2		04/11/2016	13.1	15	-31	44	0.67
Commerzbank Ag	-4	1	2	3		-65	-66	-67	-68		31/07/2015	41.6	2.5	-26	45	0.31
Intesa Sanpaolo	1	2	3	4		-51	-52	-53	-54		06/11/2015	27.4	39	-22	53	0.78
Banco De Sabadell Sa	-21	1	2	3		-63	-64	-65	-66		14/08/2015	32.7	21	-16	46	0.56
Lloyds Banking Group Plc	-5	1	-1	1	●	-58	-59	-60	-61		18/09/2015	19.6	11	-15	44	0.99
UBS	-5	1	-1	1	●	-51	-52	-53	-54		06/11/2015	19.3	22	-14	37	1.11
Bankia Sa	10	11	12	13		-104	-105	-106	1	●	11/11/2016	-0.1	1.9	-13	36	0.79
Julius Baer Group	-4	-5	-6	1	●	-1	1	-1	-2		04/11/2016	-11.3	81	-7	32	1.92
Banco Bilbao Vizcaya Argentia	9	10	11	12		-58	1	2	3		28/10/2016	-9.6	31	-7	42	0.81
Caixabank S.A	3	4	5	6		-64	1	2	3		28/10/2016	5.9	52	8	44	0.73
Komercni Banka As	2	3	4	5		-54	-55	-56	-57		16/10/2015	12.4	78	-3	27	1.65
Barclays Plc	11	12	13	14		3	4	5	6		07/10/2016	20.4	29	-3	46	0.61
Erste Group Bank Ag	14	15	16	17		6	7	8	9		16/09/2016	6.7	35	-3	39	0.94
Banco Santander Sa	9	10	11	12		2	3	4	5		14/10/2016	6.6	30	-2	46	0.70
Natixis	9	10	11	12		-60	1	2	3		28/10/2016	3.7	31	-1	45	0.87
Societe Generale Sa	3	4	5	6		-54	1	2	3		28/10/2016	17.6	28	0	47	0.53
Kbc Groep Nv	11	12	13	14		6	7	8	9		16/09/2016	11.8	55	1	38	1.66
Sydbank A/S	13	14	15	16		6	7	8	9		16/09/2016	3.3	68	1	30	1.30
Jyske Bank-Reg	14	15	-1	-2		7	8	9	10		09/09/2016	-1.5	69	2	30	0.93
Credit Agricole Sa	9	10	11	12		-58	1	2	3		28/10/2016	10.9	33	7	40	0.53
Ing Groep Nv-Cva	12	13	14	15		4	5	6	7		30/09/2016	19.9	38	10	38	1.02
Nordea Bank Ab	12	13	14	15		4	5	6	7		30/09/2016	9.5	83	10	29	1.27
Bankinter Sa	13	14	15	16		6	7	8	9		16/09/2016	10.2	76	10	29	1.57
Skandinaviska Enskilda Ban-A	11	12	13	14		5	6	7	8		23/09/2016	9.9	72	10	31	1.48
Standard Chartered Plc	28	29	30	-1	●	16	17	18	19		08/07/2016	5.6	33	10	47	0.53
Bnp Paribas	13	14	15	16		5	6	7	8		23/09/2016	23.3	61	12	39	0.78
Raiffeisen Bank Internationa	9	10	11	12		5	6	7	8		23/09/2016	18.3	13	16	39	0.56
Svenska Handelsbanken-A Shs	13	14	15	16		7	8	9	10		09/09/2016	8.7	88	17	29	1.81
Danske Bank A/S	13	14	15	16		7	8	9	10		09/09/2016	8.4	82	17	27	1.32
Dnb Asa	8	9	10	11		3	4	5	6		07/10/2016	9.8	86	17	33	1.04
Swedbank Ab - A Shares	14	15	16	17		11	12	13	14		12/08/2016	12.8	90	21	27	1.90
Hsbc Holdings Plc	17	18	19	20		11	12	13	14		12/08/2016	14.9	66	26	25	0.83

Long-term momentum in European Banks has been turning positive over the past 19 weeks and continues to do so.

Source: IR&M, Bloomberg. Table shows a selection of European banks and was sorted by year-to-date (YTD) total returns (TR). Volat. (1Y)=1-year historical volatility. *P&L: hypothetical profit or loss had one bought/sold on the Monday following the signal. **Latest share price in percentage of all-time high. *** Price-to-book ratio, for what it's worth.

Target rates: low and not rising

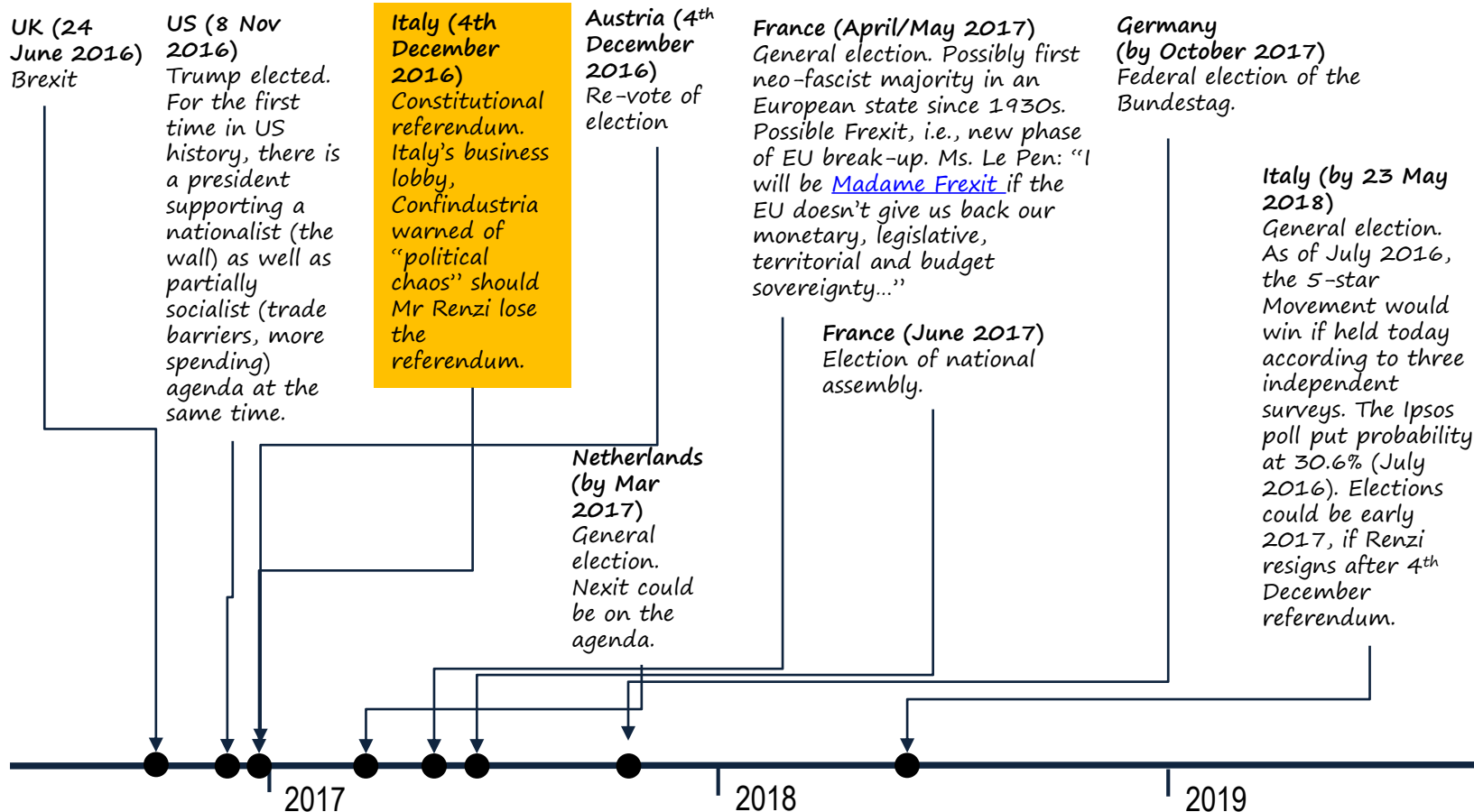
The Reserve Bank of New Zealand cut rates 25bps to 1.75%, but indicated that future cuts were unlikely after forecasting inflation heading back toward its target range.

10-year range		Target rate				△	Easing?	Yield		
High	Low	Nov 2008 to Aug 2016		Sep	Oct			Last	10Y	curve*
						0.89	0.89	0.87	1.84	79
5.25	0.25					0.50	0.50	0.50	2.09	120
4.50	0.25					0.50	0.50	0.50	1.45	83
14.25	7.25					14.25	14.00	14.00	11.55	-16
8.25	3.00					4.75	4.75	4.75	6.90	65
4.25	0.00					0.00	0.00	0.00	0.29	90
5.75	0.25					0.25	0.25	0.25	1.34	111
2.75	-0.75					-0.75	-0.75	-0.75	-0.21	72
4.75	-0.50					-0.50	-0.50	-0.50	0.46	114
5.75	0.50					0.50	0.50	0.50	1.60	99
4.14	1.50					1.50	1.50	1.50	2.81	41
0.50	0.10					0.10	0.10	0.10	-0.04	22
7.25	1.50					1.50	1.50	1.50	2.50	82
8.25	2.00					2.00	2.00	1.75	2.95	88
5.25	1.25					1.25	1.25	1.25	1.84	36

Source: IR&M, Bloomberg. *10-year government bond yield minus 2-year in basis points.

Political risk: notable dates

The purpose of this slide is to keep an eye on future dates that could mark turning points or trigger structural change.



"The past may not repeat itself, but it sure does rhyme."

—Mark Twain

"Chance favours only the prepared mind."

—Louis Pasteur

Food for thought

We showed the table below on 28th May and left it unchanged. (The probabilities have changed, obviously.) The key variable to watch is, we believe, the separation of power, i.e., the potential melting of the three constitutional branches, executive, legislative, and judicial. At the moment there are only a few market observers calling the US a "banana republic" and we are not among them. However, one still ought to keep an eye on the concentration of power. In the US mainly, but elsewhere too.

	Probability	Eight factors that help characterise national socialism							Sum of ticks	
		Nationalistic and/or racist and/or strongly anti-immigration	Concentration of power/ limitations to democracy	Advocate protectionist and/or interventionist policies	Expropriation of wealth/ limited property rights	Surveillance and/or limited civil rights	Combative/ limited aversion to war	Traditionalism/ rejection of modernism and/or machismo		Populist/ benefits from broad social frustration
The past										
Germany & Italy - 1930s		✓	✓	✓	✓	✓	✓	✓	✓	8
The present										
Germany - current				✓						1
France - current				✓						1
Italy - current				✓	✓					1.5
Hungary - current		✓	✓	✓	✓	✓		✓	✓	6.5
EU in general			✓	✓	✓					2.2
US - current				✓						1
Russia - current		✓	✓	✓	✓	✓	✓	✓	✓	8
Potential future										
France - under Le Pen	<20%	✓	✓	✓	✓	✓			✓	5.5
Germany - under Pety	<5%	✓		✓				✓	✓	4
US - under H. Clinton	~80%			✓						1
US - under Trump	~20%	✓		✓		✓	✓	✓	✓	6

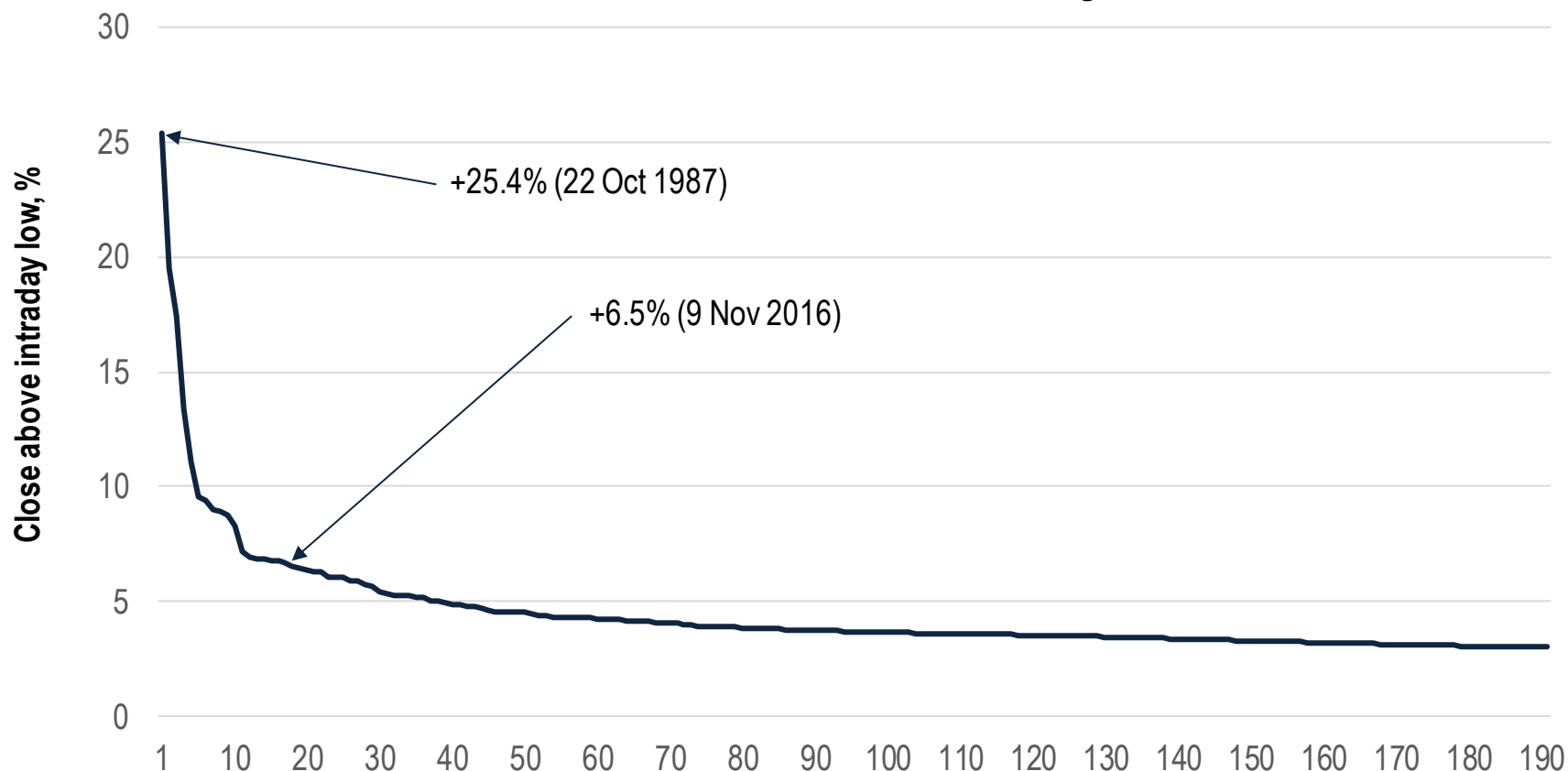
Source: IR&M. Note: Current property rights judged by analysis from the Heritage Foundation.

Graph of the week – for what it's worth...

Graph shows all 192 occurrences where the S&P 500 future closed more than 3% above the intraday low of the day since 1982.

At one level, the stock market move from last Wednesday "felt" very unusual. However, it could be that we're just not used to such intraday swings anymore.

192 occurrences where S&P 500 future closed more than 3% above intraday low



Source: IR&M, Bloomberg. Note that trading hours have changed multiple times during the period shown.

Trivia

We were reminded of this classic image last week.



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