

Technical overview

G7 & BRICS

Interest Rates, Fx, Equity Indices & Commodities

week ending 5th November 2023

The charts never lie. You just have to be willing to accept their truth.

Charts are a trading tool, not a means for price forecasting; they should be used for timing transactions, not for formulating fundamental opinions.



**COHERENT
CAPITAL MANAGEMENT**

The dominate theme

“The “new abnormal” will be characterised by higher and more volatile inflation as well as a return to structurally higher interest rates.

“In retrospect, the “*new normal*” looks like a unique period of historically depressed interest rates after the financial crisis.

“In the future, investors will have to learn anew how to operate without a fiscal or monetary safety net.”

Jason Cummins, chief economist, Brevan Howard



Home



Bonds



Fx








Equity Indices



Commodities

The highlights

-  **Slides 5** the new abnormal vs the old normal?
-  **Slide 26** ZAR on the brink of breaking bullishly out of 3 year bearish channel
-  **Slides 28→** equities rally strongly (refer “Risk Reduction” column in middle)
-  **Slide 48** Chinese equities finding support?
-  **Slide 64** industrial metals finding support from Chinese equities?



Home



Bonds



Fx



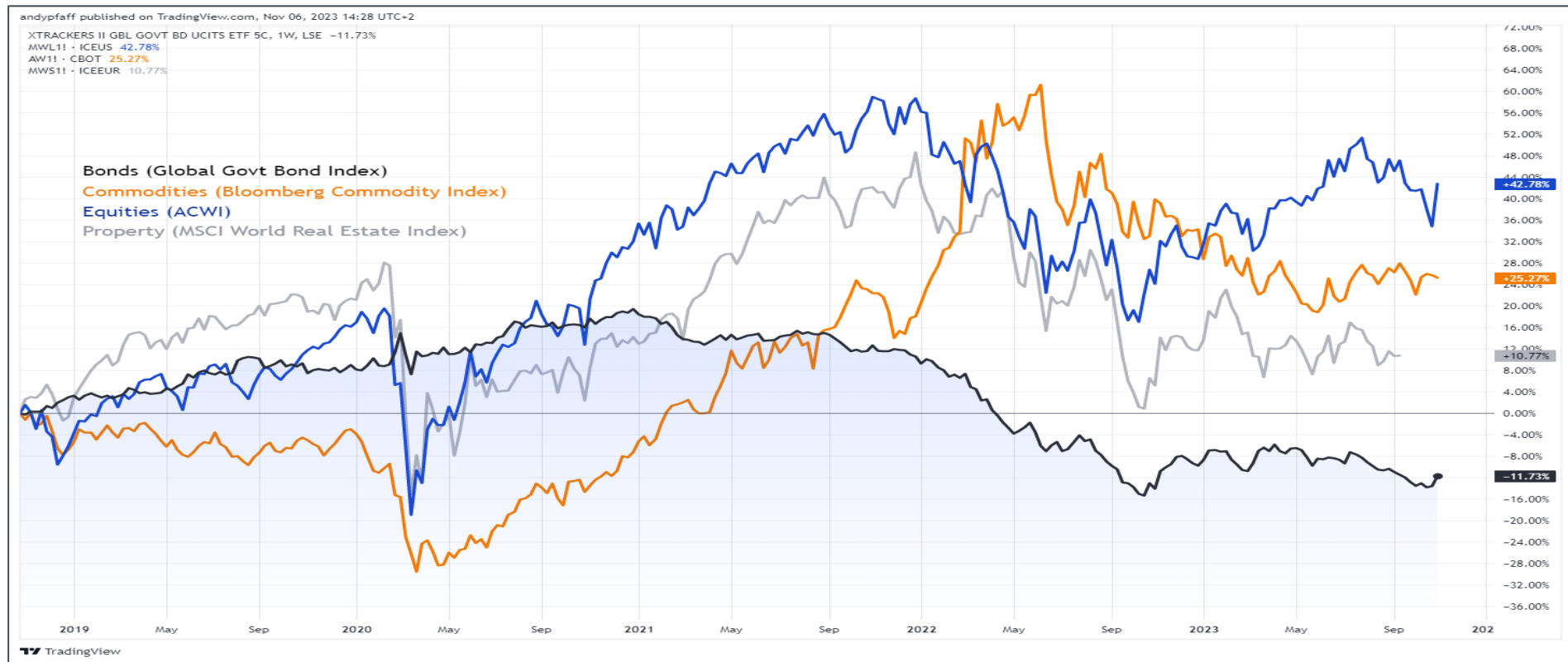
Equity Indices



Commodities

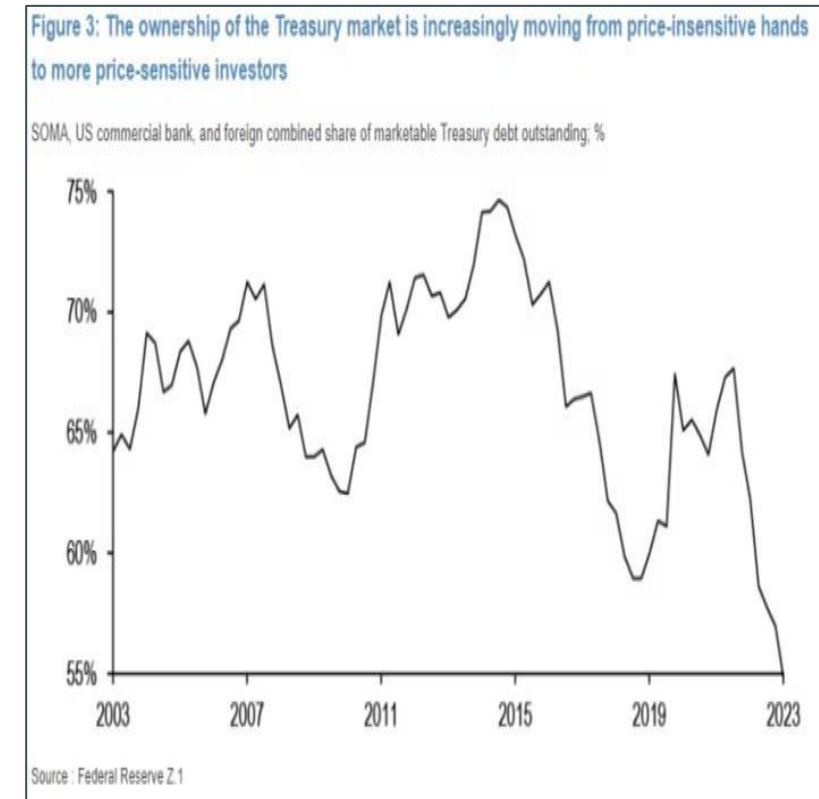
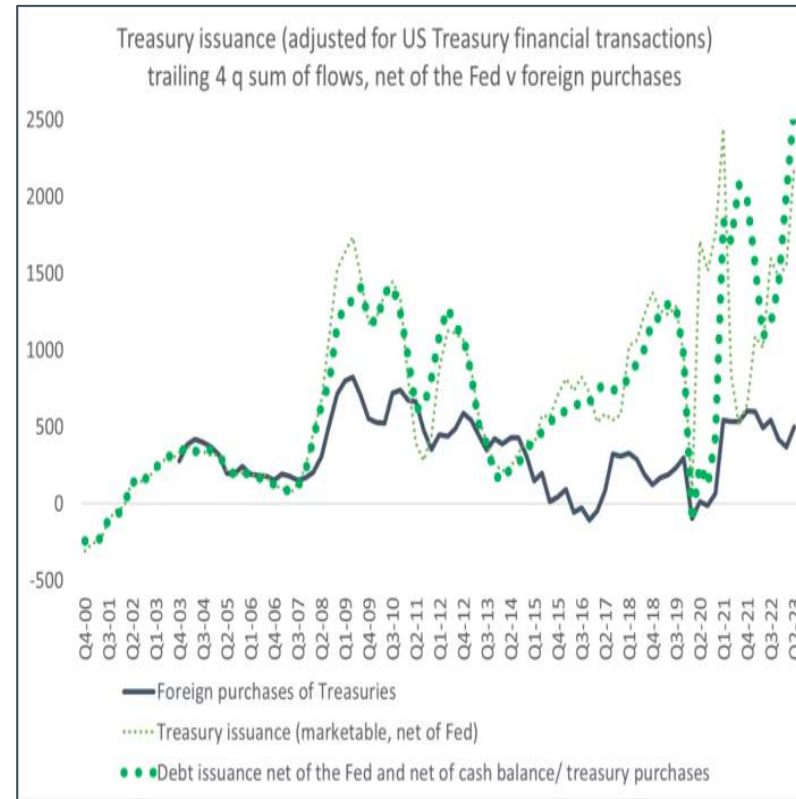
Market cycle

- Global Asset classes
 - *The “new abnormal” or the “old normal” ?*



Financials_Bonds_ *the “new abnormal” or the “old normal”*

- Do valuation multiples decline as drawdowns become larger & more frequent?
 - No more Fed put ... and a structurally higher neutral level of interest rates?
 - QT steepens the yield curve; Term premium goes positive; Supply overwhelms demand and the marginal buyer becomes price-maker



Financials_Bonds_Move Index (weekly)

- Bond volatility rebounds
 - Volatility not confirming the new abnormal structurally higher volatility regime yet



Financials_Bonds_Radarscreen

- Corrections have started
 - All still bearish, but corrections strengthen

Exchange	Conviction Technicals Trend / Correction	Setup		Entry	Exits		
		Exceed prior Hi/Low	Reject prior H/Hi or L/Low	Risk Reduction KAMA (6hr)	Trailing Stops		Capital Risk
					Market risk BBR	5DTS	TrendRider
1 Financials_Bonds							
1 Euribor	(2)	96.27	96.37	3	97.700	96.04	96.16
2 EuroDollar/SOFR 3m	(2)	96.75	100.45	(3)	100.500	94.67	94.74
3 JPN 10yr mini	(2)	148.12	148.80	1	149.000	144.78	146.92
4 GER 10 yr Bund	(2)	146.00	158.00	3	140.820	129.12	133.84
5 France 10yr OAT	(2)	136.70	138.50	3	138.000	123.52	128.35
6 Italy 10yr BTP	(2)	117.00	113.00	3	116.520	110.00	115.59
7 UK 10 yr	(2)	99.90	106.55	3	94.250	93.39	99.06
8 US 10 yr Micro yld	2	3.80	3.23	(3)	3.760	4.70	4.11
9 SA price 10 yr in US \$	(2)	4.80	5.00	3	4.650	4.61	4.90
10 Aussie 10yr	(2)	102.00	110.00	3	103.000	87.76	93.98

Financials_Bonds_G7 yields

- **JGB 10y** (monthly)
 - 1st bullish bar in 6 months



Financials_Bonds_G7 yields

- **JGB 10y** (weekly)
 - 1st bullish bar in 6 months



Financials_Bonds_G7 yields

- **Bund 10yr** (monthly)
 - Overhead support holds



Financials_Bonds_G7 yields

- **UK 10yr Gilt** (monthly)
 - Consolidating above support



Financials_Bonds_G7 yields

- **US Govt 10yr yield** (monthly)
 - Broken bad and accelerating



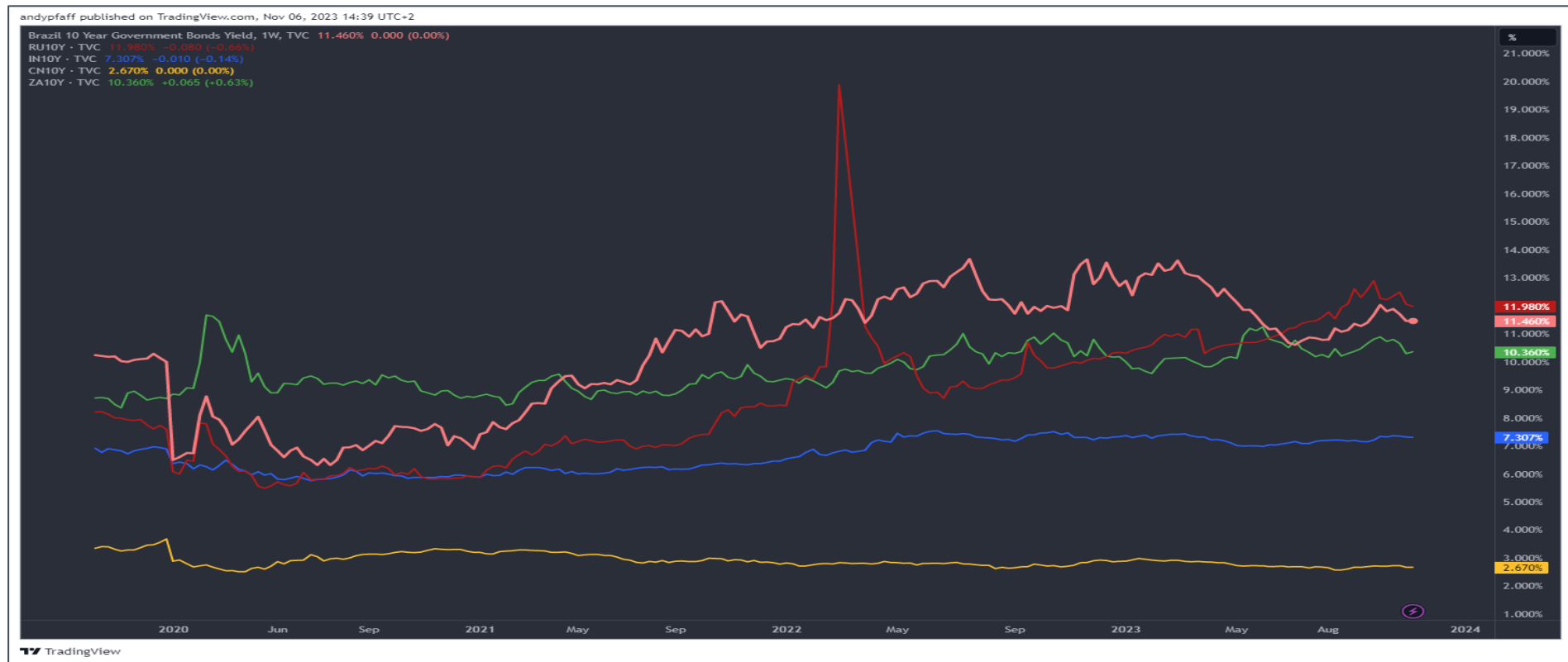
Financials_Bonds_G7 yields

- **US Govt 10yr yield** (weekly)
 - Recent retracement a minor speedbump



Financials_Bonds_BRICS

- **BRICS_Government bond 10yr yields (local currency)**
 - The new abnormal/ old normal transition debate reaches through to here too



Financials_Bonds_BRICS

- **SA 10 Year Government Bond (yield) (ZAR)(weekly)**
 - “Fiscal space is curtailed when interest rates exceed the economy’s growth rate, creating an adverse feedback loop: markets have to digest debt roll-overs at elevated rates, causing budget deficits to spiral upward.”
 - Brevan Howard could have been talking about SA



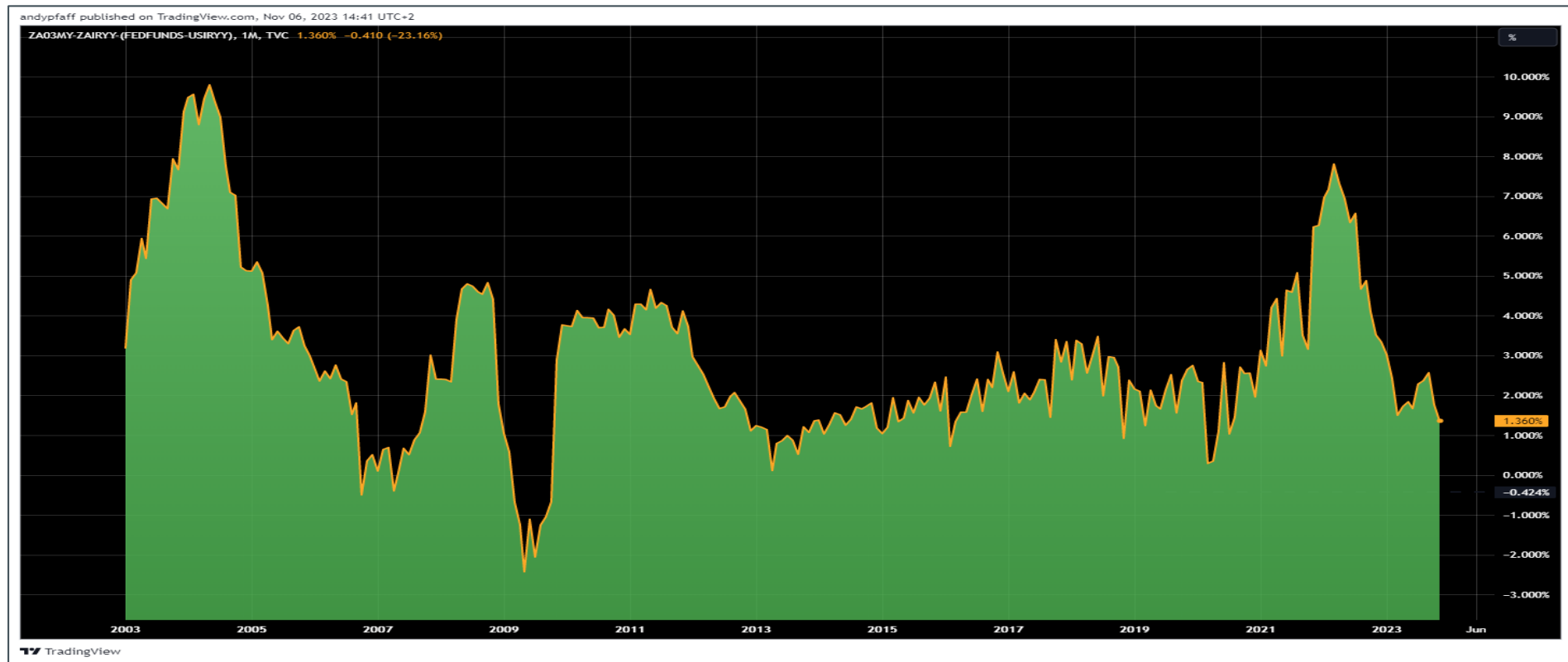
Financials_Bonds_BRICS

- SA 10 Year Government Bond (price) (US \$)(monthly)
 - Support holds



Financials_Bonds_BRICS

- **SA Real vs USA Real differential (3m)**
 - This tightening differential is as anomalous as the falling bond & equity volatilities



Financials_Fx

- Ferdinand the \$ Bull powers on takes a breather



Financials_Fx

- **US \$ index (DXY)** (50-year monthly chart)
 - Support at 102-00 (horizontal red)



Financials_Fx

- **US \$ index (DXY)** ([weekly chart](#))
 - Support at 102-00 (horizontal red)



Financials_Fx

- **USD / JPY** (monthly)
 - US \$ out of momentum vs JPY



Financials_Fx

- **USD / JPY** (weekly)
 - Through overhead resistance, but losing momentum



Financials_Fx

- EUR / JPY (monthly)
 - JPY remains weak vs EUR



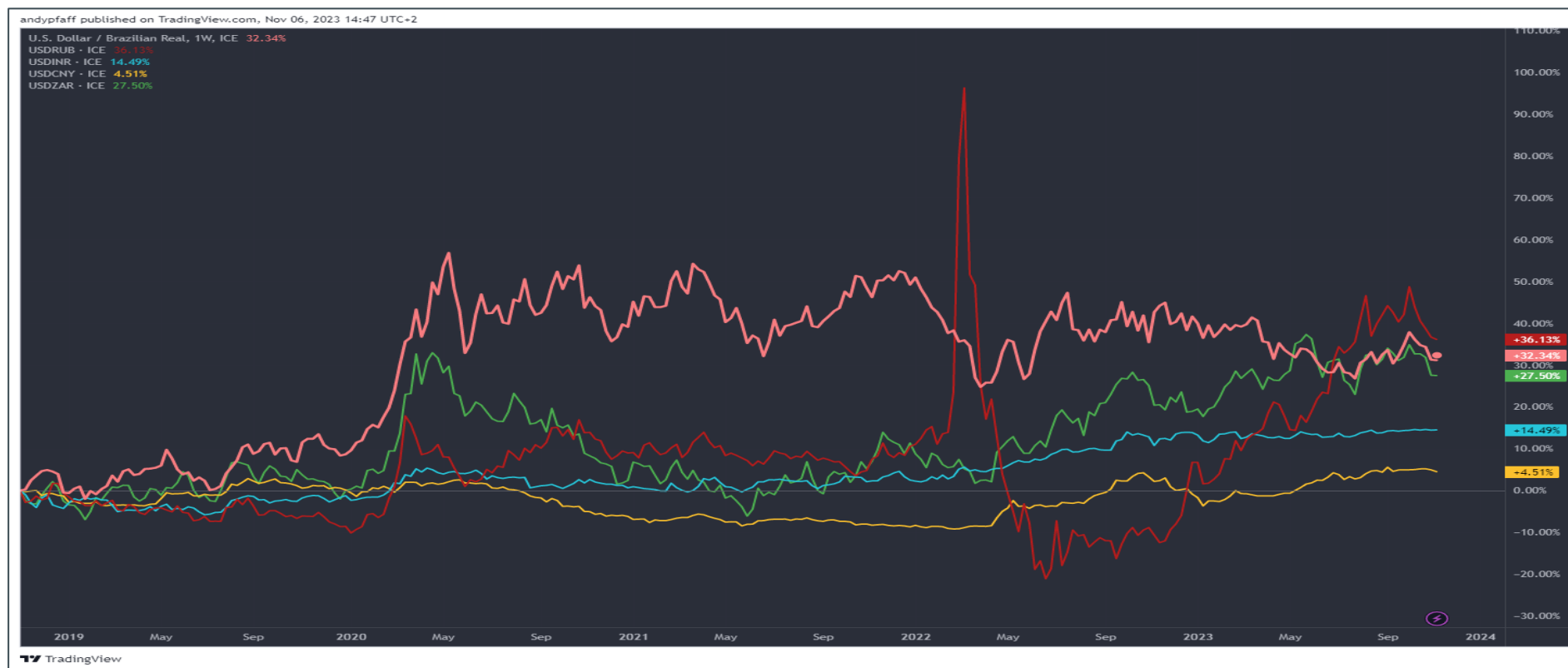
Financials_Fx

- EUR / USD (monthly)
 - EUR support holds



Financials_Fx_BRICS

- **BRICS fx vs US \$ (5yr) (% change)**
 - Vigorous recovery by ZAR, RUB & Real



Financials_Fx_BRICS

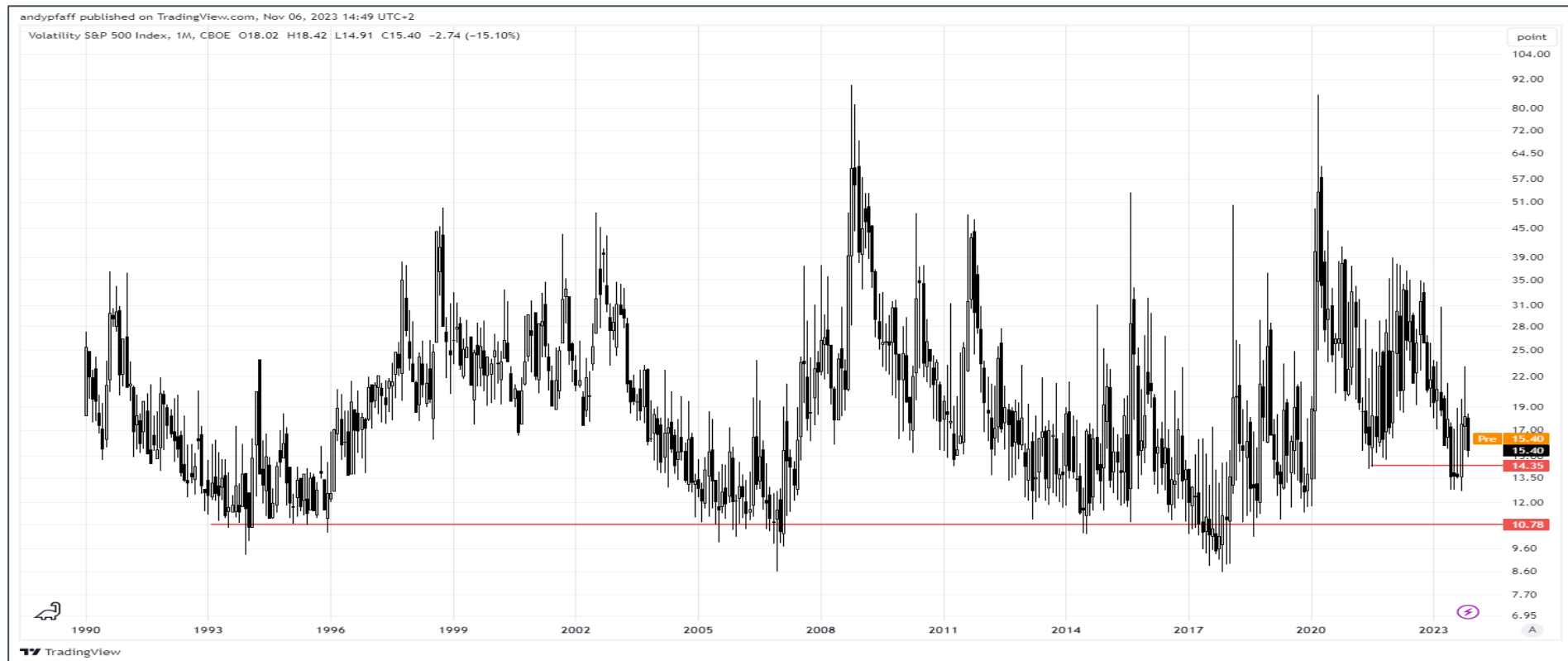
- BRICS fx_ZAR (weekly chart)
 - Testing the bearish channel



Financials_Equity Indices_Vix (weekly)

- VIX

- Contrast with the Dominant Theme of structurally higher volatility ?



Financials_Equity Indices_Radarscreen

Exchange	Conviction Technicals Trend / Correction	Setup		Entry	Exits		
		Exceed prior	Reject prior	Risk Reduction	Trailing Stops		Capital Risk TrendRider
		Hi/Low	H/Hi or L/Low	KAMA (6hr)	Market risk BBR	5DTS	
1 Nikkei	3	32,200	33,000	3	27,855.000	30,385	30,210.00
2 Taiwan	(2)	1,434	1,490	3	1,470.000	1,428	1,390.00
3 China A50 (CN1!)	(2)	13,274	12,207	3	12,735.000	12,235	12,901.00
4 Hang Seng mini	(2)	18,388	20,183	3	18,545.000	17,751	19,168.00
5 Singapore MSCI Free	(2)	286	309	3	289.000	279	297.00
6 India Nifty 50	(1)	19,750	20,100	3	19,650.000	19,645	19,182.00
7 Australia (ASX 200)	(2)	4,744	4,900	3	4,800.000	4,700	4,855.00
8 Malaysia (FKLI1!)	(1)	1,443	1,420	3	1,436.000	1,445	1,383.00
9 Indonesia	(2)	3,683	3,750	0	3,760.000	3,524	3,630.00
10 South Korea (Kospi)	(2)	333	350	3	333.000	325	342.94
Financials_Equity Indices_EMEA							
1 EuroStoxx 50 micro	(2)	4,252	4,362	3	4,328.000	4,187	4,362.00
2 Russia (MX/MM1!)	2	2,193	2,297	(3)	2,155.000	3,191	2,990.00
3 Turkey (BIST)	2	6,261	5,293	3	5,766.000	7,819	7,824.00
4 Sweden (OMXS30)	(2)	27,865	29,500	3	26,850.000	26,850	28,453.00
5 Italy (FTSE MIB)	0	147	152	3	149.560		143.67
6 Dax mini/micro	(2)	15,732	16,400	3	16,000.000	15,275	15,951.00
7 Swiss 20	(2)	11,187	11,600	3	11,200.000	10,806	11,057.00
8 Netherlands	(2)	751	785	3	773.000	729	754.00
9 France (MFC1!)	(2)	7,100	7,425	3	7,205.000	7,020	7,388.00
10 Spain	(2)	224	230	3	228.000	198	230.00
11 FTSE 100 (Z1! / FTUK1)	0	7,695	7,500	3	7,547.000		7,625.00
12 South Africa (J200)	(2)	70,324	72,857	3	71,271.000	66,356	69,308.00
13 Portugal (PSI201!)	1	6,222	6,200	3	5,985.000	6,134	5,944.00
Financials_Equity Indices_Americas							
1 Canada (TSX)	(2)	2,060	2,106	3	2,051.000	1,689	2,038.00
2 DJ 30 (micro e-mini)	(2)	34,071	35,400	3	34,100.000	33,735	35,145.00
3 SP500 (micro e-mini)	(2)	4,371	4,600	3	4,475.000	4,336	4,560.00
4 Russell 2000 micro e	(2)	1,850	1,970	3	1,875.000	1,750	1,851.00
5 Nasdaq micro-mini	(2)	14,892	15,600	3	15,460.000	15,008	14,426.00
6 Mexico (FMMX1!)	(2)	710	750	3	715.000	664	692.00
7 Brazil (IND1!)	(1)	116,000	122,150	3	119,955.000	116,855	112,119.00
8 Argentina (IMV1!)	2	95,721	83,500	1	9,200.000	550,000	650,614.00
9 MSCI World	(2)	2,912	2,985	3	2,985.000	2,870	3,044.00
10 MSCI EM	(2)	955	1,034	3	975.000	947	929.55

- Buy the (Israeli) invasion ... ?
- We don't often see this -
 - Everything structurally bearish, but
 - Everything bouncing in unison
- **Is the whole market just a US bond trade?**

Financials_Equity Indices_G7

- **MSCI World** (Eurex futures)(DM; free-float weighted)(weekly)
 - Bounces through initial; overhead resistance to mid-range



Financials_Equity Indices_G7

- **MSCI World** (Eurex futures)(DM; free-float weighted)(daily)
 - Bounces through initial; overhead resistance to mid-range



Financials_Equity Indices_G7

- Japan/ Nikkei (weekly)
 - Nikkei support holds, but still lower lows & lower highs



Financials_Equity Indices_G7

- EU/ Euro Stoxx 600 index futures (weekly)
 - Bounces to overhead resistance



Financials_Equity Indices_G7

- **UK/ FTSE 100** (5yr weekly)
 - Not much bounce yet



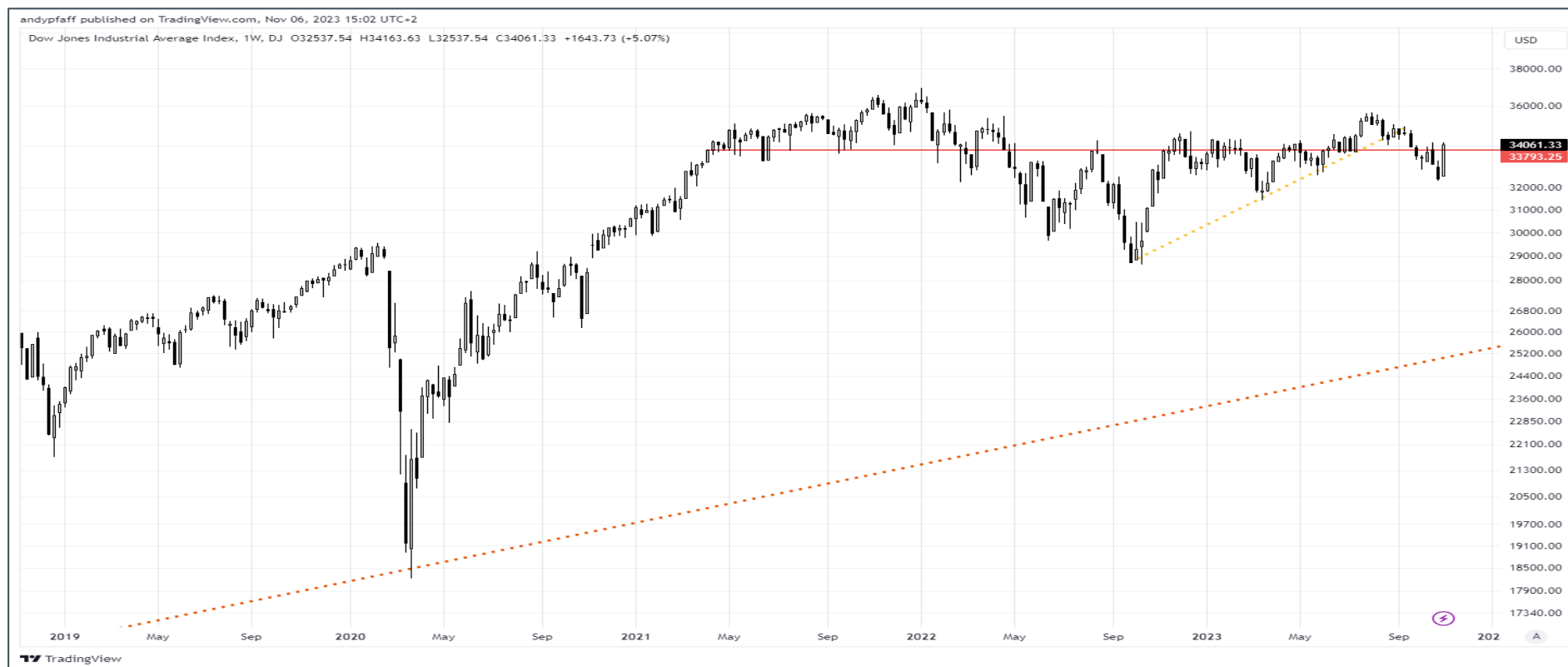
Financials_Equity Indices_G7

- Canada/ S&P Toronto 60
 - Bounces through overhead resistance



Financials_Equity Indices_G7

- **USA/ Dow Jones Industrial Average index** (weekly, 5yrs)
 - Bounces to overhead resistance



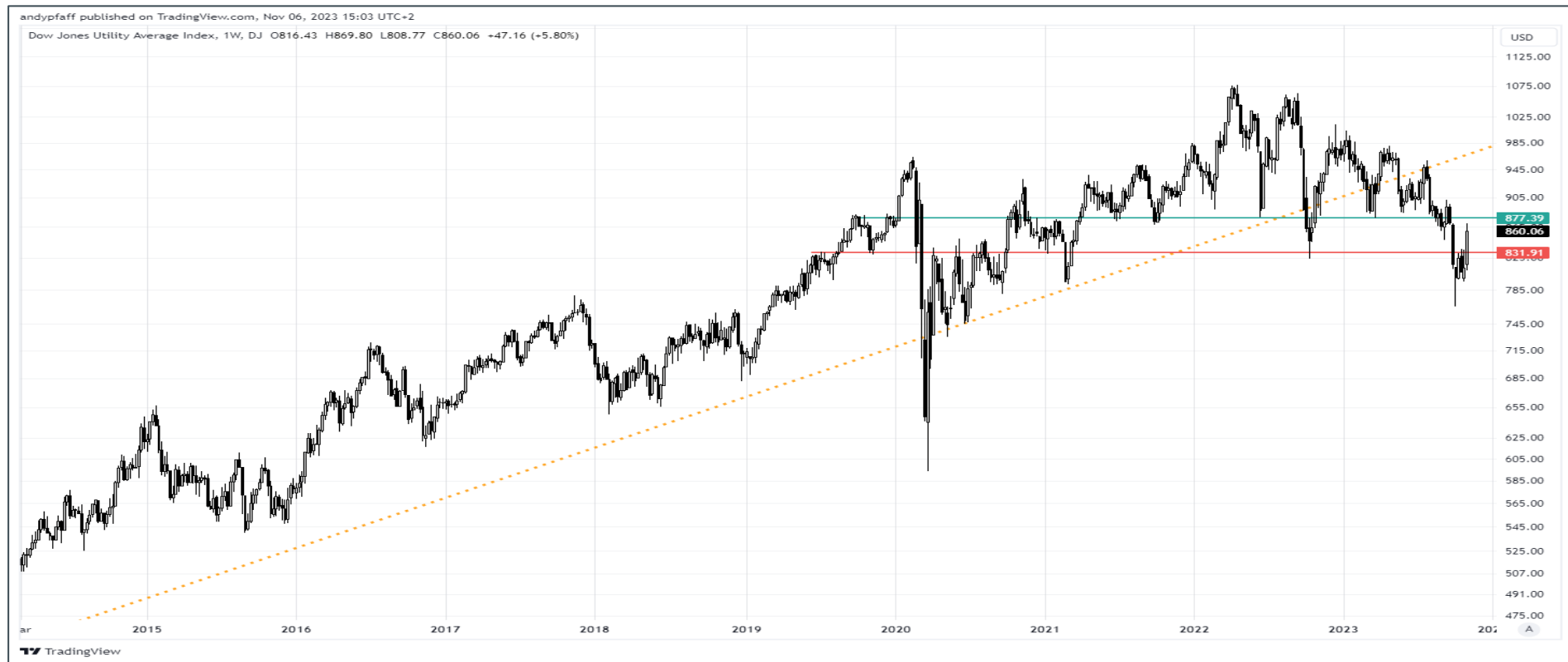
Financials_Equity Indices_G7

- **USA/ DJ Transportation Average index** (weekly)
 - Bounces almost to overhead resistance



Financials_Equity Indices_G7

- **USA/ Dow Jones Utilities Average index** (monthly, 30yrs)
 - Bounces through overhead resistance



Financials_Equity Indices_G7

- **USA/ SP 500 index** (weekly)
 - MSCI World proxy: Bounces through initial overhead resistance to mid-range



Financials_Equity Indices_G7

- USA/ Russell 2000 index
 - Bounces through overhead resistance



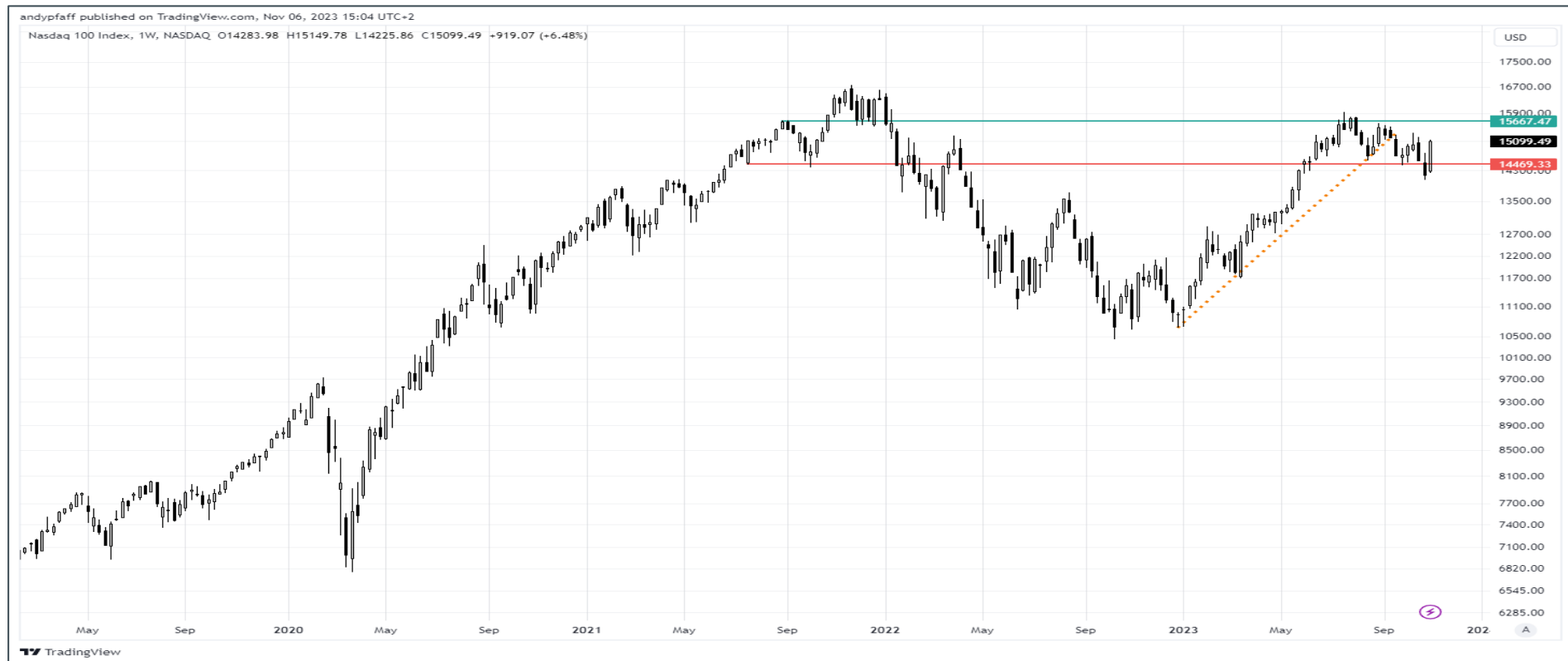
Financials_Equity Indices_G7

- USA/ Russell 1000 Value index
 - Lower highs, rising trendline broken
 - Targeting (red) horizontal support



Financials_Equity Indices_G7

- USA/ Nasdaq Composite index (weekly)
 - Bounces through overhead resistance



Financials_Equity Indices_EM

- MSCI EM index future (\$) (weekly)
 - Bounces through overhead resistance



Financials_Equity Indices_BRICS (local crncy)

- (% change since 2018)
- Bounces less vigorous here



Financials_Equity Indices_BRICS (US \$)

- (% change since 2018)
- (some) bounces amplified by domestic fx strength vs \$



Financials_Equity Indices_BRICS (local currency)

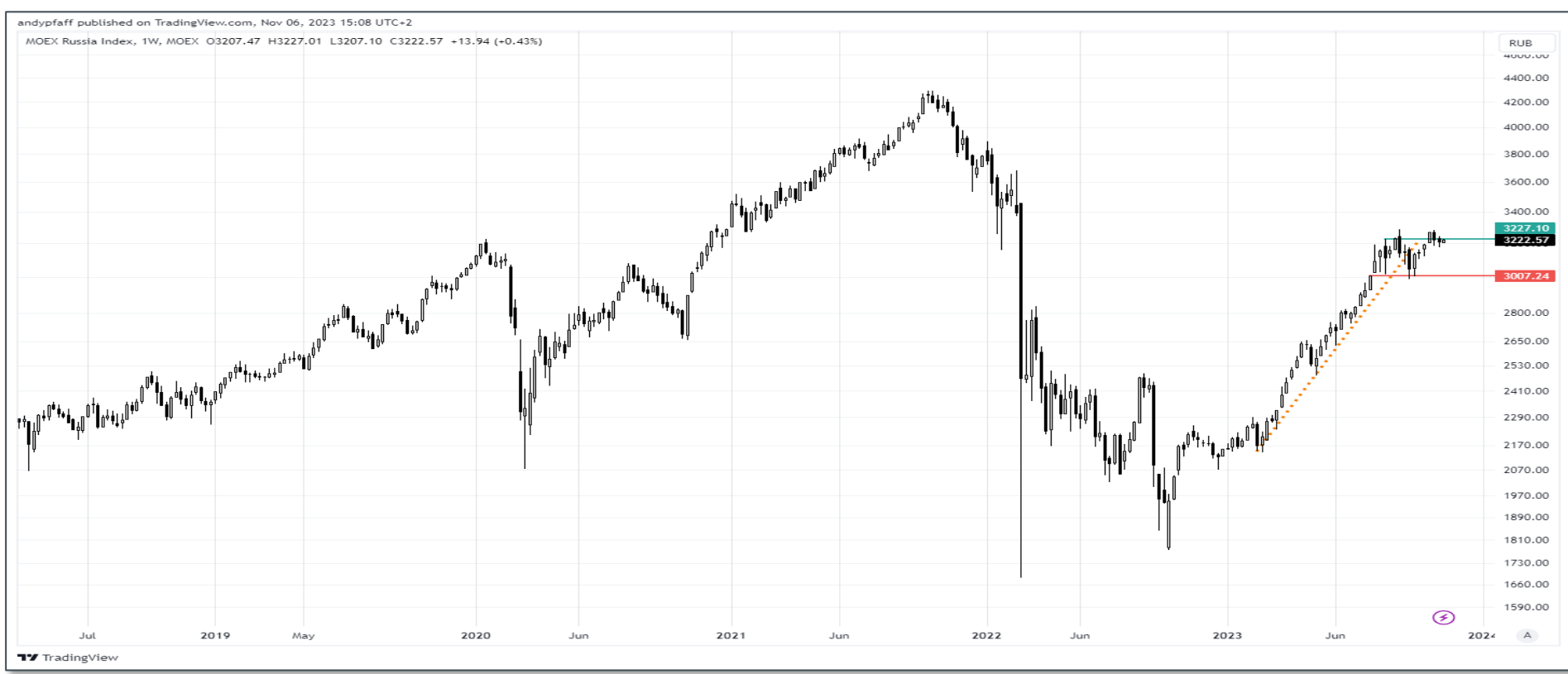
- **Brazil_Bovespa**

- Good bounce but not out of the woods yet



Financials_Equity Indices_BRICS (local currency)

- **Russia_MOEX25**
 - Balking at recent high



Financials_Equity Indices_BRICS (local currency)

- India_Nifty 50

- (green horizontal) support at $\approx 18\ 600$ holds



Financials_Equity Indices_BRICS (local currency)

- **China_Shanghai Shenzen CSI 300 (SHSZ300)**

- “Worry about the long-term, not the short-term: the Chinese economy is healthier now than it has been anytime in the past three years.
- “But it’s also probably healthier now than it will be anytime in the next three years (and beyond). Smart money should be more bullish cyclically (no collapse!), but much more bearish structurally. (China Beige Book)



Financials_Equity Indices_BRICS (weekly) (local currency)

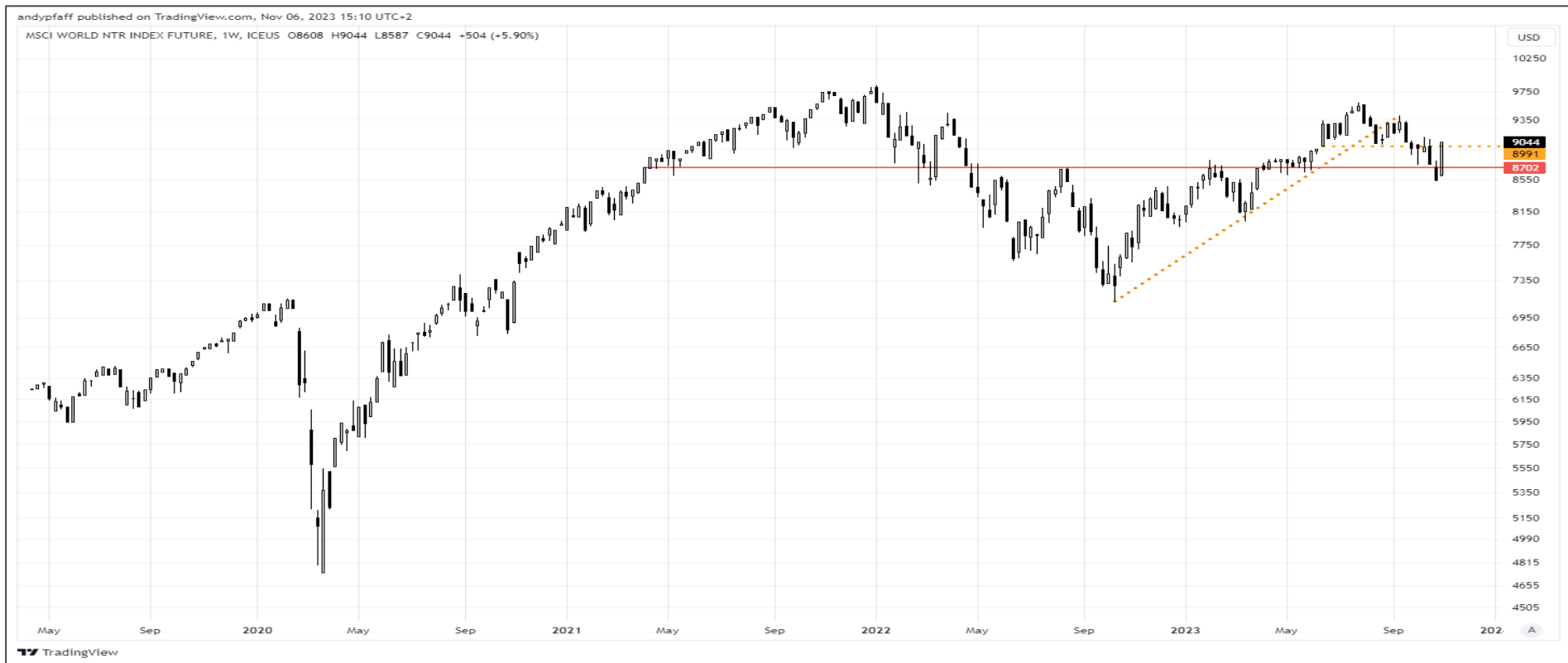
- **South Africa_Top 40**

- Bounces back into consolidation range, but no new highs yet



Financials_Property

- **MSCI Global Real Estate Index futures (\$)**
 - How does this deal with the “old normal”



Financials_Property

- **SATRIX Property ETF (SA)**
 - Back into the range



Commodities indices_\$ (GSCI, CRB, BCOM)



- GSCI & BCOM need crude oil higher to break stronger

Commodities indices_\$ radarscreen

Exchange	Conviction Technicals Trend / Correction	Setup		Entry	Exits		
		Exceed prior	Reject prior	Risk Reduction	Trailing Stops		
		Hi/Low	H/Hi or L/Low	KAMA (6hr)	Market risk BBR	5DTS	Capital Risk TrendRider
Commodities_Agri							
1 Corn (CME mini)	0	492.60	473.00	1	476.000		521.50
2 Rice	0	16.25	15.64	(3)	15.500		17.28
3 Soybeans mini	1	1,403.50	1,297.00	3	1,300.000	1,300.00	1,378.00
4 Wheat mini	(2)	647.70	715.00	2	680.000	578.00	647.91
5 Cattle	2	165.50	161.78	0	153.000	177.35	177.30
6 Hogs	(2)	85.18	72.95	2	89.225	73.12	81.29
7 Cocoa	2	2,424.00	2,220.00	3	2,350.000	2,347.00	3,365.00
8 Coffee	2	155.85	145.00	3	149.650	154.70	139.85
9 Cotton	0	87.93	83.75	(3)	87.820		89.27
10 Sugar	2	25.00	23.00	2	23.750	26.65	24.32
Commodities_Energy							
1 Carbon Credits - EUA	(2)	88.86	79.99	(3)	88.020	85.13	90.22
2 Crude oil - Brent mini	2	77.58	71.60	(2)	76.800	84.55	84.06
3 Crude oil - WTI (micro)	2	72.34	67.05	(3)	72.130	80.10	79.51
4 GasOil mini	2	789.00	675.00	0	912.000	867.25	831.44
5 ULSD (HO) micro	2	2.45	2.25	(2)	2.317	2.89	2.72
6 RBOB Gasoline micro	(2)	2.60	2.85	(3)	2.619	2.31	2.71
7 Natural Gas-EU	2	39.02	26.00	(2)	33.750	46.23	29.04
8 Natural Gas-UK	2	94.04	65.00	(1)	79.000	119.04	70.71
9 Natural Gas-US e-mini	2	2.46	1.99	(2)	2.374	3.15	2.20
10 Coal - Newcastle	(1)	133.00	146.00	(3)	144.250	144.44	171.42
11 Coal API#4 R/Bay	2	111.42	92.00	3	100.500	108.78	98.38
12 Coal API#2 Rotterdam	2	124.72	105.29	(3)	104.000	120.00	113.44
Commodities_Metals							
Industrial metals							
1 Aluminium	1	2,216.00	2,095.00	3	2,142.000	2,174.00	2,283.00
2 Copper	(2)	3.66	3.88	2	3.750	3.71	3.57
3 Iron Ore	1	113.80	102.75	3	107.500	117.92	106.53
4 Lead	0	2,173.00	2,016.00	2	2,135.000		2,078.00
5 Nickel	(2)	21,873.00	20,300.00	(3)	21,177.000	20,500.00	20,350.00
6 Zinc	1	2,517.00	2,420.00	3	2,411.000	2,424.00	2,676.00
PGM's							
7 Palladium	(2)	1,410.00	1,525.00	0	1,400.000	1,168.00	1,338.72
8 Platinum	1	936.00	880.00	3	940.000	901.20	1,016.50
Precious Metals							
9 Gold mini	2	1,979.00	1,850.00	0	1,895.000	1,963.00	1,858.18
10 Silver (SI1!)	(2)	23.49	22.35	1	24.250	23.75	21.36
11 Bitcoin Future	2	29,675.00	25,165.00	3	21,110.000	30,147.00	24,276.00

• Agri

- Grains bottoming
- Softs strong

• Energy

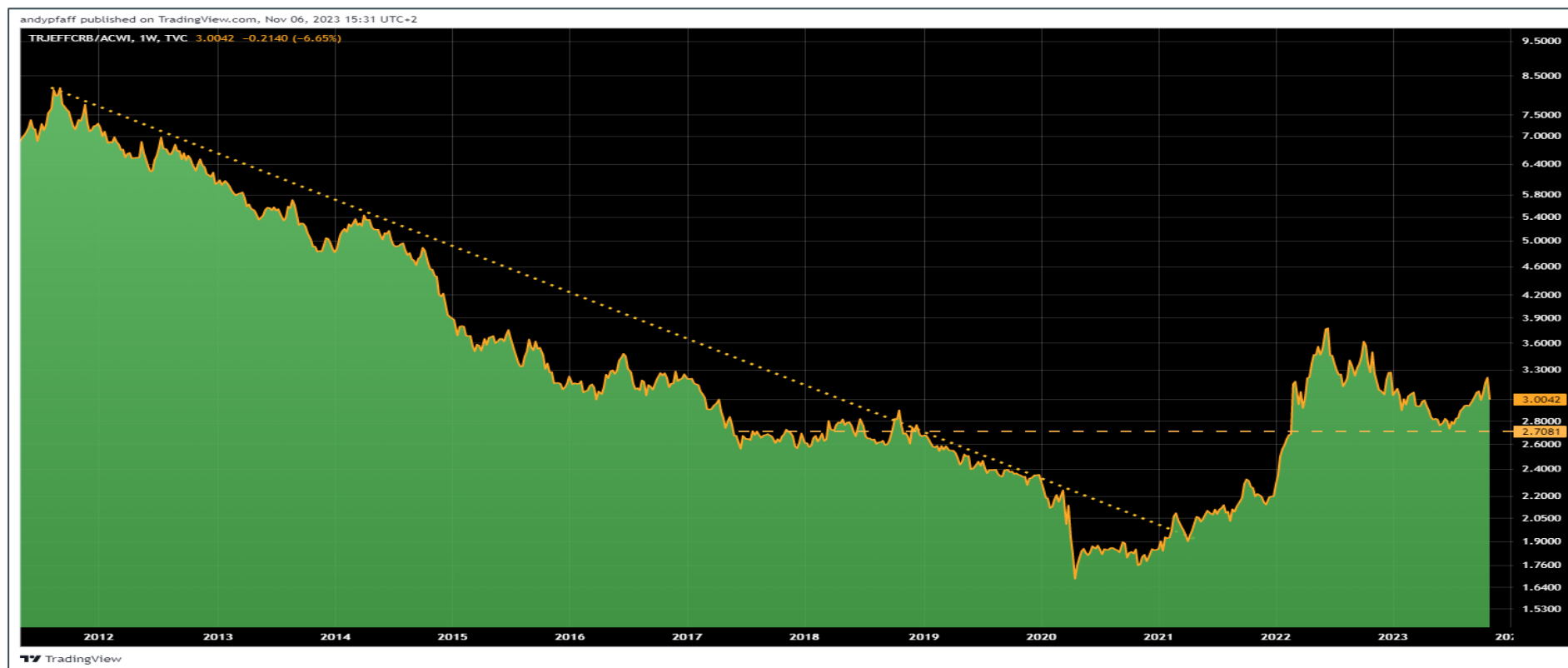
- Oil still bullish but correcting (down)
- Gas & Coal strong

• Metals

- Industrial metals bid on China stimulus hopes
- Gold stalled

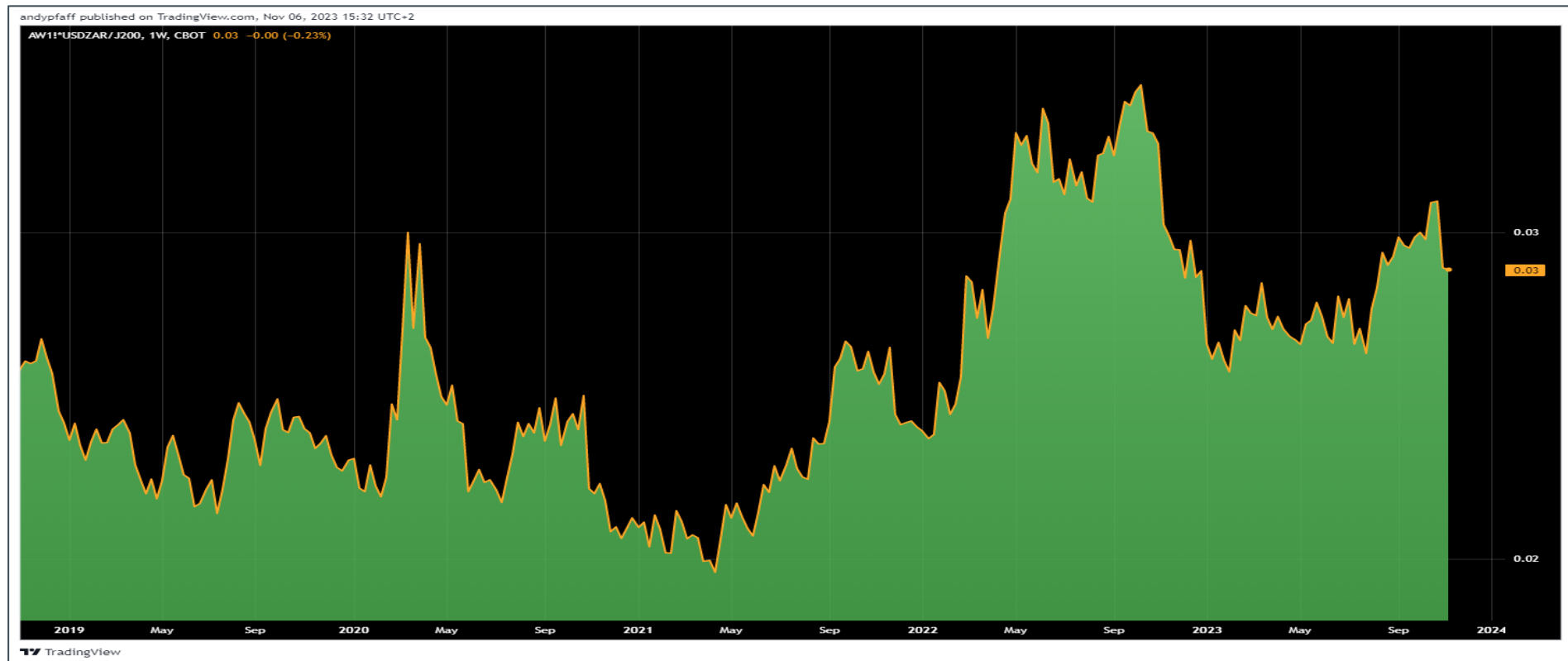
Commodities indices_\$

- **CRB / MSCI World Equity Index** (2014 - 2022)(commodity index/equity index ratio)
 - Strong reversal



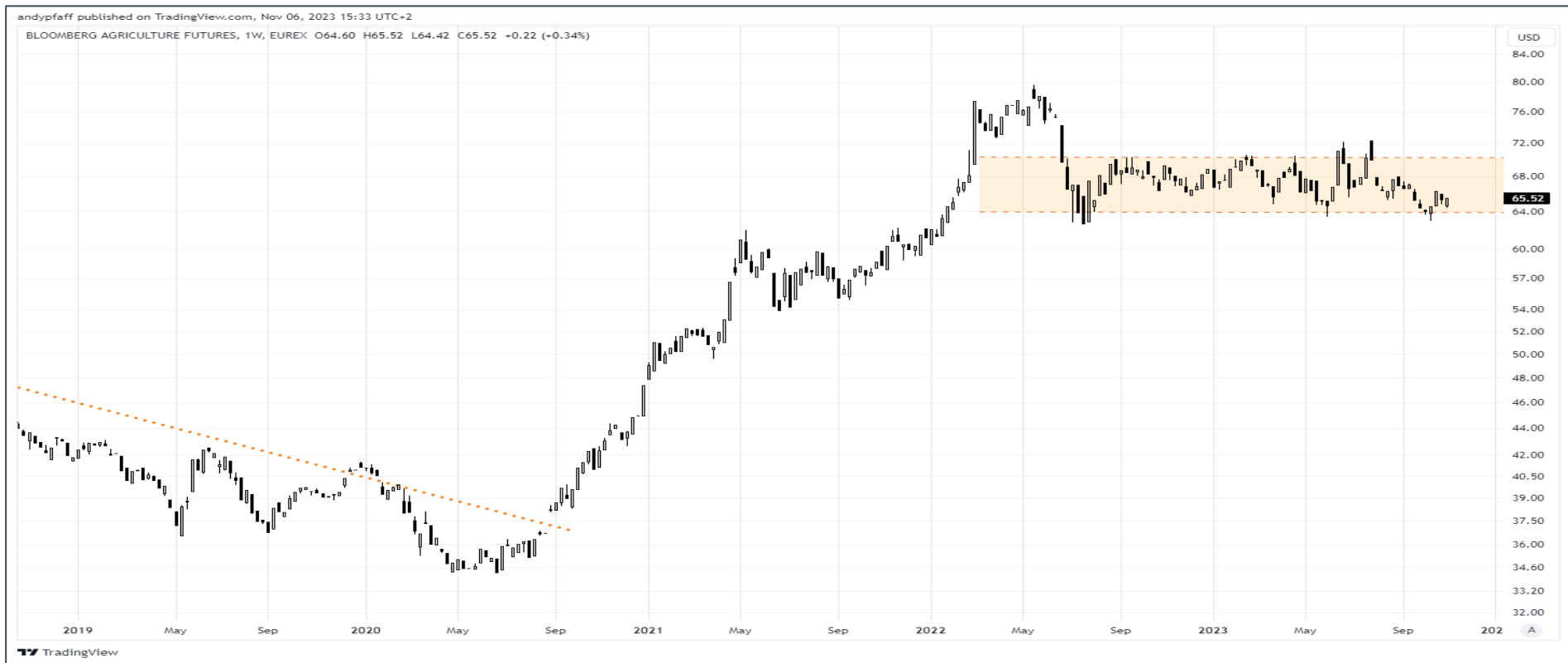
Commodities indices_\$

- **BCom (zar) / JSE Top40 Equity Index** (2014 - 2022)(commodity index/equity index ratio)
 - Strong reversal
 - Both ... and, not Either ... or



Commodities_\$

- **BCom_Agriculture** sub-index (monthly)
 - Recovery back into the range

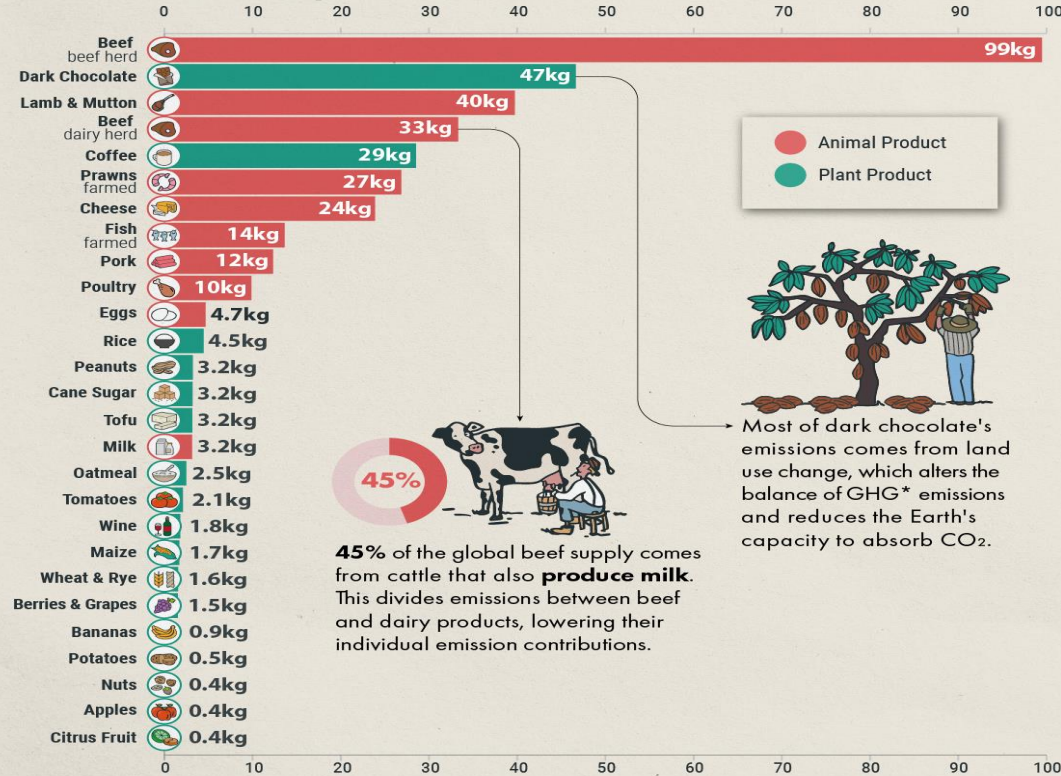


The Environmental Impact of Foods



Food production is responsible for 26% of global greenhouse gas emissions. How do different food items contribute to this figure?

Carbon Dioxide Equivalent (CO₂e) Emissions per Kilogram



● Animal Product
● Plant Product



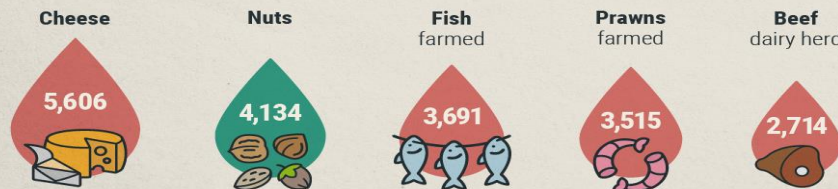
Most of dark chocolate's emissions comes from land use change, which alters the balance of GHG* emissions and reduces the Earth's capacity to absorb CO₂.



45% of the global beef supply comes from cattle that also produce milk. This divides emissions between beef and dairy products, lowering their individual emission contributions.

The Top 5 Most Water-Intensive Foods

Water withdrawal per kilogram (liters)



*Greenhouse gas. Data shows global averages across 119 countries. Source: Our World in Data, Poore & Nemecek (2018)

For those not feeling guilty enough ...

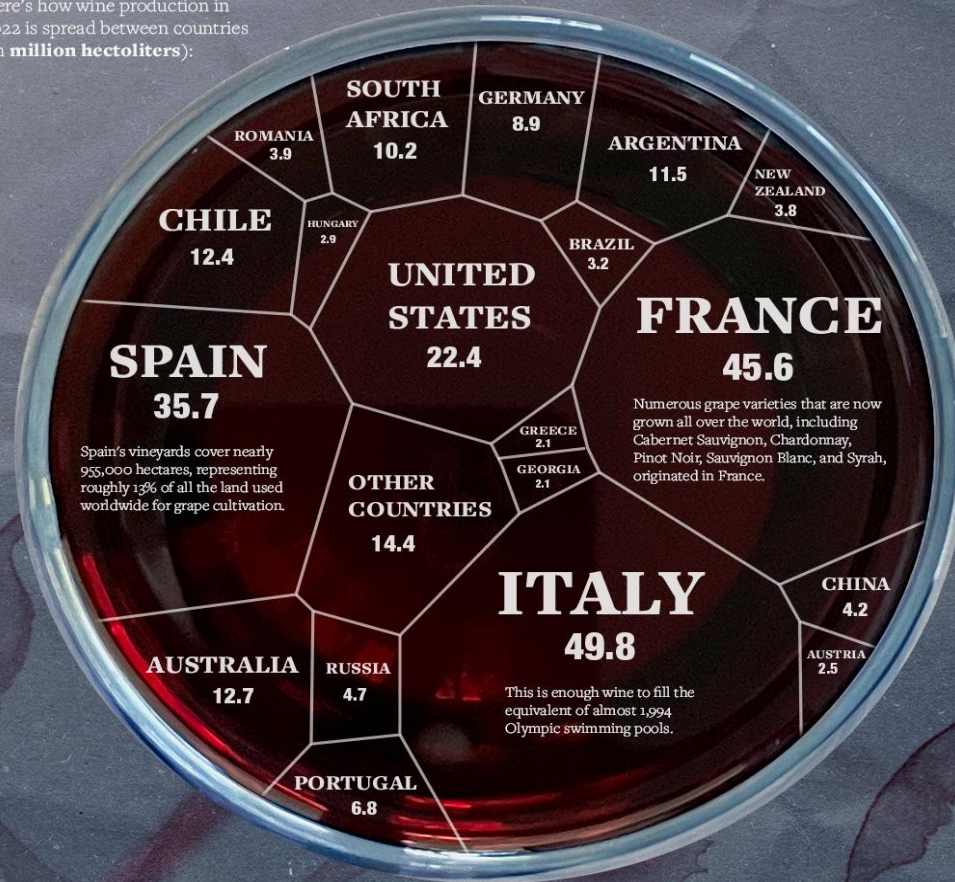
GLOBAL WINE PRODUCERS



World wine production in the last twenty years has remained quite stable, with a yearly average of around 240 million hectoliters.

By Country

Here's how wine production in 2022 is spread between countries (in million hectoliters):



The top three wine producing nations, Italy, France, and Spain, account for more than 50% of the world's total wine production.

Source: International Organization of Vine and Wine

For those not feeling guilty enough ...
... and for those who have dealt with their guilt

Commodities_\$

- **BCom_Energy** sub-index (monthly)
 - Restrictive monetary policy, slowing economy, reduced demand for energy?
 - (Ukraine/ Gaza/ Taiwan) geopolitical risk premia of ≈\$10 on crude oil have leaked out



Commodities_\$

- **BCom_Energy** sub-index_Crude oil (Brent) (weekly)
 - Oil prices rise after Saudi Arabia and Russia said they would “keep cutting” (?) supply until the end of the year.
 - Saudi Arabia will continue to cut supply by 1mbpd; Russia by 300,000 bpd, the two countries said in separate statements Sunday



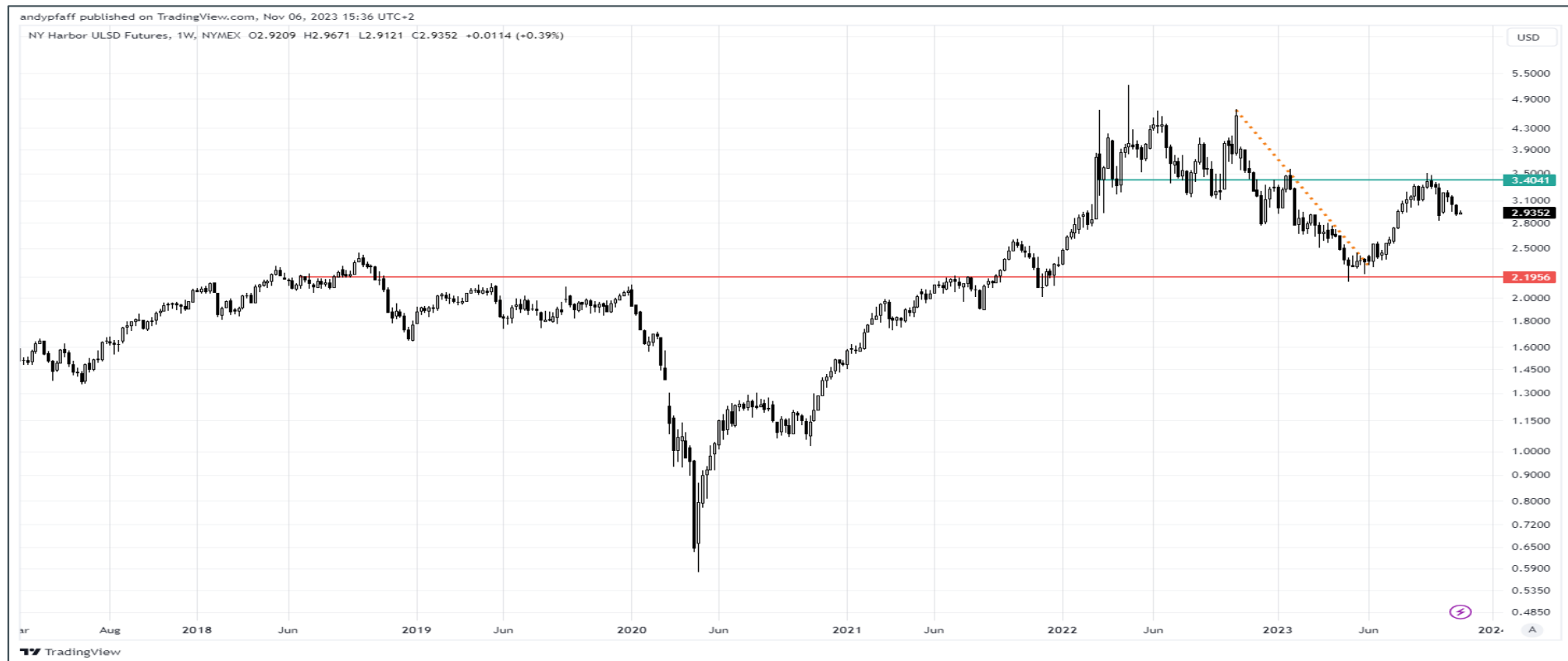
Commodities_\$

- **BCom_Energy** sub-index_Euro Diesel (weekly)
 - Russia resumes diesel exports after temporary ban to limit domestic diesel price rise in September



Commodities_\$

- **BCom_Energy** sub-index_US Diesel (HO) (weekly)
 - Stronger less weak than petrol/ benzine/ gasoline ?



Commodities_\$

- **BCom_Energy** sub-index_Gasoline (weekly)
 - Weaker than Diesel. Personal transport vs industry?



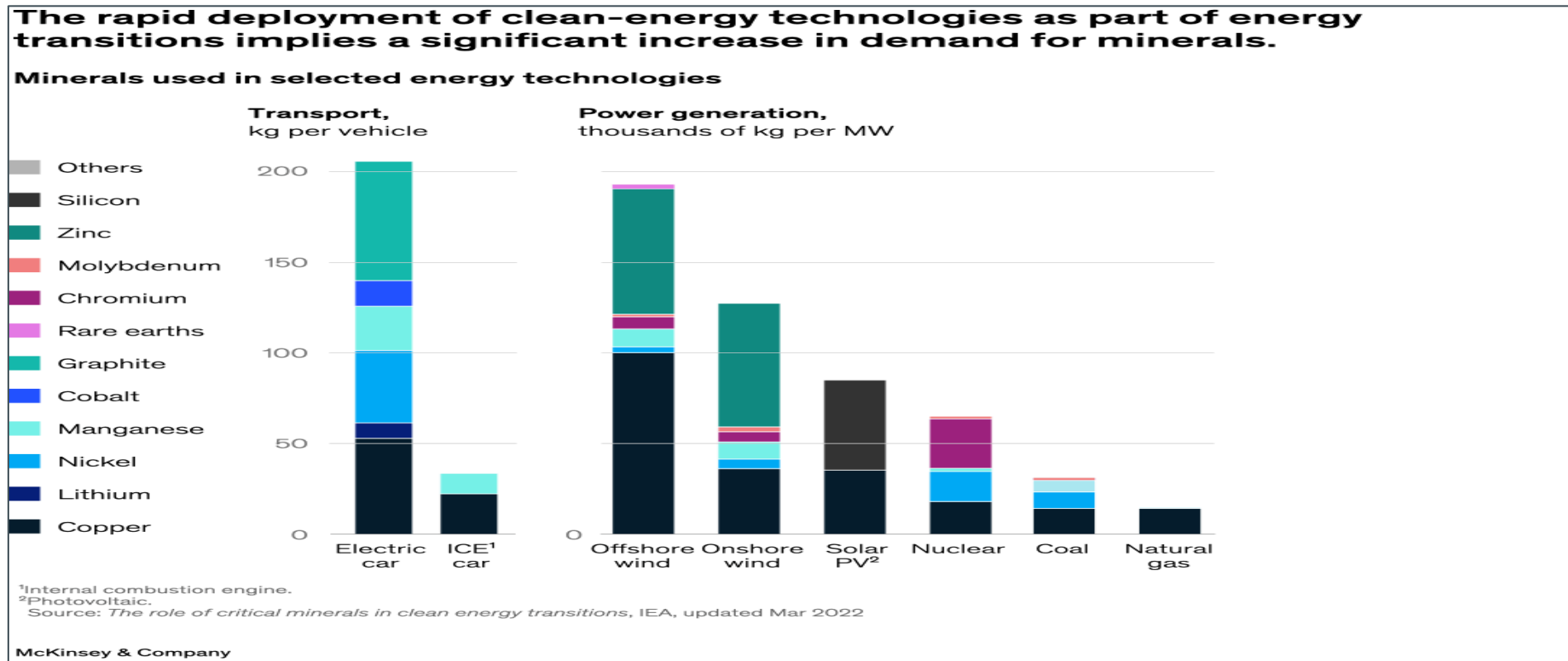
Commodities_\$

- BCom_Industrial Metals sub-index
 - One swallow \approx beginning of the end of the sell-off ?
 - Sounds a bit like equities !



Commodities_\$

- BCom_Industrial Metals sub-index
 - Clean energy transition: mineral demand compared with ICE



Commodities_\$

- **PGM – Palladium** (monthly)

- Difficult to get enthusiastic about palladium technically, but this is a good technical level to hold



Commodities_\$

- PGM - Platinum

- Mid-range basing? Perhaps



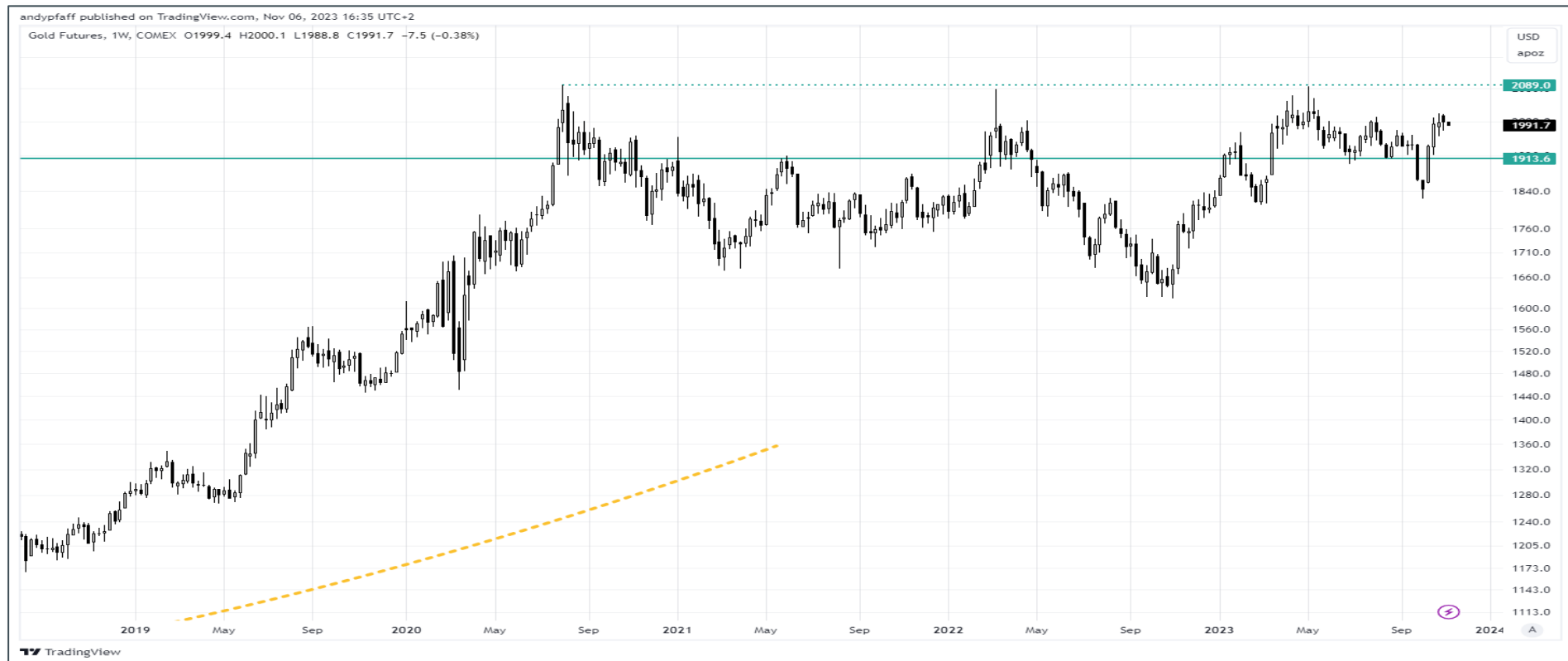
Commodities_\$

- **BCom_Precious Metals sub-index_Gold (\$)** (monthly)
 - Don't look now ... it's nearly away



Commodities_\$

- **BCom_Precious Metals sub-index_Gold (\$)** (weekly)
 - Don't look now ... it's nearly away – probably waiting for a Fed pause to break up



Commodities_\$

- **BCom_Precious Metals sub-index_Silver (\$)** (monthly)
 - Bullish Inverse H&S formation aborting... or is it? back in play



Commodities_\$

- Bitcoin

- Digital safe haven breaks bullishy and follows through



Executive Overview:

- **Bonds 10yr**
 - **G7** new abnormal or old normal?
 - **BRICS** EM bonds erase risk premium
- **Fx**
 - **G7** DXY momentum fading
 - **BRICS** ZAR at lower bound of bearish channel
- **Equity indices**
 - **G7** buy the invasion? Sell the rally? Bear market rallies can kick your teeth in.
 - **BRICS** China-engineered stimulus supporting SE Asia & industrial & metals?
- **Property**
 - **Global** vulnerable to old normal rates?
 - **SA** claw, kick
- **Commodities**
 - **Agri** grains bottoming, softs strong
 - **Energy** Saudi & Russia maintain reduced export levels
 - **Metals**
 - Ind. metals: basing action in some individual metals on the back of China stimulus hopes
 - PGM: finding a base?
 - Prec. metals: Gold on the brink of greatness, but don't look

Executive Overview: Ultimately, gold and oil prices are the most sensitive expressions of the (Gaza) conflict's risks

- **Bonds 10yr**
 - **G7** TINA → TIAA
 - **BRICS** no peace for the profligate
- **Fx**
 - **G7** DXY momentum fading but still bullish
 - **BRICS** commodity producers sell off more than commodity consumers
- **Equity indices**
 - **G7** buy the invasion? Support giving way everywhere
 - **BRICS** trend & breadth indicators continue to deteriorate
- **Property**
 - **Global** technically very vulnerable
 - **SA** support giving way
- **Commodities** commodity-equity ratios continue to favour commodities
 - **Agri** back into the range ... just
 - **Energy** oil approaching recent producer hedging levels
 - **Metals**
 - Ind. metals: broken bad despite IEA grid requirement estimates
 - PGM: remain technically bearish
 - Prec. metals: never waste a good crisis

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