

Technical overview

G7 & BRICS

Interest Rates, Fx, Equity Indices & Commodities

week ending 12th 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

“We're not definitely finished, there's still a chance of more”

“That rhetoric has to continue ... (you) do that right up until the day before you cut ... the Fed needs to keep rates and bond yields reasonably high to achieve the tighter financial conditions that will bring about lower inflation and enable the Fed to ultimately cut rates.

Ian Carnell, ING investment strategist



Home



Bonds



Fx








Equity Indices



Commodities

The highlights

-  **Slide 17** DXY weakening fast, and ...
-  **Slide 24** ZAR on the brink of breaking bullishly out of 3-year bearish channel
-  **Slide 25** IF the (low) VIX is correct, the equity rally is likely to continue, led by ...
-  **Slide 37** Nasdaq the leader of the G7 pack, and ...
-  **Slide 41** Brazil the best placed of the BRICS



Home



Bonds



Fx



Equity Indices



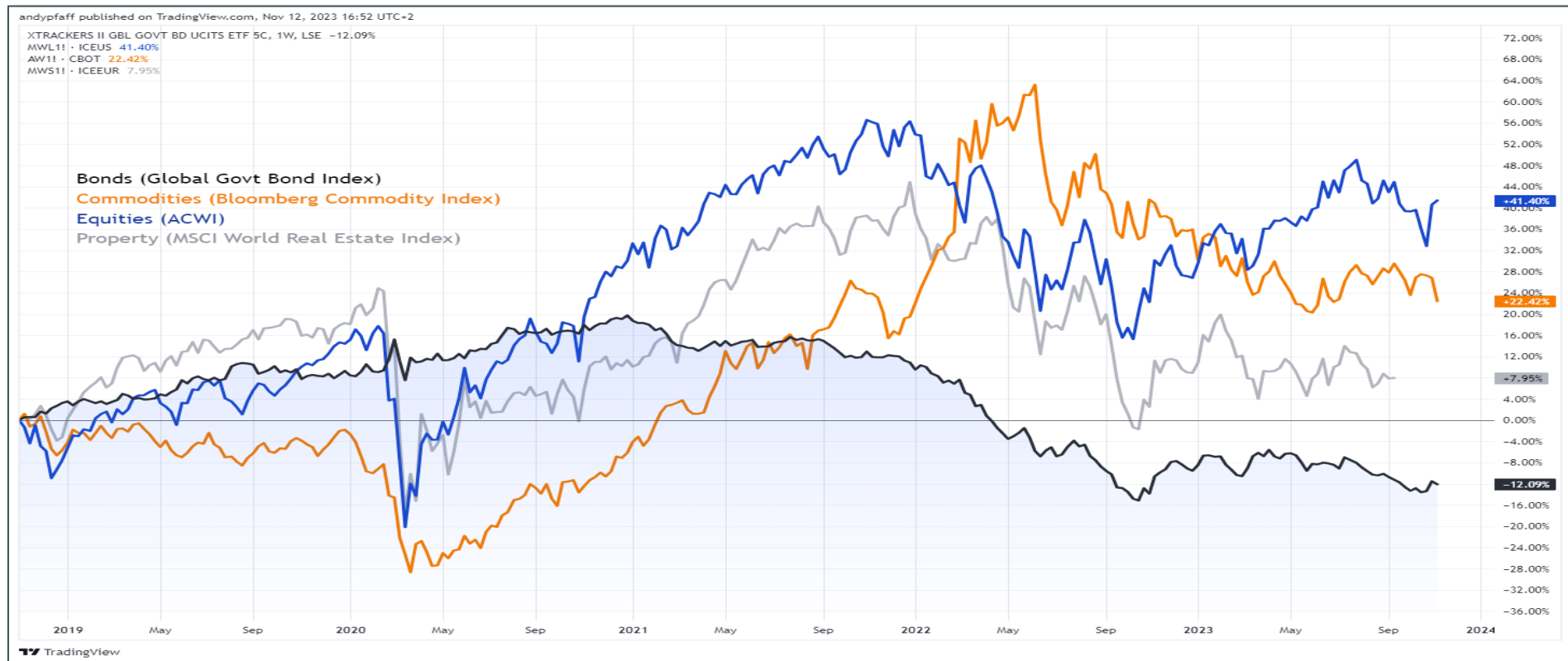
Commodities

Market cycle

- **Global Asset classes**

- "Too many people were far too over their skis on the short side, both of equities and bonds"
- "you've seen that reverse in a huge way in the course of the last week."

Michael James, Wedbush Securities



Financials_Bonds_Move Index (weekly)

- Bond volatility

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



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)

- "The market continues to struggle with the right premium or clearing level to fund the large pipeline of government debt issuance"

- Dec Mullarkey, SLC Management



Financials_Bonds_G7 yields

- **US Govt 10yr yield** (weekly)

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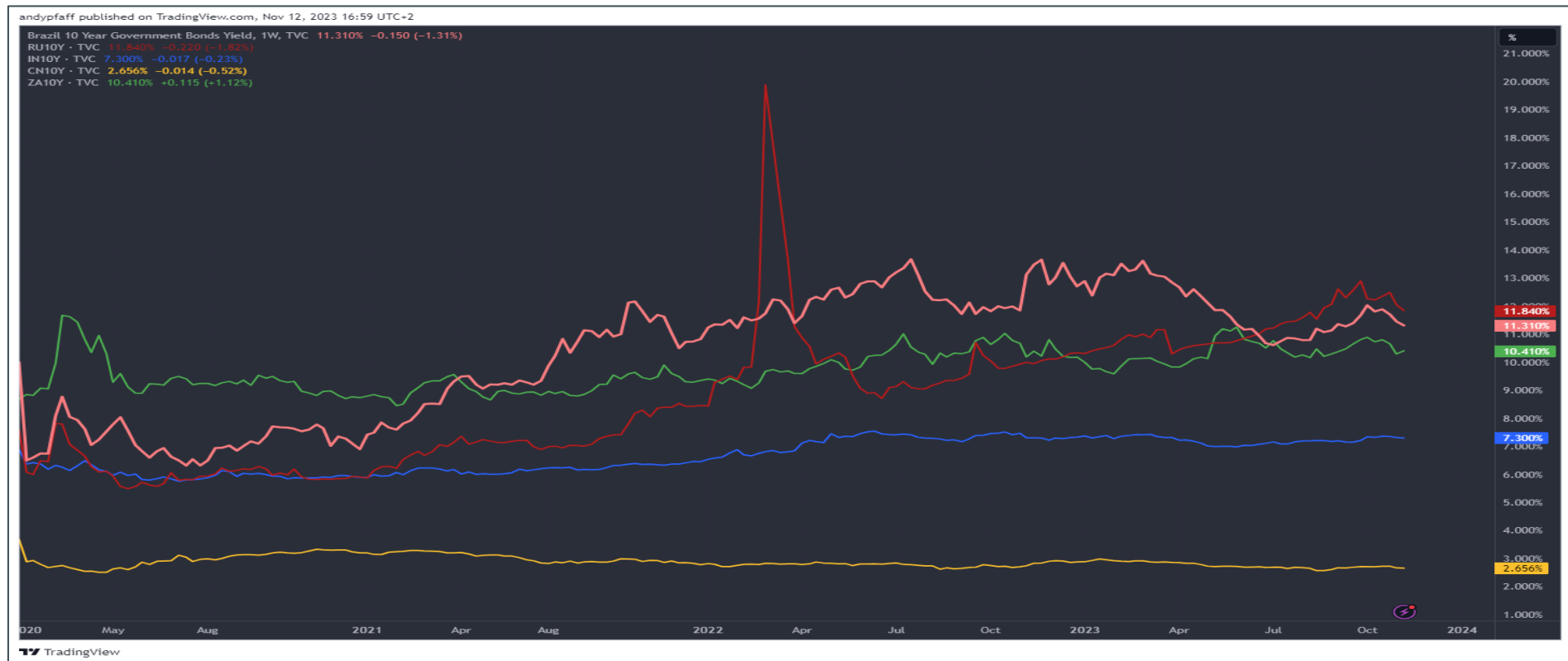
Financials_Bonds_G7 yields

- **US Govt 10yr yield** (6-hourly)
 - Found a short-term trading range for now



Financials_Bonds_BRICS

- **BRICS_Government bond 10yr yields (local currency)**
 - This chart is an aid to establish whether SA moves are in sync with global asset class flows, or whether they are driven by SA-specific factors



Financials_Bonds_BRICS

- **SA 10 Year Government Bond** (yield) (ZAR)(weekly)
 - Structure of rising lows and flat tops (red horizontal) typically breaks out on the flat side
 - So will need to make a new lower low to negate the bearish structure



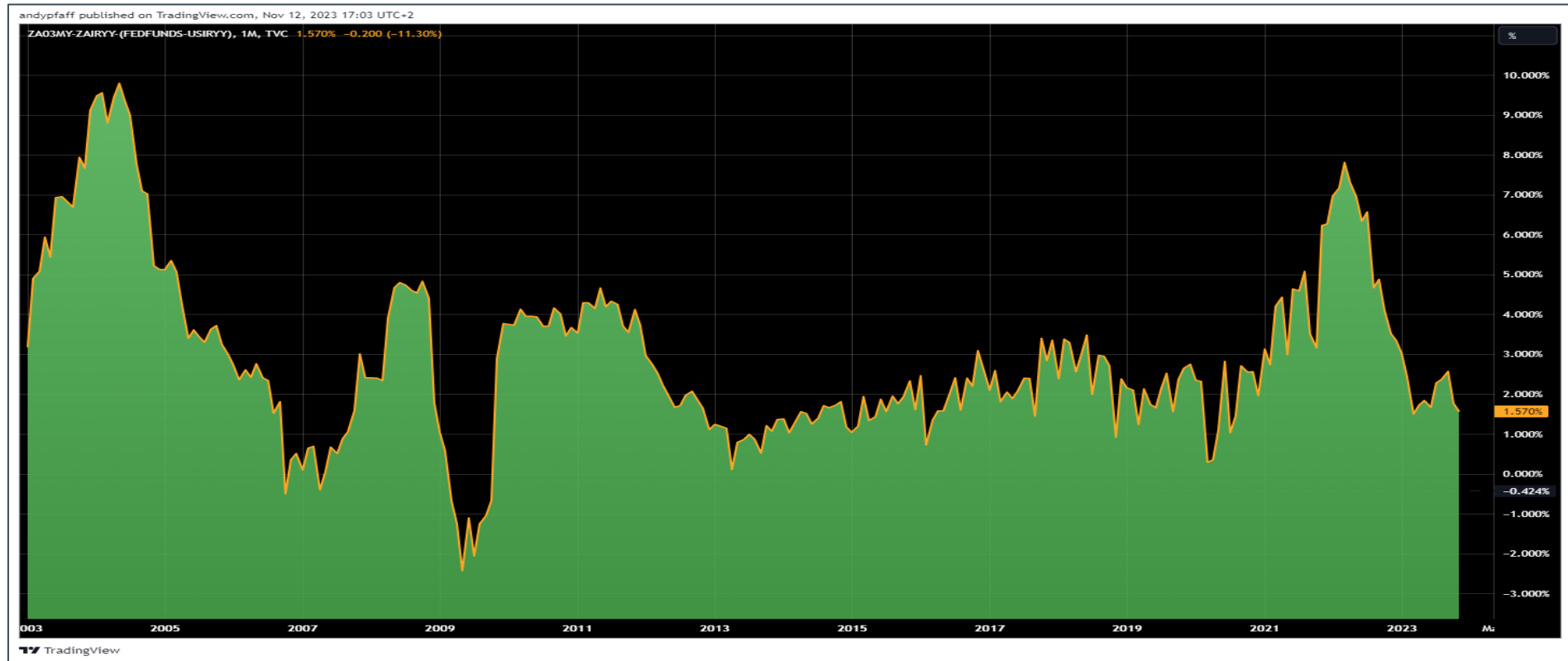
Financials_Bonds_BRICS

- 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 powells powers on



Financials_Fx

- **US \$ index (DXY)** ([weekly chart](#))
 - Attempt at recovery fails



Financials_Fx

- **USD / JPY** (monthly)
 - US \$ re-powers vs JPY



Financials_Fx

- **USD / JPY** (weekly)
 - US \$ re-powers vs JPY



Financials_Fx

- EUR / JPY (weekly)
 - JPY weak but approaching overhead support at 165-00



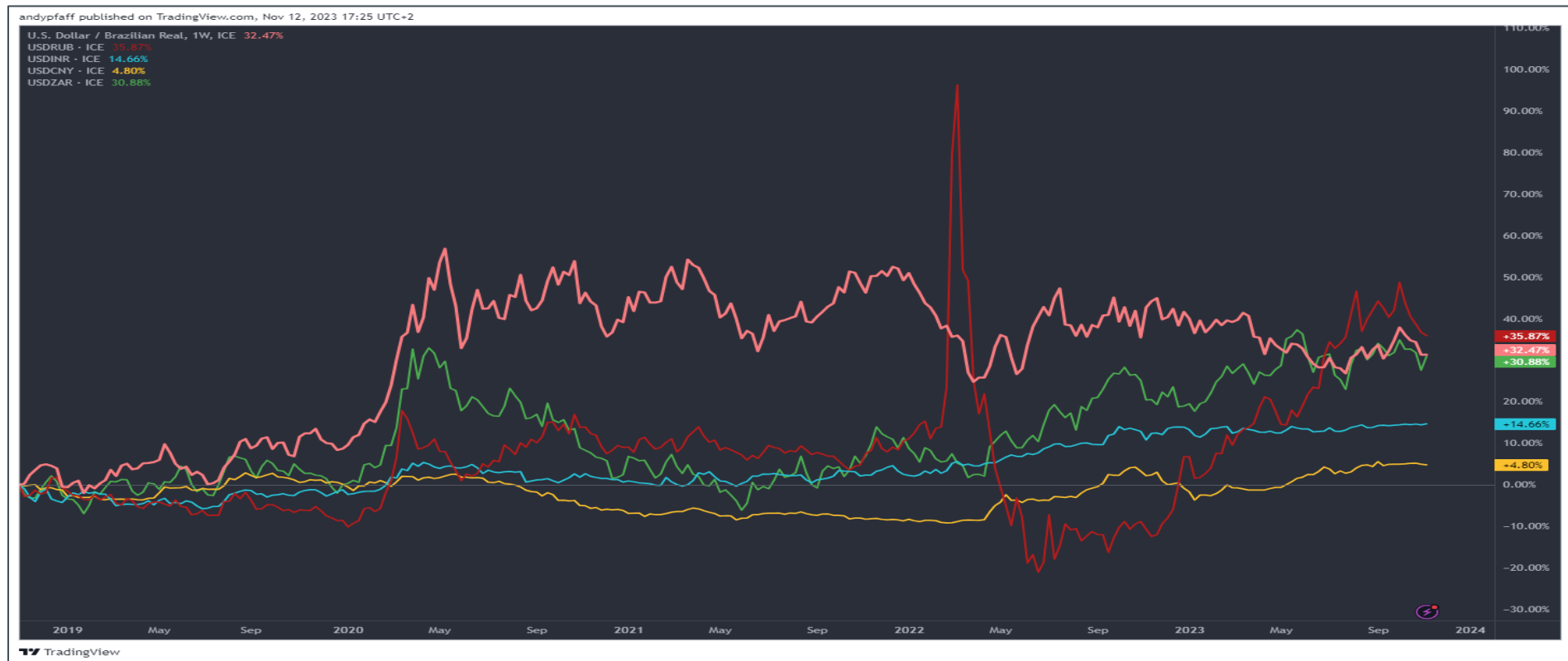
Financials_Fx

- EUR / USD (monthly)
 - EUR support holds



Financials_Fx_BRICS

- **BRICS fx vs US \$ (5yr) (% change)**
 - This chart is an aid to establish whether SA moves are in sync with global asset class flows, or whether they are driven by SA-specific factors
 - SA appears out of sync here?



Financials_Fx_BRICS

- **BRICS fx_ZAR/ US \$** (monthly chart)
 - Testing the bearish channel



Financials_Fx_BRICS

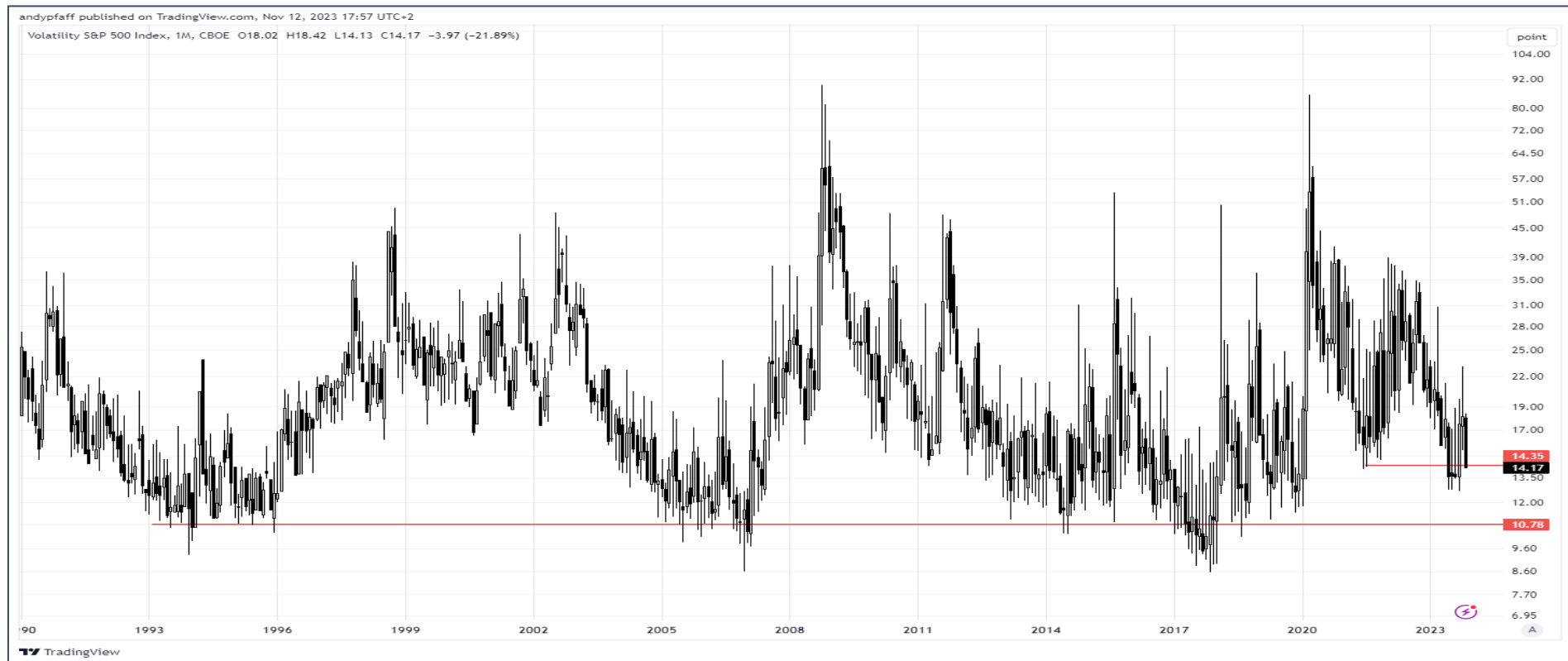
- BRICS fx_ZAR/ US \$ (weekly chart)
 - Testing the bearish channel again



Financials_Equity Indices_Vix (weekly)

- VIX

- Vix \approx (20%) this month
- Is this a misleading indicator or are markets not as troubled as many people think they are.



Financials_Equity Indices_G7

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



Financials_Equity Indices_G7

- **Japan/ Nikkei** (daily)
 - Nikkei support holds, and a new minor high is established



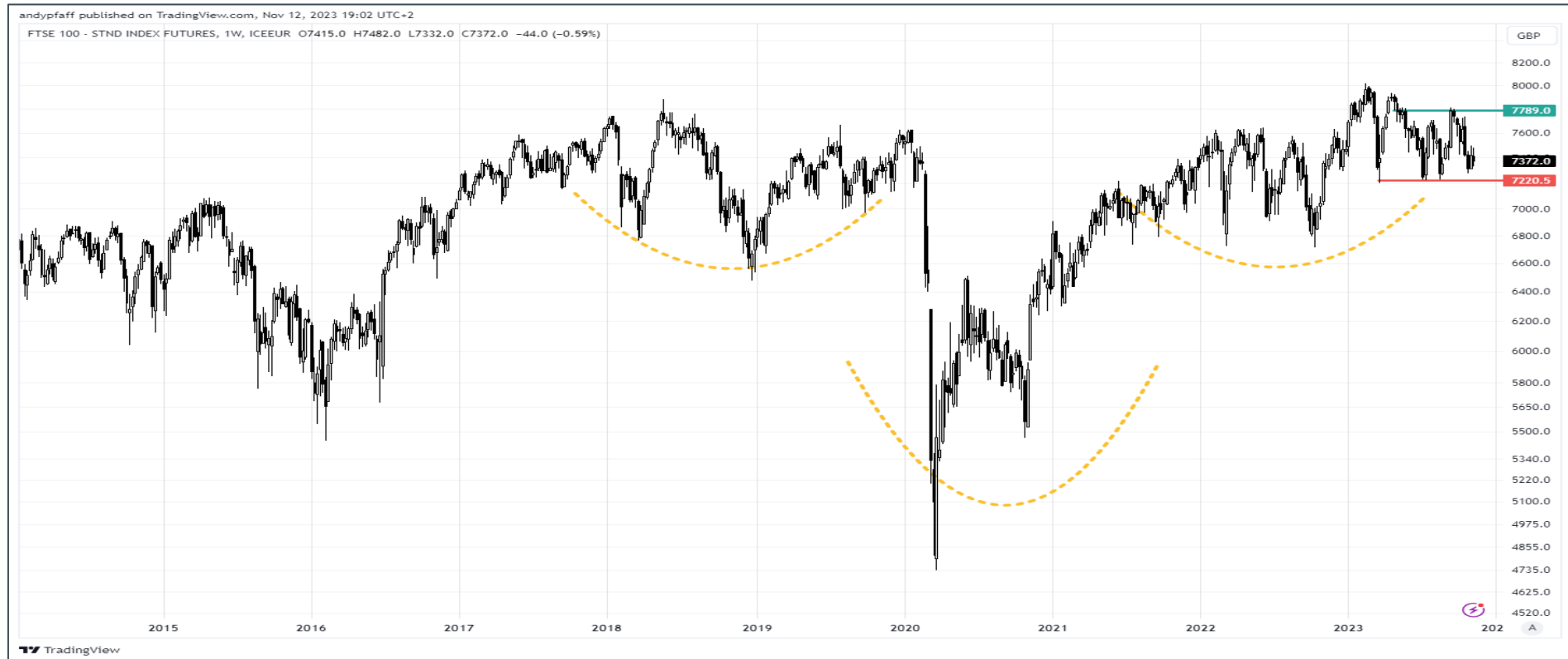
Financials_Equity Indices_G7

- **EU/ Euro Stoxx 600 index futures (weekly)**
 - Still wrestling with overhead resistance



Financials_Equity Indices_G7

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



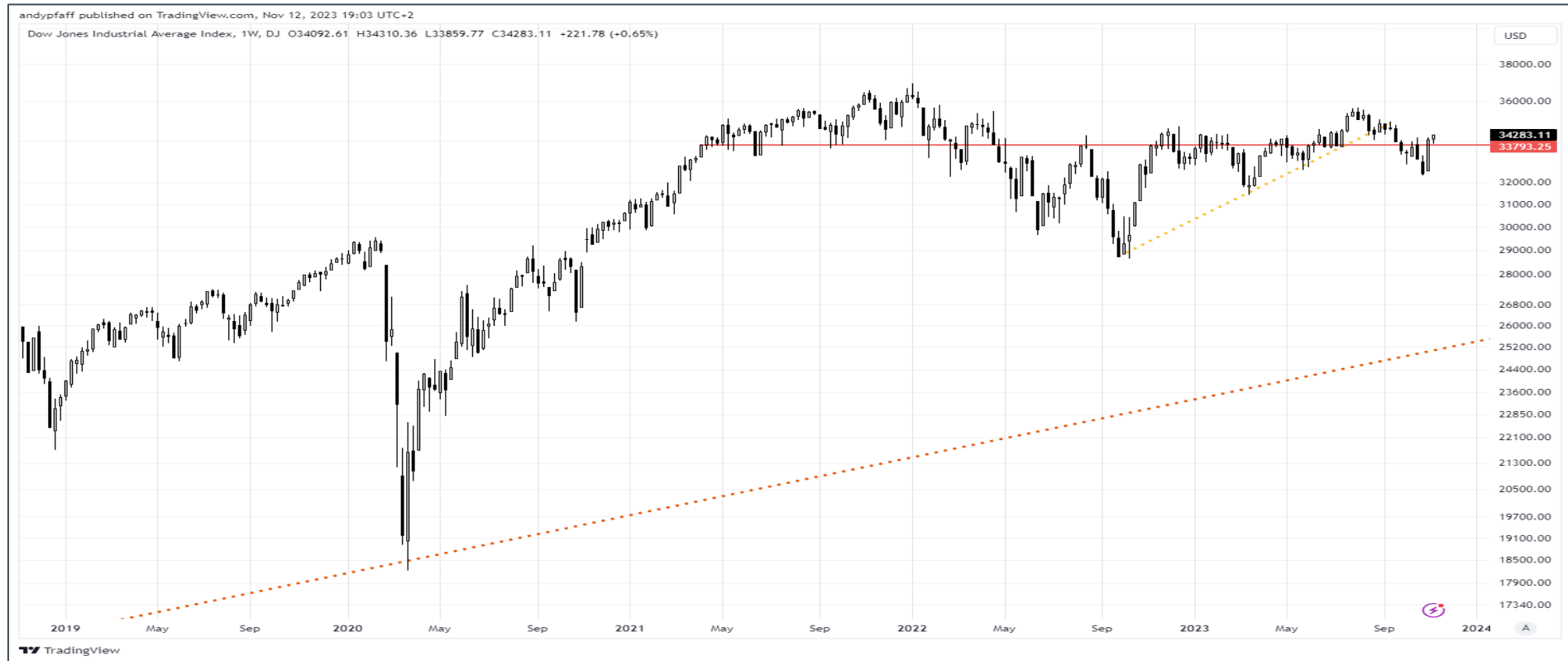
Financials_Equity Indices_G7

- Canada/ S&P Toronto 60
 - Running out of momentum mid-range



Financials_Equity Indices_G7

- **USA/ Dow Jones Industrial Average index** (weekly, 5yrs)
 - Modest improvement but bullish progress



Financials_Equity Indices_G7

- **USA/ DJ Transportation Average index** (weekly)
 - Lagging (non-confirming) DJ industrial index



Financials_Equity Indices_G7

- **USA/ Dow Jones Utilities Average index** (monthly, 20yrs)
 - Also non-confirmation of DJ Industrial index by DJ Utilities
 - **(Trend confirmation is the 3rd Principle of Dow Theory: Transports & Utilities must move in the same direction as Industrials to validate the trend in DJ Industrials)**



Financials_Equity Indices_G7

- **USA/ SP 500 index** (weekly)
 - Modest improvement after a big week, but bullish progress continues



Financials_Equity Indices_G7

- USA/ Russell 2000 index
 - Bounces through overhead resistance then stalls



Financials_Equity Indices_G7

- USA/ Russell 1000 Value index
 - Bounces to mid-range and stalls



Financials_Equity Indices_G7

- **USA/ Nasdaq Composite index** (weekly)
 - Another good week – verging on breaking bullish



Financials_Equity Indices_EM

- MSCI EM index future (\$) (weekly)
 - Not keeping up with the (Dow) Jones'es



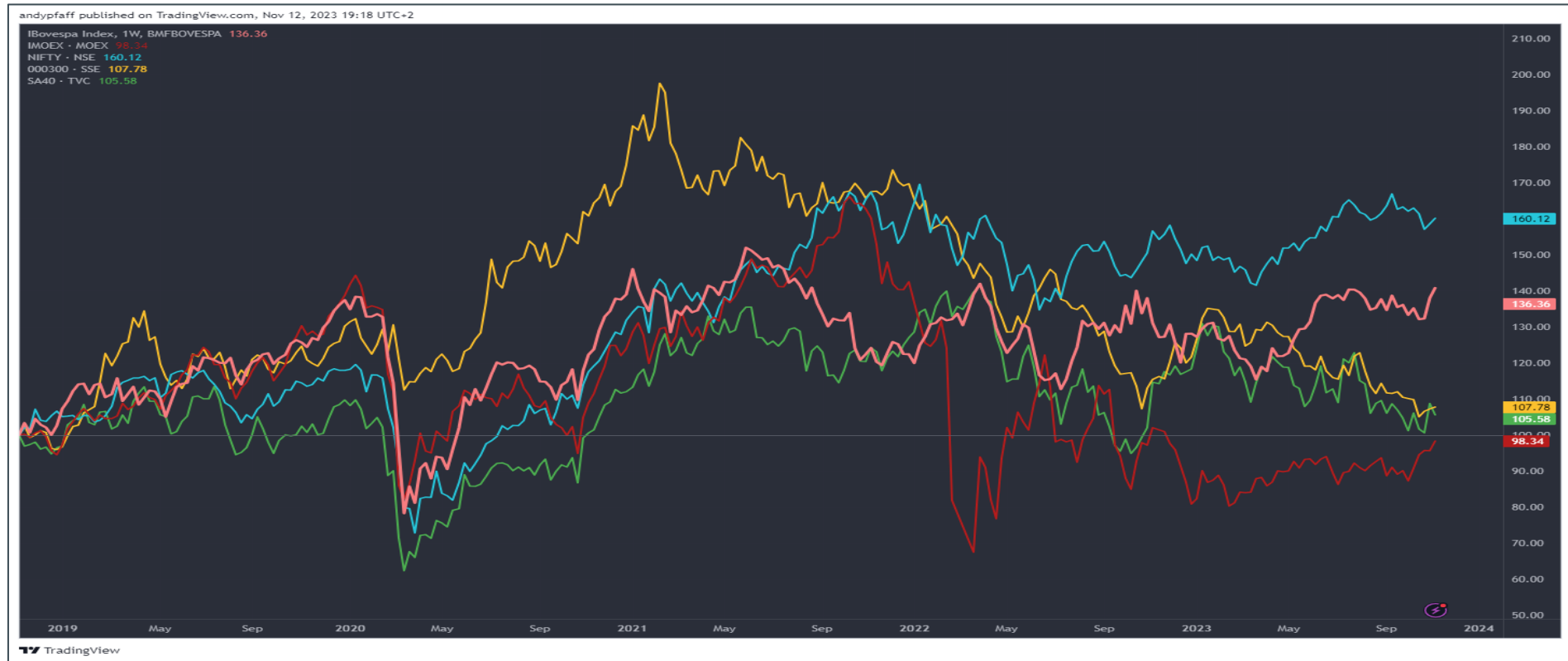
Financials_Equity Indices_BRICS (local currncy)

- (% change since 2018)
- Most bounces less vigorous here – Brazil the exception



Financials_Equity Indices_BRICS (US \$)

- (% change since 2018)
- The capitalists doing better than the communists ?



Financials_Equity Indices_BRICS (local currency)

- **Brazil_Bovespa**

- Having another crack at breaking bullish



Financials_Equity Indices_BRICS (local currency)

- Russia_MOEX25

- Balking at recent high



Financials_Equity Indices_BRICS (local currency)

- India_Nifty 50

- Doesn't have the momentum required to break back bullish



Financials_Equity Indices_BRICS (local currency)

- **China_Shanghai Shenzen CSI 300 (SHSZ300)**
 - Support holding, but no vigour to the bounce
 - “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)”



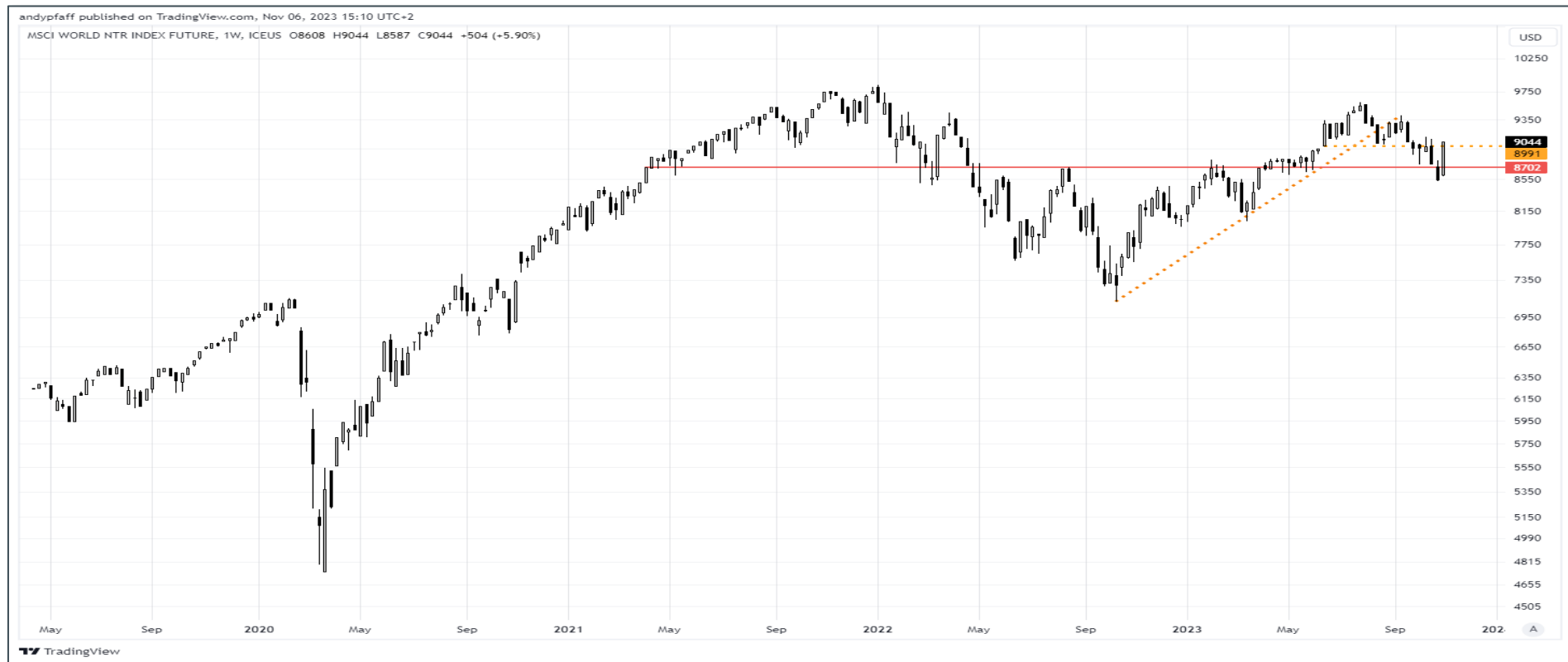
Financials_Equity Indices_BRICS (weekly) (local currency)

- South Africa_Top 40
 - Disappointing bounce



Financials_Property

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



Financials_Property

- **SATRIX Property ETF (SA)**

- Strong bounce back into the range but no follow-through



Commodities indices_\$ (GSCI, CRB, BCOM)

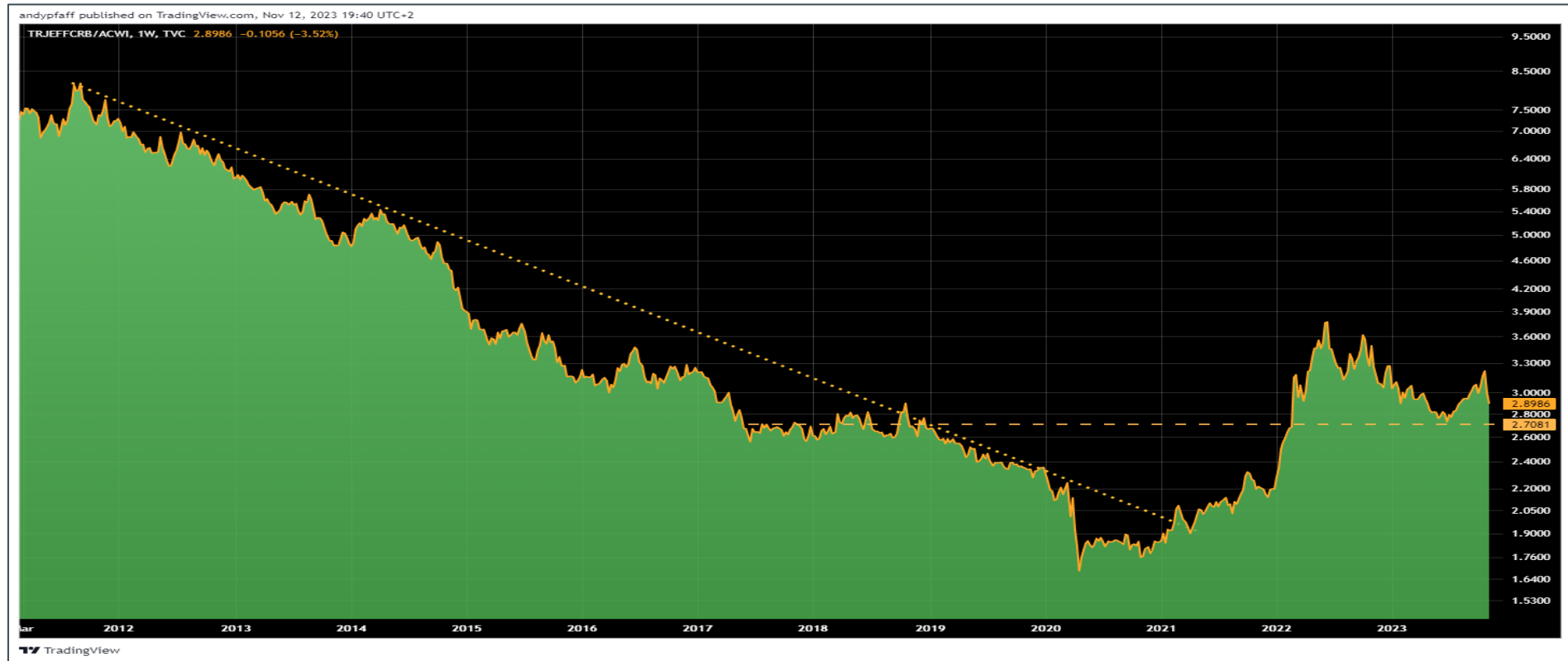


- PGM's & Gold join Oil dragging indices lower



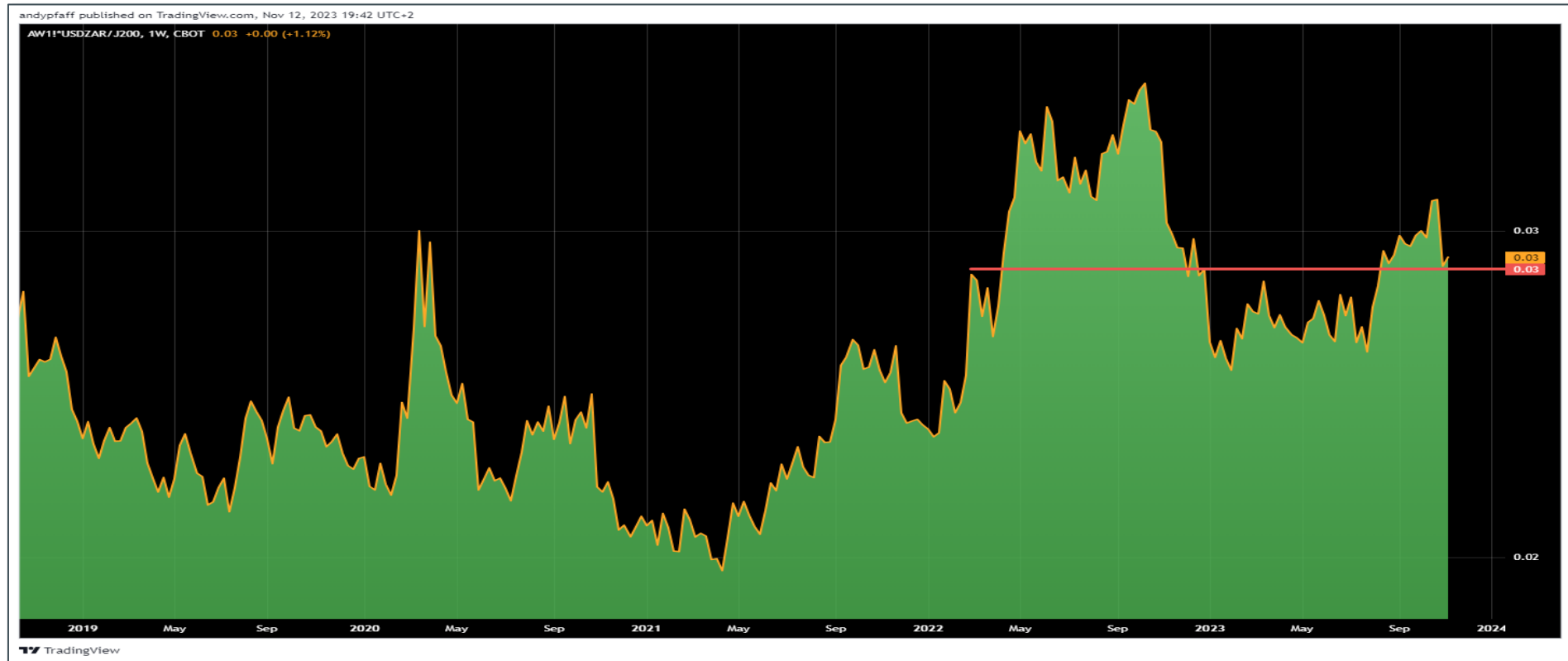
Commodities indices_\$

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



Commodities indices_\$

- **BCom (zar) / JSE Top40 Equity Index** (2014 - 2022)(commodity index/equity index ratio)
 - Strong reversal finds a base?



Commodities_\$

- **BCom_Agriculture** sub-index (monthly)
 - Agri index remains in no-man's-land



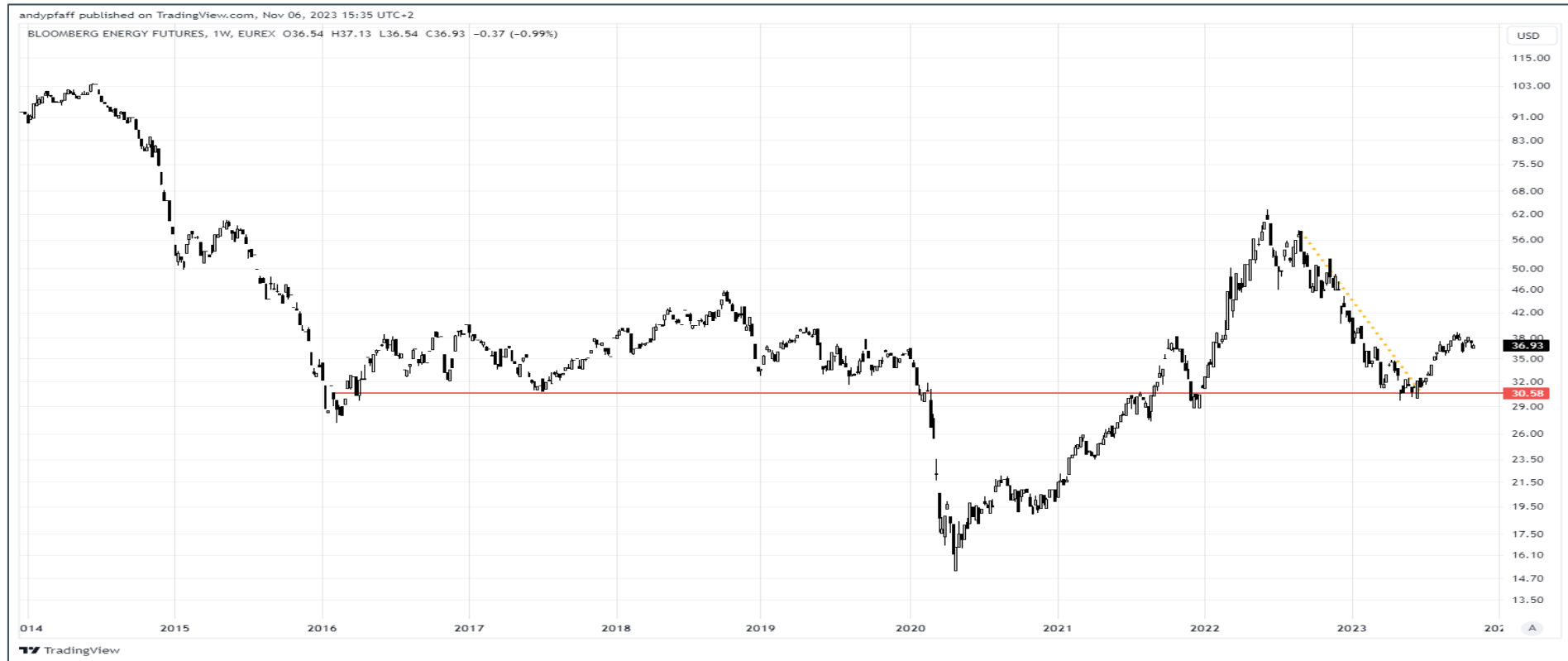
Commodities_\$

- **BCom_Agriculture** sub-index (monthly)
 - Agri index remains in no-man's-land ... but many softs are doing well
 - Cocoa is at ATH and +60% ytd



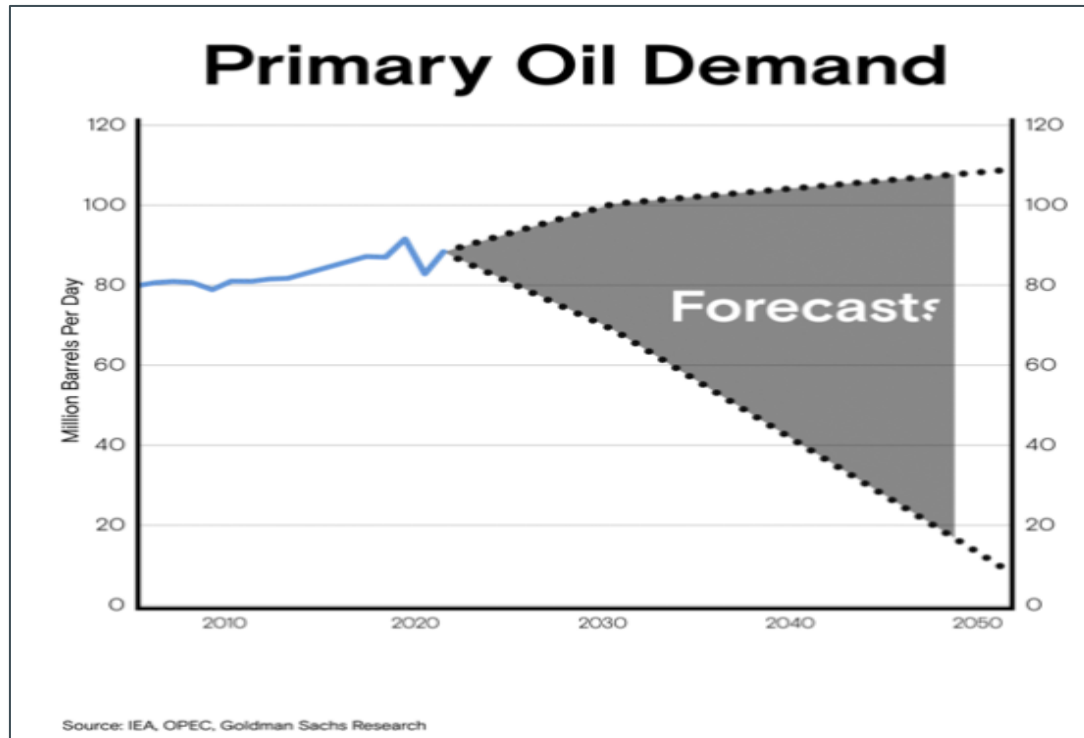
Commodities_\$

- **BCom_Energy** sub-index (monthly)
 - The effect of the decline in gasoline prices could cause US CPI to surprise to the downside



Commodities_\$

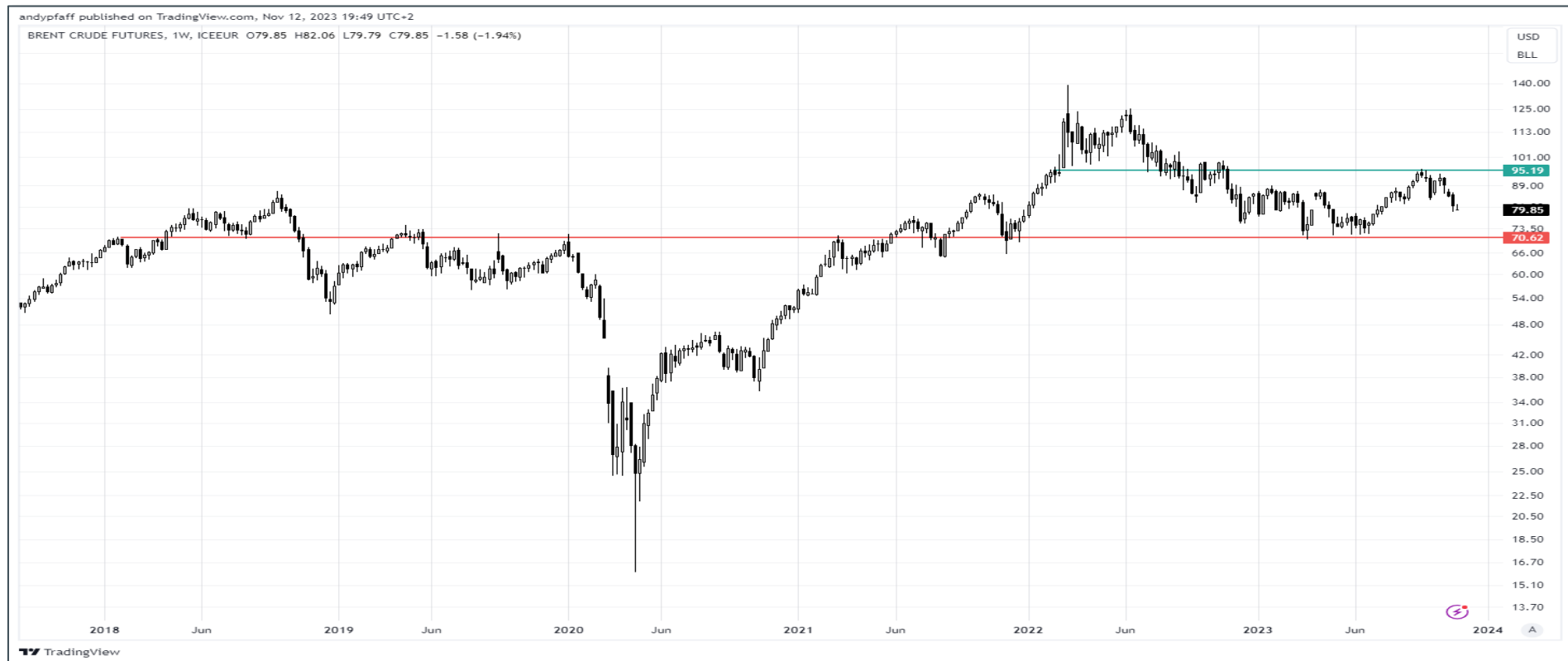
- **BCom_Energy** sub-index_Crude oil (Brent) (weekly)
 - "We believe that the scale of the selloff in oil is exaggerated given that fundamentals are still tight at least in the short term. However, fundamentals are not as bullish as originally anticipated with Russian oil exports edging higher, whilst refinery margins have also been weakening (ING note)
 - OPEC blamed the recent sell-off on exaggerated negative sentiment in the market. "Global supply balances are tight & consumption is healthy. China's imports are healthy and Asian refining margins are strong. Global oil demand to increase by 2.5mb/d this year i.e. 2.5%. (OPEC monthly oil market report)



There is reasonable consensus on current and short-term S&D estimates, but forecasts diverge significantly over longer timeframes.

Commodities_\$

- **BCom_Energy** sub-index_Crude oil (Brent) (weekly)
 - Markets for now seem to have sold off their risk premium for the Israel-Hamas war, with the conflict appearing to remain regional
 - US SPR begins buying back 2022 sell-off



Commodities_\$

- **BCom_Energy** sub-index_Euro Diesel (weekly)
 - Euro-diesel is an NB component of SA fuel price calculations



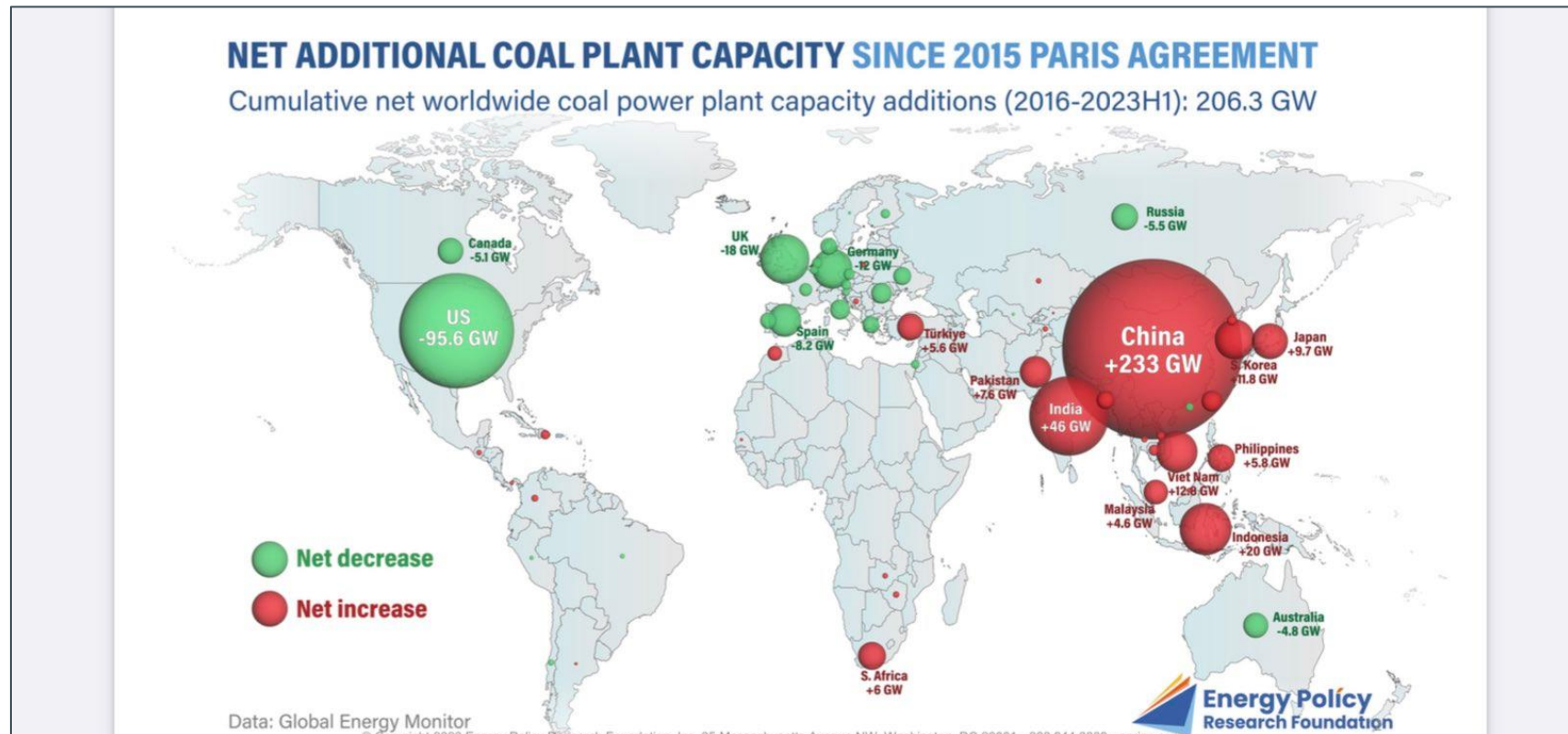
Commodities_\$

- **BCom_Energy** sub-index_Richards Bay coal (weekly)
 - Back into the old range
 - So much for exporting coal during the price bonanza



Commodities_\$

- **BCom_Energy** sub-index_Richards Bay coal (weekly)
 - Change in energy produced from coal since Paris Agreement 2015
 - The west has not reduced carbon emissions, it has “outsourced” carbon emission to China



Commodities_\$

- BCom_Industrial Metals sub-index
 - Another lower high below overhead resistance



Commodities_\$

- **BCom_Industrial Metals sub-index**

- “Talk was focused on China’s breakneck expansion of its copper industry, with its output already hitting a record high this year despite three months of data remaining.
- “This is driving an insatiable appetite for copper ore from abroad as it is only available in limited volumes domestically.



Commodities_\$

- **PGM - Palladium** (monthly)
 - Aggressive sell-off of PGM's



Commodities_\$

- PGM - Platinum
 - Aggressive sell-off of PGM's



Commodities_\$

- **BCom_Precious Metals sub-index_Gold (\$)** (monthly)
 - I told you not to stare !



Commodities_\$

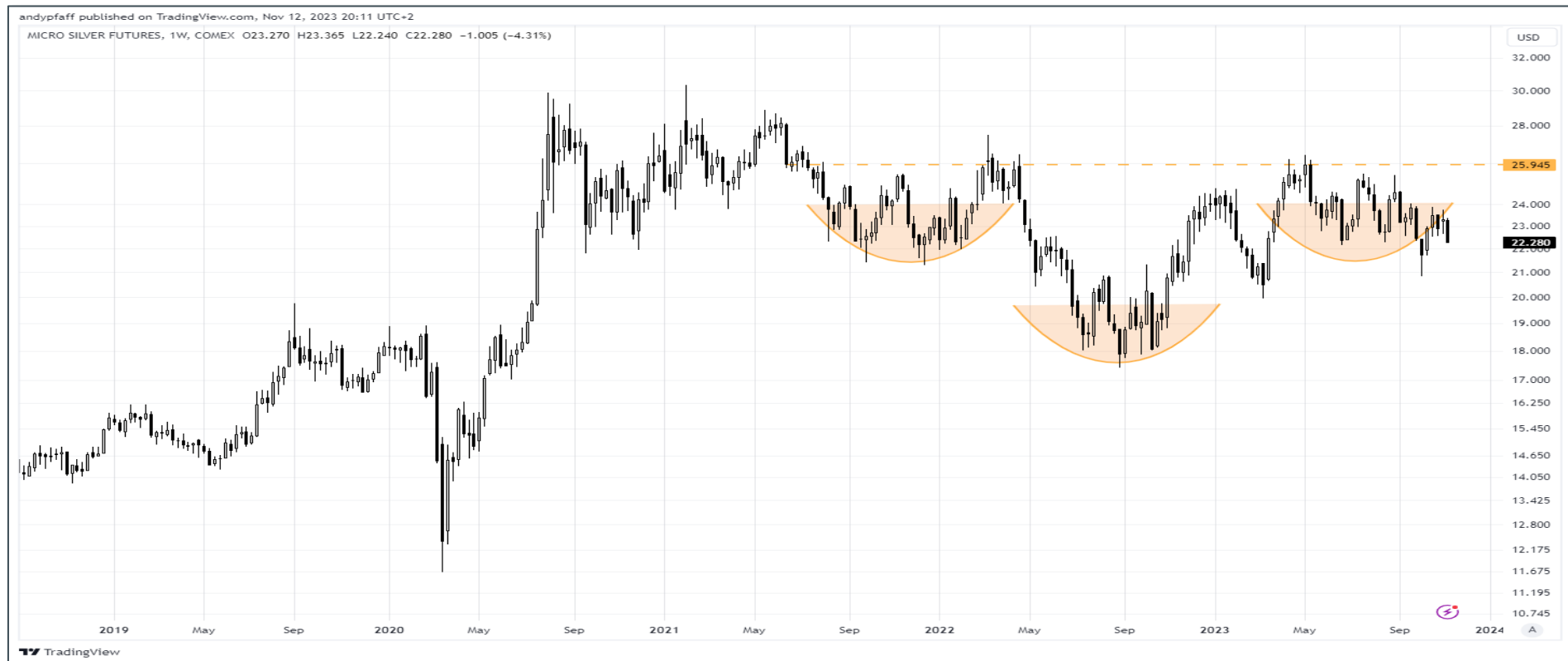
- **BCom_Precious Metals sub-index_Gold (\$)** (weekly)
 - I told you not to stare !



Commodities_\$

- **BCom_Precious Metals sub-index_Silver (\$)** (monthly)

- Bullish Inverse H&S formation aborting ... or is it? back in play 



Commodities_\$

- **BitCoin** (weekly)
 - Digital safe haven breaks bullishy and follows through



Executive Overview:

- **Bonds 10yr**
 - **G7** falling volatility confuses both old & new
 - **BRICS** EM bonds erase risk premium
- **Fx**
 - **G7** DXY regains momentum from hawkish Powell rhetoric
 - **BRICS** ZAR at lower bound of bearish channel
- **Equity indices**
 - **G7** Most bear market rallies are wilting; Nasdaq strongest
 - **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** sell-off on macro demand fears, but OPEC assures market of demand
 - **Metals**
 - Ind. metals: basing action in some individual metals on the back of China stimulus hopes
 - PGM: aggressive sell-off
 - Prec. metals: Don't look

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