

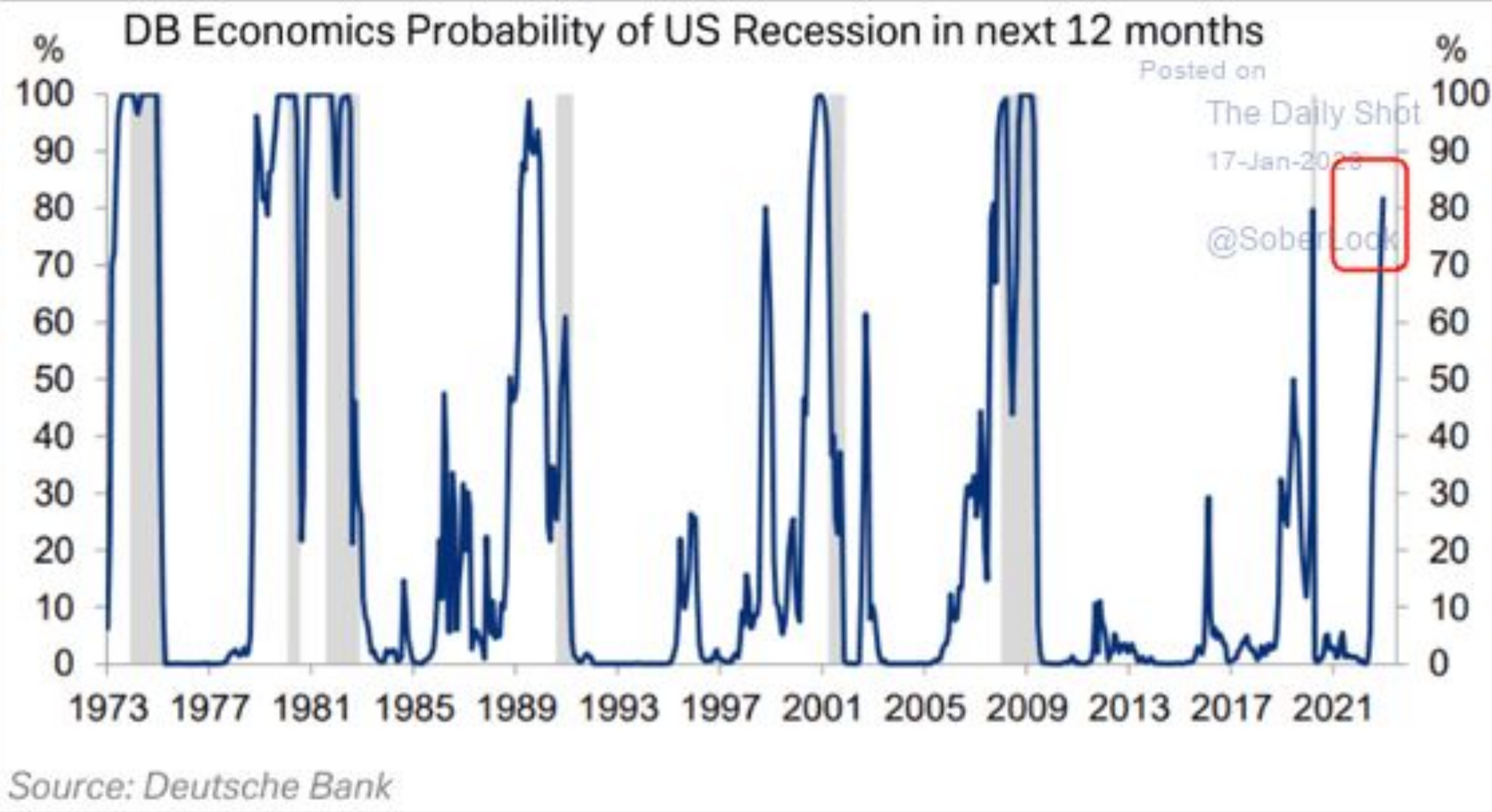


FUNDAMENTAL BEARS VS TECHNICAL BULLS

Agenda : Fundamental Bears vs Technical Bulls

- 3 effects
- Economy
- Valuations
- Earnings
- Price Movement
- Investment Outlook

Economy: The most widely predicted recession ever?



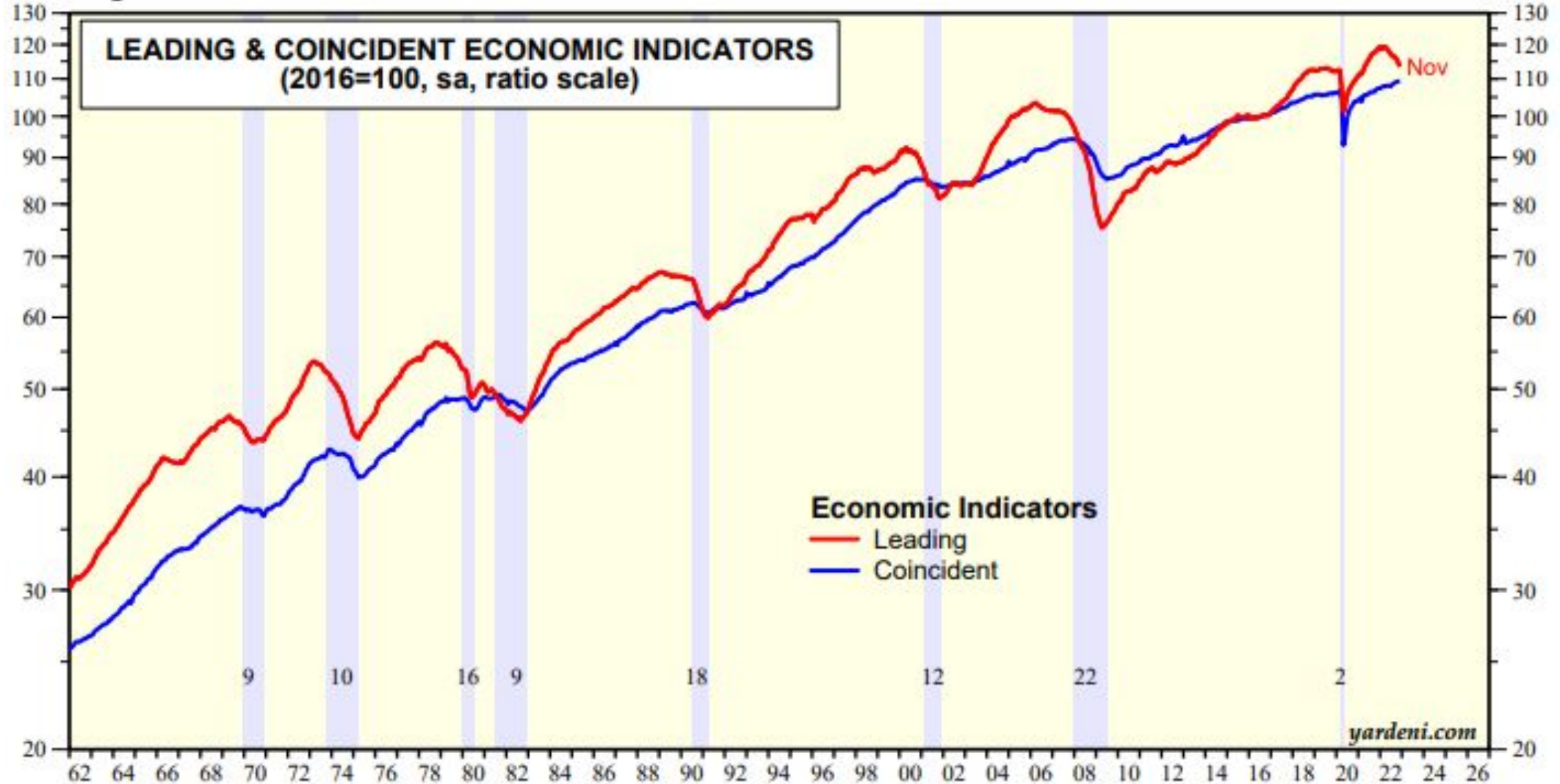
Economy: leading indicators looking sick

Composite leading indicator (CLI) Amplitude adjusted, Long-term average = 100, Jan 2005 – Dec 2022

Source: Composite leading indicators



Economy: Coincident still fine



Note: Shaded areas are recessions according to the National Bureau of Economic Research. Numbers above timeline reflect number of months from peak of leading indicators to peak of business cycle.
Source: The Conference Board.

Valuations a little above average

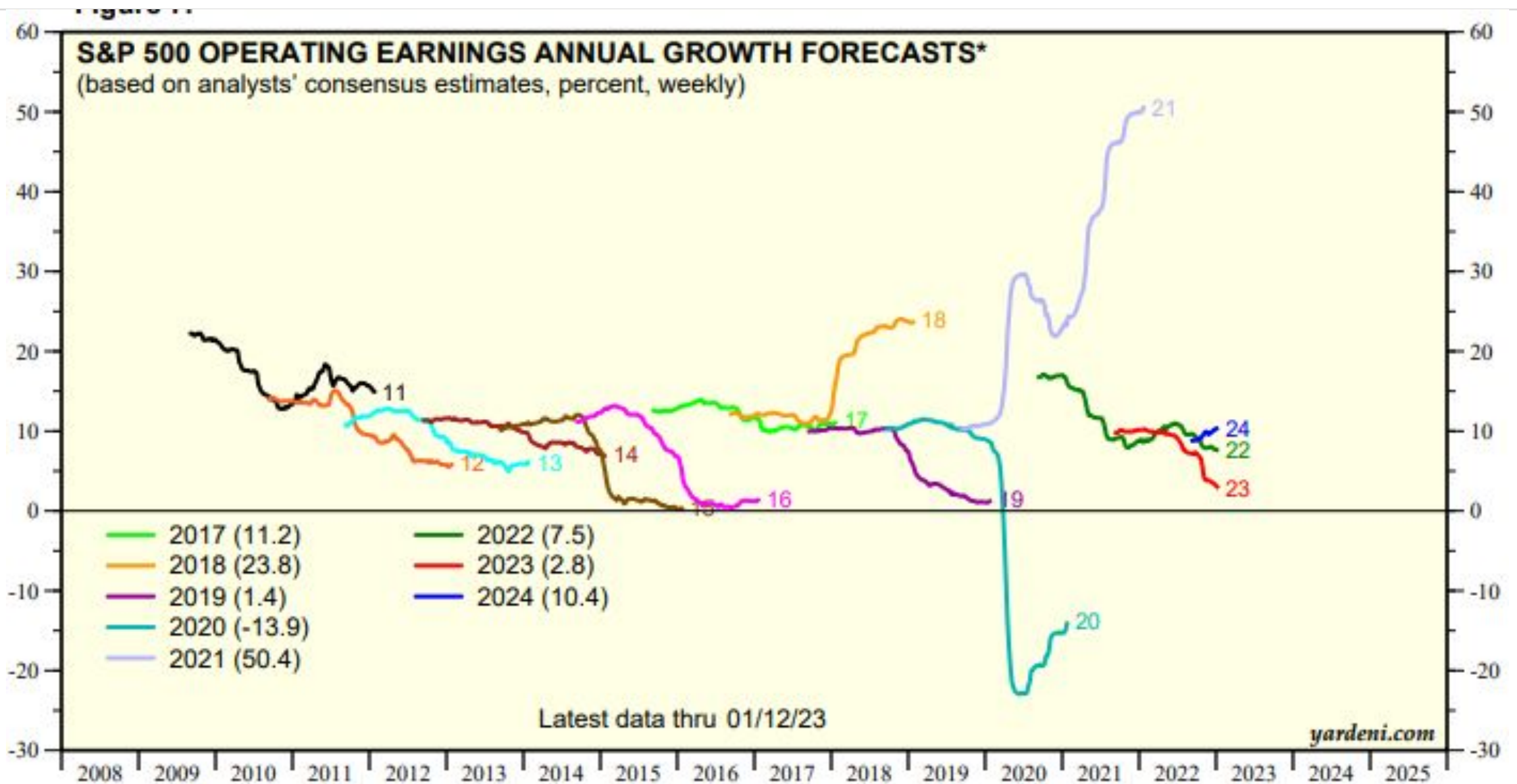
Global 12m Forward Price to Earnings Ratio



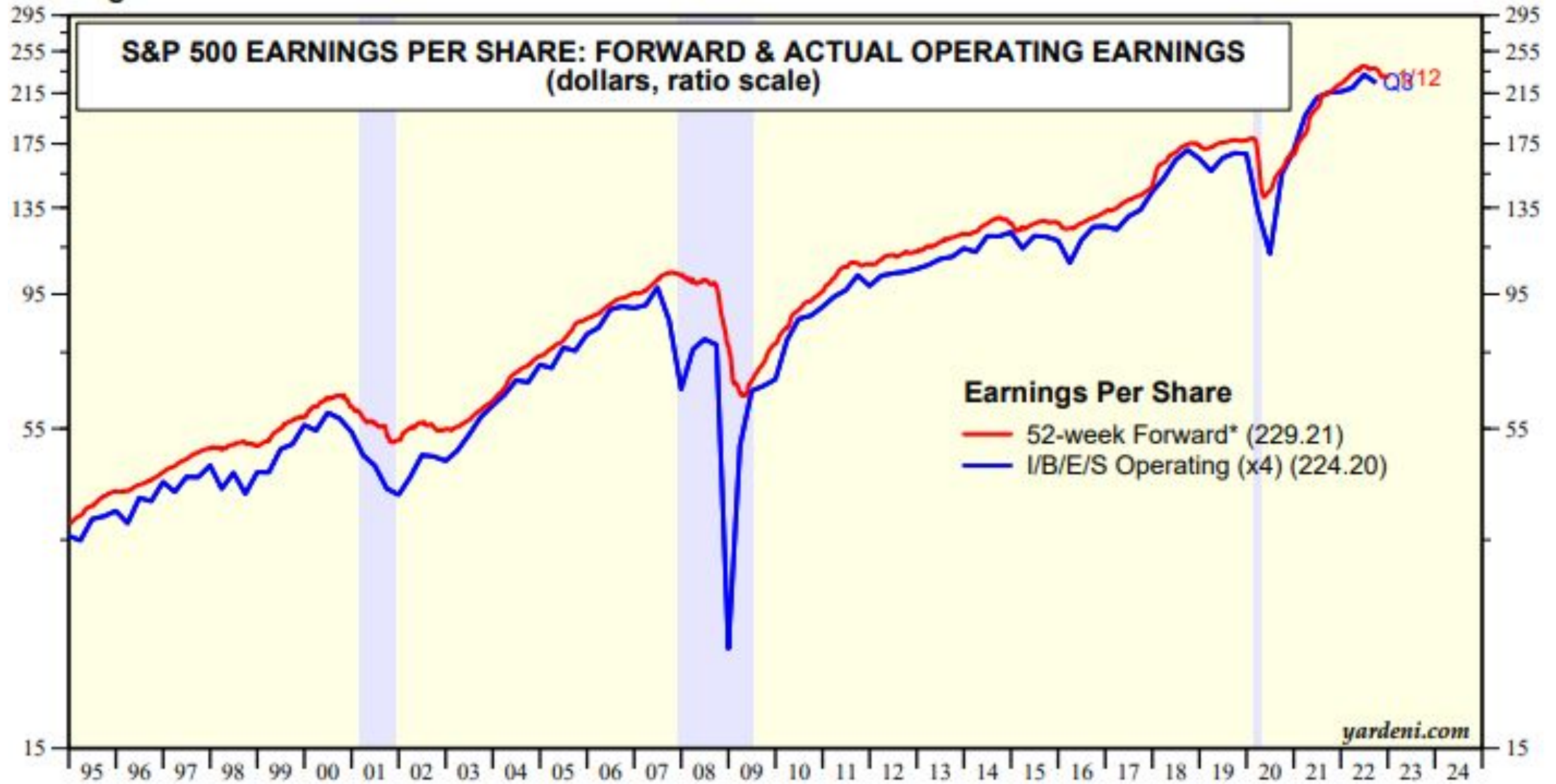
Global 12m Forward P/E ex Banks, Mining, Energy, Insurance



Earnings: falling expectations but positive



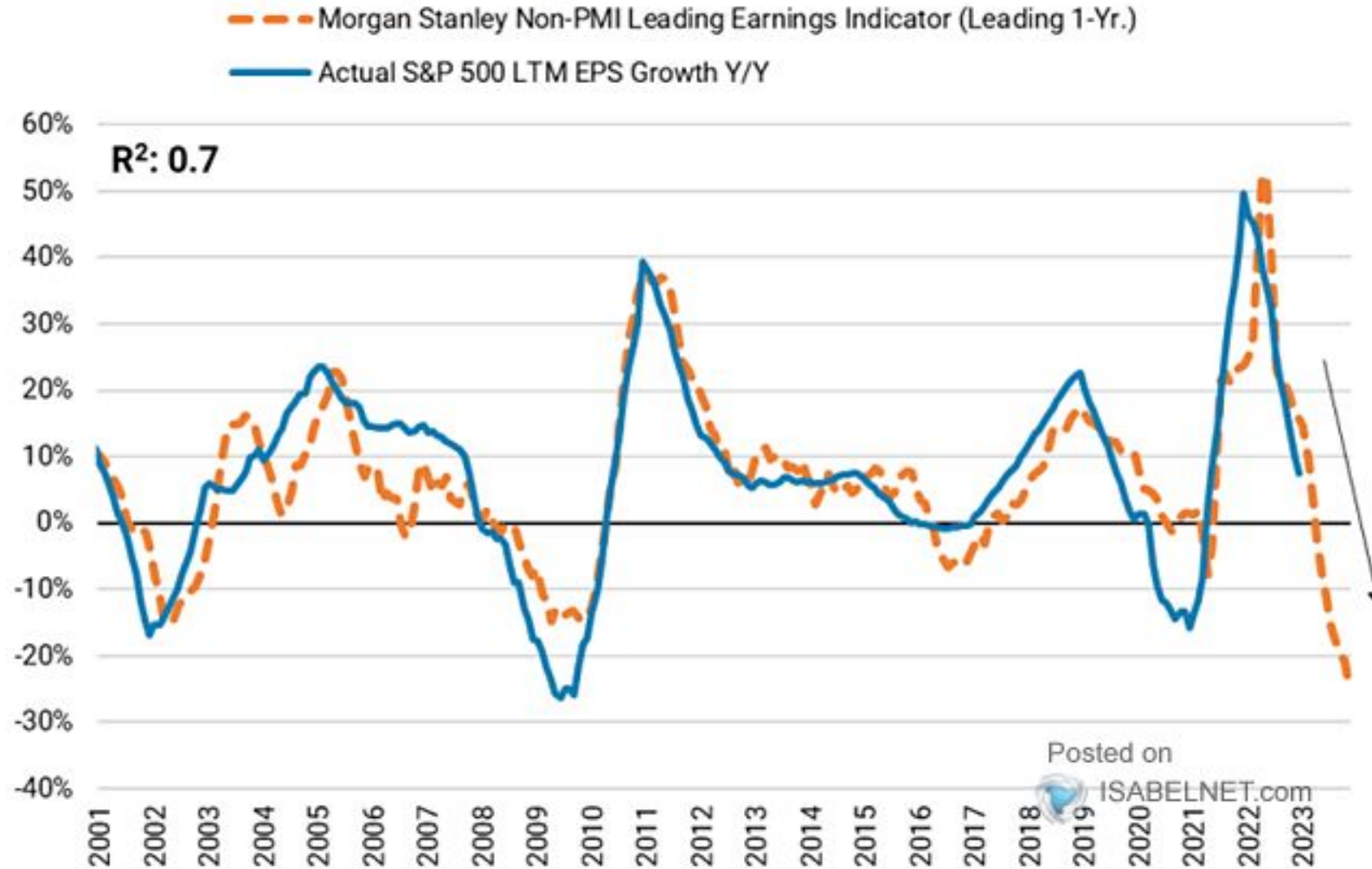
Earnings: falling but positive



* Time-weighted average of consensus operating earnings estimates for current and next years.
Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: I/B/E/S data by Refinitiv.

Earnings: Outlook not good

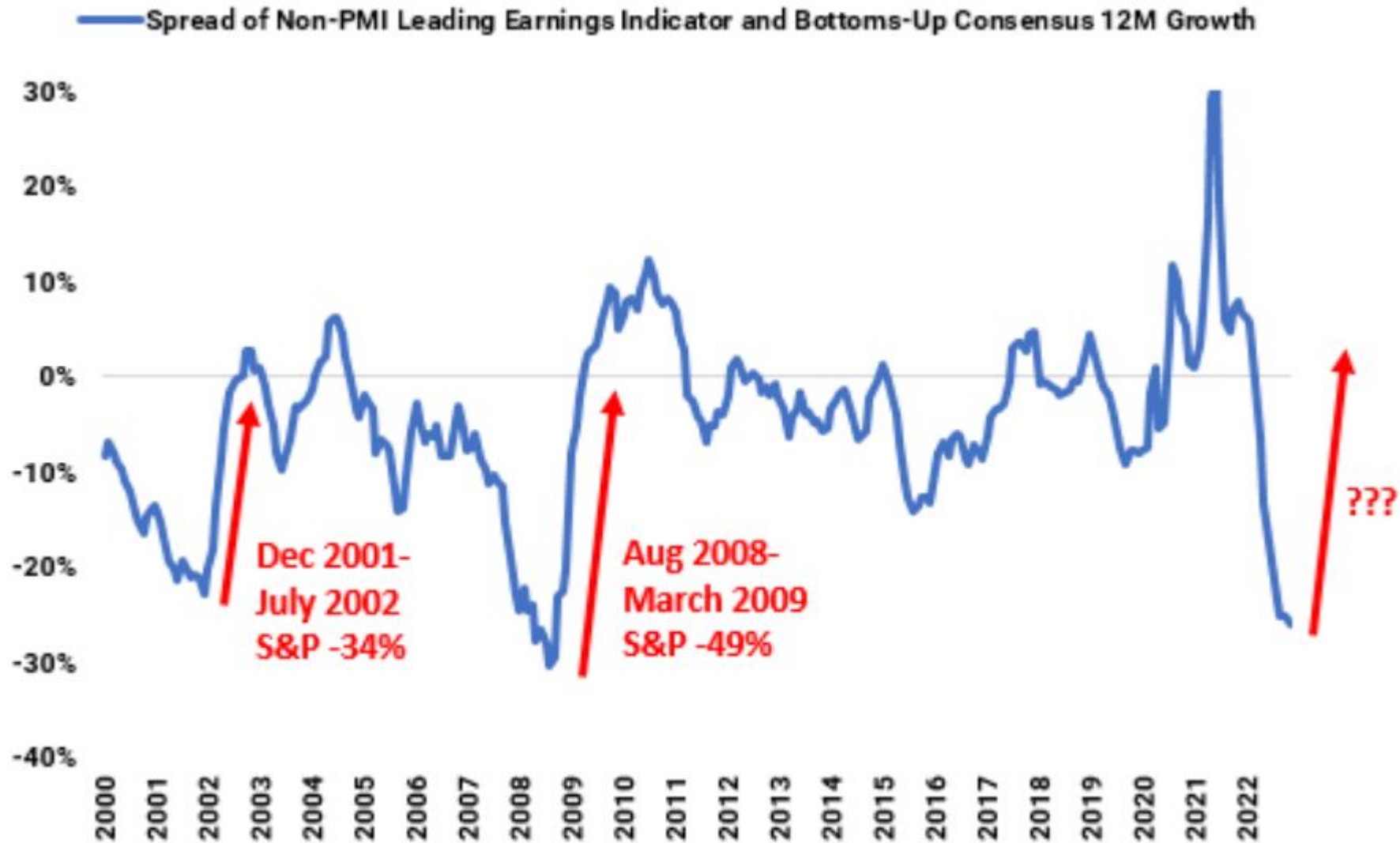
US Non-PMI Leading Earnings Indicator



source: Morgan Stanley

Posted on
ISABELNET.com

Earnings Spread: Looks dire for prices



Prices: Cyclicals outperforming Defensives

Exhibit 1: Cyclicals / Defensives Trying to Break Out—Real Signal or Head Fake?



Source: Bloomberg, Morgan Stanley Research

SPY SPDR S&P 500 ETF NYSE

© StockCharts.com

18-Jan-2023

Open 398.48 High 400.23 Low 391.28 Close 391.49 Volume 162.1M Chg -7.01 (-1.76%)

▲ RSI(14) 50.15

📊 SPY (Weekly) 391.49

— MA(50) 399.26

— MA(200) 357.58

📊 Volume 162,052,800



SPY SPDR S&P 500 ETF NYSE

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18-Jan-2023

Open 399.01 High 400.12 Low 391.28 Close 391.49 Volume 99.4M Chg -6.28 (-1.58%) ▼

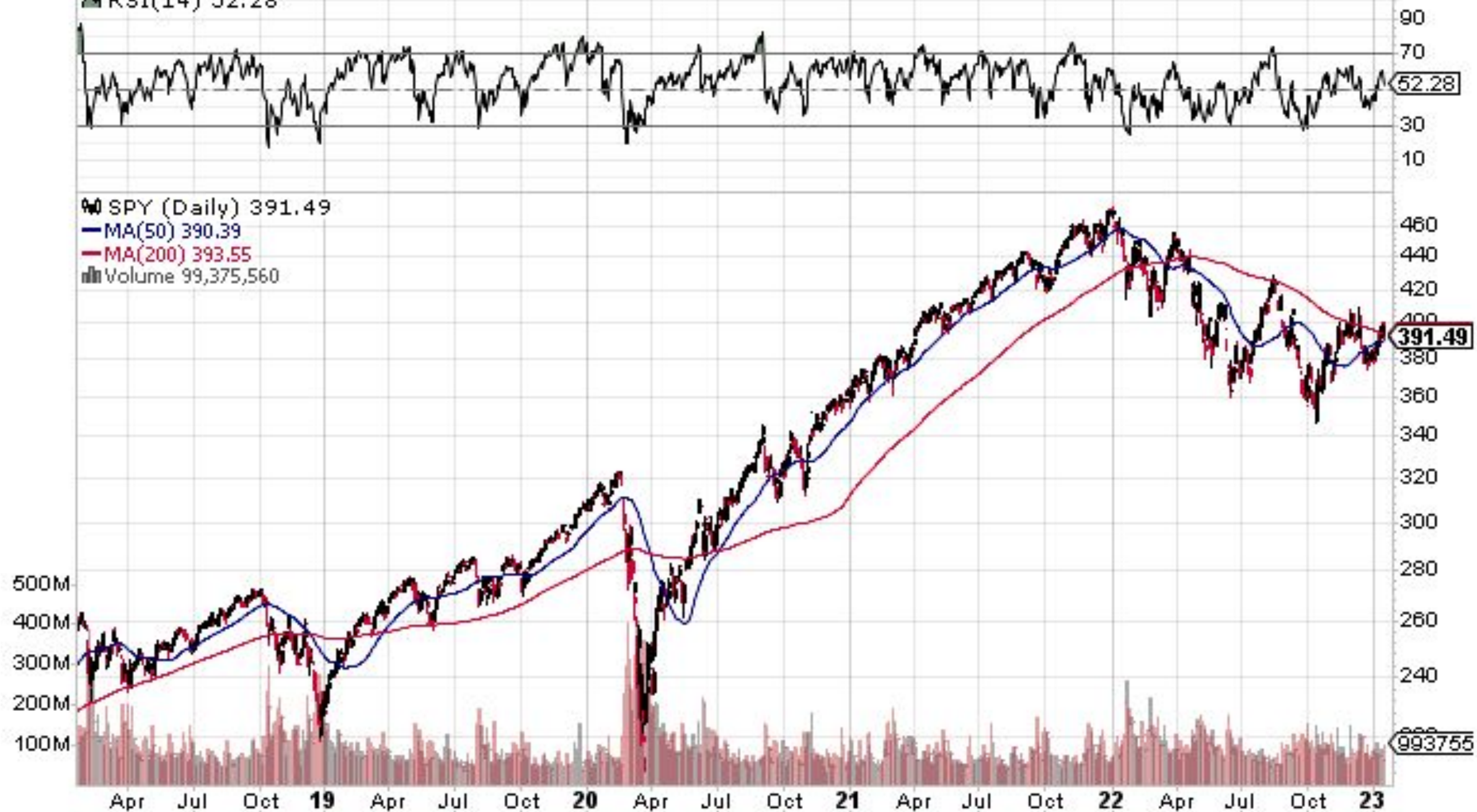
▲ RSI(14) 52.28

📊 SPY (Daily) 391.49

— MA(50) 390.39

— MA(200) 393.55

📊 Volume 99,375,560



52.28

391.49

993755

18-Jan-2023

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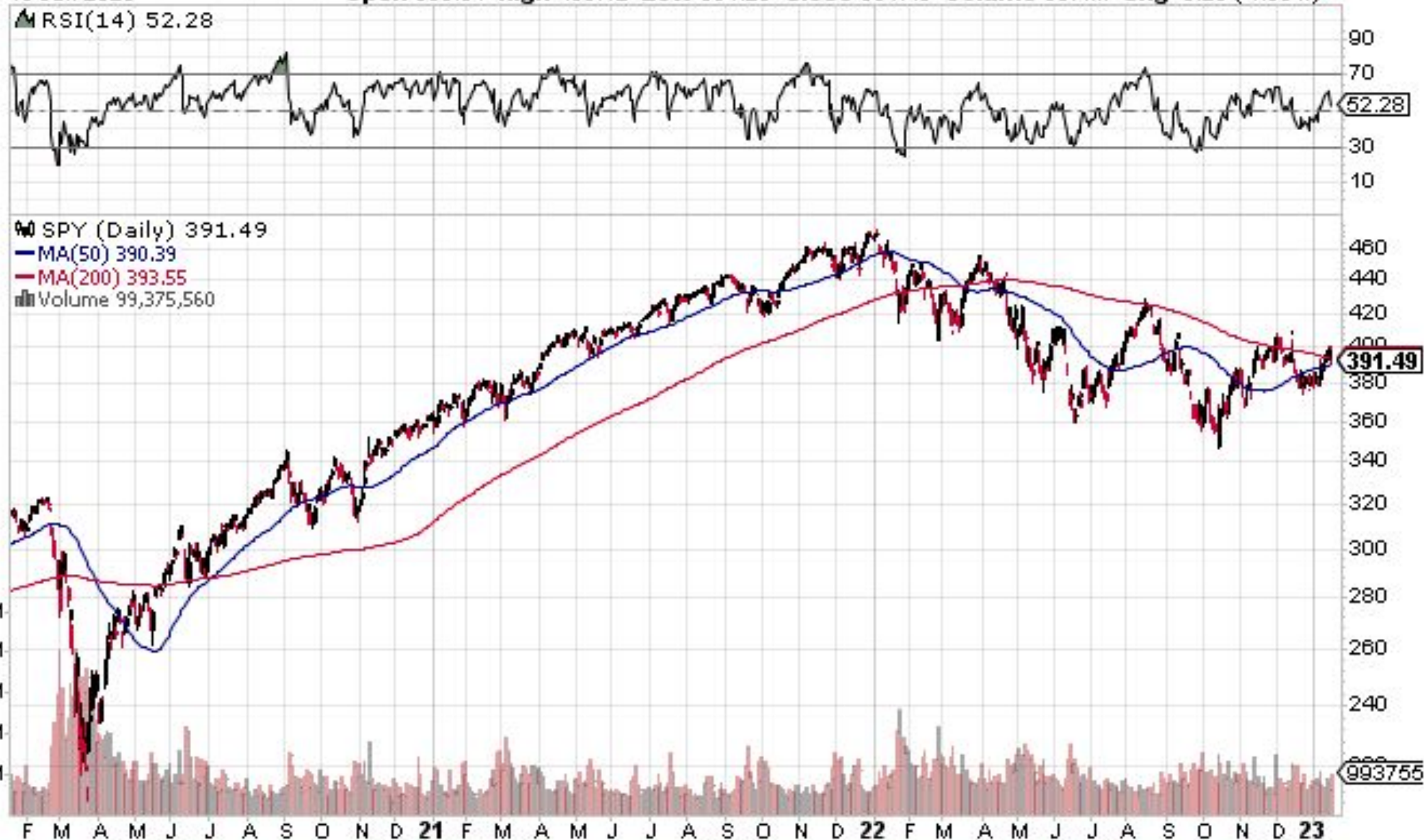
— MA(50) 390.39

— MA(200) 393.55

■ Volume 99,375,560

500M
400M
300M
200M
100M

F M A M J J A S O N D 21 F M A M J J A S O N D 22 F M A M J J A S O N D 23



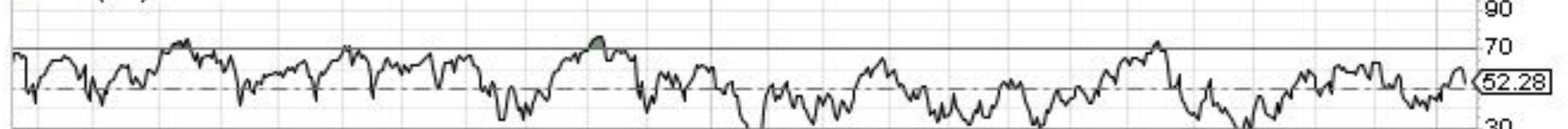
SPY SPDR S&P 500 ETF NYSE

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Market Analogies



Viewer question of the week:

Are you a technical bull or fundamental bear and why?

Drop your answers in the comments

Investment Implications:

- Bonds boom
- Stocks down: long defensive, short cyclical
- AUD bottom in but further weakness likely
- Property bust has another six months at least then RBA cuts
in H2

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