

The Charts That Matter

December 22, 2014

published twice a month



In a nutshell

Assets	22.12 S/T view	22.12 L/T view	02.12 S/T view	02.12 L/T view	Comments
Cash	Green	Green	Green	Grey	Keep some cash for opportunities.
Investment grade bonds	Green	Red	Red	Red	Some opportunities in Energy
High yield bonds	Green	Red	Red	Red	Opportunities. Be selective.
Sovereign bonds	Red	Red	Red	Red	Bubble
Convertibles bonds	Green	Red	Red	Red	Opportunities. Be selective.
European equities	Green	Green	Red	Green	Waiting for Draghi...
US Equities	Green	Red	Red	Red	Closer to a top than a bottom!
Japanese equities	Grey	Green	Grey	Grey	No view. Hard to understand.
Emerging equities	Green	Green	Green	Green	Chinese stocks have room for improvement.
Precious metals	Green	Green	Green	Green	Bottom in place?
Oil	Green	Green	Green	Grey	Capitulation
Hedge funds	Green	Green	Green	Green	CTAs and Macro strategies are attractive
Volatility	Green	Green	Green	Green	Buy volatility on dips is a good strategy
USD	Red	Grey	Red	Grey	Looks stretched short term

Negative
Positive
No view

Oil fiasco

- Who's behind the drop?
 - Putin? Saudi Arabia? US? China? Hedge funds? Supply?
- Where is the [intermediate?] bottom?
 - Now ?
 - 30 USD ?
 - When we start to hear "Oil will drop to 20 USD"?

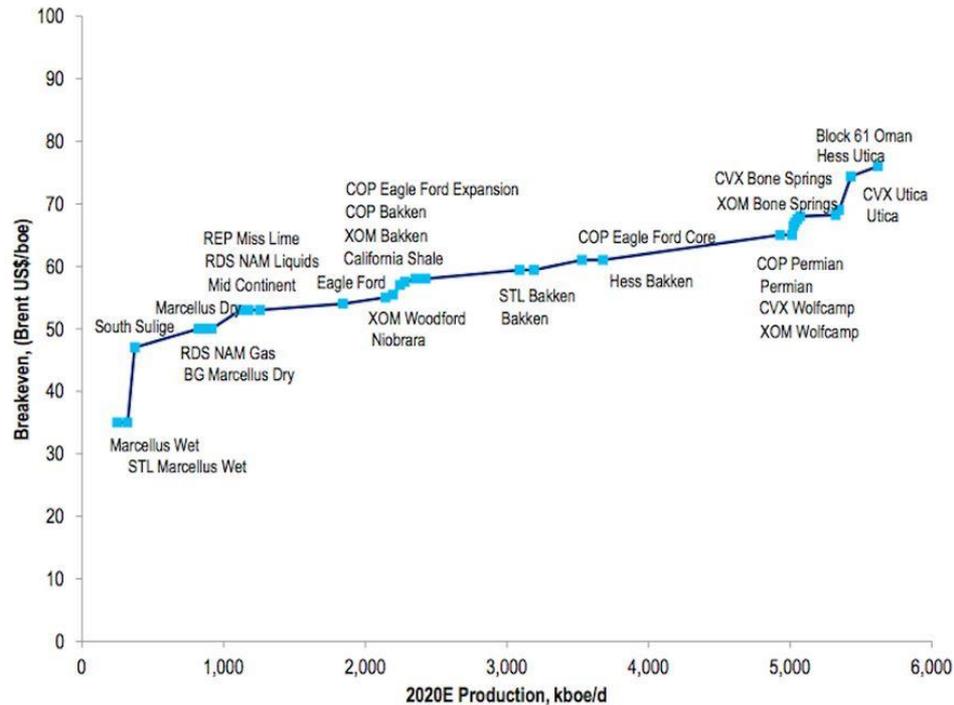
Short term, oil looks closer to a bottom than to a top ;-)



US shale oil

Ooops!

- Not sure that Obama expected the oil price to go so low (...)
- Most of shale oil projects are breakeven above 50 USD
- Is shale oil just an illusion?



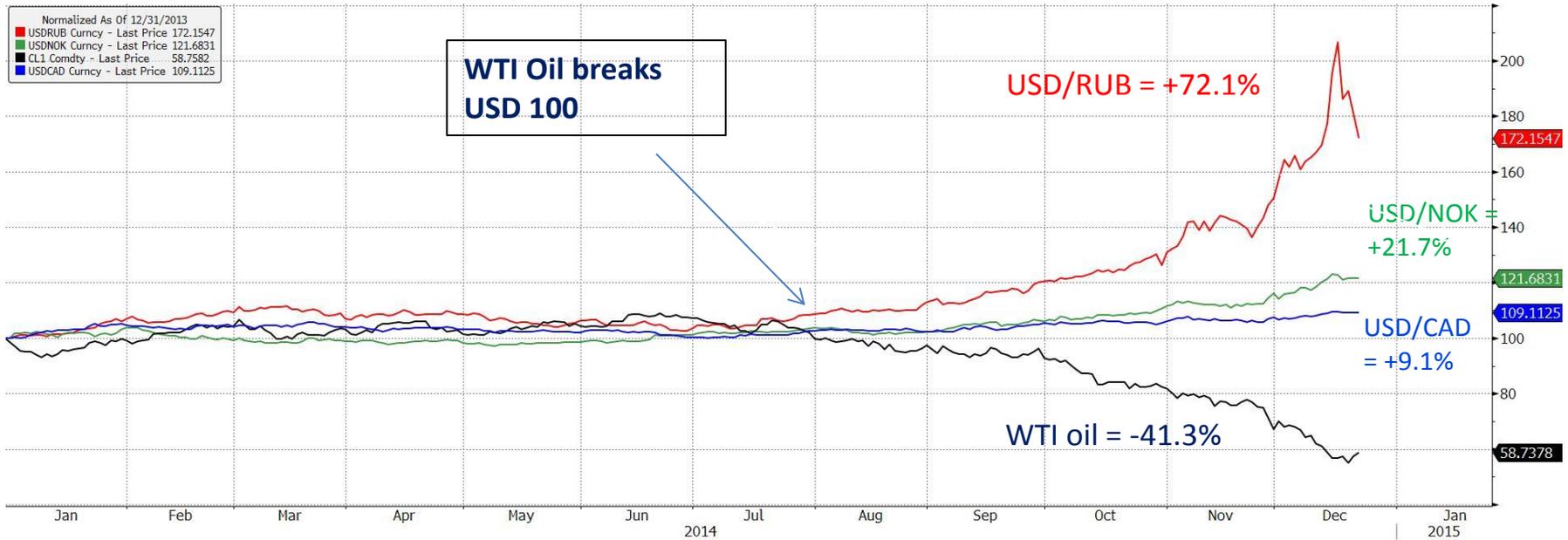
Source : businessinsider.com/Citigroup

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Oil currencies hit hard

Worse over?

- RUB was in total free-fall. Is the worse over?
- NOK is not RUB. Looks attractive at these levels.
- CAD the strongest of the weakest oil currencies.



USDRUB Currency (Russian Ruble SPOT (TOM)) Graph 68

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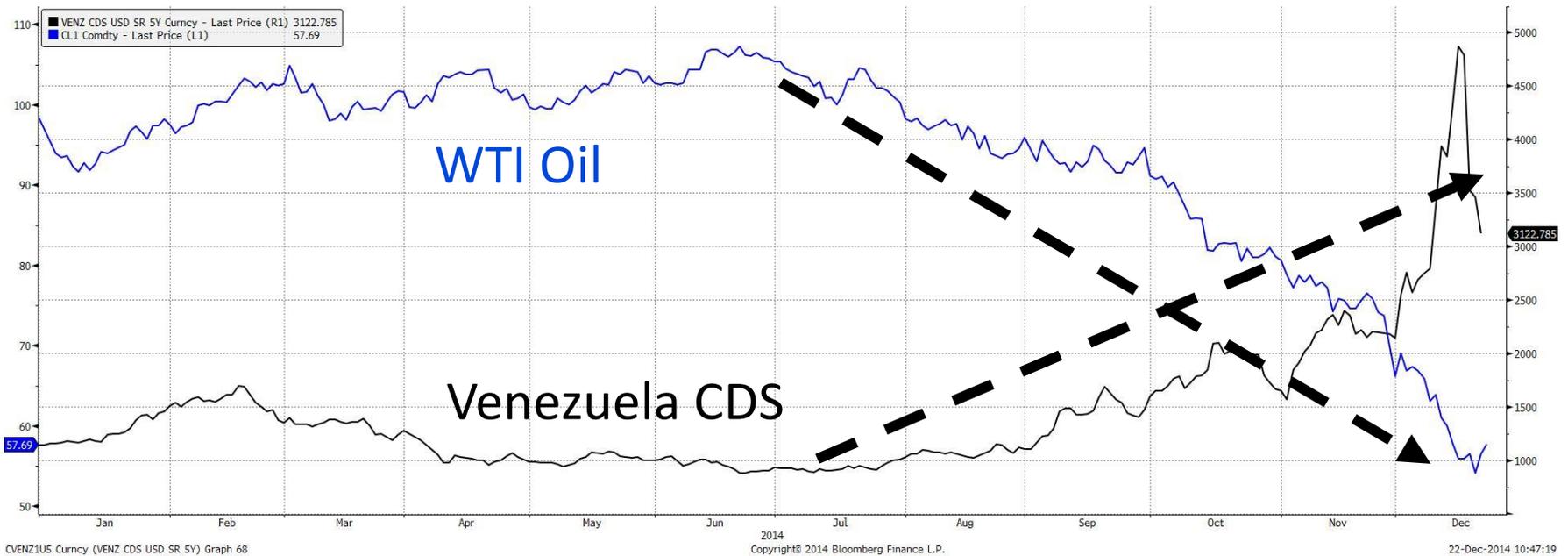
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Venezuela

Oil, what else?

- 3'122 = level of Venezuelan CDS!
- They reached 5'000 a couple days ago!
- Oil revenues represents 12% of GDP and roughly 96% of total exports

It seems that Venezuelan economy depends on oil

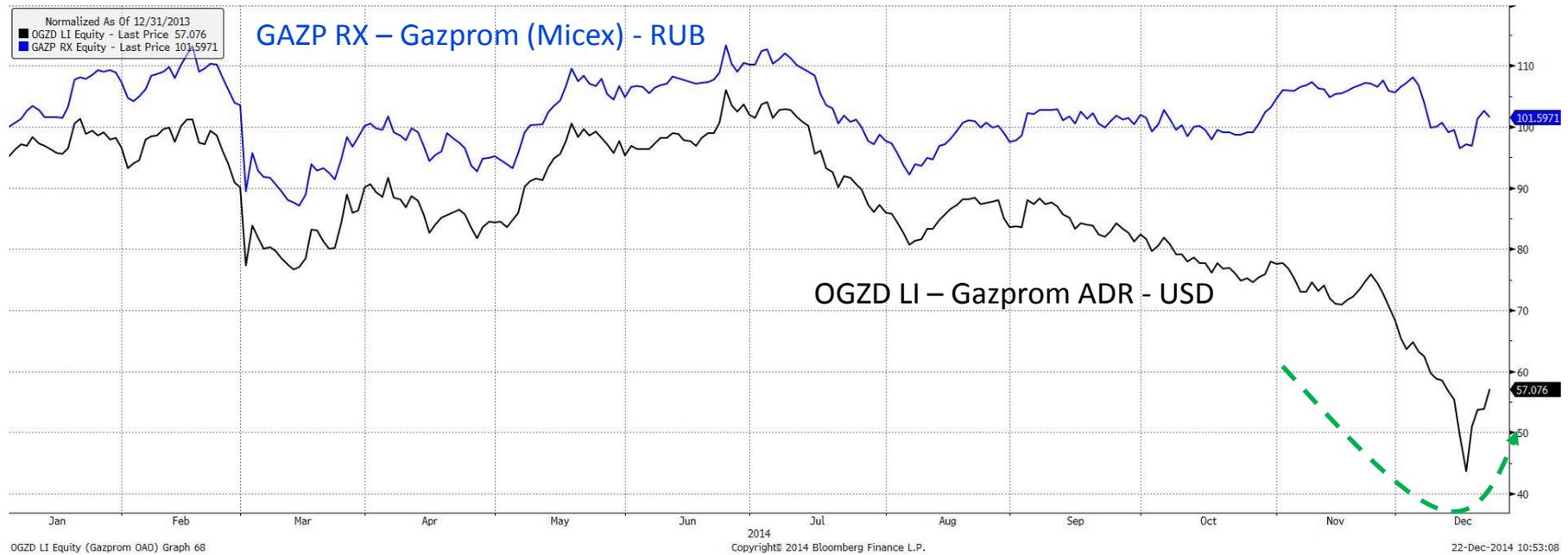


Gazprom YTD

Not so bad in RUB! Terrible in USD...

- Cheap enough @ 2.90x earnings?
- ADR down 42.9% YTD, local up 1.6%
- 8.14% yield in USD.

Did margin calls exacerbate the decline?

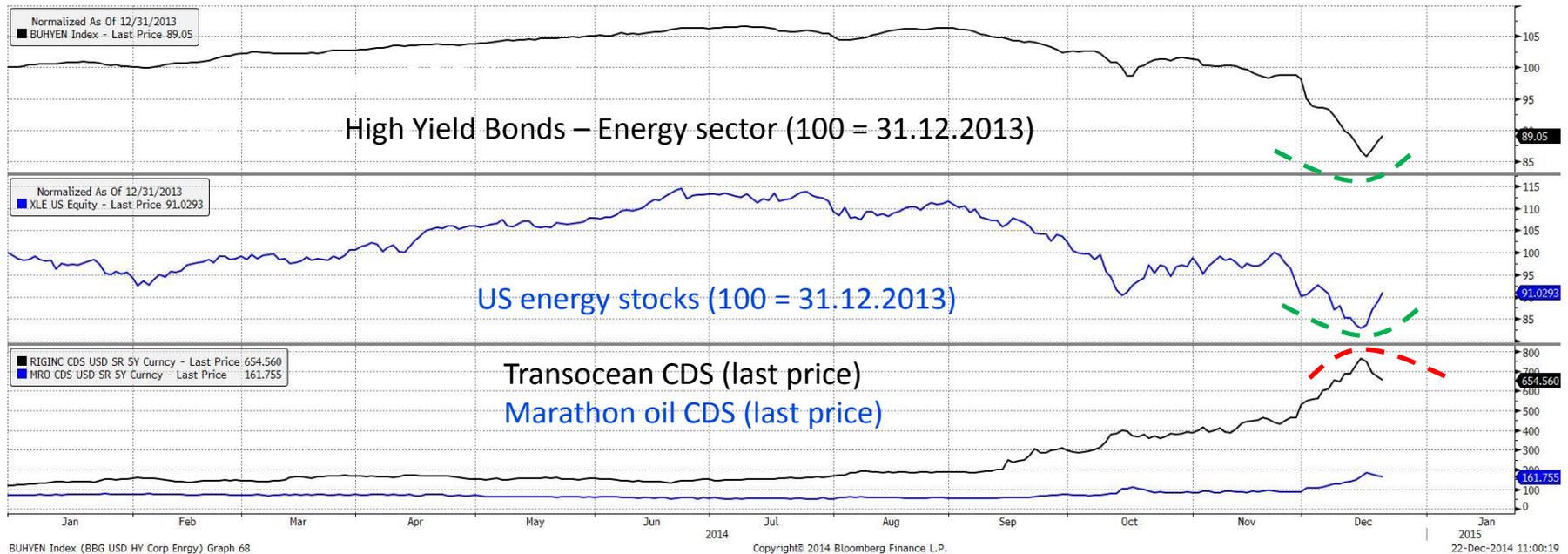


US Energy companies

Good-bye or Good buy?

- Energy high yield bonds are down 17% since the top and 11% YTD
- Energy stocks are down 20% since July.
- Default risk is soaring especially on oil drillers

Sales time.
Shopping to be
made. Be
selective!



VIX Index

That 20 line...

- Not different this time. We are back under 20 – thank you FED.
- Will volatility rise and remain above 20 next year?
- Short volatility strategy >>> squeeze?

Buy volatility when it's low.

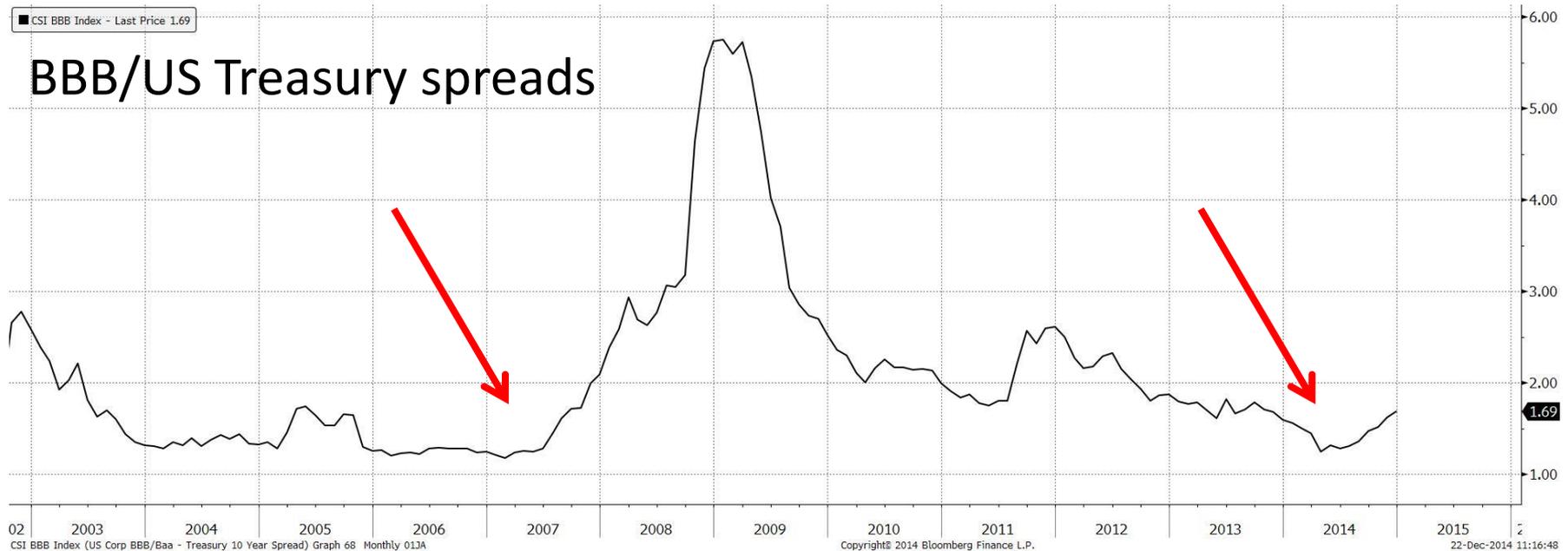


Watch the credit spreads

W-I-D-E-N-I-N-G

- Worrying...
- Is this due to energy sector?
- Is this the beginning of the end of the market cycle?

2015 = 2008?



US equities – Dow Jones

That 200 day moving average!!

- Dow Jones rebounded on its 200 day moving average. Again.
- Bullard saved the market in October #QE4possibility
- If 200 day moving average breaks >>> PRESS **SELL**

17'000 =
new support
level?



European equities

The trend is not your friend?

- European markets are choppy due to economic situation and Draghi's dovish comments
 - 50 day MVA crossed down 200 day in October = NEGATIVE
 - 2012 trend line at risk = NEGATIVE
 - Inversed head & shoulder pattern = SUPER-POSITIVE
 - Next ECB Meeting = January 22, 2015
 - Buy the rumour, sell the fact ?

Draghi must press CTRL + P otherwise BYE-BYE

■ SXSE Index - Last Price 3161.43
■ SXSE Index - Moving Average 50 Day 3099.57
■ SXSE Index - Moving Average 200 Day 3158.81

Eurostoxx 50



Swiss equities

>Wunderschön<

- SMI index currently up 9.2% YTD
- Say thank you to the cash machines: Nestlé, Novartis, Roche (60% of the index)
- Switzerland = not in Europe

UK stocks
now?

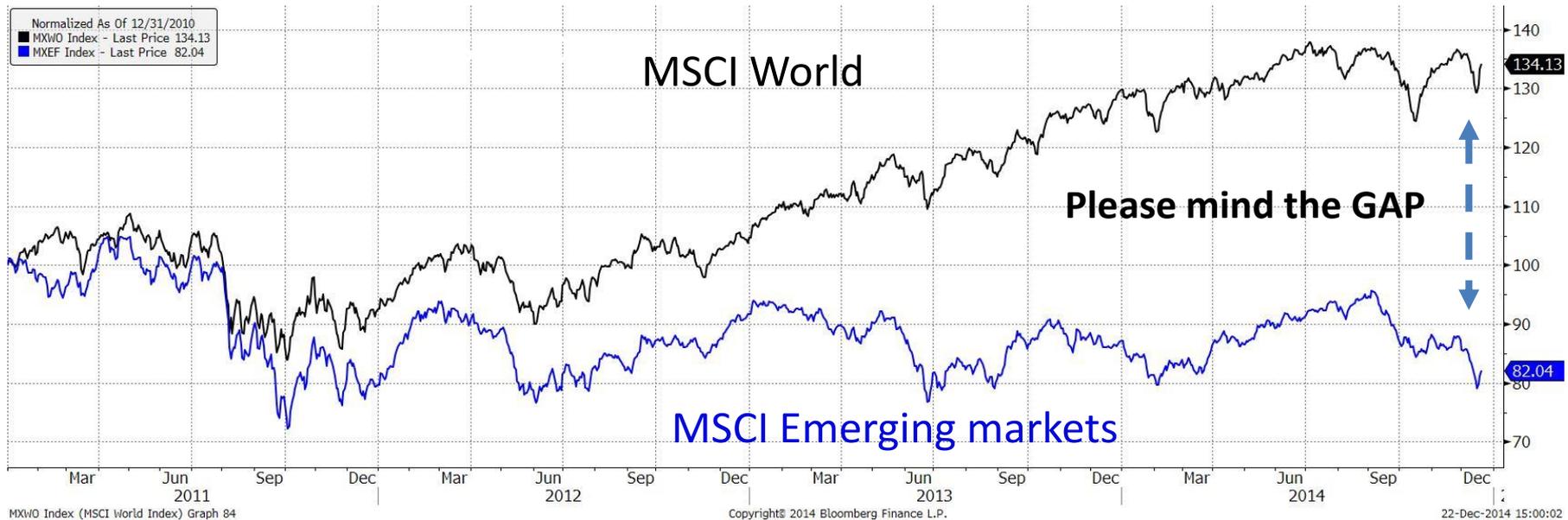


Emerging equities

Mind the gap

- Emerging markets have been underperforming for the past 3 years due to weaker growth perspectives and the recent strength of the dollar.
- The gap is now very wide between “artificial” growth and emerging countries.
- Long Emerging / Short Developed?

Many ETFs exist ...



Zoom on Chinese equities

1st train has left the station

- Current volume is insane
- Trading accounts are opening like WhatsApp chat-rooms !
- Chinese middle-class population = getting larger = trading accounts...

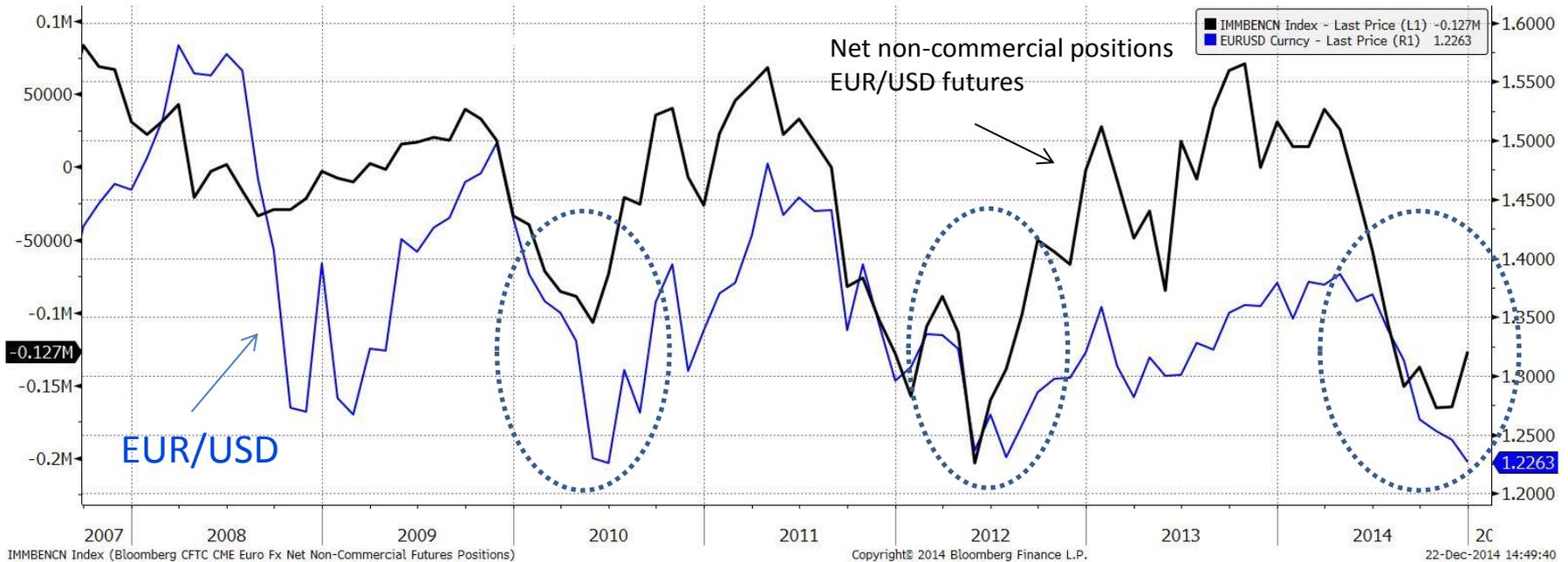
Buy the dips



Intermediate bottom in place?

- EUR/USD short positions are high
- EUR/USD should bounce back according to history
- EUR/USD: who's long?

EURO
strength before
Draghi?

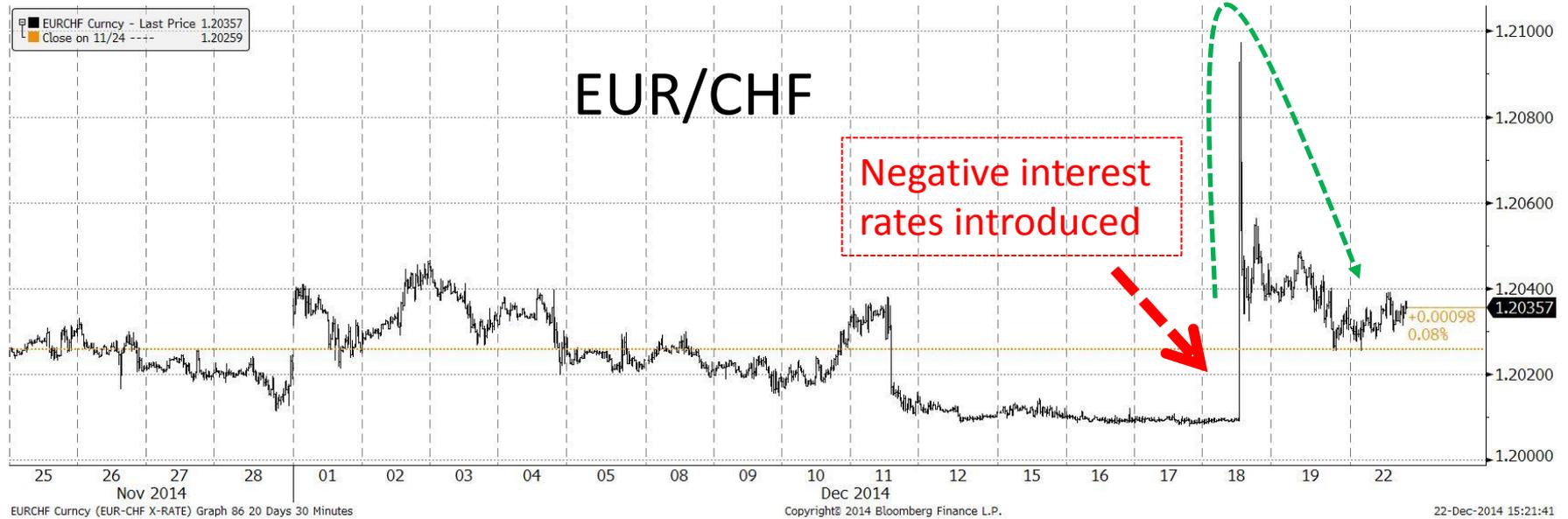


Why did the SNB intervene already?

- Were they buying too much EUR?
- Is the intervention due to Russian “ex”-crisis?
- Is this in preparation of a European QE?
- Are there any jokers left? New cap @ 1.30?



Pathetic reaction

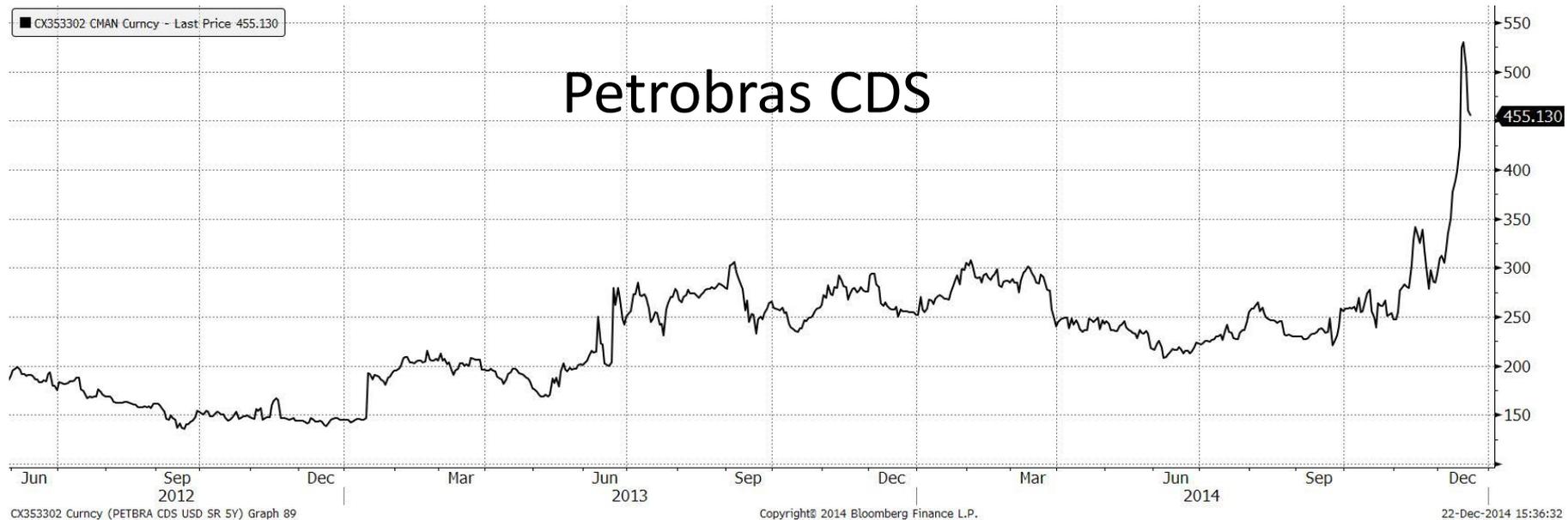


Bonus chart #1

Petrobras

- Default risk has increased due to oil weakness. That's normal.
- Exaggeration = opportunity?
- While some corporate bonds look attractive ... the stock is a different story...

Petrobras =
Brazilian oil.

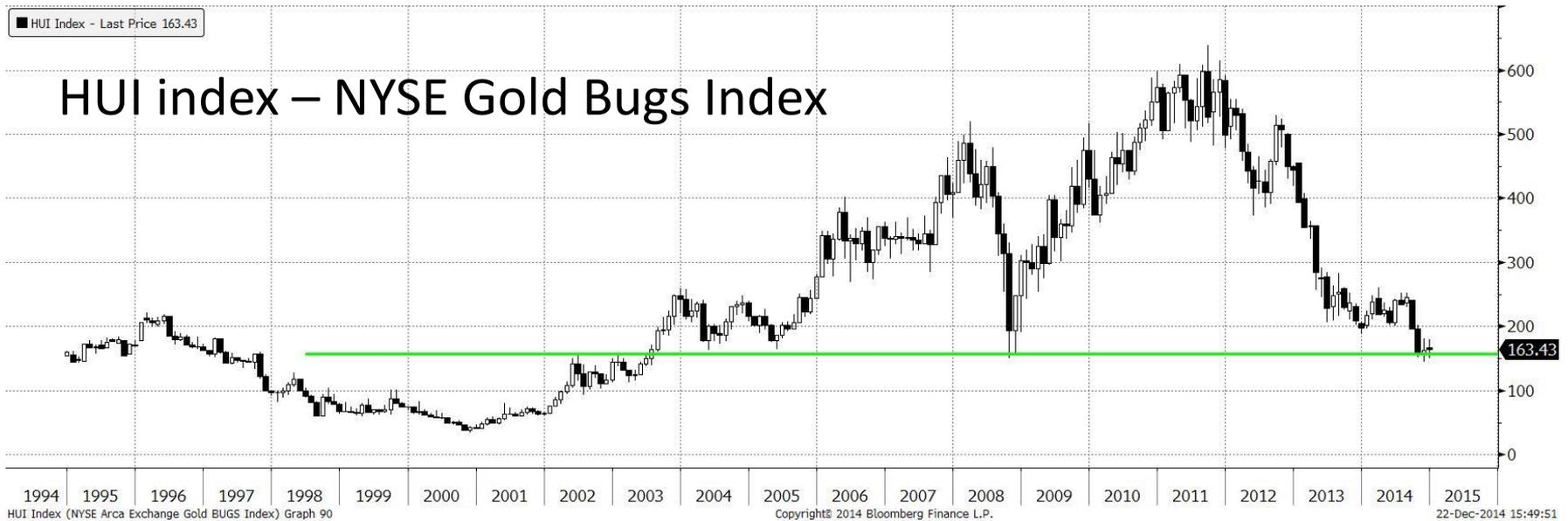


Bonus chart #2

Gold stocks

- Gold stocks are sitting on a huge support level
- Level which was tested post-Lehman
- Who is long?

We favour gold producers instead of junior [fantasy] mines...



Bonus chart #3

Gold in CHF

- Gold in CHF looks sexy
- If we manage to close above 1'200 for the week/month then ...
- ... FASTEN YOUR SEAT-BELT !



Key takeaways

- **Is this Russian Crisis over or just starting?**
- **Oil will rebound. Not if, but when?**
- **European stocks are QE-dependant. Watch the ECB.**
- **US stocks are in a different spectrum. Long or wrong is Wall Street's new motto.**
- **Buy the dips in Chinese shares!**
- **Has gold stabilized?**
- **Has the EUR/USD temporarily bottomed?**

Did you like the ideas?

Contact us for our solutions >>> 

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