Technical Analysis Society Singapore

April 27th

Australian Technical Analysts Association

May 2nd 2011

Eoin Treacy

The Greatest Urbanisation in History: Investment Implications

The Four Pillars of our Analysis

1. Price Action
2. Crowd Sentiment
3. Monetary Policy
4. Governance

1. Aesthetics

We look primarily for beautiful chart patterns

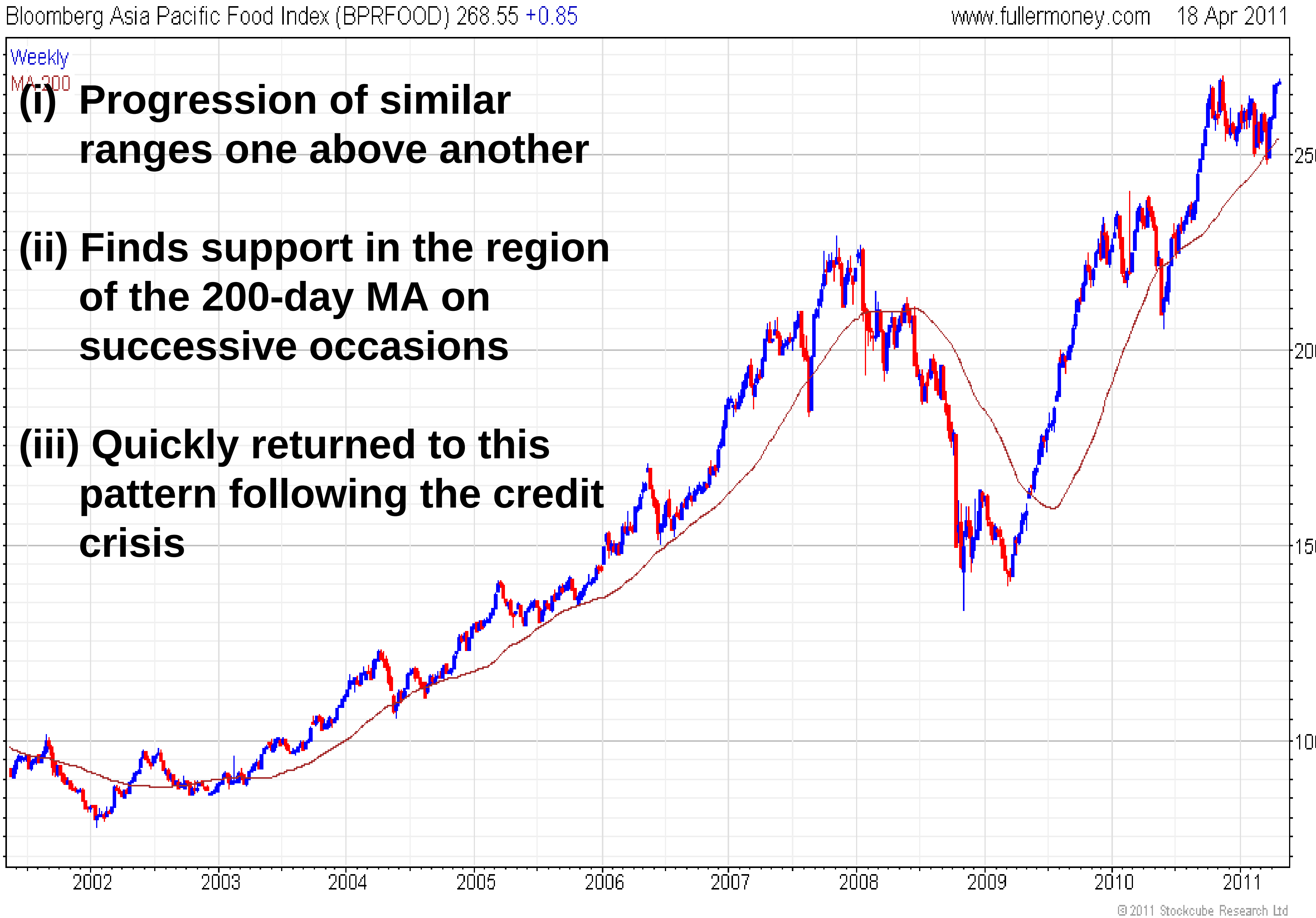
Consistent trends are easy to analyse

A consistent trend is a trend in motion

(i) Progression of similar ranges one above another

(ii) Finds support in the region of the 200-day MA on successive occasions

(iii) Quickly returned to this pattern following the credit crisis



2. Crowd Sentiment

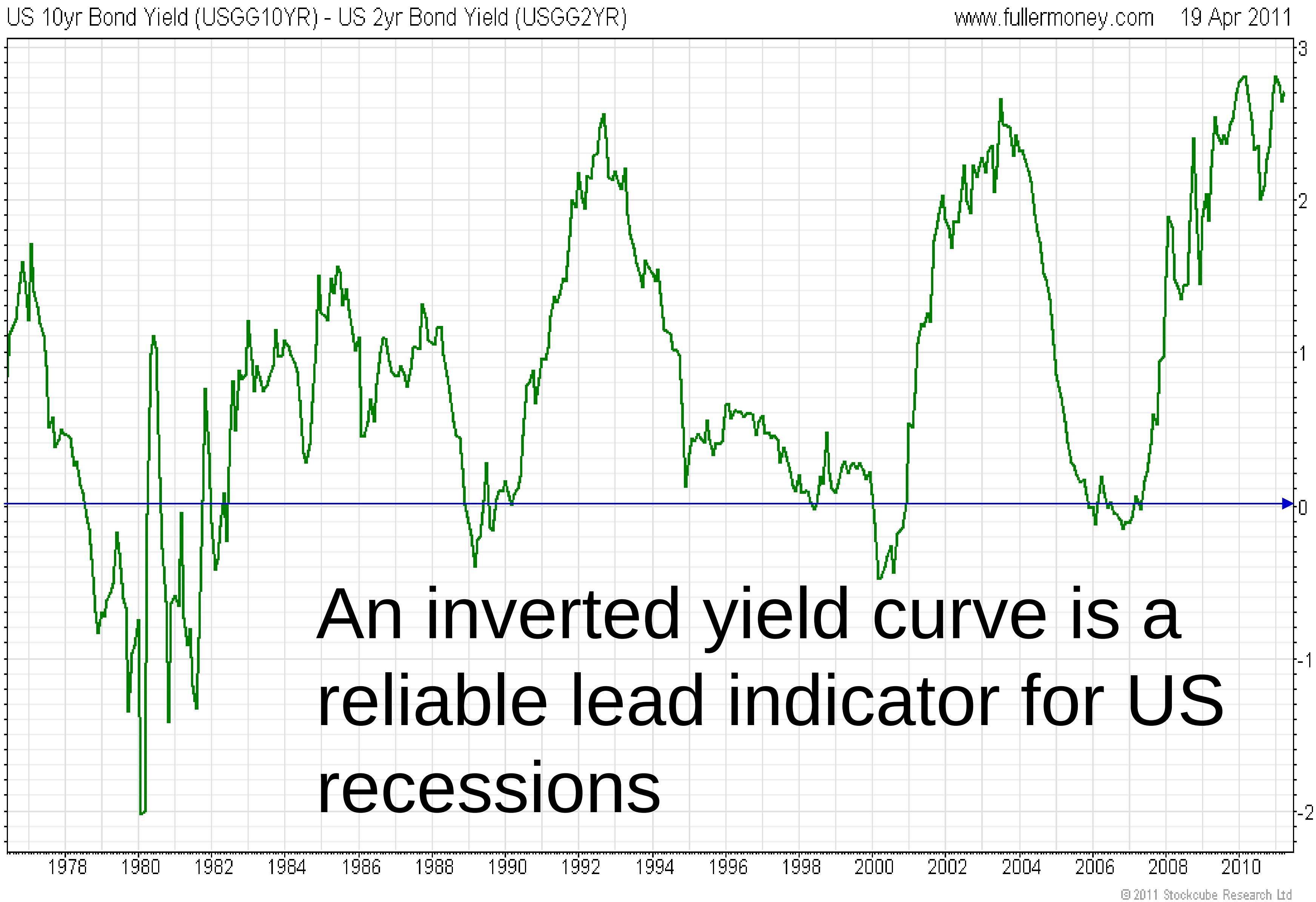
"the influences on the psychological attitudes, decisions and beliefs of human beings are 90 per cent subconscious and only 10 per cent logical", an observation that has since been well documented in the literature of behavioural finance. Sir John Templeton c.1953.

A consistent trend tells us a great deal about crowd sentiment. Inconsistencies, when they occur, tell us that the relationship between supply and demand is changing.

3. Monetary Policy

"Monetary Policy trumps most other factors most of the time" David Fuller.

Right now monetary conditions are still broadly accommodative


US 10yr Bond Yield (USGG10YR) - US 2yr Bond Yield (USGG2YR)
www.fullermoney.com 19 Apr 2011
3
2
1
0
-1
-2
1978
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
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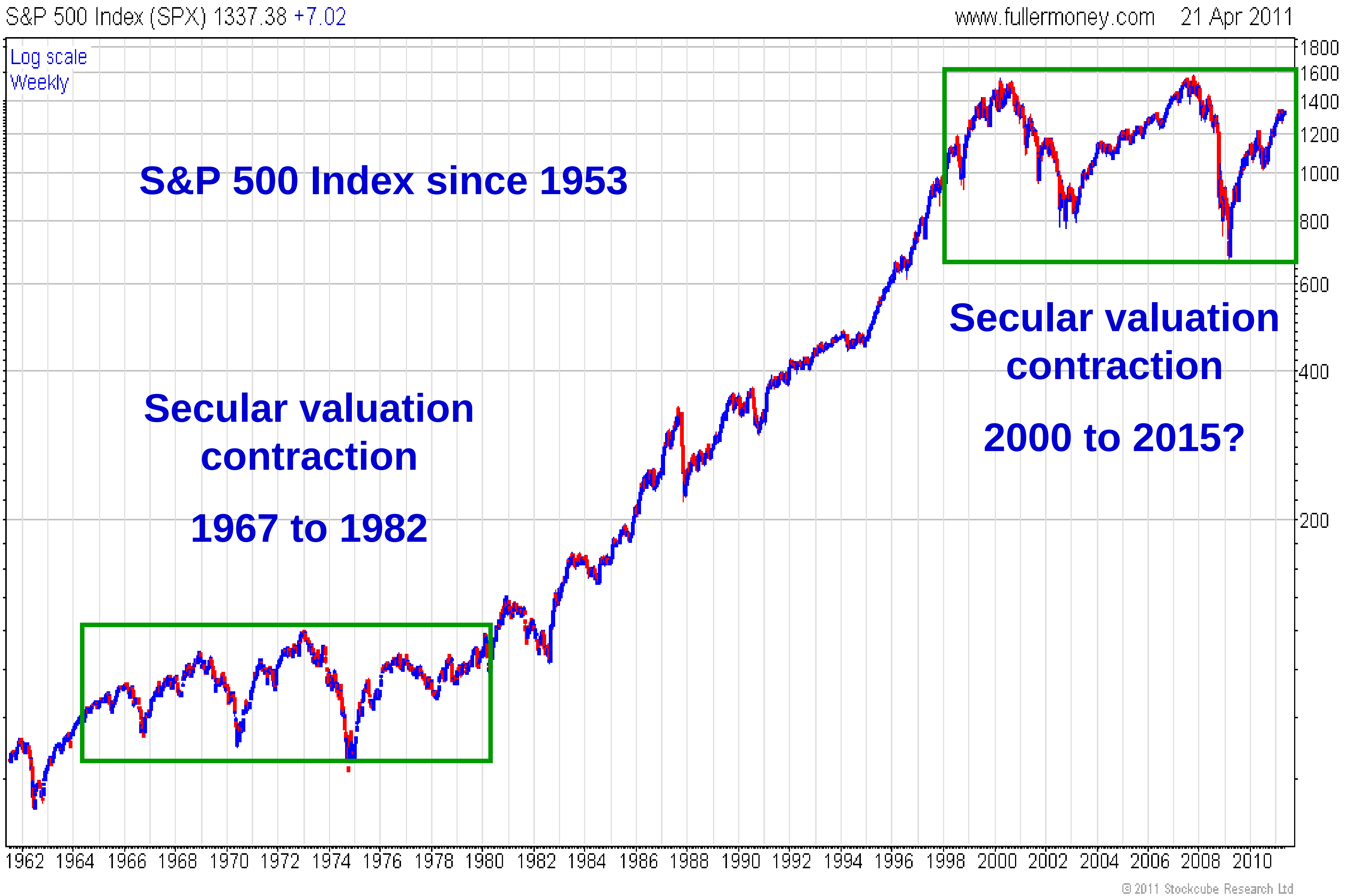
An inverted yield curve is a reliable lead indicator for US recessions


S&P 500 Index (SPX) 1337.38 +7.02
www.fullermoney.com 21 Apr 2011
Log scale
Weekly
S&P 500 Index since 1953
Secular valuation contraction
1967 to 1982
Secular valuation contraction
2000 to 2015?
1800
1600
1400
1200
1000
800
600
400
200
1962 1964 1966 1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010
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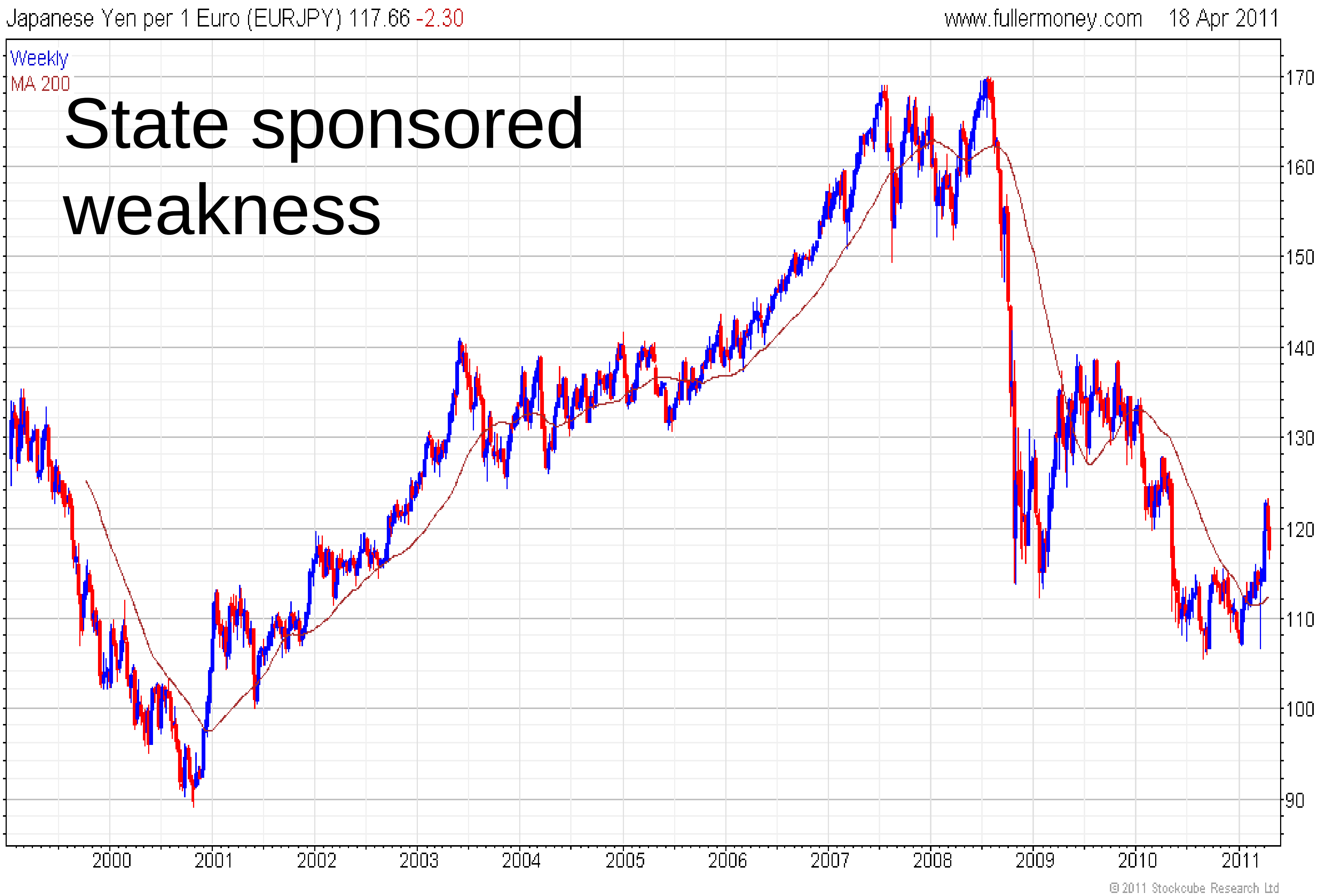
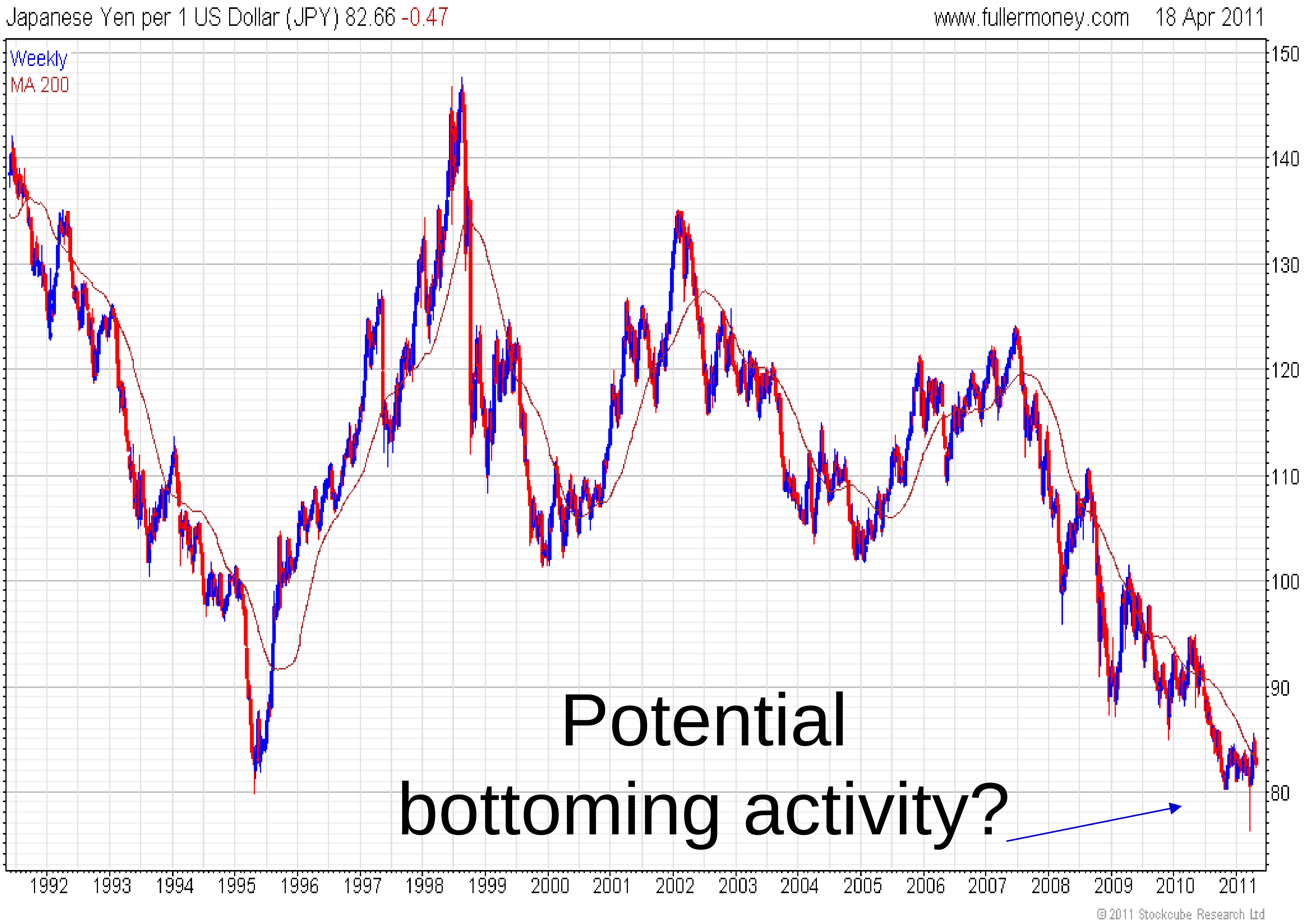
State sponsored weakness



Previous multilateral interventions

1. Plaza Accord September 1984 (weaken USD)
2. Louvre Accord February 1987 (support USD)
3. April 1994 – August 1995 (support USD)
4. September 2000 (support EUR)
5. March 2011 (weaken JPY)

Previous multilateral interventions have always been successful, if not immediately, over the medium term.


Japanese Yen per 1 US Dollar (JPY) 82.66 -0.47
www.fullermoney.com 18 Apr 2011
Weekly
MA 200
150
140
130
120
110
100
90
80
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
Potential
bottoming activity?
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4. Governance is Everything

Progressing

versus

Regressing

Progressing Economies Have:

Superior economic governance
Relatively strong GDP growth
Current account surpluses
Low levels of government debt
High personal savings rates
Sound banking sectors

Young, motivated & educated workers

Regressing Economies Have:

Poor economic governance
Relatively weak GDP growth
Current account deficits
Increasing government debt
Low personal savings and high debt
Weak, dysfunctional banking sectors

A shortage of skilled workers

Progressing:

Asia

Commodity producers

Regressing:

Europe

USA

Japan

The global population is growing at a little over 1% per annum.

World Economic growth over the last decade has averaged 3%

The world's population centres have grown considerably faster.

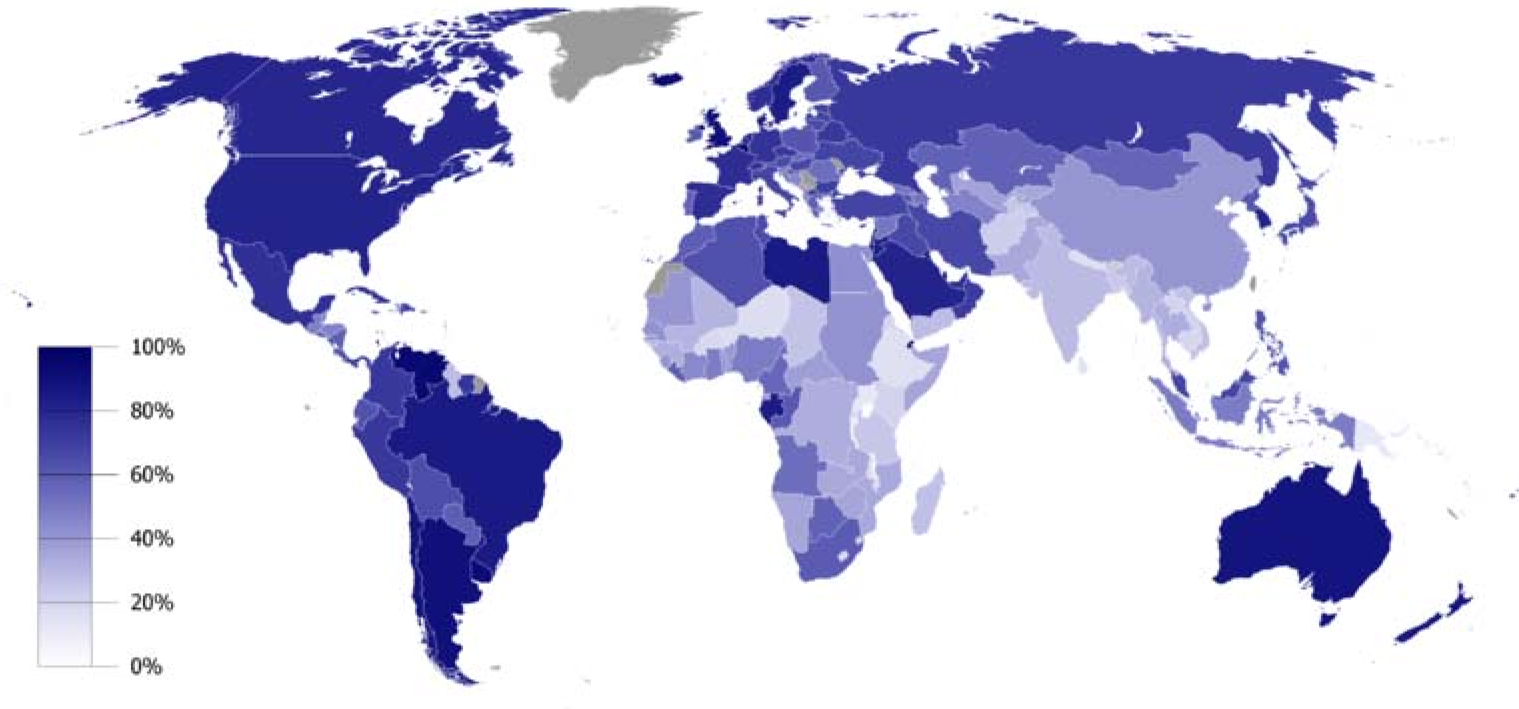
So what?

Large populations, particularly of young people offer a number of challenges.

Progressing economies offer a clear path of social mobility.

Regressing economies cling to the status quo and the risk of social upheaval rises.

Urbanised population in 2006



Asia is rapidly urbanising and starting from a low base

Urbanisation = the rise of the middle class

Leading to a generational long rise in per capita consumption of goods and services

Intra emerging market trade continues to expand rapidly, loosening the Wall Street leash.

Investment themes

1. Cater to the demands of new middle class consumers

2. Supply of raw materials for urbanisation and economic expansion

For China the last decade was about infrastructure development.

The next decade is about unlocking China's savings

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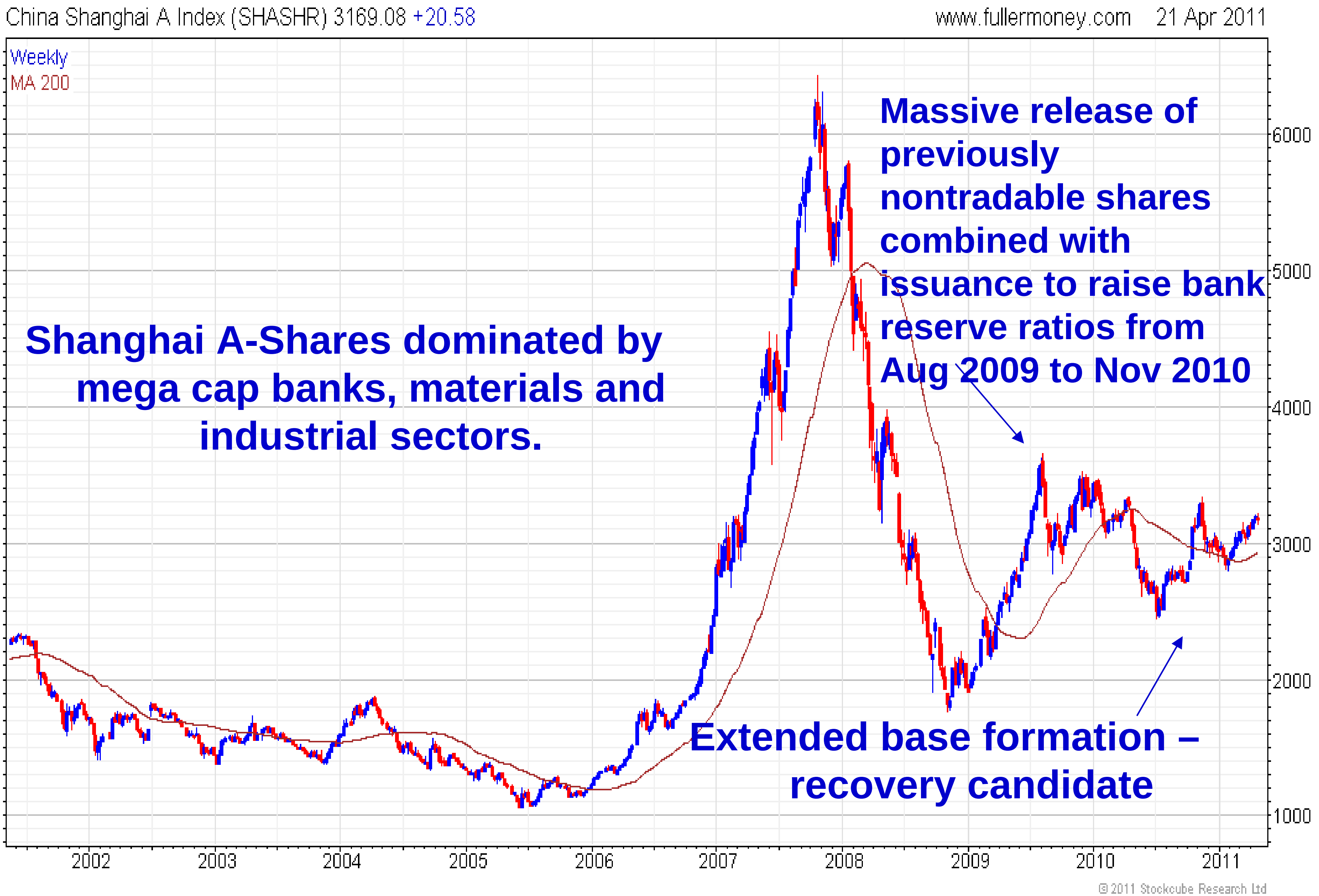
Improving the quality and availability of healthcare

And

Widening the social security network are necessary steps to this transition


China Shanghai A Index (SHASHR) 3169.08 +20.58
www.fullermoney.com 21 Apr 2011
Weekly
MA 200
Massive release of previously nontradable shares combined with issuance to raise bank reserve ratios from Aug 2009 to Nov 2010
Shanghai A-Shares dominated by mega cap banks, materials and industrial sectors.
Extended base formation – recovery candidate
6000
5000
4000
3000
2000
1000
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
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S&P/CITIC300 Health Cr (CSSPHTC) 4575.19 +72.28
www.fullermoney.com 19 Apr 2011
Weekly
MA 200
Comparatively small cap healthcare and other consumer related sectors are outperforming impressively.
5000
4000
3000
2000
May Jul Sep Nov 2008 Mar May Jul Sep Nov 2009 Mar May Jul Sep Nov 2010 Mar May Jul Sep Nov 2011 Mar
© 2011 Stockcube Research Ltd


Hang Seng China Ent Indx (HSCEI) 13659.4 +201.84
www.fullermoney.com 21 Apr 2011
Weekly
EMA 200
Hang Seng China Enterprise H-Shares
(Medium-term breakout potential)
20000
18000
16000
14000
12000
10000
8000
6000
4000
Jul
Oct
2007
Apr
Jul
Oct
2008
Apr
Jul
Oct
2009
Apr
Jul
Oct
2010
Apr
Jul
Oct
2011
Apr
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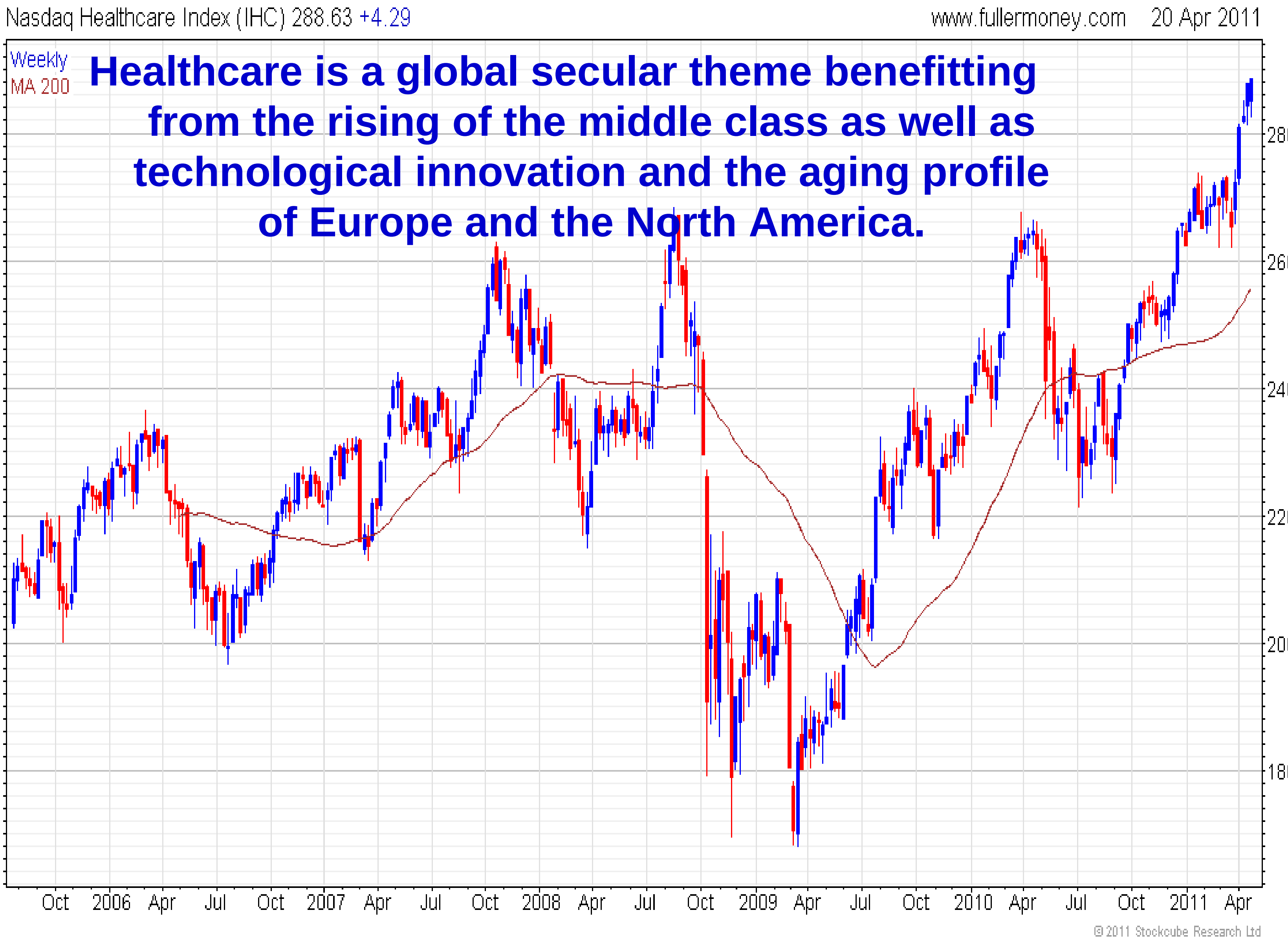
Nasdaq Healthcare Index (IHC) 288.63 +4.29
www.fullermoney.com 20 Apr 2011
Weekly
MA 200
Healthcare is a global secular theme benefitting from the rising of the middle class as well as technological innovation and the aging profile of Europe and the North America.
280
260
240
220
200
180
Oct
2006
Apr
Jul
Oct
2007
Apr
Jul
Oct
2008
Apr
Jul
Oct
2009
Apr
Jul
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2010
Apr
Jul
Oct
2011
Apr
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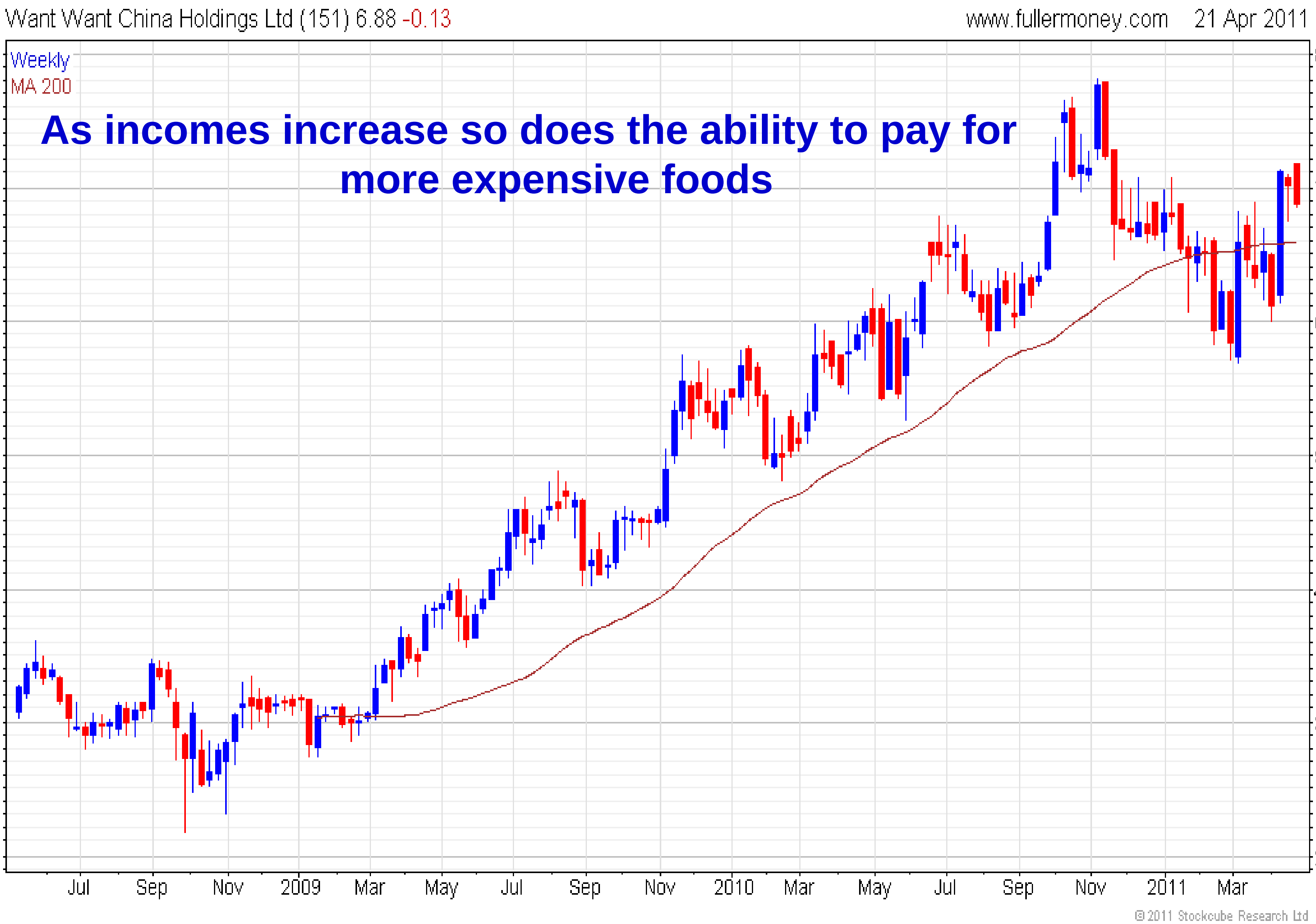
Want Want China Holdings Ltd (151) 6.88 -0.13
www.fullermoney.com 21 Apr 2011
Weekly
MA 200
As incomes increase so does the ability to pay for more expensive foods
8
7
6
5
4
3
2
Jul
Sep
Nov
2009
Mar
May
Jul
Sep
Nov
2010
Mar
May
Jul
Sep
Nov
2011
Mar
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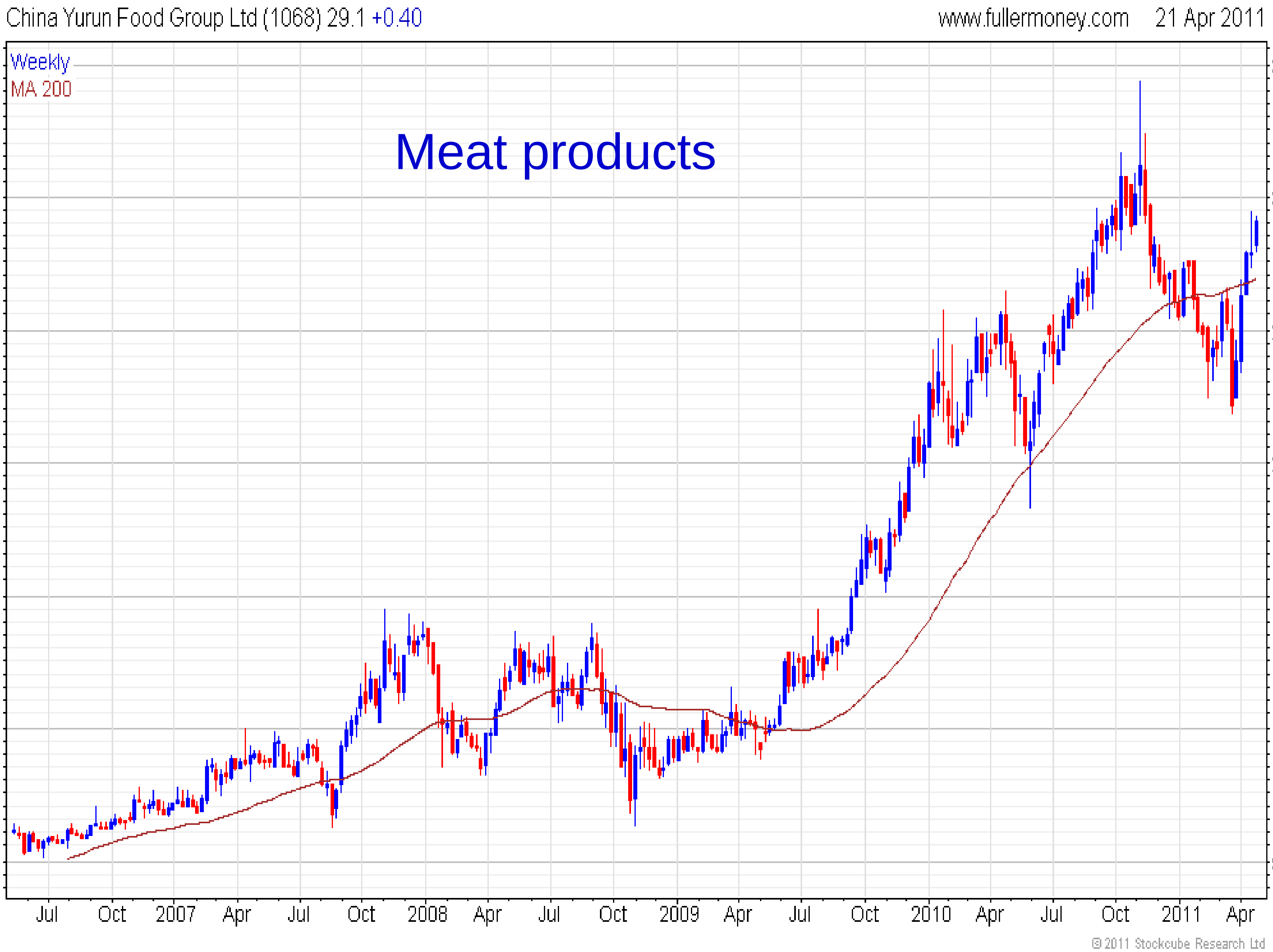
China Yurun Food Group Ltd (1068) 29.1 +0.40
www.fullermoney.com 21 Apr 2011
Weekly
MA 200
Meat products
35
30
25
20
15
10
5
Jul
Oct
2007
Apr
Jul
Oct
2008
Apr
Jul
Oct
2009
Apr
Jul
Oct
2010
Apr
Jul
Oct
2011
Apr
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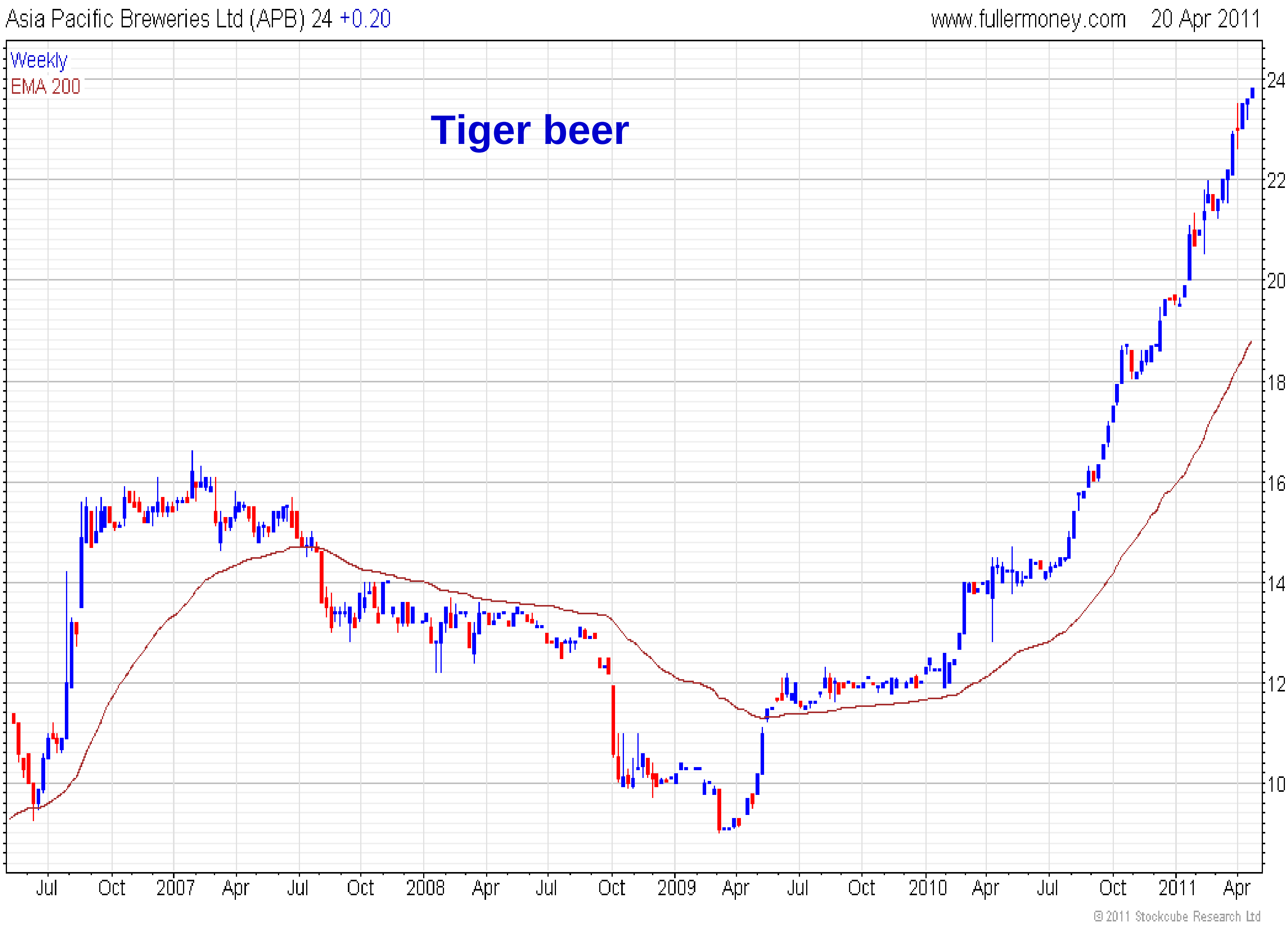
Asia Pacific Breweries Ltd (APB) 24 +0.20
www.fullermoney.com 20 Apr 2011
Weekly
EMA 200
Tiger beer
24
22
20
18
16
14
12
10
Jul
Oct
2007
Apr
Jul
Oct
2008
Apr
Jul
Oct
2009
Apr
Jul
Oct
2010
Apr
Jul
Oct
2011
Apr
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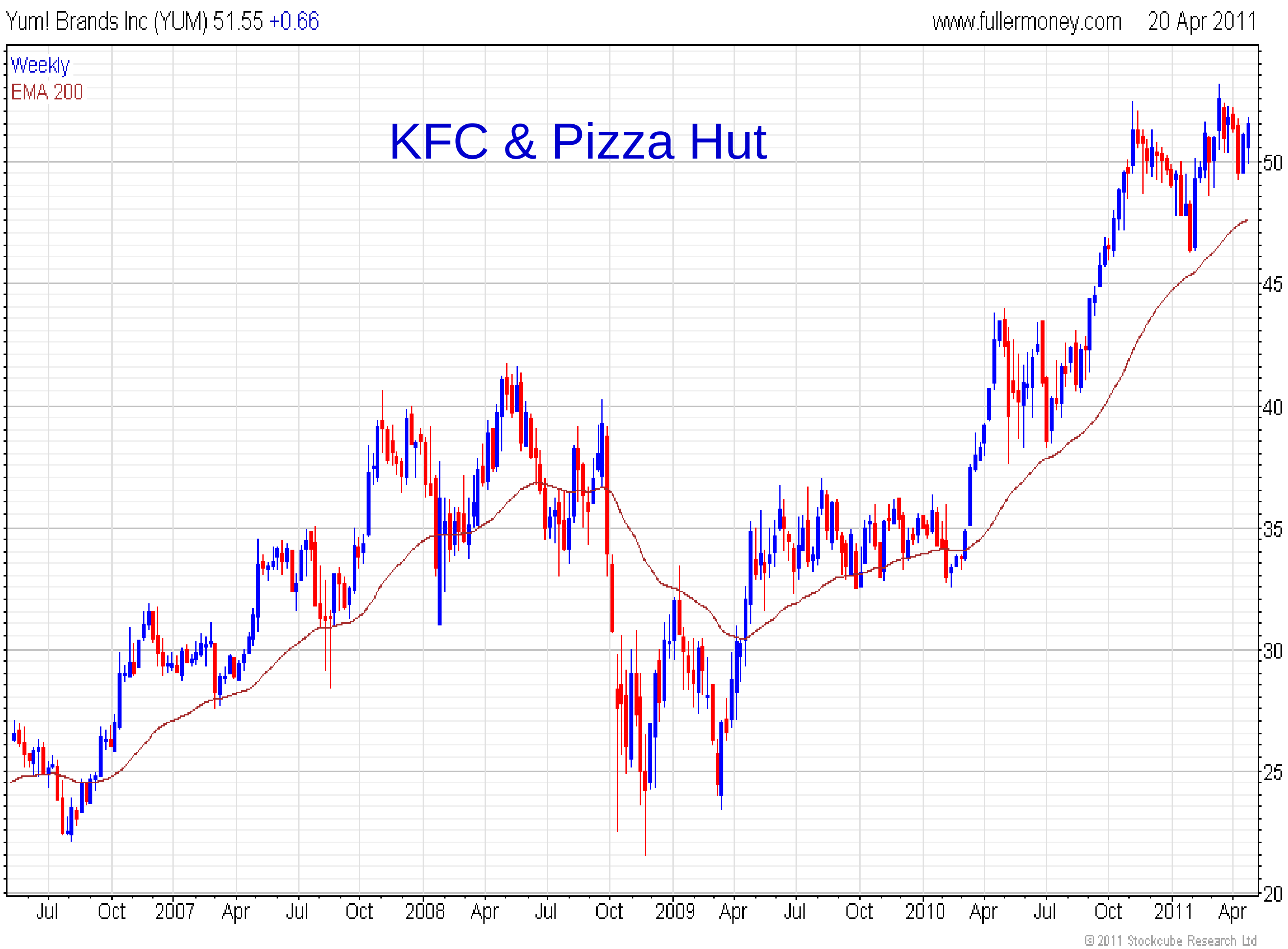
Yum! Brands Inc (YUM) 51.55 +0.66
www.fullermoney.com 20 Apr 2011
Weekly
EMA 200
KFC & Pizza Hut
50
45
40
35
30
25
20
Jul
Oct
2007
Apr
Jul
Oct
2008
Apr
Jul
Oct
2009
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Jul
Oct
2010
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Jul
Oct
2011
Apr
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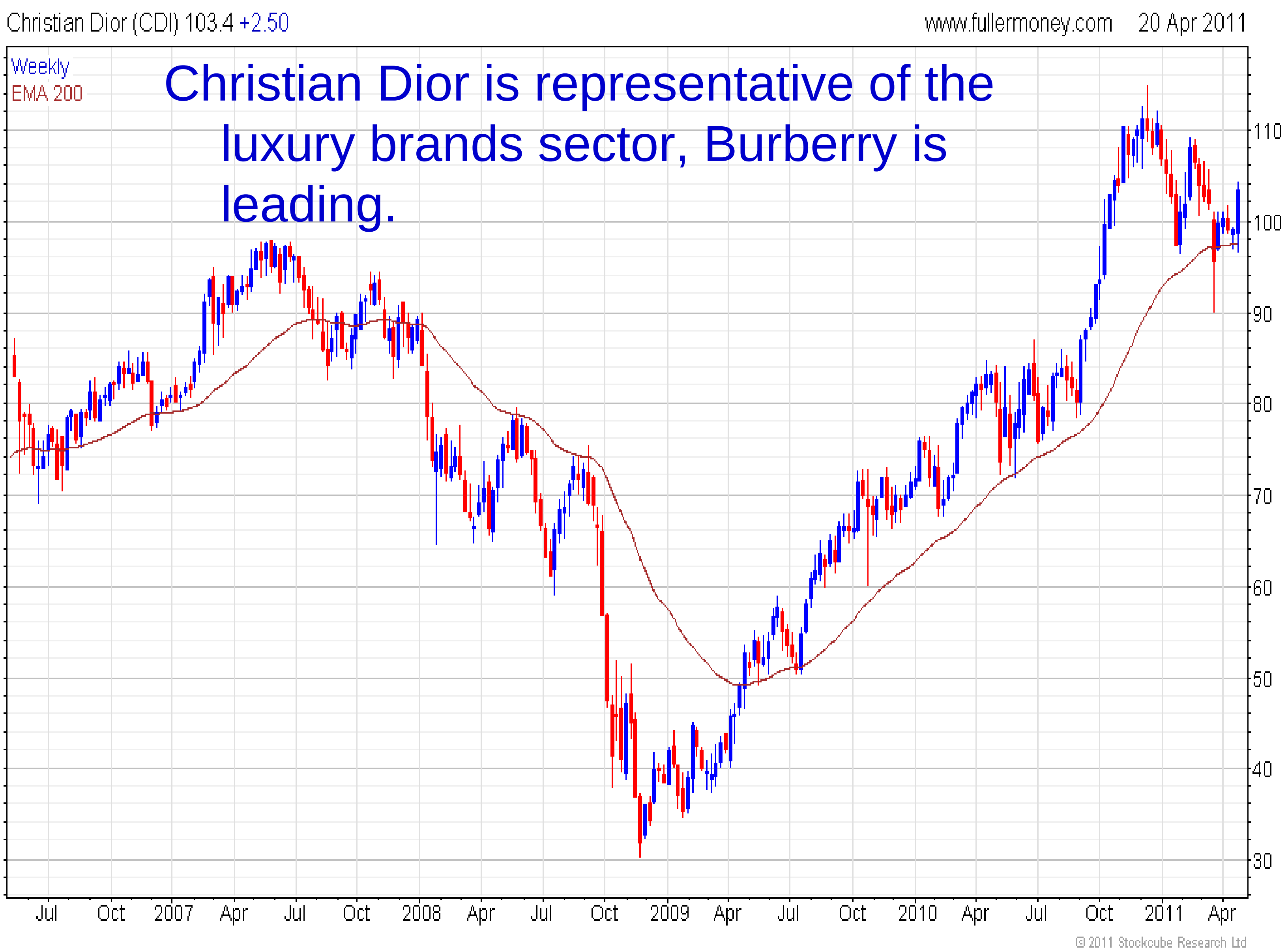
Christian Dior is representative of the luxury brands sector, Burberry is leading.



BMW has a great deal of commonality with other luxury brands


Bloomberg Asia Pacific Banks Index (BPRBANK) 167.04 +1.53
www.fullermoney.com 21 Apr 2011
Weekly
EMA 200
Asian banks breaking upwards
220
200
180
160
140
120
100
80
Jul
Oct
2007
Apr
Jul
Oct
2008
Apr
Jul
Oct
2009
Apr
Jul
Oct
2010
Apr
Jul
Oct
2011
Apr
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JAKARTA FINANCE INDEX (JAKFIN) 507.194 -1.66
www.fullermoney.com 21 Apr 2011
Weekly
EMA 200
Indonesian banks outperforming
500
400
300
200
Jul
Oct
2007
Apr
Jul
Oct
2008
Apr
Jul
Oct
2009
Apr
Jul
Oct
2010
Apr
Jul
Oct
2011
Apr
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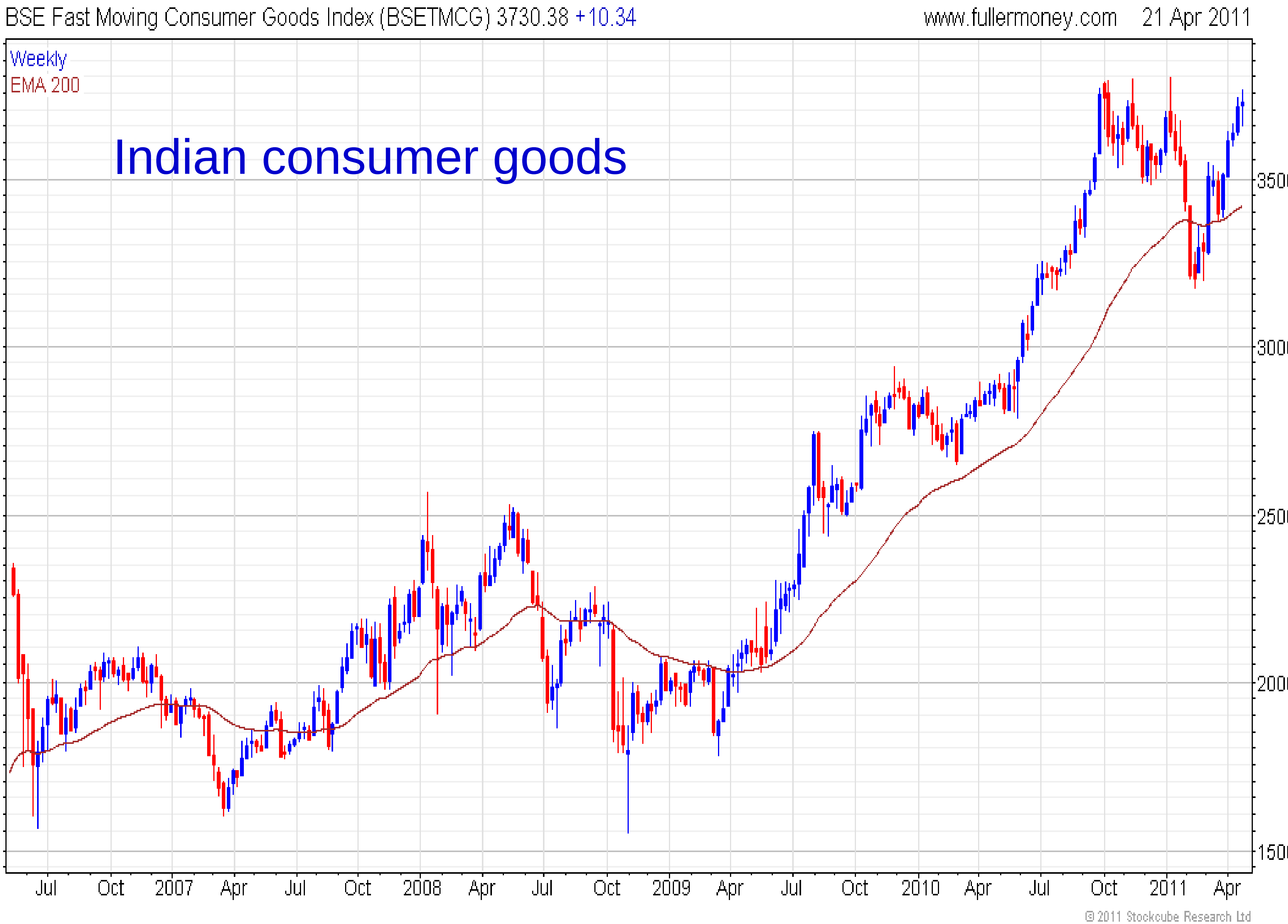
BSE Fast Moving Consumer Goods Index (BSETMCG) 3730.38 +10.34
www.fullermoney.com 21 Apr 2011
Weekly
EMA 200
Indian consumer goods
3500
3000
2500
2000
1500
Jul
Oct
2007
Apr
Jul
Oct
2008
Apr
Jul
Oct
2009
Apr
Jul
Oct
2010
Apr
Jul
Oct
2011
Apr
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Thailand Bangkok SET Index (SET) 1105.29 -4.63
www.fullermoney.com 22 Apr 2011
Weekly
EMA 200
Thailand resuming leadership
1100
1000
900
800
700
600
500
400
Jul
Oct
2007
Apr
Jul
Oct
2008
Apr
Jul
Oct
2009
Apr
Jul
Oct
2010
Apr
Jul
Oct
2011
Apr
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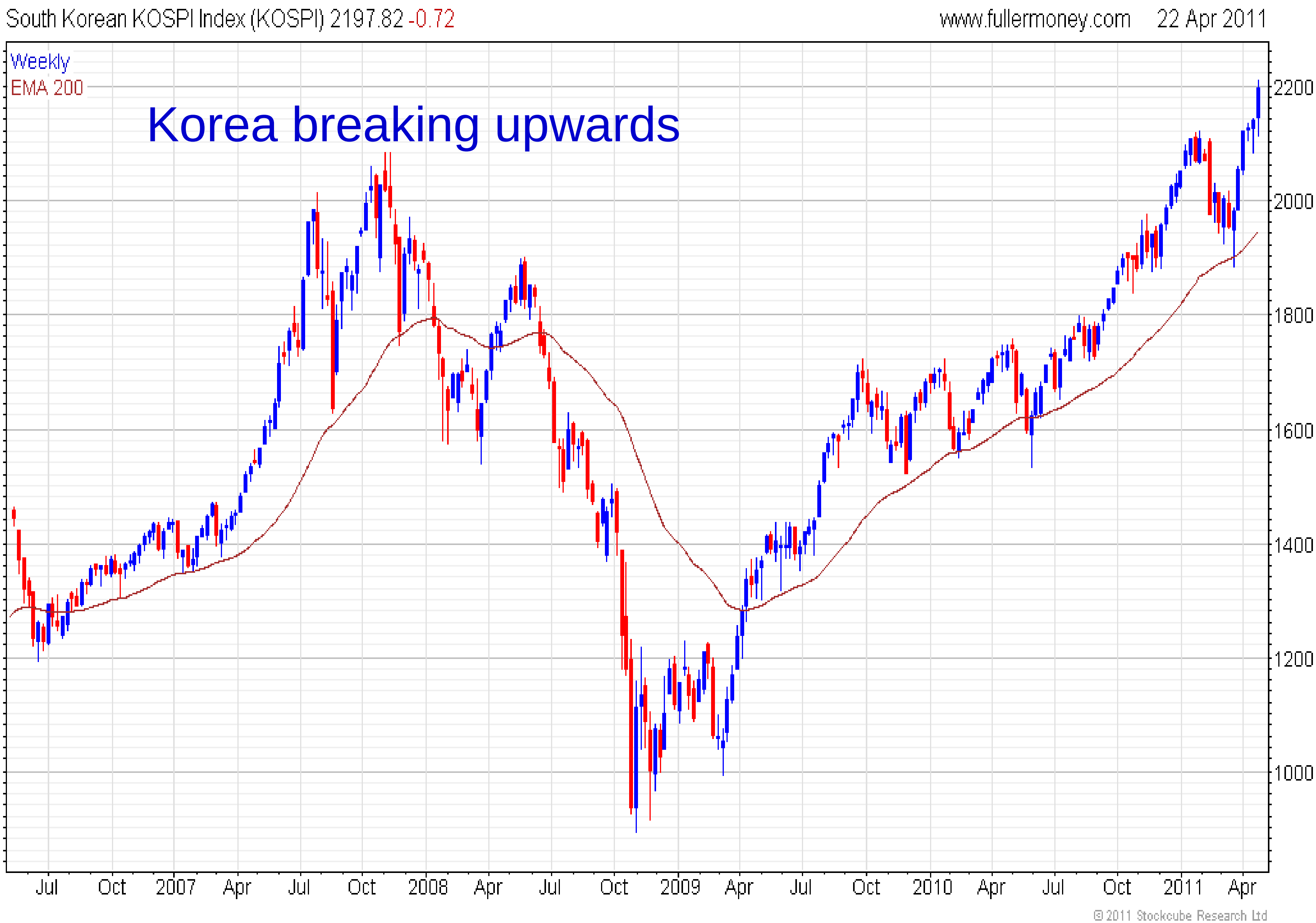
South Korean KOSPI Index (KOSPI) 2197.82 -0.72
www.fullermoney.com 22 Apr 2011
Weekly
EMA 200
Korea breaking upwards
2200
2000
1800
1600
1400
1200
1000
Jul
Oct
2007
Apr
Jul
Oct
2008
Apr
Jul
Oct
2009
Apr
Jul
Oct
2010
Apr
Jul
Oct
2011
Apr
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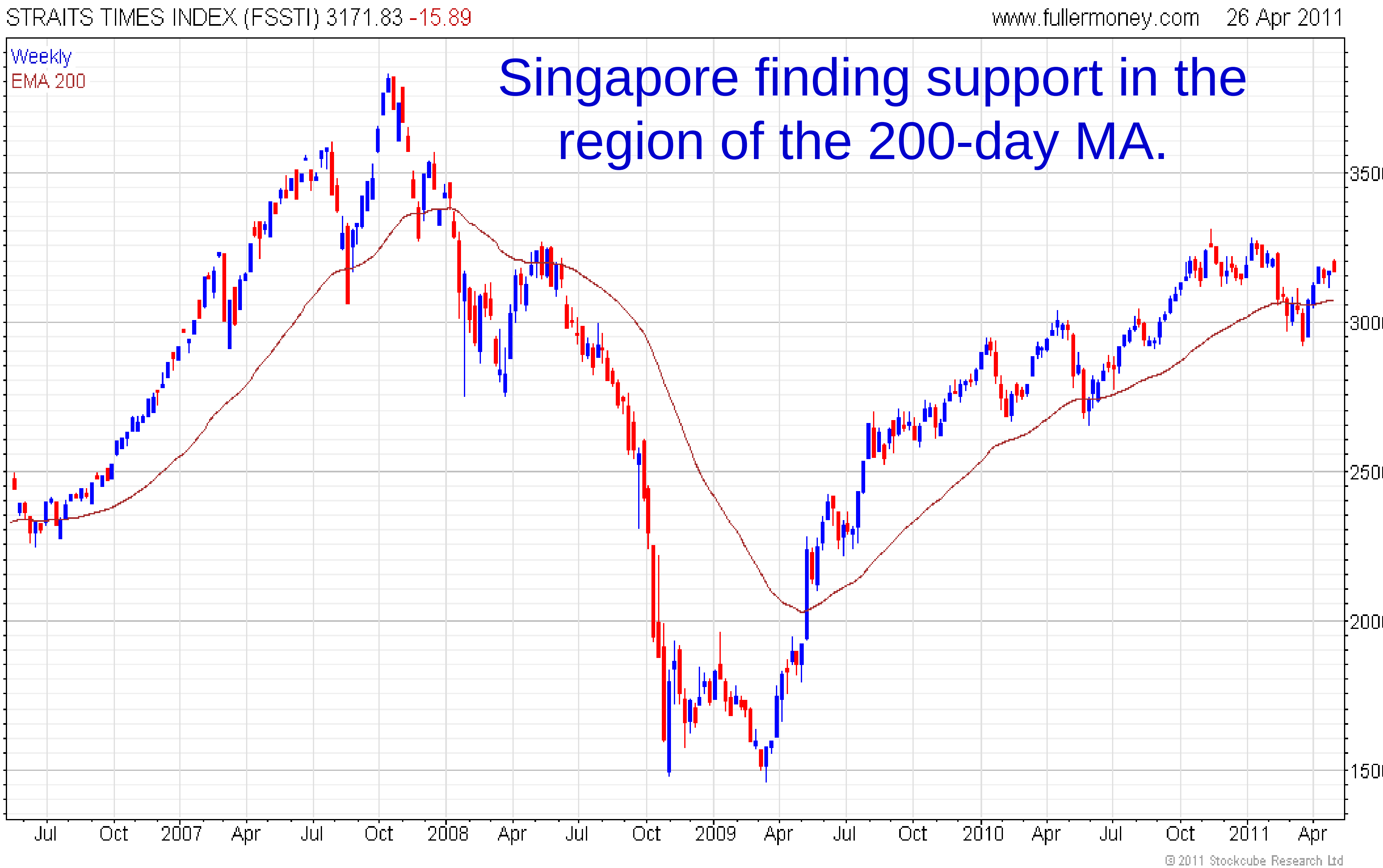
STRAITS TIMES INDEX (FSSTI) 3171.83 -15.89
www.fullermoney.com 26 Apr 2011
Weekly
EMA 200
Singapore finding support in the region of the 200-day MA.
3500
3000
2500
2000
1500
Jul
Oct
2007
Apr
Jul
Oct
2008
Apr
Jul
Oct
2009
Apr
Jul
Oct
2010
Apr
Jul
Oct
2011
Apr
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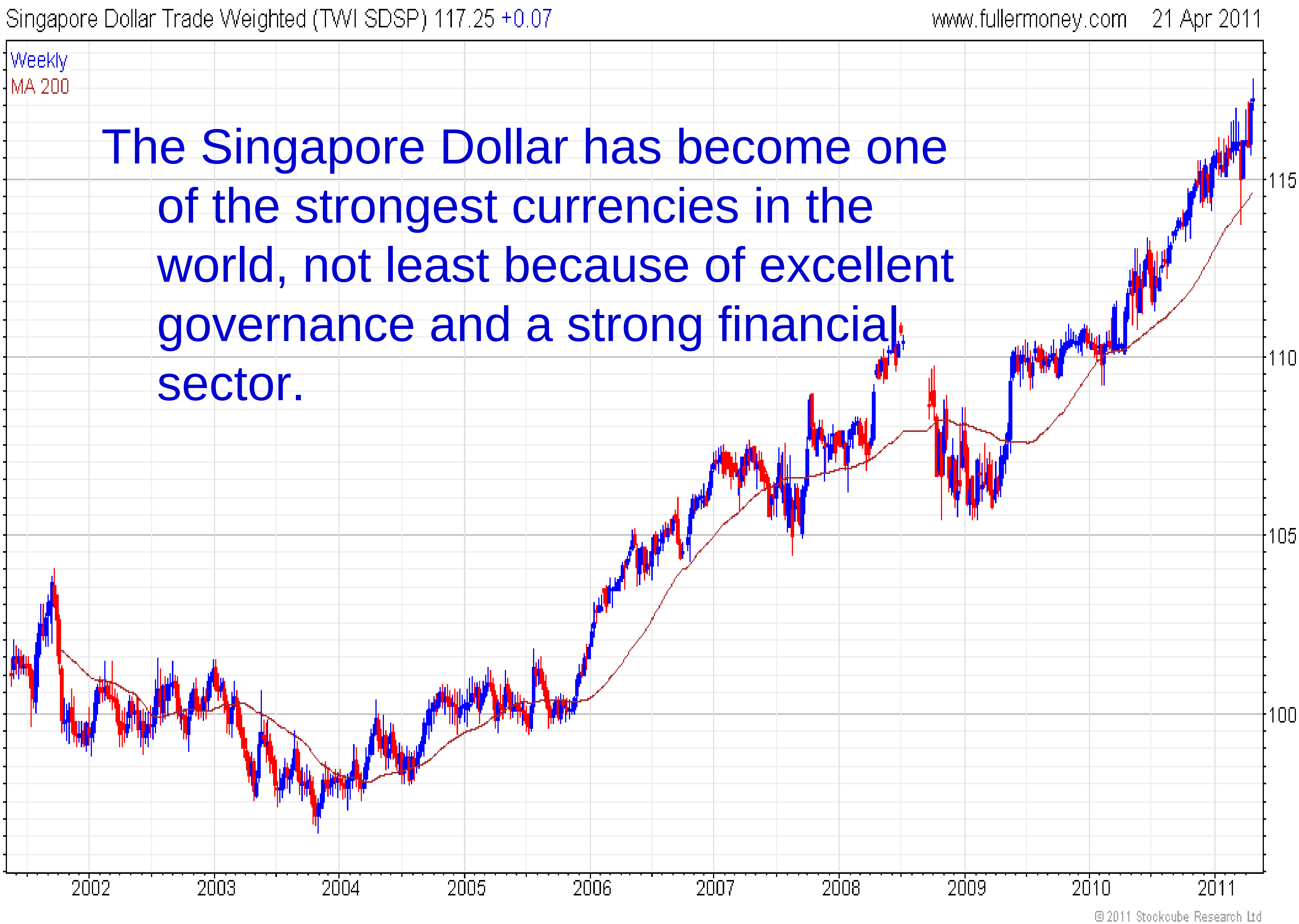
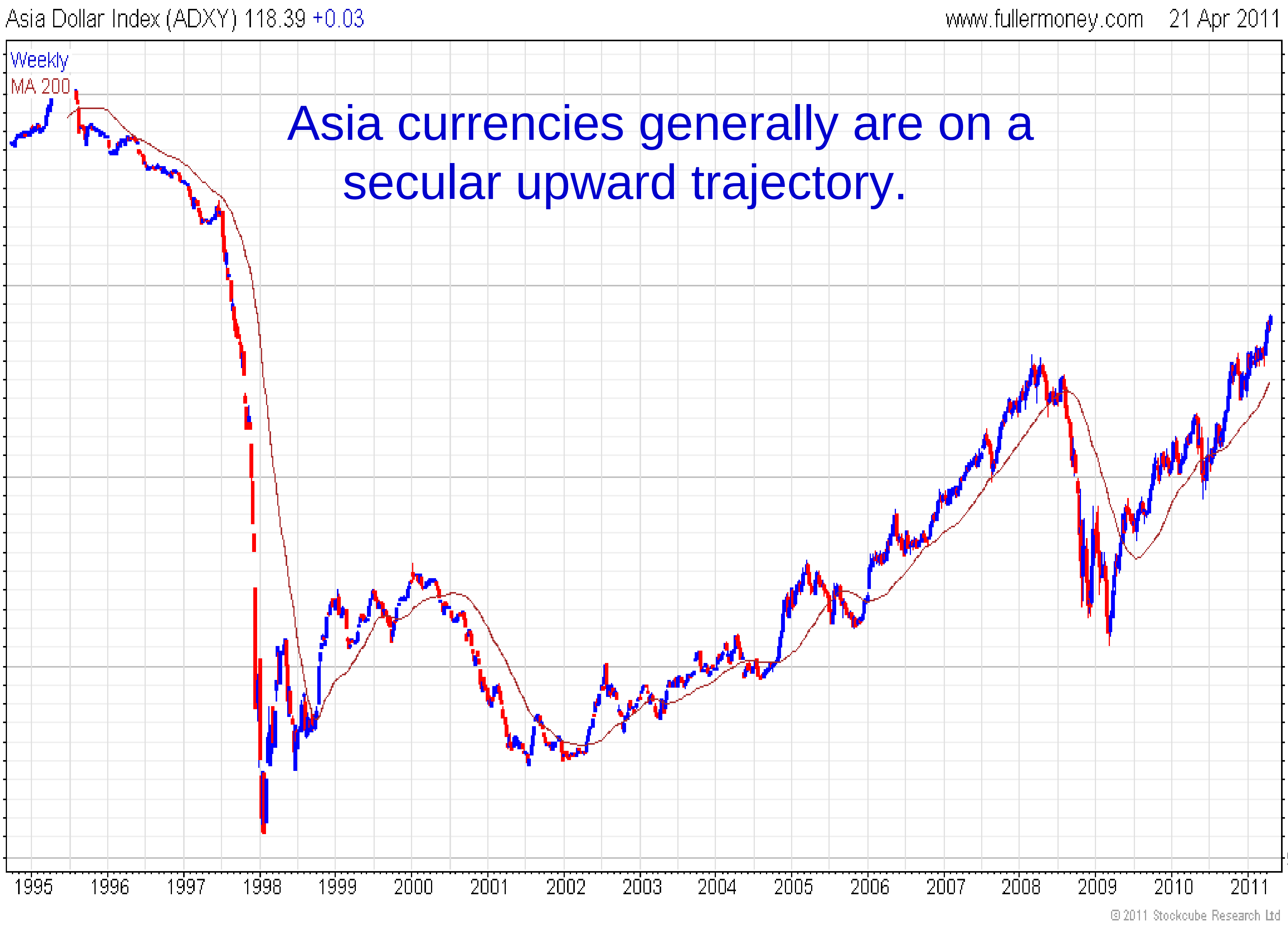


The Singapore Dollar has become one of the strongest currencies in the world, not least because of excellent governance and a strong financial sector.


Asia Dollar Index (ADXY) 118.39 +0.03
www.fullermoney.com 21 Apr 2011
Weekly
MA 200
Asia currencies generally are on a secular upward trajectory.
130
120
110
100
90
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
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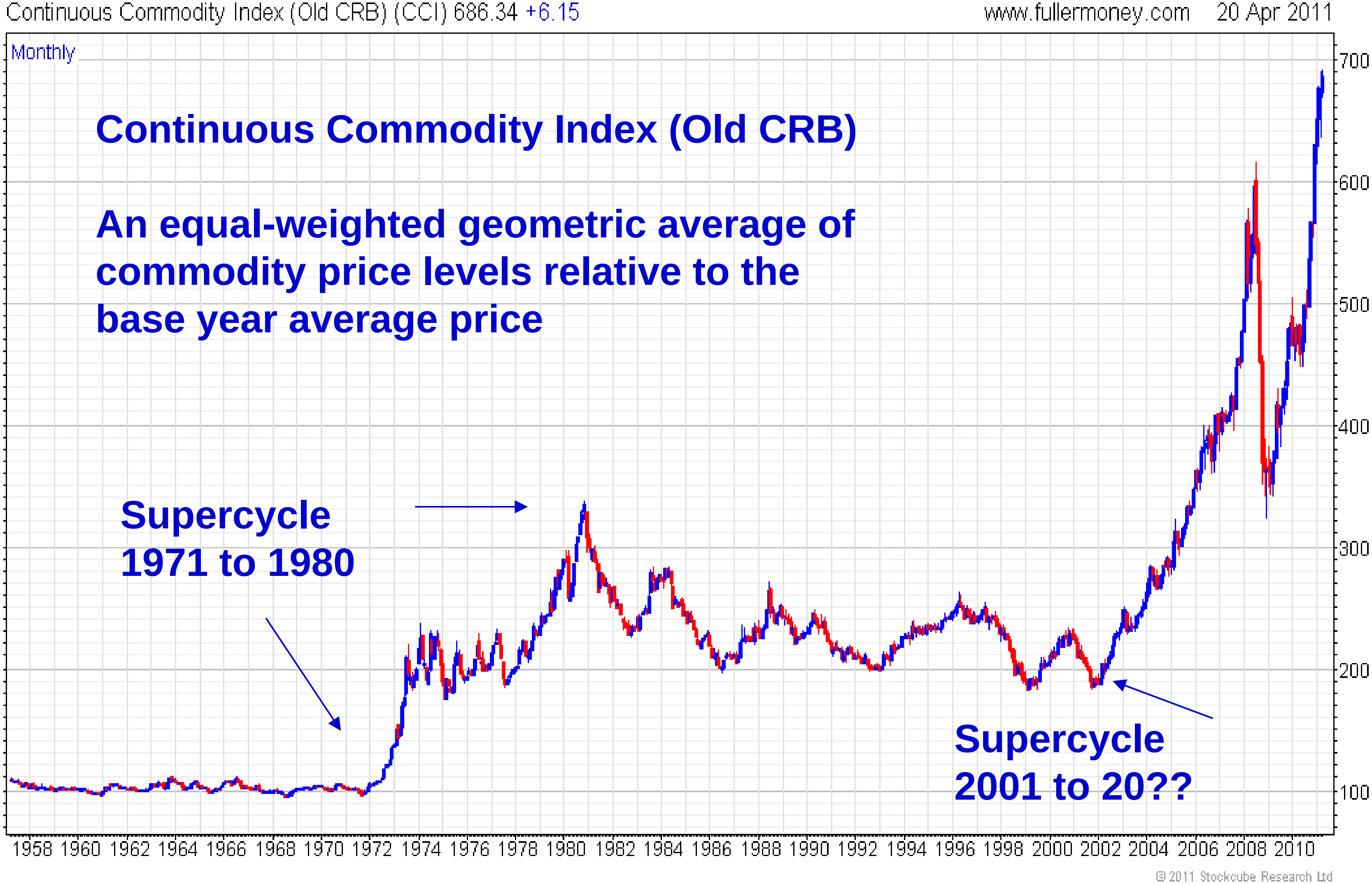
Commodities: Supply Inelasticity meets Rising Demand

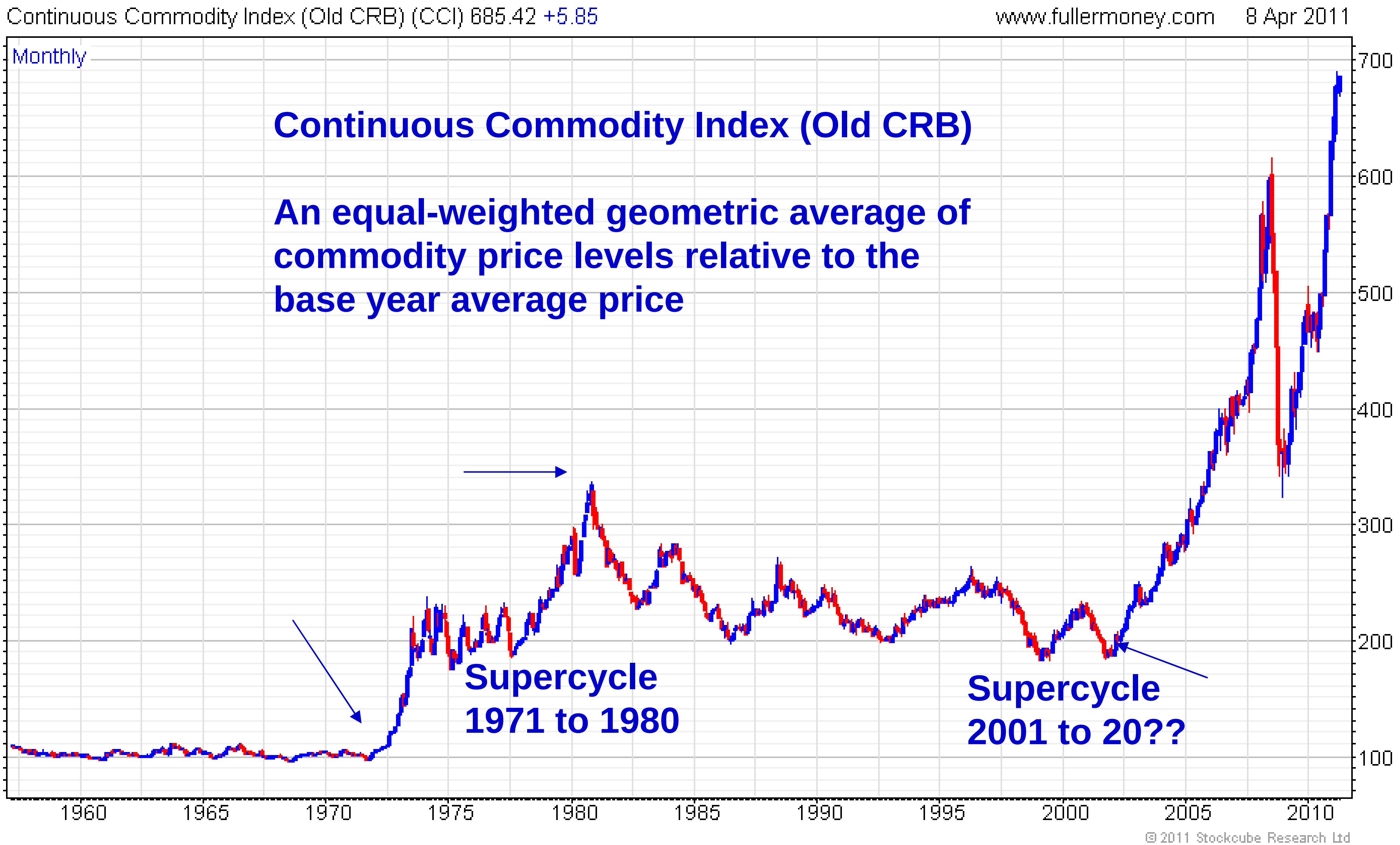


The rise of the global middle class is helping to fuel a secular bull market in commodities.

This presents opportunities but also challenges

Inflationary pressures are mounting, this presents an opportunity and also the next big risk

Upward pressure on wages is already a factor in China


Continuous Commodity Index (Old CRB) (CCI) 685.42 +5.85
www.fullermoney.com
8 Apr 2011
Monthly
Continuous Commodity Index (Old CRB)
An equal-weighted geometric average of commodity price levels relative to the base year average price
Supercycle 1971 to 1980
Supercycle 2001 to 20??
700
600
500
400
300
200
100
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
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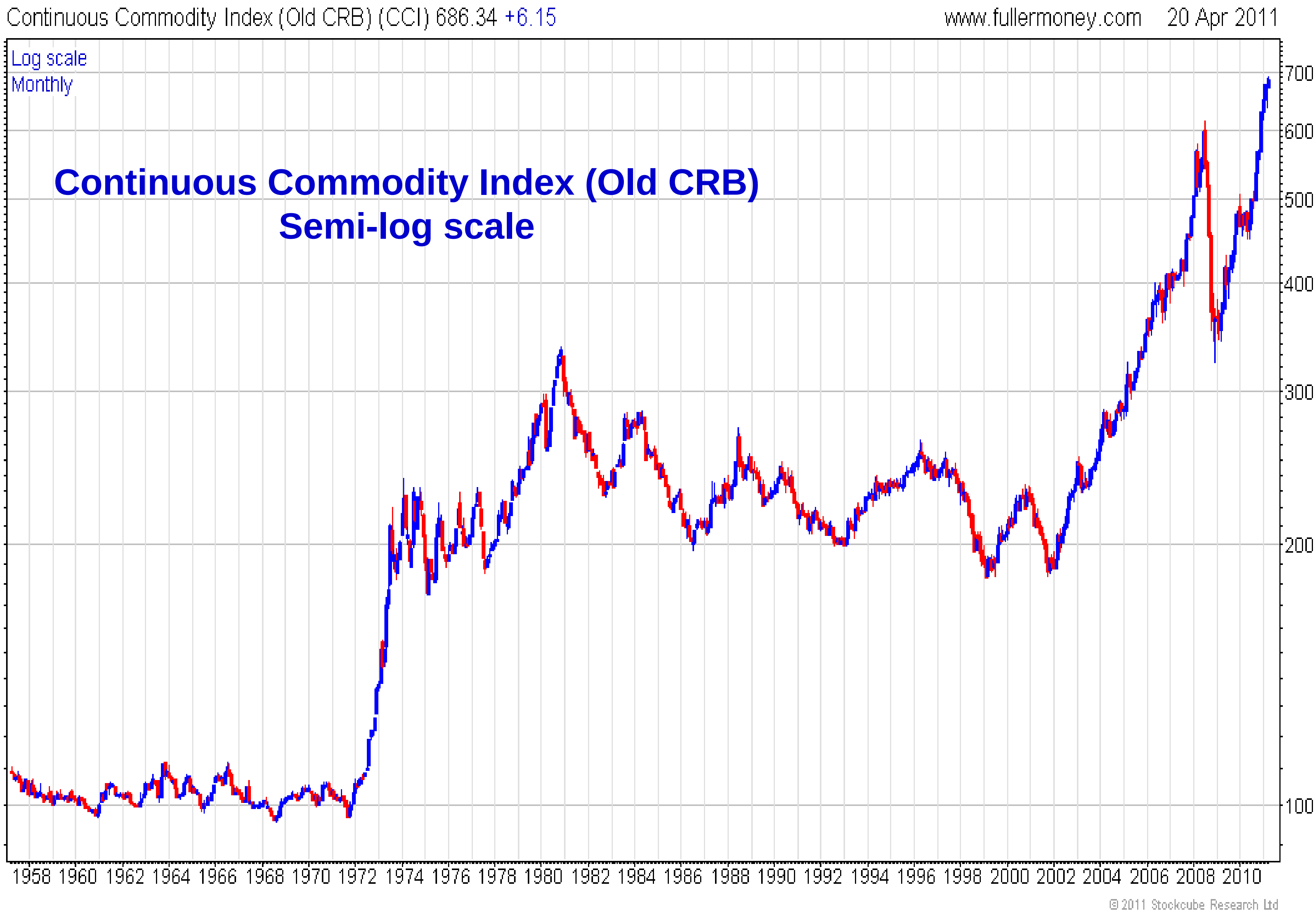
Continuous Commodity Index (Old CRB) (CCI) 686.34 +6.15
www.fullermoney.com 20 Apr 2011
Log scale
Monthly
Continuous Commodity Index (Old CRB)
Semi-log scale
700
600
500
400
300
200
100
1958 1960 1962 1964 1966 1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010
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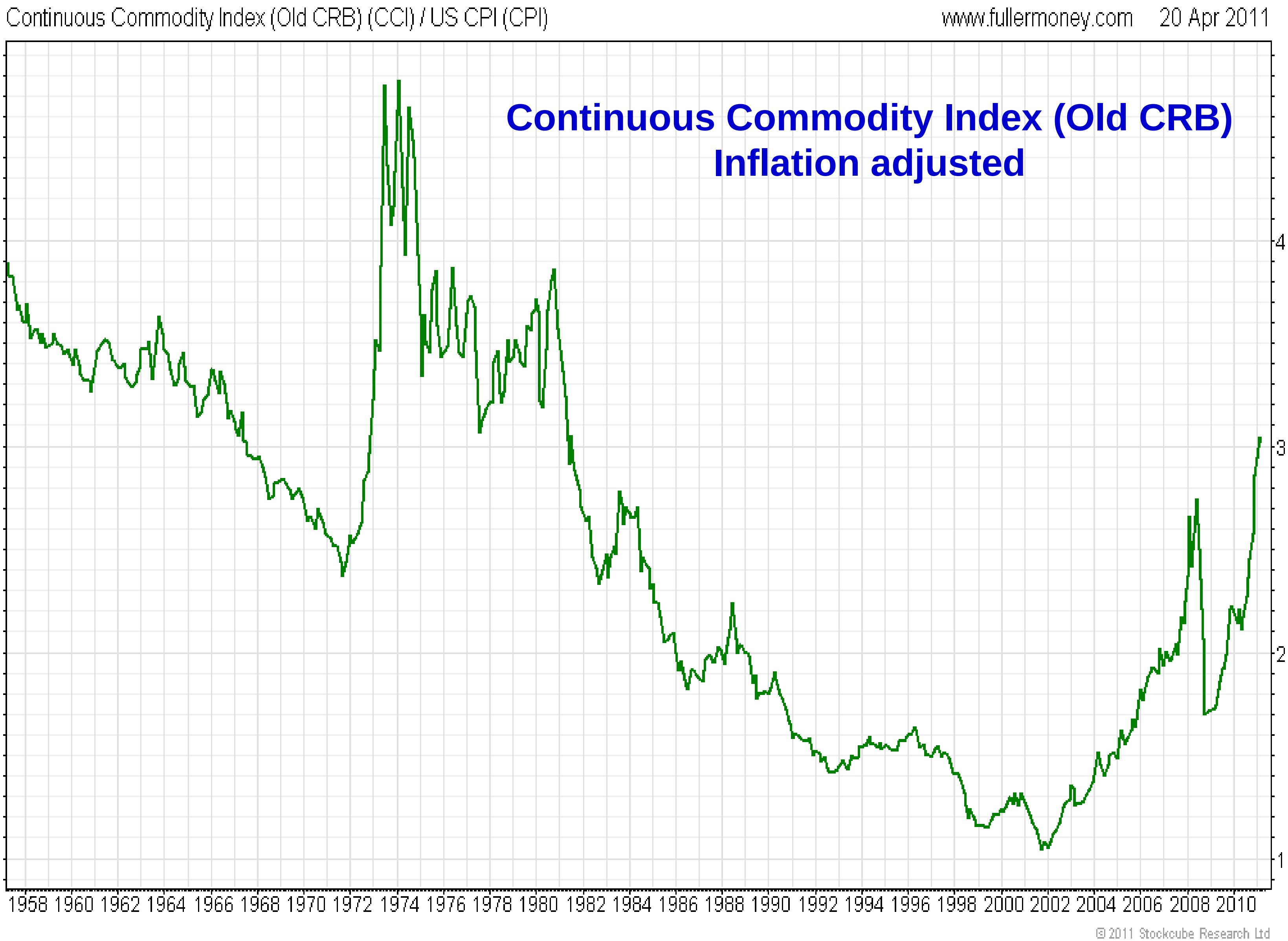
Continuous Commodity Index (Old CRB) (CCI) / US CPI (CPI)
www.fullermoney.com 20 Apr 2011
Continuous Commodity Index (Old CRB)
Inflation adjusted
4
3
2
1
1958 1960 1962 1964 1966 1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010
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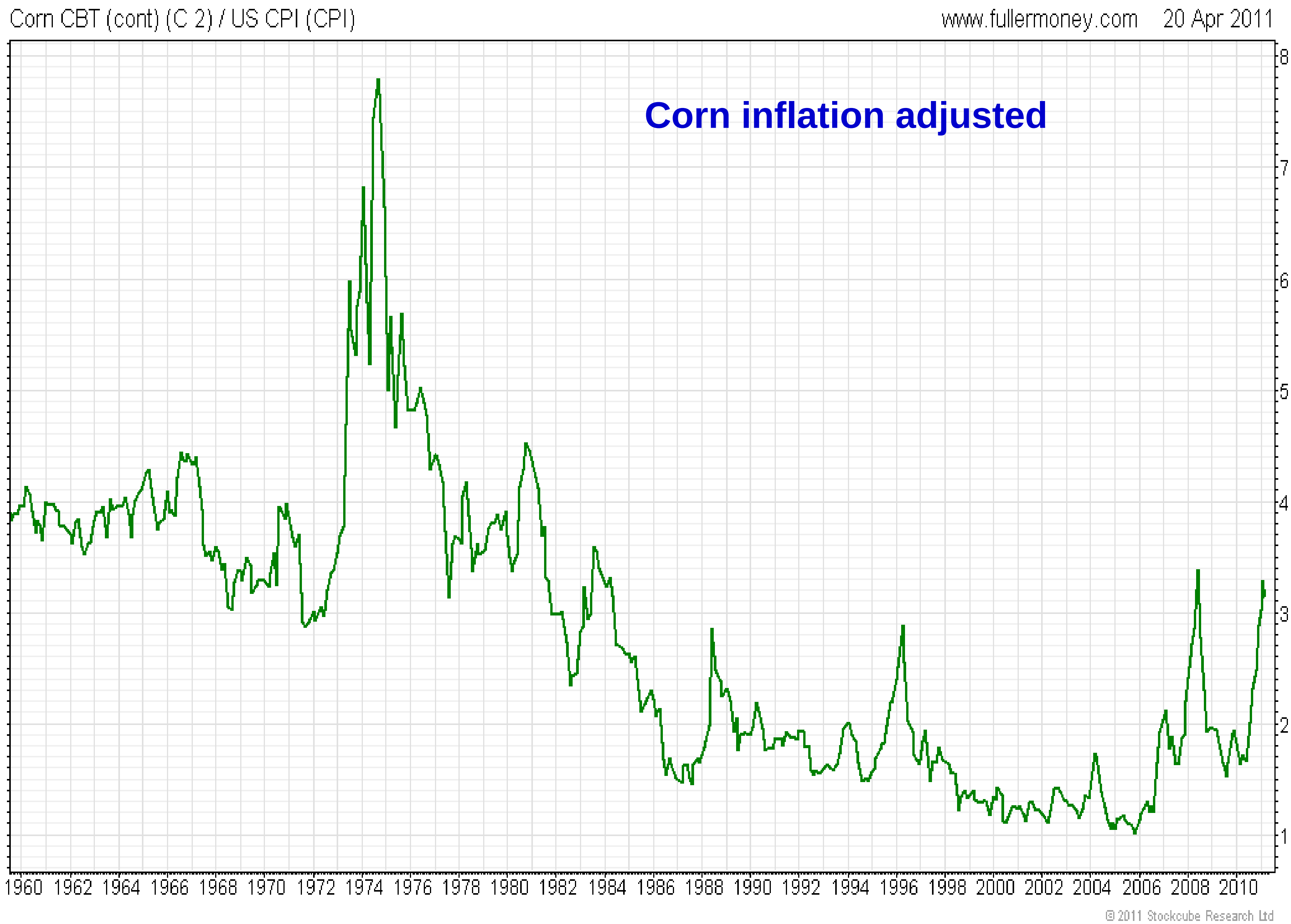
Corn CBT (cont) (C 2) / US CPI (CPI)
www.fullermoney.com 20 Apr 2011
Corn inflation adjusted
8
7
6
5
4
3
2
1
1960 1962 1964 1966 1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010
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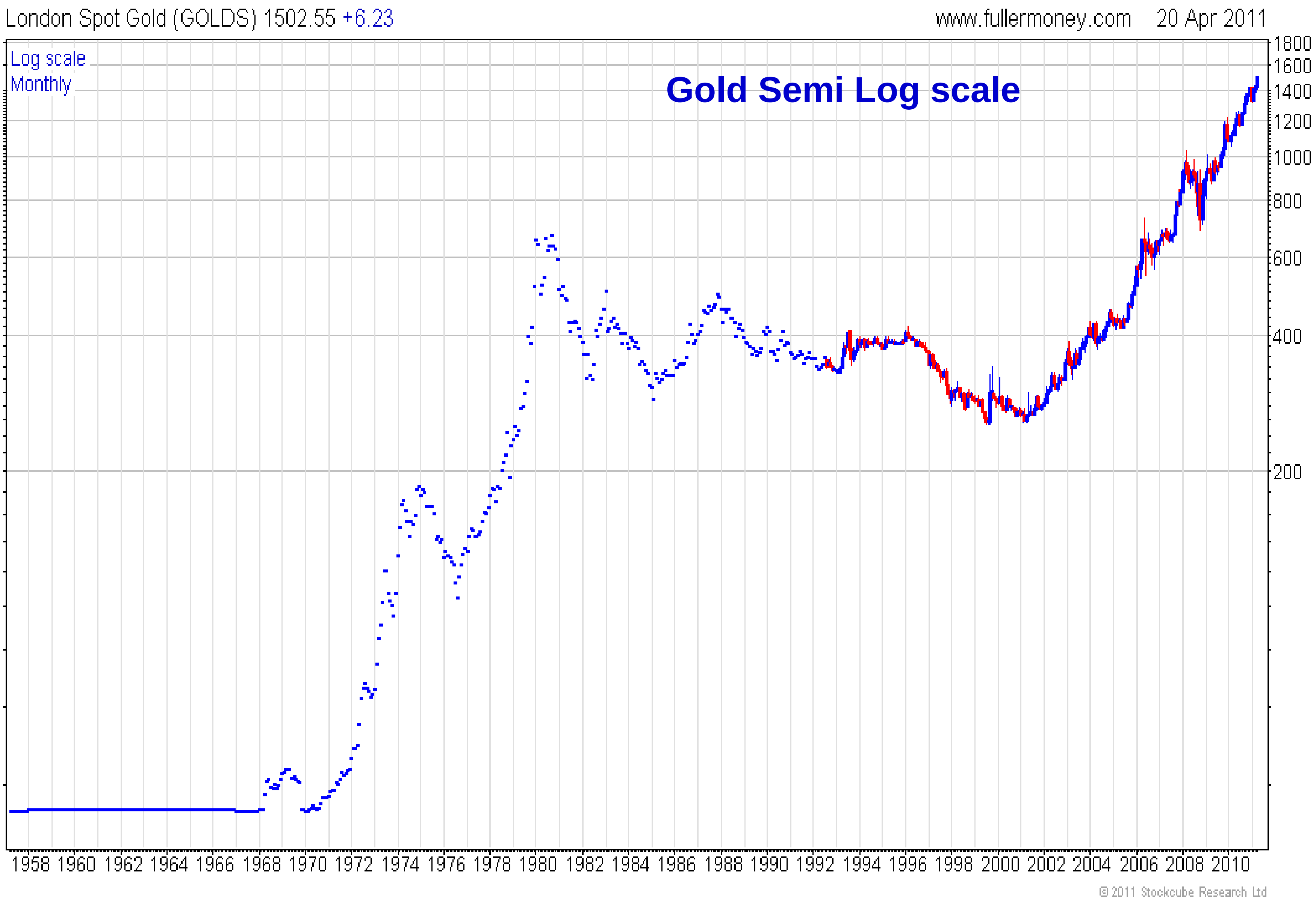
London Spot Gold (GOLDS) 1502.55 +6.23
www.fullermoney.com 20 Apr 2011
Log scale
Monthly
Gold Semi Log scale
1800
1600
1400
1200
1000
800
600
400
200
1958 1960 1962 1964 1966 1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010
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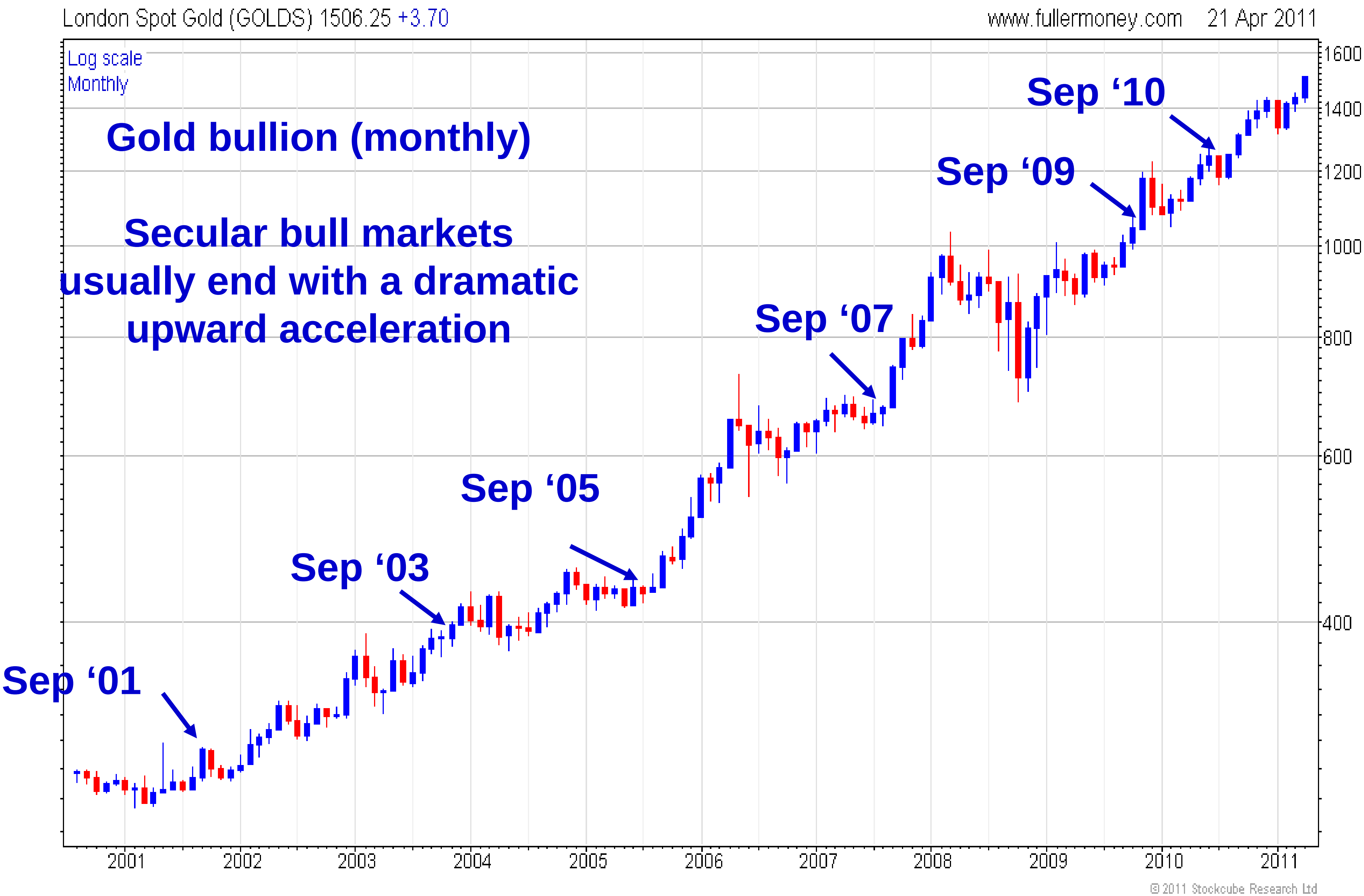
London Spot Gold (GOLDS) 1506.25 +3.70
www.fullermoney.com 21 Apr 2011
Log scale
Monthly
Gold bullion (monthly)
Secular bull markets
usually end with a dramatic
upward acceleration
Sep '01
Sep '03
Sep '05
Sep '07
Sep '09
Sep '10
1600
1400
1200
1000
800
600
400
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
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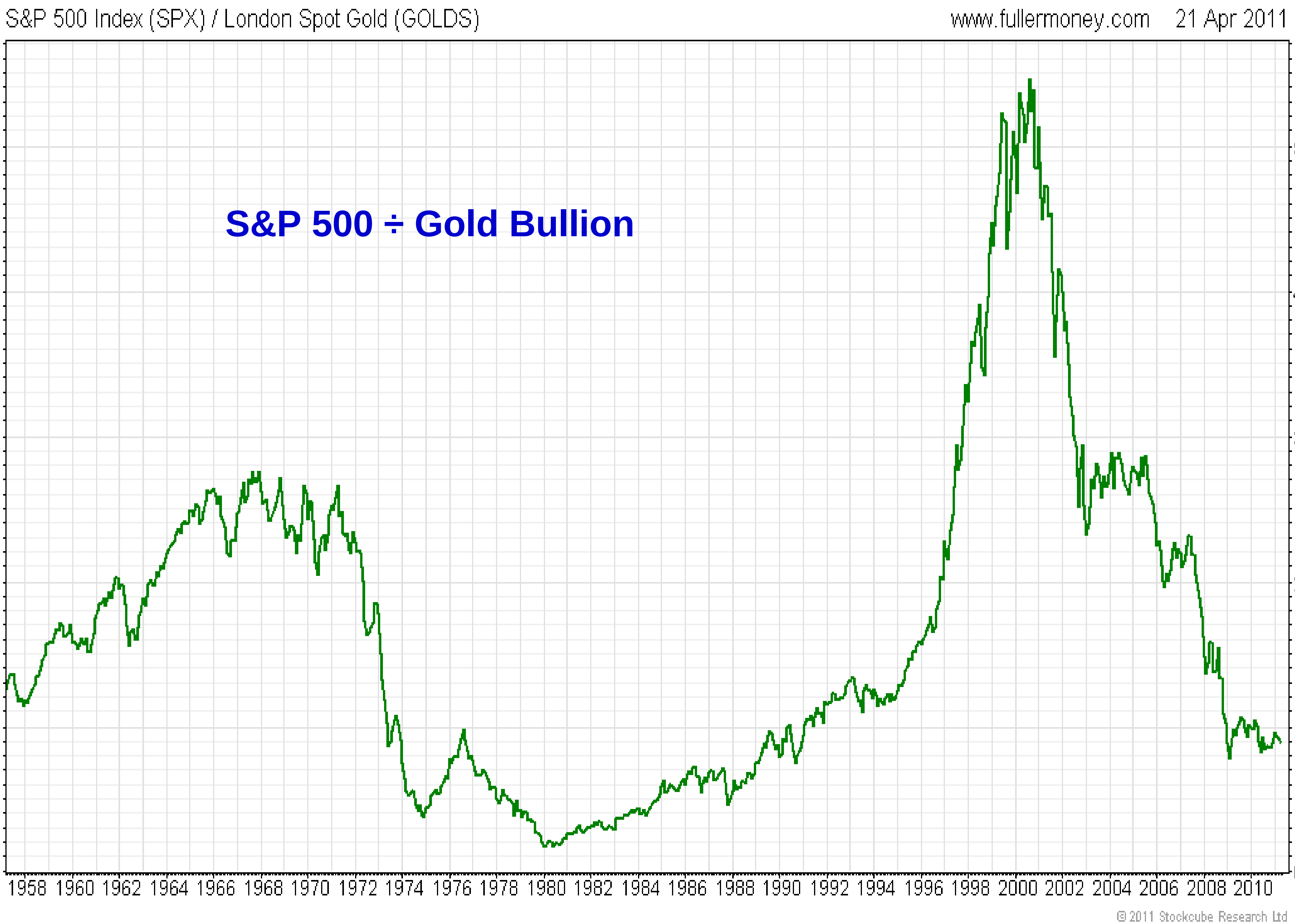
S&P 500 Index (SPX) / London Spot Gold (GOLDS)
www.fullermoney.com 21 Apr 2011
S&P 500 ÷ Gold Bullion
0
1
2
3
4
5
1958 1960 1962 1964 1966 1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010
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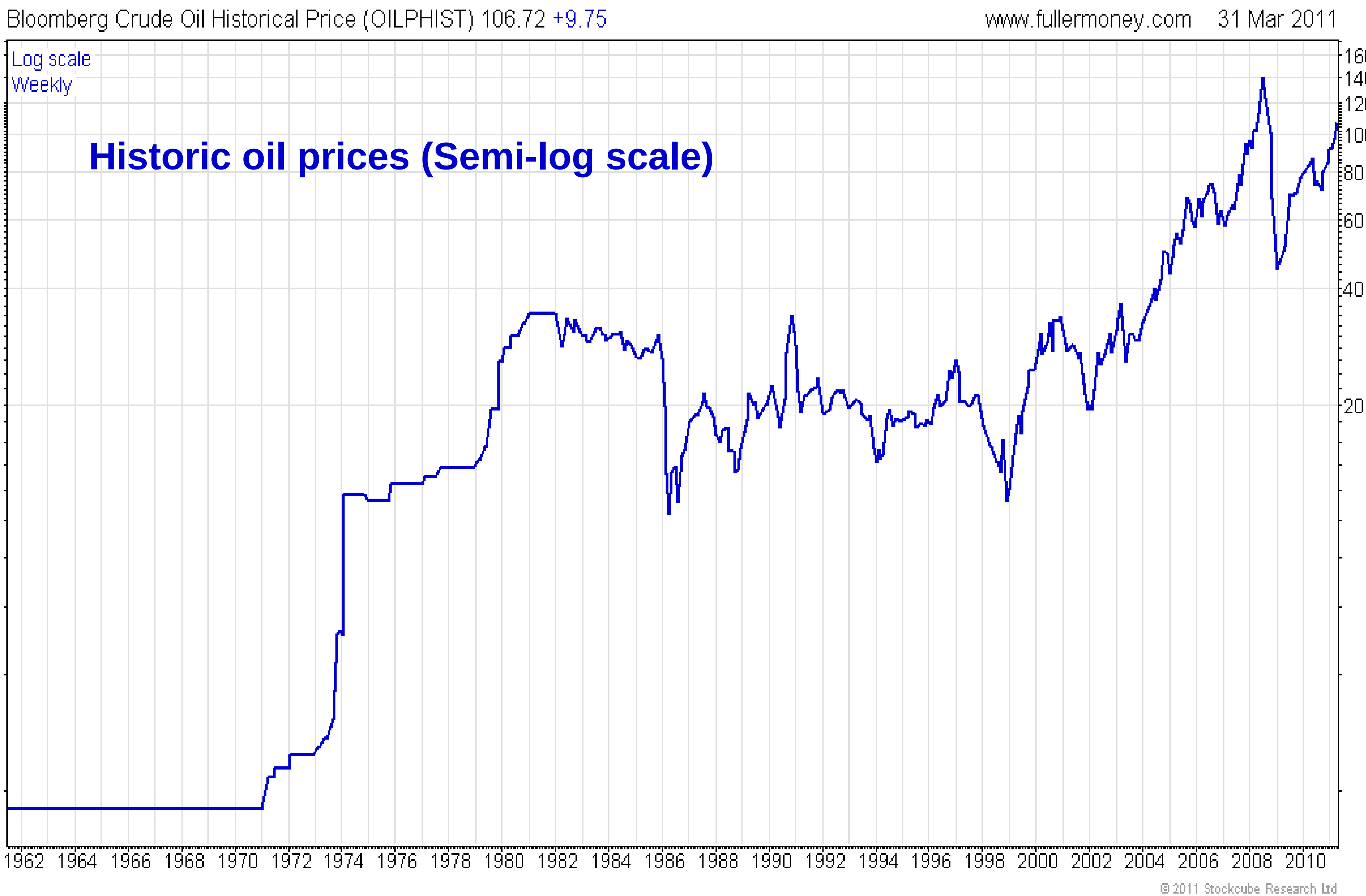
US 10yr Bond Yield (USGG10YR) 3.3963 n/c
www.fullermoney.com 22 Apr 2011
Monthly
September 1981
US 10-yr T-Bond Yield
28-year bull market over
Secular bear market beginning
Does it make sense to buy at these yields?
16
14
12
10
8
6
4
2
1964 1966 1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010
© 2011 Stockcube Research Ltd

Peak oil defined as the rising cost of marginal production



The cure for high prices is high prices

The Jevons Paradox states that:
Cheap commodity prices stoke demand,
Supply has trouble keeping pace,
Prices rise temporarily causing demand destruction
High prices innovation and efficiencies

Supply efficiencies tend to be developed when prices are low
E.g. horizontal drilling, hydraulic fracturing

Demand efficiencies tend to be developed when prices are high.
E.G. battery technology.

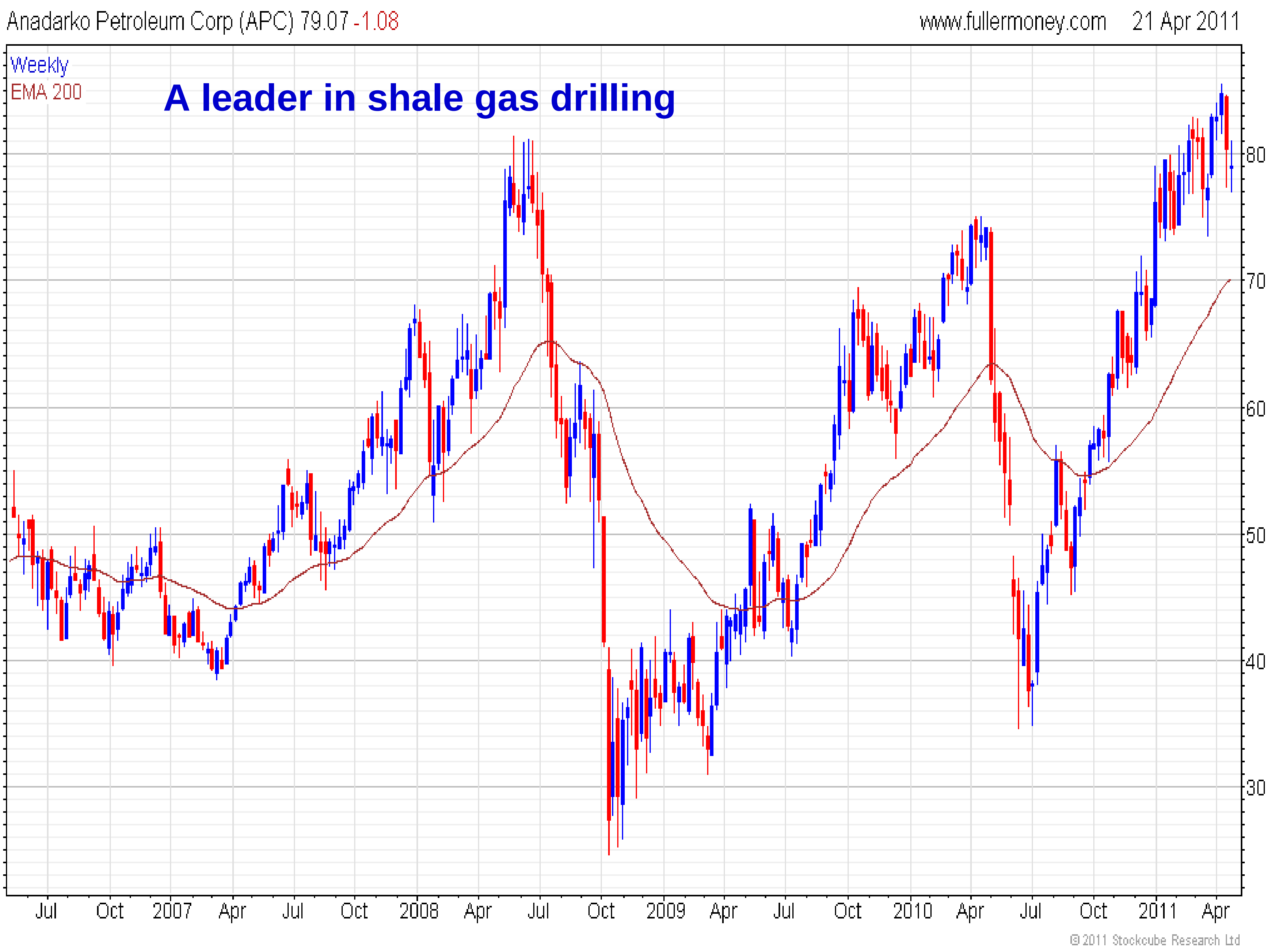
Shale gas is a game changer for the energy sector.

Technological innovations developed at the bottom of the price cycle are now helping to bring massive sources of new supply to market.

As a result US natural gas is cheap compared to other fossil fuels. It is relatively clean, abundant, accessible in politically secure parts of the world and much of the infrastructure required for its use is already in place.

The same technology is now being employed to shale oil reserves

US energy independence is a real possibility within the next 15 years.


Anadarko Petroleum Corp (APC) 79.07 -1.08
www.fullermoney.com 21 Apr 2011
Weekly
EMA 200
A leader in shale gas drilling
80
70
60
50
40
30
Jul
Oct
2007
Apr
Jul
Oct
2008
Apr
Jul
Oct
2009
Apr
Jul
Oct
2010
Apr
Jul
Oct
2011
Apr
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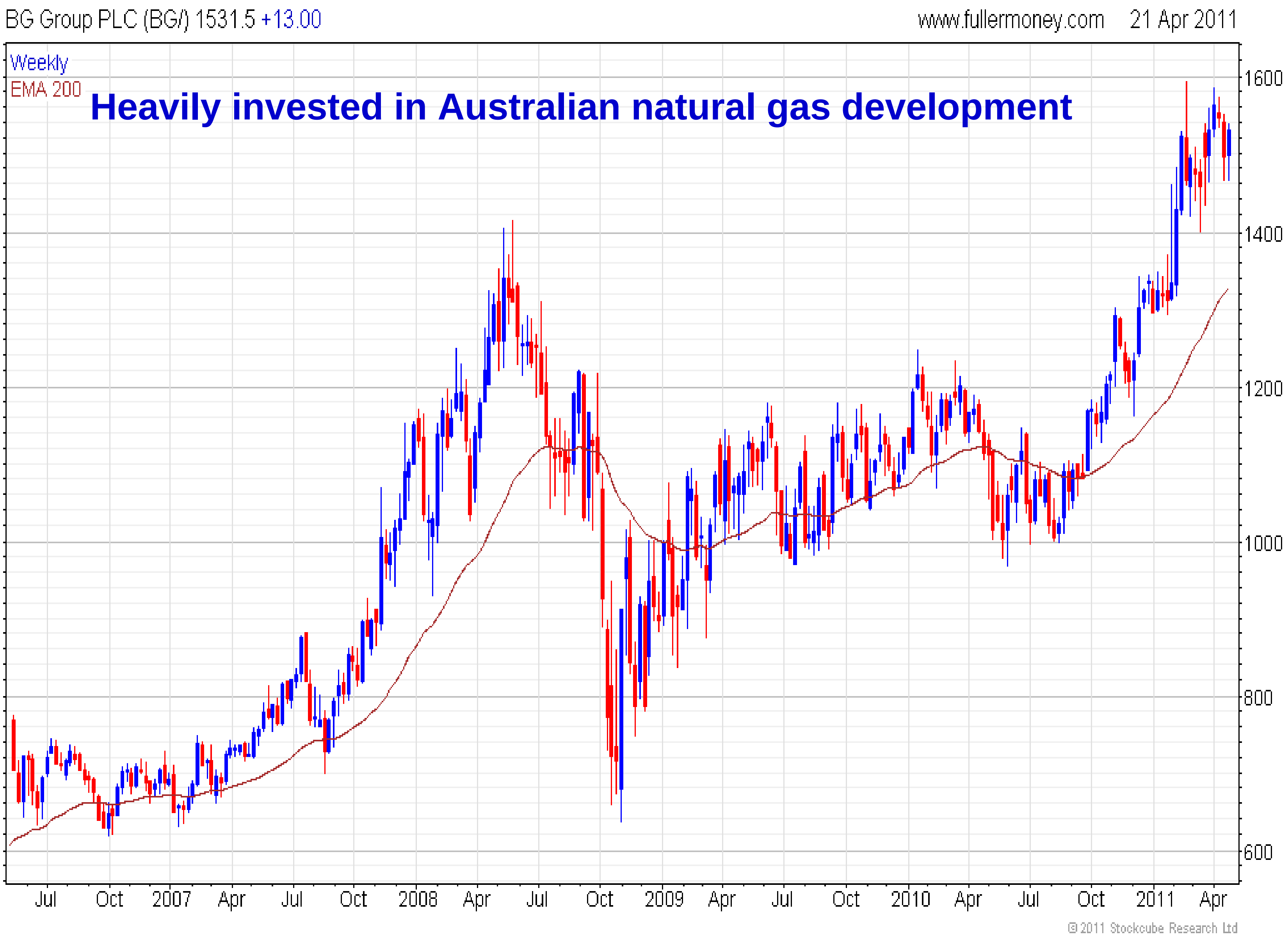
BG Group PLC (BG/) 1531.5 +13.00
www.fullermoney.com 21 Apr 2011
Weekly
EMA 200
Heavily invested in Australian natural gas development
1600
1400
1200
1000
800
600
Jul
Oct
2007
Apr
Jul
Oct
2008
Apr
Jul
Oct
2009
Apr
Jul
Oct
2010
Apr
Jul
Oct
2011
Apr
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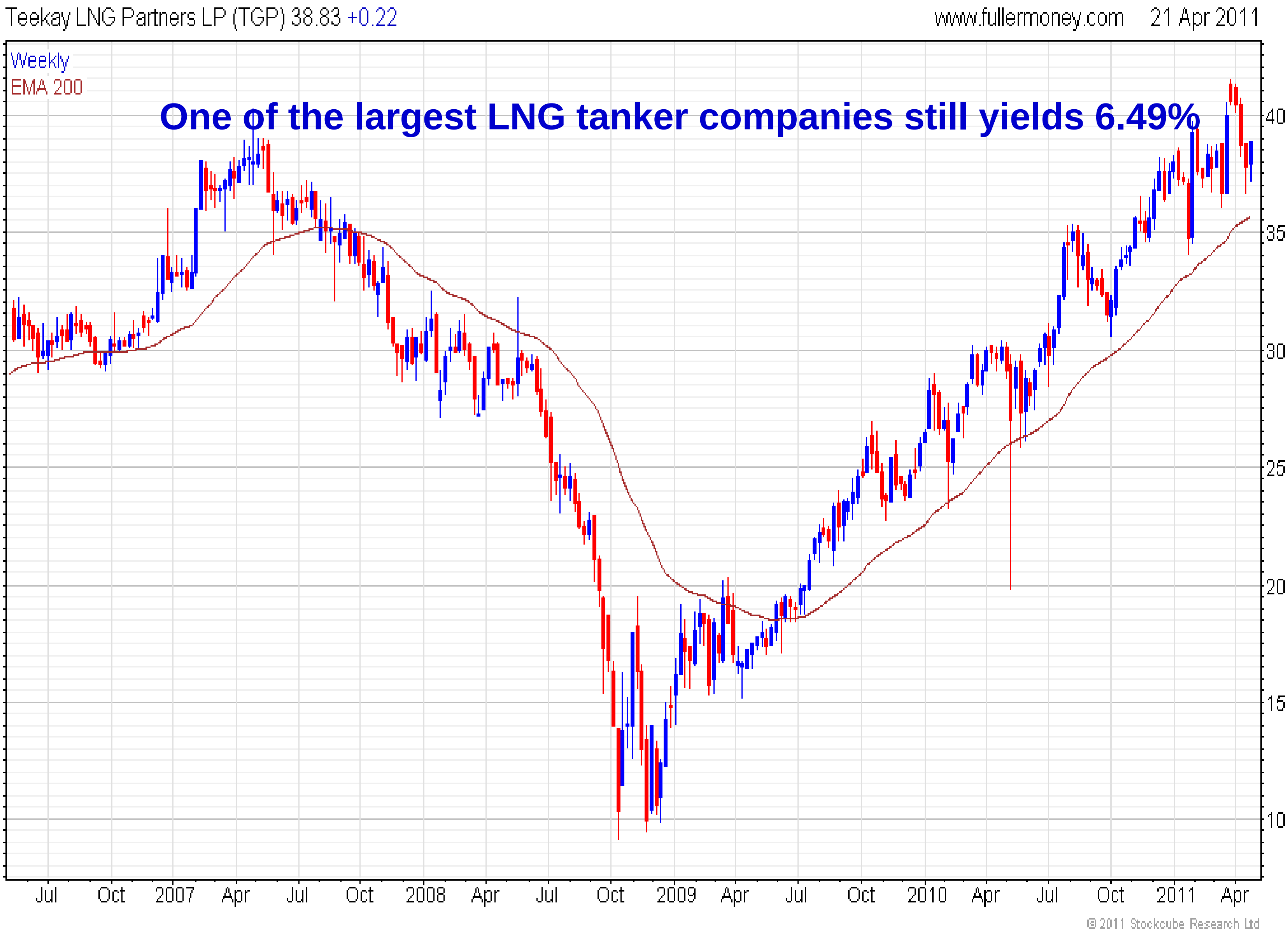

Teekay LNG Partners LP (TGP) 38.83 +0.22
www.fullermoney.com 21 Apr 2011
Weekly
EMA 200
One of the largest LNG tanker companies still yields 6.49%
40
35
30
25
20
15
10
Jul
Oct
2007
Apr
Jul
Oct
2008
Apr
Jul
Oct
2009
Apr
Jul
Oct
2010
Apr
Jul
Oct
2011
Apr
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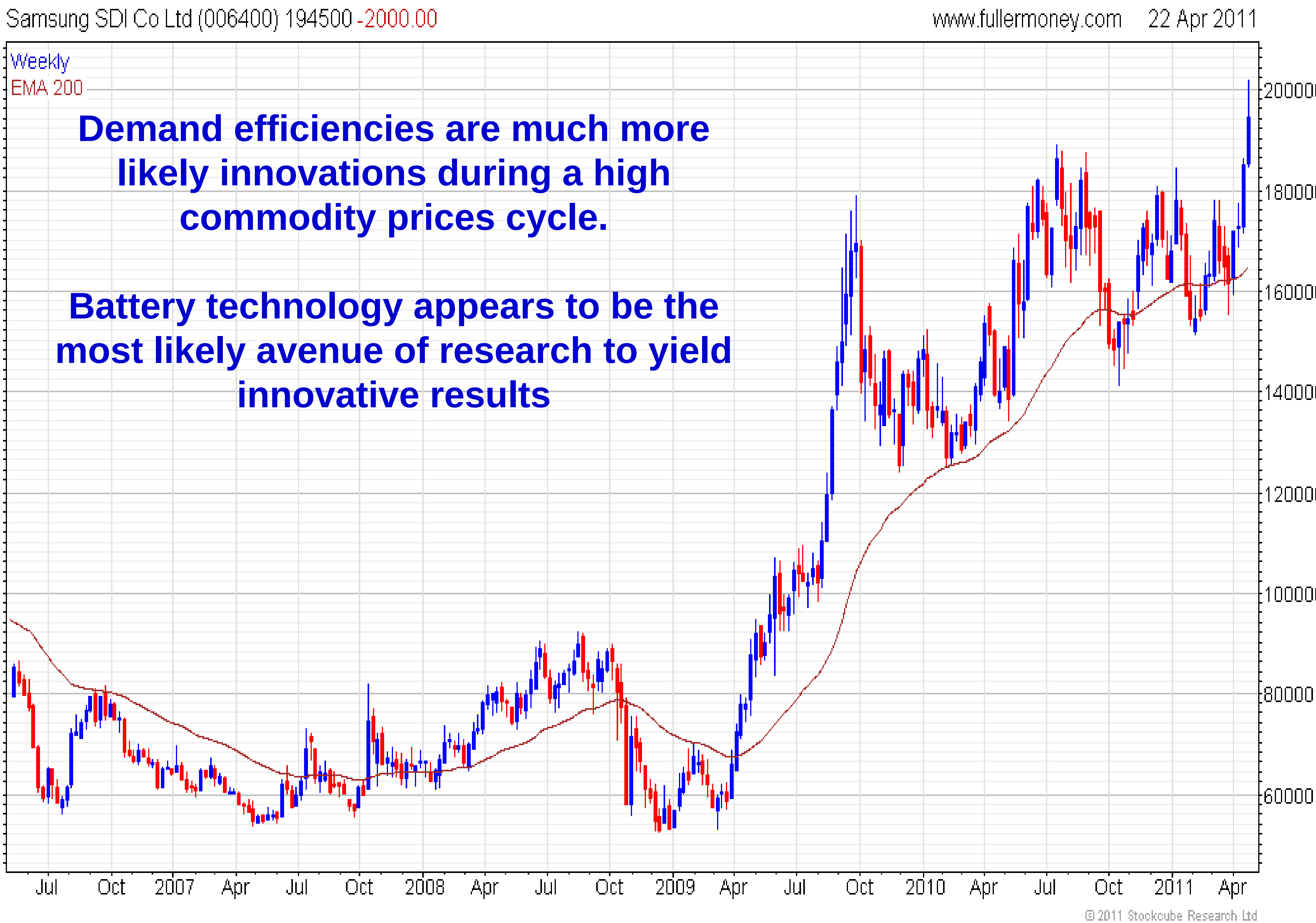
Samsung SDI Co Ltd (006400) 194500 -2000.00
www.fullermoney.com 22 Apr 2011
Weekly
EMA 200
Demand efficiencies are much more likely innovations during a high commodity prices cycle.
Battery technology appears to be the most likely avenue of research to yield innovative results
200000
180000
160000
140000
120000
100000
80000
60000
Jul
Oct
2007
Apr
Jul
Oct
2008
Apr
Jul
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2009
Apr
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Apr
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2011
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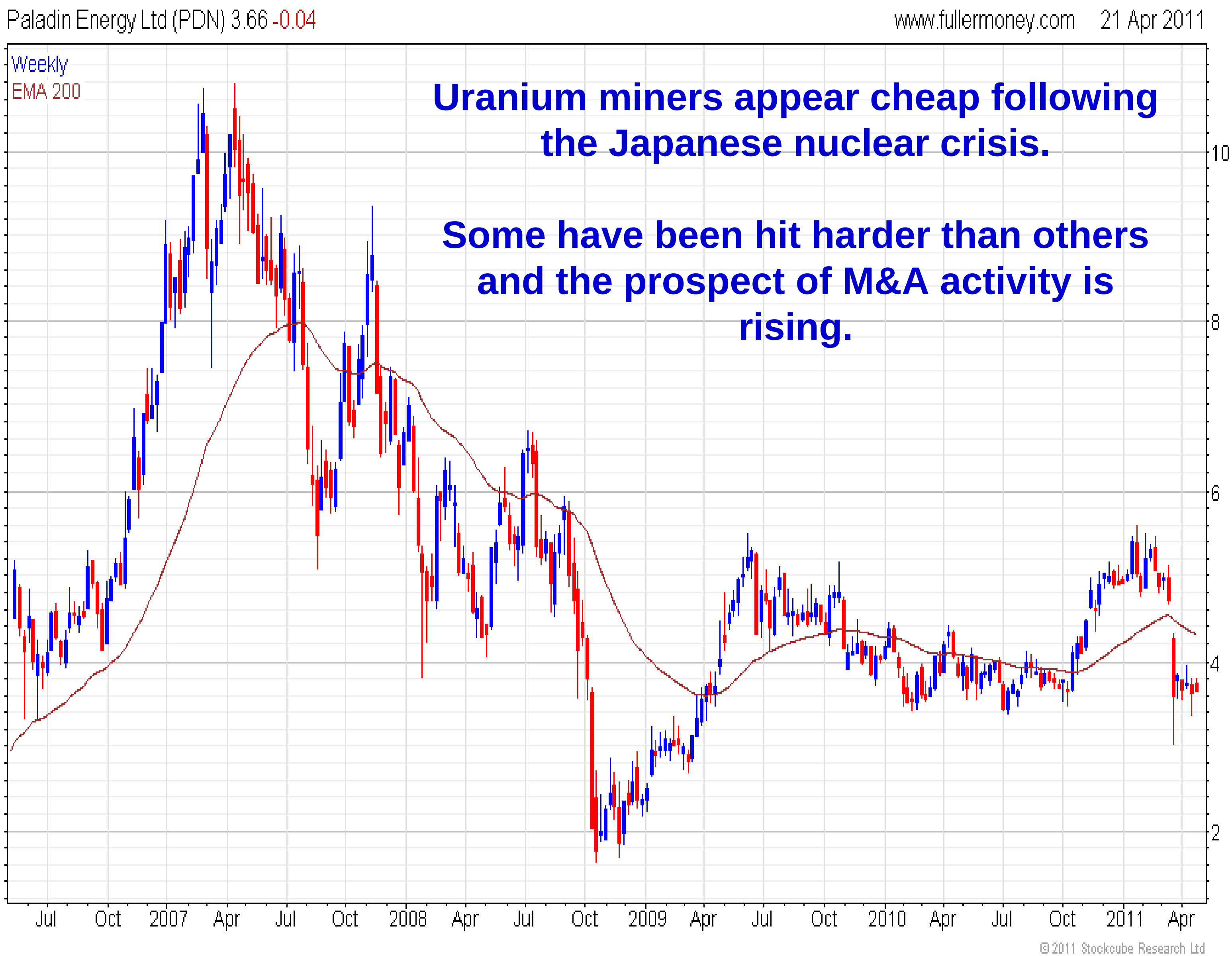
Paladin Energy Ltd (PDN) 3.66 -0.04
www.fullermoney.com 21 Apr 2011
Weekly
EMA 200
Uranium miners appear cheap following the Japanese nuclear crisis.
Some have been hit harder than others and the prospect of M&A activity is rising.
10
8
6
4
2
Jul Oct 2007 Apr Jul Oct 2008 Apr Jul Oct 2009 Apr Jul Oct 2010 Apr Jul Oct 2011 Apr
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Fiat Currencies

The least bad in this environment:

Those of Asia-led growth economies, resources exporters (AUD), financial currencies (CHF & SGD)

Higher risk:

Debtor currencies – USD, albeit somewhat oversold, GBP & EUR (unless it becomes DEM-lite)

In the distant future:

Chinese Renminbi will be the next global reserve currency but probably not before 2050


Latin America Dollar Index (LACI) 120.09 +0.01
www.fullermoney.com 22 Apr 2011
Weekly
MA 200
Latin American Dollar Index
(not good in a recession)
130
120
110
100
90
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
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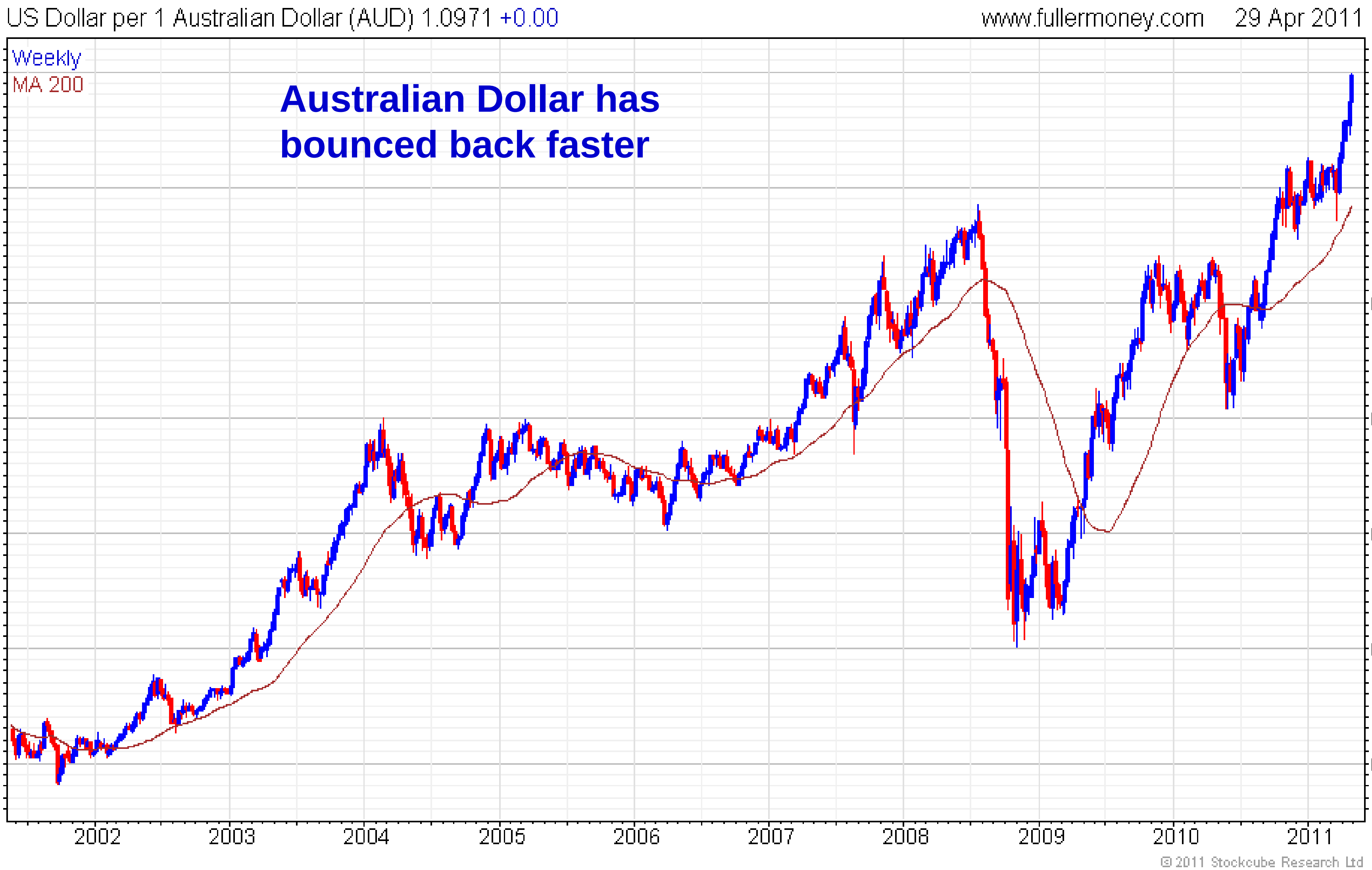
US Dollar per 1 Australian Dollar (AUD) 1.0971 +0.00
www.fullermoney.com 29 Apr 2011
Weekly
MA 200
Australian Dollar has bounced back faster
1.1
1
0.9
0.8
0.7
0.6
0.5
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
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Medium to longer-term risks

- Industrial commodity price inflation
- Food price inflation
- Progressing economy inflation (current)
- Regressing economy stagflation
- Higher interest rates
- Trade protectionism
- Commodity 'wars'
- High frequency trading (another WMD)
- Climate change

Current bull points

- Monetary policy is still accommodative
- Interest rates are low
- CPI inflation is low
- Progressing economies are healthy
- The West's recovery is only 24 months old
- Household savings are rising
- Equity valuations are reasonable
- Corporate balance sheets are mostly strong*

* (Where leveraged to the global economy)

Fullermoney summary forecasts

- **The Asian, resources and tech-led global stock market recovery will resume 2H 2011**
- **This cyclical bull market should have at least another year to run, provided energy and food prices do not spike too high, prompting central banks to tighten more aggressively**
- **The 28-year bull market in US government bonds is over – yields are base building and will range higher over the medium to long term**

Fullermoney summary forecasts

- **Gold's secular bull market has at least several more years before it is halted by higher rates**
- **The secular bull for industrial commodities will continue, punctuated by recessions**
- **Progressing Asian and resources economy stock markets will continue to lead**
- **US and European multinationals leveraged to the global economy will outperform**
- **Leading or promising sectors include: technology, healthcare, mining, agriculture, global infrastructure, and dividend increasers**

Thank you very much

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