RWA

Market Insights H2 2023

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Founder & Strategist

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the technical *analyst*
AWARDS 2020
W I N N E R

Professional Experience

- **20-years track:** Strategy, Education & Performance Coaching.
- **Leading institutions:** Banks, Funds and Brokers.
- **Strategy focus:** Global, Multi-asset, Top-down/Blended approach, driven by cycles.
- **Behavioral Finance & Coaching:** Behavioral/Portfolio Assessment, Peak Performance & SRM.
- **Education mission:** IFTA society-CFTe diploma, Professional Trainers, Universities, Colleges & Regulators.

+20 Year Track
Global, Multi-Asset, Top-down blended analysis; driven by Proprietary Cycles

Chartered Financial Technician (CFTe)
Behavioral Finance, Market Timing & Risk Management

Master NLP Practioner
Neuro-Finance Modelling

ICF Trained Performance Coach
Asset Managers, HNWIs, Institutions, Investors & more

Key points

Approach
- ❑ Top-Down Framework
- ❑ Roadmap Cycle
- ❑ Blended Approach

Key Themes
- ❑ The Perils of Painting The Tape!
- ❑ Will Japan's rising sun eclipse its 1989 peak?
- ❑ Gold consolidation, before rising to $2800

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SAMT BLOG

28
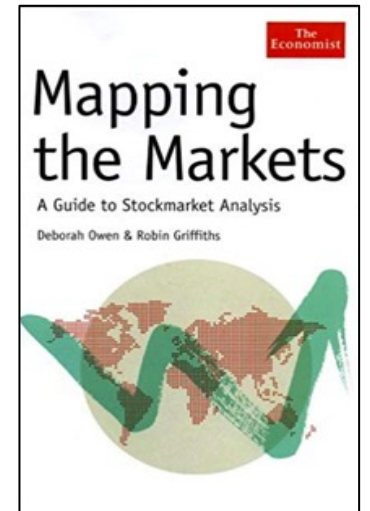**Jun**
2023

The Perils of "Painting the Tape"
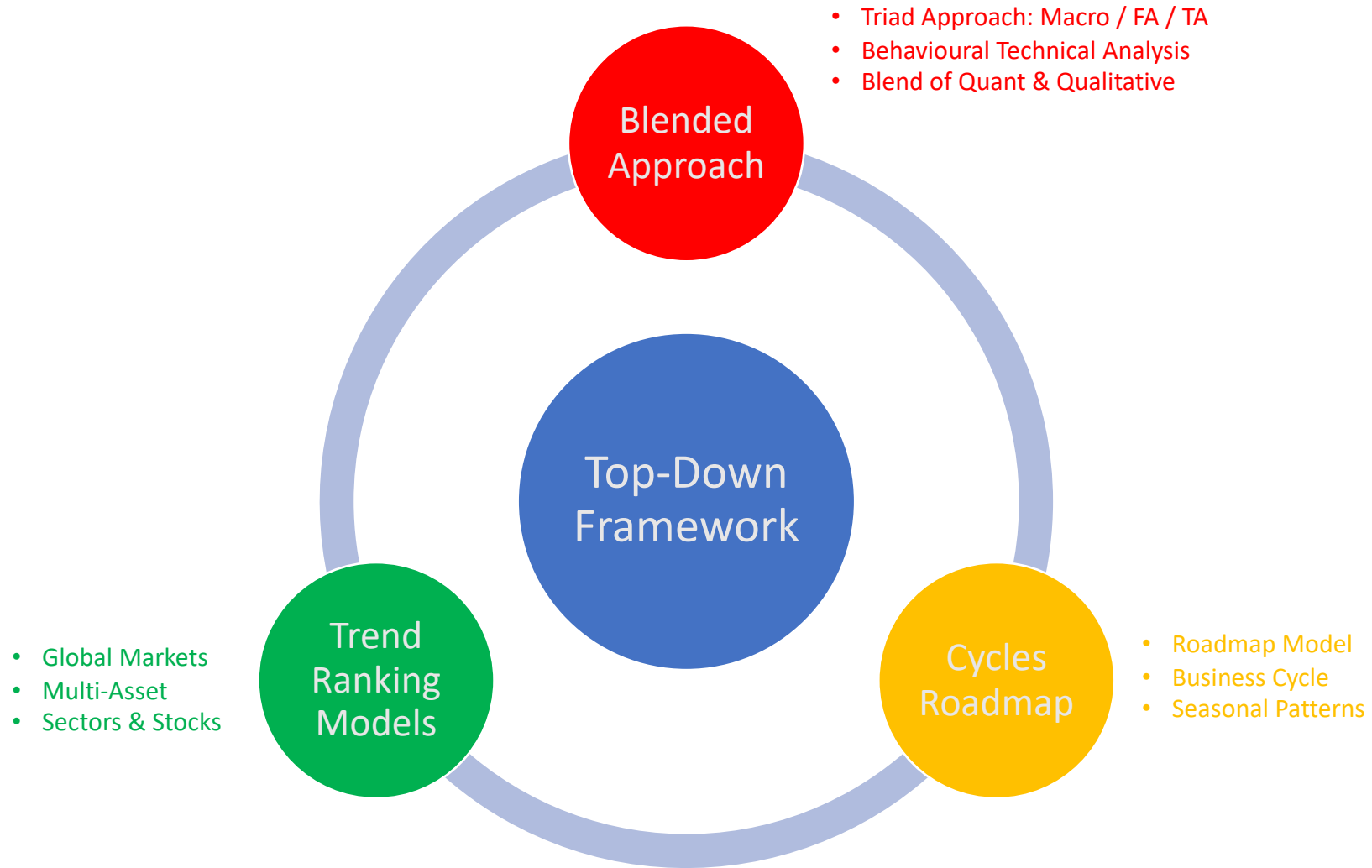
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28. June 2023, by Ron William
Technical Analysis

Sound the alarm! The recent escape-velocity melt-up in mega-cap tech, is likely to suffer the perils of painting the tape,' based on **historic divergences in market internals, greater than Y2K TMT and 2008 GFC.** Jesse Livermore, a famous trader of the early 20th century and publisher of the classic trading bible, *'Reminiscences of a Stock Operator',* was known for taking advantage of a previous version of this market anomaly. Generations later, the term evolved to describe artificial and unsustainable market rises that would typically carry large asymmetric risk. However, as many astute professionals know, this is **only a market setup, and not a timing signal.**
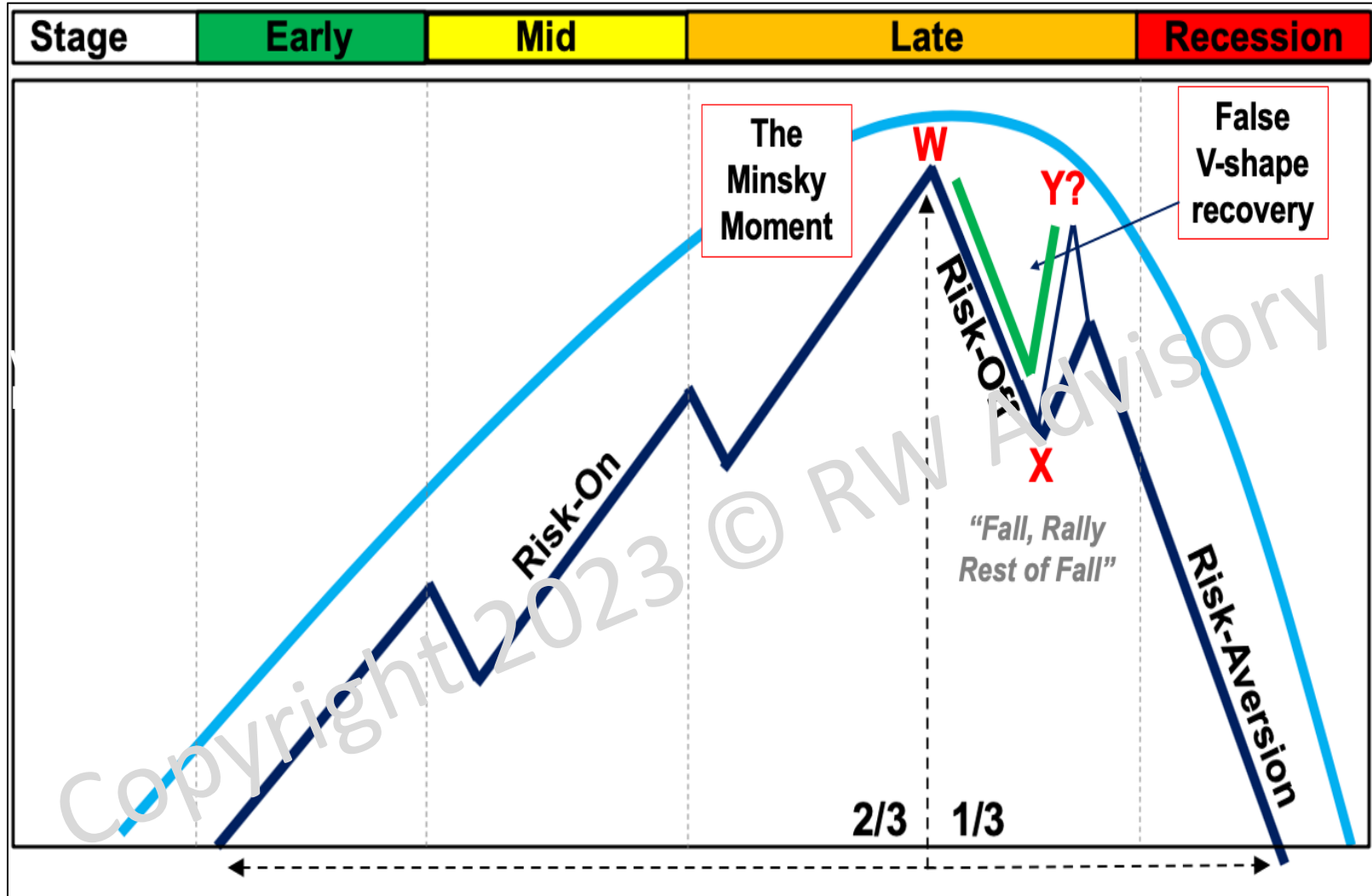
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My Approach

Top-down Framework

Blended Approach
- Triad Approach: Macro / FA / TA
- Behavioural Technical Analysis
- Blend of Quant & Qualitative

Top-Down Framework

Trend Ranking Models
- Global Markets
- Multi-Asset
- Sectors & Stocks

Cycles Roadmap
- Roadmap Model
- Business Cycle
- Seasonal Patterns

The Economist

Mapping the Markets

A Guide to Stockmarket Analysis

Deborah Owen & Robin Griffiths

Roadmap Cycle

Stage	Early	Mid	Late	Recession

The Minsky Moment

False V-shape recovery

W

Y?

X

Risk-On

Risk-Off

"Fall, Rally Rest of Fall"

Risk-Aversion

2/3   1/3
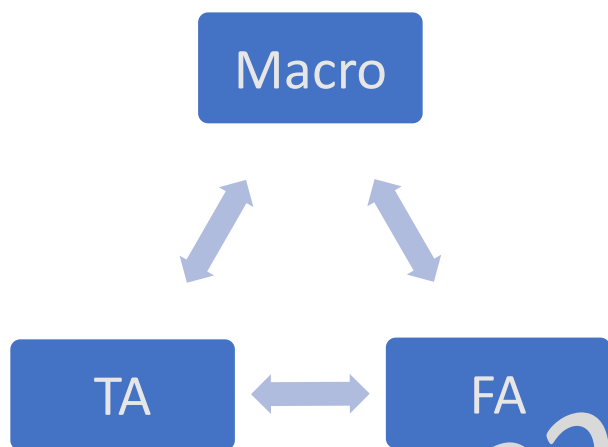
- ❑ Roadmap cycle is the behavioral fractal pattern of market price action.

- ❑ Typically asymmetric pattern, based on the unequal relationship between greed and fear. Similar to Elliott wave, but different pattern variation, based on timing models.

- ❑ Statistical regression analysis is a useful tool to measure trend equilibrium and deviations from trend which can led to reversal signals.
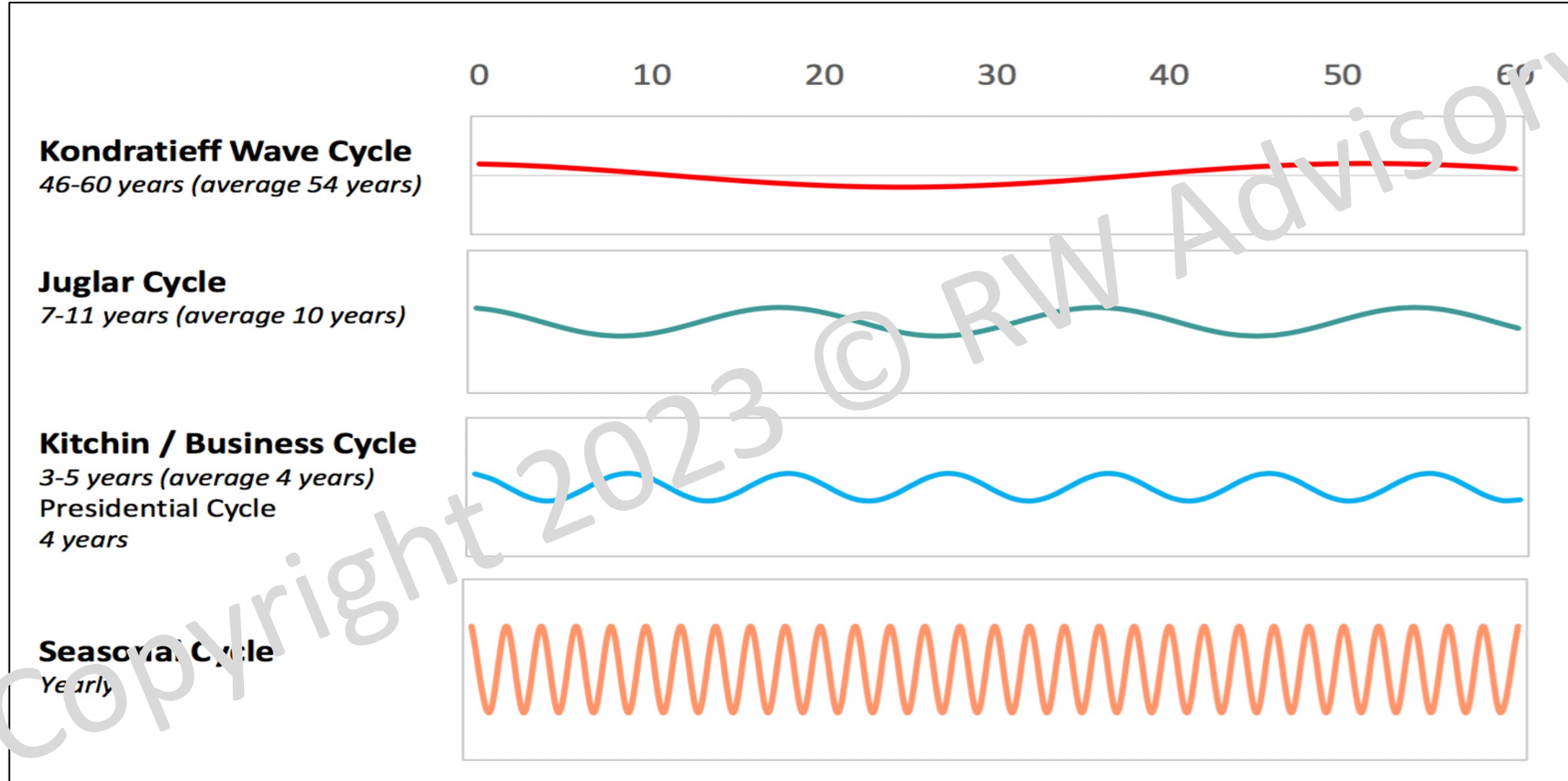
Blended Approach

```
      Macro
      ↑↓   ↑↓
  TA  ←→  FA
```

Rotation Investment Model

	EARLY	MID	LATE		RECESSION
GROWTH	TURNING UP FROM NEGATIVE	POSITIVE & RISING	LOSING MOMENTUM & PEAKING	FALLING POST PEAK	NEGATIVE
VALUATION	GREED ASSETS CHEAP RELATIVE TO FEAR ASSETS	GREED ASSETS RELATIVELY INEXPENSIVE VS. FEAR ASSETS	GREED ASSETS FAIR VALUE BUT EXPENSIVE VS. FEAR ASSETS	GREED ASSETS EXPENSIVE RELATIVE TO FEAR ASSETS	GREED ASSETS CHEAPER RELATIVE TO FEAR ASSETS
TECHNICALS	GREED/FEAR RANKING TURNS UP FROM LOWS	GREED/FEAR RANKING CONTINUES TO RISE FURTHER	GREED/FEAR RANKING ELEVATED LEVELS	GREED/FEAR RANKING DECLINING	GREED/FEAR RANKING CONTINUES TO FALL
	GLOBAL EQUITY BREADTH < 50% BUT RISING	GLOBAL EQUITY BREADTH > 50%	GLOBAL EQUITY BREADTH > 50%	GLOBAL EQUITY BREADTH < 50%	GLOBAL EQUITY BREADTH < 10% & FALLING

Asset Allocation

				CASH	INVERSE EQUITIES
ASSET	GLOBAL HIGH YIELD EQUITIES	EQUITIES	COMMODITIES INDEX LINKED BONDS	LONG DURATION GOVT. BONDS	CORP. BONDS (HIGH YIELD)
STYLE	SMALL CAP HIGH BETA	VALUE	LONG-TERM MOMENTUM	LARGE CAP GROWTH	HIGH QUALITY LOW VOLATILITY
SECTOR	EARLY CYCLE FINANCIALS CONSUMER DISCRETIONARY	MID CYCLE TECH MATERIALS	LATE CYCLE ENERGY MATERIALS INDUSTRIALS	DEFENSIVE STAPLES HEALTH UTILITIES TELECOM	DEFENSIVE STAPLES HEALTH UTILITIES TELECOM

❑ Late-stage, into recession, marked by growth contraction, with credit pressures to follow.

❑ Growth-value rotation still in transition, but expect LT rotation ahead.

❑ Market internals narrow, fragmented and deteriorating.

❑ Barbell strategy, risk asset selectivity, profit-taking, while building up defensive play, such as gold, cash, quality bonds and non-correlated portfolio risk.

❑ Consider risk diversification e.g. macro themes - Japan yield control or China pro-growth cycle.

Adapted Cycle Schema

Kondratieff Wave Cycle
46-60 years (average 54 years)

Juglar Cycle
7-11 years (average 10 years)

Kitchin / Business Cycle
3-5 years (average 4 years)
Presidential Cycle
4 years

Seasonal Cycle
Yearly

- ❑ Adapted cycle schema, based on the Roadmap signature work of mentor Robin Griffiths.

- ❑ These cycles primarily influence global sentiment, policy and markets.

- ❑ Each cycle is unique, but alignment = tidal wave effect = crisis-opportunity.

The K-wave

60YR K-wave confirmed inflation rise & shock into 2022
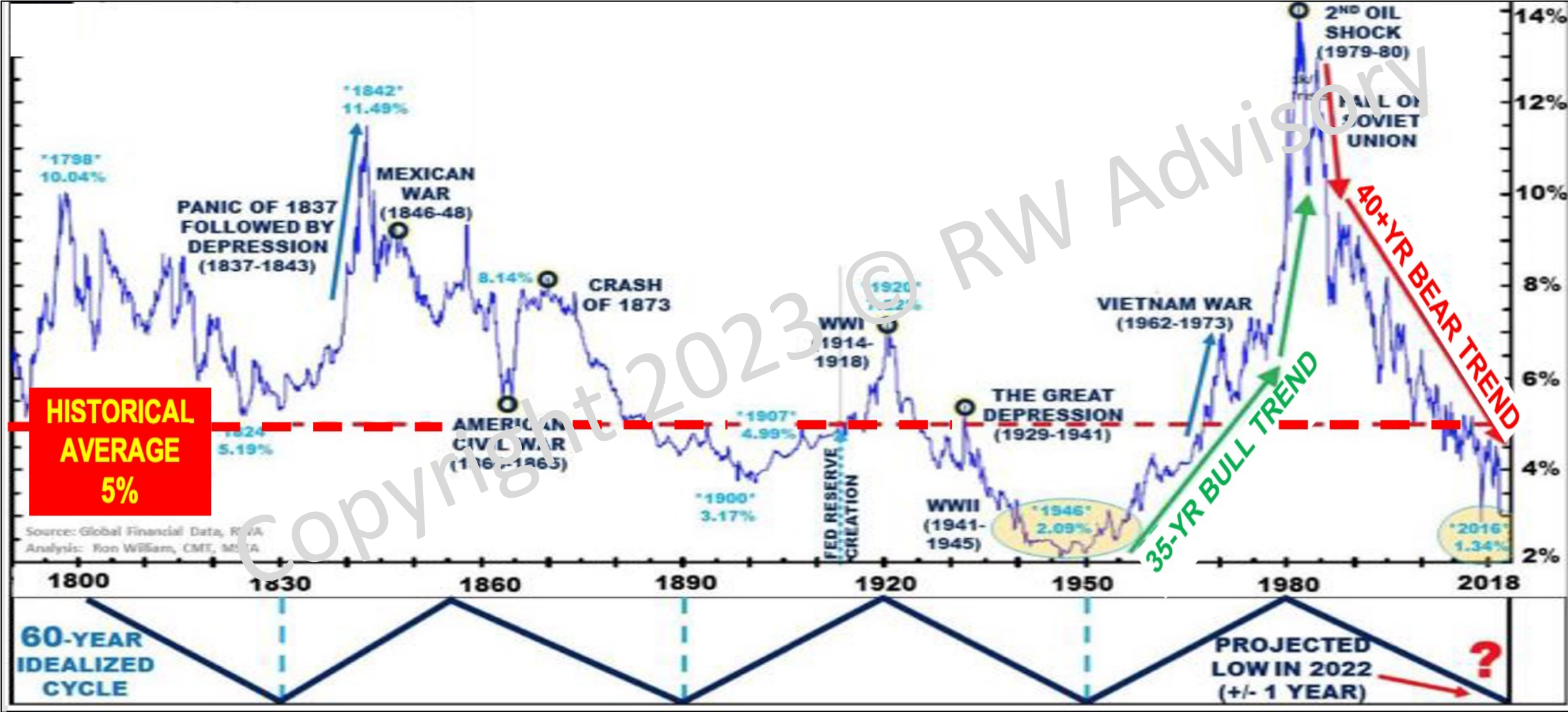
New structural rolling waves of volatility, 5-3% & beyond
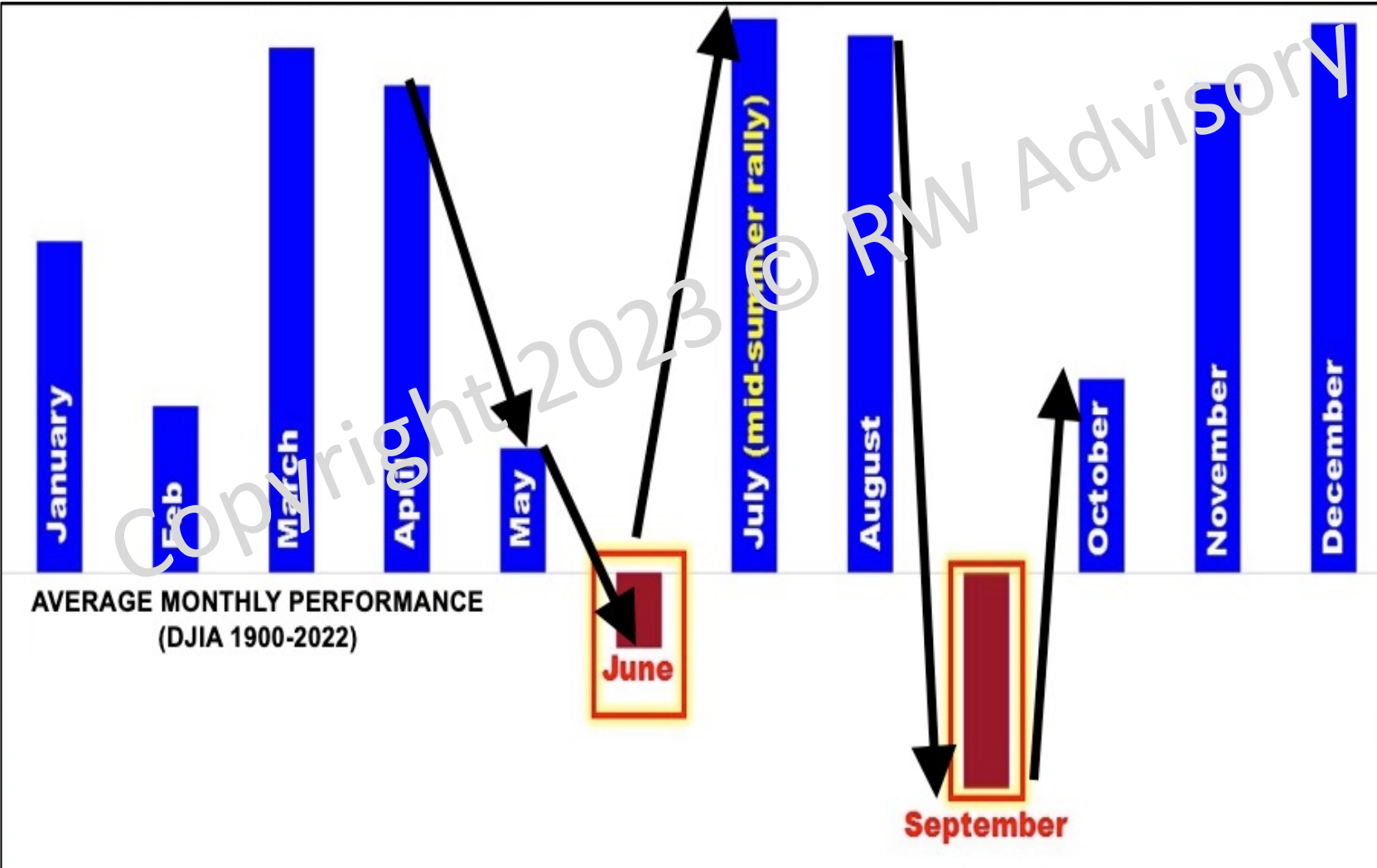

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Seasonality

Seasonality

- Seasonality is a regular and predictable pattern that recur every calendar year. Every industry exhibits unique seasonal trends, based on solid drivers.

- The best-known seasonal drivers include harvest periods, the timing of interest payments, tax or balance sheet deadlines, earning reports, the weather, investor sentiment at certain times of the year, as well as traditional patterns, such as the year-end rally in the stock market.

- One of the most popular seasonal patterns in the equity market is *"Sell in May and Go Away",* based on summer volatility.


SPRING   SUMMER   AUTUMN   WINTER

SELL IN MAY AND GO AWAY?   NAH!

B. Rich
HEDGEYE
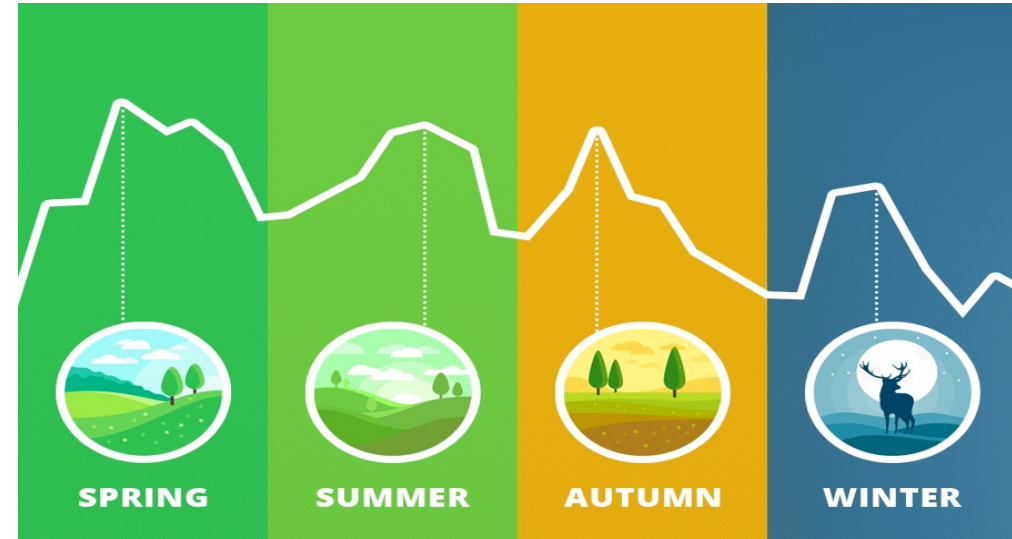
Peak in August, Risk in September & October

AVERAGE MONTHLY PERFORMANCE
(DJIA 1900-2022)

- ❏ January barometer, as the year starts, is an indicator for how the year performs and ends. E.g. 2022!

- ❏ April, Q2 climax, earning season, followed by "Sell in May (SIM)' negative seasonality, pressured by low summer volumes & elevated vol.

- ❏ Stage 1 biggest drawdown in June, not May, followed by mid-summer rally.

- ❏ Stage 2 biggest drawdown in Sept, marked by false low, followed by real low in Oct. Anniversary of Fall-crash.

- ❏ Sell in May & comeback in time for St. Ledger's day, (British race season), from November onwards, part of yearend rally.
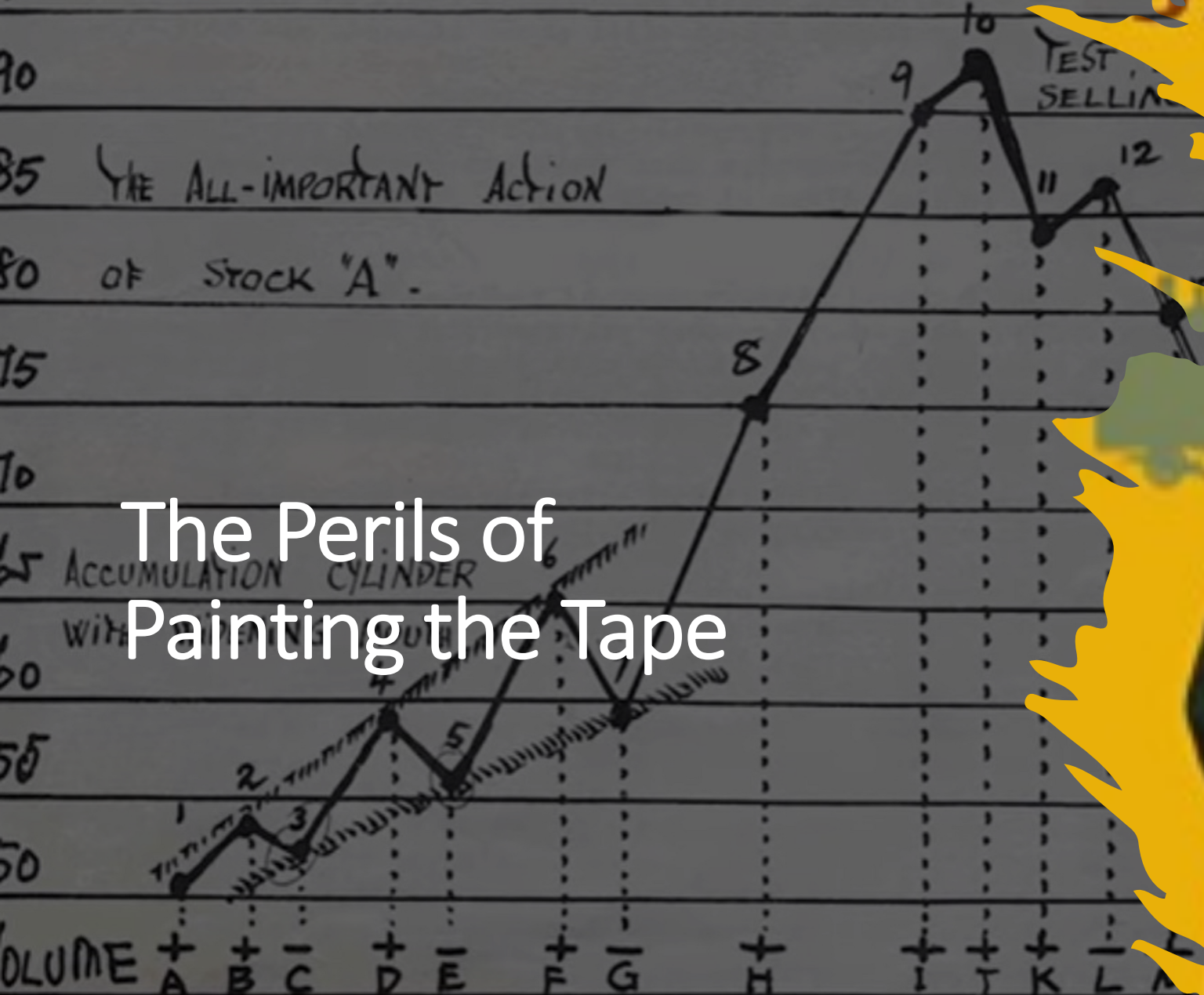
Q3 Peak-Drawdown pattern
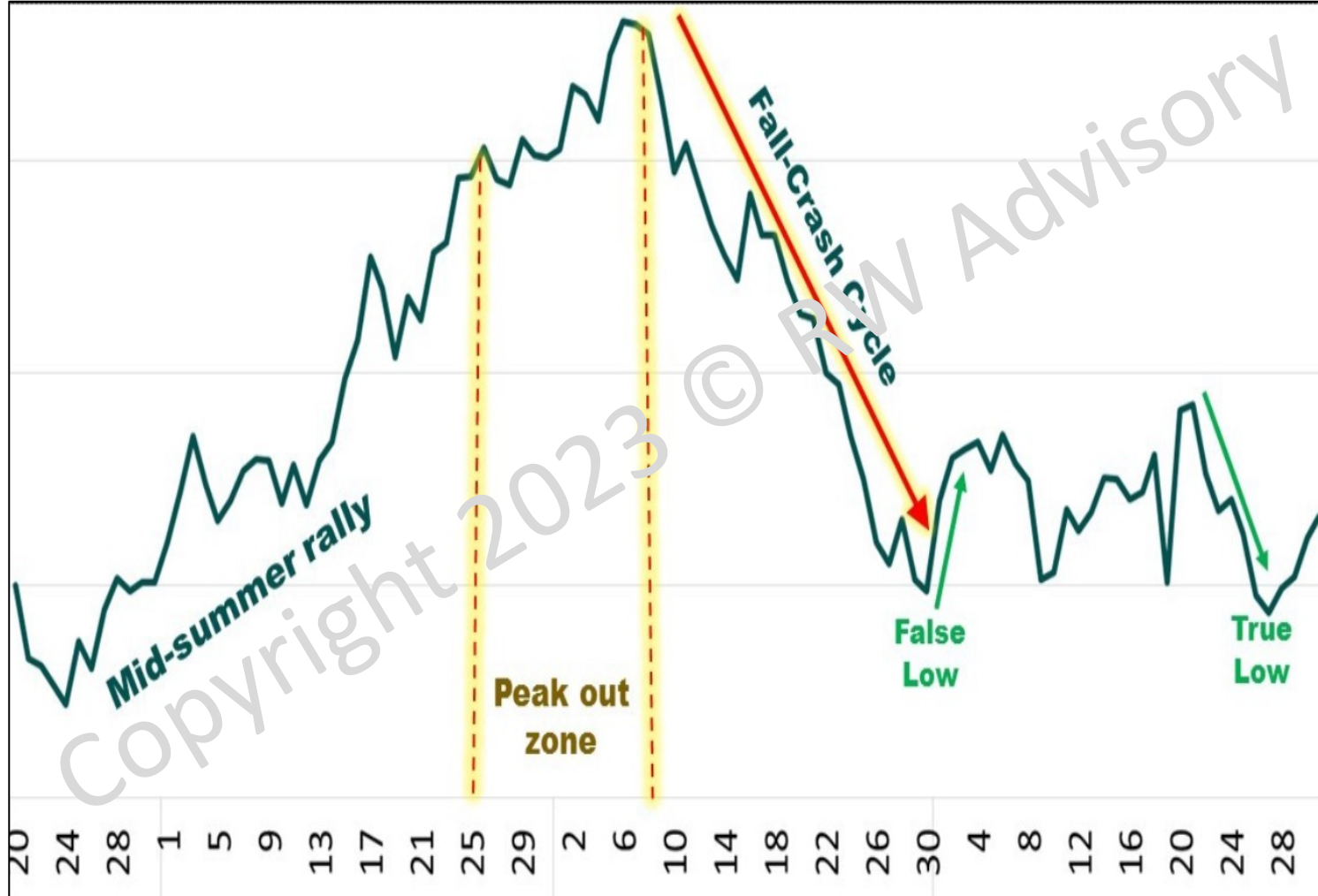
- ❑ Setup led by mid-summer rally in July.

- ❑ Overbought peak-out zone between late August & early September.

- ❑ Biggest drawdown in Sept, marked by false low, followed by real low in Oct. Anniversary of Fall-crash.

The Perils of Painting the Tape

MEGA-CAP TECH UNWIND?

FIG 1. GROWTH/VALUE HITS BUBBLE PEAK

Y2K TMT
PEAK
BUBBLE

IRRATIONAL EXUBERANCE RHYME?

7.7021

NASDAQ 100 /
RUSSELL 2000

1995   2000   2005   2010   2015   2020   2023
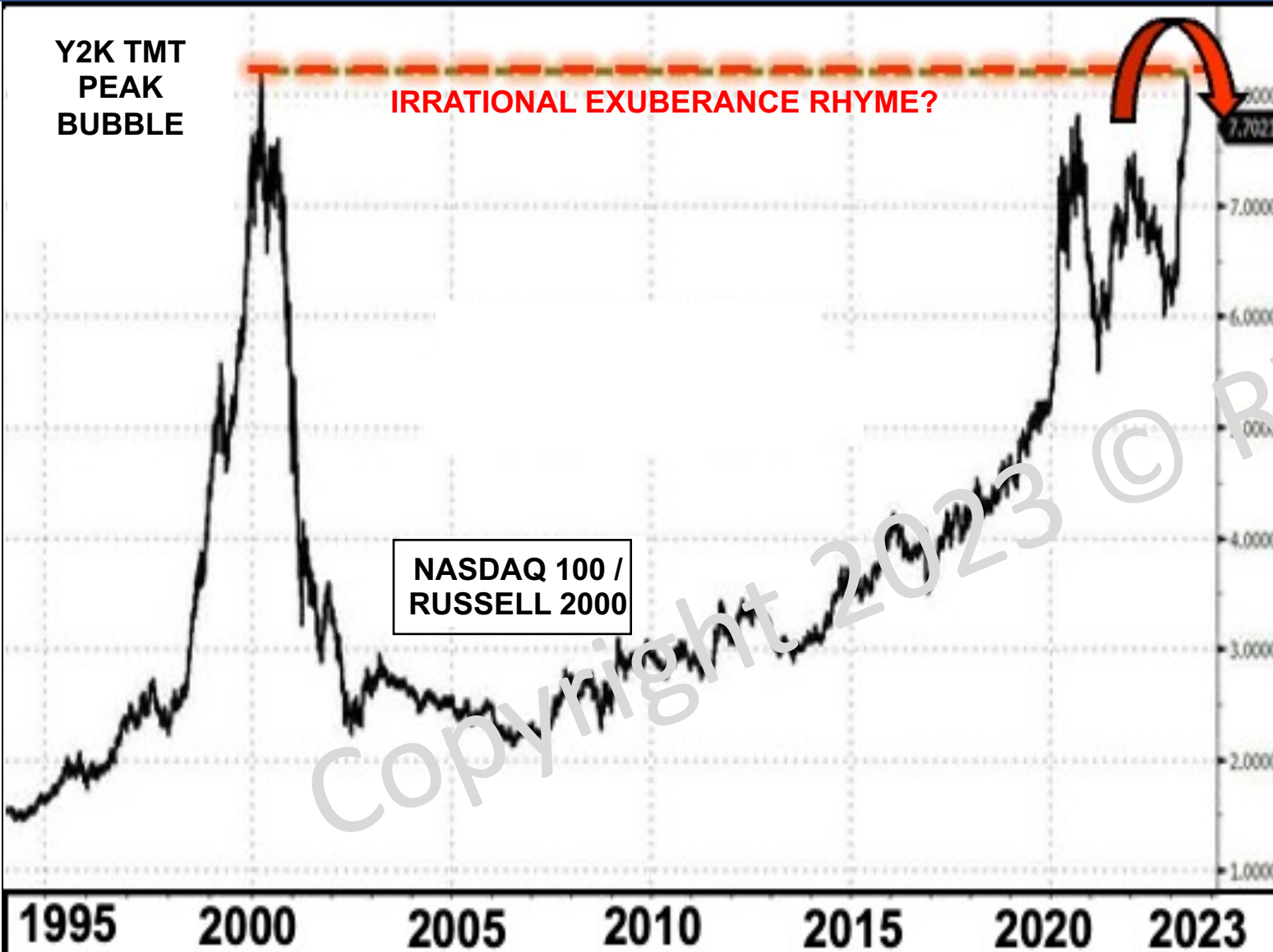
FIG 2. NASDAQ BREADTH DIVERGENCES

NASDAQ
BREADTH

14344.19

YEARLY DIVERGENCE

2022   2023
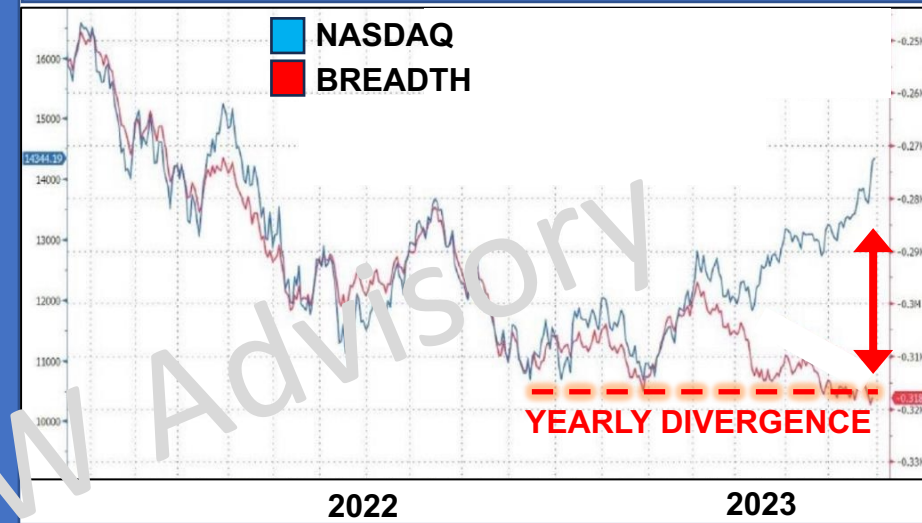
FIG 3. RECORD CALL VOLUME IN IWM

6Jun2013   20Jun2023

+1 STD

IWM TOTAL CALL VOLUME
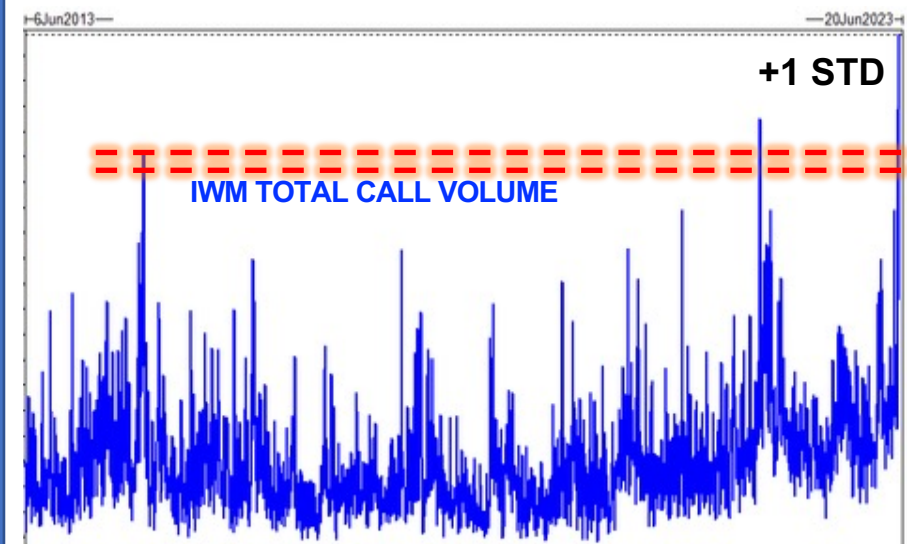
CALM AFTER THE STORM

FIG 1. 'SOFT-LANDING' BACK IN FASHION

'SOFT-LANDING' NARRATIVE

104.36
104.00

GOLDMAN SACHS
SOFT-LANDING INDEX

RW ADVISORY, SOURCE: GOLDMAN SACHS

MARCH   APRIL   MAY   JUNE
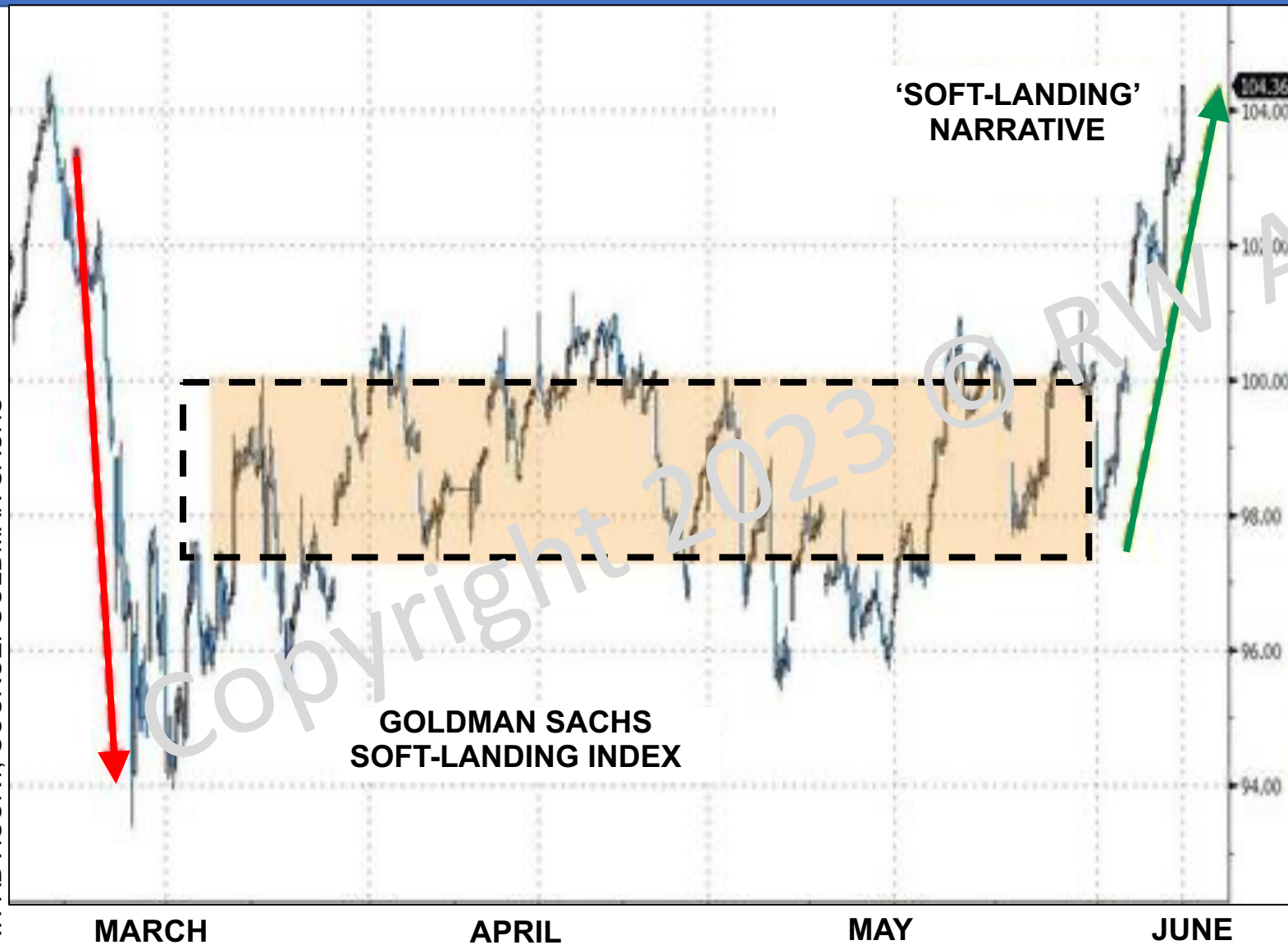
FIG 2. $3 TRILLION GORILLA DEBT ISSUANCE

MEDIAN MONTHLY S&P500 CHANGE BY DECILE OF GROWTH IN UST ISSUANCE

%
4
3
2
1
0
(1)
(2)
(3)
(4)

2 3 4 5 6 7 8 9

← BIGGEST NET ISSUANCE DRAWS LIQUIDITY FROM MKT
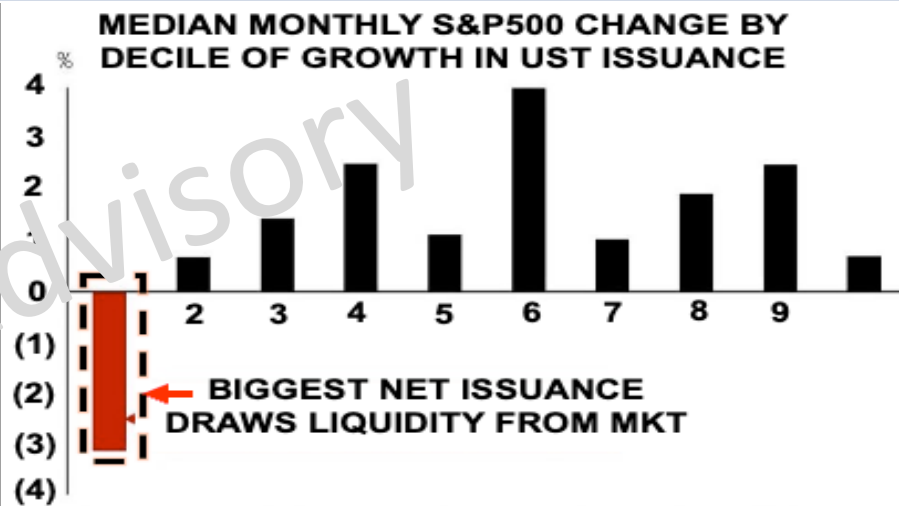
FIG 3. BUT HISTORIC LACK OF DEMAND

34%
32%
30%
28%
26%
24%
22%
20%

FOREIGN HOLDERS OF US TREASURIES % OF TOTAL. DEBT

LOWEST IN 19 YEARS

2005   2010   2015   2023
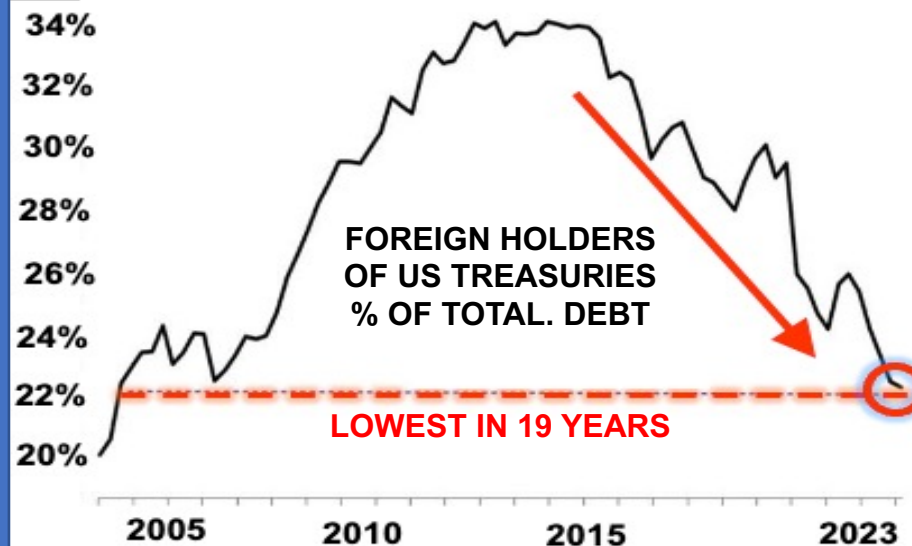
THE AI BOOM, ST OVERBOUGHT, BUT LT THEME

FIG 1. AI BOOM

C3. AI
NVIDIA
PALANTIR
UPSTART
META

x4

x2

RW ADVISORY, SOURCE: BLOOMBERG

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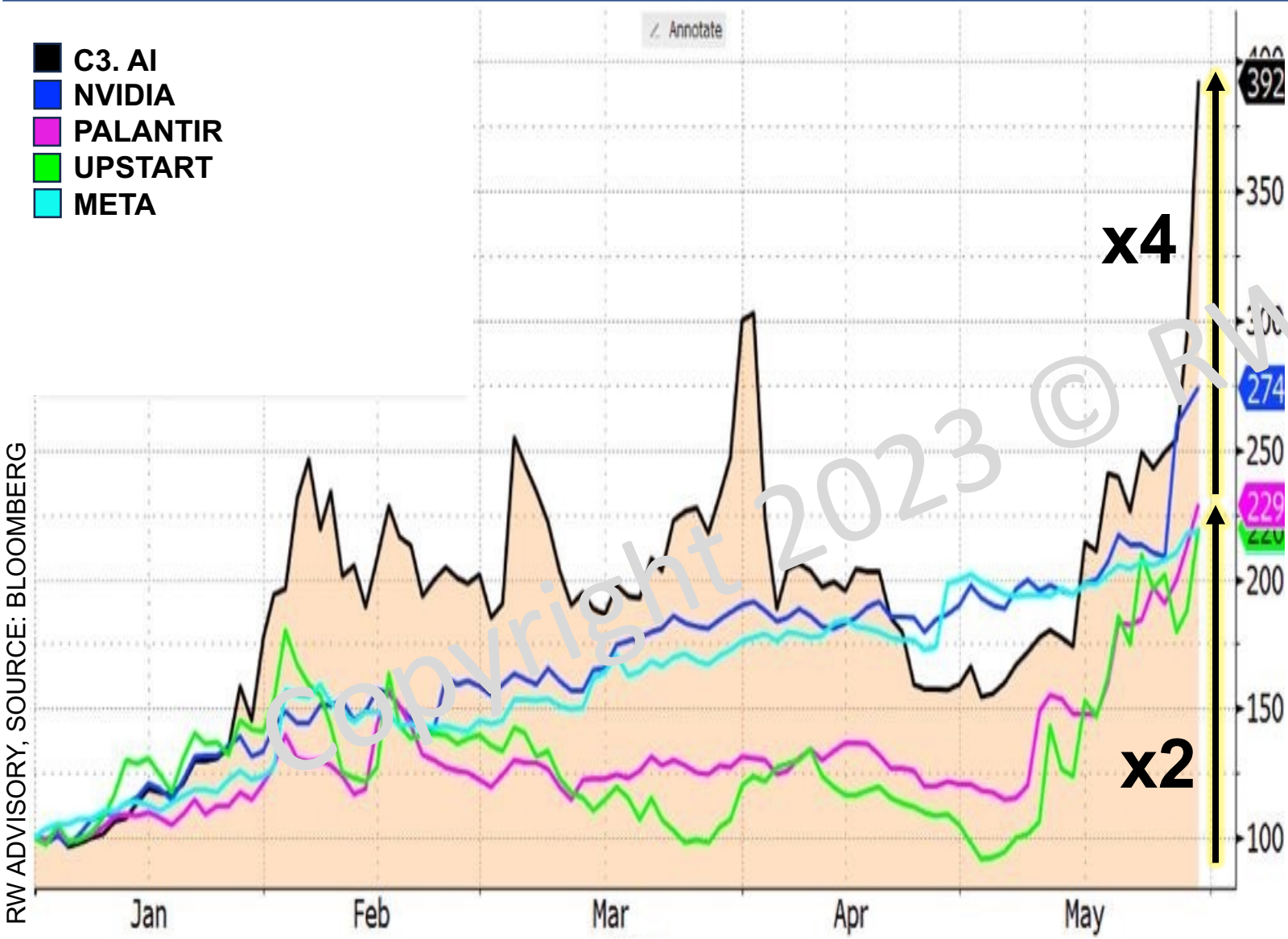
FIG 2. AI TRUMPS MACRO HEADWINDS

AI TECH PROXY

GS US FINANCIAL CONDITIONS
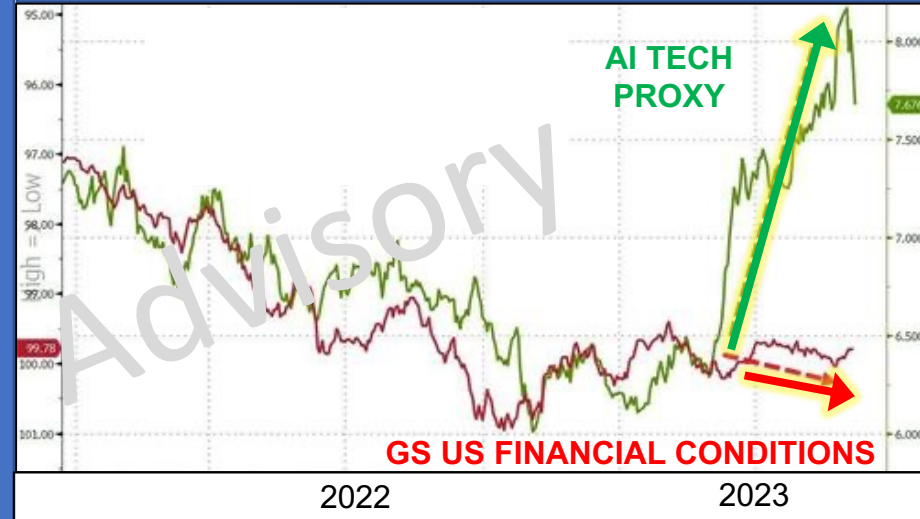
FIG 3. L&G AI RELATIVE TO WORLD (AIAI)

MINIMUM PRICE OBJECTIVE

200-DAY AVERAGE

"BIGGER THE BASE HIGHER IN SPACE"

SCORE
RELATIVE PRICE

SOURCE: BYTE TREND

TECH DOWNSIDE RISK

FIG 1. FSC CYCLE MODEL SIGNALS DOWNSIDE RISK

PRICE / TIME DIVERGENCES

TIME PATTERN NOT PRICE MAGNITUDE

FIG 2. RETAIL MONEY CONTRARIAN SIGNAL?
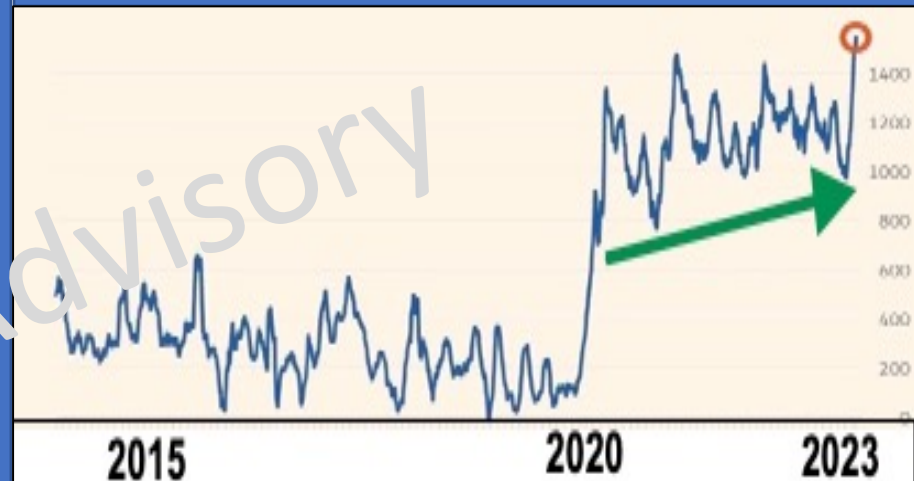
SOURCE: FINANCIAL TIMES

FIG 3. SMART MONEY IN THE MONEY?

COMMERCIAL EMINI S&P FUTURES
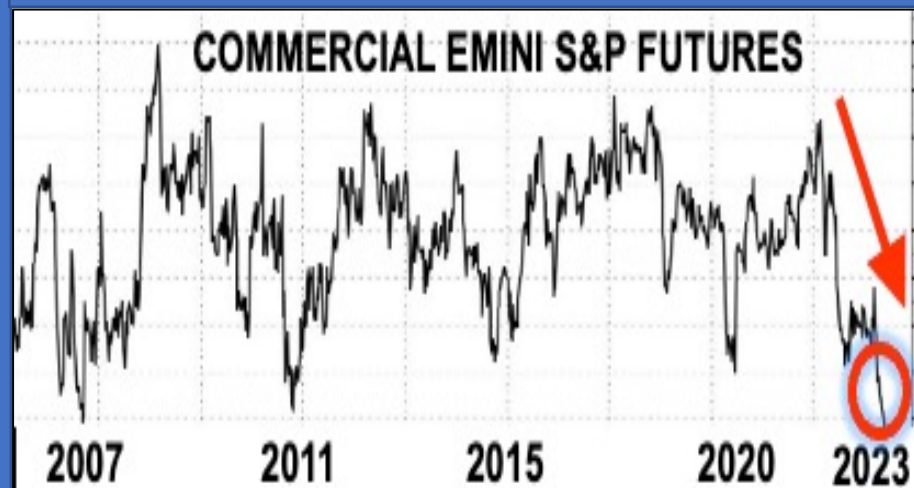
SOURCE: BLOOMBERG

RW ADVISORY, SOURCE: FOUNDATION FOR THE STUDY OF CYCLES

FEAR (FOLO) BEATS GREED (FOMO) IN VOLATILE MARKETS

FIG 15. FEAR (FOLO) BEATS GREED (FOMO) IN VOLATILE MARKETS

S&P 500 price (indexed to 100)

excluding 10 worst days

S&P 500

excluding 10 best days

RW ADVISORY, SOURCE: GOLDMAN SACHS

FIG 16. BUILDING THE ARK "RISK STRATEGY"

PREDICTING RAIN DOESN'T COUNT. BUILDING ARKS DOES.

WARREN BUFFETT
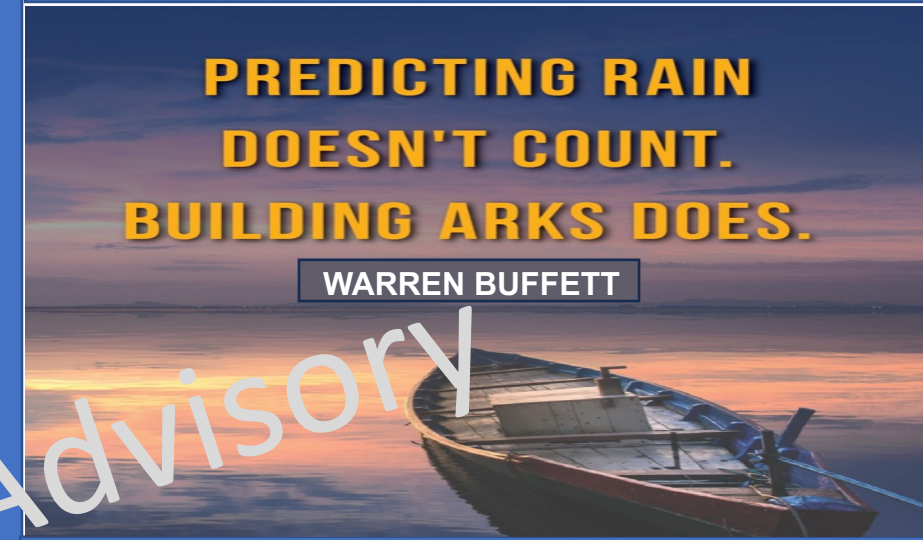
FIG 17. MARKET WISDOM ON FOMO Y2K

STANLEY DRUCKENMILLER

Will Japan's Rising Sun Eclipse Its 1989 Peak?

JAPAN'S RISING SUN, ONLY 15% FROM 1989 PEAK

1989 PEAK

15%

MINIMUM PRICE OBJECTIVE

50% FROM 1989

BIGGER BASE HIGHER IN SPACE

DYNAMIC TREND

A

B

C

RISING NO. OF CONSECUTIVE WEEKS

RECORD 10x WEEKLY RISE

RW ADVISORY, SOURCE: OPTUMA

1990   1995   2000   2005   2010   2015   2020
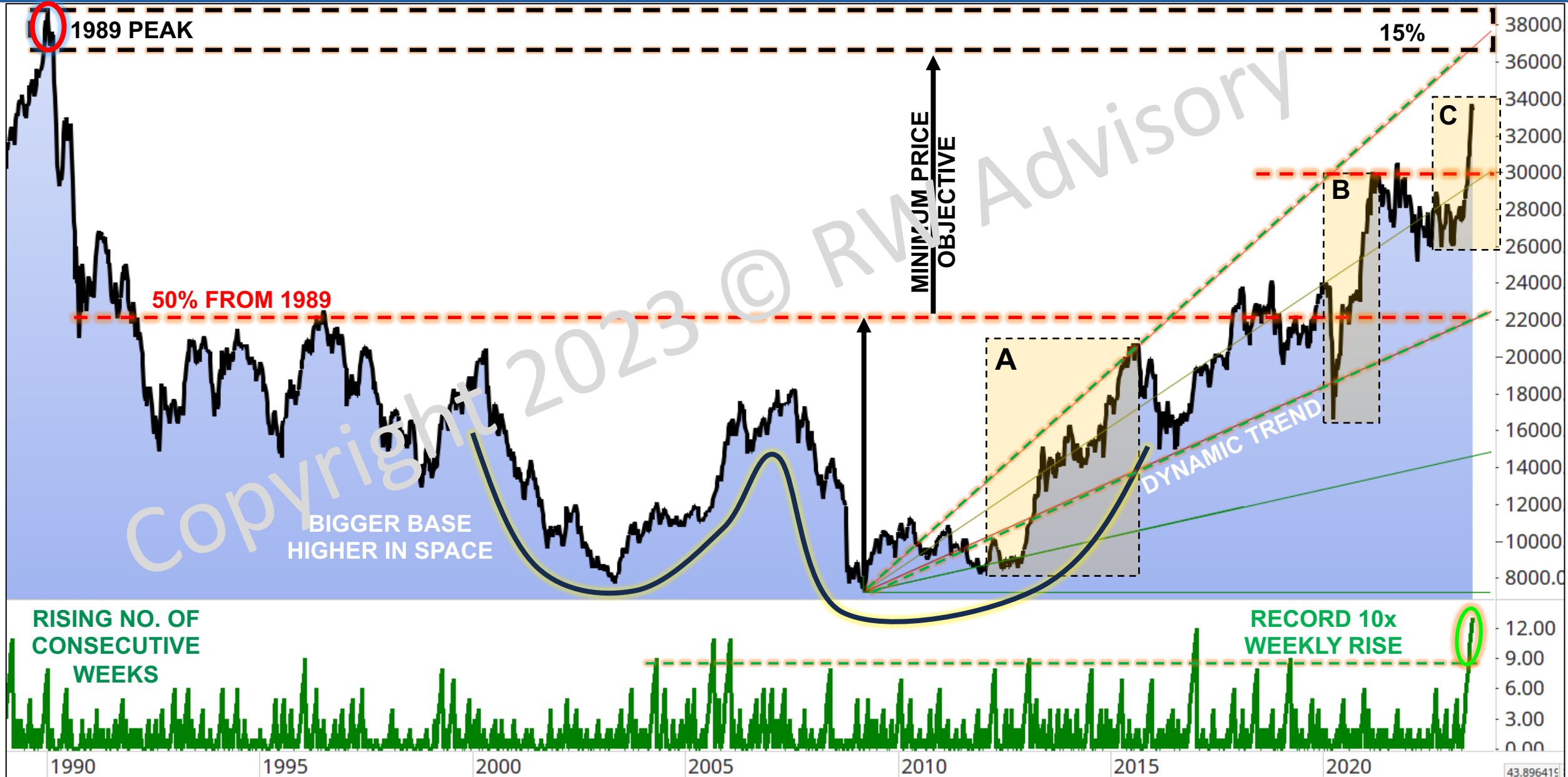
ST PRICE UNWIND FROM OVERHEATED FOMO

FIG 1. FSC CYCLE SIGNALS MEAN-REVERSION RISK

TIME PATTERN NOT PRICE OBJECTIVE

FIG 2. MOMENTUM EXHAUSTON

FIG 3. OVERHEATED FOMO

BEST WEEKLY INFLOW IN 5 YEARS
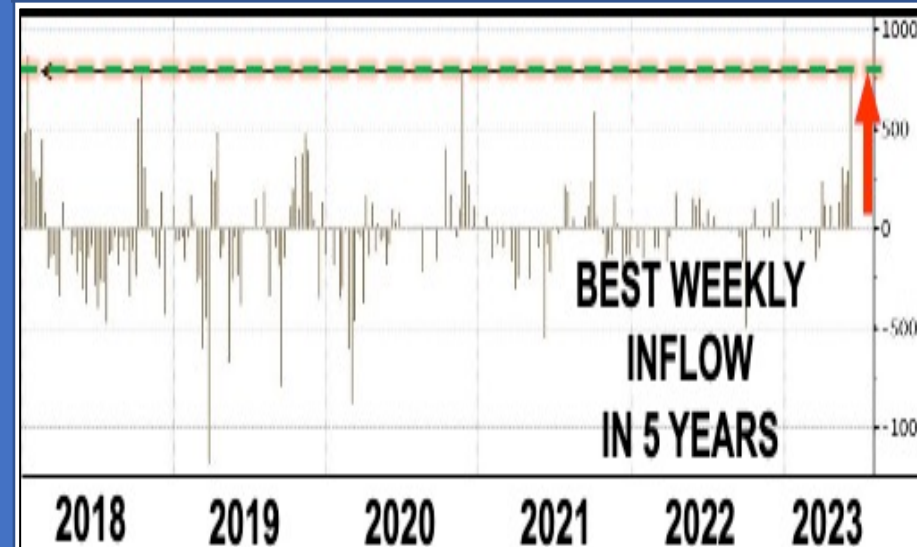
RW ADVISORY, SOURCE: FOUNDATION STUDY OF CYCLCES (FSC), BLOOMBERG

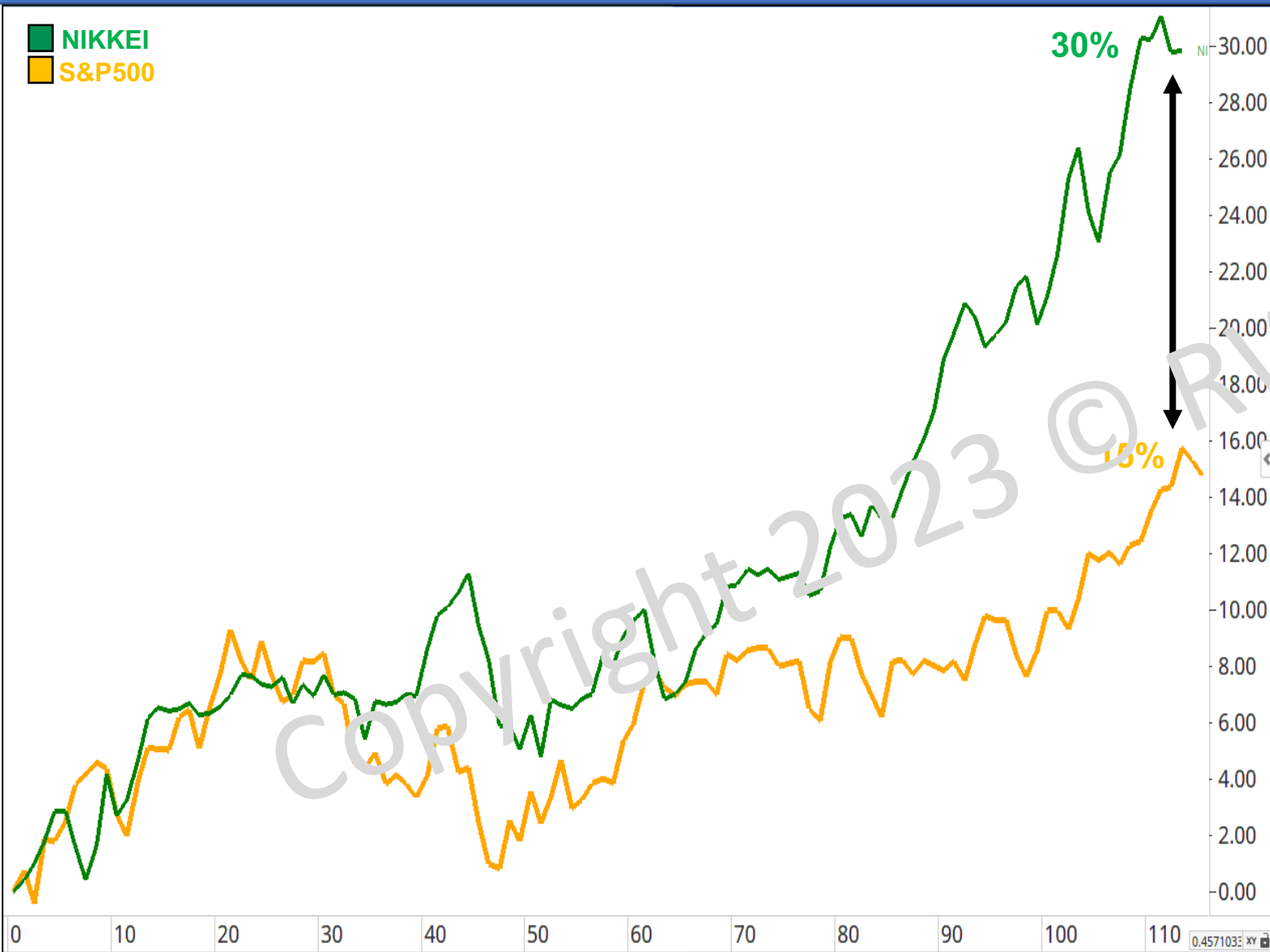# LT STRATEGIC OPPORTUNITY AHEAD

FIG 1. JAPAN'S GAIN DOUBLES VS. USA

NIKKEI
S&P500

30%

15%

RW ADVISORY, SOURCE: OPTUMA

FIG 2. ATTRACTIVE RELATIVE VALUE

NIKKEI
S&P500
DAX

fair

2008 2012 2016 2020 2023

FIG 3. CHEAP JPY AT 32-YEAR LOWS

BOJ
QQE
APRIL
2013

JPY NEW
32 YEAR LOW

2012 2014 2016 2018 2020 2023
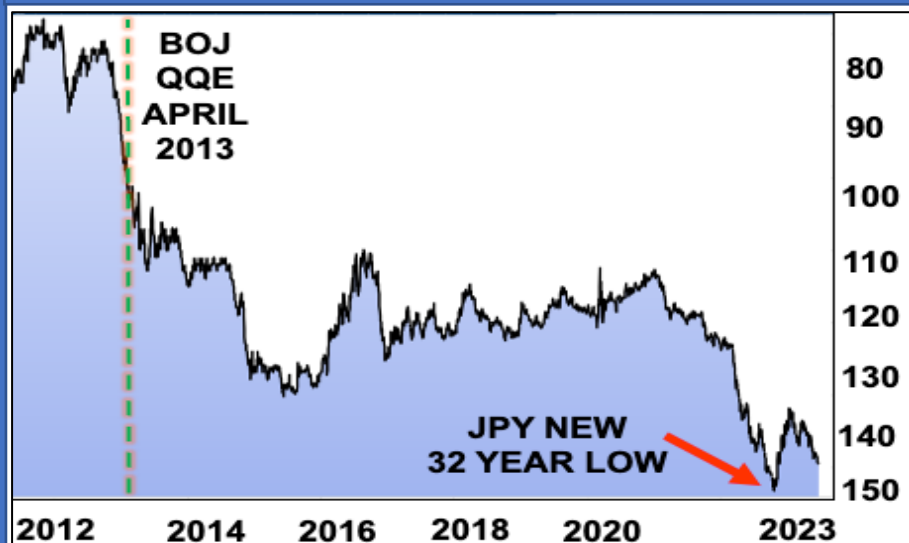
Gold consolidation, before rising to $2800

GOLD $2K GLASS CEILING: WHAT NEXT?

FIG 1. $2K GLASS-CELING TESTED IN 2022 AND 2020

+25%

2000

1800

1700

200-DAY

2021   2022   2023

RW Advisory, TradingView, Optuma

FIG 2. MARCH PANIC

Bond Volatility Index $MOVE
Stock Volatility Index $VIX

70.00
60.00
50.00
40.00
30.00
20.00
10.00

2000   2005   2010   2015   2020

FIG 3. GOLD OUTPERFORMS, BUT ST RISK

	STRATEGIC (LT)	TACTICAL (MT)	ACTIVE (ST)
STRONGEST	BITCOIN	BITCOIN	OIL
	GOLD	OIL	SWISS
	GERMANY	GOLD	USA
	FRANCE	GBPUSD	S KOREA
STRONG	COPPER	S KOREA	UK
	EURUSD	USA	FRANCE
	WORLD	GERMANY	WORLD
	S KOREA	CHINA	GERMANY
NEUTRAL	GBPUSD	FRANCE	INDIA
	USA	EURUSD	CANADA
	UK	SWISS	AUSTRALIA
	CHINA	WORLD	GOLD
WEAK	SWISS	INDIA	CHINA
	CANADA	CANADA	GBPUSD
	AUSTRALIA	UK	EURUSD
	INDIA	JAPAN	USDJPY
WEAKEST	JAPAN	AUSTRALIA	BITCOIN
	USDJPY	USDJPY	COPPER
	OIL	COPPER	JAPAN
	US 10YR	US 10YR	US 10YR

THE RISING TIDE LIFTS ALL BOATS

FIG 1. GOLD OUTPERFORMS FX BASKET LED BY GOLD/ZAR & JPY

Legend:
- GOLD/ZAR
- GOLD/JPY
- GOLD/INR
- GOLD/GBP
- GOLD/AUD
- GOLD/CAD
- GOLD/EUR
- GOLD/USD
- GOLD/CHF

Values:
- XAU/ZAR: 32.74
- XAU/JPY: 29.22
- XAU/INR: 23.42
- XAU/GBP: 22.13
- XAU/AUD: 20.87
- XAU/CAD: 19.11
- 15.93
- XAU/USD: 12.15
- XAU/CHF: 9.48
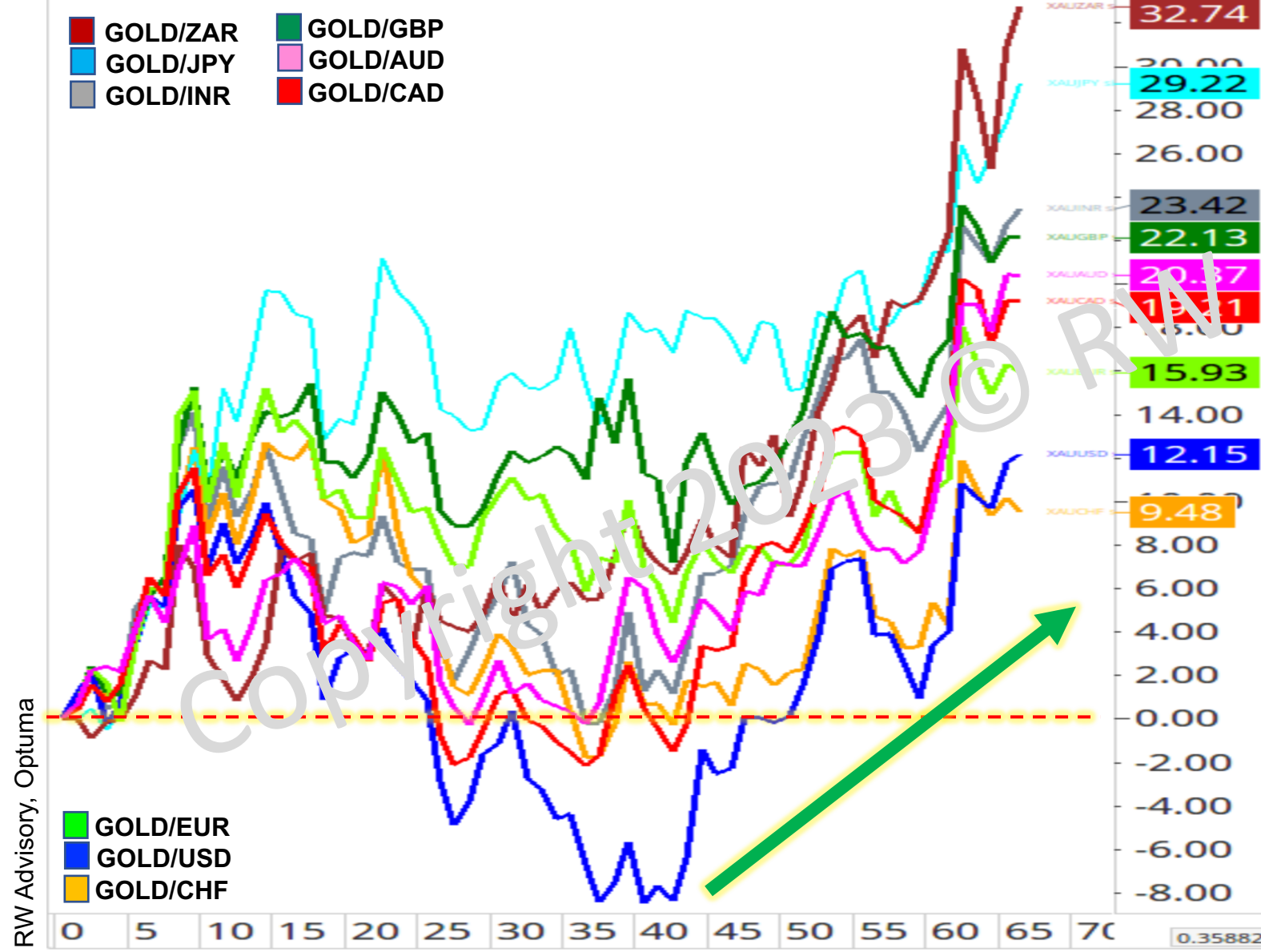
FIG 2. USD 5% YTD UNWIND

DXY: 101.900
106.242

FIG 3. FIAT DEBASEMENT VS. GOLD

Legend: Gold, US dollar, Mark**, Reichsmark, Deutschemark, European Currency Unit, Euro, Yen, Pound sterling

RW Advisory, Optuma
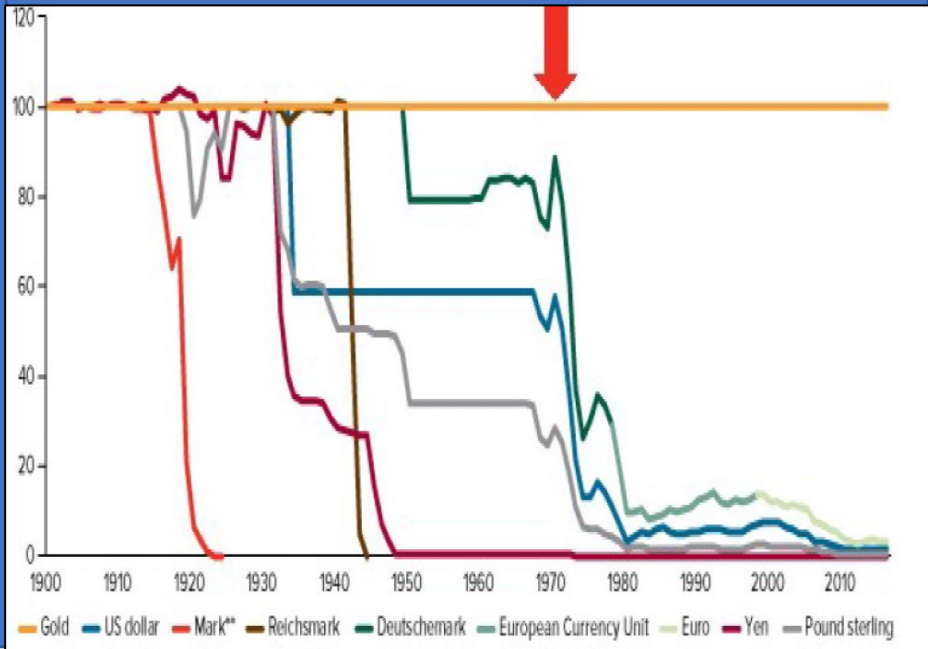
CENTRAL BANK DEMAND

FIG 1. CENTRAL BANK GENERATIONAL OPTIMISM

CENTRAL BANK GOLD PURCASES

TONNES

1000

500

0

500

SOURCE: WORLD GOLD COUNCIL

1960s   1990s   2000s   2020s
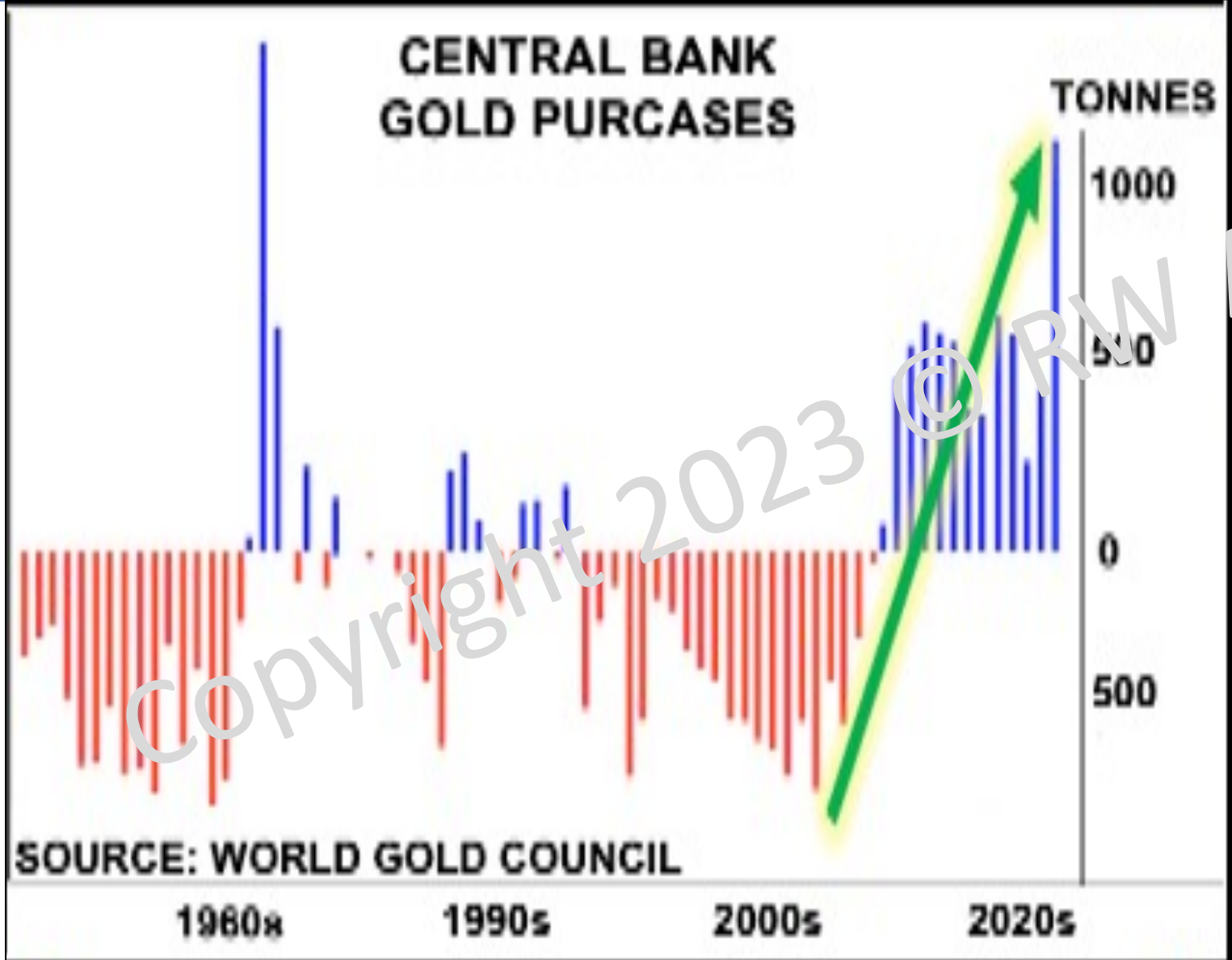
FIG 2. SOVEREIGN RISK FIRES UP GOLD

2008   2011   2020

Last Price
- US CDS EUR SR 5Y D14 (R1)
- Morris gold premium - Last Price
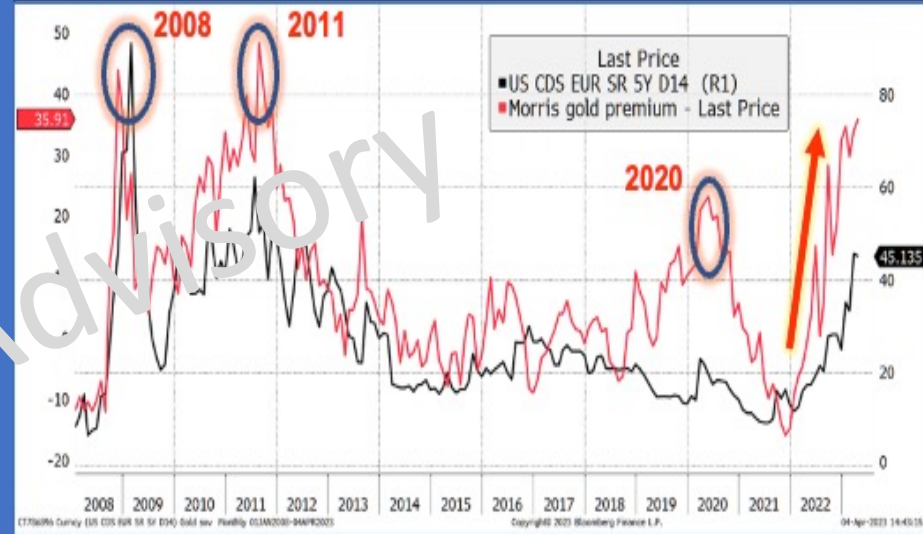
FIG 3. GOLD OUTSHINES USTs

CENTRAL BANK PURCHASES OF GOLD VS.
FOREIGN PURCHASES OF UST ($ BILLION)

$300
$200
$100
$0
($100)
($200)
($300)
($400)
($500)

2013 2014 2015 2016 2017 2018 2019 2020 2021 2022

RW Advisory, Optuma

SHORT-TERM TACTICAL UNWIND
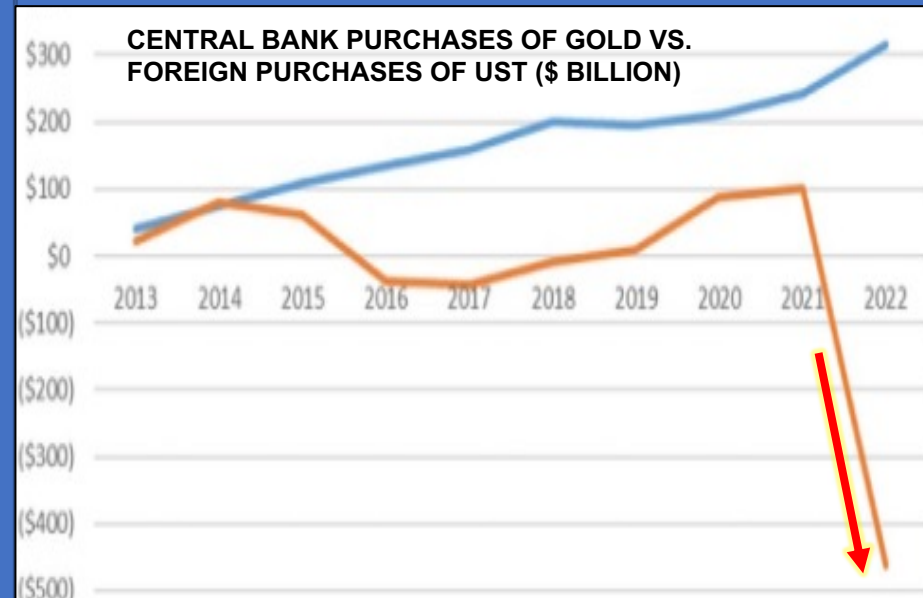
FIG 1. GOLD ST TACTICAL UNWIND

FIG 2. FSC CYCLE RISK INTO Q2
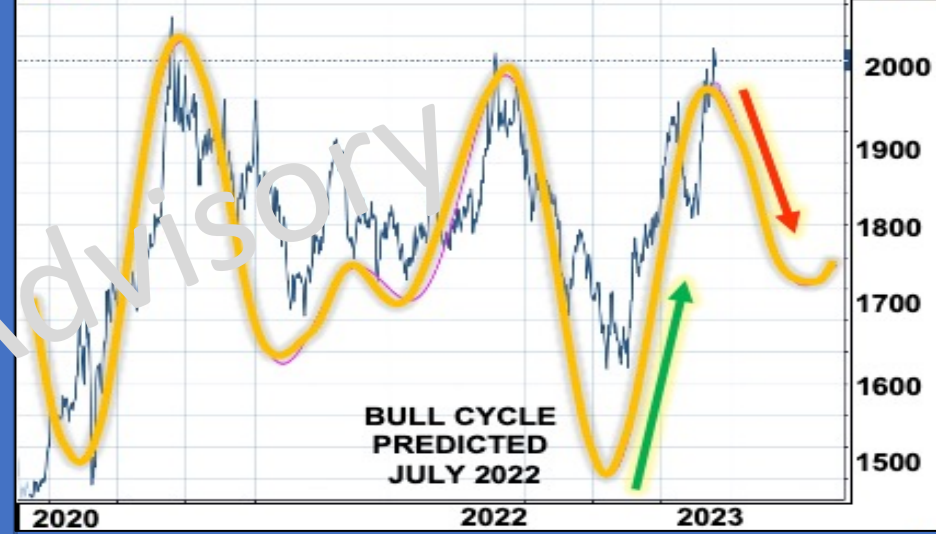
FIG 3. BUT INVESTOR ACCUMULATING
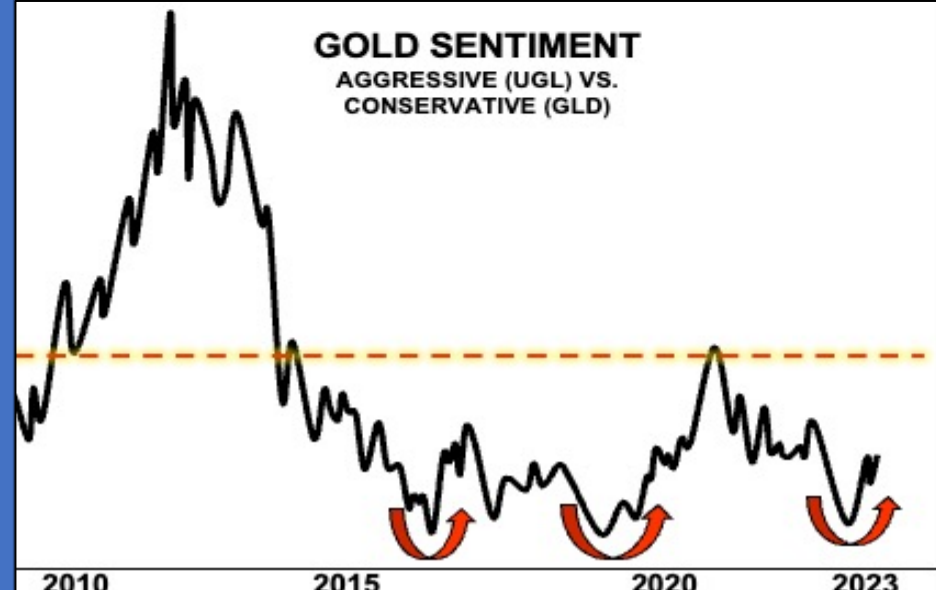
FIG 9: Gold 2k glass-ceiling

Bearish reversals

+25%

200-DAY

200-dMA

DIVERGENCES

MACD indicator

BULL CYCLE PREDICTED JULY 2022

GOLD SENTIMENT
AGGRESSIVE (UGL) VS. CONSERVATIVE (GLD)

RW Advisory, Optuma

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- ❑ Will Japan's rising sun eclipse its 1989 peak?
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Key Insights & Questions

Connect with Ron

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