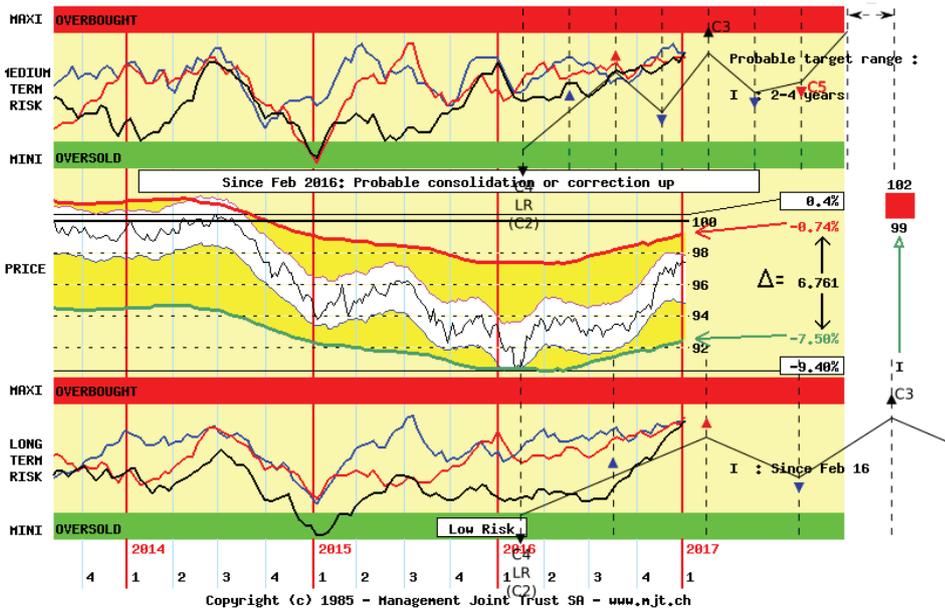


# 6 / MJT TIMING INSIGHT

## Reflation trades should top out and start to retrace during Q1 2017:

Globally, reflation linked assets are also due for several months of retracement once they top mid Q1.

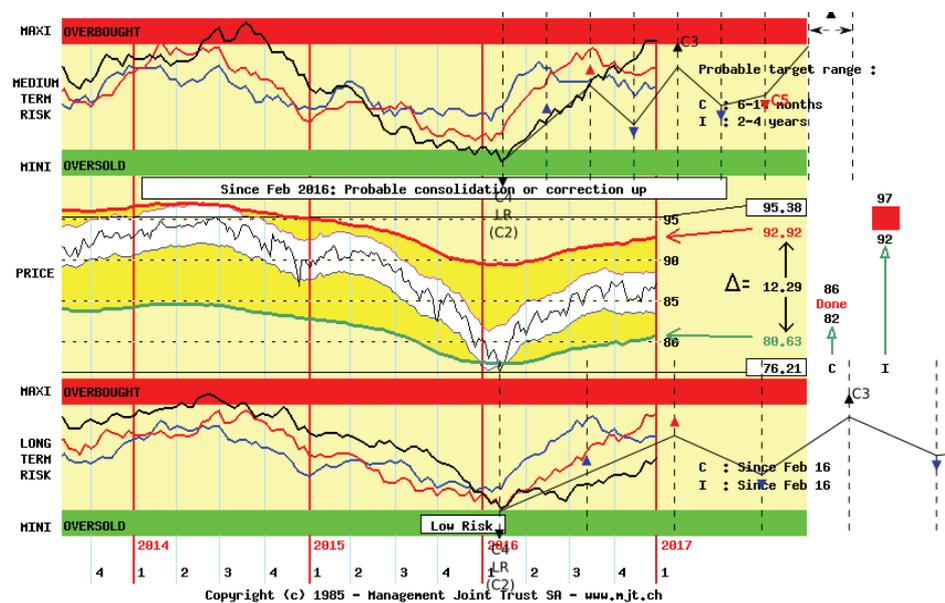
### TIP - iShares TIPS Bond ETF vs IEF - iShares 7-10 Year Treasury Bond ETF (Weekly graph or the perspective over the next 2 to 4 quarters)



The TIP to IEF ratio is a proxy for investors appetite in seeking inflation protection. Both ETFs show similar duration, which allows for an adequate comparison. The ratio usually moves when inflation surprises materialize. Both the sharp rebound in Oil in Q1 2016 as well as the election of Mr Trump provided such situations. Our oscillator series (upper and lower rectangles) suggests that the

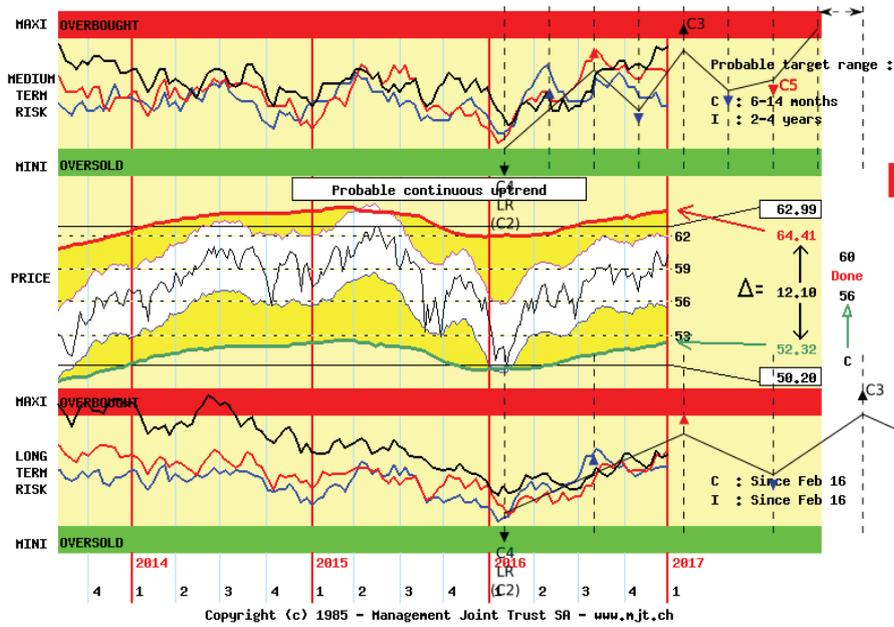
inflation surprise effect should subside as we enter 2017 and that the ratio should start to consolidate down for 3 to 6 months on an intermediate top mid Q1 2017. Following that, the uptrend should resume probably announcing more inflation surprises but only for H2 2017.

### HYG - iShares iBoxx \$ High Yield Corporate Bond ETF (Weekly graph or the perspective over the next 2 to 4 quarters)



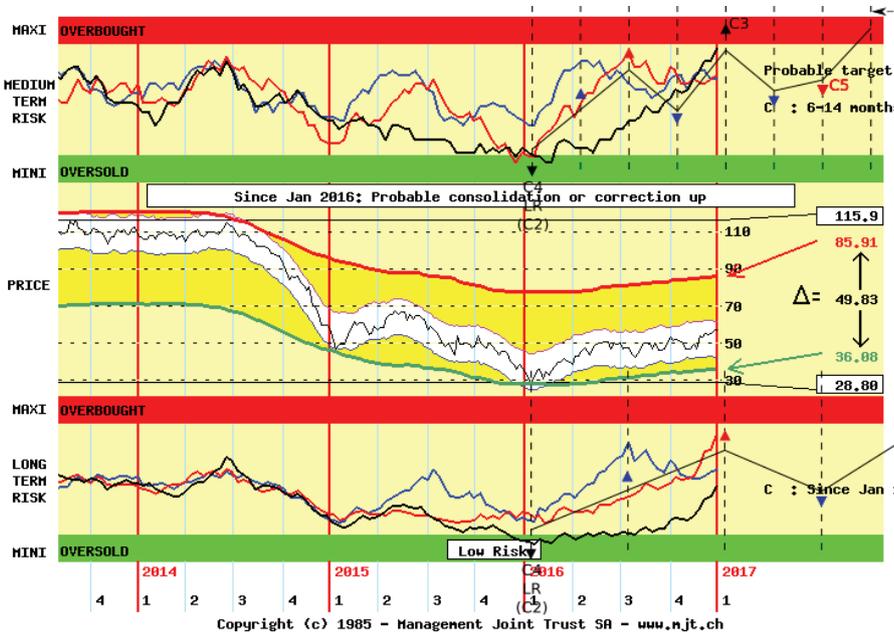
High Yield bonds show a similar dynamic to oil and are also positioned for an intermediate top during Q1 2017 on both our oscillator series (lower and upper rectangles). More generally, a relative chart of Corporate Bonds vs Government Bonds with the same maturity, would show a similar picture (i.e. appetite towards Credit is also eyeing an intermediate top during Q1 2017).

# ACWI – iShares MSCI ACWI Index Fund (All Country World Index) (Weekly graph or the perspective over the next 2 to 4 quarters)



From its lows in February last year, ACWI has initiated an uptrend sequence on both our long term and medium oscillator series (lower and upper rectangles). During Q1 2017, an intermediate top should materialize (prospective timing towards mid Q1 2017), which could trigger 3, possibly 6 months of retracement (respectively on our medium term and long term oscillators). Following that, the uptrend should resume in H2 2017 with a further 10 to 15% upside from current levels ("I" Targets, i.e. "Impulsive Targets"; right hand scale).

# Brent Oil (Weekly graph or the perspective over the next 2 to 4 quarters)



As a key reflation asset, Oil is showing a similar dynamic, we expect it to top out during the first half of Q1 2017 on both our long term and medium term oscillator series (lower and upper rectangles). The correction down could last into early Q2 2017 (medium term oscillators, upper rectangle), in worse cases towards mid year (longer term oscillators, lower rectangle). Following that, the uptrend in Oil prices should continue towards the higher end of our corrective targets up (higher \$60s, lower \$70s; right hand scale). Above that, the next resistance levels are towards the \$100 mark. These could probably be reached towards end 2017, early 2018.

### Concluding remarks:

The main drivers of the reflation trade all seem to point to an important intermediate top ahead during Q1 2017. The correction that follows could last 3 to 6 months depending on assets and could retrace all of the gains since the US election, for some, possibly more, into the levels traded mid 2016.