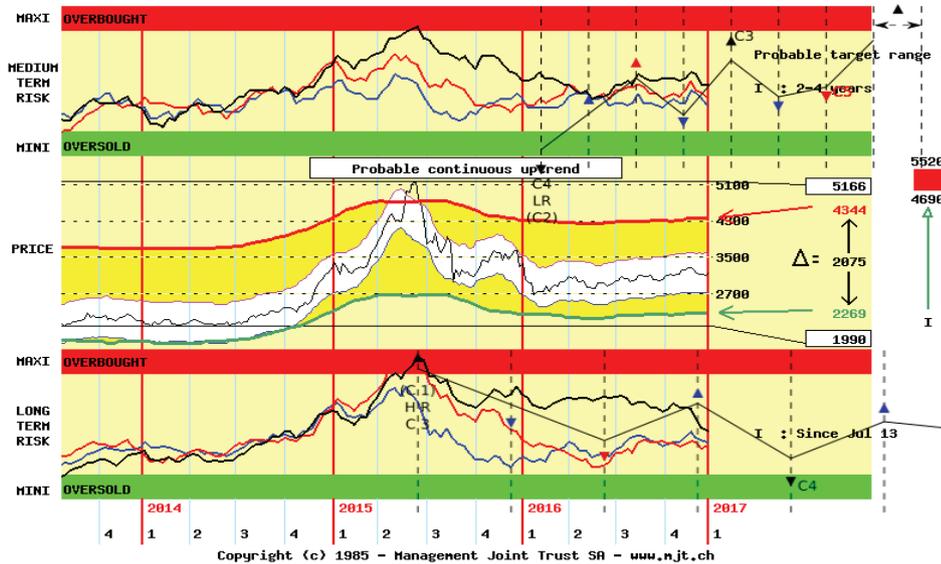


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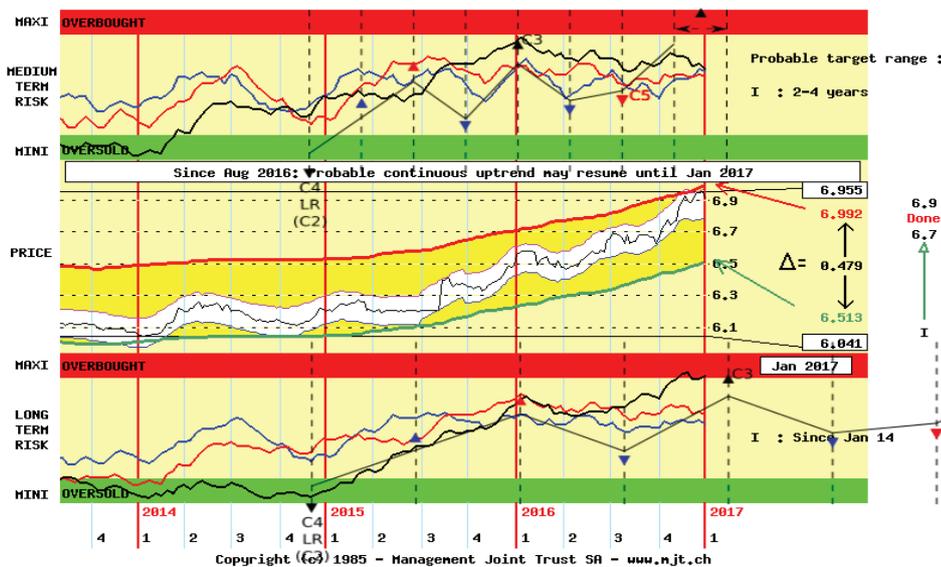
China is still in a period of transition

Shanghai Composite Index (Weekly graph or the perspective over the next 2 to 4 quarters)



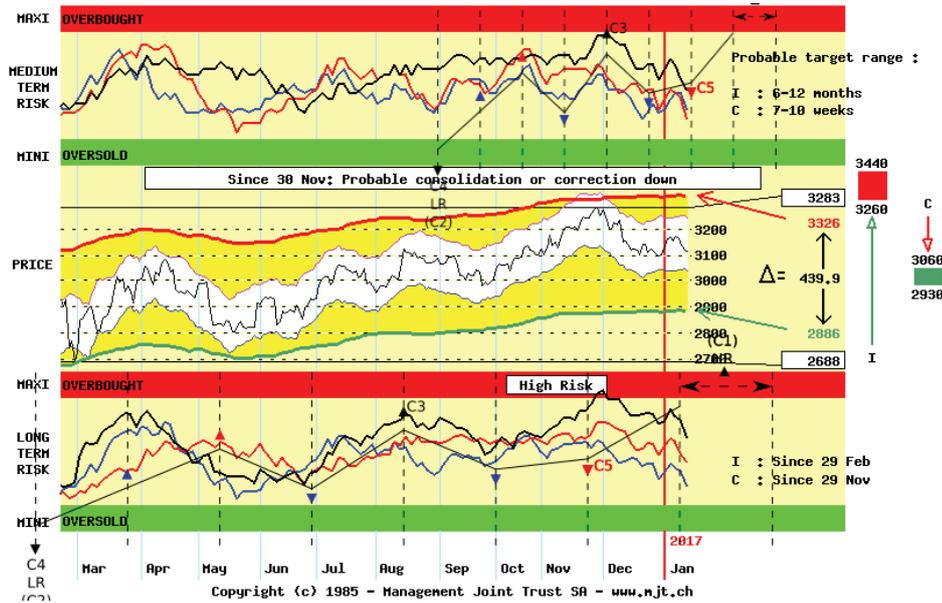
Depending on how you look at it, the Shanghai Composite Index is either in a weak uptrend (our medium term oscillators; upper rectangle) or in a downtrend, which is taking time to resume (our longer term oscillators; lower rectangle). Both sequences could synchronize again once a Case 3 top ("C3") is made towards the mid/end of Q1 2017 on our medium term oscillators. The correction down, as shown on both oscillator series, could last until late in Q2 2017.

Yuan Renminbi per USD (Weekly graph or the perspective over the next 2 to 4 quarters)



Recently, there's been a lot of talk about the weakening of the Chinese currency vs the USD Dollar. Yet, USD/CNY is still mostly a loose adjustment mechanism to compensate for the strength or weakness of China's trade partner currencies vs the USD (and de facto CNY's own strength or weakness against these). That, said, both our oscillator series (upper and lower rectangle) anticipate a top for USD/CNY during Q1 2017, which may confirm the correction down we anticipate on the US Dollar vs most currencies.

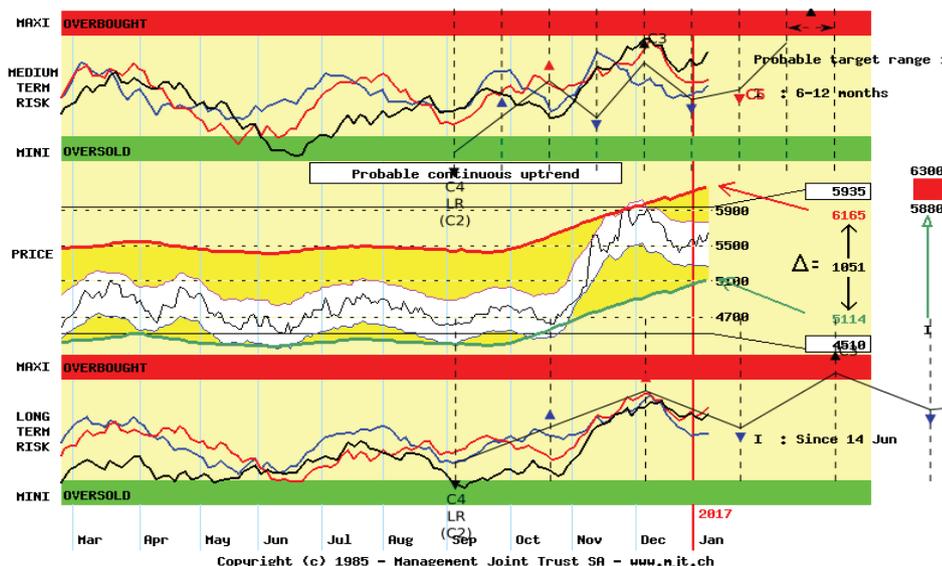
Shanghai Composite Index (Daily graph or the perspective over the next 2 to 3 months)



On the Shanghai Index Daily chart, the uptrend in place may have reached a High Risk zone on our long term oscillators (lower rectangle). Yet, a further uptrend sequence on our medium term oscillators (upper rectangle) justifies that a continuation trade up could materialize into late February / early March. "I" Impulsive targets up could be revisited (right hand scale), while "C"

corrective targets down would provide some support (and possible Stop/Loss levels) in case of a sell-off. Given both target levels and the extended nature of this trend, Risk/Reward is at best neutral.

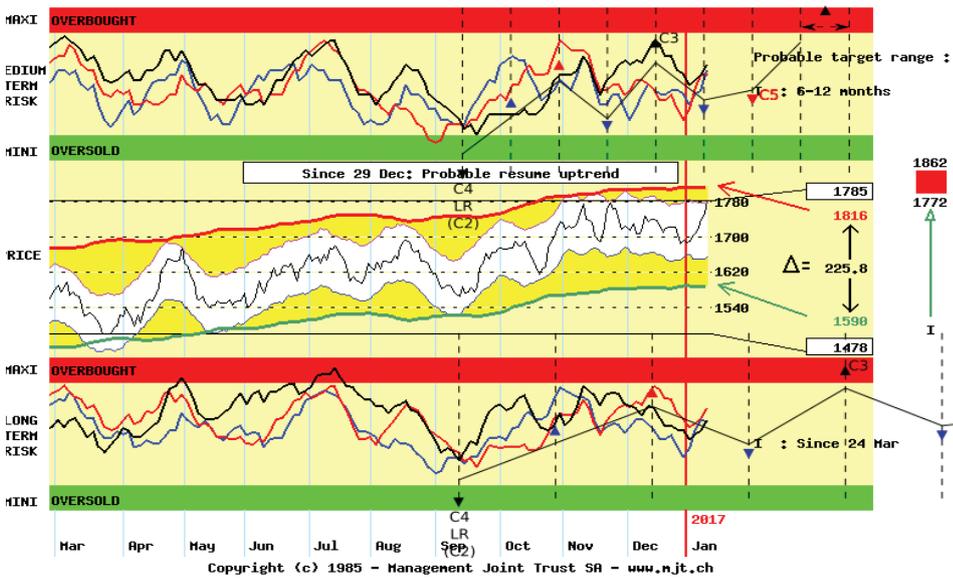
Copper Spot (Daily graph or the perspective over the next 2 to 3 months)



Copper, which is widely influenced by the strength of China's infrastructure and manufacturing industries, is however eyeing this trend with more confidence. It made an intermediate top early December on both our oscillator series (lower and upper rectangles) and, following some retracement, could now be resuming its uptrend towards late February / early

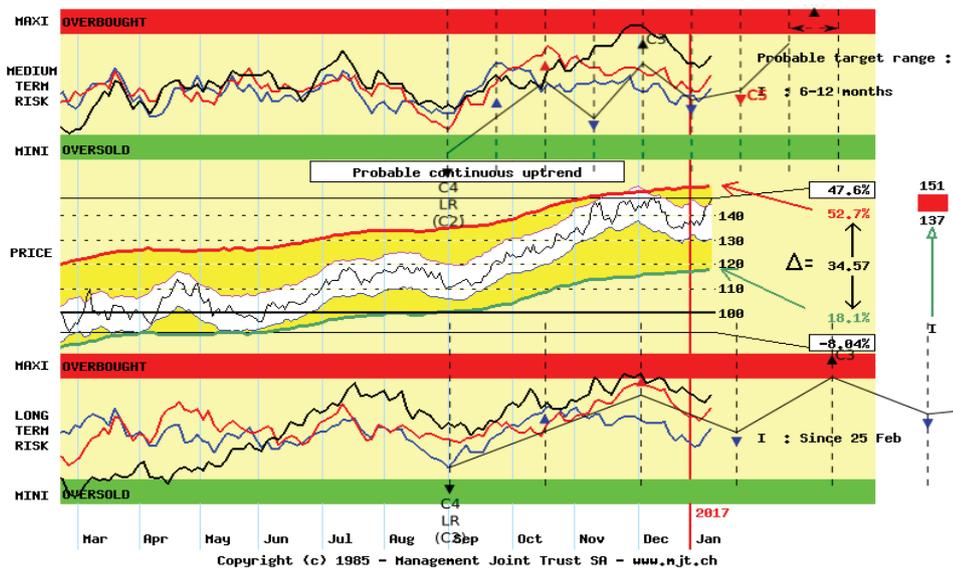
March. It could revisit its recent highs and according to our "I" Impulsive targets up (right hand scale) even push above the 6'000 mark.

Aluminium Three Months (continuous Future) (Daily graph or the perspective over the next 2 to 3 months)



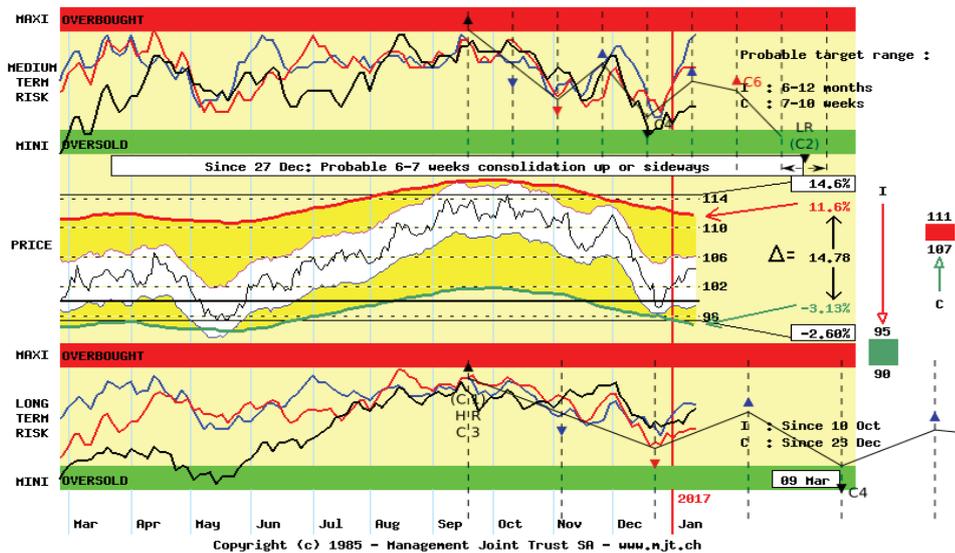
The continuation trade is also very clear on Aluminium, where both our oscillator series (lower and upper rectangles) show that prices could continue to accelerate towards March 2017. The lower boundaries of our "I" Impulsive targets (right-hand scale) have been reached, yet prices could extend into the 1'800 USD/t. possibly above 1'850.

MSCI UK Materials Index vs FTSE 100 Index (Daily graph or the perspective over the next 2 to 3 months)



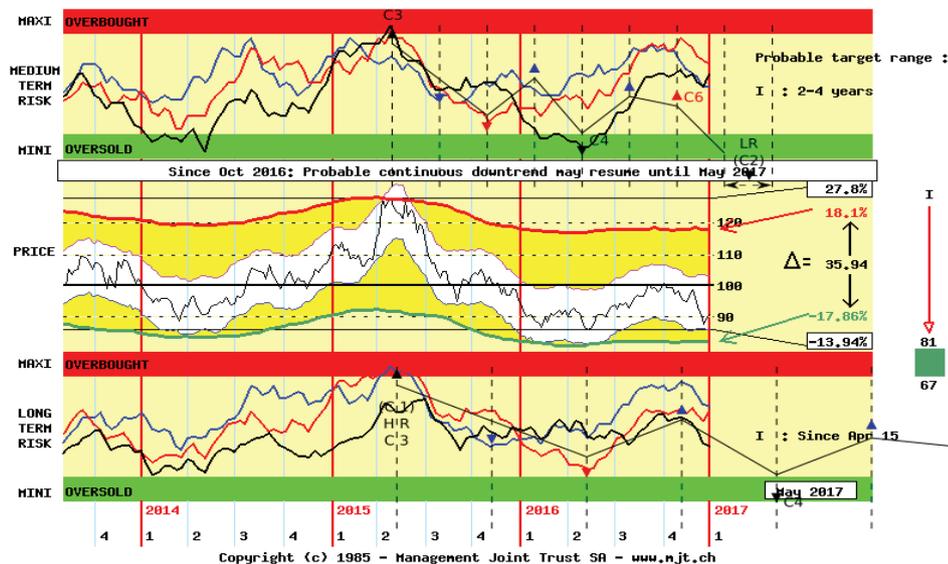
For further confirmation, we look at the MSCI UK Materials Index vs the FTSE 100. The MSCI UK Index is one of the purest plays when it comes to large diversified miners (unlike the World, US and European Materials indexes, which include a large portion of Chemicals). The extension we've been monitoring on Copper and Aluminium is also clearly visible here on both our oscillator series (lower and upper rectangles)

FXI - iShares China 25 Index Fund / ACWI - iShares MSCI ACWI Index Fund (Daily graph or the perspective over the next 2 to 3 months)



On a relative basis, the China large cap index fund has recently been underperforming the world index. The sell-off in December coincides with the correction down in base metals. Now that these are resuming their uptrend, China's underperformance has started to retrace up. On both oscillator series (lower and upper rectangle), the bottom which was just made is probably intermediate: China vs ACWI could correct up for most of January, probably into February before resuming its downtrend towards March.

FXI - iShares China 25 Index Fund / ACWI - iShares MSCI ACWI Index Fund (Weekly graph or the perspective over the next 2 to 4 quarters)



The above charts on China have been quite benign, yet the Weekly relative chart vs ACWI is more concerning. The current short term correction up can be identified, but on both our oscillator series (lower and upper rectangles), the sell-off that follows could persist into Q2 2017 with substantial downside potential ("I" Impulsive down; right hand scale).

Concluding remarks:

Last year, the Chinese stock market outperformed the ACWI well into Q3 2016, before starting to correct. Considering its correlation to Copper, which seems set to continue up into early March, China could bounce and retrace some of its recent underperformance into February. Following that, we would call for caution: both the absolute and relative charts signal a correction down into May.