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wealthgram@gscgi.ch • www.gscgi.ch
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LE COIN TECHNIQUE

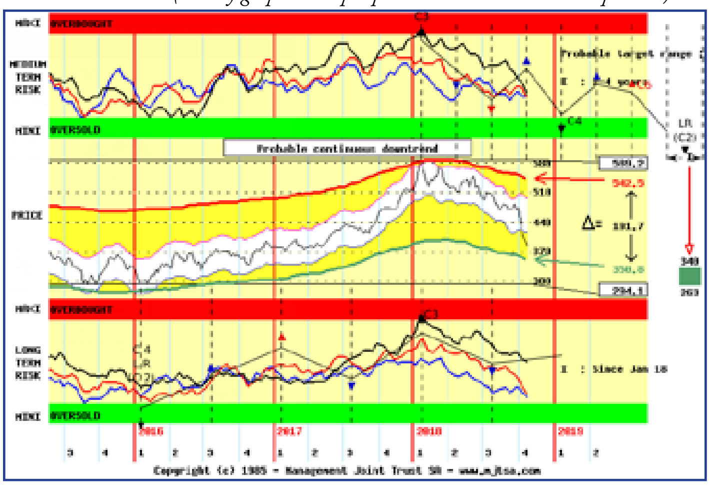
Equity Markets — "Passive" Crisis!

...article by Jean-Francois Owczarczak - CEO, Management Joint Trust SA - jfo@mjt.ch

www.mjtsa.com

With the recent market correction, BlackRock, the world's largest ETF provider and a bellwether for passive investment has broken through support. Yet, it may also be the bellwether *(and advanced indicator)* for a numerous amount of trades, which thrived during the 2016 - 2017 reflation period and are currently reversing. If these follow BlackRock's example, large chunks of the world's global financial markets may be leading the market lower.

BlackRock Inc. *(Weekly graph or the perspectives over the next 2 to 4 quarters)*



During the recent market rout, BlackRock broke through the support of our C Corrective targets to the downside around 450 USD/share. This breakdown opened the door to much lower targets: our I Impulsive targets to the downside towards the 340 – 263 range (right-hand scale). While, on the timing front, the 2016/2017 uptrend was completed early this year (our long term oscillators; lower rectangle), our medium term oscillators (upper rectangle) are now suggesting that BlackRock could continue lower, first into early/mid Q1, and then again towards late 2019. These perspectives are not very encouraging for BlackRock and the passive investment sphere, which, in our view, points to more difficult times for Equity markets ahead.

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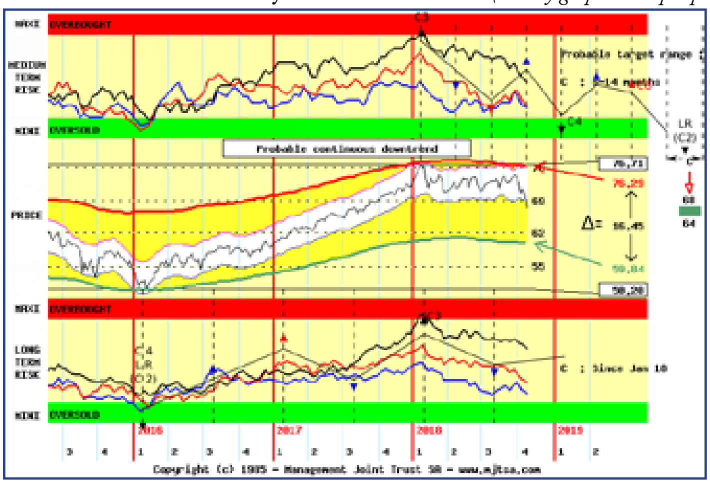
iShares MSCI All Country World Index Fund *(Weekly graph or the perspectives over the next 2 to 4 quarters)*



We now turn to MSCI All Country World Index. Similarly to BlackRock Inc, this global index finished an uptrend sequence early this year on our long term oscillators (lower rectangle). It has since entered a correction period to the downside. Our medium term oscillators (upper rectangle) are now suggesting that it probably continues lower, first continue into Q1, and then, following a Spring bounce, probably again towards end 2019. The MSCI All Country World Index is however lagging BlackRock Inc in terms of the scope of its recent sell-off: the dynamics are very similar, yet prices have not broken through our corrective support yet. Indeed, the Index is currently moving towards the support of its C Corrective targets to the downside between 64 and 68 (right-hand scale). If it follows BlackRock's example, and breaks below these levels over the next few months (until early/mid Q1), the move down would turn impulsive with much lower target levels ahead. We calculate these towards the 55 – 49 range, close to the 2016 lows and circa 18 to 27% below current levels. We believe this risk could materialize between now and the end of next year.

Concluding Remarks: BlackRock Inc. may be a bellwether *(an advanced indicator)* for Global equities. Its large focus on passive strategies certainly makes it very sensitive to their fate. Investors seem to be anticipating some negative developments and, indeed, if the current correction in Equities does continue into late 2019, BlackRock's ETF products will certainly suffer from increasing outflows of funds. Interestingly, the profiles we show here are not unique. Many markets and sectors are showing similar dynamics. To name just a few: Emerging Markets, Europe markets *(especially in USD terms)*, Industrial metals, Metals, Mining and Natural resources producers, US Housing, European Banks or Automobiles. Some have already broken trough the support of their corrective targets to the downside *(such as BlackRock)*, some are still working towards them *(such as the All Country World Index)*. **Yet if BlackRock is indeed a bellwether for these profiles, we would probably expect that a significant portion of global equity markets could start breaking down over the next few months. On many, this potentially implies a full retracement of the 2016/2017 uptrend until the end of next year. Shorter term, equity markets seem quite Oversold, and could bounce during November. We would probably seize this opportunity, towards late November, to further reduce equity market risk.**