

LE COIN TECHNIQUE

Trump, a casting mistake for many, yet not for financial markets

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The election of Mr Trump as the next US President must have caught most by surprise (*ourselves included*). Yet, from a markets perspective, it only confirmed the Reflation scenario we had been anticipating and writing about since this Spring.



Now, 3 weeks down the line, reflation has become a mainstream theme. With the huge move we just had on interest rates, the new highs just made on US markets and the Dollar Index reaching levels not seen since early 2003, it may be time to pause and consider the prospects for the S&P500 as we move towards year end and 2017.

S&P500, Hourly chart or the perspective over the next few weeks



The rally since the 9th of November has reached its impulsive targets up (right hand scale) and our long term oscillators (lower rectangle) have just confirmed an intermediate top (Case 3). Our medium term oscillators (upper rectangle) are now also Overbought. They are entering a High Risk zone. Over the next 10 days, as shown by our model, we would now expect a consolidation down which could retrace towards our envelope (40 to 60 points lower) before a new uptrend materializes until year end.

S&P500, Daily chart or the perspective over the next 2 to 3 months



Following its long, yet high level consolidation down since August, the S&P500 has now resumed its uptrend. Barring the correction just mentioned above on the hourly chart, it should then continue up and reach a High Risk zone slightly below 2'300 during January, possibly early February. Following that, we would expect a more widespread correction down towards the end of March/ April.

Therefore, reflation has turned mainstream, yet for now, and it's all eyes on the Italian referendum next Sunday. Who knows whether it will be rejected or not, and how the market will react to either outcomes? Yet, if we believe our S&P500 charts above, resilience might prevail and the S&P500 should continue to climb its 'wall of worry' until early next year, at least until Mr Trump effectively takes office.

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