THE IFA's Wealth Gram

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Defensive assets are topping out, for now

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The last 12 months have seen an aggressive rally on defensive assets, fueled by many geopolitical risks (Trade War, Iran, US Impeachment attempts, Brexit, …) as well as a slowdown in global growth. We believe the risk/reward is now stretched on these Defensive assets, such as Treasuries or Gold, while cyclicity could make a come back towards year-end and early 2020.

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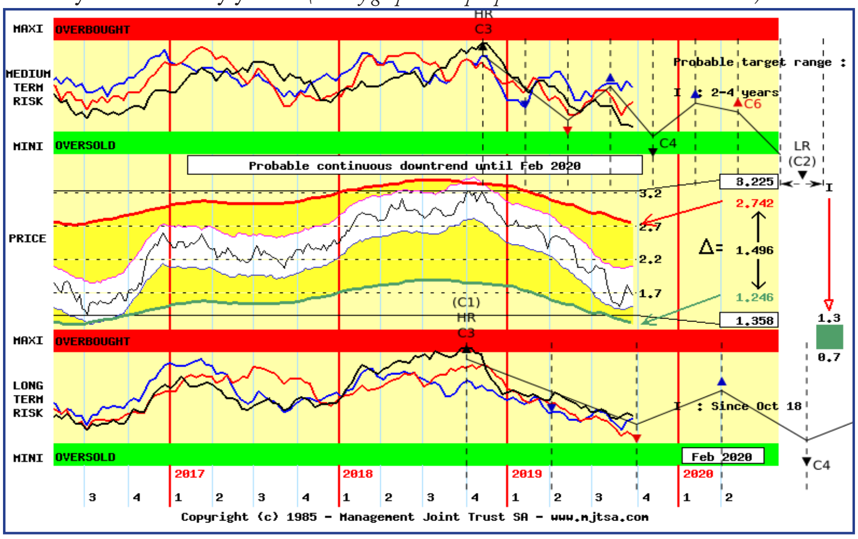
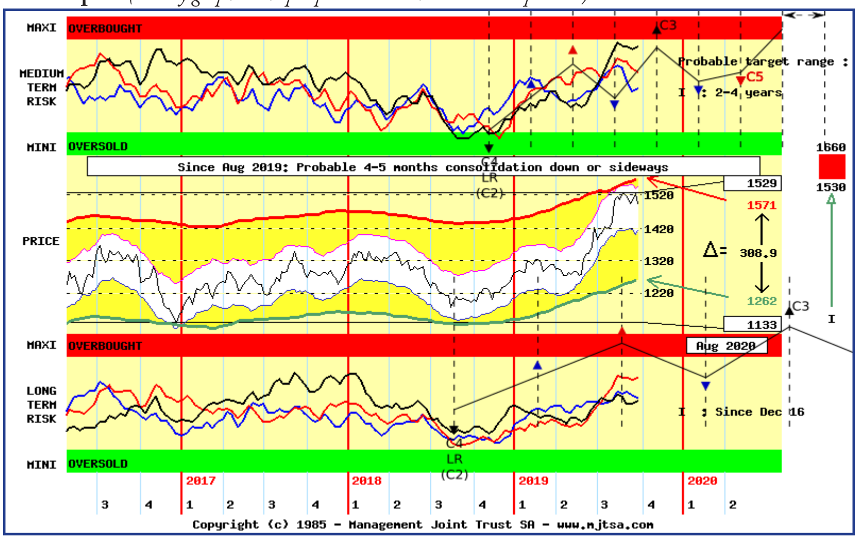
US 10 years Treasury yields *(Weekly graph or the perspective over the next 2 to 4 months)*



It's now been a year since Treasury yields topped out in October 2018. The sell-off has been impressive and is now pointing to our I Impulsive targets to the downside (right-hand scale) in the 1.3 – 0.7% range. Theoretically, these could be achieved over the next 12 to 18 months. In the meantime however, and considering the speed and scope of the recent move down, we believe that ***Treasury yields could be due for a counter-trend rebound.*** *Indeed, both our oscillator series (lower and upper rectangles) are pointing towards* ***an intermediate low between now and mid/late October. The bounce that could follow may last between 3 to 6 months, or into Q1 and perhaps Spring next year.*** *According to our Daily graphs (not show here), we would expect this rebound to travel back above 2% and possibly even into the mid 2s%, once/if the 2% mark is taken out. In the meantime, US10Y yields may retrace down towards their recent lows over the next couple of weeks, although we don't believe they will make new lows.*

For more information on our services and methodology, please visit www.mjtsa.com or contact us.

Gold Spot *(Weekly graph or the perspective over the next 2 to 4 quarters)*



Over the past year, Gold has also been rallying strongly. It recently reached the lower-end of our I Impulsive targets to the upside (right-hand scale), achieving more than 25% performance over the last 12 months. Hence, although we expect further upside, 12 to 18 months out (towards the high 1'600s or even above), the potential over the next few months may limited. Indeed, here also, both our oscillator series (lower and upper rectangles) are pointing to ***a counter-trend move over the next 3 to 6 months.*** *These intermediate tops may have been made early September on our long term oscillators (lower rectangle), yet could still see some upside retesting into October on our medium term ones (upper rectangle).* ***Our view is that by mid/late October, Gold should confirm its correction down, probably towards Q1 and perhaps Spring next year.*** *The downside retracement potential we can calculate is between 0.5 to 0.8 times our volatility measure "Delta" (here at 308.9; middle rectangle, right-hand side), or* ***back towards the 1'350 – 1'300 USD/oz range, a zone of previous upside resistance, which could now serve as support.***

Concluding Remarks: On both Treasury Bonds and Gold, and more generally, on Defensive assets, we believe that an intermediate top is in the making. It may have been done early September, could still see some upside retests during October, but should then trigger a downside correction into Q1, and perhaps Spring 2020. Hence, during October, we would probably look to take profit on some defensive positions and look to reallocate these funds towards more cyclical profiles.