

LE COIN TECHNIQUE

Summer rotation expected as Growth and Defensives handover to Cyclical and Financials

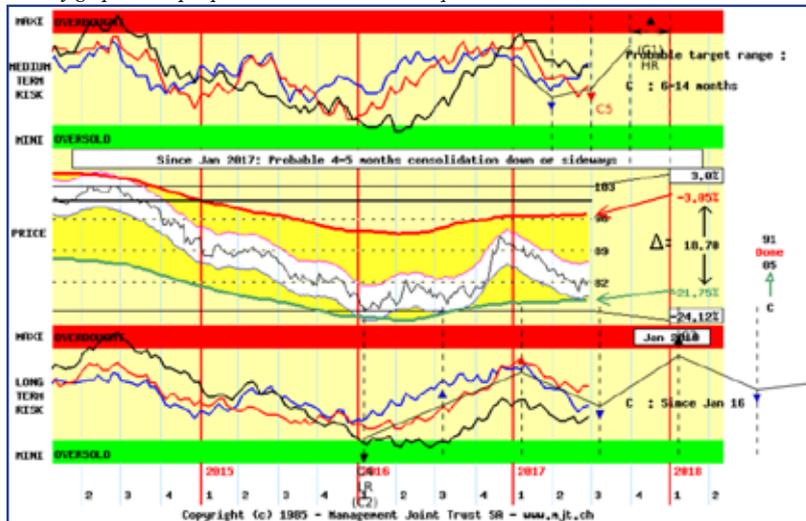
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Since reflation trades topped out between December and February, Cyclical sectors and Financials have underperformed. During this period, growth stocks and especially Big Technology have widely outperformed, followed by Consumer Discretionary, also a growth sector, as well as Defensive sectors (*Staples, Healthcare, Utilities*). We believe that these rotations should reverse during the Summer, as Growth and Defensives handover to Financials and Cyclical and give life to a second leg up for reflation assets towards early 2018.



US Financials & Cyclical sectors vs Growth & Defensives sectors (cap weighted portfolios)

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

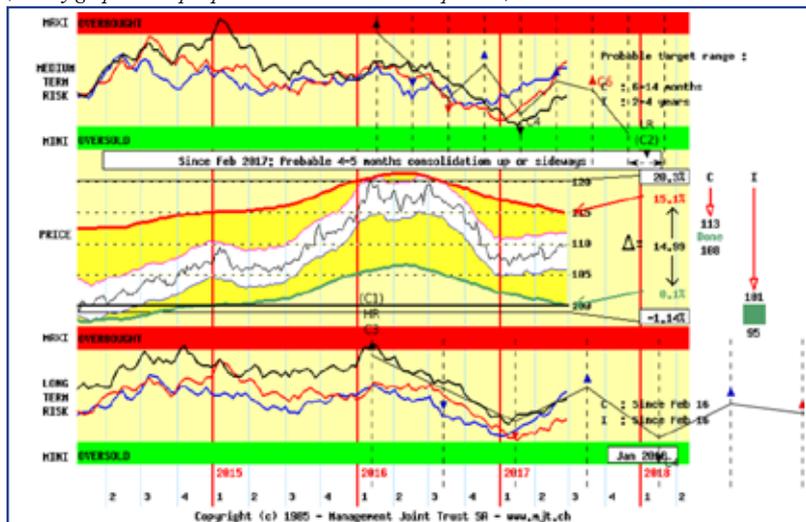


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This Weekly chart compares a cap. weighted portfolio of the Financials, Industrials, Materials and Energy sectors vs a more defensive portfolio including Consumer Discretionary, Technology, Staples, Healthcare, Utilities and Real Estate. On both our oscillator series, the retracement we've seen for Financials & Cyclical (aka the "Reflation sectors") should be coming to end during the Summer. We expect them to resume their uptrend vs Growth & Defensives, possibly into late 2017 / early 2018

AMUNDI ETF MSCI Europe Min Vol / AMUNDI ETF MSCI Europe

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



For more information on our services and methodology, please visit www.mjtsa.com or contact us. All opinions, news, research, analyses, prices or other information in the article above are provided as general market commentary and do not constitute any financial advice.

This Weekly chart shows a similar situation in Europe. We compare two ETFs from Amundi, namely the risk premia related Amundi ETF MSCI Europe Minimum Volatility Factor UCITS ETF vs its benchmark, the Amundi MSCI Europe UCITS ETF. Minimum Volatility means less risk and consequently more defensive characteristics than the benchmark. Hence, this chart is looking at the same situation as above in reverse, i.e. more Defensives profiles vs the market. On both our oscillator series (lower and upper rectangles), the Minimum Volatility factor underperformed throughout 2016 and then rebounded in H1 2017. It should reach the end of this correction to the upside during the Summer and start underperforming again towards year-end / early 2018.

Concluding remarks — During H2 2017, we expect reflation trades to resume their uptrend initiated last year. This will fuel a rotation from so called Growth, Defensives, or Long Duration assets, towards Cyclical, Financials or Value. This transition should happen from now into mid-

summer and could lead to some short-term volatility, yet at high levels, in the main equity indexes. From mid-August, potentially, the handover should be completed with new "leaders" (aka the Reflation trades) pushing the market up towards year-end and early 2018.