



GLOBAL CHART OUTLOOK

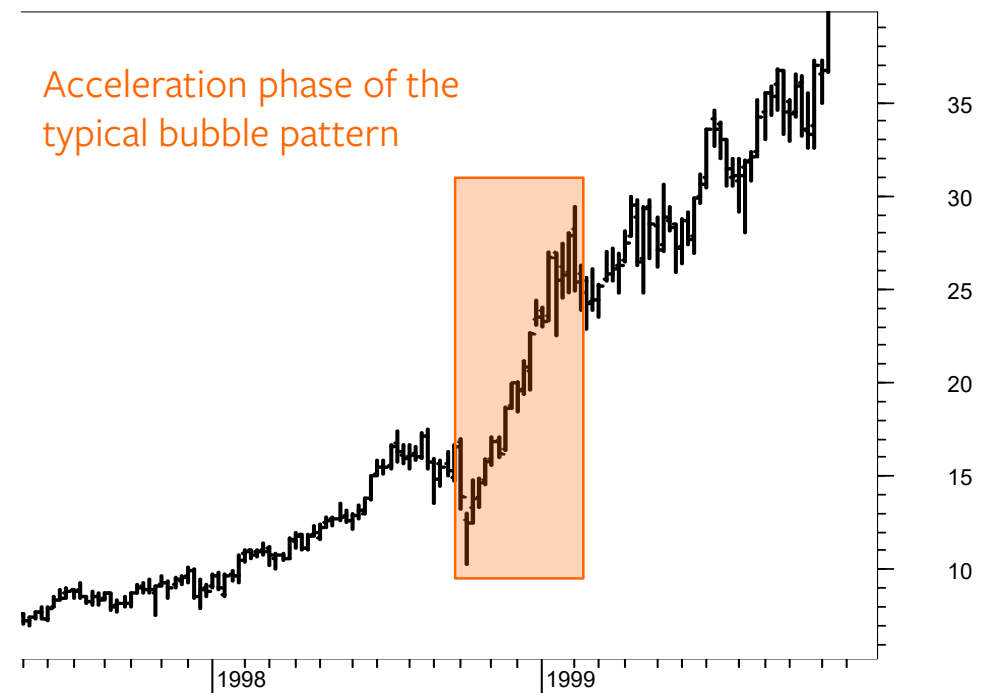
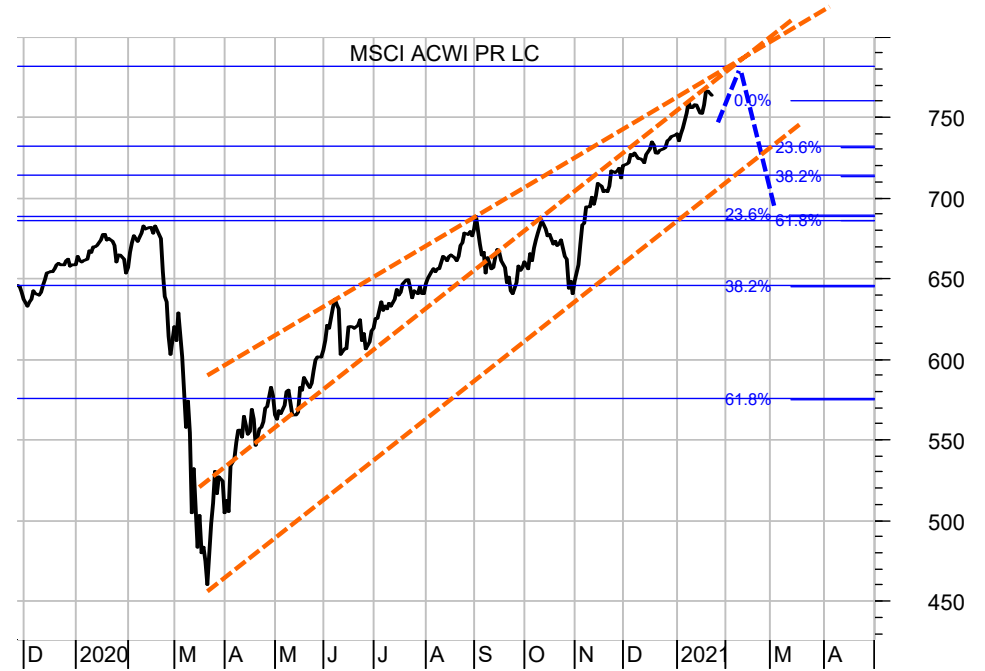
BERTSCHIS CHART OUTLOOK

Global Markets

25th January 2021 / Issue #21/4

MSCI All Country World Stock Market Index – Buying climax or acceleration of the Bubble?

The MSCI World Stock Market Index is testing the major resistance range between 760 and 780. On the pages 8 to 10, I picture the various possibilities as of which cycle phase could be responsible for a major correction or a break upwards. The stock markets have been rising through Reflation since March 2020. Next, they could shift to Inflation (page 8) or Disinflation (pages 9 and 10).



Global MSCI Sector and Cross-Sector Model

The table below rates the relative performance of the big 10 MSCI World Sector Indices relative to the World Index and relative to each other. The score ranges from 0 to 24. The positive range is 15 to 24. The neutral range is 10 to 14. The negative range is 9 to 0.

The table gives ratings for

- the present absolute trend of the MSCI World Index and the 10 MSCI Sector Indices (diagonal white boxes from upper left to lower right)
- the relative performance of the MSCI World Index relative to the 10 MSCI Sector Indices (horizontal top range),
- the relative performance of the 10 MSCI Sector Indices relative to the MSCI World Index (vertical left column) and
- the relative performance of the 10 MSCI Sector Indices relative to each other.

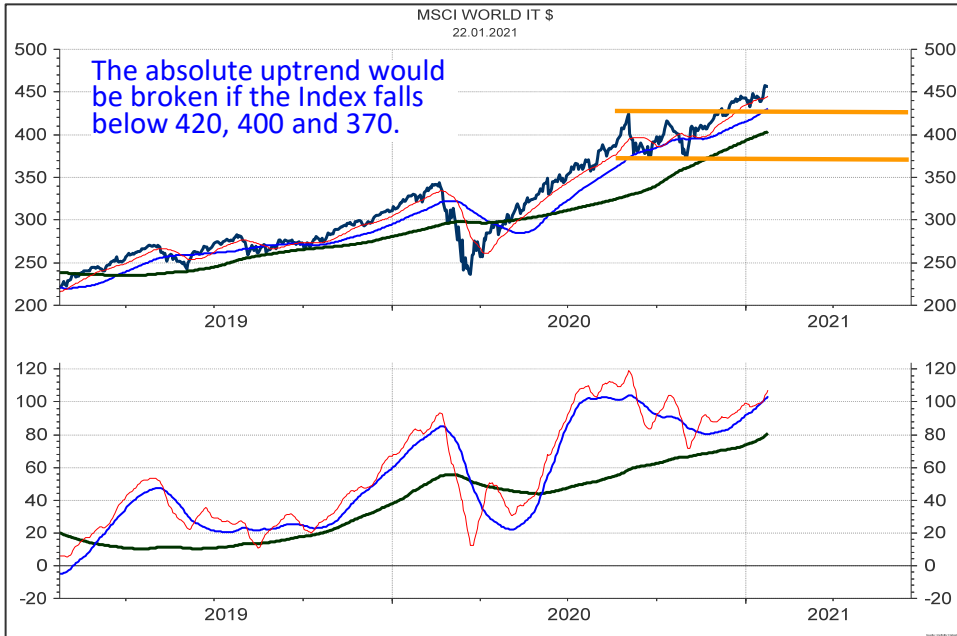
Absolute trend: Consumer Staples is downgraded to DOWN. All other trend readings (white boxes from upper left to lower right) remain UP. But, a decline in the relative points is registered for Energy, Materials, Industrials, Consumer Staples, and Utilities. Sectors, which have improved in their relative performance, are Consumer Discretionary, Financials, Technology and Telecom. I am waiting for the present short-term correction to signal a low an

Relative performance: Materials are downgraded to neutral. Industrials are downgraded to underweight. Financials are upgraded to overweight.

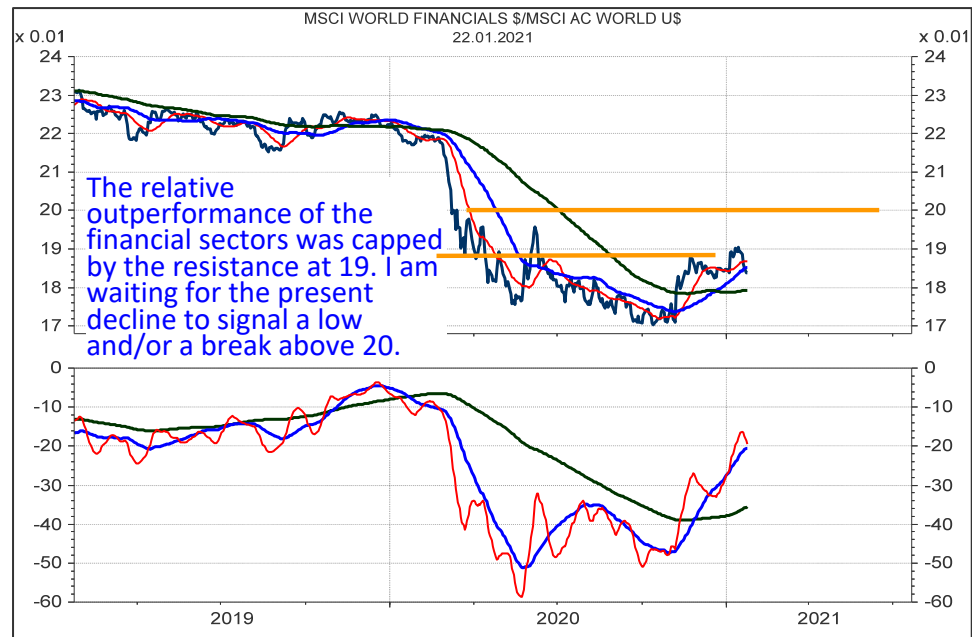
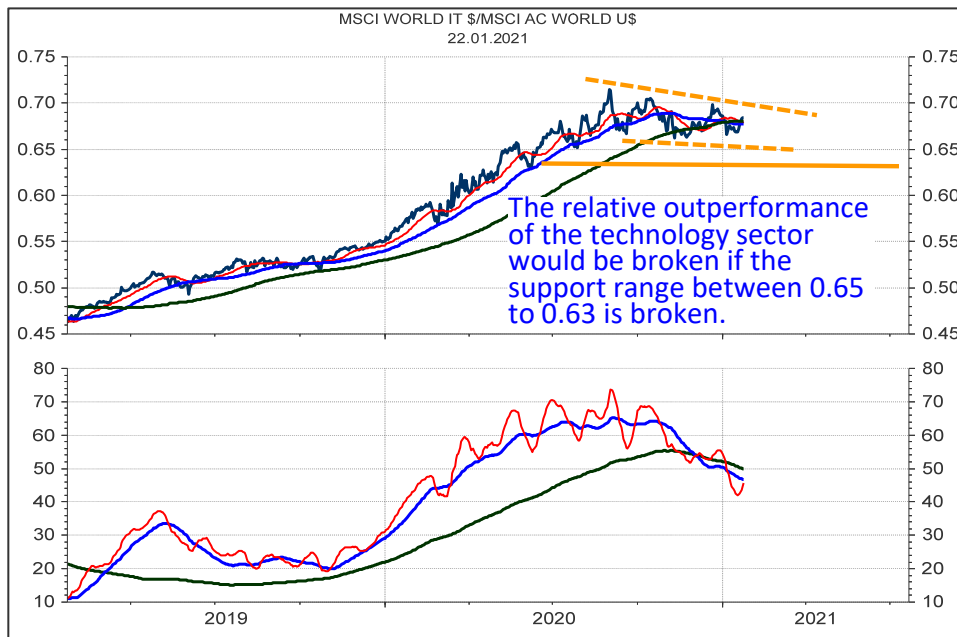
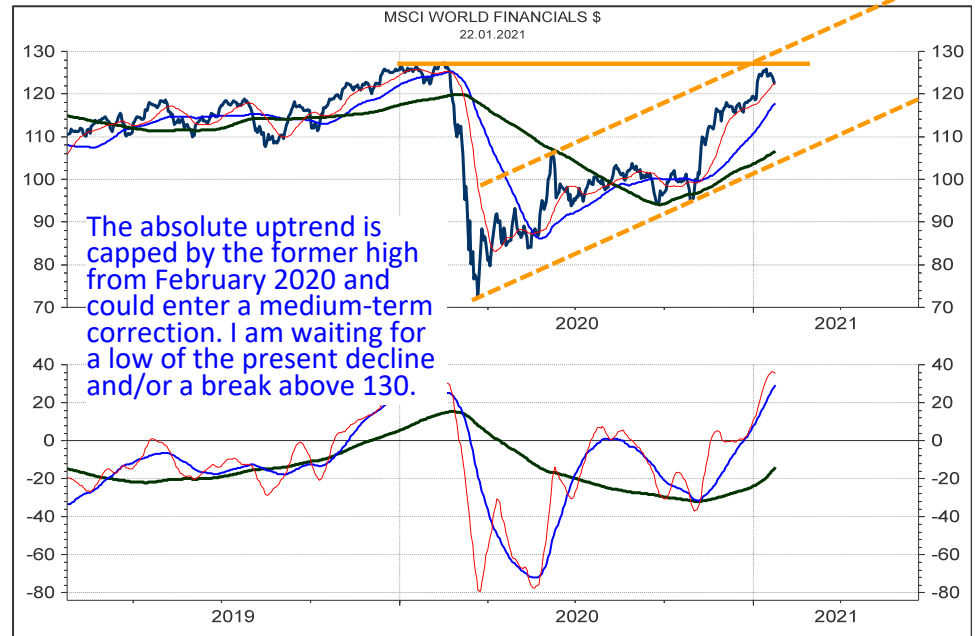
However, no new recommendation can be derived from the sector model. As I show on the next pages, I am waiting for the present short term correction to signal a low and / or a breakout above the resistance levels, derived from the high on 12.1.2021. The short-term correction could enlarge to a medium-term decline. I am watching for new signals and recommendations if such a medium-term downtrend is triggered.

	World	EN	MA	IN	CD	CS	HC	FN	IT	TC	UT	TREND	WEIGHTING
World	<u>22</u>	3	7	20	0	24	10	10	4	10	24	UP	
Energy	21	<u>21</u>	21	21	17	21	20	21	17	20	21	UP	OVERWEIGHT
Materials	17	3	<u>21</u>	16	0	21	8	4	4	10	20	UP	NEUTRAL
Industrials	4	3	8	<u>15</u>	0	22	6	4	4	4	17	UP	UNDERWEIGHT
Cons. Discretionary	24	7	24	24	<u>24</u>	24	24	12	20	20	24	UP	OVERWEIGHT
Consumer Staples	0	3	3	2	0	<u>6</u>	2	3	0	0	8	DOWN	UNDERWEIGHT
Health Care	14	4	16	18	0	<u>22</u>	<u>22</u>	10	6	9	20	UP	NEUTRAL
Financials	14	3	20	20	12	21	14	<u>21</u>	14	14	20	UP	OVERWEIGHT
Info. Technology	20	7	20	20	4	24	18	10	<u>24</u>	16	24	UP	OVERWEIGHT
Telecom	14	4	12	20	4	24	12	10	8	<u>24</u>	24	UP	OVERWEIGHT
Utilities	0	3	4	7	0	16	4	4	0	0	<u>15</u>	UP	UNDERWEIGHT

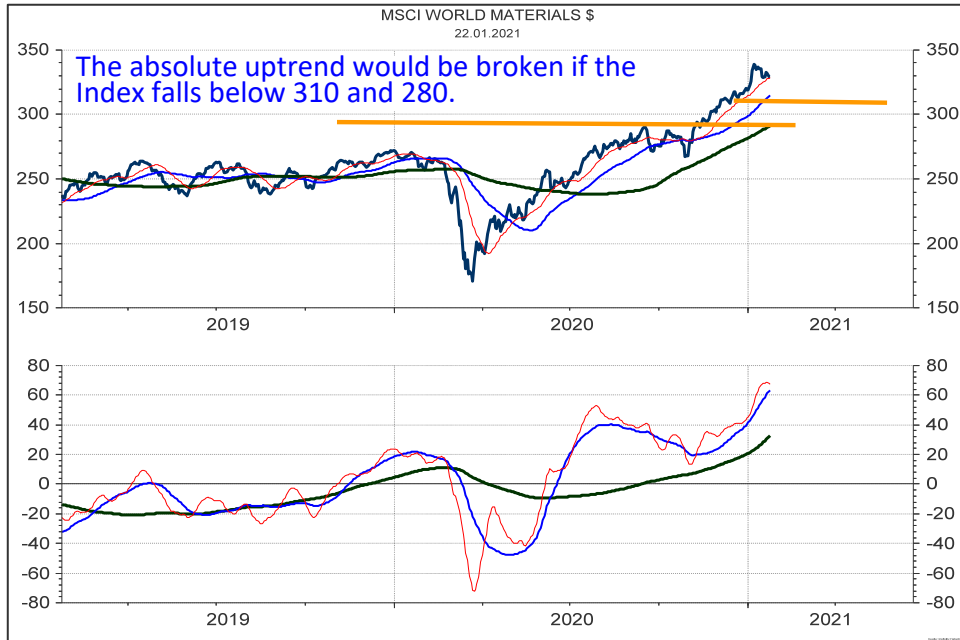
MSCI World Infotech



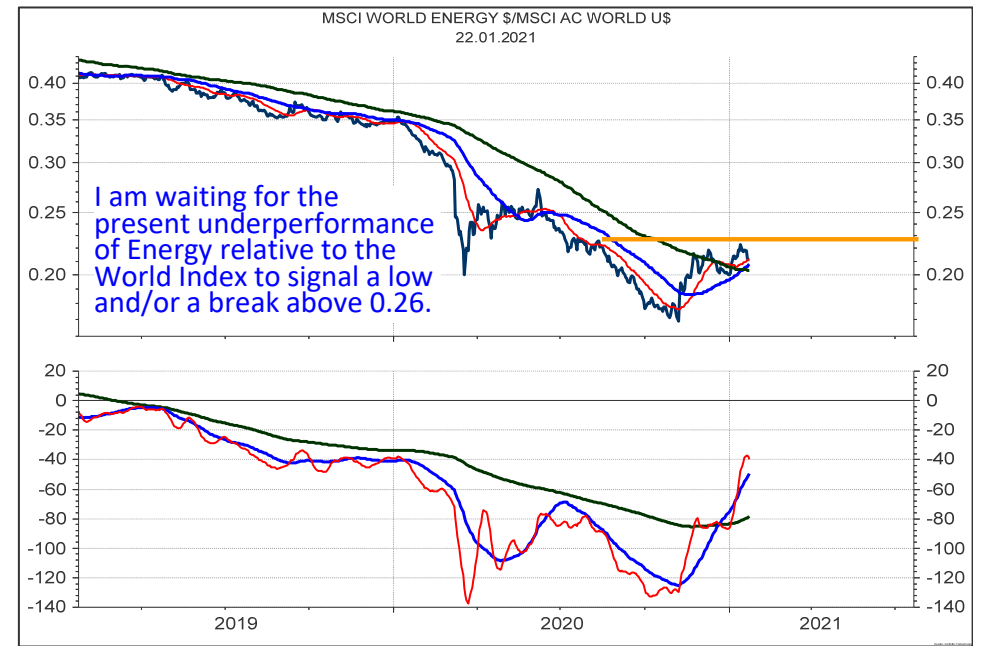
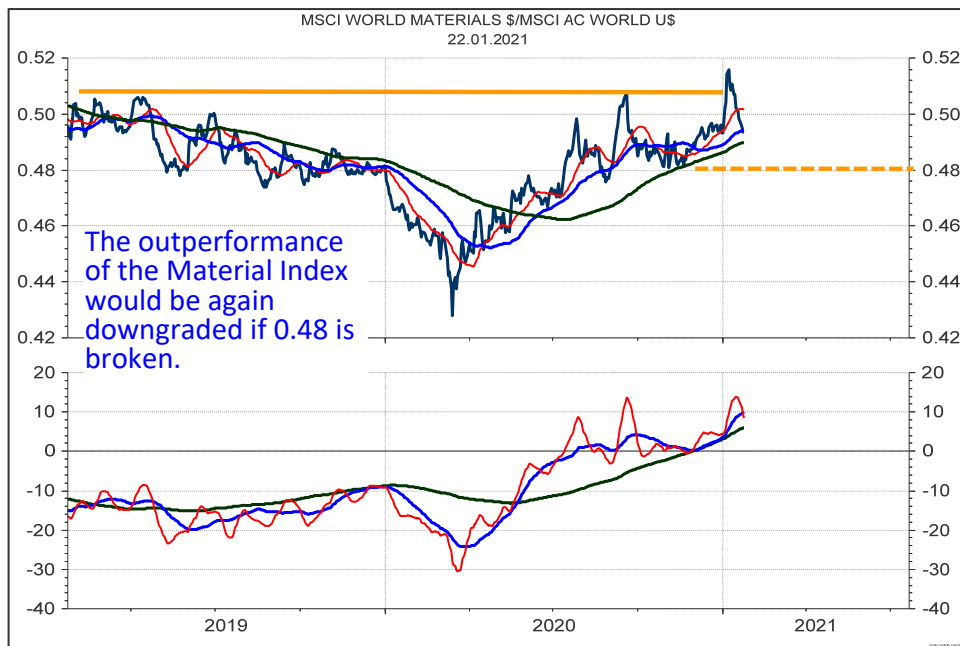
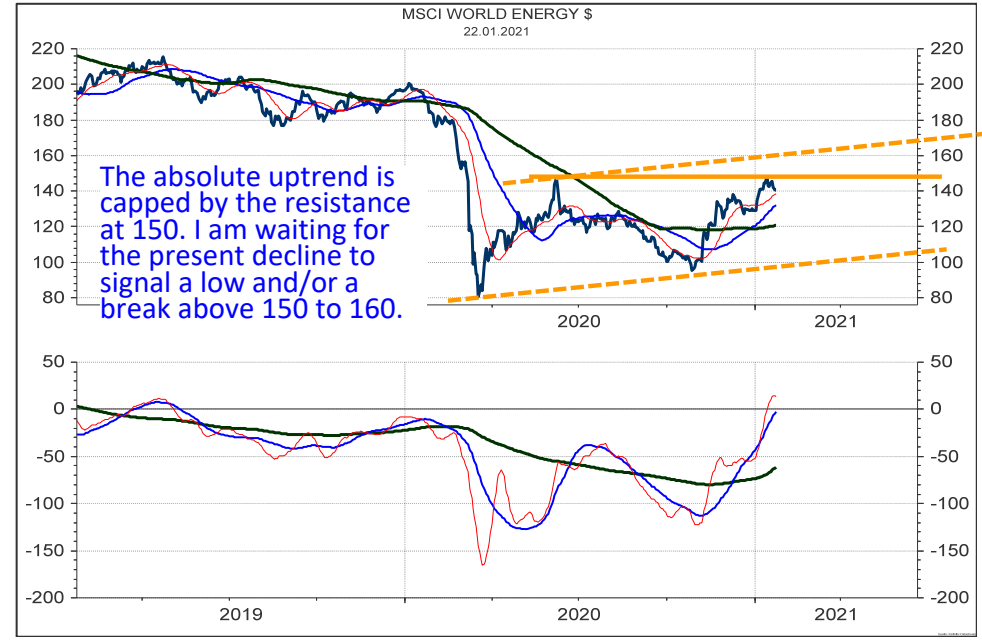
MSCI World Financials



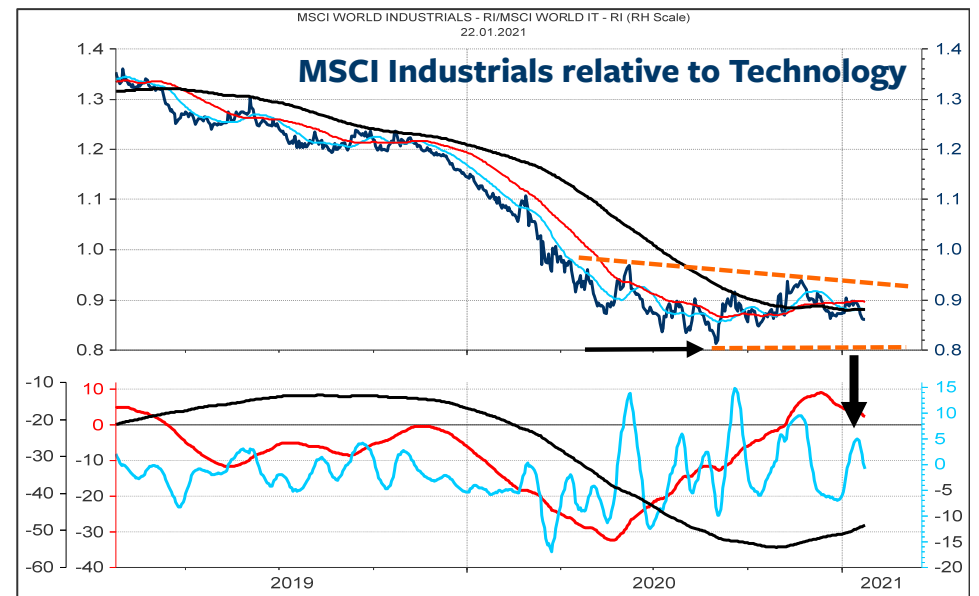
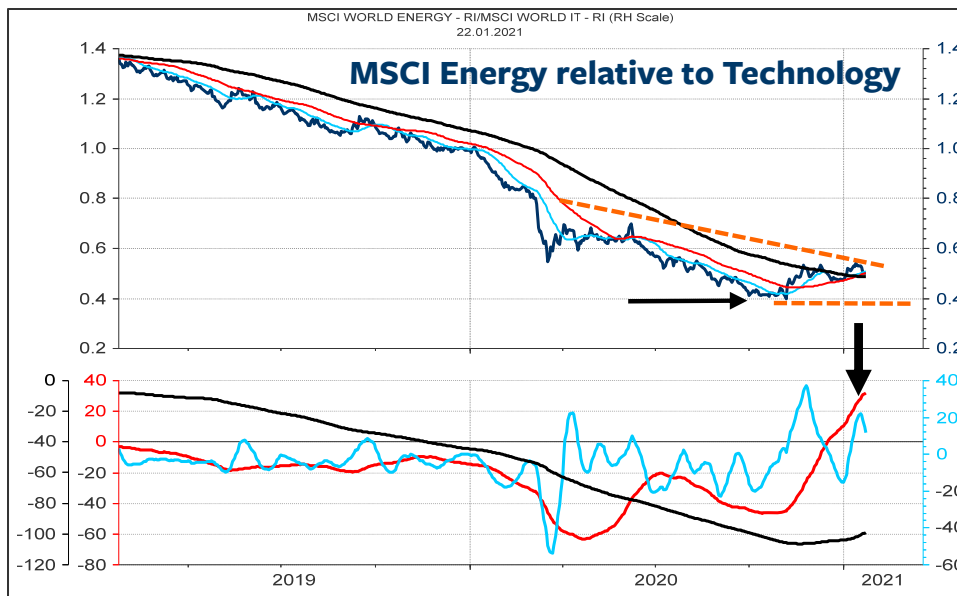
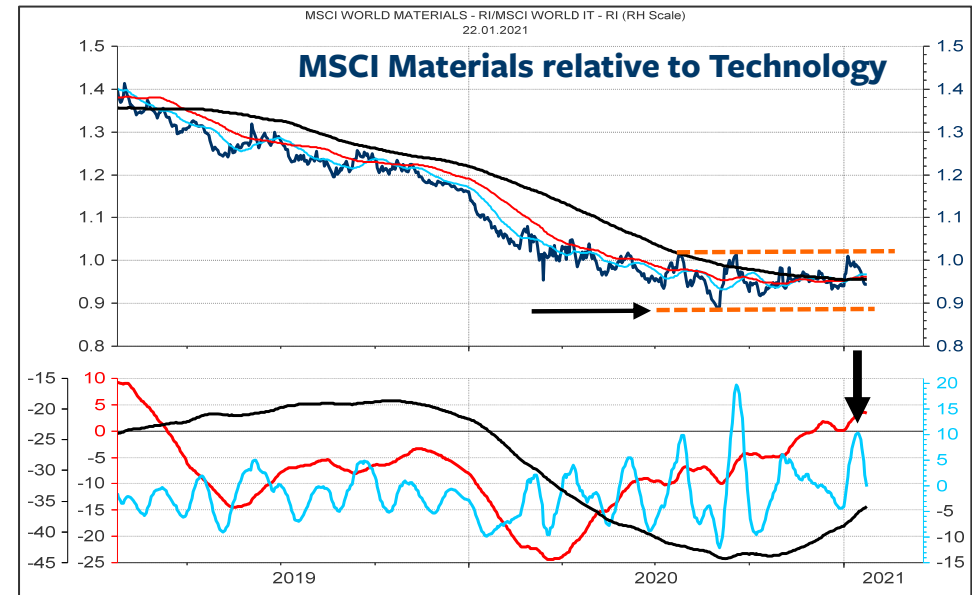
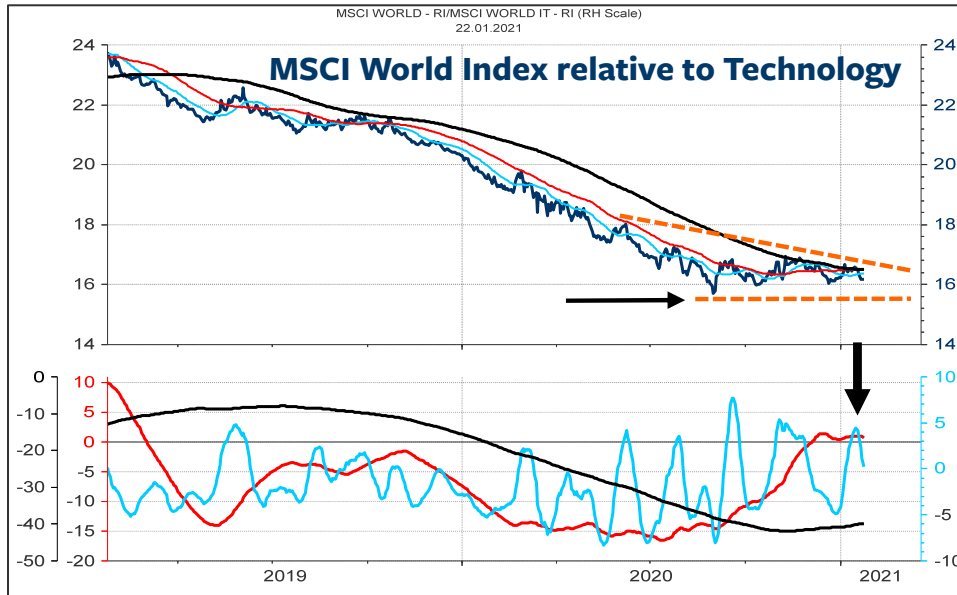
MSCI World Materials



MSCI World Energy



Last week, I was looking for a short-term decline in the 4 relative charts below to help answering the question if the consolidation from July 2020 will be broken to the upside or downside. All 4 Short-term Momentum Indicators are declining since they topped on 12.1.2021. All 4 charts could decline below the low of last September and resume the trend of underperformance, which has been in place since 2014. Possible, the present short-term decline will turn the medium-term momentum indicator down. This would mean that the underperformance could persist for a few months. In other words, the underperformance of the inflationary sensitive sectors Industrials, Materials and Energy does not (yet?) indicate that they are repaling the Technology sector in its role of market leader.



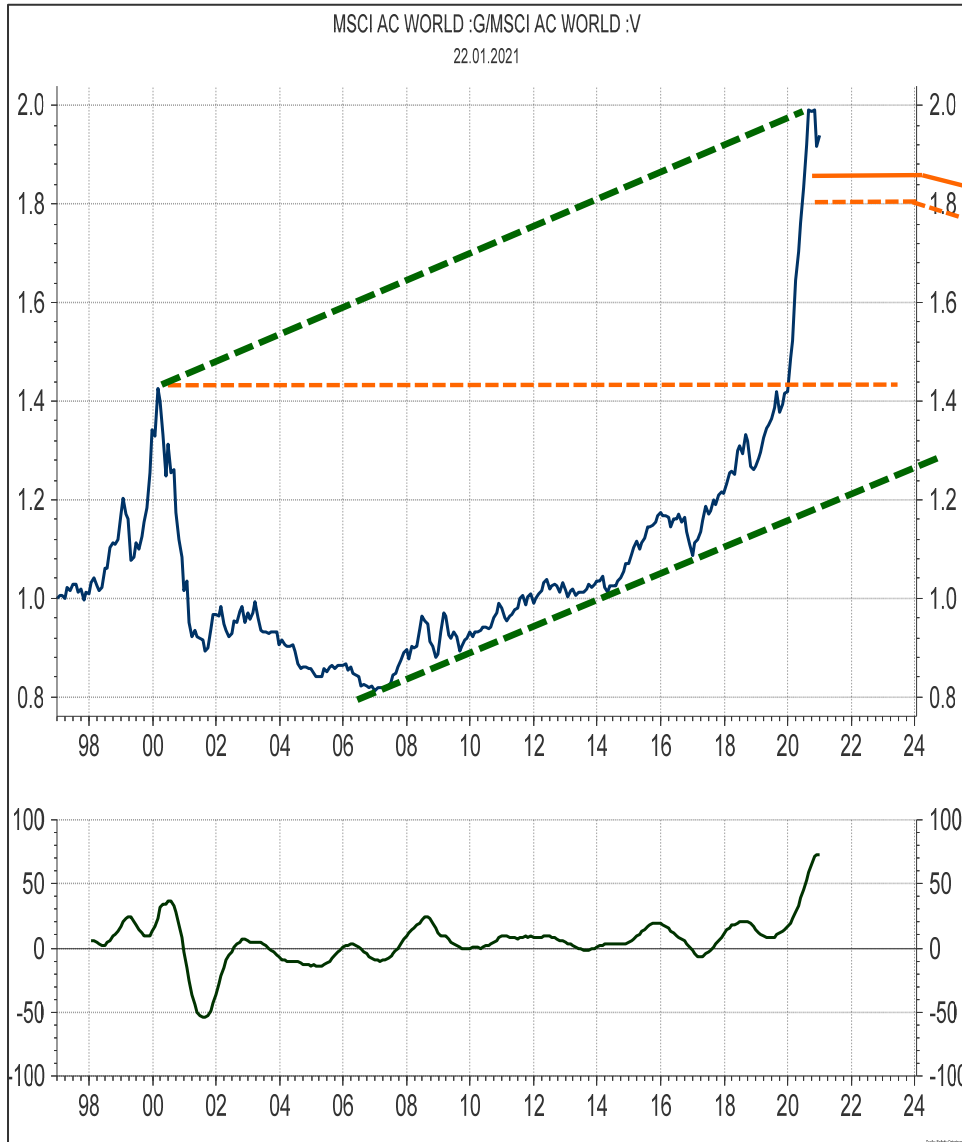
MSCI WORLD GROWTH STOCKS relative to MSCI VALUE STOCKS (Total Return Indices)

The Growth Index relative to the Value Index managed to rebound off the major support zone 1.88 to 1.86.

A rise above the resistances at 1.96 and 2 could signal the resumption of the outperformance of the growth stocks.

A break of the long-term outperformance of Growth would be signaled only if the support range between 1.86 and 1.80 is broken.

Moreover, given the length and depth of the correction from 2000 to the breakout in 2020 and if 2.05 is broken, the BUBBLE in the growth stocks relative to the value stocks could enter another extension.



Seasonal Economic and Financial Market Model

It has long been my view that the World is heading for major Deflation.

I was looking for the uptrend in the US Consumer Price Index from the year 1933 (the last Deflation low) to top and turn down to enter Deflation.

But, it seems that thanks to the money printing, Deflation was only short-lived. A deflationary shock was triggered by the pandemic and it was limited to the downleg in stocks, commodities and interest rates from February 2020 to March 2020.

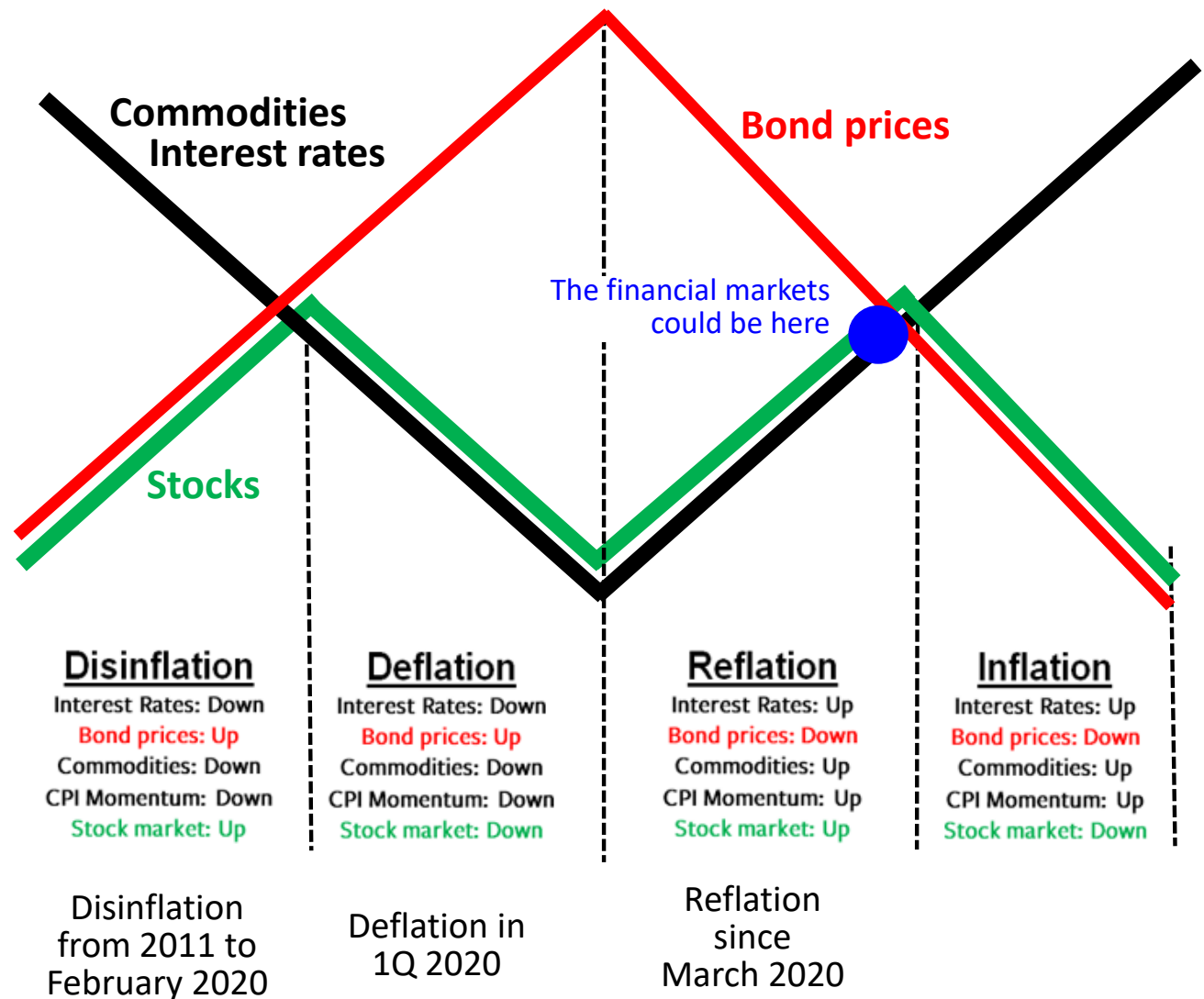
All three markets have been rising since March 2020, which means that a phase of Reflation has played out.

Now, the question is: How long can this reflationary uptrend continue given the overbought market condition and the extremely high sentiment indicators in stocks and also commodities? Moreover, can the 10-year bond yield turn up long term, or was this rate rise just a bear market rally?

Various scenarios are possible from here on. Following the Reflation from March 2020 a shift to Inflation could take place. This scenario is shown at right.

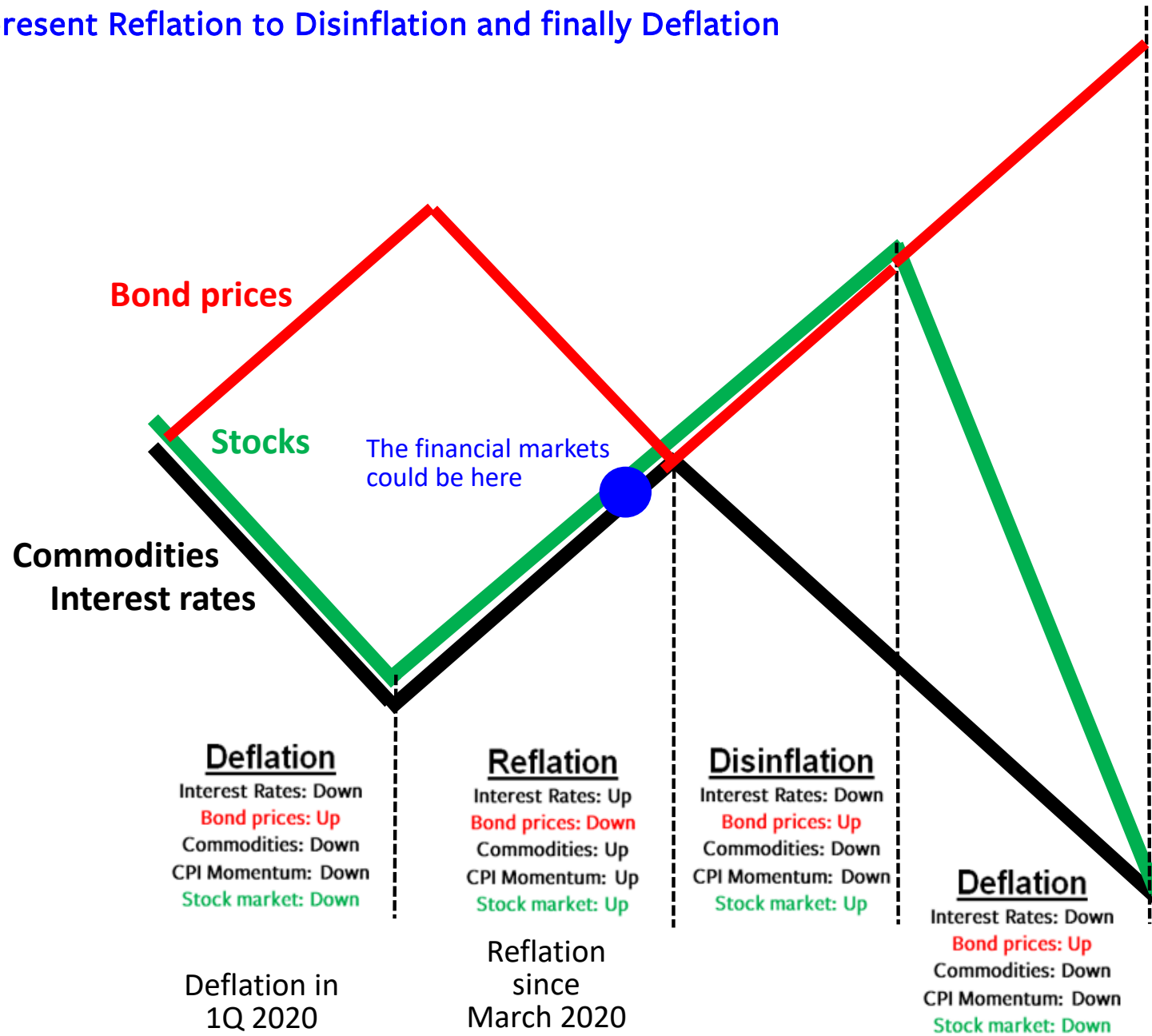
The next page shows the scenario of the present Reflation shifting to Disinflation and finally to Deflation.

The schematic on the overnext page shows the scenario of the present Reflation shifting to Disinflation which could shift to Reflation and finally reach Inflation.



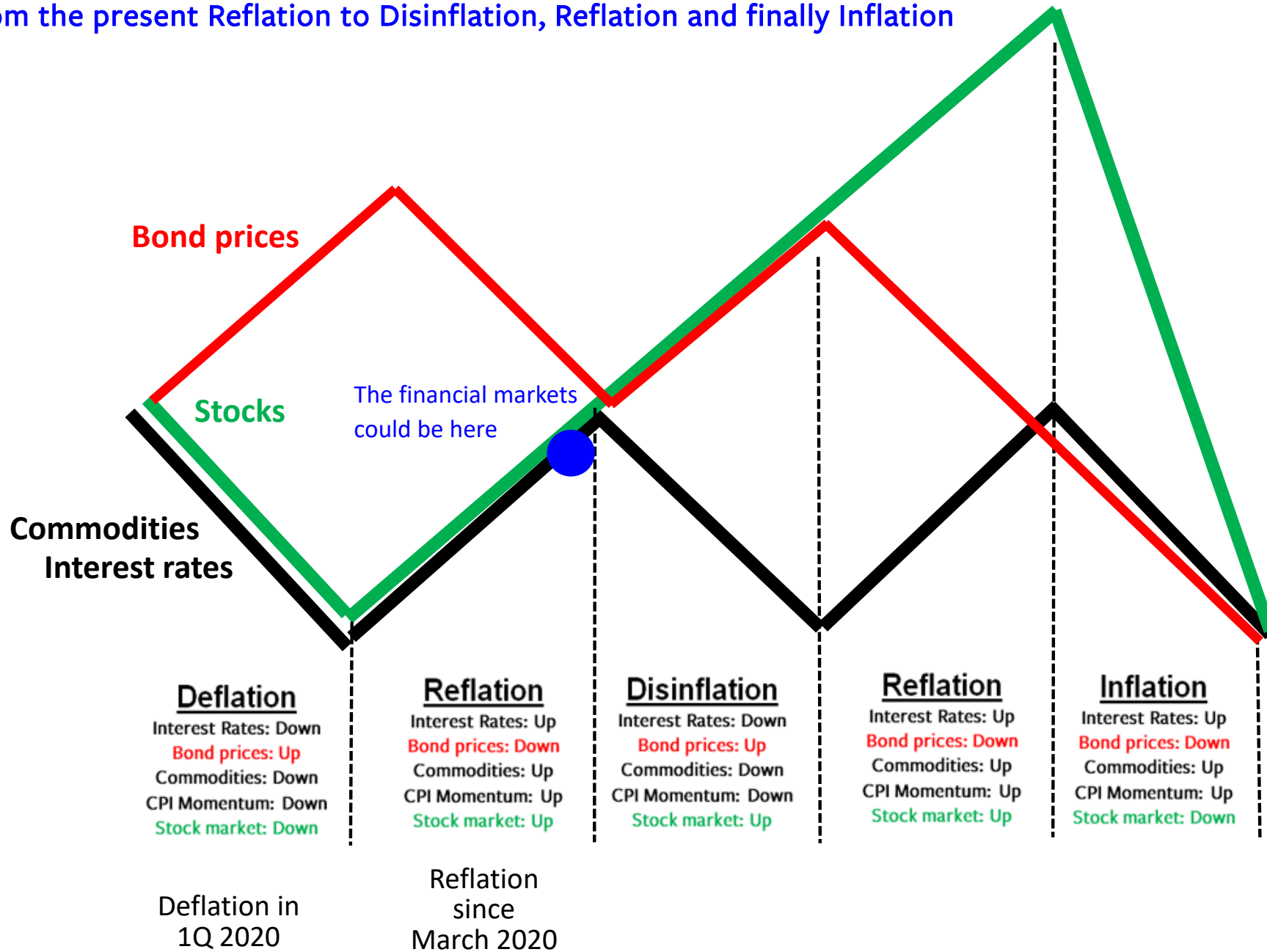
Seasonal Economic and Financial Market Model

From the present Reflation to Disinflation and finally Deflation



Seasonal Economic and Financial Market Model

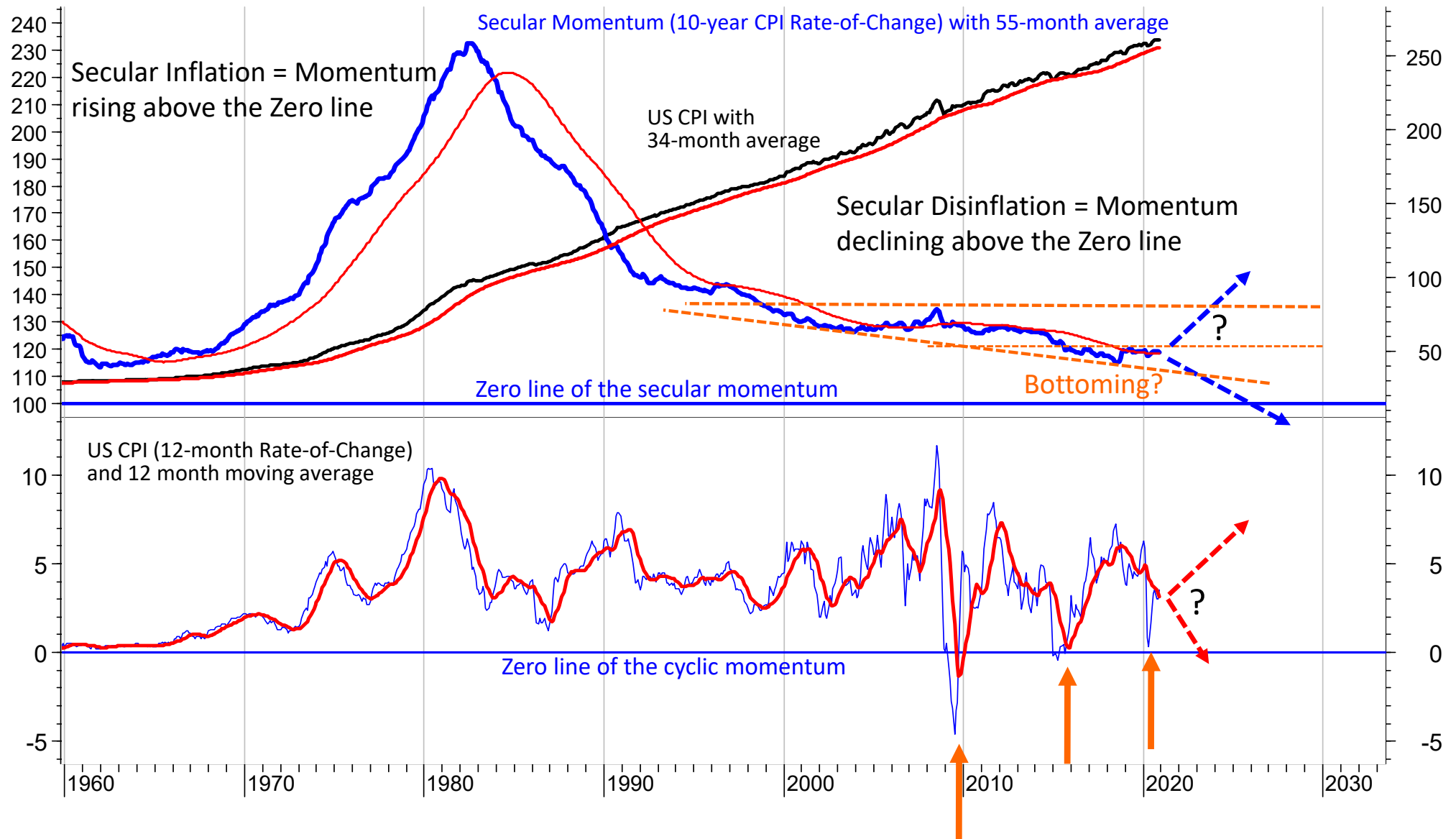
From the present Reflation to Disinflation, Reflation and finally Inflation



US CPI – 10-year Rate-of-Change with 55-month average and 12-month Rate-of-Change

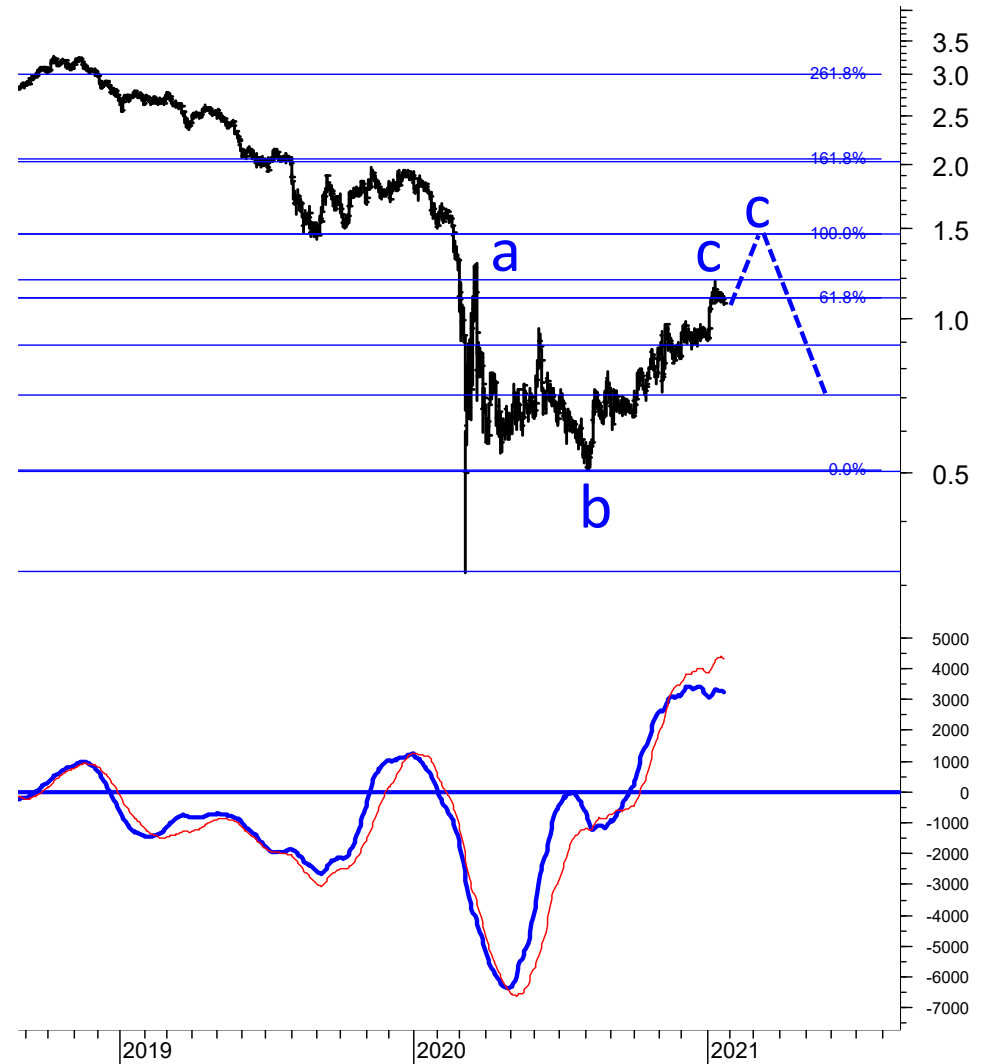
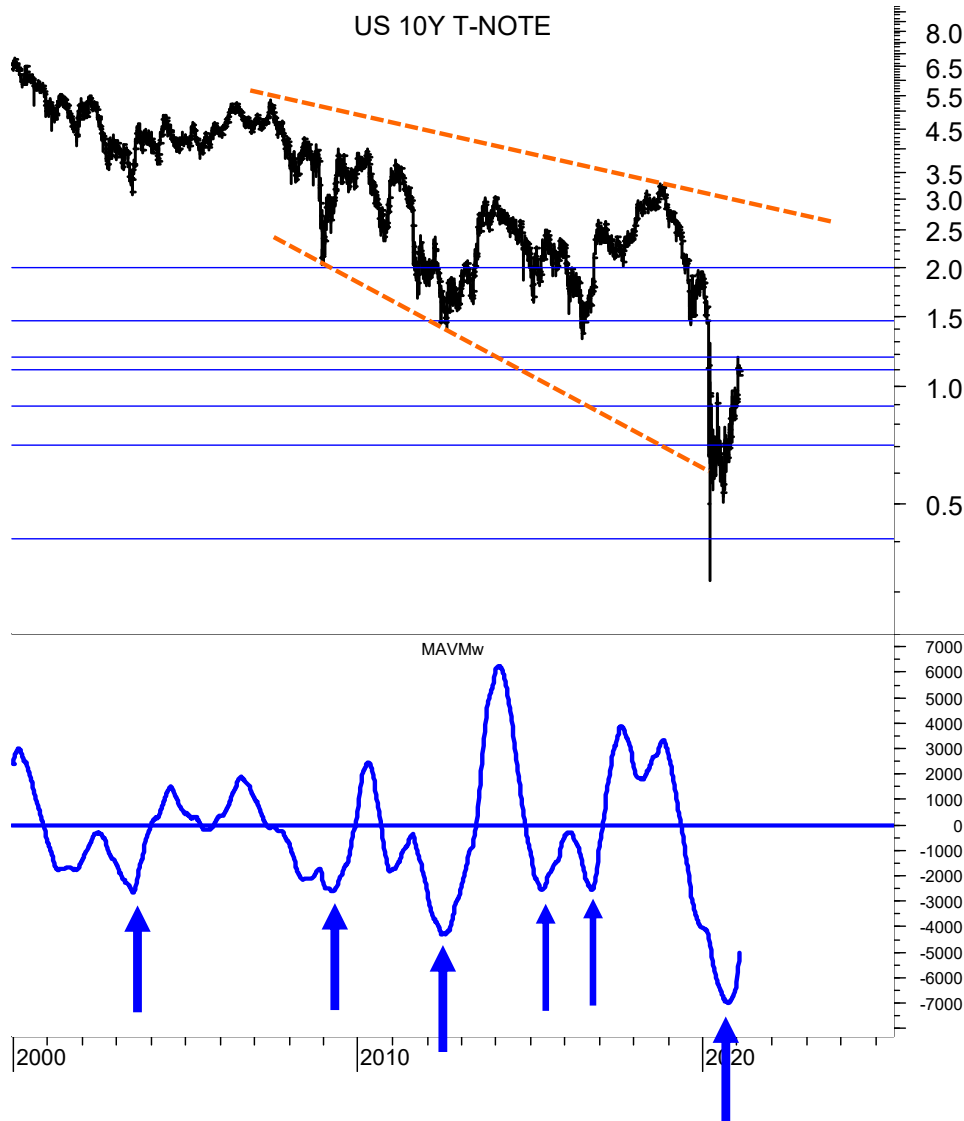
If measured by the US Consumer Price Index, the USA has been moving through Secular Disinflation since the peak in Inflation in the early 1980s. The secular momentum (top, blue) has been declining from 1982 to the low in 2018. The focus is now on the forming bottom. Can the US CPI turn up from here and signal a secular upturn to higher Inflation. Inflation is would signal because the momentum upturn would be signaled above the Zero line. Whether a secular upturn is signaled depends on the cyclical momentum (12-month Rate-of-Change, bottom chart).

If indeed the lows in 2019, 2015 and 2020 were the lows of the deflationary pressure, the money printing could force a secular upturn to signal Inflation. The present decline in the CPI 12-month moving average (bottom, red) must turn up, or the secular and cyclic downtrend would resume.



US 10-year Note

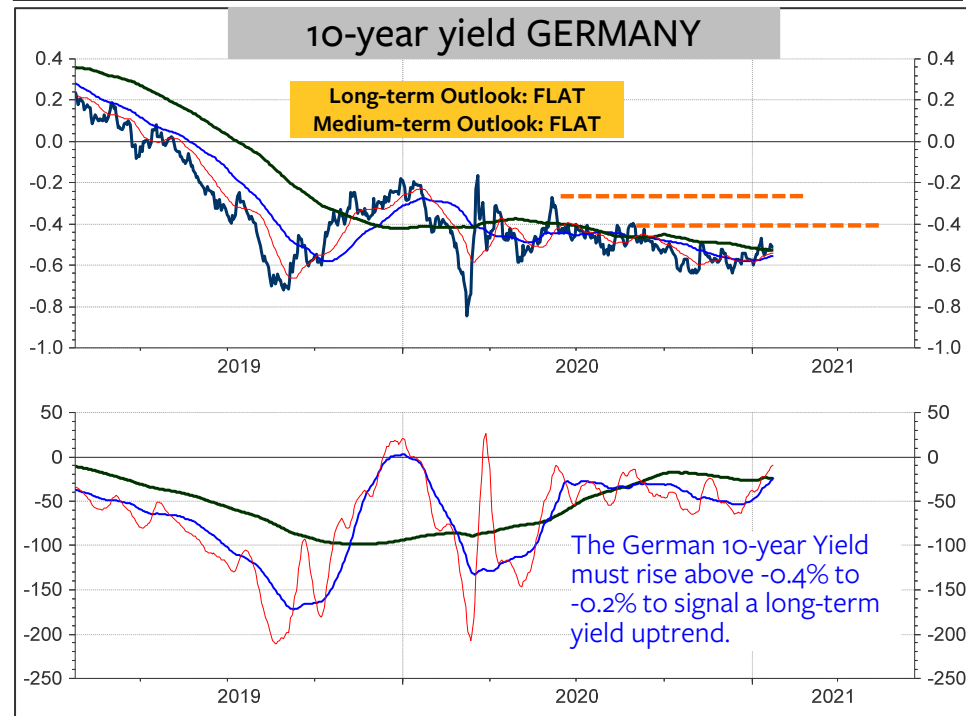
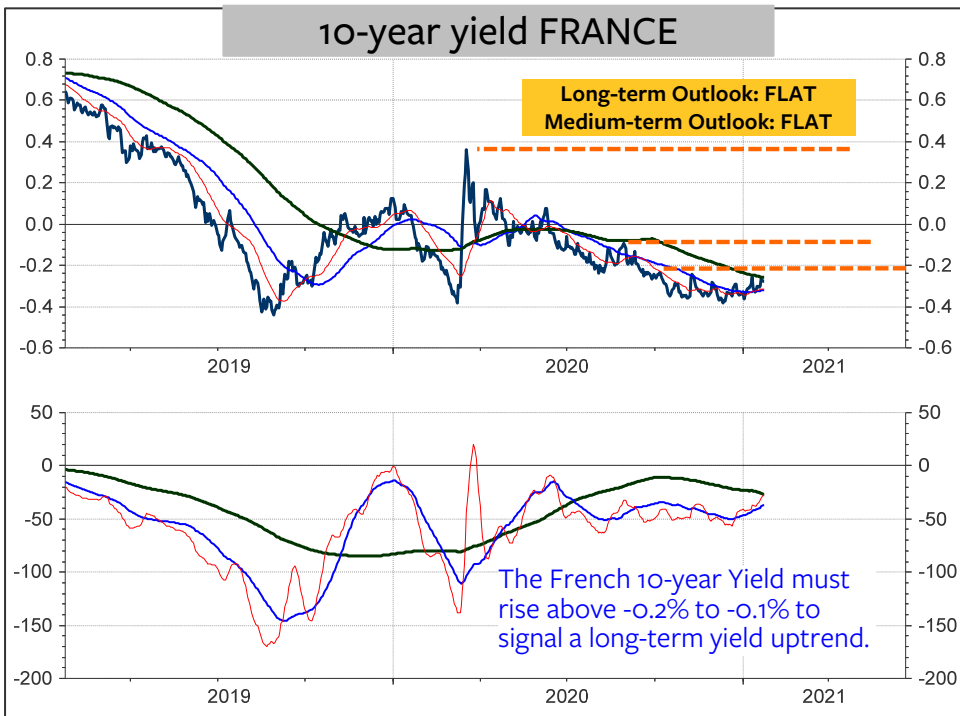
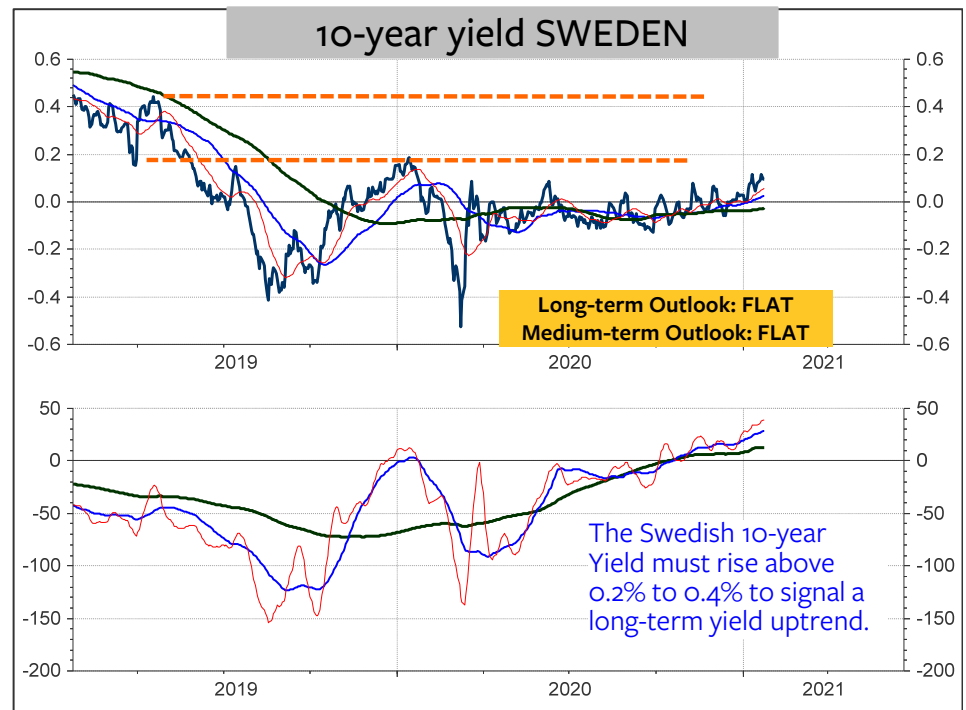
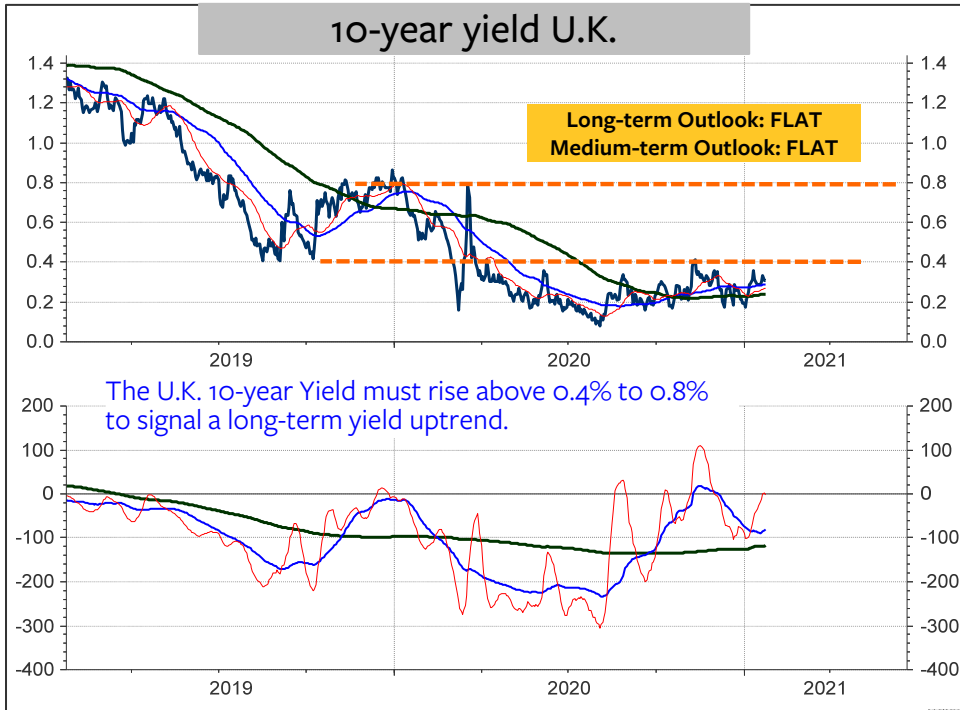
The US 10-year yield plays a key role in my assessment of the prevailing cycle of the Seasonal Cycle Model. The yield has been rising since March 2020 and has thus moved through Reflation. The rise in the 10-year yield did force the long-term momentum indicator (bottom left, blue) to turn upwards. This by itself would signal a rising yield well through 2021. However, based on my wave interpretation, the pattern from March 2020 could be a corrective Inverse FLAT a-b-c (right). This would imply that the long-term yield downtrend could resume upon termination of Wave c. The key resistance levels for Wave c are 1.10% to 1.20% ($c = 0.618 \times a$) or 1.45% ($c = 1 \times a$). **Only if 1.50% is broken would I see the 10-year Yield having entered a long-term and possibly secular uptrend.**



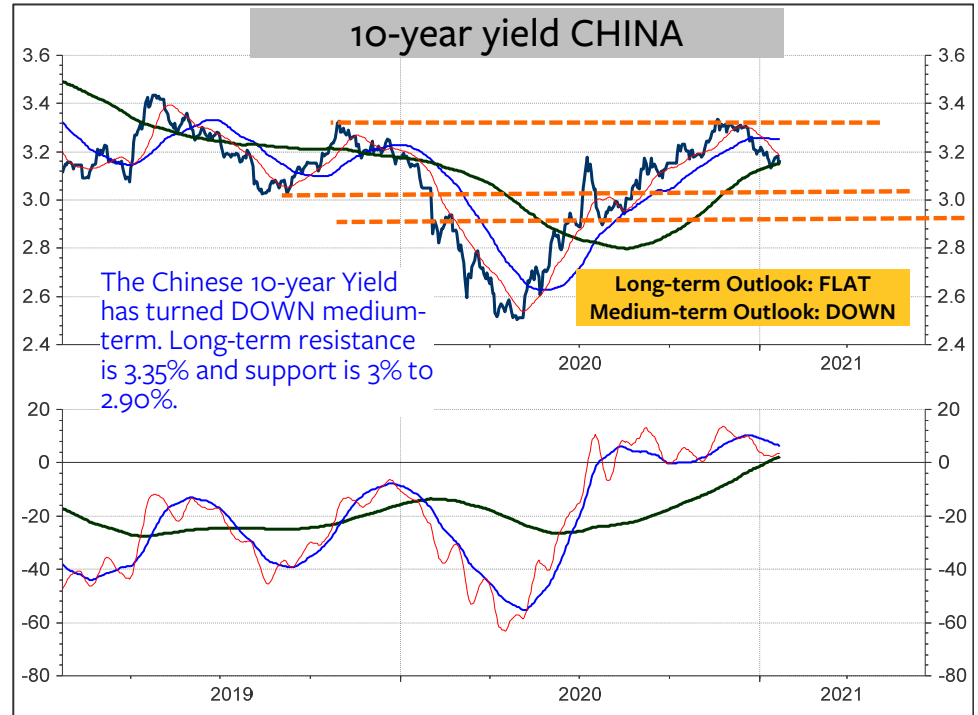
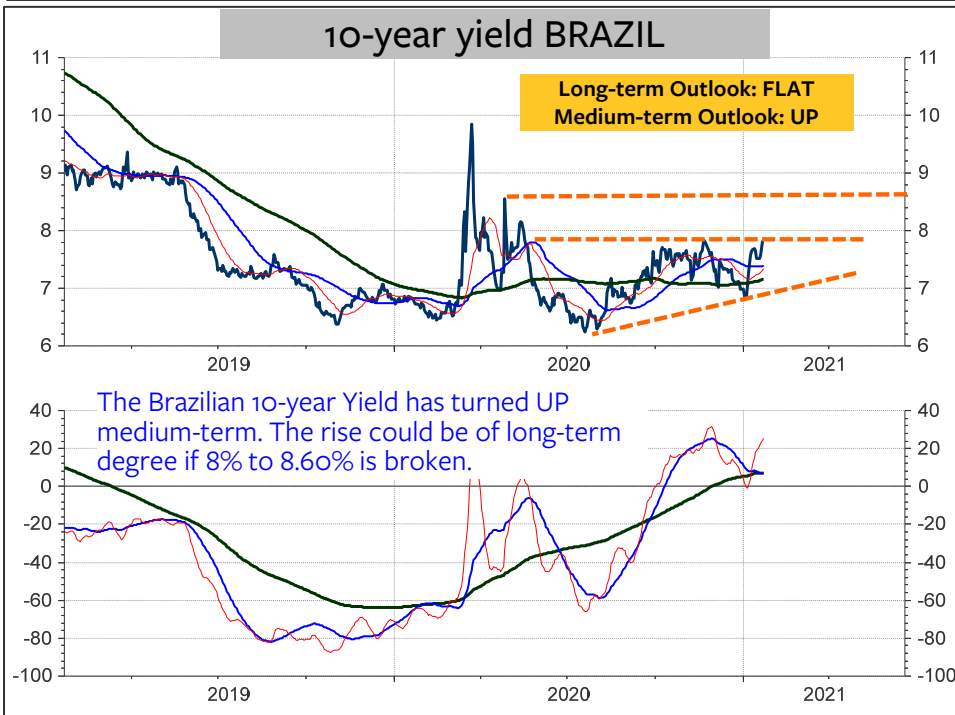
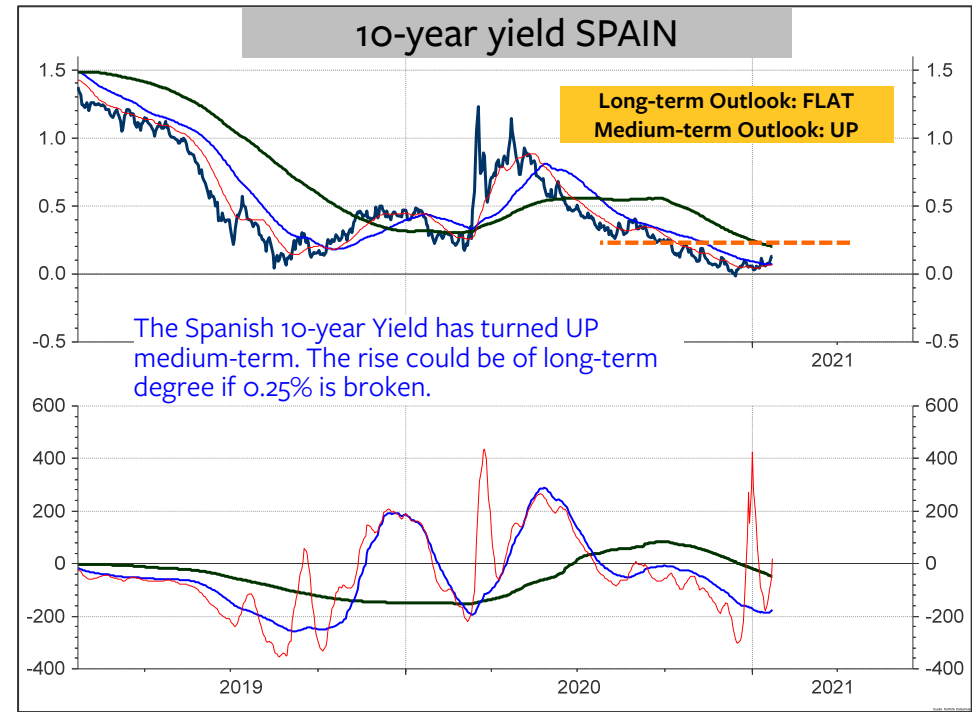
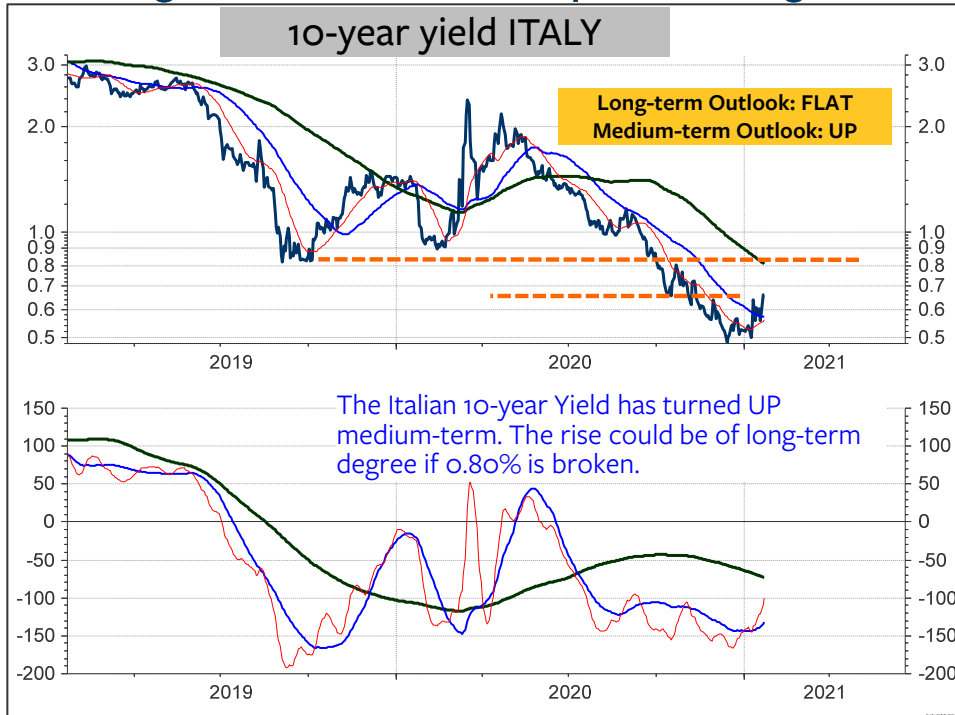
US 10-year T-Note Price Future

The US 10-year Price Future (March 2021) has been declining since March 2020. The decline in the 10-year Future did force the long-term momentum indicator (bottom left, blue) to top. This by itself would signal a decline in the Notes price well through 2021. However, based on my wave interpretation, the pattern from March 2020 could be a corrective Inverse FLAT a-b-c (right). This would imply that the long-term price uptrend could resume. Possibly, Wave c has already bottomed at 136. Notice that at 136.50 Wave c was 0.618 times as long as Wave a. The next key support level for Wave c is at 134. ($c = 1.0 \times a$). **Only if 134 is broken would I see the 10-year Note price having entered a long-term and possibly secular downtrend.**



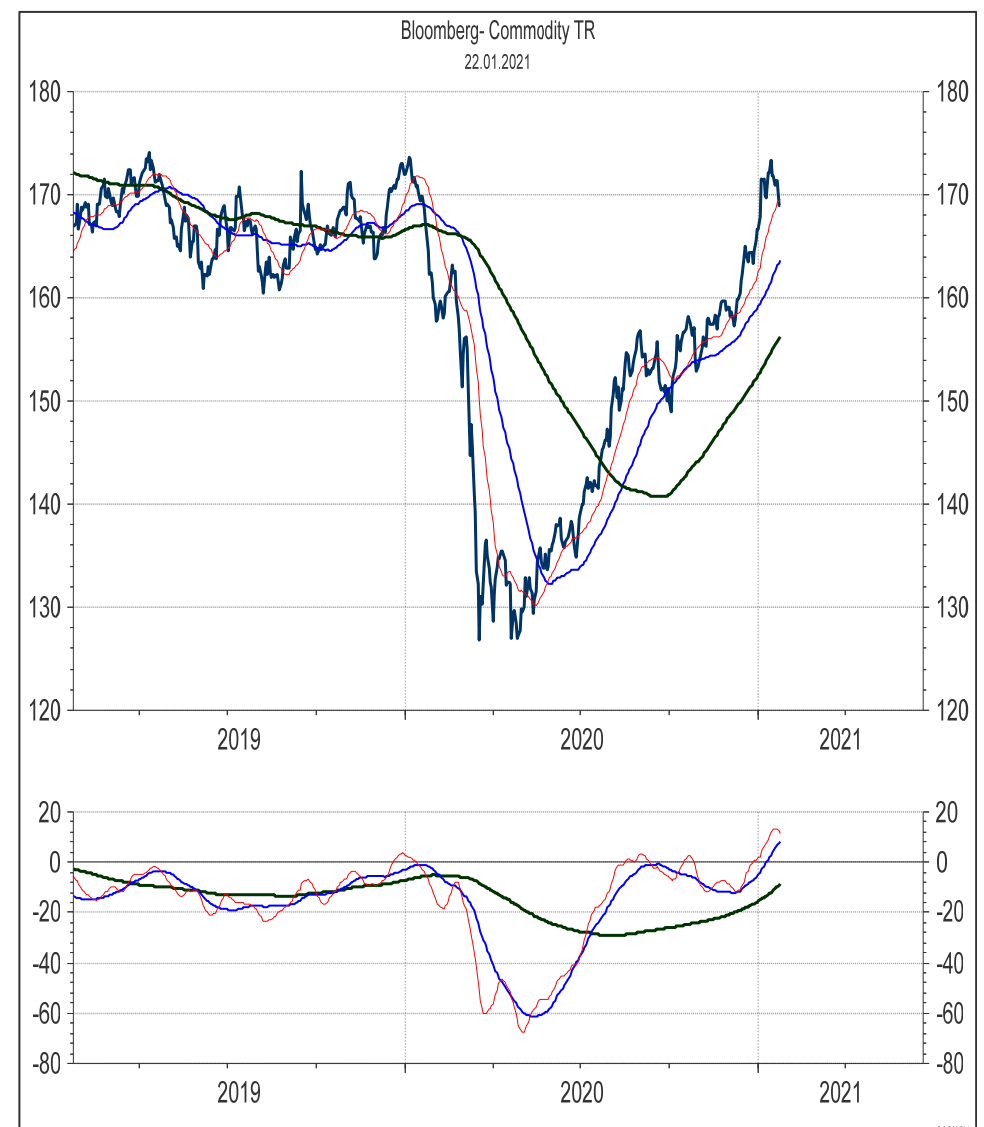
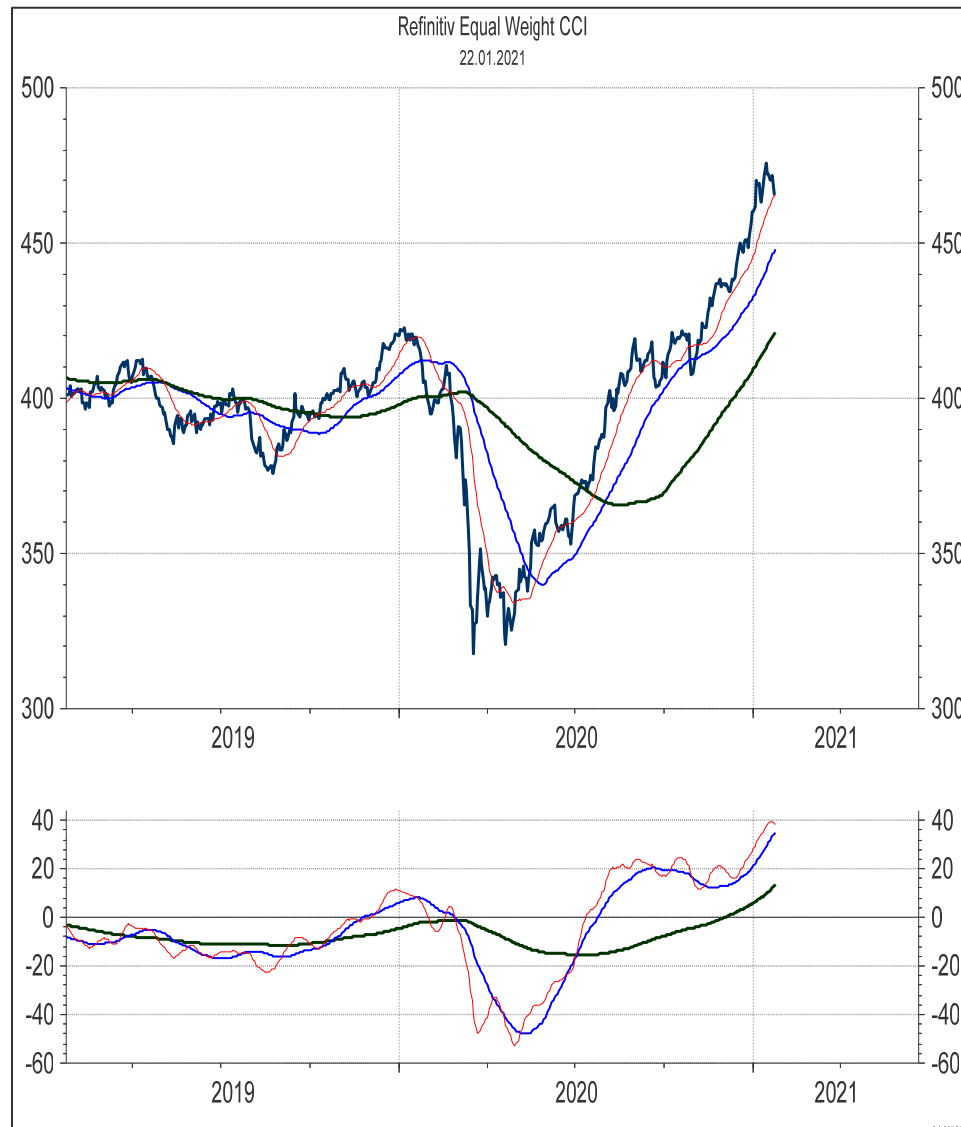


Checking if the interest rate uptrend is a global one



Refinitiv Equal Weighted Commodity Index and Bloomberg Commodity Index

The commodity indices have been rising in the phase of Reflation. The uptrend is overbought and investor sentiment is bullish. A correction would not come as a surprise. But, a decline in the commodity indices to new lows below the lows of March 2020 appears rather unlikely. This means that sooner or later the commodity indices could resume their uptrend, which would signal higher Reflation or a shift from Reflation to Inflation.

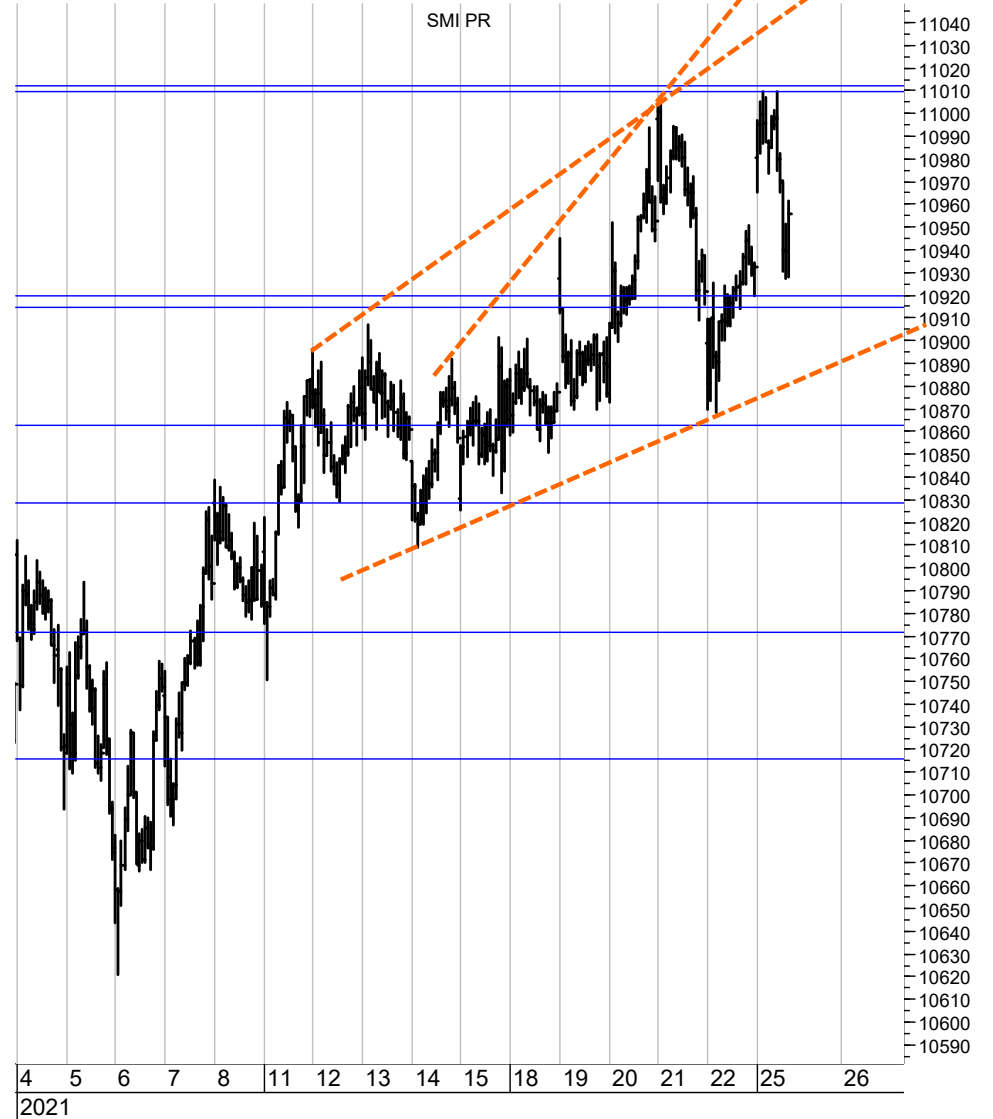
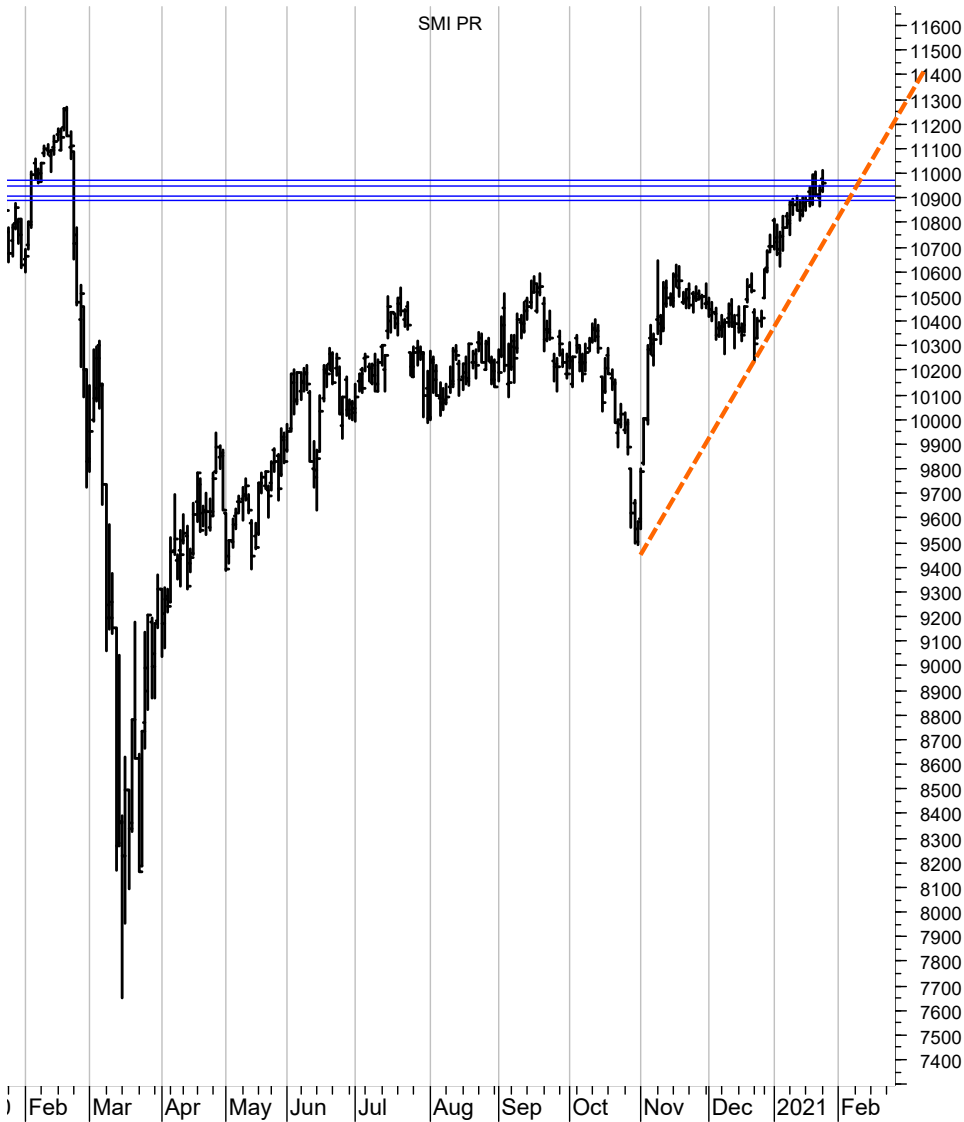


Swiss Market Index SMI

The SMI is trading around the major resistance cluster 10900 to 11000.

A break above 11020 to 11050 could activate the next resistance levels at 11300 to 11400 or 12000 to 12400.

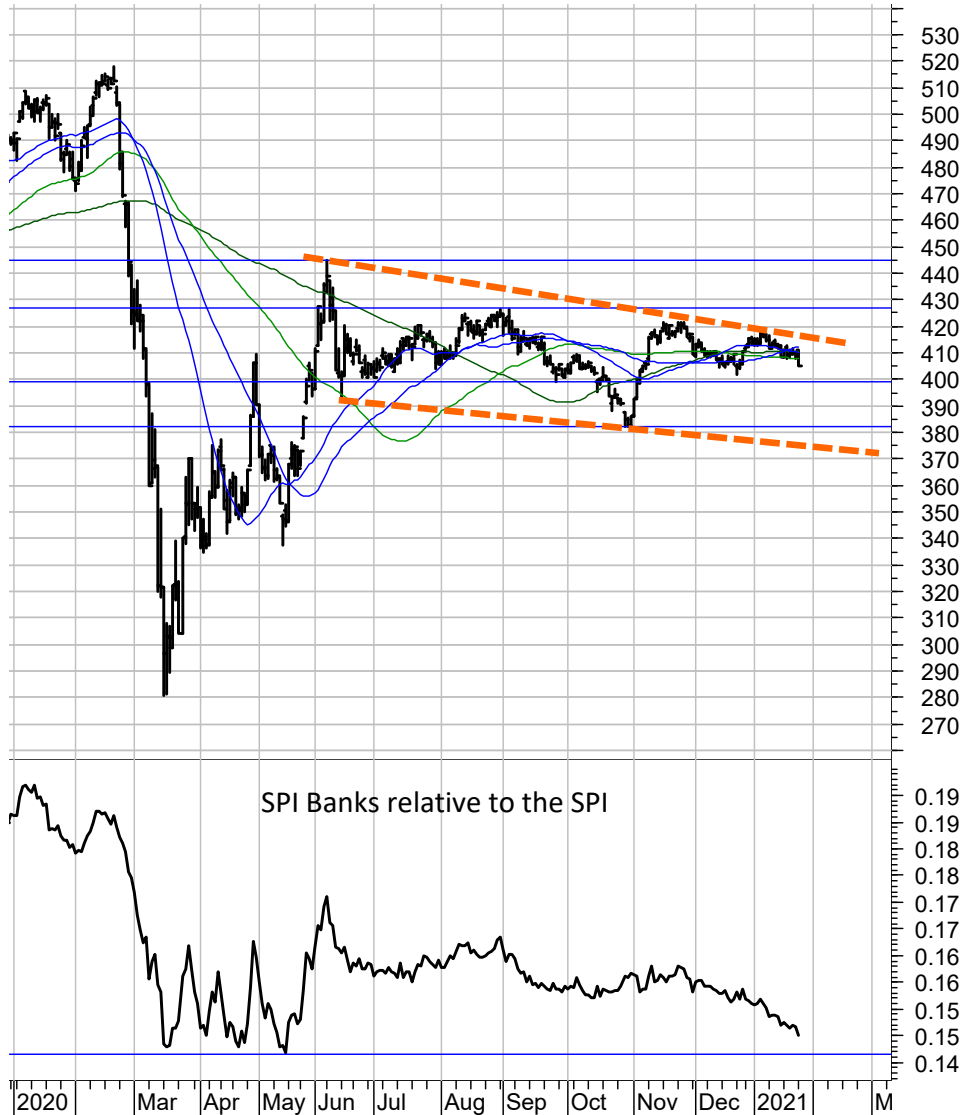
A major correction would be signaled if 10910, 10860, 10820 and 10770 to 10710 is broken.



Swiss Banks Price Index

The SPI Banks Index remains in the neutral trading range between 380 and 430 to 445.

The relative chart of the Banks to the SPI (bottom) is heading for the low of March 2020. Thus, the Banks continue to underperform the SPI and a break of the March low is likely to be signaled.



Swiss Real Estate All Shares Price Index

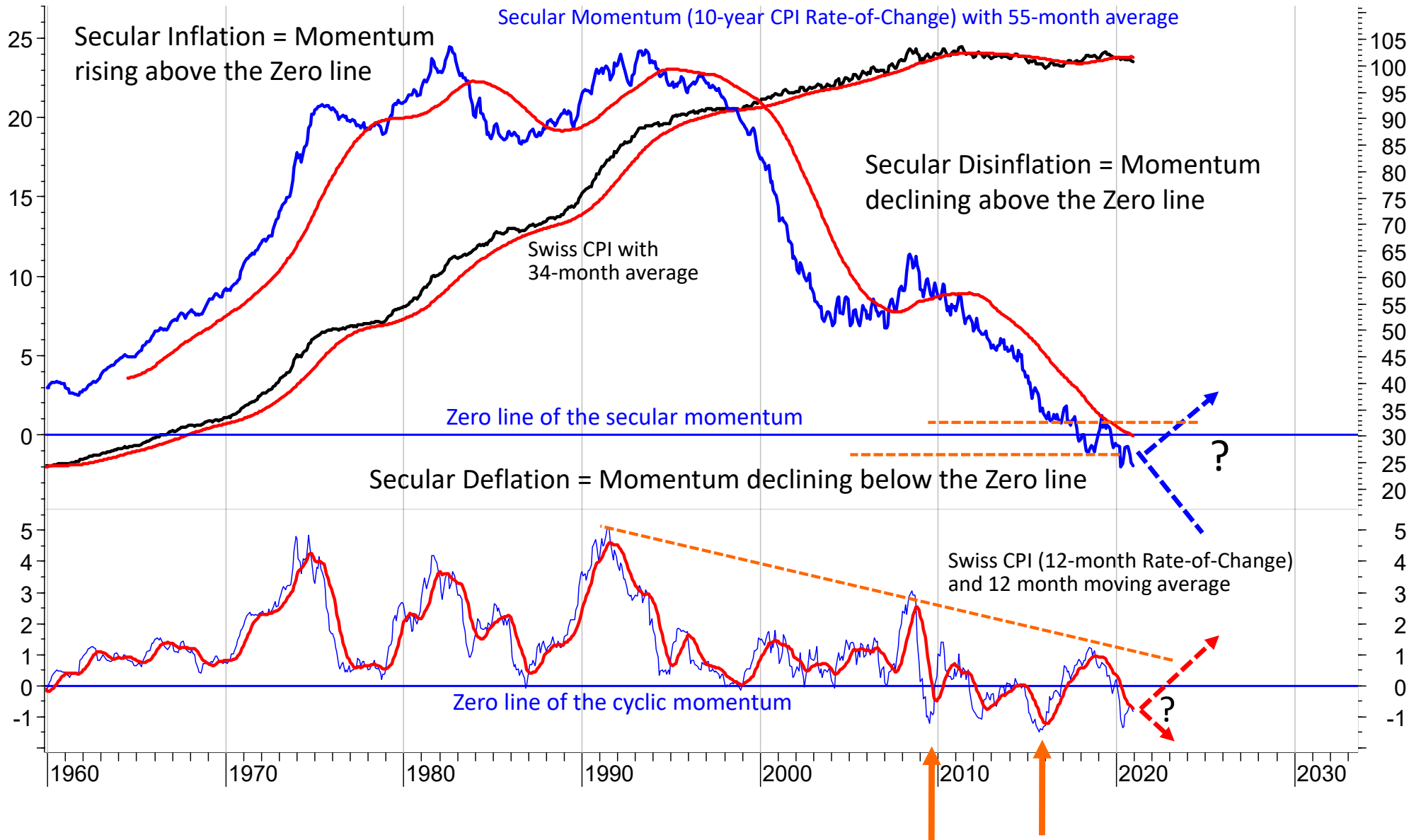
The SPI Real Estate All Share Index failed to break the resistance range 1660 to 1690. It remains in the neutral consolidation, which originated in March 2020. A break of the supports at 1590 and 1540 would mean that a test or break of the support at 1470 is becoming more likely.

The relative chart of the Real Estate Index to the SPI (bottom) is likely to decline below the low from July. Thus, the Swiss Real Estate Index is likely to continue its underperform to the SPI.



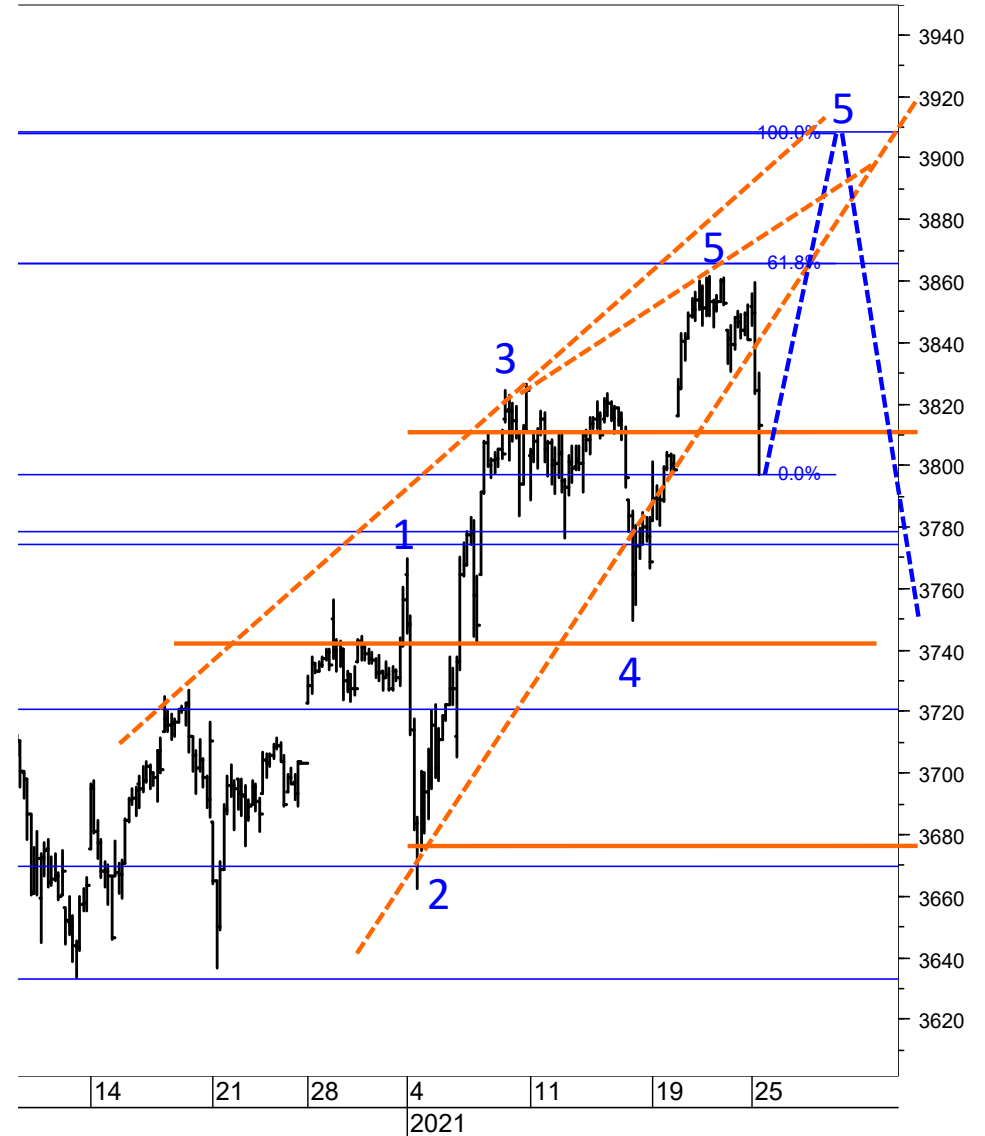
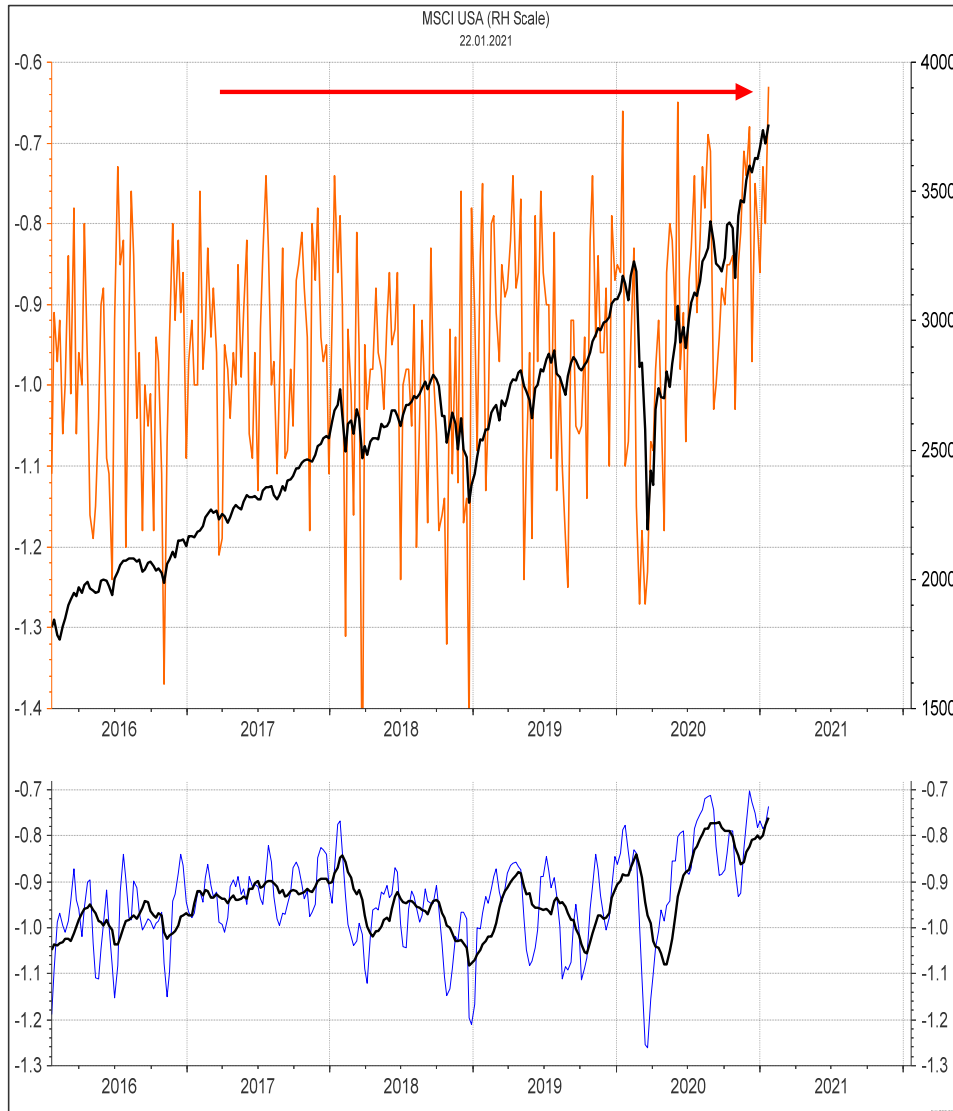
SWISS CPI – SECULAR Momentum (10-year Rate-of-Change) and the 12-month Rate-of-Change

If measured by the Swiss Consumer Price Index, Switzerland is positioned in Deflation. Deflation is present if the Secular Momentum Indicator is below the Zero line and falling. Therefore, the Deflation, will remain in place as long as the Secular Momentum Indicator remains below its 55-month moving average.

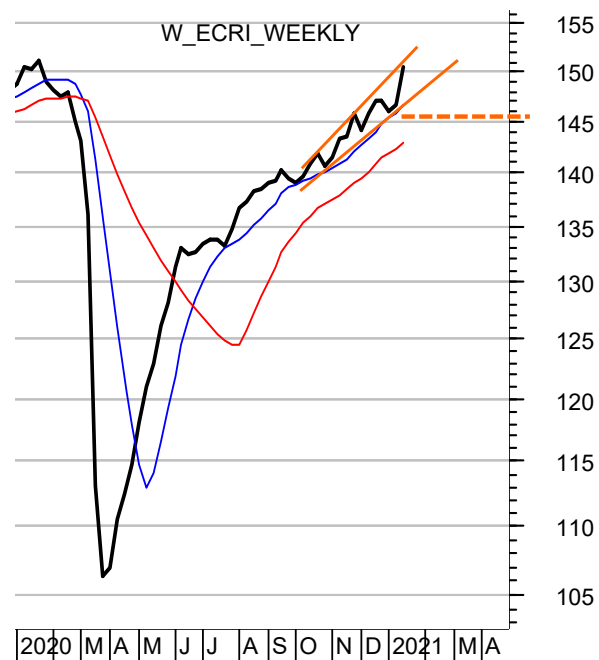
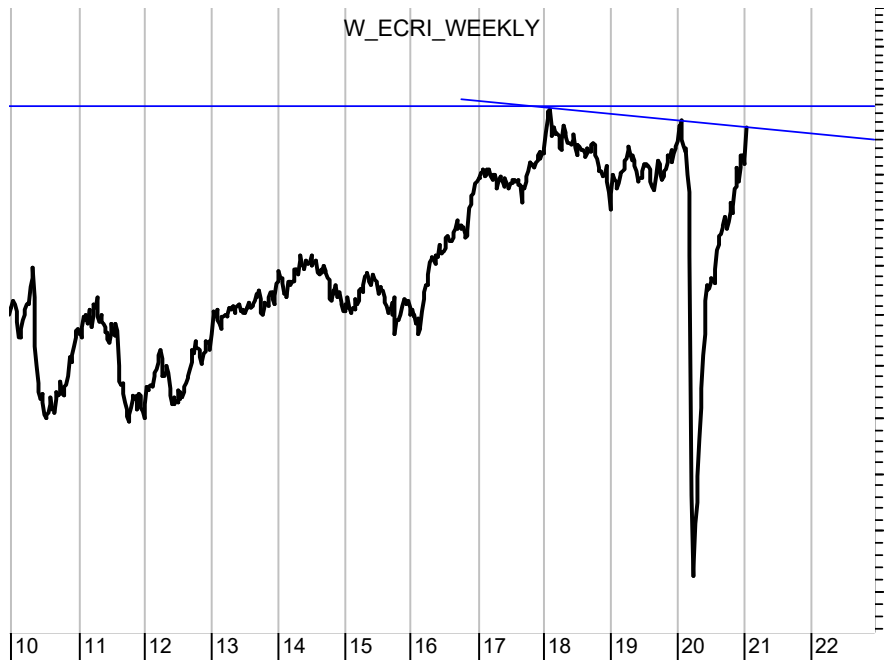


S & P 500 Index

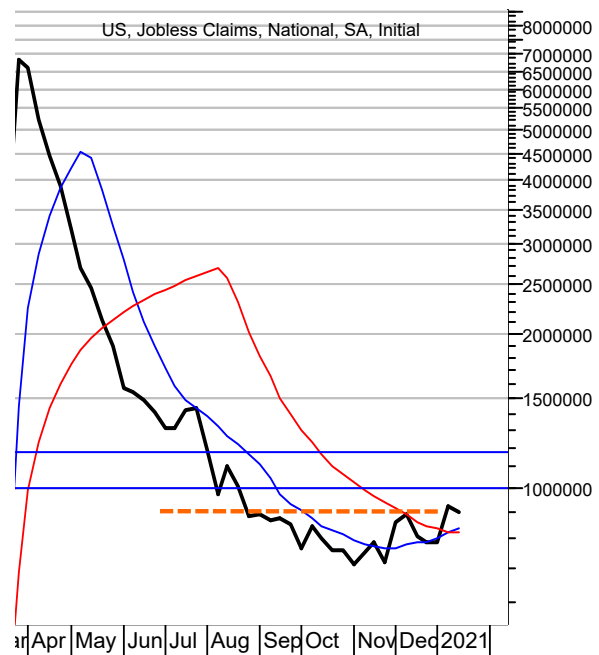
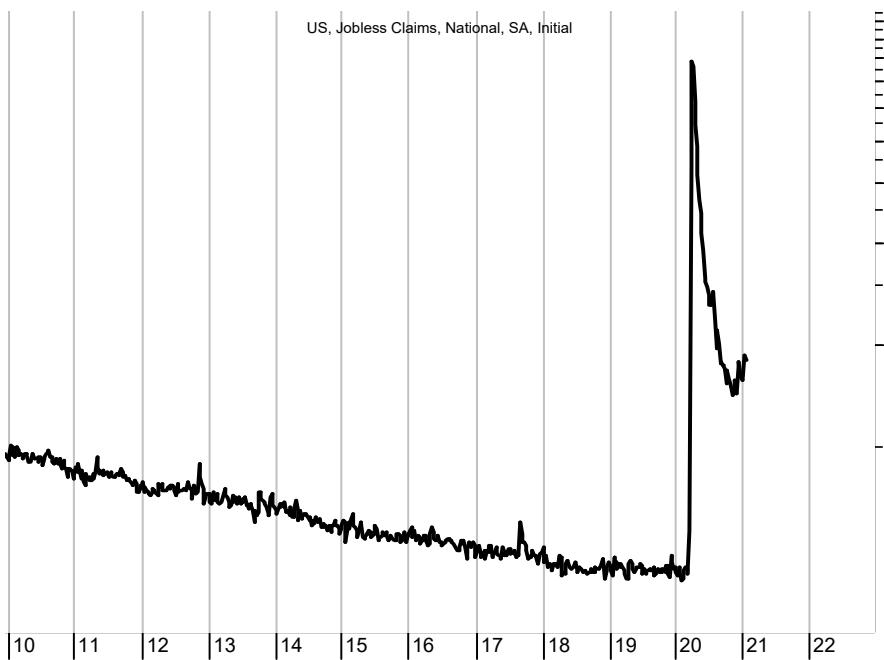
The S&P 500 Index could just have terminated the Wedge, which originated in December, as it entered a short-term correction from the major resistance at 3800 to 3900. A medium-term decline would be signaled if 3770 and 3720 is broken. Given the corrective nature of the present decline, I cannot rule out another rally attempt to 3870 or 3950 before corrective action takes over again. The chart at left shows the Call/Put Ratio, which has just registered a new multi-year high. Investor sentiment is consistent with more corrective action, rather than a major break upwards.



US ECRI and Weekly Jobless Claims



The Weekly Economic Cycle Research Index has continued to rise. It is resting the resistance lines at 150 and 153. It would have to break below 146 to signal a new economic downturn.

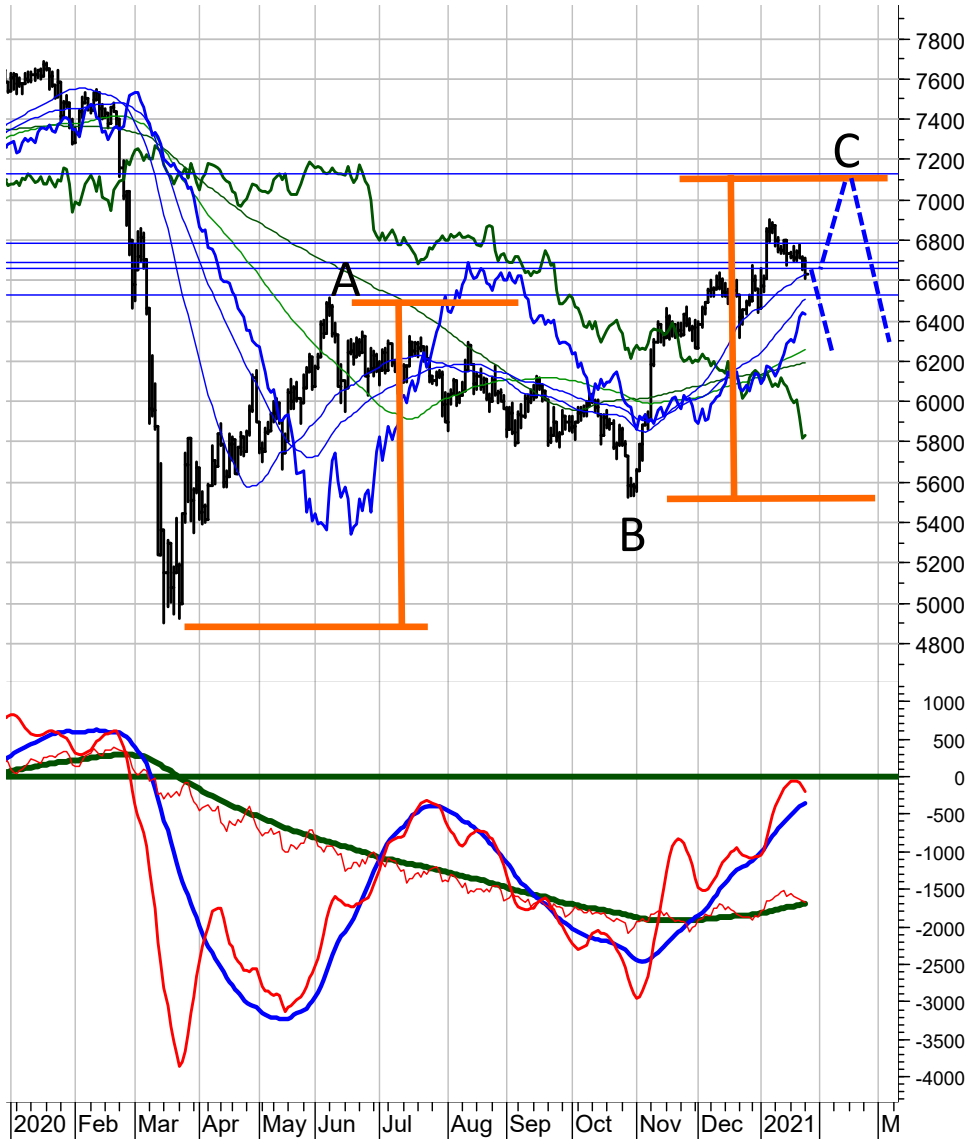


The Weekly Initial Jobless Claims fell to 900k. It would have to rise above 1000k and 1200k to signal a major upturn and this it a new economic downturn.

Notice that these two economic indicators are (most often) lagging the S&P 500 Index. They are used to confirm a downturn in the stock market because they would signal that the stock market is not just correcting, but entering a major downtrend.

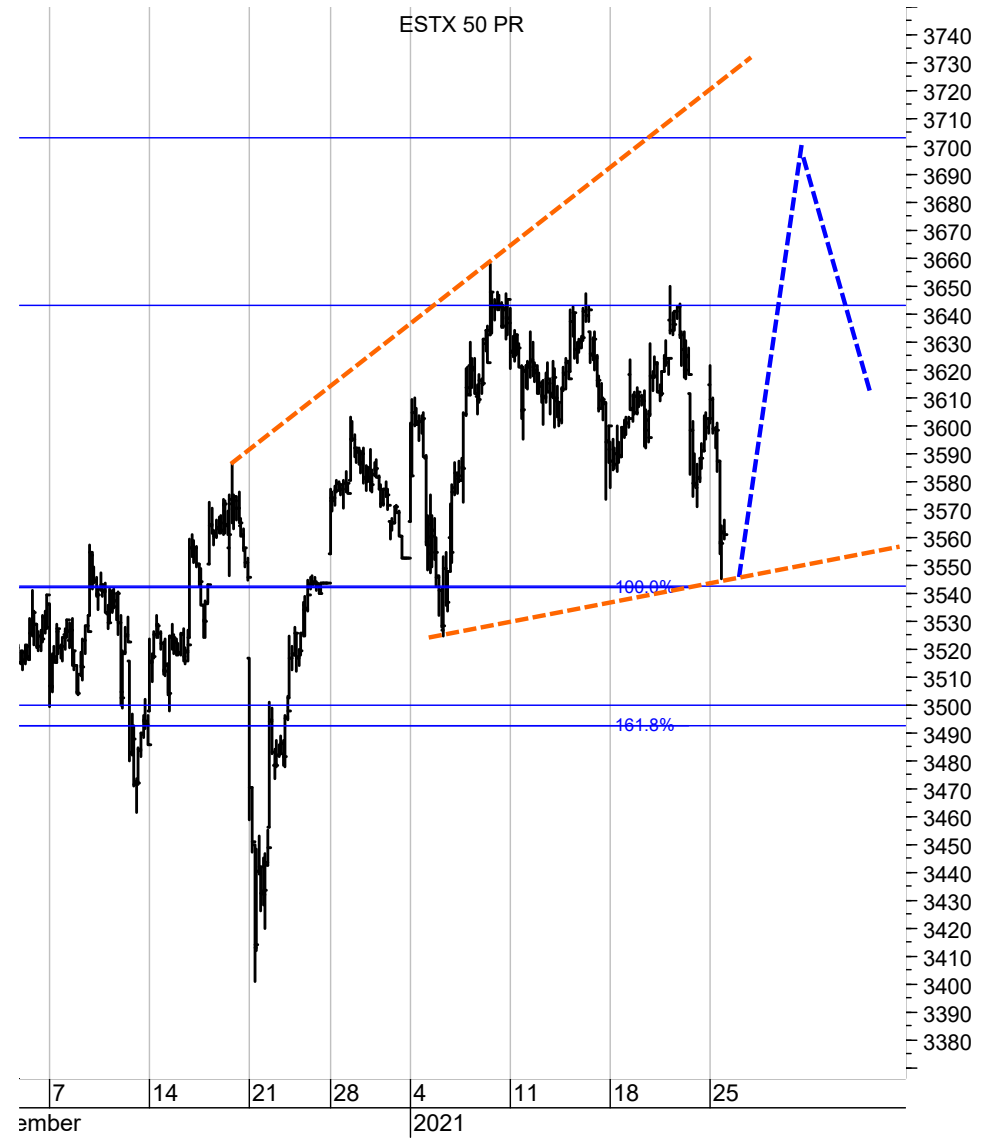
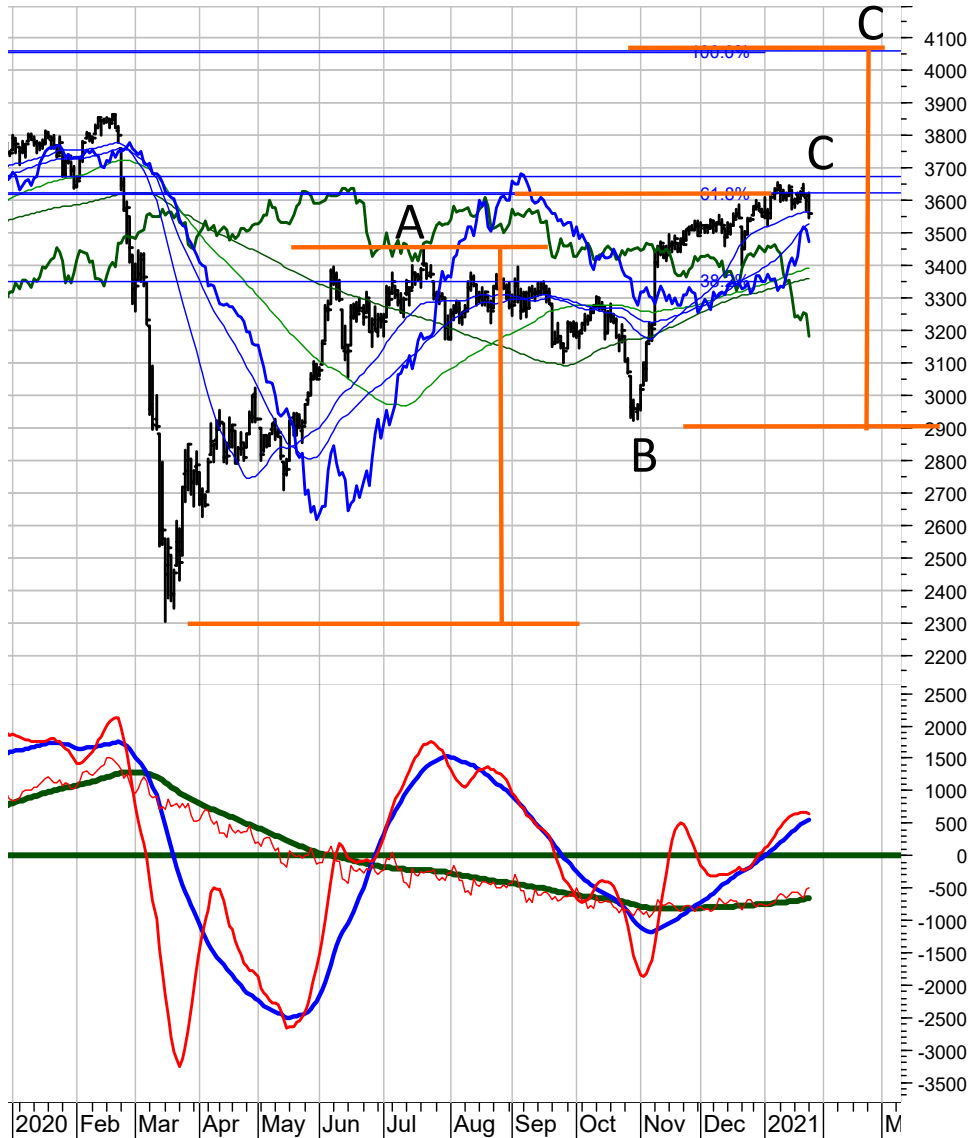
FTSE 100 Index

The FTSE Index would signal a major correction if 6500 to 6350 is broken. Above this range, it could still extend the uptrend by one more short-term upleg to 7100.



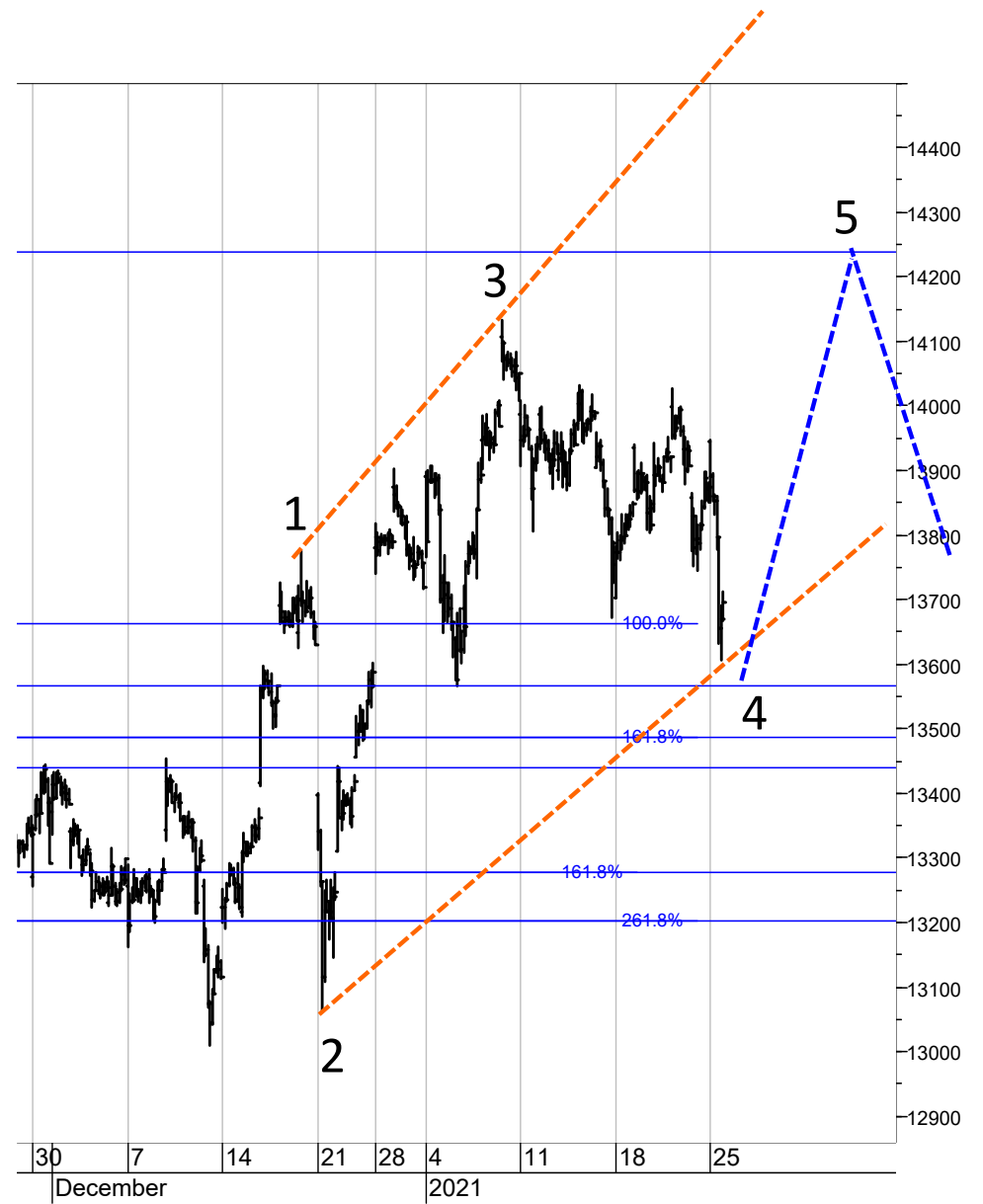
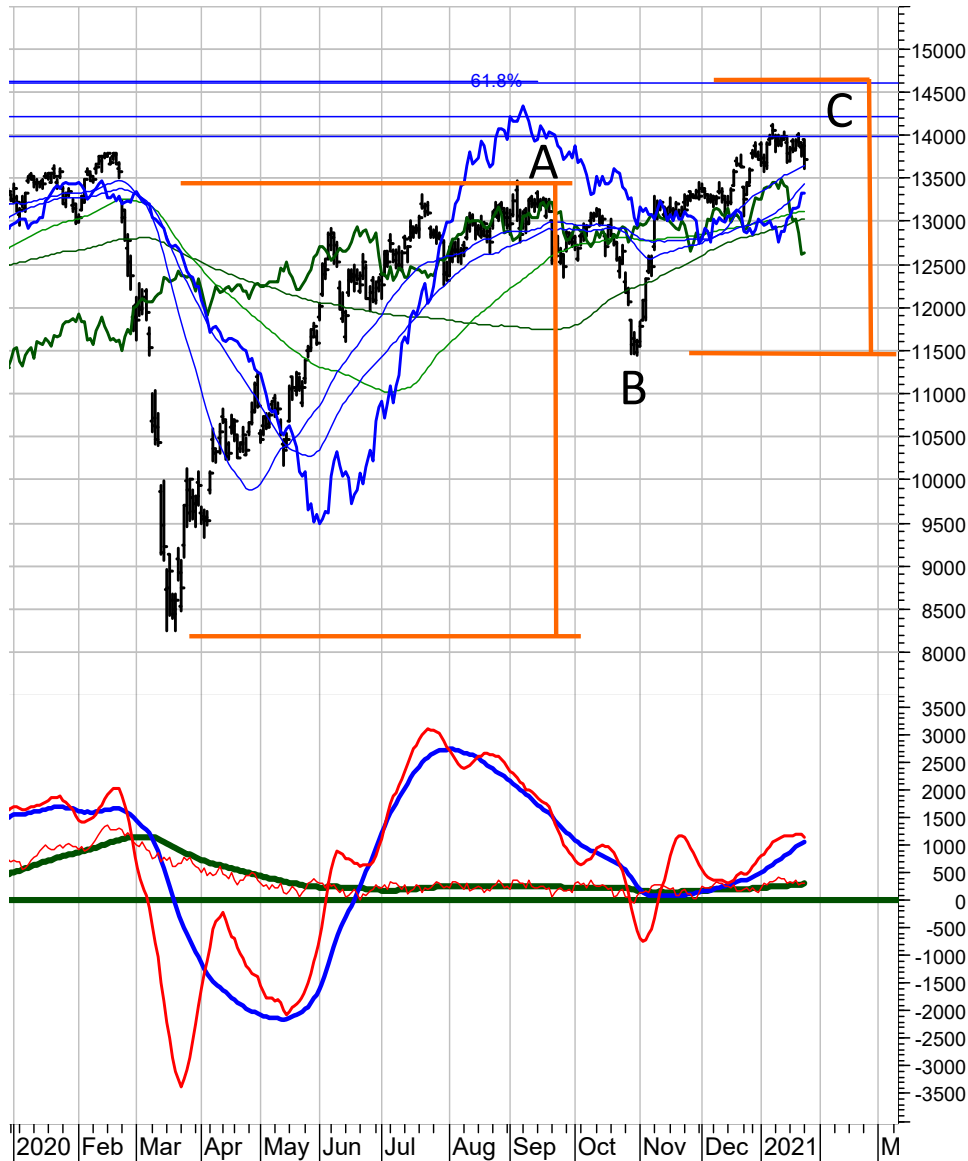
Eurostoxx 50 Index

The Eurostoxx 50 Index could extend the uptrend by one more short-term rally towards 3700. There, it is likely to mark the top of Wave C. A major correction would be signaled if 3540 and 3490 is broken.



Deutscher Aktien Index DAX

The DAX could add one more short-term rally to terminate the Wedge, which has been forming since December. A major correction would be signaled if 13400 and 13200 is broken.



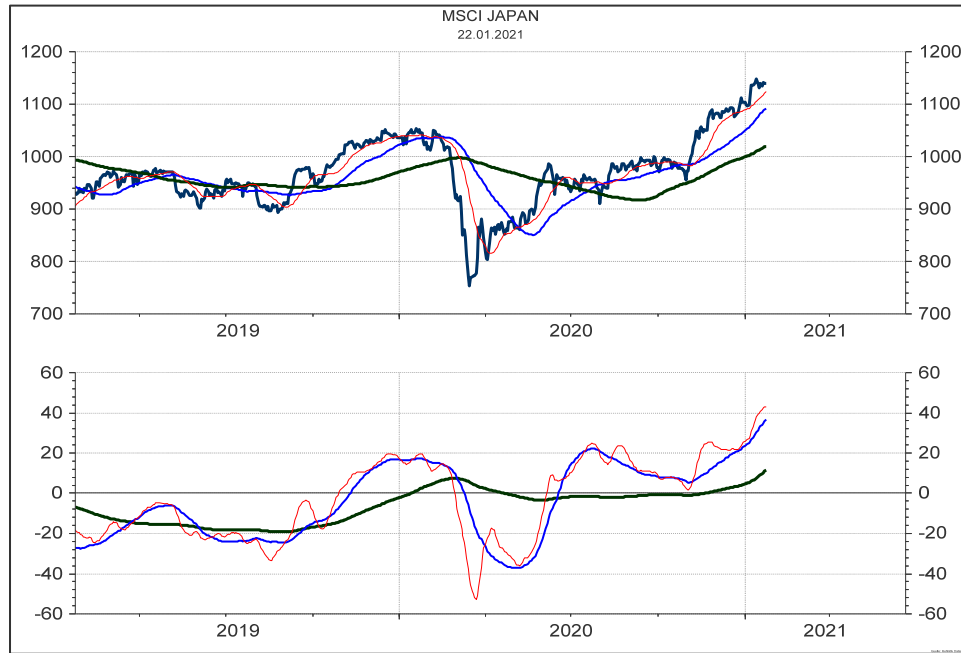
Nikkei 225 Index continuous Future

The Nikkei 225 Index is forming a Horizontal Triangle. It is likely to be followed by one more short-term upleg to 29400, 29900 or 30200. The supports are at 27900, 27700 and 26900.

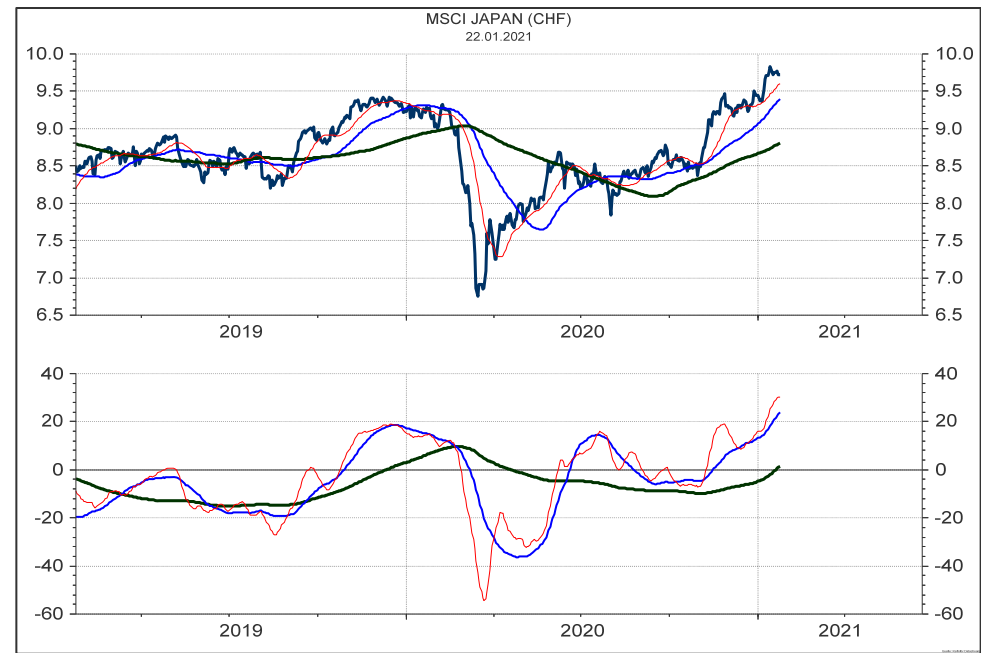
As I show on the next page, the MSCI Japan relative to the MSCI World Index (bottom left) remains long-term UNDERWEIGHT and medium-term NEUTRAL. The MSCI Japan in Swiss franc relative to the MSCI Switzerland remains NEUTRAL medium and long term. This means that Swiss franc-based equity investors retain the equal weighting between the Japanese and Swiss equities.



MSCI JAPAN in Yen



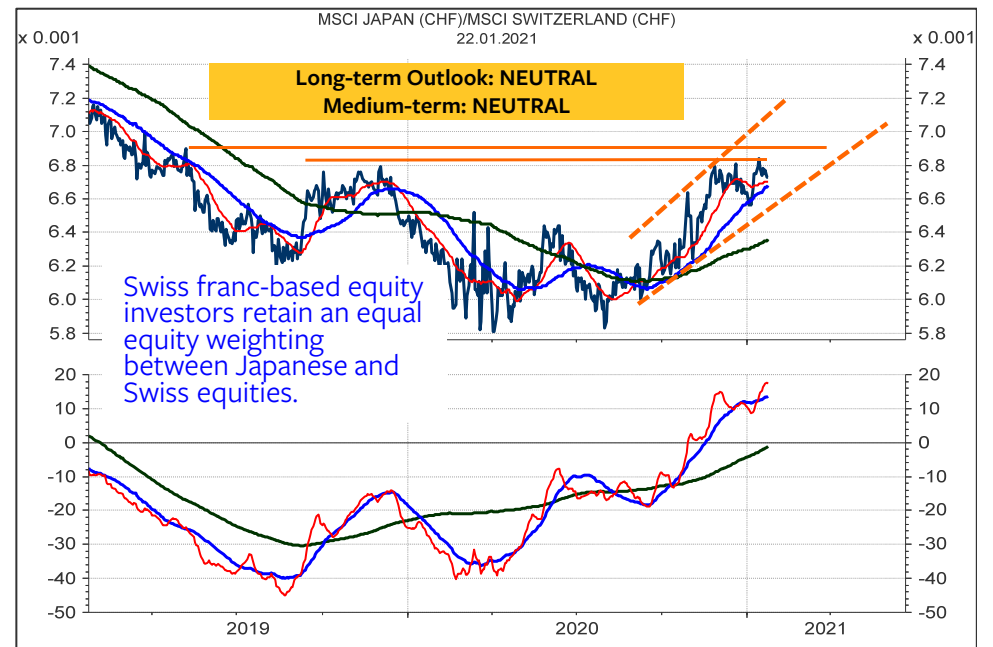
MSCI JAPAN in Swiss franc



MSCI JAPAN relative to the MSCI AC World

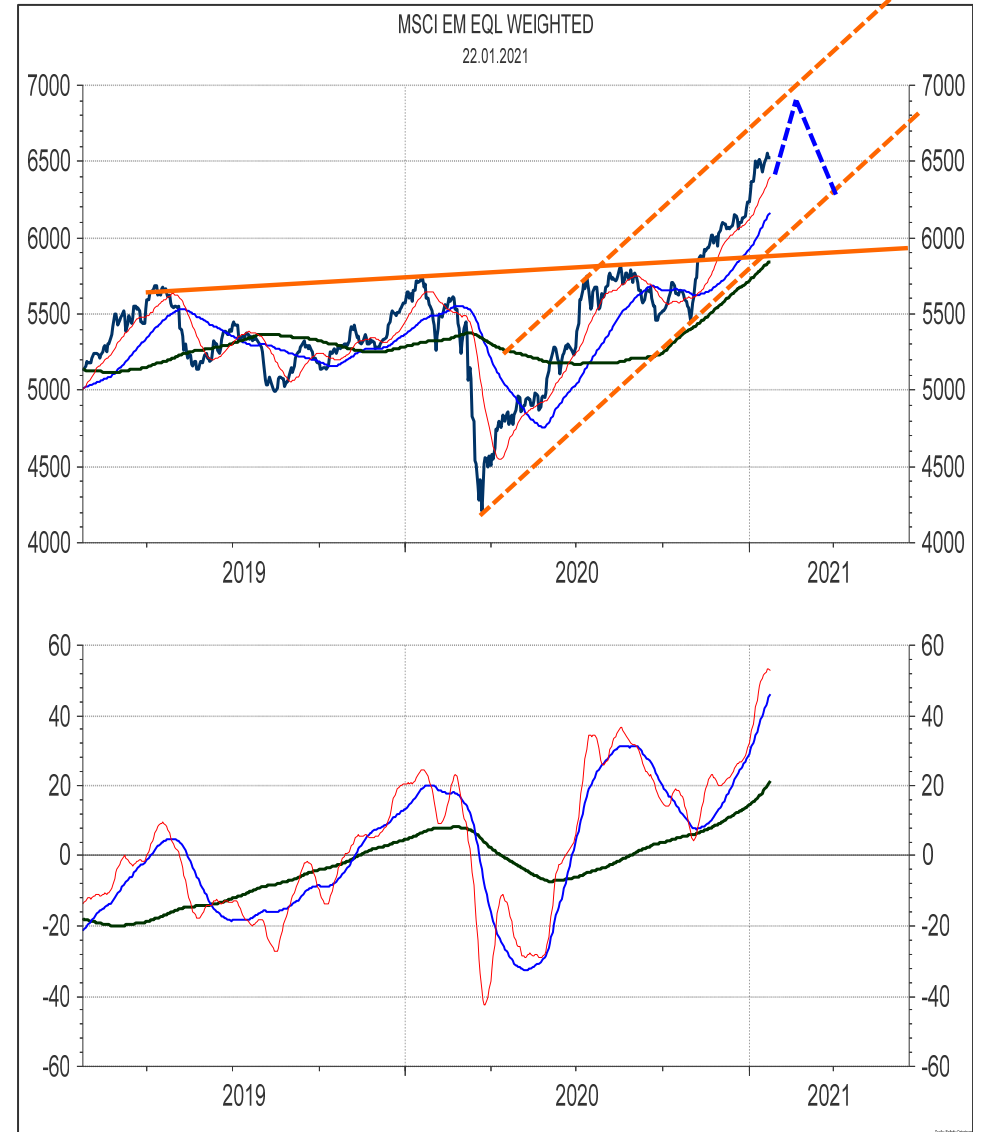
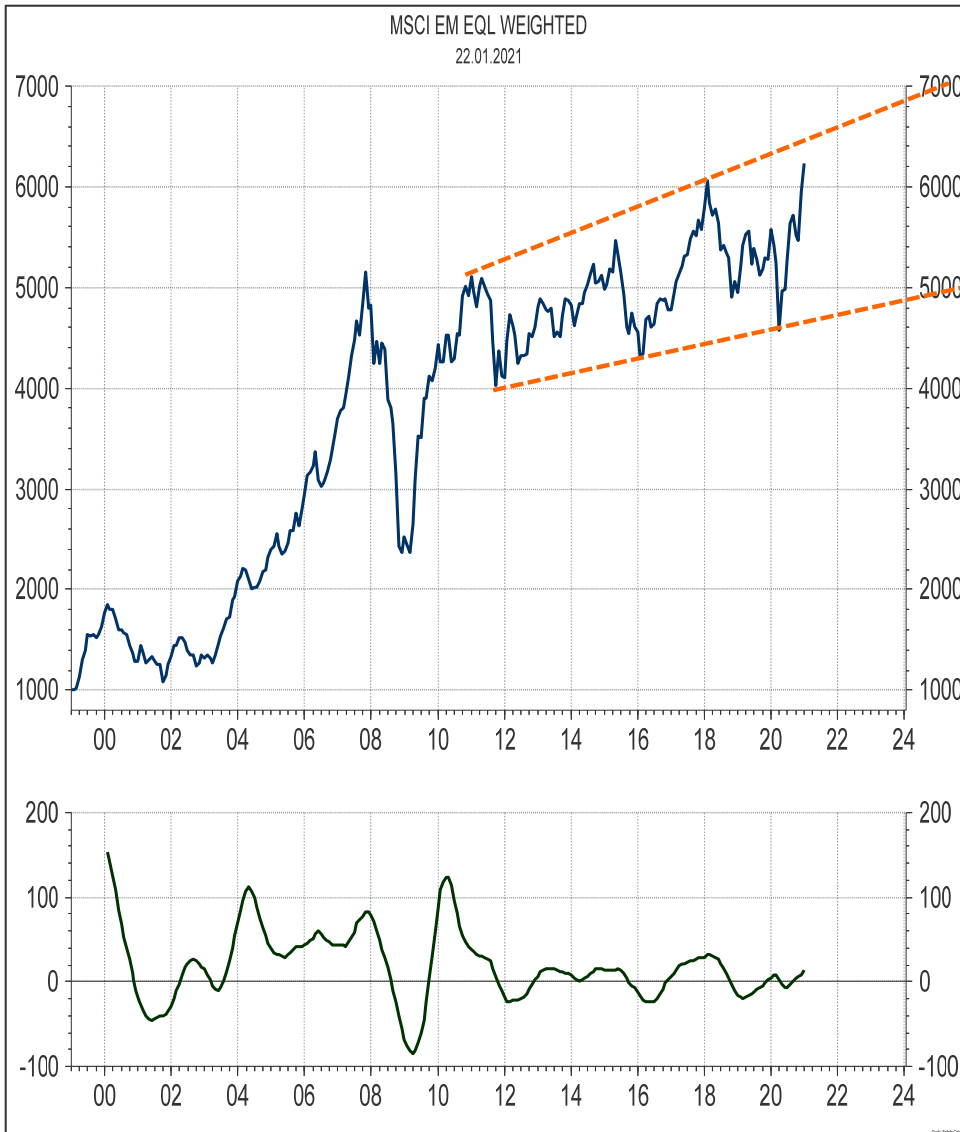


MSCI JAPAN in SFR relative to MSCI Switzerland



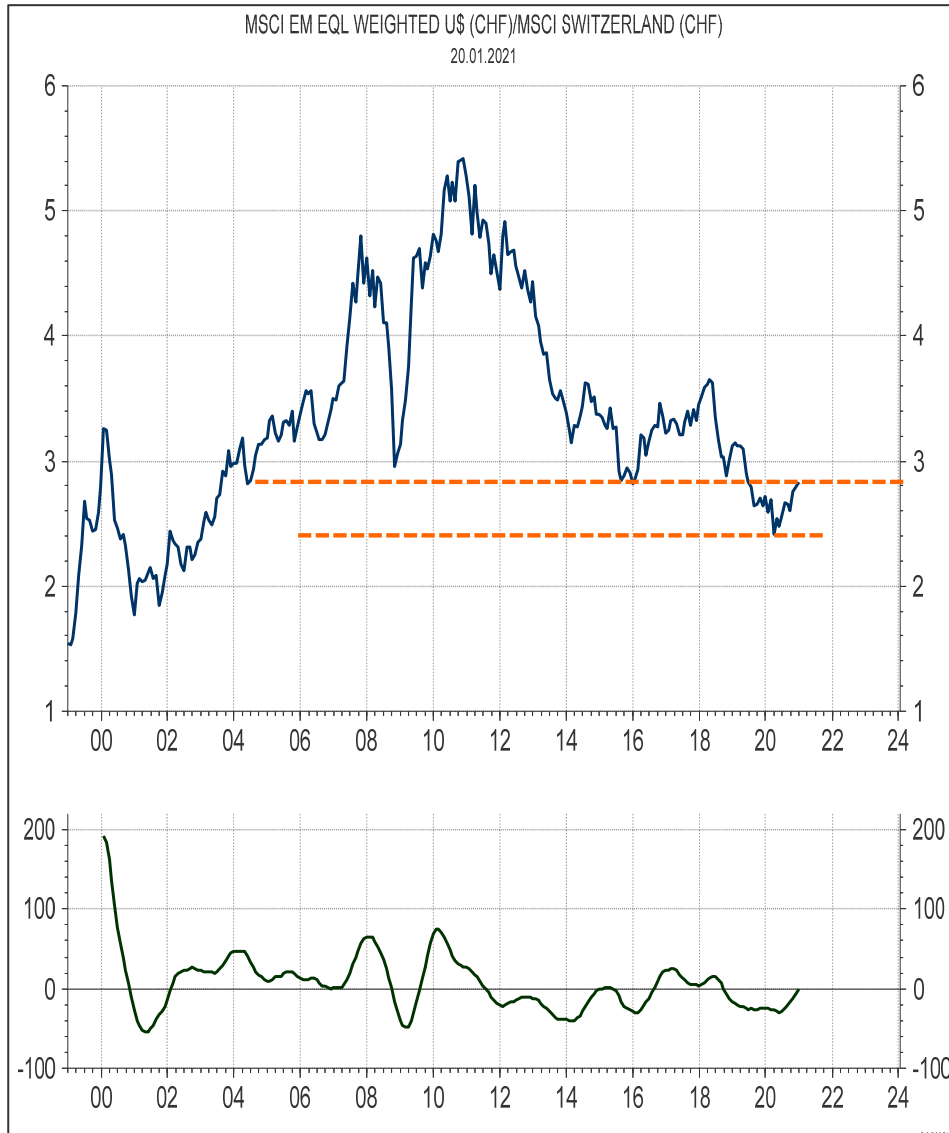
MSCI Equally Weighted Emerging Market Index

The MSCI Equally Weighted Emerging Market Index is likely to test the upper line of the Expanding Wedge around 6700 to 6900. Also, the daily chart (right) indicates that a correction could start from the resistance line of the uptrend channel. Supports are 6300 and 6100.



MSCI EQ Emerging Markets in Swiss franc relative to the MSCI Switzerland

The MSCI EM in Swiss franc relative to the MSCI Switzerland must accelerate its outperformance above 3.0 to justify a new upgrade to OVERWEIGHT EM.



Shanghai Composite Index – monthly (left) and daily (right) charts

The SSE Composite broke the consolidation from July 2020 to the upside. The next resistance levels are at 3700 to 3800 or 4000.

The MSCI China relative to the MSCI World Index in local currencies is shown on the next page.

The MSCI China in Swiss franc relative to the MSCI Switzerland is shown on the overnext page.



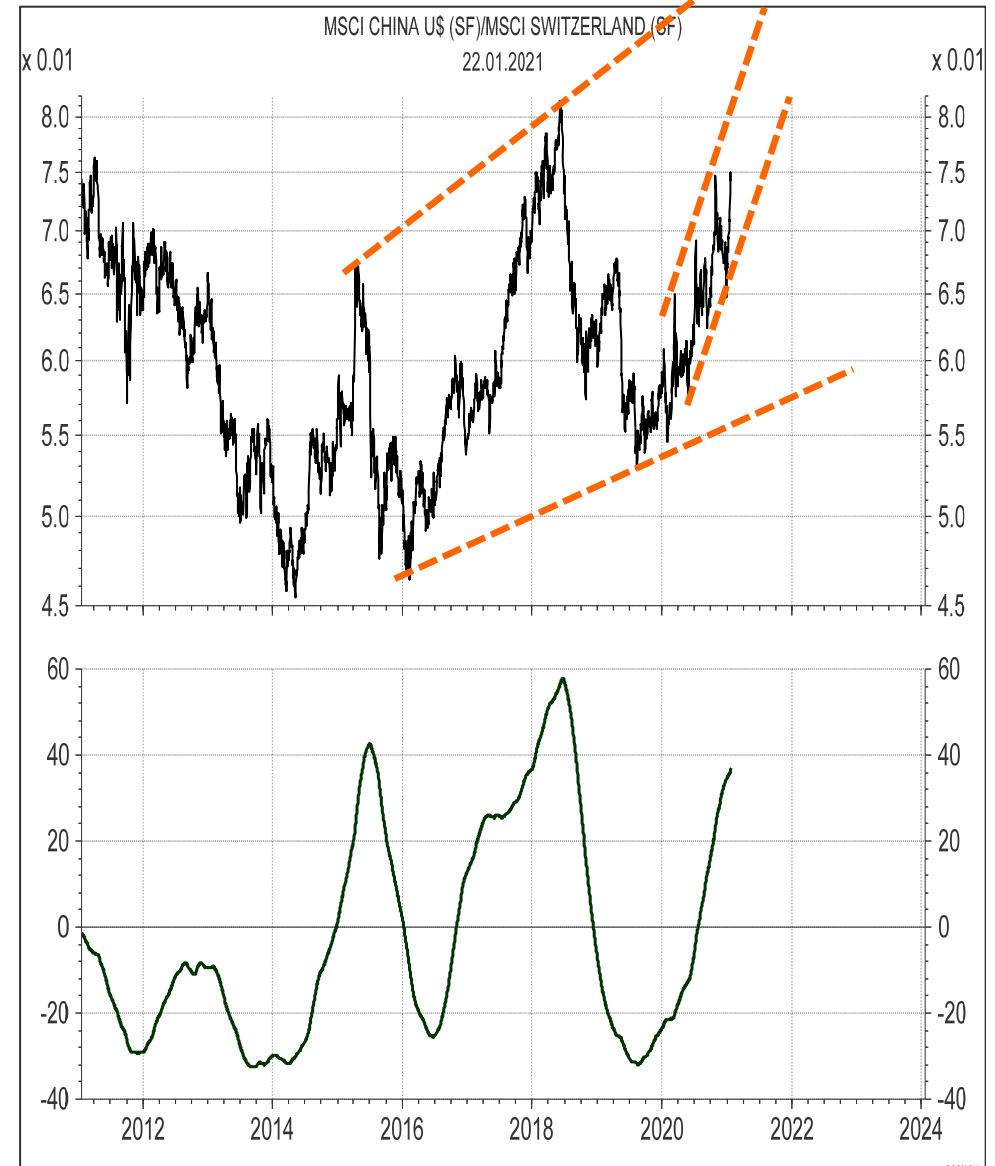
MSCI China relative to the MSCI World Index (local currencies)

The MSCI China relative to the MSCI World must rise above 16 and 18 to signal a long-term upgrade to OVERWEIGHT China.



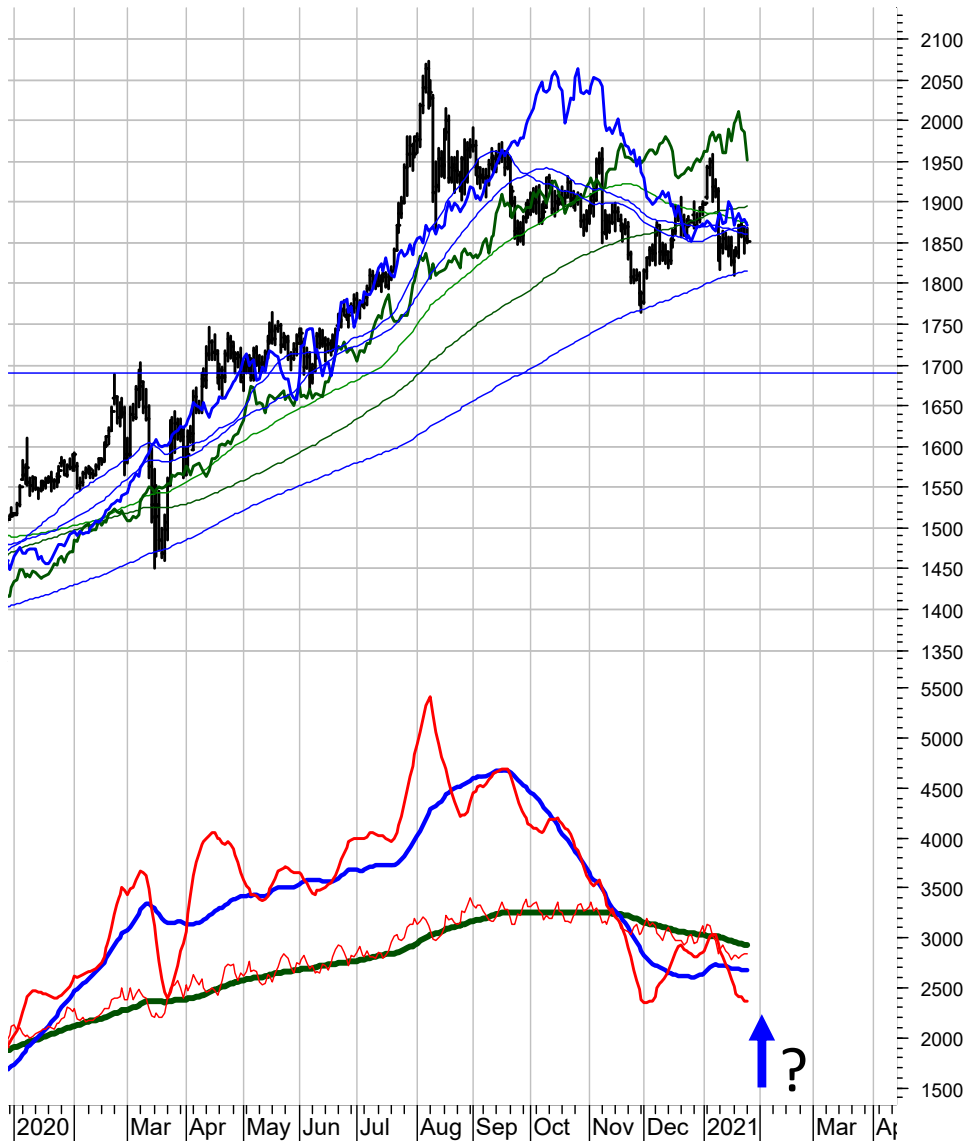
MSCI China in Swiss franc relative to the MSCI Switzerland

The MSCI China in Swiss franc relative to the MSCI Switzerland must rise above 8 to 10 to signal a long-term upgrade to OVERWEIGHT China. For now, Swiss franc-based equity investors can retain the NEUTRAL weighting. A short-term top is likely to be registered after the next short-term upleg of the relative outperformance of China.



Gold per Ounce in US dollar

Gold is testing the 233-day moving average. A break of 1750 would signal a test of the support at 1700.
A break of 1750 to 1650 could signal 1450.
It would take a rise above 1930 and 2010 to signal the next long-term upleg to 2300.



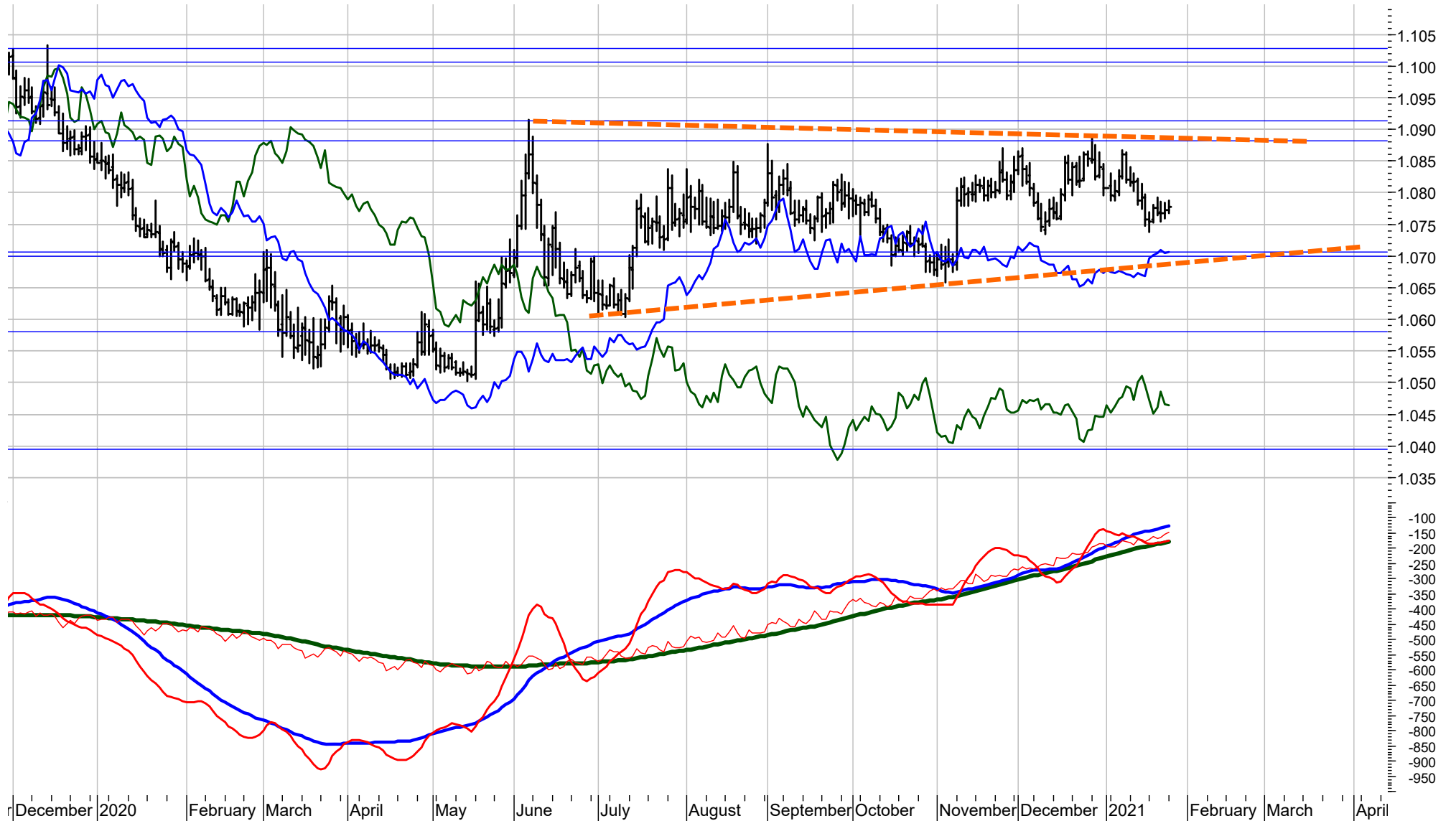
Swiss franc per US DOLLAR with the SECULAR Momentum

The secular momentum indicator (bottom left, marked blue) has been rising from the low in 2011. It could now be forming a Head and Shoulder Momentum Top. The US dollar must rise above 0.9010 and 0.9120 to reduce the risk of a secular downturn. A break of 0.8750 could signal 0.83 or 0.70.



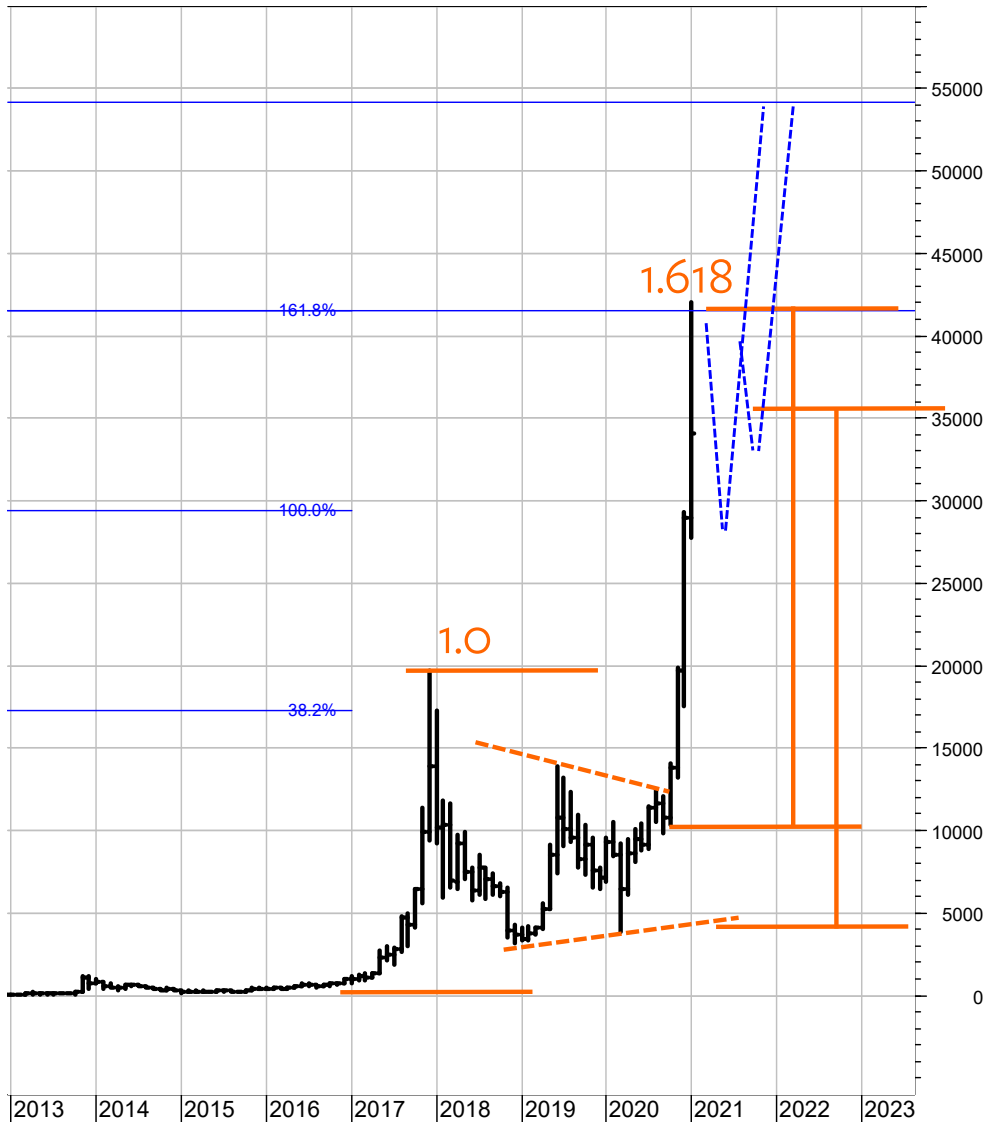
Swiss franc per EURO

The Euro must rise above 1.0880 to 1.0920 to signal a break upwards and to support my bullish medium-term and long-term outlook. I am watching the support at 1.07 for a new downgrade to medium-term FLAT and the support at 1.0580 for a long-term downgrade to FLAT. A long-term downgrade to DOWN could be signaled if 1.04 is broken.



Bitcoin / US dollar

The Bitcoin remains in the correction from the high at 42k.
The correction has supports at 28.5k to 26.5k or 23.5k. Resistance is at 36k.
I am waiting for the correction to signal a medium-term low.



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Sources

The charts in this publication are from Metastock and Datastream from Refinitiv Equis. All indicators and analyses are by Rolf Bertschi.

Explanations

For a more detailed explanation of the Trend and Momentum Models applied in this Chart Outlook, please see

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