

Bear Phases 1&2

Commentary

Very quickly over the last few months we have entered what my team defines as Bear Phase 1 and now in a Bear Phase 2 consolidation. The markets of interest are the developed ones with QE namely the US, Europe and Japan. I will pass you the charts here first with my rough illustration of where we are. Historically these bull and bear phases are quite discernable and shown in Figures 1 & 2 with the Hang Seng Index.

Best,
Michael

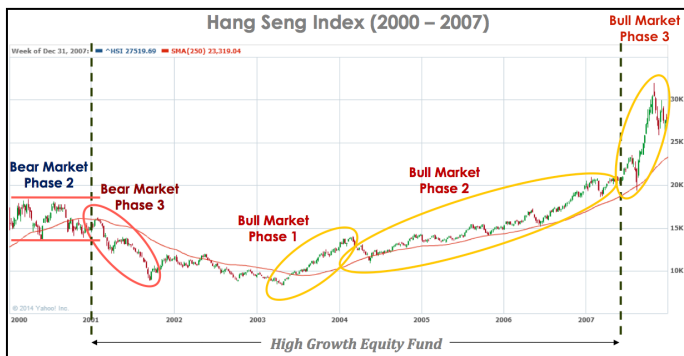


Fig 1: Historic Hang Seng Bull Phases Defined (Source: Stockcharts.com)



Fig 2: Historic Hang Seng Bear Phases Defined (Source: Stockcharts.com)

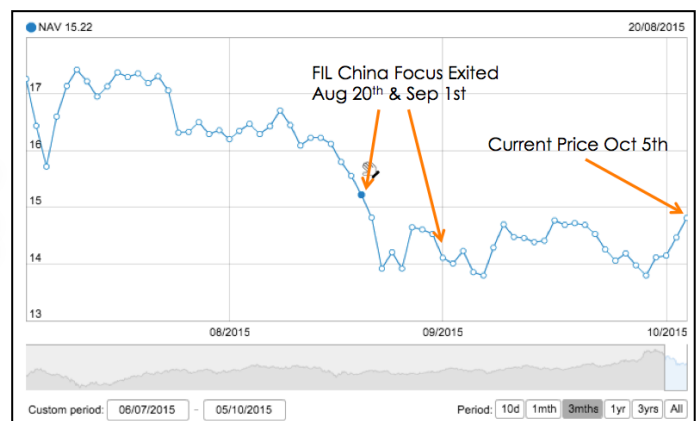


Fig 3: Hang Seng Trendline Broken (Above)



Fig 4: Hang Seng Bear Phase 1 & Start of Phase 2 Consolidation (Right)

Fig 5: Fidelity China Focus Fund
Exited 50% on Aug 20th & Sep 1st.
Current Price is at similar levels (Right)
(Source: Fidelity.com.hk)



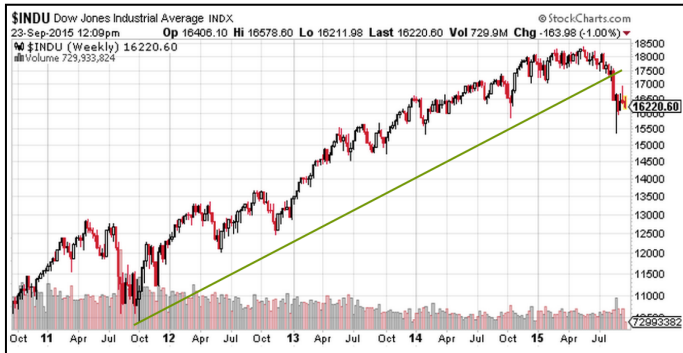


Fig 6: U.S. Dow Jones Industrial Average Trendline Broken



Fig 7: Dow Jones Bear Phase 1 & 2 Identification



Fig 8: German DAX Composite Trendline Broken



Fig 9: German DAX Bear Phase 1 & 2 Identification

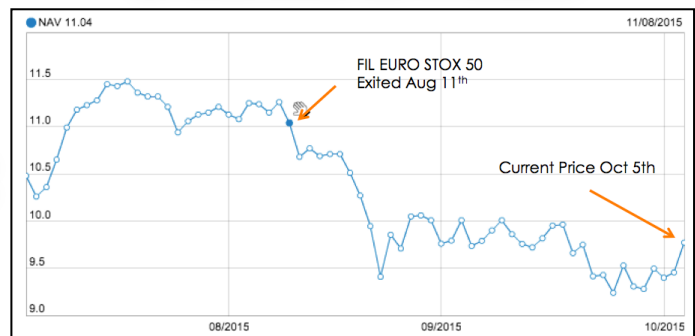
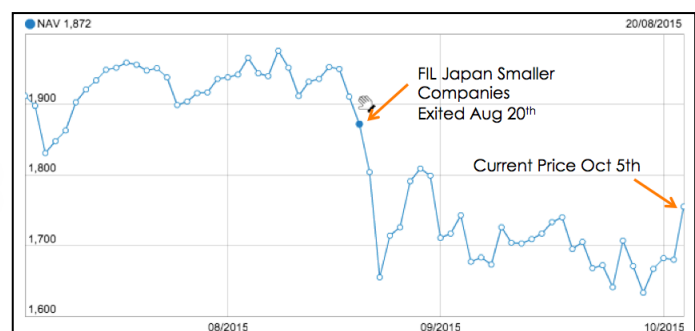
Fig 10: Fidelity EURO STOXX 50 Exit on Aug 11th
(Source: Fidelity.com.hk)

Fig 11: Japan Nikkei Trendline Broken



Fig 12: Japan Nikkei Phase 1 Identification

Fig 13: Fidelity Japan Smaller Companies Exit on Aug 20th
(Source: Fidelity.com.hk)

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