

MOOSECALLS

Global Financial News & Analysis
JAN01.2020 through JAN10.2021

<i>Global Executive Summary, Rankings, & Daily Re-cap</i>	2
<i>Markets Technical Summary, Global Economy</i>	3
<i>US Economy Fed & Inflation</i>	4
<i>US Dollar, Carry Trade</i>	5
<i>US Treasury Bonds</i>	6
<i>US Large-cap Stocks</i>	7
<i>US Small-cap Stocks</i>	8
<i>US Equity Sectors</i>	9
<i>US Equity Strategies</i>	10
<i>International: Gold</i>	11
<i>International: Commodities, Oil</i>	12
<i>International: European Stocks</i>	13
<i>International: Japanese Stocks</i>	14
<i>International: Asia Pacific ex-Japan Stocks</i>	15
<i>International: Latin American Stocks</i>	16
<i>Timing v. Buy-and Hold: Weekly Signals</i>	17
<i>Timing v. Buy-and Hold: Performance</i>	
<i>Federal Thrift Savings Plan Timing Model</i>	18
<i>Moospeak Editorial</i>	19

Global Markets--

Global Summary: Equities' Well-Engineered Year

Executive
Summary:
JAN01.2021

Moose favorite US small-caps (-1.5%) finally gave back this week after having been overbought for the better part of five weeks. That allowed US large-caps (+1.3%) to outperform for the first week in eight. Stocks in Asia-Pacific (+3.3%), Japan (+2.6%), Latin America (+0.5%), and Europe (+0.3%) also advanced. Thanks to massive central bank and government stimulus, small caps (IWM) had a great year, up 19%, while US large-caps gained 16%. The best performance in 2020, however, was reserved for gold (+22%) and Asia-Pacific equities (+22%). Japanese equities (+14%) also did well this year, but European stocks (+2%) struggled. Bringing up the rear: Latin American equities, despite a 41% fourth quarter rally, ended 2020 down 15%. The US long bond (+0.1%) was flat this week, but was up 13% on the year. The 10-year T-bond yield dipped to 0.92% from 0.93%, while the 3-month T-bill slipped to 0.07%-- keeping the yield spread at 85 bps. Meanwhile, the dollar (-0.5%) retreated, sending commodities (+1.4%) higher, including gold (+1.1%) and oil (+0.3%). Commodities were down 10% this pandemic year, even though the price of oil rose 150% and the Dollar lost 7%. All three of our models remain unchanged this week.

Global Rankings: US Small-caps & Large-caps Still on Top

Index Moose
ETF Rankings
through
JAN10.2021

Index Moose was originally developed in the late 1980's to measure the relative attractiveness of a number of global income equity and hard assets as the backdrop for a weekly financial newsletter. It combines relative strength, technical analysis, and a Fed component to rank a set of exchange-traded funds, demonstrating where current momentum is strong. **This week:** *Small-caps were the Index model's buy-in choice (11/04/2020) at #2, hitting their buy-stop two days before #1 SPY. As the incumbent, small-caps remain the model's HOLD this week.

In the chart below, *CI* is the "confidence index". It combines the relative strength (rank), and technical strength (TS). The Trend is based on the TS reading.

	CI	Description	TS	Trend	price	stop-loss	buy-stop
1	96%	US small-cap stocks (IWM)	98%	very bullish	196.06	188.20	199.14
1	100%	US large-cap stocks (SPY)	93%	very bullish	373.88	364.66	373.88
3	32%	Pacific ex-JAPAN stocks (AXJL)	89%	very bullish	89.61	86.24	89.7
4	22%	Japanese stocks (EWJ)	96%	very bullish	67.56	65.09	67.56
5	11%	Latin American stocks (ILF)	80%	very bullish	29.35	28.26	29.83
6	10%	European stocks (IEV)	95%	very bullish	47.92	46.90	48.43
7	0%	Cash (SHY)	27%	slightly bullish	86.38	86.35	86.42
8	-4%	Gold (GLD)	31%	slightly bullish	178.36	171.54	178.36
9	-32%	US Long Treasuries (EDV)	2%	neutral	152.30	151.22	159.78
		Ryan/CRB Indicator	0.84	tighten			
		ST Interest Rate Equity Indicator	63%	bullish			
		Volatility Index	-51%	bullish			
		US Dollar Index	-98%	very bearish			
		Commodity inflation trend	88%	very bullish			
		Oil	98%	very bullish			

Global Markets: The Week's Action— Window-Dressing

ASSETS	M	T	W	T	F	WEEK
US Equities	<i>mixed</i>	<i>down</i>	<i>up</i>	<i>mixed</i>	<i>closed</i>	MIXED
European Equities	<i>up</i>	<i>up</i>	<i>up</i>	<i>down</i>	<i>closed</i>	UP
Asian Equities	<i>up</i>	<i>up</i>	<i>up</i>	<i>mixed</i>	<i>closed</i>	UP
US Bond Prices	<i>up</i>	<i>up</i>	<i>up</i>	<i>up</i>	<i>closed</i>	FLAT
US Dollar	<i>up</i>	<i>down</i>	<i>down</i>	<i>up</i>	<i>closed</i>	DOWN
Gold	<i>down</i>	<i>up</i>	<i>up</i>	<i>up</i>	<i>closed</i>	UP

Global Markets: Technical Summary

#1 US Small-caps Dip From Overbought-- US small-cap stocks (IWM) are currently very bullish and rank #1 in the model-- more attractive than cash. The Russell 2000 fell 1.5% this week, following last week's 1.9% gain. That leaves the index up 28.3% for the quarter (13 weeks), and up 18.7% for the year (52 weeks).

#1 US Large-cap Stocks (SPY) Enjoy Window-dressing—US large-caps are currently very bullish and rank #1 in the model-- more attractive than cash. SPY rose 1.3% this week, following last week's 0.0% loss. That leaves the index up 12.0% for the quarter (13 weeks), and up 16.0% for the year (52 weeks).

#3 Asia-Pacific ex-Japan equities (AAXJ) Gap Higher-- AAXJ is currently very bullish and ranks #3 in the model-- more attractive than cash. AAXJ rose 3.3% this week, following last week's 1.2% loss. That leaves Asian equities up 16.1% for the quarter (13 weeks), and up 21.6% for the year (52 weeks).

#4 Japanese Stocks Make Another New High-- Japan's equities (EWJ) are currently very bullish and rank #4 in the model-- more attractive than cash. Japanese equities rose 2.6% this week, following last week's 1.1% loss. That leaves them up 14.9% for the quarter (13 weeks), and up 14.1% for the year (52 weeks).

#5 Latin America 40 Resumes 41% Q4 Rally-- Latin American equities (ILF) are currently very bullish and rank #5 in the model-- more attractive than cash. The Latin America 40 rose 0.5% this week, following last week's 1.2% loss. That leaves the index up 41.0% for the quarter (13 weeks), but down 14.9% for the year (52 weeks).

#6 Europe 350 Pushes Higher-- European equities (IEV) are currently very bullish and ranked #6 in the model-- more attractive than cash. The Europe 350 rose 0.3% this week, following last week's 0.4% loss. That leaves the index up 13.6% for the quarter (13 weeks), and down 2.3% for the year (52 weeks).

#7 Yields fall-- The 3-month T-bill yield dropped a tick to 0.07% this week. The 10-year yield fell from 0.93% to 0.92%, keeping the yield spread at +85 bps.

#8 Gold Bucks Short-term Resistance-- Gold Bullion (GLD) is currently slightly bullish and ranks #8 in the model-- more attractive than cash. Gold's price rose 1.1% this week, following last week's 0.1% loss. That leaves GLD down 0.1% for the quarter (13 weeks), and up 22.3% for the year (52 weeks).

#9 US Long-zeros 25y+ (EDV) Slide into Year-end— Long bonds are currently neutral and rank #9 in the model-- less attractive than cash. EDV rose 0.1% this week, following last week's 3.1% loss. That leaves it down 7.2% for the quarter (13 weeks), and up 13.4% for the year (52 weeks).

Weak US Dollar Looks for a Floor-- The US Dollar index is currently very bearish. The US Dollar fell 0.5% this week, following last week's 0.4% gain. That leaves it down 4.5% for the quarter (13 weeks), and down 7.1% for the year (52 weeks).

Commodities and Oil Continue Higher -- A very bullish CRB rose 1.4% this week after last week's 0.5% loss. That left commodity prices up 16.4% for the quarter (13 weeks), and down 10.2% for the year (52 weeks). Meanwhile, oil prices (USO) are currently very bullish. Crude prices rose 0.3% this week, following last week's 1.7% loss. That leaves US oil prices up 25.3% for the quarter (13 weeks), and up 59.6% for the year (52 weeks).

Global Economy: Recovery Signs Remain Neutral

Global Economy
through
JAN10.2021

This Week's Global Indicators: Neutral-- Indications are currently neutral for the global economy. An international shipping measure and proxy for current global trade, **the Baltic Dry Index** (1366) fell this week, and **is lower after 13 weeks, a negative.** (After opening 2018 at 1323, BDI is still well below its 2010 peak @4640). Meanwhile, another proxy for world activity, **WTI oil price** (\$48.52) rose this week, and **is higher for the latest quarter, a positive.** (Oil remains well off its 2011 peak @\$113, but well above its 2008 crisis lows @\$37.) Our proxy for global construction, **copper** (\$3.52) fell this week, and **remains higher this quarter, a positive.** Domestically, **10Y US bond yields** (0.92%) fell this week, and **are down over the past 13 weeks, a negative** bet on the largest world economy.

IMF (OCT 2020)— Global growth was 2.8% in 2019, the lowest since 2008–09 and 0.3% down from the April 2019 estimate. Due to the pandemic, however, the global economy is projected to contract sharply by –4.4% in 2020, much worse than during the 2008–09 financial crisis. In a baseline scenario-- which assumes that the pandemic fades in the first half of 2021 when vaccinations allow containment efforts to be gradually unwound—the global economy is projected to grow by 5.2 percent in 2021 as economic activity normalizes, helped by policy support.

US Markets—

Mixed Showing in Light Data Week

US Economy:
week of
JAN01.2020

This Week's Data: Mixed. **THE GOOD:** Weekly initial jobless claims (787K) fell more than expected. Weekly continuing jobless claims (5.219M) down on the week. **DEC** Chicago PMI (59.5) beats forecasts. NOV wholesale inventories (-0.1%) see a drawdown. OCT Case-Shiller Home Price Index (+7.9%) beat consensus. **THE BAD:** NOV retail inventory growth (+0.7%) slowing, but still hot. NOV pending home sales unexpectedly down (-2.6%). NOV trade deficit (-\$84.8B) worse than October. **THE UGLY:** Nada.

US recession chances one year out: LOW AND FALLING—15.2% (November 2021) per NY Fed.

Latest FOMC Assessment (2020.12.16)-- The COVID-19 pandemic is causing tremendous human and economic hardship across the United States and around the world. Economic activity and employment have continued to recover but remain well below their levels at the beginning of the year. Weaker demand and earlier declines in oil prices have been holding down consumer price inflation. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses. The path of the economy will depend significantly on the course of the virus. The ongoing public health crisis will continue to weigh on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term.

Inflation in Check

US Inflation:
week of
JAN01.2020

NOV CPI (+0.2%) cool.
NOV core CPI (+0.2%) cool. (1 year CPI= +1.2%)
NOV PPI (+0.1%) cool.
NOV core PPI (+0.1%) cool. (1 year PPI= +0.8%)
NOV import prices (+0.1%) up slightly. (Year-on-year import prices (-1.0%) deflationary.)
NOV export prices (+0.6%) warmer.

NOV12-mo. core PCE (+1.4%) below target. NOV 12-mo. PCE (+1.1%) below target.

Q3 GDP up +33.4%, rev: higher.

Q3 unit labor costs (-6.6%) revised, down less than expectations.

Q3 chain deflator (+3.5%) higher than expected. rev: lower.

Q3 employment cost index (+0.5%) lower than consensus.

Q3 productivity (+4.6%) revised lower.

Fed Check Hints At Future Inflation

Federal Reserve:
week of
JAN01.2020

After its December 2018 rate hike "Mistake" the Fed promised a more dovish policy— but delayed the first rate cut since December 2008 until July 2019, and did not stop quantitative tightening until August. Three 25 bps rate cuts (July, September, and October) dropped the FFR to 1.63% in Q4 2019, but the Covid-19 fear-trade soon slashed bond yields. In Q1 2020 the Fed made two emergency rate cuts, taking its fed funds rate to zero, where it has been since, and where futures suggest it will remain into

2021. The Fed also promised up to \$9 trillion in monetary stimulus (QE), exceeding measures taken during the global financial crisis in 2008, including commercial paper funding as well as unlimited purchases of treasuries, mortgages, municipals and junk bonds. **Since reopening the repo window to fortify bank reserves September 9, 2019, repo cash injections have expanded the Fed's balance sheet from 3.76T to 7.40T in the latest report. The Fed is loosening then, although the Fed Check at 84% suggests Fed tightening is warranted, with commodity prices very bullish and T-bond prices neutral. The yield curve held steady this week. Intermediate term, the curve is getting steeper, while median yield is rising, leaving our interest rate signal for stocks bullish.** 3-month LIBOR yield @0.25% is up this week, while the 3 month T-bill at 0.07% down. That puts the LIBOR/T-Bill (TED) spread at 19 basis points, below its 200-day (31 bps). **A lower TED spread signals a safer, more confident banking system.**

US Markets— Weak Dollar Looks for a Floor



US Dollar thru JAN10.2021 – The US Dollar index is currently very bearish. The US Dollar fell 0.5% this week, following last week's 0.4% gain. That leaves it down 4.5% for the quarter (13 weeks), and down 7.1% for the year (52 weeks). At 24, UUP is below its short-term (50-day) average at 25, and below its intermediate-term (200-day) average at 26. The Dollar weakened this week, favoring investment in foreign assets, commodities, and gold over investment in US assets. Longer term a bearish Dollar inhibits investment in US assets, but improves US trade prospects.

Negative interest rates in Europe and Japan from mid-2019 created a flight into US bonds, among the last developed sovereign offerings with positive dividends. That stoked demand for the US Dollar through September 2019 at which point US economic data began to weaken; a Brexit deal strengthened the Euro

and Pound; and Phase 1 of a US China trade deal upped the Yuan. That, and a third Fed rate cut and a surge in repo cash in October pushed US yields lower, putting the Dollar under pressure into yearend. In 2020, however, recession fears began to subside as Fed repo cash surged, bond yields rose, and the Dollar initially recovered. When Covid-19 hit in February, however, it plunged the Dollar to a 17-month low in early March before it spiking it 15% higher the following week. Massive global central bank intervention subsequently stabilized the currency markets by early April before the Fed reduced US Treasury purchases and weakened the Dollar into late August. Rumors of a second stimulus briefly buoyed the Dollar in September and October, keeping it essentially flat until the elections, at which point it resumed its decline.

This week: The Dollar ticked lower after last week's brief bounce courtesy of the \$900B Covid Relief Bill as US T-bond prices (+0.1%) slowed their retreat. The major currencies were all up against the greenback, as it put in another new 2020 low (UUP @24.16) amid second-wave Covid shutdown fears, a worsening trade deficit, and Europe getting its Brexit ducks in order. Dollar price momentum per PMO remains negative, and its 14-day RSI (@38) is no longer oversold (30).

As for the major currencies, the Euro is very bullish, and up 0.2% this week. The Yen is very bullish, and up 0.4%. The British Pound is very bullish, and up 1.0%. The Canadian Dollar is very bullish, and up 0.7%. The Aussie Dollar is very bullish, and up 1.5%.

Dollar: longer view (JAN 1)— The Dollar Index peaked at 104, right before the Fed rate hike in December 2016. Subsequent quarterly Fed rate hikes led the Dollar lower throughout 2017, and it bottomed (@88) as 2018 opened. As US tax cuts went into effect, corporations began converting \$3T-5T in offshore cash to Dollars, in order to repatriate it and the currency it took off in 2018, despite an additional four rate hikes. The Fed's more restrictive monetary policy relative to both the BoJ and ECB created a widening spread between US yields and those of Europe and Japan that also boosted the Dollar. After the US announced tariffs in March 2018, the Dollar rally gained additional steam, continuing until December 2018, when a ninth Fed rate hike threatened growth and the greenback. Promised Fed dovishness in 2019, however, helped the Dollar resume its rally to 99 in Q3, at which point the Fed announced that after three rate cuts, it was finished. The Dollar faded at the end of 2019, but spiked to 104 when the global pandemic hit in March 2020. It has plunged since. **Current Outlook:** Bearish.

Carry-trade thru JAN10.2021

Non-Dollar investors seeking to maximize profits using the Moose should incorporate a "carry-trade" currency strategy into the decision, making it a two-step process. First, decide if it makes sense to switch to US Dollars, then use the Moose to identify the best place to put those Dollars. (Generally, if one's currency is weakening (bearish) against the Dollar, non-Dollar investors in the Moose will outperform. If a currency is bullish vs. the Dollar, the Dollar investment will underperform.)

Currency vs. Dollar	TS	Trend	Medium Term Implications for non-Dollar investors
Euro	90%	very bullish	Euro investors underperform the \$ Moose
Yen	96%	very bullish	Yen investors underperform the \$ Moose
Australian \$	98%	very bullish	Aussie \$ investors underperform the \$ Moose
British Pound	96%	very bullish	Sterling investors underperform the \$ Moose
Canadian \$	88%	very bullish	Canadian \$ investors underperform the \$ Moose

US Markets—

#9 Long T-Bonds (EDV) Slide into Year-end



US Long Treasury Bonds thru JAN10.2021-

- US Long-zeros 25y+ (EDV) are currently neutral and rank #9 in the model-- less attractive than cash. US long bonds rose 0.1% this week, following last week's 3.1% loss. That leaves long bonds down 7.2% for the quarter (13 weeks), and up 13.4% for the year (52 weeks). At 152, EDV is below its short-term (50-day) average at 158, and below its intermediate-term (200-day) average at 165. The Dollar weakened this week, dampening return for dollar investors in US assets. Longer term a bearish Dollar inhibits investment in US assets, but improves US trade prospects. The 10-year Treasury bond yield is at 0.92% this week, down from the week before. The yield curve held steady this week. Longer term, the yield curve is steepening, a bet on economic recovery.

Fed mistakes and delays in 2018-19 resulted in the recession we are now in (as predicted

by the New York Fed Yield Curve Model a year ago.) The Covid-19 pandemic response, however, sped up and exacerbated the recession fears leading to a bond breakout in February. That was followed by a crash in bonds, a rebound, and extreme volatility in March. Massive Fed intervention finally stabilized EDV in April, but US re-opening optimism and a gradual reduction in Fed purchases since led to 7 weeks of price erosion into June. Bond prices then rallied on extensive FOMC dovishness and pandemic fears, peaking in August even as signs of inflation began to show.

This week: Bonds stabilized (+0.1%) after last week's 3% drubbing from a last minute \$900B Covid stimulus bill. The current five-month downtrend in US bond prices suggests that the economy may be finding its way with massive stimulus help, but is still pretty deep in the woods. Price momentum (PMO) remains negative, but has improved slightly since the election, indicating expectations of future economic weakness. A 14-day RSI of 50 means EDV is neither oversold (30) nor overbought (70).

US Long Treasury Bonds: longer view (JAN 1)— EDV put in a bottom (@100) with the December 2016 FOMC rate hike. In 2017 it retested that bottom with the March rate hike, but subsequent Fed rate hikes despite below trend growth and low inflation, caused bonds to mount a choppy advance in 2017, peaking (@119) in December with the tax cut legislation. In early 2018, EDV began to fall as US tax cuts took effect. Volatility was high but by November 2018, bond prices (@92) had plunged 18% off their 52-week high. At that point, a collapse in oil prices, an overly aggressive Fed, and global recession fears combined to set off a year-long parabolic bond rally that did not peak (@145) until the Fed finally delivered on long-overdue easing promises in Q3 2019. Bonds pulled back in Q4, but the Covid-19 fear trade spiked EDV prices in 2020 (@180) before US fiscal generosity and the Fed clamped down on the bond market and prices faded. **Current outlook:** neutral.

Long US Treasury Bonds: Bullish Assumptions	Long US Treasury Bonds: Bearish Assumptions
Global growth remains weak, threatening deflation. That is reflected in accommodative US and global monetary policy since mid-2019. The Bank of Japan and European Central Bank are maintaining policies that have induced negative interest rates, but have little effect on growth.	US fiscal policy: tax and regulatory cuts, trillions in new spending and more Federal debt, will revive the economy, exacerbate inflation, and increase the supply of paper going to market, all of it hurting bonds.
The Fed has room to "normalize" interest rates and tighten policy given the strong 2020 rally in commodity prices that resulted from trillions in US monetary and fiscal stimulus. Doing so before growth returns, however, will weaken the economy, sending bond prices higher.	The Fed has cut rates to zero in 2020, and has resumed the unlimited purchase of treasury, mortgage, and commercial paper (quantitative easing) in response to Covid-19. That will continue to improve the economy and ultimately translate into falling bond prices.
The fear-trade is always lurking, putting a floor under bonds. Covid-19: Islamic terrorism; North Korean and Iranian nuclear threats; currency collapse in heavily indebted countries taking down major banks, all could threaten global financial stability.	China and Japan have large trade surpluses with the US and use surplus Dollars to buy US Treasuries, making them the two largest UST investors. The collapse in trade from Covid-19 has reduced those surpluses curbing foreign demand for Treasuries, causing bond prices to fall.
	A weakening Dollar makes the carry-trade in US bonds less attractive on a relative basis. 2020 Dollar weakness has come from \$7T in monetary and fiscal largesse and despite negative yields abroad.

US Markets--

#1 US Large-Caps (SPY) Enjoy Window-dressing—



US Large-Cap Stocks thru JAN10.2021-- US large-cap stocks (SPY) are currently very bullish and rank #1 in the model-- more attractive than cash. SPY rose 1.3% this week, following last week's 0.0% flat performance. That leaves the index up 12.0% for the quarter (13 weeks), and up 16.0% for the year (52 weeks). At 374, SPY is above its short-term (50-day) average at 360, and above its intermediate-term (200-day) average at 327. The Dollar strengthened this week, enhancing return for dollar investors in US assets. Longer term a bearish Dollar inhibits investment in US assets, but improves US trade prospects.

After the Fed lost control of the cash market due to missteps between December 2018, and August 2019, a stagnant SPY finally broke higher in late-October 2019 amid record Fed repo cash injections, resolution of US/China Phase 1, USMCA ratification, and

Brexit resolution. SPY ran higher in early 2020 reaching all time highs in late February before global lockdowns due to the coronavirus (Covid-19) caused a global meltdown. US large-cap stocks corrected 35% in 23 days, but then rallied successfully from March through August, hitting a 2020 high to open September, testing it in October, and exceeding it in November. **This week:** SPY (+1.3%) closed out 2020 at a record high (@373.88) as year-end window-dressing helped large-cap blue-chips replace small-caps at the top of the heap for at least one week. Large-caps have waned for eight weeks as investors have rotated into small caps (-1.5%), but putting big names back in a portfolio for the annual report right before December 31 is not unusual in an up-year. Price momentum (PMO) in SPY remains positive, while RSI @68 means that SPY is neither overbought (70) nor oversold (30).

US Large Cap Stocks: longer view (JAN 1)— Dividend-producing US large cap stocks led both mid-caps and small-caps in 2014-15 and for most of 2016-17. In 2016, large caps were down in the three months prior to the election, foretelling a Trump victory. After Trump's election, stocks made all time-highs for a full year despite quarterly Fed rate hikes. After correcting 10% in January 2018, SPY resumed its rally reaching new all time highs in October 2018 before global growth and Fed rate hike concerns— took it down 18% by Christmas. A 2019 rally ensued in the first half on promises of Fed easing. After the Fed finally delivered, SPY continued to make new highs into 2020 until the Covid-19 bear market hit in February, bottoming in March as closings went national. A strong rally subsequently ensued, however, continuing through Q4. **Current outlook:** very bullish.

US Large-cap Stocks: Bullish Assumptions	US Large-cap Stocks: Bearish Assumptions
US fiscal policy: tax and regulatory cuts, trillions in new spending and more Federal debt, will revive the economy, increase income, investment, and profits, boosting US large-cap stocks.	Growth in Europe and Asia will be negative in 2020 due to Covid amid waning household and business confidence, and deflation worries. The US is only 30% of global GDP and will not recover from its own recession without help.
The Fed has cut rates to zero in 2020, and has resumed up to \$9T in purchases of treasury, mortgage, and commercial paper (quantitative easing) in response to Covid-19. That massive response will improve the economy and ultimately translate into higher stock prices.	The Fed has room to "normalize" interest rates and tighten policy given the strong 2020 rally in commodity prices that resulted from trillions in US monetary and fiscal stimulus. Fed rate hikes would eventually take equities down.
A falling Dollar makes the carry-trade in US income assets less attractive on a relative basis. 2020 Dollar weakness since March is due to \$6T in new US fiscal and monetary stimulus injected to offset the pandemic response.	"Affordable" healthcare, with its expensive premiums and huge deductibles, is an even bigger nightmare for the economy and middle class amid a pandemic, weighing on any recovery in US job and wage growth, consumption, and savings.
Repatriation of \$3-\$5 trillion in foreign income under US tax law continues to allow US multinationals to invest in new plant, equipment, and jobs, sourcing small US businesses for their needs.	Reduced global trade due to Covid-19 will adversely impact US consumers and businesses, reducing economic wellbeing and corporate profitability. Large multinational firms in particular lose, and their stocks suffer.
Negative interest rates in Japan and Europe are keeping a floor under global risk. Low interest rates globally reduce the cost of borrowing, of particular value to small business everywhere.	The nine-month bull rally off Covid lows last March has left stocks historically overpriced relative to earnings. Covid-19 has shut down global commerce for a year, and earnings will not recover that quickly.

US Markets--

#1 US Small Caps (IWM) Dip From Overbought —



US Small-Cap Stocks thru JAN10.2021--

US small-cap stocks (IWM) are currently very bullish and rank #1 in the model-- more attractive than cash. The Russell 2000 fell 1.5% this week, following last week's 1.9% gain. That leaves the index up 28.3% for the quarter (13 weeks), and up 18.7% for the year (52 weeks). At 196, IWM is above its short-term (50-day) average at 182, and above its intermediate-term (200-day) average at 153. The Dollar weakened this week, dampening return for dollar investors in US assets. Longer term a bearish Dollar inhibits investment in US assets, but improves US trade prospects.

After the Fed's December 2018 mistake and its promise to undo that error, IWM rallied 18% by February 2019. After that burst of energy, small caps were range-bound (144-160) from April through November as the Fed delayed its promise of easier money into

August, letting the yield curve go negative and losing control of the cash market in the process. IWM finally broke out of its range amid record Fed repo cash injections right after Thanksgiving, as resolution of US/China Phase 1, USMCA ratification, and Brexit were all announced. IWM peaked in early January 2020 as the coronavirus virus hit China. It then broke below short-term support levels and plunged 44% to 2020 lows in late March as the coronavirus showed up in the US. It has rallied since. **This week:** Overbought small-cap stocks dipped 1.5% on year-end window-dressing as investors put big names back in their portfolios for the annual report. Large-caps had waned for eight weeks as investors rotated into small caps, but this week that reversed. It was expected. IWM has been overbought for five weeks after small caps became the Index and TSP models' #1 choice in early November. Whether the "January Effect" traditionally favoring small caps will kick in next week remains to be seen. This year it came a couple of months early. Price momentum (PMO) is positive, but deteriorating. RSI @65 means that IWM is no longer overbought.

US Small Cap Stocks: longer view (JAN 1)—

US small cap stocks lagged large-caps in 2014-15 and for most of 2016-17 due to weakness from Fed tightening fears. Even so, they rallied 20% in 20 days after Trump's election, and then consistently made new all time-highs for a full year without correcting until dipping 10% in January 2018. A six-month rally then ensued, reaching new all time highs in August 2018 before plunging 26% by Christmas on global growth and Fed rate hike concerns. In Q1 2019, IWM quickly recovered on promises of Fed easing, but stalled out mid-year until the Fed actually stopped tightening in August. That set off a Q4 rally that ended abruptly in February 2020 with Covid-19, but quickly rebounded in March finishing out 2020 at new highs. **Current Outlook: Very Bullish**

US Small-cap Stocks: Bullish Assumptions	US Small-cap Stocks: Bearish Assumptions
US fiscal policy: tax and regulatory cuts, trillions in new spending and more Federal debt, will revive the economy, increase income, investment, and profits, boosting US small-cap stocks.	Growth in Europe and Asia will be negative in 2020 due to Covid amid waning household and business confidence, and deflation worries. The US is only 30% of global GDP and will not recover from its own recession without help.
The Fed has cut rates to zero in 2020, and has resumed up to \$9T in purchases of treasury, mortgage, and commercial paper (quantitative easing) in response to Covid-19. That massive response will improve the economy and ultimately translate into higher stock prices.	The Fed has room to "normalize" interest rates and tighten policy given the strong 2020 rally in commodity prices that resulted from trillions in US monetary and fiscal stimulus. Fed rate hikes would eventually take equities down.
A falling Dollar makes the carry-trade in US income assets less attractive on a relative basis. 2020 Dollar weakness since March is due to \$6T in US fiscal and monetary stimulus injected to offset the pandemic response.	"Affordable" healthcare, with its expensive premiums and huge deductibles, is an even bigger a nightmare for the economy and middle class amid a pandemic, weighing on any recovery in US job and wage growth, consumption, and savings.
Repatriation of \$3-\$5 trillion in foreign income under US tax law continues to allow US multinationals to invest in new plant, equipment, and jobs, sourcing small US businesses for their needs.	A falling Dollar makes the carry-trade in US income assets less attractive on a relative basis. 2020 Dollar weakness since March is due to \$6T in US fiscal and monetary stimulus injected to offset the pandemic response.
Negative interest rates in Japan and Europe are keeping a floor under global risk. Low interest rates globally reduce the cost of borrowing, of particular value to small business everywhere.	The nine-month bull rally off Covid lows last March has left stocks historically overpriced relative to earnings. Covid-19 has shut down global commerce for a year, and earnings will not recover that quickly.

US Markets—

Top US Stock Sectors: Value/Holiday Rotation. No Avoids.

US Stock Sectors: through JAN10.2021

The table below ranks our 25 primary US sector ETFs in order of relative strength at the close of the latest week. Momentum investors may consider those ranked higher than cash bullish (buy or hold), and those ranked below cash bearish (sell or avoid). Value investors may feel the opposite. **This week saw more value-based and holiday rotation as Energy, Consumer, Financial and Transports moved up the list at the expense of Real Estate, Health and Utilities.**

	TICK	NAME	COMMENTS
1	IEZ	US Oil Equipment & Services (IEZ)	Energy
2	XRT	Retail (XRT)	Consumer
3	PBS	Media Portfolio (PBS)	Consumer
4	KBE	KB Banks (KBE)	Financials
5	SMH	Semiconductors (SMH)	Technology
6	KCE	Capital Markets (KCE)	Financials
7	XOP	Oil & Gas Exploration & Production (XOP)	Energy
8	IGV	GSTI Software Index (IGV)	Technology
9	IYW	US Technology (IYW)	Technology
10	IYJ	US Industrials (IYJ)	Industrials
11	FDN	DJ Internet Index (FDN)	Technology
12	XLB	Select Materials (XLB)	Materials
13	IYT	Transports (IYT)	Transportation
14	ITA	US Aerospace & Defense (ITA)	Industrial/Technology
15	KIE	KBW Insurance (KIE)	Financials
16	IHF	US Health Care Providers (IHF)	Health
--	--	SPY	Equity Benchmark
17	IBB	Biotechnology (IBB)	Health/Technology
18	IHI	US Medical Devices (IHI)	Health/Technology
19	IHE	US Pharmaceuticals (IHE)	Health
20	ITB	US Home Construction (ITB)	Home Builders
21	PBJ	Food & Beverage (PBJ)	Consumer
22	IYZ	Telecommunications (IYZ)	Telecom
23	XLP	Consumer Staples (XLP)	Consumer
24	VNQ	REITs (VNQ)	Real Estate
25	XLU	Utilities (XLU)	Utilities
--	--	CASH	Baseline

US Markets--

US Equity Strategy: HOLD Equal Weight (RSP)

US Equity
Strategies:
through
JAN10.2021

In this section: 7 alternative US equity strategies (as represented by the most popular smart-beta ETFs based on volume and capitalization) and 2 global asset allocation strategies are monitored and ranked using our momentum methodology. The 7 US equity strategies include US momentum, US growth, US value, US low volatility, US high dividend, US fundamentals, and US equal weight. The 2 global asset allocation strategies are moderate and aggressive. The table below compares the relative strength of each of the 9 strategies to a SPY benchmark and a SHY cash baseline.

This week: The US equity market's major rotation out of large-cap growth stocks and into value slowed this week with year-end window-dressing making Blue chips attractive once again. Growth and momentum had the most difficulty of late. As a result, S&P Equal Weight (RSP) took over #1 in the timing model on Thursday 11/12/2020 @ 117.46 replacing growth (IUSG). **The US Equity Strategy Timing Model is up 20.9% in 2020 (See below.)**

Longer term, however, Growth and Momentum continue to outperform all equity strategies, including benchmark (SPY) on a relative strength basis.

	CI	Ticker	Fund	TS	Trend	stop-loss	price	buy-stop
1	100%	RSP	US Equal Weight	91%	very bullish	124.82	127.54	127.54
2	98%	MTUM	US Momentum	97%	very bullish	155.11	161.29	162.85
3	98%	IUSV	US Value	80%	very bullish	60.68	62.19	62.19
4	97%	IUSG	US Growth	98%	very bullish	85.78	88.69	88.69
5	97%	QUAL	US Fundamentals	92%	very bullish	112.90	116.21	116.21
6	97%	SPY	US Benchmark	93%	very bullish	364.66	373.88	373.88
7	97%	AOA	Diversified: Aggressive	97%	very bullish	63.10	64.18	64.27
8	96%	VYM	US High Dividend	77%	very bullish	89.51	91.51	92.10
9	93%	AOM	Diversified: Moderate	95%	very bullish	42.84	43.20	43.32
10	93%	SPLV	US Low Volatility	69%	bullish	55.13	56.23	56.23
11	89%	SHY	US Short Term T-Bill	58%	bullish	86.35	86.38	86.42

* Fund hit stop loss and defers to next strongest fund, assuming it is not overbought.

Growth (IUSG) Best Over 1 and 3 Years, MTUM Over 5

This week: Growth is the best performer over one and three years. Momentum is tops over five. Both have outperformed SPY over the last one, three and five year periods. Most US equity strategies have outperformed cash (SHY) throughout the past three and five years, but Value, High Dividend, Low Volatility, and Equal Weight have lagged recently.

Description	Fund	1Y	3Y	5Y
IUSG	US Growth	31%	65%	119%
MTUM	US Momentum	28%	56%	120%
QUAL	US Fundamentals	15%	40%	80%
SPY	US Benchmark	16%	40%	83%
RSP	US Equal Weight	10%	26%	66%
AOA	Diversified: Aggressive	11%	19%	43%
SPLV	US Low Volatility	-4%	18%	46%
AOM	Diversified: Moderate	8%	14%	27%
IUSV	US Value	-1%	12%	46%
VYM	US High Dividend	-2%	7%	0%
SHY	US Short Term T-Bill	2%	3%	2%

(Relative 3-year Price Performance of our US equity strategy ETFs is presented above, ranked according to their annual three-year price return absent dividends. (Total return stats are available on etf.com.)

International Markets—

#8 Gold Bullion Bucks Short-term Resistance



Gold Bullion thru JAN10.2021-- Gold Bullion (GLD) is currently slightly bullish and ranks #8 in the model-- less attractive than cash. Gold's price rose 1.1% this week, following last week's 0.1% loss. That leaves GLD down 0.1% for the quarter (13 weeks), and up 22.3% for the year (52 weeks). At 178, GLD is above its short-term (50-day) average at 176, and above its intermediate-term (200-day) average at 172. The Dollar weakened this week, improving return for dollar investors in gold. Longer term a bearish Dollar enhances return to Dollar investors in gold.

Gold rallied from May to September 2019 on increasingly negative interest rates in Europe and Japan and falling US interest rates. Upon hitting a multi-year high in September, it pulled back from overbought levels as bond yields spiked and inflation risk faded. It faded until early December when Middle East tensions arose over an attack on the US embassy in

Baghdad, a US drone-strike that killed the Iranian and Iraqi military leaders allegedly responsible, and a retaliatory Iranian missile launch on US troops. Bullion spiked above \$1600 before those geopolitical tensions cooled, and then spiked to a new high in mid-March as the Chinese coronavirus outbreak spread. The March collapse in equities, however, led to a sympathy correction in gold, which rallied once Congress and the Fed jumped in with \$9T to save the US economy and head off recession at the risk of inflation. Gold peaked in August, reaching a new overbought high @ \$2082, but then abruptly sold off as an inflation-induced rise in interest rates, coupled with Congressional failure to pass additional stimulus weighed on its price. Bullion has been making lower highs since, as US Dollar weakness has abated. **This week:** Gold's December bounce resumed. Bullion had been falling since August, making lower lows and lower highs despite US Dollar weakness, global monetary stimulus, and bank reserve demand. With inflation under control and an expansionary Fed, a vaccine rollout underway, and a last minute round of US fiscal stimulus last week, however, bullion managed to break above its 50-day support line. Negative momentum (PMO) has turned neutral, and a 14-day RSI of 61 suggests it is no longer oversold (30).

Gold Bullion: longer view (JAN 1)— In August 2011, gold peaked above \$1900 an ounce. After the Fed hiked interest rates for the first time in ten years (December 2015), it bottomed below \$1050 (a six-year low at the time). It then traded in the lower third of that range (\$1125-\$1367), following its traditional inverse relationship with the US Dollar. It tested \$1367 four times from August 2017-- failing each time amid gradual, but regular Fed tightening. When the Fed backed off further rate hikes in Q1 2019, however, gold finally broke out, rising to \$1700 by Q1 2020 on Mid-East turmoil. The pandemic cut the price to \$1450 in March, but \$4T in new Fed money quickly took gold to \$2100 by August. It has faded since. **Current outlook:** neutral

Gold: Bullish Assumptions	Gold: Bearish Assumptions
Global monetary policy is very accommodative. The Fed, ECB, and BoJ have thrown a monetary kitchen sink at the coronavirus in Q1, including negative interest rates and trillions in asset purchases.	The Biden administration has promised to raise taxes and increase regulations, reducing jobs, economic demand, and overall price levels (inflation)-- lessening the demand for gold.
The US economy was the world's growth engine before Covid-19. \$3T in two US fiscal rescue packages passed in 2020 will mitigate income losses until demand is growing again in 2021, spurring gold prices.	Positive US yields and negative foreign yields make US bonds more attractive, increasing the demand for Dollars. Gold is traded in dollars, and all else being equal, a stronger Dollar lowers gold prices.
The fear-trade is always lurking. Covid-19: Islamic terrorism; North Korean and Iranian nuclear threats; currency collapse in heavily indebted countries taking down major banks, all could threaten global financial stability.	With a vaccine rollout underway, the pandemic fear-trade is on the wane. Moreover, Congress has shot its wad with \$3T in Covid fiscal stimulus in 2020 and is not likely to add more in 2021.
Gold's largest consumers— India, China, and Russia— continue to replace US Treasuries with gold in their central bank reserves.	Seasonally, the demand for gold traditionally weakens after the Fall wedding season in India, and the holiday gift season in December and January.

International Markets— Commodities (\$CRB) Continue Higher



Commodities thru JAN10.2021— A very bullish CRB rose 1.4% this week after last week's 0.5% loss. That left commodity prices up 16.4% for the quarter (13 weeks), and down 10.2% for the year (52 weeks). At 168, CRB is above its short-term (50-day) average at 158, and above its intermediate-term (200-day) average at 144. Meanwhile, oil prices (USO) are currently very bullish. Crude prices rose 0.3% this week, following last week's 1.7% loss. That leaves US oil prices up 25.3% for the quarter (13 weeks), and up 15.5% for the year (52 weeks). At 33, USO is above its short-term (50-day) average at 30, and above its intermediate-term (200-day) average at 26. The Dollar weakened this week, improving return for dollar investors in commodities. Longer term a bearish Dollar is improving return to Dollar investors in commodities.

Commodities: longer view (JAN 1)—

Commodities last peaked in July 2014, when

WTI oil hit \$113. They ended 2015 (after the first Fed rate hike in ten years) down 48%, as oil dropped to \$26 a barrel, due to falling global demand, a stronger Dollar, and a spike in US energy supply from fracking. Thereafter oil made an uneven three-year comeback, peaking at \$77 in October 2018, before plunging to \$42 (a triple low since 2016) to start 2019. The CRB and oil both eventually recovered, however, as the Fed finally stopped tightening in late 2019. Oil opened 2020 at \$61, but the coronavirus all but ended global travel and a price war broke out between Russia and the Saudis driving the price down to \$20 at the end of Q1, crushing the CRB as well. Both began to recover in early Q2 as \$4T in new Fed money and economic re-openings pushed prices higher. **Current commodity outlook:** very bullish.

Commodities: Bullish Assumptions	Commodities: Bearish Assumptions
Global monetary policy is very accommodative. The Fed, ECB, and BoJ have thrown a monetary kitchen sink at the coronavirus in Q1, including negative interest rates and trillions in asset purchases.	The Biden administration has promised to raise taxes and increase regulations, reducing jobs, economic demand, and overall price levels (inflation)-- lessening the demand for hard assets.
The US economy was the world's growth engine before Covid-19. A \$2T US fiscal rescue package passed in Q1 will mitigate income losses until demand is growing again in the second half, spurring commodity prices.	Positive US yields and negative foreign yields make US bonds more attractive, increasing the demand for Dollars. Commodities are traded in dollars, and all else being equal, a stronger Dollar lowers commodity prices.
Mideast violence is only temporarily diverted by Covid-19. Iranian reprisals against the US for taking out an Iranian general a year ago, even as the US withdraws from the region, are likely and could constrict global oil supply.	With a vaccine rollout underway, the pandemic fear-trade is on the wane. Moreover, Congress has shot its wad with \$3T in Covid fiscal stimulus in 2020 and is not likely to add more in 2021.
Biden has promised to end US fracking, reducing the global supply of oil from the world's #1 producer just as the world emerges from its pandemic lockdowns. Less US supply and more global demand means higher global oil prices.	Biden hopes to legislate \$100 oil in order to make alternative fuels more price-competitive. Oil comprises more than 60% of the commodity index and at \$100 would shift energy demand from basic materials (commodity) solutions to technological solutions (wind, solar, hydro.).

International Markets— #6 Europe (IEV) Pushes Higher



European Large-Cap Stocks thru JAN10.2021-- European equities (IEV) are currently very bullish and ranked #6 in the model-- more attractive than cash. The Europe 350 rose 0.3% this week, following last week's 0.4% loss. That leaves the index up 13.6% for the quarter (13 weeks), and up 2.3% for the year (52 weeks). At 48, IEV is above its short-term (50-day) average at 46, and above its intermediate-term (200-day) average at 42. The Euro strengthened this week, improving return for dollar investors in European stocks. Longer term, a bullish Euro enhances return to Dollar investors, but it limits Europe's trade prospects.

By October 2019, prospects of completing the US/China deal; finally resolving Brexit; and a highly accommodative US monetary policy had IEV making new highs through year-end. That ended in January when the coronavirus virus hit and trade, production, and profits

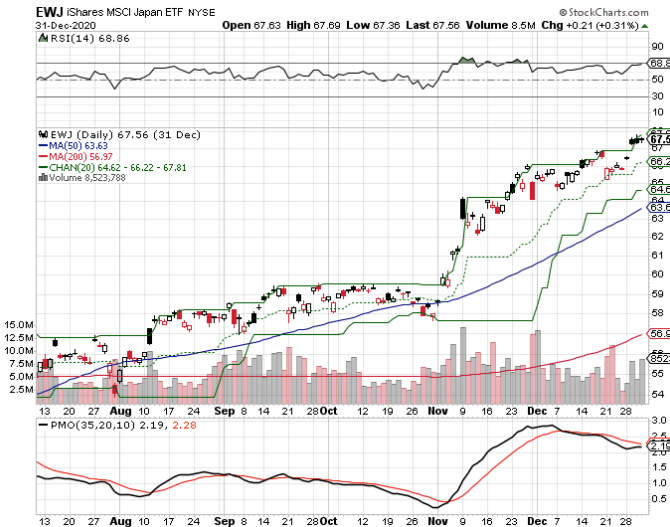
were shut down. By mid-March IEV was down 39% and put in a 2020 low. It rallied thereafter, aided in June by the ECB's "bazooka"-- a near-doubling in the size of its QE program to €1.35T, extended to June 2021. **This week: Europe (+0.3%) pushed to new highs mid-week with last week's Brexit Deal finally making it into the books before the December 31 deadline.** Moreover, with vaccinations underway, the imminent end of Trump's fair trade and NATO support demands; and a possible US recommitment to the Paris Climate Accords, Europe can see dollar signs ahead. Price momentum (PMO) is positive, and with a 14-day RSI of 61, IEV is no longer overbought (70).

European Large Cap Stocks: longer view (JAN 1)-- After the ECB extended its asset purchase program by nine months in December 2016, IEV rose steadily higher in 2017, posting a new high (@\$49) in January 2018. Subsequent modest ECB tightening, however, along with US tariff and Brexit concerns, caused a steady deterioration in equities throughout 2018, eventually losing 24% (to \$38) by December as EU GDP fell below 2%. At that point, the ECB took a dovish monetary stance, and a stock rally ensued in the first half of 2019. IEV leveled off mid-year, as the US Fed delayed promised rate cuts. Eventually IEV's rally resumed in Q4 with easier Fed money, leaving it up 20% for the year and just shy of 2018's previous all time high. The rally ended abruptly in February 2020 when the pandemic hit. IEV plunged to a new low (@29) before easier money out of the US Fed and the ECB generated a 60% rally back toward the January 2018 high. **Outlook: Very Bullish.**

European Stocks: Bullish Assumptions	European Stocks: Bearish Assumptions
US tax and regulatory cuts, coupled with Covid-19 spending and more Federal debt, will continue to create a US economic boom that will spread the wealth, spurring Europe's export income and profits, boosting stocks.	Growth in Europe and Asia will be negative in 2020 due to Covid. Flagging household and business confidence, deflation worries, and difficult relations with Russia have been complicated by an influx of millions of refugees.
Financial stability on Europe's periphery (Portugal, Ireland, Italy, Greece and Spain) is greatly improved in the past five years. Although Brexit is now final, fears that France, Netherlands, Sweden, Greece and Portugal would follow Britain have proven unfounded.	A strong Euro makes Europe's exports more expensive to US buyers and weakens Europe's trade competitiveness in the long run, lowering corporate profits and stock prices.
The European Central Bank has the stock market's back. After reducing its balance sheet in 2018, slowly and with flexibility, it reverted to a dovish stance in 2019 and expanded it in 2020, with negative rates still the rule.	ECB efforts to "normalize" interest rates will tighten too much too fast, stifling the recovery and initiating a recession in the second half of 2021 that will send stock prices lower.
A strengthening Euro is making the carry-trade in European equities more attractive to foreign investors on a relative basis. Euro strength is a function of 2020 Dollar weakness due to \$6T in US fiscal and monetary stimulus.	Repatriation of \$3-\$5 trillion in US foreign income under Trump's US tax law reduces US investment in new plant, equipment, and jobs in Europe.
Easy monetary policy in Japan and in the US is helping to keep a floor under global risk. That ameliorates the impact the covid-19 crisis will have on European stocks and will speed their recovery.	Reduced global trade due to Covid-19 will adversely impact Europe's consumers and businesses, curbing economic wellbeing and corporate profitability. Large multinational firms in particular lose, and their stocks suffer.

International Markets—

#4 Japanese Equities Make Another New High



Japanese Stocks thru JAN10.2021- Japan's equities (EWJ) are currently very bullish and rank #4 in the model-- more attractive than cash. Japanese equities rose 2.6% this week, following last week's 1.1% loss. That leaves them up 14.9% for the quarter (13 weeks), and up 14.1% for the year (52 weeks). At 68, EWJ is above its short-term (50-day) average at 65, and above its intermediate-term (200-day) average at 58. The Yen strengthened this week, improving return for dollar investors in Japanese stocks. Longer term, a bullish Yen enhances return to Dollar investors, but limits Japan's trade prospects.

The US/Japan trade accord, and Fed and ECB rate cuts helped EWJ surge to an overbought high by mid-September 2019. The BoJ held firm on its NIRP monetary policy in September and October, but with hints of further easing. That, along with renewed optimism over US/China trade, and an easier

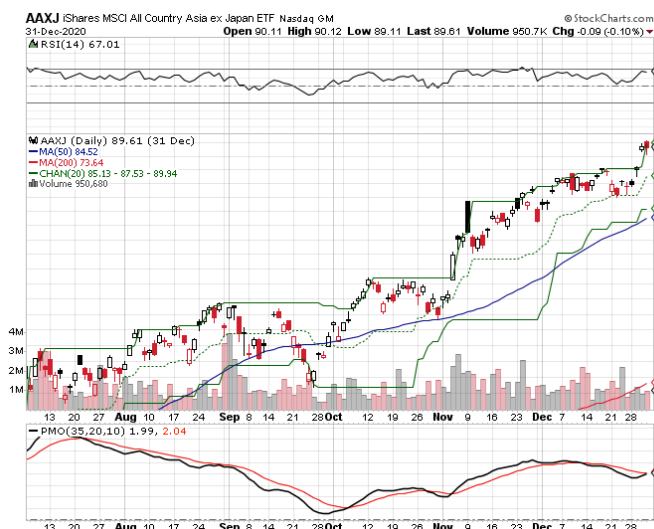
US Fed helped EWJ to eventually set new 2019 highs in mid-December. It then flattened out until February when a recessionary growth forecast for the Japanese economy in Q1 due to the new sales tax and to a growing number of coronavirus cases sent Japan's stock market into a tailspin. By mid-March EWJ was down 32% and put in a 2020 low. It has rallied since. **This week:** Japanese stocks closed the year at a new high that comes on the heels of a new 15 country Asia trade agreement this month that is the first to include Japan, Korea, and China (but not the US). A "Warren Buffett Put"— a \$6B purchase of several Japanese trading companies in September also assisted Japan's late-year gains. The Bank of Japan continues to maintain a negative overnight rate (-0.1%) as well as corporate funding-aid. The Yen rebound since mid-March has hurt Japanese export prospects, but has made Dollar investments in Japanese assets more attractive. PMO is positive, but starting to deteriorate. EWJ's 14-day RSI @69 is no longer overbought (70).

Japanese Stocks: longer view (JAN 1)— Japan's heavily indebted economy has only averaged about 1% annual growth for years. Growth of 0.5% is forecasted for 2020. Japanese equities broke out of long-term lethargy in late 2012 with "Abenomics"— a three-part program of (1) regulatory reform, (2) fiscal stimulus, and (3) massive BoJ quantitative easing. Financial engineering created volatile, but generally positive equity performance despite anemic growth. From 2013 through 2020 the Nikkei returned (+26%), (+2%), (+8%), (+7%), (+23%), (-25%), (+16%) and (+14%). US tariff threats and a Fed Mistake ended the Nikkei's five-year winning streak in December 2018. Japan then rallied 16% in 2019 and 14% this year on the back of cheaper money and new trade arrangements. Hope of making a new high, however, seemed all but over in February 2020 when the pandemic hit and EWJ lost 30%. \$4T in new Fed money, however, and BoJ stimulus jump started Japanese stocks. A new 15 country Asia trade agreement that is the first to include Japan, Korea, and China (but not the US) and a Warren Buffett Put— a \$6B purchase of several Japanese trading companies in September pushed WJ to a new high (@67) to end 2020. **Current outlook: Very Bullish**

Japanese Stocks: Bullish Assumptions	Japanese Stocks: Bearish Assumptions
US tax and regulatory cuts, coupled with Covid-19 spending and more Federal debt, will continue to create a US economic boom that will spread the wealth, spurring Japan's export income and profits, boosting stocks.	Abenomics has not worked. Conceptually, easy money and a weakening Yen is like pushing on a string— more likely to result in a carry-trade than investment in Japan. Burdened by excessive debt, growth remains tepid.
The Japanese carry-trade is alive and well. Negative interest rates and a weakening Yen facilitate borrowing in Japan, investing in higher yielding assets overseas, and allowing Japanese financials to make money over time.	The BoJ, in its attempt to revive growth will keep rates too low for too long, eventually creating a massive debt-infused financial bubble that will tank Japanese stocks and the rest of the world's markets along with them.
The BoJ has had the Nikkei's back since 2014, and it still does. It offers the easiest money in the world, includes equities in its QE program.	Repatriation of \$3-\$5 trillion in US foreign income under Trump's US tax law reduces US investment in new plant, equipment, and jobs in Japan.
A strong Yen makes Japanese equities more attractive to US investors on a relative basis. It also makes oil (traded in dollars) more expensive now that Japan's nuclear energy experience has prompted a switch back to fossil fuels.	A shutdown in global trade due to Covid-19 will adversely impact Japan's consumers and businesses, reducing economic wellbeing and corporate profitability. Large multinational firms in particular lose, and their stocks suffer.
Easy monetary policy in Europe and in the US is helping to keep a floor under global risk. That ameliorates the impact the covid-19 crisis has on Japanese stocks and will speed their recovery.	An aging population, deflation worries, and difficult relations with China have been exacerbated by North Korean nuclear ambitions, and trade challenges from emerging Asia.

International Markets—

#3 Asia Pacific ex-Japan (AAXJ) Gaps Higher—



Asia Pacific ex-Japan Stocks thru

JAN10.2021-- Asia-Pacific ex-Japan equities (AAXJ) are currently very bullish and rank #3 in the model-- more attractive than cash. AAXJ rose 3.3% this week, following last week's 1.2% loss. That leaves them up 16.1% for the quarter (13 weeks), and up 21.6% for the year (52 weeks). At 90, AAXJ is above its short-term (50-day) average at 86, and above its intermediate-term (200-day) average at 75. The Dollar strengthened this week, reducing return for dollar investors in Asian stocks. Longer term a bearish Dollar enhances return to Dollar investors in Asian stocks, but reduces the region's trade prospects.

Asian equities worked higher from August through December 2019, buoyed by three Fed rate cuts and promises of a Phase 1 US/China trade agreement. When the Chinese coronavirus came to light, AAXJ turned south despite liquidity injections first by China's

central bank, then by the Fed. As Covid-19 shut down trade, production and profits worldwide in mid-March Asian stocks were down 30% and put in a 2020 low. Asian markets (China Australia, India, Korea) then rallied higher in August, dipped in September, and took off to year-end. **This week:** Asia Pacific jumped 3.3% and finished 2020 at new highs. With a new 15 country Asia trade agreement that is the first to include Japan, Korea, and China (but not the US), and two Covid-19 vaccines in distribution, Asia Pacific turned in the best 2020 performance (+22%) of the equity assets we track. The sense that China in particular and US trading partners generally win big once Trump is out has made AAXJ the index model's top international choice at #3. China is already making overtures to the Biden camp to revise its US trade agreements. Price momentum (PMO) is positive, and a 14-day RSI of 67 means that AAXJ is neither overbought (70) nor oversold (30).

Asia Pacific ex-Japan Stocks: longer view (JAN 1)— GDP growth in Emerging and Developing Asia grew 6.8% in 2015 and has been declining since. ASEAN GDP was 5.3% in 2018, 4.9% in 2019, and expected to be -3.3% in 2020. A multi-year uptrend in Asia-Pacific stocks ended in April 2015, as AAXJ dropped 35% by January 2016. It subsequently rallied 14% in 2016, despite a brief drop when Trump's election sounded a death knell for the Trans-Pacific Partnership. It then jumped another 22% in 2017, peaking in January 2018 (@82), before tariff worries, US tax cuts, and Chinese economic weakness sent it plunging 27% by October 2018. AAXJ recovered in Q1 2019, rising almost 19% by April, but settled lower mid-year. In August, AAXJ resumed a rally that lasted through yearend on the back of cheaper Fed money and the promise of a US/China Phase 1 trade agreement. It closed 19% higher on the year, but failed to make a new high entering 2020, retreating in Q1 as the coronavirus hit. \$4T in new Fed money in March set off a second-half rally that ended in a record high (@90). **Current outlook: Very Bullish**

Asia-Pacific Stocks: Bullish Assumptions	Asia-Pacific Stocks: Bearish Assumptions
US tax and regulatory cuts, coupled with Covid-19 spending and more Federal debt, create a US economic boom that spreads the wealth, spurring Asian export income and profits, boosting stocks.	The Bank of China, in its attempt to revive growth will keep rates too low for too long, eventually creating a massive debt-infused financial bubble that will tank their shadow banking system and the rest of the world as well.
The BoJ offers the easiest money in the world, and no tightening is expected any time soon. Japan's policy of cheap money and a weak currency promotes investment and growth abroad, particularly in the Asia-Pacific region.	A shutdown in global trade due to Covid-19 will adversely impact Asia-Pacific consumers and businesses, reducing economic wellbeing and corporate profitability. As the locus of the outbreak Asia in particular loses.
A weakening Dollar makes Asian equities more attractive to US investors; and drives the price of basic materials higher, a primary source of Asian export income. It also lowers the cost of servicing Dollar-denominated debt for Asian borrowers.	A weak Dollar makes Asian manufactures more expensive for US buyers, hurting Asia's trade competitiveness in the long run— while reducing profits and stock prices in the region.
Repatriation of \$3-\$5 trillion in US foreign income under Trump's US tax law reduces US investment in new plant, equipment, and jobs in Asia. If the Biden administration repeals the cuts, Asia wins.	Should Trump's US tax and regulatory cuts be reversed, it will create a US economic contraction that will spread abroad, weakening Asian export income and profits, and Asian stock prices.
Asia-Pacific remains an emerging region with widespread trade ties, untapped natural resources, and an abundance of cheap skilled labor.	China's attempt to bring its state control into global private markets will be ostracized creating financial imbalances inside China.

International Markets—

#6 Latin America (ILF) Resumes 41% Q4 Rally



Latin America 40 equities thru JAN10.2021- Latin American equities (ILF) are currently very bullish and rank #5 in the model-- more attractive than cash. The Latin American 40 rose 0.5% this week, following last week's 1.2% loss. That leaves the index up 41.0% for the quarter (13 weeks), and down 14.9% for the year (52 weeks). At 29, ILF is above its short-term (50-day) average at 27, and above its intermediate-term (200-day) average at 23. The Dollar weakened this week, improving return for dollar investors in Latin stocks. Longer term, a bearish Dollar enhances return to Dollar investors in Latin stocks, but reduces the region's trade prospects.

In 2020, ILF headed lower in a big way. Violent social unrest in Chile and a new, leftist government in Argentina weighed heavily on equities in those countries in late 2019, but the effect of the coronavirus on commodities and the region's trade with China really tanked

their equities. By late March ILF was down 50% year-to-date exacerbated by a 65% crash in oil. Slow improvement followed, with the rally only picking up after OPEC supply cuts kicked in mid-May. ILF peaked in early June, and ran sideways until November, despite a weak Dollar and improving commodity and oil prices. ILF rallied after Trump's loss, which is considered advantageous to Latin American trade prospects. **This week:** Latin America (+0.5%) resumed its stunning 41% fourth quarter advance, halting just short of new highs at year-end. Hard hit in early 2020, ILF has been the value play to end all value plays since Halloween. Two Covid-19 vaccines now in distribution along with a new Asian trade agreement that includes China, Japan, and Korea bode well for the Latin region. So do higher oil and commodity prices and a weakening Dollar. Price momentum (PMO) is positive but slowing of late, and a 14-day RSI of 65 means that ILF is no longer overbought (70).

Latin American Stocks: longer view (JAN 1)— Latin American GDP registered +1.1% in 2018 the highest in the previous four years. It fell to 0.03% in 2019 and contracted -8.1% during the pandemic in 2020. Latin equities fell 32% in 2015, but finished 2016 31% higher. In 2017, ILF finished up another 28%, looking strong going into 2018. After a roller coaster year in 2018, however, ILF ended down about 8%. 2019 was another roller-coaster with ILF trading within a 20% range (between 29 and 35) and finishing 2% higher. ILF rallied on the back of cheaper Fed money and the promise of a US/China Phase 1 trade agreement in Q4 and finished the year near the top of its range, but it failed to make a new high in 2020, retreating (from 34 to 15) in Q1 as the coronavirus hit. \$4T in new Fed money in March, however, set off a second-half rally that ended 2020 (@30) closing in on previous highs. **Current outlook: Very Bullish**

Latin American Stocks: Bullish Assumptions	Latin American Stocks: Bearish Assumptions
Latin America remains an emerging region with widespread trade ties, untapped natural resources, and positive demographics, including a younger population and a rising middle class.	Latin American politicians regularly subject their countries to stupid government, corrupt government, and/or stupid, corrupt government. Without rule of law and respect for private property, equity ownership invariably suffers.
China is a massive market for Latin America's basic materials, commodities, and primary manufactures. It is reopening after the Covid-19 crisis and will resume growing at 6-7% a year in no time at all.	The region's "inept government" phase, in which socialism replaced capitalism from 2011-16, returned in 2018 and remains, along with the increased outflows of both domestic and foreign capital it engenders.
A weakening Dollar makes Latin equities more attractive to US investors; and drives the price of commodities higher, a primary source of Latin American export income. It also lowers the cost of servicing Dollar-denominated debt for Latin borrowers.	A weak Dollar makes Latin manufactures more expensive for US buyers, hurting Latin America's trade competitiveness in the long run— while reducing profits and stock prices in the region.
Repatriation of \$3-\$5 trillion in US foreign income under Trump's US tax law reduces US investment in new plant, equipment, and jobs in Latin America. If the Biden administration repeals the cuts, Latin America wins.	Should Trump's US tax and regulatory cuts be reversed, it will create a US economic contraction that will spread abroad, weakening Latin export income and profits, and Latin stock prices.
Easy monetary policy in Europe, Japan and in the US is helping to keep a floor under global risk. That and the vaccine ameliorate the impact the covid-19 crisis has on Latin American stocks and will speed their recovery.	A shutdown in global trade due to Covid-19 adversely impacts Latin consumers and businesses, reducing economic wellbeing and corporate profitability. Large multinational firms in particular lose, and their stocks suffer.

Market Timing v. Diversified Buy Hold:

Timing Signals Hold Equities, B&H Stays Aggressive

Market Timing
Signals Through
JAN10.2021

Our 3 100% market-timing models remain in equities this week and continue to hold their own versus buy-and-hold. *End-of-Week Stop as of Friday close. Models use a stop based on a rolling 20-day close for performance calculation purposes. That stop can change daily. See stockcharts.com "price channels" overlay for an approximate daily read. Familiarize yourself with any investment program and the assets involved before committing to it.

Timers' Model	Signal	Selected Asset	Entry Date	Entry Price	Stop*
Index Moose	HOLD	IWM	NOV06.2020	@163.62	180.20
US Equity Beta-Strategy	HOLD	RSP	NOV12.2020	@117.46	124.82
TSP Index Moose	HOLD	S Fund	NOV04.2020	@62.88	70.15

Buy & Hold
Preferences
Through
JAN10.2021

This week: Diversified Buy & Hold preferences for TSP and General investors are aggressive.

Diversified B & H Portfolio Type	Preferred Fund	Entry Date
Global Smart Beta-Strategy	AOA (Aggressive G&I)	OCT08.2020
TSP "Lifetime" Allocation	L2050 (Aggressive G&I)	JUN04.2020

Market Timing v. Diversified Buy & Hold:

US Equity Moose & Index Moose (Timing) Outperforming

Basic Buy & Hold
vs. Timing
Through
JAN10.2021

Economic and financial conditions can have a major impact on strategic success. Massive Fed involvement in the markets, along with fiscal stimulus leads to financial engineering and market stability, and generally favors buy-and-hold (B&H) and US equity timing over global timing. As a result Index Moose has been a laggard in three of the last four years. **This week: Market timing performance is outperforming diversified buy-and-hold year-to-date.** The US equity timing strategy is positive YTD and outperforms. Index Moose, our global timing strategy is as well. On the buy-and-hold side, Aggressive allocations outperform moderate.

Strategy	2020	2019	2018	2017	2016	Type	Scope
US Strategy Moose	+20.9%	21.1%	1.2%	28.5%	(5.6%)	Timing	US equities, income
Index Moose	+13.2%	(6.5%)	5.1%	9.0%	(6.0%)	Timing	Global equities, income, gold
Aggressive G&I (AOA)	+10.7%	12.5%	(6.2%)	8.0%	3.5%	B & H	Global equities, income
Moderate G&I (AOM)	+7.7%	19.5%	(9.9%)	14.1%	5.3%	B & H	Global equities, income

Thrift Savings Plan-- TSP Moose on Top

Thrift Savings
Plan: through
JAN10.2021

The Thrift Savings Plan, or TSP, is the government's 401K-style retirement plan. Millions of federal employees are invested in it, including several life-long friends here in the capital region. Beginning 12/21/2018, the revised TSP model began incorporating actual fund data and monitoring all ten TSP funds instead of five index fund proxies alone.

While having ten asset choices offers myriad possibilities, our primary concern involves the overall strategic decision: **Should TSP investors use index targeting (market timing) to manage their portfolio, or rely on a diversified buy-and-hold approach. Answer: it depends** on the investor and on what's working. Index targeting (using TSP Moose) outperformed diversified buy-and-hold (using TSP's lifestyle choices) in 2017 and 2018, but it underperformed even the most conservative buy-and-hold lifestyle fund in 2019.

This week: TSP Moose Holds S Fund (since 11.04.2020). The timing model exceeds all diversified buy-and-hold Lifetime funds again, as it has for all but two weeks year-to-date. Market timing (TSP Moose) outperformed all diversified buy-and-hold options in two of the last three years, and for most of 2020.

Strategy	2020	2019	2018	2017	Type	Scope
TSP Moose	+21.8%	14.9%	6.5%	21.0%	Timing	Global equities, income
L2050	+14.8%	23.3%	(6.0%)	18.8%	Buy & Hold	Global equities, income
L2040	+13.2%	20.7%	(4.9%)	16.8%	Buy & Hold	Global equities, income
L2030	+11.3%	17.6%	(3.6%)	14.5%	Buy & Hold	Global equities, income

The table above is short, but it illustrates several key strategic points investors should keep in mind. (1) Success of any particular strategy can be highly variable from one year to the next. (2) Just because it worked well last year doesn't mean it will next year. (3) Buy-and-hold is preferable when there isn't a clear predominant asset choice, or when everything seems to work— as in a bull market with few lasting or deep corrections. (4) When stocks are strong, aggressive buy-and-hold is best, but when stocks are weak it can be a loser. (5) To avoid substantial losses, buy-and-hold investors should have a separate exit plan, whereas such plans are implicit in index targeting (a loss-minimization strategy). (6) Index targeting is most profitable when there is one predominant asset choice, or when nothing seems to work, as in extended bear market scenarios.

TSP Moose Signal: S Fund; Diversified Preference: L2050

Model	Signal	Selected Asset	Entry Price	Entry Date
TSP Index Moose	HOLD	S Fund (small caps)	@62.88	NOV04.2020
Preferred TSP Allocation	HOLD	L2050 (Aggressive G&I)	@22.01	JUN04.2020

Index Moose investors: the 100% model switched into the G Fund (cash) 02/24/2020 @16.40 from the C Fund (US Large-cap equities). Buy-and-hold Diversified preferences became most conservative on 02/24/2020 as well.

TSP Index Moose through JAN10.2021— HOLD S Fund

The (S) Fund holds first place via buy-stop since 11/04/2020.

CI	Fund	Description	Strategy	Style	stop-loss	price	buy-stop
100%	S Fund	Small-caps	Growth Equities	Index	70.15	74.20	75.62
92%	I Fund	Internatl stocks	Offshore Growth	Index	34.42	35.39	35.62
90%	L 2050	Retire 2050	Very Aggressive G & I	Diversified	25.17	25.81	25.81
90%	C Fund	Large-caps	Growth & Income Equities	Index	54.27	55.91	55.91
89%	L 2040	Retire 2040	Aggressive G & I	Diversified	42.55	43.49	43.49
88%	L 2030	Retire 2030	Growth & Income	Diversified	38.08	38.78	38.78
85%	L Inc	Long-term Inc	Maximum Income	Diversified	22.12	22.28	22.28
83%	F Fund	Fixed Income	US Bonds	Index	21.07	21.20	21.20
83%	G Fund	Short-term Inc	Cash equivalent	Index	16.50	16.51	16.51

**Stop-loss hit, no buy-stop since—defaulted to next best choice. (Published stop-loss price is as of previous Friday close. It may change daily and as such, is published as an initial reference only.)*

Opinion:
week of
JAN01.2020

Moospeak

2021: What's Out & What's In

OUT: Dining out New Years Eve, black tie.	IN: Dining out New Years Eve, boots and parka.
OUT: Restaurants	IN: Food Stamps
OUT: Driving home drunk from a bar.	IN: Passing out drunk on your couch.
OUT: Family gathered around the holiday dinner table.	IN: Family scattered around the holiday fire pit.
OUT: Spare, modern, minimalist homes.	IN: Warm, cozy "Granny Chic" homes
OUT: Albert Einstein hair	IN: Barbershops
OUT: Spending too much time on Twitter.	IN: Spending too much time in your basement.
OUT: Occasional Disney movies at the theatre.	IN: Incessant Disney movies on your kid's phone.
OUT: \$2000 exercise bikes to hang clothes on	IN: \$20 gym memberships you never use.
OUT: Red China Taking Over Hong Kong	IN: Kylie Jenner Taking Over Red China
OUT: LeBron in a bubble, outraged by 150-year-old slavery.	IN: LeBron in China ignoring daily slavery.
OUT: Spreading Fake News	IN: Withholding Real News
OUT: "Operation Warp Speed" Vaccine Development	IN: "Operation Snail's Pace" Vaccine Delivery.
OUT: "The US Covid-19 death rate is 0.001."	IN: "OMG! WE'RE ALL GONNA DIE!"
OUT: "The vaccine has arrived!"	IN: "OMG! WE'RE ALL STILL GONNA DIE!"
OUT: Live people showing up at the polls.	IN: Dead people voting by mail.
OUT: Presidential Fact-checking Teams	IN: Presidential Cheerleading Teams.
OUT: Law and order in Seattle and San Francisco.	IN: Moving to Idaho.
OUT: Fully funded police departments	IN: Concealed-Carry Permit for Grandma
OUT: US Nuclear Security	IN: Cozy Bear
OUT: Partisan corruption at the FBI, CIA, and NSA	IN: Public Naiveté
OUT: The 3000-mile border wall.	IN: The entire population of Central America.
OUT: Britain, EU member	IN: Great Britain, sovereign nation
OUT: History as written by those who lived it.	IN: Fiction as written by those who make it up.
OUT: Big government	IN: Bigger government
OUT: Western civilization.	IN: Unicorns

Before you take issue: *Should you choose to avoid the pro-capital, pro-investor, pro-free economy, pro-personal prosperity attitudes expressed on this page, and be content with the abundant information provided elsewhere on this site, I will not be offended. Nor am I offended by those who may consider the opinions expressed herein (and their author) stupid— as long as they abide by Mark Twain's wise counsel to "Never argue with stupid people. They will drag you down to their level and then beat you with experience."*