



Market Snapshot - Currencies

INSTRUMENT NAME	INSTR RIC	LAST PRICE	1 Week Change	1 Year Change	Daily Score	21 Days Cycle	64 Days Cycle
Euro / USDollar	EUR=	1.0699	0.55%	-3.64%	12%	↑	↗
USDollar / Japanese Yen	JPY=	114.6	0.08%	-2.78%	17%	↓	↘
Pound Sterling / USDollar	GBP=	1.2374	1.63%	-15.24%	-19%	↓	↘
USDollar / Swiss Franc	CHF=	1.0012	-0.70%	-0.28%	-25%	↓	↘
USDollar / Canadian Dollar	CAD=	1.3321	1.60%	-3.32%	-3%	↓	↘
Australian Dollar / USDollar	AUD=	0.7553	0.72%	5.39%	22%	↑	↗
New Zealand Dollar / US Dollar	NZD=	0.7161	0.49%	7.44%	17%	↑	↗
USDollar / Danish Krone	DKK=	6.9535	-0.49%	3.47%	-12%	↓	↘
USDollar / Swedish Krone	SEK=	8.886	-0.19%	5.42%	-30%	↓	↘
USDollar / Norwegian Krone	NOK=	8.4094	-0.99%	-1.82%	-21%	↓	↘
USDollar / Singapore Dollar	SGD=	1.425	-0.12%	0.81%	-8%	↓	↘
USDollar / Korean Won	KRW=	1174.39	0.03%	-2.12%	-4%	↓	↘
USDollar / Mexican Peso	MXN=	21.5845	0.56%	18.82%	62%	↕	↑
USDollar / Brazilian Real	BRL=	3.1685	-1.61%	-18.63%	-58%	↓	↘
USDollar / Czech Koruna	CZK=	25.26	-0.51%	3.86%	-12%	↓	↘
USDollar / Hungarian Forint	HUF=	289.02	0.11%	3.13%	-10%	↓	↘
USDollar / Polish Zloty	PLN=	4.085	-0.87%	2.56%	-17%	↓	↘
USDollar / Romanian Leu	RON=	4.201	-0.50%	3.40%	-12%	↓	↘
USDollar / Russian Rubble	RUB=	59.6611	0.09%	-22.31%	-48%	↓	↘
USDollar / Turkish Lira	TRY=	3.764	1.16%	29.11%	54%	↕	↕
Euro / Japanese Yen	EURJPY=	122.63	0.66%	-6.28%	57%	↓	↑
Euro / British Pound	EURGBP=	0.8647	-1.10%	13.75%	49%	↑	↗
Euro / Swiss Franc	EURCHF=	1.0721	-0.10%	-3.83%	-52%	↕	↓
Euro / Canadian Dollar	EURCAD=	1.4256	2.13%	-6.82%	12%	↗	↗
Euro / Australian Dollar	EURAUD=	1.4155	-0.20%	-8.61%	-45%	↓	↑
Euro / New Zealand Dollar	EURNZD=R	1.4907	-0.02%	-10.45%	-45%	↘	↑
Euro / Danish Krone	EURDKK=	7.4367	0.02%	-0.37%	-2%	↑	↗
Euro / Swedish Krone	EURSEK=	9.5131	0.35%	1.65%	-44%	↓	↓
Euro / Norwegian Krone	EURNOK=	9.0058	-0.51%	-5.30%	-38%	↓	↓
Euro / Singapore Dollar	EURSGD=	1.5238	0.36%	-2.89%	10%	↑	↗
Euro / Korean Won	EURKRW=R	1256.48	0.58%	-5.67%	43%	↑	↑
Euro / Mexican Peso	EURMXN=	23.1	1.09%	14.52%	54%	↑	↑
Euro / Brazilian Real	EURBRL=R	3.39	-1.08%	-21.58%	-62%	↓	↓
Euro / Czech Koruna	EURCZK=	27.01	0.01%	-0.01%	-40%	↓	↘
Euro / Hungarian Forint	EURHUF=	309.32	0.79%	-0.54%	-27%	↓	↘
Euro / Polish Zloty	EURPLN=R	4.3705	-0.34%	-1.17%	-16%	↓	↘
Euro / Romanian Leu	EURRON=	4.4935	0.02%	-0.40%	-12%	↓	↘
Euro / Russian Ruble	EURRUB=	63.8168	0.65%	-25.17%	-52%	↕	↓
Euro / Turkish Lira	EURTRY=	4.0294	1.73%	24.61%	67%	↕	↕



Market Snapshot – Stock Indices

INSTRUMENT NAME	INSTR RIC	LAST PRICE	1 Week Change	1 Year Change	Daily Score	21 Days Cycle	64 Days Cycle
Dow Jones World Index	.DJWD	331.37	-0.03%	20.39%	54%	↑	↑
MSCI World Index	.WORLD	1782.71	-0.31%	15.70%	53%	↕	↑
US S&P 500	.SPX	2271.31	0.04%	21.53%	52%	↕	↑
US Nasdaq 100	.NDX	5063.20	0.43%	22.22%	84%	↑	↑
S&P/TSX Composite Canada	.GSPTSE	15547.88	0.33%	31.28%	62%	↕	↕
Mexico IPC	.MXX	46331.60	0.32%	11.32%	39%	↑	↗
Brazil BOVESPA	.BVSP	64521.18	1.37%	69.54%	83%	↑	↓
Japan Nikkei 225	.N225	19137.91	-0.77%	8.14%	66%	↕	↕
Korea KOSPI 100	.KS100	2013.44	-0.45%	17.79%	79%	↑	↑
FTSE Strait Times Singapore	.FTSTIL	3011.08	-0.46%	14.46%	54%	↑	↑
S&P/ASX 200 Australia	.AXJO	5654.75	-1.16%	15.03%	52%	↑	↑
NZX 50 New Zealand	.NZ50	7048.47	0.02%	15.29%	70%	↑	↗
DJ EuroSTOXX	.STOXXE	352.44	-0.60%	9.13%	52%	↑	↑
DJ STOXX 600 Europe	.STOXX	362.58	-0.92%	5.93%	94%	↑	↑
German DAX	.GDAXI	11630.13	0.01%	17.70%	101%	↕	↕
UK FTSE 100	.FTSE	7198.44	-1.90%	22.01%	95%	↑	↑
France CAC 40	.FCHI	4850.67	-1.46%	9.82%	58%	↕	↕
Amsterdam AEX 25	.AEX	485.98	-0.43%	12.68%	57%	↕	↑
Brussels BEL 20	.BFX	3588.53	-1.26%	2.93%	55%	↑	↑
Madrid IBEX 35	.IBEX	9380.10	-1.38%	6.40%	58%	↑	↑
Milano FTSE MIB	.FTMIB	19479.46	-0.18%	7.09%	76%	↑	↑
Vienna ATX 20	.ATX	2684.83	0.24%	26.97%	93%	↕	↕
OMX Copenhagen 20	.OMXC20	891.71	-0.67%	-6.26%	70%	↑	↑
OMX Helsinki 25	.OMXH25	3711.15	0.65%	17.32%	62%	↑	↑
OMX Stockholm 30	.OMXS30	1525.49	0.20%	12.63%	52%	↕	↕
OMX Nordic 40	.OMXN40	1484.33	-0.17%	1.60%	60%	↑	↑
Athens General Index	.ATG	639.16	-1.92%	14.49%	52%	↕	↑
Lisbon PSI 20	.PSI20	4601.65	-0.30%	-9.16%	-17%	↓	↘
Zurich SMI 30	.SSMI	8275.13	-2.09%	0.26%	88%	↑	↑
Oslo Bors	.OBXP	407.14	0.64%	25.31%	84%	↕	↕
Bucharest BET	.BETI	7289.73	2.04%	16.53%	82%	↑	↑
Budapest BUD	.BUX	32881.92	-0.21%	40.78%	58%	↕	↕
Istanbul BIST	.XSIST	81344.03	2.74%	20.42%	84%	↑	↑
Moscow MICEX	.MCX	2159.96	-1.60%	25.83%	-16%	↓	↘
Prague PX	.PX	928.53	-0.20%	4.71%	62%	↑	↑
Warsaw WIG	.WIG	53573.28	0.14%	27.01%	79%	↑	↕
STOXX Eastern Europe TMI	.EETMP	198.42	-1.12%	26.97%	52%	↕	↕
STOXX Eastern Europe 300	.EEBP	118.03	-1.16%	27.32%	52%	↕	↕
CECE Index	.CECEEUR	1528.56	-0.31%	16.85%	57%	↑	↑
CECE Extended Index	.CECEXEUR	983.09	-0.11%	19.11%	49%	↑	↑
South Europe Traded	.SETXEUR	1054.96	0.88%	12.61%	53%	↑	↑
New Europe Blue Chip	.NTX	1043.60	-0.03%	21.16%	80%	↕	↕



Market Snapshot – Long Bonds & Commodities

	INSTRUMENT NAME	INSTR RIC	LAST PRICE	1 Week Change	1 Year Change	Daily Score	21 Days Cycle	64 Days Cycle
	Euro Schatze 2 Yr	FGBSc1	112.17	-0.06%	0.31%	-31%	↘	↘
	Euro BOBL 5 Yr	FGBMc1	133.05	-0.25%	0.47%	33%	↑	↑
	Euro BUND 10 Yr	FGBlc1	162.29	-0.69%	-0.65%	-10%	↑	↑
	Euro BUXL	FGBxc1	165.52	-2.16%	1.78%	-77%	↘↗	↓
	EUREX Swiss Conf Bond	CONFc1	161.15	-0.64%	-1.61%	-23%	↘↗	↓
	EUREX Short BTM (Italy)	FBTSc1	112.84	0.02%	-0.51%	52%	↑	↑
	EUREX Mid BTM (Italy)	FBTmc1	125.19	0.00%	-1.91%	-2%	↘	↗
	EUREX BTM (Italy)	FBTPc1	133.39	-0.93%	-4.68%	-63%	↓	↓
	EUREX Mid OATS (France)	FOAMc1	129.82	-0.23%	-0.37%	-63%	↘↗	↓
	EUREX OATS (France)	FOATc1	149.31	-0.80%	-3.33%	-79%	↘↗	↓
	LIFFE Short Gilt	Gc1	105.27	-0.11%	1.39%	54%	↘↗	↑
	LIFFE Mid Gilt	Hc1	114.78	-0.23%	2.82%	-6%	↘	↑
	LIFFE Long Gilt	FLGc1	123.83	-0.51%	4.00%	-65%	↘	↓
	LIFFE Ultra-Long Gilt	Uc1	142.48	-0.82%	8.50%	-60%	↑	↓
	CAN 2 Yr Bond	CGZc1	108.95	0.05%	-0.70%	-60%	↘↗	↓
	CAN 5 Yr Bond	CGFc1	123.43	-0.06%	-2.90%	-14%	↘↗	↓
	CAN 10 Yr Bond	CGBc1	137.55	-0.24%	-4.17%	-49%	↘↗	↓
	CAN 30 Yr Bond	LGBc1	185.16	-1.47%	-2.36%	-62%	↘↗	↓
	US 2Yr Note	TUc1	108.37	0.01%	-0.72%	-54%	↘↗	↘↗
	US 5Yr T-Note	FVc1	117.68	-0.19%	-2.09%	-48%	↘↗	↘↗
	US 10Yr T-Note	TYc1	124.22	-0.54%	-3.46%	-48%	↘↗	↓
	US 30Yr T-Bond	USc1	150.78	-1.19%	-5.50%	-33%	↑	↓
	US 5 Year Yield	.FVX	19.40	3.85%	36.91%	57%	↘↗	↘↗
	US 10 Year Yield	.TNX	24.67	4.49%	24.34%	33%	↓	↑
	US 30 year Yield	.TYX	30.46	2.91%	10.48%	28%	↓	↘
	China 5 Yr T-Bond	CTFc1	#N/A	0.00%	0.00%	0%	→	→
	Osaka 5 Yr JGB	JMBc1	113.22	-0.03%	0.53%	-17%	↑	↓
	Osaka 10 Yr JGB	JGBc1	150.18	-0.06%	0.57%	-48%	↘↗	↓
	Osaka 20 Yr JGB	JTBc1	154.25	-0.85%	8.58%	-63%	↓	↓
	SFE 3Yr AUS Gov Bond	YTTC1	97.94	-0.07%	-0.15%	-48%	↘↗	↓
	SFE 10Yr AUS Gov Bond	YTCC1	97.19	-0.09%	-0.14%	-23%	↘↗	↓
	SPOT Gold	XAU=	1209.56	1.03%	5.87%	13%	↑	↗
	SPOT Silver	XAG=	17.07	1.66%	16.27%	13%	↑	↗
	SPOT Platinum	XPT=	976.50	-0.68%	11.00%	22%	↑	↑
	SPOT Palladium	XPD=	785.50	4.84%	54.20%	63%	↑	↗
	LME Copper	HGc1	2.62	-1.64%	31.31%	79%	↑	↑
	LME Aluminum	GCc1	1204.30	0.45%	9.57%	4%	↑	↗
	NYMEX WTI Crude Oil	CLc1	52.42	-1.11%	77.51%	54%	↑	↑
	ICE Brent	LCOc1	55.49	0.07%	59.73%	59%	↑	↑
	NYMEX Natural Gas	NGc1	3.20	-5.38%	49.86%	5%	↓	↘
	ICE GasOil	LGOc1	489.50	0.41%	61.02%	54%	↑	↑



ANNOUNCEMENT

We have deliberately pushed this edition of our publication past President Trump's inauguration to gather additional evidence and comment more thoroughly for the year ahead. Going forward, this letter will become a global big picture piece and will be complemented with other higher frequency services that have already been open or will be open very shortly for regional coverage (North American interest rates, Eastern European currencies, Global market cycle analysis). Everybody will be notified in due time about their coverage and we are very confident you will all be very pleased with what we are about to transform our services into.

Additionally, we are closing in very quickly towards completion of our trading application. We think we have created something very unique and very useful and we look forward presenting to everybody perhaps as soon as late February – mid March.

Key Themes

A 2016 Retrospective and why 2017 can be potentially even more interesting

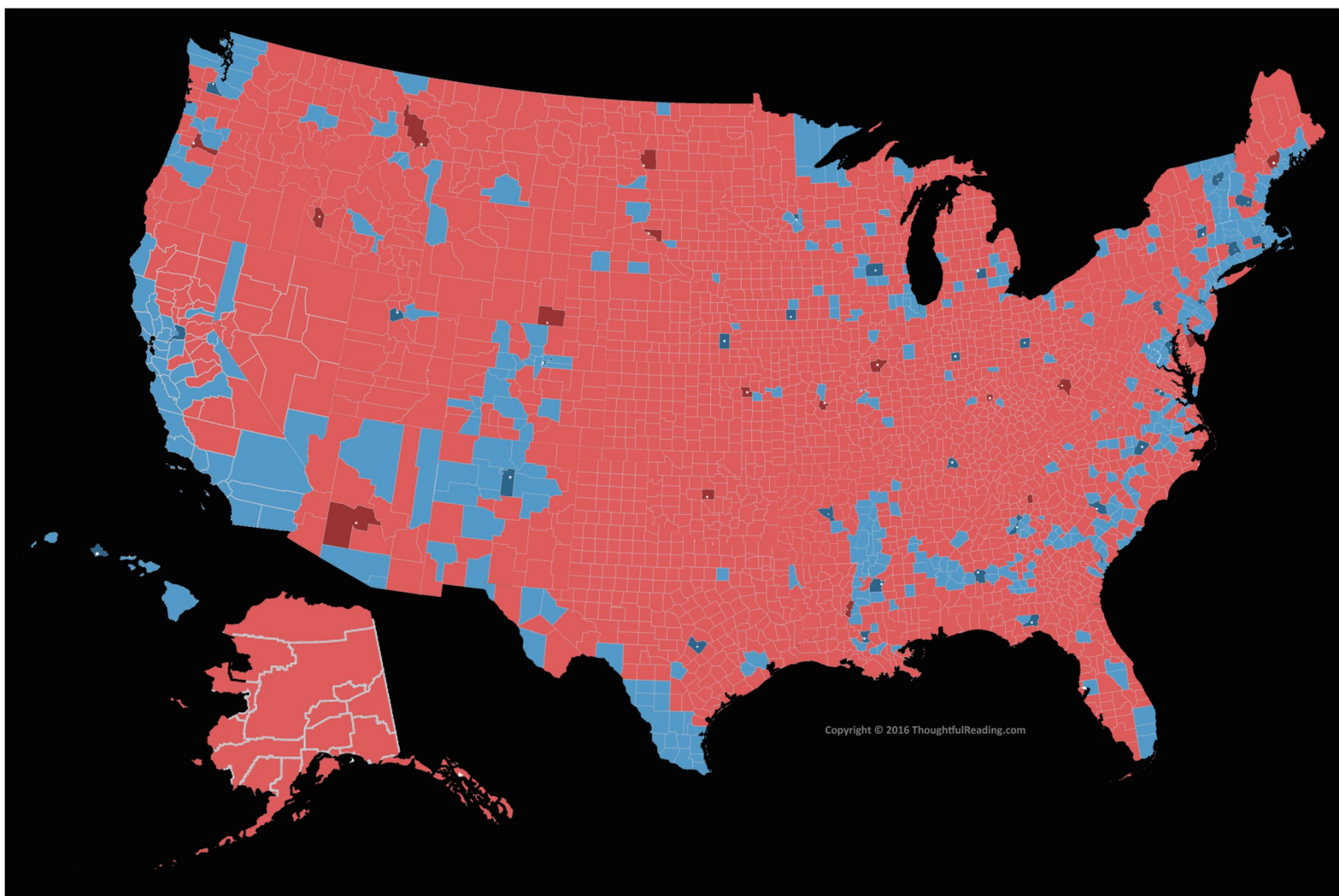
What a year 2016 has been! As you may be aware, we have been amongst the very few who called for the Brexit vote on June 23rd and for the Trump victory on November 8th. I have in fact announced just before the primaries in Indiana, if you recall, that Donald Trump was going to win that state, secure the Republican nomination and in fact go ahead and get the White House on November 8th. I reaffirmed that position in late October. The implications are huge in more than one way so let me explain what I think just happened here and how it will impact things going forward.

November 8th is not only the day that decided the 45th President of the United States of America. Rather, it is the day when the globalists suffered their first major defeat in a war that will take many years but that should, at its end, lead to the dismantling of the Bolshevik-like world order that had been installed by stealth and deception after the collapse of the USSR and that had started to destroy our nation states, their economies and their democracies from inside out. For all the money Hillary got thrown at her, for all the lies and propaganda the main stream media tried to be supportive with, Clinton's election result is nothing short of a complete and utter embarrassment – a totally deserved one considering the nature of the candidate, me thinks. Yes, I know the "never Trump" neo-liberal goofs will tell us President Trump lost the popular vote but just look at these statistics:



- ✓ The Electoral college count was 304 to 227 for Donald Trump;
- ✓ Out of the 3141 counties in the US states, Trump won 2652; Clinton won 489;
- ✓ In the traditionally Democrat state of New York, there are 62 counties; Trump won 46, Clinton won 16;
- ✓ In the 5 counties that encompass New York City, i.e. Bronx, Brooklyn, Manhattan, Richmond and Queens, Clinton received well over 2 million votes out of the 2.9 million more she got in total;
- ✓ These 5 counties comprise a surface of 319 square miles out of a total of 3,797,000 square miles.

Visually, the per-county vote looks like blue spots in a red sea:



The Trump victory is impressive beyond the looks, feels and some of the numbers. Donald Trump has just become the first Republican candidate in about 3 decades to win Wisconsin, not won by a



Republican since Ronald Reagan in 1984; as well as Michigan and Pennsylvania – not won by a Republican since George Bush Senior in 1988. Donald Trump has also won Florida with the support of a fair number of Latino and African-American voters; and he has also flipped North Carolina and has been in a relatively tight race in Virginia which was the home of Clinton’s running mate, Tim Kaine. The map on the previous page and the developments I just described speak in no uncertain terms regarding the overwhelming popular support President Trump’s agenda received from ordinary Americans. That the liberal media describes it differently is nothing but sore-loser behavior, what America unambiguously said on November 8th was “we’ve had it all, we’re fed up, we want our country back”!

So what does all this mean? First and foremost, let’s stop for a second and give credit where it is due: my hat is off to President Trump and his team for running an outstandingly efficient, well-coordinated and well-articulated campaign. We have forecasted his victory and we are proud and happy for it, but having the opportunity to see it happen under our very eyes was truly a once-in-a-lifetime experience. The Trump team prevailed and climbed on the podium by enduring what clearly were the most adverse political conditions a campaign ever had to face in American and perhaps Western politics. As we said in the previous issue, the vicious attacks of the unscrupulous media outlets were reminiscent of Soviet times, much like ordinary people’s reluctance to openly voice their support for Donald Trump’s view out of fear of retribution at work or elsewhere. The Trump campaign was outspent in some cases more than 20-1 and overall had a budget about 9-10 times less than the Clinton campaign; Donald Trump himself had to hold 4-6 rallies a day in different parts of the country covering tens of thousands of miles a day while Hillary was making very rarely more than 1 but was helped enormously by many “celebrity” surrogates, including the First Couple Barack and Michelle Obama. And in the end almost the entire map turned red DESPITE the heavily skewed resources in favor of the blue side because of Mr Trump’s constant refusal to negotiate with the establishment. The sixteen minutes inauguration speech on January 20th made it abundantly clear one last time that the new vision for the country is “America first” and that the USA will now begin to shine to the benefit of its citizens as opposed to attempt to dictate idiotic policies to the rest of the world so the ruling elites of Washington can gain more power and influence on a global scale. It’s that bloody simple!

As a quick side comment here, there would be a ton of things to say about Mr Trump’s opponents not only pre November 8th but also post November 8th. I could in fact spend several dozen pages addressing these guys’ lack of understanding of what happens in their very surrounding, or their level



of disconnect with reality, or indeed their sheer lack of comprehension as to how very simple laws of the Universe work. But that would be a complete waste of time and beyond the “satisfaction” – if there is any such thing on a useless endeavor – of ripping them a couple, nothing would be achieved. I will say this though: people who continue to bash a democratically elected President who won fair and square an election held according to a prevailing constitutional procedure can be ranked anywhere between corrupt snakes – to sore losers – to complete idiots. People who break windows and torch cars during the inauguration ceremony of that same President are not even that. People who beat other people because they hold opposing political views are pure and simple Bolshevik animals and should be dealt with accordingly by law enforcement officials – or anonymous democratically-minded citizens armed with anything from baseball bats to shot guns, as the need may be ! So fellas, get over it. Donald Trump has won and Donald Trump is now the 45th American President. Insulting him at this point is an insult to the entire electoral process and to the institution of Presidency itself, indeed to an American democratic tradition that is as old as the Republic itself. Wishing President Trump to fail aligns your thoughts with those of evil globalists such as George Soros and is the equivalent to wishing your own selves miserable (or more miserable than you already are). Trust me, no honest man or woman in the world has any interest in Donald Trump failing.

So what are the true implications of Donald J Trump’s victory? In a nutshell, this is an attempt to end an era – the one of Globalism - and begin an other one – the one of revived nation state democracies. Everybody proclaims this concept in more definitive terms and says it is for sure the end of an era and the beginning of a new one but I want to be a bit more careful because the amount of stealth opposition to President Trump’s agenda both inside and outside of the USA should not be underestimated. Personally, I do not believe Mr Trump will fail turning the country and the World according to his vision; but ruling out that he could is equivalent to writing off the opponent – the Globalist mafia - and taking things for granted, a mistake no serious contender can afford in a major war like this one (this, by the way, is how Globalists lost on June 23rd and on November 8th, let’s not repeat their mistake). I suspect in some sense this is 1990ies in the West with the benefit of being able to hold an election to bring about change in the system before it inevitably imploded. Back in the 1990ies, after 2-3 decades of some very serious economic, political and military errors, the Soviet Union and its satellite economic and military blocs started to collapse. Because peaceful transition of power to a different developmental model could not take place in a totalitarian system, the entire structure ended up collapsing on its own weight. In today’s USA and the West , after 2-3 decades of



equally serious economic, political and military errors, the concept and structure of Globalism is being badly shaken by a popular uprisings and an anti-establishment movements which in the US is now represented by the man working straight out of the Oval office. Conceivably, collapse may still be avoided because change will have been enacted in due time through the ballot box. Unlike some pundits and commentators are suggesting, that change is NOT about America withdrawing from the World's stage or about America pursuing narrow economic interests (like a notable Canadian globalist, the "honorable" ex-Prime Minister Stephen Harper, wrongfully contends). That change is about America capitalizing on its assets more intelligently and playing a way more constructive role in the World through its unparalleled ability to generate top entrepreneurial talent and top technological innovation. That change is about America ceasing to be pushed around due to a semi-broken military and exhausted budgets; and is also about the reinvention of a smartly assertive America which will probably become again the # 1 military power on short notice but which will use its military mostly as a deterrent against TRUE geopolitical foes as opposed to as a mercenary force paid by taxpayers and deployed in places where Globalists have economic interests. So I would not be fooled that the "America First" slogan is equivalent to "retreat within our borders"; in fact I truly think a lot of people will be shocked about the diversity, the quantity and the quality of the deals the Trump Administration will strike in the Global Arena in the next 4 years.

Now, here is where it gets interesting. America's interests, under the philosophy of the new US administration, dictate that the European Union, in its current form, ceases to exist. Politically, it would be a major strategic mistake for President Trump to allow the Brussels bureaucracy to continue because the continuation, let alone the eventual deepening, of the across-the-continent political union means that all the Globalists need to do in order to get back in the game is get rid of Trump and then it is business-as-usual all over again. This lack of interest in the European political union appears to be more and more in line with what the peoples of Europe themselves desire: between Greece, Spain, Italy, Portugal, Netherlands, France and even Czech Republic, Hungary, Slovakia and Austria, there is growing euro skepticism which I think can be largely interpreted as a sign that the majority of the 500 million Europeans do NOT want to live under the Federal structure of a European Super State. There is no sign anybody disagrees with preferential visa regimes or continent-wide free trade agreements but there is ample evidence that nobody wants bureaucrats to legislate for them how many migrants they ought to accept or what the curvature of bananas and cucumbers ought to be for that matter (in case you wonder what this is about you should know that there are European directives that legislate the



permissible shapes and sizes of cucumbers and bananas in grocery stores across the EU). So I think there is a convergence of interests between Washington and the soon-to-be-in-power political movements in many European capitals that will essentially lead to the collapse of the EU in 2017-2018. I suspect everything will be rolled back into the pre-Maastricht treaty arrangement and that will mean a return to the European Economic Community, a return to national currencies and probably the enactment of a true free trade zone that may begin on the shores of North America or at the English Channel and that may end at the Black Sea or, who knows, maybe all the way to Vladivostock. You may have noticed that this past week the British PM Theresa May announced, a short 24 hours before President Trump's inauguration, that the UK will completely withdraw from the EU without much negotiation in what amounts to an obvious hard Brexit. Since Theresa May is generally a very calculated and diplomatic person and a politician with little appetite for adventures into the unknown, we suspect this may be tied to the idea that the British have already been made aware President Trump will seek to re-arrange European order and peg it / re-anchor it to American order in a way that prevents Globalist domination and that makes better sense for both the United States and the European countries themselves. The German response to that possibility seems to be a Merkel-against-Schulz / all globalist race to prevent Germany from sliding into AfD / Euroskeptic hands in the upcoming German elections in September but at this point this should just about convince the German public they should vote for anybody but the traditional SPD / CDU parties next fall. We can probably brace for some turbulences while this whole EU metamorphosis process transpires in the 2nd part of 2017 because I think an adjustment of this magnitude cannot occur seamlessly, but I think expecting an all-out economic or financial disaster is totally inappropriate.

From here let us move to our second point, NATO. President Donald Trump spoke several times against NATO and he mentioned three things:

- i. The US cannot continue to cover 70% of NATO's bills. If NATO members want security and want protection they will have to pay for it;
- ii. As it relates to Russia, NATO is the tripwire that can lead to World War III ;
- iii. It is unclear why NATO does not become the center stage for attacking international terrorism.

I believe these 3 points are entirely valid and are probably going to represent the principles around which NATO will be reshuffled, reorganized and rearranged to address its members' needs in today's



world. The restoration of Russian-American relations would probably be an initial item to deal with in the post-Obama World before NATO can be reorganized and that is for two reasons. First off, if we get rid of the moronic “Russian aggression” assertion invented by the West in the past 3-5 years, Russian-American arms control treaties are possible and the cost of participation into the alliance should become more affordable for NATO members. Secondly, such agreements could ultimately have their scope broadened to include the international terrorism issue and thus silence the hawks in Washington. The incoming President Trump has signaled his readiness and willingness to reach out to the Russians not in the least by appointing Rex Tillerson, the former Exxon Mobil CEO, as Secretary of State. Secretary Tillerson is probably more aware of the intricacies of Russia’s economic and political systems than anybody else in Washington or in the Western World for that matter and his appointment speaks volumes regarding Donald Trump’s views and intentions on Russia. The Russians, for their part, responded positively too. When a classy and very intelligent Barack Obama took the unprecedented step of ordering 35 Russian diplomats out of the US and of demanding the closure of two Russian cultural centers on US soil just a few weeks before he would vacate the White House, the Kremlin chose not to retaliate. When talks were being scheduled on January 23rd in Astana on the Syrian Peace process, Russia persuaded both Syria and Iran the incoming US administration should be invited and ultimately extended an invitation of its own. So the signs are very positive that we are moving in the direction of breathing back much needed sanity into the Russian-American relations which under the outgoing President Obama had taken a terribly dangerous turn. To the extent President Trump and President Putin manage to deliver some low-hanging fruit by cooperating in a few pressing dossiers, things should begin happening much smoother between the US and Russia. Once these two countries find common ground, a full reorganization of NATO along the lines described above can proceed with not much opposition in Washington or other European capitals from the traditionally Russophobic globalist hawks.

You may recall that 3 years ago, at the onset of the Ukrainian crisis, we claimed the Obama Administration was committing a monumental mistake by poking the Russian Bear in the eye because 1. nothing was going to be gained against a very determined and militarily capable Russia and 2. Russia was the wrong country to focus Western/US efforts of containment on. As per President Trump’s many statements, somebody is finally noticing that while the US under George W Bush and Barack Obama were busy spending tens of billions of dollars mounting the “anti-missile shield” to encircle and threaten Russia, which Russia subsequently neutralized, the Chinese wasted no time siphoning



national income from the US to accumulate treasure and turn themselves into a very dangerous geopolitical foe.



The chart above explains in part who America's true geopolitical foe is. I am saying "in part" because the chart above does not account for the wealth transfer by way of piracy and intellectual property theft which could be AT LEAST as large as - if not larger than - the trade deficit itself. In other words the chart above explains only the items we buy at BestBuy, HomeDepot, Walmart and everywhere else and does not account for the years and decades of research and development effort firms like Intel, Chevrolet, Apple or Airbus have made available at zero cost to Chinese competitors by opening up factories in China (where their technology can be and most likely is easily stolen and then replicated to be used against those it was invented by and stolen from). As we speak, some of that cash is money lent back to the US and accounts for about 7% of the US national debt; and some of that



cash is used in projects such as the man-made islands in the South China Sea through which the Chinese are hoping to take over the most important commercial shipping route in South-East Asia. This is very significant because traditionally the country that controlled shipping routes was the country that dictated the terms of international trade, including the currency in which such trade took place. The need to reaffirm and reassert American influence in the South China Sea as a significant pillar for American influence in the entire Asia-Pacific region could not be more urgent and we contend this makes a US-China trade war more or less inevitable. What better way to contain China than force it face enormous domestic problems and what better way to force China face domestic problems than by blocking its access to key foreign markets, most notably US and Western Europe?

Like in Russia's case, cabinet appointments speak volumes about what's coming for China. Secretary of commerce Wilbur Ross is famous for advocating level plane field free trade: "we should provide access to our markets to those countries who play fair, play by the rules and give everybody a fair chance to compete. Those who do not should not get away with it - they should be punished and severely." And then Peter Navarro, a California scholar famous for writing "Death by China – one job lost at a time" has been appointed to a newly created position, as director of the White House National Trade Council. Things will change big league and they will change fast, that I am sure of.





So here's the deal with President Trump. He got elected to make deals for the American public not for the American corporations and that's what he appears willing to do. If I was Russian or British, I'd blow a sigh of relief. In many ways today's environment is beginning to look like the Reagan-Thatcher-Gorbachev era of peace of prosperity we had 30 years ago. If I was Chinese I would expect that the next 4-8 years will be quite a bit longer than the previous 24 and I would get ready to play by the rules or face massive retaliation. If I was European I'd seek to learn the most I could from the Brexit experience and get ready for a similar moment for my own country. If I was a eurocrat I'd quickly look for a new profession. If I was a Mexican I'd save for the wall I must build and I'd stand ready to make the concessions I need to make to keep the NAFTA alive. If I was Canadian, Australian, Japanese or Korean I wouldn't take things for granted and I'd try to fit in and not make a big head when I'm being suggested things. Overall, the ones that should really sweat it are the Chinese and I truly and honestly believe it is for the right reasons. The transfer of wealth from the West to China, amongst other things, must end here or we are going to go to hell.....

What the markets tell us:

Just take President Trump at face value. He means to put in practice the agenda he campaigned on and that is going to generate some inflation, with all monetary policies that entails. This will have implications for the USDollar, for commodities and of course for stocks. As we approach the second part of 2017 the possibility of a major China-US trade war is very real.



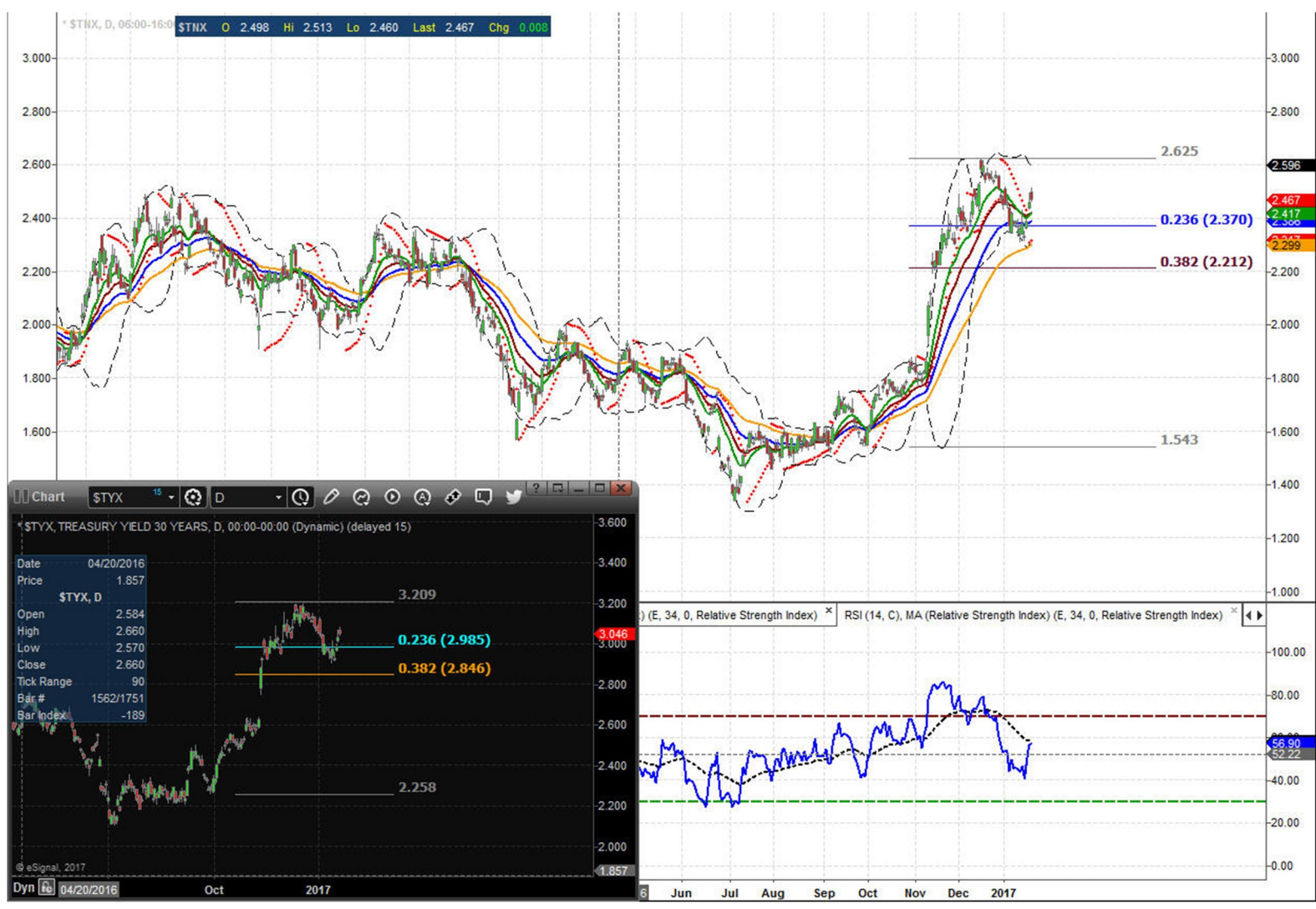
1. Inflation expectations are being adjusted.

Any good economics book will tell you that sustainably higher inflation is not possible without wage inflation. Wage inflation, in return, is possible only when the demand for labor grows at a faster rate than the supply of labor. When companies are forced or given incentives to bring jobs back to American shores, it is easy to see how the conditions for wage inflation are created. This is why yields have pushed sharply higher since November 8th.





In the 10 year Yield an initial mid-term resistance line has been taken out. A more significant long-term one will probably continue to remain above the market for another year or two (maybe until we settle that EU non sense and adjust to China stopping to produce a lot of stuff that can no longer be sold to the US ???). We're expecting, however, a continuing rise into the 3.06 / 3.76 and a more meaningful correction from that zone. The equivalent resy zone for the 30 year yield is the 3.994% area. As per the daily chart attached below, those zones will be attacked AFTER an additional consolidation phase above 2.212-2.370% (10 year Yield) and 2.846-2.985% (30 year Yield).





2. The USDollar is likely to be the Supreme King of currency markets

As we speak, the US is about the only jurisdiction that can be projected to experience some very dynamic economic growth and potentially rapidly rising interest rates. It should be no surprise, then, that the USDollar looks set to be the king of the currency markets. As per the charts below, a correction is currently underway in the daily time frame but buying interest should resurface somewhere within the 97.80-98.95 range and carry the dollar above the 103.80 December 2016 peak.





In EURUSD this translates into resistance at 1.0823-1.0935 and then a hard fall way below 1.0348

From a weekly chart perspective, the Dollar is headed for 110.60 and then 114.01 / 121.33. The equivalent levels in the EURUSD are 0.9910 / 0.9380 / 0.8243





3. The combination of higher rates and higher Dollar is generally deadly for commodities

The patterns in Gold and Oil are somewhat neutral in the short-term but are not very hopeful on a mid-term basis, which is what we could expect in a rising rates / rising USDollar environment. While \$70-80/barrel and \$1400-1500/ounce may be visited at some point, the longer-term trends in the two commodities are down towards \$20-30/barrel and \$900-1000 / ounce respectively.





4. Expect a good first half of 2017 for stocks and then a mediocre, bad or terrible second half

We have told you many times that the bullish cycle that started at the 2009 lows is not over and we maintain that view. Its internal wave **(3)** up will likely be completed in the first half of this year and then give way to a multi-year sideways wave **(4)** consolidation. Expect a steep rise into the 2500-2687-2930 targets to complete wave **(3)** and then some sort of drop, potentially as steep as the preceding rally, in wave **A** of **(4)**. The idea is be long now but don't forget to take profit before everybody else does.

