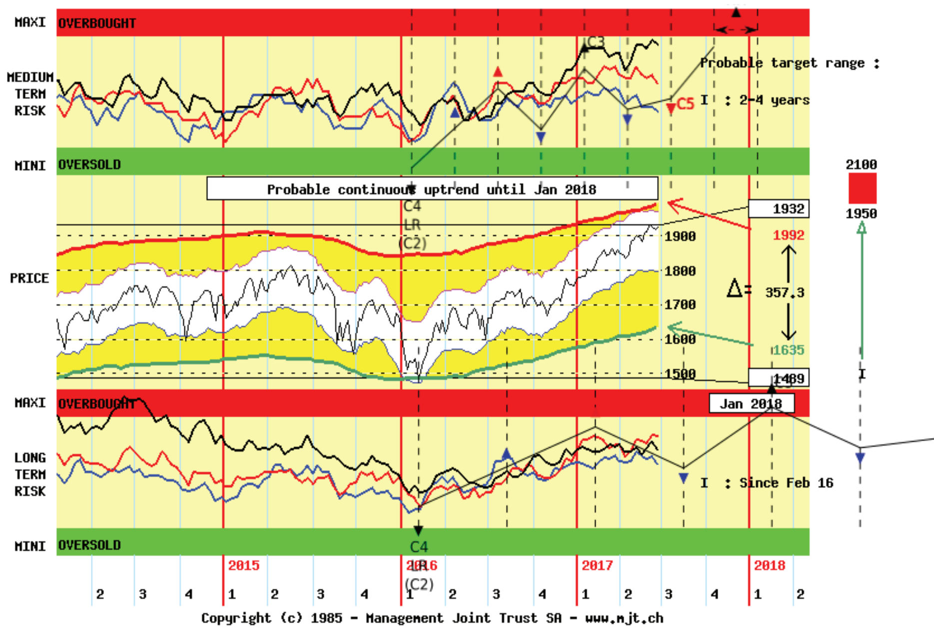
43 / Splicing the markets – Looking at the topline (MSCI World, S&P500 and SX5E)

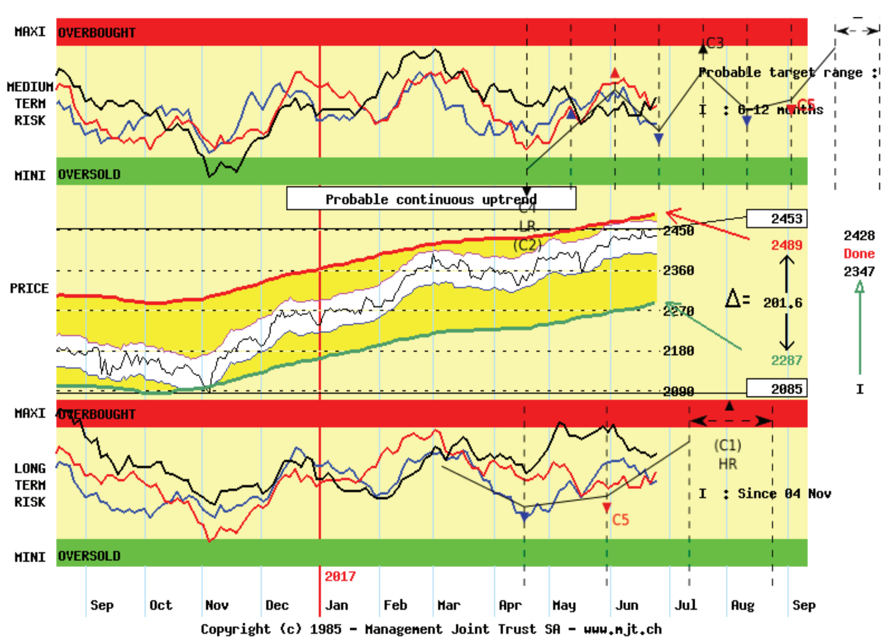
Throughout this document, we have looked at currencies, precious metals, sector rotation and Financials. **We will use this "rSplicing the markets" section to consider top-line equity markets and their potential evolution over the next few months and towards year-end.**

MSCI World Index
Weekly graph or the perspective over the next 2 to 4 quarters



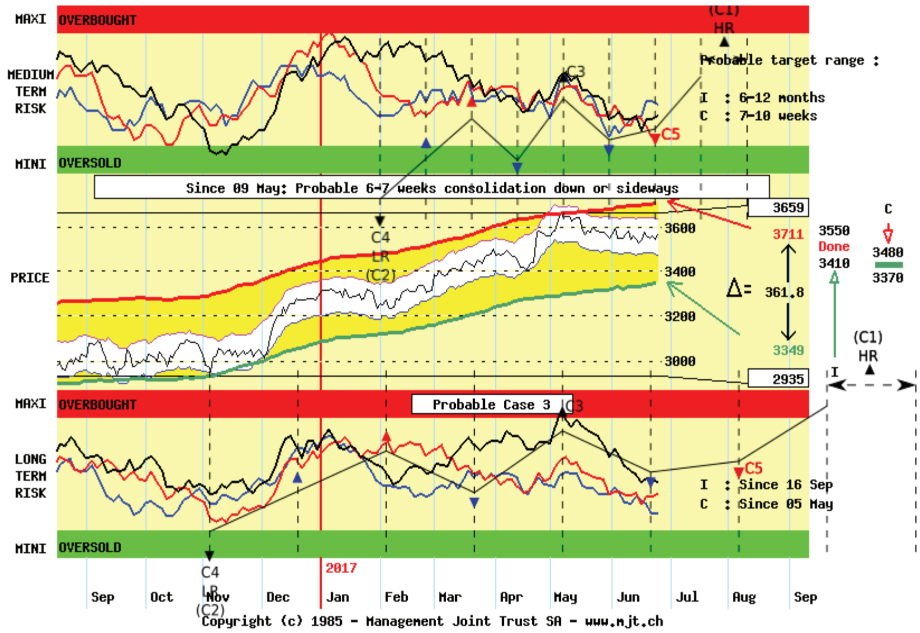
Longer term, until early 2018, we are still positive on equities. Indeed, on both oscillator series (lower and upper rectangles), this Weekly graph of the MSCI World Index shows upside model projections which could extend up into early 2018. **The 'I' Impulsive price targets we calculate are between 5 and 10% to the upside towards year-end (right-hand scale).** In the meantime, we can expect the current high level consolidation to continue possibly until mid Summer, where a low point on our models would justify the start of a new period of acceleration to the upside.

S&P500 Index
Daily graph or the perspective over the next 2 to 3 months



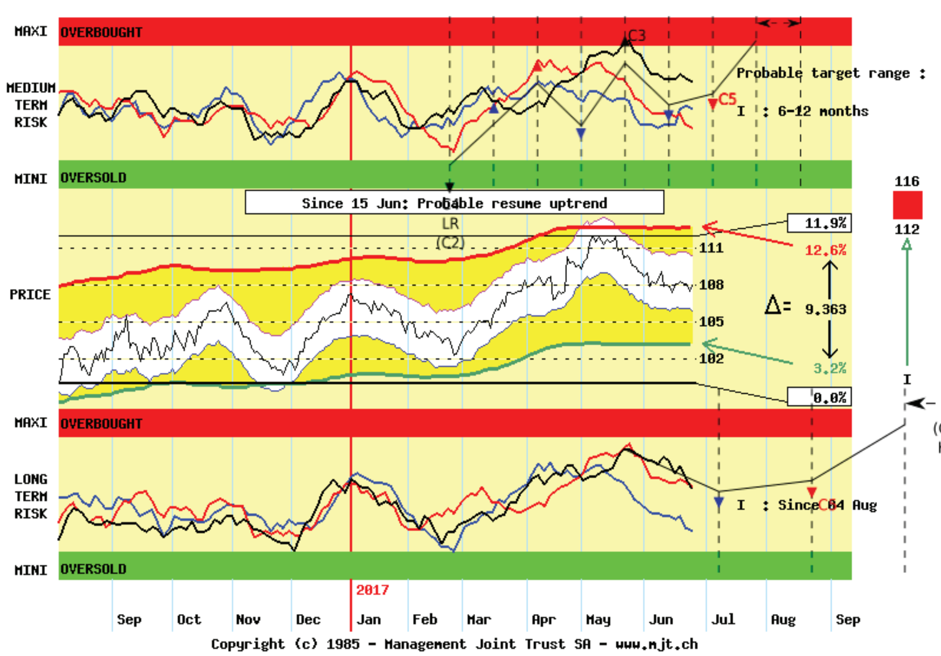
Although our 'I' Impulsive targets to the upside (right-hand scale) have been reached and surpassed for some time, the S&P500 Index has proven resiliently strong over the last two months. **Both our oscillators series (lower and upper rectangles) suggest that the current progression could linger on into July. Risk/Reward is still stretched at this stage and we would remain cautious given that a further period of consolidation is potentially expected between mid July and early August (upper rectangle).**

EuroStoxx 50 Index
Daily graph or the perspective over the next 2 to 3 months



The EuroStoxx 50 did top out early May and has since been consolidating to the downside. This downside move has been quite shallow and has remained well above our 'C' Corrective targets down (right-hand scale). At the worst of the correction, mid June, the draw-down was less than minus 4%. Considering both our oscillator series (lower and upper rectangles), **the EuroStoxx 50 could now start a new extension up which could lead it into mid July and possibly new highs. Following that, as with the S&P500, we expect a further period of consolidation to materialize between mid July and early August. Hence, although the EuroStoxx 50 has indeed consolidated a bit to the downside, Risk/Reward remains stretched** with our 'I' Impulsive targets up having been reached and surpassed (right-hand scale).

EuroStoxx 600 vs S&P500 Index (Currency hedged)
Daily graph or the perspective over the next 2 to 3 months



This graph compares the EuroStoxx 600 with the S&P500 Index on a hedged currency basis (the currency effect is hedged, both sectors are compared like to like). Between March and mid May, the EuroStoxx 600 was very strong, especially when considering the risks involving the French Election as well as the strength of the EUR/USD pair. Since mid May, the European markets have started to consolidate while the US has remained resiliently up. On both our oscillator series (lower and upper rectangles), we would expect this situation to reverse from early July with the EuroStoxx 600 possibly outperforming until early August in first instance. This may reflect the Dollar rebound we expect.

Concluding remarks

On our Weekly charts, we are still bullish towards year-end on World, European and US markets. The current Daily situation is however treacherous. Indeed, although both European and US markets could extend into July, we do expect further consolidation into late July / early August. More generally, Risk / Reward remains stretched with our 'I' Impulsive targets to the upside having been reached on both US and European equity markets. If we had to have a slight preference at this stage, it would be for Europe. Looking into late summer and potentially year-end, we remain very positive on all three indices mentionned above.