

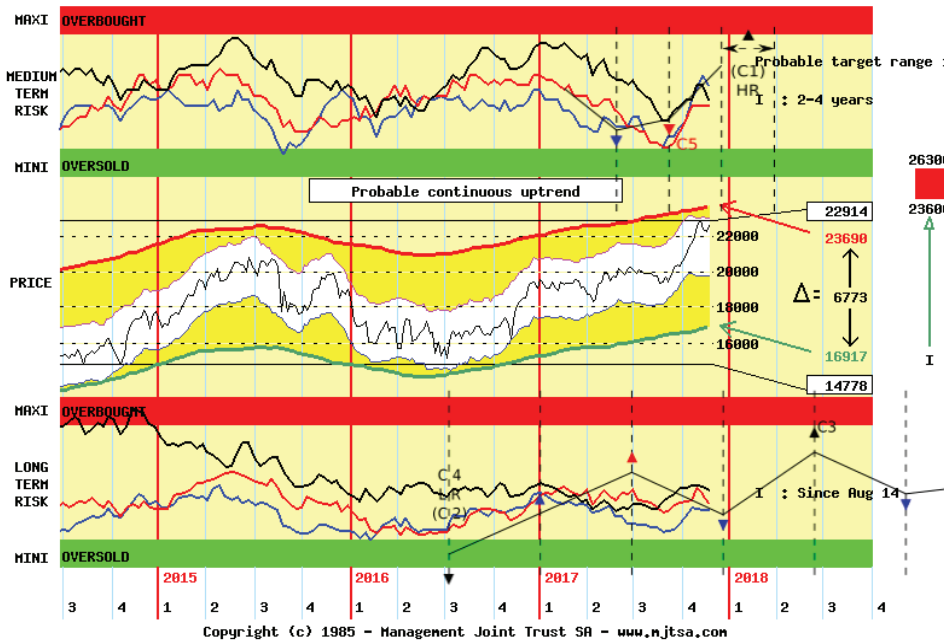
39 / MJT - TIMING AND TACTICAL INSIGHT

Japanese Equities remain strong, while the USD/JPY has started to move higher.

In our publication early November, we mentioned Japanese Equities and USD/JPY, and expected some consolidation to the downside on both into mid November. This short term correction now seems behind us and both the Nikkei and USD/JPY may have started to trend up again. **We are still very positive the Nikkei and USD/JPY towards late Q1/Q2 2018, yet do expect some more ring-fencing during December. From late December/early January though, both should start to really accelerate up again.**

Nikkei 225 Index

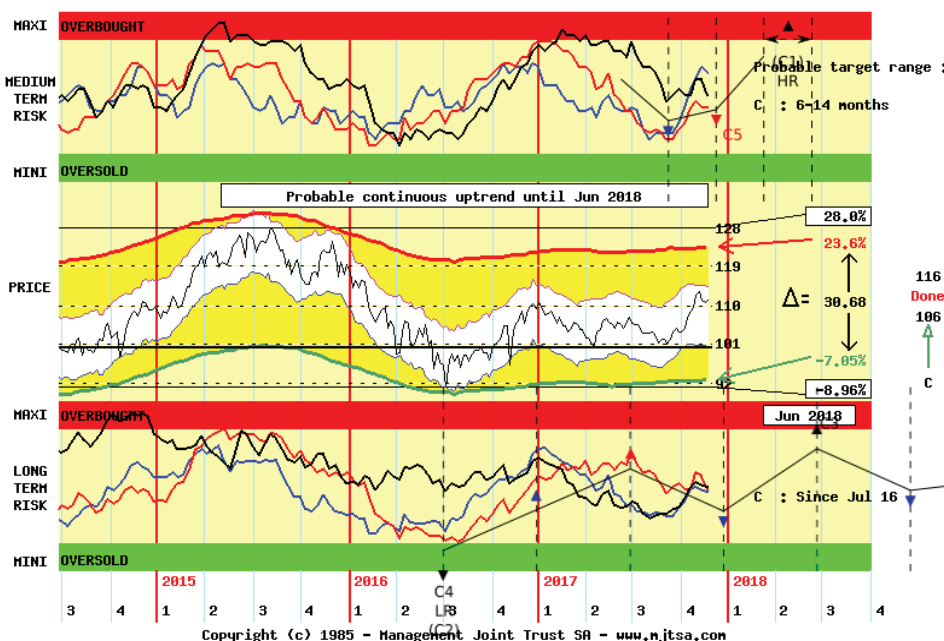
Weekly graph or the perspective over the next 2 to 4 quarters



The Nikkei 225 Index is still trending upwards on both oscillator series (lower and upper rectangles), possibly into late Q1 / Q2 2018. On I Impulsive targets to the upside (right-hand scale) still show potential, possibly towards the 23'600 – 26'300 range, or up to 17% above current levels.

Nikkei 225 Index vs the S&P500 Index (like to like comparison; i.e. hedged for currency moves)

Weekly graph or the perspective over the next 2 to 4 quarters

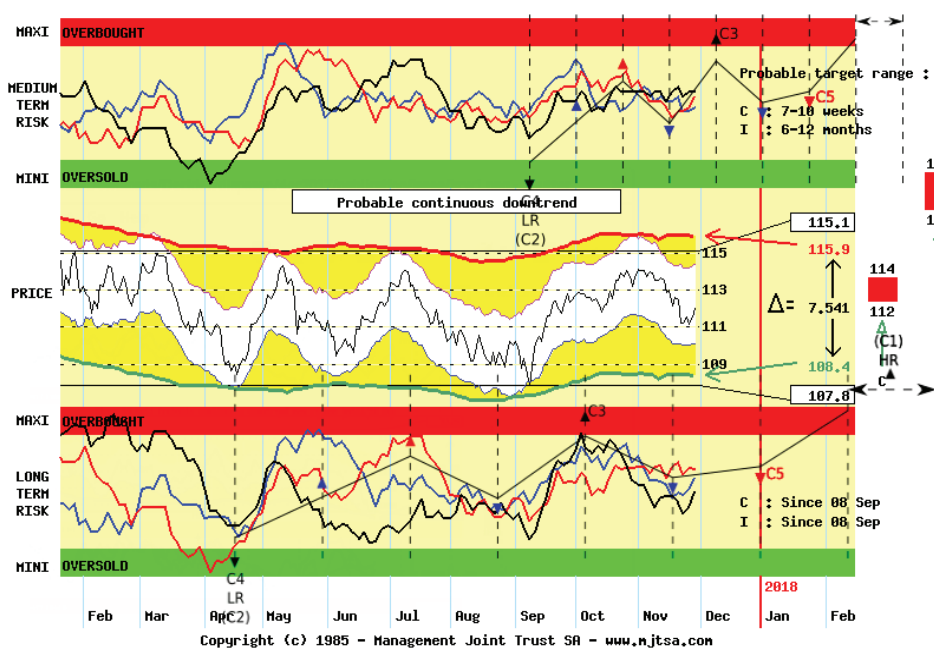


Vs the S&P500 on a like to like basis (hedged for currency), the Nikkei is also well positioned towards late Q1 and possibly mid year 2018. Our medium term oscillators (upper rectangle) should confirm a base to move higher during December, while our long term oscillators (lower rectangle) should re-accelerate up again for late December / early January. Our C Corrective targets to the upside have been reached (right-hand scale). Once we move above these, the relative highs achieved in mid 2015 would be our

next level of upside targets. This would imply **circa 10 to 15% further outperformance for the Nikkei vs the S&P500 over the next 2 quarters** (when currency moves are ignored, i.e. as if the currency risk was hedged out).

USD/JPY

Daily Graph or the perspective over the next 2 to 3 months

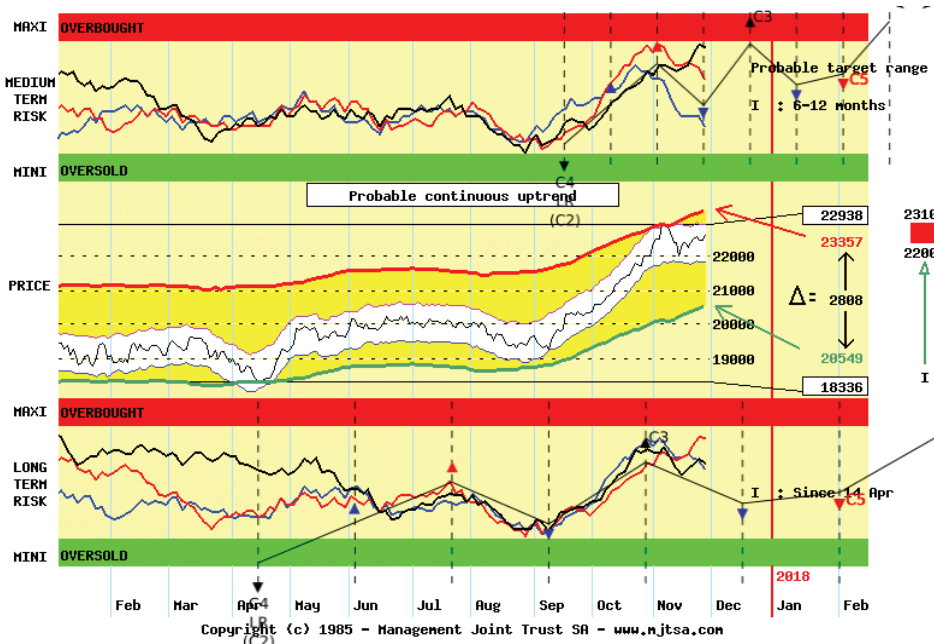


We now focus on the daily graph of USD/JPY. Early November, we had expected that the correction to the downside could “be quite strong”. **It is now crucial however that USD/JPY stabilizes during December** so that it can support the positive scenario outlined in our Weekly graphs above in this section. Our medium term oscillators (upper rectangle) would suggest a bounce into the first half of December, and then a further period of retracement until year-end, before USD/JPY starts moving up again in January.

The sequence on our long term oscillators (upper rectangle) **is currently making a low, and could hold up until early January, before it accelerates up into Q1 2018.** Positive confirmation would come once USD/JPY is able to climb back above its C Corrective targets to the upside, i.e. above 114 (right-hand scale).

Nikkei 225 Index

Daily Graph or the perspective over the next 2 to 3 months

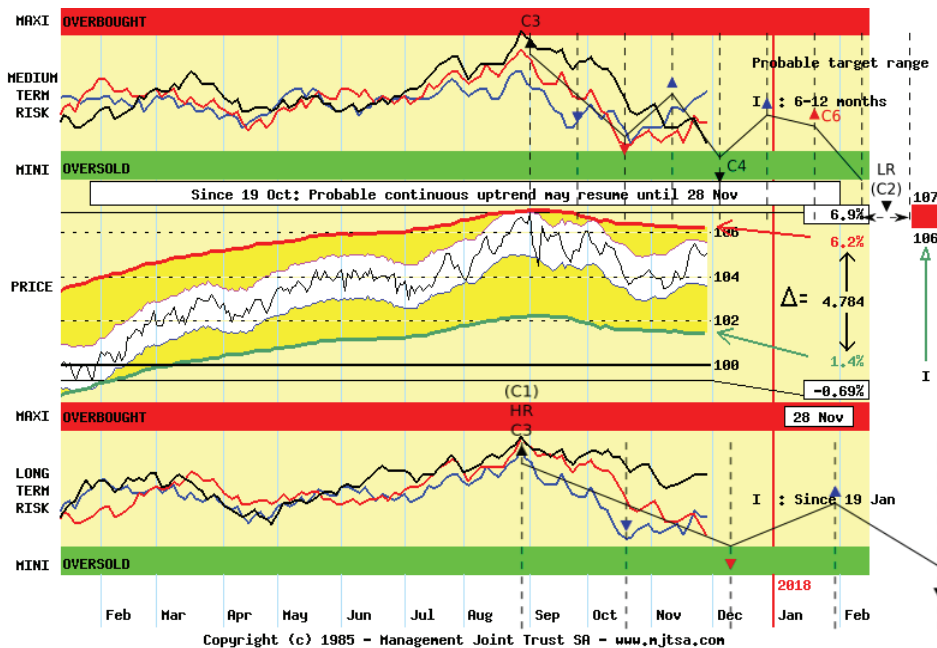


The Nikkei 225 still looks **strong towards Spring next year.** On our long term oscillators (upper rectangle), it made an intermediate top early November, and could now consolidate at high levels, before it accelerates up again between late December and January. On our medium term oscillators (upper rectangle), a new sequence up may have started in September. It should see an intermediate top in mid December, some consolidation down towards early January and then resume its uptrend.

A high level consolidation during December is quite possible, given that for now our I Impulsive targets to the upside have been reached (right-hand scale).

SCJ – iShares MSCI Japan Small Cap. / EWJ - iShares MSCI Japan Index Fund

Daily Graph or the perspective over the next 2 to 3 months

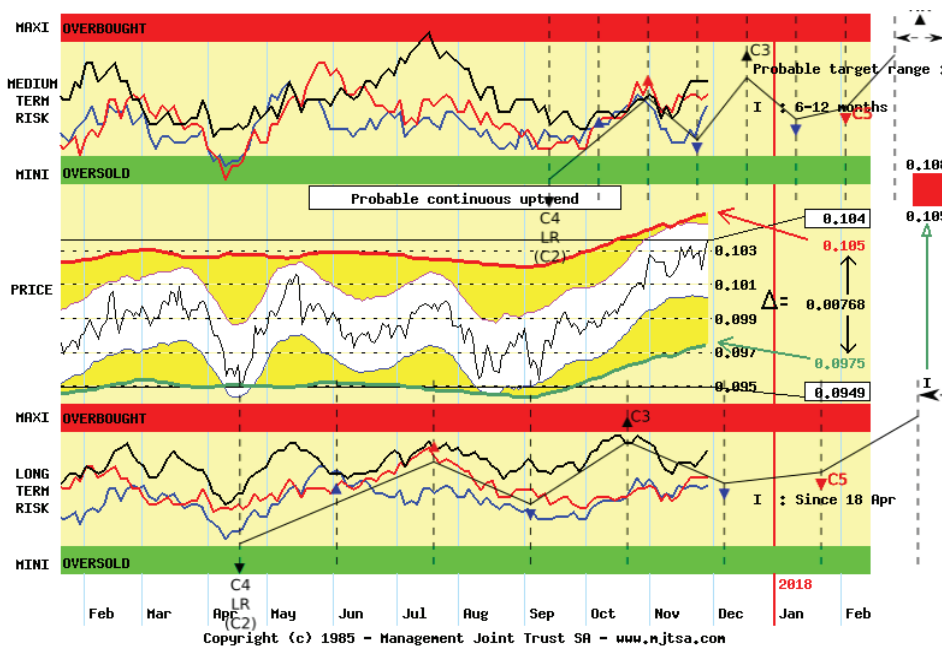


Japanese Small Cap. Companies will usually outperform the benchmark when the Yen is strong. Indeed, on average, their businesses are more domestic than larger caps. They suffer less translation risk when the Yen is strong. Inversely, since late August, and the bounce in USD/JPY, Small Cap have been under-performing. On both our oscillator series (lower and upper rectangles), we would expect this under-performance to resume for a few more weeks into the 1st half of December. Following that, a

bounce could materialize towards early January, before Japanese Small Caps start under-performing again towards the Spring. If on the other hand, the ratio makes new highs until late December, it would be a strong warning sign, that the uptrend on USD/JPY since September is in trouble.

Yen per Won

Daily graph or the perspective over the next 2 to 3 months

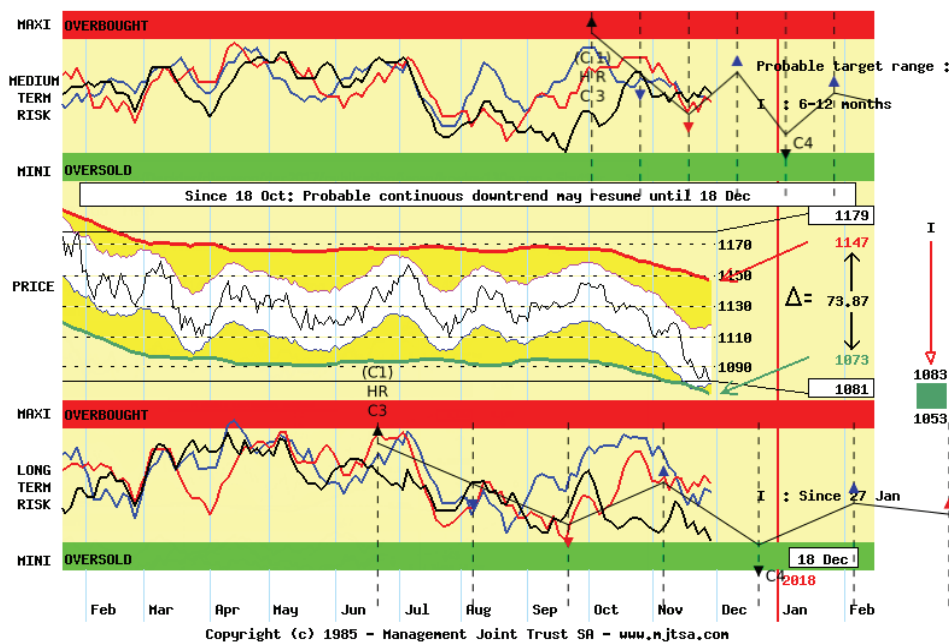


One of the reasons, the Nikkei has been so strong while USD/JPY has remained range-bound, is that the Yen has actually been quite weak vs most other currencies (the Yen and the US Dollar are both quite weak). This is especially the case vs other currencies in Asia. On this Daily graph, we show the cross of the Korean Won vs the Yen. It is indeed quite similar to the graph of the Nikkei. On our long term oscillators (lower rectangle), we would expect some consolidation into December followed by a gradual re-acceleration during

January. While on our medium term oscillators (upper rectangle), the uptrend is still well in place, despite a slight consolidation that may materialize late December. Our I Impulsive targets up (right-hand scale) would show 2 to 5% more potential for the Won vs the Yen over the next few months.

Won per U.S. Dollar

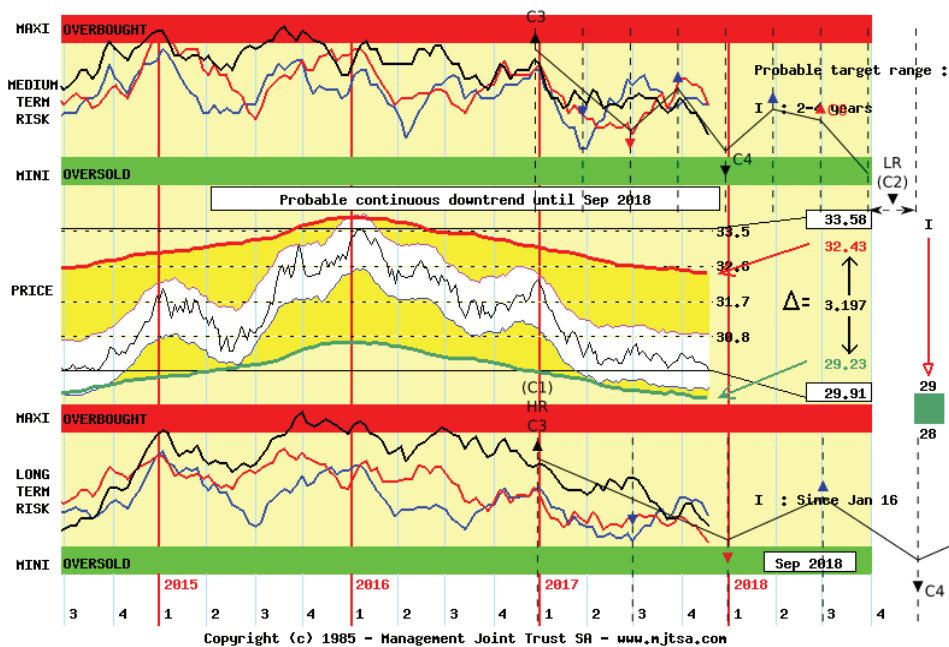
Daily Graph or the perspective over the next 2 to 3 months



And indeed, if we now consider the USD vs the Won, it has been quite weak. That said, it may be approaching an intermediate low and could bounce between December and February. Indeed, such lows are awaited on both oscillator series (lower and upper rectangles) between mid December and early January. In addition, our I Impulsive targets to the downside (right-hand scale) have pretty much been achieved, offering worthwhile support.

USD vs the New Taiwan Dollar

Weekly Graph or the perspective over the next 2 to 4 quarters

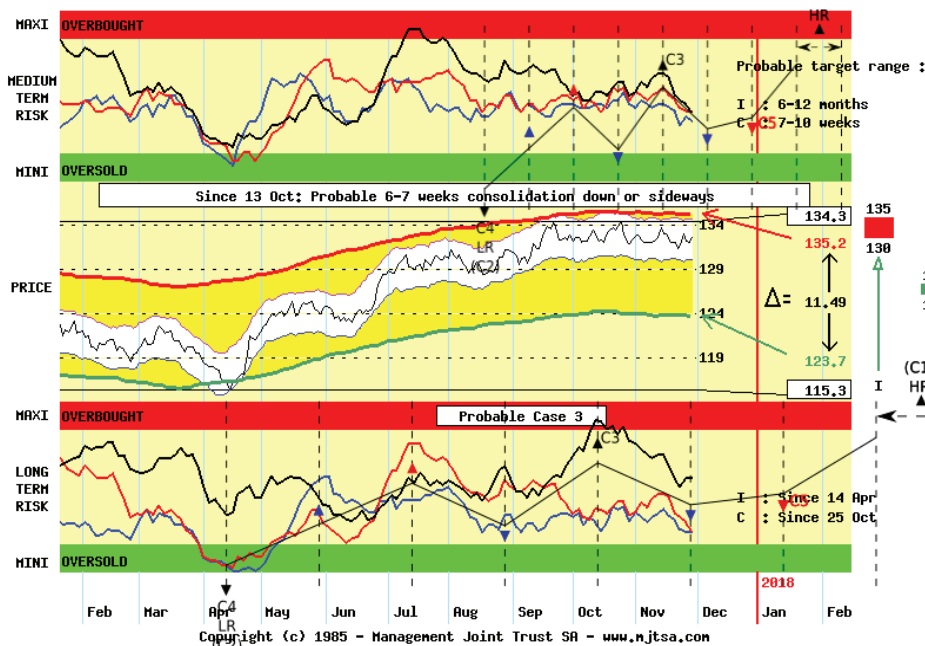


We now consider the US Dollar vs yet another strong Asian currency, the New Taiwan Dollar. On this graph, we've scoped out to a longer Weekly perspective. On our long term oscillators (lower rectangle), the downtrend does not seem finished. Yet, we may be approaching an intermediate low for the US Dollar between now and year-end. The sequence we show on our medium term oscillators (upper rectangle) confirms this low and the subsequent bounce into Q1 2018. More generally, during December, the US Dollar seems to be getting ready to bounce vs most Asian currencies. This should help the US Dollar to finally gather some momentum vs the Yen.

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EUR/JPY

Daily Graph or the perspective over the next 2 to 3 months

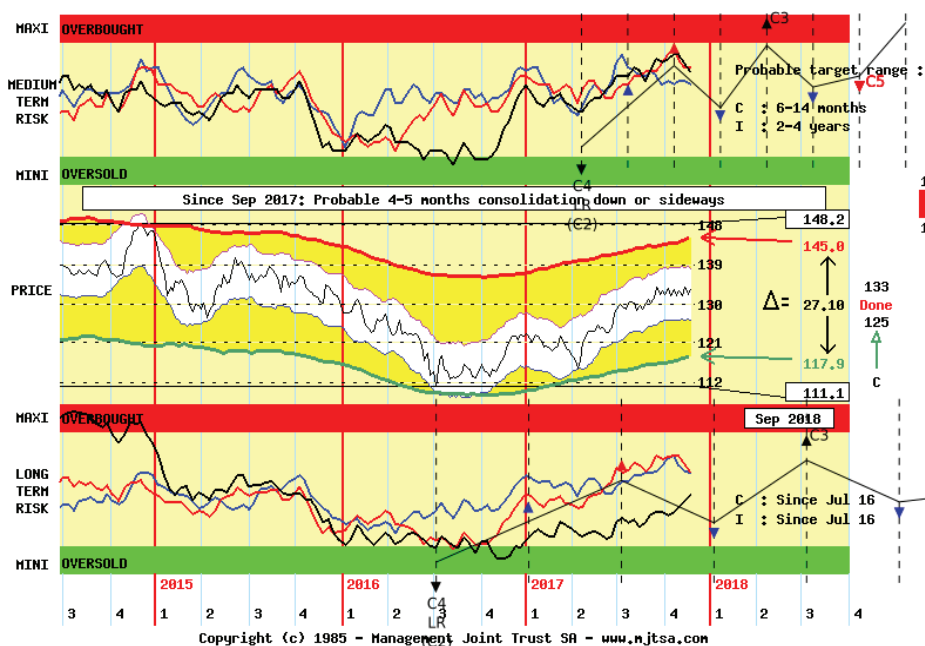


EUR/JPY has been consolidating since late September, yet on both our oscillators series (lower and upper rectangle), it may be getting ready to resume its uptrend early December. As with USD/JPY or KRW/JPY, we would expect EUR/JPY to retrace some during late December to early January, before it resumes up towards the Spring. On this Daily graph however, I Impulsive targets to the upside (right-hand scale) are pretty much exhausted for now. There seems to be less potential up for EUR, than for

USD vs JPY over the next few months.

EUR/JPY

Weekly Graph or the perspective over the next 2 to 4 quarters



Longer term, EUR/JPY is also still uptrending. On both oscillators series (lower and upper rectangles), the pair should finish a period of consolidation between now and January. Following that it should resume its uptrend towards Q2, possibly mid 2018. A couple of months ago, EUR/JPY had reached the resistance of the upper end of its C Corrective targets up around 133 (right-hand scale). It has since been working through these levels. Once, it manages to break-out, sometime in Q1 2018, we expect EUR/JPY to

accelerate towards its I Impulsive targets to the upside between 146 and 157, some 10 to 20% above current levels. If these projections are correct, the Yen should then weaken across the board vs all currencies, including the US Dollar.

Concluding remarks

Since September, the Nikkei has been extremely strong despite the little progress that has been made on USD/JPY and EUR/JPY. Both pairs reached their resistance levels around 114 and 133 respectively and have since been retracing. That said, the Yen has been weaker vs Asian currencies, and this weakness itself may justify the Nikkei's strong performance. Going forward, we expect most currencies vs the Yen to find a low and bounce early December. Following some retracement into end December, we expect them all to accelerate up during Q1 2018 and then possibly Q2. The Dollar could be an early leader into mid Q1, while the Euro and Asian growth currencies could then follow through more aggressively into Q2. If these currency dynamics are correct, the Nikkei should continue to outperform during much of H1 2018.