

### Alexander M. Ineichen CFA, CAIA, FRM +41 41 511 2497 ai@ineichen-rm.com www.ineichen-rm.com

Week: Equities by region MSCI World Europe (STOXX 600) Eurozone (Euro STX 50) MSCI Emerging Markets MSCI Asia Pacific ex Japan MSCI EM Eastern Europe MSCI EM Latin America Americas	-6 -11 -8 -131 -61 -148 -72	-7 -12 -9 -132 -62 -149 -73	-8 -13 -10 -133 -63	-9 -14 -11 -134	(3M)	(12M) -4 0	2011	2012	2013
MSCI World Europe (STOXX 600) Eurozone (Euro STX 50) MSCI Emerging Markets MSCI Asia Pacific ex Japan MSCI EM Eastern Europe MSCI EM Latin America	-11 -8 -131 -61 -148	-12 -9 -132 -62 -149	-13 -10 -133	-14 -11	)	1			
Europe (STOXX 600) Eurozone (Euro STX 50) MSCI Emerging Markets MSCI Asia Pacific ex Japan MSCI EM Eastern Europe MSCI EM Latin America	-11 -8 -131 -61 -148	-12 -9 -132 -62 -149	-13 -10 -133	-14 -11	)	1			
Eurozone (Euro STX 50) MSCI Emerging Markets MSCI Asia Pacific ex Japan MSCI EM Eastern Europe MSCI EM Latin America	-8 -131 -61 -148	-9 -132 -62 -149	-10 -133	-11	)	0			
MSCI Emerging Markets MSCI Asia Pacific ex Japan MSCI EM Eastern Europe MSCI EM Latin America	-131 -61 -148	-132 -62 -149	-133		-2				
MSCI Asia Pacific ex Japan MSCI EM Eastern Europe MSCI EM Latin America	-61 -148	-62 -149		-134	-2	0			
MSCI EM Eastern Europe MSCI EM Latin America	-148	-149	-63		-4	17			
MSCI EM Latin America				-64	-3	13			
MSCI EM Latin America	-72	72	-150	-151	<b>1</b> 0	23			
Amoricaa		-15	-74	-75	-2	32			
Americas									
USA (S&P 500)	26	27	28	29	0	0			
USA (Nasdaq)	119	120	121	122	0	3			
USA (Dow Industrial)	-6	-7	-8	-9	0	1			
USA (Dow Transport)	237	238	239	240	5	11			
USA (Russell 2000)	-5	-6	-7	-8	-2	-4			
Canada (SPTSX 60)	23	24	-1	-2	-1	-2			
Brazil (Bovespa)	13	14	15	16	-3	-9			
Mexico (IPC)	-6	-7	1	2	-1	-2			
Europe	_				•				
Austria (ATX)	23	24	25	-1		-3			
Belgium (Bel 20)	143	144	145	140	0	8			
Denmark (OMX Copen 20)	193	194	195	196	-2	14			
Finland (OMX Helsinki)	-3	-0	-5	-6	-1	6			
France (CAC 40)	35	36	-1	-2	-2	3			
Germany (DAX 30)	-6	-7	-8	-9	-2	5			
Ireland (ISEQ)	144	145	146	147	4	34			
Italy (FTSE MIB)	-1	-2	-3	-4	-2	-2			
Netherlands (AEX)	-4	-5	-6	-7	-3	-3			
Norway (OBX)	-46	-47	-48	-49	-5	15			
Portugal (PSI 20)	51	52	53	54	-1	25			
Spain (IBEX 35)	-8	-9	-10	-11	-4	-2			
Sweden (OMX 30)	-7	-8	-9	-10	-3	3			
Switzerland (SMI)	19	20	21	22	-1	-7			
Turkey (BIST National 100)	77	78	79	80	4	7			
UK (FTSE100)	-59	-60	-61	-62	-3	13			
UK (FTSE 250)	-48	-49	-50	-51	1	-1			
Asia Pacific						5			
Australia (S&P/ASX)	-57	-58	-59	-60	-3	-8			
China (Shanghai Composite)	-55	-56	-57	-58	-1	-4			
China (CSI 300)	-8	-9	-10	-11	-4	-1			
China (HSCEI)	-49	-50	-51	-52	-5	12			
Hong Kong (Hang Seng)	-52	-53	-54	-55	-1	-6			
India (Nifty)	-29	-30	-31	-32	-1	-6			
Indonesia (Jakarta Composite)	-43	-44	-45	-46	10	14			
Japan (Nikkei 225)	148	149	150	151	0	10			
Malaysia (KLCI)	-67	-68	-69	-70	0	-5			
New Zealand (NZX 50 Gross)	112	113	114	115	3	11			
Singapore (STI)	-18	-19	-20	-21	-2	-3			
South Korea (Kospi)	-18	-19	-20	-21	1	1			
Taiwan (TWSE)	-19	-20	-21	-22	-1	-3			
Thailand (SET)	-52	-53	-54	-55	0	-6			

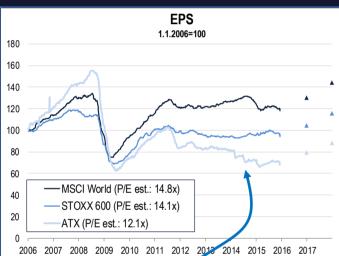
# **Earnings momentum by region**

### **Mini tutorial**

EPS: Consensus-estimated and rolling 12-month forward earnings per share.

Long-term momentum: Cross-over between 10week and 40-week moving average measured in the number of weeks since signal occurred.

This publication was designed for viewing in full screen mode. CTRL-L on Windows, CMD-L on Mac.



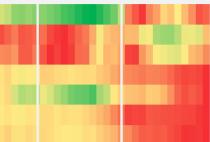
Source: IR&M, Bloomberg. Chart shows 12-month forward EPS estimates indexed to 100. The triangles mark calendar year-end estimates.

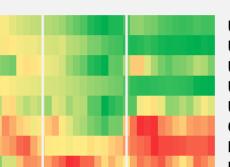
Earnings momentum in Austria turned negative. The practical relevance is that Austria is often perceived as a (imperfect) proxy for things economic in Eastern Europe. The main trajectory of earnings estimates has been down for years. (They have Brazilian– esque political scandals there too.)

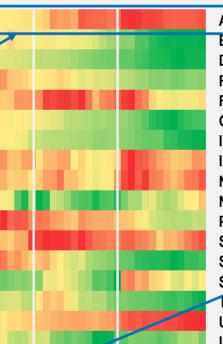
Source: IR&M, Bloomberg. \*Percentage positive refers to the percentage of indices where earnings momentum is positive in a given week

### 25 January 2016









MSCI World Europe (STOXX 600) Eurozone (Euro STX 50) MSCI Emerging Markets MSCI Asia Pacific ex Japan MSCI EM Eastern Europe MSCI EM Latin America

USA (S&P 500) USA (Nasdaq) USA (Dow Industrial) USA (Dow Transport) USA (Russell 2000) Canada (SPTSX 60) Brazil (Bovespa) Mexico (IPC)

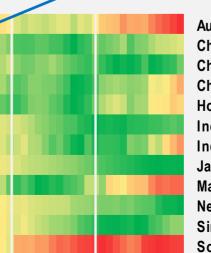
Austria (ATX) Belgium (Bel 20) Denmark (OMX Copen 20) Finland (OMX Helsinki) France (CAC 40) Germany (DAX 30) Ireland (ISEQ) Italy (FTSE MIB) Netherlands (AEX) Norway (OBX) Portugal (PSI 20) Spain (IBEX 35) Sweden (OMX 30) Switzerland (SMI) Turkey (BIST National 100) UK (FTSE100) **UK (FTSE 250)** 

Australia (S&P/ASX) China (Shanghai Composite) China (CSI 300) China (HSCEI) Hong Kong (Hang Seng) India (Nifty) Indonesia (Jakarta Composite) Japan (Nikkei 225) Malaysia (KLCI) New Zealand (NZX 50 Gross) Singapore (STI) South Korea (Kospi) Taiwan (TWSE) Thailand (SET) The most important thing here is that earnings momentum for the MSCI World is mildly negative.

Percentage positive*:											
Week	53	1	2	3							
All	25	25	23	22							

The percentage of indices with positive earnings momentum is falling. From the indices shown on this page, 22% indices have positive earnings momentum. This compares to 25% three weeks ago.

EPS change in Japan over the past three months (from end of September to end of December) is approximately zero.



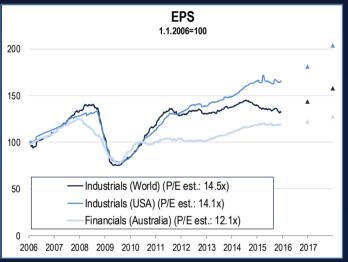
# IR&M

# **Earnings momentum** by sector (1/2)

### Mini tutorial

EPS: Consensus-estimated 12-month forward earnings per share.

Long-term momentum: Cross-over between 10week and 40-week moving average measured in the number of weeks since signal occurred. Sectors: 88 largest sectors by market cap as of Dec 2015. Sequence of sectors is by cyclicality, most cyclical first. Less cyclical sectors are on the next page. Within a sector, sectors were sorted by market cap in USD as of Dec 2015.



Source: IR&M, Bloomberg. Chart shows 12-month forward EPS estimates indexed to 100. The triangles mark calendar year-end estimates.

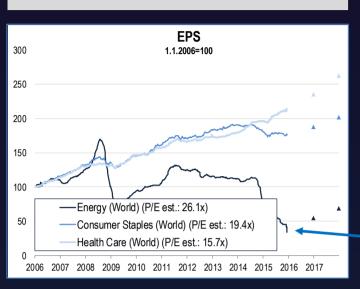
US Industrials and Australian Financials have turned positive; in both cases from a high (or elevated) base.

Alexander M. Ineichen CFA, CAIA, FRM	+41 41 511 2497 <u>ai@ineichen-rm</u>	n.com <u>www.ineichen-rm.co</u>	mc				25 January 2016					
IR&M EPS momentum monitor	Long-term momentum	EPS change	E	PS Jan 2011 - Dec 20	)15			There	•			
Week:	53 1 2 3	(3M) (12M)	2011 2012	2013 2	014 2	2015		The most here is th	imp	orta	nt th	ning
Consumer Discretionary								here is th	at M	1ater	ials	
World	31 32 33 34	2 6					World	remains (				
USA	340 341 342 343	2 10					USA		N COR	•		
Europe	-6 -7 -8 -9	-1 8					Europe					
Japan	151 152 153 154 32 33 34 35	3 10					Japan France	Percentage	positi	ve*:		
France	<u>32 33 34 35</u> -11 -12 -13 -14	-2 0					France Germany	Week	53	1	2	3
Germany UK	74 75 76 77	1 1					UK			1		
China	-20 -21 -22 -23	29 33					China	All 5 sectors	36	36	39	43
South Korea	-94 -95 -96 -97	1 17					South Korea	Con. Dis.	60	60	60	60
Spain	68 69 70 71	4 16					Spain			0	0	
Materials		· · ·						Materials	0		U	
World	-63 -64 -65 -66	10 📕 24					World	Industrials	13	13	25	38
Europe	-56 -57 -58 -59	11 📕 25					Europe					
USA	-10 -11 -12 -13	-5 -7					USA	Financials	36	36	36	43
Japan	-10 -11 -12 -13	-9 -4					Japan	IT	67	67	67	67 🕇
Germany	-7 -8 -9 -10	-8 -2					Germany					
UK	-61 -62 -63 -64	25 60					UK	This man	class	NC +1		act
Industrials	00 04 00 00						We stat	This page cyclical fi percentag	SKO	~~S [/		USL
World USA		-2 -5					World USA	cyclical fi	ve se	ctor	s. Th	e
Europe		- 0						percentad	ae of	indi	ces v	vith
Japan	-7 -8 -10 -10	-2 2					Europe Japan	pocitivo o				
France	-1 $-1$ $-1$ $-1$ $-2$	-1 0					France	positive e momentu	arnı	ngs		
UK	-40 -41 -42 -43	-5 -9					UK	momenti	im is	: eith	er	
Germany	19 20 21 22	-1 0					Germany	stable or	risin	а.		
China	-4 -5 -6 -7	-3 5					China			Ð.		
Financials												
World	-6 -7 -8 -9	-2 -3					World					
USA	191 192 193 194	0 3					USA					
Europe	-7 -8 -9 -10	-3 2					Europe				$\sim$	
Japan	191 192 193 194	1 14					Japan					
UK	-39 -40 -41 -42	-3 -9					UK					
China	-36 -37 -38 -39 202 203 204 205	-4 -8					China Canada					
Canada Australia	202 203 204 205 -19 -20 -21 i	0 0					Australia					
Hong Kong	-26 -27 -28 -29	0 0					Hong Kong					
	33 34 35 36	0 5					France					
Erance Switzerland	-1 -2 -3 -4	-4 -4					Switzerland					
Germany	-6 -7 -8 -9	-8 -4					Germany					
Spain	-6 -7 -8 -9	-2 0					Spain					
Italy	125 126 127 128	-2 7					Italy					
Information Technology												
World	129 130 131 132	0 3					World					
USA	128 129 130 i31	0 3					USA					
China	-15 -16 -17 -18	6 7					China					
Japan	149 150 151 152	-1 1					Japan					
Europe	155 156 157 158	2 14					Europe					
Taiwan	-21 -22 -23 -24	0 -4					Taiwan					

Source: IR&M, Bloomberg. Based on MSCI sector indices, except US, where S&P 500 sector indices were used. \*Percentage positive refers to the percentage of indices where earnings momentum is positive.



# Earnings momentum by sector (2/2)



Source: IR&M, Bloomberg. Chart shows 12-month forward EPS estimates indexed to 100. The triangles mark calendar year-end estimates.

Id& BFS manetummentarium  Log Setm Origination Setting of the set	Alexander M. Ineichen CFA, CAIA, FR	<b>M</b> +41 41 511 2497 <u>ai@ineichen-rm.</u>	com <u>www.ineichen-rm.cc</u>	<u>m</u>				25 January 20	16				
Weak:    3    1    2    3    OWD    2012    2013    2014    2015      Wark    B2    42    43    64	IR&M EPS momentum monitor	Long-term momentum	EPS change		EPS Jan								
Energy World USA World USA World USA World USA World USA Canada Russia Prance UK Canada Russia Prance UK Canada Russia Prance Cona Mathematical Prance Prance Pr				2011			2015	_	The n	lost iw	porta	ant t	hing
UK  67  68  68  64  65  64  74  75  75  71  11  65  76  70 <th< td=""><td>World USA</td><td>-62 -63 -64 -65</td><td>14 52</td><td></td><td></td><td></td><td></td><td>USA</td><td>here i</td><td>s that</td><td>Ener</td><td><u>3</u>9</td><td></td></th<>	World USA	-62 -63 -64 -65	14 52					USA	here i	s that	Ener	<u>3</u> 9	
Large  27  98  90  71  92  9  90  <	UK		1 1					UK	Percenta	ae posit	ive*:		
France Dring  00  11  2  3- 4  3- 4  4- 4												2	3
China  61  82  83  47  China  The Schult S  30  32  30  31  1			1 _1				- 10 TH						
Telecom  World  24  25  27  0  2  1								-					
World  24  22  28  27  0  2  1		-61 -62 -63 -64	11 48					Italy	Energy	C	0	0	0
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USA  B2 30 34 48  1  1  7  0  <			1 I										
Stant  23  23  10  14  14  14  14  14  15  14  14  14  14  15  14  14  14  14  14  14  16  17  70	-		1 7										
UK  22  33  35  35  1  4  4  0  K  Canada  UK  Health Care  70			2 10						Con. Sta	). <u>64</u>	73	64	64
Utilities    Vond    Energy remains weakest      USA    150    151    152    1    4      Spain    88    90    10    2    1    4      Survey    3    45    47    3    2    1    4      Spain    88    90    10    2    1    4    3    5 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>Health Ca</td> <td>are 70</td> <td>70</td> <td>70</td> <td>70</td>									Health Ca	are 70	70	70	70
World  1  2  3  4  1  1  3  3  4  1  1  3  3  4  1  1  1  3  3  4  1  1  1  1  3  3  4  1 <td></td> <td>63 64 65 66</td> <td>2 4</td> <td></td> <td></td> <td></td> <td></td> <td>Canada</td> <td></td> <td></td> <td></td> <td></td> <td></td>		63 64 65 66	2 4					Canada					
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Spain  89  90  91  92  9			-1 -3						Sector	,			
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Japan  65  66  67  68  300  100  100  110  100  110    Baby  Consumer Staples  World  66  7  86  95  0  -3  0		16 17 18 19	0 -2										
Italy    43    44    46    -1    -3    40    11    14y      Consumer Staples    World    -6    -7    -8    -9    0    -3    USA    USA    USA    Europe    USA    Europe    USA    Europe    USA    Europe    UK    3    4    5    6    1    -2    1    6    -7    -8    -9    0    -0    USA    Europe    UK    3    4    5    6    1    -2    1    6    -7    -8    9    0    -3    0    -0    -0    -0    -0    -0    UK    Japan      Swizerland    -3    1    2    1    -1	France							France					
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France  -10  -11  -12  -13  0  4    Netherlands  92  93  94  95  2  13  13  14													
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Japan96979899817II			1 1										
UK  2  3  4  5  2  -1  Image: Company  Imag													
Germany  82  83  84  85  1  14  I <t< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></t<>													
France  -5  -6  -7  -8  -4  7  Image: Comparison of the state of the st		82 83 84 85	1 14										
China -23 -24 -25 -26 4 0 <b>24 -25 -26</b> 4 0 <b>China</b>			-4 7					-					
			1 1										
Sweden -34 -35 -36 -37 0 14 Sweden	Sweden	-34 -35 -36 -37	0 📕 14					Sweden					

Source: IR&M, Bloomberg. Based on MSCI sector indices, except US, where S&P 500 sector indices were used. \*Percentage positive refers to the percentage of indices where earnings momentum is positive.



# **Risk management research**

### Alexander M. Ineichen CFA, CAIA, FRM +41 41 511 2497 ai@ineichen-rm.com www.ineichen-rm.com

Counts number of weeks since the crossing; green is up, red is down. "Green 13" for example means the 10-week moving average crossed the slower 40-week moving average from below 13 weeks prior to week 46, i.e., in week 33.



EPS: consensus-estimated 12month forward earnings per share (change is based on last three and twelve full months).

Reading help: Long-term earnings momentum for the MSCI World turned negative in calendar week #48. EPS estimates for the MSCI Emerging Markets fell by 13% from 1<sup>st</sup> December 2014 to 30<sup>th</sup> November 2015. In December 2015, EPS in the Dow Transport Index had been rising more or less gradually for 233 weeks.

			· · · · ·							
IR&M EPS momentum monitor	Loi	ng-teri	m mor	nentum	EPS	change		EPS c	hange Dec 201	l0 - Nov 2015
Week:	46	47	48	49	(3M)	(12M)	2011	2012	2013	2014
Equities by region						_				
MSCI World	13	14	<b>_</b> -1	-2	-2	-6				
Europe (STOXX 600)	4	-5	-6	-7	-1	2				
Eurozone (Euro STX 50)	-1	-2	-3	-4	-4	0				
MSCI Emerging Markets	-60	-61	-62	-63	-3	13				
MSCI Asia Pacific ex Japan	-54	-55	-56	-57	-2	12				
MSCI EM Eastern Europe	-141	-142	-143	-144	-6	26				
MSCI EM Latin America	-65	-66	-01	-68	-4	34				
Americas						_				
USA (S&P 500)	19	20	21	22	0	-1				
USA (Nasdag)	112	113	114	115	0	3				
USA (Dow Industrial)	24	25	-1	-2	-1	-2				
USA (Dow Transport)	230	231	232	233	6	<b>1</b> 5				
USA (Russell 2000)	15	16	17	18	-1	-5				
Canada (SPTSX 60)	16	17	18	19	-2	-9				
Brazil (Bovespa)	5	6	7	8	2	11				
Mexico (IPC)	14	15	16	-1	<b>-</b> 3	-2				
Europe										
Austria (ATX)	17	18	19	29	-1	-3				
Belgium (Bel 20)	136	137	138	1.39	0	9				
Denmark (OMX Copen 20)	186	187	188 /	189	-1	15				
Finland (OMX Helsinki)	147	148	143	150	-2	7				
France (CAC 40)	28	29	/30	31	0	4				
Germany (DAX 30)	134	135	-1	-2	-4	6				
					3	,				

Changes in long-term momentum are marked.

## December 2015

Five-year range/heat map; i.e., colourcoding of last 60 month-end EPS estimates. Green indicates rolling forward EPS at 5-year high; red at 5-year low.

MSCI World Europe (STOXX 600) Eurozone (Euro STX 50) MSCI Emerging Markets MSCI Asia Pacific ex Japan MSCI EM Eastern Europe MSCI EM Latin America

USA (S&P 500) USA (Nasdaq) USA (Dow Industrial) USA (Dow Transport) USA (Russell 2000) Canada (SPTSX 60) Brazil (Bovespa) Mexico (IPC)

Austria (ATX) Belgium (Bel 20) Denmark (OMX Copen 20) Finland (OMX Helsinki) France (CAC 40) Germany (DAX 30) Reading help: Horizontal comparison of heat map allows comparison of current EPS estimates with its own 5-year history. Vertical comparison allows comparison between different markets.



Alexander M. Ineichen CFA, CAIA, FRM +41 41 511 2497 ai@ineichen-rm.com www.ineichen-rm.com

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