

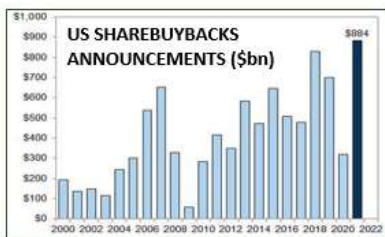
## SUPER FOMO

Forget about inflation + earnings + valuations + GDP growth + cenbanks' policies + etc. **US cash assets amount to \$19tn**, of which 2/3 are held by households + foreign investors + (mutual & pension & ETF) funds, following an increase by \$4tn since the covid crisis; and **this cash is set to shift more and more into equities** (witness the ratio of equity-to-bond inflows now at a record high in the US). **The Great Rotation** (which has been predicted so many times in the past) is on and the rest does not matter...

It is as simple as that. Analysing markets and micro/macroeconomics is a waste of time. With an extra caveat: **we may run out of equities to buy**, as the Fed is still due to inject \$400bn (until the end of the tapering) + **buybacks are likely to exceed \$1tn** over the next 12 months + Biden may still deliver another multitrillion dollar infrastructure plan (while taxes also do not matter). **Hence the risk of a massive melt-up on the markets**, as alternatives are unattractive. **It is Super FOMO**. Buy now, there will soon be no more equities for sale.

This is not a joke, some strategists & investors think that way, and so far let's admit that they have been right. However, this reminds us of 2000 and 2007. In the first case, the Dow Jones was expected to reach 100,000 by 2020 as the risk premium was set to disappear (remember the book "Dow 100,000 - Fact of Fiction") and, in the second case, studies about the de-equitization process (then promoted by Citigroup) were leading to the conclusion that the inventory of equities could dry up. No need to explain why we feel very uncomfortable when history is repeating itself. Markets will hit the wall eventually, and the situation is insane but, however (and as usual), remains the timing issue.

### US SHAREBUYBACKS + US CASH DEPOSITS + FWD PEs + ISM NEW ORDERS vs EPS REVISIONS + US STOCKS SEASONALITY + ENERGY COSTS + EUROPE vs US ENERGY EXPOSURE + NIFTY



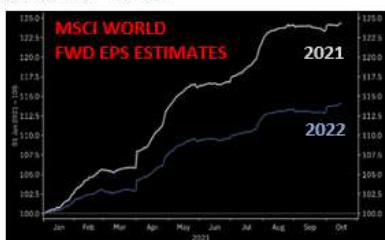
Source WSJ - Chart 1



Source BOA - Chart 2



Source Yardeni - Chart 3



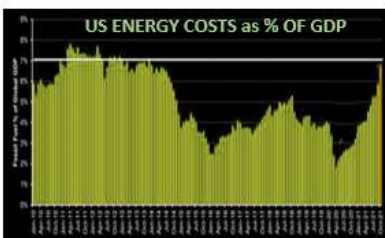
Source IBES - Chart 4



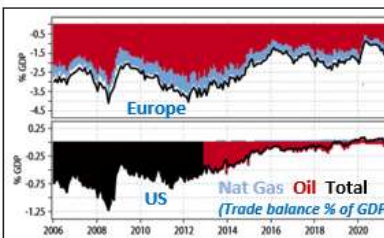
Source Comertson Macro - Chart 5



Source MacroBond - Chart 6



Source Sanford Bernstein - Chart 7



Source GaveKal - Chart 8



Source Trading View - Chart 9

Granted, US share buybacks + cash deposits have never been higher (charts 1 + 2), whereas valuations came back to more reasonable levels (US excepted - chart 3), thanks to the sideways range/consolidation that many indices have developed since last May, while EPS estimates continued to progress until August.

So it all goes back to the 3Q earnings season and whether the bar has been set too high, despite the slight improvement in estimates last week (chart 4) and given the well-known headwinds that companies must face for the moment (energy + wages + input prices + supply chain + etc).

In that regard, in terms of guidance for 4Q, keeping a close eye on new orders will be interesting given their strong correlation with EPS estimates (chart 5) while, even if the markets were set to resume their uptrend (a scenario we still do not favour), the setback since September could extend in the meantime based on Wall Street's seasonality pattern (chart 6); especially for instance when an index such as the Nifty never made any pause despite a forward PE now exceeding 29 (as strategists continue to recommend buying India on current levels – chart 9)!

Last but not least, comes the issue of whether the energy crisis could derail the economic recovery, as history shows that the risk/probability of a recession increases when energy costs exceed 7% of US GDP for a prolonged period of time. And such a threshold has just been reached (chart 4), while Europe is more exposed to energy prices than the US (chart 8).



Like on the Eurostoxx, the lack of clear short-term structures prevents us from assessing whether five uplegs must be expected since the bottom of October. In any case however, we will stick to a negative bias for the moment (based on the idea that a larger pullback is under way, as the overall rally since October 2020 is over).

## SMI FUT – DAILY



Meanwhile, our scenario is on track on the Swiss index and a reversal may now occur at any time on the downside, as 50% of “wave 1 or a” has been retraced and a 9-demark warning is now flashing. Confirmation necessary below the key support.

## DOLLAR INDEX FUT – DAILY



We mentioned it last week, while stepping aside. As five waves could be counted since the bottom of wave B', the risk to reverse on the downside and provide another opportunity to put an end to the large and complex consolidation since last January was at hand. Any break down through the key support would bode very badly for the greenback.

## NYSE COMPOSITE INDEX – DAILY



So, once again, the broader US indices are back to the top of their range (or corrective triangle wave IV?) developed since las May, with the issue as to whether a breakout may now occur on the upside. Unfortunately, we can't say at this stage and we will get back to it as soon as we have any clues that are worth it.

Ps: the situation is of course similar on the Russell 100 EW + S&P 500 EW + S&P 400 (and even the Russell 2000 somewhat) + etc...

## MSCI EM ex CHINA ETF – DAILY



In the end, many indices are displaying a similar range. Hence our growing difficulty to work on technicals for the moment.

## NASDAQ COMPOSITE INDEX – DAILY



As to the Nasdaq comp, it is true that the uptrend is still intact since it failed short of overlapping the top of wave 1 at the beginning of the month (ie horizontal trendlines). However, as 3/4 of wave “1 or A” has almost been retraced, **we should get an answer shortly as to whether a larger top is in place.**

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