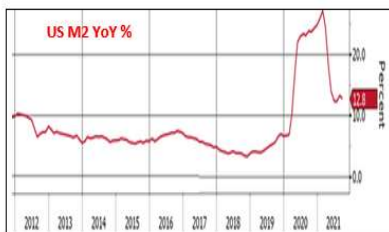
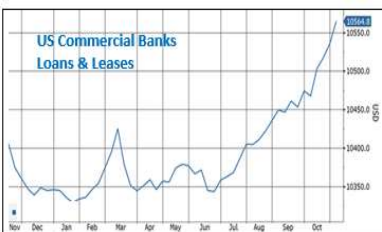


UK PREMIUM

US: M2 GROWTH & BANK CREDIT & M2 VELOCITY & GROWTH vs VALUE STOCKS
+ UK vs WORLD: PRICE-TO-BOOK & FWD PE



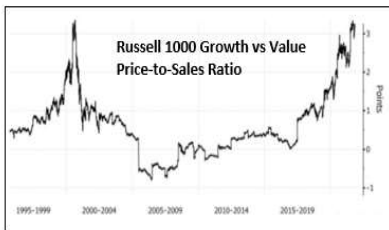
Source NY Fed - chart 1



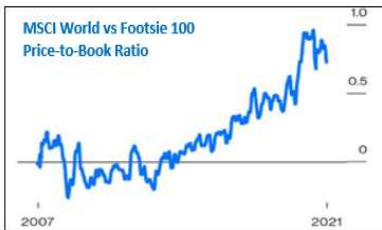
Source NY Fed - chart 2



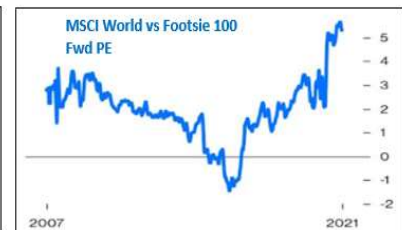
Source Dallas Fed - chart 3



Source Bloomberg - chart 4



Source WSJ - chart 5



Source WSJ - chart 6

As the stimulus tailwind is fading away, consumer credit is coming back in the US (chart 2), with commercial & industrial loans now turning upwards, while credit cards & mortgages have already been increasing since last June. Hence the recent rebound in M2 growth & velocity (charts 1 + 3), resulting from higher bank lending. However, should this process keep going on, it would become the “icing on the inflation cake” that no cenbanker would be happy with in the current context; raising concerns that the only transitory thing was the Fed’s credibility.

Meanwhile, the reflation trade remains attractive in terms of relative valuation (chart 4), especially as our expectation of much higher interest rates will weigh eventually on long-duration stocks, and although the performance of such a relative positioning has not borne any fruit so far. The idea is similar on the Footsie (charts 5 + 6), as already mentioned, if only because the UK stock market is the most disliked place today. With a caveat however: as long as the Pound is strengthening, it will be difficult for the Footsie to catch up.

In the same regard, while the current weakness of the euro (based on the ECB denial and refusal to taper/tighten) is obviously a tailwind for European indices, the slowdown of the Chinese economy has the opposite impact (especially on the Dax). In the end, here also, the performance of the relative trade “Europe vs US” has not delivered any profit (at least so far).

EUROSTOXX INDEX – DAILY



As we can now count 9 uplegs since the low of October, we must (once again) consider the possibility of the formation of a top of larger degree; especially with regard to the RSI saturation, as explained yesterday. First confirmation required below the 1st key support.

NASDAQ 100 FUT – DAILY



The overall picture is similar on the Nasdaq (as well as the S&P 500) since 5 uplegs can now be counted since the low of October. Confirmation of any top will however be required below the 1st key support.

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