BEST STRETCH OF THE CALENDAR

S&P 500 - % of Positive Monthly Returns
1950 to Present

JAN. FEB. MAR. APR. MAY JUN. JUL. AUG. SEP. OCT. NOV. DEC.

40% 45% 50% 55% 60% 65% 70% 75% 80%

62% 55% 66% 69% 57% 52% 54% 55% 45% 60% 66% 77%
S&P 500 Historical December Performance
Since 1950

DECEMBER STRENGTH OFTEN LATER IN THE MONTH
OVERBOUGHT IN NOVEMBER / DECEMBER NOT USEFUL SIGNAL

S&P 500 Performance in November & December (Data Since 1990)

November Performance When More Than 80% of S&P 500 is Above 50-Day MA

- 3.5%

December Performance Since 1990

- 3.3%

- 1.9%

November Performance Since 1990

- 1.4%
POTENTIAL FOR PERFORMANCE CHASING

S&P 500 vs. HFRX Global Hedge Fund Index
Indexed to 100 on 12/31/13

Hedge Fund Index
S&P 500
NEW HIGH DATA HAS EXPANDED

Ex. Energy, this data has been pretty solid across the board.
1983/84/85 is an interesting comparison

1983 was a good year...
The market broke out of a 15-year range and the new high data expanded sharply (bullish).

1984 was a big consolidation...
The S&P was up 1% but the Russell 2000 was down -10%. The new high data was also anemic.

1985 was a strong year...
After a long digestive period in 1984, stocks resumed higher in 1985 as the new high data expanded.
Our S&P trend model has been positive for 36 consecutive months.
PREFER LARGE-CAP TRENDS

% of Stocks in an Uptrend

<table>
<thead>
<tr>
<th>Index</th>
<th>% of Stocks in Uptrend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nasdaq 100</td>
<td>72%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>64%</td>
</tr>
<tr>
<td>S&amp;P 100</td>
<td>63%</td>
</tr>
<tr>
<td>S&amp;P Mid-Cap</td>
<td>51%</td>
</tr>
<tr>
<td>Russell 2000</td>
<td>42%</td>
</tr>
<tr>
<td>Nasdaq</td>
<td>39%</td>
</tr>
<tr>
<td>Russell Micro-Cap</td>
<td>37%</td>
</tr>
</tbody>
</table>
SECTOR MATRIX IN DECENT SHAPE, ENERGY WEAKEST

*The size of each data point is proportional to each sector’s relative strength (i.e., the bigger the dot, the more stocks outperforming).*
MATRIX LOOKED DIFFERENT IN MARCH 2000

STRATEGAS TECHNICAL SECTOR MATRIX
March 24th, 2000

*The size of each data point is proportional to each sector’s relative strength (i.e., the bigger the dot, the more stocks outperforming).
Investors Intelligence Bull/Bear Ratio

Bulls still handily outnumber bears.

Very Bullish

Very Bearish
PUT/CALL DATA IS IN NEUTRAL TERRITORY

S&P 500
50 & 200-Day MA

CBOE Put/Call Ratio

10-Day MA
CREDIT CONDITIONS ARE KEY FOR SMALL-CAP CALL

Russell 2000
50 & 200-Day MA

High Yield Corporate Bond ETF (HYG) Relative to
20+ Treasury Bond ETF (TLT)

It's easier to be bullish on small-cap stocks when HY credit is outperforming.
### SMALL-CAPS LAGGING NOT ALWAYS BEARISH

**S&P 500 Positive... Russell 2000 Negative...**

*What Happens Next?*

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>1.4%</td>
<td>-9.6%</td>
<td>1985</td>
<td>26.3%</td>
<td>28.0%</td>
</tr>
<tr>
<td>1987</td>
<td>2.0%</td>
<td>-10.8%</td>
<td>1988</td>
<td>12.4%</td>
<td>22.4%</td>
</tr>
<tr>
<td>1998</td>
<td>26.7%</td>
<td>-3.4%</td>
<td>1999</td>
<td>19.5%</td>
<td>19.6%</td>
</tr>
<tr>
<td>2007</td>
<td>3.5%</td>
<td>-2.7%</td>
<td>2008</td>
<td>-38.5%</td>
<td>-34.8%</td>
</tr>
<tr>
<td>2011</td>
<td>0.0%</td>
<td>-5.5%</td>
<td>2012</td>
<td>13.4%</td>
<td>14.6%</td>
</tr>
</tbody>
</table>
SMALL-CAPS WERE NOT LEADERS IN THE 1980’s

**S&P 500**
1983 to 1991 (Log Scale)

12/31/1982 to 12/31/1990
S&P 500, +135%
Russell 2000, +49%

**Small-Caps Relative to Large-Caps**
1983 to 1991 (Log Scale)
SMALL-CAPS WERE NOT LEADERS HERE EITHER

S&P 500
1994 to 2000 (Log Scale)

12/31/1993 to 12/31/1999
S&P 500, +215%
Russell 2000, +95%

Small-Caps Relative to Large-Caps
1994 to 2000 (Log Scale)
OIL DECLINE IS A TAILWIND

WTI Crude Oil – 65-Day Rate of Change

WTI is down roughly -30% over the last 65-days.
19
Strategas
Technical Analysis

ECONOMIC BREAKOUT #1 (CONSUMER CONFIDENCE)

S&P 500
50 & 200-Day MA

Consumer Sentiment
(U-Mich)

7-year high for Consumer Confidence.
ECONOMIC BREAKOUT #2 (CONFIDENT ENOUGH TO QUIT)

S&P 500
50 & 200-Day MA

Job Quits as % of Total Employment
(JOLTS)
OIL DECLINE OFTEN BULLISH FOR CONSUMER STOCKS

S&P 500 & Consumer Discretionary Forward 6-Month Performance When...

- Trailing 6-Month % Change of WTI Oil is Positive:
  - S&P 500: 3.3%
  - Consumer Discretionary: 3.9%

- Trailing 6-Month % Change of WTI Oil is Negative:
  - S&P 500: 5.8%
  - Consumer Discretionary: 7.2%

- Historical 6-Month Average Performance Since 1990:
  - S&P 500: 4.2%
  - Consumer Discretionary: 5.1%
SEMIS CONTINUE TO EXHIBIT MOMENTUM

U.S. Semiconductor Index (SOX)
50 & 200-Day MA

SOX Relative to S&P 500
50 & 200-Day MA
BIOTECH HASN’T FLINCHED EITHER

The Cubist deal helped performance yesterday, but broadly, Biotech remains leadership.

S&P Biotechnology Index
50 & 200-Day MA

Biotech Relative to S&P 500
50 & 200-Day MA
RELATIVE IMPROVEMENT FOR FINANCIALS CONTINUES

S&P Financials Sector
50 & 200-Day MA

Financials Relative to S&P 500
50 & 200-Day MA

Starting to exhibit some leadership.
BANKS VS. GOLD REMAINS SUPPORTIVE

We've always looked to this relationship as a decent barometer of risk appetite.
INDUSTRIALS ARE IMPORTANT FOR THE MARKET CALL

Industrial Sector Returns vs. S&P 500 Returns Since 1989

<table>
<thead>
<tr>
<th>Sector</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDUSTRIALS</td>
<td>0.86</td>
</tr>
<tr>
<td>CONSUMER DISCRETIONARY</td>
<td>0.82</td>
</tr>
<tr>
<td>FINANCIALS</td>
<td>0.73</td>
</tr>
<tr>
<td>TECHNOLOGY</td>
<td>0.68</td>
</tr>
<tr>
<td>MATERIALS</td>
<td>0.54</td>
</tr>
<tr>
<td>HEALTHCARE</td>
<td>0.44</td>
</tr>
<tr>
<td>CONSUMER STAPLES</td>
<td>0.42</td>
</tr>
<tr>
<td>TELECOM</td>
<td>0.40</td>
</tr>
<tr>
<td>ENERGY</td>
<td>0.38</td>
</tr>
<tr>
<td>UTILITIES</td>
<td>0.26</td>
</tr>
</tbody>
</table>

R² = 0.86
SPREADS CONTINUE TO CREEP WIDER

Baa Corporate Spreads vs. S&P High Quality Index Relative to S&P Low Quality Index

High Quality stocks have continued to outperform with spreads creeping wider.
10’s CONTINUE TO STRUGGLE AT RESISTANCE

Below 2.69, the downtrend in yields remains intact.
FLATTENER TYPICALLY OK FOR STOCKS, INVERSION A PROBLEM

Inverted curves are the deal breaker, still a long way from that.
BOND CYCLES CAN TAKE A LONG TIME

The Fed lifted the cap on rates in 1951, but it still took roughly 15 years before yields saw 5.00%.
CENTRAL TENDENCY STILL > 3.00% FOR 2015 YIELD FORECASTS

U.S. 10-Year Yield Forecasts Among Wall Street Economists
Year-End 2015, 83 Forecasts

10-Year Yield Forecast

<table>
<thead>
<tr>
<th>Range</th>
<th># of Forecasts</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 2.50</td>
<td>0</td>
</tr>
<tr>
<td>2.50 - 2.75</td>
<td>9</td>
</tr>
<tr>
<td>2.75 - 3.00</td>
<td>13</td>
</tr>
<tr>
<td>3.00 - 3.25</td>
<td>20</td>
</tr>
<tr>
<td>3.25 - 3.50</td>
<td>21</td>
</tr>
<tr>
<td>3.50 - 3.75</td>
<td>9</td>
</tr>
<tr>
<td>3.75 - 4.00</td>
<td>4</td>
</tr>
<tr>
<td>4.00 - 4.25</td>
<td>5</td>
</tr>
<tr>
<td>&gt; 4.25</td>
<td>2</td>
</tr>
</tbody>
</table>

Strategas Technical Analysis – Please Do Not Redistribute
ANOTHER GOOD WEEK FOR JAPAN

Japan TOPIX Index
40-Week MA

Weekly Momentum Indicator
Accelerating.
BULLISH SETUPS FOR JAPAN GROUPS

TOPIX Electrical Appliances
13% of Index

TOPIX Transportation Equipment
12% of Index

TOPIX Banks
9% of Index

TOPIX Machinery
5% of Index

TOPIX Retail Trade
4% of Index

TOPIX Insurance
2% of Index

The Banks are trying...
We're buyers of pullbacks for USDJPY.
93% OF DAX YIELDS MORE THAN GERMAN 10-YEAR

28 out of 30 DAX Cos. have a dividend yield > the German 10-year yield.

% of DAX Stocks with Yield > German 10-Year Yield
IRELAND BREAKING OUT (ANOTHER AIRLINE STORY)

**Irish Stock Exchange Index (ISEQ)**

Ryanair is 18% of the Irish Index.

**Ryanair Holdings PLC (RYA ID)**

Weekly
WE REMAIN $ BULLS

The Euro chart continues to distribute. Fade rallies.

Strategas Overbought/Oversold Indicator

EURUSD
40-Week MA

0/B
0/S
USDCAD REMAINS STRONG ALSO

USDCAD
50 & 200-Day MA

The 45-year average is 1.21.
AUSSIE $ BREAKDOWN

The trend remains lower here. Fade rallies.
U.S. $ STRENGTH IS BROAD-BASED
U.S. $ STRENGTH IS BROAD-BASED

USDTWD (Taiwanese Dollar)
50 & 200-Day MA

Big Base
THAI BAHT LOOKS NEXT TO GO

USDTHB (Thai Baht)
50 & 200-Day MA
ONE RISK TO THE CALL... NO SHORTAGE OF $ BULLS

U.S. Dollar Index (DXY)
Weekly

Sentiment is something to be mindful of, but we’re in the camp this is a structural change for the USD. Pullbacks are buyable.

Consensus Inc. % Bullish - USD
SHANGHAI CONTINUES TO IMPROVE... OIL?

**Shanghai Composite**

50 & 200-Day MA

**Shanghai Property Index**

50 & 200-Day MA

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*Strategas Technical Analysis – Please Do Not Redistribute*
CONTINUE TO PREFER EMERGING ASIA VS. LAT-AM

MSCI Emerging Asia Relative to MSCI Emerging Latin America
40-Week MA
THERE’S NOT ENOUGH HEALTHCARE IN THE EEM

Emerging Markets ETF Sector Weights (EEM)

- Financials: 28.17%
- Information Technology: 17.51%
- Consumer Discretionary: 9.32%
- Energy: 9.01%
- Consumer Staples: 8.18%
- Telecommunications: 7.63%
- Materials: 7.59%
- Industrials: 6.52%
- Utilities: 3.44%
- Health Care: 2.20%

EM Energy sector is down -19% YTD
EM Healthcare sector is up 23% YTD.
IS OIL SENTIMENT STILL TOO BULLISH?

WTI Crude Oil
50 & 200-Day MA

Hedge Funds Betting That OPEC-Led Oil Rout Is Near End

Dec 08, 2014 05:32:26 [BN] B
Energy Insiders Seeing ‘Fire Sale’ Buy Most Shares Since ’12

CFTC Large Speculators, Net Position

Fade rallies back to resistance.
THE SELL-SIDE HAS NOT CAPITULATED ON ENERGY STOCKS

**Analyst "Buy" Recommendations as % of Total Recommendations**

S&P 500 Sectors

- Healthcare: 58%
- Energy: 58%
- Technology: 54%
- Industrials: 52%
- Discretionary: 51%
- Financials: 46%
- Materials: 45%
- Staples: 41%
- Telecom: 37%
- Utilities: 34%

The Energy sector is still near the top of this list.

The 2nd best sector YTD.
ENERGY WEAKNESS CONTINUES TO WEIGH ON BRAZIL

Brazil BOVESPA Index
50 & 200-Day MA

BOVESPA Relative to S&P 500
50 & 200-Day MA
KEEP AN EYE ON LAT-AM CDS

5-Year Sovereign CDS
Colombia, Peru, Mexico

Colombia
Peru
Mexico
FADE COMMODITY RALLIES

Continuous Commodity Index (CCI Index) Log Scale

Equally Weighted Index
(5.88% Weighting for Each Commodity)

WTI Oil
Heating Oil
Natural Gas
Corn
Wheat
Soy Beans
Live Cattle
Lean Hogs
Sugar
Cotton
Coffee
Cocoa
Orange Juice
Gold
Silver
Platinum
Copper

It doesn’t take a technician to see the problem here...
Fade strength. Resistance is now 500-515.
FCX CONFIRMING COPPER WEAKNESS

Freeport McMoRan vs. Copper

Copper

FCX
REAL RETURNS... EQUITIES VS. COMMODITIES

S&P 500
50 & 200-Day MA

S&P 500 Relative CRB Commodity Index
50 & 200-Day MA

- **Real Bull Market**
  - Stocks go up, and they outperform commodities.

- **Nominal Bull Market**
  - Stocks go up, but they underperform commodities.
CONTINUE TO LIKE HEALTHCARE

S&P Healthcare Sector
50 & 200-Day MA

Healthcare Sector Relative to S&P 500
50 & 200-Day MA
HEALTHCARE 52-WEEK HIGHS ARE ROBUST

Expansions in new highs are rarely bearish.

% of Healthcare Sector at 52-Week High

49%
HEALTHCARE TRENDS ARE FIRM

Healthcare Industry Group Matrix
December 8th, 2014

*The size of each data point is proportional to each sector’s relative strength (i.e., the bigger the dot, the more stocks outperforming).
BIG BASE IN HEALTHCARE

Bullish Setup for Lilly.
BIG HEALTHCARE BASE
TECHNOLOGY IS MIXED BAG

Technology Industry Group Matrix
December 8th, 2014

*The size of each data point is proportional to each sector’s relative strength (i.e., the bigger the dot, the more stocks outperforming).
SEMI NEW HIGHS EXPANDING

Reluctant to get too bearish with new highs expanding.
DECISIVE BREAKOUT

Yahoo! Inc.
YHOO-USA
Information Technology
Internet Software & Services
Mkt Cap: $45,993.94
Div Yld: 0.00%

Relative to Google Inc. Class A

YHOO REL. GOOG
APPLE NOT AS EXPENSIVE AS IT WAS IN 2012
BIG BASES IN TECHNOLOGY
TECHNOLOGY LAGGARD

WEAKNESS HERE NOT GETTING MUCH ATTENTION.
TECHNOLOGY LAGGARD

STILL UNIMpressed WITH THE IBM CHART.

Nothing...
Financials Industry Group Matrix
December 8th, 2014

*The size of each data point is proportional to each sector's relative strength (i.e., the bigger the dot, the more stocks outperforming).*
NEW HIGH DATA EXPANDING FOR FINANCIALS SECTOR

S&P Financials Sector
50 & 200-Day MA

% of Financials Sector at 65-Day High

Best reading since mid-2013.

45%
I-BANKS & BROKERS CONTINUE TO LOOK GOOD

Goldman Sachs Group, Inc.
GS-USA
Financials
Investment Banking & Brokerage
Mkt Cap: $83603.05
Div Yld: 1.17%

Morgan Stanley
MS-USA
Financials
Investment Banking & Brokerage
Mkt Cap: $72012.86
Div Yld: 0.95%
BIG-CAP BANKS IMPROVING

Relative to S&P 500

Mkt Cap: $167,167,151
Div Yld: 0.07%

BASE BREAKOUT
FOR CITI.
BULLISH SETUP FOR ASSET MANAGERS
BULLISH SETUP IN FINANCIALS

Relative to S&P 500

TD Ameritrade Holding Corporation
AMTD-USA

Financials
Investment Banking & Brokerage

Mkt Cap: $19942.02
Div Yld: 1.39%

BIG BASE
FAVOR HOTELS & RESTAURANTS WITH LOWER OIL

Consumer Discretionary Industry Group Matrix
December 8th, 2014

*The size of each data point is proportional to each sector’s relative strength (i.e., the bigger the dot, the more stocks outperforming).
Historically, Retail stocks tend to outperform in November, stall in December and January, and then resume higher in February and March.

**Historical S&P 500 Retail Index Relative S&P 500 Seasonal Pattern**

October Through March - Since 1989
ONE OF THE WEAKER CONSUMER CHARTS

STILL ONE OF THE WEAKER CONSUMER CHARTS, AND BACK TO RESISTANCE.
3-MONTH LOW FOR TESLA... OIL?

STARTING TO CRACK?
ENERGY VERY OVERSOLD...

By almost any indicator Energy stocks are oversold, but we don't think you get much more than a tactical bounce.
...BUT ENERGY CREDIT REMAINS WEAK

Both IG and HY Energy CDS continue to shoot higher.
ENERGY SECTOR BOTTOMED AT 5% OF S&P MARKET-CAP IN 1999

S&P 500 Energy Sector
40-Week MA

Energy Sector Market-Cap as % of S&P 500 Market-Cap

ENERGY SECTOR BOTTOMED AT 5% OF S&P MARKET-CAP IN 1999
Airlines are Leadership

Industrials Industry Group Matrix
December 8th, 2014

*The size of each data point is proportional to each sector’s relative strength (i.e., the bigger the dot, the more stocks outperforming).
SOME PERSPECTIVE

NYSE Airline Index

Don’t fear strength when the chart looks like this.

Massive Base
BASE BREAKOUT