

ANIMAL INSTINCTS FOR CHINESE STOCKS

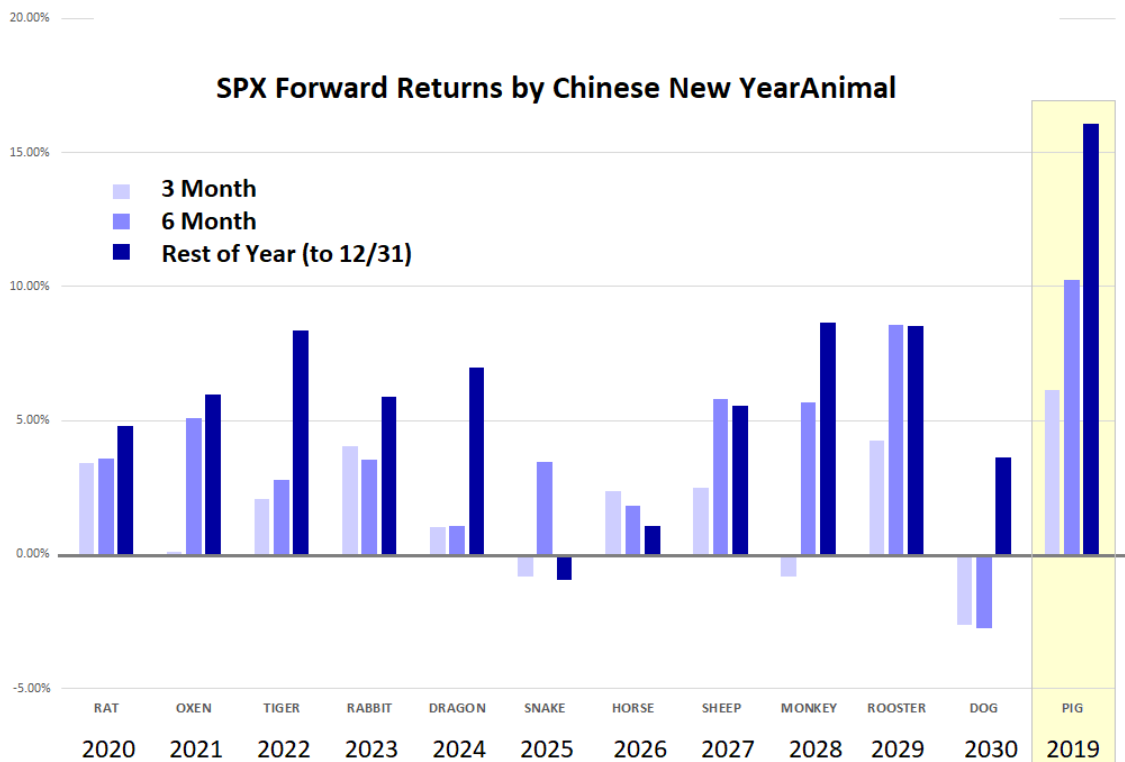
Re-opening after the Chinese Lunar New Year Golden Week, the SHCOMP has posted a 2-day gain of +2.04% and is on track for a streak of 6 positive weeks to open 2019 with a +7.14% advance. Having vastly under-performed the SPX over the last 4-years (since the February 2015 ratio high the SHCOMP has lost -60% on a relative basis), the SHCOMP is firmly on our radar as a possible source of out-performance now. On an outright basis there are a number of technical factors that we believe support a potentially bullish environment, primarily we are monitoring:

- **Years of the "Pig" yield the most consistently strong returns** compared to the other 11 animals in the Chinese 12-year Zodiac.
- **The SHCOMP held at a point defined by a 14-year uptrend** (connecting the 2005 and 2013 lows), and has broken free of the upper boundary of a 1-year declining parallel channel.
- **The price pattern from the last 10 years closely resembles the price pattern going into the 2013 lows.** With some license on time compression, one can clearly see just how uncannily similar the overlay is. The advance from the 2013 lows to a 2015 peak was approximately +150%.

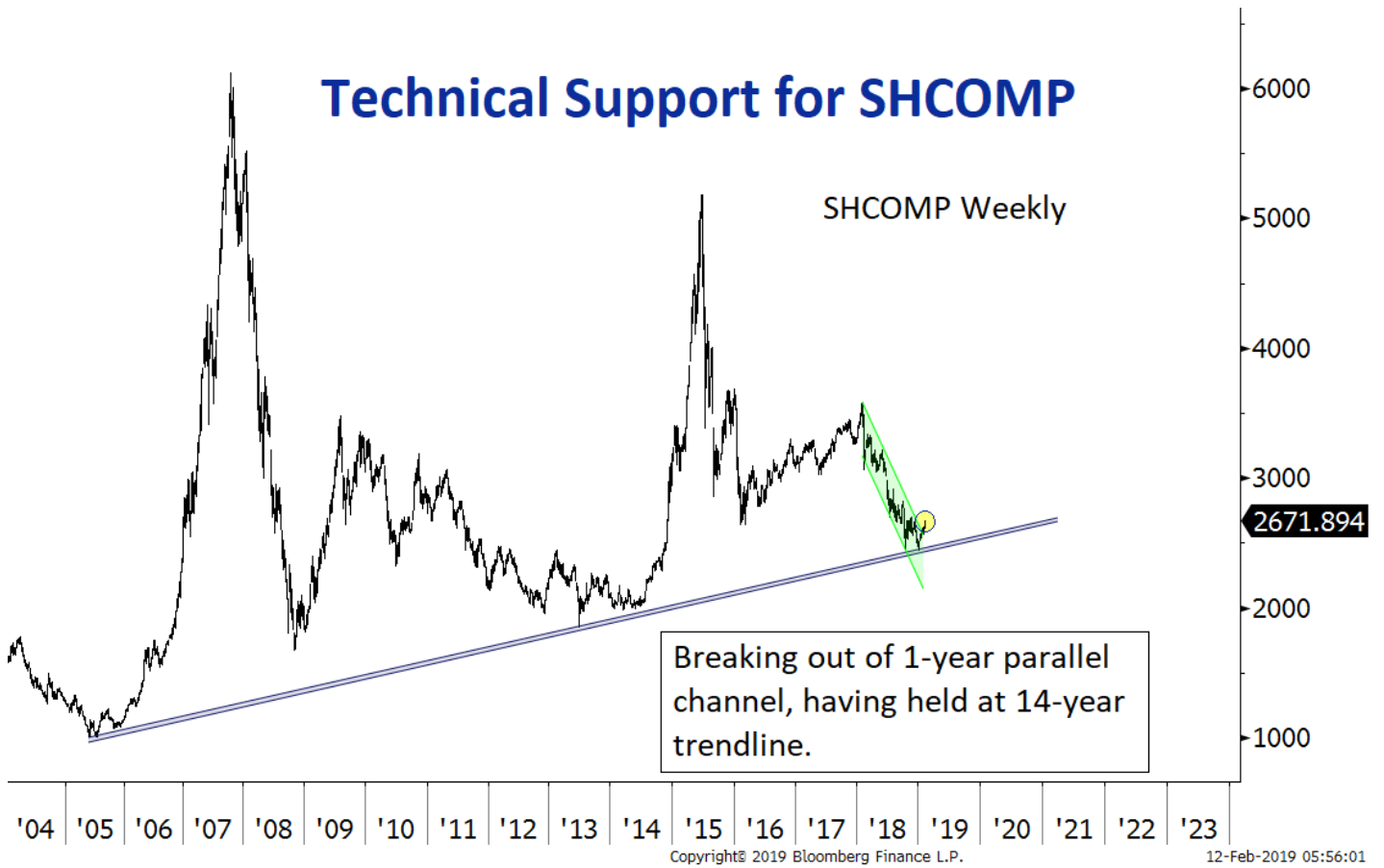
On a relative basis the SHCOMP has dropped to a broad band of support in the lower quartile of the 30 year range versus the SPX. Eliminating the first few years of history, there is also a trendline connecting all major lows that was touched last October.

In conclusion, we believe the Chinese market may be setting up for considerable out-performance and **we will be adding 1 unit of risk in the SHCOMP** (we are already long 1 unit of Emerging Markets). We think the technical conditions are ripe for a turnaround and will be on alert for any discrete triggers that support adding to this position.

Years of the Pig (*this year*) Exhibit the Strongest Returns in the 12 Year Chinese Calendar

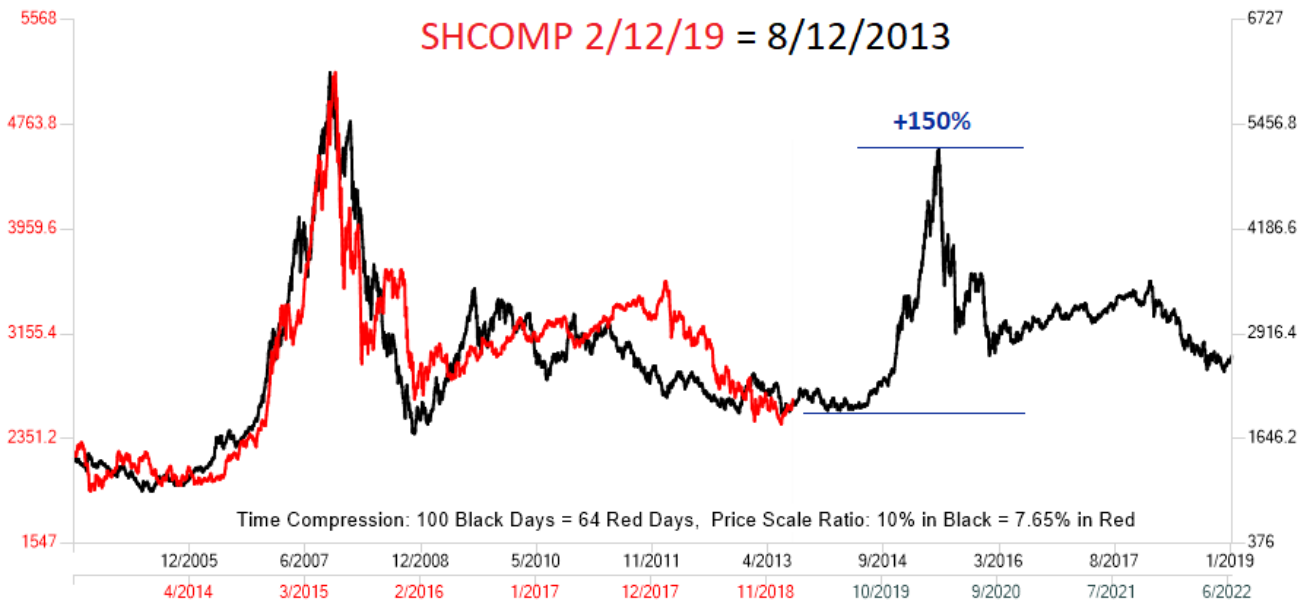


Technical Support for SHCOMP



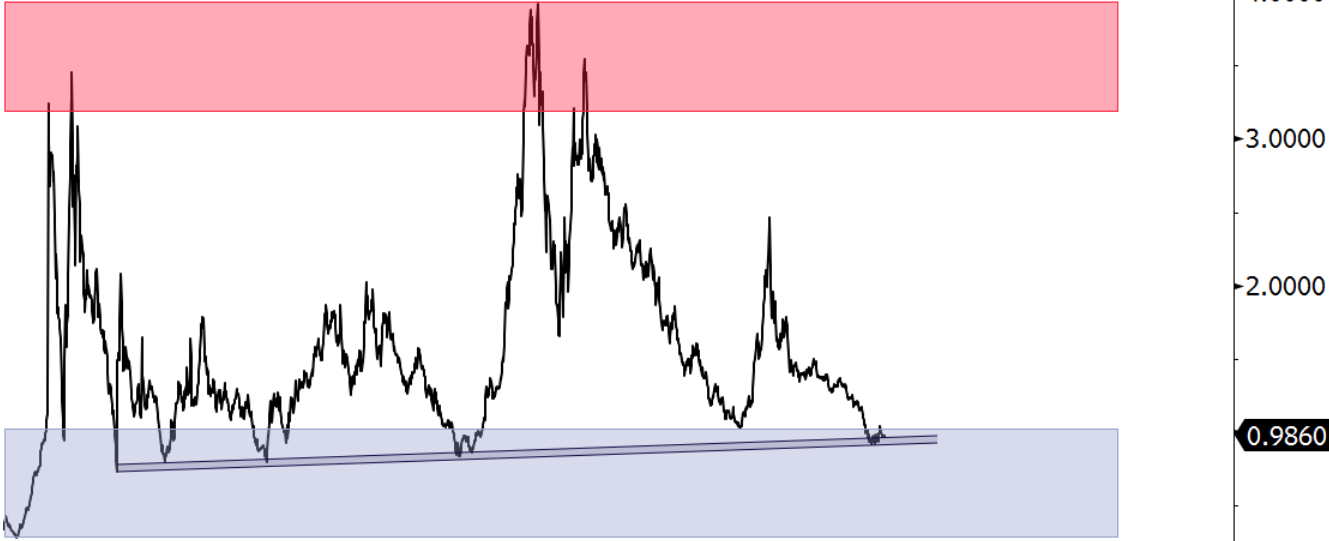
SHCOMP Overlay to August 2013

(with time compression shift)



Long-term Support for SHCOMP vs. SPX

SHCOMP / SPX Weekly



1990-1994 | 1995-1999 | 2000-2004 | 2005-2009 | 2010-2014 | 2015-2019 | 2020-2024 | 2025-2029

Weekly 12FEB2017-12FEB201

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