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# LE COIN TECHNIQUE

## Market Internals are suggesting a shift towards more Defensive Assets

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The first days of Mr Trump being in power have been disruptive, the least to say.

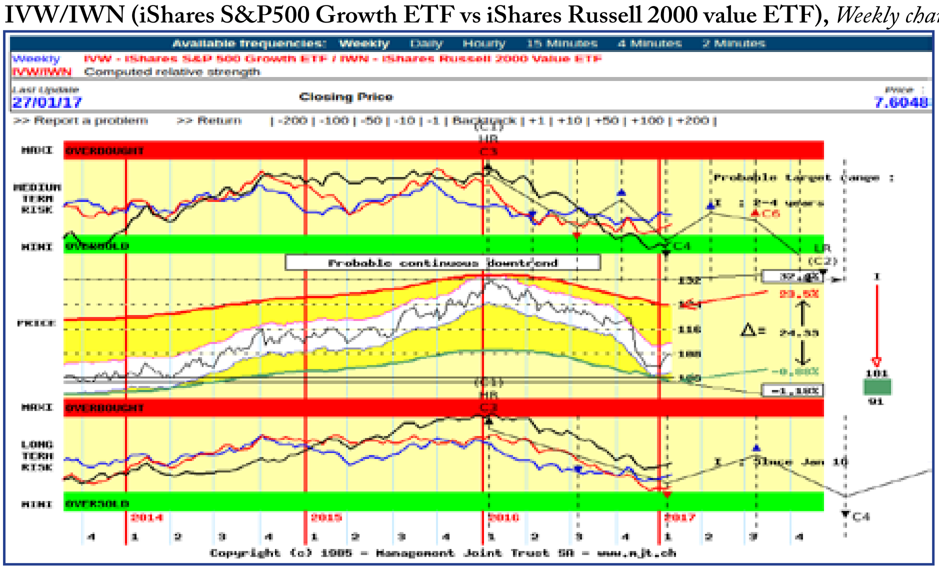
Concomitantly, reflation trades, which we were early proponents of since Spring last year, may be getting overextended.

We believe it may be time to consider Defensive and Growth stocks again.

**DVY/SPY (iShares Select Dividend ETF vs SPDR S&P500),** *Weekly chart or the perspective over the next few quarters*


*DVY, which includes a selection of high dividend stocks (of which circa 30% of them in the Utilities sector) has been underperfoming vs the S&P500 since mid 2016. Indeed, many of these stocks are considered bond proxies and, on a relative basis at least, will follow a similar path as treasuries. On this Weekly chart, and according to the model we fit, they may be getting ready to resume their uptrend vs SPY during this 1st Quarter of 2017. The move up could last 3 to 6 months (our projections, respectively on the upper and lower rectangles of the chart above).*

**IVW/IWN (iShares S&P500 Growth ETF vs iShares Russell 2000 value ETF),** *Weekly chart or the perspective over the next few quarters*




*Value has had a tremendous run vs Growth in 2016 (the chart shown above is inverted, i.e. Growth vs Value). We believe Growth is also due for some rebound during H1 2017: intermediate bottoms are expected mid Q1 2017 on both our oscillator series (lower and upper rectangles). These could trigger 3 to 6 months of rebound. In this chart, we've taken the S&P500 Growth ETF vs the Russell 2000 Value Index as an example, yet the analysis also holds for the Nasdaq vs the S&P500, the S&P500 vs the Russell 2000 (larger caps vs small caps) or larger Technology companies (e.g. the XLK Technology ETF) vs small caps, value or the general market (and any iteration of these).*

**Concluding remarks** — While reflationary assets and trades could retrace during H1 2017, Defensive and Growth stocks may outperform again, possibly from February to late Spring/early Summer 2017. On our Daily charts *(not shown here)*, some have indeed already started to move *(e.g. big technology, gold mines, alternative energy)*, yet they could still retest. We would suggest to start hunting for bargains on retracements from mid February.