

Technical Analysis Chart Pack

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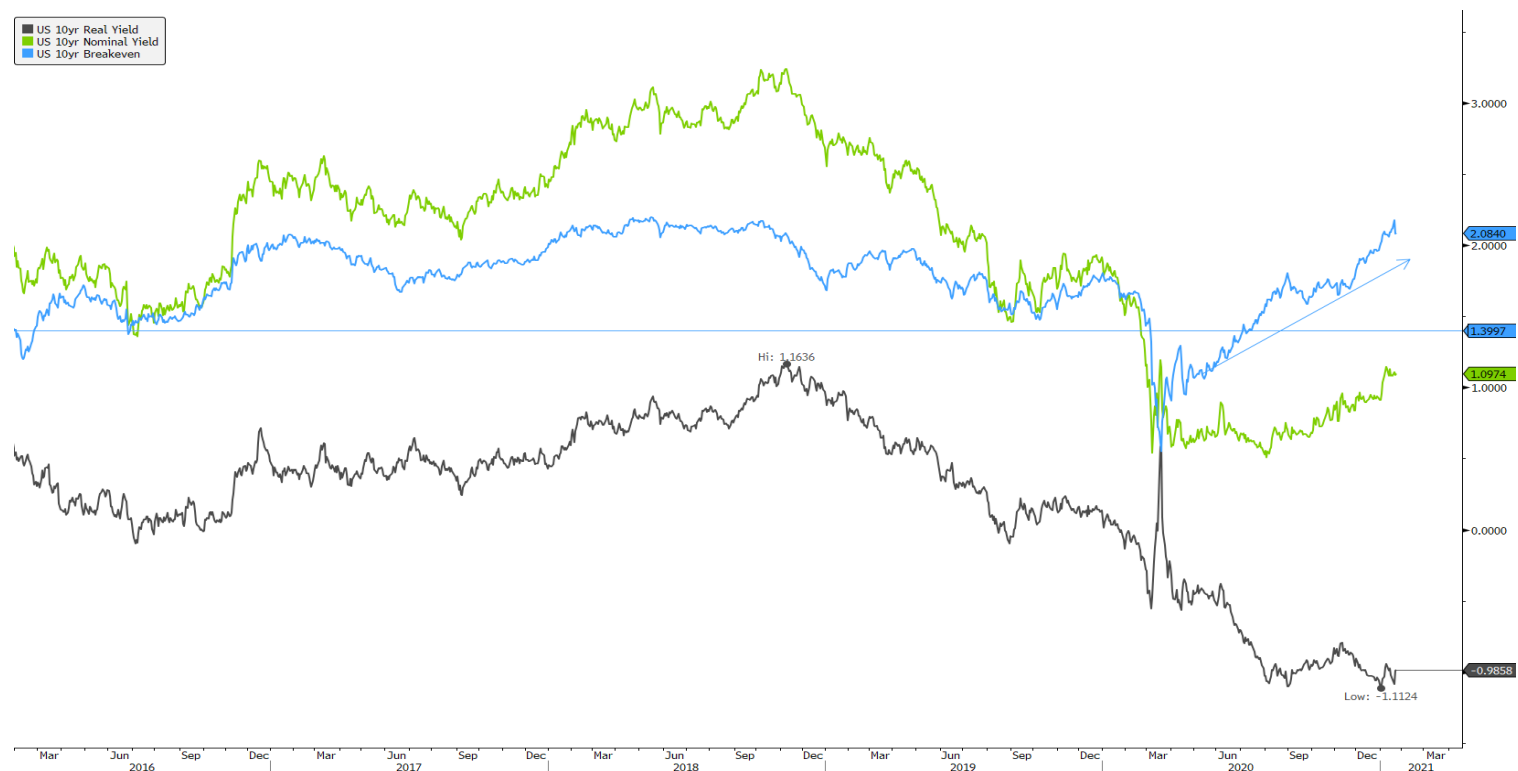
Key Market Themes

The intermarket relationships indicate that overall markets behave in the same way as historical economic recoveries after a recession, i.e., bullish stock markets, higher commodity prices, higher inflation, higher yield and tighter credit spreads. Both Small Cap outperforming Big Cap stocks and higher Copper to Gold Ratio suggest a growing economy. As we know, the speed of vaccine rollout and its effectiveness to end this pandemic are the key to determine both the direction of the real economy and the next move of the markets.

- Inflation Expectation: Uptrend Remains
- DXY Dollar Index: Long-Term Downtrend Is Intact
- Commodity Index: Broke Out For Higher Prices
- EM Equity: Benefits From The Weakening US Dollar
- EM Equity vs. DM Equity: EM May Continue Outperforming
- US Small Cap vs. Big Cap: Small Cap Continues Doing Better
- US Value vs. Growth: Value May Have A Chance
- US 2s10s Curve: Steepening Trend Continues
- US 10 Yr Yield: Short To Medium-Term Trend Is Up
- JGBs 10 Yr Yield: Is Well Under YCC Control
- Bunds 10 Yr Yield: Remains In The Deep Negative Range
- Gilts 10 Yr Yield: Is Establishing A Base
- US IG vs. HY: HY May Continue Outperforming IG
- S&P 500: A Loud and Clear Bullish Uptrend
- WTI Crude Oil: Is Getting More Expensive
- Copper/Gold Ratio: Indicates A Higher Yield

Inflation Expectation: Uptrend Remains

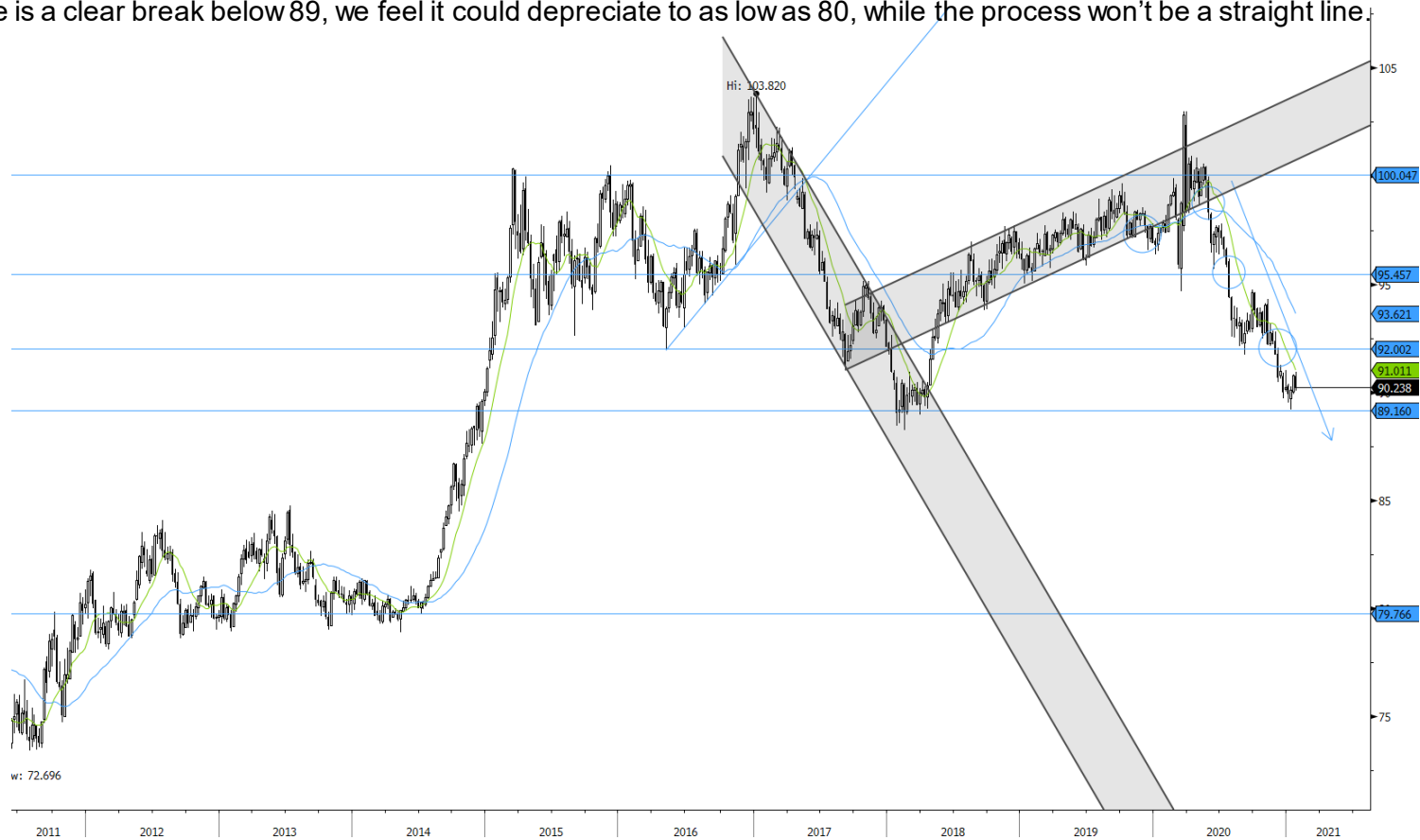
- Inflation expectation made a bottom in March 2020. Then, it increased dramatically and now is close to its 5-year highs. The trend remains upward.
- The inflation expectation is the key driver for the higher US 10 year yield, as the real yield keeps making lower lows during the same period.
- The higher inflation expectation aligns well with the current market reflation trades, such as betting on higher yields, lower US dollar, higher commodity prices and EM equity outperforming.



Source: Bloomberg and MetLife Investment Management (MIM)

DXY Dollar Index: Long-Term Downtrend Is Intact

- The greenback has been able to hold above the key support of 89 in last few weeks, but we believe the long term-trend remains downward.
- Given the higher inflation, negative 2-year real yield differential and still overvalued based on REER, we expect the greenback to remain under pressure.
- If there is a clear break below 89, we feel it could depreciate to as low as 80, while the process won't be a straight line.



Source: Bloomberg and MIM

Commodity Index: Broke Out For Higher Prices

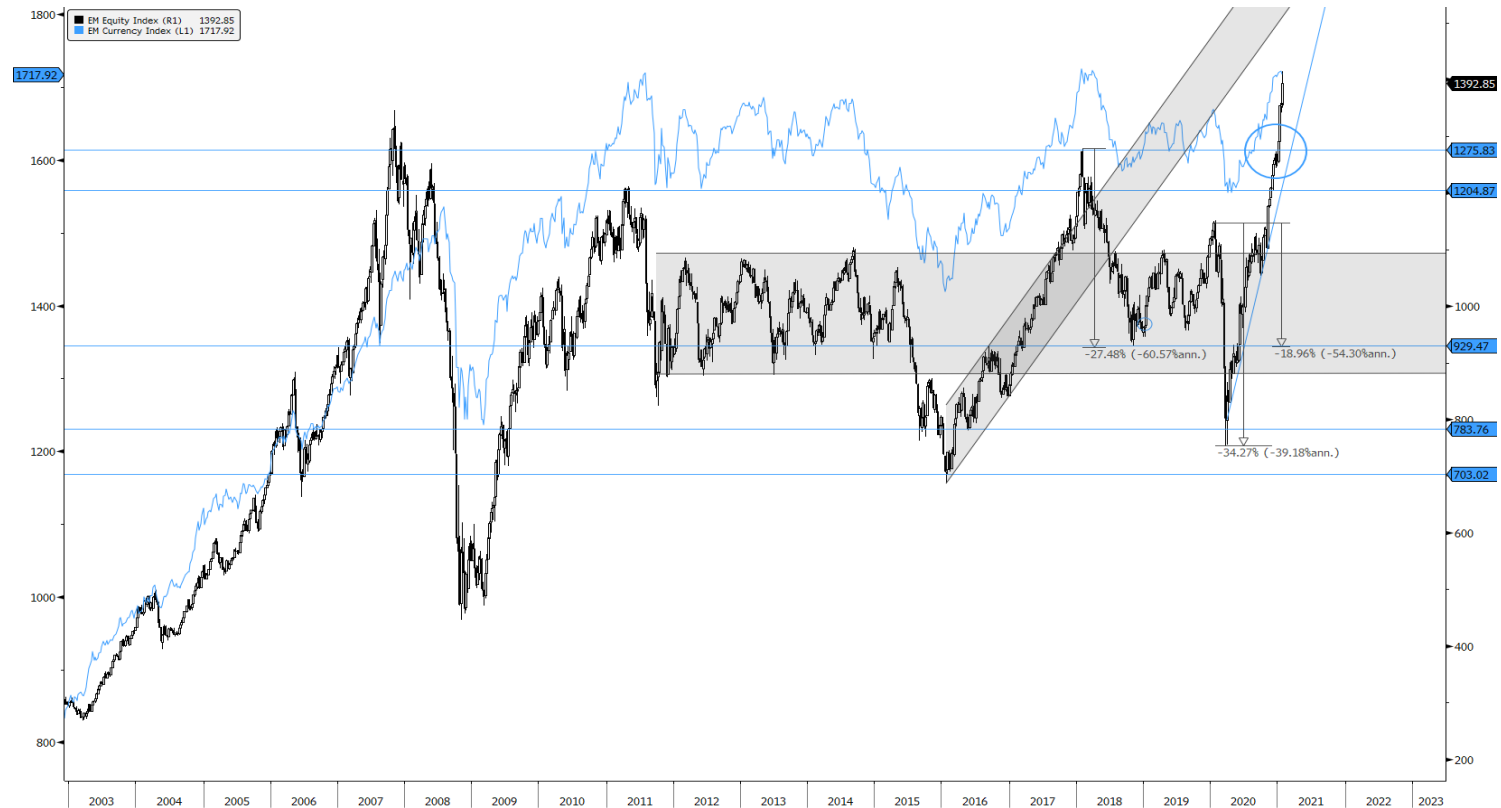
- US Dollar is strongly correlated with commodity prices.
- The weaker US Dollar boosted the commodity prices.
- The CCI commodity index broke above the key resistance of 440, which suggests the current rally may continue.
- We feel the next resistance is about 500.



Source: Bloomberg and MIM

EM Equity: Benefits From The Weakening US Dollar

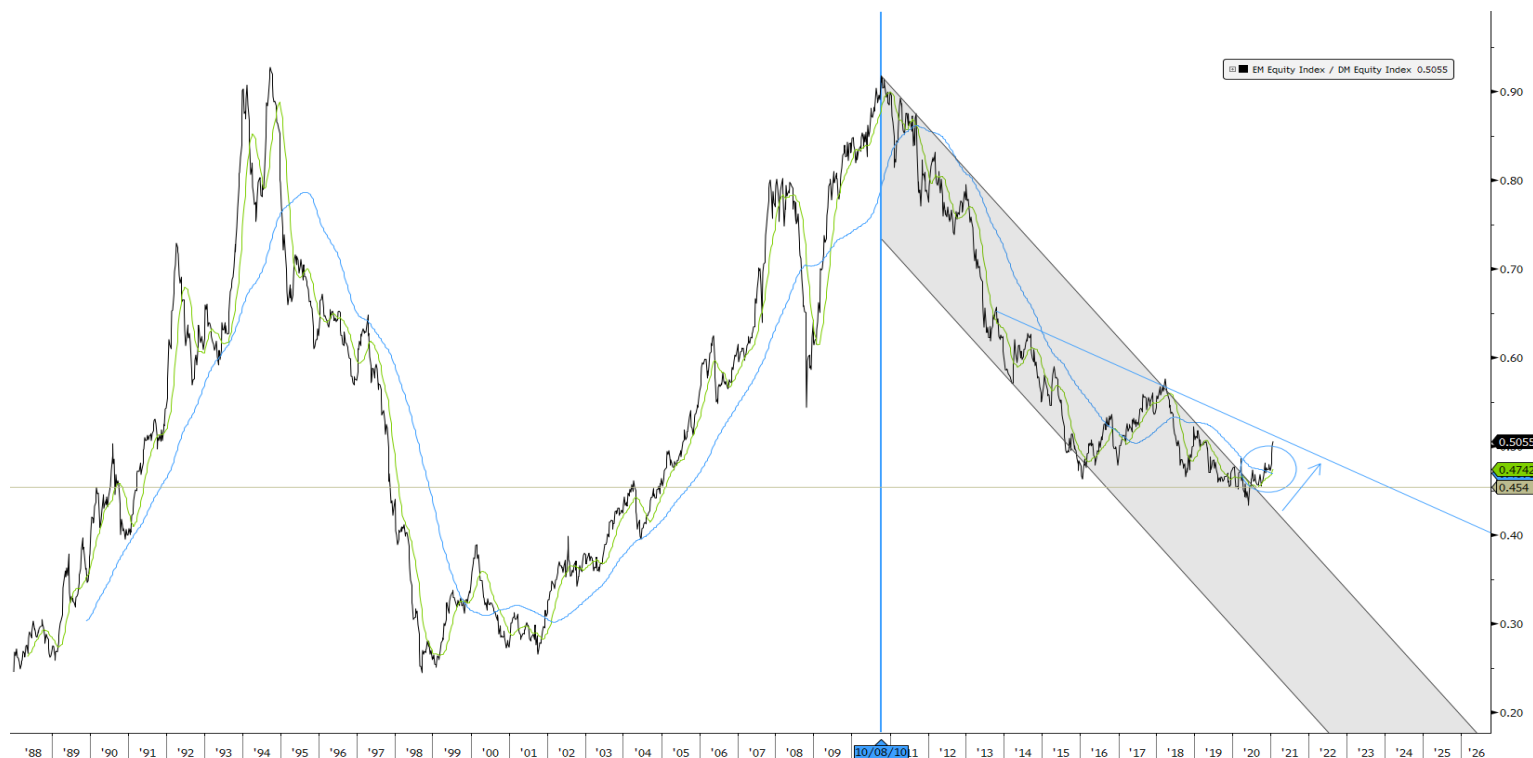
- EM equity is highly correlated with EM currency index.
- The weakening US dollar should help support the EM equity rally.
- The EM Equity index made all time high, after breaking above the key resistance – 1275.
- We believe the trend remains strong, while it is overbought. The speed of the rally is hard to maintain, so the probability of a correction/consolidation has been increasing.



Source: Bloomberg and MIM

EM Equity vs. DM Equity: EM May Continue Outperforming

- EM equity has outperformed DM equity since May 2020, but, if you look at the long-term, EM equity has underperformed DM equity in the last 10 years.
- The relative index broke above the upper bound of the downward trading channel (grey shaded). If the index could break above the blue downward trendline, that would suggest EM could continue outperform EM equity.
- Just to emphasize, both EM and DM equities are in uptrend. It is the EM equity rally is faster than that of DM equity.



Source: Bloomberg and MIM

US Small Cap vs. Big Cap: Small Cap Continues Doing Better

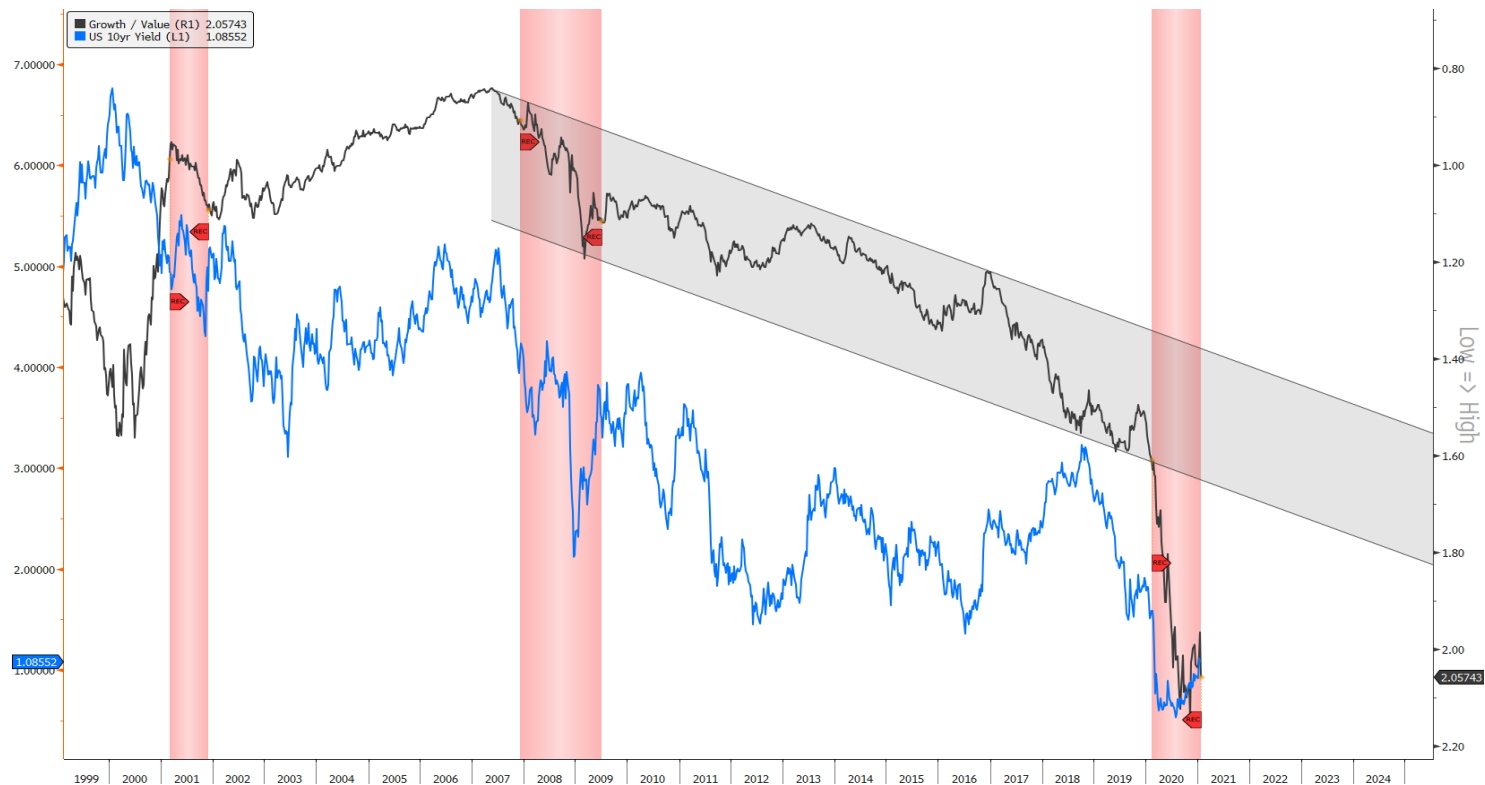
- First, the small cap equity historically outperforms the big cap equity during a recovery phase after a recession, as shown by the arrows in the chart below.
- The magnitude of the small cap outperformance has increased dramatically in last 3 month or so. We believe that the US economy remains in the early stage of the recovery phase. Therefore, we expect the small cap to continue to outperform the large cap equity.



Source: Bloomberg and MIM

US Value vs. Growth: Value May Have A Chance

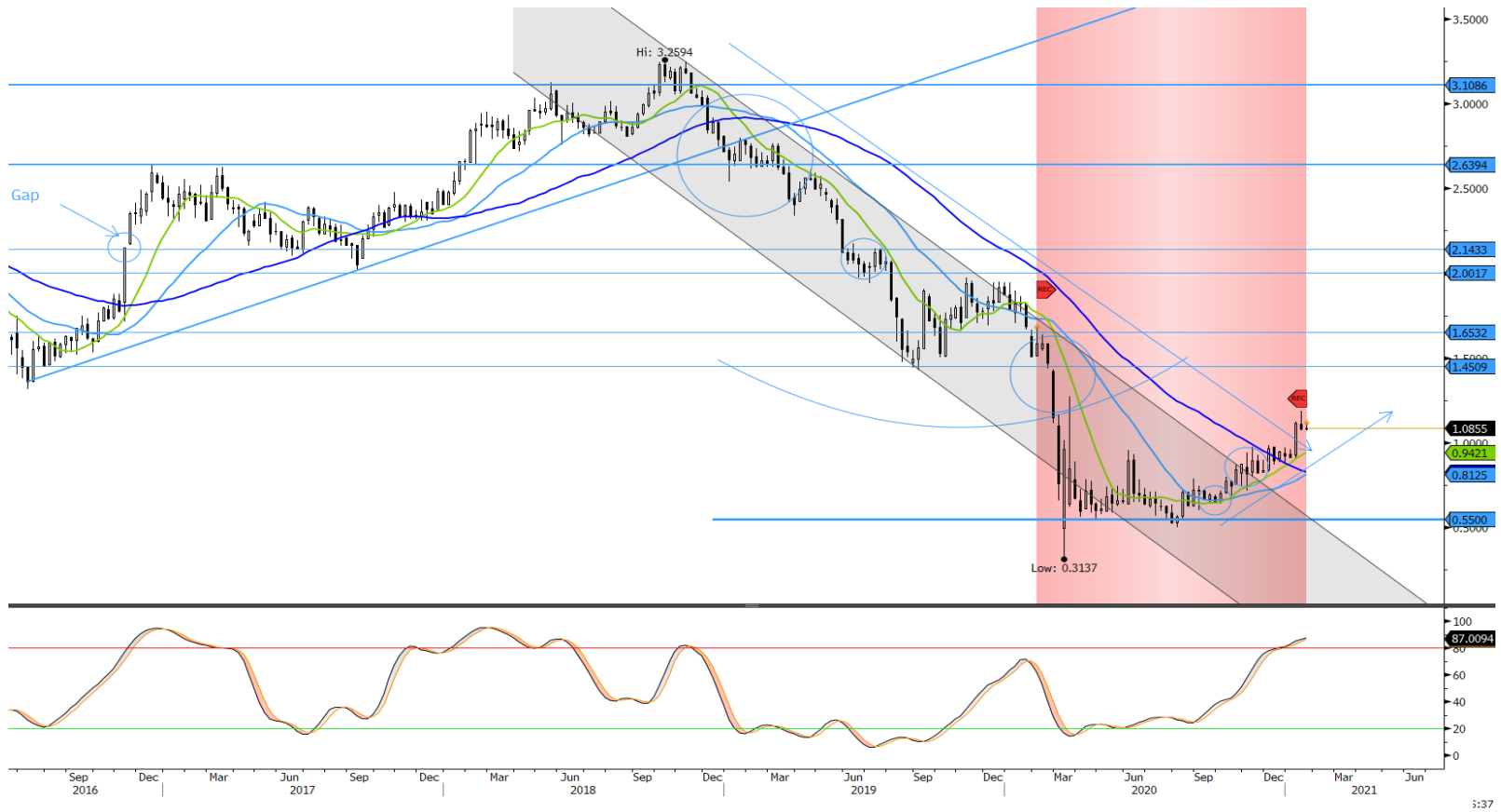
- US growth stocks have outperformed value stocks in the last decades.
- US 10yr yield is highly correlated with the relative index, which has been in a similar descending trend over the same period.
- As the inflation expectation and US 10yr yield increase, we see that the value stocks are fighting back in the last couple of months.
- We do expect US 10yr yield to move higher, but not dramatically at least in Q1. Therefore, we believe that values stocks may outperform growth stocks modestly, unless the 10yr yields jump significantly.



Source: Bloomberg and MIM

US 10 Yr Yield: Short To Medium-Term Trend Is Up

- The yield broke above the upper bound of the downward trading channel, subsequently, and the 1.0% level, which suggests the uptrend may continue.
- The short to medium trend has turned upward.
- We believe the next support level is about 1.45%.



Source: Bloomberg and MetLife Investment Management (MIM)

US 2s10s Curve: Steepening Trend Continues

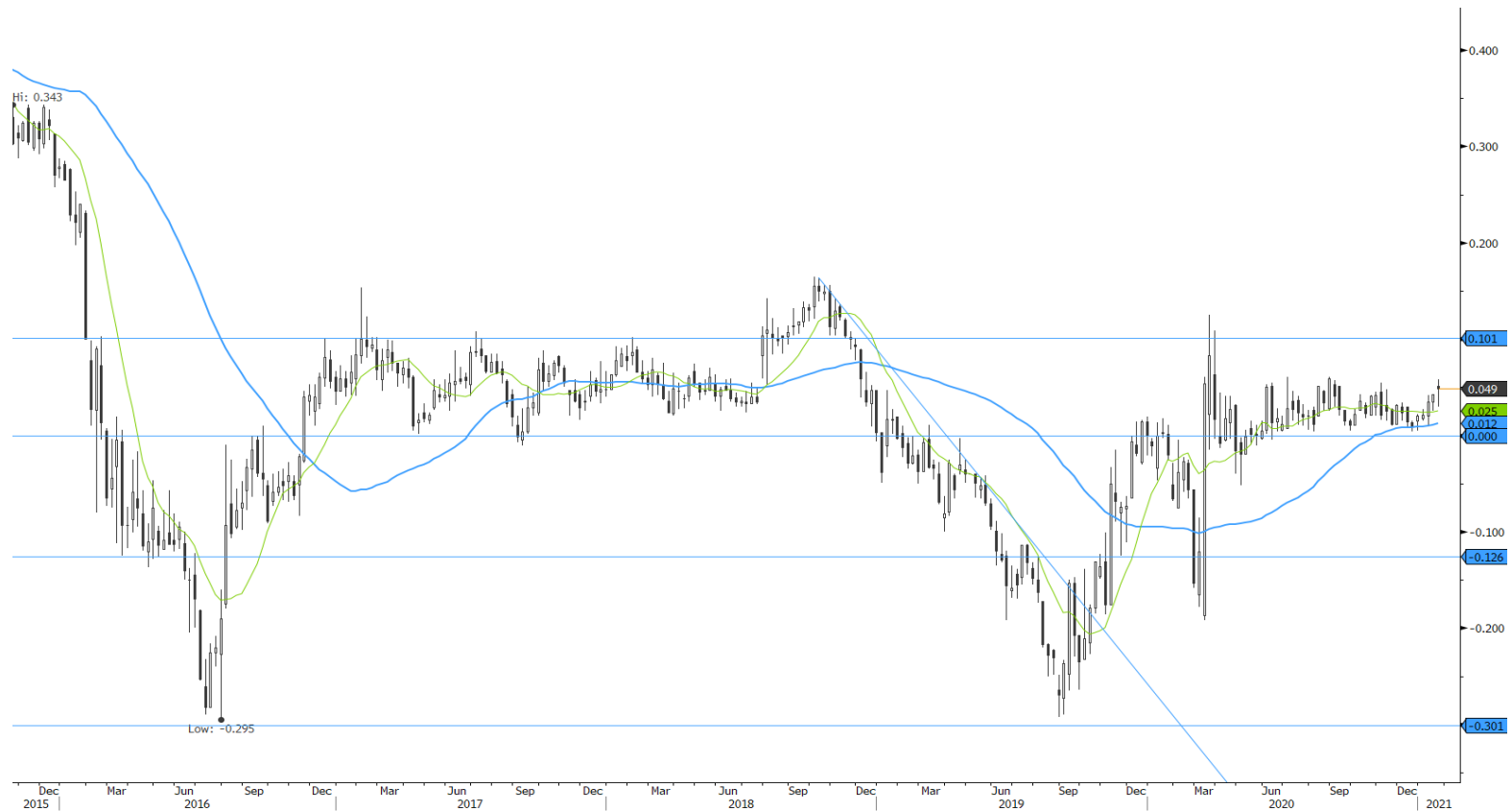
- The chart is updated, but the trend and resistance remain the same.
- We see that the steepening trend is likely to continue.
- 1% is the initial target; if that is cleared, 1.5% is the next level in our view.



Source: Bloomberg and MIM

JGBs 10 Yr Yield: Is Well Under YCC Control

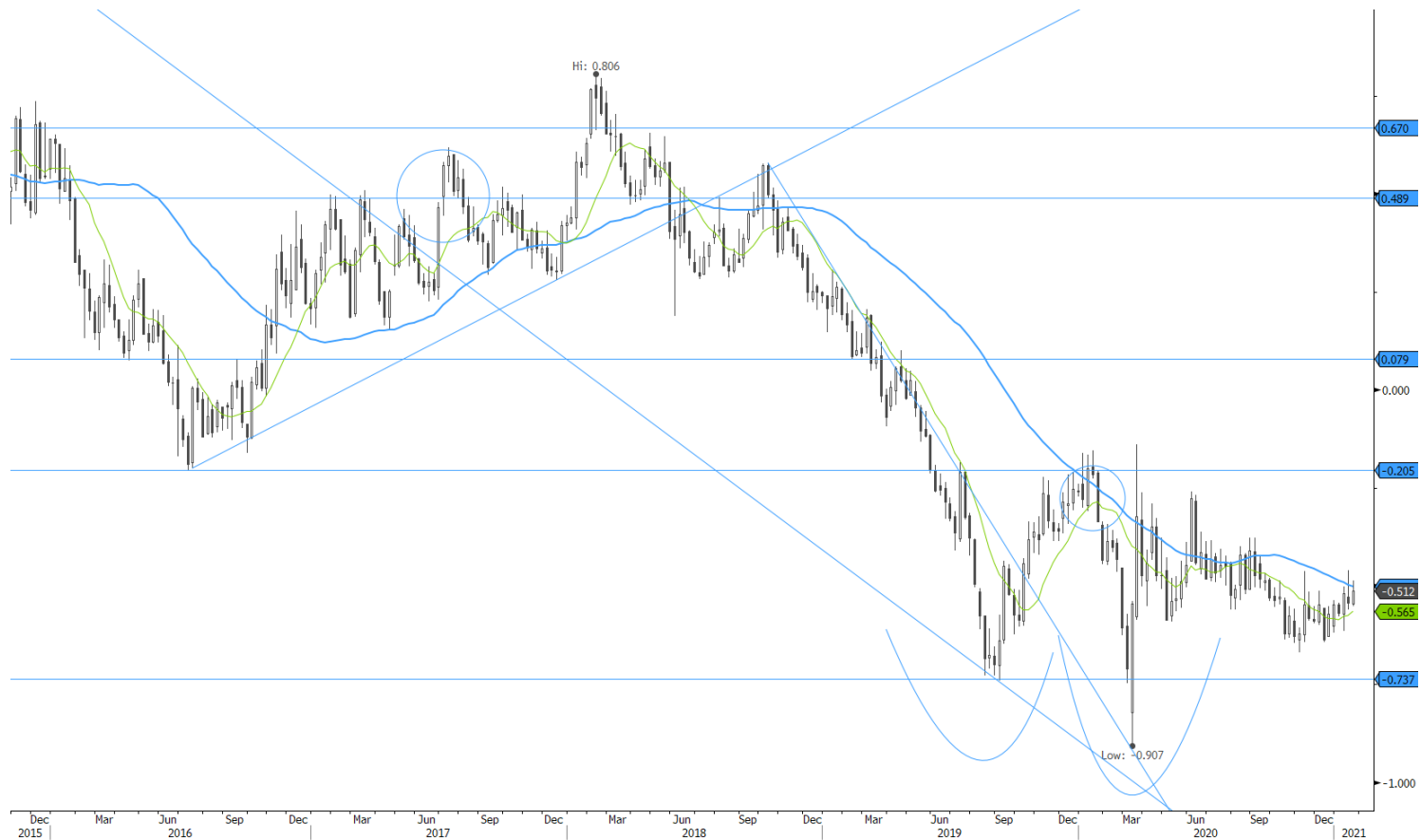
- The yield ticked up a couple of bps in last few weeks, but remains close to zero, which is the target of Bank of Japan's Yield Curve Control (YCC).
- We expect the yield to remain in the tight range of 0% and 0.10%, given that Bank of Japan is not likely to make any changes about YCC in the foreseeable future.



Source: Bloomberg and MIM

Bunds 10 Yr Yield: Remains In The Deep Negative Range

- The yield moved slightly higher since our last report, but the short and long-term trends remain downward.
- The yield is in a broad sideways market.
- We believe the next support is about -0.21% and the next resistance level is around -0.74%.



Source: Bloomberg and MIM

Gilts 10 Yr Yield: Is Establishing A Base

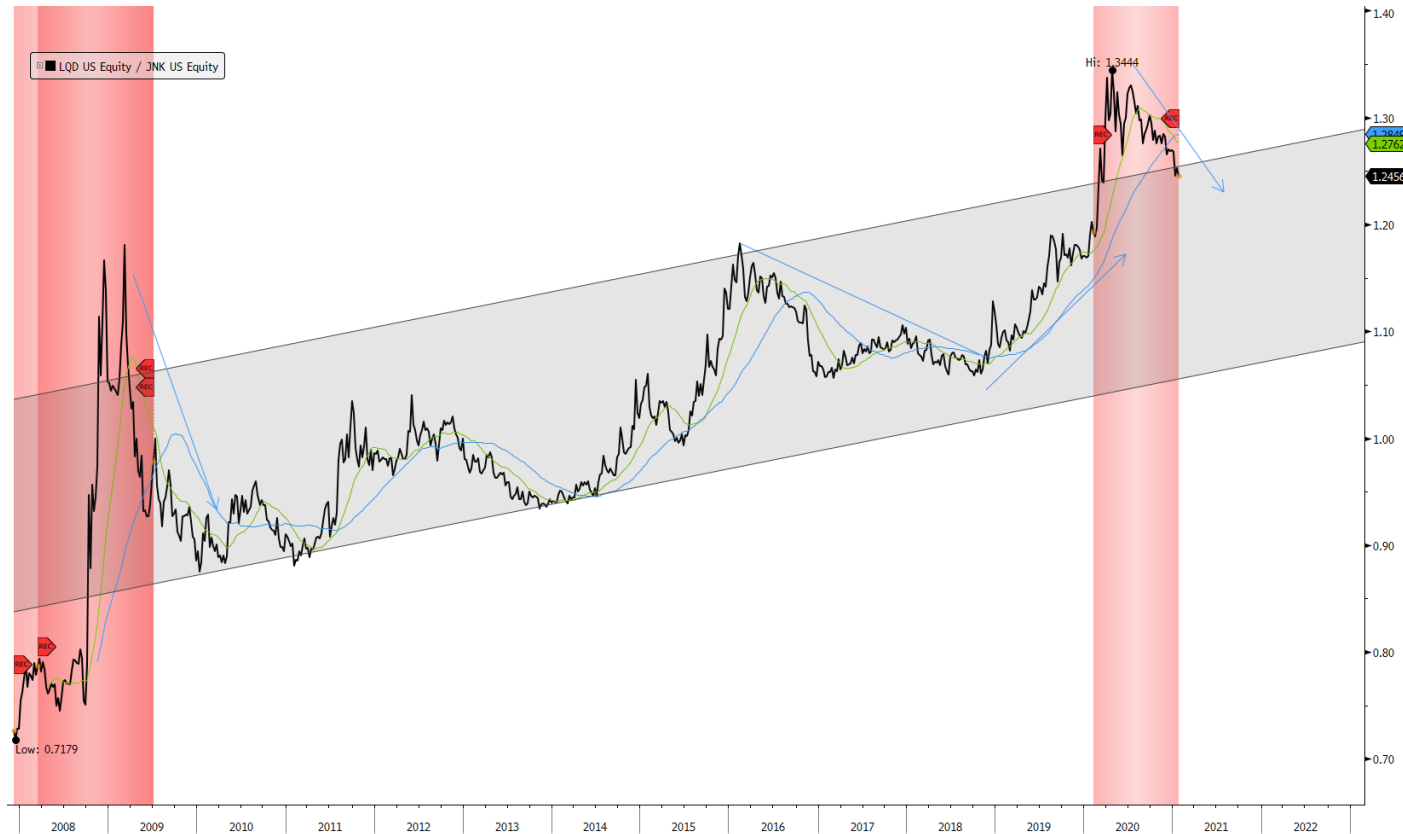
- The yield has been in a sideways market in the last couple of months.
- The yield seems to establish a base, with the short-term moving average is ready to cross above the long-term moving average. Once that is confirmed, it would suggest turning of the current downtrend.
- We believe the next support is about 0.41%.



Source: Bloomberg and MIM

US IG vs. HY: HY May Continue Outperforming IG

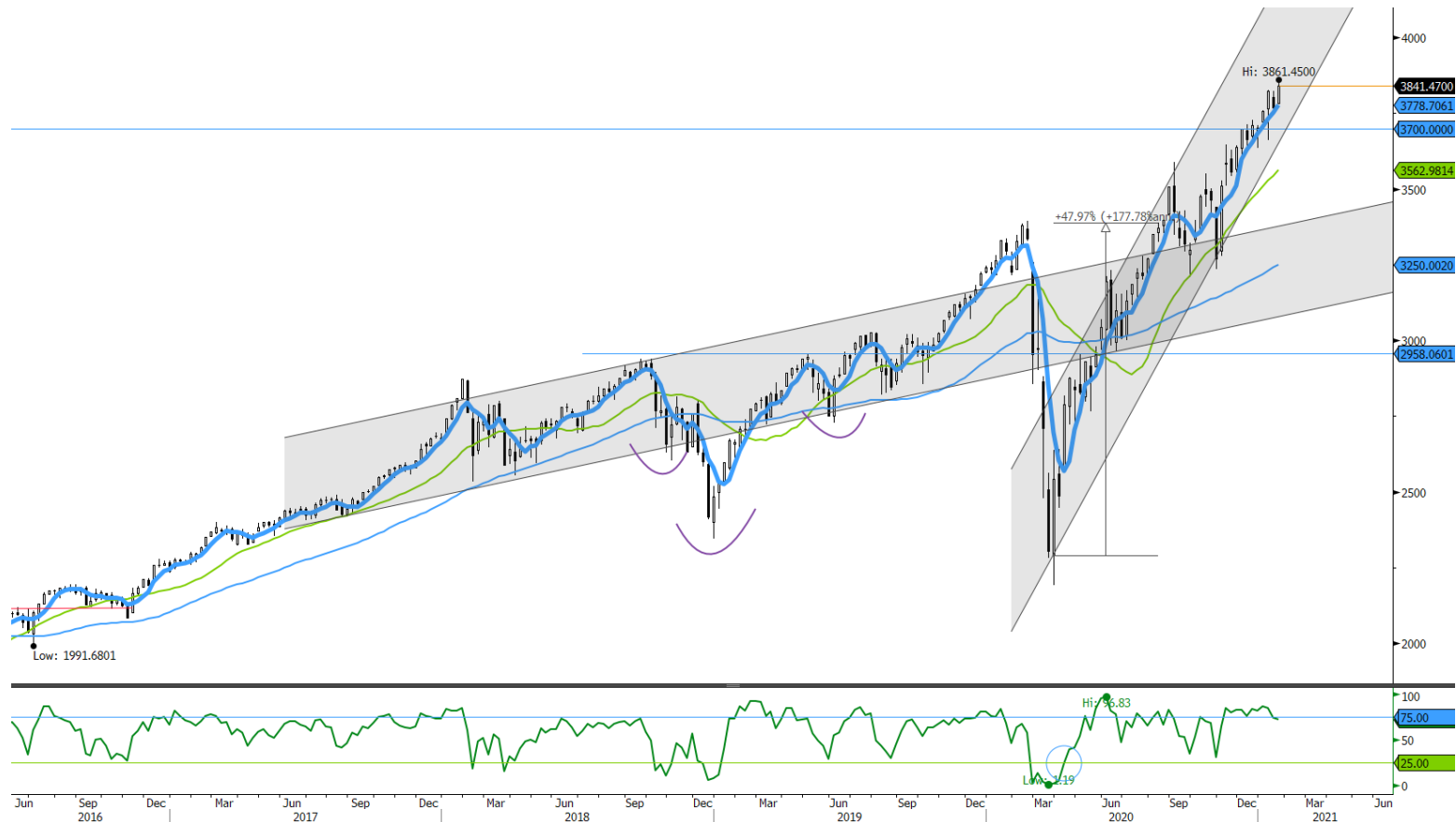
- In terms of total return, HY has been outperforming IG since April 2020.
- The relative index broke back into the long-term upward trading channel, which suggests to us that HY may continue to outperform HY.
- Both IG and HY spreads are in extremely tight territory.
- In a recovery phase of the economy, it seems that HY is likely to outperform IG.



Source: Bloomberg and MIM

S&P 500: A Loud and Clear Bullish Uptrend

- The uptrend is loud and clear with supportive market breadth (see in the second panel).
- The only thing needed to pay attention is that the speed of the current rally may be too good to be maintained. As the index moves higher, the probability of a correction/consolidation increases.
- We feel the next resistance is about 4000, and the next support is about 3700.



Source: Bloomberg and MIM

WTI Crude Oil: Is Getting More Expensive

- WTI Crude Oil broke above the key resistance level of \$42 and then \$50/barrel.
- The short-term trend has turned upward.
- The economic fundamentals, weakening US dollar and rational behavior from OPEC members all help support higher oil prices.
- We feel the next resistance is about \$55. If there is a break above that, we could see the oil to test \$65/barrel.



Source: Bloomberg and MIM

Copper/Gold Ratio: Indicates A Higher Yield

- Copper prices increased dramatically since bottomed in March 2020, due to low inventory, weaker dollar and strong global demand.
- Gold has dropped 10% from its peak of 2063.
- The higher copper/gold ratio suggests that global economy may continue growing in the following quarters.
- US 10yr yield is highly correlated with the copper/gold ratio, so the gap between the two suggests that the yield may move higher.



Source: Bloomberg

HG1 Comdty (Generic 1st 'HG' Future) Copper/Gold ratio vs 10 Daily 15MAY2017-25

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Source: Bloomberg and MIM

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Jun Jiang is a Market Strategist in Global Economic & Market Strategy team, where he helps to develop and communicate the firm's global macro-economic outlook and market views as well as assisting in the overall asset allocation and portfolio management process. Previously, Mr. Jiang was in the Global Portfolio Strategy unit, where he worked on portfolio strategy and portfolio analytics. Mr. Jiang joined MetLife in 2011. Prior to joining MetLife, Mr. Jiang was a Credit & Portfolio Risk Management Analyst at Citigroup.

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