

The FCO Cockpit – Global Bubble Status Report

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Chair of Entrepreneurial Risk

April 7th, 2015

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Highlights of this report:

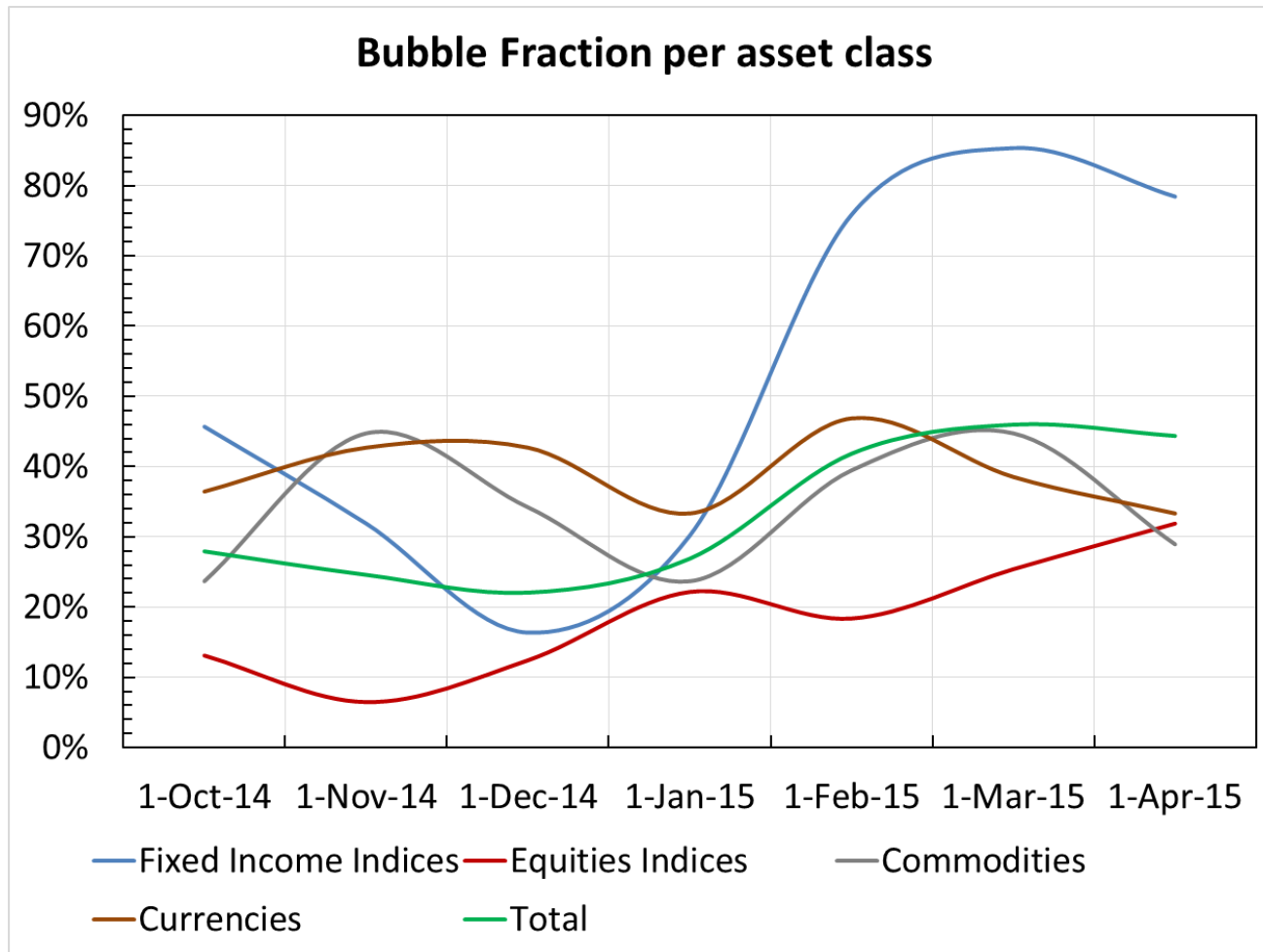
- European equities are in bubble territory, 78% of all the European Stoxx Equities Sector Indices that we analyzed give clear warning signals. Two months ago, that was 0%. We have never seen an increase in warning signals on such a grand scale and on such a short time period before;
- Also Nordic equities, Denmark ahead, show very strong bubble signals;
- 78% of all Fixed Income indices, globally, show clear warning signals;
- Oil and energy related products seem to have found the bottom.

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435 systemic assets are monitored

	# Assets	# Bubbles April 1st 2015	% Bubbles April 1st 2015	% Bubbles March 1st 2015	% Bubbles February 1st 2015	% Bubbles January 1st 2015	% Bubbles December 1st 2014	% Bubbles November 1st 2014
Fixed Income Indices	116	91	78%	85%	76%	30%	14%	32%
Government	34	26	76%	88%	82%	67%	36%	67%
Corporate	82	65	79%	84%	73%	16%	5%	18%
Equities Indices	185	59	32%	25%	18%	22%	12%	6%
Country	78	25	32%	21%	21%	21%	10%	6%
US-Sector	63	9	14%	21%	27%	38%	22%	6%
EUR-Sector	32	25	78%	56%	3%	3%	3%	9%
Special	12	4	33%	0%	0%	0%	0%	25%
Commodities	38	11	29%	45%	39%	24%	34%	45%
Currencies	96	32	33%	39%	47%	33%	43%	43%
Total	435	193	44%	46%	42%	27%	21%	25%

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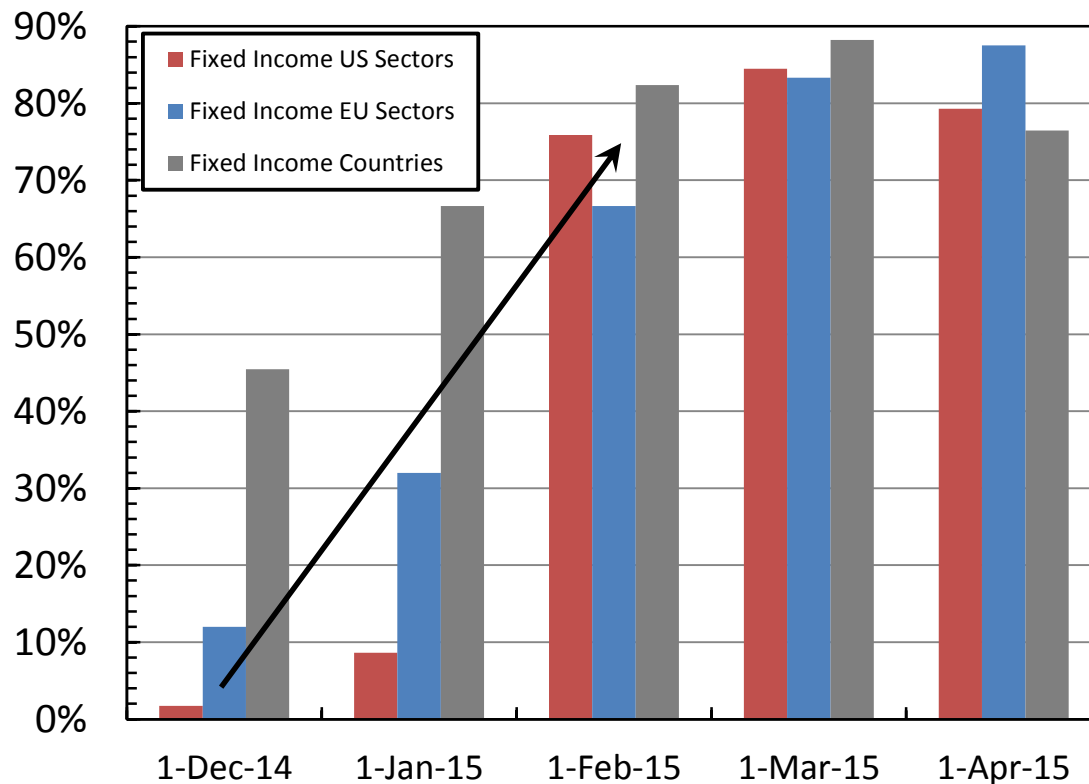


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Fixed Income

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Asset Class – Fixed Income



General Observation:

Whether in US and EUR Sectors or in Country Indices, most fixed income indices (around 80%) give clear warning signals. The largest increase was seen last February. This is the consequence of central bank intervention, specifically the ECB announcement of January 22nd.

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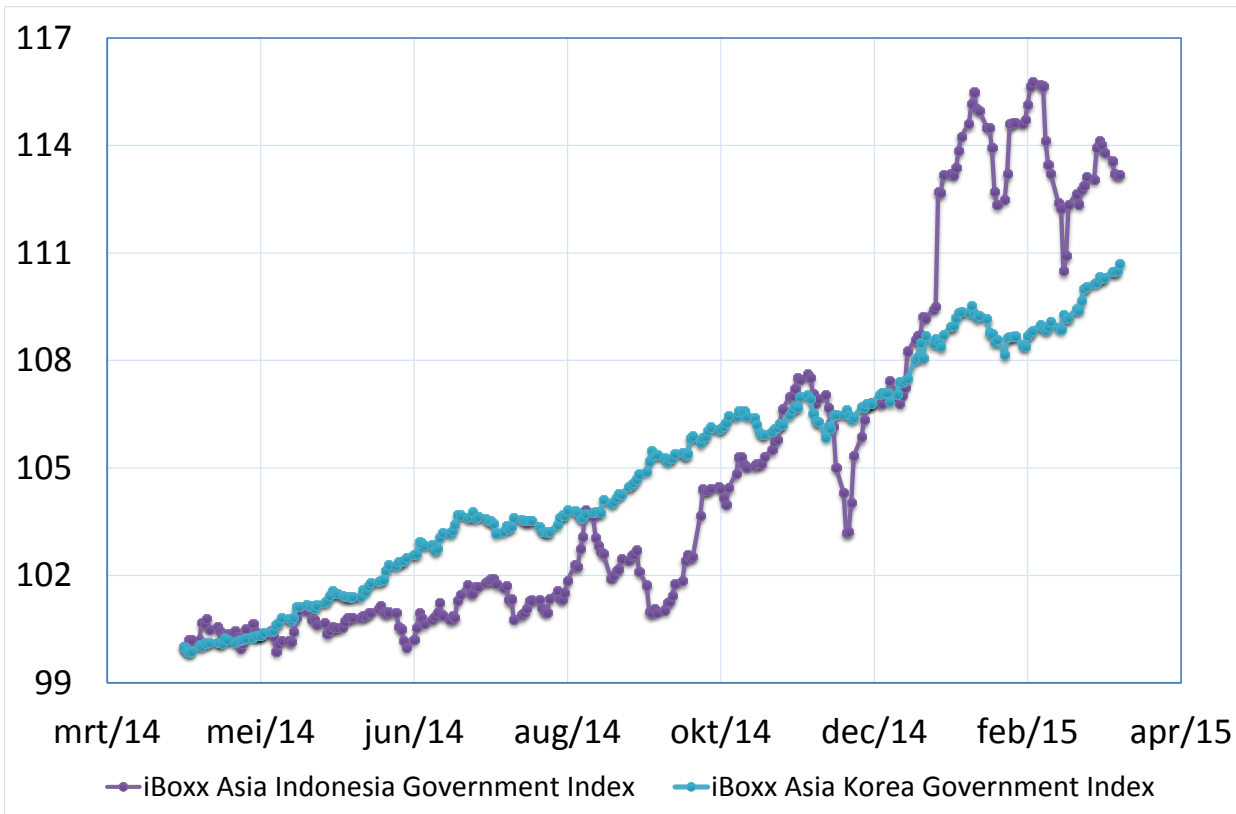
Asset Class – Fixed Income Country Indices

Fixed Income Country Indices	Yearly Return	DS LPPL Trust	DS LPPL Confidence
iBoxx EUR Belgium Index	15,9%	57,8%	47,9%
iBoxx EUR France Index	13,4%	54,2%	45,3%
iBoxx EUR Luxembourg Index	10,9%	50,8%	63,7%
iBoxx EUR Finland Index	10,5%	50,5%	26,1%
iBoxx EUR Austria Index	13,6%	48,5%	21,4%
iBoxx EUR Italy Index	15,1%	47,6%	74,7%
iBoxx EUR Supranationals Index	11,7%	47,2%	58,3%
iBoxx EUR Spain Index	13,7%	39,8%	68,0%
iBoxx EUR Ireland Index	12,8%	37,1%	65,0%
iBoxx EUR Netherlands Index	12,7%	35,3%	28,5%
iBoxx EUR Slovakia Index	11,5%	32,3%	62,2%
iBoxx EUR Germany Index	11,6%	31,7%	29,9%
iBoxx Asia Korea Government Index	11,0%	35,4%	18,5%
iBoxx Asia Indonesia Government Index	13,0%	31,0%	27,0%

Most European Fixed Income Country Indices give bubble warning signals.

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Asian Countries Fixed Income Indices



Besides Europe, we see warnings in Asian Countries Fixed Income Indices.

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Asset Class – Fixed Income Sector Indices

Fixed Income Sector Indices	Yearly Return	DS LPPL Trust	DS LPPL Confidence
iBoxx EUR Financial Services Subordinated Index	12,9%	64,5%	67,4%
iBoxx EUR Insurance Index	10,1%	51,1%	46,0%
iBoxx EUR Insurance Subordinated Index	11,5%	36,7%	40,7%
iBoxx EUR Technology Index	12,7%	28,9%	9,7%
iBoxx USD Industrial Transportation Index	10,4%	14,8%	8,1%
iBoxx USD Electricity Index	11,2%	12,5%	6,6%
iBoxx USD Utilities Index	10,1%	12,5%	6,9%

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Equities

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Broad View:

This plot shows the performance of some major equity indices over the past two years (the time series are rebased to 100). We see that in the past months European Equities have outperformed US equities and have caught up with Japanese Equities. US Equities have gone sideways over the past months.

Source: Thomson Reuters Eikon, Chair of Entrepreneurial Risk ETH Zurich

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Broad View:

This plot shows the performance of some major equity indices year-to-date (the time series are rebased to 100). Year-to-date European Equities have returned 20%. It is no surprise that European Equities show clear bubble warning signals.

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- Even though Eurostoxx has increased 20% year-to-date, Chinese stocks still massively outperform the US, Europe and Latin America;
- The graph above shows the indices rebased to 100, over a half a year of history. So, the last marks show the half-yearly performance (64%-77% for Shenzhen/Shanghai);
- We see global equities markets at three different speeds: China ahead, in the middle, we have the US, Europe, HK and Japan, and finally, Latin America is lagging.

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Asset Class – Equities Country Indices

Equities Country Indices	Yearly Return	DS LPPL Trust	DS LPPL Confidence	Country
Positive Bubbles				
ISEQ Overall Price Index	18%	26%	41%	Ireland
Deutsche Boerse DAX Index	23%	18%	28%	Germany
OMX Stockholm 30 Index	22%	17%	18%	Sweden
OMX Nordic 40 Index	24%	16%	21%	Nordics
BEL 20 Index	20%	15%	17%	Belgium
Philippine SE Composite Index	23%	15%	9%	Philippines
OMX Helsinki 25 Index	21%	14%	13%	Finland
OMX Copenhagen 20 Index	36%	13%	22%	Denmark
Amsterdam Exchanges Index	21%	13%	18%	Netherlands
Nikkei 225 Index	29%	11%	31%	Japan
EURO STOXX INDEX	15%	10%	15%	Europe
SZSE 100 Index	87%	10%	7%	China
TOPIX Stock Price Index	28%	9%	39%	Japan
CNX Nifty Index	29%	6%	5%	India
S&P BSE Sensex Index	27%	5%	6%	India
Negative Bubbles				
Colombia SE General Index	-27%	21%	12%	Colombia
Lima SE Selective Index	-12%	21%	39%	Peru

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Asset Class – Nordic Countries Equities Indices



It is striking to see the presence of all Nordic countries (especially Denmark) in the list of Equity country indices that show strong bubble signals.

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Asset Class – Nordic Countries Equities Indices



10 Year Historical evolution of the OMX Copenhagen 20 Index versus the Eurostoxx, rebased.

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Asset Class – European Equities Sector Indices

Equities EUR Sector Indices	Yearly Return	DS LPPL Trust	DS LPPL Confidence
Positive Bubbles			
STOXX Europe 600 Media	29%	25%	26%
STOXX Europe 600 Optimised Consumer Discretionary	25%	23%	28%
STOXX Europe 600 Travel & Leisure	28%	23%	34%
STOXX Europe 600 Technology	22%	23%	32%
STOXX Europe 600 Chemicals	27%	22%	26%
STOXX Europe 600 Insurance	30%	22%	33%
STOXX Europe 600 Financial Services	28%	20%	23%
STOXX Europe 600 Consumer Services	22%	19%	20%
STOXX Europe 600 Real Estate	33%	19%	11%
STOXX Europe 600 Automobiles & Parts	22%	19%	21%
STOXX Europe 600 Consumer Goods	26%	19%	19%
STOXX Europe 600 Health Care	35%	18%	32%
STOXX Europe 600 Optimised Automobiles & Parts	22%	18%	21%
STOXX Europe 600 Real Estate Cap	33%	18%	11%
STOXX Europe 600 Personal & Household Goods	27%	18%	20%
STOXX Europe 600 Telecommunications	25%	18%	19%
STOXX Europe 600 Optimised Consumer Staples	26%	16%	12%
STOXX Europe 600 Food & Beverage	26%	16%	14%

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Asset Class – European Equities Sector Indices



The rise in European stocks has been across all sectors. 78% of all the Stoxx Europe Indices that we have analysed show clear bubble warning signals.

Source: Thomson Reuters Eikon, Chair of Entrepreneurial Risk ETH Zurich

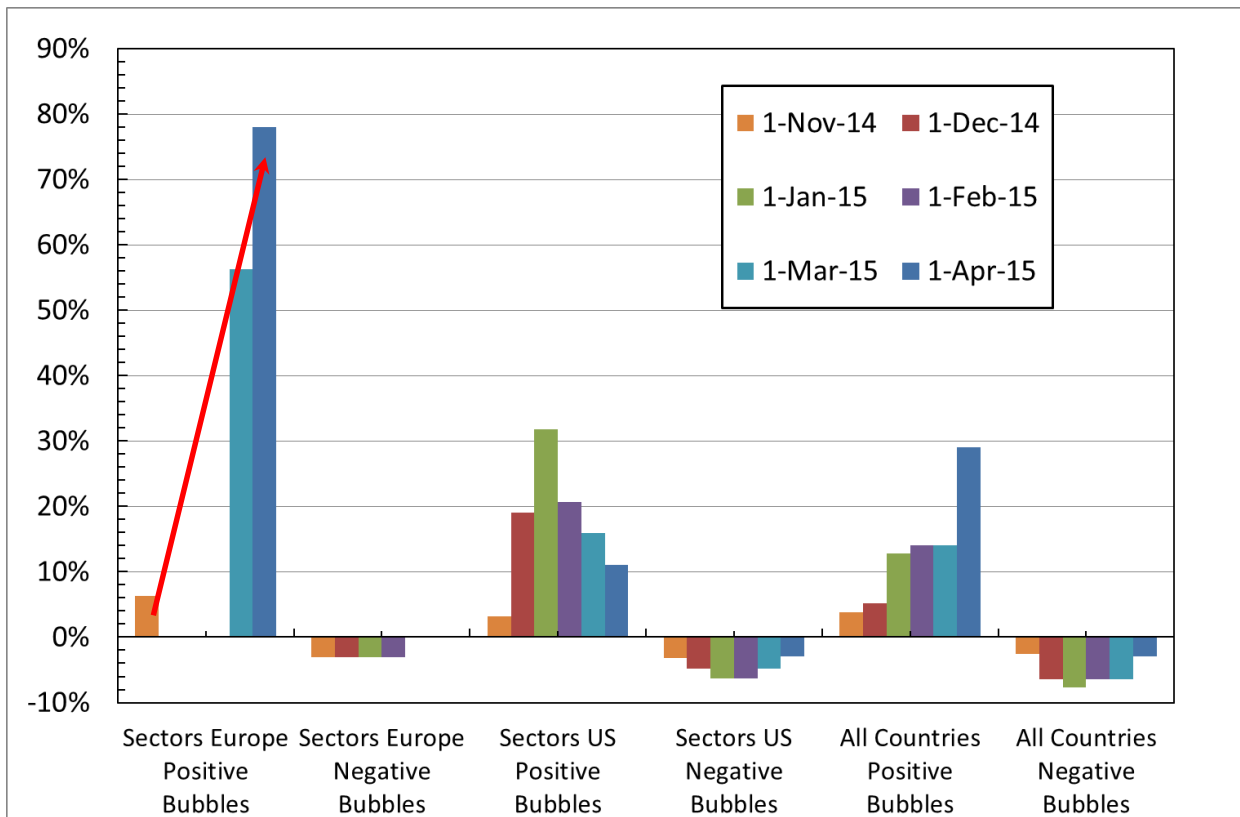
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Asset Class – US Equities Sector Indices

Equities US Sector Indices	Yearly Return	DS LPPL Trust	DS LPPL Confidence
<i>Positive Bubbles</i>			
S&P 500 Health Care Prvdrs&Serv	37%	33%	62%
S&P 500 Health Care Technology	36%	20%	36%
S&P 500 Multiline Retail	32%	18%	15%
S&P 500 Specialty Retail	36%	11%	7%
<i>Negative Bubbles</i>			
S&P 500 Leisure Equip&Products	-24%	6%	18%

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Equities



After rising 20% YTD (in 3 months) warning signals for European Stoxx Sector indices have jumped from 0 to 56% in March and now to 78% in April.

78% of all European sector indices show clear warning signals. European equities are in clear bubble territory.

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Asset Class – Equities Single Stocks

Next to the 185 global sector and country equities Indices, we do a bubble analysis on single stocks taking all S&P 500 and Stoxx Europe 600 constituents with a market cap higher than \$ 50 bn, and all Hang Seng and Nikkei constituents with a market cap higher than \$ 15 bn.

In total, we analyzed 223 stocks, 57 of these show bubble signals (7 negative and 50 positive bubbles).

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Single Stocks	Yearly Return	DS LPPL Trust	DS LPPL Confidence	Sector	Country
Positive Bubbles					
UnitedHealth Group Inc	45%	50%	54%	Health Care	US
Lockheed Martin Corp	61%	45%	13%	Industrials	US
Komatsu Ltd	75%	34%	35%	Industrials	JP
Costco Wholesale Corp	42%	31%	55%	Consumer Staples	US
Home Depot Inc	49%	30%	35%	Consumer Discretionary	US
Nomura Holdings Inc	69%	26%	58%	Financials	JP
HSBC Holdings PLC	50%	26%	33%	Financials	HK
Mitsui Fudosan Co Ltd	89%	23%	48%	Financials	JP
Actavis PLC	53%	23%	43%	Health Care	US
SAP SE	25%	20%	19%	Information Technology	EU
Hong Kong Exchanges and Clearing Ltd	30%	20%	26%	Financials	HK
Reckitt Benckiser Group PLC	27%	20%	19%	Consumer Staples	EU
Mitsubishi Electric Corp	50%	18%	48%	Industrials	JP
Mitsubishi Corp	33%	18%	48%	Industrials	JP
AstraZeneca PLC	45%	17%	33%	Health Care	EU
Electricite de France SA	45%	17%	12%	Utilities	EU
Unilever PLC	44%	17%	47%	Consumer Staples	EU
British American Tobacco PLC	29%	17%	27%	Consumer Staples	EU
Vodafone Group PLC	36%	16%	20%	Telecommunication Services	EU
Walt Disney Co	34%	15%	29%	Consumer Discretionary	US
Fast Retailing Co Ltd	23%	15%	31%	Consumer Discretionary	JP
L'Oreal SA	36%	15%	25%	Consumer Staples	EU
Sumitomo Mitsui Financial Group Inc	46%	14%	44%	Financials	JP
Apple Inc	70%	14%	30%	Information Technology	US
Starbucks Corp	34%	14%	25%	Consumer Discretionary	US
H & M Hennes & Mauritz AB	27%	12%	28%	Consumer Discretionary	EU
Diageo PLC	35%	12%	28%	Consumer Staples	EU
Telefonica SA	48%	12%	37%	Telecommunication Services	EU
BP PLC	32%	12%	16%	Energy	EU
Siemens AG	58%	11%	34%	Industrials	EU
Danaher Corp	21%	11%	17%	Industrials	US
Negative Bubbles					
PetroChina Co Ltd	-15%	18%	43%	Energy	HK
Caterpillar Inc	-19%	13%	14%	Industrials	US
BOC Hong Kong Holdings Ltd	-46%	12%	12%	Financials	HK

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Currencies

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FX	Yearly Return	DS LPPL Trust	DS LPPL Confidence
US Dollar/Argentine Peso	10%	69%	68%
US Dollar/Danish Krone	25%	44%	49%
US Dollar/Bulgarian Lev	24%	40%	45%
US Dollar/Romanian New Leu	23%	36%	41%
US Dollar/Indonesian Rupiah	15%	30%	59%
US Dollar/Swedish Krona	30%	28%	8%
US Dollar/Czech Koruna	24%	27%	21%
US Dollar/Turkish Lira	21%	26%	25%
US Dollar/Brazilian Real	39%	23%	45%
US Dollar/Iceland Krona	18%	21%	25%
US Dollar/Polish Zloty	22%	16%	6%
US Dollar/Hungarian Forint	21%	9%	6%
US Dollar/South African Rand	11%	6%	24%
Saudi Arabian Riyal/Euro	24%	43%	46%
Qatar Rial/Euro	25%	41%	46%
Hong Kong Dollar/Euro	25%	40%	46%
US Dollar/Euro	20%	39%	45%
Chinese Renminbi/Euro	25%	30%	52%
Argentine Peso/Euro	13%	26%	31%
Indian Rupee/Euro	20%	21%	23%
Chilean Peso/Euro	13%	14%	29%
Taiwan Dollar/Euro	22%	14%	39%
UK Pound Sterling/Euro	12%	13%	17%
New Zealand Dollar/Euro	10%	13%	54%
Singapore Dollar/Euro	16%	12%	28%
Korean Won/Euro	21%	8%	13%
South African Rand/Euro	12%	6%	10%

Asset Class – Currencies

Strengthening of US Dollar
and weakening of EUR
continue to give strong
warning signals.

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Commodities

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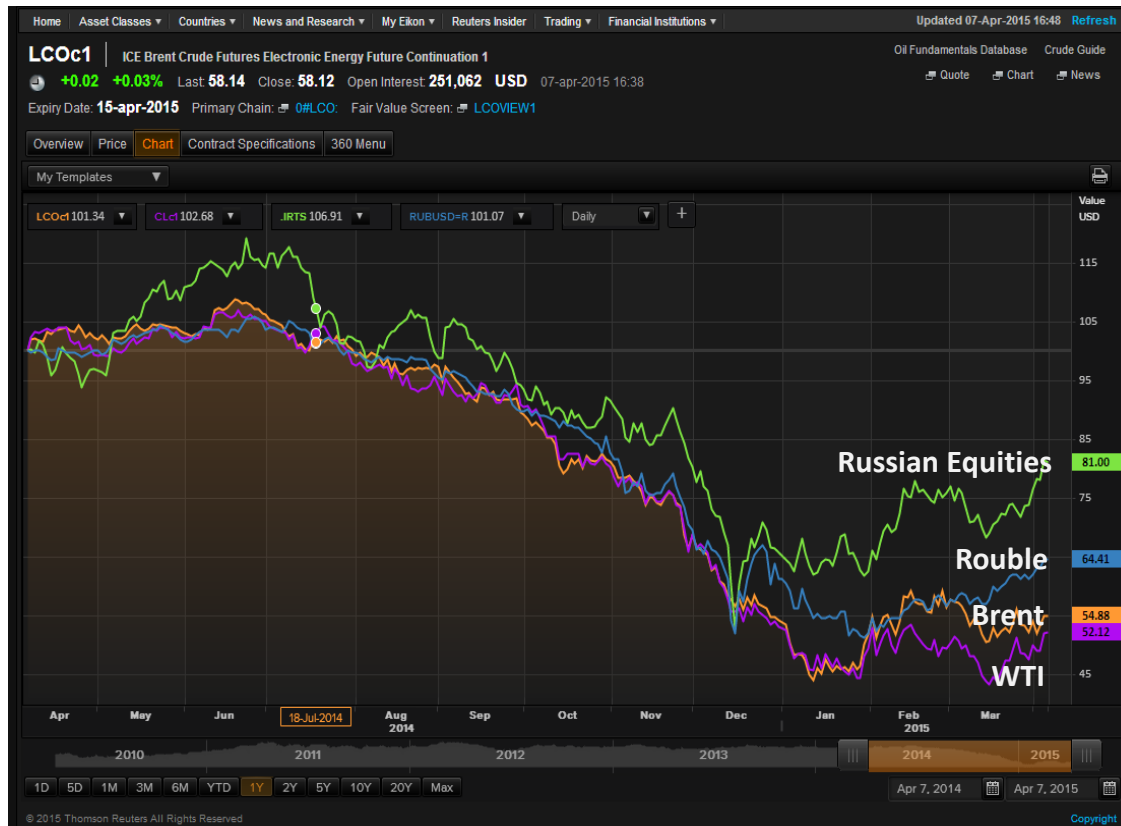
Asset Class – Commodities

Commodities	Yearly Return	DS LPPL Trust	DS LPPL Confidence
Negative Bubbles			
Lean Hogs ER Index	-41%	35%	30%
Softs ER Index	-29%	24%	50%
Sugar ER Index	-41%	18%	43%
Lead ER Index	-11%	18%	10%
White Sugar ER Index	-27%	15%	40%
Coffee ER Index	-30%	12%	23%
Tin ER Index	-28%	12%	35%
Aluminum ER Index	-6%	11%	10%
Metals ER Index	-9%	8%	16%
Nickel ER Index	-22%	7%	20%

- We see negative bubble signals in soft commodities and industrial/base metals;
- The absence of energy and energy related products in the list suggests that oil is finding its bottomprice.

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Asset Class – Commodities



Energy, Rouble and Russian Equities no longer show any negative bubble signals.

Energy seems to have found a bottom price. As a consequence, Russian stocks and Rouble are recovering.

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Conclusion

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Fixed Income:

- Whether in US and EUR Sectors or in Country Indices, most fixed income indices (around 80%) give clear warning signals. The largest increase in warning signals was seen last February. This is the consequence of central bank intervention, specifically the ECB announcement of January 22nd;
- Besides Europe, we see warnings in Asian Countries Fixed Income Indices especially Korea and the Philippines.

Equities:

- After a 20% rise in 3 months, *78% of all European sector indices show clear warning signals. European equities are in clear bubble territory;*
- It is striking to see the presence of all Nordic countries (especially Denmark) in the list of Equity country indices that show strong bubble signals.

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Commodities

- We see negative bubble signals in soft commodities and industrial/base metals;
- The absence of energy and energy related products in the list suggests that oil is finding its bottom price. As a result of this, also Rouble and Russian Equities no longer show any negative bubble signals.

Currencies:

- US Dollar strengthening is global and bubble warning signals show up in a wide range of currency pairs. This represents a very significant global repricing;
- Continued strong momentum in weakening of the Euro;