The FCO Cockpit – Global Bubble Status April 1st, 2014

435 systemic assets are monitored

	# Assets	# Bubbles April 1st	% Bubbles April 1st 2014	% Bubbles Feb 1st 2014
Fixed Income Indices	**116**	**90**	**78%**	**7%**
Government	34	15	44%	15%
Corporate	82	75	91%	4%
Equities Indices	**185**	**37**	**20%**	**28%**
Country	78	14	18%	21%
US-Sector	63	17	27%	50%
EUR-Sector	33	6	18%	13%
Special	11	2	18%	42%
Commodities	**38**	**9**	**24%**	**3%**
Currencies	**96**	**21**	**22%**	**22%**
Total	**435**	**157**	**36%**	**19%**

In the last two months, we have seen a strong shift in bubble signals from US Equities to Fixed Income and Commodities.

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Asset Class – Fixed Income

Fixed Income Country Indices	Yearly Return	DS LPPL Trust	DS LPPL Confidence
iBoxx EUR Spain Index	14.5%	45.6%	79.7%
iBoxx EUR Italy Index	12.8%	42.3%	68.4%
iBoxx EUR Ireland Index	11.9%	38.5%	43.9%

Fixed Income Sector Indices	Yearly Return	DS LPPL Trust	DS LPPL Confidence
iBoxx EUR Financial Services Subordinated Index	10.9%	28.1%	42.1%
iBoxx EUR Insurance Subordinated Index	14.0%	22.6%	35.6%

There is a very strong momentum in the recovery of GIPSI bonds and European Subordinated Financial bonds. This is caused by the belief that the European Sovereign Debt crisis is over. It is interesting to observe the entanglement of periphery Government bonds and Financial Subordinated bonds.

These bonds are becoming expensive. The bubble risk indices are turning red and it may be time to start taking into consideration the risk of a future correction.

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iBoxx EUR Ireland
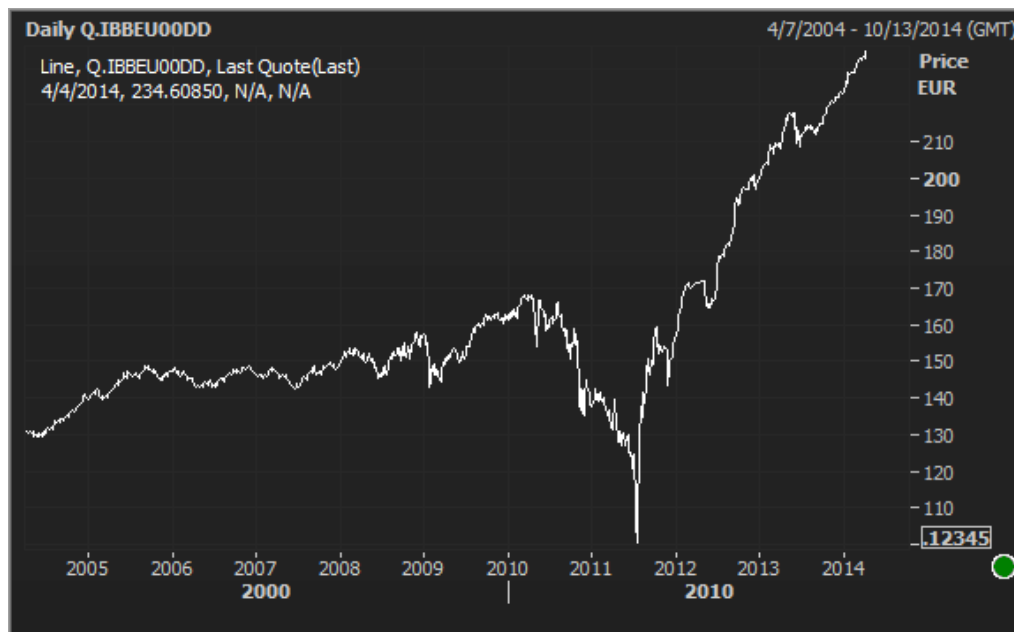
iBoxx EUR Financial Sub

The European Sovereign debt crisis is an entangled Government and Bank debt crisis. Levels have surpassed the levels seen before the crisis. Taking into consideration the bubble risk, these bonds are now very expensive.

Source: Thomson Reuters Eikon

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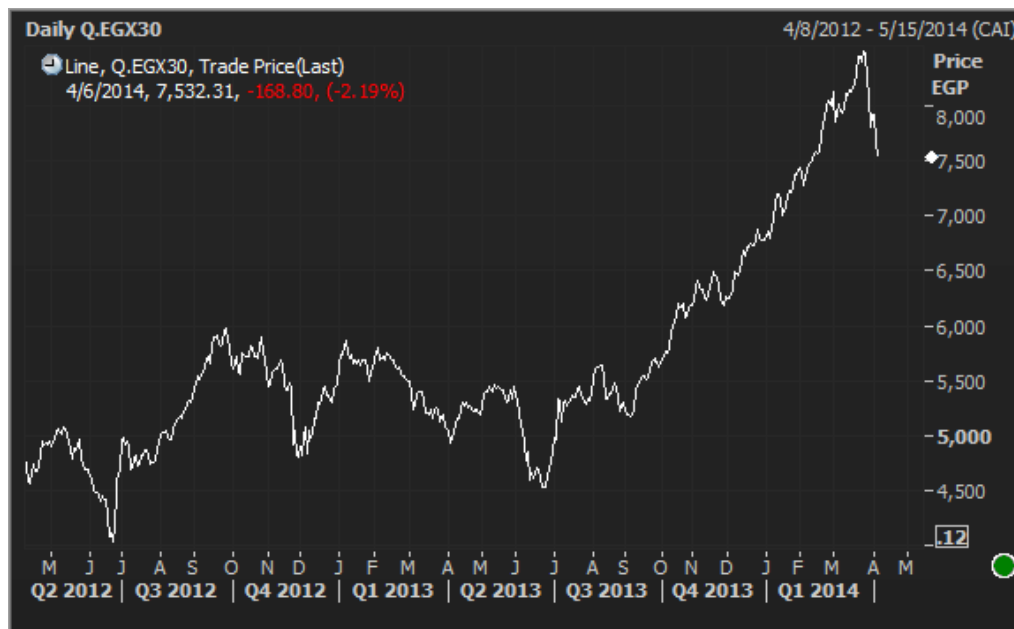# Global Bubble Status April 1st, 2014

Asset Class – Equities Country Indices

| Equities Country Indices	Yearly Return	DS LPPL Trust	DS LPPL Confidence	
OMX Copenhagen 20 Index	30%	48%	34%	Denmark
EGX 30 Index	61%	42%	65%	Egypt
ISEQ Overall Price Index	28%	33%	24%	Ireland
Qatar Exchange General Index	39%	30%	17%	Emirates
Euronext Lisbon PSI 20 Index	38%	29%	69%	Portugal
Dubai Financial Market General Index	147%	28%	8%	Emirates
FTSE Italia All-Share Index	43%	8%	26%	Italy
CSE General Index	21%	6%	12%	Cyprus

• There is a total absence of the typical BRIC-like emerging markets;
• Emirates, especially Qatar and Dubai are hot;
• In line with our observations in Fixed Income, we see a strong recovery in countries that suffered during the European Sovereign debt crisis (Portugal, Italy, Cyprus);
• Egypt reached a high on March 25th, still showed very strong bubble signals on April 1st, but is now in a correction mode;
• Danish stocks are testing all time highs.

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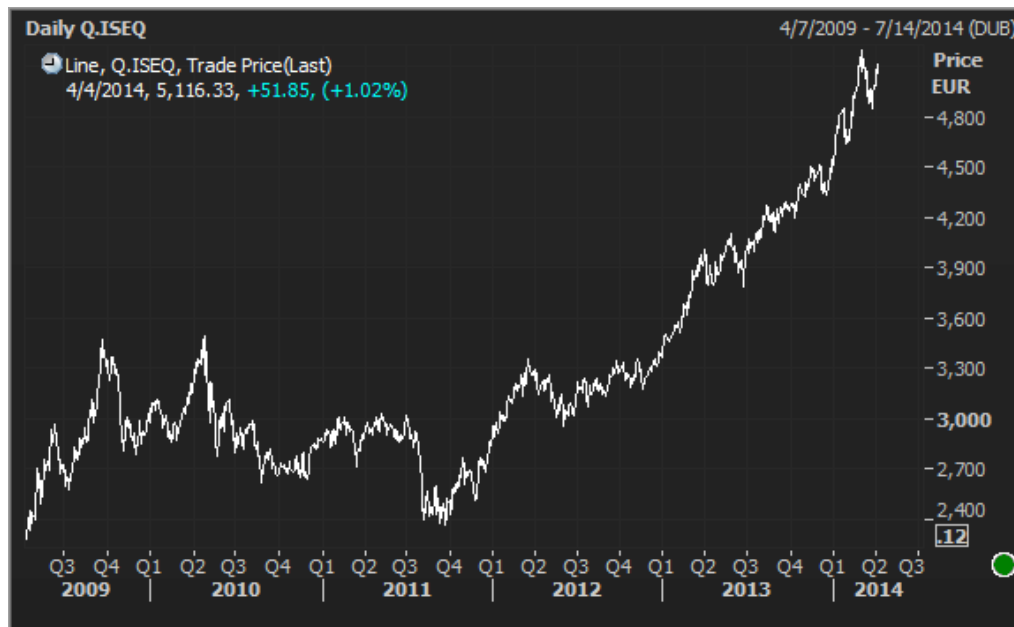# Global Bubble Status April 1st, 2014

**Egypt EGX 30
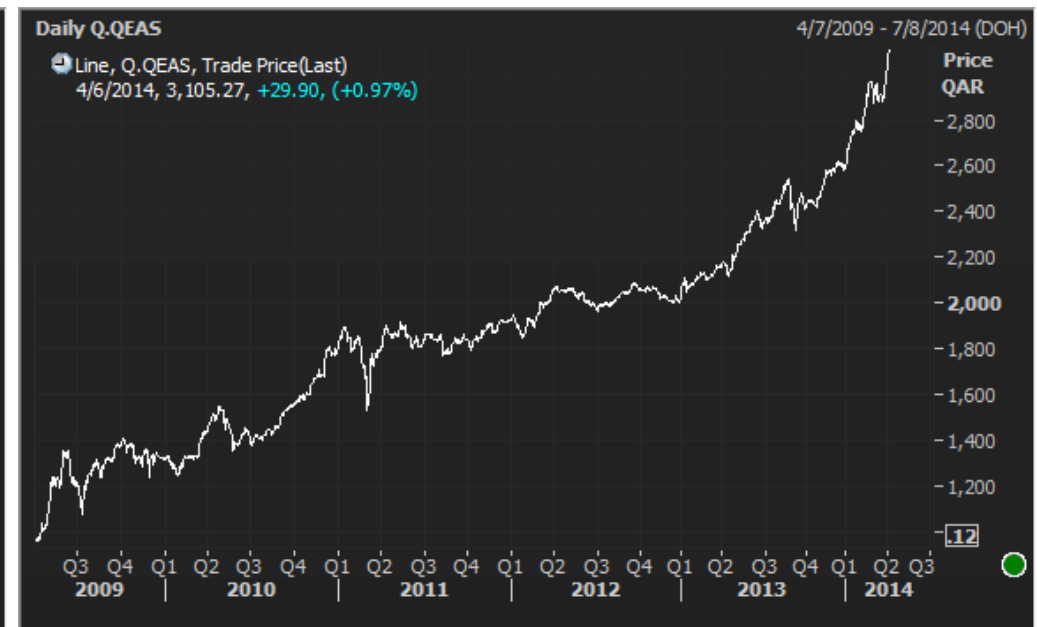Stock Market Index**

**Denmark OMX 20
Stock Market Index**
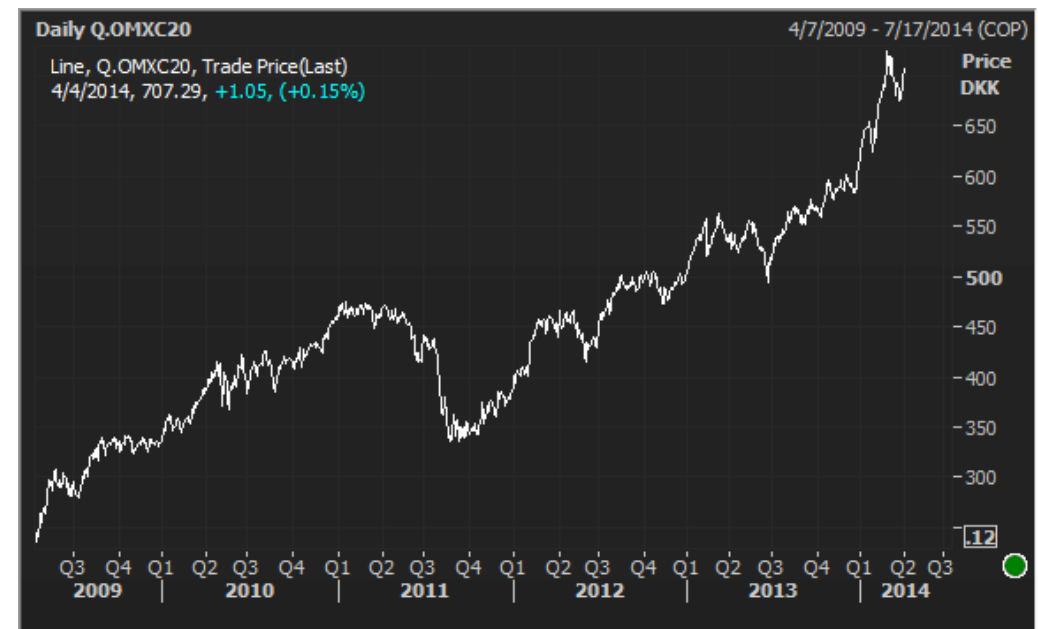
Source: Thomson Reuters Eikon

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Ireland ISEQ Stock Market Index

Qatar QEAS Stock Market Index

Source: Thomson Reuters Eikon

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Asset Class – Equities European Sector Indices

Equities EUR Sector Indices	Yearly Return	DS LPPL Trust	DS LPPL Confidence
STOXX Europe 600 Travel & Leisure	21%	18%	11%
STOXX Europe 600 Construction & Materials	29%	12%	25%
STOXX Europe 600 Automobiles & Parts	50%	5%	6%

- Medium strength signals in European Sector Indices;
- Travel & Leisure, Construction & Materials, Automobiles & Parts to be Watched.

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Asset Class – Equities US Sector Indices

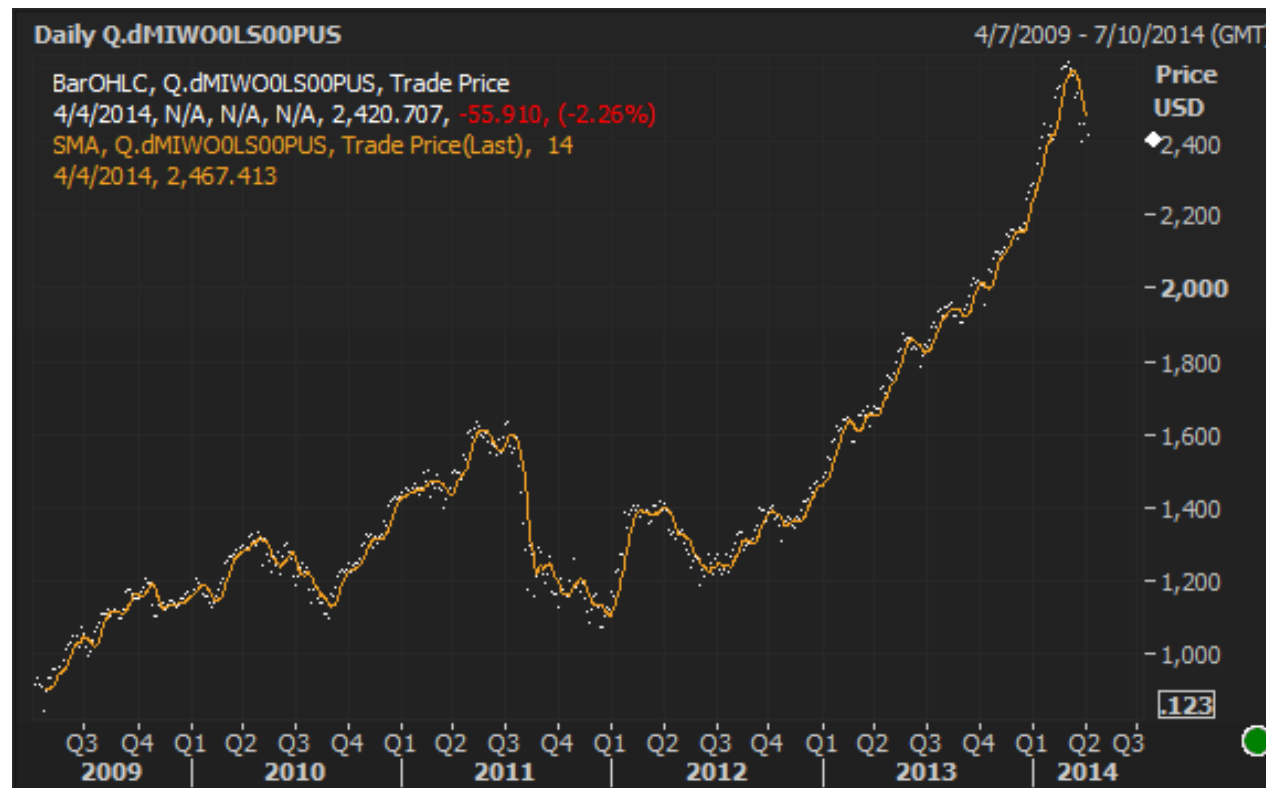| Equities US Sector Indices	Yearly Return	DS LPPL Trust	DS LPPL Confidence
S&P 500 - Life ScincsTools&Serv	40%	34%	21%
S&P 500 Construction Materials	38%	31%	28%
S&P 500 Gas Utilities	37%	27%	10%
S&P 500 -E Equip,Instrmnt&Comp	43%	21%	33%
S&P 500 Internet Software&Serv	37%	21%	15%
S&P 500 - Pharmaceuticals	21%	15%	25%
S&P 500 Road & Rail	29%	13%	22%
S&P 500 Airlines	80%	12%	11%
S&P 500 Chemicals	31%	12%	29%
S&P 500 Software	35%	11%	27%
S&P 500 Health Care Prvdrs&Serv	35%	10%	18%
S&P 500 Building Products	26%	10%	18%
S&P 500 Commercial Banks	33%	8%	26%
S&P 500 Semicond&Semicond Equip	36%	8%	19%
S&P 500 Machinery	27%	5%	12%

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Asset Class – Equities US Sector Indices

- Two months ago 50% of US Sector Indices showed bubble behaviour, this has now decreased to 27%, or, 17 of the 63 monitored indices;
- Momentum stocks cooled down and this decreased the bubble pressure on many US stocks like e.g. Amazon, Netflix or Tesla;
- *Internet & Catalog Retail* disappeared from the top bubble risk list, because it contained many high momentum stocks;
- Life Sciences Tools and Services show strong bubble signals, the results are consistent with signals that can also be observed in Pharmaceuticals and Health Care Providers and Services.

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Life Sciences Tools and Services

Source: Thomson Reuters Eikon
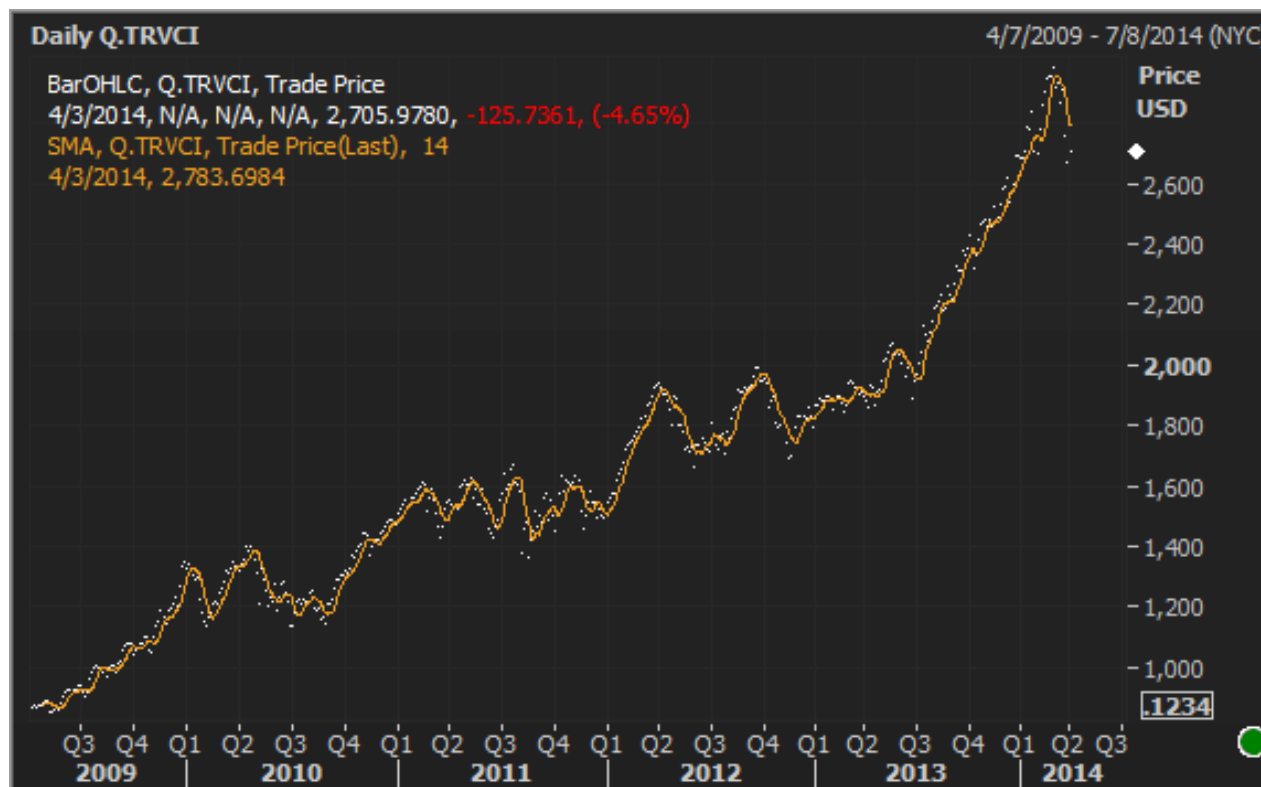
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Asset Class – Equities Special Sector Indices

Equities Special Indices	Yearly Return	DS LPPL Trust	DS LPPL Confidence
Thomson Reuters Venture Capital Index	47%	9%	8%
STOXX Europe Private Equity 20 USD Price Index	24%	8%	32%

• Medium strenght signals in Private Equity and Venture Capital Indices;
• In line with the cooling down of high momentum stocks (in this case for example: Twitter, LinkedIN or Facebook) we see social networks disappear from the list of special equities sector indices.

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Thomson Reuters Venture Capital Index

Source: Thomson Reuters Eikon

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Asset Class – Currencies

| FX	Yearly Return	DS LPPL Trust	DS LPPL Confidence
Argentine Peso/Swiss Franc	-40%	46%	15%
Canadian Dollar/Swiss Franc	-14%	25%	17%
Chilean Peso/Swiss Franc	-20%	31%	47%
Mexican Peso/Swiss Franc	-13%	5%	14%
Russian Rouble/Swiss Franc	-17%	27%	24%
Argentine Peso/Euro	-40%	42%	12%
Canadian Dollar/Euro	-14%	24%	16%
Chilean Peso/Euro	-20%	32%	47%
Russian Rouble/Euro	-18%	32%	27%
Argentine Peso/US Dollar	-56%	37%	10%
Chilean Peso/US Dollar	-17%	23%	29%
Russian Rouble/US Dollar	-13%	19%	16%

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Asset Class – Currencies

• Strong signals in Argentine, Chilean, Mexican Peso, Russian Rouble and Canadian Dollar, generally consistent in the EUR, USD and CHF cross;
• Turkish Lira and Indonesian Rupiah have disappeared from the list, both currencies showed a strong signal two months ago but have started to recover in the recent months;
• Canadian Dollar is a newcomer in the list.

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Turkish Lira recovered after very strong negative bubble signals on Feb 1st 2014
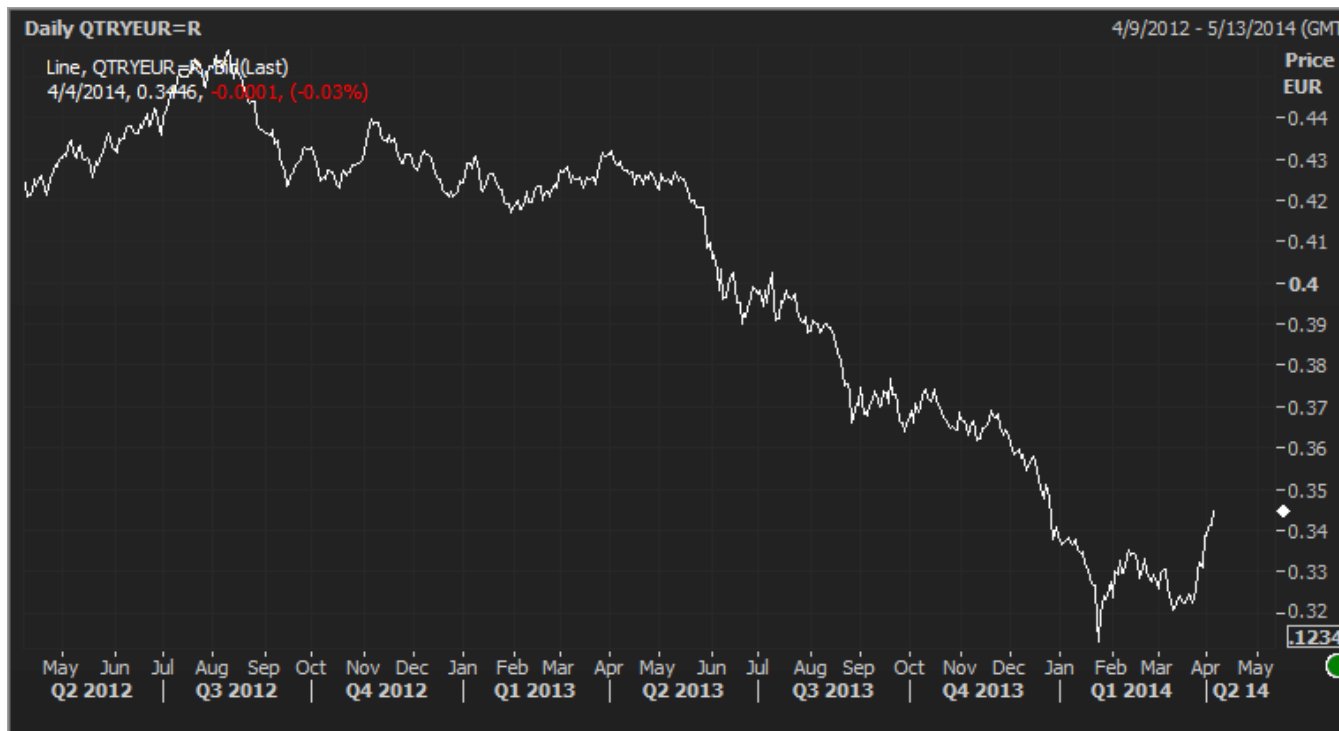
Source: Thomson Reuters Eikon

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Indonesian Rupiah recovered after very strong negative bubble signals on Feb 1st 2014

Source: Thomson Reuters Eikon

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Weakness in Canadian Dollar shows bubble type of behaviour

Source: Thomson Reuters Eikon

The FCO Cockpit –
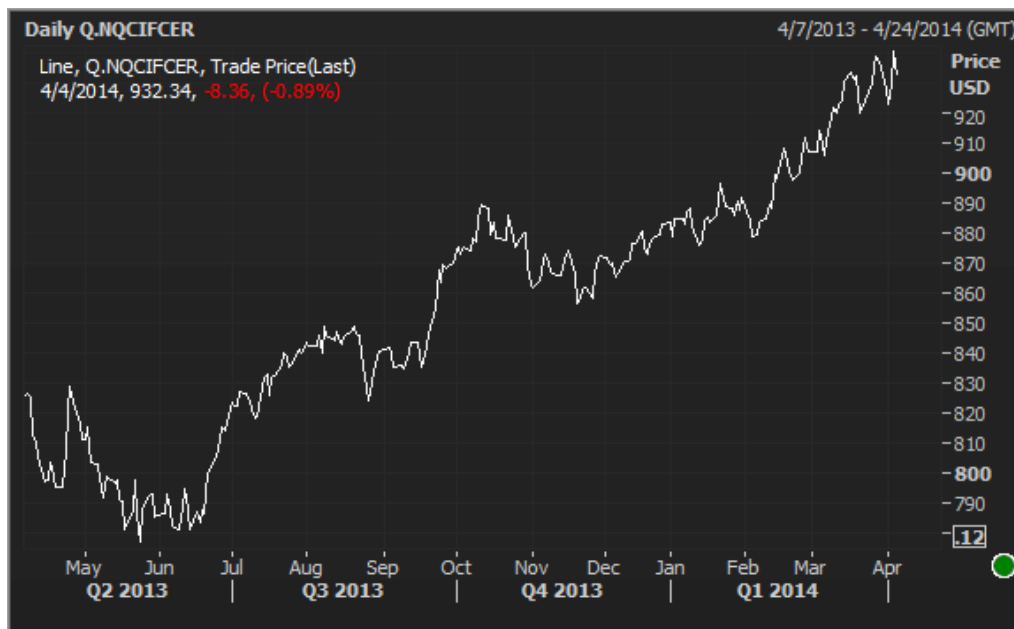# Global Bubble Status April 1st, 2014

Asset Class – Commodities

Commodities	Yearly Return	DS LPPL Trust	DS LPPL Confidence
Feeder Cattle ER Index	10%	12%	42%
Aluminum ER Index	-14%	12%	7%
Live Stock ER Index	20%	12%	25%
Coffee ER Index	14%	9%	7%
Cocoa ER Index	34%	6%	17%

• New positive bubble signals in Feeder Cattle and Live Stock;
• All the precious metals have disappeared from the list, for base metals, there is only Aluminum that consistently shows negative bubble signals;
• Coffee is on a rollercoaster, end of 2013 it showed negative bubble signals, now it has recovered so aggressively that we start seeing positive bubble signals.

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Feeder Cattle

Live Stock

Source: Thomson Reuters Eikon

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The rollercoaster of coffee

Source: Thomson Reuters Eikon

Further Reading

D. Sornette and R. Woodard Financial Bubbles, Real Estate bubbles, Derivative Bubbles, and the Financial and Economic Crisis, in Proceedings of APFA7 (Applications of Physics in Financial Analysis), "New Approaches to the Analysis of Large-Scale Business and Economic Data," M. Takayasu, T. Watanabe and H. Takayasu, eds., Springer (2010) (http://arxiv.org/abs/0905.0220))

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International Journal of Terraspace Science and Engineering 2(1), 1-18 (2009)
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D. Sornette and G. Ouillon, Dragon-kings: mechanisms, statistical methods and empirical evidence, Eur. Phys. J. Special Topics 205, 1-26 (2012)
(http://arxiv.org/abs/1205.1002 and http://ssrn.com/abstract=2191590)

D. Sornette and G. Ouillon, editors of the special issue of Eur. Phys. J. Special Topics on ``Discussion and debate: from black swans to dragon-kings - Is there life beyond power laws?'', volume 25, Number 1, pp. 1-373 (2012).
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