



Trend & Cycle: The Big Picture - April 2021

Robert Sluymer, CFA | Technical Strategist, Portfolio Advisory Group

April 5, 2021/ RBC Capital Markets, LLC / Portfolio Advisory Group

All values in U.S. dollars and priced as of April 1, 2021 unless otherwise noted

For Important Disclosures, see [slide 12](#)

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

Produced: Apr. 5, 2021 14:40ET; Disseminated: Apr. 5, 2021 14:48ET



Wealth
Management

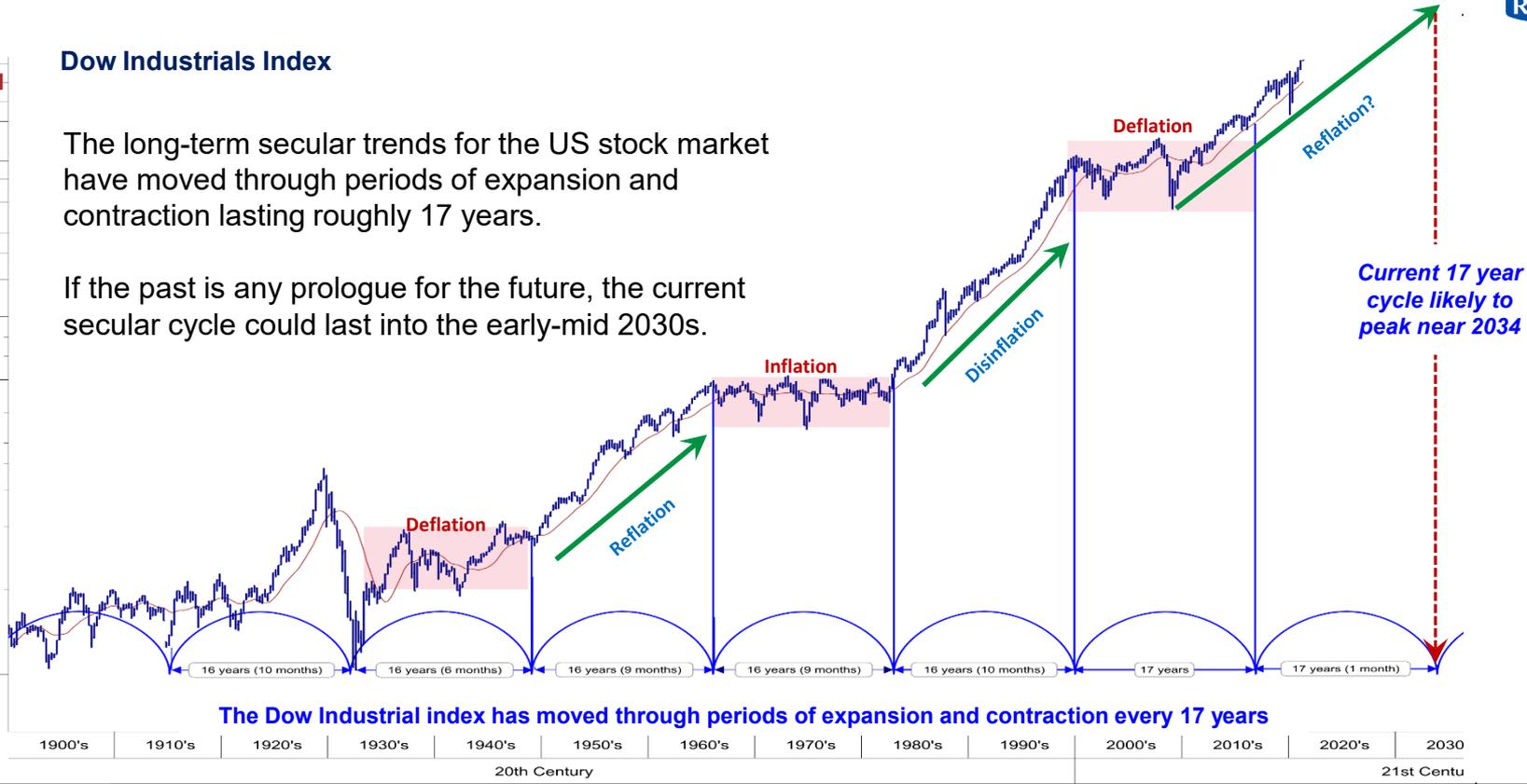
US equity generational cycles lasting roughly 17 years



Dow Industrials Index

The long-term secular trends for the US stock market have moved through periods of expansion and contraction lasting roughly 17 years.

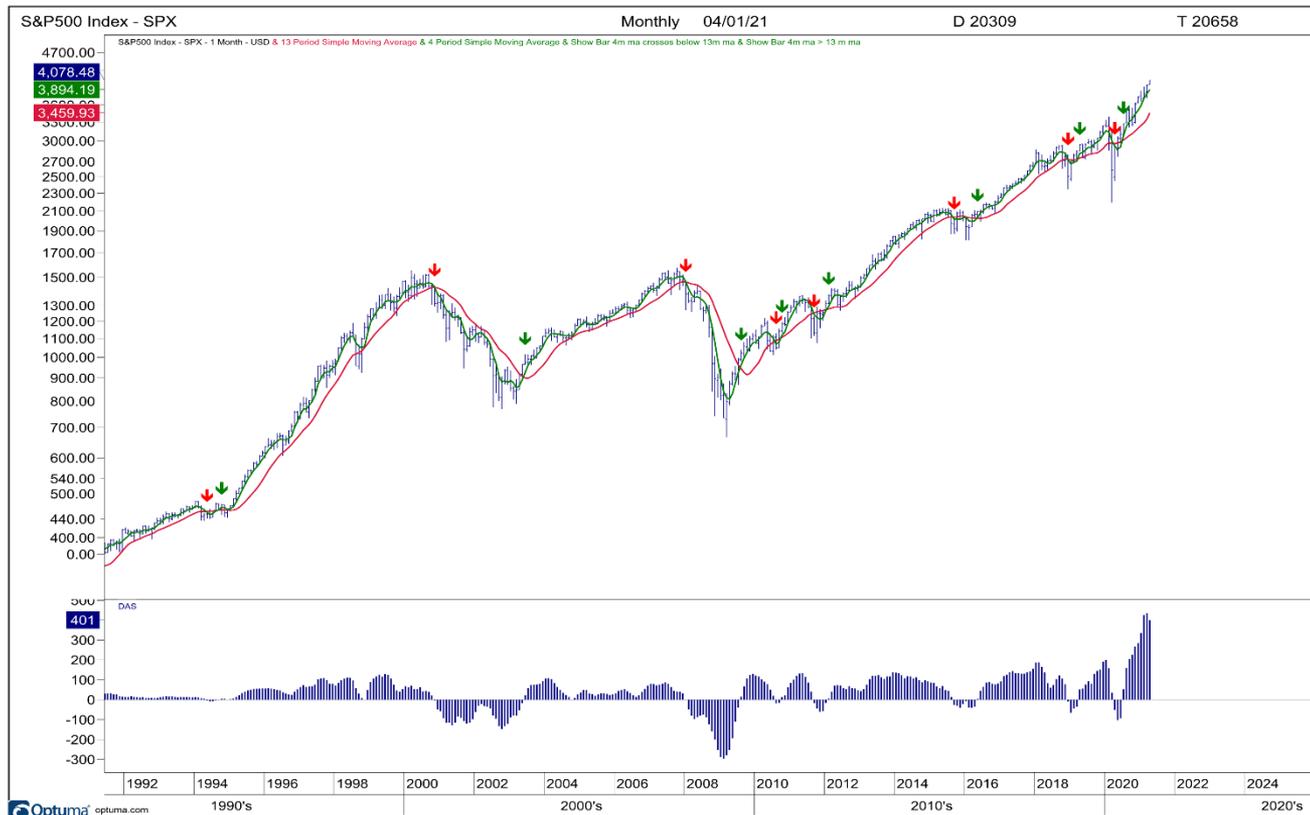
If the past is any prologue for the future, the current secular cycle could last into the early-mid 2030s.



The Dow Industrial index has moved through periods of expansion and contraction every 17 years

Source: RBC Wealth Management, Bloomberg, Optuma

S&P 500 Index - Monthly with 4 and 13 month moving averages



Optima optima.com

Source: RBC Wealth Management, Bloomberg, Optima

- The current trend for the S&P remains positive with the short-term trend, represented by the 4 month moving average, above the longer-term trend, represented by 13 month average.
- The red and green arrows indicate when these two moving averages cross each other.
- Although there are times when the crossovers result in whipsaws, they can be a helpful technical tool to avoid the major drawdowns that develop in bear markets.
- The histogram in the bottom reflects the moving average crossover.

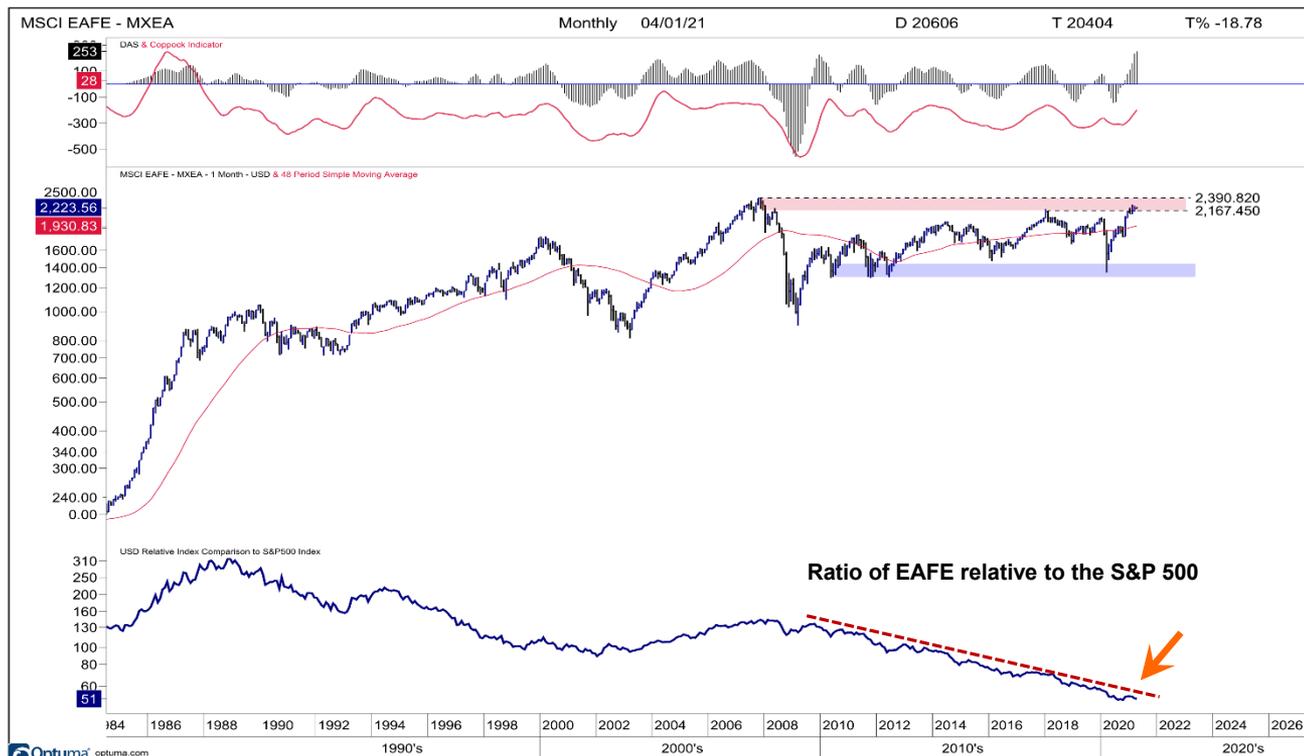
S&P 500 monthly and relative performance vs Bonds



Source: RBC Wealth Management, Bloomberg, Optuma

- The current trend for the S&P remains positive with another new cycle high in March.
- The relative performance of stocks versus the Barclays All Aggregate Bond Index, one of the most widely used bond benchmarks, continues to make new cycle highs similar to those developed during 2016 and 2012 cycles.
- If the past two 4-year cycles are a guide, then stocks are likely to outperform bonds through the balance of 2021 well into 2022 before slowing.

Global Equity Markets - MSCI EAFE – Monthly



Optuma optuma.com

Source: RBC Wealth Management, Bloomberg, Optuma

- The MSCI EAFE (Europe, Asia and Far East) index has a 60% weighting in cyclical sectors.
- An upside breakout by EAFE would be a noteworthy technical development confirming the longer term improvement for global markets in general, and cyclical stocks specifically.
- However, to signal a change in global equity leadership, the relative performance line in the bottom panel will need to reverse its downtrend.

Global Equity Markets - MSCI EUROPE - MXEU - Monthly

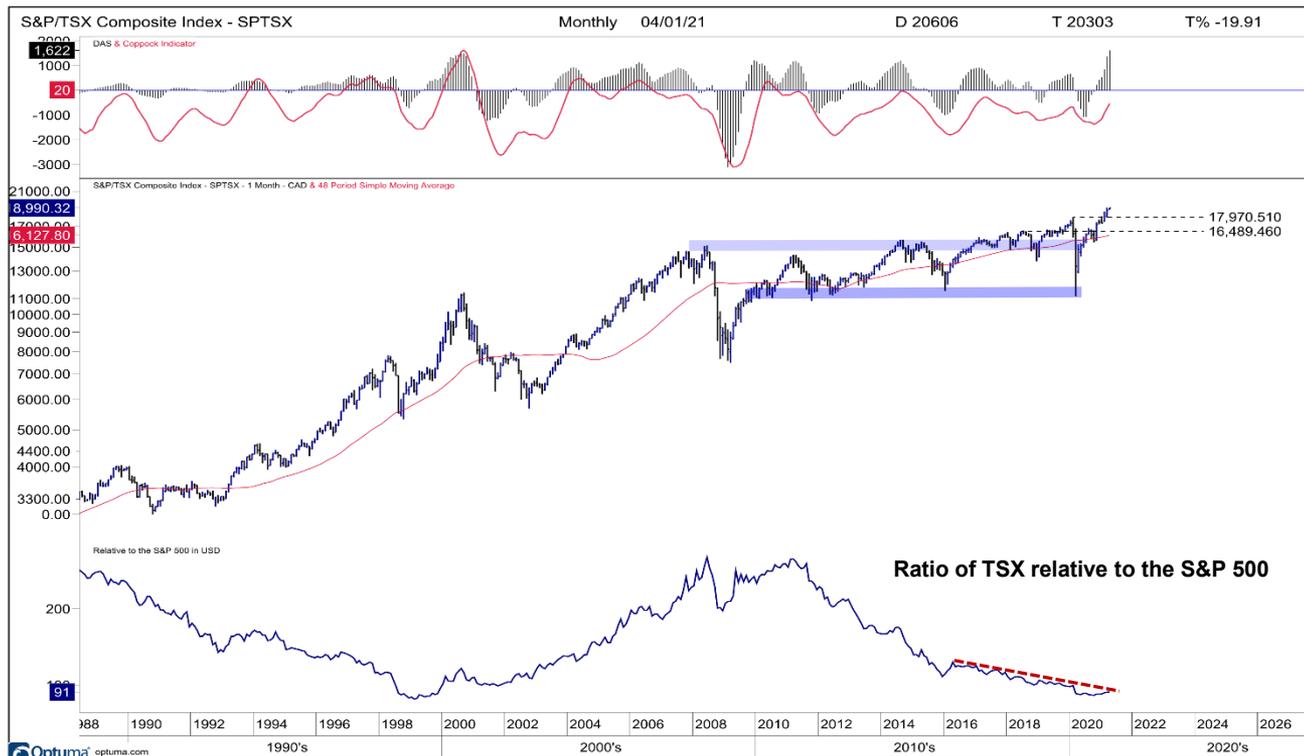


Optuma optuma.com

Source: RBC Wealth Management, Bloomberg, Optuma

- The MSCI Europe index is also heavily influenced by cyclical stocks, similar to the MSCI EAFE index at 60%.
- Currently the MSCI Europe index is challenging important resistance at the upper end of a 20 year trading range with potential to break-out in 2021.
- However, similar to EAFE, Europe has yet to show meaningful technical evidence of reversing its relative performance downtrend vs the S&P 500 to support a major overweight.

Global Equity Markets - S&P/TSX Composite Index - Monthly



- The TSX has traded around the upper end of its 20-year trading range for the past few years but is now trending strongly at new highs.
- Two support levels appear important starting near 18K followed by 16.5K.
- ...but here again, relative performance versus the S&P 500 remains weak

Source: RBC Wealth Management, Bloomberg, Optuma

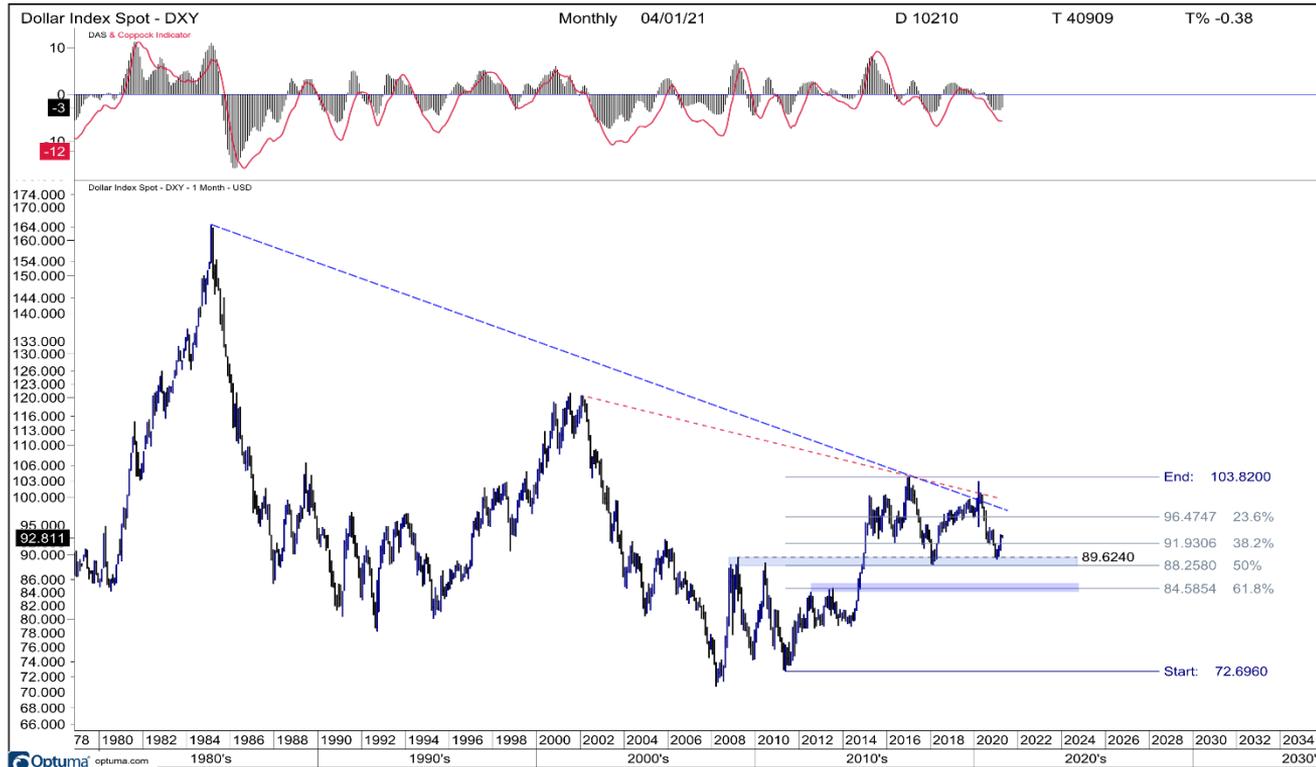
Rates - US 10-year Treasury Yield - Monthly



Source: RBC Wealth Management, Bloomberg, Optima

- The US Treasury 10-year yield has rebounded from the March 2020 lows back into the broad range that developed between the July 2012 lows at 1.38% and the October 2018 highs at 3.25%.
- Interestingly, yields are now challenging the next important technical level at the 50% retracement of 2018-2020 decline at 1.78%.
- Next key resistance for yields is at the long-term downtrends coinciding with the 62%-76% retracement levels at 2.13% and 2.56% respectively.
- Monthly RSI is now at 57 and has room to rise through 2021 before becoming overbought.

Currencies - DXY USD Dollar Index - Monthly



Source: RBC Wealth Management, Bloomberg, Optuma

- The longer-term trend for the US dollar remains down with a bounce from support at 88-89 currently underway.
- A break below 88 will be needed to confirm the US Dollar's bear market is continuing, with next support at 84.5 coinciding with the 62% retracement of the 2011-2016 rebound.

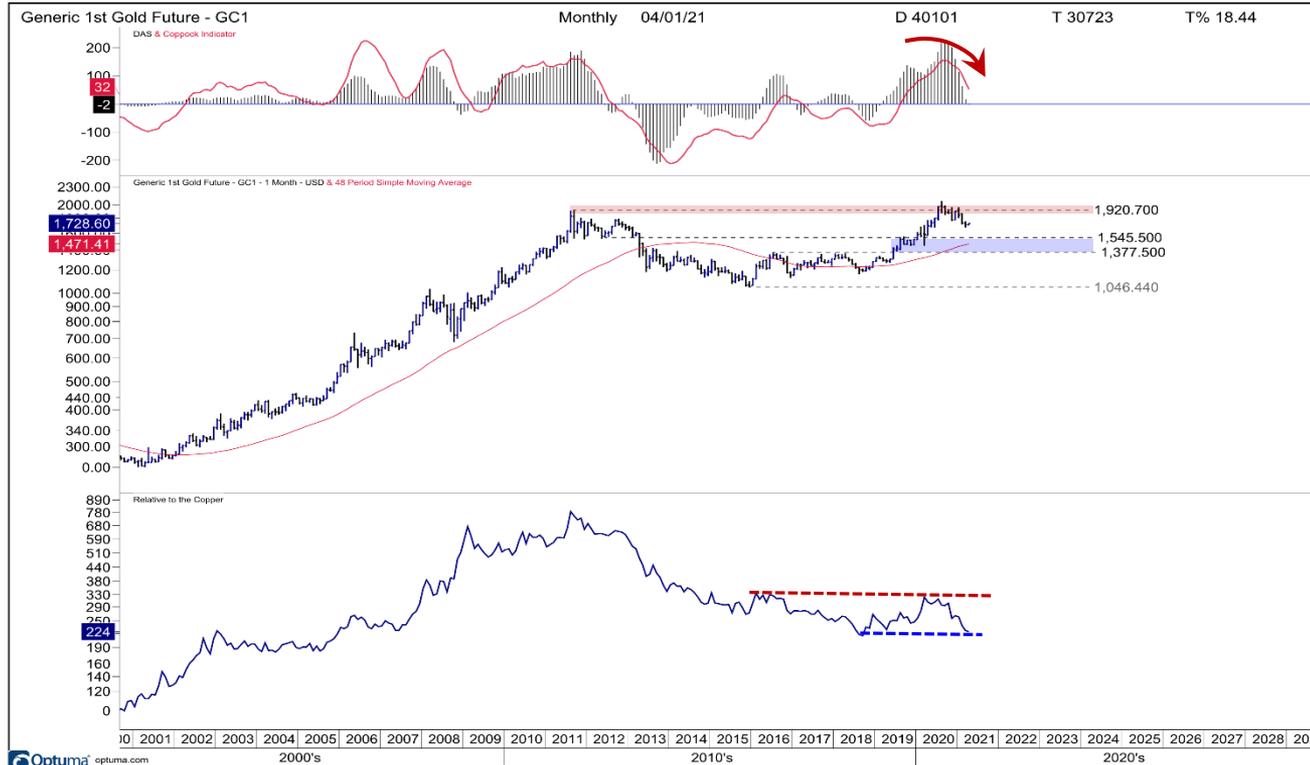
Commodities - WTI Crude Oil Future



- After collapsing in Q1 2020, WTI has rallied back into, and stalled at, important technical resistance between the 2008 downtrend line highs at 66.
- Support is in the low 50s with a move above 66 needed to confirm a legitimate downtrend reversal and resumption of the rebound that began in Q1 2020.
- Next key resistance above 66 is near 77.

Source: RBC Wealth Management, Bloomberg, Optuma

Commodities - Gold - Monthly



Source: RBC Wealth Management, Bloomberg, Optuma

- Monthly momentum remains negative after peaking 7 months ago as Gold stalled near 2000.
- Tactically, Gold's pullback is becoming oversold but a sustainable bottom has to develop with 1377-1545 a broad band of support likely to hold.
- The ratio of Copper relative to Gold remains in a corrective trend challenging the 2018 lows.

This comment is prepared by the Technical Research team at RBC Wealth Management. All views expressed are the opinions of Technical Research based solely on the historical technical behavior (price and volume) and their expectations of the most likely direction of a market or security. Technical Research opinions and recommendations may differ from the opinions, recommendations and / or ratings of RBC Capital Markets' fundamental equity and other research products. Fundamental equity research is available from your RBC Capital Markets salesperson. Opinions and recommendations in Technical Research could result in short-term price movements that are contrary to the recommendations and/or ratings in fundamental equity research.

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

Important disclosures

In the U.S., RBC Wealth Management operates as a division of RBC Capital Markets, LLC. In Canada, RBC Wealth Management includes, without limitation, RBC Dominion Securities Inc., which is a foreign affiliate of RBC Capital Markets, LLC. This report has been prepared by RBC Capital Markets, LLC, which is an indirect wholly-owned subsidiary of the Royal Bank of Canada and, as such, is a related issuer of Royal Bank of Canada.

In the event that this is a compendium report (covers six or more companies), RBC Wealth Management may choose to provide important disclosure information by reference. To access current disclosures, clients should refer to <https://www.rbccm.com/GLDisclosure/PublicWeb/DisclosureLookup.aspx?EntityID=2> to view disclosures regarding RBC Wealth Management and its affiliated firms. Such information is also available upon request to RBC Wealth Management Publishing, 60 South Sixth St, Minneapolis, MN 55402.

References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by RBC Wealth Management or one of its affiliates. RBC Wealth Management recommended lists include the Guided Portfolio: Prime Income (RL 6), the Guided Portfolio: Dividend Growth (RL 8), the Guided Portfolio: ADP (RL 10), and the Guided Portfolio: All Cap Growth (RL 12). RBC Capital Markets recommended lists include the Strategy Focus List and the Fundamental Equity Weightings (FEW) portfolios. The abbreviation 'RL On' means the date a security was placed on a Recommended List. The abbreviation 'RL Off' means the date a security was removed from a Recommended List.

Distribution of ratings

For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories. Although RBC Capital Markets' ratings of Outperform (O), Sector Perform (SP), and Underperform (U) most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis.

Distribution of Ratings - RBC Capital Markets, LLC Equity Research				
As of March 31, 2021				
Rating	Count	Percent	Investment Banking Services Provided During Past 12 Months	
			Count	Percent
Buy [Outperform]	762	55.46	299	39.24
Hold [Sector Perform]	559	40.68	179	32.02
Sell [Underperform]	53	3.86	4	7.55

Explanation of RBC Capital Markets, LLC Equity Rating System

An analyst's "sector" is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

Ratings

Outperform (O): Expected to materially outperform sector average over 12 months. **Sector Perform (SP):** Returns expected to be in line with sector average over 12 months. **Underperform (U):** Returns expected to be materially below sector average over 12 months. **Restricted (R):** RBC policy precludes certain types of communications, including an investment recommendation, when RBC is acting as an advisor in certain merger or other strategic transactions and in certain other circumstances. **Not Rated (NR):** The rating, price targets and estimates have been removed due to applicable legal, regulatory or policy constraints which may include when RBC Capital Markets is acting in an advisory capacity involving the company.

As of March 31, 2020, RBC Capital Markets discontinued its Top Pick rating. Top Pick rated securities represented an analyst's best idea in the sector; expected to provide significant absolute returns over 12 months with a favorable risk-reward ratio. Top Pick rated securities have been reassigned to our Outperform rated securities category, which are securities expected to materially outperform sector average over 12 months.

Risk rating

The **Speculative** risk rating reflects a security's lower level of financial or operating predictability, illiquid share trading volumes, high balance sheet leverage, or limited operating history that result in a higher expectation of financial and/or stock price volatility.

Valuation and Risks to rating and price target

When RBC Capital Markets, LLC assigns a value to a company in a research report, FINRA Rules and NYSE Rules (as incorporated into the FINRA Rulebook) require that the basis for the valuation and the impediments to obtaining that valuation be described. Where applicable, this information is included in the text of our research in the sections entitled "Valuation" and "Risks to rating and price target", respectively.

Valuation and Risks to rating and price target

When RBC Capital Markets, LLC assigns a value to a company in a research report, FINRA Rules and NYSE Rules (as incorporated into the FINRA Rulebook) require that the basis for the valuation and the impediments to obtaining that valuation be described. Where applicable, this information is included in the text of our research in the sections entitled “Valuation” and “Risks to rating and price target”, respectively.

The analyst(s) responsible for preparing this research report have received (or will receive) compensation that is based upon various factors, including total revenues of RBC Capital Markets, LLC, and its affiliates, a portion of which are or have been generated by investment banking activities of RBC Capital Markets, LLC and its affiliates.

Other disclosures

Prepared with the assistance of our national research sources. RBC Wealth Management prepared this report and takes sole responsibility for its content and distribution. The content may have been based, at least in part, on material provided by our third-party correspondent research services. Our third-party correspondent has given RBC Wealth Management general permission to use its research reports as source materials, but has not reviewed or approved this report, nor has it been informed of its publication. Our third-party correspondent may from time to time have long or short positions in, effect transactions in, and make markets in securities referred to herein. Our third-party correspondent may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any company mentioned in this report.

RBC Wealth Management endeavors to make all reasonable efforts to provide research simultaneously to all eligible clients, having regard to local time zones in overseas jurisdictions. In certain investment advisory accounts, RBC Wealth Management or a designated third party will act as overlay manager for our clients and will initiate transactions in the securities referenced herein for those accounts upon receipt of this report. These transactions may occur before or after your receipt of this report and may have a short-term impact on the market price of the securities in which transactions occur. RBC Wealth Management research is posted to our proprietary Web sites to ensure eligible clients receive coverage initiations and changes in rating, targets, and opinions in a timely manner. Additional distribution may be done by sales personnel via e-mail, fax, or regular mail. Clients may also receive our research via third-party vendors. Please contact your RBC Wealth Management Financial Advisor for more information regarding RBC Wealth Management research.

Conflicts disclosure: RBC Wealth Management is registered with the Securities and Exchange Commission as a broker/dealer and an investment adviser, offering both brokerage and investment advisory services. RBC Wealth Management’s Policy for Managing Conflicts of Interest in Relation to Investment Research is available from us on our website at <https://www.rbccm.com/GLDisclosure/PublicWeb/DisclosureLookup.aspx?EntityID=2>. Conflicts of interests related to our investment advisory business can be found in Part 2A Appendix 1 of the Firm’s Form ADV or the RBC Advisory Programs Disclosure Document. Copies of any of these documents are available upon request through your Financial Advisor. We reserve the right to amend or supplement this policy, Part 2A Appendix 1 of the Form ADV, or the RBC Advisory Programs Disclosure Document at any time.

Disclosures and Disclaimer

The author is employed by RBC Wealth Management, a division of RBC Capital Markets, LLC, a securities broker-dealer with principal offices located in Minnesota and New York, USA.



Third-party-disclaimers

The Global Industry Classification Standard (“GICS”) was developed by and is the exclusive property and a service mark of MSCI Inc. (“MSCI”) and Standard & Poor’s Financial Services LLC (“S&P”) and is licensed for use by RBC. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

References herein to “LIBOR”, “LIBO Rate”, “L” or other LIBOR abbreviations means the London interbank offered rate as administered by ICE Benchmark Administration (or any other person that takes over the administration of such rate).

Disclaimer

The information contained in this report has been compiled by RBC Wealth Management, a division of RBC Capital Markets, LLC, from sources believed to be reliable, but no representation or warranty, express or implied, is made by Royal Bank of Canada, RBC Wealth Management, its affiliates or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute RBC Wealth Management’s judgment as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Every province in Canada, state in the U.S., and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, the securities discussed in this report may not be eligible for sale in some jurisdictions. This report is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. Nothing in this report constitutes legal, accounting or tax advice or individually tailored investment advice. This material is prepared for general circulation to clients, including clients who are affiliates of RBC Wealth Management, and does not have regard to the particular circumstances or needs of any specific person who may read it. The investments or services contained in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about the suitability of such investments or services. To the full extent permitted by law neither RBC Wealth Management nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct, indirect or consequential loss arising from, or in connection with, any use of this report or the information contained herein. No matter contained in this document may be reproduced or copied by any means without the prior written consent of RBC Wealth Management in each instance. In the U.S., RBC Wealth Management operates as a division of RBC Capital Markets, LLC. In Canada, RBC Wealth Management includes, without limitation, RBC Dominion Securities Inc., which is a foreign affiliate of RBC Capital Markets, LLC. This report has been prepared by RBC Capital Markets, LLC. Additional information available upon request.

© 2021 RBC Capital Markets, LLC - Member NYSE/FINRA/SIPC. All rights reserved.