4/ Executive Summary

7/ So far in 2017, the US Dollar has been retrenching but it could start strengthening in Q3 - Reflation Wave 1 was predicated on this major narrative – that the Trump administration would provide an economic boost in the form of tax cuts and fiscal stimulus in the form of structure spending. But after the Republican majority in Congress stumbled in passing healthcare reform, investors are reevaluating the extent to which the administration can deliver its promises – and the verdict is that tax cuts and stimulus will likely arrive late, in a smaller package-- or perhaps not at all. This naturally has caused investors to recalibrate their growth and interest rate expectations, which in turn has made bond yields fall, and that negatively impacts the dollar, as a consequence. But with the Fed determined to tighten policy, sentiment should provide a floor for the US Dollar sometime soon. Since December, the dollar's gone from a superstar to a has-been. Model-driven funds are now predominantly short dollars, and macro traders have largely given up on the long-dollar trade. When sacred cows get taken to the abattoir, that's usually a sign that position-squaring has run its course. The time is ripe for the buck to fight back.

10 / Timing and Tactical Insight - The Dollar is ready to rebound- The Dollar is within its sixth month of correction down and may be getting ready to rebound into the Summer. Commodity Exporters currencies should also see a last leg down into August vs the Dollar. Longer term however, from mid/end Summer into year-end, we would expect that EUR/USD resumes its uptrend, while commodity currencies become particularly strong and the Yen weakens across the board.

18 / Risk parity heaven or risk parity shock– which one will prevail, as S&P 500, the Dow, and Nasdaq 100 diverge - In recent weeks, both stocks and bonds had been rallying, which some analysts described as "risk parity" heaven. The divergences within the equity asset class, and among the general assets classes, have almost always been driven by uncertainty going into the next Fed monetary policy decision. We expect the FFR and bond yields to rise, the US dollar to strengthen (and for gold to weaken), and the equity markets will probably resume their uptrend, in due time. It is the equity markets performance post-FOMC, which presents the biggest known unknown for us, this time around. We believe they will revert to the old positive comovement, post-FOMC, but we could well be very wrong on expecting that the relationship will persist. Caveat emptor on equities.

20 / Timing and Tactical Insight - The secular trends favoring Risk Parity strategies could take a pause until early 2018 - Declining interest rates are beneficial to risk parity strategies. We believe the current reflationary push, along with interest rates, will see a second leg to the upside into late 2017 / H1 2018. Risk parity strategies should then underperform. Concomitantly, we would also expect some rotation out of Long Duration and Defensives, back into Value and Cyclicals. Broadly, we expect the whole Reflation nexus to start accelerating up again from mid Summer towards year-end and early 2018.

28 / Silver to gold ratio a structural shift may come this summer - Silver is still severely underperforming Gold, probably into mid summer but we note that the relationship between silver and gold (SGR) being at depressed levels could adjust to historically normal levels-- that opportunity may come in H2 2017. Growing industrial demand, sharply diminished supply, a shallower Fed policy trajectory, and better environment for cyclicals in H2 should all play their part in supporting higher silver/gold prices into Q1 2018.

31 / Timing and Tactical Insight - Silver and the Silver to Gold ratio - Our positive scenario for the Dollar into the Summer could have a strong negative influence on the evolution of precious metals. That said, Silver is more cyclical than Gold and may start to outperform Gold again from mid Summer as oil and commodities resume their uptrend.

35 / The US financial sector is set to outperform during H2 2017 - We think the banks have been undervalued for too long, and the day for that undervaluation to stop is nigh. The easier policy trajectory that the FOMC recently unveiled could provide a strong tailwind for the financial sector, as ratcheting monetary policy higher has always flattened the yield curve. If the Fed indeed does slow its tightening rhetoric (which will keep short term rates steady), then we could see a start of a steeper yield curve. That would be positive for the US financial sectors stocks. The currently depressed sector valuation is therefore an opportunity for investors to take another look at this sector, which we believe will do well for the rest of the year and possibly into Q1 2018.

38 / Timing and Tactical Insight - Financials could accelerate up again from mid Summer to year-end - Considering that the US yield curve has re-flattened aggressively since December, US Financials have held up quite nicely. In Europe, the flattening move has been shallower, but the dynamics are similar. We would expect Financials to have one last retest to the downside in late July / August before they start accelerating up again towards year-end and early 2018. On a relative basis, we would expect more potential for banks in Europe than in the US.

43 / Splicing the markets – Looking at the topline (MSCI World, S&P500 and SX5E)- we consider top-line equity markets and their potential evolution over the next few months and towards year-end. On our Weekly charts, we are still bullish towards year-end on World, European and US markets. The current Daily situation is however treacherous. Indeed, although both European and US markets could extend into July, we do expect further consolidation into late July / early August.

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