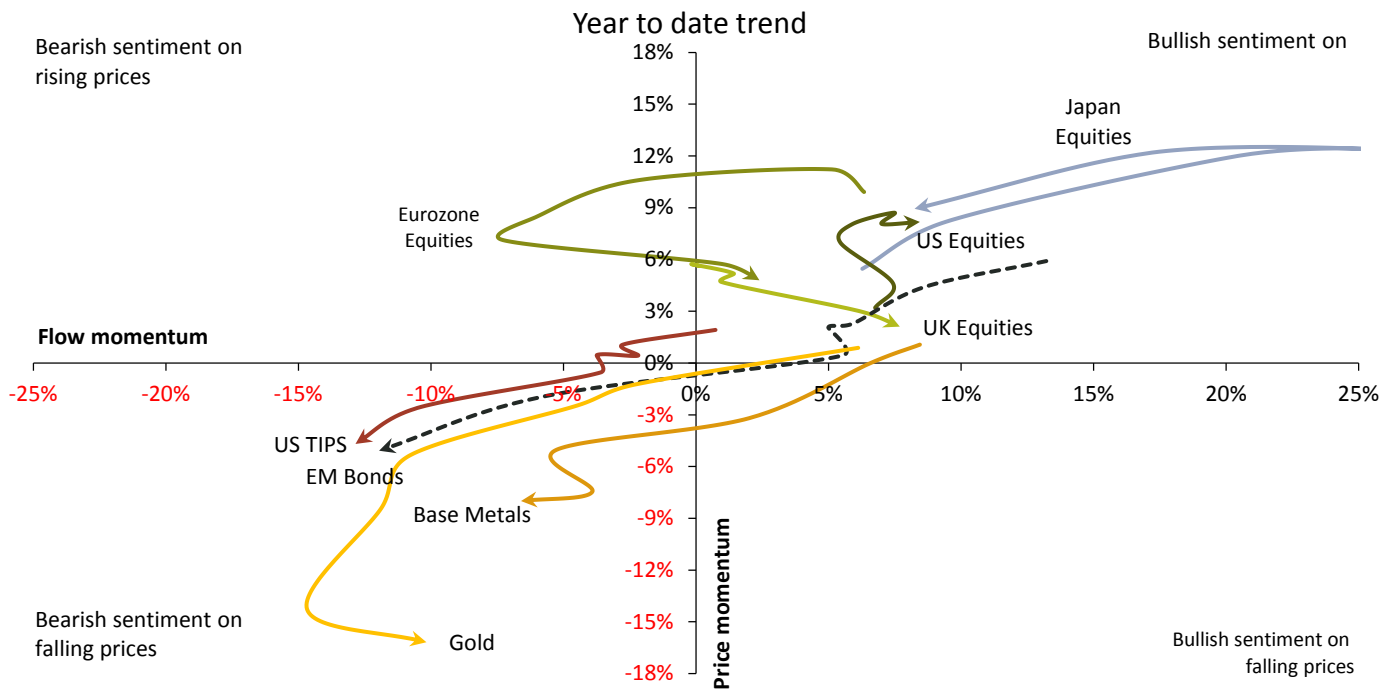


Summary

- Dissipating price momentum in equity markets is not undermining investors' bullish stance on US, UK and Eurozone. Inflows into US and European equity ETFs are growing, while the overly bullish stance on Japanese equities has weakened
- The stable but soft macro backdrop is unlikely to reverse the rotation out of safe haven and low yield assets, potentially reviving price momentum in equities
- Investors considering long equities may express this through Boost US, UK (large and mid-cap), Eurozone and German leveraged equity ETPs (resp. 3USL, 3UKL (UK large-cap)), 2MCL (UK mid-cap), 3EUL and 3DEL and short safe haven assets by buying Boost short gold and silver ETPs (3GOS and 3SIS)

Price-Flow Momentum Radar



Source: Boost ETP Research, Bloomberg. Data to 31 July 2013

Investors' stance on equities remains bullish. Inflows into US and Japanese equity ETFs remains strong despite Fed tapering putting the rally on equities on hold. After upbeat growth expectations, inflows into UK equity products this year looks set to continue. The stabilising political and economic backdrop has turned investor sentiment bullish on Eurozone equity ETFs. Bearishness remains deeply entrenched in safe haven asset classes as the price of gold and inflation protected securities fails to break out from lows. At the same time, sentiment continues to sour on EM bonds as their yields no longer justify the inherent risks as the rate cycle turns. The rotation from safe haven assets into equities is likely to continue.

The chart shows the directional price trend across major asset classes with sentiment in related ETF products. Price momentum is measured by the degree to which short-term price averages are rising or falling faster than longer-term price averages. The sentiment reading is based on a basket of the largest ETF providers within an asset class and is measured by the net inflows during a 3 month period relative to shares outstanding at the start of the 3 month period.

The tapering of QE in the US, a stabilising banking system in the Eurozone, a sudden upbeat outlook for the UK economy and a resilient yen have dissipated price momentum in major equity markets. However, it has not undermined investors' overall bullish stance.

However, to the contrary, inflows across US and UK equity ETFs have steadily gained momentum, while the restructuring of Cyprus's banks and the formation of a coalition government in Italy has translated into renewed inflows into Eurozone equity ETFs since June. The marked weakening in inflows in Japanese Equity ETFs and their alignment to levels with US and European peers may suggest that much of the recent downward price pressures in equity markets there may soon be coming to an end.

So far, the main driving force supporting equities has been the downbeat sentiment in safe haven assets. Disinflationary concerns have grown on the prospect of the Fed unwinding over USD 1tn in annual QE sooner rather than later, undermining the short dollar trading strategies and by implication, gold and US TIPS. While the sell-off has recently slowed and stemmed the rate by which redemptions have battered gold ETFs, there is little to suggest that the rotation out of safe haven into equities should reverse. At best, the volatility in gold may fall as gold price gets more entrenched around lower technical levels and the pace of outflows diminishes. With no income stream, gold is unlikely to regain investor confidence anytime soon.

For investors seeking income, yields on DM bonds continue to remain relatively unappealing, in spite of the recent sell-off. A marked reversal in momentum has already taken hold over EM bonds, the asset class which up to the start of 2013 still enjoyed the strongest growth in ETF inflows. But the ~100 bps rise in 10Y US Treasury yields since May has forced investors to scrutinise the yields on EM bonds against their

inherent risk. The large scale redemptions in EM Bond ETFs since the announcement of the Fed tapering QE in May show that EM bonds have turned into one of the worst performing asset classes this year. Meanwhile equities in major developed markets have weathered the sell-off in bond markets relatively well. As investors discriminate riskier asset classes across equity and bond markets, investors may continue to favour equities.

Investors may consider the following positions in August:

1. Long DM equities: buying Boost long leveraged ETP's including:
 - a. Boost FTSE 100 3x Leverage Daily ETP (3UKL)
 - b. Boost FTSE 250 2x Leveraged Daily ETP (2MCL)
 - c. Boost EURO STOXX 50 3x Leverage Daily ETP (3EUL)
 - d. Boost LevDAX 3x Daily ETP (3DEL)
- 2) Short commodities, including:
 - a. Boost Gold 3x Short Daily ETP (3GOS)
 - b. Boost Silver 3x Short Daily ETP (3SIS)

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