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Subject: Alpha Investment Newsletter - 29 May 2017

From: "Alpha Investment Newsletter" <info@alphainvestmentnewsletter.com>

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To: info@alphainvestmentnewsletter.com

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Hello Folks,

How are you doing? The S&P500 closed last Friday at 2415, a record high weekly closing. Not just S&P500, various global equity markets have scaled record highs in May. There maybe some more upside if inflation remains low.

St. Louis Fed President James Bullard said last week that the low inflation is worrisome. Chicago Fed President Charles Evans echoed the need to keep rates low by saying the Fed is at risk for “a serious policy outcome miss” by tightening too fast. Therefore, as long as inflation stays low, markets still have upside.

The next US Fed policy meeting is on 14 June 2017, and a small rate hike of 25 bps (0.25%) is expected by the markets and is already factored in the current S&P500 index level of 2400. A larger rate hike or hawkish message for subsequent rate hikes will spook the markets and we can see a rapid down move towards 2350 level.

There are ongoing worries about debt burden in China, and whether it can further reduce the Chinese GDP growth rate. Based on the past, we can be sure the Chinese govt will take some positive action when things start to get really bad, but that will mean that we will have some volatility in global financial market before things settle down. That's how it played out in Jan-Feb 2016.

Euro zone GDP growth is picking up and that is a positive sign. A lot of capital from US markets has already gone to European markets in the last 2-3 months. We are already long on the Euro zone via iShares S&P Europe 350 Index ETF (NYSEARCA:IEV) from \$36 levels last year. Cmp \$45.

**Following are the market levels for June 2017:**

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1. USA: S&P500 Index - We have been long from 2170. Cmp 2415.  
We will remain long above 2350, and exit below it. Target 2500.
  2. Europe: iShares S&P Europe 350 Index ETF (NYSEARCA:IEV)  
We will remain long above \$43. Cmp \$45. Investment Target \$64-80 by 2020.
  3. India: Nifty Index - We have been from 8720. Cmp 9600.  
We will remain long above 9300, and exit below it. Target 9800.
  4. Hong Kong: Hang Seng Index - We have been from 23,630. Cmp 25,700.  
We will remain long above 24,500, and exit below it. Target 28,000.
  5. Cash: Holding cash as Gold, with 10% portfolio in Gold.

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Please Note: All the above levels are on daily closing basis.

Best Wishes,

Shankar

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