

SAMT Geneva chapter

Perspective on long term cycles and market OUTLOOK : basing phase after a mid year correction in US Equity

Tactics within a wide range 1309-1440 for S&P500.

July- August 's minor pullbacks should confirm a major bottom in June .

The second half of 2012 should be better,
but could take time before looking stellar.

Bruno Estier, MFTA, MSTA
July 25, 2012

MFTA - Master in Financial Technical Analysis from IFTA

Note disclaimer at end of report

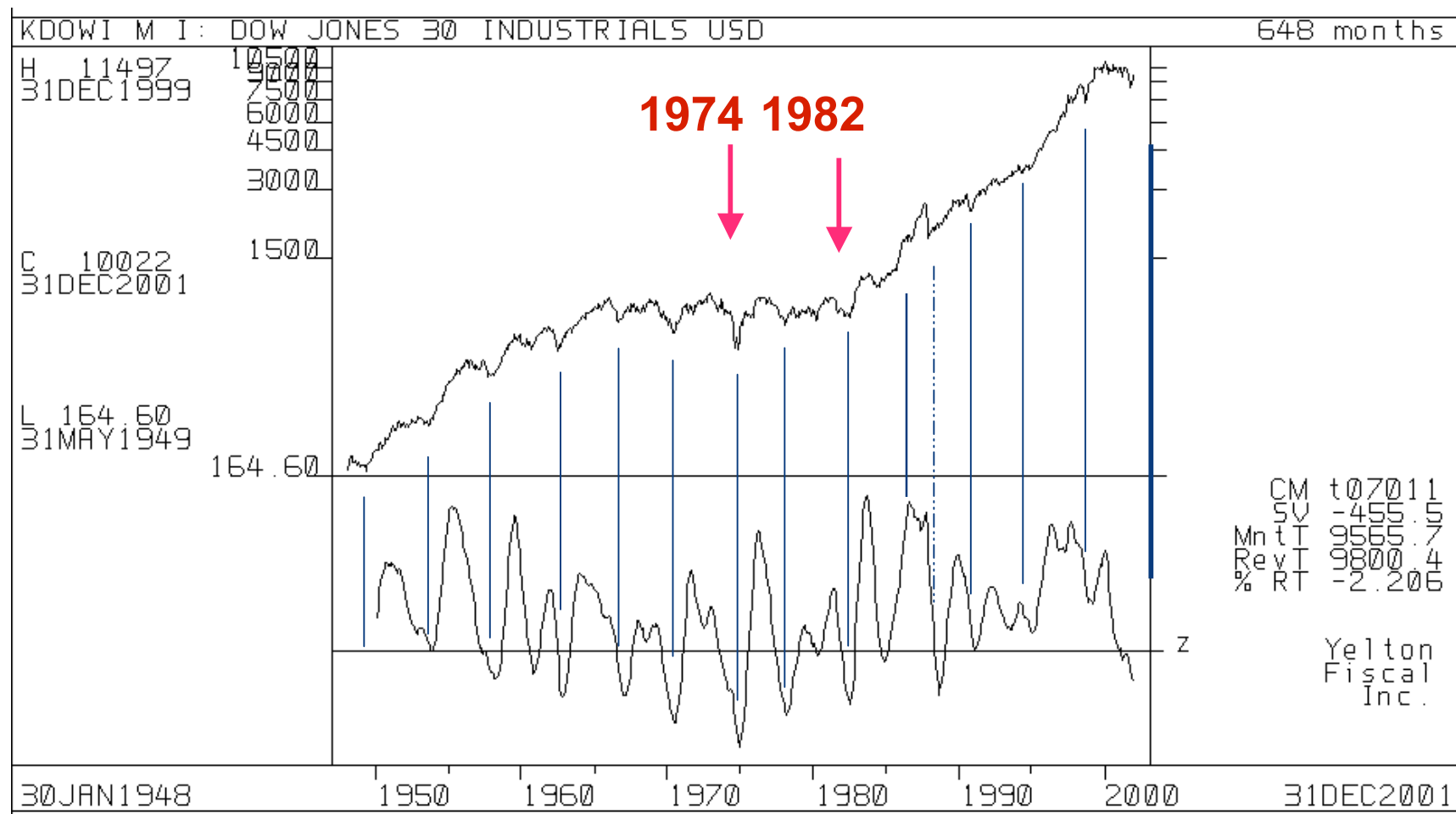


Outline

- Long term Cycles : 2012-2014 important time window
- Review of current market Outlook
- -- a further bottoming phase above the June 1 low for US equity and a rise in the Fall 2012 extending possibly toward Q1 2013
- -- soon an end of recent downtrend in yield for US 10yr yield bottoming between 1.20-1.40 % and replaced by a sideways consolidation 1.30-1.70% till year end.
- -- a bottoming phase for Gold as long as above \$1525/oz , along indication of Gold in CHF rising and bullish seasonality in H2 2012.
- -- US dollar index possibly reaching 86 short term, but back in range 86-80 later on. Euro \$ reached key pivotal area 1.22-1.19. Unsustained break ?
- Questions and Answers

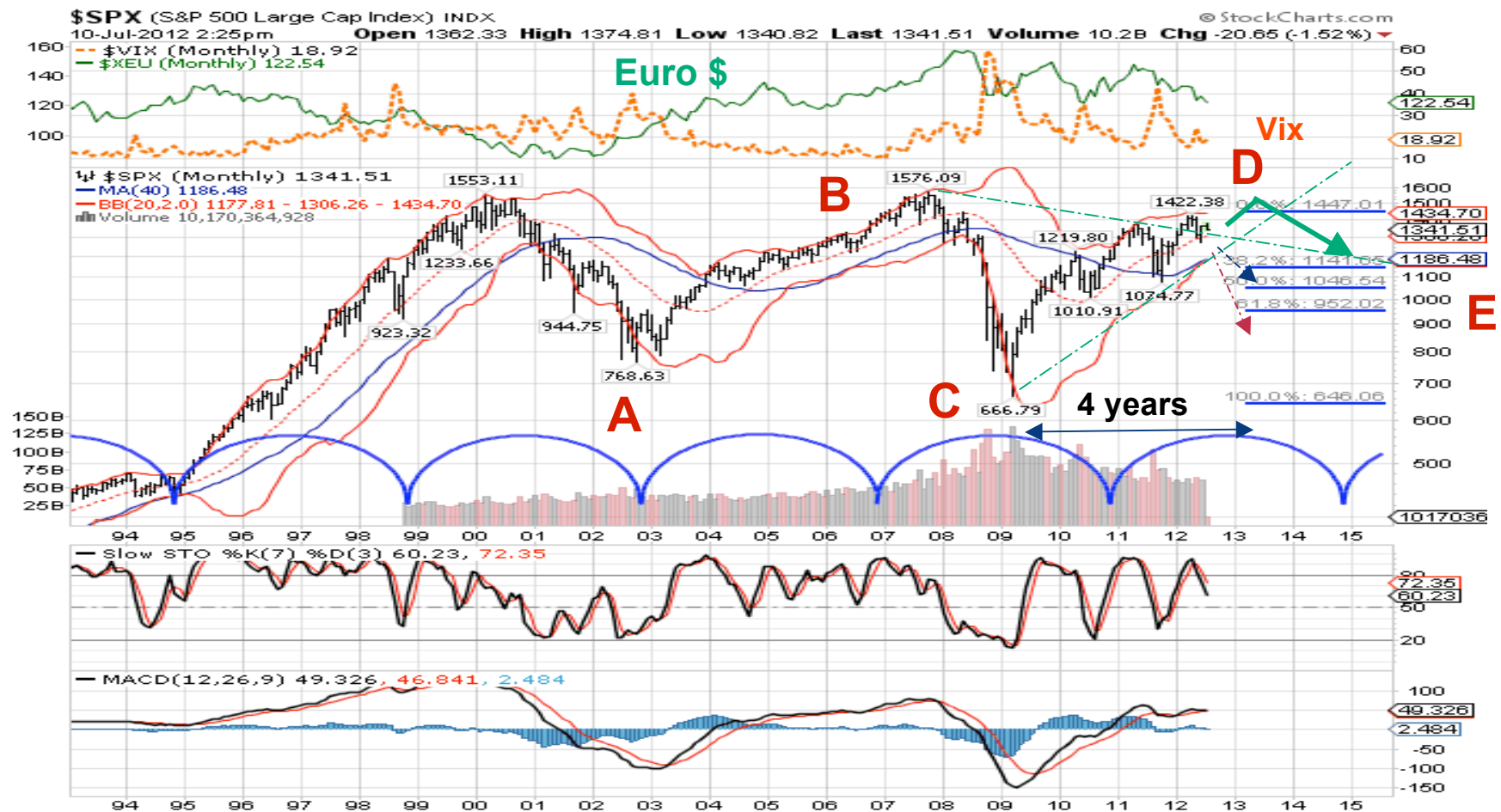
US market analysts looked at the 4 yr cycle (Presidential cycle)

Chart courtesy of Yelton Fiscal Inc.



Cycles in Dow : 1950-54-58-62-66-70-74-78-82-86(87!)-90-94-98-....02-06 ?

Currently S&P500: **July 10, 2012 Monthly 1341**: Monthly MA20(1289) offered support in June despite monthly STO pointing down . Bears a month ago and still now are expecting a second down leg toward 1080 minimum (near the 2011's low) as soon as by October 2012-March 1313. However June's rebound back above descending resistance trend line of the triangle may allow to **hold within a range 1300-1440+-20 in 2012 and postpone a decline later in 2013-14**. A worse case reaching below 2010's lows near 895 (162% extension) by March 2013 is less likely. The decline to below 666 like a unique "Perma BEAR" case is not on our radar yet .



Theoretical four year cycle for S&P500 : July 10, 2012 Monthly 1337:

- Zooming in since September 2002
- issues concerning 2006 and 2010 theoretical lows versus the effective low of March 2009.
- other cycles influencing S&P500 ?

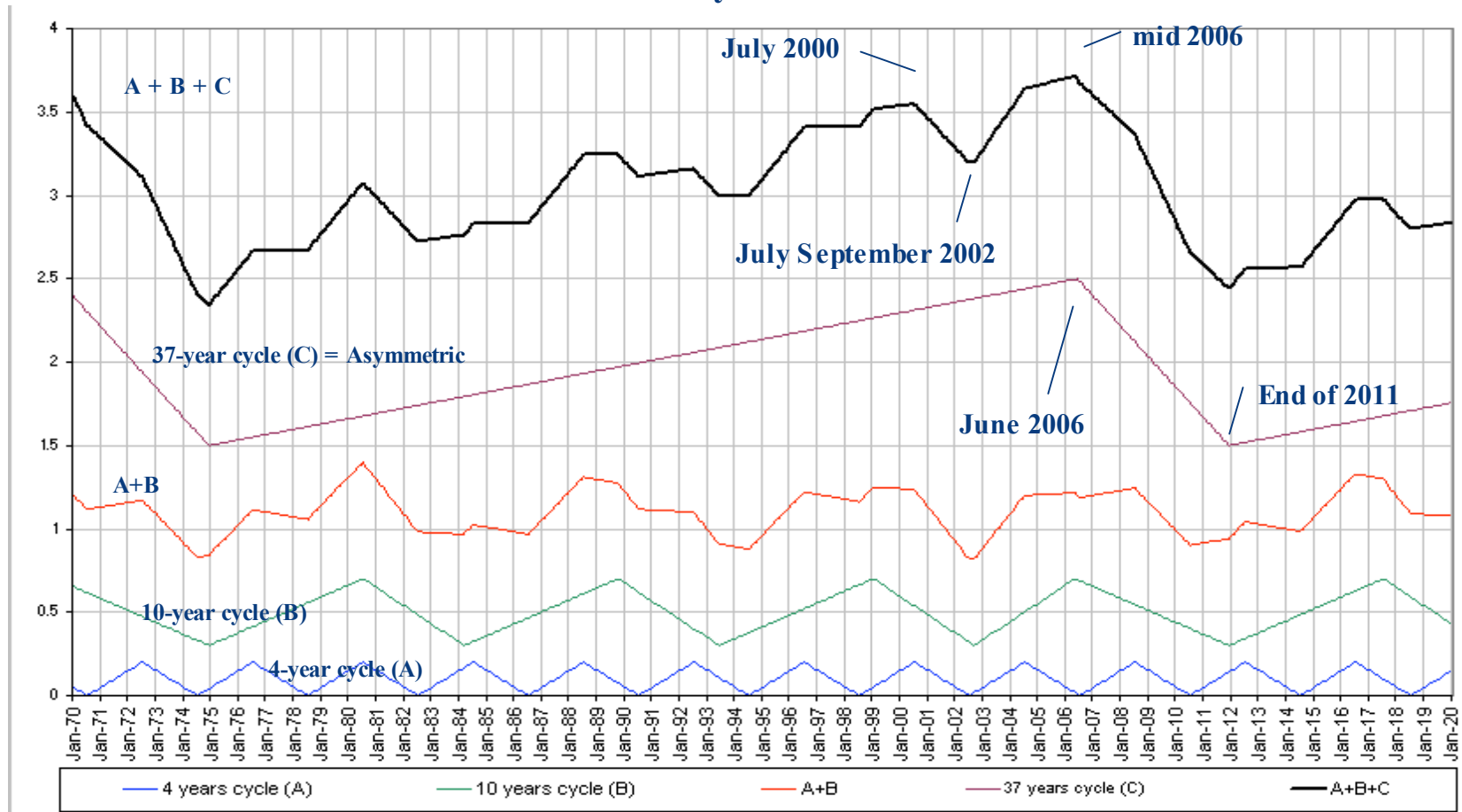


- research in 2002 suggested 10yr and 4 yr cycles bottomed together in July –October 2002.
- 10 yr cycle may have already bottomed in Q1 2012 and could be already rising.
- Longer cycle influenced the skew of smaller cycle: the rising phase of the four year cycle may last longer than usual because of the possibly already rising 10yr cycle.
- Instead of an immediate low in the window October 2012- March 2013, extension into 2014.



Further potential long term influence : the “asymmetric” cycle - anchored in 1974 for 37 years

Case Three : 85% Bull skew of 37 years

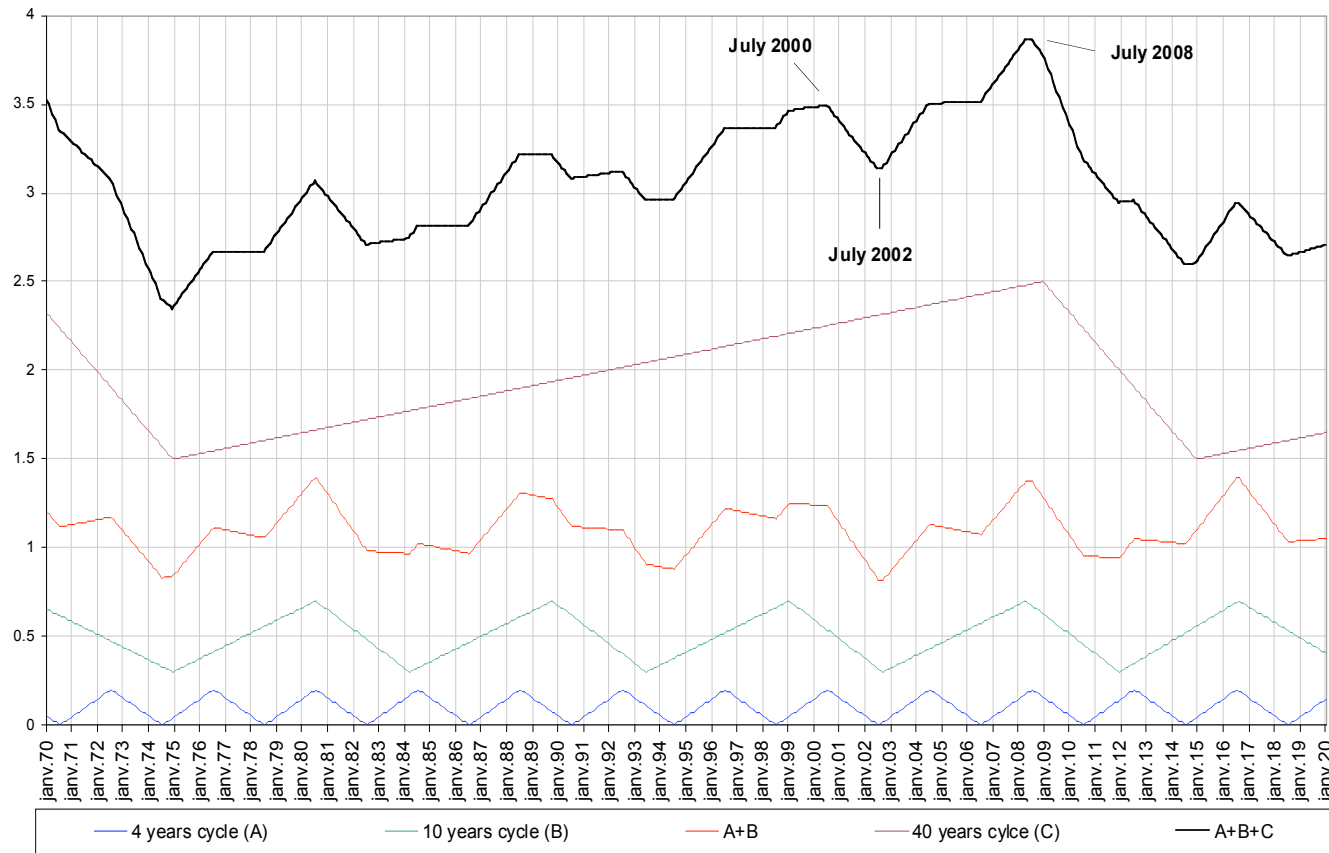


Further potential long term influence : the asymmetric cycle

- anchored in 1974 for 40 years, next low end of 2014
- direction is more important than level

Case Four : The most bullish long-term scenario.

An 85% bull skew of 40 years puts the top 34 years after 1974, near December 2008



INDEX – Bi-quarterly review – The usual display is re-arranged for SAMT presentation on 25.07.12 – page's number do not correspond to slide's number .

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- **File** **SUMMARY**
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- **Files 2** **FX**
- **File 3** **CDTY**
- **File 4** **LA-ASIA**
- **File 5** **US Global**
- **File BES 6** **Europe**
-

On July 12 : Conclusions : a bottoming process in the Summer for US equity and a better second half

The current correction started in mid March on the EUROSTOXX top near 2600, while the S&P500 kept rising toward end of March to 1422. A lower high was made early May near 1414 after a low near 1357. SO the topping process gave a second chance to exit near the second lower high 1400. The sharp decline in May ended on May 18 near 1292, near the former high of last December 2011. A minor rebound was followed by a marginal new low on June 1-June 4 near 1266 . From there JUNE was up to 1375 in a typical zig-zag rise forming a bear Flag. The current decline from 1375 may not go back all the way down to 1266 , but should become a first “successful test” of the June low , which should confirm the botoming process as we expect it for JULY- possibly august

The thick pessimism is driven by the leading decline of the EURO \$ and by the “EVER “ declining US 10 year yield below 1.50% (In fact making possibly a double spike near 1.44 % like on JUNE 1-4)

But curiously in the last days , again as on May 18 , Europe eurostoxx 50 and possibly some Emerging countries (though not the BRIC) are showing sign of bottoming RS versus S&P500. As the \$ rise , Commodities declined along the perception of a global economic slowdown and of course US 10 year yield and German yield declined as safe heaven .

Measure of Fears (VIX ; VXO/TNX)) & Sentiment survey give currently mixed signals, we lean on the optimist side again as conclusion .

Further recall :When the worst is almost certain, then it happens only rarely. SO we have 3 scenarios inside, but we exclude as a too far “improbable Black Swan” , a slide toward 666 for the US S&P500 market in 2012 .

We should recall that Seasonality and Cycles were suggesting a low in Equity in the first half of 2012, while a second half was supposed to be more favourable.

The current situation appears similar to the mid 2010 equity low and not like 2011.

The caveat is that the rise since march 2009 is already about 41 month old and four year cycle (48month) can extend to 48-54 months.

How long could that current Equity cycle extends is the \$1000 question ??

Watch the tape or review with our presentation the longer term cycles (4, 10 & 40yr) !

137. Theoretical Allocation GRID end of July 13 : july 10 :Techno XLK (28.69): Sold stop at 28.40 for 10% . **July 11** : SPX (1354) : bought 5% 1338 , stopped 1325 on **July 12**
XLK(techno) : JULY 11 sold at 27.75 for 10% & Bought 10% 27.68 (stop 27.25 not hit)

Equity 70% ;Bonds 0% ; CDTY & CCY 10%, Cash \$ 10%, Cash CHF 0% , Cash euro 10%

Asset allocation as of June 27 , 2012

- **Equity allocation: 80%**
- Pacific 10%(EWJ Japan 0% ; EWW Korea 0% ; Singapore EWS 10% , China FXI 0% ,
- USA 70%(S&P500 5% , **XLK 35%** , XLY 20% , XLE 0% ,XLV 10% XLI 0%)
- Europe 0%(Eurostoxx 0% , FTSE100 0%
 - SMI 0%)
- Latin Am : 0%(Brazil EWZ 0%)
 - EWW Mexico 0%—
- **Bond allocation : 0 %**
 - Europe 0%(Swiss Conf Bonds 0% + Bunds 0%)
 - Asia : 0%(JGB's)
 - USA : 0%(10yr NOTES)
- **Commodities & CCY : 10%**(ETF GLD 10% , ETF CYB (Yuan fund) 0%)
- Cash in USD :0%(from 20%)
- Cash in EURO: 10%(from 0%)
-

Asset allocation as of July 13, 2012

- **Equity allocation: 70%**
- Pacific 10%(EWJ Japan 0% ; EWW Korea 0% ; Singapore EWS 10% , China FXI 0% ,
- USA 60%(S&P500 5% , **XLK 25%** , XLY 20% , XLE 0% ,XLV 10% XLI 0%)
- Europe 0%(Eurostoxx 0% , FTSE100 0%
 - SMI 0%)
- Latin Am : 0%(Brazil EWZ 0%)
 - EWW Mexico 0%—
- **Bond allocation : 0 %**
 - Europe 0%(Swiss Conf Bonds 0% + Bunds 0%)
 - Asia : 0%(JGB's)
 - USA : 0%(10yr NOTES)
- **Commodities & CCY : 10%**(ETF GLD 10% , ETF CYB (Yuan fund) 0%)
- Cash in USD :10%(from 0%)
- Cash in EURO: 10%(from 0%)
-

Tactical allocation UPDATE & new levels for sector allocation July 13, 2012

comment later this week end

Current 70% equity , Zero Bonds , 10% Gold, 20% cash

Done since July 6 :

Techno XLK (28.69): july 10 Sold stop at 28.40 for 10%, JULY 11 sold at 27.75 for 10% , Bought 10% 27.68 (exact low) stop 27.25

SPX (1354) : bought 5% 1338 July 11 stopped 1325 on July 12

Levels from July 13 Open onward :

. SPX (1346) : buy 10% 1340 stop 1325 or buy stop 5% 1355 stop 1320

GLD (153.71) : Sell stop for 5% at 149 and for 5% at 148.30

XLV (37.63) ; sell stop 5% 36.75 , Buy stop 10% 43.90 stop 36.75

XLY (43.24): sell stop 5% 42.00

Techno XLK (28.03): sell stop 10% 27.25

Eurostoxx (2228) : buy 5% 2175 stop 2120, Buy stop 5% 2275 stop 2120



138. Theoretical Allocation GRID end of July 23 : JULY 13 : SPX (1346) bought stop 5%
 1355 stop 1320 ; **July 18** Eurostoxx (2228) Bought stop 5% 2275 stop 2120
July 23 Eurostoxx (2228) : bought 5% 2175 stop 2120 ;
 SPX (1346) : bought 5% 1340 stop 1325 (remained only 5% cash)

Equity 90% ; Bonds 0% ; CDTY & CCY 10%, Cash \$ 0%, Cash CHF 0% , Cash euro 0%

Asset allocation as of July 13 , 2012

- **Equity allocation: 70%**
- Pacific 10% (EWJ Japan 0% ; EWW Korea 0% ; Singapore EWS 10% , China FXI 0%)
- USA 60% (S&P500 5% , **XLK 25%** , XLY 20% , XLE 0% , XLV 10% XLI 0%)
- Europe 0% (Eurostoxx 0% , FTSE100 0%
- SMI 0%)
- Latin Am : 0% (Brazil EWZ 0%)
- EWW Mexico 0% -
- **Bond allocation : 0 %**
 - Europe 0% (Swiss Conf Bonds 0% + Bunds 0%)
 - Asia : 0% (JGB's)
 - USA : 0% (10yr NOTES)
- **Commodities & CCY : 10%** (ETF GLD 10% , ETF CYB (Yuan fund) 0%)
- Cash in USD : 10% (from 0%)
- Cash in EURO: 10% (from 0%)

Asset allocation as of July 23, 2012

- **Equity allocation: 90%**
- Pacific 10% (EWJ Japan 0% ; EWW Korea 0% ; Singapore EWS 10% , China FXI 0%)
- USA 70% (S&P500 15% , **XLK 25%** , XLY 20% , XLE 0% , XLV 10% XLI 0%)
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- SMI 0%)
- Latin Am : 0% (Brazil EWZ 0%)
- EWW Mexico 0% -
- **Bond allocation : 0 %**
 - Europe 0% (Swiss Conf Bonds 0% + Bunds 0%)
 - Asia : 0% (JGB's)
 - USA : 0% (10yr NOTES)
- **Commodities & CCY : 10%** (ETF GLD 10% , ETF CYB (Yuan fund) 0%)
- Cash in USD : 10% (from 0%)
- Cash in EURO: 0% (from 10%)

Tactical allocation UPDATE & new levels for sector allocation July 23, 2012

Current 90% equity , Zero Bonds , 10% Gold, 0% cash

Done since July 13 :

SPX (1346) bought stop 5% 1355 stop 1320 July 13- globex was near 1346

Eurostoxx (2228) Bought stop 5% 2275 stop 2120 July 18

Eurostoxx (2228) : bought 5% 2175 stop 2120 on July 23

SPX (1346) : bought 5% 1340 stop 1325 on July 23 (remained only 5% cash)

Levels from July 24 Open onward :

SPX (1350) : sell stop 5% 1325 and sell stop 5% 1320

Eurostoxx (2228) :sell 5% stop 2120, sell stop 5% 2120

GLD (153.71) : Sell stop for 5% at 149 and for 5% at 148.30

XLV (37.63) ; sell stop 5% 36.75 , Buy stop 10% 43.90 stop 36.75

XLV (43.24) : sell stop 5% 42.00

Techno XLK (28.03) : sell stop 10% 27.25

1. Global Long Bond (10 yr) July 6 , 2012 vs May 18 :
Not yet end of yield decline : near an extreme low?

Credit market spread High yield-Investment grade:
0.77 %

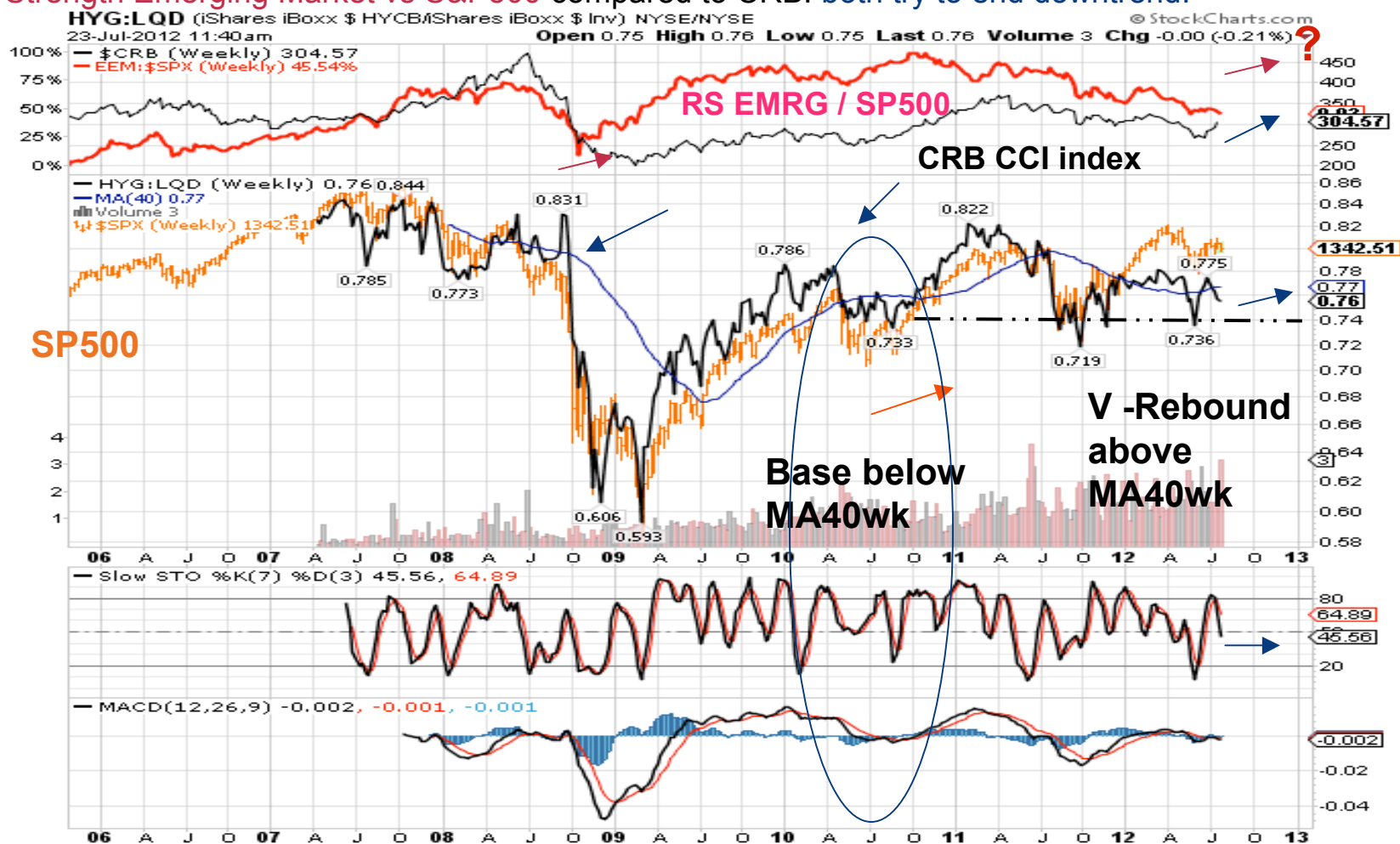
V-rebound in June from below to above MA40wk..

So not so fearful ?

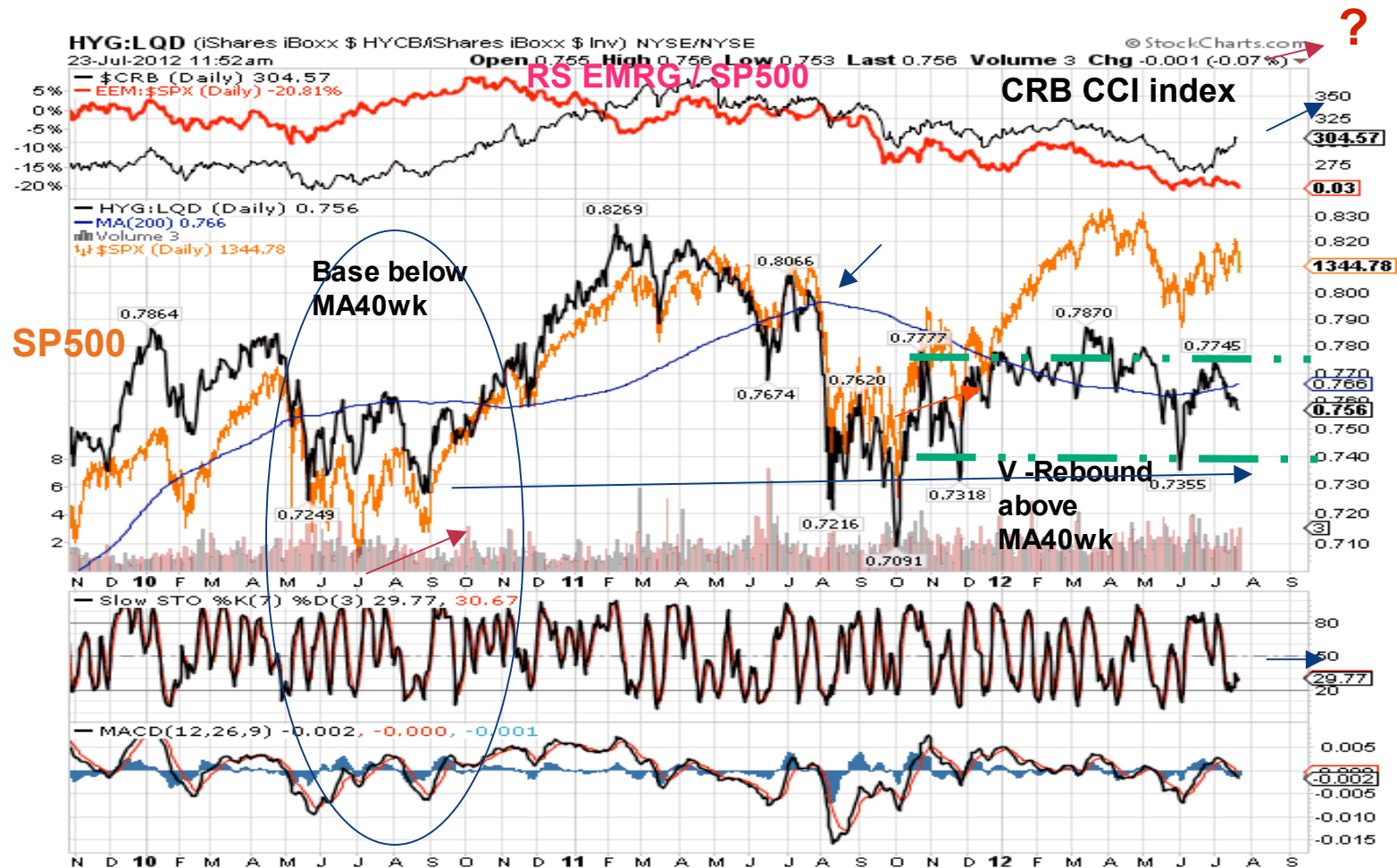
HYG = iShares iBoxx High Yield Corp Bond ETF; LQD = iShr. iBx Investment Grade Corp Bond ETF
July 23, 2012 versus July 13

In May 2010, The EU –Greece story sent Risk Aversion (price ratio HYG / LQD) (flash crash=May6 2010) down, then built a base till October 2010. In August September 2011, there was a new low below **MA40wk**.. In May-June 2012, spread went below MA40wk, but without a new low and it also **rebounded above MA40wk and make a range around flat MA**.

Relative Strength Emerging Market vs S&P500 compared to CRB: both try to end downtrend.



ZOOM IN since November 2009: HYG = iShares iBoxx High Yield Corp Bond ETF; LQD = iShr. iBx Investment Grade Corp Bond ETF **July 23, 2012 versus July 13**
 In May 2010, The EU –Greece story sent Risk Aversion (price ratio HYG / LQD) (flash crash=May6 2010) down, then built a base till October 2010. In August September 2011, there was a new low below **MA40wk**.. In May-June 2012, spread went below MA40wk, but without a new low and it also **rebounded above MA200d (40wk) and is expected to make a range around flat MA shown with the green lines** .
 Relative Strength Emerging Market vs S&P500 compared to CRB: both try to end downtrend.



3. Commodities: CRB, GKX , Oil & Gold– July 6 vs May 18, 2012

While a COMMODITY Secular BULL market started in 2000-02 and may last 15 to 18 years as history suggests, but **currently most Commodities as the CRB CCI underwent a correction, which is bottoming**

GKX GS Agricultural Index 467 vs 399: G GSachs CDTY Agricultural Index has rebounded from near MA40 months (397 in May) and lower Bband (385), rising toward flat MA20mth, thus allowing further rebound within wider range 395-560 as monthly STO keeps rising. CRB could also hit support and rebound , while the inverse correlation with USD index is recently a little unclear. Sharp up move above MA40wk and further close above upper weekly Bband may open a rise toward 530 along crossing up MACD.

Oil WTI 84.25 vs 91.40 flat range 77-100

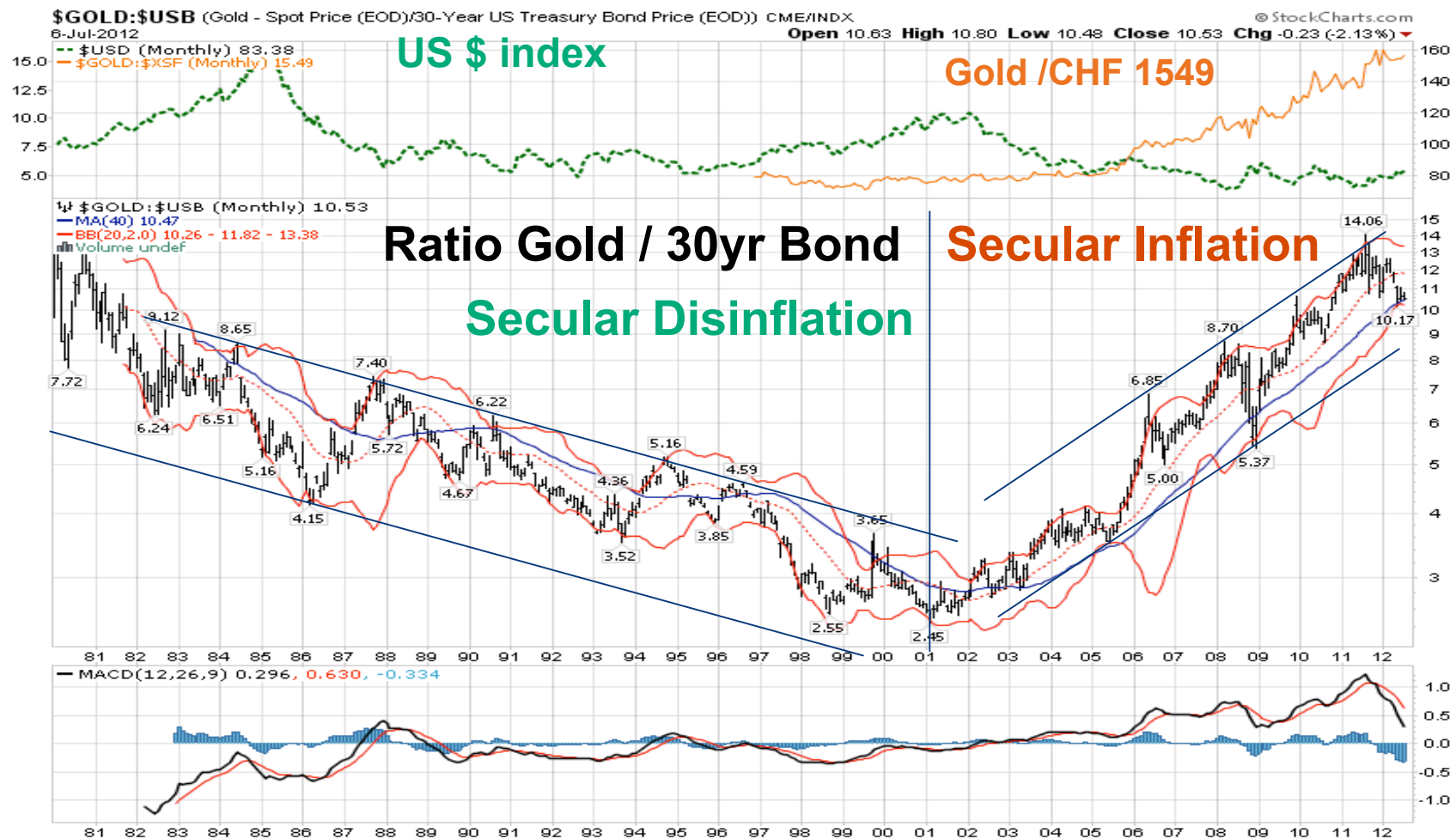
Oil broke the MA20wk near 102 and MA40wk (96) and retested former low near 77.25 .

Expect Flat range 77-100 unless 75-76 is broken again

Gold in \$ 1584 versus 1590: Support near 1525-1500 needs to hold for
Bottoming process to go on...

The current price pattern within the uptrend is a descending triangle, whose base at 1525 needs to hold to avoid a test of the lower Band. Thus the support 1525-1535 (lower weekly Bband) needs to be monitored as a break may open a slide toward 1420-1310 .
Check daily chart : We set a stop on 10% allocation .

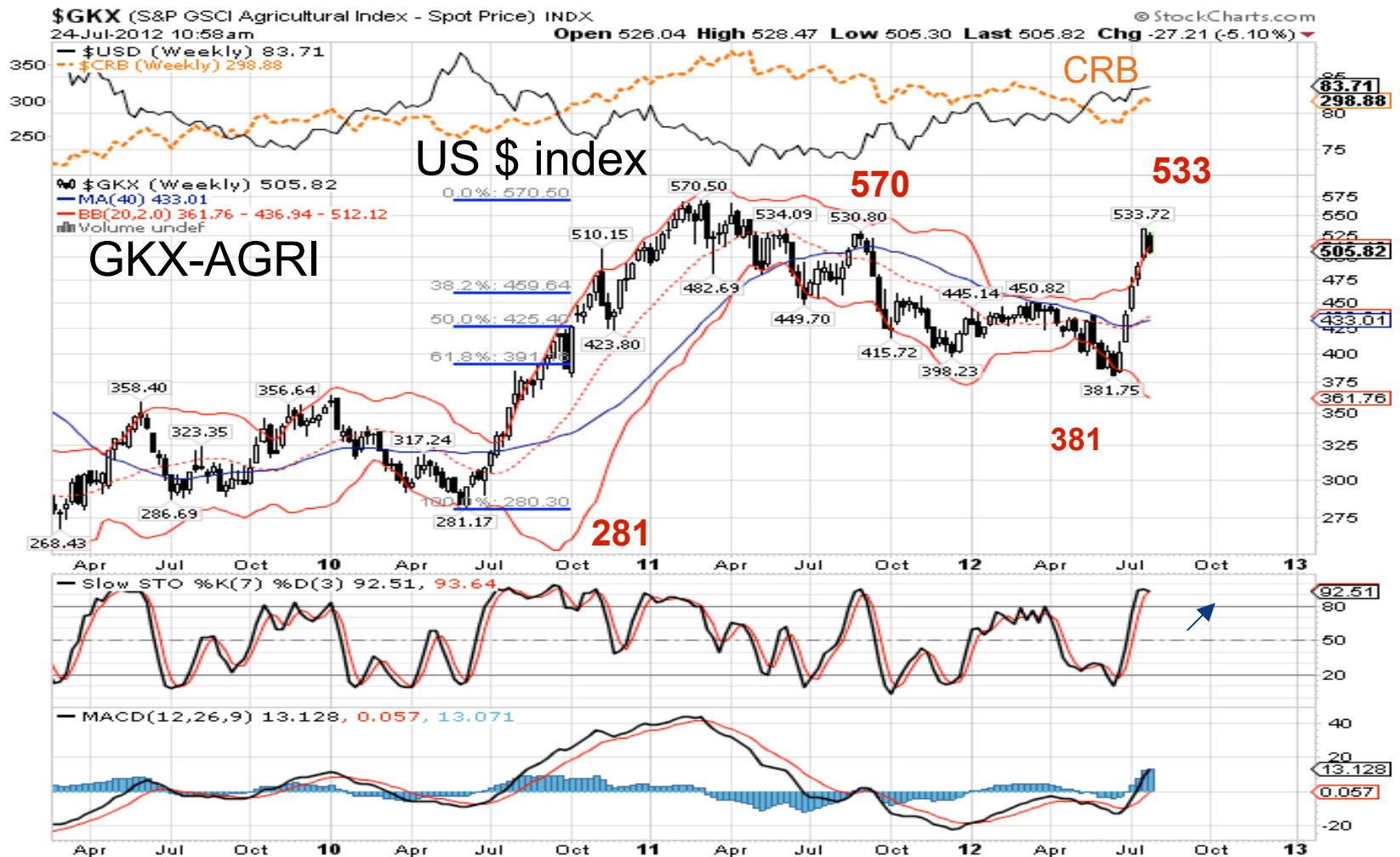
3. Secular Inflation correlated with US \$ decline from 2002 to 2008.
 Controversial chart indeed...(asset inflation versus goods deflation ??) .
 Since last 12 months, like in 2008-2009, the uptrend of the ratio is
 pausingand US\$ is in a narrow range since 2008.



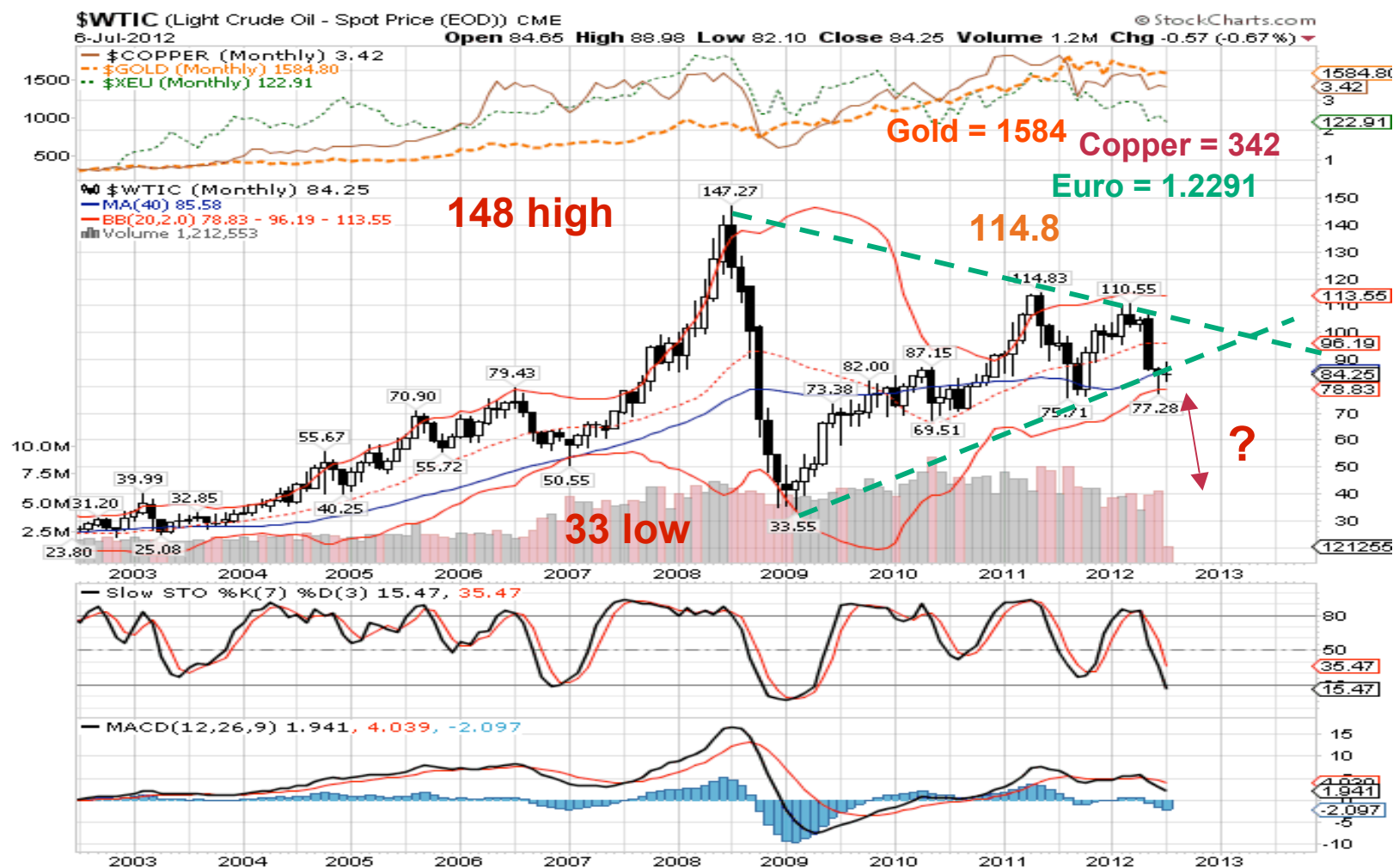
3. GKX: 467 Monthly **July 24, 2012**. GSachs CDTY Agricultural Index has rebounded from near MA40 months (397 in May) and lower Bband (385), rising toward flat MA20mth, thus allowing further rebound within wider range 395-560 as monthly STO keeps rising. CRB could also hit support and rebound , while the inverse correlation with USD index is recently a little unclear.



3. GKX: 467 Weekly **July 24, 2012**. GSachs CDTY Agricultural Index has rebounded from near MA40 months (397 in May) and lower Bband (385), rising toward flat MA20mth, thus allowing further rebound within wider range 395-560 as monthly STO keeps rising. CRB could also hit support and rebound, while the inverse correlation with USD index is recently a little unclear.



3. Oil WTI 84.25 July 6, 2012 . Is the triangle broken ? The spike low in June leaves uncertainty as monthly STO is entering very oversold area. Monthly STO is declining , thus unclear if the rebound on 77 will last along flat monthly Bbands.... Or if triangle break is calling a 30 \$ down move !

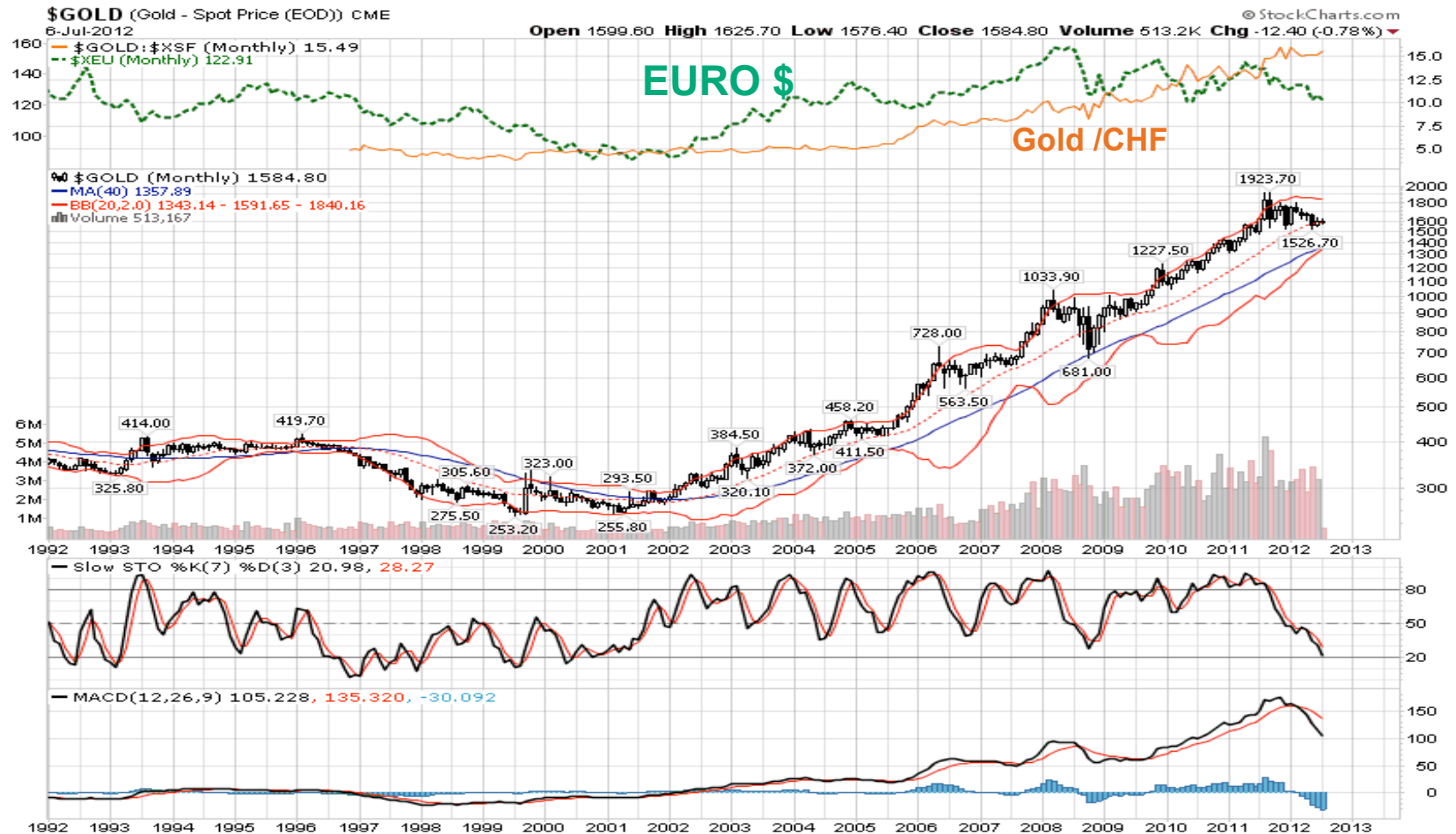


3. Oil WTI 88.09 weekly July 24, 2012 . Is the triangle broken ?
 The spike low in June leaves uncertainty as monthly STO is entering very oversold area. Monthly STO is declining , thus unclear if the rebound on 77 will last along flat monthly Bbands.... Or if triangle break is calling a 30 \$ down move !



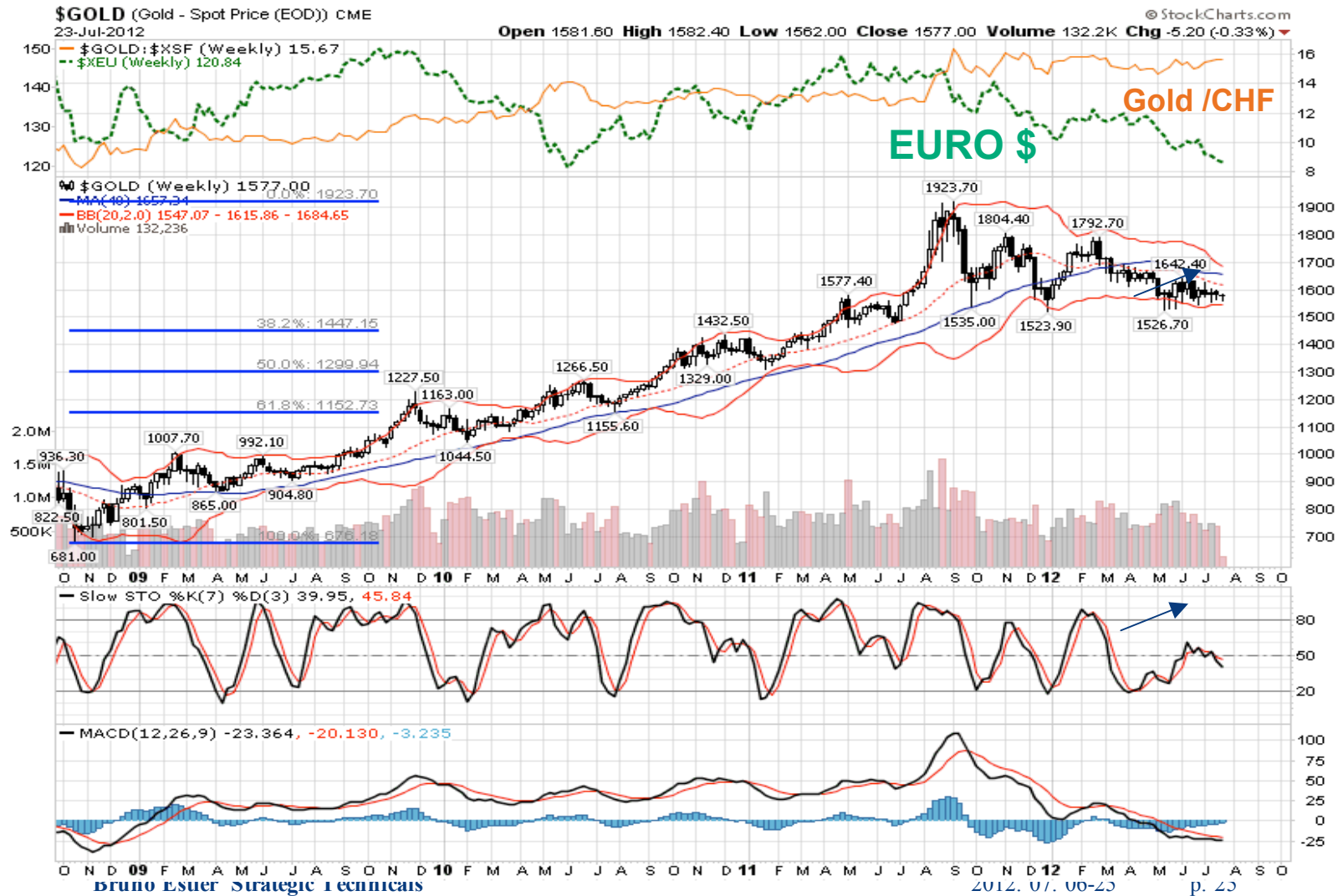
Gold \$ per oz:1584 Monthly July 6, 2012. The monthly STO is entering oversold area, deeper than in 2008, but Gold is near MA20mth(1591) and still far above MA40th (1357) and the lower Bband (1343). In 2008 it held above MA40mth. The current price pattern within the uptrend is a descending triangle, whose base at 1525 needs to hold to avoid a test of the lower Band.

Gold in SFR 1549: Gold in Sfr is about flat for last months, but Euro\$ down could pressure Gold in \$.



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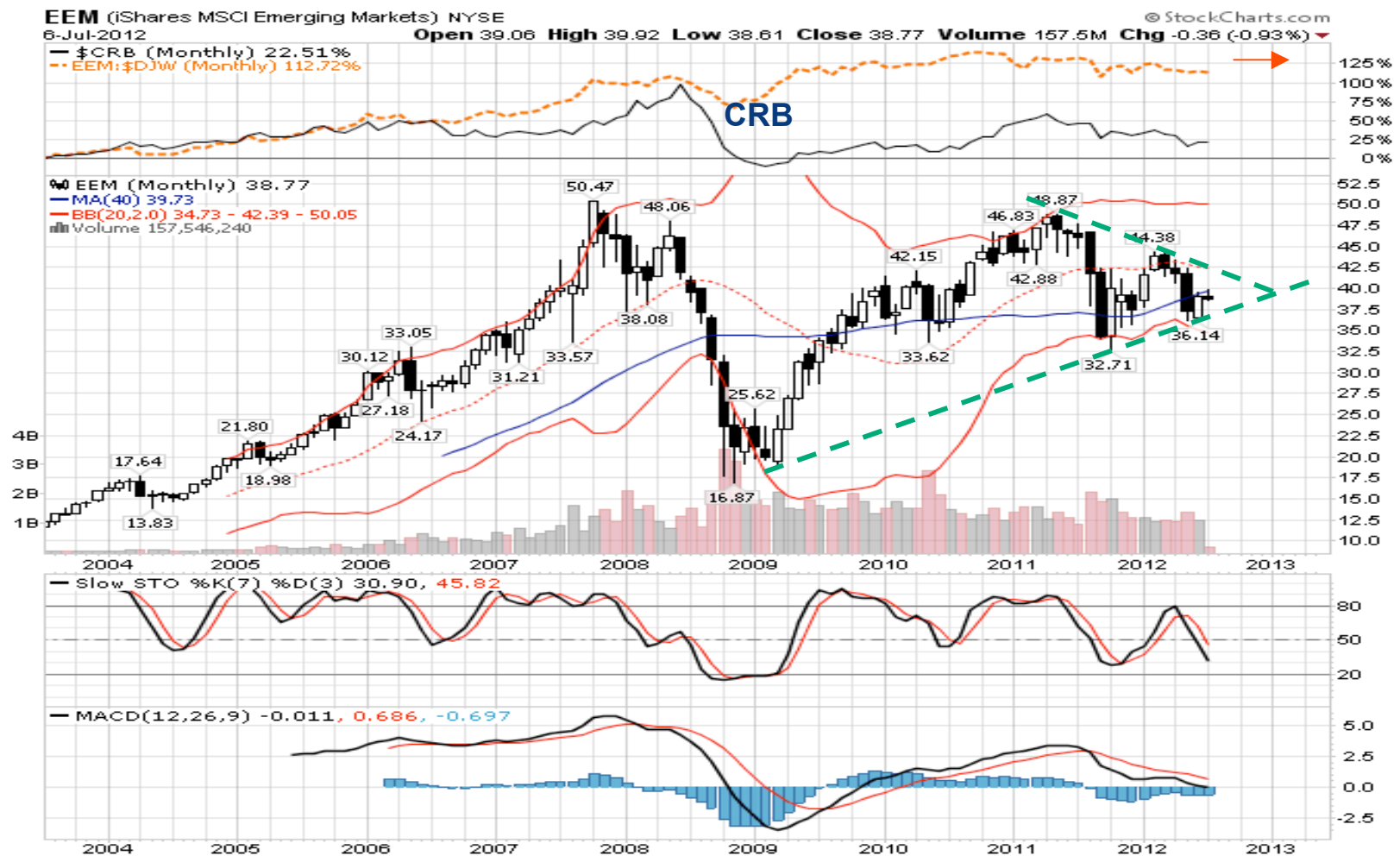
Gold in SFR 1549: Gold in Sfr is about flat for last months, but Euro\$ down could pressure Gold in \$.



4.EMERGING MARKET and Asia Equity ALLOCATION as July 9 vs May 18 , 2012.

- **EMERGING MARKETS** No leadership yet from Emerging equities .
- **Brazil (EWZ) 52.17 vs 51.54.** The RS versus SP500 is flattening , and Only a rebound above 55 may turn off the Bears , confident with a descending MA20wk(57.29). **Below 50 , risk to reach 43-44 (62% fibo) and lower**
- **Singapore (EWS) 12.36 vs 11.68** The RS of EWS versus S&P500 is bottoming out, up recently, while EWS rebounded on rising MA40mth (11.28) it may rest in sideways range 11.30-14.20. **Allocation to Singapore will be made on a dip near 12.00 +/-10.**
- **Korea (EWY) 53.30 vs 51.44** The RS of EWY versus S&P500 is declining, and EWY rebounded on rising MA40mth near 51 , while monthly STO and MACD are declining. A break below 51 may open a slide toward 44, then 40. Only a sudden rise above 58, could of 61, then 69. **So far neutral 51-58.**
- **China (FXI) 32.92 vs 33.64** The RS of FXI versus S&P500 is about flat in the last 4 weeks. ETF China built a base on 31.52 **Break below 31.50 opens retest of 28 area.** Only a rise above 34.60 and above descending MA20wk(34.93) would turn off the BEARS and allow a rise back toward 37.64.
- **JAPAN (EWJ) 9.27 vs 8.95** EWJ's RS versus SP500 is flattening. EWJ rebounded on "flat" lower Bband (8.56) but remains below the flat MA40mth (9.55) while monthly STO declines below 50%. Failure to rise above 9.55 calls for a retest of 8.56-8.30. **A rise above MA20wk (9.80) opens a test of upper monthly Band near 11.00 . Increase allocation, if RS rises further.**

EEM 37.29 July 6, 2012 - The RS of EEM versus DJWorld is still near the low of 2011, trying to bottom. EEM rebounded on lower weekly band, but is still capped by the rising MA40mth. Expect a sideways range between lower weekly Bband(34.73) and MA20mth(42.40) is support holds . Monitor triangle as there is not yet a leadership from Emerging countries !



EEM 37.29 Weekly July 24, 2012 - The RS of EEM versus DJWorld is still below the low of 2011, trying to bottom. EEM rebounded on lower weekly band, but is still capped by the rising MA40week. Expect a sideways range between lower weekly Bband(34.73) and MA20mth(42.40) is support holds . Monitor triangle as there is not yet a leadership from Emerging countries ! More risk this week...



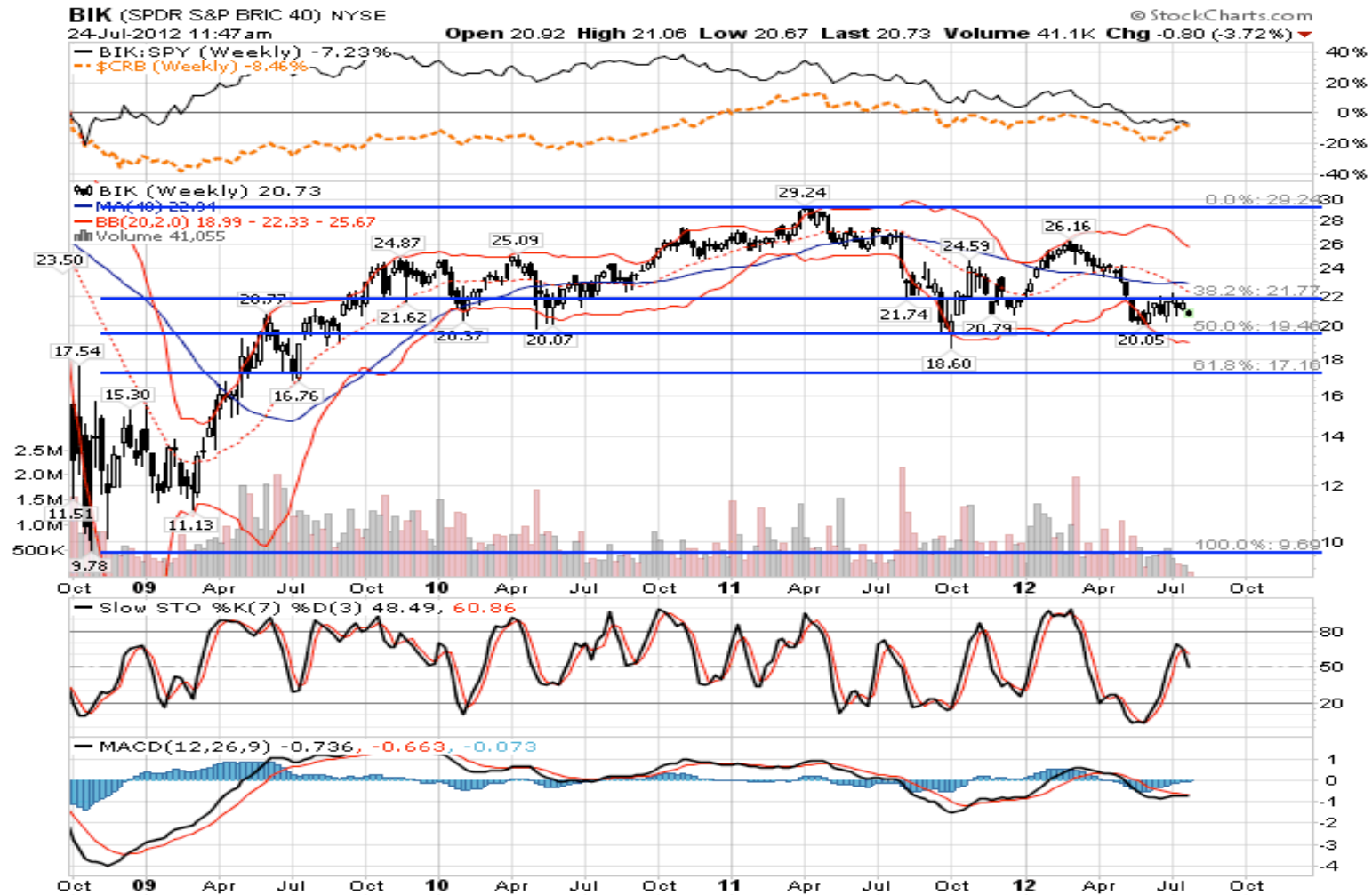
4. Emerging market BRIC basket ?

Slightly different pattern from Emerging market ETF (EEM) ...
i.e. RS BIK vs SPY (BRIC versus S&P500 ETF) still downtrend



4. Emerging market BRIC basket ?

Slightly different pattern from Emerging market ETF (EEM) ...
i.e. RS BIK vs SPY (BRIC versus S&P500 ETF) still downtrend
issue of bear flag on price



4. Emerging market currency basket ?

Same pattern like Emerging market EEM ...



4. Japan July 9, 2012. ETF EWJ Monthly 9.27: EWJ's RS versus SP500 is flattening. EWJ rebounded on "flat" lower Bband (8.56) but remains below the flat MA40mth (9.55) while monthly STO declines below 50%. Failure to rise above 9.55 calls for a retest of 8.56-8.30.

A rise above MA20wk (9.80) opens a test of upper monthly Band near 11.00 .



5. US MARKETS July 6-10 vs May 21, 2012

Flows : A large outflow out of Equity Mutual funds during April May 2012

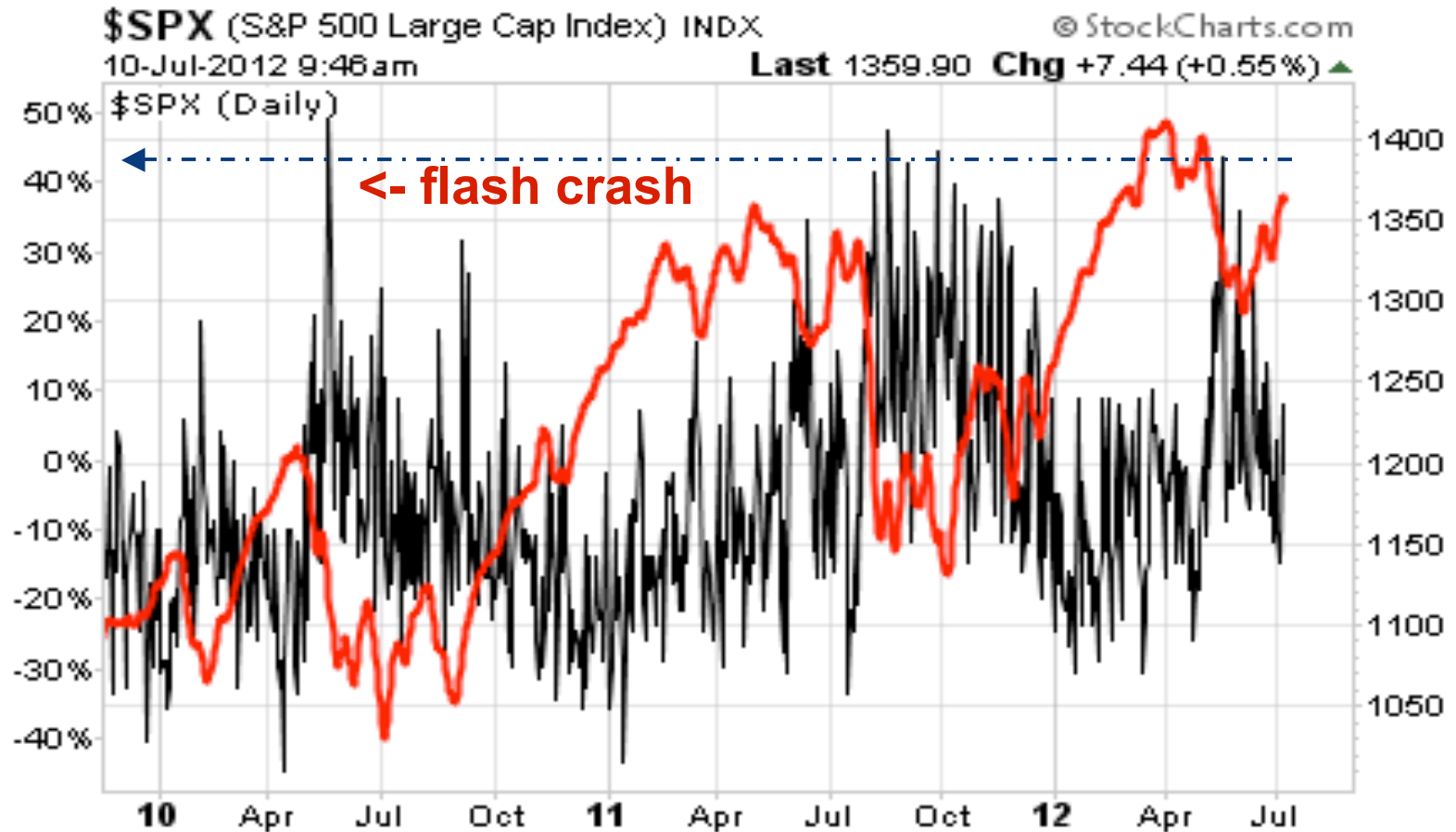
Sentiment : Public sentiment (“AAll”) was at extreme low at end of May, but rebounded modestly in June.

Sentiment among Market specialists (“II” Instit Inv = newsletter writers) is about neutral .
Though in short term Hulbert survey, sentiment rose back in June fast.

- **Put –call ratio CBOE:** Put Call ratio (left scale absolute level) hit a spike near May 18 and June 1 :sign of extreme fear ??
- **Vix** 17.98 versus 22 % . Vix has risen to 25% above the range 21-17% at end of May . SO Fear was high and as VIX is lower below 21 % , **now more market participants are hedged against a decline** as bearish sentiment is still thick in the media.
- **Breadth was bearish in late May , but has improved a little :** Volume going in declining stocks had risen enough to trigger some SELL signal in May indicating further serious decline into a Bear market .
- **Seasonality :** Annual seasonality for a presidential election year focuses on a dip in first half (May) and a rebound in second half . Thus we believe the rebound is probably going to become a major low .
- **The presidential year of the 4 year cycle has a bull bias and the decennial cycle support a low in first half of 2012 , Except if there is a shift in the four year cycle (2009 +4) .**
- **The sector leadership remains with a Defensive bias, Techno slows down now .**
- **We look for further range 1300-1400 with a possibility to end up higher in December toward 1500 .** The four days down reached 1336 near (1333=38% fibo) and may extend toward 1307 (62%fibo), near the daily lower B-band.. But there should be even in that case a rebound from 1307 , before a decline to 1266 the June Low ! **All in all The summer should make further a bottoming process, not a major new bear trend as it holds above 1266.**
-

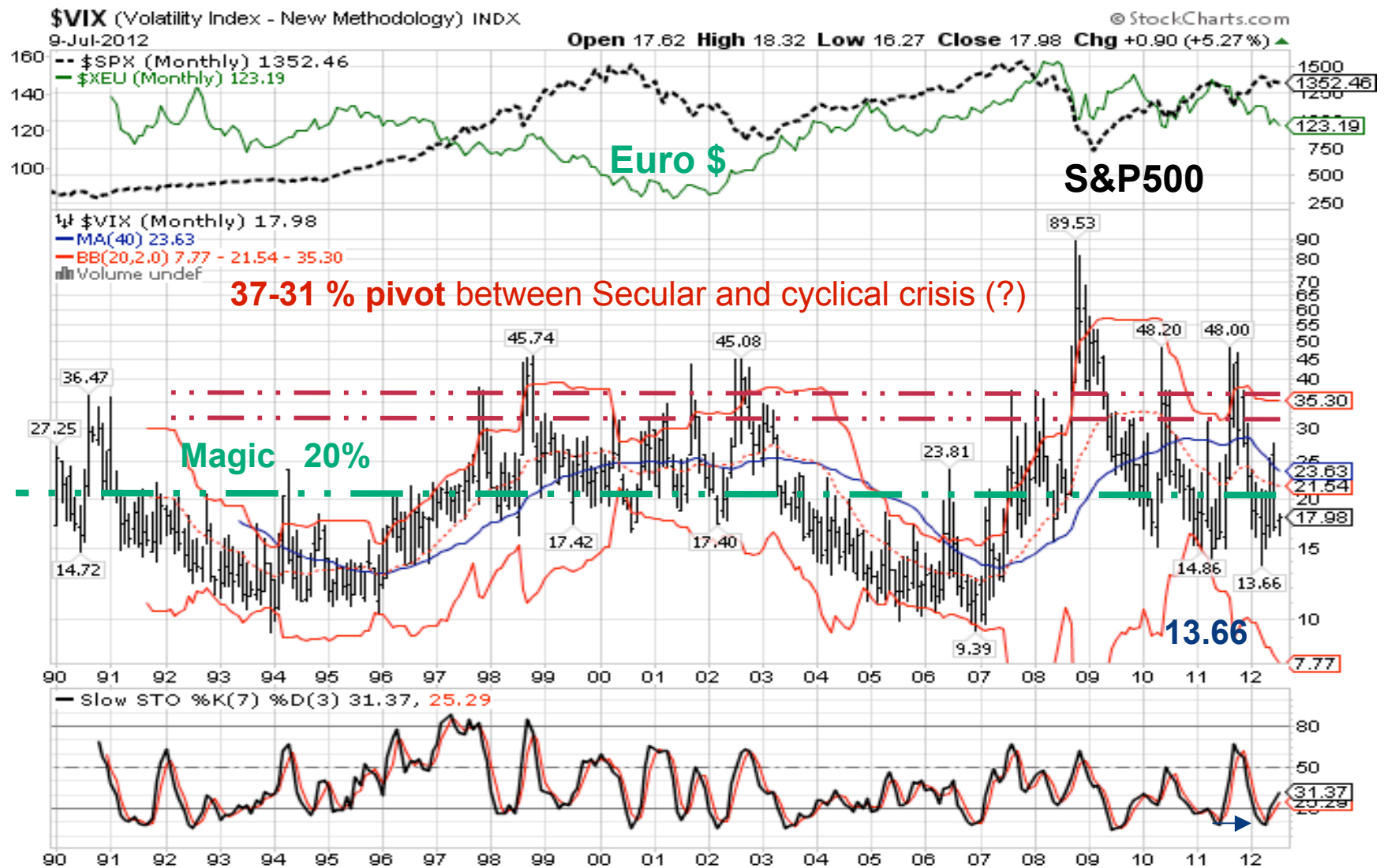
5.2.SENTIMENT ANALYSIS Short term: **July 10 2012**, Put Call ratio (left scale % change) increased to spike High May 20, 2010 (Flash crash “ as many put spread were traded” ?). Again May 2012 saw almost same levels, which were also reached during the July Oct 201: this signals **extreme fear** near May 18 & June 1, despite higher highs and no new lows on S&P (in contrary so far higher lows !!) :

Ma5d of CBOE Volatility Index and CBOE total Put/ Call ratio CBOE



5.3.SENTIMENT ANALYSIS Long term : Vix 17.98% July 9, 2012

Vix spiked in May just above MA40th (24.97) with a rising monthly STO. But a month later, it is back below 20% ..SO Fear was high and now more market participants are hedged against a decline as bearish sentiment is still thick in the media...



5.3.SENTIMENT ANALYSIS Medium term : Vix 19.80% July 24, 2012

Like in November- Dec 2010 or March 2011 or June 2011 , on a weekly close basis VIX rose above 20% but pullback below in a few weeks. Currently some BEARS remember July –October 2011 may be too well and think it should repeat again in 2012, pointing to a bottoming weekly STO . **Flat B-bands = Range !**



5.3 July 24, 2012 WEEKLY Ratio VIXO / US 10yr yield as complex Fear measure (1.08)
Magic level 1.15--1.20 level is still capping ratio as if Fear would diminish further . But clearly diminish, while spikes abnote weekly STO is entering oversold , so risk of a rebound is increasing . The risk to see a repeat of July 2011 with a sharp rise from 0.45 to 2.50 may have been already discounted by too many market participants ...and thus may not occur again this summer ! Probably 2010 summe ris more likely .



5.3 July 24, 2012 Daily Ratio VXO / US 10yr yield as complex Fear measure (1.33)

Magic level 1.15--1.20 level is still capping ratio as if Fear would diminish further . But clearly diminish, while spikes abnote weekly STO is entering oversold , so risk of a rebound is increasing . The risk to see a repeat of July 2011 with a sharp rise from 0.45 to 2.50 may have been already discounted by too many market participants ...and thus may not occur again this summer ! Probably 2010 summer is more likely .

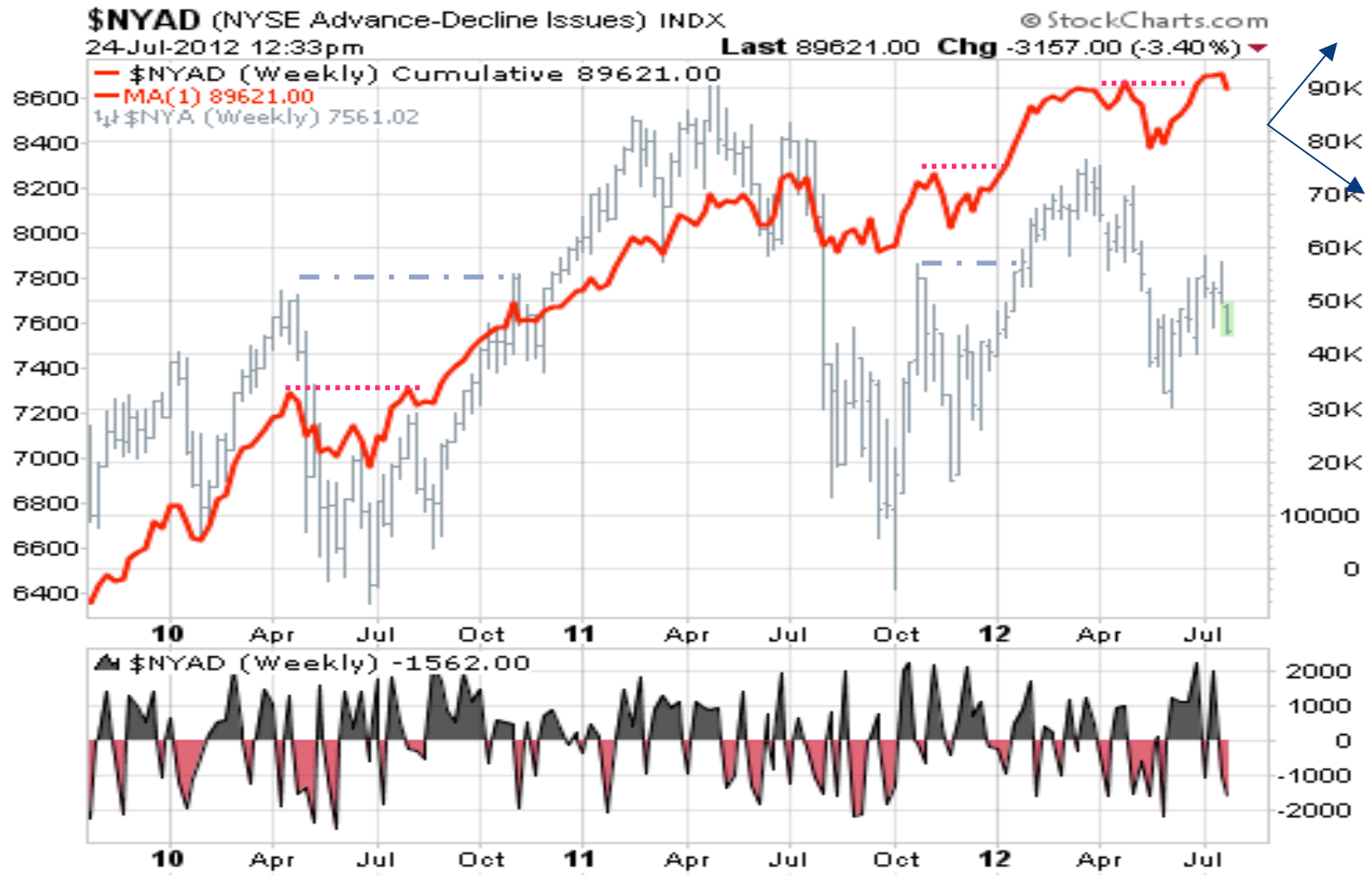


5.4. Flows & pattern Weekly: **July 24.** Breadth is improving.

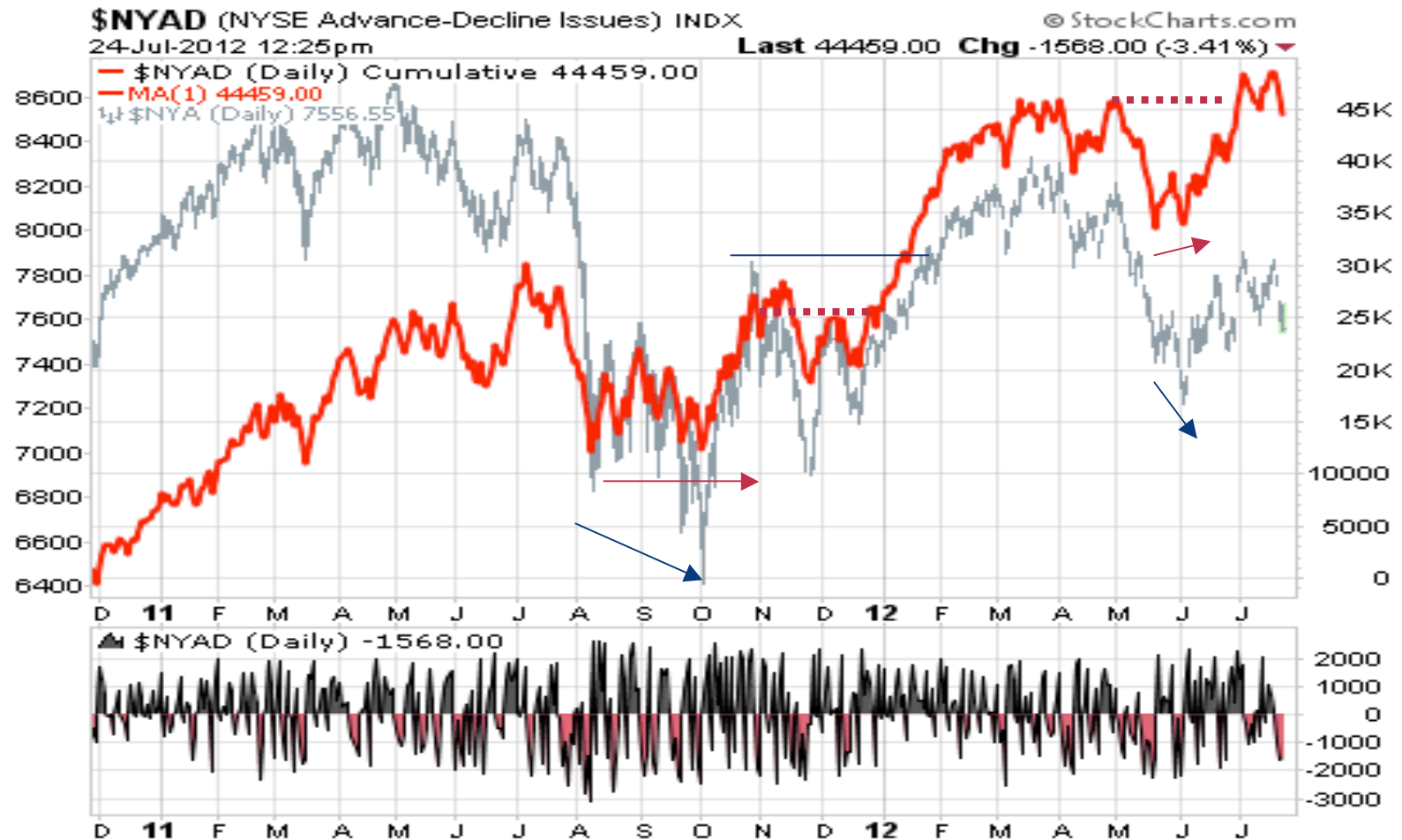
A-D Line (incl “bond funds”) is making a new high above May 2012 High

But some thinks about a failed break up

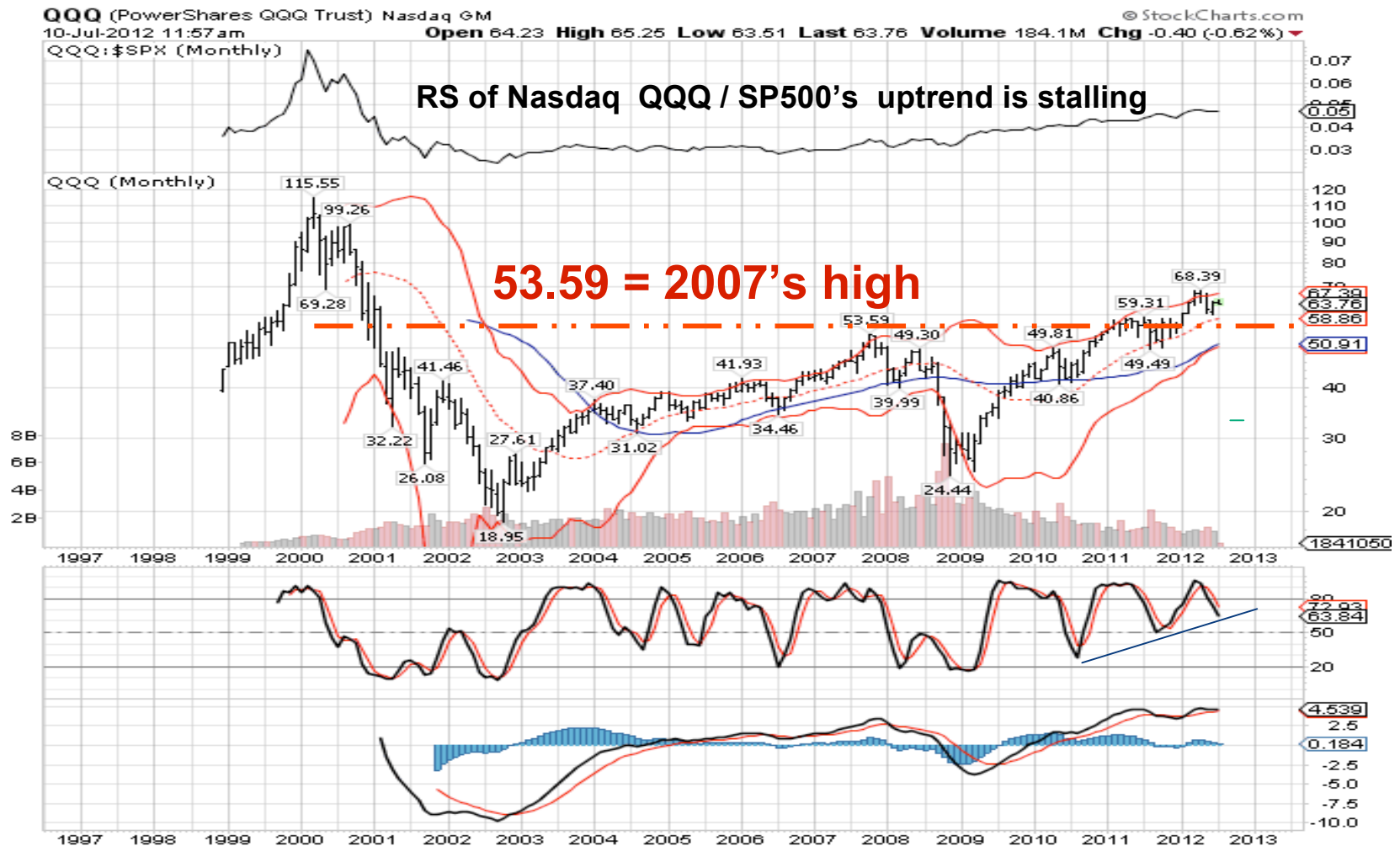
. Note controversy about “OCO ADL” – It needs monitoring in coming weeks



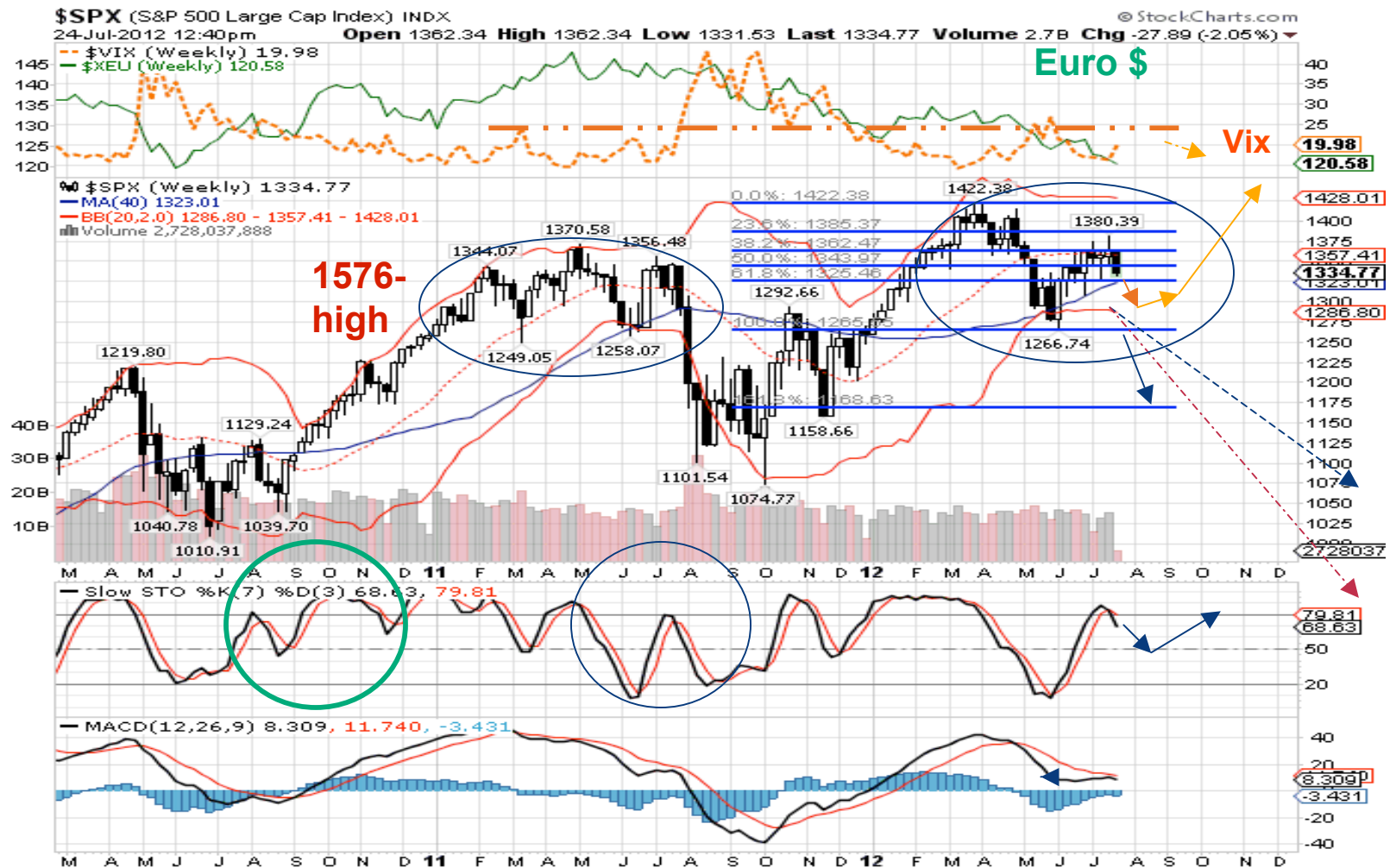
5.4. Flows & pattern Daily: July 24. ADL (incl “bond funds”) made higher highs early January 2012 preceding a rise of NYSE index . Note also the divergence between ADL & Price of NYSE in May 2012 like in 2011 lows than in August-October.



5.5 NASDAQ QQQ: 63.77 Monthly July 10, 2012 RS of NASDAQ (QQQ) versus S&P500 (large caps) is stalling. Note the break up above 53.59 is still validated by an uptrend with higher lows, despite recently declining monthly STO .

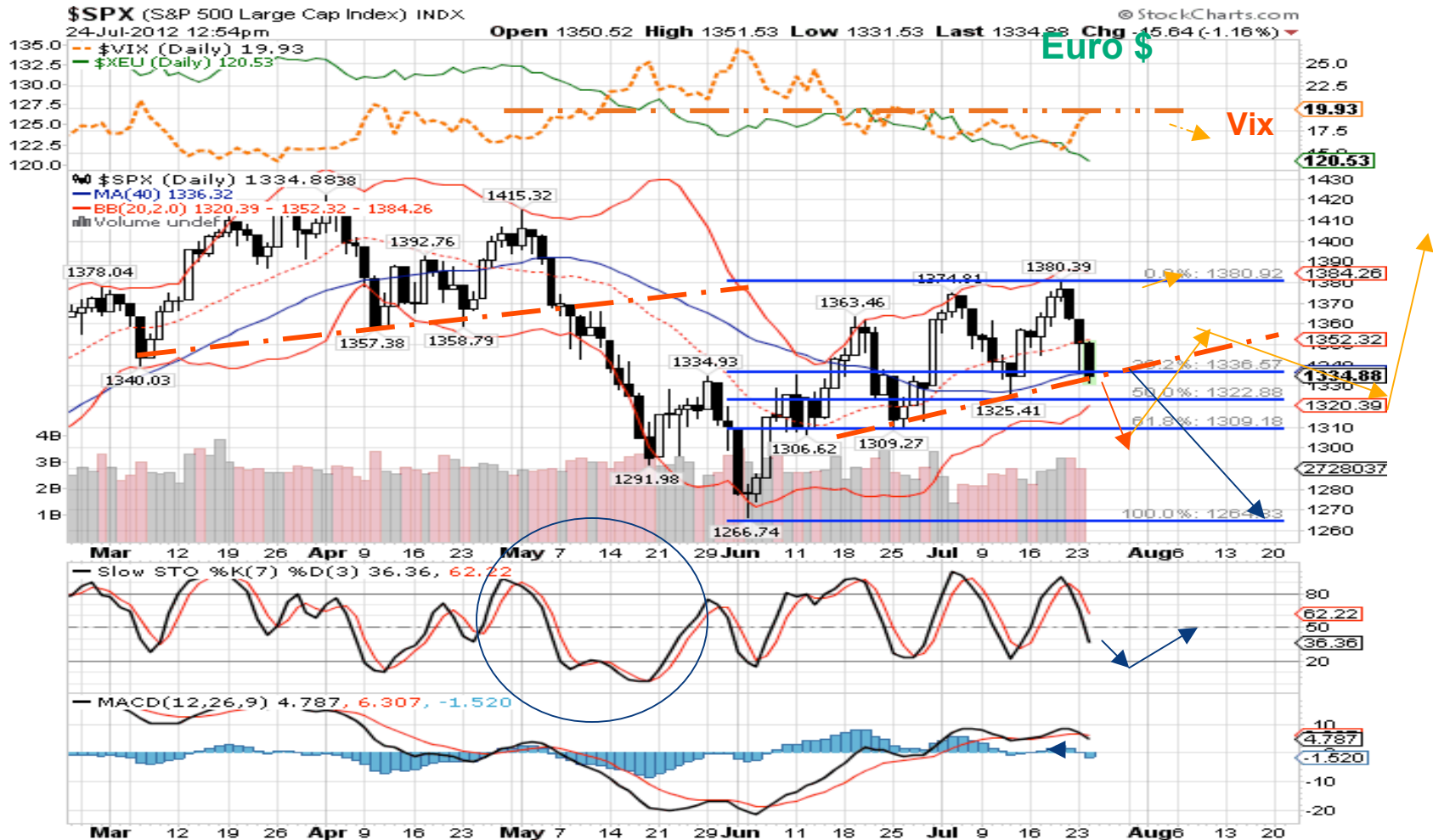


5.6-5.7 S&P500: July 24, 2012 Weekly 1334: The weekly STO is entering Overbought area and crossed down. Price rebounded on 1266 (a pivotal area near 1260 low in 2011), refusing to close twice below the weekly Band and the MA40wk. Again the MA40wk (1323) or MA200day (1319) may be tested soon, especially if the area 1330-1340 is broken this week on close basis along declining weekly STO. But before turning too bearish for 1175 target, we will monitor price around the lower weekly B-band (1288) !



5.6-5.7 S&P500: July 24, 2012 Daily 1334:

Instead of a sharp decline for the S&P500 like in May-June 2012 (blue arrow down) .
We expect minor pullbacks and further bottoming phase around the suggested orange path



1. Global Long Bond (10 yr) July 6 , 2012 vs May 18 :
Not yet end of yield decline : near an extreme low?

US - 10 year US yield: 1.644 vs 1.70 %

Broke below 1.7 % in late May. After a spike low 1.44 , the rebound remained below still below 1.7% and recent weakness again below 1.64 on June 12 near 1.479%.

EU - 10yr Bunds Bunds Sept Fut 143.30 vs 142.46
(Sept Fut)

The weekly Sto is turning up as Bunds rebounded on former resistance near 140 down and rising MA20wk. Too early to confirm a trend reversal, so far only transition to wide range 145.75-140.00, and recent rise to 144.86 on June 12

July 6, 2012 Monthly US 10yr yield 1.644 It broke 1.7 % in late

May :After a spike low 1.44 , the rebound remains still below 1.7% .

Monthly Sto is back down , but without bull divergence yet , and MACD is taking time to call for an end of the decline , despite similarity of pattern like in 2009, 03 , 1999, 1994?



July 23, 2012 Monthly US 10yr yield 1.404 It broke 1.7 % in late May :After a spike low 1.44 , the rebound remains below still below 1.7% . Monthly Sto is back down , but without bull divergence yet , and MACD is taking time to call for an end of the decline , despite similarity of pattern like in 2009, 03 , 1999, 1994?



July 23, 2012 Weekly US 10yr yield 1.433% A new low below 1.44% may produce a bull divergence on weekly STO later this summer. Then more than a snap back rally could be expected, ie a test of 1.70 is likely Oct –nov



July 24, 2012 Daily US 10yr yield 1.435%

fibo target 1.30% or 1.20%

Once above 1.50-1.44 failed downside break and bull divergence daily



July 24, 2012 Daily US 10yr yield 1.404%

Fibo target 1.30% or 1.20%

or

Once above 1.50-1.44, “failed” downside break and coming bull divergence daily



Once above 1.50-1.44, failed downside break and bull divergence daily



2. FX US \$ index – July 6 vs May 22, 2012

US dollar index 83.38 vs 81.29

in a wide range 72-88 after 6 years of decline. The recent rebound tested the upper monthly Bband (83.64). Unclear how far it may extend up with monthly STO & MACD still rising.

AUSSI /YEN still correlates well with S&P500 .

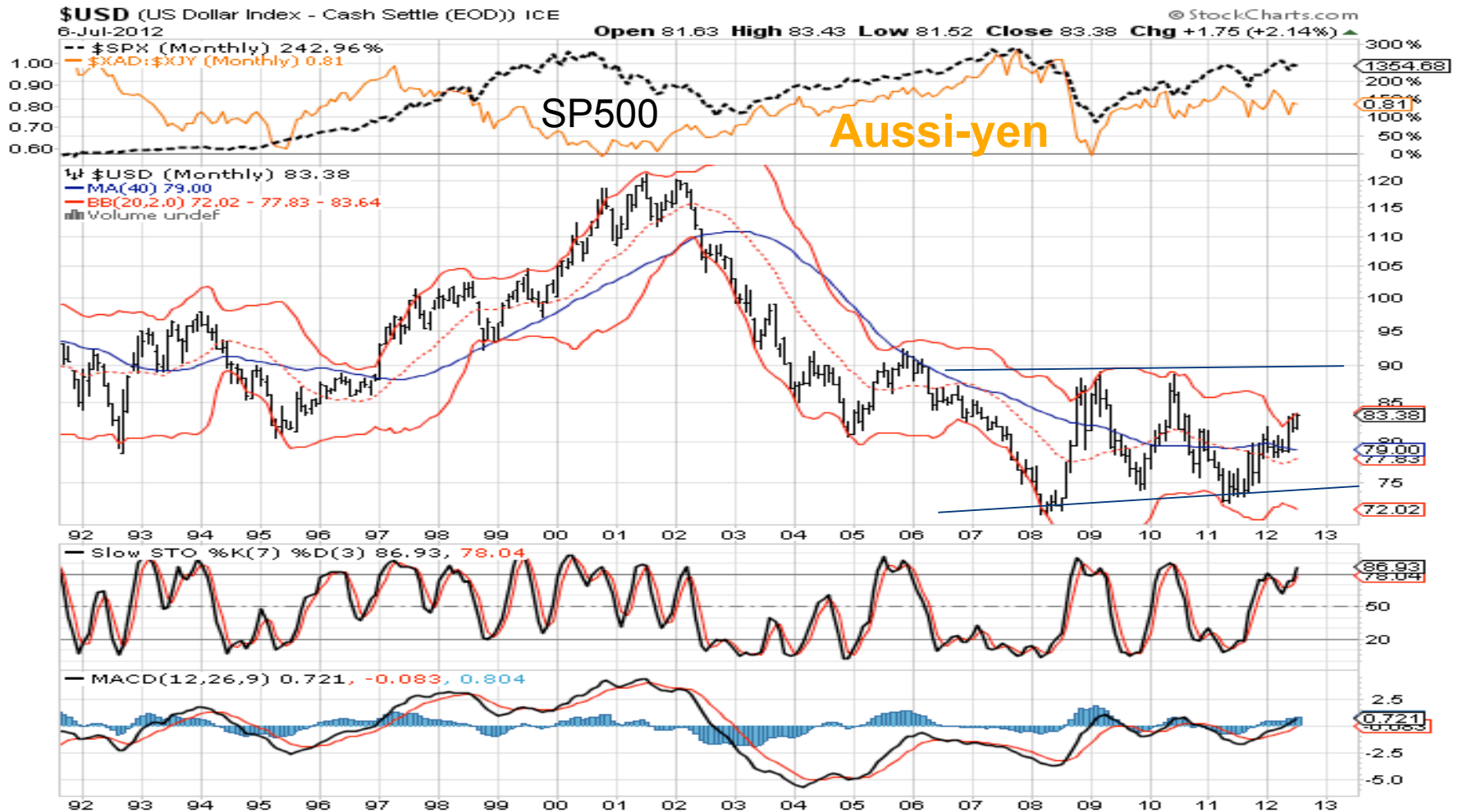
\$ Yen (79.32 vs 79.85) pullback on descending trend line near 77.66 in May. It then rebounded in June making a reversal month along rising monthly STO. It follows risk on –risk off phase . Further rise toward upper monthly band 84.40 is possible , later may be even toward 87. Expect narrow range 80.64-77.84 . Below 78.80 , expect a test of 77.80 area. Above 81 , expect test of 83.50 minimum if weekly STO keep rising. Recall near 75-76, BOJ intervention.

Euro \$ (1.2200 vs 1.2758) Again at a new low with even lower monthly STO, euro \$ is trying to enter support area 1.2225- 1.2027. Below 1.20, next support in 2005 is 1.1644. **I would expect 1.20-1.22 to offer support in coming weeks.** Today the weekly STO has room to decline further or can do a bull divergence on a reversal near 1.2170 for example. Then a weekly close above 1.23 may qualify as failed down break and open a rise back toward 1.2700-50 or even 1.3000 area .

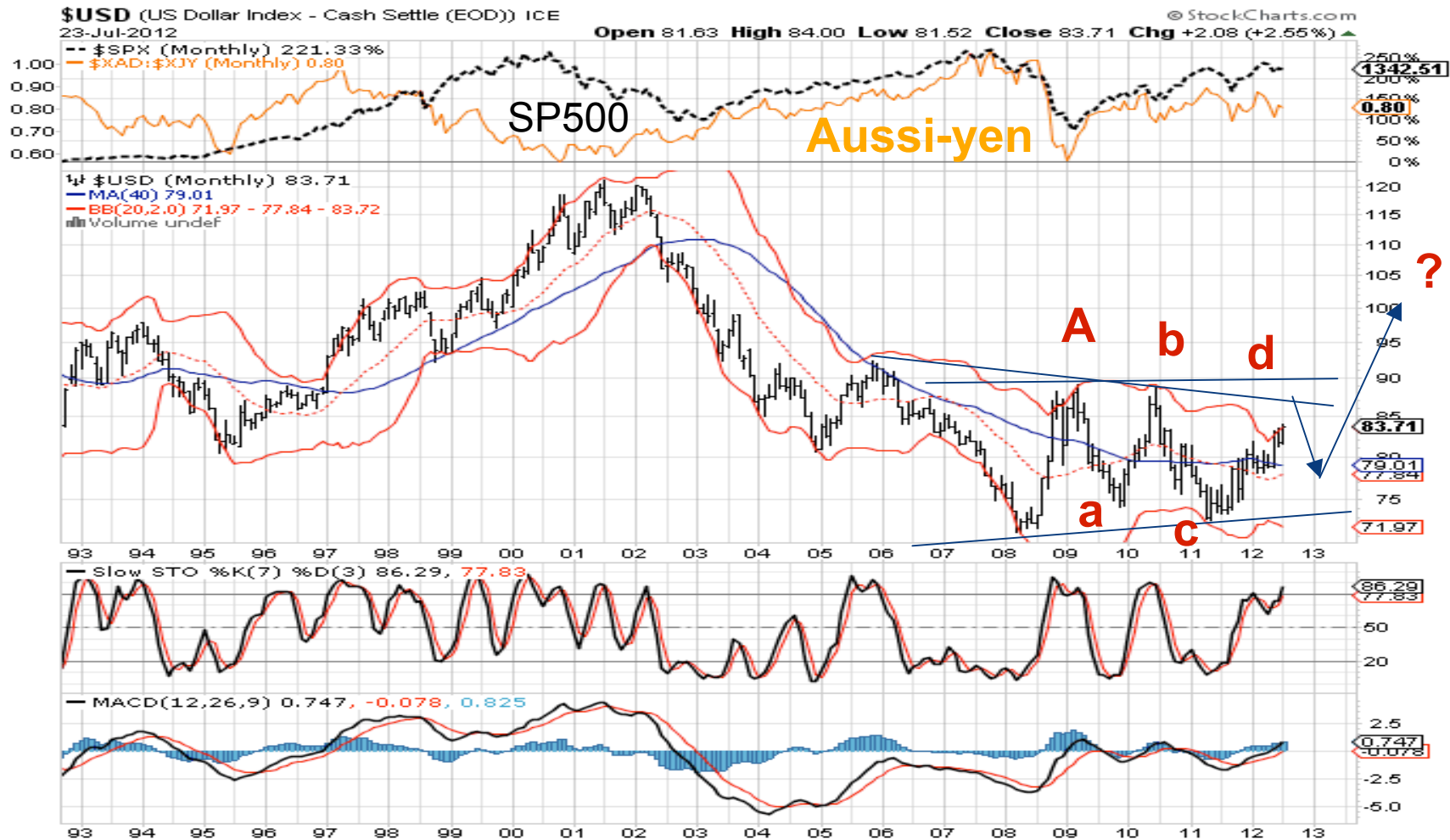
Euro-YEN (101.94) the pullback on the former descending trendline and test of former low 100 allowed a rebound along crossing up weekly STO . Expect a rebound toward 105

Euro-CHF (1.2010): SNB has pegged the SFR to EURO at 1.20.

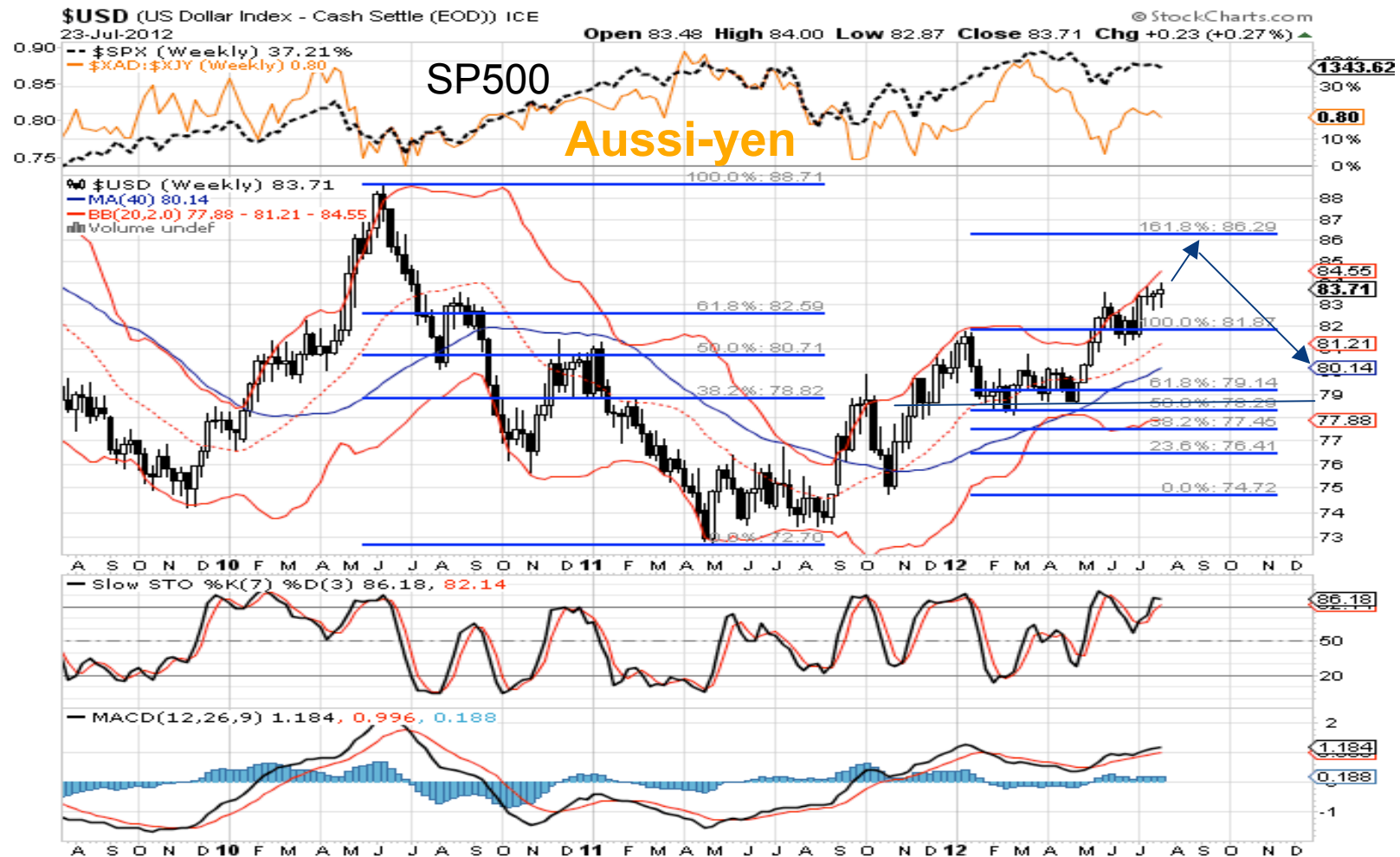
2. USD index monthly 83.38 July 6, 2012: The USD is since 2008 in a wide range 72-88 after 6 years of decline. The recent rebound tested the upper monthly Bband (83.64). Unclear how far it may extend up with monthly STO & MACD still rising. **AUSSI /YEN still correlates with S&P500 (risk on/off) .**



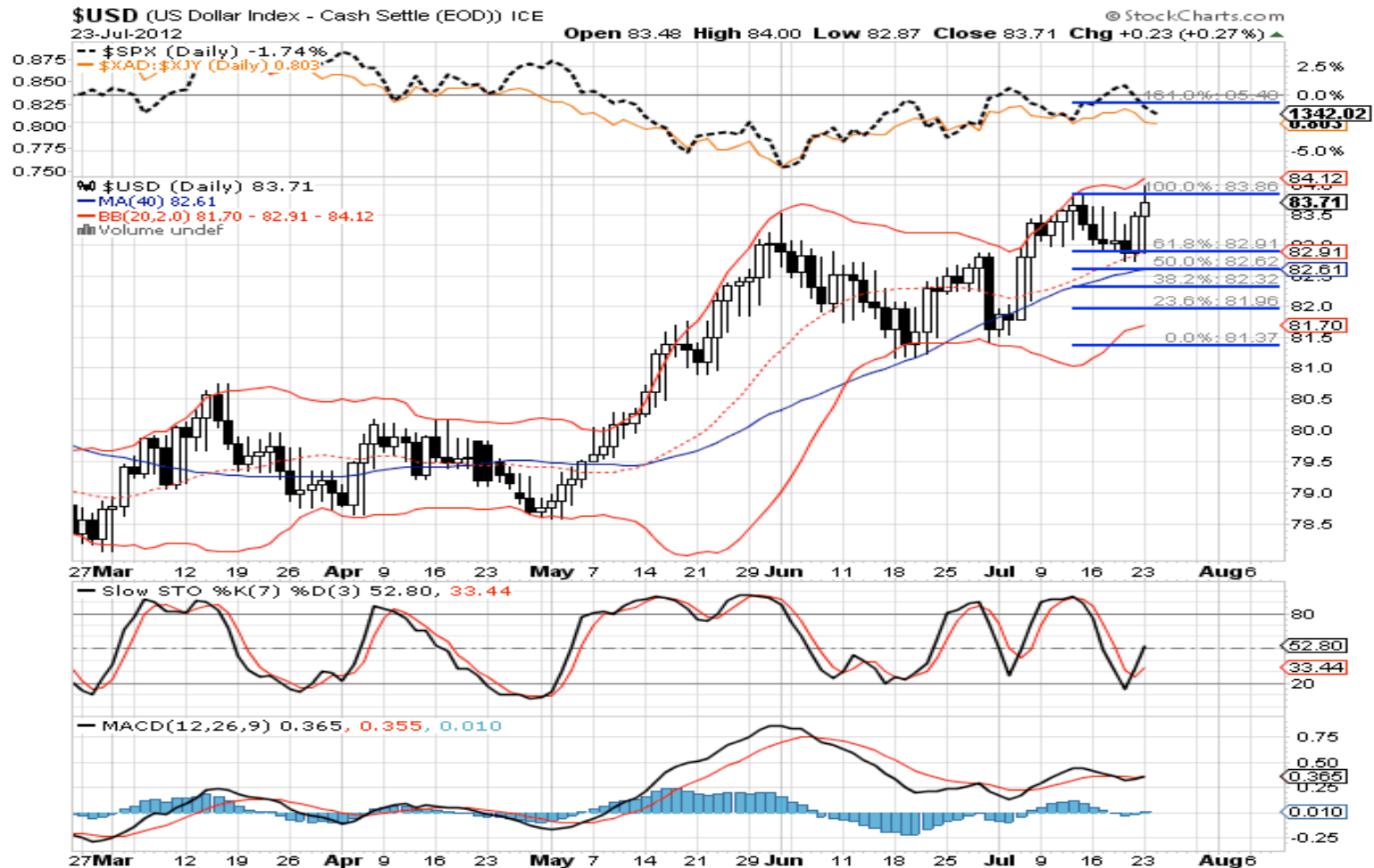
2. USD index monthly 83.38 July 24, 2012: The USD is since 2008 in a wide range 72-88 after 6 years of decline. The recent rebound tested the upper monthly Bband (83.64). Unclear how far it may extend up with monthly STO & MACD still rising. **AUSSI /YEN still correlates with S&P500 (risk on/off) .** Target 86.30, then range 86 - 80 – then much later UP



2. USD index weekly 83.71 July 24, 2012: The USD is since 2008 in a wide range 72-88 after 6 years of decline. The recent rebound tested the upper monthly Bband (83.64). Unclear how far it may extend up with monthly STO & MACD still rising. **AUSSI /YEN still correlates with S&P500 (risk on/off) .Target 86.30 then 86 -80**



2. USD index daily 83.71 July 24, 2012: The USD is since 2008 in a wide range 72-88 after 6 years of decline. The recent rebound tested the upper monthly Bband (83.64). Unclear how far it may extend up with monthly STO & MACD still rising.
AUSSI /YEN still correlates with S&P500 (risk on/off) .
Target 86.30-85.40 then 86 -80



2. Euro USD Monthly 120.65 July 24, 2012:

The euro is near 2010's low -- note the historical pivotal area 1.19-1.22
Unclear that a move below 1.20 will be sustained.



6. European Regional Equity allocation July 10 vs May 21 , 2012

File 6

- **Europe** underperformance is bottoming versus S&P500 : along with the rebound, this may become the end of the correction started in April. we re-allocated to Eurostoxx on May 18 and cut it .
- **Eurostoxx 2241 vs 2150: Bottoming phase**
- **RS versus S&P500 is bottoming further.** Eurostoxx failed to rise above MA40wk (2332)(about MA200d) near a 50% Fibo. That is weaker than the rebound of S&P , because the decline was larger from 2611 at start of April. The weekly STO has risen into overbought and may soon become topy allowing a pullback toward 2150-2170. **Above 2280-2300 , the rise is resuming toward 2600.** Our allocation was increased at 2146 May 18 and cut at 2150 on June 7 ! **We look to reset the allocation to Europe, if RS strengthen further !**
- **FTSE 5664 vs 5304:** **RS versus S&P500 is bottoming out.** The rebound in June was strong above the rising MA40mth(5326) , after a test of the lower monthly band (5209). Key support remains near 5225. A break of 5200 may open a retest of 4790 and trigger a very bearish pattern.
- **SMI 6191 vs 5814** Fear remained large that a new bear market starts, as SMI index (Defensive) outperforms Eurostoxx since February . But SMI is bottoming against SP500 (no Ccy effect), **thus out-performance of US may stop soon.** Pullbacks holding **above 6000 & rising MA40wk(5976) are Bullish.** Weekly close **below 6000 opens a decline toward 5900-5800** area. Rebound above 6300 opens rise toward 6600 .

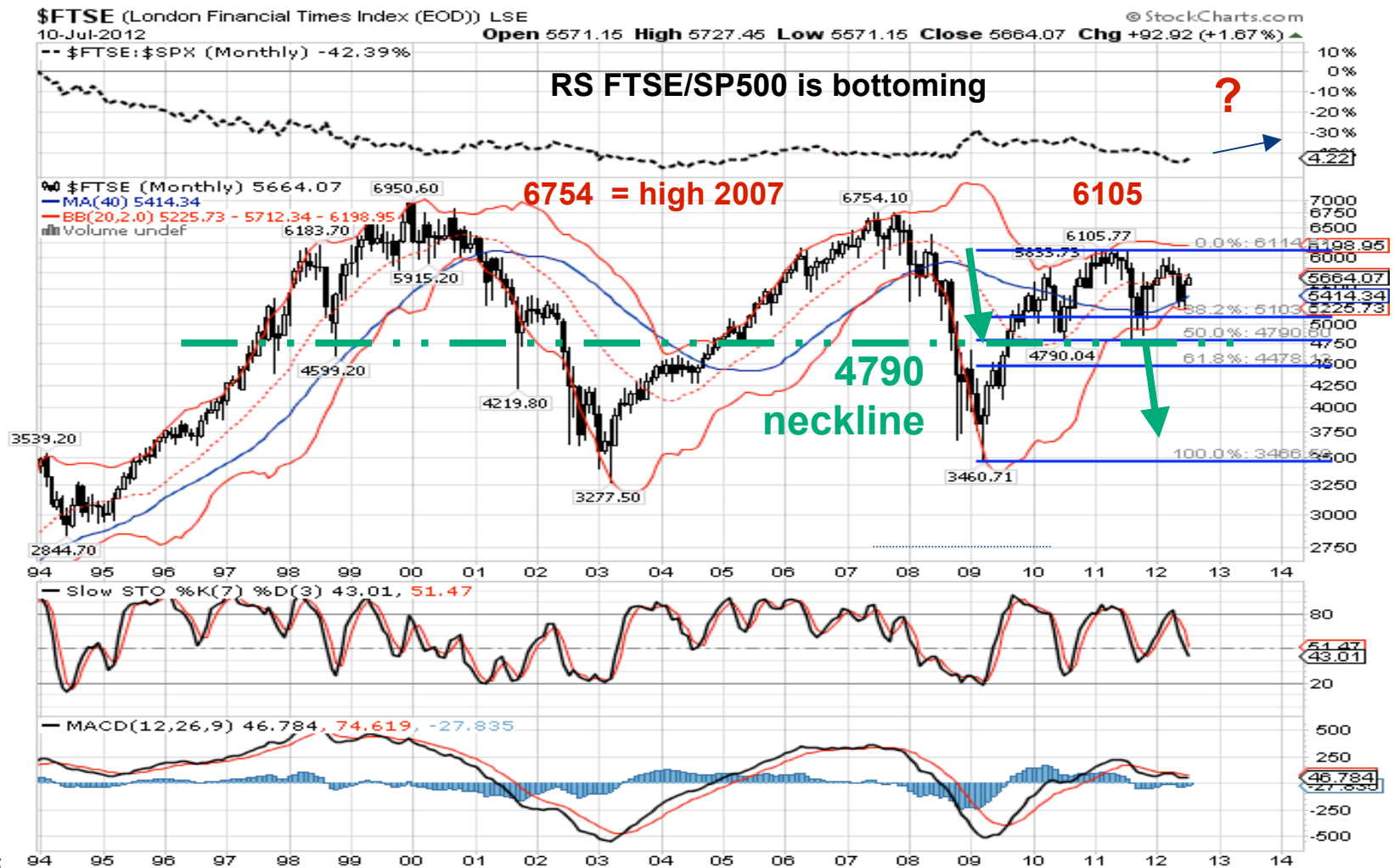
6. Eurostoxx50 2241 Monthly July 10, 2012: Despite a rebound in June, the monthly STO is declining below the 2010 STO's low and near the 2011 STO's low (near 20% Oversold area). But given the flattening RS versus S&P which may end its downtrend, a new low below 1935 may not take place and then later in the fall a bull divergence may occur if eurostoxx rise back above 2450.



6. Eurostoxx50 2241 Weekly July 23, 2012: Despite a rebound in June, the monthly STO is declining below the 2010 STO's low and near the 2011 STO's low (near 20% Oversold area). But given the flattening RS versus S&P which may end its downtrend, a new low below 1935 may not take place and then later in the fall a bull divergence may occur if eurostoxx rise back above 2450.



6. FTSE 100: 5664. July 10 , 2012. Monthly : RS versus S&P500 is bottoming out. The rebound was strong in June above the rising MA40mth(5326) , after a test of the lower monthly band (5209), despite lowering monthly STO to 50%. Key support remains near 5225. A break of 5200 may open a retest of 4790 and trigger a very bearish pattern if 4790 is broken on a weekly close basis: a target almost back to 2009 low !

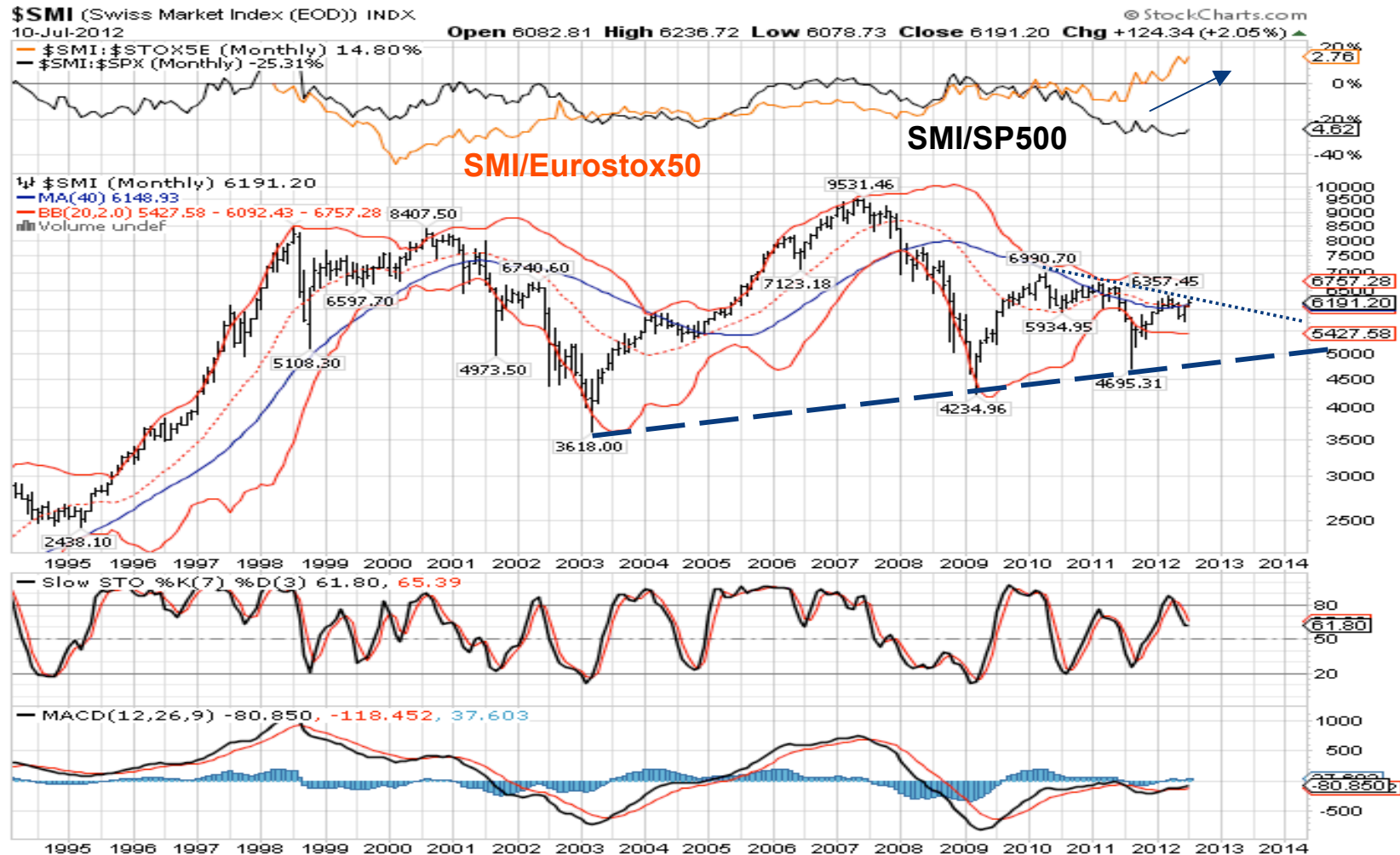




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6. SMI 6191 Monthly July 10, 2012. Fear remained large that a new bear market starts, as SMI index (Defensive) outperforms Eurostoxx since February . But SMI is bottoming against SP500 (no Ccy effect), thus outperformance of US may stop soon. The rebound in June almost reached the resistance trendline as monthly Sto decline out of overbought area. **Lower monthly Bband (5427) is key support b4 5000**



6. SMI 6171 Weekly July 23, 2012. Fear remained large that a new bear market starts, as SMI index (Defensive) outperforms Eurostoxx since February . But SMI is bottoming against SP500 (no Ccy effect), thus outperformance of US may stop soon. The rebound in June almost reached the resistance trendline as monthly Sto decline out of overbought area. **Lower monthly Bband (5427) is key support b4 5000**



Summary

- Long term Cycles : 2012-2014 important time window
- Review of current market Outlook
- -- a further bottoming phase above the June 1 low for US equity and a rise in the Fall 2012 extending possibly toward Q1 2013
- -- soon an end of recent downtrend in yield for US 10yr yield bottoming between 1.20-1.40 % and replaced by a sideways consolidation 1.30-1.70% till year end.
- -- a bottoming phase for Gold as long as above \$1525/oz , along indication of Gold in CHF rising and bullish seasonality in H2 2012.
- -- US dollar index possibly reaching 86 short term, but back in range 86-80 later on.
- -- Euro \$ reached key pivotal area 1.22-1.19. Unsustained break ?

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