

Market review from a Technical Perspective

Tactical asset allocation update :

Japan reversal week

***is equity warning
similar to May ?***

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Note disclaimer at end of report



Executive summary on Dec 10, 2013

Our allocation to Japan is closed !

EQUITY ALLOCATION 10% ONLY Since Oct 23, **We have zero allocation in Europe & US equity. On Nov 29 we focused our bet on Japan &** increased by 10% (currency hedge etf japan DXJ) to total allocation of 40% for JAPAN and opened on China ETF FXI (+ 10%)

Gold was still 10%, a 5% on Copper for a total allocation 15% for Commodity . Remained 35% CASH .

Knowing the risk of overextended Equity market in the US and in Japan, we had also raised our trailing profit stop on Nikkei & set a close stop on new position on DYJ . Well, last week the allocation to Japan has been cut to zero by the weekly bearish reversal. It is not as strong as in May but as a top was seen at 15795 near May's spike of 15968 and a consolidation-sideways range may occur during holidays period as many short term horizon market participants may close their long positions in coming days.

Thus we have on the 100% short position in Yen against \$ lowered the profit trailing stops aggressively . No position on Euro \$.We just recall euro-yen at 142 was a major target and seems to have been reached yesterday.....

- We believe S&P500 is Topsy short term and keep our last week view expressed in TV interview. Further the conviction that December has to close UP , especially from Dec 15 to 30 along annual seasonality could be a little too widely accepted as a sure thing in our view ! Hopefully our extra low allocation on equity should provide opportunities later on.
- Short term analysis of the S&P500 called on Nov22 for a 1812-1829 extension target. So far 1813.55 was the top ...and if a second decline from 1811 to 1780 takes place , talk of double top or even H&S will fill the media ... Frankly we would not be surprised to see a correction down of at least of 5% from 1813 . Unclear that there is enough Buyers to take the S&P to 1850 before year endIt will have to be seen if such a new high will occur then in Q1 2014 in 2 to 4 months . This is possible even during a distribution topsy pattern focusing more on Large caps and leaving mid & small caps behind .
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GOLD (1239) :Sentiment is very bearish, Outflows are scarring , Cycle work would call for a cycle low..but no take off ! Hence we drew a line in the sand for our Gold allocation with stops on the current allocation. Our view calls for a long bottoming process from June 2013 to august 2014, with a conviction that June 2013 could be the absolute low. Short term the 1180 June low seems to have been "retested " with a recent failure to break 1210 recently could be retested in a typical window dressing end of year process. no major reversal up has been confirmed as it is only a daily minor reversal which took place last week

Bonds : US 10 yr 2.83 – while many use short in US 10 yr bonds as a hedge against tapering ... I wish good fortune to the bonds managers , but still see yield on US 10 year rise above 3.10 % in 2014, possibly in already in Januarybut there I am not alone !



Tactical asset allocation - methodology

See disclaimer at end of report

- Tactical asset allocation tries to move gradually from week to week.
- But the market can trigger an exception : at low allocation for Equity, a sharp short covering rally could even trigger a sharp rise in allocation if all Buy stops level are triggered at the same time.
- Conversely a sharp decline in allocation if all Sell stop loss levels on any long position are triggered that we have.
- Levels are reviewed ONLY on a weekly basis to lengthen the time horizon and force to select level , which should be significant for a change in trend direction. Then the Market hit or not our selected levels!
- We will try not to be at maximum long Equity position near the end of a Bull market. We will have decreased progressively before the TOP.
- Our level of bullishness / bearishness is defined via the levels of risk , ie where we set our trailing stop loss.
- Our levels of stop are discretionary , not systematic .



Tactical allocation UPDATE and levels for action : for Nov 29, 2012 -

■ **MY Equity long VIEW : Japan reversal week was an equity warning as in Mayinducing profit taking for a while.**

■ **FX Euro (1.3757): No position**

■ **FX Euro-Yen (142.00) Flat recall 142 was a major target area!**

■ **FX Yen Index PHILA - \$XJY (96.85) : sold Yen 50% 101.50 oct 11 and sold 50% 102.70 oct 23 stop lowered to 98.50 for 50% and to 97.50 for 50% .**

■ **Equity 10% ; Bonds 0% ; CDTY & CCY 15% , Cash \$ 75 , Cash euro 0% on Dec 4**

Done since Dec 2 :

DXJ (Japan equity CCY hedged) : Sold stop 10% DXJ 49.75 on Dec 3

Nikkei : Sold stop 15% 15400 and 15% at 15350 on Dec 4

New Levels from Dec 10 at the open :

FXI ETF CHINA (40.13) : Buy 10% 37.60 stop 36.10

DXJ (50.11) : Buy 10% 47.55 (etf japan CCY hedged).

Nikkei (15661) : no new Buy levels this week

GLD Gold (119.72) : Buy stop 5% 121.54 and 120.80 with stop 5% 117.20 “contrarian trade”

Stops for current gold allocation : Sell stop (Loss) 5% at 117.20 & sell 5% 116.30 .



198.Theoretical Allocation GRID as of Dec 4 :

DXJ (Japan equity CCY hedged) : Sold stop 10% DXJ 49.75 on Dec 3

Nikkei : Sold stop 15% 15400 and 15% at 15350 on Dec 4

Equity 10% ; Bonds 0% ; CDTY & CCY 15%, Cash \$ 75%, Cash euro 0% ON Dec 4

Asset allocation as of Nov 29 , 2013

- **Equity allocation: 50%**
- **Pacific 50% (nikkei225 30%; DYJ 10% ;**
 - ♦ **China FXI 10%, ;**
- **USA 0% (XLI 0 %, XLY 0% ,XLB 0%; XLE 0%)**
- **Europe 0% (EWG Germany 0%, EWP 0%,**
 - ♦ **EWU 0% ; EWL (CH) 0%)**
- **Latin Am 0% (EWW Mexico 0%) –**
- **Bond allocation : 0 %**
 - **Europe 0% (Swiss Conf Bonds 0% + Bunds 0%)**
 - **Asia : 0% (JGB's)**
 - **USA : 0% (TLT 20yr Barclay fund)**
- **Commodities & CCY : 15% (GLD 10%, Copper 5% ETF CYB (Yuan fund) 0%)**
- **Cash USD : 35% (from 0%) Cash EURO: 0% (from 0%)**
- **FX : euro yen flat**
- **Yen index : sold 50% yen 101.50 oct 11 stop 101.40**
- **Sold 50% 102.70 oct 23 stop 101.20**

Asset allocation as of Dec 4 , 2013

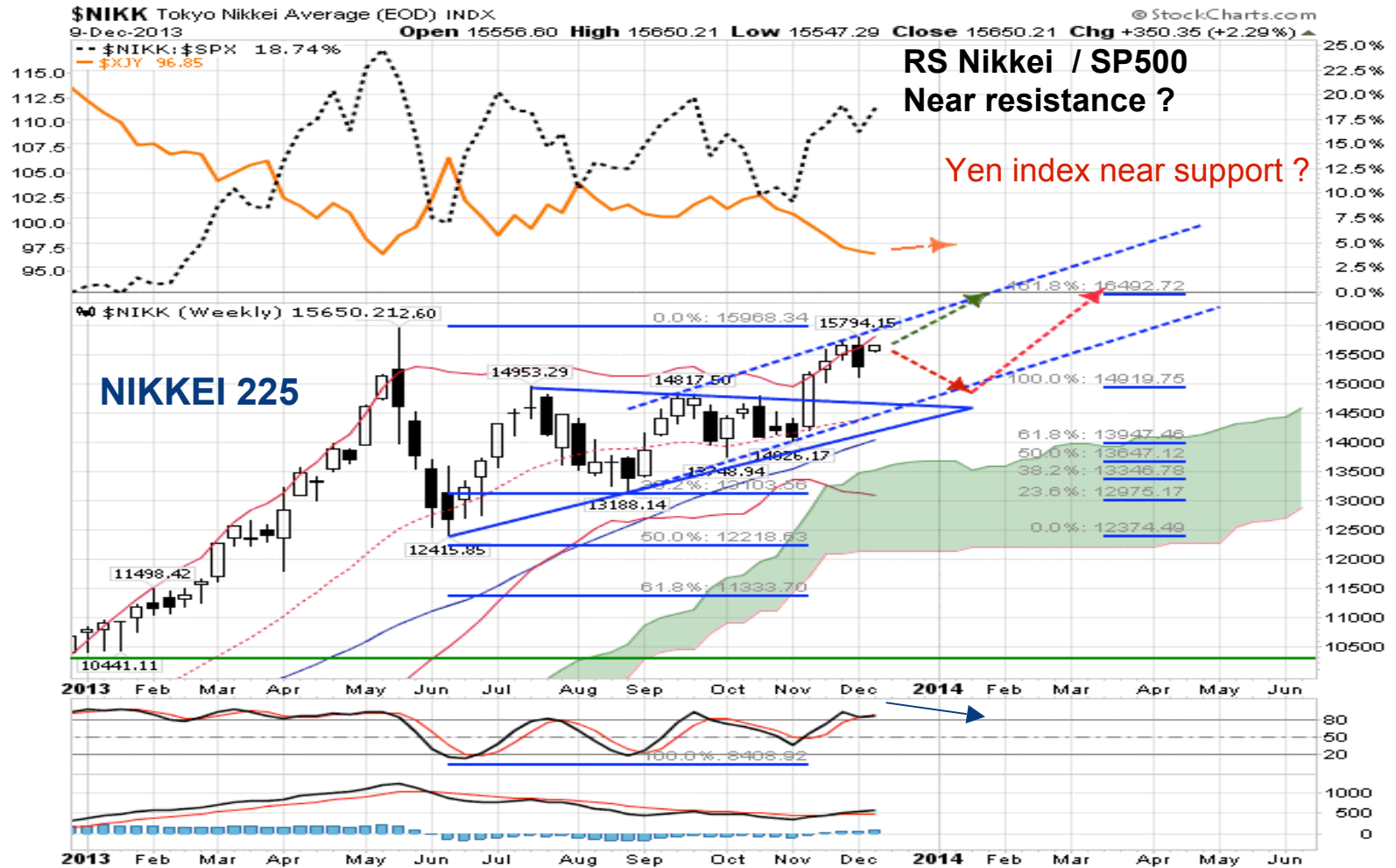
- **Equity allocation: 10%**
- **Pacific 10% (nikkei225 0%; DYJ 0% ;**
 - ♦ **China FXI 10%, ;**
- **USA 0% (XLI 0 %, XLY 0% ,XLB 0%; XLE 0%)**
- **Europe 0% (EWG Germany 0%, EWP 0%,**
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 - **USA : 0% (TLT 20yr Barclay fund)**
- **Commodities & CCY : 15% (GLD 10%, Copper 5% ETF CYB (Yuan fund) 0%)**
- **Cash USD : 75% (from 35) Cash EURO: 0% (from 0%)**
- **FX : euro yen flat**
- **Yen index : sold 50% yen 101.50 oct 11 stop 98.50**
- **Sold 50% 102.70 oct 23 stop 97.50**

4. Japan Dec 9, 2013. Nikkei225 Quarterly 15650: will a first monthly close above upper quarterly cloud (15200) occur in December ?

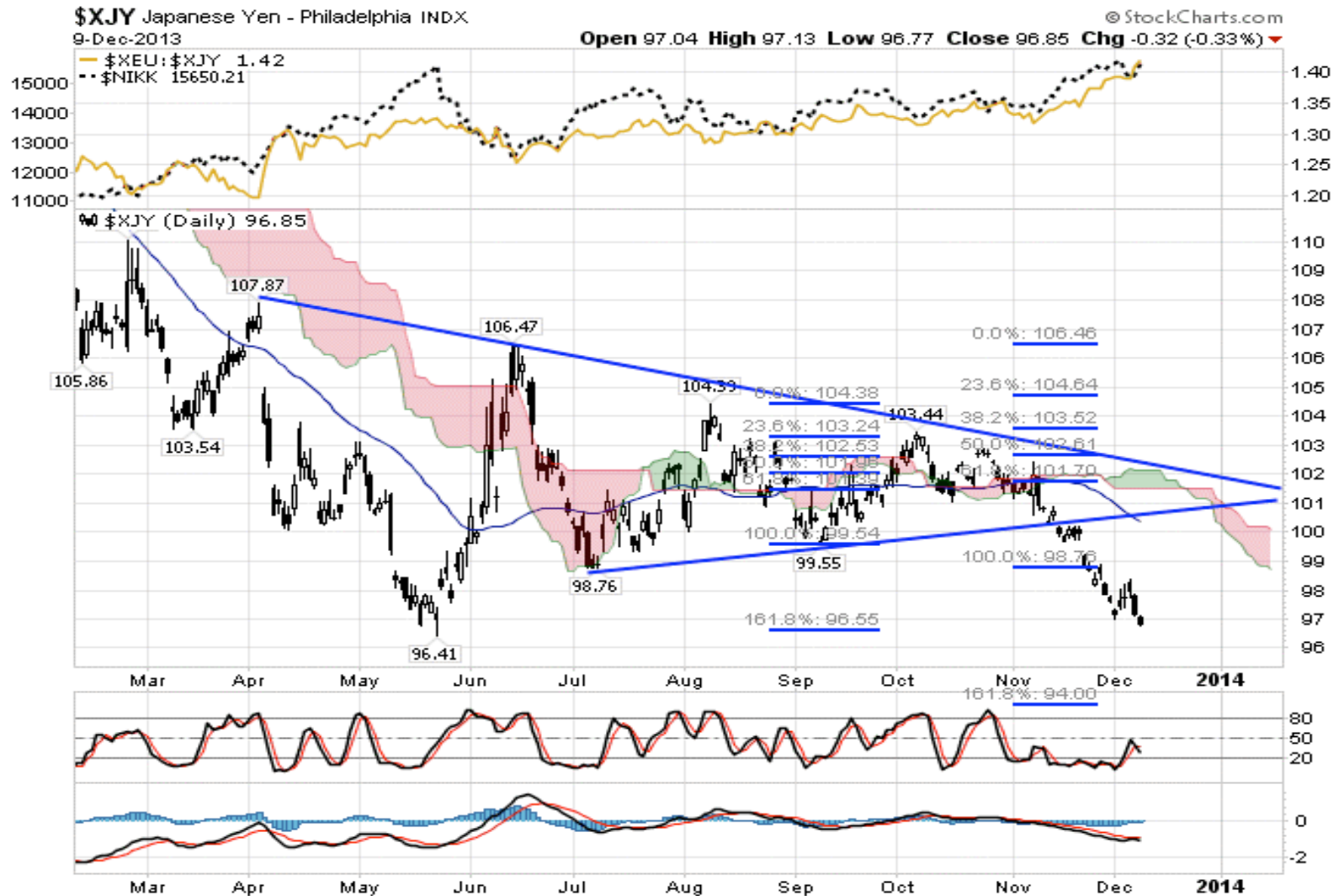
How important is the 15 year descending trendline resistance ?
 IF price holds above 15200 on a monthly basis, it may attract more Nikkei Buyers later on .



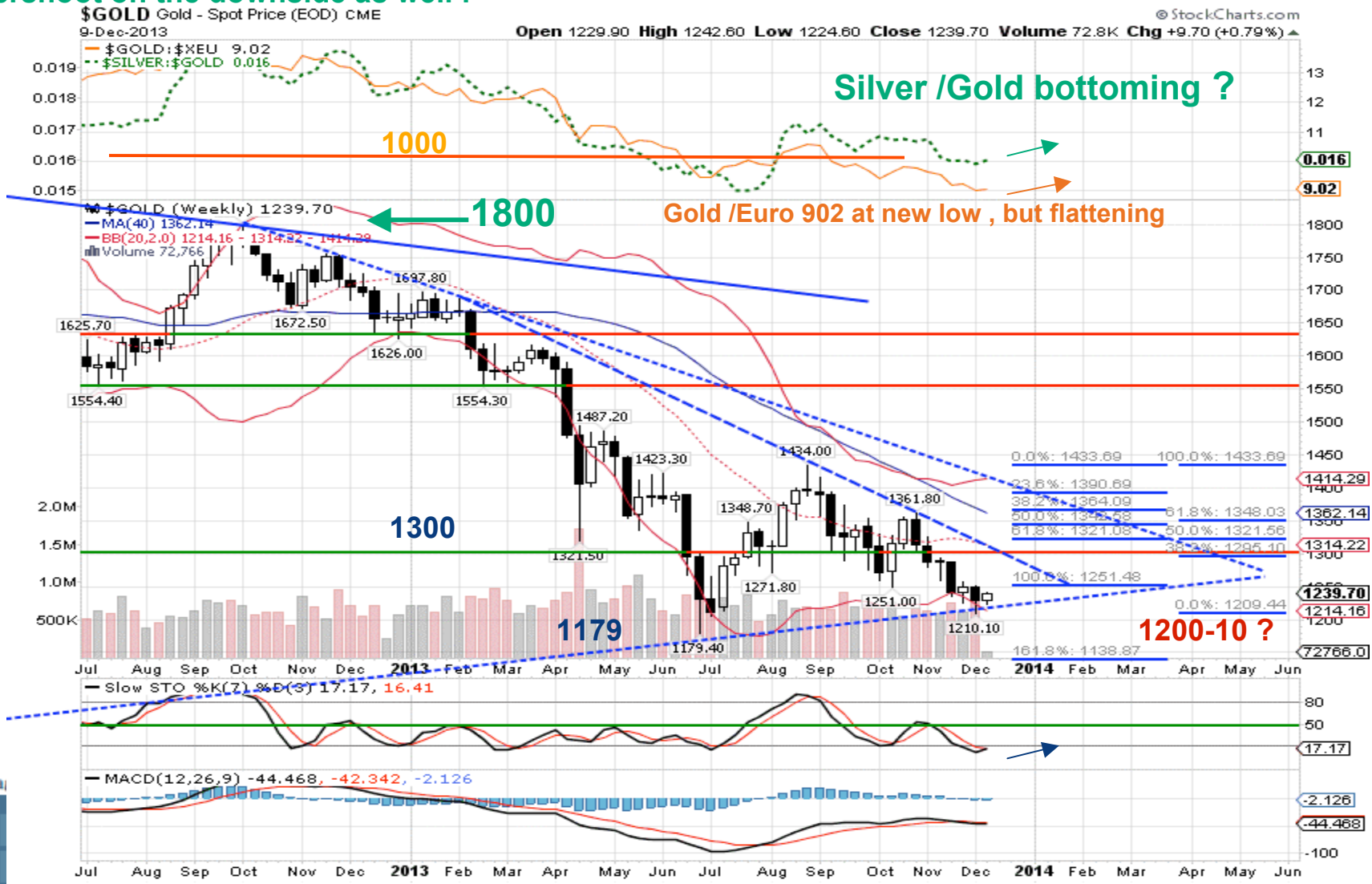
4. Japan Dec 9, 2013. Nikkei225 Weekly 15650. Neutral 15950-14800
 Weekly engulfing last week located near May high may lead to a consolidation and be a similar warning in smaller scale as in May calling for a pause
 Taking profit near end of year about at same level as in May would be rational to lock in a performance . **On 30% allocation our stops 15% 15400 and 15% 15350 were hit.**



2. Yen index Daily 96.85 Dec 9 2013 (\$-yen 103.25): Too close to previous low 96.41 (103.72) ? Potential bullish divergence in formation leading to a pause and delaying a new low for 2014 ?



Gold \$ per oz: 1239 Weekly Dec 9, 2013. Neutral 1360-1180 with bear bias below 1275 . But STO is crossing up in oversold area trying to rebound on rising long term trendline support : Monitor if a weekly bullish engulfing may develop and lead to a rebound above 1300.
Gold in Euro 902: Gold in Euro is below 1000 support of 2011, making lower lows ...but flattening ?.
Silver / Gold ratio : bottoming of ratio could a sign of capitulation on GOLD as usually Silver overshoot on the downside as well !



3. ETF GLD Gold (119.72) Dec 9, 2013 : Price pattern is bearish since November, though breaking steep downtrendline and staging a possible rebound along the rebound of Copper & Silver spotted on Nov 29, which may avoid "Gold capitulation" below 114 .

Buy stop 5% 121.54 and 120.80 with stop 5% 117.20 "contrarian trade"
 Adjust for current allocation : Sell stop (Loss) 5% at 117.20 & sell 5% 116.30 .



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