



ETF Symbol Description	Weekly Closing Price	Price / % Change from last week	Short-term trend	Long-term trend	Short-term price target	Long-term price target	Position Bias
EEM ishrs MSCI Em. Mkts	33.88	-0.06 / -0.17%	↓	→↓	32.92	29.63, 25.19	short
FXI ishrs China Lrg Cap	37.36	+0.43 / +1.16%	↓	↓	36.65	31.11	short
HYG ishrs iboxx \$HY Corp	82.66	-0.54 / -0.65%	↓	↓	82.40, 80.48	80.30, 78.63, 77.19	short
XLF S&P SPDR Financials	24.78	+0.20 / +0.81%	↑	→↑	24.75, 25.05, 25.15, 25.76	-	long
XLI S&P SPDR Industrials	54.56	-0.54 / -0.98%	↑	↑	55.61, 55.91, 56.21	-	long
XLK S&P SPDR Tech	44.57	+0.66 / +1.50%	↑	↑	45.01, 45.35, 47.96	-	long
XLV S&P SPDR Hlth Care	71.78	-0.31 / -0.43%	↑	↑	73.30, 74.55	-	long

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**EEM (ishares MSCI Em. Mkts):** While the trends from a quantitative perspective are still both down, I really can't see any trades.

**FXI (ishares China Lrg Cap):** same as EEM

**HYG (ishares iboxx \$high yield):** It's been two weeks since our last comment. This market tried indeed to stabilise, however it looks like the next leg down has started. Keep an eye on our price targets and the trend. They've served us well so far.

**XLF (S&P Financials):** Our 24.75 price target was met on Dec 1<sup>st</sup> when we closed at 24.83. A market that meets and exceeds its price targets is a strong market. This week's "gyrations" triggered further targets higher.

**XLI (S&P Industrials):** While the trends from a quantitative perspective are now both up, I really can't see a decent risk-reward trade.

**XLK (S&P Technology):** This is resolving nicely higher and it could be explosive. I would say that of the ETFs we cover on this newsletter, XLK & HYG have the best trends from a quantitative and qualitative perspective.

**XLV (S&P Healthcare):** This is joining the ranks of EEM, FXI and XLI where the trends are clear but in my opinion there is no decent risk-reward trade.

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## How to read the table

Market futures unless indicated (Contract month)	Weekly Closing Price (1)	Change from last week (2)	Short-term trend (3)	Long-term trend (4)	Short-term price target (5)	Long-term price target (6)	Position Bias (7)
EURUSD (Dec '15)	1.1241	+0.0038	→↑	→↓	1.1713, 1.1748, 1.1870	1.1713	-

- Weekly price close
- Change from last week
- Short-term trend
- Long-term trend
- Short-term price target
- Long-term price target
- This is not a recommendation to enter the market per se but rather a bias on the direction from which to enter if an appropriate trading/investment opportunity presents itself
  - When "long", we're thinking of entering from the long side
  - When "short", we're thinking of entering from the short side or at the very least we're out
  - When "-", then we're not thinking about this market

So looking at the above table we know that:

- EURUSD Dec 2015 future closed at 1.1241
- On a closing basis, EURUSD rallied 0.0038
- The short-term trend is side-up
- The long-term trend is side-down
- We have short-term price targets of 1.1713, 1.1748 and 1.1870
- We have long-term price targets of 1.1713
- We have no bias as to where this market is heading, hence we're not thinking about entering

## How to benefit from the analysis

*"The presumed positive relationship between risk and return is predicated on the assumption that there's no such thing as investment skill and value-added decision making. If markets are efficient and there's no skill, it's reasonable to believe that higher returns can be attained only through the bearing of increased risk. But if outstanding skill is present, there's no reason to think that it can't be used to create portfolios with low risk and high return potential." Howard Marks, Oaktree Capital Management L.P.*

Making money in the markets is not easy and requires second-level thinking. The main purpose of the analysis is to help one's decision process by being properly positioned in a market to avoid a big hit. "Staying in the game" is an absolute prerequisite for long term success and it's mostly overlooked by the public. Results will ultimately depend on execution, managing one's risk and emotions and the use of common sense.

### What it does

The analysis is based on a quantitative method. The sole purpose is to detect the trend – or lack of it – and to produce price targets (PT). What you read in the table is purely a quantitative output. However, the decision to trade/invest also depends on qualitative inputs, which is not the purpose of this write-up. At all times, remember that a market is in either of the 3 states below:

- Uptrend
- Downtrend
- Undecided

### Basic principles

- In an uptrend we're either out, long or looking to enter from the long side
- In a downtrend we're either out, short or looking to enter from the short side
- When there is no trend, we simply wait until the market tells us where it wants to go

When a market is in trend, then we get signals that produce PT. In an uptrend, the PT is higher than current price. In a downtrend, lower. The PT is in effect until achieved or negated.

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