



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	32.65	+1.10 / +3.48%	↓	→↓	32.92, 30.86	29.63, 25.19	short
FXI ishrs China Lrg Cap	36.18	+1.65 / +4.77%	↓	↓	36.65	31.11	short
HYG ishrs iboxx \$HY Corp	79.53	-0.01 / 0.00%	↓	↓	82.40, 80.48	80.30, 78.63, 77.19, 76.95	short
XLF S&P SPDR Financials	23.30	-0.15 / -0.63%	↓	→↑	-	-	-
XLI S&P SPDR Industrials	51.74	-0.87 / -1.65%	↓	↑	-	-	-
XLK S&P SPDR Tech	42.17	-0.63 / -1.47%	→↑	↑	45.01, 45.35, 47.96	-	long
XLV S&P SPDR Hlth Care	70.49	+0.19 / +0.27%	→↑	→↑	74.55	-	long

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EEM (ishares MSCI Em. Mkts): In issue #6, at 35.12, we turned short. Our 32.65 price target was achieved on close several days ago as this market is properly breaking down. It has moved more than 10% since our signal and all trends are pointing strongly down.

FXI (ishares China Lrg Cap): Our 36.65 target was achieved on close over a week ago having also made a low of 34.47. We've mentioned before that this market is quite highly correlated with EEM.

HYG (ishares iboxx \$high yield): *see Case Study*

XLF (S&P Financials): This market is now in a total mess with many conflicting signals even though short term momentum is arguably to the downside. Best to abstain.

XLI (S&P Industrials): Similarly to XLF, this market is also confused with the short term momentum pointing downwards.

XLK (S&P Technology): XLK has been the stock market leader for most of the current bull market...BUT we've recently kept failing at the 45 area and now with the wider market selling-off, this ETF is also catching the downdraft. While from a quantitative perspective one should be thinking long, there are absolutely no trades in my opinion.

XLV (S&P Healthcare): Healthcare (which includes biotech) has been the other driver behind this bull market and this is now stalling too. Similarly to XLK we should be thinking long from a quantitative perspective but abstaining as there are no trades in the horizon.

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HYG (ishares iboxx \$high yield): Most of our targets have been hit in the past couple of weeks. We have two targets outstanding at 77.19 and 76.95. While the market seems to be getting “tired” selling-off, I do believe any potential pause should be followed by a further sell-off. One should be either out of this market or short.

General Comment: We started covering HYG on October 23rd on issue #2 (closing price 85.83) where the long-term price target at the time was in the 77 area. With time this market has unravelled and has hit all the price targets generated (see past issues). In issue #4, which was in fact the next issue as we write on ETFs every other week, the price was at 84.54 and we stated that it was breaking down.

We also highlighted about the longer term implications for equities when the high-yield market breaks down. Today we're in the midst of all that as this market continues to sell-off. While the sell-off is “only” circa 8% from our signal on October 23rd, I'd like to bring to your attention that HYG tracks a bond index and as such this move is significant and in my opinion, its implications for US equities very worrisome.

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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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