



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	30.57	+1.24 / +4.23%	↓	↓	25.70	25.19	short
FXI ishrs China Lrg Cap	31.20	+0.47 / +1.52%	↓	↓	-	-	short
HYG ishrs iboxx \$HY Corp	79.29	+0.46 / +0.58%	→↓	↓	76.08	77.19, 76.95	short
XLF S&P SPDR Financials	21.72	+0.44 / +2.07%	↓	↓	-	-	short
XLI S&P SPDR Industrials	49.99	+1.35 / +2.77%	↓	↓	-	48.11	short
XLK S&P SPDR Tech	41.24	+0.86 / +2.13%	↓	↓	-	-	short
XLV S&P SPDR Hlth Care	66.47	-1.38 / -2.03%	↓	↓	-	64.44	short

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EEM (ishares MSCI Em. Mkts): The last couple of weeks have been absolutely nerve-racking for “risk” assets. Likewise with EEM, the sharp sell-off has been followed by a sharp bounce. Such psychotic moves are signs of a market being out of equilibrium. The trends remain down and we’ve now rallied to previous so-called “resistance” levels. The safe trade is to be on the short side.

FXI (ishares China Lrg Cap): This is the first time in the 16 weeks I’ve been writing this newsletter that there is such a massive disconnect between FXI and EEM. Which ETF is telling the “truth”? The position bias and trend direction should provide you with the answer.

HYG (ishares iboxx \$high yield): All our short-term & long-term targets were achieved in the last two weeks but curiously we failed to close at or below them. Those who’ve been reading this newsletter for a while must realize by now that every time this happens, we get a bounce. Trends remain down.

XLF (S&P Financials): This market is badly damaged. The damage inflicted will take some time to heal. Picking a bottom is a losing proposition.

XLI (S&P Industrials): Similar to XLF

XLK (S&P Technology): All trends are now pointing down. I cannot see any decent risk-reward trades and it’s perhaps best to sit this one out even tough from a quantitative perspective the market is pointed downwards.

XLV (S&P Healthcare): This is our second disconnect this week. Whereas all equity ETFs rallied, this one didn’t. If one also takes into account that this sector was a leader in the recent rally, then the picture it’s painting cannot be good for the broader market. Time will tell.

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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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