Market Trends

Issue 21

Week ending 4th March2016

Market futures unless indicated (Contract month)	Weekly Closing Price	Price / % Change from last week	Short-term trend	Long-term trend	Short-term price target	Long-term price target	Position Bias
EURUSD (Mar '16)	1.1000	+0.0069 / +0.74%	↓	→↓	1.0823, 1.0728	1.0480, 1.0429, 1.0412, 0.9794, 0.9520	short
GBPUSD (Mar '16)	1.4215	+0.0352 / +2.54%	↓	↓	1.4009, 1.3824, 1.3607	1.3411	short
EURGBP cash	0.7733	-0.0144 / -1.83%	→↑	↑	0.7924, 0.8082	-	long
Crude WTI (Apr '16)	35.92	+3.14/ +9.57%	→↓	↓	26.12, 25.06	23.84, 12.27	short
S&P500 (Mar '16)	1995	+56.25/ +3.03%	↑	↓	-	1858.75	-
Gold (Apr '2016)	1270.70	+50.30/ +4.12%	↑	↑	1341, 1341.50, 1359.30	-	long
30-year Bond (Jun '16)	162 8/32	- 2 1/32 / -1.24%	→↑	↑	170-5, 171-22	-	long

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EURUSD: This market is resolving downwards. 1.0823 is a very important price target. If we close a couple of days or so below that, then the next major target area is the previous lows in the 1.0450 area. This coming week's ECB meeting on Thursday 10/3 is potentially a catalyst.

GBPUSD: The GBP is trying to stabilize. Given the way the picture looks, it is arguably a good opportunity to be renewing shorts if you're comfortable with the risk/reward.

EURGBP: Even though from a quantitative perspective the trend remains up, price action in the last week or so is increasingly showing signs of "fatigue".

Crude WTI: *"This market is getting crazy. ….In these situations, I prefer to be out of the market".* This is what I wrote two weeks ago and I continue to maintain this view. +10% weekly moves are becoming the norm throwing into confusion anybody who doesn't have a clear strategy. Several of our previous price targets have been negated and while we do remain in a downtrend and the longer term picture is still bleak, oil is entering a state in which it will be simply frustrating participants.

S&P500: We've had several of our down targets negated and the shorter term trend has changed. It is best to stay out of this market for now.

Gold: Two weeks ago I wrote *"It's time to think about going long this market."* Gold is shining again, for now.

30-year bond: *(we have rolled into the Jun. '16 contract – price targets have been adjusted accordingly)* The rally is stalling and we're retreating towards the 160 area. Those with good memories will recall that this was the approximate level we broke out from. The way things look, it is likely that previous so-called "resistance", will turn into "support".

Market Trends - Appendix

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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	-

1. Weekly price close
2. Change from last week
3. Short-term trend
4. Long-term trend
5. Short-term price target
6. Long-term price target
7. 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:

1. EURUSD Dec 2015 future closed at 1.1241
2. On a closing basis, EURUSD rallied 0.0038
3. The short-term trend is side-up
4. The long-term trend is side-down
5. We have short-term price targets of 1.1713, 1.1748 and 1.1870
6. We have long-term price targets of 1.1713
7. 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:

1. Uptrend
2. Downtrend
3. Undecided

Basic principles

1. In an uptrend we're either out, long or looking to enter from the long side
2. In a downtrend we're either out, short or looking to enter from the short side
3. 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.