Market Trends

Issue 125

Week ending 2nd March 2018

Market - Ticker (Futures 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 Aggressive/ Passive
EURUSD - EC (Mar '18)	1.2341	+0.0028/ +0.22%	→↑	↑	1.2818	*1.2488*, *1.2546*, 1.2740, 1.3086	long / -
GBPUSD - BP (Mar '18)	1.3795	-0.0187 / -1.34%	→↑	↑	1.4620 1.4647	1.4547	long / -
Crude WTI - CL (Apr '18)	61.25	-2.30/ -3.62%	→↑	↑	-	67.89	long / -
SX5E (Eurostoxx 50)	3324.75	-116.71 / -3.39%	↓	→↑	-	-	short / -
S&P500 - ES (Mar '18)	2690.25	-58.50/ -2.13%	→↑	→↑	-	-	- / -
Gold - GC (Apr '18)	1323.40	-6.90/ -0.52%	→↑	↑	1413.30	1419.10	long / -
30-year Bond - ZB (Jun '18)	143 14/32	- 12/32 / +0.26%	↓	↓	-	139-7	short / -

Bold: Price target achieved on close
Italic: Price target hit but not on close

EURUSD: We have entered a zone of ambiguity as conflicting evidence is emerging. The consequences of this are that we may be stuck in some range-trading for a while (50% probability) or we may be at the initial stages of a deeper correction (25%). Until we close above 1.2546 (our second price target), consider the bullish case with some reserve.

GBPUSD: Sterling started selling off on Monday. It seems we're about to test (again) the 50% zone of 1.3650-1.3750, so called because it's the 50% level between the pre-referendum high and post-referendum low. From a longer term perspective, Sterling can retreat all the way to the 1.3450 area and still have its uptrend intact. In sum, this market is getting tricky, very much like the EURUSD, albeit the latter is slightly "healthier".

Eurostoxx50: Last week we wrote: *"European stocks look weak across the board. While arguably oversold on a longer term basis, we continue to maintain our short bias. There seems to be a temporary disconnect with the US equities which we cannot ignore. It remains to be seen how this will play out. This is a marathon not a sprint."* We're almost at the February sell-off lows of 3306. Could this be prescient for US stocks?

Crude WTI: Last week we wrote: *"Massive whipsaw by the crude oil market has our model switch back to a long bias making the 67 price target all the more possible."* Another whipsaw this week. From a quantitative perspective, the uptrends remain in place. Manage risk carefully.

S&P500: Last week we wrote: *"US equities are struggling to find their equilibrium. The short term path of least resistance seems to be higher again. Aggressive accounts can probe the long side."* We've switched our position bias to neutral.

Gold: Gold is possibly in its "last chance saloon" for the bullish case, at least for now. We really need to clear the 1370 area to get further comfort that the bulls are winning this tug-of-war. Until this happens, time is not gold's friend at the moment.

30-year bond: Bonds are oversold in the short-term and exhausted; moreover they've reached a longer term support zone. On the other hand, they remain in a longer term bear trend and continue to generate price targets lower. If we close below 142 for 2-3 weeks, then we're heading to the low 130s.

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