Market Trends

Issue 159

Week ending 26th October 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
EURUSD spot	1.1403	-0.0111/ -0.97%	↓	↓	-	1.0833	short
GBPUSD spot	1.2829	-0.0236 / -1.81%	↓	↓	-	1.2617, 1.2491, 1.1667	short
Crude WTI - CL (Dec '18)	67.59	-1.69/ -2.44%	↓	→↑	-	-	-
Eurostoxx 50 cash	3134.89	-75.93/ -2.36%	↓	↓	-	-	short
S&P500 - ES (Dec '18)	2669.50	-98.00/ -3.544%	↑	↓	-	-	-
Gold - GC (Dec '18)	1235.8	+7.10/ +0.58%	↑	↓	-	-	-
30-year Bond - ZB (Dec '18)	139 14/32	+1 23/32 / +1.25%	↓	→↓	135-31	-	short

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

EURUSD: Last week we wrote: *"It is very difficult for us to look at the picture of the Euro and not lean on the bearish side. The next couple of weeks are crucial."* The bearish case is winning the argument.

GBPUSD: Sterling reverts to its longer term downtrend. We now have price targets pointing to below 1.20. While we would take these with a pinch of salt, our model has nevertheless generated them and they are therefore within the realm of the possible.

Crude WTI: Oil has two very different pictures: The short term picture looks quite bearish and the longer term very bullish with clear higher-highs and higher-lows. Let's see which one prevails. In the meantime standing aside is probably best.

Eurostoxx50: The weight of the evidence of this index is very bearish from whichever angle we look at it. Having said that, a relief rally of sorts is currently not out of the question. Failure to get that, which we consider healthy, will result into a more waterfall-like collapse.

S&P500: We think in times like these, it makes more sense to look at the longer term trend and the bigger picture. Having done that, one thing is blindingly obvious to us: the US stock market is severely oversold from a longer term perspective. In fact, according to our indicators, it is the most oversold in over 30 years. Moreover the uptrend, as defined by the core of our model, remains intact. The only other time we got to almost such an oversold condition was in October 2008 where a) the market was in a very clear longer term downtrend and b) we had a couple of massive sell signals over that summer. As such we believe a rally is in the cards which would also be supported by the positive end-of-year seasonality.

Gold: Gold is getting a lot of opportunities to rally but the rallies simply don't stick. We continue to advise caution and standing aside from this market.

30-year bond: Stock market gyrations have spooked the bond market as stock market outflows pile into bonds. Any return to stock market "normalcy" will immediately result in a reversion to the downtrend. This can't be too far based on how we feel about US stocks.

Constantine Theodossiou
ct@newcoll.com

New College Capital Ltd
39-40 St. James's Place
London SW1A 1NS
Tel + 44 20 7495 8720
Fax + 44 20 7495 8668

www.newcoll.com