



Market (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 (Sep '16)	1.1202	+0.0216 / +1.97%	↓	↓	-	1.0429, 1.0412	short
GBPUSD (Sep '16)	1.3247	+0.0147 / +1.12%	↓	↓	1.2800	-	short
USDJPY (Sep '16)	0.9820	+0.0378 / +4.00%	→↑	↑	-	1.0221, 1.0315	long
Crude WTI (Sep'16)	41.60	-2.59% / -5.86%	↓	→↓	<b>43.70</b>	26.57	short
S&P500 (Sep '16)	2168.25	+0.75 / +0.03%	↑	↑	2336	-	long
Gold (Dec '2016)	1357.50	+26.60 / +2.00%	→↑	↑	1383.30	-	long
30-year Bond (Sep '16)	174 14/32	+2 26/32 / +1.64%	→↑	↑	-	-	long

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**EURUSD:** Our target of 1.0842 has been negated and this slams the breaks on to the move that started 3-4 weeks ago that had our 1.1060 price target achieved. This negation needs to be taken seriously even though all trends continue to point downwards. The bearish case has taken its first blow in a month. For the record, this is now the 5<sup>th</sup> month we close >1.10.

**GBPUSD:** Nothing has really changed in the picture the last 2-3 weeks as this market is trying to find its footing.

**USDJPY** (*n.b.: futures are quoted inversely to cash so when futures are rising the JPY is rising in value*): A bit of a whipsaw during the last week and the longer term trend reasserts itself with conviction.

**Crude WTI:** On July 8<sup>th</sup> (Issue 39) when price was at 46.11 on a contract adjusted basis we wrote: *"This market is finally showing some clarity. From a quantitative perspective, the weight of the evidence has been tipped heavily in favour of the bear case. Longs should be closed out completely"*. This week, we traded as low as 40.57 and also achieved on close our 43.70 price target. This 13% sharp down move since our warning is not one of oil's most spectacular ones. (See Issue 9 for example). The longer term sub-30 price target should be taken with a pinch of salt for now.

**S&P500:** This market keeps levitating. We now have our first 2300+ target. I continue to maintain that it's very difficult to be positioned in this market.

**Gold:** For the last two weeks we've been writing: *"This market pauses for a nice breath presenting us with a good opportunity to enter long."* We're now resolving higher as per trend. 1383.90 is our next price target. If we see this achieved on close for a couple of days, then this will pave the way to 1400+.

**30-year bond:** Bonds continue their path of least resistance higher.

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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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