Market Trends

Issue 84

Week ending 19th May 2017

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 (Jun '17)	1.1221	+0.0279/ +2.55%	↑	→↓	**1.1160**	-	long / long
GBPUSD - BP (Jun '17)	1.3043	+0.0151 / +1.17%	↑	→↓	1.3073, 1.3494	-	long / -
USDJPY - JY (Jun '17)	0.8987	+0.0160/ +1.81%	↓	→↓	0.8755	0.7949	short / -
Crude WTI - CL (Jul'17)	50.67	+2.49/ +5.17%	↓	↓	-	-	- / -
S&P500 - ES (Jun '17)	2381.50	-7.25/ -0.30%	↑	↑	-	2442.75, 2522.00	long / -
Gold - GC (Jun'17)	1253.60	+25.90/ +2.11%	↓	→↓	1186.80	-	- / -
30-year Bond - ZB (Jun'17)	153 27/32	+2 13/32 / +1.59%	→↑	→↓	-	-	- / -

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

EURUSD: We're finally at the 1.12 levels and our short term price target of 1.1160 was achieved on close this week. While there are several targets pointing higher, all the way to 1.14 in fact, we're in a bit of a "no man's land". In other news, Euro bears (and parity watchers) are dead. We now believe that the Euro will trade at 1.20 before it trades at 1.00.

GBPUSD: The pound is showing remarkable resilience and while I would imagine significant political risks remain, aggressive accounts should be thinking from the long side, if they're not long already. Our preference is always to be long the strongest trend and short the weakest. While we do believe there are still profits to be made in the pound from the long side, our model indicates that the quality of the uptrend is nowhere near as strong as in the Euro.

USDJPY *(n.b.: futures are quoted inversely to cash so when futures are rising the JPY cash drops in value versus the USD):* While the yen (futures) scared the living daylights out of anybody thinking or being short, the truth of the matter remains that the weight of the evidence remains on the bearish side. As such aggressive accounts can attempt the short side one more time.

Crude WTI: Last week we wrote: *"We do not believe that the sell-off in crude oil is over and we're now at good short entry levels. Execution and risk management are key."* Another case where stops should be in place. Traders/investors only control entries/exits, position sizing and risk management. If one has picked their risk correctly, they will not have to worry about freak moves like oil last week as a stop would be in place. Preserving emotional and financial capital is paramount. We're standing aside.

S&P500: They say you take the stairs up and the elevator down. This week we had a big sell-off / exhaustion type of day and we managed to eventually close the week a few points down. This is not the sort of behaviour that one experiences in a bear market or how bear markets start. As such, we do believe there's still upside potential but the market is getting tired. Manage risk carefully.

Gold: *see comment on Crude WTI*

30-year bond: We continue to stand aside.

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