Market Trends

Issue 86

Week ending 2nd June 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)	1.1286	+0.0096/ +0.86%	↑	→↓	1.1321	-	long / long
GBPUSD - BP (Jun '17)	1.2884	+0.0080 / +0.62%	→↑	→↓	-	-	- / -
USDJPY - JY (Jun '17)	0.9057	+0.0067/ +0.77%	↑	→↓	-	-	- / -
Crude WTI - CL (Jul'17)	47.66	-2.14/ -4.30%	↓	↓	-	-	short / -
S&P500 - ES (Jun '17)	2437.75	+24.00/ +0.99%	↑	↑	-	2442.75, 2522.00	long / -
Gold - GC (Aug'17)	1280.20	+8.80/ +0.69%	↑	↑	-	-	long / -
30-year Bond - ZB (Sep'17)	154 27/32	+2 7/32 / +1.45%	↑	→↓	156-17	-	long / -

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

EURUSD: The Euro is looking and acting strong. We have an outstanding target of 1.1321 (June basis) and then there's a bit of a "vacuum" all the way to 1.15. On a completely different note, there is an interesting development in the CFTC Commitments of Traders report where for the first time in 3 years commercial hedgers are short the Euro. (See commentary on next page)

GBPUSD: Last week we wrote: *"We've been uncomfortable for a while with the rally in the pound and this week proved why. We had barely broken out of the 1.21-1.28 range (June basis) and it seems we're being pulled back down. We continue to stand aside. Do not expect this condition to be resolved any time soon as we have an Election (June 8th) and the start of Brexit negotiations (June 19th) to look forward to."* The pound is hanging from a thread. This week's election should be a catalyst. For what it's worth, there's a bullish "feel" to the way our model is setting up but we'll continue to recommend complete abstention as this can go either way.

USDJPY *(n.b.: futures are quoted inversely to cash so when futures are rising the JPY cash drops in value versus the USD):* No change from last week. We continue to recommend to stand aside.

Crude WTI: Last week we wrote: *"Another (semi) crazy week. We have now spent over 12 months (59 weeks) in the 45-56 range (July basis). At some point this will end and a massive move will take place. Until then, be patient."* With this week's sell-off the weight of the evidence has shifted to the bears and as such we recommend that aggressive accounts start looking for short entries. We believe the bigger move will occur when we break out of the range.

S&P500: We're very close to our 2442 price target which we've had since mid-April. Manage risk carefully.

Gold: Gold is once again bullish. Manage risk carefully.

30-year bond: This week we finally broke out of the 149-154 range (September basis). Classical technical analysis points to a 159 target. Our model points to an initial target of 156-17. Aggressive accounts should be thinking from the long side, if not long already.

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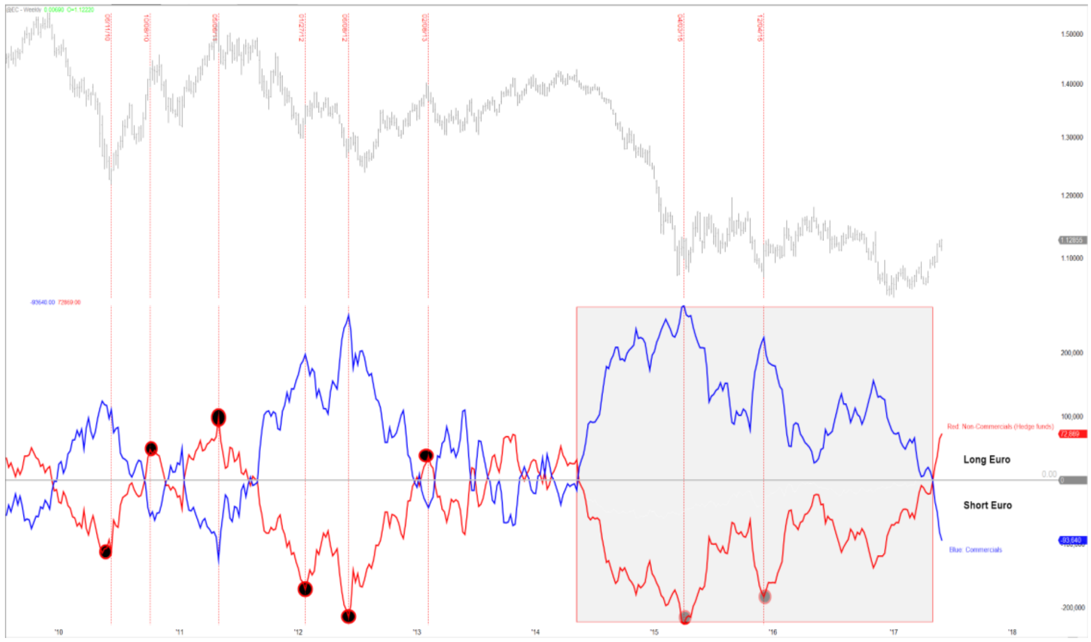
<u>COT Report Commentary:</u> An article appeared in this Friday's Financial Times headlined "Hedge Funds turn positive on euro for first time since 2014". Click here for a link to the article. *(A subscription may be required. Otherwise email me for the pdf.)*

The journalist reports the hedge fund net positions according to the same report. (You can click on the link I've provided on the first page for further info as to how each category is defined.) It is clear that hedge funds are long for the first time in 3 years (red line). Even though the journalist doesn't actually offer a concrete view as to what that actually means for the euro, most readers I've discussed this with told me that hedge funds being long for the first time in 3 years is a good thing for the euro's bullish case. So let's see what the actual picture looks like.



There is a whole science dedicated to the deciphering of Commitment of Traders reports and I'll be the first to tell you that it is way beyond my understanding.

Looking at the above picture however, I cannot help but notice that the hedge funds (red line) are mostly on the wrong side of the trade. In any case, I'll let you decide for yourselves.

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