

Big Picture report

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“Quantitative approach for asymmetric results”



“Houston we have a problem” the Sp500 is coming back to earth and exposure to gravity could pull it to much lower levels..+

□ **Overall picture:** the strong downward movement in equities that characterized the last few weeks is losing steam, after a start of the new week low with maybe breaking previous lows, I wouldn't be surprised if a new upward movement (bounce) will unfold. Last week almost everything at one point had an 1 correlation, as nothing but the Treasuries were going up: hence, has Gold lost its safe heaven spot in the investors' minds? And why everybody is buying only treasuries, knowing that at these levels, it is certain that they will lose money if they will keep them until expiration?

□ **US Equities:** next bounce and possible new downward movement will probably take couple of months in total. I wouldn't underestimate the strength and resilience of this market. Critical the support of 1330-1340 future points for the SP500 which, if violated, I think Sp500 will be pulled lower, like gravity. If it will go below that level at any time, than new short positions will be opened and bounce will be negated.

□ **VIX:** possible a short term continuation of the upward movement, then coherent with the view of a bounce up of the equities, the VIX will also resume its downward movement: depending on the strength of the bounce, VIX may or may not do a new low.

□ **EUR/USD:** no news on the exchange rate, as it is behaving as outlined, but interesting example of market symmetry in action.

□ **European equities:** last week candle may signal a short term inversion with possible bounce. Completed a five wave movement (wave 1 of wave 5) now wave 2 should be in three waves, before resuming the downward trend.

□ **Japan:** chart looks terrible, only if you are long, but who may be long at this point? Only technical reactions can be foreseen. Last week doji candle is more worrisome than it could seem as it looks more like a pause of the sellers rather than an inversion. If last week low will be violated, movement will resume in its strength (highly probable).

□ **Gold and Silver:** going lower but it is a concern? Still very confident, but will need more patience.

□ **Commodities (DJ UBS Index):** bearish scenario, but most of the commodities arrived at important support. A bounce is expected.

□ **CFTC Report:** little bit of data mining, especially concerning the result of the combination of the futures contract of the E-Mini Sp500 plus the Globex Sp500.

Each topic has been studied as a stand-alone analysis. No conclusions have been drawn on one instrument, as a consequence of an analysis of another one. The idea of a Big Picture report is to see whether putting together all these stand-alone analysis, an overall trend is forming or not.

SP500 future weekly chart



The future is in an oversold territory but last week's candle is not an inversion candle yet. Most likely we will experience it this week, when we will may go lower at the beginning of the week before starting the bounce up. However at this stage, looking at the resilience and strength of the market, I would be cautious to call now an outright trend inversion. Most likely it will take sometime. However next week's candle will bring us valuable information.

VIX Index weekly chart



Notice the specularity not only of the movement, but also the candles between the VIX and its market in the last few days. Even though VIS is not out of the wedge, it is still below 20 which is indicating minimal increase of volatility.

EURUSD weekly chart



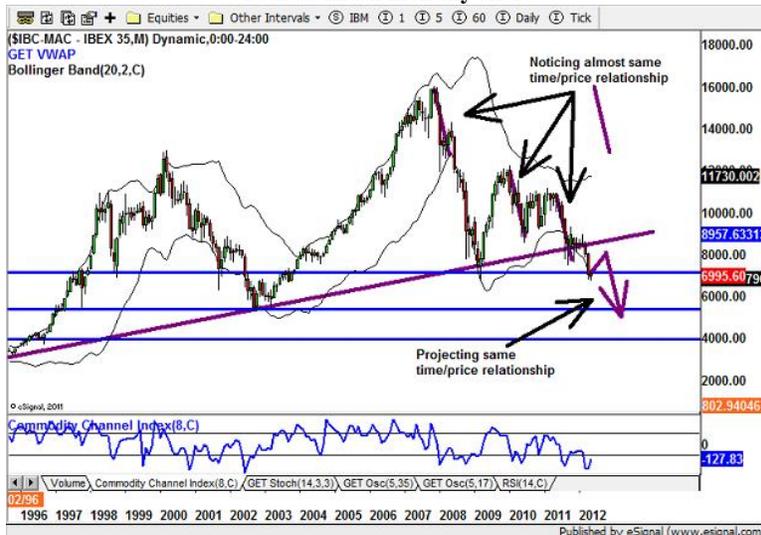
EURUSD is behaving as outlined in the chart. Last time I didn't draw the yellow line, which I call lines of tolerance but in reality are forming a channel. And please note that the orange vertical line drawn last time, is in fact 50% of the width of such channel (1x and 2x is the full width). It means that as of now the exchange rate is still in the upper 50% of the channel but approaching the threshold soon. This is a great example of symmetry in the market.

Eurostoxx 50 future weekly chart



Last week's candle can be seen a bullish engulfing two candles pattern, but confirmation of the validity of the bounce only when the future will break 2254 future points. Supportive evidence of the bounce is the divergence between price and the fast indicator below (CCI 8 periods).

Ibex 35 Index monthly chart



As the Spanish index flirted few times with my target and strong support of 6,800 points, I would now expect a reaction, which can already be seen in the fast indicator below. However I would like to bring to your attention how many times this market respect a precise time/price relationship (3,000 points in five months). Considering a possible bounce, the next time/price relationship is in fact hitting the next support at 5,500 points. As of now difficult to predict a time target, but as time goes by it will become easier.

Bund future weekly chart



Bund broke the upper side of the channel and is targeting the projected width of the channel. Last week candle is still a continuation pattern. However the German champion is long overbought and I suspect that next week will at least bring indicators out of the overbought condition. No sign of trend inversion yet.

Gold future weekly chart



Gold is at these levels starting making investors nervous, honestly for no reasons. Fibonacci retracements should be used not only in price but also in time. Changing perspective, it is then easy to note that Gold went up almost for 36 months and is not retracing for 9 months. In any event it is still supported by the long time trendline.

Dow Jones UBS Commodity index weekly chart



Currently flirting with an important support. Trend is down, change in the direction of trend only when breaking 155 points. Below that each bounce is a short signal.

Copper future weekly chart



Copper is trying to hold but the head and shoulder is still valid. Bounce in the equities would also bring Copper higher, but as long as the high of 389 usd is intact, then target of Copper is at least 300 usd. Once that is also broke, then very little support before achieving 2009 low.

Nikkei 225 index weekly chart



Channel well respected by the Nikkei. Last week candle is more worrisome than it seems. I would not even look for a bounce but a straight sharp decline if last week low will be violated. If a bounce will happen, then decline is only postponed (as of today).

SP500 and Copper futures weekly chart



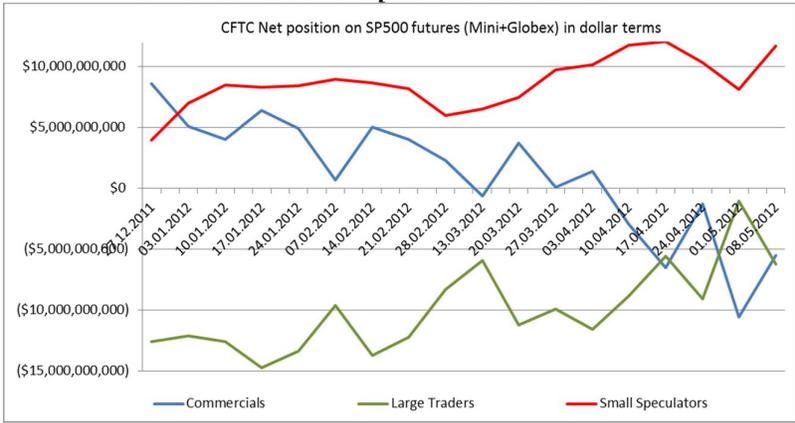
An update to one of my favorite charts. A descent of the Sp500 is also bringing to lower level of Copper. I would expect at some point a strong acceleration of the downward movement of the SP500 to catch up with Copper.

Ratio SP500 / Gold weekly chart



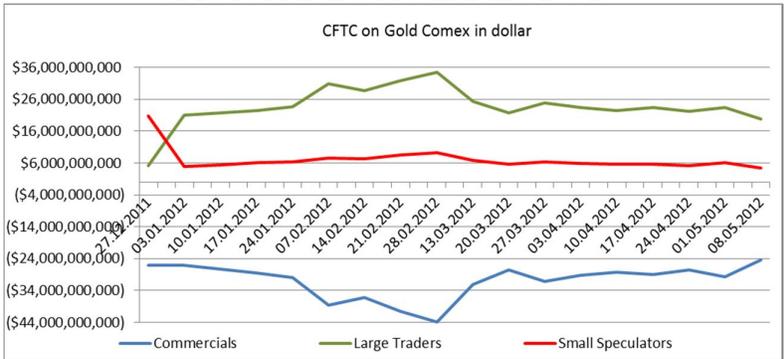
I am very pleased to share with you a new and very interesting chart. The SP500 / Gold ratio, on the weekly chart. And it is already giving us important pieces of information. It is unlikely that the ratio will cross the current resistance, as it has been a strong (resistance but also a strong support) level for long time. This chart will be used to spot moments of excess in both markets, and it seems that we are right now experiencing one of those moments. Very useful chart to keep an eye on for the time being!

CFTC Net Position on Sp500 futures since Dec. 27th



Small speculators are very bullish on the Sp500 while Large traders closed all their short positions recently. Another reason why to me a bounce in this market is very likely is that Large Traders will open most of their shorts at higher levels than current ones.

CFTC Position on Gold Comex since Dec. 27th



Net long positions are lowering in Gold. It is neither a closing longs signal nor a short one. It is just a pause moment. Gold investors can do something else in the meantime.



Mr. Maggioni has been working in the financial markets for the last 11 years covering different roles and working in tier 1 consulting companies and banks worldwide.

In recent years his studies have been focused on the psycho-emotional aspects of trading and how those aspects have an impact on traders' behavior.

Before starting this venture, he was head of a hedge fund desk at HSBC Private Bank in Monaco and before that he was employed at Credit Suisse Asset Management (CSAM) in Zurich covering the in-house single manager hedge funds.

Most of his experience in hedge funds was gained while working in a Swiss family office where he was in charge of the research and analysis as well as due diligence for US and European hedge funds. He also performed quantitative analysis and portfolio construction for several funds advised by the family office.

Prior to that he worked as an external consultant for KPMG Financial Services in the Milan office. In 2002 he has been hired by Ernst & Young LLP, San Francisco as auditor for hedge funds, auditing large single funds and fund of funds. In 2000 he joined Ernst & Young in Milan as an auditor for mid-sized companies.

Mr. Maggioni holds an MBA from IUM and a Portfolio Management degree from the University of Chicago GSB.

Useful Links:

European Central Bank:	www.ecb.int
Bank for International Settlements:	www.bis.org
International Monetary Fund:	www.imf.org
Federal Reserve:	www.federalreserve.gov
US CFTC	www.cftc.gov

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