

Big Picture report

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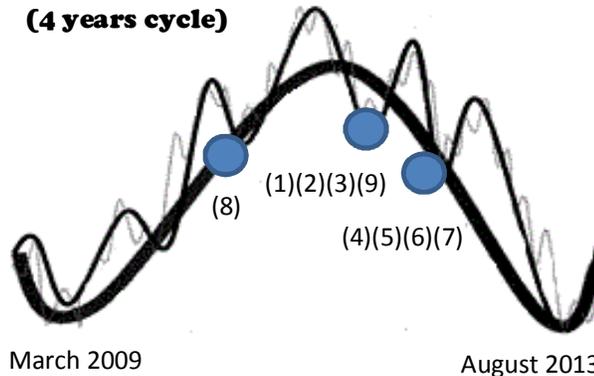
“Quantitative approach for asymmetric results”



Long term trend **=====**
Medium term trend **=====**
Short term trend **=====**

Market cycle based on technical analysis

(4 years cycle)



Overall picture: Equities are bouncing from their recent lows. Picture is bearish if the max on end of April will be not broken (1411 future points for Sp500 as an example). Even the recent actions on the European Govts side did not produce any relevant upside; Treasuries are still in a strong upward trend while gold and silver are drifting aside. Commodities in general tested an important support that is the Maginot Line between bounce and a double bottom with their 2009 low. Tactically long equities are preferred, but prepared for the next leg down from July 23rd and onwards, for a problematic August.

(1) **US Equities:** Bounce in progress. 1411 future points of the SP500 is the threshold that will make this upward movement a mere bounce, or maybe something more substantial. Very difficult at least for me, to see again that level.

VIX: Since the level proposed has been already achieved. Right now I am considering a higher level for VIX for August.

(2) **EUR/USD:** static support at 1.26 has been broken, tested again, and now is ready to go to 1.10.

European equities: (3) German Dax uber alles, while (4) Eurostoxx, (5) Ftse Mib, (6) Ibex are ready to give soon investors a last chance to exit.

(7) **Japan:** chart looks terrible, only if you are long. Last week candle (shooting star) is right now the level to break if I want to consider the continuation of the recent bounce. Otherwise the only direction is down.

(8) **Gold and Silver:** going sideways but is it a concern? Still very confident, but will need more patience.

(9) **Commodities (DJ UBS Index):** bearish scenario, but most of the commodities arrived at important support. Bounce in progress. Don't chase it, but slowly build a short position.

CFTC Report: unfortunately not available.

Each topic has been studied as a stand-alone analysis. No conclusions have been drowned 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 index is moving diligently from one static support to the upper static resistance. Bollinger bands are also signaling that the derivative is moving sideways. My current idea, that will be neglected if the top at 1411 future points will be broken, is that in the next few weeks there will be a minor top, that will be followed by a dramatic down movement. Target of such movement can be 1,100 future points. The purple and light blue lines (abc corrective movements projections) are indicating a possible **time target, that is August 13th or September 9th**. Last week candle is not an inversion candle, so down movement is as of now not happening.

VIX Index weekly chart



Vix already arrived to one of my targets that was 27. If markets will move in the direction forecasted, than is definitely possible to see Vix to the light blue line at least, or possibly to a level of 40 which graphically is pointing to the very difficult summer we had last year. Last week candle is an indecision candle, I would expect next week to go lower and produce a bearish engulfing of some sort, from where Vix should then spike. **Time target is also for this instrument, August 13th**.

EURUSD weekly chart



EURUSD is behaving as outlined in the chart. Last week candle is a decisive bearish candle which is calling for more weakness. **Intermediate target of 1.17 very close**. Increase short with very limited risk, stop above 1.2703.

Eurostoxx 50 future weekly chart



Bounce finally arrived but seems to have very little additional life in front of us. Last week's high (2331 future points) is an important static resistance, since May 2010.

Contrary to the US, last week's candle is an inversion candle, and therefore I would expect weakness from now on. In any event, short position should be closed above last week high, 2331 future points.

Ftse Mib future weekly chart



Similarly with the EURUSD, the FTSE Mib flirted with the static support, then a small bounce materialized, and soon I expect a violent movement that will break decisively and surely, such support.

Time projection of the downward movement is also, in this case, August 13th.

Same consideration for the BTP future which to complete wave 5 will do a lower low than the one in April, in the same time target.

Bund future weekly chart



Bund arrived at my target of 146, now what?

Well, the German champion is still very solidly in an upward movement. It left a channel and possibly is now into another channel, where a possible target is this time the level 158-160 points.

Last week candle should worry most of the people who are now still long equities.

Gold future weekly chart



Even though it doesn't seem so, this chart is a new one compared to the one in the last report (meaning: nothing changed). Nothing to report for Gold, but last week candle together with the fast indicator below, may signal more weakness than strength ahead.

Dow Jones UBS Commodity index weekly chart



Light motive of this report is support and resistance broken, and then tested again. This is indeed what happened to the Sp500, EURUSD, Vix, Bund and this index as well. Last week candle is an inversion one, together with the fast indicator approaching to overbought (not yet) is signaling more weakness soon ahead.

Copper future weekly chart



Copper is behaving as expected. Any bounce is a good point to open/increase short position. Here you can see clearly the levels I am considering if the neckline will be broken. As you can see, I deleted my study considering a possible bullish scenario with target to 400 usd.

Nikkei 225 index weekly chart



Last week candle is a bearish one. Happily short with stop above last week candle (9,150 future points).

Target is the lower line of the channel (7,700 future points), for end of August in this case. A bit of time decay compared to the previous indexes analyzed.

SP500 and Copper futures weekly chart



My favorite chart here. No news is good news and Copper is still weaker than the Sp500.

It is interesting to note that in a strong economic environment Copper (blue line) outperforms the Sp500 (purple line) in both time and price.

While since last October, is the Sp500 that is outperforming in time and price Copper.

And since this year the divergence is becoming quite evident and worrisome. As you can see Copper is signaling more precisely the situation we are living currently, while the Sp500 is in denial. In addition, Copper is already pointing down, while the Sp500 is not.

Ratio SP500 / Gold weekly chart



The ratio is testing again the resistance. It may exit from the channel and if that will happen, it will be important to understand the meaning of that.

Right now to me, this is simply a toppish formation which is validating the sell signal of this ratio.

If the ratio will move as I expect, it will do so with a dramatic movement down which is the result of either Gold moving decisively up or the Sp500 moving decisively down. Soon we will have an answer.



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.

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