Big Picture report

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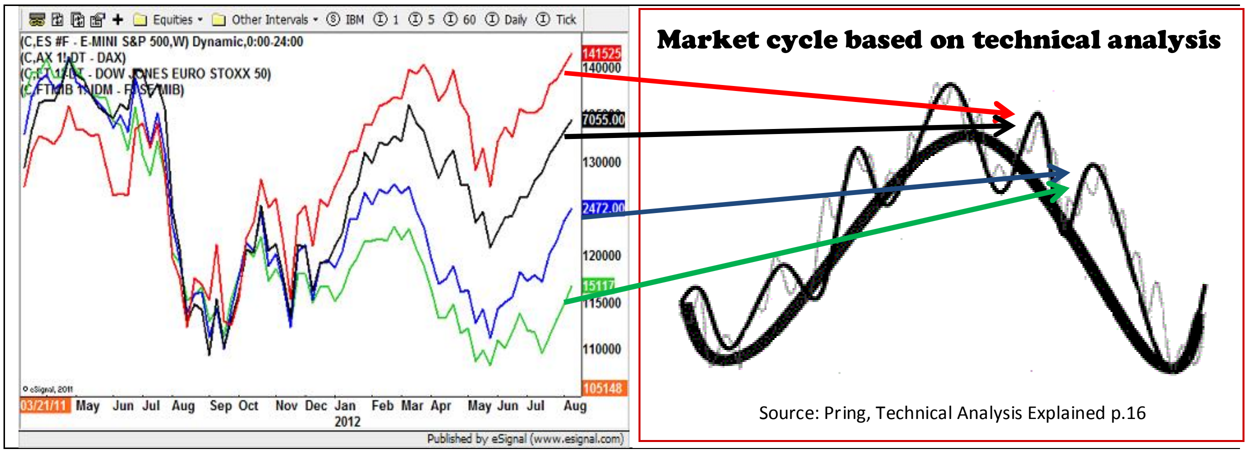
"Quantitative approach for asymmetric results"



☐ **Overall picture**: donôt fight the trend, so long positions should be preferred for equities even though this latest upward movement cannot be labeled as impulsive due to its choppy shape and missing strength and volume. However equities on one side, treasuries on the other, are getting closer to significant level of resistance/support and therefore we will know soon if this general trend will continue or not.
Looking at the quantity of events that will take place from Monday until the end of this year such as: August 20th **Greece expected to pay 3.1 bil. Euros**, the August 27th to 29th **Jackson Hole meeting (QE3?)**, **government debts to be refinanced** start again in Autumn, and the **US Presidential Election** in October, it looks like equities are pushed up in a typical buy on the rumors, sell on the news type of situation.

☐ (red) **US Equities:** reaching very soon the 1422 top for the SP500 and possible to even go a bit higher, there are a number of technical indicators as well as intermarket analysis that to me are signaling, at this stage, that this is not an impulsive trend.

☐ **VIX:** very compressed and below March low this is signaling a ñcomplacencyò situation in the markets.

☐ **EUR/USD**: this is probably one of the most important red flag in this overall situation. In fact the exchange rate did not mimic equities in this leg up, remaining at around 1.23 during all this time.

☐ **European equities**: (black) German Dax uber alles, while (blue) Eurostoxx, (green) Ftse Mib, Ibex already arrived to test, or even break momentarily the 2009 lows.

☐ **Japan**: chart looks terrible, only if you are long. Nikkei still comfortably placed in the bearish channel.

☐ **Gold and Silver**: going sideways but is it 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. Bounce in progess. Donôt chase it, but slowly build a short position.

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 continued in its bullish trend despite the weekly doji candle that materialized on July 8th and now arrived basically at April high. However you can see that **Bollinger bands are horizontal** signaling, at this stage, a mere sideways market. However no sign of inversion is in sight. **Interesting to notice that the time count since November is the following: Nov to Apr high is 18 weeks; Apr to May low is 9 weeks (50% retr.); May to todayôs high is 11 weeks, 125% of the previous movement, and closer to 61.8% of the previous upward movement.** We have left only one or two weeks and only after those we will be able to say if this is an impulsive movement, or to confirm this as a corrective movement. Volume is not following this leg up. To me this is a corrective pattern. Be careful.

VIX Index weekly chart

After arriving at the first resistance, the VIX started again to move down and right now it looks very compressed. I only added at this chart the **blue lines, which are the all time lows that the VIX did in 2007.**

If equities will even moderately continue their path to higher high, it will very be that VIX will arrive at 10.

No sign of inversion yet. However it is possible to notice that once the level of 16 is broken, VIX goes swiftly to its next resistance, 27. **Even in this case, Bollinger Bands are horizontal.**

EURUSD weekly chart

The only addition to my chart is the blue channel, which is the short term pattern of the exchange rate, inserted in a broader, however bearish, movement.

If equities will continue in their upward movement, correction of the exchange rate could arrive at 1.26 or even (less probable) 1.30 before resume the bearish movement.

Eurostoxx 50 future weekly chart

Similar to other equity indeces, Eurostoxx is approaching significant resistance, namely the 2500 points threshold. It is valuable to note that it felt the trendline that linked the previous highs (orange line) even though now the index is above it. Currently **it is also outside the Bollinger bands which is a signal of both a stretched movement or a potential band surfing** (continuation of upward movement).

Volume is not supporting this leg up.

Ftse Mib future weekly chart

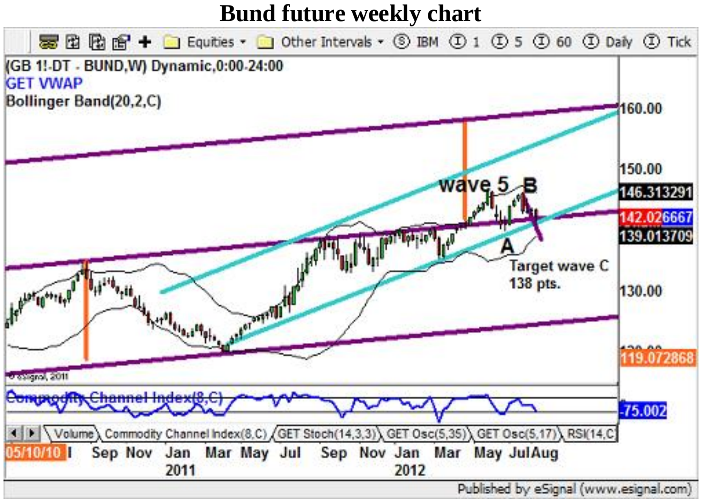
The Italian index on July 23rd did a lower low at 12,270; March 2009 low was 12,370 and therefore this recent low must labeled so far as potential end of wave 5.

It is also above the trendline that link previous high and approaching the upper Bollinger band, signaling for this index too (see Eurostoxx) a potential trend inversion in place.

However a trend inversion will be confirmed only when the index will break the March 17,200 points high.

Before resuming the bearish trend the index is expected to achieve the 15,600 points (resistance, blue line). No sign of trend inversion at this stage, on a candlestick level.

Bund future weekly chart



Even though in the broader picture the Bund is still very well inserted in a upward movement, we cannot avoid but notice short term weakness, such as the **termination of a five wave impulsive pattern, followed by an ABC (still in formation) pattern, which has its potential target at 138 points.**

On the other hand, **last week candle re-tested the upper line of the long term bullish channel (purple line) AND the lower line of the shorter term channel (light blue line)** which is a sign that cannot be left aside. Weakness will be confirmed only with the breaking of last week low 140.78, or even better, the 139.72 low from the week of June 25th. Last week candle is showing that there are lots of buyers around the 139-140 level.

Gold future weekly chart

Gold is feeling the lower line of the wedge and again, nothing significant to report on Gold or Silver. **It is valuable to take note that the two lines of the wedge cross each other on October 15th or October 22nd which, in the whole year, is quite an important date.**

I haven't touch this chart since I draw it first in June, and I am not making this up.

Position is long, stop losses are set at 1523, while a first signal of weakness will be the perforation of the dynamic support.

Dow Jones UBS Commodity index weekly chart

Similarly with the equity indexes, and in particular the European ones, Commodities broke the downward channel, tested a significant resistance and now are ready to probably continue their movement up targeting the next static resistance, 149 points (blue line).

Is this a trend inversion? Too early to say.

However differently from the European indexes, this Commodity index is far from its 2009 low (100 points).

Copper future weekly chart

Copper is silently and slowly behaving as expected, doing lower highs but still defending with all strength possible the dynamic support set with the neckline.

Among other instruments herewith presented, this is the cleanest and earnest one that to me is showing the real situation in the equity markets.

Copper is flirting with a historical support, which if broken, will lead to significant consequences.

Since such support is not yet broken, no major decision should be taken; however building positions in direction of this potential downward movement could be a strategy.

Nikkei 225 index weekly chart

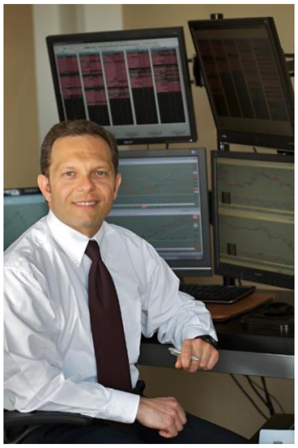
Higher lows and higher high are signaling a short term bullish behavior set inside a major downward trend.
Too early to call it a trend inversion, too strong the bearish trend to call it its end.

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 more and more 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 giving a signal which is basically different from any other instrument we looked at in this report.
I will keep an open mind and will not discard this signal which can be both a true signal or just a trap (bull or bear, depending which side of the ratio we look at).
After all the idea of the last two charts is in fact to have either confirmations or anticipatory signals, and this ratio is doing its job.
Next few weeks will be important to have additional pieces of information.



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 tradersô 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