Big Picture report

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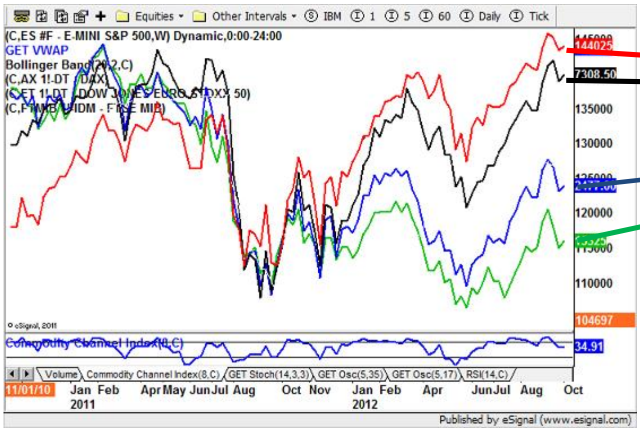
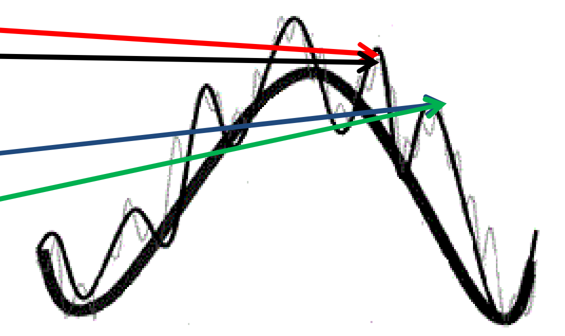
"Quantitative approach for asymmetric results"



Market cycle based on technical analysis



Source: Pring, Technical Analysis Explained p.16

☐ **Overall picture**: equities are giving the first signs of weakness of the upward trend, and soon buying the dips will become a strategy that will not be successful. Right now equities are ready for the last spike up, the euphoric one, the one that potentially will stuck lots of investors (or wannabes) with losing long positions, if they will not be fast enough to close them. This final leg up should result in a double top at the maximum. Treasuries are consequentially trading lower for the moment, but it should be seen only as a pause. Commodities bounced back up when touching key support level (see Copper which dangerously arrived at the neckline of a bearish head and shoulder for the third time now).

☐ (red) **US Equities:** forming a second bearish wedge in the space of only four months may mean something. As for instance that the index is supported by a strong buying power, but when this buying power finishes, the selling pressure is strong and violent. Right now the index is moving outside the second wedge, letĝs see what the reaction will be then.

☐ **VIX:** mirror movement compared to the SP500, is drawing a second bullish wedge.

☐ **EUR/USD**: after arriving at 1.20 it bounced back up and now is trapped in three different declining trendlines, which work as a resistance. If the bounce in the equity markets will materialize, the exchange rate could arrive up to 1.32 before resuming its impulsive bearish movement.

☐ **European equities**: the steep angle that European markets are forming during this bounce is a sign that it is not an impulsive movement, but rather a mix of newly opened long positions with shorts been squeezed (majority).

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

☐ **Gold and Silver**: Patience is giving us its reward! Finally Gold broke out of the wedge, (first) target is 2,180 usd

☐ **Commodities (DJ UBS Index)**: bearish scenario, but most of the commodities arrived at important support. Bounce in progess. Donĝt 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 is moving out of the second wedge, which typically calls for a sudden and strong action.

As we speak the index with its new weekly candle is drawing an indecision candle, as it is an ñinsideò of last weekôs one.

A break of last weekôs high or low will set the tone for the next few days/weeks.

A final bounce up is expected to lure late comers, greedy or simply unsophisticated investors into buying at this outrageous point of the market, hoping to arrive at least at a historical double top (red horizontal line).

In the spectrum of possibilities, it is indeed duable, but highly improbable as of now.

At this time I would expect for a mere double top at 1465 future points.

VIX Index weekly chart

Mirror image of US equities is the VIX which drew a second wedge.

Very likely a move upward of this index, first target 27 points. It will also be important to see the candles that the index will draw, as it will give us additional information of the strength of the movement.

EURUSD weekly chart

Just to add a bit of confusion on this chart, I added a new trend line, the light green one which is a new resistance, as the exchange rate already violated the previous three.

Sign of strength, but may be short lived. Trend is a bearish one, recent movement for sharpness and rate of acceleration looks more like a bounce rather than an impulsive movement (primary).

Possible then the continuation of the bounce to test the light green resistance at 1.32 circa.

Eurostoxx 50 future weekly chart

Eurostoxx arrived at the same level of January 2012 (static resistance), breaking previous declining trend line (orange line).
Two weeks ago a long red candle, which so far is setting the tone of the movement.
Similarly with the US equities, as of now only a double top is in sight.
If a double top will materialize, I am trying to see what to expect in terms of price and time of the index.
In the chart, I am drawing a possible scenario even without a double top. I am in fact expecting a retest of the former resistance (orange line), followed by a restest of the static resistance, and then a more decisive strong bearish movement should unfold.

Ftse Mib future weekly chart

In the last report my comment was:
ñThe 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.
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.ò

The Italian index has been more generous and arrived at 16,705 points.
Chances are that the new downward movement will follow the orange trendline.

Bund future weekly chart

Bund looks like completed a full Elliott Wave structure (five impulsive waves, followed by three corrective waves) and right now is bouncing back up.
To confirm this as an impulsive trend, the violation of the trendline that starts from top of wave B is imperative.
Last weekôs candle is a continuation one, so long positions should be preferred at this stage.

Gold future weekly chart

Finally Gold broke out of the wedge and possibly, is moving toward the projected target. Such target is the width of the wedge (yellow line) which stops at 2180 dollar/ounce.

The probable time target of such price is given by the blue trendline, which I happened to have collided with top of a possible final impulsive wave.

Buy the dips before itøs too late.

Dow Jones UBS Commodity index weekly chart

Commodities broke out of the bearish channel and arrived at important resistance, and also violated it, briefly.

More than a five waves bearish structure (due to its widening formation) it is easier to see a massive bearish head and shoulder and the bounce up started nothing less than at the neckline of such head and shoulder.

Possible continuation of the downward trend is following the purple line, the one that was a resistance, is now a support of a declining movement. Even if the target of wave 5 will not achieved, very likely is the restest of such purple line.

Copper future weekly chart

In my previous report my comment was:

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

No wonder that around such support a violent bounce materialized.

As of now such bounce produced a lower high compared to previous movement.

Therefore nothing changed.

If anybody is short copper, shouldnøt be suffering from this bounce as short should have been open higher than current prices.

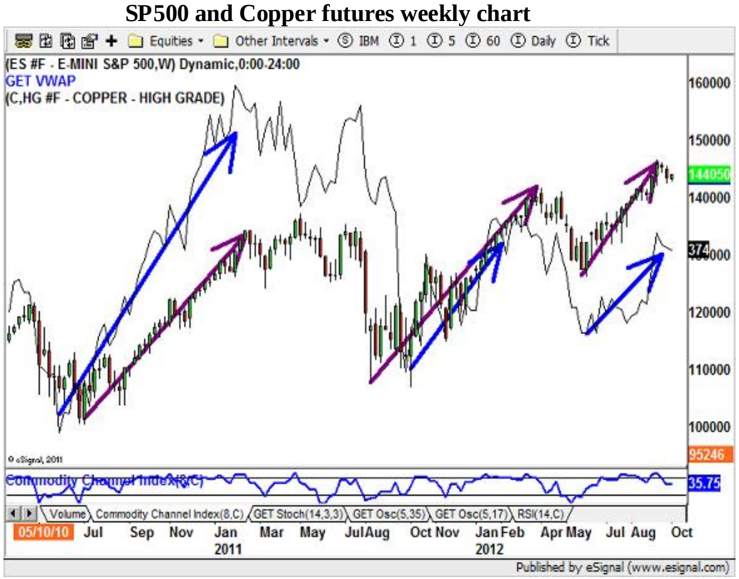
Nikkei 225 index weekly chart

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.
Trend inversion will happen once a significant capitulation will materialize.

Wait then for such capitulation anybody who is interested in going long Nikkei.

On the other hand, capitulation may result in a significant profit in a short period of time for those who are short.

SP500 and Copper futures weekly chart



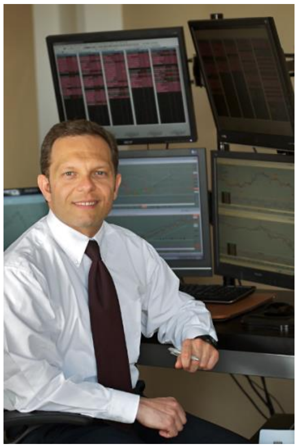
Copper is playing catch up with the Sp500 and recently showed a significant upward movement , but the gap hasn't been closed yet.

Finally some excitement in this chart that didn't provide us with any news whatsoever for long time.

Still Copper is underperforming the Sp500 giving us the same signal since July 2011. Bearish signal on equities.

Elliott Wave classification of the Sp500 and Dow Jones Industrial Average:

Classification	Trend	Current	Timeframe
Cycle	Impulsive - Bull	Corrective - Bear	Years
Primary	Corrective - bear	Corrective - Bull	Months to years
Intermediate	Impulsive - Bull	Impulsive - Bull	Weeks to months
Minor	Impulsive - Bull	Impulsive - Bull	Weeks
Minute	Impulsive - Bull	Corrective - Bear	Days



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