TRIGGERS MEDIA PUBLICATIONS INC.

TRIGGER$

Economic & Technical Analysis for the Active Trader

www.triggers.ca

JUNE 2012
Vol.II, Issue #6
$19.95

THE GREAT GAMBLE

Gordon T Long

DRIVER$

Market Analytics & Technical Analysis

US TREASURY SPREADS

SOMETHING IS WRONG SOMEWHERE!

Market Forecasting: TIME

Global Financial Risk Index
Cost of Money Risk - Interest Rates
VIX

Boundary Conditions
Channels & Regressions
Rounded Top
S&P Current
Market Driver$

Information - For Your Analysis

MSCI World Markets
GLOBAL & EU Credit Risk
Global Manufacturing PMI
Unemployment rate
Inflation

Copper & Silver
Commodity Index
EURO/JPY
$USD

JUNE, 2012
TRIGGER$
Economic & Technical Analysis for the Active Trader
www.triggers.ca

1
Welcome

*Welcome to **TRIGGER$**!*

Vol.II, Issue #6 : 14th

This months issue, as usual, has lots for you to consider as you do your own due diligence and navigate the markets.

You can find three articles from Gordon this month. The Cover Story looks at the limited choices available for the economy; MATA DRIVER$ discusses Yield Spreads; and the third examines 'The System' and why the current political and economic troubles exist.

Traders Mentor this month discusses different applications of the Fibonacci theory to make market forecasts dealing with TIME.

Thoughts on our current position and where we are headed are updated and shown in the Need to Know Technical Analysis section.

All the regular sections are here as normal to help add more perspective on the current market conditions and what we can expect in the near future.

Good Trading!
GoldenPhi

TRIGGER$ MEDIA PUBLICATIONS Inc.

For all inquiries, comments and contact please feel free to email us at:

goldenphi@triggers.ca

Main contributor : Gordon T. Long Market Research & Analytics
Publisher & Editor : GoldenPhi
Analytical Summaries: GoldenPhi

June, 2012
TRIGGER$
Economic & Technical Analysis for the Active Trader
www.triggers.ca

2
Contents

Featured Articles

TRIGGER$
Economic & Technical Analysis for the Active Trader
www.triggers.ca

Contents Page

Techni-Fundamentalism

TRIGGER$ publications combine both Technical Analysis and Fundamental Analysis together offering unique (and often correct) perspectives on the Global Markets. The 'backbone' of this research is done by "Gordon T. Long, Market Research & Analytics" which is subscribed to by Professional Managers, Private Funds, Traders and Analysts worldwide. Every month "Market Research & Analytics" publishes three reports totalling more then 380 pages of detailed Technical Analysis and in depth Fundamentals. If you don't find our publication detailed enough, we recommend you consider theirs in addition to this one.

For the rest of us, TRIGGER$ offers a 'distilled' version of the 380 pages in a readable format for use in your daily due diligence. Read and understand what the professionals are reading without having to be a Professional Analyst or Technician.

Successfully navigating todays markets requires information from a broad variety of sources. Triggers examines it all. From Macro Geo Political to daily events; yearly cycles to break out points on a minute chart: we look at and analyze as much of the information as possible, pulling out the relevant and giving you what you need to know to make the right decisions on a daily basis.

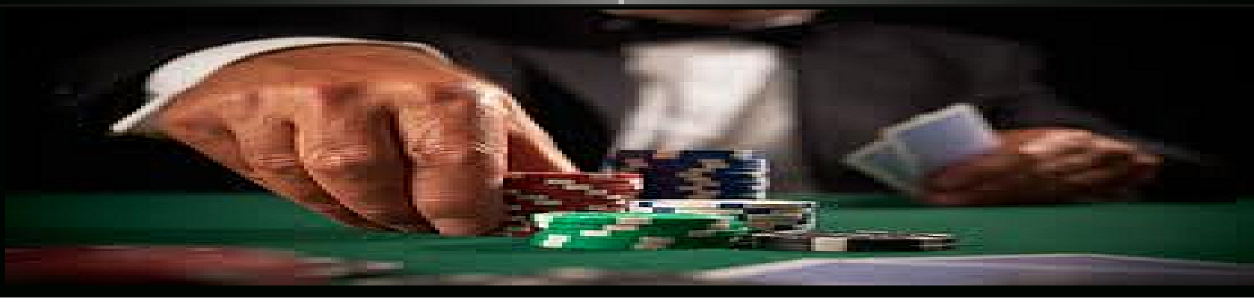
An initial or 'beginning' publication occurs every month, both in a printable pdf as well as online. From there, the online version is updated daily with current events, charts, news and any relevant information pertaining to trading. The completed version of the publication isn't actually done until the last day of updates – which occurs right up until the publication of the next issue.

As well as the Traditional Methods commonly used, "Market Research & Analytics" has developed "proprietary analytics" for both Technical and Fundamental Analysis and has designed a methodology to combine the two whereby the synthesis delivers a truly unique and forward thinking analysis that gives cutting edge insight.

"Techni-Fundamentalism"

THE GREAT GAMBLE

Gordon T Long



As every gambler knows, any inadvertent signal can cost you the pot. Keep your cards close to your chest, with no clues of what you will do, nor the hand you hold. This is the trademark of a professional gambler. Academic Professor Ben Bernanke holds a third QuEen and everyone knows he is going to play it because he is going to be forced to play it. High stakes poker is obviously not his game.

There is an old saying in poker. When you can't figure out who the patsy is at the table it means it is because it is you. Professor Bernanke, this game is too sophisticated for you and you are being played like the well worn ukulele you are.

1. **ELECTION YEAR:** This is an election year and the Federal Reserve has traditionally ALWAYS done everything in its power during the run up to the election to support the incumbent President. It is considered a "privilege of office" and you can bet Obama is both counting on and expecting it!

2. **QE III WILL NOT WORK:.** Unconventional policy is effective when the issue is Systemic Stress, however it is less so when Growth is the concern. Central bank liquidity can lubricate a private sector in seizure but then becomes limited! Bernanke and his minions at the Federal Reserve are acutely aware of this. It is the wrong tool at the wrong time.

3. **GLOBAL PRESSURES:** Chairman "Helicopter Ben" Bernanke as a pivotal board member of the Bank of International Settlements in Basel, Switzerland (the central bank to the central banks) has tremendous pressures to conform to the agenda of this small cadre of central planners . Bernanke knows the American standard must be subjugated for the larger good of what these unelected central bankers deem, behind opaque closed doors, to be the urgent solution for an escalating and unstoppable global financial crisis.

Professor Bernanke MUST UNWITTINGLY, like the patsy in a poker game, play the hand he has been dealt.

BERNANKE'S BOX

Chairman Bernanke has placed himself in a box. It is not a box of his choosing, but rather the result of his misguided economic beliefs, use of flawed statistical data, geo-political events occurring during his watch, poor decisions and a penchant for political pandering.

Some of these may be requirements for academia success but not for leading global financial markets during turbulent times.

It is time for Professor Bernanke to return to the collegial setting of Princeton University while the world still has time to correct the

(cont pg.5)

TRIGGER$
Economic & Technical Analysis for the Active Trader
www.triggers.ca

The Great Gamble (cont.)

path he has mistakenly set us on.

I was angry during most of former Chairman Greenspan's tenure because of his persistent use of liquidity pumping to solve every problem from Y2K to the Peso crisis. Greenspan's inability to see a bubble two inches from his nose and yet still pontificate about irrational exuberance, rather than taking the punch bowl away from the party, incited me. Bernanke does not affect me that way. He simply disappoints and leaves a taste like eating dry shredded wheat, with the hope of a child, to eventually get the prize at the bottom of the box.

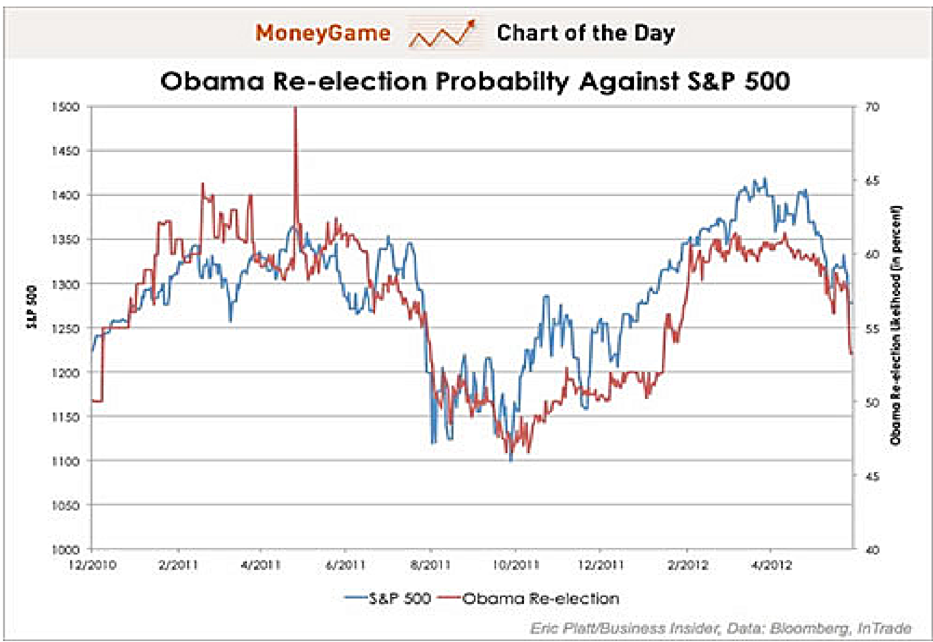
Character flaws show during times of stress. Honesty, integrity, value systems and beliefs are put to test and are highlighted under the public media microscope. I'm sure Chairman Bernanke is a nice guy, loved by his family but he is missing a backbone. On June 24th, 2012 will become obvious to all as he plays his hand.

AN ELECTION YEAR - "Privilege of Office"

MOUNTING PRESSURES
This illustration shows the strong correlation between the performance of the market and the result of election popularity polls. Obama's re-election odds have wavered after a string of poor jobs reports, with many polls putting the president within the margin of error for a win this November. But for Obama and Romney supporters, the best insight may be how the markets are performing come fall. This analysis shows Obama's re-election odds, as calculated by In-Trade against the S&P 500. The two are somewhat correlated — showing an R-squared of 0.62 — and stock market historian Sam Stovall says that equities predict the winner of the presidential ballot with [88 percent accuracy.]

The federal Reserve practices what I often call MOPE, which stands for Management of Perspective Economics. Simply said it is critically important that people believe things are OK for economic conditions to in fact become OK. So Bernanke knows he must keep the markets levitated for the incumbent President to be re-elected and additionally for Fed Policy seen to be effective - even if is any such thing.

There is a reason that 33 Liberty Street in NY has so many equity traders on staff. A trading staff rumored presently to be in the order of 600.

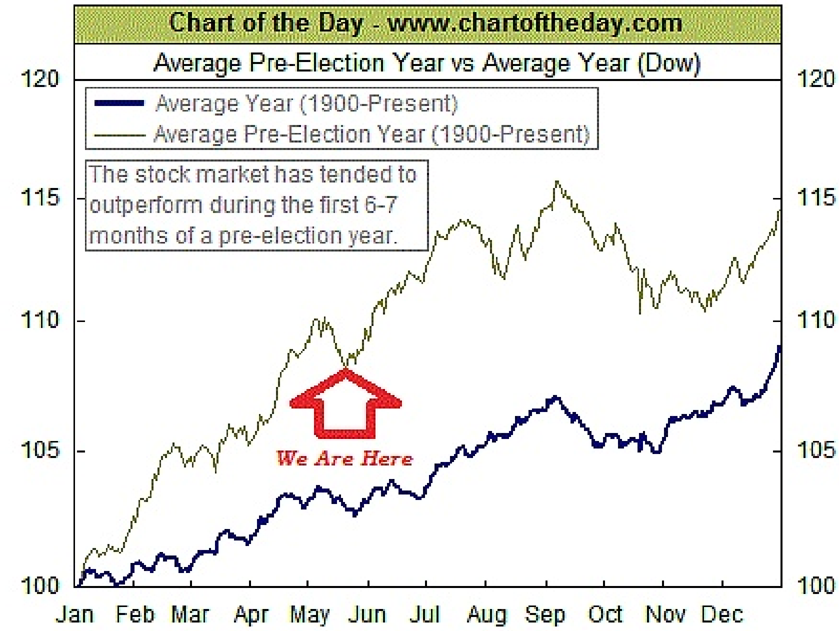


(cont pg.6)

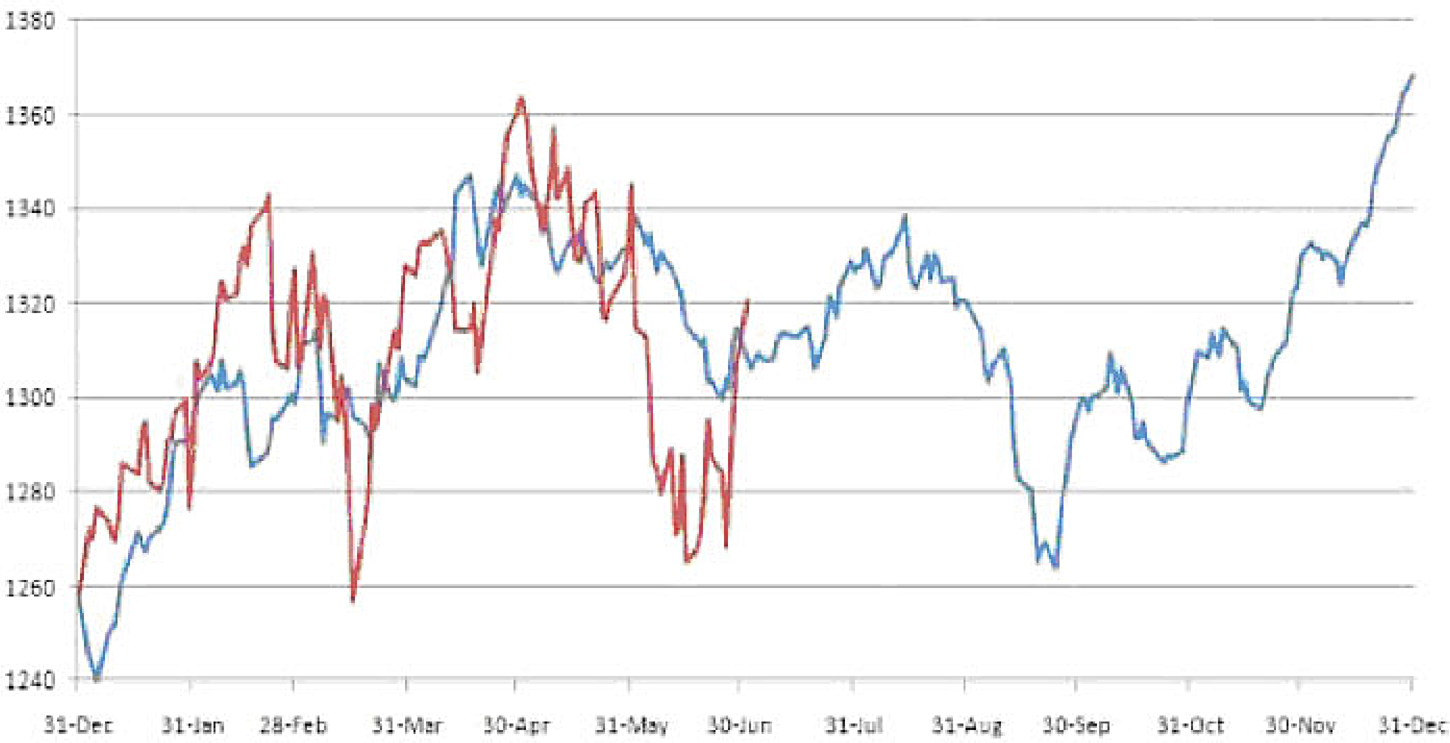
The Great Gamble (cont.)

HISTORICAL PATTERNS

The analysis to the right shows the average year from 1900 to present versus Pre-Election years for the same period. There is an obvious difference and bias. There is also a pattern. A pattern that suggests a potential improvement in the market from around now until around mid September. A pattern that launches itself from coincidently a pullback like we are presently experiencing.



The following graphic is a *proprietary analysis* that is not simply historical. It suggest a lift through the end of August, and then some very abrupt adjustments, before seeing a massive rally into and through the election.



What you should take away from these charts is not timing but the pressure that is on the Fed to make them happen or at least to ensure Fed Policy will accommodate them happening.

Not delivering on expectations of QE III is not going to assist these patterns.

(cont pg.7)

The Great Gamble (cont.)

QE III WILL NOT WORK

"Unconventional policy is effective when the issue is Systemic Stress; it is less so when Growth is the concern"

Central bank liquidity can lubricate a private sector in seizure but then is limited!

Global macro weakness seems set to trigger another round of global monetary easing. Prior aggressive policy action has coincided with risk asset rallies. However, those policy actions also corresponded with improving macro data WHICH IS NOT THE CASE PRESENTLY.

Fundamentally, what's at issue now is whether unconventional policy either works to stimulate activity, or can directly boost risk asset prices. I agree with Morgan Stanley and I am skeptical on the first point.

"Deleveraging cycles mute the effect of monetary policy on growth."

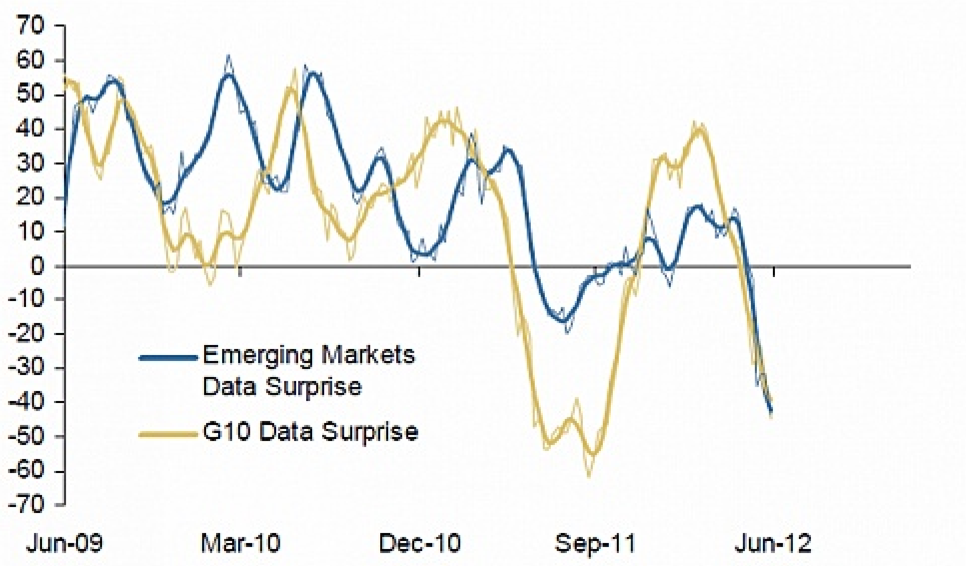
Unconventional monetary policy may be an effective shield – can defend against systemic breakdown – but not a good sword: broadly unable to encourage a return to normal credit creation, where monetary policy can work to stimulate growth.

Fed balance sheet expansion and US equities were, for a while, correlated. They have recently stopped correlating. Policy easing has a much greater chance of working in EM, where credit systems still function and the economies are not burdened by the structural baggage now weighing on developed economies.

Here are some charts from Morgan Stanley with statements that would support these views.

Macro news is falling short of expectations almost everywhere.

Exhibit 1
Global Growth Disappointment



Source: Bloomberg, Citigroup, Morgan Stanley Research

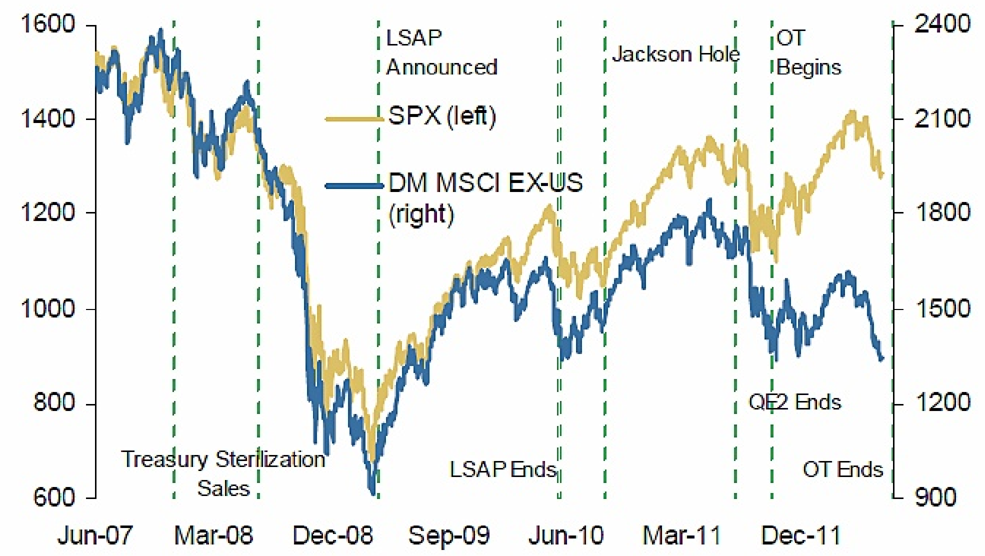
(cont pg.8)

TRIGGER$
Economic & Technical Analysis for the Active Trader
www.triggers.ca

The Great Gamble (cont.)

"Our sense is that investors are split on the significance of this, but many see monetary easing as a potential catalyst for a tradable rally, even if they – like us – doubt its ability to significantly improve the macro outlook. The bull case is based in part on the simple observation that prior central bank action has coincided with important market turning points (Exhibit 2)."

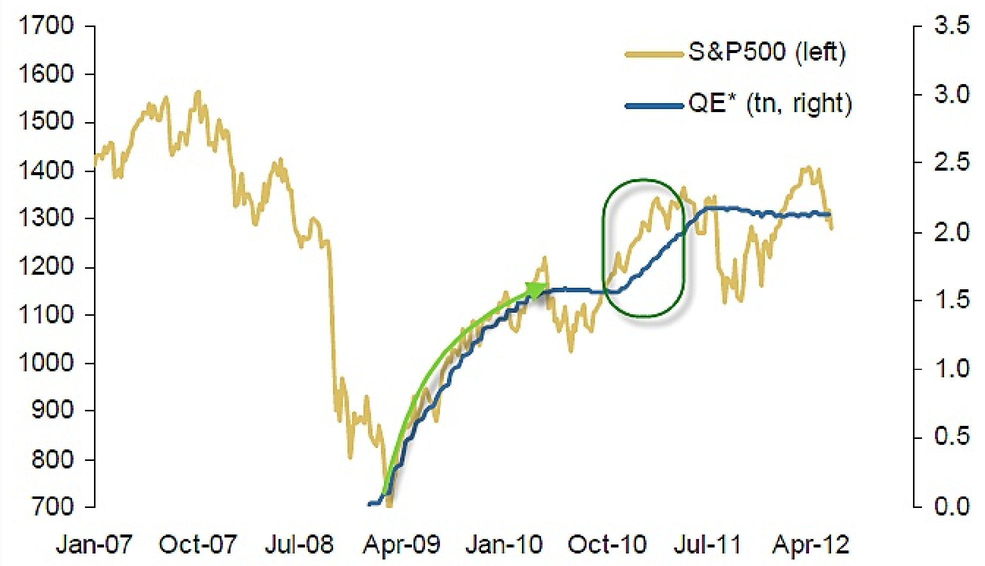
Exhibit 2
The Bull Case: Fed Action And Equities



Source: Bloomberg, Morgan Stanley Research

Fed balance sheet expansion and US equities were, for a while, correlated (Exhibit 3).

Exhibit 3
Fed QE and Equities: Correlated, For A While



Source: Federal Reserve, Bloomberg, Morgan Stanley Research

Other central banks' balance sheets and equity indices show little correlation.

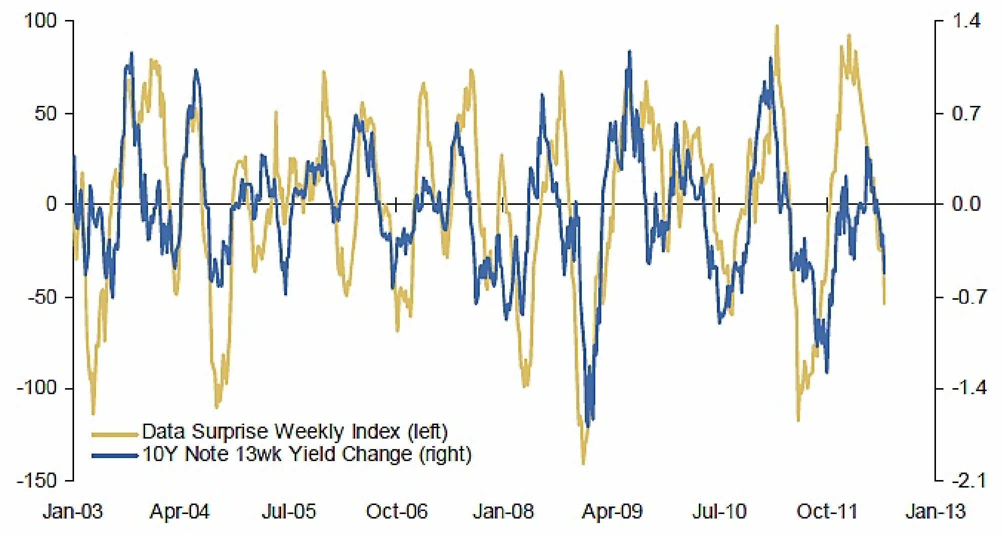
(cont pg.9)

The Great Gamble (cont.)

"This shows that **not even the Fed can dominate the pricing of the world's largest, most liquid, asset market.** What explains the seemingly perverse reaction of Treasury markets to the Fed's actions? Simple: **it was the swing in macro data** (Exhibit 5). The swing in macro likewise explains much of the swing in equities through the past few years, as suggested by Exhibit 6. **We think Mr. Bernanke got lucky with QE2**: macro data improved almost from the moment it was flagged at Jackson Hole in August 2010. That improvement, not QE2, was in our view the key to the subsequent rally."

Exhibit 5

Treasury Yield And Macro Surprises

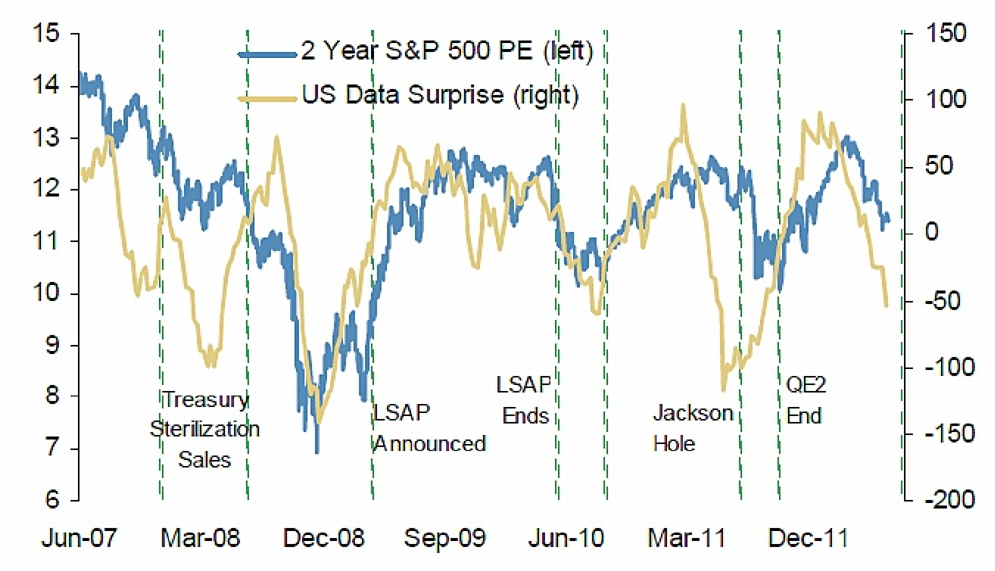


Source: Bloomberg, Citigroup, Morgan Stanley Research

"Growth concerns, not systemic risk, are now unsettling markets. Investors, rightly in our view, are increasingly skeptical about the ability of unconventional policy to boost growth in developed economies. Certainly, it seems unlikely to counteract fiscal tightening, now under way in Europe and UK, and in prospect in the US. Further easing may trigger an initial market response – there are too many investors who think it works to think otherwise. But without macro improvement, that risk asset rally will be short-lived, in our view."

Exhibit 6

Macro Surprises And SPX PE Ratio



Source: Bloomberg, Citigroup, DataStream, IBES, Morgan Stanley Research

(cont pg.10)

TRIGGER$
Economic & Technical Analysis for the Active Trader
www.triggers.ca

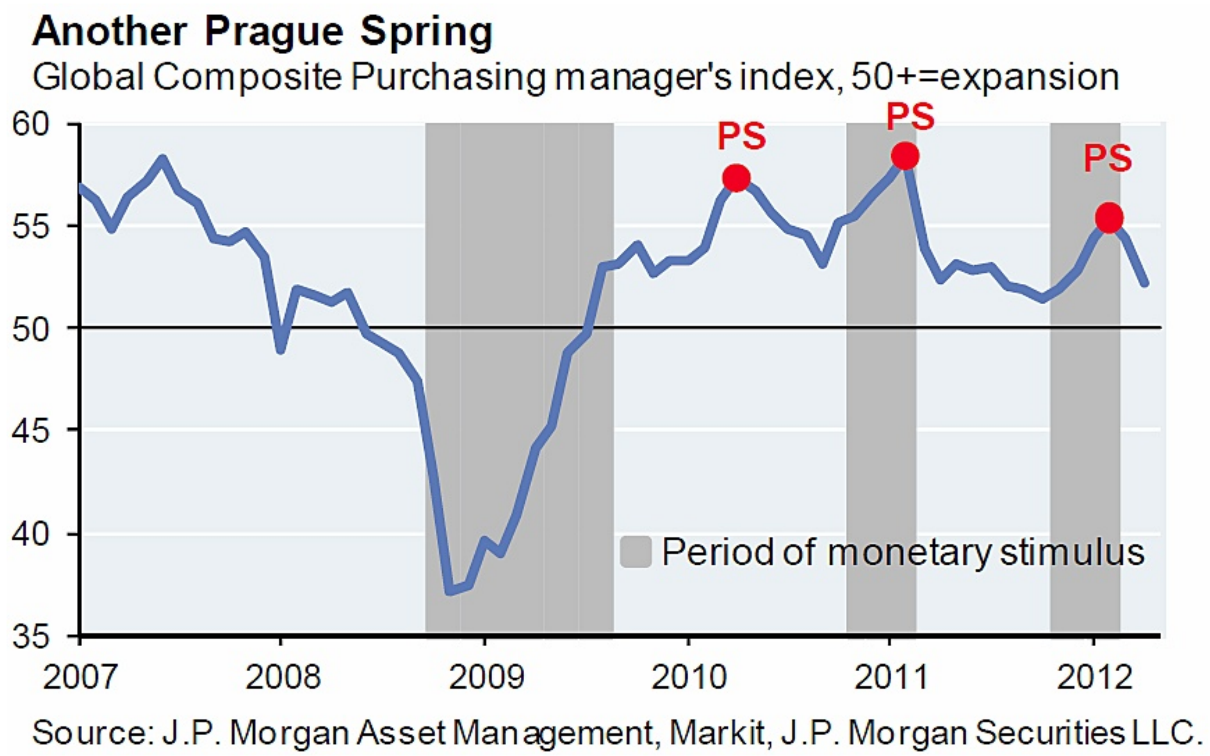
The Great Gamble (cont.)

GLOBAL PRESSURES

There are tremendous pressures on Chairman Bernanke to come to assistance of an escalating EU crisis and now a dramatically slowing global growth environment.

PRAQUE SPRING

The latest PMI numbers were a disaster and have added heightened expectations that further central bank intervention is at hand. This is a pattern that has been occurring almost annually, at this time of year and has now being called the Praque Spring.



As the shaded grey areas indicate, without Monetary stimulus the market wants to rapidly deflate.

Chairman Bernanke has no choice but to play the cards he has been dealt. He knows he has a losing hand. I am sure he must now be wondering if in fact the dealer has been dealing off the bottom of the deck?

Even a patsy clues in when things become too obvious.

END **Gordon T Long**

June, 2012
TRIGGER$
Economic & Technical Analysis for the Active Trader
www.triggers.ca

12
Methodology

Contents Page

Methodology & Techni-Fundamentalism

TRIGGER$, in collaboration with "Gordon T. Long - Market Research & Analytics", have thier own unique approach to Techni-Fundamental Analysis. The material found in TRIGGER$ are the conclusions of a multi-perspective methodology boiled down to its final essence. This methodology includes the following analytical approach:

Time Frame	Duration	Approach	Key Tools
short - term	less than 90 days	Technical Analysis	Elliott Wave Principal, WD Gann, JD Hurst, Bradley Model, Proprietary Mandelbrot Fractal Gen.
intermediate	12 months	Risk Analysis	Global-Macro Analysis Tipping Ponts - Pivots
longer term	18 months +	Fundamental Analysis	Financial Metrics

The Global-Macro Analysis which is so prevalent in our articles and on our Tipping Points site, plays the critical role of bridging our highly analytic Technical Analysis with our detailed Fundamental Analysis.

We have found that in the short term the markets are driven by emotion and sentiment. In the longer term, they are driven by financial fundamentals. As Warren Buffett is often quoted as saying: “In the short term the market is a slot machine but in the long term it is a weighing machine.” We have found that the transition shows a lagging correlation between changes in the Global Macro, followed by Corporate Earnings, then followed by the sell side analyst community estimates.

If you are looking for more detail than is provided in TRIGGER$, consider looking at our primary inspiration: "Gordon T. Long Research & Analytics". We do our best to summarize this information and deliver it in an easy to read format. This by its very nature doesn't allow us to include all the very detailed analysis that takes place in order to deliver us its conclusions.

All information and conclusions delivered in TRIGGER$ articles are a product of the methodology outlined above.

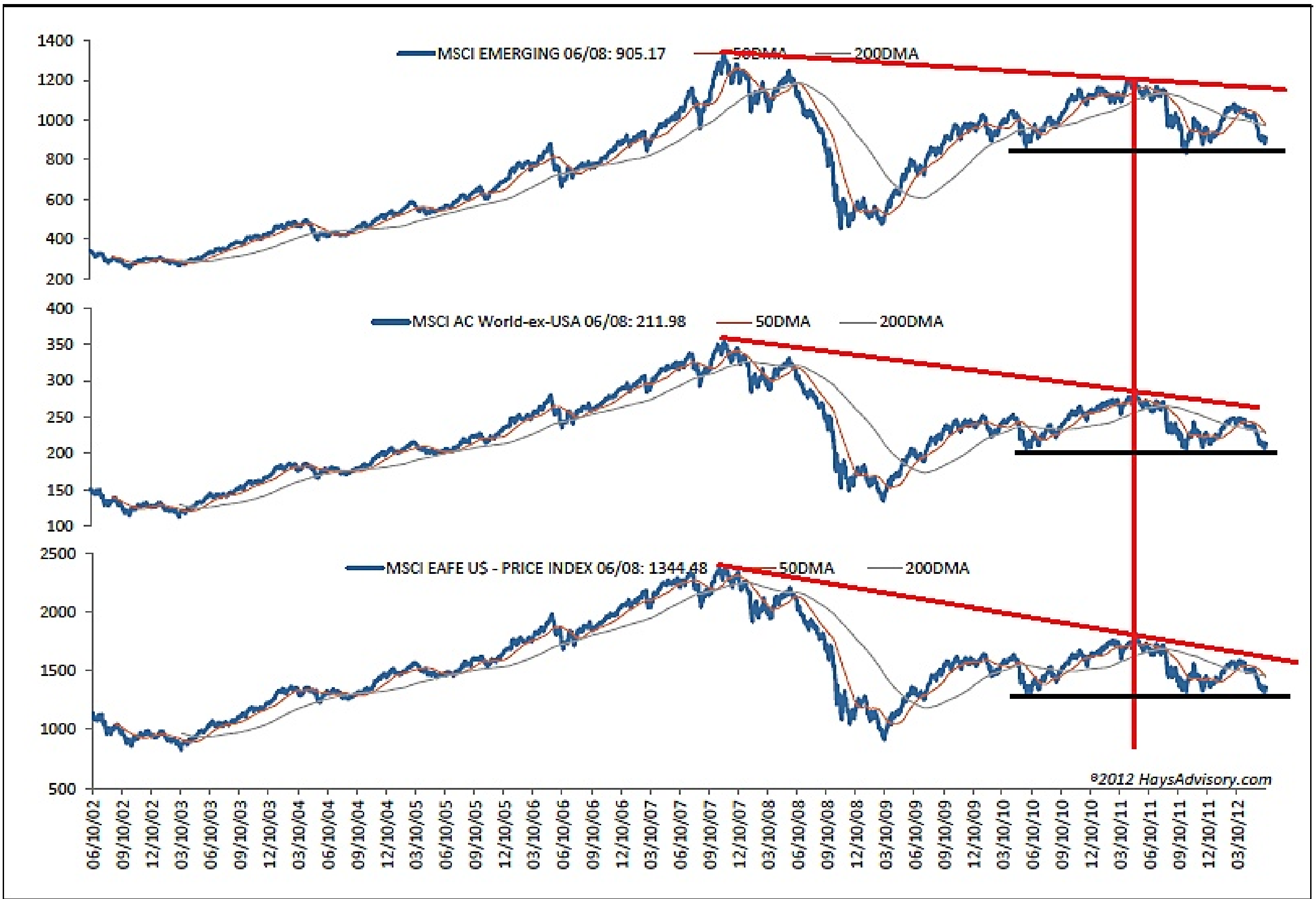
THE ALL SEEING EYE

On Market & Economic Indicators

MSCI World MArkets
GLOBAL & EU Credit Risk
Global Manufacturing PMI
Unemployment rate
Inflation

Contents Page

MSCI - WORLD MARKETS



What the above Global Equities chart shows us is:

All World Markets are on a steady downtrend,

The developed countries are falling faster than the Asian / Emerging Market countries,

It signals a weakening demand from the industrialized countries as shrinking disposable income impacts the middle class.

We may reached a near term support levels as we have multiple sets of TRIPLE BOTTOMS.

CREDIT RISK - GLOBAL CREDIT DEFAULT SWAPS

Anything over 300 is a concern.

MIDDLE EAST & NORTH AFRICA
Dubai (345) and Egypt (550).

VENEZUELA at 1131 and rising may be a blow to Latin America

ASIA
China at 174 has been steady.

USA
Has been steadily improving

CONCLUSION : There has been a significant improvement in Credit Risk as measured by CDS since the EU LTRO announcement in early December 2011.

Sovereign Credit-Default Swaps

	LAST		2 Mo Ago	5 Mo Ago
CHINA 5-YR	173.57		173.57	173.57
DUBAI 5-YR	345.00	↓	454.41	500.41
EGYPT 5-YR	550.00	↓	585.00	472.42
INDONESIA 5-YR	145.50	↓	185.00	304.65
JAPAN 5-YR	106.00	↓	135.50	148.82
REP. OF KOREA 5-YR	109.92	↓	151.92	299.79
PANAMA 5-YR	108.675	↓	140.15	198.00
SWITZERLAND 5-YR	54.78		54.78	33.20
UNITED KINGDOM 5-YR	59.16	↓	83.82	94.22
UNITED STATES 5-YR	32.66	↓	45.57	52.25

UNDER the LENS
Global Macro Analysis

CREDIT RISK - EU CREDIT DEFAULT SWAPS

Anything over 300 is a concern.

There has been a significant improvement in Credit Risk as measured by CDS since the EU LTRO announcement in early December 2011.

GIIPS

PORTUGAL: At 1274 and though recently having accepted an EU/IMF bailout, Portugal is still showing that the problem has not been solved.

SPAIN: At 377 Spain would appear to be in the best shape of the GIIPS. However, the Spanish banks have the highest PIIGS exposure as a percentage of their domestic banks' Tier I Core Capital requirements.

Sovereign Credit-Default Swaps

	LAST		2 Mo Ago	5 Mo Ago
AUSTRIA 5-YR	157.345	↓	181.72	170.34
BELGIUM 5-YR	212.32	↓	273.44	260.13
DENMARK 5-YR	109.00	↓	131.16	144.93
FINLAND 5- YR	57.895	↓	69.86	80.16
FRANCE 5-YR	165.00	↓	183.84	186.94
GERMANY 5-YR	68.50	↓	95.50	112.18
GREECE 5-YR	75.90	↓	5891	6000
HUNGARY 5-YR	520.00	↓	610.42	531.67
IRELAND 5-YR	633.335	↓	660.00	698.68
ITALY 5-YR	357.02	↓	465.21	475.00
NETHERLANDS 5-YR	94.085	↓	110.07	104.42
PORTUGAL 5-YR	1394.54	↑	1273.91	1115.81
SLOVAKIA 5-YR	225.00	↓	296.33	244.36
SPAIN 5-YR	399.525	↑	377.33	382.73
SWEDEN 5-YR	42.50	↓	69.20	62.99

Source: CMA

UNDER the LENS
Global Macro Analysis

Global Manufacturing PMI

The **JPMorgan Global Manufacturing PMI™** – a composite index produced by JPMorgan and Markit in association with ISM and IFPSM – fell to 50.6 in May, down from 51.4 in April, to its lowest reading in five months.

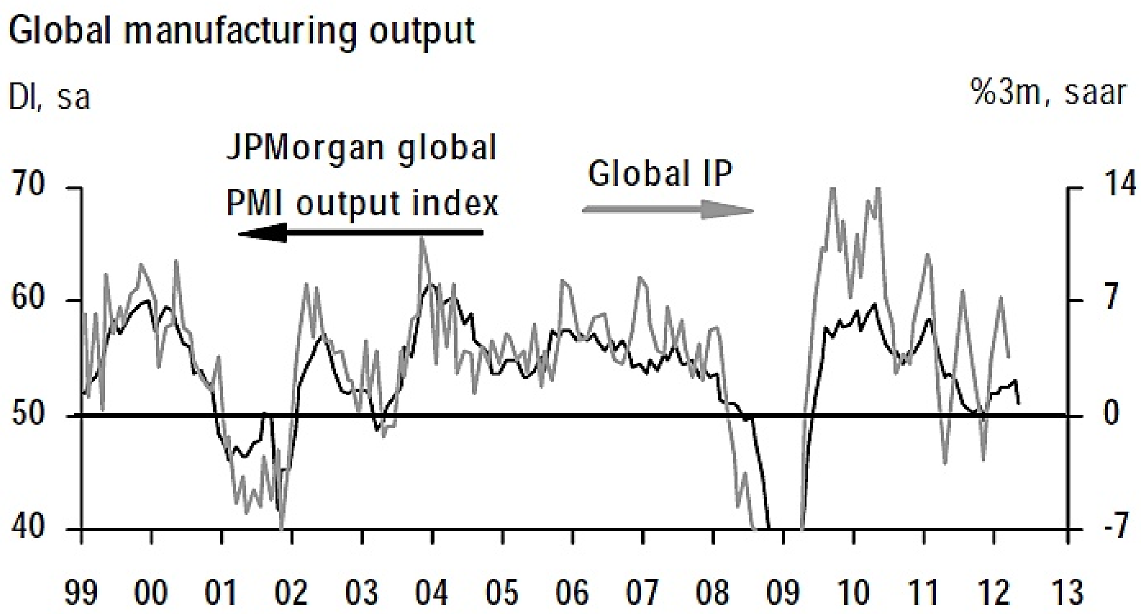
The main drag on global industry remained Europe, withthe Eurozone and UK PMIs falling to three-year lows. PMIs for Germany, France, Italy, Spain, the Netherlands and Greece all signalled contractions. Ireland saw a modest expansion, but Austria edged closer to stagnation.

Elsewhere in Europe, Poland, the Czech Republic and Switzerland all reported faster rates of decline, and growth slowed sharply in Denmark.

There were also signs of slowdown in the US and Asia. The ISM US Manufacturing PMI eased from April's ten-month high, but remained well above the global average. Growthin Japan steadied at a marginal pace, eased in India, Taiwan and South Korea, but conditions deteriorated in China.

Global manufacturing production increased for the sixthmonth running in May, but at the slowest pace during thatperiod. Growth of total new orders meanwhile remainedlacklustre, in part reflecting the first decline in new exportbusiness since last December. Manufacturers in Europe, China and Japan all reported reduced levels of new exportbusiness. Growth of new exports slowed sharply in the US.

Download Full Report:http://www.ism.ws/files/ISMReport/JPMorgan/JPMorganMfg060112.pdf

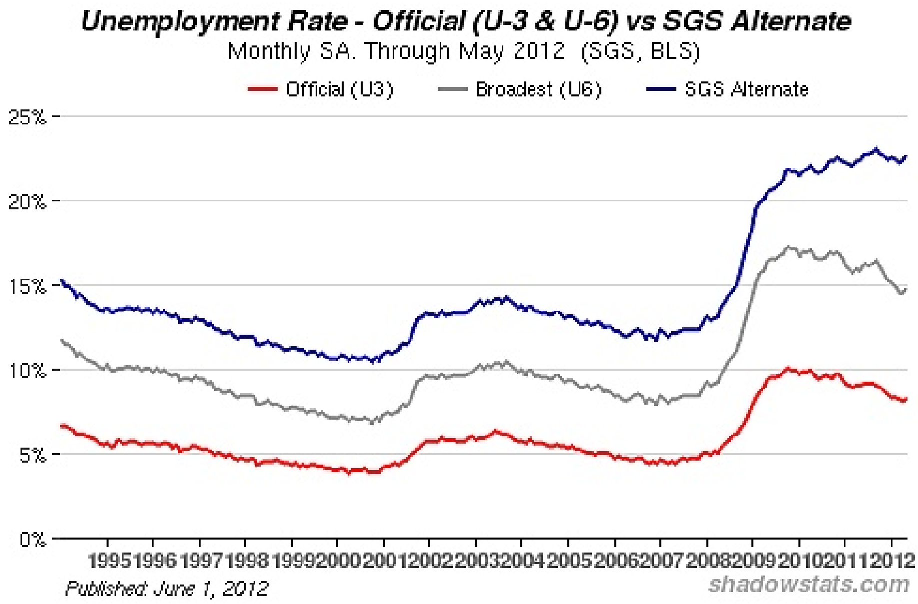


Global Manufacturing *PMI*™ Summary

50 = no change on previous month.

	Apr	May	Change	Summary, rate of change
Global PMI	51.4	50.6	–	Expanding, slower rate
Output	53.1	51.0	–	Expanding, slower rate
New Orders	51.8	51.4	–	Expanding, slower rate
Input Prices	56.2	50.0	–	No change, from rising
Employment	51.2	51.6	+	Rising, faster rate

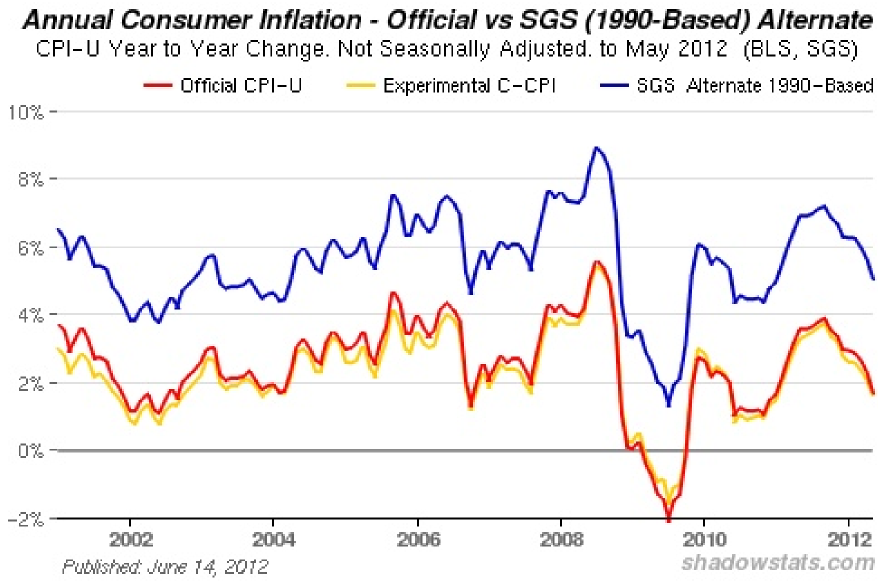
Unemployment Rate



Unemployment has had a slight uptick, remaining high with over 1/5th of the reported population being unemployed.

Inflation has seen some improvement, but still remains high at close to 10%.

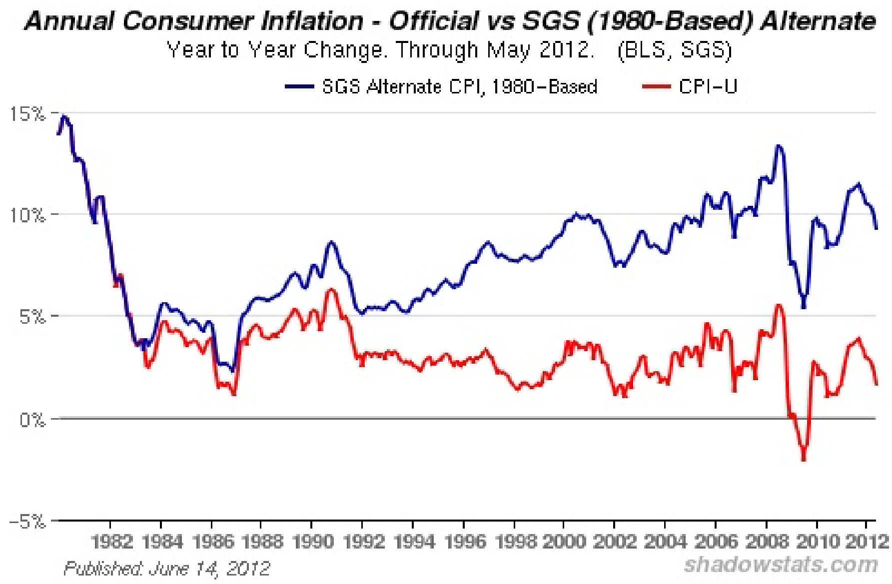
Inflation



Consider the ramifications of an inflation rate around 10%.

How does that compound from year to year?

Your investments must be getting over a 10% return, *just to break even.*



Need To Know
Technical Analysis

Boundary Conditions,
Channels & Regressions
Rounded Top
S&P Current
Markeet drivers

Contents Page

Boundary Conditions

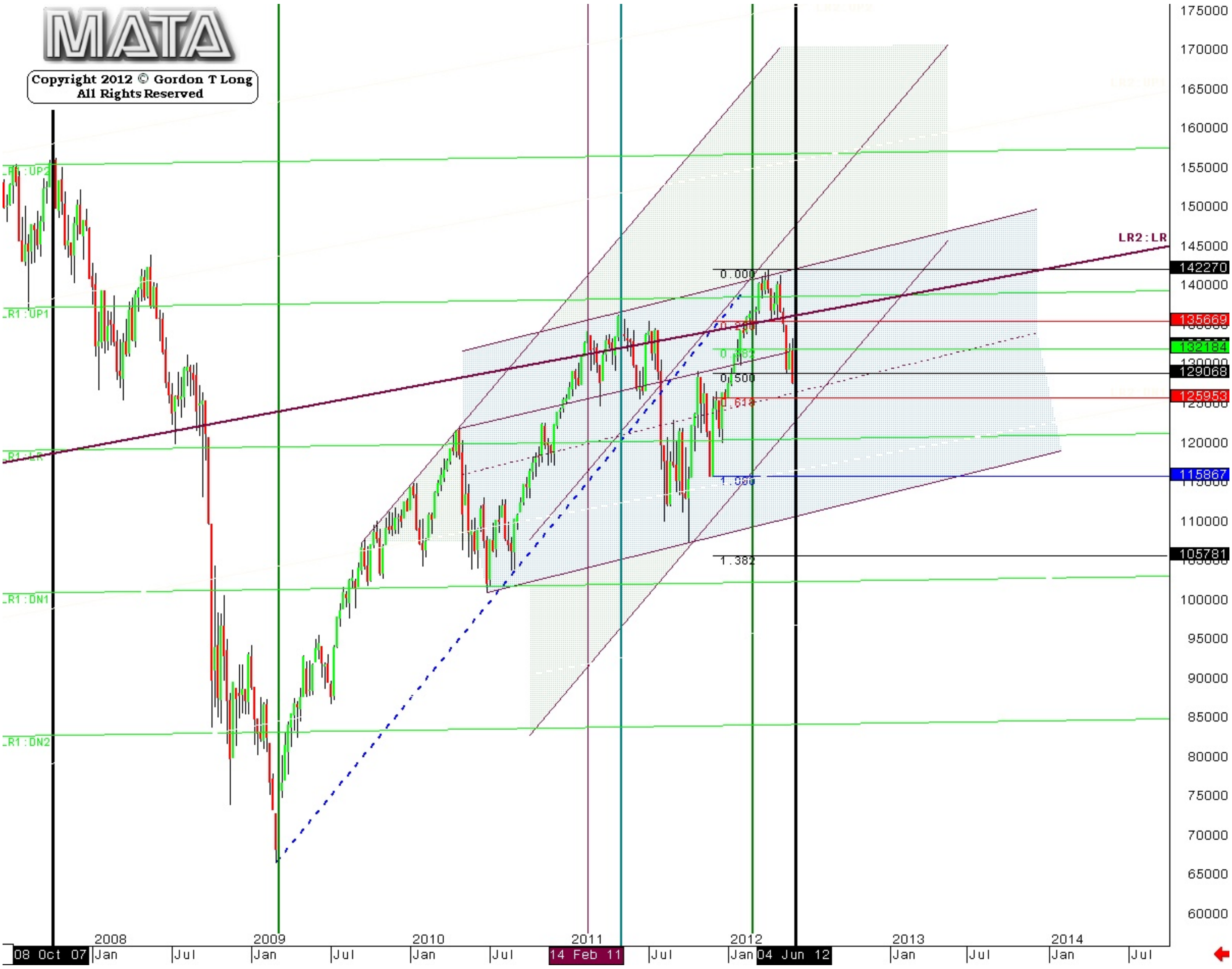
Boundary Conditions Update

We have tested and found initial support at the 400 DMA & 200 DMA

The RSI Oscillator at the bottom of the graph suggests we have found short term support but the lowering trending resistance (light grey) line will offer overhead resistance.

There is a Bollinger Cross showing as a strong possibility in the Intermediate Term with a touch of the lower 2 standard deviation band. THE FED IS LIKELY WATCHING THIS EXPOSURE VERY CLOSELY.

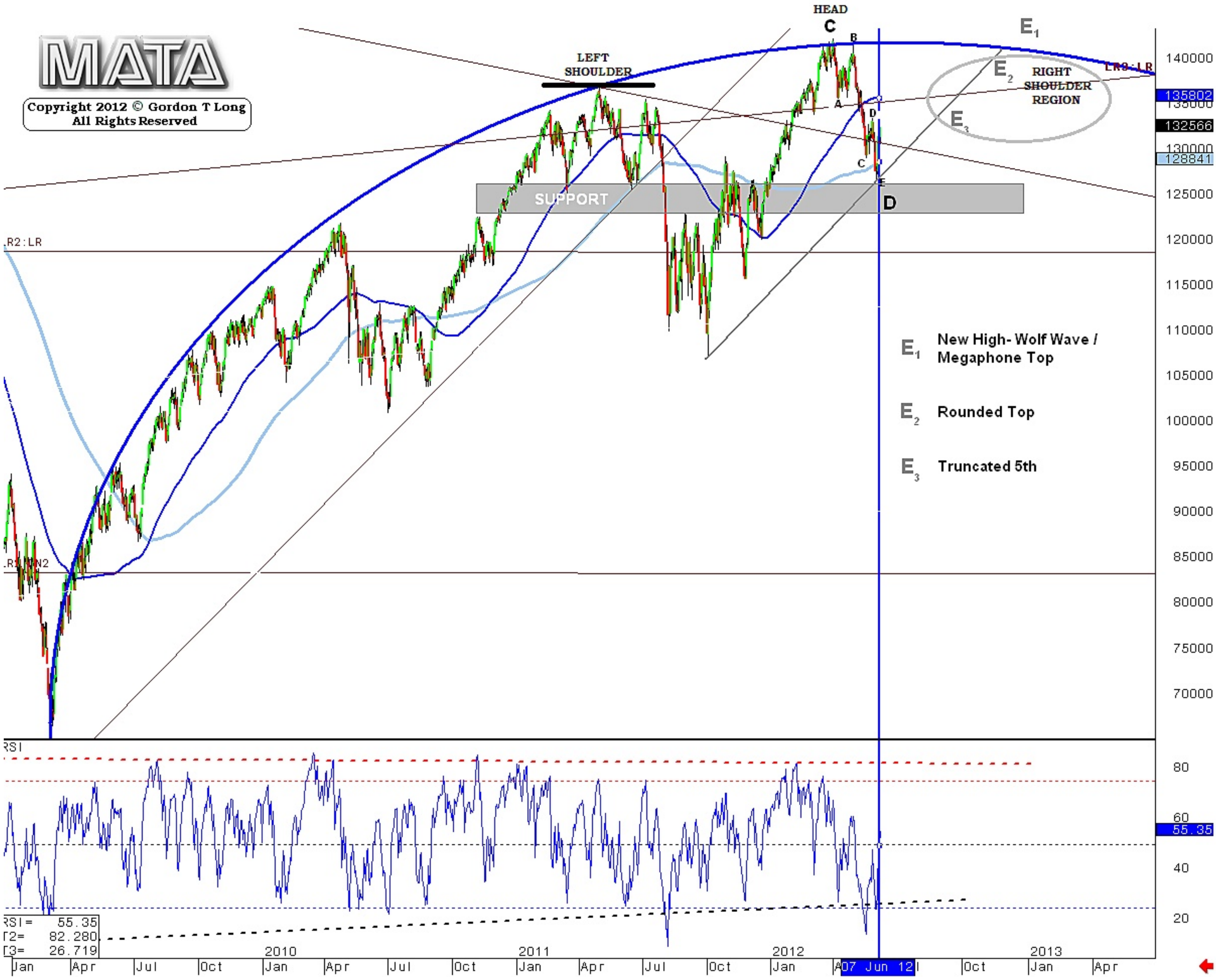
Channels & Regressions



Channels & regressions Update

The market has reacted to the signals and technicals we outlined last month with extreme volatility. We have witnessed the Biggest Up and Biggest Down moves in a single week in the last 3 months.

Rounded Top



What this chart shows us is:

We can expect an Election year rally once the overbought sentiment has been worked off and some level of fear has been injected into the market.

The Global Central Banks will likely begin signaling their liquidity injections intentions by that time frame.

We can expect a summer rally into August / September as part of the Election Year Cycle and a Coordinated Central Bank intervention and liquidity injection.

The rally will put in the right shoulder of a classic Head and Shoulders formation.

We have three possibilities labeled as E1, E2 and E3. All have been discussed in previous reports. The determination is based on the timing and degree of coordinated global central bank intervention expected

Current Analysis - June 27, 2012

As noted in last months analysis, and then in the updates to the charts this month, we had good reason to suspect a lift from the target area. "D "appears to have come in at a technically significant point. It fits well with multiple sets of channels, timing and boundary conditions. We came down slightly from last months update, however it did not change the count or result very much. Last rise from D appears to be a 3 wave structure and this continues to hold well with our thoughts on the overall count / wave structure.

Current location suggests a little more down is possible, but we should be expecting a bounce at any time. The W%R supports this and offers us a trigger as it lifts back up through the -80 level.

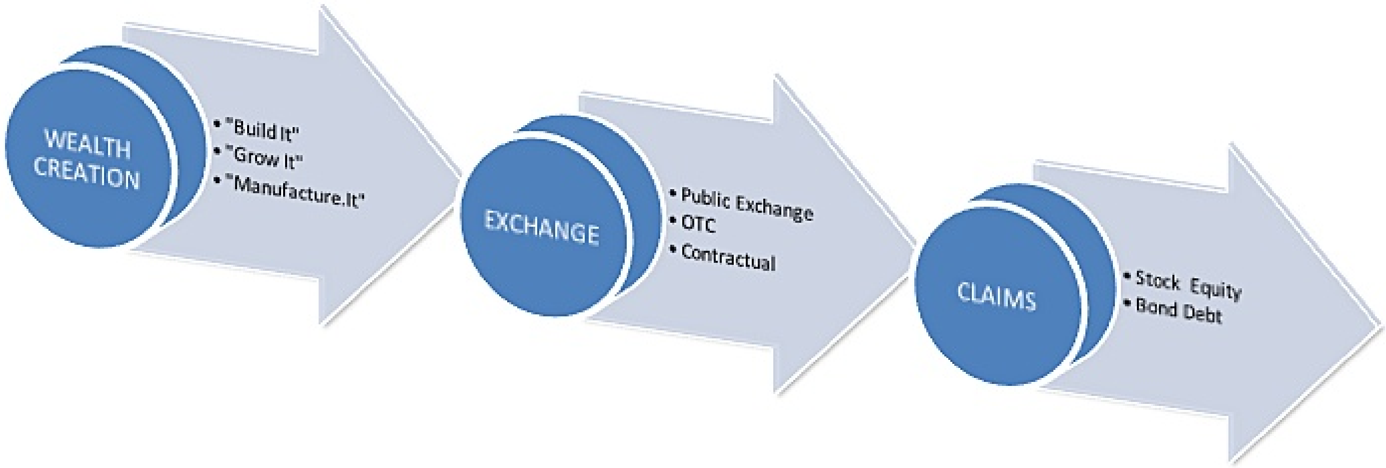
Should the market continue to fall, we have several channel s/r's and Fib retrace levels to observe as triggers for a continued down.

Our bias at this time is Up, as indicated by the count here and in previous charts.

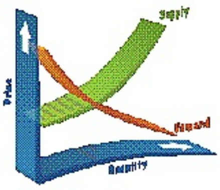
DRIVER$

Market Analytics & Technical Analysis

Our Global Macro Analysis becomes critical in identifying and preparing for major market reversals or pivots.



GLOBAL MACRO ANALYTICS

WEALTH CREATION →  → **COMMODITIES** → **CURRENCIES** → **YIELDS** → **EQUITIES**

- Mine It
- Grow It
- Build It

- Oil, Gas Coal,
- Soft Commodities = Food
- Hard Commodities = Minerals
- Livestock

GOLD
SILVER

RISK
(CDS, SWAPS, DERIVATIVE HEDGING)

	Commodities	Currencies	Yields	Equities
INSTRUMENTS	FUTURES	FUTURES & FORWARDS	BILLS, NOTES, BONDS MUNI, PREFERRED	STOCKS
EXCHANGE	COMEX CME	CBOE	OTC NYSE	NYSE NASDAQ

Market Drivers (Macro)

The current Market Drivers are show to the right.

They are shown in order of importance, top down, and are what we believe to be currently driving market movements.

Note that the SPX is the tail on the dog. As shown on the graph, a move in the US$ will currently cause an opposite reaction in the SPX.

Please note that these relationships are not 'tick for tick' but show a general relationship between markets.

Yen: Euro
Euro:Usd
US$ Index
Gold
Bond Yields
SPX

TRIGGER$

Economic & Technical Analysis for the Active Trader

www.triggers.ca

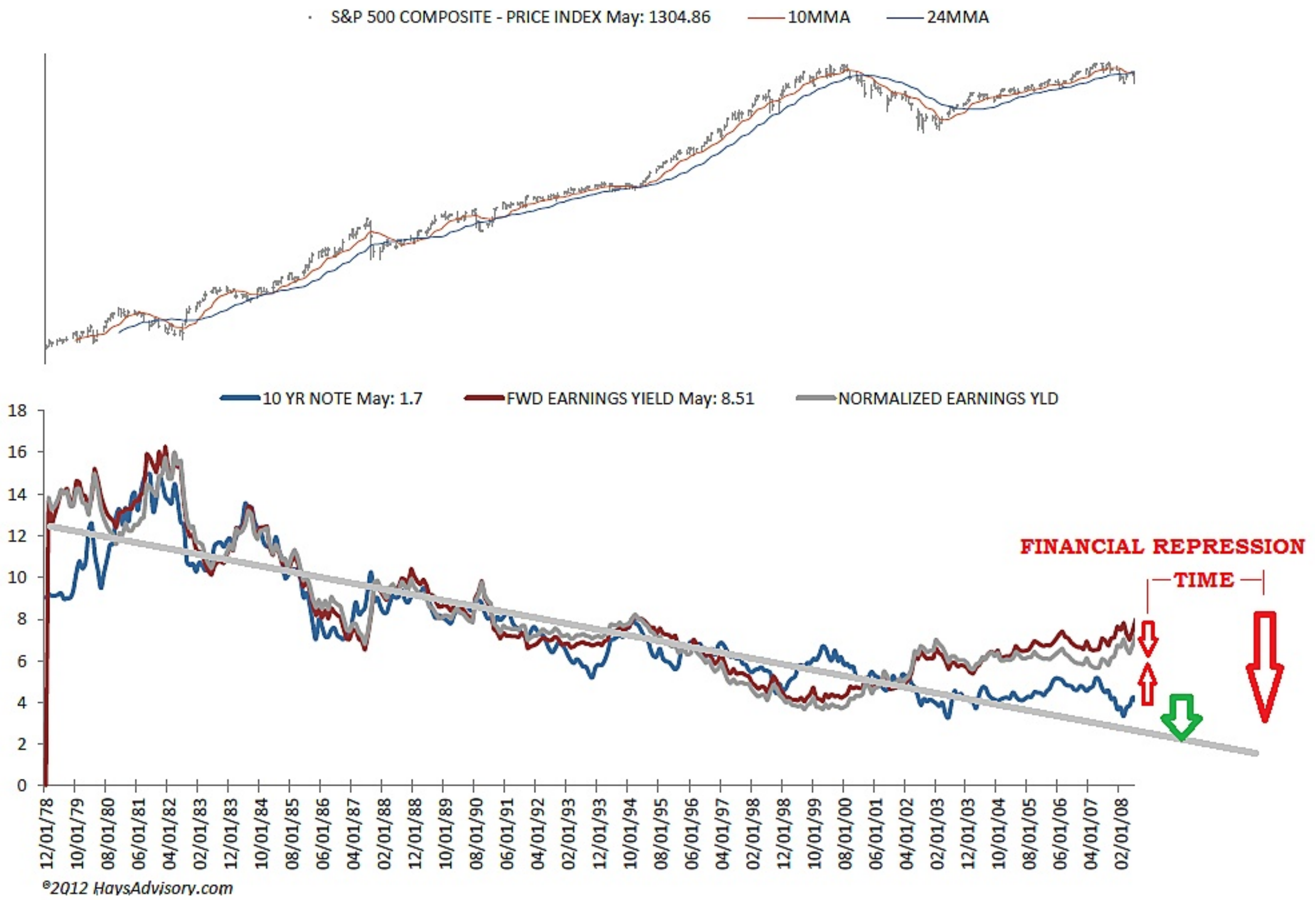
DRIVER$

Market Analytics & Technical Analysis

US TREASURY SPREADS

In last month's "Driver$: Unusual opportunities" we showed the importance of understanding the current macroprudential strategy of "Financial Repression" to gain a clearer insight and trading advantage in these increasingly turbulent markets.

This strategy dictates that US Sovereign Treasury rates are headed lower and stocks in REAL value are headed lower, though in Nominal terms stocks can be expected to soon rally.

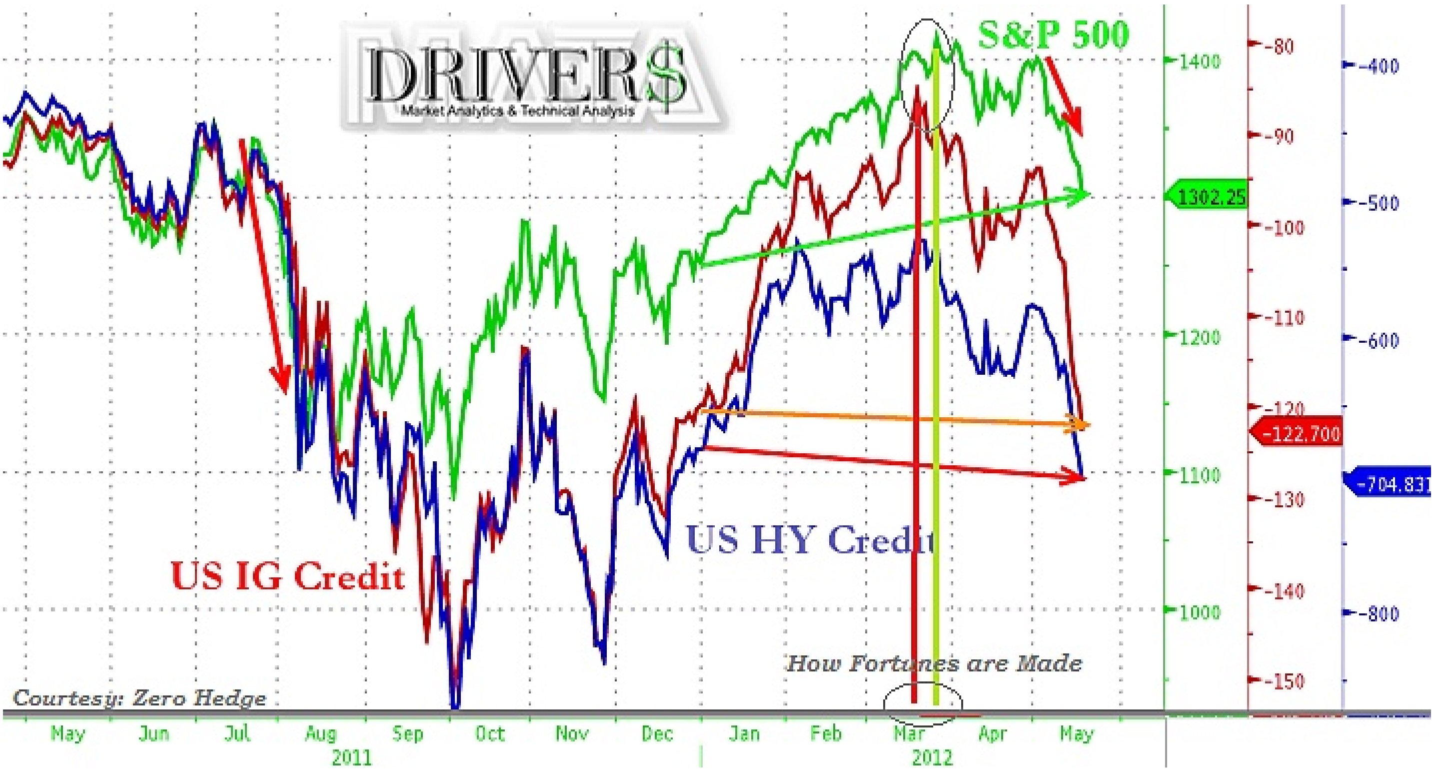


(cont. pg.23)

JUNE, 2012
TRIGGER$
Economic & Technical Analysis for the Active Trader
www.triggers.ca

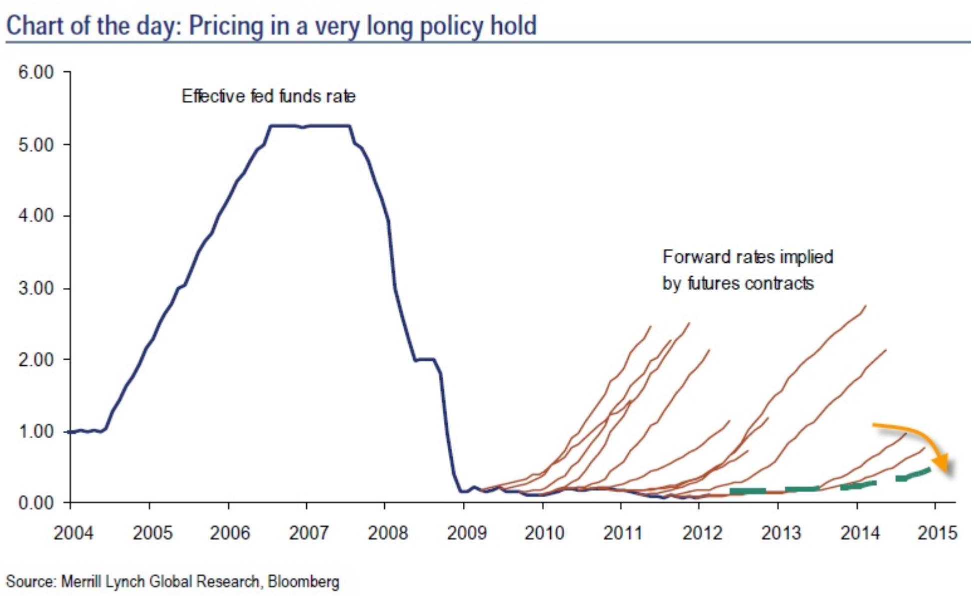
23
Feature Article

If you had followed this strategy you would have been watching the IG (Investment Grade) and HY (High Yield) Spreads very carefully. If you had, you were given a two week window to prepare and take full advantage of the pending equity drop. The same window that JP Morgan and Goldman Sachs needs to reposition literally Trillions of dollars of instruments (JP Morgan holds $54 Trillion in INTEREST rate Swaps alone). Moves of 26% (2.30 - 1.67 /2.30) on highly leverage Trillion dollar holdings are something that you don't speculate on. You get the PIVOTS and DRIVER$ right.



US TREASURY YIELDS - UST Lowest in 120 Years. What is This Telling US?

What we see now is that the forward rates implied by futures contracts is telling us that the market believes both rates will stay low for an extended period of time but that further lows in yield are a strong possibility.



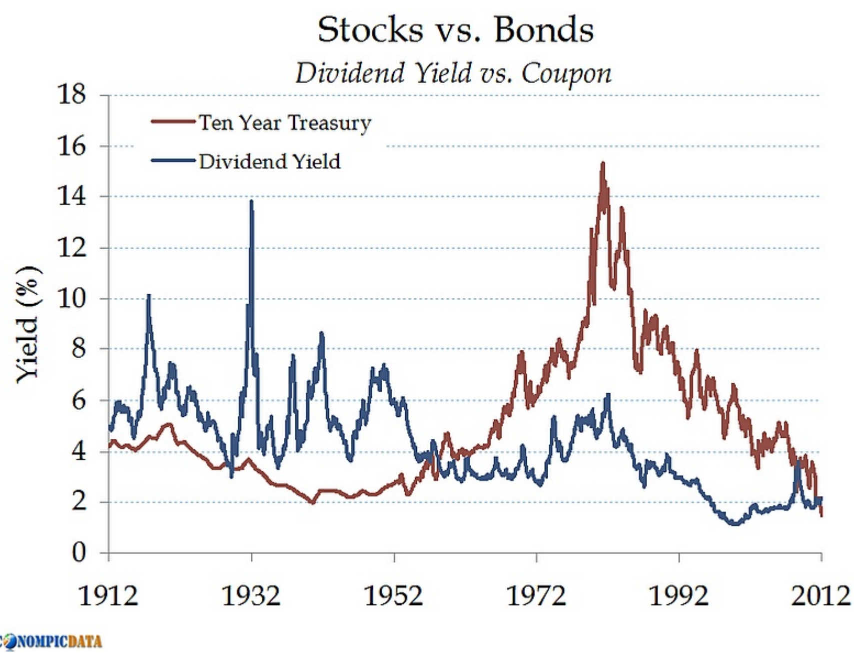
(cont.pg.24)

DRIVER$: US Treasury Spreads (cont.)

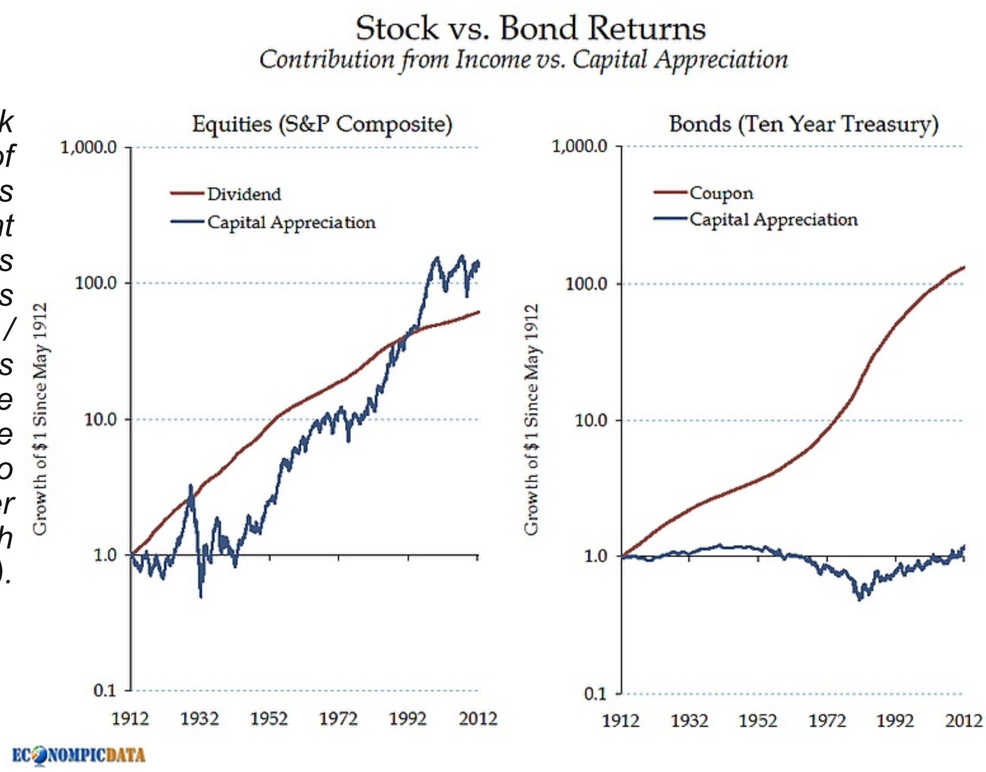
Dividend vs. Treasury Yields 06/05/12 Economic Data

The dividend yield of the S&P 500 is above that of the ten year Treasury for the first time since the financial crisis. Before that we have to go all the way back to the 1950's to find a time when this was the case.

The kicker... stock dividends have only made up about 45% of total S&P composite stock returns over the past 100 years, while Treasury bond coupon payments have made up north of 96% of Treasury bonds returns over that same period (see below). What this means for an investor is unless you think dividends will be cut and/or capital appreciation will be negative (i.e. corporate America will shrink in terms of nominal value), stocks are poised to outperform. Stocks appear to be very cheap relative to bonds for investors with a long-term investment horizon, while near term investors need to be careful as we seem to be in a world that is likely to have binary outcomes (i.e. either a boom or an absolute collapse).



The remaining 55% of S&P stock returns have been in the form of capital appreciation, which has become increasingly important since the 1950's (see above), as corporations reinvested earnings back into their businesses / bought back shares (versus paying out dividends), while investors evaluated the relative merits of equities relative to bonds (see the much tighter relationship to bonds, which ratcheted up P/E multiples). Source: Irrational Exuberance



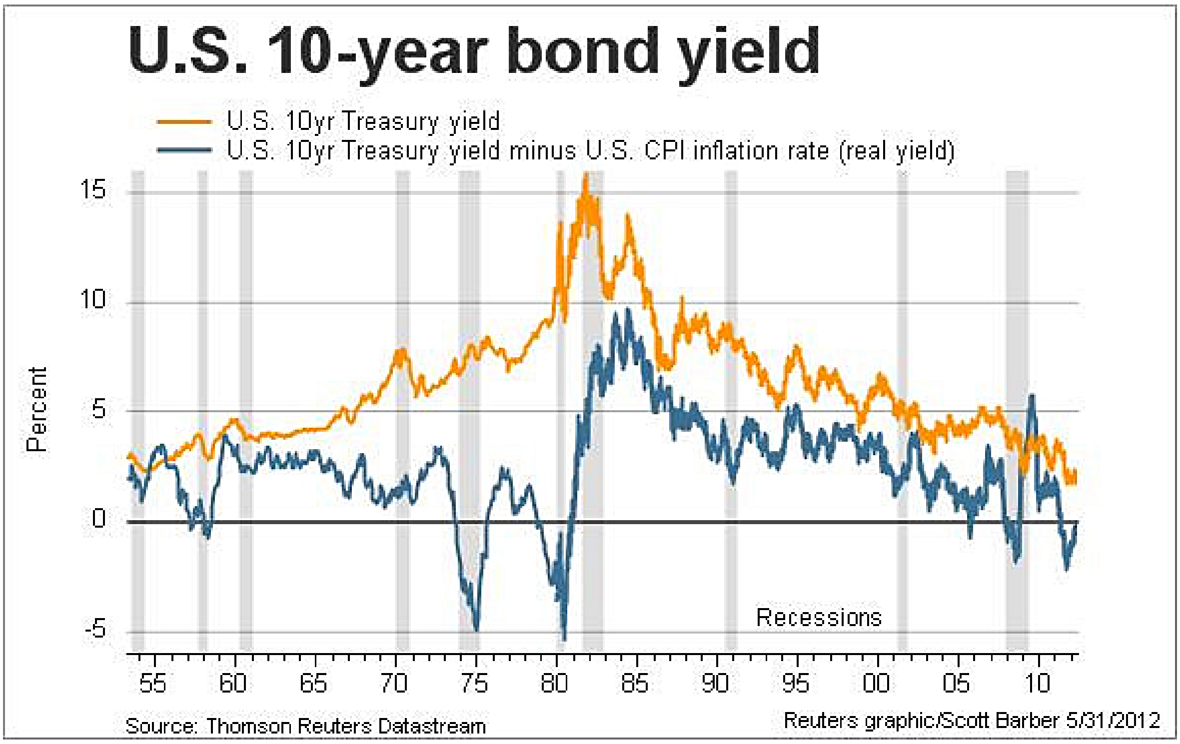
(cont.pg.25)

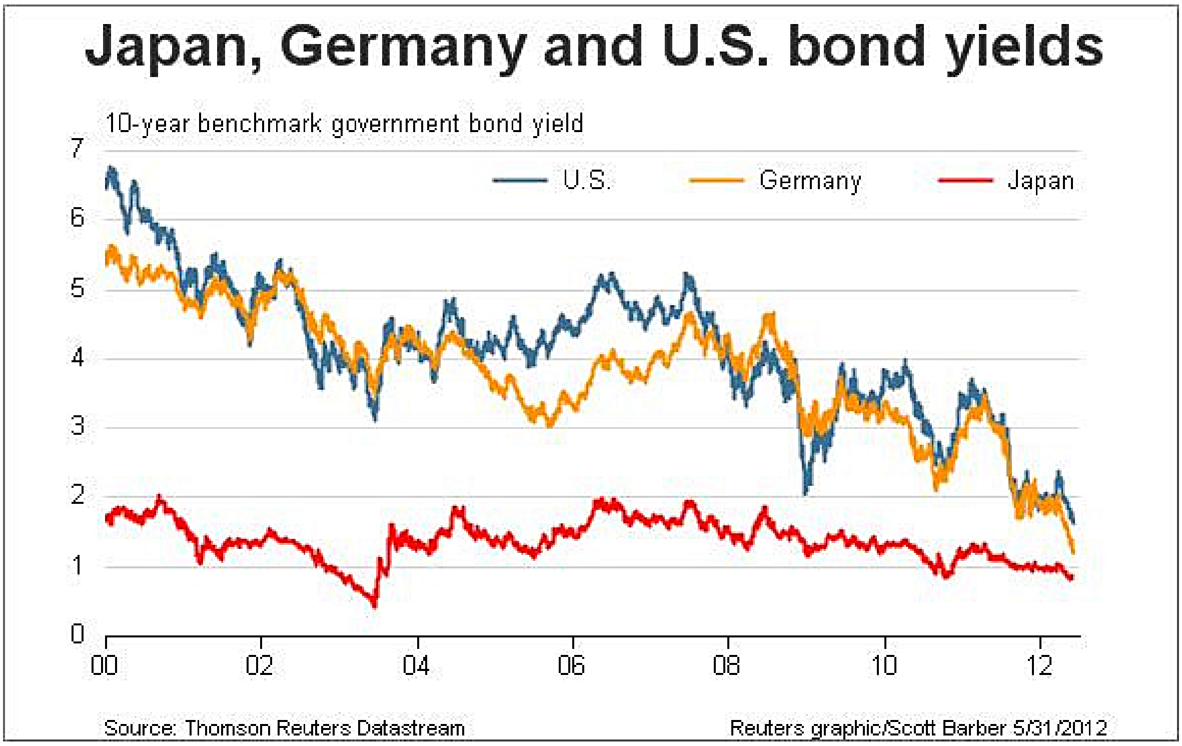
DRIVER$: US Treasury Spreads (cont.)

Fear and uncertainty will keep rates low and even lower than they presently are.

Treasury Yields Break Out of Range; Head Toward 1% 05/31/12 AlphaNOW

It's clear that in a market environment dominated by fear and uncertainty, investors' hunger for safe havens will trump their reasoned analysis about whether these yields represent real value or not. And that fear and uncertainty is unlikely to evaporate any time soon.





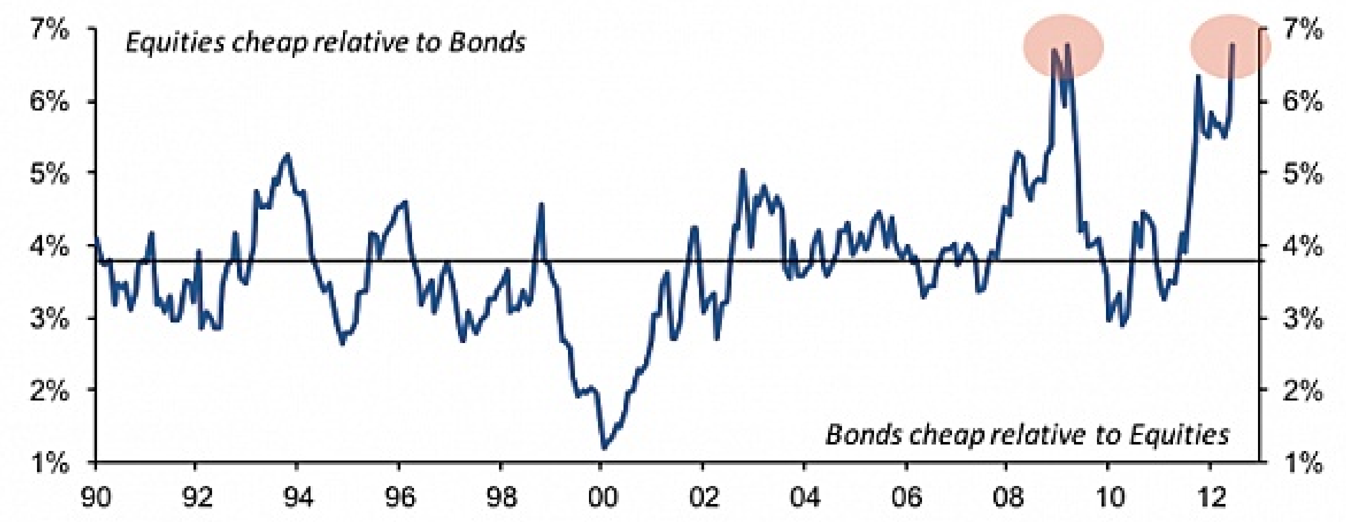
(cont.pg.26)

DRIVER$: US Treasury Spreads (cont.)

Bonds are terribly expensive but are likely to remain so if not get a little more expensive. However, money must be put to work and fund managers are not paid to sit with money in cash. Their high probability move is to take risk on the equity markets, especially after already see an 8% consolidation/ correction and the chance of a breakthrough in the ongoing EU Crisis. Germany appears to be finally capitulating on the EU Redemption Pack. Merkel's party face a similar fate as Sarkozy if they fail to gain traction in a perceived resolution.

SocGen: This Could Be The Best Opportunity To Buy Stocks Since 2009 06/11/12 Soc Gen

US risk premium back to March 2009 level...equities cheap or Treasuries expensive?



Source: SG Cross Asset Research

Top equity strategists have pointed to elevated equity risk premiums as a great reason to buy stocks. When equity risk premiums are high, stocks are either really cheap or bonds are really expensive. Or something in between. Société Generale's Global Asset Allocation team led by Alain Bokobza note that ***equity risk premiums have just hit levels that we haven't been seen since March 2009, when the S&P 500 hit that historic low of 666.***

Should history repeat itself, this could prove to be a good entry point for equities from an extreme valuation standpoint. Over the last two decades, the US risk premium reached 6.8% on two occasions: in December 2008 and March 2009. The latter turned out to be a good entry point for equities, but four months earlier the S&P 500 index was still 17% above its bottom. Should history repeat, we would be close to an opportunity for long-term investors. Note that the last leg of the downward correction in March 2009 was followed by a V-shaped recovery, one so steep that two weeks after the bottom the S&P 500 had fully recovered.

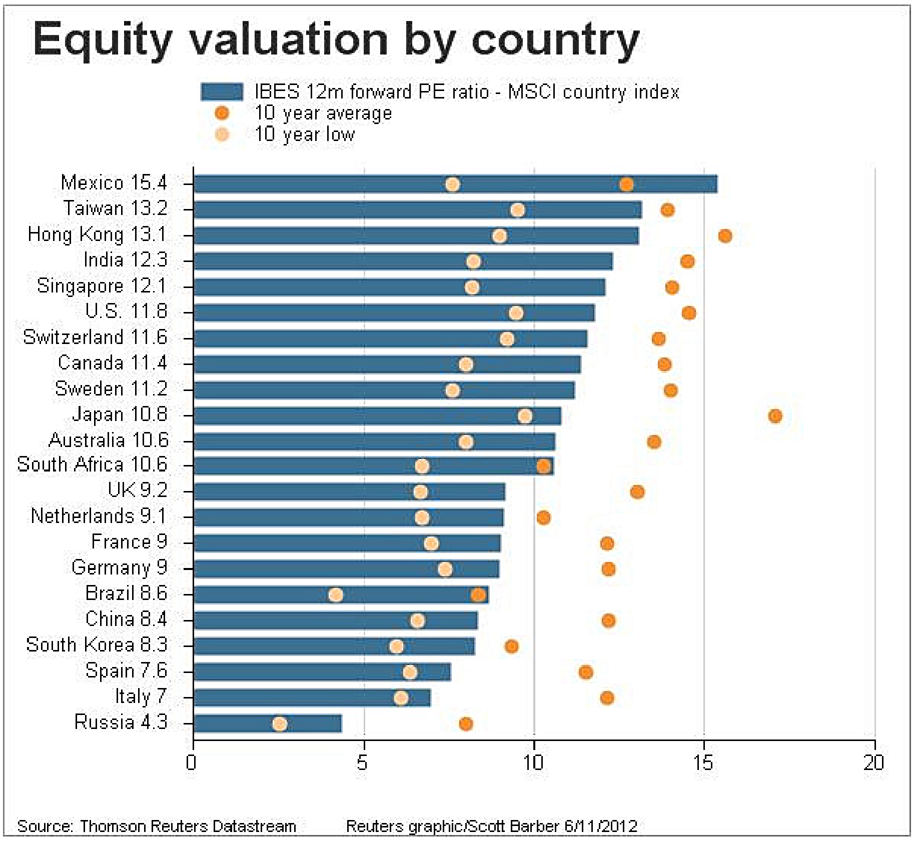
But this time around, they note some differences that make stocks a little less attractive than they were back in 2009.

However, US equity is not outright inexpensive: the Shiller P/E ratio (cyclically adjusted valuation measure) was at 13.3x in March 2009 versus 20x currently. The extremely high risk premium is essentially reflecting the rich valuation of "safe haven" government bonds (1.5% yield now compared to 2.9% in March 2009).

(cont.pg.27)

DRIVER$: US Treasury Spreads (cont.)

Chart of the Week: Equity Valuations Look Like They Have Landed in the Bargain Basement 06/11/12 Scott Barber - Reuters



Interest rates in the United States and Germany are at such astonishingly low levels that it may be impossible for investors not to contemplate re-allocating some cash into the very cheap world of equities, as we saw last week. But it may take many more weeks of that kind of valuation discrepancy, coupled with strong fundamental news (such as better than expected earnings announcements at the end of the second quarter) and an absence of anxiety-generating headlines, to propel stock market valuations toward their 10-year highs once more.

(cont.pg.28)

DRIVER$: US Treasury Spreads (cont.)

DRIVER$

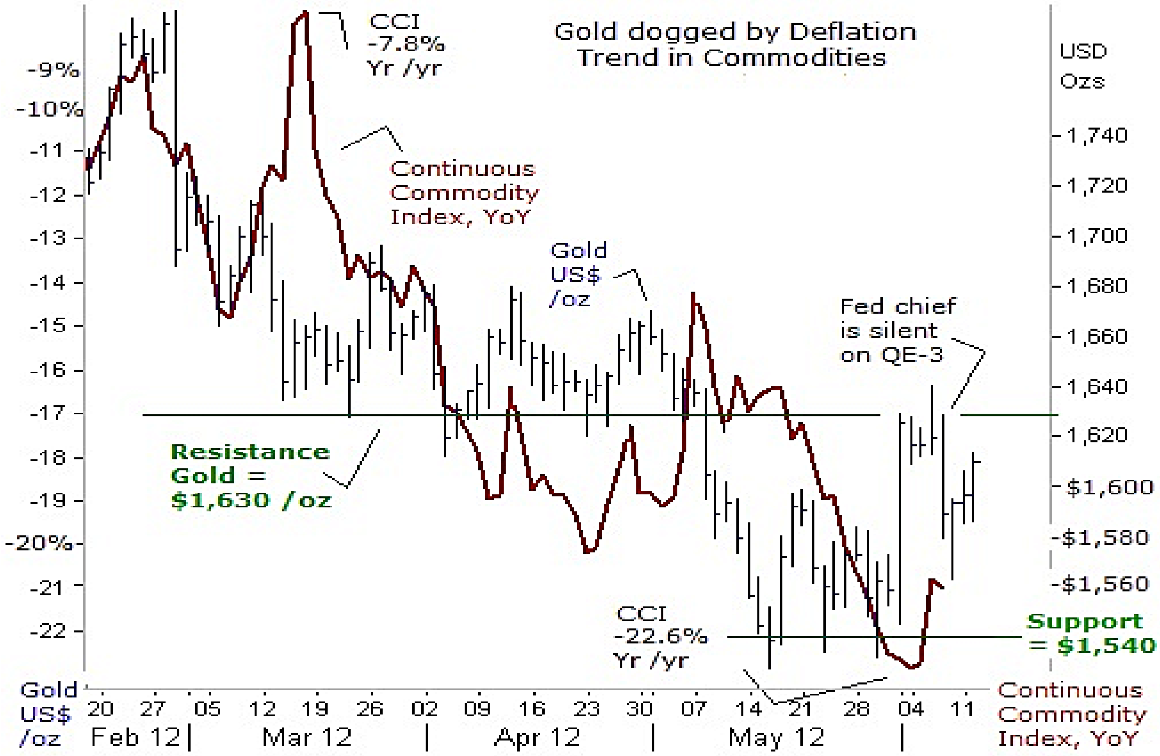
Watch the DRIVER$ and watch what how the pro's know when it is RISK-Off or RISK-ON to reduce risk.

A KEY SHORT TERM PIVOT IN US TREASURY YIELDS

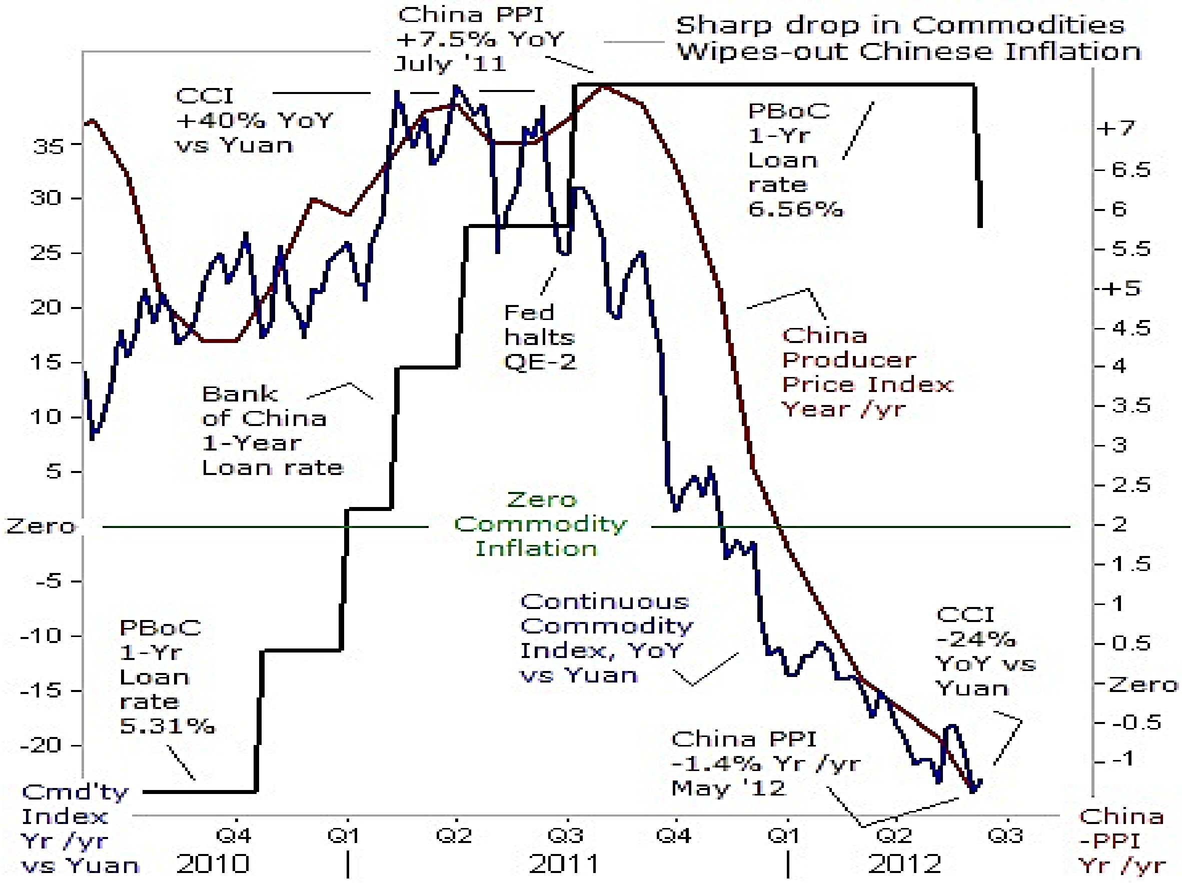
(cont.pg.29)

DRIVER$: US Treasury Spreads (cont.)

COMMODITIES APPEAR TO HAVE FOUND NEAR-TERM SUPPORT



CHINESE INFLATION APPEARS TO HAVE SUBSIDED - Growth Oriented Stimulus now the priority.



CHINESE STIMULUS IS THE ONLY HOPE OF "KICK STARTING" GLOBAL GROWTH!!

(cont.pg.30)

DRIVER$: US Treasury Spreads (cont.)

BOTTOM LINE

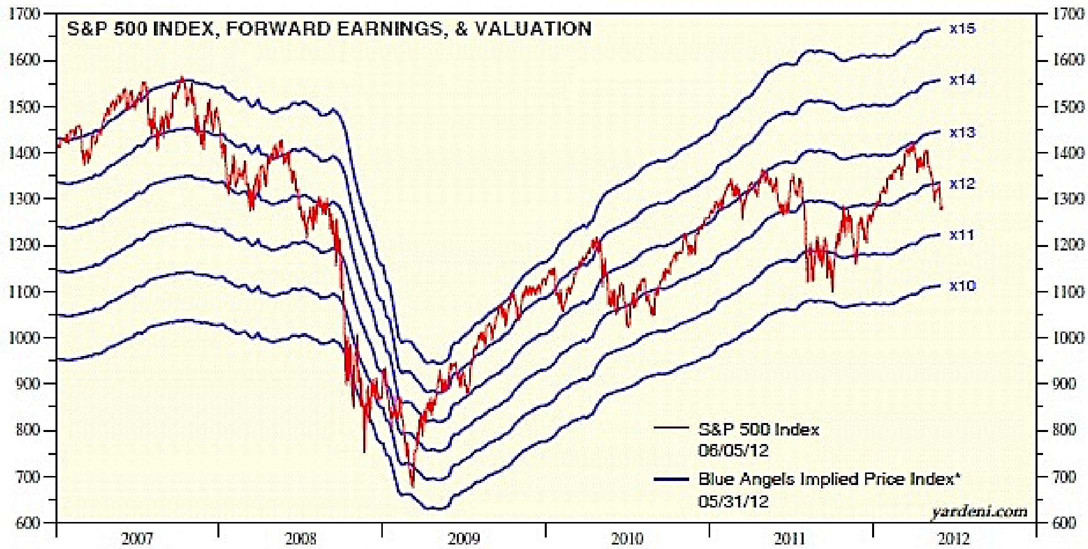
In the short term PE multiples will begin to expand as stocks outperform bonds during this US Presidential Cycle and the EU Redemption Pack and the July 1st launch of the ESM are viewed as viable solutions.

However, in the Intermediate to Longer Term we can expect Bond Yields to head even lower as stocks rollover and head to lower PE levels. A 10 Year US Treasury of 0.75 to 1.00% in 12 -14 months and the S&P 500 below 1000 in 2013 appear to be in the cards unless:

1- The US elects "God" (Obama and Romney don't even qualify as angels)

2- The Central Banks abandon all pretense of monetary responsibility and expand their balance sheets by 2 to 3 times their current levels as the crisis becomes uncontainable.

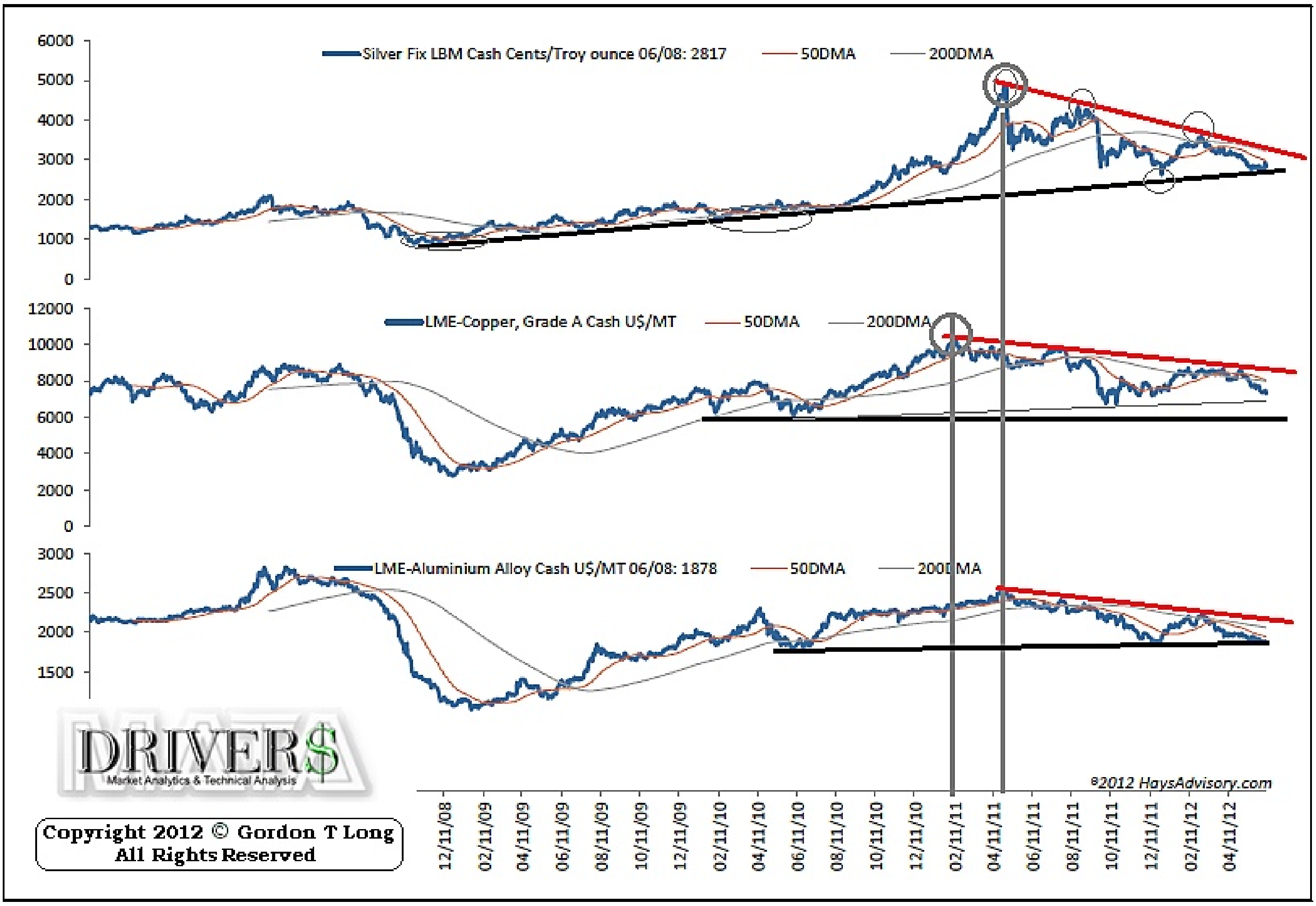
Source: Thomson Reuters I/B/E/S.



* Implied price index calculated using forward earnings times forward P/Es.
Source: Standard & Poor's Corporation and Thomson Reuters I/B/E/S.

END **Gordon T Long**

Copper & Silver



What this chart shows us is:

Dr Copper has been steadily weakening since last winter (2011). It signaled, and is now being supported by PMI indicators, that global economies across the board would slow.

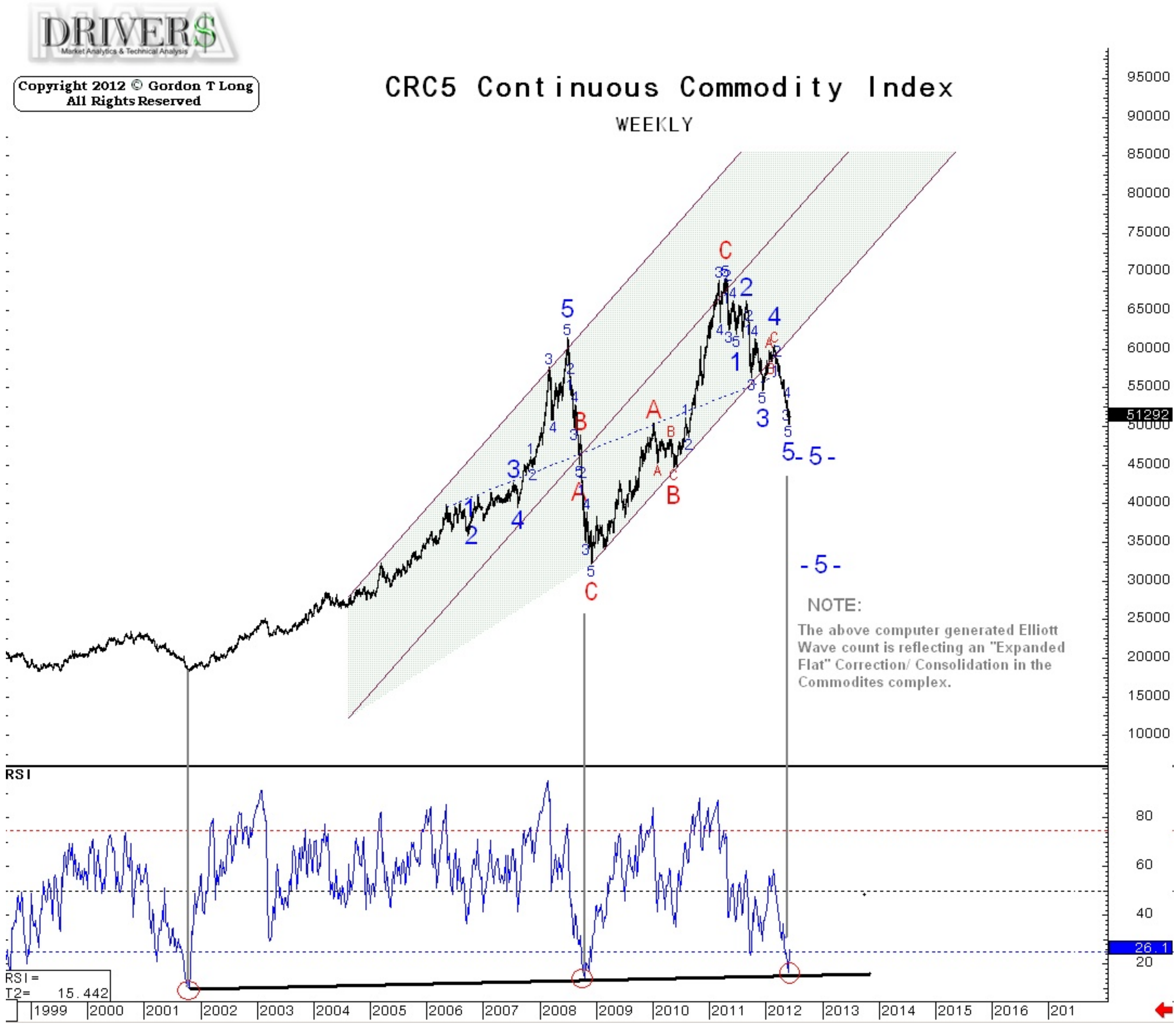
Silver as both a precious metal and industrial meal (electronics) along with Aluminum are supporting the fact that global economies are slowing.

a. We appear to be testing a long term support trend line in both instances
b. A break of the Upper Red Overhead resistance lines will be a critical level to watch going forward.

The fact we have seen no industrial production turn-up in commodities, despite massive global central bank liquidity injections, Zero Interest Rate (ZIRP) policies and fiscal stimulus should now be seen as a major global economic concern.

Commodities overall have broken their trend channel in what would appear to be an "Expanded Flat" Correction / Consolidation in the Commodities complex.

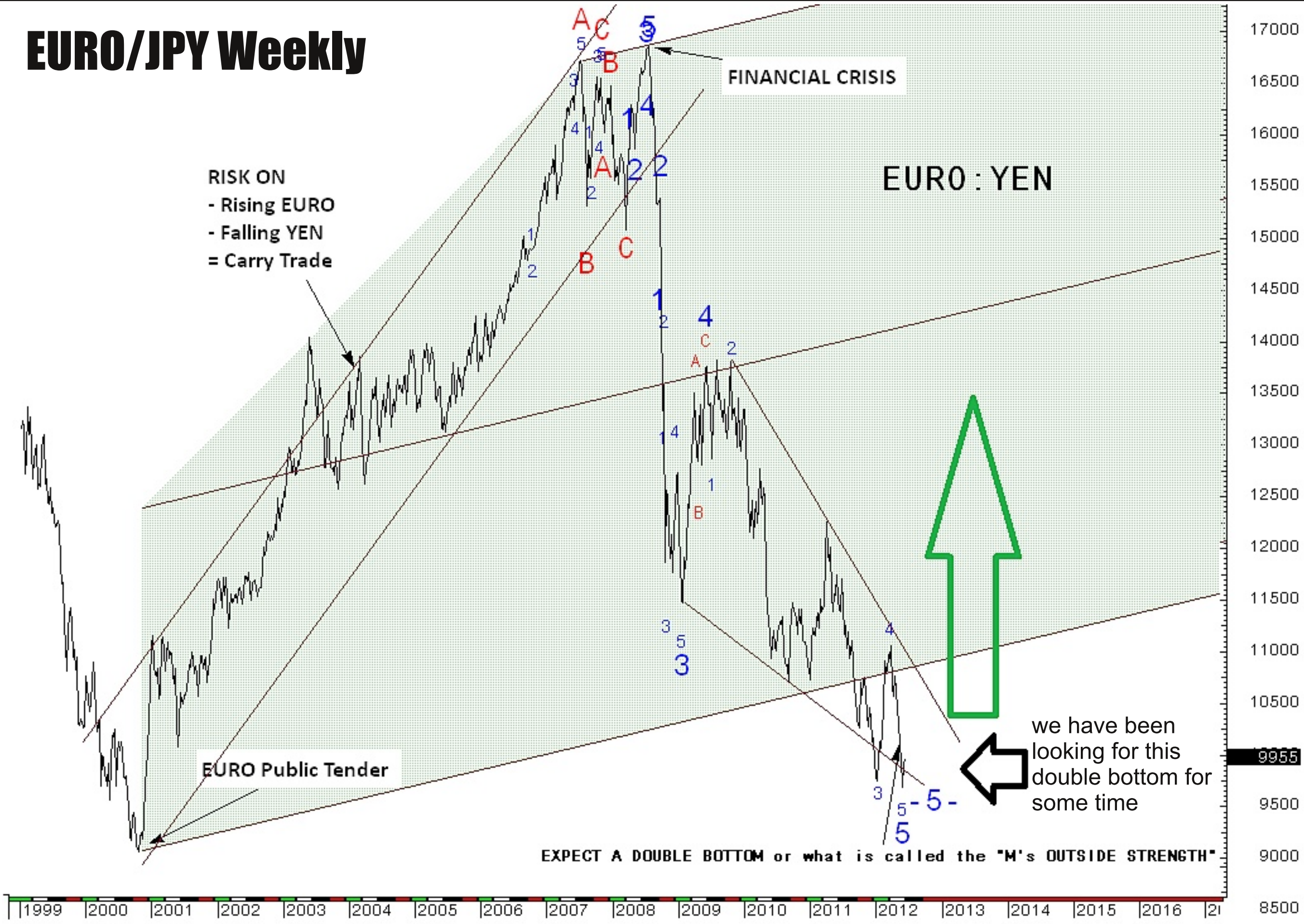
Commodity Index



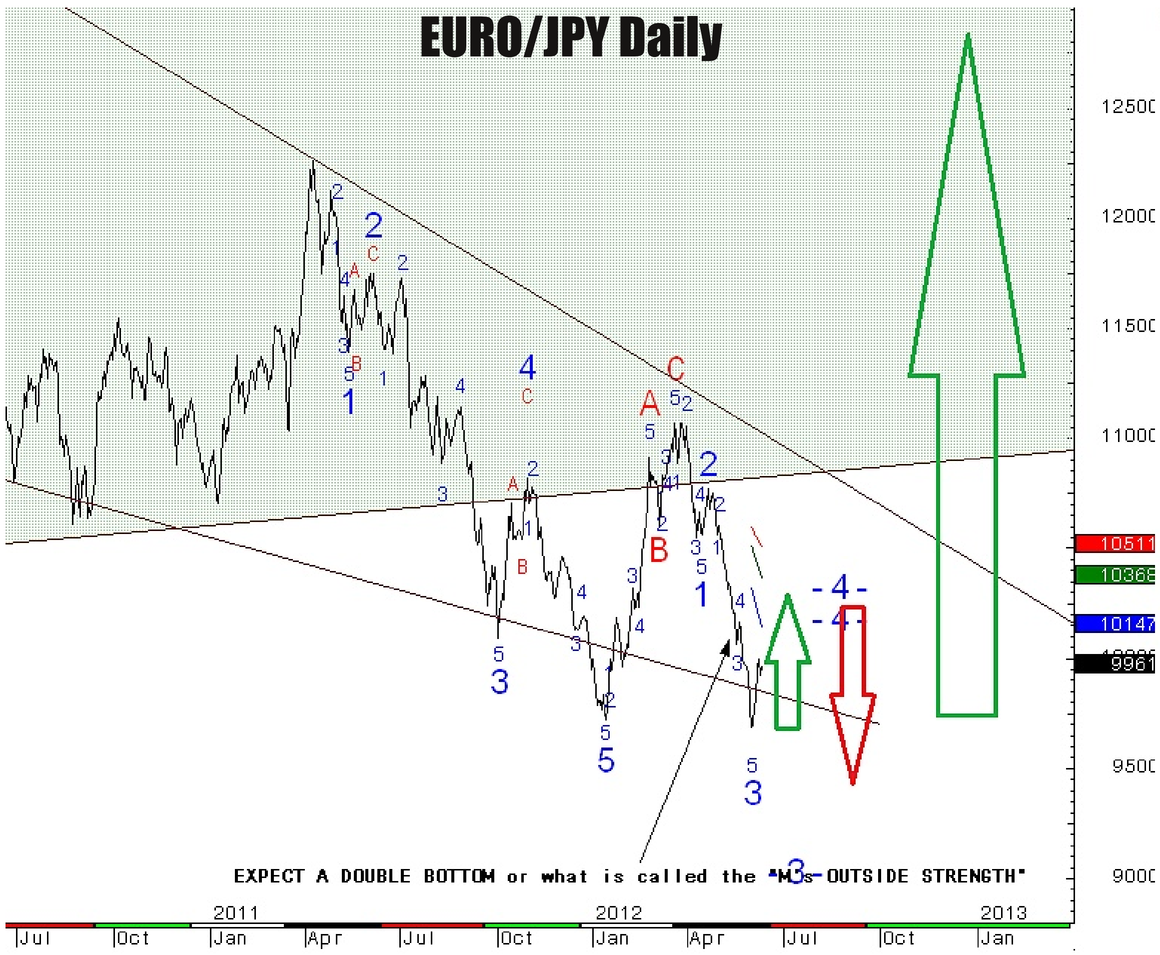
What this chart shows us is:

CHANNEL BREAK: We have broken a long term upward channel,

INFLATION EXPECTATIONS: The central Banks primary reason for temporarily holding further liquidity injections is to get commodities down and to 'disarm' inflation expectations. It is only with contained expectations that Central Bankers can be assured that further liquidity boosts will no spook the bond market



This is more about a planned and managed attempt at weakening the Yen than strength in the Euro



US Dollar

The longer term view is what we have been following for a while, updated in the chart to the right from last months chart.

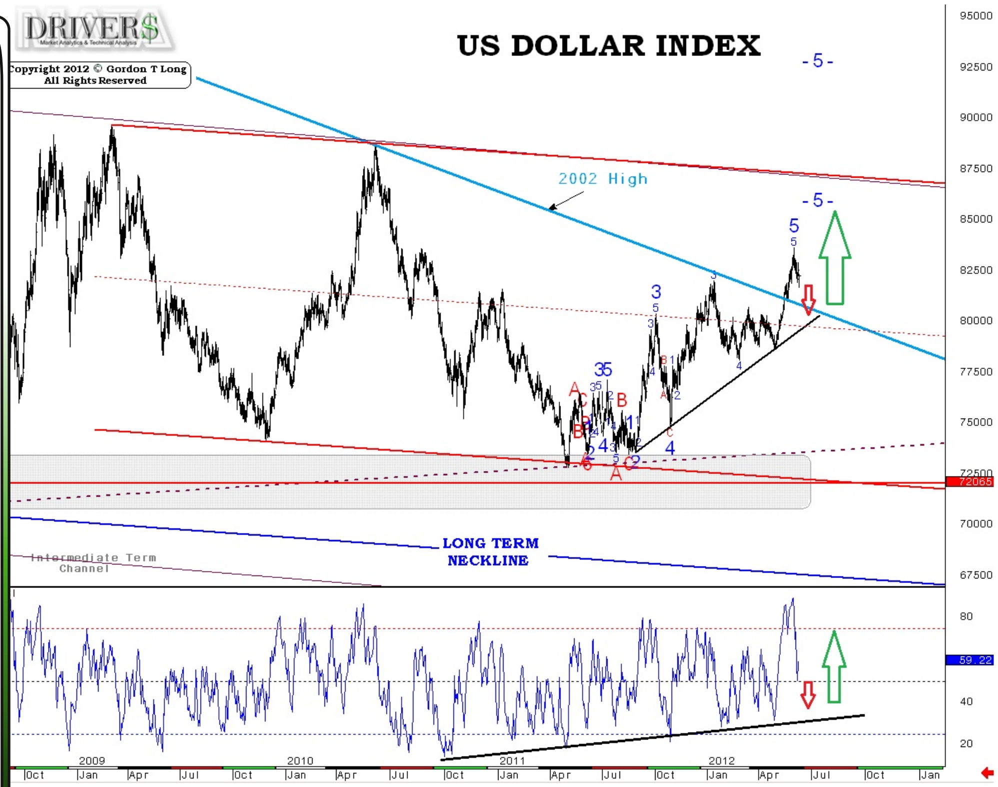
Below we can see a closer view of the most recent action (as of July 27th)

The market appears to behaving as predicted, for several months now, and we are watching to see how high the current wave is going to lift.

Several TA s/r's are above the current position, any of which can provide a place for pullback or pivot.

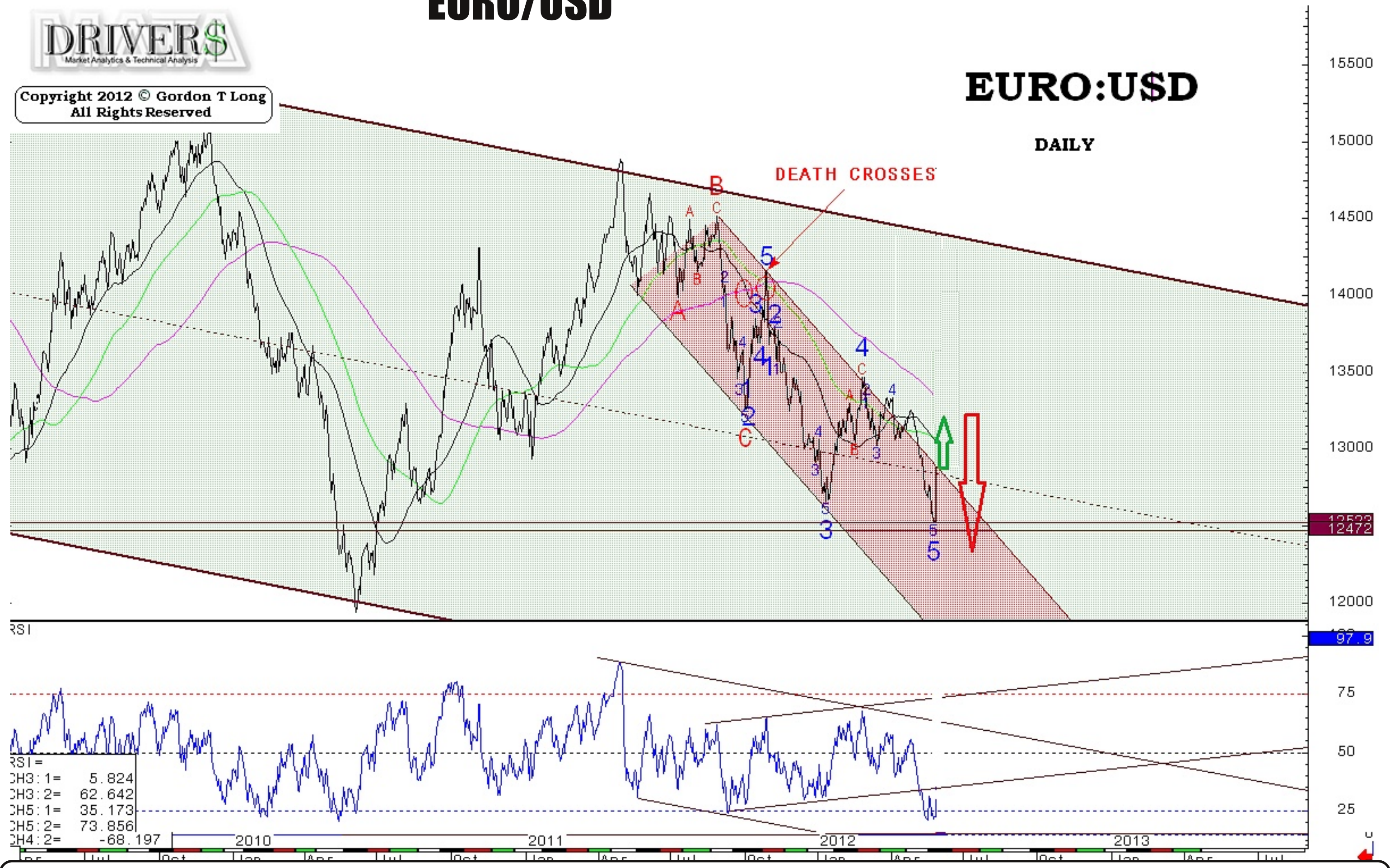
Ultimately we can see the long-term possibility of it reaching back up to the red channel (top chart). As mentioned, several triggers are available along the wave to consider as the market moves.

The current pattern appears to be a continuation pattern, with a potential of another sever lift, similar to the lift that broke out of the light blue pattern resistance (lower chart).



W%R currently remains above the -20 level, supporting more lift. Watch for warnings the trend may be over - turning of the indicator and then falling through the -20 level.

EURO/USD



Above we can see the long term perspective for the EURO/USD. Below is a zoomed in daily chart current as of July 27, 2012.

The overall, longer term pattern we have been following and forecasting for a few months now has been unfolding as expected.

While we may have come to near term support at the moment (low W%R and significant Fib channel), the longer term view is down.

June, 2012
TRIGGER$
Economic & Technical Analysis for the Active Trader
www.triggers.ca
36
Feature Article

Something is Wrong ...

Somewhere!

A recent article by John Hussman reinforced what I have been writing about for years now. His rant is eloquent and to the point.

The Heart of the Matter, *John P. Hussman PH.D, June 11, 2012.*

Over the past 13 years, the S&P 500 has underperformed even the depressed return on risk-free Treasury bills. Real U.S. gross domestic investment has not grown at all since 1999, and even as a share of GDP, real investment remains weak.

The ongoing debate about the economy continues along largely partisan lines, with ***conservatives arguing that taxes just aren't low enough, and the economy should be freed of regulations, while liberals argue that the economy needs larger government programs and grand stimulus initiatives.***

Lost in this debate is any recognition of the problem that lies at the heart of the matter: a warped financial system, both in the U.S. and globally, that directs scarce capital to speculative and unproductive uses, and refuses to restructure debt once that debt has gone bad.

Specifically, over the past 15 years, the global financial system - encouraged by misguided policy and short-sighted monetary interventions - has lost its function of directing scarce capital toward projects that enhance the world's standard of living. Instead, the financial system has been transformed into a self-serving, grotesque casino that misallocates scarce savings, begs for and encourages speculative bubbles, refuses to restructure bad debt, and demands that the most reckless stewards of capital should be rewarded through bailouts that transfer bad debt from private balance sheets to the public balance sheet.

What is central here is that the government policy environment has encouraged this result. This environment includes financial sector deregulation that was coupled with a government backstop, repeated monetary distortions, refusal to restructure bad debt, and a preference for policy cowardice that included bailouts and opaque accounting. Deregulation and lower taxes will not fix this problem, nor will larger "stimulus packages."
(read the rest of the article here)

What Hussmann's rant suggests to me is:

1. Our economic malaise is the result of a whole chain of bad decisions that have distorted the financial markets in a way that make recurring crisis inevitable.

2. The abandoned Glass-Steagall removed the firewall between traditional banking and more speculative activities, allowing those activities to have the effective protection of the U.S. government. Now, much worse credit risk in the U.S. financial system is actually being swapped into instruments that end up being partially backed by the U.S. government.

3. The major public policy decisions of why banks were not taken into receivership in 2007 as a matter of standard practice needs to be examined? The answer lies in bad public policy, crony capitalism and the fact the

(cont.pg.37)

Something is Wrong Somewhere! (cont.)

Government has contingent liabilities with these major financial institutions that has made growth of the horrendous US debt possible.

4. Over time, an economy that squanders its scarce savings will predictably suffer for it. This is precisely what the misallocation of capital fostered with the McMansions explosion in Housing in the last decade. Housing is only wealth when there is growing job growth that makes the house affordable and of value. Why was public policy willing to squander untold billions keeping peoples homes they had no business owning in the first place nor prudent lending have allowed. All parties involved should pay the price, not those who made affordable decisions and prudently managed their financial affairs versus speculating or wanting more than they realistically could afford.

5. Capitalism only works when failure is allowed and expected as part of the process. Interfering with this distorts pricing and fosters misallocation of capital.

6. Excess debt on Households limits risk taking. Growth and a vibrant economy come from risk taking and being properly rewarded for having taken that risk.

7. Bad debt requires bondholders who willingly took the risk to also take the loss.

8. If we had enforced existing anti-trust laws we would never have had "Too Big To Fail". It is not about things being "Too Big To Fail", but rather as Gillian Tett argues in the Financial Times "Too Complex to Exist!".

Mis-Diagnosis of Problems

We have mentioned in the past that Eurosis is the misdiagnosis of the problem. Europe iis not, nor ever was a liquidity nor financial problem. Europe is a banking solvency and regional competitiveness problem.

The misdiagnosis of the problem has squandered precious time and vast amounts of financial resource that frankly the EU may never fully recover nor possibly survive from.

Faulty Economic Theory

As Mish Shedlock recently described, somewhat tongue in cheek, there are three schools of Economic Wizardry:

1. Keynesian School of Fiscal Voodoo and Witchcraft
2. Monetarist School of Monetary Voodoo and Witchcraft.
3. Austrian School of Sound Money, Sound Economic Principals and Common Sense.

Keynesian wizards believe governments can spend their way to economic health and although fiscal deficits may matter at some point in time, they never matter now, in practice.

Monetarist wizards believe money will cure any and every problem if enough is dropped from helicopters and interest rates held low.

Austrian wizards believe that economic problems are created by unsound money, haphazard loans, excessive debts, and government manipulations.

Keynesian and Monetarist wizards believe in the voodoo principle "the problem is the solution if only you do more of it". The former relies primarily on fiscal voodoo, the latter relies primarily on monetary voodoo.

Austrian wizards do not believe "the problem is the solution", no matter how many times it is repeated.

(cont.pg.38)

Why Can't Governments Get Anything Done?

The last three presidents have all been accused of having never stopped campaigning and start governing. The truth is they are part of a non-stop fund raising machine. A machine that must run overtime to raise the funds it now requires to table a state of candidates that are sufficiently funded to deliver a controlling voice in congress. The amounts are astronomical.

This assuredly is nothing new to anyone. The reality is that when these commitments are overlaid on the commitments the party must make as an entity, it leaves little room for 'maverick' opinions that jeopardize hard won campaign contributions and support.

If we understand the truth of electioneering costs, it becomes easier to understand the polarization that is occurring across all democracies.

The reality is that unless you are selected as suitable by one of two parties, you will not get their funding and therefore not have a realistic chance to run for elected office. Accept the party platform and dictates or you are out or soon on your way.

Vote party lines. To not do so, you do at serious peril! Who needs to read the bills? Your job is simply to sell your support for an 'Earmark'. Congress averages over 10,000 such 'pork' servings per year and the second priority after campaign fund raising is the dollar value of the 'Earmarks' you can secure. This is but another binding mechanism that keeps politicians in line and ensures what is done in congress is in line with what those controlling the policy agenda have established as their priority. It is not the priority of the electorate, as election speeches are quickly shelved in the hope of even running again.

Complexity

There are now estimated to be more than five lobbyists for every member of congress.

One of the reasons is that "complexity" is the new curtain that hides the tentacles of the monopoly and cartel control.

The more complex something is the fewer people will understand or even pay attention to it, and then it is almost impossible to regulate and enforce.

In 2008, 80,700 new pages of regulations were added; 221 pages a day, 365 days a year. In 2009, 69,676 new pages of regulations were added; 190 pages a day, 365 days a year. In 2010, 82,590 new pages of regulations were added; 226 pages a day, 365 days a year.
Each page is three columns of microscopic print. Written by unaccountable Bureaucrats, with no background in the areas they are regulating. Unread by the Lawmakers who passed them, unread by the Lawmakers who oppose them. Never Repealed, only modified and enlarged. Led by Regulatory Czar Cass Sunstein, with penalties or jail time for those that do not comply.

Maybe the Political Process is a Charade?

We clearly have massive problems in Europe. How exactly are the policies of the newly elected French socialist President going to in any way help?

1. Decrease the French retirement age to 60, while those paying the bills in Germany have theirs increased to 67, and the Greek's needing the money being given early retirement benefits from government guaranteed retirements of 55.

2. Penalize companies by making them pay

(cont.pg.39)

Something is Wrong Somewhere! (cont.)

government legislated penalties for laying off employees when France is already steadily losing productivity grounds as a nation.

Unfortunately others, including America, are going o have to foot the bill for the inevitable crisis that will stem from these misguided public policy decisions.

Party Pressures & Agenda

The evening news dutifully reports on what they perceive to be the important events in Washington. On how a current legislation proposal is progressing. Most times it seems that what Congress is doing is completely divorced from the reality of the immediate needs of the electorate. Who set the priorities? Clearly it is not the public.

Unless the public becomes particularly enraged about something. Then almost immediately a Congressional hearing is called with television cameras as politicians grandstand and pontificate until the cameras are turned off. Seldom does anything of substance even come from these events though there is a better chance.

Backroom party politics is in control. These are not elected officials. They are professionals who know how the skids are greased.

Crony Capitalism

I have just completed a 3 part series with Ty Andros and a special session with Charles Hugh Smith on Crony Capitalism. I encourage you to listen to them at GordonTLong.com/Macro_Analytics. They show the pervasive and destructive level with which Crony Capitalism is now operating with impunity.

Financial Repression

The problems in America have been allowed to grow unaddressed, so that now the debt associated with poor public policy leaves the political process to implement predatory macro prudential public policies on the people they serve to ensure the quickly failing system survives. It can't and won't until the political system is altered.

Is it a Matter of Irresponsibility or Being Uninformed?

My co-host on Macro Analytics, Charles Hugh Smith, just authored another blunt description of what is going on in The Politics of "Consensus" Is the Politics of Failure.

Persuading those in power to limit their power via "consensus" doesn't work. Both the legal system and the horse-trading politics of "consensus" have failed.

How do you get "consensus" in politics? You horse-trade. You give everybody something they want. You cut everyone into the deal. That passes for "consensus" in politics: divide the swag.

If you want to understand President Obama's failure as a leader, ask (as my friend G.F.B. did) where did he learn politics? In Chicago. Big-city politics boils down to getting the ward bosses, ethnic-neighborhood leaders, Chamber of Commerce and public unions together and making them all happy with concessions, give-aways or some other slice of swag so they all agree to to support some minor policy tweak of the Status Quo.

Any constituency left out of the swag distribution squeals like a stuck pig and kills the "consensus."

This "making sausage" consensus is passed

(cont.pg.40)

Something is Wrong Somewhere! (cont.)

off as "the only way to get anything passed," but the truth is that it's the politics of failure: nothing meaningful can possibly get done in the politics of "consensus" because 95% of any useful reform must be traded away to get everyone willingly on board.

What you end up with after all the horse-trading "consensus" is 2,319-page monstrosities of self-defeating complexity like the "Dodd-Frank Wall Street Reform and Consumer Protection Act" or the 2,074-page healthcare bill.

Conclusion

When we see people arguing versus debating we normally witness emotion overtaking rational logic. Win at any costs becomes the mantra. Participants stop listening and only wait for them to make their points with little attention given to what others might say.

BLIND COMPETITIVENESS: Winning is everything. Win at any cost;

PERCEPTION IS REALITY: Image, not substance, is what really counts;

PARTY LOYALTY: Integrity, values and honor must take a back seat to the Party platform.

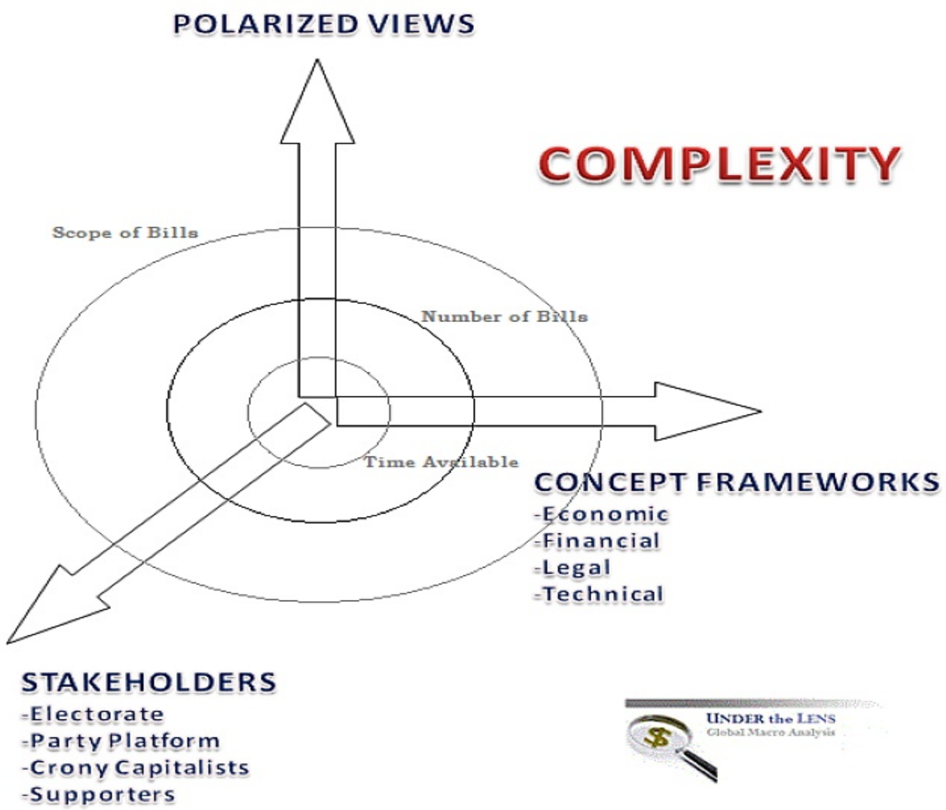
Sounds like our political system.

If you employ a decision process that is based on an absurdly expensive eletioneering hurdle, to decide on highly complex matters, debated through the beliefs in false economic theory, with highly polarized vews - is it then any wonder we have gridlock, kick-the-can-down-the-road or pork barrel politics?

We have a flawed and inoperable system that is doomed to waiting for crisis events to take actions that then have little probability of succes.

We have children in Washington playing with dynamite, believing they actually can control it.

END Gordon T Long



Global Financial Risk Index

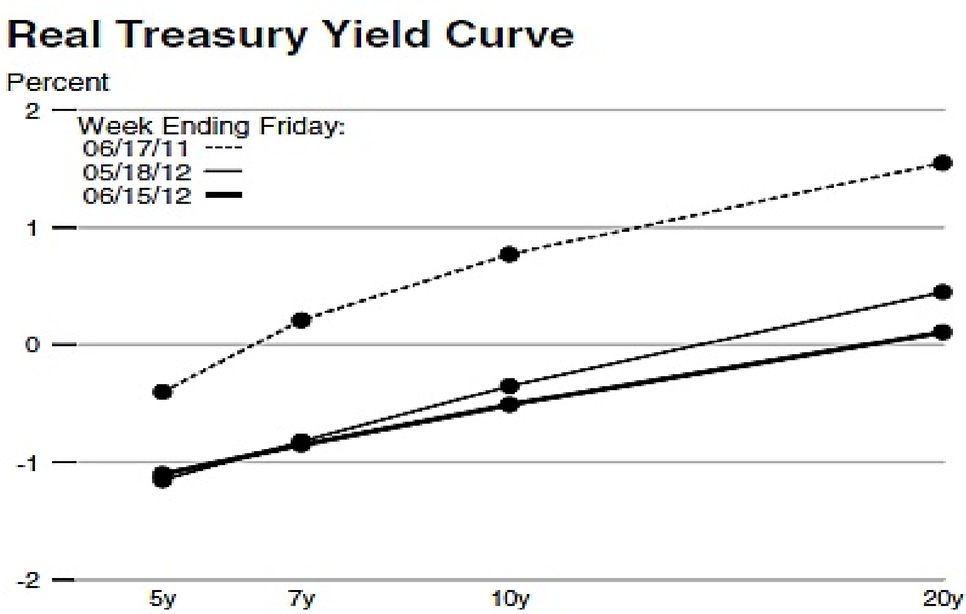
	PREVIOUS	CURRENT
BANKING RISK - LIBOR-OIS SPREAD	7	5
BANKING RISK - TED SPREAD	7	5
CREDIT RISK - GLOBAL CREDIT DEFAULT SWAPS	6	5
CREDIT RISK - EU CREDIT DEFAULT SWAPS	8	6
CONSUMER RISK - HOUSING - RATE OF CHANGE	8	9
ECONOMIC RISK - ECRI LEADING INDEX	7	7
INFLATION RISK - MONEY SUPPLY GROWTH - M3	4	6
INFLATION RISK - MONEY VELOCITY	6	7
MONETARY RISK - BANK LIABILITIES	8	9
COST OF MONEY RISK - INTEREST RATES	2	4
Average (1 = Low Risk, 10 = High Risk)	6.30	6.30

AGGREGATED RISK LEVELS REMAIN THE SAME - ELEVATED

We have seen general improvement in Interbank lending risks /counterparty risks, SIGNIFICANT improvements in CDs spreads and less pressure on the WLI. Though money supply continues to improve, which though may poses an inflation risk, it has reduced the concerns about liquidity & bank roll-overs in the near term.

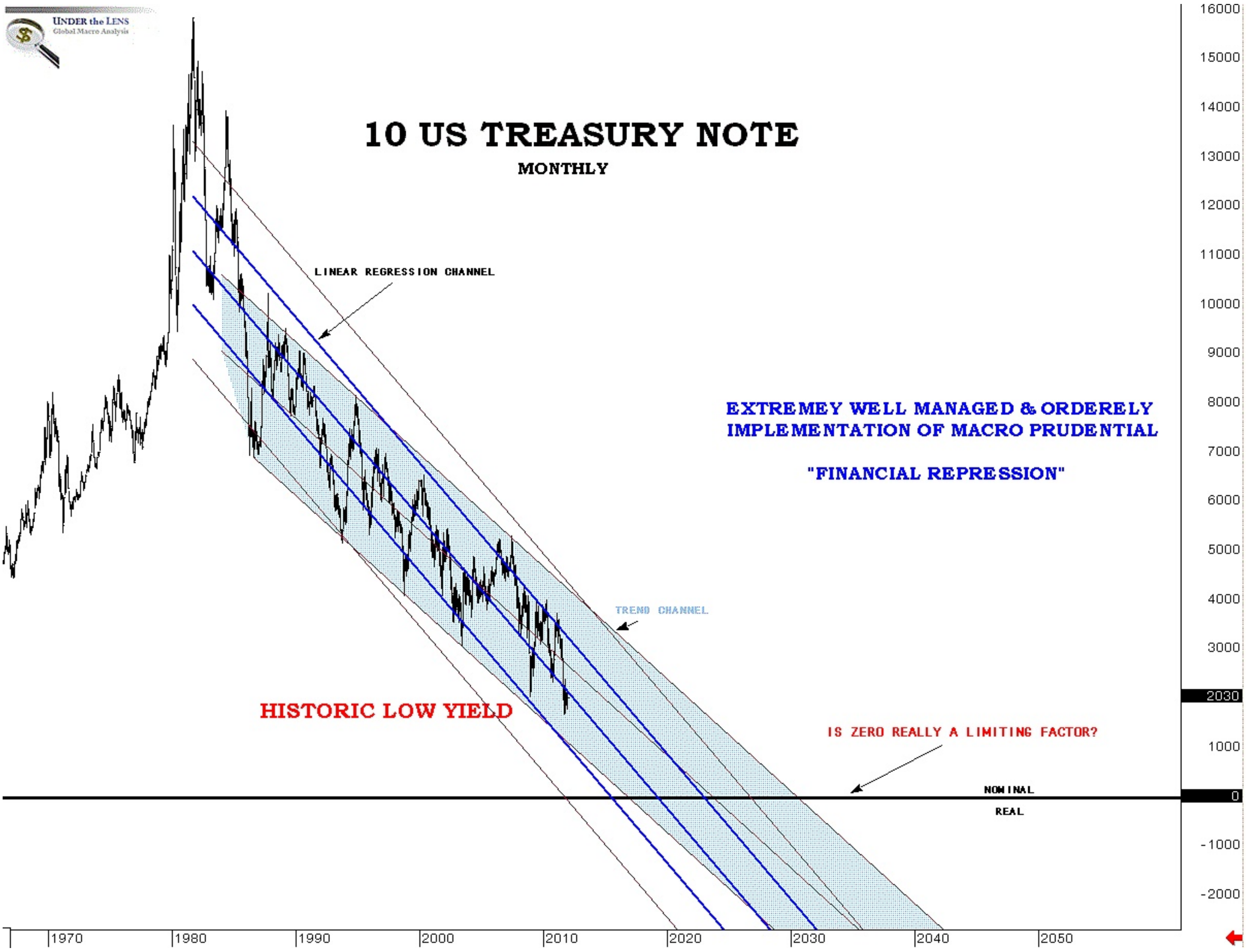
Money velocity is now becoming a significant concern with the recent turn down which appears to be accelerating.

Cost of Money Risk - Interest Rates



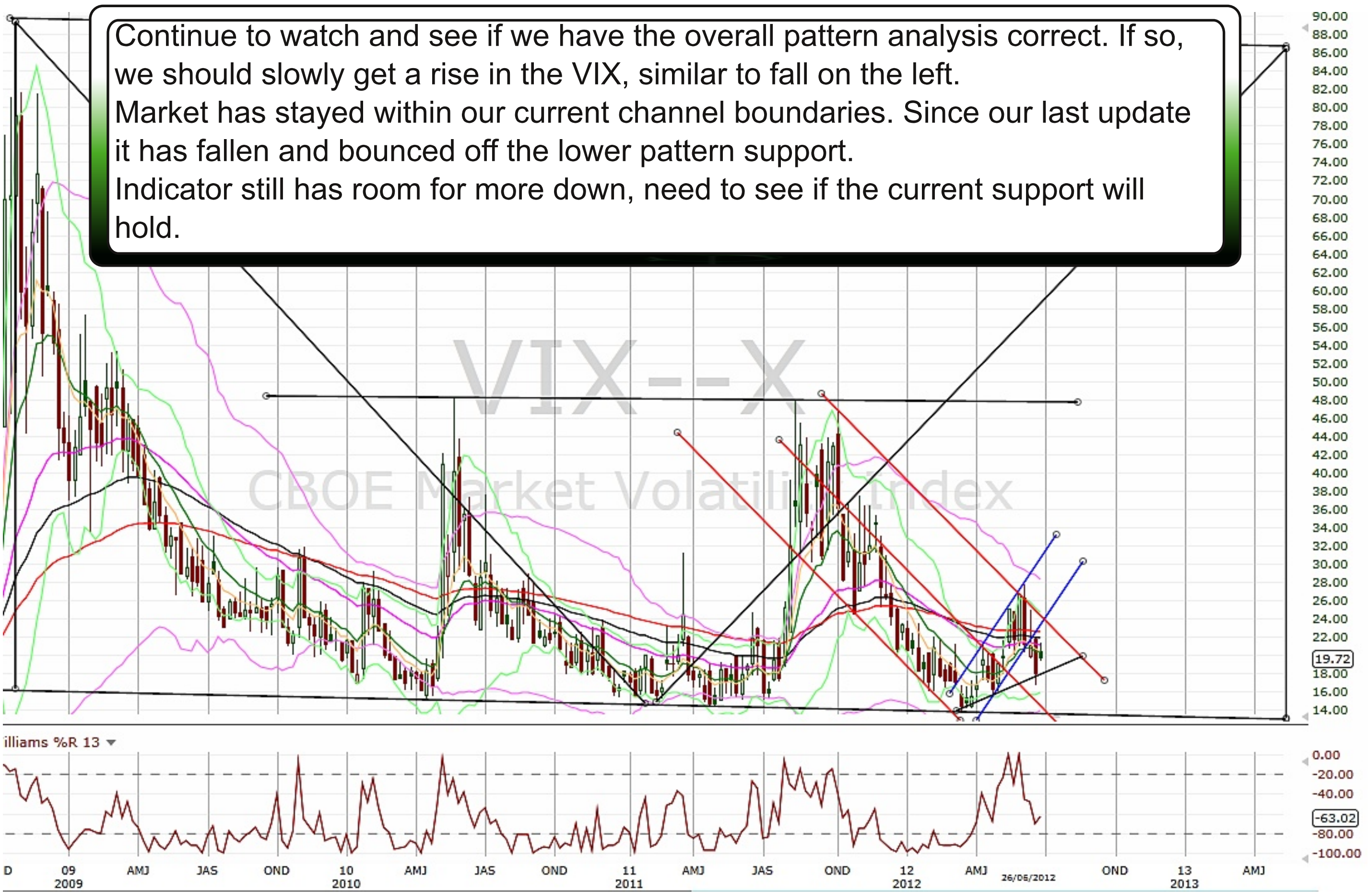
Cost of Money Risk - Interest Rates

(cont.)



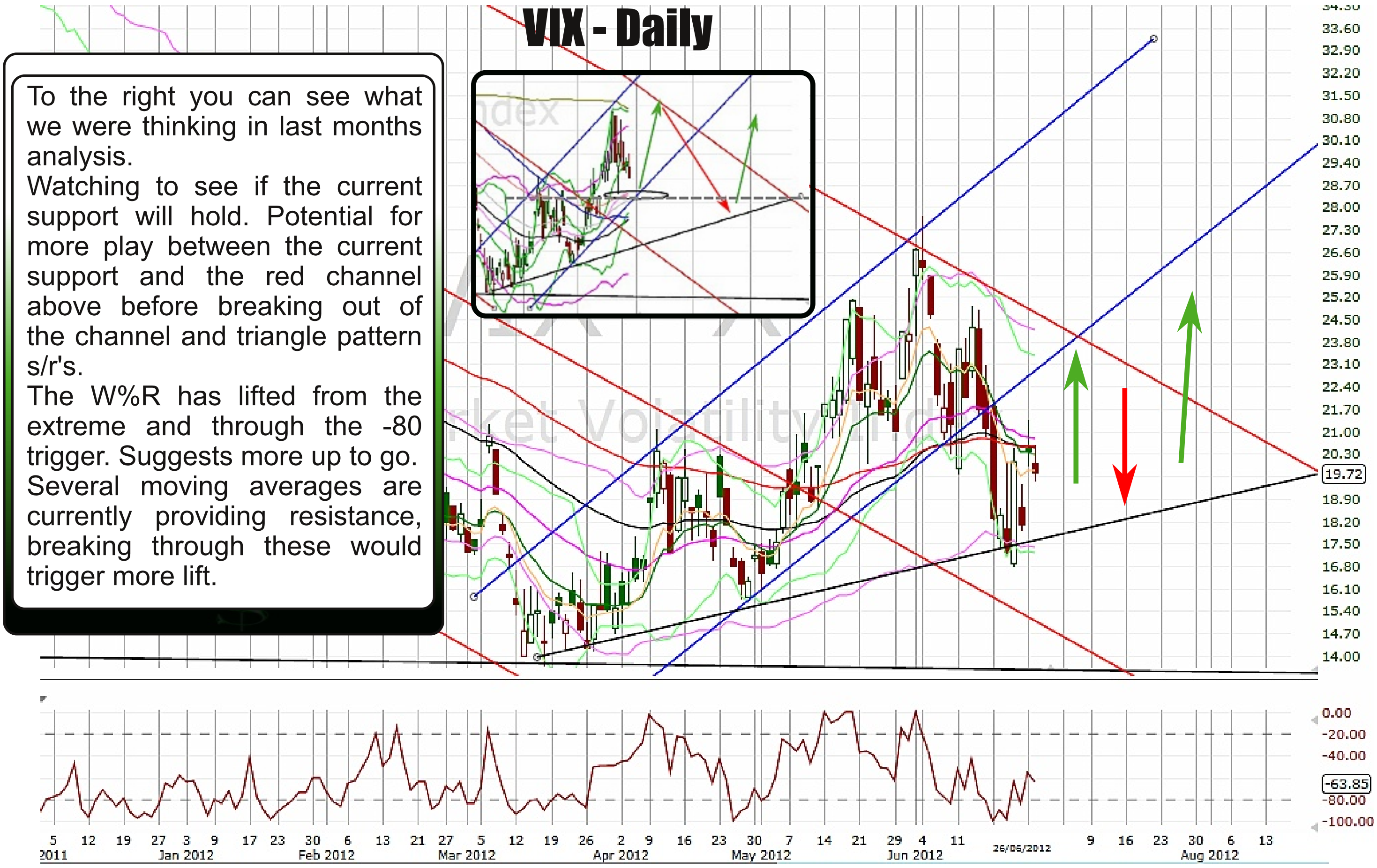
We've discussed low rates in the past and how we believe that they will continue to be kept low.
Previous chart on the Yield Curve shows this has occurred.
RISK increases that this will reverse and rate swill be lifted - potentially quickly.

VIX - Weekly



Continue to watch and see if we have the overall pattern analysis correct. If so, we should slowly get a rise in the VIX, similar to fall on the left.
Market has stayed within our current channel boundaries. Since our last update it has fallen and bounced off the lower pattern support.
Indicator still has room for more down, need to see if the current support will hold.

VIX - Daily



To the right you can see what we were thinking in last months analysis.
Watching to see if the current support will hold. Potential for more play between the current support and the red channel above before breaking out of the channel and triangle pattern s/r's.
The W%R has lifted from the extreme and through the -80 trigger. Suggests more up to go.
Several moving averages are currently providing resistance, breaking through these would trigger more lift.

MEDIA MATRIX
& General Reality

Information - For Your Analysis

Contents Page

This month we offer up a variety of information for you to consider. It gives you some food for though on our current affairs as well as the value of information in general. Is all as it seems? Compare some of what you read here against the information you are finding in the MSM. The final article gets you thinking some more about how much control is really out there, and what extremes things may have been taken to keep it that way.

NEW YORK POST

Morgan's big secret

The coming muni-bond crisis *Posted: 10:32 PM, June 17, 2012*

...Not so, warns a "strictly confidential" report JP Morgan issued last year. It describes in straightforward, frightening detail how underfunded pensions are huge ticking timebombs for many of the nation's big cities and states.

...Yes: Default is a very real possibility, because the solutions are far from easy.

http://www.nypost.com/p/news/opinion/opedcolumnists/morgan_big_secret_DSB0O9VFZwDih1ZrjkeaAN

BUSINESS INSIDER
Money Game

DISASTER: PHILLY FED REPORT COLLAPSES TO -16.6

Jun. 21, 2012, 10:00 AM

The number is out and it's very bad.

A reading of -16.6 is WAY below the expected 0.0 reading, and it's well below the -5.5 number.

http://www.businessinsider.com/june-philly-fed-2012-6?utm_source=Triggermail&utm_medium=email&utm_term=Money%20Game%20Chart%20Of%20The%20Day&utm_campaign=Moneygame_COTD_062112

(cont pg.39)

the Daily Bell

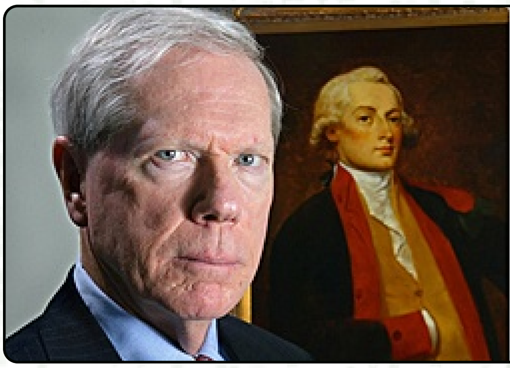
Fed Lies Unravel ... Bank Board Gave US$ 4 Trillion in Loans to Its Own Institutions

Tuesday, June 19, 2012

A report just released by the US Government Accountability Office explains how the Federal Reserve divvied up more than $4 trillion in low-interest loans after the fiscal crisis of 2008, and the news shouldn't be all that surprising. When the Federal Reserve looked towards bailing out some of the biggest banks in the country, more than one dozen of the financial institutions that benefited from the Fed's Hail Mary were members of the central bank's own board, reports the GAO. At least 18 current and former directors of the Fed's regional branches saw to it that their own banks were awarded loans with often next-to-no interest by the country's central bank during the height of the financial crisis that crippled the American economy and spurred rampant unemployment and home foreclosures for those unable to receive assistance

http://www.thedailybell.com/4007/Fed-Lies-Unravel-Bank-Board-Gave-US-4-Trillion-in-Loans-to-Its-Own-Institutions

---



IPE
Paul Craig Roberts
Institute for Political Economy

Collapse At Hand: *When is "Sooner or later" ?*

June 5th, 2012

Ever since the beginning of the financial crisis and quantitative easing, the question has been before us: How can the Federal Reserve maintain zero interest rates for banks and negative real interest rates for savers and bond holders when the US government is adding $1.5 trillion to the national debt every year via its budget deficits? Not long ago the Fed announced that it was going to continue this policy for another 2 or 3 years. Indeed, the Fed is locked into the policy. Without the artificially low interest rates, the debt service on the national debt would be so large that it would raise questions about the US Treasury's credit rating and the viability of the dollar, and the trillions of dollars in Interest Rate Swaps and other derivatives would come unglued.

In other words, financial deregulation leading to Wall Street's gambles, the US government's decision to bail out the banks and to keep them afloat, and the Federal Reserve's zero interest rate policy have put the economic future of the US and its currency in an untenable and dangerous position. It will not be possible to continue to flood the bond markets with $1.5 trillion in new issues each year when the interest rate on the bonds is less than the rate of inflation. Everyone who purchases a Treasury bond is purchasing a depreciating asset. Moreover, the capital risk of investing in Treasuries is very high. The low interest rate means that the price paid for the bond is very high. A rise in interest rates, which must come sooner or later, will collapse the price of the bonds and inflict capital losses on bond holders, both domestic and foreign.

The question is: when is sooner or later?

http://www.paulcraigroberts.org/2012/06/05/collapse-at-hand/

(cont pg.40)

How Long Before Economic Collapse?

(video:8mins)

...Federal Reserve comes up for renewal in 2013....
...Global Economic Crises is a classic Problem Reaction Solution set-up.....

http://www.youtube.com/watch?v=SgIgzJHVMAE&feature=youtube_gdata_player

---

This last entry is food for thought. This may not mean much to those of you not up on what is known as the "Truth Movement". Even so, it should give you a sample of how far down the rabbit hole things may go. From a Critical Thinking perspective, it is information that should be considered and followed up on. It has a sound bases in logic, as well as some assumptions. As with any information it should not only be looked at with an open mind, but a critical one. Do your own due diligence to determine accuracy and explore what it is suggesting. Unfortunately, even this writer appears to have lost some focus and berates one particular source, not once, but in both parts. Maybe she is just trying to make a point, but it also seems like she may have an agenda. Regardless, the rest of the info is such that you should be aware and take it in to your own personal filter.

examiner.com

The Truth Movement: Is It Just Another Psy Op to Confuse Us?

They saw us coming. As well they should have, as we have simply arrived at the destination they had set for us to arrive at.

...Because one thing is certain, this paradigm they have set for us to wake up into has been very carefully orchestrated, and we are so utterly embedded in it at this point it may be too late for the vast majority of us.

PART 1

http://www.examiner.com/article/the-truth-movement-is-it-just-another-psy-op-to-confuse-us

PART 2

http://www.examiner.com/article/part-2-the-truth-movement-is-it-just-another-psy-op-to-confuse-us

June, 2012
TRIGGER$
Economic & Technical Analysis for the Active Trader
www.triggers.ca

47
Disclaimer

Contents Page

Disclaimer

TRIGGER$ publications are for Educational and Entertainment purposes only. This is not an advisory or recommendation to trade, invest or otherwise participate in the financial markets. The Editors, Main Contributors and Publishers of TRIGGER$ are not registered advisors nor do they give investment advice. The comments and analysis given are an expression of opinion only and should not be construed in any manner whatsoever as recommendations to buy or sell a stock, option, future, bond, commodity or any other financial instrument at any time. While we believe our statements to be true, they always depend on the reliability of credible sources. Of course, TRIGGER$ recommends that you consult with a qualified investment advisor, one licensed by appropriate regulatory agencies in your legal jurisdiction, before making any investment decisions, and barring that you are encouraged to confirm the facts on your own before making important investment commitments.

OUR GOAL is to be one of many sources of information, part of your due diligence as you navigate the world markets. We endeavor to offer unique perspectives and insights to be considered that hopefully expand the world around you and add value to your experiences. We believe that information and knowledge, combined with varying perspectives, are the most powerful tools we can ever posses. TRIGGER$ aims at assisting in the forging of these tools. The reader acknowledges that any use of the tools obtained from this publication are done so of their own volition and risk.

Market Forecasting: TIME

Call it whatever you like, but when the market moves with any predictable accuracy, it can no longer be *random*.

There are many, many ways to show this, a couple of examples being channels and triangles.

Various tools like Elliott Wave and Gann also prove the point as they offer perspectives that allow accurate forecasting results.

We believe that the trader should have a variety of tools at his/her disposal. At times, some tools work better than others. Combining and cross-referencing tools can lead to some amazing results.

Common to them all is the concept of the Fibonacci Numbers and Ratios. For whatever reason you choose to subscribe to, the market appears to exhibit characteristics of Fibonacci growth and decay.

This can be readily seen using common Fibonacci tools on any chart.

If you have had a chance to do your own research, you will be able to find a lot of information on Fibonacci and how it relates to the markets. It should be noted that Fibonacci is not the only number set and ratios that have been found. As well, you can find academic papers that denounce the concept and any relationship to the markets. It is good to know and understand all perspectives so that you can gain a more accurate understanding of the theory, its strengths and limitations.

It is not the point of this article to argue one way or the other on Fibonacci theory, and exploring the different viewpoints for yourself is strongly encouraged.

Years of experience have taught me (the hard, costly way) that there is 'something' to the concept. I am obviously not the only one as most charting software these days come with at least one or two Fibonacci tools.

When making market forecasts, price is usually the focus. However, Gann and many others have insisted that Time is just as important as price.

In the same manner that price may have support and resistance levels of importance, time as well can have areas of significance. In the same manner we can construct price extensions, so too can we with time extensions. This is the easiest method to start exploring, especially if you have a Fib tool on you charting platform that allows it.

Several methods when using the Fib Time tool should be explored. You will notice a correlation with each method, although some may work better in different markets and different time frames.

Time frames are a consideration all around. Usually, the higher the time frame, the less "noise" and the more reliable the forecasting. These methods work for smaller time frames, they just may require more tuning and adjustments. More "noise" is apparent on smaller time frames (less than daily) and they are subject to volatile reactions whenever a

(cont.pg.49)

Market Forecasting: TIME (cont.)

market "event" occurs. Higher time frames (weekly, monthly) will not show these minor events as much and they usually work themselves out quickly as the market finds its "equilibrium". The same event on a 5min chart could appear to rock the world.

So its not that the TA methodologies don't work on smaller time frames, its just that the larger are more "smoothed out" by the nature of the data.

One other point to consider when trying to construct time or wave analysis: It is helpful to use an indicator such as the RSI or W%R to assist in locating the beginning or endings of wave structures.

Using the Fib Time Tool

Using the Fib tool on your charting platform is the easiest way to get started. A couple different strategies are available for you to explore.

The fist method would be to use a previous wave structure, already completed.

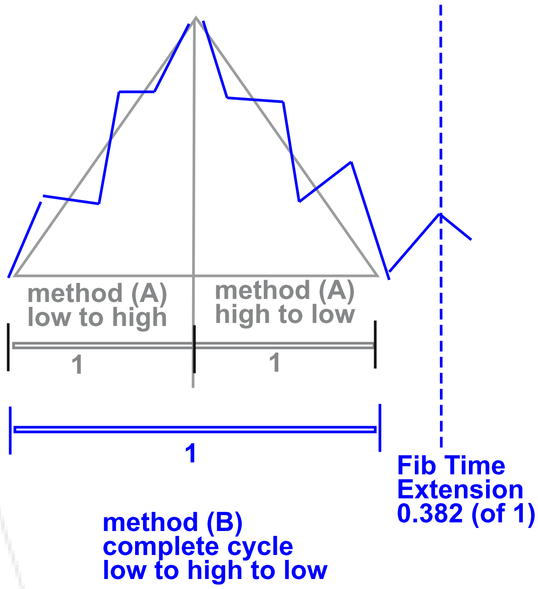
This method allows for two considerations as to what a "completed wave structure" entails.

(A) low to high, or, high to low.

(B) complete cycle of low to high and back to low again.

Usually the wave structure and time scale will help in deciding which method to use, but both (A) and (B) should be considered when doing your analysis.

For each method you use the completed wave structure, start to finish, as the initial placement of the tool. Time extensions from this point forward are then laid out. The time you mark for the wave structure is referred to as "1". Extensions are then a Fib ratio of "1" out in to the future.



As you can see, the method is very similar to what you are doing when you use price extensions, only in this case the extensions are horizontal, not vertical.

Use these methods on numerous waves going back for a time. Start on higher time frames, keep track of them and add more on the lower frames. As you do this with multiple wave structures from multiple time scales, you start to see clusters of time zones. These clusters increase the odds of the market having a reaction once the time comes to pass.

Since this methodology requires you to place your tool at the start and end of the wave structures, or pivots, you are looking for the same again out in the future and this is what the clusters of Fib zone are marking out.

The second methodology for the Fib tool is similar, but your perspective is slightly different. In the examples above we were

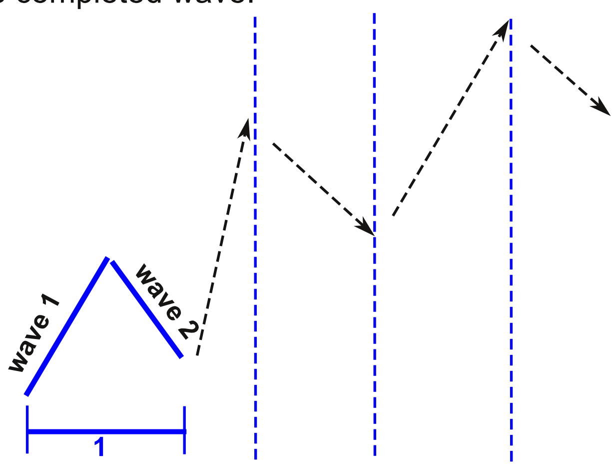
(cont.pg.50)

evaluating completed wave structures and using the time tool to mark where the next wave(s) starts, turns and ends.

In the next methodology, you use an incomplete wave structure, with the tool to mark the consolidation times and when the completed wave should end.

To do this, you need to identify the first two waves of the move and measure forward from there. In Elliott Wave vernacular these would be waves 1 & 2.

Similar to the previous example, you set up your tool to measure the time for wave 1, wave 2, and 1 & 2 together. The time extensions that are set up from this are then marking the places where we can expect to see shifts in the trend, usually resulting in the consolidation waves for the lift. One of the time extensions should also mark the end of the completed wave.



Fib Time Extensions
Forecasting wave structure
time zones

The example above is simplified so that you can understand the methodology. Only one measurement is shown in the example, the complete first two waves combined. Extensions could also be constructed from the start and end of each of the individual waves, giving you 3 different extension studies to consider.

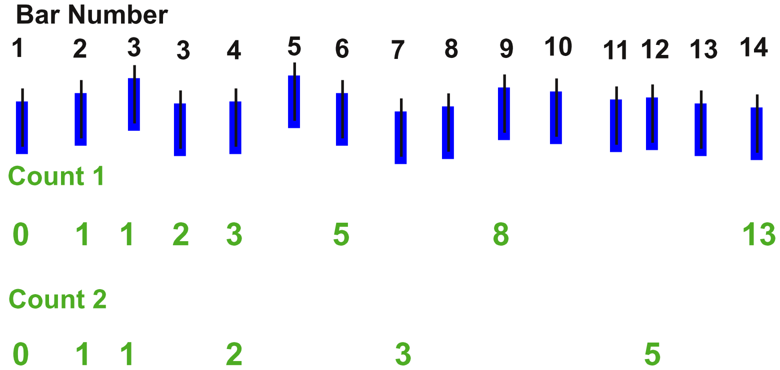
Bar Counts

Some charting platforms come with a bar count tool, or some method of achieving this. At times you may find that the Fib Time tool you have lines up with the bar count.

Counting bars is another way of revealing the market structure and movement. Just as the significant Fibonacci numbers are 1,1,2,3,5, 8,13 etc, so too are these bars within the wave structure important. We look for these bars to be the end of waves, turning points, markers for consolidations - anything that would have a market reaction.

There are two methods for counting bars, and both should be applied. The fist method has you counting the bars, numbering off the ones that are Fibonacci numbers as you go.

The second method has you leaving bars in between Fib number counts, equal to the Fib number you are up to. In this counting method, the Fib number 13 is not the 13th bar down the line, but rather it has 13 bars in between it and the last Fibonacci number count that would have been marked - 8. The Fib count of 8 is not the 8th bar in a row since the start, but rather has 8 bars in between it and the previous Fib count marked 5.



Explore both counts and see what you can find. These usually work best if you can find the start of a wave structure that is

(cont.pg.51)

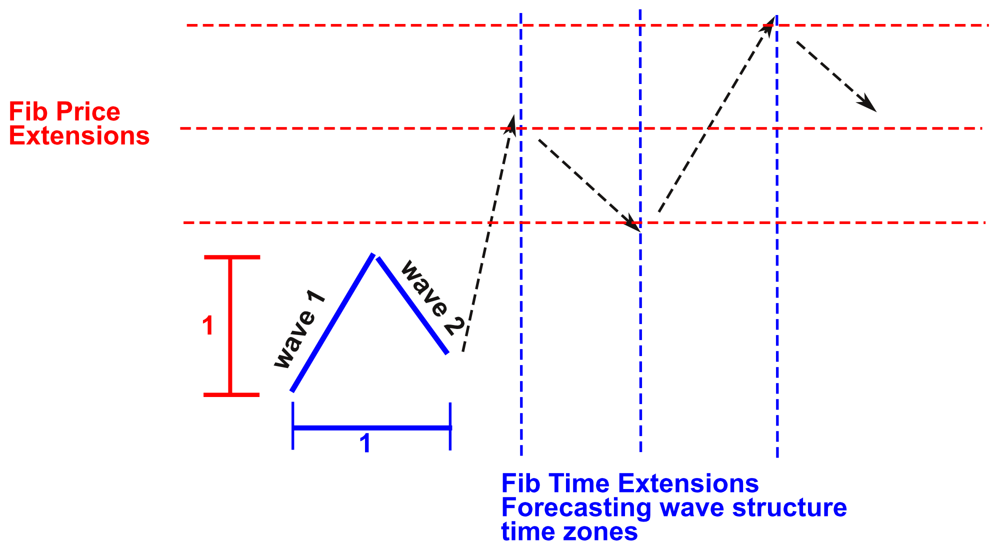
Market Forecasting: TIME (cont.)

expanding. From there, both counting methods will reveal to you more of what is going on with the markets. Although not as quick and easy as the Fib tools, it helps identify current wave structures and forecasts future waves to come - with respect to TIME.

Conclusion

You will have to do your own due diligence with respect to Fibonacci and see for yourself if it has any value to you or not.

We believe that there is a strong Fibonacci influence in the markets (for whatever reason). Applying the tools and counts correctly, you can accurately predict market moves - both in price and time. Some would argue that time is actually more important than price. The tools and methodologies discussed above should get you started in exploring for yourself. Ultimately there is no substitute for personal experience.



Above is a simplified example using both Fibonacci Price and Time extensions for market forcasting.

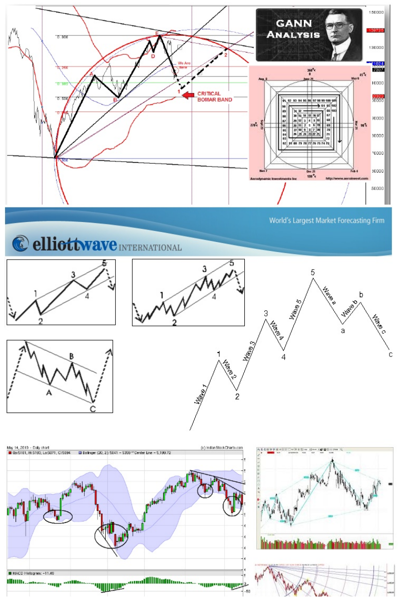
TRIGGER$

Economic & Technical Analysis for the Active Trader

www.triggers.ca

BusinessWeek
TIME
MSNBC NEWS
CNN
FINANCIAL POST
BBC
CBS NEWS
USA TODAY
abc
FT FINANCIAL TIMES
CBS MarketWatch
CNBC
Newsweek
NBC
The New York Times
THE WALL STREET JOURNAL

RT
AlterNet NEWS & POLITICS
HAYS ADVISORY
MAXKEISER.COM frontline financial war reports
HAVER ANALYTICS®
John Williams' Shadow Government Statistics
Analysis Behind and Beyond Government Economic Reporting
PFS GROUP Patient Financial Services Experience counts.
dshort.com ADVISOR PERSPECTIVES
CalculatedRISK FINANCE & ECONOMICS
Trends RESEARCH INSTITUTE Forecasting Worldwide Since 1980
PRISONPLANET TV
GOLDPRICE
FINANCIAL SENSE UNIVERSITY In Search of Truth
elliottwave INTERNATIONAL
Investors Intelligence
MACROstory The story beyond the noise.
Zero Hedge On a long enough timeline the survival rate for everyone drops to zero.
SentimenTrader ANALYSIS OVER EMOTION



Main Stream Media

Alternative Media & Sources

Market Analytics & Technical Analysis

Gordon T Long

Market Research & Analytics

www.GordonTLong.com

Global Stability & Risk

Global Cross-Market Perspective

Macro Economic Analysis

Proprietary Analytics

MATA Driver$

Advanced Technical Analysis

TRIGGER$

Economic & Technical Analysis for the Active Trader

Day Trading | **Swing Trading** | **Technical Analysis** | **Education** | **Futures & Commodities** | **Options**

Currencies /FX | **Stock** | **Trading Strategy** | **Global Market Analysis** | **Current & Future Economic Reality**

Open Forums

Letters to the Editor
Readers Comments
Discussions

Contents Page

Thank-you for your interest in TRIGGER$!

We continue to grow and expand what we are doing here, if not slowly! Make sure you stop by the Website from time to time. Just recently we have added a DRIVER$ tab. Here we plan on adding Market Studies, Reports and other work we have done while researching DRIVER$. Hopefully it will be more information that can add to your understanding of the markets.

Consider stopping by the BoardRooms (forum) and letting others know who you are, make some suggests or even a market forecast!

Please feel free to contact us at any time with ideas or suggestions. We are looking for what you want to be seeing as we grow our products.

TRIGGER$ Holiday Schedule

TRIGGER$ will be "away on Holidays" the 1st week of August and the week between Christmas and New Years.

No Inter-Issue Updates will occur during these times. However, reports & Updates Prior to the Holiday week will be extended and offer further analysis to cover the missed period.

Thank-you again

Good Trading!

GoldenPhi

THROUGH EXTENSIVE RESEARCH, ABSTRACTION AND ASTUTE SYNTHESIS, GORDON DELIVERS FRANK PERSPECTIVES ON GLOBAL MACRO-ECONOMICS AND INSIGHTFUL CONCLUSIONS NOT FOUND IN MAINSTREAM COMMENTARIES.

Gordon T. Long has been publically offering his financial and economic writing since 2010, following a career internationally in technology, senior management & investment finance. He brings a unique perspective to macroeconomic analysis because of his broad background, which is not typically found or available to the public.

Mr. Long was a senior group executive with IBM and Motorola for over 20 years. Earlier in his career he was involved in Sales, Marketing & Service of computing and network communications solutions across an extensive array of industries. He subsequently held senior positions, which included: VP & General Manager, Four Phase (Canada); Vice President Operations, Motorola (MISL - Canada); Vice President Engineering & Officer, Motorola (Codex - USA).

After a career with Fortune 500 corporations, he became a senior officer of Cambex, a highly successful high tech start-up and public company (Nasdaq: CBEX), where he spearheaded global expansion as Executive VP & General Manager.

In 1995, he founded the LCM Groupe in Paris, France to specialize in the rapidly emerging Internet Venture Capital and Private Equity industry. A focus in the technology research field of Chaos Theory and Mandelbrot Generators lead in the early 2000's to the development of advanced Technical Analysis and Market Analytics platforms. The LCM Groupe is a recognized source for the most advanced technical analysis techniques employed in market trading pattern recognition.

Mr. Long presently resides in Boston, Massachusetts, continuing the expansion of the LCM Groupe's International Private Equity opportunities in addition to their core financial market trading platforms expertise. GordonTLong.com is a wholly owned operating unit of the LCM Groupe.

Gordon T. Long is a graduate Engineer, University of Waterloo (Canada) in Thermodynamics-Fluid Mechanics (Aerodynamics). On graduation from an intensive 5 year specialized Co-operative Engineering program he pursued graduate business studies at the prestigious Ivy Business School, University of Western Ontario (Canada) on a Northern & Central Gas Corporation Scholarship. He was subsequently selected to attend advanced one year training with the IBM Corporation in New York prior to starting his career with IBM.