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MAY 2015
Vol.V, Issue #5
Pubiic Edition

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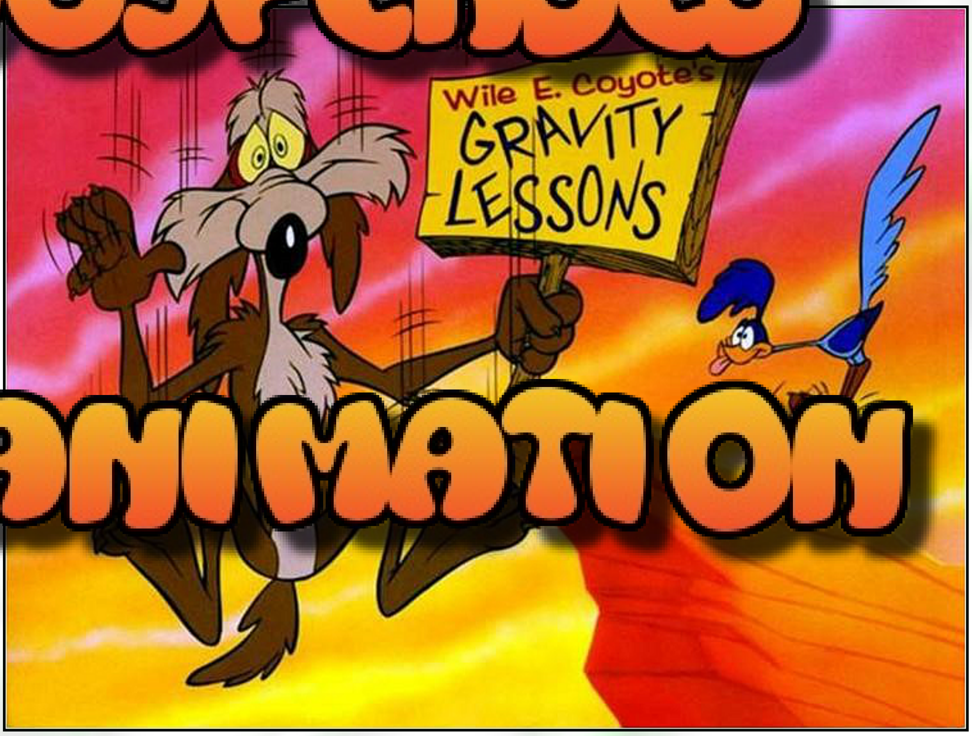
Public Edition

MARKETS IN SUSPENDED ANIMATION



SIGNS FROM CHINA, US MACRO & FORWARD EARNINGS

ARE BANKS SHUTTING DOWN LENDING?

The Next S&P Levels
A Technical Walkthrough
- Part III -

Silver, Gold, EUR/JPY, US$, EUR/USD

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Welcome to ***TRIGGER$ Free Public Edition*** of our May 2015 publication.

While the purpose of the ***Public Edition*** is to showcase the ***Subscribers Edition***, the ***Public Edition is being built as a stand-alone product***. The primary difference betwen the two editions is the amount of infomation included from ***Gordon T Long, Market Research & Analytics***. Only a portion of this material is inclded in the ***Public Edition***.

At Least one complete article from Gordon and previews of his other work can be found, as well as a random selection of other charts and analysis from him are also included each month.

Goldenphi also includes some of his material that can be found throughout each issue. ***S&P – A Closer Look*** & ***SIlver*** will always be shared and occasionally more than just a preview of the ***Traders Mentor*** section. ***Media Matrix*** has been showing up with full content as well.

The ***Public Edition*** is still new and growing. We plan to continue to expand what we offer in this edition, so make sure to keep checking back each month and see what we have done!

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Public Edition

*Welcome to **TRIGGER$!*** **MAY 2015** ***VOL.V, ISSUE #5***

Welcome to TRIGGER$ - more than just another trading magazine, each issue is a complete market report for your due diligence.

Another Great Issue!

Gordon gives us 3 great articles this month, each offering insights in to the current MACRO conditions and possible effects to the markets. From Over-Evaluation, to Global Slowdown, to Signs from China: he discusses what we should be looking at!

Traders Mentor continues its series of articles on technical analysis and different methods to find market levels, focusing on the S&P for examples specifically because it has new highs and no previous market level data to go from.

All our regular sections are here as usual to assist in your market understanding and to offer different perspectives.

Thank-you &
Good Trading!
Andrew J.D. Long, *MFTA*
" GoldenPhi"

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Technical Analysis: GoldenPhi & Gordon T. Long

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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.

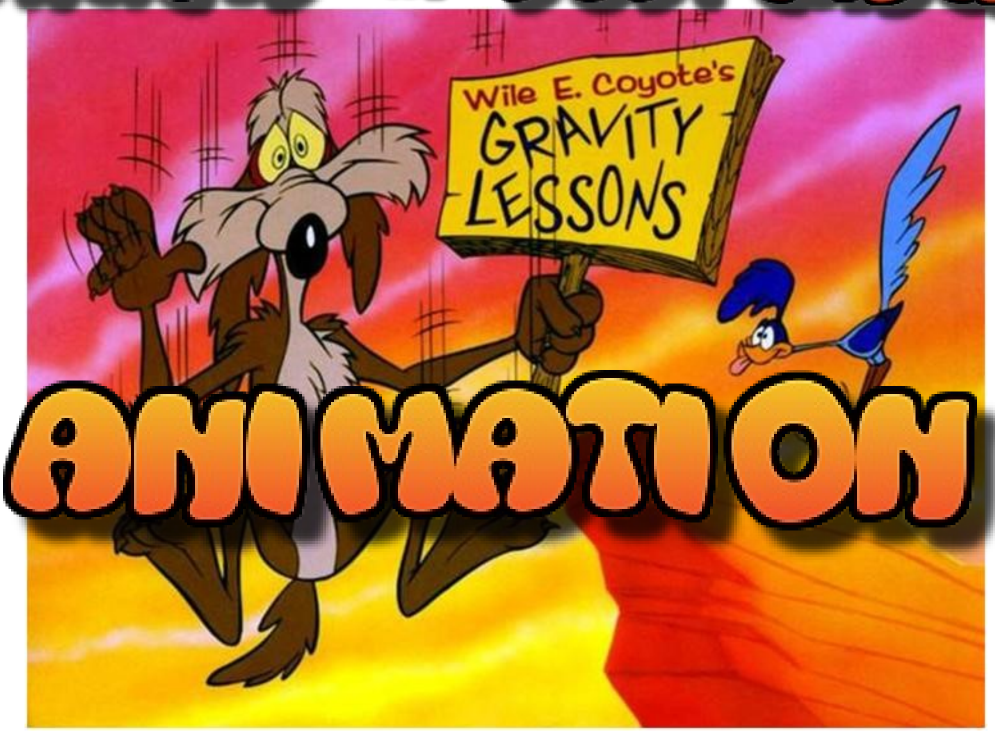
Successfully navigating todays markets requires information from a broad variety of sources. Triggers examines it all. From Macro Geo Political to daily events; yearly cycles to break out points on a minute chart: we look at and analyze as much of the information as possible, pulling out the relevant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

MARKETS IN SUSPENDED ANIMATION



During 2013, the Fed printed $1 trillion and the S&P 500 Index rose 30%. During 2014, the Fed printed $450 billion and the S&P rose 11%. Since 31 October 2014, when QE 3 ended, the S&P is flat.

Worse still, it is vulnerable to a sharp correction given stretched valuations, the weak economy and contracting corporate earnings.

Monetary tightening began with the end of QE 3.

Gordon T Long

What all of this has done is left us in suspended animation!

A TRIFECTA

We all watched Wile E Coyote as kids. We found him endlessly in suspended animation over the edge of a cliff, just before plummeting to his demise. That is about as good an analogy as I can give for the current situation in the financial markets. However, recall that Willie always remained in this state much longer than we thought possible or reasonable before falling. He was in “Suspended Animation”. That is what a cartoonist can do and appears to be what the central bankers can also do!

I personally suspect the US economy is going to keep moving towards recession and thereby force the Fed to launch QE4. The financial markets have now been carefully positioned for interest rate hikes, so QE 4 would likely cause violent swings in the price of stocks, bonds, currencies and commodities.

(cont pg.5)

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Markets In Suspended Animation (cont.)

The thing to keep in mind however is that the economy is not starting from an equilibrium position. It's in a Central Bank Liquidity Driven bubble. It was inflated to its current size by a five decade long, 59-fold expansion of credit. Recently, Credit is no longer growing rapidly enough to drive economic growth.

The reason credit can't expand fast enough is because households are overly indebted and wages aren't rising due to Globalization. That means without additional stimulus the economy will deflate back into recession.

I can't see how the Fed will risk a recession (for fear that a recession would turn into a Depression), so I expect the Fed to launch QE 4 **later this year**. Let me stress that – LATER THIS YEAR!

The Impact on the markets of a QE 4 decision would most likely result in:

- US Government bond yields falling further,
- The Dollar would falling,
- The Euro and Yen would appreciating,.
- European and Japanese stocks would suffering,
- Commodities would bouncing (subject of course to Supply & Demand factors),
- Gold likely Rising,
- US Corporate Profits benefiting, and
- US & Emerging Market stocks outperforming.

(cont pg.6)

Markets In Suspended Animation (cont.)

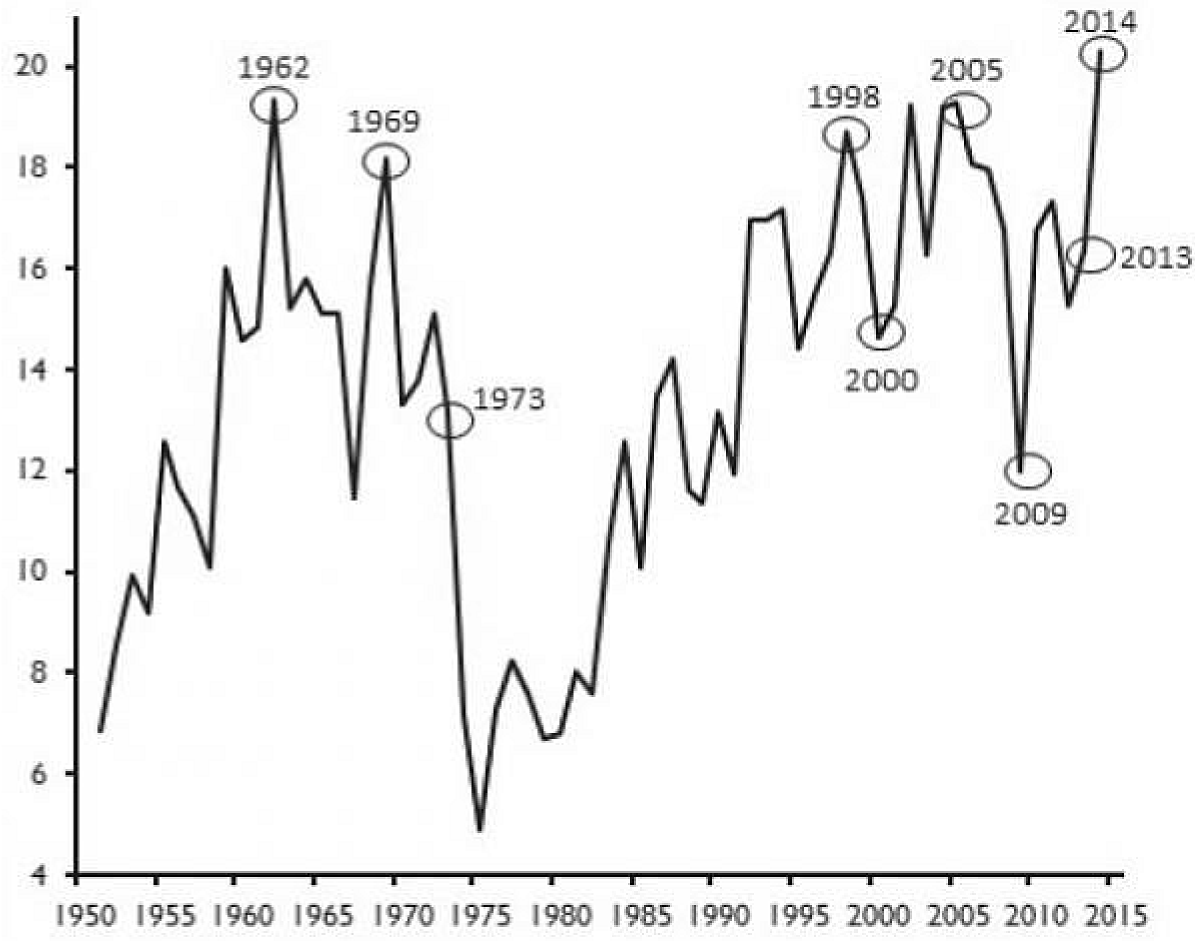
Wells Fargo's Jim Paulsen warns:

"Never, since 1900, have investors been this persistently bullish,"

He writes: “While the 13 previous cautionary signals since 1900 suggesting investor sentiment was too high have not been perfect, they have proved to be fairly good warning signs; and along with "massive overvaluation", and a dramatic "decoupling of markets from economic productivity" this extreme sentiment reading completes the trifecta of flashing red warning signs for US equity markets.”

Strike 1... "Massive Overvaluation"

Chart 2: Median price/earnings multiple for U.S. stocks*
*Based on all NYSE stocks with positive earnings for the last fiscal year calculated in June of each year since 1951 through 2014



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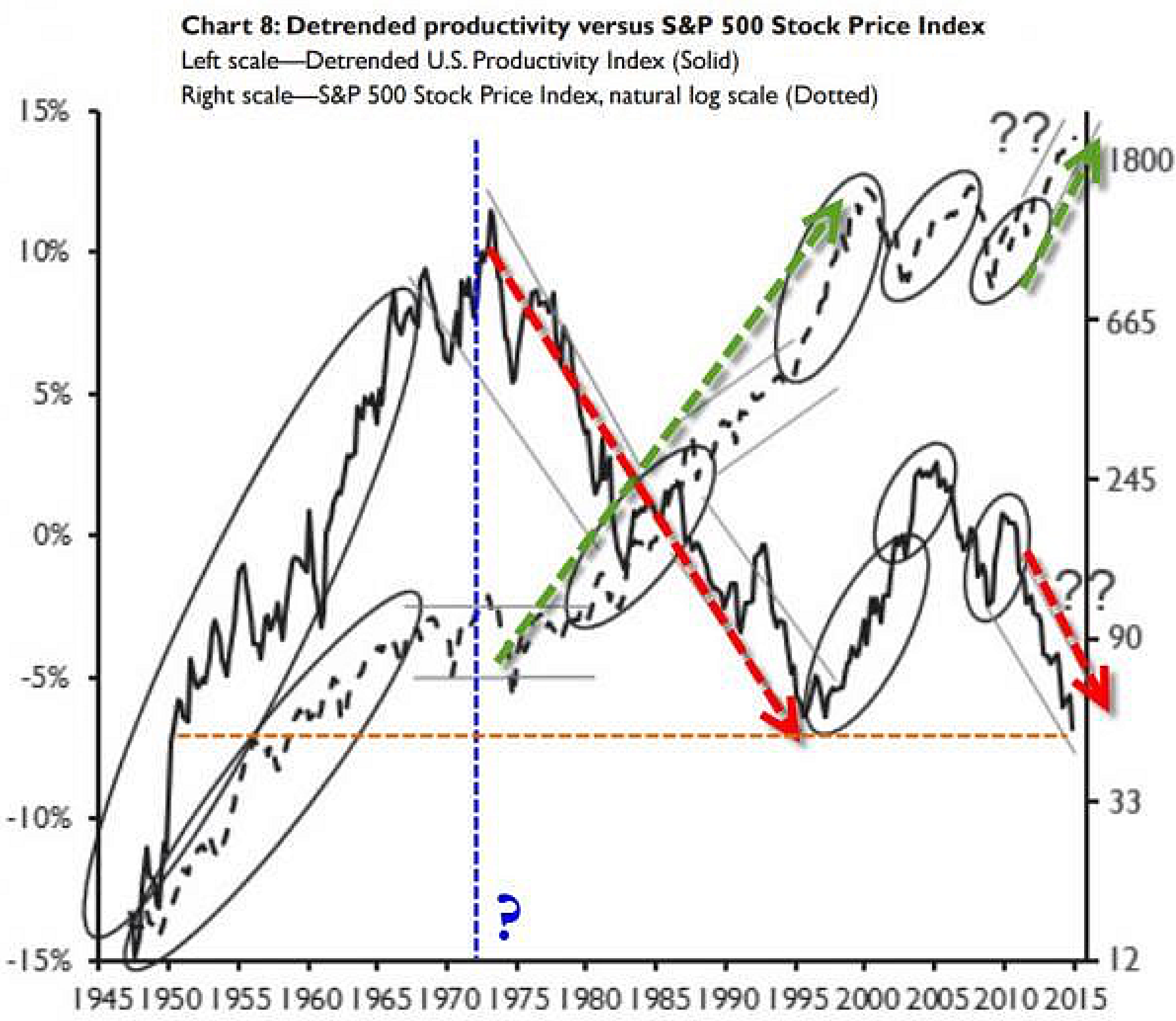
Markets In Suspended Animation (cont.)

Strike 2... "Dramatic decoupling of markets from economic productivity"



Strike 3... "near-record extreme market sentiment"

As illustrated here, the stock market has typically struggled once the R-squared (investor sentiment) has risen above 90%.

While Paulsen's 13 previous cautionary signals since 1900 suggesting investor sentiment was too high have not been perfect, they have proved to be fairly good warning signs.

For eight of the 13 signals, the stock market either immediately or fairly soon suffered a bear market (i.e., 1906, 1929, 1937, 1946, 1956, 1965, 1987, and 2007).

After both the 1926 and 1998 signals, the stock market eventually suffered a correction and after both the 1952 and 1994 signals, the stock market was essentially flat and volatile during the subsequent two years. Only the caution suggested by the 2003 signal proved inappropriate.

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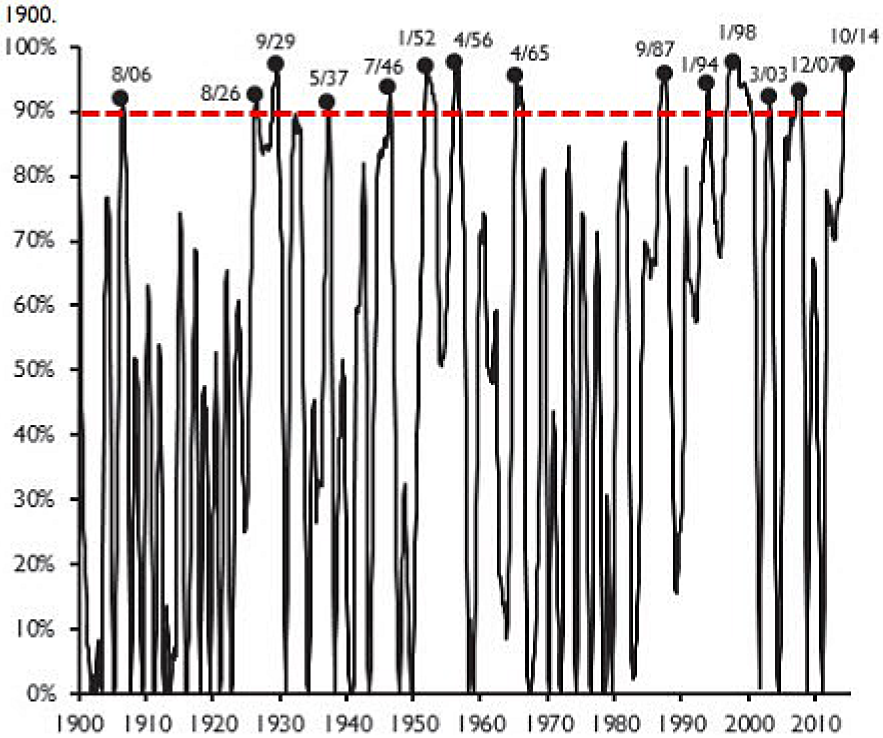
Markets In Suspended Animation (cont.)

Chart 4: Stock market trendline regression R-square
Rolling 36-month calculations
*Solid dots represent every peak above 90% in the R-squared since 1900.



Finally, the timing of a few signals was remarkably clairvoyant (i.e., September 1929, September 1987, and December 2007).

*** * ***

Since 1900, only when investor sentiment is above 90% has the median one-year forward percent change in the stock market been negative.

Chart 5: U.S. stock market* versus R-squared peaks**
Rolling 36-month calculations
*Dow Jones Industrial Average from 1900 to 1927 and thereafter S&P 500 Index, natural log scale
**Solid dots represent every peak above 90% in the R-squared since 1900.

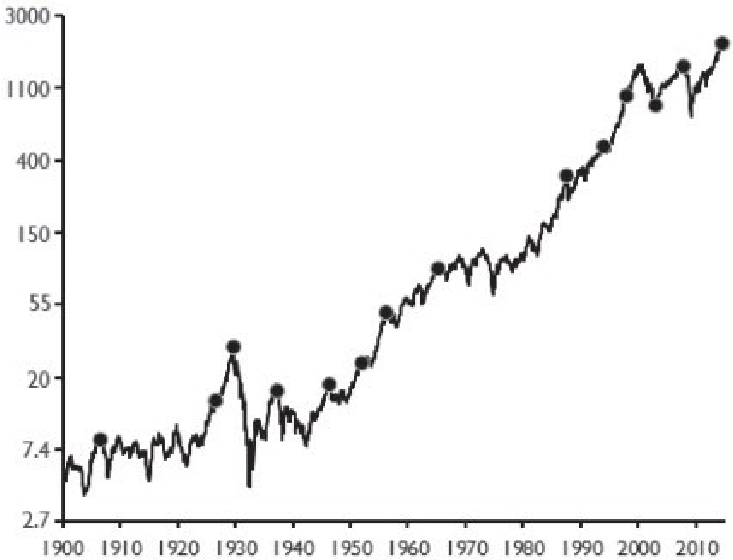
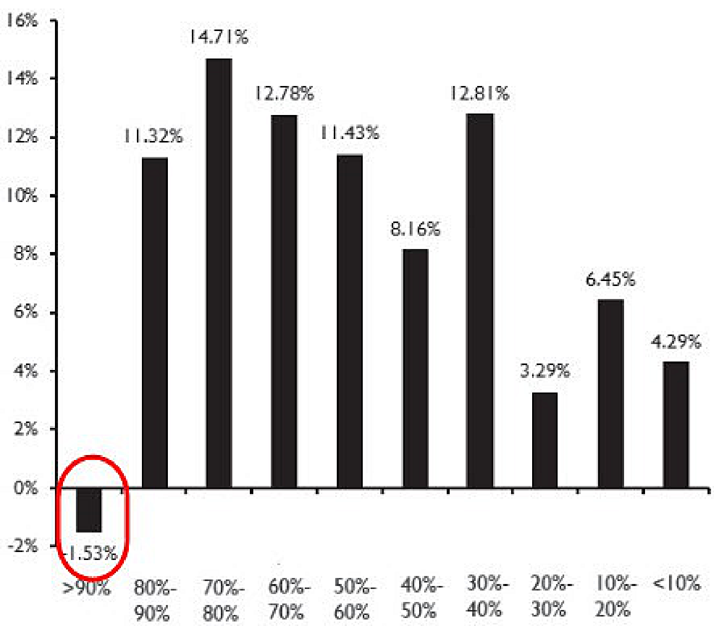


Chart 6: Median one-year forward U.S. stock market percent change by R-squared range since 1900
R-squared ranges since 1900



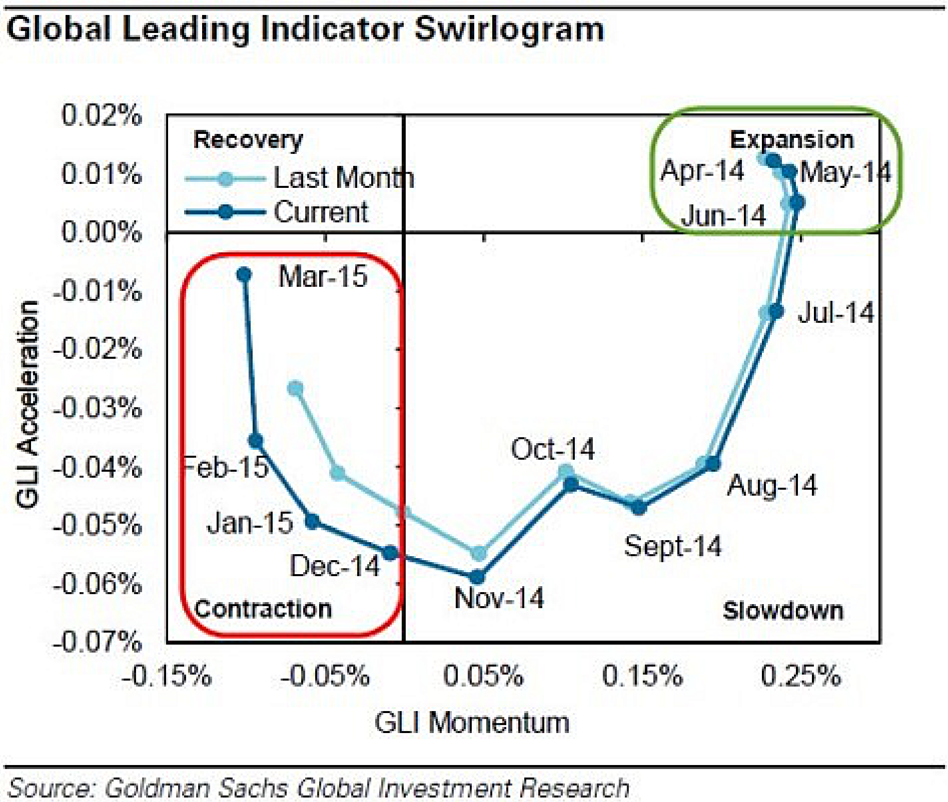
(cont pg.10)

Markets In Suspended Animation (cont.)

GLOBAL SLOWING

The IMF is out warning of slowing global growth and stagnation in its most recent World Economic Outlook. Analysts have been taking down Global GDP for some time now as we have talked about in previous videos.

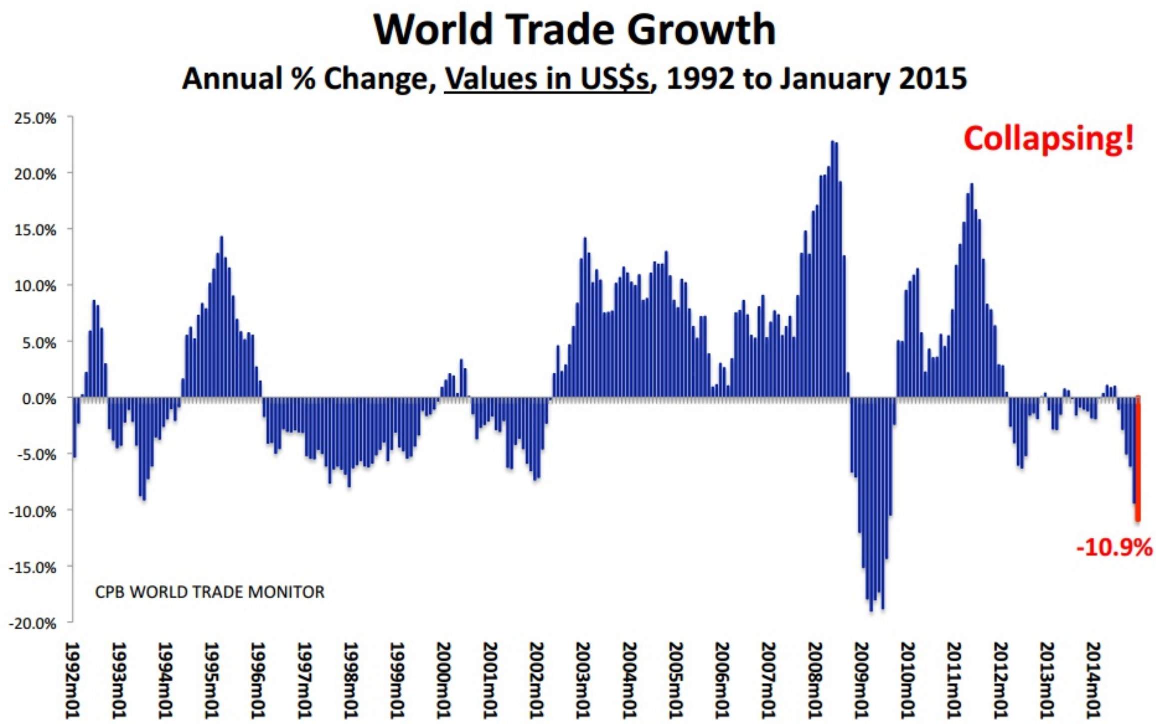
Even Goldman Sachs is very clear on the degree and seriousness of the slow down. There analysis says the world is still in deceleration and contraction.



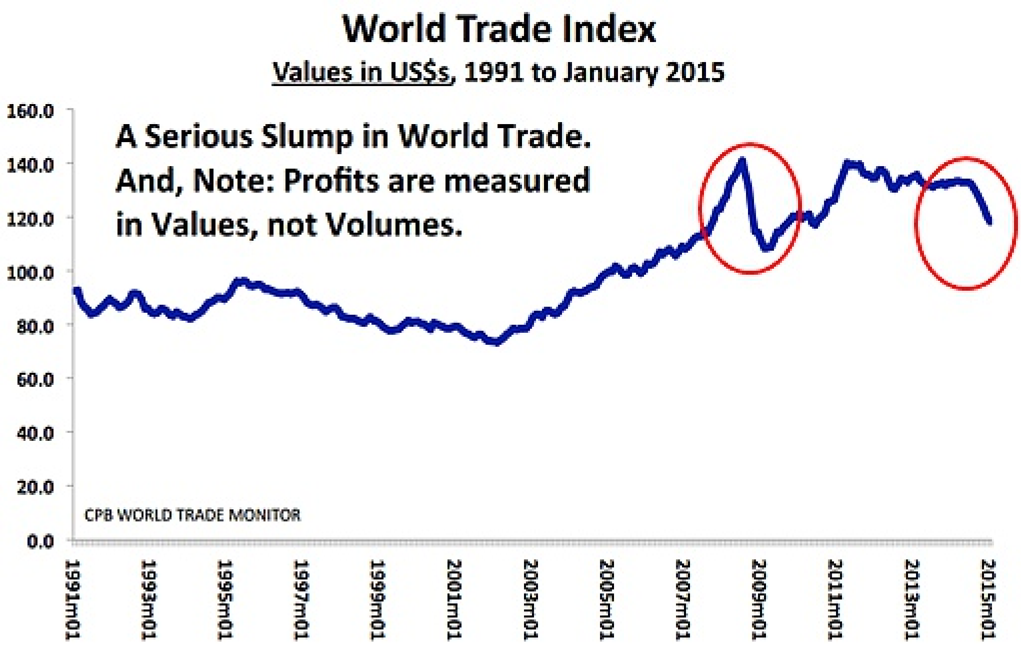
(cont pg.11)

Markets In Suspended Animation (cont.)

World trade valued in US dollars shows the degree of collapse occurring. It is now nearing comparison to 2007-2008 without anywhere near the fanfare? Of course it was the same thing in 2007. Until the markets react no one pays attention. It all makes this suspended animation occur!



What some don't fully appreciate is that Profits are measured in world trade values and not volumes. In this regard the issue is very telling. We will come back to corporate profits in a moment.



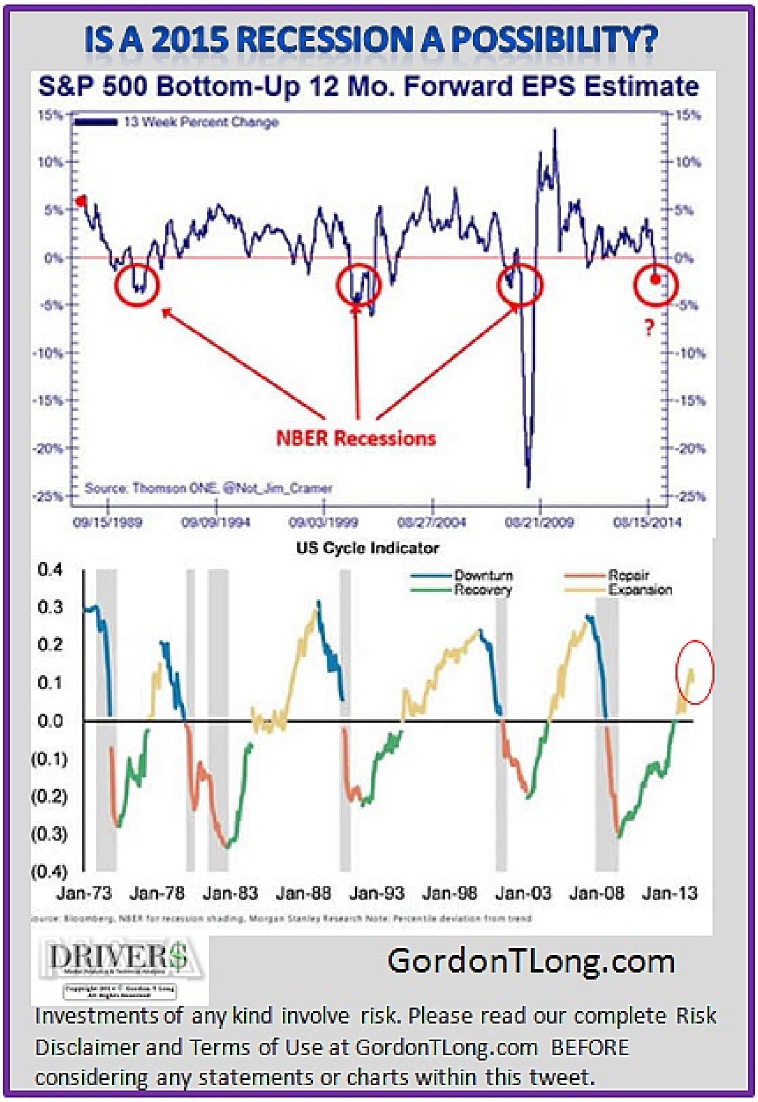
(cont pg.12)

Markets In Suspended Animation (cont.)

RECESSION SIGNALS

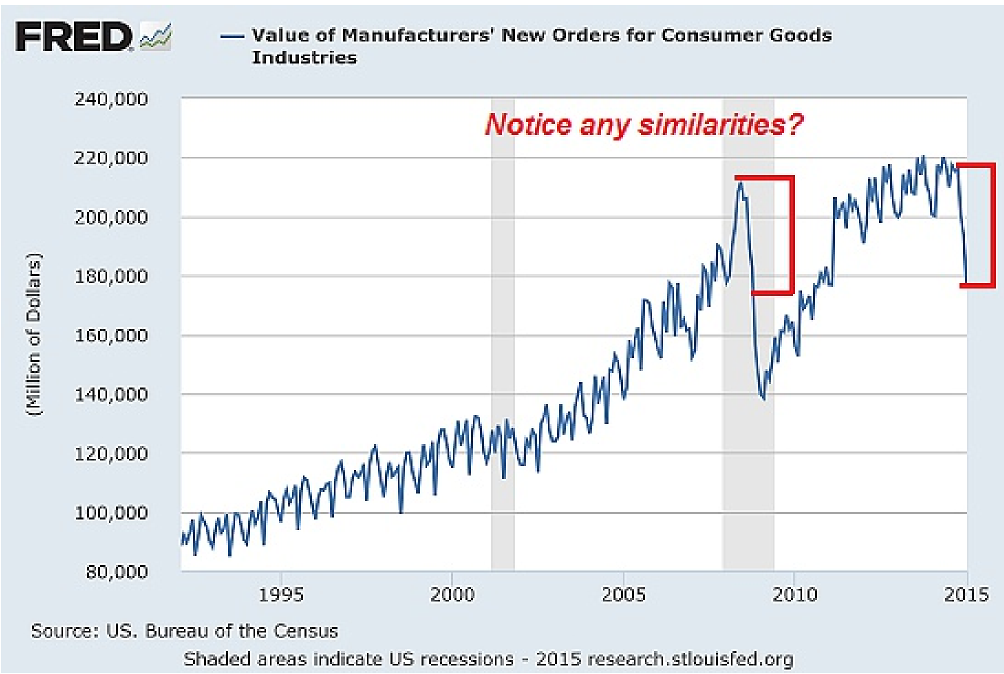
I mentioned last month that a scare to the market could come out of anywhere and take us out of this suspended animation.

One shock that would not surprise me in the least is the possibility of a US recession. Historically, we should be looking for one about now! I have shown this chart before and we have since had further signs of this being a real possibility later in 2015.



My Macro Analytics show Co-Host, [Charles Hugh Smith] argues that the "The U.S. economy is slowing to stall speed -- the point when gravity overcomes the lift provided by central bank free money. This deceleration is evident in a number of indicators such as gross domestic product (GDP), which is now at 0% according to the [Federal Reserve Bank of Atlanta's GDPNow model].

New orders for consumer goods have fallen off a cliff, eerily repeating the freefall of the Great Recession in 2008:

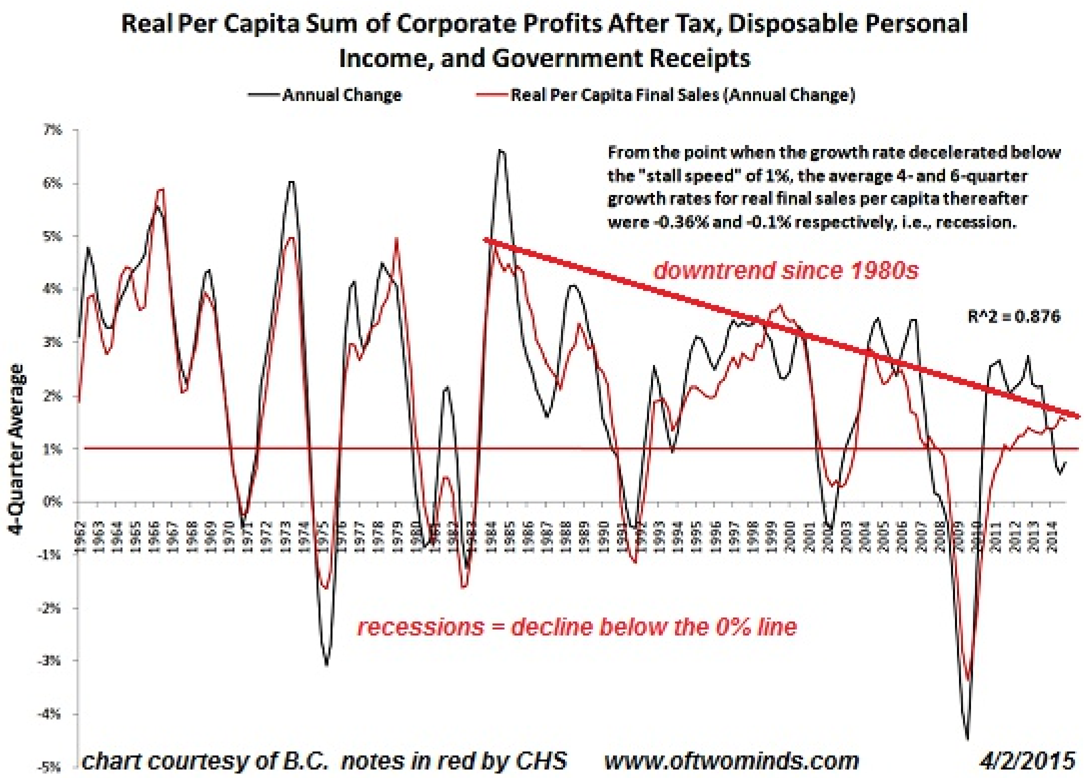


(cont pg.13)

Markets In Suspended Animation (cont.)

Charles shows here the per capita corporate profits + disposable personal income + government receipts and real final sales.

> *"From the point when the growth rate decelerated below the 'stall speed' of 1% , the average 4- and 6-quarter growth rates for real final sales per capita thereafter were -0.36% and -0.1% respectively, i.e. recession."*
>
> *Growth rates in both series have been deteriorating since the early 1980s, when financialization began substituting leverage and debt for real growth in the real economy.*
>
> *Every dip below the zero line aligns with a recession. Once the lines dip below the 1% stall speed line, a negative growth rate follows.*



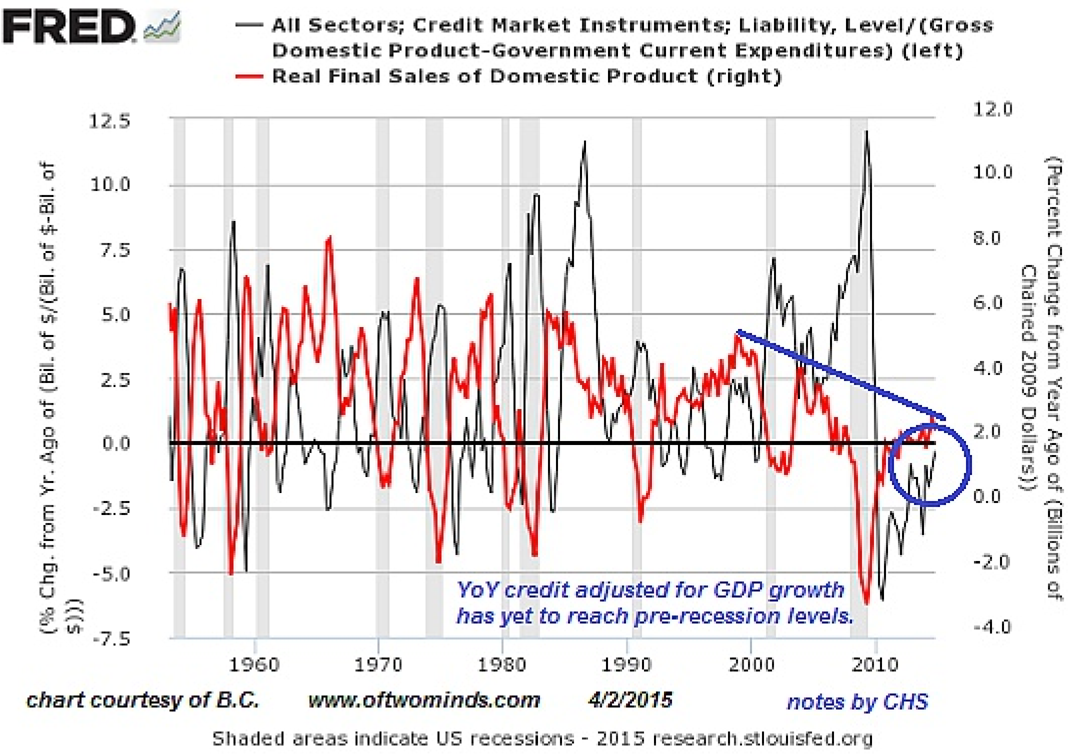
This second chart displays the credit market in a ratio with GDP (minus government expenditures, leaving only the private-sector economy) and real final sales ("real" meaning adjusted for inflation).

Adjusted for GDP growth, the credit market growth has yet to reach pre-Great Recession levels. This reflects debt saturation--adding debt no longer generates much expansion in the economy.

(cont pg.14)

Markets In Suspended Animation (cont.)

The growth rate of real final sales has been declining since the early 1980s, with each peak and each trough being lower than the previous peaks and troughs. The growth rate in the current recovery has barely edged over the stall speed of 0% and is now rolling over.



The primary inference is that the real, after-tax income component of real GDP decelerated to "stall speed" and then a recessionary rate in Q3-Q4 '14.

With the increase in the US$, net exports will be a drag, even with the collapse in oil imports as a result of the shale oil boom/bubble. That leaves . . . an expansion of the fiscal deficit, all else equal, to prevent recession, or a contraction of nominal GDP with the marked deceleration of CPI and the GDP deflator.

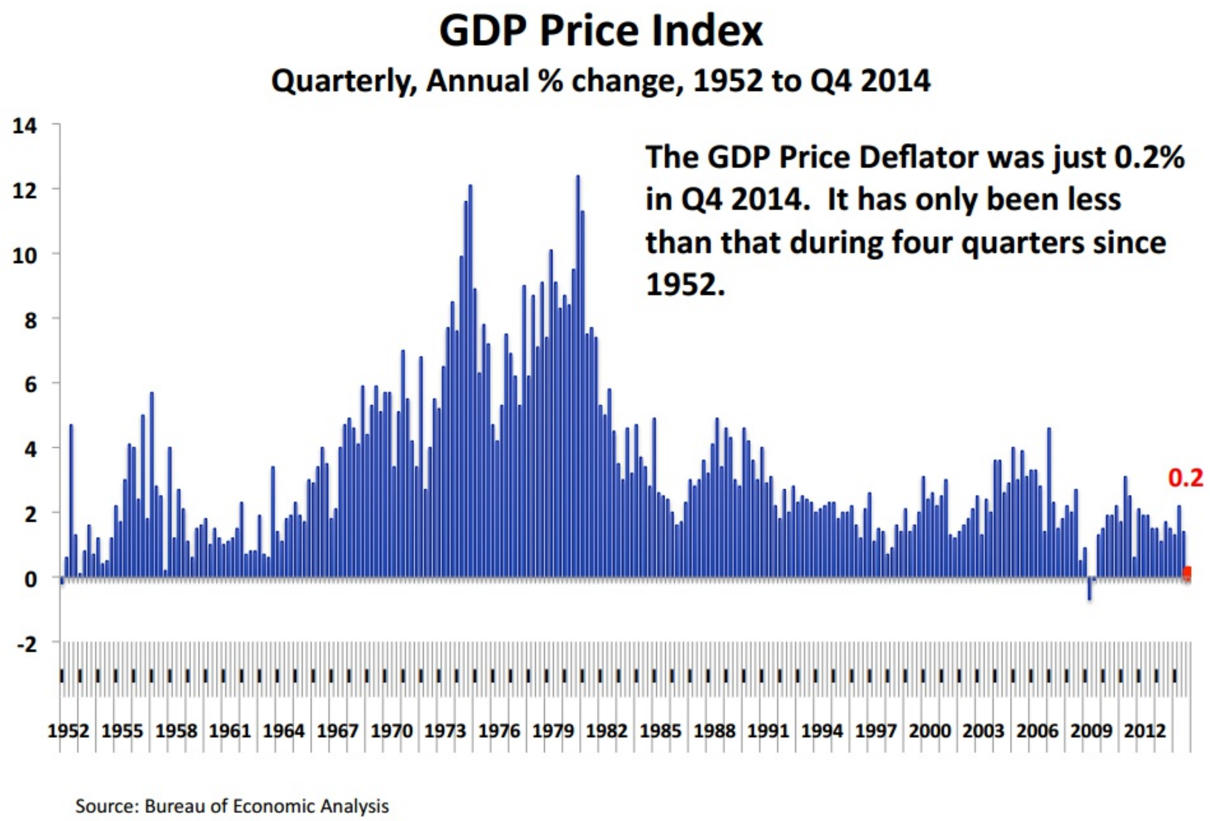
Because we don't have net savings, the Fed will have to resume printing bank reserves for Too Big to Exist (TBTE) banks to resume buying federal bond issuances ("monetization") at some point later this year.

This long-term weakening of the economy is the direct result of financialization and the Federal Reserve's policy of propping up impaired debt with more debt and constantly bringing demand forward with zero interest rates.

(cont pg.15)

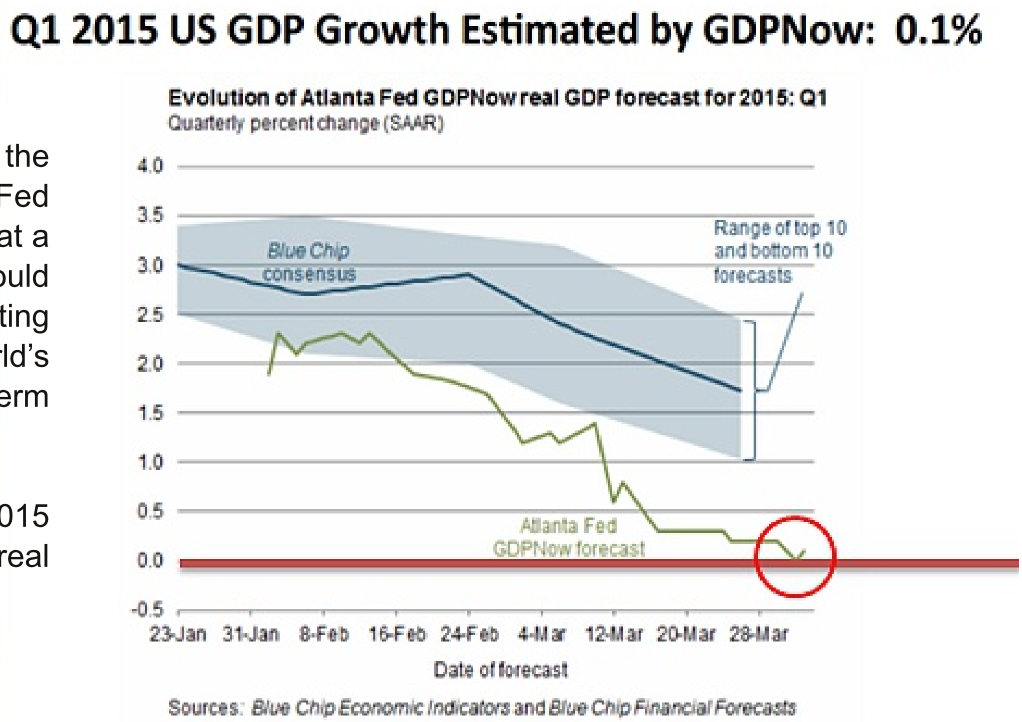
Markets In Suspended Animation (cont.)

Below is Richard Duncan's Macro Watch chart on annualized quarterly change in US GDP. The trend is clear as is the seriously low level of GDP we are currently experiencing.



To make things worse, the most recent Atlanta Fed estimates have Q1 GDP at a meager 0.1%! It would appear things are getting worse fast, in the world's only perceived near term growth engine.

This is why I see a 2015 recession scare as a real possibility.



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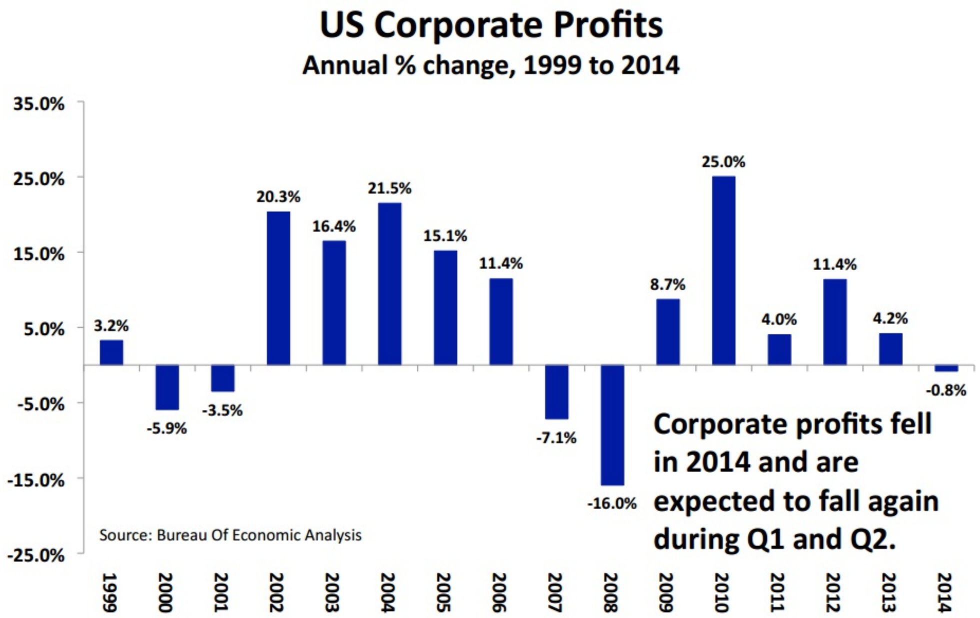
Markets In Suspended Animation (cont.)

POST APRIL 15th BLACK HOLE

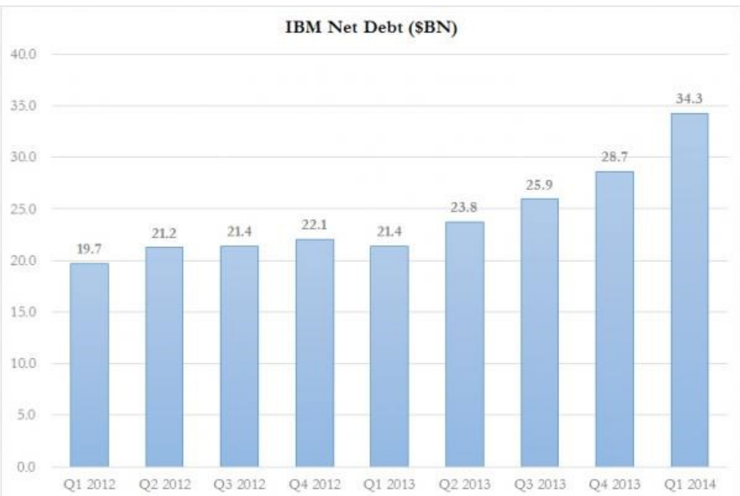


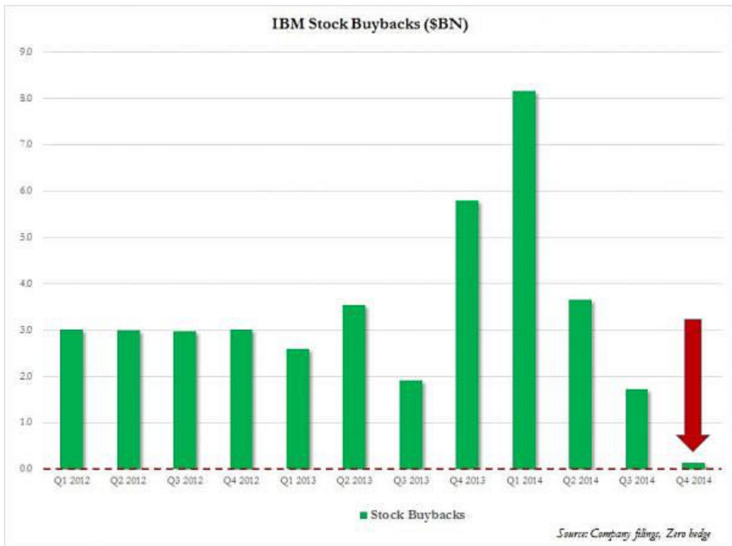
I mentioned world trade profit pressures. They clearly show in US Corporate profit trends. According to analysts, profits fell in 2014 and are again forecast to fall during Q1 and Q2 2015.

I have written and discussed many times over the last 18 months the degree of market distortion that is occurring with 90% of S&P 500 profits being returned to shareholders as buybacks and dividends. IBM has been a blatant example of this which I have previously shown charts on.

But all good things do come to an end. Though markets are likely to stay buoyant until all the IRA tax season contributions are made, there are some serious issues appearing under the market's surface.

The credit agencies have threatened to reduce IBM's credit rating if it keeps adding debt (which I have show is being used to buy back shares) and thereby further deteriorate IBM's now precarious Debt to Equity Ratio. IBM has more or less abruptly halted buybacks.





(cont pg.17)

Markets In Suspended Animation (cont.)

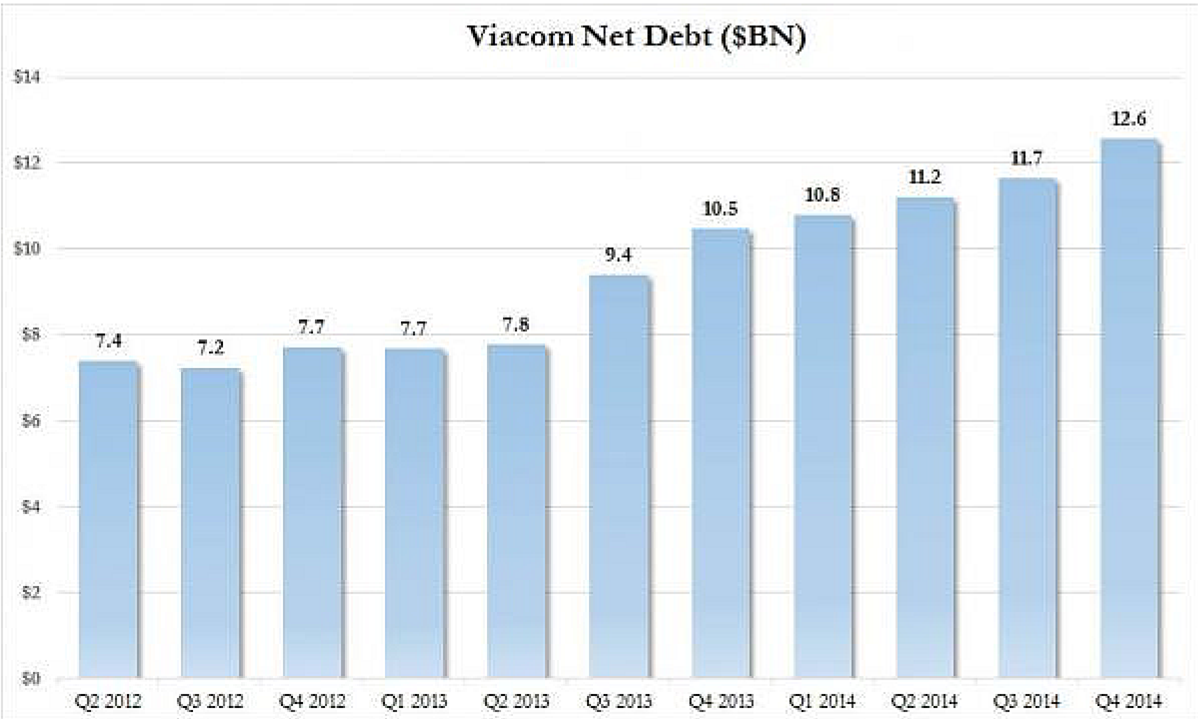
Now we have Viacom revealing that as part of its "Strategic Realignment to Create Efficiencies and Drive Long-Term Growth" it would do something which the market loathes: **it would stop its buybacks.**

Specifically Viacom said:

"Viacom will temporarily pause share purchases under its current $20 billion stock repurchase program in order to stay within its target leverage ratio."

It makes me wonder if the credit agencies are now making a lot of unwanted visits.

Viacom's net debt ratio has likewise soared in the past several years, and has reached a level where the Baa2/BBB-rated Company was on the verge of being cut to junk status.



Here is a list of the largest S&P companies which have repurchased $2 billion or more in stock in the last 12 months, and whose net debt/EBITDA is dangerously close to the "fallen angel" category.

Not surprisingly, the top 20 results feature both IBM and Viacom. Expect many more companies on this "visitation" list, especially those with higher net leverage. Expect them to likewise announce that their stock buybacks are also put on hiatus until further notice. This could potentially lead to a sudden and sharp air pocket in their stock price.

(cont pg.18)

Markets In Suspended Animation (cont.)

Company	Net Debt/ EBITDA	LTM Stock Buybacks
Deere & Company	6.1x	2.9
Caterpillar Inc.	3.7x	4.2
Viacom, Inc.	2.9x	3.3
Time Warner Inc.	2.7x	5.5
Anthem, Inc.	2.6x	3.0
General Motors Company	2.4x	3.3
Philip Morris International, Inc.	2.1x	3.8
CBS Corporation	2.1x	3.6
Aon plc	1.9x	2.3
Comcast Corporation	1.9x	4.3
American International Group, Inc.	1.8x	4.9
Express Scripts Holding Company	1.8x	4.5
The Dow Chemical Company	1.7x	4.2
Lowe's Companies Inc.	1.7x	3.9
Pepsico, Inc.	1.6x	5.0
The Coca-Cola Company	1.6x	4.2
McDonald's Corp.	1.3x	3.2
International Business Machines	1.3x	13.7
Twenty-First Century Fox, Inc.	1.3x	4.8
Monsanto Company	1.3x	6.8

Source: CapitalIQ

WHAT IS BEGINNING TO WORRY ME

Additionally not getting much attention is that the decade-long surge in foreign-currency reserves held by the world's central banks is coming to an end.

Global reserves declined to $11.6 trillion in March from a record $12.03 trillion in August 2014, halting a five-fold increase that began in 2004, according to data compiled by Bloomberg.

While the drop may be overstated because the strengthening dollar reduced the value of other reserve currencies such as the euro, it still underlines a shift after central banks -- with most of them located in developing nations like China and Russia -- added an average $824 billion to reserves each year over the past decade.

(cont pg.19)

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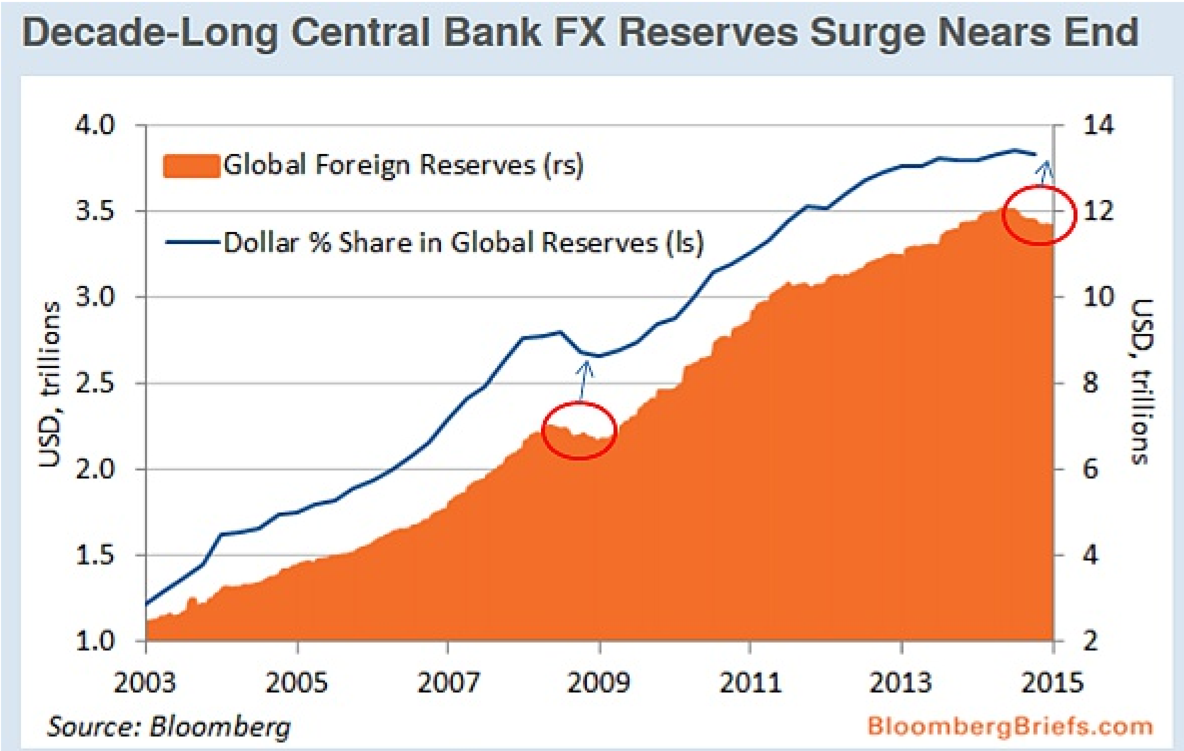
Markets In Suspended Animation (cont.)

Beyond being emblematic of the dollar's apparent return to its role as the world's undisputed dominant currency, the drop in reserves has several potential implications for global markets.

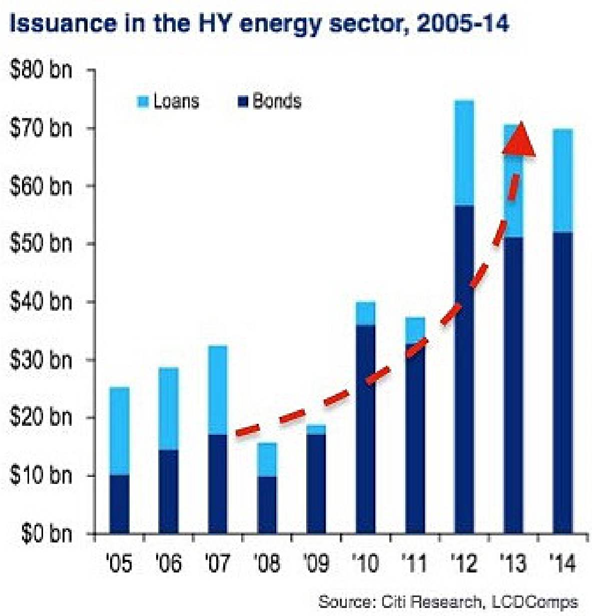
• It could make it harder for emerging-market countries to boost their money supply and shore up faltering economic growth;
• It could add to declines in the euro; and
• It could damp demand for U.S. Treasury bonds.

Notice what happened the last time this occurred which I have highlighted here in the red circles.



We've have heard a lot lately about High Yield (HY) in general and about the HY energy space more specifically. Recapping, periods of QE in the US saw US HY supply surge 50% above normal levels as issuers sought to take advantage of lower borrowing costs and investors clamored for the relatively higher yields they could get by taking on more credit risk.

More recently, struggling oil producers have tapped the market in an effort to stave off insolvency as crude prices plummet, leading directly to a situation where outstanding HY energy bonds account for a disproportionate share of all outstanding debt in the space.



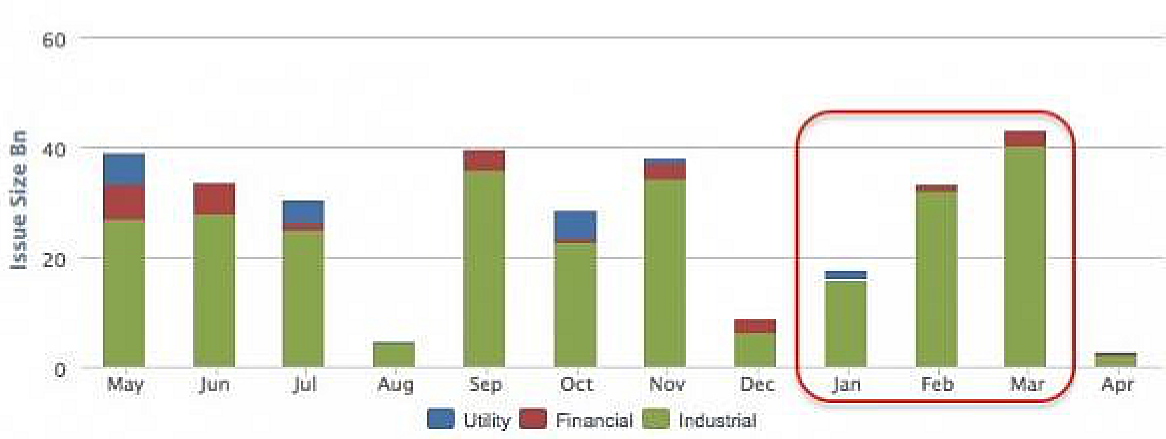
(cont pg.20)

Markets In Suspended Animation (cont.)

With rates set to rise later this year, with crude prices likely to stay depressed for the foreseeable future, and with suppressed liquidity in the secondary market for corporate credit poised to bring heightened volatility, the stage may be set for a potential high yield meltdown.

$91 billion in Q1 issuance…

This would abruptly end our state of suspended animation.



Over the past several weeks we've have also seen quite a bit about the lack of liquidity in both corporate and government bond markets. In a nutshell, QE is taking its toll on Treasury and JGB markets, with both traders and officials in Japan voicing concerns about liquidity while new regulations have made it more onerous for banks to hold inventories of corporate bonds, imperiling the secondary market at a time when new issuance is high thanks to record low borrowing costs.

Here's more:

- Illiquid Corporate Bond Market Will End In "Very Unpleasant Fashion"
- Drowning In Liquidity But None In The Bond Market
- More Flash Crashes To Come As Shadow Banking Liquidity Collapses
- BoJ Conducts Survey, Promptly Ignores Results

Now, Oliver Wyman and Morgan Stanley are out with a new report that takes an in-depth look at the issue. From the note, on market conditions:

> *There's a liquidity conundrum in fixed income markets facing policy makers and investors: how it's resolved will have long term investment implications across banks, asset managers and infrastructure players.*
>
> *At its heart is the huge shift in liquidity risks to the buy side and asset owners as the twin forces of financial regulation and QE have played out. New rules have driven a severe reduction in sell-side balance sheet and banks' liquidity provision.*

(cont pg.21)

Markets In Suspended Animation (cont.)

Wholesale banking balance sheets supporting traded markets have decreased by 40% in risk weighted assets terms and 20% in total balance sheet since 2010.

At the same time, credit markets have boomed as companies turn more to bond finance and investors are hungry for income. Credit market issuance is 2.4 times larger today than 2005*. Within this, AuM in daily redeemable funds has grown 10% per annum and is now 76% above 2008 levels…*

This comes at a time when Morgan Stanley thinks the liquidity of secondary fixed income markets is likely to get materially worse*. As regulatory costs continue to drag on returns, Morgan Stanley expects another 10-15% shrinkage of fixed income balance sheet from the largest wholesale banks in the next 2 years. As much as 15-25% could be taken out of flow rates, we think, given the huge returns pressure on that business…*

Morgan Stanley feels there is a growing urgency to tackle this debate by policy makers. The impact of less liquidity has been masked by a benign, ultra low interest-rate environment, but this is set to reverse in the US in the next 12 months, and could also reveal the side effects of QE pushing investors to less liquid securities.

Exhibit 1

We expect banks to shrink balance sheet further

Share of 2014 balance sheet and expected reduction

	Changes in balance sheet 2010-14	Further potential reduction
Rates & repo	~ -30%	-15% to -25%
FX, EM, & Commodities	~ -25%	-5% to 0%
Credit & Securitised	~ -30%	-5% to -15%
Equities	~ 0%	-5% to 0%
Total	~ -20%	-10% to -15%

Source: Oliver Wyman proprietary data and analysis

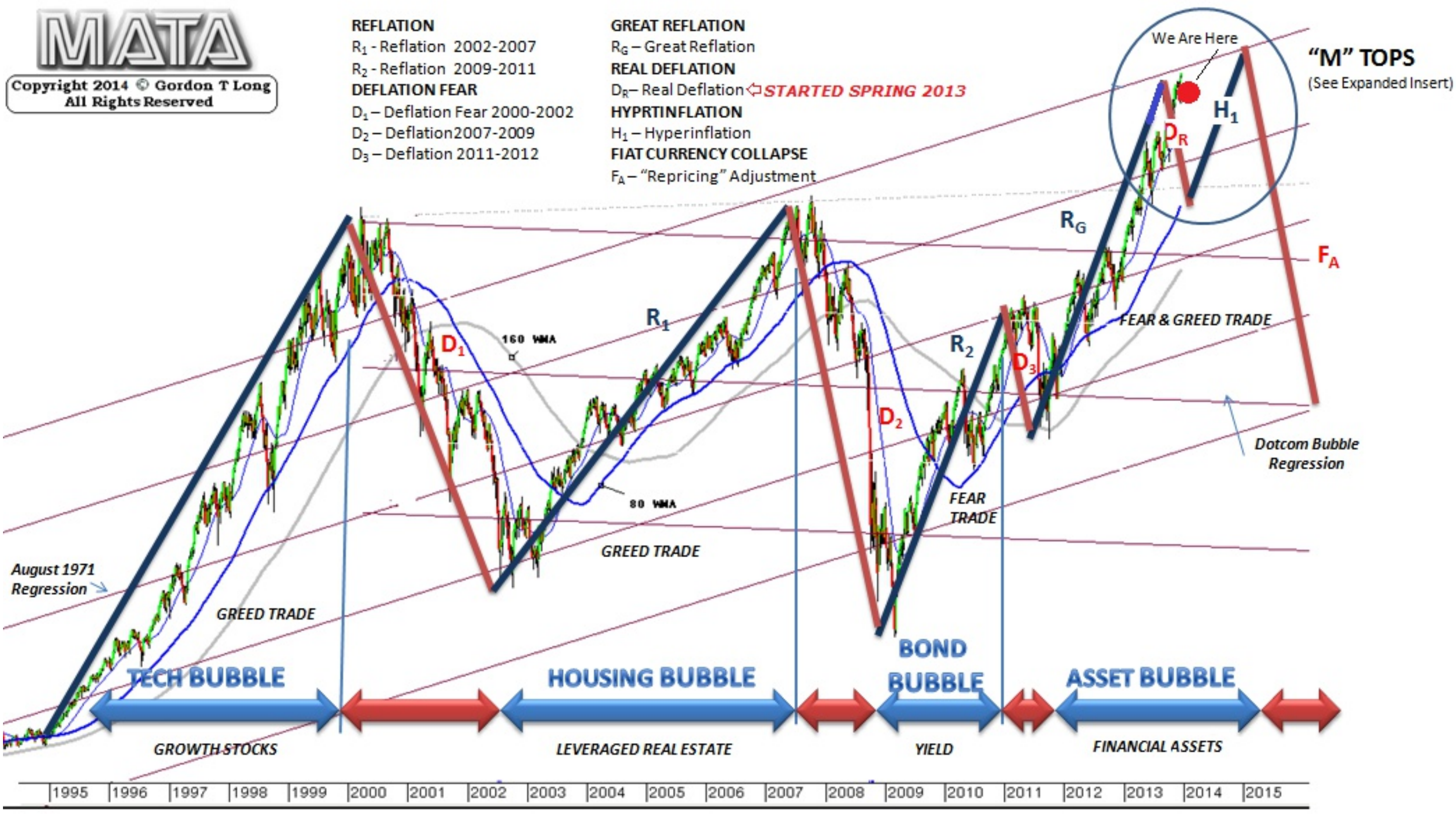
I believe the Real Deflation leg is underway, though the US Equity market prices currently defy it in this state of “suspended animation”. The US markets may stay elevated for a while but like Wile E Coyote, it defies gravity!

When the Fed is forced into QE4 we can expect real elevated Inflation and the strong possibility of eventually seeing Hyperinflation.

(cont pg.22)

Markets In Suspended Animation (cont.)

Never forget, Hyperinflation is a Currency Event which explodes prices higher as confidence in the currency is lost. It will be about lost confidence in the US dollar. Or possibly the replacement of the US$ as the dominate global currency in a de-dollarization event which may be as a result of last week's creation of the controversial Asian Infrastructure Investment Bank (AIIB)?



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

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METHODOLOGY

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.

RETAIL

(cont pg.25)

HIGH PROBABILITY TARGET ZONES TRADING

What is HPTZ TRADING?

A purely Technical Trading Methodology *(no bias)* that can be used as the backbone for any trading plan or strategy, for all styles of trading and investment objectives.

How does it work?

MULTIPLE TECHNICAL ANALYSIS TECHNIQUES are overlapped and integrated. Where they tell a similar story (confluence) is where we identify places of interest (targets) that the market is likely to move to.

SEVERAL TARGETS are usually identified, above and below the market. Identifying targets above and below the market gives targets for a move in either direction. No bias.

THE TECHNICAL TOOLS used to locate the target areas are now the trigger considerations as the market moves through them, towards a target.

USING THE TECHNICAL TRIGGERS no bias is established and the participant can follow along with what the market actually does, as opposed to guessing what it might do.

INITIAL SET-UP of the tools to find HPTZ's establishes the significant market levels, trends, and supports & resistances. They give a road map of the market: the next likely destination and any stops along the way. This can be followed as the market moves from one technical to the next, on its way to a HPTZ.

HPTZ TRADING

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HIGH PROBABILITY TARGET ZONES TRADING

HPTZ TRADING

TECHNICAL ANALYSIS PERFORMANCE OVERVIEW

April 2015 Issue (previous months calls).

A quick overview to compare what was published for last month's analysis with what actually occurred. The left hand chart shows the daily analysis given (time frame), and the right hand chart is an updated image.

These are given here to offer a consolidated review and to get a general overall sense of success or failure for the analysis across several markets. You be the judge.

Current analysis for each market can be found in their respective sections as usual.

HPTZ TARGETS

Several technical tools, techniques and methods are integrated and overlapped; where these tell a similar story, or ***places of technical confluence***, through both passive and active analysis, is where we have areas of interest or ***High Probability Target Zones***.

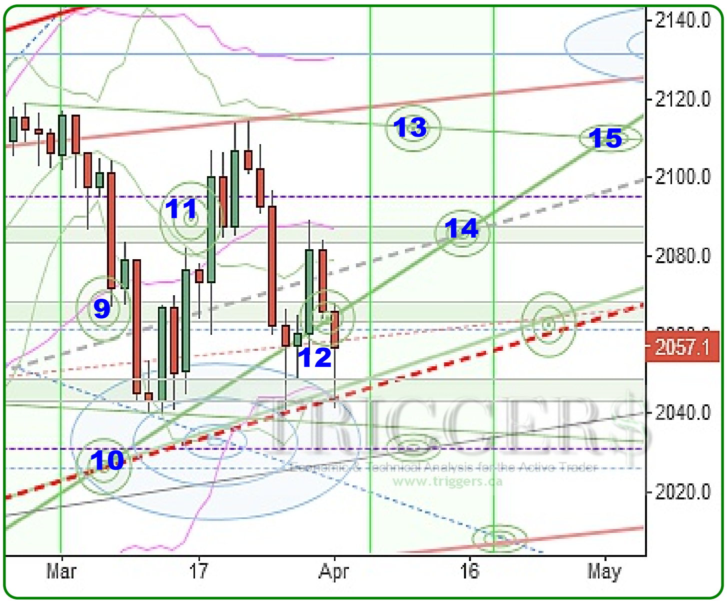
Green targets are from the Daily time frame

Blue targets are from the Weekly time frame.

Charts below are all Daily time frames. Blue targets appear larger as they have been carried down from the weekly time frame. *(Red are older targets)*

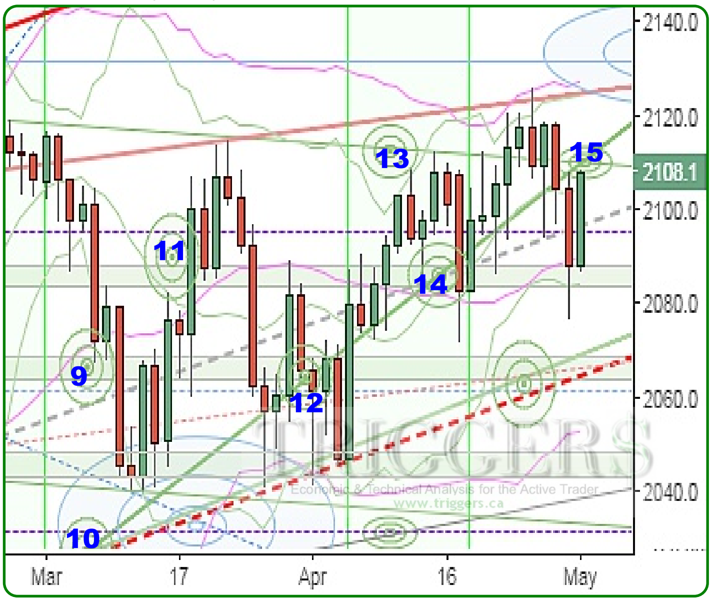
HPTZ TRADING — S&P

Published in April Issue



Bouncing between support & resistance, several targets are possible moving forward.

as of Friday May 1st, 2015



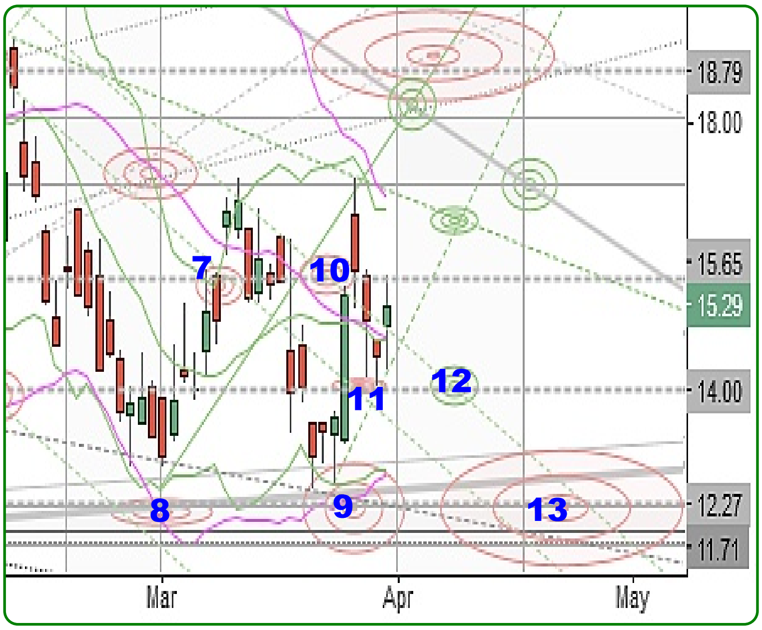
Market continues within range, moving through HPTZ(13) & (14); and recently moved in to HPTZ(15)

(cont pg.27)

HPTZ Trading (cont)

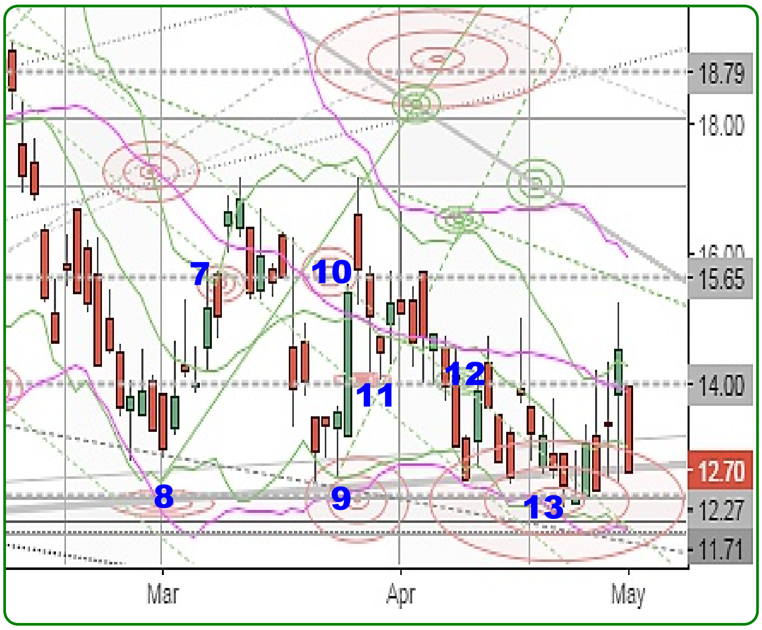
VIX

Published in April Issue



Volatility dropping and we have been watching for slightly lower lows to fill a gap.

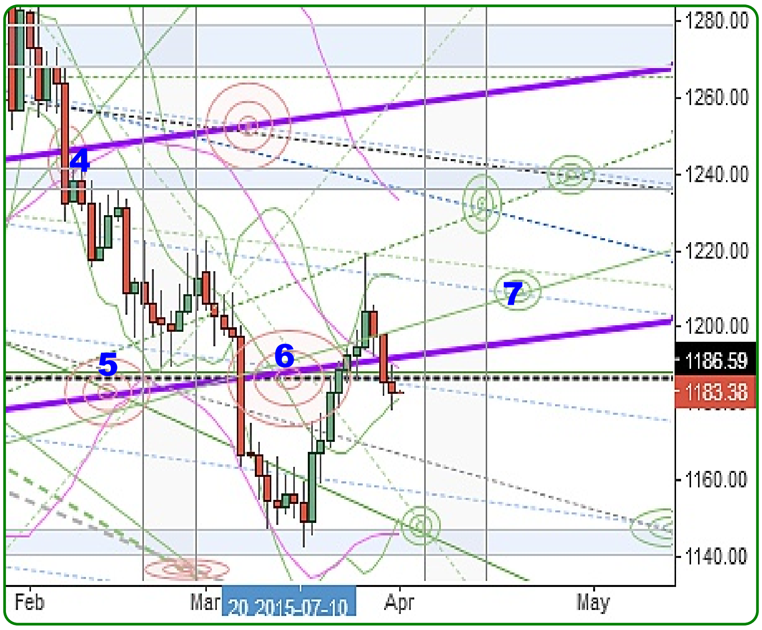
as of Friday May 1st, 2015



Moving through HPTZ(12)& (13) VIX finally fills gap.

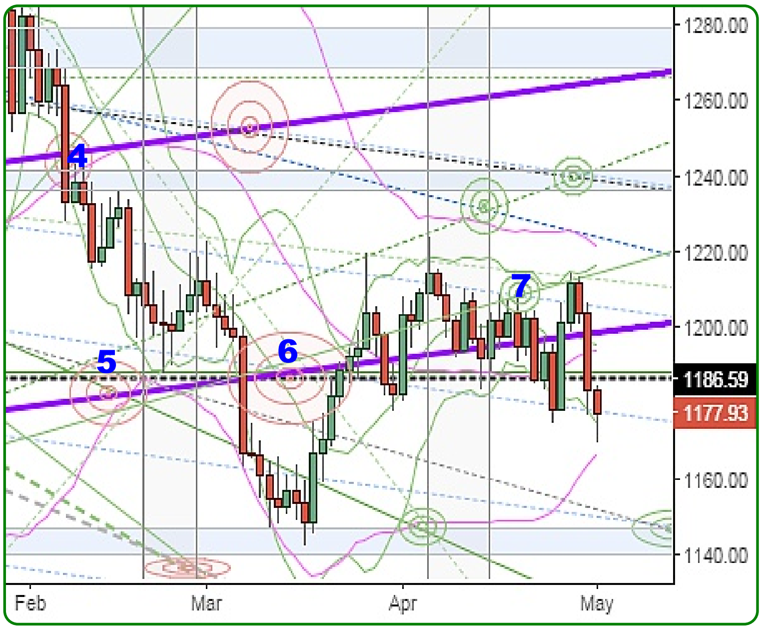
GOLD

Published in April Issue



Gold had dropped through significant s/r's (purple channel) and bounced to retest.

as of Friday May 1st, 2015



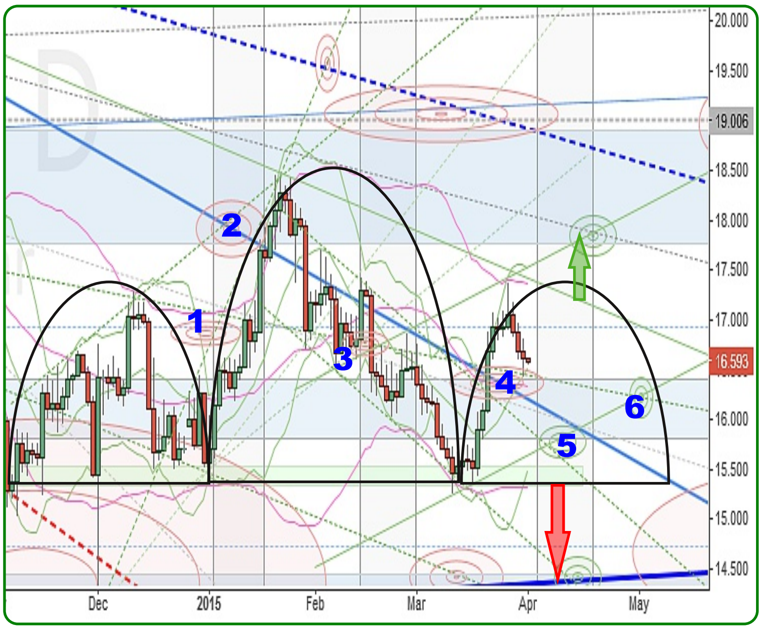
Consolidates, moving over to touch HPTZ(7).

(cont pg.28)

HPTZ Trading (cont)

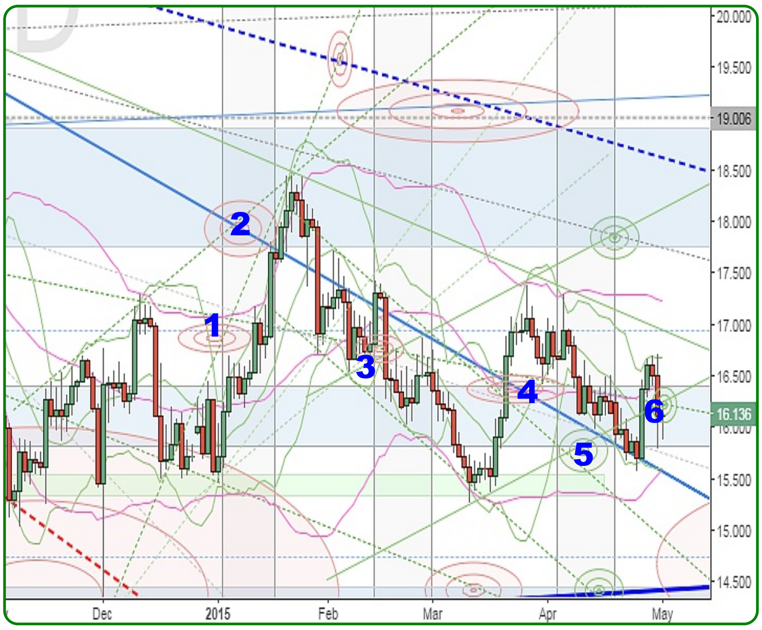
SILVER

Published in April Issue



Potential Head & Shoulders pattern emerging, watching for right shoulder

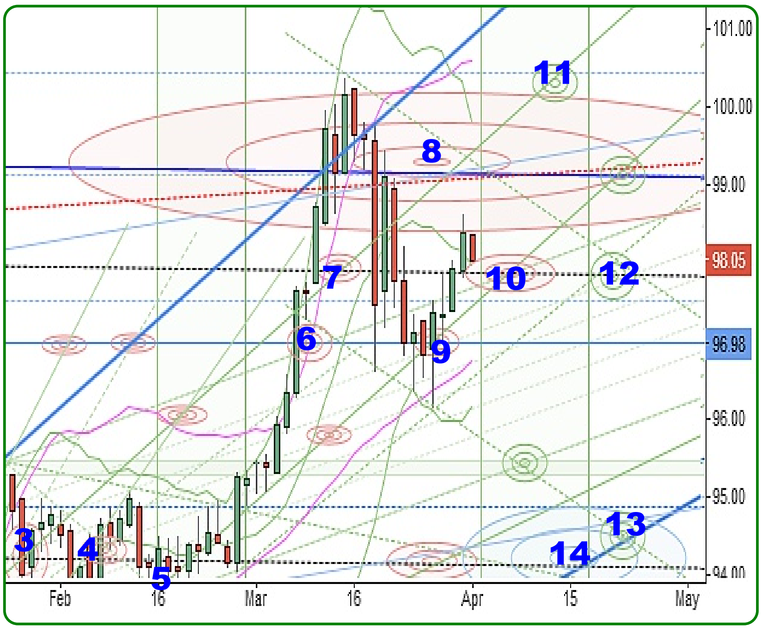
as of Friday May 1st, 2015



Right Shoulder forms as market moves through HPTZ(4), (5), and (6).

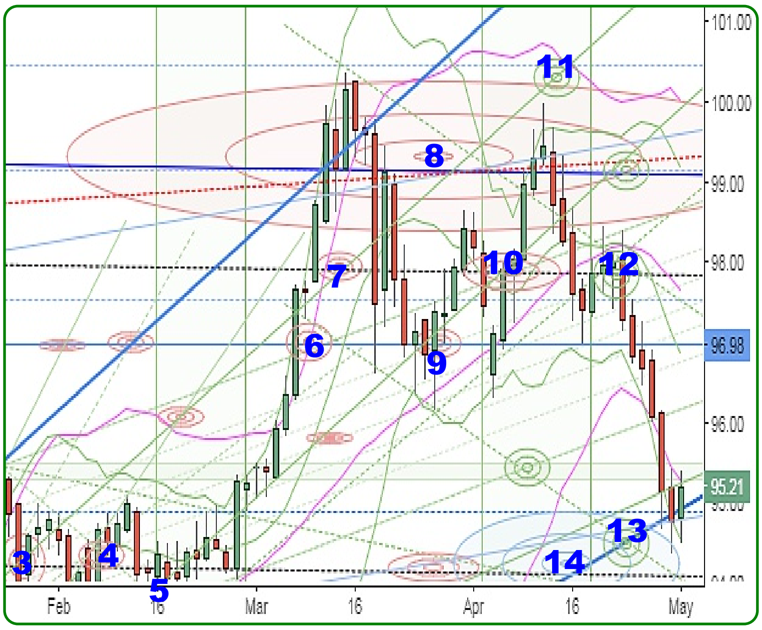
US$

Published in April Issue



USD lifts to significant resistances, including the left edge of an expanding wedge. Watching for consolidation to continue, move to opposite edge of wedge.

as of Friday May 1st, 2015



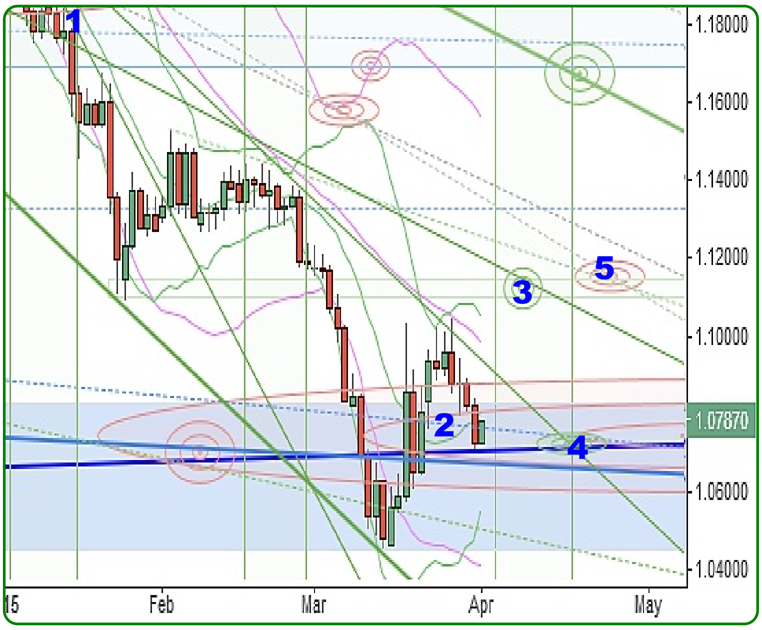
Market moves through HPTZ(10), lifts & comes up just short of HPTZ(11), drops through HPTZ(12) and lands beside HPTZ(13) at the r.h.s. of expanding wedge (blue s/r's).

(cont pg.29)

HPTZ Trading (cont)

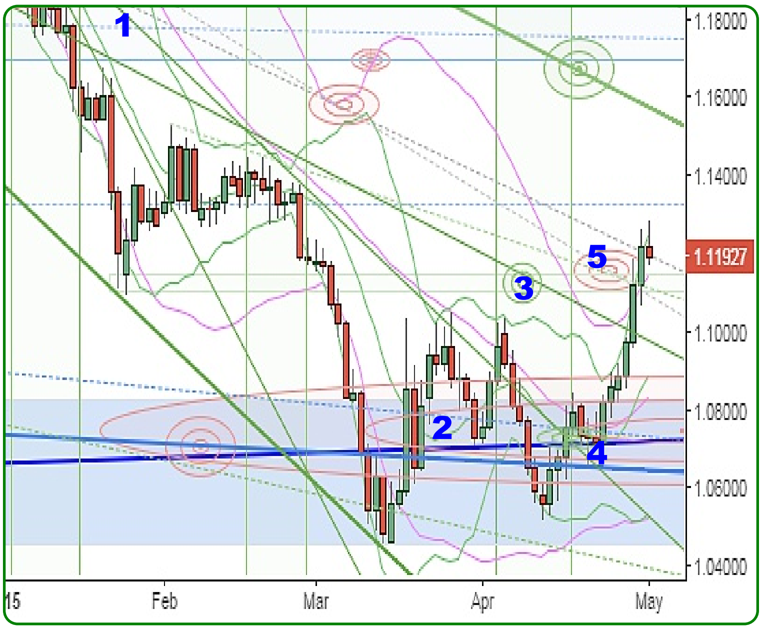
EUR/US$

Published in April Issue



Dropping off, the market reached long-term target HPTZ(2) and a significant s/r (blue zone). Watching for support and consolidation.

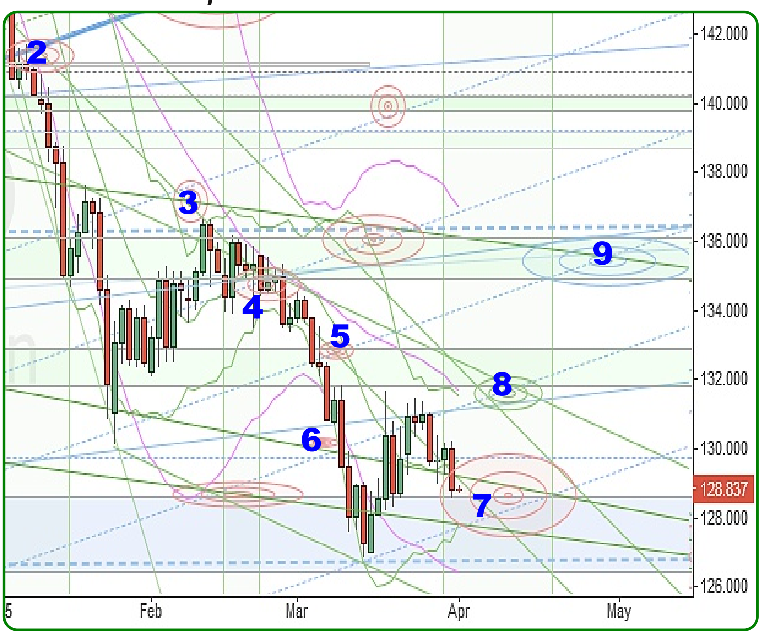
as of Friday May 1st, 2015



Market moves sideways, coming up just short of HPTZ(3), drops to HPTZ(4), bounces to HPTZ(5).

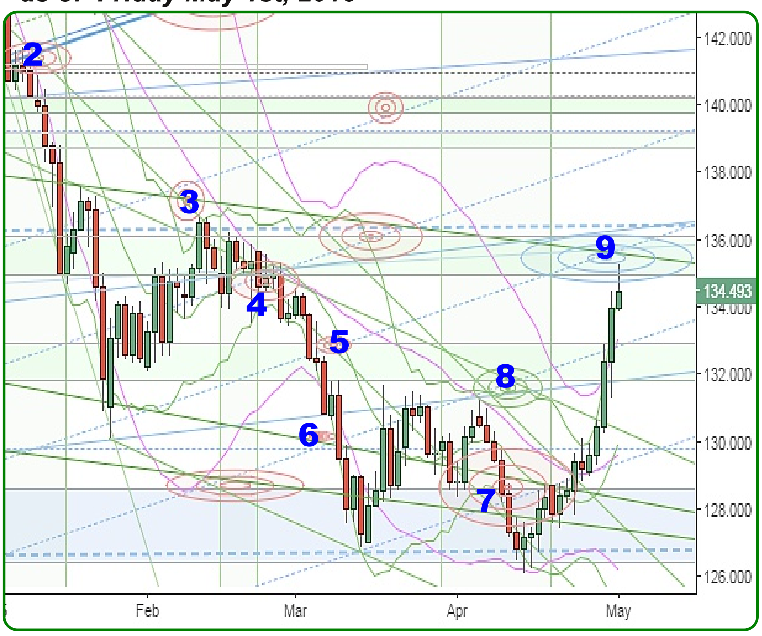
EUR/JPY

Published in April Issue



Market falling off, moving in to HPTZ(7). (Note similarities to chart of EUR/USD above)

as of Friday May 1st, 2015



Lifts to touch HPTZ(8), moves back through HPTZ(7), lifts to HPTZ(9).

END

Charts Powered By

TRADINGVIEW

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CHARTS IN THIS DOCUMENT LINK TO LIVE CHARTS

Look for the **LIVE CHART** symbol on select charts. Clicking this will take you to a **real-time streaming chart** where it will be updated with current market data.

This chart is dynamic and allows you to zoom, pan and watch as the market moves through the technicals in real time. Change the Time Frame to view from multiple perspectives.

Regardless of when you read TRIGGER$, the charts can now be viewed at any time with current market data. Check back throughout the month and review the analysis.

LIVE CHART

ASLO: **Save the Charts as Your Own!** Add your own technicals and personal trading plan / strategy (*saving requires free registration with* Trading View) - GO NOW and Register for FREE)

Feature Article

SIGNS FROM CHINA, US MACRO & FORWARD EARNINGS

Gordon T Long

During 2013, the Fed printed $1 trillion and the S&P 500 Index rose 30%. During 2014, the Fed printed $450 billion and the S&P rose 11%. Monetary tightening began with the end of QE 3. Since 31 October 2014, when QE 3 ended, the S&P is flat.

What all of this has done is left us in suspended animation! The market is now vulnerable to a sharp correction given stretched valuations, the weak economy and contracting corporate earnings.

2015 will actually be the first year since 2007 without some form of quantitative easing! During this six year period the Fed's Balance Sheet has exploded by over $4 trillion and the US Government has spent another $11+ trillion. Between October and November of last year, the Federal Government issued $1 trillion in new debt in one month.

The bond bubble was $80 trillion going into 2008. Today it's over $100 trillion. The US had $5 trillion in public debt going into 2008. Today it has over $18 trillion.

Despite all of this the US has experienced the weakest recovery in 80+ years! That is assuming it's really a recovery? Every other recession going back to 1954 saw rates begin to rise a few years into the recovery.

It makes me pause and think that a year without monetizing bonds is going to be a big shock to the financial markets and stock traders.

As we have spelled out in previous reports, we are seeing global weakness around the world with very worrying signs coming from China and Emerging Markets. The US has been portrayed as the strongest economy with which to pin optimistic hopes.

(cont pg.32)

Signs From China... (cont)

I personally suspect the US economy in 2015 is going to keep moving towards recession and thereby force the Fed to launch QE4. Since the financial markets have now been carefully positioned for interest rate hikes, a QE 4 shift would likely cause violent swings in the price of stocks, bonds, currencies and commodities.

The thing to keep in mind however is the economy is is not starting from an equilibrium position. It's in a Central Bank Liquidity Driven bubble. It has been inflated to its current size by a five decade long, 59-fold expansion of credit. Recently, credit is no longer growing rapidly enough to drive economic growth at levels to halt financial deflation. This is terrifying global central bankers.

The fundamental reason for this is that credit can't expand fast enough because developed economy households are overly indebted and wages aren't rising fast enough due to Globalization. This means without additional stimulus the economy will fall back into recession.

I can't see how the Fed will risk such a recession (for fear that a recession would turn into a Depression), so I expect the Fed to launch QE 4 later this year. Let me stress that – LATER THIS YEAR!

Meanwhile, US Macro Surprises have suddenly become alarmingly negative and are clearly following forward earnings estimates lower.

(cont pg.33)

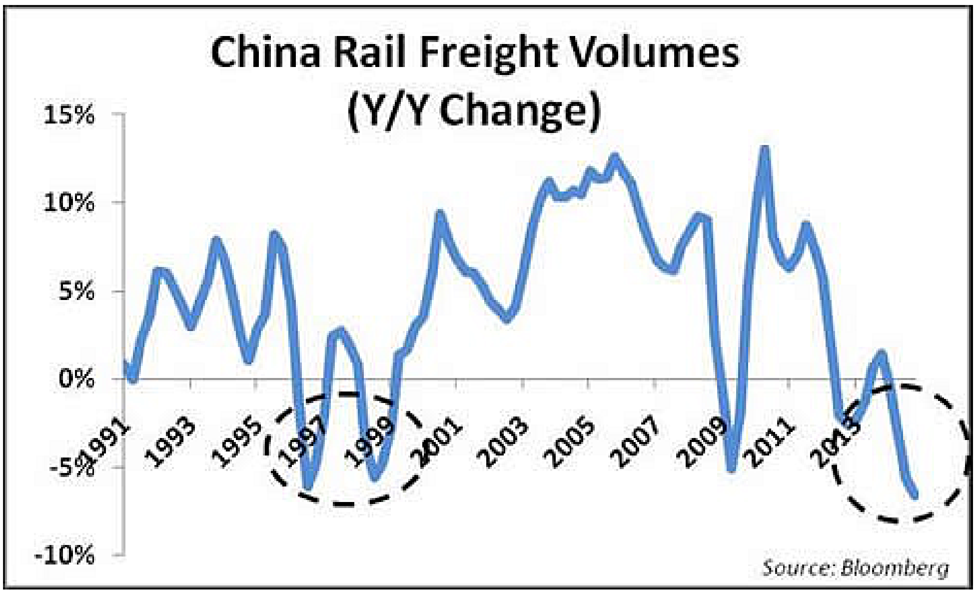
Signs From China... (cont)

China Shows What is Happening With Demand

There is probably no better proxy for the global investment boom than the spot price of iron ore because it captures China's massive infrastructure construction spree and the waves of mining, shipbuilding, steel-making and construction materials spending that it set off all over the world. But this huge tidal wave has now crested, leaving behind the worst of both worlds——cooling demand and still expanding supply.

For the first time since around 1980, China's steel consumption is projected to fall in 2015——with demand slumping from 830 million tons last year toward 800 million tons, and that is just the beginning as China's credit-fueled construction frenzy finally comes to a halt. In fact, during the boom that took iron ore prices from a historic level of around $20-30 per ton to a peak of nearly $200 in 2011, China's iron and steel capacity grew like topsy. Production capacity expanded from about 200 million tons at the turn of the century to upwards of 1.1 billion tons at present.

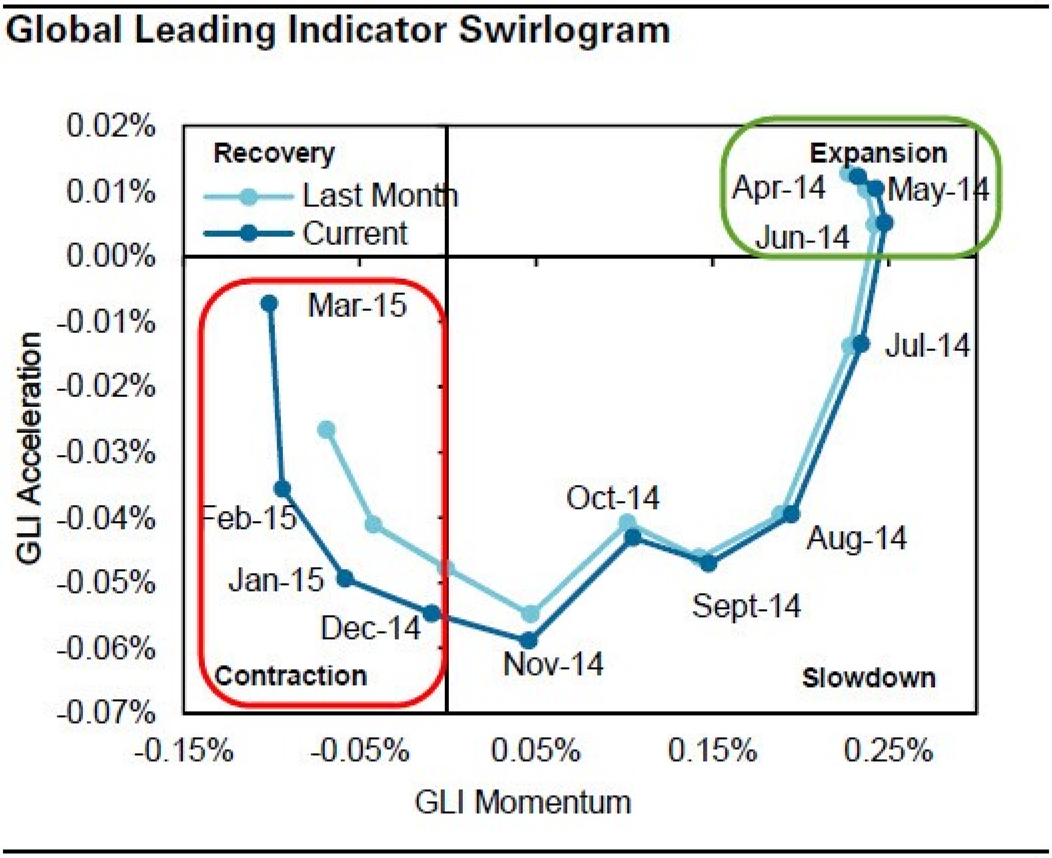
The emerging global deflation has already brought the spot price of iron ore under $60 per ton—-or back to where the latest credit-fueled boom cycle commenced in March 2009. The consequences of that are visible, among many other places, in Australia's burgeoning depression and the slide of Brazil into its worst two-year economic slump since 1930-1931.



(cont pg.34)

Signs From China... (cont)

Goldman's Leading Global Indicator Swirlogram



Source: Goldman Sachs Global Investment Research

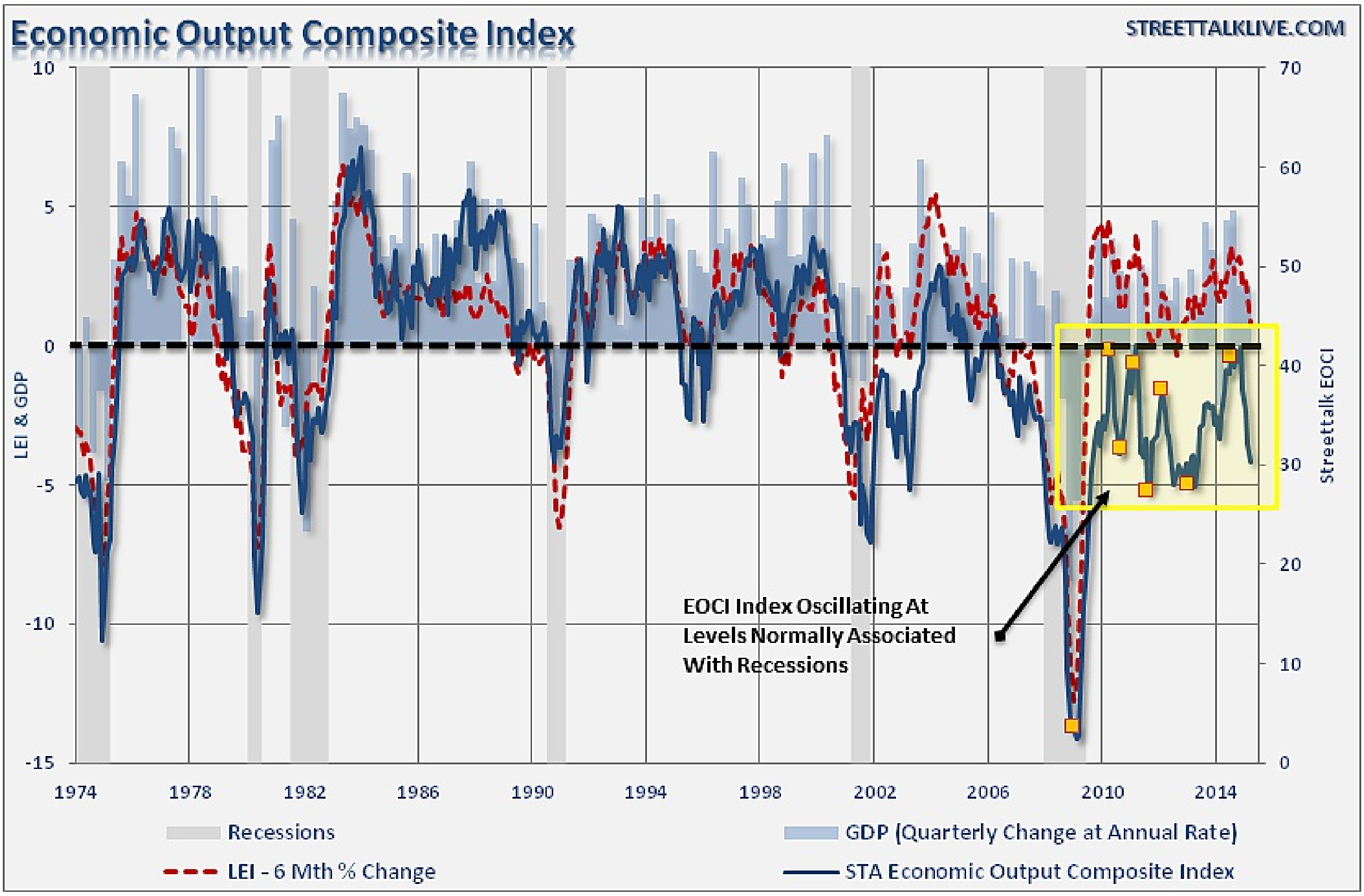
ECRI Index Oscillating at Levels Normally Associated With Recessions

Lance Roberts writes:

> *"However, with the economy currently growing at only slightly more than 2% annually, since the turn of the century, and inflation running well below the Fed's 2% target, what incentive is there in raising the overnight lending rate? In my opinion, none. Let me explain.*
>
> *Friday's employment report, which was not surprising in its decline, is a reflection of the deterioration in the economic data over the last two-quarters. That weakness can clearly be seen in the Economic Composite Index (click here for construction) which has fallen since the end of QE3.(Gold squares show start and end of Fed's QE programs)"*

(cont pg.35)

Signs From China... (cont)



"While it is an accurate statement that the U-3 unemployment rate, as reported by the BLS, has dropped to 5.5% as of the latest report, there is much controversy surrounding the validity of that statement. (For more on this read: What Is The Real Unemployment Rate?")

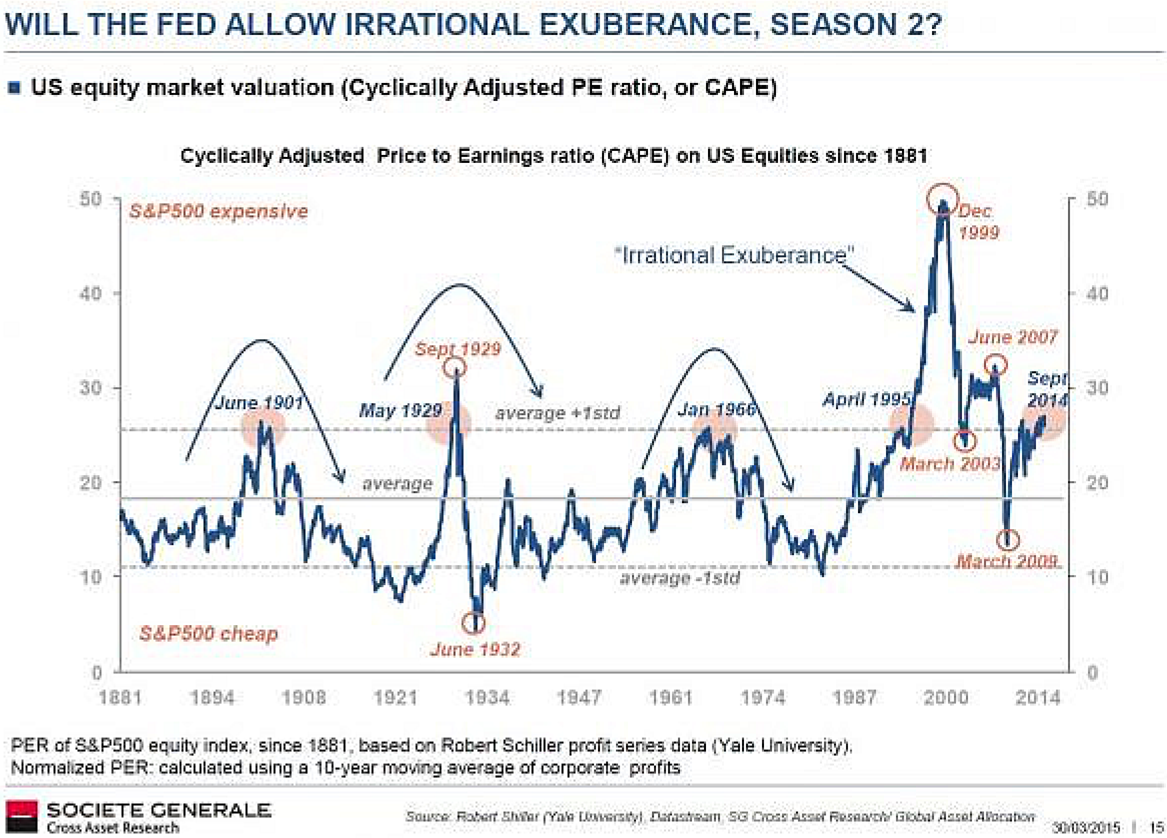
While the majority of economists and analysts continue to be confused by the ongoing sluggishness in economic growth, the Fed is likely embarking on an interest rate increase cycle out of "fear"more than anything else. With the current economic cycle more than six-years into a recovery, the real risk for the Fed is getting caught in a recessionary slowdown with interest rates at zero.
Such an event would be extremely restrictive to the Fed's ability to limit the impacts of a recession and would jeopardize the fragile underpinnings of the current economy.

The economic data from March clearly suggests that the Federal Reserve should remain on hold, particularly since increasing interest rates is a policy used to "slow" an overheating economy. There is clearly no sign of that currently."

(cont pg.36)

Signs From China... (cont)

Call it the $4.5 trillion (the size of the Fed's balance sheet) question: in a report released overnight, titled "Reducing Risk in an Expensive World", SocGen strategists ask what is perhaps the most important question right now: "**Will the Fed allow Irrational Exuberance, Season 2?**" and point out that based on CAPE valuations, the US equity market now has two choices: it will either proceed to another round of irrational exuberance, or it will correct sharply and dramatically.

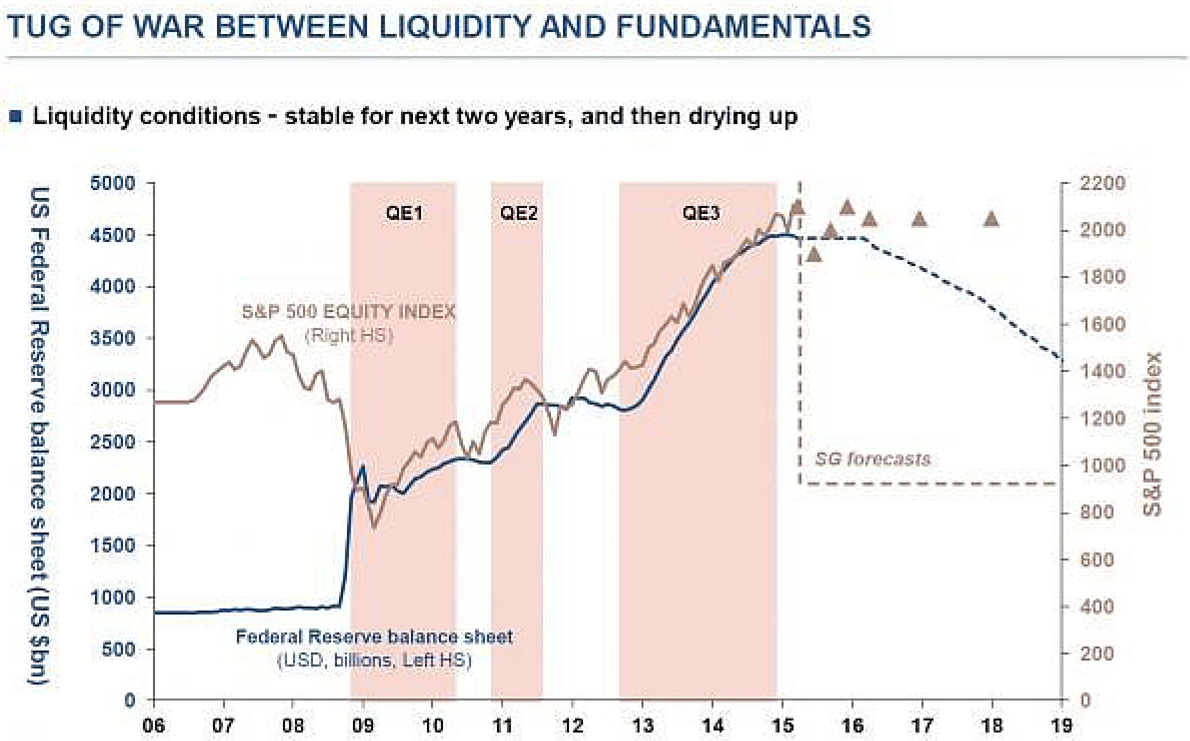


Then again, perhaps this question should have been asked back in March 2009 when instead of doing the right thing and letting bloated, over indebted companies fail, the Fed decided to fix a record debt problem with even more debt, in the hopes of ultimately spurring just enough inflation to wipe away this massive debt overhang, in the process making equity holders richer than they have ever been, and leading such "establishment" thinkers as Guggenheim's Scott Minerd to declare "The long-term consequences of global QE are likely to permanently impair living standards for generations to come while creating a false illusion of reviving prosperity."

SocGen then tries to answer its own question by pointing out that the future of the market, driven entirely by trillions in excess liquidity, does not look very hot when extrapolating the S&P based on the size of the Fed's balance sheet.

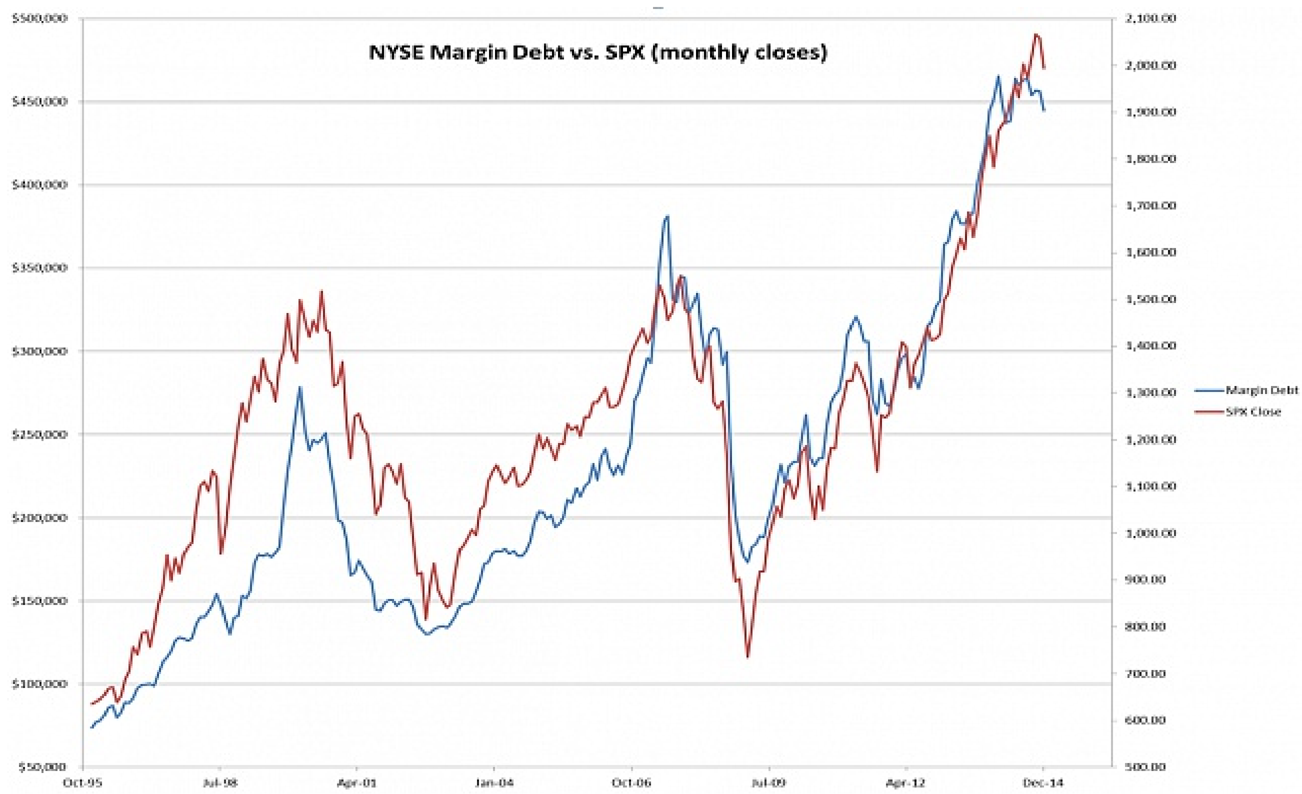
(cont pg.37)

Signs From China... (cont)



The key assumption above, of course, is that the Fed's balance sheet will contract, which may be a bold assumption: recall that the Climate Contingent Fed may simply opt to do QE during "harsh winters" and then hike rates to 4% in the summer.

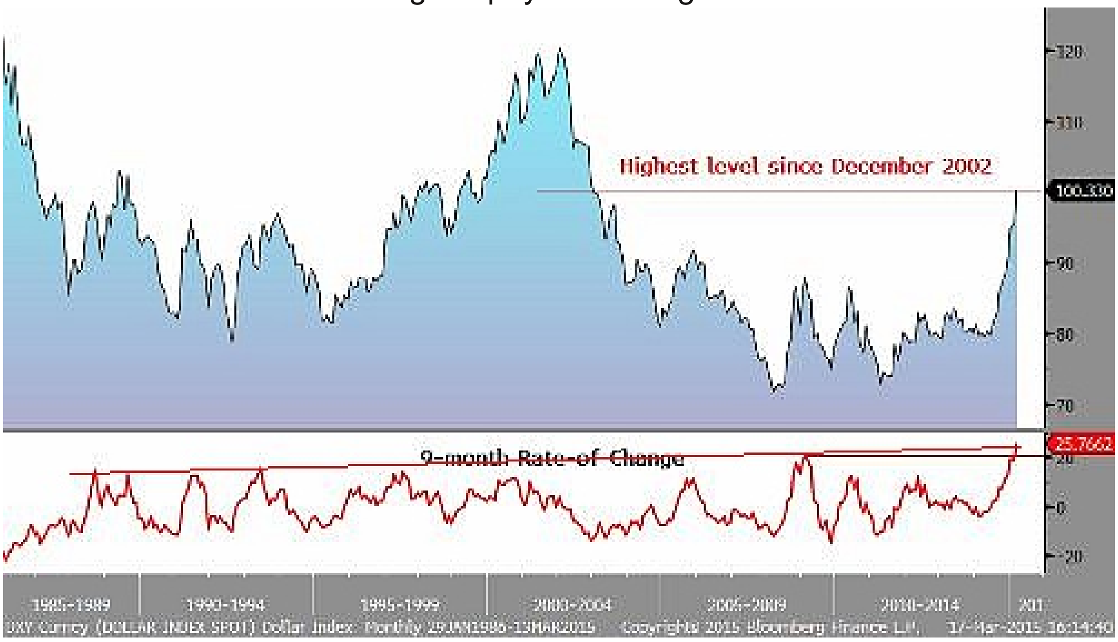
Margin and Record Markets Highs



(cont pg.38)

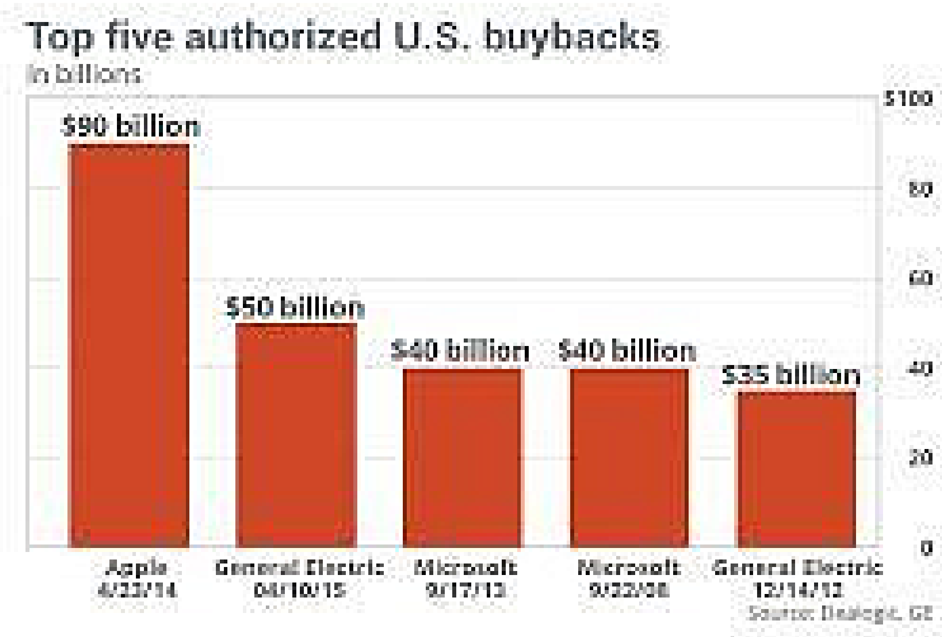
A Rapidly Rising Dollar Has Been De-Stabilizing

The rate of change of the US dollar has been de-stabilizing to the global economy. This 9 month ROC shown below illustrates how elevated it has become. Due to the amount of global debt denominated in US$ this makes the move dangerous within the context of a slowing global economy. Economies have less earnings to pay their rising debt balance.



BUYBACKS CAN'T BE SUSTAINED

When 90% of all profits are being returned to shareholders in the form of buybacks and dividends you know it is unsustainable and will soon come to an end. How can top line Sales growth be maintained without re-investment of profits?



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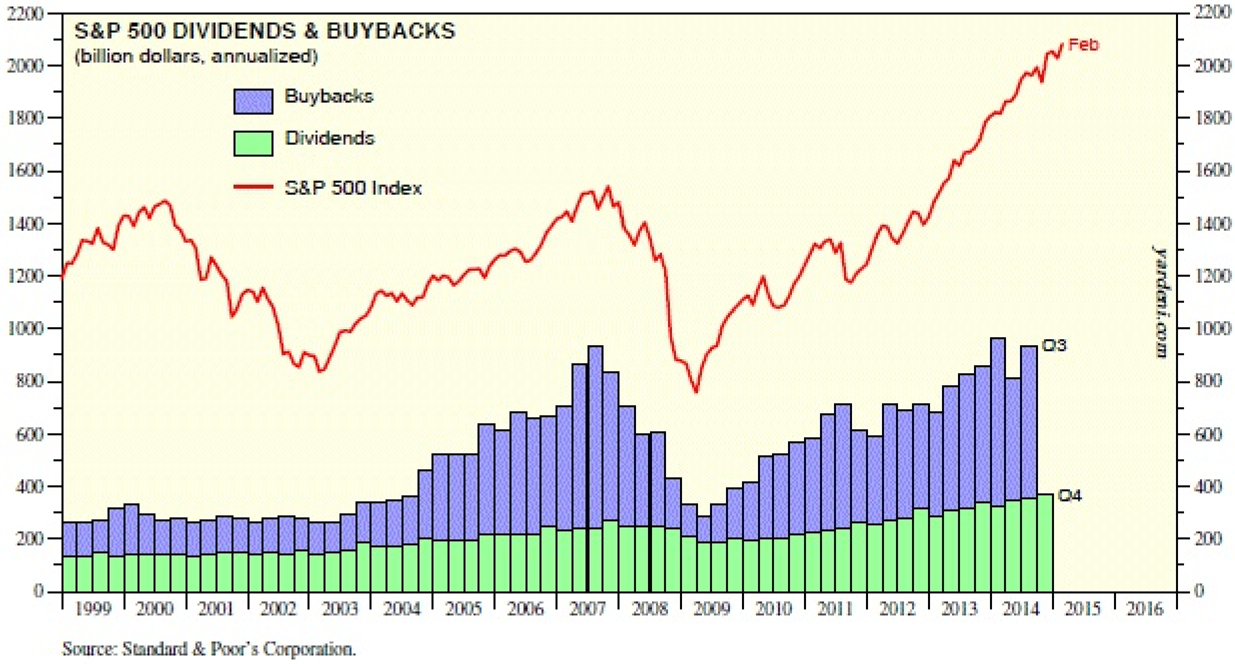
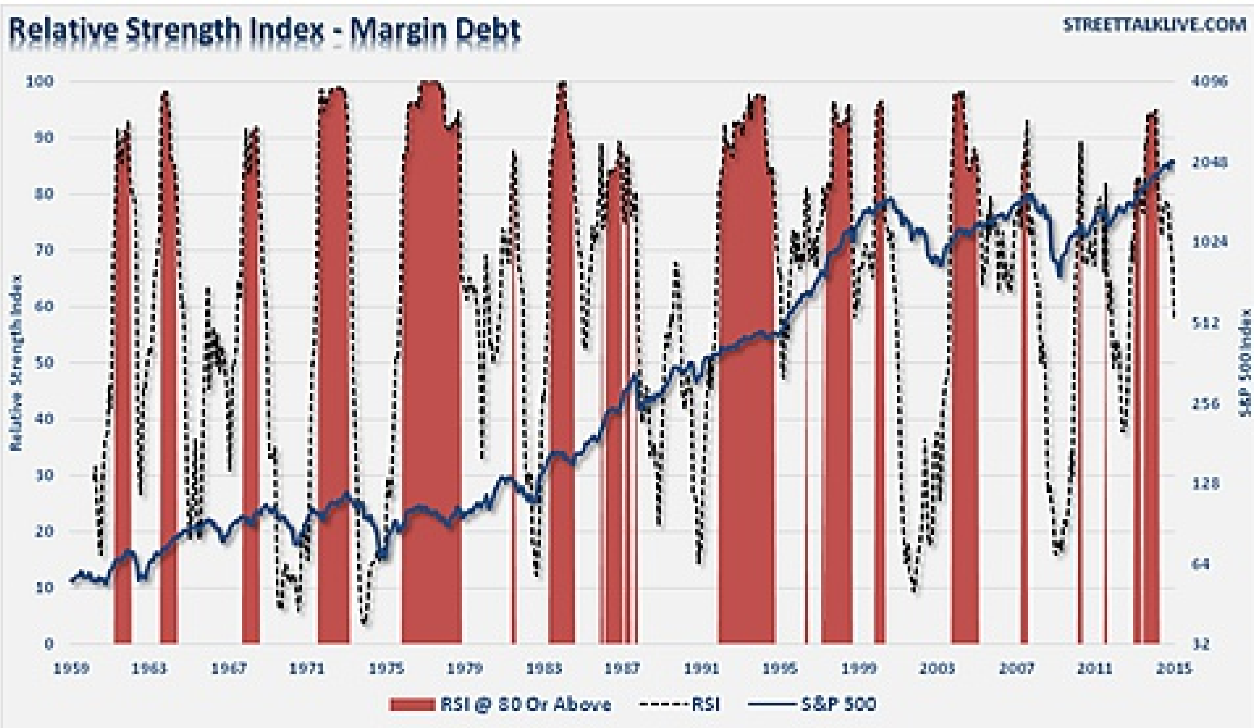
Signs From China... (cont)



CRACKS BEGINNING

Many are obviously becoming worried. When Margin Debt starts to fall markets traditionally soon follow suit!



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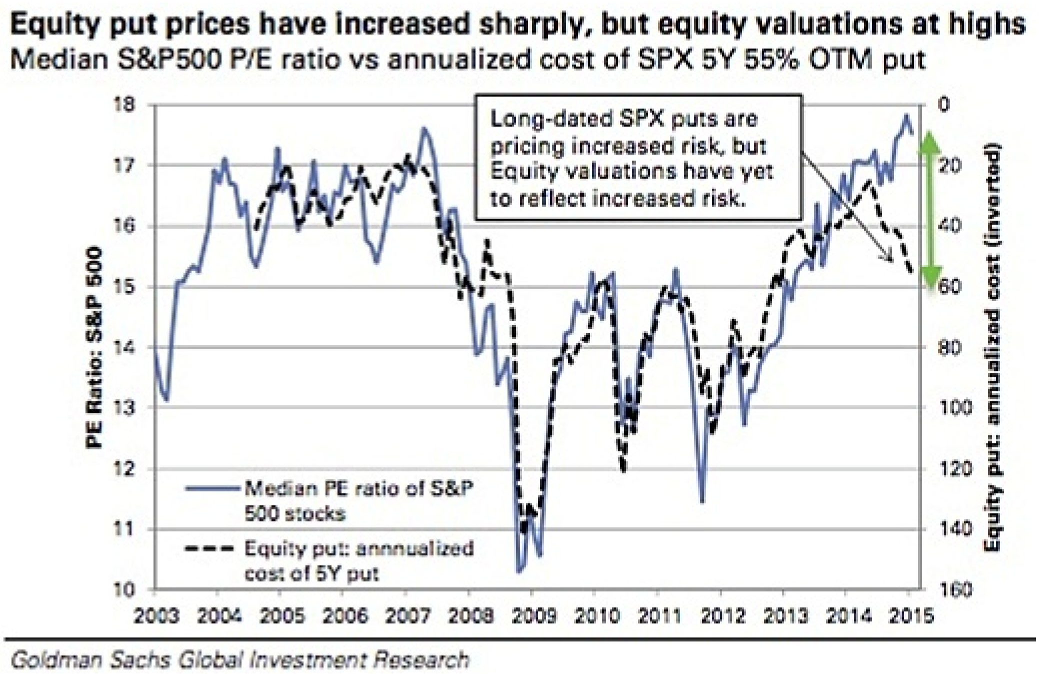
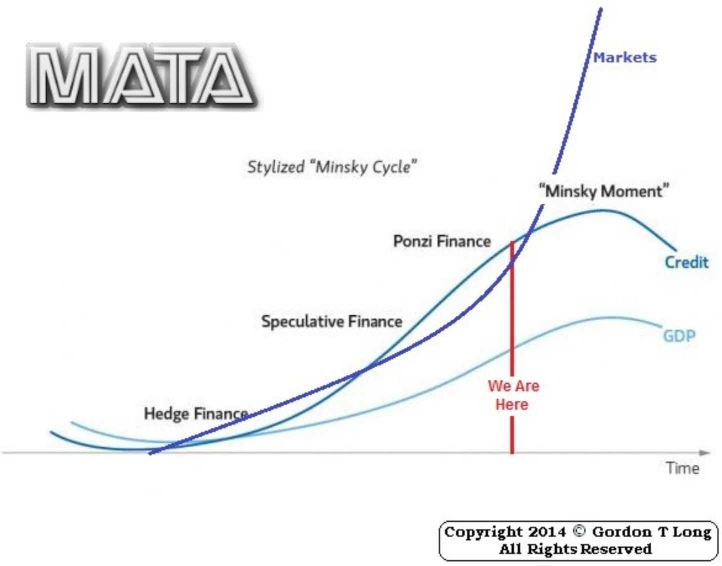
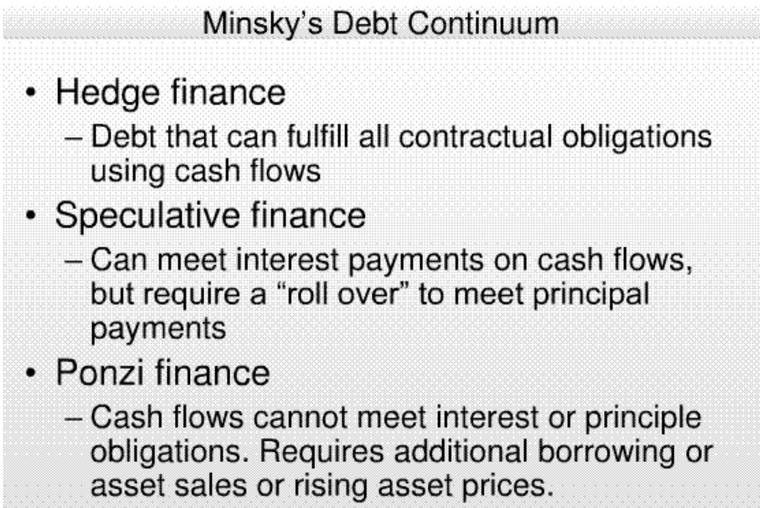
Signs From China... (cont)



HAVEN'T CHANGED OUR POSITION

After the near term expected correction we still expect markets to head higher towards a "Minsky Moment" in 2015. This is based on the assumption that Central Banks will react to any deterioration in the financial markets with more liquidity pumping!





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Technical Analysis

S&P Long Term Views; Targets; A Closer Look; MATA TRIGGER$ & DRIVER$

Contents Page

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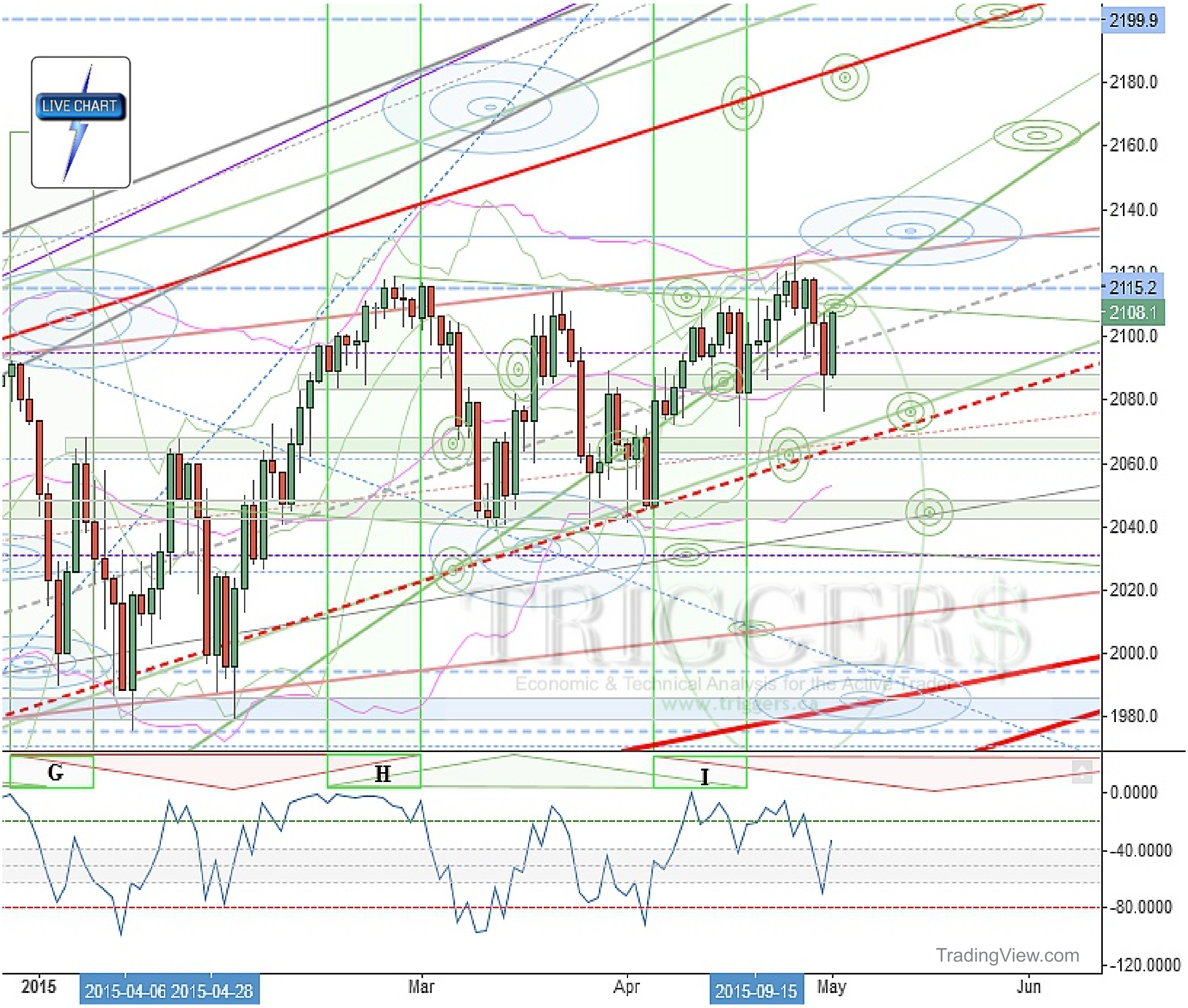
S&P - A Closer Look *Daily View* as of Friday May 1st, 2015



Since the beginning of 2015 the market has moved sideways, with a slight positive trend. The overall pattern is a rising wedge, contained roughly by the red dashed mid-channel s/r and the channel resistance from 2004.

Until the market breaks from the rising wedge, we have to assume it will continue to move within it, as it has been doing.

There is potentially an ellipse pattern currently unfolding, and this offers us target considerations if it continues to be respected. While a break of the red dashed mid channel s/r is significant (wedge pattern break-out) note the lower target for the ellipse pattern falls at previous support / lows. A market reaction would be expected here and this level needs to be broken to offer an opportunity for a move to the lower red channel support and targets.

IF the ellipse pattern is not respected, breaking from it also offers clues for the next market move. It needs to be broken to reach the long term blue HPTZ that can be seen just above the current market.

A lift up through the red s/r resistance would mean a break from the wedge pattern and a move to the next significant technicals (on this chart and the previous studies).

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.

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MATA TRIGGER$ ZONES *Key Dates to Watch*

The MACRO TRIGGER$ Zones are supplied to better give subscribers a clearer warning of potential MACROECONOMIC shifts by large Institutional money.

The Zones represent times when a reversal may occur in the BIA$ towards institutional players placing margin & leverage (RISK-ON) or reducing their margin and leverage (RISK-OFF). Additionally it reflects their potential Bia$ towards cross-market / multi-market hedging.

These flow changes are often correlated across markets globally and are most easily recognized from the weekly charts which institutions focus on due to the size of their portfolio repositioning requirements.

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MACRO TRIGGER$ ZONE$

Macro Trigger$ Zone$ identify transitions in risk behavior often labeled Risk-On, Risk-Off. Like water turning to ice or steam, this action is slow at first then abrupt. The exact timing appears random. Global interconnected market relationships adjust at various speeds often leaving the low capitalization, low volume equity markets as the last to shift compared to the massive debt market and even larger currency markets.

Macro Trigger$ Zone$ attempt to capture these potential macro shifts in trading bands or zones. It must be understood that equity markets are influenced in the short term by sentiment, in the intermediate term by risk and only in the longer term by the macro and valuation fundamentals.

However, Macro Trigger$ Zone$ transitions are often: 1.The largest moves, 2.Most predictable, 3.Identified on Weekly and Monthly technical chart, 4.Institutional and Fund adjustments, 5.The most profitable.

Feature Article

"No doubt you're asking yourself, what are hatches? And how the heck does one go about battening them down?"

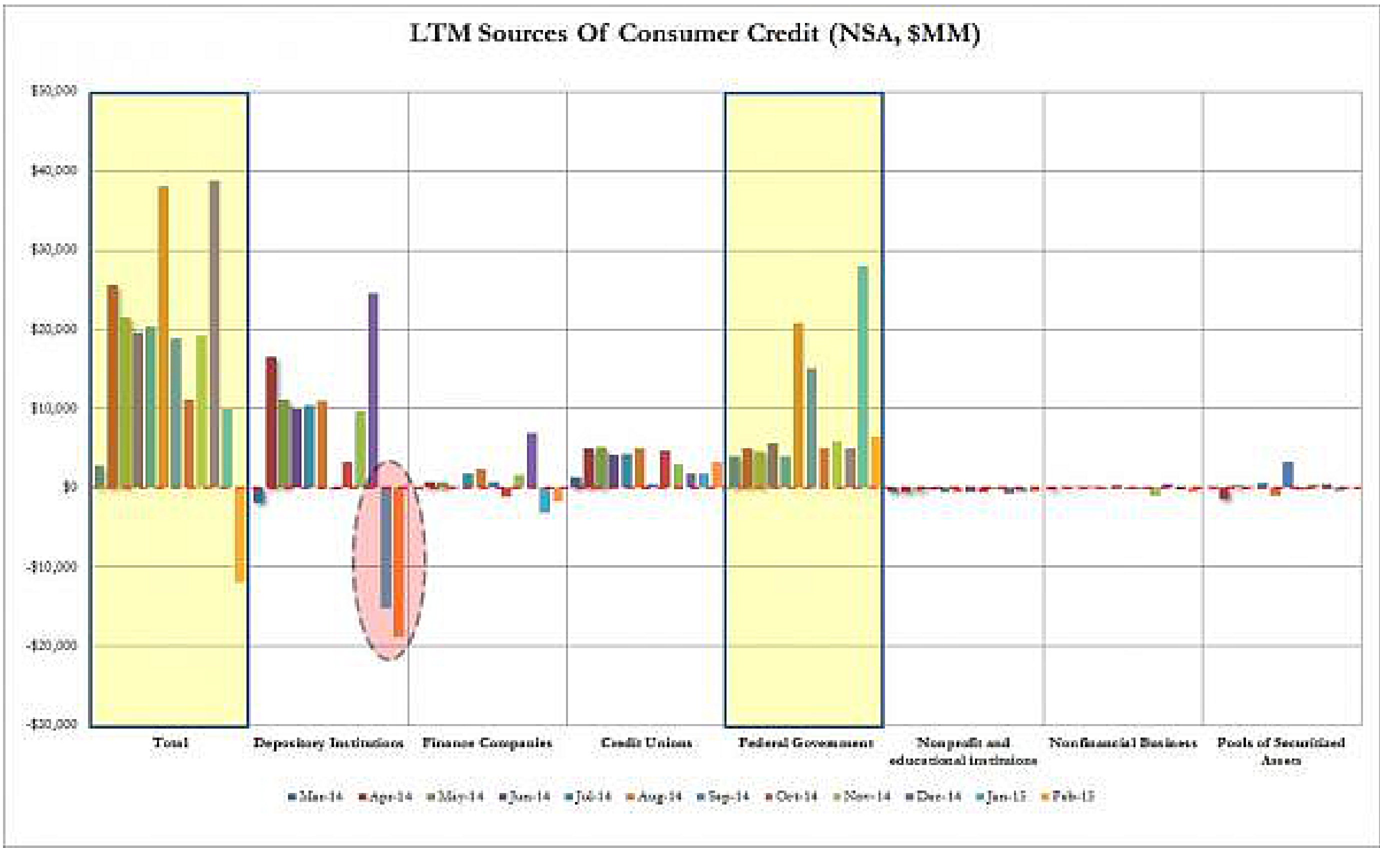
ARE BANKS SHUTTING DOWN LENDING?

IMF Warns Regulators to Brace For Global "Liquidity Shock"

Gordon T Long

As it becomes public knowledge that the IMF has followed the BIS with a warning to brace for a global "liquidity shock", it has become apparent that banks are already taking quick action. It was a liquidity shock in the Asset Backed Commercial Paper (ABCP) market within the Shadow Banking system that caused the last financial crisis.

DEPOSITORY INSTITUTIONS ARE ABRUPTLY LOCKING DOWN CREDIT



(cont.pg.46)

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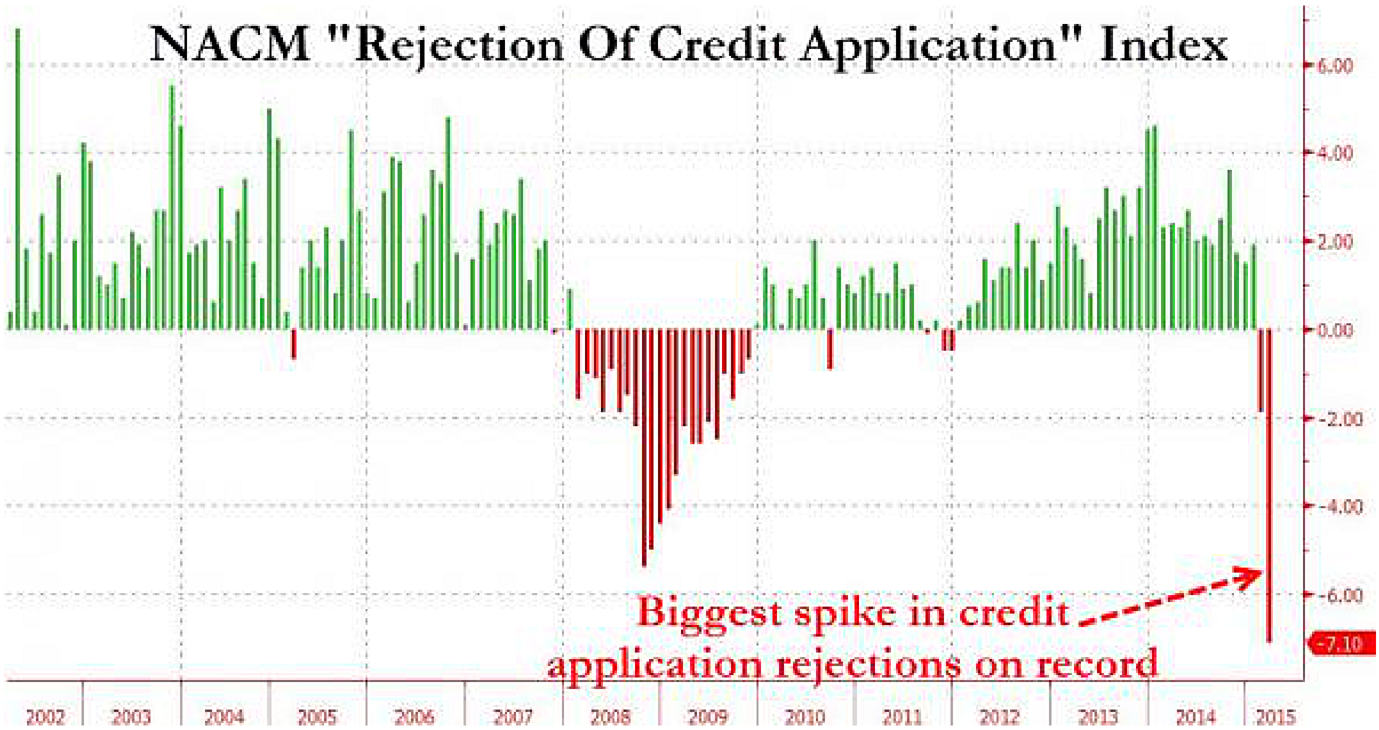
Are Banks Shutting Down Lending? (cont)

CREDIT APPLICATION REJECTIONS - *Largest on Record*



ONLY THE ACRONYMS HAVE CHANGED SINCE THE LAST CRISIS - *The BIS & IMF Know This.*

SAME GAME, NEW ACRONYMS
The Acronyms for the Next Crisis

	2008 FINANCIAL CRISIS	THE NEW GAME
NEW STRUCTURES	SIV Structured Investment Vehicles	SFV Structured Finance Vehicles
SHORT TERM BORROWING	ABCP Asset Backed Commercial Paper	REPO Repurchase Agreements
CREDIT ENHANCEMENT	CDS Credit Default Swaps	COLLATERAL TRANSFORMATION
LONG TERM LENDING	AAA Ratings MBS Mortgage Backed Securities	ABS Asset Backed Securities
	Mortgages	Sallie Mae - Student Loans Car Loans
SECURITIZATION	CDO Collateralized Debt Obligations	CLO Collateralized Loan Obligations
RISK 'OFFLOAD'	CDS	'SAFEHAVEN' CLAUSE

(cont.pg.47)

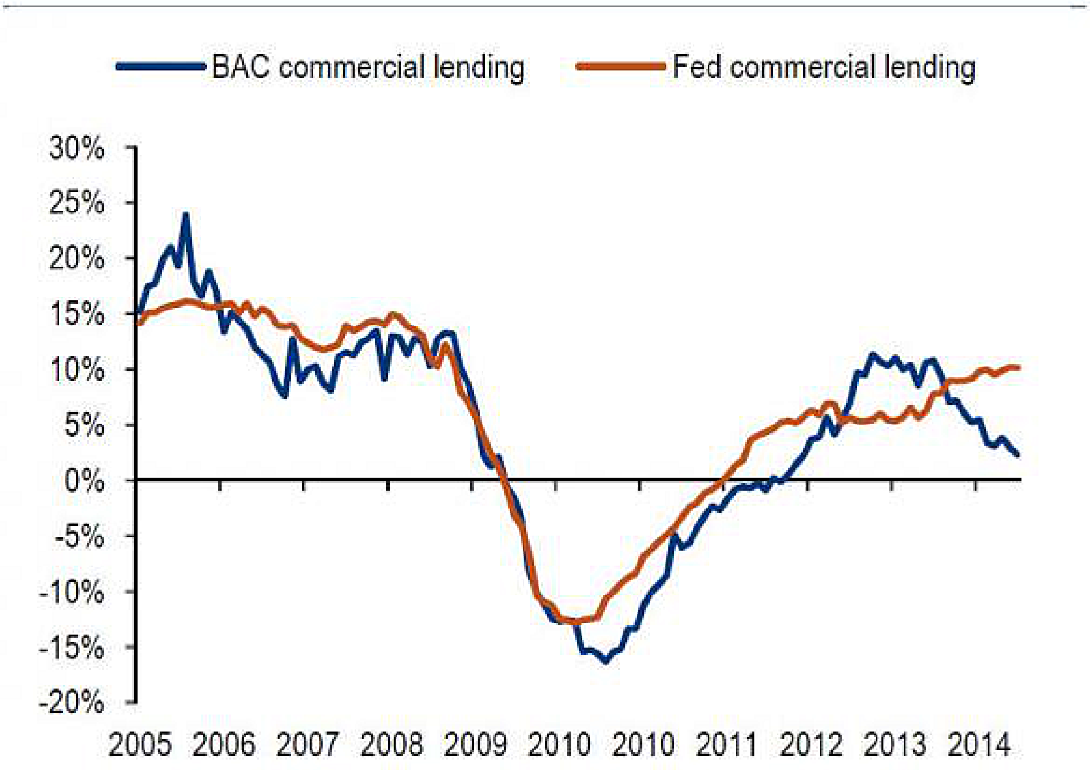
Are Banks Shutting Down Lending? (cont)

The $72T global Shadow Banking System is built on the tenet of Borrowing Short and Lending Long. When the short term paper borrowing in ABCPs suddenly stopped in 2007 the credit markets panicked as counter-party risk took hold.

As Ambrose Evan-Pritchard reports in the UK Telegraph:

> A third of all sovereign bonds in the eurozone now carry negative yields. This is causing havoc for money markets and for the life insurance industry, which has locked into commitments stretching out for thirty years that are becoming untenable.
>
> "A prolonged low interest rate environment will pose severe challenges for a number of financial institutions. Weak European midsized life insurers face a high and rising risk of distress. The failure of one or more midsize insurers could trigger an industry-wide loss of confidence," it said.
>
> "The industry has a portfolio of €4.4 trillion in assets in the EU, with high and rising interconnectedness with the wider financial system. A large mark-to-market shock could force life insurers into asset re-allocations and sales that could engulf the financial system," it said.

COMMERCIAL LENDING HAS BEEN STEADILY APPROACHING CONTRACTION

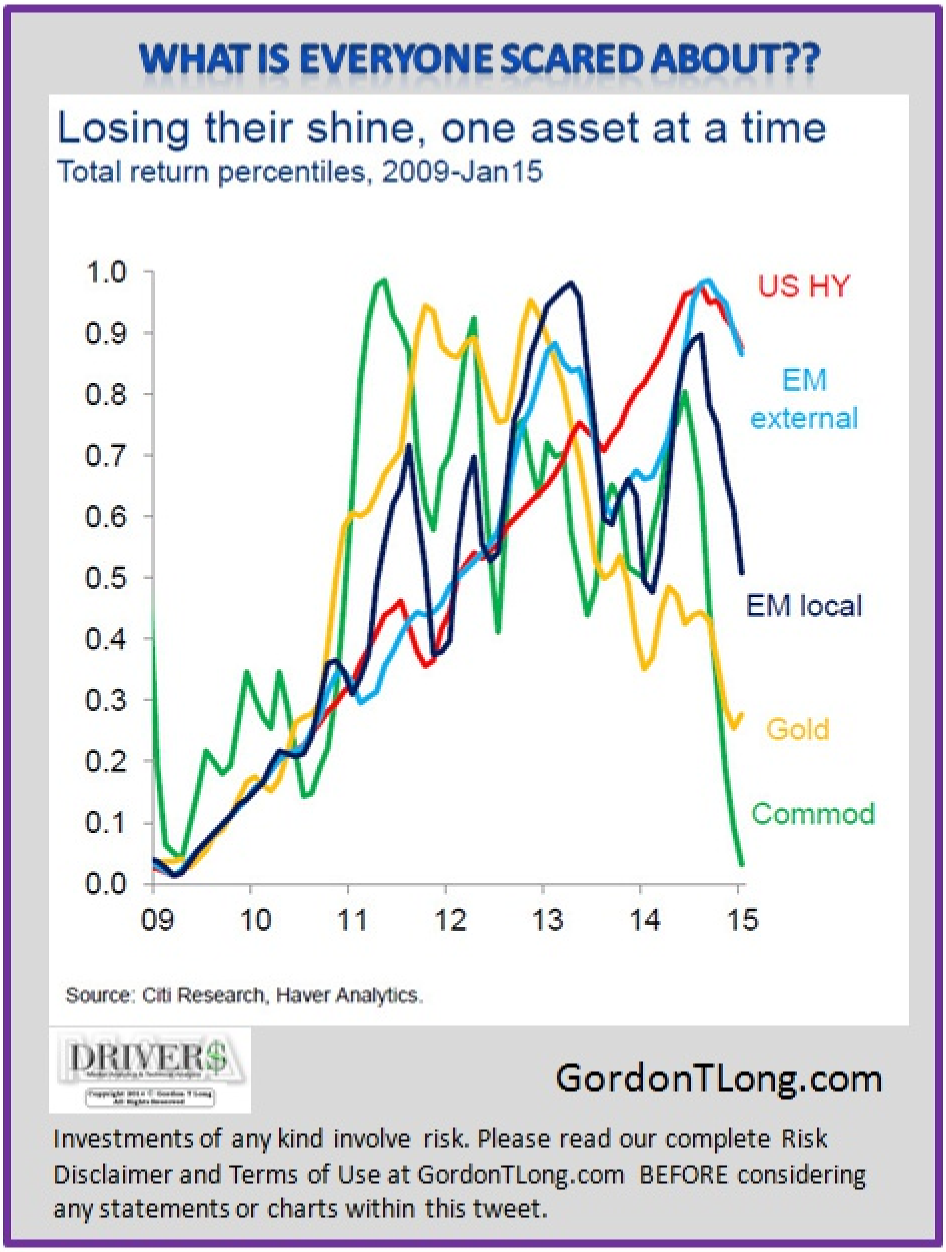


Source: BAC internal data, Federal Reserve Board

(cont.pg.48)

Are Banks Shutting Down Lending? (cont)

GLOBAL CREDIT MARKETS HAVE BEEN SHAKY FOR SOME TIME!



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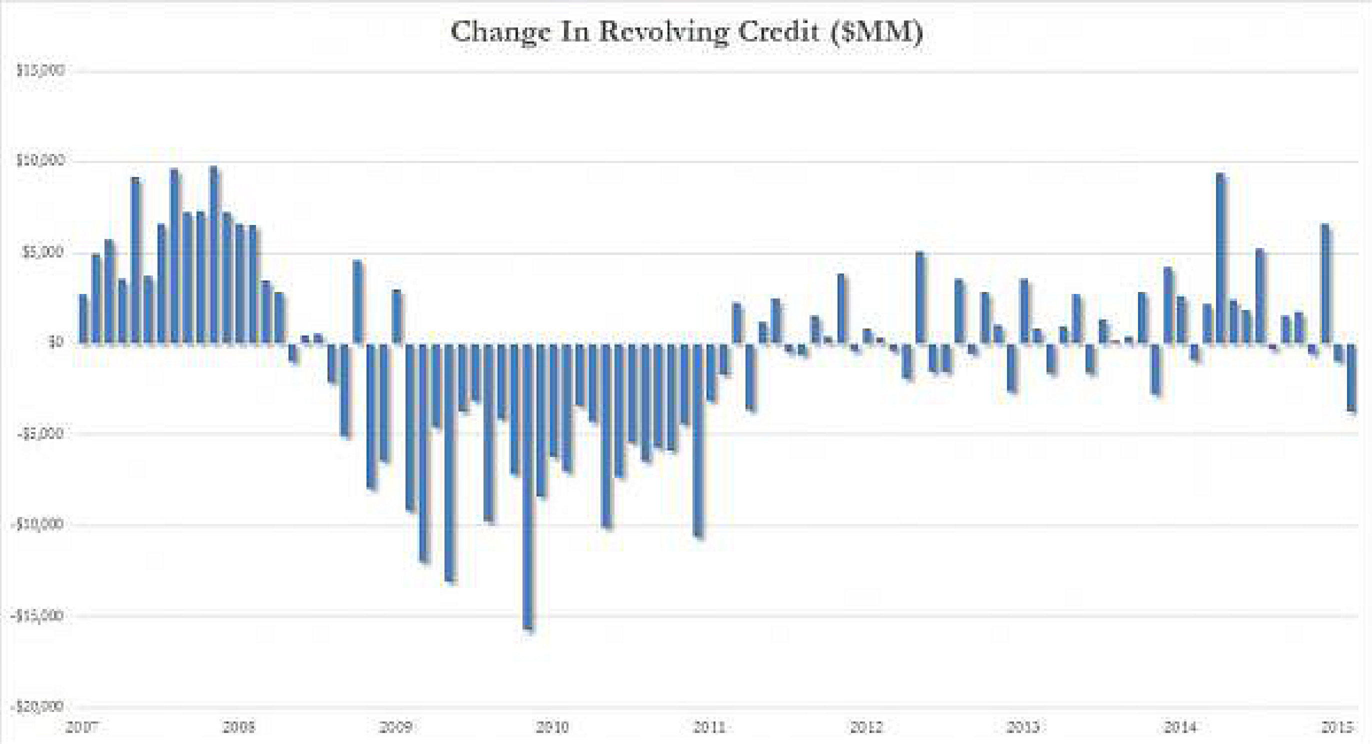
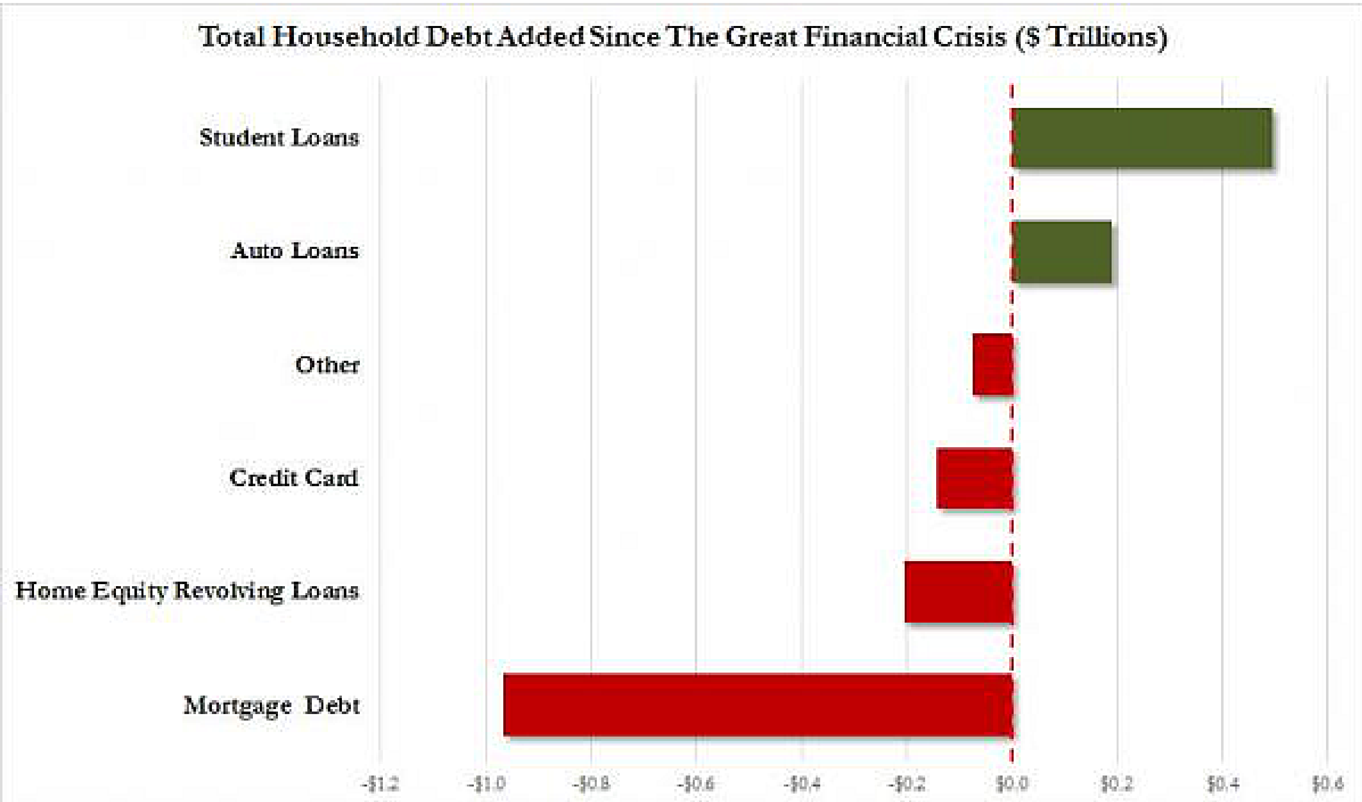
Are Banks Shutting Down Lending? (cont)

CRACKS IN CREDIT CARD USAGE



GOVERNMENT BACKED STUDENT LOANS *(Sallie Mae)* AND CAR LOANS *(Government Backed Motors - Ally)* KEPT CREDIT ALIVE



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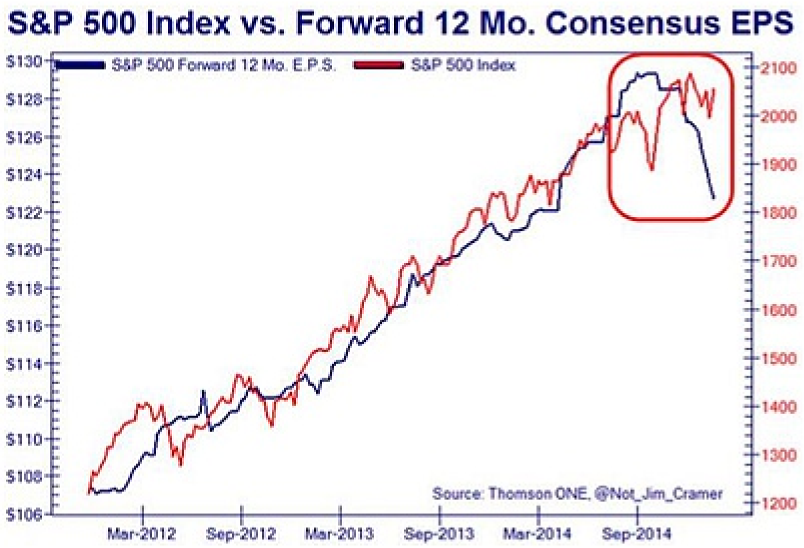
Are Banks Shutting Down Lending? (cont)

WHAT THE BANKS ARE LIKELY WORRIED ABOUT- *Layoffs, Fed Tightening and A Potential Recession*



We have previously talked extensively about the slowing global economy, the deterioration in top line revenue growth, reduced capital investment expenditures and slowing liquidity flows. They are all coming home to roost.

The March NACM Credit Managers Report outlines:

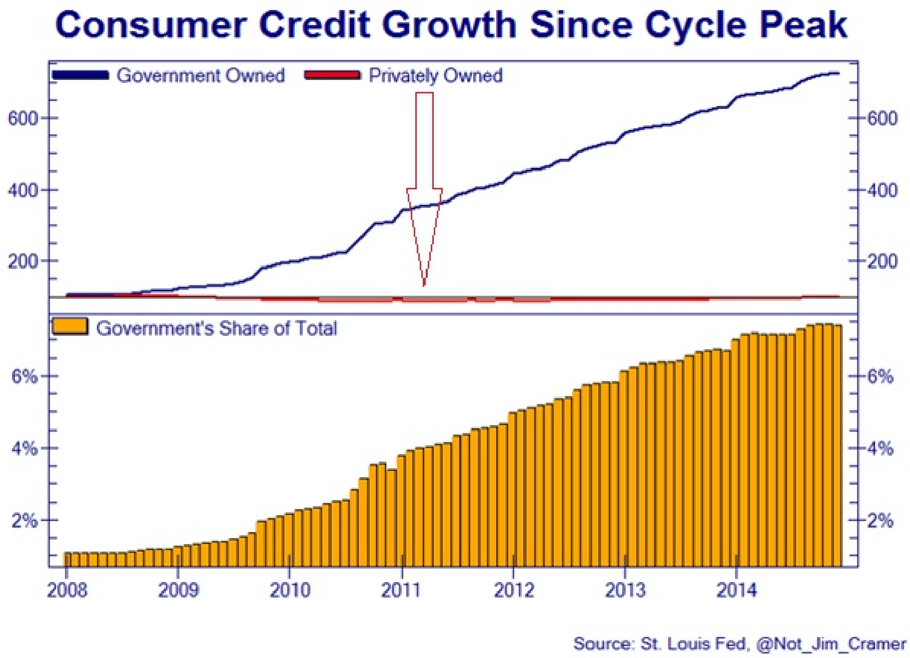
These readings are as low as they have been since the recession started and to see everything start to get back on track would take a substantial reversal at this stage. The data from the CMI is not the only place where this distress is showing up, but thus far, it may be the most profound.

The combined score is getting dangerously closer to the contraction zone and has not been this weak in many years (going back to 2010). It is sitting at 51.2 and that is down from the 53.2 noted last month.

The most drastic fall took place with the unfavorable factors that indicate the real distress in the credit market. It has tumbled from 50.5 to 48.5 and that is firmly in the contraction zone—a place this index has not been since the days right after the recession formally ended. The signal this sends is that many companies are not nearly as healthy as it has been assumed and that there is considerably less resilience in the business sector than assumed.

LIQUIDITY & CREDIT ARE JOINED AT THE HIP

Credit only becomes Debt through the use of Collateral - WHICH IS NOW Created via Government Backing. Consumer Credit Growth is NOW All Government Backed.



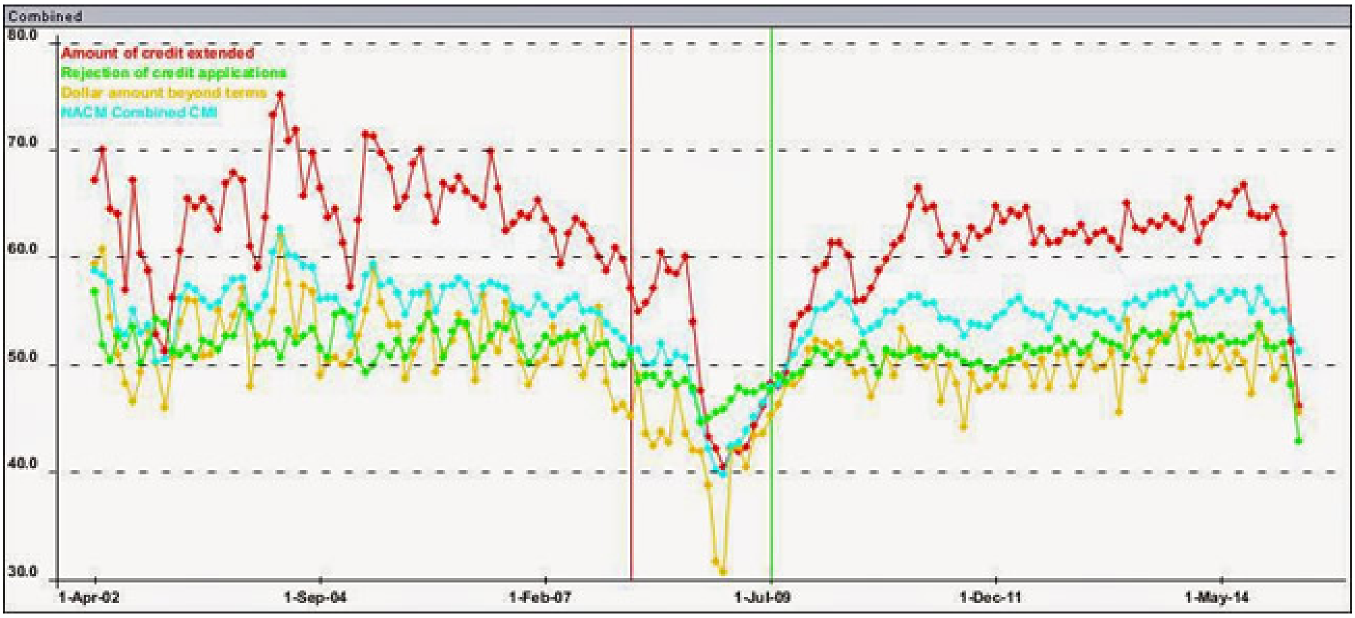
(cont.pg.51)

Are Banks Shutting Down Lending? (cont)

POTENTIAL RECESSION

START OF RECESSION SHOWN BY VERTICAL **RED BAR** - END OF A RECESSION BY VERTICAL **GREEN BAR**

THIS IS WHAT THE BANKS SEE



INVESTING TODAY IS LIKE PLAYING RUSSIAN ROULETTE

While Stocks are Rising You Feel You Must Stay & Play - But You Know It is Not Going to End Well!!

Gordon T Long
Publisher & Editor
general@GordonTLong.com

SILVER as of Friday May 1st, 2015

Long-Term View - *Weekly*

Silver is flirting with significant s/r S1 and we are watching to see if this will hold again or break. Holding would indicate a bottom for silver may be forming. Breaking through S1 could see a significant sell-off. While the W%R is lifting from the -80 level, we can see it has done so previously and then reversed again. The entire fall from the top can see several instances of the W%R lifting from the -80 level, however the move was only a pause of the larger trend, not a reversal of it.

Near-Term View - *Daily*

Looking closer we can see a potential Head & Shoulders pattern within a Wedge. This suggests the Wedge may break to the downside, and a target around $12.00 can be seen if the H&S pattern plays out as expected. Breaking up through the top of the wedge is also significant and could see a lift to ~ $18.30 and potentially $19.00. Falling W%R suggests more potential down in the near future.

GOLD as of Friday May 1st, 2015

Long-Term View - *Weekly*

Near-Term View - *Daily*

EUR:JPY as of Friday May 1st, 2015

Long-Term View - *Weekly*

Near-Term View - *Daily*

US$ as of Friday May 1st, 2015

Long-Term View - *Weekly*

Near-Term View - *Daily*

EUR:US$ as of Friday May 1st, 2015

Long-Term View - *Weekly*

Near-Term View - *Daily*

We Just Broke 2008's Record for the Fastest Economic Unraveling!

Major U.S. Retailers Are Closing More Than 6,000 Stores

VIX - Weekly & Daily

as of Friday May 1st, 2015

Weekly

Overall movement remains sideways and at low levels. The market is sitting at significant supports – breaking these could see move to lower lows. W%R at lower extremes indicating negative pressure and more down potential. Watching for support or break of current levels to tell us the next likely move.

Daily

Market moving to the point of a wedge pattern – breakout imminent. Pattern boundaries and other s/r's offer technicals for trigger considerations, regardless of how the market breaks. W%R at the -80 level: breaking or bouncing from the level will give clues for the move.

Meet The Secretive Group That Runs The World

ZeroHedge

Over the centuries there have been many stories, some based on loose facts, others based on hearsay, conjecture, speculation and outright lies, about groups of people who "control the world." Some of these are partially accurate, others are wildly hyperbolic, but when it comes to the historic record, nothing comes closer to the stereotypical, secretive group determining the fate of over 7 billion people, than the Bank of International Settlements, which hides in such plain sight, that few have ever paid much attention.

This is their story.

The following is an excerpt from TOWER OF BASEL: The Shadowy History of the Secret Bank that Runs the World by Adam LeBor. Reprinted with permission from PublicAffairs.

The world's most exclusive club has eighteen members. They gather every other month on a Sunday evening at 7 p.m. in conference room E in a circular tower block whose tinted windows overlook the central Basel railway station. Their discussion lasts for one hour, perhaps an hour and a half. Some of those present bring a colleague with them, but the aides rarely speak during this most confidential of conclaves. The meeting closes, the aides leave, and those remaining retire for dinner in the dining room on the eighteenth floor, rightly confident that the food and the wine will be superb. **The meal, which continues until 11 p.m. or midnight, is where the real work is done.** The protocol and hospitality, honed for more than eight decades, are faultless. **Anything said at the dining table, it is understood, is not to be repeated elsewhere.**

(cont.pg.58)

Meet the Secretive Group that Rubs the World (cont)

First unofficial meeting of the BIS Board of Directors in Basel, April 1930

Few, if any, of those enjoying their haute cuisine and grand cru wines— some of the best Switzerland can offer—would be recognized by passers-by, but **they include a good number of the most powerful people in the world**. These men—they are almost all men—are central bankers. **They have come to Basel to attend the Economic Consultative Committee (ECC) of the Bank for International Settlements (BIS), which is the bank for central banks**. Its current members [ZH: as of 2013] include Ben Bernanke, the chairman of the US Federal Reserve; Sir Mervyn King, the governor of the Bank of England; Mario Draghi, of the European Central Bank; Zhou Xiaochuan of the Bank of China; and the central bank governors of Germany, France, Italy, Sweden, Canada, India, and Brazil. Jaime Caruana, a former governor of the Bank of Spain, the BIS's general manager, joins them.

In early 2013, when this book went to press, King, who is due to step down as governor of the Bank of England in June 2013, chaired the ECC. **The ECC, which used to be known as the G-10 governors' meeting, is the most influential of the BIS's numerous gatherings, open only to a small, select group of central bankers from advanced economies**. The ECC makes recommendations on the membership and organization of the three BIS committees that deal with the global financial system, payments systems, and international markets. The committee also prepares proposals for the Global Economy Meeting and guides its agenda.

(cont.pg.59)

Meet the Secretive Group that Rubs the World (cont)

That meeting starts at 9:30 a.m. on Monday morning, in room B and lasts for three hours. There King presides over the central bank governors of the thirty countries judged the most important to the global economy. In addition to those who were present at the Sunday evening dinner, Monday's meeting will include representatives from, for example, Indonesia, Poland, South Africa, Spain, and Turkey. Governors from fifteen smaller countries, such as Hungary, Israel, and New Zealand are allowed to sit in as observers, but do not usually speak. Governors from the third tier of member banks, such as Macedonia and Slovakia, are not allowed to attend. Instead they must forage for scraps of information at coffee and meal breaks.

The governors of all sixty BIS member banks then enjoy a buffet lunch in the eighteenth-floor dining room. Designed by Herzog & de Meuron, the Swiss architectural firm which built the "Bird's Nest" Stadium for the Beijing Olympics, the dining room has white walls, a black ceiling and spectacular views over three countries: Switzerland, France, and Germany. At 2 p.m. the central bankers and their aides return to room B for the governors' meeting to discuss matters of interest, until the gathering ends at 5.

King takes a very different approach than his predecessor, Jean-Claude Trichet, the former president of the European Central Bank, in chairing the Global Economy Meeting. Trichet, according to one former central banker, was notably Gallic in his style: a stickler for protocol who called the central bankers to speak in order of importance, starting with the governors of the Federal Reserve, the Bank of England, and the Bundesbank, and then progressing down the hierarchy. King, in contrast, adopts a more thematic and egalitarian approach: throwing open the meetings for discussion and inviting contributions from all present.

The governors' conclaves have played a crucial role in determining the world's response to the global financial crisis. "The BIS has been a very important meeting point for central bankers during the crisis, and the rationale for its existence has expanded," said King. "We have had to face challenges that we have never seen before. We had to work out what was going on, what instruments do we use when interest rates are close to zero, how do we communicate policy. We discuss this at home with our staff, but it is very valuable for the governors themselves to get together and talk among themselves."

Those discussions, say central bankers, must be confidential. "<u>When you are at the top in the number one post, it can be pretty lonely at times. It is helpful to be able to meet other number ones and say, 'This is my problem, how do you deal with it?'</u>" King continued. "Being able to talk informally and openly about our experiences has been immensely valuable. We are not speaking in a public forum. We can say what we really think and believe, and we can ask questions and benefit from others."

(cont.pg.60)

Meet the Secretive Group that Rubs the World (cont)

The BIS management works hard to ensure that the atmosphere is friendly and clubbable throughout the weekend, and it seems they succeed. **The bank arranges a fleet of limousines to pick up the governors at Zürich airport and bring them to Basel**. Separate breakfasts, lunches, and dinners are organized for the governors of national banks who oversee different types and sizes of national economies, so no one feels excluded. “The central bankers were more at home and relaxed with their fellow central bankers than with their own governments,” recalled Paul Volcker, the former chairman of the US Federal Reserve, who at- tended the Basel weekends. The superb quality of the food and wine made for an easy camaraderie, said Peter Akos Bod, a former governor of the National Bank of Hungary. “The main topics of discussion were the quality of the wine and the stupidity of finance ministers. If you had no knowledge of wine you could not join in the conversation.”

And the conversation is usually stimulating and enjoyable, say central bankers. The contrast between the Federal Open Markets Committee at the US Federal Reserve, and the Sunday evening G-10 governors’ dinners was notable, recalled Laurence Meyer, who served as a member of the Board of Governors of the Federal Reserve from 1996 until 2002. The chairman of the Federal Reserve did not always represent the bank at the Basel meetings, so Meyer occasionally attended. **The BIS discussions were always lively, focused and thought provoking. “At FMOC meetings, while I was at the Fed, almost all the Committee members read statements which had been prepared in advance. They very rarely referred to statements by other Committee members and there was almost never an exchange between two members or an ongoing discussion about the outlook or policy options. At BIS dinners people actually talk to each other and the discussions are always stimulating and interactive focused on the serious issues facing the global economy.”**

All the governors present at the two-day gathering are assured of total confidentiality, discretion, and the highest levels of security. The meetings take place on several floors that are usually used only when the governors are in attendance. The governors are provided with a dedicated office and the necessary support and secretarial staff. The Swiss authorities have no juridisdiction over the BIS premises. Founded by an international treaty, and further protected by the 1987 Headquarters Agreement with the Swiss government, the BIS enjoys similar protections to those granted to the headquarters of the United Nations, the International Monetary Fund (IMF) and diplomatic embassies. The Swiss authorities need the permission of the BIS management to enter the bank’s buildings, which are described as “inviolable.”

The BIS has the right to communicate in code and to send and receive correspondence in bags covered by the same protection as embassies, meaning they cannot be opened. The BIS is exempt from Swiss taxes. Its employees do not have to pay income tax on their salaries, which are usually generous, designed to compete with the private sector. The general man- ager’s salary in 2011 was 763,930 Swiss francs, while head of departments were paid 587,640 per annum, plus generous allowances. The bank’s

(cont.pg.61)

extraordinary legal privileges also extend to its staff and directors. Senior managers enjoy a special status, similar to that of diplomats, while carrying out their duties in Switzerland, which means their bags cannot be searched (unless there is evidence of a blatant criminal act), and their papers are inviolable. The central bank governors traveling to Basel for the bimonthly meetings enjoy the same status while in Switzerland. All bank officials are immune under Swiss law, for life, for all the acts carried out during the discharge of their duties. The bank is a popular place to work and not just because of the salaries. Around six hundred staff come from over fifty countries. The atmosphere is multi-national and cosmopolitan, albeit very Swiss, emphasizing the bank's hierarchy. Like many of those working for the UN or the IMF, some of the staff of the BIS, especially senior management, are driven by a sense of mission, that they are working for a higher, even celestial purpose and so are immune from normal considerations of accountability and transparency.

The bank's management has tried to plan for every eventuality so that the Swiss police need never be called. The BIS headquarters has high-tech sprinkler systems with multiple back-ups, in-house medical facilities, and **its own bomb shelter in the event of a terrorist attack or armed conflagration. The BIS's assets are not subject to civil claims under Swiss law and can never be seized.**

The BIS strictly guards the bankers' secrecy. The minutes, agenda, and actual attendance list of the Global Economy Meeting or the ECC are not released in any form. This is because no official minutes are taken, although the bankers sometimes scribble their own notes. Sometimes there will be a brief press conference or bland statement afterwards but never anything detailed. This tradition of privileged confidentiality reaches back to the bank's foundation.

"The quietness of Basel and its absolutely nonpolitical character provide a perfect setting for those equally quiet and nonpolitical gatherings," wrote one American official in 1935. "The regularity of the meetings and their al- most unbroken attendance by practically every member of the Board make them such they rarely attract any but the most meager notice in the press."8 Forty years on, little had changed. Charles Coombs, a former foreign exchange chief of the New York Federal Reserve, attended governors' meetings from 1960 to 1975. The bankers who were allowed inside the inner sanctum of the governors' meetings trusted each other absolutely, he recalled in his memoirs. "However much money was involved, no agreements were ever signed nor memoranda of understanding ever initialized. The word of each official was sufficient, and there were never any disappointments."

What, then, does this matter to the rest of us? Bankers have been gathering confidentially since money was first invented. **Central bankers like to view themselves as the high priests of finance, as technocrats overseeing arcane monetary rituals and a financial liturgy understood only by a small, self-selecting elite.**

(cont.pg.62)

Meet the Secretive Group that Rubs the World (cont)

<u>But the governors who meet in Basel every other month are public servants.</u> Their salaries, airplane tickets, hotel bills, and lucrative pensions when they retire are paid out of the public purse. The national reserves held by central banks are public money, the wealth of nations. The central bankers' discussions at the BIS, the information that they share, the policies that are evaluated, the opinions that are exchanged, and the subsequent decisions that are taken, are profoundly political. Central bankers, whose independence is constitutionally protected, control monetary policy in the developed world. They manage the supply of money to national economies. They set interest rates, thus deciding the value of our savings and investments. **<u>They decide whether to focus on austerity or growth. Their decisions shape our lives.</u>**

The BIS's tradition of secrecy reaches back through the decades. During the 1960s, for example, the bank hosted the London Gold Pool. **<u>Eight countries pledged to manipulate the gold market to keep the price at around thirty-five dollars per ounce,</u>** in line with the provisions of the Bretton Woods Accord that governed the post–World War II international financial system. **Although the London Gold Pool no longer exists, its successor is the BIS Markets Committee, which meets every other month on the occasion of the governors' meetings to discuss trends in the financial markets.** Officials from twenty-one central banks attend. The committee releases occasional papers, but its agenda and discussions remain secret.

Nowadays the countries represented at the Global Economy Meetings together account for around four-fifths of global gross domestic product (GDP)— most of the produced wealth of the world—according to the BIS's own statistics. Central bankers now "seem more powerful than politicians," wrote The Economist newspaper, "holding the destiny of the global economy in their hands." How did this **happen? The BIS, the world's most secretive global financial institution, can claim much of the credit**. From its first day of existence, the BIS has dedicated itself to furthering the interests of central banks and building the new architecture of transnational finance. **In doing so, it has spawned a new class of close-knit global technocrats whose members glide between highly-paid positions at the BIS, the IMF, and central and commercial banks.**

The founder of the technocrats' cabal was Per Jacobssen, the Swedish economist who served as the BIS's economic adviser from 1931 to 1956. The bland title belied his power and reach. Enormously influential, well connected, and highly regarded by his peers, Jacobssen wrote the first BIS annual reports, which were—and remain—essential reading throughout the world's treasuries. Jacobssen was an early supporter of European federalism. He argued relentlessly against inflation, excessive government spending, and state intervention in the economy. Jacobssen left the BIS in 1956 to take over the IMF. His legacy still shapes our world. The consequences of his mix of economic liberalism, price obsession, and dismantling of national sovereignty play out nightly in the European news bulletins on our television screens.

(cont.pg.63)

Meet the Secretive Group that Rubs the World (cont)

The BIS's defenders deny that the organization is secretive. The bank's archives are open and researchers may consult most documents that are more than thirty years old. The BIS archivists are indeed cordial, helpful, and professional. The bank's website includes all its annual reports, which are downloadable, as well as numerous policy papers produced by the bank's highly regarded research department. The BIS publishes detailed accounts of the securities and derivatives markets, and international banking statistics. But these are largely compilations and analyses of information already in the public domain. The details of the bank's own core activities, including much of its banking operations for its customers, central banks, and international organizations, remain secret. The Global Economy Meetings and the other crucial financial gatherings that take place at Basel, such as the Markets Committee, remain closed to outsiders. Private individuals may not hold an account at BIS, unless they work for the bank. **The bank's opacity, lack of accountability, and ever-increasing influence raises profound questions— not just about monetary policy but transparency, accountability, and how power is exercised in our democracies.**

* * *

WHEN I EXPLAINED to friends and acquaintances that I was writing a book about the Bank for International Settlements, the usual response was a puzzled look, followed by a question: "The bank for what?" My interlocutors were intelligent people, who follow current affairs. Many had some interest in and understanding of the global economy and financial crisis. Yet only a handful had heard of the BIS. This was strange, as the BIS is the most important bank in the world and predates both the IMF and the World Bank. For decades it has stood at the center of a global network of money, power, and covert global influence.

The BIS was founded in 1930. It was ostensibly set up as part of the Young Plan to administer German reparations payments for the First World War. The bank's key architects were Montagu Norman, who was the governor of the Bank of England, and Hjalmar Schacht, the president of the Reichsbank who described the BIS as "my" bank. The BIS's founding members were the central banks of Britain, France, Germany, Italy, Belgium, and a consortium of Japanese banks. Shares were also offered to the Federal Reserve, but the United States, suspicious of anything that might infringe on its national sovereignty, refused its allocation. Instead a consortium of commercial banks took up the shares: J. P. Morgan, the First National Bank of New York, and the First National Bank of Chicago.

The real purpose of the BIS was detailed in its statutes: to "promote the cooperation of central banks and to provide additional facilities for international financial operations." It was the culmination of the central bankers' decades-old dream, to have their own bank—powerful, independent, and free from interfering politicians and nosy reporters. Most felicitous of all, the BIS was self-financing and would be in perpetuity. Its clients were its own founders and shareholders— the central banks. During the 1930s, the BIS was the central meeting place for a cabal of central bankers, dominated by Norman and Schacht. This group helped rebuild Germany. The New York Times described Schacht, widely

(cont.pg.64)

acknowledged as the genius behind the resurgent German economy, as “The Iron-Willed Pilot of Nazi Finance.” **During the war, the BIS became a de-facto arm of the Reichsbank, accepting looted Nazi gold and carrying out foreign exchange deals for Nazi Germany.**

The bank’s alliance with Berlin was known in Washington, DC, and London. But the need for the BIS to keep functioning, to keep the new channels of transnational finance open, was about the only thing all sides agreed on. Basel was the perfect location, as it is perched on the northern edge of Switzerland and sits al- most on the French and German borders. A few miles away, Nazi and Allied soldiers were fighting and dying. None of that mattered at the BIS. Board meetings were suspended, but relations between the BIS staff of the belligerent nations remained cordial, professional, and productive. **Nationalities were irrelevant. The overriding loyalty was to international finance.** The president, Thomas McKittrick, was an American. Roger Auboin, the general manager, was French. **Paul Hechler, the assistant general manager, was a member of the Nazi party and signed his correspondence “Heil Hitler.”** Rafaelle Pilotti, the secretary general, was Italian. Per Jacobssen, the bank’s influential economic adviser, was Swedish. His and Pilotti’s deputies were British.

After 1945, five BIS directors, including Hjalmar Schacht, were charged with war crimes. Germany lost the war but won the economic peace, **in large part thanks to the BIS**. The international stage, contacts, banking networks, and legitimacy the BIS provided, first to the Reichsbank and then to its successor banks, has helped ensure the continuity of immensely powerful financial and economic interests from the Nazi era to the present day.

* * *

FOR THE FIRST forty-seven years of its existence, from 1930 to 1977, the BIS was based in a former hotel, near the Basel central railway station. The bank’s entrance was tucked away by a chocolate shop, and only a small notice confirmed that the narrow doorway opened into the BIS. The bank’s managers believed that those who needed to know where the BIS was would find it, and the rest of the world certainly did not need to know. The inside of the building changed little over the decades, recalled Charles Coombs. The BIS provided the “the spartan accommodations of a former Victorian-style hotel whose single and double bedrooms had been transformed into offices simply by removing the beds and installing desks.”

The bank moved into its current headquarters, at 2, Centralbahnplatz, in 1977. It did not go far and now overlooks the Basel central station. Nowadays the BIS’s main mission, in its own words, is threefold: **“to serve central banks in their pursuit of monetary and financial stability, to foster international cooperation in these areas, and to act as a bank for central banks.”** The BIS also hosts much of the practical and technical infrastructure that the global network of central banks and their commercial counterparts

(cont.pg.65)

need to function smoothly. It has two linked trading rooms: at the Basel headquarters and Hong Kong regional office. **The BIS buys and sells gold and foreign exchange for its clients.** It provides asset management and arranges short-term credit to central banks when needed.

The BIS is a unique institution: an international organization, an extremely profitable bank and a research institute founded, and protected, by international treaties. The BIS is accountable to its customers and shareholders—the central banks—but also guides their operations. The main tasks of a central bank, the BIS argues, are to **control the flow of credit and the volume of currency in circulation**, which will ensure a stable business climate, and to keep exchange rates within manageable bands to ensure the value of a currency and so smooth international trade and capital movements. This is crucial, especially in a globalized economy, where markets react in microseconds and **perceptions of economic stability and value are almost as important as reality itself.**

The BIS also helps to supervise commercial banks, although it has no legal powers over them. The Basel Committee on Banking Supervision, based at the BIS, regulates commercial banks' capital and liquidity requirements. It requires banks to have a minimum capital of eight percent of risk-weighted assets when lending, meaning that if a bank has risk-weighted assets of $100 million it must maintain at least $8 million capital. The committee has no powers of enforcement, but it does have enormous moral authority. "This regulation is so powerful that the eight percent principle has been set into national laws," said Peter Akos Bod. "It's like voltage. Voltage has been set at 220. You may decide on ninety-five volts, but it would not work." In theory, sensible housekeeping and mutual cooperation, overseen by the BIS, will keep the global financial system functioning smoothly. In theory.

The reality is that we have moved beyond recession into a deep structural crisis, one fueled by the banks' greed and rapacity, which threatens all of our financial security. Just as in the 1930s, parts of Europe face economic collapse. The Bundesbank and the European Central Bank, two of the most powerful members of the BIS, have driven the mania for austerity that has already forced one European country, Greece, to the edge, aided by the venality and corruption of the country's ruling class. Others may soon follow. The old order is creaking, its political and financial institutions corroding from within. From Oslo to Athens, the far right is resurgent, fed in part by soaring poverty and unemployment. **Anger and cynicism are corroding citizens' faith in democracy and the rule of law. Once again, the value of property and assets is vaporizing before their owners' eyes.** The European currency is threatened with breakdown, while those with money seek safe haven in Swiss francs or gold. The young, the talented, and the mobile are again fleeing their home countries for new lives abroad. **The powerful forces of international capital that brought the BIS into being, and which granted the bank its power and influence, are again triumphant.**

(cont.pg.66)

Meet the Secretive Group that Rubs the World (cont)

The BIS sits at the apex of an international financial system that is falling apart at the seams, but its officials argue that it does not have the power to act as an international financial regulator. **Yet the BIS cannot escape its responsibility for the Euro-zone crisis.** From the first agreements in the late 1940s on multilateral payments to the establishment of the Europe Central Bank in 1998, **the BIS has been at the heart of the European integration project, providing technical expertise and the financial mechanisms for currency harmonization**. During the 1950s, it managed the European Payments Union, which internationalized the continent's payment system. The BIS hosted the Governors' Committee of European Economic Community central bankers, set up in 1964, which coordinated trans-European monetary policy. During the 1970s, the BIS ran the "Snake," the mechanism by which European currencies were held in exchange rate bands. During the 1980s the BIS hosted the Delors Committee, whose report in 1988 laid out the path to European Monetary Union and the adoption of a single currency. The BIS midwifed the European Monetary Institute (EMI), the precursor of the European Central Bank. The EMI's president was Alexandre Lamfalussy, one of the world's most influential economists, known as the "Father of the euro." Before joining the EMI in 1994, Lamfalussy had worked at the BIS for seventeen years, first as economic adviser, then as the bank's general manager.

For a staid, secretive organization, the BIS has proved surprisingly nimble. It survived the first global depression, the end of reparations payments and the gold standard (two of its main reasons for existence), the rise of Nazism, the Second World War, the Bretton Woods Accord, the Cold War, the financial crises of the 1980s and 1990s, the birth of the IMF and World Bank, and the end of Communism. As Malcolm Knight, manager from 2003–2008, noted, "It is encouraging to see that—by remaining small, flexible, and free from political interference—the Bank has, throughout its history, succeeded remarkably well in adapting itself to evolving circumstances."

The bank has made itself a central pillar of the global financial system. As well as the Global Economy Meetings, the BIS hosts four of the most important international committees dealing with global banking: **the Basel Committee on Banking Supervision, the Committee on the Global Financial System, the Committee on Payment and Settlement Systems, and the Irving Fisher Committee**, which deals with central banking statistics. The bank also hosts three independent organizations: two groups dealing with insurance and the Financial Stability Board (FSB). The FSB, which coordinates national financial authorities and regulatory policies, is already being spoken of as the fourth pillar of the global financial system, after the BIS, the IMF and the commercial banks.

The BIS is now the world's thirtieth-largest holder of gold reserves, with 119 metric tons—more than Qatar, Brazil, or Canada. Membership of the BIS remains a privilege rather than a right. The board of directors is responsible for admitting central banks judged to "make a substantial contribution to international monetary cooperation and to the Bank's activities." China, India, Russia, and Saudi Arabia joined only in 1996. The bank has opened offices in Mexico City and Hong Kong but remains very Eurocentric. Estonia, Latvia,

(cont.pg.67)

Meet the Secretive Group that Rubs the World (cont)

Lithuania, Macedonia, Slovenia, and Slovakia (total population 16.2 million) have been admitted, while Pakistan (population 169 million) has not. Nor has Kazakhstan, which is a powerhouse of Central Asia. In Africa only Algeria and South Africa are members—Nigeria, which has the continent's second-largest economy, has not been admitted. (The BIS's defenders say that it demands high governance standards from new members and when the national banks of countries such as Nigeria and Pakistan reach those standards, they will be considered for membership.)

Considering the BIS's pivotal role in the transnational economy, **its low profile is remarkable. Back in 1930 a New York Times reporter noted that the culture of secrecy at the BIS was so strong that he was not permitted to look inside the boardroom, even after the directors had left.** Little has changed. **Journalists are not allowed inside the headquarters while the Global Economy Meeting is underway.** BIS officials speak rarely on the record, and reluctantly, to members of the press. The strategy seems to work. **The Occupy Wall Street movement, the anti-globalizers, the social network protesters have ignored the BIS**. Centralbahnplatz 2, Basel, is quiet and tranquil. There are no demonstrators gathered outside the BIS's headquarters, no protestors camped out in the nearby park, no lively reception committees for the world's central bankers.

As the world's economy lurches from crisis to crisis, financial institutions are scrutinized as never before. **Legions of reporters, bloggers, and investigative journalists scour the banks' every move. Yet somehow, apart from brief mentions on the financial pages, the BIS has largely managed to avoid critical scrutiny**. Until now.

- end -

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THE NEXT S&P LEVELS

A Technical Walkthrough
- Part III -

This series of articles is taking a look at several different technical methods that can be used to find market levels and support / resistance.

The easiest way to find significant market levels is to look for where they have occurred in the past. If a price level has previously caused a market reaction, then we can again look for a reaction as the market approaches the level.

What if however the market is making new highs, breaking in to new territory, and we have no previous information on how the market reacts at these new price levels?

The S&P is being used for our discussion as it offers us examples of both occurrences: previous market levels and new highs.

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The Next S&P Levels... (cont.)

Part I of our series looked at using Fibonacci extensions from significant market waves to find future levels of support / resistance.

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Part II discussed Previous Channels Forward Extensions and Channel Duplication & Fibonacci Extensions.

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The Next S&P Levels... (cont.)

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New Chart Mark-Up

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Please note the new mark up format for the charts & HPTZ Methodology.

Take Care
& Good Trading
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Market interest started at an early age, and I can recall having P/E ratios explained to me at 14. Interest in Technical Analysis starting taking shape in university and for the past 20 years it has been my primary focus. My experiences vary and include working for a private fund researching and developing proprietary technical analysis methods. Researching and trying to understand the markets has been a life-long pursuit & journey.

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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.

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