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TRIGGER$

Economic & Technical Analysis for the Active Trader

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MORAL MALADY

MALINVESTMENT
MISPRICING
MALFEASANCE
MALPRACTICE
MANIPULATION
MISINFORMATION

Moral Hazard
Unintended Consequences
Dysfunctional Markets

DELUSIONS
DISTORTIONS
DECEPTIONS

MONETARY MALPRACTICE

TRIGGER$ Trading Methodology

Cycles & Rotations

Trading Fibonacci & Elliott Waves

Downward Revisions Accelerating
GDP vs Sentiment
S&P Regression to the Trend
Margin Levels
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Key Dates, Market drivers

Gordon T Long
Market Research & Analytics

Welcome to ***TRIGGER$!*** **August 2012** ***Vol.II, Issue #8 : 16th***

We hope you have had a great summer!

This month's cover story ***Monetary Malpractice*** takes a look at the "dysfunctional" markets and what is causing them. Gordon has also written an article for the Drivers Section on ***Cycles & Rotations.***

Our Feature Article this month explores the ***TRIGGERR$ Trading Methodology*** we are using… the ultimate goal being to teach others how to identify High Probability Target Zones and trade them successfully.

Traders Mentor discusses using ***Fibonacci and Elliott Wave*** together to make market forecasts.

Our Technical Analysis this month examines the current movements and gives some clues as to where we are looking for a top to this market.

And as usual, all the regular sections to add some due diligence to your market research and give you some food for thought!

Good Trading!
GoldenPhi

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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.

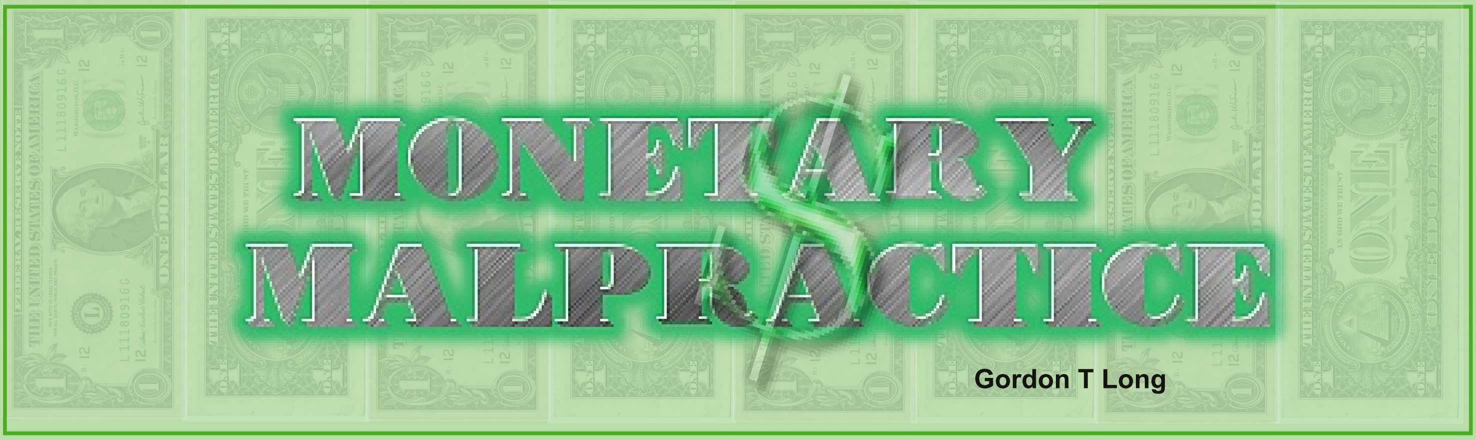
For the rest of us, TRIGGER$ offers a 'distilled' version of the 380 pages in a readable format for use in your daily due diligence. Read and understand what the professionals are reading without having to be a Professional Analyst or Technician.

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"



We are now living in an era of Monetary Malpractice brought on by a complex array of factors which include:

1. The dominating influence by Global Banking powers over sovereign Monetary policy,
2. Ineffective and failed Public & Fiscal Policies by the democratic political process held captive by crony capitalists,
3. A mistaken reliance on Monetary Policy to solve Structural and Competitive problems,
4. The mistaken belief in the Keynesian Economic doctrine

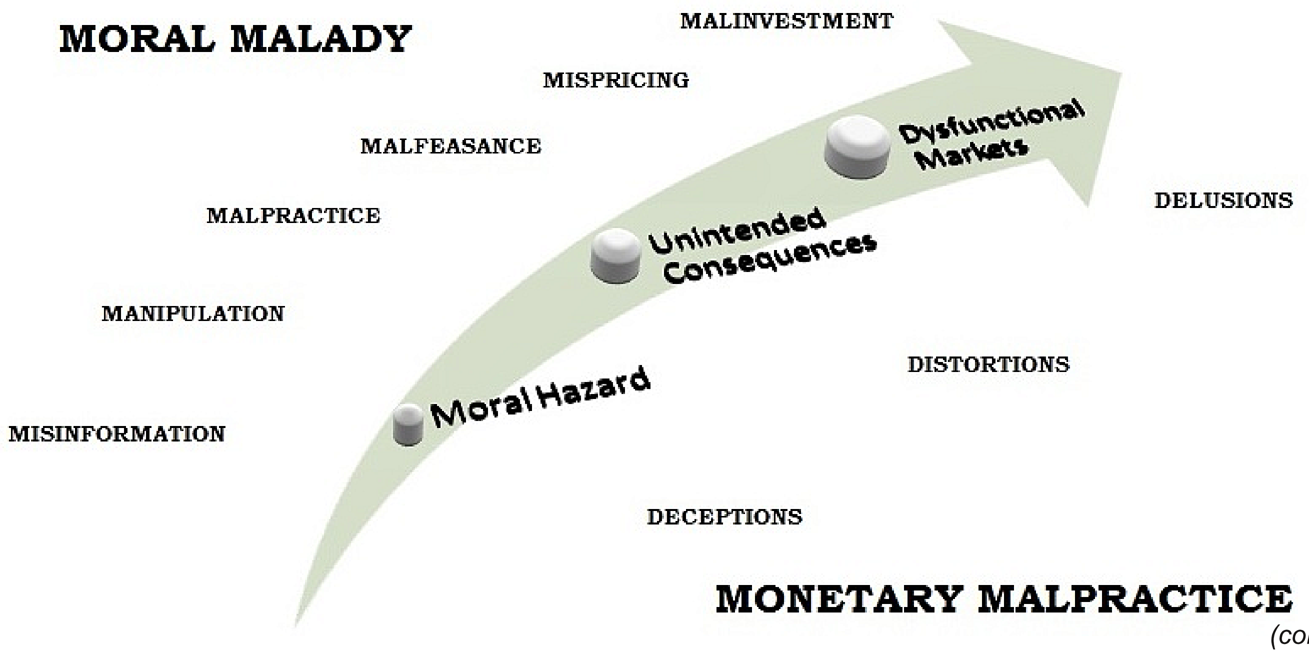
Moral Malady

The Deceptions associated with economic Misinformation and Manipulation, by the troika of government, the central bank and financial intermediaries to achieve their goals, leads to Moral Hazard.

The Distortions associated with the ensuing Malpractice and Malfeasance leads to, and accelerates "Unintended Consequences".

The inevitable Mispricing and Malinvestment which ensues leads to Dysfunctional markets based on false premises and Delusions.

Delusions that without historical exception lead to sudden and abrupt adjustments.



(cont pg.5)

Monetary Malpractice (cont.)

Dysfunctional Markets

Distortions

Monetary Malpractice starts with political pressures to distort economic data. Data such as CPI and GDP.

All of this is done to achieve the effective manipulation of Interest Rates. Rates that control government borrowing, financing, distribution of wealth and competitive currency advantage.

I have written about these distortions extensively and the following graphic illustrates some of my findings regarding GDP alone.

ISSUE 1: **FLAWED FORMULA:** *FAILS TO MEASURE WEALTH & PRODUCTIVE CAPACITY*

- The use of GDP versus GNP,GNE, NNP has removed key attributes of wealth creation (or destruction) from the measurement such as Capital Consumption, Depreciation, Flow-of-Product Approach, earnings and Cost Approach,

- The formula of GDP = C + I + G + (X-M) does not effectively measure the emergence of the financial intermediation of the FIRE Economy (Finance, Insurance & Real Estate) well documented by economists like Michael Hudson and authors such as Eric Janszen

- Consumption is 71% of the product of this formula. Consumption at 31% may have been reasonable but at 71% blatantly avoids the mathematics of 'linearity' assumptions.

ISSUE 2: **UNI-DIRECTIONAL INFLATION**: "*STATISTICAL MANIPULATION*"

- **Hedonics**: A variation of the old trick of comparing the present with the past, instead of the present,

- **Substitution**: Misrepresents public's reaction and forced behavior due to escalating prices,

- **Imputation**: The use of 'notional' dollars that do not exist and do not change hands

- **Proportional Distribution**: The consumer's 'basket of goods' does not represent purchasing behavior.

ISSUE 3: **GROSS "REAL" DISTORTION:** *GDP versus GRD*

- Deflator usage of 1.54% for US and 2.2% reported by IMF,

- CPI is 2.7% for US and 4.1% reported by IMF,

- 1980 Adjusted Government CPI measurements would be 10.21% according to ShadowStats

ISSUE 4: **GOVERNMENT GAMING:** *A POLITICAL PROPAGANDA TOOL*

- Double Accounting: Government Expenditure additionally becomes Consumption through Consumer Credit,
- We now have over 90 Million Americans receiving transfer payments of some sort,
- We have over 46 Million receiving Food Stamps,

- It is why $1T in Student Loans has been re-classified as non-revolving credit,
- It is why General Motors Channel stuffing is classified as Real Sales,

UNDER the LENS
Global Macro Analysis

(cont pg.6)

Monetary Malpractice (cont.)

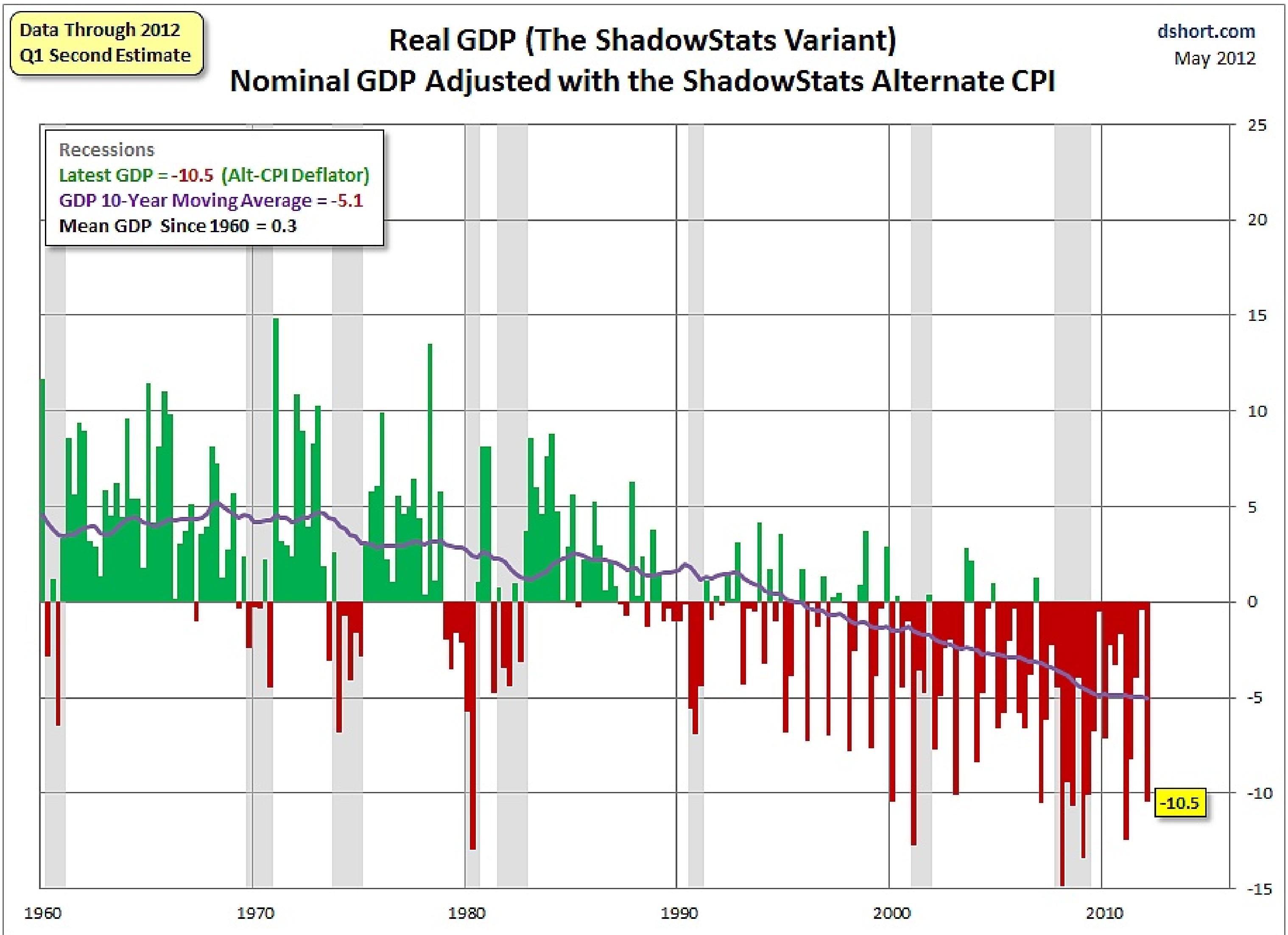
As these Distortions get larger and larger, like Pinocchio's nose, it becomes harder and harder to hide.

Distortions are also forced to become larger and more broad ranging than initially intended. The Deceptions become like a spiders web which is impossible to maintain without expanding the misinformation and manipulation further.

Growth today, as measured by GDP, is so distorted that major economic contraction and slippage is being vainly attempted to disguise slow growth.

Growth which can no longer cover the existing and ever expanding debt burden.

Monetary Malpractice which includes failed policies such as Financial Repression are forced to be implemented as simply desperate attempts to hold things together until the inevitable day arrives or a miracle occurs.



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Monetary Malpractice (cont.)

Deceptions

As we have learned many times, it is never the mistake that causes the major problem, it is always the cover-up.

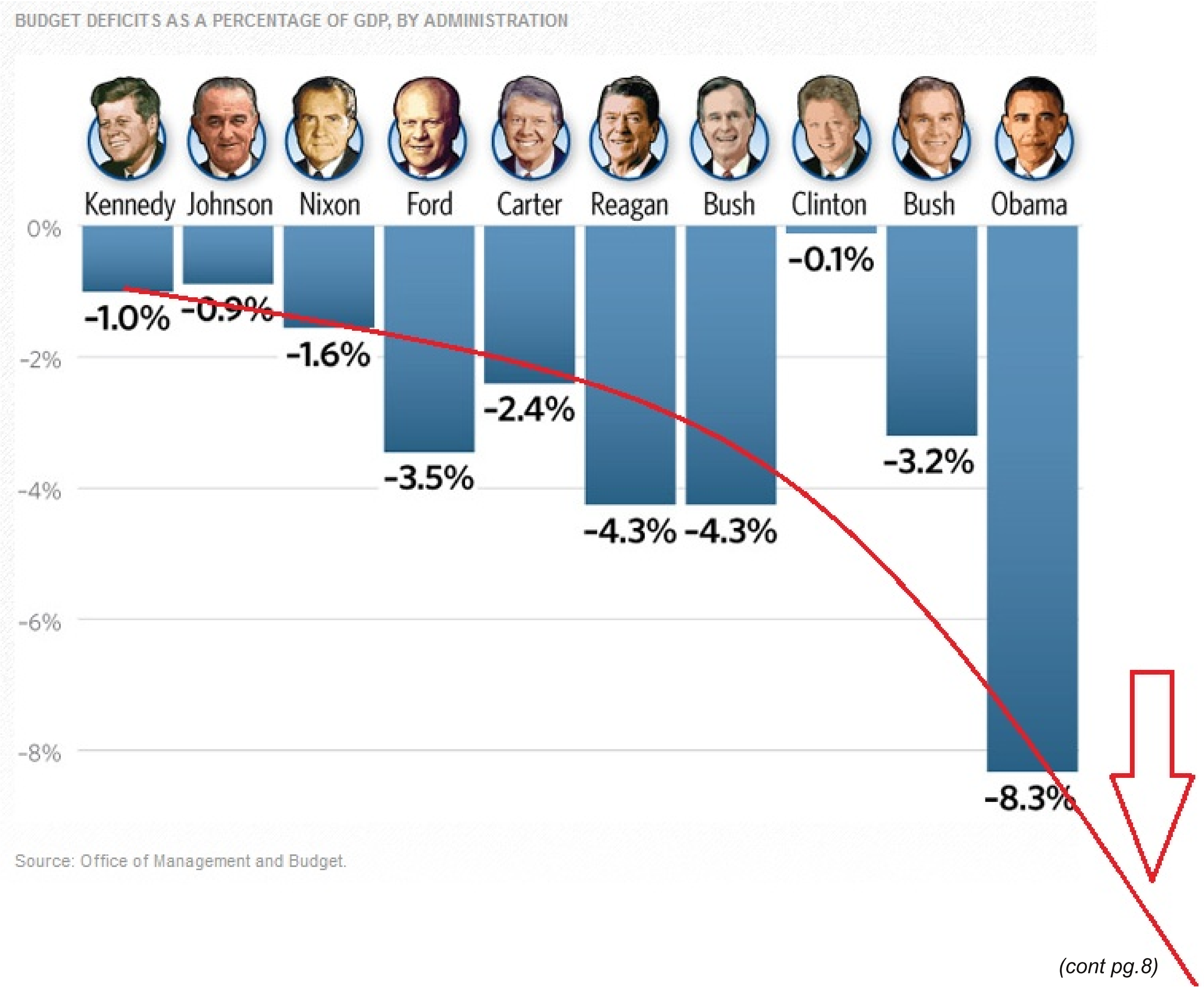
Like Nixon during Watergate, the sooner he would have come forward the less likely the outcome would have been anything close to his final and disgraceful impeachment.

Today, the deceptions are so broad based that we presently have over 75 million "baby boomers" about to retire and begin to draw on Social Security and Medicare, yet the $80 Trillion funding requirement has been cannibalized.

A "lock box" left wide open and which has already been pilfered

This means the troika must now use Monetary Policy and the resulting Malpractice to 'Buy Time'.

The most terrifying words in the English Language



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Monetary Malpractice (cont.)

Financial Deception - *Allowed to Run Un-Policed / Unregulated*

We have allowed financial deceptions to run rampant for years by camouflaging a failed ability to generate real wealth. Instead, we have substituted paper wealth created by questionable accounting tricks.

	VISIBLE PARTICPANTS	MURKY INSTRUMENTS
Early 2000's	Enron, WorldCom, Tyco	Special Purpose Vehicles (SPV) Special Purpose Entities (SPE)
2008	Financial Crisis	Structured Investment Vehicles (SIV) Collateralized Debt Obligations (CDO Credit Default Swaps (CDS)
Looming	2nd Financial Crisis	Interest Rate & Currency SWAPS Rehypothecation Contingent Liabilities Collateral & Duration Mis-Match Naked Leverage Mis-Priced Mal-Investments

... and the list unfortunately goes on and keeps growing as reality must be hidden.

Delusions

Eventually, the distortions and deceptions become so large that the system becomes delusional and dysfunctional.

Behavior seems abnormal and the tried and proven "basics" no longer work.

Incentive and rewards suddenly are found to be going to what was considered bad behavior and bad decisions. Savers for example are penalized while those that made bad decisions and took on excess speculative debt are bailed out with one government program after another.

This is the stage we have now reached in the global economy and the 2008 crisis was ONLY an early warning of this and what is to come.

There will come a day when a reality check is forced on this dysfunctional system and a market clearing event will occur.

(cont pg.9)

Monetary Malpractice (cont.)

Death of Trust and (hence) Equities

As an example of how dysfunctional and delusional modern investment finance has become, consider the stock market, which is our system for capital allocation within the wealth creation process.

Let me share an e-mail from one of your fellow subscribers which I just received.

Despite the fact that I'm closing my subscription to your publications, you should not construe this as dissatisfaction in any way. I've been a long time subscriber to Marc Faber's GBD report and a couple of other weblogs such as Chris Martenson.com but I'm winding all of these up. Comparatively I would rate your publications as some of the best quality and best value publications available on the internet.

I've followed your work for some years now, having been alerted to it in 2009 via Zero Hedge with your Extend & Pretend series and the Sultans of Swap expose which were both excellent and probably gave me a better understanding of the machinations of corporate finance than anything I've read. For my part I think you really understand where we are heading financially, politically and socially and I appreciate you articulating your thoughts as candidly as you do in your writing and especially in your podcasts.

The situation we're in now is really quite bleak as far as I can see. ***The perfidy and duplicity of our financial and political systems is so pervasive and so unconstrained that I think it's foolish to attempt to profit from what is occurring*** and this is why I'm terminating my subscription. Despite being possessed of some excellent information from reputable sources (such as yourself), when I look back on most of my trades over the past few years, ***they comprised little more than speculation on the next "intervention"***. On this basis I have withdrawn whatever investment funds I had in the market as I no longer wish to spend the many hours I do each month focusing (speculating) on the ups and downs of orchestrated financial fraud.

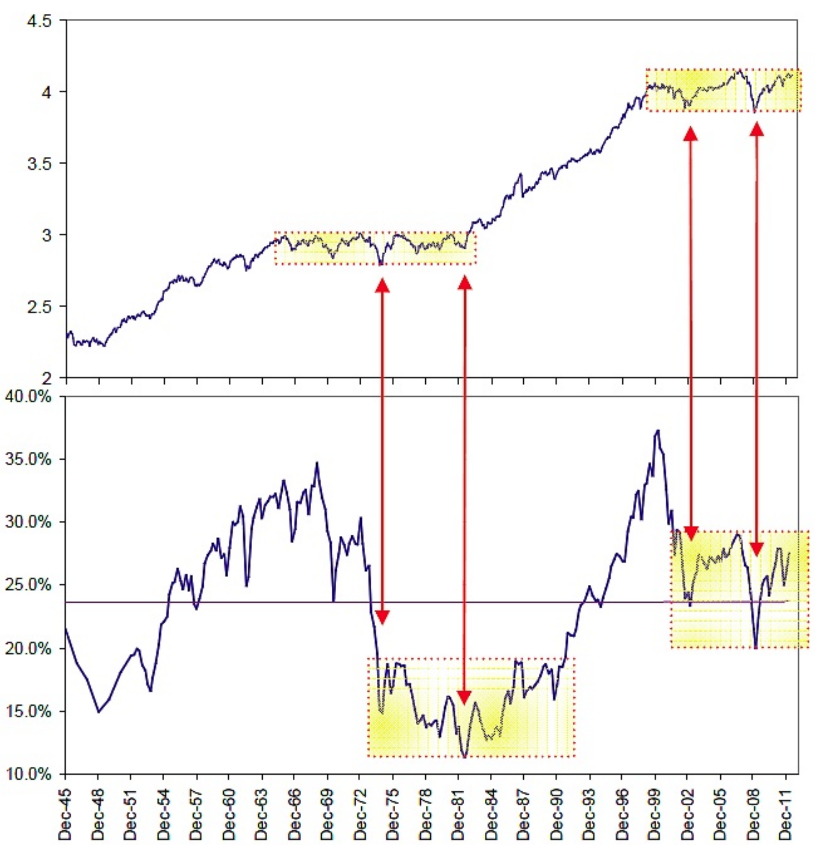
Thanks for all your great work. I will certainly keep following your publicly released material.

This is an example of a segment of the Baby Boomers that are leaving and will never return to investing in equities, not only because the last 12 years has produced a lack of returns with relentless volatility and scary headline news, but because the distortions, deceptions and delusions are becoming obvious.

Everyone is now tied to the next FOMC meeting and whether they will print more money and further the delusion, hoping like in the game of musical chairs to be able to grab the last chair or exit at the last moment.

Equity holdings as a percentage of financial assets peaked in 2000 and have been declining ever since. This same behavior occurred last time the market traded sideways from 1966-1984 (16 years) and we clearly face the risk of more years of sideways trading to come.

Dow Jones Industrial Average (top) and Stocks & mutual funds as a % of total household financial assets – Dec 1945 to 1Q 2012 (bottom)



Source: BofA Merrill Lynch Global Research, Federal Reserve, Bloomberg

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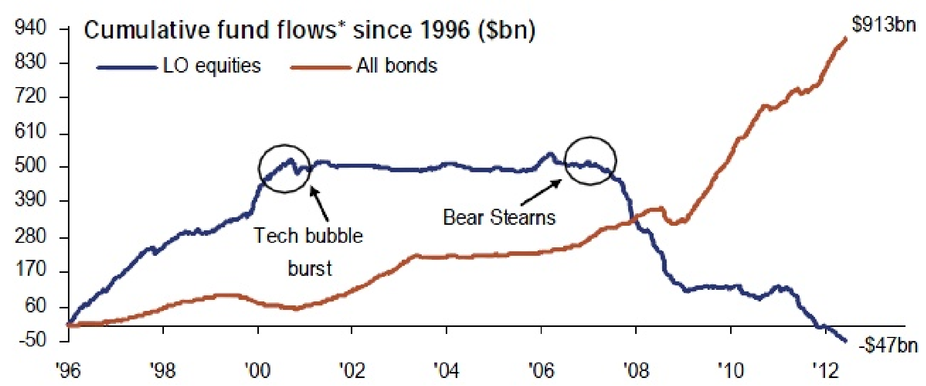
Monetary Malpractice (cont.)

The present public flight to the safety of bonds is a MAJOR mistake and will end VERY badly.

Cumulative flows to bond funds and long-only equity funds ($bn)



* data 1996-2002 from Lipper FMI; 2002-onwards from EPFR Global; Source: BofA Merrill Lynch Global Equity Strategy, EPFR Global, Lipper FMI

Investing, Speculating or Gambling?

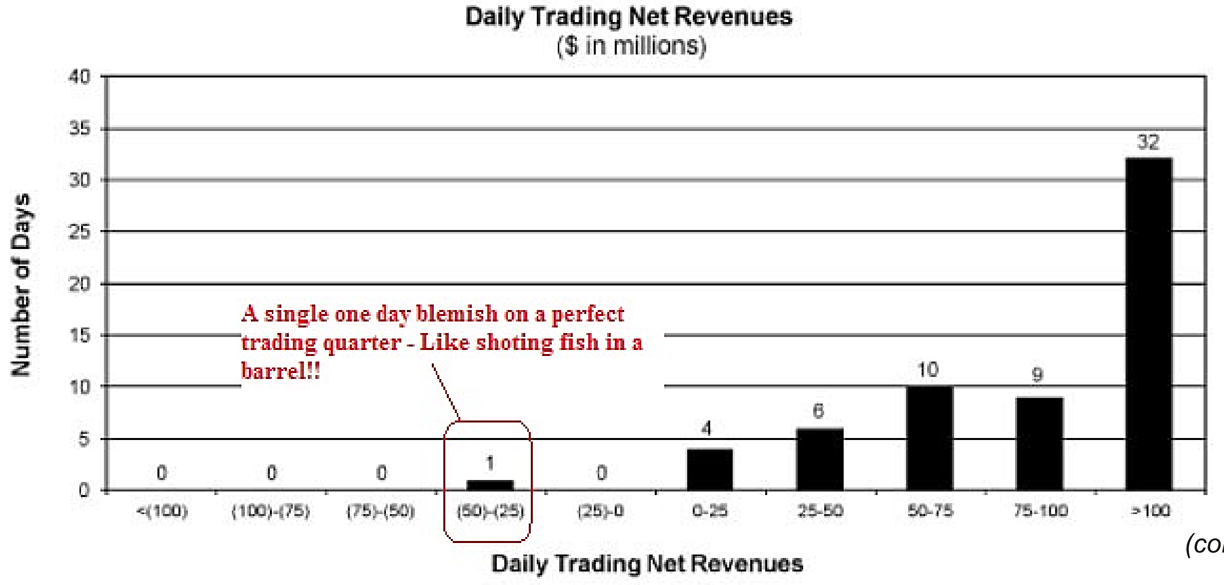
Monetary Malpractice has had the desired result of driving Investors into becoming Speculators and are now nothing more than low-odds Gamblers.

There is a difference between investing, speculating and gambling. At one time these lines were easy to comprehend and these distinctive groups separated into camps with different risk profiles in which to seek their fortunes. Today investing has become at best nothing more than speculating and realistically closer to outright gambling.

The reason is that vital information is either opaque, hidden or manipulated. Blatant examples such as: the world of off balance sheet debt, Contingent Liabilities, Derivative SWAPS, Special Purpose Vehicles (SPV), Special Purpose Entities (SPE), Structured Investment Vehicles (SIV) and obscene levels of hidden leverage make a mockery out of public Financial Statements.

Surely if we get our ego out of this for a moment we can see that stockholders are now nothing more than gamblers? What is worse is that the casino is rigged.

The chances of investors winning are comparable to those of a casino where Goldman Sachs, JP Morgan, Morgan Stanley and other 'prop desk' investment banks have consistent trading days that are better than those of well run casinos, with their clients on the other side of the trade. If you don't believe me, read their 10Qs and 10Ks. It is all there for those who care to read it. One bank reported 542 trading days of consistent profits with minor loses on 42.



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Monetary Malpractice (cont.)

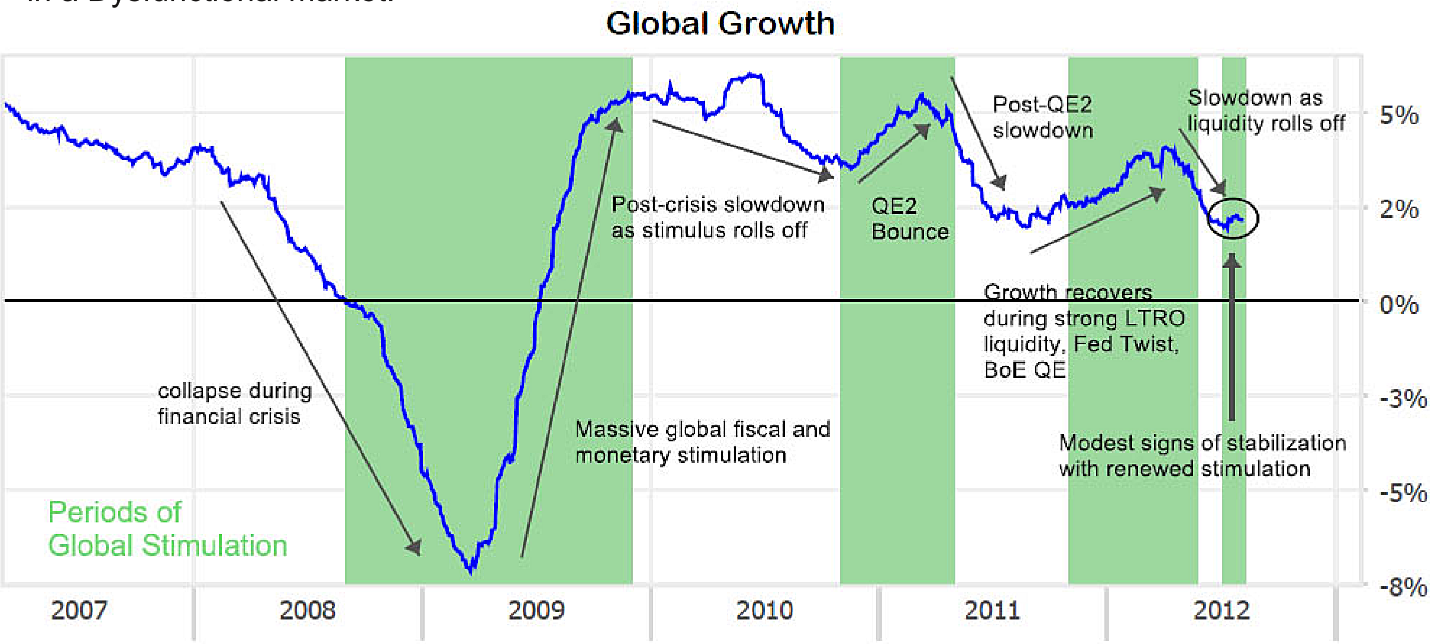
With Monetary Policy now targeting negative real interest rates, it is forcing the public out of interest bearing savings and investing, and into higher risk vehicles they would have shunned historically. They have no choice as the Monetary Malpractice game is played against them.

There is an old poker player adage: "when you look around the table and can't determine who the patsy with the money is, it is because it is you."

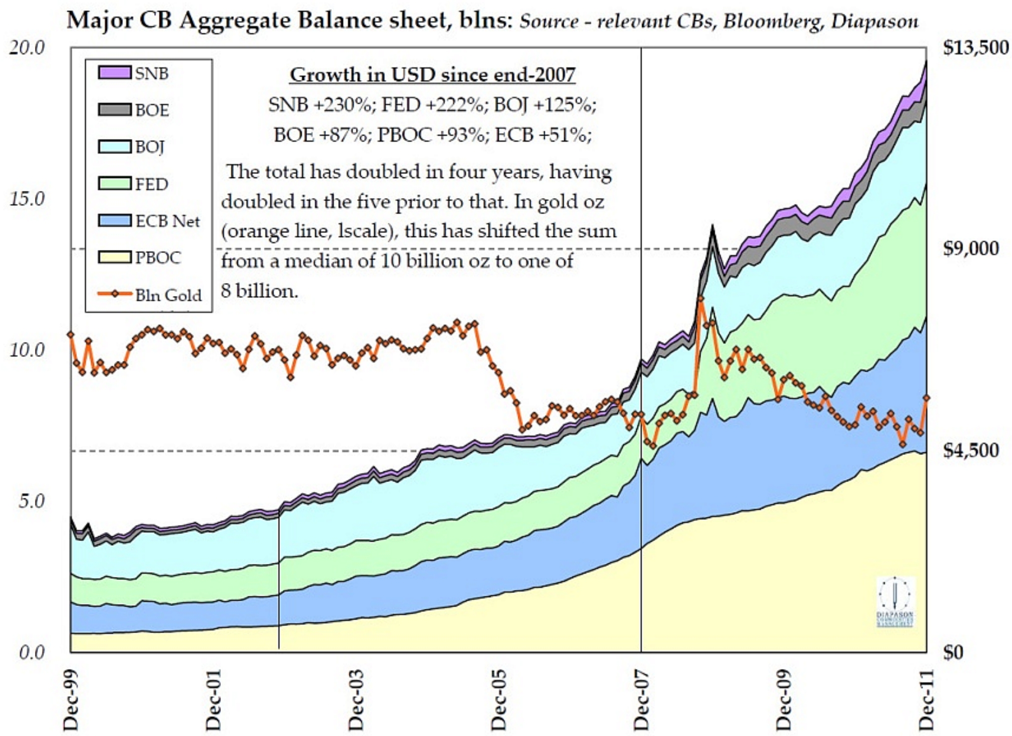
Symptom - Dysfunctional Markets

Delusional Expectations

The financial markets are now trading almost totally around Central Banks balance sheet expansion expectations. Though earnings estimates are being rapidly pulled down it is irrelevant in a Dysfunctional market.



If the Central Banks stop the "flows", the markets will violently collapse. But how big must the flows be and for how long? How long will this work?



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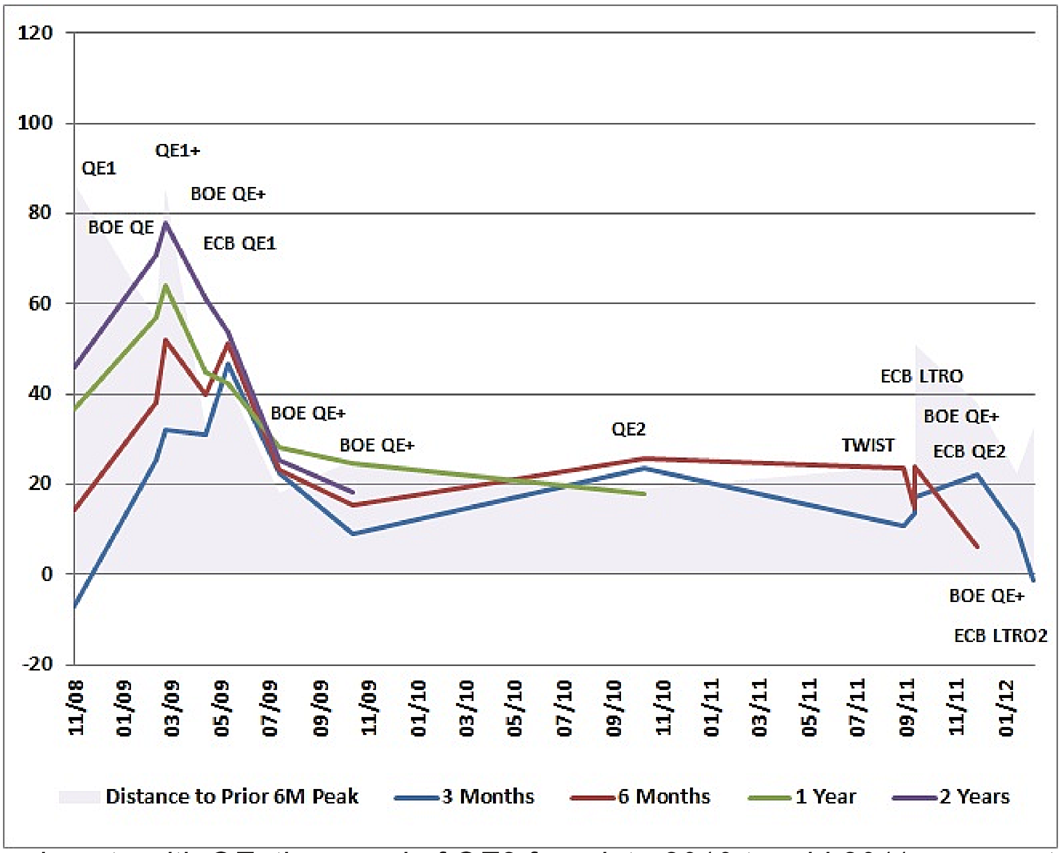
Monetary Malpractice (cont.)

John Hussman points out what these dysfunctional markets may be missing in a recent article.

"Each of the Fed, ECB and BOE quantitative easing interventions since 2008 are presented below as a timeline. The shaded area shows the amount of market gain that would be required to recover the peak-to-trough drawdown experienced by the corresponding stock index (S&P for Fed interventions, EuroStoxx for ECB interventions, FTSE for BOE interventions) in the 6-month period preceding the quantitative easing operation. The lines plot the 3-month, 6-month, 1-year and 2-year market gain following each intervention, adding any gain from the low of the preceding 2 months, to account for any "announcement effects." Technically, the lines should not be connected, since they represent the gains following distinct actions of different central banks, but connecting the points shows the clear trend toward less and less effective interventions, with the most recent interventions being flops. Notice also that central banks have typically initiated QE interventions only when the market had somewhere in the area of 18% or more of ground to make up.



Of all the experiments with QE, the round of QE2 from late-2010 to mid-2011 was most effective, in that stocks recovered their prior 6-month peak, and even some additional ground. Yet even with QE2, the Twist and its recent extension, as well as liquidity operations such as dollar swaps and so forth, the S&P 500 is again below its April 2011 peak, and was within 5% of its April 2010 peak just a month ago (April 2010 is a particularly important reference for us, since that is that last point that the ensemble methods we presently use would have had a significantly constructive market exposure). The largely sideways churn since April 2010 reflects repeated interventions to pull a fundamentally fragile economy from the brink of recession, and recessionary pressures are stronger today than they were in either 2010 or 2011. Investors seem to be putting an enormous amount of faith in a policy that does little but help stocks recover the losses of the prior 6 month period, with scant evidence of any durable effects on the real economy.

In short, the effect of quantitative easing has diminished substantially since 2009, when risk-premiums were elevated and amenable to being pressed significantly lower. At present, risk-premiums are thin, and the S&P 500 has retreated very little from its April 2012 peak. My

(cont pg.13)

Monetary Malpractice (cont.)

My impression is that QE3 would (will) be unable to pluck the U.S. out of an unfolding global recession, and that even the ability to provoke a speculative advance in risky assets will be dependent on those assets first declining substantially in value.
Our economic problems run far deeper than what can be healed by more reckless bubble-blowing by the Federal Reserve. At the center of global economic turmoil is a mountain of bad debt that was extended on easy terms by weakly regulated lenders with a government safety net. Global leaders have done all they can to protect the lenders at the expense of the public – to make good on the bond contracts of mismanaged financial institutions by breaking the social contracts with their own citizens. The limit of this unprincipled madness is being reached.

The way out is to restructure bad debt instead of rescuing it. Particularly in Europe, this will require numerous financial institutions to go into receivership, where stock will be wiped out, unsecured bonds will experience losses, senior bondholders will get a haircut on the value of their obligations, and loan balances will be written down. Bank depositors, meanwhile, will not lose a dime, except in countries where the sovereign is also at risk of default. Even there, depositors will probably not lose any more than they would if they held sovereign debt directly. In the U.S., the pressing need continues to be mortgage restructuring, and an emerging recession is likely to bring that issue back to the forefront, as roughly one-third of U.S. mortgages exceed the value of the home itself.

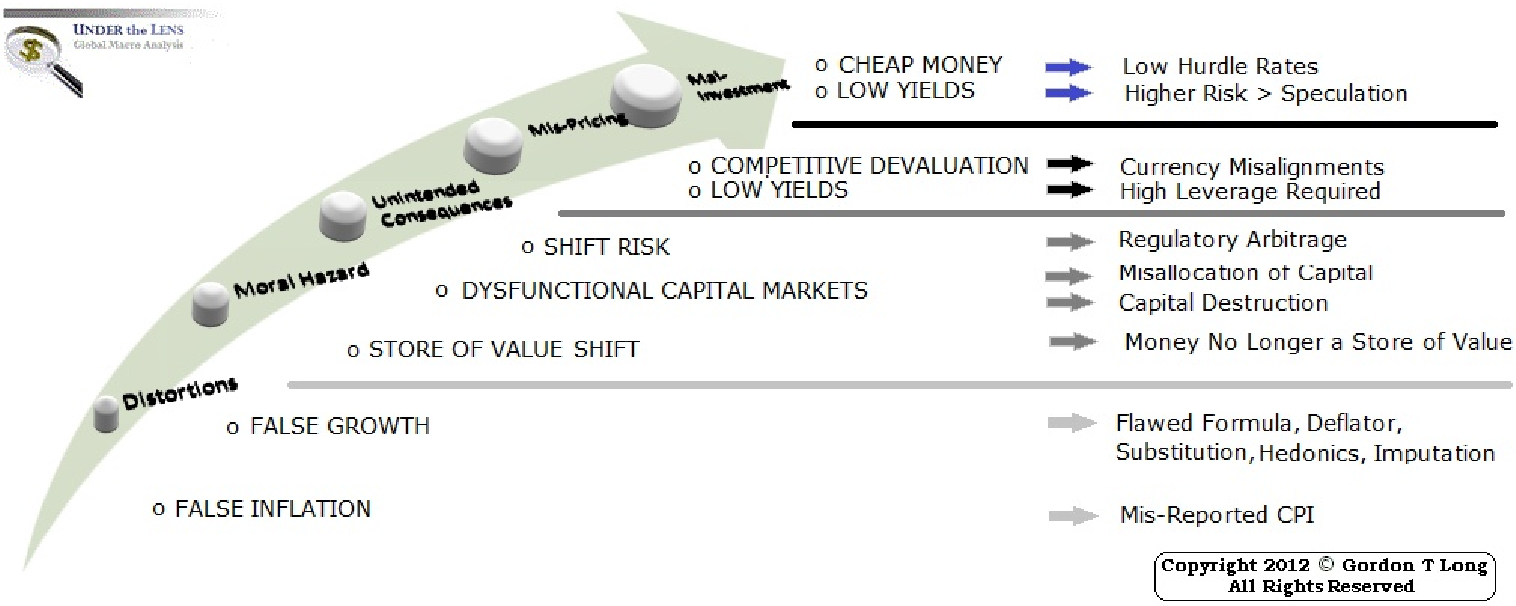
Liquidity does not produce solvency. Bailouts from one insolvent entity to another insolvent entity do not produce solvency. Efforts to stimulate growth will not produce solvency if a large fraction of the economy is overburdened with debt obligations that cannot be repaid. What will produce solvency is debt restructuring. The best hope is that global leaders will recognize the necessity and move ahead with debt restructuring in an orderly way, particularly in the European banking system. The worst nightmare is that global leaders will deny the necessity and belatedly discover that they have squandered the last opportunity to avoid a disorderly finale."

Absurd Schemes Underpin the Markets:

We have insufficient space to go into details on the following list of absurd schemes currently used to prop up the financial markets and allow the credit and debt bubble to continue to be temporarily propagated.

1.Rehypothecation
2.Duration Mis-Match
3.OTC Swap
4.Naked Leverage
5.Glass-Steagallism and Rate-Rigging

All of these are part of what has lead to Mispricing and Malinvestment



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Monetary Malpractice (cont.)

Conclusion

*What we have is Monetary Malpractice in a futile attempt to protect a corrupted system and **corrupting** players by **corruptible** politicians.*

Manipulation > Misinformation >> Mal-Practices >>> MALFEASANCE

What we have is Legality without Morality
Where Legality is bought and paid for.

What must be recognized here is that:

1. The global financial system through $600 Trillion is falsely being rigged by LIBOR to support an arterially low US Treasury rate and a failed US Dollar Reserve currency,

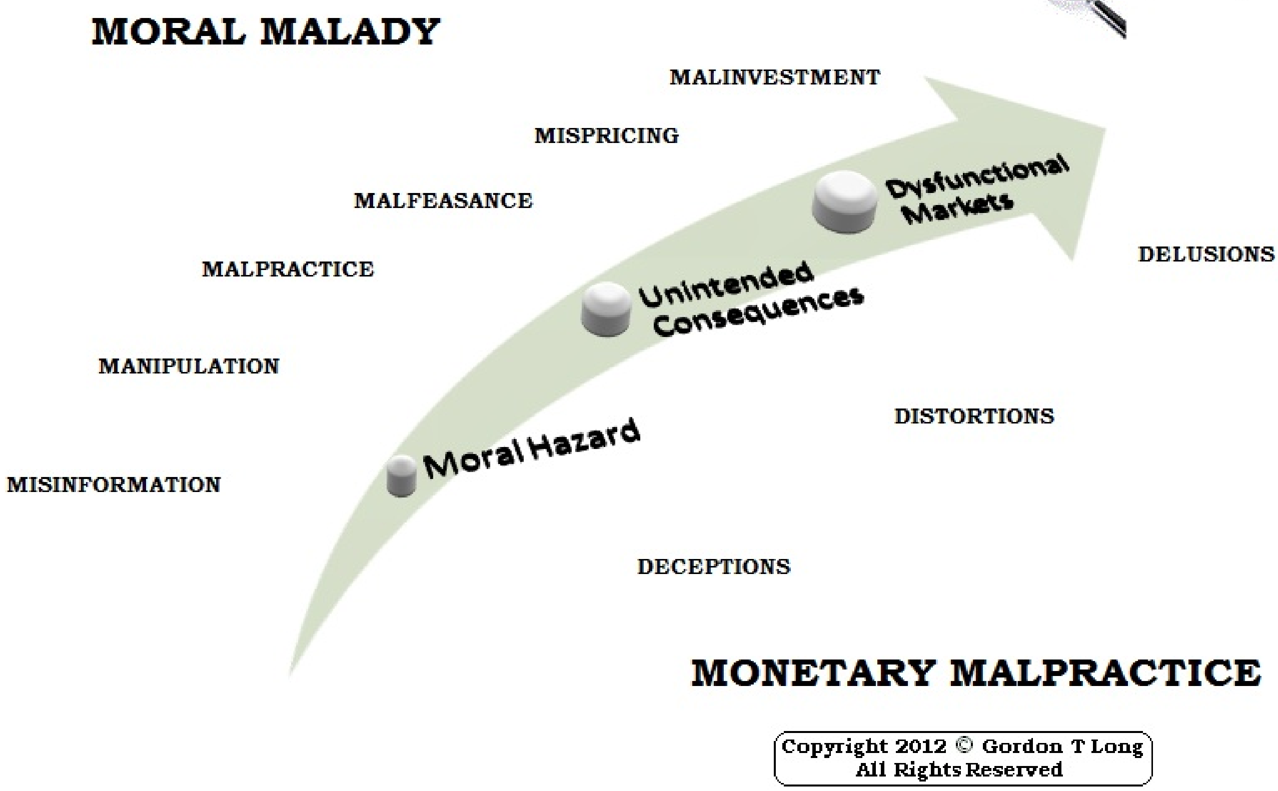
2. The Global Banks are working with major Central Banks and Sovereign Treasuries to hold the system together,

3. Misinformation, Manipulation, Reporting Distortions, Moral Hazard and Unintended Consequences have taken hold of the global financial system.

Policy of "Smudge & Fudge"

1- Post Financial Crisis Environment

POLICY 2007-2008 Extend & Pretend
POLICY 2009-2010 Kick the Can Down The Road
POLICY 2011-2012 Fake it Until You Make It



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Monetary Malpractice (cont.)

2- New Emerging Environment

POLICY 2013-2014 Smudge & Fudge

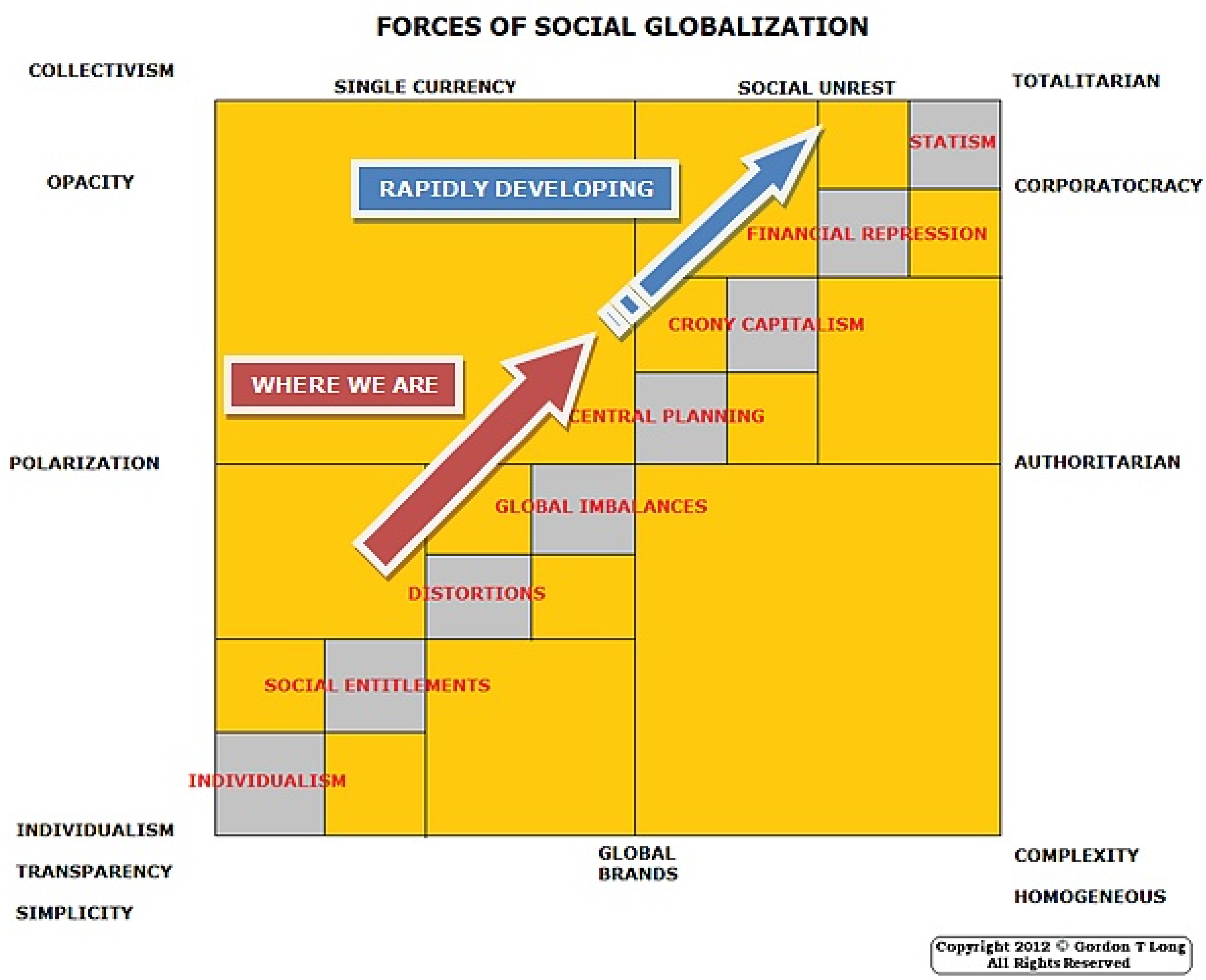
Where it Leads: STATISM

The big picture.

The chart below shows:

1.Where we presently are,
2.The rapidly developing and accelerating area

Joing us at Macro Analytics in August as we explore the areas of this migration roadmap.



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Methodology & Techni-Fundamentalism

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

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

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

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

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

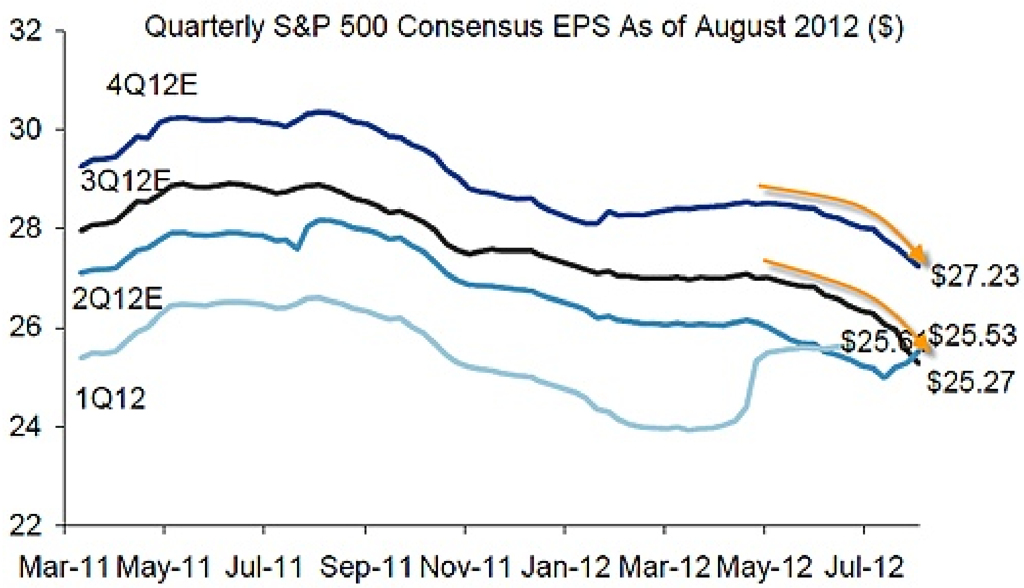
All information and conclusions delivered in TRIGGER$ articles are a product of the methodology outlined above.

Downward Revisions Accelerating

BACKGROUNDER: The Pace Of US Downward Revisions Is Picking Up 08-08-12 Morgan Stanley via Zero Hedge

With 86% of the S&P 500's market cap reported, 2Q earnings growth has been negative, with profits down 1.6% excluding Financials. This marks the first quarter of year-on-year profit declines since 2009. Moreover, while EPS surprises have been positive, they have been the weakest of the current recovery cycle, and revenue surprises have been negative. Following 2Q announcements, companies have issued weak guidance, resulting in increasingly rapid downward revisions to analyst estimates. At present, consensus expectations are for earnings to decline by 1.5% in 3Q. This implies further deterioration in margins. While UBS believe margins will hold up better than expected, their revised economic outlook suggests top-line expectations may be too high - and along with the FX impact we noted last night, those miraculous multiples will have to extend to magnificent levels to maintain this haughty market valuation.

The Pace of US Downward Revisions Is Picking Up

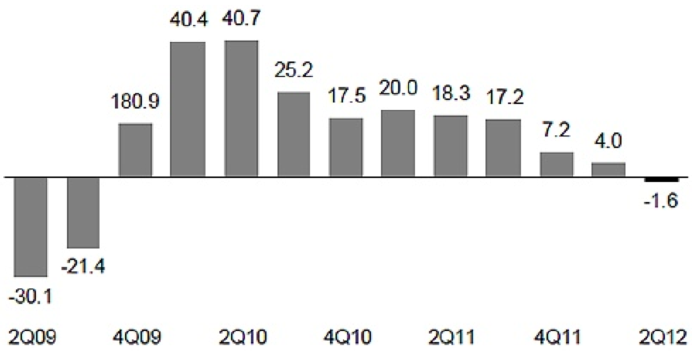


Source: FactSet, Morgan Stanley Research

(cont. pg.19)

Downward Revisions Accelerating (cont.)

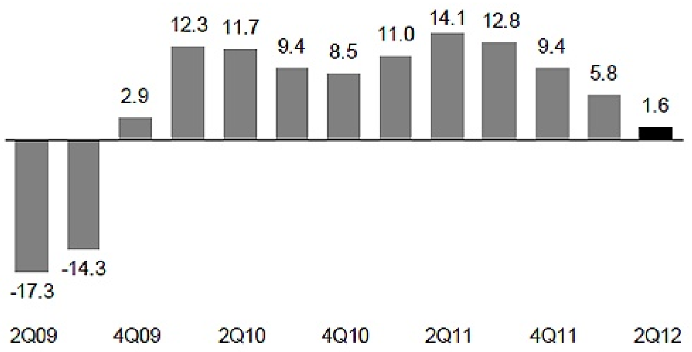
Exhibit 1 : S&P 500 Earnings Growth YoY



Source: S&P, Compustat, Thomson Financial, FactSet and UBS Note: Excludes Financials

As earnings growth is negative for the first time since the recession...

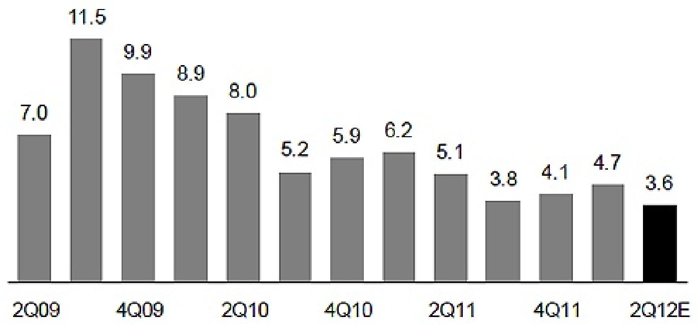
Exhibit 2: S&P 500 Revenue Growth YoY



Source: S&P, Compustat, Thomson Financial, FactSet and UBS Note: Excludes Financials

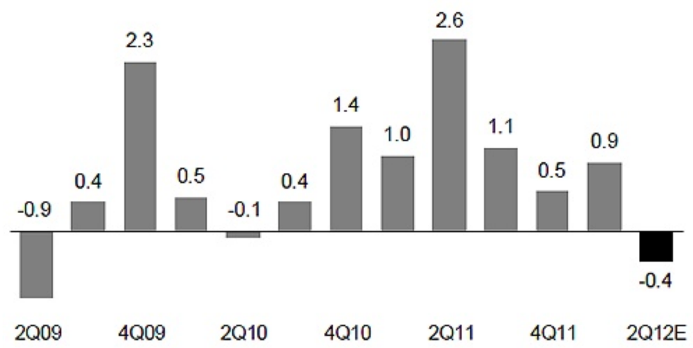
and revenue growth is the slowest since then too...

Exhibit 3: S&P 500 Earnings Surprise



Source: S&P, Compustat, Thomson Financial, FactSet and UBS Note: Excludes Financials

Exhibit 4: S&P 500 Revenue Surprise



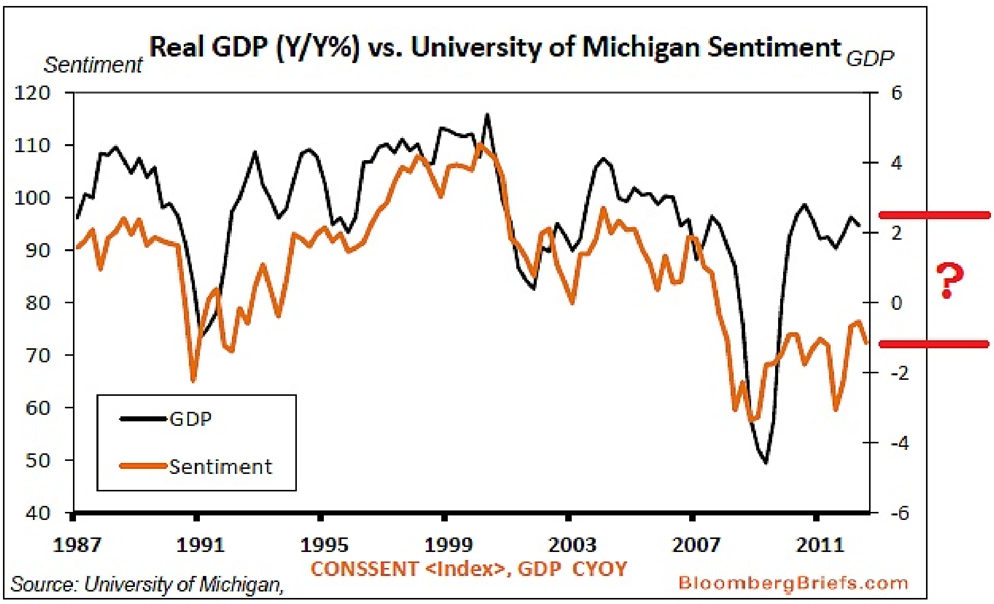
Source: S&P, Compustat, Thomson Financial, FactSet and UBS Note: Excludes Financials

with earnings and revenue surprises now at cycle highs - with more top-line negative surprises than we have seen since Q2 2009...

GDP vs Sentiment

Market Sentiment has Diverged from GDP.

Expect GDP to Soon Follow



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

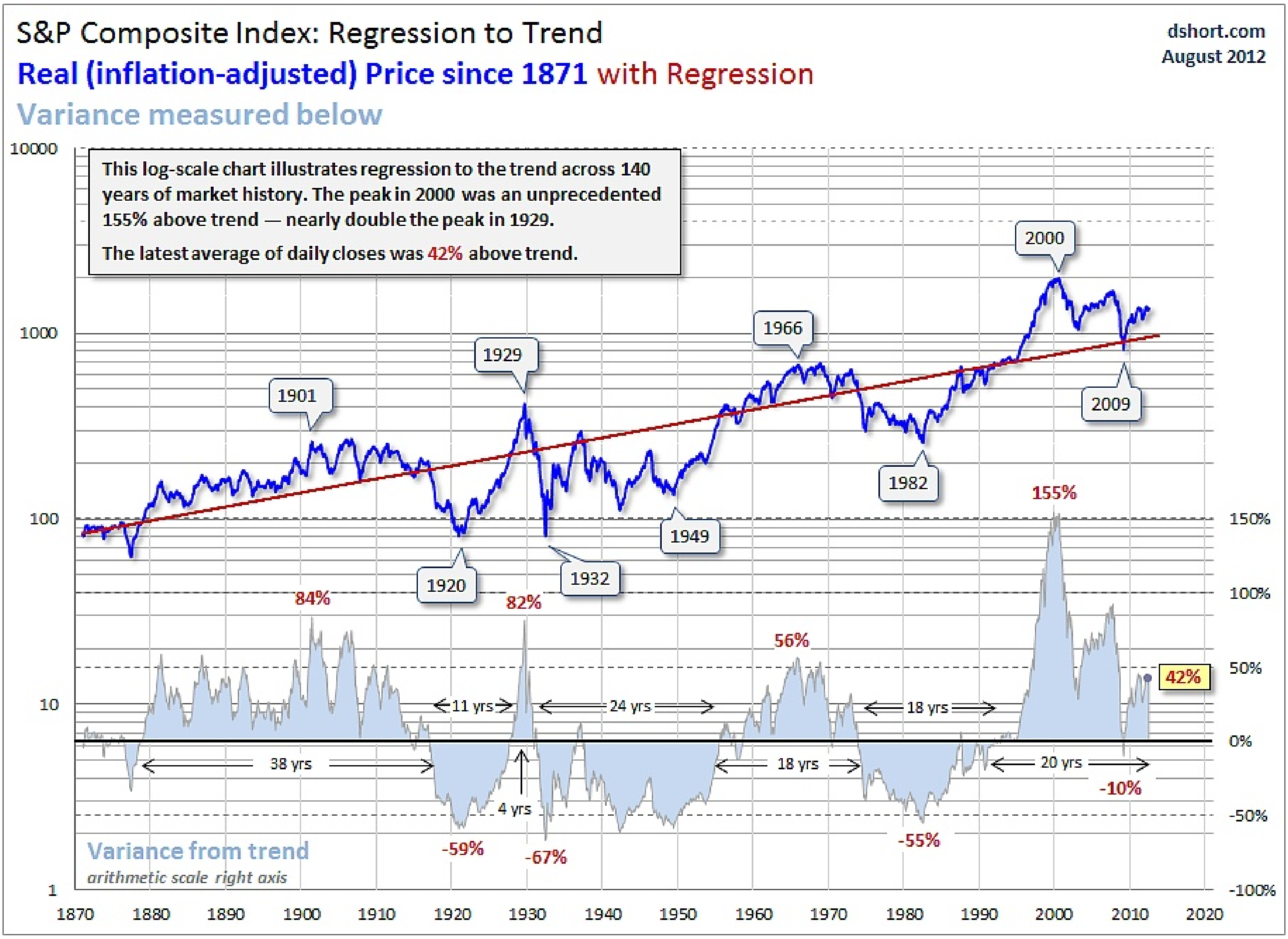
S&P Composite Regression-to-the-Trend

SOURCE: [Regression to Trend: A Perspective on Long-Term Market Performance dshort.com] August 1st 2012.

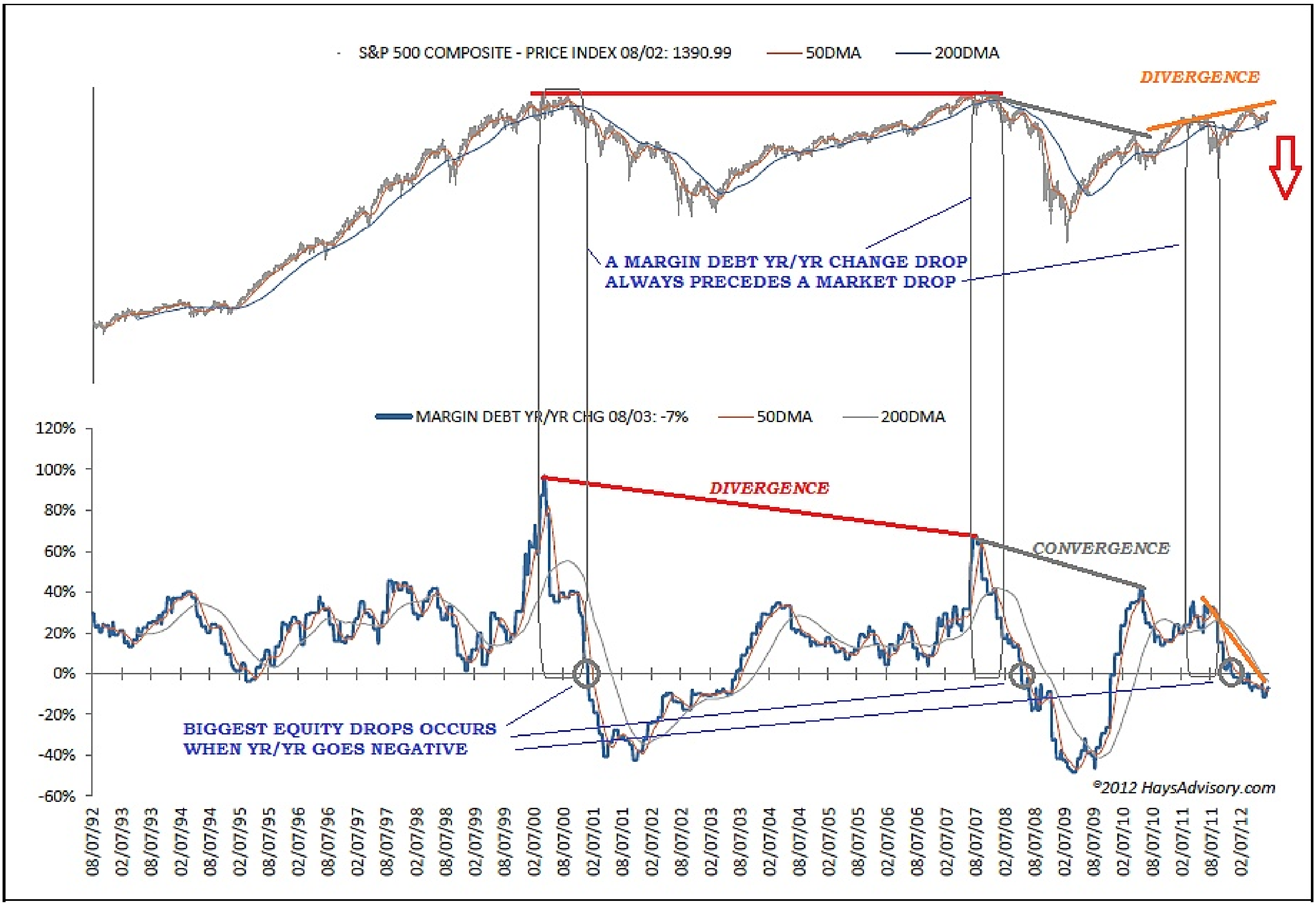
About the only certainty in the stock market is that, over the long haul, over performance turns into under performance and vice versa. Is there a pattern to this movement? Let's apply some simple regression analysis (see footnote below) to the question.

Below is a chart of the S&P Composite stretching back to 1871 based on the real (inflation-adjusted) monthly average of daily closes. I've using a semi-log scale to equalize vertical distances for the same percentage change regardless of the index price range.

The regression trend line drawn through the data clarifies the secular pattern of variance from the trend — those multi-year periods when the market trades above and below trend. That regression slope, incidentally, represents an annualized growth rate of 1.73%.



Margin Levels



Margin Debt fell off in early 2000 which was a precursor to a major market retrenchment into the fall of 2001.

Margin Debt fell off again in early fall 2007 which was a precursor to a major market retrenchment into March 2009.

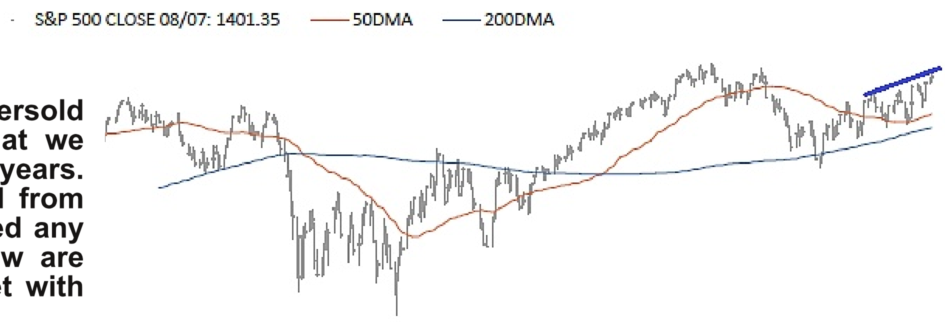
We are presently experiencing Margin Debt falling off significantly, with a Divergence against Price. This is highly unusual and a strong precursor to a significant market correction occurring.

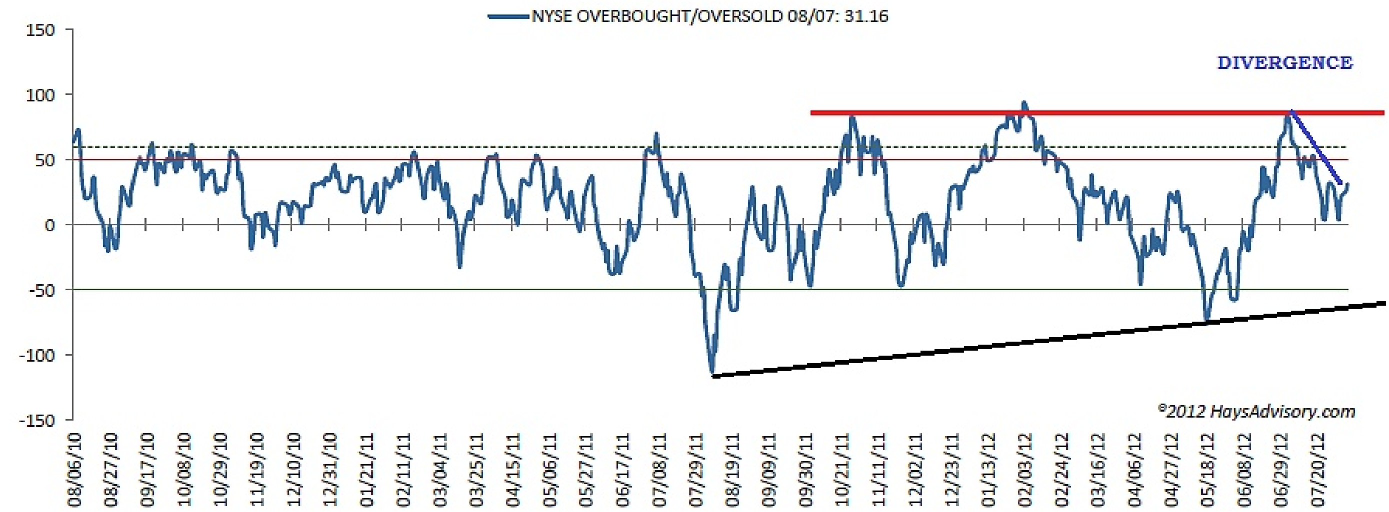
Notice particularly that when margin debt Y-o-Y goes negative it has historically approximated a trigger point in the equity markets.

NYSE Overbought / Oversold

The NYSE Overbought / Oversold indicator was at recent highs that we have only seen twice in the last 2 years. Though the market has corrected from these conditions we never received any sort of oversold support and now are experiencing an advancing market with clear Divergence.

This Divergence will be resolved - soon.

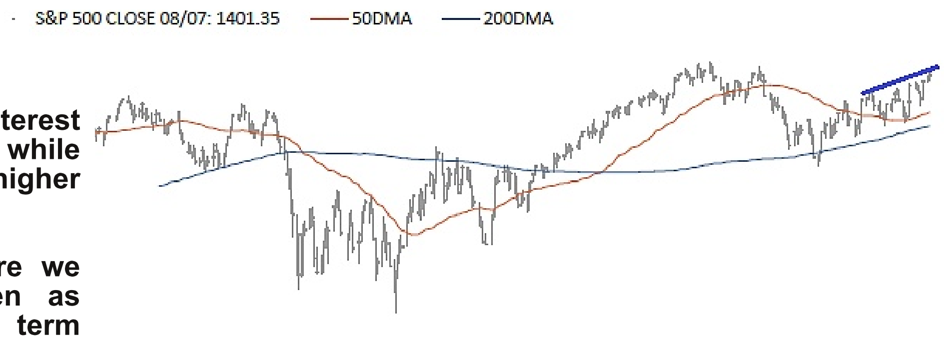


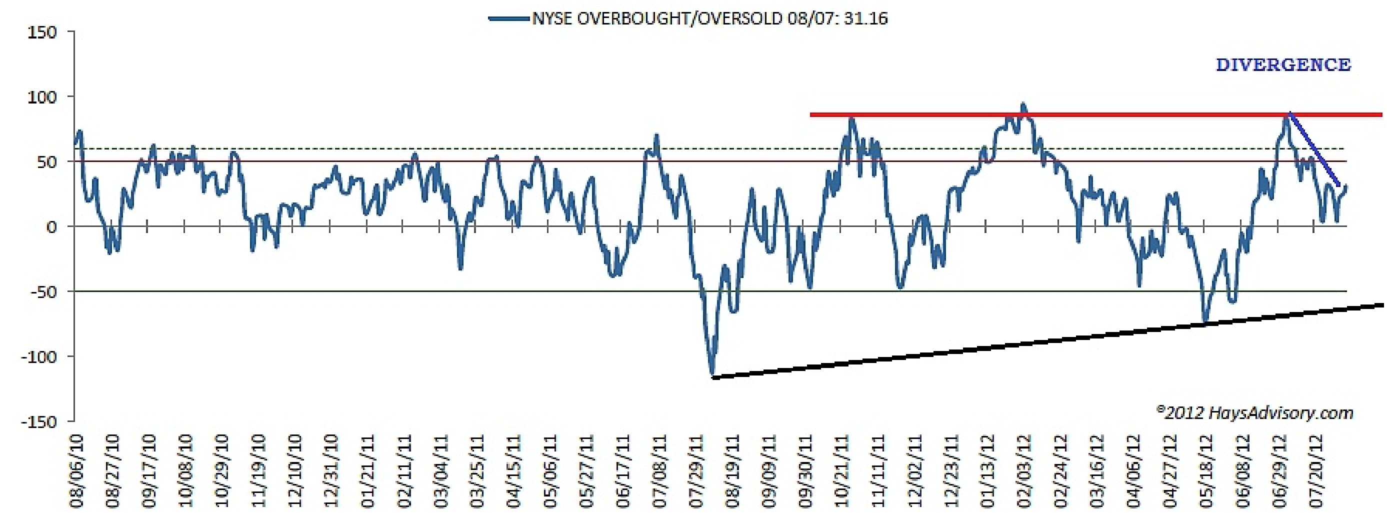


OEX Open Interest (Puts/Calls)

The fact that OEX open Interest (Put/Calls) broke its trend line while overall market prices continued higher is a warning.

We need market weakness before we reach what can safely be seen as support for a Intermediate term advance.

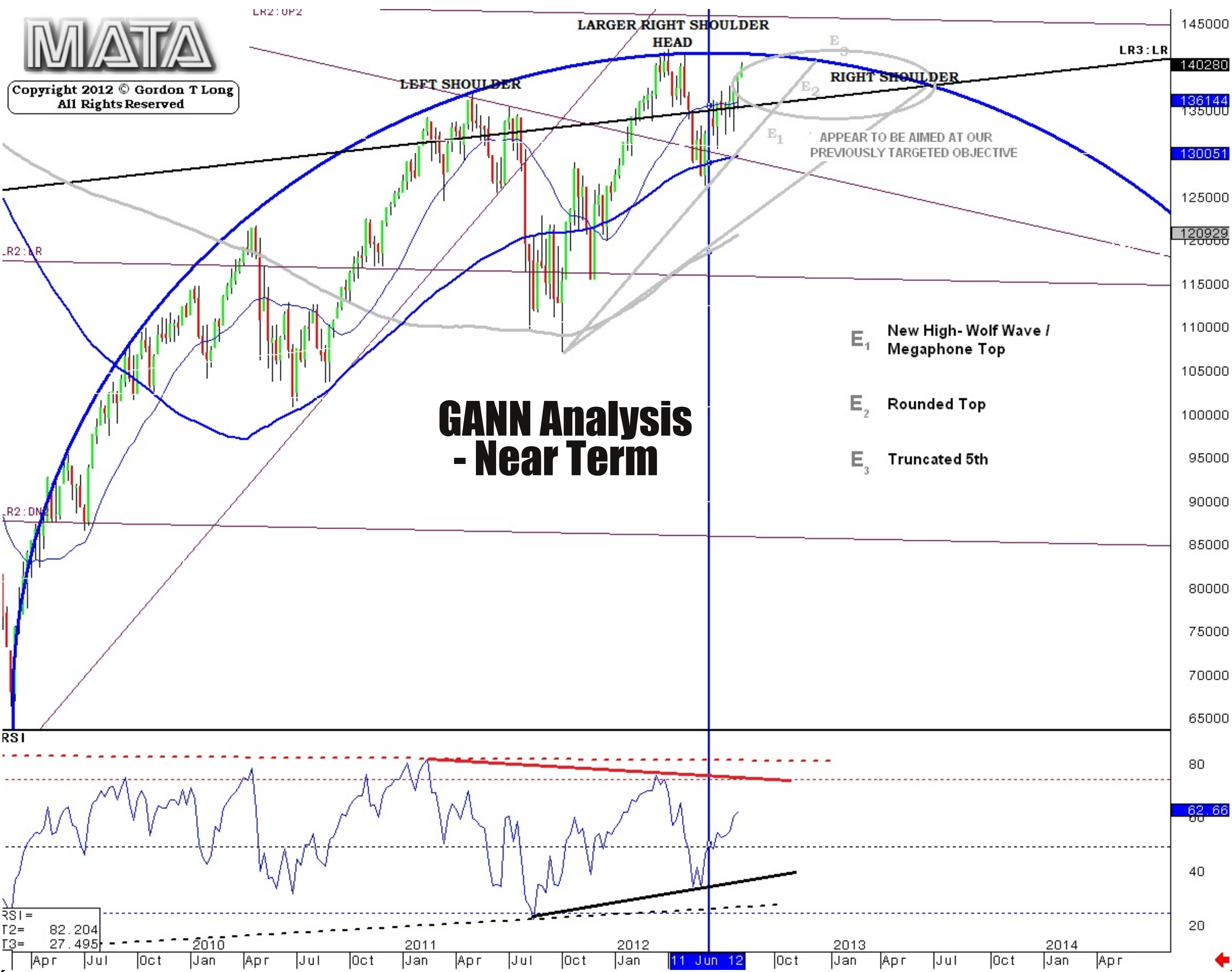




Need To Know
Technical Analysis

Gann Analysis - Near Term, Boundary Conditions, S&P Weekly Long-Term Target, S&P Daily Short-Term Target(s), Key Dates, Market drivers

Contents Page



Our current chart formation reflects the Right Shoulder of a Head and Shoulders pattern, which is itself the Right Shoulder of a major Long Term Head & Shoulders formation. This is suggestive that the Secular Bear Market will resume in full force in 2012 after the completion of either a Rounded top, Megaphone top or truncated 5th top.

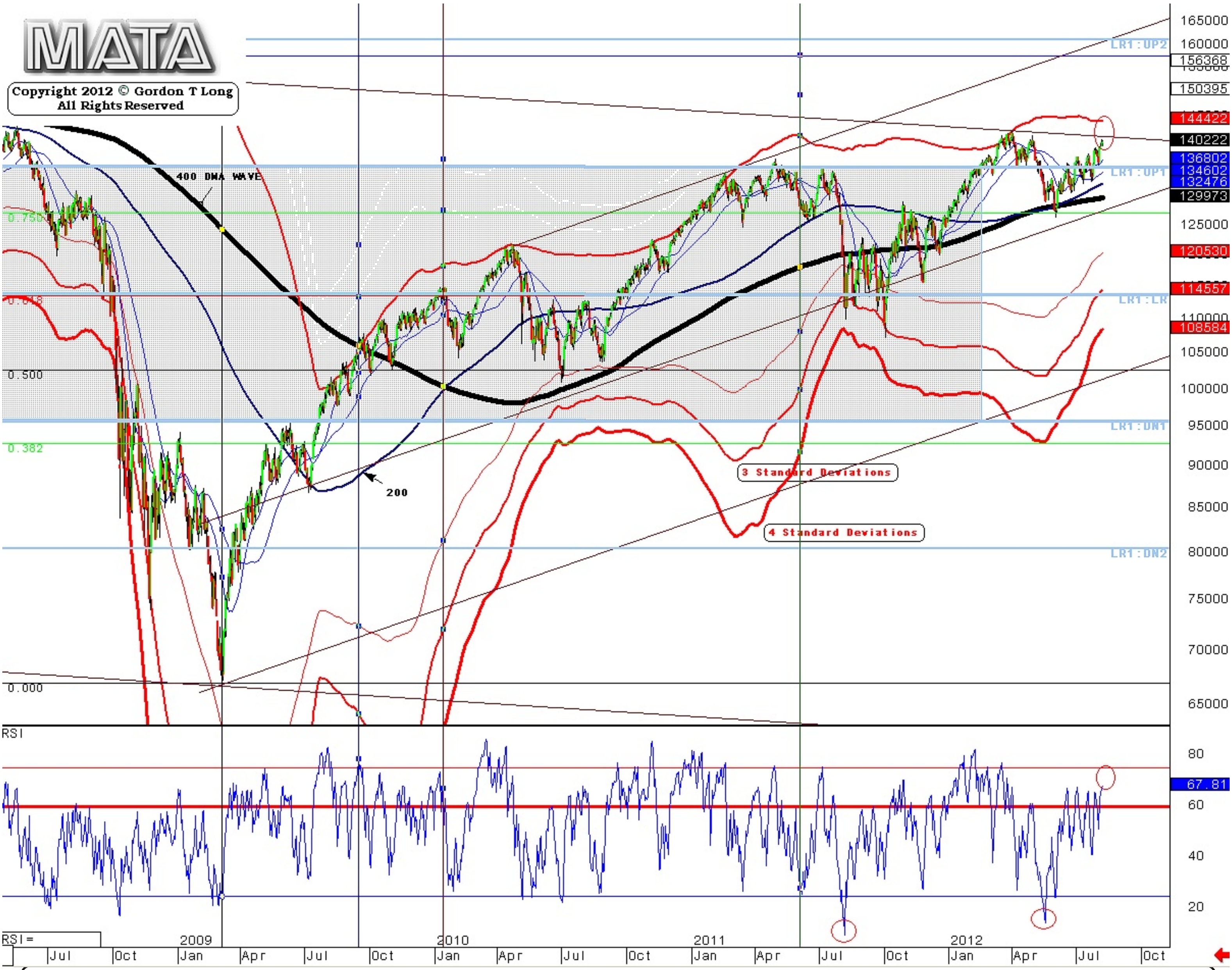
Key points to watch on this chart:

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

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

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

Boundary Conditions



Confirming the previous Gann analysis is the Boundary Conditions which 'bounded' the 2008 market fall. Shown below is the SPC5 - Standard & Poor's 500 Index on a daily basis.

What this chart show us is:

1.We have tested and found initial support at the:
    a.400 DMA
    b.200 DMA
2.The RSI Oscillator at the bottom of the graph suggests we found short term support.
3.There is a Bollinger Cross showing as a strong possibility in the Intermediate Term with a touch of the lower 2 standard deviation band.

THE FED IS LIKELY WATCHING THIS EXPOSURE VERY CLOSELY.

S&P - Long Term Target

Weekly

The Weekly above provides another perspective for the S&P. While the current move is obscured by Technical tool somewhat, you can see the long term channel top we are approaching.

The ellipse we have been able to fit and where the channels / triangles seem to suggest we are heading, all point to the same general location.

This is saying we will have more lift through the rest of the year and in to 2013, where we will be topping and starting down the other side of the ellipse.

S&P - Short Term Target(s)
Daily

Looking in a little closer we can get a better idea of where & how this market may move. Immediately below the current market location we can see a target that retests a previous support / resistance.

Lifting from there could give us an election rally. Note the light blue trend line that has provided resistance for the last few market tops. We offer up a couple of potential possibilities for the market path to take (green arrows).

To get the path 100% correct, outlined as it has been done, is difficult at best. You will note in our daily updates that the High Probability Target Zones (HPTZ$) have had some accuracy. Figuring out the next most likely HPTZ$ as the market unfolds, is not the same as trying to determine its exact path months ahead.

Take the "paths" outlined with a grain of salt and keep an open mind. Ultimately let the technical triggers tell you what is going to happen. We are biased on the targets; the paths however are only two of several potentials at this time.

Key Days To Watch

Sept.12-13 FOMC Meeting
Sept. 21 Quadruple Witch
Oct. 3 Phi Mate Turn Date - Major

Market Drivers (Macro)

The current Market Drivers are show to the right.

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

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

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

Yen: Euro

Euro:Usd

US$ Index

Gold

Bond Yields

SPX

NOTICE:

Inter-Issue Updates

Make sure you check out our Inter-Issue Updates! These are done 2x weekly and are posted Tuesday to Friday mornings 1 hour prior to the NYSE open. Currently these are being done for the S&P 500, EURO/JPY, $USD, EURO/USD, GOLD, Oil & VIX.

Technical Analysis is applied to both the Daily and Hourly time scales, we give the High Probability Target Zones (HPTZ$) for the next likely market moves. These have been fairly accurate of late and we encourage you to check them out if you are not already.

Good Trading!
GoldenPhi

TRIGGER$ TRADING METHODOLOGY

A solid trading methodology, as the backbone or foundation of your trading strategy, is required in order to consistently pull money from the markets. Regardless of the time frame or security being traded; day trading or investing; all require a methodology from which to build a trading strategy.

TRIGGER$ has its own methodology, which you can see the results of in our daily updates. It's rare that the market does not move to one of our High Probability Target Zones (HPTZ$).

Working the methodology ourselves, demonstrating it daily, we give "proof of concept" in real time.

Simplicity

Keeping your methodology as straight forward and as simple as possible is a good goal. You don't want to have to be thinking about all the requirements, rules and methods – you want to be focused on the market and your trading strategy.
"KISS" – Keep It Simple Stupid – is a great rule of thumb here.

TRIGGER$ Methodology

The basic TRIGGER$ methodology is as follows:

(1) Identify High Probability Target Zones
(2) Use technical triggers as considerations for entries & exits
(3) Apply personal trading strategy (risk tolerances etc) to technical triggers.

It really couldn't be any simpler. Identifying the HPTZ$ in (1) is key, however they are a result of using several simple TA methods as well, and do not require hours of analysis.

Technical

We believe a goal for a good trading system is to remove as much personal bias as possible and trade what the market does. The best way to achieve this is to rely on technical triggers to tell you what the market is doing and when/where to apply your trading strategy.

Through the development of (1) above, the market will also show you technical triggers that can be employed to use in your trading strategy. As this is determined well in advance, when the market unfolds in real time, you just need to watch and trade as it moves through the triggers. You already know the high probability areas the market is going to trade to – let it tell you the one it is going to be. Then use the technical triggers it crosses as part of your trading strategy.

(cont. pg.29)

Identifying HPTZ$

"High Probability Target Zones"

The Tools

While the Technical Analysis used in this method is part of the key to its success, the TA required is as "KISS" as it could be as well. Through understanding of the basics of TA and some simple concepts, you can identify High Probability Target Zones with accuracy. Not just price levels either, but time targets as well.

The basic Technical Analysis tools used are:

(1) Fibonacci Ratios
(2) Support & Resistance
 - trendlines & channels
(3) Moving Averages and Bollinger Bands
(4) Indicators
 - RSI, W%R or similar
(5) Elliott Wave Theory
(6) Gann

As you move down the list, the last two may give you pause. They are in categories of their own and you could argue not as simple as trend lines, channels or the other tools given. We would agree, however, understanding their key basic concepts are just as easy. In the cases of EW and Gann, understanding some rudimentary methods is sufficient. We don't advocate attempting to figure out all potential wave counts via EW for example. However understanding the concept of 3's & 5's and basic wave structure is easy to accomplish *and apply.*

While we have the list above as the minimum needed to get high probability targets, any tools or skills the trader currently has may also be added to the methodology. In theory, the addition of more tools should only increase the probabilities. This will have to be tested by the trader themselves to see if any value/benefit is added or not – but the option is there. This methodology requires the integration of several tools and allows for others to be added.

Integration

Integrating the tools together is another key element in achieving high probabilities. This is done through several methods and the resulting forecasts seem truly remarkable. The overlapping of information, forecasted together, highlights areas that are easy to identify and are achieved consistently.

This is not a "Holy Grail" or without its errors. However, the resulting information from the integration of the various methodologies allows you to increase the probabilities of where you see the market is going. Through the application of the methodology, your understanding of the market will increase, increasing your ability to identify high probability targets.

Targets

The methodology requires that you identify the HPTZ$ *both above and below* the current market. While a bias is usually established through the analysis and process of integration, the market is known to be full of surprises. Identifying the likely targets both above and below the market allows you to be prepared no matter what it ends up doing. Using the technical indicators and tools as triggers, you really should not have a preference for which way the market moves – up or down the triggers will get you in as the market makes its way to the HPTZ$.

Technical Triggers

Triggers

Through the development of the forecast when ascertaining the HPTZ$, technical triggers will be set up for your consideration. It

(cont.pg.30)

TRIGGER$ Trading Methodology (cont.)

will become very apparent after some use that the market will move from one technical trigger to another. This is a product of the tools, how they are applied, and the settings used with them. This allows you to consider the technical set-ups on the chart as triggers for entry and exits; and a trading strategy can be built around them depending on individual risk tolerances.

Risk

While this is a technical system, the same tools or triggers are rarely in use for any length of time. That is, the same moving average may not always be in a position to be the trigger for an entry or exit all the time, nor have anything to do with the target or HPTZ$. At other times it may be the key. However, there are ways to use the technicals that do set up to evaluate risk. Developing a trading strategy around these can be done with any level of risk tolerance a trader may have. Because there is no set technical and they are adjusting with the market, you are also forced to consider risk in every trade. Even though your trading strategy may devise a method to streamline or automate the risk, it needs to be considered and built in to the trading strategy "manually". We believe that this aspect of the methodology is one of its strengths. Being forced to manage risk is good for both strategy development and trading in general.

The Technical Triggers that are set up through the methodology are all about Risk and offer different levels to be applied to each individual trader's personal profile.

Other Considerations

The above outline is the basics of the Triggers Trading methodology. Simple, yet effective. The HPTZ$ are a key to the method and we have shown over time that they can be consistently identified.

No more is required to execute this method effectively. However we do recommend a few more areas of knowledge that would assist in your trading and the implementation of this methodology.

Global Macro Perspective

Information and its correct evaluation is a key component of market success. While we advocate technical analysis, we also understand that it is in part driven by the global macro economy & events.
Having awareness of the global markets and world events, and the proper evaluation of their implications, aids in the correct interpretation of technical analysis methods.

Market Drivers

It's not enough to only know the market you trade/invest in. While it may be difficult to ascertain and monitor all influences on your market, you are able to do so with key market drivers. Knowing what these are and what is occurring with them can give you a "heads-up" for the market you are trading. They can also aid in identify key technical areas. As an example, the US$ has a strong influence on the S&P. If we were looking for a technical area that may offer resistance on the S&P chart, we would also expect to find resistance in the US$. If none was found in the US$, then we may have a clue that the technical on the S&P is not going to hold.

All markets have a driver, and these change according to Global Macro events. The correct Global Macro Perspective is required in order to correctly identify market drivers and when they change.

(cont.pg.31)

TRIGGER$ Trading Methodology (cont.)

TRIGGER$ Trading Methodology

One of the goals of TRIGGER$ is to assist traders in the development of a successful trading strategy. In order to develop this, a solid methodology is required.

We know the methodology we have outline above works because we use it and publish its results in our updates daily. TRIGGER$ publications also offer unique Global Market perspectives as well as the market drivers for most major markets monthly.

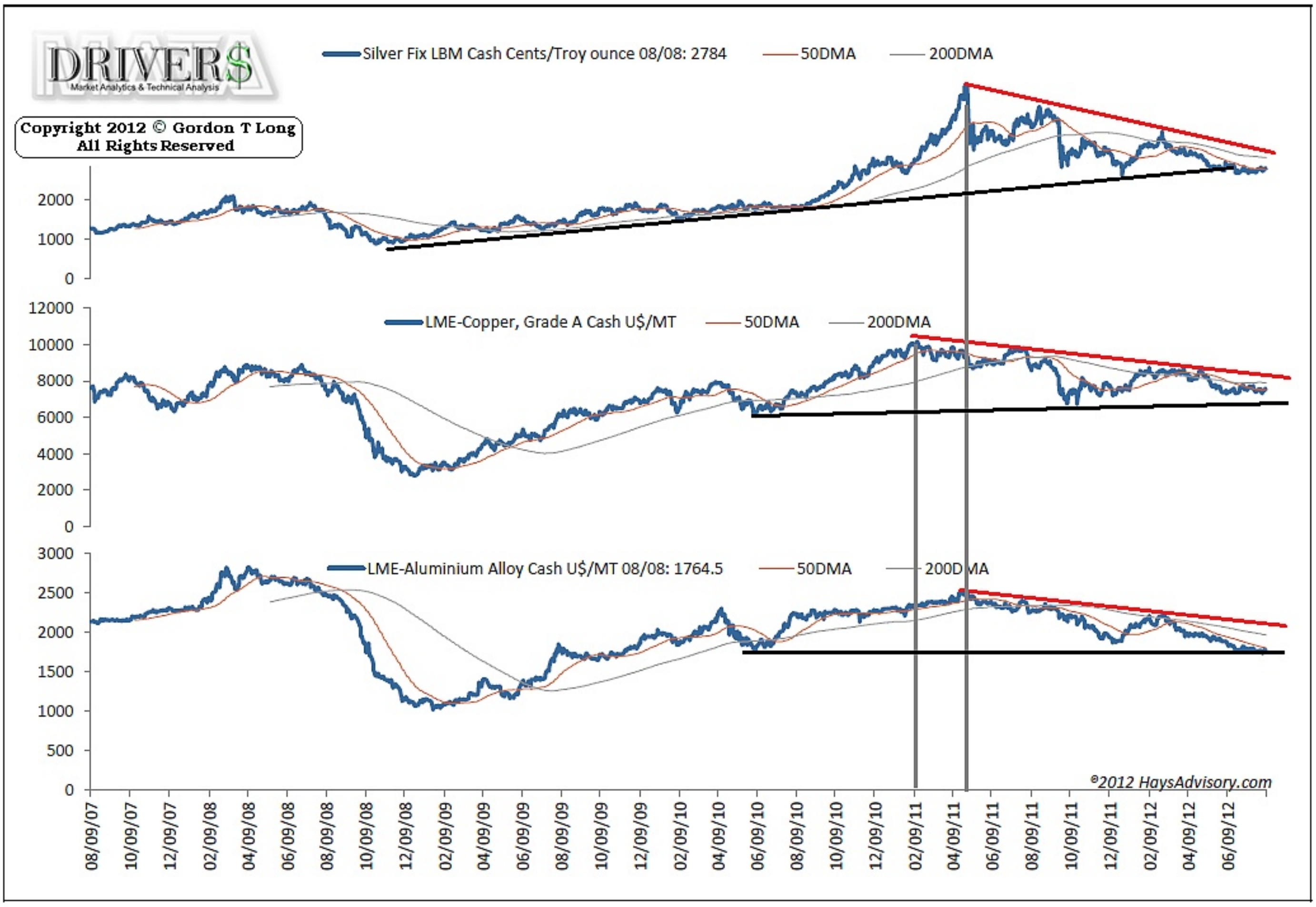
We are in the process of making our methodology and its specific methods available to the public. If this is something that interests you, keep a look out in future publications and on the site.

What are your thoughts on the methodology we have outlined above? Questions, comments or concerns? As we are making this for traders/investors, we take all input seriously and thank-you for the time you take to give it consideration.

END GoldenPhi

Feedback to: goldenphi@triggers.ca

Copper & Silver



The Central Banks are achieving their Intermediate Term objective of holding inflation at bay by having commodity prices fall. It is being assisted by plummeting global PMI's and GDP.

What this chart shows us is:

1.Dr Copper (in the middle chart) has been steadily weakening since last winter (2011). It signaled, and is now being supported by PMI indicators, that global economies across the board are slowing significantly.

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

a.We appear to be have been testing a long term support trend line in both instances and may have marginally broached it.

b.A break of the Upper Red Overhead resistance lines will be a critical level to watch going forward.

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

4.We may be reading too much into the charts but Silver appears to be an Intermediate term consolidation pattern (symmetrical triangle) that when complete should break to the upside. Aluminum and Copper however look more like rounded tops though a flat bottomed triangle often seen as part of a consolidation is also evident.

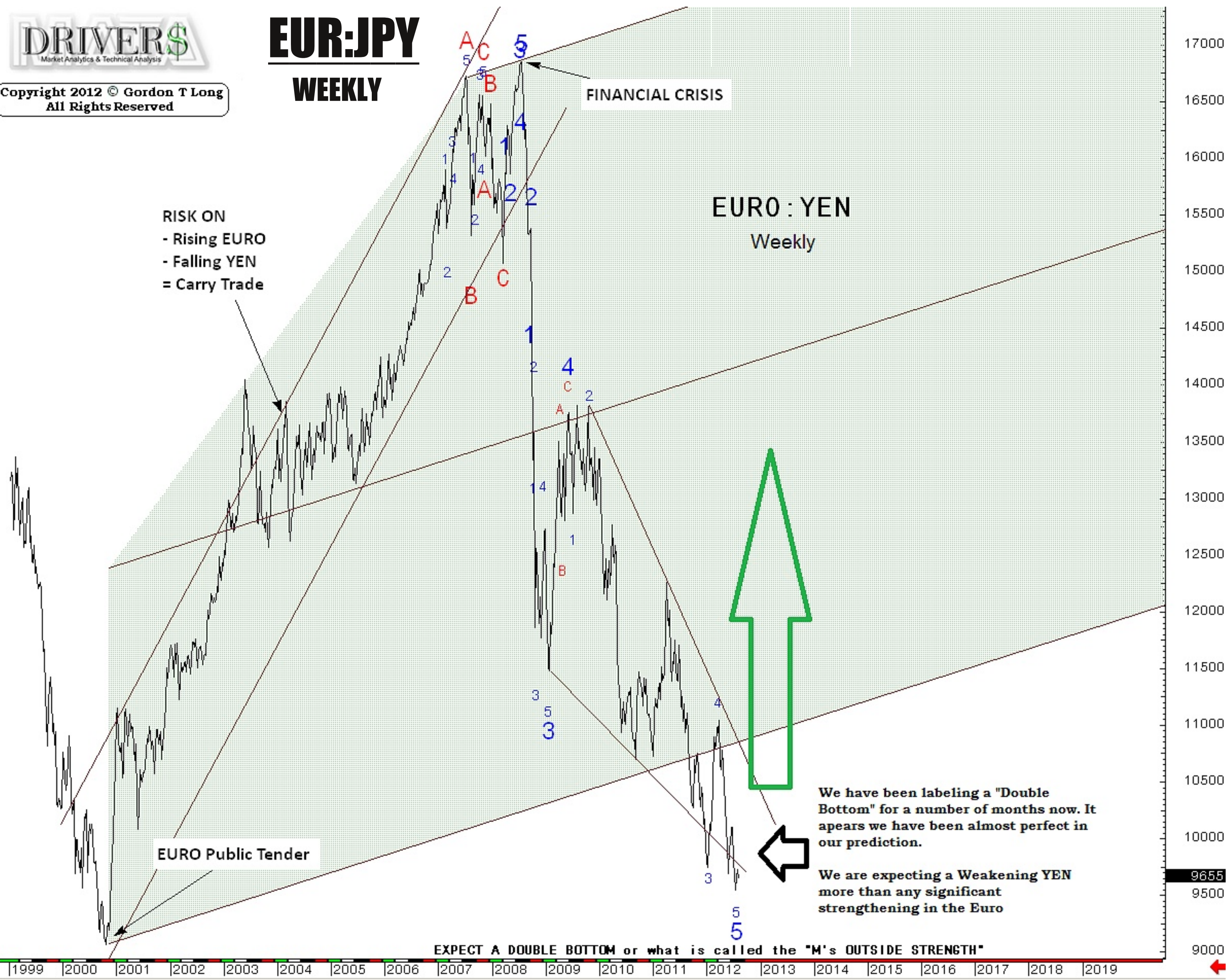
Commodity Index

The RSI (lower pane) shows that major support may in fact have already been reached. Major advances have been launched from these levels of Relative Strength previously.

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

What this chart shows us is:
CHANNEL BREAK: We have broken a long term upward channel (an unsustainable RATE),

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



The rising green arrow is more about a planned and managed attempt at weakening the Yen than strength in the Euro.
The YEN must be weakened as its strength is crippling Japan's export economy.
The Euro has fallen from ~ + 1.50 to ~ 1.23. Though we expect further weakness it is likely to consolidate at these are higher levels.

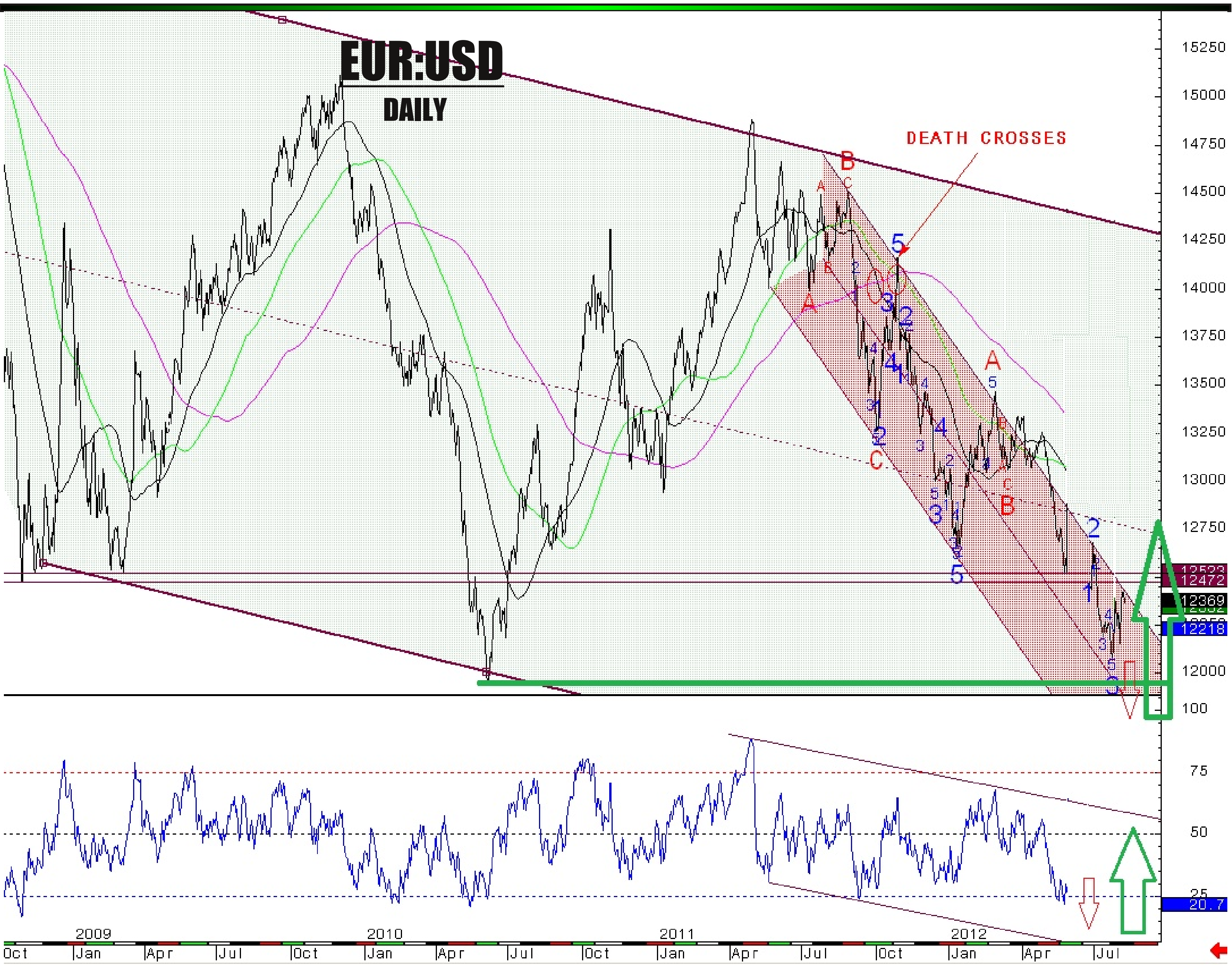
$USD

Our Global Macro Tipping Points (GMTP) service has been indicating the following outlook:

The events in Europe have precipitated a temporary but Intermediate term flight to safety. The US Dollar and US Treasuries have been the recipients of this flight to safety as the US financial markets are seen to be a safe haven RELATIVE to other options. These Global Macro developments have temporarily halted what was an ongoing, long term weakening in the US dollar.

As we wrote as early as last November, any PERCEIVED SOULTIONS to the European Sovereign Debt Crisis, even if they are of the 'kick the can down the road' variety policies, would result in the US dollar weakening. A weakening dollar means it takes more US dollars to buy the same S&P basket of stocks and hence stocks denominated in US dollars would rise. Conversely as the EU Summit attempts have found to be wanting, the Euro has weakened, the dollar strengthened and US equities have normally then fallen.

The European situation continues to worsen as Spain and Italian yields are well over 7% and Spreads against German Bunds are well north of 5%. Draghi's promised solution from the ECB will likely to temporarily weaken the US$ slightly and to then see it consolidate with a test of its recent high.



The Euro will continue to weaken against the US dollar. The US Dollar Index will advance and US Equity markets will come under continued pressures in the very short term.

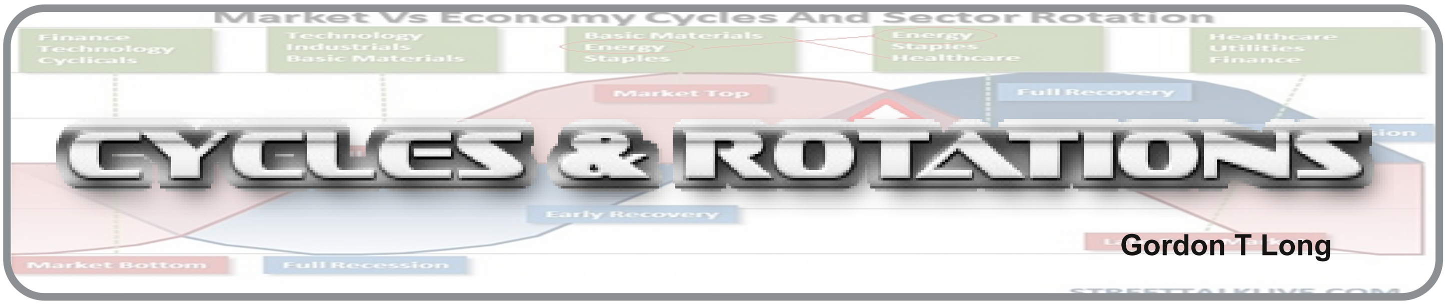
The only solution for the EU is the ECB monetizing money for funding bailouts. This realization will mean that European monetization will further weaken the Euro and the US Dollar will resume its advance.

The present strategy in the EU is a "Political Union" and to change the treaty accord to put EU "teeth" into countries having to take stronger actions to bring their debt within EU targets. There is no solution given on how the EU does this other than austerity, which almost assures economic weakness and possible collapse going forward. Expect increasing broad based social unrest.

The hidden and real reason for this is to change the mandate of the European Central Bank (ECB) to allow it to become the "lender of last resort". This is an euphemism for 'allowed to print money'. The mandate of the ECB is different than the US Federal Reserve and the hidden agenda is to change this.

As we predicted in previous reports, and is now showing signs of coming to fruition, we expect Spain / Portugal & Italy to soon launch the next and more serious round of the EU crisis. Keep your eye on France and other peripheral nations such as Cyprus, the Netherlands. The fact Poland has deferred Eurozone entry is very telling.

The Euro -US Dollar Cross is confirming this with its recent technical "Death Cross" with the 50 DMA moving through the 200 DMA. The 100 DMA is well advanced in following the 50 DMA.



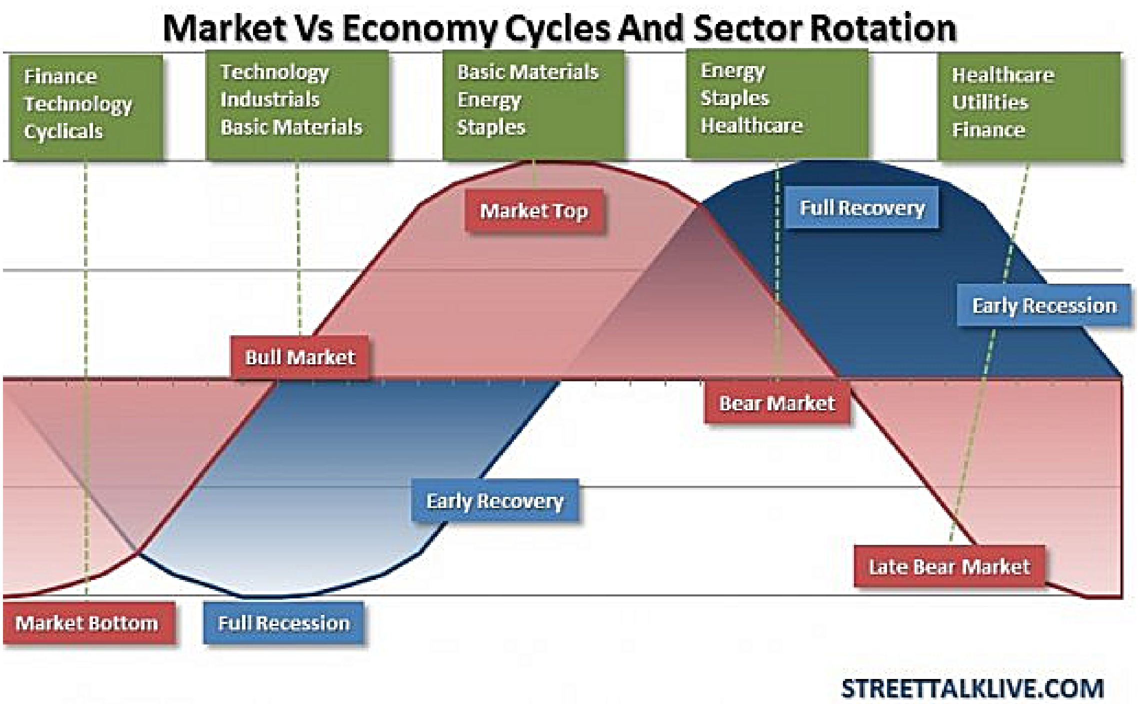
The Message of Sector Rotation

***"To Everything (Turn, Turn, Turn)
There Is A Season (Turn, Turn, Turn)
And A Time To Every Purpose, Under Heaven A Time To Be Born, A Time To Die
A Time To Plan, A Time To Reap
A Time To Kill, A Time To Heal
A Time To Laugh, A Time To Weep"***

These lyrics to Turn! Turn! Turn! by the Byrds were originally adapted from the book of Ecclesiastes in the Bible.

While the song discusses the "seasons" of life, it is just as applicable to the economy and the markets. There is a cycle to all things big and small, and the key to long-term success in investing is the ability to understand the difference between the "seasons" in the markets and the economy.

The chart below from [Lance Roberts at StreetTalklive.com] is an overlay of the economic cycle and the market cycle. The market cycle has been shifted ahead by about six months as it has historically tended to lead the economic cycle. This is a generalization, of course, and this time could certainly be different. However, if we use history as a guide, we should be able to garner some clues about where we are in the current market and economic "seasons".



(cont.pg.38)

Cycles & Rotations (cont.)

So where are we today?

SECTOR ROTATION

I have abbreviated below an ETF ranking for the last 3 months. SOURCE: [ETF Screen.com]

Viewing data as of 2012-08-16 2:10 pm ET (updated hourly).

Name	Symbol	RSf	Rtn-1d	Rtn-5d	Rtn-1mo	Rtn-3mo	Rtn-6mo	Rtn-1yr	$vol-21
Direxion Energy Bull 3X Shares	ERX	94.21	2.94	1.56	18.59	39.50	-9.14	1.42	62m
iPath DJ AIG Grains ETN	JJG	98.84	0.72	-2.05	-0.84	30.86	37.81	17.62	8m
Proshares Ultra Oil & Gas	DIG	83.51	2.02	1.43	11.14	25.02	-6.03	7.52	15m
Direxion Financial Bull 3X Shares	FAS	97.59	1.87	3.00	5.74	23.53	6.00	29.68	349m
iShares Dow Jones U.S. Home Const	ITB	99.29	3.07	2.54	5.39	21.46	25.45	83.42	39m
iPath DJ AIG Agriculture ETN	JJA	94.39	0.33	-2.17	-2.79	19.48	18.78	0.75	1m
iShares Dow Jones U.S. Telecommunications Index Fund	IYZ	94.65	-0.93	1.46	5.22	17.58	10.68	14.20	12m
Guggenheim China Real Estate	TAO	92.25	0.43	-1.16	0.21	17.07	2.45	6.70	184k
Proshares Ultra Technology	ROM	97.06	3.20	3.81	13.95	17.06	4.55	47.32	1m
Proshares Ultra Basic Materials	UYM	30.21	2.89	1.45	8.92	17.04	-15.03	-9.72	7m
Proshares Ultra Real Estate	URE	97.42	0.72	1.58	-2.02	16.43	15.37	33.88	7m
SPDR Homebuilders	XHB	98.48	3.00	2.72	6.86	16.00	15.91	62.83	108m
Proshares Ultra Financials	UYG	96.61	1.25	1.95	3.56	15.97	6.02	29.59	31m
Proshares Ultra Industrials	UXI	95.90	1.91	2.26	8.14	15.84	0.06	37.79	166k
Market Vectors Oil Services	OIH	40.46	1.58	0.37	9.86	15.11	-4.72	-7.53	170m
iShares FTSE EPRA/NAREIT Asia Index Fund	IFAS	92.34	0.28	-0.42	1.70	15.08	5.41	12.69	182k
Proshares Ultra Health Care	RXL	97.68	-0.57	1.20	-0.59	14.93	15.45	50.09	376k
iShares FTSE EPRA/NAREIT Global RealEstate ex US	IFGL	91.71	0.59	0.39	3.29	14.93	7.26	9.71	17m
SPDR DJ International Real Estate ET	RWX	92.51	0.52	0.80	3.32	14.55	10.19	10.25	17m
SPDR Oil & Gas Expl & Prod	XOP	45.37	1.61	1.62	5.94	14.54	-9.43	2.86	205m
First Trust Energy AlphaDEX Fund	FXN	33.07	1.14	0.00	6.28	14.24	-8.83	-5.74	2m
iShares Dow Jones U.S. Oil & Gas Expl & Prod	IEO	38.68	1.27	0.51	5.05	14.04	-10.66	0.53	8m
iShares Dow Jones U.S. Oil Equip & Svcs	IEZ	36.27	1.14	0.17	9.23	13.90	-7.73	-5.11	8m
Vanguard Telecommunication Services	VOX	93.40	-0.59	1.11	2.13	13.72	11.31	15.49	4m
First Trust ISE-Revere Natural Gas Index Fund	FCG	22.10	1.84	0.47	4.70	13.46	-9.93	-11.96	9m
Select Sector SPDR Fund - Energy Select Sector	XLE	61.32	0.92	0.53	6.14	13.41	-1.79	8.06	788m
Guggenheim S&P Equal Weight Energy ETF	RYE	43.05	0.81	-0.14	6.63	13.14	-6.51	1.39	103k
iShares Dow Jones U.S. Energy	IYE	60.70	1.09	0.68	5.59	12.81	-1.89	8.17	12m
iShares S&P Global Energy Index Fund	IXC	56.06	0.88	0.72	5.82	12.77	-3.68	6.63	4m
Proshares Ultra Utilities	UPW	96.08	-0.02	-0.43	-1.12	12.63	14.69	32.92	224k
iShares S&P Natural Resources Index Fund	IGE	37.88	1.56	0.97	6.72	12.62	-7.10	-2.42	7m
iShares S&P Global Telecommunications Index Fund	IXP	84.31	-0.25	0.05	1.79	12.48	10.43	9.83	5m
PowerShares Listed Private Equity Portfolio	PSP	64.80	0.44	0.65	2.78	12.29	-0.65	2.48	1m
Guggenheim S&P Equal Weight Utilities ETF	RYU	92.78	-0.12	0.25	2.98	12.25	11.79	19.30	553k
Vanguard Energy VIPERs	VDE	55.62	1.01	0.73	5.34	12.22	-3.21	6.82	10m
iShares S&P Global Financial Index Fund	IXG	68.45	1.31	1.41	4.74	12.01	-0.65	6.34	673k
First Trust ISE Water Index Fund	FIW	88.86	0.72	1.61	2.97	11.24	2.19	23.11	311k
First Trust Utilities AlphaDEX Fund	FXU	74.06	-0.48	0.54	2.89	11.21	5.25	12.07	2m
SPDR Oil & Gas Eqpmt & Svcs	XES	29.41	1.65	0.64	6.89	11.17	-9.63	-2.53	5m
Market Vectors RVE Hard Assets Prod ETF	HAP	40.73	1.43	0.91	4.79	11.07	-5.14	-1.89	466k
Vanguard Materials	VAW	60.78	1.47	1.05	3.74	11.01	-2.32	9.32	3m
Select Sector SPDR Fund - Materials	XLB	58.47	1.48	0.55	2.92	10.90	-1.94	7.38	275m
PowerShares Water Resource Portfolio	PHO	78.61	1.05	1.16	3.45	10.74	-0.25	17.51	2m
Select Sector SPDR Fund - Technology	XLK	93.85	1.29	1.66	5.96	10.63	7.91	27.90	239m
ProShares Ultra DJ-AIG Commodity	UCD	18.18	0.00	-2.77	-1.59	10.29	-5.50	-24.27	79k
Market Vectors Gold Miners	GDX	12.83	3.19	2.24	10.80	10.21	-17.09	-24.78	452m
iShares FTSE NAREIT Retail Index Fund	RTL	95.99	0.63	1.24	1.21	10.05	12.05	29.78	120k
Market Vectors Bank and Brokerage	RKH	75.49	1.26	1.58	6.05	10.04	-5.15	18.90	431k
Proshares Ultra Semiconductors	USD	47.59	2.49	0.80	15.20	9.95	-15.16	23.81	790k
PowerShares WilderHill Progressive Energy Por	PUW	50.45	1.34	1.34	4.10	9.91	-6.68	7.25	123k
iShares FTSE NAREIT Mortgage REITs Index Fund	REM	94.03	-0.54	0.55	0.90	9.86	13.23	18.11	14m
Market Vectors Biotech ETF	BBH	97.77	-0.81	0.48	1.52	9.58	13.61	58.79	1m
Guggenheim S&P Global Water ETF	CGW	73.71	0.99	2.00	3.89	9.47	4.39	11.78	548k
iShares NASDAQ Biotechnology Index Fund	IBB	97.33	-0.83	0.68	-0.78	9.46	10.23	44.44	82m
Guggenheim S&P Equal Weight Materials ETF	RTM	55.97	1.53	0.08	3.08	9.33	-3.17	9.86	68k
iShares S&P Global Healthcare Index Fund	IXJ	89.39	-0.08	0.88	1.57	9.26	8.19	19.65	2m

Basic Materials

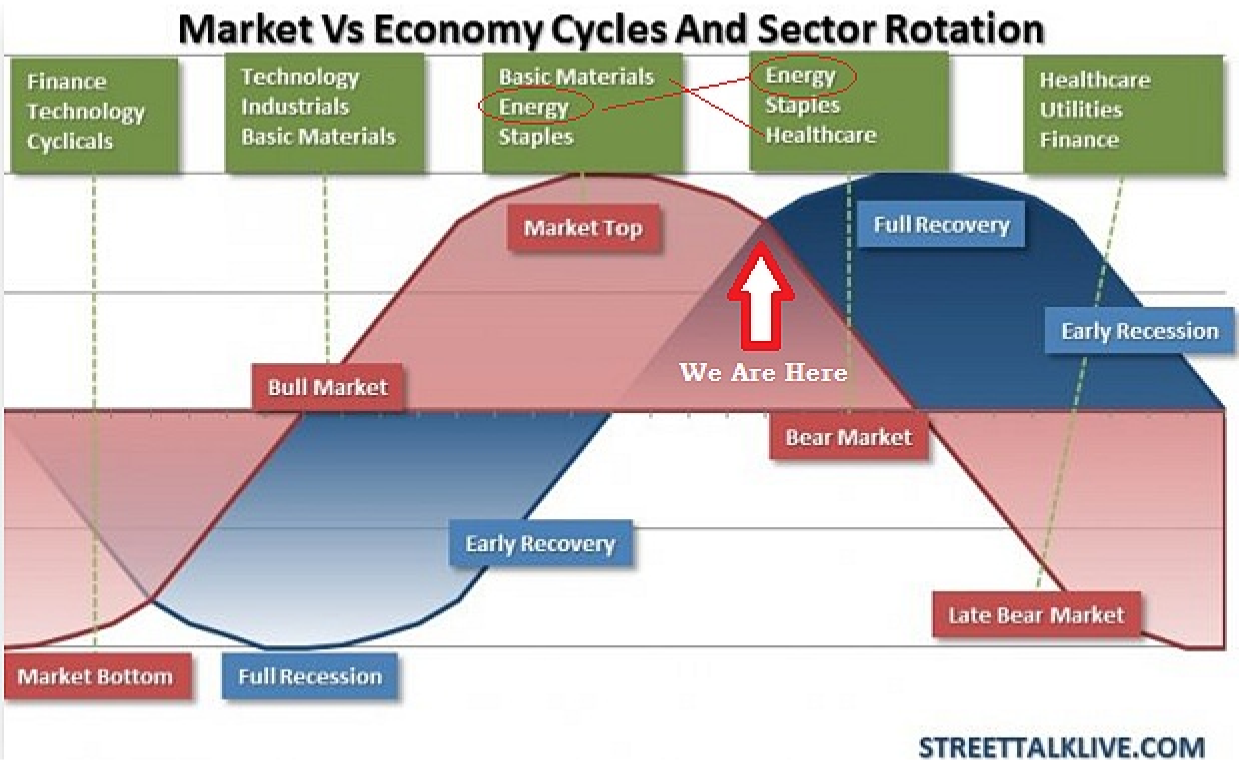
Energy

Healthcare

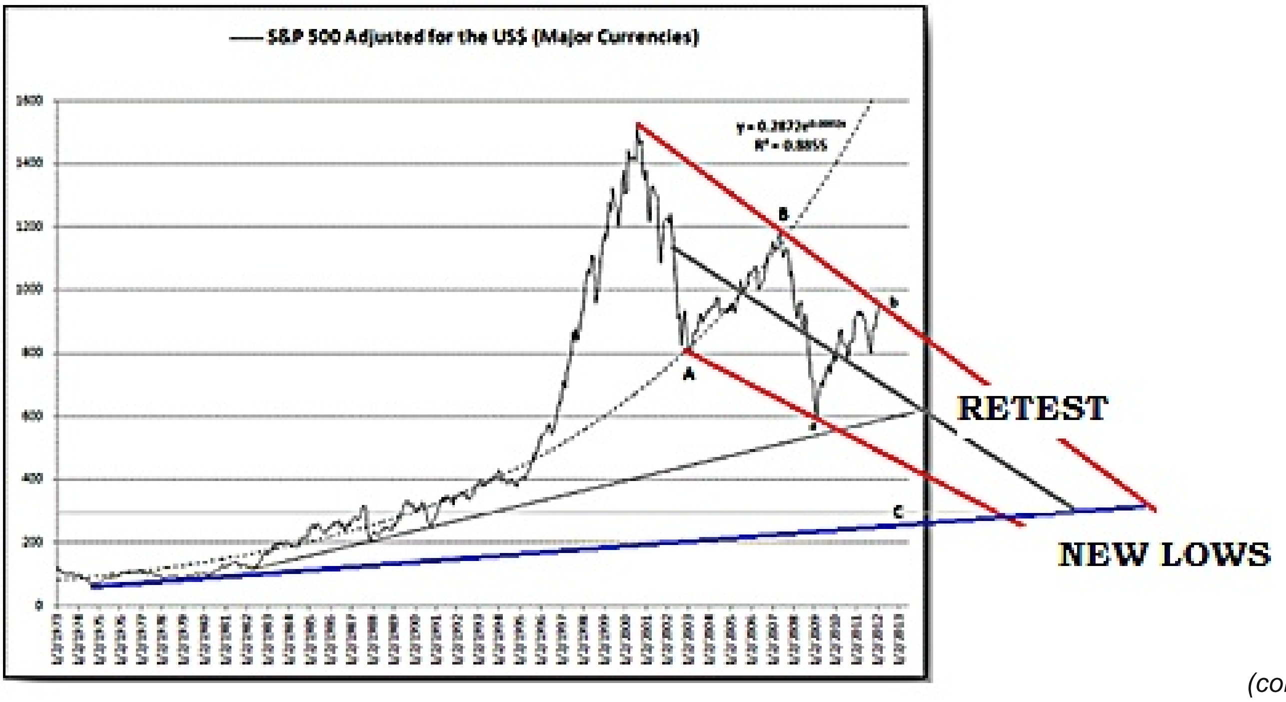
(cont.pg.39)

Cycles & Rotations (cont.)

What we clearly see from the upper end of the total population of ETF's is that Energy is dominating over the last 3 Months with Healthcare beginning to weigh in the Basic Materials beginning to fade.



What is not obvious is that the market is distorted from "real" value when it is reported in Nominal Value. If we correct for this it becomes clear where we stand and how the above chart in fact does aligns. The chart below has adjusted for the US$ (major currencies).



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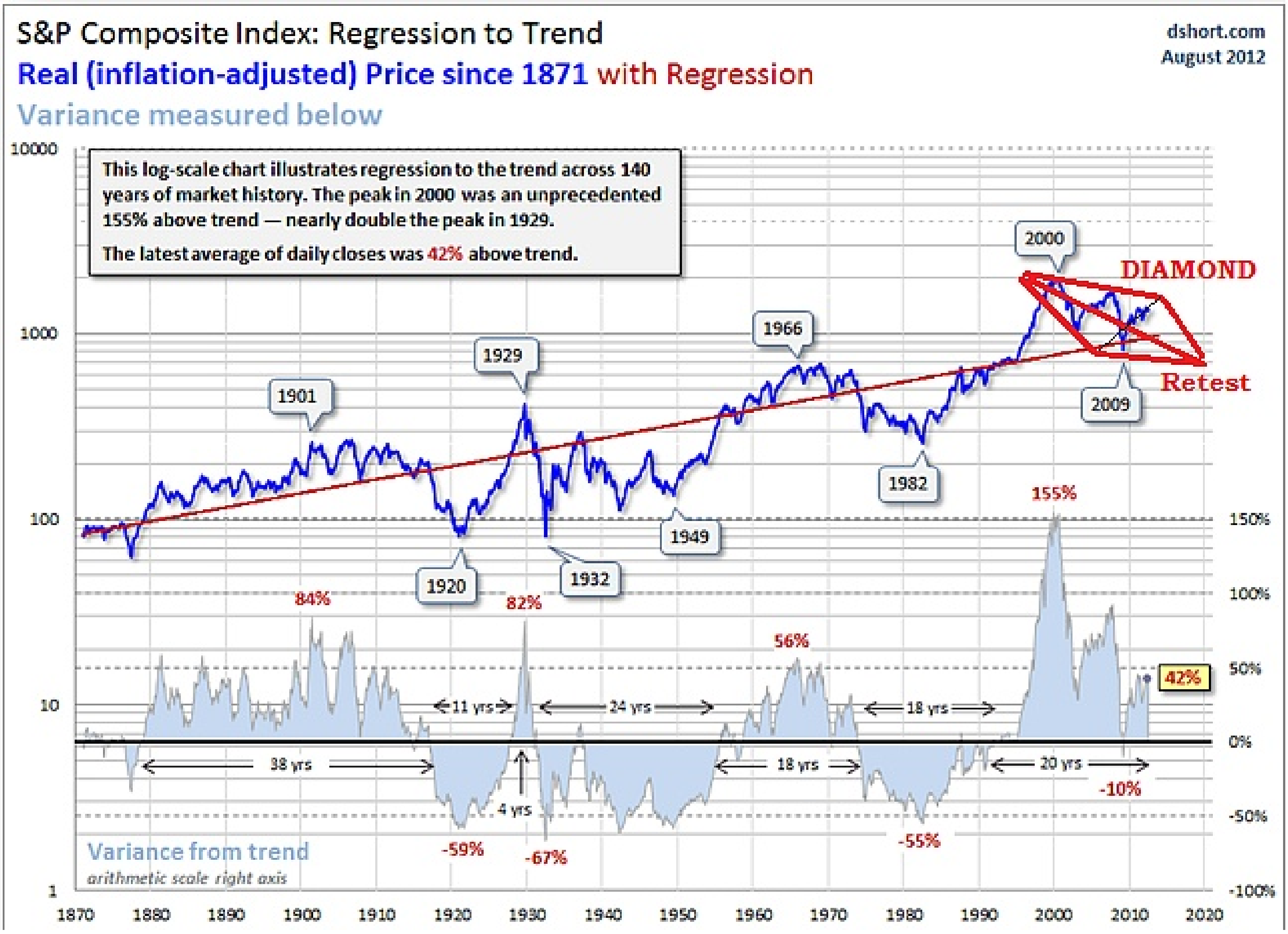
Cycles & Rotations (cont.)

The next chart adjusts nominal market results via inflation as represented by the official CPI.

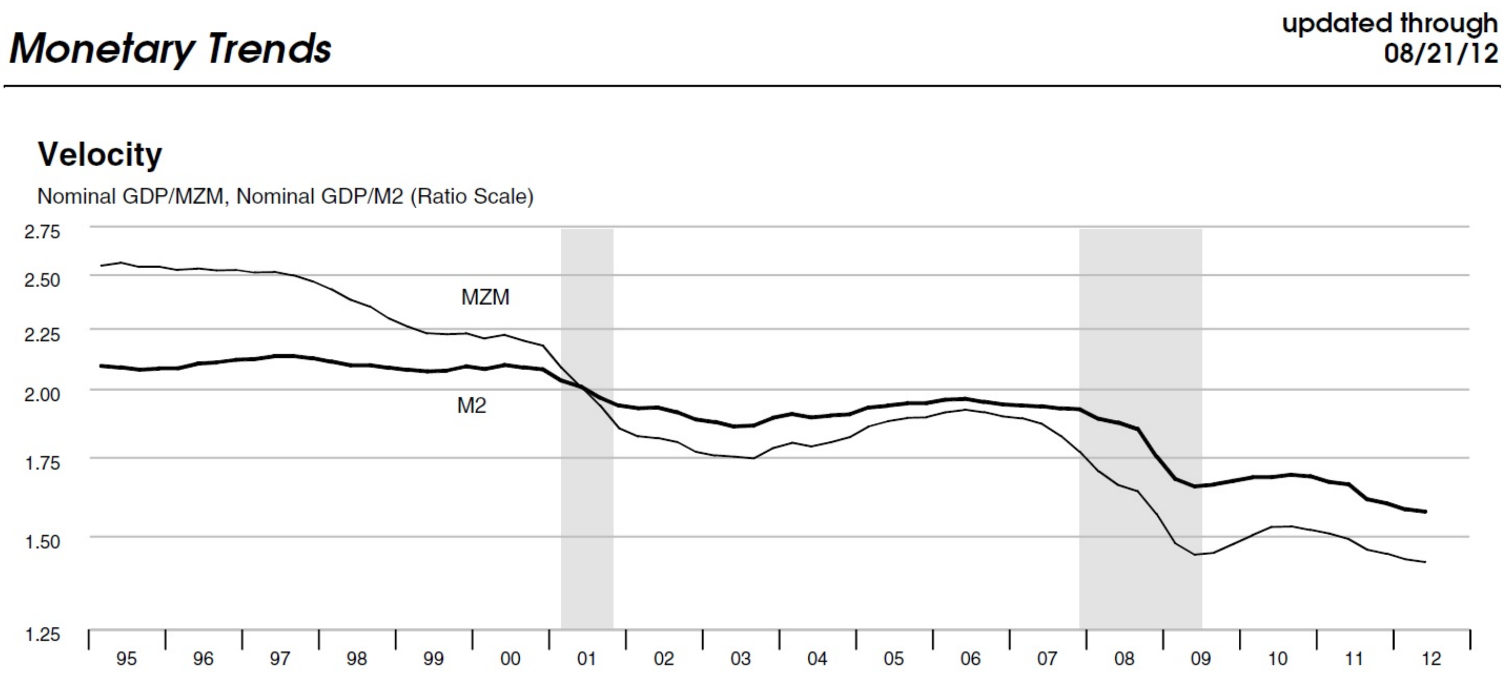


It looks like the market is telling us that new post 2008 lows are ahead of us during the completion of this decade! MINIMALLY, A RETEST IN REAL TERMS.

END **Gordon T Long**

INFLATION RISK - MONEY VELOCITY

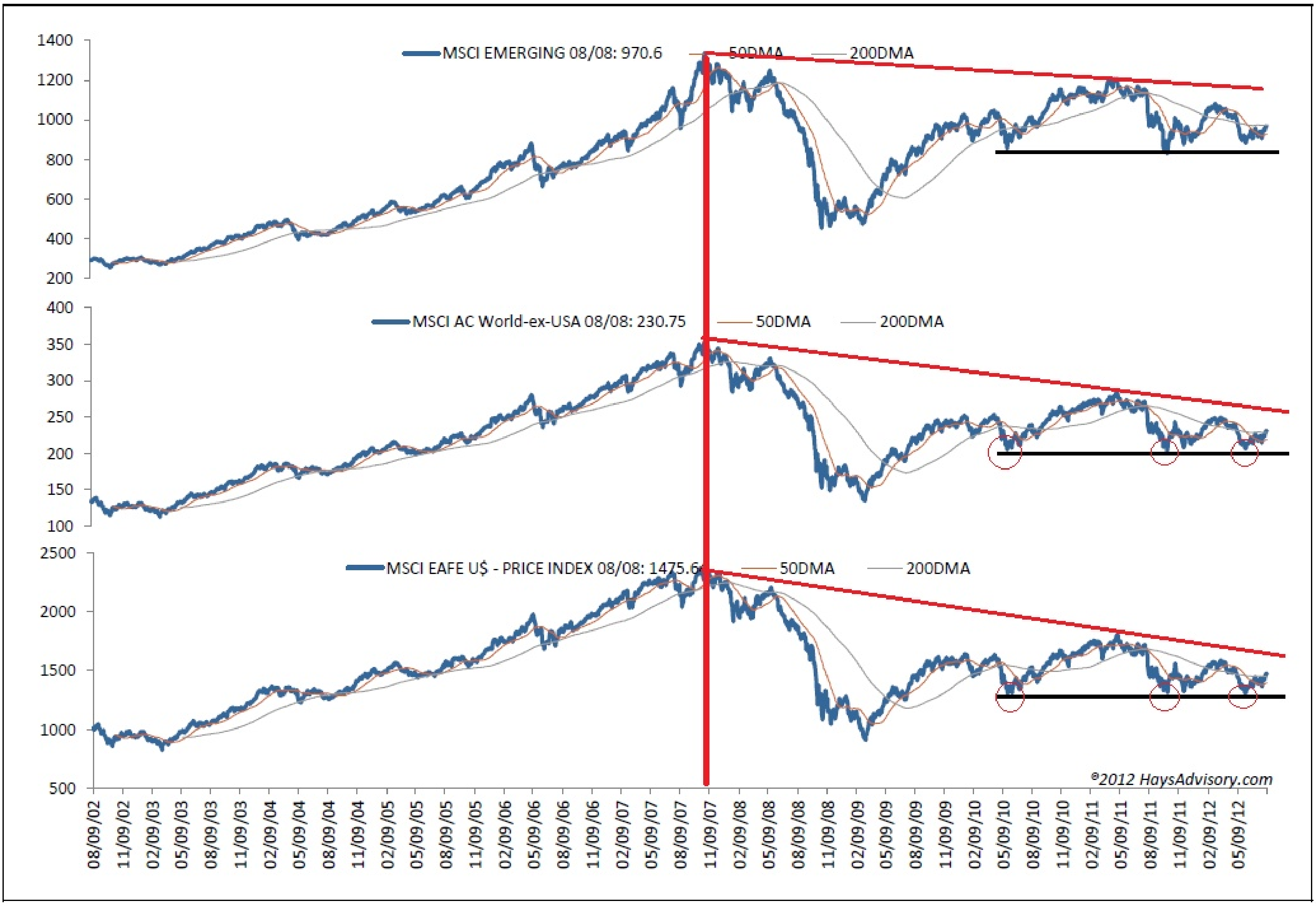
The US Federal Reserve is unable to get any 'traction' with Money Velocity despite increasing M3 Money Supply. This is primarily because Nominal GDP Growth is insufficient. The Federal Reserve needs to get Nominal GDP growth above 4%.
Velocity is becoming a concern.
Source: [Federal Reserve]



GLOBAL EQUITIES RISK- MSCI

MORGAN STANLEY INTERNATIONAL MSCI

TRIPLE BOTTOMS SHOWING IN MULTIPLE MARKETS



What the above Global Equities chart shows us is:

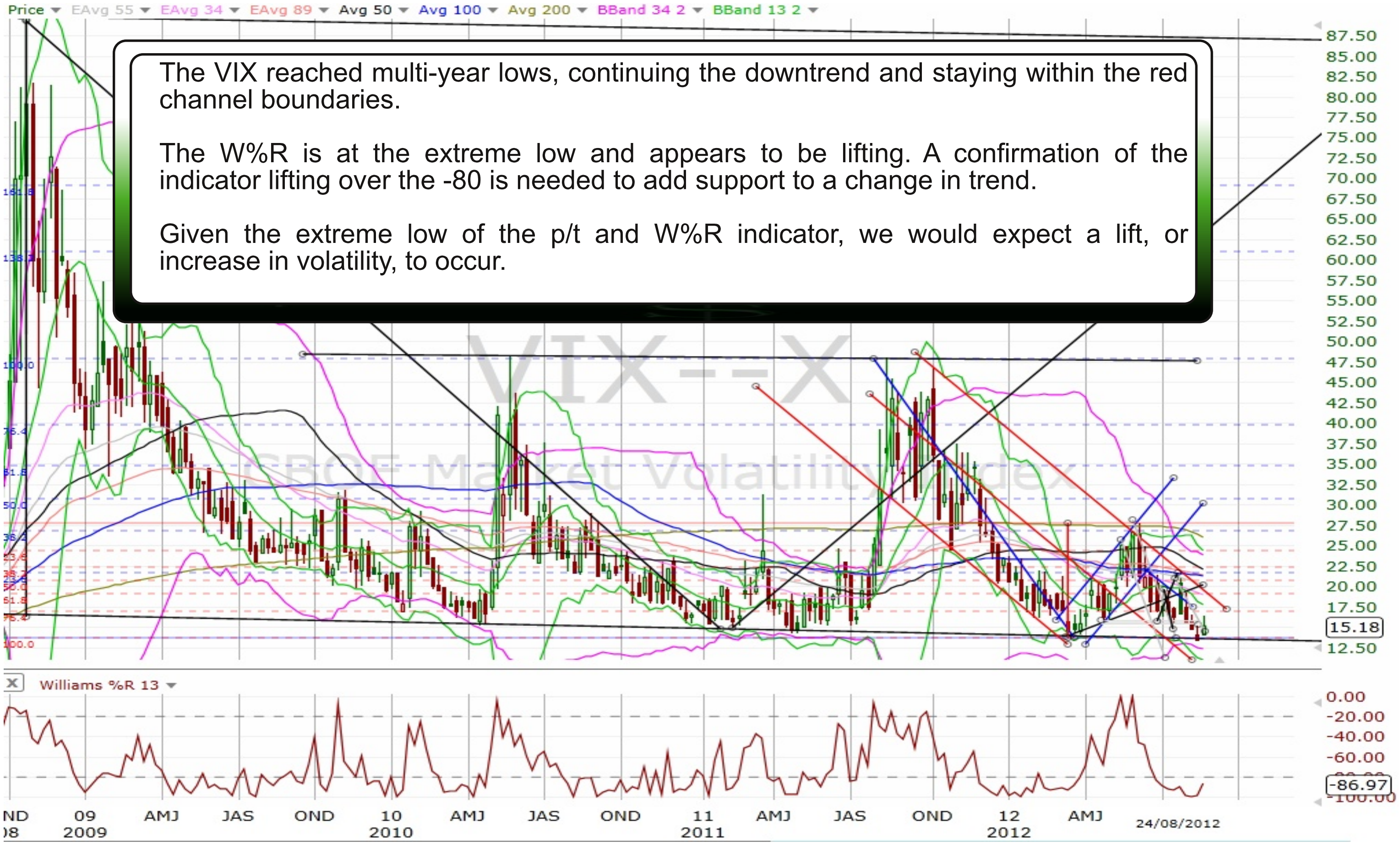
1. All World Markets are on a steady downtrend,

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

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

4. We may have reached near term support levels as we have multiple sets of TRIPLE BOTTOMS and have turned up slightly since this occurred.

VIX - Weekly



The VIX reached multi-year lows, continuing the downtrend and staying within the red channel boundaries.

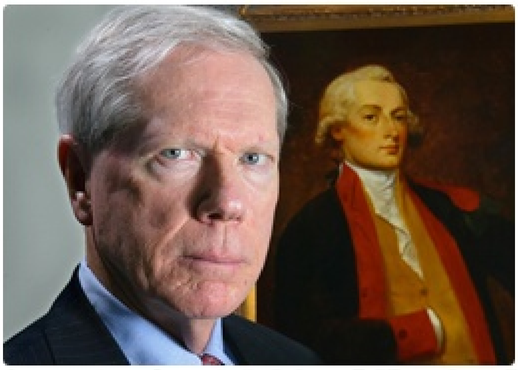
The W%R is at the extreme low and appears to be lifting. A confirmation of the indicator lifting over the -80 is needed to add support to a change in trend.

Given the extreme low of the p/t and W%R indicator, we would expect a lift, or increase in volatility, to occur.

VIX - Daily

The daily view shows us the potential "bottoming" at the multi-year lows. The black trend-line goes as far back as 2007 providing support.

Expecting the bottom to hold, but need to break through the top of the red channel to consider a trend change.



IPE
Paul Craig Roberts
Institute for Political Economy
http://www.paulcraigroberts.org/

America's Descent into Poverty

The United States has collapsed economically, socially, politically, legally, constitutionally, and environmentally. The country that exists today is not even a shell of the country into which I was born. In this article I will deal with America's economic collapse. In subsequent articles, i will deal with other aspects of American collapse.

Economically, America has descended into poverty. As Peter Edelman says, "Low-wage work is pandemic." Today in "freedom and democracy" America, "the world's only superpower," one fourth of the work force is employed in jobs that pay less than $22,000, the poverty line for a family of four. Some of these lowly-paid persons are young college graduates, burdened by education loans, who share housing with three or four others in the same desperate situation. Other of these persons are single parents only one medical problem or lost job away from homelessness.

Others might be Ph.D.s teaching at universities as adjunct professors for $10,000 per year or less. Education is still touted as the way out of poverty, but increasingly is a path into poverty or into enlistments into the military services.

Edelman, who studies these issues, reports that 20.5 million Americans have incomes less than $9,500 per year, which is half of the poverty definition for a family of three.

There are six million Americans whose only income is food stamps. That means that there are six million Americans who live on the streets or under bridges or in the homes of relatives or friends. Hard-hearted Republicans continue to rail at welfare, but Edelman says, "basically welfare is gone."

In my opinion as an economist, the official poverty line is long out of date. The prospect of three people living on $19,000 per year is farfetched. Considering the prices of rent, electricity, water, bread and fast food, one person cannot live in the US on $6,333.33 per year. In Thailand, perhaps, until the dollar collapses, it might be done, but not in the US.

As Dan Ariely (Duke University) and Mike Norton (Harvard University) have shown empirically, 40% of the US population, the 40% less well off, own 0.3%, that is, three-tenths of one percent, of America's personal wealth. Who owns the other 99.7%? The top 20% have 84% of the country's wealth. Those Americans in the third and fourth quintiles–essentially America's middle class–have only 15.7% of the nation's wealth. Such an unequal distribution of income is unprecedented in the economically developed world.

(click on article to open source and finish reading)

(cont pg.45)

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Marc Faber : 100 Percent Chance of Global Recession

Marc Faber : *"Europe is already in recession," "Germany is still growing very, very slightly, but is likely to go into recession soon." "The U.S. economy has decelerated and I don't see much growth in the next six to 12 months,"*
"I think that if you look at the injection of liquidity and the intervention by the Federal Reserve and the Treasury with fiscal measures, it has already impoverished the U.S. economy,"

(click to open source and watch video)

Stay away from the Financials they are Toxic - The Party is Over for America

The Real Crash is still to come and it is around the corner

Peter Schiff : *" The United States is in a lot of trouble , a lot of people are focused on Europe right now as if Europe is in more trouble , but it is not , I think the difference is that Europe has been forced to recon with its problems now , the bond market is not giving them anymore slack so they kind of run out of rope so now they are at a point where they have to make some tough political choices in America we have been able to delay those tough choices because the world is still lending us money , the FED still got interest rates to zero and the treasury still can borrow money at next to nothing and so it doesn't have to cut on nothing you can keep on expanding government and artificially stimulate this phoney economy that we have although I think ultimately the more the stimulus we have it does not have much of an effect ...I think we are headed back into recession ......"*

(click to open source and watch video)

(cont pg.40)

Contents Page

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

Trading Fibonacci & Elliott Waves

Previous articles dealing with the nature of Fibonacci have explored price retracements and extensions. For whatever reasons, the market shows some consistency with these ratios. They are not always perfect, you are not always sure exactly what will happen if the market makes it to the Fibonacci level - sometimes it is respected, other times, not. Despite this, they can be useful when implemented correctly.

If you use Fibonacci ratios at all, you will have to have noticed that the market does seem to respond to these levels. The basic theory is that the market is somehow moving – expanding & contracting – with this relationship in mind.

Given this premise, then any move (or wave) the market makes should in some fashion be in “Fib relationship” to the rest of the market.

When 1st examining Fibonacci and its relationship to the markets, we focused on finding completed waves and then looking at the retracements and extensions these created. We also know that the market is fractal in nature, and any one of those “completed waves” is a smaller wave of a larger, and is also made up of smaller waves itself.

Understanding that all the waves, big and small, should in some way relate via the Fibonacci ratios, then it goes to reason we can use the Fib tool on any “high-low” or size of wave in order to measure or forecast remaining waves.

When discussing the movements of the market, Elliott Wave Theory has proven to have some merit. It is relatively simple to learn and apply, and offers a valid perspective of the market. It is not necessary to go in to great detail with your EW analysis. When it is easily visible and recognizable it should be used, otherwise wait until this is so.

Coupled with what we know about Fibonacci above, we can start to make some valid arguments for where and how we are going to see a market unfold.

Given the above thoughts on Fibonacci and what EW says about market movements, it should be somewhat obvious how these can then be used together.

We recommend to the reader that they stop reading this article here and now and go explore this on their own. Take the Fibonacci tool, using both extensions and retracements; place it around various locations within waves and see what it tells you. Learning through self-discovery far exceeds “memorizing textbooks”. The remainder of this article will still be here, and after you have made some discoveries for yourself, come back and compare notes. Maybe you’ll be able to teach me about something (feel free to send discoveries to goldenphi@triggers.ca) .

(cont.pg.48)

Forecasting Waves

As discussed, we should be able to use any wave form to aid in the forecasting of any other waves – they should all be related via Fibonacci relationships. Elliott Wave provides us with some form and structure for consideration as well as basic rules for a framework. Together they should give us some ideas as to what we can expect from future market moves.

Clustering

A method used to determine the most likely area a Fib level will be respected is "clustering". Clustering involves using several Fib studies, from various locations. You then take note of the places that have a concentration of Fib levels in one location. Areas where there are several different Fib studies coming together are more likely to be respected than areas where a single Fib level is present.

When you set up your Fibonacci analysis, start with the highest time frame available. Use the yearly and/or monthly charts and work your way down. Add studies to the weekly and daily charts as well, capturing significant waves on each time frame.

When you move down to the smaller time frames, you will be able to see significant Fib levels from higher time frames and how they relate to the current market movement. When studying the next waves, your analysis will also line up with the others, giving you significant clusters to consider as targets. Fibonacci levels from higher time frame charts carry more "weight" than the lower time frame levels.

SPY MONTHLY

Two Fib studies have been placed on this monthly chart. **(1)** starts at the low for the chart, **(2)** looks at the 1st large wave.

SPY WEEKLY

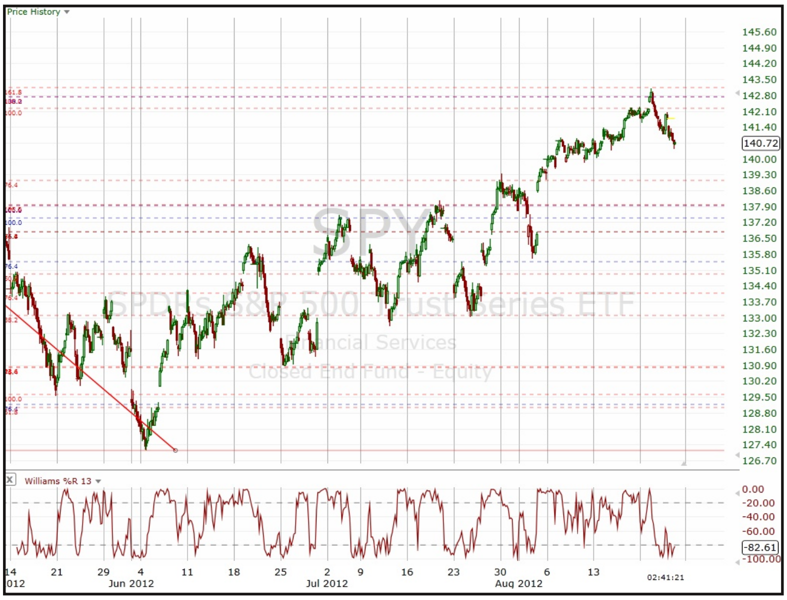
Three more Fib studies have been added on to the Weekly time scale.

(cont.pg.49)

Trading Fibonacci & Elliott Waves (cont.)

SPY DAILY

Three more Fib studies have been added on to the Daily time scale.



SPY HOURLY

No studies have been added here. Note the graph respecting the Fib levels as it moved up. Using a different color for each time scale allows you to quickly see their significance.

1st waves 1st

Both waves 1 & 2 can be “measured” using the Fib tools’ extensions to forecast the length of wave 3 and the end of wave 5. As well, the 1st wave is frequently 38.2% the height of the completed 5 wave count. Opening up the tool to capture the 1st wave inside this level, you can “reverse-engineer” where the end of the 3rd and 5th wave counts may complete.

This is the SPY hourly we have been marking up. Previous Fib studies have been "muted" and we can see the extensions from (1) and (2). Not sure what the wave count is? Doesn't really matter - the market doesn't care if you know or not - however the Fib extensions mark places of interest. The top extension doesn't mark the turn at the top exactly, however it gave you an idea to consider for a target on this wave. (Higher time frame studies captured it almost exactly).

(cont.pg.50)

Trading Fibonacci & Elliott Waves (cont.)

Consolidations

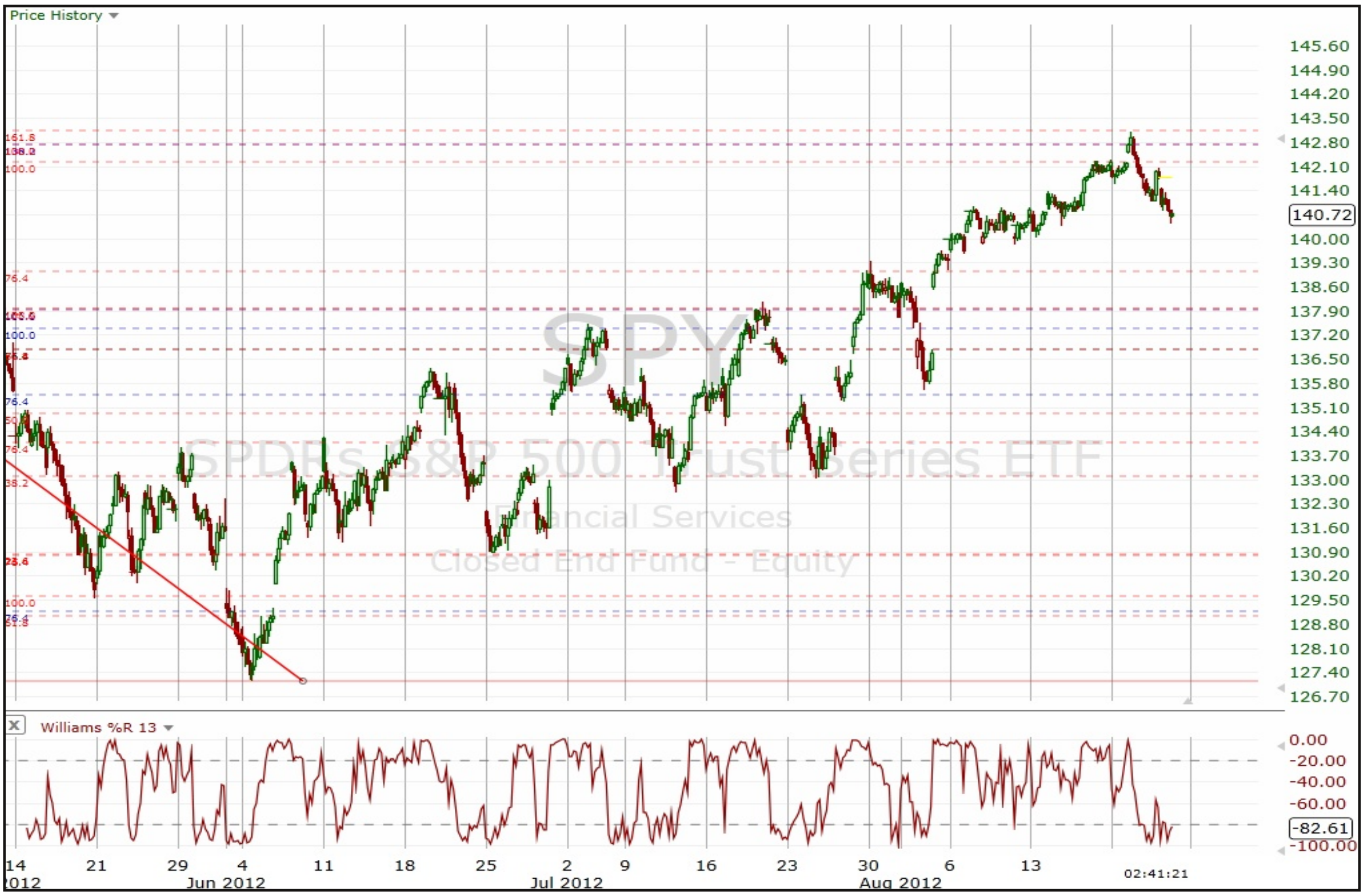
Just as impulse waves exhibit the Fibonacci relationship, so too do consolidations. The relationship between the consolidation waves A-B-C should also be in some form a Fib ratio,.

Consider an expanding flat, where wave B is larger than wave A, and C larger than B. The size that B is greater than A is usually a Fib extension of A. C is then an extension of B.

The C wave can be known to extend. In the same manner we looked at waves 1 & 2 above, the same can be done for the C wave to forecast where it is likely to end. Also recall EW rules and where the 2nd and 4th wave corrections are valid. This can help place a limit on the price move, where any move outside invalidates the EW count and a new assessment must be made.

Finally, consider where a correction is to occur. As you set up Fibonacci studies on prior waves, the Fib levels marked should represent areas where we will most likely see a pause of the trend, or where we will have corrections.

The overall size of the correction should in some manner "fit" between Fib levels.



SPY HOURLY

Here is a closer view of the hourly chart. Note how correctives will start and complete between the Fibonacci levels.

(cont.pg.51)

5th Waves

If you have done all the studies recommended above, you should have a few clear options as to where the end of the 5th wave is going to end up.

Given EW rules on the length of the 5th wave and how it relates to waves 1 & 3, you can have an idea as to the minimum size it will be. The minimum size should also end up on a clustering of studies.

5th waves have also been known to extend. There should be clear signs of where it will end up. As the charts above have shown, turns in the market occur at places that are in relation to previous moves.

Remember to pay attention to studies from higher time frames. Clustered with Fib levels from the most recent moves, they can be strong market inflection points.

Conclusion

We have shown above that the market seems to respect Fibonacci levels. Given the premise that it is expanding and contracting via a Fib relationship, this can be used to forecast potential future moves.

If you are using EW counts, you should see a correlation with the wave counts and Fibonacci ratios. When the count is obvious, you can fine tune more Fibonacci studies to focus in on the current wave and gain some insight using Fibonacci extensions. The ends of the wave counts should coincide with a Fib level. Using the rules of EW you can dial the alternatives in that much further. Corrections should begin and end within Fibonacci levels.

Even if you are not sure of the exact EW count, finding a few completed waves of lesser degree, the Fib tool can be applied to measure the extent of the current and future waves.

END **GoldenPhi**

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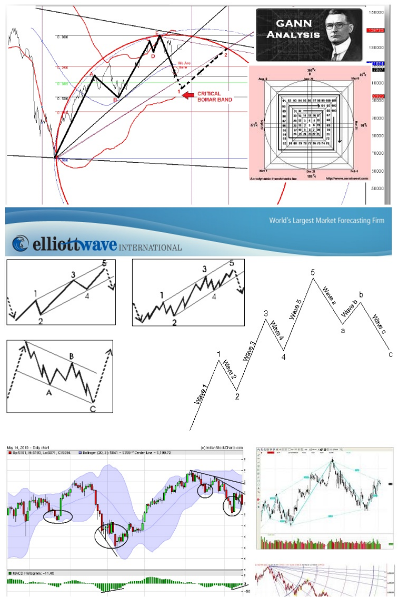
MACROstory The story beyond the noise.
Zero Hedge On a long enough timeline the survival rate for everyone drops to zero.
SentimenTrader ANALYSIS OVER EMOTION



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OPEN FORUMS

Letters to the Editor
Readers Comments
Discussions

Contents Page

Have a trading strategy or methodology you want to share with us? How did you devise it?

What are your thoughts on the one we are sharing in this month's issue?

We are in the process of making our Methodology more accessible to our readers. What would you like to see? What would help in your own trading and strategy development?

One of the goals here at TRIGGER$ is to assist any who are looking for direction on trading the markets and the development of their own trading strategy. We submit the TRIGGER$ Methodology as a potential "backbone" for traders / investors to build their own trading strategy from.

As usual, always glad to hear from our readers - let us know what you think of what we are doing here! Constructive criticism and praise always welcome :-)

Good Trading!
GoldenPhi
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a.k.a
Andrew Joseph

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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 15 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.

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

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

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

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

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

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

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