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TRIGGER$

Economic & Technical Analysis for the Active Trader

www.triggers.ca

JULY 2012
Vol.II, Issue #7
$19.95

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THE COLD PLUNGE

Earnings Season Realities

DRIVER$

Market Analytics & Technical Analysis

THE FEDERAL RESERVE

DRIVER$:

7 Early Signals

Technical Analysis "Must Haves"

Global Financial Risk Index
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June Macro Data
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Market Research & Analytics

JULY, 2012
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Welcome

*Welcome to **TRIGGER$**!*

Vol.II, Issue #7 : 15th

This month's issue is packed full with information you should know!

Gordon's cover story article "The Cold Plunge" examines the realities of this year's Earnings Seasons and what it means. Our first Feature article looks at the latest developments from the Fed and their admission of market manipulation. The second Feature article takes a look at the Technical Analysis tools you should have under your belt if you want to successfully navigate todays markets. A new Feature Section on DRIVERS is included this month, looking at 7 early market signals you should be aware of.

As always, we have our regular sections as well to give you an overview and understanding of what is currently going on in the marketplace.

Media Matrix this month evolved in to a theme and takes a look at some alternative views on Banking and Economics.

Traders Mentor offers some thoughts and strategies on trading Triggers, Pivots and Risk. Anyone who is trying to trade the market using Technical signals/triggers should find this useful.

Thank-you for your interest in TRIGGER$!

As always, we appreciate any feedback or comments you may have on what we are doing here - send us your thoughts!

Good Trading!
GoldenPhi

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

goldenphi@triggers.ca

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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 haven't seen a worse earnings warning season since the financial crisis of 2008. We have been warning TRIGGER$ subscribers this cold plunge was coming since Q1. It has been quite apparent, but the sell side analysts refused to recognize (or allowed to recognize) a failing US recovery, a global slowdown and currency translation issues.

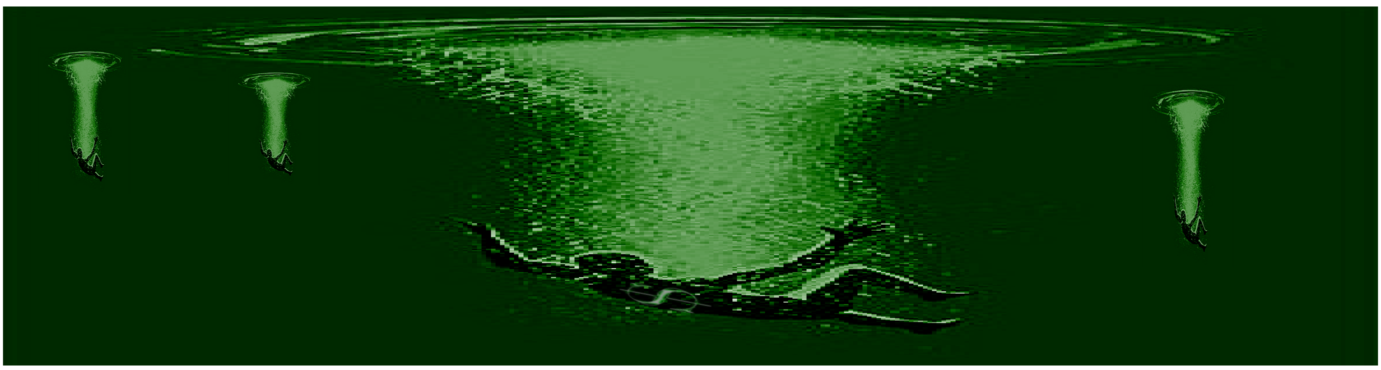
PRE-ANNOUNCEMENTS & EARNINGS WARNING SEASON

Forty-two companies have already warned of lower earnings estimates, making Q2 the worst quarter since Q4 2008.

Pre-Announcements of positive increasing is trending down with growth expectations now -1.8% versus 11% last August.

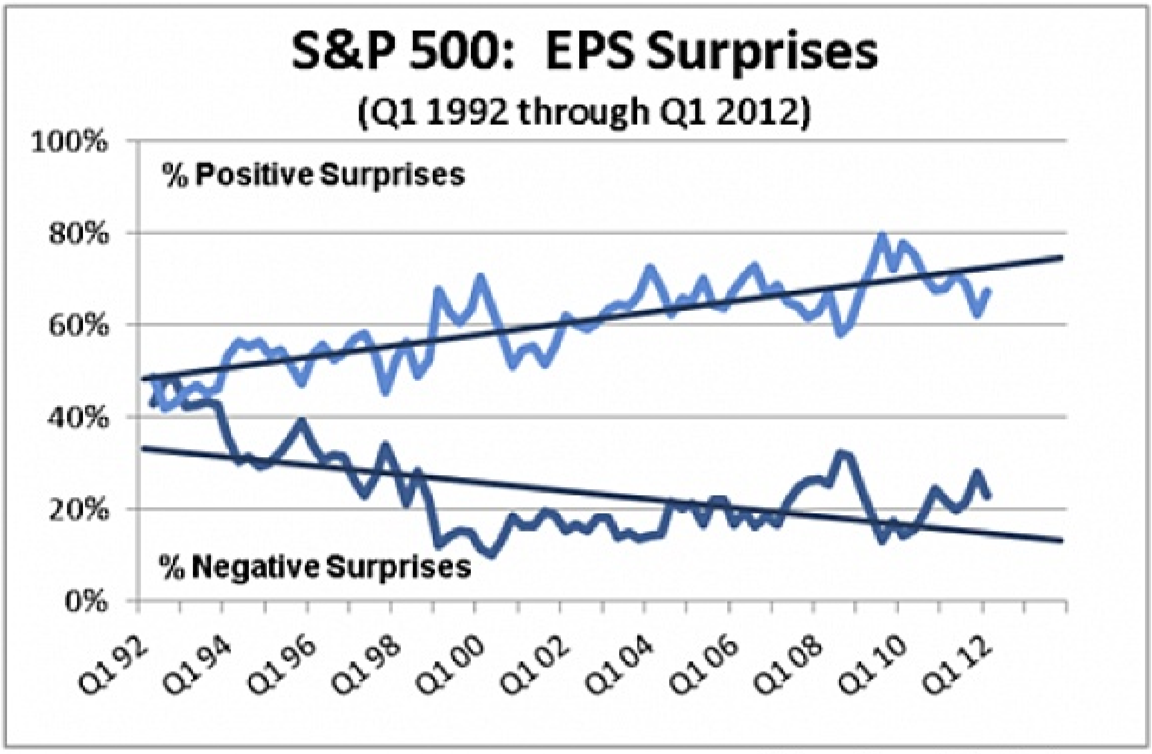
Earning have been reduced from $25.89 to$ 25.21 since Q2 began, and with the Euro down 11% Y-o-Y and estimates still reflecting a 9.7% 2012 increase, it is highly likely we have more surprises to come.

A key indicator watched by analysts is the percent of the S&P 500 companies that report negative EPS surprises. The chart below indicates there has been a twenty year secular upward trend in the percent of companies reporting positive earnings surprises. The game of managing expectations is a well rehearsed one with little real information in it. However, negative surprises is more telling because it says the companies spin apparatus got blindsided. The fact both arrows have broke through their trend lines is suggested of major problems ahead.



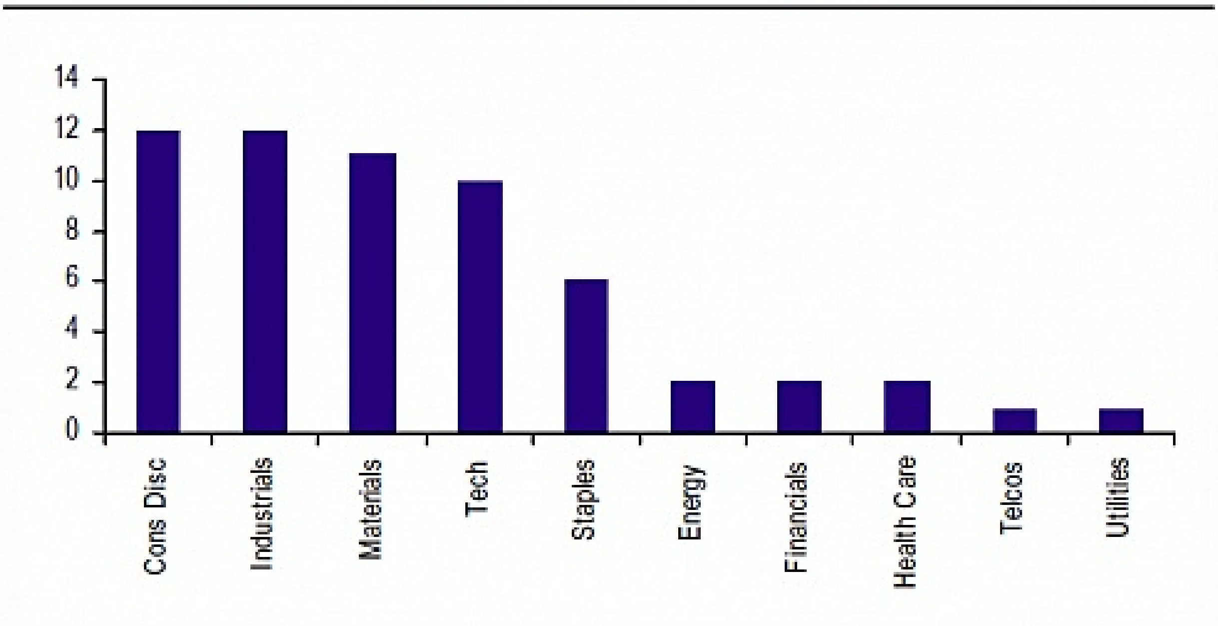
(cont pg.5)

The Cold Plundge (cont.)



Richard Bernstein Advisors

Chart 4: Global profit warnings by sector (number of companies)



Source: UBS, Bloomberg, Reuters

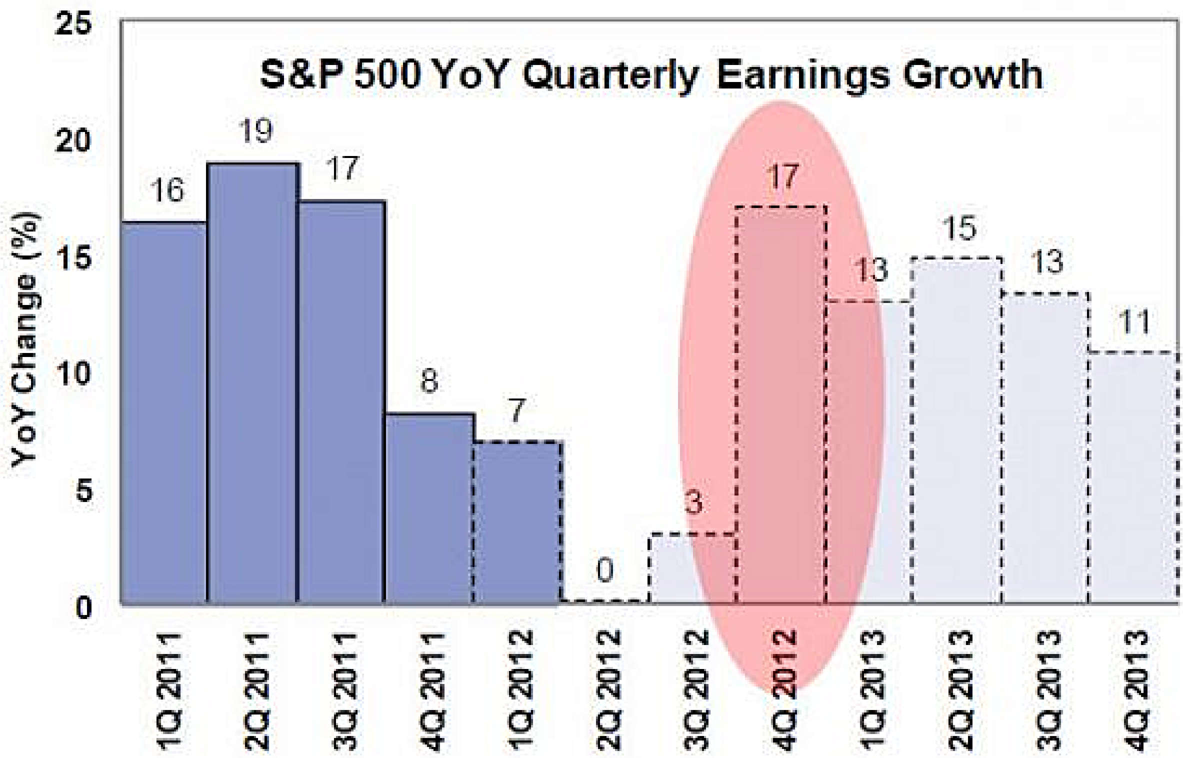
(cont pg.6)

The Cold Plundge (cont.)

EARNINGS CLIFF - Q3 & Q4

Forget the US 'Fiscal Cliff' looming immediately following the US Presidential election at the end of 2012. First we have to get through the Cold Plunge of the 'Earnings Cliff'. Consensus now expects year/year EPS growth to accelerate from 0% in 2Q, to 3% in 3Q to 17% in 4Q. Sorry, but this is not going to happen, and as more and more companies preannounce on the back of the global slowdown which many has seeing US GDP down to 1.3% in Q2, and sliding further in Q3 absent some massive QE program out of the Fed, it is virtually guaranteed that the unchanged earnings precedent that Q2 will set (and there is a very high probability that Q2 2012 will mark the first Y-o-Y drop in earnings since the unwind Great Financial Crisis) will continue into Q3 and likely Q4. Because, sadly there simply is no catalyst that will drive revenues higher, even as margin contraction sets in.

Exhibit 3: S&P 500 quarterly earnings growth
as of July 12, 2012



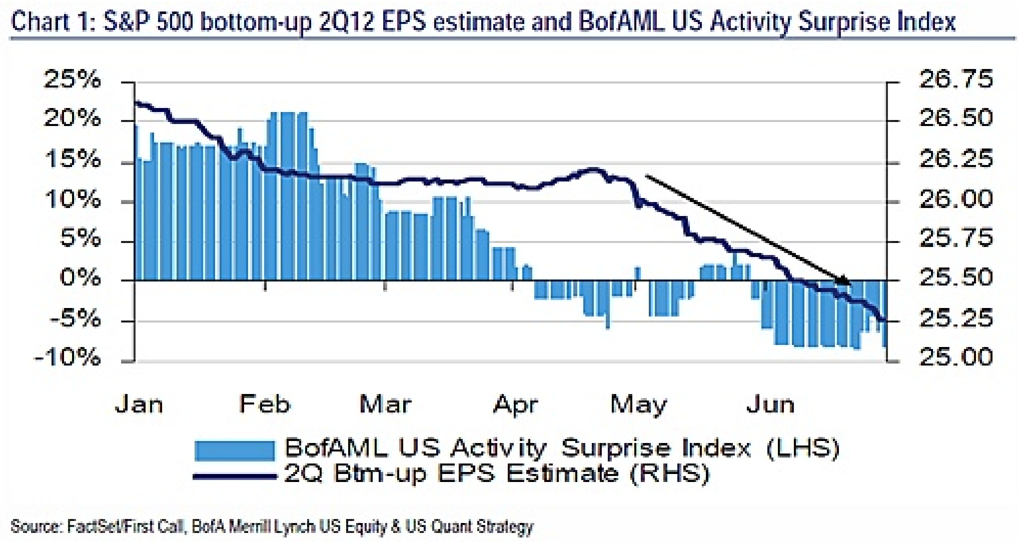
Source: FirstCall, Compustat and Goldman Sachs Global ECS Research.

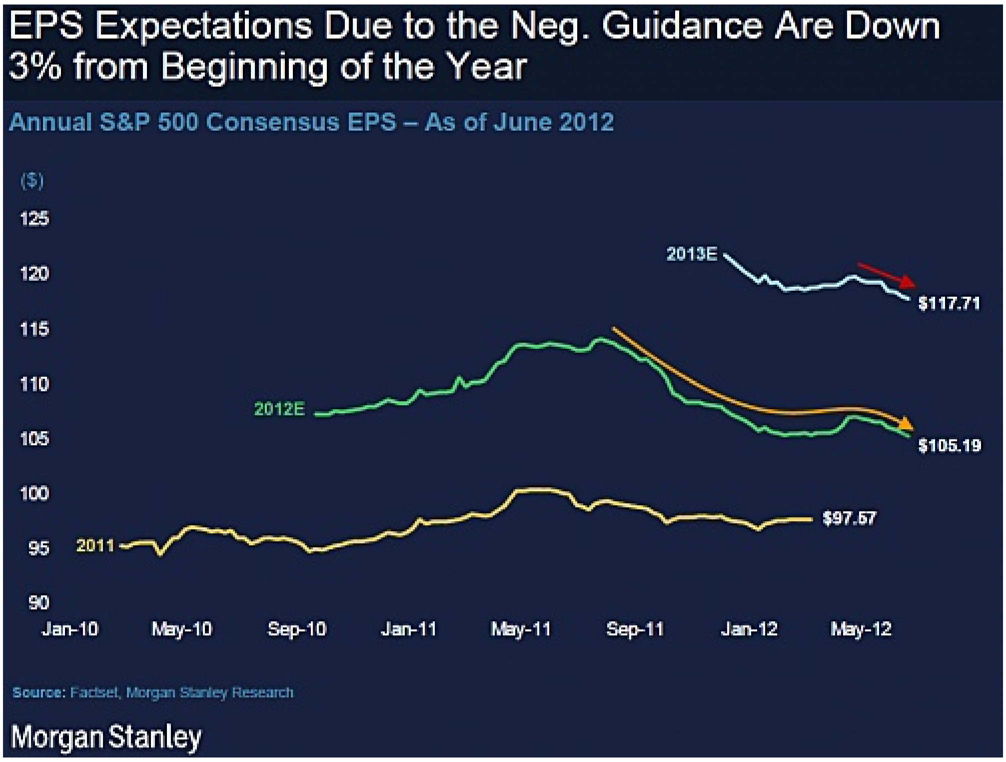
(cont pg.7)

The Cold Plundge (cont.)

Q2 EARNINGS

We can expect Q2 to be seen as a sales problem as demand falls off. Unfortunately, it is much worse than that.





(cont pg.8)

14 of the last 20 June indicators has come in below expectations

Retail sales look likely to disappoint as weak chain store sales offset the modest tick higher in auto sales.
Given the collapse in the ISM, we can expect manufacturing production and durable goods orders to be soft.

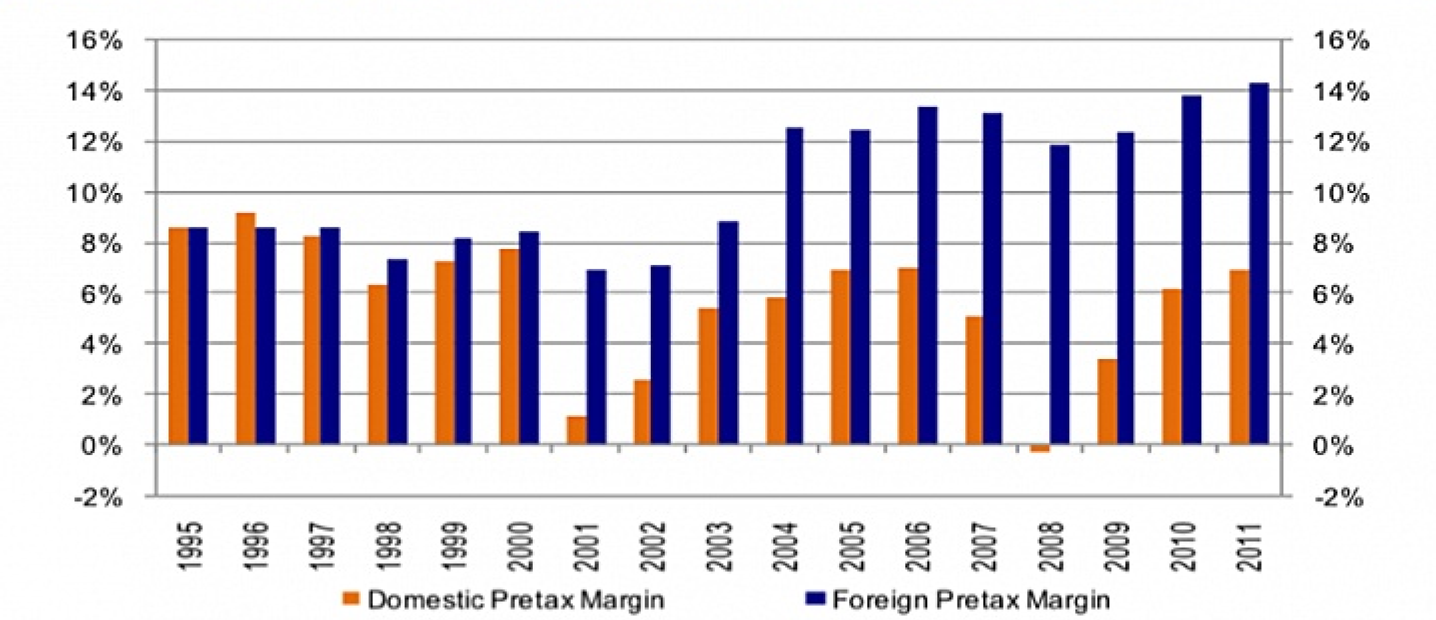
July data will determine if the FOMC has enough ammo to ease aggressively on August 1st which we expect to only be an extension of forward rate guidance to mid-2015 from late-2014 (and not the panacea of NEW QE). We expect the Fed to wait until their September 13th meeting when the Fed can see the whites of the panic politicians eyes.

Analysts started to meaningfully take down estimates in April, when US economic data began surprising to the downside and as concerns around Europe and slowing growth in China reemerged. Coupled with a drop in oil prices and a stronger dollar, expectations have been driven down by macro headwinds, and guidance has started to falter. At this point, bottom-up consensus is expecting S&P 500 EPS of $25.23, representing earnings growth of 5% Y-o-Y (flat ex. Financials), which is slightly below estimates of $25.50.

MARGIN PROBLEMS

What is presently getting no visibility but pointed out by Deutsche Bank is the fact that: "half of the S&P 500's 200bps of net margin expansion since the mid 1990's is from lower effective tax rate. The rest is mostly from lower net interest and higher foreign margins, which now exceed domestic margins". Tech which drove 75% of the S&P's net margin improvement have recently noticeably fallen off.

Figure 24: S&P 500 pre-tax foreign margins vs. domestic margins



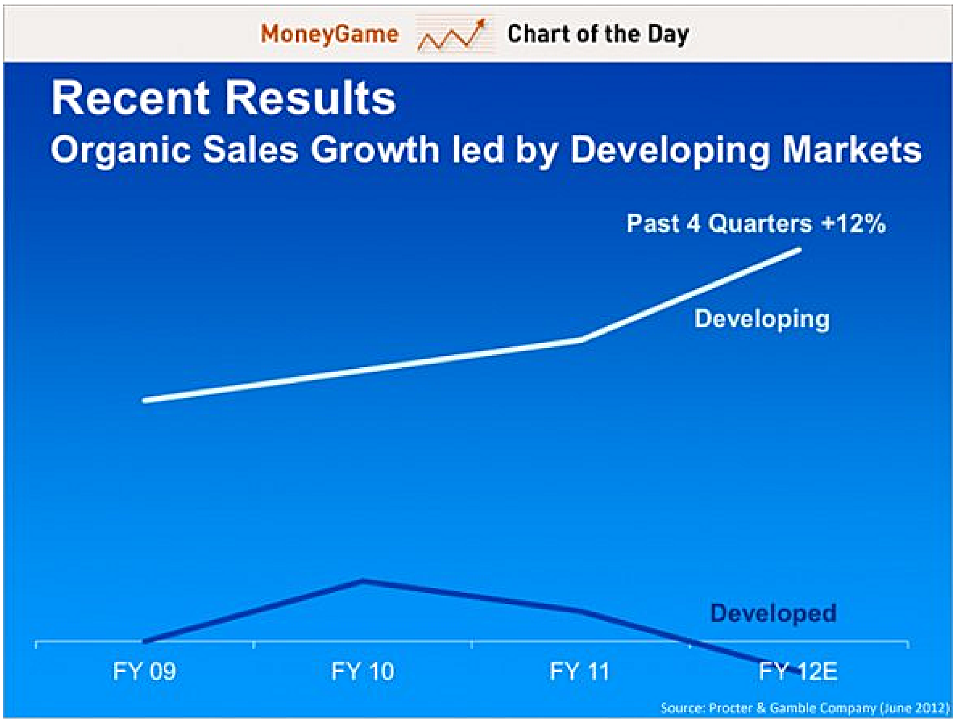
Source: Company reports, Deutsche Bank

(cont pg.9)

The Cold Plundge (cont.)

WEAK FOREIGN DEMAND & STONG US$ SIGNAL A PROBLEM

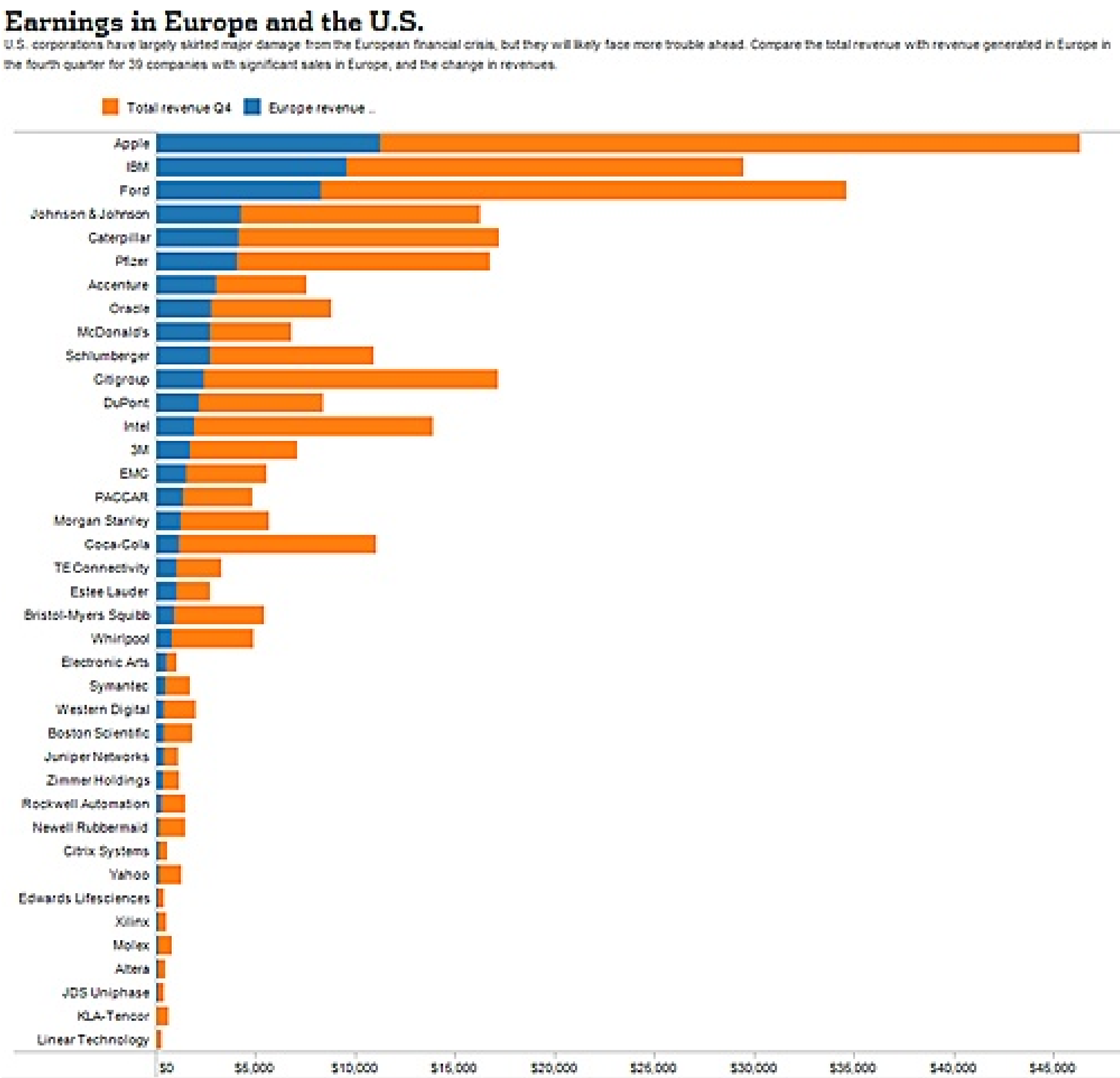
The Global Brand leader, Proctor & Gamble showed a very telling slide during its recent investor update. It sees and is being impacted by a noticeable slowdown in developed economies such as the EU and US.



Currently global equity earnings are still above trend having rebounded following the financial crisis but appear to be showing clear signs of rolling over. We have peak cyclical earnings which can be expected to adjust going forward

(cont pg.10)

The Cold Plundge (cont.)



STEALTH ROTATION UNDERWAY

Though Global Corporate Brands have been realizing higher profit contributions and revenue growth outside of the US, it is important to recognize that these market "Generals" now face headwinds associated with a 1- stronger US dollar, 2- global slowing and 3- sector rotation.

(cont pg.11)

The Cold Plundge (cont.)

- Investors have sold off shares of U.S. based companies that derive large parts of their revenue from foreign soil.

- Since mid-May, companies that count all of their sales within the U.S. have seen shares increase more than 6.13 percent, on average.

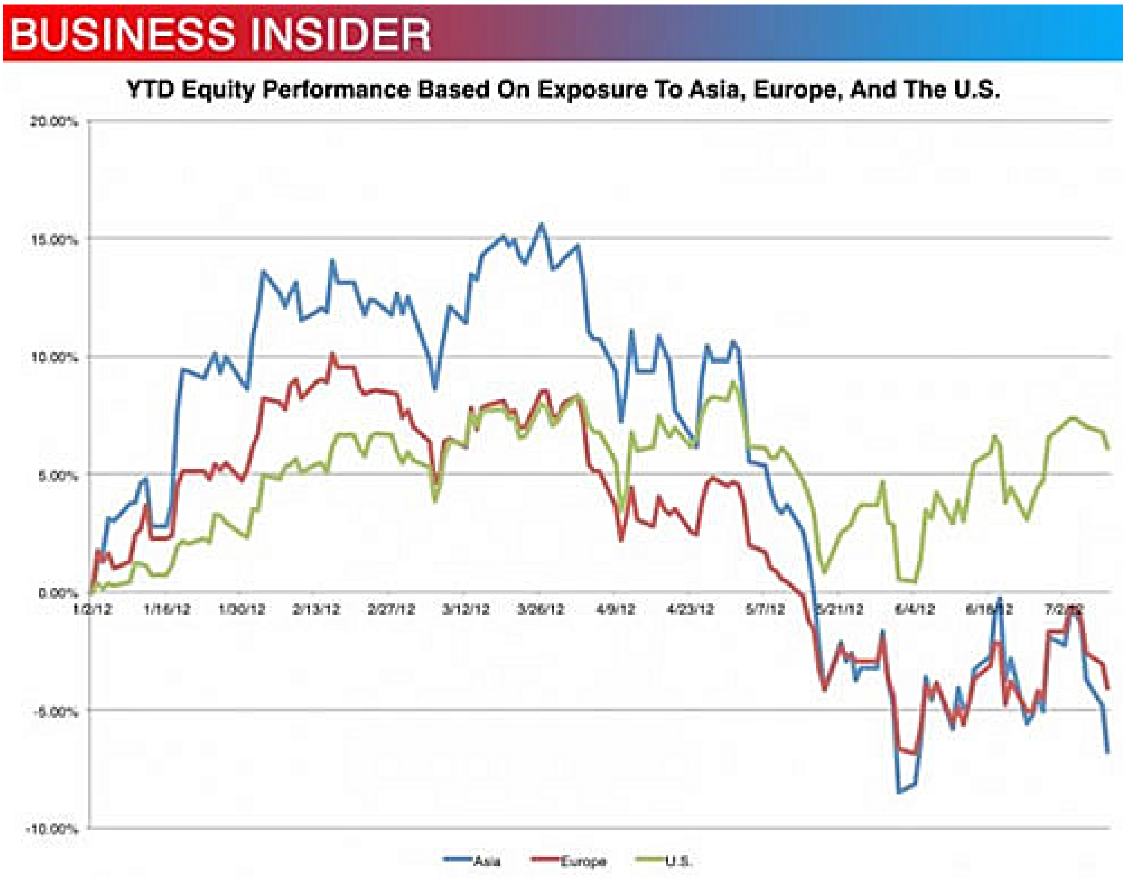
- However, firms that enjoyed strong foreign sales suffered, with those invested in Asia off 6.74 percent and those in the Eurozone down 4.09 percent.

- Business Insider constructed three custom indices based on a company's revenue exposure to three geographic regions: Europe, the Asia-Pacific, and U.S.

- The European and Asian Indices use the top 20 companies within the S&P 500 that generate the highest percentage of their sales from those areas.

- The U.S. index is based on 97 companies, which all generate 100 percent of their revenues within U.S. borders.

Below, year-to-date performance for the three regions. You can see how much better the green line (U.S.-only) is doing compared to the others.



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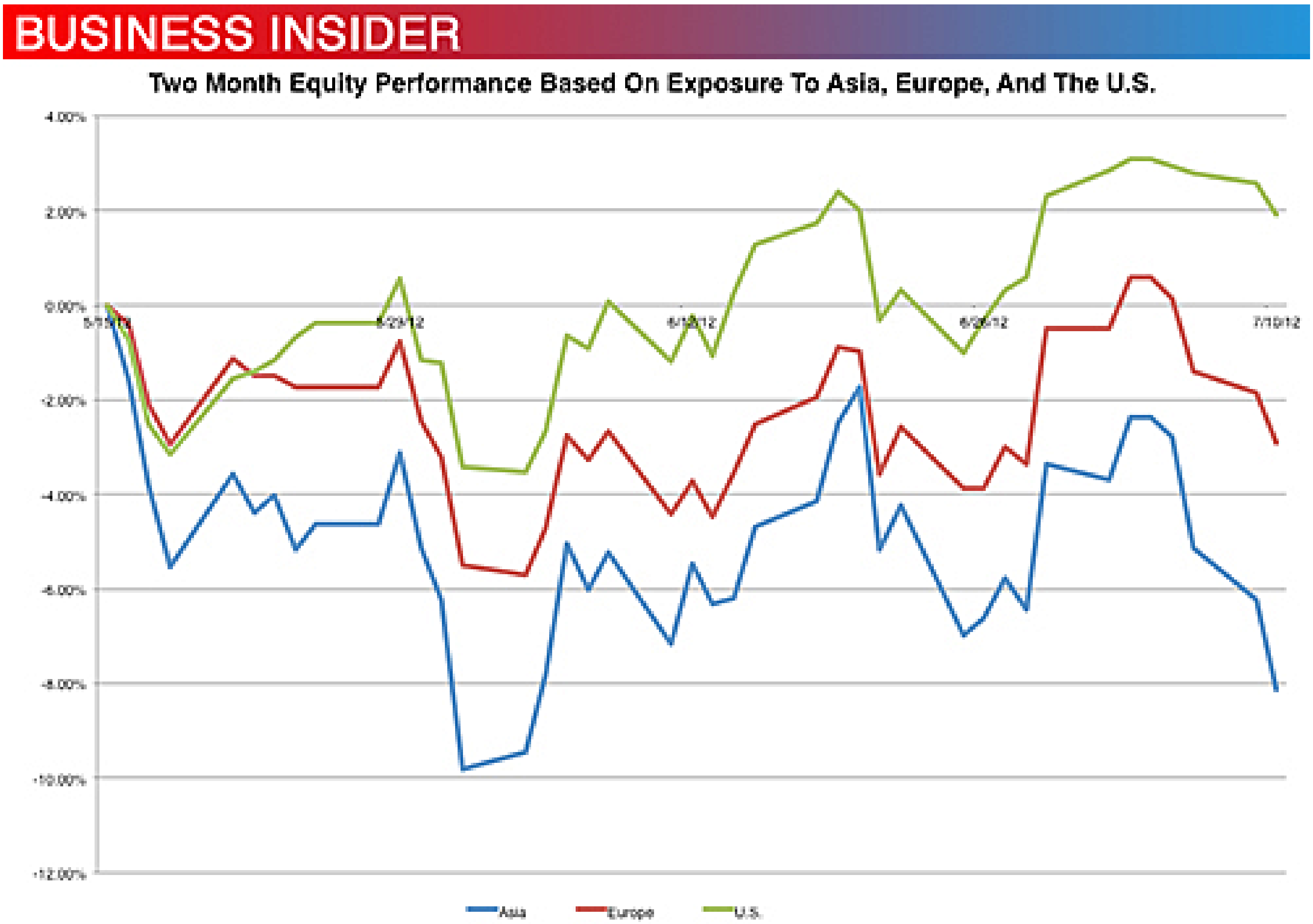
The Cold Plundge (cont.)



During the second quarter there was a noticeable shift to stocks less dependent on foreign earnings. Additionally sectors that contributed positively to stock prices in Q2 were consumer staples and basic telecom services. Those contributing negatively were Information Technology, Banking and other areas more closely aligned with an economy entering into a recession.

The message of the market is pretty clear despite the ongoing hope and expectations for more central bank 'Kool-Aid'. With 2012 estimated earnings growth to be 9.7% it will take a Q4 of 14%. This is so significantly out of touch that there is little doubt it will be brought down.

The economic surprises will likely begin to level off and may possibly allow PE ratios to maintain themselves but it will be precarious and subject to an unexpected geo-political development.

The cold plunge may be colder and deeper than currently expected.

END

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Methodology

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Methodology & Techni-Fundamentalism

TRIGGER$, in collaberation with "Gordon T. Long - Market Research & Analytics", have thier own unique approach to Techni-Fundamental Analysis. The material found in TRIGGER$ 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.

June Macro Data

From Q2 Macro Weakness To H2 Earnings Slump
by Tyler Durden on 07/10/2012
ZeroHedge.com

June macro data has very much surprised consensus to the downside as BofAML's economics team notes that 14 of the last 20 June indicators has come in below expectations.

Table 1: June data has been coming in weak

	Cons.	Actual	Surprise
Jobless Claims (6/2)	378.0	377.0	Neg
IBD/TIPP Confidence	47.3	46.7	Neg
Jobless Claims (6/9)	375.0	386.0	Neg
Empire PMI	12.5	2.3	Neg
UMich Confidence (P)	77.5	74.1	Neg
NAHB Index	28.0	29.0	Pos
Jobless Claims (6/16)	383.0	387.0	Neg
Philly Fed PMI	0.0	-16.6	Neg
Markit PMI	53.3	52.9	Neg
Dallas Fed PMI	-2.0	5.8	Pos
Consumer Confidence	63.0	62.0	Neg
Richmond Fed PMI	2.0	-3.0	Neg
Jobless Claims (6/23)	385.0	386.0	Neg
Chicago PMI	52.3	52.9	Pos
ISM manufacturing	52.0	49.7	Neg
Vehicle Sales	13.9M	14.1M	Pos
ISM non-manufacturing	53.0	52.1	Neg
ADP private payrolls	100k	176k	Pos
Jobless claims (6/30)	385k	374k	Pos
UMich Confidence (F)	74.1	73.2	Neg
Non-Farm Payrolls	100k	80k	Neg
Private Payrolls	106k	84k	Neg
Unemployment rate	8.2%	8.2%	-

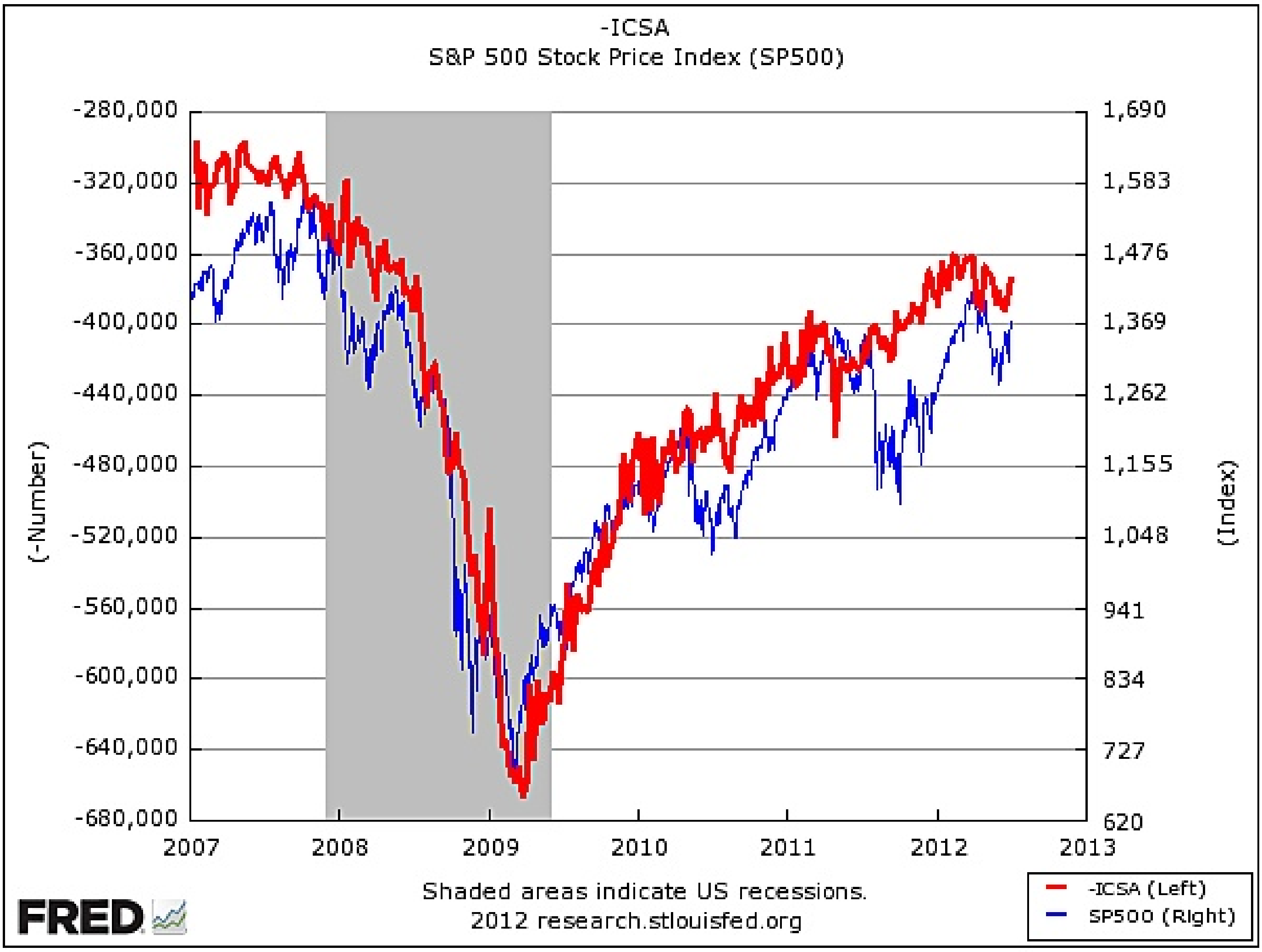
Source: Bloomberg, BofA Merrill Lynch Global Research

ICSA

The Best Economic Indicator In The World Continues To Be Dead On
Joe Weisenthal, Jul. 8, 2012, 7:15 AM
Business Insider

The reason we like this chart is that for one thing, it's a pretty correlation. But beyond that, it's a reminder of what's driving this market. Fundamentals. There haven't been many periods where the two lines separated much, and where they did, it was always the market (blue line) that caught back up with the fundamentals.

When a real downdraft in initial claims happens, then it's time to be worried.



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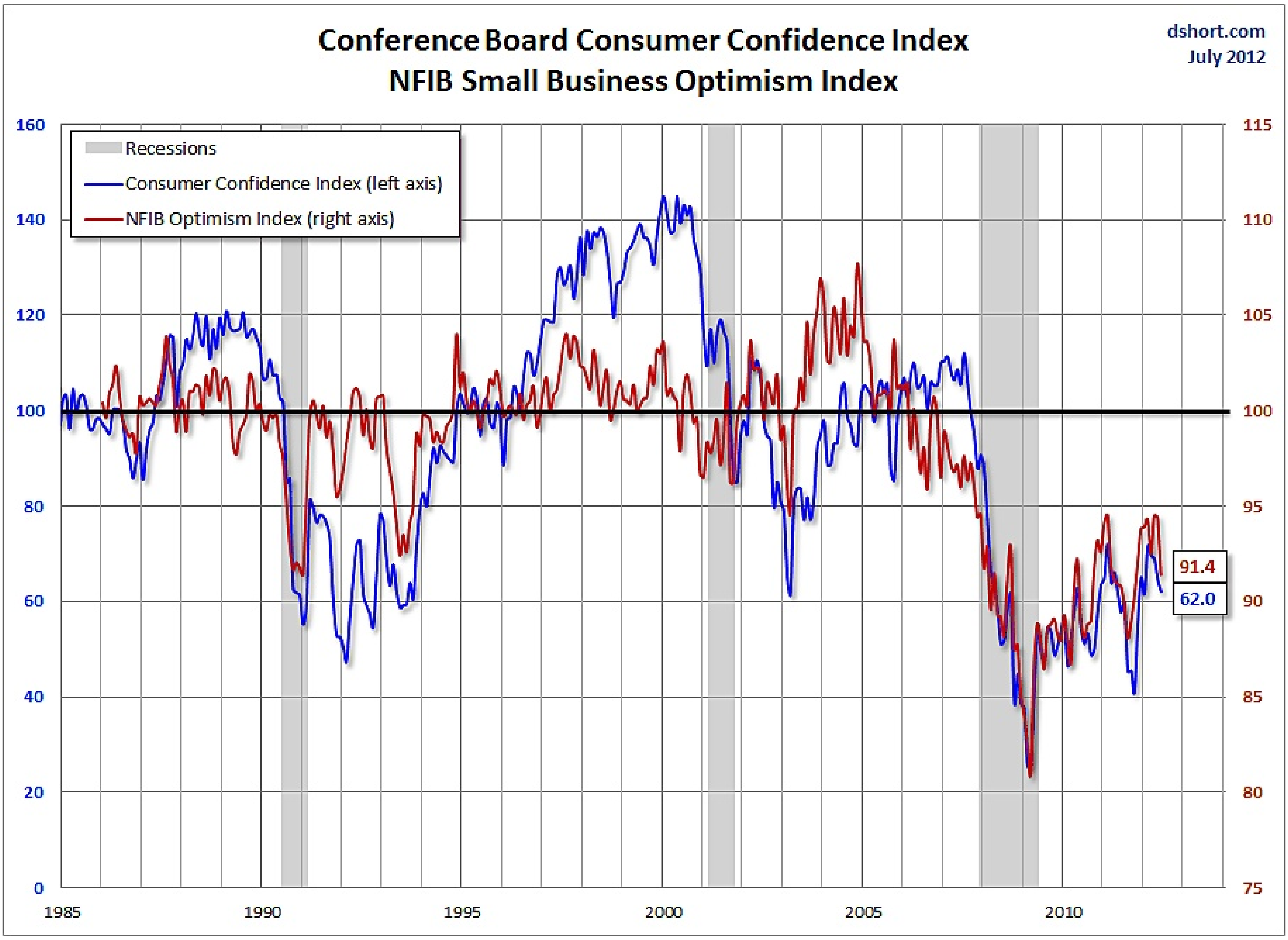
CONSUMER CONFIDENCE

Small Business Sentiment: A 3-Point Nosedive
By Doug Short, July 10, 2012
dshort.com

The latest issue of the NFIB Small Business Economic Trends is out today (see report). The July update for June came in at 91.2, which is the lowest reading since October of 2011. The indicator has slipped back to a level first seen three months into the last recession.
...
The chart below is an overlay of the Business Optimism Index and the Conference Board Consumer Confidence Index. The consumer measure is the more volatile of the two, so I've plotted it on a separate axis to give a better comparison of the volatility from the common baseline of 100.

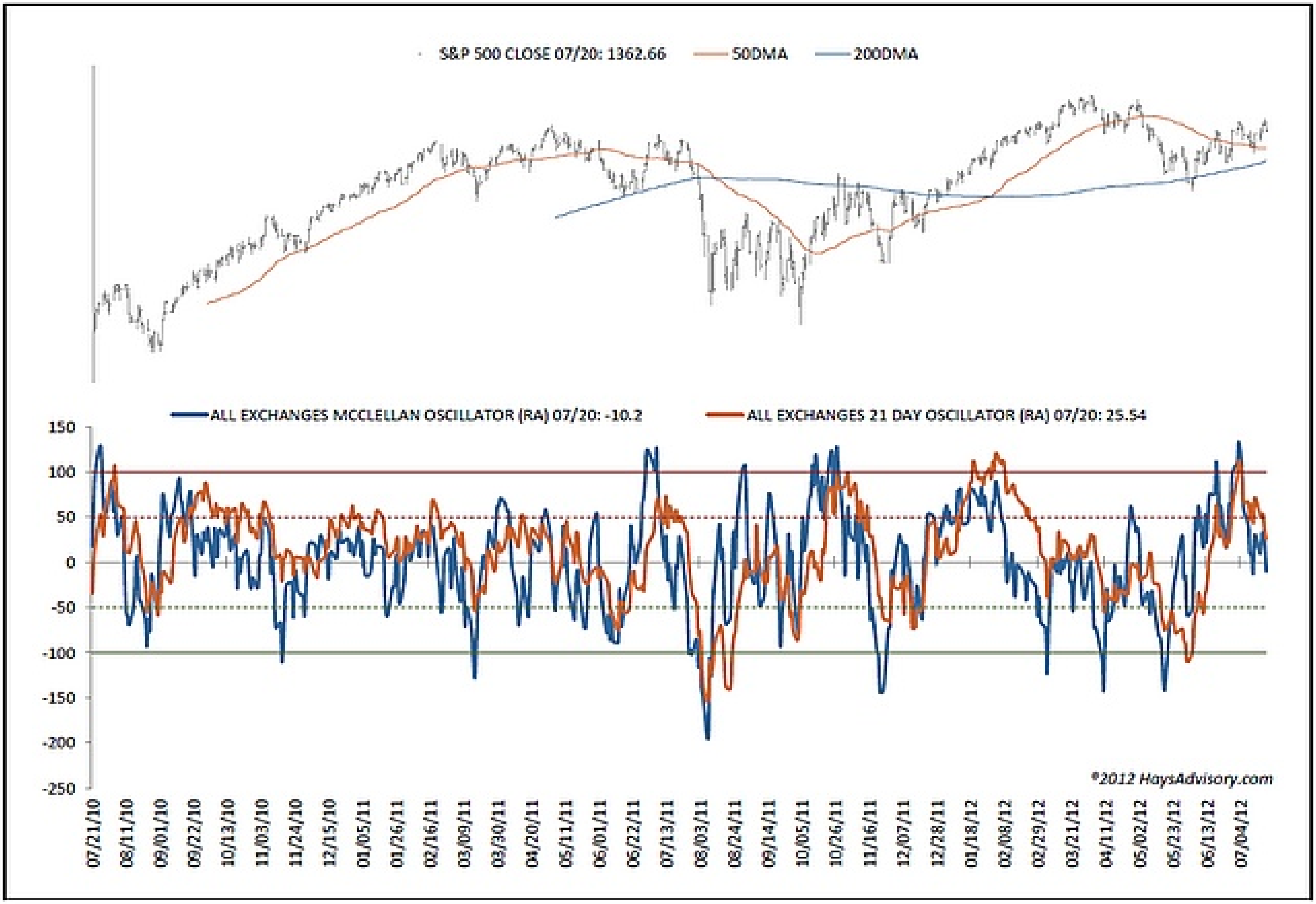
With the latest NFIB data, we see that the mood of small businesses is again matching the decline seen in the recent consumer confidence updates.



MCCLELLAN OSCILLATOR

What's the Stock Market Waiting On?
Don Hays
HaysAdvisory.com

The stock market is waiting on a little clearer message about the election. The transition is certainly following a mold. We moved from very oversold the first of June, then moved to very overbought, and now it certainly seems to be headed back to the oversold condition. Just take a look at the McClellan and 21 Day Oscillators for all exchanges below.



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Need To Know

Technical Analysis

Long-Term Gann Analysis
Boundary Conditions,
Channels & Regressions
S&P Intermediate & Short Term
Market drivers

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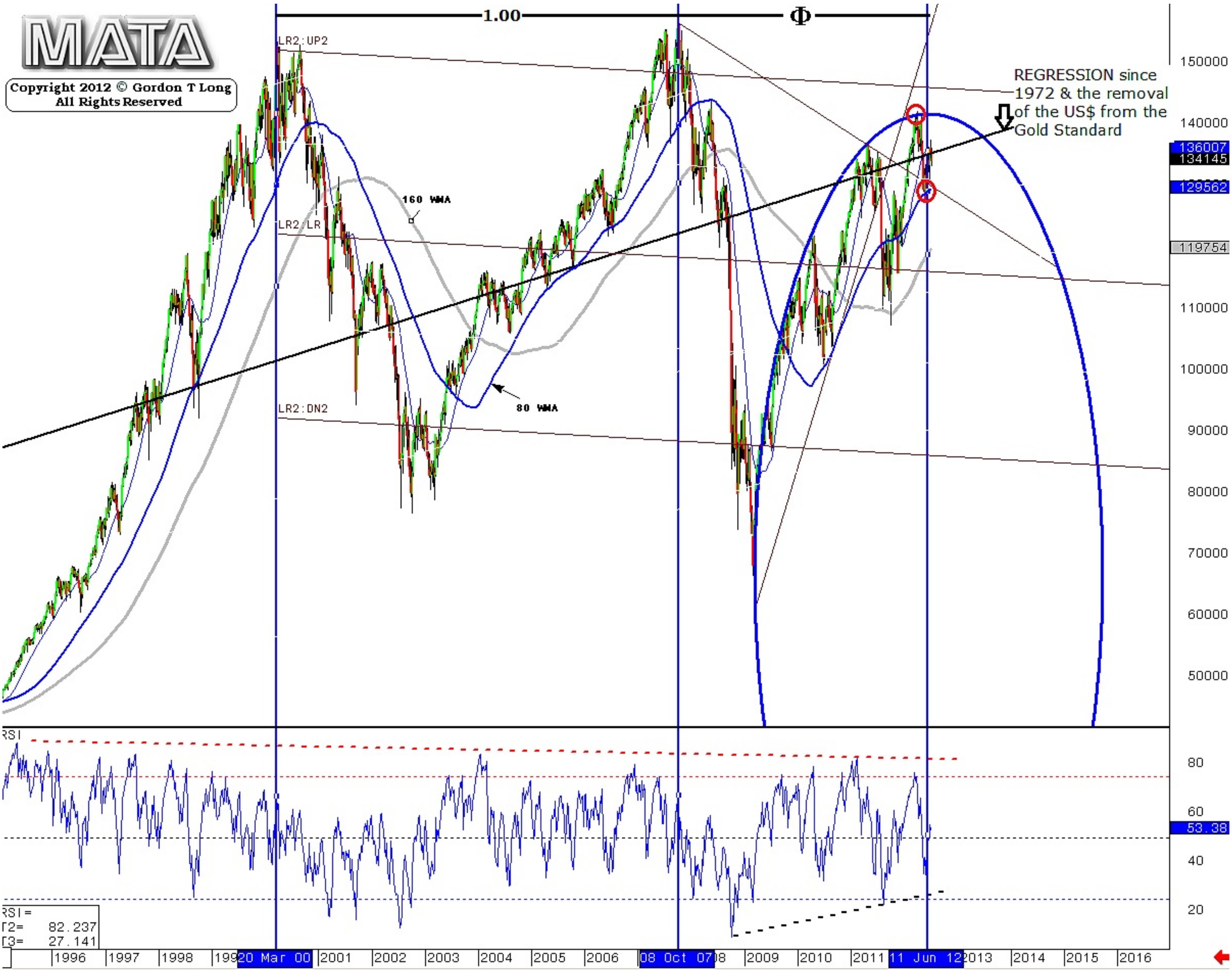
Long-Term GANN Analysis



Gann Analysis: The above chart is updated for July. We have been watching this now for several months, so far it is unfolding as expected. Currently:

We achieved the 80 WMA we were looking for in this pullback

The pullback has aligned with a near perfect Fibonacci Time Extension from the 2000 Market High and the 2007 Market Highs.

The RSI has weakened into but not quite the lower levels we were looking for. It requires further fear but is sufficient for a rally with any positive 'macro' news.

Boundary Conditions

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 have found short term support but the lowering trending resistance (light grey) line has offered overhead resistance.

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.

Channels & Regressions

What this chart shows us is:

1.A CONSOLIDATION AREA is emerging:

a.Firmer support /resistance is at the 0.382 Retracement level which approximates 1322 on the S&P 500.

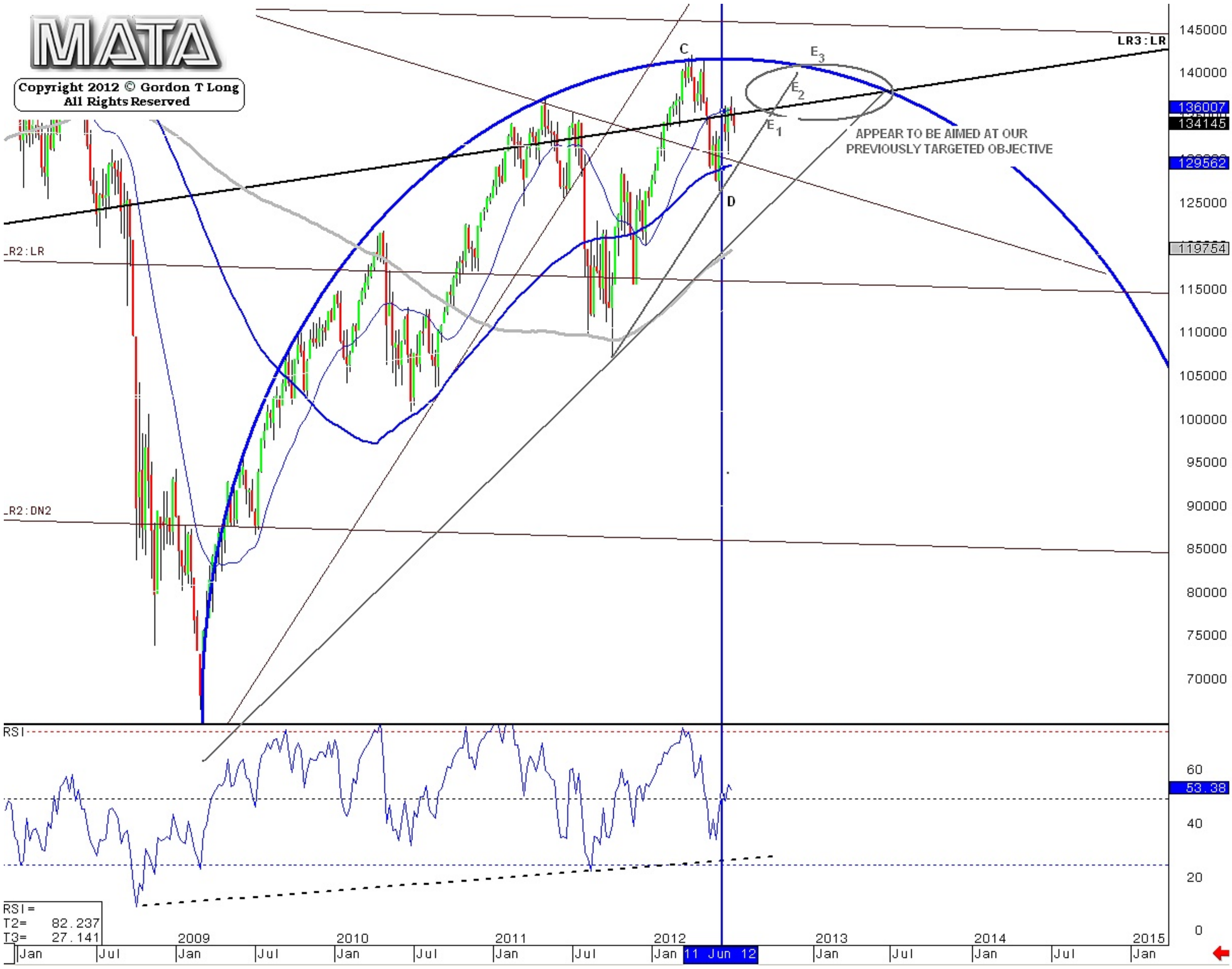
b.A support channel converges with the Fibonacci Time Extension and the 0.382 Fibonacci Retracement at approximately 1322.

2.MARKET REACTIONS: The market has reacted to the following signals (we identified last month) with extreme volatility. We have witnessed the Biggest Up and Biggest Down moves in a single week in the last 3 months.

a.The vertical black Fibonacci Time Extension is the week of May 28th, 2012 which

b.A low reversal is likely between May 28th and the June Quadruple Witch at approximately 1300 to 1322.

Intermediate Term



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.

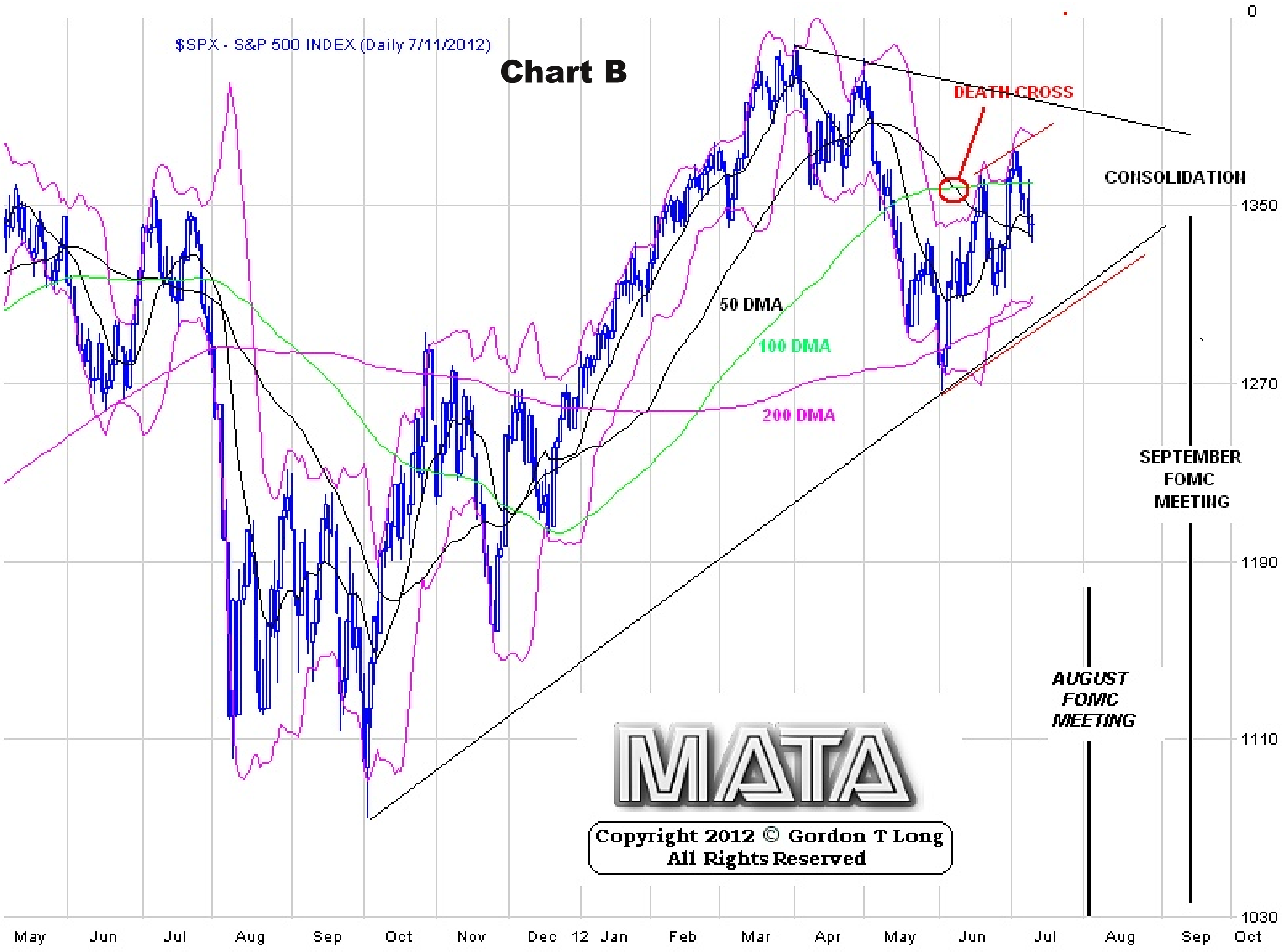
Short Term

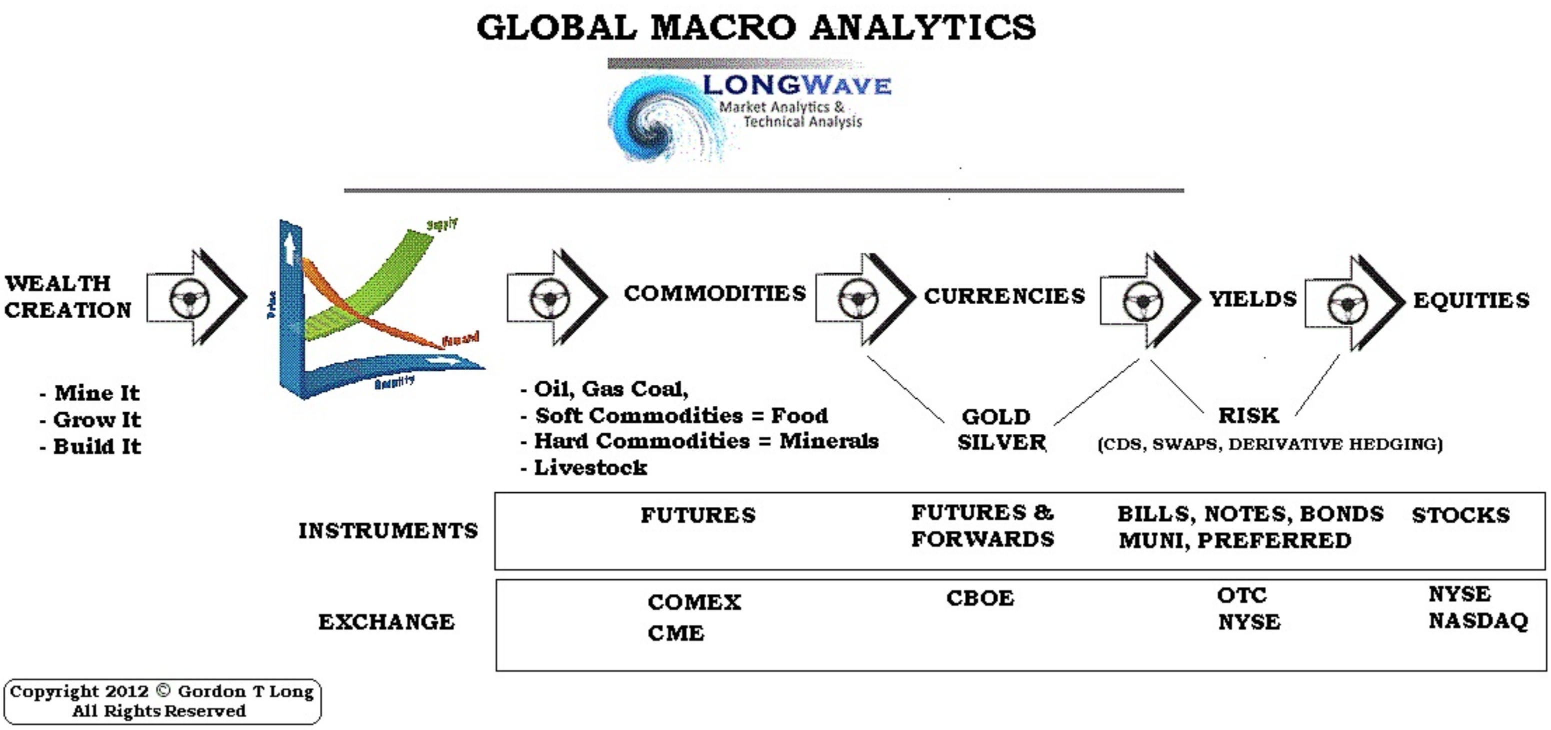
Chart A
We have a third sub-Fractal Emerging, which fits with our predicted ABCDE ending wedge formation which we have been calling for 18 months (whether within a rounded top, Megaphone top or truncated 5th top).

Chart B
1.We have a confirmed Death Cross where the 50 DMA crossed the 100 DMA in a downward direction. This is a major negative Technical indicator. There is a high probability that it will result in a test of the 200 DMA before it will be reversed.

2.The chart would suggest the possibility of a Bollinger cross to the lower Bollinger Band is in the cards over the short term. This would achieve our expected 200 DMA test.

3.The emerging wedge is indicating a consolidation / correction period before a possible coordinated Fed / Central Bank Monetary Intervention. The chart is suggestive that this action will not in fact occur at the upcoming August FOMC meeting but rather at the September FOMC meeting. There is always a possibility of a "special' inter-meeting announcement if developments in Europe and Global escalate.





Key Days To Watch

July 28	Bradley Turn Date - Major
July 23- 31	Q2 Earnings Season Peak
July 31-Aug 1	FOMC Meeting
Sept.12-13	FOMC Meeting
Sept. 21	Quadruple Witch

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

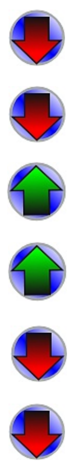
Euro:Usd

US$ Index

Gold

Bond Yields

SPX



DRIVER$

Market Analytics & Technical Analysis

FEDERAL RESERVE BANK *of* NEW YORK

This is truly a remarkable paper from the New York Federal Reserve. It suggests that the expectations of easy money has effectively doubled the market value of the S&P 500.

It merits a careful and thoughtful read.

BACKGROUNDER: ***The Puzzling Pre-FOMC Announcement "Drift"***
07-11-12 Federal Reserve Bank of New York

"Absent what the Fed calls "Pre-FOMC Announcement Drift", or the move in the S&P in the 24 hours preceding FOMC announcements, the S&P 500 would be at or below 600 points, compared to its current level over 1300."

The reason for the divergence: the combined impact of cumulative returns of in the S&P on days before, of, and after FOMC announcements and expectations of **Easy Money**.

We show that since 1994, more than 80 percent of the equity premium on U.S. stocks has been earned over the twenty-four hours preceding scheduled Federal Open Market Committee (FOMC) announcements (which occur only eight times a year)—a phenomenon we call the pre-FOMC announcement "drift." Our findings suggest that the pre-FOMC announcement drift may be key to understanding the equity premium puzzle since 1994. However, at this point, the drift remains a puzzle.

For many years, economists have struggled to explain the "equity premium puzzle"—the fact that the average return on stocks is larger than what would be expected to compensate for their riskiness. In this post, which draws on our recent New York Fed staff report, we deepen the puzzle further. We show that since 1994, more than 80 percent of the equity premium on U.S. stocks has been earned over the twenty-four hours preceding scheduled Federal Open Market Committee (FOMC) announcements (which occur only eight times a year)—a phenomenon we call the pre-FOMC announcement "drift."

The equity premium is usually measured as the difference between the average return on the stock market and the yield on short-term government bonds. Previous research on the size of the premium finds that it is too large for plausible levels of risk aversion (see Mehra [2008] for a review).

(cont. pg.26)

MATA DRIVER$: The FED (cont.)

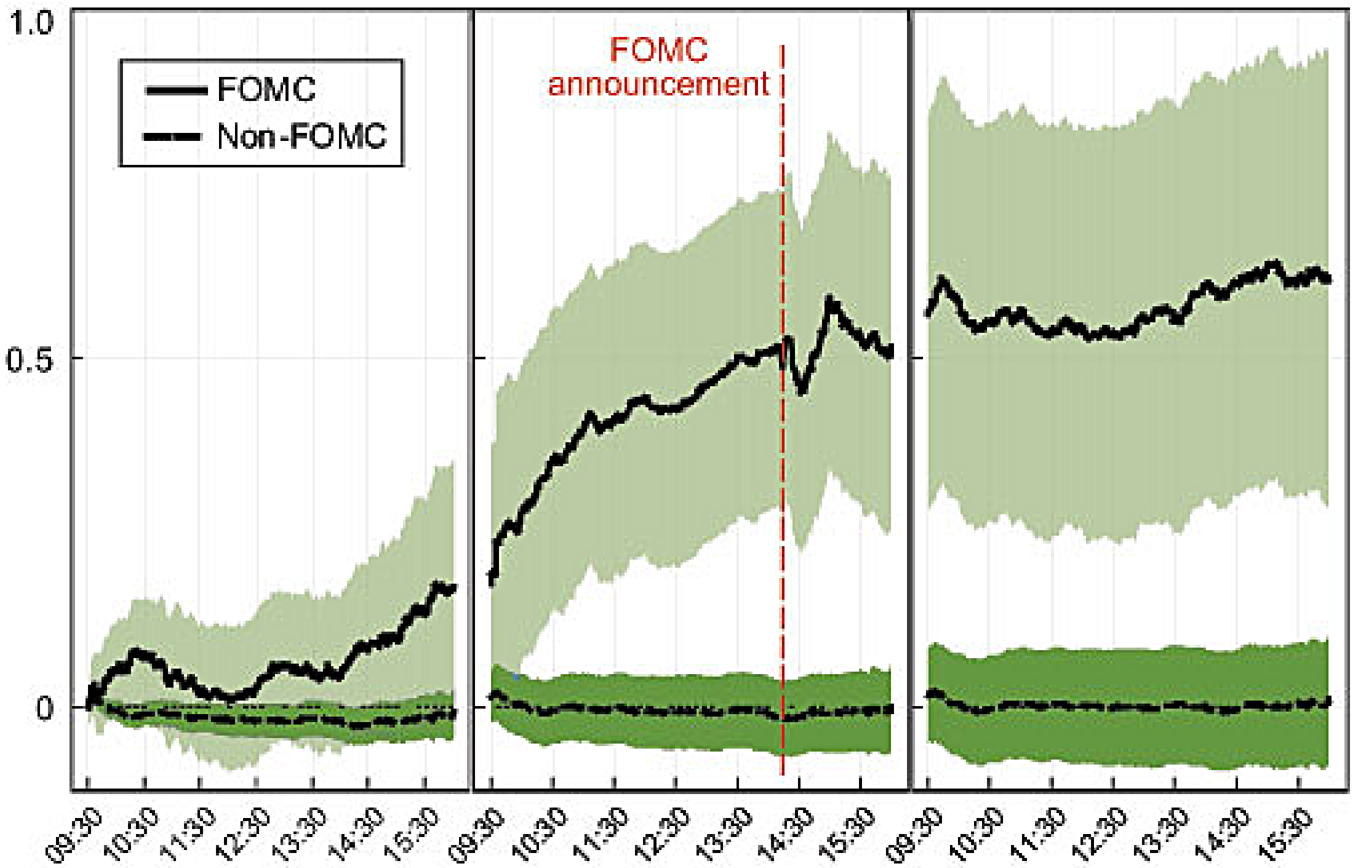
The Drift: A First Take

The pre-FOMC announcement drift is best summarized in the chart below, which provides two main takeaways:

1. Since 1994, there has been a large and statistically significant excess return on equities on days of scheduled FOMC announcements.

2. This return is earned ahead of the announcement, so it is not related to the immediate realization of monetary policy actions.

Average Cumulative Returns on S&P 500 Index on Days before, of, and after FOMC Announcements



Sources: Thomson Reuters Tick History; Tickdata.com.
Note: The sample period is 1994 to 2011.

(cont.pg.27)

MATA DRIVER$: The FED (cont.)

The chart *(previous page)* shows average cumulative returns on the S&P 500 stock market index over different three-day windows. The solid black line displays the average cumulative return starting at the market's opening on the day before each scheduled FOMC announcement to the market's close on the day after each announcement. Our sample period starts in 1994, when the Federal Reserve began announcing its target for the federal funds rate regularly at around 2:15 p.m., and ends in 2011. (For a list of announcement dates, see the FOMC calendars.) The shaded blue area displays the 95 percent confidence intervals around the average cumulative returns—a measure of statistical uncertainty around the average return. We see from the chart that equity valuations tend to rise in the afternoon of the day before FOMC announcements and rise even more sharply on the morning of FOMC announcement days. The vertical red line indicates 2:15 p.m. Eastern time (ET), which is when the FOMC statement is typically released. Following the announcement, equity prices may fluctuate widely, but on balance, they end the day at about their 2 p.m. level, 50 basis points higher than when the market opened on the day before the FOMC announcement.

How do these returns compare with returns on all other days over the sample period? The dashed black line, which represents the average cumulative return over all other three-day windows, shows that returns hover around zero. This implies that since 1994, returns are essentially flat if the three-day windows around scheduled FOMC announcement days are excluded.

A Deeper Look through Regression Analysis

The previous chart showed stock returns without accounting for dividends or the return on riskless alternative investments. In the table below, we account for these factors in a regression analysis by considering the return, including dividends (in percent), on the S&P 500 index in excess of the daily yield on a one-month Treasury bill rate, which is a measure of a risk-free rate. We regress this "excess return" on a constant and on a "dummy" variable, equal to 1 on days of FOMC announcements.

Excess Return Regression Results

	Close-to-Close		2 p.m.-to-2 p.m.
	(1)	(2)	(3)
FOMC dummy	0.33***	0.05	0.49***
Constant	0.01	0.01	0.00
Annual return on FOMC days	2.70	0.62	3.89
Annual return on non-FOMC days	2.03	3.65	0.89
Sample period	1994-2011	1970-93	1994-2011

Sources: Close-to-close returns are from Bloomberg L.P.; 2pm-to-2pm returns are based on intraday data rom Thomson-Reuters Tick History & Tickdata.com.
Note: The dependent variable is the 24hr excess return on the S&P 500 index.
***Statistically significant at the 1% level

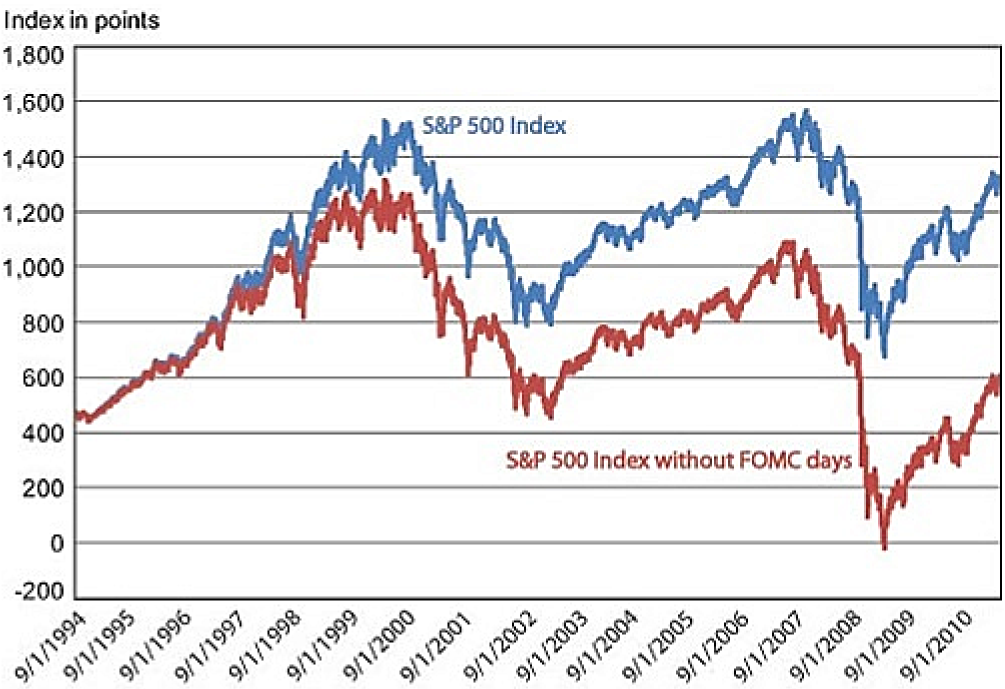
(cont.pg.28)

MATA DRIVER$: The FED (cont.)

(Referencing table at the bottom of previous page, 25)
The coefficient on the constant (second row) measures the average return on non-FOMC days, while the coefficient on the FOMC dummy (top row) is the differential mean return on FOMC days. In the first column, we regress close-to-close stock returns and see that excess returns on FOMC days average about 33 basis points, compared with an average excess return of about 1 basis point on all other days. As seen in the previous chart, this return is essentially earned ahead of the announcement—hence our label of a pre-FOMC announcement drift. Indeed, in the third column we see a return of about 49 basis points during a 2 p.m.-to-2 p.m. window, while the FOMC releases its statement at 2:15 p.m. ET. In the second column, we repeat the regression using the close-to-close returns from 1970 to 1993, which is prior to when the Fed released its policy decisions right after each meeting, and see that essentially no such premium exists. The bottom rows of the table decompose the annual excess return of the S&P 500 index over Treasury bills on the return earned on FOMC days and the return earned on all other days. As shown in the third column, the return on the twenty-four-hour period ahead of the FOMC announcement cumulated to about 3.9 percent per year, compared with only about 90 basis points on all other days. In other words, more than 80 percent of the annual equity premium has been earned over the twenty-four hours preceding scheduled FOMC announcements, which occur only eight times per year.

The chart below visualizes this return decomposition. It shows the S&P 500 index level along with an S&P 500 index that one would have obtained when excluding from the sample returns on all 2 p.m.-to-2 p.m. windows ahead of scheduled FOMC announcements. In a nutshell, the figure shows that in the sample period the bulk of the rise in U.S. stock prices has been earned in the twenty-four hours preceding scheduled U.S. monetary policy announcements.

The S&P 500 Index with and without the Twenty-four Hour Pre-FOMC Returns



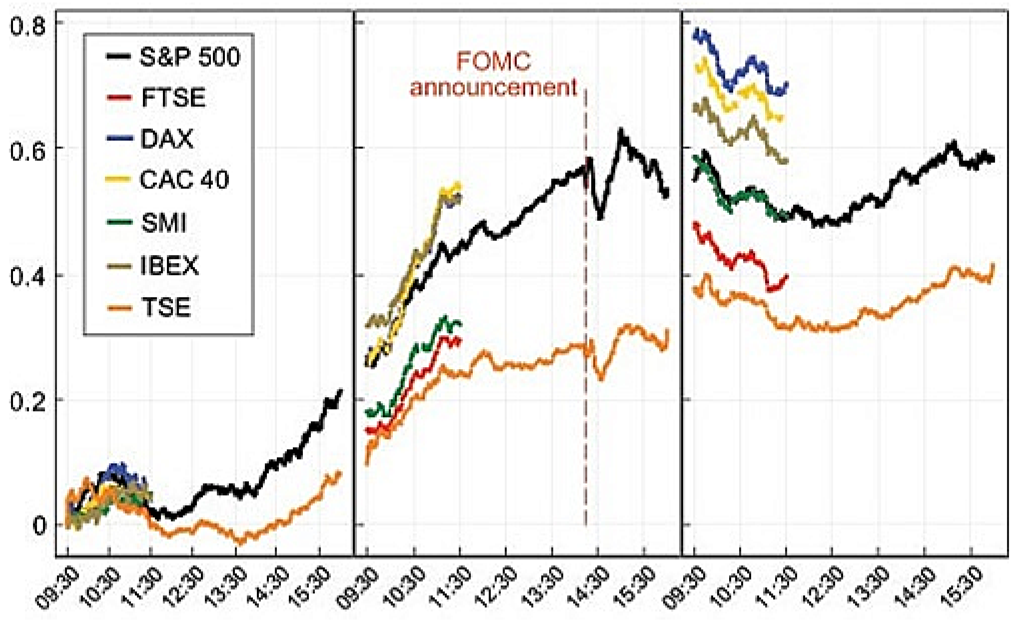
(cont.pg.29)

MATA DRIVER$: The FED (cont.)

An International Perspective

Does this striking result apply only to U.S. stocks? While we do not find similar responses of major international stock indexes ahead of their respective central bank monetary policy announcements, we observe that several indexes do display a pre-FOMC announcement drift, as the chart below shows. Cumulative returns rise for the British FTSE 100, German DAX, French CAC 40, Swiss SMI, Spanish IBEX, and Canadian TSE index when each exchange is open for trading over windows of time around each FOMC announcement in our sample.

Average Cumulative Returns on International Stock Market Indexes around FOMC Announcements



Potential Explanations

One might expect similar patterns to be evident also in other major asset classes, such as short- and long-term fixed-income instruments and exchange rates. Surprisingly, though, we don't find any differential returns for these assets on FOMC days compared with other days. In other words, the pre-FOMC drift is restricted to equities. Further, we don't find analogous drifts ahead of other macroeconomic news releases, such as the employment report, GDP and initial claims, among many others. The effect is therefore restricted to FOMC, rather than other macroeconomic, announcements. In the Staff Report, we attempt to account for standard measures considered in the economic literature that proxy for different sources of risk, such as volatility and liquidity, but they also fail to explain the return. Finally, we consider alternative theories that feature political risk, investors with capacity constraints in processing information, as well as models where stock market participation varies over time. Although these theories can help qualitatively explain the existence of a price drift ahead of FOMC announcements, they are counterfactual in some dimension of the empirical evidence.

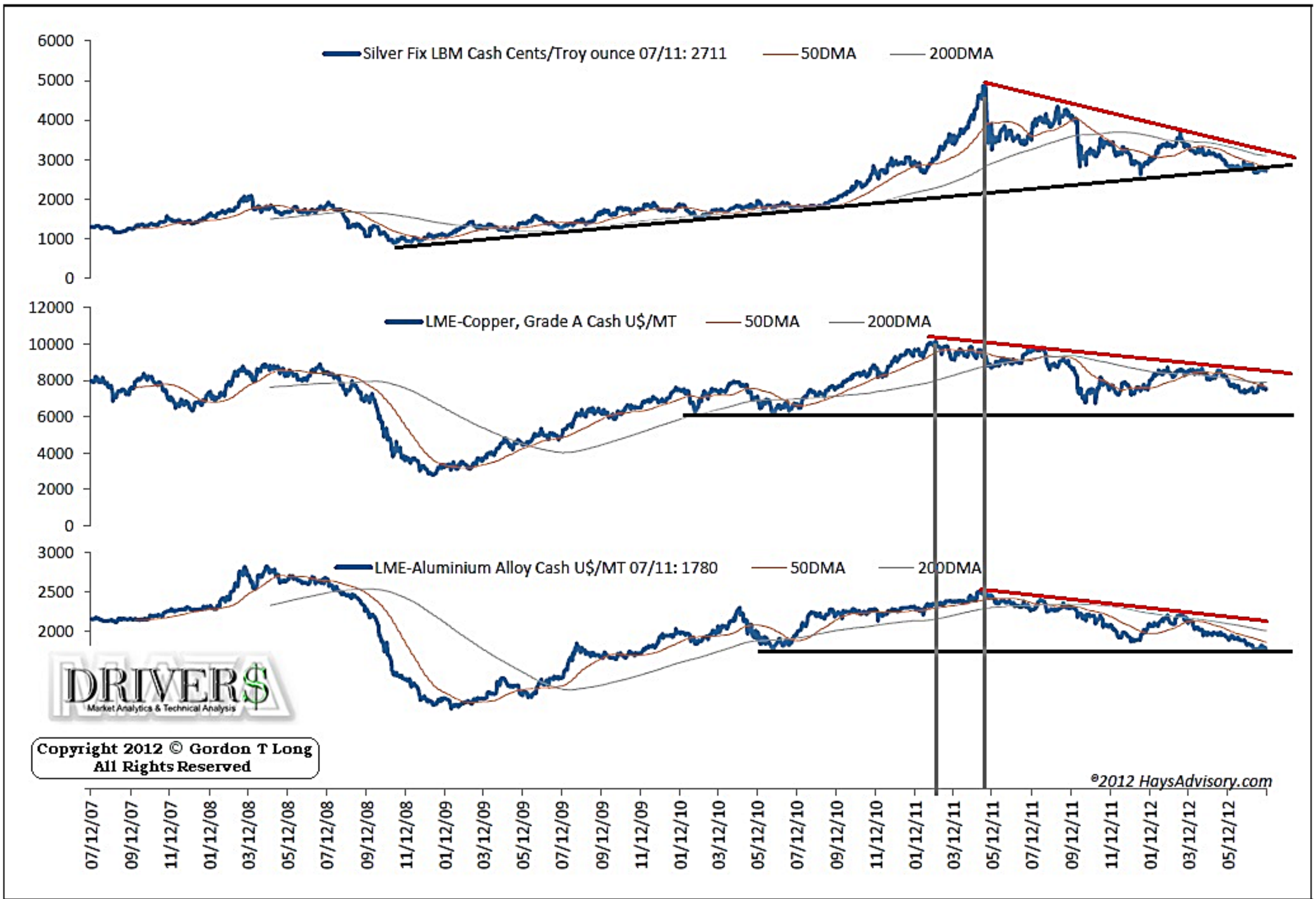
Our findings suggest that the pre-FOMC announcement drift may be key to understanding the equity premium puzzle since 1994. However, at this point, the drift remains a puzzle.

END

Gordon T Long

See MEDIA MATRIX for more commentary on the latest Federal Reserve admissions

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 the chart above shows us is:

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

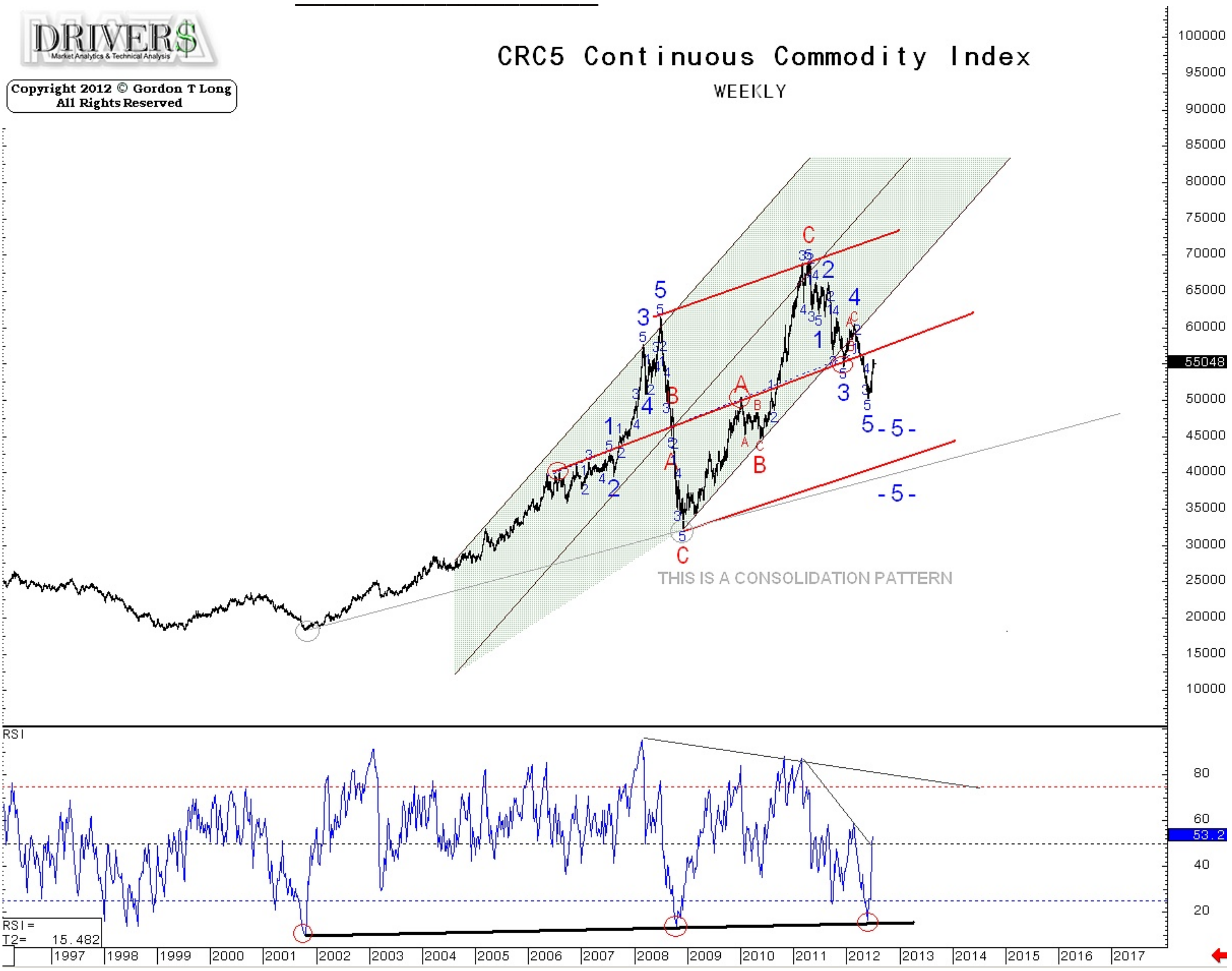
2. Silver as both a precious metal and industrial meal (electronics) along with Aluminum are supporting the fact that global economies are slowing.

a. We appear to be 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.

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 the chart above shows us is:

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

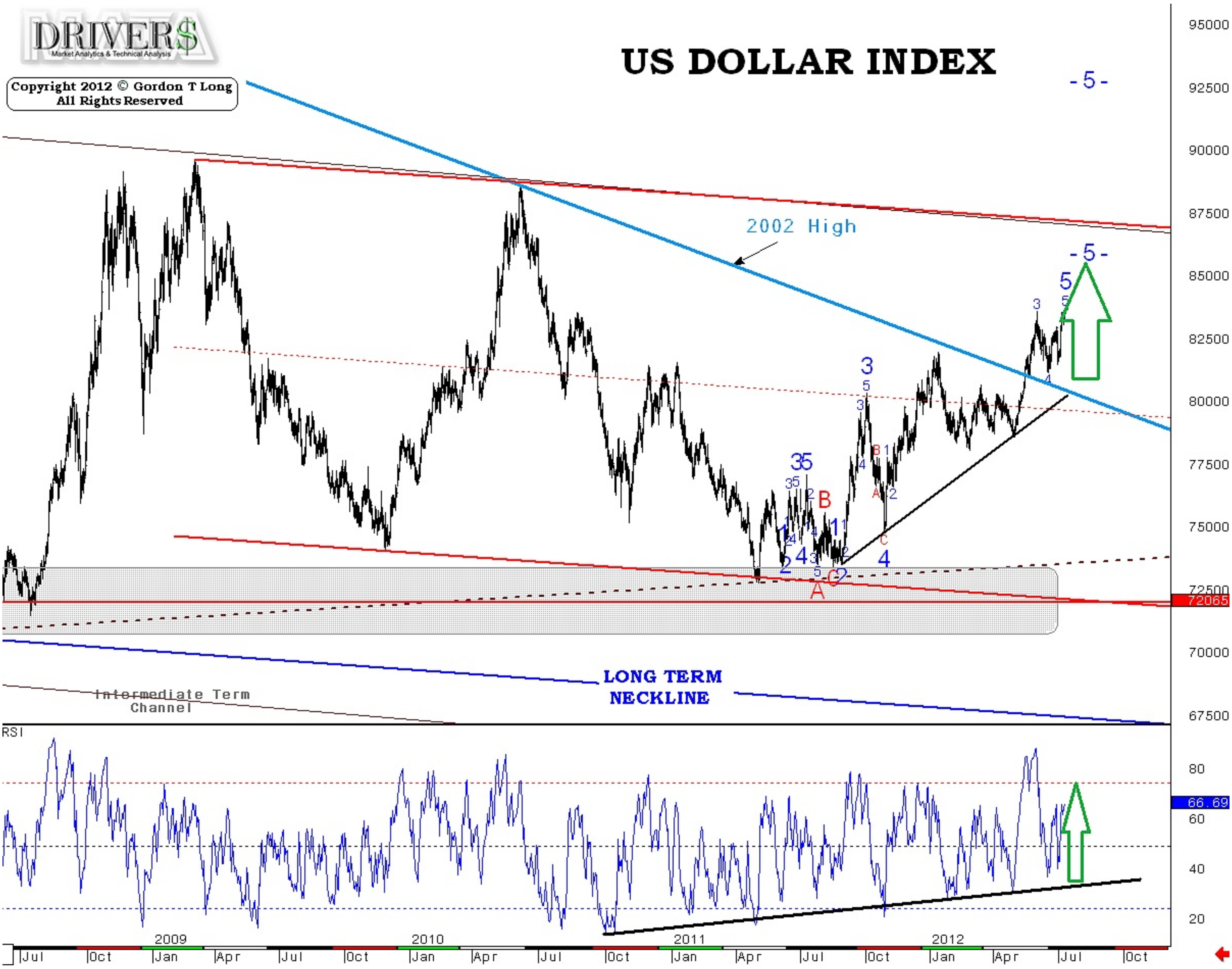
•INFLATION EXPECTATIONS: The central Banks primary reason for temporarily holding further liquidity injections is to get commodities down and to 'disarm' inflation expectations. It is only with contained expectations that Central Bankers can be assured that further liquidity boosts will not spook the bond market.

EUR:JPY

Zooming in to the latest movement (Wed July 25th) we can see that the market currently sits on the red-dashed line from above. *(right)*

The W%R is lifting from the extreme low, supporting a rise from here. It is possible that we will get a little more down before the move is over (extension of a 5th), however our long-term view, as shown above, is for an eventual lift.

$USD



Our Global Macro Tipping Points have 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 the 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 fallen.

•The European situation continues to worsen as Spain and Italian yields are over 7% and Spreads against German Bunds are north of 5%

EUR:USD

EU-EURO SITUATIONAL ANALYSIS :

o 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.

o 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.

o 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.

o 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.

o 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.

Technical Analysis "Must Haves"

I often get asked how to use Technical Analysis and where to start. Along those lines, others want to know what I find useful and use myself.

The following is a run-down on some of the more essential aspects of technical Analysis and what everyone should have under their belt before they start to try and put together a trading strategy. This is not a complete list of what you should understand, but is the very least you should start with.

Support & Resistance, Trend Lines, Channels : These are your basic building blocks. They will start to show you that the market isn't as random as it first appears. The market respects certain price levels, for various reasons, and these help identify what those are. Typically they are places where we can expect a reversal or pivot of the market. These are created by joining the tops or bottoms of the market moves and will reference places in the future where this is most likely to happen again, should the market continue as it is.

A trend support **B** channels, red lines are parallel **C** market moves from one channel to another

D market retests previous channel support **E** market resumes in previous channel

F market moves from one channel to another

(cont.pg.36)

Common tools like Moving Averages & Bollinger Bands: These are just 2 to take a look at, many more available to explore. I personally use ma's and BB's and would recommend them. Also included in the tools should be a few indicators like the RSI or W%R. Again, there are many of these to explore. For any of these tools, don't just plot them on the chart. Learn what they are and the math that constructs them, then you will have a better understanding of what they are measuring and where they are appropriate. Don't just use the standard setting given to you when you first use the tool – modify the variables and see what happens.

A Bollinger Band containing the price-time graph show us places of market extreme and when we can be expecting a reversal.

B Moving averages move with the market and offer places of support and resistance. Add more than one and see how the market moves around and between them.

C Moving outside of the Bollinger Bands can be just as informative as when the market reverses.

D The Williams %R indicator at the bottom of the graph is showing us market extremes again. Here at D we can see the correlation between the extreme low on the indicator and a subsequent lift in the market.

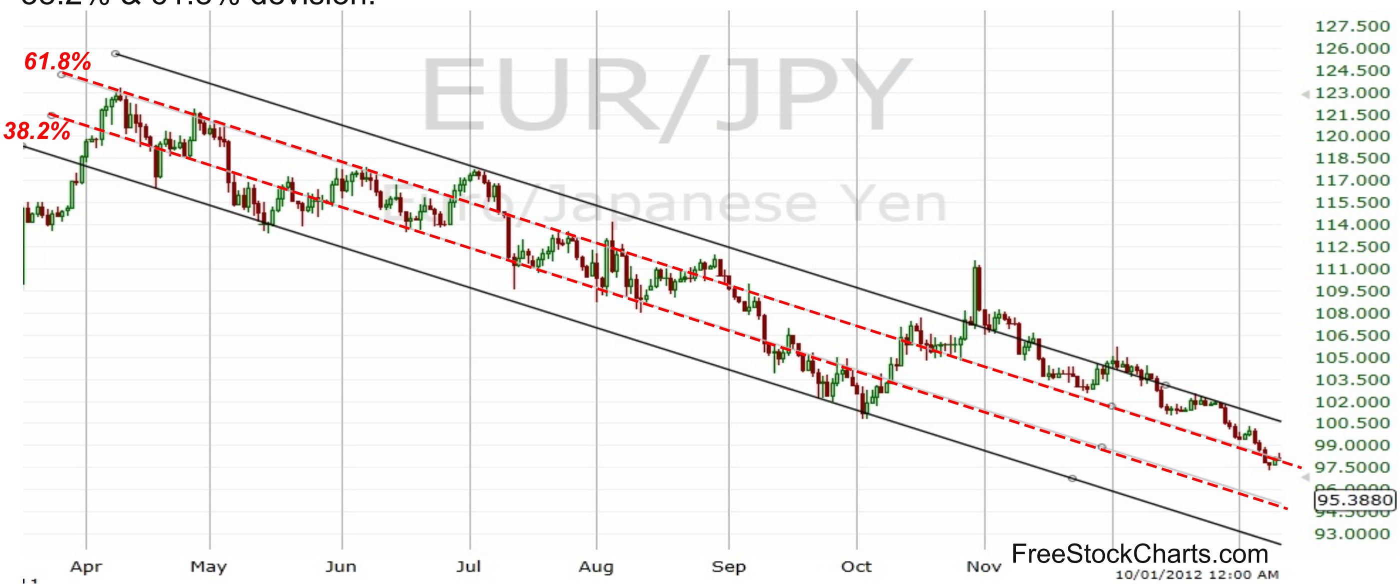
(cont.pg.37)

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

Fibonacci Retracements & Extensions: Learn and understand what "Fibonacci" is, the number sequence and ratios. The markets appear to move according to Fibonacci principals, both in price *and in time.*

Above: The dashed blue lines devide the fall from the end of May to the beginning of June in to Fibonacci ratio levels. You can see how the subsequent rise has moved between them.

Below: Channel has been devided in to Fibonacci ratios, the red dashed lines represent a 38.2% & 61.8% devision.



(cont.pg.38)

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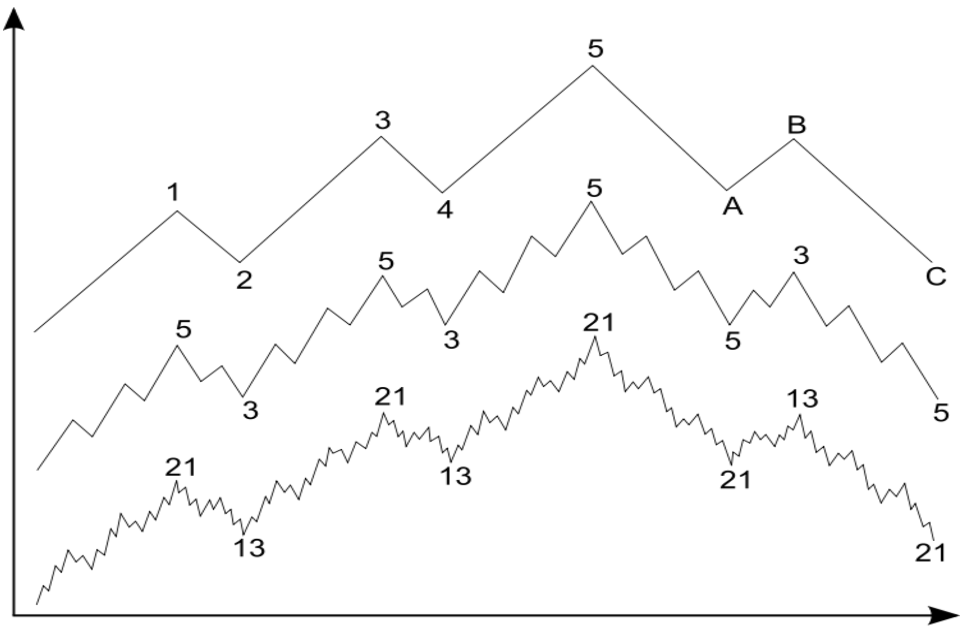
Common Chart Patterns: This is an extension of the Channels etc. above. Other shapes like various formed Triangles (flags, pennants) have characteristics and provide some assistance – continuation and reversal patterns.

Elliott Wave Theory: You can spend a lifetime trying to get this right; however the general basics of the theory is "must have" knowledge. Specifically: general wave structure; 5's & 3's; impulsive & corrective; perspective of different "degrees" in wave structure; and the few basic rules of application for the theory (alternation etc.). Again, it can be extremely difficult (if not impossible) to come up with a correct count for everything. However, the general theory appears to be correct and is very visible when you understand it. It is predictive in nature and is combined with Fibonacci above.



From R.N. Elliott's essay, "The Basis of the Wave Principle," October 1940. [(wikipedia)]

(cont.pg.39)

Multi-time Frames: This goes along with EW above and understanding "degrees". Practice watching the market in more than one time frame at a time. Watch the 1-3-5-15-60 min side-by-side and notice how the charts move together.

The above is where I would start. They all integrate together and when you see this, the markets begin to become less than random. When you have reached that point, then you can start to put together a trading strategy based on all that you have learned.

May seem daunting? You can eat an elephant one mouthful at a time. Anything less and you are guessing and gambling. The above will give you the basic underlying form and structure of the markets as well as tell you what is coming next and when. This should be easy? Everyone wants something for nothing – who doesn't? The market however is designed to take from those people, not give them a steady income.

Another theory I would recommend you explore is Gann. This again is another lifetime study in itself, but it is worth the effort, on many levels. Start now. It isn't a must know as the rest of the list above, but will give you another perspective of the markets and what is going on.

END GoldenPhi

DRIVERS

MATA / GMTP

7 Early Signals

Contents Page

The macro Indicators we have determined that are presently giving highly correlated, early signals to the global equity market are:

1. CITIGROUP's G10 Macro Surprise Index
2. MARKIT's Cumulative Global PMI
3. BLOOMBERG's Financial Tightening Index
4. FEDERAL RESERVE'S Sequential Growth in US
5. IBES' Relative Global PE Ratio
6. FSB 30 Index of Systemic Risk Names
7. Swift Payment & Economic Activity

1. CITIGROUP's G10 Macro Surprise Index

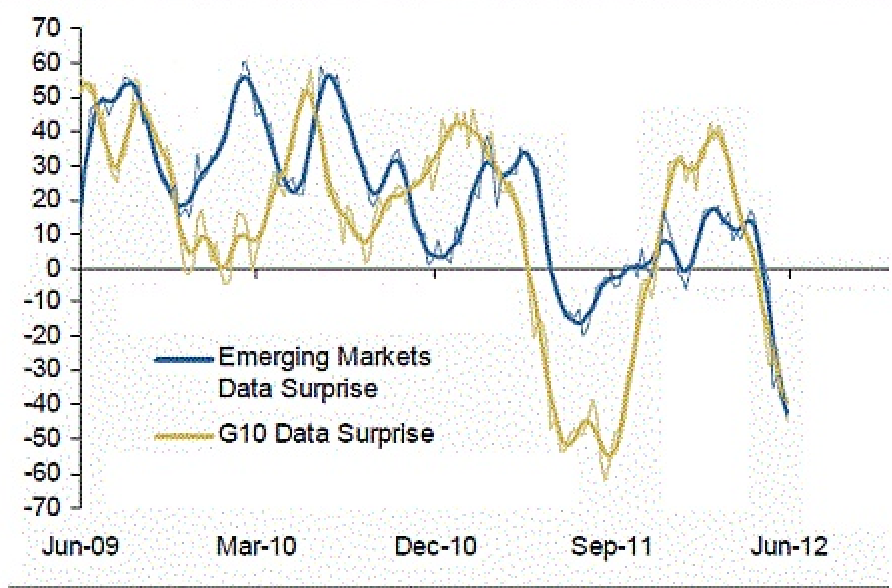
Shows the DEGREE to which Analysts have mistakenly held a consensus view.
The negative global macro news has clearly caught analysts by surprise. The apparent US Recovery had fooled them into a false sense of confidence regarding continued global expansion. This is now clearly the case of analysts are busy taking down 2012 earnings estimates.

(cont.pg.41)

Global macro weakness seems set to trigger another round of global monetary easing. Prior aggressive policy action has coincided with risk asset rallies. However, those policy actions also corresponded with improving macro data, which was the critical factor. There will be a Pavlovian reaction from markets if we get further easing, particularly QE3 from the Fed. But if macro stays weak, expect any QE3 rally to last hours or days, not weeks or months.

Macro news is falling short of expectations almost everywhere!

Exhibit 1
Global Growth Disappointment



Source: Bloomberg, Citigroup, Morgan Stanley Research

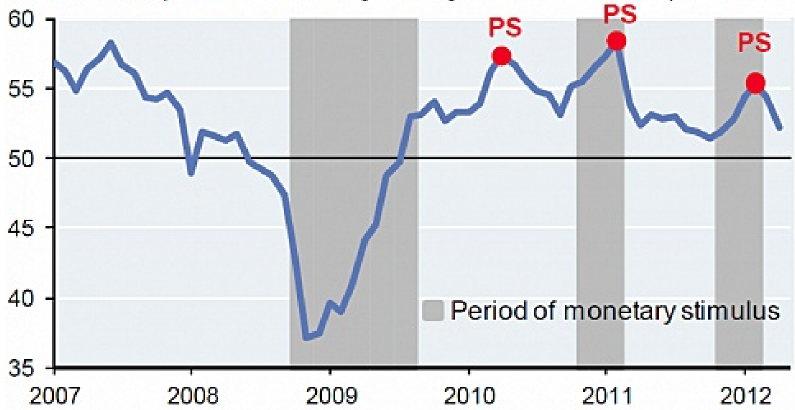
2. MARKET's Cumulative Global PMI

The Global Economy is now slowing as the latest PMI numbers show. For the third year in a row, we've had another Prague Spring, a metaphor for better springtime data melting as summer begins. Central Banks have predictably reacted previously with new rounds of monetary easing.

PRAQUE SPRING - The Real QE Leading Indicator   When Macro Meets Micro 06/04/12 Zero Hedge

For the third year in a row, we've had another Prague Spring, a metaphor for better springtime data melting as summer begins.

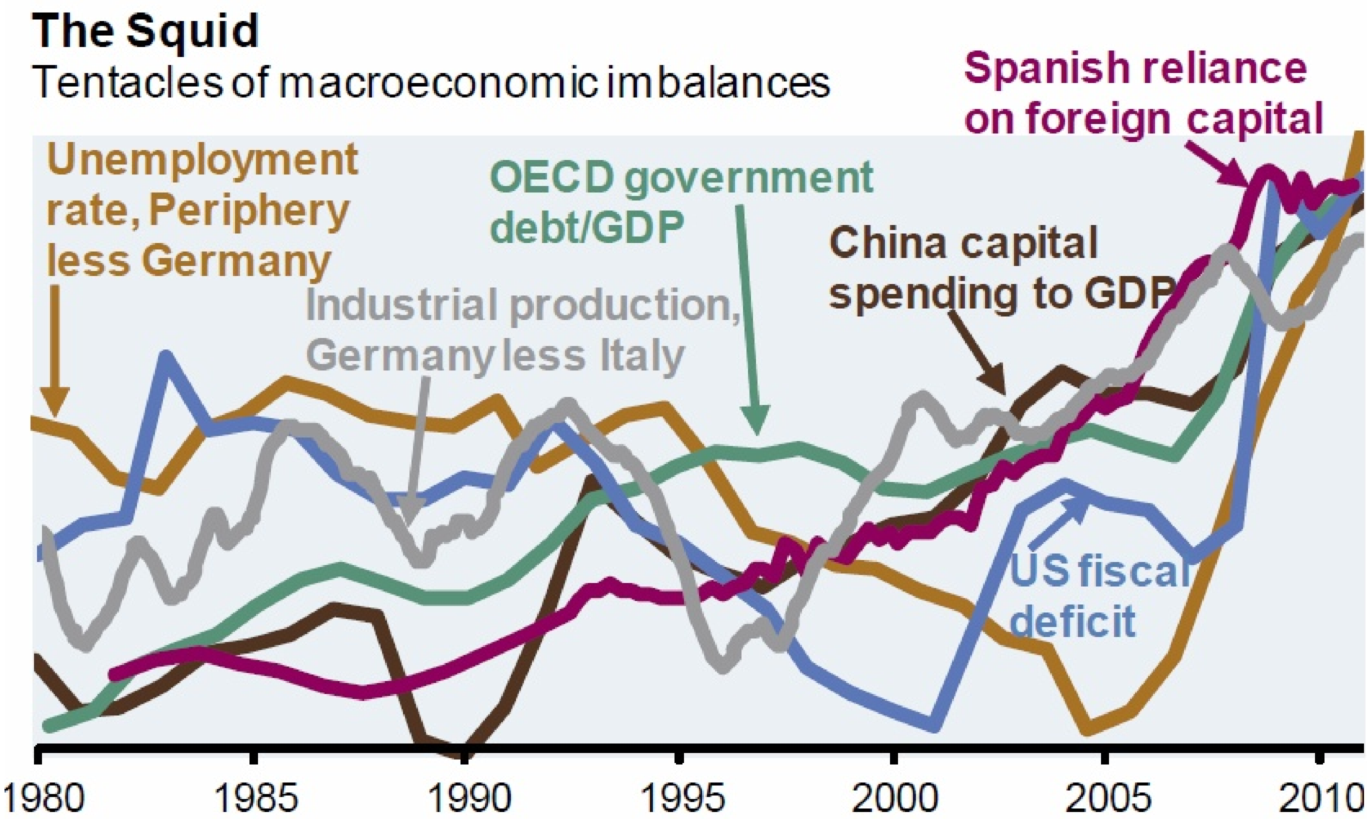
Another Prague Spring
Global Composite Purchasing manager's index, 50+=expansion

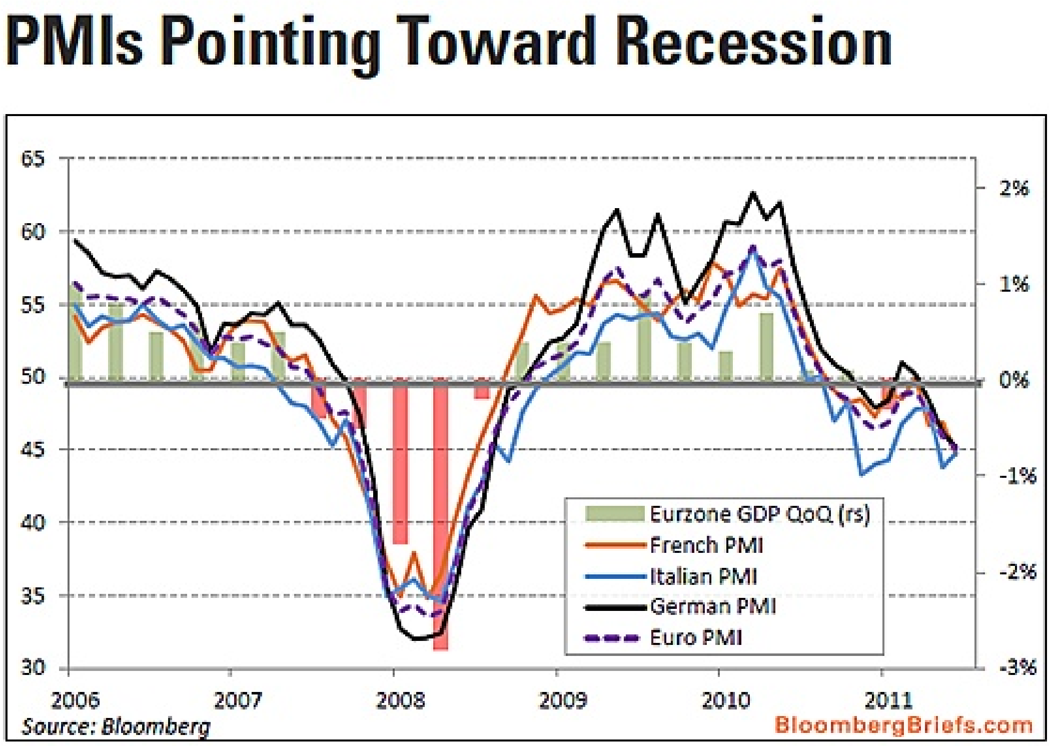


Source: J.P. Morgan Asset Management, Markit, J.P. Morgan Securities LLC.

(cont.pg.42)

Individual manufacturing PMI readings across Europe continue pointing toward a deeper recession in the currency union with the overall euro zone PMI slipping to 45.1 in May. Germany's safe-haven status hasn't prevented the country's manufacturing sector from slowing in tandem with its neighbors. Germany's May's PMI print declined to 45.2 from 46.2 a month prior, its lowest reading since June 2009. PMI's for France and Italy, declined to 44.7 and 44.8 in May, respectively. Following the 2008 financial crisis the overall euro zone manufacturing PMI bottomed in February 2009 at 33.5.





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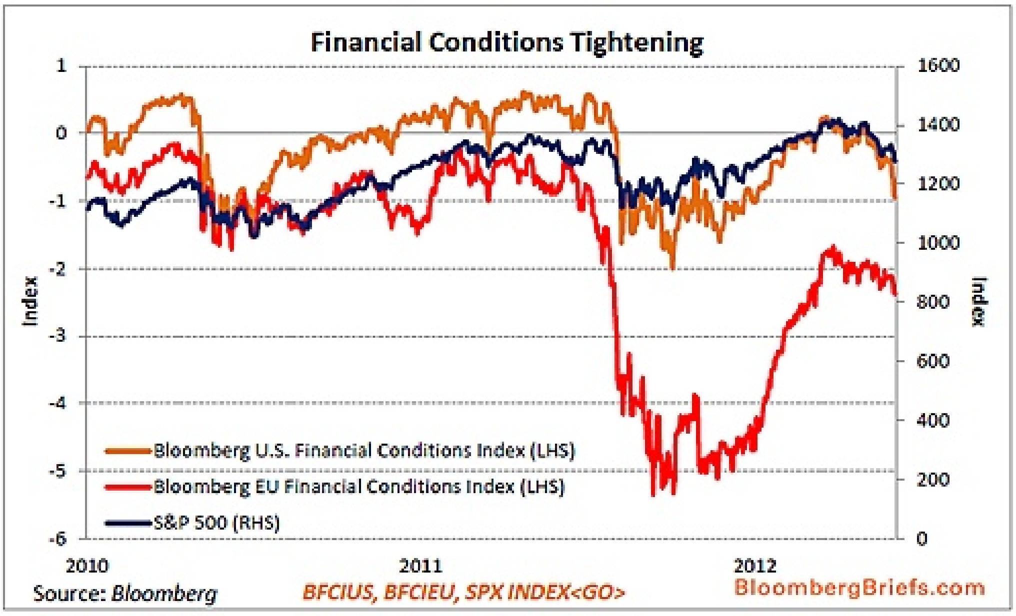
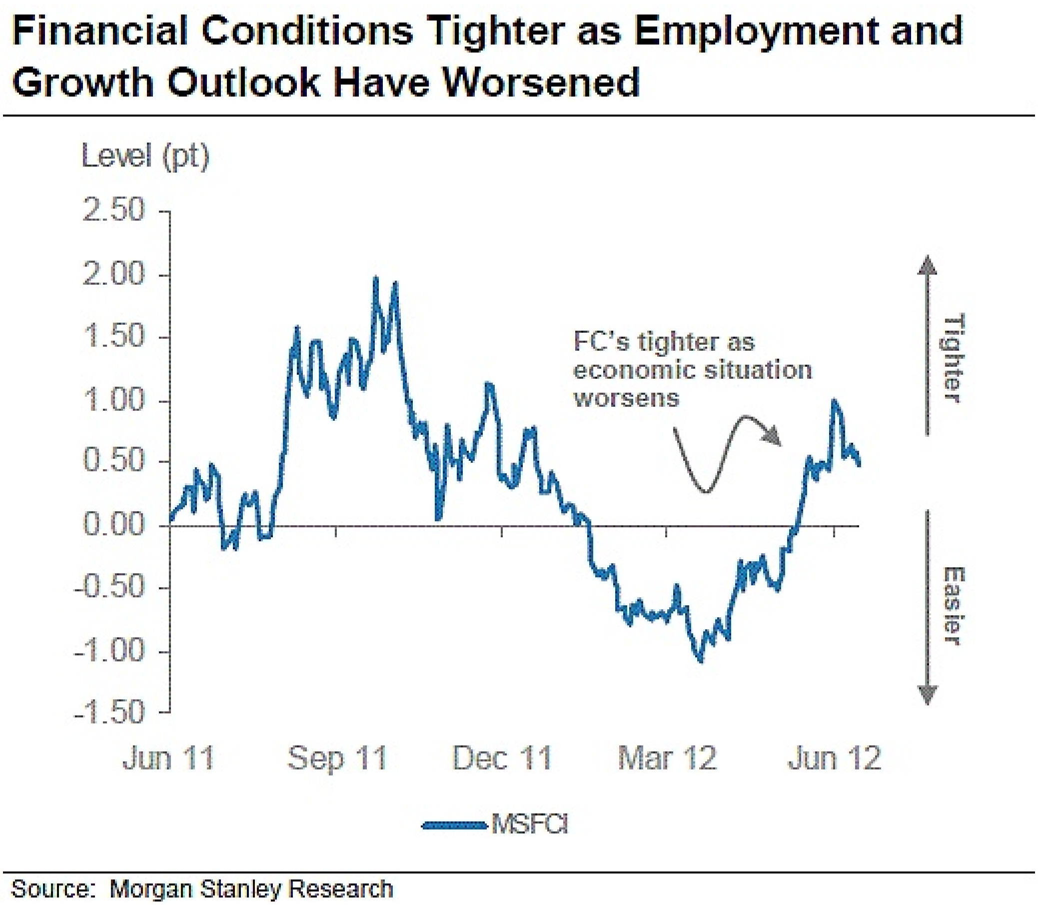
3. BLOOMBERG's Financial Tightening Index

Financial conditions have tightened over the past two months and have deteriorated noticeably over the past six weeks.

The Bloomberg European Financial Conditions Index is 2.3 standard deviations below its neutral levels, while the Bloomberg U.S. Financial Conditions Index on April 5 moved into terrain indicating growing financial stress and now is about 1 standard deviation below its neutral level.





(cont.pg.44)

4. FEDERAL RESERVE'S Sequential Growth in US

US Credit expansion is now almost solely Government sponsored Non-Revolving Student Loans and GMAC. Revolving Credit continues to fall and is being offset by expanding Non-Revolving debt in the form of almost exclusively, student and subprime government motors car loans.

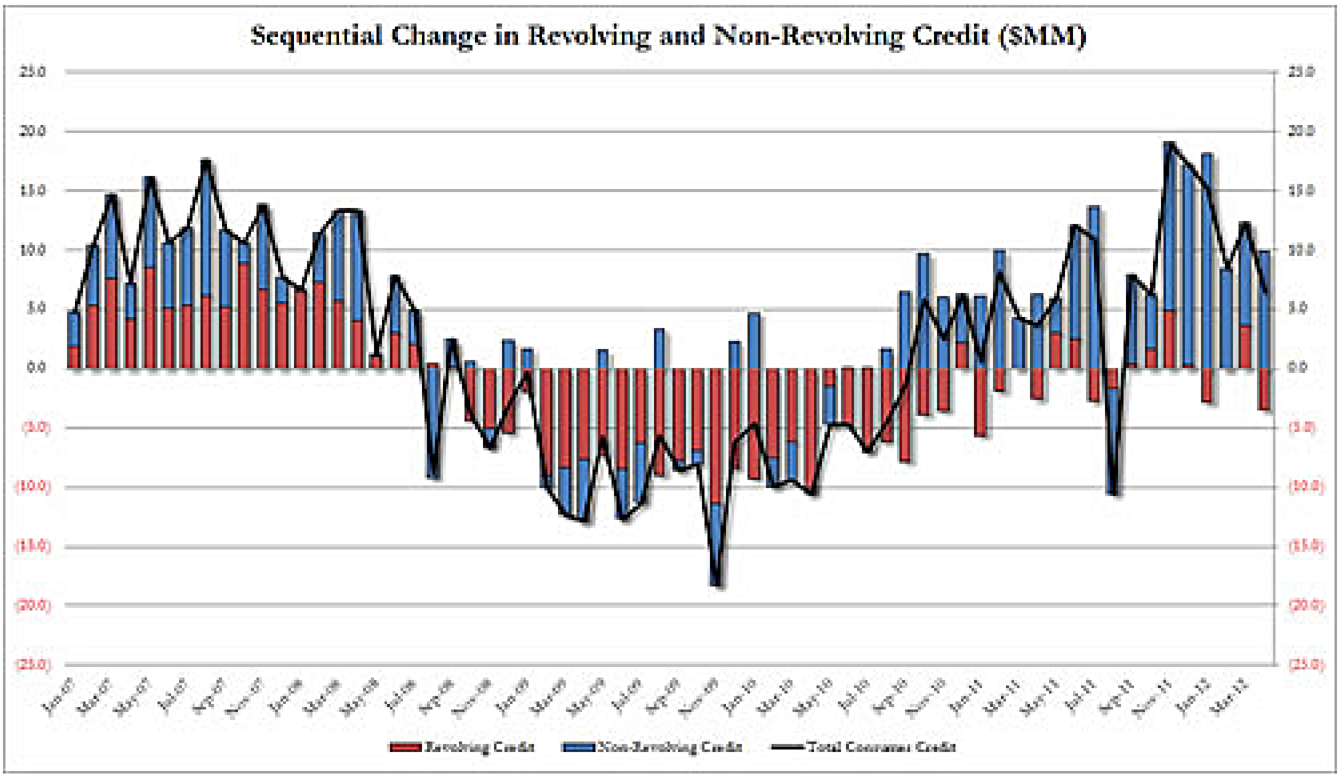
Consumer Credit Misses, As Fed Magically Creates $1.5 Trillion In Net Worth Out Of Thin Air 06/07/12 Zero Hedge

That the just released consumer credit update for April missed expectations of a $11 billion increase is not much of a surprise. The US consumer has once again resumed deleveraging: April merely saw this trend continue with:

Revolving Credit DECLINING by $3.4 billion,

Non Revolving Credit EXPANDING: Now traditional increase in student and subprime government motors car loans, which increased by **$10 billion**.

In other words, following a modest increase in revolving consumer credit in March, we have another downtick, and a YTD revolving credit number which is now negative. Obviously the government-funded student loan bubble still has a ways to go.



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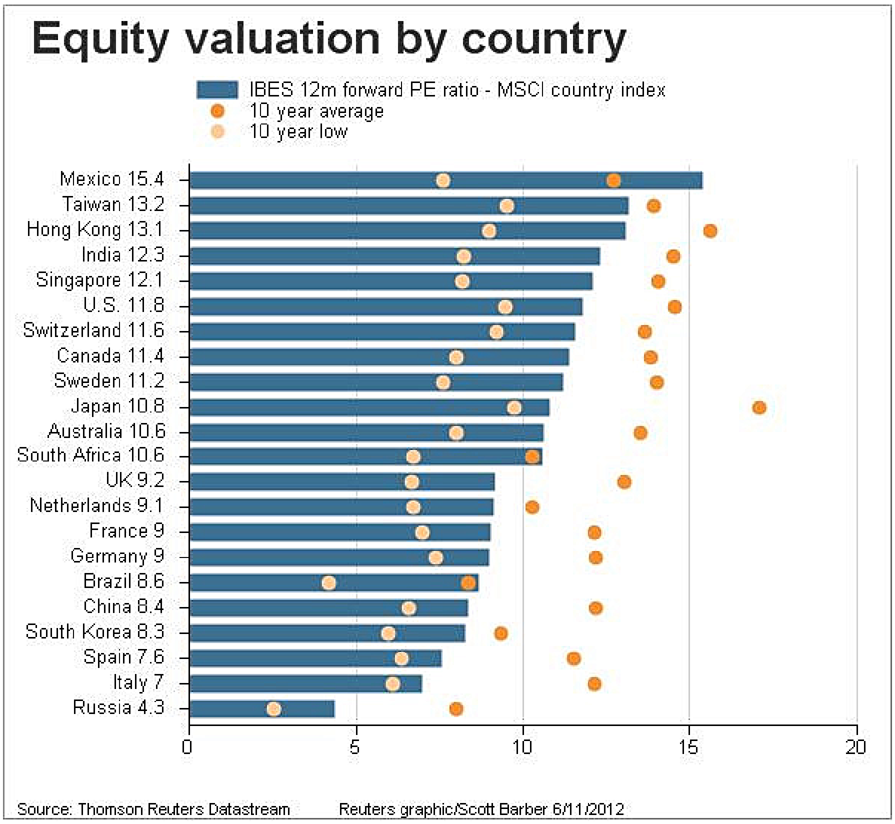
5. IBES' Relative Global PE Ratio

There is a clear long term downward trend in forward PE's for the S&P 500.
In our estimation this mirrors the reality of slowing global growth if measured properly and using a more credible deflator rate.
Expect further and ongoing longer term PE compression

Equity Valuations based on IBES 12 month forward PE Ratios are shown below.

Equity Valuations based on IBES 12 month forward PE Ratios are shown right.

The US stands out has being above the global trend line for 10 Year low PE Ratios shown by the black line in the IBES graphic above. Why is the US stock market performing better?
There is a clear long term downward trend in forward PE's for the S&P 500.
In our estimation this mirrors the reality of slowing global growth if measured properly and using a more credible deflator rate.



(cont.pg.46)

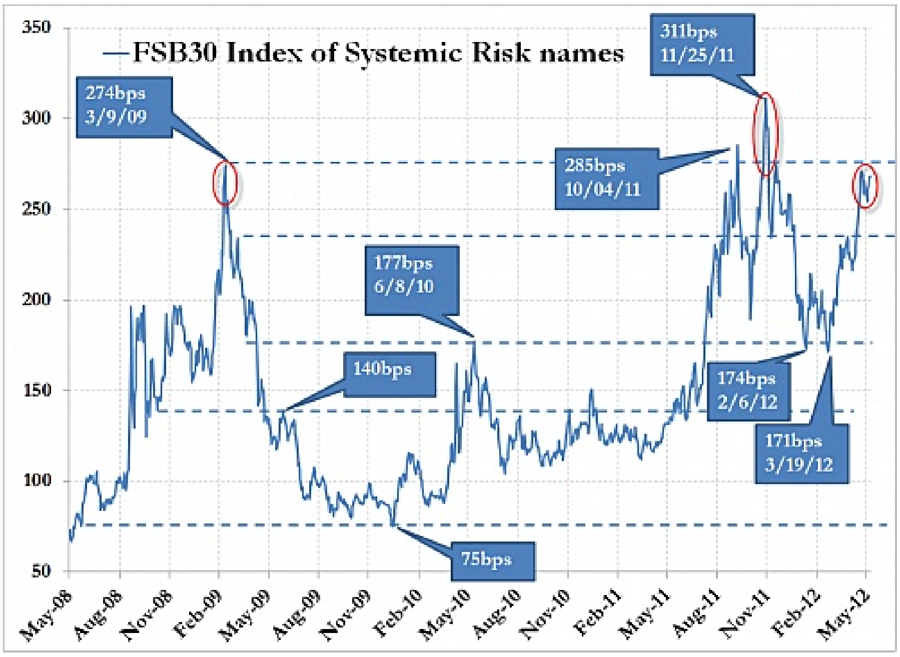
6. FSB 30 Index of Systemic Risk Names

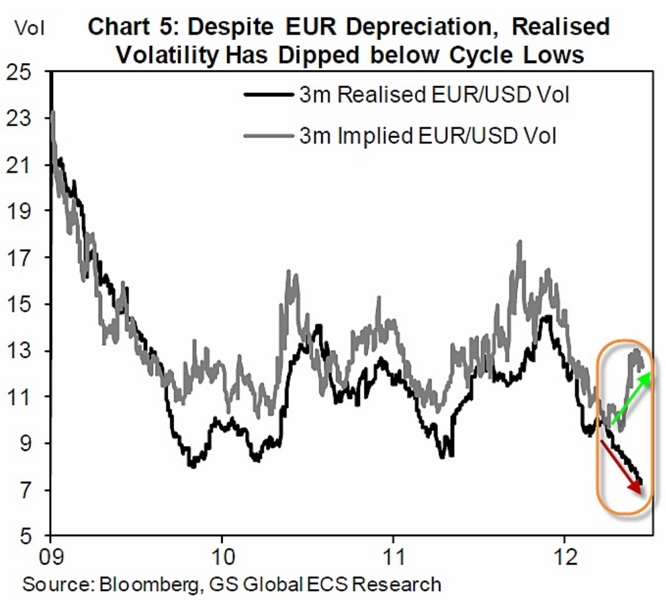
Market fragility and credit market risk indicators are now at post-Lehman levels. The credit markets are sending a very clear message.

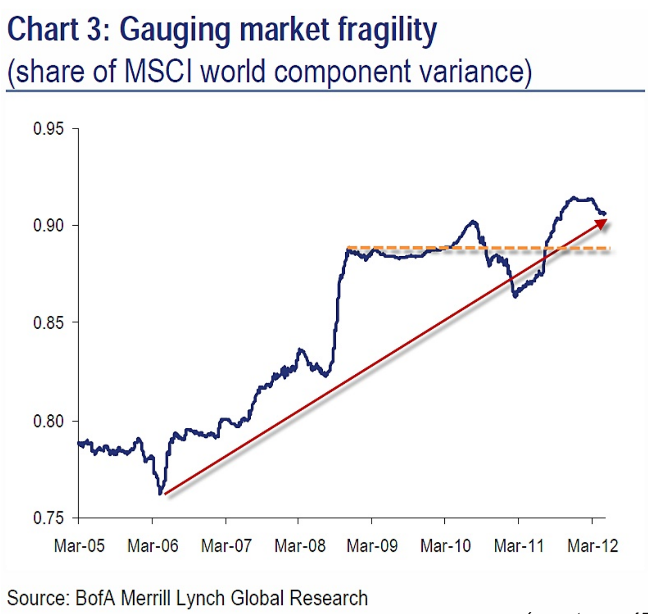
[Market Is More Fragile Now Than Pre-Lehman](#) 06/08/12 Zero Hedge

The significant rise in global systemic risk that occurred in 2008 remained until mid 2010 when it began to subside a little as Jackson Hole and QE2 seemed to allay fears somewhat.

However, in the last year or so, BofA's market fragility index has soared higher alarmingly signaling higher systemic risks than in the peak pre-Lehman era. This confirms the massively elevated signal for global systemic risk that credit markets are also sending.
Global Systemic Risk from the credit market...







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7. Swift Payment & Economic Activity

The SWIFT payments and Economic Activity is a very telling and original approach. It fits perfectly with the other early warning credit Analytics we are watching.

Two New Economic Indicators 06/21/12 ForexLive

There is a fascinating article in the RBA's quarterly bulletin.

It discusses and examines how high-frequency financial data and real-time search engine results can yield powerful insights into the economy.

It examines several promising data points but two that stand out are payments through the SWIFT banking system. The volume of transactions (rather than the value) appears to provide a good read on economic growth. (that yellow line is headed in the wrong direction)

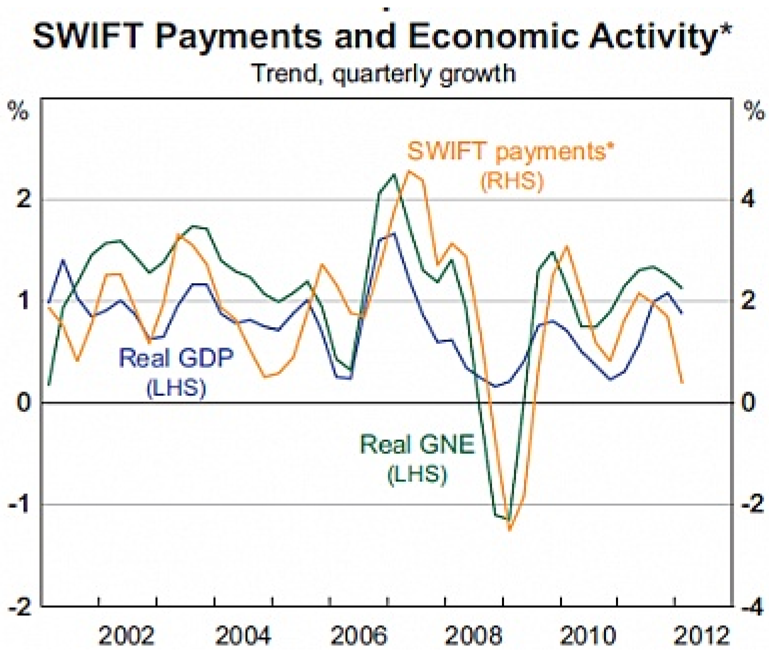
The second is Google search data. This idea first came to prominence a few years ago when researchers demonstrated that keyword searches for 'the flu' provided an astoundingly accurate tracking method for outbreaks.

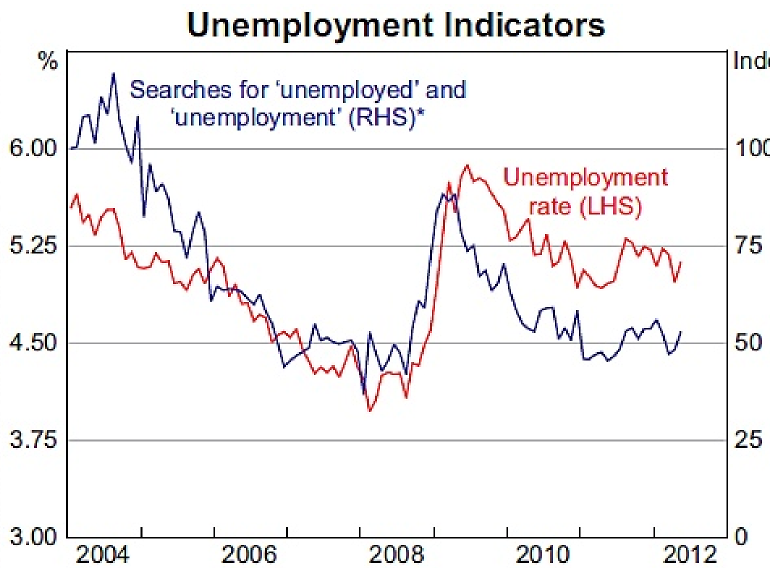
It shows similar promise for tracking unemployment and retail spending.

For me, this is fertile ground for useful economic research and the best traders are probably already tapping it.

I'm in a bit over my head on some of the details but I firmly believe that within 20 years the entire statistical landscape will have shifted toward this type of data.

Stay ahead of the curve.





Risk Assessment

Global Financial Risk Index
Credit Risk - Default SWAPS
Economic Risk - ECRI Leading Index
Inflation Risk - Money Supply - M3
VIX

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GLOBAL FINANCIAL RISK INDEX

	PREVIOUS	CURRENT
BANKING RISK - LIBOR-OIS SPREAD	5	5
BANKING RISK - TED SPREAD	5	5
CREDIT RISK - GLOBAL CREDIT DEFAULT SWAPS	5	7
CREDIT RISK - EU CREDIT DEFAULT SWAPS	6	8
CONSUMER RISK - HOUSING - RATE OF CHANGE	9	9
ECONOMIC RISK - ECRI LEADING INDEX	7	8
INFLATION RISK - MONEY SUPPLY GROWTH - M3	6	7
INFLATION RISK - MONEY VELOCITY	7	7
MONETARY RISK - BANK LIABILITIES	9	9
COST OF MONEY RISK - INTEREST RATES	4	4
Average (1 = Low Risk, 10 = High Risk)	6.30	6.90

AGGREGATED RISK LEVELS REMAIN THE SAME - HAS INCEASED SIGNIFICANTLY

We have had a dramatic deterioration in CDs spreads along with a declining WLI. Even money supply is now rolling over.

We have had a serious 10% deterioration in the Global Risk Level over the last 30 days

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

CREDIT RISK source: CMA Datavision

Anything over 300 is a concern.

WE HAVE HAD A SERIOUS ERROSION IN CREDIT DEFAULT SWAPS OVER THE LAST MONTH (Increased Risk)

Global Credit Default SWAPS

	LAST	Last Month
CHINA 5-YR	173.57	173.57
DUBAI 5-YR	365.00	345.00
EGYPT 5-YR	715.00	550.00
INDONESIA 5-YR	198.61	145.50
JAPAN 5-YR	96.38	106.00
REP. OF KOREA 5-YR	126.27	109.92
PANAMA 5-YR	143.25	108.66
SWITZERLAND 5-YR	54.78	54.78
UNITED KINGDOM 5-YR	71.66	59.16
UNITED STATES 5-YR	49.40	32.66

EU Credit Default SWAPS

	LAST	Last Month
AUSTRIA 5-YR	173.965	157.35
BELGIUM 5-YR	251.83	212.32
DENMARK 5-YR	118.635	109.00
FINLAND 5- YR	80.645	57.90
FRANCE 5-YR	197.33	165.00
GERMANY 5-YR	101.29	68.50
GREECE 5-YR	11284.9004	75.90
HUNGARY 5-YR	529.40	520.00
IRELAND 5-YR	639.58	633.33
ITALY 5-YR	513.61	357.02
NETHERLANDS 5-YR	112.02	94.08
PORTUGAL 5-YR	908.615	1394.54
SLOVAKIA 5-YR	244.995	225.00
SPAIN 5-YR	574.15	399.53
SWEDEN 5-YR	61.40	42.50

ECONOMIC RISK

ECRI Leading Index

source: ERCI's WLI

ECRI's recession call remains quite controversial in financial circles. The bullish view was supported in late December by the latest Conference Board Leading Economic Index update. One of the Board's economists forecast "continued growth this winter, possibly even gaining momentum by spring" (more here). However, the Conference Board released a working paper on December 20th (here) that discusses a major revision of its LEI that will significantly lower its optimistic reading.

ECRI doesn't provide the general public with the analytical details behind its calls, but the Hoisington Investment Management Q4 Report supports a similar recession call with an extended economic analysis that includes several key topics:

-soaring debt-to-GDP

-contractionary fiscal and monetary policies

-anticipated decline in exports

-a weakened consumer

-capital spending cutbacks

When the ECRI indicates the patterns to the right, then the following sequence happens:

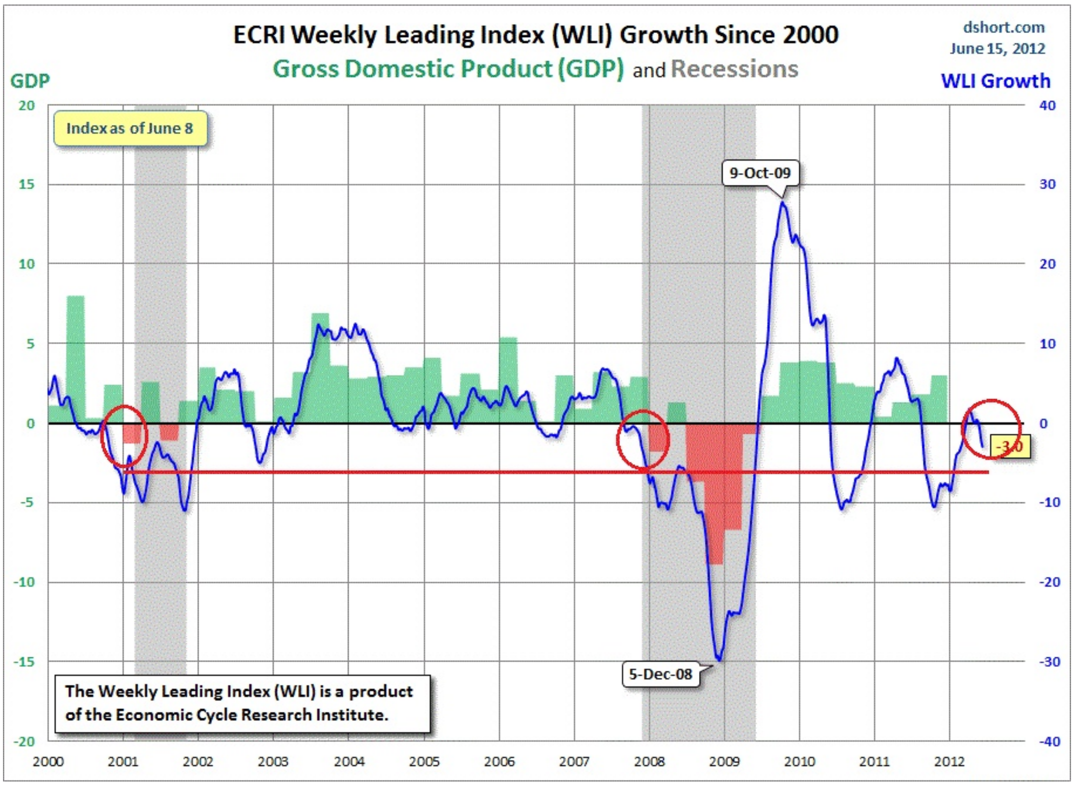
1.PE Ratios Compress:
HAPPENING

2.GDP Reductions in Outlook by analysts:
HAPPENING

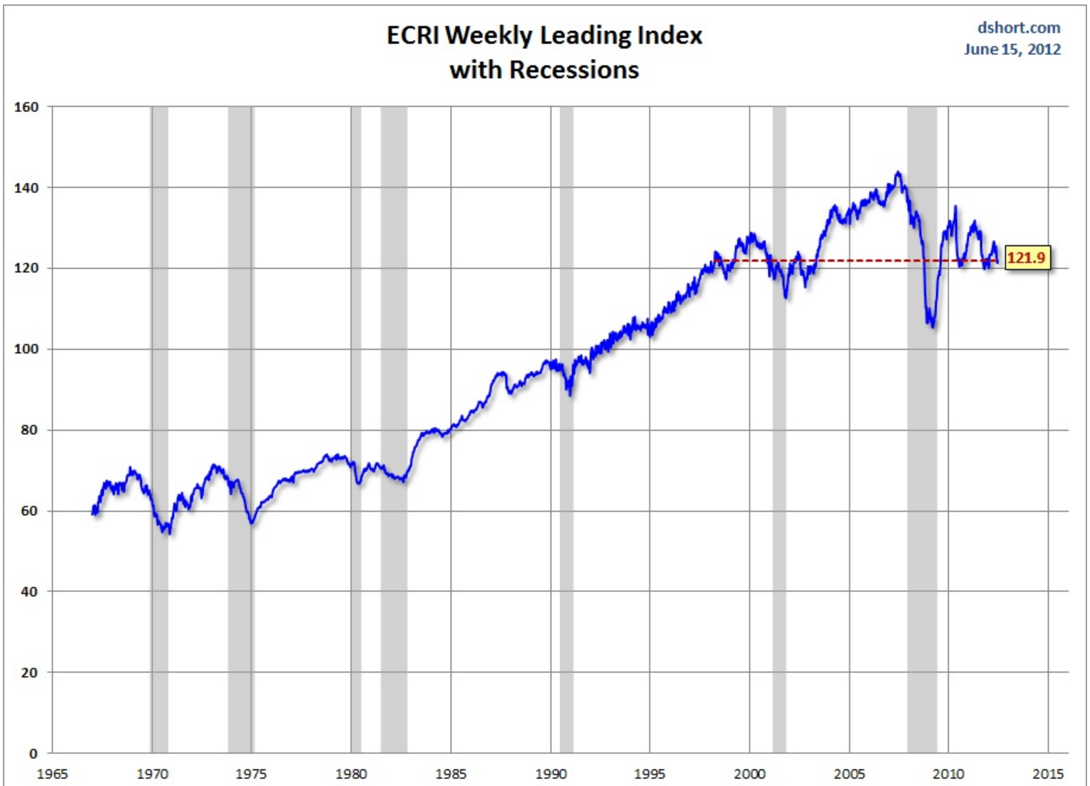
3.Earnings Estimates are reduced:
BEGINNING

4.Markets Regress-to-the-Mean.
HAS NOT HAPPENED- DISCONTINUITY/ DIVERGENCE

Has Turned Down Significantly. Notice the Three Circles and Correlation with prior Recession Periods



Clearly Worsening



Only once has a recession occurred without the index level achieving a new high -- the two recessions in the early 1980s, commonly referred to as a "double-dip" recession. Our current level is 14.1% off the most recent high, which was set 4.6 years ago. The longest stretch between highs was about 5.2 years from February 1973 to April 1978. But in index level rose steadily from the trough at the end of the 1973-1975 recession to reach its new high in 1978. The pattern we're now witnessing is quite different.

INFLATION RISK

Money Supply Growth - M3

sources: ShadowStats
Federal Reserve

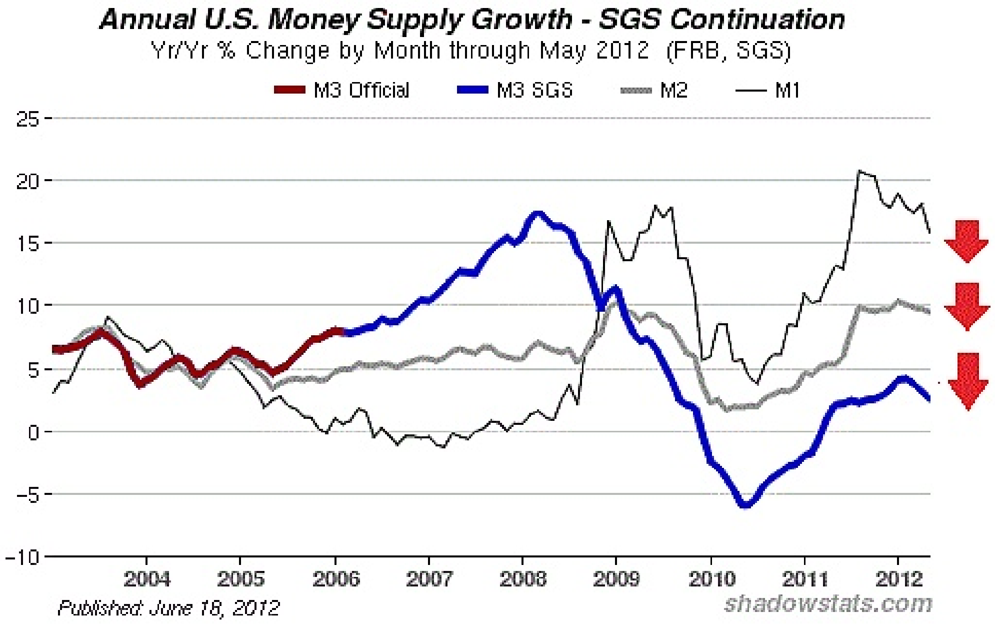
Though the government no longer releases the M3 money supply statistics, they are put together by such organizations as ShadowStats.com.

The massive efforts by the US Federal Reserve the overall money supply as represented by this broadest measure of US money and credit appears to have finally begun to work and has recently risen above the zero line. It appears to be continuing to rise.

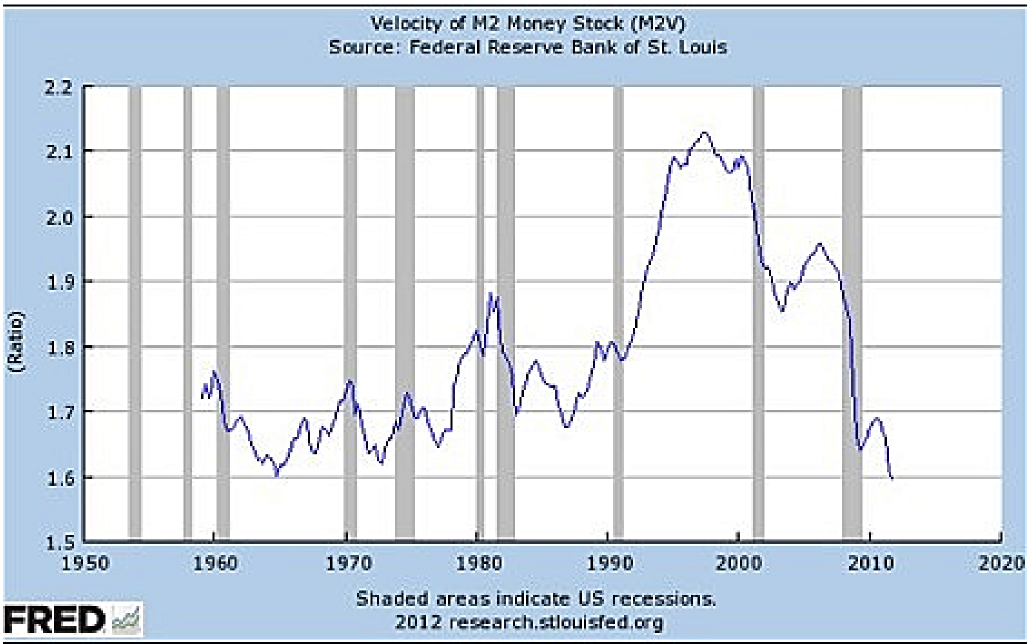
What was worrying was that the rise was based on programs such as QEII, which have now ended! Nevertheless M3 continued to rise but has recently began to show signs of rolling over.

What will stop it from rolling over as we are seeing in Housing and the Economy overall?

US MONEY SUPPLY IS CLEARLY ROLLING OVER



The US Government no longer releases M3. Instead we must use M2 or the Adjusted Monetary Base



VIX - Weekly

The market came back towards the lows, with the most recent action starting another lift. Long-term expectations are for volatility to increase. The W%R has lifted over the -80 level and supports a lift as it makes its way back up to the opposite extreme. Several ma's provide support & resistance to bounce between as the market rises.

VIX - Daily

The market has recently moved back up to previous supports. Currently finding s/r between the 34ma and 50ma as well as two Fib levels.

A pullback to the 13ma would be normal before we see more lift. Current trend is technically down until we can break through the red channel s/r just above the market.

W%R supports more pullback, falling from the upper extreme and moving down through the -20 level trigger. Previous trend support needs to hold to support any immediate lifting - otherwise breaking through the trend support would indicate more down yet to go.

Media Matrix
& General Reality

Banking & Economics

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Some more information for you to consider. This month a general theme seems to have developed. The last reference came about as great timing. The majority of these were up for consideration earlier in the month. Then with the report from the Fed itself... karma? At what point does this all become obvious?

The point of Media Matrix is to demonstrate that there may be more going on than what the Main Stream Media tells you. We believe understanding this, as well as what may be really occurring, will improve your trading & investment decisions far more so than any course or system can.

Economic Austerity or Debt Default: Choose Your Poison

by Devon DB, June 27th, 2012

Currently the US is now over $15 trillion in debt. [1] The national debt has now gotten to the point where it is larger than US GDP and is now unpayable. In response to this crisis, many in government have been arguing for austerity measures, yet they have not been using that actual term, rather there has been an argument for deep cuts in social spending, with one example being Paul Ryan’s budget proposal which targets mainly the poor and elderly. The debt crisis may very well lead the US to being forced to choose from two poisons, austerity on one hand and default on the other.

... The US, if it wants to get its economy back on track, will have to reject both default and austerity. The first step it could take is by making the bankers pay for the economic crisis that they created rather than forcing the burden upon the populace.

Titanic Banks Hit LIBOR Iceberg: Will Lawsuits Sink the Ship?
Antitrust violations, wire fraud, bid-rigging, and price-fixing

by Ellen Brown, *Global Research, July 20, 2012*

At one time, calling the large multinational banks a “cartel” branded you as a conspiracy theorist. Today the banking giants are being called that and worse, not just in the major media but in court documents intended to prove the allegations as facts. Charges include racketeering (organized crime under the U.S. Racketeer Influenced and Corrupt Organizations Act or RICO), antitrust violations, wire fraud, bid-rigging, and price-fixing. **Damning charges have already been proven, and major damages and penalties assessed. Conspiracy theory has become established fact.**

(cont pg.39)

Where Does Money Come From? The Giant Federal Reserve Scam

Michael Snyder, June 27th, 2012

Activist Post

Interrupt Your Regularly Scheduled Programming

How is money created? If you ask average people on the street this question, most of them have absolutely no idea. This is rather odd, because we all use money constantly. You would think that it would only be natural for all of us to know where it comes from. So where does money come from?

...The truth is that in theory the U.S. government does not have to borrow a single penny from anyone. But under the Federal Reserve system, the U.S. government has purposely allowed itself to be subjugated to a financial system in which it will be constantly borrowing larger and larger amounts of money. In fact, this is how it works in the vast majority of the countries on the planet at this point. As you will see, this kind of system is not sustainable and the structural problems caused by such a system are at the very heart of our debt problems today.

Mainstream Economics is a Cult

Posted on June 30, 2012
by WashingtonsBlog

WASHINGTON'S BLOG

Neoclassical economics is a cult which ignores reality in favor of shared myths.

The amount of fraud that drove the Wall Street bubble and its collapse and caused the Great Depression is contested [keep reading to see what Black means]. The Pecora investigation found widespread manipulation of earnings, conflicts of interest, and insider abuse by the nation's most elite financial leaders. John Kenneth Galbraith's work documented these abuses. Theoclassical economic accounts, however, ignore or excuse these abuses.

[Neoclassical economists believed that] fraud is impossible because securities markets are "efficient" and act as if they were guided by an "invisible hand." Markets cannot be efficient if there is accounting control fraud, so we know (on the basis of circular reasoning) that securities fraud cannot exist. Indeed, when [mainstream economists] try to explain why the securities markets automatically exclude frauds their faith-based logic becomes even more humorous.

(cont pg.40)

The Fed Claims It is Responsible for Half of US Stock Market Gains – Are We Grateful?

Friday, July 13, 2012
– by Staff Report

the Daily Bell
home of the Internet Reformation

Internet Reformation Society
Memento Mori
For Global Monetary & Political Reform

Market Savior? Stocks Might Be 50% Lower Without Fed ... A report from the Federal Reserve Bank of New York suggests that the bulk of equity returns for more than a decade are due to actions by the US central bank. Theoretically, the S&P 500 would be more than 50 percent lower—at the 600 level—if the bullish price action preceding Fed announcements was excluded, the study showed. Posted on the New York Fed's web site Wednesday, the study sought out to explain AP why equities receive such a high premium over less risky assets such as bonds. What they found was that the Federal Reserve has had an outsized impact on equities relative to other asset classes. For example, the market has a tendency to rise in the 24-hour period before the release of the Fed's statement on interest rates and the economy, presumably on expectations Chairman Ben Bernanke and his predecessor, Alan Greenspan, would discuss or implement a stimulus measure to lift asset prices. – CNBC

One of the world's major central banking institutions has now admitted that the impact of monetary manipulation has pushed up American equity markets, the biggest in the world, by about 50 percent for at least the past ten years.

... Why does it continue? Because the power elite itself, a handful of dynastic families, apparently maintain their hold over the world via money printing. Without the ability to print money from nothing, the entire rotten enterprise of world government would collapse.

... This is why we know the mainstream media is corrupted and controlled by Money Power. In a normal environment, if you explained to someone what central banks are and how they operate, that person would likely become indignant and want them shut down. But such ordinary, normal reactions are lacking within the context of the modern media.

... For those in the mainstream media who cynically decry the idea of a one-world conspiracy, open or closed, we respond, simply ... "Examine the financial system and the monopoly central banking that runs it."

Editors Note: While this helps address one issue, there are far greater "violations" that occur from the Fed that manipulate the market. Besides the obvious Bailouts and Plunge Protectionism; the very creation of the currency itself and setting of rates manages the market. Creating or destroying $ affects the value. Value of the $ is shown via the markets. Print more $, more is required to equal the same value, and the markets lift. Destroy dollars (pull from circulation) and its worth more, requiring less to equal the same value, and the markets fall. We've shown in past issues of TRIGGER$ how the market in real value terms has topped in 2000. The rest since has been various forms of market manipulation.

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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 Triggers:
Triggers, Pivots & Risk

We advocate the use of technical signals or triggers when developing a trading plan or strategy. Regardless of your skill as a market technician, ***you are better off to trade what the market actually does, not what you think it might do***. Using technical triggers is a way to accomplish this.

The tools you employ to construct your analysis can be used as triggers for trade entries and exits. While this concept is basic, the application is not always so. As straight forward as it sounds, it isn't always clear what the market will do when it reaches a technical level.

Will it pause with a correction and continue with the trend, or will it pivot and reverse when we reach the moving average or Fibonacci level? Maybe it will just blow through without any perceptible reaction at all?

There are a few strategies to consider when working out the answer.

Strategy A: ***Multiple tools & applications.***
When several studies all seem to line up and point to a certain price area, you can expect a reaction from the market when it reaches this level.

This is a great methodology and we highly recommend you practice it when doing your own analysis. It can become very clear where a market is going to be moving to. As great a methodology as this is at identify price levels of interest it still does not solve the original question. Even if you have increased your odds of finding a significant price level, you still can't be 100% sure what will happen when the market reaches it. *Something. Probably.*

Strategy B: ***Trade to and from levels identified using strategy A.***
When the market reaches technical levels, exit with a profit, not waiting to see what the market will do.

Nothing wrong with taking profits. In theory this sounds like a good strategy. In practice it isn't as easy to execute. While it's easy to exit at a price level (assuming the market makes it to the target level), the entries have the same issues as the original question. The place you are entering, is it a pivot or consolidation?

(cont.pg.49)

Strategy C: ***Pattern Identification.***
If the market doesn't just blow through your price level of interest, it will develop in to a pattern or shape of some kind. Many different shapes and combinations have been identified and labeled as "continuation patterns" or "reversal patterns".

Great! Exactly what we are looking for! The issue however is that they are not 100% consistent. While a pattern may have been identified to exhibit certain characteristics, generally exiting the pattern in a predictable direction for example, they can fail. What you thought for certain was a continuation turns quickly in to a reversal and your stops are triggered.

Strategy D: ***Multiple time frames***
When you are coming up to your projected price level, drop down a time frame and use the patterns and triggers you see developing to determine what will happen.

This is another excellent technique to practice. It adds another level of insight and information that can fine tune your entries and exits. However it ultimately also has the same original issue. The lower time frame patterns and technical indicators are subject to all the same uncertainties as the higher.

So then what is the answer? None of the options listed so far have been able to solve the problem.

We recommend the use of all the strategies listed above. All of them combined make for some interesting market analysis. This still isn't able to answer the question, but it will assist in the final answer.

Risk, an unavoidable part of the markets, is the factor missing from our strategies. Part of the problem is that the original question assumes that there is an answer that gives a guarantee of 100% accuracy. This isn't realistic and be wary of those who can promise it for a price. There may be computer trading programs in the back offices of large institutions that could be getting this (who knows?) but these aren't available online for purchase.

What ends up occurring through the application of all the considerations above is that you end up with a mess of technical levels and triggers to consider. While this may just appear confusing and not really helpful at first glance, the various levels offer different entry and exit considerations around the projected price zones.

These different entry and exit considerations offer varying amounts of Risk for your trade. Those entries that are closest to the original entry trigger and furthest from the target, while offering the most profit potential, are also the riskiest. The market seldom moves in a straight line and the closer to your entry trigger you are, the more likely the market may come back through your original level. Likewise, if after your trigger occurs and you wait for further confirming triggers closer to the target, you lose out on gains, but are more likely to reach the target level and hopefully profit.

(cont.pg.50)

What we are doing with the different entry and exit considerations is attempting to manage risk. Other strategies, for example, include limits to your trade size and stop losses.

When it comes to the markets you are along for the ride. About the only thing you do have control over is the management of your risk, profits and losses. Take full advantage of every tool available and learn to use them effectively.

What is being outlined here is a Methodology. The point of which is to use purely technical indicators to tell us what the market is doing and when to trade. Elliminating all bias, wishful thinking and any other psychological games that may affect your trading. Trading what the market *does*, not what we think it *might do*.

The actual Trading Strategy that you employ must come from you. Through using the different strategies above, you will be able to assess and trade the market based on your own personal risk tolerance.

Although we are attempting to design and use a purely technical system, there is still discretion on where the market is traded. At times the correct risk tolerance may be at a certain moving average, at others it may be a trendline. It can vary depending on market conditions, which techinical indicators are within your acceptable risk zone.

I have spent years testing different automated systems, trying to develope the one that will be profitable in all market conditions, with acceptable draw-downs. Who wouldn't like to set thier system running across multiple markets, generating a profit, while they went sailing?

I have run thousands of simulations using every possible combination of moving averages, as but one example. I have also tried different indicators and tools. I still maintian hope that it is out there somewhere. I just haven't tried the right mix yet.

Until then, the methodology we have outlined above, that can be used to develope your own trading strategy around your personal risk tolerance, is a very good substitute.

END

GoldenPhi

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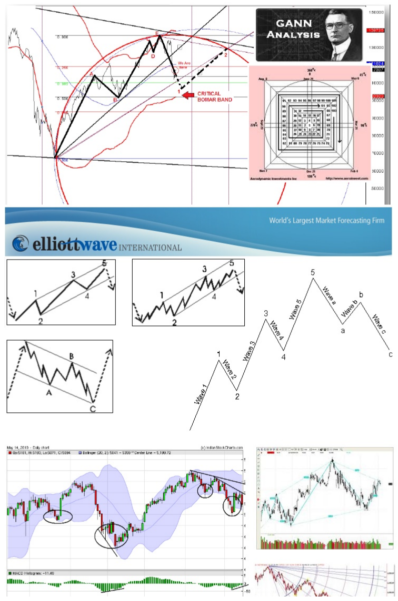

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Letters to the Editor
Readers Comments
Discussions

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This publication and our website continue to grow!

We have ideas of what we are going to be adding next, but are always looking for thoughts and input from our readers. If there is something you would like to see that would improve your trading & investing, let us know! All requests are taken seriously.

Our latest additions include:

- DRIVER$ page for our web subscribers that feature special reports on market Drivers from various analytical methodologies and perspectives.

- Update to our Inter-Issue Updates Services: new look, information and the addition of VIX and OIL technical analysis.

One of our future goals is to start in on automated trading and trade strategies, EA's etc that can be programmed and run to trade on their own. This is the ultimate in technical trading, but not easy to do! Exploring this area is one of our future aspirations.

Give us a shout if there is something you would like to see us looking in to.

Thank-you & Good Trading
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Market Research & Analytics

www.GordonTLong.com

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.

LONGWAVE
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TRADERS
TREND FOLLOWING ⇐ POSITION ⇐ SWING ⇐ DAY

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