Big Picture report

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"Quantitative approach for asymmetric results"

Bouncing back and maybe going beyond recent highs.. and then?

☐ **Overall picture**: equities broke the upward channel in which have been moving since December, giving initials and clear signs of deteriorating of momentum (did we need those signals as we looked at the Sp500/Copper chart earlier?). However the downward movement has been sudden, dramatic and breathless bringing indexes from overbought to oversold territory. Stronger markets may try to test recent highs, weaker ones will only retest the lower part of the trendline they left. This bounce, which can be ride, will finally set the stage for opening my short positions that I have been waiting for.

☐ **US Equities:** trend inversion may be confirmed as occurred the breaking of 1380 future points of the SP500, actual movement arrived as low as 1352 future points.

☐ **VIX:** trend inversion is also confirmed by the VIX which moved back above 16.

☐ **EUR/USD**: testing the support at 1.30 on the daily forming a bearish rectangular triangle, with target 1.26.

☐ **European equities**: breaking the wedge produced a strong movement which right now sets the tone and the pace of future behavior. Bounces useful to start opening/increasing short positions.

☐ **Japan**: chart looks terrible, only if you are long. And now with a bearish engulfing very little doubt is left for which direction should be taken when trading in the direction of the trend.

☐ **Gold and Silver**: sideways movements still there waiting for better (probably sooner) moments for those metals to shineé

☐ **Commodities (DJ UBS Index)**: bearish scenario, and now testing the lower trendline. Copper down.

☐ **CFTC Report**: little bit of data mining, especially concerning the result of the combination of the futures contract of the E-Mini Sp500 plus the Globex Sp500.

Each topic has been studied as a stand-alone analysis. No conclusions have been drowned on one instrument, as a consequence of an analysis of another one. The idea of a Big Picture report is to see whether putting together all these stand-alone analysis, an overall trend is forming or not.

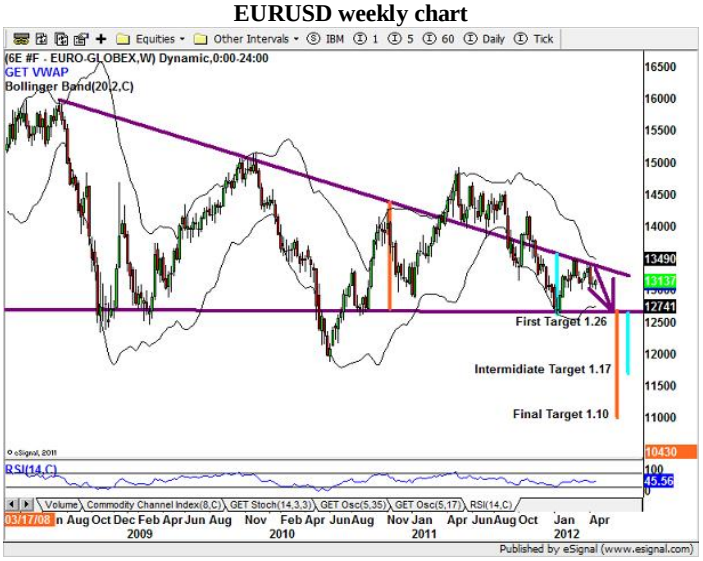
SP500 future weekly chart

Finally the breaking of the wedge did happen, giving signs that momentum is deteriorating. However now a bounce up can happen and typically can arrive as high as retesting the lower part of the wedge. That could mean even a higher high without jeopardizing the bearish structure.
Probable time target of the end of this bounce is April 30th, or at least I am putting there a note to my calendar, which reads: ñIs it finally time to go short? please checkò
In the meantime tactical longs are in place. Early breaking of recent low (1352 future points) is an important signal which must be listened.

VIX Index weekly chart

A perfect title for the chart here on the left is: ñHistory repeating?ò
Coherent with the equity index, the VIX did break the bearish wedge.
Differently from last year what strikes me about this year movement is the steeper angle and therefore I expected a strong reaction when leaving the wedge: that was the gap up happened on April 9th.

EURUSD weekly chart



Coherent with a possible bounce of the equity markets, I still give good chances for the EURUSD to achieve new relative high, anywhere up to 1.39. However main scenario is to see the exchange rate at 1.26 but breaking that static support, will call for lower level and maybe parity may not be that distanté

Eurostoxx 50 future weekly chart

Four weekly red candles cannot be missed as a sign; last identical behavior was in July of 2011 which brought to the low in September with only two subsequent green candles. Anyway current potential trades are long with the previous low as a stop loss. Right now this week candle looks like a bullish piercing line, but we are just at the beginning of this candle.

Ibex 35 Index monthly chart

In whatever fashion you would like to look at the IBEX index (last reportôs was a bearish head and shoulder) any trade here should be any direction but not up.
This time I present another monthly chart from 1993 and clearly breaking the trend line means that the Spanish index is up to no good.
Blue lines are the next static supports. Reaction to those levels are expected (like right now) which can be used to exit any long position, if still any.

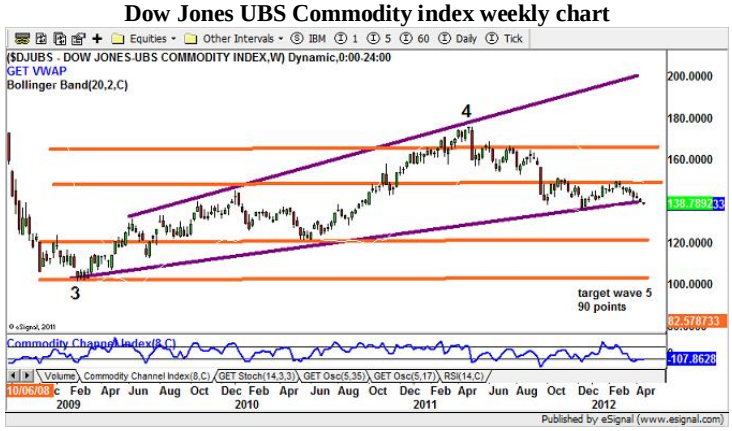
Bund future weekly chart

This chart can help explain what I mean by retesting the lower part of a trendline that I mentioned earlier for the equity indexes.
It seems we are in a very crucial moment for the Bund, that would call for shorting it outright: there are in fact two signals, first the approaching of the upper line of the channel, the second the retest of the trendline. A reaction is expected, which can also be strong if it will be in the direction least expected (up).
Reward to risk ratio very skewed toward reward for short positions.
Breaking above last week high may mean something more than a broken level.

Gold future weekly chart

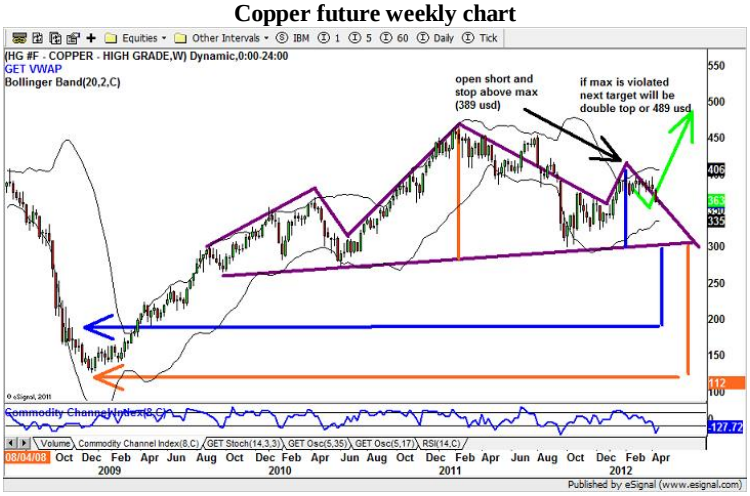
Gold is playing the waiting game. Like a chess player is waiting for others to start the next move, and then it will move accordingly.
Letôs then wait and see.
Personally I still keep this chart as my main trading battleplan which coincidentally is coherent with all the above analysis. A game changer will be breaking the low at 1523 future points.

Dow Jones UBS Commodity index weekly chart



The commodity index is dangerously flirting with the dynamic support and the breaking of such support will be a confirmation of the bearish trend, as it is the negative slope of the inclination of the movement that the index created in the last 14 months.

Copper future weekly chart



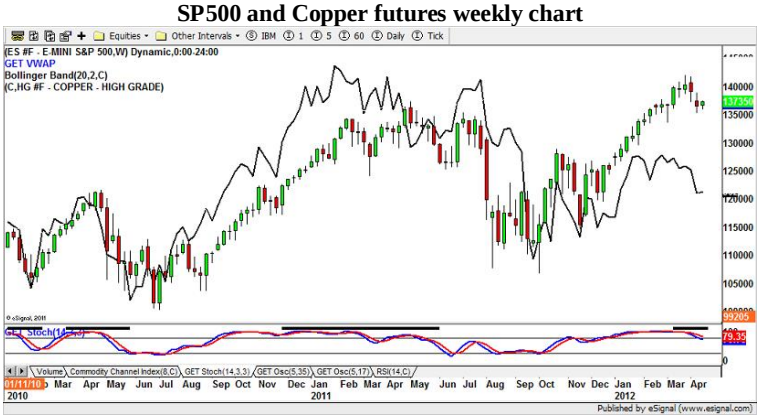
With last week long red candle there are little doubts now where Copper is intended to go. Very unlikely at this point forecasting a double top, much easier forecasting a test of the dynamic support at 300 future points.

Nikkei 225 index weekly chart

ñShort positions are possible below 9,805 points (low of March 12 weekly) with target the low end of the channel first, then the channel width projection, at 5,600 points.ò

That was my comment on the previous report. That level has been broken decisively. As other equity indexes, next bounces are useful to enter shorts with a better reward to risk ratio, which also means tighter stop losses (above recent high).

SP500 and Copper futures weekly chart

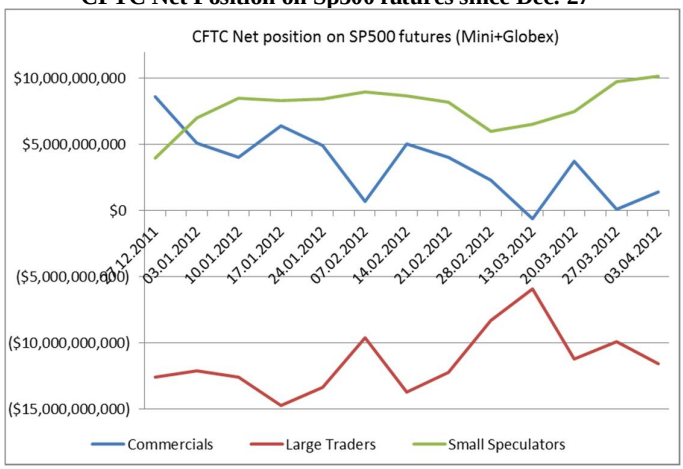


An update to one of my favorite charts.

A descent of the Sp500 is also bringing to lower level of Copper.

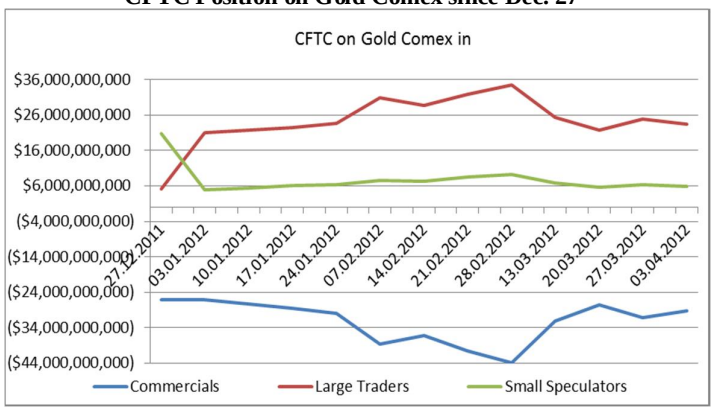
I would expect at some point a strong acceleration of the downward movement of the SP500 to catch up with Copper.

CFTC Net Position on Sp500 futures since Dec. 27th

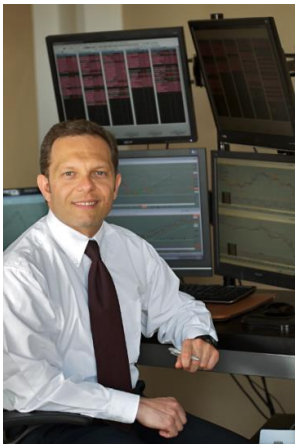


Net short positions on the Sp500 future are increased.

CFTC Position on Gold Comex since Dec. 27th



As Gold is going sideways, there is no need for Large Traders to increase their positions, or maybe is the other way round, as Large Traders donôt increase long positions, Gold is going sideways.
Anyway result is the same.



Mr. Maggioni has been working in the financial markets for the last 11 years covering different roles and working in tier 1 consulting companies and banks worldwide.

In recent years his studies have been focused on the psycho-emotional aspects of trading and how those aspects have an impact on tradersô behavior.
Before starting this venture, he was head of a hedge fund desk at HSBC Private Bank in Monaco and before that he was employed at Credit Suisse Asset Management (CSAM) in Zurich covering the in-house single manager hedge funds.

Most of his experience in hedge funds was gained while working in a Swiss family office where he was in charge of the research and analysis as well as due diligence for US and European hedge funds. He also performed quantitative analysis and portfolio construction for several funds advised by the family office.

Prior to that he worked as an external consultant for KPMG Financial Services in the Milan office. In 2002 he has been hired by Ernst & Young LLP, San Francisco as auditor for hedge funds, auditing large single funds and fund of funds. In 2000 he joined Ernst & Young in Milan as an auditor for mid-sized companies.

Mr. Maggioni holds an MBA from IUM and a Portfolio Management degree from the University of Chicago GSB.

Useful Links:

European Central Bank:	www.ecb.int
Bank for International Settlements:	www.bis.org
International Monetary Fund:	www.imf.org
Federal Reserve:	www.federalreserve.gov
US CFTC	www.cftc.gov