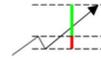


Big Picture report

November 11th 2012

Francesco Maggioni
francesco.maggioni@gmail.com
IT +39 393 70 40 234
UK +44 757 681 62 43

*“Quantitative approach for
asymmetric results”*



□ **Overall picture:** finally we have a better picture on the situation. After the US election, US equities and commodities stumbled considerably while Treasuries and Gold moved up. Still at this time it is early to call a trend inversion, as such stumble in equities didn't result in a spike on the VIX. Now everybody is waiting for the Christmas really and I personally hope that there will be no bitter surprise in the very near future. The next couple of weeks will be important to finally define which is the major trend. Europe is holding on, while Tokio is doing its own thing.

□ **(red) US Equities:** the Sp500 lost 4% in the space of two days. The threshold between continuation of either the upward trend or the downward one is now set at 1,400 future points. If the pullback will end lower of such threshold, then it is a confirmation that this is not a mere retracement, but should be considered as a new trend.

□ **VIX:** the VIX didn't mimic the US equities so far and this may be a signal that the negative performance is only a retracement.

□ **EUR/USD:** the exchange rate briefly broke some resistances and after few weeks, came back swiftly as it went up. At this stage it looks like a bull trap.

□ **European equities:** the movement here is pretty divergent with respect to the US. European indexes only amplified the distance between highs and lows, but nothing that can, at this stage, signal a trend inversion of the upward one.

□ **Japan:** chart looks terrible, only if you are long. Nikkei still comfortably placed in the bearish channel.

□ **Gold and Silver:** Gold and Silver after breaking the wedge, have been moving towards retesting the former resistance of the wedge. Soon, if not already next week, the upward trend should resume.

□ **Commodities (DJ UBS Index):** bearish scenario, and still flirting with important supports. Lower highs is a signal of the missing strength to go higher.

Each topic has been studied as a stand-alone analysis. No conclusions have been drawn 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



The index finally broke the wedge with a substantial selling pressure. After a five wave structure there is an ABC corrective pattern. Therefore I would expect such behavior with next upper target around 1,400 future points which is the ideal spot to unload longs and/or increase short positions. Final target for the corrective pattern is 1,310 ó 1,300 future points. Last week's candle is not an inversion one, therefore I would expect prolonged weakness to 1,350 future points, before moving higher.

VIX Index weekly chart



In this case, the VIX didn't mimic the movement of the SP500 and went only slightly up. Therefore looking merely at the VIX, there is no trend inversion yet but only a sideways movement.

To have a confirmation of a newly born downward trend, it would be valuable to have a strong VIX movement (together with the Sp500).

Last week candle is an indecision one, therefore increase in the VIX should be expected.

EURUSD weekly chart



The Exchange rate probably gave us a false signal with the breaking of significant resistances.

Still it is not confirmed the resume of the bearish trend. It will confirmed only with the violation of the horizontal support at 1.27

Last week's candle is not an inversion one, therefore breaking last week low is possible, before resuming a (im)probable bullish trend.

Eurostoxx 50 future weekly chart



The European index just moved sideways while the American one slid considerably. This is definitely a divergence to be noted.

In any event the downward scenario is still the primary scenario, but confirmation will arrive only with the breaking of last week's candle.

It is very possible, as last week's candle is an indecision one and more downward movement may happen.

Ftse Mib future weekly chart



Even though the Italian index already broke the 2009 low in July and consequently such low has to be labeled temporarily as wave 5, the movement that followed can only be labeled as sideways as it didn't break the important 17,000 points resistance.

Possible another plunge to the 13,000 points.

Alternative (bullish) scenario is a retracement to 14,000 future points which should be the starting point of the next upward leg to the 17,000 and beyond future points.

Bund future weekly chart



The German champion is still in an upward movement, and in period between July to today, formed a bullish head and shoulder. We are currently just below the neckline which, if broken, give us a potential 149 points for the next target.

Last week's candle is a continuation one, therefore break of the neckline and last week's high, very probable.

Gold future weekly chart



Gold and Silver broke the wedge and moved then back to retest the upper line of the wedge.

Last week was a substantial bullish candle, which call for continuation of such trend.

Bullish trend and target are confirmed so far, buy it at any price, don't be picky or you risk to miss out.

Dow Jones UBS Commodity index weekly chart



After breaking the bearish channel, recently this general commodity index moved back lower.

It is important, to keep the bullish tone, to stay above the next static support, set at 136 points. However, last week's candle (a bearish one) low is already lower of the big green candle of the week of July 16th which started the recent trend.

Therefore the two things combined (bearish candle and lower low) is calling of continuation of this weakness.

Copper future weekly chart



In my previous report my comment was: "Therefore nothing changed. If anybody is short copper, shouldn't be suffering from this bounce as short should have been open higher than current prices."

No news on Copper, bearish trend still confirmed.

Nikkei 225 index weekly chart



Higher lows and higher high are signaling a short term bullish behavior set inside a major downward trend.

Too early to call it a trend inversion, too strong the bearish trend to call it its end.

Trend inversion will happen once a significant capitulation will materialize.

Wait then for such capitulation anybody who is interested in going long Nikkei.

On the other hand, capitulation may result in a significant profit in a short period of time for those who are short.

SP500 and Copper futures weekly chart



Copper clearly is underperforming the Sp500 on the long side, but it is definitely overperforming on the downside.

This shows the extremes, weakness of the Copper and the resilience of the Sp500.

Still nothing changed on the message that this chart is giving us.

Upward movement of equities is not sustainable, as the real economy is not increasing production (for more than 12 months now).

SP500 / Gold ratio weekly chart



The Sp500/Gold ratio moved briefly outside the channel signaling a potential strategy change to a new buy Sp500 sell Gold to higher levels.

It is still early to call it, but it looks it was a bullish trap, as the ratio is returning inside the channel.

To note that last week's candle is a continuation one, and therefore more weakness is to be expected.

The signal, once the ratio turns back into the channel, is buy gold and sell sp500.



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 traders' 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

Disclaimer

Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. It is published solely for information purposes, it does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the report. The writer does not undertake that investors will obtain profits, nor will it share with investors any investment profits nor accept any liability for any investment losses. Investments involve risks and investors should exercise prudence in making their investment decisions. The report should not be regarded by recipients as a substitute for the exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investment or income may go down as well as up and you may not get back the full amount invested. Any opinions expressed in this report are subject to change without notice.

The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, investors should contact their local sales representative. Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments.