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## Spring 2010 Crisis Overview

A brief review of our analysis from back on March 24th into the late part of May shows we were mildly negative towards the government bond markets in late March, looking for a test of support. Yet we turned very positive after the **June T-note** held 115-16 support in early April, inquiring on April 8th: "**Ready for the short-term Bond Boom?**" On foreign exchange we'd been negative the euro for some time, but also provided a nuanced view back on March 24th on the need for a weekly Close below **EUR/USD** 1.3400 before the trend could accelerated again. As a repeating mid-to-late April note we also said if equities were going to get into trouble, previously 'Teflon' commodity currencies were ultimately going to take the fall as well; especially on any failure of **AUD/USD** below .9000.

All of which was heavily reinforced by the failure of equities at the major **DJIA** 11,250 resistance, with subsequent violations of 11,000 area and especially 10,800 providing confirmation of the significance of the trend reversal. This was the key driver for success of other market perspectives noted above, as well as weakness in **Energy** markets and the temporary panic buying of **Gold** into its own major resistance at 1,250. Further details on all that are in the individual report summaries below, with the full analysis available via the links to each referenced day's archived analysis email.

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**TrendView** **GENERAL UPDATE** (<http://bit.ly/cYhx43>) March 24, 2010: Early in the sovereign debt crisis we noted the conflict between Germany and the rest of Europe over the form and amount of Greek aid. That informed our view of why euro could come under significant pressure against the US dollar. However, as noted in lower half of page 1, aggressive downside follow-through required EUR/USD to post a weekly Close below 1.3400; and that perception helped our clients remain flexible until it actually occurred several weeks later after a bounce to 1.3700. Also cited historic tendencies (oscillators) below 1.3400 area meant a slide to the 1.2500-1.2400 area would be quite reasonable.

Sovereign debt concerns weighing on government bond markets are duly noted at the top of page 2; yet with the major developed country govies likely to remain okay after a selloff that might reach the 115-16 area in the June T-note. After it tested and held that area with only minor slippage, a more bullish perspective on bonds was issued on April 8: "*Ready for the short term Bond Boom?*"

**TrendView** **BRIEF UPDATE** (<http://bit.ly/bAEd8i>) April 8, 2010: The leading line of the analysis "**Ready for the short term Bond Boom?**" summed up our very friendly govies view at a time when many other analysts were looking for heavy pressure on govies while equities remained firm.

However, the June T-note had already held lower support and was bucking up against critical 116-16 resistance, above which the reversal of late March price pressure would be confirmed. The following week even the beleaguered June Gilt held another test of the 113.35 area, while strong sister June Bund held a quick retest of anticipated support in the 122.00 area. Each of those was a meaningful sign the previous upside leadership of the T-note was being respected even on selloffs elsewhere.

In the meantime, the ill-fated euro tortured the bears one more time by refusing to stay below 1.3400 for its weekly Close. Prior to finally accomplishing that two weeks later, it put on a last hurrah rally to the 1.3700 area. (All very consistent with the March 24th analysis.)

## Spring 2010 Crisis Overview (continued)

**TrendView** **GENERAL UPDATE** (<http://bit.ly/9Fa3na>) April 28, 2010: The opening analysis line "**Slo-Mo Greek train wreck, as expected; hits equities & energy, boosts fixed, Gold, USD**" once again sums it up. As noted on page 3, "*...the violation of (DJIA 11,000) 'Big Penny' resistance was more psychological than technical; actual major resistances above it are more so in the 11,250 (which was also just barely tested at Monday's high) and 11,400 areas. Lower supports are back just below the 11,000 area, and still at that recently tenacious low 10,800 area.*" That was followed timely advice in Thursday's **Brief Update** that any chance for real weakness "*...points toward 11,200 as the likely near-term failure level.*" Which indeed occurred out of late Thursday into Friday morning, and led to the subsequent failures back below 11,000 and 10,800 the following week (into that nasty Thursday May 6th disorderly market debacle.)

And just prior to the previously delayed failure below them, the idea was revisited that "*...EUR/USD 1.3400 and 1.3250 must be watched closely relative to the weekly Close; and we continue to offer that perspective due to the nature of the very major Fibonacci and weekly oscillator thresholds represented by those two levels...*" While the market had Closed slightly below 1.3400 the week before, it was important to confirm by remaining below it to reinforce renewed bearish momentum... ..after which it dropped to the 1.25-1.24 area in just 10 trading days.

It was also noted that commodity currencies were no longer immune, as... "*...weakening equities in Asia and the current European crisis have also significantly weakened the commodity currencies that have previous led the way up against the buck. We wonder what might become of that if indeed the equity markets get into trouble over the near-term.*" And govies' continued resilience was evident in a sustained June T-note bid above 116-16 critical resistance; on its way to 121-00 the following week.

**TrendView** **GENERAL UPDATE** (<http://bit.ly/bCDaMi>) May 14, 2010: This reviews significant differences between the European sovereign debt rescue package and the previous efforts by the Federal Reserve and Bank of England. While the combined European/IMF effort managed to mitigate the immediate debt market crisis, after a significant reaction in all asset classes the bottom line was back to the opening line "**BIG Package with predictably big bounce, but DJIA back below 10,800 is a problem.**" That includes the indication that DJIA would now probably trend down to retest the 10,000 area support seen on the previous Thursday's disorderly debacle.

There was also the degree to which the govies remained well bid, even if the now fiscally challenged Bund was no longer the strong sister. Short money forwards were also going to remain in very good shape on the back of central bankers promising monetary accommodation as they called for fiscal tightening; especially the overt statement on that by the Bank of England.

It goes on to cite the critical nature of the EUR/USD weekly Closing relative to 1.2450, below which the door is open for a swing below 1.2000. However, it does note the major 1.2330 October 2008 trading low. The lower projections is based on oscillator projections into 1.1850 and 1.1650, yet which require that weekly Close remain below the 1.2450-1.2500 area (which did not transpire.).

**TrendView** **BRIEF UPDATE** (<http://bit.ly/bPTpw1>) May 25, 2010: Lead with "**Capitulation or Acceleration?**" after a terrible Tuesday equities opening at new lows (reversing the previous Friday's modest bounce from the vicious down trend.) Reminders that **June S&P 500** 1,036 low (tested in the overnight trade), **June T-note** only squeezing temporarily above 122-00 resistance and weak sister euro being critical into **EUR/USD** 1.2100 area all proved to be short term ends of aggressive trends. This was no accident, as those indications were reinforced by the full range of technical influences from heavy congestion to Fibonacci to historic oscillator thresholds. It meant that unless all the asset classes were ready to significantly extend already stretched trends, it was done for now. An excellent time for a major 'macro-trend' analyst to "*declare victory and go home*" for a while... until next time.