



# Mad Day Trader

**Medium Term View...** First quarter published 1/2/14

These are static levels that do not change! Once generated, they never go away. They become static technical levels.

The outlook is to be used as a tool to keep you from executing trades from the right side of the market at key technical areas.

## **Stocks...**

Spu's... Last qtr we used 1730, this qtr we will be using 1800 as our macro closing pivot. The Spu's have hit our latest tgt area of 1840-50 where we exited half our Long Index position.

Nasd 100...3500 will be this qtr's closing barometer

Midcap...13050 is the closing upside pivot.

DAX...9370 is the closing qtrly pivot.

Euro Stoxx 50...3035 is the closing qtrly pivot.

Closes below 2940 are needed for a sell off

Nikkei...remains bid over 15,500. It weakens under 12,260 close.

## **Bonds...**

30 Yr. Bonds ... 130.20 will be our closing barometer.

Long term, we will continue to favor the short side of the Bonds when market conditions allow.

Our game plan remains to sell the Bonds at these levels, with tight stops, until proven wrong.

The strategy we've been preaching to our high net worth clients for the past two years has been to sell premium in the interest rate futures on big bond market rallies and deliver the Bonds, if called, for the foreseeable future.

We see very little downside in selling premium at strikes a couple of points out of the money at our sell levels in the nearby future, collecting the premium, and delivering the Bonds if called.

We believe we are going into a more normalized Interest rate environment with a reversion to the mean in rates having begun.

The low in interest rates is in.

**BUND...140.05** is our qtrly pivot. Sell any rally in the Bunds at this level with tight stop.

139 will act as support and the downside pivot.

### **FX...**

**AUD/USD...90.10** will be our qtrly pivot level.

**USD/JPY... 103.25** is this qtr's macro pivot ( App 97.10 Futures).

**Euro...137.80** is the qtrly closing pivot. Euro needs closes below 133.50-60 for lower. Closes under 127.50 will lead to a test of the 120 area.

Since July 2012 the Euro has remained bid on the crosses (meaning investors have been buying the Euro Vs. Selling other currencies) primarily vs. the Yen & Emerging markets.

**GBP/USD...put in an ORH 3rd qtr.** This is a price positive formation. Our downside support # is 159.40.

The continental currencies are presently showing a topping pattern against the Yen.

We're now of the opinion that you should be selling rallies in the **GBP, Euro & Swiss Franc** for the first part of the qtr.

### **Commodities...**

**Gold & Silver...**last qtr. the metals had bouts of selling driven by a shift to high yielding Equities, which we viewed as a side effect of a Risk On board.

Rising treasury yields will continue to cap rallies, as investors will search for safe low volatility high yielding returns.

Bond market rallies will remain highly correlated to metals rallies over the short term.

Lower rates will be price positive the Metals...Follow the Bonds

**Gold needs to maintain above 1220 short term for higher. Sustained price action over 1265-75 can lead to a bigger rally.**

**1180 is our downside pivot for the qtr.**

**Silver...** Last qtr we were focused on 20.50 for our pivot. This level will remain pivotal for this qtr as well.

**Platinum...**we'll revisit Platinum on a close over 1520.

**Copper...**343-6 will be the upside closing pivot, pretty much the same spot as the past couple of qtr's. 2.95 will act as the downside pivot for another sell off.

**Oil...**last qtr 89.30 was our pivot. On a macro basis, there is no upside until we close over 104.70-105.30.

Our short term pivot for 1st qtr 2014 is 93.30.

**Natgas...** The Infrastructure names will continue to be our preferred way to play the Natty.

For the average investor the names provide more liquidity and a user-friendly venue for capturing Alpha.

**Grains...**Our long-term strategy has been to buy 8-10% breaks in the ETF's & ETN's.

Grain Longs are on hold for a while.

**Soybeans** are caught between 12.40-14.45.

### **General Outlook.**

**Equities...**After reaching our upside price tgt of 1840-50 Spu's, we remain in buy the big break mode in the Equity Indices @ our technical levels with tight stops.

Do your homework on companies that hold an interest for you.

We still hold the view that specific names will be a better trade than the Equity Indices.

A prepared investor should have their sector-shopping list ready when markets swoon.

As previously stated, we're long term Bearish Bonds, and we will maintain a sell the big rally bias for the foreseeable future.

Precious metals...we are on the alert for a trad able low later in the Qtr. Until then it's a range trade at the key technical levels.

**OIL...**sell the big rallies until proven wrong.

**Currencies...**We're going to treat the Currencies as a technical trade.

Trade the technical levels with tight stops to see if it develops into a bigger trade.

We don't wish to base the entire outlook on 12 hours of price action. It's difficult to tell if we're just seeing profit taking in the Continental Currencies against Yen from a massively overbought condition or if this is the end of a mutli-year move in the Yen crosses.

Since July 2012 we have been friendly to the Continental Currencies vs the Dollar based off the Yen crosses.

This bias has the potential to change. We are now adding the Continental Currencies to the sell rallies list only @ our levels where we can manage the risk.

*Euro, GBP, and Swiss Franc have been a buy on dips vs Short Yen since 2012.*

*Use the crosses for the tools that they are.* They are not only great trading venues, but they also tell you which currencies lead.

For the past couple of years it has been the Yen & Emerging market currencies that have lead Dollar strength. The European currencies might very well join the party in 2014.

Trade where you can manage your risk. Use this as the template to do just that. Trade from a side at a specific area with a tight stop.

The Fundamental story follows the technical s.

Being a pragmatic technician, using the correct levels to manage risk, allows the prudent investor to be right market direction with limited downside.

We'll update our outlook and tgt's as market action dictate.