



# Mad Day Trader

Medium Term View... Second quarter published 4/2/14

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.

## **Equity Indices...**

**Spu's...** This qtr we will be using 1874 as our macro closing pivot. We have a long-term tgt of 1950 from previous swing counts.

Closes below 1800 will lead to another deep correction.

**Nasd 100...** 3700 will be this qtr's closing barometer, however we need to see closes over 3755 to start another big leg up in Nasd.

**Mid cap...** 13840 is the closing upside pivot.

**DAX...** 9370 was last qtr's closing pivot. This level will act as support. 9300 is the downside-closing pivot. Closes over 9600 are needed to maintain upside momentum.

**Euro Stoxx 50...** 3000-3100 is the closing qtrly pivot level.

Closes below 2940 are needed for a sell off

**Nikkei...** remains bid over 14,400. It weakens under 12,260 close.

New closing strength over 15,500 is needed to sustain another rally.

**ASX 200...** (APM4) 5350 is support and the closing downside pivot.

## **Bonds...**

**30 Yr. Bonds...** 135.27-136.08 is the macro closing upside pivot.

Focus must be kept on the Spu/Bond spread.

When the Equity Indices go into profit taking mode, the Bonds are the only place to park money. (They'll rally)

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.

**Ten Yr. Bonds (TYM)**...124.30 is resistance and the closing upside pivot.

**BUND**...144.50 is our qtrly pivot. Sell any rally in the Bunds at this level with tight stop until proven wrong.

140 will act as support and the downside pivot.

### **FX...**

**AUD/USD**...90.10 was the last qtrly pivot level. 91.50 will be our focus this qtr. By holding 91.50 on breaks, Aussie can rally close to 97.

**USD/JPY**...103.25 was last qtr's macro pivot.

101.90 is this qtr's pivot (APP 98.10 Futures).

The Yen has not been the featured currency trade for months. Look to the crosses if you want to be long USD/JPY via either AUD/JPY or GBP/JPY when technical's allow.

**Euro**...139.50 is the qtrly closing pivot. Continue to sell rallies against this level with a tight stop until proven wrong.

Euro needs closes below 133.50-60 for lower. Only 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.

166.60 is the closing upside pivot. 165.50 is last years close and should be used for market tone (Good above/negative below).

**EUR/AUD**...149.85 is the monthly **ORL**. Sell rallies against this level until proven wrong. It will act as a macro-closing pivot.

138.40 is macro support.

**AUD/JPY**...95.66 was the qtrly close, just shy of the 95.71 close needed for an **ORH** qtr.

Holding above 95.66 keeps the pattern intact for much higher prices.

### **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 1328 for higher. Sustained price action under 1265-75 can lead to a bigger sell off.

1325-28 will act as closing qtrly resistance.

1297 will be pivotal Short-term.

1180 is our closing macro 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.

Short-term, closes below 19.70 should be deemed negative.

**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.

Short term Copper traders should use 3.04 for market tone.

**Oil**...last qtr 93.30 was our pivot. On a macro basis, there is no upside break out until we close over 104.70-105.30 (last qtr's high).

By holding breaks @ 100, Oil will be in a (buy the break mode short-term)

116.50 is our Multi-year Macro resistance and upside closing pivot.

Short term, closes under 99.40 could lead to a test of the 93' s.

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.

CBI & LNG...should be on your shopping list on any big Equity Index sell-off.

In the Front month Future, 4.85 will be good resistance this qtr.

Soybeans...13.70 is support. Above 14.60 we're looking for a move to 15.20

### **General Outlook**

#### **Equities Indices...**

Spu's...reached our upside price tgt of 1840-50 at the end of 2013 before selling off to our tgt level of 1730.

We remain in buy the big break mode in the Equity Indices @ our technical levels with tight stops.

We still have higher targets in the Spu's @ 1950.

Nasd...has hit our major upside target @ 3754. Only closes over this area will generate new higher price targets for Nasdaq.

I'm of the view that the next 2 qtr's will be a big back and forth trade.

This will make for a stock pickers market with much sector rotation.

The correction in Nasd has yet to spill over into other sectors and Indices.

Given the size of the rally over the past 2 years, I'm looking for the market to work off some of it's overbought condition by going sideways to lower.

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

AAPL...will be going into a new product cycle in the fall. We'll be monitoring this next qtr for a buy.

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

Individual instruments need to be traded off their own technical s, not that of the Indices.

A prepared investor should have their sector & Individual 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.

### **Dream Trade This qtr....**

"A break in the **Nasdaq 100** to the 3350 area". This would be a great area to initiate new longs.

A break of that magnitude has the potential to generate a running of the long term Buy stops in the **30 yr. Futures** over 136.10, setting up another Long term multi-year short in the 30 Yr. against 142.15.

**Spu's**...we'd like to see the 1730 sell stops get elected setting up another long term buy and hold.

1730 would be a new low on the year.

**Precious metals**...gave us the tradable low we were looking for last qtr. @ 1180 on the last trading day of the year.

We've seen that rally and that trade is over for now. We're in no hurry to get involved with the metals.

The long term sell stops remain under 1180, which would lead to a break around a 1000.

**OIL**...we look for an opportunistic 2-way trade.

**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.

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

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.

Look for emerging market currencies to foretell the direction of their stock indices.

I.E. In early March a bottoming of the Yuan, Rouble Mexican Peso and Brazilian Real all heralded a stock rally in their respective countries.

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.