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5<sup>th</sup> June 2019

## EU50 Future (VG1) Daily Chart

Position	Supports	Resistances	Position Size
<b>Short</b>	3319 3280 <b>3253</b> 3216 3178 3107	<b>3336 3373 (Marabuzo)</b> 3378 3391	<b>100%</b>

I said yesterday that there was scope for more short term upside until the rally from the 3253 support reached the neckline of a top pattern and resistance at 3319 but that I expected the move lower to resume from around that area.

The rally proved somewhat more powerful than I had anticipated as it continued into yesterday's close just above that area but now needs to break above the downtrend and 50 day MA before further upside, and the intra-day charts are starting to look a little stretched here. I made a mistake with my position size as I should have been smaller with view to adding into the 'return move' to the neckline, which would have given me a better average entry level.

I am remaining short here whilst the downtrend is intact.



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The 60 min chart shows yesterday's move taking the future above the neckline of its top pattern but momentum has stalled as it tested the downtrend overnight, where it also left a Demark Setup sell signal.

I would expect a move lower from here, in line with the prevailing trend, and would be adding to my short if I were not already in full size.



The **SX5E daily cash** chart continued its rally following Monday's bullish Piercing Pattern candle and I should probably have paid more attention to that at the time by reducing my short. As with the futures chart the move took the index just above the neckline of its top pattern but there is still a downtrend intact above which will now limit further upside.

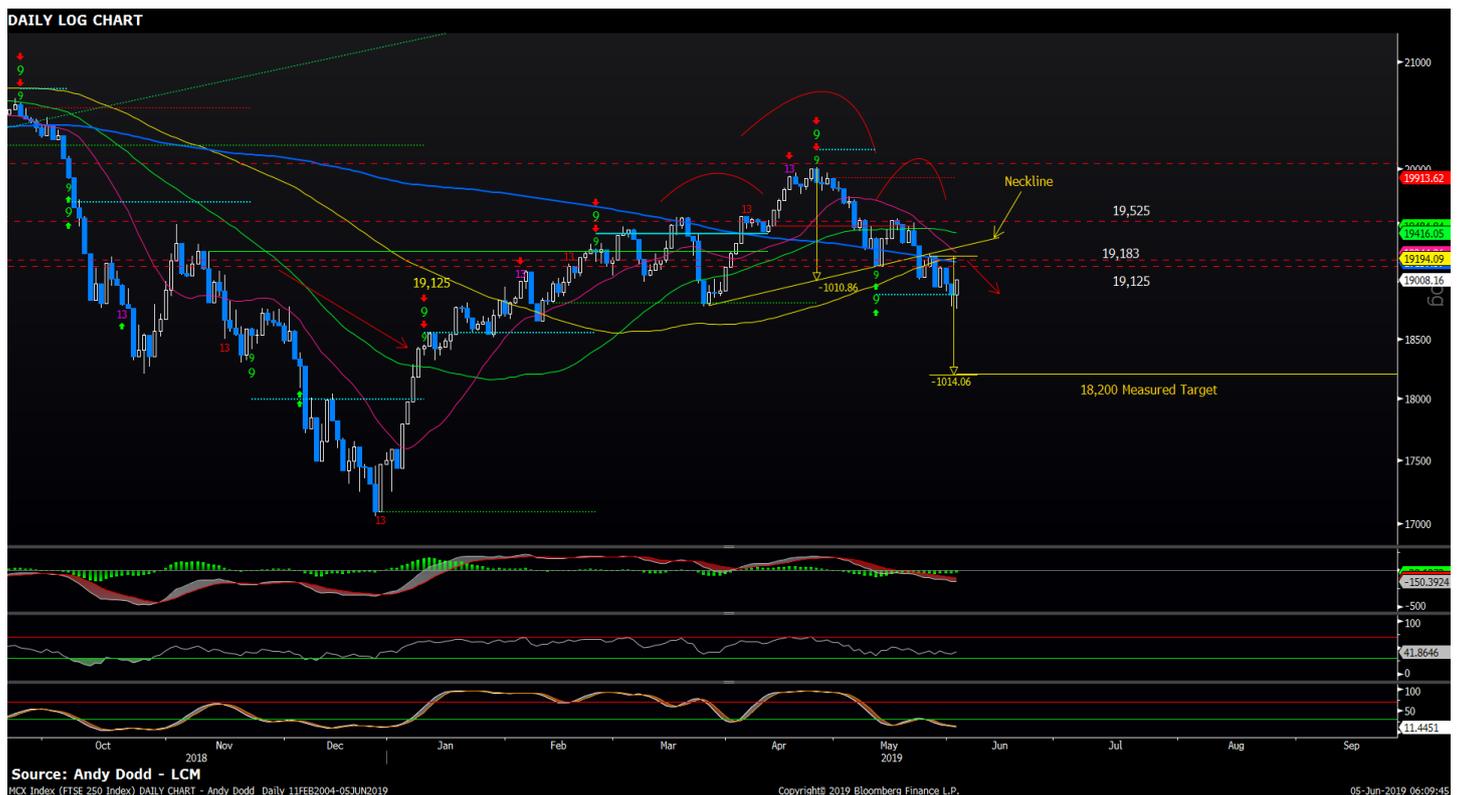


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The **SXXP** daily cash chart also rallied back above the neckline of a top pattern following Monday's bullish Hammer but now needs to break above a short term downtrend before further upside. I said yesterday that I would not look to be a full size short until a failure of the 368.29 support, as that coincides with the 200 day MA, and that remains the case.



**FTSE 250** I still like as a short here as it remains below the 200 day MA and neckline of a top pattern, despite yesterday's rally, and the target for that pattern is at 18,200.



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## DAX Future (GX1) Daily Chart

Short Term	Medium Term	Supports	Resistances
<b>Downtrend</b>	<b>Top Pattern</b>	11,962.5 11,863 11,807 11,706.5	12,086.5 12,223.5 12,332
		11,566.5 11,403 11,285 11,178	12,429.5

As with others in this note the future broke below the neckline of a top pattern last week but still needed a move below its 200 day MA before further downside. The price action around that 200 day Mad not left any bullish candles to suggest a sustained rally from there and I had expected any such move to be capped by the 11, 863 resistance.

The scale of yesterdays' move therefore took me by surprise as the rally took the future above the resistance area but further upside will now be limited whilst the downtrend remains intact above and the intra-day charts now suggest a pullback from here.

The daily cash chart also left a bearish Island Reversal pattern on the recent gap lower which suggests a move lower in the medium term (See below).



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Intra-day the 60 min chart shows the rally reaching a downtrend and yellow neckline of a bearish continuation pattern overnight and the Demark Count sell signal there suggests a move lower from current levels. MACD has also crossed below its signal line, showing a reversal in momentum, and I see no reason to be a buyer here as a result.



The **DAX cash** daily chart left a bearish Island Reversal pattern (Circled) as it gapped lower on 29<sup>th</sup> and that pattern suggested a move lower over the coming weeks. Yesterdays' rally was preceded by two bullish candles which in hindsight I should maybe have paid more attention to at the time but I still feel that the bearish top pattern is of more importance in the medium term. The rally stalled at the 11,922 gap yesterday and there is still a downtrend intact on the intra-day charts which will limit further upside.



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## S&P 500 Future (ES1) Daily Chart

Position	Supports	Resistances	Position Size
<b>Short</b>	2789.5 2754.75 2726.75 2718.5 2698 2665.25 2636	<b>2807.5 2824.25 2863.75</b>	<b>100%</b>

The Future broke below the neckline of a H&S pattern on 29<sup>th</sup> May and Fridays close near the low suggested more downside towards that patterns' target at 2636. With the daily cash chart also having confirmed a similarly bearish top (see below) I still see no reason to be anything other than short here as a result, despite yesterday's rally.

I said in yesterday's note that there is often a 'return move' to the neckline in these patterns before a resumption of the move lower and that rallies back towards the 2789.5 resistance and neckline should therefore provide selling opportunities for those not already short.

I made an error with my position size and initial entry point but see no reason to be covering here whilst there is a downtrend intact above and the intra-day charts suggest a move lower from current levels (See below).



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Intra-day the 60 min chart shows the rally making a high just above the neckline of the top pattern to test the downtrend overnight. There was a Demark sell signal around that downtrend, which suggests a move lower from here and the oscillators also show a clear reversal in momentum.



The **S&P daily cash** chart has now posted 6 closes below the neckline of a top pattern and the measured target for that pattern is at the 26589 support.



# Futures: Short Term View / Levels



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The **Russell 2000** had posted 4 closes below the 1495 neckline of a short term top so I was more than a little surprised to see it manage to rally back above there into yesterday's close. However it would still need to break back above all of its moving averages, from 20 to 200, so I see no reason to be a buyer here despite yesterday's move.



The **Industrials** confirmed a H&S top last week on the break below its neckline and the measured target for that pattern is at 23,760.





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## U.S. 2 Yr Bond Yield : Top Pattern 1.775 Target

I pointed out last week that this daily chart of the 2 year shows the break below the neckline of a top pattern, whose measured target is at 1.775, back in March and the move lower has continued over recent weeks following the initial 'return move' to that neckline. I said yesterday that there had been Demark buy signals on the intra-day charts overnight and also on this daily chart so that it would be prudent to take some profits on longs as the target nears.



The **10 yr** also broke below support at 2.3302, as well as the 200 week MA on the weekly chart, and the move lower gathered pace on that break. The move is now nearing a key support at 2.0352, which is also relevant on the weekly chart, and it would be wise to take some profit on longs around here as I would be surprised to see that fail at the first test.



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## SX7E: At Support Daily Chart

I said yesterday that the support area between 83.97 and 84.62 needed to fail before further downside so it would be prudent to look to take further profit on shorts until a closing break. Monday's price action also left an imperfect Hammer which suggested a rally; although that was not a strong enough signal to warrant a high conviction long at the time.

The sector rallied strongly from the open yesterday with the resulting Bullish Engulfing candle a further suggestion that the move lower has run its course in the short term and I therefore see no reason to be short here until that support fails especially as it is also a level on the longer term weekly chart.



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## BTP Futures (IK1) : Bearish Candle

The future had spent a few weeks lacking direction as it consolidated around the neckline of a longer term top pattern but last Monday saw the initial gap higher rejected as the future sold off into the close. The resulting Bearish Engulfing candle suggested limited upside and I said at the time that I saw no reason to be long, as the pattern has a longer term target at 109.65 (see below), but the future still needs to hold a break below the lower side of a rising wedge before a shorter term top is confirmed.



The pattern is clearer on the longer term weekly where the rally stalled at its neckline and I said in recent notes that I expected the move lower to resume from current levels should it play out in textbook style. Note also there was a perfected Demark Setup sell signal last week, which added weight to that view, and last week's price action also left an engulfing candle suggesting limited upside.



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## Crude: At Support Short Term Daily Chart

The recent break below the 200 day MA also left a top pattern which suggested more downside but the move initially stalled at the 57.81 support, which coincides with the 38.2% Fib retracement of the rally from the December low. That level finally gave way last week and downward momentum picked up as expected into Fridays' close as a result. There is now another support at 51.67, which is also the 61.8% Fib retracement level, and I said on Monday that I would not be surprised to see the move stall around there once again. That proved the case but, whilst the two Spinning Tops are a sign of indecision, they are not a reason to be reversing to a long just yet.



The longer term weekly chart though left a bearish Shooting Star a few weeks ago which proved a good warning of the move lower from those levels. That move has now reached the 51.67 support and 200 week MA, so I would not be surprised to see it stall initially, but the bigger level is some way below here at 43.58 and momentum is clearly to the downside at the moment in this time frame.



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**SXEP** I am remaining neutral here for the time being having taken profit on my short following a couple of Hammers earlier in the week. They suggest a rally from current levels but I would expect those to prove short lives as there is a major resistance area around the 200 day MA (331.6) which would need to fail before a sustained move higher, so I will be looking for sell signals into such a rally to use as short triggers once again.



## SXIP: At Support Daily Chart

I suggested a long in small size in yesterday's note as the move lower had reached a support area around the top of a failed downtrend and Tuesday's imperfect Hammer was also accompanied by a Demark Count buy signal. I am still happy to remain that way but would look to take profit into a further rally to the 294.47 level as the 50 day MA sits just above there. Longer term the fact that the last rally made a lower high may prove telling but a break below the yellow neckline would be required before a top is confirmed.



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## SXAP: Bearish Flag Daily Chart

Similar to SX7E the sector broke below and uptrend channel a few weeks ago and has since continued its mowder lower following the resulting Flag. However I said yesterday that it would be prudent to take some short term profit on shorts following the Hammer in the previous session as that suggested a possible re-test of the 480.12 resistance. The overall trend remains lower but there is scope for more potential upside until that resistance is reached so I would not be a seller here just yet.



The longer term weekly paints a similar picture and that 433.2 level also applies here. Note however that **Key** support is at 403.04 as a closing break would now leave a Double Top, whose measured target would be below 200 IF CONFIRMED, but I'd initially look to take some short term profit on shorts around those areas if tested.



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## SXRP: Bearish Break Daily Chart

Up until Monday the sector had yet to offer a bullish candle since breaking below its 200 day MA and 307.54 support last week and there is still some way to go before the next key level at 286.08 is reached. As such I still see no real reason to be long at current levels, but that Hammer suggested that current levels may not offer the best entry point for new shorts.



## SXNP: At Support Daily Chart

The recent move lower has taken the sector back to its blue 200 day MA, which has so far proved a good support, and I said yesterday that Mondays' Hammer suggested a relief rally from there. There's also a key support at 499.1 just below here, which has proved reliable historically, so I see little value in new shorts whilst that is intact but would look to short a closing break.



# Futures: Short Term View / Levels



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I have kept a record of my P&L for the last four years for VG1 and have done the same for ES1 since January 2018.

## 2019 P&L since Jan 7<sup>th</sup> (at current levels)

<b>Futures Trading Summary</b>							
					<b>Max Size \$4m per Future</b>	<b>(Total \$8m)</b>	
<b>Realised P&amp;L</b>							
	<b>P&amp;L</b>		<b>% P&amp;L</b>				
S&P 500	-355,798		-8.89%				
EU50	-336,125		-8.40%				
	<b>Realised P&amp;L</b>	<b>-691,923</b>					
	<b>% of Max Capital</b>	<b>-8.65%</b>					
<b>Open Positions</b>							
	<b>Exposure</b>	<b>P&amp;L</b>	<b>% P&amp;L</b>	<b>% Capital Used</b>		<b>Entry Level</b>	<b>Latest</b>
S&P 500	4,000,000	-100,055	-2.50%	100%		2,738.50	2,807.00
EU50	4,000,000	-95,911	-2.40%	100%		3,253.00	3,331.00
<b>Total</b>	<b>8,000,000</b>						
	<b>Total Open P&amp;L</b>	<b>-195,966</b>	<b>-2.45%</b>	<b>% Capital Employed</b>		<b>100%</b>	
<b>Total \$ P&amp;L</b>							
	<b>-887,889</b>	<b>-11.10%</b>					

Previous Years P&L below.



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## Futures Trading Summary

Max Position Size \$4m

### EU50 Year

	<u>P&amp;L on \$4m</u>	<u>% P&amp;L</u>	<u>Cumulative</u>	<u>% since Inception Cumulative</u>
2015	899,568	22.49%	4,899,568	22.49%
2016	541,408	13.54%	5,562,734	39.07%
2017	279,912	7.00%	5,952,003	48.80%
2018	600,281	15.01%	6,845,223	71.13%

### S&P 500 Year

	<u>P&amp;L on \$4m</u>	<u>% P&amp;L</u>	<u>Cumulative</u>	<u>% since Inception Cumulative</u>
2018	938,880	23.47%	938,880	23.47%



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**Note that these are short-term views that may differ from the longer-term view.**

**Also note that these are general comments about markets and the time frames may not always match your investment criteria. **As always position sizing is more important than the ideas and levels.****

**I always encourage clients to ask for chart views and asset allocation ideas that have been written specifically for them and their individual time frames and risk tolerances.**

**If you would like to play any of these ideas through derivatives our options desk will be happy to suggest strategies.**

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