Technical Analysis

Weekly Comment Global

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Don't Chase Risk … Initial Reversal in Bunds!!

- **US Trading**: An increasing number of divergences and extreme levels in our trend work were indications that the May correction leg has reached a mature stage, and in this context last week's bounce was not a surprise per se. What was surprising was the extent of the move, as the SPX posted its biggest one week gain this year. With the break of 1310, a lot of clients are asking whether our June/July bottom came in earlier, and if our favored Q3 rebound scenario started earlier than expected. We don't think so, given the weak market internals (low volume) and the fact that the rebound structure in a lot of risk assets has been so far purely corrective.

- Last week's bounce was a bit stronger than expected but given the extent of the move, and on the back of our overbought momentum work we see further upside to be limited towards a maximum 1358. On a short-term basis we continue to see the risk of starting another setback into next week from where we could see a minor bounce. However, looking at our cyclical models we expect the ultimate low of the current correction only in the second half of July, so we generally wouldn't chase the market on the upside. From a price point of view our July target remains unchanged at 1250 as the basis for a longer lasting corrective rebound into at least September.

- **US Strategy:** On track with our cyclical road map, the October rally topped out in March and the SPX has started a new correction cycle. Looking at our indicator work we have no evidence that the early June low at 1266 was an important tactical low, let alone that it represents a resilient technical long-term bottom. With a fresh monthly short signal in place the risk is that a potential July low will be just tactical in nature followed by more weakness into later Q4 and/or early Q1 2013, so the current correction cycle could get more complex than initially favored.

- **European Trading**: The reaction on the Spanish banking bailout plan was weak and most European headline indices posted rather bearish reversal candles yesterday. Nonetheless, banks and the Euro Stoxx have broken their steep March bear trends, so at least from a momentum basis the technical picture starts improving. On the upside the Euro Stoxx remains bearish biased while trading below 2200 (stop loss for tactical shorts). So although the overall momentum on the downside should deteriorate, as long as the Euro Stoxx trades below 2200 we see the risk of a retest of the September/October bottom at 2000 into July.

- **Inter Market Analysis**: Last week's risk bounce leaves a mixed picture on the macro side and it questions the sustainability of the current rebound in equities. The pullback in the US dollar is purely corrective and the rebound in the economy sensitive commodities (oil and copper) is quite weak. Even if the current bounce in commodities would extend, we see the CRB trading in wave 4, anticipating a final move down (wave 5) into July to complete the February bear cycle (wave C).

- On the currency side we expect the current setback in the US dollar to be short-lived, followed by a final move higher to meet 84 into July, which is the measured move target of the January/April triangle pattern. In this context we see more weakness in the EUR and another setback in the AUD into July as a key indicator for risk.

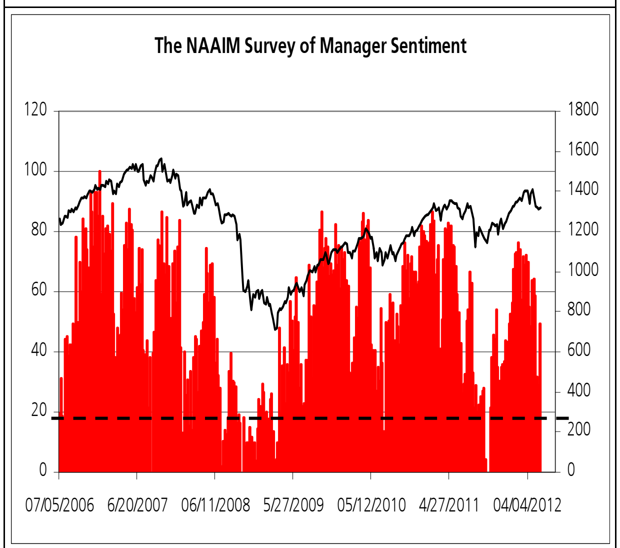
- In early April we called a tactical bottom in the US T-Bond and German Bund Future and it was our expectation that the following move into deeper summer should represent a final bull wave on a larger degree before topping out and starting a significant bear cycle into 2013. Last week we said we expect a first pullback in the Bund Future to break the extreme April/May bullish trend momentum. In this context we see last week's sell-off so far just as the start of slowing trend momentum and not a key reversal. However, the US T-Bond has reached our projected target at 153 and following the break of the steep May bull trend the Bund Future has factually started with a broader topping process in which we still can't rule out a final overshooting towards 149 into July. This call remains intact as long as the Bund does not break 142, which would be evidence that a major top is in place.

US Equity Market Update:

Chart 1.) S&P-500 Daily Chart with McClellan Oscillator

Chart 2.) S&P-500 Daily Chart

Chart 3.) S&P-500 Weekly Chart with NAAIM Survey



Don't Chase the Market!!

Last week we highlighted divergences in our trading/flow indicators, suggesting the SPX was trading in a final wave 5 of a first impulsive decline. Together with toppish trend indicators (chart 2.) we said that the market was trading in the late stages of the May decline so that a bounce was not the big surprise. Surprising was the extent of the move, since we actually favored just a 2 or 3 session bounce followed by more weakness into later this week, if not even into next week. After the break of 1310, a lot of clients have been asking whether this changes our scenario or cyclical roadmap, so that our later Q3 larger rebound scenario has started earlier. **There are a couple of reasons why we question the sustainability of last week's bounce even if the whole move would finally extend into alter June.**

The ADX indicator measures the strength of a trend, and a rising ADX signals that a trend move is underway regardless of the direction. As **we highlighted last week, in a lot of markets/sectors (including USD and Bund Future) we had extreme readings in the ADX,** which from a wave perspective we see at the end of wave 3, which is the momentum top of a trend. However, a **bull/bear move seldom ends with a high momentum move** (only in crash scenarios). **If we look at the last 3 extreme readings we can see that in 2010 and in August last year, the SPX started a sharp countertrend rally (wave 4) before moving down into the ultimate low**. In Q1 we saw the same pattern on the upside. We saw the momentum top of the Q1 rally in February, whereas the ultimate top in March posted a lot of divergences in our indicator work, which we highlighted as a wave 5 top in our March 20th weekly report.

Conclusion: On a more positive note last week's bounce was just the beginning of a larger and volatile bottom building process. However, within this process we continue to favor at least one more down leg to form a more important tactical bottom accompanied by the classic none confirmations that are still missing across the broad. So **even if we start another bounce attempt later this week and/or next week, we would see this move to be limited to the declining 50-day moving average at 1358. We reiterate last week's call that the early June low in the SPX at 1266 was NOT the low of the recent bear leg. So far we had no spikes in our volume/breadth indicators and/or a consistently bearish picture in our sentiment work.** The NAAIM Survey polls the positioning of US money managers and similar to the Investor Intelligence survey this sentiment study was so far not at an extreme reading, which would indicate a contrarian bull call. **Consequently: We wouldn't chase the current rebound as we still see the risk of another setback towards 1250 into the second half of July as the basis for a longer lasting corrective rebound into at least September.**

US Equity Market Update:

Chart 4.) SOX Daily Chart

Chart 5.) XOI Daily Chart

Chart 6.) BKX Daily Chart

Major Bottoms Missing!!

Last week we highlighted the toppish trend momentum (ADX) in the SOX index and after the bull, back to its broken 2011 trend, the SOX started a strong bounce. Again, so far a bigger bottom and/or a low momentum low is still missing and in this context we expect to see at least one more down leg into July. However, we wouldn't be surprised to see relative strength coming into semiconductor stocks as at major market bottoms we usually see a divergence forming in the SOX as a leading indicator versus the SPX. Keep an eye on the SOX in the next few weeks as relative strength in this early cyclical sector would be a bullish indication for the overall market.

In our last week's comment we highlighted/discussed the missing spikes in our structural indicators and a too low bearish sentiment as key reasons of why we do not think last week's low was a more important market bottom. We are getting the same message from indicator patterns in price charts. At important market bottoms we usually see major non-confirmations in our indicator work and these divergences are still missing!!

In both XOI and BKX, all major tactical bottoms in the last few years were accompanied by divergences in the daily MACD model. Again, all this is still missing, which is important as this also suggests that the XOI is at risk of finally breaking its 2009 bull trend support, which the sector confirmed last week.

We have a similar picture for the US banking sector. In late Q1 we highlighted the seasonal pattern in banks where in the last 3 years the BKX has always topped out tactically in late Q1 or early Q2. Although the sector has broken its 2010 relative downtrend versus the SPX following this season pattern we said that we expect renewed weakness of US banks into deeper summer. Given the fact that a bigger divergence in the MACD model in this key sector is still missing we consequently have to expect more losses.

A break of last week's reaction low at 41 would suggest a test of 39.50, which is the 62% retracement of the October/March bull cycle. Sell into strength!!

US Equity Market Update:

Cycles Pointing to a Tactical Low in July!

With regards to our cyclical roadmap it was a key call of our 2012 strategy that from a major March top we expected equities moving into an important summer bottom; and looking at the seasonal chart of election years and the decennial cycle a potential summer bottom could be even THE low for the year. Where do we stand from a cyclical perspective?

Generally, it is an incremental part of our cycle work to use chart analogies and seasonal patterns, which we derive as pure averages from various fields. "Sell in May and go away" is just one anecdotal expression for the seasonal phenomena where we see very often, after a liquidity driven Q1 rally, weakness coming into the markets - leading to a significant correction/bear market into October before starting the best 6 months for equities. We have the same patterns for election years or the decennial cycle, which has its roots in the Juglar cycle, which is an economic/fundamental cycle.

In our 2012 strategy report we highlighted both the seasonal charts for election years and for years ending in "2" as part of the decennial cycle. As last year, we also said at the beginning of this year that we still see the decennial cycle as the dominant cycle in the equity world, given the high correlation between "theory" and "reality" of the last 2 years (chart 9.). Last year we got the top in the market quite on time with our Q2 cycle top projection, and the major October low was also pretty much in line with the seasonal chart of years ending in "2". Generally, these analogies and seasonal patterns should be actually more seen as an indication where we could see major turning points in the market and as a potential roadmap instead of expecting a 100% correlation between the markets and these patterns. However, **it is fascinating to see how high the correlation of the SPX versus in particularly the decennial cycle was over the last 2 years and this picture has not changed. Also this year, the correlation of the market is definitely higher towards the seasonal chart of years ending in "2" versus the seasonal chart of presidential election years.** Although we have wrong in expecting a tactical set back in later January we always said that the Q1 rally should finally continue into at least later Q1, where March was our favoured top projection followed by a weak Q2. **In our 2012 strategy we said that both seasonal patterns are pointing to an important low in summer and with that indication the chance would indeed be high to see an important low in June/July. Given the fact that the correlation if definitely higher towards the decennial cycle, we would still favor more July versus June as the candidate for an important tactical bottom!!**

Conclusion: In our last week's strategy update we said that looking at our structural indicators, our sentiment work and in particular on the back of a fresh monthly short signal in our indicator work it would be increasingly unlikely that a potential July bottom would be THE low of this bear cycle. The risk of extending the whole bear cycle into a more complex pattern into late 2012 if not even early 2013 would be high. However, **we reiterate that it is nonetheless likely to see at least an important tactical bottom in later July and on the back of our cyclical roadmap we should have the chance for a longer lasting but corrective rebound into later Q3, so that the months of August and September should be actually bullish for risk.** It would be very unusual if we don't see a better market phase while heading into the presidential election.

Chart 7.) Seasonal Chart Presidential Election Years (1904 – 2008)

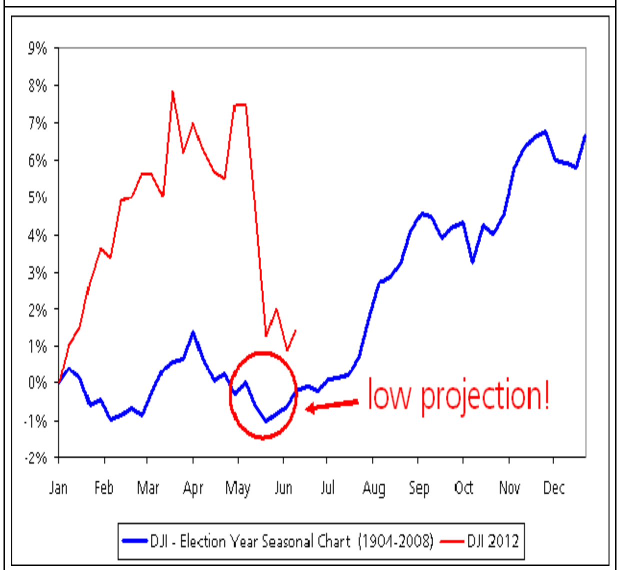
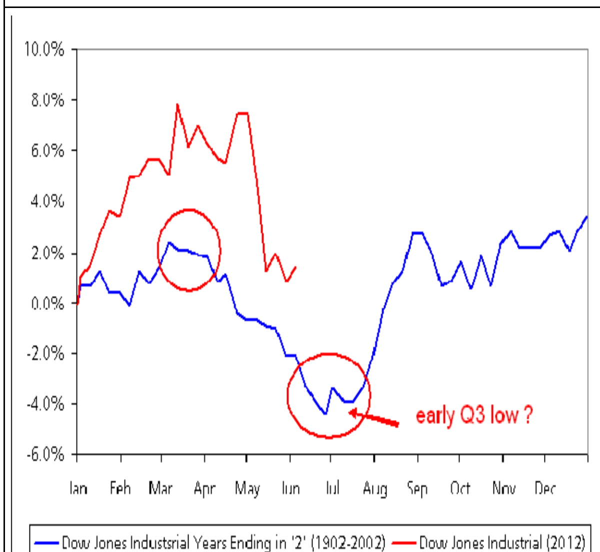


Chart 8.) Seasonal Chart Years Ending in "2"



US Equity Market Update:

Chart 9.) Dow Jones Industrials Decennial Cycle (1901 – 2011)

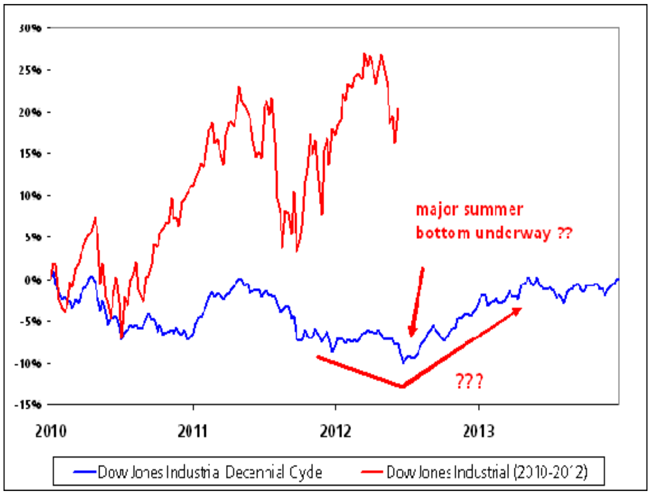


Chart 10.) Dow Jones Industrial Monthly Chart with TT New Composite

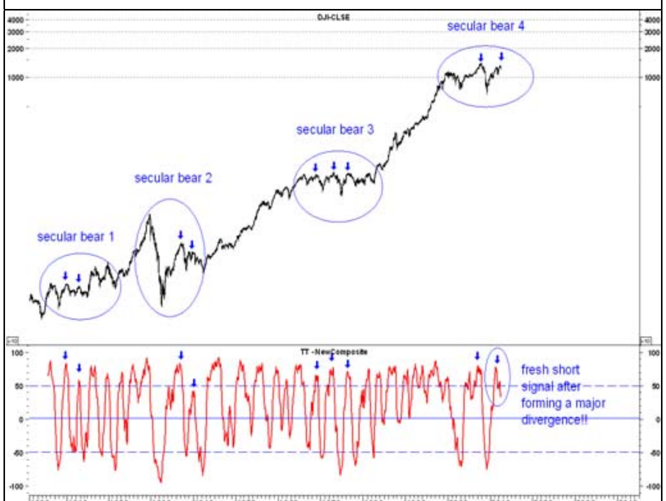


Chart 11.)

It is fascinating to see how high the correlation of the SPX versus in particularly the decennial cycle was over the last 2 years and this picture has not changed. Also this year, the correlation of the market is definitely higher towards the seasonal chart of years ending in “2” versus the seasonal chart of presidential election years. However, following the decennial cycle we should actually see THE low this year and the decade in the next few weeks. Is this really realistic?

We have reasons to believe that a potential bottom in the next few weeks could be only of tactical nature, as looking at our overall indictor work we have absolutely no evidence that we are even near of an important market bottom.

With the current correction we got a fresh short signal in our monthly indicator work and according to the indictor pattern in the 3 previous structural bear markets of the last century we still have a lot more downside risk via this indicator before we could see a new cyclical bull market starting. Alone this suggests that apart from tactical bounces the new corrective bear cycle could last significantly longer and take a much more complex and frustrating shape as initially favoured.

Inter-Market Analysis:

US Dollar Pullback Just Corrective!!

Last week's risk bounce leaves a mixed picture on the macro side as we have a lot of corrective patterns developing particularly in commodities and on the currency side. Corrective counter trend moves are usually trend continuation patterns and from a cross asset class perspective this questions the sustainability of the rebound in equities. In this context **it is interesting to see the reaction in the various asset classes on the Spanish banking bailout and the pattern is very similar to what we saw in early Q1**. **Saving the financial system and bailing out banks is one thing but does this also have an impact on the real economy?** Obviously not, since we saw almost no reactions in economy sensitive commodities such as oil and copper, where last week's rebound is so far just purely corrective. **So even if we would see strength coming into markets with more banking exposure (which remains to be seen) as long as we don't get a meaningful reversal into commodities (which are very often leading a new bull market in equities), it is very unlikely that we have seen the lows in the equity landscape!**

In this context we reiterate our last call on commodities. The May decline in the CRB Reuters Jeffries was purely impulsive (wave 3), which means the current bounce should be labeled as a countertrend wave 4 (chart 15.). However, if this count/view is correct it means that a final wave down in commodities would still be missing. So even if the current bounce in commodities would extend, we see the CRB biased for a final move down (wave 5) into July to complete the February bear cycle (wave C).

On the currency side the picture is very similar. The current pullback in the US dollar is so far just purely corrective and should be therefore short-lived followed by a final move higher to meet 84 into July, which is the measured move target of the January/April triangle pattern. A bullish US dollar is bearish risk and in this context we also expect to see renewed weakness coming into the EUR and the AUD as a key indicator for risk assets. Although last week's bounce in the AUD was strong, on a short-term basis the AUD looks overbought and with our daily momentum indicators reaching overbought extremes we wouldn't chase the AUD/risk. A re-break below 0.99 would be short-term bearish and suggest at least a re-test of its early June low at 0.96 into the second half of July. The EUR we expect to hit new lows into July and our preferred target remains 1.20

Chart 12.) DXY Daily Chart

Chart 13.) EURUSD Daily Chart

Chart 14.) AUD Daily Chart

Inter-Market Analysis:

Chart 15.) CRB Reuters Jeffries Daily Chart

Chart 16.) CRB Reuters Jeffries versus S&P-500 Daily Chart

Chart 17.) Crude Oil Daily Chart

The May decline in the CRB Reuters Jeffries was purely impulsive (wave 3), which means the current bounce should be labeled as a countertrend wave 4 (chart 15.). If this count/view is correct it means that a final wave down in commodities would still be missing. So even if the current bounce in commodities would extend in price and time, we see the CRB biased for a final move down (wave 5) into July to complete the February bear cycle (wave C).

From a cross asset class perspective it is important to understand that we very often see commodities leading equity markets. This was one of a few reasons why we finally questioned the sustainability of the Q1 rally in equities as in particularly the move in the outperforming US market has not been confirmed by commodities.

On the contrary, the world is risk assets (ex US) is trading in an obvious bear market pattern since the Q2 top in 2011. It was also Q2 last year where we saw a major US dollar bottom and although we see the US dollar moving into a 4-year cycle peak later this year we don't think the dollar has already seen its ultimate top. However, if we see more US dollar strength it should be actually just a matter of time that this starts biting US mega caps and this could in fact lead to a change in the relative performance in equities, so we wouldn't be surprised to see Europe starting at least to stabilize if not even outperforming versus a Dow Jones Industrials.

Last week's bounce in risk was so far very weak in economy sensitive commodities such as crude oil and copper, which are actually just trading sideways. After the recent impulsive bear cycle we see crude oil trading in a wave 4 before into July we see a final move down towards 75, which however should bring us a major tactical buying opportunity.

Inter-Market Analysis:

Initial Signs of a Major Top Forming in Bonds!!

Last week we highlighted the exhaustive shape of the Aril/May bull leg in bunds and we said that we expect a first pullback in the Bund Future to break at least the extreme bull trend momentum, which has reached historical extremes (chart 18.). Generally, last week's sharp sell-off we see (so far) just as the start of deteriorating trend momentum and as long as the bund does not break 142 (on a daily close) we don't think it was already the key reversal that completes a major top. However, the break of the steep May bull trend can be definitely labeled as the very early stages of a broader topping process in which we still cannot rule out a final overshooting towards 149 or a lower high into July.

Keep in mind, **it was a key call of our 2012 strategy to expect a major low in US and German yields and from a timing perspective we favored this low to see in deeper summer.** Although we think it could be still a bit too early, **with mid June we are moving into the time window of our cycle projection. Furthermore, the US T-Bond has exactly reached our target projection at 153 (May 22 weekly report), which suggests that the US bond market has maybe already seen its top**. Nonetheless, from a correlation standpoint it is highly likely that a major low in yields will be closely linked to a low in risk, which means July could be an important timing for the US and German bond market. It's important to highlight that in the bigger context **the bull leg in the US T-Bond from our projected late Q1 cycle bottom has a clear wave 5 character, as the new breakout has so far not been confirmed by our weekly trend work. The same picture we have in the monthly German Bund chart where the monthly momentum is forming a bigger non confirmation, which suggests that a major cycle top is underway, similar to 1993, 1999 and 2005 (chart 20.).**

Chart 18.) Bund Future Daily Chart

Chart 19.) US T-Bond Weekly Chart

Conclusion:

In early April we called a tactical bottom in the US T-Bond and German Bund Future and it's was our expectation that the following move into deeper summer should represent a final bull wave on a larger degree before topping out and starting a significant bear cycle into 2013. With an increasing number of divergences on the upper time frames we have increasing evidence that a major top building process has started. What is still missing is the ultimate sell signal on a daily basis, where we would need to see either a failure high or a break of an important key support (last higher reaction low). For the Bund Future the key support is at 142 and for the US T-Bond we see 147 as a key support. As long as the levels remain intact we see the risk of another overshooting in particularly in the German Bund, whereas in the T-Bond we see a higher likelihood that 153 represents already THE major top of the 2010 started bull cycle.

Generally, over the last few weeks we have seen the sentiment towards bonds getting extreme. In the German bund we have seen panic buying and from a flow perspective we have seen huge shifts from equities into bonds. This kind of framework we usually only see at major tops and we see this as the basis for a negative surprise into 2013.

Inter-Market Analysis:

Chart 20.) Bund Future Monthly Chart

As evidence that a major top is forming we have been waiting for a final uptick in our monthly momentum indictor, similar to the major top in 1993, 1999 and 2005. With the current monthly long signal in place we have the formal confirmation that a final bull leg is underway. Even if we see an overshooting towards 149, into 2013 we expect to see a sharp correction in the Bund Future towards 133.

Chart 21.) US 10-Year Treasury

In our early April tactical bull call on the US bond market we said that as long as the 10-Year Treasury yield does not break 2.40% on the upside we expect a final wave down that should bring us at least a re-test of the September low in yields. At the end of the day we got also in the US the break of the September yield bottom, where currently the 10-Year Treasury is heading into its secular trend support at around 1.35%. We expect this level to play an important role in a potential bottom building process, which we think has already started.

Chart 22.) US T-Bond Daily Chart

From a tactical perspective the level of 147 represents a key support in the US T-Bond. A daily break of 147 would suggest that a major top is in place and in this case we would make a U-turn in our bias into sell the rallies!!

European Equity Market Update:

With Initial Trend Breaks the Picture is Improving!

The reaction on the Spanish banking bailout plan was disappointing. After a strong opening, European headline indices reversed and posted rather bearish reversal candles yesterday. Nonetheless, with last week's bounce the banking sector and the Euro Stoxx have broken their steep March bear trends, so at least from a momentum basis the technical picture starts improving/stabilizing and it is evidence that the worst on the downside we have seen.

On the upside the Euro Stoxx remains bearish biased while trading below 2200 (stop loss for tactical shorts). A break of 2200 would suggest an extension of the current bounce towards 2264. Generally, although the overall momentum on the downside should deteriorate, as long as the Euro Stoxx trades below 2200 we see the risk of a retest of the September/October bottom at 2000 into July, whereas a move towards 2264 would imply that into July we just see a re-test of last weeks low at 2050.

Chart 23.) Euro Stoxx 50 Daily Chart

Chart 24.) STOXX Europe Banks (SX7P) Daily Chart

Euro Stoxx 50:

Financials have been the main force behind last week's bounce, which lifted the short-term oversold Euro Stoxx 50 above the steep March down-trend line. However, with an intact bearish sequence of lower highs in key sectors still in place, we interpret the break as a first step in slowing down the bearish momentum, rather than a completed reversal. Furthermore, the recently oversold situation has been worked off, suggesting that this week we will see a crucial test of the sustainability of the recent bounce campaign.

Only a daily close above 2200 would pave the way toward the 38% retracement of the March-June decline at 2264. Our favored short-term scenario is however a limited upside reaction and subsequent pullback toward 2065/2050, where the latter represents the last significant low.

STOXX Europe Banks:

Monday's significant reversal day marks the end of last week's bounce campaign and suggests that too much of the development over the weekend has been anticipated.

With the fast daily momentum indicator back in overbought territory we cant rule out another set back starting and as long as trading below 129 we can't rule out a re-test of last week's trading low at 118. A break of 129 would be short-term bullish and imply a move towards its next retracement at 135 and in this case we would get increasing evidence that a more important tactical low in banks is in place.

European Equity Market Update:

Chart 25.) FTSE-100 Daily Chart

Chart 26.) DAX-30 Daily Chart

Chart 27.) Swiss Market Index Daily Chart

FTSE-100:

Miners, financials and energy fuelled a quite significant bounce and the index settled above 5410. This shifts the focus to the 200-day moving average at 5556 and the minor trading high from mid-May at 5585. From a pattern point of view, the late May/early June formation can be seen as a small trading bottom. However, given the fact that the recent rallies look purely corrective in key sectors, we do not label the pattern in the FTSE as a high conviction base. We expect significant headwind at around the 200-day moving average and a re-break below 5410 would shift the focus back to the major support zone at 5260.

DAX-30:

Last week’s bounce failed at the 200-day moving average. Furthermore, cyclical sectors continued to underperform, meaning that the bounce in the DAX does not have the character of a key reversal. The last high at 6446, as well as the 38% retracement of the March-June decline at 6404, is not yet within striking distance. So, the extension of the bounce remains corrective and with the recently oversold daily momentum indicator moving back into slightly overbought territory we favor at least further bottom building in the form of a re-test of the last low at 5914.

Swiss Market Index:

Last week’s bounce ran into sand near the 200-day moving average and well below the last minor high within the current downtrend at 5944. The key resistance is unchanged at the neckline of the 2012 top at 6041.

With a bulk of technical resistances coming within striking distance, the short-term upside for the SMI is capped.

So from a pure price point of view, the index is currently caught within a tiny range, which offers support at around the 38% retracement of the entire August 2011/ March 2012 advance at 5723.

STOXX Europe 600 Index Sector Overview:

	RIC	Trading at	Trend (weekly MACD)	Rel. Strength according to the spread chart	Favourite Stocks *
Food & Beverage	.SX3P	408.3	↘	Outperforming	ABI.BR, RCOP.PA, VIS.MC, KYGa.I, CHRH.CO, PERP.PA, DGE.L, MHG.OL
Healthcare	.SXDP	438.7	↘	Outperforming	GN.CO, GRLS.MC, NOVOb.CO, ESSI.PA, COLOb.CO, RHKG.DE, UCB.BR, BTG.L
Real Estate	.SX86P	110.0	↘	Outperforming	DEQGn.DE, LOIM.PA, CAPCC.L
Travel & Leisure	.SXTP	121.2	↘	Outperforming	IHG.L, EZJ.L, WMH.L, LAD.L, PAP.I
Telecommunications	.SXKP	230.6	↘	Outperforming	TEL.OL, BT.L, ELI1V.HE, TLSN.ST, SCMN.VX, VOD.L, ISA.L
Personal & Household Goods	.SXQP	460.9	↘	Neutral	HNKG_p.DE, BICP.PA, LUX.MI, BEIG.DE, SWMA.ST, OREP.PA, BDEV.L, PSN.L
Chemicals	.SX4P	545.1	↘	Neutral	FPEG_p.DE, BNRGn.DE, SYNN.VX, CRDA.L, SY1G.DE, GIVN.VX, JMAT.L
Industrial Goods & Services	.SXNP	285.9	↘	Neutral	GTO.PA, ITRK.L, BAB.L, BNZL.L, ANDR.VI, COB.L, AHT.L
Media	.SXMP	157.6	↘	Neutral	SBST.OL, RMV.L, WPP.L, KD8Gn.DE, TNET.BR, AEGS.L
Retail	.SXRP	233.5	↘	Neutral	DUFN.S, KGF.L, NXT.L, DEB.L, GALN.S, BOK.L, JMT.LS
Technology	.SX8P	188.8	↘	Neutral	ASML.AS, ATOS.PA, TCY.L, LOGN.VX, DAST.PA, ILD.PA, LOG.L
Utilities	.SX6P	243.3	↘	Neutral	IPR.L, NG.L, SVT.L, PNN.L, CNA.L, UU.L
Automobiles & Parts	.SXAP	279.9	↘	Underperforming	PECI.MI, CONG.DE, RENA.PA
Financial Services	.SXFP	210.5	↘	Underperforming	ADN.L, LSE.L, PFG.L, ACKB.BR
Oil & Gas	.SXEP	309.9	↘	Underperforming	AKSO.OL, TECF.PA, PFC.L, TGS.OL, WG.L, HTG.L, TLW.L, OPHR.L
Insurance	.SXIP	131.9	↘	Underperforming	HNRGn.DE, SRENH.VX, OML.L, PRU.L, TOP.CO, CGL.L, LGEN.L, AML.L
Constructions & Materials	.SXOP	216.1	↘	Underperforming	ASSAb.ST, GEBN.VX, SIK.S, FOUG.PA, BALF.L, LAFP.PA, TRE.MC
Basic Resources	.SXPP	411.5	↘	Underperforming	TENR.MI, BOL.ST, XTA.L, MNDI.L, IMTP.PA, UPM1V.HE, HOLMb.ST, BLT.L
Banks	.SX7P	126.4	↘	Underperforming	SHBa.ST, SEBa.ST, DANSKE.CO, SWEDa.ST, BCVN.S, POH1S.HE, HSBA.L, KBC.BR

The STOXX, Euro STOXX and FTSE350 sectors can be traded via CFD and UBS will make guaranteed bid-offer spreads in them. Normal sizes are 5m EUR to 20m EUR with others available on request. All orders can be executed on an agency basis (execution commission is applied to all trades) and short rates, borrow rates and dividend rates pre-determined as per standard CFD agreement.

* The above stock selection is a recommendation based on trend works, relative strength and pattern analysis. Most parts of the selection are based on a quantitative technical selection model. The character of the model is mainly trend-following. The aim is to provide a consistent top down approach and to give the medium-term oriented investor a selection of technically favourable looking stocks.

Weekly Technical Indicators: (Source: Pinnacle Data, Datastream) Charts: Metastock

USA	11.06	04.06	28.05	Comment	Our Voting
Bullish Consensus AAII	28%	28%	31%	Unchanged	Positive
Bearish Consensus AAII	46%	42%	39%	Continues to rise and almost in contrarian territory	Positive
Advance/Decline Line (S&P 500)	16314	16087	16223	Bearish trend is in place	Bearish
New 52-week highs (NYSE)	75	26	31	Slightly higher	Negative
Stocks above 200-day average	51%	51%	56%	No big change	Negative
ARMS Index NYSE (10-day-sma) (<0,9 bearish/>1,2 bullish)	1.33	1.21	1.19	Oversold territory	Positive
ARMS Index NASDAQ (10-day-sma) (<0,9 bearish/>1,2 bullish)	1.37	1.42	1.18	Still oversold	Positive
Put/Call Ratio CBOE All Options (10-day sma)	1.08	1.07	1.13	Falling toward a more neutral level	Neutral
Europe (DJ STOXX 600)	**11.06**	**04.06**	**28.05**	**Comment**	
New 52-week highs	9	3	2	A touch higher	Negative
Stocks above 200-day average	44%	32%	45%	Bouncing back	Neutral
Stocks above 20-day average	55%	10%	21%	Oversold situation has been worked off	Neutral
Germany	**11.06**	**04.06**	**28.05**	**Comment**	
Advance/Decline Line	-2300	-2283	-2263	The short-term trend is bearish	Bearish
Stocks above 200-day average (HDAX)	48%	42%	56%	A touch higher	Negative
Stocks above 20-day average (HDAX)	31%	11%	18%	Bouncing	Positive
Put/Call Ratio equities (Eurex, 10-day sma) (above 0,90 bullish/ below 0,80 bearish)	1.28	1.16	1.08	Moving higher	Neutral
Switzerland	**11.06**	**04.06**	**28.05**	**Comment**	
Advance/Decline Line	1185	1177	1197	Short-term trend is bearish	Bearish
Stocks above 200-day average	36%	33%	40%	Slightly improving	Negative
New 52-week highs	1	0	0	No significant change	Neutral
Intermarket Analysis	**11.06**	**04.06**	**28.05**	**Comment**	
Bullish Advisers US Bonds	74%	73%	70%	A tad higher	Negative
Bullish Advisers Gold	46%	41%	43%	Slightly improving	Neutral
Bullish Advisers Euro/US-Dollar	18%	19%	20%	Pessimism is further increasing and is moving into contrarian territory	Positive
Bullish Advisers Oil	33%	42%	36%	Moving into contrarian territory	Positive