United-ICAP
the technical advisory service
walter j. zimmermann jr. walterz@united-icap.com

Charts of the Day for Tuesday

30 June 2015

US Equity Indices:

Break downs

Walter Zimmermann

United ICAP

Since the Indus civilization 9,000 years ago the third day of the week has been named for the planet Mars. Tuesday is from 'Day of Tyr. ' Tyr was the Norse god of combat and victory.

walter j. zimmermann jr. walterz@united-icap.com

Background

- What we saw in the US equity markets on Monday was not the amazing and Herculean destructive power of the 11 million people of bankrupt Greece being unleased on the poor, defenseless US equity markets.
- And what we saw in the US equity markets on Monday was not the titantic destructive power of the 3.8 million people of bankrupt Puerto Rico raining down on the USA.
- What we saw in the US equity markets on Monday was the ripened fruit of the bearish rising wedge patterns up off the lows of mid-October of 2014.
- In previous reports I had pegged the USA as the land of the bearish rising wedge.
- This observation was based on the fact that every single US equity index had formed a bearish rising wedge pattern up from their mid-October lows.
- And as these rising wedge patterns unfolded I noted that every single US equity index was unfolding as an even more bearish diagonal triangle fifth wave.
- A diagonal triangle fifth wave is a rare pattern only seen when a market has rallied too far, too fast, for too long.
- A diagonal triangle fifth wave signals that a market is in the final leg up of a much larger advance.
- A diagonal triangle fifth wave within a rising wedge signals that the bull is about to become a bear. This pattern is a big warning signal.

Sparks

- After an extended andsevere drought any forest will be poised for a devastating fire. The slightest spark can set off a massive inferno.
- The intensity of that inferno, and the speed with which it spreads is all out of proportion to the tiny spark that set it off.
- Without a prolonged drought the spark has no power.
- The US equity markets have been suffering from an extended drought of real buyers.
- Corporations have been buying back massive amounts of their stock because money has been so cheap. All other sectors were net sellers.
- The volume levels have been pathetic for a long time in all the US stock exchanges.
- And those volume levels was even worse than they looked, considering that upwards of 40% of volume in all exchanges is HFT in origin.
- And then there is the fact of record debt levels across all sectors, debt levels that dwarf those at the peak of the 2007 bubble.
- So was the reaction of the US equity indices all out of proportion to the news from Greece and Puerto Rico? Yes, but...
- News that appears to create a major move is always only the spark.
- There is that Wall St. proverb: the news follows the trend.
- The news tries to explain the trend after the fact. This is the case in all markets, at all times.
- A diagonal triangles fifth wave in a rising wedge tells you that bad news is on the wave. Bearish price patterns predict bearish news.

United-ICAP
the technical advisory service
walter j. zimmermann jr.   walterz@united-icap.com

US Equity Indices
30 June 2015

Sequence

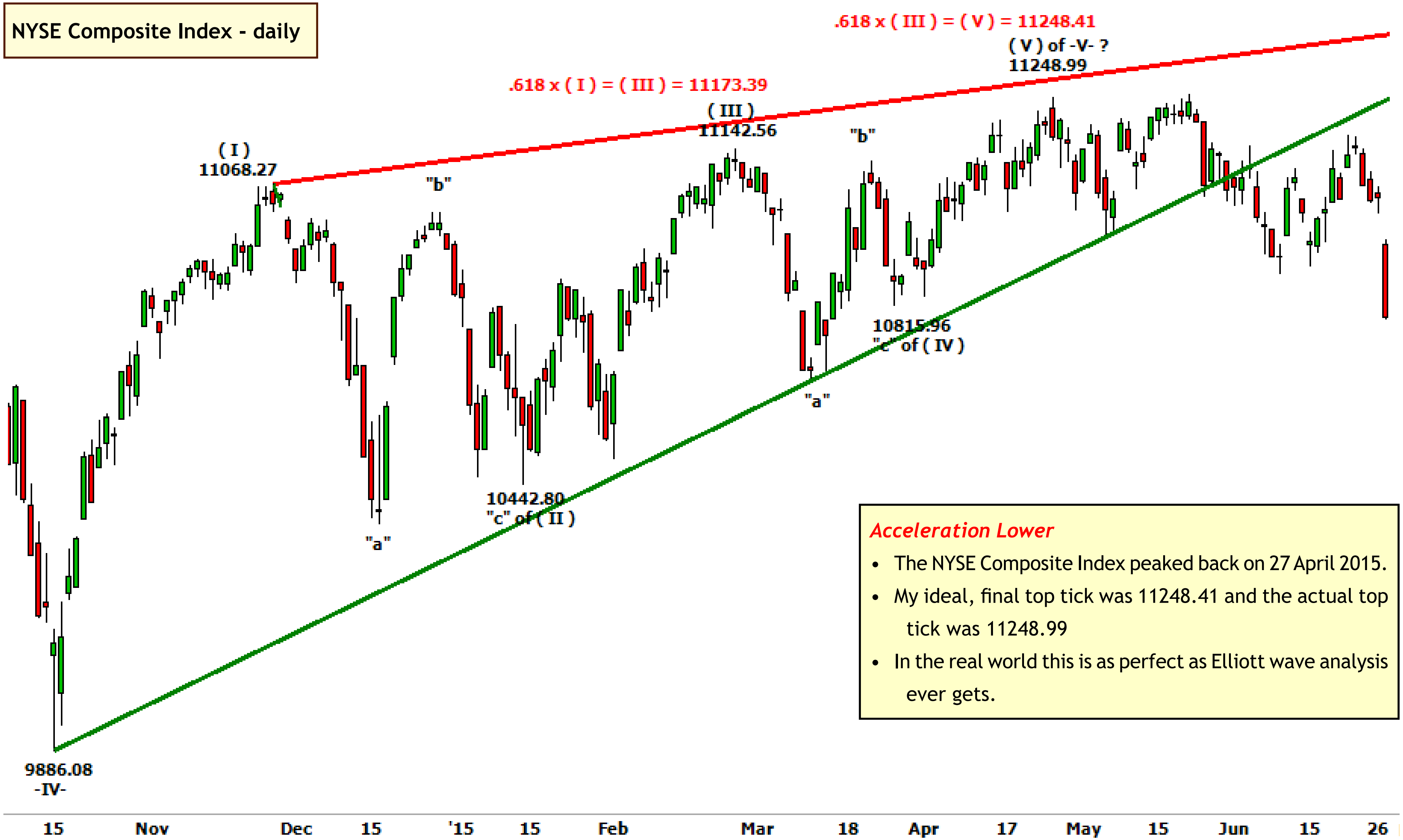
In this brief update I choose to cover the US equity indices in order of the number of stocks in the index, the largest index first.

Break Down

- I had pegged my textbook perfect, ideal top tick foir the Nasdaq at 5184.21.
- The Nasdaq peaked back on 24 June 2015.
- The actual top tick was 5164.36

United-ICAP
the technical advisory service
walter j. zimmermann jr. walterz@united-icap.com

NYSE Composite Index - daily



Acceleration Lower

- The NYSE Composite Index peaked back on 27 April 2015.
- My ideal, final top tick was 11248.41 and the actual top tick was 11248.99
- In the real world this is as perfect as Elliott wave analysis ever gets.

United-ICAP
the technical advisory service
walter j. zimmermann jr. walterz@united-icap.com

US Equity Indices
30 June 2015

Break Down

- The SPX was a major failure.
- It peaked out almost 50 points below it's ideal top tick at 2180.65.
- But after all, what is 50 SPX points in a major bear market? Maybe one day of trading.
- And that peak at 2134.72 had the virtue of peaking below the rising wedge resistance line.
- And there is no debating that Monday was a break down.

United-ICAP
the technical advisory service

walter j. zimmermann jr. walterz@united-icap.com

US Equity Indices
30 June 2015

S&P 100 Index (OEX) - daily

No Break Down, Yet…

- In the bullish case the 938.44 high only finished wave (III) up.
- In this bullish case the retreat from 938.44 is the wave (IV) correction and one more slightly higher high is still on tap.
- Peg 896.40 the must hold for this bullish case.
- A decisive break below 896.40 would break the back of this bullish case.

United-ICAP
the technical advisory service
walter j. zimmermann jr.   walterz@united-icap.com

US Equity Indices
30 June 2015

Acceleration Lower

- The ideal, textbook perfect top tick for the diagonal triangle in the DJIA was 18358.05
- The DJIA peaked at 18351.36.
- Close enough.
- That top tick fell on 19 May 2015
- 'Sell in May and Go Away?'

walter j. zimmermann jr. walterz@united-icap.com

Equity Break Downs and the Petroleum Complex

- With price action like this in the major equity indices, Crude Oil bears do not need rising inventories.
- And with price action like this in the major equity indices, Crude Oil bears to do need a rising rig count.
- And with price action like this in the major equity indices, Crude Oil bears to do need the Saudis to jack up production.
- And with price action like this in the major equity indices, Crude Oil bears to do need a rising US Dollar.
- This is especially the case for this time of the year.
- That said, there were no break downs in the petro complex on Monday.
- WTI held above 57.73 and Brent held well above 59.00
- RBOB held well above 1.9590 and ULSD held 1.8150
- However it may be worth remembering that WTI just fell from 107.73 last year to 42.03 this year.
- And the rebound from 42.03 was consistent with a bear market correction.
- Are the stock markets just catching up with the petro complex dump?
- Equities and Commodities are fond of bottoming together. But they are not fond of peaking together.