

ICAP Technical Analysis



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Wed 13 Apr 2016 - Chart of the Day

Wednesday Charts of the Day

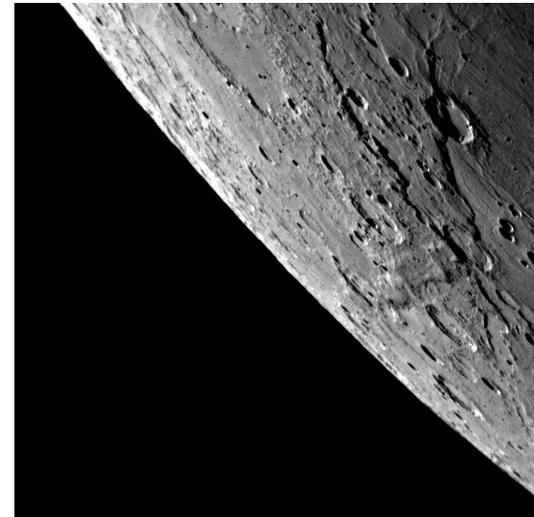
13 April 2016

RBOB, Equities, and the Greenback

One big seasonal risk

Walter Zimmermann

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For over 9,000 years the 4th day of the week has been named for first planet. Wednesday is named for Woden, the Germanic equivalent of Mercury.

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Adam Smith (1723 - 1790) wrote 2 Books

1. The Theory of Moral Sentiments - 1759
 2. An Inquiry into the Nature and Causes of the Wealth of Nations - 1776
- We all know all about his second book, but I daresay most do not realize that 'Wealth of Nations' was his second book.
 - That is because his first book was all about psychological motives, emotions, and passions. 'Theory of Moral Sentiments' was actually the first attempt to explore the subject of behavioral economics.
 - This first book begins with a study of sympathy, Smith then delves into the causes of emotions, pleasure and self-interest. He concludes with an analysis of social behavior, the virtues and the passions.
 - Adam Smith's first book contains everything that modern economics has completely and utterly rejected.
 - This subject matter was rejected because economics desires to be viewed as a pure science like physics or chemistry.
 - The human side of economics is to be entirely avoided, if not reduced to mathematical formulas and calculations of supply and demand.



Ambush

To surprise with an attack from a concealed position. The etymology is from the Old French embuscher, in wood (bush).

Catch Unawares

To be the subject of an unexpected event or outcome.

“Triumph of hope over experience”

Samuel Johnson’s remark after hearing of a man who quickly remarried after the death of his wife ended an unhappy marriage.

“You believe that easily which you hope for earnestly.”

- Terence, Roman comic and dramatist, 185 to 159 BC



Petroleum Complex

- Every year a Gasoline “pre-season” rally takes the entire petroleum complex higher from a winter low to a spring peak.
- And every year Gasoline prices lead the entire petroleum complex lower from a spring peak to a winter low.
- “Oil prices erase losses as hopes of freeze deal build.”
Morningstar headline from 12 April 2016

The Stock Market

- Sell by may then go away. Buy back on St. Crispin’s Day (25th October)
- Bouman and Jacobsen (2002) found this effect in 36 of 37 countries and from 1694
- “Why Bubble Fears are Bullish for Stocks”
Forbes headline from 09 April 2016

The US Dollar

- Over the past five years (2011 to 2015) the US Dollar has rallied an average of 10.002 points from an average low date of 5th April.
- “Hedge Funds Abandoning Dollar’s Biggest Bull Run in a Generation”
Bloomberg Headline from 11 April 2016

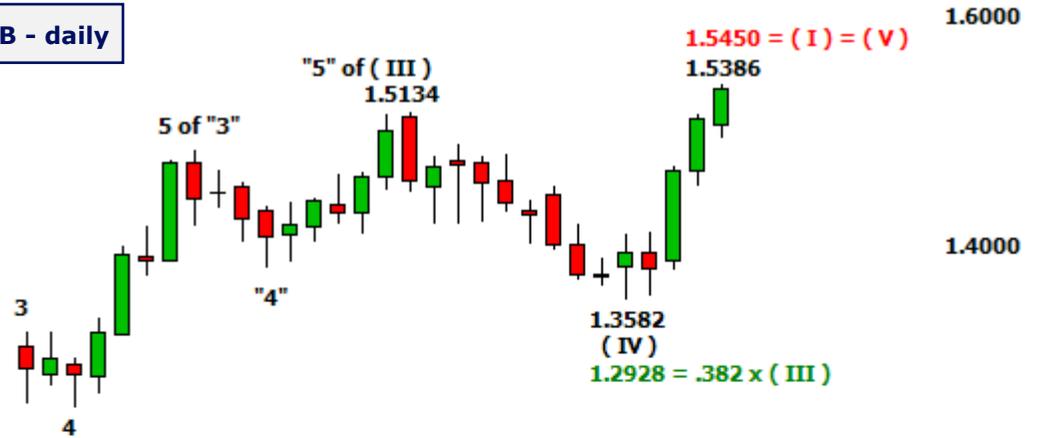
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21 to 25 Mar 2016 Weekly

Spot RBOB - daily



Elliott Five Wave Rally

- The average extent of a winter to spring Gasoline rally is way out of proportion to the actual increase in seasonal demand and to the increase costs of summer grade production.
- The Elliott five wave rally is the foot print that the market makes as it advances from an unsustainable extreme of bearish sentiment to an unsustainable extreme of bullish sentiment.
- Can Gasoline exceed its (I) = (V) target? Absolutely
- Can Gasoline maintain that excess? Unlikely.

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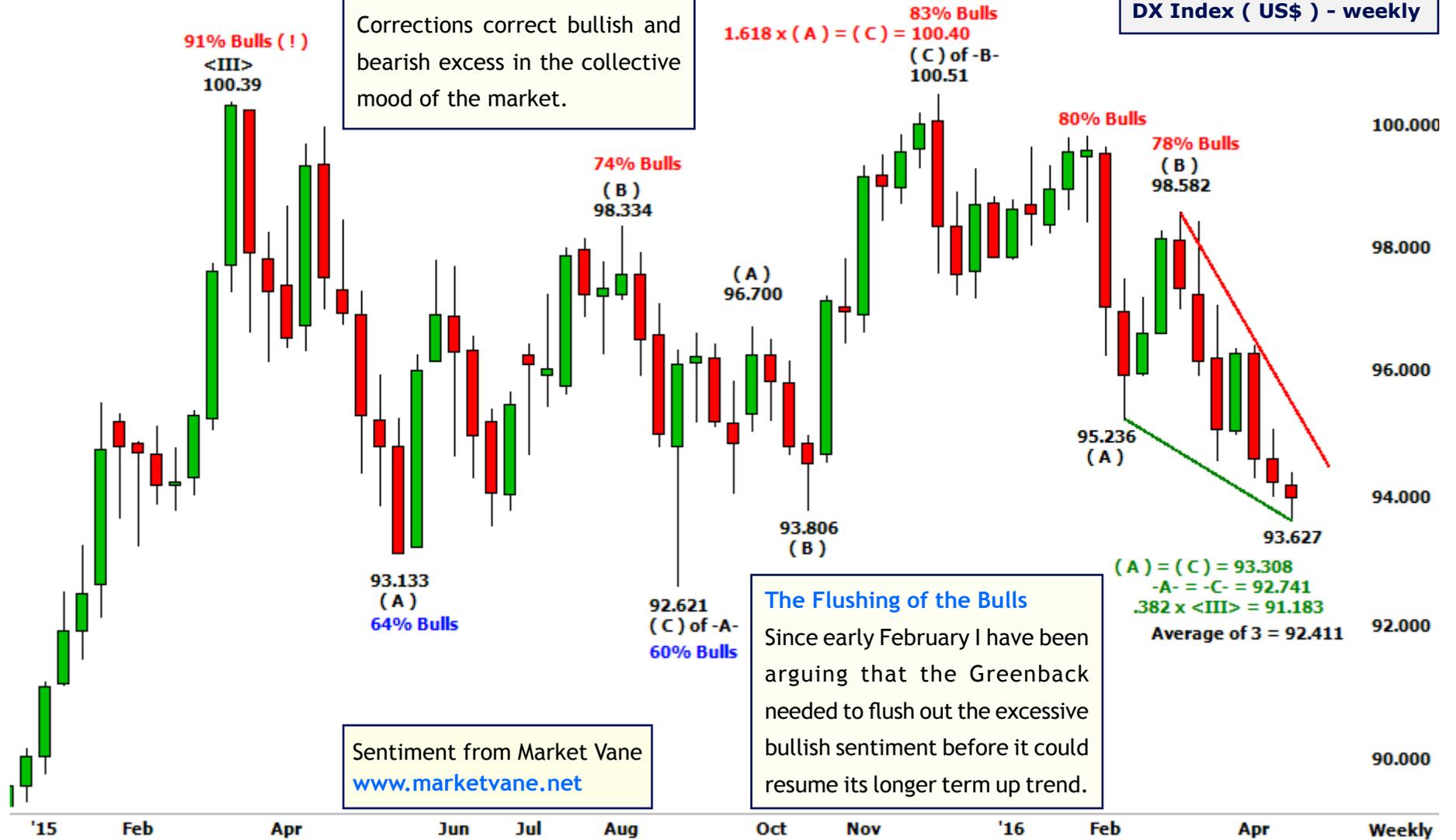
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What do corrections correct?

Corrections correct bullish and bearish excess in the collective mood of the market.

DX Index (US\$) - weekly



Sentiment from Market Vane
www.marketvane.net

The Flushing of the Bulls

Since early February I have been arguing that the Greenback needed to flush out the excessive bullish sentiment before it could resume its longer term up trend.

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DX Index (US\$) - monthly

The <I> = <V>

The <I> = <V> would be an 11.400 point rally. This would compare well with the just cited 5 year average rally of 10.000

Top Tick Target?

- From a near term low near 92.410 the <I> = <V> target would take the DX Index to the 103.80 area.
- This would align very closely with the $1.618 \times A = C$ target at the 103.30 area

Sentiment from Market Vane
www.marketvane.net



Implications?

It is very likely that few holding length in either petroleum or the stock market from here would still be holding that length with the US Dollar up into the 103.00 area.

