Financial Research Education & Data

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The FRED Report

Summary of Market View

We cover various sentiment indicators in this Weekly Review. There is a difference between what we call Anecdotal Sentiment and Real Sentiment Indicators. Anecdotal Sentiment is what people are saying and Real Sentiment Indicators show what they are actually doing. We give a good example of this in the Chart of Interest section, below. We cover various sentiment indicators in Stocks and Bonds.

In International, we cover Latin America. There may be some good yields on these markets – but please check as we do not have a great source of yield info. In Commodities, we discuss GLD and SLV.

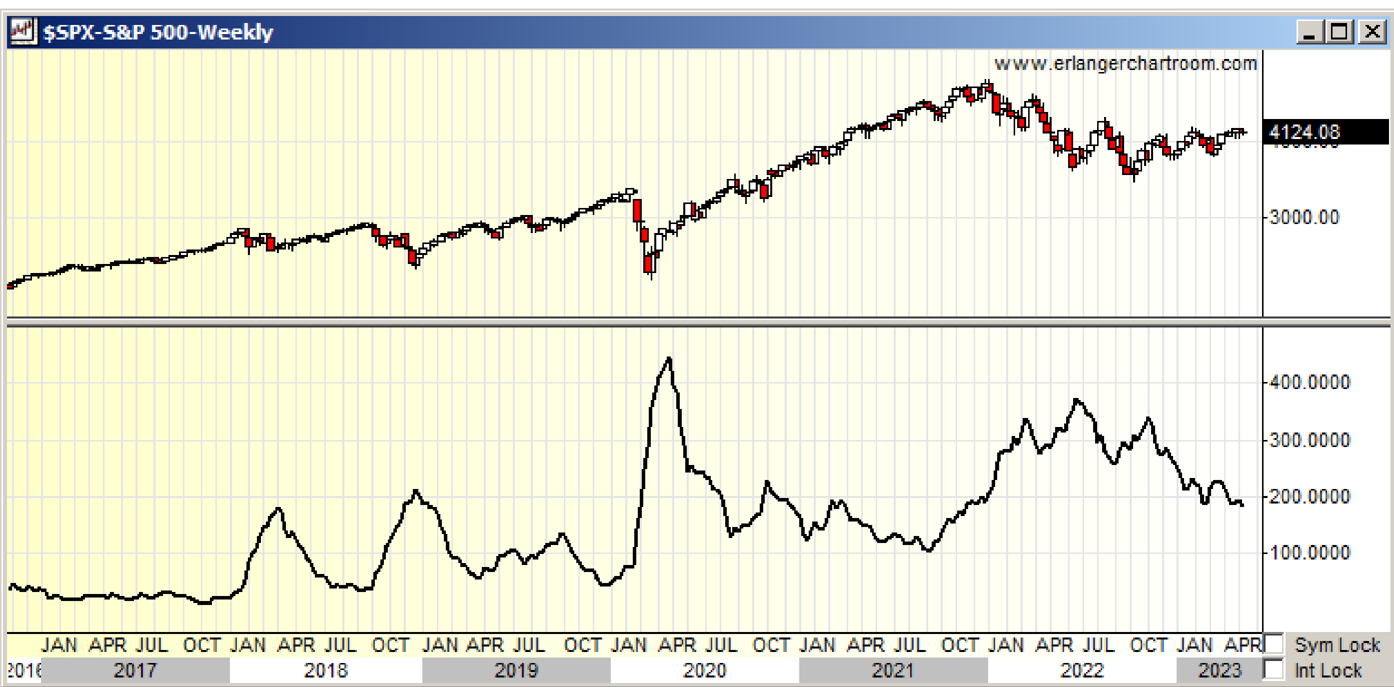
INSIDE THIS ISSUE:

Special points of interest:

- We maintain our forecast of a move down to the bottom end of our projected trading range (380 or so to 420 or so on SPY).
- While Anecdotal Sentiment is quite bearish, our Real Sentiment Indicators do not reflect this.

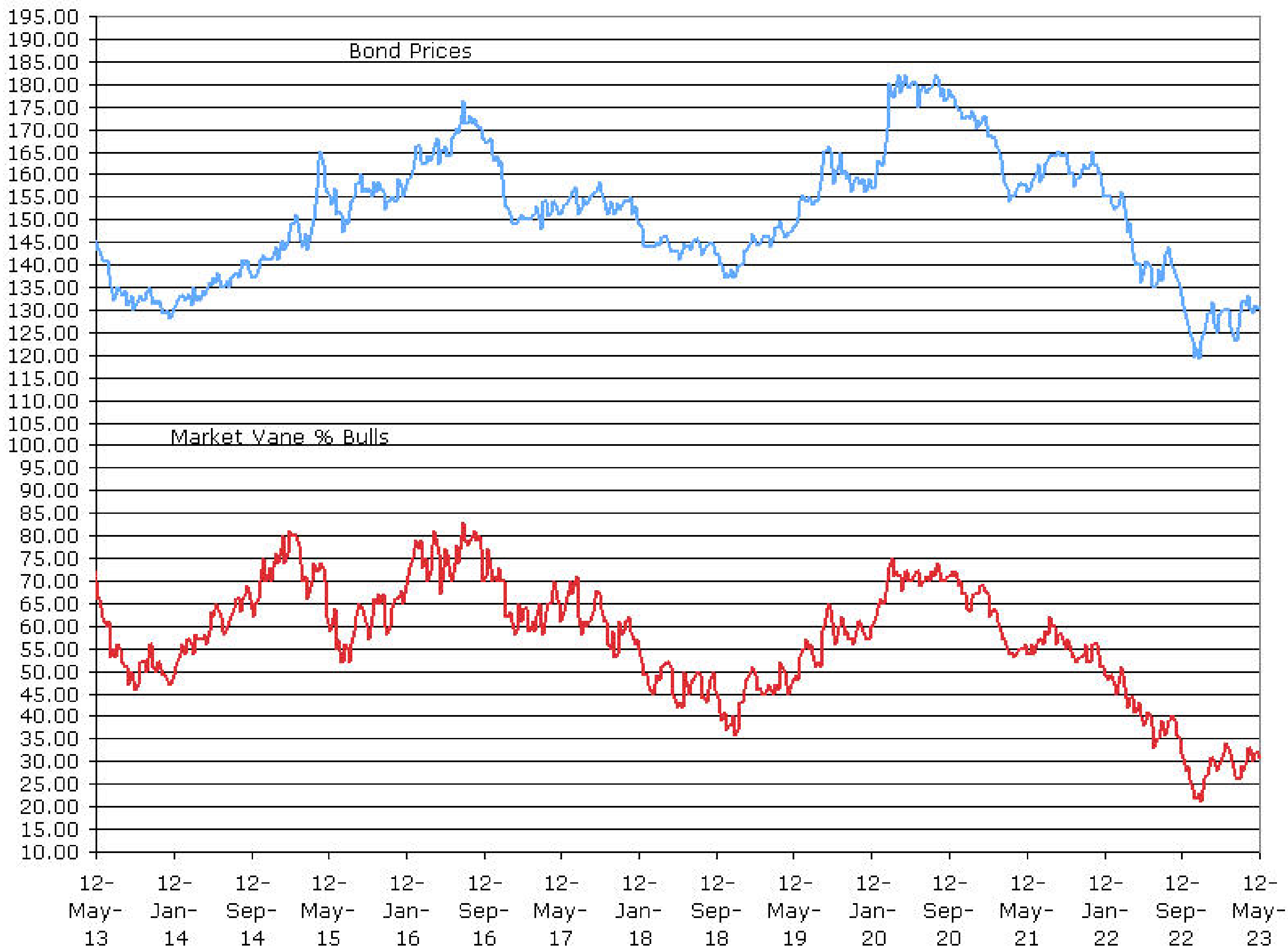
Stocks Review

The market continues flat and rather dull, but with some deterioration under the surface – our Breadth indicators continued slow deterioration from last week. As we said on the call, intermediate indicators are still in acceptable configurations. But the shorter-term stuff is now negative. While Anecdotal Sentiment is quite bearish, our Real Sentiment Indicators do not reflect this. We show our Fred's Volatility Indicator charts, below. This chart shows complacency. In other sections of this Weekly, we see other indicators that show this as well, both in stocks and bonds. We maintain our forecast of a move down to the bottom end of our projected trading range (380 or so to 420 or so on SPY). A straddle for July Expiration is interesting here. These issues should be resolved by then.



Fixed Income Review

TLT and bonds have been flat and currently are trading close to the middle of our projected trading range (98 or so to 110 or so). Indeed, the midpoint of that range is 104, and TLT closed at 104.27 on Friday. What is interesting here is that sentiment has actually gotten a bit more bullish on Treasuries over the last few weeks. We show our chart of Market Vane %Bulls on bonds. As we show in the Equities section, the Fred's Volatility Indicator shows complacency. We also see this in the Chart of Interest section, where the chart of our Put/Call indicator also shows remarkable complacency in equities. For options traders, and also hedgers, a straddle on TLT for July is interesting.



Commodity Review

We will take a look at GLD (SPDR® Gold Trust) and SLV (iShares® Silver Trust) today. First, let's mention two things. We traded GLD in December, selling it at 180.It is higher, but on virtually no Accumulation. If it goes higher, it will do so without our recommendation. Lately, the Accumulation model on GLD has improved, suggesting short-term possibilities, but the intermediate picture on GLD is still negative, although less so. Second, we do not keep Accumulation models on SLV. When we have tested that over the years, the signals are the same. So, we will look at the charts of each.

GLD has support in layers from 180 to 170. Now, it is a multi-year topping pattern, with highs in the 190-area. This has failed in 2020 and 2022. Short-term support in the 187 to 186 area is being fully tested, and if this breaks a challenge of 180 should be expected. The daily stochastic is in sell mode, and the weekly is a new sell recycle. We have been asked if we would short GLD, based on negative accumulation and stochastics, and while we might buy puts, we would not short the actual ETF. The reason for this is there could be a sharp advance on debt ceiling news. This advance, if it occurs, is likely to be quickly retraced. If you are long GLD we would sell that advance.

SLV is a similar, but weaker chart. This is actually bullish for the metals, as commodity traders have found that the move in the metals is often ending when silver starts to outperform. A look at the chart shows a double top in the 24-area, below the highs of 2020, and 2021. The daily stochastic has fallen to oversold, due to strong price weakness over last Thursday and Friday. The weekly is a new sell signal as well. So SLV looks to come down, and it is already testing the 22-area support. Below that would target 20 to 18. While we would not buy either of these, if we had to choose which one to buy, it would probably be SLV as it is oversold on the daily stochastic and on support.

International Review

We have not looked at Latin America in a while. This area of the world is important because it holds a lot of the raw materials that have contributed to inflation. While there are many country markets in Latin America, we will look at three: EWZ (iShares® MSCI Brazil Index Fund), ARGT (Global X FTSE Argentina 20 ETF), and GXG (Global X Interbolsa FTSE Columbia 20 ETF). We will look at EWW (iShares® MSCI Mexico Index Fund) as well, although it is not in Latin America. Mexico is actually in North America, although it is a Spanish speaking country! Of the three South American countries, EWZ is the biggest economy, as it is 65% of ILF (iShares® S&P Latin America 40 Index Fund). By the way, this ETF also contains some Mexican names. This is another reason to cover Mexico here. So, let's look at these, as they may be a way to add some "zip" to an international allocation.

First, we look at EWW. This is the strongest technical picture. There is some ultra short-term support at 60, but the real support is 55 or so – the breakout of the 2018 high. To find resistance in the 70-area, you have to look at long-term data, as that area was tested in 2013 to 2014. Not surprisingly given recent strength, the daily and weekly stochastics are overbought and not in sell mode. This ETF has a yield of 2.5%, not bad for an equity allocation (as we always say with international ETFs, please check this with your sales desks).

Second strongest is ARGT. This is a high-level consolidation from 35 to 42. The daily stochastic is overbought and not in sell mode, while the weekly is a sell pattern. The yield is around 3%. EWZ is less strong. This is building a base from 25 to 35 or so and is well below the 47-area high from 2020. The daily stochastic is overbought, and the weekly is up and almost overbought. This might see some more upside, but the pattern suggests this range will last a bit longer. The yield is showing at 11 to 12%, again – please check this, as it seems very high.

Last, we look at GXG. This is typical of the weaker Latin American stocks. Support is the 20 to 17 area, near the 2020 low. Resistance is 25 or so. The daily and weekly stochastics are in buy mode but showing no momentum. The yield shows around 12% also. We would not use this, but since Columbia is turning into a retirement haven, we have been asked about it.

THE FRED REPORT

4514 Chamblee-Dunwoody Road

Suite 112

Dunwoody, GA 30338

Phone:

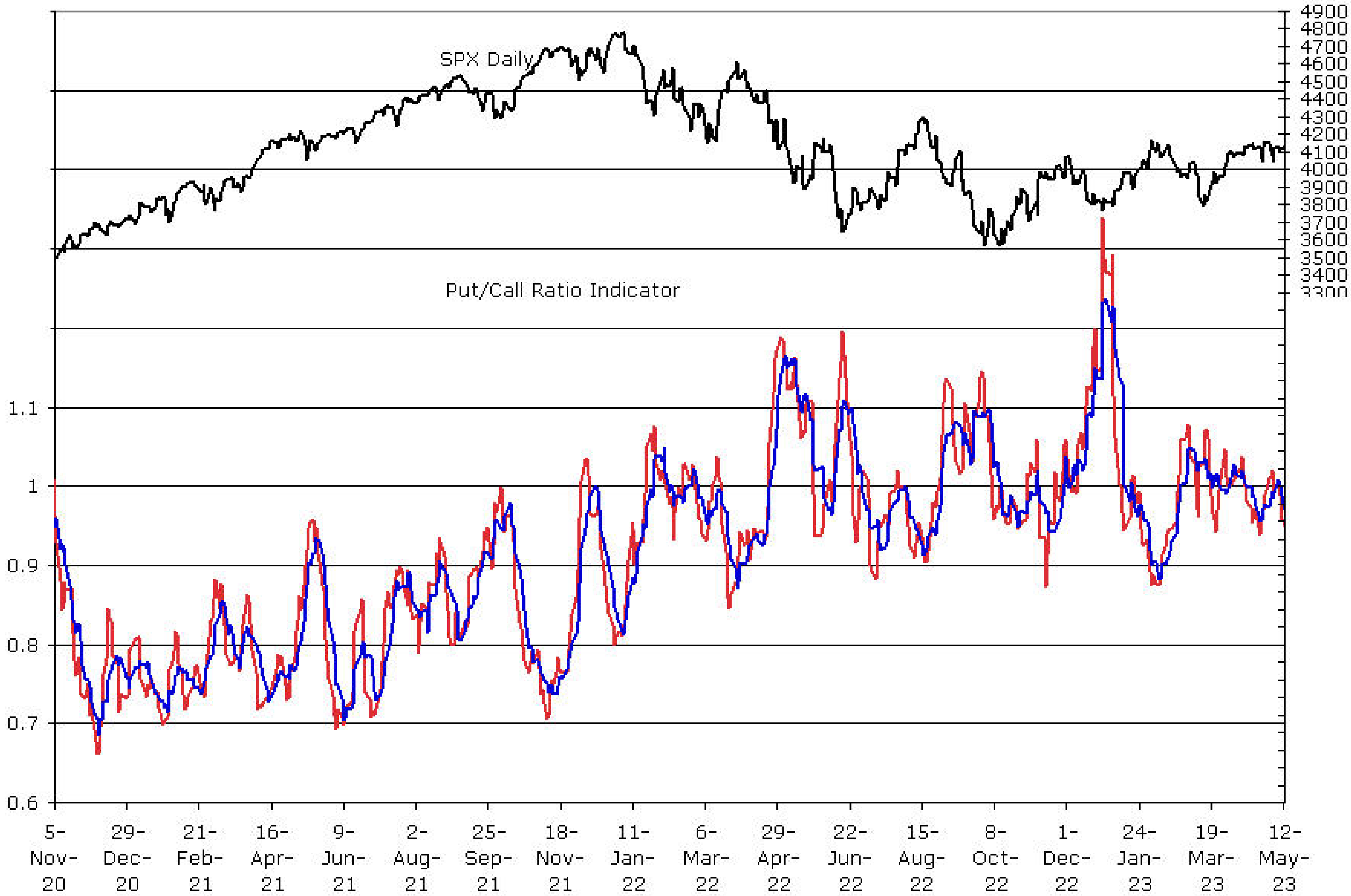
(404) 875-FRED

E-Mail:

fred@thefredreport.com

Weekly Chart of Interest

On a call with a consulting client, they suggested, “everybody is bearish”. We show our Put/Call chart below. As you can see, the impending debt ceiling issues has NOT created short-term bearish sentiment. As you can see, Put/Call has been falling rather than spiking up. I think it is safe to say that everybody expects the debt ceiling problems to be solved “in the nick of time”. This is why we are expecting a quick, sharp decline to the bottom end of the trading range.



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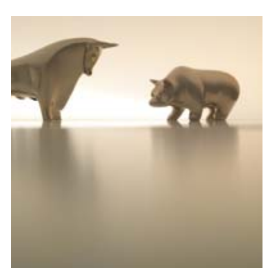

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