Financial Research Education & Data

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# The FRED Report

## Summary of Market View

In the Stock section, we discuss current market conditions, and then move into a discussion of the Transports. We also discuss Cam Hui's Trend Model, and how it fits into our work. We continue that discussion in Chart of Interest, publishing Cam's model upgrade and the ramifications of this. In Fixed Income, we discuss the risk of higher rates.

In Commodities, we discuss **GLD**. There is not much to say here – it has either peaked or not, and we will have a good shot at knowing this week. In International we look at some Chinese peripheral markets.


INSIDE THIS ISSUE:



### Special points of interest:

- While indicators are overbought short-term, sentiment indicators suggest further upside.

# Stocks Review

We show Cam Hui's Trend Model in the Chart of Interest Section. Readers may recall we are working with Cam and will be working with his clients over the next year. Cam's work is similar to mine and complements my approach. There are some differences we will discuss here. The main one is that Cam's approach is more quantitative and rules based than mine. I love Cam's work, and the Trend model is one of my favorite "early warning" systems when things are changing. It has an excellent track record. Because my approach is more intuitive, my signals can be earlier or later sometimes.

Stocks rallied into Options Expiration, and the idea of a retest is probably off the table. While indicators are overbought short-term, sentiment indicators suggest further upside. Polls suggest there is a lot of money on the sidelines. This suggests adding money on dips, and that at least through summer dips could be shallower than most expect.

We will look at the Transports today. We use **XTN (SPDR S&P Transportation ETF)** in our reports, but the classic index is **TRAN (The Dow Transports)** so we will look at these as well. We prefer XTN as it is broader based (around 45 holdings), and equally weighted. TRAN only has 20 holdings and is price weighted, similar to the Dow 30. Transports are one of our favorite economic indicators. We prefer to see the Transportations leading the popular averages if the economy is strong (or strengthening). Right now, both XTN and TRAN are lagging. This is a concern. The first of these we will look at is XTN, which has not made a new high since 2022. It has support around 62, and resistance is 80 to 90 or so.

The daily stochastic is overbought and the weekly stochastic is in buy mode. It is up on a gap, similar to the popular averages, but weaker. The pattern is similar to, but weaker than, IWM. TRAN is an index and not an ETF. In spite of this, there is a gap showing on some of the charts. The stochastic pattern is similar to XTN. In some ways this is stronger than XTN, but we have to question this a bit – it is only 20 stocks and weighted differently. It did make a new high vs. 2022 but not by much. Support is 12500, an resistance is 16000 to 17500. We show charts, below.


# Fixed Income Review

Last week, there were a couple of interesting developments in the bond market, which continues to trade badly. Moody's downgraded the US debt a notch after the close on Friday, which brings it in line with the other ratings agencies. Also, Merrill Lynch's new technician wrote a report on the potential for rising rates. This is significant to me because it is the first report from a major house I have seen that details the potential for a rise in rates. For those at Merrill who have seen the report, I think it underestimates the potential rise, but the idea is there.

Today, we will look at our interest rate indexes: **FVX (CBOE 5-year Treasury Yield Index), TNX (CBOE 10-year Treasury Yield Index),** and **TYX (CBOE 30-year Treasury Yield Index)**. Our concern has been that all of these are sideways, high level consolidations with upside potential. Realize that the farther out in time you go, the less control the Federal Reserve has over the interest rate. If there were rate risk, you would expect the charts to have upside potential the longer the duration. That is what you see. We show a monthly chart of each of these. FVX is a high-level consolidation since the end of 2022. It has broken out above the high of 2019, which had been the high going back to 2014. While the monthly stochastic is positive, it is not showing strong momentum to the upside. This has also made some slightly lower lows within the consolidation, suggesting rates might fall off a bit.

Key here is that the weekly stochastic is positive, but if FVX does not make a new high on this signal, these rates could fall. On the other hand, TNX is making higher lows, and while the monthly stochastic is also inconclusive, it is better positioned. If this starts to move above 50, there could be an initial test of 65, then a move to 80 is possible, in our view. TYX has even more upside potential. TYX has a stronger pattern, with recent lows higher, and resistance at 50 or so being challenged. The monthly stochastic is the strongest of the three, along with the chart. Above 51 is an easy shot to 75 to 85 at least. If this breaks below 40, a big rise in rates is off the table. We show charts, below.

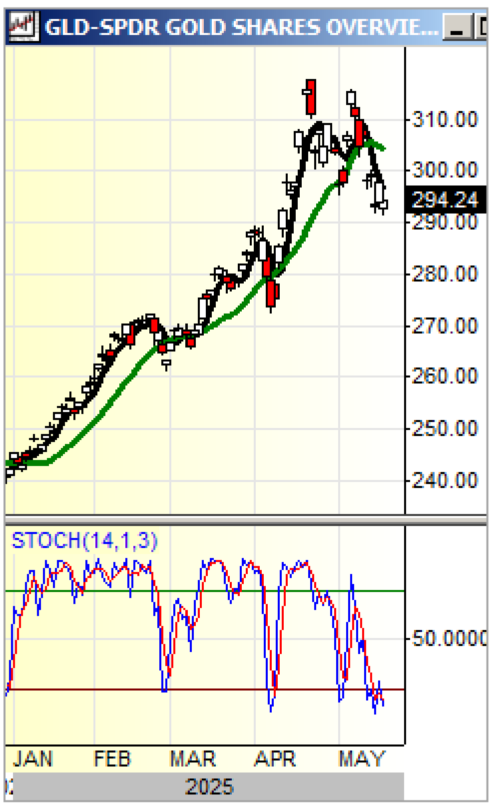


# Commodity Review

We will take a look at **GLD**, as it has two closes below our key area of 302 (although to be fair, we mostly look for two *successive* closes below our key area). In the last monthly, we suggested that April/May could be a significant peak in GLD and we have higher confidence this is occurring. The weekly stochastic is now in sell mode, and Accumulation, while it has improved, still does not support these high prices. We would look for a test of the 270-area and assuming this occurs, will reevaluate positions there.

We must let new readers know that we have been wrong on GLD, and underestimated the strength in GLD, recommending sale of positions at the end of March 2025, at around 288. However, if GLD has a substantial drop, as it is set up to do, this may have been a decent decision after all.

*"We would look for a test of the 270-area and assuming this occurs, will reevaluate positions there."*

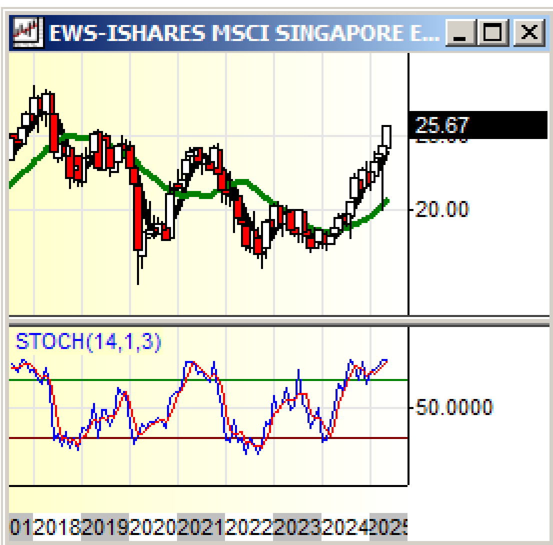


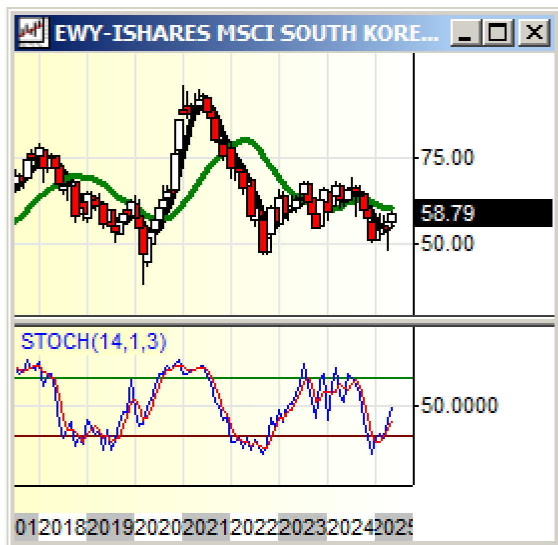


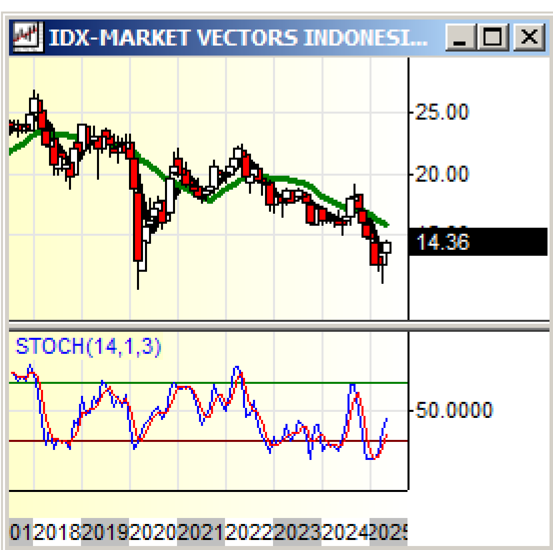
# International Review

Today, we will look at what we call “odd Asian markets”. These are markets in Asia that are NOT China. We will look at **EWS (iShares® MSCI Singapore Index Fund), IDX (Market Vectors Indonesia Index), THD (iShares® MSCI Thailand Index Fund)** and **EWY (iShares® MSCI South Korea Index Fund)**. Note that we are NOT looking at EWT (iShares® MSCI Taiwan Index Fund), as that ETF is mostly Taiwan Semiconductor.

Of these, the most attractive is EWS. EWS has support around 22.50 to 22, and this move through the 26-area targets resistance at 27.50. The daily and weekly stochastics are overbought, not a surprise. The monthly stochastic is as well, as this market has been strong. The others are all weaker. Number two is probably EWY. EWY has got resistance in the 60-area, and support around 50. It is building a base since 2023. The daily stochastic is in slight sell mode, and the weekly is overbought. IDX is a double bottom in the 13-area. The daily and weekly stochastics are overbought, and this could attack the resistance at 15.50, but will probably pause there for a while.  THD has a double bottom in the 50-area, and resistance is from 60 to 70 in layers. The daily stochastic is in clear sell mode, and the weekly is overbought – it could turn down as well, over the next few weeks. We would not use IDX or THD. We show monthly charts, as the long-term potential of these is important. If you are interested, look at the shorter-term charts, and email me if you wish.




# Cam's Corner

## A Trend Model Upgrade

Markets have staged an impressive rally from the April panic bottom. As a consequence, we are upgrading the signal of our Trend Asset Allocation Model from bearish to neutral.

As a reminder, the model applies trend-following principles to global stock markets and commodity prices to create a composite signal for asset prices. We use a long moving average to define the trend, a short moving average for risk control. Let's take a quick tour around the world to see how the technical picture has evolved over the past few weeks.

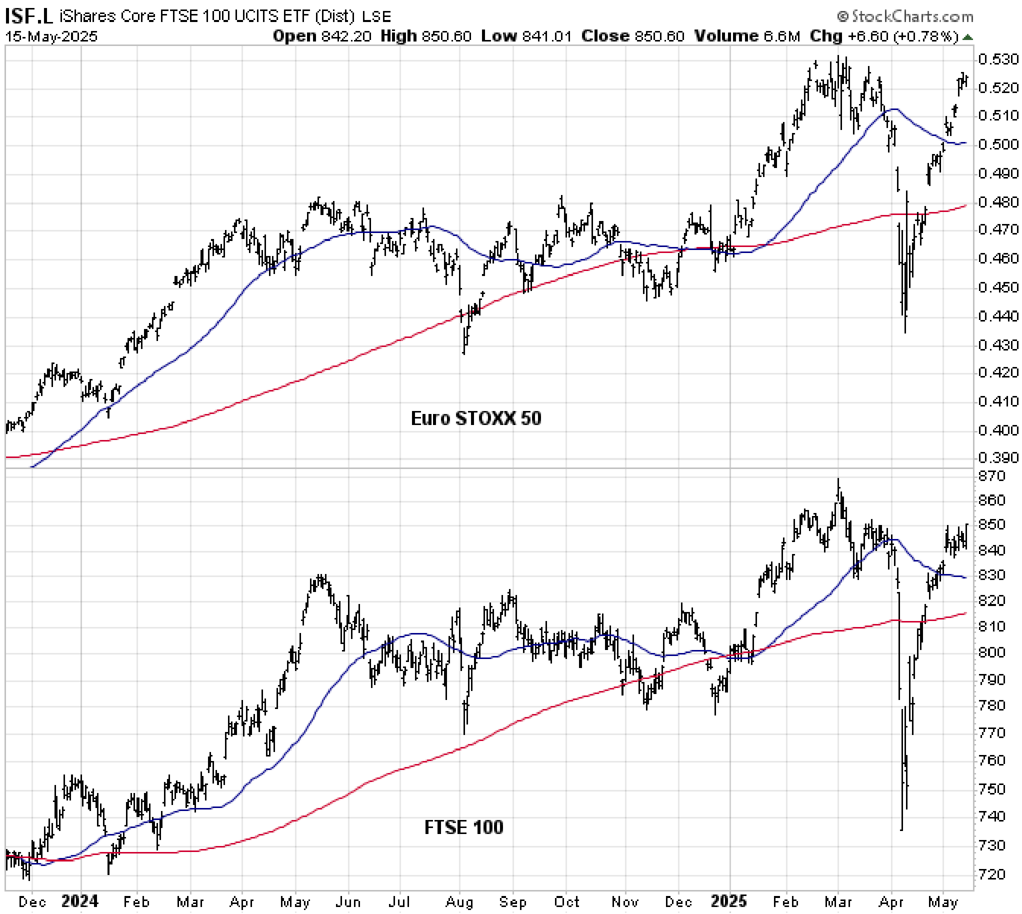
In the U.S., the S&P 500 has strongly rallied through its 50 dma and 200 dma.

**Exhibit 1: S&P 500**


*Source: StockCharts*

Across the Atlantic, European markets show a similar pattern of strength. The Euro STOXX 50 is trading just short of its all-time high.

**Exhibit 2: European Markets Are Strong**




*Source: StockCharts*

In Asia, the stock markets of China and its trading partners are also recovering, though not as strongly as the U.S. and Europe. Taiwan is still below its 50 dma and Japan tested its 50 and pulled back.

**Exhibit 3: Asian Markets Are Also Recovering**


*Source: StockCharts*

Commodity prices, which are sensitive cyclical indicators, have also bounced back, albeit somewhat weakly. The Invesco/DB Commodity Index is struggling with resistance at the 50 and 200 dma. Weakness is mainly attributable to energy prices, which has a significant weight in the index. By contrast, the equal-weighted index has cleared moving average resistance. The cyclically sensitive copper/gold and base metals/gold ratios have all bottomed and turned up.

## Exhibit 4: Commodity Prices Turning Up


*Source: StockCharts*

Putting it all together, the general picture is a technical recovery from deeply oversold conditions. The combination of some stock indices that can be interpreted as starting uptrends and relative weakness in Asia and commodities create the composite picture of a neutral reading on risk appetite.

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## About Our Organization

The FRED Report was started to provide Financial Advisors across firms and platforms access to unbiased market research. The President of the Fred Report, Fred Meissner, CMT, has been practicing Technical Market Analysis since 1983 and has worked in the research departments of Merrill Lynch and Robinson – Humphrey /Smith Barney. In addition, he has served the public as a portfolio manager and financial advisor. We know the problems advisors face and have devoted our career to helping advisors find the best possible investments in all environments. We want to help you help your clients and grow your business.


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