



## Lone Survivor

Yesterday was a hairy day in the markets. There was a lone survivor, or the damage would have been a LOT worse. Amidst a large magnitude downpour in equities, Jeff Bezos' Deflationary Vortex (AMZN) posted a large magnitude rally on earnings and its 3<sup>rd</sup> highest close in history. The stock peaked just shy of \$1,500 (\$1,498) after smashing earnings expectations and suggesting it can solve health care with Berkshire Hathaway and JP Morgan last week. This action could still carve the high of the move, for now.



Either way, it leads to an important question. Was Friday's move the beginning of an interim pullback, or a generational peak?

“Generational peak” is in the conversation because there are optimistic business owners, confident consumers, and animal spirits driving this market. It's a long way down to moving average support in the S&P, but I think we'll see it as other asset classes pave the way. This does, however, feel like a pullback within a secular bull market.





## EQUITIES

**VOLATILITY IS BACK** – I'm not here to sugar coat my gut feeling – I think the bond rout and equity pullback will continue. The risk of a Monday morning gap lower open in both markets, is extremely high. If stock indices drag down the \$1B Inverse VIX bubble (by market cap) known as XIV, it could snowball. The chart is on page 4.

There were 4 sectors with 3-sigma freefalls on Friday – tech (IYW), financials (XLF), industrials (XLI), and energy (XLE.) The first 3 sectors represent pullbacks from the highs, so I'm on the lookout for a string of large magnitude moves. Energy pulled back into support, likely driven by new long positioning. Goldman Sachs just went positive on the sector [in December](#). Last in, first out.

**STRONG. VIEW.** The builders sector (XHB) saw a 2.7 sigma (-2.9%) freefall Friday. I am not picking a bottom (obviously, if I expect the equity sell-off to continue), but I am chest-beating confident that this pullback will be a great buying opportunity. This rainbow of support from the 100-day moving average (blue) at \$42.40, the ascending trend line (white) at \$40.60, and 200-day moving average (yellow) at \$40.20, which sit above the 2015/2017 peak at just below \$40 – **WILL. BE. THE. TRADEABLE. BOTTOM. OF. THIS. MOVE.**





# MONTH END TECHNICAL UPDATE

February 2, 2018



**XIV** – the short volatility ETF finally had its day of reckoning in a 3-sigma (10%) slide. With length this crowded and this much momentum, a test of the 200-day moving average is a LOCK.



**XLE** – The energy sector failed where it should have – at the 2016 high of \$78. With **“the war an energy”** clearly over, according to President Trump, I’m expecting the dip into moving average support between \$68 and \$72 to hold.



**CVX** – Chevron failed the first test of its 2014 high. Now we’ve got a chance to buy it at the ascending trend line. The risk reward down here looks binary – it’s going to hold, or it isn’t. Below the 200-dma and trend line at \$113.50, all bets are OFF.



# MONTH END TECHNICAL UPDATE

February 2, 2018

## TALK TECH



**AAPL** – Apple’s post earning slide cost it 4%, and also put it in the *3-Sigma Club*. The steepest trend line (white) is broken. The 200dma (yellow) is about to break. Apple looks like it’s going to \$140. **MODEL X SALES: LOWER THAN EXPECTED**



**GOOGL** – Alphabet’s 4-sigma slide post EPS helped topple tech. Once again, I’m expecting this band of moving average support to hold.



**Nasdaq** – *Everybody’s Talkin’* about the textbook top in the Nasdaq at 7K.

Pick a moving average and bid:

- 50 day (red) 6,575
- 100 day (blue) 6,344
- 200 day (yellow) 6,061 \*gulp\*

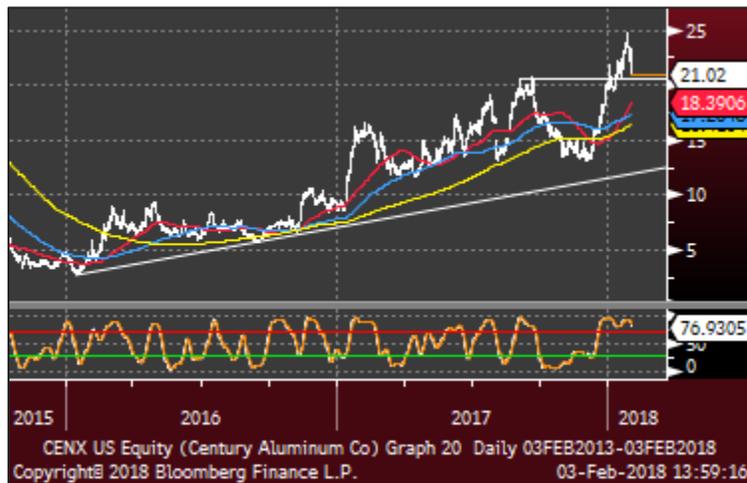


**METALS & MINING** - I have a myriad of reasons to remain bullish metals & mining (XME) after Friday's 2.5 sigma (5%) pullback. President Trump



is moving toward protectionist policy. Miners & steel companies are going to get pricing power as the steel supply chain tightens. This dip in XME finds support at the 2016 high of \$35, the 50dma at \$35.25, the 200dma at \$33.75, the 200dma at \$32, and the ascending trend line (white) at \$32.00. There will be a **“buy it until your head caves in”** opportunity soon. You will know when it is – I plan to dedicate an entire note to it.

**\*stacks evidence a mile high\***



**CENX** – I remain bullish Century Aluminum. A pullback to moving average support between \$17.50 and \$18.50 should be bought.



**X** – Big Steel failed at the 2017 highs. Scale down buy it into the moving averages. Brighter days ahead.



# MONTH END TECHNICAL UPDATE

February 2, 2018

## COMMODITIES



**BCOM** – the Bloomberg Commodity Index is trying to break above 2016 highs.



**WTI** – crude oil is trading into what I've identified as the 'breakout zone' above the interim peak at \$62.50 in 2015. Structure is tight, but the market is well long so don't let a dip shock you.



**LME Copper** – The trend is intact. Buy dips to the moving averages.



# MONTH END TECHNICAL UPDATE

February 2, 2018



**XAU** – gold continues to fail on rallies and remains in an \$1,100-\$1,400 range.

## FOREIGN EXCHANGE



**DXY** – The dollar index has given up its 3-year range between 90.00 and 100.00 so it's a BFD. Sentiment may be red-lined negative, but there's no support in the dollar until 85.00.



**EUR** – The Euro has broken out from the same 3-year range, retested old resistance, proven it as new support, and extended. Fade this trend at your peril. I won't consider it until the euro is €1.3000 bid.



## CREDIT

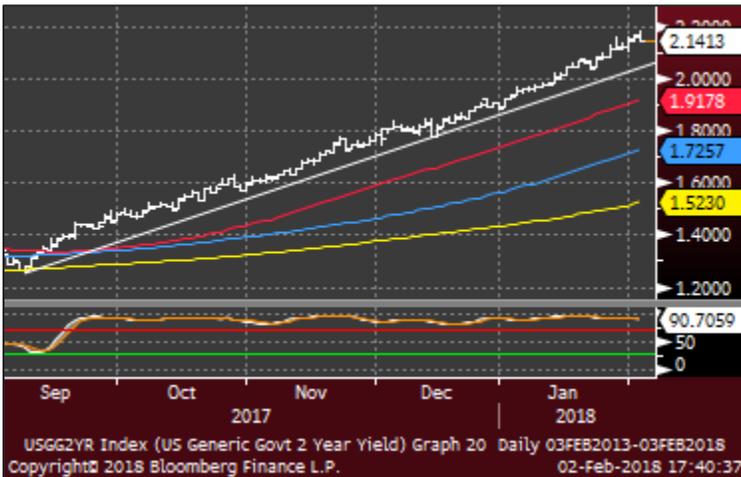
**US2Y Yields** – 2 concerns. We need to 1) mind the outside reversal day within a 5-month up trend, but also 2) the up trend is well intact. Dallas Fed President Kaplan assured us we'll see some inflation pressure this year, but the markets are 'moving the yield chains' higher by themselves in response to the weaker dollar and surging commodity prices. With a base case of 3 rate hikes, this trend higher in yields could very well continue. Consider that the back end of the curve is moving with it.

US30Y yields are above 3% and rising.

**HYG**, the High Yield ETF, below left, which fell 2.5 standard deviations (-.60 basis points) Friday. That \$86.22 settlement marks the lowest close since March of 2017. Is everyone about to take a big step back off the risk plank?

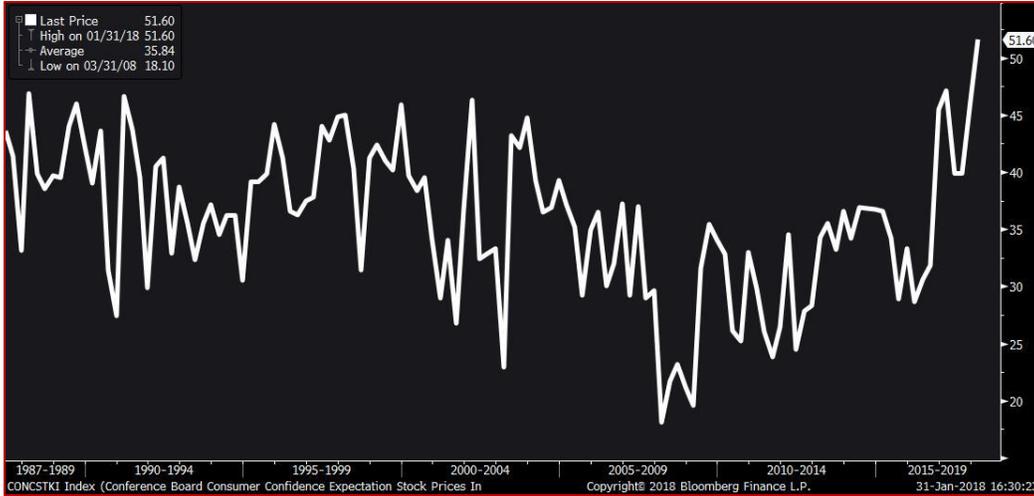
Feels like it.

- \*DALLAS FED PRESIDENT KAPLAN SPEAKS IN AUSTIN, TEXAS
- \*YOU WILL SEE SOME INFLATION PRESSURE THIS YEAR
- \*UNEMPLOYMENT RATE WILL DIP INTO THE 3'S THIS YEAR
- \*BUSINESS INVESTMENT SHOULD BE STRONG THIS YEAR
- \*KAPLAN FORECASTS 2.5-2.75% GDP GROWTH THIS YEAR"
- \*BASE CASE IS FOR 3 RATE HIKES IN 2018, COULD BE MORE





## CLOSING THOUGHTS:



Please note the Consumer Board's Consumer Expectations for Stock Prices is at multi-decade highs. There's a relevant association to make within the very recent *Real Vision Television* interview between Jim Grant and Jim Chanos

Jim Grant: **Are you at maximum short now?**

Jim Chanos: **We're pretty close.**



# Noted



## **MONTH END TECHNICAL UPDATE**

February 2, 2018

TG Macro, LLC ("TGM") is a publisher, not a registered investment advisor, and nothing in TGM's newsletter is intended, and it should not be construed, to be investment advice. TGM's newsletter is for informational use only. Any mention in TGM's newsletter of a particular security, index, derivative, or other instrument is neither a recommendation by TGM to buy, sell, or hold that security, index, derivative, or other instrument, nor does it constitute an opinion of TGM (or of any of its officers, employees, agents or representatives) as to the suitability of that security, index, derivative or other instrument for any particular purpose. TGM is not in the business of giving investment advice or advice regarding the suitability for any purpose of any security, index, derivative, other instrument or trading strategy and nothing in TGM's newsletter should be so used or relied upon. TGM is not acting as your financial advisor nor in a fiduciary capacity, with regard to any securities, index, derivative or other instrument referred to in TGM's newsletter. Also no representation is made concerning the tax implications in any applicable jurisdiction regarding any securities, index, derivative or other instrument and TGM is not advising you in respect of the tax implications. All opinions and estimates in the newsletters are given as of the date of their publication on the TGM's website and are subject to change and TGM does not assume any obligation to update the newsletters or to reference any such changes. TGM hereby expressly disclaims any and all representations and warranties that: (a) the content of its newsletters is correct, accurate, complete, reliable or a guaranty of future performance; (b) any of its newsletters will be available at any particular time or place, or in any particular medium; and (c) that any omission or error in any of its newsletters will be corrected. TGM shall not be liable for any errors or omissions made in its newsletters or for any inaccuracies in its assumptions. TGM specifically disclaims liability for any losses or damages (incidental, consequential or otherwise) that may arise from the newsletters and that are either used or relied upon by anyone for any reason, including without limitation, the use of the newsletters in the preparation of any financial books and records. Although from time to time TGM's newsletter may link to or promote others' websites or services, TGM is not responsible for and does not control those websites or services. TGM's newsletter is published and distributed in accordance with applicable United States and foreign copyright and other laws. Without the prior written consent of TGM, no person or entity, directly or indirectly, may copy, reproduce, recompile, decompile, disassemble, reverse engineer, distribute, publish, display, perform, modify, upload to create derivative works from, transmit, or in any way exploit all or any part of TGM's website, its newsletter, or any other material belonging to TGM. Without the prior written consent of TGM, no person or entity, directly or indirectly, may offer all or any part of TGM's website, its newsletter, or any other material belonging to TGM for sale, nor may any person or entity, directly or indirectly, distribute all or any part of TGM's website, its newsletter, or any other material belonging to TGM over or by means of any medium.

Without the prior written consent of TGM, no person or entity, directly or indirectly, may make all or any part of TGM's website, its newsletter, or any other material belonging to TGM, available as part of or in connection with another website, whether by hyper-link, framing on the Internet or otherwise. At any given time TGM's principals may or may not have a financial interest in any or all of the securities and instruments discussed herein. At any given time TGM's principals may or may not have a financial interest in any or all of the securities and instruments discussed herein.