



Waverly  
Advisors

# Interactive Brokers Research Package

## About Our Reports:

Waverly Advisors produces two weekly (Monday) reports, The **Tactical Playbook** and **Tactical Portfolio Outlook** that are available on IB. The Tactical Playbook also has short daily updates Tuesday-Friday.

While many clients will naturally fit with one report or the other, to provide maximum value to our IB clients, we provide BOTH reports in a single document, the “Interactive Brokers Research Package”, on the IB platform.

- ▶ **Tactical Playbook:** For the active trader on the daily/weekly timeframes. Full report Monday’s, short updates Tuesday – Friday.
- ▶ **Tactical Portfolio Outlook:** For the longer-term manager or investor (Monday report only.)

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**Please contact us** for questions and more information on our research and using our work at [info@waverlyadvisors.com](mailto:info@waverlyadvisors.com) or 607.684.5300.

# TACTICAL PLAYBOOK

Market context and trade ideas for the active trader

Week of 1 June 2015

- ▶ Stocks consolidate with no clear short-term direction.
  - Longer-term bull market is clear and intact. Any concerns over direction are only relevant to shorter timeframes.
  - Longer-term investors should focus on holding heavy long exposure to stocks.
- ▶ For portfolio allocators, we are moving to an underweight in Industrials this week. Tactical traders can look for potential shorts in the sector.
- ▶ The US Dollar continues to point higher. Watch resolution of daily bull flags for insight into Dollar strength and psychology.
- ▶ Expect another selloff in bond futures, but do not assume that this means a change in longer-term trend.
- ▶ Market conditions could become even more difficult, as volume and volatility traditionally contract over the next few months. Tactical traders must carefully pick entries and focus on trade management.
- ▶ Crude oil is probably putting in a longer-term bottom, but remember that a bottom is a *process*—formation of the bottom can take many months and can see much further declines in oil before that bottom is established.
- ▶ A number of other commodities (grains, sugar, copper) point lower over the coming weeks.

## Major Market Direction and Bias

Market	Short term ( < 1 month)	Int. Term (2-12 months)
US stocks	Up	Up (Lead)
Europe Stocks		Up
Asia Stocks		Up
US Rates	Flat	Flat/down
US Treasuries	Down	
US Dollar	Up	Up
Gold	Down	Down
Oil		Bottoming?

## Last Week's Performance

Market	Return	Vol-adj	Kpos	Trend	Volatility
USA	(0.88%)	(0.6 $\sigma$ )	61	Normal	Bull
Europe	(2.22%)	(1.2 $\sigma$ )	55	Normal	Bull/Neutral
Asia	(2.03%)	(1.2 $\sigma$ )	60	Normal	Bull/Neutral
Developed	(2.05%)	(1.3 $\sigma$ )	60	Volatile	Bull/Neutral
Emerging	(3.79%)	(1.5 $\sigma$ )	42	Normal	Bull/Neutral
30 Yr Tr	1.79%	1.0 $\sigma$	34	Volatile	Bear/Neutral
Euro	(0.22%)	(0.1 $\sigma$ )	33	Normal	Bear/Neutral
Yen	2.11%	2.4 $\sigma$	102	Normal	Bull
Gold	(1.25%)	(0.5 $\sigma$ )	42	Quiet	Bear/Neutral
Crude	0.97%	0.2 $\sigma$	54	Normal	Bear/Neutral



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## MARKET INSIGHT

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Friday's trading marked the end of the month. Many traders use ends of periods (months, quarters, years) to evaluate performance, and as a psychological road marker. Let's take a few moments today to look back at the year in review and to consider the "end of period" (especially quarter and year) effect as it relates to stocks.

### YEAR IN REVIEW

It is no secret that this has been a challenging and difficult market for many traders. We have seen relatively directionless environments in many assets, but it also may be surprising to realize that stocks have held on to some minor, but possibly significant gains. The S&P 500 is up 2.4% to the end of May—not terrible underperformance of the long-term average (which comes in somewhere around 7.5%), and the Russell 2000 is leading with about 3.5% gain for the year. Europe is up nearly 6% (USD-basis). These are small, but solid gains for stocks in a period of conflict, growth concerns, and structural consolidation.

The US Dollar index is up about 7.5% from the end of last year, after advancing to a peak gain of about 11%. We see every sign that points to continued Dollar strength through the end of the year. Expect that USD strength could put a weight on many commodities: grains are down roughly 9%, while gold and crude are roughly flat for the year.

Expect contraction in both volatility and volume through the summer months; this is simply typical market behavior and it has been so for most years of the past three decades. However, low liquidity conditions do bring the possibility of a volatile spike, and markets do not like surprises. This is why it is important to clarify your timeframe and trading style: longer-term investors will need to ignore summer noise, knowing that the day to day swings may, at times, be very boring or very volatile, and more active traders need to be prepared to respond with flexibility. Two factors could lead to a better swing trading environment, and these demand attention over the coming weeks: watch for a breakout in stocks, and for a continuation of the US Dollar's rally.

### END OF QUARTER (OR YEAR) EFFECT

Many investors and authors talk about an end of the quarter or end of the year effect.

The assumption is that funds generally rebalance on a predictable schedule: perhaps they sell underperforming assets or buy more assets that show strong returns. (Perhaps they also book partial profits, reducing exposures on winners that have grown too large due to price appreciation.) There are many investment plans built around this concept, but there is one problem: there is not a shred of evidence that it works.

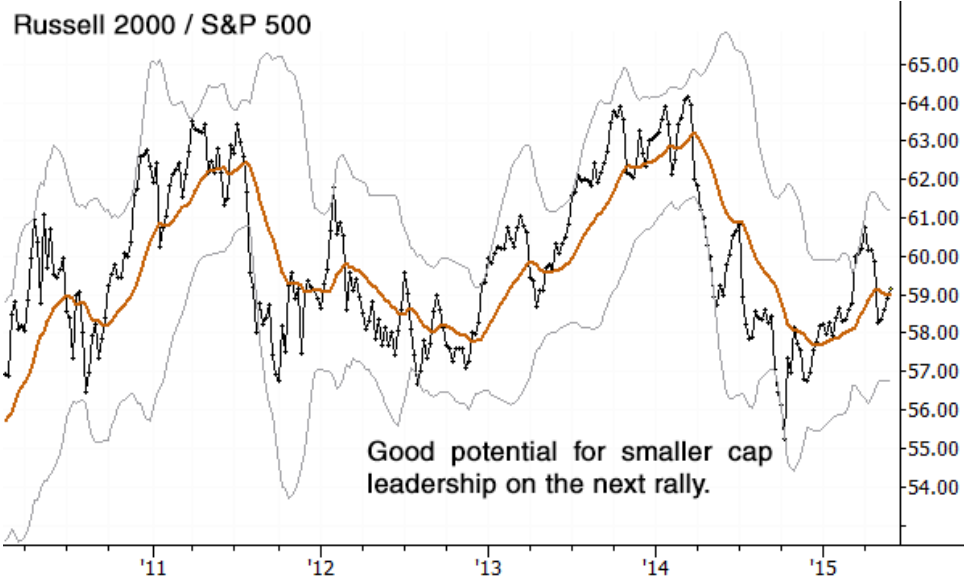
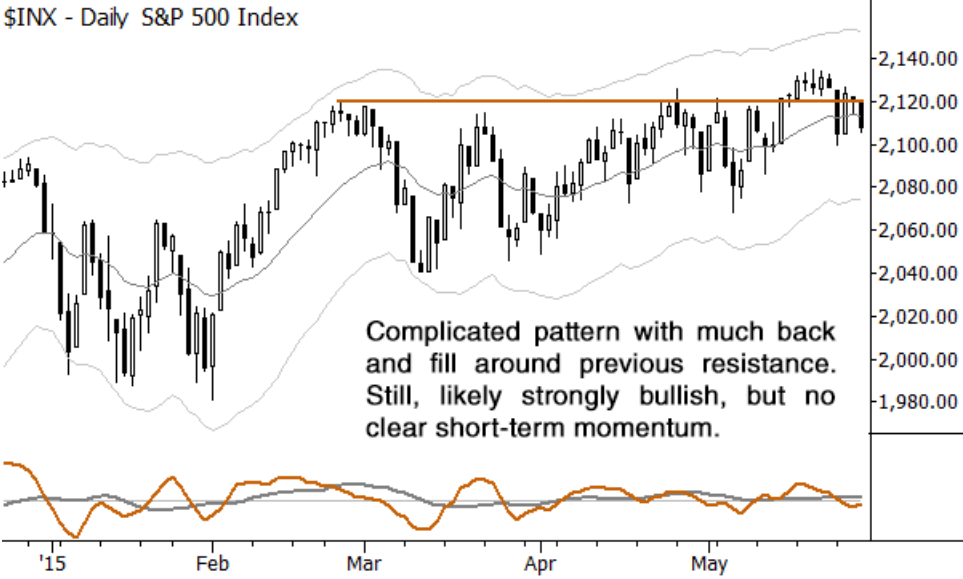
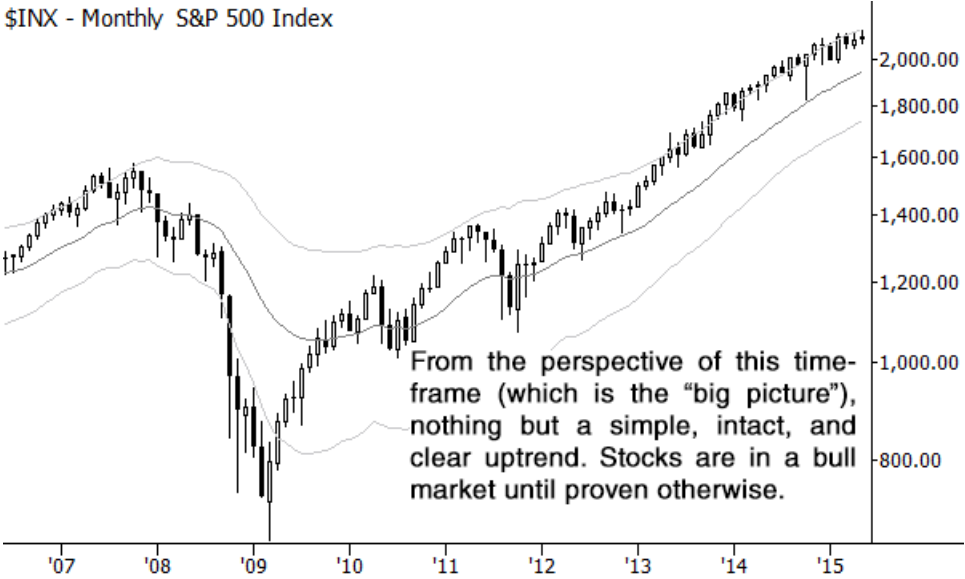
It should be relatively easy to tease out the end of the quarter effect, if it exists. It should be visible as an increase in volume (it is not), and probably as an influence of the relative performance of leading and trailing assets and individual stocks (it is not). Despite a lack of statistical support, it is a good story—it is easy to understand why it should be so and why it might work. Furthermore, people (individually and in the aggregate) do think of the year as divided into regular periods, so many people continue to focus attention on this idea.

There are two points that bear further consideration. Some research suggests that there is an impact in strongly declining markets, that it appears funds and investors "rebalance" by selling more of underperformers into the end of the quarter. This is visible as a small, but persistent edge of further underperformance in declining stocks near the quarters' end. Perhaps the most valuable lesson is to guard against this tendency ourselves, and perhaps even to trade against it. Second, the January effect is sometimes offered as an example of rebalancing. This may be true, but the January effect is complicated—it is not clear in all slices of the data, appears to be weakening over time, and is largely (or completely) explainable as a result of size effect. At the very least, it is difficult to exploit in any investment program.

Avoid attaching too much significance to end of quarter performance. The message of the market and market structure is more important than artificial time divisions. Focus on the coming opportunities, and on managing the risk in potentially thin summer markets.

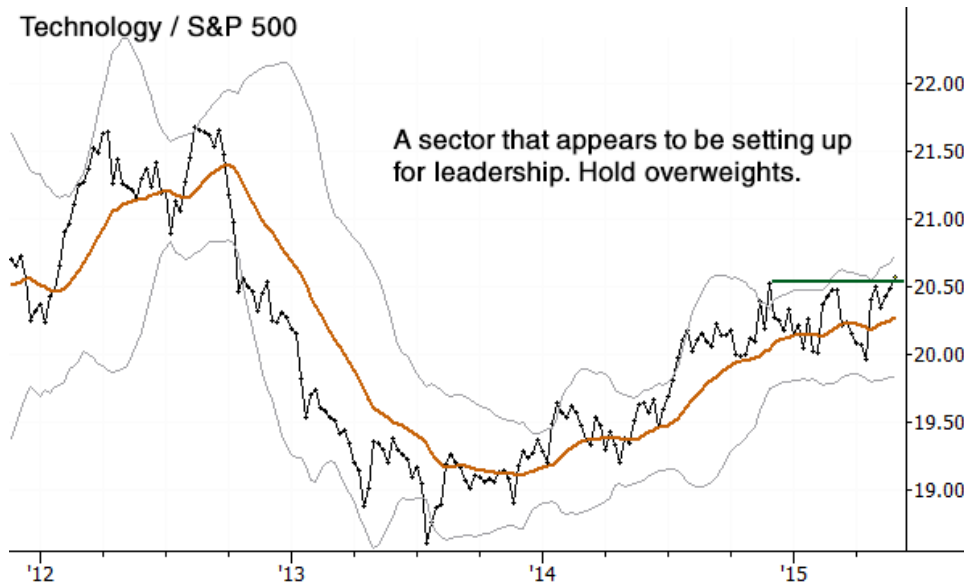
# U.S. EQUITIES

- ▶ The market continues to consolidate with no clear short-term direction.
- ▶ Many market participants are probably seeing technical patterns that are bullish, and this brings the risk of a one-sided trade. A sharp flush, effectively shaking the weak hand longs out of the market, could be constructive.
- ▶ Do not buy the first breakdown, though there will likely be spots to buy stocks for swing trades on the second decline. This is a market that demands patience and some finesse.
- ▶ We still look to the US for longer-term leadership; the longer-term bull market is solid and intact.

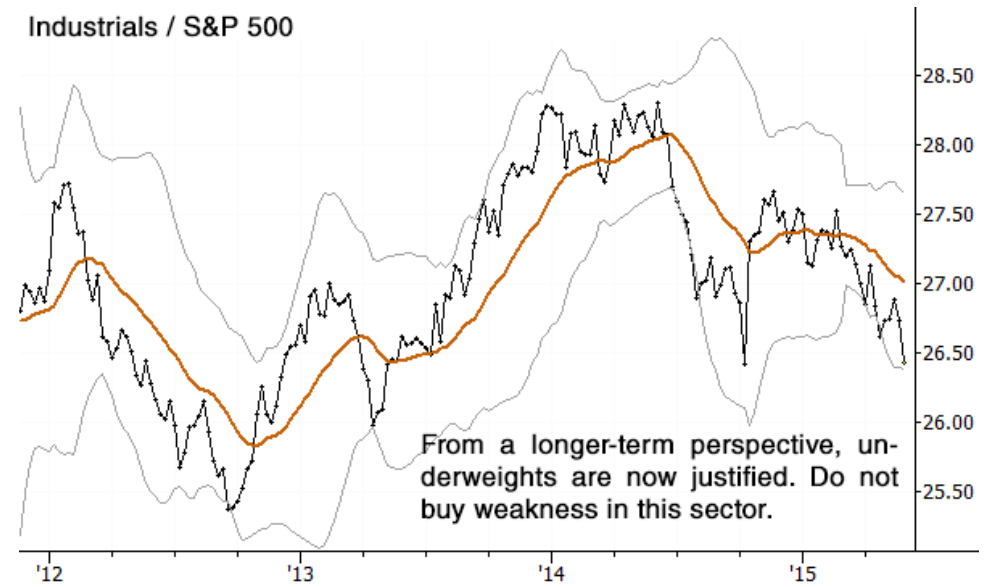


## U.S. EQUITIES (continued)

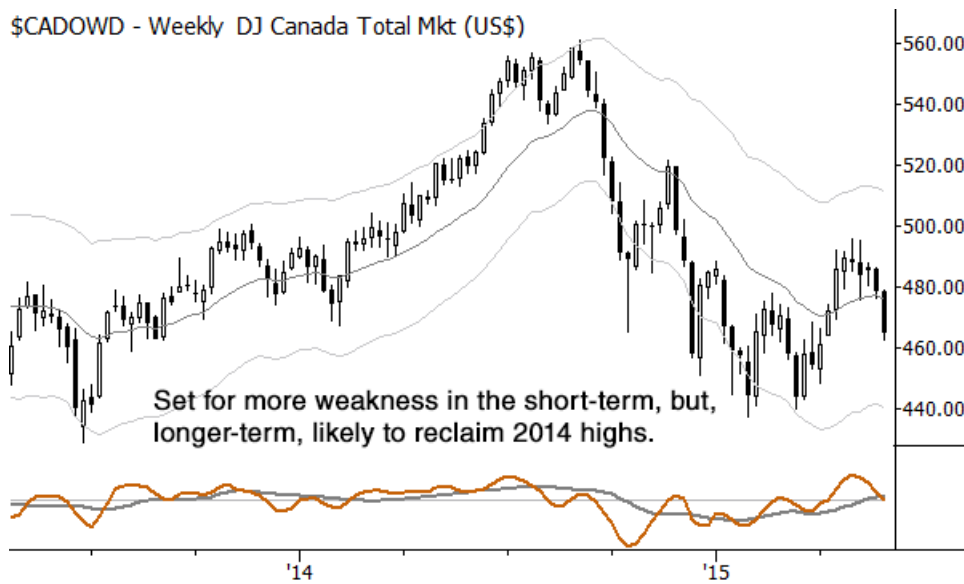
Technology / S&P 500



Industrials / S&P 500



\$CADOWD - Weekly DJ Canada Total Mkt (US\$)



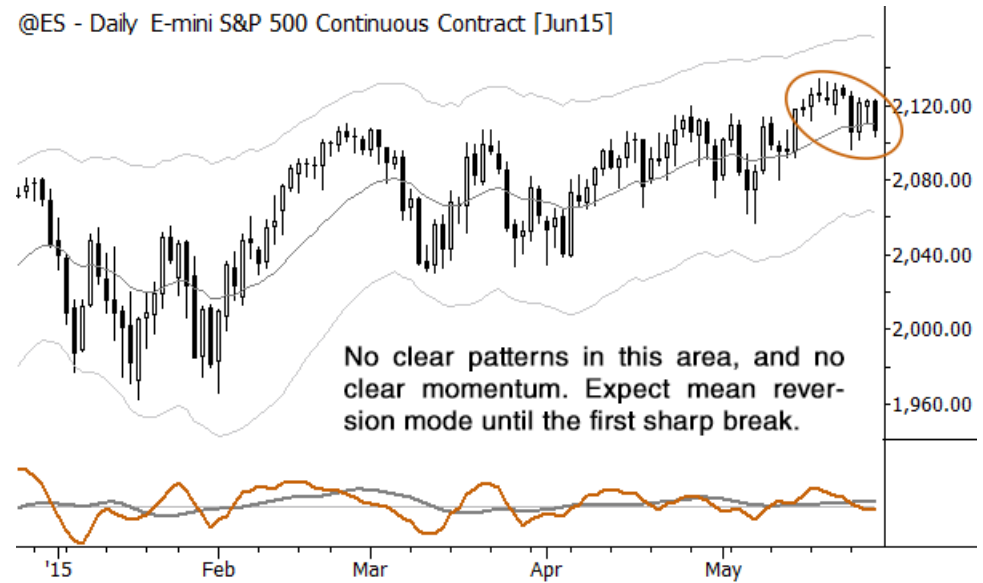
U.S. Large Cap Sector Weighting

Sector	Assessment	Weight	LastChg	RelPerf
Energy		Market	9/12/14	-
Industrials		Under	5/29/15	0.0%
Technology	Lead	Over	9/12/14	1.8%
Materials	Down	Under	10/31/14	-0.1%
Discret'nary		Over	1/2/15	3.9%
Financials	Turning?	Market	10/31/14	-
Staples		Market	10/10/14	-
Hcare	Lead	Over	7/27/12	40.7%
Utilities	Lag	Market	10/10/14	-

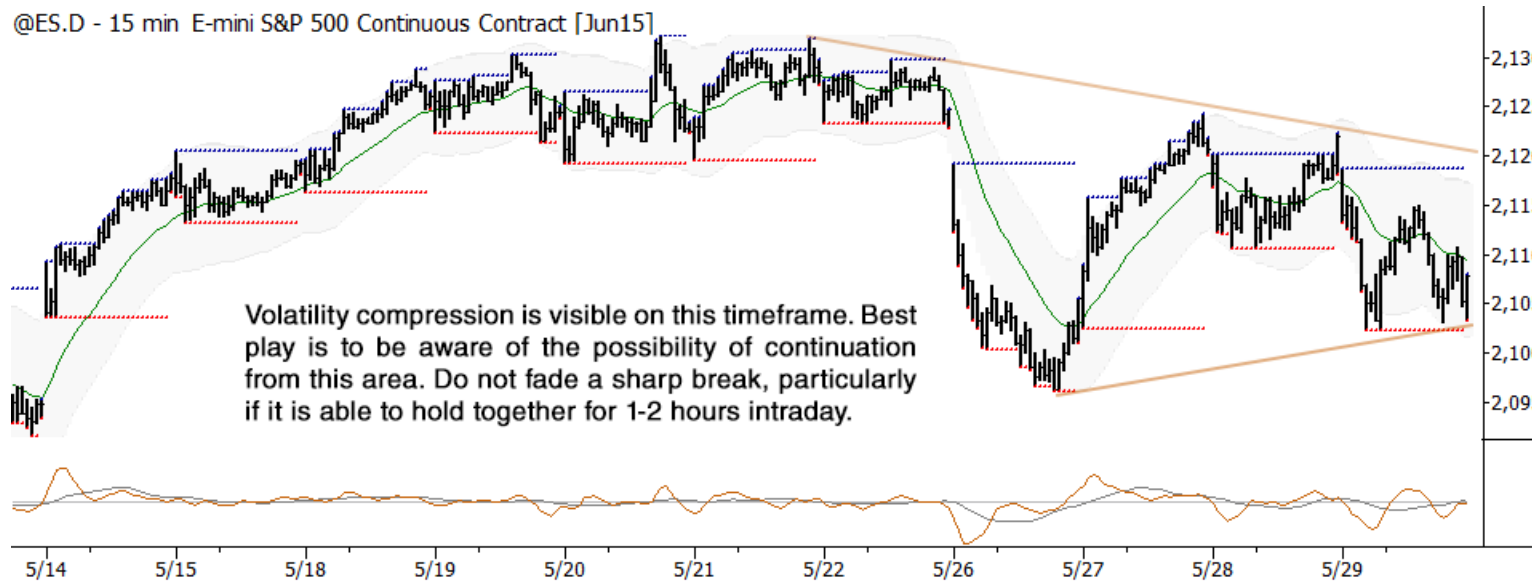
## EQUITY INDEXES: SHORT-TERM

- ▶ Overall context is a broad consolidation, with volatility contraction visible on intraday charts as a triangle.
- ▶ Within this area (and expect wide, “messy” definitions of the confines of the pattern—not precise levels), expect failures and sharp spikes that are quickly reversed.
- ▶ Do not fade a breakout from this area, either up or down. Intraday, a break would probably look like a sharp thrust (perhaps on the open) that is able to consolidate without a significant pullback. This action likely sets up additional trend legs in the direction of that break.
- ▶ Longer-term direction points up, but be prepared to trade against this bias if dictated by the market.

@ES - Daily E-mini S&P 500 Continuous Contract [Jun15]



@ES.D - 15 min E-mini S&P 500 Continuous Contract [Jun15]



### Gap & Risk Analysis

Market	ATR 20	Avg Gap%	Gaps
S&P 500	18.65	6.46	11.1%
R2K	15.39	3.94	8.3%
MiniDow	154	56	13.3%
Nasdaq	52.13	14.50	10.0%



## U.S. INDIVIDUAL STOCKS

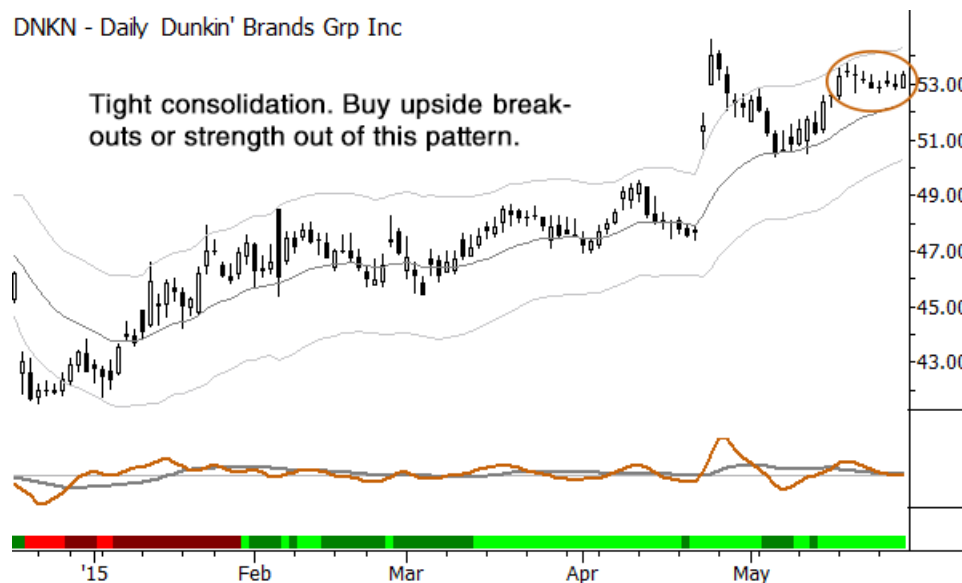
- ▶ Broad market still appears to be setting up an upside break, but a large consolidation area introduces uncertainty.
- ▶ We would approach this week with equal bias to long and short positions, but being prepared to cut losses on one group if the market picks a clear direction. Again, the direction appears to be up, but there is the possibility of a sharp, downward break that could offer good profits for nimble traders.
- ▶ Good setups in individual stocks abound this week. Focus on pullbacks and potential breakouts. (Breakouts of pullback patterns are even more powerful.)
- ▶ Be prepared to adjust if the market shows no follow-through, but expect at least a second trend leg to any sharp broad market break.

### Sector Leaders & Laggards

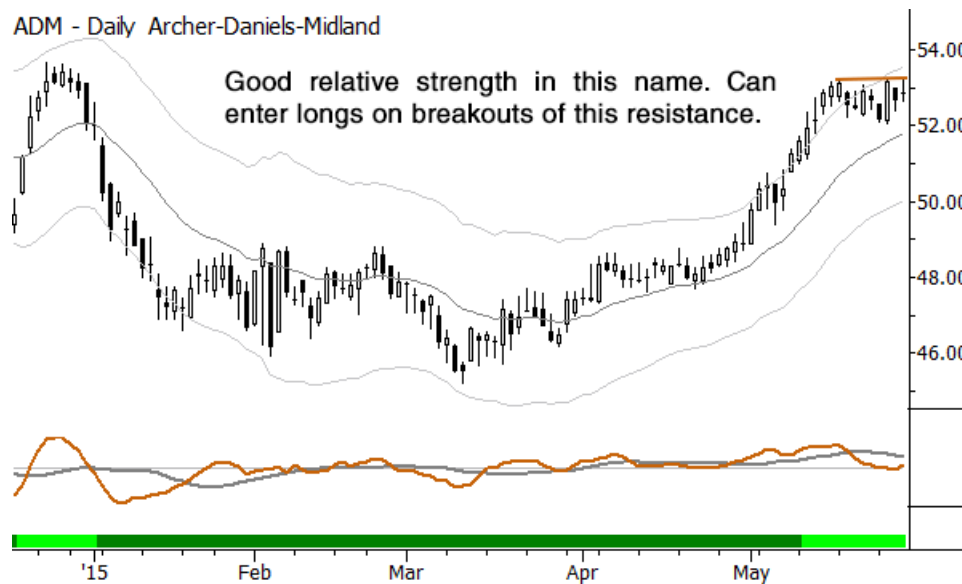
Energy	Leaders	RIG, COG, MPC, SLB, NFX, WMB
	Laggards	BTUI!*, CNX!*, CHK, DNR, QEP, ESV
Industrials	Leaders	PLL!*, EFX, DE, ALLE, CTAS, SNA
	Laggards	KSU!*, NSC!*, JOY!, UNP!, LUV!, CHRW!*
Technology	Leaders	BRCM!*, AVGO!*, ALTR!, ADII, XLNX, JBL
	Laggards	WIN, FTRI!*, FSLR!*, TDC!, ADSK!*, CTL!
Materials	Leaders	AVY!, CF, VMC, NEM, LYB, DOW
	Laggards	FCX!*, AA!*, FMC, IP, ARG, MOS
Discretionary	Leaders	CVC!, NFLX!*, TWC!*, GME!*, GT!, EXPE
	Laggards	KORS!*, WYNN!*, FOSL!*, COH!*, HOG!*, URBN!*
Financials	Leaders	AIZ, GS, ETFC, SCHW, BK, ZION
	Laggards	HCP, NAVI, HCN, KIM, AMP, PLD
Staples	Leaders	KRFT, MDLZ!*, ADM, CAG, CPB!*, EL
	Laggards	KMB, GMCR!*, WFM!*, AVP, WMT!*, PGI
Healthcare	Leaders	HUM!*, CI!*, MYL, REGN, AET!*, THC
	Laggards	ALXN, CERN, VAR, BAX, ISRG, LH
Utilities	Leaders	NI, AES, POM, PPL, GAS, PEG
	Laggards	AEE, CNP, WEC, TEG, SCG, DUK

Key: ! = overextension, !\* = extreme overextension

DNKN - Daily Dunkin' Brands Grp Inc



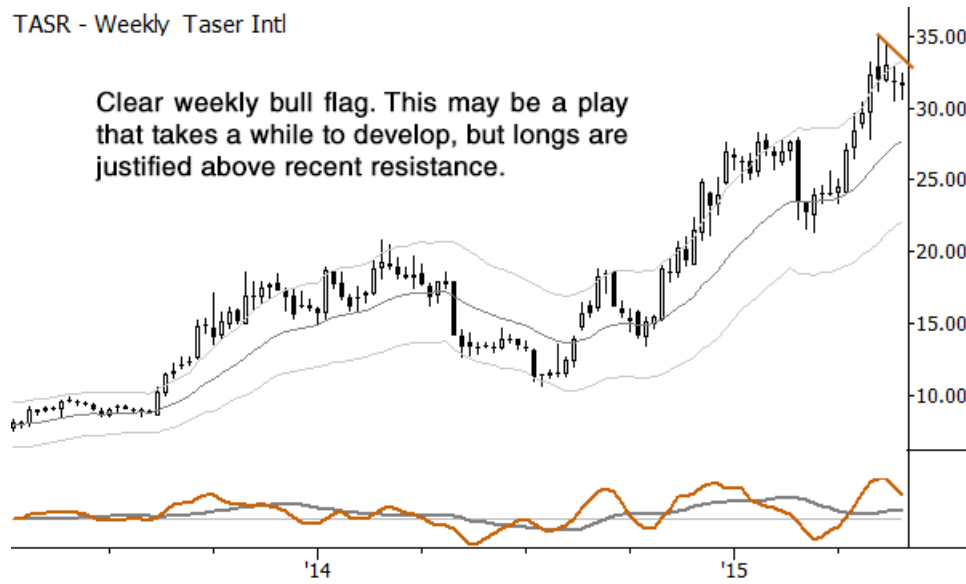
ADM - Daily Archer-Daniels-Midland



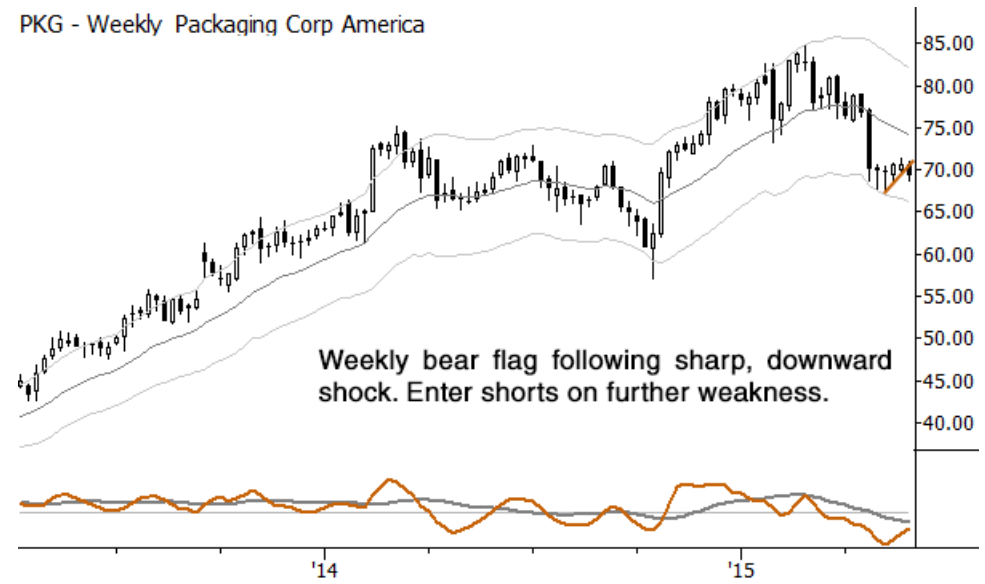
Key: Near (yellow) and Far (red) stops for daily bars. Colored band beneath the chart indicates trend condition (bright green to bright red = strong bull to strong bear trend.)

## U.S. INDIVIDUAL STOCKS (continued)

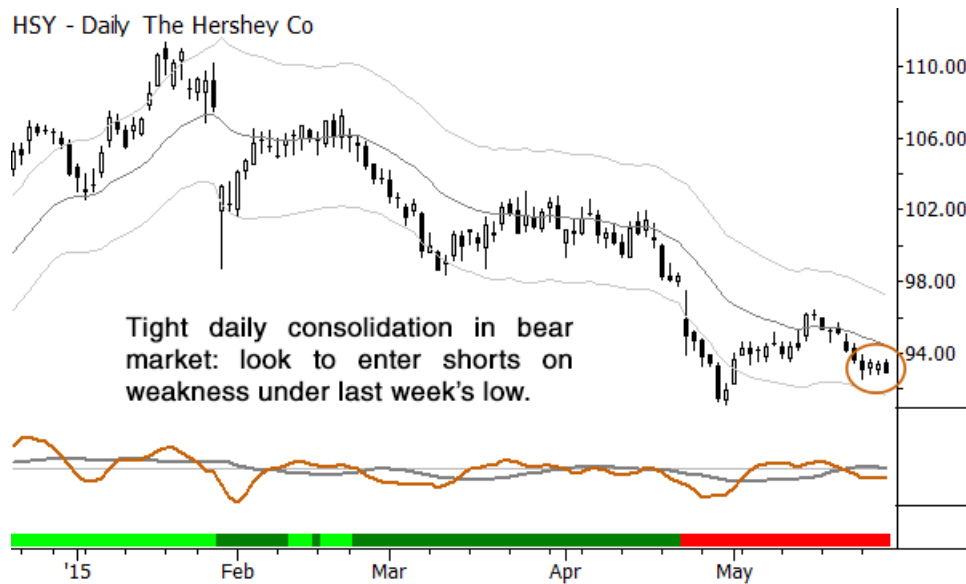
TASR - Weekly Taser Intl



PKG - Weekly Packaging Corp America



HSY - Daily The Hershey Co



PLD - Daily ProLogis Inc

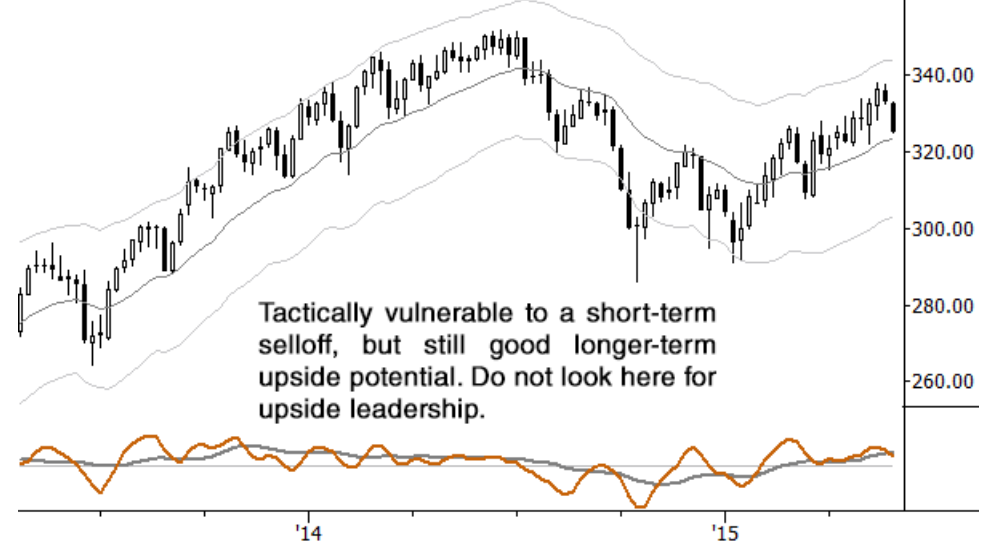




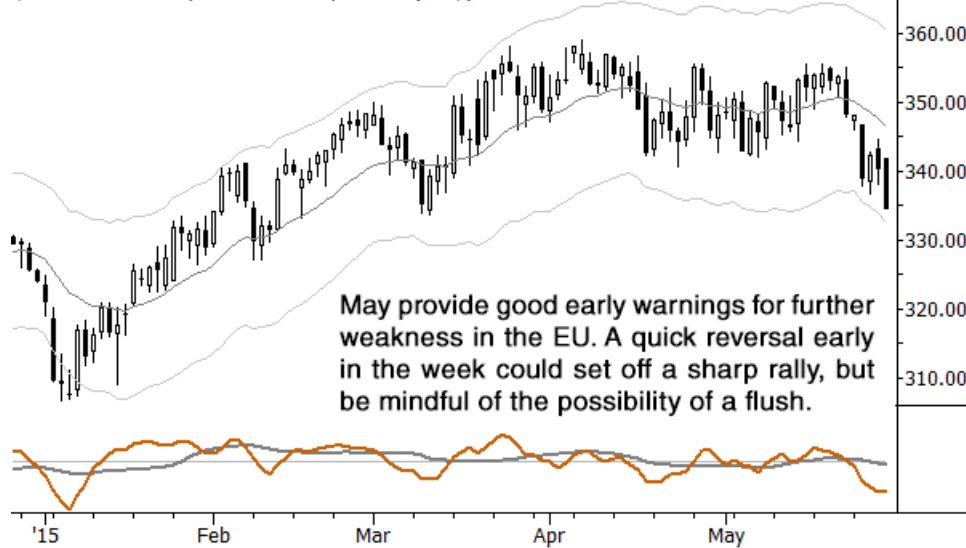
## GLOBAL STOCKS

- ▶ Uncertainty and volatility dominate both Europe and Asia. Though these actions may be at least somewhat news-driven, there are likely deeper psychological factors.
- ▶ Europe has had multiple failures over recent months. We view recent action as a minor failure of bullish patterns; it appears the ball now passes to the bears, and we will look to see if these markets can develop any downward momentum.
- ▶ We are still watching Russia, expecting a spot to buy weakness. This will be the proverbial “buy when there is blood in the streets” trade—wait for a clear tactical entry.
- ▶ Longer-term factors still point solidly upward, but respect the downside potential in the intermediate term.

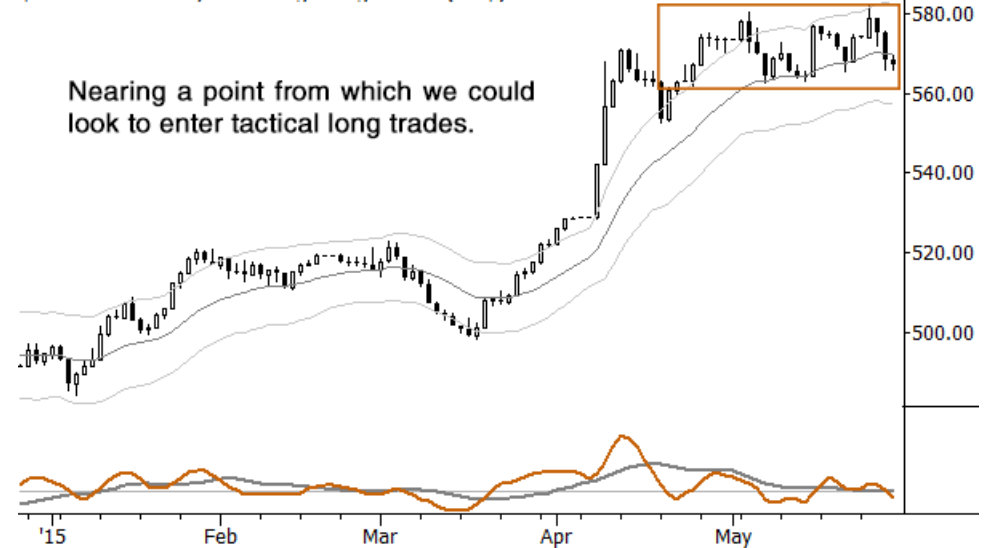
\$E1DOW - Weekly DJ Europe Stock



\$DEDOWD - Daily DJ Germany Stock (US\$)

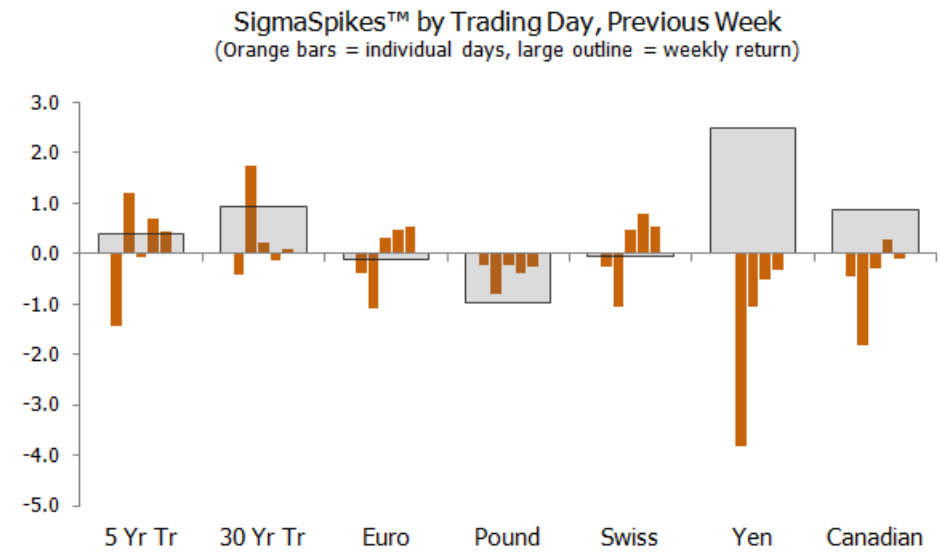
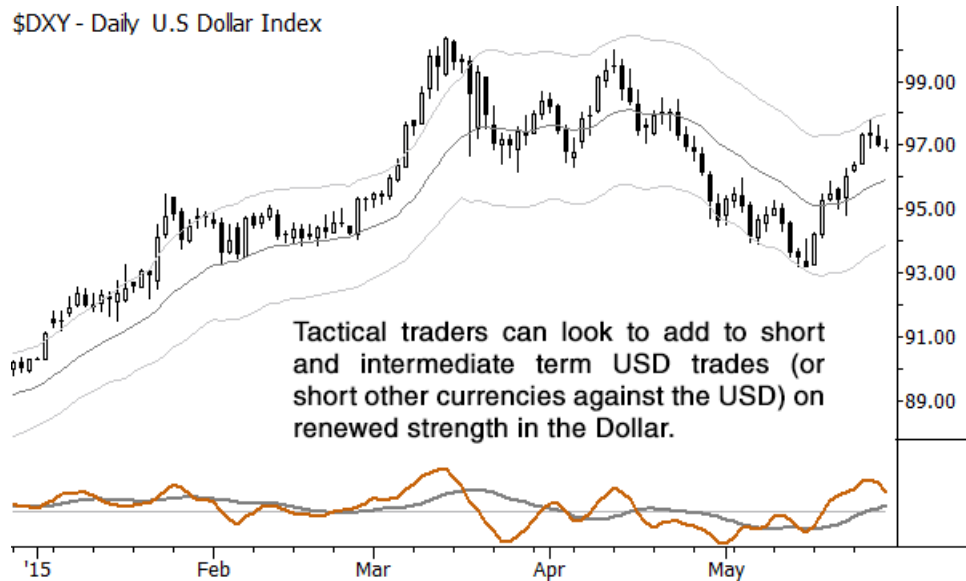
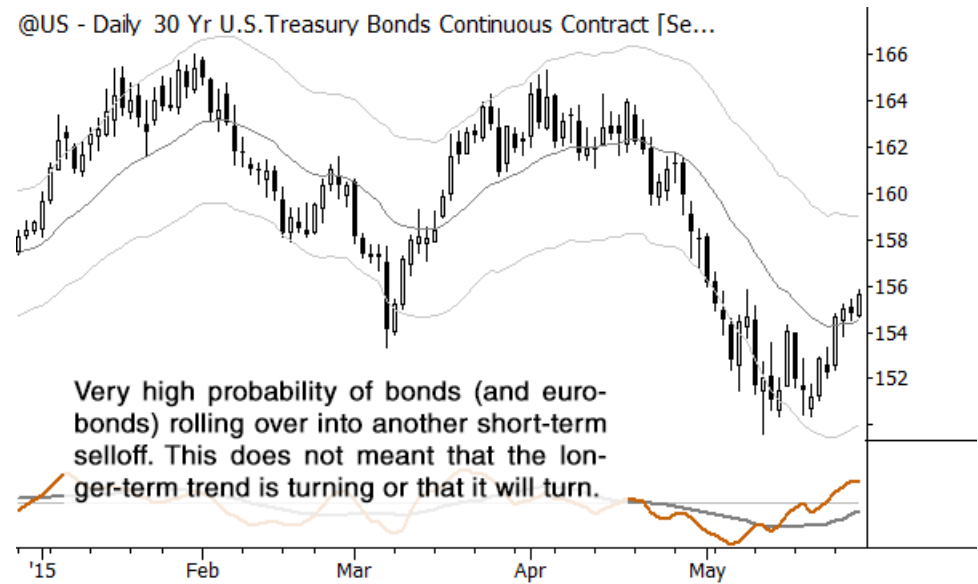


\$HKDOWD - Daily DJ Hong Kong Index (US\$)



## RATES & FX

- ▶ US Dollar still points higher. Small pauses (on daily chart) can give tactical traders short-term entries in the USD or other currencies.
- ▶ Expect a more directional environment in many currencies over the coming weeks. Also, consider risk of correlated USD-driven exposures.
- ▶ Bond futures are probably setting up another selloff (both US and Euro-bonds). This does not mean that the longer-term trend is turning, but it does introduce additional volatility and uncertainty.



## COMMODITIES

### Metals:

- ▶ Still floundering with no short-term momentum. Longer-term direction points down, but respect stops on shorts.

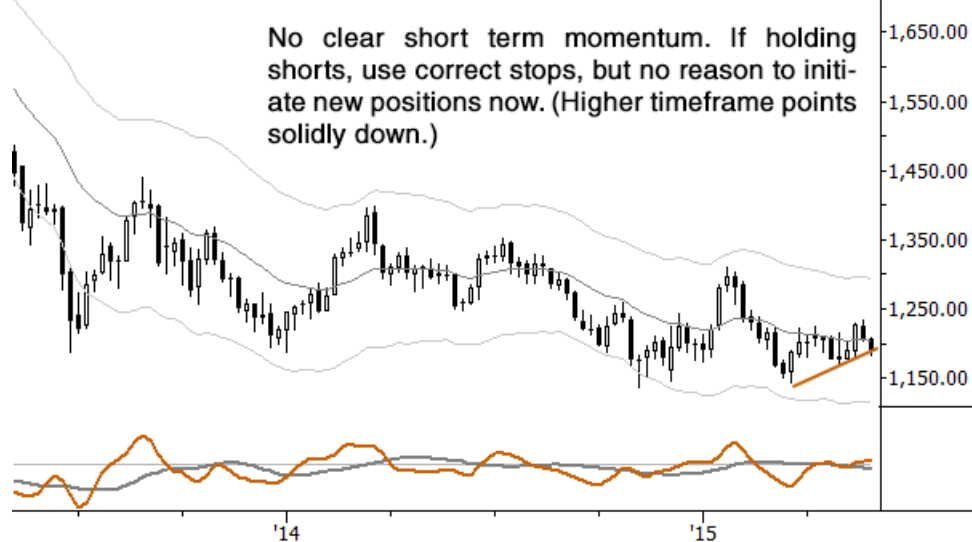
### Energy:

- ▶ Late week action potentially erodes much of the short-term bearish bias. Neutral, and probably putting in a longer-term bottom.

### Grains & Softs:

- ▶ Grains continue to point broadly lower.
- ▶ Hold shorts in sugar, but watch action around previous pivot lows. Do not short into strength.

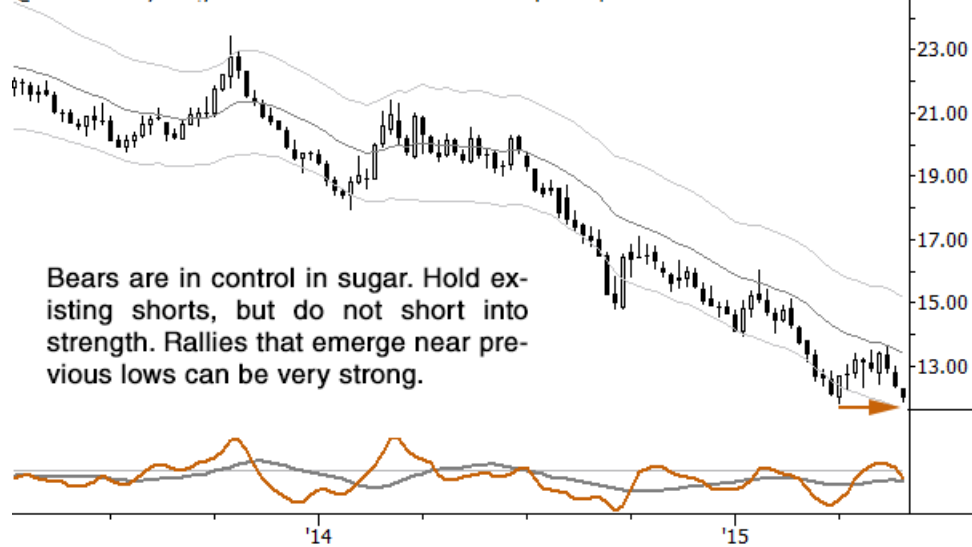
@GC - Weekly Gold Continuous Contract [Aug15]



@CL - Daily Crude Oil Continuous Contract [Jul15]



@SB- Weekly Sugar No. 11 Continuous Contract [Jul15]



## DISCRETIONARY TRADE IDEAS

Date In	L/S	Size	Contract	Proxy	Type	Price In	InitStop	Last	Target	Stop	StopATR	CurrentRisk	Open%	Open%R	Total P&L
4/24/15	S	Full	Gold (Dec 15)	GLD	I/PB	1,185.50	1,265.00	1,192.20	1,106.00	1,232.00	2.7	58%	(0.6%)	-0.1x	-0.1x
5/4/15	S	Full	Sugar (July 15)	SGG	I/PB	12.78	14.25	12.01	11.31	13.06	2.9	19%	6.0%	0.5x	0.5x
5/19/15	S	Full	EURUSD	FXE	I/PB	1.1200	1.1860	1.0990	1.0540	1.1350	2.8	23%	1.9%	0.3x	0.3x

Key: D = Discretionary, I = Intermediate-term (otherwise it is short-term), PB = Pullback, A = Anti, FT = Failure Test, BO = Breakout

## COMMENTARY

- ▶ Good potential in many markets, but last week saw consolidation and no clear short direction in most asset classes.
- ▶ Our trades are well-positioned and we have been able to significantly tighten stops on all open positions. We hold three open positions with a total, combined net risk only a little over a single trade risk—this is an example of effective trade management at work.
- ▶ It is very important to think of all positions relative to that initial risk. (For new clients, note that P&L is reported in the table above as a multiple of that initial trade risk. I.e., 0.5x means that the trade has a profit equal to 50% of the initial trade risk.)
- ▶ Early signs point to the resumption of a more dynamic, directional environment. Swing traders must be prepared to take advantage of this environment, but, regardless, focus on the potential risks in each trade and manage appropriately.

## POTENTIAL ENTRIES

- ▶ Buy S&P 500 futures at 2,126 (holding only if confirmed by a strong close above), against an initial stop around 2,070. This is a swing trade based on the daily bull flag.

**Note:** These are a distillation of our quantitative and discretionary work. In a sense, they are specific trade examples of our bigger picture tactical themes. Please contact us for further information on our discretionary and systematic trading approaches.

Ticker	Name	Last	Near Stop	Far Stop	Buy Level	Sell Level	Trend	Shocks (+/-)	RS(SP500)	C%52Wk
SPY	SPDR S&P 500 ETF	211.14	207.65	203.56			Bull	8/252 (3/5)	1.65	91.7
QQQ	PwrShs QQQ Trust Ser 1	110.05	106.98	104.24		113.45	Bull	6/252 (2/4)	4.11	94.7
IWM	iShs Russell 2000 ETF	123.89	120.54	117.25	119.94(C)		Bull	5/252 (1/4)	2.71	86.3
<b>Active Stocks</b>										
AA	Alcoa Inc	12.50	12.09	12.06	12.38(C)		Bear	7/252 (7/0)	-12.68	1.1
AAL	American Airlines Grp inc	42.37	41.37	41.37	41.52(C)		Bear	11/252 (9/2)	-5.94	50.8
AAPL	Apple Inc	130.28	125.34	120.26		136.86	Bull	4/252 (2/2)	8.26	90.7
ABBV	AbbVie Inc	66.59	63.81	61.02		69.61	Bull/Neut	6/252 (3/3)	5.41	78.5
ABX	Barrick Gold	11.86	[11.98]	11.17			Bull/Neut	8/252 (5/3)	-8.09	19.3
AMAT	Applied Materials	20.13	19.06	18.03	18.99(C)		Bear	6/252 (3/3)	-6.48	21.2
BABA	Alibaba Group Holding Ltd	89.32	87.95	83.21		95.49	N/A	0/0 (0/0)	-2.86	N/A
BAC	Bank of America Corporation	16.50	16.08	15.56			Bear/Neut	10/252 (6/4)	1.63	49.3
BRCM	Broadcom Corp'A'	56.85	53.69	51.02		[52.95]	Bull	4/252 (2/2)	32.96	96.7
C	Citigrp Inc	54.08	52.80	51.08	52.11(C)		Bull/Neut	6/252 (5/1)	1.67	72.4
CHK	Chesapeake Energy Corp	14.11	13.38	12.05			Bear	11/252 (5/6)	-20.74	4.0
CMCSA	Comcast Cl'A'	58.46	56.10	54.31	55.22(C)		Bull/Neut	7/252 (6/1)	1.99	79.3
CSCO	Cisco Systems	29.31	28.37	27.34			Bull	9/252 (3/6)	4.00	87.2
CSX	CSX Corp	34.08	32.97	32.55	34.07(S)		Bull/Neut	7/252 (3/4)	-2.77	56.8
DAL	Delta Airlines Inc	42.92	40.93	40.93			Bear	9/252 (5/4)	-2.19	61.1
EMC	EMC Corp	26.34	25.51	24.52	25.37(C)		Bear	11/252 (3/8)	-5.13	21.7
F	Ford Motor	15.17	14.91	14.72	15.16(S)		Bull/Neut	6/252 (3/3)	-4.21	39.3
FB	Facebook Inc	79.19	76.67	73.49			Bull/Neut	7/252 (3/4)	3.02	71.7
FCX	Freeport-McMoRan Inc	19.65	19.62	19.62	19.30(C)		Bear/Neut	8/252 (4/4)	-18.57	14.1
FOXA	Twenty-First Century Fox Inc A	33.60	32.73	31.67	32.35(C)		Bear	8/252 (3/5)	-4.23	31.4
GE	General Electric	27.27	26.25	25.22			Bull/Neut	7/252 (5/2)	1.75	73.2
GG	Goldcorp Inc	17.76	16.52	16.48	16.84(C)		Bear	7/252 (2/5)	-11.23	5.9
GM	General Motors Co	35.97	34.75	33.53	34.07(C)		Bull/Neut	8/252 (4/4)	2.94	70.3
HAL	Halliburton Co	45.40	42.20	41.24			Bear/Neut	10/252 (5/5)	-5.32	22.1
INTC	Intel Corp	34.46	32.71	31.35	31.55(C)		Bear/Neut	9/252 (6/3)	4.08	68.6
ITUB	Itau Unibanco Multiplo S A	10.70	[10.91]	[10.91]			Bear	5/252 (3/2)	-18.46	6.9
JPM	JPMorgan Chase & Co	65.78	64.12	62.07		68.45	Bull	6/252 (3/3)	5.93	89.1
KO	Coca-Cola Co	40.96	40.13	39.26	39.87(C)		Bear/Neut	7/252 (3/4)	-2.39	32.0
KRFT	Kraft Foods Grp Inc	84.45	81.80	78.69			Bull	5/252 (3/2)	21.46	81.9
MGM	MGM Resorts Intl	20.05	18.56	18.24	18.52(C)		Bull/Neut	9/252 (4/5)	-8.60	27.0
MSFT	Microsoft Corp	46.86	45.69	43.55		50.16	Bull/Neut	11/252 (6/5)	2.40	68.8

Ticker	Name	Last	Near Stop	Far Stop	Buy Level	Sell Level	Trend	Shocks (+/-)	RS(SP500)	C%52Wk
MU	Micron Tech	27.93	26.09	24.41	25.47(C)		Bear	5/252 (3/2)	-4.96	21.1
MYL	Mylan NV	72.63	65.31	60.36			Bull	8/252 (6/2)	19.40	87.3
ORCL	Oracle Corp	43.49	42.21	40.87			Bull/Neut	5/252 (2/3)	1.08	70.4
PBR	Petroleo Brasileiro S.A. ADS	8.35	[8.86]	7.89			Bull/Neut	5/252 (3/2)	-6.67	21.5
PFE	Pfizer Inc	34.75	33.50	32.50			Bull	9/252 (6/3)	5.91	90.3
QCOM	Qualcomm Inc	69.68	67.47	64.90	66.49(C)		Bear/Neut	9/252 (2/7)	-2.20	37.7
RF	Regions Finl Corporation	10.09	9.81	9.41	9.60(C)	10.68	Bull/Neut	8/252 (5/3)	1.40	63.6
RIG	TransOcean Ltd	18.85	18.25	16.65			Bull/Neut	5/252 (2/3)	-10.16	17.0
SDRL	Seadrill Limited	11.91	11.68	11.44	11.90(S)		Bull/Neut	9/252 (2/7)	-20.06	10.5
SUNE	SunEdison Inc	29.97	28.29	26.29		31.79	Bull	9/252 (6/3)	24.27	92.8
T	AT&T Inc	34.54	33.58	32.49		35.94	Bull	8/252 (2/6)	-0.49	45.7
TSM	Taiwan Semiconductor Mfg ADS	24.28	23.26	22.44			Bull/Neut	8/252 (2/6)	3.10	76.7
TWTR	Twitter Inc	36.67	32.40	29.72	34.43(C)		Bear	0/0 (0/0)	-9.15	N/A
VIPS	Vipshop Hldg Ltd	24.97	23.12	22.32			Bull/Neut	4/252 (2/2)	6.41	60.9
VZ	Verizon Communications	49.44	48.40	48.02			Bull	6/252 (2/4)	-0.50	50.8
WFC	Wells Fargo	55.96	54.55	53.12	53.96(C)	57.80	Bull	9/252 (6/3)	2.90	92.8
WLL	Whiting Petro	32.99	29.12	27.58			Bear/Neut	11/252 (5/6)	-19.43	12.9
XLE	S&P Sel Energy Spdr Fd	78.39	76.56	75.12	78.38(S)		Bear/Neut	7/252 (4/3)	-5.84	22.4
XOM	Exxon Mobil	85.20	83.02	80.83	83.18(C)		Bear	8/252 (3/5)	-5.58	11.4
XRX	Xerox Corp	11.42	10.63	10.01	10.78(C)		Bear	6/252 (3/3)	-8.14	9.3
YHOO	Yahoo Inc	42.94	41.24	39.37	40.59(C)		Bear/Neut	9/252 (4/5)	-1.92	50.8

**Key:** Potential entry points for managers looking to initiate or add to positions are indicated by entry at or below the Buy Level. Two models generate these entries, Slingshot (S) and Catapult (C). Both models are based on the concept of buying weakness against trend integrity; Catapult is generally requires a stronger selloff to generate an entry. Both models only trigger under certain conditions, leaving some names without potential entries in some cases. The Near and Far Trailing stops give statistically-valid risk points for long positions. Many managers will treat the near level as a warning, and use the far level as a hard stop. The Sell Level is another trading model that sets up under conditions of extreme strength, highlighting potential profit targets for managers looking to reduce exposure or book partial profits on winners



Market	Last	Condition	Trigger	EstStopSize	Dateln	Priceln	Stop	Target	P&L
<b>Stock Indexes</b>									
E-mini S&P 500 CC [Jun15]	2,107.50	Flat							
Nikkei 225 USD CC [Jun15]	20,460.00	Flat							
DAX Futures CC [Jun15]	11,413.50	Flat							
<b>Rates and Currencies</b>									
30 Yr U.S.T Bonds CC [Sep15]	154 31/32	Short full			5/15/15	154 2/32	158 3/32	150 1/32	(0.22)
10 Yr U.S. T Notes CC [Sep15]	127'15.0	Flat							
5 Yr U.S.T Notes CC [Sep15]	119'20.2	Flat							
Euro Bund CC [Jun15]	155.4300	Short full			5/22/15	154.0000	155.8900	152.1100	(0.76)
Euro Bobl CC [Jun15]	128.8500	Short full			5/19/15	128.5100	128.9610	128.0590	(0.75)
Euro Schatz CC [Jun15]	111.1750	Flat							
Euro FX CC [Jun15]	1.0995	Flat							
Swiss Franc CC [Jun15]	1.0641	Flat							
British Pound CC [Jun15]	1.5289	Flat							
Canadian Dollar CC [Jun15]	0.8030	Flat							
Mexican Peso CC [Jun15]	0.0649	Flat							
Japanese Yen CC [Jun15]	0.8054	Sell setup	0.8179	0.0123					
Australian Dollar CC [Jun15]	0.7638	Flat							
New Zealand CC [Jun15]	0.7094	Flat							
<b>Metals</b>									
Gold CC [Aug15]	1,190.50	Flat							
Silver CC [Jul15]	16.725	Flat							
Copper CC [Jul15]	2.7315	Flat							
<b>Energy</b>									
Crude Oil CC [Jul15]	60.28	Flat							
Heating Oil CC [Jul15]	1.9454	Flat							
Gasoline (RBOB) CC [Jul15]	2.0608	Flat							
Natural Gas CC [Jul15]	2.6430	Flat							
<b>Foods</b>									
Soybeans CC [Jul15]	93 4	Flat							
Wheat CC [Jul15]	47 7	Long full			5/26/15	493 4/8	463 4/8	523 4/8	(0.55)
Corn CC [Jul15]	351 4/8	Flat							
Sugar No. 11 CC [Jul15]	11.98	Flat							
Coffee C CC [Jul15]	126.15	Flat							
Cocoa CC [Jul15]	3,085.00	Long full*			5/29/15	3,085.00	2,983.00	3,187.00	0.00
Cotton No. 2 CC [Jul15]	64.35	Flat							

The Waverly Pullback System is a set of algorithmic trading rules that identifies a market that has recently made a strong thrust, and enters in the direction of that initial thrust when mean reversion sets in and the market pulls back. This system has, historically, produced approximately 2.6 trades per year per market, with an average holding period of about 26 days. We encourage our readers to always consider the impact and potential risk of correlated positions.

Market	Last	Condition	LEntry	EstLStop	SEntry	EstSStop	DateIn	PriceIn	Stop	P&L
<b>Stock Indexes</b>										
E-mini S&P 500 CC [Jun15]	2,107.50	<b>Long</b>					5/15/15	2,119.75	2,074.63	<b>(0.28)</b>
Nikkei 225 USD CC [Jun15]	20,460.00	<b>Long</b>					5/20/15	20,295.00	19,730.00	<b>0.29</b>
DAX Futures CC [Jun15]	11,413.50	LongOk ShortOk	12,429.50	11,963.20	10,182.00	10,648.30				
<b>Rates and Currencies</b>										
30 Yr U.S.T Bonds CC [Sep15]	154 31/32	LongOk ShortOk	166 01/32	162 00/32	149 19/32	153 20/32				
10 Yr U.S. T Notes CC [Sep15]	127'15.0	LongOk ShortOk	129'29.5	128'19.0	125'09.5	126'20.5				
5 Yr U.S.T Notes CC [Sep15]	119'20.2	LongOk ShortOk	<b>120'12.0</b>	119'19.2	117'23.2	118'16.0				
Euro Bund CC [Jun15]	155.4300	LongOk ShortOk	160.69	158.98	151.44	153.15				
Euro Bobl CC [Jun15]	128.8500	LongOk ShortOk	129.79	129.36	127.76	128.19				
Euro Schatz CC [Jun15]	111.1750	LongOk ShortOk	111.31	111.23	111.01	111.09				
Euro FX CC [Jun15]	1.0995	LongOk ShortOk	1.17	1.14	1.05	1.08				
Swiss Franc CC [Jun15]	1.0641	LongOk ShortOk	1.1824	1.1545	0.9910	1.0189				
British Pound CC [Jun15]	1.5289	ShortOk			1.4560	1.4882				
Canadian Dollar CC [Jun15]	0.8030	LongOk ShortOk	0.8386	0.8220	0.7781	0.7947				
Mexican Peso CC [Jun15]	0.0649	LongOk ShortOk	0.0681	0.0665	<b>0.0633</b>	0.0649				
Japanese Yen CC [Jun15]	0.8054	<b>Short</b>					5/26/15	0.8205	0.8321	<b>1.27</b>
Australian Dollar CC [Jun15]	0.7638	LongOk ShortOk	0.8151	0.7936	<b>0.7504</b>	0.7719				
New Zealand CC [Jun15]	0.7094	<b>Short*</b>					5/29/15	0.7085	0.7300	<b>(0.04)</b>
<b>Metals</b>										
Gold CC [Aug15]	1,190.50	LongOk ShortOk	1,310.80	1,277.44	1,143.40	1,176.76				
Silver CC [Jul15]	16.725	LongOk ShortOk	18.590	17.750	15.305	16.145				
Copper CC [Jul15]	2.7315	LongOk ShortOk	2.9560	2.8364	2.4060	2.5256				
<b>Energy</b>										
Crude Oil CC [Jul15]	60.28	LongOk ShortOk	<b>63.54</b>	59.30	46.38	50.62				
Heating Oil CC [Jul15]	1.9454	LongOk ShortOk	2.08	1.9706	1.4285	1.5402				
Gasoline (RBOB) CC [Jul15]	2.0608	ShortOk			1.5093	1.6310				
Natural Gas CC [Jul15]	2.6430	LongOk ShortOk	3.15	2.9420	<b>2.5120</b>	2.7170				
<b>Foods</b>										
Soybeans CC [Jul15]	934 0/8	<b>Short</b>					5/19/15	944 4/8	974 5/8	<b>0.35</b>
Wheat CC [Jul15]	477 0/8	LongOk ShortOk	549 0/8	519 1/8	<b>460 6/8</b>	490 5/8				
Corn CC [Jul15]	351 4/8	<b>Short</b>					5/26/15	355 6/8	369 7/8	<b>0.30</b>
Sugar No. 11 CC [Jul15]	11.98	<b>Short</b>					5/27/15	11.84	12.55	<b>(0.20)</b>
Coffee C CC [Jul15]	126.15	<b>Short</b>					5/26/15	125.80	136.59	<b>(0.03)</b>
Cocoa CC [Jul15]	3,085.00	<b>Long</b>					5/12/15	3,035.00	3,035.00	<b>0.46</b>
Cotton No. 2 CC [Jul15]	64.35	LongOk ShortOk	68.13	65.55	58.08	60.66				

The Waverly Channel System is a longer-term, trend following system that has produced, on average, around 4.4 trades per year per market followed, with an average holding period of around 31 days. This system first "permissions" a trade long or short (indicated by LongOk or ShortOk), and then gives precise entry levels and stop levels. Once entered, the trade is actively managed with a stop-loss methodology. We encourage our readers to always consider the impact and potential risk of correlated positions.

International	Now	Chg	VRat	US Sectors (SP1500)	Now	Chg	VRat	US Industries (Top)	Now	Chg	VRat	US Industries (Bottom)	Now	Chg	VRat
India	1	0	0.7	Health Care	1	0	0.9	HCare Prov & Svcs	1	1	0.9	Electrical Equip	35	-7	1.0
Hong Kong	2	0	0.9	Information Tech	2	1	1.3	Internet & Catalog Ret	2	1	0.6	Communications Equip	36	8	1.1
Japan	3	0	1.0	Consumer Discretionary	3	-1	0.8	Construction Materials	3	-2	0.8	Food & Staples Ret	37	-4	0.8
Taiwan	4	3	0.5	Financials	4	0	1.0	Real Estate Mgmt&Dev	4	0	0.3	Internet Soft &Svcs	38	0	1.1
Nthrlands	5	-1	1.4	Consumer Staples	5	2	0.8	Wireless Telcom Svcs	5	2	0.9	Comm Svcs & Supplies	39	3	1.0
Israel	6	0	0.6	Materials	6	0	1.0	Building Products	6	0	0.9	Multi-Utilities	40	6	0.4
Switzerland	7	2	1.5	Utilities	7	2	0.5	Semis & Semi Equip	7	9	1.3	Elec Equip & Cmpnnts	41	-5	0.9
S&P 500 Index	8	0	1.0	Telcom Svcs	8	0	0.6	BioTech	8	-3	1.0	Aerospace & Defence	42	-7	0.8
UK	9	2	1.0	Industrials	9	-4	0.9	Pharmaceuticals	9	12	0.9	Insurance	43	-11	1.0
S Korea	10	-5	1.2	Energy	10	0	0.6	Food Products	10	9	0.5	Construction & Eng	44	13	1.1
Philippines	11	-1	1.3	<b>US Industry Groups</b>	<b>Now</b>	<b>Chg</b>	<b>VRat</b>	Professional Svcs	11	0	0.9	Leisure Equip & Prds	45	-4	0.6
Sweden	12	4	1.1	Health Care Equip & Svcs	1	0	0.8	Auto Components	12	6	1.0	Beverages	46	6	0.8
Mexico	13	10	0.5	Semis & Semis Equip	2	2	1.3	Comps & Peripherals	13	-5	1.2	Div Telcom Svcs	47	6	0.6
France	14	-2	1.4	Retailing	3	-1	0.9	Specialty Retail	14	0	0.9	Distributors	48	-14	1.2
Singapore	15	0	0.8	Pharma, Biotech & Life Sci	4	-1	0.9	HCare Equip & Supply	15	7	0.9	Electric Utilities	49	7	0.5
Australia	16	8	0.9	Tech Hardware & Equip	5	1	1.3	Capital Markets	16	-3	1.0	REITs	50	5	0.8
Germany	17	-4	1.2	Media	6	2	0.7	IT Svcs	17	-2	1.0	Div Consumer Svcs	51	-4	0.9
Finland	18	1	0.9	Consumer Svcs	7	0	0.8	Software	18	5	1.0	Machinery	52	-9	0.9
Canada	19	1	1.0	Software & Svcs	8	1	1.1	Life Scis Tools & Svcs	19	-9	1.0	Txtils, Apprl & Lux Gds	53	-16	1.4
S Africa	20	-6	1.0	Banks	9	-4	0.9	Thrifths & Mrtg Finace	20	6	0.8	Paper & Forest Products	54	-6	0.9
Indonesia	21	1	0.5	Commercial & Prof Svcs	10	1	1.0	Multiline Retail	21	-1	0.7	Air Freight & Logistics	55	-6	1.1
Thailand	22	-1	1.1	Food Beverage & Tobacco	11	5	0.7	Htlis Rests & Leisure	22	2	0.7	Consumer Finance	56	-5	0.8
UAE	23	-5	0.7	Diversified Financials	12	-2	1.0	Media	23	2	0.7	Automobiles	57	2	0.9
Russia	24	-7	0.4	Food & Staples Retailing	13	1	0.8	Containers & Packaging	24	-15	1.1	Ind Pwr Prod & Trdrs	58	0	0.8
Brazil	25	0	1.0	Insurance	14	-2	1.0	Health Care Tech	25	2	0.9	Energy Equip & Svcs	59	2	0.6
Greece	26	0	1.1	Capital Goods	15	0	0.9	Commercial Banks	26	-9	0.9	Household Products	60	0	1.0
<b>US Mkt Cap Indexes</b>	<b>Now</b>	<b>Chg</b>	<b>VRat</b>	Materials	16	1	1.0	Industrial Conglomerates	27	3	0.6	Airlines	61	4	0.9
Russell MicroCap Index	1	2	0.9	Automobiles & Compnts	17	1	1.0	Household Durables	28	1	1.0	Oil, Gas&Consmlle Fuels	62	1	0.7
US Growth	2	-1	1.1	Utilities	18	2	0.5	Div Financial Svcs	29	2	0.9	Trading Cos & Dists	63	-9	1.5
Russell 2000 Index	3	-1	1.1	Cons Durables & Apparel	19	-6	1.0	Gas Utilities	30	20	0.6	Marine	64	-2	1.2
S&P SmallCap 600 Index	4	0	1.1	Telcom Svcs	20	-1	0.6	Personal Products	31	-19	0.7	Metals & Mining	65	1	0.9
DJ Wilshire 5000 Comp	5	0	1.0	Real Estate	21	0	0.8	Water Utilities	32	8	0.9	Road & Rail	66	-2	0.6
S&P 500 Index	6	-1	1.0	Household & Prsnl Prod	22	0	1.0	Tobacco	33	12	0.6				
S&P 100 Index	7	0	1.0	Energy	23	0	0.6	Chemicals	34	5	0.8				
US Value	8	0	1.0	Transportation	24	0	0.9								

Ticker	Desc	Close	Change	VolSpike	KPos	RS	52WkH	52WkL	C%52Wk	ATR	ConsCloses	AvgVol	Extension
HUM	Humana Inc	214.32	20.1%	15.0	200	20.1	219.79	115.51	95%	5.09	1	1.5	OB
PRTA	Prothena Corporation plc	39.44	14.3%	4.8	115	15.07	45.00	16.71	80%	1.70	2	0.6	-
GME	Gamestop Corp 'A'	43.41	6.1%	3.8	112	6.17	46.59	31.69	79%	1.03	2	1.7	OB
LLY	Lilly (Eli)	78.90	3.3%	3.5	141	3.92	79.55	58.50	97%	1.09	6	4.3	OB
CI	Cigna Corp	140.91	3.7%	3.4	116	4.22	145.33	85.75	93%	2.52	3	1.8	-
MDLZ	Mondelez Int'l Inc Cl A	41.59	2.8%	3.3	123	2.86	41.60	31.83	100%	0.54	3	10.8	OB
SXC	SunCoke Energy Inc	16.26	4.5%	2.9	52	3.90	24.57	14.38	18%	0.46	2	0.6	-
CNC	Centene Corp	75.34	4.1%	2.7	118	4.31	75.50	35.49	100%	1.55	4	1.3	-
MRK	Merck & Co	60.90	2.0%	2.7	80	1.86	63.62	52.49	76%	0.80	3	11.5	-
LBIO	Lion Biotech Inc	11.19	6.7%	2.6	58	6.27	15.03	4.97	62%	0.58	1	0.6	-
ANF	Abercrombie & Fitch Co'A'	20.48	-8.2%	-2.5	30	-6.65	45.50	19.34	4%	0.81	-1	2.9	-
POT	Potash Corp Saskatchewan	31.49	-2.6%	-2.5	9	-3.25	38.58	31.39	1%	0.51	-1	4.2	-
SKM	SK Telecom ADS	24.44	-4.7%	-2.6	-25	-5.19	31.84	23.51	11%	0.60	-3	0.7	-
SPLK	Splunk Inc	67.62	-5.0%	-2.6	45	-4.33	74.88	39.35	80%	2.25	-1	2.0	-
PCAR	PACCAR Inc	63.56	-2.5%	-2.7	10	-2.59	70.27	54.34	58%	0.99	-2	1.6	-
DECK	Deckers Outdoor Corp	68.14	-4.3%	-2.8	-4	-5.20	99.88	65.65	7%	1.86	-6	0.7	OS
KNX	Knight Transportation Inc	28.59	-4.9%	-3.1	11	-5.35	34.73	23.17	47%	0.74	-2	0.9	-
CMI	Cummins Inc	135.49	-2.7%	-3.1	2	-3.11	161.03	124.30	30%	1.91	-2	1.5	OS
BEAV	B/E Aerospace	57.34	-2.8%	-3.3	-8	-3.43	N/A	N/A	N/A	1.01	-5	0.8	-
TD	Toronto-Dominion Bk	43.53	-2.2%	-3.3	-10	-2.99	53.49	39.56	28%	0.63	-2	1.4	OS
VEEV	Veeva Systems Inc	27.12	-6.2%	-3.3	39	-5.69	33.66	19.51	54%	0.81	-1	1.2	-
ODFL	Old Dominion Freight Line	68.01	-4.8%	-3.6	-3	-4.94	81.48	61.17	34%	1.42	-2	0.6	-
SWFT	Swift Transportation	23.29	-6.0%	-3.6	5	-6.26	29.44	18.53	44%	0.66	-2	2.0	-
NAV	Navistar Int'l Corporation	26.48	-3.5%	-3.7	-9	-3.94	40.17	26.14	2%	0.71	-1	0.8	OS
BMY	Bristol-Myers SQUIBB	64.60	-6.7%	-6.3	9	-6.50	69.86	46.30	78%	1.28	-1	6.5	-
GEF	Greif Inc 'A'	38.20	-8.5%	-9.4	-27	-9.19	56.53	35.85	11%	0.91	-4	0.5	-

Ticker	Desc	Close	Change	VolSpike	KPos	RS	52WkH	52WkL	C%52Wk	ATR	ConsCloses	AvgVol	Extension
HUM	Humana Inc	214.32	20.1%	15.0	200	20.1	219.79	115.51	95%	5.09	1	1.4	OB
LVNTA	Liberty Interactive Corp Ser A	41.50	2.3%	1.0	29	0.70	N/A	N/A	N/A	1.07	1	0.7	-
KORS	Michael Kors Hldg, Ltd.	46.51	1.6%	0.3	-92	-4.13	98.96	45.53	2%	1.69	1	4.5	-
BRCM	Broadcom Corp'A'	56.85	1.9%	0.2	175	5.28	57.70	30.71	97%	1.34	1	9.0	-
WDAY	Workday Inc	78.92	-1.5%	-0.5	-18	-4.31	97.40	74.32	20%	2.78	-3	1.6	OS
URI	United Rentals Inc	89.02	-6.3%	-2.4	-36	-8.26	119.83	81.25	20%	2.87	-2	2.1	OS
ANF	Abercrombie & Fitch Co'A'	20.48	-8.2%	-2.5	30	-6.65	45.50	19.34	4%	0.81	-1	2.9	-
BMY	Bristol-Myers SQUIBB	64.60	-6.5%	-6.3	9	-6.50	69.86	46.30	78%	1.28	-1	6.5	-

Ticker	Desc	Close	Change	VolSpike	KPos	RS	52WkH	52WkL	C%52Wk	ATR	ConsCloses	AvgVol	Extension
LC	LC	19.21	1.1%	0.4	82	2.5	N/A	N/A	N/A	0.79	10	2.4	-
FSL	Freescale Semiconductor Ltd	45.12	1.2%	0.7	111	1.99	45.22	15.29	100%	0.99	7	2.0	-
BLUE	BlueBird Bio Inc	194.25	0.9%	0.2	118	3.44	197.35	20.01	98%	10.31	6	0.8	-
LLY	Lilly (Eli)	78.90	3.3%	3.5	141	3.92	79.55	58.50	97%	1.09	6	4.3	OB
WMB	Williams Companies	51.11	-0.3%	-0.2	33	-1.09	59.77	40.07	56%	1.17	-6	6.2	-
SERV	ServiceMaster Gbl Hldgs Inc	33.59	-0.2%	-0.2	8	-1.93	N/A	N/A	N/A	0.78	-6	0.8	OS
OKE	Oneok Inc	41.93	-0.7%	-0.3	-1	-2.07	71.19	39.53	8%	1.32	-6	2.0	-
HAR	Harman Intl	120.47	-1.5%	-0.6	13	-1.99	149.12	84.48	56%	3.38	-6	1.0	-
DECK	Deckers Outdoor Corp	68.14	-4.3%	-2.8	-4	-5.20	99.88	65.65	7%	1.86	-6	0.7	OS
CSTM	Constellium N.V.	13.63	-1.8%	-0.7	-19	-3.71	32.61	13.56	0%	0.69	-6	0.8	OS
NVGN	Novogen Ltd ADS	5.61	-1.1%	-0.3	31	-3.19	9.50	1.51	51%	0.43	-7	1.0	-
FRAN	Francesca's Hldg Corp	15.67	-0.2%	-0.1	18	-1.07	18.23	11.02	64%	0.46	-7	0.6	-
SNE	Sony Corp ADR	30.92	-0.8%	-0.6	34	-1.27	32.95	15.96	88%	0.53	-7	1.7	-
GGAL	Grupo Financiero Galicia ADS	20.03	-1.0%	-1.4	3	-4.04	26.13	10.33	61%	0.68	-8	0.5	OS
COL	Rockwell Collins	95.19	-1.3%	-1.6	13	-1.69	99.37	71.89	85%	1.08	-8	0.8	-
SBAC	SBA Communications'A'	111.81	-0.4%	-0.7	11	-0.85	126.65	96.64	51%	1.75	-8	0.9	-



Ticker	Desc	Close	Change	VolSpike	KPos	RS	52WkH	52WkL	C%52Wk	ATR	ConsCloses	AvgVol	Extension
HUM	Humana Inc	214.32	20.1%	15.0	200	20.1	219.79	115.51	95%	5.09	1	1.5	OB
GME	Gamestop Corp 'A'	43.41	6.1%	3.8	112	6.17	46.59	31.69	79%	1.03	2	1.7	OB
LLY	Lilly (Eli)	78.90	3.3%	3.5	141	3.92	79.55	58.50	97%	1.09	6	4.3	OB
MDLZ	Mondelez Int'l Inc Cl A	41.59	2.8%	3.3	123	2.86	41.60	31.83	100%	0.54	3	10.8	OB
NUVA	NuVasive Inc	50.55	1.9%	1.5	109	2.53	51.25	32.04	96%	1.15	5	0.7	OB
INTC	Intel Corp	34.51	1.5%	1.2	96	1.78	37.90	26.18	71%	0.57	3	31.6	OB
PANW	Palo Alto Networks Inc	169.42	1.9%	1.1	115	2.71	169.84	66.77	100%	3.74	2	1.3	OB
SERV	ServiceMaster Gbl Hldgs Inc	33.59	-0.2%	-0.2	8	-1.93	N/A	N/A	N/A	0.78	-6	0.8	OS
SN	Sanchez Energy Corporation	10.07	-0.8%	-0.3	2	-2.84	38.95	6.22	12%	0.75	-2	2.2	OS
ABMD	Abiomed, Inc	59.72	-0.7%	-0.3	6	-2.92	76.90	20.99	69%	3.22	-2	0.6	OS
WDAY	Workday Inc	78.92	-1.5%	-0.5	-18	-4.31	97.40	74.32	20%	2.78	-3	1.6	OS
LOCO	El Pollo Hldgs Inc	20.74	-2.6%	-0.6	-24	-3.98	N/A	N/A	N/A	1.06	-5	1.4	OS
CSTM	Constellium N.V.	13.63	-1.8%	-0.7	-19	-3.71	32.61	13.56	0%	0.69	-6	0.8	OS
FSLR	First Solar Inc	49.71	-0.9%	-1.0	-26	-4.05	73.78	39.18	30%	1.47	-2	1.9	OS
BAX	Baxter Intl	66.61	-0.2%	-1.0	11	-0.93	77.31	65.94	6%	0.88	-1	3.4	OS
HWAY	Healthways Inc	15.16	-1.7%	-1.0	-8	-2.89	23.30	13.99	13%	0.51	-4	0.5	OS
ENB	Enbridge Inc	47.90	-1.5%	-1.0	0	-2.52	57.19	42.14	38%	1.05	-1	0.9	OS
RTI	RTI Intl Metals	35.26	-1.5%	-1.0	-1	-2.11	40.08	20.92	75%	0.74	-2	0.9	OS
LGCY	Legacy Reserves LP Units	10.04	-2.6%	-1.1	7	-4.07	32.61	8.06	8%	0.57	-5	0.5	OS
CP	Canadian Pacific Railway	164.70	-1.9%	-1.2	-22	-2.97	220.20	164.29	1%	4.40	-2	1.0	OS
SCCO	Southern Copper Corp	30.01	-1.6%	-1.3	3	-2.31	33.90	23.60	62%	0.64	-2	1.5	OS
RAX	Rackspace Hosting Inc	40.08	-4.2%	-1.3	-46	-5.07	56.20	28.80	41%	1.49	-5	1.7	OS
GGAL	Grupo Financiero Galicia ADS	20.03	-1.0%	-1.4	3	-4.04	26.13	10.33	61%	0.68	-8	0.5	OS
OMC	Omnicom Grp	74.50	-1.1%	-1.4	3	-1.78	80.98	64.03	62%	0.95	-2	1.2	OS
NSC	Norfolk Southern	92.00	-1.8%	-1.4	-17	-2.59	117.64	91.85	1%	1.72	-2	2.3	OS
OSK	Oshkosh Corp (Hldg Co)	50.15	-2.7%	-1.7	3	-3.91	57.99	38.64	59%	1.23	-4	0.9	OS
SPWR	SunPower Corp	30.39	-2.8%	-1.8	10	-3.52	42.07	22.75	40%	0.90	-4	1.5	OS
BMO	Bank Of Montreal	61.10	-1.4%	-1.8	-4	-2.14	78.56	57.37	18%	0.90	-2	0.7	OS
TRGP	Targa Resources Corp	91.97	-2.0%	-1.9	-11	-3.06	160.97	82.09	13%	2.43	-5	0.7	OS
TEX	Terex Corp	24.72	-4.8%	-2.1	-19	-7.04	42.53	22.00	13%	0.86	-4	2.1	OS
URI	United Rentals Inc	89.02	-6.3%	-2.4	-36	-8.26	119.83	81.25	20%	2.87	-2	2.1	OS
DECK	Deckers Outdoor Corp	68.14	-4.3%	-2.8	-4	-5.20	99.88	65.65	7%	1.86	-6	0.7	OS
CMI	Cummins Inc	135.49	-2.7%	-3.1	2	-3.11	161.03	124.30	30%	1.91	-2	1.5	OS
TD	Toronto-Dominion Bk	43.53	-2.2%	-3.3	-10	-2.99	53.49	39.56	28%	0.63	-2	1.4	OS
NAV	Navistar Int'l Corporation	26.48	-3.5%	-3.7	-9	-3.94	40.17	26.14	2%	0.71	-1	0.8	OS

Ticker	Desc	Close	Change	VolSpike	KPos	RS	52WkH	52WkL	C%52Wk	ATR	ConsCloses	AvgVol	Extension
BLUE	BlueBird Bio Inc	194.25	1.0%	0.2	118	3.4	197.35	20.01	98%	10.31	6	0.8	-
STRZA	Starz Ser A	41.96	0.1%	0.1	101	0.61	42.25	27.31	98%	0.84	4	0.8	-
IGTE	IGATE Corp	47.51	-0.0%	-0.2	68	-0.02	47.95	28.62	98%	0.14	-1	1.2	-
OCR	Omnicare, Inc	95.29	-0.4%	-0.3	91	-0.50	96.54	59.85	97%	1.56	-1	2.1	-
GPN	Global Payments	104.36	-0.1%	-0.1	67	-0.28	106.06	67.34	96%	1.28	-1	0.6	-
SGMS	Scientific Games Cl'A'	15.22	0.3%	0.1	92	0.65	15.66	6.97	95%	0.63	3	1.4	-
AOL	AOL Inc	50.01	-0.1%	-0.0	106	-0.20	50.81	35.60	95%	1.17	-1	1.9	-
HCA	HCA Hldg Inc	81.83	0.0%	0.0	79	0.09	83.88	52.37	93%	1.47	1	3.2	-
CTAS	Cintas Corp	86.09	0.2%	-0.3	79	-0.21	88.23	60.77	92%	1.07	-1	0.6	-
FOLD	Amicus Therapeutics Inc	12.31	1.0%	0.4	89	2.56	13.20	2.15	92%	0.50	4	1.9	-
LGCY	Legacy Reserves LP Unts	10.04	-2.6%	-1.1	7	-4.07	32.61	8.06	8%	0.57	-5	0.5	OS
EVEP	EV Energy Partnrs L.P. Com Unt	14.13	-1.3%	-0.7	10	-2.08	41.97	11.95	7%	0.63	-5	0.5	-
NSM	Nationstar Mortgage Hldg	19.74	-1.0%	-0.2	15	-1.32	37.95	18.86	5%	0.94	-1	1.5	-

Ticker	Desc	Close	Change	VolSpike	KPos	RS	52WkH	52WkL	C%52Wk	ATR	ConsCloses	AvgVol	Extension
HUM	Humana Inc	214.32	20.2%	15.0	200	20.1	219.79	115.51	95%	5.09	1	1.5	OB
BRCM	Broadcom Corp'A'	56.85	1.3%	0.2	175	5.28	57.70	30.71	97%	1.34	1	9.0	-
LLY	Lilly (Eli)	78.90	3.3%	3.5	141	3.92	79.55	58.50	97%	1.09	6	4.3	OB
AVGO	Avago Technologies Ltd	148.07	3.9%	1.6	136	6.28	149.24	68.71	99%	4.49	3	2.9	-
SRPT	Sarepta Therapeutics Inc	25.62	0.3%	0.0	136	1.58	35.43	11.33	59%	1.66	1	1.4	-
TWC	Time Warner Cable Inc	181.23	-0.6%	-0.3	135	1.62	184.89	128.78	93%	3.61	-3	4.2	-
RTRX	Retrophin Inc	31.64	4.7%	1.4	133	8.28	31.73	7.85	100%	1.36	1	0.7	-
TMUS	T-Mobile US Inc	38.86	1.5%	0.8	127	2.70	39.07	24.26	99%	0.91	1	4.1	-
MDLZ	Mondelez Int'l Inc Cl A	41.59	2.9%	3.3	123	2.86	41.60	31.83	100%	0.54	3	10.8	OB
SIMO	Silicon Motion Tech Corp ADS	35.46	3.2%	1.3	121	6.61	35.83	15.99	98%	1.01	1	0.7	-
BLUE	BlueBird Bio Inc	194.25	1.0%	0.2	118	3.44	197.35	20.01	98%	10.31	6	0.8	-
CNC	Centene Corp	75.34	3.9%	2.7	118	4.31	75.50	35.49	100%	1.55	4	1.3	-
CI	Cigna Corp	140.91	3.7%	3.4	116	4.22	145.33	85.75	93%	2.52	3	1.8	-
PANW	Palo Alto Networks Inc	169.42	1.9%	1.1	115	2.71	169.84	66.77	100%	3.74	2	1.3	OB
PRTA	Prothena Corporation plc	39.44	14.6%	4.8	115	15.07	45.00	16.71	80%	1.70	2	0.6	-
AMBA	Ambarella Inc	90.21	1.6%	0.5	115	2.94	91.84	24.12	98%	3.03	1	1.4	-
SYNA	Synaptics Inc	99.64	0.4%	0.1	113	1.45	101.14	58.22	97%	2.42	3	0.7	-
GME	Gamestop Corp 'A'	43.41	7.0%	3.8	112	6.17	46.59	31.69	79%	1.03	2	1.7	OB
ZTS	Zoetis Inc	49.76	1.4%	1.2	112	1.94	49.96	30.43	99%	0.85	1	3.2	-
IDTI	Integrated Device Tech	23.66	-0.0%	0.1	111	1.51	24.15	11.94	96%	0.68	3	2.8	-
FSL	Freescale Semiconductor Ltd	45.12	1.2%	0.7	111	1.99	45.22	15.29	100%	0.99	7	2.0	-
AET	Aetna Inc	117.97	1.4%	1.6	110	1.69	120.15	71.81	95%	1.79	3	2.0	-
NUVA	NuVasive Inc	50.55	1.9%	1.5	109	2.53	51.25	32.04	96%	1.15	5	0.7	OB
SWKS	Skyworks Solutions	109.36	1.9%	0.6	108	2.41	110.39	41.80	98%	2.83	1	4.5	-
LBTYA	Liberty Global plc Cl A	57.53	-0.3%	-0.2	107	0.24	58.66	39.95	94%	1.25	-2	2.0	-
NXPI	NXP Semiconductors N.V.	112.28	1.4%	0.7	107	2.19	112.81	53.81	99%	2.83	3	3.2	-
TIF	Tiffany & Co	93.71	-1.0%	-0.4	107	0.99	110.60	82.64	40%	1.88	-1	1.8	-
CIEN	Ciena Corp	24.11	0.3%	0.2	107	1.13	24.55	13.77	96%	0.51	3	3.1	-
ANAC	Anacor Pharmaceuticals Inc	71.22	2.4%	0.8	107	4.33	72.48	13.19	98%	2.71	5	0.7	-
AOL	AOL Inc	50.01	-0.1%	-0.0	106	-0.20	50.81	35.60	95%	1.17	-1	1.9	-
HMHC	Houghton Mifflin Harcourt Comp	26.38	0.7%	0.4	106	1.57	26.65	17.13	97%	0.70	3	1.0	-
ADXS	Advaxis Inc	25.16	8.7%	1.9	104	8.97	25.25	2.50	100%	1.41	2	1.6	-
CPB	Campbell Soup	48.32	-0.1%	-0.2	103	0.55	48.40	41.15	99%	0.58	-1	1.4	-
RMBS	Rambus Inc	15.29	2.5%	1.6	103	3.16	15.48	9.87	97%	0.35	3	0.7	-
AMAG	AMAG Pharmaceuticals Inc	69.58	1.3%	0.7	103	2.34	69.74	17.52	100%	2.74	3	0.9	-

Ticker	Desc	Close	Change	VolSpike	KPos	RS	52WkH	52WkL	C%52Wk	ATR	ConsCloses	AvgVol	Extension
MOH	Molina Healthcare	72.74	1.4%	0.5	103	1.61	73.98	39.23	96%	1.96	3	0.7	-
CTRP	Ctrip.com Intl Ltd	79.87	-0.4%	-0.1	102	2.09	87.62	40.74	83%	3.23	-4	3.3	-
ANTM	Anthem Inc	167.93	2.2%	1.8	102	2.20	170.98	104.79	95%	2.77	3	1.8	-
SKX	Skechers U.S.A. Cl'A'	105.88	-0.6%	-0.6	102	-0.67	108.24	42.59	96%	2.65	-1	1.0	-
STRZA	Starz Ser A	41.96	0.1%	0.1	101	0.61	42.25	27.31	98%	0.84	4	0.8	-
IMAX	Imax Corp	40.35	0.4%	0.7	101	1.49	42.44	24.01	89%	0.81	3	0.7	-
AVY	Avery Dennison Corp	61.92	-1.4%	-1.5	99	-1.12	63.42	40.58	93%	0.90	-2	0.8	-
ADI	Analog Devices	67.96	-0.5%	-0.3	99	0.44	68.75	42.57	97%	1.28	-1	2.4	-
NFLX	Netflix Inc	624.06	-0.4%	-0.3	97	-0.27	631.44	315.54	98%	11.88	-2	2.6	-
AOS	A O Smith Corp	71.36	-0.3%	-0.4	97	0.25	71.75	44.60	99%	1.03	-1	0.5	-
INTC	Intel Corp	34.51	1.4%	1.2	96	1.78	37.90	26.18	71%	0.57	3	31.6	OB
LBTYK	Liberty Global plc Cl C	53.75	0.5%	0.3	96	0.47	54.74	39.31	94%	1.08	1	2.8	-
ALTR	Altera Corp.	48.85	4.3%	1.4	96	3.97	50.10	30.47	94%	1.50	1	6.7	-
ALNY	Alnylam Pharmaceuticals	131.09	2.1%	0.8	95	2.67	133.96	51.93	97%	4.77	1	0.8	-
MSCC	Microsemi Corp	36.39	0.9%	0.5	95	1.63	37.41	20.61	94%	0.75	3	0.6	-
GT	Goodyear Tire & Rub	31.85	-0.6%	-0.5	94	-0.50	32.51	18.87	95%	0.61	-2	3.5	-
CRI	Carter's Inc	103.22	0.0%	0.0	94	0.59	103.93	67.57	98%	1.47	3	0.6	-
YOKU	Youku Tudou Inc	26.96	-2.3%	-0.4	93	-1.84	31.40	11.85	77%	1.85	-1	4.3	-
EXAS	Exact Sciences	27.01	-0.1%	-0.1	93	1.34	29.97	13.02	83%	1.14	-2	1.6	-
VRX	Valeant Pharma Intl Inc	238.55	-1.2%	-1.1	93	-0.52	246.01	106.00	95%	5.06	-1	2.1	-
HLF	Herbalife Ltd	52.03	0.7%	0.1	93	0.78	69.69	27.60	58%	1.82	3	2.5	-
HOLX	Hologic Inc	35.77	1.4%	1.0	93	1.57	35.93	22.70	99%	0.59	1	1.6	-
SGMS	Scientific Games Cl'A'	15.22	0.3%	0.1	92	0.65	15.66	6.97	95%	0.63	3	1.4	-

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Tactical Portfolio Outlook begins on the following page.



# TACTICAL PORTFOLIO OUTLOOK

Week of 1 June 2015

Market perspectives for the long-term investor and portfolio allocator



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- ▶ Stocks consolidate with no clear short-term direction.
  - Longer-term bull market is clear and intact. Any concerns over direction are only relevant to shorter timeframes.
  - Longer-term investors should focus on holding heavy long exposure to stocks.
- ▶ For portfolio allocators, we are moving to an underweight in Industrials this week. Tactical traders can look for potential shorts in the sector.
- ▶ The US Dollar continues to point higher. Watch resolution of daily bull flags for insight into Dollar strength and psychology.
- ▶ Expect another selloff in bond futures, but do not assume that this means a change in longer-term trend.
- ▶ Market conditions could become even more difficult, as volume and volatility traditionally contract over the next few months. Tactical traders must carefully pick entries and focus on trade management.
- ▶ Crude oil is probably putting in a longer-term bottom, but remember that a bottom is a *process*—formation of the bottom can take many months and can see much further declines in oil before that bottom is established.
- ▶ A number of other commodities (grains, sugar, copper) point lower over the coming weeks.

### Major Market Direction and Bias

Market	Short term (< 1 month)	Int. Term (2-12 months)
US stocks	Up	Up (Lead)
Europe Stocks		Up
Asia Stocks		Up
US Rates	Flat	Flat/down
US Treasuries	Down	
US Dollar	Up	Up
Gold	Down	Down
Oil		Bottoming?

### Last Week's Performance

Market	Return	Vol-adj	Kpos	Trend	Volatility
USA	(0.88%)	(0.6 $\sigma$ )	61	Normal	Bull
Europe	(2.22%)	(1.2 $\sigma$ )	55	Normal	Bull/Neutral
Asia	(2.03%)	(1.2 $\sigma$ )	60	Normal	Bull/Neutral
Developed	(2.05%)	(1.3 $\sigma$ )	60	Volatile	Bull/Neutral
Emerging	(3.79%)	(1.5 $\sigma$ )	42	Normal	Bull/Neutral
30 Yr Tr	1.79%	1.0 $\sigma$	34	Volatile	Bear/Neutral
Euro	(0.22%)	(0.1 $\sigma$ )	33	Normal	Bear/Neutral
Yen	2.11%	2.4 $\sigma$	102	Normal	Bull
Gold	(1.25%)	(0.5 $\sigma$ )	42	Quiet	Bear/Neutral
Crude	0.97%	0.2 $\sigma$	54	Normal	Bear/Neutral

## PORTFOLIO PERSPECTIVE

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Global stocks are stuck in consolidation; there is the possibility of increasing volatility and risk, heading into the summer months, though the first part of the year saw stocks carve out moderate gains into the end of May. We also have a shift in sector allocation this week, moving to an underweight on Industrials for tactically-aware allocators.

### DEVELOPED MARKETS STOCKS

Stocks continue to languish, responding to concerns over growth, revisions of first quarter growth numbers, speculation on impending US rate changes, and concerns over the ongoing Greek drama. Together, these factors have effectively stopped any rally attempt, and Europe, at least, now appears set to attempt a further selloff.

Longer-term charts of Europe show a pattern of a sharp breakdown in the first half of 2014, followed by a moderate year-long rally that brings stocks near the 2014 highs. One of the characteristics of market behavior, on all timeframes, is that sharp moves tend to create a second move in the same direction. In other words, a sharp decline will usually set up another selloff following a minor bounce. This leads to some of the classic technical trading strategies, such as “pullback trading”, and these strategies do show a consistent statistical edge over a wide range of markets, timeframes, and time periods.

This looming bearish potential in Europe is one of the strongest negative factors we see in stocks. Over the past year, there have been numerous attempted breakdowns that have all failed. However, recent rally attempts have failed, and short-term momentum, particularly in France and Germany (which, obviously, are important drivers for EU stocks) now point down. We do not expect a large-scale selloff, as a number of positive factors counterbalance the bearish potential, but we also do not want to blindly buy weakness in Europe. Perhaps the best way to say it is to expect the best, but be on guard for a sharp flush.

Longer-term, we still think the best chances for global stock leadership lie in the US, and likely with US smaller-caps. The next few weeks will give us better insight into the large-cap/small-cap debate, but structural factors still support smaller-cap leadership, and the moderate upturn in smaller-cap relative performance bolsters this theory.

### US SECTOR WEIGHTING

Our sector weighting has been stable and basically unchanged for many quarters. We do not adjust these weightings frequently, for a number of reasons: we do not actively trade sector relative performance, and portfolio managers are not always free to make rebalancing on a whim. We understand that many allocators make adjustments on a monthly (or less frequent) cycle.

Even more important is the nature of sector performance. Rotation and noise is an ever-present feature of equity markets; it is counterproductive to respond to every jiggle of the market. Our models strike a good balance between ignoring short-term noise and focusing on significant movements.

Industrials appear to be set for continued underperformance. Though this is driven by a few key industries within the sector, we think that the underperformance could be persistent and could spread to a broad swath of Industrials. We advise underweights on the sector at this time, and also hold underweights on Materials.

It is worth noting that cyclical sectors continue to hold strength well, even in consolidating, back and fill markets; this is likely strongly supportive of the larger bull market, and we think is information that may not be readily apparent to all market participants.

### EMERGING AND FRONTIER MARKET STOCKS

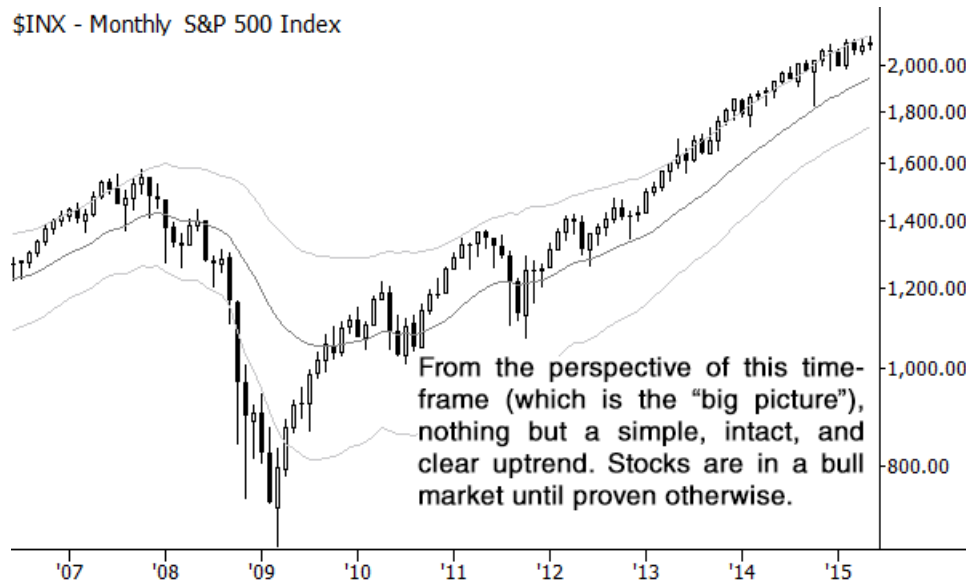
Larger patterns are built from the aggregation of shorter term price movements. On shorter timeframes, we continue to see EM and FM indices absorb selling less well (in other words, be hit harder on declines) than Developed Markets stocks. We think that EM and FM indexes are primarily a source of risk and volatility at this time, and that this additional risk does not bring the compensation of higher probability of strong returns. It is difficult to see a place for heavy EM and FM allocations in portfolios at this time, and smaller allocations are likely to carry larger mental and emotional risks than might be expected. (Psychological and behavioral factors are often underestimated in portfolio management.) For now, leave FM and EM stocks to active traders, and wait for better market conditions to support allocations.

## MARKET BIAS

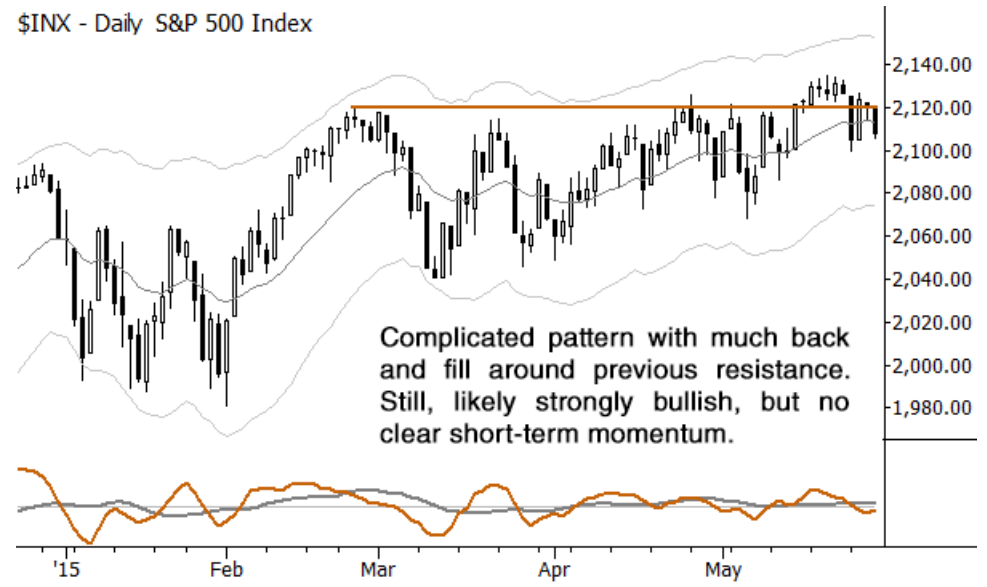
		IT	LT	1 Year	3 Year			IT	LT	1 Year	3 Year
<b>US Stocks</b>		<b>Up</b>	<b>Lead</b>			<b>World Stocks</b>		<b>Up</b>			
S&P 500	SPY			9.58	65.00	Developed	URTH			2.88	0.00
Russell 2000	IWM			9.77	68.00	Emerging	EEM		Caution	(3.36)	12.00
<b>US Sectors</b>						Frontier	FM		Avoid	(23.12)	0.00
Energy	XLE	Caution	Market	(17.75)	26.00	<b>Fixed Income</b>					
Industrial	XLI		Under	3.26	66.00	30 Yr Tr Rate				(4.67)	3.07
Technology	XLK		Over	14.67	59.00	10 Yr Tr Rate				(3.62)	6.28
Materials	XLB		Under	3.12	53.00	5 Yr Tr Rate				(0.61)	8.47
Cons Disc	XLY		Over	16.17	83.00	US Dollar	UUP	Up	Up	18.58	11.00
Financials	XLF	Watch	Market	10.36	82.00	US Bond Mkt	BND			0.01	(3.00)
Cons Staples	XLP		Market	8.33	47.00	Long Term Govt	VGLT			6.61	(5.00)
HealthCare	XLV		Over	25.34	111.00	Int Term Govt	VGIT			1.45	(1.00)
Utilities	XLU		Market	4.12	25.00	Short Term Govt	VGSH	Good		0.23	0.00
MtIs & Mining	XME	Caution		(30.79)	(31.00)	Long Term Bond	BLV		Caution	1.14	(6.00)
REITs	IYR	Up		5.00	26.00	Int Term Bond	BIV			0.35	(4.00)
Homebuilders	XHB			14.10	84.00	Short Term Bond	BSV			(0.09)	(1.00)
<b>Americas Stocks</b>		<b>Up</b>	<b>Up</b>			High Yield Bond	HYG	Good		(4.36)	5.00
Canada	EWC			(9.51)	12.00	World Bond	BNDX			3.87	0.00
Mexico	EWX	Caution		(11.64)	9.00	EM Bond	VWO	Good		(3.05)	0.00
Brazil	EWZ	Down		(30.59)	(36.00)	Muni National L	MLN			(0.10)	(3.00)
<b>Europe Stocks</b>		<b>Up</b>	<b>Up</b>			Muni National IT	ITM			(0.21)	0.00
Broad Europe	VGK			(7.05)	47.00	Muni National S	SHM			(0.78)	(1.00)
Germany	EWG			(9.43)	55.00	Muni High Yield	HYD			1.11	(3.00)
France	EWQ			(10.83)	49.00	<b>Commodities</b>		<b>Down</b>			
Italy	EWI			(11.99)	56.00	Broad	DBC	Down		(31.96)	(28.00)
Russia	RSX	Down	Buy on Dip	(24.50)	(18.00)	Precious Metals	GLD	Down		(5.26)	(28.00)
<b>Asia &amp; Pacific Stocks</b>		<b>Volatile</b>	<b>Up</b>			Oil	USO	Down	Bottoming	(46.10)	(35.00)
Hong Kong	EWH			11.54	52.00	Natural Gas	UNG			(48.93)	(20.00)
Japan	EWJ			12.69	51.00	Agricultural	DBA	Down		(21.22)	(15.00)
Australia	EWA	Caution		(15.14)	11.00						
India	EPI			2.70	41.00						

# U.S. EQUITIES

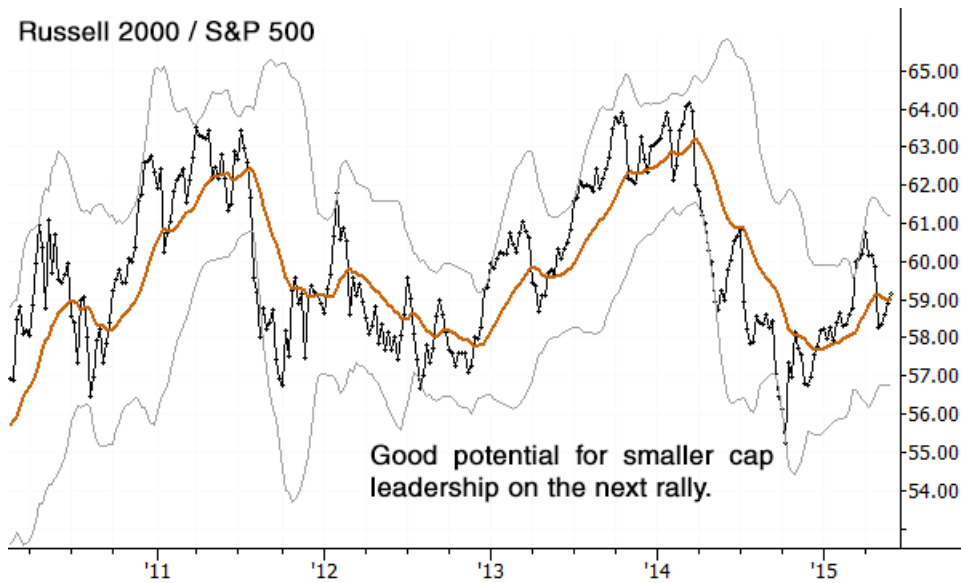
\$INX - Monthly S&P 500 Index



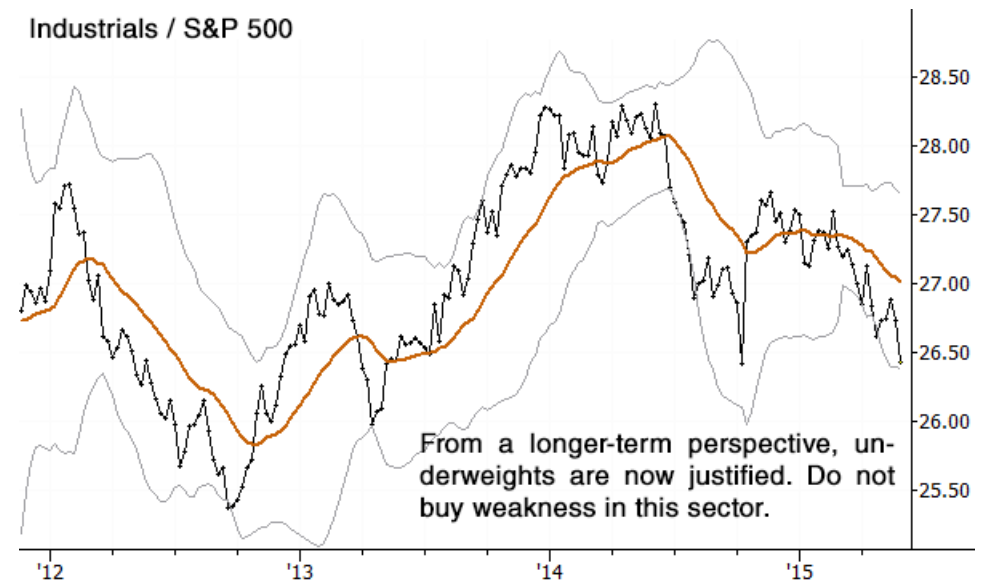
\$INX - Daily S&P 500 Index



Russell 2000 / S&P 500

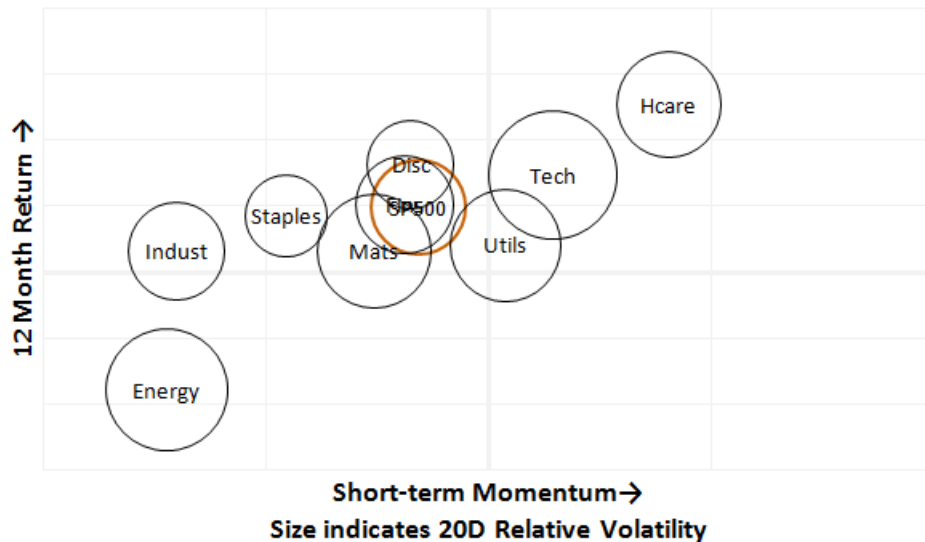


Industrials / S&P 500



## U.S. EQUITY SECTORS

- ▶ We are moving to an underweight in Industrials this week, based on patterns of relative flows that point to continued underperformance. We will monitor market develops and may look to readjust within the next 4-6 weeks if not confirmed by market action.
- ▶ Generally, cyclical sectors have held strength well in the market's consolidation and leadership has been intact, even in a directionless market. This is both a bullish factor for the broad market, and also confirmation of leadership potential in those sectors.
- ▶ We hold overweights in Healthcare, Discretionary, and Tech and an underweight in Industrials and Materials.
- ▶ We would avoid heavy exposures in defensive sectors at this time.



Domestic Sector Model

Sector	Ticker	Benchmark	Weight	LastChg	RelPerf	Tilt	Model
Energy	XLE	10.6%	Market	9/12/14	-	0.0%	10.6%
Industrials	XLI	10.7%	Under	5/29/15	0.0%	-5.0%	5.7%
Technology	XLK	20.9%	Over	9/12/14	1.8%	4.0%	24.9%
Materials	XLB	3.5%	Under	10/31/14	-0.1%	-6.0%	-2.5%
Discretionary	XLY	11.7%	Over	1/2/15	3.9%	4.0%	15.7%
Financials	XLF	16.1%	Market	10/31/14	-	0.0%	16.1%
Staples	XLP	10.0%	Market	10/10/14	-	0.0%	10.0%
Hcare	XLV	13.2%	Over	7/27/12	40.7%	3.0%	16.2%
Utilities	XLU	3.3%	Market	10/10/14	-	0.0%	3.3%
<b>Total</b>		<b>100.0%</b>				<b>0.0%</b>	<b>100.0%</b>

Global Equity Model

Country	Ticker	Benchmark	Weight	Tilt	Model
United States	[USA]	49.0%	Over	5.0%	54.0%
United Kingdom	EWU	7.9%	Market	0.0%	7.9%
Japan	DXJ	7.2%	Market	0.0%	7.2%
Canada	EWC	3.7%	Market	0.0%	3.7%
France	EWQ	3.8%	Market	0.0%	3.8%
Switzerland	EWL	3.6%	Market	0.0%	3.6%
Germany	EWG	3.6%	Market	0.0%	3.6%
Hong Kong	EWH	3.4%	Market	0.0%	3.4%
Australia	EWA	2.6%	Market	0.0%	2.6%
EMI	EEM	15.2%	Under	-5.0%	10.2%
<b>Total</b>		<b>100.0%</b>		<b>0.0%</b>	<b>100.0%</b>



## U.S. INDIVIDUAL STOCKS

- ▶ Broad market still appears to be setting up an upside break, but a large consolidation area introduces uncertainty.
- ▶ We would approach this week with equal bias to long and short positions, but being prepared to cut losses on one group if the market picks a clear direction. Again, the direction appears to be up, but there is the possibility of a sharp, downward break that could offer good profits for nimble traders.
- ▶ Good setups in individual stocks abound this week. Focus on pullbacks and potential breakouts. (Breakouts of pullback patterns are even more powerful.)
- ▶ Be prepared to adjust if the market shows no follow-through, but expect at least a second trend leg to any sharp broad market break.

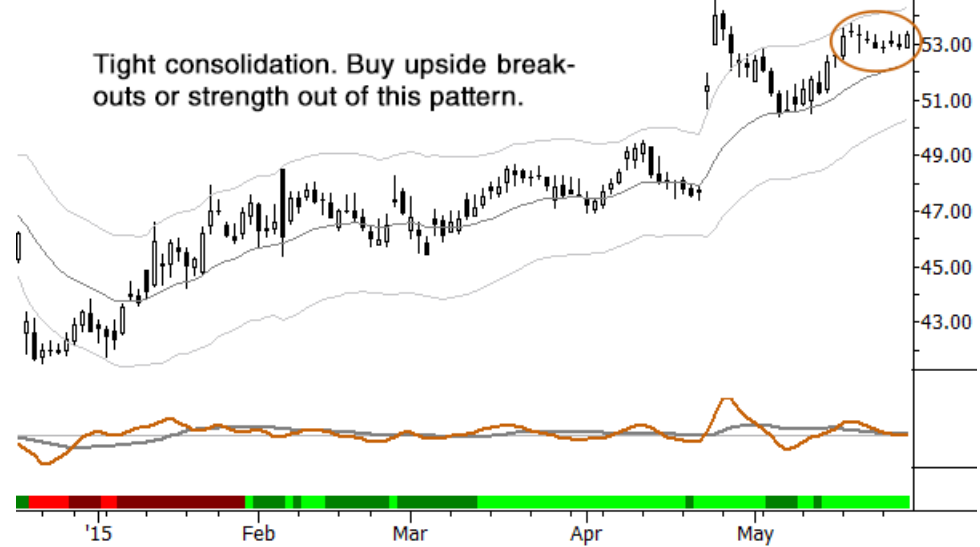
### Sector Leaders & Laggards

Energy	Leaders	RIG, COG, MPC, SLB, NFX, WMB
	Laggards	BTU!*, CNX!*, CHK, DNR, QEP, ESV
Industrials	Leaders	PLLI*, EFX, DE, ALLE, CTAS, SNA
	Laggards	KSU!*, NSC!*, JOY!, UNP!, LUV!, CHRW!*
Technology	Leaders	BRCM!*, AVGO!*, ALTR!, ADI!, XLNX, JBL
	Laggards	WIN, FTR!*, FSLR!*, TDC!, ADSK!*, CTL!
Materials	Leaders	AVY!, CF, VMC, NEM, LYB, DOW
	Laggards	FCX!*, AA!*, FMC, IP, ARG, MOS
Discretionary	Leaders	CVC!, NFLX!*, TWC!*, GME!*, GT!, EXPE
	Laggards	KORS!*, WYNN!*, FOSL!*, COH!*, HOG!*, URBN!*
Financials	Leaders	AIZ, GS, ETFC, SCHW, BK, ZION
	Laggards	HCP, NAVI, HCN, KIM, AMP, PLD
Staples	Leaders	KRFT, MDLZ!*, ADM, CAG, CPB!*, EL
	Laggards	KMB, GMCRI!*, WFM!*, AVP, WMT!*, PG!
Healthcare	Leaders	HUM!*, CII*, MYL, REGN, AET!*, THC
	Laggards	ALXN, CERN, VAR, BAX, ISRG, LH
Utilities	Leaders	NI, AES, POM, PPL, GAS, PEG
	Laggards	AEE, CNP, WEC, TEG, SCG, DUK

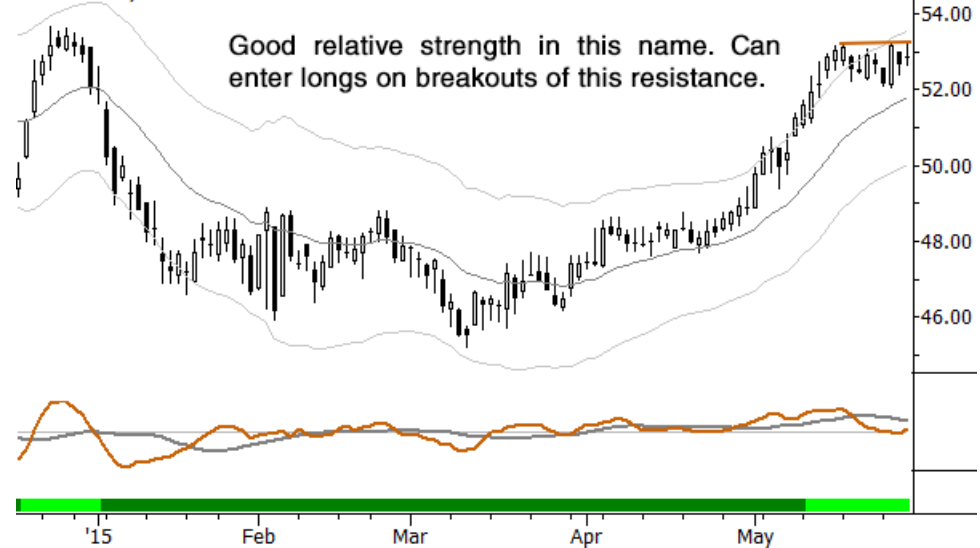
Key: ! = overextension, !\* = extreme overextension

Key: Near (yellow) and Far (red) stops for daily bars. Colored band beneath the chart indicates trend condition (bright green to bright red = strong bull to strong bear trend.)

DNKN - Daily Dunkin' Brands Grp Inc

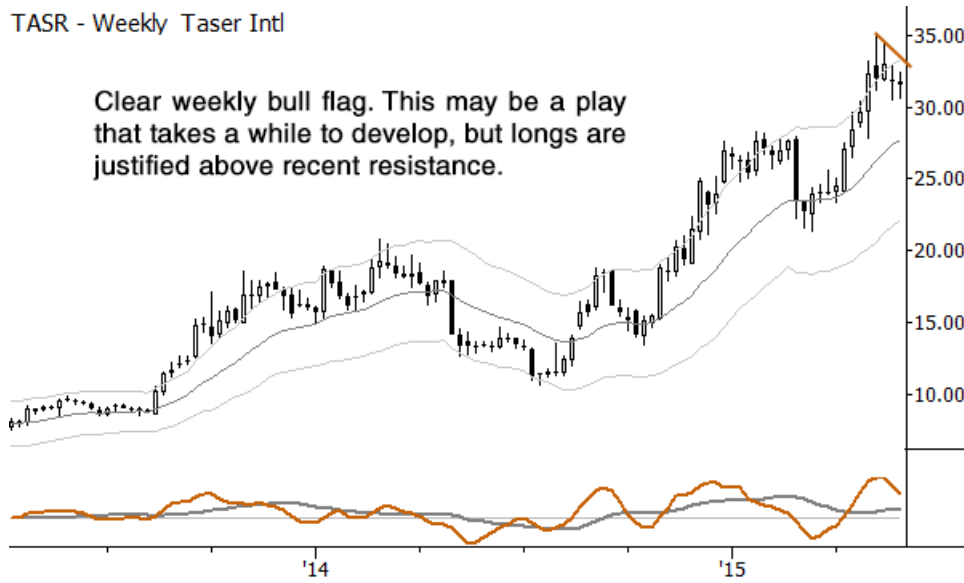


ADM - Daily Archer-Daniels-Midland

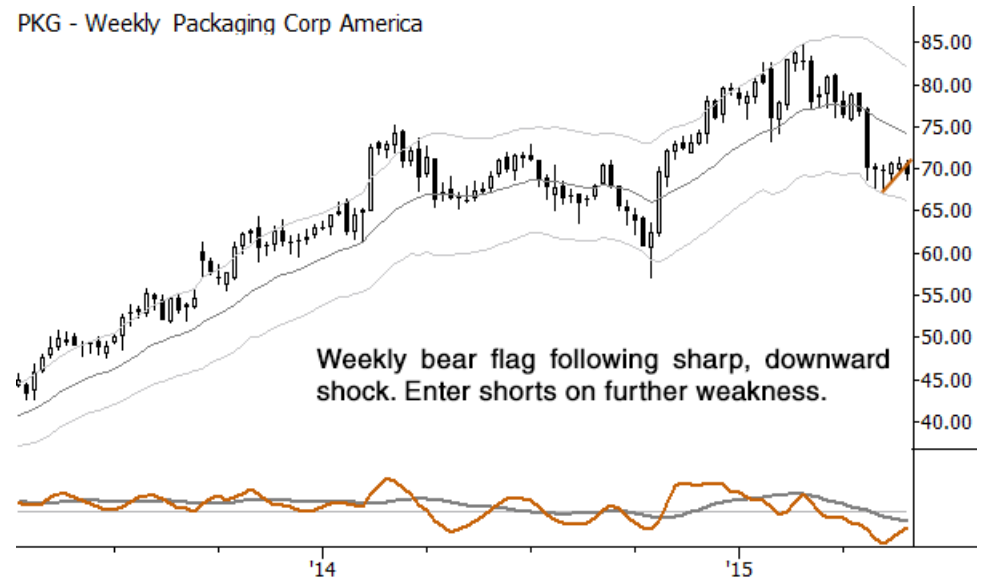


## U.S. INDIVIDUAL STOCKS (continued)

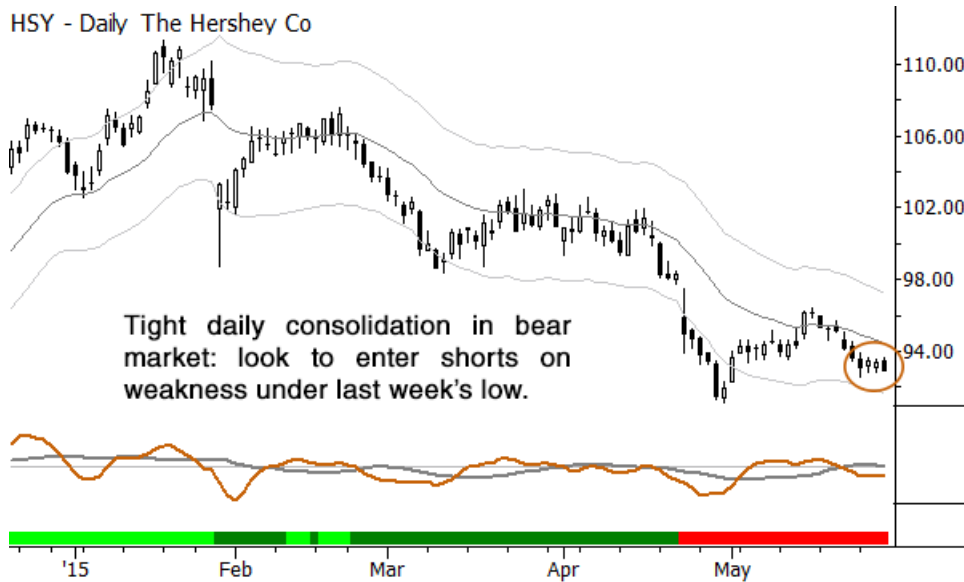
TASR - Weekly Taser Intl



PKG - Weekly Packaging Corp America



HSY - Daily The Hershey Co



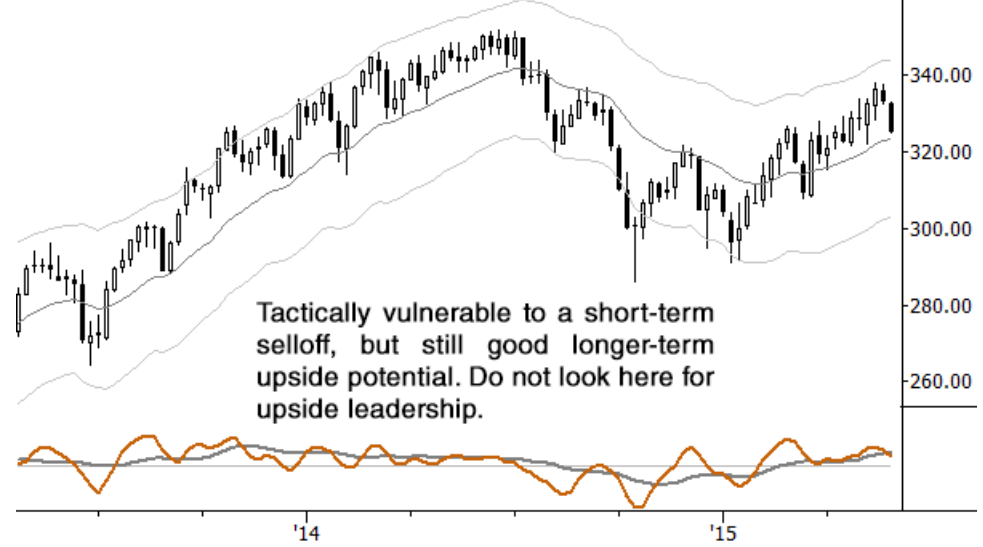
PLD - Daily ProLogis Inc



## GLOBAL STOCKS

- ▶ Uncertainty and volatility dominate both Europe and Asia. Though these actions may be at least somewhat news-driven, there are likely deeper psychological factors.
- ▶ Europe has had multiple failures over recent months. We view recent action as a minor failure of bullish patterns; it appears the ball now passes to the bears, and we will look to see if these markets can develop any downward momentum.
- ▶ We are still watching Russia, expecting a spot to buy weakness. This will be the proverbial “buy when there is blood in the streets” trade—wait for a clear tactical entry.
- ▶ Longer-term factors still point solidly upward, but respect the downside potential in the intermediate term.

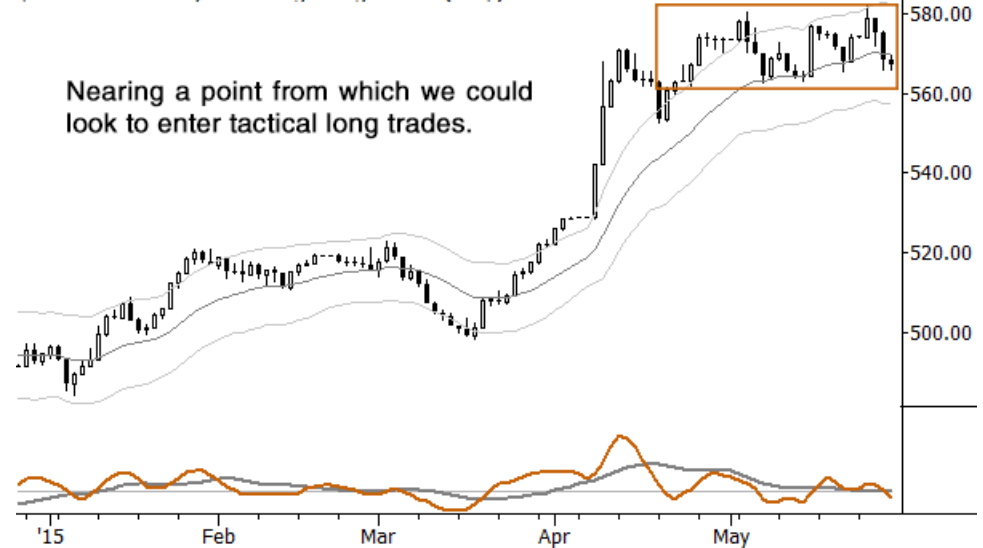
\$E1DOW - Weekly DJ Europe Stock



\$DEDOWD - Daily DJ Germany Stock (US\$)



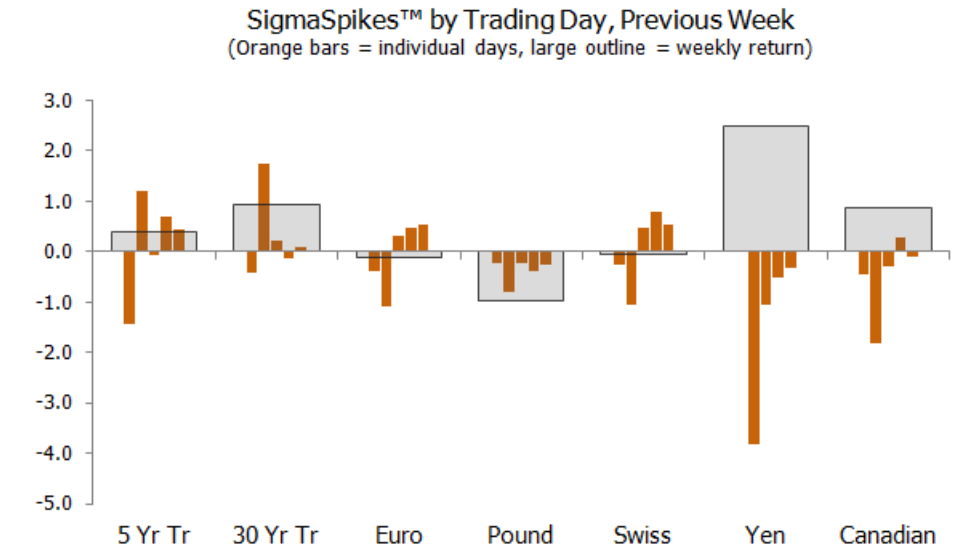
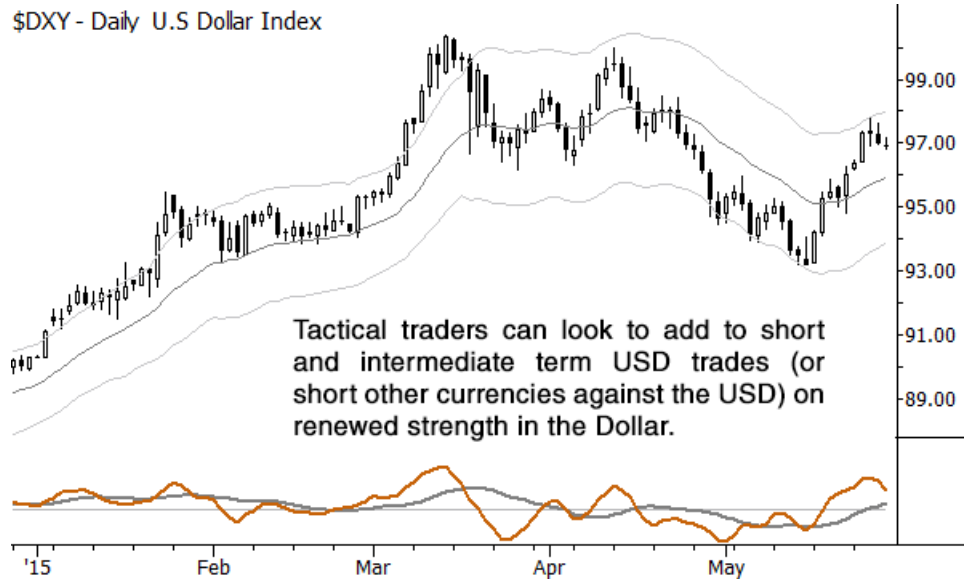
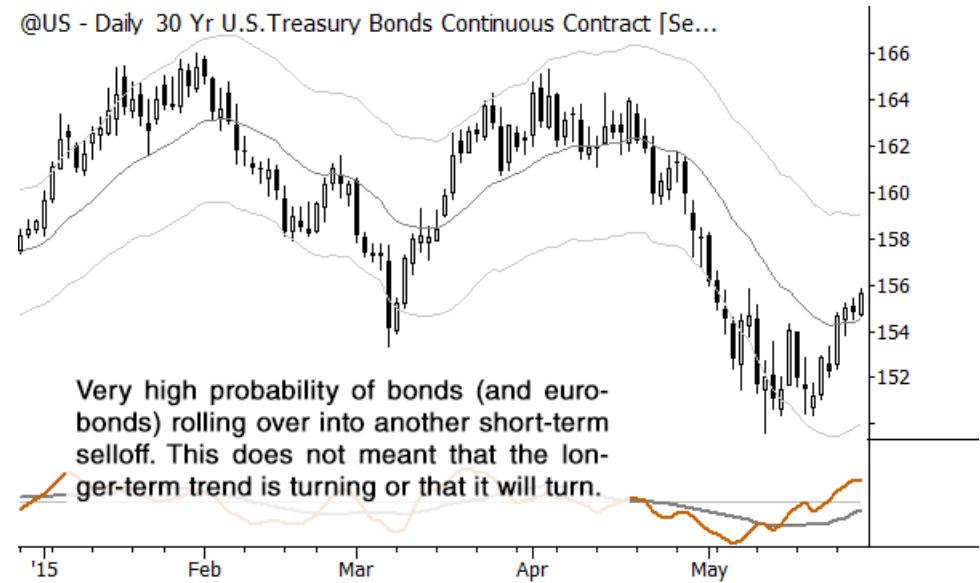
\$HKDOWD - Daily DJ Hong Kong Index (US\$)





## RATES & FX

- ▶ US Dollar still points higher. Small pauses (on daily chart) can give tactical traders short-term entries in the USD or other currencies.
- ▶ Expect a more directional environment in many currencies over the coming weeks. Also, consider risk of correlated USD-driven exposures.
- ▶ Bond futures are probably setting up another selloff (both US and Euro-bonds). This does not mean that the longer-term trend is turning, but it does introduce additional volatility and uncertainty.



## COMMODITIES

### Metals:

- ▶ Still floundering with no short-term momentum. Longer-term direction points down, but respect stops on shorts.

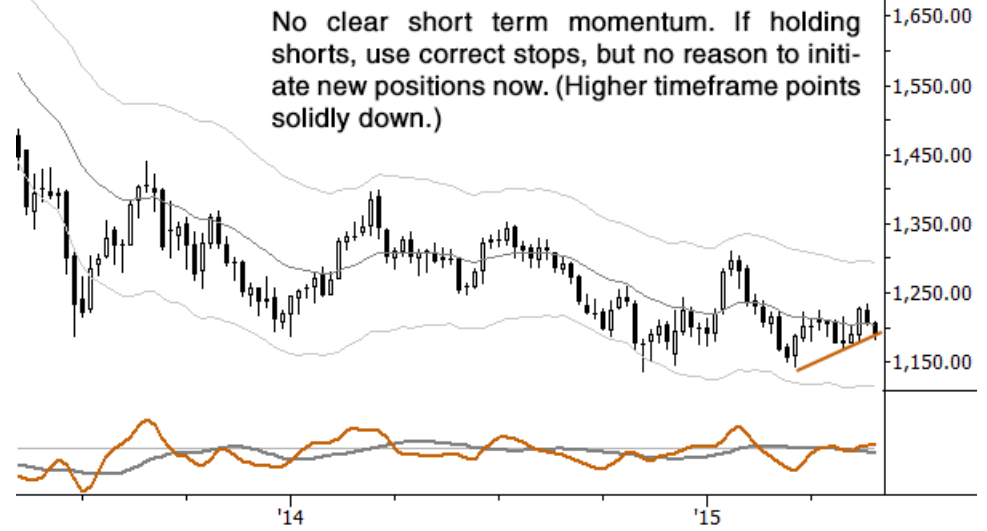
### Energy:

- ▶ Late week action potentially erodes much of the short-term bearish bias. Neutral, and probably putting in a longer-term bottom.

### Grains & Softs:

- ▶ Grains continue to point broadly lower.
- ▶ Hold shorts in sugar, but watch action around previous pivot lows. Do not short into strength.

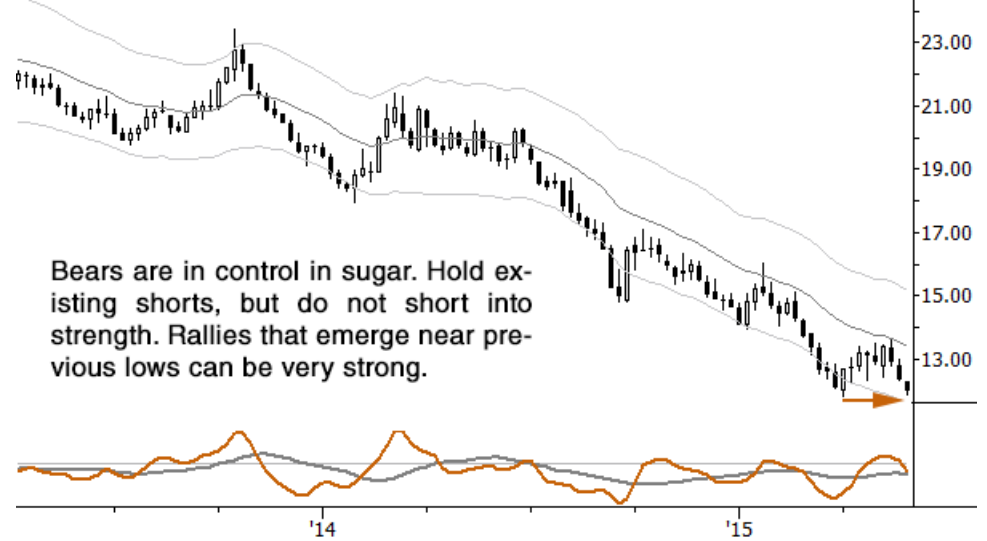
@GC - Weekly Gold Continuous Contract [Aug15]



@CL - Daily Crude Oil Continuous Contract [Jul15]

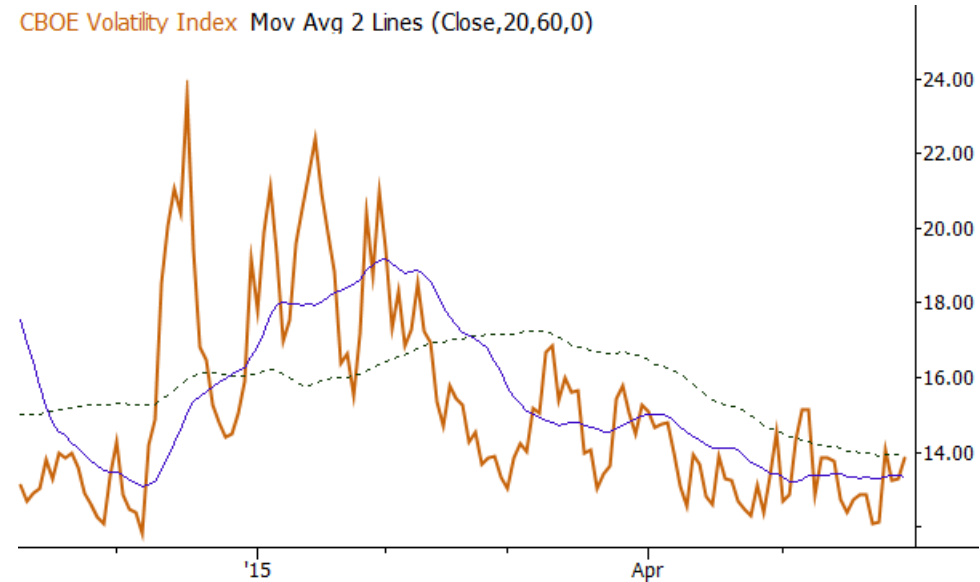
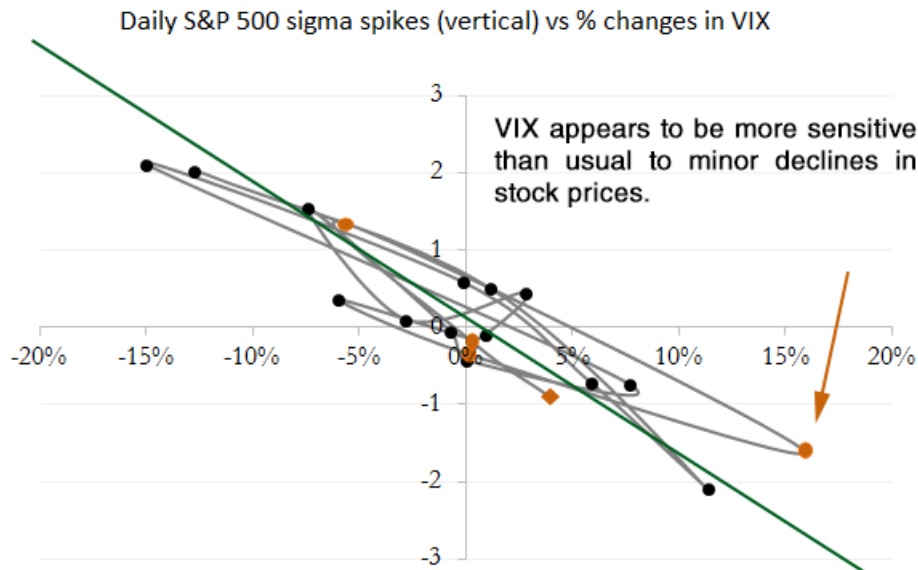
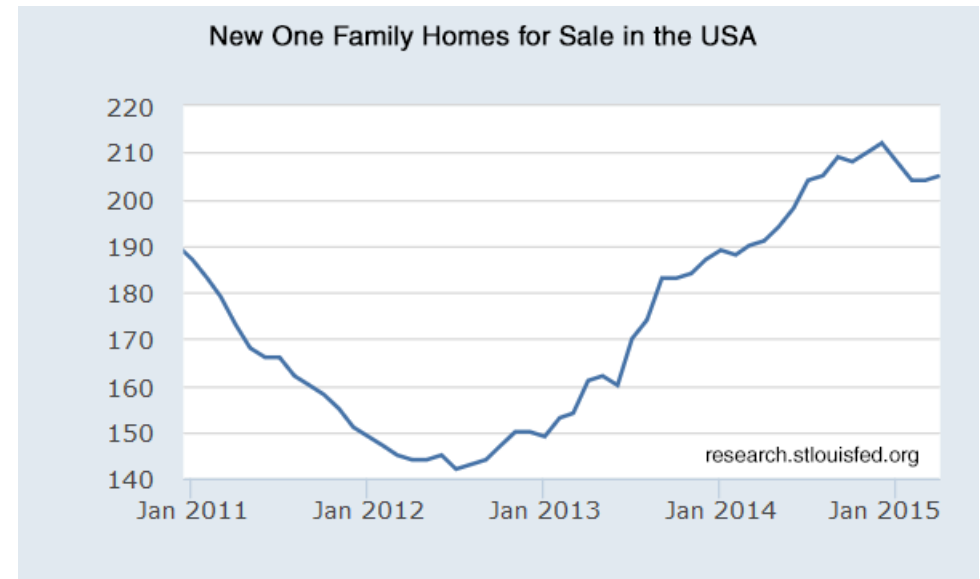


@SB- Weekly Sugar No. 11 Continuous Contract [Jul15]



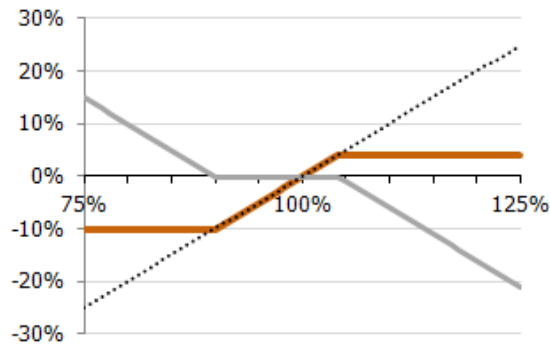
## MACROECONOMICS

- ▶ Economic numbers continue to be mixed and offer only confusion. This is true both at home and abroad, as first quarter growth numbers disappoint globally.
- ▶ Psychologically, Greece continues to weigh heavily on markets. We think that developments here are more important behaviorally than they are in light of any actual, potential economic impact, but market reactions are telling.
- ▶ Volatility and volume are both entering seasonally weak periods. This is likely to lead to thin, low-liquidity markets (in stocks), that bring risks of sharp spikes.
- ▶ Home sales and labor market developments are strong points for the US, but concerns over future Fed action seem to dominate any discussion of market dynamics. Though this emphasis is misplaced, it pays to understand the psychology of the average investor.



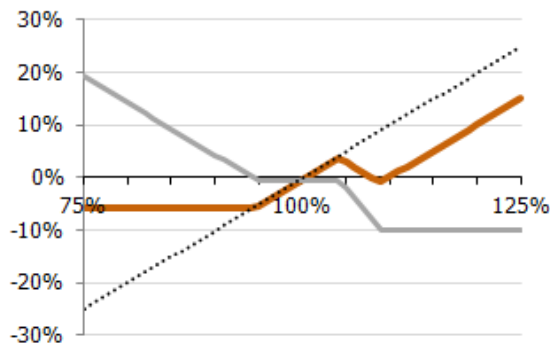
## HEDGING: CONTEXT & STRATEGIES

- ▶ Market direction still points upward, but lack of short-term momentum confuses the picture.
- ▶ Tactical risks are low to moderate. The main risks in coming weeks are likely to be sharp, but short-lived declines.
- ▶ We favor hedging partial portfolio exposures against moderate declines (<20%) over the next year.
- ▶ Our general advice to hedgers is to look to add on market rallies, when implieds and emotions are low. Hedging within tight consolidations (e.g., last week) makes sense, especially as implieds contract. These low implieds make outright puts and ratio spreads (but not simple put spreads) ideal structures.



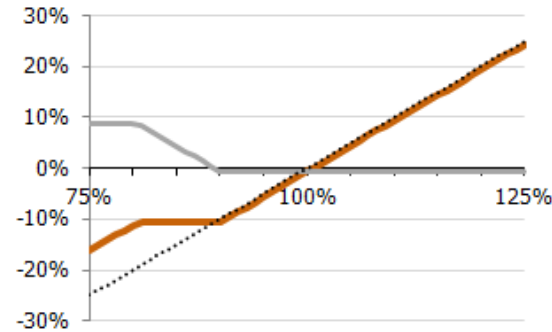
**5/10 Collar**  
 S 1 × 220.00 C (9/19/15)  
 B 1 × 190.00 P (9/19/15)  
 Cost: 0.41=0.2% (0.6% ann.)

Max Gain: 4.00%  
 Max Loss: -10.20%



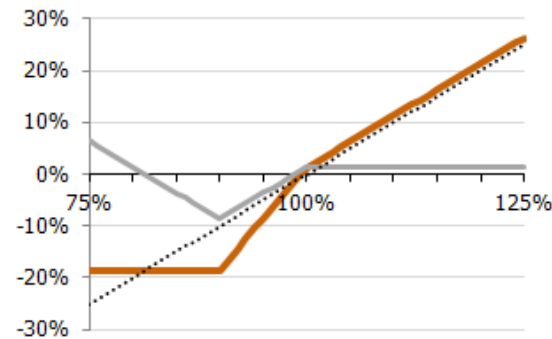
**"Waverly W" Hedge**  
 B 1 × 200.00 P (9/19/15)  
 S 2 × 220.00 C (9/19/15)  
 B 2 × 230.00 C (9/19/15)  
 (Long 1 × SPY Underlying)  
 Cost: 0.76=0.4% (1.2% ann.)

Max Gain: Unlimited  
 Max Loss: -4.92%



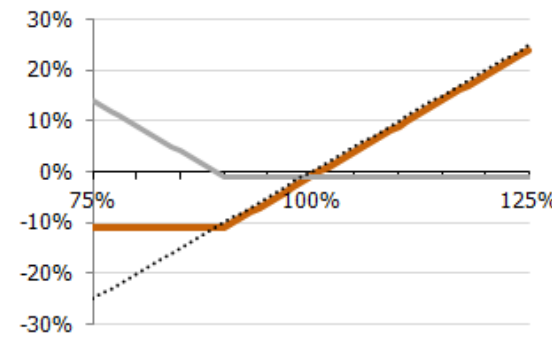
**10/20 Put Spread**  
 B 1 × 190.00 P (9/19/15)  
 S 1 × 170.00 P (9/19/15)  
 Cost: 1.37=0.6% (2.1% ann.)

Max Gain: Unlimited  
 Max Loss: ~Unlimited



**Put Backspread**  
 S 1 × 211.00 P (9/19/15)  
 B 2 × 190.00 P (9/19/15)  
 Credit: -2.88=-1.4% (-4.5% ann.)

Max Gain: Unlimited  
 Max Loss: -18.53%



**Long ~10% OTM Put**  
 L 1 × 190.00 P (9/19/15)  
 Cost: 1.98=0.9% (3.1% ann.)

Max Gain: Unlimited  
 Max Loss: -10.95%

Key: Dotted line = S&P 500, Gray = Options, Orange = Combined Portfolio

## MARKET INSIGHT

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Friday's trading marked the end of the month. Many traders use ends of periods (months, quarters, years) to evaluate performance, and as a psychological road marker. Let's take a few moments today to look back at the year in review and to consider the "end of period" (especially quarter and year) effect as it relates to stocks.

### YEAR IN REVIEW

It is no secret that this has been a challenging and difficult market for many traders. We have seen relatively directionless environments in many assets, but it also may be surprising to realize that stocks have held on to some minor, but possibly significant gains. The S&P 500 is up 2.4% to the end of May—not terrible underperformance of the long-term average (which comes in somewhere around 7.5%), and the Russell 2000 is leading with about 3.5% gain for the year. Europe is up nearly 6% (USD-basis). These are small, but solid gains for stocks in a period of conflict, growth concerns, and structural consolidation.

The US Dollar index is up about 7.5% from the end of last year, after advancing to a peak gain of about 11%. We see every sign that points to continued Dollar strength through the end of the year. Expect that USD strength could put a weight on many commodities: grains are down roughly 9%, while gold and crude are roughly flat for the year.

Expect contraction in both volatility and volume through the summer months; this is simply typical market behavior and it has been so for most years of the past three decades. However, low liquidity conditions do bring the possibility of a volatile spike, and markets do not like surprises. This is why it is important to clarify your timeframe and trading style: longer-term investors will need to ignore summer noise, knowing that the day to day swings may, at times, be very boring or very volatile, and more active traders need to be prepared to respond with flexibility. Two factors could lead to a better swing trading environment, and these demand attention over the coming weeks: watch for a breakout in stocks, and for a continuation of the US Dollar's rally.

### END OF QUARTER (OR YEAR) EFFECT

Many investors and authors talk about an end of the quarter or end of the year effect.

The assumption is that funds generally rebalance on a predictable schedule: perhaps they sell underperforming assets or buy more assets that show strong returns. (Perhaps they also book partial profits, reducing exposures on winners that have grown too large due to price appreciation.) There are many investment plans built around this concept, but there is one problem: there is not a shred of evidence that it works.

It should be relatively easy to tease out the end of the quarter effect, if it exists. It should be visible as an increase in volume (it is not), and probably as an influence of the relative performance of leading and trailing assets and individual stocks (it is not). Despite a lack of statistical support, it is a good story—it is easy to understand why it should be so and why it might work. Furthermore, people (individually and in the aggregate) do think of the year as divided into regular periods, so many people continue to focus attention on this idea.

There are two points that bear further consideration. Some research suggests that there is an impact in strongly declining markets, that it appears funds and investors "rebalance" by selling more of underperformers into the end of the quarter. This is visible as a small, but persistent edge of further underperformance in declining stocks near the quarters' end. Perhaps the most valuable lesson is to guard against this tendency ourselves, and perhaps even to trade against it. Second, the January effect is sometimes offered as an example of rebalancing. This may be true, but the January effect is complicated—it is not clear in all slices of the data, appears to be weakening over time, and is largely (or completely) explainable as a result of size effect. At the very least, it is difficult to exploit in any investment program.

Avoid attaching too much significance to end of quarter performance. The message of the market and market structure is more important than artificial time divisions. Focus on the coming opportunities, and on managing the risk in potentially thin summer markets.

Ticker	Name	Last	Near Stop	Far Stop	Buy Level	Sell Level	Trend	Shocks (+/-)	RS(SP500)	C%52Wk
SPY	SPDR S&P 500 ETF	211.14	207.65	203.56			Bull	8/252 (3/5)	1.65	91.7
QQQ	PwrShs QQQ Trust Ser 1	110.05	106.98	104.24		113.45	Bull	6/252 (2/4)	4.11	94.7
IWM	iShs Russell 2000 ETF	123.89	120.54	117.25	119.94(C)		Bull	5/252 (1/4)	2.71	86.3
<b>Active Stocks</b>										
AA	Alcoa Inc	12.50	12.09	12.06	12.38(C)		Bear	7/252 (7/0)	-12.68	1.1
AAL	American Airlines Grp inc	42.37	41.37	41.37	41.52(C)		Bear	11/252 (9/2)	-5.94	50.8
AAPL	Apple Inc	130.28	125.34	120.26		136.86	Bull	4/252 (2/2)	8.26	90.7
ABBV	AbbVie Inc	66.59	63.81	61.02		69.61	Bull/Neut	6/252 (3/3)	5.41	78.5
ABX	Barrick Gold	11.86	[11.98]	11.17			Bull/Neut	8/252 (5/3)	-8.09	19.3
AMAT	Applied Materials	20.13	19.06	18.03	18.99(C)		Bear	6/252 (3/3)	-6.48	21.2
BABA	Alibaba Group Holding Ltd	89.32	87.95	83.21		95.49	N/A	0/0 (0/0)	-2.86	N/A
BAC	Bank of America Corporation	16.50	16.08	15.56			Bear/Neut	10/252 (6/4)	1.63	49.3
BRCM	Broadcom Corp'A'	56.85	53.69	51.02		[52.95]	Bull	4/252 (2/2)	32.96	96.7
C	Citigrp Inc	54.08	52.80	51.08	52.11(C)		Bull/Neut	6/252 (5/1)	1.67	72.4
CHK	Chesapeake Energy Corp	14.11	13.38	12.05			Bear	11/252 (5/6)	-20.74	4.0
CMCSA	Comcast Cl'A'	58.46	56.10	54.31	55.22(C)		Bull/Neut	7/252 (6/1)	1.99	79.3
CSCO	Cisco Systems	29.31	28.37	27.34			Bull	9/252 (3/6)	4.00	87.2
CSX	CSX Corp	34.08	32.97	32.55	34.07(S)		Bull/Neut	7/252 (3/4)	-2.77	56.8
DAL	Delta Airlines Inc	42.92	40.93	40.93			Bear	9/252 (5/4)	-2.19	61.1
EMC	EMC Corp	26.34	25.51	24.52	25.37(C)		Bear	11/252 (3/8)	-5.13	21.7
F	Ford Motor	15.17	14.91	14.72	15.16(S)		Bull/Neut	6/252 (3/3)	-4.21	39.3
FB	Facebook Inc	79.19	76.67	73.49			Bull/Neut	7/252 (3/4)	3.02	71.7
FCX	Freeport-McMoRan Inc	19.65	19.62	19.62	19.30(C)		Bear/Neut	8/252 (4/4)	-18.57	14.1
FOXA	Twenty-First Century Fox Inc A	33.60	32.73	31.67	32.35(C)		Bear	8/252 (3/5)	-4.23	31.4
GE	General Electric	27.27	26.25	25.22			Bull/Neut	7/252 (5/2)	1.75	73.2
GG	Goldcorp Inc	17.76	16.52	16.48	16.84(C)		Bear	7/252 (2/5)	-11.23	5.9
GM	General Motors Co	35.97	34.75	33.53	34.07(C)		Bull/Neut	8/252 (4/4)	2.94	70.3
HAL	Halliburton Co	45.40	42.20	41.24			Bear/Neut	10/252 (5/5)	-5.32	22.1
INTC	Intel Corp	34.46	32.71	31.35	31.55(C)		Bear/Neut	9/252 (6/3)	4.08	68.6
ITUB	Itau Unibanco Multiplo S A	10.70	[10.91]	[10.91]			Bear	5/252 (3/2)	-18.46	6.9
JPM	JPMorgan Chase & Co	65.78	64.12	62.07		68.45	Bull	6/252 (3/3)	5.93	89.1
KO	Coca-Cola Co	40.96	40.13	39.26	39.87(C)		Bear/Neut	7/252 (3/4)	-2.39	32.0
KRFT	Kraft Foods Grp Inc	84.45	81.80	78.69			Bull	5/252 (3/2)	21.46	81.9
MGM	MGM Resorts Intl	20.05	18.56	18.24	18.52(C)		Bull/Neut	9/252 (4/5)	-8.60	27.0
MSFT	Microsoft Corp	46.86	45.69	43.55		50.16	Bull/Neut	11/252 (6/5)	2.40	68.8



Ticker	Name	Last	Near Stop	Far Stop	Buy Level	Sell Level	Trend	Shocks (+/-)	RS(SP500)	C%52Wk
MU	Micron Tech	27.93	26.09	24.41	25.47(C)		Bear	5/252 (3/2)	-4.96	21.1
MYL	Mylan NV	72.63	65.31	60.36			Bull	8/252 (6/2)	19.40	87.3
ORCL	Oracle Corp	43.49	42.21	40.87			Bull/Neut	5/252 (2/3)	1.08	70.4
PBR	Petroleo Brasileiro S.A. ADS	8.35	[8.86]	7.89			Bull/Neut	5/252 (3/2)	-6.67	21.5
PFE	Pfizer Inc	34.75	33.50	32.50			Bull	9/252 (6/3)	5.91	90.3
QCOM	Qualcomm Inc	69.68	67.47	64.90	66.49(C)		Bear/Neut	9/252 (2/7)	-2.20	37.7
RF	Regions Finl Corporation	10.09	9.81	9.41	9.60(C)	10.68	Bull/Neut	8/252 (5/3)	1.40	63.6
RIG	TransOcean Ltd	18.85	18.25	16.65			Bull/Neut	5/252 (2/3)	-10.16	17.0
SDRL	Seadrill Limited	11.91	11.68	11.44	11.90(S)		Bull/Neut	9/252 (2/7)	-20.06	10.5
SUNE	SunEdison Inc	29.97	28.29	26.29		31.79	Bull	9/252 (6/3)	24.27	92.8
T	AT&T Inc	34.54	33.58	32.49		35.94	Bull	8/252 (2/6)	-0.49	45.7
TSM	Taiwan Semiconductor Mfg ADS	24.28	23.26	22.44			Bull/Neut	8/252 (2/6)	3.10	76.7
TWTR	Twitter Inc	36.67	32.40	29.72	34.43(C)		Bear	0/0 (0/0)	-9.15	N/A
VIPS	Vipshop Hldg Ltd	24.97	23.12	22.32			Bull/Neut	4/252 (2/2)	6.41	60.9
VZ	Verizon Communications	49.44	48.40	48.02			Bull	6/252 (2/4)	-0.50	50.8
WFC	Wells Fargo	55.96	54.55	53.12	53.96(C)	57.80	Bull	9/252 (6/3)	2.90	92.8
WLL	Whiting Petro	32.99	29.12	27.58			Bear/Neut	11/252 (5/6)	-19.43	12.9
XLE	S&P Sel Energy Spdr Fd	78.39	76.56	75.12	78.38(S)		Bear/Neut	7/252 (4/3)	-5.84	22.4
XOM	Exxon Mobil	85.20	83.02	80.83	83.18(C)		Bear	8/252 (3/5)	-5.58	11.4
XRX	Xerox Corp	11.42	10.63	10.01	10.78(C)		Bear	6/252 (3/3)	-8.14	9.3
YHOO	Yahoo Inc	42.94	41.24	39.37	40.59(C)		Bear/Neut	9/252 (4/5)	-1.92	50.8

**Key:** Potential entry points for managers looking to initiate or add to positions are indicated by entry at or below the Buy Level. Two models generate these entries, Slingshot (S) and Catapult (C). Both models are based on the concept of buying weakness against trend integrity; Catapult is generally requires a stronger selloff to generate an entry. Both models only trigger under certain conditions, leaving some names without potential entries in some cases. The Near and Far Trailing stops give statistically-valid risk points for long positions. Many managers will treat the near level as a warning, and use the far level as a hard stop. The Sell Level is another trading model that sets up under conditions of extreme strength, highlighting potential profit targets for managers looking to reduce exposure or book partial profits on winners

International	Now	Chg	VRat	US Sectors (SP1500)	Now	Chg	VRat	US Industries (Top)	Now	Chg	VRat	US Industries (Bottom)	Now	Chg	VRat
India	1	0	0.7	Health Care	1	0	0.9	HCare Prov & Svcs	1	1	0.9	Electrical Equip	35	-7	1.0
Hong Kong	2	0	0.9	Information Tech	2	1	1.3	Internet & Catalog Ret	2	1	0.6	Communications Equip	36	8	1.1
Japan	3	0	1.0	Consumer Discretionary	3	-1	0.8	Construction Materials	3	-2	0.8	Food & Staples Ret	37	-4	0.8
Taiwan	4	3	0.5	Financials	4	0	1.0	Real Estate Mgmt&Dev	4	0	0.3	Internet Soft & Svcs	38	0	1.1
Nthrlands	5	-1	1.4	Consumer Staples	5	2	0.8	Wireless Telcom Svcs	5	2	0.9	Comm Svcs & Supplies	39	3	1.0
Israel	6	0	0.6	Materials	6	0	1.0	Building Products	6	0	0.9	Multi-Utilities	40	6	0.4
Switzerland	7	2	1.5	Utilities	7	2	0.5	Semis & Semi Equip	7	9	1.3	Elec Equip & Cmpnnts	41	-5	0.9
S&P 500 Index	8	0	1.0	Telcom Svcs	8	0	0.6	BioTech	8	-3	1.0	Aerospace & Defence	42	-7	0.8
UK	9	2	1.0	Industrials	9	-4	0.9	Pharmaceuticals	9	12	0.9	Insurance	43	-11	1.0
S Korea	10	-5	1.2	Energy	10	0	0.6	Food Products	10	9	0.5	Construction & Eng	44	13	1.1
Philippnes	11	-1	1.3	<b>US Industry Groups</b>	<b>Now</b>	<b>Chg</b>	<b>VRat</b>	Professional Svcs	11	0	0.9	Leisure Equip & Prds	45	-4	0.6
Sweden	12	4	1.1	Health Care Equip & Svcs	1	0	0.8	Auto Components	12	6	1.0	Beverages	46	6	0.8
Mexico	13	10	0.5	Semis & Semis Equip	2	2	1.3	Comps & Peripherals	13	-5	1.2	Div Telcom Svcs	47	6	0.6
France	14	-2	1.4	Retailing	3	-1	0.9	Specialty Retail	14	0	0.9	Distributors	48	-14	1.2
Singapore	15	0	0.8	Pharma, Biotech & Life Sci	4	-1	0.9	HCare Equip & Supply	15	7	0.9	Electric Utilities	49	7	0.5
Australia	16	8	0.9	Tech Hardware & Equip	5	1	1.3	Capital Markets	16	-3	1.0	REITs	50	5	0.8
Germany	17	-4	1.2	Media	6	2	0.7	IT Svcs	17	-2	1.0	Div Consumer Svcs	51	-4	0.9
Finland	18	1	0.9	Consumer Svcs	7	0	0.8	Software	18	5	1.0	Machinery	52	-9	0.9
Canada	19	1	1.0	Software & Svcs	8	1	1.1	Life Scis Tools & Svcs	19	-9	1.0	Txtils, Apprl & Lux Gds	53	-16	1.4
S Africa	20	-6	1.0	Banks	9	-4	0.9	Thrifs & Mrtg Finace	20	6	0.8	Paper & Forest Products	54	-6	0.9
Indonesia	21	1	0.5	Commercial & Prof Svcs	10	1	1.0	Multiline Retail	21	-1	0.7	Air Freight & Logistics	55	-6	1.1
Thailand	22	-1	1.1	Food Beverage & Tobacco	11	5	0.7	Htls Rests & Leisure	22	2	0.7	Consumer Finance	56	-5	0.8
UAE	23	-5	0.7	Diversified Financials	12	-2	1.0	Media	23	2	0.7	Automobiles	57	2	0.9
Russia	24	-7	0.4	Food & Staples Retailing	13	1	0.8	Containers & Packaging	24	-15	1.1	Ind Pwr Prod & Trdrs	58	0	0.8
Brazil	25	0	1.0	Insurance	14	-2	1.0	Health Care Tech	25	2	0.9	Energy Equip & Svcs	59	2	0.6
Greece	26	0	1.1	Capital Goods	15	0	0.9	Commercial Banks	26	-9	0.9	Household Products	60	0	1.0
<b>US Mkt Cap Indexes</b>	<b>Now</b>	<b>Chg</b>	<b>VRat</b>	Materials	16	1	1.0	Industrial Conglomerates	27	3	0.6	Airlines	61	4	0.9
Russell MicroCap Index	1	2	0.9	Automobiles & Compnts	17	1	1.0	Household Durables	28	1	1.0	Oil, Gas&Consumble Fuels	62	1	0.7
US Growth	2	-1	1.1	Utilities	18	2	0.5	Div Financial Svcs	29	2	0.9	Trading Cos & Dists	63	-9	1.5
Russell 2000 Index	3	-1	1.1	Cons Durables & Apparel	19	-6	1.0	Gas Utilities	30	20	0.6	Marine	64	-2	1.2
S&P SmallCap 600 Index	4	0	1.1	Telcom Svcs	20	-1	0.6	Personal Products	31	-19	0.7	Metals & Mining	65	1	0.9
DJ Wilshire 5000 Comp	5	0	1.0	Real Estate	21	0	0.8	Water Utilities	32	8	0.9	Road & Rail	66	-2	0.6
S&P 500 Index	6	-1	1.0	Household & Prsnl Prod	22	0	1.0	Tobacco	33	12	0.6				
S&P 100 Index	7	0	1.0	Energy	23	0	0.6	Chemicals	34	5	0.8				
US Value	8	0	1.0	Transportation	24	0	0.9								



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