

The FRED Report

Summary of Market View

INSIDE THIS ISSUE:

Stocks	2
Fixed Income	3
Commodities	4
International	5
Chart of Interest	6

So far, the SPY has failed to move above resistance, but other indexes have gone through. **We would be a bit defensive here, and use risk management, but frankly would be surprised if the market has peaked short-term.**

On page 3 we show international bonds and the Euro (FXE). We like BWX (SPDR Barclays Capital International Treasury Bond ETF) on pullbacks, should it occur.

We have had numerous questions on agricultural commodities and wheat, and note that this is the time when they are strongest seasonally. **It is unlikely that agricultural commodities have a lot more upside from this juncture.**

We note that Asia is perking up and Japan could have a decent run as the Yen looks a bit tippy.

We like gold as well, but a big move may not happen until late fall.

Special points of interest:

- We would be a bit defensive here, and use risk management, but frankly would be surprised if the market has peaked short-term.
- It is unlikely that agricultural commodities have a lot more upside from this juncture.
- We like gold as well, but a big move may not happen until late fall.



Stocks Review

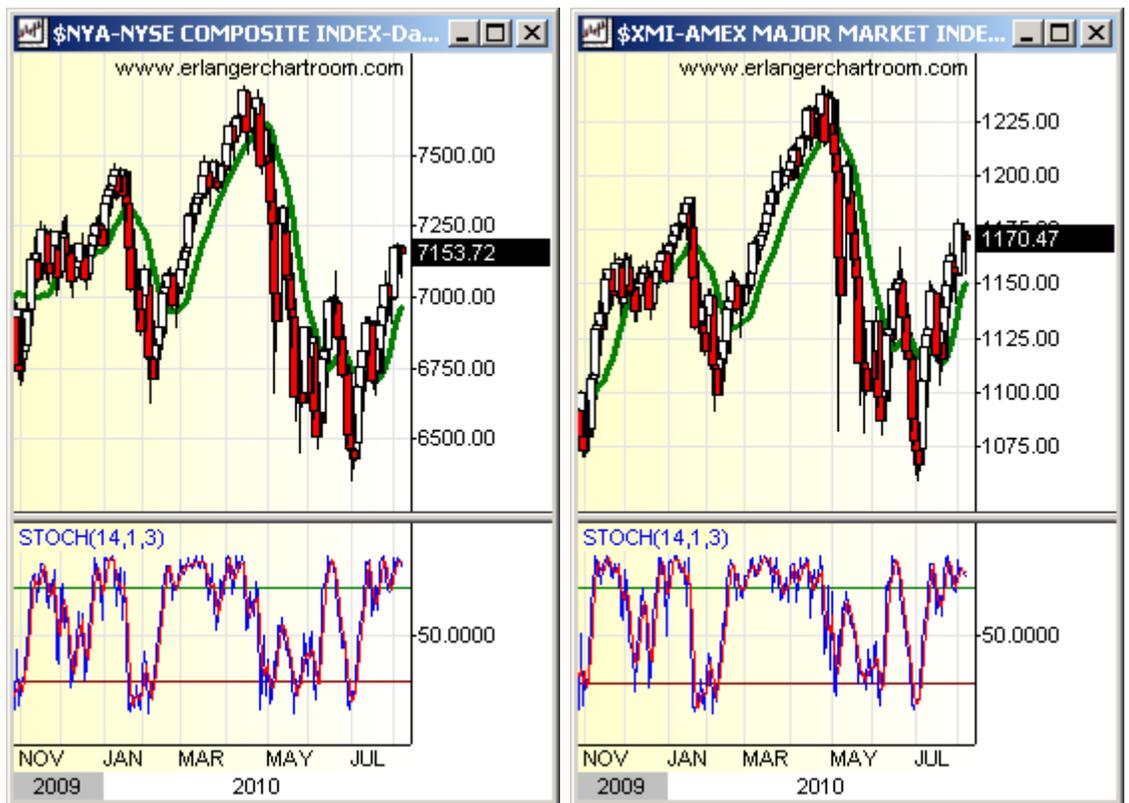


Last week, with the exception of Friday, was a pretty good week in terms of the indicators. While the market bounced back nicely at the close on Friday, so far we have failed at the resistance and until we move through 114 on the SPY, the SPY is in a downtrend. Conference level subscribers note that stops were raised on all stock and ETF *idea generation* positions to manage risk. **We think we will exceed resistance in the coming sessions, but it is possible that we will fail and should that occur we want to be out of the market quickly.** We also note that several key indexes have moved through the equivalent of SPY 114 already.

We show charts of the NYA (New York composite – all of the common stocks traded on the NYSE, a broad index) and the XMI (20 of the biggest blue chips). Both of these indexes have broken above that resistance – and this suggests the SPY also will do this.

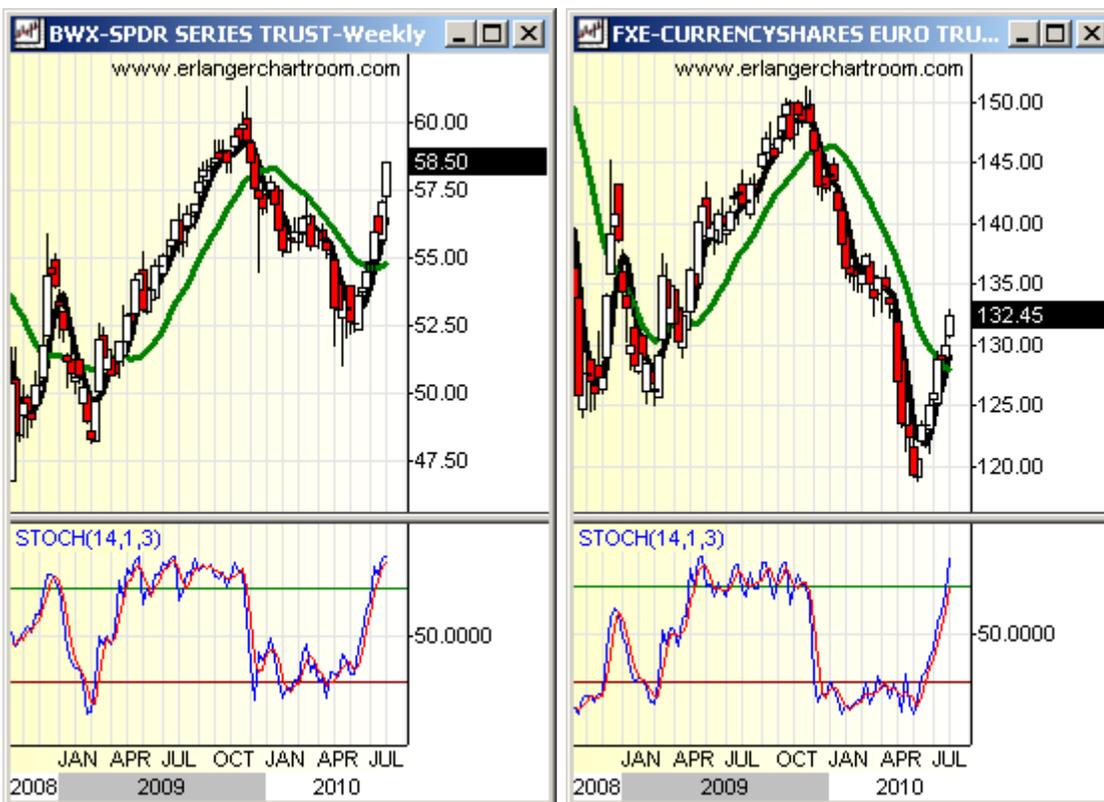
Areas to watch below the market: gaps at 110 and the 107 area. Should we exceed the 114 area tests of 117, and then 120, would be expected.

“We think we will exceed resistance in the coming sessions, but it is possible that we will fail and should that occur we want to be out of the market quickly.”



Fixed Income Review

We have no change in our fixed income opinion, but will use today's weekly to highlight the BWX (SPDR Barclays Capital International Treasury Bond ETF). This ETF had severe trouble when the Euro (see chart below) was weak in May. The key area on this chart is the 55 area that was violated on the downside as the Euro bottomed and has not been penetrated on the upside. We mention this ETF at this time because it looks to us **as if a retracement of the advance could occur and we believe this would be a buying opportunity for international bonds.** See the monthly later today for more information.



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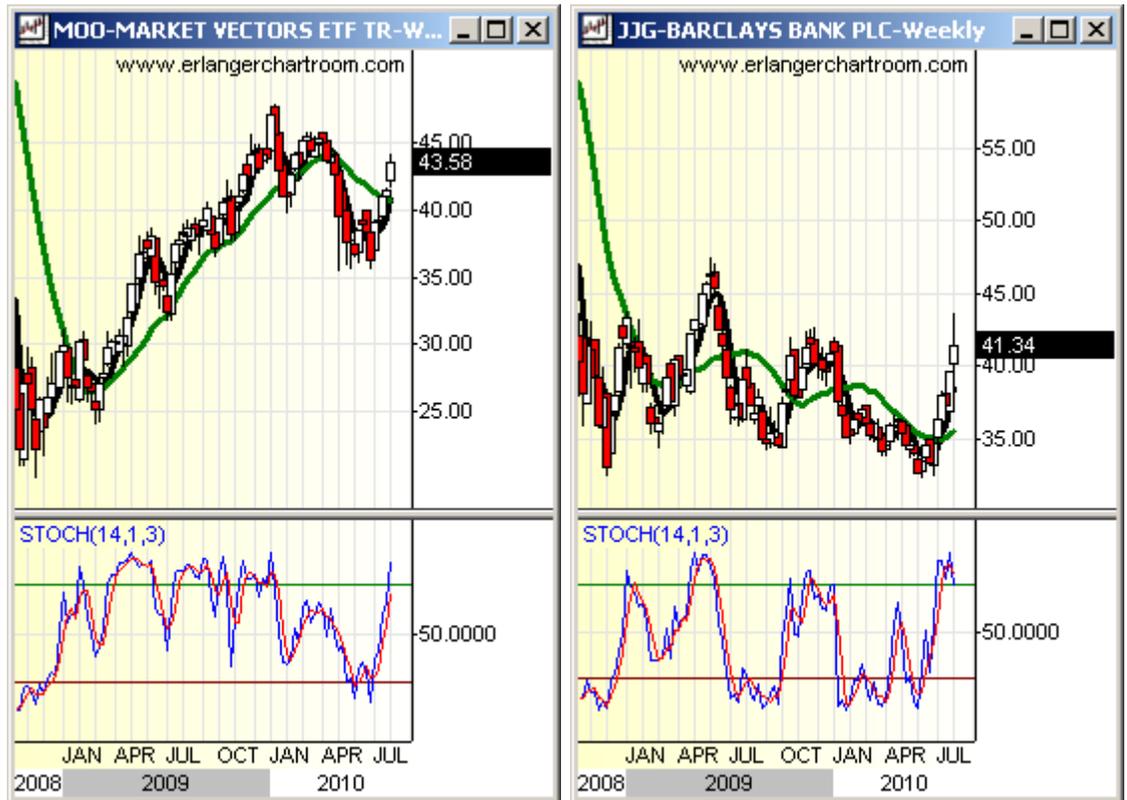
Commodity Review



We have had a number of questions on the agricultural commodities. This is interesting because the agricultural complex often makes its' highs for the year in August. There are two ETF's we follow, one of which deals more with the physicals (JJG – iPath DJ-UBS Grains ETN), and the other deals more with stocks of companies working in that area (MOO – Market Vectors Agribusiness ETF).

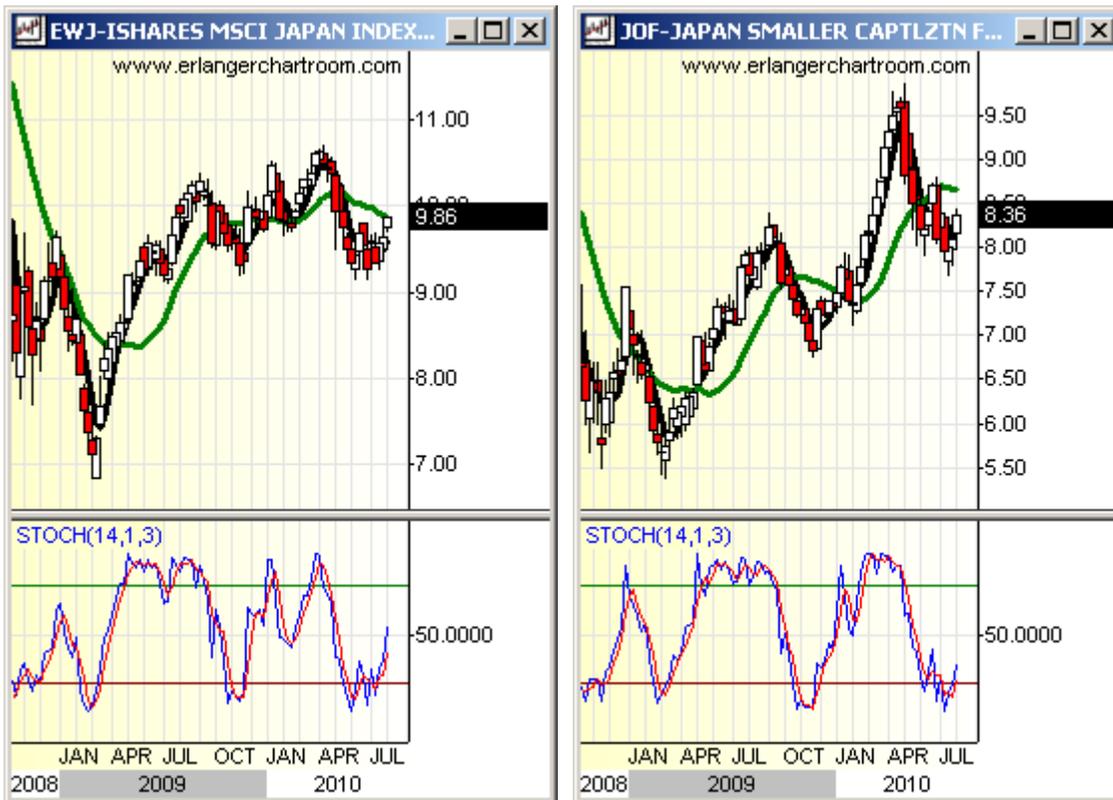
Both charts are a bit overextended. MOO has outperformed since 2009, however JJG is a nice base, which could pull back, however. **Given the seasonality involved in this case, for clients who simply have to be in – we would suggest using MOO, as some of the underlying stocks look attractive as well. It makes sense to look at the JJG later in the year, likely in November, after November Soybeans go off the board.**

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International Review

We highlight Japan this week. In our Monthly Report, due out later today, we discuss the Yen, which could consolidate in this area. The Yen has had a great run, and this has hurt Japanese equities. **We show charts of the weekly EWJ (Japanese large caps), and the JOF (Japanese small caps), and suggest that these markets have held support and are likely to advance over the next few months.** Both have held support and have already started to move up a bit.



“The EWJ and the JOF charts suggest that these markets have held support and are likely to advance over the next few months.”

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Weekly Chart of Interest

We show a daily chart of the FXI (China) below. Our accumulation model is very positive on this market and we note that in the recent correction this market held well above the May/June lows, while the SPY went below them. **This suggests that the Chinese economy is set to outperform over the next few months.**



About Our Organization

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



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