Cartography Corner - January 2019

J. Brett Freeze and his firm Global Technical Analysis (GTA) provides RIA Pro subscribers Cartography Corner on a monthly basis. Brett?s analysis offers readers a truly unique brand of technical insight and risk framework. We personally rely on Brett?s research to help better gauge market trends, their durability, and support and resistance price levels.

> *GTA presents their monthly analysis on a wide range of asset classes, indices, and securities. At times the analysis may agree with RIA Pro technical opinions, and other times it will run contrary to our thoughts. Our goal is not to push a single view or opinion, but provide research to help you better understand the markets. Please contact us with any questions or comments. If you are interested in learning more about GTA?s services, please connect with them through the links provided in the article.*
>
> *The link below penned by GTA provides a user?s guide and a sample of his analysis.*

GTA Users Guide

The Cartography Corner

A Review of December

Orange Juice

We will begin with a review of Orange Juice Futures during December 2018. In our December 2018 edition of *The Cartography Corner*, we wrote the following, with emphasis given to bolded excerpts:

In isolation, monthly support and resistance levels for December are:

- M4 154.20
- M3 150.30
- PMH 144.90
- MTrend 143.98
- Close 143.95
- **M1 140.35**
- PML 131.80
- M2 128.00
- M5 114.15

Active traders can use 144.90 as the upside pivot, whereby they maintain a long position above that level. **Active traders can use 140.35 as the downside pivot, whereby they maintain a short or flat position below it.**

Figure 1 below displays the daily price action for December 2018 in a candlestick chart, with support and resistance levels isolated by our methodology represented as dashed lines. During the first three trading days of December, the price tested, and threatened to surpass, our isolated upside pivot at PMH: 144.90. However, that resistance level and Monthly Trend, MTrend: 143.98, combined to successfully repel the market?s advance. ***The price never recovered.***

The following three trading sessions were spent with the price testing, and breaking, our isolated downside pivot. *The sell signal for active traders was given*. The following twelve trading sessions were spent with price descending to, and surpassing, our next two support levels at PML: 131.80 and M2: 128.00. The low price in December was reached on December 28th at 124.30.

The final two trading sessions were spent with the price ascending back to, but not surpassing, our support level at M2: 128.00, now acting as resistance.

Active traders following our work completed one trade during the month. Using closing prices, they sold-short on December 10th at 139.40, which was covered on December 31st at 125.80. The resulting gain equaled 9.76%.

Figure 1:



E-Mini S&P 500 Futures

We continue with a review of E-Mini S&P 500 Futures during December 2018. In our December 2018 edition of *The Cartography Corner*, we wrote the following, with emphasis given to shaded excerpts:

In isolation, monthly support and resistance levels for December are:

- M4 3033.00
- PMH 2818.00
- M3 2805.50
- MTrend 2799.11
- Close 2758.25
- **M1 2691.25**

- M2 2649.00
- PML 2626.00
- **M5 2307.25**

Active traders can use 2818.00 as the upside pivot, whereby they maintain a long position above that level. **Active traders can use 2691.25 as the downside pivot, whereby they maintain a flat or short position below it.**

Proverbs 14:8 states, ?*The wisdom of the prudent is to discern his way, but the folly of fools is deceiving.*? Entering the month of December, with the market price having closed November at 2758.25, our Monthly Downside Exhaustion level of 2307.25 was considered folly by many. However, discerning the way of the market in December by our isolated support and resistance levels proved to be both prudent, wise, and profitable.

Figure 2 below displays the daily price action for December 2018 in a candlestick chart, with support and resistance levels isolated by our methodology represented as dashed lines. December opened with the price testing our clustered-resistance levels at MTrend: 2799.11 / M3: 2805.50 / PMH: 2818.00 during the first trading session. *Those levels held.*

The second trading session saw the market price decline 89 points, on a settlement basis, with the low of that session testing our isolated downside pivot level at M1: 2691.25. The sell-signal was given two sessions later, on December 6th, with the market price declining significantly below M1: 2691.25 intra-session and settling below at 2691.00.

The following five trading sessions were spent with the market price trading between our isolated downside pivot level, *now acting as resistance*, and November?s low price at PML: 2626.00. On December 14th, the market settled below November?s low. *The selling intensified.* Over the following six trading sessions, the market price declined 263.75 points on a settlement basis. December 24th?s settlement of 2341.75 was the low settlement for the month.

December 26th opened the evening-session with a trade down to 2313.00, within 0.25% of our Monthly Downside Exhaustion level. All the President?s men colluded over Christmas Day, devising a plan to stem the weakness. Wouldn?t you know it, strength emerged in the December 26th day-session and the market price rallied 129.25 points on a settlement basis.

The final three sessions saw limited follow-through.

Active traders following our work completed one trade during December. Using closing prices, they sold-short on December 6th at 2691.00, which was covered on December 24th at 2341.75. The resulting gain equaled 12.98%.

For those who read our work but do not subscribe, we would appreciate your consideration as we enter 2019. Do you know of any other technical analyst whose work provided, in advance, such an accurate ?map? as to what transpired in December? *Our analysis captured 100% of the 501-point monthly range.*

Figure 2:



January 2019 Analysis

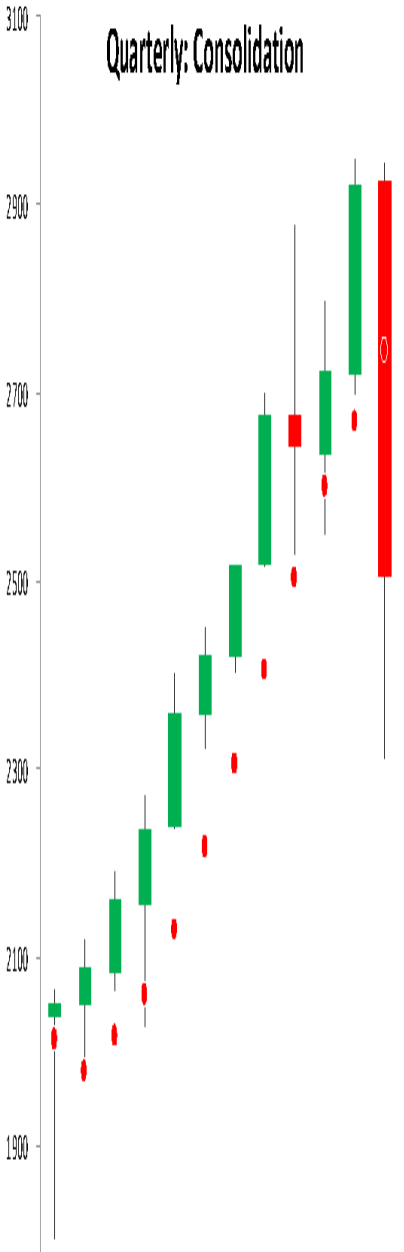
We begin by providing a monthly time-period analysis of E-Mini S&P 500 Futures. The same analysis can be completed for any time-period or in aggregate.

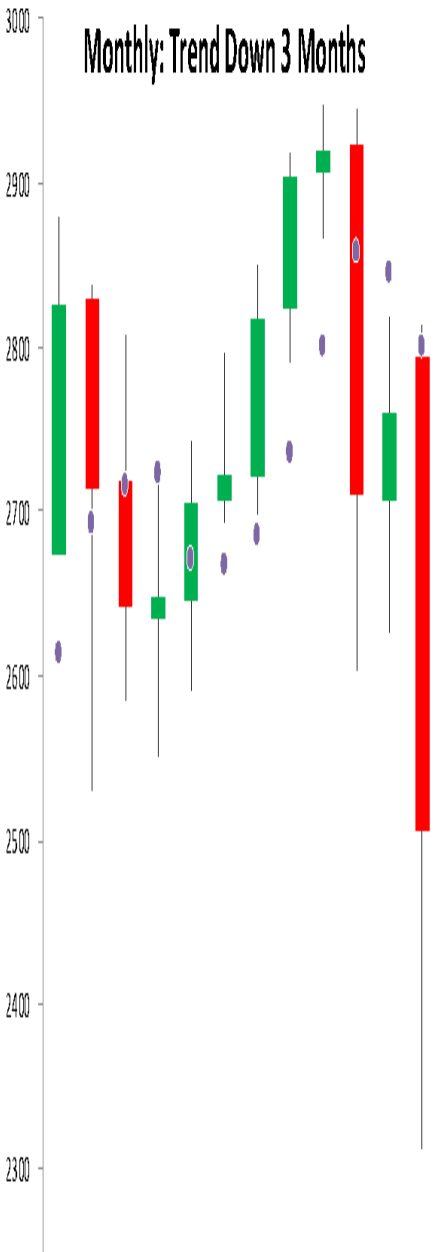
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SP 500 Futures
January 2, 2019

ESH9	65
Q4	3191.00
M4	3002.00
PQH	2944.75
Q1	2942.50
PMH	2814.00
M1	2810.00
QTrend	2710.78
MTrend	2677.03
W4	2636.75
W3	2558.50
D4	2553.25
D3	2524.50





Trends:

- Quarterly Trend 2710.78
- Monthly Trend 2677.03
- Weekly Trend 2515.69
- Current Settle 2505.25
- Daily Trend 2485.94

As can be seen in the quarterly chart above, **the impressive twelve-quarter uptrend ended in 4Q2018.** As we have stated many times, *of all the levels included in our output, Quarterly Trend is the most important, because it is more secular in nature.* We have been patiently waiting for this to occur and we believe it to be a significant development.

Stepping down one level in time-period, the monthly chart shows that E-Mini S&P 500 Futures are now ?Trend Down?. Stepping down to the weekly time-period, the chart shows that E-Mini S&P Futures have been ?Trend Down? for four weeks.

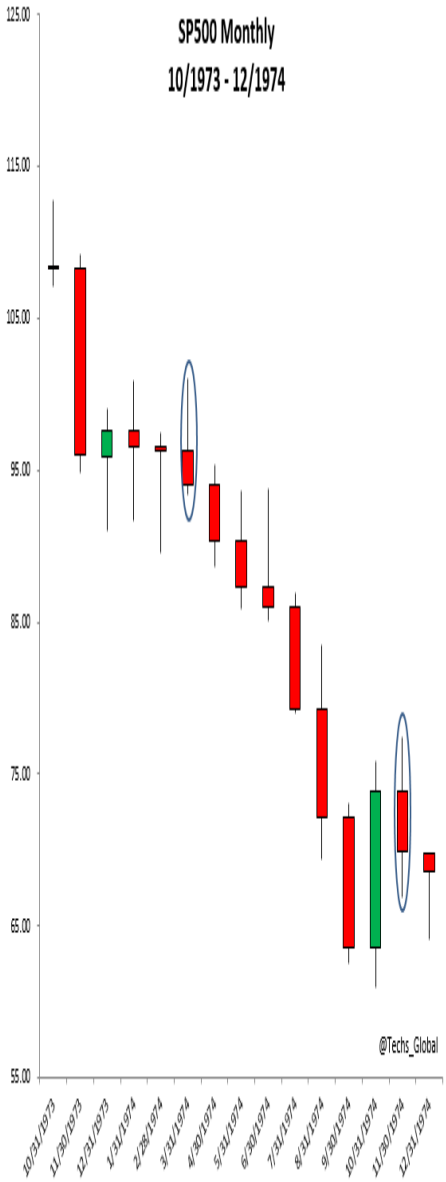
> *Technical analysis of E-Mini S&P 500 Futures suggests that the market has turned lower for a sustained downtrend. In simpler, terms the bull market that followed the financial crisis may have finally come to an end.*

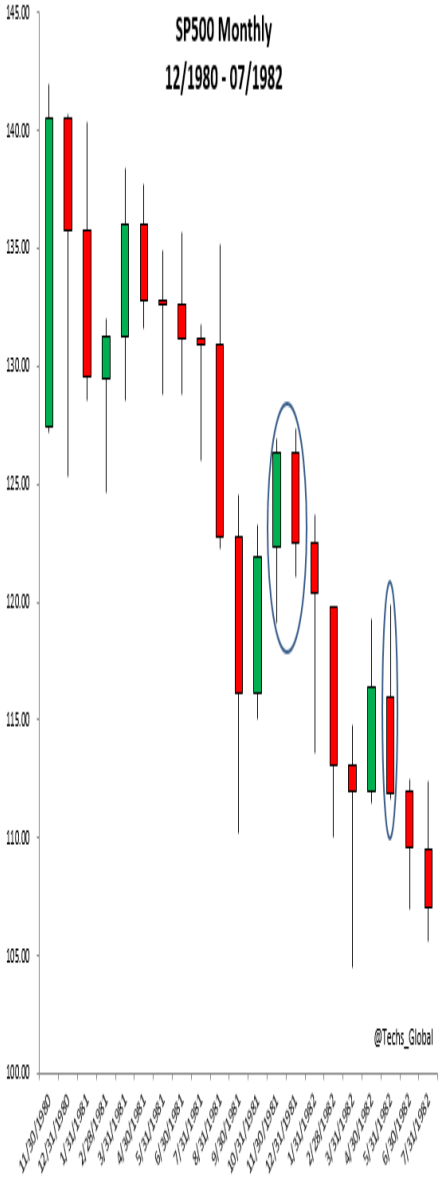
In the intermediate-term, we anticipate a rally possibly back to clustered-resistance at Monthly Trend and Quarterly Trend, MTrend: 2677.03 / QTrend: 2710.78. In October, a signal was given to anticipate a 2-period high, over the next four to six periods (monthly time periods). Currently, we anticipate a 2-month high in the next two to four months. If achieved in January, the market price needs to trade above 2818.00. The following excerpt from our April 2018 edition of *The Cartography Corner* highlights the importance of 2-month highs in sustained downtrends.

> **Where to Sell After the Initial Move in a Bear Market?**
>
> In a recent discussion with a fundamental-biased market-participant, the question was asked ?At what price-level would you initiate or add-to short-positions in E-Mini S&P 500 Index Futures?? Without referencing any of our technical analysis, *our answer was to sell the next two-month high.*
>
> The following charts are monthly time-periods across five significant bear markets beginning in 1968. In each, you can see that if you followed this simple strategy, your short-sales were never significantly challenged. In fact, these two-month highs occurred right before significant price-moves down in each respective bear.
>
> *In April, a two-month high for E-Mini S&P 500 Index Futures would be realized above 2837.25.*

Patience, awareness, and discipline are required.


SP500 Monthly
11/1968 - 06/1970
@Techs_Global


SP500 Monthly
10/1973 - 12/1974
@Techs_Global


SP500 Monthly
12/1980 - 07/1982
@Techs_Global





Support/Resistance:

In isolation, monthly support and resistance levels for January are:

- M4 3002.00
- PMH 2814.00
- M1 2810.00
- MTrend 2677.03
- Close 2505.25
- PML 2313.00
- M3 2252.25
- M2 2000.00
- M5 1808.00

Active traders can use 2814.00 as the upside pivot, whereby they maintain a long position above that level. Active traders can use 2313.00 as the downside pivot, whereby they maintain a flat or short position below it.

Given the still-relatively-large distance between monthly levels, we suggest using the weekly levels each week to guide us through the month of January.

Euro FX Futures

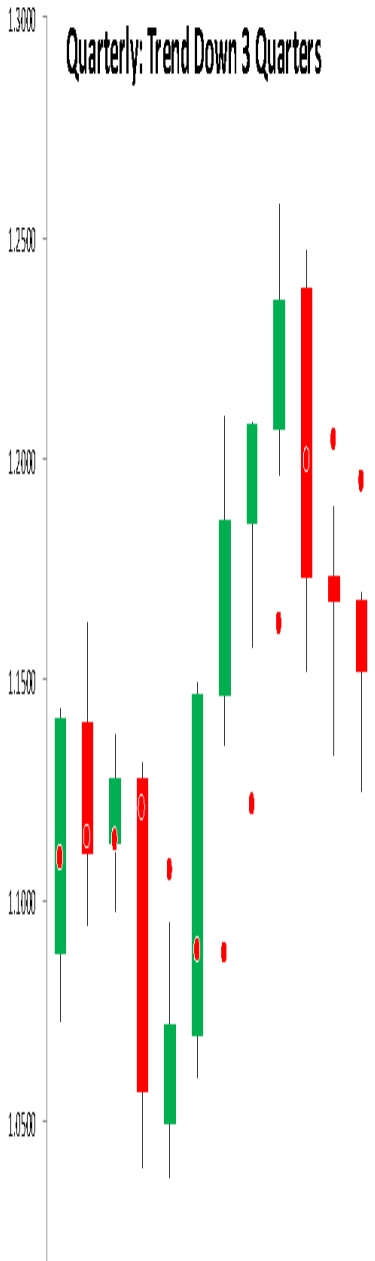
For the month of January, we focus on Euro FX Futures. We provide a monthly time-period analysis of Euro FX Futures (6EH9). The same analysis can be completed for any time-period or in aggregate.

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Euro Currency Futures
January 2, 2019

6EH9	0.0079
Q4	1.2063
M4	1.1900
M3	1.1723
W4	1.1700
PQH	1.1695
QTrend	1.1678
M1	1.1605
W3	1.1579
D4	1.1576
PMH	1.1575
PWH	1.1548
PDH	1.1540





Trends:

- Quarterly Trend 1.1678
- Current Settle 1.1523
- Daily Trend 1.1513
- Weekly Trend 1.1458
- Monthly Trend 1.1437

As can be seen in the quarterly chart above, Euro FX Futures have been ?Trend Down? for three quarters**.** Stepping down one level in time-period, the monthly chart shows that Euro FX Futures are in ?Consolidation?, after having been ?Trend Down? for eight consecutive months. Stepping down to the weekly time-period, the chart shows that Euro FX Futures have been ?Trend Up? for four weeks.

Technical analysis of Euro FX Futures suggests to us that perhaps the intermediate trend is in the early stage of a reversal to higher prices.

Support/Resistance:

In isolation, monthly support and resistance levels for January are:

- M4 1.1900
- M3 1.1723
- M1 1.1605
- PMH 1.1575
- Close 1.1523
- MTrend 1.1437
- M2 1.1392
- PML 1.1321
- M5 1.1097

Active traders can use 1.1575 as the upside pivot, whereby they maintain a long position above that level. Active traders can use 1.1437 as the downside pivot, whereby they maintain a short or flat position below it.

Additional Thoughts

In the broader context of an equity discussion, a client of ours pinged us with this recently, ?*Looks like some temporary downside exhaustion but longer-term tops.*? We could not agree more with this sentiment, not only with regards to the equity market but with other markets as well. As we prepared our analysis across asset-classes on the evening of December 31st, we kept coming back to this comment, a distinct puzzle began to piece itself together in our mind.

Our technical analysis of Euro FX Futures holds the key to the intermediate term in our judgment. A weaker dollar (the Euro is ~33% of the dollar index) should support equity prices and commodity prices, with a somewhat self-re-enforcing loop. Although not detailed in this piece, Ten-Year Note Futures need a 2-period low in the monthly time-period in the next four to six periods. That dovetails nicely with the 2-month high needed in E-Mini S&P 500 Futures.

We suspect that over the next few months, market participants will see these 2-month highs and lows in equity markets and fixed-income markets, with both predicated on temporary strength in Euro FX Futures. *This will be the final attempt to ?shake? market participants off the (anticipated) longer-term trends of Euro weakness, equity weakness, and fixed-income strength. Viewed*

differently, it may be the last opportunity to position appropriately before much pain is inflicted on investors.

As always, we will let our technical analysis of each individual market determine the actions we take.

Summary

The power of technical analysis is in its ability to reduce multi-dimensional markets into a filtered two-dimensional space of price and time. Our methodology applies a consistent framework that identifies key measures of trend, distinct levels of support and resistance, and identification of potential trading ranges. Our methodology can be applied to any security or index, across markets, for which we can attain a reliable price history. We look forward to bringing you our unique brand of technical analysis and insight to many different markets. If you are a professional market participant, and are open to discovering more, please connect with us. We are not asking for a subscription, *we are asking you to listen.*

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