



MARKET SEMIOTICS

By Woody Dorsey

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BEHAVIORAL FINANCE STRATEGY: 5/03/2011

COMMENTS ON FINANCIAL CULTURE: The, not so invisible, “Hand” of the Fed has Manipulated the market for Stocks and some parts of the Treasury market. They have “Pushed” for, wished for and, delivered an Inflationary Future. The **Great Reflation** just keeps copulating with the **Great Sobriety Society**. Meanwhile “Risk On” has recycled up over and over again. **Geopoliticals, Gaianomics** and **fArmageddon** were seeming discounted but are still significant structural negatives. Bernanke *said*(3/11): “We don’t know when markets are going to change their minds.” A **Metanoia** (*Change of Mind*) is near or, **is** occurring. The future is ominous and obvious and may finally be imminent. Adumbrations of Adversity Abound. “**Sell in May, all the Way, and go Away.**” Stocks were allowed to “create confusing divergences.” This is typical of an endgame. Silver, Oil, Stocks and the Dollar have all been predictably yoked to the same Gestalt. Recent nominal reversals should be heeded. **Mr. Market is sending Signals.** An abundance of caution remains warranted. Patience Pays. Change Comes. **Get on some “Risk Off.”**

EQUITY STRATEGY: Equities are maturing. Profile favored a **finale** thrust up into May. Declines due into ends of both Q & Q3. BestBuy near Q3, 2012.

EQUITY TACTICS: Stocks **appear** to have peaked? **Ideal top 5/10-17ish.**

GLOBAL EQUITIES: Volatile top-building is occurring. Don’t Buy into it.

FIXED INCOME: Bouncing around in a bearish range. Failures next 6 weeks?

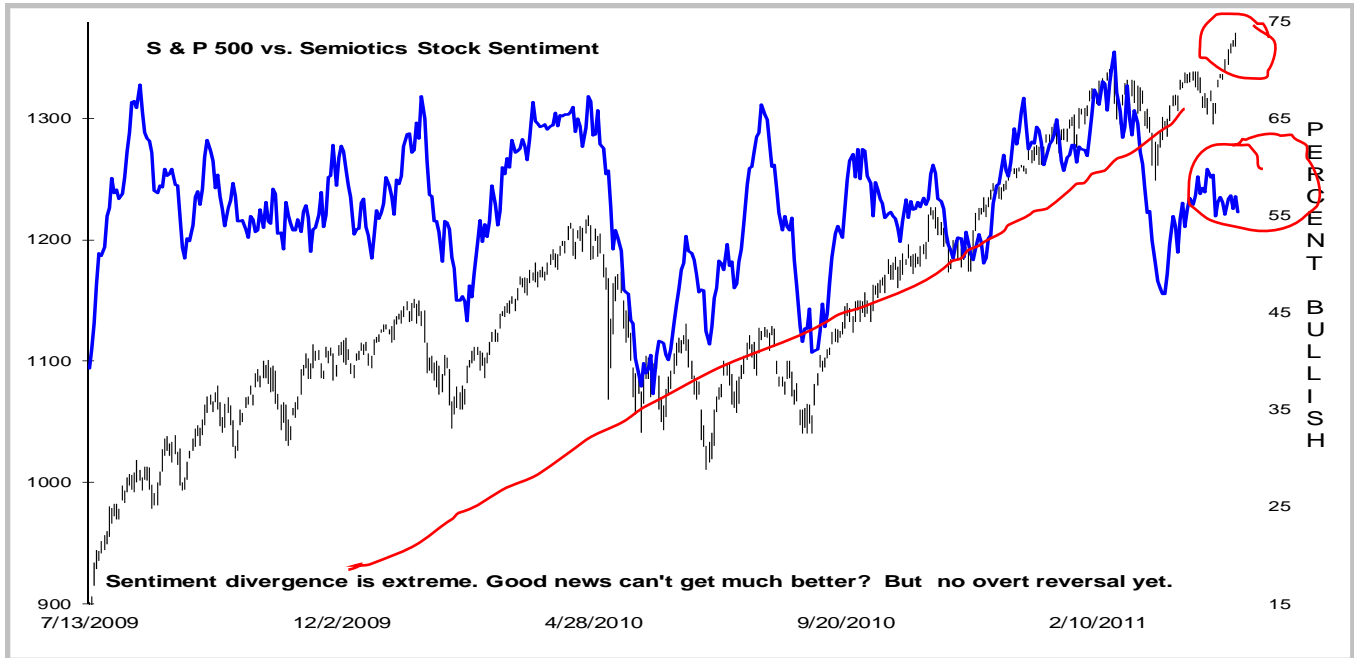
FOREX: Dollar low near 5/1ish. 6 week pops. Still “Ultimately Negative.”

COMMODITIES: The “**Repricing of the Planet**” continues. Given the upcoming negative equity profile, Stuff should also suffer. Lower overall exposures are warranted. **Stuff, Energy & Metals setbacks are likely due into 6/22-7/4.**

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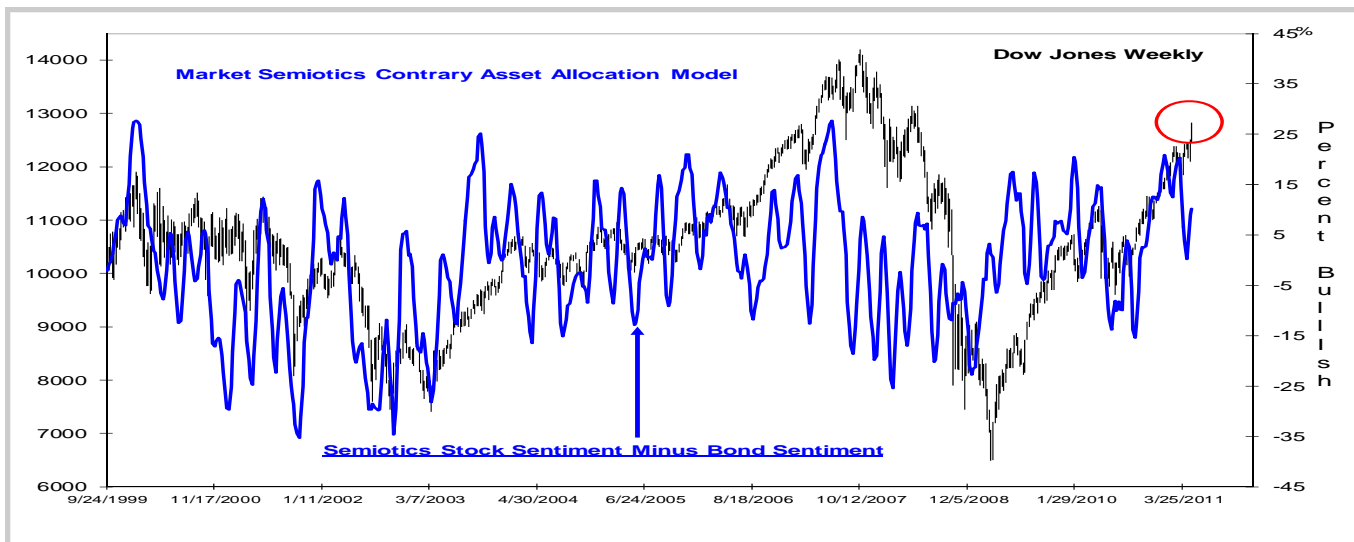
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EQUITY STRATEGY: The profile has suggested that “an important market extreme is forming.” We allowed for “declines into Mid-March followed by a final diverging thrust up.” That profile potential has actualized. Stocks are already @ or near a MagneticMay high. **Down into July.** Pops, and Down again.



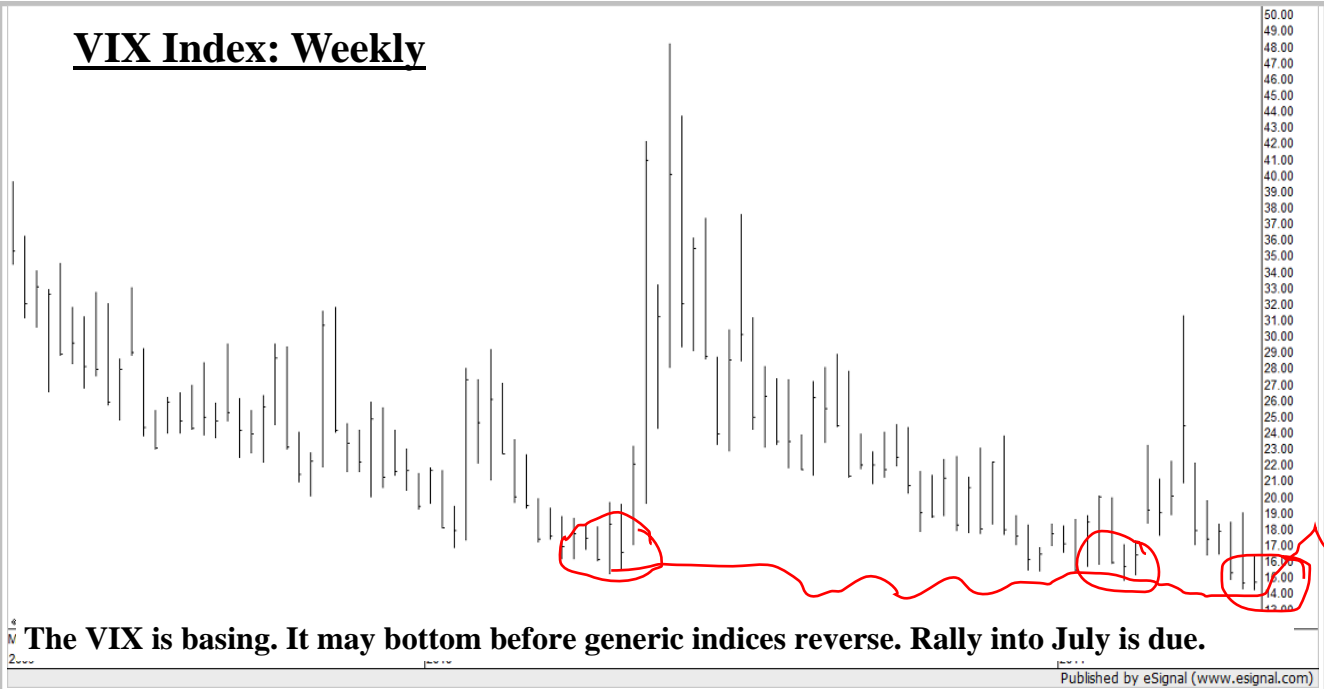
THE MARKET SEMIOTICS CONTRARY ASSET ALLOCATION MODEL:

Shows the psychological preference for owning stocks relative to bonds. Extreme equity optimism has faded and is diverging with price strength. The model is signaling equity vulnerability but is not necessarily very bullish for bonds either. Treasuries remain rangy at best. The preferred profile is for incipient and generic paper asset vulnerability. **Potential for 1987 fractal in August.**



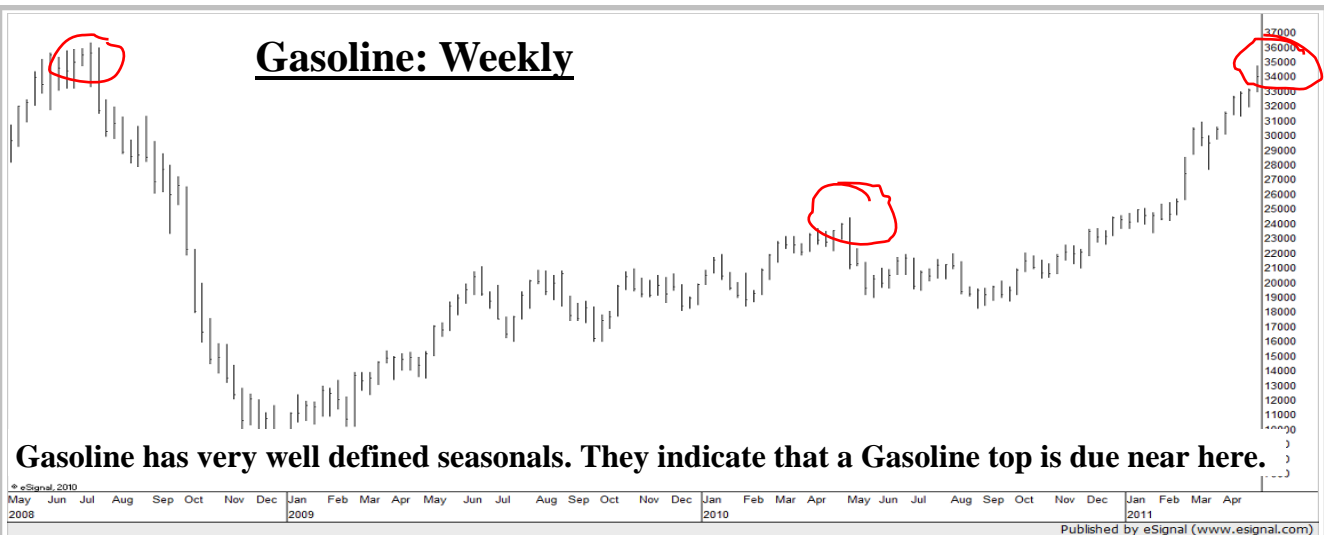
The VIX (Volatility) Weekly Structure: The VIX pattern suggests a low due near now. A weekly low is actually preferred B4 equity indices top. Recent behavior may be confirming that the low is in. The expected VIX rally should last into early July which will dovetail with Stocks & Stuff setbacks.

VIX Index: Weekly

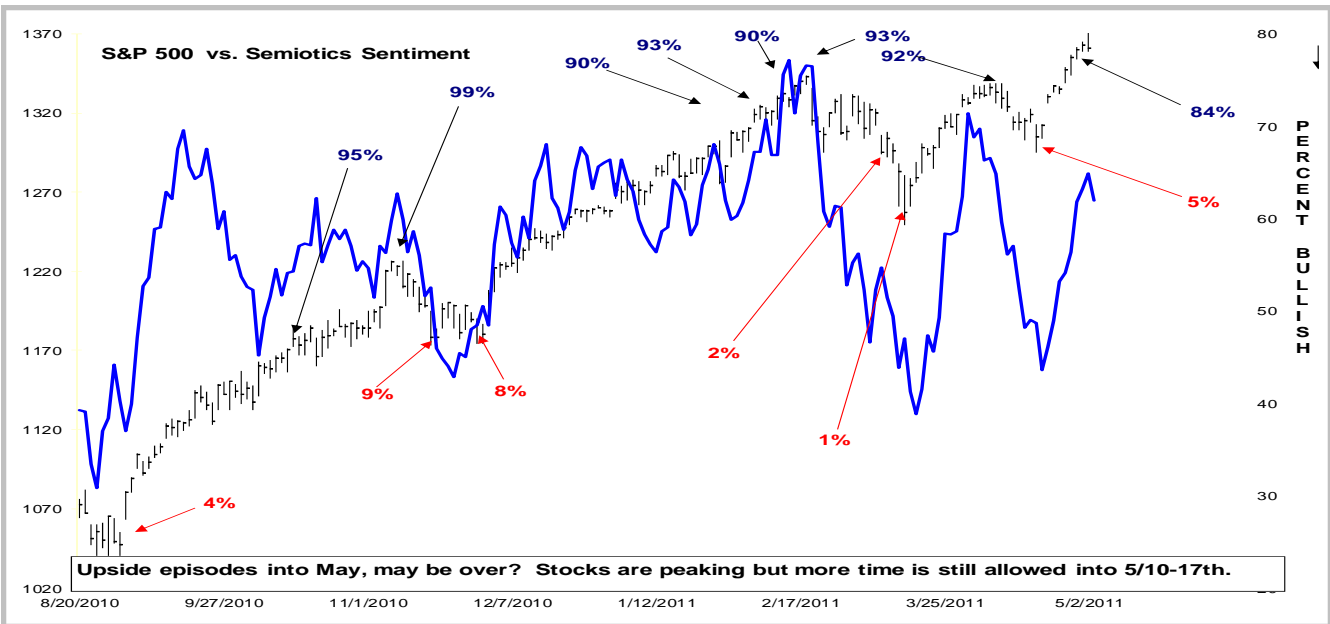


Weekly Profile for Gasoline: The Greatest Commodity Rally in History continued. But, Gasoline is in the seasonal zone for a high. This may dovetail with recent topy behavior in Crude. Silver has been in a parabolic move as well. Copper also diverged. Everything is arguing for an incipient “Risk Off” episode. It is time to step aside. Gasoline, Stuff & Metals are all @ Risk.

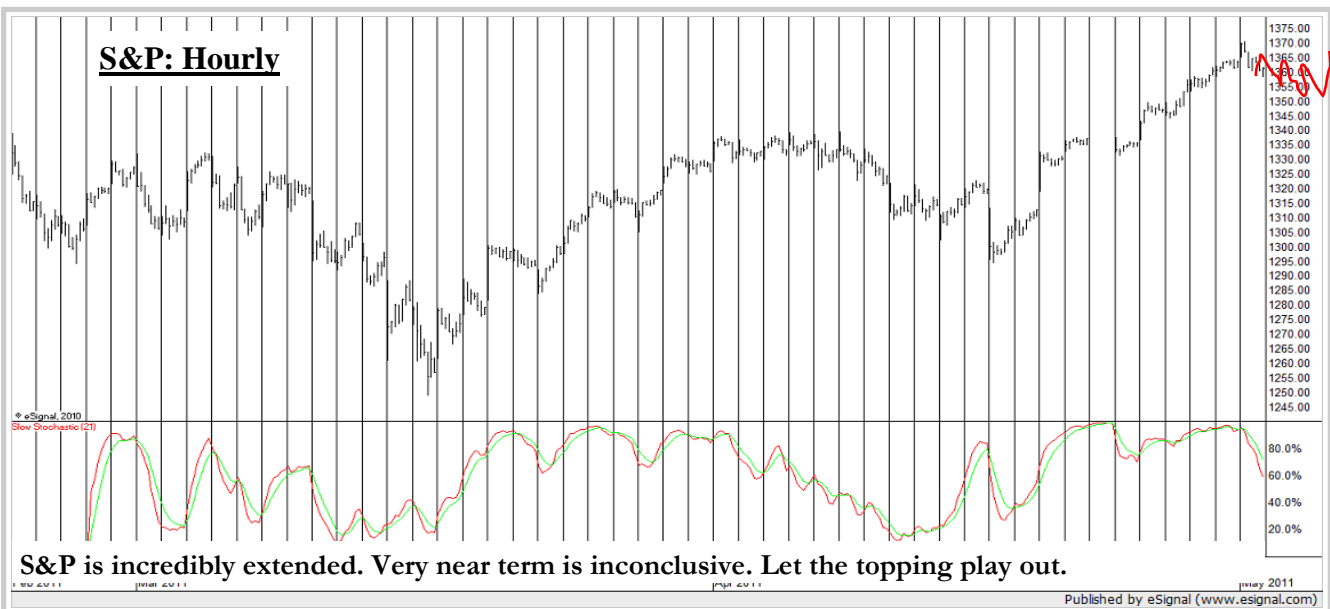
Gasoline: Weekly



EQUITY TACTICS: The Mid-March low set a rally in motion that was profiled to result in an eventual high in May. This **MagneticMay** period was allowed to register new index highs. The ideal timing for a high is and was 5/11-18. So there could yet be a bit more excitement. **Don't be seduced by spikes.**

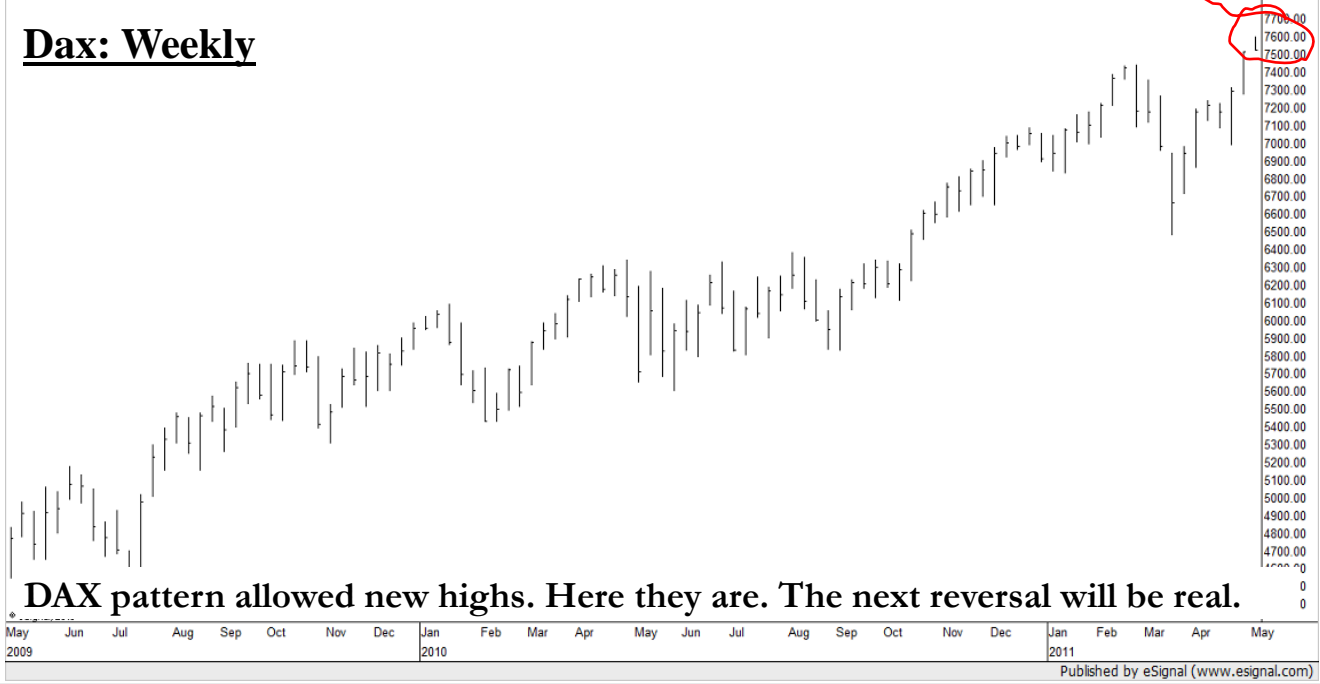


SHORT TERM EQUITY PROFILE: The pattern had a node of negativity 4/18ish. The rally from there has had a terminal spike. **May hang and churn.**



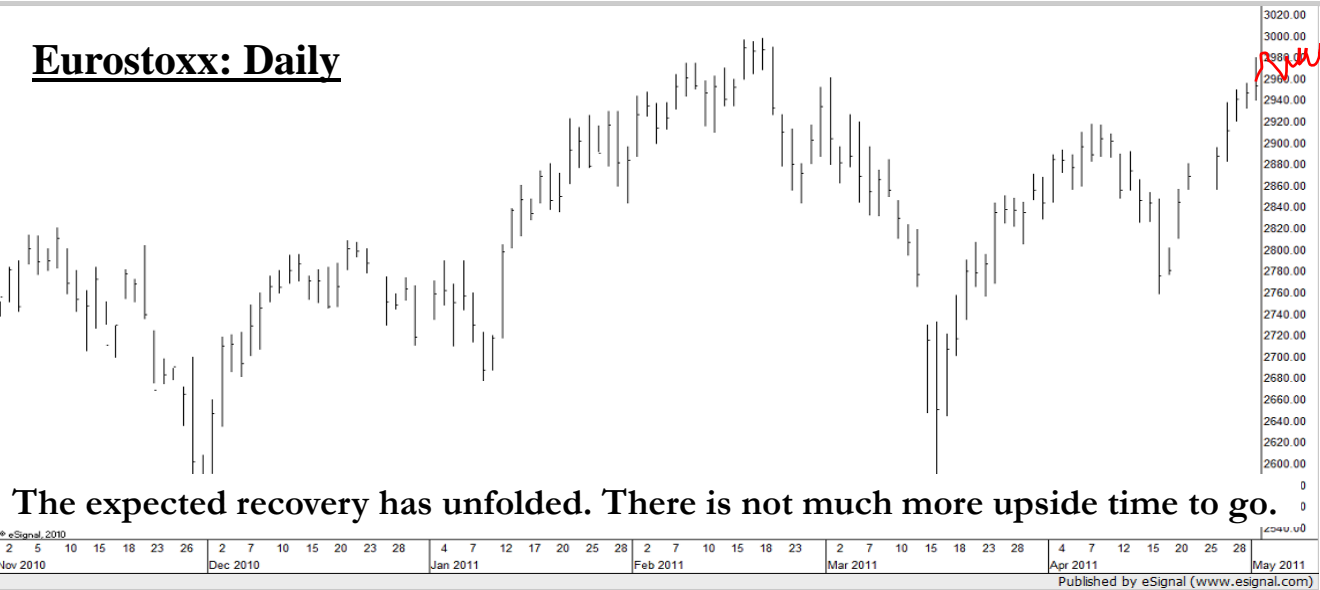
GLOBAL EQUITY STRATEGY: The larger profiles continue to suggest that an important top is forming in Global Equities. The DAX has been a leader and thus it will be a cohesive *tell* for all of the indices. The pattern argued for more upside time into May. **It could still take a week or 2 to confirm.**

Dax: Weekly



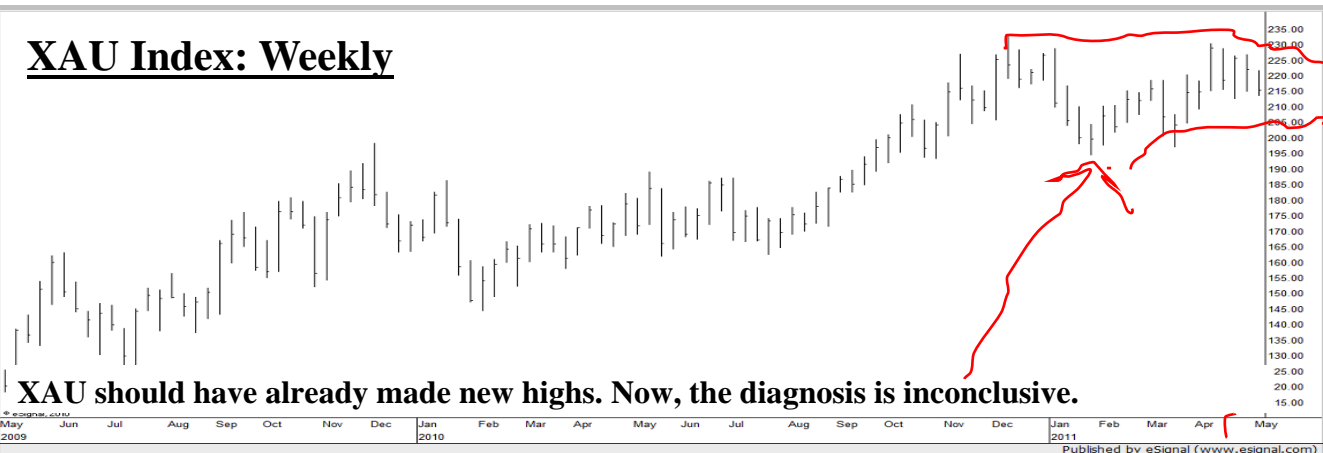
GLOBAL EQUITY TACTICS: The Eurostoxx has rallied robustly in line with generic equity behavior. We surmised that the March decline would be Penultimate to a durable decline. **Be ready for another decline into 6/22-7/4.**

Eurostoxx: Daily



SECTOR STRATEGY: The XAU has had some enviable opportunities to break out convincingly on the upside. Strong moves in Silver, Gold and the S&P should have provided better XAU upside. It is confusing so, stand aside.

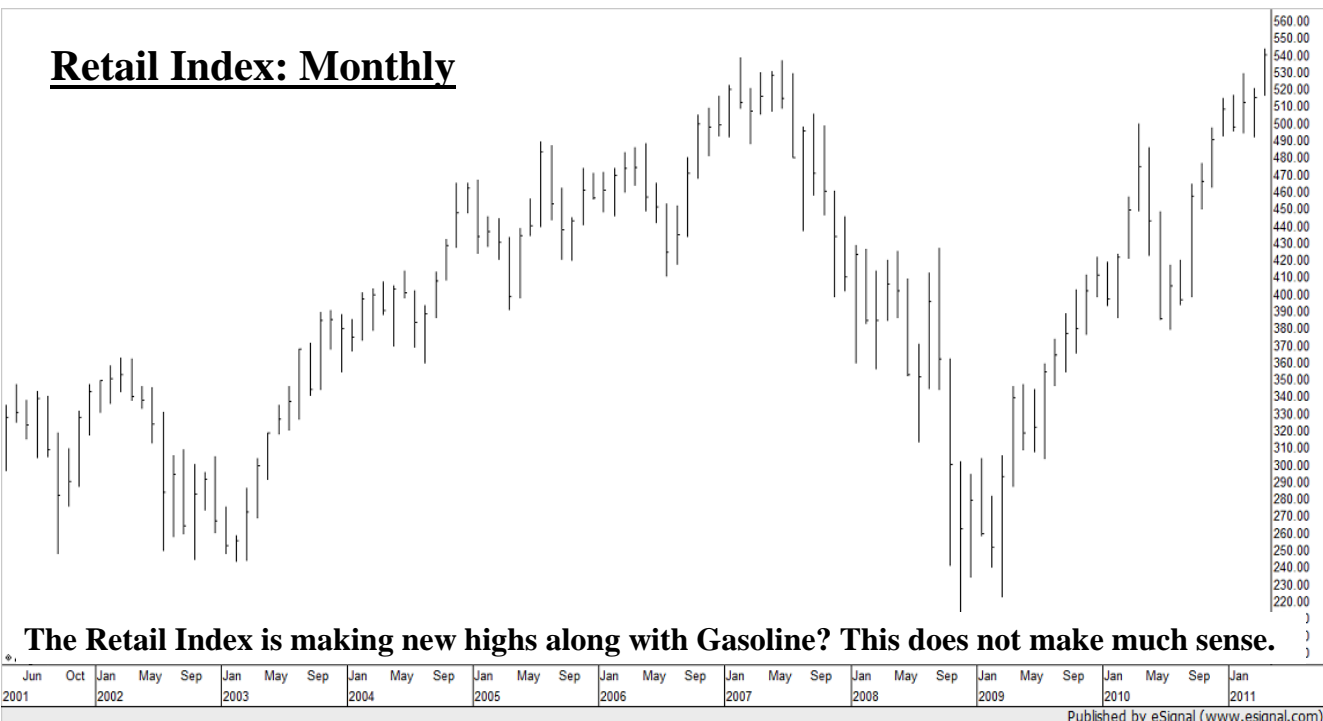
XAU Index: Weekly



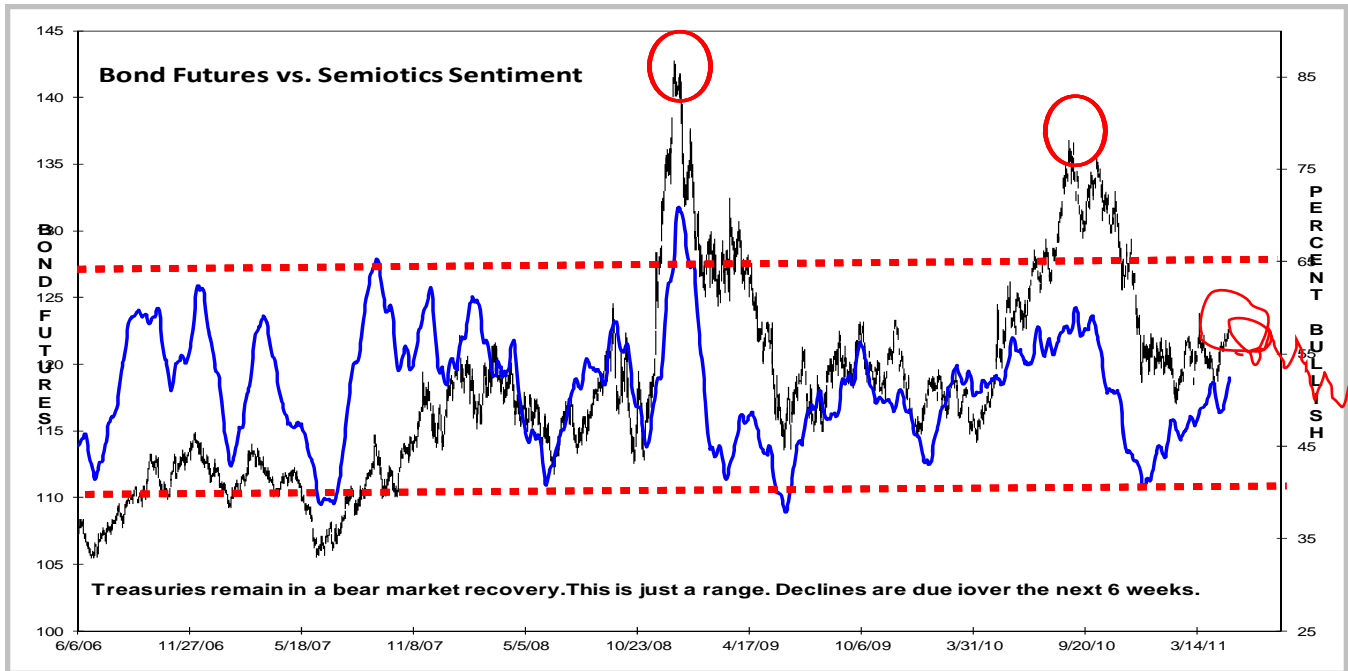
OTHER SECTORS: Reflation and “Risk On” have remained operative. We expected: “Risk assets have a Green Light into May.” That profile is maturing or ending. Many asset areas may begin to correct cohesively. All will fall into July.

SECTOR STRATEGY: F*Armageddon, Exploding Energy and a Nuclear tragedy only produced a hiccup in the Consumer and Retail Stocks. Retail strength is @ odds with the Gasoline spike. Divergences & Dissonances do abound.

Retail Index: Monthly



FIXED INCOME STRATEGY: Treasuries remain in an overall bearish configuration. Global and Geopolitical crises provided modest support. Recent nominal bidding only seems like a simmer of short-covering. The pattern allowed some bounces and they have occurred. Still, all in all, it has only amounted to an ultimately bearish looking range. Declines due into late June.

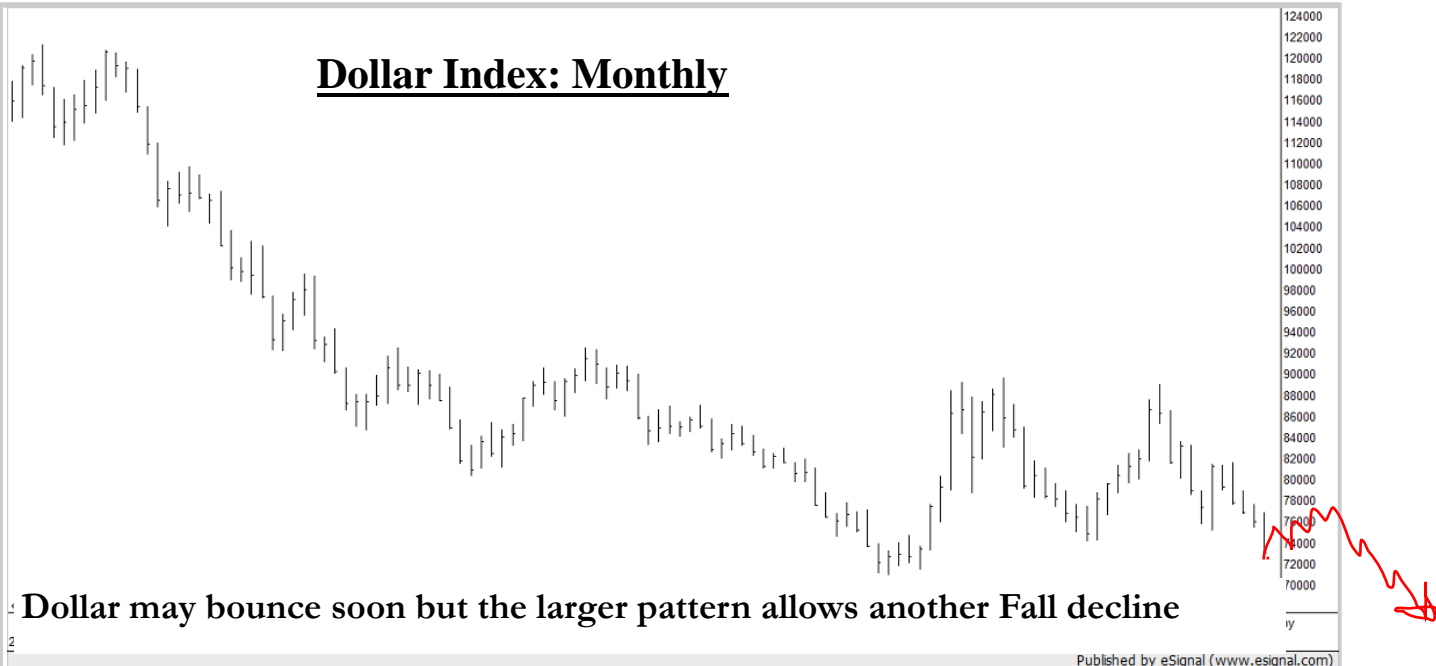


STRUCTURAL FIXED INCOME STRATEGY: The Fixed Income structure remains bearish. The monthly pattern demonstrates an important double top. However a modest range is forming and may persist for a while. **Tightening Time** is inevitable. An interim low is due 11/2011. Exit B4 Ben has to.



FOREX DIAGNOSIS: The recovery from last November was only a Bear Market Rally. Ben is De-Basing Bucks. Secular weakness isn't over. Tactical low due 5/10ish. Potential for late Summer collapse.

Dollar Index: Monthly



COMMODITIES: Commodities still in structural Reflation. We expected: "Higher in April." Generic setbacks are due into end of Q2.

ENERGY: Expected Crude rally continued but, Gasoline @ its' seasonal acme. Crude turning point due 6/22ish look like a trading low.

Crude Oil: Weekly

