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BOB HOYE

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The following is part of *Pivotal Events* that was published for our subscribers April 27, 2016.

"Smart Money Selling"

Signs of The Times

"London's Super-Rich Turn To Renting"

– Financial Times, April 17.

"The number of delinquent companies accelerates at its fastest pace since the financial crisis in 2009."

– Seeking Alpha, April 18.

"Defaults Hit Highest Levels Since '09 Bust"

– USA Today, April 18.

"Each year in Illinois, increasing pension obligations are consuming more of its taxpayers' dollars, pushing cities to cut core services and raise property taxes just to keep up with payments."

– Forbes, April 19.

"If the science is settled, why do we need research scientists to continue inquiring into the settled science?"

– Australian Attorney General George Bradis,
The Guardian, April 19.

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Perspective

George Bradis may or not be a skeptic, but his question is pertinent. The Australian government is attempting to curb spending. But that the climate promotion continues has been to maintain the propaganda as well as the grants.

It has been an ideal game for control freaks and rent seekers.

Much the same holds for aggressive central bankers. In this case, the audacity is much less than controlling the climate. The ambition has been to merely control the economy.

It is interesting that those who would manage the climate and those who would manage the economy are both fixed on the number "2".

The climate movement promotes that if the temp climbs 2 C degrees above the pre-industrial norm, something dreadful will happen.

The central banking movement promotes that unless the CPI is kept above 2%, something awful will happen.

How did they get fixed on the number "2"?

Proponents of both cults would do well by reading *Extraordinary Popular Delusions and The Madness of Crowds*, by Charles MacKay. First published in 1841.

Stock Markets

The quip from last week about finding it difficult to quantify effervescence is an old one. Perhaps with a lot of experience behind it. Maybe back in the 1960s. Well before Zaitech was invented in Tokyo. The point being is that effervescence could be achieved privately when markets would have eruptions of recklessness. That was when the Fed was relatively sober. We hope that readers can think of such a time.

To our thinking, Zaitech is a private as well as an official attempt at financial perpetual motion. Whether in physics or finance such schemes have always been revealed as scams.

We have the up and the question is when does it roll over?

As we have been noting, the best technical excesses since last May to June have been accomplished. And as with that fateful window, the Transports have only accomplished a rally modest to that of the Industrials. We could call it another "Non-confirmation".

On Tuesday, Bank of America released a study on market flows. "Smart Money" has been a consistent seller of the stock market for 13 consecutive weeks. On a chart back to 2008, this is the longest run.

The same study noted that pension funds are "ravenous" buyers of energy stocks. Actuaries do need some dividend yield. These days, 3 percent looks good.

Another report notes that central bankers have been including equities in their reserves.

All of which makes the Smart Money/Stupid Money nexus rather interesting.

Speculative excess has again made stock markets measurably precarious.

What will prompt the decline?

The usual – widening credit spreads and weakening commodities.

One technical step will be the end of phony upticks into the close.

Another will be the senior indexes setting a lower-low than the week before. The NDX accomplished this today.

In the meantime, Banks have extended their rebound. BKX became the most oversold since the Euro Crisis of 2011. The rebound has made to 70 on the Daily RSI which level stopped the rally last May.

The 50-Week ma was important on the way down in 2007-2008. The index has rallied from 56 in February to 70.51 yesterday. The 50-Week is at 71.

Banks have carried the rally to overdone at resistance and are vulnerable to the next change in credit spreads.

Commodities

Crude oil has been outstanding. The Exhausted low was 26 at a probable seasonal low. Now it is generating topping signals and the chart follows. Technical action strongly suggests a seasonal peak within a couple of weeks.

The Oil Patch (XLE) has been good and last week we noted that with the Daily RSI at 70 it was getting overbought. At an RSI of 71.5 it the most overbought since the big peak in June 2014. That high was 96 and the January low was 50. The high for the move was 69 reached earlier today.

The crash in base metals took the XME down to 1/4 of the high. XLE fell in half when it could fall to at least 1/3 of its high.

Lumber fell from 319 in March to 274 a couple of weeks ago. Last week we noted the support at the 50-Day ma and it has stayed above this. At 290 this week, our target is 250.

Our April 14th Study on Base Metals concluded that the XME was getting overbought within the season for a high. The high for the Miners was 24.10 on April 20th and after a minor correction to 22 it is at 23.76 today.

Of critical importance, the Weekly RSI is up to 71. The best with the huge peak in 2011 was 73.

Lightening is not only out of the bottle it is striking twice.

Time to take some more money off the table.

Grains were late to start but accomplished an outstanding rally. The Weekly RSI jumped to 80, which compares to 78 reached with the peak last June. That high was 327 and the low was 271 in March. The high of 313 was set on April 20th.

The DBC Commodities Index made it to the 200-Day ma and traded with it for a week. It spiked up to 14.37 earlier today. That drove the Daily RSI to 71, which is slightly higher than achieved in June 2014 when the index reached 27.

Generally, commodities are working on what could be a tradable high and are close to rolling over.

Currencies

Last week, we noted that the Canadian dollar was facing a band of resistance at the 79 level. Highs have been 79.41 last week and 79.50 earlier today. At the highest Weekly RSI since 2012, the action is stalling out.

The US dollar is still basing. Setbacks seem to be tied to day-to-day exuberance in the commodity of the day.

Over the past four weeks the DX seems to be forming a saucer bottom. As in many things "concave up" is good.

Now at 94.3, getting above the 50-Day at 96 would start the rally.

BOB HOYE, INSTITUTIONAL ADVISORS
E-MAIL bhoye.institutionaladvisors@telus.net
WEBSITE: www.institutionaladvisors.com

Listen to the Bob Hoye Podcast every Friday afternoon at TalkDigitalNetwork.com

Crude Oil: Opportunity

- A Sequential Sell pattern has registered.
- This is the 9-Week reading which has been reliable at bottoms and tops.
- On the chart, these are noted as '9'.
- The rally accomplished a big swing in the Daily RSI, so momentum is 'in'.
- May can often record a seasonal high.