THE IFA's Wealth Gram

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LE COIN TECHNIQUE

"Buying the Dip" on Equity Indexes, still a risky proposition at least until late April

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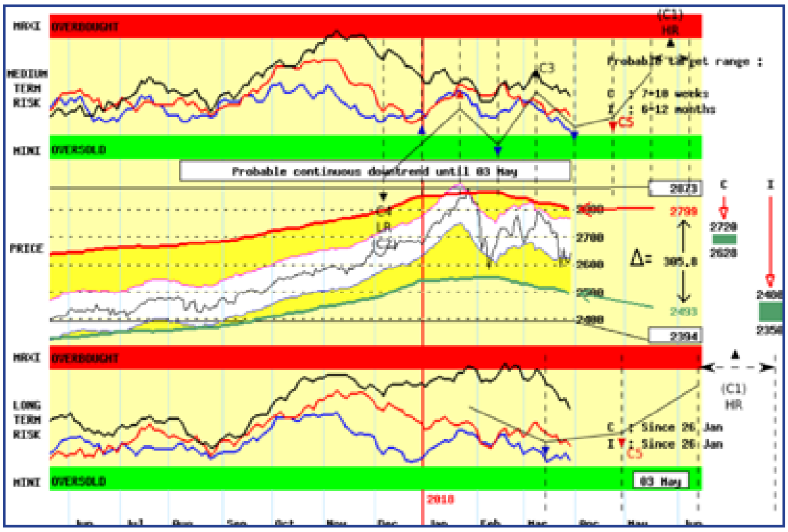
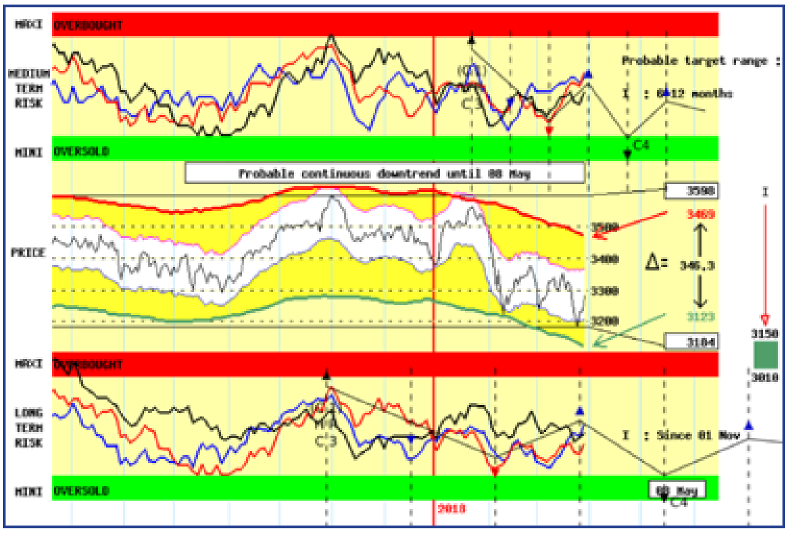
Equity markets have just started Q2 with a new sell-off, on the back of new tariffs being slapped up on a number of US Food and Commodity products by China. The trade dispute is intensifying, and equity markets definitely don't like it. This morning in the US, the S&P500 is back well below 2'600 and its 200-day moving average. Last week's rally has been erased. Considering our graphs on both the S&P500 and the EuroStoxx 50, we would probably remain prudent for now, at least for another 3 to 4 weeks.

S&P500 – Daily graph or the perspective over the next 2-3 months



On our medium term oscillators (upper rectangle), the S&P500 Index could be completing a 2nd leg down from its January highs, and this could be suggesting that prices gradually stabilize during April, before they attempt to resume up during May and June. That said, on our long term oscillators (lower rectangle), it still seems premature to "Buy the Dip" as the next support point is still probably some weeks away, maybe towards late April. Considering both, we will remain prudent for now, probably until the 3rd, perhaps the 4th week of April, especially given that the support of our C Corrective targets to the downside is currently being tested again, and that below these, the risk is still significant, probably towards the 2'480 – 2'350 range, or 4 to possibly 10% below current level.

EuroStoxx 50 Futures – Daily graph or the perspective over the next 2 to 3 months



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On both oscillator series, the EuroStoxx 50 is getting ready to resume its downtrend, probably towards late April on our medium term oscillators (upper rectangle), potentially even towards early May on our long term oscillators (lower rectangle). The downside is also still significant here, possibly towards the 3'150 – 3'010 range, or 4 to 10% below Thursday's close. Hence, timing and risk/reward would also suggest that "Buying the Dips" in Europe may require more patience, probably until late April.

Concluding Remarks: While our oscillators may point to some stabilization in the US over the next few weeks, the risk/reward is still very disadvantageous, showing more downside risk to somewhere between 4 and 10% below current levels. In Europe, our oscillators also show little relief until late April, and would suggest similar downside targets than in the US. For now, we will hence remain very defensive on Equity markets, probably until late April. Following that, May and June may see equity markets retest up towards their January highs.