

LE COIN TECHNIQUE

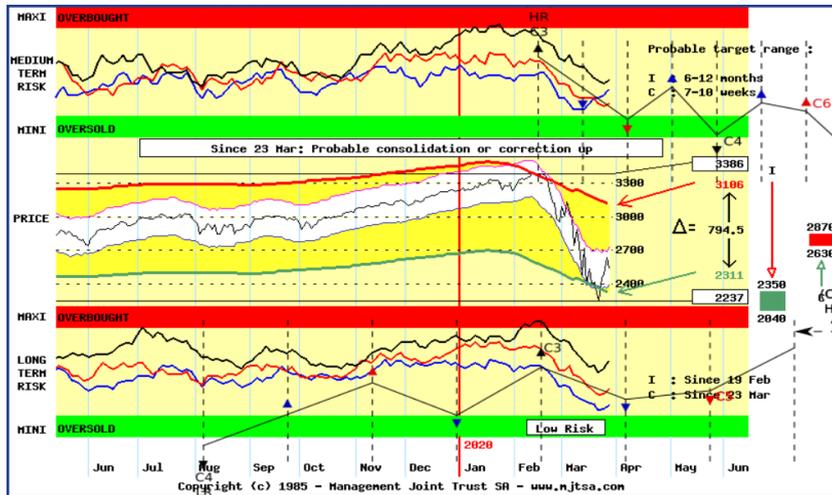
Risk assets sell-off—Is the worse behind us?

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Since the third week of March (early in the 4th week in the US), Equity markets and more generally risk assets have started to bounce. This rally (“Bear market rally”?) has been quite dynamic registering circa 20% performance on both the S&P500 and the EuroStoxx50 Index. Despite this strong rebound, however, both indexes are still circa 25% below their February highs. In this article, we briefly analyze both these indexes, in terms of timing and levels in order to evaluate if the worse is behind us, or what additional risks may still lie ahead.

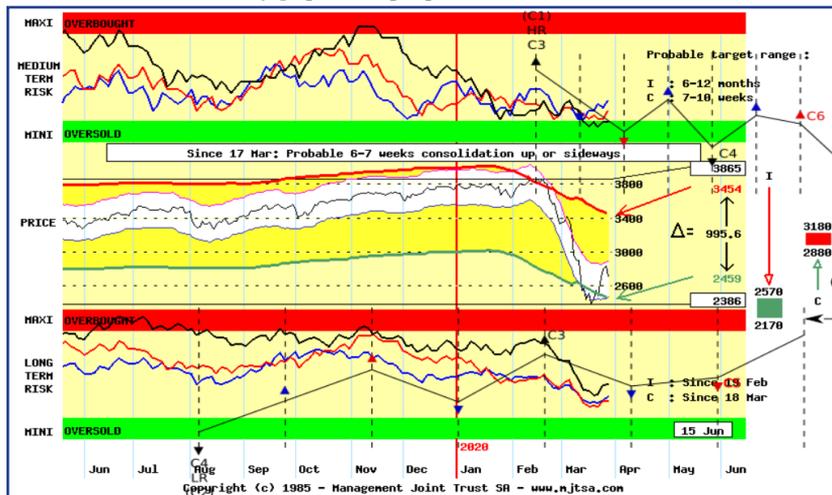
S&P500 Index (Daily graph or the perspective over the next 2 to 3 months)



From the tops made the 3rd week of February, both oscillator series (lower and upper rectangles) suggest a further support point towards early April (probably during the 2nd week of April). Although, this may seem reassuring, it also implies that a downside retest may materialize until then. Indeed, our I Impulsive targets to the downside (right-hand scale) are pointing to further downside risk in the 2'350–2'040. Although, the upper end of this range would not imply new lows, we cannot exclude, given current volatility, another sell-off towards their lower end, to somewhere in the 2'100 and 2'000 range. Following that, we expect a bounce into late-April/early-May. It may also be quite dynamic and could reach back up to the 2'630–2'870 range. Finally, although a further downside retest could still materialize into late-May (probably without new lows), we believe the S&P500 could then rally into the Summer. As a rule of thumb, we would theoretically remain in a downtrend as long as the S&P500 stays below the upper end of our C Corrective targets to the upside around 2'870. If/once, this resistance is taken out, we will then be able to consider a retest of this year's highs, perhaps at some point during Summer/Fall.

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EuroStoxx50 Index (Daily graph or the perspective over the next 2 to 3 months)



From the tops made the 3rd week of February, both oscillator series (lower and upper rectangles) suggest a further support point towards early April (probably during the 2nd week of April). Although, this may seem reassuring, it also implies that a downside retest may materialize until then. Indeed, our I Impulsive targets to the downside (right-hand scale) are pointing to further downside risk in the 2'570–2'170. Although, the upper end of this range would not imply new lows, we cannot exclude, given current volatility, another sell-off towards their lower end, to somewhere in the 2'200 and 2'100 range. Following that, we expect a bounce into late-April/early-May. It may also be quite dynamic and could reach back up to the 2'880–3'180 range. Finally, although a further downside retest could still materialize into late-May (probably without new lows), we believe the EuroStoxx50 could then rally into the Summer. As a rule of thumb, we would theoretically remain in a downtrend as long as the EuroStoxx50 stays below the upper end of our C Corrective targets to the upside around 3'180. If/once, this resistance is taken out, we will then be able to consider a retest of this year's highs, perhaps at some point during Summer/Fall.

CONCLUDING REMARKS: The worse may indeed be behind us in terms of downside potential. Yet, following the rebound over the last couple of weeks some retracement/downside retesting is still expected into the 2nd week, perhaps mid-April. Given current volatility levels, we unfortunately

cannot exclude that marginal new lows could be made. Following that, another rebound will probably materialize into late-April/early-May. Late-May could then see a further downside retest before a rally into the Summer finally concludes this slow U-shaped recovery.