

LE COIN TECHNIQUE

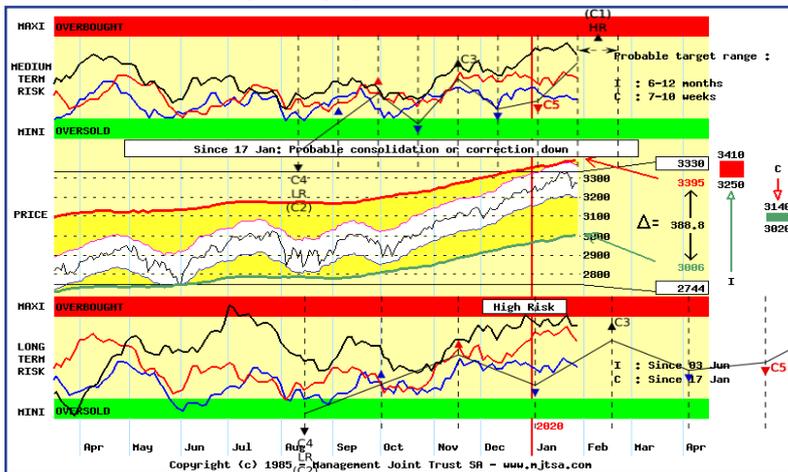
Coronavirus Fear

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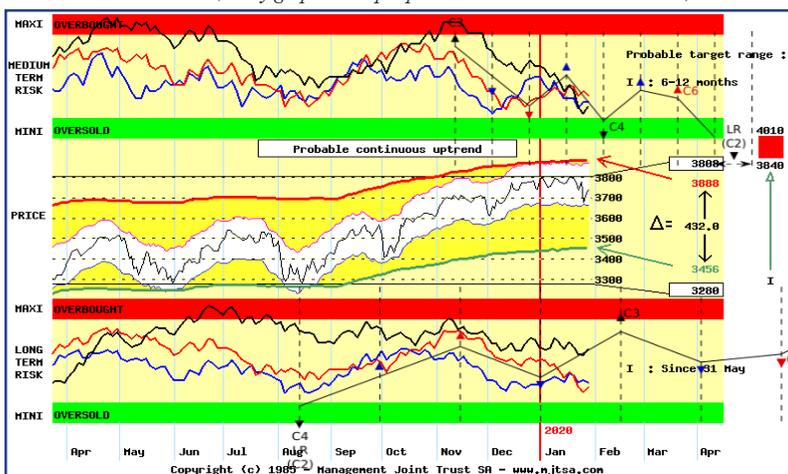
The Coronavirus comes as a typical Black Swan in an environment where equity markets had been riding the liquidity wave and are now Overbought. Overall, we remain positive on equity markets for 2020, yet the next few months (into April) may require some more precise maneuvering. A lot will probably depend of the speed and scope at which the virus continues to spread, which for now seems to be anybody's guess. For what it's worth, we consider our cyclical and trend following graphs in order to map out possible scenarios on the S&P500 and the EuroStoxx 50 Indexes.

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



Although our automatic messaging recently flagged a "High Risk" position (message in lower rectangle of the graph), the current uptrend since August could still be underway. Indeed, while Risk/Reward is quite stretched (our I Impulsive targets to the upside between 3'250 and 3'410 have been met; right-hand scale), the uptrend sequences we show on both oscillator series (lower and upper rectangles) could still see one last upside retest into mid/late February (back towards 3'350?). Thereafter, we expect the S&P500 to resume its correction down into early April. Targets-wise, until early February, the S&P500 may find support towards the higher end of our C Corrective targets to the downside at 3'140 (right-hand scale). We then expect a bounce, and possibly an upside retest into mid/late February and towards its January highs. From late February, however, the S&P500 Index could then start to drop again into early April, probably to the lower end of our C Corrective targets to the downside, around 3'020.

EuroStoxx 50 Index (Daily graph or the perspective over the next 2 to 3 months)



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The EuroStoxx 50 may have also reached an intermediate top mid-January. On our medium term oscillators (upper rectangle), the current "dip" could find support early February, before bouncing back into mid/late February, probably towards the lower end of our I Impulsive targets to the upside at circa 3'840 (right-hand scale). Our long term oscillators (lower rectangle) would also confirm a top towards mid/late February. Following that, we expect a further period of correction to the downside into early April. Targets-wise, the shorter term risk into early February is potentially towards the low 3'600s, i.e. the higher end of our C Corrective targets to the downside (not shown yet here). The second retracement period from late February into early April may then test down to the 3'500 - 3'400 range.

CONCLUDING REMARKS: The current Coronavirus sell-off may find support early February. The S&P500 and the EuroStoxx 50 may then bounce and possibly retest their January highs until mid/late February. Following that, a further period of correction to the downside may materialize into early April, with circa 10% downside risk

from the recent mid January highs. Hence, while the upside retest potential is perhaps 2% to 3%, the downside risk into early April is probably twice as much. Hence, considering an investment horizon into April, the risk/reward relationship on equities is disadvantageous.