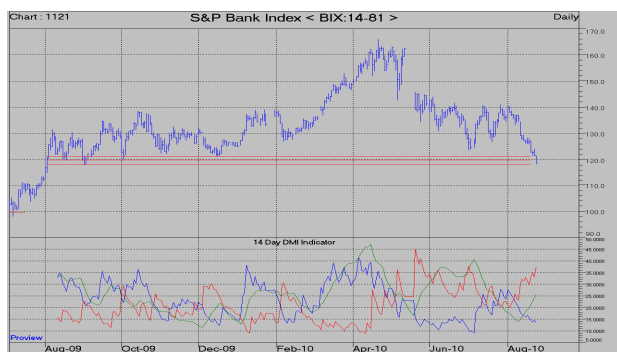
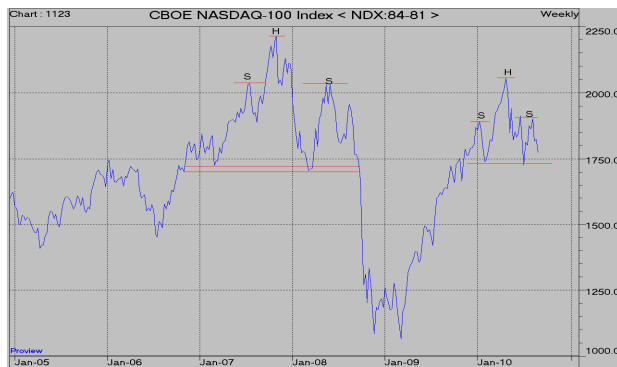


## Technical Analysis

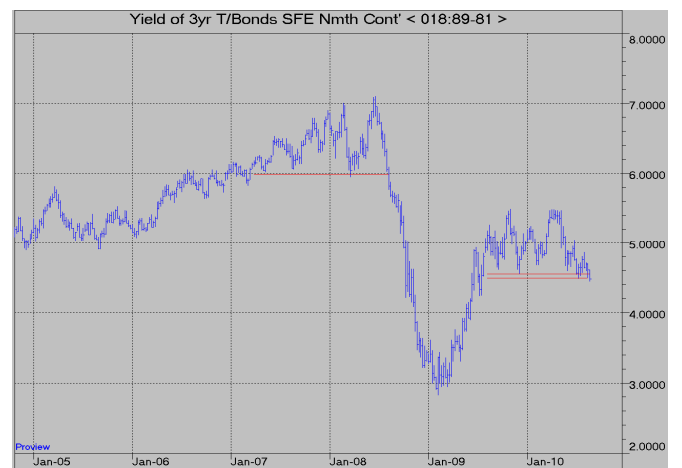
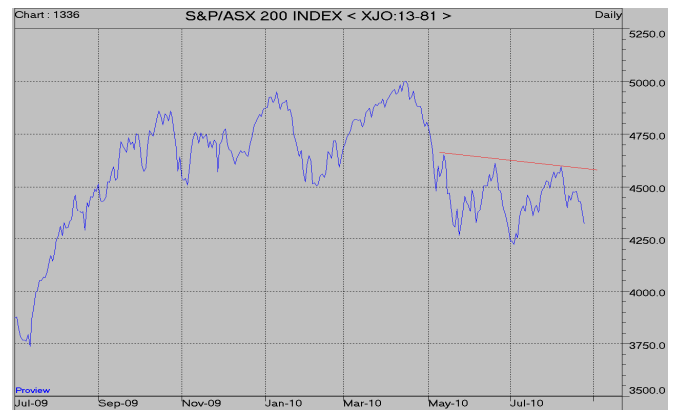
### • SPX

- The major sell off continues as additional bearish signs over the economy and markets surface
- Yield curves continue to flatten as short-term rates are near zero and long-term rates are dropping faster with growth slowing sharply. This is extremely dangerous and DEFLATIONARY. If continues – drastic Fed action will be required.
- Downside target is 943 on the S&P
- Major head and shoulders top formation is forming on Nasdaq identical to that seen in 2008 generating target back 1538
- S&P banking index starting to break crucial support across 118 stretching back 12 months. This is a worrying sign for the financial sector and a WARNING sign for investors. Target 92 or 22% lower.
- Equities are never cheap until there is large element of fear and catastrophe in markets and this will present itself in late Sep to early Oct



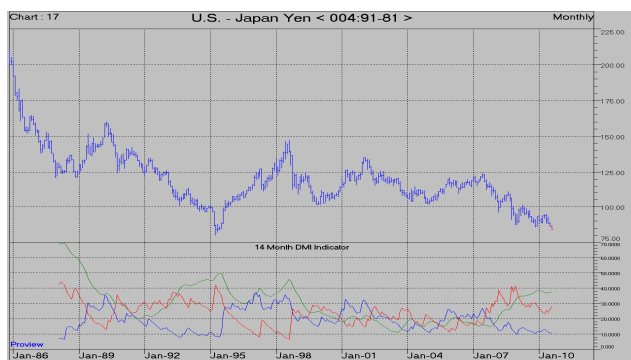
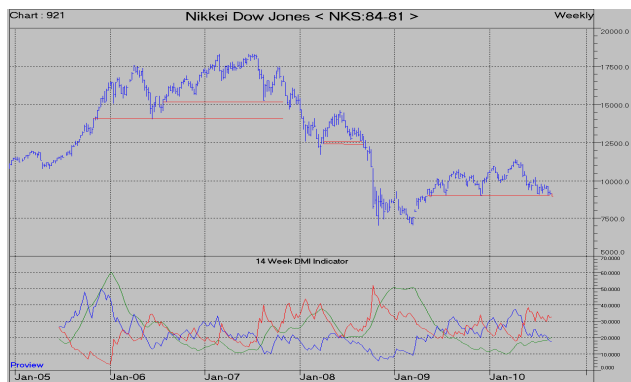
### • XJO

- Serious move lower to new lows has begun and highs have been made
- Weekly bearish signals will begin to strengthen now as sell off accelerates into reporting season
- More local companies disappointing on estimates – OST, CBA, QBE, MQG,
- 3 yr bond yields are now breaking lower and generating firm trending signals to the downside – pre-empting a similar decline in equities
- Main downside Target is the Fibonacci (61.8%) retracement of the 2009 rally at 3858.



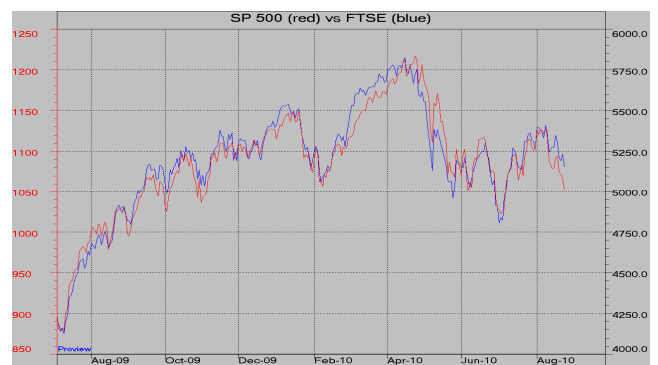
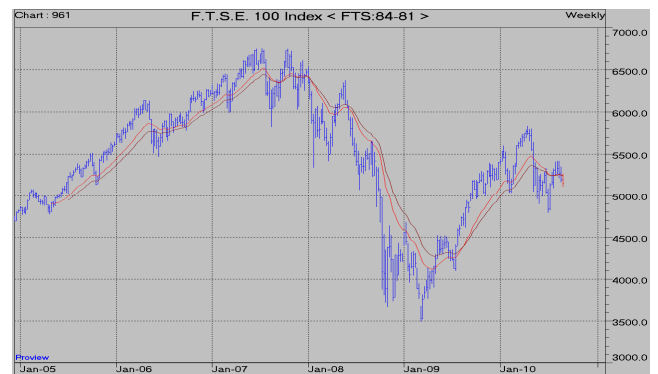
- **Nikkei**

- Japanese economy is getting crunched by strengthening yen and slowing global demand
- Index is breaking another year long support formation that points to a sustainable trend lower that is likely to retest 7500 or near the 2008/09 lows
- Trending signals are just surfacing on weekly charts after a prolonged period of rest suggesting the next move could be quiet sizeable
- As USD/Yen continues to head south and approach record lows below the 1995 low – it underpins the view that risk aversion is not just a short-term scenario but risks are for a potential “panic period” or “mini-crash”
- These global trends are giving serious warnings to investors that the top down macro trend is growing decidedly bearish and will dwarf any bottom-up positive theories over the next two months



- **FTSE**

- similar top formation completing on the FTSE as on the S&P 500 with head and shoulders formation also in play
- momentum and trending signals have now swung to the downside this week confirming firm bearish risks
- as daily signals continue to strengthen the “panic period” is approaching with next few weeks a very high risk
- target is to 50% correction of 2009/10 upleg at 4667 or 10% from current levels





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