

Weekly Newsletter

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Weekly Newsletter from 2-6 July 2012

Dear Members,

On Friday, all major markets and commodities gained and closed sharply higher. Finally, the EU is taking some convincing steps to rebuilding confidence among the investors' community. Last Thursdays' announcement will keep the markets in a positive direction; from Monday to mid Tuesday.

The overall sentiment for the medium term will remain very positive for the markets, as our Astro indicators are giving clear signals of rising trends. As most of you are aware, last year in September, we predicted that S&P will reach 3200 by 2015. This gives a clear indication that EU and Euro will remain there until 2015, and then disappear.

There will be a great opportunity to make money in the coming time, so plan your investments well until 2015. There will be a meltdown after the 2015 party, and it may bring the worst financial crisis in history.

We see a positive momentum starting from August. July will remain mixed, and markets will trade on both sides. We will have sharp rises and falls, but the downside for S&P is very limited. Any weaknesses should be taken as a buying opportunity in the month of July.

We will clearly see S&P reaching 1600 by the end of this year, and this will force fund managers to withdraw money from other assets.

Last Friday, we saw a sharp rise in commodities, but our Astro indicators are not giving 100% bullish indications for metals and energy. Stay away from the most lovable asset, "gold". In the month of July, gold may touch a new low of 2012. We see a risk of gold falling below \$1550 and \$1530, and if it does, then metal investors will start unwinding their positions in nervousness. Our view is very cautious for metals, so stay away from metals at this stage.

Oil may move up to \$85.65 and should go down again, so the higher side is very limited for oil from here (read oil sections for detailed trading strategies).

Grains are trading purely on fundamental news. The heat wave in mid-west of USA, the Argentinean drought, and the growing demands are putting grains into the limelight. Most of you aware that our longer term views for grains are very bullish. Grains/soft commodities will remain the best performing commodities in the coming time compared to metals and energy.

Important note: Last month, we stated that the markets would be swinging on both sides rapidly, so trade in and out rather than holding positions. This movement will continue for the month of July before they start moving in the upward direction.

Here is this week's newsletter from 2-6 July 2012

GOLD/SILVER



During the last six months, gold, silver and precious metal stocks underperformed. The month of July will also remain sideways or uncertain, so trade with caution. August will be the month when you should start taking some buying positions in gold and silver, as we mentioned in our book.

Our Astro indicators say: On Monday and Tuesday, gold and silver will remain sideways or positive. Late Tuesday will be the best time to sell some positions or not hold any buying positions in gold, silver and precious metal stocks.

Mars & the Moon are giving clear indications of a weaker trend on Wednesday, Thursday and Friday. Metals and metal stocks will fall, so stay away from any positions.

On Friday, you should cover short positions.

Here is Monday's range:

GOLD: \$1608.75 to \$1584.10

SILVER: \$28.12 TO \$27.45

COPPER/PATINUM/PALLADIUM



Base metals will remain positive on Monday and Tuesday. Compared to precious metals, base metals will trade better.

From Wednesday to Friday base metals will trade weak; but not as weak as precious metals. **Buy copper and sell gold as this hedging trade will provide great returns.**

Here is Monday's range:

COPPER: \$354.30 TO \$346.10

PALLADIUM: \$593.00 TO \$580.90

PLATINUM: \$1473 TO \$1438

INDEXES



Last week S&P went down and touched a low of 1302, and on Friday it closed at 1356; this was huge move. This week, the emerging markets will move up for the first three days. Book profits on early Wednesday, as the stock prices will start moving down.

Hold positions in banking/ finance stocks and hedge positions by selling NASDAQ, Tech stocks and precious metal stocks, as July is not a favorable month for tech and metals.

Buy banking and finance stocks in the Indian, European and USA markets in the month of July.

One should start building up positions in all major stock markets in the month of July, as we are ready for a second wave of the bull market cycle, which will take S&P towards 1600.

This Monday and Tuesday, markets will trade positively. From Wednesday, weakness will come into the markets, and it will remain until Friday; stock indexes will also start falling. Focus on banking and finance stocks.

Monday's trading range (September 2012 contract):

AUSTRALIAN (Cash) – 4147 to 4118

NIKKEI – 9165 TO 9079 (Buy)

NIFTY S&P (Spot) – 5319 TO 5265

SINGAPORE (cash) – 2887.7 TO 2855.00

HONG KONG (cash) – 19775 to 19535

CAC – 3225 TO 3177

DAX – 6489 TO 6359

FTSE – 5591 TO 5526

S&P – 1365.75 TO 1342.50

NASDAQ – 2629.5 TO 2577

RUSSELL – 801.50 TO 786.25

DOW – 12887 TO 12715

COFFEE/COTTON



Last week coffee moved up nicely, as predicted. I strongly recommend holding positions in coffee and cotton. Those who missed buying in coffee should wait for corrections, but the down side in coffee is very limited.

Cotton has bottomed out, so start building up positions in cotton now. The current rally in coffee can move up \$182, so book profit if

coffee reaches around \$180.

Cotton will be a great buy around \$70.30, and the target is to reach \$79.80 once it starts trading above \$72.47.

Monday's trading range:

COFFEE: \$172.95 TO \$167.55

COTTON: \$72.50 TO \$70.39

COCOA/SUGAR/ORANGE JUICE



This week, all these soft commodities will move up, but the higher is limited, so watch these prices mentioned below if you are holding long positions. If you like to sell or want to go short for the shorter period, sell around the prices mentioned below.

Cocoa, sugar and orange juice will also trade positively, but the higher side is limited. Sell sugar around \$22.50. Cocoa can reach

\$2338, and orange juice \$133.

We see an uncertain scenario in the weather patten from the 1st of July 2012, so grains, soft commodities and natural gas shouldn't be on your selling list. One should hold positions in these commodities.

Coffee is our favorite, even though analysts are expecting a record amount of crop from Brazil the inventories are too low to play with short. Our Astro indicators are very bullish for coffee and grains as compared to metals and energy this year.

Monday's trading range:

COCOA: \$2325 TO \$2271

SUGAR: \$21.36 TO \$20.65

ORNAGE JUICE: \$124.15 TO \$117.10

TREASURY BOND



Thirty year bond prices fell sharply on Thursday and Friday. The current weaknesses will continue until Tuesday, and we recommend you to take some buying positions on Wednesday or around 146-15, and target 149-14 by Friday.

Monday's trading range:

TREASURY BOND – 148-23 TO 147-07 (Sep contracts)

GRAINS



Two weeks ago, we recommended buying corn and wheat. Both these grains moved up smoothly. We still recommend you to hold positions in grains. **We won't be surprised if corn and wheat reach the \$1000 mark.**

Soy bean, soy meal and soy oil will trade sideways, but we don't recommend any short positions, as we already mentioned that grains will outperform metals and energy in 2012.

Hold your grains position, and add on any weaknesses as the bull is ready to roar.

On Monday and Tuesday, grains prices will remain sideways, but from late Tuesday, prices will start moving up and by Friday, corn, wheat and soy can make new highs. On Wednesday, Thursday and Friday's Astro indicators are showing a positive sign.

ENERGY



S&P and oil trading calls remained the best in 2012 because in the last seven months, we were able to call each rise and weakness accurately. Last week, we recommended getting out from short positions in oil at around \$78.80. On Friday, oil prices moved up sharply more than 8%, which created panic in the short-term

seller group. It is almost at the higher side and there is very limited room to move up from there. One can sell oil around \$85.80, and target \$80.80.

On Monday and Tuesday, oil will remain sideways, but from Wednesday, it will start moving down and the weaknesses will continue until Friday.

If oil trades above \$85.65 for two days (Wednesday and Thursday) than expect it to reach \$89.30.

We will update the new range in the daily flashnews.

Natural gas will move up but one can book profit around \$3.11. The lower side is very limited for gas, so don't short gas at this stage.

On Monday and Tuesday, gas prices will move up.

On Wednesday and mid Thursday, prices will remain weaker. But from late Thursday again, gases will start moving up and may touch a multi-month high.

Monday's trading range:

OIL: \$85.68 to 82.10 August contract (sell oil)

NATURAL GAS: \$2.93 to \$2.69 August contract

CURRENCIES



Friday last week, US Dollar indexes fell around two percent. We see dollar holding at 81.29 this week. If it starts trading below 81.29, then the next level is 80.62. Astro indicators are positive for US Dollar from late Tuesday, so sell positions in Euro, BP and commodity currencies.

Keep selling US Dollar against Indian Rupee as well as other emerging market currencies at higher levels because these currencies will gain value against USD. Our short term target in rupee is \$52.90. We strongly recommended selling at 57.20. This year, the Rupee call also turned out very accurate. On Friday, Rupee gained 2%, Brazilian Real gained more than 4%, Rand, peso and ruble gained more than 2.30%. We fear buying Euro because fundamentals and Astro indicators are still weaker for euro, but the emerging market currencies' Astro indicators have turned out to be very positive; although the fundamentals are still weaker. We give more weight to Astro indicators as compared to fundamentals and technicals.

Anyways, our outlook for the Indian equity market and Rupee were very negative in the first half of 2012. In the second half, we predicted that their performance will be better. We are in the second half of 2012 from this week, so start accumulating Indian stocks and Rupee.

British Pound and Yen will underperform, so sell both these currencies on Monday, and hold your selling positions. Yen may gain some value on Thursday, but the higher side in Yen is very limited. Pound will keep trading weaker from this week; and in the next two weeks, we see Pound going down to 1.51.

Swiss Franc and Canadian dollar will also lose their shine from late Tuesday.

Australian dollar will remain in a tight range during this week, so avoid trading in it.

In short: Emerging market currencies look as great compared to all other currencies, so buy USD on late Tuesday.

Monday's trading range (September contract).

DOLLAR INDEX – 81.33 to 82.10

JAPANESE YEN – 1.2591 to 1.2501

AUSTRALIAN DOLLAR – 1.0228 to 1.0101

SWISS FRANC – 1.0610 to 1.0501

CANADIAN DOLLAR – 0.9865 to 0.9741

RUPPEE – 55.87 TO 55.09

BRITISH POUND – 1.5751 to 1.5601

RAND – 8.21 to 8.04

EURO – 1.2727 to 1.2587

Final note:

Germany lost its domination over the EU. We don't know long Germany will keep taking over the problems of other EU nations. We are all aware that Germany is the only country on which Euro can survive. The financial community was overjoyed on Friday's news. Greece, Italy, Spain, Ireland and France are all facing debt problems, so let's see how long these countries can survive in the EU zone?

China is facing growth problems. The world's economy is facing a huge challenge, so better wait and watch as the month of July is an uncertain month. Let the Astro indicators get positive before we go all in.

Thanks & God Bless

Mahendra Sharma

Sunday 11.30 AM Mumbai, India