**Markets Flash Graphs\***

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***Summary***

*A graph is worth a hundred words... A good graph may suggest some new heuristics. And…, a series of excellent graphs may provide the backbone of a theory! The goal of this paper is to share a set of graphs from multiple sources that offer as many flashes on current and past market conditions. Inevitably, these graphs reflect my own biases and questionings. They are not meant to induce any action aside, maybe, from their integration in a personal Information System. The Great Recession of 2008, whose consequences are still unfolding, has been for each of us a powerful invitation to modesty. We live in a world where improbable, unthinkable and impossible events happen every day... More than ever, it’s time to sit down, shut up, watch out, build graphs, and think… hard!*

**\* Beware of potentially spurious “causal” relations!**

“*He who believes he knows, doesn't know that he believes…*”

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Recent work: <http://orbi.ulg.ac.be/simple-search?query=jean+marie+choffray> **Markets Flash Graphs**

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**Markets Flash Graphs**

“*Markets Flash Graphs*” should ideally be used in parallel with “*Internet-based investing at the edge of chaos*”, “*Protecting assets under non-parametric market conditions*”, “*L’art d’investir avec internet*”, and “*Ceci n’est pas un conseil*”. All four papers are available on ***Orbi*** (links underneath). And it doesn’t require to be a computer nerd to translate them if needed!

Today’s “*Investing environment*” relies on a hybrid network of market places and market participants. It is characterized by high frequency trading systems, over leveraged shadow entities and hedge funds, flash crashes, incompetent management, reverse merger frauds, dot bubble 2.0 IPOs and stealth PPT, FED, ECB, BoE, and… PBoC actions! Market participants are mostly software applications (“*Bots*”) that run automated investment tasks, increasingly frequently through the Internet…

In a few words, these four papers explore how markets actually behave. They attempt to derive a concise and coherent set of “*Heuristics*” aimed at conceptualizing response to the “*Unknown*”, at connecting proven “*Facts*” and at converting observed “*Discrepancies*” into profitable investment opportunities. This approach – at best, a tentative and incomplete theory on investing under edgy circumstances –, should be tested, validated and improved gradually, as you collect additional facts and information.

That’s where “*Graphs*” enter the picture… We all learn that a graph is worth a hundred words... A good graph may suggest some new heuristics. And…, a series of excellent graphs may provide the backbone of a *Theory*! The goal of this paper is to share a set of graphs from multiple sources that offer as many flashes on current and past market conditions. Inevitably, these graphs reflect my own biases and questionings. They are not meant to induce any action aside, maybe, from their integration in a personal *Information System*. The *Great Recession* of 2008, whose consequences are still unfolding, has been for each of us a powerful invitation to modesty. We live in a world where improbable, impossible and unthinkable events happen every day... More than ever, it’s time to sit down, shut up, watch out, build graphs, and think… hard!

Useful links to ***Orbi***:

- <http://orbi.ulg.ac.be/handle/2268/106795>

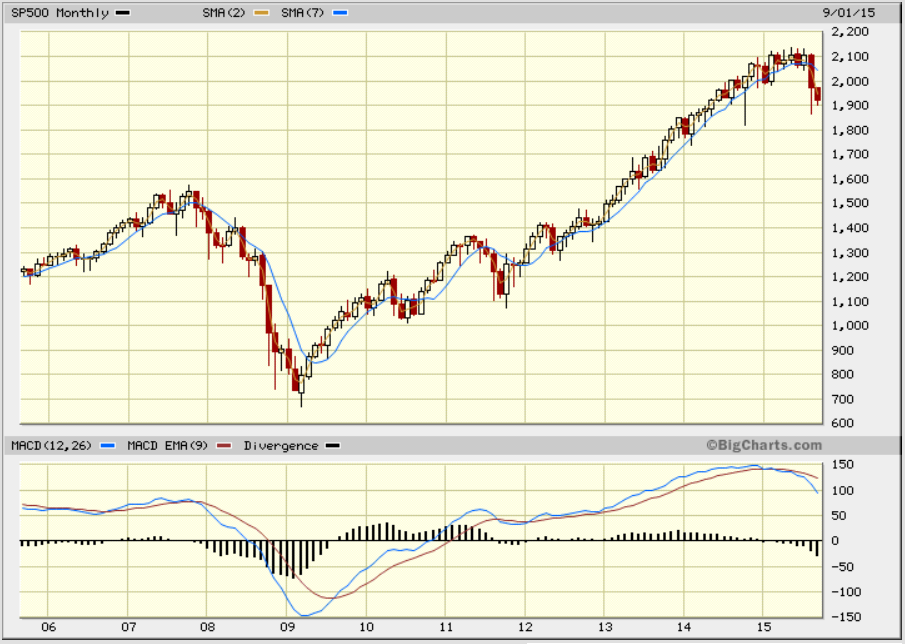
- <http://orbi.ulg.ac.be/handle/2268/168479>

- <http://orbi.ulg.ac.be/handle/2268/92033>

- <http://orbi.ulg.ac.be/handle/2268/164249>

**The “*Center*” of the world…\*** September 1, 2015.

Standard & Poor’s 500 Index (SP500)



Dow Jones Industrial Average (DJIA)



Source: [www.bigcharts.com](http://www.bigcharts.com), ten years, monthly data, two Simple Moving Averages (2, 7 ~ SMA50, SMA200), MACD analysis.

Lesson: When it rains in the US, it pours on the rest of the world…

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“*He who believes he knows, doesn't know that he believes…*”

**China’s wake-up call…\*** September 2, 2015.

Shanghai Composite Index (CN: SHCOMP)



Shenzhen New Index (XX: 399100)



Source: [www.bigcharts.com](http://www.bigcharts.com), five years, weekly data, two Simple Moving Averages (7, 30 ~ SMA50, SMA200), MACD analysis.

Lesson: China is no exception…

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**A case of divergence…\*** September 3, 2015.

Standard & Poor’s 500 (SP500) vs Philadelphia Gold/Silver Index (XAU)



Philadelphia Gold/Silver Index (XAU) vs Newmont Mining (NEM)



Source: [www.bigcharts.com](http://www.bigcharts.com), ten years, monthly data.

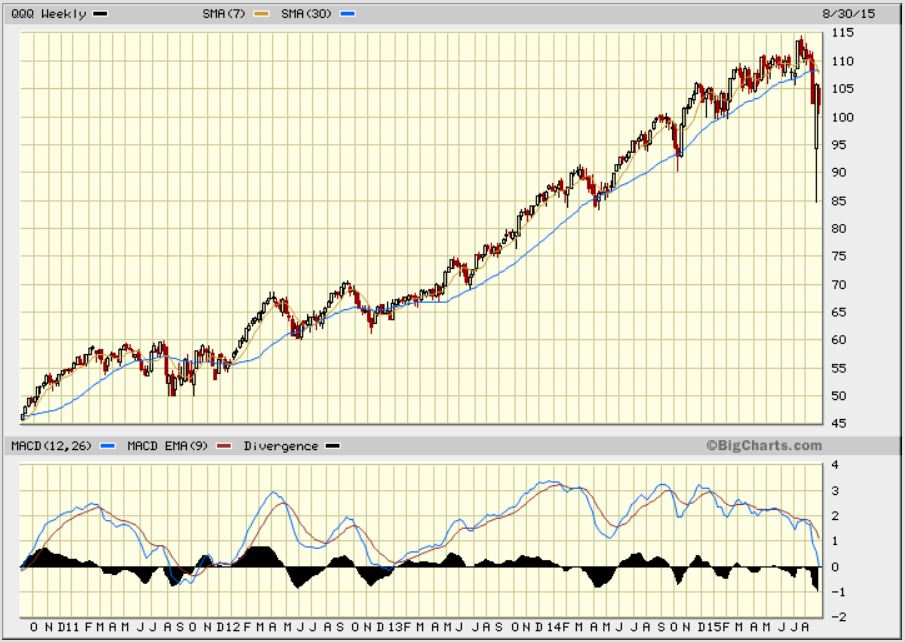
Lesson: The gold market is decoupling…

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**Nasdaq “*Stage*” of development…\*** September 4, 2015.

Nasdaq PowerShares ETF (QQQ), five years, weekly data



CBOE NASDAQ Volatility Index (VXN), last twelve months, daily data



Source: [www.bigcharts.com](http://www.bigcharts.com), two Simple Moving Averages (~ SMA50, SMA200), MACD analysis.

Lesson: The Nasdaq market is in “*Bear*” mode…

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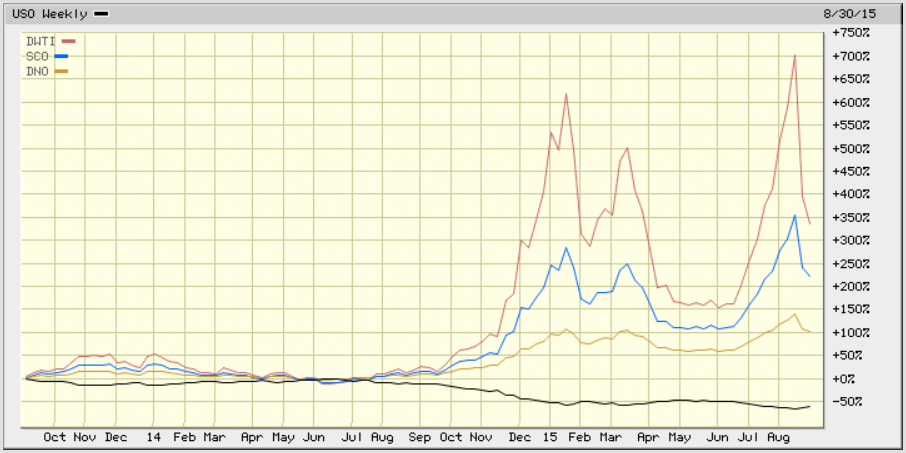
**Oil is butter too…\*** September 5, 2015.

USO: United States Oil Fund LP

DNO: United States Short Oil Fund

SCO: ProShares UltraShort Bloomberg Crude Oil (ETF)

DWTI: VelocityShares 3x Inverse Crude ETN linked to the S&P GSCI Crude Oil Index



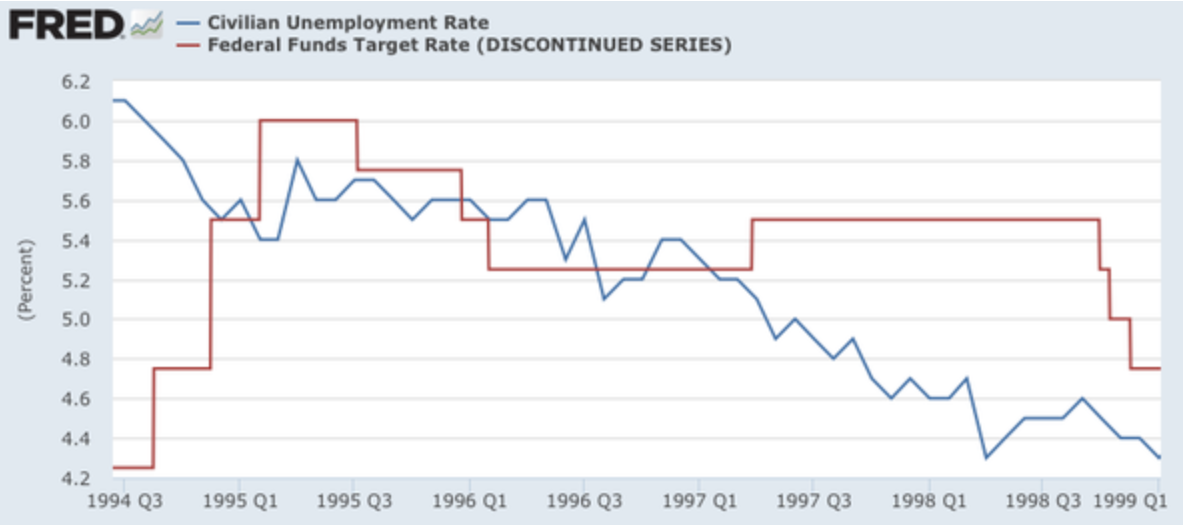
Source: [www.bigcharts.com](http://www.bigcharts.com), last two years, weekly data.

Lesson: The oil price decline is not lost for all…

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“*He who believes he knows, doesn't know that he believes…*”

**Is the FED disarmed…\*** September 6, 2015.



“*Hiking rates now is still a really bad idea — and the arguments for that bad idea just keep getting worse…”*

Source: Paul Krugman, <http://krugman.blogs.nytimes.com/2015/09/04/the-fed-should-remember-the-90s/>, September 4, 2015.

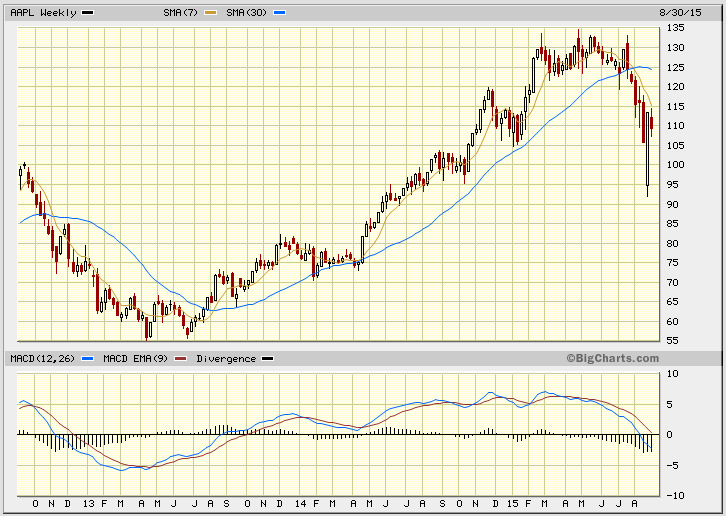
Lesson: The *Federal Reserve* has few degrees of freedom left…

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**A rope around the neck…\*** September 7, 2015.

Apple Inc.



Tesla Motors Inc.



Netflix Inc.



Source: [www.bigcharts.com](http://www.bigcharts.com), three years, weekly data, two Simple Moving Averages

(~ SMA50, SMA200), MACD analysis.

Lesson: “*Bearish Cross*” in uptrend…

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**BABA boom…\*** September 7, 2015.

Alibaba Group Holding Ltd



Source: [www.bigcharts.com](http://www.bigcharts.com), one year, daily data, MACD analysis.

Report suggests Ma and co-founder Joseph Tsai are looking to diversify their investments without scaring Alibaba investors. Source: <http://fortune.com/2015/09/04/is-alibabas-jack-ma-looking-to-borrow-2-billion-against-his-stock/>

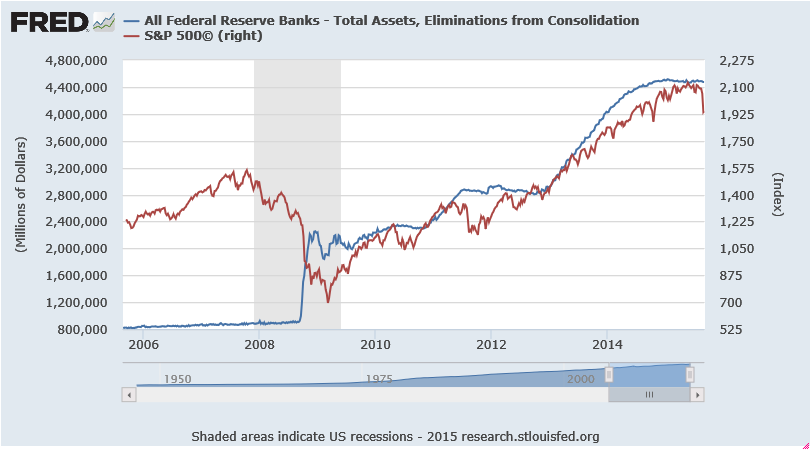
Lesson: Ma and Tsai are right to try to diversify…

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**Game over…\*** September 7, 2015.

S&P 500© [SP500], and all Federal Reserve Banks Total Assets



Source: S&P 500© [SP500], All Federal Reserve Banks Total Assets, retrieved from FRED, Federal Reserve Bank of St. Louis https://research.stlouisfed.org/fred2/, September 7, 2015.

Lesson: Markets may need more monetary dry powder…

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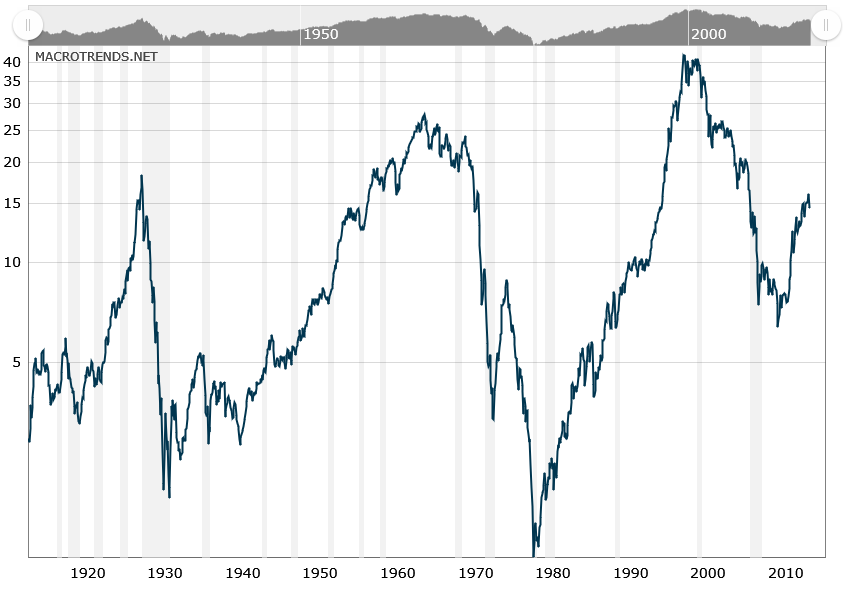
“*He who believes he knows, doesn't know that he believes…*”

**Is gold doomed…\*** September 8, 2015.

Gold to Monetary Base Ratio



DOW to Gold Ratio (Ounces)



Source: <http://www.macrotrends.net/1444/gold-to-monetary-base-ratio>

<http://www.macrotrends.net/1378/dow-to-gold-ratio-100-year-historical-chart>

Lesson: Didn’t Greenspan say “*Gold is currency*”…

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“*He who believes he knows, doesn't know that he believes…*”

**The short of a lifetime…\*** September 9, 2015.

“*German bunds are 'the short of a lifetime'.*” (Bill Gross)

<http://www.cnbc.com/2015/04/21/bill-gross-german-bunds-are-the-short-of-a-lifetime.html>

*“Monetary policy will in fact be effective if the central bank can credibly promise to be irresponsible… and creates expectations of inflation…”* (Paul Krugman)

<http://www.brookings.edu/~/media/projects/bpea/1998%202/1998b_bpea_krugman_dominquez_rogoff.pdf>

XX:AXTWEN, NYSE 20+ Yr Treasury Bond Total Return Index (INDEX)

TBF, ProShares Short 20+ Year Treasury (ETF)

TBT, ProShares UltraShort Lehman 20+ Year Treasury (ETF)

TTT, ProShares UltraPro Short 20+ Year Treasury (ETF)



Source: [www.bigcharts.com](http://www.bigcharts.com), three years, daily data.

Keep an eye on TBZ, PST… too!

Lesson: “*Skyfall*” coming soon to a market theater near you…

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“*He who believes he knows, doesn't know that he believes…*”

**3-D Printing stocks’ nightmare…\*** September 9, 2015.

SSYS, Stratasys Ltd

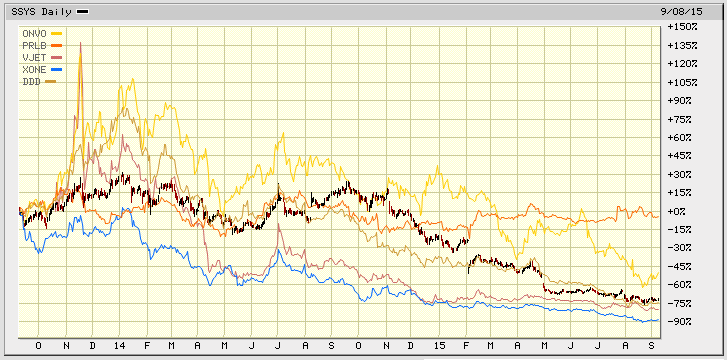
ONVO, Organovo Holdings Inc

PRLB, Proto Labs Inc

VJET, Voxeljet AG

XONE, ExOne Co

DDD, 3D Systems Corp



Source: [www.bigcharts.com](http://www.bigcharts.com), two years, daily data.

Lesson: But…, 3-D Printing is not going to disappear anytime soon…

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**Bullish Uptrend...\*** September 9, 2015.

Statistically, yes… apparently! Realistically…, the future will tell!

CPST, Capstone Turbines Corp



FCEL, FuelCell Energy Inc



Source: [www.bigcharts.com](http://www.bigcharts.com), last twelve months, daily data, MACD.

Lesson: “*Green tech*” may finally turn blue…

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**Structural vs financial leverage…\*** September 9, 2015.

USO, United States Oil Fund LP [Structural lever: 1 (none)]

UCO, ProShares Ultra Crude Oil (ETF) [Structural lever: 2]

XOM, Exxon Mobil Corp, [Financial lever: (+/-) 2,01]

EOG, EOG Resources, Inc, [Financial lever: (+/-) 1,95]

PXD, Pioneer Natural Resources Co, [Financial lever: (+/-) 1,75]

CVX, Chevron Corp, [Financial lever: (+/-) 1,73]



Source: [www.bigcharts.com](http://www.bigcharts.com), three years, daily data.

Lesson: And, the winner is “*Structural Leverage*”…

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**A house of cards…\*** September 10, 2015.

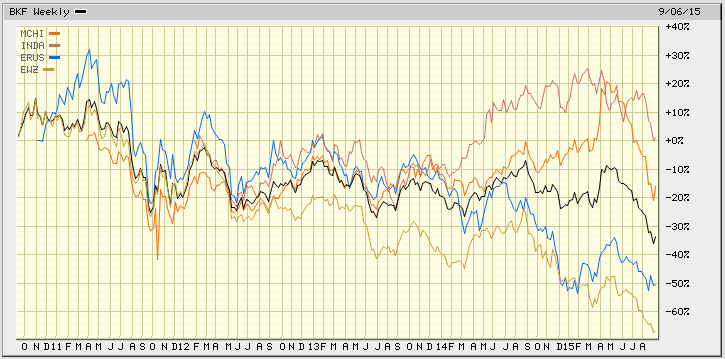
BKF, iShares MSCI BRIC (ETF)

EWZ, iShares MSCI Brazil (ETF)

ERUS, iShares MSCI Russia (ETF)

INDA, iShares MSCI India ETF (ETF)

MCHI, iShares MSCI China ETF (ETF)



Source: [www.bigcharts.com](http://www.bigcharts.com), five years, weekly data.

But…, inverse and/or leveraged ETFs do exist in the BRIC space!

(Search: <http://etfdb.com/>)

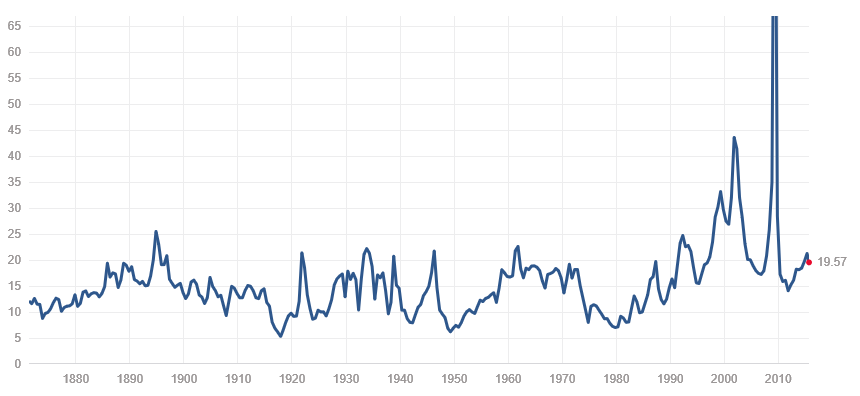
Lesson: The BRICS are broke…

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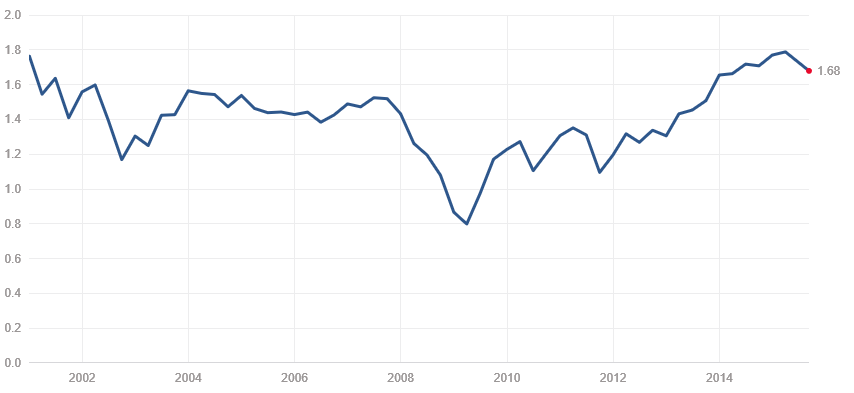
“*He who believes he knows, doesn't know that he believes…*”

**Market’s current valuation…\*** September 10, 2015.

S&P 500 Price to Earnings Ratio



S&P 500 Price to Sales Ratio



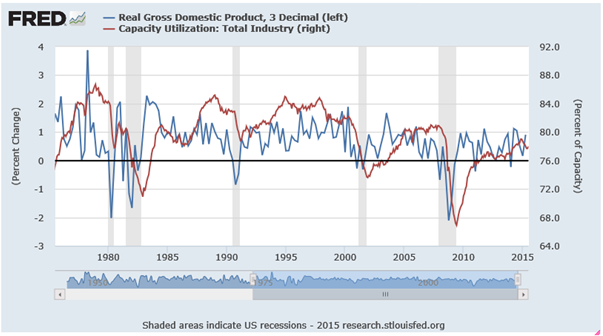
Source: <http://www.multpl.com/>.

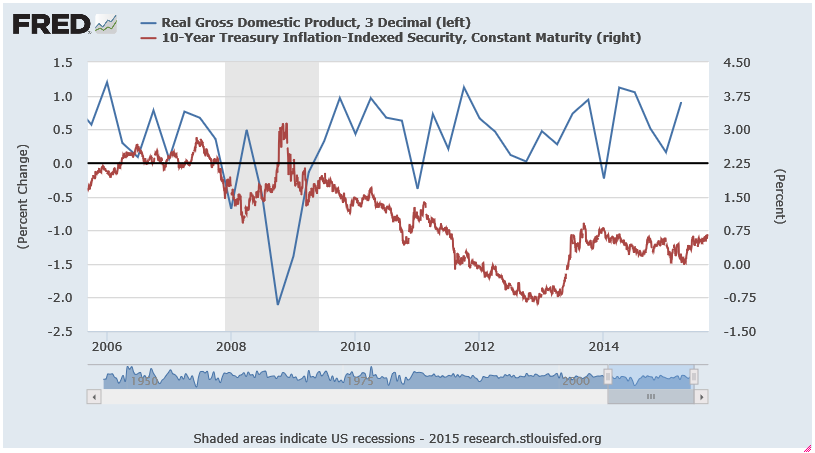
Lesson: Bubbly and expensive, must be Champagne…

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**A “*Stealth*” recovery…\*** September 10, 2015.





Source: <https://research.stlouisfed.org/>

Lesson: Weak recovery despite historically accommodative monetary policy…

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**This makes perfect sense…\*** September 12, 2015.

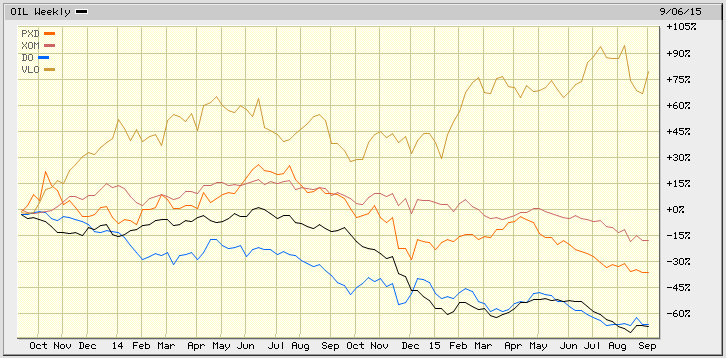
OIL, iPath Goldman Sachs Crude Oil Total Return Index ETN

VLO, Valero Energy Corp.

XOM, Exxon Mobil Corp.

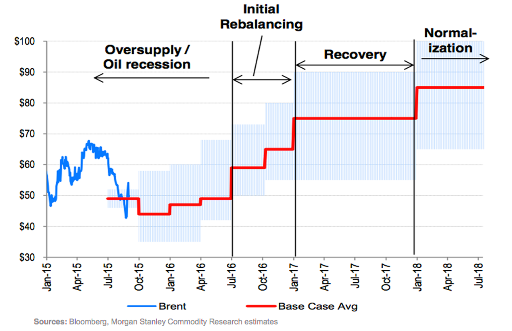
PXD, Pioneer Natural Resources Co.

DO, Diamond Offshore Drilling Inc.



Source: [www.bigcharts.com](http://www.bigcharts.com), two years, weekly data.

But…, here is how *Morgan Stanley* sees oil prices playing out through 2018.



Source: <http://uk.businessinsider.com/morgan-stanley-evolution-of-the-oil-cycle-through-2018-2015-9?r=US&IR=T>

Lesson: Refining margins are greater than exploration and production margins…

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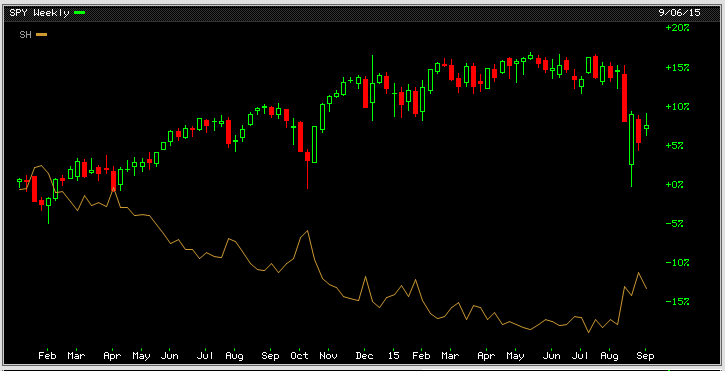
“*He who believes he knows, doesn't know that he believes…*”

**Markets jaws…\*** September 13, 2015.

Money is never lost! It changes pocket…

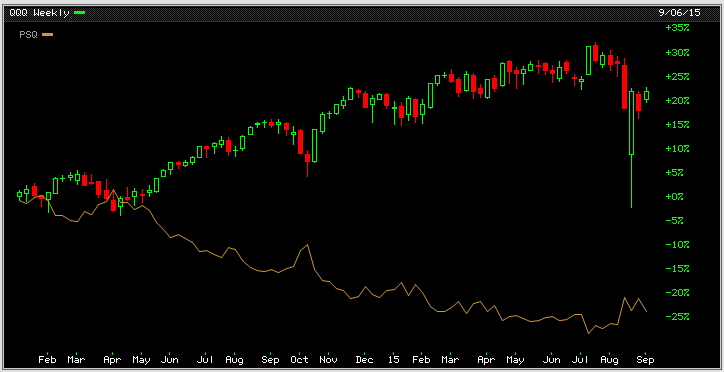
SPY, SPDR S&P 500 ETF Trust (ETF)

SH, ProShares Short S&P500 (ETF)



QQQ, PowerShares QQQ Trust (ETF)

PSQ, ProShares Short QQQ (ETF)



Source: [www.bigcharts.com](http://www.bigcharts.com), two years, weekly data.

Lesson: Bulls make money. Bears make money. Pigs get slaughtered…

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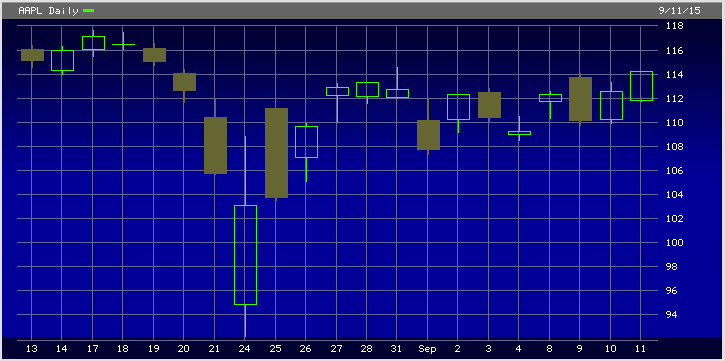
“*He who believes he knows, doesn't know that he believes…*”

**Recurrent *wows* and *oops*…\*** September 13, 2015.

ACI, Arch Coal Inc



AAPL, Apple Inc.



Source: [www.bigcharts.com](http://www.bigcharts.com), last month, daily data.

Lesson: Number of believers makes God’s existence more likely than efficient markets…

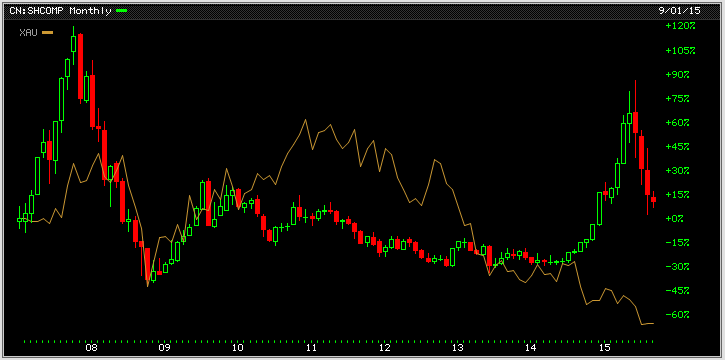
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**The painful Long March…\*** September 18, 2015.

CN: SHCOMP, Shanghai Composite Index

XAU: PHLX Gold/Silver Index



Source: [www.bigcharts.com](http://www.bigcharts.com), monthly data, 01/01/2007- 17/09/2015

Question: Is China’s future growth worth that much gold ?…

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**Blowin’ in the wind…\*** September 30, 2015.

VIX, CBOE Volatility Index



Source: [www.bigcharts.com](http://www.bigcharts.com), three months, daily

VXX, Barclays Bank PLC iPath S&P 500 VIX Short-Term Futures ETN



Source: [www.bigcharts.com](http://www.bigcharts.com), last ten days, hourly

Lesson: The power of the unexpected… (FOMC decision, VW scandal, EM-FX collapse, *Hajj* stampede, UN General Assembly). “***La réponse est dans le vent…***” (H. Aufray)

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