

This week's point and figure chart (courtesy of Dorsey Wright Charting Service) shows Short Emerging Markets ETF (EUM). The chart is showing a bottoming process, despite the weak performance of the Emerging Markets for the majority of this year.

TECHNICAL

For most of 2014, this chart was very weak. It topped in February at 29.5 and bottomed at 23.5 in August. Then it started to rise to the recent high of 28 with a pull back to 26.7. While rising to 27, the chart gave a point and figure buy signal from the sharp August bottom. In addition to the point and figure chart above, there are several other bullish indicators suggesting that this ETF is an attractive buy. Therefore, I plan to buy this ETF shortly while waiting for the current market volatility to settle down.

FUNDAMENTAL

The current decline in the price of oil and the continued drop in interest rates are two strong indicators of a continued slowdown in world markets. The Russian economic problems, which should persist or get worse, will continue to create risk concerns for Emerging Markets. Brazil also has serious inflation and currency issues, while China and India are fraught with debt risk. In addition, the higher US dollar creates economic disruptions within all the Emerging countries.

ASIDE

The recent stock market volatility is intense. Healthy up markets are never this volatile; they thrive on low volatility. So unless things settle down, the final resolve will be lower prices for the US markets. It is proving difficult to predict how this year will conclude, but normally year end is a bullish period. Yesterday's 400 point Dow move, without follow through, will be just noise. However, if the market continues to rally and storm to new highs, it would certainly jeopardize my bearish forecast. The start of 2014 was very weak for the markets and I expect the same will take place come January 2, 2015, unless between now and then we surge to new market highs.

There will not be a weekly posted Christmas weekend, so this will be the final report for 2014.

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Please note: It is the client's responsibility to notify us of any changes that would influence their financial needs.