LET'S GET TECHNICAL PART 1:
TREND PATTERNS
Let’s Get Technical Part 1:  
*Trend Patterns*

Dear Subscriber,

We introduced the *Critical Signals Report* Storm Tracker [here](#) as your starting point when it comes to assessing global risk and the proximity of the next recession. We also described that the Storm Tracker informs on the suggested cash percentage allocation within the *Critical Signals Report* Crash Portfolio.

Understanding what lies beneath the Storm Tracker is key to following along with our Critical Signals Reports and to our follow-up recommendations for portfolio construction.

Here’s our recently published Storm Tracker, suggesting a strengthening storm ahead…

In this five-part *Let’s Get Technical* series, we are going to share how Storm Tracker is constructed and weighed. To believe in Storm Tracker, you need to trust it… and to trust it, you need to understand how it is constructed – i.e. *what we are tracking* to derive the recessionary “wind speeds.”

Storm Tracker has five components that we’ll be describing as follows:
• Part 1: Trend Patterns
• Part 2: Leading Indicators
• Part 3: Yield Curves
• Part 4: GDP (Gross Domestic Product)
• Part 5: Critical Signals Report Surprise (hint… it has something to do with reliable timing)

In Parts 1–5, we’ll be explaining why these metrics matter, so you can better understand why Storm Tracker is such an essential element in knowing what’s going on and thus determining follow-on asset allocations within the Crash Portfolio. To understand the Crash Portfolio and believe in it, you’ll need to understand Storm Tracker and believe in it.

Let’s Get Started… Trend Patterns

Tracking global trends is important when it comes to forming a macro view. Macro views are important when it comes to asset allocating. That’s where Storm Tracker comes in to track the most important market trends for you.

The Trend Is Your Friend

How many times have we heard the phrase, “the trend is your friend” and “don’t fight the tape?” The idea here is never to bet (or trade) against market trends. If the broad market is trending up, don’t bet on a downward move. Conversely: If the broad market is trending down, don’t bet on an upward trend.

In this report, we’re going to explain how we look at trends, which trends matter, and how we integrate them into the Storm Tracker.

Trends We Monitor

Critical Signals Report monitors five categories of trends, each across daily, weekly, and monthly time frames with the following equal-sector allotments:
In a nutshell…

**Financial Conditions** track three criteria (money market conditions, stock market performance, and stock/currency volatility) across four global regions, namely…

1. The United States (Bloomberg U.S. Financial Conditions Index)…
2. The Euro Zone (Bloomberg Eurozone Financial Conditions Index)…
3. The UK (Bloomberg UK Financial Conditions Index), and…
4. Asia Ex-Japan (Bloomberg Asia ex-Japan Financial Conditions Index).

**Global Equities** track stock market trends across four global regions, namely…

1. The U.S. Equity Markets (Dow Jones, S&P 500, and Nasdaq Indexes)…
2. The European Equity Markets (Euro Stoxx 50, UK FTSE 100, France CAC 40, and Germany DAX Indexes)…
3. The Asian Equity Markets (Japan Nikkei 225, China Hang Seng, and Australia ASX 200 Indexes), and…
4. The Emerging Markets (Barclays Emerging Market Index).
Global Bonds track bond market trends across five regional categories, namely...

Global Bond Markets (Barclays Global Aggregate, Global High-Yield, and Global Inflation-Linked Indexes)...

1. U.S. Bond Markets (Barclays U.S. Aggregate Index)...
2. European Bonds Markets (Barclays Euro Aggregate Index)...
3. Asia Bond Markets (Barclays Asia-Pacific Aggregate Index), and...

Global Currencies track relative currencies’ movement to the U.S. dollar across three regions, namely...

1. North America (U.S. Dollar Index and Canadian/USD Cross)...
2. Europe (Euro/USD, UK/USD, Swiss/USD Crosses), and...
3. Asia (Japan/USD, China/USD, Australia/USD, and New Zealand/USD Crosses).

Global Commodities track trends across five categories, namely...

1. Commodities Generally (Bloomberg Total Return and Thompson/Reuters Commodity Indexes)...
2. Agriculture (S&P Agricultural and Bloomberg Agricultural Indexes)...
4. Industrial Metals (S&P and Bloomberg Industrial Metals Indexes), and...
5. Precious Metals (Gold and Silver Indexes).

Let’s add that up. The Critical Signals Report is tracking global trends across five market categories for you, by monitoring 21 indexes in three time frames (daily, weekly, and monthly)... that’s 315 combinations and permutations of market trend.
You could try this at home (hours a day), or just rely upon *Critical Signals Report* to track and consolidate all of this trending data into one simple report… the *Critical Signals Report*.

**How Friendly Are Trends Today?**

Ok, so how friendly are trends today? Well… not very friendly, to be blunt. Let’s take a look by sector and by time frame.

By sector, here’s the **GOOD** (trending up in green) and the **BAD** (trending down in red) below. The good stands out… global bonds… 85% green. Why? Because rising recession probabilities, deteriorating growth, and our *Critical Signals Report* Leading Indicators (part two, coming next) are prompting a flight-to-quality (i.e. *relative* quality….) in bonds, globally, and to the U.S. dollar, which is why global currencies look so weak in terms of U.S. dollars.

Here’s what else is noteworthy in the chart above. Financial Conditions, Global Equities, Global Currencies, and Global Commodities are *all trending down*, and in increasing amounts, left to right (noted by the white arrow).

Bottom line: The global economy is slowing/shrinking.
How fast?

Pretty fast when we parse the Critical Signals Report trends by time frame, below. Daily trends, weekly trends, and monthly trends are all suffering... lots of red.

With the daily trend suffering more than weekly and monthly trends, the downward momentum in trend is likely to continue... until it doesn’t (as in a melt-up), which the Critical Signals Report would spot in a nanosecond with these tools and tailor the Crash Portfolio for you accordingly.

At a glance, the 50%-plus red in this chart is bearish – trends are collapsing.

See How This All Fits Together?

We track global trends, which in turn informs the Critical Signals Report Storm Tracker, which in turn informs the Critical Signals Report Crash Portfolio (to be shared soon) as to changes that may be required in asset allocation.

But there’s more...
Stay tuned for *Let’s Get Technical Part 2: Leading Indicators*, coming to your email’s inbox soon.

**Useful? Questions?**

Fire away. We want to hear from you. Please provide your questions/comments below, as we’ll be formulating answers all along this technical journey. In the meantime, be safe out there…
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