MSA

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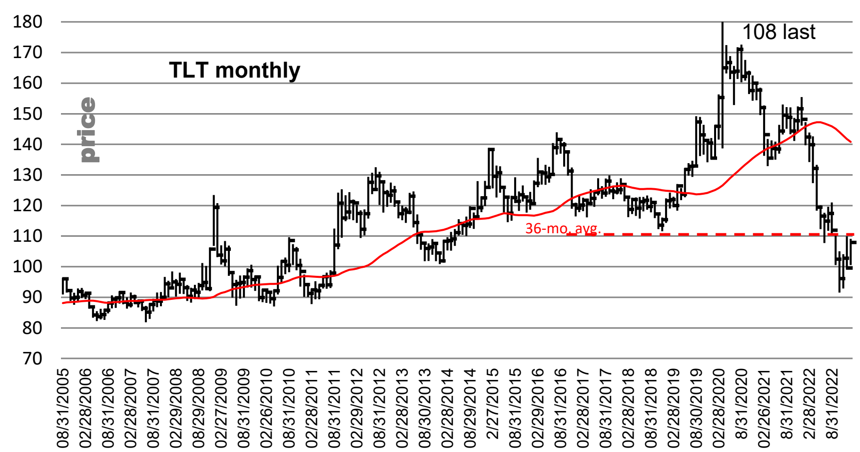
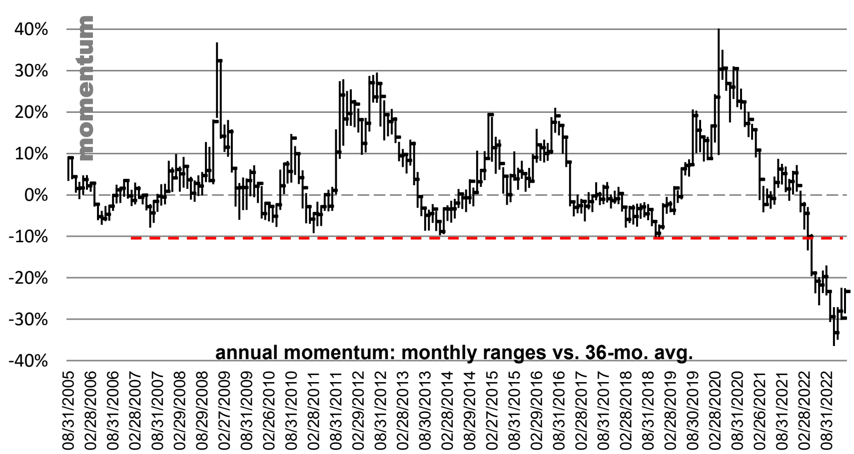
Bonds





Here we have the supposed "alternative" part of a safe portfolio. 40% in Bonds?

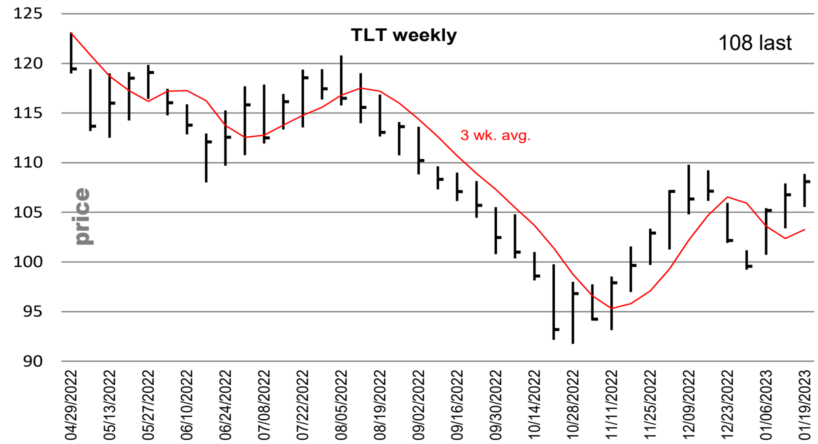
Well, they topped before the stock market and dropped more than the stock market. So much for the balanced portfolio orthodoxy.

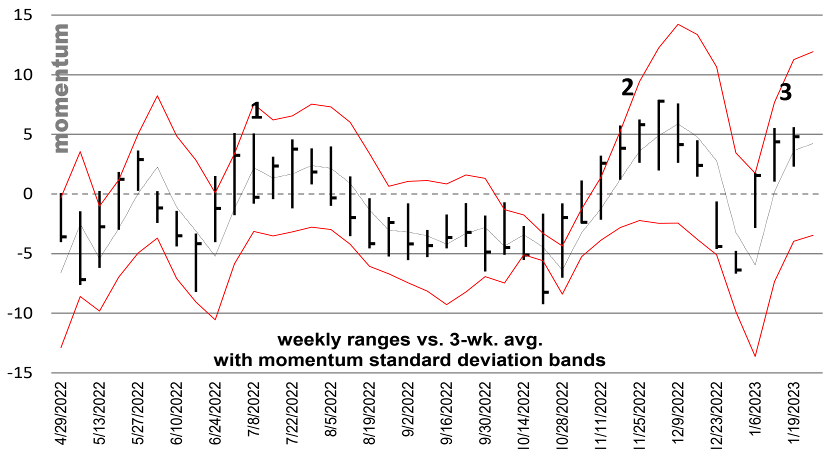
MSA argued earlier last year that a likely meaningful bounce point for TLT would be between 95 and 97. TLT reached a low just below 92 (very briefly) and then generated the current rally.

Looking at price, we suspect that resistance around 110+ will pose a problem and possibly halt the hope-filled recovery.

Yes, momentum has a level of likely resistance, but it's up at the –10% level, and in current price terms that's "up there." 10% below the 36-mo. avg. for next month equates to around 125.7.

While ultimately that –10% level will probably be resistance—when revisited at some future point—we suspect it's not resistance for this rally. Instead, it will perhaps be resistance several quarters from now with a further sharp collapse in the 36-mo. avg., such that the –10% oscillator level will translate into a much, much lower price chart level than 125.





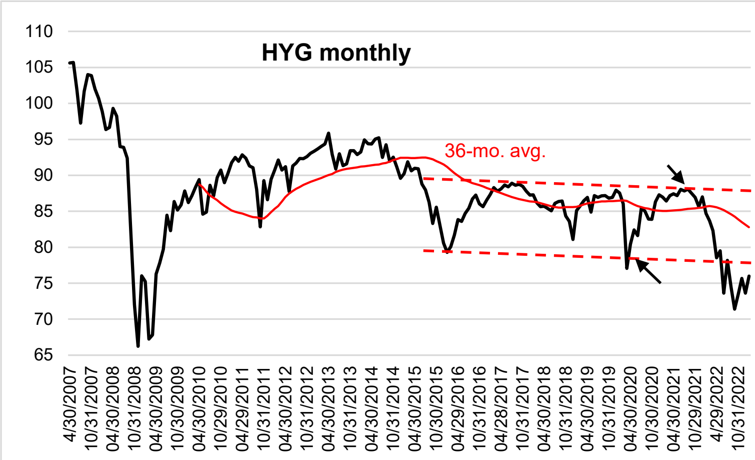
Weekly momentum

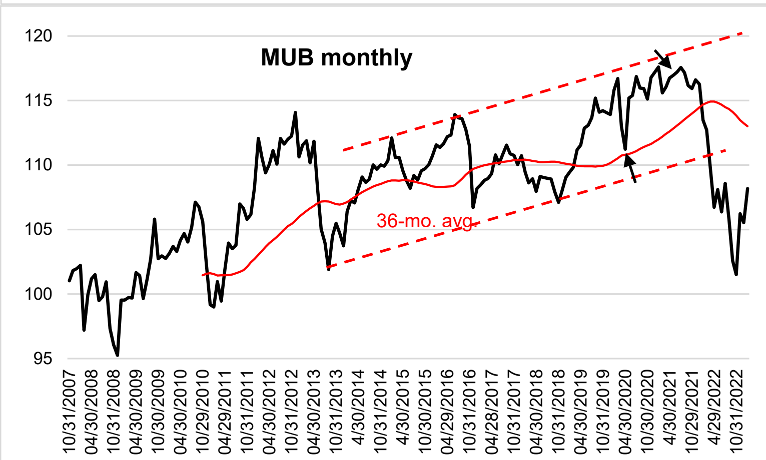
And like the stock market, TLT also made a price low in June as well as a weekly momentum low and has since produced multiple recovery waves.

For price the action remains just below the June lows, and for weekly momentum (though not as clear as the S&P 500 or NDX weekly oscillators) TLT's weekly momentum has arguably produced three up waves and is currently in the third one.

Price is nearing the December high, but momentum is short of that level. We've suggested that taking out that December price high and reaching at least 110 wouldn't surprise us.

The main thing we're watching for is any initial rollover in weekly readings. So far this week, though up in price, is a stall on momentum. No big deal, but this process of recovery is aged in terms of waves and that's something to factor into an assessment of the rally. MSA is monitoring.





High yield corporate debt and municipal debt.

First, just for some historical fun.

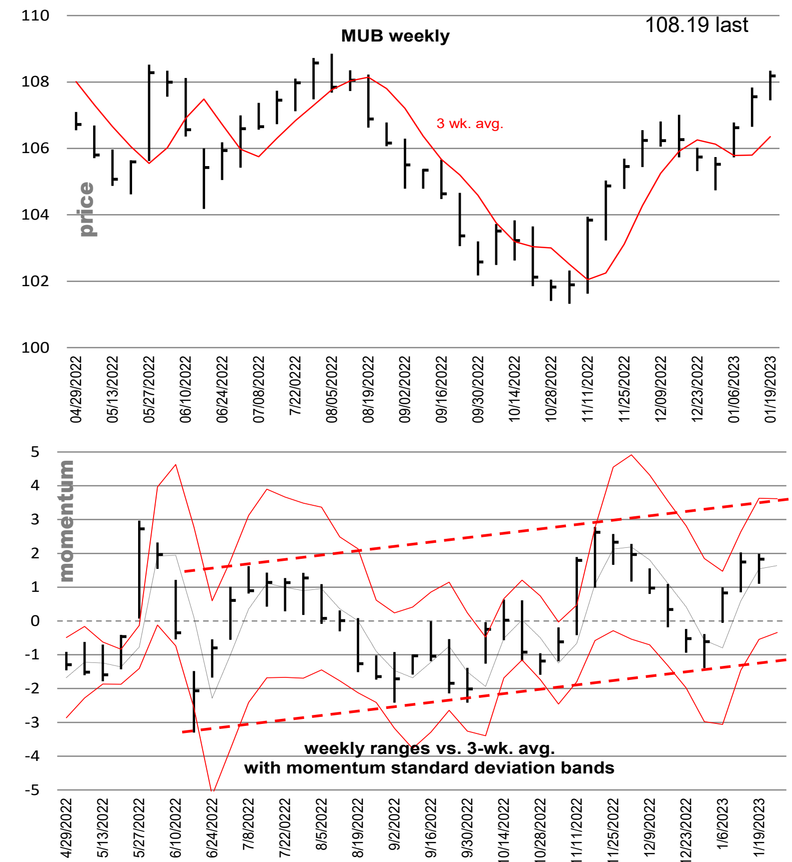
At the **up arrow** is when the Fed began buying high-yield corporate debt, including related ETFs, municipal bonds, and muni ETFs.

At the **down arrow** is when they ceased buying and started selling. Apparently these markets were totally dependent upon non-market forces to keep them afloat.

Long-term momentum (annual momentum not shown) doesn't offer any structures to break out above that would signal a positive trend. Instead, just like the price charts, there's a counter-trend rally basically in thin air.

MSA's view is that it's best to look at the current rallies *within the context* of the prior parallel channels that had prevailed for years.

Those massive trends broken and now having a counter-trend rally. Period.



Weekly momentum

In recent 360 Weekend Reports we've also shown weekly momentum of the S&P 500 and NDX. We think it's important especially in assessing the action since the June lows.

In this case the June lows in price for both markets were vastly taken out later in the year and only then came the head-turning rally.

But when we look at momentum we see the same pattern of three waves of upside, currently in the third one, with a nice, well defined structure below.

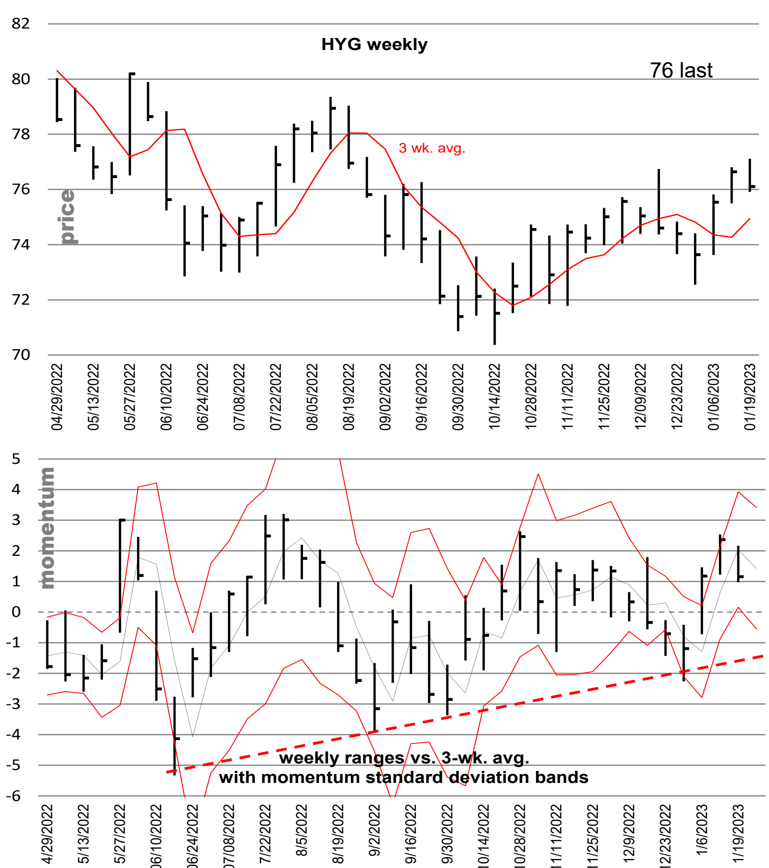
MUB (iShares National MuniBond ETF)

As this current up wave matures, we need to pay closer attention to weekly action. While price is above the prior rally high of the November/December surge, momentum isn't above that comparable high. Any stalling in these weekly oscillator bars at this point will be troublesome, given the wave maturity of this process (since the June lows), especially any drop that cracks the channel bottom around one point below the rising 3-wk. avg.

HYG (iShares High Yield Corp. Bond ETF)

Essentially same situation with three waves of recovery effort clear on weekly momentum since the June lows. Note that last week momentum registered an overbought status with the lower SD band rising over the zero line. So far this week is a stall week.

There's structure pending below about 1.5 points below its rising 3-wk. avg., just like the MUB momentum chart (and also the S&P 500 and NDX weekly momentum charts shown in the weekend report). The clock has been a-tickin' since the June low—recovery effort, recovery effort, recovery effort, as momentum expends its up waves. Ho hum. Counter-trend rally getting old.



Personal positions in markets mentioned in this report: none