

THE McCLELLAN MARKET REPORT

DAILY EDITION

Prepared after the close of trading on Tuesday, June 28, 2016

CURRENT OPINIONS

STOCKS: Bullish for short, intermediate, and long term trading styles. Tuesday's bounce reveals that the Brexit vote is like the Ebola Panic, a one-time momentary event, and prices should continue to recover.

T-BONDS: Bearish short and intermediate term. Watch for a surprise announcement from Japan, rocking the yen, and hurting bonds and gold.

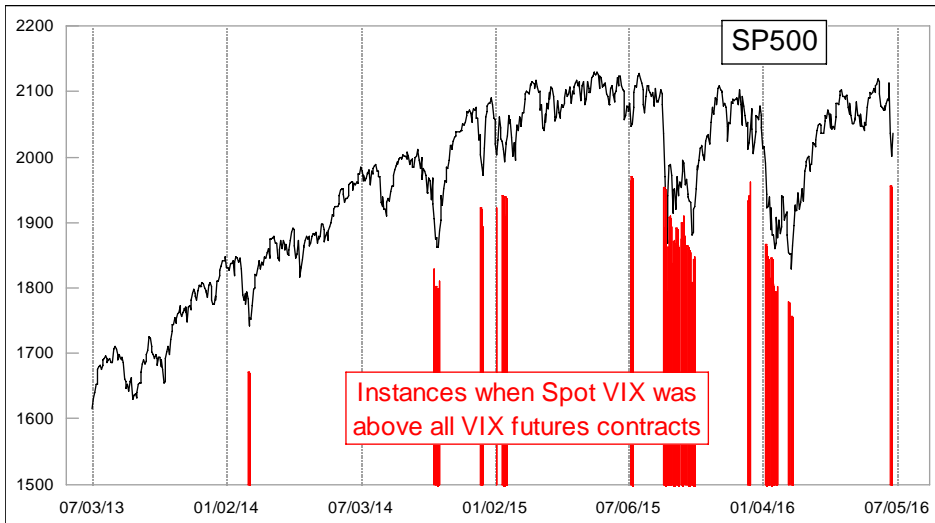
GDM & GOLD: Bearish short and intermediate term. Gold has followed the Japanese yen up to a ridiculously overbought top, and is likely to see a big unwind in the weeks ahead.

Note: Time frames mentioned refer to trading styles, and not to the duration of a forecast.

The 0.382 retracement level for the SP500 held as a support agent, and Tuesday saw a robust rebound. It made back all of Monday's drop in the DJIA, and so now there are just 600 points more to make back last Friday's post-vote selloff.

The VIX Index had a big drop, falling 5.10 points from Monday's close of 23.85. That was enough to take the VIX back below the prices of all of its futures contracts, after spending 2 days at a level above all of those contracts. Normally there is a healthy contango in VIX futures, and the spot VIX Index is usually below all of the futures contracts' prices. So it is pretty rare to see the spot VIX above all of its futures contracts, as shown in the first chart.

It is possible in a protracted downtrend to see multiple days in a row with the spot VIX above all of its futures contracts, as we saw last August and again in January 2016. But once that string is broken, the downtrend is usually over. The current string broke after 2 day, marking this as just one of those more ordi-



Segment	Rank	Score	Current Managed Account Program Positions		
Sm Cap Value	4	-3.31%	Stock Optimizer: 100% Nova		
Sm Cap Grwth	5	-3.39%	RS2000: 31% 2x NDX, 45% Govt. Long Bond, 24% Cash		
Lg Cap Value	2	-2.00%	Rising Star: 26% Invested, 74% Cash		
Lg Cap Grwth	3	-2.35%	Program funds managed by Global Investment Solutions, LLC		
Cash	1	0.00%	For more information, call (866) 547-3123		

ADV-DECL	ADV	DECL	A-D	10%T	5%T	A-D OSC	SUMM INDEX	OSC UNCH'd	OSC TO ZERO	
NYSE	06/28/16	2656	465	2191	136.473	179.143	-42.670	3175.459	94	947
NASDAQ	06/28/16	2303	578	1725	-114.196	-52.424	-61.772	1031.707	-176	1059
NDQ 100	06/28/16	97	3	94	1.218	1.576	-0.358	18.983	1	8
VOLUME	UP VOL	DN VOL	UV-DV	10%T	5%T	Volume OSC	SUMM INDEX	OSC UNCH'd	OSC TO ZERO	
NYSE	06/28/16	3895552	417755	3477797	-206568	-50957	-155611	890933	-362179	2750046
NASDAQ	06/28/16	1828147	202849	1625298	-121885	-16135	-105750	790399	-227634	1887360
NDQ 100	06/28/16	682009	4296	677713	-83855	-45551	-38305	-110763	-122160	643935
PRICES	HIGH	LOW	CLOSE	10%T	5%T	PRICE OSC	OSC Direction	OSC UNCH'd	Sum/10 Level	1%T
DJIA	17409.72	17190.51	17409.72	17670.50	17692.87	-22.367	DOWN	17648.14	17713.00	17405.97
NYComp	10161.16	10063.83	10161.16	10351.97	10353.41	-1.438	DOWN	10350.53	10354.70	10244.20
SP500	2036.09	2006.67	2036.09	2070.91	2072.04	-1.135	DOWN	2069.77	2073.07	2037.70
SP400	1443.50	1422.12	1442.50	1476.88	1472.80	4.082	DOWN	1480.97	1469.13	1432.80
NASDAQ	4692.98	4643.93	4691.87	4812.00	4827.09	-15.088	DOWN	4796.92	4840.67	4815.30
Nasdaq 100	4291.43	4245.29	4290.47	4389.30	4408.03	-18.737	DOWN	4370.56	4424.90	4396.56
Russ2000	1110.50	1092.17	1107.30	1141.31	1137.98	3.332	DOWN	1144.64	1134.98	1126.56
GDM	753.86	735.16	741.07	710.33	686.50	23.835	UP	734.17	665.05	560.38
Aug Gold	1329.50	1308.20	1317.90	1283.58	1270.51	13.068	UP	1296.65	1258.75	1210.46
Sep Bonds	173.78	172.53	173.13	168.43	166.61	1.824	UP	170.26	163.87	160.93
DJI Osc Rising Index:		17%	Oversold,Trend Dn		DJI Osc Pos & Rising:		7%	Oversold,Falling		
NDX stocks >100MA:		43	Arms Index: 0.61		VIX: 18.75		Uppr Band: 18.79		Lwr Band: 13.10	

nary oversold bottoms.

I learned a few years ago from Larry McMillan, of www.optionstrategist.com, that there is information to be gained from looking at the term structure of VIX futures. That small kernel of truth is what led me to compile all of the data on VIX futures prices so that I could look at it and create indicators like the one on page 1.

I am also finding that there is a lot of information to be mined from the data on exchanged traded notes (ETNs) tied to the VIX, like VXX or XIV. The latter is an inverse VIX futures ETN, and so it goes up in value as VIX futures fall in price.

Read that last sentence carefully. The ETNs are not tied to the actual spot VIX, because the VIX is just an indicator and not a tradable investment vehicle. And the futures price can differ a lot from the spot VIX Index.

But I was a bit confused on Tuesday when I saw really big drops in the July and August contracts for VIX futures, but I did not see a corresponding size rise in XIV, which purports to own those two contracts. Just to verify that, I went to <http://www.velocitysharesetns.com/xiv> to reverify the holdings. While I was there, I saw the reason for the difference in performance on Tuesday, which is shown above.

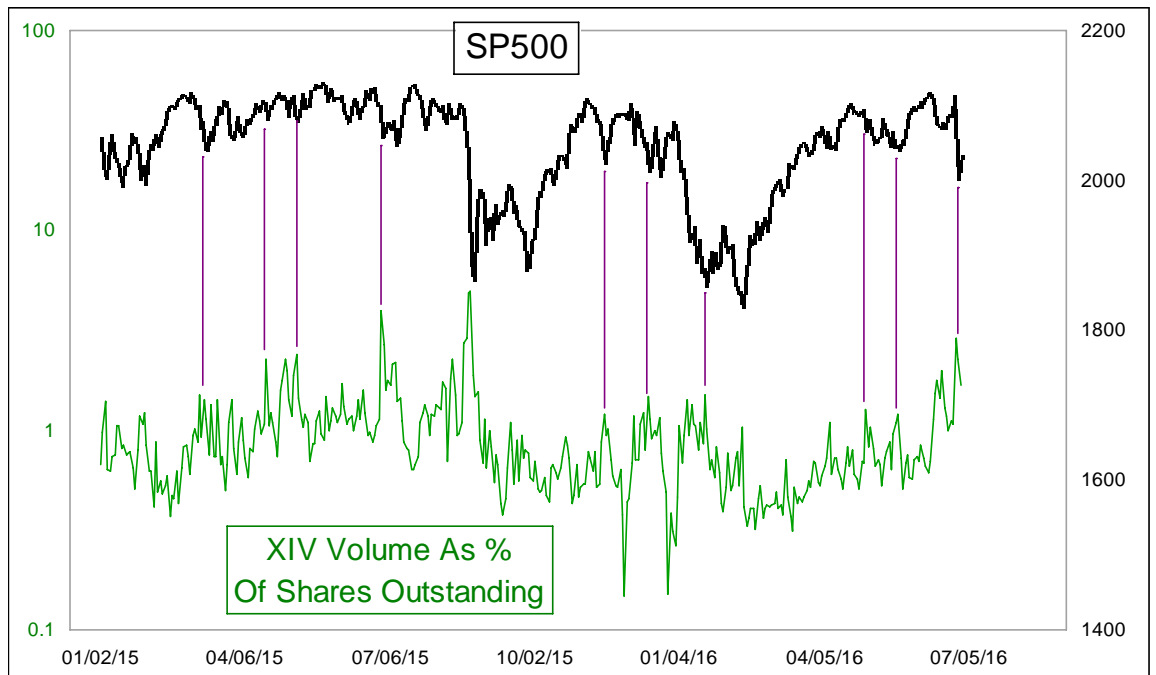
Normally the sponsoring firm of an ETF/ETN will issue or redeem shares in order to keep the share price close to the net asset value. But on Monday, VelocityShares did not do that, and so there was a big disparity between the two. They are much closer together as of the close on Tuesday, but this should be an important lesson. Not only will the share price of these vehicles not match that well with what the spot VIX does, but also it can vary a lot from what the ETN's holdings are doing. So caveat emptor.

One interesting development in last Friday's selloff was that volume in XIV spiked in a huge way. I have found that measuring raw volume is not as useful as measuring it as a percentage of the number of shares outstanding, which is what I show in the chart at the bottom of page 2.

This measure of XIV volume spiked up to its highest reading since the August 2015 minicrash. Such spikes tend to be great markers of important bottoms, and so the message here is that the post-Brexit vote selloff is likely to be all done now. That does not mean we cannot encounter another selloff later on, but

Volatility		
(XIV) VelocityShares Daily Inverse VIX Short-Term ETN		
Product Data (06/27/2016)		
Closing Indicative Value	\$19.87	
ETNs Outstanding	39,378,883	
Market Capitalization	\$782,458,405	
Market Data (06/27/2016)		
Closing Price	\$21.46	High
Net Change	-\$0.54	Low
%Change	-2.46	Volume

Holy tracking error, Batman!!!



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this one should be done, and the market can work its way back up again.

T-Bonds held onto their recent gains, in spite of the stock market's rebound, and in spite of a nearly 1% drop in the value of the yen versus the dollar. The top chart shows that the two have a very strong correlation. So to bet on T-Bond prices continuing their uptrend, one would have to bet on the Japanese yen also continuing higher.

And such a bet does not seem like a good idea, especially since these rapid spike up moves tend to be terminal. We also learned on Tuesday that Bank of Japan Governor Haruhiko Kuroda

said that the central bank is ready to take steps to ensure normal financial market function. Adding to that, Japan's Finance Minister Taro Aso said that he is closely watching the forex markets and would respond if necessary.

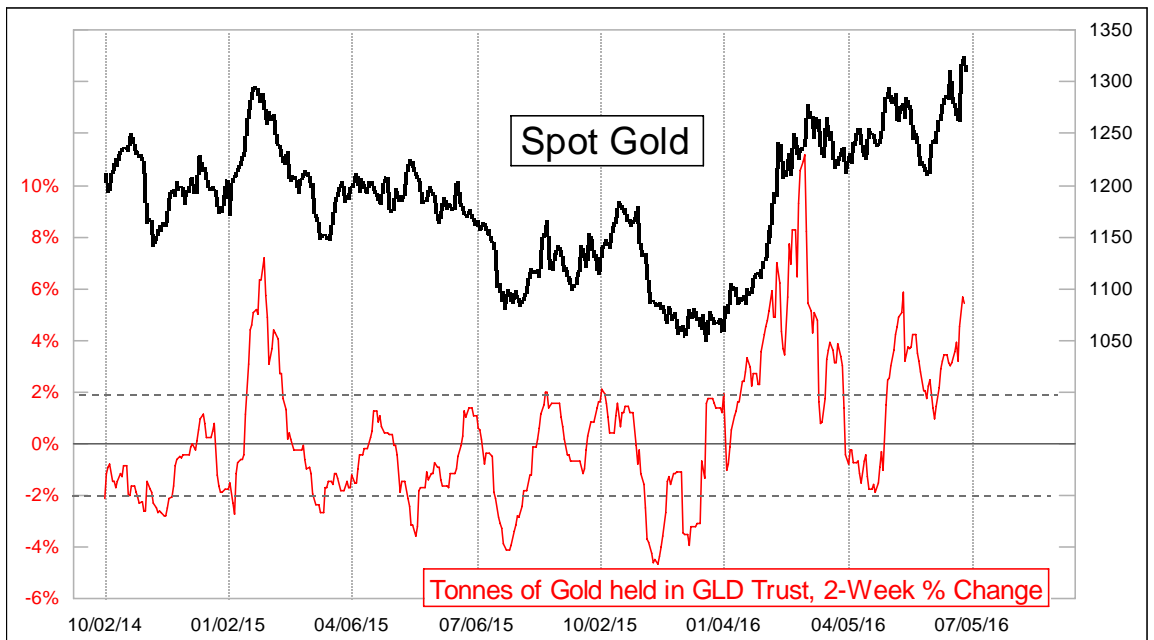
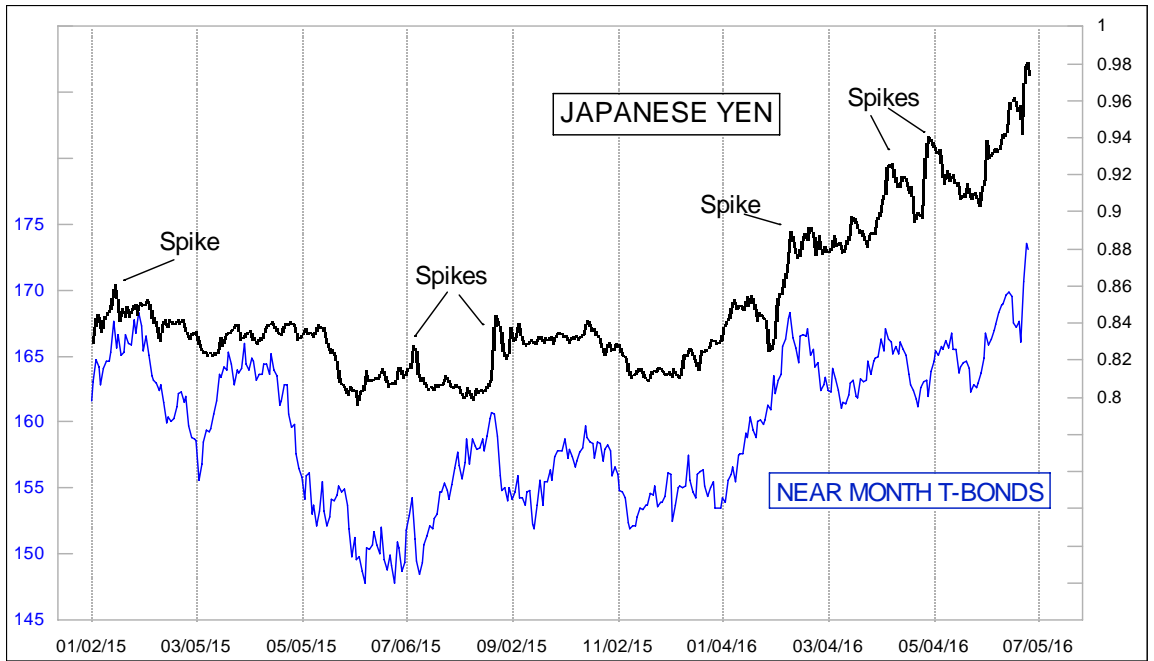
It cannot be good for Japan's own economy to have the yen at such a high level. So while their comments were about the functioning of the financial markets, the subtext is that they are going to protect their own interests by whatever intervention is necessary. That will be a hard pill for bond traders to swallow, and is likely to set up a stop-running decline.

Gold posted a small loss in both the spot and futures markets, which is more in keeping with the small drop in the yen. But total assets in GLD still grew again, making this the highest total level of tonnes of gold held by GLD since July 2013.

The rapid nature of the growth in assets has helped to push the indicator in the final chart to a very high level. This just looks at how rapidly those asset levels have been changing lately, by comparing the current daily to that of 10 trading days ago.

Really high readings like this one are invariably associated with the really important price tops. But having said that, I will note that the price does not have to immediately start downward in a dramatic way just due to this or any other reading.

Still, this is not the kind of indication you want to see if you are a gold bull. I still expect the big decline to get started, leading to a major cycle low due near the end of 2016.





Stocks Currently on a "Buy"

Company Name	Symbol	Buy Date	Buy Price	Current	% Change
Corrections Corp of Am	CXW	5/5/2016	\$33.39	\$34.84	4.34%
Avis	CAR	5/10/2016	\$26.39	\$29.12	10.34%
Sina Corp	SINA	5/27/2016	\$51.12	\$50.38	-1.45%
Tata Motors	TTM	5/31/2016	\$33.50	\$33.36	-0.42%
Western Digital	WDC	6/1/2016	\$47.63	\$44.11	-7.39%
Lululemon	LULU	6/2/2016	\$67.13	\$69.87	4.08%
Express Scripts	ESRX	6/2/2016	\$76.26	\$74.01	-2.95%
Gulfport Energy	GPOR	6/3/2016	\$31.18	\$31.83	2.08%
Mosaic	MOS	6/7/2016	\$29.03	\$25.26	-12.99%
Air Methods	AIRM	6/14/2016	\$36.31	\$34.83	-4.08%
Bitauto	BITA	6/14/2016	\$24.07	\$26.99	12.13%
Deckers Outdoor	DECK	6/15/2016	\$55.70	\$54.96	-1.33%
Petrobras	PBR	6/23/2016	\$7.21	\$6.78	-5.96%

Stocks Currently on a "Buy"

Company Name	Symbol	Buy Date	Buy Price	Current	% Change

Recent Sales

Company Name	Symbol	Buy Date	Sell Date	Buy Price	Sale Price	% Change
Cree	CREE	6/7/2016	6/28/2016	\$24.65	\$23.48	-4.75%
Mercadolibre	MELI	2/24/2016	6/27/2016	\$103.10	\$126.88	23.06%
United Rentals	URI	4/25/2016	6/27/2016	\$64.83	\$62.27	-3.95%
Factset Research	FDS	5/24/2016	6/27/2016	\$159.71	\$151.19	-5.33%
Wynn Resorts	WYNN	5/26/2016	6/27/2016	\$94.55	\$87.69	-7.26%
Flir Systems	FLIR	6/2/2016	6/27/2016	\$31.23	\$29.08	-6.88%
Dana Holding	DAN	6/9/2016	6/27/2016	\$12.21	\$10.47	-14.25%
Century Aluminum	CENX	6/14/2016	6/27/2016	\$6.22	\$5.86	-5.79%
Wyndham Worldwide	WYN	6/17/2016	6/27/2016	\$70.12	\$65.40	-6.73%
Priceline Group	PCLN	5/25/2016	6/24/2016	\$1,270.18	\$1,232.14	-2.99%
Apple	AAPL	6/2/2016	6/24/2016	\$97.72	\$93.40	-4.42%
Tenneco	TEN	6/3/2016	6/24/2016	\$51.85	\$48.77	-5.94%
Harman International	HAR	6/6/2016	6/24/2016	\$79.82	\$70.65	-11.49%
Nordstrom	JWN	6/21/2016	6/24/2016	\$37.75	\$37.13	-1.64%

Buy and Sell signals are generated by technical indicators often referred to as "directional" indicators. Each stock generates its own signals based on its share price action, and independent of other factors, including our views about the overall market trend. In backtesting, best results were obtained when new positions were taken upon "New Buy" signals, and when stocks that generate a "Sell" were promptly removed from a portfolio. Since many of the stocks in this program carry above average risk, stocks should be bought only by investors financially able to purchase speculative stocks. Investors should be prepared to lose their entire investment and

PRUDENCE should be displayed when entering a position. Trading based on these signals is available in a managed accounts program through Global Investment Solutions, LLC. For more information on this program, see http://www.mcoscillator.com/market_reports/rising_star_stocks.html or contact Roger Kliminski at 949-660-7960 or Roger@Globalinvestsolutions.com.

