

deGraaf's Daily

Most of our most reliable measures suggest a good oversold condition has developed, but what peaks our confidence in a rally call is the simultaneous oversold condition of world currencies vs the dollar, and gold. Most interesting is the 2-day strength in gold and the tactical reversal of the Euro late last week. These are definitive changes in the trading behavior and relationship of these securities we've seen over the last several weeks, and despite the fact that 93 names in the S&P 500 were fresh breakdowns last week, it suggests to us that the timing of the bounce is very good, particularly with expiration behind us.

We would note that emerging market currencies continue to look weak as flows appear to be reversing the trends of the previous decade (they are likely to bounce too). What stands out to us is the yield curve of Turkey, and the position of its equity market. The 2s and 10s are inverted, (what bear doesn't like a little inversion?), yet the index hasn't cracked from the recent overbought condition. Like most of peripheral Europe, there are plenty of imbalances, but unlike much of Europe, they've been pushing the credit boom a little longer than most.

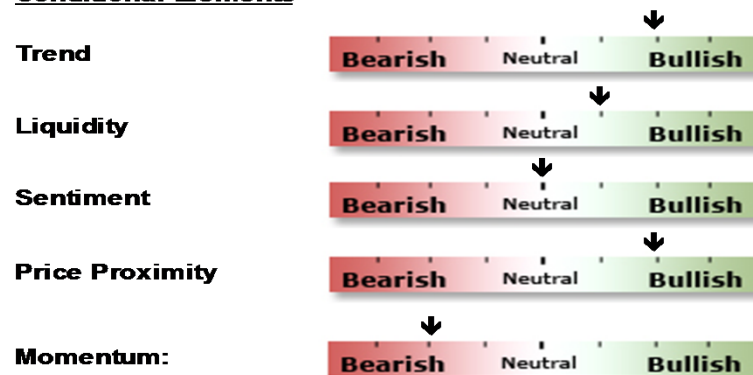
Synthetic credit acts weaker than cash, a condition we suspect is being driven JPM's prospective unwind. Adding to our evidence of timing the bounce, we would note that 10yr swap spreads contracted late last week and unsecured bank funding costs actually hit a 65-day low. If Europe can delay the inevitable, this market should be able to find a foothold in coming days for a tradable rally.

Industry Group Technical Rankings

<u>Strongest</u>	<u>Weakest</u>
Distributors	Wireless Telecom Services
Industrial Conglomerates	Diversified Consumer Services
Household Durables	Metals & Mining
Construction Materials	Health Care Technology
Real Estate Investment Trusts	Communications Equipment

Intermediate Term Barometer

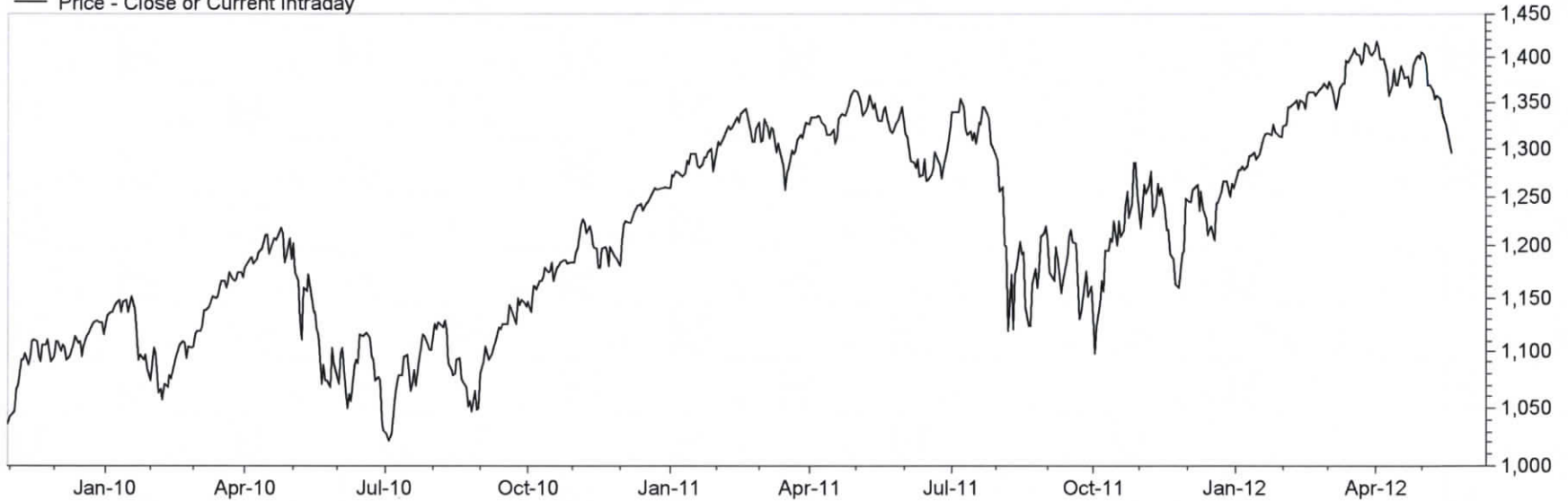
Conditional Elements



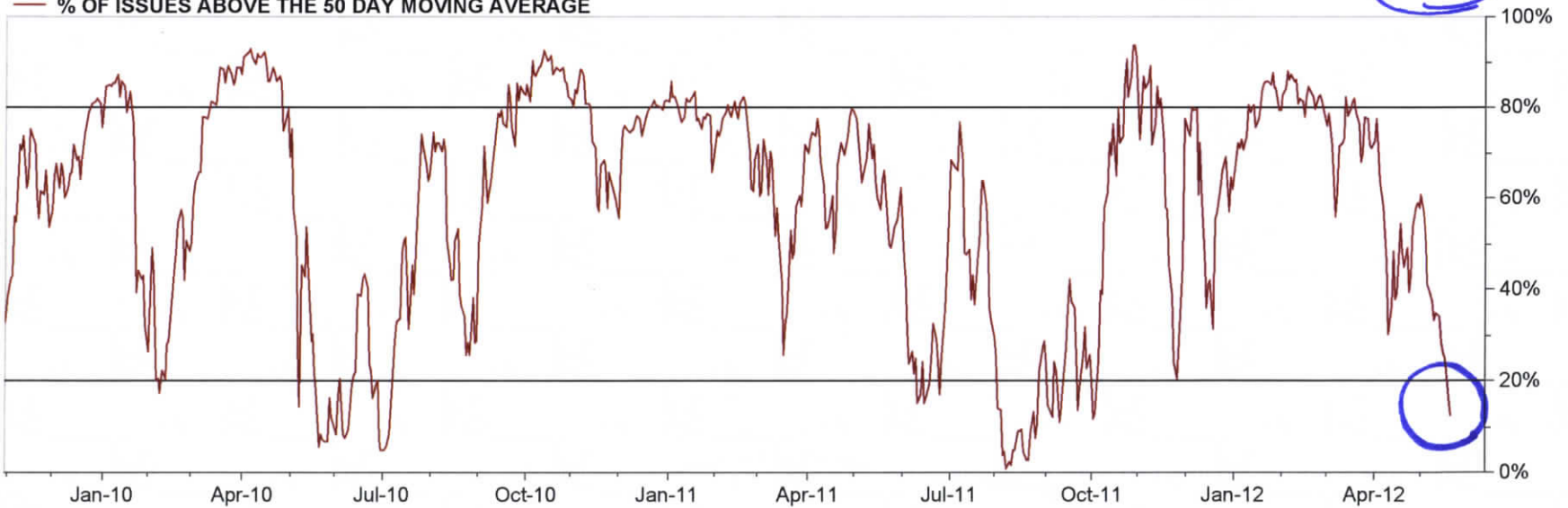
12.8% of S&P > 50-day

S&P 500 (SP50)

— Price - Close or Current Intraday



— % OF ISSUES ABOVE THE 50 DAY MOVING AVERAGE

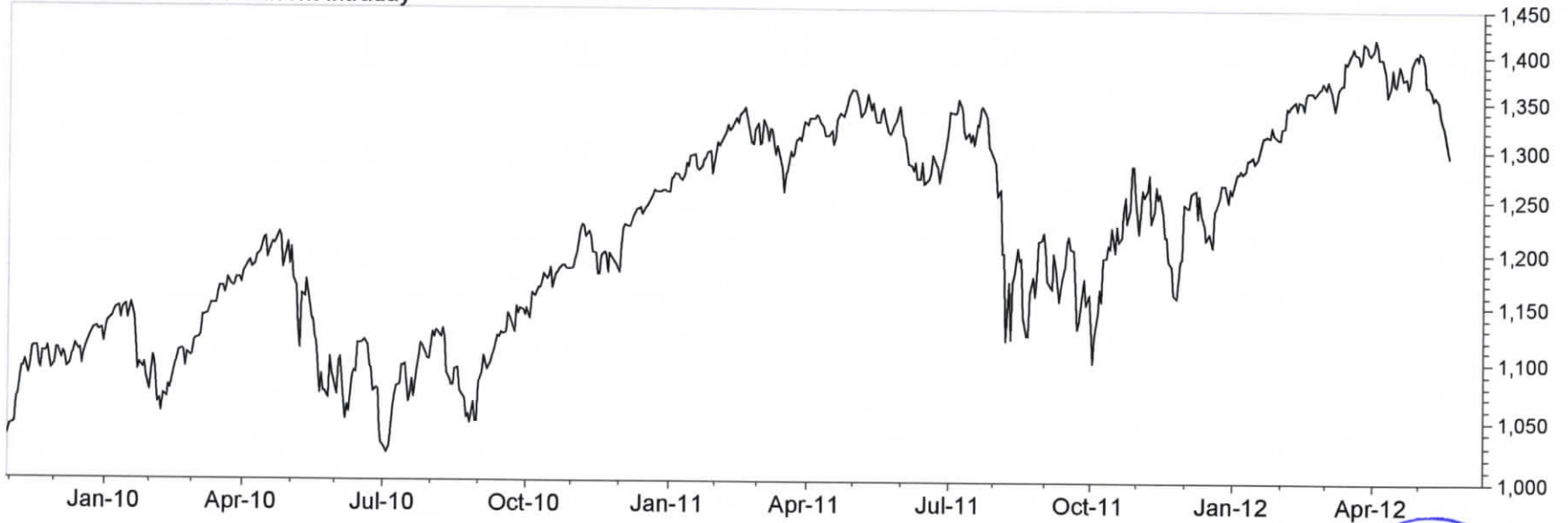


5/18/2012 = 12.80%

OverSold and ready to bounce

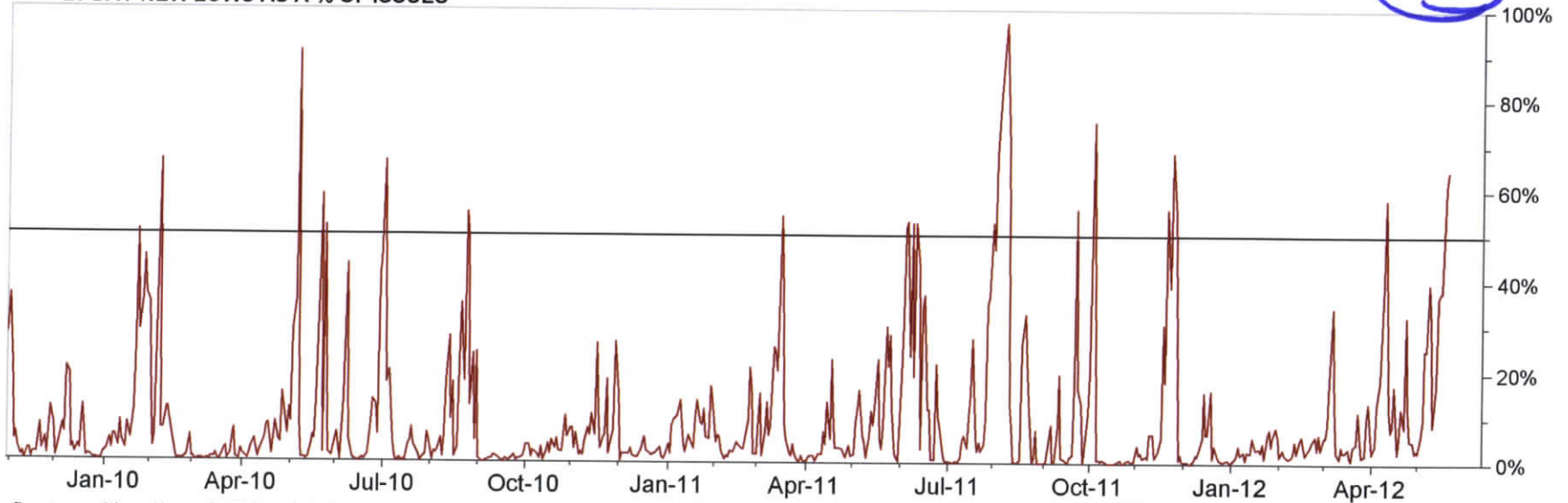
S&P 500 (SP50)

— Price - Close or Current Intraday



— 20 DAY NEW LOWS AS A % OF ISSUES

5/18/2012 = 64.60%



Earnings Response has been defensive

Sector Earnings Response



Synthetic Credit looks bad
JPM?



The format and content of this report may not be modified or altered (including, but not limited to, via deletion or addition) in any way. The BLOOMBERG PROFESSIONAL service and BLOOMBERG Data are owned and distributed locally by Bloomberg Finance L.P. ("BFLP") and its subsidiaries in all jurisdictions other than Argentina, Bermuda, China, India, Japan and Korea (the "BLP Countries"). BFLP is a wholly-owned subsidiary of Bloomberg L.P. ("BLP"). BLP provides BFLP with all global marketing and operational support and service for the Services and distributes the Services either directly or through a non-BFLP subsidiary in the BLP Countries. BFLP, BLP and their affiliates do not provide investment advice or guarantee the accuracy of prices or information in the Services. Nothing on the Services shall constitute an offering of financial instruments by BFLP, BLP or their affiliates.

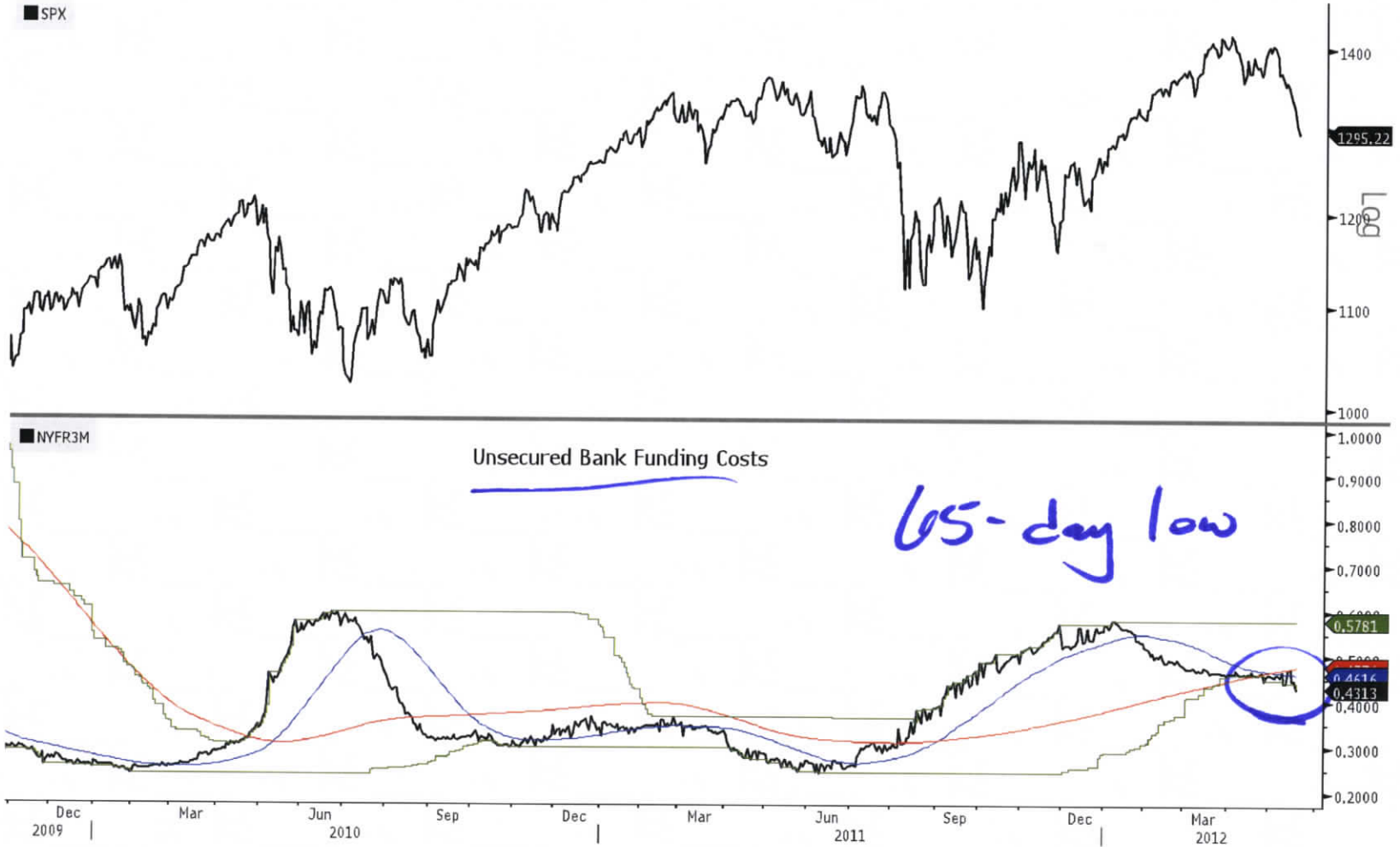
Swap spreads came in last week



The format and content of this report may not be modified or altered (including, but not limited to, via deletion or addition) in any way. The BLOOMBERG PROFESSIONAL service and BLOOMBERG Data are owned and distributed locally by Bloomberg Finance L.P. ("BFLP") and its subsidiaries in all jurisdictions other than Argentina, Bermuda, China, India, Japan and Korea (the "BLP Countries"). BFLP is a wholly-owned subsidiary of Bloomberg L.P. ("BLP"). BLP provides BFLP with all global marketing and operational support and service for the Services and distributes the Services either directly or through a non-BFLP subsidiary in the BLP Countries. BFLP, BLP and their affiliates do not provide investment advice or guarantee the accuracy of prices or information in the Services. Nothing on the Services shall constitute an offering of financial instruments by BFLP, BLP or their affiliates.

Bloomberg

SPX Index (S&P 500 Index)
 NYFR3M Index (ICAP New York Funding Rate...)



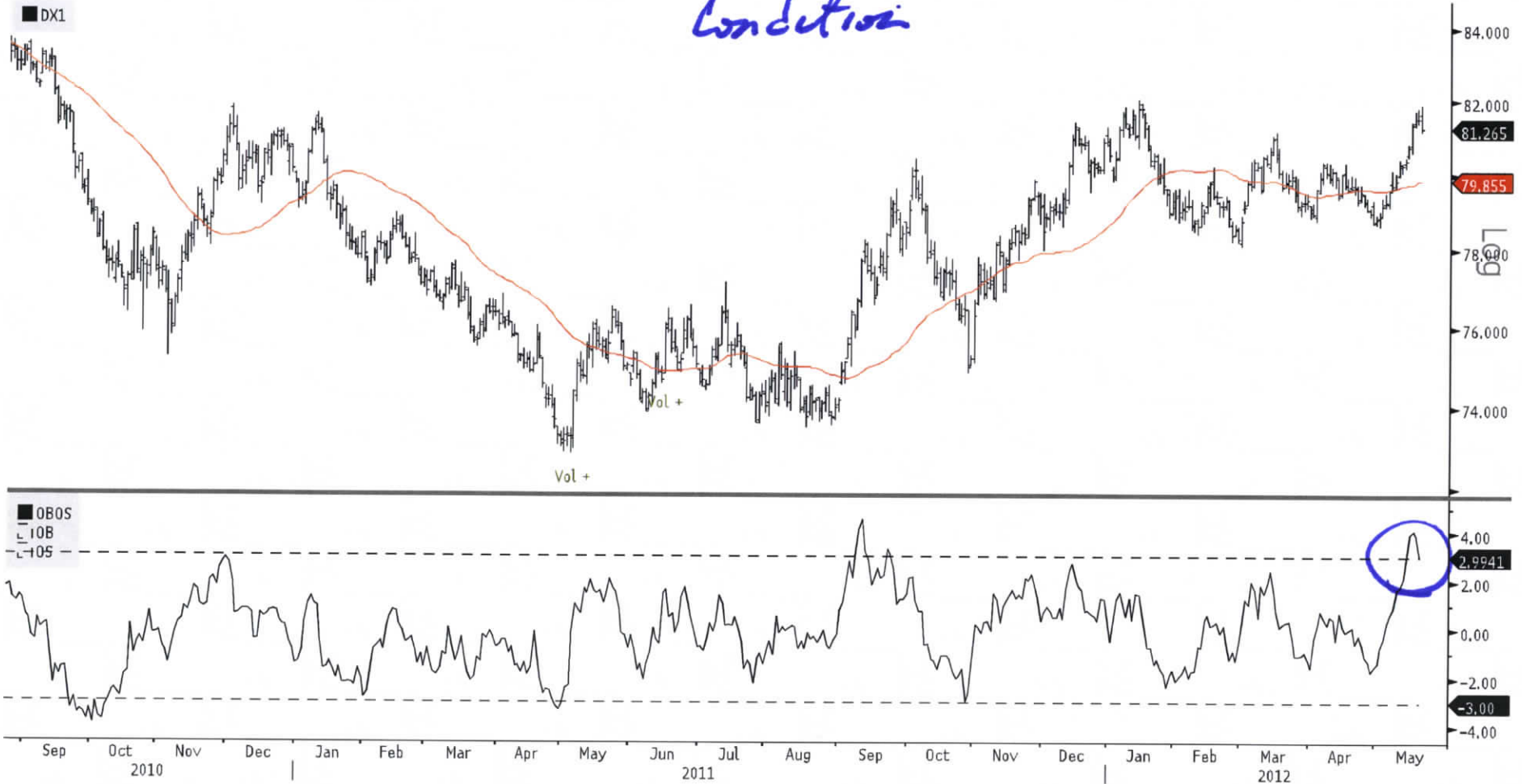
The format and content of this report may not be modified or altered (including, but not limited to, via deletion or addition) in any way. The BLOOMBERG PROFESSIONAL service and BLOOMBERG Data are owned and distributed locally by Bloomberg Finance L.P. ("BFLP") and its subsidiaries in all jurisdictions other than Argentina, Bermuda, China, India, Japan and Korea (the "BLP Countries"). BFLP is a wholly-owned subsidiary of Bloomberg L.P. ("BLP"). BLP provides BFLP with all global marketing and operational support and service for the Services and distributes the Services either directly or through a non-BFLP subsidiary in the BLP Countries. BFLP, BLP and their affiliates do not provide investment advice or guarantee the accuracy of prices or information in the Services. Nothing on the Services shall constitute an offering of financial instruments by BFLP, BLP or their affiliates.

Gold rallied last 2-days of the week



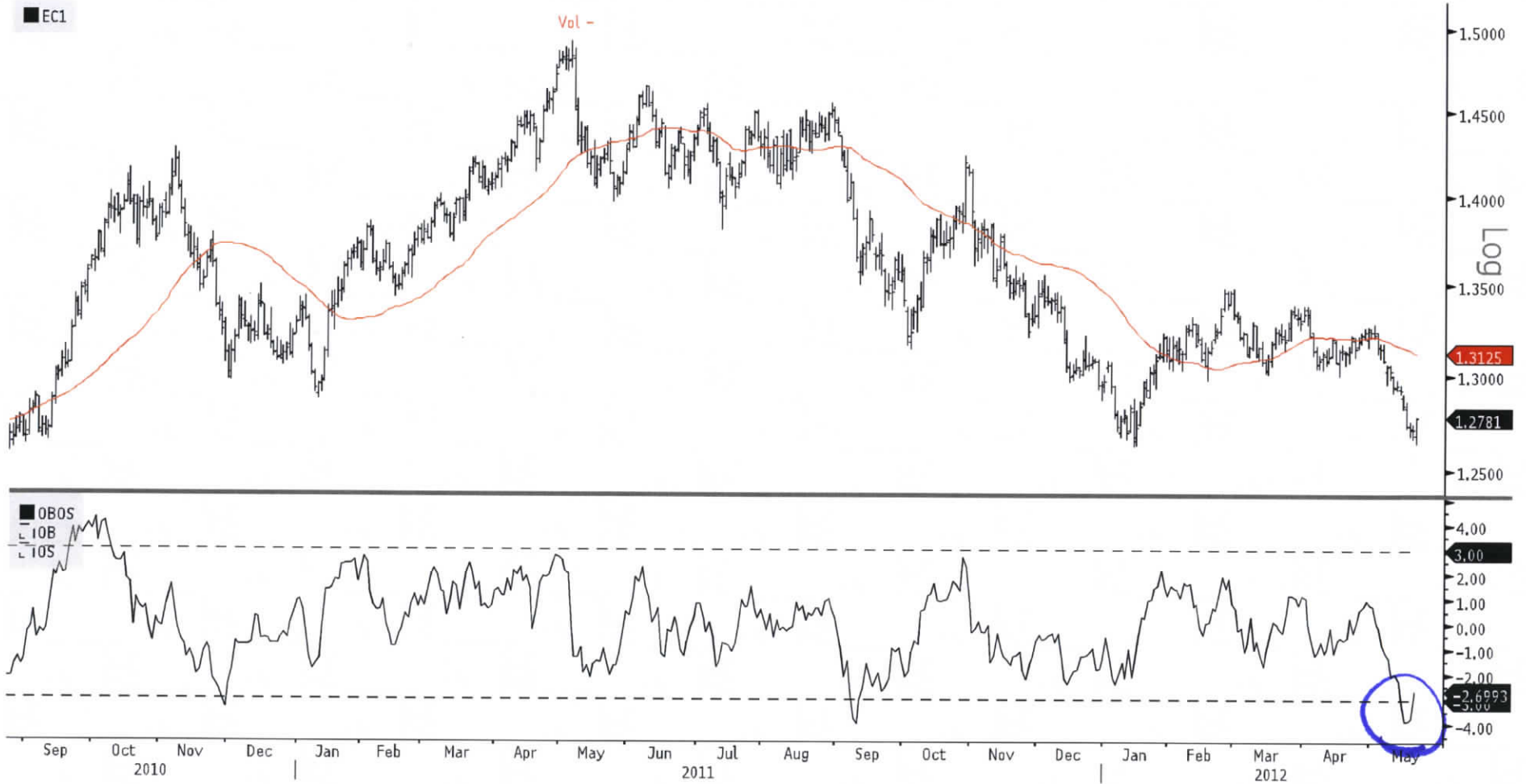
The format and content of this report may not be modified or altered (including, but not limited to, via deletion or addition) in any way. The BLOOMBERG PROFESSIONAL service and BLOOMBERG Data are owned and distributed locally by Bloomberg Finance L.P. ("BFLP") and its subsidiaries in all jurisdictions other than Argentina, Bermuda, China, India, Japan and Korea (the "BLP Countries"). BFLP is a wholly-owned subsidiary of Bloomberg L.P. ("BLP"). BLP provides BFLP with all global marketing and operational support and service for the Services and distributes the Services either directly or through a non-BFLP subsidiary in the BLP Countries. BFLP, BLP and their affiliates do not provide investment advice or guarantee the accuracy of prices or information in the Services. Nothing on the Services shall constitute an offering of financial instruments by BFLP, BLP or their affiliates.

Outside Reversal in \$
We think it just works off OB
condition



The format and content of this report may not be modified or altered (including, but not limited to, via deletion or addition) in any way. The BLOOMBERG PROFESSIONAL service and BLOOMBERG Data are owned and distributed locally by Bloomberg Finance L.P. ("BFLP") and its subsidiaries in all jurisdictions other than Argentina, Bermuda, China, India, Japan and Korea (the "BLP Countries"). BFLP is a wholly-owned subsidiary of Bloomberg L.P. ("BLP"). BLP provides BFLP with all global marketing and operational support and service for the Services and distributes the Services either directly or through a non-BFLP subsidiary in the BLP Countries. BFLP, BLP and their affiliates do not provide investment advice or guarantee the accuracy of prices or information in the Services. Nothing on the Services shall constitute an offering of financial instruments by BFLP, BLP or their affiliates.

Euro closed strong Friday

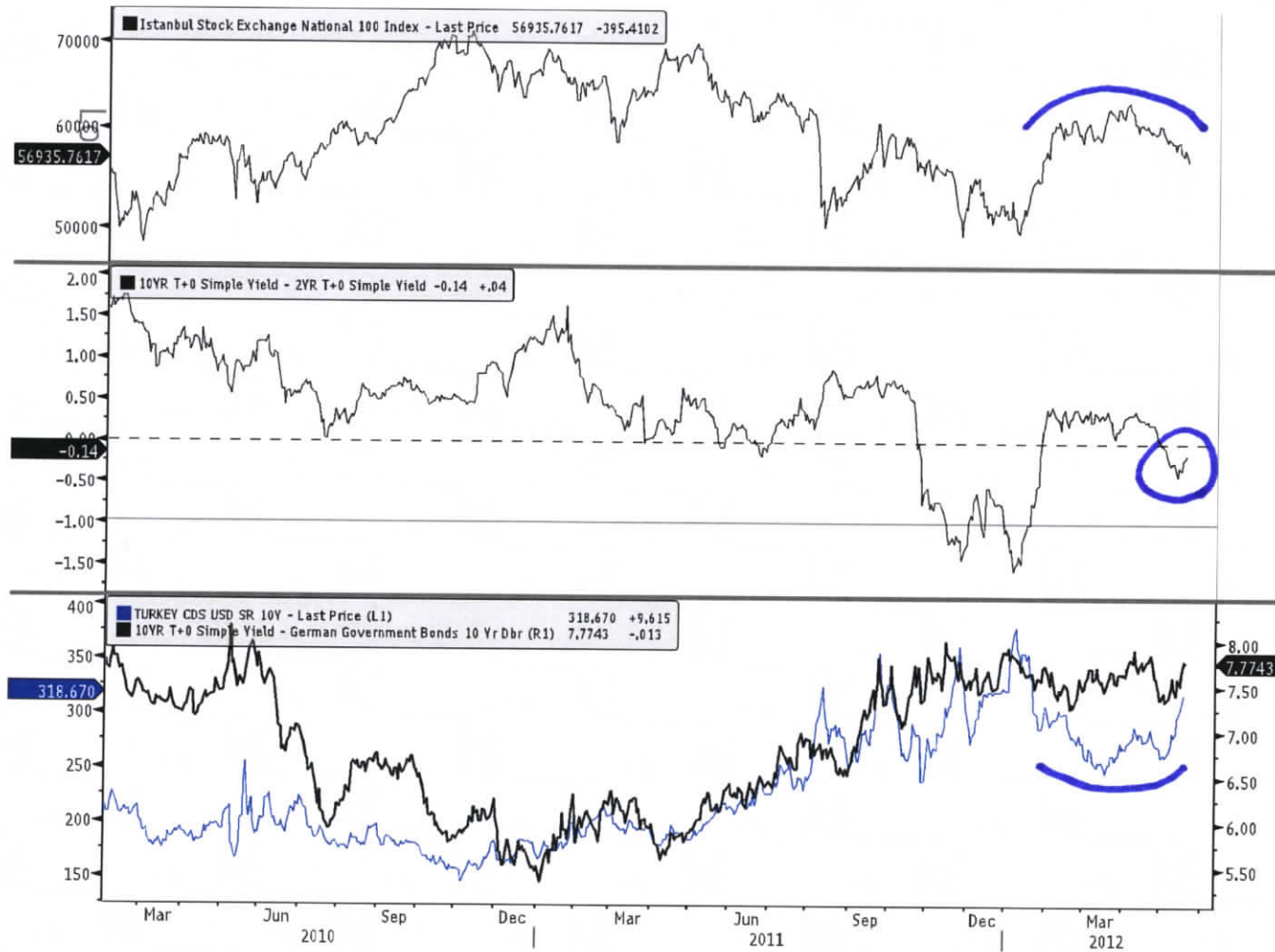


The format and content of this report may not be modified or altered (including, but not limited to, via deletion or addition) in any way. The BLOOMBERG PROFESSIONAL service and BLOOMBERG Data are owned and distributed locally by Bloomberg Finance L.P. ("BFLP") and its subsidiaries in all jurisdictions other than Argentina, Bermuda, China, India, Japan and Korea (the "BLP Countries"). BFLP is a wholly-owned subsidiary of Bloomberg L.P. ("BLP"). BLP provides BFLP with all global marketing and operational support and service for the Services and distributes the Services either directly or through a non-BFLP subsidiary in the BLP Countries. BFLP, BLP and their affiliates do not provide investment advice or guarantee the accuracy of prices or information in the Services. Nothing on the Services shall constitute an offering of financial instruments by BFLP, BLP or their affiliates.

Bloomberg

XU100 Index (Istanbul Stock Exchange Nat...
10YR T+0 Simple Yield - 2YR T+0 Simple Y...
10YR T+0 Simple Yield - German Governmen...
CTUR1U10 Cumcy (TURKEY CDS USD SR 10Y)

Turkey looks like a good short



The format and content of this report may not be modified or altered (including, but not limited to, via deletion or addition) in any way. The BLOOMBERG PROFESSIONAL service and BLOOMBERG Data are owned and distributed locally by Bloomberg Finance L.P. ("BFLP") and its subsidiaries in all jurisdictions other than Argentina, Bermuda, China, India, Japan and Korea (the "BLP Countries"). BFLP is a wholly-owned subsidiary of Bloomberg L.P. ("BLP"). BLP provides BFLP with all global marketing and operational support and service for the Services and distributes the Services either directly or through a non-BFLP subsidiary in the BLP Countries. BFLP, BLP and their affiliates do not provide investment advice or guarantee the accuracy of prices or information in the Services. Nothing on the Services shall constitute an offering of financial instruments by BFLP, BLP or their affiliates.

Bloomberg

BIPO Index (Bloomberg Initial Public Off...
BIPO Index (Bloomberg Initial Public...)

FB didn't help IPO index
on Friday.



The format and content of this report may not be modified or altered (including, but not limited to, via deletion or addition) in any way. The BLOOMBERG PROFESSIONAL service and BLOOMBERG Data are owned and distributed locally by Bloomberg Finance L.P. ("BFLP") and its subsidiaries in all jurisdictions other than Argentina, Bermuda, China, India, Japan and Korea (the "BLP Countries"). BFLP is a wholly-owned subsidiary of Bloomberg L.P. ("BLP"). BLP provides BFLP with all global marketing and operational support and service for the Services and distributes the Services either directly or through a non-BFLP subsidiary in the BLP Countries. BFLP, BLP and their affiliates do not provide investment advice or guarantee the accuracy of prices or information in the Services. Nothing on the Services shall constitute an offering of financial instruments by BFLP, BLP or their affiliates.

Legal Disclaimer

Analyst Certification: The analyst(s) principally responsible for the preparation of this research report certify that the views expressed in this research report accurately reflect his/her (their) personal views about the subject security (ies) or issuer(s) and that his/her (their) compensation was not, is not, or will not be directly or indirectly related to the specific recommendations or views contained in this research report.

Analyst: The analyst does not serve as an officer, director, or advisory board member of the subject company.
The analyst or a member of the analyst's household does not have a long position in shares or derivatives of the subject company.
The analyst or a member of the analyst's household does not have a short position in shares or derivatives of the subject company.
Rafferty Capital Markets, LLC has not acted as an investment banker for the company(s) mentioned in this report in the past or will solicit in the future.
The person(s) responsible for preparing this report regularly trade the constituents of the CRB index, currencies, fixed income securities and stock indices.

Receipt of Compensation: The research analyst responsible for preparation of this report has not received any compensation from the subject company in the past 12 months. Rafferty Capital Markets, LLC, Member SIPC, FINRA, (the "Firm") does not perform or seek to perform investment-banking services for these companies in the future. Analysts receive no direct compensation in connection with the firm's investment banking business. All Rafferty Capital Markets, LLC employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service specific monetary bonus compensation that is based upon various factors, including total revenues of Rafferty Capital Markets, LLC and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by directors, analysts or employees and may effect transactions in and have long or short positions in the securities (options or warrants with respect thereto) mentioned herein. Analysts are not eligible for bonus compensation. Although the statements of fact in this report have been obtained from and are based upon recognized statistical services, issuer reports or communications, or other sources that the firm believes to be reliable, we cannot guarantee their accuracy. All opinions and estimates included constitute the analyst's judgment as of the date of this report and are subject to change without notice. The firm may effect transactions as agent in the securities mentioned herein. This report is offered for information purposes only, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited.

Additional information available upon request.

Additional Significant Risk Factors and Investment Considerations: The securities or trading strategies discussed in this report may not be suitable for some investors. Investors must independently evaluate each issuer, security, or instrument discussed in this report and consult independent advisors where necessary.

1. Past Performance is not indicative of future results.
2. Market Risk: Securities may decline in value due to factors affecting securities markets generally or particular industries. The value of a security may be worth less than the original investment.
3. Concentration risk: Investing a substantial portion of assets in securities within a single industry or sector of the economy may be subject to greater price volatility or adversely affected by the performance of securities in that particular sector or industry.
4. Leverage Risk: Fluctuations in interest rates on borrowings or the dividend rates on preferred shares as a result of changes in short-term interest rates may reduce the return to common shareholders or result in fluctuations in the dividends paid on the common shares. There is no assurance that a leverage strategy will be successful.
5. Foreign Investment Risk: Investment in foreign securities (both governmental and corporate) may involve a high degree of risk. In regards to debt securities, such risks may impair the timely payment of principal and/or interest.
6. Short selling involves an inordinate amount of risk including the theoretical potential for unlimited losses and losses that can greatly exceed the principal amount invested. In contrast, the potential gain from short selling is generally limited to the principal amount invested. Short sellers can have their stock called away by the lender of the shares shorted, subjecting the short seller to incremental risk. Short sellers by definition must borrow shares, subjecting short sellers to margin risk. The risks cited here with respect to short selling are not all inclusive and investors should consult with their independent advisors prior to engaging in any recommended short selling strategies, including, if applicable, the short sale recommended in this report.

The risks detailed above are not inclusive. Other significant risk factors not identified here may be equally or more important to any particular investor in terms of assessing the overall risks associated with these securities. The information contained herein is illustrative and is not intended to predict actual results, which may differ substantially from those reflected herein. Investors should consider this report as only a single factor in making their investment decision.

Copyright © Renaissance Macro Research, LLC. 2011. All rights reserved. All material presented in this document, unless specifically indicated otherwise, is under copyright to Renaissance Macro Research, LLC. None of the material, nor its content, nor any copy of it, may be altered in any way, or transmitted to or distributed to any other party, without the prior express written permission of Renaissance Macro Research, LLC.