Breadth was more negative than price Tuesday, but 3-month yields blew out as the kicking the can down the road strategy started to infect securities with a longer shelf life. Looking at areas that are catching a bid from what we believe to be a temporary circumstance makes sense to us, so here are a few that come to mind. 1st Gold and silver rallied hard intra-day, though the overall trend remains weak: It’s a short. 2nd REITs are catching a modest bid with the improvement in bonds, and while we do believe that the baby has been thrown out with the bathwater, generally we believe the recent rally is bond yield related: REITs are a short/underweight. 3rd Credit spreads remain very well behaved outside of Treasuries, though volatility has picked up around the Washington events. Vol is nothing more than the equity markets equivalent of credit: downside vol is a short. 4th The likelihood of a debt default is slim to none, 3-month Treasuries are a buy. Note that the most speculative ends of the market have recently made new highs (R2000 and NDX), unusual to have these areas lead and the market roll-over.

Let’s look past the noise in Washington, as our man, Kim Wallace has been reiterating that the 17th deadline is not the drop dead date, rather the 31st or 1st of November is the point at which the U.S. Government would officially run out of money. He’s right out of the Treasury Department, and knows of what he speaks. He gives zero odds of a default, and that’s good enough for us.
US Financial Conditions on Verge of a New High
European Conditions Continue to Improve

- SXXP Index (STOXX Europe 600 Price Index EUR) - Last Price 314.820 +2.600

- EI715985 Corp (EFSF 3 3/8 07/05/21) - GDRB10 Index (German ... 0.05999 - .0116

Now D.C. is pushing 3m yields
Small reversal in gold after
Bears' sell signal.

We continue to believe gold
is a short.
Euro Banks look Great.
REITs Overbought in Downtrend

S&P 500 / Real Estate Investment Trusts - IND (SPG09)
Price - Close or Current Intraday

% of Issues Above the 50 Day Moving Average

10/15/2013 = 88.24%

Renaissance Macro Research - Technical Analysis
Chart so good
I signed up for 13 weeks
of weekend delivery.
(It is fireplace season)
Good Chart, surprised it's a 3... weak group
The Charles Schwab Corporation (SCHW-US)

RenMac Ranking: 2

Vol about in decent trend
Classic Cup w/ Handle

We love Relatively New Issue Breakout
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