

deGraaf's Daily

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.

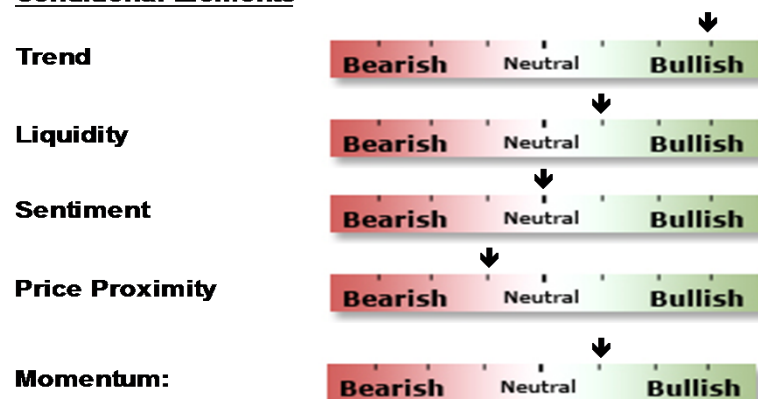
Let's look past the noise in Washington, as our man, Kim Wallace has been reiterating that the 17th deadline is not the drop dead date, rather the 31st or 1st of November is the point at which the U.S. Government would officially run out of money. He's right out of the Treasury Department, and knows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

Industry Group Technical Rankings

<u>Strongest</u>	<u>Weakest</u>
Automobiles	Tobacco
Diversified Financial Services	Construction Materials
Professional Services	Real Estate Investment Trusts
Distributors	Diversified Telecom Services
Auto Components	Metals & Mining

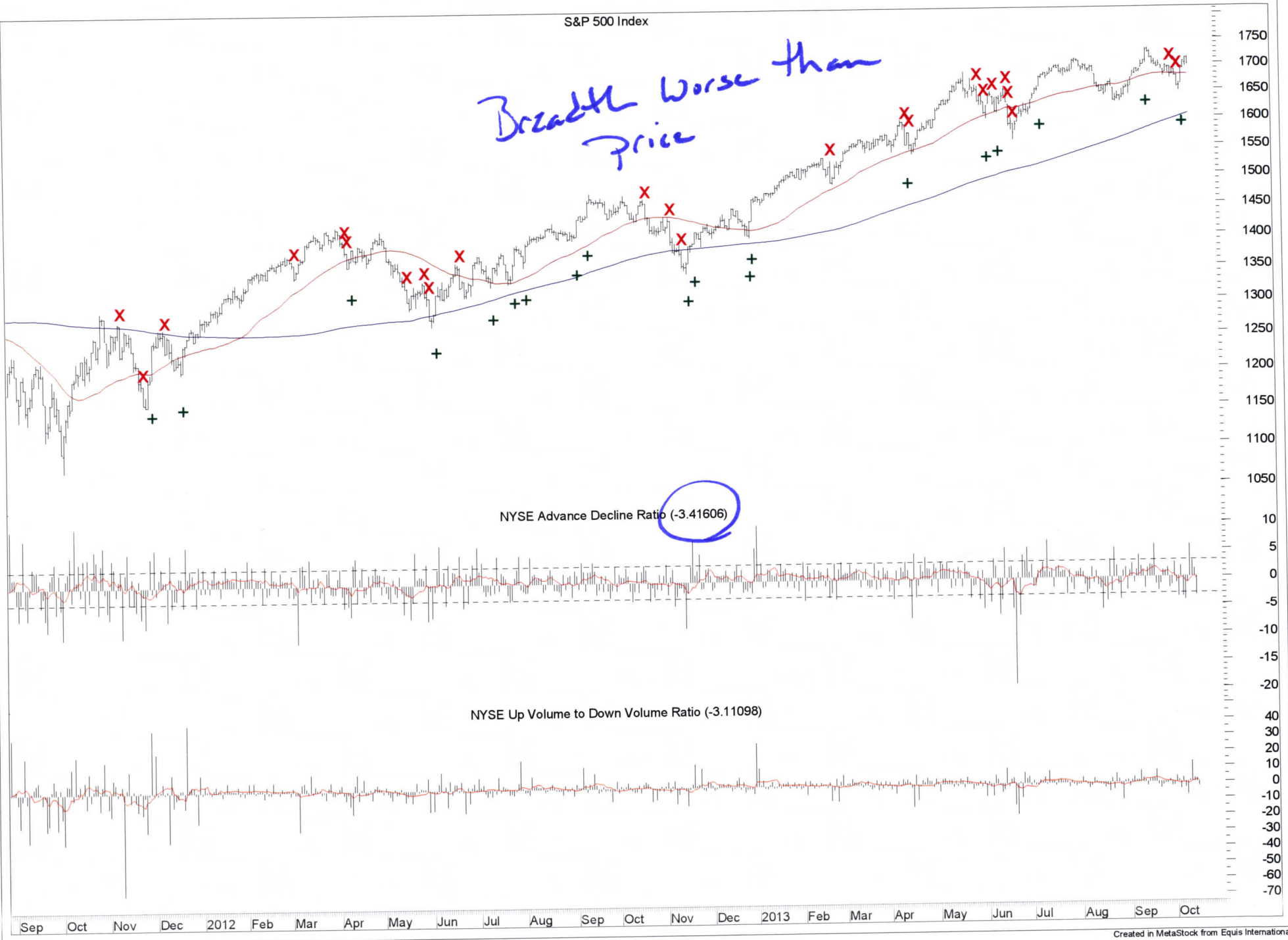
Intermediate Term Barometer

Conditional Elements



S&P 500 Index

Breadth worse than price



NYSE Advance Decline Ratio (-3.41606)

NYSE Up Volume to Down Volume Ratio (-3.11098)

Sep Oct Nov Dec 2012 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2013 Feb Mar Apr May Jun Jul Aug Sep Oct

US Financial Conditions on Verge of a New High

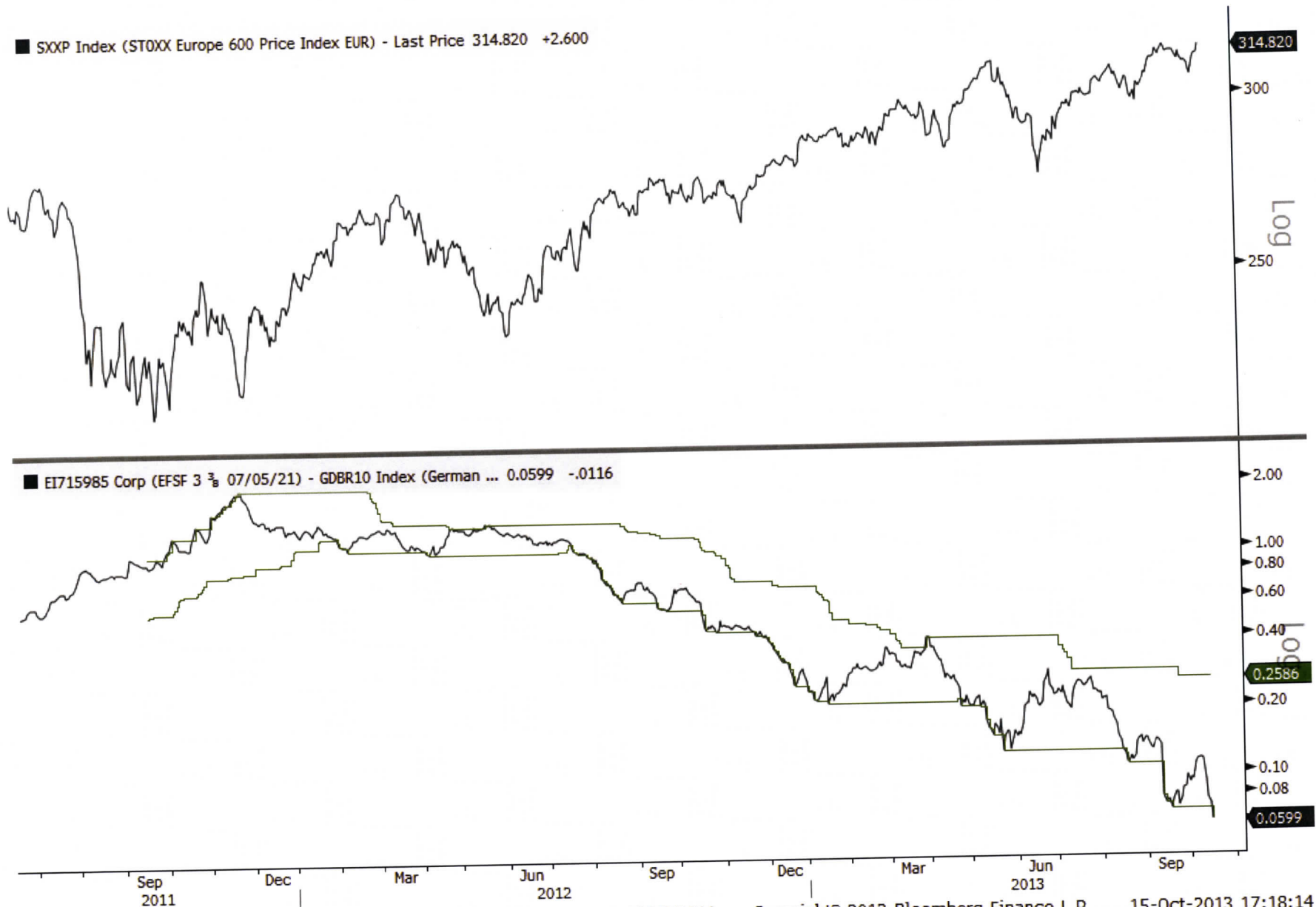
SPX Index (S&P 500 Index)
3FCIUS Index (Bloomberg United States Financial Conditions Index)



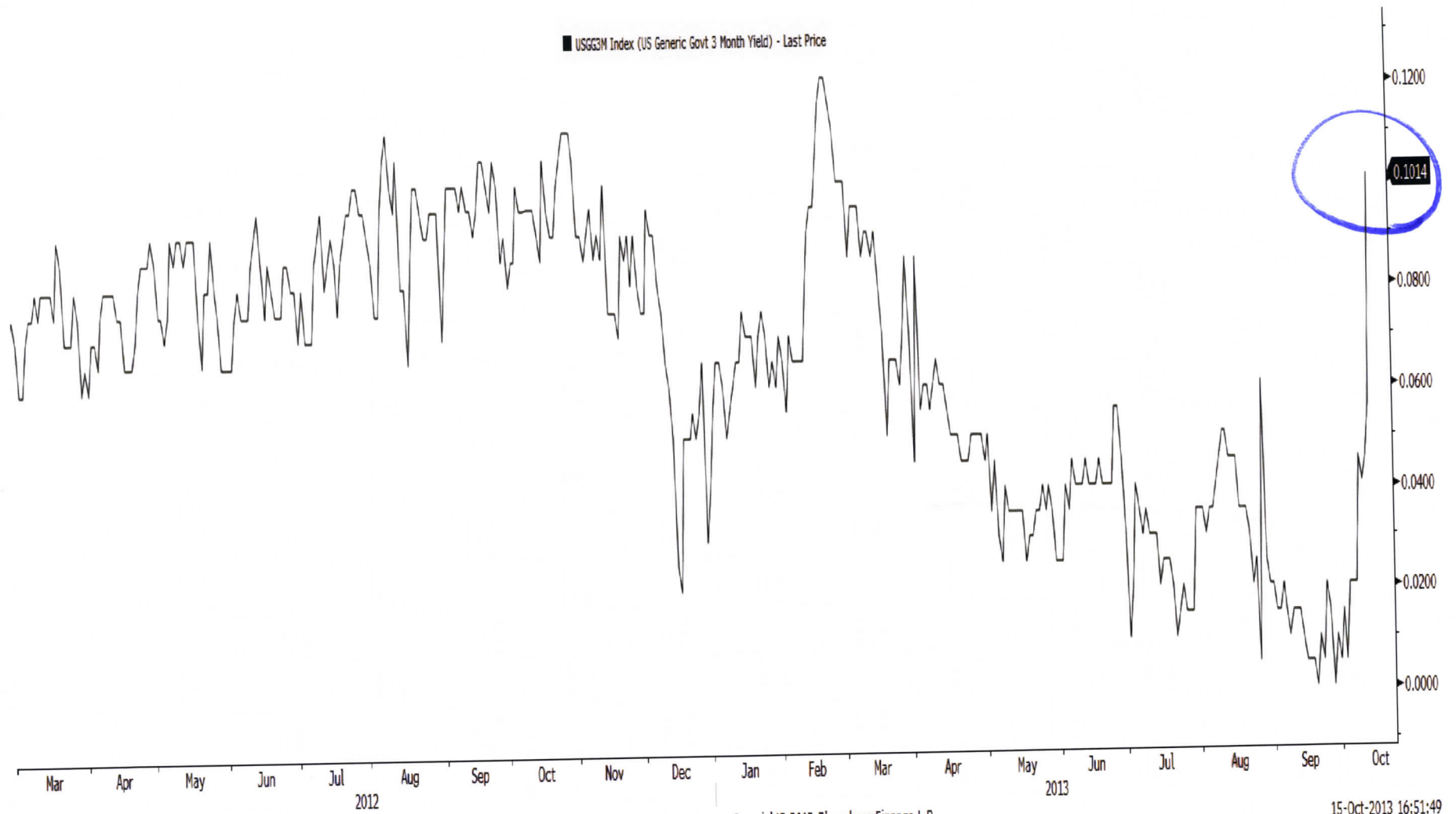
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European Conditions Continue to Improve



Now D.C. is pushing 3m yields



USGG3M Index (US Generic Govt 3 Month Yield) Daily Bar Chart

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15-Oct-2013 16:51:49

Small Reversal in Gold after
Bearish sell signal...
We continue to
believe gold
is a short.



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Euro Banks look Great

Bloomberg

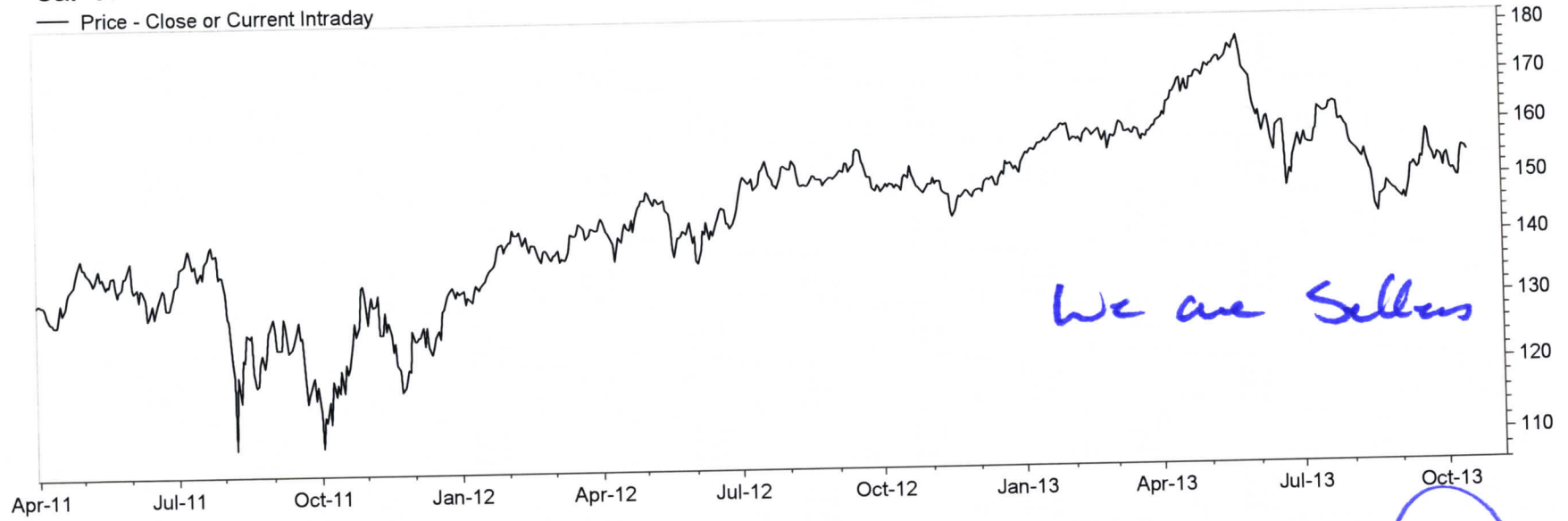
SX7E Index (EURO STOXX Banks Price EUR)
EURO STOXX Banks Price EUR / EURO STOXX ...



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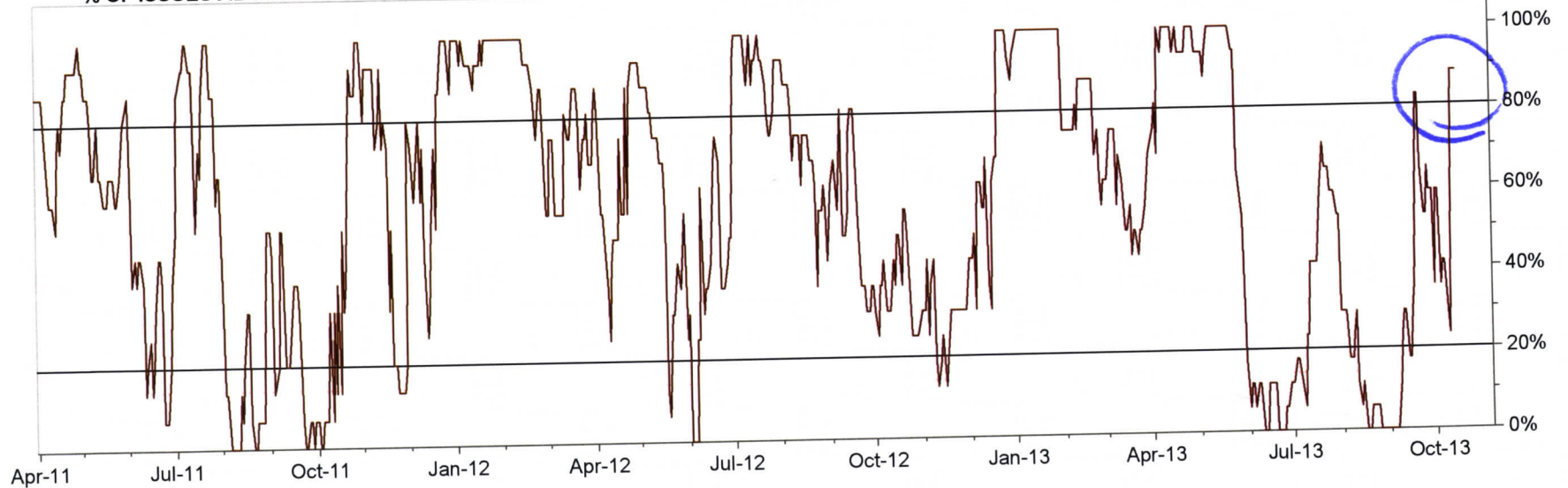
REITs Overbought in Downtrend

S&P 500 / Real Estate Investment Trusts -IND (SPG09)



10/15/2013 = 88.24%

— % OF ISSUES ABOVE THE 50 DAY MOVING AVERAGE

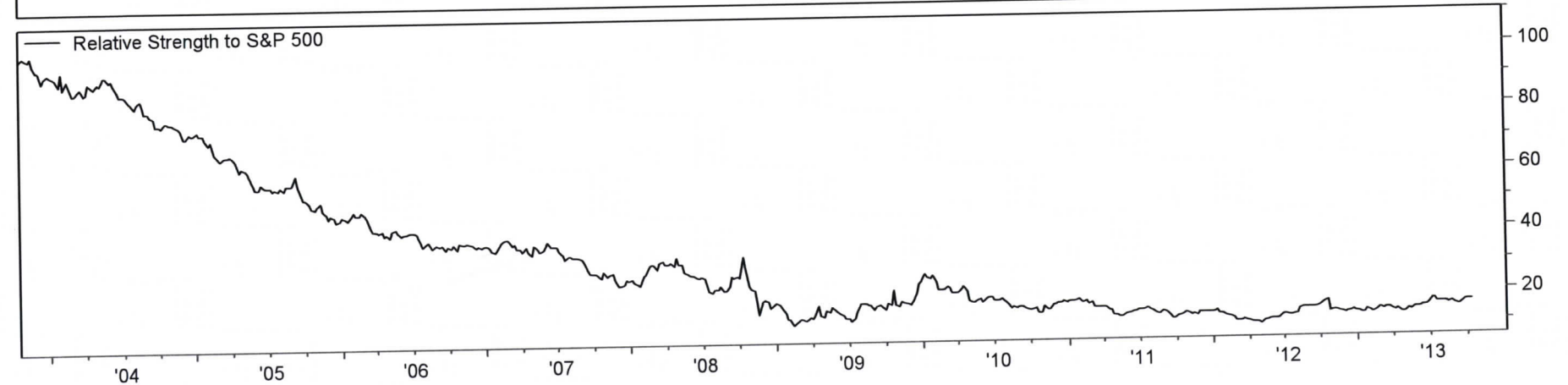


10 yr Chart... NYT Making the Turn

RenMac Ranking: 2

The New York Times Company Class A (NYT-US)

Price — 50 Day Moving Average — 200 Day Moving Average



FedEx Corporation (FDX-US)

Good Chart, surprised its

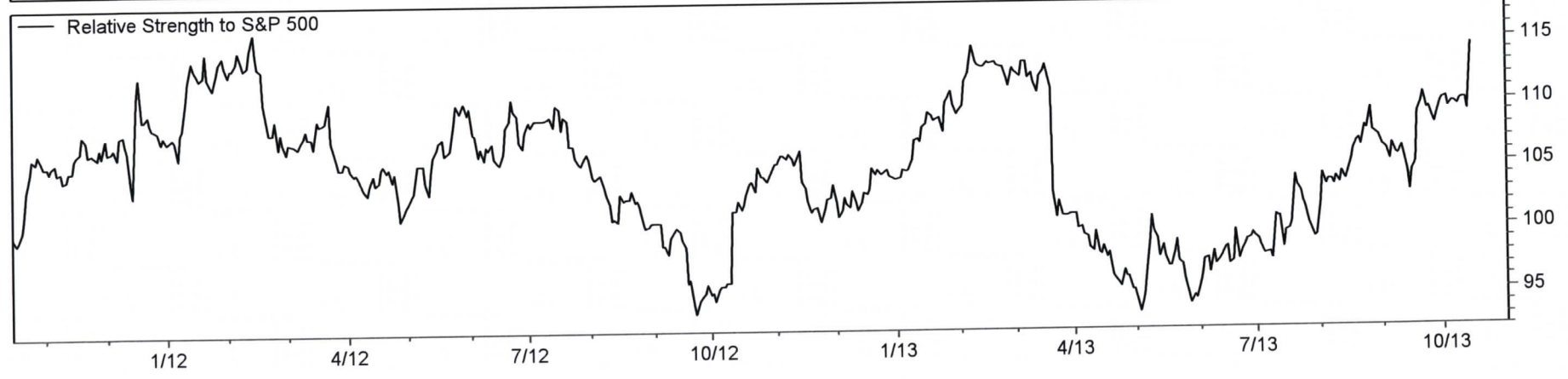
RenMac Ranking: 3

Price — 50 Day Moving Average — 200 Day Moving Average

a 3 week group



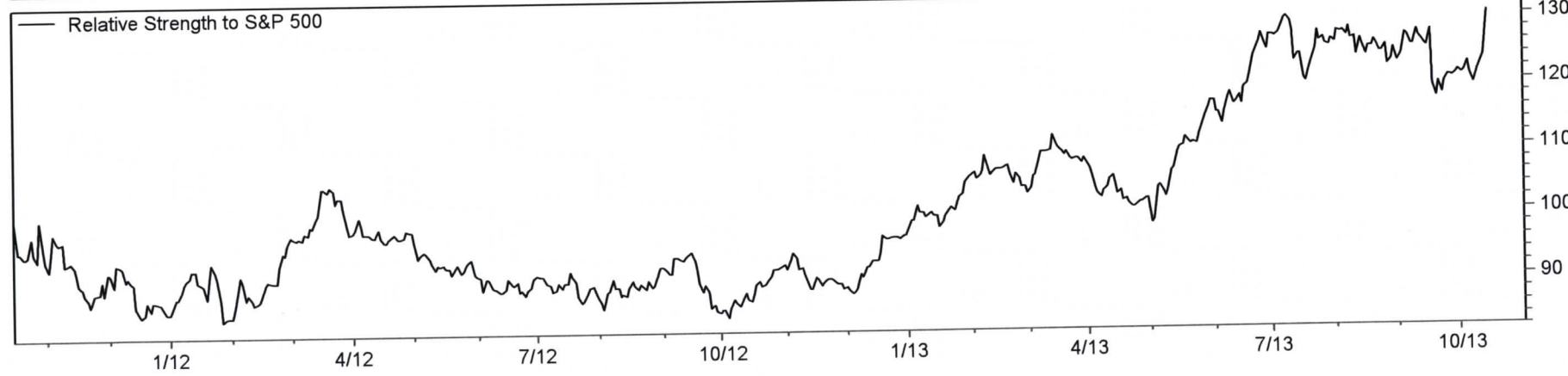
Relative Strength to S&P 500



+ vol about in decent trend

The Charles Schwab Corporation (SCHW-US)

RenMac Ranking: 2

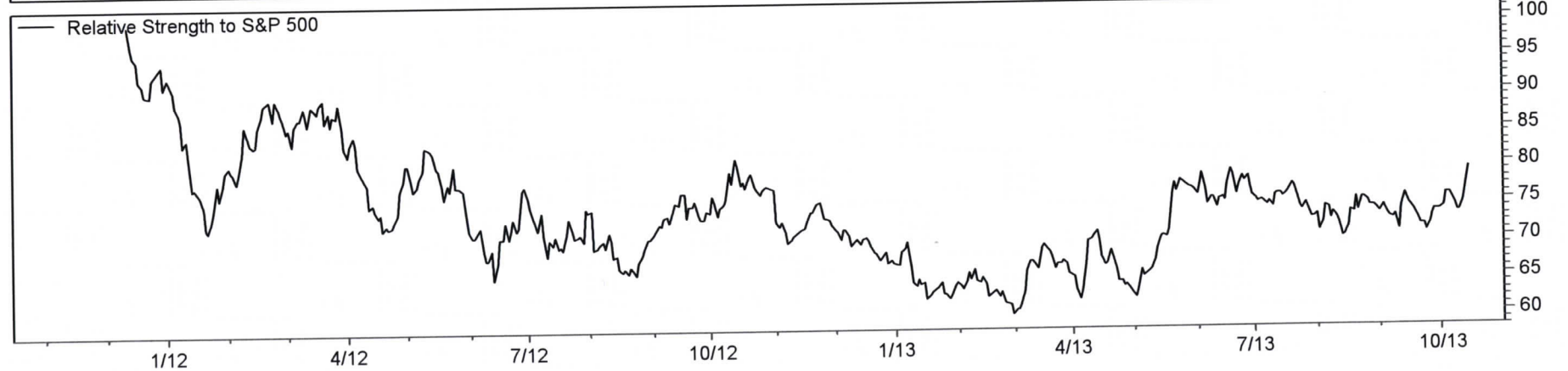


WPX Energy, Inc. Class A (WPX-US)

Classic Cup w/ Handle

RenMac Ranking: 2

Price — 50 Day Moving Average — 200 Day Moving Average



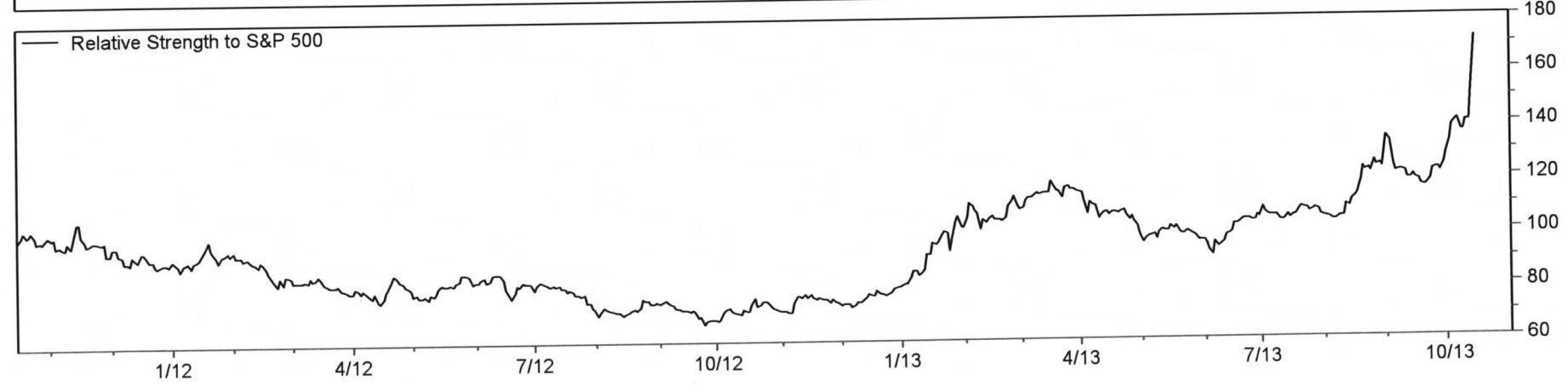
Don't know it, but don't

RenMac Ranking: @NA

OPKO Health, Inc. (OPK-US)

Price 50 Day Moving Average 200 Day Moving Average

lean strength



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